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Consumer Confidence Index – Nebraska and Survey of Nebraska Business: November 4, 2016

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Summary: The gap between business and consumer confidence closed in Nebraska during October. The Consumer Confidence Index – Nebraska (CCI-N) rose to 94.0 during October, from a value of 87.9 in September. A reading of 94.0 is still below the neutral value of 100. The outlook of Nebraska businesses was also closer to neutral than in the previous months. Businesses were only slightly optimistic in October, with respondents to the Survey of Nebraska Business neutral on sales and only slightly optimistic regarding employment. Twenty-four percent of businesses expect sales to rise over the next 6 months, while the same percent expect sales to fall. Ten percent of businesses expect to expand employment over the next six months, while 7 percent expect to reduce it. When asked about the most important issue facing their business, customer demand was mentioned most frequently, followed by regulation and the availability and quality of labor. In particular, many respondents expressed concerns about the price of agricultural commodities. Households reported a variety of financial concerns with 48 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 October, responses were received from 124 of the 500 surveyed households, for 25 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 94.0 in October 2016. This value is below 100 and indicates that consumer confidence is weak in Nebraska. However, the value of the index rose 6.1 points, from 87.9 in September. It will be interesting to monitor whether consumer confidence continues to improve during the last few months of 2016.

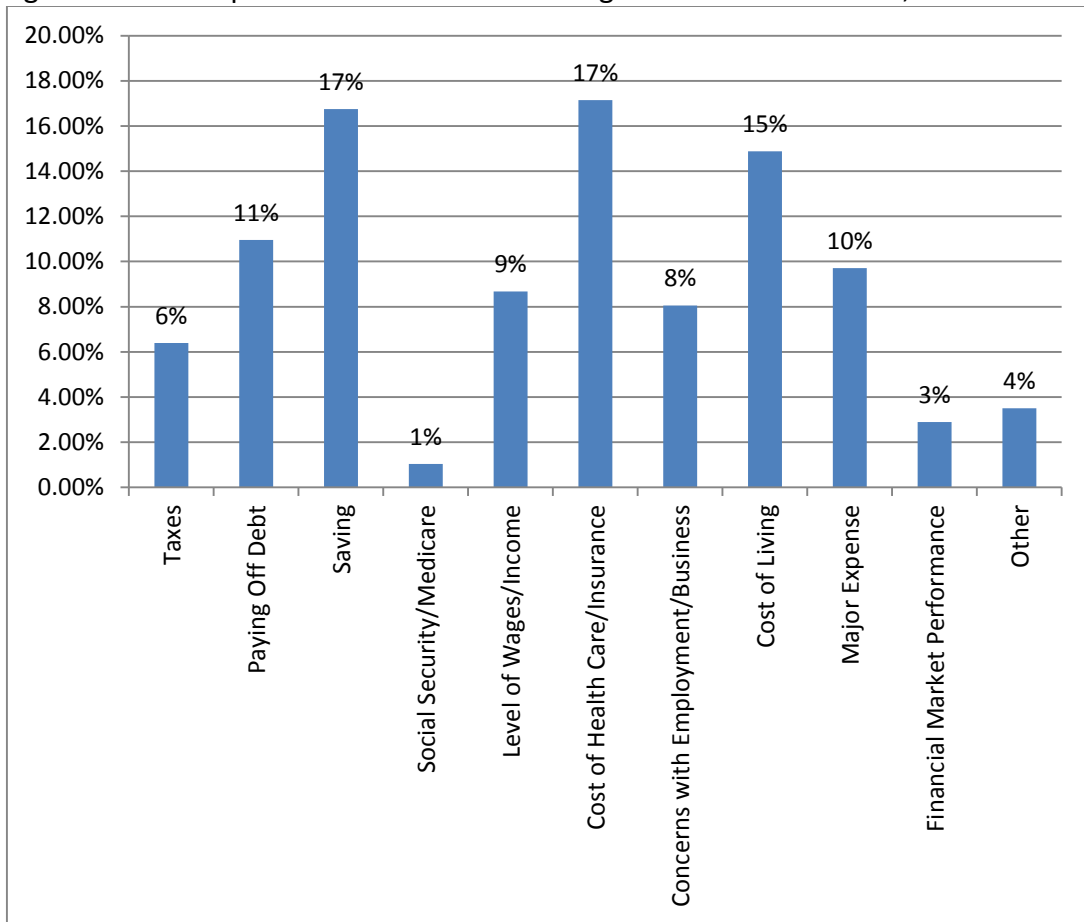
Table 1: Consumer Confidence Index - Nebraska, October 2016

Consumer Confidence Index – Nebraska	
Month	Index Value
October 2016	94.0
September 2016	87.9
Change from Previous Month	6.1

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 October responses were the cost of health care and health insurance (17 percent), savings (17 percent) and the general cost of living (15 percent). In all, 48 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 (10 percent), the general cost of living or taxes (6 percent). Approximately one quarter of respondents choose savings or paying off debt (11 percent) as their top issue. Among other concerns, 9 percent chose their level of wages or income as their top concern while 8 percent choose concerns about their job or business as their top concern. These shares are similar to those found in September.

