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Nebraska Business and Consumer Confidence Indexes: November 3, 2017

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Summary: Nebraska's consumer confidence remained weak during October while business confidence remained strong. The Consumer Confidence Index – Nebraska (CCI-N) stood at 95.1 in October, below the neutral value of 100.0. By contrast, the Nebraska business confidence remained strong. The Business Confidence Index – Nebraska (BCI-N) stood at 102.7 in October, below the September level of 105.2 but above the neutral value of 100.0. When asked about the most important issue facing their business, customer demand was mentioned by 31 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 25 percent of October respondents while 10 percent mentioned competition from other businesses. All percentages are similar to those reported in the September survey. Households reported a variety of financial concerns with 56 percent choosing the cost of living including health care costs, taxes, major expenses (furniture, appliances, automobiles) and the general cost of living. During October, nearly thirty percent of households reported that their primary financial issue related to paying off debt or building savings.

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 October, responses were received from 115 of the 500 surveyed households, for a 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 95.1 in October 2017. This value is well below the neutral value of 100.0. The value of the index rose by 1.6 points from 93.5 in September.

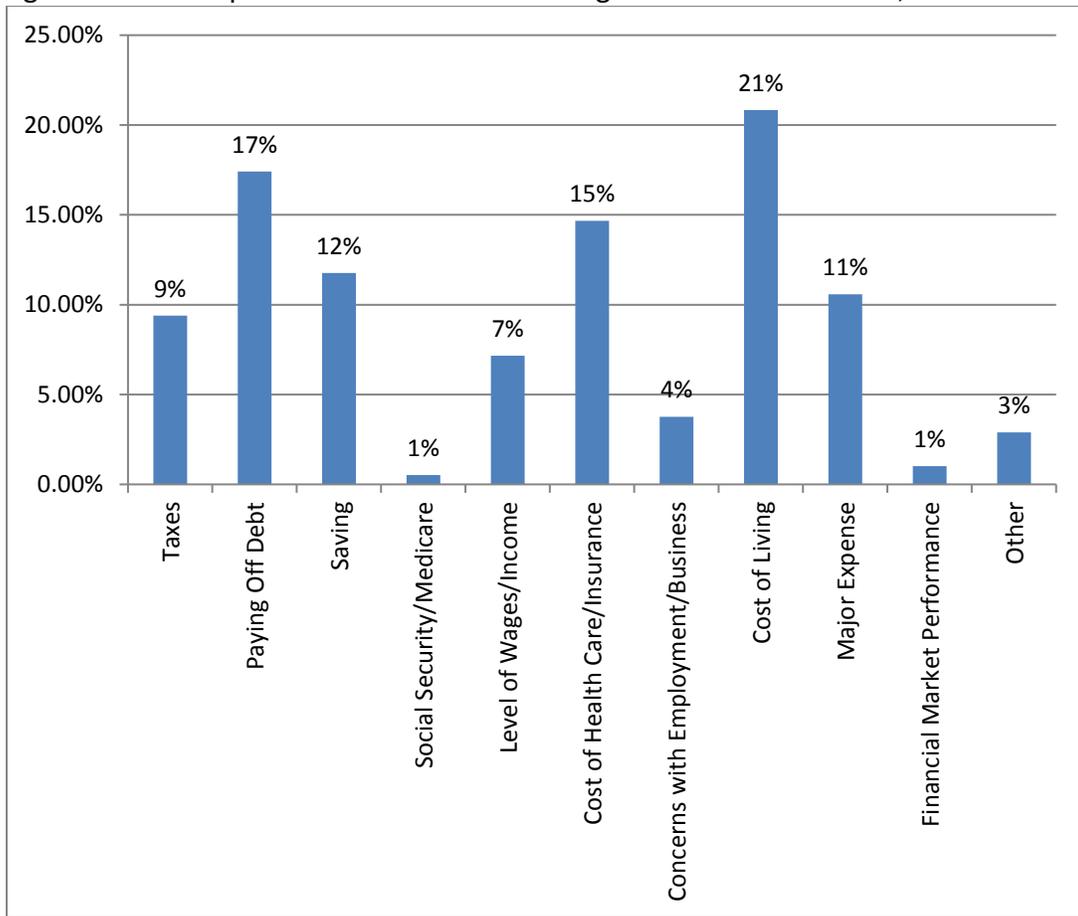
Table 1: Consumer Confidence Index - Nebraska, October 2017

