

"A monthly survey of supply chain managers"

Happy Holidays to you, family and friends!! Welcome to our December report covering results from Creighton's November survey of supply managers and procurement experts in nine Mid-America states. This survey indicates that the economic growth has moved into a range indicating very healthy economic growth ahead with elevated inflationary pressures. Follow my comments at: www.twitter.com/erniegoss

Death and (No) Taxes for Super Rich: Give Gains to Charitable Foundations

Recently George Soros transferred more than \$18 billion of his accumulated wealth to a private foundation that he controls. By so doing, he has escaped paying taxes on the appreciated value of the assets forever. The super-rich that head corporations, such as Soros and Warren Buffett can take a yearly salary that is in a range whereby they pay income tax rates equivalent to that of middle income Americans. Furthermore, they have access to corporate private jets, and other tax-deductible benefits unavailable to most middle-income Americans. All the while, the value of the ownership of shares of their company grows untaxed. But instead of selling the appreciated shares and incurring capital gains taxes, the super-rich give the shares to private foundations. Thus, the income or gain is forever untaxed.

For example, in 2017, Buffett donated 18.63 million Berkshire "B" shares valued at \$170.25 per share with a tax basis of roughly \$58.71 to the Gates Foundation. Thus in 2017 alone, Buffett will avoid paying capital gains taxes of \$141 million to Nebraska, and \$463 million to the federal government. In the end, Mr. Buffett intends to donate more than \$50 billion in appreciated stock to private foundations. Mr. Buffett ridiculed the current tax system that taxes his secretary at a higher rate that he pays. To rectify this injustice, he proposed that the capital gains tax be raised to 50%. But elevating the rate would have no tax impact on his accumulated stock wealth.

In the end, the current U.S. tax law allows death with (almost) no taxes for the super-rich. A potential remedy is to limit the amount of appreciated stock that may be gifted without taxes. As stated by novelist F. Scott Fitzgerald to fellow writer Ernest Hemingway, "You know Ernest, the rich are different from you and me." To which Hemingway responded, "Yes they have more money." To be an even bigger wiseacre, Hemingway might have added "and the ability to die without taxes, Scott." Ernie Goss.

Link to video: <https://www.youtube.com/watch?v=z7ivxeZXln0&feature=youtu.be>

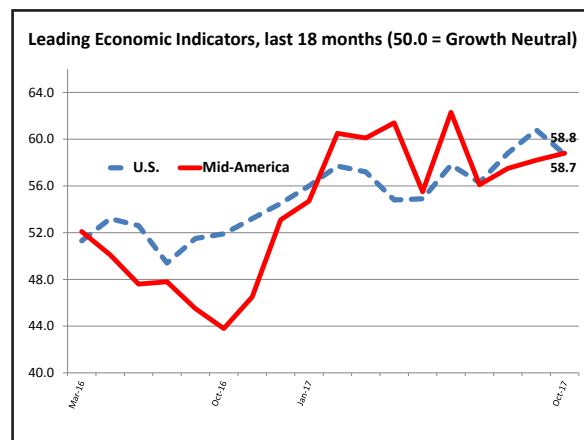
LAST MONTH'S SURVEY RESULTS

Mid-America Business Conditions Index Rises to Healthy Level: Trade and Inflation Expand

SURVEY RESULTS AT A GLANCE:

- Overall index moved above growth neutral for an 11th straight month, pointing to solid growth ahead.
- Strong growth for durable-goods manufacturers in Iowa, Minnesota, Missouri and Oklahoma.
- Only one in five supply managers indicated NAFTA was important to company buying and selling.
- Wholesale inflation gauge points to December Federal Reserve rate hike.

The November Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Arkansas to North Dakota, climbed to a healthy reading according to the latest monthly survey results.



Overall index: The Business Conditions Index, which ranges between 0 and 100, slipped to a still healthy 57.2 from October's 58.8. This is the 12th straight month the index has remained above growth neutral, continuing to point to positive growth for the region over the next three to six months.

Both the national and our regional indices indicate the manufacturing sector is advancing at a very healthy pace and that this expansion will spill over into the broader national and regional economies in the next three to six months. Both durable and nondurable goods manufacturers have reported consistent growth over the past several months.

Employment: The November employment index remained above growth neutral with a reading of 53.6, up from 52.9 in October. The durable, nondurable and nonmanufacturing sectors are adding jobs at a solid pace. Over the past 12 months, the regional manufacturing sector has added approximately 25,000 jobs, a 1.8 percent expansion. This annual regional manufacturing growth rate significantly exceeds the 1.3 percent growth for U.S. manufacturing.

Despite solid employment growth, supply managers expect their firms to raise wages and salaries by only 2.6 percent in 2018.

Wholesale Prices: For a second straight month, the regional wholesale inflation gauge cooled to a still strong 71.4 from October's 75.0, continuing to indicate elevated regional inflationary pressures at the wholesale level.

Given elevated inflationary readings from our surveys and government surveys over the past several months, I expect the Federal Reserve to raise short term interest rates this month. However, this increase will not dampen economic activity in the region to any great extent.

