

Consumer Confidence Index – Nebraska and Survey of Nebraska Business: June 3, 2016

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

Author: Dr. Eric Thompson

***Summary:** Continuing a pattern seen over the last three months, business expectations remained positive and consumer confidence stayed weak in Nebraska during May. These mixed findings are based on monthly surveys of both Nebraska households and businesses. The Consumer Confidence Index – Nebraska (CCI-N) fell back to 89.3 in May, after a reading of 92.2 in April. In both months, consumer confidence is well below the value of 100 which would signify neutral confidence. Households report a variety of financial concerns with 52 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. By contrast, respondents to the May 2016 Survey of Nebraska Business have a positive outlook for both sales and job growth at their businesses over the next six months. To be specific, 34 percent of businesses expect sales at their business to rise over the next 6 months, while just 14 percent expect sales to decline. In terms of employment, 13 percent of responding businesspeople expect to increase employment while just 6 percent expect to reduce it. This employment outlook, while positive, is down slightly from the April survey. When asked about the most important issue facing their business, customer demand is mentioned most frequently, followed by the availability and quality of labor.*

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 May, responses were received from 136 of the 500 surveyed households, for 27 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.

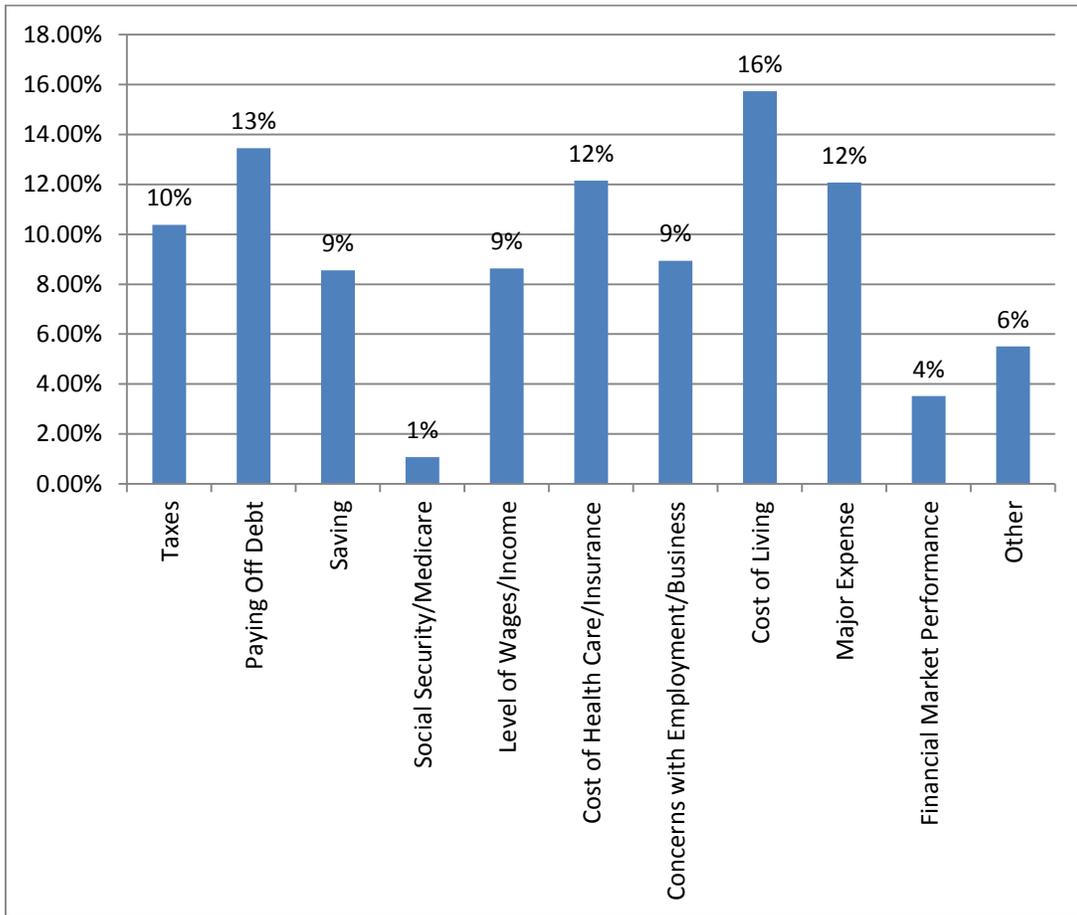
As seen in Table 1, the Consumer Confidence Index – Nebraska had a value of 89.3 in May 2016. This value is well below 100 and suggests that Nebraska households have weak consumer confidence. Such weak consumer confidence likely reflects stagnant real wages in Nebraska (and the United States as a whole)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

Table 1: Consumer Confidence Index - Nebraska, May 2016

Consumer Confidence Index - Nebraska	
Month	Index Value
May 2016	89.3
April 2016	92.2
Change from Previous Month	-2.9

