Welcome to our December report covering results from Creighton's monthly survey of supply managers and procurement experts in nine Mid-America states indicate that the economic growth has turned negative (recessionary) for manufacturing and points to negative for the overall regional economy. Follow my comments at: www.twitter.com/erniegoss

**Red, Blue and Purple Metropolitan Areas: Top Economic Performers**

13 Red Metros Outperformed 77 Blue and 10 Purple Metros

Do Red metropolitan areas, which are viewed as more pro-business and tax friendly, experience superior economic performance in comparison to Blue metro areas that are judged as more pro-government and tax heavy? Of the 100 largest U.S. metro areas in terms of population, 77 have Democrat mayors (Blue), 10 have Independent mayors (Purple), and 13 have Republican mayors. Over the period of examination, 2001-2014, Red metros grew productivity, or gross domestic product (GDP) per worker, by a median 48.6 percent compared to 43.2 percent for Blue metros, and 37.5 percent for Purple metros. Over the time period, in comparison to workers in Red metros, each Blue worker lost $3,817 in productivity, and each Purple worker lost $8,523 in productivity.

The top performing metro area was Red Bakersfield, CA with productivity expanding by 78.3 percent, while the worst performing metro was Purple Fort Meyers, FL with productivity growth of only 12.4 percent. The number one Blue metro was Baton Rouge, LA with productivity growth of 77.5 percent over the time period.

However contrary to expectations, Red cities enlarged the size of government by 61.5 percent which exceeded that of Blue metros' 56.6 percent growth, and 60.8 percent growth for Purple metros. Fort Meyers, the slowest growing metro, expanded the relative size of government faster than the other 99 metros. The 10 metro areas expanding the relative size of government the most swiftly experienced productivity growth of 41.3 percent compared to 45.8 percent for the 10 metro areas advancing government growth the most slowly. These estimates do not take into account the likelihood that some of the metropolitan areas may have changed colors during the period of analysis. Ernie Goss.

Link to video: http://bit.ly/1IwX6qq

**LAST MONTH'S SURVEY RESULTS**

**Mid-America Business Conditions Weaken Again:**

**Strong Dollar Hurts Manufacturing**

**SURVEY RESULTS AT A GLANCE:**

- Only 18.2 percent expect negative impacts from a December Federal Reserve rate hike.

- The Creighton University Mid-America Business Condition for November, a leading economic indicator for a nine-state region stretching from Arkansas to North Dakota, slumped for the month. Overall index: The November Business Conditions Index, which ranges between 0 and 100, slumped to 40.7 from October's 41.9. The regional index, much like the national reading, is impacted by a reduction in manufacturing activity, especially for producers linked to international markets.

- Since our survey oversamples manufacturing firms, it is not surprising that our overall index has weakened significantly for states and industries heavily dependent on agriculture and energy which are being hammered by a strong U.S. dollar. I expect the national reading to come in below growth neutral when it is released later this morning.

- The strong U.S. dollar and global economic weakness are having a significant and negative impact on manufacturers and businesses linked to manufacturing in the region. This weakness has been showing up in the Mid-America surveys over the last four months, but has yet to spill over into the broader regional economy.

- **Employment:** The regional employment gauge slumped for November, and indicates job losses for the manufacturing and value added services sectors. The job gauge declined to 41.7 from 42.3 in October. Over the past year, the region has lost approximately 1.1 percent of its manufacturing jobs. This pace of job loss is roughly twice that of U.S. manufacturing, which is likewise shedding jobs. Areas heavily dependent on manufacturing, especially those linked to exports, agriculture and energy, are experiencing the largest losses.

- **Wholesale Prices:** The wholesale inflation index for November fell to 42.6, its lowest level since May 2009, and down from October’s 45.3. Even though our survey indicates recent deflation at the wholesale level, supply managers expect prices of goods and services they purchase to rise at an annual pace of 4 percent in the months ahead.

- While 18.2 percent of purchasing managers expect negative impacts from a December Federal Reserve rate hike, about 82 percent say it won’t have a negative impact and could potentially have a positive impact on their business.

