

The Regional Economy-Black Swans & Golden Geese:
Surveys of Supply Managers & Bank CEOs

(What Happens on the Farm Does Not Stay on the Farm)

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2018-19 issues

- * EXPORT HEADWINDS--LESS COMPETITIVELY PRICED ABROAD --TRUMP TRADE SKIRMISHES
- *HIGHER INFLATION??? TARIFFS?
- *HIGHER INTEREST RATES? HOW MUCH?
- *INFRASTRUCTURE SPENDING INVITES RATE HIKE FROM FED (DEFICITS > \$1 TRILLION)
- *TAX REFORM AND INTEREST RATE HIKES?
- *INFLATION OR ASSET BUBBLES. WHAT'S THE DIFFERENCE?
- *CHINESE YUAN HAS DECLINED BY 10.2% FROM FEBRUARY 2018 (REDUCES IMPACT OF TARIFFS)
- *MEDICAID EXPANSION—WHO PAYS?

Medicaid expansion, 2013-17

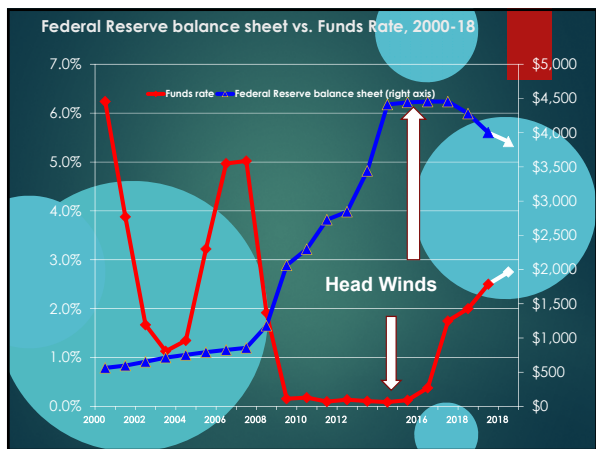
	Recipients per 1,000 Population		% change	Expansion spending (2015)	
	2013	2017		State	Federal
States Not Expanding Medicaid					
Kansas	131	132	1.0%	\$0	\$0
Missouri	140	153	9.3%	\$0	\$0
Nebraska	131	128	-2.6%	\$0	\$0
South Dakota	137	135	-1.4%	\$0	\$0
States Expanding Medicaid					
Colorado	149	239	60.5%	\$3,451,700	\$1,350,776,600
Iowa	160	217	35.6%	\$18,645,900	\$730,414,600

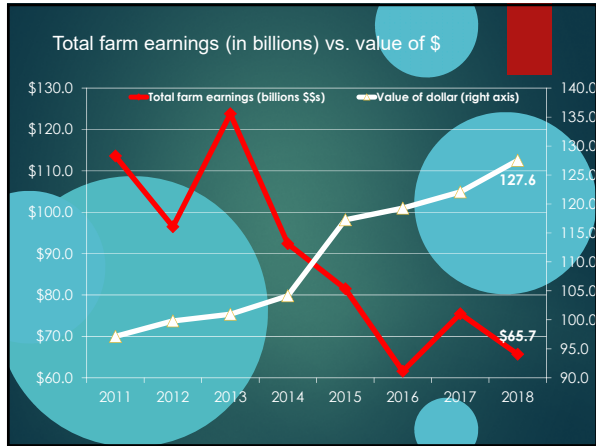
“May you live in interesting times.”

- ▶ Swiss government bond maturing in 2066:
 - ▶ Price July 16, 2016; \$1,000 (U.S. dollars)
 - ▶ Yield = -0.02% (2016); +0.70% (today)
 - ▶ Assuming 1% inflation; Net present value = \$607 (at issuance)
 - ▶ Investors that bought in 2016 made money, ROR = 16.4% (2016-17)
 - ▶ Greater fool theory? Who Is It?

**Where Are the Price Bubbles?
Black Swans? High prices drive ROR down**

- ▶ Bond prices? Rate-of-Return = 3.15%
- ▶ Stock prices? ROR (Case-Shiller S&P) = 3.0% to 3.2%
- ▶ Farm ETF? MOO = +3.75%
- ▶ Ag Land? Price Change = -3.0% next year; -4.0% last year
- ▶ Ag Equipment Sales? -7.8%
- ▶ Annual growth home prices = 5.7%
- ▶ Bitcoin > \$1,000 to 19,000

