

Welcome to our August report covering results from Creighton’s July 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 that the negatives are getting less negative. Follow my comments at [www.twitter.com/erniegoss](https://twitter.com/erniegoss)

Goss monthly interview at: <https://bit.ly/MidAmericaBCIJuly2020YoutubeVideo>

Lockdowns Slow the Economy and Covid-19 Deaths

According to the Washington Post (<https://tinyurl.com/y8xx6alj>), New Jersey and New York currently impose some of the most restrictive requirements for business re-openings from the coronavirus in the U.S. At the other end of the closure spectrum, the Post ranks Florida and Georgia as having what they term “minor” restrictions for business re-openings.

How have these contrasting approaches influenced economic outcomes and covid-19 death rates since Georgia opened its economy on April 24, 2020 and Florida opened on May 4, 2020? The accompanying table provides insight into that question listing economic metrics that summarize the impacts of restrictions.

Unemployment and job impacts. Post-May 1 openings data for the economies of Florida and Georgia compared to that of New Jersey and New York show clearly the economic costs to citizens of New Jersey and New York from the shutdowns in terms of the labor force. Since opening, unemployment rates have fallen by 2.8% for Florida and 4.3% for Georgia. During this same period-of-time, jobless rates have actually rise by 0.5% for both New Jersey and New York. Since May 1, the number of unemployed plummeted by 19.9% for Florida, and by 34.0% for Georgia. In stark contrast, the number of jobless rose by 5.1% for the Garden State, and by 7.5% for the Empire State. Furthermore, data show that both Florida’s and Georgia’s rates of job gains were between two and three times that of New Jersey and New York. Covid-19 Death Rates.

Covid-19 impacts. As presented in Table 1, covid-19 deaths-per-million state residents have been steadily falling in the two lockdown states, New Jersey and New York, but expanding in the open economy states of Florida and Georgia.

Covid-19 data indicate that coronavirus deaths for New Jersey and New York (population 8.4 million) began the period with significantly higher death rates that have consistently declined since May 1. On the other hand, coronavirus death rates for Florida (21.5 million) and Georgia (population 10.6 million) began the period with much lower rates that have expanded significantly since economic opening.

Two questions not addressed by this admittedly superficial analysis remain: 1) Will the ultimate openings of the New Jersey and New York economies reignite covid-19 deaths in the states? 2) Do the economic shutdowns in New Jersey and New York generate non-covid-19 deaths and illnesses that exceed closure life-saving?

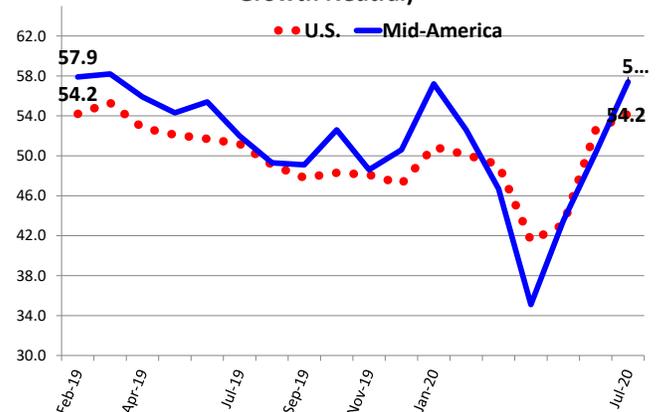
LAST MONTH’S SURVEY RESULTS

Mid-America Index Highest Since March 2019: But Employment Losses Continue

July Survey Highlights:

- Driven by higher new orders, the Business Conditions Index expanded to its peak reading since March 2019.
- Manufacturing job losses continue for the region. According to the latest jobs data, the region has lost almost 90,000 manufacturing jobs (5.8%) since COVID-19 onset.
- Reported impacts of COVID-19 for July
 - Eight of 10 supply managers detailed negative overall impacts.
 - Approximately 55% reported job reductions compared to April’s 49%.
 - Worker absences have declined 13% since April.
 - Seven of 10 supply managers reported shipping problems
- Business confidence rose to its best reading since April 2018.

