

Goss monthly interview at: <https://tinyurl.com/y8n3htp2>

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Mid-America Economic Index Sinks for September: One-Fourth Support Reducing or Eliminating Tariffs

September survey highlights:

- The Business Conditions Index remained above growth neutral for the 22nd straight month, but declined for the month.
- Business Confidence surged for the month.
- Wholesale inflation index points to another Federal Reserve rate hike Dec. 19.
- More than one-half of supply managers indicated negative impacts from tariffs.
- Almost one-fourth of supply managers supported reducing or eliminating recently enacted tariffs.

OMAHA, Neb. (Oct. 1, 2018) – The September Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, sank for the 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 57.5 from August's strong 61.1. This is the 22nd straight month the index has remained above growth neutral 50.0.

“The regional economy continues to expand at a healthy pace. However, 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 September, 54.0 percent of supply managers reported negative impacts from tariffs and trade skirmishes. Approximately 40.8 percent of the supply (purchasing) managers indicated that rising tariffs had made it more difficult or expensive to purchase from abroad.

Despite the negative fallout from tariffs, 29.4 percent of supply managers supported putting greater trade pressure on China, via expanding tariffs. On the other hand, 24.6 percent supported reducing or eliminating recently enacted tariffs.

As reported by a supply manager, “The tariffs have created a retaliatory climate which has made our products less competitive in the Canadian market (our primary market). Canadian pro-trade deals with China are also severely hurting our position. I am fundamentally anti-tariff, but it is time to try a different negotiating strategy. Repeating the same thing over and over expecting different results is insanity.”

Employment: The September employment index slipped to a still solid 56.2 from August’s 58.5.

“Overall manufacturing employment growth in the region over the past 12 months has been very healthy at 2.6 percent, compared to a much less robust 2.0 percent for the U.S.,” Goss reported.

Wholesale Prices: The wholesale inflation gauge continues to indicate elevated inflationary pressures with an index of 76.1, but down from 80.5 in August.

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 19.0 percent this calendar year alone. At the consumer level, the consumer price index advanced by 2.7 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 (one-quarter percent) in December.”

Confidence: Looking ahead six months, economic optimism, as captured by the September Business Confidence Index, soared to 68.0 from August’s already strong 60.8.

“In terms of business confidence, rising trade tensions and tariffs, were more than offset by healthy profit growth, relatively low interest rates, and reduced tax rates,” reported Goss.

Inventories: Companies expanded their inventories of raw materials and supplies, but at a slightly slower pace than in August. The September inventory index slipped to 56.3 from August’s 58.8.

Trade: The regional new export orders index expanded to 53.1 from 51.8 in August, and the import index slipped to 57.2 from August’s 58.1.

“Continuing positive export orders and imports are likely the result of firms in the U.S., and among trading partners, advancing purchasing in anticipation of expanding tariffs and trade restrictions in the months ahead,” said Goss.

Other components: Components of the September Business Conditions Index were new orders at 59.4, down from 65.5 in August; the production or sales index at 58.4, down from August's 61.9; and speed of deliveries of raw materials and supplies index at 57.0, down from last month's 60.7.

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 September Business Conditions Index for Arkansas sank to a still solid 52.5 from August's 58.7. Components of the index from the monthly survey of supply managers were new orders at 56.2, production or sales at 53.7, delivery lead time at 52.2, inventories at 52.6, and employment at 52.9. "Over the past 12 months, according to U.S. Bureau of Labor Statistics data, Arkansas employers increased the hourly work week by 1.0 percent, well above the regional median, and average hourly pay by 1.8 percent, well below the regional median," said Goss.

Iowa: The September Business Conditions Index for Iowa advanced slightly to a healthy 59.4 from 59.2 in August. Components of the overall index from the monthly survey of supply managers were new orders at 67.2, production or sales at 58.3, delivery lead time at 54.9, employment at 59.9, and inventories at 56.8. "Over the past 12 months, according to U.S. Bureau of Labor Statistics data, Iowa employers increased the hourly work week by 0.4 percent, equal to the regional median, and average hourly pay by 3.6 percent, well above the regional median," said Goss.

Kansas: The Kansas Business Conditions Index for September fell to 56.9 from August's 60.2. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 59.7, production or sales at 57.5 delivery lead time at 55.9, employment at 55.3, and inventories at 56.3. "Over the past 12 months, according to U.S. Bureau of Labor Statistics data, Kansas employers increased the hourly work week by 0.8 percent, well above the regional median, and average hourly pay by 4.3 percent, also well above the regional median," said Goss.

Minnesota: The September Business Conditions Index for Minnesota declined to a healthy 60.0 from August's 61.9. Components of the overall September index from the monthly survey of supply managers were new orders at 61.8, production or sales at 60.5, delivery lead time at 58.8, inventories at 60.2, and employment at 58.8. "Over the past 12 months, according to U.S. Bureau of Labor Statistics data, Minnesota employers increased the hourly work week by 0.1 percent, well below the regional

median, and average hourly pay by 2.5 percent, slightly below the regional median,” said Goss.

Missouri: The September Business Conditions Index for Missouri decreased to 54.8 from 56.5 in August. Components of the overall index from the survey of supply managers were new orders at 57.2, production or sales at 53.8, delivery lead time at 57.2, inventories at 52.6, and employment at 53.0. “Over the past 12 months, according to U.S. Bureau of Labor Statistics data, Missouri employers increased the hourly work week by 0.6 percent, slightly above the regional median, and average hourly pay by 3.0 percent, equal to the regional median,” said Goss.

Nebraska: The September Business Conditions Index for Nebraska sank to a solid 55.1 from August’s 61.9. Components of the index from the monthly survey of supply managers were new orders at 58.2, production or sales at 55.3, delivery lead time at 53.7, inventories at 54.1, and employment at 54.2. “Over the past 12 months, according to U.S. Bureau of Labor Statistics data, Nebraska employers decreased the hourly work week by 1.2 percent, well below the regional median, but increased average hourly pay by 2.7 percent, slightly below the regional median,” said Goss.

North Dakota: The Business Conditions Index for North Dakota fell to a very healthy 69.0 from 76.0 for August. Components of the overall index were new orders at 68.8, production or sales at 70.7, delivery lead time at 68.7, employment at 67.7, and inventories at 69.1. “Over the past 12 months, according to U.S. Bureau of Labor Statistics data, North Dakota employers increased the hourly work week by 1.3 percent, well above the regional median, and average hourly pay by 1.8 percent, also well below the regional median,” said Goss.

Oklahoma: Oklahoma’s Business Conditions Index has now remained above the 50.0 threshold for the last 14 months. The overall index from a monthly survey of supply managers sank to a solid 57.6 from August’s 60.4. Components of the overall September index were new orders at 60.1, production or sales at 58.0, delivery lead time at 56.4, inventories at 56.7, and employment at 56.6. “Over the past 12 months, according to U.S. Bureau of Labor Statistics data, Oklahoma employers decreased the hourly work week by 0.2 percent, well below the regional median, but increased average hourly pay by 3.4 percent, which was above the regional median,” said Goss.

South Dakota: The September Business Conditions Index for South Dakota sank to 50.4 from 55.6 for September. Components of the overall index from the September survey of supply managers in the state were new orders at 54.6, production or sales at 50.1, delivery lead time at 48.7, inventories at 49.0, and employment at 49.7. “Over the past 12 months, according to U.S. Bureau of Labor Statistics data, South Dakota employers increased the hourly work week by 0.4 percent, equal to the regional median, and average hourly pay by 4.1 percent, which was well above the regional median,” said Goss.

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

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