

Welcome to your June report covering results from Creighton's May survey of supply managers. Creighton's monthly survey of supply managers and procurement experts in nine Mid-America states indicates economic growth is in a range indicating the regional economy is rebounding at a very healthy pace, but with record high inflationary pressures. [www.twitter.com/erniegoss](http://www.twitter.com/erniegoss).

"A monthly survey of supply chain managers"

## Mid-America Manufacturing Rockets to Record High: Wholesale Price Index Soars to 30 Year High

### May Survey Highlights:

- Creighton's regional Business Conditions Index climbed into a range indicating very strong growth for next three to six months.
- The wholesale inflation gauge for the month surged to a record high 96.3 from April's 96.2, the previous record high.
- Almost one of three, or 30%, of supply managers identified soaring input prices as the greatest 2021 economic challenge for their firm.
- Even with a surging manufacturing sector, regional manufacturing added jobs at a modest pace.
- Almost one-fourth, or 23%, of manufacturers named finding and hiring qualified workers as the greatest 2021 challenge to their firm
- As a result of shortages of workers, average hourly wages for regional manufacturing production workers advanced by a strong 4.9% over the past 12 months according to the U.S. Bureau of Labor Statistics data.
- Supply bottlenecks pushed slowed deliveries to their

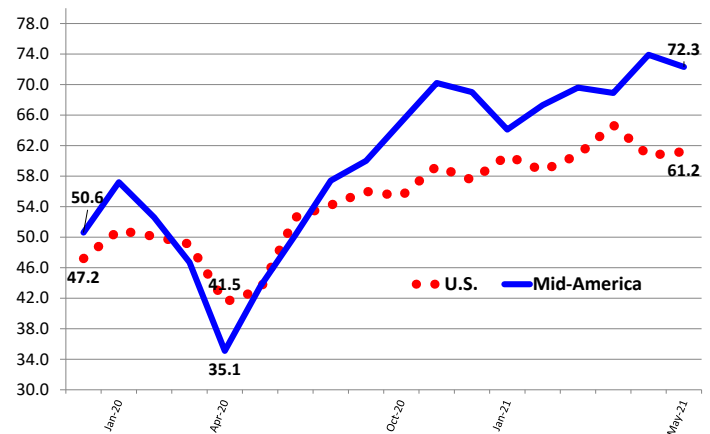
### Biden's "War on Work" Doubles LBJ's "War on Poverty": Who Pays for It? Today's Youth!

Much like President Lyndon Baines Johnson's 1964 launch of his "war on poverty," President Biden, since his inauguration, has authorized \$1.9 trillion in stimulus spending, and released his fiscal 2022 budget for \$6.0 trillion in what could be termed his "war on work." In 1964, LBJ pushed the United States Congress to pass the Economic Opportunity Act, which opened the floodgate of 40 federal programs targeted against poverty. Much like LBJ's explosive federal spending expansion, the New York Times portrayed Biden's spending foray as "an attempt to expand the size and scope of federal engagement in Americans' daily lives."

In his 4 years in office, LBJ advanced federal spending by 14% per year, and expanded welfare outlays by roughly \$800 billion per year. Biden has almost doubled that growth in his first budget year alone by boosting federal spending by 26% compared to pre-pandemic levels. Biden's 2020 so-called stimulus spending of \$1.9 trillion added \$300 per week in unemployment benefits on top of regular jobless benefits, plus \$1,400 per individual in stimulus checks, and \$3,000 per child in financial support (all supporting remaining unemployed). In a recently completed study, Mulligan, Antoni, and Moore concluded that in 19 states, a household of four with two unemployed workers can receive \$100,000 in equivalent pay without working.

And who pays for this fiscal indulgence? Between 1964 and 1968, LBJ funded his **War on Poverty** by raising the nation's federal deficit as a percent of GDP from 1.0% to 1.5%. Biden, to fund what is termed here as his **War on Work**, has proposed raising deficit spending as a percent of GDP from pre-pandemic 4.8% to approximately 9.9%, the highest since World War II. Furthermore, Biden's Plan would also push the debt held by the public (not counting internal debt) to 111.8% of GDP eclipsing the level suffered in the wake of World War II. Ultimately the nation's youth will pay for this overspending via either higher inflation, advancing interest rates and soaring taxes, or a combination of all three.

