

Welcome to your March 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 economic growth is in a range indicating the regional economy is rebounding at a very healthy pace, but with higher inflationary pressures. www.twitter.com/erniegoss

Goss monthly interview at:
<http://bit.ly/MidAmericaBCIMarch2021YouTube>

Biden Taxes Reduce Global Competition, Slow Growth: Practice What You Preached Dr. Yellen

Since taking office, the Biden Administration has passed a \$1.9 trillion stimulus bill to fuel an economy that was already expanding at a very healthy pace. Now President Biden is advancing a so-called \$2.0 trillion "infrastructure" bill. To pay for a portion of this exploding spending, the president has called for an increase in the corporate income tax rate from 21% to 28%, and a boost in the income tax rate on households making more than \$400,000. The added corporate tax rate is on top of state the assessment of 44 states and D.C. that have corporate income taxes on the books ranging from North Carolina's single rate of 2.5% to a top marginal rate of 11.5% in New Jersey.

An increase in the federal corporate tax rate to 28 percent would raise the U.S. federal-state combined tax rate to an average of almost 34% and would be the highest among the 37 OECD nations which have an average corporate rate of 22% with lowest rates for Ireland at 12.5%, and Switzerland at 8.5%. This increase would harm U.S. economic competitiveness and increase the cost of U.S. firms. The Tax Foundation estimated that the hike would reduce long-run GDP growth by approximately one-fourth, eliminate 159,000 jobs, and reduce wages by 0.7%.

But instead of engaging in global competition, the Biden Administration is attempting to coerce OECD members into raising their rates. To quote ex-academic economist, Federal Reserve Chairman, and current U.S. Treasury Secretary Janet Yellen, "Destructive tax competition will only end when enough major economies stop undercutting one another and agree to a global minimum tax." I guess she only believed in market-based economics and competition when she was teaching macroeconomics at the University of California-Berkeley. Welcome to the 21st Century Dr. Yellen.

The U.S. must compete in the global economy, not attempt to fix prices, and limit competition. This is not legal for companies in the U.S., and should be verboten for OECD nations. Ernie Goss.

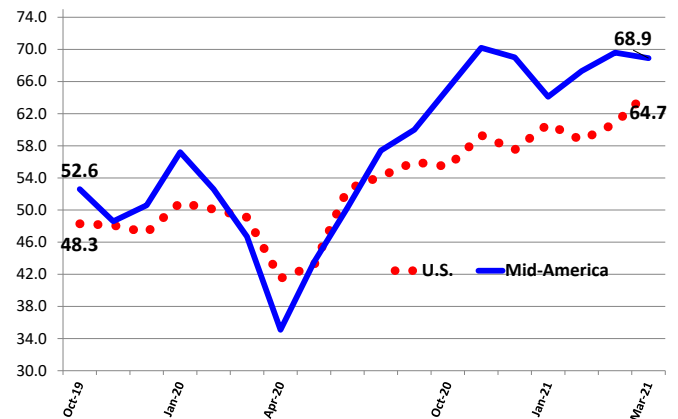
LAST MONTH'S SURVEY RESULTS

Mid-America Manufacturing Remains Strong: Shipping & Transportation Bottlenecks Slow Recovery

March Survey Highlights:

- Creighton's regional Business Conditions Index climbed into a range indicating very strong growth.
- The speed of the delivery of raw materials and supplies slowed to its lowest pace on record.
- The wholesale inflation gauge indicates substantial upward price pressure.
- More than eight of 10 supply managers reported supply bottlenecks and delays for February and March.
- More than one in four manufacturers named shipping and transportation delays as a top factor producing supply bottlenecks.
- Since bottoming in April of last year, the region has added almost 46,000 manufacturing jobs.

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



The speed of the delivery of raw materials and supplies slowed to its lowest pace on record.

For a tenth straight month, the Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, moved into growth territory.

Overall Index: The Business Conditions Index, which ranges between 0 and 100, slipped to 68.9 from February's very strong 69.6. Creighton's regional manufacturing activity gauge is surging, but supply bottlenecks and labor continue to restrain growth.

From both February and March surveys, approximately eight of 10 manufacturing supply managers reported that bottlenecks in receiving raw materials and supplies from vendors was curtailing what would be even stronger growth,

As reported by supply manager, "(My firm is incurring) major delays in inputs for our products, most likely extending into Q3 and Q4."

Since bottoming out in April, the region has regained almost 60,000 of the manufacturing jobs lost to COVID-19. Creighton's monthly survey results indicate that the region is adding jobs and economic activity at a healthy pace, and that growth will remain healthy well into the second half of 2021.

Employment: The regional employment index remained well above growth neutral for March, but sank from 65.6 in February to 60.0 in March. Compared to pre-Covid-19 levels, according to U.S. Bureau of Labor Statistics, Mid-America manufacturing employment is down almost 60,000 jobs, or 4.1%, while average hourly manufacturing wages are 1.9% higher.

