

"A monthly survey of supply chain managers"

Welcome to your July report covering results from Creighton's June survey of supply managers. Creighton's monthly survey of supply managers and procurement experts in nine Mid-America states reveals economic growth is in a range indicating the regional economy is rebounding at a very healthy pace, but with record high inflationary pressures. www.twitter.com/erniegoss.

Federal Government & Federal Reserve Super-Charge the Economy: When Does it End?

The U.S. pandemic, beginning in early 2020, ushered in an unmatched flood of federal government overspending, and record Federal Reserve (FED) stimulus. With a compliant Congress, the Trump Administration increased an already bloated federal deficit by \$1.22 trillion in one year. Not to be outdone, the Biden Administration expanded the deficit by more than \$2.1 trillion in only six months. During this period of time, the FED slashed short term interest rates from 1.75% to 0.0%, and purchased \$4.3 trillion of federal debt and mortgage-backed securities in order to reduce long-term interest rates to record lows. During the pandemic, these actions increased the money supply by 28.1% and reduced the value of the U.S. dollar by 3.4%. So, what were some of the other outcomes?

Inflation and asset bubbles sprouted. The year-over-year consumer price index (CPI) climbed from a pre-pandemic 2.3% to the most recent reading of 5.5%, well above the FED's pre-pandemic target of 2%. Additionally, the record high spending, low interest rates, and surging inflation have pushed investors into riskier bets. For example, in only 12 months, the Case-Shiller national home price index soared by 14.0%, the S&P stock index rocketed by 38.6%, bitcoin ballooned by 270.1%, and gold increased by 12.6%. In the meantime, the overall U.S. economy barely nudged with the inflation-adjusted GDP actually down by 0.9%.

So, what's the problem? The FED cannot sit idly by as inflation rips through the U.S. economy. Higher Inflation and interest rates will degrade U.S. stock prices forcing stocks to a more reasonable price relative to earnings. Meanwhile, inflation will be supportive of cryptocurrency, gold and silver prices, even as higher interest rates moderate their gains.

Despite the evidence, the FED continues to plead their case that year-over-year CPI growth was just as high in July 2008. However, they fail to also acknowledge that the FED's short-term interest rate was 2.0% in July 2008 compared to today's 0%. Thus, there is currently much more FED stimulus for even higher inflation.

To quote Eisenhower Administration economist Herb Stein, "If something can't go on forever, it will stop." So, what will stop or thwart these Goldilocks investment gains? Higher interest rates as early as Q4, 2021, that's what! Many economists, including yours truly, expect these out-sized gains to be flattened or even reversed when the FED begins raising long-term interest rates (tapering) as early as Q4, 2021. Strap on your financial seat belt-the economic landscape will get bumpy.

Goss monthly interview at:

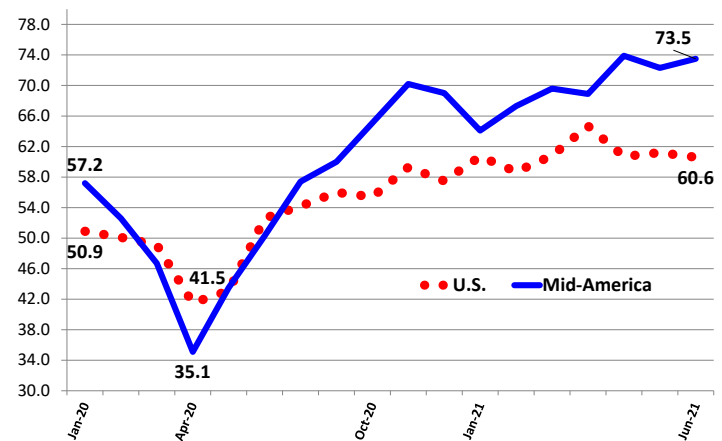
<http://bit.ly/MidAmericaBCIMay2021YouTube>

Mid-America Wholesale Prices Soar to Another Record High: Expect 2021 Prices to Expand by Additional 9%

June Survey Highlights:

- Creighton's regional Business Conditions Index climbed into a range indicating very strong growth for next three to six months.
- The wholesale inflation gauge surged to a record high.
- On average, supply managers expect prices to advance by another 8.6%, annualized, for the rest of 2021.
- Nine of 10 supply managers reported that supply bottlenecks slowed deliveries to their firms.
- The top 2021 economic challenges named by supply managers were supply bottlenecks, price increases and worker shortages.

