

"A monthly survey of supply chain managers"

Welcome to our November report covering results from Creighton's October survey of supply managers and procurement experts in nine Mid-America states. This survey indicates that the economic growth has moved into a range indicating healthy economic growth ahead with rising inflationary pressures. Follow my comments at: www.twitter.com/erniegoss

Bids Highlight Escalating Competition for Amazon's HQ2 Which Mid-West Cities Qualify?

After Amazon announced plans to build a second headquarters in North America (hereafter Amazon HQ2), a raft of suitors emerged stemming from the potential scale of the project and the expected spillover of economic benefits. For example, New Jersey launched the opening salvo for Amazon's HQ2 by offering over \$7 billion in tax support or incentives for a Newark location. Which Midwest metropolitan area has the essential infrastructure and demographic-geographic profile for a successful node for Amazon? Or more fundamentally, does the metropolitan area meet the "essential" demands or needs of Amazon?

Amazon expects to invest over \$5 billion and hire up to 50,000 employees in a city that meets its base requirements. At a minimum, Amazon will give preference to cities that have a metropolitan population of at least one million, a strong university system, and a site with access to a quality public transit system. Additionally, the city's potential site should be within 45 miles of an international airport with daily nonstop flights to Seattle, New York, San Francisco/Bay Area, and Washington DC.

Table 1 shows cities meeting each of Amazon's requirements (screens). In the end, only Chicago and Minneapolis meet Amazon's 5 requirements (screens). Ernie Goss.

Table 1: Amazon's HQ2 location preferences met by Midwest cities

| City | Screen 1: Metro population >1 million | Screens 2 and 1: 45 miles from international airport | Screens 3, 2, & 1: Daily direct flights to Seattle, NYC, SF/Bay Area, DC | Screens 4, 3, 2, & 1: Strong university system | Screens 5, 4, 3, 2, & 1: Top 25 public transportation |
|--------------|---------------------------------------|--|--|--|---|
| Chicago | X | X | X | X | X |
| Cincinnati | X | X | | | |
| Cleveland | X | X | | | |
| Columbus | X | X | | | |
| Detroit | X | X | X | | |
| Grand Rapids | X | | | | |
| Indianapolis | X | X | X | | |
| Kansas City | X | X | X | | |
| Louisville | X | X | | | |
| Minneapolis | X | X | X | X | X |
| Omaha | X | X | X | | |
| St. Louis | X | X | X | X | |

Link to video: <https://youtu.be/aCNT537QhSQ>

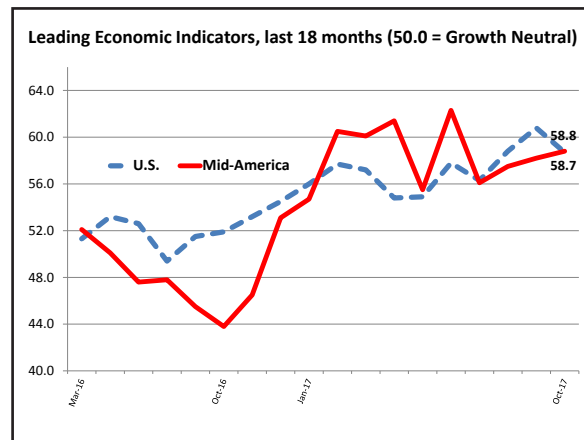
LAST MONTH'S SURVEY RESULTS

Mid-America Business Conditions Index Rises to Healthy Level: Inflation Gauge Soars to Highest Level in More than Six Years

SURVEY RESULTS AT A GLANCE:

- Overall index moved above growth neutral for an 11th straight month, pointing to solid growth ahead.
- Strong growth for durable-goods manufacturers in Iowa, Minnesota, Missouri and Oklahoma.
- Only one in five supply managers indicated NAFTA was important to company buying and selling.
- Wholesale inflation gauge points to December Federal Reserve rate hike.

The October Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Arkansas to North Dakota, climbed to a healthy reading according to the latest monthly survey results.



Overall index: The Business Conditions Index, which ranges between 0 and 100, rose to 58.8, its highest reading in four months and up from 58.2 in September. This is the 11th straight month the index has remained above growth neutral, continuing to point to positive growth for the region over the next three to six months.

Both the national and our regional indices indicate the manufacturing sector is expanding at a very healthy pace and that this expansion will spill over into the broader national and regional economies in the next three to six months. For the first time in years, we are not tracking consistent growth in the durable goods sector.

Employment: The October employment index remained above growth neutral with a reading of 52.9 from September's 52.0. The durable, nondurable and nonmanufacturing sectors are adding jobs at a solid pace. Energy firms, and manufacturers tied to energy, are expanding at a strong pace across the region. With the recent boost in employment growth, total regional employment growth (year over year) is now 1.3 percent, equal to the nation's 1.3 percent gain over the same time period.

