

"A monthly survey of supply chain managers"

Welcome to our April report covering results from Creighton's March economic survey of supply managers and procurement experts in nine Mid-America states. Results from last month indicate that the economic growth was slightly positive for manufacturing with stabilizing economic conditions and job losses. Follow my comments at: www.twitter.com/erniegoss

Environmentalism Starves Zimbabweans: GMOs the Latest Target of Anti-Science Zealots

The severe drought and three million starving citizens did not prevent the Zimbabwe government from rejecting food aid earlier this year. What accounts for this hazardous government policy? Zimbabwe now blocks any food aid that includes genetically-modified-organism (GMO) ingredients.

Sounding like a European Greenpeacer, Joseph Made, the Zimbabwe Minister of Agriculture declared that "The position of the government is very clear. We do not accept GMOs as we are protecting the environment from the grain point of view." But the science examining GMOs is more certain than the research behind Mr. Made's baseless position. Since appearing in the lab three decades ago and in supermarkets in 1994, 1,700 peer-reviewed safety studies have been published focusing on human health and the environmental impact of GMOs. The scientific consensus from this research is that existing GMOs are no more or less risky than conventional crops.

Furthermore according to the U.S. Department of Agriculture, farmers using GMOs generally use less insecticide, obtain higher yields, and save farmer production time. As a result of the advantages of GMOs, GMOs accounted for almost half of total land used to grow all U.S. crops in 2013. African policymakers should look to science, not European environmental luddites for food policy. Ernie Goss.

Link to video:

<https://youtu.be/WhSq4Ufr5yw>

LAST MONTH'S SURVEY RESULTS

Mid-America Business Conditions Index Rises for Third Straight Month: Wholesale Inflation Gauge Soars

SURVEY RESULTS AT A GLANCE:

- For a third straight month, the region's overall index increased, moving it above growth neutral for a second consecutive month.
- Wholesale inflation gauge soars to its highest level since May of last year.
- Regional job market remains weak with 23,000 manufacturing jobs lost over the past year, or 1.6 percent of regional manufacturing employment.
- Businesses reported an average starting salary for a recent bachelor's degree worker at \$47,800 which is up by 5.1 percent over the past 12 months.
- Almost eight of 10 businesses reported, in terms of

buying supplies of inputs and raw materials, access to international markets is important to their businesses.

The Creighton University Mid-America Business Conditions Index for March, a leading economic indicator for a nine-state region stretching from Arkansas to North Dakota, expanded for a third straight month and moved above growth neutral for a second consecutive month.

Overall index: The March Business Conditions Index, which ranges between 0 and 100, improved slightly to a still soft 50.6 from February's 50.5. Over the past several months, the regional index, much like the national reading, has indicated the manufacturing sector is experiencing anemic, but stabilizing, economic conditions.

A strong U.S. dollar and weakness among the nation's chief trading partners remains a restraint on regional growth. The strong U.S. dollar not only undermines exports, it also reduces the value of foreign earnings. The strong dollar has made U.S. goods much less competitively priced abroad.

Employment: The regional employment gauge remained below growth neutral, but increased to 45.9 from February's 44.4. Over the past year, the region's manufacturing sector has lost approximately 1.7 percent, or roughly 23,000 manufacturing jobs. The losses in manufacturing have spilled over into the broader regional economy, and reduced overall annualized regional employment growth from 1.6 percent to 0.6 percent over the past year. I expect the broader economy to continue to add jobs at this much slower pace.

This month, businesses were asked to report the starting salary for a supply manager with a bachelor's degree and no experience. On average, businesses recorded a beginning salary of \$47,800, which is up by 5.1 percent from March of last year when businesses were asked the same question.

Wholesale Prices: The wholesale inflation index for March jumped to 62.2, its highest level since May of last year, and up from February's 52.5. Prices for raw materials and supplies, as reported by regional supply managers, are rising at a pace, if matched in future months, will push the Federal Reserve to move short-term interest rates up at a pace higher than currently expected.