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



	Unemployment & jobs, May 1 – August 10			
	Florida	Georgia	New Jersey	New York
Change in Unemployment rate	-2.8%	-4.3%	+0.5%	+0.5%
Change in number of unemployed	-17.9%	-34.0%	+5.1%	+7.5%
Change in number of jobs	+7.0%	+6.0%	+1.9%	+3.9%
Deaths per million population				
	Florida	Georgia	New Jersey	New York
May	53	87	537	775
June	51	69	201	186
July	161	94	87	75

Sources: U.S. Bureau of Labor Statistics; <https://www.worldometers.info/coronavirus/>

The July 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 best level since March 2019.

Overall index: After falling below growth neutral for three straight months, the overall index bounced into positive territory for June and July. The Business Conditions Index, which ranges between 0 and 100, increased to 57.4 from June's 50.3.

While the June and July's readings were much higher than I expected, they provide no grounds for celebration. It will take many more months of above 50.0 readings before the regional economy returns to pre-covid-19 levels.

Employment: The July employment index continued to indicate job losses, but at a slower pace than in June. The July index rose to 48.5 from June's 38.9. More than half, or 55%, compared to 49% in April, reported cuts in hiring due to covid-19.

According to U.S. Department of Labor data between pre-COVID-19 levels (February) and June the region lost 64,500 manufacturing jobs (-5.8%), and 888,000 jobs (-6.5%) total nonfarm jobs. While I expect job losses to continue, I anticipate that the rate will diminish considerably in the weeks and months ahead.

Wholesale Prices: The wholesale inflation gauge for the month indicated an upturn in wholesale prices from June, with a wholesale price index of 65.2, up from 59.7 in June.

Despite July's higher reading, I expect to see little inflationary pressures at the wholesale level in the weeks and months ahead, even with the massive economic stimulus programs from the Federal Reserve and the U.S. government.

Other July comments from supply managers:

- "The most significant aspect of coronavirus has been much lower sales. We are starting to rebound, but it is likely that we will never recover what we have lost."
- "My positive/up rating for the economy is predicated on President Trump being re-elected. It would change to negative/down based on a liberal elected to the presidency."
- "The most significant COV related negative outcome for our company has been the reduced sales pull from our customers, creating a ripple effect - reduced purchases and internal furloughs/permanent reductions."

Confidence: Looking ahead six months, economic optimism, as captured by the July Business Confidence Index, climbed to a strong 68.3, its highest level since April 2018, and up from 65.3 in June.

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

Inventories: The regional inventory index for July, reflecting levels of raw materials and supplies, sank to 45.3 from last month's 52.8.

Trade: The regional trade numbers were mixed with new export orders rising to a weak 47.9 from June's 26.4 and May's record low of 15.9. Imports, on the other hand, rose to 53.9 from June's 32.0.

The U.S. Department of Commerce recently announced that June exports were 24% below year-ago levels. Our July readings point to a continuation of this negative trend, but at a lower pace.

Shipping: For July, seven of 10 supply managers reported that COVID-19 has produced shipping difficulties for their firm. This share is up significantly from the 51% of April survey participants that indicated such problems.

Other survey components were: new orders at 67.2, up from 54.2 in June; the production or sales index expanded to 65.2 from June's 52.9; and speed of deliveries of raw materials and supplies index at 61.2 up from last month's 52.8 (indicating slower deliveries for July).

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.

MID-AMERICA STATES

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.

ARKANSAS: The July Business Conditions Index for Arkansas rose to 61.0 from June's 50.9. Components from the monthly survey of supply managers were: new orders at 68.7, production or sales at 67.6, delivery lead time at 66.0, inventories at 46.7, and employment at 56.0. According to U.S. Bureau of Labor Statistics (BLS) data since the onset of COVID-19, Arkansas has lost 63,000 jobs, or approximately 5% of its total employment, and 16,000, or approximately 10%, of its manufacturing employment. Our surveys point to only slight job gains in the months ahead.

