

Consumer Confidence Index – Nebraska and Survey of Nebraska Business: March 4, 2016

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***Summary:** Nebraska surveys of households and businesses again reveal a split assessment of the state economy. While consumer confidence is poor, Nebraska businesses have a somewhat positive outlook for economy. In particular, the Consumer Confidence Index – Nebraska (CCI-N) stood at 91.6 in February, well the below value of 100 which would signify neutral confidence. On a positive note, the CCI-N rose by 6.9 points in February after a dip to 84.7 during January 2016. The improvement likely reflects stabilization of the stock market in February. In terms of specific concerns, half of responding households reported concerns about costs including health care costs, taxes, major expenses (furniture, appliances, automobiles or college tuition) and the general cost of living. One quarter of respondents cited concerns with paying off debt or adequate savings. By contrast, respondents to the February 2016 Survey of Nebraska Business have a modestly positive outlook, with strong expectations for job growth but a somewhat negative outlook for sales. To be specific, 14 percent of responding businesspeople expect to increase employment at their businesses over the next 6 months while just 3 percent expect to decrease employment. For sales, 20 percent expect sales to increase over the next 6 months versus 24 percent who expect a decline. When asked about the most important issue facing their business, customer demand is the top issue named by 39 percent of respondents. Taxes and the availability and quality of labor is named as the top issue by 16 percent.*

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 purchases 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 December, responses were received from 150 of the 500 surveyed households. This 30% response rate is sufficient for analysis of the results.

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.

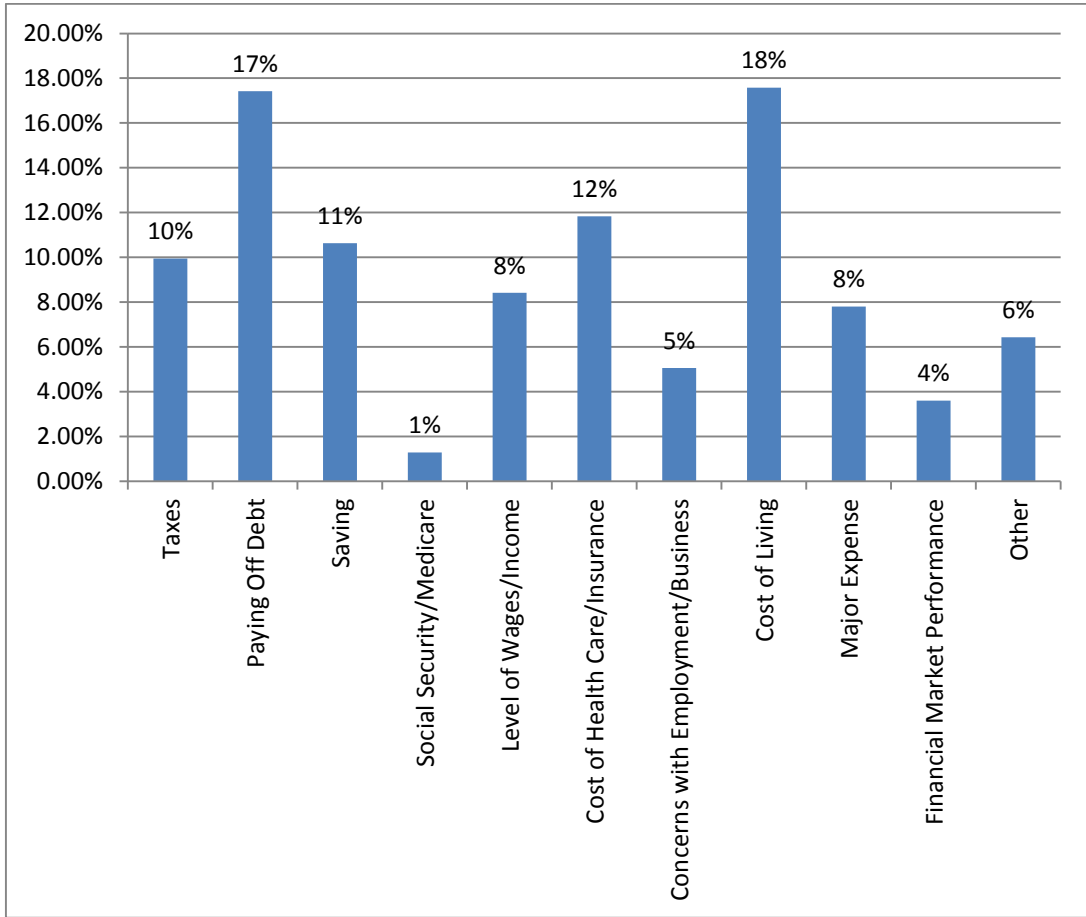
As seen in Table 1, the Consumer Confidence Index – Nebraska had a value of 91.6 in February 2016. This value is well below 100 and suggests that Nebraska households have weak consumer confidence. Such weak consumer confidence likely reflects stagnant real wages in Nebraska (and the United States as a whole) over most of the last fifteen years. The consumer confidence index, however, did rise by 6.9 points between January and February. The February value for the indicator, in fact, is slightly above the value of 89.0 registered in December 2015. The rebound in the indicator likely reflects the stabilization of the stock market during the month.