Confidence: Looking ahead six months, economic optimism, as captured by the March business confidence index, climbed to 51.4 from February's 46.8. Improving prices for manufactured products and commodities bolstered positive expectations of future regional economic conditions.

Inventories: In another sign of a slightly improving economic outlook, supply managers expanded their inventory levels for the month. The March inventory index, which tracks the change in the level of raw materials and supplies, climbed to 50.8 from 48.4 in February.

Trade: The new export orders improved to a growth neutral 50.0 from 46.1 in February. The import index for March rose to a solid 55.4 from February's 50.1. The strong U.S. dollar, making U.S. goods less competitively priced abroad, and a weaker global economy, remain obstacles to improvements in export orders. On the other hand, the strong dollar, making foreign goods more competitively priced in the U.S., boosted imports for the month.

This month supply managers were asked to gauge the importance of international market access. Approximately 78.0

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percent of businesses reported that, in terms of selling products and services, access to international markets is important to their businesses. Almost eight of 10 businesses reported, in terms of buying supplies of inputs and raw materials, that access to international markets is important to their company.

Other components: Components of the March Business Conditions Index were new orders at 53.6 up from 52.5 in February; production or sales fell to 50.8 from February's 54.2; and delivery speed of raw materials and supplies dipped to 52.1 from last month's 53.2.

The Creighton 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 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. This is the same methodology, used since 1931, by the Institute for Supply Management, formerly the National Association of Purchasing Management.

MID-AMERICA STATES

ARKANSAS

The state's overall index for March, or leading economic indicator, rose to 51.0 from February's 46.1. Components of the index from the monthly survey of supply managers were new orders at 54.0, production or sales at 51.1, delivery lead time at 51.8, inventories at 51.4, and employment at 46.6. Since the beginning of the recovery in 2009, Arkansas' manufacturing sector has lost almost 9,000 jobs while output per worker has expanded by approximately 17.8 percent, the highest in the region. Thus, a high share of the state's job losses resulted from increasing productivity. Creighton's surveys over the past several months, point to an expansion in manufacturing output but with fewer manufacturing jobs through quarter 2 of 2016.

IOWA

The March Business Conditions Index for Iowa was unchanged from February's 51.3. Components of the index from the monthly survey of supply managers were new orders at 54.2, production or sales at 51.2, delivery lead time at 52.7, employment at 46.7, and inventories at 51.5. Since the beginning of the recovery in 2009, Iowa's manufacturing sector has added more than 13,000 jobs while output per worker has expanded by approximately 8 percent, the sixth highest in the region. Thus, the state would have added even more jobs had output per worker remained at its 2009 level. Creighton's surveys over the past several months point to an expansion in manufacturing output, but with slight manufacturing job losses through the second quarter of 2016.

KANSAS

The Kansas Business Conditions Index for March sank to 49.5 from 52.3 in February. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 49.4, production or sales at 52.2, delivery lead time at 50.9, employment at 45.0, and inventories at 49.7. Since the beginning of the recovery in 2009, the manufacturing sector in Kansas has lost almost 4,000 jobs, while output per worker has expanded by approximately 1.3

percent, the eighth highest among the nine states. Thus, only a small share of the state's job losses resulted from increasing productivity. Creighton's surveys over the past several months point to an expansion in manufacturing output, but with fewer manufacturing jobs over the next three to six months.

MINNESOTA

The March Minnesota Business Conditions Index declined to 50.7 from February's 52.1. Components of the index from the monthly survey of supply managers were new orders at 53.5, production or sales at 50.6, delivery lead time at 50.9, inventories at 52.1, and employment at 46.2. Since the beginning of the recovery in 2009, Minnesota's manufacturing sector has added almost 17,000 jobs while output per worker has expanded by approximately 10.4 percent, fourth highest among the nine states. Thus, the state would have added even more jobs had output per worker remained at its 2009 level. Creighton's surveys over the past several months point to an expansion in manufacturing output, but with the number of manufacturing jobs remaining flat for the next three to six months.

