

## **Nebraska Business and Consumer Confidence Indexes: February 2, 2018**

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

**Author:** Dr. Eric Thompson

*Summary: Consumer and business confidence rebounded in Nebraska during January 2018. The Consumer Confidence Index – Nebraska (CCI-N) rose to 115.2, well above the neutral level of 100.0 and a value of 93.3 in December 2017. This is the highest level recorded for the CCI-N since it was first released in February of 2016. The Business Confidence Index – Nebraska (BCI-N) rose to 112.2 in January from 107.5 in December. Both monthly readings were well above the neutral value of 100.0. When asked about the most important issue facing their business, customer demand was mentioned by 40 percent of respondents. The availability and quality of labor was mentioned by 13 percent of January respondents while competition from other businesses was cited by 12 percent. As in other recent months, respondents citing competition were particularly concerned about competition from on-line businesses. Households reported a variety of financial concerns with 46 percent choosing the cost of living including taxes, health care costs, major expenses (furniture, appliances, automobiles) and the general cost of living. Twenty percent reported that their primary financial issue was either paying off debt or saving.*

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

The Consumer Confidence Index – Nebraska (CCI-N) summarizes responses to the monthly *Survey of Nebraska Households* regarding household financial situation and the environment for a 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 eleven categories. In January, responses were received from 111 of the 500 surveyed households, for a 22 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 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 115.2 in January 2018. This value is well above the neutral value of 100.0 and is the highest recorded value for the CCI-N since it was first released in February 2016. The value of the index rose 22.0 points from 93.3 in December 2017.

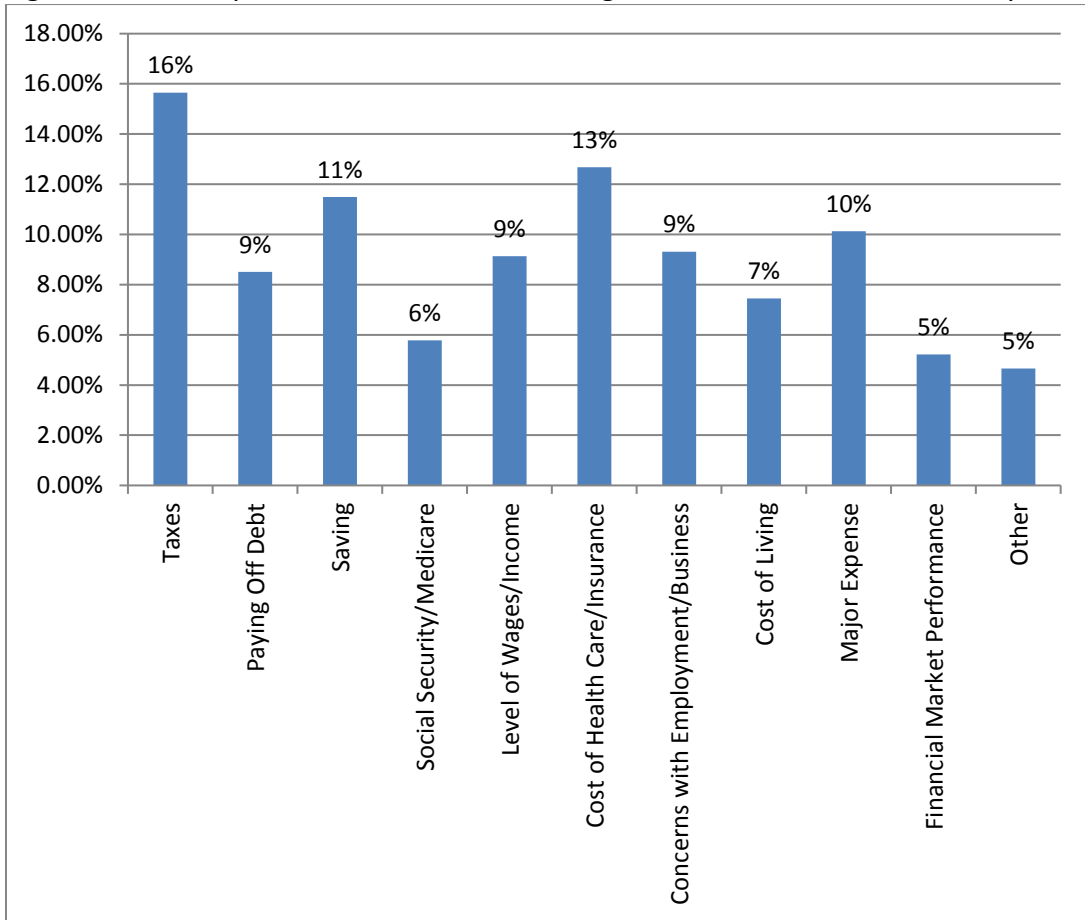
Table 1: Consumer Confidence Index - Nebraska, January 2018

Consumer Confidence Index - Nebraska	
Month	Index Value
January 2018	115.2
December 2017	93.3
Change from Previous Month	22.0

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 January respondents were taxes (16 percent) and the cost of health care (13 percent). Overall, 46 percent of respondents chose some type of cost factor as their top issue, whether the cost of health care, taxes, major expenses (10 percent) and the general cost of living (7 percent). Among other responses, 9 percent chose their level of wages or income as their top concern while the same percent percent chose concerns about their job or business. Twenty percent of respondents choose saving (11 percent) or paying off debt (9 percent) as their top issue.

