

Welcome to our November 2020 report covering results from Creighton's October survey of supply managers.

"A monthly survey of supply chain 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 healthy pace, but current employment is well below their pre-Covid-19 levels. [www.twitter.com/erniegoss](http://www.twitter.com/erniegoss) Goss monthly interview at: <http://bit.ly/MidAmericaBCIOct2020Video>.

## Economic Lockdowns, Economic Performance And the Presidential Elections

Since the onset of Covid-19 in March of this year, a Wallstreet Journal analysis (<https://tinyurl.com/w72gtua>), concluded that five states maintained the most restrictive economic lockdowns, 16 states upheld some restrictions, and 30 states either lifted, or never enact economic restrictions to limit Covid-19 health impacts. Assigning all economic losses to Covid-19, the accompanying table lists the economic, health and political impacts from Covid-19 between March and September of this year.

**Covid-19 deaths.** As listed, states with the lowest degree of economic restrictions, as expected, suffered the highest Covid-19 deaths per one million in population at a median of 556. At the other extreme, states with the most restrictive economic lockdowns with a median of 516 Covid-19 deaths per million in population. The states with restrictions between the two extremes experienced Covid-19 deaths per million in population between the two limits at a median 537. Of course, this analysis does not account for the deaths that may have been incurred resulting from suicides, and delayed medical exams stemming from the lockdowns.

**Economic impacts.** Data in the accompanying table show that, as expected, economic lockdowns inflicted much more severe economic losses on states according to the degree of the lockdown. The 30 states that either lifted or never enacted restrictions suffered the least economic damage with median job losses at 2.8%, median increase in joblessness at 2.3%, and lowest median overall economic loss at 2.2%.

On the other hand, the 5 states that enacted the most restrictive lockdowns endured the greatest economic damage with median job losses at 5.11%, median boost in joblessness at 3.2%, and highest median overall economic loss at 4.81%. The 16 states that enacted and maintained some restrictions suffered median losses of 6.53% in jobs, 3.35% surge in joblessness, and 3.85% fall in the overall economy (GDP).

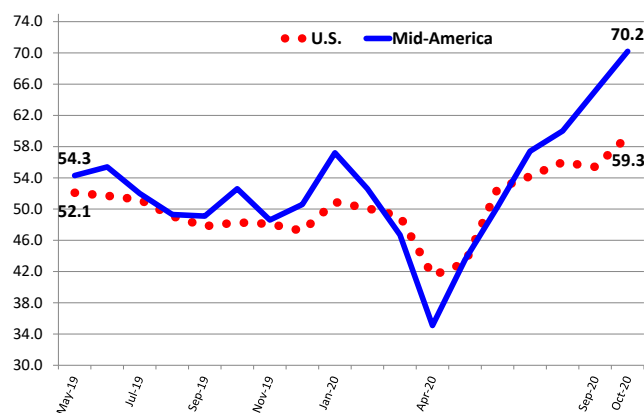
**Political impacts.** It has been assumed, or asserted, that Covid-19 was at least partially responsible for the election of Vice-President Biden. If one assumes that states with populations most concerned about Covid-19 enacted and/or maintained lockdowns, the data support this linkage. Biden won only 20% of the states that either never enacted or lifted lockdowns, but 100% of states with the most restrictive lockdowns, and 87.5% of the states with economic restrictions between the two extremes.

## Mid-America Index Soars to 16 Year High: Almost 8 of 10 Manufacturers Reported Worker Shortages

### October Survey Highlights:

- The regional Business Conditions Index expanded to its highest level in 16 years.
- Almost 8 of 10, or 78.6% of supply managers reported shortages of qualified workers to fill open positions at their firms in October.
- Very strong export and import readings for the month.
- Employment gauge soared to its highest level in more than two decades.
- More than three of four supply managers reported negative covid-19 impacts.

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



State lockdown status	Deaths per Million in Population	Median % change in unemployment rates	Median % job losses	Percent of states Won by Biden	Median GDP loss
Lifted restrictions or never enacted	556	2.30%	-2.80%	20.0%	-2.20%
Most restrictive	516	3.20%	-5.11%	100.0%	-4.81%
Some restrictions	537	3.35%	-6.53%	87.5%	-3.85%

Data sources: Unemployment/job losses (U.S. BLS); GDP loss (U.S. BEA); Biden wins (Associated Press); Covid-19 deaths (<https://www.worldometers.info/coronavirus/>)

For the fifth straight month, the Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, advanced above growth neutral, and to its highest level since 2004.

**Overall index:** In April of this year, Covid-19 pushed the overall index to its lowest level in 11 years. Since April, the overall index has risen six consecutive months with five straight months above growth neutral 50.0. The October Business Conditions Index, which ranges between 0 and 100, increased to 70.2 from September's 65.1.

