

## **Nebraska Business and Consumer Confidence Indexes: November 9, 2018**

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

**Author:** Dr. Eric Thompson

*Summary: Nebraska consumer and business confidence improved during October 2018. The Business Confidence Index – Nebraska (BCI-N) rose to 117.3 in October from 110.6 in September. The Consumer Confidence Index – Nebraska (CCI-N) rose to 108.3 in October after a subpar level of 97.0 during September. Both business and consumer confidence were well above the neutral level of 100.0. When asked about the most important issue facing their business, 29 percent of respondents chose the availability and quality of labor while 27 mentioned customer demand and 15 percent mentioned competition from other businesses. This is the first time that labor availability was the top issue in the monthly business survey. Almost half of responding households listed a cost factor as their top financial concern, with 45 percent choosing taxes, health care costs, major expenses (furniture, appliances, automobiles) or the general cost of living. Thirty-two percent reported that their primary financial issue was either saving or paying off debt while 12 percent choose their level of wages or household income.*

### **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 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 October, responses were received from 121 of the 500 surveyed households, for a 24 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 108.3 in October 2018. This value is well above the neutral value of 100.0. The value of the index improved by 11.2 points from 97.0 in September 2018.

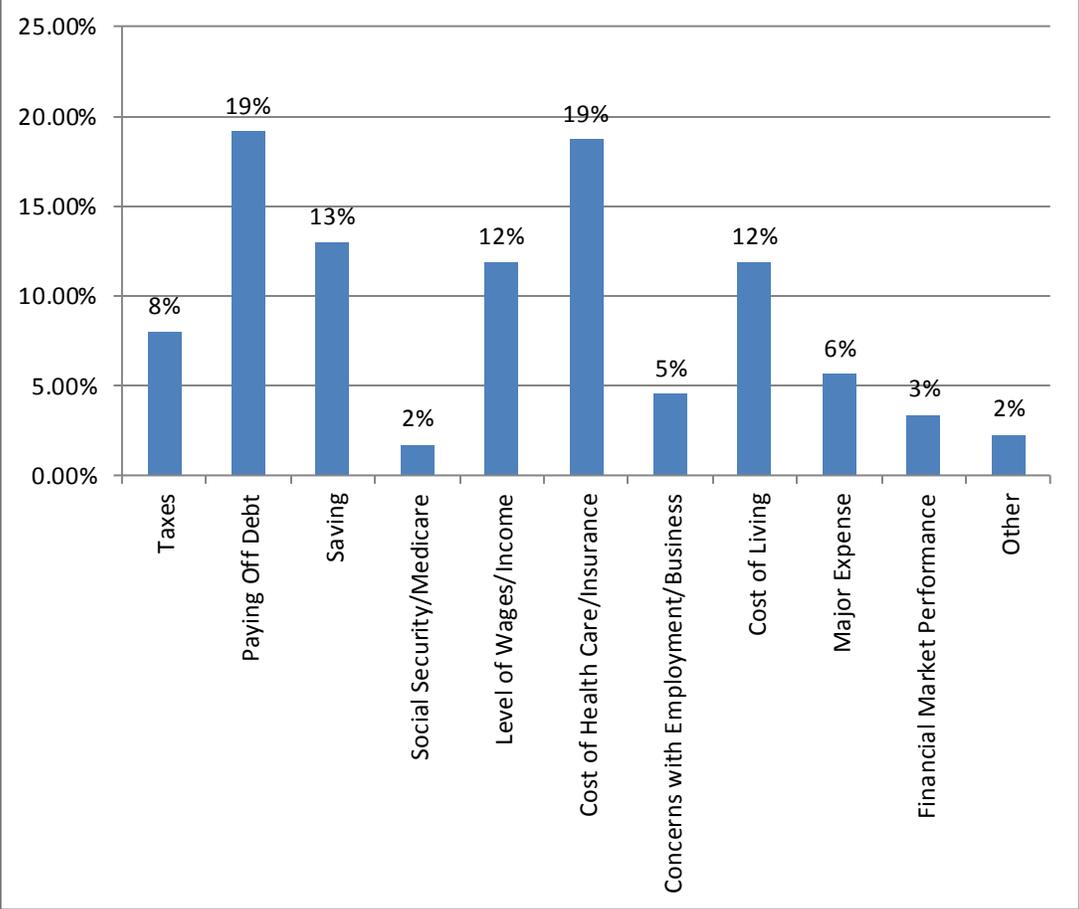
Table 1: Consumer Confidence Index - Nebraska, October 2018

Consumer Confidence Index - Nebraska	
Month	Index Value
October 2018	108.3
September 2018	97.0
Change from Previous Month	11.2

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 October respondents were paying off debt (19 percent) and the cost of health care and health insurance (19 percent). Overall, 45 percent of respondents chose some type of cost factor as their top issue, whether the cost of health care, taxes (8 percent), the general cost of living (12 percent) or a major expense (home or vehicle repairs, a new home or college tuition) (6 percent). Thirty-two percent of respondents choose paying off debt or saving (13 percent) as their top issue. One in 8 households choose concerns about their level of wages or income as their top issue.

