Results of the May Survey of Nebraska Business: June 13, 2014

Prepared by the UNL College of Business Administration, Department of Economics

Author: Dr. Eric Thompson
Graduate Research Assistants: Shannon McClure, Mihdi Vahedi

Summary: *Respondents to the May 2014 Survey of Nebraska Business remained positive in their outlook for sales and employment at their business. More respondents expect sales to rise (29%) than decline (17%) in the next six months. Slightly more respondents expect to add (7%) than to reduce (4%) employment. Respondents also are more focused on the market challenges facing their businesses. When asked about the most important issue facing their business, 6.5 in 10 focused on core business operations issues such as customer demand, the cost of supplies, labor quality, competition, improved business practices, and credit availability. 3.5 in 10 focused on public policy issues such as taxes, the Affordable Care Act and other regulations. These shares are the same as in the April survey. Respondents from the Omaha Metropolitan Area (Nebraska portion) were particularly positive about the outlook for sales. Omaha area businesses also prioritized customer demand as a top business concern facing their business and were more likely to name health care costs and the Affordable Care Act as the top concern.*

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 a set of 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 April, responses were received from 77 of the 500 surveyed businesses. This 15% response rate is below-average but is sufficient for analysis of the results.

Respondents to the May 2014 *Survey of Nebraska Business* remain positive in their outlook for sales and somewhat positive in their outlook for employment. Responses are summarized in Table 1 below. Results indicate that just over half of respondents expect that sales will remain unchanged over the next six months, while 29% expect sales to increase and 17% sales to decline. For employment, 89% anticipate no change in employment over the next 6 months, while 7% expect to add jobs and 4% to reduce employment.

Results for the sales outlook are very similar to those from last month's survey (April). However, the outlook for employment is less optimistic than in the April survey. In the April survey, 10% of respondents expected to increase employment over the next 6 months.

Table 1: Business Expectations for the Next Six Months, May 2014

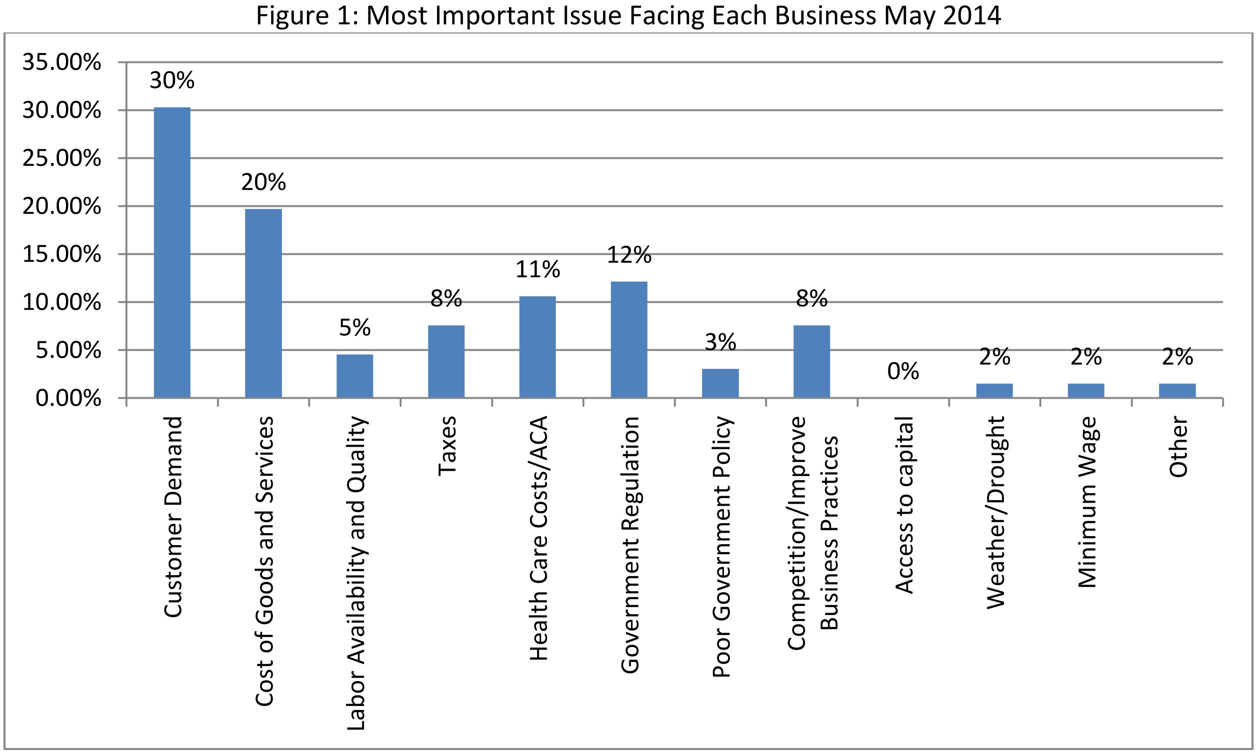
	Change Over the Next Six Months	
	Sales	Employment
Increase	29%	7%
Stay the Same	53%	89%
Decrease	17%	4%

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. 6.5 in 10 respondents were related to business operations issues such as customer demand for their product or service, the cost of supplies, labor quality, competition, improved business practices, and credit availability. Customer demand was the most common concern, with 30% of respondents naming a customer demand issue. However, 20% of respondents named the rising cost of goods and services as the top concern, while 8% named competition from other businesses or a need to improve their own businesses practices. Workforce availability and quality was named by 5% of respondents.