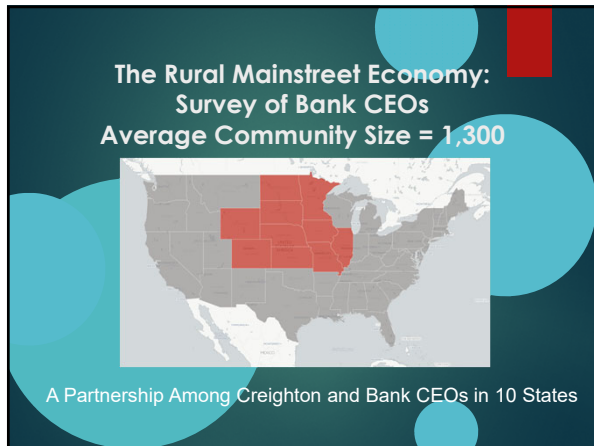


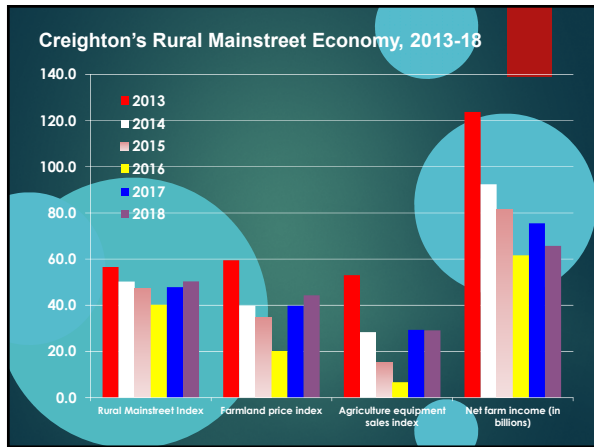


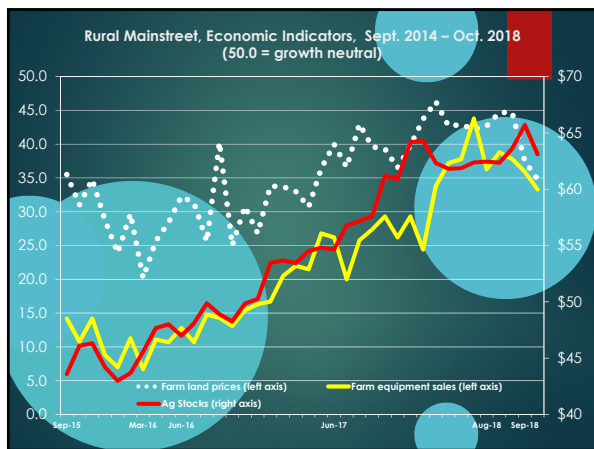


Rural Mainstreet export comparisons, 2007-14 and 2014-17

	Ranking	Yearly growth	
		Growth 2007-14	2014-17 (No QE)
U.S.	*	5.9%	-1.5%
Arkansas	18	5.8%	-2.6%
Illinois	20	5.6%	-1.7%
Iowa	13	8.0%	-4.2%
Kansas	40	2.5%	-2.1%
Minnesota	39	2.6%	-1.2%
Missouri	48	0.7%	0.0%
Nebraska	7	12.0%	-2.9%
North Dakota	2	24.1%	-1.1%
Oklahoma	22	5.4%	-4.8%
South Dakota	47	0.8%	-4.6%







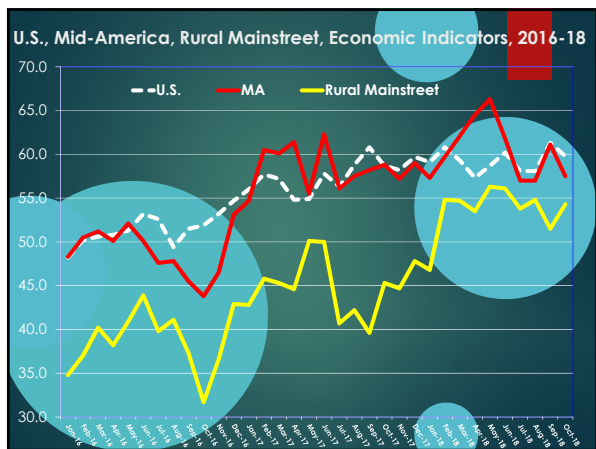
Bullish on Rural Mainstreet: Long term

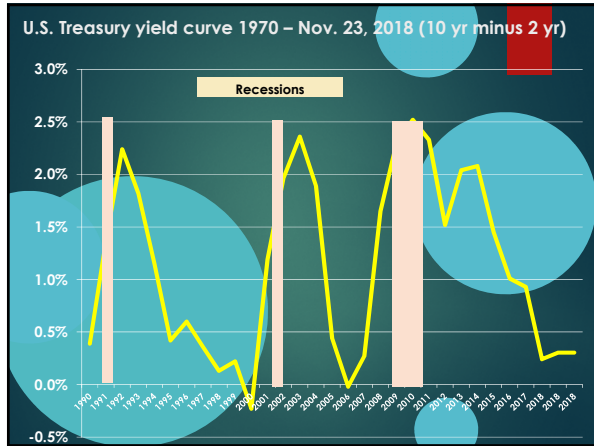
- ▶ **Fast growth for emerging economies (China, India):** Food & energy demand income elastic (e.g. income up 8%, food demand up 12%)
- ▶ **Alternative energy production initiative:** wind farms, ethanol, anaerobic digestion.
- ▶ **U.S. & Mid-America—energy juggernauts**
- ▶ **Trade is a powerful ag & energy force**

The Regional Economy:
Survey of Purchasing Managers & Business Leaders



A Partnership Among Creighton and State Supply Managers Associations





- Indicators to Watch (December-January)
- ▶ **ISM readings (Creighton & National (Jan. 2)**
 - ▶ **Wages (Dec. 9) Nov. jobs report.**
 - ▶ **10-Year U.S. Treasury (Daily)**
 - ▶ **The yield curve (daily)**
 - ▶ **The FOMC meeting (Dec. 19)**

Questions?
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