Results of the August Survey of Nebraska Business: September 5, 2014

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Summary: *Respondents to the August 2014 Survey of Nebraska Business remain positive in their outlook for sales and employment at their business. More respondents expect sales to rise (28%) than decline (20%) in the next six months. Similarly, more expect to increase (13%) rather than reduce (7%) employment. These August results were very consistent with findings from July and mark the seventh consecutive month in which Nebraska businesses held a positive outlook. Within the state, respondents located in Southeast Nebraska were especially positive in their outlook for sales and employment. Respondents from Northeast Nebraska and West Nebraska had only limited expectations for growth. When asked about the most important isue facing their business, seven in ten Nebraska respondents focused on business operations issues such as customer demand, the cost of supplies, labor quality and availability, competition from other businesses and improved business practices. More respondents were concerned about the quality and availability of labor than the cost of supplies, and there was evidence that concerns about labor supply were restricting job growth in non-metropolitan regions of the state. Three in ten respondents named taxes, the Affordable Care Act or other regulations as their top issue.*

Survey of Nebraska Business

The *Survey of Nebraska* Business is sent to 500 Nebraska business establishments each month. The survey asks business owners and managers whether they expect to expand sales and employment 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 August, responses were received from 161 of the 500 surveyed businesses. This 32% response rate is sufficient for analysis of the results.

As seen in Table 1 below, respondents to the August 2014 *Survey of Nebraska Business* are positive in their outlook for sales and employment. This is the seventh straight month in which businesses indicated a positive outlook and results are very similar to those from the July survey. While just over half of respondents expect no change in sales, 28 percent expect sales to increase and 20 percent sales to decline. This is an 8 percent gap in the share of respondents expecting an increase rather than a decline. The gap was 9 percent in the July survey. For employment, 13 percent expect to add jobs over the next 6 months and 7 percent to reduce jobs. This 6 percent gap is also similar to July.

Table 1: Business Expectations for the Next Six Months, August 2014

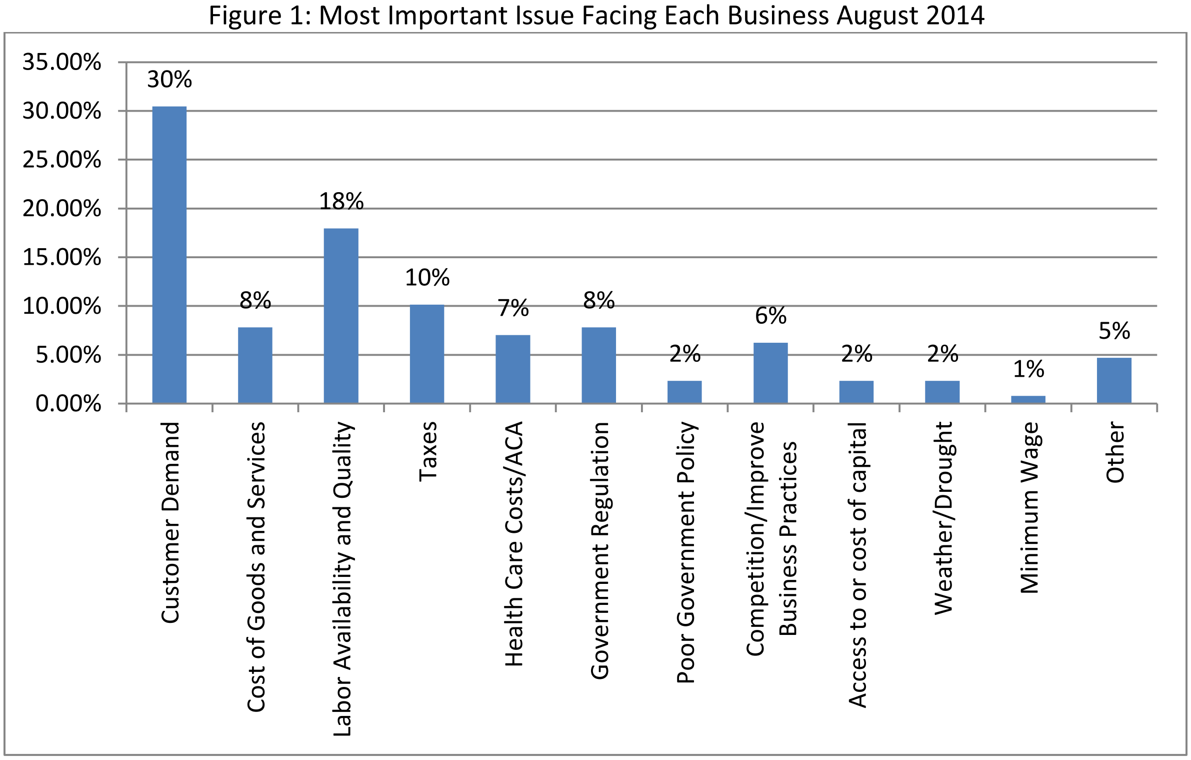
	Change Over the Next Six Months	
	Sales	Employment
Increase	28%	13%
Stay the Same	52%	80%
Decrease	20%	7%

