Welcome to our March report covering Creighton’s February survey results. Creighton’s monthly survey of supply managers and procurement experts in nine Mid-America states indicate that the economy is likely to continue to grow at a positive pace with inflationary pressures declining. Follow my comments at: www.twitter.com/erniegoss

Presidential Budget Deficits, 1930-2014: Both Parties Big Spenders: Democrats Big Taxers

Since 1930, the federal government has spent a total of $71.5 trillion and collected $59.9 trillion in taxes, thus adding $11.6 trillion to the national debt, not including interest. As a share of gross domestic product (GDP), the deficit was 3.3% for the full 84-year period. In terms of party affiliation, Democrats expanded the debt by an average 3.1%, while Republicans boosted the debt by a higher 3.5% average. As a share of GDP, both Democrats and Republicans spent an average of 20.3%, but Democrats levied higher taxes at 17.2% while Republicans imposed a lower 16.8% in taxes. In all cases, it was assumed that the incoming president does not own the deficit for his first year of service. Among the 13 presidents serving during this period, the top deficit creating presidents were Roosevelt and Obama while the top surplus generating presidents were Clinton and Truman. Clinton and Carter collected the largest percentage of taxes while Roosevelt and Obama spent the most heavily among the 13 presidents. With no budget surpluses in sight and 10,000 baby boomers retiring each day, the 2015 national debt of $18.1 trillion, or 103% of GDP, presents a real challenge for younger generations. With current federal tax collections below average, and federal spending above the 84-year average, the nation's debt level will continue to grow as the share of the population bearing the burden declines. Without tax reform and spending restraint, Gen-Xers and Millennials will face higher taxes, elevated interest rates, rising inflation, or all three of these “bads.” Former Colorado governor Richard Lamm sums it up quite well saying “Deficits are when adults tell the government what they want-and the kids pay for it.” Ernie Goss.

Link to video: https://www.youtube.com/watch?v=YJrPWrU40u4

LAST MONTH’S SURVEY RESULTS

Growth Outlook Improves for Mid-America in February: Negative Impacts from West Coast Port Disputes

SURVEY RESULTS AT A GLANCE:

- Leading economic indicator climbed into healthy range for the month.
- Approximately 44.9 percent of supply managers reported negative impacts from West Coast dock disputes.
- Inflationary pressures cool again.
- Rate of new hiring expected to slow in 2015.

The Creighton University Mid-America Business Conditions Index for January, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, increased from January's reading. Indices over the past several months are pointing to positive economic gains over the next three to six months for the region.

Overall index: The Business Conditions Index, which ranges between 0 and 100, rose to 57.0 from January’s 54.8. The regional index, much like the national reading, is pointing to improving growth for the first half of 2015.

However, areas of the region linked closely to the energy sector, including ethanol, are experiencing pullbacks in economic activity.

Employment: The regional employment gauge remained in a range indicating positive but slow growth for manufacturing and value-added services firms in the region. The job gauge fell to 50.8 from January’s 51.4. While the job index stood above growth neutral for February, this was the second straight month that the reading has fallen. Businesses linked to agriculture and energy are laying off workers as firms outside these two sectors are expanding hiring at a positive pace.

More than one-third of supply managers, or 35.2 percent, expect new hiring for their firms in 2015. However this is down from 40.3 percent recorded last year at this time.

Wholesale Prices: In December of 2014, the prices-paid index, which tracks the cost of raw materials and supplies, declined to its lowest level in five years. The wholesale inflation index for February sank to 51.5 from January’s 54.9, but was up from December’s 50.8. A strengthening U.S. dollar and significantly lower fuel prices have pushed inflationary pressures at the wholesale level lower over the past several months.

Supply managers expect the 2015 prices for their company’s products and services to grow by 1.6 percent. This is down significantly from 2.6 percent recorded at this time in 2014.

Confidence: Looking ahead six months, economic optimism, as captured by the February business confidence index, decreased to 58.4 from January’s 61.8. Improving economic expectations resulting from lower energy prices more than offset economic pessimism stemming weakness among energy and energy-linked businesses.

