

"A monthly survey of supply chain managers"

Welcome to our July report covering results from Creighton's monthly 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 healthy economic growth ahead with rising inflationary pressures. Follow my comments at: www.twitter.com/erniegoss

U.S. Economy Rebounds, Wages & Salaries Do Not: 10 of 23 Occupations Lost Ground

In Nebraska, a state with a 3.0% unemployment rate, Bryan Health, a Lincoln non-profit hospital, recently posted 200 job openings for cafeteria workers to respiratory therapists. On the same day the U.S. Bureau of Labor Statistics announced that the nation's unemployment rate sank below 5.1% for the 22nd straight month. Surprisingly, this "white hot" labor market, has yet to push wage growth above a snail's pace.

The U.S. economy exited the 2007-09 recession in July 2009. Since then, U.S. workers, on average, have only increased their inflation-adjusted salaries by \$1,000, slightly less than 2%. Notably, wages and salaries of American workers, adjusted for inflation, have actually declined for 10 of 23 occupations.

Who were the big losers? Between 2009 and 2016 annual inflation adjusted pay fell for:

- Architects and engineers by \$6,074 or 7.4%.
- Lawyers by \$8,578 or 5.9%.
- Social workers by \$2,976 or 5.9%.

Who were the big winners? Between 2009 and 2016 yearly inflation adjusted pay climbed for:

- Computer programmers by \$10,483 or 14.0%
- Welders by \$5,824 or 16.0%.
- Registered nurses by \$5,636 or 8.4%.

More Vocational Skills Needed

Between 2001 and 2009, compounded annually, worker productivity, or output per hour, expanded yearly by 2.6% and wages climbed by 3.1%. From 2009 to 2016, productivity growth dropped to an annual compound rate of 0.9% and wage growth fell to an annual compound rate of 1.9%.

In order to expand wages at an acceptable pace, workers and industry need an increase in vocational skill levels. Whether it is truck driving, welding or plumbing, a higher percentage of American workers and industry need to upgrade their skill levels obtainable with on-the-job training or community college classes. Ernie Goss.

Link to video: <https://youtu.be/sgFXR-YeeUQ>

LAST MONTH'S SURVEY RESULTS

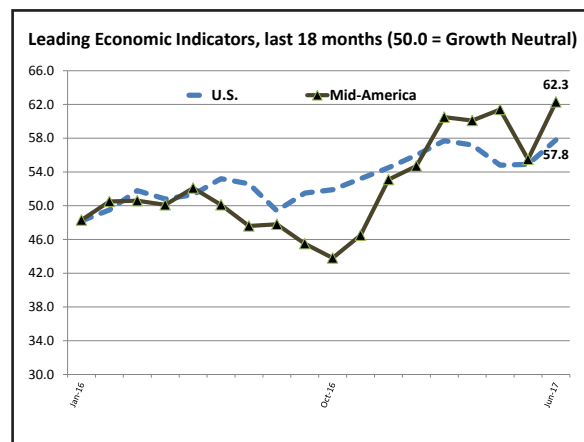
Mid-America Business Conditions Index Highest in Six Years: June's Goldilocks Economy

SURVEY RESULTS AT A GLANCE:

- Overall index moved above growth neutral for a seventh straight month and highest level since February 2011.
- Employment gauge remained in a very healthy range.
- On average, supply managers expect the prices for their company's products to expand by only 1.7 percent over the next 12 months.

- New export orders and imports expanded for the month.

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



Overall index: The Business Conditions Index, which ranges between 0 and 100, soared to 62.3 from May's solid 55.5. This is the seventh straight month the index has remained above growth neutral pointing to strong growth for the region over the next 3 to 6 months.

The overall index over the past several months indicates a healthy regional manufacturing economy, and points to healthy growth for both manufacturing and nonmanufacturing into the fourth quarter of this year.

Employment: The June employment index remained above growth neutral, slipping to a still robust 60.7 from 62.3 in May. Nondurable goods manufacturers, including food processors and ethanol producers, are adding jobs at an improving pace while durable goods producers in the region are shedding employment, but at a slower pace than in previous months. As a result, the job picture for regional manufacturing continues to improve. Even with the recent boost in employment growth, total regional employment growth (year over year) is now only 1.1 percent, and well below the nation's 1.5 percent gain over the same time period.

Wholesale Prices: The wholesale inflation gauge remained in a range indicating modest inflationary pressures at the wholesale level as the prices-paid index fell to 69.4 from May's 73.1.

On average, supply managers expect the prices for their company's products to expand by only 1.7 percent over the next 12 months.

Confidence: Looking ahead six months, economic optimism, as captured by the June business confidence index, advanced to a robust 67.5 from 61.4 in May. The Federal Reserve rate hike failed to restrain business confidence. Strong profit growth, and still low interest rates boosted the economic outlook among supply managers in the nine-state region.

Inventories: The June inventory index, which tracks the change in the level of raw materials and supplies, expanded to 56.6 from May's 54.7.

