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# Consumer Confidence Index – Nebraska and Survey of Nebraska Business: October 7, 2016

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## **Consumer Confidence Index – Nebraska and Survey of Nebraska Business: October 7, 2016**

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

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***Summary:** During September, a gap re-emerged between business and consumer confidence in Nebraska. The Consumer Confidence Index – Nebraska (CCI-N) fell to 87.9 during September, from a value of 97.4 in August. A value of 87.9 is well below the neutral value of 100, and indicates weak consumer confidence in Nebraska. By contrast, Nebraska businesses were optimistic, with respondents to the September 2016 Survey of Nebraska Business reporting plans to expand sales and employment. Thirty-one percent of businesses expect sales to rise over the next 6 months, while just 19 percent expect sales to fall. Thirteen percent of businesses expect to increase employment over the next 6 months while just 3 percent plan to reduce it. When asked about the most important issue facing their business, customer demand was mentioned most frequently, followed by the availability and quality of labor, competitive conditions and regulations. Households reported a variety of financial concerns with 52 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 September, responses were received from 137 of the 500 surveyed households, for 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 87.9 in September 2016. This value is well below 100. Further, the value of the index fell 9.5 points, from 97.4 in August. The September value of 87.9 is similar to consumer confidence readings found earlier in 2016. In other words, the summer bounce in Nebraska consumer confidence proved to be temporary.

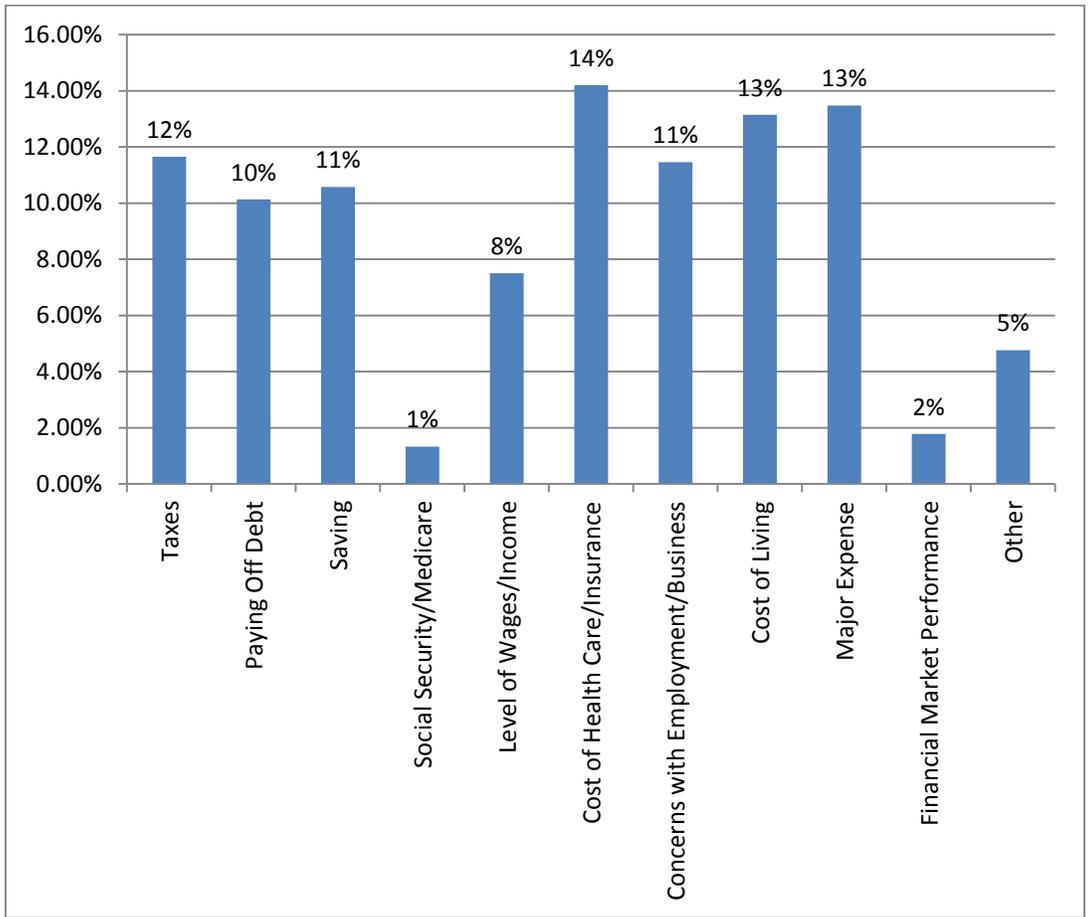
Table 1: Consumer Confidence Index - Nebraska, September 2016

Consumer Confidence Index - Nebraska	
Month	Index Value
July 2016	87.9
June 2016	97.4
Change from Previous Month	-9.5

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 September responses were the cost of health care and health insurance (14 percent), major expenses faced by households (13 percent) and the overall cost of living (13 percent). More generally, 52 percent of respondents chose some type of cost factor as their top issue, whether the cost of health care, the cost of a major expense, the general cost of living or taxes (12 percent). Approximately one in five respondents choose savings (11 percent) or paying off debt (10 percent) as their top issue. Among other concerns, 11 percent choose concerns about their job or business as their top concern while 8 chose their level of wages or income. These shares are similar to those found in August.

