Welcome to our December report covering Creighton's November survey results. Creighton's monthly survey of supply managers and procurement experts in nine Mid-America states indicate that the economy is growing at a positive pace but much slower pace with inflationary pressures declining. Follow my comments at: www.twitter.com/ermiegoss

**Commercial Casino Gambling: Hurts Economic Growth & Increases Welfare Spending**

State and local governments across the nation are becoming more and more addicted to casino gambling with the number of states permitting commercial casino wagering rising from 11 in 2000 to 23 in 2012. In order to win citizen approval of casino gambling, policymakers normally promise improved economic performance, lower tax burdens, and more dollars for education. With tax rates on casino revenues roughly four times the average sales tax rate, it is no surprise that state and local policymakers become hooked on casinos. Between 2000 and 2012, despite assurances from elected and non-elected officials, states with commercial casinos versus states without commercial casinos experienced lower GDP growth, 54.8% versus 62.6%, and inferior job growth, 5.5% compared to 8.7%. Furthermore in 2012, states with commercial casinos shelled out 15.2% of GDP in the form of transfer and welfare payments. This was significantly higher than that for states without commercial casinos of 13.8%. And did commercial casinos produce lower tax burdens? No! For the latest year, citizens of the 23 commercial casino states suffered a state and local tax burden as a percent of GDP of 8.6%, while the 28 states and DC with no commercial casinos experienced a lower 8.1% tax burden. But commercial casino states did spend more on education. In 2012, gambling states spent 5.6% of GDP on education which was above the 4.9% spent by non-casino states. Thus, the most recent numbers show that commercial casinos produce lower tax burdens. In 2012, states with commercial casinos versus states without commercial casinos experienced lower GDP growth, 54.8% versus 62.6%, and inferior job growth, 5.5% compared to 8.7%. Furthermore in 2012, states with commercial casinos shelled out 15.2% of GDP in the form of transfer and welfare payments. This was significantly higher than that for states without commercial casinos of 13.8%. And did commercial casinos produce lower tax burdens? No! For the latest year, citizens of the 23 commercial casino states suffered a state and local tax burden as a percent of GDP of 8.6%, while the 28 states and DC with no commercial casinos experienced a lower 8.1% tax burden. But commercial casino states did spend more on education. In 2012, gambling states spent 5.6% of GDP on education which was above the 4.9% spent by non-casino states. Thus, the most recent numbers show that commercial casinos produce lower tax burdens.

**Wholesale Prices:** For three months in the past four, the prices-paid index, which tracks the cost of raw materials and supplies, declined for the month. The wholesale inflation index sank to 56.4, its lowest level since July 2012 and down from October’s 60.6. A strengthening U.S. dollar and weaker demand have pushed inflationary pressures at the wholesale level down over the past several months.

**Confidence:** Looking ahead six months, economic optimism, as captured by the November business confidence index, climbed to 61.5 from 61.2 in October. Despite weaker economic conditions in the regional energy and agriculture sectors, improvements in the national and regional job market supported supply managers’ business outlook.

**Inventories:** The inventory index, which tracks the level of raw materials and supplies, improved to 52.8 from October’s 51.4. Supply managers expanded inventories for the month, and at a slightly faster pace than in October. This is yet another signal that supply managers remain reasonably upbeat about the economy as they increased inventories in anticipation of expanding sales for their companies in the months ahead.

**Trade:** The new export orders index unexpectedly jumped to a solid 57.0 from 48.8 in October. The import index for November sank to 51.0 from October’s 52.9. The significant increase in the value of the dollar this year has made U.S. goods less competitively priced abroad and increased the attractiveness of foreign goods sold in the U.S. Despite this, new export orders increased significantly for the month. At this point in time, I think this was an aberration.

**Other components:** Other components of the November Business Conditions Index were new orders at declined to 50.7 from 53.6 in October; production or sales fell to 52.2 from October’s 55.0; Delivery speed of raw materials and supplies slumped to 51.4 from last month’s 56.0. Creighton’s 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

Visit our website @ http://www.outlook-economic.com
“A monthly survey of supply chain managers”

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

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THE PURCHASING ECONOMY SURVEY REPORT
December 2014

HARGAMS
The overall index, or leading economic indicator, for Arkansas slumped to a weak 43.7 from October’s 49.3. Components of the index from the monthly survey of supply managers were new orders at 43.7, production or sales at 49.3, delivery lead time at 53.3, inventories at 43.4, and employment at 50.7. Since the recovery began in July 2009, Arkansas lost almost 20,000, or approximately 20 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained more than 1,200, or 61 percent, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state’s manufacturing employment will not return to pre-recession levels until beyond 2015.

