

February  
2024

# THE MIDAMERICA ECONOMIC REPORT

A monthly survey of supply managers

## MIDAMERICA

Manufacturing Expands,  
but Fewer Jobs

January 2024 Survey  
Highlights:

>The wholesale price gauge fell into a moderate inflationary range from November's "too hot" reading.

>On average, supply managers expect prices for inputs that their firm purchases to rise by 5.9% in 2024, or well above wholesale inflation of 0.9% recorded by the U.S. BLS for the past 12 months ending in November 2023.

>Approximately 46% of supply managers expect a recession in 2024.

>Exports of manufactured goods from the nine-state region expanded from \$74.7 billion for the first 10 months of 2022 to \$77.9 billion for the same period in 2023 for 4.3% growth (U.S. International Trade Administration).

>U.S. BLS data showed that for 2023, the region's manufacturing hourly wage rates expanded by 3.4%.



Welcome to Creighton's February supply manager report covering January survey results. The January overall reading from supply managers in MidAmerica climbed above growth neutral threshold for a second straight month. Thank you for your contributions. Ernie

## Housing Prices Skyrocket: Affordability Declines to Record Low in 2023

Over the past three years, the combination of rising mortgage rates and escalating housing prices have pushed many home buyers into renting rather than buying.

The 30-year mortgage rate has spiked to 7.04% in Q3, 2023 from 3.5% in Q1, 2020 and the median price of a U.S. single family home soared from \$300,200 to \$406,900 during this same time-period. As a result, the national housing affordability fell to a record low 91.7 in the third quarter of 2023 according to the National Association of Realtors (NAR).

A lack of housing inventory, driven by existing homeowners resisting leaving their low interest rates, pushed the affordability index from 169.9 in 2020 to August's record low 91.7 just three years later.

Table 1 below shows how prices and monthly payments have swollen for

metropolitan areas in Creighton's Rural Mainstreet States.

Fully 78%, or 39, states experienced increases in seasonally adjusted unemployment rates between June and December of 2023. Only DE, HI, KS, MD, MN, NV, ND, PA, SC, TX, and WY recorded reductions in, or steady, unemployment rates over the past six months.

Furthermore, home foreclosures for 2023 were up 10% compared to 2022, and 136% higher than 2021, but down nearly 30% from pre-covid 2019 levels.

This data point to much lower prices, but with foreclosure rates moving only slightly higher for 2024. Ernie Goss

Table 1: Median single family home prices & monthly payments by metro area, 2020 and 2023

	Median home price		Monthly payment*		
	2020-Q1	2023-Q3	2020-Q1	2023-Q3	Growth
Sioux Falls	\$282,800	\$376,100	\$749	\$2,114	182.4%
Kansas City	\$287,600	\$365,100	\$752	\$2,083	177.0%
Denver	\$492,700	\$673,000	\$1,561	\$4,264	173.2%
Omaha	\$229,600	\$297,600	\$699	\$1,887	170.0%
Cheyenne	\$237,400	\$328,800	\$896	\$2,383	166.0%
Des Moines	\$315,200	\$387,900	\$727	\$1,886	159.2%
Wichita	\$174,800	\$251,300	\$554	\$1,421	156.3%
Chicago	\$220,600	\$297,800	\$911	\$2,313	153.9%
Minneapolis	\$236,300	\$333,600	\$999	\$2,458	146.1%
Bismarck	\$175,000	\$224,300	\$828	\$1,856	124.2%

Note: \*30-year mortgage rate with 10% down payment. Monthly payments do not include property taxes or insurance. Sources: NAR and St. Louis Federal Reserve

## **BULLISH NEWS**

- The U.S. trade deficit was essentially unchanged between Nov. and Dec. of 2023.
- The U.S. Q4 GDP expanded by a solid 3.3% and well above expectations.
- The U.S. consumer price index climbed by 0.7% for Oct. – Jan. However, core CPI which excludes food and energy rose by a much higher and unacceptable 1.0% over the same time period.