Figure 1: Most Important Financial Issue Facing Nebraska Households, January 2018



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 January, responses were received from 130 of the 500 surveyed businesses, for a 26 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 strong business confidence. A value below 100 indicates weak 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 strong business confidence. Recent values for the Business Confidence Index – Nebraska are reported in Table 2.

Table 2: Business Confidence Index - Nebraska, January 2018

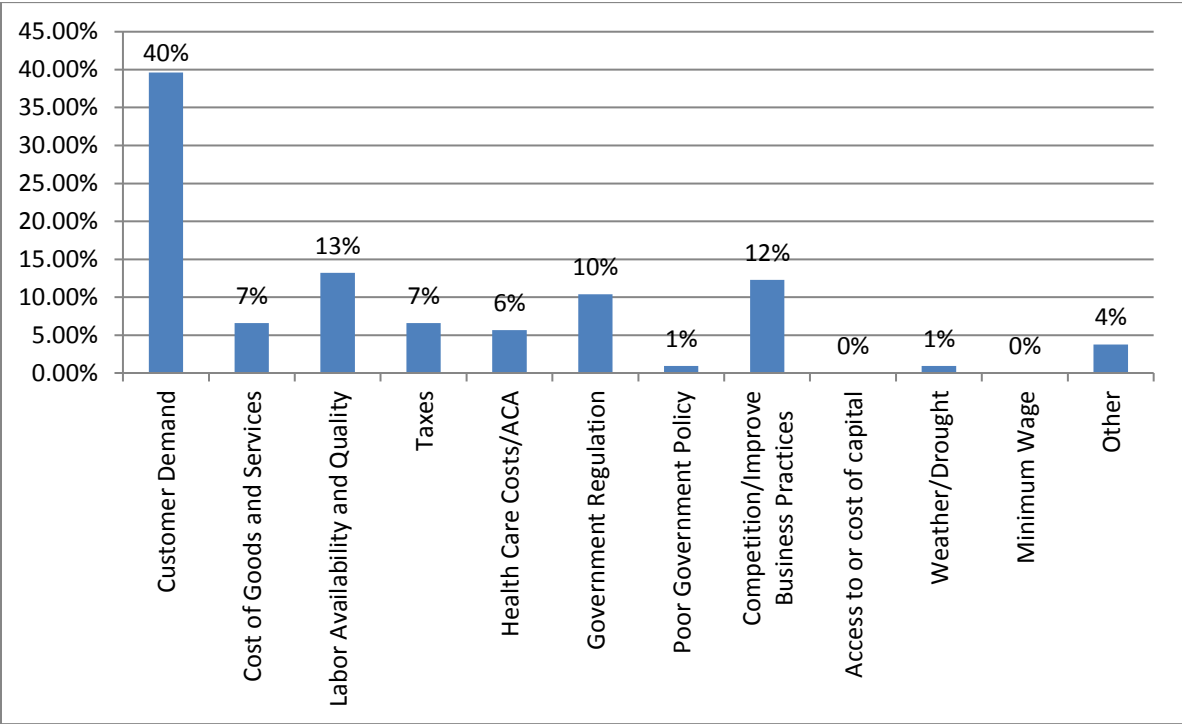
Business Confidence Index - Nebraska	
Month	Index Value
January 2018	112.2
December 2017	107.5
Change from Previous Month	4.7

Source: Survey of Nebraska Business

As seen in Table 2, the Business Confidence Index – Nebraska had a value of 112.2 in January 2018. This value is well above 100 and indicates that business confidence is strong in Nebraska. The value of the index rose by 4.7 points between December of 2017 and January of 2018.

Results in Figure 2 show the top concerns of business owners and managers responding to the January survey. Three in four responses were related to business operations issues such as customer demand for goods or services, labor availability and quality, or competition and the need to improve business practices. Customer demand was the most common top concern, named by 40 percent of respondents. Health care providers, agricultural businesses and other business located in small towns were especially likely to cite concerns with customer demand. Businesses also faced competition for labor and customers. Thirteen percent of respondents mentioned the quality and availability of labor as their top concern while 12 percent chose competition with other businesses. Among public policy issues, 10 percent of respondents chose regulation and 7 percent chose taxes. Six percent chose the cost of health care or the Affordable Care Act. Six percent chose the cost of health care or the Affordable Care Act.

Figure 2: Most Important Issue Facing Nebraska Businesses, January 2018



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