

## **Results of the January Survey of Nebraska Business: March 6, 2015**

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

**Author:** Dr. Eric Thompson

***Summary:** For the second consecutive month, respondents to the Survey of Nebraska Business reported somewhat positive expectations for business sales and strong expectations for employment growth. Specifically, respondents to the February 2015 Survey of Nebraska were somewhat more likely to expect sales to rise (28%) than fall (23%) at their business over the next six months and much more likely to plan to increase employment (22%) than to reduce it (7%). Substate results continued to show an urban versus rural divide. Within the state, optimism about sales and employment was especially strong in the Omaha area and modest in the Southeast Nebraska, which includes Lincoln. Respondents from West Nebraska also were optimistic, while respondents from Northeast Nebraska provided a mixed outlook and respondents from Central Nebraska provided a negative outlook. When asked about the most important issue facing their business, customer demand was the top issue named by 30 percent of respondents. The quality and availability of labor was named as the top issue by 17 percent of respondents. Health care costs and the costs of inputs to production in general were each named as the top concern by 10 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 February, responses were received from 136 of the 500 surveyed businesses. This 27% response rate is more than sufficient for analysis of the results.

As seen in Table 1 below, respondents to the February 2015 *Survey of Nebraska Business* are optimistic in their outlook for employment but only modestly optimistic in their sales outlook. This is the twelfth month in the last thirteen in which businesses indicated a positive outlook for both sales and employment. Looking at specific numbers, while nearly half of January respondents expect no change in sales, 28 percent expect sales to increase and 23 percent sales to decrease in the next 6 months. This is a positive 5 percent gap. For employment, 22 percent of January respondents expect to add jobs over the next 6 months while 7 percent expect to reduce employment, a positive 15 percent gap. Both sets of results are very similar to those obtained last month in the January 2015 *Survey of Nebraska Business*.

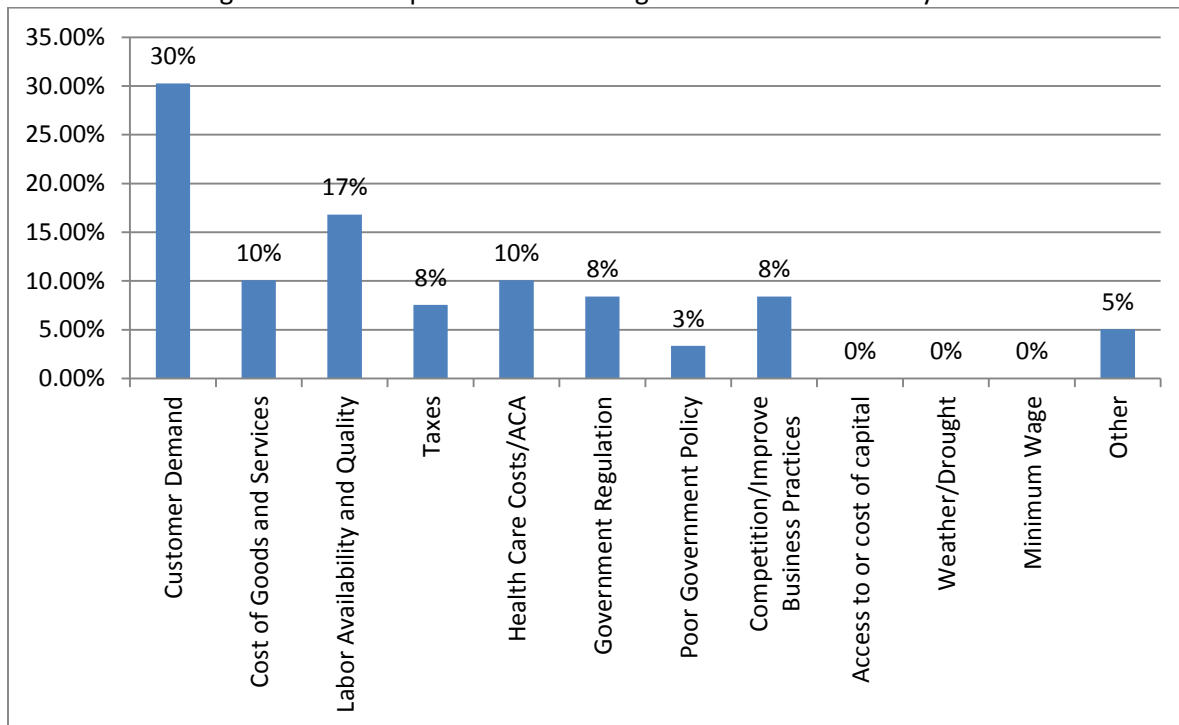
Table 1: Business Expectations for the Next Six Months, February 2015

