

## "A monthly survey of supply chain managers"

Welcome to our September report covering results from Creighton's August supply manager survey. Creighton's monthly survey of supply managers in nine Mid-America states indicates that economic growth is in a range indicating significantly weaker manufacturing growth with modest inflationary pressures. Goss monthly interview at: <http://bit.ly/MidAmericaBCIAug2019Video>

### Do Casinos Reduce Taxpayer Burdens? No! Casino Gambling States Spent More, Taxed More, with Slower Growth

Located in 24 states, 515 commercial casinos in 2016 collected \$8.9 billion in taxes on \$40.0 billion in gambler losses for an average tax rate of approximately 23%, or roughly triple the average sales tax rate. Eleven of the 24 casino states devoted casino tax collections to education spending, while the remaining 13 states dedicated the taxes to a wide array of state and local spending projects. Table 1 shows how casino states differed from non-casino states in terms of spending, taxes, and economic performance.

Did these tax collections result in any meaningful tax relief, or instead fuel an increase state and local government spending? Per \$10,000 in gross domestic product (GDP), state and local government agencies in casino states spent and taxed more heavily than non-casino states. Moreover, casino states expended more on education as a share of GDP than non-casino states. However, states that dedicated casino tax collections to education spent less as a share of GDP than casino states that did not target education for casino tax collections. Additionally, data show that casino states expended more heavily on police operations than non-casino states in 2016.

In terms of economic performance, as measured by GDP growth, non-casino states expanded more briskly in periods 2014-16, 2016-18 and 2014-18.

In summary, data indicate that, for the period analyzed, casino states spent more on state and local government activities, taxed their citizens more heavily, and experienced slower GDP growth.

Table 1: Casino states vs. non-casino states, state and local spending, taxes per \$10,000 in GDP (2016); economic performance 2014-18

	Casino states (per \$10,000 of 2016 GDP)			No casinos 26 states & DC
	All 24	Casino taxes used for education (11 states)	Casino taxes used for other functions (13 states)	
State & local government spending	\$1,869	\$1,932	\$1,849	\$1,762
State & local taxes	\$844	\$837	\$848	\$836
Education spending	\$545	\$535	\$572	\$516
Police spending	\$59	\$65	\$51	\$49
<b>Economic performance-median GDP growth</b>				
GDP growth 2014-16	5.2%	5.2%	5.2%	6.5%
GDP Growth 2016-18	8.2%	8.7%	7.5%	8.7%
GDP Growth 2014-18	12.9%	14.0%	12.0%	15.3%

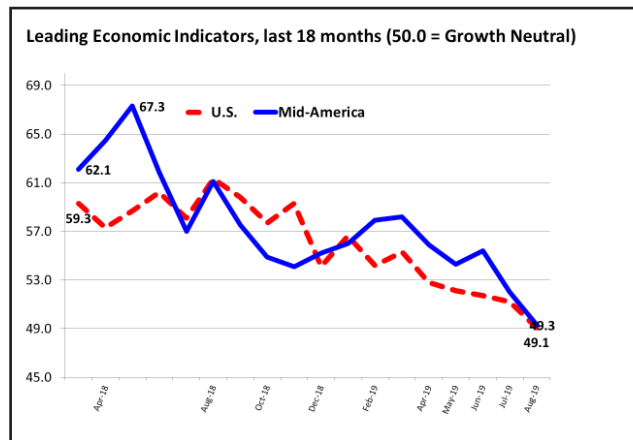
Sources: American Gaming Association; U.S. Census Bureau; U.S. Bureau of Economic Analysis

## LAST MONTH'S SURVEY RESULTS

Mid-America Index Slumps Below Growth Neutral: Declines in Exports and Hiring Pushed Index into Negative Territory

### SURVEY RESULTS AT A GLANCE:

- Overall index sank for the fourth time in the past five, months moving below growth neutral. Lower export orders and hiring pushed index into negative territory.
- Business confidence slumped to 35-month low.



- Business confidence slumped to 35-month low.
- Export orders and imports slumped for the month.
- Approximately 44% of supply managers indicated that tariffs and trading issues were the greatest economic challenge for their company in the next 12 months.
- Six of 10 supply managers reported their customers would be paying the greatest share of tariffs.

The August Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, fell below growth neutral for the first time since November 2016.

