

Interview with Goss can be seen at:

<https://www.youtube.com/watch?v=vuIUDHe7qvc&feature=youtu.be>

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April Mid-America Economy Index Highest in 12 Years:

Inflation Gauge Surges to Highest level in 7 Years

April survey highlights:

- The Business Conditions Index moved above growth neutral for the 17th straight month, reaching its highest level in 12 years.
- The regional wholesale inflation gauge climbed to its highest level in seven years, pointing to a Federal Reserve rate hike in June.
- A labor shortage pulled the employment gauge below growth neutral for the month.
- More than half of supply managers support abolishing NAFTA and beginning negotiations on a new agreement.

OMAHA, Neb. (May 1, 2018) – The April Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Arkansas to North Dakota, jumped to its highest level in 12 years pointing to strong growth for the next three to six months.

Overall index: The Business Conditions Index, which ranges between 0 and 100, expanded to a robust 64.5 from March's 62.1. This is the 17th straight month the index has remained above growth neutral 50.0, and is the highest reading in 12 years, pointing to strong growth for the region over the next three to six months.

"Heavy or durable-goods manufacturers are expanding at a pace more than double that of nondurable goods producers. Much of the recent growth has been driven by exports. Almost four of five companies reported that exports were an important component of their company's profitability," said Ernie Goss, PhD, director of Creighton University's Economic Forecasting Group and the Jack A. MacAllister Chair in Regional Economics in the Heider College of Business.

Employment: Due to labor shortages, the April employment index sank to 48.1 from March's brisk 58.4. "The share of supply managers reporting labor shortages continues to grow and is now limiting employment growth for the region. Over the past 12 months, regional employment has expanded by 0.8 percent compared to U.S. job growth of 1.5 percent," said Goss.

Two-thirds of Mid-America firms indicated they would add workers for the remainder of 2018.

Wholesale Prices: The wholesale inflation gauge continues to point to elevated inflationary pressures at the wholesale level. The regional inflation gauge expanded to 85.7, its highest level in seven years, up from March's 80.7.

"Both our regional wholesale inflation index and the U.S. inflation gauge are elevated. I expect this elevated inflation to begin to show up at the consumer level. As a result, I expect the Federal Reserve's interest rate setting committee to raise short-term interest rates by one-quarter of one percentage point (25 basis points) at its June meeting," said Goss.

Confidence: Looking ahead six months, economic optimism, as captured by the April Business Confidence Index, bounced to a strong 70.2 from March's 64.3. "Healthy profit growth, still low interest rates, and a reduction of global trade tensions pushed business confidence into a range indicating robust business confidence," reported Goss.

Inventories: In another show of growing business confidence, companies expanded their inventories of raw materials and supplies at a faster pace than in March. The April inventory index climbed to 64.3 from March's 59.4.

Trade: The regional new export orders index rose to a vigorous 70.0 from 63.6 in March, and the import index dipped to a still strong 62.5 from March's 63.5. "A cheap U.S. dollar making U.S. goods more competitively priced abroad, and growth among U.S. trading partners, supported regional exports while regional economic growth boosted purchases from abroad," said Goss.

This month supply managers were asked about the importance of trade to their company, focusing specifically at the North American Free Trade Agreement (NAFTA). Approximately 79 percent indicated export markets were important to their firm's profitability. On the other hand, 57.1 percent supported starting new NAFTA negotiations after the abolishment of the agreement. Supply manager argued President Trump's tactics are unconventional but have yielded results we need to reenergize the economy.

As stated by one supply manager, "I don't believe any agreement is good through perpetuity. They need to be constantly reviewed, revised and approved to the current market conditions to determine what is fair and equitable to both parties."

Other components: Components of the April Business Conditions Index were new orders at 76.8, up from 66.0 in March; the production or sales index advanced to 70.8 from March's 68.0; and speed of deliveries of raw materials and supplies rose to 62.8 from last month's 59.0.

The Creighton Economic Forecasting Group has conducted the monthly survey of supply managers in nine states since 1994 to produce leading economic indicators of the Mid-America economy. States included in the survey are Arkansas, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Oklahoma and South Dakota.

The forecasting group's overall index, referred to as the Business Conditions Index, ranges between 0 and 100. An index greater than 50 indicates an expansionary economy over the course of the next three to six months. The Business Conditions Index is a mathematical average of indices for new orders, production or sales, employment, inventories and delivery lead time. This is the same methodology, used since 1931 by the [Institute for Supply Management](#), formerly the National Association of Purchasing Management.