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



Goss monthly interview at:

<http://bit.ly/MidAmericaBCIMay2021YouTube>.

(Survey results continue on the following page)

As a result of shortages of workers, average hourly wages for regional manufacturing production workers advanced by a strong 4.9% over the past 12 months according to the U.S. Bureau of Labor Statistics data.

For the twelfth straight month, the Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, moved into vigorous growth territory.

**Overall Index:** After rocketing to a record high 73.9 in April, the Business Conditions Index, which ranges between 0 and 100, slipped to still strong 72.3 for May. However, manufacturing supply managers report that labor shortages and supply bottlenecks continue to restrain growth.

Almost one of three, or 30%, of supply managers identified soaring input prices as the greatest 2021 economic challenge for their firm.

More than nine out of 10 supply managers reported supply bottlenecks, or delays, for May with 40% indicating that the delays were significant.

Since bottoming in April of last year, Mid-America has added approximately 1.0 million jobs for an 8.3% advancement. Creighton's monthly survey results indicate that the region is adding manufacturing business activity at a healthy pace, and that growth will remain strong with the overall regional economy returning to pre-pandemic levels in the first quarter of 2022.

**Employment:** The regional employment index remained above growth neutral for May, but sank from 57.2 in April to 55.6 for the month. Almost one-fourth, or 23%, of manufacturers named finding and hiring qualified workers as the greatest 2021 challenge to their firm.

The shortage of production workers continues to push wages higher. U.S. Bureau of Labor Statistics data indicate that average hourly earnings of manufacturing production workers in the region expanded by a strong 4.9% over the past 12 months.

Other comments from May survey participants:

- "Delays in deliveries started occurring in February. Prior to that no issues."
- "Great deal of uncertainty: How will economy open up from Covid shutdowns."
- "Supply chain slow downs and trying to increase our workforce have been the biggest cause of getting back to full production capacities."
- "Raw material supply continues to be a major concern from metals to chemicals. Logistics cost and extended lead times to obtain products are also at high impact. And of course, the lack of labor and rising cost of labor."

**Wholesale Prices:** The wholesale inflation gauge for the month surged to a record high 96.3 from April's 96.2, the previous record high.

At the wholesale level, Creighton's survey is tracking higher and higher inflationary pressures. Metal products and lumber, for example, are experiencing significant upward pressures in wholesale prices. Since June of last year, metal prices have expanded by 20.8%, and lumber products have advanced by 63.1% according to U.S. Bureau of Labor Statistics data. Despite rapidly expanding inflationary pressures at the wholesale level, the Federal Reserve remains committed to its current expansionary policy.

Approximately 30% of supply managers identified rapidly rising input prices as their firm's greatest 2021 economic challenge.

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**Confidence:** Looking ahead six months, economic optimism, as captured by the May Business Confidence Index, climbed to a strong 88.6 from April's 64.8.

"Despite supply bottlenecks, rapidly rising prices and labor shortages the expanding regional economy pushed economic confidence among manufacturing supply managers higher for the month," said Goss.

**Inventories:** The regional inventory index, reflecting levels of raw materials and supplies, rose to 72.0 from last month's 70.0.

**Trade:** Despite supply chain bottlenecks, regional trade numbers were solid for the month. The new export orders index climbed to 76.5 from April's 58.8. An expanding domestic manufacturing sector underpinned May's import reading of 55.0, which was down from April's 57.9.

**Other survey components of the May Business Conditions Index were:** new orders declined to 75.0 from 81.5 in April; the production or sales index sank to a very strong 68.5 from April's 78.6; and the index for the speed of deliveries of raw materials and supplies soared a record high of 90.8, from April's 84.0, also a record high. A higher reading indicates slower 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 May Business Conditions Index for Arkansas decreased to 67.8 from 73.9 in April. Components from the May survey of supply managers were: new orders at 72.9, production or sales at 65.9, delivery lead time at 87.6, inventories at 60.7, and employment at 52.1. According to U.S. Bureau of Labor Statistics, average hourly wages for manufacturing production workers in Arkansas rose a hefty 6.1% over the last 12 months. Both durable goods producers and non-durable goods manufacturers in the state accounted for the very healthy gains.