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



(Survey results continue on the following page)

The FED cannot sit idly by as inflation rips through the U.S. economy. Higher Inflation and interest rates will degrade U.S. stock prices forcing stocks to a more reasonable price relative to earnings.

Since declining to a record low in April of last year, the Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, moved above growth neutral for 13 of the last 14 months.

Overall Index: The Business Conditions Index, which uses the identical methodology as the national ISM, ranges between 0 and 100, climbed to a very strong 73.5 from May's 72.3. However, as in previous months, manufacturing supply managers report that labor shortages and supply bottlenecks continue to restrain growth.

Nine of 10 supply managers reported increases in supply bottlenecks, or delays, for June.

Creighton's monthly survey results indicate that the region is adding manufacturing business activity at a very healthy pace, and that growth will remain strong with the overall regional economy returning to pre-pandemic levels in the first quarter of 2022.

Employment: The regional employment index remained above growth neutral for June, rising to 61.7 from 55.6 for May. In terms of ranking, supply managers listed worker shortage as the third most significant 2021 business challenge. Despite the shortage, one-third of companies reported upturns in hiring for the month.

The shortage of production workers continues to push wages higher. U.S. Bureau of Labor Statistics data indicate that average hourly earnings of manufacturing production workers in the region expanded by 4.9% over the past 12 months.

Other comments from June survey participants:

- "Our biggest hurdle is lack of people to hire, and supply chain interruptions in steel, plastics components for assemblies that come from outside of the US."
- "Worker shortage; causing supply shortage; causing unprecedented inflationary surge."
- "Steel or raw material prices rising, and lack of availability are impacting our ability to supply parts to our customers....and it seems to be getting worse, not better."
- "The Biden Administration has overdelivered on their promise to make drastic changes to our nation-Illegal Immigration and inflation."

Wholesale Prices: The wholesale inflation gauge for the month surged to a record high 98.4 from May's 96.3, also a record high.

At the wholesale level, Creighton's survey is tracking higher and higher inflationary pressures. Commodity prices are up approximately 12% for the first five months of 2021 according to U.S. Bureau of Labor Statistics data. Supply managers in Creighton's June survey expect prices for their firm's products to advance by 8.6% (annualized) for the rest of 2021.

In terms of 2021 business challenges, manufacturing supply managers identified rapidly rising input prices as their firm's second greatest 2021 economic challenge, behind only supply bottlenecks as their top challenge.

Confidence: Looking ahead six months, economic optimism, as captured by the June Business Confidence Index, fell to a healthy 60.8 from May's strong 88.6.

Despite supply bottlenecks, rapidly rising prices and labor shortages the expanding regional economy pushed economic confidence among manufacturing supply managers higher for the month.

Inventories: The regional inventory index, reflecting levels of raw materials and supplies, fell to 67.9 from last month's 72.0.

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Trade: Despite supply chain bottlenecks, regional trade numbers were solid for the month. The new export orders index sank to a very healthy 72.2 from May's 76.5. An expanding domestic manufacturing sector underpinned June's import reading of 52.4, which was down from May's 55.0.

Other survey components of the June Business Conditions Index were: new orders increased to 75.9 from 75.0 in May; the production or sales index expanded to a very strong 78.4 from May's 68.5; and the index for the speed of deliveries of raw materials and supplies fell to 83.9 from May's record high of 90.8. A higher reading indicates 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 June Business Conditions Index for Arkansas rose to 68.6 from 67.8 in May. Components from the June survey of supply managers were: new orders at 73.8, production or sales at 75.8, delivery lead time at 80.4, inventories at 58.7, and employment at 54.3. According to U.S. Bureau of Labor Statistics, average hourly wages for manufacturing production workers in Arkansas rose 6.1% over the past 12 months. Among the nine Mid-America states, this growth ranked fifth.

