

Welcome to our September 2020 report covering results from Creighton's August 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, but current employment is well below their pre-Covid-19 levels. Goss monthly interview at: <https://bit.ly/MidAmericaBCIAugust2020YoutubeVideo>.

**High Tax States Lose Representation in Congress: 2017 Tax Law and Pandemic Reinforce Population Trend**

Peter Rex, Founder and CEO of Rex Teams recently announced that, "I'm moving my business headquarters off the West Coast." We tried San Francisco and Seattle. "Both were wonderful in their own ways, especially in natural beauty and personal friendships. But both have become hostile to the principles and policies that enable people to live abundantly in the broadest sense." Rex joins a parade of individuals and businesses that are relocating from high tax states to low tax states due to 1) 2017 Tax Law that eliminated the deductibility of state and local taxes, 2) Post Covid-19, companies allowing employees to work from locations of their choice, and 3) Individuals and businesses avoidance of large urban centers with higher crime rates and economic lockdowns.

The accompanying table lists the 10 states experiencing the greatest population gains, and the 10 states suffering the largest population losses.

The global pandemic has further enhanced the economic prospects of the gaining states, which experienced an average increase in insured unemployment rates between mid-March, and the end of August of 7.4% compared to a much higher average of 9.9% for the ten losing states. Many of the unemployed in high tax states will seek the more job friendly employment prospects in low tax states. Furthermore, the data show that the population gainers' average state and local tax rate was 7.82%, and the population losers' average state and local tax burdens was 9.51%.

Importantly, 7 of the 10 gaining states voted Republican in the last presidential election, and 7 of 10 losing states voted Democrat in the same election. In addition to invigorating the economies of low tax states, this migration will have the bonus impact of increasing the representation in Congress of destinations with lower state and local tax rates.

The table below reflects reapportionment post-2020 Census:

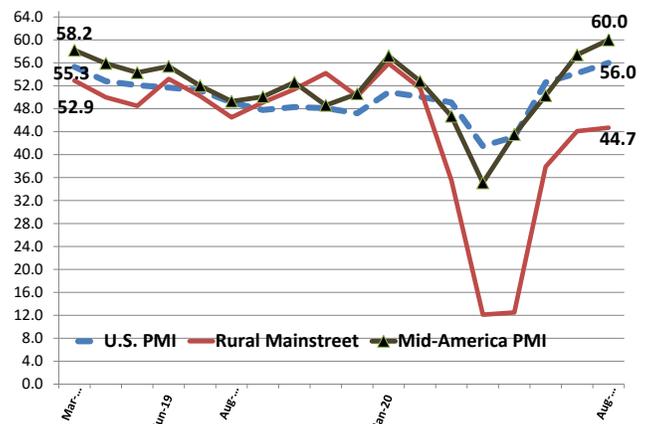
- The 10 states with the highest population gains collectively will add 7 congressional representatives.
- The 10 states with the largest population losses will lose 5 congressional representatives.

**August Mid-America Index Highest in Two Years: Manufacturing Employment Gains for the Month**

**August Survey Highlights:**

- The regional Business Conditions Index expanded to its highest level in two years.
- For the first time since January, the employment index rose above growth neutral.
- According to U.S. Bureau Labor Statistics data, the region has lost approximately one million, for a 7.3% decline, of its non-farm jobs since the onset of Covid-19.
- Four of five manufacturers reported difficulty in finding and hiring qualified workers.
- Business confidence climbed to its highest level since February 2018.

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



The August 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 in two years.

Overall index: After falling below growth neutral for three straight months, the overall index bounced into positive territory for June, July, and August. The Business Conditions Index, which ranges between 0 and 100, increased to 60.0 from July's 57.4.