**Overall index:** The Business Conditions Index, which ranges between 0 and 100, slumped to 49.3 from July's 52.0. After 32 straight months of above growth neutral readings, the region's overall index moved below 50.0 in August.

The regional economy expanded at a slower pace than the rest of the nation for the first eight months of 2019.

Weakness in the region's farm and manufacturing sectors produced by tariffs and a global economic slowdown pulled regional growth below that of the nation. Based on our manufacturing survey over the past several months, I expect overall growth to slow and potentially move into negative territory in the months ahead.

**Employment:** The August employment index plummeted to 45.1, its lowest level in 34 months, from 56.3 in July.

For the last 12 months, Mid-America employment growth has been 0.7% compared to a much higher 1.5% for the U.S. This month, as in July, approximately 40% of supply managers reported that the shortage of qualified workers was the greatest economic challenge for their company for the next 12 months.

One supply manager reported that tight labor markets are making it difficult to expand, while another said, "We're struggling to hire enough workers to meet our demand."

**Wholesale Prices:** The wholesale inflation gauge for the month indicated reduced inflationary pressures with a wholesale price index of 63.4, down from 71.9 in July. "Tariffs have to date only had modest impact on our wholesale inflation gauge," said Goss.

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Moderate wholesale inflation from our survey and national surveys support another Federal Reserve rate cut. "I expect the Federal Reserve to reduce short-term interest rates again at its September meetings. Record low interest rates by global central banks and a strong U.S. dollar are pushing the Fed to continue reducing rates," reported Goss.

A supply manager noted that, "Tariffs are another form of taxes on producers and the costs are passed on to consumers."

According to one procurement professional, regarding who pays for tariffs. "It depends. Sometimes it is the seller; sometimes the purchaser; sometimes the final consumer."

In August, six of 10 supply managers reported their customers would be paying the greatest share of tariffs.

**Confidence:** Looking ahead six months, economic optimism, as captured by the August Business Confidence Index, plunged to 45.0 from July's 51.4. This is a 35-month low for the confidence reading.

"I expect business confidence to depend heavily on trade talks with China, the Federal Reserve's interest rate actions in the weeks and months ahead, and recession signals from the nation's financial markets," reported Goss.

**Inventories:** Companies shrank inventories of raw materials and supplies for the month with the August inventory index plummeting to 41.5 from July's 46.0. This is yet another signal of declining business confidence as manufacturers reduce their inventories of raw materials and supplies based on a weak sales outlook.

**Trade:** The regional trade numbers were down again with both export orders and imports falling. The new export orders index sank to 39.6, down from July's 44.7, and the import index slumped to 42.3 from 43.8 in July.

Two-thirds of our supply managers indicated that the trade war and tariffs were having negative impacts on their firm.

**Other survey components:** Other components of the August Business Conditions Index were new orders at 48.8, down from July's 51.3; the production or sales index was unchanged from July's reading 52.6; and speed of deliveries of raw materials and supplies index at 58.6, was up from last month's 53.8 reading.

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 August Business Conditions Index for Arkansas fell to 48.2 from July's 51.0. Components of the index from the monthly survey of supply managers were new orders at 45.9, production or sales at 52.4, delivery lead time at 58.8, inventories at 41.6, and employment at 42.3. U.S. Bureau of Labor Statistics data indicate that Arkansas manufacturing workers ranked second in the nine-state region with a 5.8% increase in hourly earnings over the past 12 months. In terms of job growth, both durable and nondurable manufacturers in the state experienced solid growth over the past 12 months. However, the state's manufacturing sector lost jobs in August according to Creighton's survey.

IOWA

After two straight months of above growth neutral readings, Iowa's overall Business Conditions Index sank below the 50.0 threshold. The overall index for August dropped to 49.7 from July's 52.6. Components of the overall index from the monthly survey of supply managers were new orders at 51.8, production or sales at 49.4, delivery lead time at 59.4, employment at 45.7, and inventories at 42.1. U.S. Bureau of Labor Statistics data indicate that Iowa manufacturing workers ranked sixth in the nine-state region with a 3.1% increase in hourly earnings over the past year. In terms of job growth, both durable and nondurable manufacturers experienced slight positive growth over the past 12 months. However, the state's manufacturing sector lost jobs in August according to Creighton's surveys.