	Change Over the Next Six Months	
	Sales	Employment
Increase	28%	22%
Stay the Same	49%	71%
Decrease	23%	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. Two of three 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 from other businesses, and improved business practices. Customer demand was the most common top concern, named by 30 percent of respondents. For the sixth consecutive month, the quality and availability of labor was the second most cited top concern, chosen by 17 percent of respondents. Competitive issues also are rising as a concern as businesses focus more on competition rather than economic conditions and overall demand. Competition and a need to improve business practices was named as the top issue by 8 percent of respondents. Three in ten respondents listed public policy issues as their top concern. Ten percent chose health care costs and the Affordable Care Act as the top concern while 8 percent chose other types of government regulation. Taxes were cited by 8 percent of respondents. Concerns about property taxes were most common.

Figure 1: Most Important Issue Facing Each Business February 2015



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).<sup>1</sup> The responses are combined from the January and February 2015 surveys. Responses were combined from the last two months in order to generate a sufficient sample size. There were a combined 78 responses from Omaha Metropolitan Area businesses during January and February.

As seen in Table 2, Omaha Metropolitan Area businesses (Nebraska portion only) continued to be much more positive in their outlook for sales and employment growth than businesses from other parts of the state. For sales, 39 percent expect sales to increase and just 12 percent sales to decline over the next 6 months. This was much more positive than the balance of the state. In particular, Omaha businesses were 16 percent more likely to foresee an increase in sales. The employment outlook also was more optimistic in Omaha. For employment, 27 percent of respondents from the Omaha area expect to add jobs over the next 6 months and 6 percent expect to reduce employment. Omaha area businesses were 8 percent more likely to plan an increase in employment.

Table 2: Omaha Metro Area Business Expectations for the Next Six Months, January and February, 2015

	Change Over the Next Six Months		
	Rest of Nebraska	Omaha Area	Difference
	<b>Sales</b>		
Increase	23%	39%	16%
Stay the Same	49%	49%	1%
Decrease	28%	12%	-16%
	<b>Employment</b>		
Increase	19%	27%	8%
Stay the Same	74%	66%	-8%
Decrease	6%	6%	0%

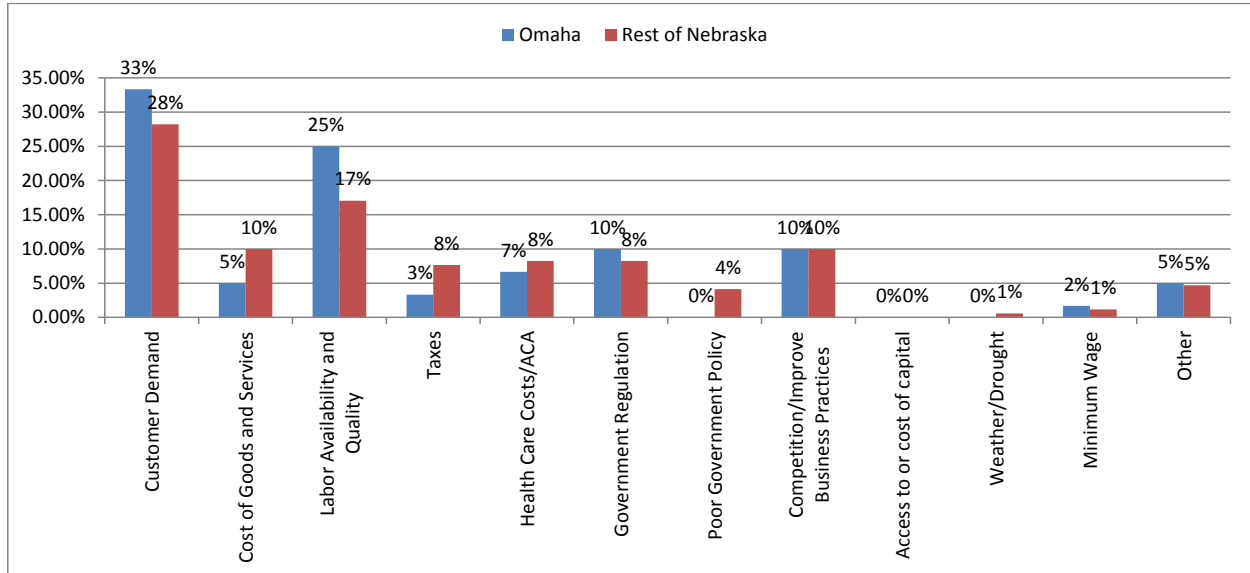
Note: Percentages may not sum to 100% or 0% due to rounding.

