

Nebraska Business and Consumer Confidence Indexes: January 4, 2019

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

Author: Dr. Eric Thompson

Summary: Consumer confidence fell in Nebraska during December 2018. The Consumer Confidence Index – Nebraska (CCI-N) fell to 99.1 in December 2018, below the neutral value of 100, and well below the November value of 106.4. The Business Confidence Index – Nebraska (BCI-N) stood at 109.9 in December, well above the neutral level and slightly up from 107.2 in November. When asked about the most important issue facing their business, 36 percent of respondents chose customer demand while 26 mentioned the quality and availability of labor and 11 percent mentioned competition from other businesses. Half of responding households listed a cost factor as their top financial concern, with 50 percent choosing health care costs, the general cost of living, taxes and major expenses (furniture, appliances, automobiles). Twenty-three percent reported that their primary financial issue was either saving or paying off debt while 5 percent chose financial market performance.

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 eleven categories. In December, responses were received from 129 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 99.1 in December 2018. This value is just below the neutral level of 100.0. The value of the index fell by 7.3 points from 106.4 during November 2018.

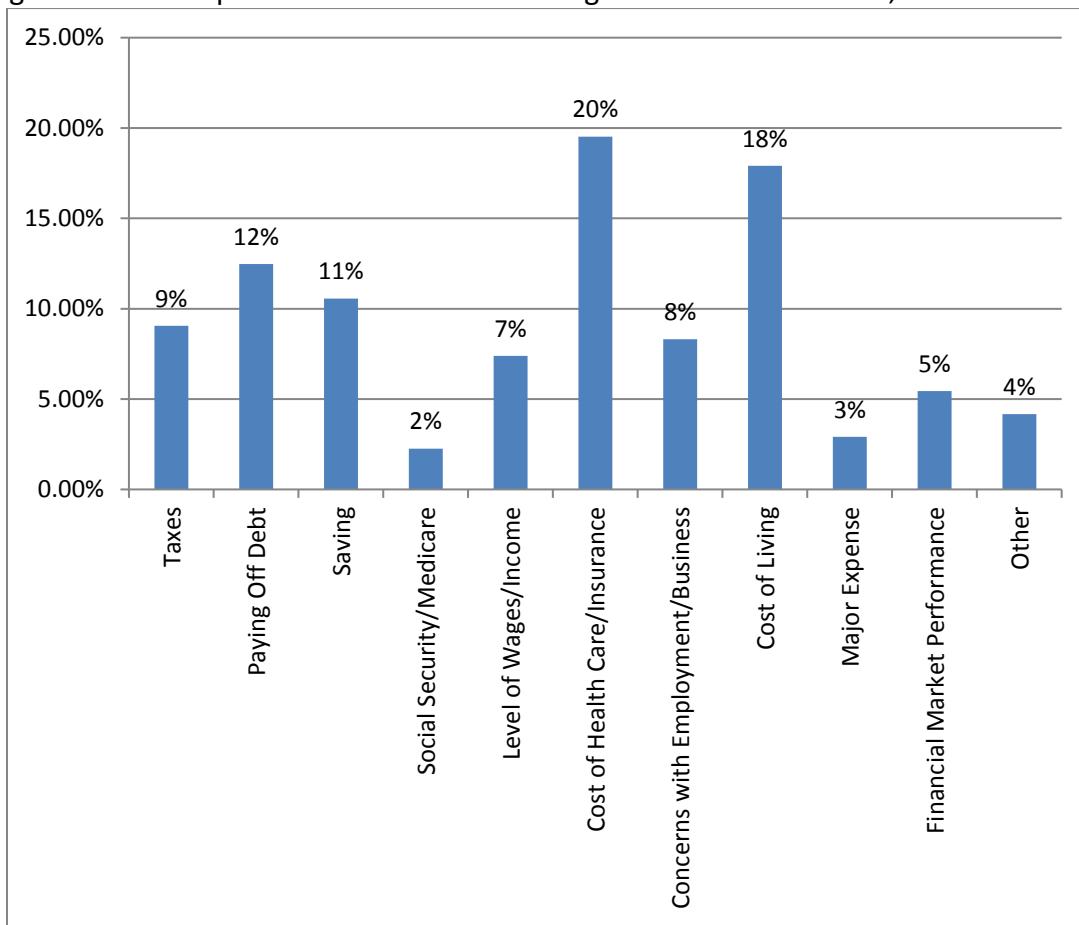
Table 1: Consumer Confidence Index - Nebraska, December 2018

Consumer Confidence Index - Nebraska	
Month	Index Value
December 2018	99.1
November 2018	106.4
Change from Previous Month	-7.3

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 December respondents were the cost of health care and health insurance (20 percent) and the general cost of living (18 percent). Overall, 50 percent of respondents chose some type of cost factor as their top issue, whether taxes (9 percent), the cost of health care, the general cost of living or a major expense (home or vehicle repairs, a new home or college tuition) (3 percent). Twenty-three percent of respondents choose paying off debt (12 percent) or saving (11 percent) as their top issue. Five percent of households choose financial market performance.

