

## **Consumer Confidence Index – Nebraska and Survey of Nebraska Business: April 1, 2016**

**Prepared by the UNL College of Business Administration, Bureau of Business Research**

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***Summary:** Business expectations improved in Nebraska during March while consumer confidence was little changed. These findings, based on monthly surveys of both Nebraska households and businesses, show a split assessment of the state economy. In particular, the Consumer Confidence Index – Nebraska (CCI-N) stood at 91.0 in March, little changed from its value of 91.6 in February. However, consumer confidence was well below the value of 100 which would signify neutral confidence. Households report a variety of financial concerns with one-half indicating that their primary financial concerns relate to the cost of living including health care costs, taxes, major expenses (furniture, appliances, automobiles or college tuition) and the general cost of living. By contrast, respondents to the March 2016 Survey of Nebraska Business have a positive outlook, with strong expectations for sales and job growth at their businesses over the next six months. The outlook for sales is much stronger than in the February survey. To be specific, 45 percent of businesses expect sales at their business to rise over the next 6 months, while just 12 percent expect sales to decline. In terms of employment, 15 percent of responding businesspeople expect to increase employment while just 3 percent expect to reduce it. When asked about the most important issue facing their business, customer demand is mentioned most frequently, followed by the availability and quality of labor.*

### **Consumer Confidence Index - Nebraska**

The Consumer Confidence Index – Nebraska (CCI-N) summarizes responses to the *Survey of Nebraska Households* regarding household financial situation and the environment for making a major household purchase. Respondents provide their assessment of both current conditions and expectations for the next 6 months. The *Survey of Nebraska Households* is sent to 500 households each month. The survey asks respondents whether: 1) their household is better off financially now than it was six months ago 2) they expect their household to be better off financially in six months, 3) whether they believe now is a good time to make a major household purchase (automobile, appliance, or electronics) and 4) whether they expect it will be a good time to make a major household purchases 6 months in the future. The survey also asks a fifth question “What is the most important financial issue facing your household today?” Individual responses to that question fall into one dozen categories. In March, responses were received from 105 of the 500 surveyed households. This 21 percent response rate is sufficient for analysis of the results.

The Consumer Confidence Index – Nebraska is estimated based on responses to the first four questions. For each question, the share of respondents indicating that they are worse off (or that it is a bad time to make a major household purchase) is subtracted from the percentage who indicate they are better off (or that it is a good time to make a purchase). The number 100 is added to the difference in percentages. A value of 100, therefore, indicates that households are neutral, since a value of 100 would only arise if the same share of households declare that they are better off as declare that they are worse off. A value above 100 indicates strong consumer confidence. A value below 100 indicates weak consumer confidence.

The Consumer Confidence Index – Nebraska is the average of the values for the four questions. Therefore, a value over 100 for the CCI-N indicates strong consumer confidence.

