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Nebraska Business and Consumer Confidence Indexes: June 2, 2017

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Summary: Consumer confidence fell in Nebraska during May 2017 while business confidence remained very strong. The Consumer Confidence Index – Nebraska (CCI-N) fell to roughly neutral during May. The CCI-N stood at 102.5 in April but fell to 100.4 during May, which is only slightly above the neutral value of 100.0. The outlook of Nebraska businesses remained very strong. The Business Confidence Index – Nebraska (BCI-N) rose to 110.2 in May, above its April value of 109.1 and well above the neutral value. Business confidence has been very strong in Nebraska during the first five months of 2017. When asked about the most important issue facing their business, customer demand was mentioned by 30 percent of business respondents. Concerns about customer demand were most common in the agriculture and health care industries. The availability and quality of labor was mentioned as the most important issue by 27 percent of respondents. Another 9 percent mentioned competition from other businesses, particularly on-line businesses. Households reported a variety of financial concerns with 30 percent reporting that their primary financial concerns relate to paying off debt or savings and 49 percent choosing the cost of living including health care costs, taxes, major expenses (furniture, appliances, automobiles or college tuition) and the general cost of living. Household responses are similar to those from previous months.

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 May, responses were received from 143 of the 500 surveyed households, for a 29 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 100.4 in May 2017. This value is only slightly above the neutral value of 100.0 and indicates that consumer confidence is close to neutral in the state, with roughly the same number of respondents seeing positive conditions as seeing negative conditions. The value of the index decreased by 2.1 points from 102.5 in April.

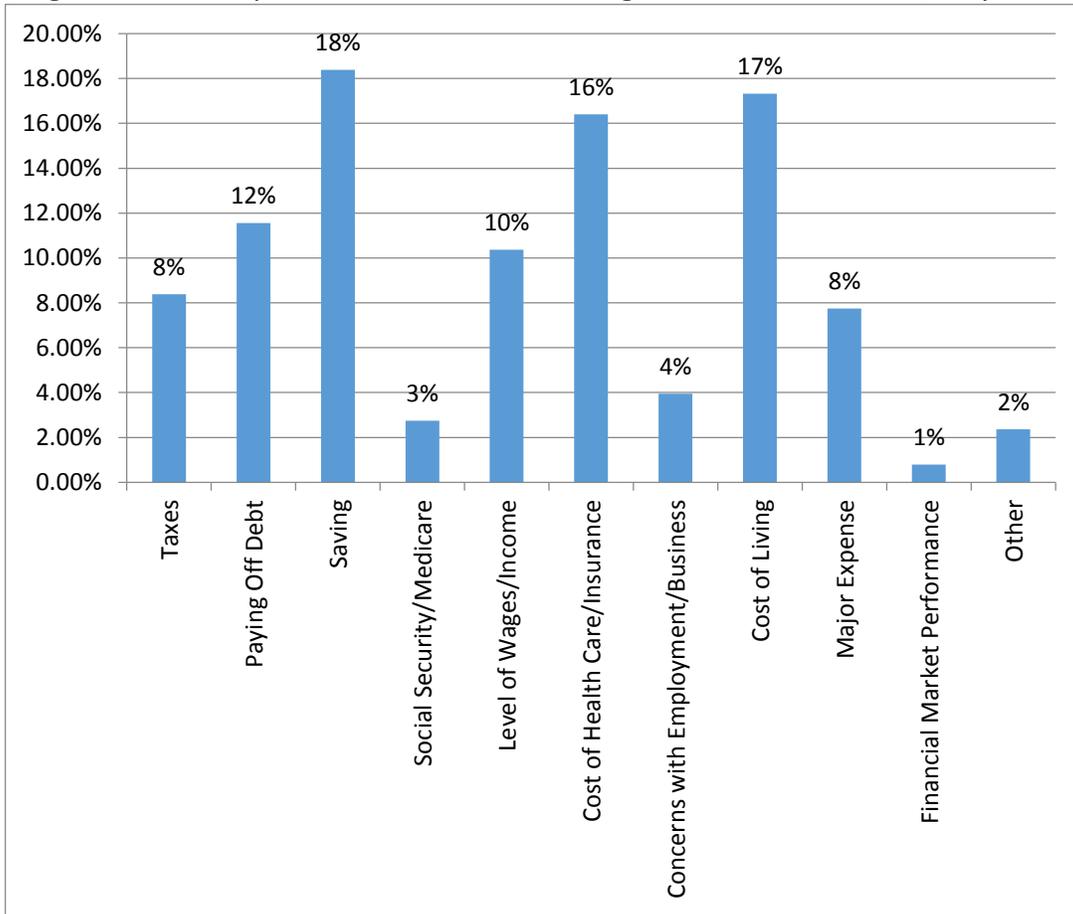
Table 1: Consumer Confidence Index - Nebraska, May 2017