Wholesale Prices: After surging for September, the regional wholesale inflation gauge cooled to a still lofty 75.0 from September's six year high of 79.6, continuing to indicate elevated regional inflationary pressures at the wholesale level.

Given elevated inflationary reading from our surveys and government surveys over the past several months, I expect the Federal Reserve to raise short term interest rates next month. This increase will not dampen economic activity in the region to any great extent.

Confidence: Looking ahead six months, economic optimism, as captured by the October business confidence index, expanded to a strong 63.8 from 63.6 in September. Healthy profit growth, still low interest rates, and an improving global economy boosted the economic outlook among supply managers in the nine-state region.

Inventories: The October inventory index, which tracks the change in the level of raw materials and supplies advanced to 56.1 from September's 53.0.

Trade: The regional new export orders index was unchanged from September's solid 54.3, and the import index jumped to

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58.6 from 53.8 in September. Expanding regional growth spurred purchases of inputs from abroad, while growth among important trading partners maintained the export orders at a positive level.

As stated by one supply manager, "The weaker dollar (is) helping exports."

This month supply managers were asked about buying and selling abroad. Approximately half of respondents indicated that purchasing from abroad was important to their firm's current growth. Additionally, almost one in five reported that NAFTA was important for both buying inputs and selling products

Other components: Components of the October Business Conditions Index were new orders at 61.3 from 62.5 in September; production or sales index was unchanged from September's 67.4; and delivery speed of raw materials and supplies expanded slightly to 56.5 from last month's 56.0.

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 October overall index for Arkansas fell to a solid 55.4 from September's 67.3. Components of the index from the monthly survey of supply managers were new orders at 57.4, production or sales at 63.4, delivery lead time at 52.7, inventories at 52.1, and employment at 51.1. Over the past 12 months, Arkansas increased manufacturing employment by 3 percent, or approximately 4,700 manufacturing jobs. Slight job losses for durable-goods producers were more than offset by gains for nondurable goods manufacturers.

IOWA

The October Business Conditions Index for Iowa sank to a still healthy level of 55.0 from 60.7 in September. Components of the overall index from the monthly survey of supply managers were new orders at 58.4, production or sales at 62.3, delivery lead time at 55.4, employment at 47.8, and inventories at 51.0. Over the past 12 months, Iowa increased manufacturing employment by 1.3 percent, or approximately 2,800 manufacturing jobs. Nondurable goods producers, including food manufacturers expanded, while durable-goods manufacturers, including metal producers, contracted slightly.

KANSAS

The Kansas Business Conditions Index for October soared to 63.4 from September's regional low 43.6. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 68.3, production or sales at 73.8, delivery lead time at 61.6, employment at 54.2, and inventories at 59.2.

Our survey for the month indicated a significant improvement for the month. Nondurable goods producers expanded at a solid pace while durable goods experienced slight losses.

MINNESOTA

The October Business Conditions Index for Minnesota declined to a still strong 56.3 from September's 59.4. Components of the overall October index from the monthly survey of supply managers were new orders at 59.9, production or sales at 64.0, delivery lead time at 53.3, inventories at 52.7, and employment at 51.7. Over the past 12 months, Minnesota expanded both durable and nondurable goods manufacturing. Gains were strong for food processors and medical equipment manufacturers.

MISSOURI

The October Business Conditions Index for Missouri sank to 53.8 from 63.9 in September. Components of the overall October index from the survey of supply managers were new orders at 56.2, production or sales at 62.3, delivery lead time at 51.4, inventories at 51.1, and employment at 47.9. Over the past 12 months, Missouri increased manufacturing employment by 1.5 percent, or approximately 4,000 manufacturing jobs. Strong gains were recorded by both durable goods producers, including vehicle manufacturers.

NEBRASKA

The October Business Conditions Index for Nebraska rose to 60.1 from 59.3 in September. Components of the index from the monthly survey of supply managers were new orders at 61.5, production or sales at 67.5, delivery lead time at 56.9, inventories at 59.9, and employment at 54.6. Over the past 12 months, Nebraska increased manufacturing employment by 1.1 percent, or approximately 1,100 manufacturing jobs. Food processors experienced solid gains.

NORTH DAKOTA

North Dakota's overall, or Business Conditions Index, declined, but remained above growth neutral for the month. The index for October from a survey of supply managers fell to 55.9 from 63.9 in September. Components of the overall index were new orders at 58.1, production or sales at 64.1, delivery lead time at 53.4, employment at 51.4, and inventories at 52.7. After declining for much of 2016, North Dakota's mining and energy sector began to expand in the first quarter of this year. Surveys over the past several months indicate this expansion continues at a brisk pace.

OKLAHOMA

After falling below growth neutral for July, Oklahoma's Business Conditions Index rose above the 50.0 threshold for the last three months. The overall index from a monthly survey of supply managers climbed to a robust 63.0 from 62.7 in September. Components of the overall October index from a survey of supply managers in the state were new orders at 65.2, production or sales at 70.8, delivery lead time at 60.9, inventories at 59.2, and employment at 58.9. Expansions among energy firms, and manufacturing companies linked to energy are driving the state's economy forward at a current brisk pace. Food processors and machine manufacturers are growing at a solid pace.