Figure 2 compares the top business concerns of Omaha Metropolitan Area respondents (Nebraska portion only) from January and February with those from businesses located in other parts of Nebraska. The results were similar. The primary difference is that Omaha area businesses were much more likely to be concerned about the quality and availability of labor. Labor supply issues are becoming an increasingly important problem in the metropolitan areas, despite faster population growth. Omaha area businesses also were less likely to list the cost of goods and services used in production as a top concern.

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<sup>1</sup> The region includes Cass, Douglas, Sarpy, Saunders and Washington counties.

Figure 2: Most Important Issue Facing Omaha Metro Area Businesses, January and February, 2015



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.<sup>2</sup> The responses discussed in Table 3 and Figure 3 are combined from the January and February 2015 surveys, in order to generate a sufficient sample size. There were a combined 65 responses from Southeast Nebraska businesses during January and February.

As seen in Table 3, over the last two months there was modest optimism for both sales and employment in Southeast Nebraska. For sales, 30 percent expect sales to increase and 25 percent expect sales to decline in the next 6 months. These figures are both slightly higher than those for the rest of Nebraska. For employment, 17 percent of Southeast Nebraska businesses expect to add employment while just 6 percent expect to reduce it over the next six months. These results are slightly less optimistic than results for the rest of Nebraska.

Table 3: Southeast Nebraska Business Expectations for the Next Six Months, January and February, 2015

	Change Over the Next Six Months		
	Rest of Nebraska	Southeast Nebraska	Difference
	Sales		
Increase	27%	30%	3%
Stay the Same	50%	45%	-5%
Decrease	23%	25%	2%
	Employment		
Increase	22%	17%	-4%
Stay the Same	72%	77%	5%
Decrease	6%	6%	0%

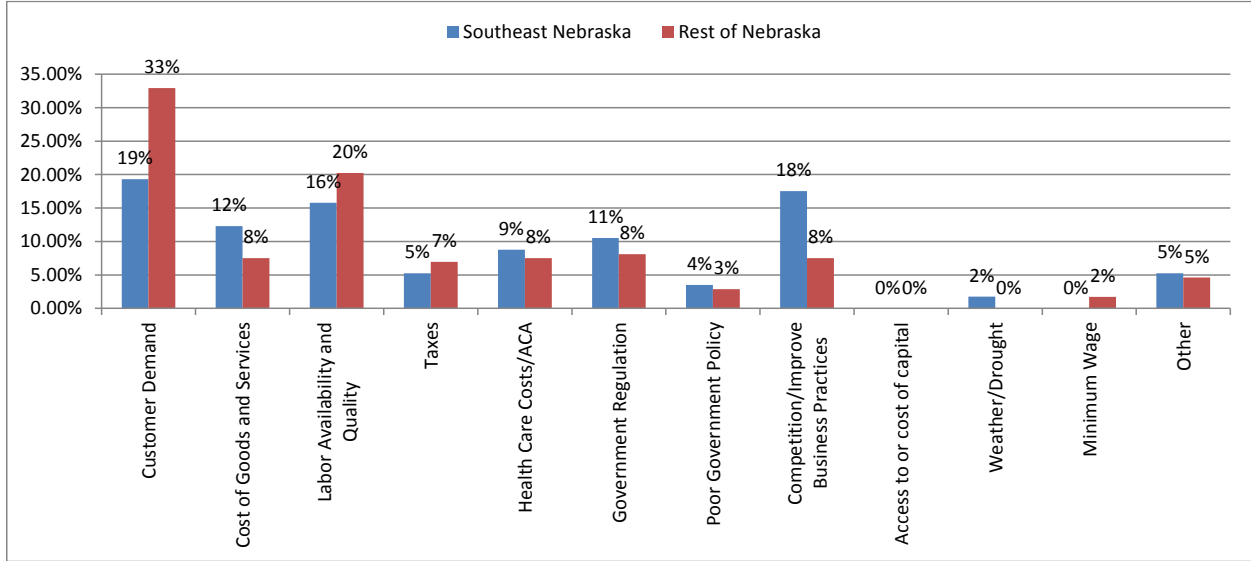
Note: Percentages may not sum to 100% or 0% due to rounding.

