

## "A monthly survey of supply chain managers"

Welcome to our May report covering results from Creighton's April supply manager survey. Creighton's monthly survey of supply managers in nine Mid-America states indicates that economic growth is in a range indicating healthy, and improving manufacturing growth and with modest inflationary pressures.

Goss monthly interview at: <http://bit.ly/MidAmericaBCIApril2019>

- Almost one-third of supply managers indicated that only price exceeded data security in selecting a vendor.
- Exports and imports improved for the month.

### Politicians Pander to Education Bureaucracy: Student Loan Forgiveness Will Boost Administration Growth

Senator Elizabeth Warren's campaign for the presidential nomination of the Democrat Party took a turn from theatre to absurd as she proposed to wipe out student debt. Under her plan, up to \$50,000 in student loan debt would be completely erased for Americans with a household income under \$100,000. Instead of forgiving student loans, perhaps a more equitable approach is to require colleges and universities to share the burden of these loan defaults instead of placing it on the taxpayer.

Over the last 10 years, U.S. student debt has ballooned by 163.9 percent, or almost five times the pace of growth of the overall economy. These "loans," which now amount to \$1.5 trillion or \$33,000 for each of the 44 million student borrowers, have enabled colleges to raise tuition at a rate almost three times that of overall consumer prices over the same decade.

What accounts for this excessive growth? Not instructional support. Over the last five years, the number of college administrators has expanded at a pace more than three times that of college professors. For example, the University of Michigan has added almost 100 diversity administrators. Colleges have not only exploded the number of administrators, they have expanded the bureaucracy to the point where the 2018 average salary of college administrators was 35.7% above that of college faculty members. Ultimately, a high share of the benefits of student loan forgiveness programs will incentivize higher tuition which will result in more bloat in college bureaucracy.

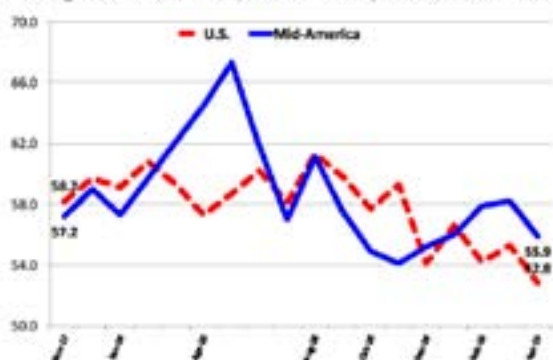
### LAST MONTH'S SURVEY RESULTS

#### Labor Shortages Slow Mid-America Growth for April: Almost One-Half See Labor Shortages as Biggest Challenge

#### APRIL SURVEY HIGHLIGHTS:

- Labor shortages pushed the overall index lower for the month. Even so, the overall index remained above growth neutral.
- Approximately 44.7 percent identified labor shortages as the greatest threat to company success in the next 12 months.

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



OMAHA, Neb. (May 1, 2019) – The April Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, fell to a still solid reading signaling positive growth for the region over the next three to six months.

**Overall index:** The Business Conditions Index, which ranges between 0 and 100, declined to 55.9 from March's 58.2. This marks the 29th straight month the index has remained above growth neutral 50.0.

The regional economy continues to expand at a positive pace. However, as in recent months, finding and hiring qualified workers remained the chief threat to manufacturing economy for the region. Approximately 44.7 percent identified labor shortages as the greatest threat to company success in the next 12 months. Approximately 14 percent of firms reported strong economic growth in their area while an almost equal 14 percent of businesses indicated economic downturns in their local area.

**Employment:** As a result of workers shortages, the April employment index fell to a tepid 51.1 from March's solid 56.4.

Until recently, overall manufacturing employment growth in the region has been very healthy and exceeded that of the nation. However, overall employment growth for the region over the past 12 months at 0.5 percent is well below national job growth of 1.5 percent.

**Wholesale Prices:** The wholesale inflation gauge for the month indicated modest inflationary pressures for the month with a wholesale price index of 67.5 from 74.5 in March. I expect tariffs and flood impacts to boost the inflation index slightly higher in the months ahead.

Almost one-third, or 29.2 percent, of supply managers indicated that only price exceeded data security in selecting a vendor.

**Confidence:** Looking ahead six months, economic optimism, as captured by the April Business Confidence Index, advanced to a healthy 62.2 from March's 57.2.

However, I expect business confidence to depend heavily on trade talks with China as well as U.S. economic growth in the weeks and months ahead.

**Inventories:** Companies expanded inventories of raw materials and supplies for the month and at a faster pace in April. The April inventory index expanded to 53.5 from 52.2 in March.

