

## **Nebraska Business Confidence Index: July 10, 2020**

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

**Author:** Dr. Eric Thompson

*Summary: The Business Confidence Index – Nebraska had a value of 88.8 during June, which is well below the neutral value of 100. The aggregate index value reflects the differences between recent conditions and expectations for the next 6 months. The recent conditions sub-index was far below 100 due to a loss of sales and employment in recent months. The expectations sub-index, by contrast, was slightly above neutral, with a value of 101.0. In terms of specific issues, businesses were most concerned about the COVID-19 Pandemic and other factors, which influence customer demand. Thirty-one percent of businesses specifically mentioned the COVID-19 Pandemic as the top issue, often due to its impact on customer demand. Another 38 percent of respondents indicated that customer demand was their top issue, without specifically mentioning COVID-19. Labor availability and quality was the top issue for 10 percent of businesses.*

### **Business Confidence Index - Nebraska**

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 change 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 June, responses were received from 100 of the 500 surveyed businesses, for a 20 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. The recent conditions sub-index is the average of the two questions about sales and employment change over the last 6 months. The expectations sub-index is the average of the two questions about sales and employment change over the next 6 months. Recent values for the Business Confidence Index – Nebraska are reported in Table 1.

Table 1: Business Confidence Index - Nebraska, June 2020

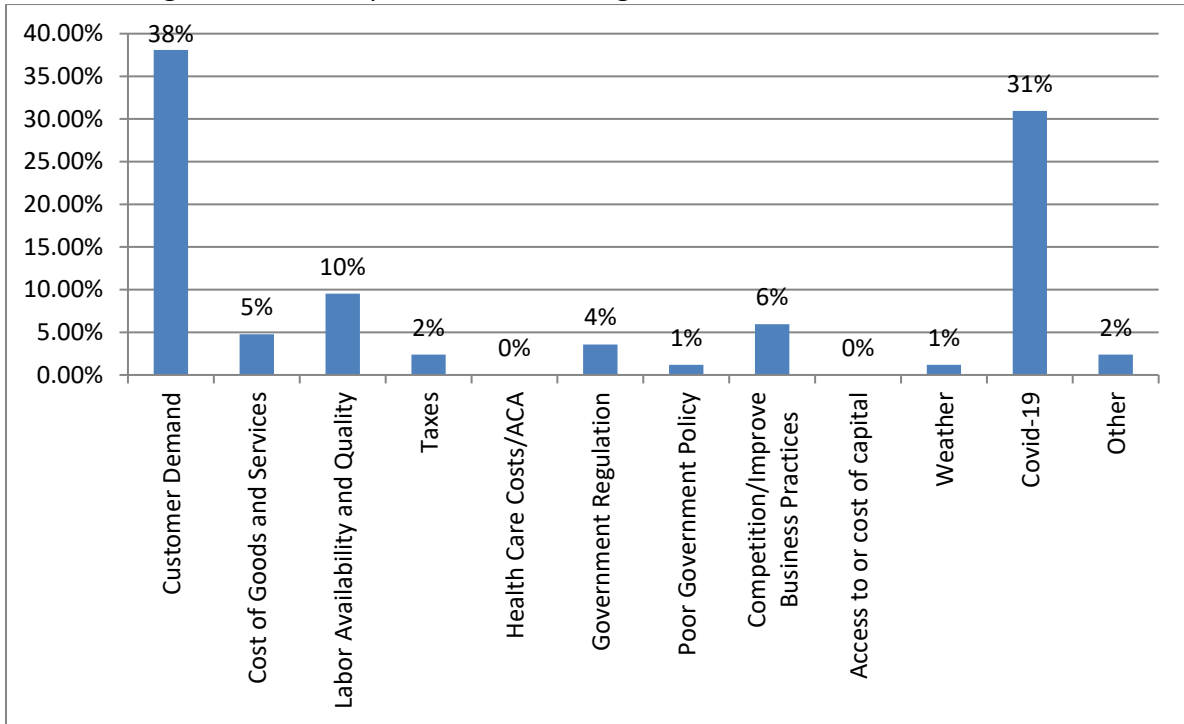
Business Confidence in Nebraska June 2020	
Index/Sub-Index	Value
Business Confidence Index	88.8
Recent Conditions Sub-Index	76.5
Expectations Sub-Index	101.0

Source: Survey of Nebraska Business

As seen in Table 1, the Business Confidence Index – Nebraska was at 88.8 in June, well below the neutral level of 100. The index was below 100 due to the loss of sales and employment over the last six months. In particular, the recent conditions sub-index had a value of 76.5 during June. The expectations index, by contrast, was slightly above neutral, with a value of 101.0. Businesses have a neutral to slightly positive outlook for the next 6 months.

Results in Figure 1 show the top issues of business owners and managers responding to the June survey. Respondents were primarily concerned about the COVID-19 virus and other factors, which influence customer demand. Thirty-one percent of businesses mentioned the COVID-19 Pandemic when describing the most important issues facing their business. Many of those responses discussed how COVID-19 was impacting customer demand. Another 38 percent of respondents discussed challenges with customer demand without specifically mentioning COVID-19. Ten percent of June respondents indicated that their top concern was the quality and availability of labor. The share of respondents naming labor concerns as their top is much lower now than in business surveys taken in the months before the Pandemic. In terms of public policy issues, 4 percent of respondents mentioned government regulation as their top issue, with 2 percent choosing taxes.

Figure 1: Most Important Issue Facing Nebraska Businesses, June 2020



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

Source: Survey of Nebraska Business