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Results of the September Survey of Nebraska Business: October 3, 2014

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***Summary:** Respondents to the September 2014 Survey of Nebraska Business are far less optimistic about sales and employment than in recent months. The overall outlook is mixed. More respondents expect to increase (9%) employment rather than reduce (7%) it over the next 6 months. However, more expect sales to fall (26%) than rise (23%). Within the state, respondents from the Omaha area and Central Nebraska are solidly optimistic in their outlook for sales and employment. By contrast, respondents from Northeast Nebraska and West Nebraska anticipate a decline in employment and sales. When asked about the most important issue facing their business, seven in ten Nebraska respondents focused on business operations issues such as customer demand, the cost of supplies, labor quality and availability, competition from other businesses and improved business practices. Customer demand was the top issue, named by nearly 29 percent of respondents. In particular, crop prices were a concern raised by a significant number of rural respondents involved in agriculture or related businesses. Labor availability was mentioned by 18 percent of respondents. Labor availability and quality has grown as a concern for business this year as the labor market has improved. Government regulation was the top issue named by 14 percent of respondents.*

Survey of Nebraska Business

The *Survey of Nebraska Business* is sent to 500 Nebraska business establishments each month. The survey asks business owners and managers whether they expect to expand sales and employment 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 September, responses were received from 142 of the 500 surveyed businesses. This 28% response rate is sufficient for analysis of the results.

As seen in Table 1 below, respondents to the September 2014 *Survey of Nebraska Business* are mixed in their outlook for sales and employment. This follows seven straight months in which businesses indicated a positive outlook for both sales and employment. September results therefore represent a decline in business expectations. Looking at specific numbers, while just over half of respondents expect no change in sales, 23 percent expect sales to increase and 26 percent sales to decline. This is a negative 3 percent gap. For employment, 9 percent expect to add jobs over the next 6 months while 7 percent expect to reduce employment for a positive 2 percent gap. In the upcoming October survey, it will be critical to see whether expectations bounce back, remain mixed, or deteriorate further.

Table 1: Business Expectations for the Next Six Months, September 2014

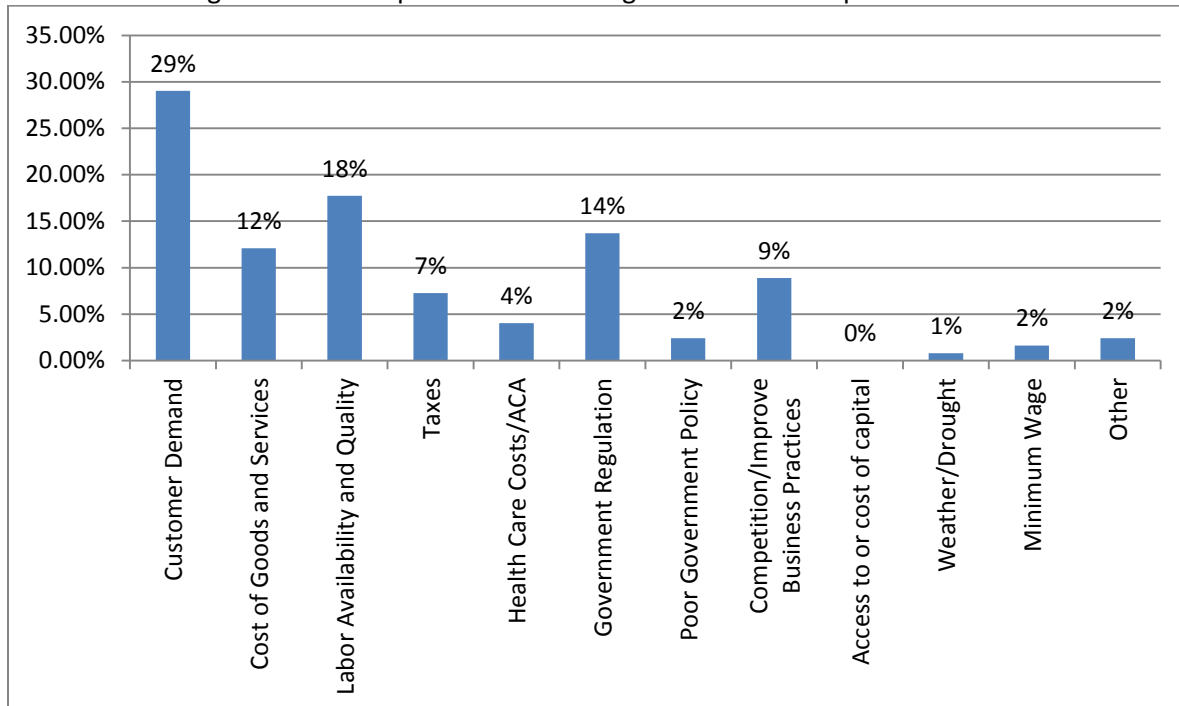
	Change Over the Next Six Months	
	Sales	Employment
Increase	23%	9%
Stay the Same	51%	84%
Decrease	26%	7%

