

Welcome to our October report covering results from Creighton's September survey of 9-state survey of supply managers. Creighton's monthly survey of supply managers and procurement experts in nine Mid-America states indicates that economic growth is in a range indicating that the regional economy is experiencing a positive, but slowing economic growth with significantly elevated inflation and supply bottlenecks. Follow my comments at: www.twitter.com/erniegoss.

"A monthly survey of supply chain managers"

Mid-America Economic Growth Slows as Confidence Plunges: Higher Prices and Empty Shelves to Greet Holiday Shoppers

Bitcoin-is it the New Gold? Is it Money, or a Financial Asset?

Over the past year, the rate of inflation, as measured by the consumer price index (CPI) has soared by 5.3%, its greatest acceleration in the past 13 years. During the same period of time the price of gold actually declined by 7.3%. This is a sharp departure from the past as investors sought gold as a safe haven investment, or shield against inflation.

Over the 52 years prior to the pandemic, a 5.3% increase in inflation, as experienced over the past year, would have increased the price of gold by 6.1%. To what alternative did investors flee? Bitcoin! Over the last 12 months, investors have pushed the price of bitcoin up by 353.3% to its current price of more than \$62,000. But how safe is this alternative to gold, and is bitcoin a hard asset, such as gold, or is it money like the dollar or the Euro? For an asset to serve as money, it must be medium of exchange and it must be a safe and stable store of value.

Safety. Since 2016, the average monthly variation in the price of bitcoin was 18.7%, with a one month high of 96.0% and a one month decline of 31.6%. During this same time period, gold experienced average swings of 2.4% monthly with a one-month high of +6.2%, and a one-month slump of -7.1%. **Bitcoin fails the safety test and is not a safe store of value.**

Hedge Against Inflation. Before and after the onset of Covid-19, bitcoin prices have moved somewhat more in tandem with inflation than gold. Between 2016 and August 2021, each one percentage point increase in inflation produced a 1.33 percentage point upturn in bitcoin prices, and a 1.28 percentage point upturn in gold prices. **Bitcoin passes the inflation hedge test.**

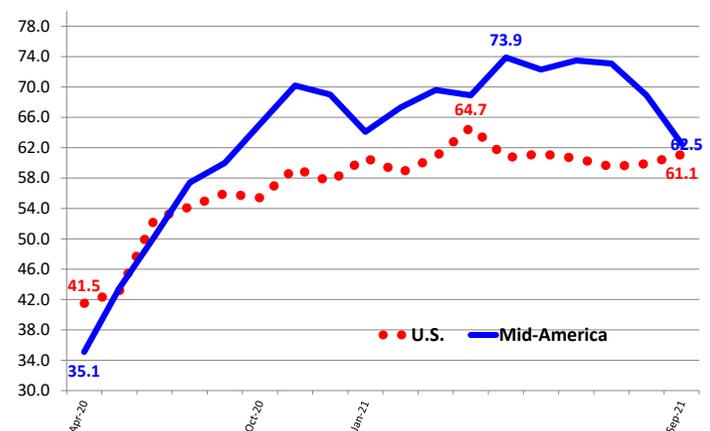
Bitcoin is money. As of October 2021, only El Salvador has granted bitcoin the status of "legal tender." Only a few U.S. merchants such as Tesla have ever "considered" accepting bitcoin in exchange for a product or service. Furthermore, according to the IRS, "When you sell virtual currency, you must recognize any capital gain or loss on the sale, subject to any limitations on the deductibility of capital losses." In other words, the IRS regards bitcoin as an asset like stock, not currency like the U.S. dollar. So when you buy that Tesla X, with bitcoin, you likely have a capital gain—short or long. **Bitcoin fails the money test.**

Clearly, potential bitcoin investors should follow the advice of philosopher/novelist George Santayana who once said, "Skepticism, like chastity, should not be relinquished too readily."

September Survey Results at a Glance:

- Creighton's regional Business Conditions Index climbed into a range indicating positive, but slowing growth for the next three to six months.
- Business confidence plummeted to its lowest level since the first month of COVID-19, March 2020.
- Almost 73.3%, of supply managers expect holiday and Christmas shoppers to face significantly higher prices and empty shelves this season.
- Approximately one in three supply managers said finding and hiring qualified workers will be the greatest challenge for the next 12 months, up from one in five last month.
- Supply bottlenecks slammed regional imports lower.

Leading Economic Indicators, last 18 months (50.0 = Growth Neutral)



(Survey results continue on the following page)

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Goss monthly interview at:

<http://bit.ly/MidAmericaBCISeptember2021NewsAssets>

Survey results for October will be released on November 1, 2021, the first business day of the month.

"A monthly survey of supply chain managers"

OMAHA, Neb. (Oct. 1, 2021) – Since declining to a record low in April of last year, the Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, has remained above growth neutral for 16 of the last 17 months.

