

Consumer Confidence Index – Nebraska and Survey of Nebraska Business: July 1, 2016

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***Summary:** Consumer confidence improved and business expectations remained positive during the month of June. The Consumer Confidence Index – Nebraska (CCI-N), while below the value of 100 which signifies neutral confidence, rose to 92.4 during June, from a value of 89.3 in May. Further, businesses held a positive outlook in June. Respondents to the June 2016 Survey of Nebraska Business have a positive outlook for both sales and job growth at their businesses over the next six months. Twenty-two percent of businesses expect sales to rise, while just 18 percent expect sales to decline. Eighteen percent of businesses expect to increase employment while just 6 percent plan to reduce it. When asked about the most important issue facing their business, customer demand is mentioned most frequently, followed by the availability and quality of labor, and competitive conditions. Households report a variety of financial concerns with 47 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 June, responses were received from 114 of the 500 surveyed households, for 23 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.

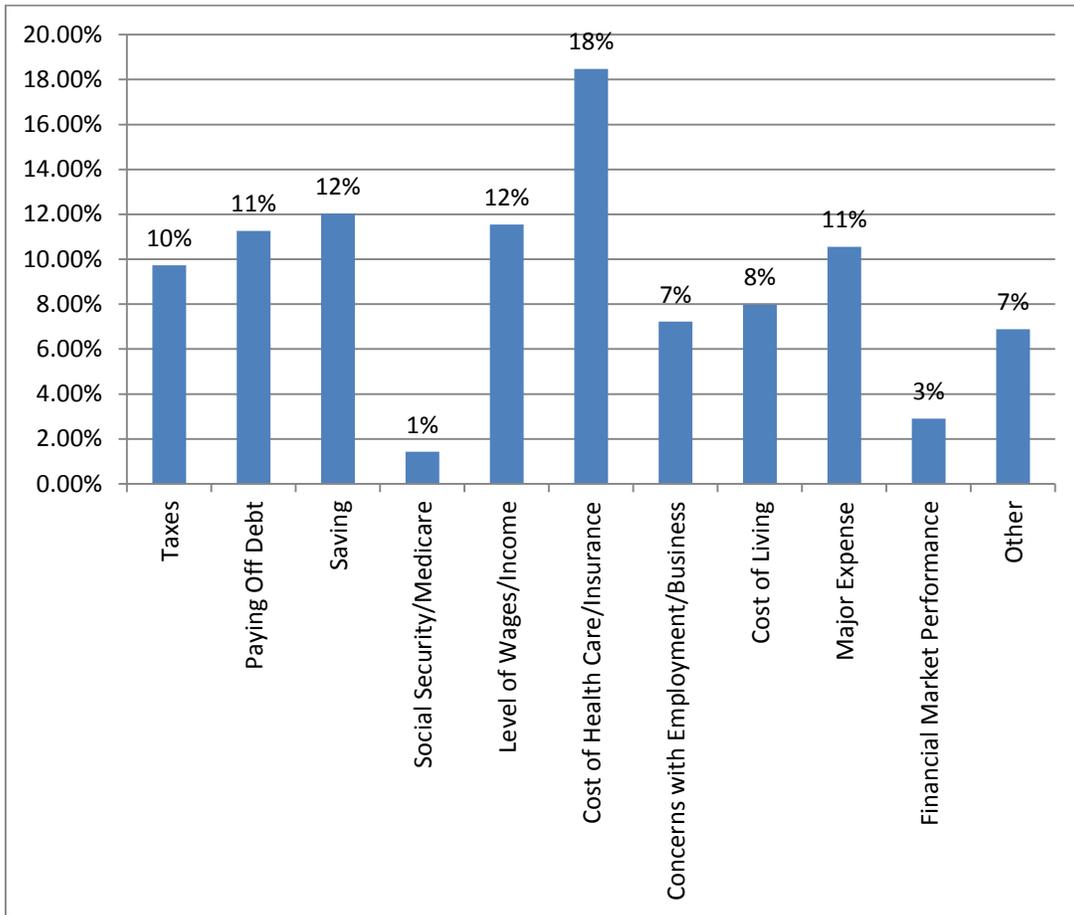
As seen in Table 1, the Consumer Confidence Index – Nebraska had a value of 92.4 in June 2016. This value is well below 100 and suggests that Nebraska households have weak consumer confidence. Such weak consumer confidence likely reflects stagnant real wages in Nebraska (and the United States as a whole) over most of the last fifteen years. The consumer confidence index rebounded in June after dipping to a value of 89.3 in May. The index stood at a value of 92.2 in April.