## **BEARISH NEWS**

- After 9 months of rising, the Case-Shiller Home Price index fell by 0.2% in November.
- Compared to 2022, the U.S. budget deficit increased 23% for fiscal 2023.
- Business bankruptcies surged 58% in 2023.
- The U.S. 30-year mortgage rate rose from 7.29% to 7.41% over the past week due to rising inflation fears.



Even with the positive bounce in readings for December and January, supply managers remained pessimistic regarding the 2024 outlook with only 9.1% expecting a 2024 economic expansion.

The rapid expansion in federal government spending and debt will limit the Federal Reserve's ability to reduce interest rates in 2024. Even so, I do expect a rate cut in March with a total of three to four for the full year.

**Employment:** After climbing to growth neutral 50.0 for December the employment gauge tumbled to 39.1 in January, its lowest reading since June 2020. Over the past 12 months, according to U.S. Bureau of Statistics data, the region's manufacturing sector **shed** employment by 800 jobs, or -0.1%, compared to a gain of 12,000 U.S. manufacturing jobs, or +0.1%.

As reported by a January survey participant, "Staff reduced and not replacing them."

Other comments from supply managers in Jan.

>>"Government spending inducing the printing of U.S. dollars and corresponding inflation and national debt is a lawless theft of wealth and security."

>>"Too many economic cross currents to predict."

>>"We expect the next two quarters to be slower. Cutting back and watching cash in preparation."

>>"Our industry is affected by inexpensive imports. Even though antidumping has been implemented against foreign imports there is significant cheating in the supply chain which allows the imports to continue."

**Wholesale Prices:** The wholesale inflation gauge for the month rose to 71.7 from December's 57.7. On average, supply managers expect prices for inputs that their firm purchases to rise by 5.9% in 2024. This is well above wholesale price inflation recently recorded by the U.S. Bureau of Labor Statistics of 0.9% for the 12 months ending in November 2023.

**Confidence:** Looking ahead six months, economic optimism as captured by the January

Overall: After falling below growth neutral in November, the Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, bounced above the 50.0 growth neutral threshold for December and January.. -Ernie Goss

Business Confidence Index slipped to a very weak 31.9 from December's 35.2. Only 19% of supply managers expect expanding business conditions over the next six months.

This month, supply managers were asked to rank the greatest threat to their firm's 2024 success: 22% ranked an economic recession as the greatest 2024 threat; 21% ranked finding and hiring workers as the top 2024 issue; 17.4% rated higher input prices as the number one 2024 issue; 4.4% classified tariffs and trade wars as the number one issue with the remaining 35.2% named various other issues as tops.

**Inventories:** The regional inventory index, reflecting levels of raw materials and supplies, increased to 58.7 from December's 46.0.

**Trade:** Trade numbers were weak for the month with new export orders sinking to 35.8 from December's 47.0. January's import reading climbed to a weak 47.3 from 36.9 in December's 46.7. According to the U.S. International Trade Administration, the export of manufactured goods from the nine- state region expanded from \$82.9 billion for the first 11 months of 2022 to \$86.4 billion for the same period in 2023 for 4.1% growth.

Below are the state reports:

Arkansas: The state's December Business Conditions Index increased to 47.0 from 37.1 in November. Components from the December survey of supply managers were: new orders at 39.4; production or sales at 49.0; delivery lead time at 59.2; inventories at 45.3; and employment at 42.3. According to U.S. International Trade Association data, Arkansas' manufacturing exports expanded from \$4.8 billion for the first eleven months of 2022 to \$5.1 billion for the same period in 2023, representing a growth rate of 7.4%.

Iowa: The state's Business Conditions Index for December rose to 49.7 from November's 44.6. Components of the overall December index were: new orders at 49.6; production or sales at 40.0; delivery lead time at 63.5; employment at 46.6; and inventories at 48.9. According to U.S. International Trade Association data, Iowa's manufacturing exports expanded from \$14.1 billion for the first eleven months of 2022 to \$15.1 billion for the same period in 2023, representing a growth rate of 7.0%.

# GOSS EGGS

## RECENT DUMB ECONOMIC MOVES

President Biden announced last month a pause on every new and pending permits for liquefied natural gas export (LNG).