MISSOURI

The March Business Conditions Index for Missouri fell to 49.9 from February's 52.3. Components of the index from the survey of supply managers were new orders at 52.7, production or sales at 49.8, delivery lead time at 51.3, inventories at 50.1, and employment at 45.4. Since the beginning of the recovery in 2009, Missouri's manufacturing sector has added almost 4,000 jobs while output per worker has expanded by approximately 7 percent, the seventh highest among the nine states. Thus, the state would have added even more jobs had output per worker remained at its 2009 level. Creighton's surveys over the past several months point to an expansion in manufacturing output, but with the number of manufacturing jobs declining slightly over the next three to six months.

NEBRASKA

The March Business Conditions Index for Nebraska climbed to 53.3 from February's 47.2. Components of the index from the monthly survey of supply managers were new orders at 45.9, production or sales at 50.4, delivery lead time at 51.9, inventories at 50.7, and employment at 53.3. Since the beginning of the recovery in 2009, Nebraska's manufacturing sector has added more than 4,000 jobs while output per worker has expanded by approximately 16.1 percent, the second highest among the nine states. Thus, Nebraska would have added even more jobs had output per worker remained at its 2009 level. Creighton's surveys over the past several months point to an expansion in manufacturing output for the state, but with manufacturing job losses for the next three to six months.

NORTH DAKOTA

North Dakota's leading economic indicator for March remained below growth neutral 50.0. The Business Conditions Index for the month increased to 47.8, a regional low, from February's 46.4. Components of the overall index from the monthly survey of supply managers were new orders at 50.6, production or sales at 47.8, delivery lead time at 49.2, employment at 43.5, and inventories at 48.1. Since the beginning of the recovery in 2009, North Dakota's manufacturing sector has added almost 2,000 jobs while output per worker has expanded by approximately 14.6 percent, the third highest among the nine states. Thus, North Dakota would have added even more jobs had output per worker remained at its 2009 level. Creighton's surveys over the past several months point to a contraction in manufacturing output and jobs over the next three to six months.

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WHAT TO WATCH

- **CPI:** On May 17 and June 16, the BLS will release the consumer price indices for April and May. If the core CPI, which excludes food and energy, continues to expand, the Fed will be pushed to raise short-term interest rates before the end of the summer.
- **Supply Managers Report:** On May 2, the Institute for Supply Management and Creighton University release national and regional manufacturing reports, respectively, for April. If both overall indices rise for April, there will be upward pressures on short term interest rates. The yield on the 10-year U.S. Treasury is now 1.83% and the yield on the 2-year U.S. Treasury is now 0.88% for a gap or yield difference of 0.95%. Further reductions in the difference are warnings of slowing U.S. economic growth.
- **The Jobs Report:** On May 6, the Bureau of Labor Statistics will report April jobs data. Another very strong report (200,000 jobs and unemployment rate below 5.0%) will push the Federal Reserve to raise rates this summer.

Goss Eggs (Recent Dumb Economic Moves)

- U.S. Senator Sheldon Whitehouse (D., R.I.) called on the U.S. Justice Department to bring charges against climate change skeptics using the Racketeer Influenced and Corrupt Organizations Act (RICO). In September, 20 climate scientists joined Whitehouse encouraging Attorney General Lynch to launch a RICO investigation targeting climate change cynics claiming that this was necessary since America's policy response to climate change was "insufficient" due to dissenters.

Survey results for April will be released on the first business day of next month, May 2.

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

OKLAHOMA

The March Business Conditions Index for Oklahoma slumped below growth neutral for an eleventh straight month. However, the index from a monthly survey of supply managers did increase to 49.7 from 39.4 in February. Components of the March survey of supply managers were new orders at 52.5, production or sales at 49.7, delivery lead time at 51.1, inventories at 50.0, and employment at 45.3. Since the beginning of the recovery in 2009, Oklahoma's manufacturing sector has added more than 7,000 jobs while output per worker has fallen by 6.4 percent, the worst productivity performance among the nine states. Creighton's surveys over the past several months point to a contraction in manufacturing output and jobs over the next three to six months.