Note: Column totals may not sum to 100% due to rounding.

Results in Figure 1 show the top concerns of responding business owners and managers. Most responses were related to business operations issues such as customer demand for business products or services, the cost of supplies (goods and services), labor availability and quality, competition with other businesses, and improved business practices. Customer demand was the most common concern, named by 30 percent of respondents. Respondents from rural Nebraska were especially concerned about crop prices, and a few respondents mentioned concerns about weather. In a sign of current macroeconomic conditions, a much higher share of respondents were concerned about the quality and availability of labor than were concerned about the cost of supplies (goods and services).

Approximately three in ten businesses listed public policy issues as their top concern. Taxes were mentioned by 10 percent of respondents. Another 7 percent mentioned health care costs and the Affordable Care Act while 8 percent mentioned other government regulations. One respondent mentioned a concern about the minimum wage while several others had general concerns about government policy.

Figure 1: Most Important Issue Facing Each Business August 2014



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

Omaha Area Responses to the Survey of Nebraska Business

Table 2 and Figure 2 summarize responses from Omaha Metropolitan Area businesses (Nebraska portion only).[1] The responses are combined from the July and August 2014 surveys. Responses were combined from the last two months in order to generate a sufficient sample size. There were a combined 73 responses from Omaha Metropolitan Area businesses during July and August.

As seen in Table 2, Omaha Metropolitan Area businesses (Nebraska portion only) were more positive in their outlook for employment growth than businesses from other parts of the state. For employment, 18 percent of respondents from the Omaha area expect to add jobs over the next 6 months and 8 percent expect to reduce employment. Compared to businesses located elsewhere in Nebraska, Omaha area businesses were 7 percent more likely to plan to grow employment. Yet, there was little difference in the share of businesses planning to reduce employment. For sales, 36 percent expect sales to increase and just 26 percent sales to decline over the next 6 months. Compared to respondents from other parts of the state, Omaha businesses were 10 percent more likely to foresee an increase in sales and also 9 percent more likely to expect a decline in sales. While it is interesting that Omaha area businesses are more likely to see both opportunities and threats to growth, the bottom line is that the net sales outlook is roughly similar for business from the Omaha area and other parts of the state.

Table 2: Omaha Metro Area Business Expectations for the Next Six Months, July and August, 2014

