

Nebraska Business and Consumer Confidence Indexes: October 6, 2017

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

Author: Dr. Eric Thompson

Summary: Nebraska's consumer confidence tumbled during September while business confidence held steady. The Consumer Confidence Index – Nebraska (CCI-N) fell to 93.5 in September, well below the reading of 100.9 in August and the neutral value of 100.0. Consumer confidence is now weak in Nebraska. By contrast, the Nebraska business confidence remained strong. The Business Confidence Index – Nebraska (BCI-N) stood at 105.2 in September, slightly above the August value of 104.2, and well above the neutral value of 100.0. When asked about the most important issue facing their business, customer demand was mentioned by 37 percent of business respondents. Businesses also faced growing competition in both the labor and product markets. The availability and quality of labor was mentioned as the most important issue by 24 percent of September respondents while 10 percent mentioned competition from other businesses. All percentages are similar to those reported in the August survey. Households reported a variety of financial concerns with 47 percent choosing the cost of living including health care costs, taxes, major expenses (furniture, appliances, automobiles) and the general cost of living. During September, one-quarter of households reported that their primary financial issue related to paying off debt or building savings while 12 percent reported concerns about their employment or their business.

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 September, responses were received from 136 of the 500 surveyed households, for a 27 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 93.5 in September 2017. This value is well below the neutral value of 100.0. The value of the index fell by 7.4 points from 100.9 in August.

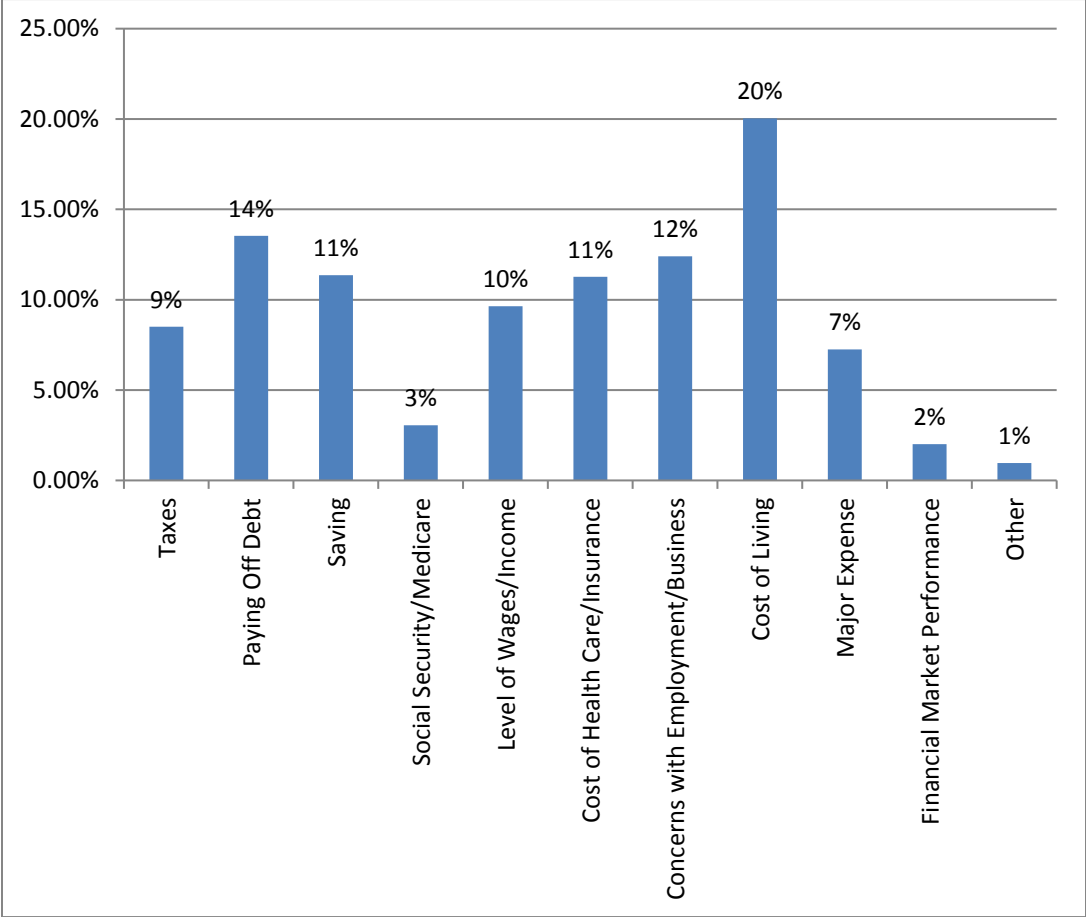
Table 1: Consumer Confidence Index - Nebraska, September 2017

Consumer Confidence Index - Nebraska	
Month	Index Value
September 2017	93.5
August 2017	100.9
Change from Previous Month	-7.4

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 by September respondents were the general cost of living (20 percent) and paying off debt (14 percent). Overall, 47 percent of respondents chose some type of cost factor as their top issue, whether the general cost of living, the cost of health care (11 percent), taxes (9 percent), or major expenses (7 percent). Twenty-five percent of respondents choose paying off debt or saving (11 percent) as their top issue. Among other responses, 12 percent chose concerns about their job or business as their top issue while 11 percent chose their level of wages or income. The share concerned about their job or business rose, by 6 percentage points, between the August and September surveys.

