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Nebraska Business and Consumer Confidence Indexes: May 4, 2018

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Summary: Nebraska consumer and business confidence fell during April 2018. The Consumer Confidence Index – Nebraska (CCI-N) fell to 104.3 in April from a value of 106.8 in March. The Business Confidence Index – Nebraska (BCI-N) fell to 104.8 in April from 110.4 In March. Despite the decline, both April values are well above the neutral level of 100.0 suggesting that business and consumer confidence are strong. When asked about the most important issue facing their business, customer demand was mentioned by 32 percent of respondents, while the availability and quality of labor was mentioned as the most important issue by 24 percent. Another 17 percent cited a need to improve businesses practices or competition from other businesses, especially on-line competitors. Households reported a variety of financial concerns with 55 percent choosing the cost of living including health care costs, taxes, major expenses (furniture, appliances, automobiles) and the general cost of living. Twenty-two percent reported that their primary financial issue was either paying off debt or saving and 8 percent indicated that their level of wages or income was their top concern.

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 April, responses were received from 131 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 104.3 in April 2018. This value is well above the neutral value of 100.0 and indicates that consumer confidence is strong. The value of the index fell 2.5 points from 106.8 in March 2018.

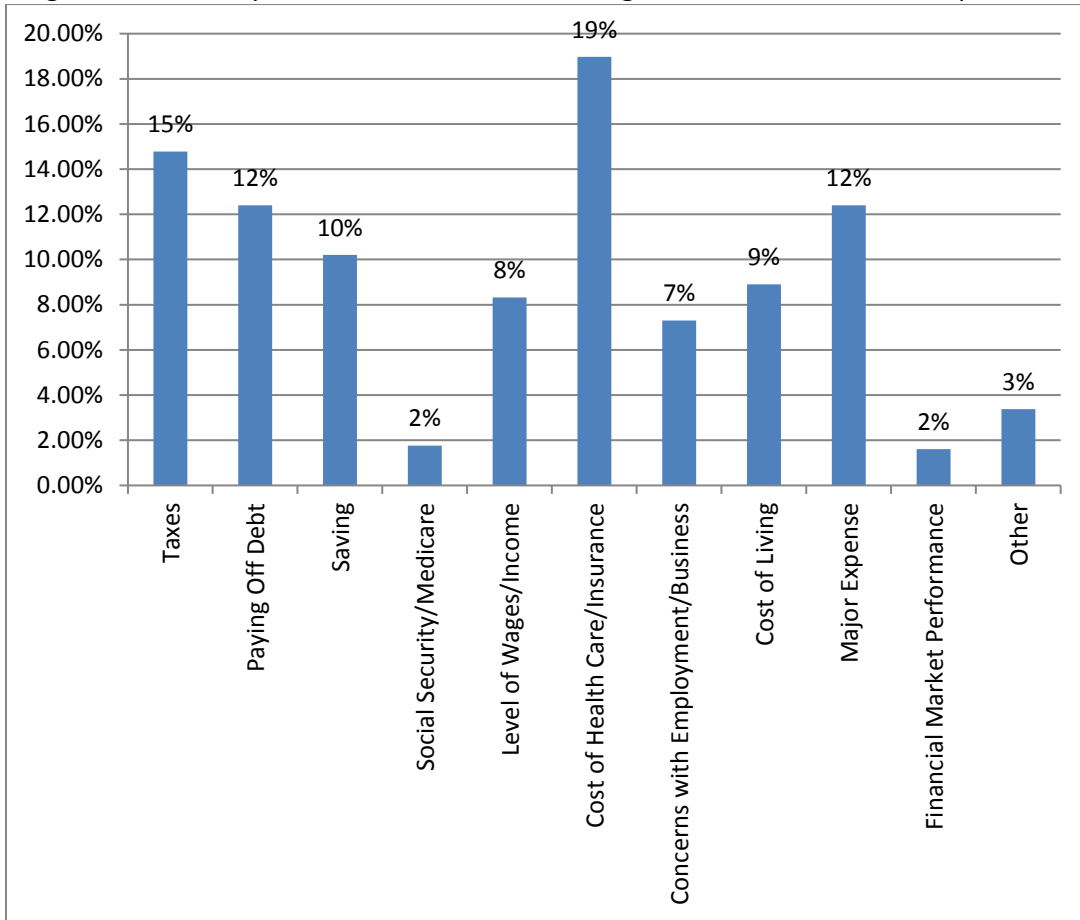
Table 1: Consumer Confidence Index - Nebraska, April 2018

Consumer Confidence Index - Nebraska	
Month	Index Value
April 2018	104.3
March 2018	106.8
Change from Previous Month	-2.5

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 by April respondents were the cost of health care and health insurance (19 percent) and taxes (15 percent). Overall, 55 percent of respondents chose some type of cost factor as their top issue, whether taxes, the cost of health care, major expenses (home or vehicle repairs, a new home or college tuition) (12 percent) or the general cost of living (9 percent). Among other responses, 8 percent chose their level of wages or income as the top concern and 7 percent chose concerns about their job or business. Twenty-two percent of respondents choose paying off debt (12 percent) or saving (10 percent) as their top issue.