Consumer Confidence Index - Nebraska	
Month	Index Value
May 2017	100.4
April 2017	102.5
Change from Previous Month	-2.1

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 May responses were savings (18 percent) and the general cost of living (17 percent). Overall, 49 percent of respondents chose some type of cost factor as their top issue, whether the cost of health care (16 percent), the general cost of living, taxes (8 percent), or major expenses (8 percent). Thirty percent of respondents choose paying off debt (12 percent) or savings as their top issue. Among other responses, 10 percent chose their level of wages or income as their top issue but just 4 percent choose concerns about their job or business. These shares are similar to those found in previous months.

Figure 1: Most Important Financial Issue Facing Nebraska Households, May 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 May, responses were received from 138 of the 500 surveyed businesses, for a 28 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, May 2017

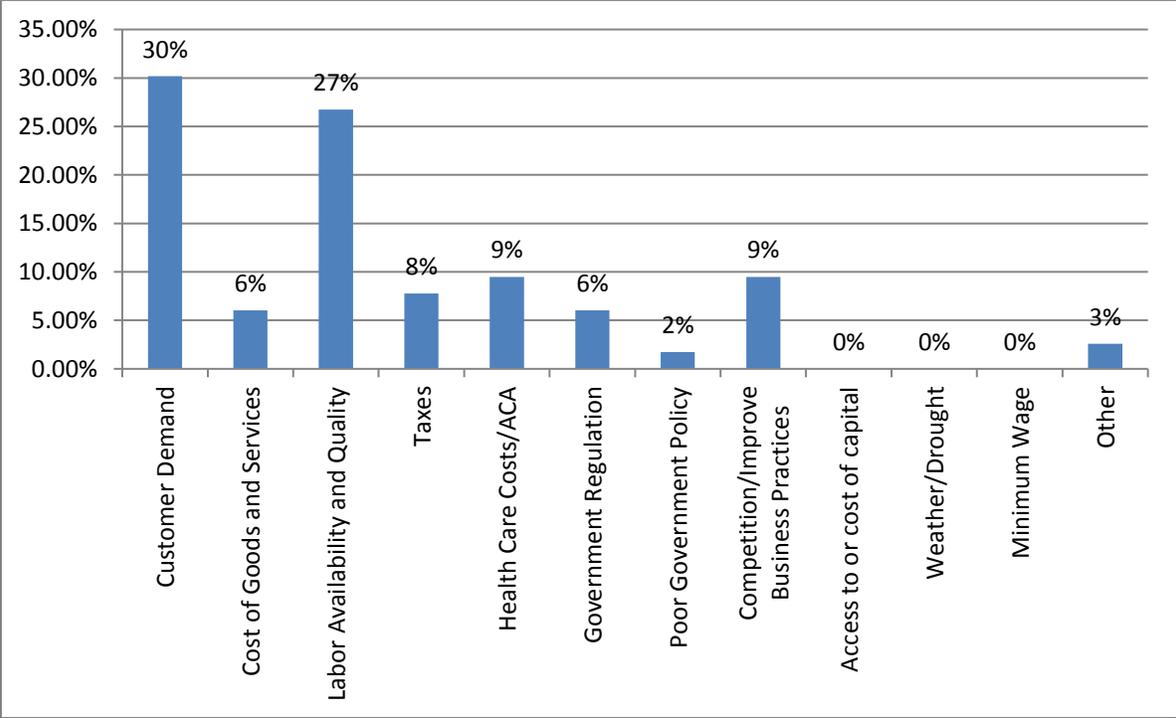
Business Confidence Index - Nebraska	
Month	Index Value
May 2017	110.2
April 2017	109.1
Change from Previous Month	1.1

Source: Survey of Nebraska Business

As seen in Table 2, the Business Confidence Index – Nebraska had a value of 110.2 in May 2017. This value is well above 100 and indicates that business confidence is very strong in Nebraska. The value of the index rose by 1.1 points, from 109.1 in April 2016. This business confidence has held at a high level in Nebraska throughout the year.

Results in Figure 2 show the top concerns of business owners and managers responding to the May 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 30 percent of respondents. Businesses in agriculture or health care were much more likely to cite concerns with customer demand. Twenty-seven percent of respondents mentioned the quality and availability of labor as their top concern. This is a much higher share than in April and indicates that labor shortages remain a concern in the Nebraska economy. Competition and a need to improve business practices was chosen by 9 percent of respondents. Competition from on-line businesses was a frequent concern. Health care costs were chosen by 9 percent of respondents while taxes were chosen by 8 percent. Government regulations were chosen by 6 percent of respondents.

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



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