Creighton's monthly survey results have mirrored the national manufacturing survey results indicating that the manufacturing sector has been expanding at a very healthy pace since sinking to a post-2008 recession low in April. Even so, current output in the regional and U.S. manufacturing sectors remains below pre-COVID-19 levels. More than three of four supply managers reported negative COVID-19 impacts.

**Employment:** The regional employment index moved well above growth neutral for October to its highest level in more than two decades, climbing to 66.7 from 61.8 in September. Prior to COVID-19, the insured unemployment rate for the region stood at 1.3%. It reached a high of 11.0% in May and has fallen to 2.9% in October.

Almost 8 of 10, or 78.6% of supply managers reported shortages of qualified workers to fill open positions at their firms in October. As stated by one supply manager, "Very competitive for entry level staff and company is having to adjust scale wages."

Other comments from October survey participants:

- Very difficult to predict economy. Need to remain flexible; manage risks; and, respond quickly to changes.
- Workers do not want to do physical labor anymore
- As with previous surveys, my positive position on the economy 6 months out is dependent upon retention of the Trump Administration.

**Wholesale Prices:** The wholesale inflation gauge for the month rose to 76.8 from 71.5 in September.

Said one supply manager, "Raw material (steel) is getting in tight supply, so prices are on the rise."

Though inflationary pressures have risen over the last several months, the Federal Reserve remains comfortable with current ultra-low short-term interest rates. In recent meetings of the rate setting committee, the FOMC, the committee indicated they will likely keep short-term interest rates at near record lows well into the future even as inflation ticks up above their target.

**Confidence:** Looking ahead six months, economic optimism, as captured by the October Business Confidence Index, climbed to a very strong 70.4 from 69.4 for September.

An expanding manufacturing sector, the federal stimulus plan, and the Federal Reserve monetary incentive programs supported October's very healthy confidence index.

**Inventories:** The regional inventory index for September, reflecting levels of raw materials and supplies, rocketed to 66.8 from last month's 45.6.

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**Trade:** The regional trade numbers were higher for the month, with new export orders rising to 58.4 from September's 50.0. An expanding domestic manufacturing sector supported a solid import index at 59.5, up from September's 56.0.

Other survey components of the October Business Conditions Index were: new orders at 76.2, down from 79.4 in September; the production or sales index expanded to 73.3 from 72.1 in September; and the speed of deliveries of raw materials and supplies index at 68.4 up from last month's 66.7 (indicating slower deliveries for October).

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 October Business Conditions Index for Arkansas fell to 64.4 from September's 68.5. Components from the October survey of supply managers were: new orders at 75.5, production or sales at 72.4, delivery lead time at 63.4, inventories at 48.5, and employment at 62.1. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 0.9% in the second week of March, peaked at 11.7% in the third week of May, and fell to 1.8% in the third week of October.

### IOWA

Iowa's Business Conditions Index bounced above growth neutral for October. The reading climbed to 78.7 from 67.1 in September. Components of the overall October index were: new orders at 82.1, production or sales at 71.2, delivery lead time at 69.3, employment at 80.9, and inventories at 93.4. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 1.7% in the second week of March, peaked at 12.4% in the first week of May, and fell to 2.6% in the third week of October.

### KANSAS

The Kansas Business Conditions Index for October increased to 68.7 from 63.0 in September. Components of the leading economic indicator from the monthly survey of supply managers were: new orders at 76.9, production or sales at 74.1, delivery lead time at 68.6, employment at 66.1, and inventories at 58.0. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 0.7% in the second week of March, peaked at 14.6% in the third week of May, and fell to 4.0% in the third week of October.

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### MINNESOTA

The October Business Conditions Index for Minnesota soared to 82.7 from 55.9 in September. Components of the overall October index were: new orders at 81.4, production or sales at 79.4, delivery lead time at 85.0, inventories at 88.5, and employment at 78.9. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 2.3% in the second week of March, peaked at 14.9% in the second week of May, and fell to 4.2% in the third week of October.

### MISSOURI

The October Business Conditions Index for Missouri advanced to 78.0 from September's 74.4. Components of the overall index from the survey of supply managers for October were: new orders at 84.6, production or sales at 83.2, delivery lead time at 78.8, inventories at 55.6, and employment at 87.9. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 0.8% in the second week of March, peaked at 9.5% in the third week of May, and fell to 1.9% in the third week of October.

### NEBRASKA

Nebraska's overall index for October jumped to 71.4 from 62.9 in September. Components of the index from the monthly survey of supply managers for October were: new orders at 77.8, production or sales at 75.1, delivery lead time at 71.7, inventories at 63.9, and employment at 68.6. "Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 0.5% in the second week of March, peaked at 11% in the fourth week of May, and fell to 3.2% in the third week of October," said Goss.