Table 1: Consumer Confidence Index - Nebraska, June 2016

Consumer Confidence Index - Nebraska	
Month	Index Value
June 2016	92.4
May 2016	89.3
Change from Previous Month	3.1

Figure 1 shows household responses to the question about the most important financial issue they face. The most common issues raised in June responses are the cost of health care and health insurance (18 percent) and savings (12 percent). More generally, 47 percent of respondents choose some type of cost factor as their top issue, whether health care, major expenses (furniture, appliance, automobile, home repair or college tuition) (11 percent), taxes (10 percent) or the general cost of living (8 percent). Approximately one in four respondents choose savings or paying off debt (11 percent) as their top issue. Among other issues, 11 percent mention their level of wages or income and 7 percent point to concerns about their job situation or their own business. These shares are similar to those found in May, although the percentage of respondents worried about the cost of health care and health insurance did rise in June.

Figure 1: Most Important Financial Issue Facing Nebraska Households, June 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 June, responses were received from 130 of the 500 surveyed businesses, for a 26 percent response rate.

As seen in Table 2 below, respondents to the June 2016 Survey of Nebraska Business have a positive outlook for sales and employment at their businesses over the next 6 months. For sales, 22 percent expect sales to increase over the next 6 months while 18 percent expect sales to decrease. This is a positive 4 percent gap. For employment, 18 percent of June respondents expect to add jobs over the next 6 months versus just 6 percent who expect to reduce employment, a positive 12 percent gap. The outlook for sales is somewhat less robust than in May while the outlook for employment is improved.

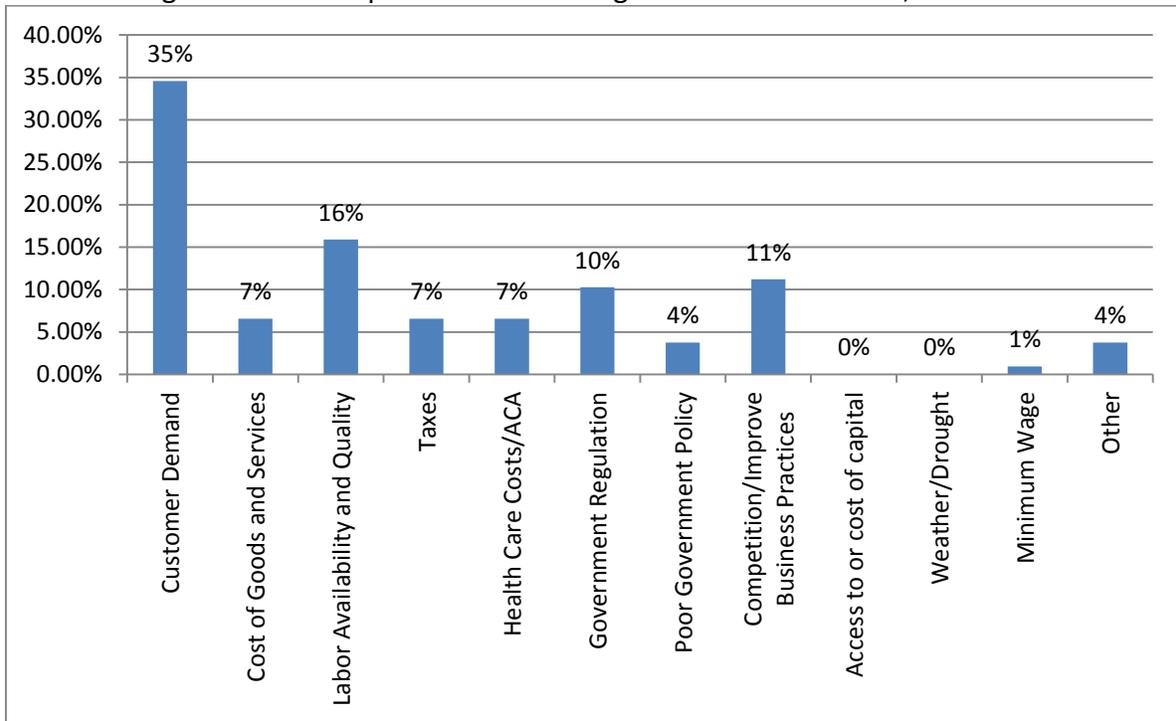
Table 2: Business Expectations for the Next Six Months, June 2016

	Change Over the Next Six Months	
	Sales	Employment
Increase	22%	18%
Stay the Same	61%	75%
Decrease	18%	6%

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 June survey. Seven in 10 responses are 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 is the most common top concern, named by 35 percent of respondents. The availability and quality of labor is the second most cited top concern, chosen by 16 percent of respondents. Eleven percent of respondents cite competition from other businesses or a need to improve business practices as the top concern. Three in 10 businesses choose a public policy issue as their top concern. Government regulation is chosen by 10 percent of respondents, while taxes and health care costs are each chosen by 7 percent. Four percent of respondents choose general concerns about government policy.

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



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