SOUTH DAKOTA

While the Business Conditions Index for South Dakota declined in March to 51.1, from February's regional high of 57.4, the index has remained above growth neutral for three straight months. Components of the overall index for March were new orders at 54.0, production or sales at 51.1, delivery lead time at 52.6, inventories at 51.4, and employment at 46.5. Since the beginning of the recovery in 2009, South Dakota's manufacturing sector has added almost 5,000 jobs while output per worker has expanded by approximately 8.1 percent, or the fifth highest among the nine states. Thus, the state would have added even more jobs had output per worker remained at its 2009 level. Creighton's surveys over the past several months point to an expansion in manufacturing output, but with manufacturing job flat for the next three to six months.



THE BULLISH NEWS

- The U.S. added 215,000 jobs for March but the unemployment rate rose to 5.0% from 4.9% due to formally discouraged workers re-entering the job market.
- The U.S. labor participation rate (the share of the working age population in the workforce) climbed for a fourth straight month to a still weak 63.0%.
- Average wage growth from March 2015 to March 2016 was up 2.3%. Not great but better than forecasts and expectations.
- Both the U.S. and Creighton survey of supply managers indicate that the manufacturing economy has stabilized in terms of overall activity even with manufacturing job losses.
- According to the latest Case-Shiller index, U.S. home prices advanced by 5.4% between January 2015 and January 2016.



THE BEARISH NEWS

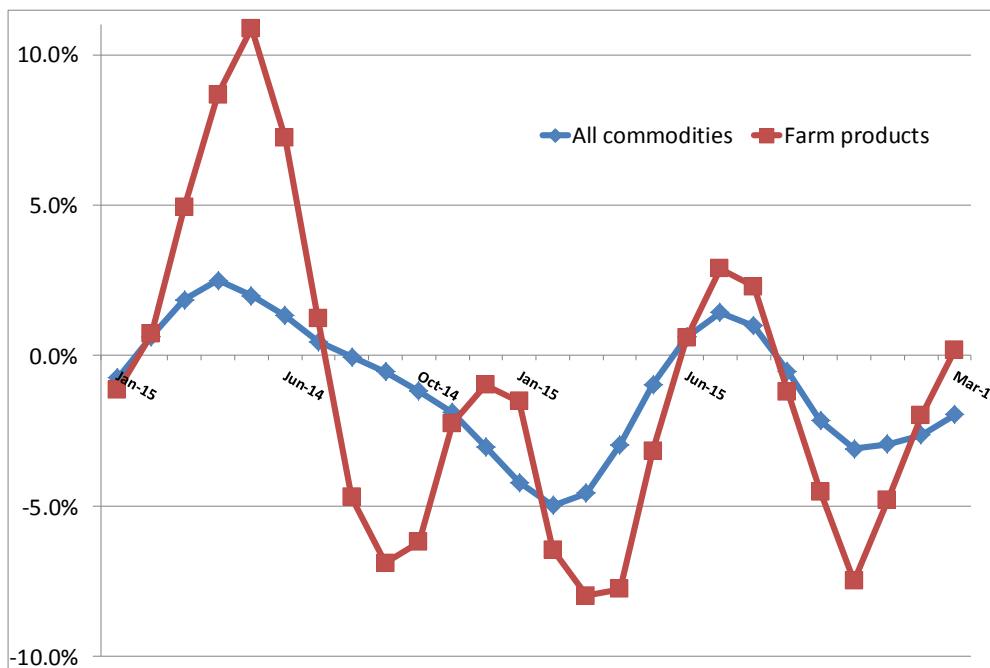
- Average hourly earnings for February fell 3 cents and were up a weak 2.2% from one year earlier.
- The U.S. trade deficit increased to six month high of \$47 billion.

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PRICE DATA

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

Price changes, 3 month moving average, Jan. 2014- March 2016



Price changes, 3 month moving average, Jan. 2014 – March 2016