Figure 3 compares the top business concerns of Southeast Nebraska respondents from January and February with those from businesses located in other parts of the state. Results are broadly similar but respondents from Southeast Nebraska are less likely to be concerned about customer demand and more likely to be concerned about competition from other businesses. This results suggests that the overall level of demand is solid for businesses in Southeast Nebraska and businesses are free to instead focus on competition with other businesses.

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

Figure 3: Most Important Issue Facing Southeast Nebraska Businesses, January and February, 2015



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.<sup>3</sup> The responses discussed in Table 4 and Figure 4 are combined from the January and February 2015 surveys, in order to generate a sufficient sample size. There were a combined 47 responses from Central Nebraska businesses during January and February.

Central Nebraska businesses were negative in their outlook for sales and employment over the next 6 months. The outlook was much less optimistic than in other parts of the state. As seen in Table 4, Central Nebraska businesses were more likely to expect sales to decline than to increase. At the same time, just 6 percent of Central Nebraska respondents expect to add employees over the next six months while 9 percent expected to decrease employees. Central Nebraska businesses therefore expect both sales and employment to decline in the coming months. Such a pessimistic outlook in this agricultural region may be tied to lower crop prices.

Table 4: Central Nebraska Business Expectations for the Next Six Months, January and February, 2015

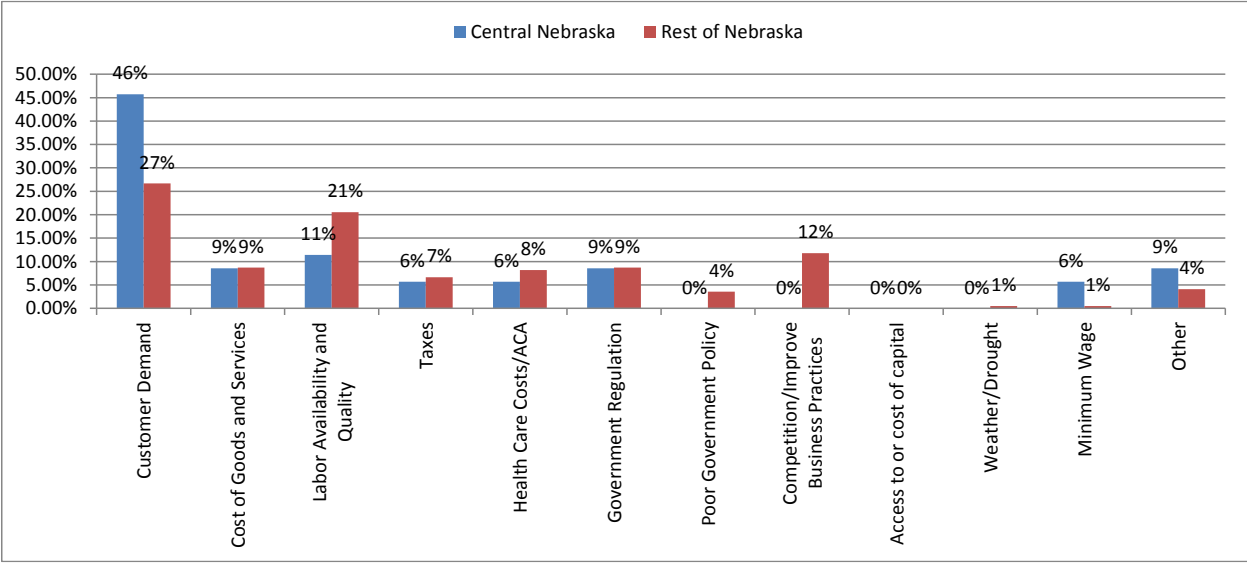
	Change Over the Next Six Months		
	Rest of Nebraska	Central Nebraska	Difference
	Sales		
Increase	29%	21%	-8%
Stay the Same	49%	49%	0%
Decrease	22%	30%	8%
	Employment		
Increase	25%	6%	-18%
Stay the Same	69%	85%	16%
Decrease	6%	9%	2%

