

Interview with Goss can be seen at:

<https://youtu.be/WLDdxOOnB1o>

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Mid-America Economy Begins 2018 on Healthy Note;

Biggest Challenge for 2018 is Labor Shortages

January survey highlights:

- The Business Conditions Index moved above growth neutral for the 14th straight month, pointing to healthy growth for the next three to six months.
- More than half of supply managers named the difficulty in finding and hiring qualified workers as the greatest 2018 business challenge.
- Healthy profit growth and passage of the 2017 tax reform bill pushed the confidence to a record high level.
- Inflation at the wholesale level continues to push input prices higher.

OMAHA, Neb. (Feb. 1, 2018) – The January Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Arkansas to North Dakota, sank to a solid reading 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, slipped to a healthy 57.3 from December's robust 59.0. This is the 14th straight month the index has remained above growth neutral, continuing to point to positive growth for the region over the next three to six months.

"The durable, nondurable and nonmanufacturing sectors in the region are adding jobs at a solid pace. 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.

Employment: The January employment index remained above growth neutral with a reading of 52.3, though it was down from December's 57.7. "Over the past 12 months, regional employment has

expanded by 1.1 percent, well below U.S. nonfarm employment growth of 1.4 percent over the same period of time. Regional job growth continues to be restrained by the availability of qualified workers. More than half of the supply managers, or 53.3 percent, named the difficulty in finding and hiring qualified workers as the greatest 2018 challenge to their business growth,” said Goss.

Wholesale Prices: The wholesale inflation gauge continues to point to elevated inflationary pressures at the wholesale level. The regional inflation gauge climbed to 74.5 from December’s strong 71.3.

“Both our regional wholesale inflation index and the U.S. inflation gauge are elevated. I expect this growth 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 next meeting on March 15,” said Goss.

Confidence: Looking ahead six months, economic optimism, as captured by the January Business Confidence climbed to 80.5 from December’s strong 73.2. “Healthy profit growth, still low interest rates, and the recently passed tax reform package pushed business confidence to its highest level ever,” reported Goss.

Inventories: The January inventory index indicated that businesses expanded supplies of raw materials and supplies, and at a faster pace than in December. The regional inventory index for January rose to 55.6 from December’s 54.0.

Trade: The regional index for new export orders declined to a still healthy 58.1, from 63.9 in December, and the import index was unchanged from December’s solid 53.9. “Expanding regional growth supported purchases of inputs from abroad, while growth among important trading partners and a weak U.S. dollar underpinned new export orders at a healthy level,” said Goss.

This month supply managers were asked about the importance of purchasing from abroad to their firm’s business success. Almost one-third, or 29.8 percent, reported that purchasing in international markets was either essential or very important.

Other components: Components of the January Business Conditions Index were new orders at 67.4, down from 68.0 in December; the production or sales index rocketed to 68.2 from December’s 61.6; and delivery speed of raw materials and supplies plummeted to 43.5 from last month’s 53.7.

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 January overall, or Business Conditions Index, for Arkansas fell to 50.0 from December's 56.8. Components of the index from the monthly survey of supply managers were new orders at 58.5, production or sales at 60.1, delivery lead time at 35.9, inventories at 47.7, and employment at 47.8. "Nondurable manufacturing in the state is growing at very strong pace while Arkansas durable goods producers are treading water," said Goss.

Iowa: The January Business Conditions Index for Iowa climbed to a healthy 58.0 from 54.3 in December. Components of the overall index from the monthly survey of supply managers were new orders at 67.4, production or sales at 67.8, delivery lead time at 42.2, employment at 51.3, and inventories at 61.1. "Both durable and nondurable goods manufacturing are experiencing growth well above that of the region and the nation. I expect this growth advantage to continue for the next three to six months," said Goss.

Kansas: The Kansas Business Conditions Index for January sank to 59.6 from a regional high, 62.0 in December. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 70.9, production or sales at 70.9, delivery lead time at 44.7, employment at 54.0, and inventories at 57.8. "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.

Minnesota: The January Business Conditions Index for Minnesota slipped to a healthy 55.8 from December's 56.8. Components of the overall January index from the monthly survey of supply managers were new orders at 62.5, production or sales at 63.9, delivery lead time at 38.8, inventories at 56.3, and employment at 57.8. "Growth was balanced and healthy for durable and nondurable goods producers in the state. While manufacturing growth has been below that of the region, it has been less volatile than that of the region," said Goss.

Missouri: The January Business Conditions Index for Missouri fell to 53.6 from 55.3 in December. Components of the overall index from the survey of supply managers were new orders at 60.6, production or sales at 61.9, delivery lead time at 49.9, inventories at 49.4, and employment at 46.1. "While nondurable goods producers in the state are experiencing healthy growth, durable or heavy manufacturers are expanding at a much stronger pace gaining jobs, and sales, both domestic and international," said Goss.

Nebraska: The January Business Conditions Index for Nebraska dipped to 53.7 from 57.6 in December. Components of the index from the monthly survey of supply managers were new orders at 63.7, production or sales at 64.6, delivery lead time at 39.6, inventories at 51.9, and employment at 48.5. "Sizable gains in business activity and jobs for nondurable goods producers in the state more than offset losses in business activity and jobs for durable goods manufacturers," said Goss.

North Dakota: The Business Conditions Index for North Dakota fell below growth neutral for January. The overall index from a survey of supply managers for January slumped to 49.6 from 55.1 in December. Components of the overall index were new orders at 59.2, production or sales at 55.1, delivery lead time at 31.8, employment at 58.8, and inventories at 43.0. "As oil prices have risen, so has North Dakota's energy sector. This gain has offset softer growth among both durable and nondurable goods producers in the state," said Goss.

Oklahoma: Boosted by higher oil prices, Oklahoma's Business Conditions Index has remained above the 50.0 threshold for the last six months. The overall index from a monthly survey of supply managers

slipped to a healthy 57.8 from December's 59.3. Components of the overall January index were new orders at 68.6, production or sales at 68.9, delivery lead time at 43.1, inventories at 56.0, and employment at 52.3. "Recent expansions for durable goods manufacturers more than offset weakness among nondurable goods producers in the state," said Goss.

South Dakota: The January Business Conditions Index for South Dakota sank to a solid 56.8 from 58.2 in December. Components of the overall index from the January survey of supply managers in the state were new orders at 65.1, production or sales at 65.9, delivery lead time at 46.6, inventories at 53.1, and employment at 53.4. "Strong growth for durable goods producers in the state combined with solid expansions for nondurable goods manufacturers to keep the overall index in the solid range," said Goss.

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