

## **Nebraska Business and Consumer Confidence Indexes: March 3, 2017**

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

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*Summary: Consumer confidence improved in Nebraska in February 2017 while business confidence remained strong. The Consumer Confidence Index – Nebraska (CCI-N) rose to 94.6 during February, 5.4 points higher than in January. While consumer confidence improved, it remained below the neutral value of 100. The outlook of Nebraska businesses, by contrast, was positive. The Business Confidence Index – Nebraska (BCI-N) stood at 109.1 in February, well above the neutral value. The business confidence index rose slightly, by 1.3%, between January and February. When asked about the most important issue facing their business, customer demand was mentioned by 34 percent of business respondents, labor availability and quality by 24 percent of respondents and taxes by 11 percent. Households reported a variety of financial concerns with 23 percent reporting that their primary financial concerns relate to paying off debt or savings and 51 choosing the cost of living including health care costs, taxes, major expenses (furniture, appliances, automobiles or college tuition) and the general cost of living.*

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

The Consumer Confidence Index – Nebraska (CCI-N) summarizes responses to the *Survey of Nebraska Households* regarding the 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 February, responses were received from 124 of the 500 surveyed households, for a 25 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 94.6 in February 2017. This value is below 100 and indicates that consumer confidence remains weak in the state. The value of the index is rising, however, increasing by 5.4 points from 89.2 in January. Further improvement could push consumer confidence above the neutral value of 100 in the coming months.

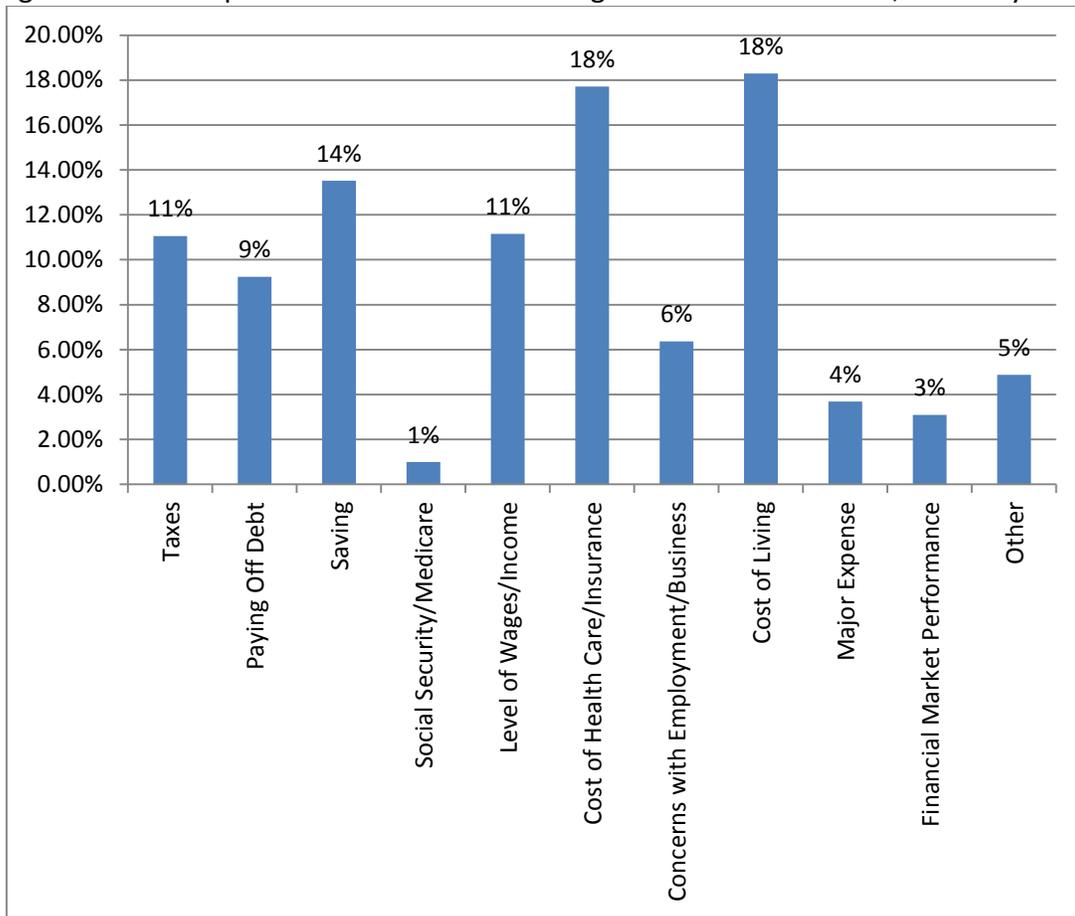
Table 1: Consumer Confidence Index - Nebraska, February 2017

Consumer Confidence Index – Nebraska	
Month	Index Value
February 2017	94.6
January 2017	89.2
Change from Previous Month	5.4

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 in February responses were the cost of living (18 percent), the cost of health care and health care insurance (18 percent) and savings (14 percent). Overall, 51 percent of respondents chose some type of cost factor as their top issue, whether the general cost of living, the cost of health care and insurance, taxes (11 percent), or major expenses (4 percent). Nearly one in four respondents choose paying off debt or savings as their top issue. Among other responses, 11 percent chose their level of wages or income as their top concern and 6 percent choose concerns about their job or business. These shares are similar to those found in previous months.