### IOWA

Iowa's Business Conditions Index for May rose to 70.2 from 67.9 in April. Components of the overall May index were: new orders at 72.7, production, or sales, at 65.7, delivery lead time at 86.7, employment at 53.9, and inventories at 74.6. According to U.S. Bureau of Labor Statistics, average hourly wages for manufacturing production workers rose a stout 7.3% over the last 12 months. Wage gains were much healthier among non-durable goods producers than for durable goods manufacturers over the 12-month period.

## KANSAS

The Kansas Business Conditions Index for May fell to 71.8 from April's 75.0. Components of the leading economic indicator from the monthly survey of supply managers were: new orders at 74.4, production or sales at 67.6, delivery lead time at 85.6, employment at 52.5, and inventories at 79.1. According to U.S. Bureau of Labor Statistics, average hourly wages for Kansas manufacturing production workers fell by 2.7% over the last 12 months. The state's durable goods producers, accounted for the losses, while non-durable goods manufacturers, experienced modest gains.

## MINNESOTA

The May Business Conditions Index for Minnesota sank to 74.5 from 79.7 in April. Components of the overall May index were: new orders at 77.5, production or sales at 71.1, delivery lead time at 91.3, inventories at 65.6, and employment at 67.2. According to U.S. Bureau of Labor Statistics, Minnesota's average hourly wages for manufacturing production workers climbed by a solid 2.9% over the last 12 months. Both non-durable and durable goods producers in the state accounted for the gains.

## MISSOURI

The May Business Conditions Index for Missouri decreased to 69.5 from 73.2 in April. Components of the overall index from the survey of supply managers for May were: new orders at 72.8, production or sales at 65.8, delivery lead time at 87.4, inventories at 66.9, and employment at 54.3. According to U.S. Bureau of Labor Statistics, average hourly wages for Missouri's manufacturing production workers climbed by a very healthy 7.0% with wage gains greater for durable goods producer than for non-durable goods producers.

## NEBRASKA

Nebraska's overall index for May dipped to 76.1 from 76.8 in April. Components of the index from the monthly survey of supply managers for May were: new orders at 74.6, production or sales at 67.9, delivery lead time at 96.3, inventories at 82.3, and employment at 59.3. According to U.S. Bureau of Labor Statistics, average hourly wages for Nebraska's manufacturing production workers climbed by a modest 2.1% with wage gains for non-durable goods producers, but wage losses for durable goods manufacturers in the state.

## NORTH DAKOTA

The May Business Conditions Index for North Dakota bounced to 75.2 from 74.3 in April. Components of the overall index for May were: new orders at 78.9, production or sales at 70.5, delivery lead time at 92.5, employment at 65.8, and inventories at 68.1. According to U.S. Bureau of Labor Statistics, average hourly wages for North Dakota's manufacturing production workers climbed by a very strong 7.0% with gains somewhat larger for durable goods producers than non-durable goods manufacturers.

## OKLAHOMA

Oklahoma's Business Conditions Index expanded above growth neutral in May. The overall index fell to 68.9 from 70.9 in April. Components of the overall May index were: new orders at 72.8, production or sales at 65.8, delivery lead time at 87.2, inventories at 64.7, and employment at 54.2. According to U.S. Bureau of Labor Statistics, Oklahoma's average hourly wages for manufacturing production workers climbed by a very strong 12.5% with gains somewhat larger for non-durable goods producers than durable goods manufacturers.

## SOUTH DAKOTA

The May Business Conditions Index for South Dakota climbed to 75.5 from 74.9 in April. Components of the overall index from the May survey of supply managers in the state were: new orders at 74.5, production or sales at 67.7, delivery lead time at 95.7, inventories at 80.8, and employment at 58.9. According to U.S. Bureau of Labor Statistics, South Dakota average hourly wages for manufacturing production workers climbed by a very weak 0.2% with gains for non-durable goods producers, and sight wage losses for durable goods manufacturers.

