

## **Consumer Confidence Index – Nebraska and Survey of Nebraska Business: August 5, 2016**

**Prepared by the UNL College of Business Administration, Bureau of Business Research**

**Author:** Dr. Eric Thompson

***Summary:** Consumer confidence improved and business expectations remained positive during the month of July. The Consumer Confidence Index – Nebraska (CCI-N) rose to 97.5 during July, from a value of 92.4 in June. After the increase, consumer confidence is now only slightly below the neutral value of 100. Further, Nebraska businesses maintained a positive outlook for employment in July. In particular, respondents to the July 2016 Survey of Nebraska Business had a slightly negative outlook for sales but a positive outlook for employment over the next six months. Twenty-three percent of businesses expect sales to rise, while 24 percent expect sales to fall. For employment, 14 percent of businesses expect to increase employment while just 8 percent plan to reduce it. When asked about the most important issue facing their business, customer demand was mentioned most frequently, followed by the availability and quality of labor, and competitive conditions. Households reported a variety of financial concerns with 53 percent reporting that their primary financial concerns relate to the cost of living including health care costs, taxes, major expenses (furniture, appliances, automobiles or college tuition) and the general cost of living.*

### **Consumer Confidence Index - Nebraska**

The Consumer Confidence Index – Nebraska (CCI-N) summarizes responses to the *Survey of Nebraska Households* regarding household financial situation and the environment for 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) whether they believe now is a good time to make a major household purchase (automobile, appliance, or electronics) and 4) whether 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 one dozen categories. In July, responses were received from 125 of the 500 surveyed households, for 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 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.

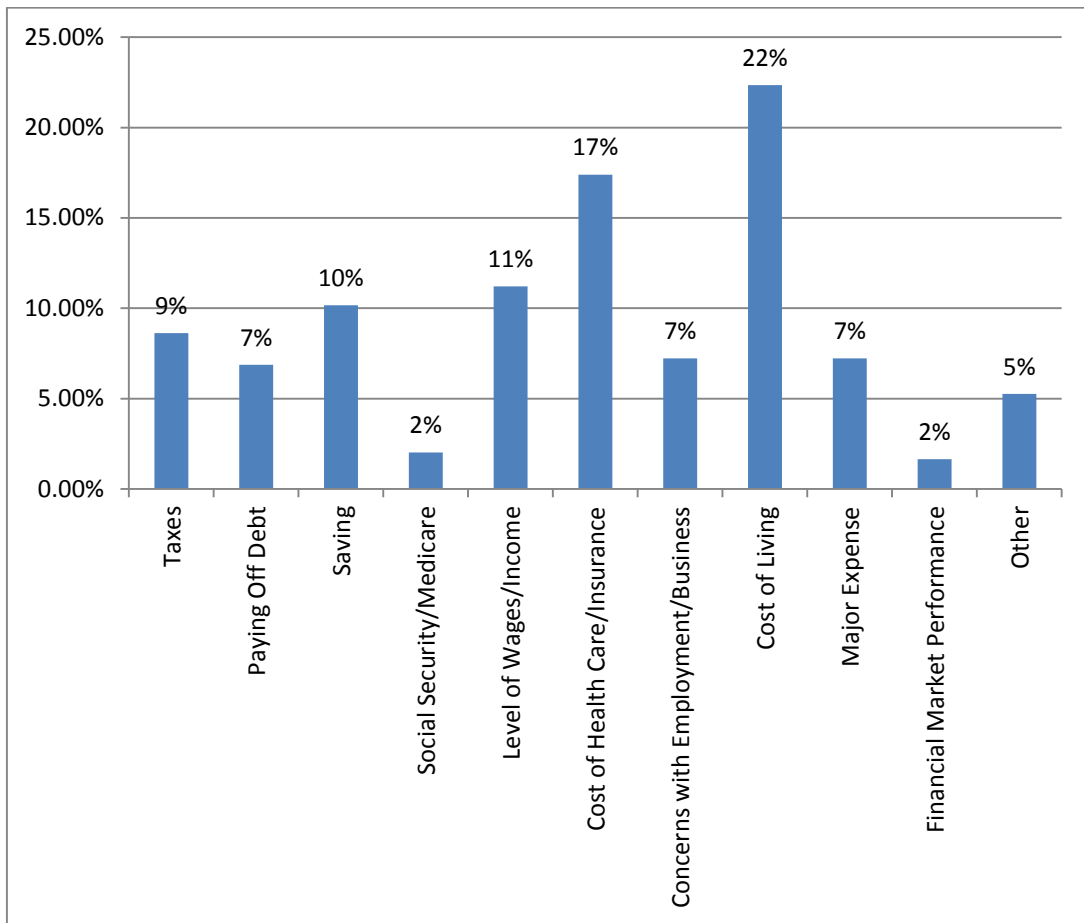
As seen in Table 1, the Consumer Confidence Index – Nebraska had a value of 97.5 in July 2016. This value is slightly below 100. However, the value of the index rose 5.1 points, from 92.4 in June and is now approaching the neutral value of 100. It will be critical to monitor whether the value of the CCI-N continues to improve in the coming months.