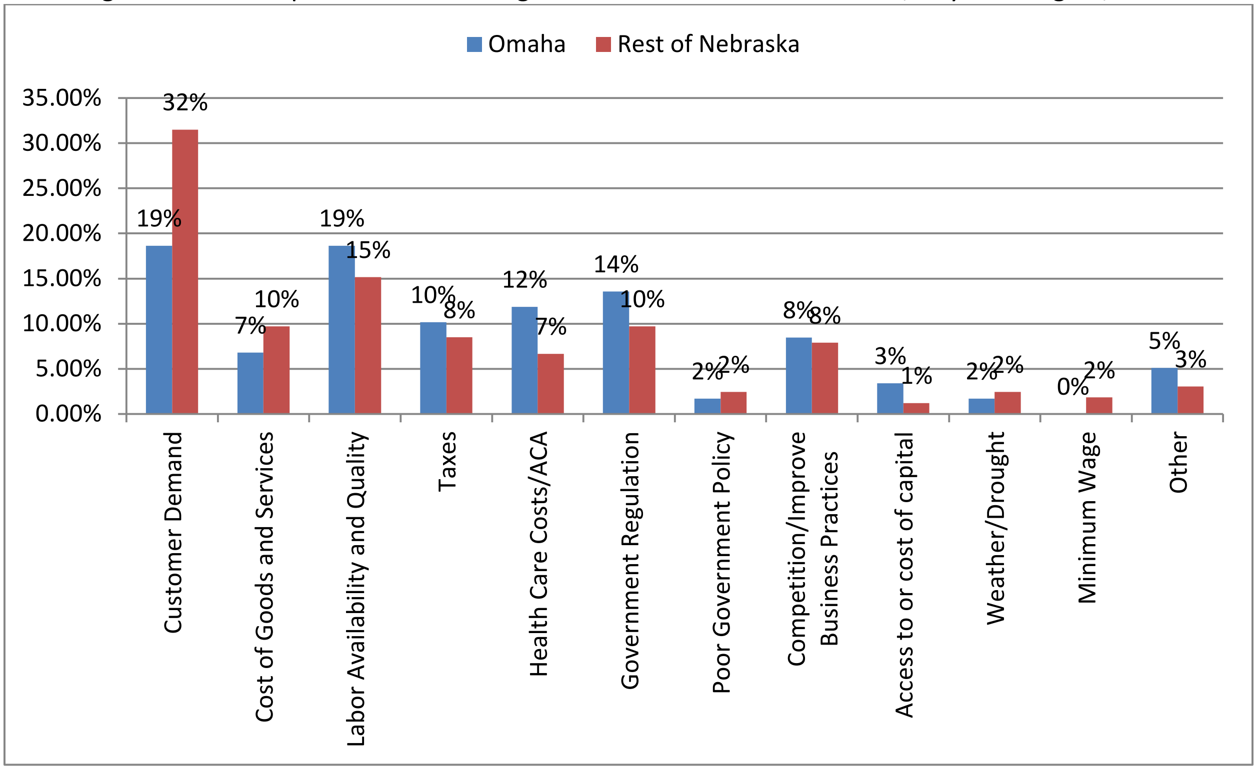
	Change Over the Next Six Months		
	Rest of Nebraska	Omaha Area	Difference
	Sales		
Increase	26%	36%	10%
Stay the Same	57%	38%	-18%
Decrease	18%	26%	9%
	Employment		
Increase	11%	18%	7%
Stay the Same	83%	74%	-9%
Decrease	6%	8%	2%

Note: Column totals may not sum to 100% due to rounding.
Column differences may not sum to 0% due to rounding.

Figure 2 compares the top business concerns of Omaha Metropolitan Area respondents (Nebraska portion only) from July and August with those from businesses located in other parts of Nebraska. Omaha area businesses were less concerned about customer demand in July and August than businesses located in other parts of the state. This may be another sign of strong growth opportunities in the Omaha area. Omaha area businesses, however, were more concerned about regulation, including the Affordable Care Act. Looking at other categories such as taxes, the concerns of Omaha area businesses were similar to the concerns of businesses located in other parts of the state.

[1] The region includes Cass, Douglas, Sarpy, Saunders and Washington counties.

Figure 2: Most Important Issue Facing Omaha Metro Area Businesses, July and August, 2014



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

Southeast Nebraska Responses to the Survey of Nebraska Business

Table 3 and Figure 3 summarize responses from Southeast Nebraska businesses. Southeast Nebraska includes counties stretching east from York County through Lancaster County to Otoe County and also south to the Nebraska-Kansas border.[2] The responses discussed in Table 3 and Figure 3 are combined from the July and August 2014 surveys, in order to generate a sufficient sample size. There were a combined 72 responses from Southeast Nebraska businesses during July and August.

As seen in Table 3, Southeast Nebraska businesses were especially positive in their outlook for sales and employment. For sales, 34 percent expect sales to increase and just 15 percent sales to decline in the next 6 months. Compared to businesses located elsewhere in the state, Southeast Nebraska businesses were 7 percent more likely to expect to increase sales and 5 percent less likely to decrease sales. For employment, 19 percent expect to add jobs and 7 percent expect to reduce employment. Southeast Nebraska businesses are 7 percent more likely to expect to add jobs over the next six months. Overall, Southeast Nebraska businesses are clearly more optimistic about the next 6 months.

