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Mid-America Business Conditions Index :: May 2017 :: Ernie Goss

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Ernie Goss discusses the results of the May
2017 Mid-America Business Conditions Index.

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Mid-America Firms Post Healthy May Activity: Data Security Issues Raised

May survey highlights:

- Overall index moves above growth neutral for a sixth straight month.
- Employment gauge remains in a very healthy range.
- Almost one-half of businesses indicate finding and hiring qualified workers is the greatest challenge to their business growth in 2017.
- Inflation gauge indicates rising wholesale inflationary pressures.
- In terms of choosing a supplier, more than one of five businesses indicate data security is either the most important, or a very important factor, in choosing a supplier.
- Solid new export orders and imports for the month.

OMAHA, Neb. (June 1, 2017) – The Creighton University [Mid-America Business Conditions Index](#), a leading economic indicator for a nine-state region stretching from Arkansas to North Dakota, declined, but remained in a healthy range for May, according the latest monthly survey results.

Overall index: The Business Conditions Index, which ranges between 0 and 100, fell to a still solid 55.5 from April's 61.4. This is the sixth straight month the index has remained above growth neutral.

“The overall index over the past several months indicates a healthy regional manufacturing economy, and points to healthy growth for both manufacturing and nonmanufacturing through the third quarter of this year,” said Ernie Goss, Ph.D., 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 May employment index remained above growth neutral, but slipped to a very healthy 62.3 from 62.9 in April. “Nondurable goods manufacturers, including food processors and ethanol producers, are adding jobs while durable goods producers in the region are shedding employment. As a result, the nonmanufacturing sector of the regional economy continues to outperform the manufacturing sector, but that gap is closing. Even with the recent boost in employment growth, total regional employment growth (year over year) is now only 1.0 percent, and well below the nation’s 1.6 percent gain over the same time period,” said Goss.

This month supply managers were asked to identify the greatest economic challenge facing their company for 2017. Almost half, or 47.3 percent, reported finding and hiring qualified workers was the greatest economic obstacle to business expansion for the year.

Wholesale Prices: The wholesale inflation gauge remained in a range indicating rising inflationary pressures at the wholesale level as the prices-paid index climbed to 73.1 from April’s 71.4.

“The interest-rate setting committee of the Federal Reserve, the FOMC, has increased rates twice since last December. Inflationary pressures at the wholesale and retail level are rising. I expect the Fed to raise interest rates at the June 14 meeting to cool any budding inflationary pressures as measured in Creighton’s monthly surveys.” said Goss.

Confidence: Looking ahead six months, economic optimism, as captured by the May business confidence index, declined slightly to a strong 61.4 from 69.5 in April. “Strong profit growth and still low interest rates boosted the economic outlook among supply managers in the nine-state region,” reported Goss.

Inventories: The May inventory index, which tracks the change in the level of raw materials and supplies, sank to 54.7 from April’s 63.1.

This month supply managers were asked about their data security concerns. In terms of choosing a supplier, more than one of five businesses, or 21.9 percent, indicated data security was either the most important, or a very important factor in choosing a supplier. Only 18.2 percent reported data security was only a minor concern.

As reported by one supply manager, “The data security issue is quickly becoming a larger issue as we continue to do more overseas business.”

Trade: The regional new export orders index fell to a still positive 54.0 from 60.5 in April, and the import index dropped to 52.4 from April’s 60.7. “An expanding regional economy supported buying from abroad for the month. Recent declines in the value of the U.S. dollar and expanding global economic conditions have supported a new export orders index above growth neutral for the month,” said Goss.

Other components: Components of the May Business Conditions Index were new orders at 54.8, down from 61.8 in May; production or sales index was 56.7, down from 63.8 in April; and delivery speed of raw materials and supplies slumped to 49.1 from last month's 55.5.

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: Arkansas' overall index for May fell to 58.4 from April's 61.1. Components of the index from the monthly survey of supply managers were new orders at 57.6, production or sales at 59.8, delivery lead time at 51.0, inventories at 57.5, and employment at 66.3. "Arkansas is adding nondurable goods manufacturing jobs at a healthy pace. These gains are more than offsetting losses for durable goods producers. I expect the state to add jobs and economic activity above the regional and national average for the rest of 2017," said Goss.