Figure 1: Most Important Financial Issue Facing Nebraska Households, December 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 December, responses were received from 141 of the 500 surveyed businesses, for a 28 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, December 2018

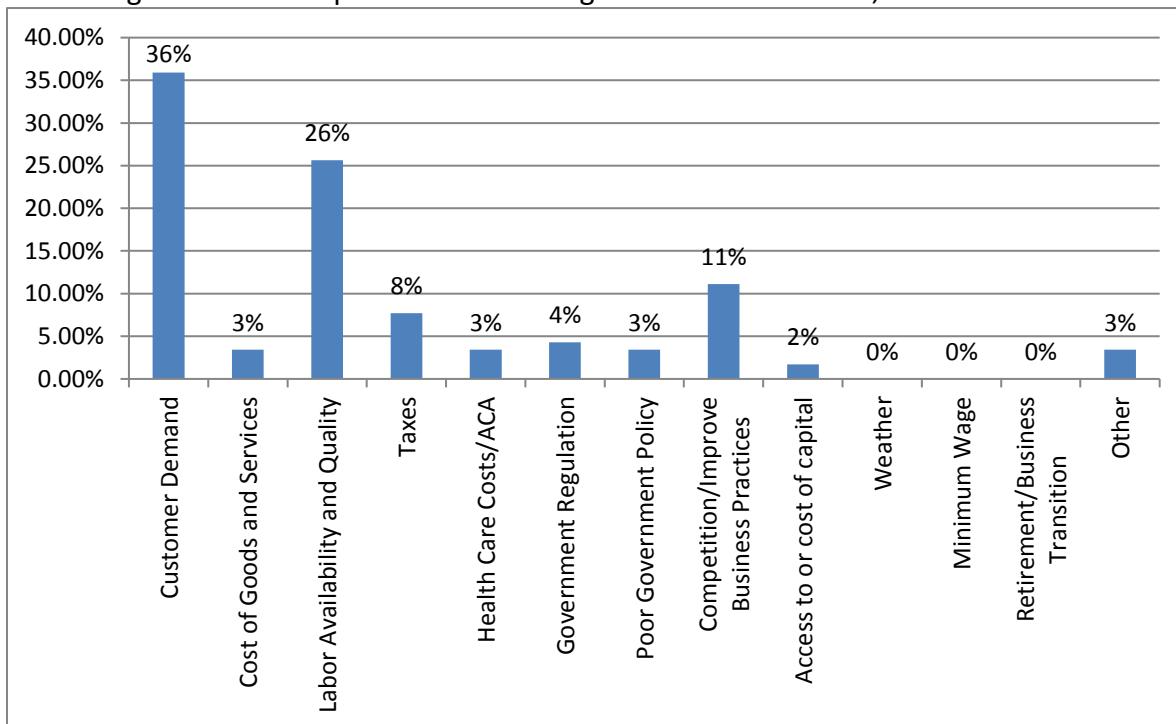
Business Confidence Index - Nebraska	
Month	Index Value
December 2018	109.9
November 2018	107.2
Change from Previous Month	2.7

Source: Survey of Nebraska Business

As seen in Table 2, the Business Confidence Index – Nebraska rose during December 2018. The value was 107.2 in November, but rose to 109.9 in December. Both the December and November values are well above the neutral value of 100, indicating that business confidence is strong in Nebraska.

Results in Figure 2 show the top issues of business owners and managers responding to the December survey. Approximately 80 percent of responses were related to business operations issues such as customer demand, the cost of goods and services, labor availability and quality, or competition and the need to improve business practices. Customer demand was the most common top issue, named by 36 percent of respondents. Businesses in healthcare and agriculture were especially concerned about customer demand, with healthcare businesses mentioning insurance reimbursement rates and co-pays and deductibles for patients. Twenty-six percent of respondents in all industries mentioned the quality and availability of labor as their top issue. Eighteen percent of respondents focused on public policy issues. Taxes were chosen by 8 percent of respondents while government regulations were chosen by 4 percent and 3 percent chose health care costs or other government policy issues, such as tariffs.

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



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

Source: Survey of Nebraska Business