Table 3: Southeast Nebraska Business Expectations for the Next Six Months, July and August, 2014

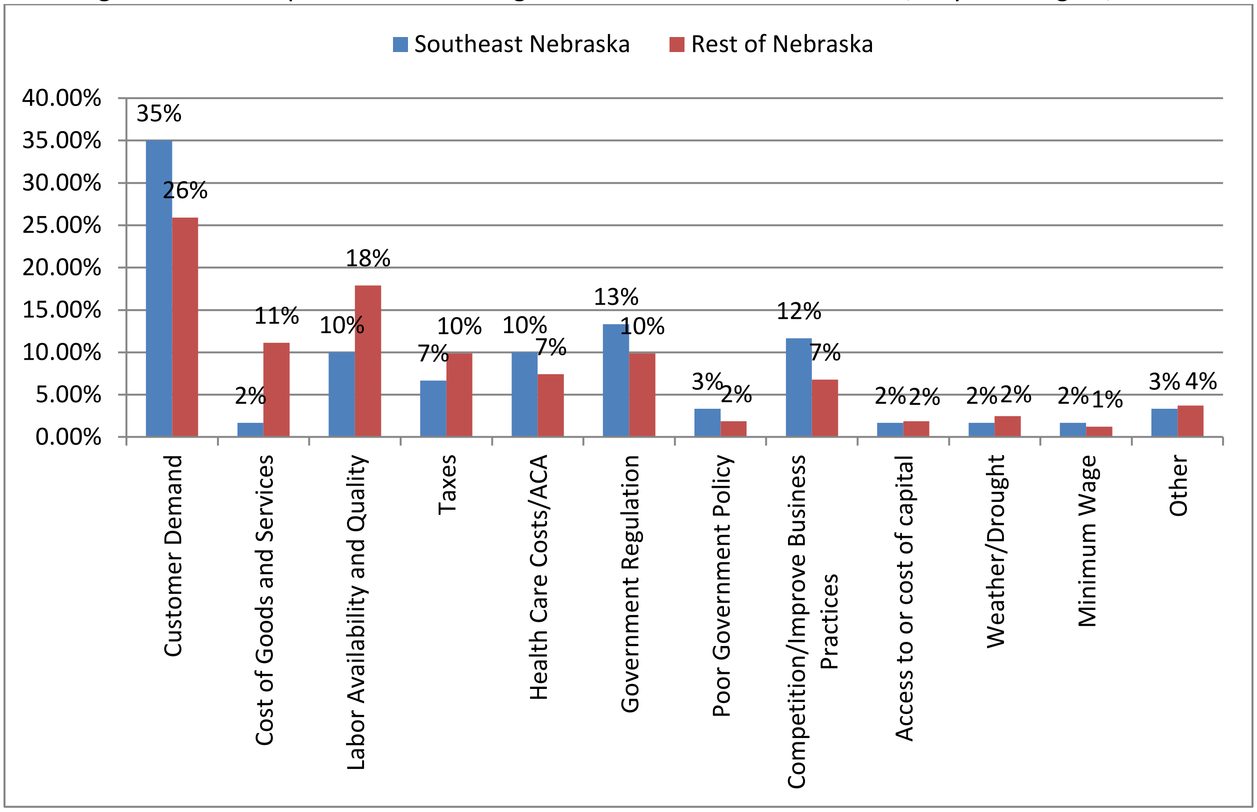
	Change Over the Next Six Months		
	Rest of Nebraska	Southeast Nebraska	Difference
	Sales		
Increase	27%	34%	7%
Stay the Same	52%	51%	-2%
Decrease	21%	15%	-5%
	Employment		
Increase	13%	19%	7%
Stay the Same	80%	74%	-7%
Decrease	7%	7%	0%

Note: Column totals may not sum to 100% due to rounding.
Column differences may not sum to 0% due to rounding.

Figure 3 compares the top business concerns of Southeast Nebraska respondents from July and August with those from businesses located in other parts of the state. Some differences are evident. Southeast Nebraska businesses were more often concerned about customer demand than businesses in other parts of the state. This result is perhaps a bit at odds with the stronger expectations for growth which were reported. Southeast Nebraska businesses also had fewer concerns about the costs of supplies and the availability and quality of labor. Looking at other categories, the concerns of Southeast Nebraska businesses were similar to the concerns of businesses located in other parts of the state.

[2] The regions include Filmore, Gage, Jefferson, Johnson, Lancaster, Nemaha, Otoe, Pawnee, Richardson, Saline, Seward, Thayer, and York counties.