One supply manager reported that retailers moving to on-

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line buying from in-store buying was changing the supply chain delivery lead time and inventory levels of firms.

Trade: The regional new export orders index climbed to 56.6 from 54.0 in May, and the import index increased to 56.7 from May's 52.4. An expanding regional economy supported buying from abroad for the month. Recent declines in the value of the U.S. dollar and expanding global economic conditions have supported a new export orders index above growth neutral for the month.

Other components: Components of the June Business Conditions Index were new orders at 68.5, up from 54.8 in May; production or sales index was 70.3, up from 56.7 in May; and delivery speed of raw materials and supplies rose to 55.6 from last month's 49.1.

This month supply managers were asked about their data security concerns. In terms of choosing a supplier, more than one of five businesses, or 21.9 percent, indicated data security was either the most important, or a very important factor in choosing a supplier. Only 18.2 percent reported data security was only a minor concern.

As reported by one supply manager, "The data security issue is quickly becoming a larger issue as we continue to do more overseas business."

Trade: The regional new export orders index fell to a still positive 54.0 from 60.5 in April, and the import index dropped to 52.4 from April's 60.7. An expanding regional economy supported buying from abroad for the month. Recent declines in the value of the U.S. dollar and expanding global economic conditions have supported a new export orders index above growth neutral for the month.

Other components: Components of the May Business Conditions Index were new orders at 54.8, down from 61.8 in May; production or sales index was 56.7, down from 63.8 in April; and delivery speed of raw materials and supplies slumped to 49.1 from last month's 55.5.

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 June overall index for Arkansas rose to 66.1 from May's 58.4. Components of the index from the monthly survey of supply managers were new orders at 73.2, production or sales at 75.3, delivery lead time at 58.3, inventories at 59.5, and employment at 64.2. Manufacturers in the state are now adding jobs at a quicker pace than nonmanufacturers. Based on surveys over the past several months, Arkansas will continue to add

manufacturing and nonmanufacturing jobs at a healthy pace.

IOWA

The June Business Conditions Index for Iowa improved to 61.4 from 57.5 in May. Components of the overall index from the monthly survey of supply managers were new orders at 68.0, production or sales at 70.0, delivery lead time at 54.2, employment at 59.6, and inventories at 55.3. Nondurable goods continue to add jobs at a solid pace more than offsetting losses for the state's durable goods producers. Manufacturing and nonmanufacturing activity will continue to expand in the state through the fourth quarter of this year with job gains trailing the expansion in overall economic activity.

KANSAS

The Kansas Business Conditions Index for June expanded to 56.3 from May's 53.9. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 62.3, production or sales at 64.2, delivery lead time at 49.7, employment at 54.7, and inventories at 50.7. Gains for nondurable goods producers, including food processors, more than offset pullbacks for durable goods manufacturers including transportation equipment manufacturers.

MINNESOTA

The June Business Conditions Index for Minnesota soared to a regional high 68.0 from May's healthy 58.4. Components of the overall June index from the monthly survey of supply managers were new orders at 75.2, production or sales at 77.4, delivery lead time at 59.9, inventories at 61.2, and employment at 66.0. Expansions were recorded for a broad range of manufacturers, both durable and nondurable, including navigation equipment producers, medical equipment manufacturers and food processors. Based on surveys over the past several months, the state economy will continue to grow at a healthy pace through the fourth quarter of this year.

MISSOURI

The June Business Conditions Index for Missouri rose to a soft 53.8 from 51.0 in May. Components of the overall June index from the survey of supply managers were new orders at 59.6, production or sales at 61.3, delivery lead time at 47.5, inventories at 48.5, and employment at 52.3. Growth was recorded by nondurable and durable goods producers in the state. However, manufacturing growth continues to lag behind nonmanufacturing advancements. Business expansion will remain positive through the end of the final quarter of this year.

NEBRASKA

The June Business Conditions Index for Nebraska climbed to a very healthy 61.3 from 55.2 in May. Components of the index from the monthly survey of supply managers were new orders at 67.8, production or sales at 69.8, delivery lead time at 54.0, inventories at 55.2, and employment at 59.5. Durable goods producers continue to shed jobs. However, these losses are more than offset by gains among nondurable goods manufacturers in the state. Expansions were very healthy for foods processors in the state as metal manufacturers and machinery producers recorded pullbacks.

NORTH DAKOTA

North Dakota's overall, or Business Conditions Index, advanced above growth neutral for the month. The index for June from a survey of supply managers rocketed to 67.2 from May's 53.9. Components of the overall index were new orders at 74.4, production or sales at 76.3, delivery lead time at 59.2, employment at 65.2, and inventories at 60.5. Manufacturing linked to energy is once again expanding as manufacturers

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tied to agriculture continue to experience pullbacks. Based on surveys over the past several months, the state will continue to add jobs and economic activity through the fourth quarter of this year.