Figure 1 shows household responses to the question about the most important financial issue they face. The most common issues raised in May responses are the general cost of living (16 percent) and paying off debt (13 percent). These top issues point to a wider concern about the cost of living. Fifty-two percent of respondents choose some type of cost factor as their top issue, whether the general cost of living (16 percent), major expenses (furniture, appliance, automobile, home repair or college tuition) (12 percent), the cost of health care or health insurance (12 percent) and taxes 10 percent). Approximately one in five respondents choose paying off debt (13 percent) or savings (9 percent) as their top issue. Among other issues, 9 percent mention their level of wages or income and the same share mention concerns about their job situation or their own business. These shares are similar to those found in April. Four percent of respondents also mentioned financial market performance as their top concern.

Figure 1: Most Important Financial Issue Facing Nebraska Households, May 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 May, responses were received from 143 of the 500 surveyed businesses, for a 29 percent response rate.

As seen in Table 2 below, respondents to the May 2016 Survey of Nebraska Business have a positive outlook for sales and employment at their businesses over the next 6 months. For sales, 34 percent expect sales to increase over the next 6 months while 14 percent expect sales to decrease. This is a positive 20 percent gap. For employment, 13 percent of May respondents expect to add jobs over the next 6 months versus just 6 percent who expect to reduce employment, a positive 7 percent gap. The outlook for employment somewhat less robust than in April.

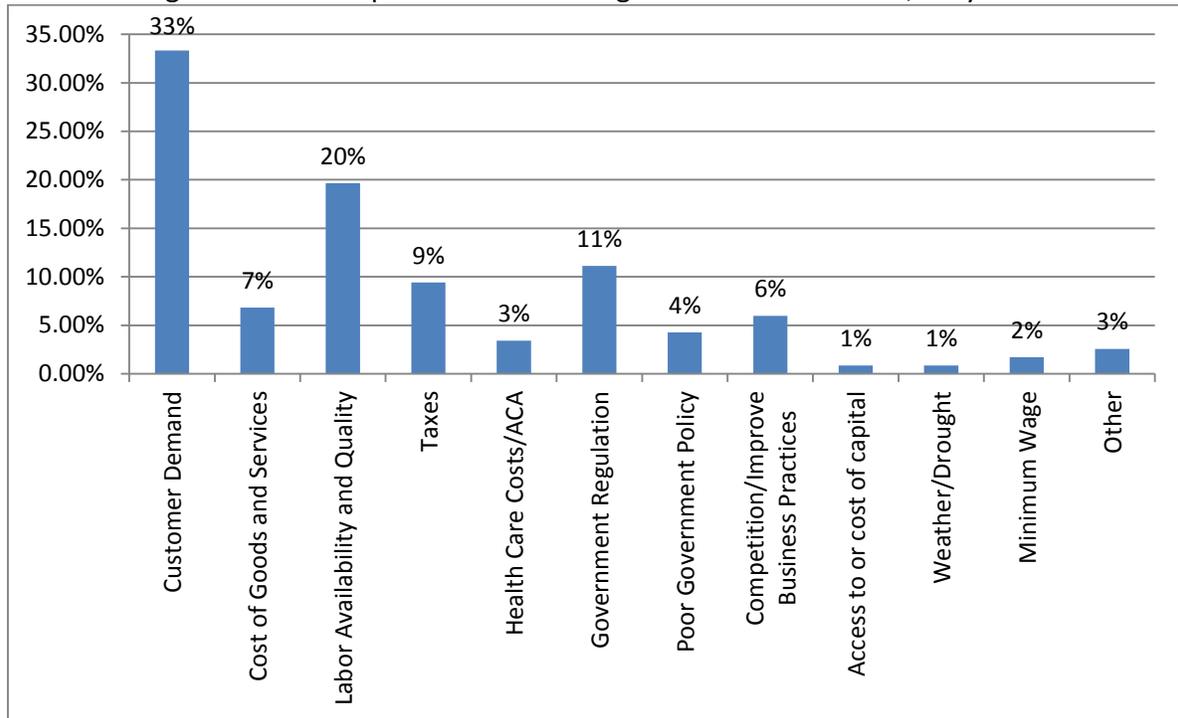
Table 2: Business Expectations for the Next Six Months, May 2016

	Change Over the Next Six Months	
	Sales	Employment
Increase	34%	13%
Stay the Same	52%	80%
Decrease	14%	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 May survey. The concerns are similar to those expressed in the April survey. Three quarters of 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 33 percent of respondents. The availability and quality of labor is the second most cited top concern, chosen by 20 percent of respondents. One quarter of businesses choose a public policy issues as their top concern. Government regulations is chosen by 11 percent of respondents, while taxes is chosen by 9 percent. These shares also are similar to those found in April.

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



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