Figure 3: Most Important Issue Facing Southeast Nebraska Businesses, July and August, 2014



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

Central Nebraska Responses to the Survey of Nebraska Business

Table 4 and Figure 4 summarize responses from Central Nebraska businesses. Central Nebraska includes Hall County and Buffalo County, counties to the north including Custer County and counties to the south to the Nebraska-Kansas border, including Adams County.[3] The responses discussed in Table 4 and Figure 4 are combined from the July and August 2014 surveys, in order to generate a sufficient sample size. There were a combined 43 responses from Central Nebraska businesses during July and August.

Central Nebraska businesses were slightly more positive in their outlook for sales than businesses located elsewhere in the state. For sales, 24 percent expect sales to increase in the next six months while 12 percent expect sales to decline, as seen in Table 4. Compared to respondents from other parts of the state, Central Nebraska businesses were 6 percent less likely to foresee an increase in sales but also were 9 percent less likely to expect a decline in sales. Thus, the sales outlook among Central Nebraska businesses was both more stable and more positive on net. The employment outlook, on the other hand, was less positive in Central Nebraska. Central Nebraska businesses were 7% less likely to expect to increase employment over the next six months. In fact, just as many Central Nebraska businesses expect to reduce employment as expect to increase employment.

Table 4: Central Nebraska Business Expectations for the Next Six Months, July and August, 2014

	Change Over the Next Six Months		
	Rest of Nebraska	Central Nebraska	Difference
	Sales		
Increase	29%	24%	-6%
Stay the Same	49%	64%	15%
Decrease	21%	12%	-9%
	Employment		
Increase	14%	7%	-7%
Stay the Same	80%	85%	6%
Decrease	7%	7%	1%

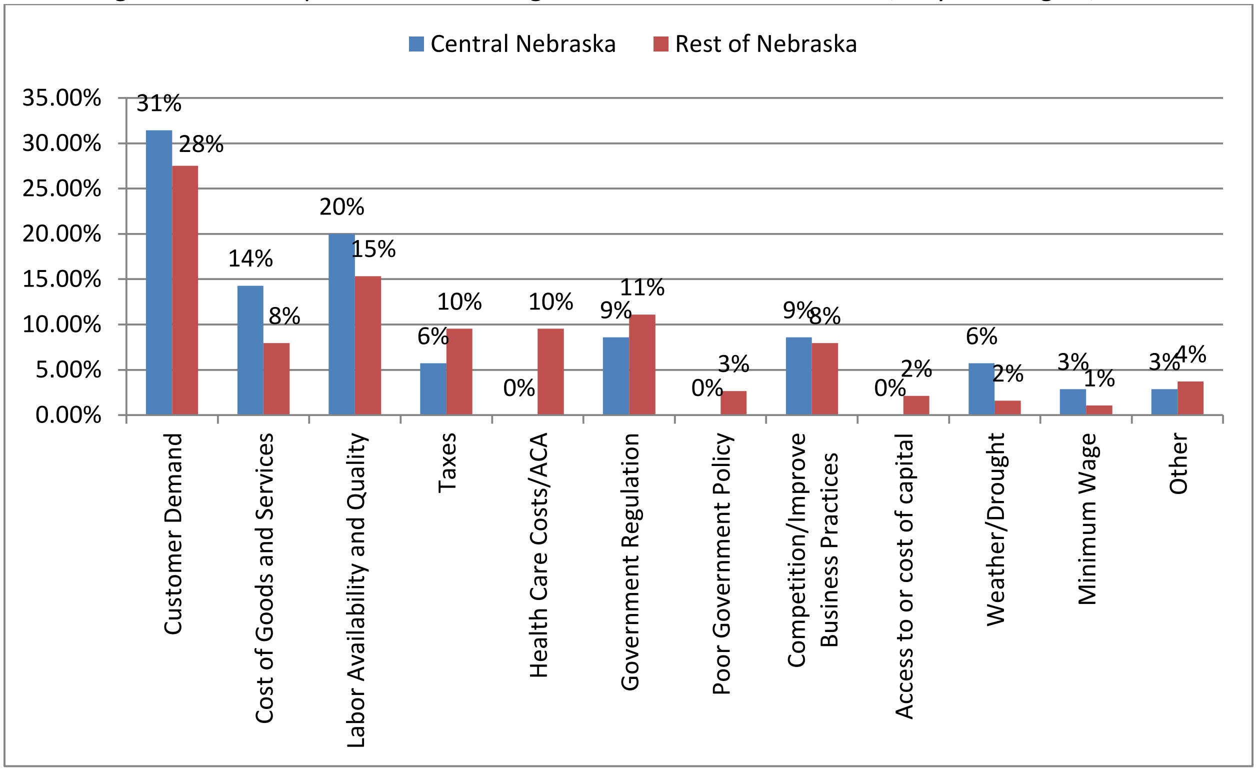
Note: Column totals may not sum to 100% due to rounding.
Column differences may not sum to 0% due to rounding.