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### THE BULLISH NEWS

- For the first time since the onset of the pandemic, Initial claims for unemployment benefits fell below 400,000.
- The U.S. job market added 559,000 jobs in May as the unemployment rate dipped to 5.9% and hourly wages expanded by an annualized 7.2%.
- May's Purchasing management indices (PMI) of supply managers for both ISM's national survey and Creighton's Mid-America approached record highs indicating very strong manufacturing growth.
- The Case-Shiller U.S. Home Price NSA Index reported a 13.3% annual home price gain in March from one year earlier.



### THE BEARISH NEWS

- Creighton's wholesale inflation gauge from the May Mid-America manufacturing supply manager survey soared to another record high. The U.S. consumer price index climbed by an inflationary 0.8% in April.
- The U.S. budget deficit soared to a record high \$1.9 trillion for the first 7 months of the fiscal year.
- The National Federation of Independent Business reported that 48% of small business owners reported unfilled job openings in May, up from 44% in April. May's reading is 26 points higher than the 48-year average of 22%.

### THE OUTLOOK

National Association of Business Economics. (May, 2021): SUMMARY: "NABE panelists have grown more optimistic about the prospects for economic growth in 2021," said NABE President **Manuel Balmaseda, CBE**, chief economist, CEMEX. "The median forecast calls for an 8.5% annualized growth rate in the second quarter of 2021 for inflation-adjusted gross domestic product, or real GDP. The panel has become significantly more bullish about 2021 as a whole. The median real GDP growth estimate for 2021 is 6.7%, compared to the 4.8% forecasted in the March 2021 survey." "NABE panelists expect near-term inflation pressure, but anticipate it being short-lived," added Survey Chair Holly Wade, executive director, NFIB Research Center. "Inflation expectations moved up significantly from those in the March survey, but panelists anticipate inflation easing in the second half of 2021, with no resurgence in 2022. <https://tinyurl.com/4pxpx494>

**Goss (June 2021):** Since December 2020, the University of Michigan's expected inflation has risen from 2.5% to 3.4% in April. Despite this gain the yield on the 10-year U.S. Treasury bond has not moved above 1.65%. Why? Because the Federal Reserve is buying \$80 billion of U.S. Treasury bonds each month putting a lid on this yield. This means that investors cannot gauge the rate of inflation using this yield. A portion of the jump in inflation is transitory but a significant share is not. U.S. inflation (excluding the transitory portion) is approximately 3% - 3.5% (4.5% - 5.0% including transitory). Both well above the Fed's target.

Survey results for June will be released on July 21, 2021, the first business day of the month



## GOSS EGGS (for recent dumb economic moves)

The Biden Administration, led by Secretary of Treasury and economist, reached a backroom deal with G7 nations to force multinational companies to pay higher corporate taxes. Yellen might as well have said "If the U.S. can't compete, let's fix the game." It should be embarrassing for a U.C Berkley economist (Yellen) to have taught free-market macroeconomics only to now engage in what is equivalent to corporate price fixing. I award 5 Goss eggs only because that is the maximum.

## STATISTIC OF THE MONTH

**2,274,000.** Since the onset of the pandemic in March 2020, the number of job openings in the U.S. has increased by 2,274,000 reaching a record of 9,286,000 in April of this year. There are now 101 job openings for every 100 unemployed workers.

## KEEP AN EYE ON

- **U.S. Inflation Report.** On July 13, the U.S. Bureau of Labor Statistics (BLS) releases its consumer price index (CPI) for June. Recent readings are signaling well above the Federal Reserve's acceptable level (transitory or not!)
- **U.S. Jobs Report.** On June 2, the BLS releases its job numbers for June. Another weaker than expected reading (below 400,000) report will very bearish for the U.S. economy.
- **Case-Shiller Home Price Index.** On June 29, S&P CoreLogic Case-Shiller will release its home price index for April. Recent releases indicate the extent of a bubble in U.S. home prices.

