

Welcome to our April newsletter covering results from Creighton's March survey of Supply Managers.

Creighton's monthly survey of supply managers and procurement experts in nine Mid-America states indicates that economic growth is in a range indicating sharply deteriorating manufacturing growth with modest inflationary pressures. Thank you for participating. Follow my comments at: [www.twitter.com/erniegoss](http://www.twitter.com/erniegoss)

Goss monthly interview at: <http://bit.ly/MidAmericaBCIMarch2020Video>

## The COVID-19 Rescue Plan, and Modern Monetary Theory (MMT): MMT Assumes Debt No Longer Matters

In March, Congress passed, and the President signed, the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Act calls for \$2 trillion in added federal spending aimed at combating the negative economic impacts of COVID-19. This package will add on to the already mammoth \$1.25 trillion 2020 federal deficit. With 2020 forecasts of a 20% decline in GDP, total federal public debt for the year soar to 150.2% of GDP. This is an increase from 2019's record of 105.2%. But who ultimately pays for the interest and principal on this debt?

There are only three outcomes, all negative, from this unrestrained spending-1) higher taxes, 2) elevated inflation, or 3) rising interest rates. Disagreeing, the so-called modern monetary theorists (MMT), as apologists for excessive government, argue that sovereign governments do not need to borrow or raise taxes since the sovereign can print more fiat money. That is the money is simply dollars the government put into the economy, and did not tax back. The Green New Dealers have embraced this vapid so-called model to support their proposed rapidly expanding federal spending programs.

The U.S. Federal Reserve appears to have embraced MMT by buying and holding more than \$4 trillion in U.S. federal debt in the 2008-09 recession. In March and April of 2020 accompanying CARES, the Fed pledged to purchase as much government-backed debt as needed to bolster bond markets. That is, they will support whatever deficit spending is approved by Congress and the President. This action termed monetizing the debt, unless reversed after the downturn, results in large increases in the money supply with the ultimate outcome of higher inflation and elevated nominal interest rates. To quote Nobel prize winning economist Milton Friedman, "Inflation is always and everywhere a monetary phenomenon...."

After the last recession, the Fed maintained most of its recession purchased U.S. Treasury bonds only to add to them in 2020. Post-2020 Pandemic, the Fed must jettison a high share of these bonds. Otherwise, contrary to MMT, future generations will pick up the tab with rapid inflation ala Venezuela.

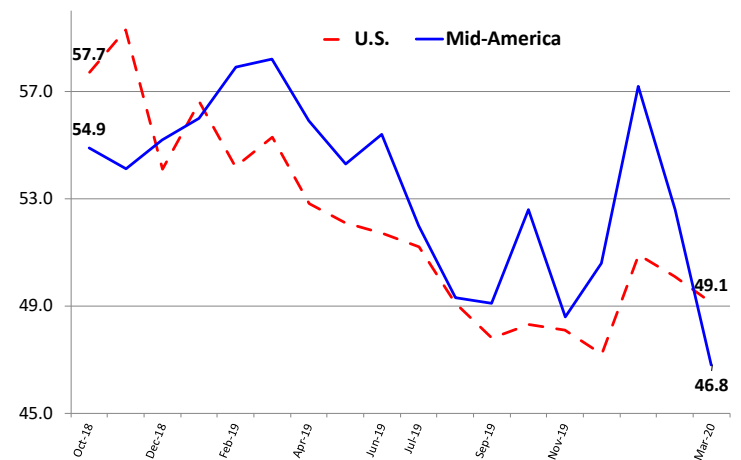
## LAST MONTH'S SURVEY RESULTS

### March Mid-America Business Confidence Falls to Record Low: More Than One-Third of Manufacturers Switched to Domestic Vendors

#### March Survey Highlights:

- The Business Conditions Index plummeted below growth neutral for the month.
- Almost two-thirds of supply managers reported that the coronavirus produced shipping problems to and from vendors.
- Employment index fell to its lowest level in 10 years.
- Business confidence plunged to a record low.
- More than half, or 54.3% indicated that the virus had increased worker absences for the month.
- More than one-third, or 34.2%, of manufacturers switched to a domestic vendor.