According to the Wallstreet Journal, letter from Senator Kennedy of Louisiana, "There is no environmental justification for killing these jobs. Natural gas is the reason America leads the world in carbon-emission reductions. From 2005 through 2019 natural gas drove a 32% reduction in American carbon emissions while creating 1.4 million manufacturing jobs and ensuring that families paid half as much to heat their homes."

Unfortunately, China's CO2 emissions increased last year by twice as much as U.S. emissions. By blocking new LNG export projects Biden's actions won't reduce global emissions, but will reward America's adversaries and metaphorically slap the face of the European economy.

4 out of 5 Goss Eggs



**Kansas:** The Kansas Business Conditions Index for December climbed to 54.1 from November's 44.7. Components of the leading economic indicator from the monthly survey of supply managers for December were: new orders at 40.8; production or sales at 50.4; delivery lead time at 69.5; employment at 52.6; and inventories at 57.1. According to U.S. International Trade Association data, Kansas' manufacturing exports expanded from \$10.4 billion for the first eleven months of 2022 to \$11.3 billion for the same period in 2023, representing a growth rate of 8.2%.

**Minnesota:** The December Business Conditions Index for Minnesota strengthened to 55.7 from 43.9 in November. Components of the overall December index were: new orders at 41.0; production or sales at 50.6; delivery lead time at 70.8; inventories at 62.2; and employment at 54.0. According to U.S. International Trade Association data, Minnesota's manufacturing exports sank from \$22.2 billion for the first eleven months of 2022 to \$20.5 billion for the same period in 2023, representing a decline of 7.5%.

**Missouri:** The state's December Business Conditions Index increased to a weak 46.1 from 37.5 in November. Components of the overall index from the survey of supply managers for December were: new orders at 39.9; production or sales at 49.5; delivery lead time at 62.9; inventories at 32.3; and employment at 46.0. According to U.S. International Trade Association data, Missouri's manufacturing exports expanded from \$13.1 billion for the first eleven months of 2022 to \$14.5 billion for the same period in 2023, representing a growth rate of 10.5%.

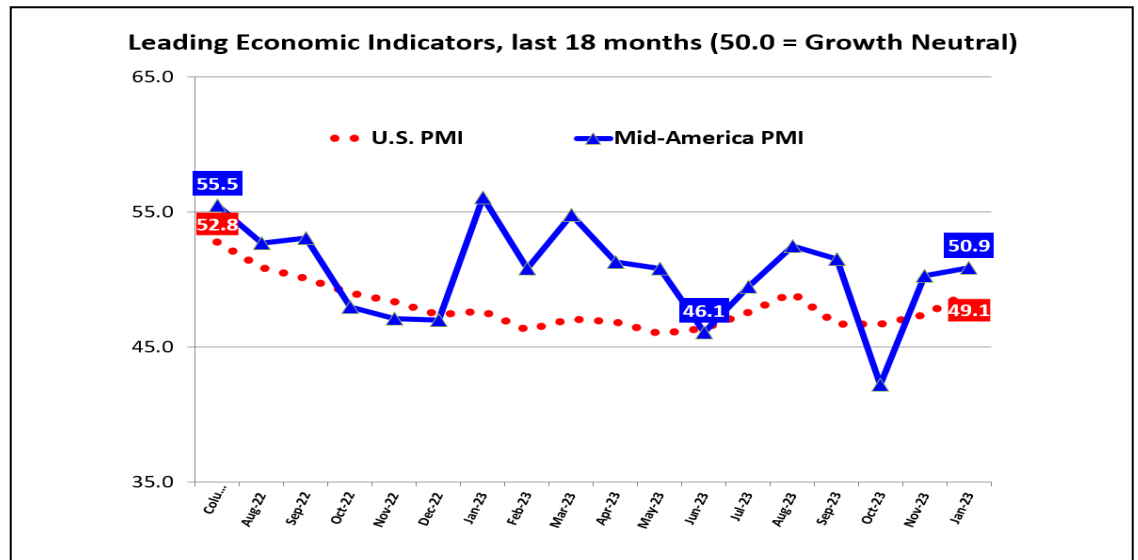
**Nebraska:** For a third straight month, Nebraska's Business Conditions Index sank below growth neutral, but climbed to 49.4 from 39.3 in November. Components of the index

from the monthly survey of supply managers for December were: new orders at 40.3; production or sales at 49.9; delivery lead time at 65.6; inventories at 42.6; and employment at 48.8. According to U.S. International Trade Association data, Nebraska's manufacturing exports sank from \$6.5 billion for the first eleven months of 2022 to \$6.2 billion for the same period in 2023, representing a decline of 3.5%.