Overall Index: The Business Conditions Index, which uses the identical methodology as the national ISM, ranges between 0 and 100, declined to a still solid 61.6 from August's 68.9. Supply managers reported that worker shortages represented the greatest challenge for the next 12 months and was restraining growth.

Creighton's monthly survey results indicate the region is adding manufacturing business activity at a positive pace, and that regional growth will remain solid, but somewhat slower. Supply chain bottlenecks and labor shortages remain the primary obstacles to growth.

Almost three of four, or 73.3%, of supply managers expect holiday and Christmas shoppers to face significantly higher prices and empty shelves this season. The message from supply managers is to order early.

As reported by one supply manager, "Critical supplies are now on allocation for the first time in decades."

Employment: The regional employment index remained above growth neutral for September, but sank to 56.7 from August's 64.6. Even with strong manufacturing job growth, the region has yet to recover all job losses from the pandemic. The latest U.S. Bureau of Labor Statistics data indicate that current regional nonfarm employment is down by 472,000 jobs, or 3.4%, compared to pre-COVID-19 levels.

Average hourly wages for all manufacturing workers in MidAmerica expanded by 2.6% over the last 12 months compared to a stronger 3.0% for the same period between 2019 and 2020.

Even with solid job growth for the month, firms continue to report difficulties in finding and hiring new workers. Approximately one in three supply managers said finding and hiring qualified workers will be the greatest challenge for the next 12 months. This is up from one in five from the previous month that expected labor shortages to be a top challenge.

Other September comments from supply managers were:

- "Complex supply issues. USA should be able to muddle through the holidays. Markets and economy may contract significantly next year."
- "Speechless with a side of 'I told you so' nine months ago. This administration will kill America as we know it and not for the better."
- "Concerns about the world relationships will play into the economy."

Wholesale Prices: The wholesale inflation gauge for the month slipped to 94.9 from August's 95.0. Creighton's monthly survey is tracking the highest and most consistent inflationary pressures in more than a quarter of a century of conducting the survey.

As reported by supply managers, rising input prices represented the third greatest challenge or threat faced by their firm over the next 12 months.

Commodity prices are up approximately 19.9% over the last 12 months, according to U.S. Bureau of Labor Statistics data. Supply managers in Creighton's June survey expect prices for their firm's products to advance by 7.7% for the next 12 months.

Confidence: Looking ahead six months, economic optimism, as captured by the September Business Confidence Index, plummeted to 37.0, its lowest level since the onset of COVID-19 in Quarter 1, 2020, and down from 53.5 in August. This is the fourth straight month that the index has declined.

Inventories: The regional inventory index, reflecting levels of raw materials and supplies, sank to 48.3 from 54.9 in August.

Approximately 32% of supply managers indicated supply chains bottlenecks represented their firm's greatest threat for the next 12 months.

Trade: Despite supply chain bottlenecks, regional export numbers were solid for the month. The new export orders index declined to a solid 59.5 from August's 64.7. Supply bottlenecks pushed the September import reading to a lower 37.0 from 52.4 in August.

Other survey components of the September Business Conditions Index were: new orders fell to 64.4 from 75.8 in August; the production or sales index declined to 55.2 from August's 65.0; and the index reading for the speed of deliveries of raw materials and supplies dipped to 83.4 from August's 84.5. A lower reading indicates more timely deliveries.

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 (ISM), formerly the National Association of Purchasing Management. The Mid-America report is produced independently of the national ISM.

MID-AMERICA STATES

ARKANSAS

The September Business Conditions Index for Arkansas declined to 60.0 from 69.3 in August. Components from the September survey of supply managers were: new orders at 64.1, production or sales at 54.4, delivery lead time at 81.7, inventories at 44.8, and employment at 54.8. Average hourly wages for all manufacturing workers in Arkansas expanded by 4.9% over the last 12 months compared to 2.4% for the same period between 2019 and 2020.

IOWA

Iowa's Business Conditions Index for September dropped to 62.8 from 68.2 in August. Components of the overall September index were: new orders at 64.6, production, or sales, at 55.6, delivery lead time at 84.4, employment at 58.0, and inventories at 51.1. Average hourly wages for all manufacturing workers in Iowa expanded by 1.7% over the last 12 months compared to 2.4% for the same period between 2019 and 2020.

KANSAS

The Kansas Business Conditions Index for September declined to 62.0 from 70.4 in August. Components of the leading economic indicator from the monthly survey of supply managers were: new orders at 64.5, production or sales at 55.3, delivery lead time at 83.6, employment at 57.1, and inventories at 49.3. Average hourly wages for all manufacturing workers in Kansas expanded by 2.2% over the last 12 months compared to 1.7% for the same period between 2019 and 2020.