KANSAS

The Kansas Business Conditions Index for August sank to 49.9 from July's 52.1. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 49.8, production or sales at 59.9, delivery lead time at 51.4, employment at 46.1, and inventories at 42.1. U.S. Bureau of Labor Statistics data indicate that Kansas manufacturing workers ranked last in the nine-state region with a 0.4% increase in hourly earnings over the past year. In terms of job growth over the past 12 months, durable goods manufacturers in the state experienced positive growth, while nondurable goods producers experienced flat job growth. However, the state's manufacturing sector lost jobs in August according to Creighton's survey.

MINNESOTA

The August Business Conditions Index for Minnesota fell to 48.6 from 51.7 in July. Components of the overall August index from the monthly survey of supply managers were new orders at 52.2, production or sales at 49.0, delivery lead time at 58.9, inventories at 41.7, and employment at 41.1. U.S. Bureau of Labor Statistics data indicate that Minnesota manufacturing workers ranked fourth in the nine-state region with a 4.4% increase in hourly earnings over the past year. In terms of job growth over the past 12 months, durable goods manufacturers in the state experienced slight growth while nondurable goods producers suffered job losses. The state's manufacturing sector lost jobs in August according to Creighton's survey.

MISSOURI

The August Business Conditions Index for Missouri slumped to 50.1 from July's 51.9. Components of the overall index from the survey of supply managers were new orders at 50.1, production or sales at 51.1, delivery lead time at 60.2, inventories at 42.6, and employment at 46.3. U.S. Bureau of Labor Statistics data indicate that Missouri manufacturing workers ranked seventh

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in the nine-state region with a 1.4% increase in hourly earnings over the past year. In terms of job growth, both durable and nondurable manufacturers in the state experienced solid and positive growth over the past 12 months. However, the state's manufacturing sector lost jobs in August according to Creighton's survey.

### NEBRASKA

After two straight months with above growth neutral readings, Nebraska's Business Conditions Index once again fell into negative territory. The state's overall index tumbled to 49.3 from July's 52.9. Components of the index from the monthly survey of supply managers were new orders at 49.6, production or sales at 51.6, delivery lead time at 59.7, inventories at 42.3, and employment at 43.4. U.S. Bureau of Labor Statistics data indicate that Nebraska manufacturing workers ranked eighth in the nine-state region with a 1.2% increase in hourly earnings over the past year. Job growth over the past 12 months was flat for durable goods producers while nondurable manufacturers in the state experienced solid and positive growth. However, the state's manufacturing sector lost jobs in August according to Creighton's survey.

### NORTH DAKOTA

The August Business Conditions Index for North Dakota dropped to 51.2 from 55.4 in July. Components of the overall index were new orders at 49.7, production or sales at 52.7, delivery lead time at 59.5, employment at 45.9, and inventories at 47.8. U.S. Bureau of Labor Statistics data indicate that North Dakota manufacturing workers ranked tops in the nine-state region with a 6.9% increase in hourly earnings over the past year. Job growth over the past 12 months was flat for nondurable goods producers while nondurable manufacturers in the state experienced positive growth. However, the state's manufacturing sector lost jobs in August according to Creighton's survey.

### OKLAHOMA

After two straight months with above growth neutral readings, Oklahoma's Business Conditions Index once again dipped into negative territory. The overall index from a monthly survey of supply managers for August dropped to 49.6 from July's 52.8. Components of the overall August index were new orders at 51.8, production or sales at 49.5, delivery lead time at 47.8, inventories at 45.8, and employment at 59.5. U.S. Bureau of Labor Statistics data indicate that Oklahoma manufacturing workers ranked third in the nine-state region with a 5.1% increase in hourly earnings over the past year. In terms of job growth over the 12 months, both durable and nondurable goods producers experienced job losses. Oklahoma was the only state to add manufacturing jobs in August according to Creighton's survey.

### SOUTH DAKOTA

The August Business Conditions Index for South Dakota fell to 48.3 from July's 52.5. Components of the overall index from the August survey of supply managers in the state were new orders at 51.7, production or sales at 49.5, delivery lead time at 52.1, inventories at 42.1, and employment at 45.8. U.S. Bureau of Labor Statistics data indicate that South Dakota manufacturing workers ranked fifth in the nine-state region with a 3.8% increase in hourly earnings over the past year. In terms of job growth over the 12 months, job growth was solid and positive for both durable and nondurable goods producers in the state. However, the state's manufacturing sector lost jobs in August according to Creighton's survey.



