

Welcome to our May report covering results from Creighton's April 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 an economic downturn rivaling the Great Depression. Thank you for participating. Follow my comments at: www.twitter.com/erniegoss

Covid-19 and the Economy: Killing the Goose to Save the Egg

In 1999, researchers at the U.S. Centers for Disease Control (CDC) and Prevention estimated that a global pandemic would inflict up to 207,000 U.S. deaths and trigger a cost to the national economy of roughly 1.5% of GDP. As of May 13, the CDC calculates that COVID-19 had caused a smaller 84,355 U.S. deaths with a steep upward trend.

Moreover, government data point to a devastating larger economic loss. U.S. quarter one GDP fell by 4.8 percent despite only one month of covid-19 impacts. Moreover, the nation's May 2020 employment report indicated that the U.S. alone lost 20.5 million jobs in April, and the unemployment rate soared to 14.7%. A rough back-of-the-envelope calculation points to a 13.5% GDP loss for the U.S. even with no additional job losses in 2020. This would be the greatest yearly decline since 1932 when U.S. GDP tumbled by 12.9%.

Additionally, the 41 states with the most restrictive business closures and mandated shelter-in-place states, show that these states suffered an increase in insured unemployment rates between February and April of 11.8% compared to a much lower 7.7% for the 9 less restrictive states. Thus, the question should surface: has the cure of shelter-in-place mandates inflicted more economic damage than the disease?

What have been the early estimated impacts for Creighton's 12 survey states in terms of (% first-time unemployment claims vs. % continuing unemployment claims):

Most impacted: U.S. (2.3%, 12.5%), Iowa (1.5%, 11.0%), Oklahoma (3.3%, 8.6%), Illinois (1.7%, 11.5%), Kansas (1.8%, 8.7%), Minnesota (1.7%, 14.6%), Missouri (2.0%, 9.2%), Arkansas (1.5%, 9.1%).

Least impacted: South Dakota (1.3%, 5.4%), Nebraska (0.9%, 7.9%), Wyoming (1.3%, 6.1%), Colorado (1.4%, 8.6%), North Dakota (1.5%, 8.6%).

The pandemic has infected more than 1.4 million and killed more than 82,000 individuals in the United States so far, and many epidemiological models now point to a death toll that will surpass 100,000 in a matter of weeks. Even so, the U.S. ranks 9th globally with Spain occupying unenviable top spot in terms of deaths per capita. The damage to the nation's economy has paralleled, or perhaps exceeded that to the country's health.

LAST MONTH'S SURVEY RESULTS

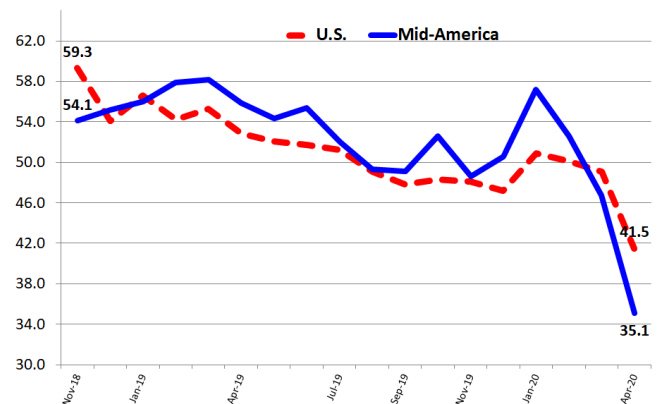
Mid-America Business Index Tumbles to Recession Level: Employment Reading Slumps to Record Low

Survey Highlights:

- The Business Conditions Index plummeted to its lowest level since the great recession, February 2009.
- Employment reading slumped to its lowest level since the survey began in 1993.
- One-half of supply managers reported business stoppages for their vendors due to covid-19.
- More than one-third of supply managers detailed shipping problems stemming from covid-19.
- Between the second week of March to the first week of April, the number of unemployed in the 9-state region receiving unemployment compensation soared from 164,040 workers to 980,196 workers.

Goss monthly interview at: <https://bit.ly/MidAmericaBCIApril2020Video>

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



The April 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 the middle of the last U.S. recession.

Overall index: After falling below growth neutral for March, the overall index slumped to its lowest level since February of 2009, almost the middle of the last recession. The Business Conditions Index, which ranges between 0 and 100, tumbled to 35.1 from March's 46.7.

