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April Mid-America Press Release

Negative Economic Indicators Remain for Mid-America Economy: Business Confidence Strong for April

April survey results at a glance:

- Business conditions index rises to highest level since beginning of economic tailspin.
- Region loses jobs for the 15th time in 16 months.
- Supply managers trimmed inventory levels to record low levels.
- Inflation gauge continues to indicate deflation in the supply chain.

For Immediate Release: May 1, 2009

Omaha, Neb. – The overall index for the Mid-America region, a leading economic indicator for the nine-state area, expanded to its highest level since the regional economy went into an economic tailspin last September. However, rather than pointing to a recovery, the April survey indicates that the negative indicators, which improved slightly, still have a ways to go before indicating any measure of recovery.
The overall index, or Business Conditions Index, climbed to 42.7, its highest level since September of 2008, and well up from March's 39.7 and February's 34.6. "An index of 50.0 is considered growth neutral, and April's reading points to what I consider to be a regional economy that is coming off the bottom reached earlier this year, but still well short of any economic recovery," Creighton University Economics Professor Ernie Goss said today.

"While our survey is not indicating an economic revival any time soon, economic indictors are certainly improving from record lows achieved earlier this year. Unless there is considerable economic fallout from the H1N1 flu outbreak, I expect the Mid-America economy to be out of a recession by the end of the fourth quarter of this year," said Goss, director of Creighton's Economic Forecasting Group and the Jack A. MacAllister Chair in Regional Economics.

The April employment index climbed to a weak 41.4, but was up significantly from March's frail 34.0 and January's record low 29.0. "While the region is losing jobs at an annualized rate of more than 4 percent, I expect the pace of job losses to slow in the months ahead as the economy moves toward positive growth in the final quarter of 2009. Even so, it will be 2010 before we begin to see job gains," said Goss.

Despite record low interest rates and expanding federal spending, the region's inflation gauge continues to point to deflation at the wholesale level. The prices-paid index, which tracks the cost of raw materials and supplies, slumped to 34.2 from 41.1 in March. "The bad news is that the reading is low due to a weak economy. The good news is that this allows the Federal Reserve to continue its expansive policies," said Goss.

At the April meeting of the Federal Reserve, the rate-setting committee indicated that it expected inflation to remain well contained and there was little likelihood of excessive inflation even though it has set the current funds rate at 0 percent to 0.25 percent, its lowest level since the Federal Reserve was created in 1913. Also at the April meeting, the Federal Reserve decided to continue its policy of stimulating the economy by buying longer-term Treasury securities over the next six months. "Even though inflation pressures are clearly

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in check, I am very concerned that this excessive monetary stimulus will result in elevated and unacceptably high inflation sometime in 2010," said Goss.

Looking ahead six months, economic optimism, captured by the confidence index, reached its highest level since January 2007. The regional business confidence index expanded to 61.4 from March's 58.5 and well up from January's 23.6. "Very low interest rates, both short-term and long-term, and the federal stimulus package have clearly buoyed the economic outlook of supply managers in the Mid-America region. Even the impending Chrysler bankruptcy did not derail the economic optimism," said Goss.

As in previous months, trade numbers were not good. "Economic weakness among our trading partners and a strong dollar continue to restrain exports. Even so, new export orders advanced to a weak 42.4 from March's 31.8 and well up from January's record low 26.8. Furthermore, the national economic recession is placing significant downward pressure on imports. April's import index stood at 44.0, down slightly from 44.5 in March," said Goss.

Supply managers in the nine-state region have trimmed inventories. The March inventory index was 36.2, a record low, and down from March's 39.2. "Current low levels of inventories for raw materials and supplies will result in replenishments later this year. This inventory restocking will be a strong positive for the regional economy in the second half of the year," said Goss.

Other components of the April Business Conditions Index were new orders at 43.0, up from March's 40.7; production at 42.8, up from 39.9; and delivery lead time at 50.0, up from 44.3.

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 Creighton Economic Forecasting Group uses the same methodology as a national survey by the Institute for Supply Management, formerly the Purchasing Management Association, which has formally surveyed its membership since 1931 to gauge business conditions. The 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.

Arkansas: For the third month in a row, Arkansas' leading economic indicator increased. April's Business Conditions Index, based on a survey of supply managers, increased to a still weak 33.0 from March's regional low 29.6. Components of the overall index for April were new orders at 23.3, production at 31.7, delivery lead time at 36.7, inventories at 40.0, and employment at 33.3. "The pace of job losses in the state's durable-goods manufacturing sector have accelerated recently. I expect Arkansas' seasonally adjusted unemployment rate to increase by another 0.4 percent before it stabilizes," said Goss.

