

Goss monthly interview at: <https://youtu.be/IE4FZoKovsU>

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Mid-America Economic Index Surges for August:

4 of 5 Supply Managers Support Tariffs

August survey highlights:

- The Business Conditions Index moved above growth neutral for the 21st straight month.
Wholesale inflation index pointing to Federal Reserve rate hike Sept. 26.
Slightly more than onehalf of supply managers indicated negative impact from tariffs on international buying.
Despite the negative impacts of tariffs on buying from abroad, four of five supply managers support continuing, or even expanding tariffs and trade restrictions.

OMAHA, Neb. (Sept. 4, 2018) – The August Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, jumped to a very healthy level, continuing to point to positive and improving growth for the next three to six months.

Overall index: The Business Conditions Index, which ranges between 0 and 100, climbed to 61.1 from July's 57.0. This is the 21st straight month the index has remained above growth neutral 50.0.

"The regional economy continues to expand at a very healthy pace with manufacturing growth of approximately 3.1 percent over the past 12 months compared to a much lower 2.6 percent for the U.S.," 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](#).

"However, I continue to expect expanding tariffs, trade restrictions, and rising short-term interest rates from a more aggressive Federal Reserve to slow regional growth to a more modest, but still positive pace, in the months ahead," said Goss.

Approximately 53.4 percent of supply managers indicated that recent trade tariffs and restrictions had already begun to have negative impacts on buying from abroad.

Despite the negative impacts of tariffs on buying from abroad, only one in five, or 20.9 percent of supply managers, support reducing tariffs and trade restrictions.

On the other hand, one supply manager reported, "The impact (of tariffs) is showing up in dramatic reductions of orders from our customers."

Employment: August employment slipped to a still solid 58.5 from July's 58.9.

"Overall employment growth in the region over the past 12 months has been healthy at 1.4 percent, but below the nation's 1.6 percent over the same period of time," Goss reported. "On the other hand, manufacturing job growth has been stronger in the region than the rest of the U.S."

Wholesale Prices: The wholesale inflation gauge continues to indicate elevated inflationary pressures with an index of 80.5, but down from 83.8 in July.

Both Creighton's regional wholesale inflation index and the U.S. inflation gauge are elevated. Over the past 12 months, U.S. wholesale prices have expanded by 5.8 percent, the fastest growth since 2009. At the consumer level, the consumer price index advanced by 2.9 percent over the past 12 months.

"I expect rising tariffs, trade restrictions, and higher oil prices to continue to boost wholesale and consumer inflation growth above the Federal Reserve's target. This trend has already begun to push consumer inflation higher," Goss said. "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 Sept. 26 meeting."

One supply manager reported, "I buy steel for our organization. Tariffs create both a direct and indirect impact on my pricing, for sure. The threat of tariffs is helping to support higher domestic steel prices...way higher."

Confidence: Looking ahead six months, economic optimism, as captured by the August Business Confidence Index, declined to a still strong 60.8 from July's 63.9.

"Despite trade tensions and tariffs, healthy profit growth, still low interest rates, and lower tax rates, supported robust business confidence," reported Goss.

Inventories: Companies expanded their inventories of raw materials and supplies and at a faster pace than in July. The August inventory index advanced to 58.8 from July's 53.3.

Trade: The regional new export orders index sank to 51.8 from 53.2 in July, and the import index slipped to 58.1 from July's 60.1.

"Positive export orders and imports may be the result of firms in the U.S., and among trading partners, advancing purchasing in anticipation of expanding tariffs and trade restrictions," said Goss.

Other components: Components of the August Business Conditions Index were new orders at 65.5, up from 55.6 in July; the production or sales index expanded to 61.9 from July's 57.8; and speed of deliveries of raw materials and supplies rose to 60.7 from last month's 59.6.

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 August Business Conditions Index for Arkansas climbed to 58.7 from July's 56.7. Components of the index from the monthly survey of supply managers were new orders at 64.6, production or sales at 58.1, delivery lead time at 57.7, inventories at 56.6, and employment at 56.6. "Over the past 12 months, the state's durable manufacturing sector has expanded jobs by 1.2 percent, while nondurable goods producers grew jobs at a 3.5 percent pace for overall manufacturing growth of 2.4 percent over the 12-month period, seventh among the nine Mid-America states," said Goss.