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



The March Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, plummeted for the month reaching its lowest level since September 2016.

**Overall index:** After advancing above growth neutral 50.0 for three straight months, the Business Conditions Index, which ranges between 0 and 100, tumbled to 46.7 from February's 52.8.

According to Creighton's March survey of regional manufacturing supply managers, covid-19 had a smaller impact on the manufacturing sector than other areas of the economy more directly tied to the consumer. I expect negative impacts for manufacturers to worsen in the next month since almost two-thirds of supply managers reported that the coronavirus produced shipping problems to and from vendors.

Creighton's March survey showed that eight of 10 supply managers reported that the coronavirus had caused the cancellation of business meetings, and 54.3% indicated that the virus had produced worker absences for the month.

Several supply managers reported that the coronavirus had produced shipping delays which resulted in inventory depletions.

**Employment:** The March employment index slumped to 34.7 from February's already weak 46.4. One supply manager reported, "Recently, I laid off 10% of workforce in anticipation of further downturns."

Last Thursday, the U.S. Department of Labor reported the number of initial claims for unemployment insurance for the nine-state region rose to 272,540 from 16,628 the week before. This represents more than a 16-fold increase in initial claims compared to a lower 11-fold increase for the rest of the nation.

**Wholesale Prices:** The wholesale inflation gauge for the month indicated only modest wholesale inflationary pressures with a wholesale price index of 55.2, down from 61.3 in February.

**Confidence:** Looking ahead six months, economic optimism, as captured by the March Business Confidence Index, plunged to a record low 14.5 from February's 51.4 and January's 58.8.

Said one supply manager, "My answers (responses) are just a snapshot in time and might change tomorrow."

"The emergence of the coronavirus swamped the positive confidence impact of the recent passage of the U.S. Canada, Mexico trade agreement (USMCA) and Phase I of the trade agreement with China," said Goss

**Inventories:** The regional inventory index, reflecting levels raw materials and supplies, increased to 50.0 up from last month's 48.7.

**Trade:** The regional trade numbers were very negative for the month with new export orders tumbling to 34.7 from February's 58.0. "On the other hand, the evolving coronavirus reduced international buying by supply managers as the import index fell to 32.7 from 40.4 in February," reported Goss.

Approximately 55.3% said that the coronavirus had pushed their firm to switch to, cease, or reduce, international buying. More than one in three, or 34.3%, of supply managers indicated that the virus has caused their firm to switch some to domestic suppliers for some of their inputs formerly purchased abroad.

**Other survey components:** Other components of the March Business Conditions Index were new orders at 40.0, down from February's 62.9; the production or sales index sank to 37.8 from February's 53.7; and speed of deliveries of raw materials and supplies index at 68.4 rose from last month's 52.5 reflecting 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 March Business Conditions Index for Arkansas sank to 47.3 from February's 52.7. Components of the index from the monthly survey of supply managers were: new orders at 42.7, production or sales at 37.0, delivery lead time at 69.3, inventories at 52.1, and employment at 35.4. Between the second and third week of March, the state's first-time claims for unemployment insurance from the U.S. Department of Labor expanded 6.5-fold. This was well below the 16.4-fold regional increase, and the 11.2-fold U.S. growth.

**IOWA:** After three straight months with a Business Conditions Index above growth neutral, Iowa's overall index fell below 50.0 for March. The reading sank to 45.8 from 53.1 in February. Components of the overall index from the monthly survey of supply managers were: new orders at 39.2, production or sales at 49.4, delivery lead time at 68.1, employment at 32.1, and inventories at 40.0. Between the second and third week of March, the state's first-time claims for unemployment insurance from the U.S. Department of Labor expanded 18.8-fold. This was well above the 16.4-fold regional increase, and the 11.2-fold U.S. growth.

