

Nebraska Business Confidence Index: March 12, 2021

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 97.1 during February of 2021. That value is below the neutral level of 100 and reflects a divergence between recent business conditions and business expectations. The recent conditions sub-index was well below neutral, at a value of 82.5, due to a loss of sales and employment over the last 6 months. The expectations sub-index, by contrast, had a value of 111.7, which is above the neutral level. This level of expectations suggests that Nebraska businesses plan to grow at a moderate pace over the next 6 months. In terms of specific issues, businesses were most concerned about the COVID-19 Pandemic, customer demand, and supply issues. Twenty-eight percent of businesses specifically mentioned the COVID-19 Pandemic as their top issue, typically due to its impact on customer demand or firm operations. Another 23 percent of respondents chose customer demand, without specifically mentioning COVID-19. Labor availability and quality was the top issue for 10 percent of businesses while another 10 percent chose the costs of goods and services.

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 February, responses were received from 103 of the 500 surveyed businesses, for a 21 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 indicates that sales or employment decreased (or will decrease), is subtracted from the percentage who indicates 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. February values for the Business Confidence Index – Nebraska are reported in Table 1.

Table 1: Business Confidence Index - Nebraska, February 2021

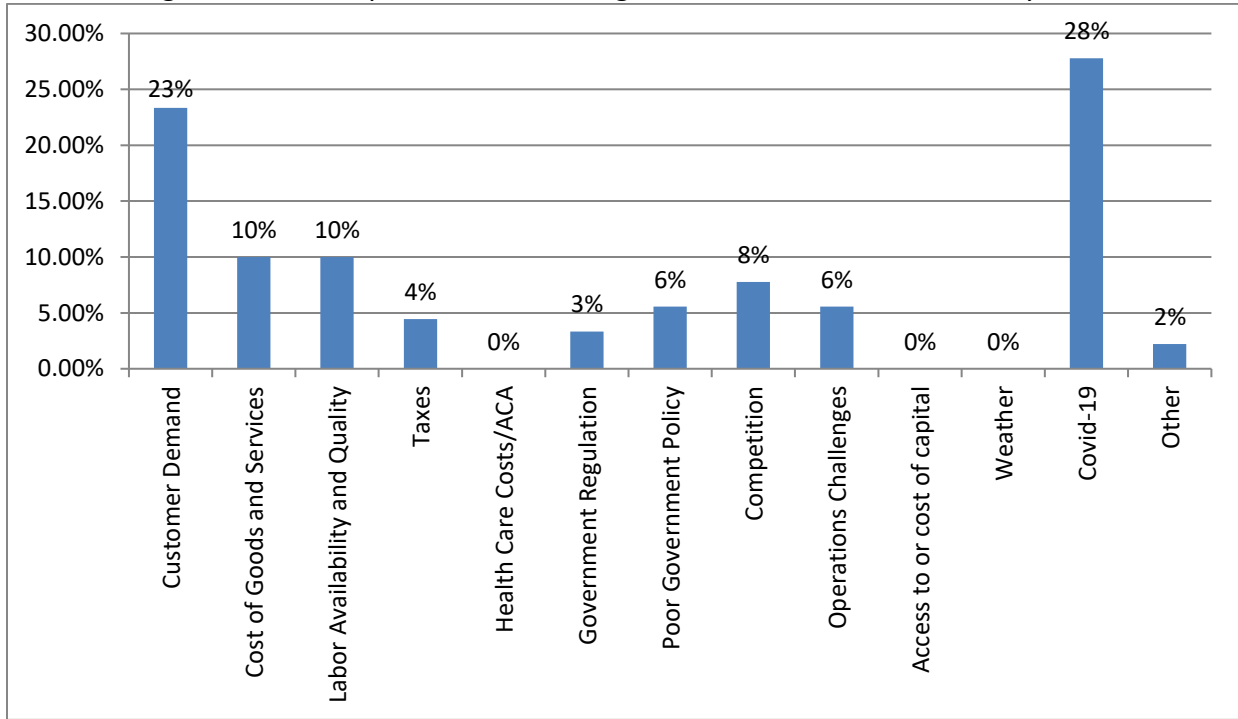
| Business Confidence in Nebraska February 2021 | |
|---|-------|
| Index/Sub-Index | Value |
| Business Confidence Index | 97.1 |
| Recent Conditions Sub-Index | 82.5 |
| Expectations Sub-Index | 111.7 |

Source: Survey of Nebraska Business

As seen in Table 1, the Business Confidence Index – Nebraska was at 97.1 in February, below the neutral level of 100. Except for January, the overall BCI-N has been below the neutral level every month since the onset of the Covid-19 Pandemic. The recent conditions sub-index had a value of 82.5 but the expectations index had a value of 111.7.

Results in Figure 1 show the top issues of business owners and managers responding to the February survey. Respondents were primarily concerned about the COVID-19 virus, customer demand, and supply issues. Twenty-eight 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, but some discussed the impact on business operations. Another 23 percent of respondents discussed challenges with customer demand without specifically mentioning COVID-19. Ten percent of February respondents indicated that their top concern was the cost of goods and services while another 10 percent chose the quality and availability of labor.

Figure 1: Most Important Issue Facing Nebraska Businesses, February 2021



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

Source: Survey of Nebraska Business