While the August reading was certainly encouraging, manufacturing activity in the region remains below pre-Covid-19 levels. Creighton's regional index has been mirroring the national ISM index with reading above growth neutral for June and July. I expect the national number to be above growth neutral for August when it is released later this morning. (continued on next page)

Population Gainers	Change in Congress	State & Local Taxes as % PI	Population Losers	Change in Congress	State & Local Taxes as % PI
1. Arizona (net gain of 83,240 residents)	+1	8.25%	41. New York (net loss of 180,306 residents)	-1	12.28%
2. Texas (net gain of 82,569 residents)	+2	8.20%	42. California (net loss of 156,068 residents)	-1	9.27%
3. Florida (net gain of 69,420 residents)	+2	6.82%	43. Illinois (net loss of 114,154 residents)	-1	9.62%
4. North Carolina (net gain of 66,991 residents)	+1	8.17%	44. New Jersey (net loss of 50,591 residents)	0	9.88%
5. South Carolina (net gain of 50,775 residents)	0	7.48%	45. Louisiana (net loss of 27,914 residents)	0	9.15%
6. Nevada (net gain of 47,596 residents)	0	8.39%	46. Massachusetts (net loss of 25,755 residents)	0	8.76%
7. Washington (net gain of 46,549 residents)	0	8.32%	47. Maryland (net loss of 24,518 residents)	0	9.34%
8. Colorado (net gain of 43,293 residents)	+1	8.40%	48. Connecticut (net loss of 21,509 residents)	0	9.99%
9. Georgia (net gain of 41,914 residents)	0	7.98%	49. Pennsylvania (net loss of 20,463 residents)	-1	8.53%
10. Tennessee (net gain of 39,952 residents)	0	6.18%	50. Michigan (net loss of 16,766 residents)	-1	8.27%
<b>Average state &amp; local tax burden</b>		<b>7.82%</b>	<b>Average state &amp; local tax burden</b>		<b>9.51%</b>

**Employment:** For the first time since January of this year, the regional employment index moved above growth neutral. The August index climbed to 54.8, its highest level since July 2019, and up from last month's July 48.5. Even though the insured unemployment rate for the region is approximately 4.5% higher than that immediately prior to Covid-19, four of five supply managers reported that their firms were experiencing difficulty finding and hiring qualified workers.

**Wholesale Prices:** The wholesale inflation gauge for the month indicated a fall in wholesale prices from July with a wholesale price index of 52.3, down from 65.2 in July.

Recessionary economic conditions from Covid-19 are putting downward pressure on wholesale inflation. Importantly low inflation has pushed the Federal Reserve to be more comfortable with current ultra-low short-term interest rates. In their latest meeting, the Fed rate setting committee, the FOMC, indicated that they will likely keep short-term interest rates at near record lows well into the future even if inflation ticks up above their target.

**Confidence:** Looking ahead six months, economic optimism, as captured by the August Business Confidence Index, climbed to a strong 73.3, its highest level since February 2018, and up from 68.3 in July.

Since our survey was conducted after August's derecho, I expected to record weaker business confidence. However, our survey indicates that the region's manufacturing sector was spared much of the negative impacts.

The federal stimulus plan, the Federal Reserve monetary incentive programs, and U.S. stock markets boosted confidence from July's already solid reading.

**Inventories:** The regional inventory index for August, reflecting levels of raw materials and supplies, sank to 41.7 from last month's 45.3.

**Trade:** The regional trade numbers were mixed with new export orders rising to 58.3 from July's 47.9. An expanding manufacturing sector pushed the import index to 56.8 from July's 53.9.

The U.S. Department of Commerce recently announced that June exports were 24% below year-ago levels. "Our August readings point to improvements in the regional trade picture in the months ahead," said Goss.

**Other survey components:** new orders at 72.6, up from 67.2 in July; the production or sales index expanded to 67.7 from July's 65.2; and speed of deliveries of raw materials and supplies index at 63.3, up from last month's 61.2 (indicating slower deliveries for August).

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.

## "A monthly survey of supply chain managers"

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 rose to 63.0 from July's 61.0. Components from the monthly survey of supply managers were: new orders at 74.0, production or sales at 72.6, delivery lead time at 75.4, inventories at 40.9, and employment at 52.1. According to U.S. Bureau of Labor Statistics, since the onset of Covid-19, the state's manufacturing sector has lost approximately 15,000 jobs, a decline of 9.4%.

#### IOWA

Iowa's Business Conditions Index inched above growth neutral for the month. The reading climbed to 56.4 from 50.9 in July. Components of the overall August index from the monthly survey of supply managers were: new orders at 72.5, production or sales at 67.7, delivery lead time at 66.5, employment at 48.0, and inventories at 43.6. According to U.S. Bureau of Labor Statistics, since the onset of Covid-19, the state's manufacturing sector has lost approximately 6,000 jobs, a decline of 2.7% with transportation equipment manufacturing accounting for a large share of the losses.