**Trade:** The regional trade numbers for April were solid, but with both imports and exports expanding for the month. The new export orders index moved higher to 53.9 from March's 53.4, and the import index fell climbed to 57.0 from 51.7 in March.

**Other survey components:** Components of the April Business Conditions Index were new orders at 62.2, up from March's 58.8; the production or sales index at 58.4, down from 60.9 in March; and speed of deliveries of raw materials and supplies index at 54.4, down from last month's 62.7.

The Creighton Economic Forecasting Group has conducted the monthly survey of supply managers in nine states

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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 April Business Conditions Index for Arkansas declined to 57.7 from March's 61.6. Components of the index from the monthly survey of supply managers were new orders at 64.5, production or sales at 61.1, delivery lead time at 55.4, inventories at 55.5, and employment at 51.9. Over the last 12 months, the Arkansas economy has added jobs at a 2.5 percent pace, a regional high, while durable and nondurable goods manufacturers have expanded jobs at a rate of 4.6 percent and 2.2 percent, respectively.

IOWA

The April Business Conditions Index for Iowa plummeted to 48.9 from March's 57.8. Components of the overall index from the monthly survey of supply managers were new orders at 56.4, production or sales at 51.1, delivery lead time at 46.3, employment at 44.4, and inventories at 46.5. Over the last 12 months, the Iowa overall economy has added jobs at a 0.7 percent pace, while durable and nondurable goods manufacturers have expanded jobs at a rate of 0.4 percent and 2.1 percent, respectively.

KANSAS

The Kansas Business Conditions Index for April sank to 48.3 from March's 55.2. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 55.8, production or sales at 50.5, delivery lead time at 45.7, employment at 43.9, and inventories at 45.8. Over the last 12 months, the Arkansas overall economy has added jobs at a 0.9 percent pace, while durable and nondurable goods manufacturers have expanded jobs at a rate of 4.3 percent and 0.4 percent, respectively.

MINNESOTA

The April Business Conditions Index for Minnesota expanded to 54.5 from 53.0 in March. Components of the overall April index from the monthly survey of supply managers were new orders at 60.9, production or sales at 56.7, delivery lead time at 51.3, inventories at 51.5, and employment at 52.3. Over the last 12 months, the Minnesota overall economy has lost jobs at a minus 1.7 percent rate, a regional low, while durable and nondurable goods manufacturers have shed jobs at a rate of minus 0.4 percent and minus 1.2 percent, respectively.

MISSOURI

The April Business Conditions Index for Missouri rose to 57.6 from 57.3 in March. Components of the overall index from the survey of supply managers were new orders at 60.9, production or sales at 56.7, delivery lead time at 59.2, inventories at 56.7, and employment at 54.3. Over the last 12 months, the Missouri

overall economy has added jobs at a 0.5 percent pace, while durable and nondurable goods manufacturers have expanded jobs at a rate of 2.0 percent and 1.6 percent, respectively.

NEBRASKA

After dipping below growth neutral for December, Nebraska's Business Conditions Index has moved above the threshold of 50.0 each month since, though the state's overall index fell in April to 53.8 from March's 57.1. Components of the index from the monthly survey of supply managers were new orders at 60.5, production or sales at 56.7, delivery lead time at 53.8, inventories at 51.5, and employment at 48.6. Over the last 12 months, the Nebraska overall economy has added jobs at a 0.3 percent pace, while durable and nondurable goods manufacturers have lost jobs at a rate of minus 4.6 percent and minus 0.9 percent, respectively.

NORTH DAKOTA

The April Business Conditions Index for North Dakota sank to 50.6 from 55.0 in March. Components of the overall index were new orders at 57.9, production or sales at 53.0, delivery lead time at 48.0, employment at 45.8, and inventories at 48.1. Over the last 12 months, the North Dakota economy has added jobs at a 2.0 percent pace, while durable and nondurable goods manufacturers have expanded jobs at a rate of 4.2 percent and 4.9 percent, respectively.

OKLAHOMA

For the first time in 21 months Oklahoma's Business Conditions Index has moved below 50.0. The overall index from a monthly survey of supply managers for April fell to 48.6 from 53.9 in March. Components of the overall April index were new orders at 56.1, production or sales at 50.4, delivery lead time at 46.0, inventories at 46.1, and employment at 44.1. Over the last 12 months, the Oklahoma economy has added jobs at a 1.1 percent pace, while durable and nondurable goods manufacturers have expanded jobs at a rate of 5.5 percent and 4.4 percent, respectively.