Note: Column totals may not sum to 100% due to rounding.

Results in Figure 1 show the top concerns of responding business owners and managers. Most responses were related to business operations issues such as customer demand for business products or services, the cost of supplies (goods and services), labor availability and quality, competition with other businesses, and improved business practices. Customer demand was the most common concern, named by 29 percent of respondents. For the second consecutive month, the quality and availability of labor was the second most cited concern. Further, nearly one in ten respondents mentioned competition with other businesses or a need to improve business practices as the top concern. These concerns and those about labor have been on the rise this year as the economy has improved.

Approximately three in ten businesses listed public policy issues as their top concern. While health care costs and the Affordable Care Act were mentioned as the top concern by 4 percent of respondents, a much higher share of 14% mentioned other types of regulation, including growing paperwork requirements and increased regulation by the Environmental Protection Agency. Taxes were mentioned by 7 percent of respondents. Several respondents also were concerned that the minimum wage would be raised.

Figure 1: Most Important Issue Facing Each Business September 2014



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

Omaha Area Responses to the Survey of Nebraska Business

Table 2 and Figure 2 summarize responses from Omaha Metropolitan Area businesses (Nebraska portion only).¹ The responses are combined from the August and September 2014 surveys. Responses were combined from the last two months in order to generate a sufficient sample size. There were a combined 81 responses from Omaha Metropolitan Area businesses during August and September.

As seen in Table 2, Omaha Metropolitan Area businesses (Nebraska portion only) were much more positive in their outlook for sales and employment growth than businesses from other parts of the state. For sales, 32 percent expect sales to increase and just 25 percent sales to decline over the next 6 months. In other words, compared to respondents from other parts of the state, Omaha businesses were 9 percent more likely to foresee an increase in sales. For employment, 20 percent of respondents from the Omaha area expect to add jobs over the next 6 months and 9 percent expect to reduce employment. The outlook is again more optimistic than other parts of the state. Over the last two months Omaha has re-emerged as one of the most optimistic regions of state.

Table 2: Omaha Metro Area Business Expectations for the Next Six Months, August and September, 2014

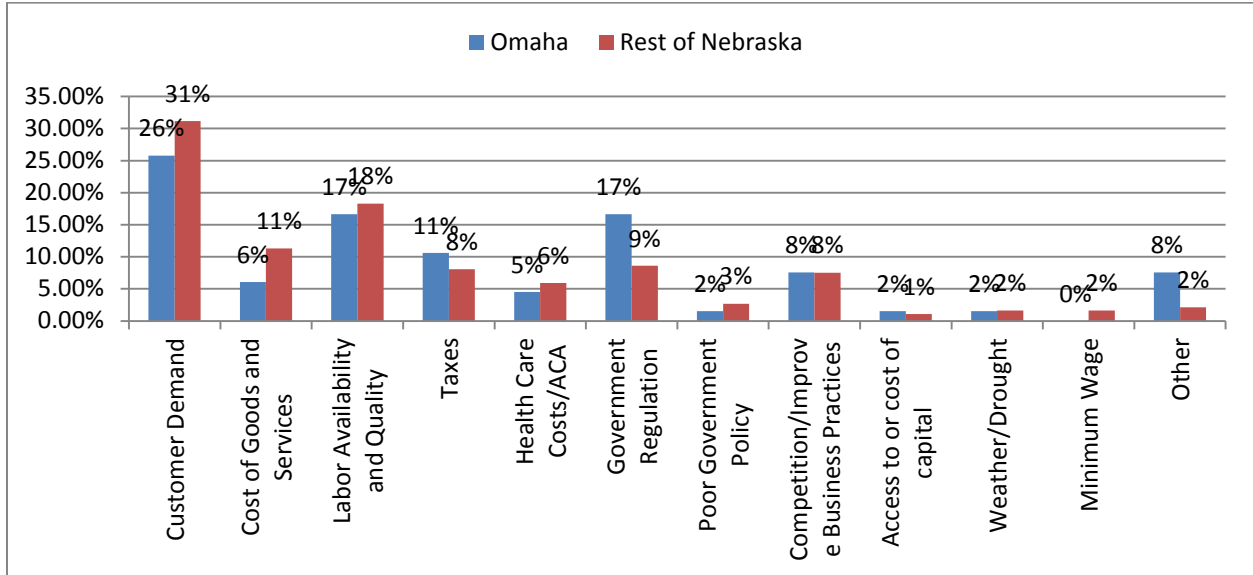
	Change Over the Next Six Months		
	Rest of Nebraska	Omaha Area	Difference
	Sales		
Increase	23%	32%	9%
Stay the Same	55%	43%	-11%
Decrease	22%	25%	3%
	Employment		
Increase	8%	20%	12%
Stay the Same	86%	72%	-14%
Decrease	6%	9%	2%

