Welcome to our March report covering results from Creighton's February 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. Follow my comments at: www.twitter.com/erniegoss

**NAFTA Exports Do Boost U.S. Economy: Presidential Candidates Spout Trade Hyperbole**

Economic truths are usually the first casualty of any presidential election season and 2016 is no exception. For example, several candidates are using trade agreements such as the North American Free Trade Agreement (NAFTA) as a foil for their economic tunnel vision which argues that NAFTA signatories, Canada and Mexico, are stealing U.S. manufacturing jobs.

Since NAFTA was passed in 1993, the U.S. has lost 26.6% of its manufacturing jobs, but manufacturing production soared by 142.3%. In other words, the enemy of U.S. manufacturing jobs has been rising and coveted productivity growth, not trade with Mexico or Canada. In fact over the past 15 years, exports to Canada and Mexico, have grown by 108.3% as imports from the same nations expanded by a smaller 94.4%.

For 2015, NAFTA exports supported 2.2 million U.S. jobs with the top gains for Texas with 517,000, California with 189,000, Michigan with 149,000, Ohio with 115,000 and Illinois with 114,000. By industry, the biggest beneficiaries of NAFTA exports for 2015, in terms of jobs supported, were electrical and non-electrical machinery at 54,886 jobs, vehicles at 16,200 jobs, fossil fuels at 9,300 jobs, plastics at 6,700 jobs and surgical instruments at 3,500 jobs. Thus, data show that the beneficiaries of exports to Canada and Mexico are broadly dispersed across U.S. states and industries. Those running for the U.S. presidency should appeal to the economic logic of the American voter not misguided economic chauvinism. Ernie Goss.

Link to video: https://youtu.be/qBL5KNed43E

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**LAST MONTH'S SURVEY RESULTS**

Mid-America Business Conditions Index Highest Since July 2015: Shortage of Qualified Workers Remains

**SURVEY RESULTS AT A GLANCE:**

- Approximately 17.5 reported that finding and hiring qualified workers is the greatest economic threat to their business.

  The Creighton University Mid-America Business Conditions Index for February, a leading economic indicator for a nine-state region stretching from Arkansas to North Dakota, expanded for a second straight month.

  **Overall index:** The February Business Conditions Index, which ranges between 0 and 100, improved to a still soft 50.5 from January's 48.3. Over the past several months, the regional index, much like the national reading, has indicated that 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. For example against the currency of region's primary trading partner, Canada, the U.S. dollar has strengthened by 30 percent since July 2014. This upturn has made U.S. goods much less competitively priced in Canada.

  **Employment:** The regional employment gauge sank for February to 44.4 from January's 49.3. Employment is a lagging economic indicator. Therefore, I expect the solid improvement in new orders and production for the month to spill over into the job market in the months ahead with modest gains for the overall regional labor market. However, I expect for job losses to continue for the two energy dependent states, North Dakota and Oklahoma.

  This month, businesses were asked to name the greatest economic threat facing their firm for 2016. Approximately 17.5 percent indicated finding and hiring qualified workers would be the biggest challenge or threat to business success in the coming year. Approximately 39.7 percent of businesses reported U.S. economic weakness represented the greatest economic threat for 2016. The remaining responses were spread across many other issues according to the supply managers.

  **Wholesale Prices:** The wholesale inflation index for February rose slightly to 52.5 from January's 52.4. Prices for raw materials and supplies, as reported by regional supply managers, are rising at a pace that gives the Federal Reserve flexibility in terms of the need for rate changes at their March meetings---neither too much inflation nor deflation.

  In February, supply managers were asked about the impact of an implementation of a March Federal Reserve rate increase. Approximately 25.4 percent said a rate hike would have a negative impact on their business while 3.9 percent said that they anticipate positive impacts from any rate increase. The remaining 70.7 percent expect no impact from a March Federal Reserve rate hike.

  **Confidence:** Looking ahead six months, economic optimism, as captured by the February business confidence index, climbed to 46.8 from January's 42.2. Falling and/or weak agriculture and energy commodity prices, along with global economic uncertainty, continue to restrain supply managers’ expectations of future economic conditions.

  **Inventories:** In another sign of a sinking economic outlook, supply managers reduced their inventory levels for the month at a somewhat faster pace. The February inventory index, which tracks the change in the level of raw materials and supplies, as reported by regional supply managers, weakened by 30 percent since July 2014. This upturn has made U.S. goods much less competitively priced in Canada.

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The February Minnesota Business Conditions Index climbed to 52.1 from January’s 50.1. Components of the index from the monthly survey of supply managers were new orders at 52.3, production or sales at 53.7, delivery lead time at 52.8, inventories at 52.3, and employment at 49.5. Over the past 12 months, Minnesota has lost a slight 0.2% of its manufacturing jobs, but at a very slow pace. These slight gains will spill over into the broader state economy with moderate job gains for the overall state economy.