"According to Creighton's April survey of regional manufacturing supply managers, covid-19 had a less significant impact on the manufacturing sector than other areas of the economy more directly tied to the consumer. This is a consumer led recession with manufacturing lagging. As a result, I expect the manufacturing to worsen in next month," said Ernie Goss, PhD, director of Creighton University's Economic Forecasting Group and the Jack A. MacAllister Chair in Regional Economics in the Heider College of Business.

As stated by one supply manager, "The train has slowed to almost a stop...Let's get this economy moving again."

Additionally, Goss said, "In Creighton's April survey due to the coronavirus, one-half of supply manager reported business stoppages for their vendors, while more than one-third detailed shipping problems."

Employment: The April employment index slumped to a record low of 26.2 from March's already weak 34.7. One supply manager reported,

"In the middle of March U.S. Department of Labor data showed that only 164,040 workers in the nine-state region were unemployed and receiving unemployment insurance benefits. This represented only 1.3% of individuals covered by the unemployment insurance systems. By the first week of April, 980,196 workers were receiving unemployment insurance benefits or 7.5% of covered worker," said Goss.

Wholesale Prices: The wholesale inflation gauge for the month indicated deflationary pressures at the wholesale level with a wholesale price index of 44.0, lowest index since the end of the last recession, or May 2009, and down from 55.2 in March.

"With oil prices ranging between \$15 and \$20 due to demand issues linked to covid-19, I expect to see deflationary pressures in the weeks and months ahead despite the Federal Reserve's, and the U.S. government's record economic stimulus programs," said Goss.

Con dence: Looking ahead six months, economic optimism, as captured by the April Business Confidence Index, rebounded to a still weak 45.5 from March's record low 14.5.

"The federal stimulus plan, the Federal Reserve monetary incentive programs, and the rebound in U.S. stock markets boosted confidence from March's record lows," said Goss.

Inventories: The regional inventory index for April, reflecting levels of raw materials and supplies, sank to 36.9 from last month's 50.0.

In April survey, one supply manager reported that, "Our orders are being canceled. Chinese armed forces have confiscated some of our products we had planned to use to combat corona. US Government ordered Grainger to ship to them first, even though we have standing orders for N95 masks."

Trade: The regional trade numbers were very negative for the month with new export orders tumbling to 19.4 from March's 34.7. "On the other hand, international buying by supply managers remained weak but increased to 38.7 from 32.7 in March," reported Goss.

Other survey components: Other components of the April Business Conditions Index were new orders at 21.0, down from March's 40.0; the production or sales index sank to 23.3 from March's 37.8; and speed of deliveries of raw materials and supplies index at 68.3 dipped slightly from last month's 68.4 reflecting slower deliveries and/or shipping difficulties.

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.

MID-AMERICA STATES

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.

ARKANSAS: The April Business Conditions Index for Arkansas sank to 35.1 from March's 47.3. Components of the April index from the monthly survey of supply managers were: new orders at 21.0, production or sales at 36.9, delivery lead time at 68.2, inventories at 23.3, and employment at 26.1. "Between the second week of March, and the first week of April, workers in the state receiving unemployment compensation rose from 11,500, or 1.0% of workers covered by the unemployment system to 66,500 individuals, or 5.6% of covered employment," said Goss.

IOWA: The state's Business Conditions Index, or overall index, once again slumped below growth neutral. The reading sank to 34.4 from 45.8 in March. Components of the overall April index from the monthly survey of supply managers were: new orders at 23.7, production or sales at 19.7, delivery lead time at 67.4, employment at 25.6, and inventories at 35.5. "Between the second week of March, and the first week of April, workers in the state receiving unemployment compensation rose from 27,800, or 1.8% of workers covered by the unemployment system to 127,300 individuals, or 8.3% of covered employment," said Goss.

KANSAS: The Kansas Business Conditions Index for April tumbled to 36.3 from March's 48.3. Components of the leading economic indicator from the monthly survey of supply managers for April were: new orders at 23.2, production or sales at 39.2, delivery lead time at 69.7, employment at 27.0, and inventories at 22.5. "Between the second week of March, and the first week of April, workers in the state receiving unemployment compensation rose from 9,700, or 0.7% of workers covered by the unemployment system to 78,300 individuals, or 5.7% of covered employment," said Goss.