**KANSAS:** The Kansas Business Conditions Index for March tumbled to 48.3 from February's 54.7. Components of the leading economic indicator from the monthly survey of supply managers were: new orders at 45.0, production or sales at 53.8, delivery lead time at 70.1, employment at 36.0, and inventories at 36.4. Between the second and third week of March, the state's first-time claims for unemployment insurance from the U.S. Department of Labor expanded 13.5-fold. This was well below the 16.4-fold regional increase, but above the 11.2-fold U.S. growth.

**MINNESOTA:** The March Business Conditions Index for Minnesota sank to 45.5 from February's 53.3. Components of the overall March index from the monthly survey of supply managers were: new orders at 40.0, production or sales at 37.8, delivery lead time at 68.4, inventories at 46.5, and employment at 34.7. Between the second and third week of March, the state's first-time claims for unemployment insurance from the U.S. Department of Labor expanded 29-fold. This was well above the 16.4-fold regional increase, and the 11.2-fold U.S. growth.

**MISSOURI:** The March Business Conditions Index for Missouri slumped to 45.3 from 51.1 in February. Components of the overall index from the survey of supply managers were: new orders at 34.5, production or sales at 37.5, delivery lead time at 68.7, inventories at 50.8, and employment at 35.0. Between the second and third week of March, the state's first-time claims for unemployment insurance from the U.S. Department of Labor expanded 10.1-fold. This was well below the 16.4-fold regional increase, and the 11.2-fold U.S. growth.

**NEBRASKA:** The state's overall index for March dropped to 47.8 from 54.7 in February. Components of the index from the monthly survey of supply managers were: new orders at 42.2, production or sales at 36.2, delivery lead time at 70.4, inventories at 54.3, and employment at 36.2. Between the second and third week of March, the state's first-time claims for unemployment insurance from the U.S. Department of Labor expanded 19.7-fold. This was well above the 16.4-fold regional increase, and the 11.2-fold U.S. growth.

**NORTH DAKOTA:** The March Business Conditions Index for North Dakota plummeted to 46.8 from 52.7 in February. Components of the overall index were: new orders at 39.1, production or sales at 36.7, delivery lead time at 69.7, employment at 35.7, and inventories at 52.8. Between the second and third week of March, the state's first-time claims for unemployment insurance from the U.S. Department of Labor expanded 14.4-fold. This was below the 16.4-fold regional increase, but above the 11.2-fold U.S. growth.

**OKLAHOMA:** Oklahoma's Business Conditions Index declined below growth neutral for March. The overall index for March slumped to 45.7 from February's 51.5. Components of the overall March index were: new orders at 34.4, production or sales at 38.1, delivery lead time at 68.0, inventories at 49.1, and employment at 38.7. Between the second and third week of March, the state's first-time claims for unemployment insurance from the U.S. Department of Labor expanded 9.7-fold. This was well below the 16.4-fold regional increase, and the 11.2-fold U.S. growth.

**SOUTH DAKOTA:** The March Business Conditions Index for South Dakota tumbled to 47.4 from February's 54.1. Components of the overall index from the March survey of supply managers in the state were: new orders at 43.0, production or sales at 36.9, delivery lead time at 69.5, inventories at 52.3, and employment at 35.5. Between the second and third week of March, the state's first-time claims for unemployment insurance from the U.S. Department of Labor expanded 9-fold. This was well below the 16.4-fold regional increase, and the 11.2-fold U.S. growth.

Survey results for April will be released on the first business day of the following month, May 1.



### THE BULLISH NEWS

- **The Case-Shiller home price index for January rose 3.1% from 12 months earlier. Because of the two-month lag in the data included in the price index, the effects of the coronavirus pandemic on the housing market were not yet reflected in the data.**
- The Dow-Jones Industrial average of 30 industrial stocks dropped by 36.7% between January 29, 2020 and March 23, 2020. However, since that 2020 low, the index has risen by 23.5%.