- **Confidence:** Looking ahead six months, economic optimism, as captured by the November business confidence index, sank to 41.2 from 42.3 in October. Falling agriculture and energy commodity prices, along with global economic uncertainty, pushed supply managers’ expectations of future economic conditions lower for the month. Over the past 12 months, farm products and energy prices have fallen by 13.6 percent and 22.9 percent, respectively.

- **Inventories:** In another sign of a sinking economic outlook, supply managers reduced their inventory levels for the month. The November inventory index, which tracks the change in the level of raw materials and supplies, fell to 39.2 from 41.2 in October.

- **Trade:** The new export orders dropped for the month, but at a bit slower pace as the index increased to a very weak 39.5 from 38.2 in October. The import index for November slumped to 37.0 from October’s 40.9. The strong
The November Minnesota Business Conditions Index fell below 50.0 for the fifth straight month. The index, a leading economic indicator from a monthly survey of supply managers, increased to 43.6 from 40.1 in October. Components of the index were new orders at 35.0, production or sales at 37.5, delivery lead time at 41.4, inventories at 42.2, and employment at 42.0. U.S. Bureau of Labor Statistics data show that over the last 12 months, Minnesota lost 800 manufacturing jobs. Our surveys of supply managers in the state point to slight losses into the first quarter of 2016 as manufacturing exports slide even lower.

MISSOURI
The Business Conditions Index for Missouri slumped to 41.9 from October’s 50.1. Components of the index from the survey of supply managers were new orders at 45.6, production or sales at 39.5, delivery lead time at 41.4, inventories at 43.2, and employment at 42.0. U.S. Bureau of Labor Statistics data show that over the last 12 months, Missouri added 500 vehicle manufacturing jobs, but lost 1,400 manufacturing jobs outside of vehicle production. I expect slight manufacturing losses into the first quarter of 2016.

NEBRASKA
Nebraska’s Business Conditions Index fell below 50.0 for the fifth straight month. The index, a leading economic indicator from a monthly survey of supply managers, increased to 43.6 from 40.1 in October. Components of the index were new orders at 35.0, production or sales at 38.5, delivery lead time at 40.5, inventories at 41.0, and employment at 41.2. U.S. Bureau of Labor Statistics data show that over the last 12 months, Nebraska lost 2,500 manufacturing jobs. Our surveys of supply managers indicate these losses will continue into the first quarter of 2016.

NORTH DAKOTA
North Dakota’s leading economic indicator for November fell below growth neutral 50.0. The Business Conditions Index increased slightly to a regional low 39.0 from November’s 36.7, also a regional low. Components of the overall index from the monthly survey of supply managers were new orders at 31.0, production or sales at 32.8, delivery lead time at 47.5, employment at 37.8, and inventories at 35.5. U.S. Bureau of Labor Statistics data show that over the last 12 months, North Dakota lost 300 manufacturing jobs. Our surveys of supply managers indicate these losses will widen into the first quarter of 2016 as manufacturing linked to agriculture and energy sustain losses.

OKLAHOMA
The November Business Conditions Index for Oklahoma slumped below growth neutral for a seventh straight month. The index from a monthly survey of supply managers in the state fell to 37.5 from 38.0 in October. Components of the November survey of supply managers were new orders at 33.2, production or sales at 37.0, delivery lead time at 43.2, inventories at 39.8, and employment at 42.3. U.S. Bureau of Labor Statistics data show that over the last 12 months, Oklahoma has lost 9,000 manufacturing jobs. Our surveys of supply managers indicate these losses will continue into the first quarter of 2016 as lower energy prices weigh on Oklahoma’s economy and manufacturing.

SOUTH DAKOTA
For a second consecutive month, South Dakota’s leading economic indicator fell below growth neutral 50.0. The Business Conditions Index, from a monthly survey of supply managers, declined to 39.6 from 42.6 in October. Components of the overall index for November were new orders at 33.3, production or sales at 35.2, delivery lead time at 50.5, inventories at 38.1, and employment at 40.3. U.S. Bureau of Labor Statistics data show that over the last 12 months South Dakota added 900 manufacturing jobs. However, surveys over the last two months point to manufacturing losses through the first quarter of 2016.

“Monthly survey of supply chain managers”
Price changes, 3 month moving average, Jan. 2014 – Nov. 2015

- All commodities
- Farm products

- Fuels & related
- Metals & metal products

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