IOWA

Iowa's Business Conditions Index for June slipped to 69.5 from 70.2 in May. Components of the overall June index were: new orders at 74.1, production, or sales, at 76.2, delivery lead time at 81.8, employment at 57.6, and inventories at 62.4. According to U.S. Bureau of Labor Statistics, average hourly wages for manufacturing production workers in Iowa rose 7.7% over the past 12 months. Among the nine Mid-America states, this growth ranked third.

KANSAS

The Kansas Business Conditions Index for June climbed to 76.9 from May's 71.8. Components of the leading economic indicator from the monthly survey of supply managers were: new orders at 75.8, production or sales at 78.2, delivery lead time at 89.2, employment at 59.7, and inventories at 89.2. According to U.S. Bureau of Labor Statistics, average hourly wages for manufacturing production workers in Kansas declined 1.7% over the past 12 months. Among the nine Mid-America states, this growth ranked ninth, or last.

MINNESOTA

The June Business Conditions Index for Minnesota dipped to 73.7 from 74.5 in May. Components of the overall June index were: new orders at 80.0, production or sales at 83.5, delivery lead time at 71.2, inventories at 62.3, and employment at 71.5. According to U.S. Bureau of Labor Statistics, average hourly wages for manufacturing production workers in Minnesota rose 2.1% over the past 12 months. Among the nine Mid-America states, this growth ranked seventh.

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MISSOURI

The June Business Conditions Index for Missouri decreased to 67.7 from 69.5 in May. Components of the overall index from the survey of supply managers for June were: new orders at 74.3, production or sales at 76.4, delivery lead time at 64.3, inventories at 64.6, and employment at 58.9. According to U.S. Bureau of Labor Statistics, average hourly wages for manufacturing production workers in Missouri rose 6.9% over the past 12 months. Among the nine Mid-America states, this growth ranked fourth.

NEBRASKA

Nebraska's overall index for June dipped to 74.5 from 76.1 in May. Components of the index from the monthly survey of supply managers for June were: new orders at 74.9, production or sales at 77.1, delivery lead time at 85.3, inventories at 71.7, and employment at 63.4. According to U.S. Bureau of Labor Statistics, average hourly wages for manufacturing production workers in Nebraska rose 3.3% over the past 12 months. Among the nine Mid-America states, this growth ranked sixth.

NORTH DAKOTA

The June Business Conditions Index for North Dakota slipped to 75.1 from 75.2 in May. Components of the overall index for June were: new orders at 77.6, production or sales at 80.5, delivery lead time at 97.6, employment at 64.8, and inventories at 55.1. According to U.S. Bureau of Labor Statistics, average hourly wages for manufacturing production workers in North Dakota rose 7.9% over the past 12 months. Among the nine Mid-America states, this growth ranked second.

OKLAHOMA

Oklahoma's Business Conditions Index expanded above growth neutral in June. The overall index rose to 73.6 from 68.9 in May. Components of the overall June index were: new orders at 75.0, production or sales at 77.2, delivery lead time at 85.6, inventories at 72.6, and employment at 57.5. According to U.S. Bureau of Labor Statistics, average hourly wages for manufacturing production workers in Oklahoma rose 11.4% over the past 12 months. Among the nine Mid-America states, this growth ranked first.

SOUTH DAKOTA

The June Business Conditions Index for South Dakota fell to 74.0 from 75.5 in May. Components of the overall index from the June survey of supply managers in the state were: new orders at 75.1, production or sales at 77.3, delivery lead time at 86.1, inventories at 73.8, and employment at 57.8. According to U.S. Bureau of Labor Statistics, average hourly wages for manufacturing production workers in South Dakota rose 1.2% over the past 12 months. Among the nine Mid-America states, this growth ranked fifth.



THE BULLISH NEWS

- U.S. added 850,000 jobs in June which was much better than expected. Leisure & hospitality was the major beneficiary notching a gain of 343,000 jobs.
- June's Purchasing management indices (PMI) of supply managers for both ISM's national survey and Creighton's Mid-America were very strong indicating continuing manufacturing expansion.
- Home prices in April saw an annual gain of 14.6%, up from a 13.3% increase in March, according to the Case-Shiller National Home Price Index. This is the strongest reading in more than 30 years.



