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Nebraska Business and Consumer Confidence Indexes: July 6, 2018

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Summary: Business confidence surged in Nebraska during June 2018. The Business Confidence Index – Nebraska (BCI-N) rose from 102.4 in May to 115.4 In June. The Consumer Confidence Index – Nebraska (CCI-N) also rose, ticking up from 101.3 in May to 103.9 in June. The surge in business confidence is a significant improvement, especially since both business and consumer confidence had declined in Nebraska during April and May. With confidence high, businesses were concerned about costs and competition. When asked about the most important issue facing their business, customer demand was mentioned by 27 percent of respondents, while the availability and quality of labor was mentioned by 23 percent and 13 percent mentioned competitive conditions. The share of businesses raising concerns about the cost of goods and services also was higher than in recent years, due to rising oil prices and tariffs. 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-five 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 June, responses were received from 112 of the 500 surveyed households, for a 22 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 103.9 in June 2018. This value is above the neutral value of 100.0. The value of the index rose 2.6 points from 101.3 in May 2018.

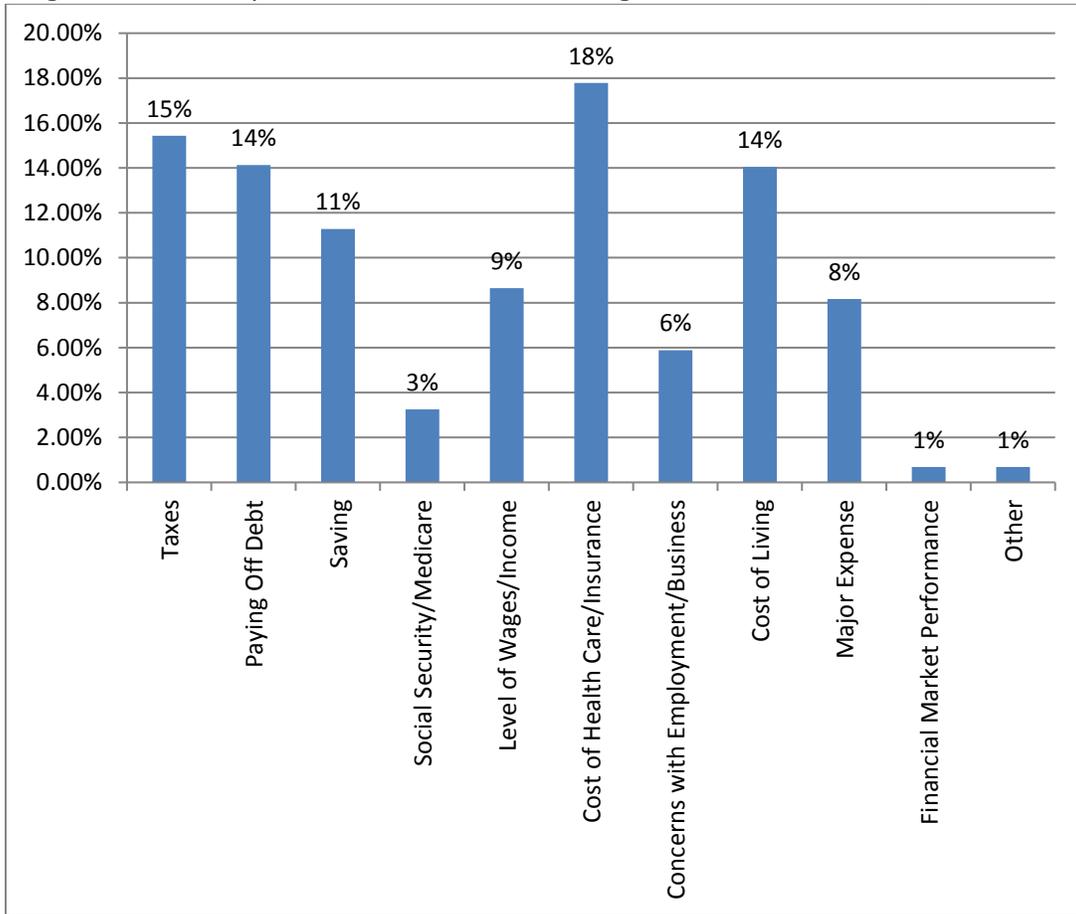
Table 1: Consumer Confidence Index - Nebraska, June 2018

Consumer Confidence Index - Nebraska	
Month	Index Value
June 2018	103.9
May 2018	101.3
Change from Previous Month	2.6

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 June respondents were the cost of health care and health insurance (18 percent) and taxes (15 percent). Overall, 55 percent of respondents chose some type of cost factor as their top issue, whether the cost of health care, taxes, the general cost of living (14 percent) or a major expense (home or vehicle repairs, a new home or college tuition) (8 percent). Twenty-five percent of respondents choose paying off debt (14 percent) or saving (11 percent) as their top issue. Nine percent of respondents chose their wages or level of income.