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

Figure 4 compares the top business concerns of Central Nebraska respondents from January and February with those from businesses located in other parts of the state. Central Nebraska businesses are much more concerned about the issue of customer demand, and in particular, lower crop prices. This option was chosen by nearly 50 percent of respondents.

<sup>3</sup> 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: Most Important Issue Facing Central Nebraska Businesses, January and February, 2015



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.<sup>4</sup> The responses discussed in Table 5 and Figure 5 are combined from the January and February 2015 surveys, in order to generate a sufficient sample size. There were a combined 64 responses from Northeast Nebraska businesses during January and February.

Responding businesses in Northeast Nebraska are pessimistic in their outlook for sales but optimistic in their outlook for employment. For sales, 19 percent of respondents expect sales to rise over the next six months, while 33 percent expect sales to fall. For employment, 22 percent of businesses expect to add employees in the next six months while 6 percent expect to reduce employment. The outlook in Northeast Nebraska may reflect weakness in crop prices which is impacting crop producers and agriculture-related manufacturers. The outlook is neutral overall, with pessimism for sales mitigated by optimism for employment. The outlook for sales will need to improve in the coming months in order to maintain expectations for growing employment.

Table 5: Northeast Nebraska Business Expectations for the Next Six Months, January and February, 2015

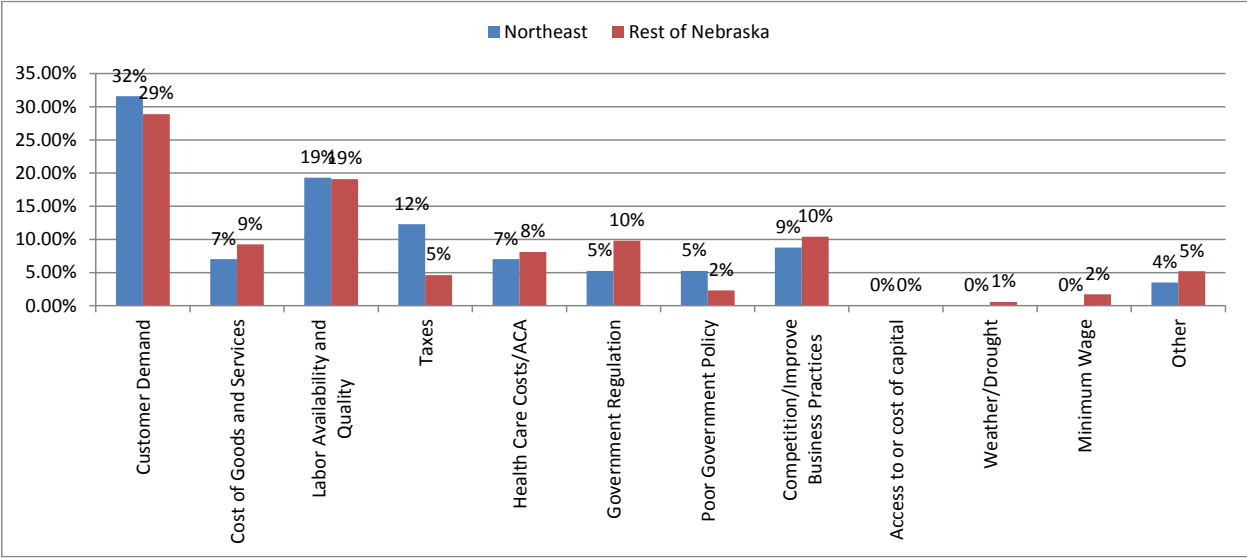
	Change Over the Next Six Months		
	Rest of Nebraska	Northeast Nebraska	Difference
	Sales		
Increase	30%	19%	-11%
Stay the Same	49%	48%	-2%
Decrease	21%	33%	13%
	Employment		
Increase	21%	22%	0%
Stay the Same	72%	72%	0%
Decrease	7%	6%	0%

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

Figure 5 compares the top business concerns of Northeast Nebraska respondents from January and February with those from businesses located in other parts of the state. While there are modest differences, business concerns in Northeast Nebraska are similar across the board to those found in other parts of the state. The one clear difference is that a larger share of Northeast Nebraska businesses list taxes as their top concern. In fact, there is a particular concern about property taxes.

