

9-12-2018

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Thompson, Eric, "Nebraska Business and Consumer Confidence Indexes: September 12, 2018" (2018). *Leading Economic Indicator Reports*. 145.

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Nebraska Business and Consumer Confidence Indexes: September 12, 2018

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Summary: Consumer and business confidence diverged in Nebraska during August 2018. The Business Confidence Index – Nebraska (BCI-N) rose from 106.4 in July to 110.4 in August but the Consumer Confidence Index – Nebraska (CCI-N) fell, dropping from 101.9 in July to 100.2 in August. Business confidence remains well above the neutral level of 100, but consumer confidence is best described as neutral. When asked about the most important issue facing their business, customer demand was mentioned by 26 percent of respondents, while the availability and quality of labor was mentioned by 24 percent, 13 percent mentioned competition from other businesses, and 12 percent chose the cost of goods and services. Concerns about business costs have been rising in recent months. Almost half of responding households listed a cost factor as their top financial concern, with 48 percent choosing taxes, health care costs, major expenses (furniture, appliances, automobiles) or the general cost of living. Twenty-two percent reported that their primary financial issue was either saving or paying off debt while 12 percent choose their level of wages or household income.

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 August, responses were received from 125 of the 500 surveyed households, for a 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 positive consumer confidence. A value below 100 indicates negative 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 positive consumer confidence.

As seen in Table 1, the Consumer Confidence Index – Nebraska had a value of 100.2 in August 2018. This value is very close to the neutral value of 100.0. The value of the index fell 1.7 points from 101.9 in July 2018.

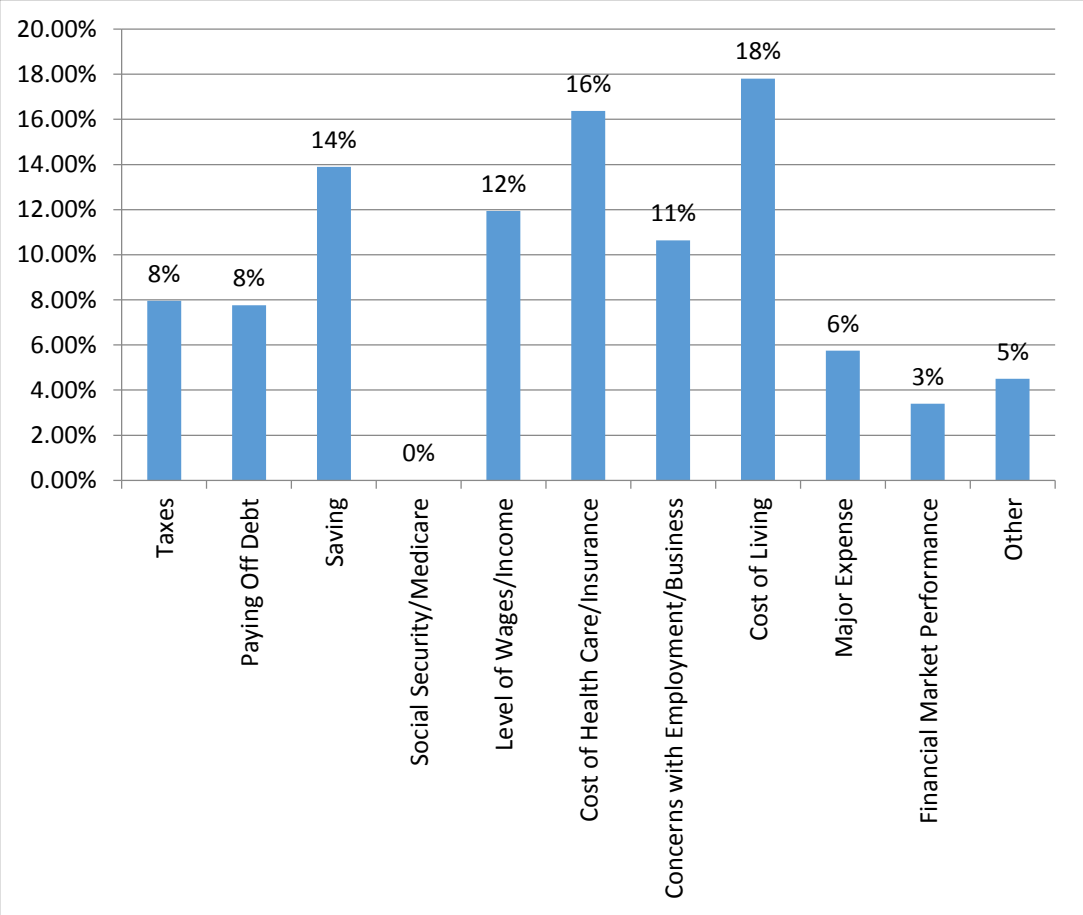
Table 1: Consumer Confidence Index - Nebraska, August 2018

Consumer Confidence Index - Nebraska	
Month	Index Value
August 2018	100.2
July 2018	101.9
Change from Previous Month	-1.7

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 August respondents were the general cost of living (18 percent) and the cost of health care and health insurance (16 percent). Overall, 48 percent of respondents chose some type of cost factor as their top issue, whether taxes (8 percent), the cost of health care, the general cost of living or a major expense (home or vehicle repairs, a new home or college tuition) (6 percent). Twenty-two percent of respondents choose saving (14 percent) or paying off debt (8 percent) as their top issue. Just over 1 in 10 households choose their their level of wages or income (12 percent) or concerns about their employment or business as their top issue.