Table 1: Consumer Confidence Index - Nebraska, February 2016

Consumer Confidence Index - Nebraska	
Month	Index Value
February 2016	91.6
January 2016	84.7
Change from Previous Month	6.9

Figure 1 shows household responses to the question about the most important financial issue they face. The most common single issue raised in February responses is the general cost of living, at 18 percent, closely followed by paying off debt, at 17 percent. These top issues point to a wider group of concerns. Nearly half (48 percent) of respondents choose some type of cost factor as their top issue, whether the general cost of living, the cost of health care or health insurance (12 percent), taxes (10 percent), or major expenses (furniture, appliance, automobile, or college tuition; 8 percent). Just over one-quarter of respondents choose paying off debt or savings (11 percent) as their top issue. Among other issues, 8 percent choose their current level of wages or income as the top issue, while 5 percent mentioned concerns about their job situation or their own business. This set of concerns is broadly similar to the concerns listed in the January survey.

Figure 1: Most Important Financial Issue Facing Nebraska Households, February 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 February, responses were received from 115 of the 500 surveyed businesses. This 23% response rate is sufficient for analysis of the results.

As seen in Table 2 below, respondents to the February 2016 *Survey of Nebraska Business* have a modestly positive outlook for the next six months, with a strong outlook for employment but a modestly negative outlook for sales. While more than half of February respondents expect no change in sales, 20 percent expect sales to increase and 24 percent expect sales to decrease. This is a negative 4 percent gap. For employment, 14 percent of February respondents expect to add jobs over the next 6 months versus just 3 percent who expect to reduce employment, a positive 11 percent gap.

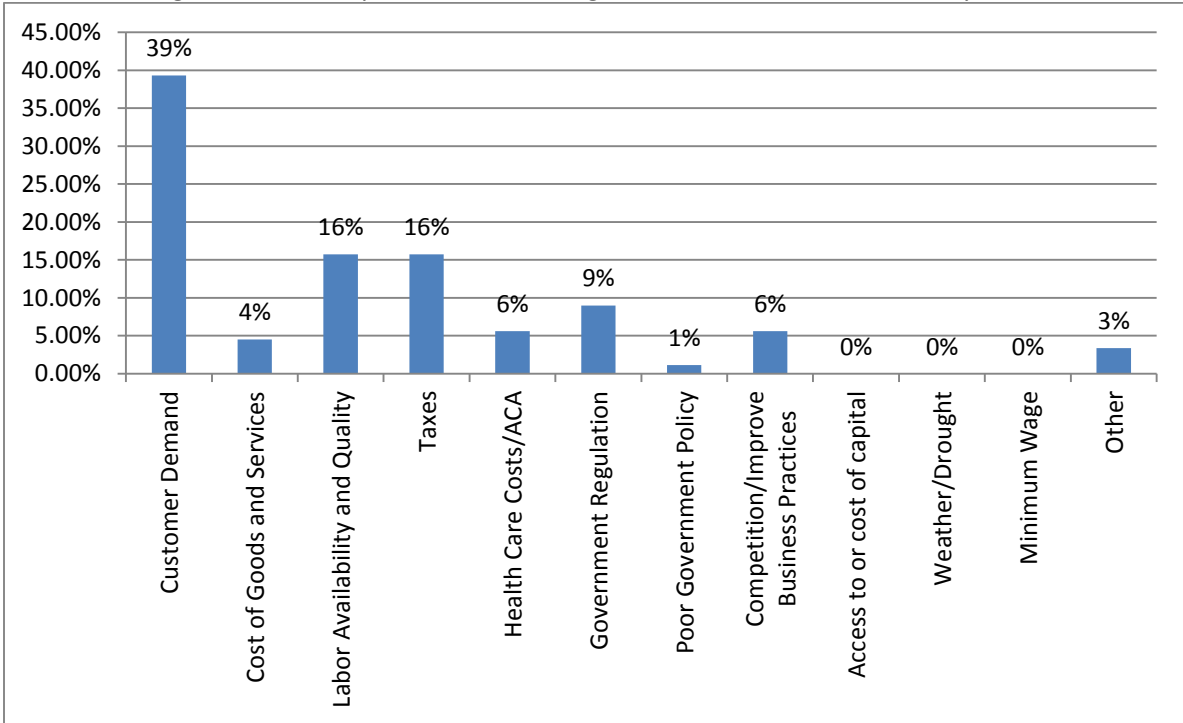
Table 2: Business Expectations for the Next Six Months, February 2016

	Change Over the Next Six Months	
	Sales	Employment
Increase	20%	14%
Stay the Same	56%	83%
Decrease	24%	3%

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

Results in Figure 2 show the top concerns of responding business owners and managers. Seven in ten 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 39 percent of respondents. The availability and quality of labor is (tied for) the second most cited top concern, chosen by 16 percent of respondents. Three of ten businesses choose public policy issues as their top concern. Taxes also is chosen by 16 percent of respondents. Government regulation is chosen as the top concern by 9 percent of respondents, while health care costs and the Affordable Care Act is chosen by 6 percent.

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



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