Welcome to our October report covering Creighton's September 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 somewhat slower pace with inflationary pressures declining. Follow my comments at: www.twitter.com/erniegoss

**Kansas Cuts Taxes and Expands the Economy: Earnings Growth Soars Past U.S. and Neighbors Since Passage**

In 2012, Kansas Governor Brownback pushed the Legislature to whack individual tax rates by 25%, to repeal the tax on sole proprietorships, and to increase the standard deduction. In 2013, the Legislature cut taxes again. Since passage in 2012, how has the Kansas economy responded to these dramatic tax cuts? Post Tax-Cut Earnings: Since QIV, 2012, Kansas grew its personal income by 2.92% which was higher than the U.S. gain of 2.85%, and was greater than the growth experienced by each state bordering Kansas, except Colorado. Additionally in terms of average weekly earnings, Kansas experienced an increase of 4.82% which was almost four times that of the U.S., more than four times that of Missouri, approximately seven times that of Nebraska, and nearly four times that of Oklahoma. Of Kansas' neighbors, only Colorado with 4.82% average weekly wage growth outperformed Kansas. Post Tax-Cut Job Performance: Between the last quarter of 2012 and August 2014, the U.S. and each of Kansas' neighbors, except Nebraska, experienced higher job growth than Kansas. However, much of Kansas' lower job growth can be explained by the fact that during this period, Kansas reduced state and local government jobs by 1.4% while all of Kansas' neighbors and the combined 50 U.S. states increased state and local government employment. In terms of unemployment, Kansas August 2014 joblessness rate was 4.9% compared to rates of 6.1% for the U.S., 5.1% for Colorado, 6.3% for Missouri, 3.6% for Nebraska, and 4.7% for Oklahoma. Kansas job and income data since the tax cut show that, except for Colorado, the state economy has outperformed, by a wide margin, that of each of its neighbors and the U.S. To remain competitive, expect Kansas' neighbors to reduce state and local taxes in the years ahead. Ernie Goss.

Link to video:
http://youtu.be/whQ7UMV3hxM

**Last Month’s Survey Results**

Growth in Exports Slows Mid-America Economy: Supply Delivery Bottlenecks Grow

**Survey Results at a Glance:**
- Leading economic indicator was down for the month.
- Businesses expect health insurance costs to rise by 7.2 percent for 2015. Approximately one in six businesses anticipates growth of more than 15 percent.
- Almost half of businesses reported increasing shipping bottlenecks.
- Inflationary pressures at wholesale level decline for a third straight month.
- New export orders grow, but at a much slower pace compared to August.

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"A monthly survey of supply chain managers"

Components of the September survey of supply managers in the state were new orders at 56.2, production or sales at 55.2, delivery lead time at 48.5, inventories at 70.4, and employment at 52.7. Economic growth will remain healthy for the second half of 2014 based on our surveys over the last several months. Since the national recovery began in July 2009, the manufacturing sector has added jobs at a healthy pace for 2014.

NEW YORK
- GDP:	On Oct. 30, the U.S. BEA releases preliminary estimate of Q3 GDP. Annualized growth of less than 2% will be very disappointing and give bond prices a boost and push interest rates lower.
- Jobs:	On Friday Nov. 7, the U.S. Bureau of Labor Statistics (BLS) will release employment report for October.
- Another strong report (job additions below 200,000) and wage rate growth above 2% will push the Fed to raise interest rates in the first quarter of 2015 instead of the expected second quarter.

FROM GOS:
- I expect Quarter 3 GDP growth to come in at a tepid 2%. Too many of the Q3 jobs added were part-time and/or low paying.
- I expect housing prices growth to continue to move lower but remain positive.

OTHER REPORTS:
- The Conference Board (October 2014) in the United States is projecting a growth rate of 2.6% for the second half of this year revised lower—from an average of a 2.8% pace to about 2.5 percent pace. The continued reluctance to finance purchasing (despite improved confidence) implies a little less spending than previously estimated. And, consequently, both investment and inventories are also likely to expand a little less than expected. Still, 2.5 percent growth is slightly above long term growth, and this is likely to continue into 2015. Despite these anemic growth rates, the US economy might be approaching full capacity soon.

**THE BULLISH NEWS**
- • The U.S. economy added 248,000 jobs in September and the unemployment rate declined to 5.9% from August's 6.1%.
- • Leading economic indicators from Creighton regional survey and the Institute for Supply Management's national survey dropped but continue to point to positive growth for the fourth quarter of 2014.
- • In the 12 months ending in July 2014, the Case-Shiller index indicated that average home prices rose by 5.6% at a rate lower than 6.2% for June but still a very healthy value.

**THE BEARISH NEWS**
- • U.S. average hourly paid hourly by a penny in September. Over the past 12 months, average hourly pay has increasing in August, government data show that average weekly wages have expanded by a healthy and regional high of 3.1 percent. Our surveys indicate that wage growth will remain healthy for the last quarter of 2014.
- • While the 0.2% decline in the consumer price index (CPI) for August was good news for the consumer, it raises the concern that the economy is still on shaky grounds.
- • More than 97,000 workers left the labor force in September, the highest number since 2009, according to government data. The manufacturing sector had added jobs at a healthy pace.
- • Only 287,000 jobs were added in September, far below the 400,000 job increases the prior month, according to the BLS. Unemployment rate remained steady at 5.9% for the month of September.

Survey results for August will be released on the first business day of October.

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PRICE DATA

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

Price changes, 3 month moving average, 2012 - September 2014

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