Figure 4 compares the top business concerns of Central Nebraska respondents from July and August with those from businesses located in other parts of the state. Generally speaking, the top concerns of Central Nebraska businesses were similar to the concerns of businesses located in other parts of the state. However, Central Nebraska businesses were more likely to identify weather as the top concern. Central Nebraska businesses also were more likely to select the cost of goods and services and the

[3] The region includes Adams, Blaine, Buffalo, Clay, Custer, Franklin, Garfield, Greeley, Hall, Hamilton, Harlan, Howard, Kearney, Loup, Merrick, Nance, Nuckolls, Phelps, Sherman, Valley, Webster, and Wheeler counties.

quality and availability of labor as their top concern. This last result hints that supply side constraints may be one factor impacting the employment outlook. Central Nebraska businesses responding in July and August also did not mention health care costs and the Affordable Care Act as a top concern, in contrast with respondents from other parts of the state.

Figure 4: Most Important Issue Facing Central Nebraska Businesses, July and August, 2014



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

Northeast Nebraska Responses to the Survey of Nebraska Business

Table 5 and Figure 5 summarize responses from Northeast Nebraska businesses. Northeast Nebraska includes Platte and Madison Counties, counties to the north and east through to the borders with Iowa and South Dakota.[4] The responses discussed in Table 5 and Figure 5 are combined from the July and August 2014 surveys, in order to generate a sufficient sample size. There were a combined 48 responses from Northeast Nebraska businesses during July and August.

Northeast Nebraska businesses were much less positive in their outlook for sales and employment than businesses located elsewhere in the state. Indeed, Northeast Nebraska businesses were close to neutral in terms of sales expectations and were neutral for employment expectations. For sales, 17 percent expect sales to increase in the next six months while 13 percent expect sales to decline, as seen in Table 5. For employment, 2 percent expect to increase employment over the next 6 months and the same percent expect to reduce employment. Generally speaking, Northeast Nebraska businesses were less likely to expect either an increase or decrease in sales and employment compared to businesses located in the rest of the state. But, as a group respondents from Northeast Nebraska showed little expectation for growth over the next 6 months.

Table 5: Northeast Nebraska Business Expectations for the Next Six Months, July and August, 2014

	Change Over the Next Six Months		
	Rest of Nebraska	Northeast Nebraska	Difference
	Sales		
Increase	31%	17%	-14%
Stay the Same	48%	71%	23%
Decrease	21%	13%	-9%
	Employment		
Increase	15%	2%	-13%
Stay the Same	77%	96%	19%
Decrease	8%	2%	-5%