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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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## SUPPLY MANAGERS READING ROOM

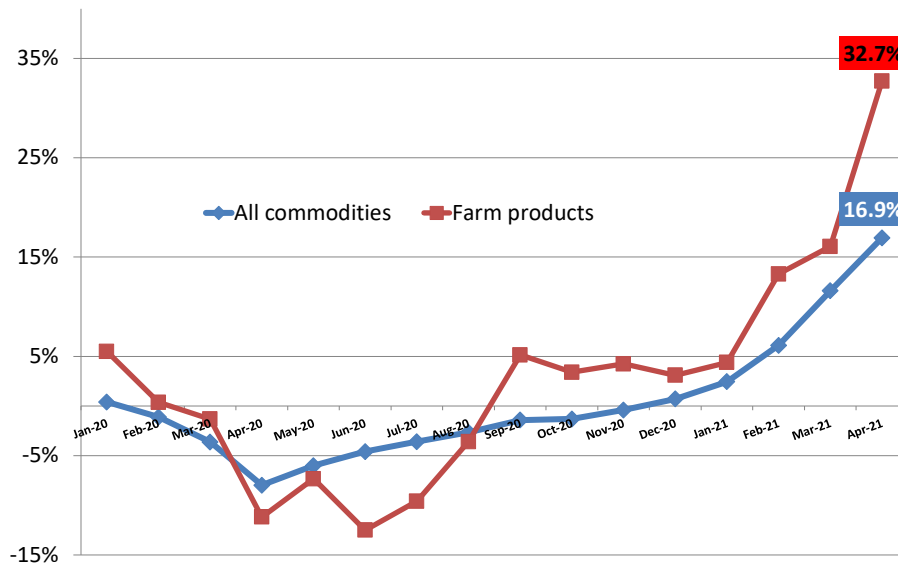
"5 Causes of Bottlenecks in the Global Supply Chain," Brian Hoey, "Let's say you're cooking up a big family meal, and you're trying to estimate how soon the food will be ready. You look at the recipe, and you add up the cooking times for various elements, plus all of the time it takes to prepare the ingredients. You estimate that the meal should take you about an hour. Two hours later, you find that you're still cooking, and your kids are starting to get grumpy while they wait. What happened?" Possibly, your estimate didn't account for the bottlenecks you inevitably ran into. Maybe you can't chop vegetables as quickly as the recipe expects you to because your knife hasn't been sharpened recently, meaning that the entire process was delayed before any real "cooking" began. Maybe you were working with a stove that only had two burners, meaning that you couldn't sauté your vegetables, make a roux, and simmer your sauce at the same time. Or maybe you simply didn't have enough pots, pans, and cutting boards for the project, so you had to stop and clean up multiple times in the middle of the process. At the end of the day, these various bottlenecks were able to accumulate, and the result was a significant delay. <https://tinyurl.com/4sks84mk>.

## SUPPLY MANAGER CAREERS

Ameren, St. Louis, Missouri. Manager of Sourcing. **Key responsibilities include:** \*Supervise, coach, develop and evaluate a team of sourcing professionals.\*Manage assigned commodity areas through strategic sourcing and the formation of cross-functional teams.\*Manage sourcing professionals, providing guidance on work execution and escalated issues. \*Be recognized as the services and equipment procurement subject matter expert by peers and clients. \*Deliver year-over-year productivity improvements while maintaining or improving service levels and reliability.\*Uphold internal and external policies, regulations and laws. **Qualifications:** Bachelor's Degree from an accredited college or university required, preferably in an analytical discipline (e.g., finance, accounting, business, etc.). MBA or other related graduate degree preferred. Seven or more years of professional experience in strategic sourcing, purchasing, consulting, cost accounting, or finance required. Three or more years of supervisory or high-level team/project leadership required. Experience in procuring general professional services supporting corporate departments (e.g., HR, HR Benefits, Finance and Legal) preferred. <https://tinyurl.com/awfpneat>.

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



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