IOWA
The Iowa Business Conditions Index for November fell to a tepid 50.1 from 51.4 in October. This is the fifth consecutive month that the reading has declined. Components of the overall index from the monthly survey of supply managers were new orders at 49.2, production or sales at 49.4, delivery lead time at 51.1, employment at 51.7, and inventories at 41.2. During the national recession, December 2007 to June 2009, Iowa lost almost 28,000, or approximately 20 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained more than 14,000, or 50 percent, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state’s manufacturing employment will not return to pre-recession levels in the last quarter of 2015.

KANSAS
The Kansas Business Conditions Index for November dipped slightly to a healthy 62.2 from October’s 62.4. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 59.3, production or sales at 57.9, delivery lead time at 55.7, employment at 51.2, and inventories at 63.4. Since the recovery began in July 2009, Kansas lost more than 21,000, or approximately 18 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained almost 2,000, or approximately 17 percent, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state’s manufacturing employment will not return to pre-recession levels until beyond 2015.

MINNESOTA
November survey results mark the 24th straight month Minnesota’s Business Conditions Index has remained above growth neutral. The index declined to a still solid 58.0 from October’s 58.3. Components of the index from the November survey of supply managers in the state were new orders at 61.3, production or sales at 63.7, delivery lead time at 56.1, inventories at 58.5, and employment at 50.6. Since the recovery began in December 2007 to June 2009, Minnesota lost almost 31,000, or approximately 14 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained almost 20,000, or approximately 64 percent, of the lost manufacturing jobs back. Since the recovery began in July 2009, the state has indicated that the state’s manufacturing employment will return to pre-recession levels in the latter half of 2015.

MISSOURI
The November Business Conditions Index for Missouri declined to 54.9 from 57.1 in October. Components of the index from the survey of supply managers for November were new orders at 52.3, production or sales at 58.6, delivery lead time at 53.5, inventories at 57.6, and employment at 49.7. During the national recession, December 2007 to June 2009, Missouri lost almost 38,000, or approximately 26 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained more than 10,000, or approximately 25 percent, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state’s manufacturing employment will continue to expand to record levels in 2015.

NEBRASKA
For the 11th straight month, Nebraska’s Business Conditions Index remained above growth neutral 50.0. The November index, a leading economic indicator from a survey of supply managers in the state, rose to a tepid 51.6 from 50.3 in October. Components of the index for November were new orders at 52.2, production or sales at 52.1, delivery lead time at 53.2, inventories at 53.3, and employment at 50.4. During the national recession, December 2007 to June 2009, Nebraska lost more than 8,000, or approximately 16 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained almost 3,700, or approximately 40 percent, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state’s manufacturing employment will not return to pre-recession levels until beyond 2015.

NORTH DAKOTA
North Dakota’s leading economic indicator fell to a level pointing to solid, but slower economic growth in the next three to six months. The November Business Conditions Index fell to 53.4 from October’s 54.8. Components of the overall index from the monthly survey of supply managers for November were new orders at 51.6, production or sales at 52.8, delivery lead time at 55.1, employment at 55.5, and inventories at 51.9. During the national recession, December 2007 to June 2009, North Dakota lost more than 2,400, or approximately 35 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained almost 1,800, or approximately 75 percent, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state’s manufacturing employment will return to pre-recession levels in the first half of 2015.

OKLAHOMA
After declining below growth neutral for October, the Business Conditions Index for Oklahoma climbed above the threshold for November. But still signaling a somewhat slower growth in the next six to nine months. The index expanded to 54.5 from October’s 48.0. Components of the November survey of supply managers in the state were new orders at 66.3, production or sales at 63.3, delivery lead time at 38.7, inventories at 55.5, and employment at 48.5. During the national recession, December 2007 to June 2009, Oklahoma lost more than 21,000, or approximately one-fifth, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained more than 16,000, or approximately 76 percent, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state’s manufacturing employment will return to pre-recession levels in the second half of 2015.
Price changes, 3 month moving average, 2012 - November 2014

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