Creighton UNIVERSITY NEWS RELEASE

Interview with Goss can be seen at:
https://www.youtube.com/watch?v=Y8lybv0JcvE&feature=youtu.be

For More Information Contact:

Ernie Goss, PhD, (402) 280-4757
ernieg@creighton.edu

Cindy Workman (402) 280-2969
cworkman@creighton.edu

Mid-America Business Conditions Index Ends Year on High Note:

Almost Half of Supply Managers See Foreign Competition as Greatest Threat

December survey highlights:

- The Business Conditions Index moved above growth neutral for the 13th straight month, pointing to healthy growth for the next three to six months.

  - Business Confidence Index soared to its highest level in almost seven years.
    - Only 21.8 percent of supply managers expect an abolition of the North American Free Trade Agreement (NAFTA) to negatively affect their company.
    - In 2016, the region exported $35.4 billion of goods to Canada and Mexico, supporting approximately 210,000 jobs.

- Over the next five years, regarding the greatest challenge to the profitability of their businesses, approximately 44.7 of supply managers indicated increasing foreign competition, while more than one in five named a shortage of qualified workers.

OMAHA, Neb. (Jan. 2, 2018) – The December Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Arkansas to North Dakota, rose for the month, pointing to healthy growth for the next three to six months.

Overall index: The Business Conditions Index, which ranges between 0 and 100, climbed to 59.0 from November’s 57.2. This is the 13th straight month that the index has remained above growth neutral, continuing to point to positive growth for the region over the next three to six months.

“Although the inflation gauge is elevated, I would characterize the region as having a ‘goldilocks’ economy. That is, not so hot as to push the Federal Reserve to raise interest rates at a stepped up pace, but not so cool as to slow employment gains. Both the national and our regional indices indicate the manufacturing sector is advancing at a very healthy pace and will continue to spill over into the broader national and regional economies in the next three to six months. 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.

This month supply managers were asked to identify the greatest economic challenge facing their companies’ profitability over the next five years. Approximately 44.7 named increasing foreign competition as the biggest threat while more than one in five, or 21.3 percent indicated the shortage of qualified workers would be the greatest challenge to their businesses.

Employment: The December employment index remained above growth neutral with a reading of 57.7, up from 53.6 in November. “The durable, nondurable and nonmanufacturing sectors are adding jobs at a solid pace. Over the past 12 months, the regional manufacturing sector has added approximately 29,000 jobs, a 2.1 percent expansion. This annual regional manufacturing growth rate significantly exceeds the 1.5 percent growth for U.S. manufacturing,” said Goss.

Wholesale Prices: For a third straight month, the regional wholesale inflation gauge cooled to a still strong 71.3 from November’s 71.4, continuing to indicate elevated regional inflationary pressures at the wholesale level.

“Even though both our regional wholesale inflation index and the U.S. inflation gauge are elevated, I expect the Federal Reserve to forgo a short-term interest rate hike at the next meeting of their rate setting committee on Feb. 1. However, I do expect a .25 percent rate increase at the March 15 meetings,” said Goss.

Confidence: Looking ahead six months, economic optimism, as captured by the December business confidence index, expanded to a very strong 73.2 from 71.9 in November. “Healthy profit growth, still low interest rates, and the recently passed tax reform package pushed business confidence to its highest level since January 2011,” reported Goss.

Inventories: The December inventory index indicates that businesses expanded supplies of raw materials and supplies, but at a slower pace than in November. The regional inventory index for December slipped to 54.0 from November’s 56.1.

Trade: The regional index for new export orders declined to a still strong 63.9 from November’s 65.8, and the import index fell to a solid 53.9 from 59.8 in November. “Expanding regional growth supported purchases of inputs from abroad, while growth among important trading partners underpinned the new export orders at a healthy level,” said Goss.

Only 21.8 percent of supply managers expect an abolition of the North American Free Trade Agreement (NAFTA) to negatively affect their company. “Given that states within the region exported $35.4 billion of goods to Canada and Mexico in 2016, supporting approximately 210,000 jobs, it is surprising to measure little concern regarding the abolition of NAFTA,” reported Goss.

Other components: Components of the December Business Conditions Index were new orders at 68.0, up from 67.6 in November; the production or sales index decreased to 61.6 from November's 64.8; and delivery speed of raw materials and supplies jumped to 53.7 from last month's 42.6.

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 December overall, or Business Conditions Index, for Arkansas advanced to 56.8 from November's 51.9. Components of the index from the monthly survey of supply managers were new orders at 70.1, production or sales at 56.3, delivery lead time at 56.7, inventories at 48.6, and employment at 52.3. "In 2016, businesses and farms in the state exported $1.8 billion of goods to Canada and Mexico, supporting more than 11,000 jobs in the state. In the nine-state region, Arkansas is number eight in terms of dependence on NAFTA sales at 1.5 percent of GDP. Only Oklahoma is less dependent on NAFTA," said Goss. 2018 NAFTA abolition damage to state economy: Low.