Figure 1: Most Important Financial Issue Facing Nebraska Households, October 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 October, responses were received from 146 of the 500 surveyed businesses, for a 29 percent response rate.

As seen in Table 2 below, respondents to the October 2016 Survey of Nebraska Business had a slightly positive outlook for employment at their businesses over the next 6 months, and a neutral outlook for sales. Twenty-four percent of businesses expect to increase sales over the next 6 months and the same percentage expect sales to decrease. Ten percent of businesses expect to expand employment over the next six months compared to 7 percent who expect to reduce it.

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

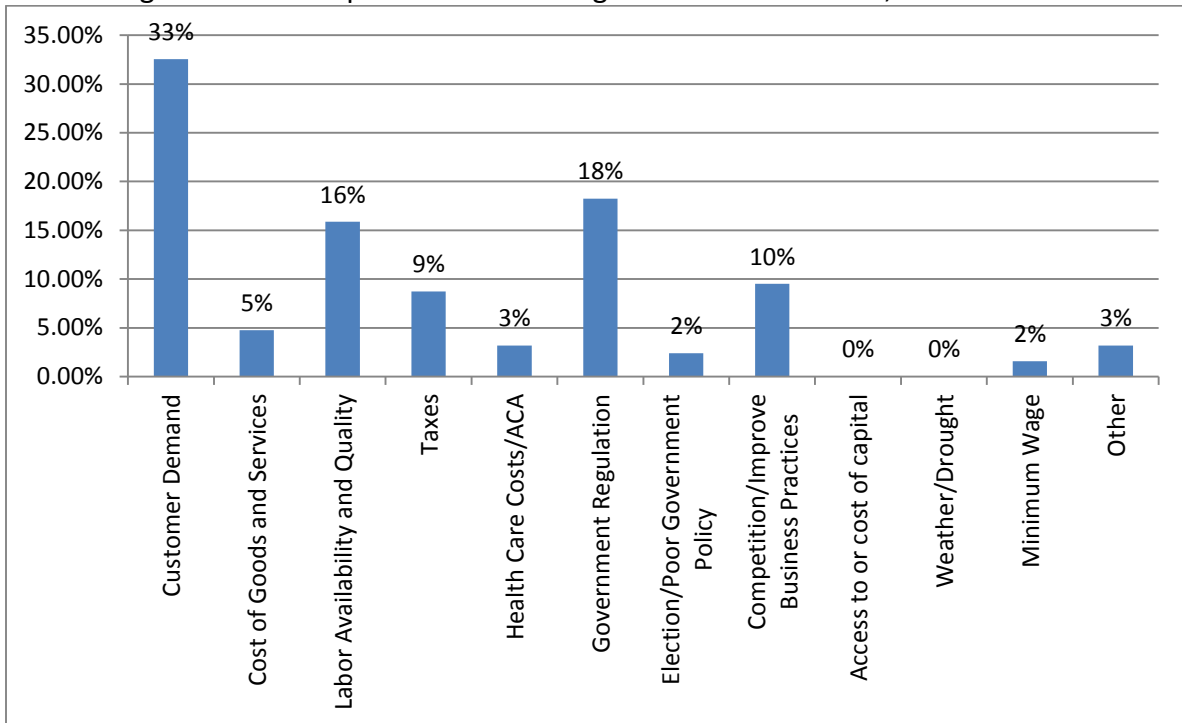
	Change Over the Next Six Months	
	Sales	Employment
Increase	24%	10%
Stay the Same	52%	83%
Decrease	24%	7%

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 October survey. Two-thirds of 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 33 percent of respondents. In particular, many respondents raised concerns about prices for agricultural commodities. The availability and quality of labor was the third most cited top concern, chosen by 16 percent of respondents. Ten percent of respondents cite competition from other businesses or a need to improve business practices as their top concern. One-third of businesses chose a public policy issue as their top concern. Government regulation was chosen by 18 percent of respondents, making it the second most common top concern of respondents. Taxes were the top concern of 9 percent of respondents. Two percent of respondents listed the minimum wage as their top concern.

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



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

Source: Survey of Nebraska Business