Note: Percentages may not sum to 100% or 0% due to rounding.

Figure 2 compares the top business concerns of Omaha Metropolitan Area respondents (Nebraska portion only) from August and September with those from businesses located in other parts of Nebraska. The primary difference is that Omaha area businesses are more concerned with taxes and in particular regulation than businesses located in other parts of the state. This is a continuation of a trend seen in other recent months and suggests that regulation, and perhaps taxes may be especially important issues to businesses in the Omaha area. It will be important to track whether this trend continues.

¹ The region includes Cass, Douglas, Sarpy, Saunders and Washington counties.

Figure 2: Most Important Issue Facing Omaha Metro Area Businesses,
August and September, 2014



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

Southeast Nebraska Responses to the Survey of Nebraska Business

Table 3 and Figure 3 summarize responses from Southeast Nebraska businesses. Southeast Nebraska includes counties stretching east from York County through Lancaster County to Otoe County and also south to the Nebraska-Kansas border.² The responses discussed in Table 3 and Figure 3 are combined from the August and September 2014 surveys, in order to generate a sufficient sample size. There were a combined 89 responses from Southeast Nebraska businesses during August and September.

As seen in Table 3, Southeast Nebraska businesses over the last two months have been only modestly optimistic about the outlook for sales and employment. For sales, 28 percent expect sales to increase and 25 percent expect sales to decline in the next 6 months. These figures are in line with the rest of Nebraska. Compared to businesses located elsewhere in the state, Southeast Nebraska businesses were 3 percent more likely to expect to an increase in sales but also 2 percent more likely to expect a decrease in sales. For employment, 10 percent expect to add jobs and 7 percent expect to reduce employment over the next six months. This is nearly identical to expectations in the rest of the state during August and September. This outlook in Southeast Nebraska is substantially less optimistic than it was at the beginning of the summer, when the Southeast was the most optimistic region in the state. The change is not simply the result of weak crop prices since Lincoln areas businesses also have become less optimistic. What is going on? Results may be a temporary phenomenon, and optimism may rebound in future months, as it has in Omaha. Alternatively, it may be that optimism in the Lincoln area is beginning to normalize as the downtown construction boom and business build-out has run its course following the completion of the Pinnacle Bank Arena.

Table 3: Southeast Nebraska Business Expectations for the Next Six Months, August and September, 2014

