

Goss monthly interview available at: <https://youtu.be/Lxd6bC1Euog>

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Mid-America Economic Index Remains Healthy:

Inflation Gauge Points to Fed Rate Hike by End of September

June survey highlights:

- The Business Conditions Index moved above growth neutral for the 19th straight month, and into a range pointing to healthy growth in the next four to six months.
- Tariffs contributed to elevated inflationary pressures at the wholesale level. Those pressures point to at least one more Federal Reserve rate hike before the end of September.
- Exports and imports remained healthy.

OMAHA, Neb. (July 2, 2018) – The June Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Arkansas to North Dakota, fell to a healthy level continuing to point to strong growth for the next three to six months.

Overall index: The Business Conditions Index, which ranges between 0 and 100, declined to 61.8 from May's 67.3. This is the 19th 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 2.5 percent over the past 12 months compared to a lower 2.1 percent for the U.S. However, I expect expanding tariffs, trade restrictions and rising oil prices to slow growth and push inflation into a range leading to more aggressive Federal Reserve rate hikes,” 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 June employment decreased to 61.9 from May's 66.3. “Overall employment growth in the region over the past 12 months has been healthy but expanding at a rate below that of the nation. 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 86.9, down from 88.9 in May.

Supply managers expect the prices of the products sold by their firm to expand by a robust 2.9 percent. This is up significantly from last June when a growth of 1.8 percent was projected.

As reported by a supply manager, “The (price) increase of commodities (i.e. steel, stainless steel, aluminum, etc.) and freight has reduced our profits. Since it is now a seller’s market, our suppliers are telling us to take the (price) increase or move our business.”

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 3.1 percent, the fastest growth since 2012. At the consumer level, the consumer price index advanced by 2.8 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. As a result, in my judgment, the Federal Reserve’s interest rate setting committee will raise short-term interest rates by one-quarter of one percentage point (25 basis points) no later than Sept. 26,” said Goss.

Confidence: Looking ahead six months, economic optimism, as captured by the June Business Confidence Index, dropped to a strong 59.8 from May’s 66.3. “Despite trade tensions and skirmishes, healthy profit growth, still low interest rates, and lower tax rates, supported a robust business confidence,” reported Goss.

Inventories: Companies expanded their inventories of raw materials and supplies, but at a slower pace than in May. The June inventory index declined to 58.6 from May’s 59.3.

Trade: The regional new export orders index slipped to a still healthy 60.0 from 64.8 in May, and the import index fell to a solid 56.5 from May’s 63.0. “Rapidly rising export orders and imports may be the result of firms in the U.S., and among trading partners, advancing purchasing in anticipation of rising trade restrictions and tariffs,” said Goss.

However, as reported by one supply manger, “Other countries are taking advantage of the situation and they are raising their pricing also. Then you add on the tariffs, it is not a good situation.”

Other components: Components of the June Business Conditions Index were new orders at 64.7, down from 78.4 in May; the production or sales index declined to 64.7 from May’s 72.4; and speed of deliveries of raw materials and supplies fell to 58.3 from last month’s 60.0.

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 June Business Conditions Index for Arkansas fell to 62.5 from May’s 66.2. Components of the index from the monthly survey of supply managers were new orders at 65.2, production or sales at

66.0, delivery lead time at 60.0, inventories at 59.2, and employment at 62.1. “Over the past 12 months, the Arkansas economy has added 1,500 durable goods manufacturing jobs for a growth of 2.0 percent, and 2,600 nondurable manufacturing jobs for a growth of 3.2 percent. Arkansas ranked sixth among the nine states in the region in terms of the rate of overall manufacturing growth over the past 12 months,” said Goss

Iowa: The June Business Conditions Index for Iowa rose slightly to a very healthy 62.6 from 62.5 in May. Components of the overall index from the monthly survey of supply managers were new orders at 63.3, production or sales at 69.9, delivery lead time at 64.4, employment at 59.3, and inventories at 56.2. “Over the past 12 months, the Iowa economy has added 7,200 durable goods manufacturing jobs for a growth of 5.8 percent, and 2,400 nondurable manufacturing jobs for a growth of 2.6 percent. Iowa ranked first among the nine states in the region in terms of the rate of overall manufacturing growth over the past 12 months,” said Goss