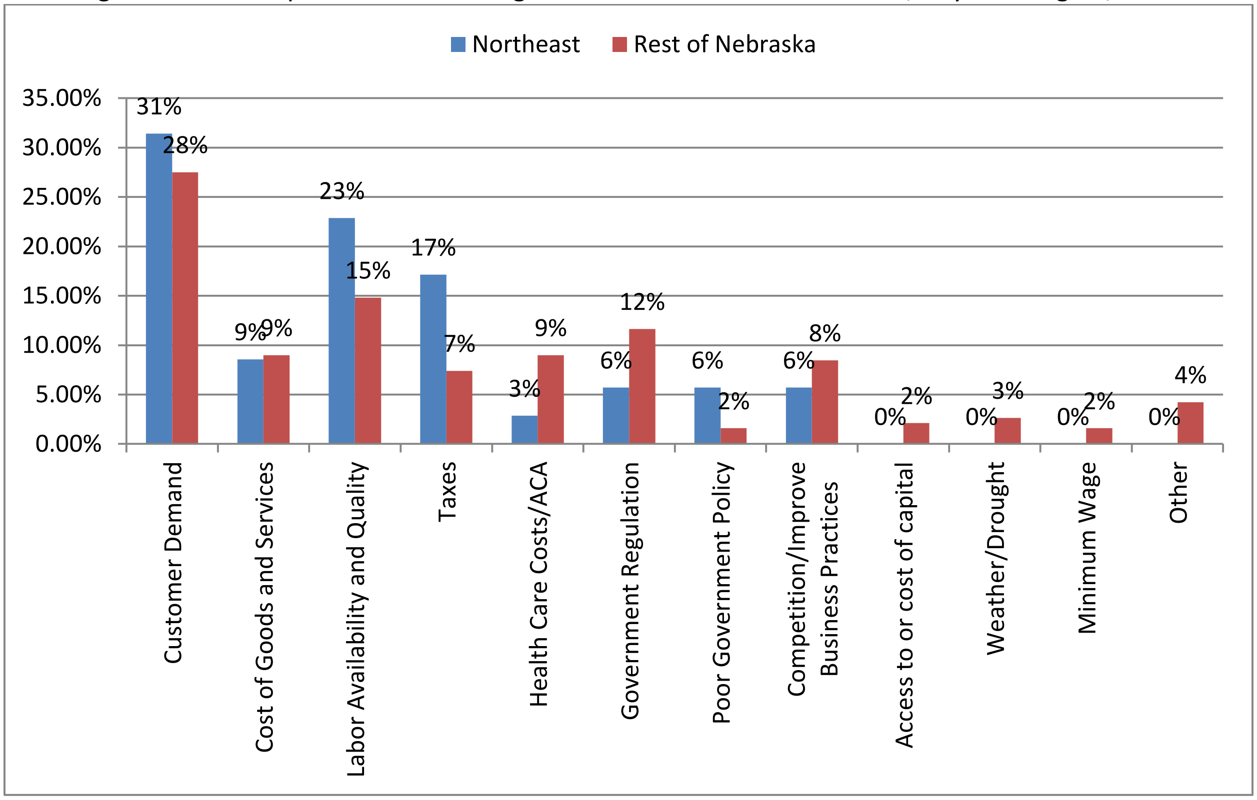
Note: Column totals may not sum to 100% due to rounding.
Column differences may not sum to 0% due to rounding.

Figure 5 compares the top business concerns of Northeast Nebraska respondents from July and August with those from businesses located in other parts of the state. Generally speaking, the top concerns of Northeast Nebraska businesses were similar to the concerns of businesses located in other parts of the state. However, Northeast Nebraska businesses were more likely to name the quality and availability of

[4] The region includes Antelope, Boyd, Boone, Brown, Burt, Butler, Colfax, Cedar, Cuming, Dakota, Dixon, Dodge, Holt, Keya Paha, Knox, Madison, Pierce, Platte, Polk, Rock, Stanton, Thurston and Wayne counties.

labor as their top concern. As with Central Nebraska, this result hints that supply side constraints may be one factor impacting the weak employment outlook. Northeast Nebraska businesses also were less likely to name the Affordable Care Act and other regulations as their top concern.

Figure 5: Most Important Issue Facing Northeast Nebraska Businesses, July and August, 2014



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

West Nebraska Responses to the Survey of Nebraska Business

Table 6 and Figure 6 summarize responses from West Nebraska businesses. West Nebraska includes Dawson and Lincoln Counties, counties north to the Dakota border, south to Kansas border, Scottsbluff County and the rest of the Nebraska Panhandle.[5] The responses discussed in Table 6 and Figure 6 are combined from the July and August 2014 surveys, in order to generate a sufficient sample size. There were a combined 38 responses from West Nebraska businesses during July and August.

West Nebraska businesses were much less positive in their outlook for sales and employment than businesses located elsewhere in the state. Indeed, Northeast Nebraska businesses were negative in terms of sales expectations and only slightly positive for employment expectations. For sales, 27 percent of West Nebraska respondents expected an increase in sales at their business over the next six months while 30 percent expected a decline in sales. For employment, 11 percent expect to increase employment over the next 6 months while 8 percent expect to decrease employment. Taking together results for sales and employment, responding West Nebraska businesses do not appear to expect growth over the next six months. This contrasts with expectations for growth in other regions of Nebraska.