Figure 1: Most Important Financial Issue Facing Nebraska Households, October 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 October, responses were received from 155 of the 500 surveyed businesses, for a 31 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.

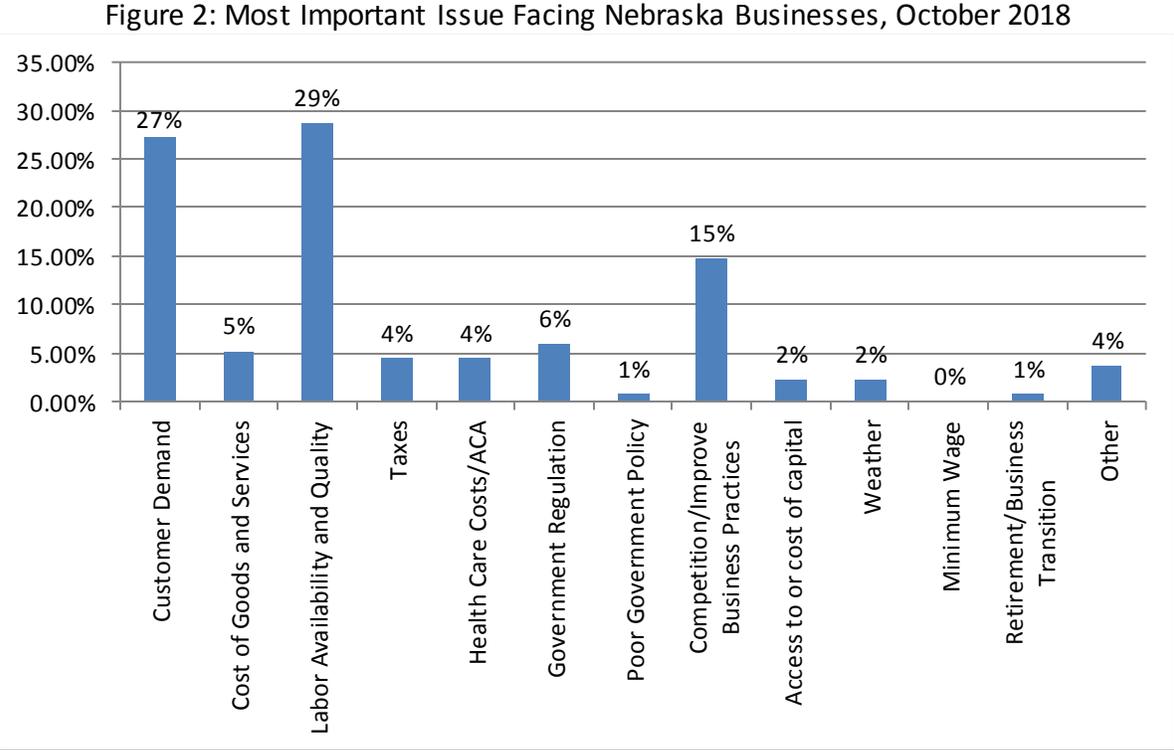
Table 2: Business Confidence Index - Nebraska, October 2018

Business Confidence Index - Nebraska	
Month	Index Value
October 2018	117.3
September 2018	110.6
Change from Previous Month	6.7

Source: Survey of Nebraska Business

As seen in Table 2, the Business Confidence Index – Nebraska improved during October 2018. The value was 117.3 in October, well above the value of 110.6 in September. Both values significantly exceed 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 October survey. Eighty-five 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. The quality and availability of labor was the most common top issue, named by 29 percent of respondents. Twenty-seven percent of respondents mentioned customer demand as their top issue while fifteen percent chose competition with other businesses. The October survey was the first monthly survey where the availability of labor was the top issue. Fifteen percent of respondents focused on public policy issues. Government regulations were chosen by 6 percent of respondents while 4 percent chose taxes and 4 percent chose health care costs.



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