Figure 1: Most Important Financial Issue Facing Nebraska Households, June 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 June, responses were received from 151 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, June 2018

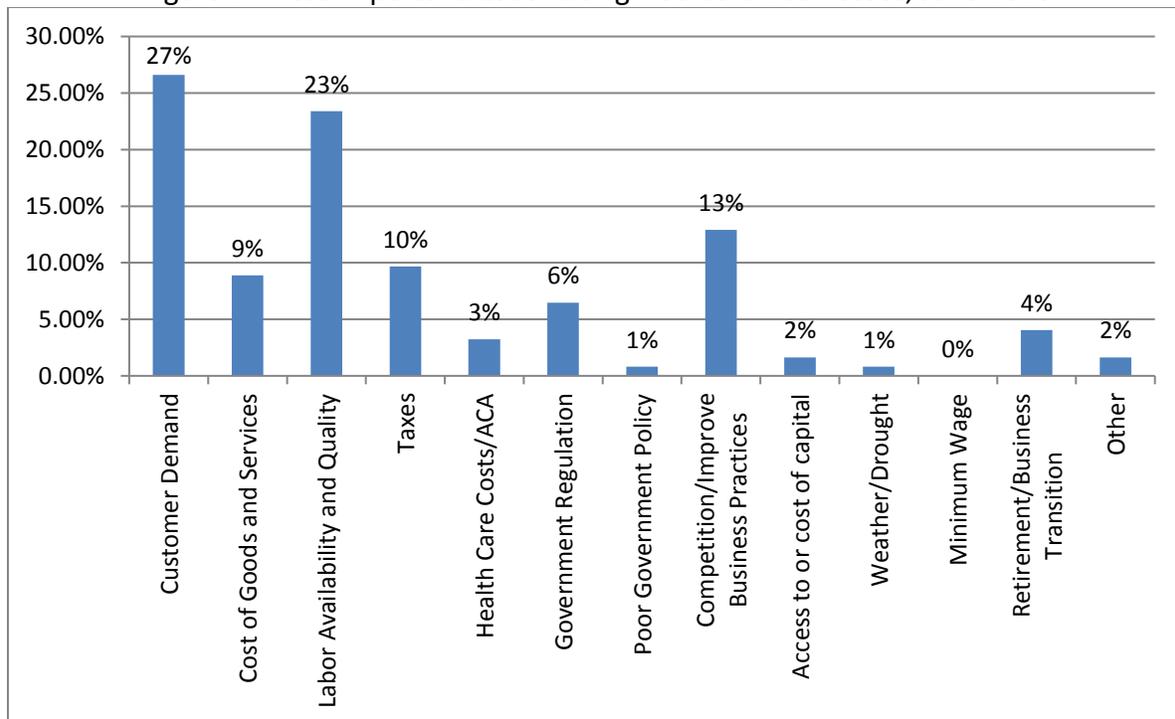
Business Confidence Index - Nebraska	
Month	Index Value
June 2018	115.4
May 2018	102.4
Change from Previous Month	13.0

Source: Survey of Nebraska Business

As seen in Table 2, the Business Confidence Index – Nebraska had a value of 115.4 in June 2018. This value is well above 100 and indicates that business confidence is very strong in Nebraska. The value of the index surged by 13.0 points between May and June of 2018.

Results in Figure 2 show the top issues of business owners and managers responding to the June survey. Eighty percent of responses were related to business operations issues such as customer demand for goods or services, the cost of goods and services, labor availability and quality, or competition and the need to improve business practices. Customer demand was the most common top issue, named by 27 percent of respondents, but businesses also were very concerned about cost and competition. Twenty-three percent of respondents mentioned the quality and availability of labor as their top issue while 13 percent chose a need to improve business practices or increased competition from other businesses. Nine percent of respondents choose the cost of goods and services. This is a higher share than in recent years and reflects growing concern about higher oil prices and the costs imposed by tariffs. Twenty percent of respondents focused on public policy issues, primarily taxes. Taxes were chosen by 10 percent of respondents while 6 percent chose regulation and 3 percent health care costs or the Affordable Care Act.

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



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

Source: Survey of Nebraska Business