The February Missouri Business Conditions Index climbed to 52.1 from January’s 50.1. Components of the index from the monthly survey of supply managers were new orders at 52.3, production or sales at 53.7, delivery lead time at 52.8, inventories at 52.3, and employment at 49.5. Over the past 12 months, Missouri has lost a slight 0.2% of its manufacturing jobs, but at a very slow pace. These slight gains will spill over into the broader state economy with moderate job gains for the overall state economy.

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 1993, by the Institute for Supply Management, formerly the National Association of Purchasing Management.

Arkansas
The state’s February overall index, or leading economic indicator, sank to 46.1 from January’s 50.1. Components of the index from the monthly survey of supply managers were new orders at 53.7, production or sales at 47.6, delivery lead time at 46.7, inventories at 42.4, and employment at 47.8. Over the past 12 months, Arkansas has lost 4,500, or 2.9% of its manufacturing jobs. Our surveys over the past month indicate these job losses will continue, but at a slower pace in the next three to six months. These losses will reduce overall state job growth.

The February Business Conditions Index for Iowa climbed to a positive 53.1 from 50.3 in January. Components of the index from the monthly survey of supply managers were new orders at 51.3, production or sales at 53.0, delivery lead time at 49.7, employment at 50.2, and inventories at 49.8. Over the past 12 months, the state has lost 1,700, or 0.8% of its manufacturing jobs. Our surveys over the past month indicate these manufacturing sector job losses will continue, but at a very slow pace. These slight gains will spill over into the broader state economy with moderate job gains for the overall economy.

Iowa
The February Business Conditions Index for Iowa climbed to a positive 53.1 from 50.3 in January. Components of the index from the monthly survey of supply managers were new orders at 51.3, production or sales at 53.0, delivery lead time at 49.7, employment at 50.2, and inventories at 49.8. Over the past 12 months, the state has lost 1,700, or 0.8% of its manufacturing jobs. Our surveys over the past month indicate these manufacturing sector job losses will continue, but at a very slow pace. These slight gains will spill over into the broader state economy with moderate job gains for the overall economy.

The February Business Conditions Index for Kansas fell to 52.3 from 50.7 in January. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 52.2, production or sales at 53.9, delivery lead time at 52.9, employment at 48.0, and inventories at 55.0. Over the past 12 months, the state has added a slight 0.2%, to its manufacturing job base.

Kansas
The Kansas Business Conditions Index for Kansas rose to 52.3 from 50.7 in January. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 52.2, production or sales at 53.9, delivery lead time at 52.9, employment at 48.0, and inventories at 55.0. Over the past 12 months, the state has added a slight 0.2%, to its manufacturing job base.

The U.S. added 242,000 jobs for February and the unemployment rate stood at its lowest level in 8 years.

The February Business Conditions Index for Missouri increased to 52.3 from January’s 47.7. Components from the survey of supply managers were new orders at 52.3, production or sales at 54.0, delivery lead time at 56.3, inventories at 53.3, and employment at 44.2. Over the past 12 months, the state has added 1,200 manufacturing jobs for a gain of 0.5%. Our surveys over the past month indicate the manufacturing sector is now shedding jobs, but at a very slow pace. We expect recent additions to new orders to translate into jobs gains for the broader state economy.

The February Business Conditions Index for Nebraska climbed to 52.3 from 47.2 in January. Components of the index from the monthly survey of supply managers were new orders at 47.1, production or sales at 48.7, delivery lead time at 37.1, inventories at 43.4, and employment at 39.8. Over the past 12 months, the state has lost 2,300, or 2.4% of its manufacturing jobs. Our surveys over the past month indicate that these job losses will continue, but at a slower pace in the next three to six months. These losses will reduce overall state job growth close to zero for the state through quarter two of this year.

Missouri
The February Business Conditions Index for Nebraska’s February index was new orders at 52.3, production or sales at 54.0, delivery lead time at 37.1, inventories at 43.4, and employment at 39.8. Over the past 12 months, the state has lost 2,300, or 2.4% of its manufacturing jobs. Our surveys over the past month indicate that these job losses will continue, but at a slower pace in the next three to six months. These losses will reduce overall state job growth close to zero for the state through quarter two of this year.

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The U.S. added 400 manufacturing jobs for February, or sales at 54.0, delivery lead time at 37.1, inventories at 43.4, and employment at 39.8. Over the past 12 months, the state has added 400 manufacturing jobs for a slight gain of 0.9%.

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PRICE DATA

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


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