IOWA: Iowa's Business Conditions Index inched above growth neutral for the month. The reading climbed to a 50.9 from 47.1 in June. Components of the overall July index from the monthly survey of supply managers were: new orders at 66.4, production or sales at 57.9, delivery lead time at 64.4, employment at 29.0, and inventories at 37.0. According to BLS data since the onset of COVID-19, Iowa has lost 108,000 jobs, or approximately 6.8% of its total employment, and 5,400, or approximately 2.4% of its manufacturing employment. Our surveys point to continued job losses in the months ahead.

KANSAS: The Kansas Business Conditions Index for July increased to 59.2 from June’s 45.1. Components of the leading economic indicator from the monthly survey of supply managers for July were: new orders at 68.0, production or sales at 64.8, delivery lead time at 53.1, employment at 48.3, and inventories at 61.7. According to BLS data since the onset of COVID-19, Kansas has lost 78,000 jobs, or approximately 5.5% of its total employment, and 10,400, or approximately 6.2% of its manufacturing employment. Our recent surveys point to only slight job losses in the months ahead.

MINNESOTA: The July Business Conditions Index for Minnesota climbed to 54.7 from 45.0 in June. Components of the overall June index from the monthly survey of supply managers were: new orders at 65.0, production or sales at 52.3, delivery lead time at 64.5, inventories at 42.3, and employment at 49.2. According to BLS data since the onset of COVID-19, Minnesota has lost 249,000 jobs, or approximately 8.4% of its total employment, and 21,600, or approximately 6.7% of its manufacturing employment. Our surveys point to only slight job losses in the months ahead.

MISSOURI: The July Business Conditions Index for Missouri sank to 44.7 from June’s 50.5. Components of the overall index from the survey of supply managers for July were: new orders at 66.6, production or sales at 58.9, delivery lead time at 25.4, inventories at 40.6, and employment at 31.8. According to BLS data since the onset of COVID-19, Missouri has lost 189,000 jobs, or approximately 6.6% of its total employment, and 16,000, or approximately 5.9% of its manufacturing employment. Our surveys point to continued job losses in the months ahead.

NEBRASKA: The state’s overall index for July rose to 68.6 from 52.6 in June. Components of the index from the monthly survey of supply managers for July were: new orders at 68.6, production or sales at 67.2, delivery lead time at 62.1, inventories at 70.1, and employment at 55.0. According to BLS data since the onset of COVID-19, Nebraska has lost 56,000 jobs, or approximately 5.4% of its total employment, and 2,900, or approximately 2.9%, of its manufacturing employment. Our surveys point to only slight job gains in the months ahead.

NORTH DAKOTA: The July Business Conditions Index for North Dakota sank to 45.5 from 51.6 in June. Components of the overall index for July were: new orders at 66.7, production or sales at 59.3, delivery lead time at 27.0, employment at 32.8, and inventories at 41.8. According to BLS data since the onset of COVID-19, North Dakota has lost 37,000 jobs, or approximately 8.5% of its total employment, and 1,300, or approximately 5.0% of its manufacturing employment. Our surveys point to continued job losses in the months ahead.

OKLAHOMA: The state’s Business Conditions Index moved above growth neutral in July. The overall index advanced to 69.0 from June’s 53.1. Components of the overall July index were: new orders at 69.0, production or sales at 69.2, delivery lead time at 73.6, inventories at 77.2, and employment at 60.6. According to BLS data since the onset of COVID-19, Oklahoma has lost 83,000 jobs, or approximately 4.9% of its total employment, and 9,200, or approximately 6.7% of its manufacturing employment. Our recent surveys point to slight job gains in the months ahead.