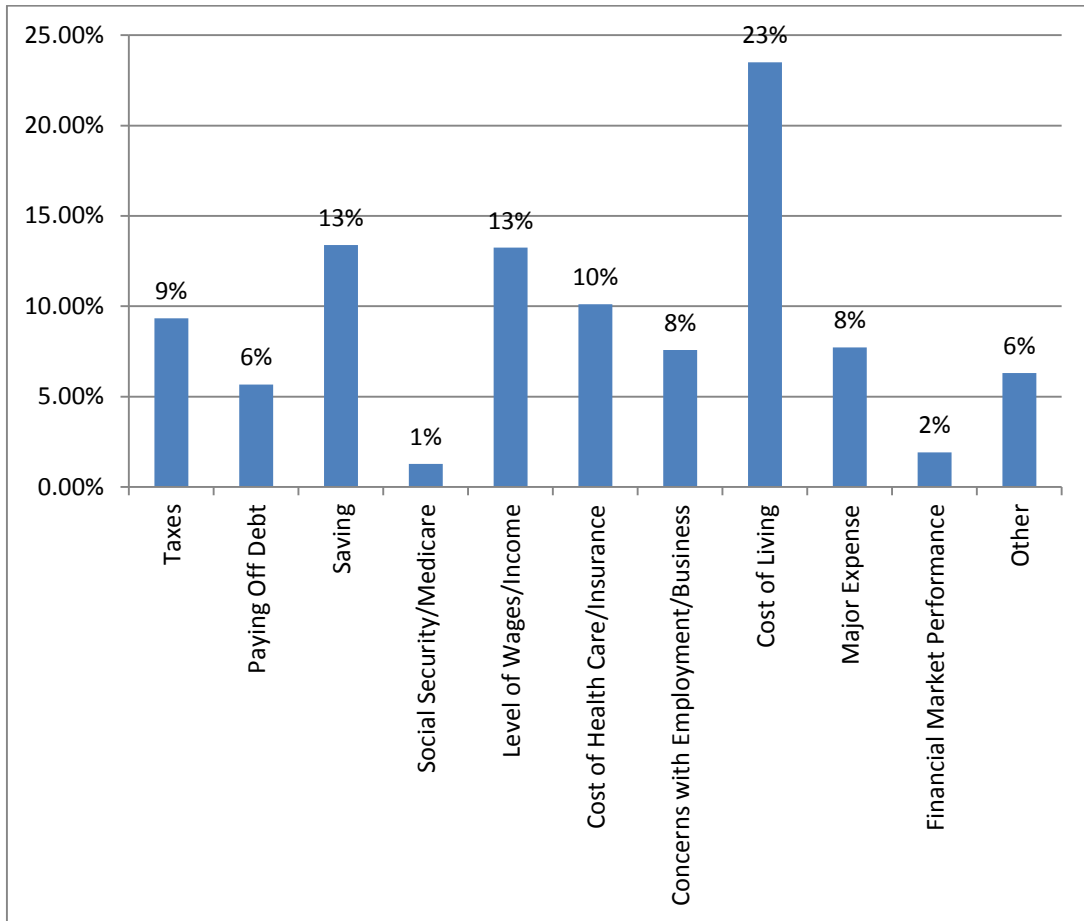
As seen in Table 1, the Consumer Confidence Index – Nebraska had a value of 91.0 in March 2015. This value is well below 100 and suggests that Nebraska households have weak consumer confidence. Such weak consumer confidence likely reflects stagnant real wages in Nebraska (and the United States as a whole) over most of the last fifteen years. The consumer confidence also was little changed from its value of 91.6 in February.

Table 1: Consumer Confidence Index - Nebraska, March 2016

Consumer Confidence Index – Nebraska	
Month	Index Value
March 2016	91.0
February 2016	91.6
Change from Previous Month	-0.6

Figure 1 shows household responses to the question about the most important financial issue they face. The most common single issue raised in March responses is the general cost of living, at 23 percent, followed by paying off debt, at 13 percent. These top issues point to a wider group of concerns. Half (50 percent) of respondents choose some type of cost factor as their top issue, whether the general cost of living, the cost of health care or health insurance (10 percent), taxes (9 percent), or major expenses (furniture, appliance, automobile, or college tuition; 8 percent). Nearly one-fifth of respondents choose paying off debt (6 percent) or savings as their top issue. Among other issues, 13 percent choose their current level of wages or income as the top issue, while 8 percent mention concerns about their job situation or their own business. This set of concerns is broadly similar to the concerns listed in the February survey.

Figure 1: Most Important Financial Issue Facing Nebraska Households, March 2016



Note: Percentages may not sum to 100% due to rounding

## Survey of Nebraska Business

The *Survey of Nebraska Business* is sent to 500 Nebraska business establishments each month. The survey asks business owners and managers whether they expect to expand sales and employment over the next 6 months. The survey also asks “What is the most important issue facing your business today?” Individual responses to that question fall into one dozen categories of business and public policy issues. Surveyed businesses are randomly selected from all industries, including agriculture. Businesses of all sizes are surveyed. In March, responses were received from 120 of the 500 surveyed businesses. This 24 percent response rate is sufficient for analysis of the results.

