

3-9-2018

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Thompson, Eric, "Nebraska Business and Consumer Confidence Indexes: March 9, 2018" (2018). *Leading Economic Indicator Reports*. 129.

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Nebraska Business and Consumer Confidence Indexes: March 9, 2018

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Summary: Nebraska consumer and business confidence fell during February 2018, dropping from the near-peak levels seen in January. The Consumer Confidence Index – Nebraska (CCI-N) fell to 101.6 in February from a value of 115.2 in January. The February value remains above the neutral level of 100.0. The Business Confidence Index – Nebraska (BCI-N) fell to 107.4 in February from 112.2 in January. Both monthly readings were well above the neutral value of 100.0 suggesting that business confidence remains strong. When asked about the most important issue facing their business, customer demand was mentioned by 38 percent of respondents. But, there were also significant concerns about labor. The availability and quality of labor was mentioned as the most important issue by 25 percent of February respondents. Another 14 percent cited a need to improve businesses practices or competition from other businesses. Households reported a variety of financial concerns with 50 percent choosing the cost of living including taxes, health care costs, major expenses (furniture, appliances, automobiles) and the general cost of living. Twenty-three percent reported that their primary financial issue was either paying off debt or saving.

Consumer Confidence Index - Nebraska

The Consumer Confidence Index – Nebraska (CCI-N) summarizes responses to the monthly *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 February, responses were received from 132 of the 500 surveyed households, for a 26 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 101.6 in February 2018. This value is above the neutral value of 100.0 and indicates that consumer confidence remains positive. The value of the index, however, fell 13.6 points from 115.2 in January 2018. The January value was the highest value recorded for the CCI-N since it was first released in February 2016.

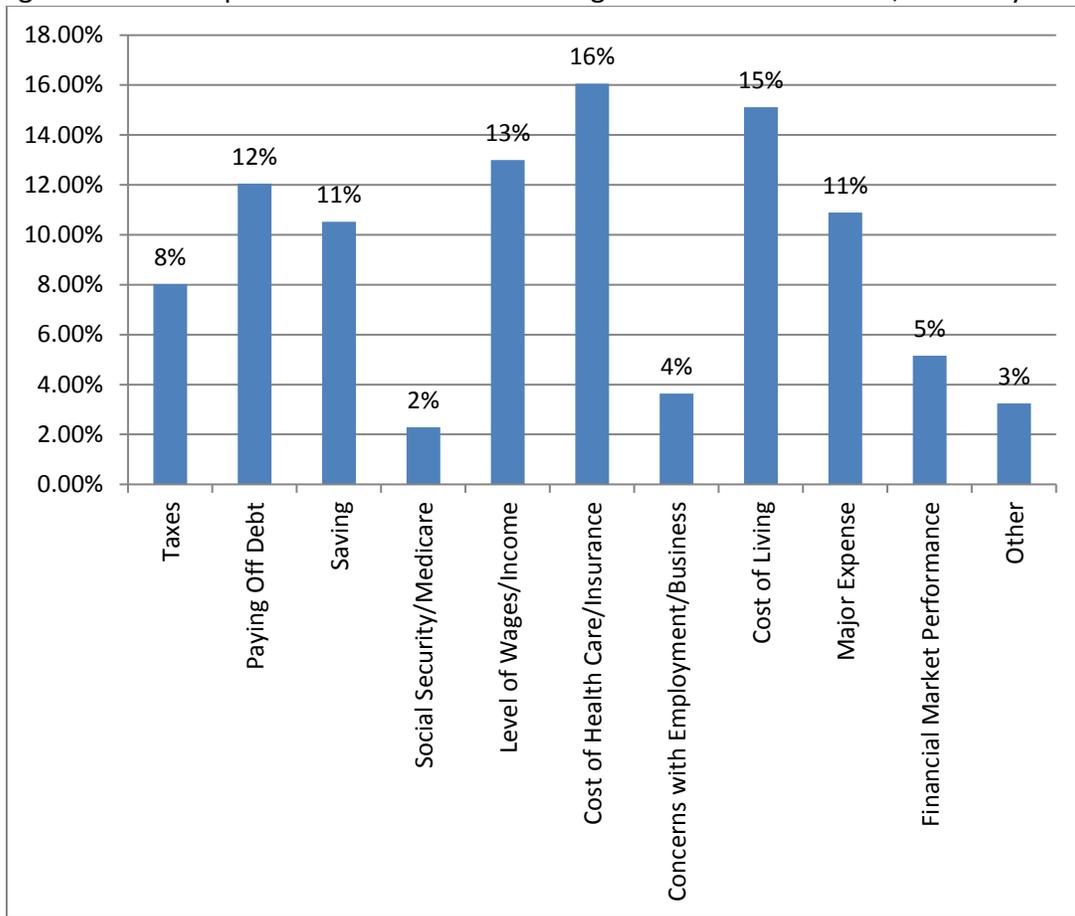
Table 1: Consumer Confidence Index - Nebraska, February 2018

Consumer Confidence Index – Nebraska	
Month	Index Value
February 2018	101.6
January 2018	115.2
Change from Previous Month	-13.6

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 February respondents was the cost of health care and health insurance (16 percent) and the general cost of living (15 percent). Overall, 50 percent of respondents chose some type of cost factor as their top issue, whether the cost of health care, the general cost of living, major expenses (home or vehicle repairs, a new home or college tuition) (11%) or taxes (8 percent). Among other responses, 13 percent chose their level of wages or income as their top concern but just 4 percent chose concerns about their job or business. The share expressing concerns about their job or businesses was lower than in January. Twenty-three percent of respondents choose paying off debt (12 percent) or saving (11 percent) as their top issue. Just 5% choose financial market performance as their top issue.

