

Nebraska Business and Consumer Confidence Indexes: April 10, 2020

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

Author: Dr. Eric Thompson

Summary: Consumer and business confidence fell in Nebraska during March 2020, with consumer confidence turning negative. The decline appeared to be related to the COVID-19 Pandemic with 24 percent of replying businesses and 11 percent of responding households specifically mentioning the virus. The Consumer Confidence Index – Nebraska (CCI-N) fell to 97.9 in March 2020 from 107.9 in February. The March value is below the neutral level and indicates consumer confidence has turned negative in Nebraska. The Business Confidence Index – Nebraska (BCI-N) fell to 105.2 in March from 111.1 in February.

Consumer Confidence Index - Nebraska

The Consumer Confidence Index – Nebraska (CCI-N) summarizes responses to the monthly *Survey of Nebraska Households* regarding the 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) they believe now is a good time to make a major household purchase (automobile, appliance, or electronics) and 4) they expect it will be a good time to make a major household purchase 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 twelve categories. In March, responses were received from 128 of the 500 surveyed households, for a 26 percent response rate.

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 positive consumer confidence. A value below 100 indicates negative 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 positive consumer confidence.

As seen in Table 1, the Consumer Confidence Index – Nebraska had a value of 97.9 in March 2020. This value is below the neutral level of 100.0 and down sharply from a value of 107.9 during February. Consumer confidence has turned negative in Nebraska.

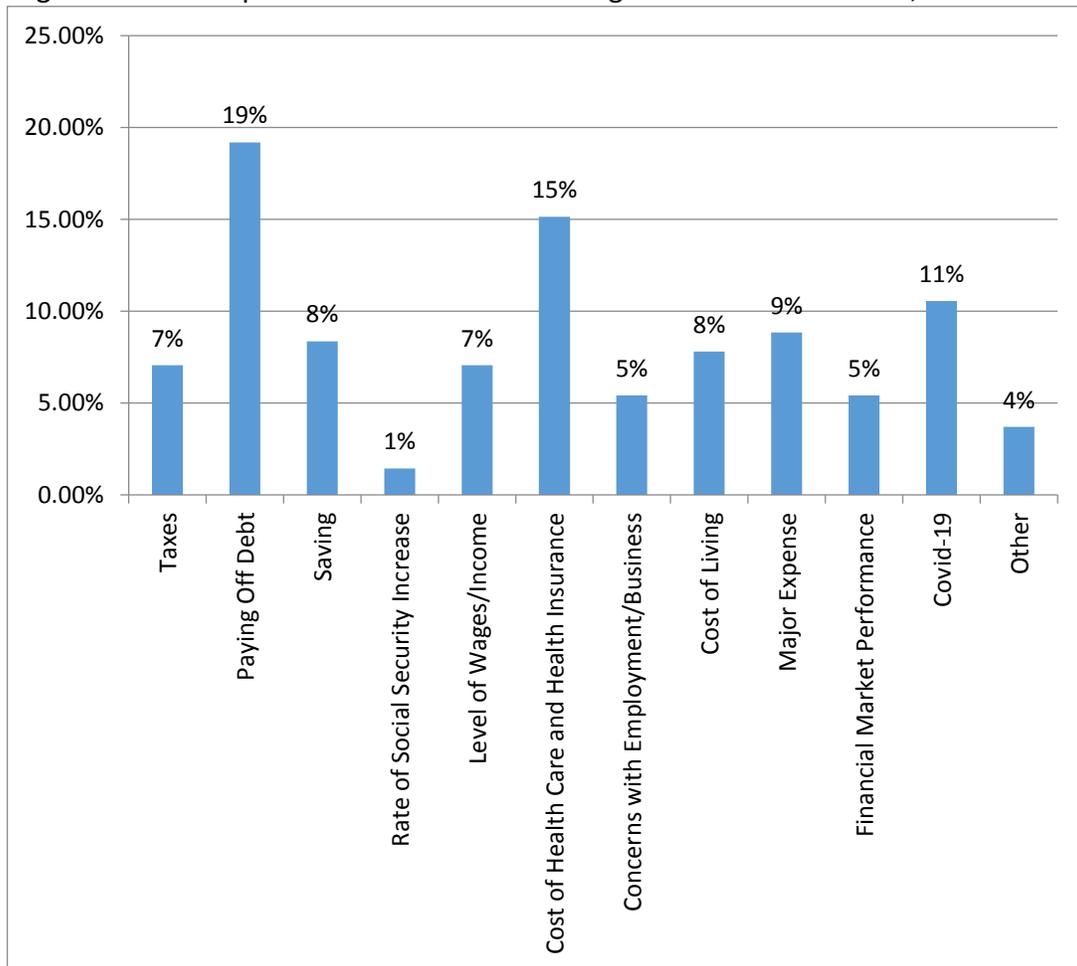
Table 1: Consumer Confidence Index – Nebraska March 2020

Consumer Confidence Index – Nebraska	
Month	Index Value
March 2020	97.9
February 2020	107.9
Change from Previous Month	-10.0

Source: Survey of Nebraska Households

Figure 1 shows household responses to the question about the most important financial issue they face. The most common issues raised by March respondents were paying off debt (19 percent) and the cost of health care and health insurance (15 percent). Eleven percent of respondents particularly mentioned the COVID-19 virus. Overall, two-fifths of respondents chose some type of cost factor as their top issue, whether the cost of healthcare and health insurance, the general cost of living (8 percent), taxes (7 percent), or a major expense (home or vehicle repairs or a new home) (9 percent). In addition, 27 percent of respondents chose paying off debt or saving (8 percent) as their top issue. Five percent of households indicated that their top issue was the financial market performance with another 5 percent choosing concerns about their employment or business.