### NORTH DAKOTA

The October Business Conditions Index for North Dakota climbed to 59.0 from 55.6 in September. Components of the overall index for October were: new orders at 72.7, production or sales at 69.1, delivery lead time at 53.2, employment at 54.2, and inventories at 45.6. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 1.5% in the second week of March, peaked at 9.7% in the first week of May, and fell to 1.3% in the third week of October.

### OKLAHOMA

The state's Business Conditions Index remained above growth neutral in October. The overall index advanced to a strong 61.1 from September's 58.6. Components of the overall October index were: new orders at 72.4, production or sales at 68.7, delivery lead time at 52.2, inventories at 58.9, and employment at 53.5. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 1.1% in the second week of March, peaked at 9.6% in third week of May, and fell to 3.8% in the third week of October.

### SOUTH DAKOTA

The October Business Conditions Index for South Dakota climbed to 71.2 from 59.9 in September. Components of the overall index from the October survey of supply managers in the state were: new orders at 77.7, production or sales at 75.0, delivery lead time at 71.4, inventories at 63.4, and employment at 68.3. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 0.6% in the second week of March, peaked at 9.7% in the fourth week of May, and fell to 1.0% in the third week of October.



### THE BULLISH NEWS

- U.S. GDP accelerated at a 33.1% annualized pace in Q3, 2020, the strongest quarterly growth since the end of World War II.
- The nation added 638,000 jobs in October and the unemployment rate fell to 5.9%.
- U.S. retail sales rose in September at the fastest pace in three months. The value of overall sales increased 1.9% from the prior month after a 0.6% gain in August,
- Purchasing management indices (PMI) for both ISM's national survey and Creighton's Mid-America were in a range indicating healthy manufacturing growth.



### THE BEARISH NEWS

- Year to date, the U.S. trade deficit jumped \$38.5 billion, or 8.6%, to \$485.6 billion. The total deficit for goods and services for the same period in 2019 was \$447.1 billion.
- The six biggest U.S. airlines suffered losses from the post-pandemic double that experienced post 9/11.
- The U.S. budget deficit soared to \$3.1 trillion in the fiscal year that ended Sept. 30, by far the biggest one-year gap in U.S. history.

### THE OUTLOOK

**National Association of Business Economics (NABE).** For the first time since April 2019, a majority of respondents' firms reports increased sales at their firms, with 52% indicating rising sales during Q3. The Net Rising Index (NRI) for sales—the percentage of panelists reporting rising sales minus the percentage reporting falling sales—surged upward, increasing 47 points to 33, up from -14 in July. The forward-looking NRI for anticipated sales over the next three months also rose, adding to the sharp increase reported in the July survey. The NRI for anticipated sales increased 13 points, from 18 in July to 31, with positive readings in three of the four industry sectors. Hiring at respondents' firms remains depressed. The third-quarter NRI for employment levels over the last three months is -17, compared to -19 in the July survey. Even as the NRI improved, the share of respondents indicating there was decline in employment at their firms rose to 27% from 24% in the July survey.

**Goss (November 2020)** \*\*The yield on U.S. long-term Treasury bonds, along with mortgage rates, to climb by as much ¼ % (25 basis points) by the end of 2020. \*\*The November job additions will be healthy but somewhat disappointing in comparison to October's. \*\*Annualized and seasonally adjusted Q4 2020 GDP growth will range between 10% to 13%.

### KEEP AN EYE ON

- U.S. Retail Sales report. On Nov. 17 and Dec. 16, the U.S. Census Bureau releases retail and food services sales for October and November, respectively. Look for weaker reports to signal a buying pullback by the U.S. consumer
- ISM's Creighton's Mid-America PMIs. On December 1, ISM and Creighton release manufacturing survey results for November. Partial reversals of previous gains could be very bearish.
- Creighton's Rural Mainstreet report. On November 19th, Creighton releases its November survey of bank CEOs in rural areas of 10 states in the Rocky Mountains and Plains states. The rural economy has been performing at a pace below urban areas.

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## GOSS EGGS (for recent dumb economic moves)

French President Macron announced a second national economic lockdown to begin Oct. 30 and reassessed on Dec. 1. Under his new measure the nation's 46 million individuals would only be allowed to leave home for essential work or medical reasons. Sweden has taken a more economically and medically sensible path. Sweden advised older people to exercise greater caution, but it left individual decisions to the individuals affected by those decisions. France's Covid-19 infection rate is 89.1% higher than Sweden's, and its Covid-19 death rate is four percent higher than Sweden's.

## STATISTIC OF THE MONTH

**41%.** Delta Airlines, which blocks the use of middle seats due to Covid-19, has a current load factor of 41% compared to a 59% for American Airlines which fills the middle seat. Last year at this time, load factors were 86% for American and 88% for Delta.

