

Interview with Goss can be seen at: <https://www.youtube.com/watch?v=mlRqj-U-OQ&feature=youtu.be>



Mid-America Business
Conditions Index | March 2018 |
Ernie Goss

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Creighton University Economics Professor
Ernie Goss discusses the results of the January
2018 Mid-America Business Conditions Index.

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Mid-America Economy Ends First Quarter on High Note:

Jobs, Inflation and Exports Very Healthy

March survey highlights:

- The Business Conditions Index moved above growth neutral for the 16th straight month, pointing to healthy growth for the next three to six months.
- The employment index advanced to a very healthy level. Almost two-thirds of firms expect to add workers for the rest of 2018.
- Inflation gauge indicated elevated wholesale inflation. Fed rate hike likely in May.

- Exports and imports remained very healthy.

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

Overall index: The Business Conditions Index, which ranges between 0 and 100, expanded to a robust 62.1 from February's strong 59.7. This is the 16th straight month the index has remained above growth neutral 50.0, and is the highest reading since June of last year, pointing to improving growth for the region over the next three to six months.

"Twenty percent of the survey participants reported rapidly expanding healthy economic growth in their area while only 4 percent reported an economic downturn in their area. In the region, durable goods manufacturers are expanding at almost twice the pace of nondurable goods producers," 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 March employment index slipped to a still brisk 58.4 from 59.4 in February. "Over the past 12 months, regional manufacturing employment has expanded by 1.9 percent compared to U.S. manufacturing growth of 1.8 percent. For both the U.S. and the region, durable goods manufacturers are adding jobs at almost double the pace of nondurable goods producers," 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 slipped to a still high 80.7 from February's 82.0.

"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 next meeting on May 2," said Goss.

Confidence: Looking ahead six months, economic optimism, as captured by the March Business Confidence Index, dipped to a strong 64.3 from February's 74.5. "Healthy profit growth, still low interest rates, and a reduction of global trade tensions pushed business confidence into a range indicating healthy business confidence," reported Goss.

Inventories: The March inventory index indicated that businesses expanded supplies of raw materials and supplies, and at a faster pace than in February. The regional inventory index for March climbed to 59.4 from February's 56.7.

Trade: The regional new export orders index dipped to a still vigorous 63.6 from 64.6 in February, and the import index climbed to 63.5 from February's 59.3. "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.

Other components: Components of the March Business Conditions Index were new orders at 66.0, up from 61.7 in February; the production or sales index advanced to 68.0 from February's 64.4; and delivery speed of raw materials and supplies rose to 59.0 from last month's 56.4.

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 March Business Conditions Index for Arkansas fell to 53.7 from February's 55.4. Components of the index from the monthly survey of supply managers were new orders at 57.3, production or sales at 59.8, delivery lead time at 50.3, inventories at 51.1, and employment at 50.1. "In 2017, Arkansas ranked 36th in the nation, and sixth in the nine-state region in terms of the export of goods. These exports supported approximately 45,000 jobs, directly and indirectly in Arkansas. The state's new export orders for March of 54.6 indicates that Arkansas exports remain solid," said Goss.

Iowa: The March Business Conditions Index for Iowa climbed to a very healthy 64.7 from 59.4 in February. Components of the overall index from the monthly survey of supply managers were new orders at 69.0, production or sales at 70.2, delivery lead time at 62.2, employment at 60.4, and inventories at 61.6. "In 2017, Iowa ranked 27th in the nation, and third in the nine-state region in terms of the export of goods. These exports supported approximately 92,500 jobs, directly and indirectly in the state. Iowa's new export orders for March of 67.5 indicates that Iowa exports remain very healthy," said Goss.

Kansas: The Kansas Business Conditions Index for March advanced to 63.8 from February's 62.4. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 68.1, production or sales at 69.3, delivery lead time at 61.2, employment at 59.6, and inventories at 60.8. "In 2017, Kansas ranked 30th in the nation, and fourth in the nine-state region in terms of the export of goods. These exports supported approximately 79,000 jobs, directly and indirectly in the state. The state's new export orders for March of 66.5 indicates that Kansas exports remain very healthy," said Goss.

Minnesota: The March Business Conditions Index for Minnesota expanded to a very healthy 61.0 from February's 57.6. Components of the overall March index from the monthly survey of supply managers were new orders at 65.1, production or sales at 66.7, delivery lead time at 58.2, inventories at 58.1, and employment at 57.0. "In 2017, Minnesota ranked 23rd in the nation, and first in the nine-state region in terms of the export of goods. These exports supported approximately 144,500 jobs, directly and indirectly in the state. The state's new export orders for March of 57.2 indicates that Minnesota exports remain strong," said Goss.

Missouri: The March Business Conditions Index for Missouri climbed to 63.2 from 58.0 in February. Components of the overall index from the survey of supply managers were new orders at 67.5, production

or sales at 68.8, delivery lead time at 60.6, inventories at 60.2, and employment at 59.1. “In 2017, Missouri ranked 26th in the nation, and second in the nine-state region in terms of the export of goods. These exports supported approximately 99,000 jobs, directly and indirectly in the state. Missouri’s new export orders for March of 65.8 indicates that Missouri exports remain very healthy,” said Goss.

Nebraska: The March Business Conditions Index for Nebraska rose to 63.4 from 58.3 in February. Components of the index from the monthly survey of supply managers were new orders at 68.2, production or sales at 68.8, delivery lead time at 60.7, inventories at 60.3, and employment at 59.1. “In 2017, Nebraska ranked 34th in the nation, and fifth in the nine-state region in terms of the export of goods. These exports supported approximately 50,500 jobs, directly and indirectly in the state. Nebraska’s new export orders for March of 62.1 indicates that Nebraska exports remain healthy,” said Goss.

North Dakota: The Business Conditions Index for North Dakota sank below growth neutral for March. The overall index from a survey of supply managers slumped to a regional low of 42.5 from 53.3 in February. Components of the overall index were new orders at 45.3, production or sales at 49.1, delivery lead time at 38.2, employment at 39.7, and inventories at 40.4. “In 2017, North Dakota ranked 38th in the nation, and eighth in the nine-state region in terms of the export of goods. These exports supported approximately 37,000 jobs, directly and indirectly in the state. The state’s new export orders for March of 53.4 indicates that North Dakota exports remain solid,” said Goss.

Oklahoma: Oklahoma’s Business Conditions Index has remained above the 50.0 threshold for the last eight months. The overall index from a monthly survey of supply managers improved to 62.4 from February’s 60.5. Components of the overall March index were new orders at 66.6, production or sales at 68.0, delivery lead time at 59.7, inventories at 59.5, and employment at 58.3. “In 2017, Oklahoma ranked 37th in the nation, and seventh in the nine-state region in terms of the export of goods. These exports supported approximately 39,000 jobs, directly and indirectly in the state. The state’s new export orders for March of 64.8 indicates that Oklahoma exports remain solid,” said Goss.

South Dakota: The March Business Conditions Index for South Dakota expanded to a strong and regional high 67.4 from last month’s 56.6. Components of the overall index from the March survey of supply managers in the state were new orders at 71.9, production or sales at 72.7, delivery lead time at 65.1, inventories at 64.2, and employment at 62.9. “In 2017, South Dakota ranked 49th in the nation, and ninth in the nine-state region in terms of the export of goods. These exports supported approximately 9,500 jobs, directly and indirectly in the state. The state’s new export orders for March of 70.6 indicates that South Dakota exports remain very strong,” said Goss.

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

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<http://business.creighton.edu/organizations-programs/economic-outlook>