Consumer Confidence Index – Nebraska	
Month	Index Value
October 2017	95.1
September 2017	93.5
Change from Previous Month	1.6

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 the general cost of living (21 percent) and paying off debt (17 percent). Overall, 56 percent of respondents chose some type of cost factor as their top issue, whether the general cost of living, the cost of health care (15 percent), major expenses (11 percent), or taxes (9 percent). Nearly 30 percent of respondents choose paying off debt or saving (12 percent) as their top issue. Among other responses, just 4 percent chose concerns about their job or business as their top issue while 7 percent chose their level of wages or income.

Figure 1: Most Important Financial Issue Facing Nebraska Households, October 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 October, responses were received from 151 of the 500 surveyed businesses, for a 30 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, October 2017

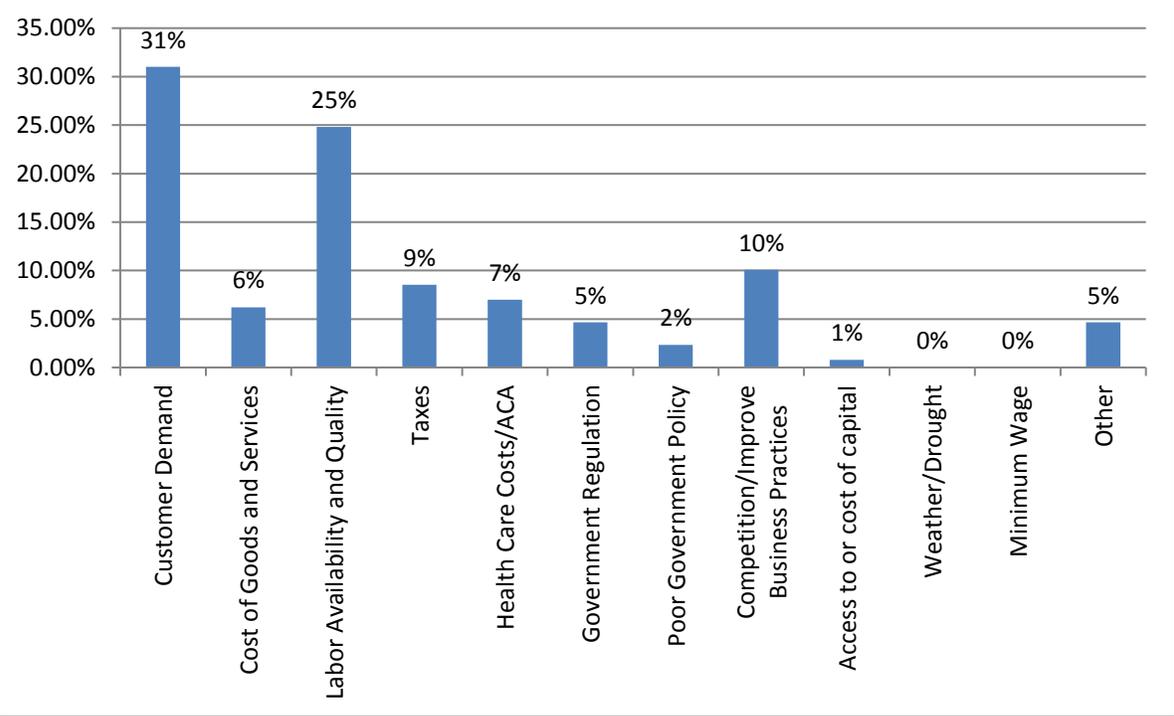
Business Confidence Index - Nebraska	
Month	Index Value
October 2017	102.7
September 2017	105.2
Change from Previous Month	-2.5

Source: Survey of Nebraska Business

As seen in Table 2, the Business Confidence Index – Nebraska had a value of 102.7 in October 2017. This value is above 100 and indicates that business confidence is strong in Nebraska. The value of the index fell by 2.5 points, from a value of 105.2 in September 2017.

Results in Figure 2 show the top concerns of business owners and managers responding to the October survey. Three-quarters 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 31 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-five 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 9 percent of respondents while government health care costs and the Affordable Care Act were chosen by 7 percent. Regulation was chosen by 5 percent of October respondents.

Figure 2: Most Important Issue Facing Nebraska Businesses, October 2017



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