Kansas: The Kansas Business Conditions Index for June declined to 62.5 from May’s 68.7. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 65.6, production or sales at 64.3, delivery lead time at 60.4, employment at 62.5, and inventories at 59.7. “Over the past 12 months, the Kansas economy has added 2,300 durable goods manufacturing jobs for a growth of 2.4 percent, and 2,400 nondurable manufacturing jobs for a growth of 3.6 percent. Kansas ranked fourth among the nine states in the region in terms of the rate of overall manufacturing growth over the past 12 months,” said Goss

Minnesota: The June Business Conditions Index for Minnesota decreased to a still solid 58.8 from May’s 64.2. Components of the overall June index from the monthly survey of supply managers were new orders at 61.2, production or sales at 61.4, delivery lead time at 55.9, inventories at 55.2, and employment at 60.1. “Over the past 12 months, the Minnesota economy added 4,600 durable goods manufacturing jobs for a growth of 2.3 percent, and 1,300 nondurable manufacturing jobs for a growth of 1.1 percent. Minnesota ranked seventh among the nine states in the region in terms of the rate of overall manufacturing growth over the past 12 months,” said Goss

Missouri: The June Business Conditions Index for Missouri sank to 62.6 from 69.6 in May. Components of the overall index from the survey of supply managers were new orders at 64.9 production or sales at 65.6, delivery lead time at 59.7, inventories at 61.1, and employment at 61.8. “Over the past 12 months, the Missouri economy added 2,000 durable goods manufacturing jobs for a growth of 1.3 percent, but lost 700 nondurable manufacturing jobs for a growth of minus 0.7 percent. Missouri ranked last among the nine states in the region in terms of the rate of overall manufacturing growth over the past 12 months,” said Goss

Nebraska: The June Business Conditions Index for Nebraska fell to 66.1 from May’s regional high of 70.1. Components of the index from the monthly survey of supply managers were new orders at 69.1, production or sales at 70.4, delivery lead time at 62.1, inventories at 63.2, and employment at 65.8. “Over the past 12 months, the Nebraska economy added 1,800 durable goods manufacturing jobs for a growth of 4.1 percent, and 1,700 nondurable manufacturing jobs for a growth of 3.2 percent. Nebraska ranked third among the nine states in the region in terms of the rate of overall manufacturing growth over the past 12 months,” said Goss

North Dakota: The Business Conditions Index for North Dakota climbed to 66.4 from May’s 62.4. Components of the overall index were new orders at 68.9, production or sales at 70.3, delivery lead time at 63.9, employment at 65.7, and inventories at 63.1. “Over the past 12 months, the North Dakota economy added 600 durable goods manufacturing jobs for a growth of 3.6 percent, but lost 300 nondurable manufacturing jobs for a growth of minus 3.6 percent. North Dakota ranked eighth among the

nine states in the region in terms of the rate of overall manufacturing growth over the past 12 months,” said Goss

Oklahoma: Oklahoma’s Business Conditions Index has now remained above the 50.0 threshold for the last 11 months. The overall index from a monthly survey of supply managers fell to 61.1 from May’s 68.5. Components of the overall June index were new orders at 63.8, production or sales at 64.4, delivery lead time at 58.6, inventories at 57.8, and employment at 60.8. “Over the past 12 months, the Oklahoma economy added 5,000 durable goods manufacturing jobs for a growth of 5.7 percent, but lost 1,500 nondurable manufacturing jobs for a growth of minus 3.3 percent. Oklahoma ranked fifth among the nine states in the region in terms of the rate of overall manufacturing growth over the past 12 months,” said Goss

South Dakota: The June Business Conditions Index for South Dakota fell to a still healthy 58.0 from May’s 66.8. Components of the overall index from the June survey of supply managers in the state were new orders at 60.8, production or sales at 61.0, delivery lead time at 55.4, inventories at 54.7, and employment at 57.9. “Over the past 12 months, the South Dakota economy added 1,400 durable goods manufacturing jobs for a growth of 5.0 percent, and 500 nondurable manufacturing jobs for a growth of 3.3 percent. South Dakota ranked second among the nine states in the region in terms of the rate of overall manufacturing growth over the past 12 months,” said Goss

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

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