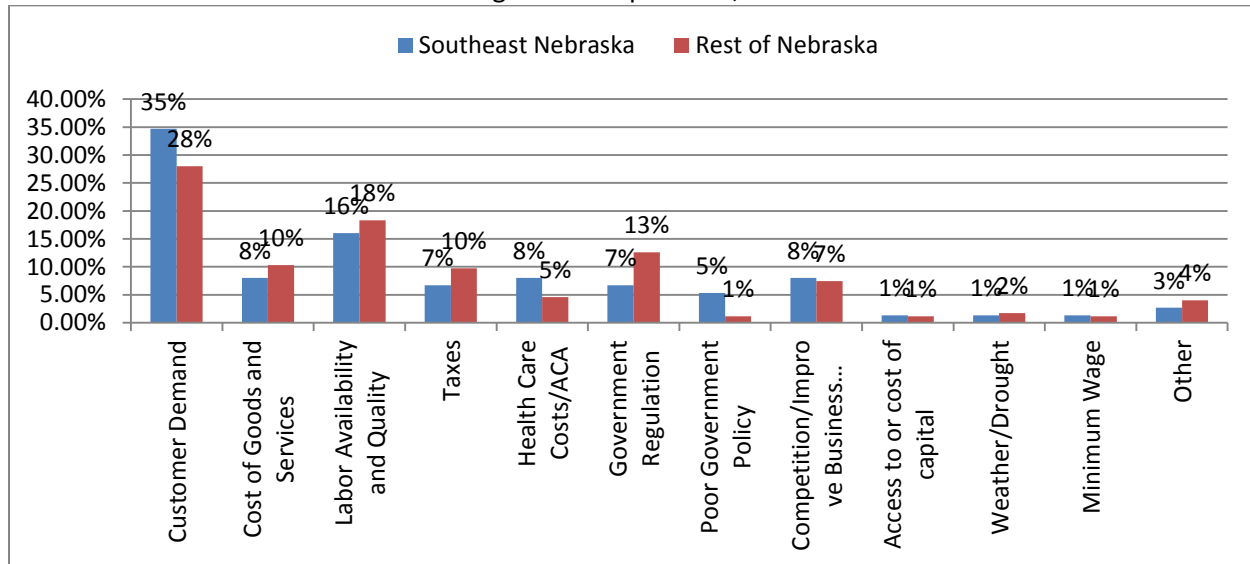
	Change Over the Next Six Months		
	Rest of Nebraska	Southeast Nebraska	Difference
	Sales		
Increase	25%	28%	3%
Stay the Same	53%	48%	-5%
Decrease	22%	24%	2%
	Employment		
Increase	11%	10%	-1%
Stay the Same	82%	83%	1%
Decrease	7%	7%	0%

Note: Percentages may not sum to 100% or 0% due to rounding.

² The regions include Filmore, Gage, Jefferson, Johnson, Lancaster, Nemaha, Otoe, Pawnee, Richardson, Saline, Seward, Thayer, and York counties.

Figure 3 compares the top business concerns of Southeast Nebraska respondents from August and September with those from businesses located in other parts of the state. Results appear to be consistent with the reduced business optimism observed in Table 3. In particular, Southeast Nebraska businesses have been more concerned about customer demand than business located in other parts of the state. This may reflect concerns about crop prices in rural parts of Southeast Nebraska but is also consistent with diminished expectations about growth in general.

Figure 3: Most Important Issue Facing Southeast Nebraska Businesses,
August and September, 2014



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

Central Nebraska Responses to the Survey of Nebraska Business

Table 4 and Figure 4 summarize responses from Central Nebraska businesses. Central Nebraska includes Hall County and Buffalo County, counties to the north including Custer County and counties to the south to the Nebraska-Kansas border, including Adams County.³ The responses discussed in Table 4 and Figure 4 are combined from the August and September 2014 surveys, in order to generate a sufficient sample size. There were a combined 43 responses from Central Nebraska businesses during August and September.

Central Nebraska businesses, like Omaha area businesses, were the most optimistic in the state during the August and September period. For sales, 33 percent of Central Nebraska businesses expected sales to increase in the next six months while 19 percent expected sales to decline, as seen in Table 4. Compared to respondents from other parts of the state, Central Nebraska businesses were 8 percent more likely to foresee an increase in sales and also were 5 percent less likely to expect a decline in sales. For employment, Central Nebraska businesses were just 1% more likely to expect an employment increase but they were 8% less likely to expect an employment decline. In fact, we did not receive a survey from a single Central Nebraska business in August and September who expected to decrease employment; although presumably there are some un-surveyed or non-responding businesses expecting to cut-back jobs. These strong results for Central Nebraska are perhaps unexpected. With lower crop prices, the general pattern has been for a weaker outlook among businesses in rural Nebraska regions than in urban Nebraska regions. Results may reflect the ongoing strength of service and transportation businesses in micropolitan and metropolitan (Grand Island) communities within Central Nebraska.