Inventories: The inventory index, which tracks the change in the level of raw materials and supplies, jumped to 56.6 from 50.0 in January.

This month, supply managers were asked about the impact of the West Coast port disputes on their firm. Approximately 44.9 percent reported that the port bottlenecks had a negative impact on their ability to purchase inputs of raw materials and supplies. The remaining 55.1 percent registered little or no impact from the shipping difficulties.

Trade: The new export orders index sank to 54.4 from 57.0 in January. The import index for February slipped to 52.7 from January’s 52.8. Over the past six months, the value of the U.S. dollar has risen dramatically against the currencies of our chief trading partners. This movement has made US goods less competitively priced abroad and foreign goods more cheaply priced in the US. Despite this, the new export orders index stood at a solid level for February. I do expect exports and new export orders to move lower in the months ahead.

Other components: Other components of the February Business Conditions Index were new orders at 57.1,
“A monthly survey of supply chain managers”

The survey results for February indicate that the manufacturing sector in Minnesota has undergone significant changes, with the heavy manufacturing sector seeing a loss of 13,000 jobs. Average weekly wages for all Minnesota workers dropped by 1.6 percent over the last year according to Bureau of Labor Statistics data.

Arkansas

The February overall index, or leading economic indicator for Arkansas, rose to 56.4. Components of the index from the monthly survey of supply managers were new orders at 48.0, production or sales at 52.4, delivery lead time at 54.9, inventories at 56.4, and employment at 51.9. Durable goods manufacturers in the state are growing at a solid pace. However, even with this recent healthy growth, compared to pre-recession levels, this heavy manufacturing sector has lost more than 18,000 jobs. Average weekly wages for all Arkansas workers, according to the Bureau of Labor Statistics (BLS), have declined by 1.5 percent over the past year.

Iowa

Lowest Business Conditions Index, a leading economic indicator, climbed for the month. The overall index increased to 52.6 from January’s 52.2. Components of the index from the monthly survey of supply managers were new orders at 49.2, production or sales at 47.6, delivery lead time at 63.9, employment at 49.5, and inventories at 51.9. Durable goods manufacturers, including agriculture machinery manufacturers and metal manufacturing, are shedding jobs, and the state continues to see weak order levels compared to pre-recession levels, this heavy manufacturing sector has lost more than 13,000 jobs. Average weekly wages for all Iowa workers, according to the Bureau of Labor Statistics (BLS) have grown by 1.8 percent over the past year.

Nebraska

Missouri

The Business Conditions Index for Missouri climbed to 56.8 from 56.1 in January. Components of the index from the survey of supply managers for February at 57.3, production or sales at 64.1, delivery lead time at 55.1, inventories at 54.5, and employment at 51.5. Durable goods manufacturers in the state are growing at a very healthy pace. However even with this recent healthy growth, compared to pre-recession levels, this heavy manufacturing sector has lost almost 32,000 jobs. Average weekly wages for all Missouri workers, according to the Bureau of Labor Statistics (BLS), have sunk by 1.8 percent over the past year.

Mississippi

The February Business Conditions Index for Mississippi climbed to 56.8 from February’s 56.1. Components of the index from the survey of supply managers for February at 57.3, production or sales at 64.1, delivery lead time at 55.1, inventories at 54.5, and employment at 51.5. Durable goods manufacturers in the state are growing at a very healthy pace. However even with this recent healthy growth, compared to pre-recession levels, this heavy manufacturing sector has lost almost 52,000 jobs. Average weekly wages for all Mississippi workers, according to the Bureau of Labor Statistics (BLS), have sunk by 1.8 percent over the past year.

“…”...
**PRICE DATA**

ALL COMMODITIES/FARM PRODUCTS 2007-2014
FUELS & RELATED/METALS & METAL PRODUCTS

Price changes, 3 month moving average, Jan. 2013 - Feb. 2015


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