3.5 in 10 businesses listed public policy issues as their top concern, similar to the share in April. In May, the top policy concerns were more often related to regulation than to taxes. Health care costs/Affordable Care Act was selected as the top concern by 11% of respondents and other regulatory concerns were mentioned by 12% of respondents. Taxes were listed as the top concern by 8% of respondents while 3% mentioned general concerns regarding government policy.

Figure 1: Most Important Issue Facing Each Business May 2014



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). The responses are combined from the April and May 2014 surveys. Responses were combined from the last two months in order to generate a sufficient sample size. There were a combined 38 responses from Omaha Metropolitan Area business over March and April.

As seen in Table 2, Omaha Metropolitan Area businesses (Nebraska portion only) were positive in their outlook for employment and sales. For sales, 45% expect sales to increase and just 13% sales to decline. For employment, 8% expect to add jobs and 5% to reduce employment. Table 2 also shows combined responses for Nebraska statewide from April and May. Note that these statewide results would not exactly match those presented in Table 1, since Table 1 was only based on May responses. The Omaha area is much positive in its outlook for sales than Nebraska overall; however, this does not translate into a more optimistic outlook for employment.

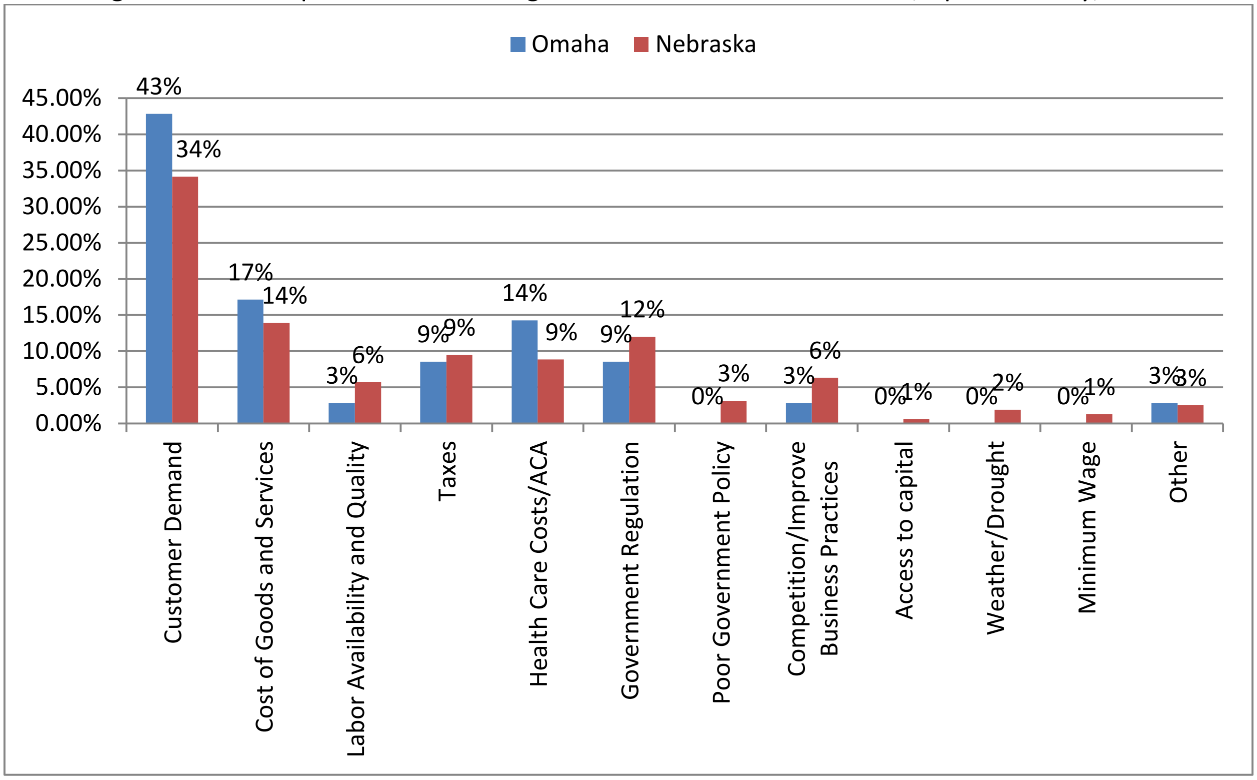
Table 2: Omaha Metro Area Business Expectations for the Next Six Months, April and May, 2014

	Change Over the Next Six Months		
	Statewide	Omaha Area	Difference
	Sales		
Increase	30%	45%	14%
Stay the Same	52%	42%	-10%
Decrease	18%	13%	-5%
	Employment		
Increase	9%	8%	-1%
Stay the Same	87%	86%	-1%
Decrease	4%	5%	2%

Note: Column totals may not sum to 100% due to rounding.
Column differences may not sum to 0% due to rounding.

Figure 2 compares the top business concerns of Omaha Metropolitan Area respondents (Nebraska portion only) from April and May with those from Nebraska businesses statewide in those two months. Once again, note that Nebraska results from April and May in Figure 2 will not precisely match results in Figure 1, which were from May only. Results indicate that Omaha area businesses are more focused on customer demand than businesses statewide. Results also suggest that health care costs and the Affordable Care Act may be a greater concern among Omaha area businesses while other types of regulation (environmental, labor, etc.) may be a greater concern in other parts of Nebraska. These differences should be monitored in subsequent months to see if they persist.

Figure 2: Most Important Issue Facing Omaha Metro Area Businesses, April and May, 2014



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