Figure 1: Most Important Financial Issue Facing Nebraska Households, April 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 April, responses were received from 148 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, April 2018

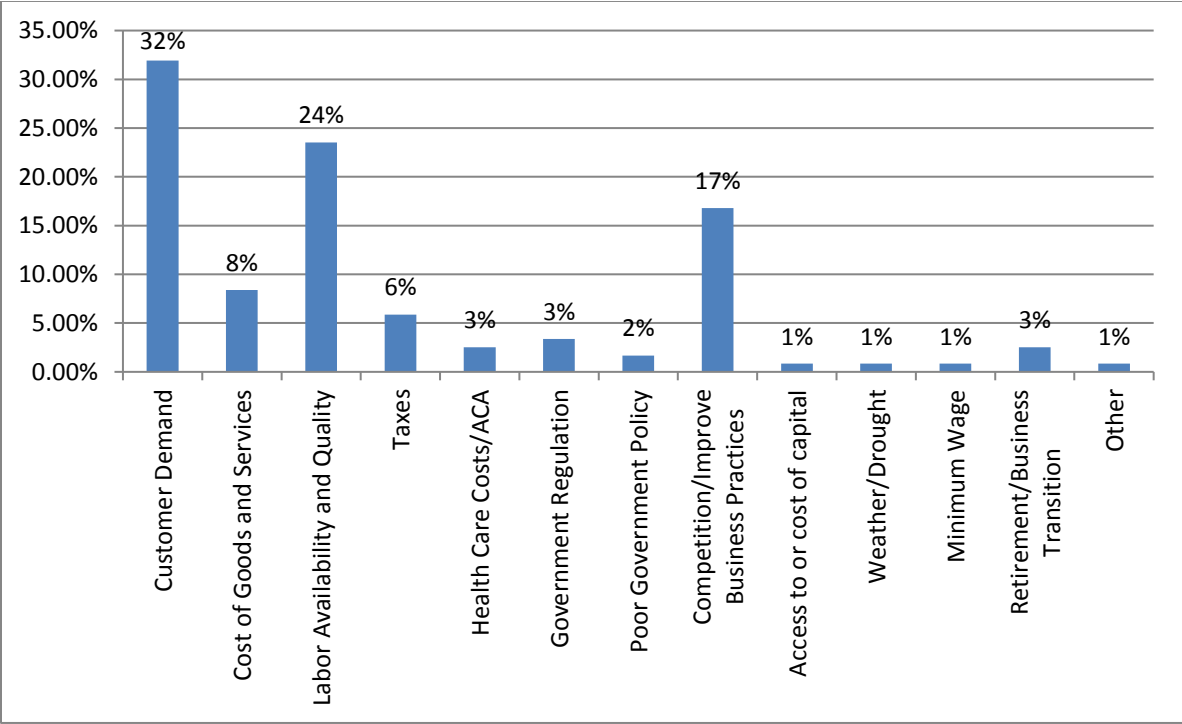
Business Confidence Index - Nebraska	
Month	Index Value
April 2018	104.8
March 2018	110.4
Change from Previous Month	-5.6

Source: Survey of Nebraska Business

As seen in Table 2, the Business Confidence Index – Nebraska had a value of 104.8 in April 2018. This value is well above 100 and indicates that business confidence is strong in Nebraska. The value of the index fell by 5.6 points between March and April of 2018.

Results in Figure 2 show the top issues of business owners and managers responding to the April 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 32 percent of respondents. Businesses also faced competition for labor and customers. Twenty-four percent of respondents mentioned the quality and availability of labor as their top issue while 17 percent chose a need to improve businesses practices or competition from other businesses. Among these respondents, on-line competition was a common concern. All of these percentages were very similar to those from the February and March surveys. Business respondents were relatively content with public policy. Just 14 percent choose a public policy issues as their top issue, with 6% choosing taxes, 3% government regulation, 3% health care costs and 2% general concerns with government policy. Note that 3% of business owners indicated that retirement or an upcoming business transition was the top issue they faced.

Figure 2: Most Important Issue Facing Nebraska Businesses, April 2018



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