### THE BEARISH NEWS

- The U.S. economy lost 701,000 jobs in March as the unemployment rate rose to 4.4% from 3.5% in February.
- U.S. job openings for March fell by 130,000.
- Approximately 6.6 million Americans filed initial jobless claims last week as Covid-19 crippled the economy.
- Creighton's Mid-American employment gauge fell below growth neutral for the fifth time in the last seven months.
- As a measure of soaring risks in the U.S. economy from the coronavirus, the yield on the 10-year U.S. Treasury bond sank to record lows in March.

### STATISTIC OF THE MONTH

**10 million to 200 million.** Since the arrival of Covid-19 on U.S. shores, the number of daily active meeting participants has soared from 10 million to 200 million. Even so, the Zoom's (ZM) stock price has fallen by 24.5% since peaking on March 31, 2020. It is still an expensive stock.

## GOSS EGGS (Recent Dumb Economic Moves)

On January 14, the World Health Organization (WHO) tweeted, "Preliminary investigations conducted by the Chinese authorities have found no clear evidence of human-to-human transmission." Tedros Ghebreyesus, WHO director-general stated on January 30, "The Chinese government is to be congratulated for the extraordinary measures it has taken." A University of Southampton study indicated that the number of Covid-19 cases could have been reduced by 95% if the Chinese had moved to contain the virus three weeks earlier. WHAT is WHO doing with the 22% of its budget furnished by the U.S.

## THE OUTLOOK

**OECD Outlook. "CORONAVIRUS: THE WORLD ECONOMY AT RISK."** has already brought considerable human suffering and major economic disruption. Output contractions in China are being felt around the world, reflecting the key and rising role China has in global supply chains, travel and commodity markets. Subsequent outbreaks in other economies are having similar effects, albeit on a smaller scale. Growth prospects remain highly uncertain.

- On the assumption that the epidemic peaks in China in the first quarter of 2020 and outbreaks in other countries prove mild and contained, global growth could be lowered by around ½ percentage point this year relative to that expected in the November 2019 Economic Outlook.
- Accordingly, annual global GDP growth is projected to drop to 2.4% in 2020 as a whole, from an already weak 2.9% in 2019, with growth possibly even being negative in the first quarter of 2020.
- A longer lasting and more intensive coronavirus outbreak, spreading widely throughout the Asia-Pacific region, Europe and North America, would weaken prospects considerably. In this event, global growth could drop to 1½ per cent in 2020, half the rate projected prior to the virus outbreak."

**Goss (March 2020):** I expect \*\*Annualized GDP growth to be negative for Q1 and Q2, 2020. \*\*The annualized Consumer Price Index to move below 1% in the first half of 2020. \*\*The Federal Reserve Open Market Committee (FOMC) to maintain current 0% - ¼% for 2020 and well into 2021. \*\*\*Inflationary pressures to soar in latter half of 2021.

## KEEP AN EYE ON

- **U.S. BLS's May jobs report for April.** On May 8, the BLS releases the number of jobs lost or gained for April. I expected job losses of more than 500,000 for the month. This will be the largest losses for any two consecutive months since August & September 1945.
- **U.S. Bureau of Labor's weekly initial claims data.** Released every Thursday, this is the earliest reading on the U.S. and state labor markets. A multi-million losses are expected.
- **Yield on 10-Year U.S. Treasury bond.** Find instantaneously, at <https://finance.yahoo.com>. Watch for this yield to rise back above 1.5% to signal coronavirus impacts waning. Right now, that yield is pointing to soaring risks and a deep U.S. recession for 2020.