THE BEARISH NEWS

- Creighton's wholesale inflation gauge from the May Mid-America manufacturing supply manager survey soared to another record high.
- For the first 5 months of 2021, the nation's consumer price index has soared by 2.7%. Annualized, that is 6.0% and too high to be ignored by the Federal Reserve.
- In June, the number of long-term unemployed (those jobless for 27 weeks or more) increased by 233,000 to 4.0 million, following a decline of 431,000 in May. This measure is 2.9 million higher than in February 2020.
- The Congressional Budget Office projects that the U.S. budget deficit will exceed \$3.0 trillion for fiscal 2021, and the nation's debt held by the public will total \$23.0 trillion.

THE OUTLOOK

National Association of Business Economics. (May, 2021): SUMMARY: "NABE panelists have grown more optimistic about the prospects for economic growth in 2021," said NABE President **Manuel Balmaseda, CBE**, chief economist, CEMEX. "The median forecast calls for an 8.5% annualized growth rate in the second quarter of 2021 for inflation-adjusted gross domestic product, or real GDP. The panel has become significantly more bullish about 2021 as a whole. The median real GDP growth estimate for 2021 is 6.7%, compared to the 4.8% forecasted in the March 2021 survey." "NABE panelists expect near-term inflation pressure, but anticipate it being short-lived," added Survey Chair Holly Wade, executive director, NFIB Research Center. "Inflation expectations moved up significantly from those in the March survey, but panelists anticipate inflation easing in the second half of 2021, with no resurgence in 2022. <https://tinyurl.com/4pxpx494>

Goss (July 2021): I expect *the Federal Reserve (Fed) to begin to taper its purchases of U.S. Treasury Bonds and Mortgage-Backed Securities no later than Q4 2021. *the Fed to begin raising short-term interest rates in the second half of 2022. *the CPI to continue to expand at an unsustainable pace.

KEEP AN EYE ON

- **U.S. Inflation Report.** On August 11, the U.S. Bureau of Labor Statistics (BLS) releases its consumer price index (CPI) for July. Recent readings are signaling well above the Federal Reserve's acceptable level (transitory or not!)
- **U.S. Jobs Report.** On August 6, the BLS releases its job numbers for July. Another stronger than expected reading (above 700,000) report will very bullish for the U.S. economy.
- **Case-Shiller Home Price Index.** On July 27, S&P CoreLogic Case-Shiller will release its home price index for May. The price bubble is inflating at an unsustainable pace.

Survey results for June will be released on August 2, 2021, the first business day of the month.

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GOSS EGGS (for recent dumb economic moves)

The Federal Reserve continues to purchase \$40 billion per month in mortgage-backed securities (MBS). These purchases artificially lower mortgage rates, stimulate home buying and have produced the fastest home price increase in 30 years (a bubble). The purchases need to immediately be tapered allowing the market to set rates. 3 of 5 Goss eggs.

STATISTIC OF THE MONTH

622.2%. According to the Congressional Budget Office, the Biden Administration is expected to increase funding for federal land acquisition by 622.2%. from \$18 million in fiscal 2021 to \$130 million in fiscal 2025 (the final year of his current term).

