

Goss monthly interview at: <https://youtu.be/H2cMqGG-y9A>

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Mid-America November Index Declines for Third Straight Month

Two-thirds Supply Managers Report Negative Tariff Impacts

November survey highlights:

- The Business Conditions Index fell for the third straight month, but remained above growth neutral for the 24th straight month.
- Strong manufacturing job gains for the month with durable goods producers leading the way.
- Approximately 65.2 percent of the supply managers indicated that rising tariffs had made it more difficult, or expensive, to purchase from abroad. Up from 40.8 percent in September.
- Lower oil prices pushed the regional inflation gauge lower.

OMAHA, Neb. (Dec. 3, 2018) – The November Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, sank for a third straight month, but remained above growth neutral, and continues to point to positive economic growth for the next three to six months.

Overall index: The Business Conditions Index, which ranges between 0 and 100, fell to 54.1 from October's 54.9. This is the 24th straight month the index has remained above growth neutral 50.0, but it dropped to the lowest reading since December 2016.

"The regional economy continues to expand at a healthy pace. However, as in recent months, shortages of skilled workers remain an impediment to even stronger growth. Furthermore, supply managers are reporting mounting negative impacts from tariffs and trade skirmishes," 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 November employment index climbed to 57.5 from 52.2 in October.

"Overall manufacturing employment growth in the region over the past 12 months has been very healthy at 2.5 percent, compared to a lower 2.3 percent for the U.S. I expect this gap to close in the months

ahead as regional job growth slows faster than national manufacturing job growth. Regional job growth for durable goods producers has been approximately four times that of nondurable goods manufacturers over recent months,” Goss reported.

Wholesale Prices: The wholesale inflation gauge continues to indicate elevated inflationary pressures. However, lower oil prices softened the November index to 70.0 from October’s much stronger 79.9.

Both Creighton’s regional wholesale inflation index and the U.S. inflation gauge are elevated. Tariffs and expanding growth, for example, have boosted steel prices by 18.2 percent over the past 12 months. At the consumer level, the consumer price index advanced by 2.5 percent over the past 12 months.

“I expect lower oil prices and slowing growth to push both wholesale and consumer inflation lower,” Goss said. “I expect a Federal Reserve rate hike (one-quarter percent) on Dec. 19. However, last week the head of the Federal Reserve, Jerome Powell, indicated a more dovish approach to 2019 rate hikes. Thus, I expect the December rate hike to be the last until the second quarter of 2019.”

Confidence: Looking ahead six months, economic optimism, as captured by the November Business Confidence Index, fell to a solid 55.5 from October’s 59.6.

“However, I expect the recent more dovish comments from the Federal Reserve regarding short term interest rates to boost confidence. Almost one-third, or 30 percent, of supply managers expect business profits to improve in 2019,” reported Goss.

Inventories: Companies expanded inventories of raw materials and supplies for the month. The November inventory index rose to 53.3 from October’s 47.9.

Trade: The regional new export orders index rose slightly to 51.8 from October’s 51.5, and the import index climbed to 54.3 from 48.7 in October. “Despite higher tariffs on imported goods, healthy regional growth boosted imports for the month,” said Goss.

In November, approximately 65.2 percent of the supply (purchasing) managers indicated that rising tariffs had made it more difficult, or expensive, to purchase from abroad. This is up from 40.8 percent recorded in September.

Other components: Components of the Business Conditions Index were new orders at 51.2, down from 57.8 in October; the production or sales index at 52.2 down from October’s 56.5; and speed of deliveries of raw materials and supplies index at 56.5, down from last month’s 60.5.

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: The November Business Conditions Index for Arkansas increased to 53.9 from October's 52.9. Components of the index from the monthly survey of supply managers were new orders at 50.9, production or sales at 52.2, delivery lead time at 55.9, inventories at 53.4, and employment at 57.3. "Over the past 12 months, Arkansas nondurable goods manufacturers added 1,400 workers for a 1.7 percent gain making the state number five among the nine states in terms of the rate of growth. During this same period of time, durable goods producers in the state boosted jobs by 800 for a 1.1 percent gain pushing the state to number nine among the nine states in terms of the rate of growth," reported Goss.

Iowa: The November Business Conditions Index for Iowa expanded to 52.8 from October's 51.8. Components of the overall index from the monthly survey of supply managers were new orders at 50.0, production or sales at 51.0, delivery lead time at 54.6, employment at 56.1, and inventories at 52.2. "Over the past 12 months, Iowa nondurable goods manufacturers added 3,100 workers for a 3.3 percent gain making the state number three among the nine states in terms of the rate of growth. During this same period of time, durable goods producers in the state boosted jobs by 6,100 for a 4.9 percent gain pushing the state to number four among the nine states in terms of the rate of growth," reported Goss.