Figure 1: Most Important Financial Issue Facing Nebraska Households, September 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 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 September, responses were received from 156 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 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.

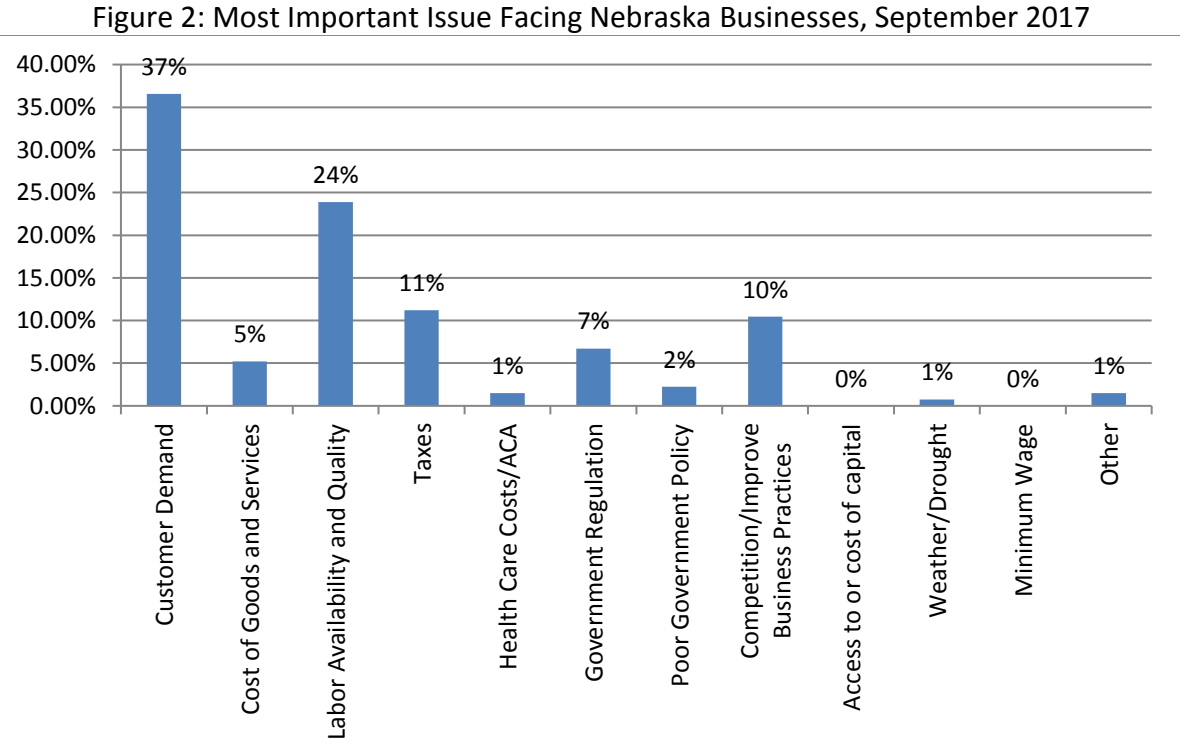
Table 2: Business Confidence Index - Nebraska, September 2017

Business Confidence Index - Nebraska	
Month	Index Value
September 2017	105.2
August 2017	104.2
Change from Previous Month	1.0

Source: Survey of Nebraska Business

As seen in Table 2, the Business Confidence Index – Nebraska had a value of 105.2 in September 2017. This value is well above 100 and indicates that business confidence is strong in Nebraska. The value of the index rose by 1.0 points, from a value of 104.2 in August 2017. Business confidence readings in both August and September were below very high levels observed during the first six months of 2017.

Results in Figure 2 show the top concerns of business owners and managers responding to the September survey. Eighty percent 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 37 percent of respondents. Businesses in agriculture and health care were especially likely to cite concerns with customer demand. Businesses also faced growing competition in both the labor and product markets. Twenty-four percent of respondents mentioned the quality and availability of labor as their top concern while 10 percent choose competition and a need to improve business practices. Among public policy issues, taxes were chosen by 11 percent of respondents while government regulation was chosen by 7 percent. Health care costs were chosen by just 1 percent of September respondents.



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