Table 4: Central Nebraska Business Expectations for the Next Six Months, August and September, 2014

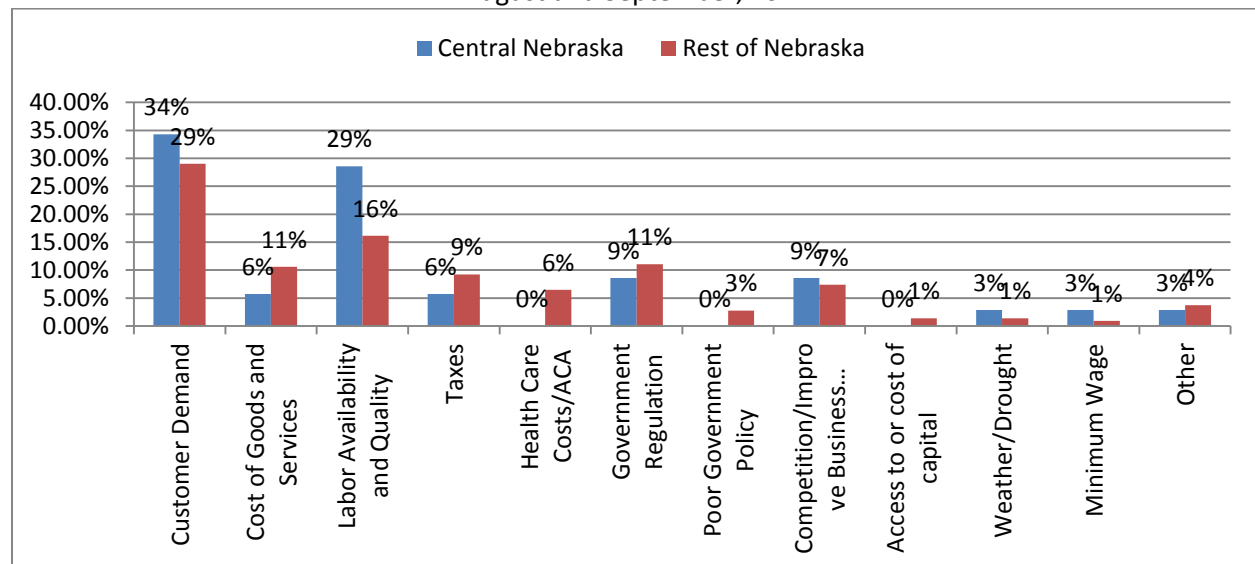
	Change Over the Next Six Months		
	Rest of Nebraska	Central Nebraska	Difference
	Sales		
Increase	25%	33%	8%
Stay the Same	52%	49%	-3%
Decrease	23%	19%	-5%
	Employment		
Increase	11%	12%	1%
Stay the Same	81%	88%	7%
Decrease	8%	0%	-8%

Note: Percentages may not sum to 100% or 0% due to rounding.

³ The region includes Adams, Blaine, Buffalo, Clay, Custer, Franklin, Garfield, Greeley, Hall, Hamilton, Harlan, Howard, Kearney, Loup, Merrick, Nance, Nuckolls, Phelps, Sherman, Valley, Webster, and Wheeler counties.

Figure 4 compares the top business concerns of Central Nebraska respondents from July and August with those from businesses located in other parts of the state. Central Nebraska businesses were more likely to identify customer demand as their top concern. This finding may reflect the concerns of crop producers in the region. But, the largest difference was related to labor. Central Nebraska businesses were much more likely to select the quality and availability of labor as their top concern. This answer was provided almost twice as often as in other parts of the state. Results suggest that labor supply side constraints continue to be a difficulty for the Central Nebraska economy.

Figure 4: Most Important Issue Facing Central Nebraska Businesses, August and September, 2014



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

Northeast Nebraska Responses to the Survey of Nebraska Business

Table 5 and Figure 5 summarize responses from Northeast Nebraska businesses. Northeast Nebraska includes Platte and Madison Counties, counties to the north and east through to the borders with Iowa and South Dakota.⁴ The responses discussed in Table 5 and Figure 5 are combined from the August and September 2014 surveys, in order to generate a sufficient sample size. There were a combined 43 responses from Northeast Nebraska businesses during August and September.