SOUTH DAKOTA: The July Business Conditions Index for South Dakota increased to 61.0 from June’s 52.4. Components of the overall index from the July survey of supply managers in the state were: new orders at 68.2, production or sales at 65.6, delivery lead time at 56.5, inventories at 64.2, and employment at 50.3. According to BLS data since the onset of COVID-19, South Dakota has lost 24,500 jobs, or approximately 5.6% of its total employment, and 1,300 or approximately 3.0% of its manufacturing employment. Our recent surveys point to only slight job gains in the months ahead.

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



THE BULLISH NEWS

- The U.S. economy added 1.8 million jobs in July sending the unemployment rate down for the third straight month to 10.2%.
- The Case-Shiller home price index for May indicated that home prices rose 4.5% annually during the month.
- U.S. retail sales advanced in June by 7.5% from May and by 17.7% in May compared to April.
- Both Creighton’s and ISM’s manufacturing PMIs rose above growth neutral for June and July signaling that the manufacturing sector is improving.



THE BEARISH NEWS

- The federal deficit soared to nearly \$3,000,000,000,000 for the first 10 months of fiscal 2020.
- In another signal of growing financial fears, the yield on the 10year U.S. Treasury bond fell to 0.52%, its lowest level in 234 years according to Deutsche Bank. Investors are seeking safe havens for their funds pushing demand up, prices up, and yields lower.

STATISTIC OF THE MONTH

4 for 1. Apple (AAPL) announced that it would split its stock swapping four shares for every one share held by shareholders. What will this mean? Nothing theoretically. However, it will put Apple’s stock in a range more appealing to retail investors and likely push Apple’s market cap higher. It will also mean that Apple’s stock price will have less of an impact on the Dow-Jones Industrial Average (DJIA).

GOSS EGGS (Recent Dumb Economic Moves)

Politics overrules economic principles and common sense in a recently completed study by Yale economists (auditioning for a spot in the Biden Administration). In this study, they conclude that the \$600 per week add-on to state unemployment compensation has no impact on workers remaining unemployed. Say what?

A California employed worker that previously received \$300 in weekly salary now collects \$750 per week in unemployment compensation. According to the Wall Street Journal, an average Ohio worker normally making \$680 per week now collects \$940 per week in unemployment benefits with the \$600 federal boost.

THE OUTLOOK

The National Association of Business Economics. "NABE Outlook Survey panelists expect a 5.6% decline in inflation-adjusted gross domestic product from the fourth quarter of 2019 to the fourth quarter of 2020," said NABE President Constance Hunter, CBE, chief economist, KPMG. "The NABE panel remains decidedly pessimistic about the second quarter of the year, as 80% of participants view risks to the outlook tilted to the downside," added Outlook Survey Chair Eugenio Aleman, economist, Wells Fargo Bank. "Furthermore, 87% of panelists view a second wave of COVID-19 as the greatest downside risk through 2020. Meanwhile, 51% of panelists believe that 'a vaccine' is the greatest upside risk for 2020, while 29% of respondents believe that the greatest upside risk is a 'test and trace policy' that would slow the COVID-19 outbreak, and allow a broader reopening of the economy. A large majority of panelists—84%—believes that companies will reduce their 'dependence on global supply chains.' All panelists indicate that the Federal Reserve will not 'implement a policy of negative interest rates due to COVID-19.'" <https://tinyurl.com/y6ba4u2h>

Goss (August 2020): *Inflation, interest rates and tax rates will rise significantly as early as the second half of 2021. **Gold and silver prices will continue to move higher, but at a slower pace for the remainder of 2021. **The U.S. economic recovery will not resemble a V, or even a U. Unfortunately, it will look more like a Nike swoosh. **U.S. Q3 GDP growth will be between 14% and 15%.

KEEP AN EYE ON

- **U.S. BLS's September's jobs report for August.** On September 4, the BLS releases the number of jobs lost or gained for August. Another positive and strong reading will be very bullish for U.S. stocks, bearish for the U.S. bond market (prices), and Trump's reelection prospects.
- **Gold and silver prices.** Prices of these metals are the earliest readings on inflation and investment fears. Higher inflation and fears higher the prices. For every \$1,000 invested in gold and silver on March 12, 2020 resulted in \$1,243 for gold investors and \$1,777 for silver investors as of August 10.
- **Yield on 10-Year U.S. Treasury bond.** Find instantaneously, at <https://finance.yahoo.com>. Right now, that yield is pointing to rising U.S. economic risks.