#### KANSAS

The Kansas Business Conditions Index for August increased to 63.0 from July's 59.2. Components of the leading economic indicator from the monthly survey of supply managers for August were: new orders at 73.6, production or sales at 71.1, delivery lead time at 58.2, employment at 67.8, and inventories at 44.2. According to U.S. Bureau of Labor Statistics, since the onset of Covid-19, the state's manufacturing sector has lost approximately 13,000 jobs, a decline of 7.7% with transportation equipment manufacturing accounting for a large share of the losses.

#### MINNESOTA

The August Business Conditions Index for Minnesota slipped to 54.5 from 54.7 in July. Components of the overall July index from the monthly survey of supply managers were: new orders at 70.5, production or sales at 61.3, delivery lead time at 51.6, inventories at 42.4, and employment at 46.7. According to U.S. Bureau of Labor Statistics, since the onset of Covid-19, the state's manufacturing sector has lost approximately 20,000 jobs, a decline of 6.2% with metal products manufacturers accounting for a large share of the losses.

#### MISSOURI

The August Business Conditions Index for Missouri advanced to 63.0 from July's 44.7. Components of the overall index from the survey of supply managers for August were: new orders at 73.4, production or sales at 70.5, delivery lead time at 62.5, inventories at 44.1, and employment at 64.2. According to U.S. Bureau of Labor Statistics, since the onset of Covid-19, the state's manufacturing sector has lost approximately 4,000 jobs, a decline of 1.5% with machinery manufacturing accounting for a large share of the losses. *(continued on next page)*

## "A monthly survey of supply chain managers"

### NEBRASKA

The state's overall index for August sank to 64.2 from 68.6 in July. Components of the index from the monthly survey of supply managers for August were: new orders at 73.6, production or sales at 71.2, delivery lead time at 63.4, inventories at 44.3, and employment at 68.4. According to U.S. Bureau of Labor Statistics, since the onset of Covid-19, the state's manufacturing sector has lost approximately 2,000 jobs, a decline of 2.0% with metal products producers accounting for a share of the losses.

### NORTH DAKOTA

The August Business Conditions Index for North Dakota sank climbed to 53.6 from 45.5 in July. Components of the overall index for August were: new orders at 70.3, production or sales at 60.8, delivery lead time at 51.0, employment at 43.4, and inventories at 42.3. According to U.S. Bureau of Labor Statistics, since the onset of Covid-19, the state's manufacturing sector has lost approximately 1,000 jobs, a decline of 3.8% with machinery manufacturing accounting for a large share of the losses..

### OKLAHOMA

The state's Business Conditions Index moved above growth neutral in August. The overall index declined to 61.8 from July's 69.0. Components of the overall August index were: new orders at 74.1, production or sales at 72.8, delivery lead time at 65.3, inventories at 44.6, and employment at 52.1. According to U.S. Bureau of Labor Statistics, since the onset of Covid-19, the state's manufacturing sector has lost approximately 8,000 jobs, a decline of 5.9% with metal manufacturers accounting for a large share of the losses.

### SOUTH DAKOTA

The August Business Conditions Index for South Dakota increased to 62.9 from 61.0 in July. Components of the overall index from the August survey of supply managers in the state were: new orders at 73.3, production or sales at 70.4, delivery lead time at 62.5, inventories at 44.1, and employment at 63.9. According to U.S. Bureau of Labor Statistics, since the onset of Covid-19, the state's manufacturing sector has lost approximately 1,500 jobs, a decline of 3.4% with both durable and non-durable goods producers recording losses for the period.



### THE BEARISH NEWS

- Fall 2020 job cuts announced by U.S. airlines are 16,000 for United, and 40,000 for American, Delta plans to cut 1,900 pilot positions.
- U.S. debt as a percent of GDP reached its highest level since World War II.
- U.S. municipal defaults rose to their highest level since 2011.
- Four of five manufacturing supply managers in Creighton's August survey reported that finding and hiring qualified workers was a significant problem.

