

**Goss monthly interview at:** <https://youtu.be/f4EAhAjp3R4>

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### **Mid-America October Index Lowest Since January 2017**

### **Six of Ten Supply Managers Report Negative Tariff Impacts**

#### **October survey highlights:**

- The Business Conditions Index remained above growth neutral for the 23rd straight month, but fell to its lowest level since January 2017.
- Job gains down from September advances.
- Approximately 60.0 percent of supply managers indicated that rising tariffs had made it more difficult, or expensive, to purchase from abroad (Up from 40.8 percent in Sept.).
- Both exports and imports down for the month.
- On average, supply managers expect a 4.1 percent expansion in input and supply prices over the next 12 months.

OMAHA, Neb. (Nov. 1, 2018) – The October Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, sank to its lowest level since President Trump took office, 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 54.9 from September's strong 57.5. This is the 23rd straight month the index has remained above growth neutral 50.0, but dropped to the lowest reading since January 2017.

“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. I expect expanding tariffs, trade restrictions, and rising short-term interest rates from a more aggressive Federal Reserve, to slow regional growth to a more modest, but still positive pace in the 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.

In October, approximately 60.0 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 last month.

**Employment:** The October employment index sank to 52.2 from 56.2 in September and 58.5 in August.

"Overall manufacturing employment growth in the region over the past 12 months has been very healthy at 2.4 percent, compared to a lower 2.2 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," Goss reported.

**Wholesale Prices:** The wholesale inflation gauge continues to indicate elevated inflationary pressures with an October index of 79.9, up from September's 76.1.

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 12.2 percent over the past 12 months. At the consumer level, the consumer price index advanced by 2.3 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," Goss said. "The Fed raised short-term interest rates by one-quarter of one percentage point last week. I expect an identical rate hike on December 19."

More than one-third, or 35.7 percent of supply managers, expect a December rate hike to have a negative impact on their business profitability.

As reported by one supply manager, "I consider tariffs the same as a price increase. If tariffs on steel and aluminum products from Euro and China are short term, then I expect no change to prices."

On average, supply managers expect to experience a 4.1 percent increase in the price of inputs and supplies over the next 12 months.

**Confidence:** Looking ahead six months, economic optimism, as captured by the October Business Confidence Index, fell to a still strong 59.6 from September's 68.0.

"In terms of business confidence, rising trade tensions, tariffs, and interest rates have reduced economic optimism among supply managers in the region," reported Goss.

**Inventories:** Companies cut inventories of raw materials and supplies for the month. The October inventory index sank to 47.9 from September's 56.3.

**Trade:** The regional new export orders index dropped to 51.5 from September's 53.1, and the import index plummeted to 48.7 from September's 57.2 and August's 58.1.

"We are beginning to track the negative impacts of the tariffs as the price of goods, both imports and exports, expands. Even with the NAFTA resolution, trade barriers and tariffs are slowing international sales," said Goss.

**Other components:** Components of the October Business Conditions Index were new orders at 57.8, down from 59.4 in September; the production or sales index at 56.5, down from September's 58.4; and speed of deliveries of raw materials and supplies index at 60.5, up from last month's 57.0.

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 October Business Conditions Index for Arkansas increased to 52.9 from September's 52.5. Components of the index from the monthly survey of supply managers were new orders at 56.5, production or sales at 53.4, delivery lead time at 57.9, inventories at 44.6, and employment at 51.9. "Over the past 12 months, Arkansas nondurable goods manufacturers added 1,500 workers for a 1.8 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 October Business Conditions Index for Iowa tumbled to 51.8 from September's healthy 59.4. Components of the overall index from the monthly survey of supply managers were new orders at 57.8, production or sales at 51.0, delivery lead time at 55.3, employment at 52.4, and inventories at 42.6. "Over the past 12 months, Iowa nondurable goods manufacturers added 2,400 workers for a 2.6 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 6,000 for a 4.8 percent gain, pushing the state to number three among the nine states in terms of the rate of growth," reported Goss.

**Kansas:** The Kansas Business Conditions Index for October fell to 51.4 from September's 56.9. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 55.7, production or sales at 52.2, delivery lead time at 56.7, employment at 48.9, and inventories at 43.6. "Over the past 12 months, Kansas nondurable goods manufacturers added 1,400 workers for a 2.1 percent gain 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 2,200 for a 2.3 percent gain, pushing the state to number seven among the nine states in terms of the rate of growth," reported Goss.

**Minnesota:** The October Business Conditions Index for Minnesota declined to a solid 54.9 from September's 60.0. Components of the overall October index from the monthly survey of supply managers were new orders at 58.5, production or sales at 56.1, delivery lead time at 60.9, inventories at 46.9, and employment at 52.2. "Over the past 12 months, Minnesota nondurable goods manufacturers added 1,400 workers for a 1.2 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 4,400 for a 2.2 percent gain, pushing the state to number eight among the nine states in terms of the rate of growth," reported Goss.

**Missouri:** The October Business Conditions Index for Missouri decreased to 52.5 from 54.8 in September. Components of the overall index from the survey of supply managers were new orders at 55.2, production or sales at 55.5, delivery lead time at 55.8, inventories at 47.8, and employment at 48.2. “Over the past 12 months, Missouri nondurable goods manufacturers lost 1,600 jobs for a minus 1.5 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 6,300 for a 4.0 percent gain, pushing the state to number four among the nine states in terms of the rate of growth,” reported Goss.

**Nebraska:** The October Business Conditions Index for Nebraska sank to a solid 51.5 from September’s 55.1. Components of the index from the monthly survey of supply managers were new orders at 55.8, production or sales at 52.3, delivery lead time at 56.7, inventories at 43.7, and employment at 49.0. “Over the past 12 months, Nebraska nondurable goods manufacturers added 2,200 workers for a 4.1 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 2,700 for a 6.2 percent gain, pushing the state to number one among the nine states in terms of the rate of growth,” reported Goss.

**North Dakota:** The Business Conditions Index for North Dakota fell to a very healthy 61.3 from 69.0 for September. 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 no workers 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 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 15 months. The overall index from a monthly survey of supply managers sank to a solid 55.0 from September’s 57.6. Components of the overall October index were new orders at 58.2, production or sales at 55.7, delivery lead time at 60.5, inventories at 46.6, and employment at 54.3. “Over the past 12 months, Oklahoma nondurable goods manufacturers shed 2,000 workers for a minus 4.9 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 4,300 for a 4.9 percent gain, pushing the state to number two among the nine states in terms of the rate of growth,” reported Goss.

**South Dakota:** The October Business Conditions Index for South Dakota climbed to 52.6 from 50.4 in September. Components of the overall index from the October survey of supply managers in the state were new orders at 53.8, production or sales at 54.3, delivery lead time at 53.6, inventories at 51.2, and employment at 49.9. “Over the past 12 months, South Dakota nondurable goods manufacturers added 500 workers for a 3.2 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 1,000 for a 3.6 percent gain, pushing the state to number five among the nine states in terms of the rate of growth,” reported Goss.

Survey results for November will be released on Dec. 3, the first business day of the month.

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