Kansas: The Kansas Business Conditions Index for November moved slightly higher to 51.6 from October's 51.4. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 49.1, production or sales at 49.8, delivery lead time at 53.3, employment at 55.0, and inventories at 50.9. "Over the past 12 months, Kansas nondurable goods manufacturers added 900 workers for a 1.3 percent gain making the state number six among the nine states in terms of the rate of growth. During this same period of time, durable goods producers in the state boosted jobs by 2,800 for a 3.0 percent gain pushing the state to number seven among the nine states in terms of the rate of growth," reported Goss.

Minnesota: The November Business Conditions Index for Minnesota declined to a solid 53.9 from October's 54.9. Components of the overall November index from the monthly survey of supply managers were new orders at 50.8, production or sales at 52.1, delivery lead time at 55.8, inventories at 53.3, and employment at 57.2. "Over the past 12 months, Minnesota nondurable goods manufacturers added 700 workers for a 0.6 percent gain making the state number seven among the nine states in terms of the rate of growth. During this same period of time, durable goods producers in the state boosted jobs by 5,100 for a 2.5 percent gain pushing the state to number eight among the nine states in terms of the rate of growth," reported Goss.

Missouri: The November Business Conditions Index for Missouri advanced to 54.7 from 52.5 in October. Components of the overall index from the survey of supply managers were new orders at 51.5, production or sales at 53.0, delivery lead time at 56.7, inventories at 54.2, and employment at 58.1. "Over the past 12 months, Missouri nondurable goods manufacturers lost 1,500 jobs for a minus 1.4 percent loss making the state number eight among the nine states in terms of the rate of growth. During this same period of time, durable goods producers in the state boosted jobs by 8,200 for a 5.2 percent gain pushing the state to number one among the nine states in terms of the rate of growth," reported Goss.

Nebraska: The November Business Conditions Index for Nebraska dipped to 51.3 from October's 51.5. Components of the index from the monthly survey of supply managers were new orders at 48.9, production or sales at 49.5, delivery lead time at 53.0, inventories at 50.6, and employment at 54.7. "Over the past 12 months, Nebraska nondurable goods manufacturers added 2,000 workers for a 3.7 percent gain making the state number two among the nine states in terms of the rate of growth. During this same period of time, durable goods producers in the state boosted jobs by 2,300 for a 5.2 percent gain pushing the state to number two among the nine states in terms of the rate of growth," reported Goss.

North Dakota: The November Business Conditions Index for North Dakota fell to a still healthy 57.6 from 61.3 for October. Components of the overall index were new orders at 63.5, production or sales at 63.3, delivery lead time at 68.7, employment at 58.1, and inventories at 52.9. “Over the past 12 months, North Dakota nondurable goods manufacturers added 200 workers for a 2.3 percent rate of growth making the state number four among the nine states in terms of the rate of growth. During this same period of time, durable goods producers in the state boosted jobs by 500 for a 3.0 percent gain pushing the state to number six among the nine states in terms of the rate of growth,” reported Goss.

Oklahoma: Oklahoma’s Business Conditions Index has now remained above the 50.0 threshold for the last 16 months. The overall index from a monthly survey of supply managers advanced to 55.9 from October’s 55.0. Components of the overall November index were new orders at 52.4, production or sales at 54.3, delivery lead time at 58.0, inventories at 55.5, and employment at 59.3. “Over the past 12 months, Oklahoma nondurable goods manufacturers shed 2,200 workers for a minus 5.5 percent loss making the state number nine among the nine states in terms of the rate of growth. During this same period of time, durable goods producers in the state boosted jobs by 3,100 for a 3.5 percent gain pushing the state to number five among the nine states in terms of the rate of growth,” reported Goss.

South Dakota: The November Business Conditions Index for South Dakota climbed to 55.6 from 52.6 in October. Components of the overall index from the November survey of supply managers in the state were new orders at 52.2, production or sales at 53.9, delivery lead time at 57.7, inventories at 55.2, and employment at 59.0. “Over the past 12 months, South Dakota nondurable goods manufacturers added 600 workers for a 3.8 percent gain making the state number one among the nine states in terms of the rate of growth. During this same period of time, durable goods producers in the state boosted jobs by 1,400 for a 5.1 percent gain pushing the state to number three among the nine states in terms of the rate of growth,” reported Goss.

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

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