OKLAHOMA

Oklahoma's June Business Conditions Index remained above the growth neutral threshold for sixth straight month. The overall index climbed to 57.7 from 54.2 in May. Components of the overall June index from a survey of supply managers in the state were new orders at 63.9, production or sales at 65.7, delivery lead time at 50.9, inventories at 51.9, and employment at 56.0. Oklahoma manufacturers are once again adding jobs and expanding economic activity. Food processors in the state are experiencing healthy business and job growth. Oklahoma will, based on recent surveys, continue to expand at a positive pace, but unspectacular pace through the final quarter of this year.

SOUTH DAKOTA

The Business Conditions Index for South Dakota increased to 67.4 from May's regional high 61.7. Components of the overall index for the June survey of supply managers in the state were new orders at 74.6, production or sales at 76.8, delivery lead time at 59.5, inventories at 60.7, and employment at 65.5. Expansions among nondurable goods manufacturers in the state more than compensated for slight losses for durable goods producers. Manufacturing output in the state is growing at a healthy pace even as producers add jobs at a sub-par rate.

bond prices and sink both short and long-term interest rates.

- **Yield on 10-Year US Treasury bond:** This yield will rise as inflation advances. Current yield is 2.38% and still well below the historical average.

Goss Eggs (Recent Dumb Economic Moves)

- European Union officials have begun assembling a list of US goods, including Kentucky whiskey, Florida orange juice and Wisconsin dairy products, to target for tariff retaliation over Donald Trump's plans to limit steel imports. Both sides are wrong, wrong, wrong.

Survey results for June will be released on the first business day of next month, August 1.

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



THE BULLISH NEWS

- The nation added 222,000 jobs for June even as the unemployment rate rose to a very healthy 4.4%.
- More Americans entered the workforce in June with a labor force participation rate of 62.8%, up slightly from May's 62.7%.
- The Case-Shiller home price index for the U.S. rose 5.5% in April from one year earlier.
- The Consumer Price Index (CPI) was unchanged in June. Over the last 12 months, the all items index rose 1.6%. Low inflation is giving the Fed room to hold off on interest rate hikes.



THE BEARISH NEWS

- Worker wages rose only 2.5% in June from one year earlier. This is only slightly above the inflation rate.
- Due to a drop in expected inflation, the price of gold fell to its lowest level since March.

WHAT TO WATCH

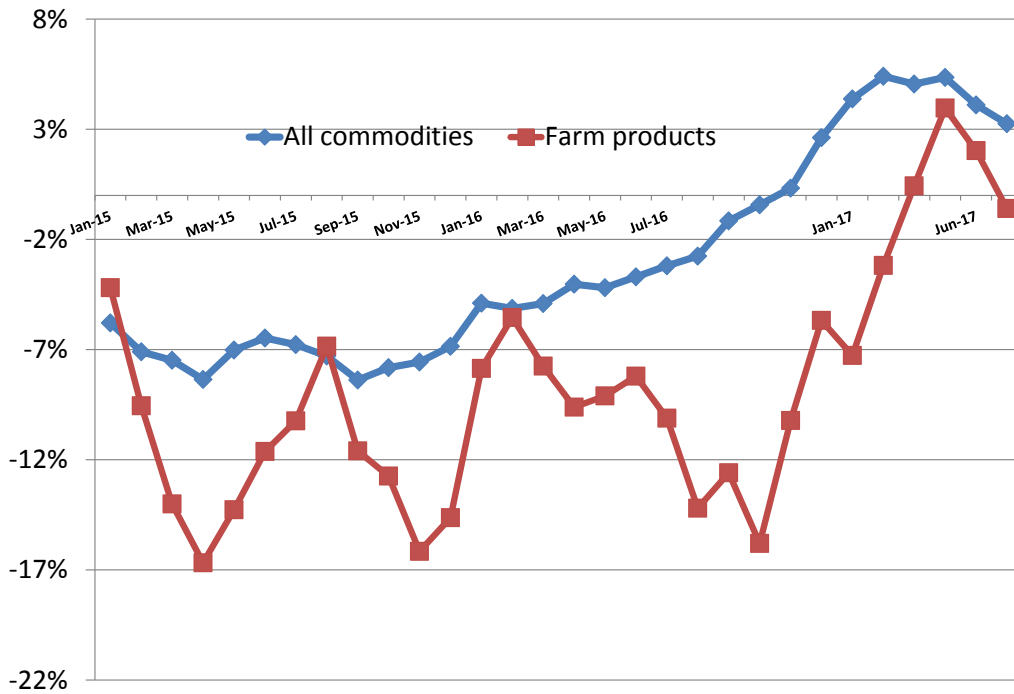
- **Jobs Report on August 4:** The Bureau of Labor Statistics will release its employment report for July. Another weak reading on wages could push the Federal Reserve to forego another 2017 rate hike.
- **Consumer Price Index on August 11:** The Bureau of Labor Statistics will release the inflation gauge for July. An annualized increase below 1.5% will be bullish for

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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

