Welcome to our December report covering Creighton's November survey results. Creighton's monthly survey of supply managers and procurement experts in nine Mid-America states indicate that the economy is growing at a positive pace but much slower pace with inflationary pressures declining. Follow my comments at: www.twitter.com/erniegoss

Commercial Casino Gambling: Hurts Economic Growth & Increases Welfare Spending

State and local governments across the nation are becoming more and more addicted to casino gambling with the number of states permitting commercial casino wagering rising from 11 in 2000 to 23 in 2012. In order to win citizen approval of casino gambling, policymakers normally promise improved economic performance, lower tax burdens, and more dollars for education. With tax rates on casino revenues roughly four times the average sales tax rate, it is no surprise that state and local policymakers become hooked on casinos. Between 2000 and 2012, despite assurances from elected and non-elected officials, states with commercial casinos versus states without commercial casinos experienced lower GDP growth, 54.8% versus 62.6%, and inferior job growth, 5.5% compared to 8.7%. Furthermore in 2012, states with commercial casinos shelled out 15.2% of GDP in the form of transfer and welfare payments. This was significantly higher than that for states without commercial casinos of 13.8%. And did commercial casinos produce lower tax burdens? No! For the latest year, citizens of the 23 commercial casino states suffered a state and local tax burden as a percent of GDP of 8.6%, while the 28 states and DC with no commercial casinos experienced a lower 8.1% tax burden. But commercial casino states did spend more on education. In 2012, gambling states spent 5.6% of GDP on education which was above the 5.3% of GDP spent by non-casino states. Thus, the most recent data show that commercial casinos did not deliver on the promise of economic development and lower taxes. Instead, commercial casinos appear to restrain growth, increase overall tax burdens, and boost welfare and education spending. Happy Holidays to all of you! Thanks for your participation. Ernie Goss.

Link to video:
http://youtu.be/cv9a_TAJFQs

LAST MONTH'S SURVEY RESULTS

Growth Slows for Mid-America for November:
New Export Orders Jump Higher

SURVEY RESULTS AT A GLANCE:

- Leading economic indicator falls for the month.
- Hiring was weak but a lack of skilled workers to fill positions remains an issue.
- New export orders soar for the month.
- Wholesale pressures remain modest for the last several months.
- Best holiday buying season since 2007 expected for the region.

The Mid-America Business Conditions Index for November, a leading economic indicator for a nine-state region, stretching from North Dakota to Arkansas, dipped slightly from October's tepid reading. Indices over the past several months are pointing to positive, but slower, economic gains over the next three to six months for the region. **Overall index:** The Business Conditions Index, which ranges between 0 and 100, fell to 51.3 from October's 51.8. After rising to its highest level in more than three years in June, the overall reading has hovered in a range pointing to positive, but much slower, growth for the overall regional economy over the next three to six months.

A stronger U.S. dollar, plentiful supplies and weak global demand have pushed agriculture and energy prices lower. While I still expect positive growth, it will be down significantly from the same period for 2013. North Dakota and Oklahoma are experiencing the negative influence of sharply lower energy prices while the remaining seven states are experiencing the negative impacts of much weaker crop prices. Growth in urban areas of the region will greater outstrip that of non-urban areas of the region.

Employment: For the third time in the past four months, the employment index moved below the growth neutral threshold of 50.0. However, the job gauge advanced to 49.4 from 43.1 in October. Businesses linked to agriculture and energy are experiencing weaker hiring conditions. At the same time, shortages of skilled/qualified workers in many parts of the region are limiting business expansion.

Despite shortages of skilled workers, this month 46 percent of supply managers reported that the number of applicants exceeded the number of jobs available while 28 percent indicated that the number of jobs was greater than the number of applicants. The remaining 26 percent said that the number of applicants and jobs were approximately equal. The problem for regional businesses is that a high share of the applicants do not have the necessary skills or qualifications.