## SUPPLY MANAGER CAREERS

Senior Supply Planner, Conagra Brands, Omaha, NE. Position Responsibilities \*Generate weekly/monthly production and capacity plans using designated tools and processes that support the organization's goals. \*Maintain data integrity in Supply Planning systems to facilitate efficient inventory and capacity management, customer service, and operational metrics.\* Collaborate with Demand Planning, Scheduler and Replenishment Planning to translate S&OP forecasts to SKU-DC level supply plans. \*Responsible for monthly IBP production planning process through Supply Reviews. \*Analyze long-term production capacity and develop annual capacity planning models showing planned production, projected inventories capacity utilization and available capacity by month. \*Ensure successful 'Event' execution by utilizing effective planning processes, system set-up, and communication with the cross functional teams.  
**Position Qualifications:** \*Bachelor's degree in Business, Statistics, Mathematics, Supply Chain, Finance or related field preferred. \*Experience in and/or exposure to S&OP processes and procedures, customer planning and / or supply planning. \*5-7 years of relevant experience in production planning, detailed scheduling, replenishment planning, demand planning or materials management. \*Experience with supply planning software. SAP experience preferred, SAP APO experience a plus. \*Strong analytical and communication skills. Ability to define problems, collect and analyze data to draw valid conclusions. Strong Excel skills preferred

Travel (10% - 15%). Apply at: <https://tinyurl.com/waz3zjq>

Law or related field. Applicable experience may be substituted for the degree requirement. \*A minimum of 3 years direct purchasing experience. \*Project purchasing experience preferred. \*C.P.M. or CPSM certification preferred. \*Excellent written and verbal communication skills. <https://tinyurl.com/wuug5yc>

## SUPPLY MANAGER READING ROOM

**"Coronavirus Is a Wake-Up Call for Supply Chain Management,"** by Thomas Y. Choi, Dale Rogers and Bindiya Vakil. As procurement teams struggle to cope with the Covid-19 global pandemic, most have been trying to keep up with the news about global response measures and have been working diligently to secure raw materials and components and protect supply lines. However, vital information is often not available or accessible across their global teams. As a result, their response to the disruption has been reactive and uncoordinated, and the impact of the crisis is hitting many of their companies full force. In contrast, a small minority of companies that invested in mapping their supply networks before the pandemic emerged better prepared. Read rest at: <https://tinyurl.com/wlyun5e>

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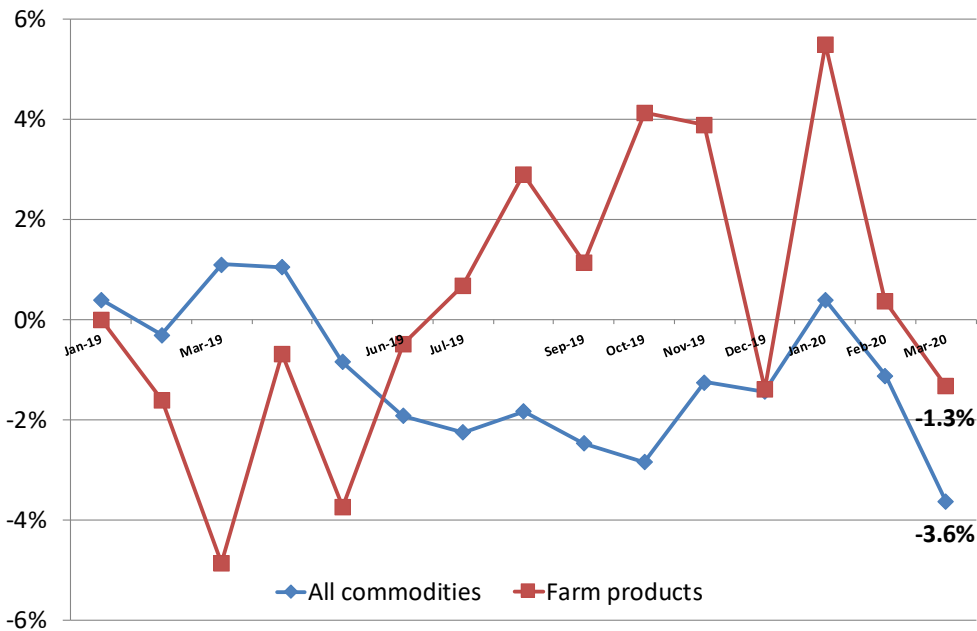
For historical data and forecasts visit our website at: <http://business.creighton.edu/organizations-programs/economic-outlook>



# MIDAMERICA APRIL 2020 SUPPLY MANAGERS NEWSLETTER

"A monthly survey of supply chain managers"

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



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