Figure 1: Most Important Financial Issue Facing Nebraska Households, February 2018



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 monthly *Survey of Nebraska Business* regarding 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 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 February, responses were received from 143 of the 500 surveyed businesses, for a 29 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.

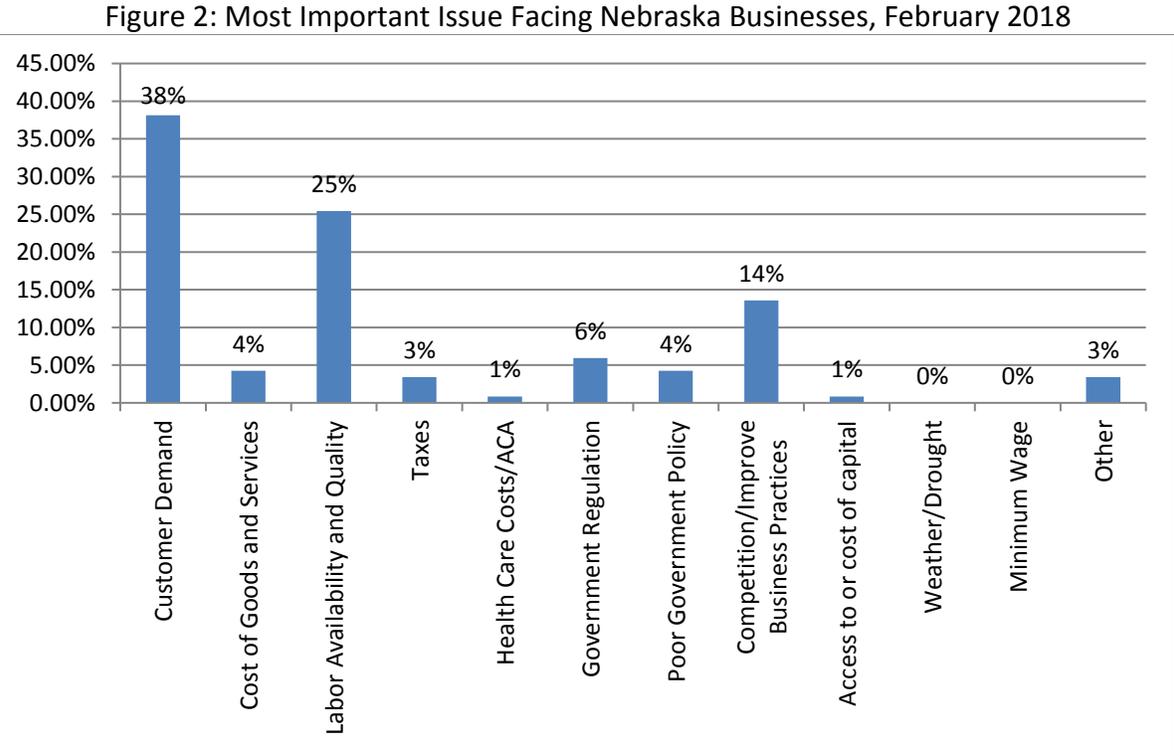
Table 2: Business Confidence Index - Nebraska, February 2018

Business Confidence Index - Nebraska	
Month	Index Value
February 2018	107.4
January 2018	112.2
Change from Previous Month	-4.8

Source: Survey of Nebraska Business

As seen in Table 2, the Business Confidence Index – Nebraska had a value of 107.4 in February 2018. This value is well above 100 and indicates that business confidence is strong in Nebraska. The value of the index fell by 4.8 points between January of 2018 and February of 2018.

Results in Figure 2 show the top issues of business owners and managers responding to the February survey. Eighty-five percent of responses were related to business operations issues such as customer demand for goods or services, labor availability and quality, or competition and the need to improve business practices. Customer demand was the most common top issue, named by 38 percent of respondents. Health care providers, agricultural businesses and other business located in small towns were especially likely to cite concerns with customer demand. Businesses also faced competition for labor and customers. Twenty-five percent of respondents mentioned the quality and availability of labor as their top issue while 14 percent chose a need to improve businesses practices or competition from other businesses. Among these respondents, on-line competition was a common concern. Business respondents were relatively content with public policy. Just 14 percent choose a public policy issues as their top issue, with 6% choosing government regulation, 3% choosing taxes, 1% choosing health care costs and 4% voicing general concerns with government policy.



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