Confidence: Looking ahead six months, economic optimism, as captured by the November business confidence index, expanded to a very strong 71.9 from 63.8 in October. Healthy profit growth, still low interest rates, and the potential passage of a tax reform package pushed business confidence higher for the month.

This month supply managers were asked their assessment of the current tax reform bill before Congress. Approximately 42.1 percent support the bill, while 19.3 percent oppose the package, and 38.6 percent neither support nor oppose the current bill.

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Inventories: The November inventory index, which tracks the change in the level of raw materials and supplies, advanced to 56.1 from October's 53.0.

Trade: The regional new export orders index soared to 65.8 from October's solid 54.3, and the import index jumped to 59.8 from 58.6 in October. Expanding regional growth spurred purchases of inputs from abroad, while growth among important trading partners boosted the new export orders to a healthy level.

Other components: Components of the November Business Conditions Index were new orders at 67.6 from 61.3 in October; the production or sales index rose to 64.8 from October's 67.4; and delivery speed of raw materials and supplies slumped to 42.6 from last month's 56.5.

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, formerly the National Association of Purchasing Management.

MID-AMERICA STATES

ARKANSAS

The November overall index for Arkansas fell to 51.9 from October's 55.4. Components of the index from the monthly survey of supply managers were new orders at 61.3, production or sales at 58.8, delivery lead time at 36.7, inventories at 51.4, and employment at 51.3. Over the past 12 months, Arkansas increased manufacturing employment by 3.7 percent, or approximately 5,700 manufacturing jobs. The state experienced slight job gains for durable goods producers, but significant additions for nondurable goods manufacturers.

IOWA

The November Business Conditions Index for Iowa increased to 55.2 from 55.0 in October. Components of the overall index from the monthly survey of supply managers were new orders at 58.4, production or sales at 58.8, delivery lead time at 53.3, employment at 54.3, and inventories at 51.4. Over the past 12 months, Iowa increased manufacturing employment by 2.8 percent, or approximately 5,900 manufacturing jobs. Nondurable goods producers, including animal slaughtering expanded, while durable goods manufacturers, including machinery manufacturers contracted slightly.

KANSAS

The Kansas Business Conditions Index for November fell to 58.0 from October's 63.4. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 70.1, production or sales at 65.9, delivery lead time at 42.8, employment at 52.1, and inventories at 59.2. Our survey for the month indicated a significant improvement for the month. Nondurable goods producers expanded at

a solid pace while durable goods experienced slight losses. Over the last 12 months, the state's manufacturing sector lost 1,500 jobs, or 0.9 percent of total manufacturing employment.

MINNESOTA

The November Business Conditions Index for Minnesota jumped to a healthy 57.8 from October's 56.3. Components of the overall November index from the monthly survey of supply managers were new orders at 59.9, production or sales at 69.4, delivery lead time at 36.1, inventories at 58.9, and employment at 64.5. Over the past 12 months, Minnesota expanded both durable and nondurable goods manufacturing. The state added 4,000 manufacturing jobs over the past 12 months for a 1.3 percent addition. Gains were strong for food processors and medical equipment manufacturers.

MISSOURI

The November Business Conditions Index for Missouri rose to 59.2 from 53.8 in November. Components of the overall November index from the survey of supply managers were new orders at 69.9, production or sales at 61.8, delivery lead time at 46.9, inventories at 62.7, and employment at 54.6. Over the past 12 months, Missouri increased manufacturing employment by 2.6 percent, or approximately 6,900 manufacturing jobs. Strong gains were recorded by both durable goods producers, including vehicle manufacturers, and nondurable goods producers, including food processors.

NEBRASKA

The November Business Conditions Index for Nebraska slumped to a solid 54.8 from 60.1 in October. Components of the index from the monthly survey of supply managers were new orders at 58.8, production or sales at 67.5, delivery lead time at 35.0, inventories at 59.9, and employment at 52.8. Over the past 12 months, Nebraska increased manufacturing employment by 0.9 percent, or approximately 900 manufacturing jobs. Losses for metal producers were more than offset by gains for food processors in the state.

NORTH DAKOTA

North Dakota's overall, or Business Conditions Index, declined, but remained above growth neutral for the month. The index for November from a survey of supply managers fell to 52.3 from 55.9 in October. Components of the overall index were new orders at 64.1, production or sales at 55.5, delivery lead time at 48.9, employment at 51.5, and inventories at 58.7. After declining for much of 2016, North Dakota's mining and energy sector began to expand in the first quarter of this year. Surveys over the past several months indicate this expansion continues at a brisk pace with the state's mining sector adding 3,600 jobs, or 23.4 percent, over the last 12 months.

OKLAHOMA

After falling below growth neutral for July, Oklahoma's Business Conditions Index rose above the 50.0 threshold for the last four months. The overall index from a monthly survey of supply managers slipped to 60.8 from 63.0 in October. Components of the overall November index from a survey of supply managers in the state were new orders at 70.0, production or sales at 65.9, delivery lead time at 51.4, inventories at 58.7, and employment at 57.8. Expansions among energy linked firms, and manufacturing companies tied to energy are driving the state's economy forward at a current brisk pace. The state's large machinery manufacturing industry added 1,000 for a growth of 4.0 percent.