**North Dakota:** After falling below growth neutral for November, the state's December Business Conditions Index climbed to 54.7 from November's 47.2. Components of the overall index for December were: new orders at 40.9; production or sales at 50.4; delivery lead time at 70.0; employment at 53.1 and inventories at 58.9. According to U.S. International Trade Association data, North Dakota's manufacturing exports expanded from \$4.1 billion for the first eleven months of 2022 to \$6.1 billion for the same period in 2023, representing a growth rate of 49.7%.

**Oklahoma:** After sinking below growth neutral for November, Oklahoma's Business Conditions Index rose to 50.5 from 43.2 in November. Components of the overall December index were: new orders at 40.4; production or sales at 50.0; delivery lead time at 66.5; inventories at 46.0; and employment at 49.7. According to U.S. International Trade Association data, Oklahoma's manufacturing exports sank from \$5.8 billion for the first eleven months of 2022 to \$5.5 billion for the same period in 2023, representing a decline of 4.3%.

**South Dakota:** The December Business Conditions Index for South Dakota bounced to a regional high 57.2 from November's 48.5, also a regional high. Components of the overall index were: new orders at 42.1; production or sales at 51.7; delivery lead time at 79.0; inventories at 51.2; and employment at 62.2. According to U.S. International Trade Association data, South Dakota's manufacturing exports expanded from \$2.02 billion for the first eleven months of 2022 to \$2.03 billion for the same period in 2023, representing a growth rate of 0.3%.





## THE OUTLOOK

**The U.S. Conference Board: Feb. 7, 2024).** “The US economy started 2024 on strong footing. Various indicators of business activity, labor markets, sentiment, and inflation are moving in a favorable direction. However, headwinds including rising consumer debt and elevated interest rates will weigh on economic growth.”

“With these factors in mind, The Conference Board is upgrading its US forecast for the year. While we no longer forecast a recession, we do expect the consumer spending growth to cool and for overall GDP growth to slow to under 1% in Q2 and Q3 2024. Thereafter, inflation and interest rates should normalize and quarterly annualized GDP growth should converge toward its potential of near 2 percent in 2025.” <https://www.conference-board.org/research/us-forecast>

**Goss: I expect:** \*\*\*The Federal Reserve Open Market Committee to leave short-term interest rates unchanged until their meetings on June 11-12. \*\*\*I continue to expect a mild U.S. recession in the second half of 2024. The real banking sector will be the catalyst for the recession. \*\*\*I expect 30-year mortgage rates to rise above 8% by the end of QII, 2024. .

**KEEP AN EYE ON**

- **Yield on 10-year U.S. Treasury bond.** This indicator which is released in almost “real time” has become the most watched financial indicator. Moving outside the range of 3.9% and 4.6% is a warning signal.
- **GDP for Q1, 2024.** The Atlanta Fed issues its GDPNow in real time. Current estimate is 3.7%. This growth is too strong for the Fed to consider a rate cut at its March meeting.
- **Employment Report for Feb.** On March 1, the U.S. BLS releases its estimate for Feb. employment. Another strong reading (above 190,000) which I do not expect will be bad for bond prices as yields begin to rise again dashing investors hopes for Fed rate cuts.

**STATISTIC(S) OF THE MONTH**  
34%

Harvard’s acceptance rate 2009-15 for legacy applications was 34% compared to 6% for everyone else.