Iowa: The May Business Conditions Index for Iowa dropped to 57.5 from 64.7 in April. Components of the overall index from the monthly survey of supply managers were new orders at 57.1, production or sales at 59.3, delivery lead time at 50.6, employment at 65.7, and inventories at 57.0. "Durable goods manufacturers in the state, including transportation equipment manufacturers and metal producers, reduced employment. On the other hand, expansions, both in sales and jobs, for nondurable manufacturers more than offset pullbacks for heavy manufacturers," said Goss.

Kansas: The Kansas Business Conditions Index for May declined to 53.9 from April's 56.4. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 53.1, production or sales at 55.1, delivery lead time at 47.0, employment at 61.1, and inventories at 53.0. "Transportation equipment producers and farm equipment manufacturers continue to experience slow to negative growth in the state. On the other hand, nondurable goods producers, including food processors, are expanding economic activity and more than offsetting losses for durable goods producers," said Goss.

Minnesota: The May Business Conditions Index for Minnesota slipped to a still strong 58.4 from April's 61.2. Components of the overall May index from the monthly survey of supply managers were new orders at 57.6, production or sales at 59.8, delivery lead time at 51.0, inventories at 57.5, and employment at 66.3. "Slight job gains for both durable and nondurable goods producers in the state supported May's solid overall reading. Medical equipment manufacturers continue to expand at a solid pace as transportation equipment producers reduced jobs and economic activity," said Goss.

Missouri: The May Business Conditions Index for Missouri slumped to 51.0 from 62.4 in April. Components of the overall May index from the survey of supply managers were new orders at

50.3, production or sales at 52.2, delivery lead time at 44.6, inventories at 50.2, and employment at 57.9. “Nondurable and durable goods manufacturers experienced positive, but slowing growth for the month. Metal manufacturers, computer and electronic equipment producers, and vehicle manufacturers experienced upturns in economic activity,” said Goss.

Nebraska: The May Business Conditions Index for Nebraska fell to a solid 55.2 from 61.0 in April. Components of the index from the monthly survey of supply managers were new orders at 54.4, production or sales at 56.5, delivery lead time at 48.2, inventories at 54.3, and employment at 62.6. “While metal manufacturers and machinery producers experienced slow to negative growth for the month, nondurable goods manufacturers, including food processors, detailed solid upturns in economic activity,” said Goss.

North Dakota: North Dakota’s overall, or Business Conditions Index, advanced above growth neutral for the month. The index for May from a survey of supply managers sank to 53.9 from 57.3 in April. Components of the overall index were new orders at 53.1, production or sales at 55.1, delivery lead time at 47.0, employment at 61.1, and inventories at 53.0. “Energy and machinery equipment manufacturers continue to shed jobs. However, gains for nondurable goods producers in the state more than offset durable goods losses,” said Goss.

Oklahoma: Oklahoma’s May Business Conditions Index remained above the growth neutral threshold for a fifth straight month, though the index declined to a still solid 54.2 from 61.2 in April. Components of the overall May index from a survey of supply managers in the state were new orders at 53.5, production or sales at 55.5, delivery lead time at 47.3, inventories at 53.4, and employment at 61.5. “Durable goods, except for metal producers and machinery manufacturers are expanding at a slow, but positive pace. Nondurable goods manufacturers, including food processors, are experiencing healthy growth,” said Goss.

South Dakota: The Business Conditions Index for South Dakota stood at a regional high 61.7, but down from April’s 68.8, also a regional high. Components of the overall index for the May survey of supply managers in the state were new orders at 60.8, production or sales at 63.1, delivery lead time at 53.8, inventories at 60.7, and employment at 69.9. “Expansions among nondurable goods manufacturers in the state more than compensated for slight losses for durable goods producers,” said Goss.

Survey results for June will be released on the first business day in July.

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