SOUTH DAKOTA

The Business Conditions Index for South Dakota dipped to 55.4 from October's 57.6. Components of the overall index

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from the October survey of supply managers in the state were new orders at 60.3, production or sales at 66.1, delivery lead time at 55.7, inventories at 54.7, and employment at 51.3. Over the past 12 months, the state's manufacturing sector added only 100 jobs, a 0.2 percent jump. On the other hand, the state's mining sector is adding jobs at a solid pace.



THE BULLISH NEWS

- The U.S. non-farm payroll expanded by 228,000 in November and the unemployment rate remained at 4.1%, a 16-year low.
- From November 2016 to November 2017, average hourly wages grew by 2.5% to \$26.55 per hour. Not great, but improving.
- Over the last 12 months, the consumer price index (all items) jumped by 2.0% (a Goldilocks economy, not too hot, not too cold?)



THE BEARISH NEWS

- For November, the labor participation rate, the percentage of those over age 16 who are available for work and working or looking for work was unchanged at 62.7% (not this low since 1970s).
- The U.S. budget deficit rose to \$63 billion deficit in October as Washington ramped up spending. The government boosted outlays in October to \$299 billion, up \$31 billion from the same month of last year.

WHAT TO WATCH

- **Jobs Report on December 8:** The Bureau of Labor Statistics will release its employment report for November. Another strong reading on wages will "seal the deal" on a December 2017 Federal Reserve rate hike.
- **Consumer Price Index on December 13:** The Bureau of Labor Statistics will release the inflation gauge for November. An annualized increase above 2.5% will be bullish for stocks prices and bearish for bond prices (rising yields).
- **FOMC Meeting on December 13:** The short-term interest rate setting committee will next meet on Dec. 12-13. Expect a ¼% (25 basis) increase (85% likely).

Goss Eggs (Recent Dumb Economic Moves)

- Some U.S. political leaders have hastily called for eliminating the nation's trade deficit. There is one sure-fire way to reduce, and potentially eliminate the nation's trade deficit----suffer an economic recession. During a recession, U.S. consumers reduce their purchases of foreign goods, and the U.S. dollar normally declines making foreign goods more expensive. Historically, a larger trade deficit is one the outcomes of a strong U.S.

economy.

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

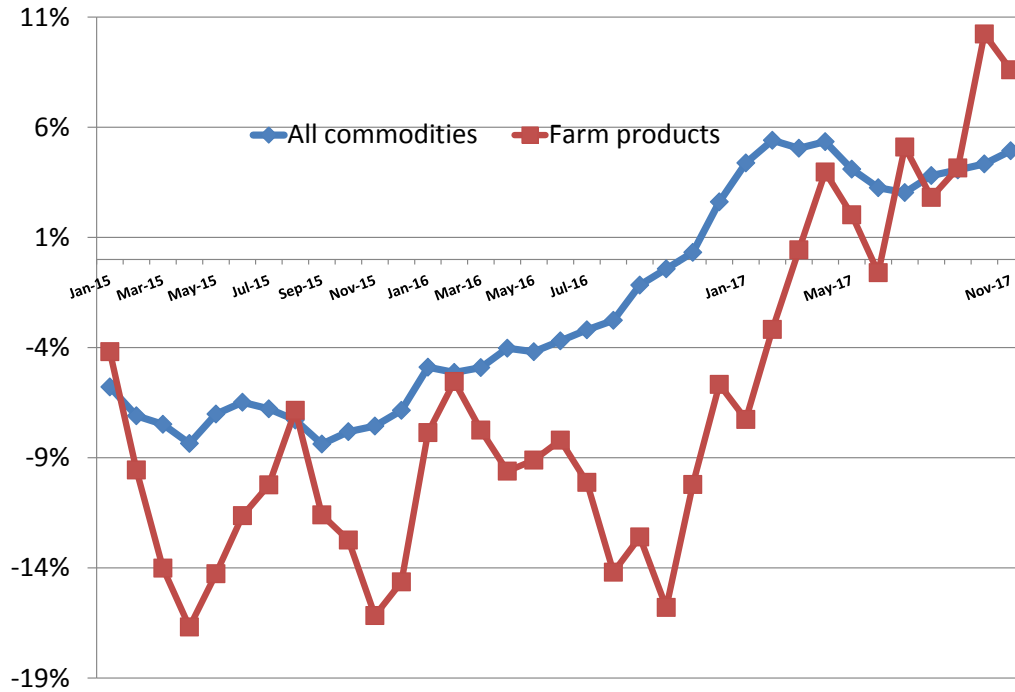
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For historical data and forecasts visit our website at:
<http://www2.creighton.edu/business/economicoutlook/>

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PRICE DATA

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

Year over year price change, commodities and farm product, 2015-17



Year over year price change, fuels and metal products, 2015-17

