The Creighton University's Mid-American Business Index for April, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, climbed from March's reading. Indices over the past several months are pointing to positive, but slower, economic growth over the next three to six months for the region.

**Overall index:** The Business Conditions Index, which ranges between 0 and 100, rose to 52.7 from March's 51.4. The regional index, much like the national reading, is pointing to positive, but slow growth through the third quarter of 2015.

“Firms linked to energy and agriculture are experiencing pullbacks in economic activity. Growth in Oklahoma and North Dakota, two energy-producing states, is approximately one-third to one-half of what it was one year ago. That growth is likely to move even lower in the months ahead as the strong U.S. dollar slows growth even more.

**Employment:** The regional employment gauge remained in a range indicating slightly negative to stagnant job growth for manufacturing and value-added services firms in the region. The job gauge sank to 49.2 from March's tepid 52.5.

This month we asked about the hiring situation at survey participants’ firms. Approximately 29.1 percent of supply managers reported a shortage of applicants for open positions at their companies. This is up slightly from 27.1 percent in November of last year when we asked this same question. Thus even with job cuts, there remain labor shortages for more skilled workers.

**Wholesale Prices:** The wholesale inflation index for April dipped slightly to 55.5 from 55.7 in March. A strengthening U.S. dollar and significantly lower fuel prices have pushed wholesale inflationary pressures in our surveys over the past several months to levels indicating only a modest upward movement. Survey participants expect the prices of products and services sold by their company to advance by a modest 1.6 percent over the next year.

**Confidence:** Looking ahead six months, economic optimism, as captured by the April business confidence index, advanced to 61.5 from March's 55.7. Improving economic expectations from non-energy firms, resulting from lower energy prices, more than offset economic pessimism stemming from weakness in firms directly tied to energy.

**Inventories:** The inventory index, which tracks the change in the level of raw materials and supplies, increased slightly to 48.5 from 48.4 in March.

**Trade:** The new export orders index slid to 53.5 from 56.4 in March. The import index for April fell to 46.8 from March's 53.5. 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 U.S. goods less competitively priced abroad and foreign goods more cheaply priced in the U.S.. Despite this, the new export orders index remained in positive territory for April. I expect the export orders index to move even lower in the months ahead.

Regional exports for 2014 were approximately $90.5 billion. The strong U.S. dollar is likely push 2015 exports down by as much as ten percent below 2014 levels.

**Other components:** Other components of the April Business Conditions Index were new orders at 55.5,
The Creighton Economic Forecasting Group has conducted the monthly survey of supply managers in nine states since 1993 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. The index uses the same methodology used by the National Institute for Supply Management, currently the Purchasing Management Association, since 1993.

Arkansas
The April overall index, or leading economic indicator for Arkansas, slipped to 53.3 from 54.4 in March. Components of the index from the monthly survey of supply managers were new orders at 55.2, production or sales at 58.2, delivery lead time at 55.6, inventories at 49.3, and employment at 50.0. The state’s exports have declined for 2013 and again for 2014 to 56.9 billion. The strong U.S. dollar will push 2015 exports even lower, which is troubling for manufacturers who have been experiencing much stronger economic conditions than nondurable goods producers in the state.

Iowa
Iowa’s Business Conditions Index advanced to 53.3 from 51.6 in March. Components of the index from the monthly survey of supply managers were new orders at 56.1, production or sales at 55.4, delivery lead time at 55.6, inventories at 49.3, and employment at 50.0. Iowa’s exports peaked at $15.1 billion in 2014. Our survey results indicate that Iowa international sales will weaken for 2015. I expect the stronger U.S. dollar to negatively affect one of Iowa’s chief exports, agricultural equipment, for the rest of the year. In 2014, Iowa’s state gross domestic product (GDP) growth was 1.2%.

North Dakota
North Dakota’s leading economic indicator for April climbed to a level pointing to positive, but low, economic growth in the next three to six months. The Business Conditions Index declined to 51.6 from a revised 53.2 in March. Components of the overall index from the monthly survey of supply managers were new orders at 55.6, production or sales at 56.4, delivery lead time at 52.0, employment at 45.6, and inventories at 47.4. North Dakota’s exports expanded by almost 9% from a year earlier to a record $3.3 billion. The downturn in energy prices, and the strong U.S. dollar will all reduce export growth by double digits for 2015. Overall state growth will remain positive for the next three to six months, but off significantly from the same period in 2014.

Oklahoma
The Business Conditions Index for Oklahoma sank for April, but still signals positive, slow growth in the next three to six months. Components of the overall index from the monthly survey of supply managers were new orders at 55.6, production or sales at 56.4, delivery lead time at 51.2, inventories at 48.5, and employment at 48.7. After reaching a record high of 5.9 billion in 2013, Oklahoma’s exports declined by almost nine percent for 2014. I expect an 8% decline in exports for 2015 stemming from lower energy prices and a strong dollar. This will reduce 2015 growth well below that experienced in 2014.