Wholesale Prices: For three months in the past four, the prices-paid index, which tracks the cost of raw materials and supplies, declined for the month. The wholesale inflation index sank to 56.4, its lowest level since July 2012 and down from October's 60.6. A strengthening U.S. dollar and weaker demand have pushed inflationary pressures at the wholesale level down over the past several months.

Confidence: Looking ahead six months, economic optimism, as captured by the November business confidence index, climbed to 61.5 from 61.2 in October. Despite weaker economic conditions in the regional energy and agriculture sectors, improvements in the national and regional job market supported supply managers' business outlook.

Inventories: The inventory index, which tracks the level of raw materials and supplies, improved to 52.8 from October's 51.4. Supply managers expanded inventories for the month, and at a slightly faster pace than in October. This is yet another signal that supply managers remain reasonably upbeat about the economy as they increased inventories in anticipation of expanding sales for their companies in the months ahead.

Trade: The new export orders index unexpectedly jumped to a solid 57.0 from 48.8 in October. The import index for November sank to 51.0 from October's 52.9. The significant increase in the value of the dollar this year has made U.S. goods less competitively priced abroad and increased the attractiveness of foreign goods sold in the U.S. Despite this, new export orders increased significantly for the month. At this point in time, I think this was an aberration.

Other components: Other components of the November Business Conditions Index were new orders at declined to 50.7 from 53.6 in October; production or sales fell to 52.2 from October's 55.0; Delivery speed of raw materials and supplies slumped to 51.4 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 by the National Institute for Supply Management, formerly the Purchasing Management Association, since 1931.

MID-AMERICA STATES

ARKANSAS
The overall index, or leading economic indicator, for Arkansas slumped to a weak 43.7 from October's 49.3. Components of the index from the monthly survey of supply managers were new orders at 33.7, production or sales at 41.1, delivery lead time at 55.4, inventories at 38.4, and employment at 49.7. During the national recession, December 2007 to June 2009, Arkansas lost almost 20,000, or 20 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained only 1,200, or 6.1 percent, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state's manufacturing employment will not return to pre-recession levels until beyond 2015.

IOWA
Iowa's Business Conditions Index for November fell to a tepid 50.1 from 51.4 in October. This is the fifth consecutive month that the reading has declined. Components of the index from the monthly survey of supply managers were new orders at 45.2, production or sales at 40.4, delivery lead time at 66.1, employment at 57.7, and inventories at 41.2.During the national recession, December 2007 to June 2009, Iowa lost almost 28,000, or approximately 20 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained more than 14,000, or 50 percent, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state's manufacturing employment will return to pre-recession levels in the last quarter of 2015.

KANSAS
The Kansas Business Conditions Index for November dipped slightly to a healthy 62.2 from October's 62.4. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 70.3, production or sales at 72.1, delivery lead time at 49.3, employment at 55.9, and inventories at 63.4. During the national recession, December 2007 to June 2009, Kansas lost more than 21,000, or approximately 18 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained only 3,700, or 17 percent, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state's manufacturing employment will not return to pre-recession levels until beyond 2015.

MINNESOTA
November survey results mark the 24th straight month Minnesota's Business Conditions Index has remained above growth neutral. The index declined to a still solid 58.0 from October's 63.7. Components of the index from the November survey of supply managers in the state were new orders at 61.3, production or sales at 63.7, delivery lead time at 56.1, inventories at 58.5, and employment at 50.6. During the national recession, December 2007 to June 2009, Minnesota lost almost 31,000, or approximately 14 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained almost 20,000, or approximately 64 percent, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state's manufacturing employment will return to pre-recession levels in the latter half of 2015.

MISSOURI
The November Business Conditions Index for Missouri declined to 54.9 from 57.1 in October. Components of the index from the survey of supply managers for November were new orders at 55.3, production or sales at 58.6, delivery lead time at 53.5, inventories at 57.6, and employment at 49.7. During the national recession, December 2007 to June 2009, Missouri lost almost 38,000, or approximately 20 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained only 2,800, or approximately 7 percent, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state's manufacturing employment will not return to pre-recession levels until beyond 2015.