Responding businesses in Northeast Nebraska were negative in their outlook for sales and employment over the next 6 months. For sales, 16 percent expect sales to increase in the next six months while 19 percent expect sales to decline, as seen in Table 5. For employment, 2 percent expect to increase employment over the next 6 months while 9 percent expect to increase employment. In the rest of Nebraska combined, more businesses expect to expand sales and employment. Agriculture and manufacturing are an especially important part of the Northeast Nebraska economy. Results may reflect weakness in crop prices which is impacting crop producers and agriculture-related manufacturers, despite any benefits for the regions large livestock industry.

Table 5: Northeast Nebraska Business Expectations for the Next Six Months, August and September, 2014

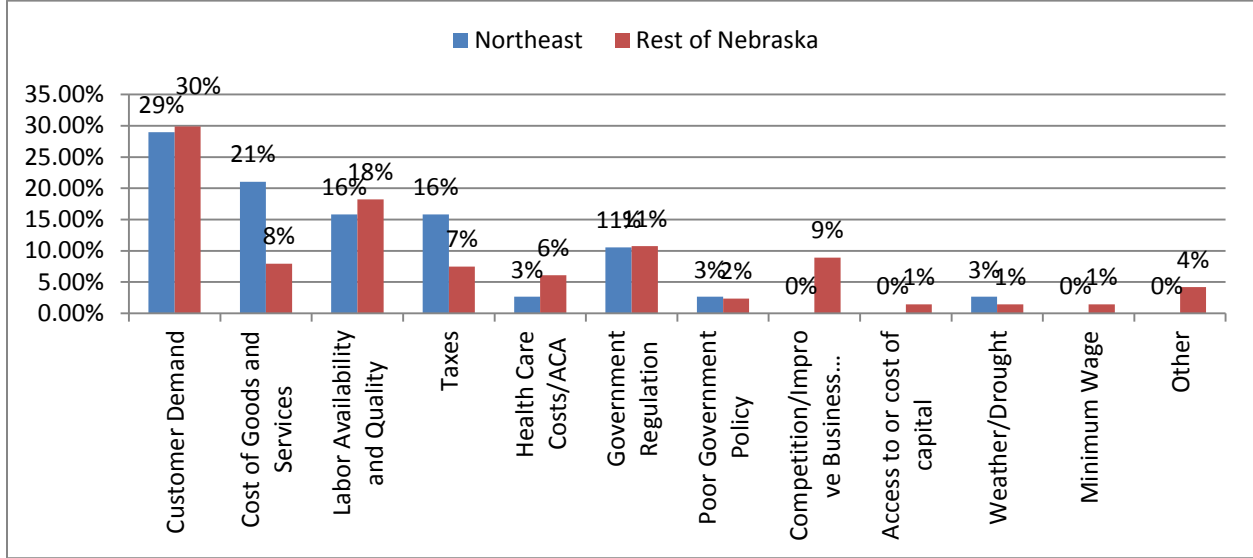
	Change Over the Next Six Months		
	Rest of Nebraska	Northeast Nebraska	Difference
	Sales		
Increase	27%	16%	-11%
Stay the Same	49%	65%	16%
Decrease	23%	19%	-5%
	Employment		
Increase	13%	2%	-10%
Stay the Same	81%	88%	8%
Decrease	7%	9%	3%

Note: Percentages may not sum to 100% or 0% due to rounding.

Figure 5 compares the top business concerns of Northeast Nebraska respondents from August and September with those from businesses located in other parts of the state. Northeast Nebraska businesses were especially concerned about taxes and the cost of supplies (i.e., goods and services). Labor available and quality was an important issue, but no more important than in the other regions of the state.

⁴ The region includes Antelope, Boyd, Boone, Brown, Burt, Butler, Colfax, Cedar, Cuming, Dakota, Dixon, Dodge, Holt, Keya Paha, Knox, Madison, Pierce, Platte, Polk, Rock, Stanton, Thurston and Wayne counties.

Figure 5: Most Important Issue Facing Northeast Nebraska Businesses,
August and September, 2014



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

West Nebraska Responses to the Survey of Nebraska Business

Table 6 and Figure 6 summarize responses from West Nebraska businesses. West Nebraska includes Dawson and Lincoln Counties, counties north to the Dakota border, south to Kansas border, Scottsbluff County and the rest of the Nebraska Panhandle.⁵ The responses discussed in Table 6 and Figure 6 are combined from the August and September 2014 surveys, in order to generate a sufficient sample size. There were a combined 47 responses from West Nebraska businesses during August and September.

