

Interview with Goss can be seen at:

<https://youtu.be/xlkUsvBUm0I>

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### **January Mid-America Manufacturing Begins on Strong Note: Inflation and Employment Soar**

#### **January highlights:**

- Overall index climbed for a third straight month to its highest level since February 2015.
- The region added manufacturing jobs at its swiftest pace since August 2014.
- Wholesale inflation gauge climbed to its highest level since April 2014.
- Almost one-third of supply managers reported finding and hiring workers as the biggest challenge to their company's operations in 2017.
- Business confidence index jumped to its highest level in six years.

OMAHA, Neb. (Feb. 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, rose for January, according the latest survey results.

**Overall index:** The Business Conditions Index, which ranges between 0 and 100, rose in January to its highest level since February 2015. This is the second straight month that the index has climbed above growth neutral, rising to a solid 54.7 from December's 53.1 and November's much weaker 46.5.

“This is the third consecutive month the index has increased and points to an improving regional manufacturing economy. I expect this to generate even healthier growth for both manufacturing and nonmanufacturing for the first half of 2017,” 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 January employment index soared to its highest level since August 2014. The new job or employment gauge climbed to 57.0 from December's 50.9. “The growth gap between regional manufacturing and nonmanufacturing is closing. The key to regional job growth in the first half of 2017 will be improvements in agriculture and energy commodity prices,” said Goss.

When asked to name the biggest challenge to their company's 2017 economic success, almost one-third, or 29.7 percent, of supply managers reported finding and hiring qualified workers was the biggest obstacle.

"Even with the shortage of workers, average hourly wages for most states have expanded at a slow pace," reported Goss.

According to U.S. Bureau of Labor Statistics, average hourly wage rates for the final quarter of 2016 compared to the same quarter in 2015 are: Up 0.2 percent for Arkansas, up 0.5 percent for Iowa, down 0.6 percent for Kansas, up 7.2 percent for Minnesota, up 7.6 percent for Missouri, up 0.6 percent for Nebraska, up 6.4 percent for North Dakota, down 0.5 percent for Oklahoma, and up 0.2 percent for South Dakota.

**Wholesale Prices:** The wholesale inflation gauge remained in a range indicating rising inflationary pressures at the wholesale level as the prices-paid index jumped to 74.2 from 70.4 in December.

"This is the highest wholesale inflation gauge that we have recorded since April 2014. As oil prices have risen, so has our inflation gauge. The interest-rate setting committee of the Federal Reserve, the FOMC, expects to raise interest rates three times in 2017," said Goss. "The Bureau of Labor Statistics' releases its consumer price index on February 15. If the overall reading continues to move higher, I expect the FOMC to increase short-term interest rates in the first quarter of this year," reported Goss.

Almost one-fifth of businesses, or 19.7 percent, reported a first quarter rate hike would have a negative impact on their company's business outlook and profitability.

**Confidence:** Looking ahead six months, economic optimism, as captured by the January business confidence index, rose to 69.5 from 63.3 in December. "This is the highest confidence reading we have recorded in six years," said Goss.

**Inventories:** The January inventory index, which tracks the change in the level of raw materials and supplies, slide to 50.0 from December's 52.8.

**Trade:** The much stronger U.S. dollar restrained the new export orders index as the index fell to 48.7 from 54.0 in December, and the import index sank to 46.7 from December's 53.7.

**Other components:** Components of the January Business Conditions Index were new orders at 56.8, up from 53.6 in December; production or sales index was 56.9, up from December's 50.0; and delivery speed of raw materials and supplies fell to 53.1 from last month's 58.4.

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 January rose to 55.3 from December's 53.7. Components of the index from the monthly survey of supply managers were new orders at 56.2, production or sales at 56.2, delivery lead time at 53.0, inventories at 53.3, and employment at 57.8.

"Expansions among nondurable goods producers more than offset continuing weak conditions reported by durable goods manufacturers in the state," said Goss.

**Iowa:** The January Business Conditions Index for Iowa climbed to 51.8 from 51.7 in December. Components of the overall index from the monthly survey of supply managers were new orders at 55.1, production or sales at 55.1, delivery lead time at 51.8, employment at 54.2, and inventories at 42.8. "Iowa durable goods manufacturers, including metal producers and agriculture equipment manufacturers, continue to shed jobs. On the other hand, nondurable goods producers are adding jobs, but at a slow pace," said Goss.

**Kansas:** The Kansas Business Conditions Index for January increased to 53.2 from 51.1 in December. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 55.5, production or sales at 55.9, delivery lead time at 52.3, employment at 55.7, and inventories at 47.0. "Durable goods manufacturers in the state, including machinery producers, are experiencing pullbacks in the economic activity. On the other hand, nondurable goods producers, including food processors, are expanding business activity," said, Goss.

**Minnesota:** The January Business Conditions Index for Minnesota jumped to 54.7 from December's 52.3. Components of the overall January index from the monthly survey of supply managers were new orders at 55.4, production or sales at 57.1, delivery lead time at 52.8, inventories at 51.5, and employment at 57.2. "Minnesota durable goods manufacturers, including metal producers and agriculture equipment manufacturers, continue to shed jobs. On the other hand, nondurable goods producers including food processors, are adding jobs but at a solid pace," said Goss.

**Missouri:** The January Business Conditions Index for Missouri declined to 53.7 from December's 57.1. Components of the overall January index from the survey of supply managers were new orders at 54.9, production or sales at 55.2, delivery lead time at 51.6, inventories at 53.4, and employment at 53.8. "Missouri's durable goods manufacturers, including machinery producers, are experiencing pullbacks in the economic activity. On the other hand, nondurable goods producers, including food processors, are expanding business activity," said Goss.

**Nebraska:** The January Business Conditions Index for Nebraska expanded to 56.9 from 55.3 in December. Components of the index from the monthly survey of supply managers were new orders at 56.5, production or sales at 57.1, delivery lead time at 53.6, inventories at 58.1, and

employment at 53.6. “Both durable and nondurable goods manufacturers expanded business activity in the state but at a slow pace for the month. Nebraska food processors, on the other hand, advanced at a healthy pace,” said Goss.

**North Dakota:** After moving above growth neutral for December, North Dakota’s overall, or Business Conditions Index, slipped below the threshold for January. The index fell to 49.7 from 51.0 in December. Components of the overall index were new orders at 54.7, production or sales at 54.1, delivery lead time at 51.1, employment at 52.1, and inventories at 36.7. “North Dakota’s durable goods manufacturers, including machinery producers, are experiencing pullbacks in the economic activity. On the other hand, nondurable goods producers, including food processors, are expanding business activity but at a slow pace,” said Goss.

**Oklahoma:** Oklahoma’s January overall index increased to 52.3 from 48.8 in December. Components of the overall January index from a survey of supply managers in the state were new orders at 55.5, production or sales at 51.4, delivery lead time at 52.2, inventories at 46.7, and employment at 55.6, “Oklahoma’s durable goods manufacturers, especially metal producers, are shedding jobs and business activity. On the other hand, nondurable goods manufacturers, including food processors, continue to expand business activity,” said Goss.

**South Dakota:** The Business Conditions Index for South Dakota improved to 57.2 from December’s 56.5. Components of the overall index for the January survey of supply managers in the state were new orders at 56.9, production or sales at 57.0, delivery lead time at 53.6, inventories at 58.8, and employment at 59.7. “South Dakota’s manufacturing sector, especially nondurable goods producers, are expanding at a solid pace as durable or heavy manufacturers reduce hiring,” said Goss.

Survey results for February will be released on March 1.

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