Iowa: The December Business Conditions Index for Iowa declined to a still solid 54.3 from 55.2 in November. Components of the overall index from the monthly survey of supply managers were new orders at 63.4, production or sales at 56.9, delivery lead time at 49.0, employment at 53.0, and inventories at 49.3. "In 2016, businesses and farms in Iowa exported $5.6 billion in goods to Canada and Mexico, supporting more than 33,000 jobs in the state. In the nine-state region, Iowa is second only to North Dakota in terms of dependence on NAFTA sales, at 3 percent of GDP," said Goss. 2018 NAFTA abolition damage to state economy: Intense.

Kansas: The Kansas Business Conditions Index for December climbed to 62.0, a regional high, and up from November's 58.0. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 72.4, production or sales at 63.9, delivery lead time at 57.0, employment at 60.5, and inventories at 56.3. "In 2016, businesses and farms in the state exported $3.6 billion in goods to Canada and Mexico, supporting almost 22,000 jobs in the state. In the nine-state region, Kansas is the fourth most dependent on NAFTA sales at approximately 2.4 percent of GDP," said Goss. 2018 NAFTA abolition damage to state economy: Intense

Minnesota: The December Business Conditions Index for Minnesota slipped to a healthy 56.8 from November's 57.8. Components of the overall December index from the monthly survey of supply managers were new orders at 69.5, production or sales at 63.4, delivery lead time at 49.0, inventories at 49.3, and employment at 53.0. "In 2016, businesses and farms in the state exported $6.4 billion in goods to Canada and Mexico, supporting more than 38,000 jobs. In the nine-state region, Minnesota is the sixth most dependent on NAFTA sales, registering approximately 1.9 percent of GDP," said Goss. 2018 NAFTA abolition damage to state economy: Moderate to High.

Missouri: The December Business Conditions Index for Missouri fell to 55.3 from 59.2 in November. Components of the overall index from the survey of supply managers were new orders at 60.5, production or sales at 54.6, delivery lead time at 46.4, inventories at 55.6, and employment at 59.2. "In 2016, businesses and farms in the state exported $7.8 billion in goods to Canada and Mexico, supporting more than 46,000 jobs in the state. In the nine-state region, Missouri is the third most dependent on NAFTA sales, accounting for approximately 2.6 percent of GDP," said Goss. 2018 NAFTA abolition damage to state economy: Moderate to High.

Nebraska: The December Business Conditions Index for Nebraska rose to 57.6 from 54.8 in November. Components of the index from the monthly survey of supply managers were new orders at 67.2, production or sales at 59.9, delivery lead time at 52.4, inventories at 52.2, and employment at 56.2. "In 2016, businesses and farms in the state exported $3.5 billion in goods to Canada and Mexico, supporting almost 16,000 jobs in the state. In the nine-state region, Nebraska is the fifth most dependent on NAFTA sales, registering approximately 2.3 percent of GDP," said Goss. NAFTA 2018 abolition damage to state economy: Intense

North Dakota: North Dakota's Business Conditions Index climbed into a range pointing to solid growth in the next three to six months. The overall index for December jumped to 55.1 from 52.3 in November. Components of the overall index were new orders at 53.1, production or sales at 62.3, delivery lead time at 44.5, employment at 58.8, and inventories at 56.6. "In 2016, businesses and farms in the state exported $4.6 billion in goods to Canada and Mexico, supporting almost 28,000 jobs in the state. In the nine-state region, North Dakota is the number one state in terms of dependence on NAFTA sales, registering approximately 8.7 percent of GDP," said Goss. 2018 NAFTA abolition damage to state economy: Intense.

Oklahoma: Oklahoma's Business Conditions Index has remained above the 50.0 threshold for the last five months. The overall index from a monthly survey of supply managers slipped to a very healthy 59.3 from November's 60.8. Components of the overall December index were new orders at 69.3, production or sales at 61.4, delivery lead time at 54.2, inventories at 53.8, and employment at 57.9. "In 2016, businesses and farms in the state exported $1.9 billion in goods to Canada and Mexico, supporting almost 12,000 jobs in the state. In the nine-state region, Oklahoma is the least dependent on NAFTA sales, registering approximately 1.1 percent of GDP," said Goss. 2018 NAFTA abolition damage to state economy: Low.

South Dakota: The Business Conditions Index for South Dakota rose to 58.2 from 55.4 in November. Components of the overall index from the December survey of supply managers in the state were new orders at 65.2, production or sales at 58.3, delivery lead time at 55.8, inventories at 57.2, and employment at 54.5. "In 2016, businesses and farms in the state exported $763 thousand in goods to Canada and Mexico, supporting almost 5,000 jobs in the state. In the nine-state region, South Dakota is number eight in terms of NAFTA sales, registering approximately 1.6 percent of GDP," said Goss. 2018 NAFTA abolition damage to state economy: Low to Moderate.

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