### SUPPLY MANAGER READING ROOM

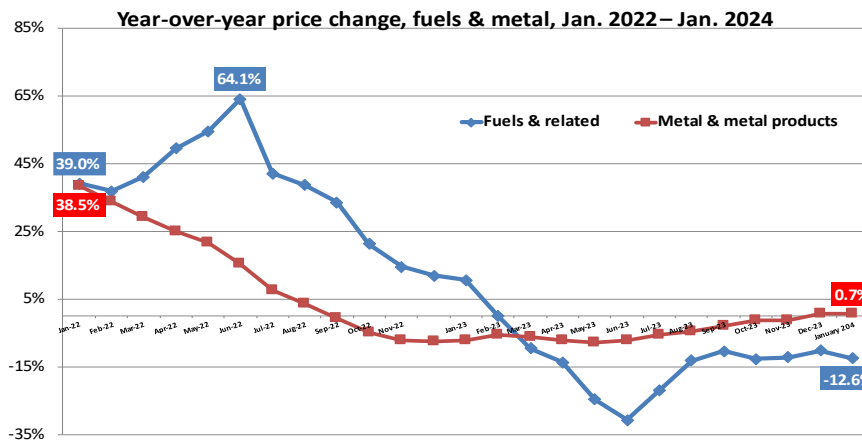
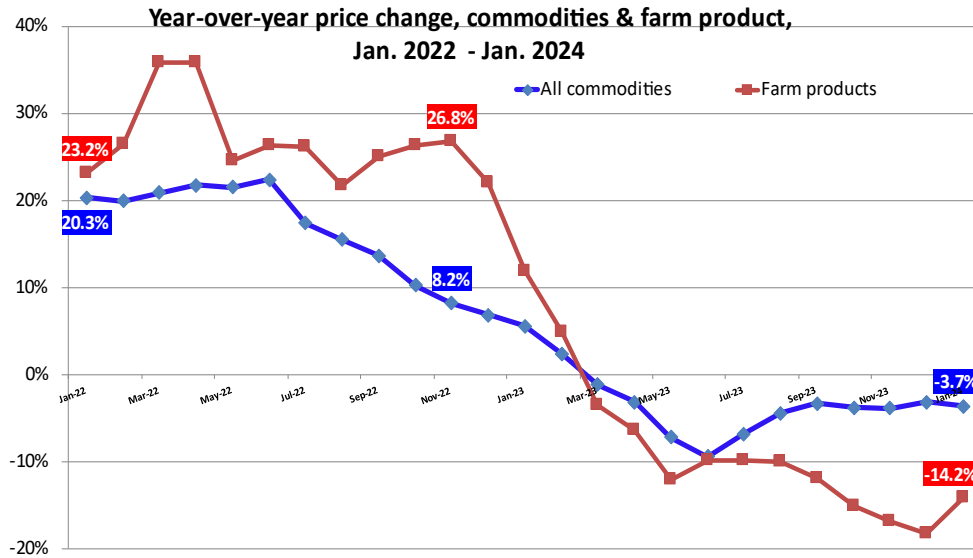
#### Banking on the Cloud

Cloud computing has transformed the way businesses manage their operations and store data.

In the realm of procurement and supply management, cloud-based platforms have emerged as powerful tools for streamlining processes, enabling real-time collaboration and enhancing scalability. They centralize data, improve accessibility and facilitate seamless communication between stakeholders. <http://tinyurl.com/3ejwhexe>

### SUPPLY MANAGER JOB MARKET

**Project Manager Engineering Frozen Foods Remote, Conagra, Omaha.** **Responsibilities** Reporting to the Director of Engineering, you will plan single or multiple projects that range in complexity. You will manage all aspects of the project (i.e., scope development, cost estimates and schedule, etc.) by collaborating within the engineering organization and with other cross-functional departments. **Qualifications** BS in an Engineering discipline. 8+ years of experience in Food Manufacturing. 5+ years of Project Management experience •Frozen Food Experience •Experience managing several \$5MM + capital projects and a progression through multiple roles in the Food Manufacturing industry. This position is located in Omaha NE, Chicago IL, Russellville, AR, Fayetteville, AR and select field locations or remote locations Denver, CO and east and within reasonable proximity (50 miles) to a major. <http://tinyurl.com/3ye9m46v>



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[www.economicstrends.blogspot.com](http://www.economicstrends.blogspot.com)

Goss monthly interview at: <https://bit.ly/MidAmericaBCIDecember2023YouTube>

This month's survey results will be released on March 1<sup>st</sup>

