

## **Consumer Confidence Index – Nebraska and Survey of Nebraska Business: February 5, 2016**

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

**Author:** Dr. Eric Thompson

***Summary:** January surveys of Nebraska households and businesses reveal a split assessment of the Nebraska economy. Nebraska businesses are optimistic about the outlook for sales and employment while household consumer confidence is low. In particular, the Consumer Confidence Index – Nebraska (CCI-N), which is being released for the first time this month, declined during January 2016 to 84.7 from a value of 89.0 in December 2015. This level and drop in the index, which is calculated based on a Survey of Nebraska households, indicates that consumer confidence is weak in Nebraska. The drop may reflect a decline in optimism in the month after the Christmas Holiday and the sharp drop in stock market valuations during January. In terms of specific concerns, households report concerns about adequate savings, paying off debt, health care costs, and a rising cost of living. By contrast, respondents to the January 2016 Survey of Nebraska Business have a positive outlook for sales and employment. To be specific, 38 percent of responding businesspeople expect sales at their business to increase over the next 6 months while just 19 percent expect sales to decrease. In terms of employment, 18 percent of respondents expect to grow jobs compared to 5 percent who expect to reduce employment. When asked about the most important issue facing their business, customer demand is the top issue named by 42 percent of respondents. The availability and quality of labor is named as the top issue by 18 percent.*

### **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 December, responses were received from 133 of the 500 surveyed businesses. This 27% 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.

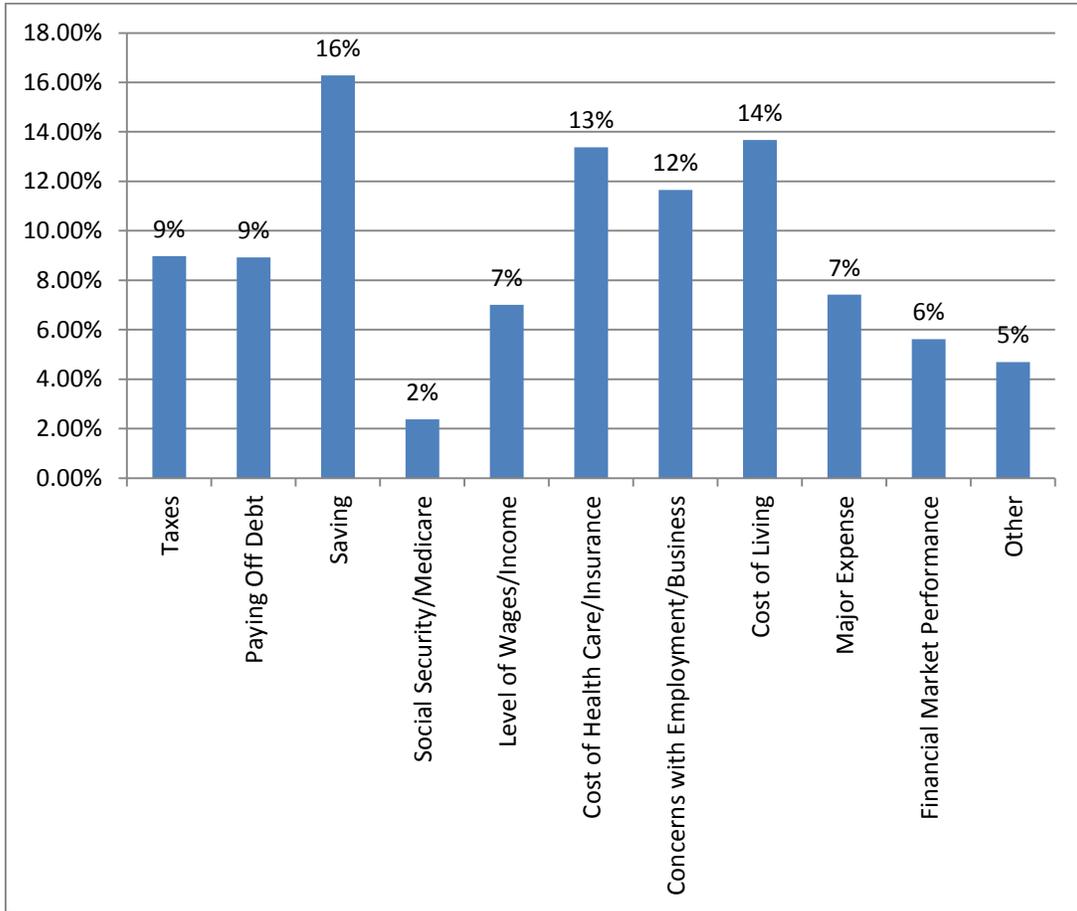
As seen in Table 1, the Consumer Confidence Index – Nebraska had a value of 84.7 in January 2016. This value is well below 100 and suggests that Nebraska households have weak consumer confidence. The consumer confidence index also declined by 4.3 points between December 2015 and January 2016. This drop in consumer confidence may reflect a drop in optimism in the month after the Christmas Holiday and the sharp drop in stock markets during January. More generally, weak consumer confidence reflects stagnant and declining real wages over the last fifteen years.