SOUTH DAKOTA

The Business Conditions Index for South Dakota soared to 57.6 from September's weak 46.6. Components of the overall index from the October survey of supply managers in the state were new orders at 60.3, production or sales at 66.1, delivery lead time at 55.7, inventories at 54.7, and employment at 51.3. While the state's manufacturing sector is expanding at a tepid pace, energy related firms are advancing at a solid pace. Food processing is growing at a solid and positive pace.

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THE BULLISH NEWS

- The U.S. average hourly wage for October rose 2.4% from October 2016, indicating little wage inflationary pressures.
- U.S. non-farm employment grew by 261,000 in October and the unemployment rate edged down to 4.1%, its lowest level since 2000.
- U.S. inflation, as measured by the consumer price index (CPI) has increased by 2.2% between September 2016 and 2017.
- The U.S. trade deficit shrank for August by \$1.2 billion due to an upturn in exports.



THE BEARISH NEWS

- The U.S. trade deficit rose to \$43.5 billion in September as imports increased faster than export.
- **Debt Crisis.** Last week, Venezuelan President Maduro announced that his administration would seek debt restructuring. Immediately, the value of the nation's bonds declined from 70 cents to 40 cents on the dollar.

WHAT TO WATCH

- **Jobs Report on December 8:** The Bureau of Labor Statistics will release its employment report for November. Another strong reading on wages will "seal the deal" on a December 2017 Federal Reserve rate hike.
- **Consumer Price Index on December 13:** The Bureau of Labor Statistics will release the inflation gauge for November. An annualized increase above 2.5% will be bullish for stocks prices and bearish for bond prices (rising yields).
- **FOMC Meeting on December 13:** The short-term interest rate setting committee will next meet on Dec. 12-13. Expect a ¼% (25 basis) increase (85% likely).

Goss Eggs
(Recent Dumb Economic Moves)

- Last week, Tesla officials announced that the company burned through \$1.3 billion in the most recent quarter as it posted its largest quarterly loss ever. Yet investors have driven the price of the company's stock up by 61% over the past year. Tesla continues to milk taxpayers, equity and bond investors.

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

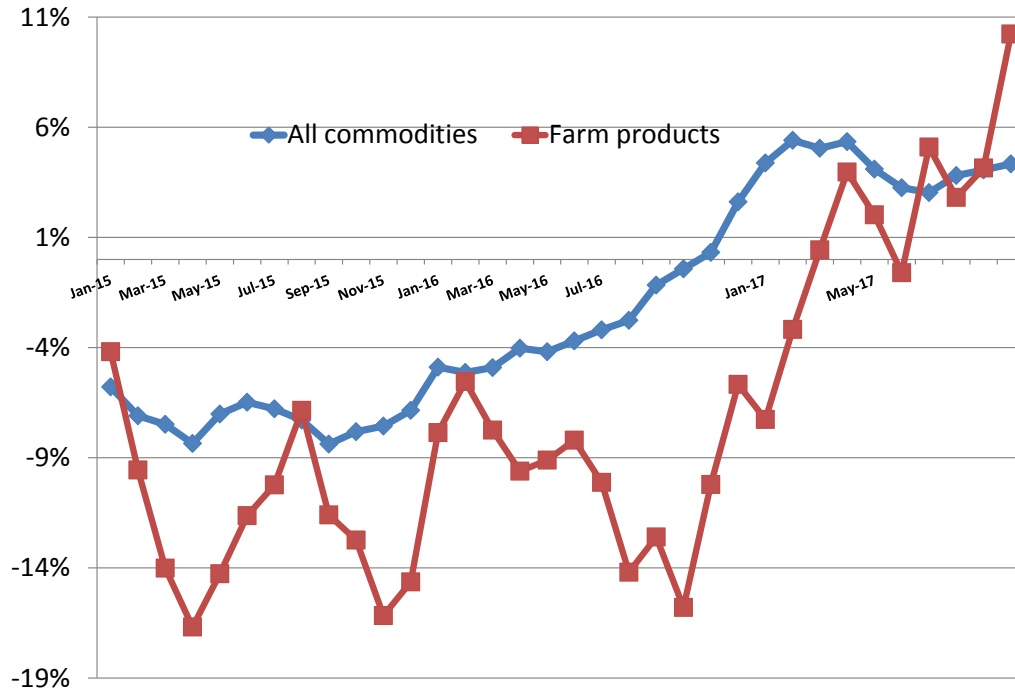
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For historical data and forecasts visit our website at:
<http://www2.creighton.edu/business/economicoutlook/>

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PRICE DATA

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

Year over year price change, commodities and farm product, 2015-17



Year over year price change, fuels and metal products, 2015-17