### THE BULLISH NEWS

- The U.S. unemployment rate remained at a 50-year low of 3.7%, while the joblessness rate for Black and Hispanic workers declined to the lowest level on record.
- The U.S. inflation rate as measured by the consumer price index (CPI) rose by 1.8% July 2018 to July 2019. The core CPI, which excludes prices of food and energy, climbed by a higher 2.0% over the same period.



### THE BEARISH NEWS

- Home price inflation slowed further in June as the Case-Shiller index rose 0.3% in June compared with May. Case-Shiller home-price gains have slowed to a near 7-year low.
- Creighton and U.S. Purchasing Management Indices (PMI) dropped below growth neutral for August (the first time in almost 3 years).
- In just 10 months the U.S. budget deficit exceeded last year's full year deficit. The budget deficit is up 27% from last year.

### THE OUTLOOK

#### National Association of Business Economics (NABE). September SUMMARY: NABE Outlook:

Survey respondents indicate that the expansion will be extended by the shift in monetary policy, and most expect the next economic recession will occur later than anticipated when the February policy survey was conducted," said NABE President Constance Hunter, CBE, chief economist, KPMG. "Of the 98% of respondents who believe a recession will come after 2019, the panel is split regarding whether the downturn will hit in 2020 or 2021. "Respondent attitudes towards current fiscal policy have shifted significantly as well," continued Hunter. "The percentage of panelists who find current fiscal policy 'too stimulative' has declined from 71% in August 2018 to 51% in the current survey. Just over one-third consider fiscal policy 'about right,' and 8% find it 'too restrictive.'" "A majority of respondents believes U.S. monetary policy is 'about right,' but the percentage holding this view has fallen from 75% in the previous two surveys to 62%," added Survey Chair Megan Greene, senior fellow at the Mossavar-Rahmani Center of Business and Government at the Harvard Kennedy School. "The survey was conducted before the Federal Reserve's rate cut on July 31; the majority of survey responses was received prior to that date. A plurality of panelists anticipates the upper end of the federal funds target rate will be 2% in 2019 and 2020, reflecting one more cut in 2019. Survey respondents are nearly unanimous in their support of the Federal Reserve continuing to have congressional oversight and policy independence.

**From Goss:** I expect \*\*Annualized GDP growth of 1.9% for Q1, 2019. \*\*U.S. job growth to continue, but job gains to range between 100,000 and 140,000 for the next several months. \*\*Year-over-year increase in U.S. housing prices to fall below 4% next month (and to continue to drop).

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## Goss Eggs (for recent dumb economic moves)

The Business Roundtable, a group of CEOs of nearly 200 major U.S. corporations, last month issued a new definition of the "purpose of a corporation." Instead of serving shareholders and maximizing profits they will now serve employees, customers, the environment.

## Statistic(s) of the month

51 and 0%. In total 51 wealthy individuals have been criminally charged for illegally securing admission to top colleges for their teens. However, no (0%) of colleges have been charged for assisting in the scam. U.S. colleges and universities are pampered by our nation's laws and regulations.

## Keep an eye on

- **Brexit.** On October 31, Great Britain is scheduled to exit the European Union (EU). A messy (hard) exit with no deal will be a significant negative for the global economy. It will not be good for equities, but increase bond prices and reduce yields as investors seek safe financial havens.
- **ISM and Creighton's PMIs for September.** On October 1, the Institute for Supply Management and Creighton University release their surveys of supply managers in the U.S. and Mid-America, respectively. This is an early reading of manufacturing growth. Both are trending downward and both were below growth neutral 50.0 for August.
- **10-Year U.S. Treasury bond yield.** Currently 1.62%. This is the lowest yield in 7 years and indicates a significant increase in global tensions as investors flee risky bets and buy safer U.S. Treasury bonds, driving prices up and yields lower.