<sup>4</sup> 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, January and February, 2015



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.<sup>5</sup> The responses discussed in Table 6 and Figure 6 are combined from the January and February 2015 surveys, in order to generate a sufficient sample size. There were a combined 27 responses from West Nebraska businesses during December and January.

Responding businesses in West Nebraska were neutral in their outlook for sales and strongly positive in their outlook for employment over the next 6 months. For sales, 20 percent of West Nebraska respondents from January and February expect to sales to increase at their business over the next six months while the same percentage expect sales to decrease. For employment, 42 percent expect to increase employment while just 4 percent expect to decrease employment. Overall, the region is optimistic but not as consistently optimistic as the Omaha area.

Table 6: West Nebraska Business Expectations for the Next Six Months, January and February, 2015

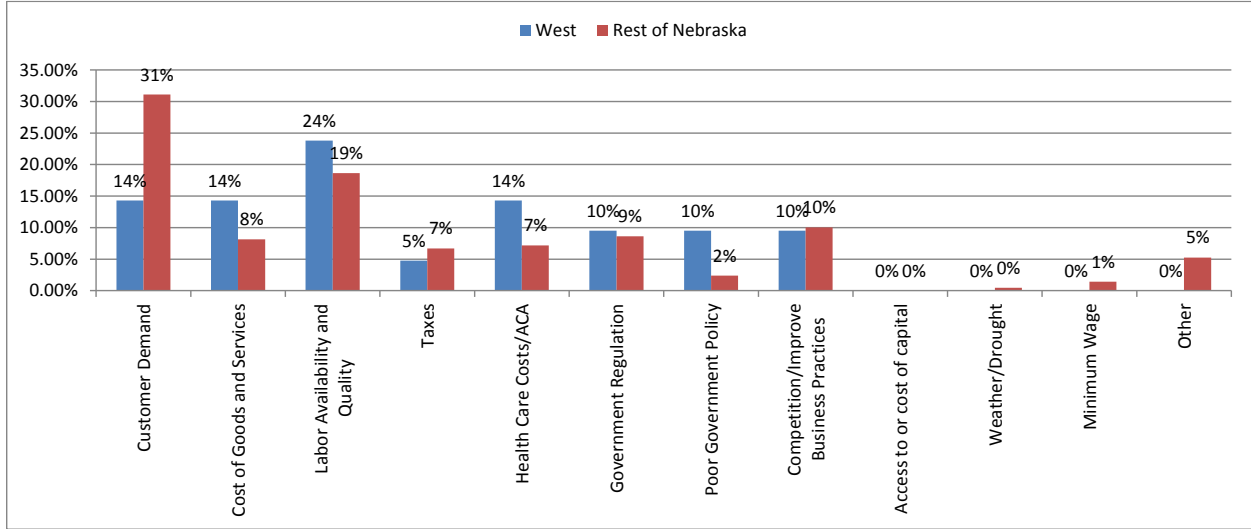
	Change Over the Next Six Months		
	Rest of Nebraska	West Nebraska	Difference
	Sales		
Increase	28%	20%	-8%
Stay the Same	48%	60%	12%
Decrease	24%	20%	-4%
	Employment		
Increase	19%	42%	23%
Stay the Same	74%	54%	-20%
Decrease	7%	4%	-3%

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

Figure 6 compares the top business concerns of West Nebraska respondents from January and February with those from businesses located in other parts of the state. Generally speaking, respondents from West Nebraska are less concerned about customer demand than business in other parts of the state. This may be because the region has a strong livestock sector, and livestock prices are currently elevated. Respondents in the region also are somewhat more likely to have selected the labor availability and quality and the potentially related issue of health care costs and the Affordable Care Act as their top concern.

<sup>5</sup> 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, January and February, 2015



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