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Consumer Confidence Index – Nebraska and Survey of Nebraska Business: January 6, 2017

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Summary: The gap between business and consumer confidence persisted in Nebraska through December of 2016. The Consumer Confidence Index – Nebraska (CCI-N) stood at 88.2 during December, well below the neutral value of 100. The outlook of Nebraska businesses, by contrast, was positive with respondents to the Survey of Nebraska Business expecting to increase both sales and employment over the next 6 months. In particular, 31 percent of businesses expect sales to increase over the next 6 months while just 18 percent expect sales to fall. Fifteen percent of businesses expect to expand employment while 3 percent expect to reduce it. When asked about the most important issue facing their business, customer demand was mentioned by one-third of respondents, labor availability and quality by 18 percent of respondents and both taxes and government regulation by 11 percent of respondents. Households reported a variety of financial concerns with 51 percent reporting that their primary financial concerns relate to 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 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: 1) whether their household is better off financially now than it was six months ago 2) whether they expect their household to be better off financially in six months, 3) whether they believe now is a good time to make a major household purchase (automobile, appliance, or electronics) and 4) whether 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 December, responses were received from 115 of the 500 surveyed households, for 23 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 88.2 in December 2016. This value is below 100 and indicates that consumer confidence is weak in Nebraska. The value of the index rose 2.2 points, from 86.0 in November. The value of the index is similar to its value of 89.0 during December 2015. It will be interesting to see if the value of the index improves in the coming months.

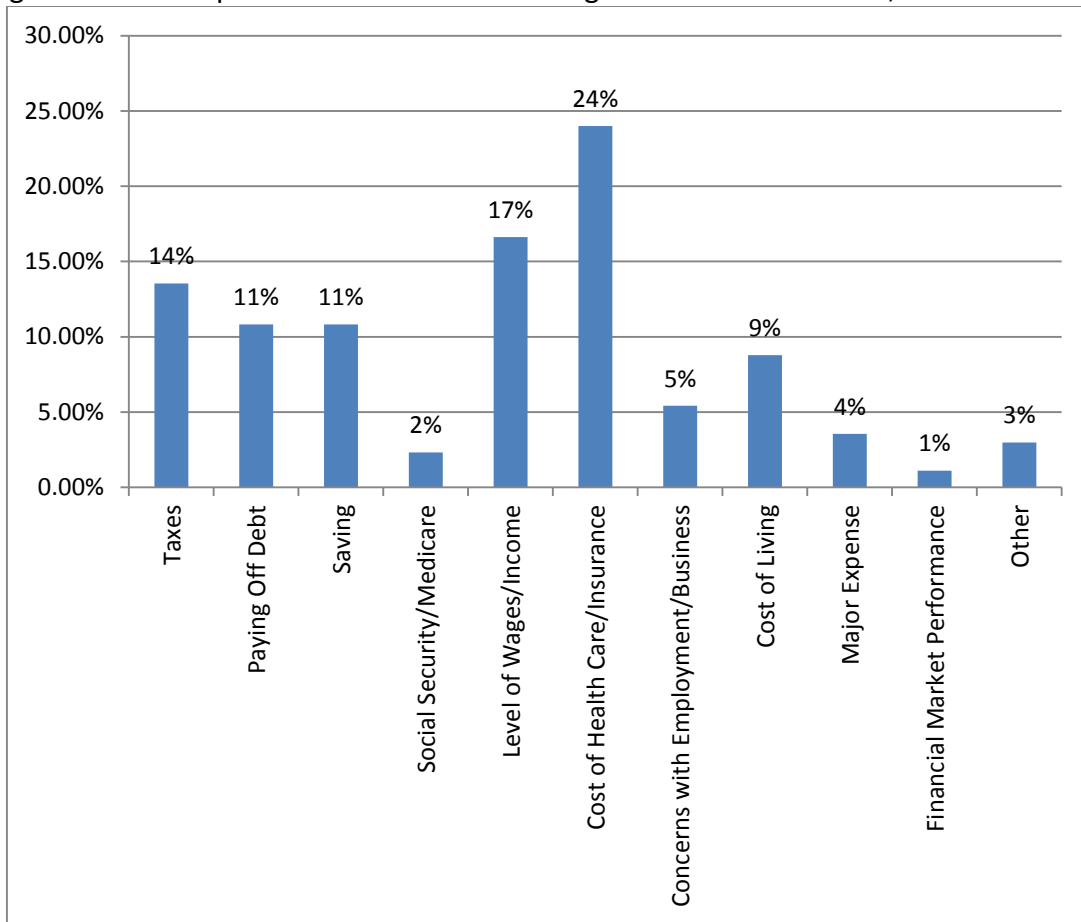
Table 1: Consumer Confidence Index - Nebraska, December 2016

Consumer Confidence Index - Nebraska	
Month	Index Value
December	88.2
November 2016	86.0
Change from Previous Month	2.2

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 in December responses were the cost of health care and health insurance (24 percent), the level of wages/income (17 percent) and taxes (14 percent). In all, 51 percent of respondents chose some type of cost factor as their top issue, whether the cost of health care, taxes, the general cost of living (9 percent), or major expenses (4 percent). Approximately one quarter of respondents choose savings or paying off debt (11 percent in both cases) as their top issue. Among other responses, 5 choose concerns about their job or business as their top concern. These shares are similar to those found in previous months although the share of respondents choosing the level of wages/income is elevated.