### THE OUTLOOK

National Association of Business Economics (NABE) Outlook: "Nearly two-thirds of the National Association for Business Economics members who participated in the August 2020 NABE Economic Policy Survey believe the U.S. economy continues to be in a recession that began last February," said NABE President Constance Hunter, CBE, chief economist, KPMG. "Almost half the respondents expects inflation-adjusted gross domestic product to remain below its fourth-quarter 2019 level until the second half of 2022 or later. And 80% of panelists indicate there is at least a one-in-four chance of a 'double-dip' recession. "The panel is split in its view on Congress's fiscal response to the recession, with 40% calling the response insufficient, 37% indicating the response is adequate, and 11% saying it is excessive," Hunter continued. "Nearly three out of four panelists believe the optimal size for the next fiscal package to be \$1 trillion or greater, compared to 17% who favor a smaller package." "More than three-quarters of panelists believe that the current stance of U.S. monetary policy is appropriate, the largest share holding this view since 2007," added Survey Chair Gregory Daco, chief U.S. economist, Oxford Economics. "The majority of panelists—58%— expects the federal funds rate range to remain unchanged at 0-0.25%, or even drop lower, by the end of 2021. Daco added. "Combating COVID-19, promoting economic recovery, and health policy were cited more frequently than a dozen other choices." <https://tinyurl.com/y3c5jsqj>

**Goss(September 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 September job additions will be somewhat disappointing in comparison to August's. \*\*Upturns in municipal bond bankruptcies in the months ahead. \*\*Annualized and seasonally adjusted Q3 GDP will range between 15% and 16%.



### THE BULLISH NEWS

- The nation added 1.4 million jobs in August as the unemployment rate tumbled to 8.4% from 10.2% in July.
- The Case-Shiller home price index for June was up 02% from May and 4.3% above June of 2019.
- U.S. August retail sales advanced above pre-Covid-19 levels and rose 1.2% from July's level.
- Both Creighton's and ISM's manufacturing PMIs rose above growth neutral for June, July, and August.

### KEEP AN EYE ON

- U.S. BLS's October jobs report for September. On October 2, the BLS releases the number of jobs lost or gained for September. Another positive and strong reading will be very bullish for U.S. stocks and bearish for the U.S. bond market.
- U.S. Bureau of Labor's weekly continuing claims data. Released every Thursday, this is the earliest reading on the U.S. and state labor markets. The level of unemployed will likely move lower in the weeks ahead as the first-time claims continue to decline.
- Yield on 10-Year U.S. Treasury bond. Find instantaneously, at <https://finance.yahoo.com>. Watch for this yield to rise back above 1.0% to signal coronavirus impacts waning. Right now, that yield is well-below 1.0%, pointing to less, but still high, U.S. economic risks.

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## GOSS EGGS (for recent dumb economic moves)

The Trump Administration's CDC effectively seized private property by banning rental evictions through the end of 2020. All renters have to do is attest that they would be homeless absent the moratorium. The renters would owe back rent at the end of the period (fat chance of collecting a lump sum payment instead of the monthly rent). This action will result in landlords failing to maintain properties, cover property taxes, and pay mortgage payments. And in the end, evictions will explode in 2021.

## STATISTIC OF THE MONTH

**23.** The nation's premier business organization, the U.S. Chamber of Commerce, bowed to political correctness and decided to back reelection of 23 House Democrat freshmen who reliably voted against free market principles such as right-to-work laws.

## SUPPLY MANAGERS READING ROOM

### COVID-19: Managing supply chain risk and disruption.

Coronavirus highlights the need to transform traditional supply chain models. Could COVID-19 be the black swan event that finally forces many companies, and entire industries, to rethink and transform their global supply chain model? One fact is beyond doubt: It has already exposed the vulnerabilities of many organizations, especially those who have a high dependence on China to fulfil their need for raw materials or finished products. For companies that operate or have business relationships in China and other impacted countries, steps may include: <https://tinyurl.com/sv44lmg>