SOUTH DAKOTA

The April Business Conditions Index for South Dakota climbed to a regional high of 62.2 from March's 70.8, also a regional high. Components of the overall index from the April survey of supply managers in the state were new orders at 68.7, production or sales at 66.2, delivery lead time at 60.0, inventories at 60.2, and employment at 55.8. Over the last 12 months, the South Dakota economy has added jobs at a 1.7 percent pace, while durable and nondurable goods manufacturers have expanded jobs at a rate of 1.8 percent and 1.1 percent, respectively.

Survey results for May will be released on the first business day, June 3.

THE BULLISH NEWS



- The U.S. economy added 263,000 jobs in April and the unemployment fell to a 50-year low 3.6%.
- The U.S. economy picked up steam in the first quarter 2019 with GDP growth at 3.2%, up strongly from 2.2% in Q4, 2018.

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THE BEARISH NEWS

About 40% of the nation's top 50 markets, based on the number of homes, were overvalued in March, according to a new report from CoreLogic, which defines an overvalued market as one in which prices are at least 10% higher than the long-term, sustainable level.

- According to the Case-Shiller home price index for February indicated the slowest growth in more than 6 years.

THE OUTLOOK

National Association of Business Economics (NABE). APRIL

**SUMMARY:** Sales and Profit Margins Improve in the First Quarter; NABE Panel Finds Recent Tariffs Are Not Positive for Business. "The net impact of tariffs on American companies is not positive, and the negative impacts are especially noted within the goods-producing sector," added NABE President Kevin Swift, CBE, chief economist, American Chemistry Council. "A year after the U.S. first imposed new tariffs on its trading partners in 2018, the recent tariffs have negatively affected more than one-fourth of respondents' firms. Only 1% of respondents—those from goods-producing firms—indicate tariffs have had some positive impact on business conditions at their firms. "In response to trade concerns, panelists from goods-producers all report their firms had made changes in sourcing, supply chains or other practices. In contrast, about three out of four respondents in other sectors had not made any changes. "Regarding monetary policy, panelists generally see the Federal Reserve's pause in raising short-term interest rates as being favorable to business conditions at their firms."

**Goss (May 2019):** I expect \*\*Annualized GDP growth of 1.8% for Q2, 2019. \*\*U.S. wage increases to range between 3.6% and 3.9%. Getting a bit too high for the Fed to continue to sit on the sidelines. \*\*\*Year-over-year increase in U.S. housing prices to fall below 4% next month (and to continue to drop).

KEEP AN EYE ON

- **Case-Shiller Home Price Index for March.** Released by S&P CoreLogic on May 28. Year-over-year price growth below 3% will be another bearish signal for the housing market.
- **Consumer Price Index (CPI) for May.** The U.S. Bureau of Labor Statistics (BLS) will release the CPI for May on June 12. Year-over-year growth below 2.0% will bullish for bond prices (lower yields).
- **Jobs.** On June 7, the BLS releases its jobs report for May. Job additions above 150,000 with year-over-year wage gains between 3.3% and 3.6% will signal a "goldilocks economy."

STATISTIC OF THE MONTH

3.04%. The latest available IRS data show that the bottom 50% of income earners paid only 3.04% of federal income tax collections. On the other hand, the top 5% of income earners paid 70% of total income tax collections.

Goss Eggs (Recent Dumb Economic Moves)

- Democrat candidate for the U.S. presidency, Beta O'Rourke, recently announced his own \$5 trillion Green New Deal which included "National service grants to mobilize a new AmeriCorps generation to deploy clean energy, plant trees on marginal land, and build more resilience." He proposes to pay for this by what he calls "fixing the tax code" to insure wealthy pay their fair share of taxes. He fails to mention that the top 10% of income earners already pay 70% of all income taxes.

Supply Manager Careers

**Senior Buyer.** City of Phoenix, Phoenix, Arizona. City of Phoenix Water Services Department has a Senior Buyer vacancy. Senior Buyers are responsible for the purchase of various commodities, capital equipment and/or services. Job duties include: requirements analysis, solicitation development, cost/price analysis, specification and product analysis, contract award and administration, order development, purchasing, and other procurement related duties as assigned. Incumbents are also responsible for reviewing requests; interfacing with vendors and department officials; examining price, suitability, and availability of items or services; comparing specifications; reviewing alternatives; and offering advice and assistance to departmental customers. SALARY \$46,758 - \$69,950 annually. Candidates may be hired above the minimum depending upon qualifications. A comprehensive benefits package is offered which includes traditional pension with employer and employee contributions; choice of medical HMO, PPO, or HSA plan; dental; vision; life insurance; long-term disability; 401(a) and 457 plans; medical enrollment includes a monthly \$150 City contribution to a Post-Employment Health Plan; bus/light rail pass; tuition reimbursement program; paid time off includes 11.5 paid holidays, 12 vacation days, and 15 sick days. JOB REQUIREMENTS: \*Requires two years of experience as a professional buyer in a large-scale procurement operation, including obtaining bids, selecting vendors, awarding contracts, and preparing contracts, preferably in a governmental environment. \*Bachelor's degree in business or public administration, engineering, science or closely related field, or Certification by the National Institute of Governmental Purchasing (NIGP) or the Institute for Supply Management (ISM). \*An equivalent combination of relevant experience and education may be considered.