SUPPLY MANAGER CAREERS

ERP Supply Chain Consultant. Cerner, Kansas City, MO. As a Supply Chain Management Consultant (\$58K - \$85K) you will provide expert functional knowledge during client engagements to deliver workflow and solution design to achieve defined benefits. This includes guiding clients through current workflows, processing new requests, proposing improvements, gathering requirements, functional design, testing, training, build, and production support. As a member of the team, you will develop and maintain relationships with the client to provide appropriate engagement support using your solution knowledge and expertise. You will be responsible for collaborating with client leadership to understand the client's goals and translate those into requirements that facilitate the SCM application strategy and services provided to our clients. Qualifications Basic Qualifications

- Bachelor's degree in Business, Healthcare or related field, or equivalent, relevant work experience
- At least 4 years of software implementation work experience. At least 4 years of functional experience with SCM ERP applications. Apply at: <https://tinyurl.com/y3vykhv7>

SUPPLY MANAGER READING ROOM

COVID-19: Managing supply chain risk and disruption
Coronavirus highlights the need to transform traditional supply chain models. This piece from Deloitte Canada highlights short-term actions companies can take to respond to business disruption and supply chain challenges from the global spread of COVID-19 — and looks ahead to the longer-term solution of digital supply networks. 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. (read rest of article at: <https://tinyurl.com/sv44lmg>)

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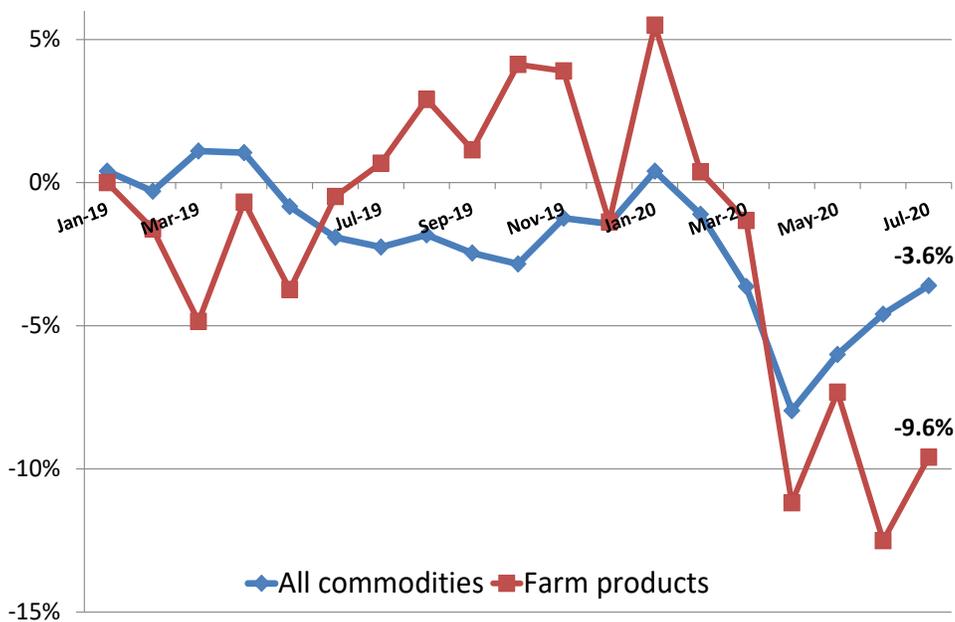
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For historical data and forecasts visit our website at: <http://business.creighton.edu/organizations-programs/economic-outlook>

MIDAMERICA AUGUST 2020 SUPPLY MANAGERS NEWSLETTER

"A monthly survey of supply chain managers"

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



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