MINNESOTA

The September Business Conditions Index for Minnesota dropped to 68.5, a regional high for this month, from August's 71.1. Components of the overall September index were: new orders at 65.7, production or sales at 58.1, delivery lead time at 90.1, inventories at 64.2, and employment at 64.5. Average hourly wages for all manufacturing workers in Minnesota expanded by 2.4% over the last 12 months compared to 5.6% for the same period between 2019 and 2020.

MISSOURI

The September Business Conditions Index for Missouri rose to 61.4 from 75.2 in August. Components of the overall index from the survey of supply managers for September were: new orders at 64.4, production or sales at 55.1, delivery lead time at 83.1, inventories at 48.0, and employment at 56.4. Average hourly wages for all manufacturing workers in Missouri expanded by 2.2% over the last 12 months compared to 3.4% for the same period between 2019 and 2020.

NEBRASKA

Nebraska's overall index for September sank to 65.5 from 68.6 in August. Components of the index from the monthly survey of supply managers for September were: new orders at 65.1, production or sales at 56.8, delivery lead time at 87.1, inventories at 57.2, and employment at 61.1. Average hourly wages for all manufacturing workers in Nebraska expanded by 1.1% over the last 12 months compared to 5.2% for the same period between 2019 and 2020.

NORTH DAKOTA

The September Business Conditions Index for North Dakota slumped to 55.7, a regional low, from 63.6 in August. Components of the overall index for September were: new orders at 63.3, production or sales at 52.6, delivery lead time at 77.4, employment at 50.0, and inventories at 35.1. Average hourly wages for all manufacturing workers in North Dakota expanded by 4% over the last 12 months compared to 0.7% for the same period between 2019 and 2020.

OKLAHOMA

Oklahoma's Business Conditions Index expanded above growth neutral in September. However, the overall index sank to 58.6 from 68.4 in August. Components of the overall September index were: new orders at 63.9, production or sales at 53.9, delivery lead time at 80.3, inventories at 41.8, and employment at 53.3. Average hourly wages for all manufacturing workers in Oklahoma expanded by 5.3% over the last 12 months compared to 1.4% for the same period between 2019 and 2020.

SOUTH DAKOTA

The September Business Conditions Index for South Dakota fell to 59.6 from 67.3 in August. Components of the overall index from the September survey of supply managers in the state were: new orders at 64.0, production or sales at 54.3, delivery lead time at 81.3, inventories at 43.9, and employment at 54.4. Average hourly wages for all manufacturing workers in South Dakota expanded by 3.5% over the last 12 months compared to 1.3% for the same period between 2019 and 2020.

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THE BULLISH NEWS

- In the week of October 2, initial claims for unemployment insurance declined by 38,000 to 326,000 from the previous week. The insured unemployment rate fell to its lowest level since March 2020.
- The S&P/CoreLogic/Case-Shiller National Home Price Index rose 17.7%, after correcting for inflation, in the year that ended in July. That's the highest 12-month increase since these data began in 1975. Good news for home sellers.
- The cyclically adjusted price earnings ratio of U.S. stocks soared to 37.1, the second highest since 1881. (e.g. stocks are very expensive relative to earnings).



THE BEARISH NEWS

- September job additions of 194,000 was almost half of expectations, and 183,000 workers left the labor force for the month.
- The U.S. trade deficit jumped to a record high \$73.3 billion in August. Exports rose 0.5% and imports increased even more at 1.4%.
- For the budget year which ended September 30, the Congressional Budget Office forecasts a budget deficit of \$3.0 trillion budget deficit which is below last year's deficit of \$3.13 trillion shortfall.

THE OUTLOOK

National Association of Business Economics (latest NABE), "Inflation expectations have moved up significantly from those in the May 2021 survey," added Survey Chair Holly Wade, executive director, NFIB Research Center, "but panelists anticipate inflation will ease in 2022. "Over half—58%—of the survey respondents consider the balance of risks to economic growth in 2021 to be to the downside, while 16% expect the balance to be to the upside, a complete reversal from the May survey results," continued Wade. "Panelists point to a variant of the coronavirus against which the vaccines may be ineffective as the main downside risk." GDP NABE panelists have moderated their expectations about the prospects for economic growth in 2021 since the May outlook survey. The median forecast for the third quarter (Q3) of 2021 calls for an increase of 4.0% in inflation adjusted gross domestic product (real GDP), quarter-over-quarter (q/q) annualized.