NEBRASKA
For the 11th straight month, Nebraska's Business Conditions Index remained above growth neutral 50.0. The November index, a leading economic indicator from a survey of supply managers in the state, rose to a tepid 51.6 from 50.3 in October. Components of the index for November were new orders at 52.2, production or sales at 49.9, delivery lead time at 52.1, inventories at 53.3, and employment at 50.4. During the national recession, December 2007 to June 2009, Nebraska lost more than 8,000, or approximately 16 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained almost 2,700, or approximately one-third, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state's manufacturing employment will not return to pre-recession levels until beyond 2015.

NORTH DAKOTA
North Dakota's leading economic indicator fell to a level pointing to solid, but slower economic growth in the next three to six months. The November Business Conditions Index fell to 53.4 from October's 54.8. Components of the overall index from the monthly survey of supply managers for November were new orders at 51.6, production or sales at 52.8, delivery lead time at 55.1, employment at 55.5, and inventories at 51.9. During the national recession, December 2007 to June 2009, North Dakota lost 2,400, or approximately 13 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained almost 1,800, or approximately 75 percent, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state's manufacturing employment will return to pre-recession levels in the first half of 2015.

OKLAHOMA
After declining below growth neutral for October, the Business Condition Index for Oklahoma climbed above the threshold for November, but still signaling a somewhat slower growth in the next three to six months. The index for November jumped to 54.5 from October's 48.0. Components of the November survey of supply managers in the state were new orders at 66.3, production or sales at 63.3, delivery lead time at 38.7, inventories at 55.5, and employment at 48.5. During the national recession, December 2007 to June 2009, Oklahoma lost more than 21,000, or approximately one-fifth, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained more than 16,000, or approximately 76 percent, of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state's manufacturing employment will return to pre-recession levels in the second half of 2015.

THE PURCHASING ECONOMY SURVEY REPORT December 2014

"A monthly survey of supply chain managers"

SOUTH DAKOTA
After moving below growth neutral in November of 2012, South Dakota's leading economic indicator has been above growth neutral 50.0 each month since. The Business Conditions Index, from the monthly survey of supply managers, declined slightly to 51.5 from October's 51.8. Components of the overall index for November were new orders at 44.2, production or sales at 62.8, delivery lead time at 53.5, inventories at 44.3, and employment at 52.6. During the national recession, December 2007 to June 2009, South Dakota lost 4,700, or approximately 11 percent, of its manufacturing jobs. Since the recovery began in July 2009, the state has gained more than 5,300, or all of the lost manufacturing jobs back. Our surveys of businesses in the state indicate that the state's manufacturing employment will continue to expand to record levels in 2015.

THE BULLISH NEWS

- West Texas crude oil (WTI) dropped to $66 this week. For most industries this is a very positive outcome.
- The U.S. economy added 321,000 jobs in November and the unemployment rate remained steady at 5.8%.
- Inflation adjusted average weekly earnings increased 0.4% for October.
- Retail sales for November climbed by a healthy 0.7%.

THE BEARISH NEWS

- Overall, wages were up 2.1% for the 12 months ended in November. That was a bit better than the 1.7% inflation rate, but not near the Fed's desired 3% growth.
- Retail sales expanded by only 0.3% from September to October. This is after a decline for September. Retail sales advanced by 4.5% from October 2013 to October 2014.
- The Case-Shiller home price index for September declined by 0.1% and the year over year gain came in at 4.8%.

WHAT TO WATCH

- Case-Shiller Home Price Index: On the last Tuesday of the month, the Case-Shiller home price index will be released. Another significant decline in the growth number will be a warning signal for the housing market. Year over year growth above 5.0% will be good.
- Wage data: On Friday Jan. 9, the Bureau of Labor Statistics, as part of its employment report, releases its wage number. Year over year growth above 2.3% will encourage the Federal Reserve Bank to begin to lay groundwork for an interest rate hike.
- Retail Trade: On January 14, 2015, the U.S. Census Bureau will release retail sales data for December. This will be an important signal of consumer strength (or lack thereof).