As seen in Table 2 below, respondents to the March 2016 Survey of Nebraska Business have a strong outlook for sales and employment at their businesses over the next 6 months. For sales, 45 percent expect sales to increase over the next 6 months while just 12 percent expect sales to decrease. This is a positive 33 percent gap. For employment, 15 percent of March respondents expect to add jobs over the next 6 months versus just 3 percent who expect to reduce employment, a positive 12 percent gap. The outlook for sales improved substantially compared to the February survey.

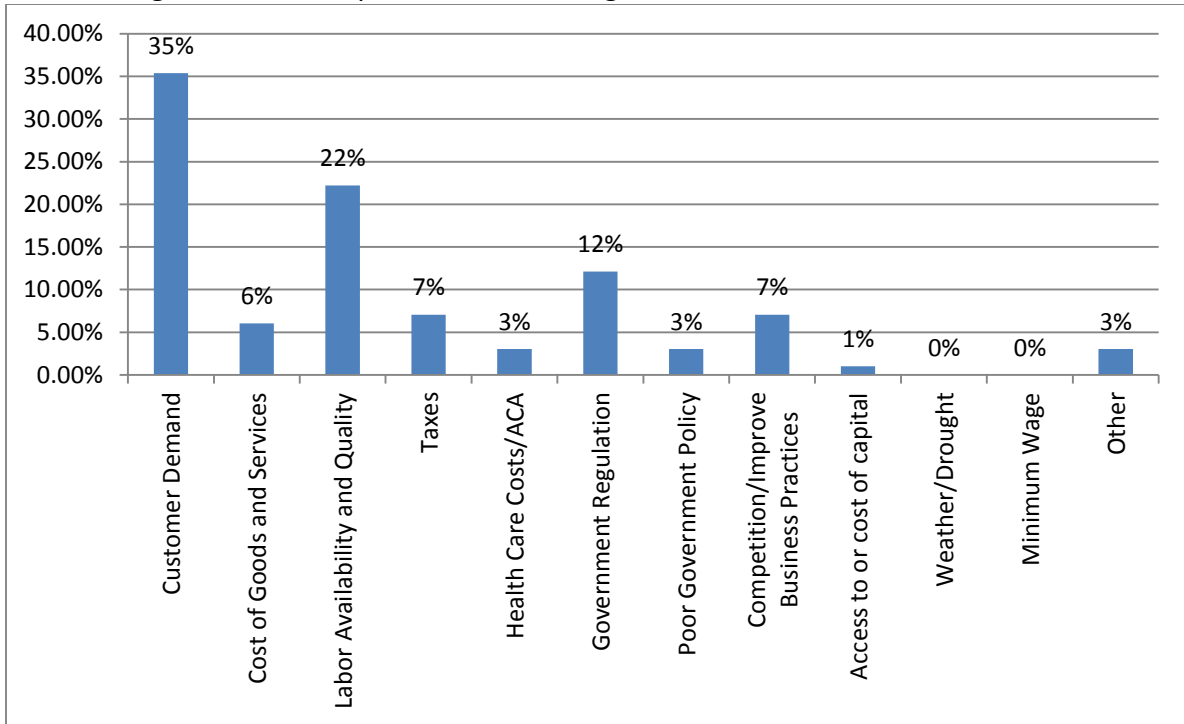
Table 2: Business Expectations for the Next Six Months, March 2016

	Change Over the Next Six Months	
	Sales	Employment
Increase	45%	15%
Stay the Same	44%	82%
Decrease	12%	3%

Note: Column totals may not sum to 100% due to rounding.

Results in Figure 2 show the top concerns of responding business owners and managers. Three quarters of responses are related to business operations issues such as customer demand for goods or services, the cost of supplies, labor availability and quality, competition from other businesses or the need to improve business practices. Customer demand is the most common top concern, named by 35 percent of respondents. The availability and quality of labor is the second most cited top concern, chosen by 22 percent of respondents. One quarter of businesses chose a public policy issues as their top concern. Government regulations is chosen by 12 percent of respondents, while taxes is chosen by 7 percent. Interestingly, health care costs and the Affordable Care Act is chosen by just 3 percent of respondents.

Figure 2: Most Important Issue Facing Nebraska Businesses, March 2016



Note: Percentages may not sum to 100% due to rounding