Table 6: West Nebraska Business Expectations for the Next Six Months, July and August, 2014

	Change Over the Next Six Months		
	Rest of Nebraska	West Nebraska	Difference
	Sales		
Increase	29%	27%	-2%
Stay the Same	53%	43%	-10%
Decrease	18%	30%	12%
	Employment		
Increase	13%	11%	-2%
Stay the Same	80%	81%	1%
Decrease	6%	8%	2%

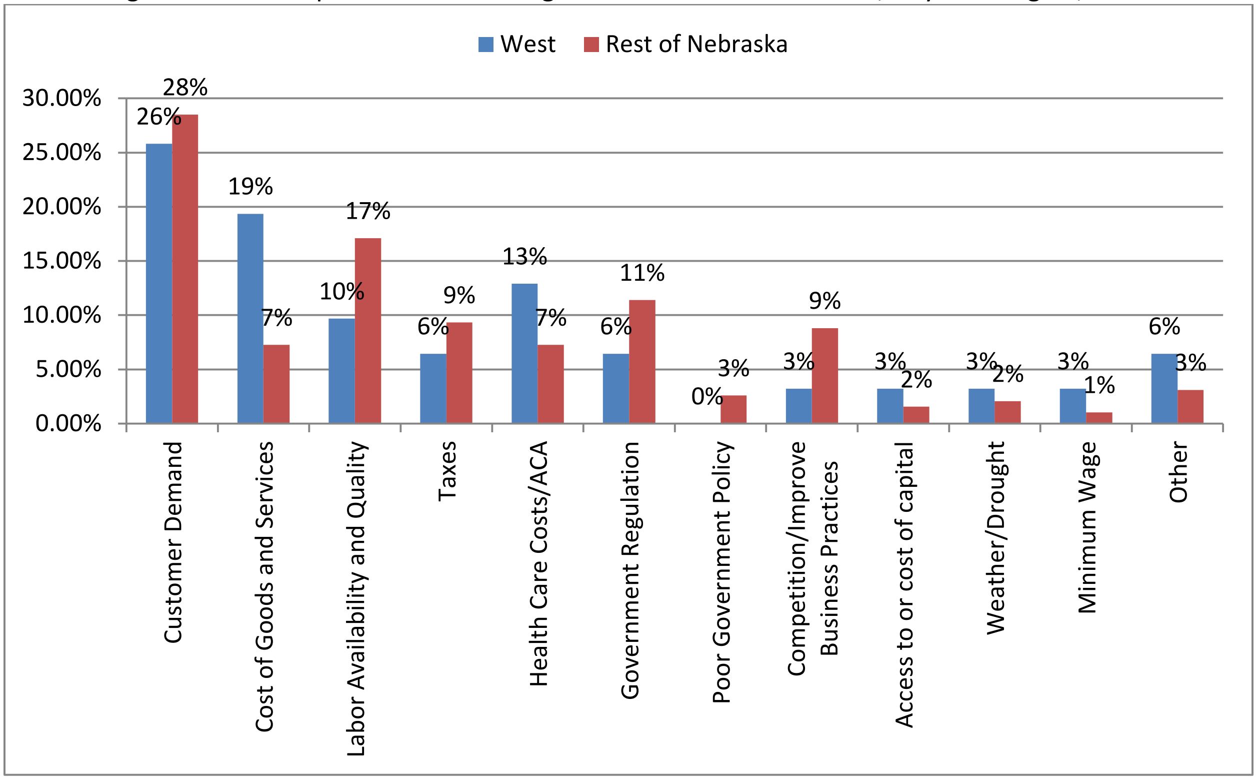
Note: Column totals may not sum to 100% due to rounding.
Column differences may not sum to 0% due to rounding.

Figure 6 compares the top business concerns of West Nebraska respondents from July and August with those from businesses located in other parts of the state. Generally speaking, the top concerns of West Nebraska businesses were similar to the concerns of other Nebraska businesses. However, West Nebraska businesses were more concerned about the costs of suppliers (goods and services) and less concerned about the quality and availability of labor as their top concern. Respondents were more likely

[5] The region includes Arthur, Banner, Box Butte, Chase, Cherry, Cheyenne, Deuel, Dawes, Dawson, Dundy, Frontier, Furnas, Garden, Gosper, Grant, Hayes, Hitchcock, Hooker, Keith, Kimball, Lincoln, Logan, McPherson, Morrill, Perkins, Red Willow, Scotts Bluff, Sheridan, Sioux and Thomas counties.

to select health care costs and the Affordable Care Act as their top concern but less likely to select other types of government regulation.

Figure 6: Most Important Issue Facing West Nebraska Businesses, July and August, 2014



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