Iowa: For the 11th straight month, Iowa's Business Conditions Index was below growth neutral. The index, a leading economic indicator, inched higher to 42.7 from March's 42.6, and was well up from January's record

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low 22.3. Components of the overall index for April were new orders at 40.4, production at 38.8, delivery lead time at 47.6, employment at 47.9, and inventories at 38.8. "Both durable and nondurable manufacturers in Iowa continue to report weakening economic conditions. I expect the state's seasonally adjusted unemployment rate to rise by another one-half percentage point before it stabilizes," said Goss.

Kansas: The Kansas Business Conditions Index, a leading economic indicator, slumped for the sixth time in the past seven months. The April reading from a monthly survey of supply managers dipped to a very weak 30.9 from 35.9 in March. Components of the overall index were new orders at 27.1, production at 22.9, delivery lead time at 35.4, employment at 29.2, and inventories at 37.5. "Durable and nondurable goods manufacturers continue to report weak economic conditions. Even aircraft manufacturers in Kansas are experiencing pullbacks due to the global economic recession. I expect the state's unemployment rate to increase by another 0.4 percentage points before the end of the second quarter," said Goss

Minnesota: For the ninth straight month, Minnesota's Business Conditions Index fell below growth neutral. The leading economic indicator based on a survey of supply managers, climbed to 42.6 from March's 31.0 and February's 28.4. Components of the overall index for April were new orders at 47.9, production at 45.3, delivery lead time at 45.9, inventories at 33.3, and employment at 40.5. "Durable goods producers, especially those dependent on international sales, continue to struggle economically. I expect Minnesota's seasonally adjusted unemployment rate to match the U.S.'s before the end of the second quarter. This will likely mean an increase in the state's unemployment rate of 0.6 percentage points," said Goss.

Missouri: For the seventh straight month, Missouri's Business Conditions Index remained below growth neutral. The index, a leading economic indicator from a survey of supply managers in the state, advanced to 46.9 from March's 39.6 and February's record low 30.3. Components of the overall index from the April survey were new orders at 50.6, production at 50.9, delivery lead time at 53.6, inventories at 40.6, and employment at 39.2. "Due to Missouri's dependence on durable-goods manufacturing, especially related to the auto industry, Missouri is the only state with an unemployment rate above the national reading. I expect the state's jobless rate to increase by another 0.5 percentage points by the end of the second quarter," said Goss.

Nebraska: For the eighth consecutive month, Nebraska's leading economic indicator sank below growth neutral. The March Business Conditions Index, advanced to 39.8 from March's 36.7 and February's 35.9. Components of the overall index for April were new orders at 36.0, production at 39.4, delivery lead time at 47.8, inventories at 40.3, and employment at 35.8. "Given recent weakness in Nebraska's nondurable goods manufacturing sector, the state's pace of job losses has accelerated over the past few months. Even though Nebraska's unemployment rate is roughly half that of the U.S., I expect the gap to close a bit over the next few months as Nebraska's unemployment rises faster than that of the U.S.," said Goss.

North Dakota: For the fourth straight month, North Dakota's leading economic indicator from a survey of supply managers dipped below growth neutral. The April reading slumped to 35.8 from March's 40.5. Components of the overall index for April were new orders at 29.2, production at 35.4, delivery lead time at 37.5, employment at 50.0, and inventories at 27.1. "It is difficult to separate the economic weakness resulting from the recession from that produced by the recent flooding. Even though the state's economy has entered a recession, it is clear that North Dakota's economy is significantly stronger than that of the nation and the region," said Goss.

Oklahoma: For the fourth straight month, Oklahoma's leading economic indicator slumped below growth neutral. The index, from a survey of supply managers, sank to 31.3 from March's 37.2 and February's 46.9. Components of April's overall reading were new orders at 31.3, production at 12.5, delivery lead time at 56.3, inventories at 43.8, and employment at 12.6. "We are finally detecting economic fallout from weaker energy commodity prices in the state. Based on our survey, this weakness should continue in the months ahead," said Goss.

South Dakota: For the sixth time since September, South Dakota's Business Conditions Index moved lower. The leading economic indicator, based on a survey of supply managers, sank to 35.0 from March's 42.1 and February's 45.7. Components of the overall index for April were new orders at 46.4, production at 35.7, delivery lead time at 42.9, inventories at 14.3, and employment at 35.6. "Even though South Dakota's economic downturn has been less severe than in the rest of the nation, South Dakota's pace of job losses has accelerated over the past few months according to our survey. I expect the state's seasonally adjusted unemployment rate to climb to 5.5 percent by the end of the second quarter," said Goss.

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