MINNESOTA: The April Business Conditions Index for Minnesota sank to 34.8 from March's 45.5. Components of the overall April index from the monthly survey of supply managers were: new orders at 20.5, production or sales at 23.4, delivery lead time at 67.9, inventories at 22.5, and employment at 26.0. "Between the second week of March, and the first week of April, workers in the state receiving unemployment compensation rose from 61,700, or 2.2% of workers covered by the unemployment system to 341,500 individuals, or 11.9% of covered employment," said Goss.

MISSOURI: The April Business Conditions Index for Missouri slumped to 35.1 from 45.3 in March. Components of the overall index from the survey of supply managers for April were: new orders at 21.1, production or sales at 23.2, delivery lead time at 68.3, inventories at 37.0, and employment at 26.2. "Between the second week of March, and the first week of April, workers in the state receiving unemployment compensation rose from 22,300, or 0.8% of workers covered

by the unemployment system, to 24,500 individuals, or 6.0% of covered employment," said Goss.

NEBRASKA: The state's overall index for April dropped to 36.0 from 47.8 in March. Components of the index from the monthly survey of supply managers for April were: new orders at 22.7, production or sales at 22.7, delivery lead time at 69.3, inventories at 38.7, and employment at 26.8. "Between the second week of March, and the first week of April, workers in the state receiving unemployment compensation rose from 5,000, or 0.5% of workers covered by the unemployment system, to 60,400 individuals, or 6.3% of covered employment," said Goss.

NORTH DAKOTA: The April Business Conditions Index for North Dakota plummeted to 35.8 from 46.8 in March. Components of the overall index for April were: new orders at 22.3, production or sales at 26.6, delivery lead time at 69.1, employment at 22.8, and inventories at 38.3. "Between the second week of March, and the first week of April, workers in the state receiving unemployment compensation rose from 6,300, or 1.5% of workers covered by the unemployment system, to 24,500 individuals, or 6.0% of covered employment," said Goss.

OKLAHOMA: Oklahoma's Business Conditions Index once again declined below growth neutral in April. The overall index for April slumped to 34.2 from March's 45.7. Components of the overall April index were: new orders at 19.3, production or sales at 23.8, delivery lead time at 67.1, inventories at 38.3, and employment at 25.5. "Between the second week of March, and the first week of April, workers in the state receiving unemployment compensation rose from 16,400, or 1.1% of workers covered by the unemployment system, to 88,300 individuals, or 5.6% of covered employment," said Goss.

SOUTH DAKOTA: The April Business Conditions Index for South Dakota tumbled to 35.9 from March's 47.4. Components of the overall index from the April survey of supply managers in the state were: new orders at 22.4, production or sales at 22.8, delivery lead time at 69.2, inventories at 38.4, and employment at 26.7. "Between the second week of March, and the first week of April, workers in the state receiving unemployment compensation rose from 2,800, or 0.7% of workers covered by the unemployment system, to 14,400 individuals, or 3.5% of covered employment," said Goss.



THE BEARISH NEWS

- **The U.S. economy lost 20.5 million jobs in April as the unemployment rate rose to 14.7% from March's 4.4%.**
- As of April 25, 2020, the number of workers receiving unemployment insurance was 22.03 compared to 1.71 million in April 2019.
- On an annualized and seasonally adjusted basis, U.S. GDP dropped -4.8% in Q1, 2020. Given that covid-19 only impacted the U.S. economy beginning in March, this was especially alarming.

THE OUTLOOK

National Association for Business Economics (NABE):

"NABE Outlook Survey panelists believe that the U.S. economy is already in recession and will remain in a contractionary state for the first half of 2020, as the COVID-19 pandemic severely restricts economic activity," said NABE President Constance Hunter, CBE, chief economist, KPMG. "The consensus is real GDP declined at an annualized rate of 2.4% in the first quarter of 2020, and will shrink at an annualized rate of 26.5% in the second quarter.

"The panel is optimistic about a return to economic growth in the latter half of 2020, anticipating an annualized real GDP growth rate of 2.0% in the third quarter," she added. "Despite a sharp deterioration in labor market conditions, the median forecast suggests conditions will improve by the end of the year with support from aggressive fiscal and monetary stimulus, as panelists expect the Federal Reserve to hold steady on near-zero interest rates through 2021."