Goss October 2021): **Current high U.S. inflation IS transitory, but so is life (depending on your time frame). I expect inflation to move below 3.5% in the first quarter of 2022. While I expect solid wage growth for the rest of 2021, inflation adjusted wage growth will be close to zero due to soaring inflation. **The Democrat \$3.5 trillion reconciliation infrastructure bill (i.e. passed without Republican support) will be scaled back to obtain Senator Manchin's support. The Republicans and Manchin will save Biden from himself. **The Fed will begin scaling back (e.g. tapering) its monthly purchases of MBS and U.S. Treasury bonds in the fourth quarter of 2021

KEEP AN EYE ON

- **U.S. Inflation Report.** On November 10, the U.S. Bureau of Labor Statistics (BLS) releases its consumer price index (CPI) for October. Recent readings are signaling inflation well above the Federal Reserve's acceptable level (transitory or not!)
- **U.S. Jobs Report.** On November 5, the BLS releases its job numbers for October. Another weaker than expected reading (below 150,000) will push the Federal Reserve to delay their tapering of bond buying of mortgage backed securities and U.S. Treasury bonds
- **U.S. GDP.** On October 28, the U.S. Bureau of Economic Analysis releases 3rd Quarter GDP. Growth below 2%, which I expect, will be bullish for U.S. Treasury bond prices.

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GOSS EGGS (for recent dumb economic moves)

Higher fuel and heating prices anyone? Canada and U.S. consumers once again got caught in the crosshairs of U.S. politicians---Michigan Governor Gretchen Whitmer and President Biden. Just as President Biden killed the Keystone XL pipeline from Canada, Governor Whitmer revoked and terminated an easement in order to shut down Enbridge Energy's Line 5. Her action, if successful, will disrupt a major supply chain that moves more than 500,000 barrels of oil and natural gas liquids a day from Canada to Great Lakes states. Grade=4.0 Goss Eggs.



STATISTIC OF THE MONTH

\$4.1 trillion. For the first time in U.S. history, the federal government collected more than \$4 trillion in taxes for the fiscal year ending Sept. 30, 2021. This amount is almost 15% above the level collected before the 2017 tax cuts.

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SUPPLY MANAGERS READING ROOM

"Supply chain chaos is already hitting global growth, and it's about to get worse," *Thanks to the rollout of coronavirus vaccines, the global economy is slowly starting to emerge from the Covid-19 pandemic. *But the pandemic has left one very destructive issue in its wake: disruption to global supply chains.* The rapid spread of the virus in 2020 prompted shutdowns of industries around the world. Thanks to the rollout of coronavirus vaccines, the global economy is slowly starting to emerge from the Covid-19 pandemic. <https://tinyurl.com/2ts3s6hm>

SUPPLY MANAGER CAREERS

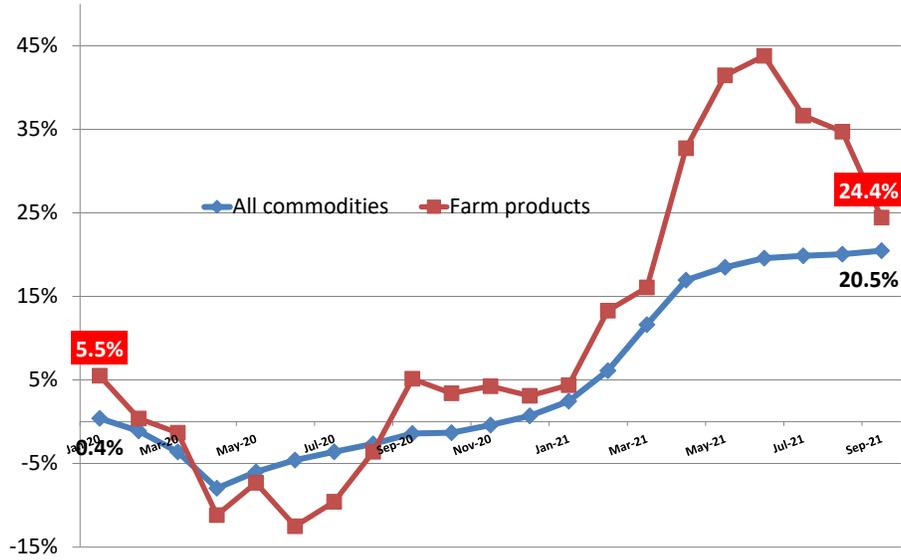
Sourcing Manager – Biosystems MilliporeSigma. St. Louis, Missouri. *Bachelor's degree preferably in a field of life science or business, advanced degree (Master's or MBA) preferred. *Minimum 5 years professional experience in one or more of following roles: new product development, strategic sourcing, technical services, product management, supply chain in life science or pharmaceutical industries. *Experience in a global, matrixed organization with experience in and exposure to advanced sourcing strategies. <https://tinyurl.com/rvxfjdsz>

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For historical data and forecasts visit our website at:
<http://business.creighton.edu/organizations-programs/economic-outlook>

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Year-over-year price change, commodities and farm product, 2020 - Sept. 2021



Year-over-year price change, fuels and metal products, 2020 – Sept. 2021