Iowa: The August Business Conditions Index for Iowa advanced to a healthy 59.2 from July's solid 55.9. Components of the overall index from the monthly survey of supply managers were new orders at 67.2, production or sales at 58.7, delivery lead time at 57.4, employment at 56.3, and inventories at 56.3. "Over the past 12 months, the state's durable manufacturing sector has expanded jobs by 6.0 percent, while nondurable goods producers grew jobs at a 4.6 percent pace for overall manufacturing growth of 5.4 percent over the 12-month period, first among the nine Mid-America states," said Goss.

Kansas: The Kansas Business Conditions Index for August dipped to 60.2 from July's 60.5. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 66.8, production or sales at 58.5, delivery lead time at 60.7, employment at 55.4, and inventories at 59.6. "Over the past 12 months, the state's durable manufacturing sector has expanded jobs by 3.3 percent, while nondurable goods producers grew jobs at a 3.6 percent pace for overall manufacturing growth of 3.4 percent over the 12-month period fourth among the nine Mid-America states," said Goss.

Minnesota: The August Business Conditions Index for Minnesota climbed to 61.9 from July's 55.8. Components of the overall August index from the monthly survey of supply managers were new orders at 67.0, production or sales at 62.3, delivery lead time at 61.0, inventories at 59.8, and employment at 59.4. "Over the past 12 months, the state's durable manufacturing sector has expanded jobs by 2.5 percent, while nondurable goods producers grew jobs at a 3.6 percent pace for overall manufacturing growth of 2.9 percent over the 12-month period, fifth among the nine Mid-America states," said Goss.

Missouri: The August Business Conditions Index for Missouri inched upward to 56.5 from 56.4 in July. Components of the overall index from the survey of supply managers were new orders at 62.7, production or sales at 56.4, delivery lead time at 55.1, inventories at 54.1, and employment at 54.4. "Over the past 12 months, the state's durable manufacturing sector has expanded jobs by 3.1 percent, while nondurable goods producers shed jobs at a minus 1.0 percent pace for overall manufacturing growth of 1.5 percent over the 12-month period, ninth among the nine Mid-America states," said Goss.

Nebraska: The August Business Conditions Index for Nebraska increased slightly to 61.9 from July's 61.0. Components of the index from the monthly survey of supply managers were new orders at 67.0, production or sales at 62.3, delivery lead time at 60.9, inventories at 59.8, and employment at 59.4. "Over the past 12 months, the state's durable manufacturing sector has expanded jobs by 4.7 percent, while

nondurable goods producers grew jobs at a 5.0 percent pace for overall manufacturing growth of 4.9 percent over the 12-month period, second among the nine Mid-America states,” said Goss.

North Dakota: The Business Conditions Index for North Dakota climbed to 76.0 for August from July’s 69.6. Components of the overall index were new orders at 78.2, production or sales at 78.0, delivery lead time at 76.2, employment at 72.7, and inventories at 74.8. “Over the past 12 months, the state’s durable manufacturing sector has expanded jobs by 4.8 percent, while non-durable goods producers lost 1.2 percent of its employment base for overall manufacturing growth of 2.8 percent over the 12-month period, sixth among the nine Mid-America states,” said Goss.

Oklahoma: Oklahoma’s Business Conditions Index has now remained above the 50.0 threshold for the last 13 months. The overall index from a monthly survey of supply managers slipped to 60.4 from July’s 60.6. Components of the overall August index were new orders at 65.8, production or sales at 60.7, delivery lead time at 59.4, inventories at 58.2, and employment at 58.0. “Over the past 12 months, the state’s durable manufacturing sector has expanded jobs by 4.9 percent, while nondurable goods producers lost 5.9 percent of its employment base for overall manufacturing growth of 1.5 percent over the 12-month period, eighth among the nine Mid-America states,” said Goss.

South Dakota: The August Business Conditions Index for South Dakota increased to 55.6 for August from July’s 54.3. Components of the overall index from the August survey of supply managers in the state were new orders at 62.0, production or sales at 55.4, delivery lead time at 54.1, inventories at 53.1, and employment at 53.5. “Over the past 12 months, the state’s durable manufacturing sector has expanded jobs by 5.4 percent, while nondurable goods producers grew jobs at a 2.6 percent pace for overall manufacturing growth of 4.4 percent over the 12-month period, third among nine Mid-America states,” said Goss.

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

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