Arkansas: The April Business Conditions Index for Arkansas rose to 59.6 from March's 53.7. Components of the index from the monthly survey of supply managers were new orders at 71.9, production or sales at 65.8, delivery lead time at 57.8, inventories at 59.3, and employment at 43.1. "Over the past 12 months, the Arkansas economy has increased nonfarm jobs by 0.4 percent (below regional average), durable-goods manufacturing jobs by 1.1 percent (below regional average), and nondurable goods manufacturing jobs by 1.5 percent (above regional average)," said Goss.

Iowa: The April Business Conditions Index for Iowa declined to a still healthy 63.9 from 64.7 in March. Components of the overall index from the monthly survey of supply managers were new orders at 69.7, production or sales at 76.8, delivery lead time at 62.4, employment at 47.0, and inventories at 63.4. "Over the past 12 months, the Iowa economy has increased nonfarm jobs by 0.7 percent (below regional average), durable-goods manufacturing jobs by 6.6 percent (above regional average), and nondurable goods manufacturing jobs by 1.5 percent (above regional average)," said Goss

Kansas: The Kansas Business Conditions Index for April advanced to 66.5 from March's 63.8. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 79.8, production or sales at 72.1, delivery lead time at 65.2, employment at 49.3, and inventories at 65.9. "Over the past 12 months, the Kansas economy has increased non-farm jobs by 0.8 percent (equal regional average), durable-goods manufacturing jobs by 0.9 percent (below regional average), and nondurable goods manufacturing jobs by 2.1 percent (above regional average)," said Goss

Minnesota: The April Business Conditions Index for Minnesota expanded to a very healthy 63.6 from March's 61.0. Components of the overall April index from the monthly survey of supply managers were new orders at 76.6, production or sales at 69.5, delivery lead time at 62.2, inventories at 63.2, and employment at 46.8. "Over the past 12 months, the Minnesota economy has increased non-farm jobs by 0.7 percent (below regional average), durable-goods manufacturing jobs by 0.7 percent (below regional average), and nondurable goods manufacturing jobs by 1.5 percent (above regional average)," said Goss

Missouri: The April Business Conditions Index for Missouri climbed to 67.4 from 63.2 in March. Components of the overall index from the survey of supply managers were new orders at 73.2, production or sales at 80.5, delivery lead time at 65.8, inventories at 66.5, and employment at 51.2. "Over the past 12 months, the Missouri economy has increased non-farm jobs by 1.0 percent (above regional average), durable-goods manufacturing jobs by 3.5 percent (above regional average), and nondurable goods manufacturing jobs by minus 0.5 percent (below regional average)," said Goss

Nebraska: The April Business Conditions Index for Nebraska rose to 67.0 from 63.4 in March. Components of the index from the monthly survey of supply managers were new orders at 80.5, production or sales at 72.6, delivery lead time at 65.8, inventories at 66.4, and employment at 49.8. "Over the past 12 months, the Nebraska economy has increased non-farm jobs by 0.6 percent (below regional average), durable-goods manufacturing jobs by 3.9 percent (above regional average), and nondurable goods manufacturing jobs by 2.6 percent (above regional average)," said Goss

North Dakota: The Business Conditions Index for North Dakota sank below growth neutral for April. The overall index from a survey of supply managers slumped to a regional low of 49.8 from 42.5 in March. Components of the overall index were new orders at 60.5, production or sales at 56.9, delivery lead time at 47.4, employment at 34.4, and inventories at 49.9. “Over the past 12 months, the North Dakota economy has lost 1.3 percent of its nonfarm jobs (below regional average), increased durable-goods manufacturing jobs by 7.0 percent (above regional average), and shed 1.2 percent of its nondurable goods manufacturing jobs (below regional average),” said Goss

Oklahoma: Oklahoma’s Business Conditions Index has remained above the 50.0 threshold for the last nine months. The overall index from a monthly survey of supply managers improved to 62.7 from March’s 62.4. Components of the overall April index were new orders at 75.5, production or sales at 68.7, delivery lead time at 61.2, inventories at 62.3, and employment at 46.0. “Over the past 12 months, the Oklahoma economy has increased nonfarm jobs by 1.7 percent (above regional average), durable-goods manufacturing jobs by 5.7 percent (above regional average), and nondurable goods manufacturing jobs by minus 4.4 percent (below regional average),” said Goss

South Dakota: The April Business Conditions Index for South Dakota expanded to a strong and regional high 69.3 from last month’s 67.4. Components of the overall index from the April survey of supply managers in the state were new orders at 83.1, production or sales at 74.7, delivery lead time at 68.2, inventories at 68.6, and employment at 51.9. “Over the past 12 months, the South Dakota economy has increased non-farm jobs by 1.5 percent (above regional average), durable-goods manufacturing jobs by 5.6 percent (above regional average), and nondurable goods manufacturing jobs by 3.3 percent (above regional average),” said Goss

Survey results for May will be released on June 1, the first business day of the month.

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