Figure 1: Most Important Financial Issue Facing Nebraska Households, March 2020



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

Source: Survey of Nebraska Households

Survey of Nebraska Business

The Business Confidence Index – Nebraska (BCI-N) summarizes responses to the monthly *Survey of Nebraska Business* regarding sales and employment. Respondents provide their assessment of both recent employment and sales growth and expectations for the next 6 months. The *Survey of Nebraska Business* is sent to 500 Nebraska business establishments each month. The survey asks respondents whether: 1) the dollar sales volume at their business was higher, lower, or about the same as it was over the previous 6 months 2) the dollar sales volume at their business will be higher, lower, or about the same over the next 6 months, 3) the total number of employees at their business increased, decreased or stayed the same over the last 6 months and 4) the total number of employees at their business will increase, decrease, or stay the same 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 116 of the 500 surveyed businesses, for a 23 percent response rate.

The Business Confidence Index – Nebraska is estimated based on responses to the first four questions. For each question, the percentage of respondents who indicate that sales or employment decreased (or will decrease) is subtracted from the percentage who indicate that sales or employment increased (or will increase). The number 100 is added to the difference in percentages. A value of 100, therefore, indicates that businesses are neutral since a value of 100 would only arise if the same percentage of businesses declare an increase as declare a decrease. A value above 100 indicates positive business confidence. A value below 100 indicates negative business confidence.

The Business Confidence Index – Nebraska is the average of the values for the four questions. Therefore, a value over 100 for the BCI-N indicates positive business confidence. Recent values for the Business Confidence Index – Nebraska are reported in Table 2.

Table 2: Business Confidence Index - Nebraska, March 2020

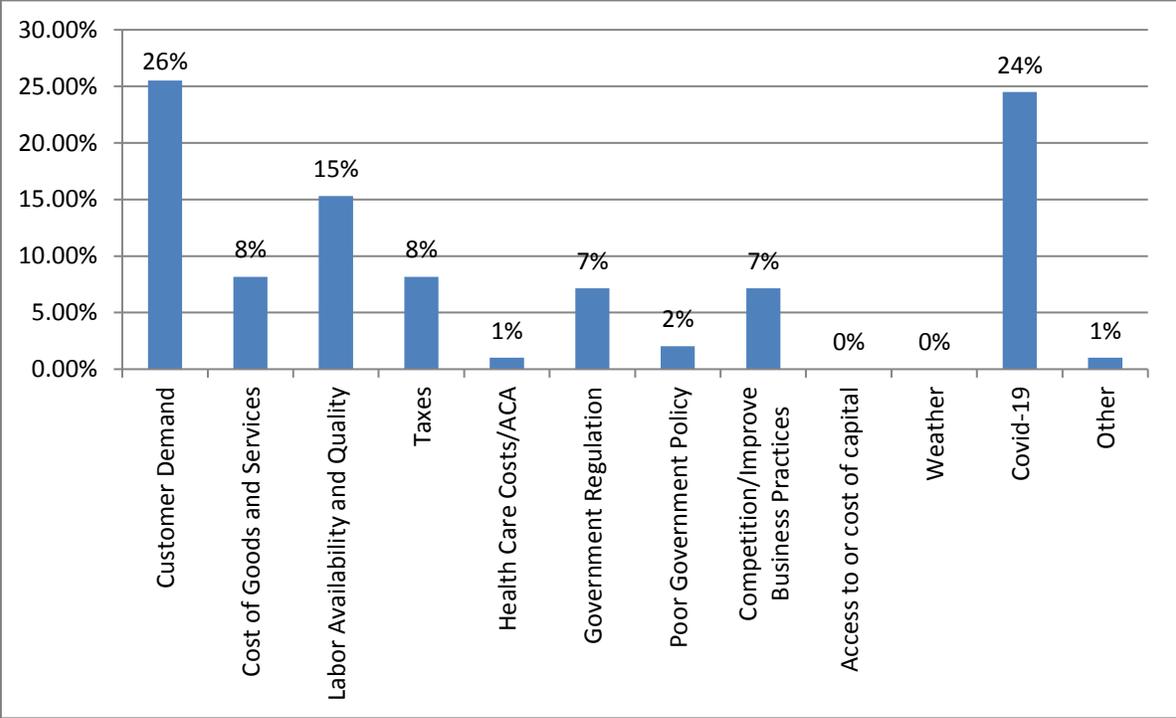
Business Confidence Index - Nebraska	
Month	Index Value
March 2020	105.2
February 2020	111.1
Change from Previous Month	-5.9

Source: Survey of Nebraska Business

As seen in Table 2, the Business Confidence Index – Nebraska fell between February and March of 2020. The value was 111.1 in February and dropped to 105.2 in March. Both values are above the neutral value of 100.

Results in Figure 2 show the top issues of business owners and managers responding to the March survey. Twenty-four percent of responding businesses mentioned the COVID-19 virus in their response. Other common responses were the level of customer demand, the cost of goods and services, labor availability and quality, or competition, and the need to improve business practices. Among public policy issues, 8 percent of respondents mentioned taxes as their top issue with 7 percent choosing government regulation.

Figure 2: Most Important Issue Facing Nebraska Businesses, March 2020



Note: Percentages may not sum to 100% due to rounding
Source: Survey of Nebraska Business