Responding businesses in West Nebraska were negative in their outlook for sales and employment over the next 6 months. For sales, 13 percent of West Nebraska respondents from August and September expected to increase sales at their business over the next six months while 23 percent expected to decrease sales. For employment, 6 percent expect to increase employment while 9 percent expect to decrease employment. Results for West Nebraska may reflect weakness in the crop sector due to lower prices, despite the importance of ranching and livestock in the region. Results also may simply reflect ongoing issue with population growth in the region.

Table 6: West Nebraska Business Expectations for the Next Six Months, August and September, 2014

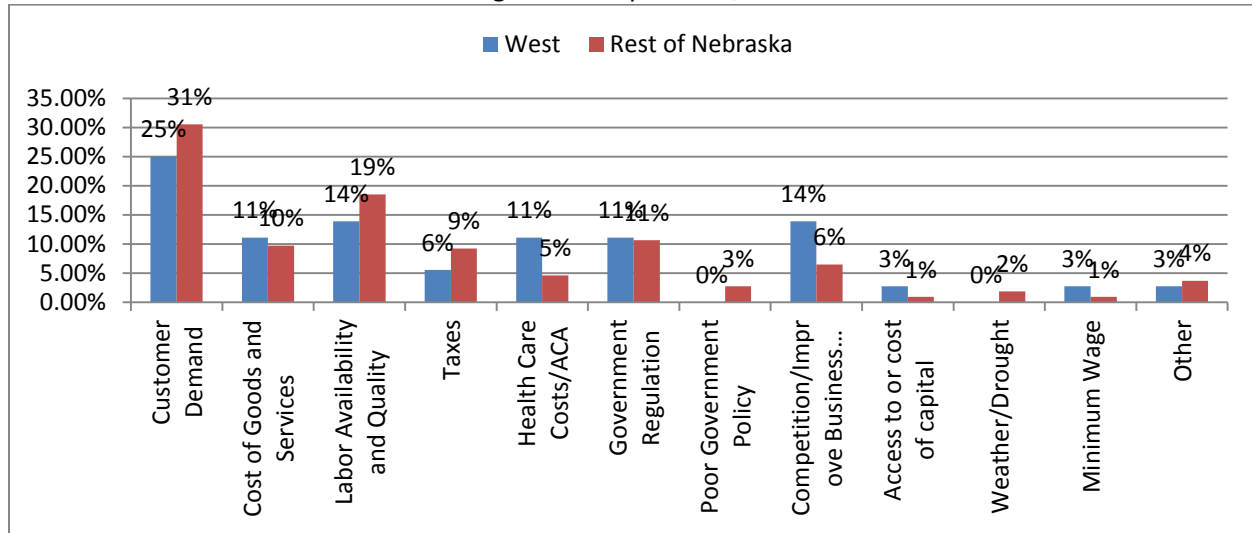
	Change Over the Next Six Months		
	Rest of Nebraska	West Nebraska	Difference
	Sales		
Increase	28%	13%	-15%
Stay the Same	49%	64%	15%
Decrease	23%	23%	1%
	Employment		
Increase	12%	6%	-6%
Stay the Same	81%	85%	4%
Decrease	7%	9%	2%

Note: Percentages may not sum to 100% or 0% due to rounding.

Figure 6 compares the top business concerns of West Nebraska respondents from August and September with those from businesses located in other parts of the state. Generally speaking, the top concerns of West Nebraska businesses were similar to the concerns of other Nebraska businesses. However, West Nebraska businesses were more concerned health care costs and the Affordable Care Act than respondents from other regions. More West Nebraska respondents also named issues related to competition and a need to improve business practices.

⁵ The region includes Arthur, Banner, Box Butte, Chase, Cherry, Cheyenne, Deuel, Dawes, Dawson, Dundy, Frontier, Furnas, Garden, Gosper, Grant, Hayes, Hitchcock, Hooker, Keith, Kimball, Lincoln, Logan, McPherson, Morrill, Perkins, Red Willow, Scotts Bluff, Sheridan, Sioux and Thomas counties.

Figure 6: Most Important Issue Facing West Nebraska Businesses,
August and September, 2014



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