

**Interview with Goss can be seen at:**

**<https://www.youtube.com/watch?v=PTfObHlVIEs>**

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## **May Mid-America Economy Index Soars to 14 Year High:**

### **Inflation Gauge Surges to 7 Year High**

#### **May survey highlights:**

- The Business Conditions Index moved above growth neutral for the 18th straight month and to its highest level in 14 years.
- The regional wholesale inflation gauge climbed to its highest level in more than seven years. Points to Federal Reserve rate hike in June.
- Hiring gauge soars for the month.
- More than half of supply managers indicated that finding and hiring qualified workers was biggest 2018 challenge.
- Almost 13 percent reported that data security was the most important factor in choosing a supplier.

OMAHA, Neb. (June 1, 2018) – The May Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Arkansas to North Dakota, jumped to its highest level in 14 years pointing to strong growth for the next three to six months.

**Overall index:** The Business Conditions Index, which ranges between 0 and 100, expanded to a robust 67.3 from April's 64.5. This is the 18th straight month the index has remained above growth neutral 50.0, and is the highest reading in 14 years, pointing to strong growth for the region over the next three to six months.

"The Goldilocks economy, not too hot, not too cold, will be tested in the months ahead as trade skirmishes and potential wars slow growth and contribute to higher prices for inputs such as steel and aluminum. These higher prices will slow growth and push the Federal Reserve to be more aggressive in raising interest rates in the weeks and months ahead," 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 May employment surged to 66.3 from April's 48.1. "Even with the May upturn, the share of supply managers reporting labor shortages continues to grow. Over the past 12 months, regional employment has expanded by 0.9 percent compared to U.S. job growth of 1.5 percent," said Goss.

This month more than half, or 52.6 percent of companies indicated that finding and hiring qualified workers was the greatest 2018 economic challenge facing their firms. Coming in at a distant second, approximately, 15.8 percent of supply managers reported that rising input prices represents the greatest 2018 economic challenge.

As reported by one supply manager, "One of the things I manage is contingent labor and I know finding qualified workers right now is a huge challenge for light industrial positions."

**Wholesale Prices:** The wholesale inflation gauge continues to point to elevated inflationary with an index of 88.9, highest since April 2011, and up from 85.7 in April.

"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 June meeting," said Goss.

**Confidence:** Looking ahead six months, economic optimism, as captured by the May Business Confidence Index, decreased to a still strong 66.3 from April's 70.2. "Healthy profit growth, still low interest rates, and lower tax rates, pushed business confidence into a range indicating robust confidence. However, the May survey was conducted before the announcement of higher U.S. tariffs on steel and aluminum," reported Goss.

**Inventories:** Companies expanded their inventories of raw materials and supplies but at a slower pace than in April. The May inventory index declined to 59.3 from April's 64.3.

In terms of choosing a supply vendor, almost 13 percent reported that data security was the most important factor in choosing a supplier. Another 25 percent of the supply managers indicated that data security was a very important factor in selecting a supplier.

**Trade:** The regional new export orders index slipped to a still healthy 64.8 from 70.0 in April, and the import index expanded to a strong 63.0 from April's 62.5. "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.

**Other components:** Components of the May Business Conditions Index were new orders at 78.4, up from 76.8 in April; the production or sales index advanced to 72.4, up from April's 70.8; and speed of deliveries of raw materials and supplies fell to 60.0 from last month's 62.8.

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 May Business Conditions Index for Arkansas rose to 66.2 from April's 59.6. Components of the index from the monthly survey of supply managers were new orders at 77.9, production or sales at 70.9, delivery lead time at 58.8, inventories at 57.6, and employment at 66.1. "Over the past 12 months, the Arkansas economy has added 1,200 durable goods manufacturing jobs for a growth of 1.6 percent, and 1,900 nondurable manufacturing jobs for a growth of 2.3 percent. Arkansas 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.