Goss (May 2020): **Contrary to NABE, I do not expect an economic rebound until 2021. Too few states and communities are "returning to work". **Jerome Powell has indicated that he may be receptive to negative interest rates (big mistake!). Recent economic evidence from Japan and Europe indicates that this policy will fail. **The U.S. economic recovery will not resemble a V, or even a U. Unfortunately, it will look more like a Nike swoosh.



THE BULLISH NEWS

- **The average 30-year fixed rate mortgage in the U.S. stood at 3.26% last week.**
- Fleeing for safe-haven investments, investors have driven the price of gold up by 11.9% since January 1, 2020.
- Despite the Minneapolis Federal Reserve president calling Bitcoin a "giant garbage dumpster", the cryptocurrency has provided investors/speculators with a 25.9% return since January 1, 2020.

STATISTIC OF THE MONTH

20. Due to the spread of Covid-19 among workers, some 20 U.S. meat packing plants have closed over the past month. This not only jeopardizes the nation's food supply, it damages already unprofitable cattle and hog producers.

WHAT TO WATCH

- U.S. BLS's June jobs report for May. On June 5, the BLS releases the number of jobs lost or gained for May. This will be the largest losses for any three consecutive months in U.S. recorded economic history.
- 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 approach 23 million (a new record).
- 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 all of 2020.

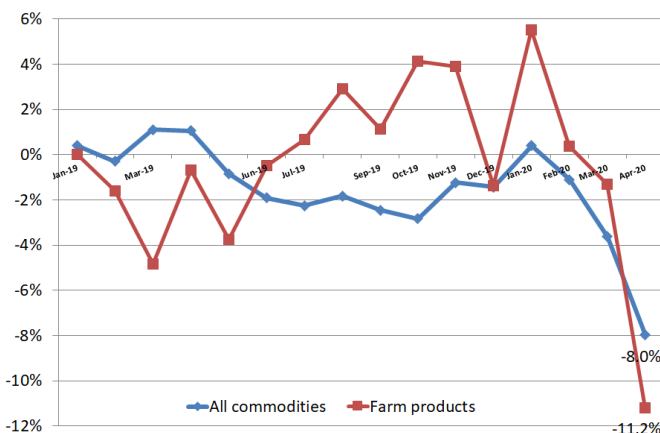
SUPPLY MANAGER CAREERS

PSupply Chain Manager, UDC MAST, Blue Springs, MO. (\$50,000 - \$80,000). This position is responsible for a wide variety of duties to support the sourcing of goods and services required for the company's operation. Responsibilities include: forecasting, negotiating, and procurement (to specific standards and requirements) of raw materials to meet demands in line with the company's operational needs while monitoring and reordering of raw material, equipment, and supplies. Position Qualifications and Requirements: *Bachelor's degree in related area preferred or equivalent combination of education and experience.*Five years purchasing experience working in a manufacturing environment required, government contract experience preferred. *Must be proficient in using a Materials Requirements Planning (MRP) system and understand how purchasing schedules flow, and be able to take information in the MRP forecast and apply it to a strategic purchasing approach. *Must be assertive, have excellent negotiation skills, and knowledge of accepted procedures used in making purchases. *Must be proficient in MS Office applications especially Excel, Word, and Outlook and be able to operate a variety of office machines.

<https://tinyurl.com/y76x4hdh>

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

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



GOSS EGGS (Recent Dumb Economic Moves)

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law on March 27, 2020. The \$2.2 trillion package included various provisions increasing and expanding unemployment insurance benefits: 1) providing for an extra \$600 weekly payment, in addition to the weekly benefit amount an eligible employee otherwise receives under state law; and (2) increases the maximum number of weeks an individual may receive benefits. This means that a high share of the unemployed make more jobless than working. This provision will have a significant negative impact on the U.S. economy.

Supply Manager Reading Room

Supply-chain recovery in coronavirus times—plan for now and the future "Actions taken now to mitigate impacts on supply chains from coronavirus can also build resilience against future shocks. Even as the immediate toll on human health from the spread of coronavirus (SARS-CoV-2), which causes the COVID-19 disease, mounts, the economic effects of the crisis—and the livelihoods at stake—are coming into sharp focus. Businesses must respond on multiple fronts at once: at the same time that they work to protect their workers' safety, they must also safeguard their operational viability, now increasingly under strain from a historic supply-chain shock."/>

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

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