FROM GOSS:

- The U.S. trade deficit to begin rising significantly in the months ahead as exports retreat and imports swell.
- The 2015 holiday buying season to be the best since 2007.
- The Fed to begin preparing the market for a rate hike which is now likely to come as early as March 2015.

OTHER REPORTS:

- National Association of Business Economics (NABE): SUMMARY: "Economists participating in NABE's December 2014 Outlook Survey expect economic growth to accelerate in 2015," according to NABE President John Silvia, chief economist of Wells Fargo. "The NABE panelists' median forecast is for real GDP growth to measure 3.1% on an annual average basis next year, a marked improvement from the 2.2% growth rate currently expected for 2014. On a Q4/Q4 basis, the panel's median forecast is for real GDP to climb 2.2% in 2014 and 2.9% in 2015. The Outlook Survey panelists anticipate the solid pace of output growth will be accompanied by continued labor market firming, with nonfarm employment expanding by nearly 220,000 jobs per month next year and the unemployment rate falling to 5.4% by the fourth quarter of 2015. These views are slightly more optimistic than those expressed in NABE's previous Outlook Survey released in September."

Goss Eggs (Recent Dumb Economic Moves)

- Fannie Mae and Freddie Mac this week announced details of a plan to allow some first-time homeowners to obtain a mortgage while putting down just 3% of the price of the home. Were these folks asleep in 2007 and 2008? When a "home of your own" becomes the next entitlement, the American taxpayer is truly in trouble---bailouts as far as the eye can see.

Survey results for December will be released on the first business day of next month, January 2nd.

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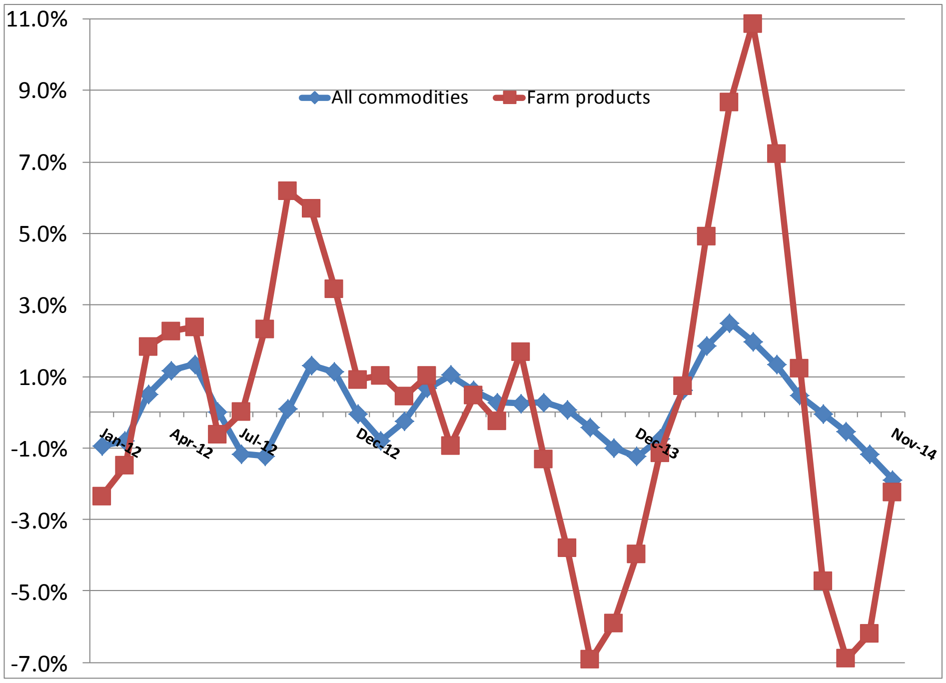
http://www2.creighton.edu/business/economicoutlook/
www.ernestgoss.com

PRICE DATA

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

Price changes, 3 month moving average, 2012- November 2014



Price changes, 3 month moving average, 2012 - November 2014