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

SUPPLY MANAGERS READING ROOM

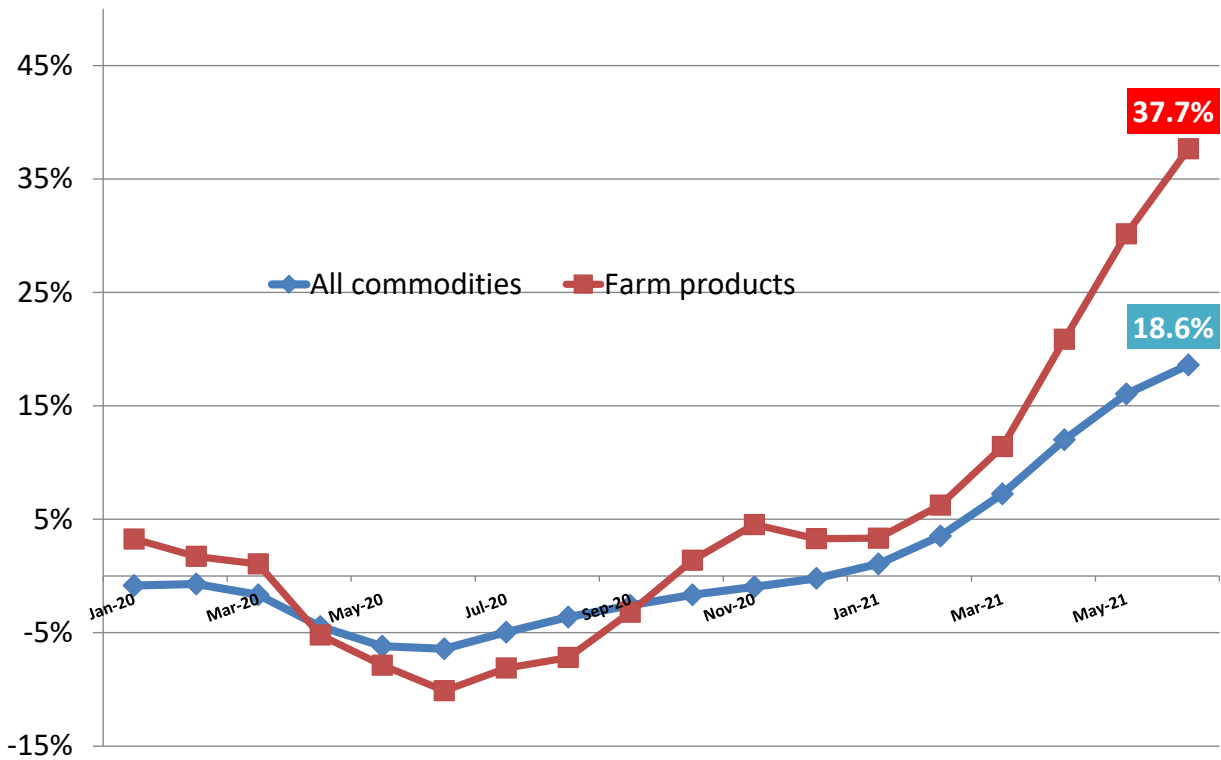
"5 Tips for Overcoming Supply Chain Bottlenecks," Hadleigh Reid. "Supply chain bottlenecks are disruptions that slow down your business. A few common contributing factors to bottlenecks include: poor storage methods, poorly developed operating processes, undefined inventory norms, limited resource networks, inefficient manpower, lack of supply chain transparency, and gaps between demand and supply. The identification and management of these issues require industry expertise as well as a considerable amount of time to read, interpret, and implement more efficient processes. This can be a challenging distraction from your core business operations. There are five key ways to overcome supply chain bottleneck issues: Read at <https://tinyurl.com/ktww5use>

SUPPLY MANAGER CAREERS

Supply Chain Manager: QC Supply LLC. Omaha, NE:
QC Supply LLC is seeking an extremely bright, dynamic, and effective Supply Chain Manager to serve as a key leader supporting the QC management team through its continuing growth. Reporting to the Vice President of Supply Chain this position will be responsible for handling the company's end to end supply flow. Role and Responsibilities: Manage the companies supply base for materials and selected services using standard metrics as a guide (lead time, total cost, payment terms, inventory levels, actual vs planned costs) • Generate and implement cost reduction and control processes for all company spend, to include direct materials and services. • Define and implement negotiation strategies for all categories of spend. Prioritizing specific areas to achieve cost targets. • Work with sales and marketing to facilitate the agreements and arrangements for new products and for SKU rationalization. Qualifications And Education Requirements: • 5-10 years of proven work experience in agricultural supply chain and logistics management. • 5-10 successful years managing 60k+ products across multiple product categories to distribution channels with unique differences and expectations. • Strong cost management experience, establishing metrics, KPI's and cost reduction projects. Some domestic travel could be required. • Experience working with Navision, Demand Works, and Odyssey a plus. • B.S. degree in Supply Chain, Logistics or Business Management. Apply at: <https://tinyurl.com/edcm6j7t>

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Year-over-year price change, commodities and farm product, 2020 - June 2021



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