Figure 1: Most Important Financial Issue Facing Nebraska Households, December 2016



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

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 December, responses were received from 98 of the 500 surveyed businesses, for a 20 percent response rate.

As seen in Table 2 below, respondents to the December 2016 Survey of Nebraska Business had a positive outlook for sales and employment at their businesses over the next 6 months. Thirty-one percent of businesses expect sales to increase over the next 6 months and 18 percent expect sales to decrease. Fifteen percent of businesses expect to expand employment over the next six months compared to just 3 percent who expect to reduce it.

Table 2: Business Expectations for the Next Six Months, December 2016

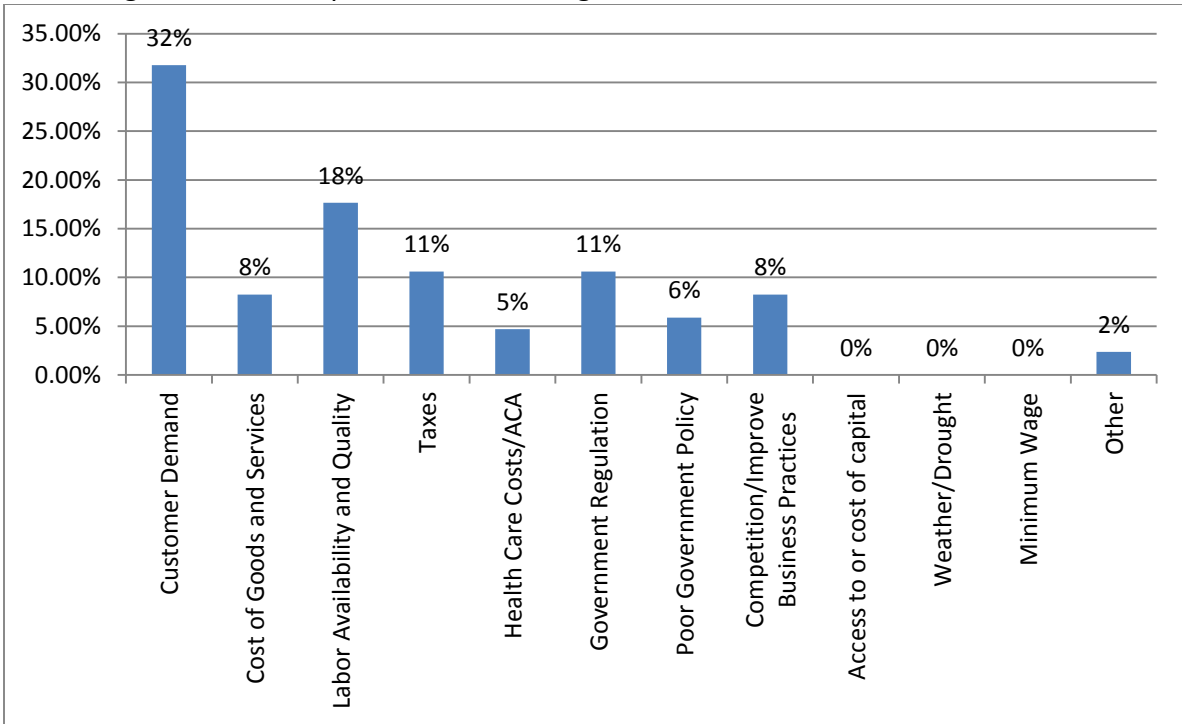
	Change Over the Next Six Months	
	Sales	Employment
Increase	31%	15%
Stay the Same	52%	81%
Decrease	18%	3%

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

Source: Survey of Nebraska Business

Results in Figure 2 show the top concerns of business owners and managers responding to the December survey. Two-thirds of responses were related to business operations issues such as customer demand for goods or services and labor availability and quality. Customer demand was the most common top concern, named by 32 percent of respondents. The availability and quality of labor was chosen by 18 percent of respondents. Eight percent of respondents cited competition from other businesses or a need to improve business practices as their top concern while another 8 percent cited the cost of goods and services. One-third of businesses chose a public policy issue as their top concern. Both taxation and government regulation was chosen by 11 percent of respondents.

Figure 2: Most Important Issue Facing Nebraska Businesses, December 2016



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

Source: Survey of Nebraska Business