## Supply Manager Reading Room

"Risks in Global Supply Chains," The complexity of supply chains requires an assessment of the types of risks involved and the related factors that may cause them. The risks are interrelated:  
**\*Supply Risks.** Impacts elements of inbound supply, implying that a supply chain is unable to meet the demand in terms of quantity and quality of parts and finished goods. The outcome is labeled as a supply disruption. **\*Demand Risks.** Impacts elements of the outbound supply chain where the extent or fluctuation of the demand are unexpected. This is labeled as demand disruption. **\*Operational Risks.** Impacts elements within a supply chain, impairing its ability to supply services, parts or finished goods within the standard requirements of time, cost and quality. Transportation is one of the most salient operational risk. [https://transportgeography.org/?page\\_id=642](https://transportgeography.org/?page_id=642)

## Supply Manager Careers

**Supply Chain Analyst, Penske Truck Leasing, Kansas City, MO.**

A Supply Chain Analyst will maintain solutions as it relates to the customer agreement and may recommend and implement changes to improve efficiency, provide cost savings or reduce support. Position will require customer interactions and be capable of representing Penske in customer meetings. A Penske Supply Chain Analyst will work collectively between Operations, Engineering and Technology to support logistics solutions and strategic cost savings opportunities. The Supply Chain Analyst is responsible for managing Transportation Management business processes including shipment route plan optimization and execution to ensure that Penske's solutions are meeting customer requirements. Qualifications: \*1 - 4 year comparable work experience. \*Bachelor's Degree preferred: Business Administration, Logistics & Supply Chain Management preferred. \*Fundamental understanding of transportation, supply chain and logistics concepts. \*Strong written and oral communication skills. \*Advanced problem solving skills. \*Ability to work effectively in a team environment. \*Ability to work independently with minimum supervision. Willingness to travel as necessary, work the required schedule, work at the specific location required, complete Penske employment application, submit to a background investigation (to include past employment, education, and criminal history) and drug screening are required. <https://tinyurl.com/y32oa8j3>

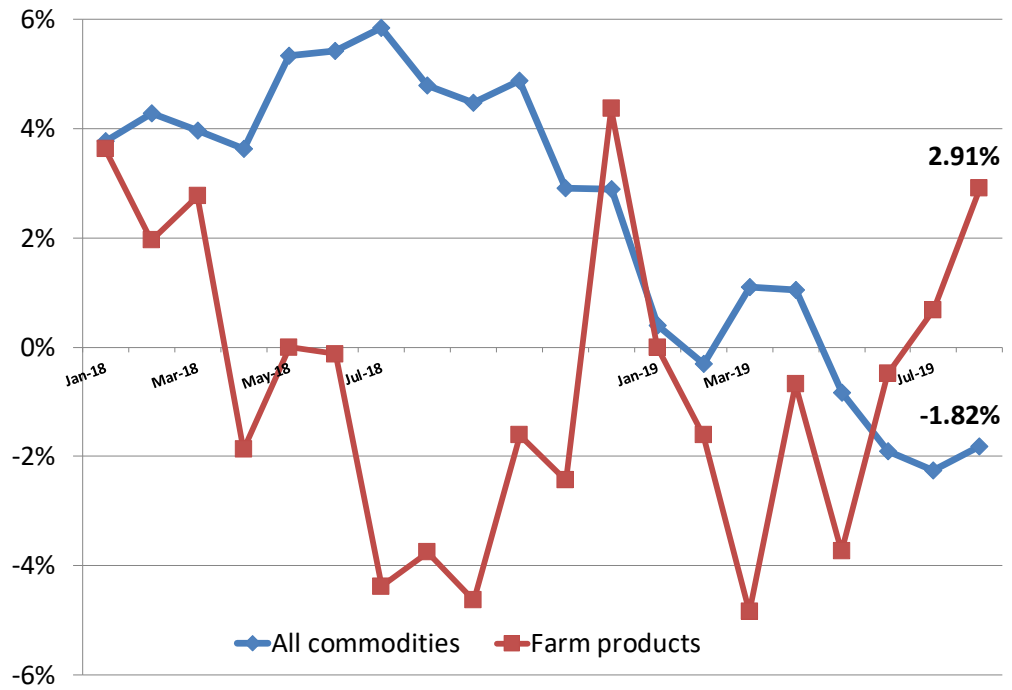
Survey results for September will be released on October 1, the first business day of the month.

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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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, commodities and farm product, 2018-19