Figure 1: Most Important Financial Issue Facing Nebraska Households, February 2017



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 *Survey of Nebraska Business* regarding business 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 and at their business increased, decreased or stayed the same over the last 6 months and 4) the total number of employees at your 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 147 of the 500 surveyed businesses, for a 30 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.

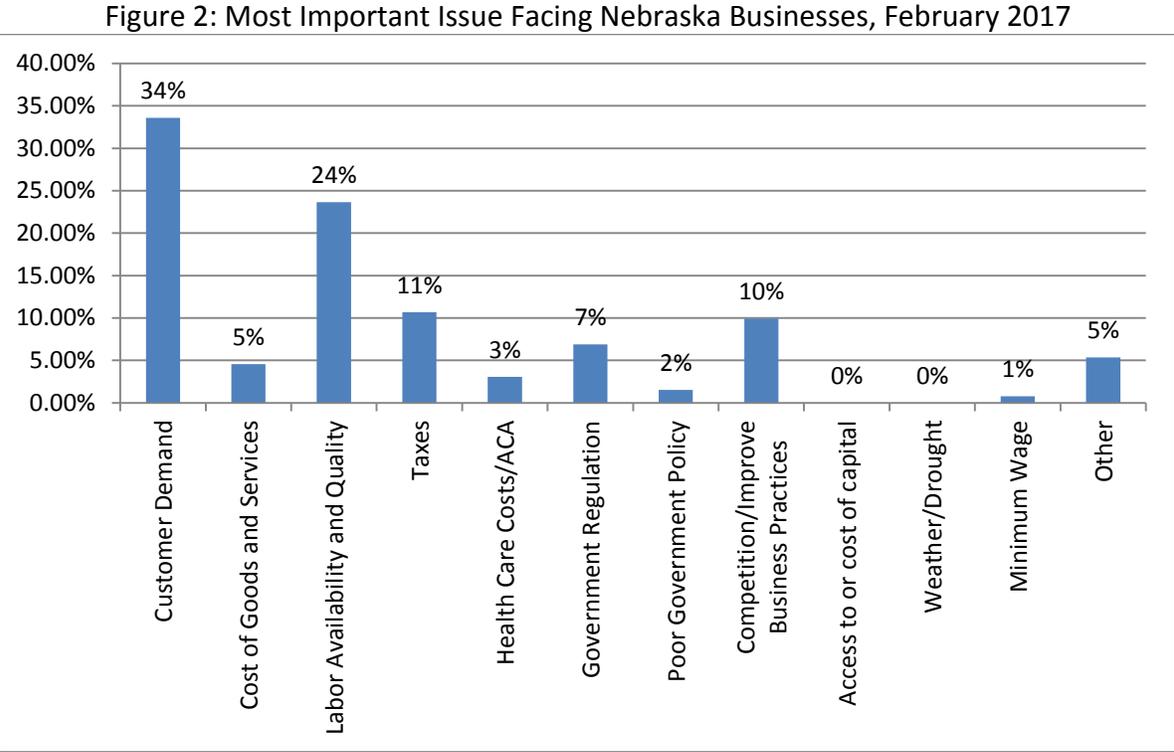
Table 2: Business Confidence Index - Nebraska, February 2017

Business Confidence Index – Nebraska	
Month	Index Value
February 2017	109.1
January 2017	107.8
Change from Previous Month	1.3

Source: Survey of Nebraska Business

As seen in Table 2, the Business Confidence Index – Nebraska had a value of 109.1 in February 2017. This value is above 100 and indicates that business confidence is strong in Nebraska. The value of the index rose 1.3 points, from 107.8 in January 2016. This small change indicates that business confidence in Nebraska is holding at a high level.

Results in Figure 2 show the top concerns of business owners and managers responding to the February survey. Three quarters of responses were related to business operations issues such as customer demand for goods or services, labor availability and quality, competition or the cost of goods and services. Customer demand was the most common top concern, named by 34 percent of respondents. The availability and quality of labor was chosen by 24 percent of respondents. Ten percent of respondents cited competition from other businesses or a need to improve business practices as their top concern while another 5 percent cited the cost of goods and services. These shares are similar to those found in the January 2017 survey. Taxes were chosen by 11 percent of respondents while government regulation was chosen by 7 percent.



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