South Dakota
After moving below growth neutral in November of 2012, South Dakota’s leading economic indicator has been above growth neutral 50.0 each month since. The index for April decreased to 50.8 from 51.6 in March. Components of the overall index for April were new orders at 52.7, production or sales at 56.0, delivery lead time at 51.2, inventories at 46.8, and employment at 47.5. South Dakota exports for 2014 were $1.6 billion and down from record exports of $1.7 billion achieved in 2008. I expect the strong U.S. dollar to push 2015 exports 10 percent below their 2014 levels and slow overall growth below that achieved in 2014.

Missouri
The April Business Conditions Index for Missouri rose to 54.4 from 52.1 in March. Components of the index from the survey of supply managers were new orders at 55.8, production or sales at 59.1, delivery lead time at 54.3, inventories at 50.0, and employment at 52.2. Missouri’s exports expanded by more than nine percent for 2014 to $14.9 billion. The strong dollar will reduce Missouri exports and state economic growth for 2015 below that achieved in 2014. Even so, the state will add jobs at a positive but slow pace in 2015.

Nebraska
For the 17th straight month, Nebraska’s Business Conditions Index remained above growth neutral 50.0. The leading economic indicator for April climbed to a regional high of 54.8 from March’s 51.8. Components of the index were new orders at 55.2, production or sales at 59.3, delivery lead time at 55.1, inventories at 50.2, and employment at 53.4. Nebraska’s exports expanded by more than six percent to a record high of $7.9 billion for 2014. The strong U.S. dollar will push 2015 export growth into negative territory even as the overall state economic grows, but at a slower pace than in 2014. Durable goods manufacturing shed service economic activity for the month.

Oklahoma
Oklahoma’s exports declined by almost nine percent for 2013 and declined in 2014. Components of the index from the monthly survey of supply managers were new orders at 55.4, production or sales at 58.2, delivery lead time at 54.7, inventories at 49.8, and employment at 50.0. After reaching a record high of $6.9 billion in 2013, Oklahoma’s exports declined by almost nine percent for 2014. Durable goods manufacturers have little pricing power.

U.S. job gains for were revised down from the original 260,000 to 85,000.

The Creighton and National purchasing managers index (PMI) for April were in a range indicating only modest gains in economic activities for the next 3-6 months.

The U.S. trade deficit for March jumped to a 6% high of $1.6 trillion.

Retail and food services sales for March were only 1% higher over March 2014. The gain should be above 2% instead.

The nation’s consumer price index declined by 0.1% between March 2014 and March 2015. This indicates that merchants have little pricing power.

Pennsylvania and Puerto Rico bond defaults: The next major bond default could come from these high risks bonds. A default by either, especially Greek bonds, would push the U.S. dollar higher and slow U.S. exports and overall U.S. growth. However, it would push U.S. interest rates lower.

Wage growth: On Friday June 5, the U.S. Bureau of Labor Statistics (BLS) will release hourly wage growth numbers. Another healthy monthly gain, above 0.2%, will seal the deal for a Federal Reserve rate hike this June.

PMI: On June 1, Creighton and the National Institute for Supply Management will release regional and national PMIs for May. Readings below 50.0 will be very bearish economic signals. Readings above April’s tepid indices will be bullish.

US job gains for were revised down from the original 260,000 to 85,000.

The overall index from the monthly survey of supply managers, rose to 54.2 from 50.9 in March. Components of the overall index for April were new orders at 57.1, production or sales at 58.9, delivery lead time at 54.6, inventories at 49.8, and employment at 47.9. South Dakota exports for 2014 were $1.6 billion and down from record exports of $1.7 billion achieved in 2008. I expect the strong U.S. dollar to push 2015 exports 10 percent below their 2014 levels and slow overall growth below that achieved in 2014.

WHAT TO WATCH

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Goss Eggs

Recent Dumb Economic Moves

Senator Rob Portman (R) from Ohio jettisoned economic principles in favor of reelection politics by campaigning against giving the President “fast track” trade authority. He is insisting on an amendment that adds currency manipulation as an excuse to trigger economic protection via tariffs. By his reckoning, our own Federal Reserve should be guilty of managing or manipulating the U.S. dollar.

Survey results for May will be released on the first business day of next month, June 1.

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For historical data and forecasts visit our website at http://www2.creighton.edu/business/economicoutlook/

http://www.outlook-economic.com
Price changes, 3 month moving average, Jan. 2014 - 2015

Price changes, 3 month moving average, Jan. 2014 - April 2015

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