Table 1: Consumer Confidence Index - Nebraska, January 2016

Consumer Confidence Index – Nebraska	
Month	Index Value
January 2016	84.7
December 2015	89.0
Change from Previous Month	-4.3

Figure 1 shows household responses to the question about the most important financial issue they face. The most common single concern in January responses is savings, both in general and for specific purposes such as saving for retirement or saving for child tuition costs. Savings is chosen by 16 percent of respondents. In terms of themes, 43 percent of respondents choose taxes, health care costs, major expenses (such as purchasing home, car, or appliance), or the general cost of living as the most important financial issue. In other words, nearly one-half of Nebraska households are primarily concerned about household costs. Paying off debt and savings are chosen as the primary financial issue by one-quarter of Nebraska households. Nearly one in five respondents list current income or concerns about their job or business as their most important financial issue. Interestingly, 6 percent of respondents choose financial market performance as their top issue. In most cases, these respondents specifically referred to stock market valuations.

Figure 1: Most Important Financial Problem Facing Nebraska Households, January 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 January, responses were received from 141 of the 500 surveyed businesses. This 28% response rate is sufficient for analysis of the results.

As seen in Table 2 below, respondents to the January 2016 *Survey of Nebraska Business* have a very positive outlook for sales and employment over the next 6 months. While nearly half of January respondents expect no change in sales, 38 percent expect sales to increase and just 19 percent expect sales to decrease. This is a positive 19 percent gap. For employment, 18 percent of January respondents expect to add jobs over the next 6 months while 5 percent expect to reduce employment, a positive 13 percent gap. Expectations for sales and employment in January were stronger than those reported by respondents in December 2015.

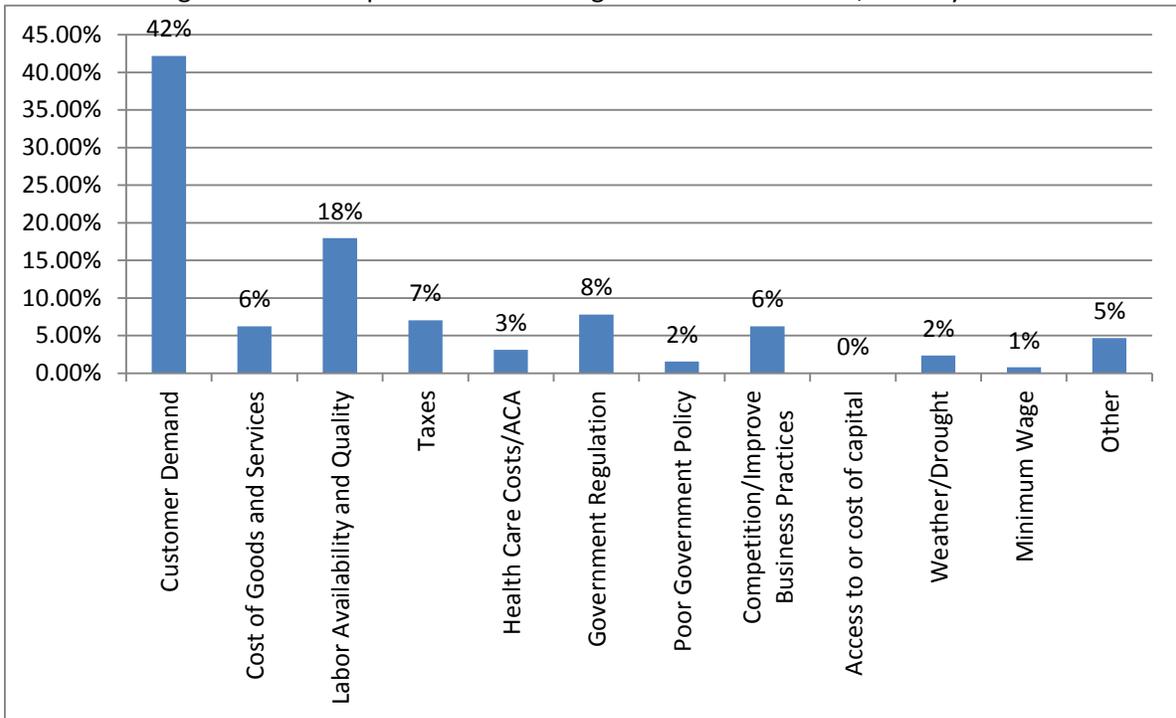
Table 2: Business Expectations for the Next Six Months, January 2016

	Change Over the Next Six Months	
	Sales	Employment
Increase	38%	18%
Stay the Same	43%	77%
Decrease	19%	5%

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. Four of five 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 42 percent of respondents. The availability and quality of labor is the second most cited top concern, chosen by 18 percent of respondents. Concerns about the cost of goods and services is the top concern of 6 percent of respondents. One in five businesses list public policy issues as their top concern. Regulation is chosen as the top concern by 8 percent of respondents, while property and other taxes are the top concern of 7 percent of respondents.

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



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