Figure 1: Most Important Financial Issue Facing Nebraska Households, August 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 August, responses were received from 152 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 positive business confidence. A value below 100 indicates negative 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 positive business confidence. Recent values for the Business Confidence Index – Nebraska are reported in Table 2.

Table 2: Business Confidence Index - Nebraska, August 2018

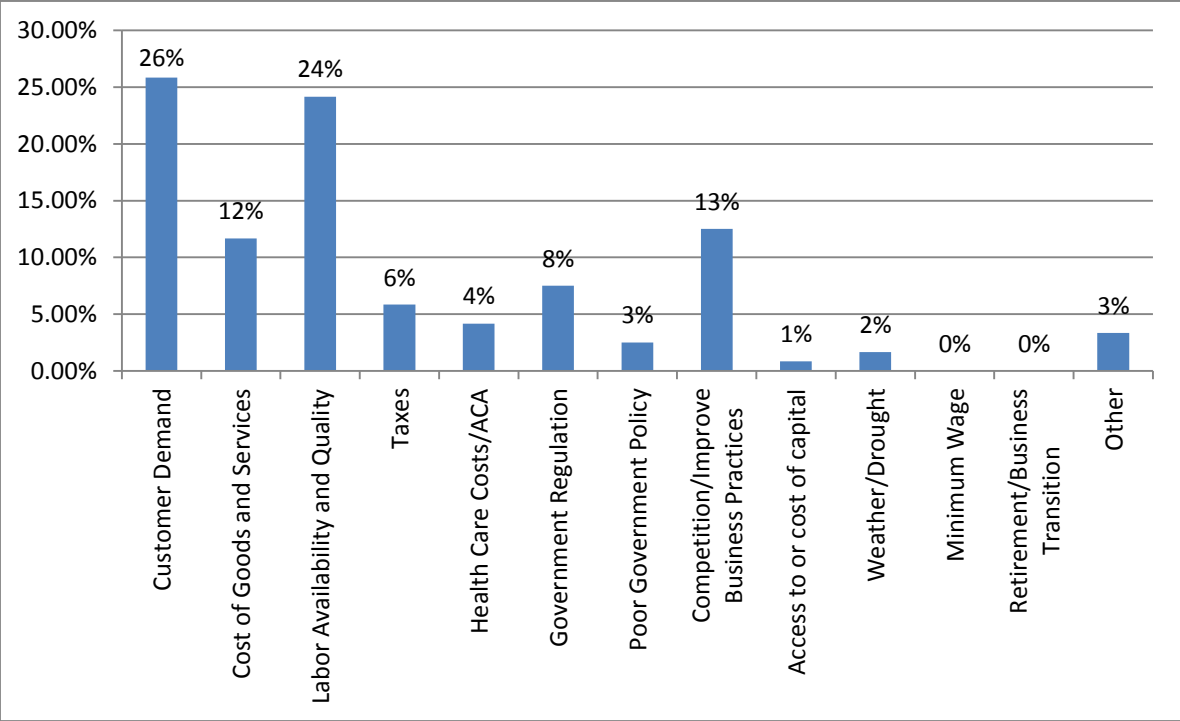
Business Confidence Index - Nebraska	
Month	Index Value
August 2018	110.4
July 2018	106.4
Change from Previous Month	4.0

Source: Survey of Nebraska Business

As seen in Table 2, the Business Confidence Index – Nebraska had a value of 110.4 in August 2018. This value is well above 100 and indicates that business confidence is strong in Nebraska. The value of the index rose by 4.0 points between July and August of 2018.

Results in Figure 2 show the top issues of business owners and managers responding to the August 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 26 percent of respondents. Twenty-four percent of respondents mentioned the quality and availability of labor as their top issue. Thirteen chose competition with other businesses as their top issue while 12 percent of choose the costs of goods and services. The share choosing the costs of goods and services has been rising in recent months, and reflects concerns about the cost of insurance and energy and higher costs for intermediate goods due to tariffs. Twenty percent of respondents focused on public policy issues. Government regulations were chosen by 8 percent of respondents while 6 percent chose taxes and 4 percent health care costs or the Affordable Care Act.

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



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