Table 1: Consumer Confidence Index - Nebraska, July 2016

Consumer Confidence Index - Nebraska	
Month	Index Value
July 2016	97.5
June 2016	92.4
Change from Previous Month	5.1

Figure 1 shows household responses to the question about the most important financial issue they face. The most common issues raised in July responses were the general cost of living (22 percent) and the cost of health care and health insurance (17 percent). More generally, 53 percent of respondents chose some type of cost factor as their top issue, whether the general cost of living, the cost of health care, taxes (9 percent) or major expenses (furniture, appliance, automobile, home repair or college tuition) (7 percent). Approximately one in five respondents chose savings (10 percent) or paying off debt (7 percent) as their top issue. Among other concerns, 11 percent mentioned their level of wages or income and 7 percent pointed to concerns about their job situation or their own business. These shares are similar to those found in June.

Figure 1: Most Important Financial Issue Facing Nebraska Households, July 2016



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

## 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 July, responses were received from 133 of the 500 surveyed businesses, for a 27 percent response rate.

As seen in Table 2 below, respondents to the July 2016 Survey of Nebraska Business had a positive outlook for employment at their businesses over the next 6 months. Fourteen percent of businesses expected to expand employment while just 8 percent expect to reduce it. This is a 6 percent gap. The outlook for sales was slightly negative, with 23 percent of businesses expecting to increase sales over the next 6 months and 24 percent expecting to decrease sales.

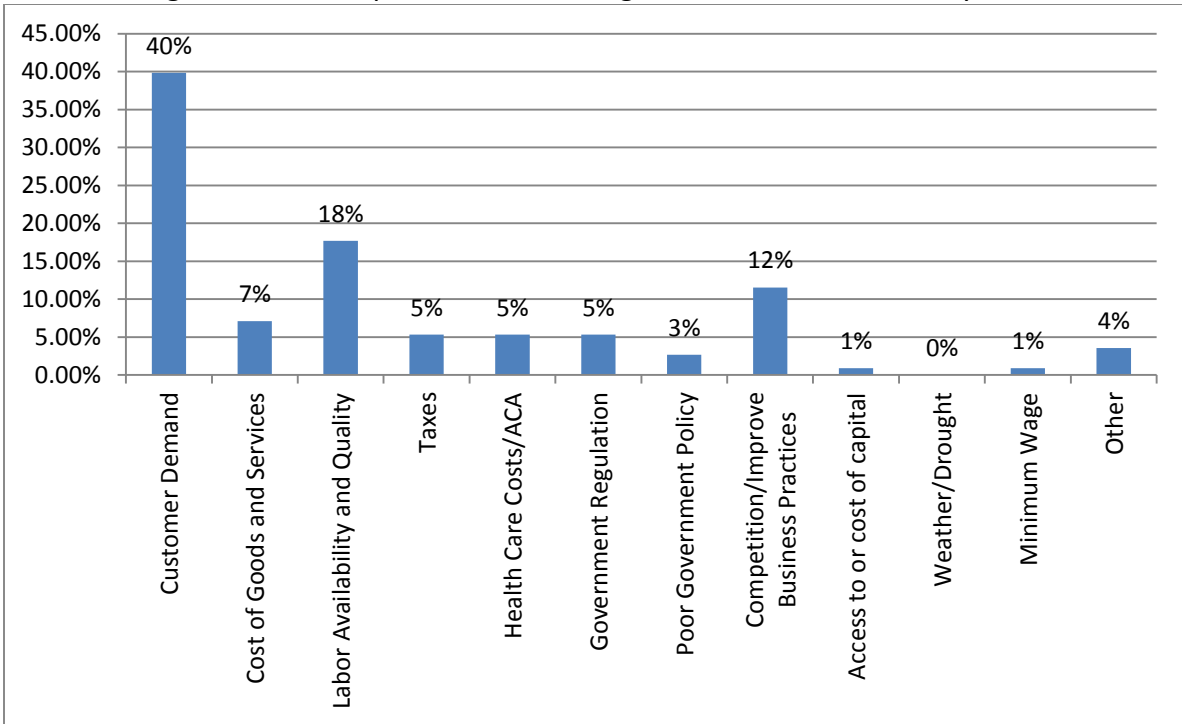
Table 2: Business Expectations for the Next Six Months, July 2016

	Change Over the Next Six Months	
	Sales	Employment
Increase	23%	14%
Stay the Same	53%	77%
Decrease	24%	8%

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

Results in Figure 2 show the top concerns of business owners and managers responding to the July survey. Eight in 10 responses were related to business operations issues such as customer demand for goods or services, the cost of supplies, labor availability and quality, competition from other businesses or the need to improve business practices. Customer demand was the most common top concern, named by 40 percent of respondents. The availability and quality of labor was the second most cited top concern, chosen by 18 percent of respondents. Twelve percent of respondents cite competition from other businesses or a need to improve business practices as the top concern. Two in 10 businesses choose a public policy issue as their top concern. Government regulation, taxes and health care costs were each chosen by 5 percent of respondents. Three percent of respondents chose general concerns about government policy.

Figure 2: Most Important Issue Facing Nebraska Businesses, July 2016



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