<https://tinyurl.com/y65tpdcf>

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Supply Manager Reading Room

"How Blockchain is Changing the Supply Chain Landscape," SupplyChain 24/7. Supply chains can still have blind spots, like whether or not your supplier has sent a full order, or if logistics are running on time. Typically, there is a delay in getting this information – sometimes too late to react to it – but what if you could have this data almost the instant the event occurred? How much better would your decision making be? Blockchain could be the solution that brings these hypotheticals into reality.

**What is Blockchain?** Essentially, a blockchain is a database that is distributed to every member on a specific network which comprises the blockchain. Whereas in a traditional network, users might connect to a shared database on a central computer, in a blockchain, that central computer doesn't exist. Instead, the database exists on all computers on the network and can be updated in real-time. Because of its decentralized nature, the blockchain cannot be controlled by any single member. Additionally, it has no single point of failure. And because everyone in the blockchain has access to the exact same information, the blockchain is transparent and highly resistant to corruption. <https://tinyurl.com/y5ra4z63>

FOLLOW ERNIE

Survey results for May will be released on June 3, the first business day of the month.

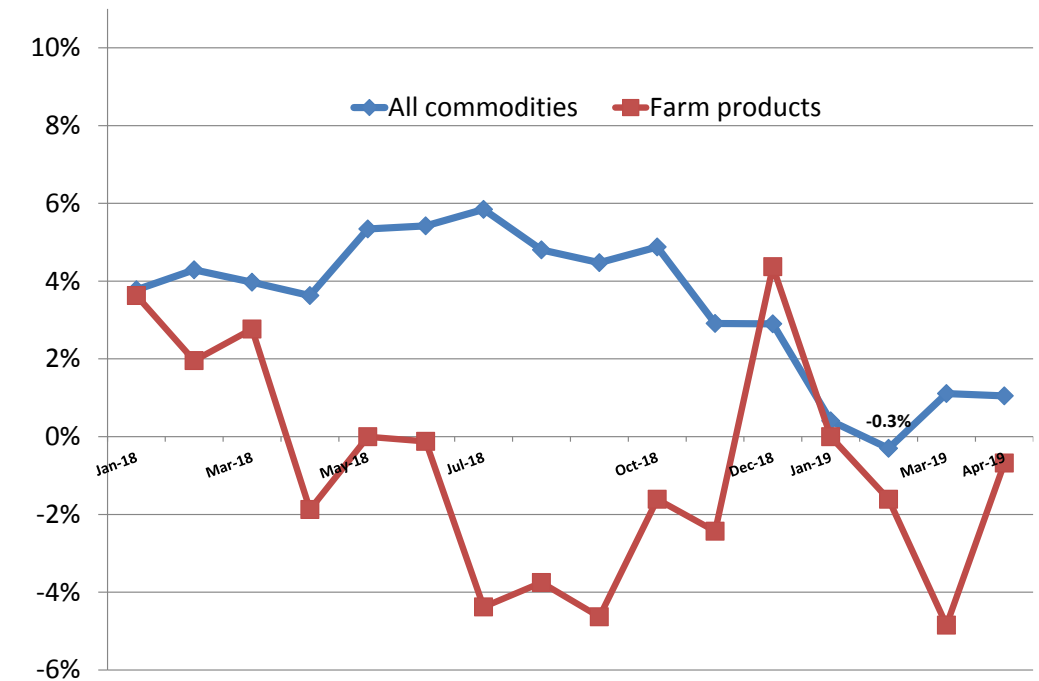
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For historical data and forecasts visit our website at: <http://business.creighton.edu/organizations-programs/economic-outlook>

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PRICE DATA

ALL COMMODITIES/FARM PRODUCTS 2007-2018  
FUELS & RELATED/METALS & METAL PRODUCTS

Year over year price change, commodities and farm product, 2018-19



Year over year price change, fuels and metal products, 2018-19