## SUPPLY MANAGERS READING ROOM

"Impact of a Biden Administration on Global Supply Chains," Gartner, "Like the Trump administration, the Biden administration has stated a desire to use the Defense Production Act to increase U.S. national stockpiles of PPE. Similarly, the incoming administration has expressed the need to strengthen supply chains in areas of national interest. It has identified medical supplies and equipment, but has also included the supply chains of energy and grid resilience technologies, semiconductors, key electronics and related technologies, telecommunications infrastructure and key raw materials. The Biden administration aims to do this through use of the federal government's purchasing power based on the authority in the Procurement Act of 1949. The focus will be on a combination of increased domestic production, strategic stockpiles sized to meet national needs, a crackdown on anti-competitive practices that threaten supply chains, implementing plans to surge capacity in a time of crisis and working closely with allies." Read rest at: <https://tinyurl.com/yymxmosn>

## SUPPLY MANAGER CAREERS

**Chief Supply Chain Officer, Cox Health, Springfield, MO.**

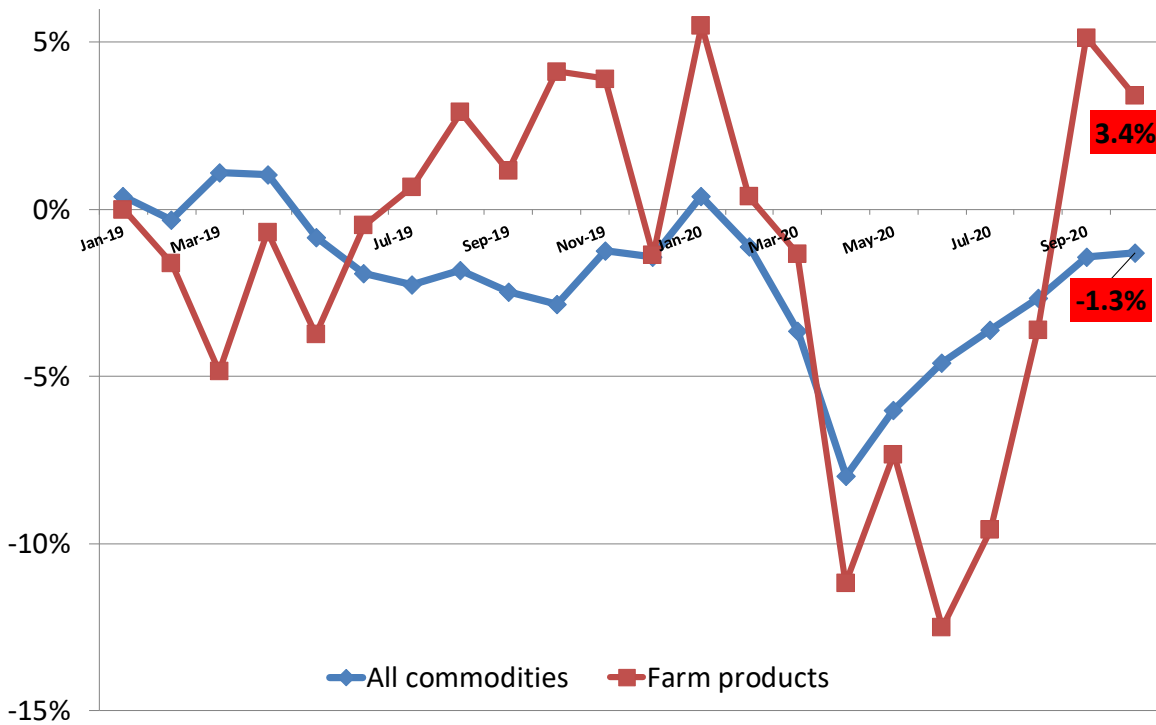
This position is responsible for the overall strategic direction, as well as the tactical execution, of all aspects of supply chain operations. In addition, this employee is responsible for providing executive leadership for all aspects of the supply chain throughout the Health Care System, including, developing, negotiating, and executing system-wide contracting plan focused in areas of contract services and physician preference, reviewing and maximizing GPO contract portfolio, developing comprehensive clinical and utilization protocols, and developing a standardization plan for the entire system. Determines strategic direction of corporate relations with various Supply Chain service providers. Accountable for procurement, logistical storage and distribution of supplies and equipment system wide to meet customer care needs. Represents the system interests in operations of our LLC Mid-America Service Solution. Job Requirements: Education: Required, Bachelor's Degree in Business Administration, Preferred, Master's Degree in Business or Healthcare Administration. Experience: Required: At least 5 years' materials management or leadership experience. <https://jobs.ascm.org/job/chief-supply-chain-officer/55023251/egree>. <https://tinyurl.com/y44v9rhc>

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

**Follow Goss on twitter at <http://twitter.com/erniegoss>**  
**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, 2019 - October 2020



Year-over-year price change, fuels and metal products, 2019 - October 2020