## SUPPLY MANAGER CAREERS

### Director of Procurement, Ames Laboratory, Ames, Iowa.

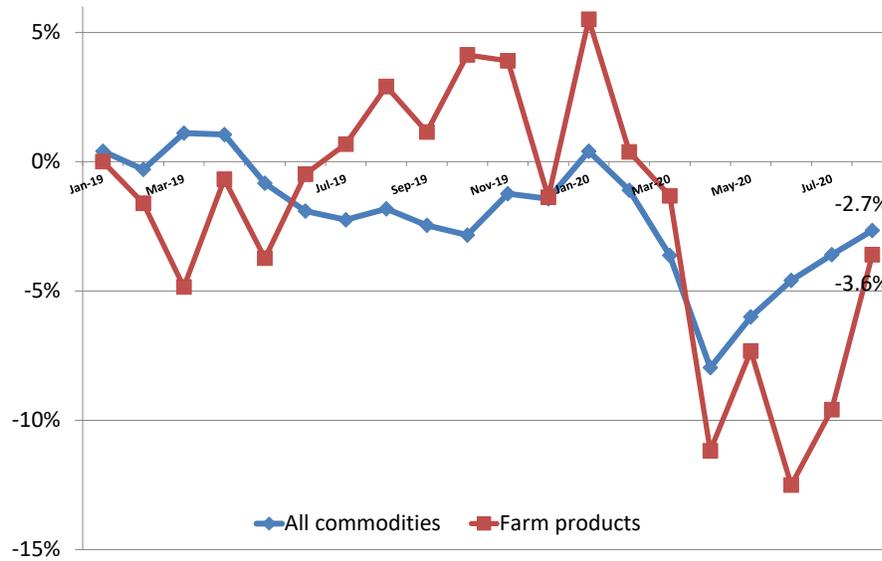
Ames Laboratory, a United States Department of Energy (DOE) National Laboratory, is seeking qualified candidates to serve as the Director of Procurement. Ames Laboratory is co-located on the campus of Iowa State University, the management and operations contractor for the Laboratory. Our mission is to provide critical materials solution to the Nation. The ability to work with and manage the work of others while overseeing and completing multiple projects with critical deadlines is necessary for success in this position. Excellent verbal and written communication skills along with a strong consultative approach to customer service are needed in order to effectively communicate with various levels of the organizations of the Department of Energy, Iowa State University, Ames Laboratory, and external vendors and contractors. An outstanding business acumen along with analytic and prioritization skills are needed for success in this position. Salary \$95,000, Education: 4-year Degree. <https://tinyurl.com/y44v9rhc>

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

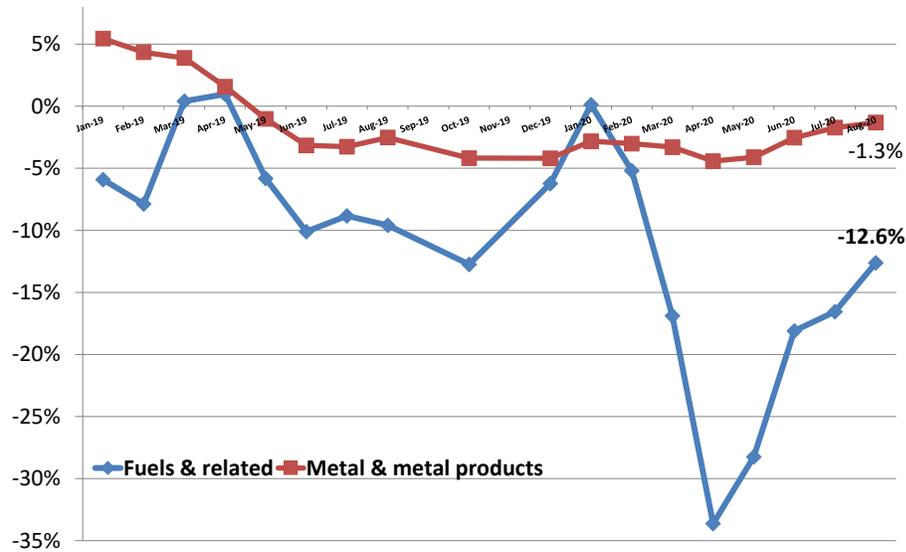
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For historical data and forecasts visit our website at: <http://business.creighton.edu/organizations-programs/economic-outlook>**

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Year-over-year price change, commodities and farm product, 2019 - August 2020



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



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