**Iowa:** The May Business Conditions Index for Iowa declined to a very healthy 62.5 from 63.9 in April. Components of the overall index from the monthly survey of supply managers were new orders at 62.3, production or sales at 70.2, delivery lead time at 58.1, employment at 65.1, and inventories at 56.9. "Over the past 12 months, the Iowa economy has added 7,700 durable goods manufacturing jobs for a growth of 6.3 percent, and 2,200 nondurable manufacturing jobs for a growth of 2.4 percent. Iowa 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

**Kansas:** The Kansas Business Conditions Index for May advanced to 68.7 from April's 66.5. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 80.6, production or sales at 73.0, delivery lead time at 61.2, employment at 69.0, and inventories at 59.6. "Over the past 12 months, the Kansas economy has added 900 durable goods manufacturing jobs for a growth of 1.0 percent, and 2,800 nondurable manufacturing jobs for a growth of 4.3 percent. Kansas 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

**Minnesota:** The May Business Conditions Index for Minnesota expanded to a very healthy 64.2 from April's 63.6. Components of the overall May index from the monthly survey of supply managers were new orders at 75.6, production or sales at 69.1, delivery lead time at 56.9, inventories at 55.8, and employment at 63.6. "Over the past 12 months, the Minnesota economy has added 2,800 durable goods manufacturing jobs for a growth of 1.4 percent, and 1,900 nondurable manufacturing jobs for a growth of 1.6 percent. Minnesota ranked eighth among the nine states in the region in terms of the rate overall manufacturing growth over the past 12 months," said Goss

**Missouri:** The May Business Conditions Index for Missouri climbed to 69.6 from 67.4 in April. Components of the overall index from the survey of supply managers were new orders at 81.6, production or sales at 73.9, delivery lead time at 62.1, inventories at 60.4, and employment at 70.1. "Over the past 12 months, the Missouri economy has added 4,100 durable goods manufacturing jobs for a growth of 2.6 percent, and lost 1,700 nondurable manufacturing jobs for a growth of minus 1.6 percent. Missouri ranked ninth 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 May Business Conditions Index for Nebraska rose to 70.1 from 67.0 in April. Components of the index from the monthly survey of supply managers were new orders at 82.2, production or sales at 74.3, delivery lead time at 62.5, inventories at 60.7, and employment at 70.7. "Over the past 12 months, the Nebraska economy has added 1,900 durable goods manufacturing jobs for a growth of 4.3 percent, and 1,200 nondurable manufacturing jobs for a growth of 2.2 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 rocketed to 62.4 from April's regional low of 49.8. Components of the overall index were new orders at 73.6, production or sales at 67.5, delivery lead time at 55.1, employment at 61.4, and inventories at 54.4. "Over the past 12 months, the North Dakota economy has added 800 durable goods manufacturing jobs for a growth of 5.0 percent, and lost 100 nondurable manufacturing jobs for a growth of minus 1.2 percent. North Dakota 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

**Oklahoma:** Oklahoma's Business Conditions Index has now remained above the 50.0 threshold for the last 10 months. The overall index from a monthly survey of supply managers improved to 68.5 from April's 62.7. Components of the overall May index were new orders at 80.4, production or sales at 72.9, delivery lead time at 61.0, inventories at 59.4, and employment at 68.8. "Over the past 12 months, the Oklahoma economy has added 5,200 durable goods manufacturing jobs for a growth of 6.0 percent, and lost 1,400 nondurable manufacturing jobs for a growth of minus 3.4 percent. Oklahoma 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

**South Dakota:** The May Business Conditions Index for South Dakota fell to a still healthy 66.8 from April's regional high 69.3. Components of the overall index from the May survey of supply managers in the state were new orders at 78.6, production or sales at 71.4, delivery lead time at 59.4, inventories at 58.1, and employment at 66.8. "Over the past 12 months, the South Dakota economy has added 1,600 durable goods manufacturing jobs for a growth of 5.9 percent, and 500 nondurable manufacturing jobs for a growth of 3.3 percent. South Dakota 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

Survey results for June will be released on July 2, the first business day of the month.

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