Figure 1: Most Important Financial Issue Facing Nebraska Households, September 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 September, responses were received from 125 of the 500 surveyed businesses, for a 25 percent response rate.

As seen in Table 2 below, respondents to the September 2016 Survey of Nebraska Business had an optimistic outlook for sales and employment at their businesses over the next 6 months. Thirty-one percent of businesses expect to increase sales over the next 6 months and 19 percent expecting to decrease sales. This is a 12 percent gap. Thirteen percent of businesses expected to expand employment while just 3 percent expect to reduce it. This is a 10 percent gap.

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

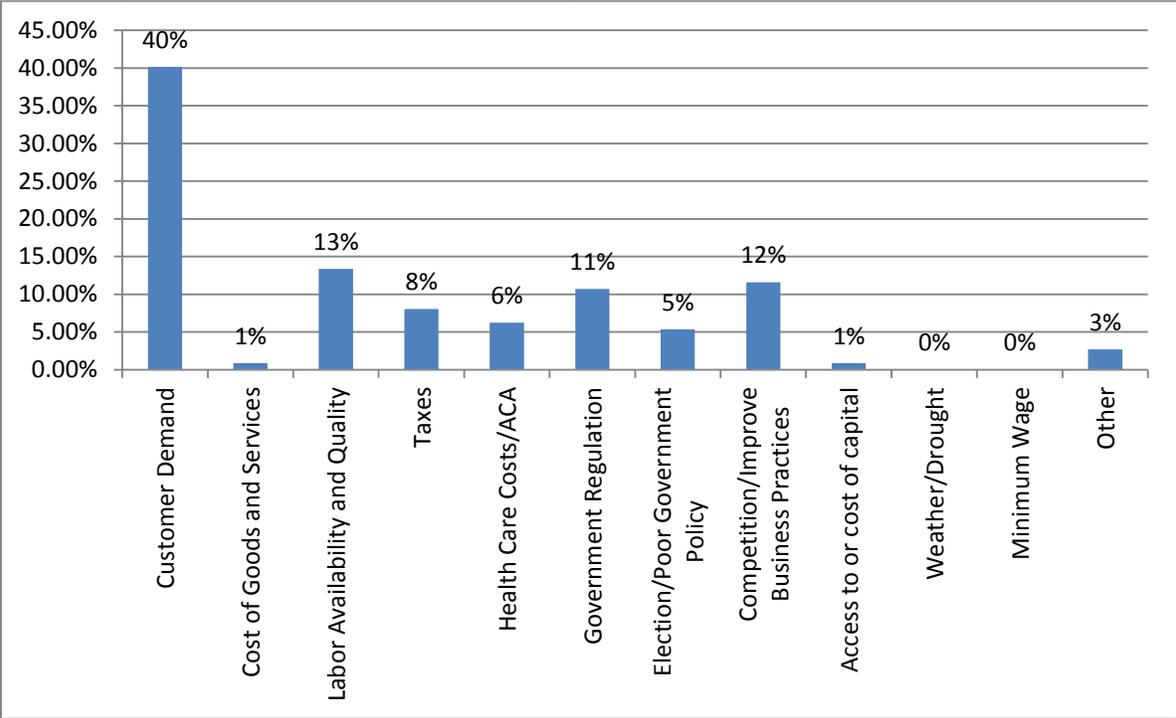
	Change Over the Next Six Months	
	Sales	Employment
Increase	31%	13%
Stay the Same	50%	84%
Decrease	19%	3%

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 September survey. Seven in 10 responses were related to business operations issues such as customer demand for goods or services, labor availability and quality, competition from other businesses or the need to improve business practices. Customer demand was the most common top concern, named by 40 percent of respondents. The availability and quality of labor was the second most cited top concern, chosen by 13 percent of respondents. Twelve percent of respondents cite competition from other businesses or a need to improve business practices as the top concern. Three in 10 businesses chose a public policy issue as their top concern. Government regulation was chosen by 11 percent of respondents while taxes was chosen by 8 percent. Six percent of respondents mentioned the Presidential election and how the outcome would influence government policy.

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



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