Other comments from March survey participants:

- "My firm is experiencing steel shortages, plastics and resin shortages, components from overseas supplier shortages."
- "I am physically located in South Dakota, but answered these questions in regards to all of the plants I deal with (SD, MN, NC, OH, AR, Canada, Juarez Mex, Monterrey Mex)."
- "We are seeing supply delays for all issues listed."
- "It is not just Covid causing the shortages. Issues: 1) Hurricanes last fall disrupting supply; 2) The Winter storm disrupting supply; 3) Industrial buyers panicking and hoarding."
- "The Biden (Harris) administration's fiscal actions will continue to pressure inflation, drive up unemployment, and lower consumer confidence. The crash is around the corner!"

Wholesale Prices: The wholesale inflation gauge for the month dipped slightly to 94.0 from February's record high 95.2.

As reported by a supply manager, "I purchase a lot of steel components and the increases are ridiculous. Steel availability is tight. I see hyperinflation coming."

At the wholesale level, Creighton's survey is tracking higher and higher inflationary pressures. Metal products and lumber, for example, are experiencing significant upward pressures in prices. Since June of last year, metal prices have expanded by 14% and lumber products have advanced by 22% according to U.S. Bureau of Labor Statistics data. Despite rapidly expanding inflationary pressures at the wholesale level, the Federal Reserve remains committed to its current expansionary policy.

Confidence: Looking ahead six months, economic optimism, as captured by the March Business Confidence Index, climbed to a solid 58.0 from February's 50.0.

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

Inventories: The regional inventory index, reflecting levels of raw materials and supplies, rose to 62.5 from last month's 53.4.

In addition to issues related to California port delays in obtaining supplies and raw materials, supply managers detailed significant delays. Approximately 27% identified shipping and transportation delays as the top factor accounting for delays. Approximately 29% indicated that supplier cutbacks and shutdowns were the prime factor slowing deliveries, and one-third reported that supplier's capacity constraints were the major factor slowing deliveries.

Trade: Despite supply chain bottlenecks, regional trade numbers were strong for the month. The new export orders index fell to a healthy 63.9 from February's 70.5. An expanding domestic manufacturing sector boosted imports to 64.0 from 58.3 in February.

I expect rising U.S. interest rates relative to that of trading partners to boost the value of the U.S. dollar in the months ahead. This increase in the value of the U.S. dollar will make U.S. goods less competitively priced abroad and put downward pressure on exports. At the same time, the rising dollar will support higher imports. Even so, the outlook looks positive for the export of U.S. goods and commodities for the first half of 2021.

Other survey components of the March Business

Conditions Index were: new orders fell to 70.9 from 79.0 in February; the production or sales index fell to a still strong 70.0 from February's 76.6; and the index for the speed of deliveries of raw materials and supplies rocketed to 81.3, a record high, indicating rising supply delays, from last month's 73.5.

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 decreased to 75.0 from 79.8 in February. Components from the March survey of supply managers were: new orders at 73.2, production or sales at 74.4, delivery lead time at 82.6, inventories at 79.2, and employment at 65.8. Compared to pre-Covid-19 levels, according to U.S. Bureau of Labor Statistics, Arkansas manufacturing employment is down 3,500 jobs, or 2.2%, while average hourly manufacturing wages are 3.5% higher.

Iowa: Iowa's Business Conditions Index for March sank to 66.5 from 71.1 in February. Components of the overall March index were: new orders at 74.5, production, or sales, at 75.6, delivery lead time at 73.8, employment at 60.2, and inventories at 56.2. Compared to pre-Covid-19 levels, according to U.S. Bureau of Labor Statistics, Iowa manufacturing employment is down 3,600 jobs, or 1.6%, while average hourly manufacturing wages are 1.8% lower.

Kansas: The Kansas Business Conditions Index for March climbed to 67.3 from 61.6 in February. Components of the leading economic indicator from the monthly survey of supply managers were: new orders at 76.9, production or sales at 66.8, delivery lead time at 83.6, employment at 58.8, and inventories at 50.4. Compared to pre-Covid-19 levels, according to U.S. Bureau of Labor Statistics, Kansas manufacturing employment is down 13,900 jobs, or 8.2%, while average hourly manufacturing wages are 1.3% lower.

Minnesota: The March Business Conditions Index for Minnesota fell to 59.8 from 68.8 in February. Components of the overall March index were: new orders at 65.7, production or sales at 63.8, delivery lead time at 60.3, inventories at 58.1, and employment at 51.7. Compared to pre-Covid-19 levels, according to U.S. Bureau of Labor Statistics, Minnesota manufacturing employment is down 16,500 jobs, or 5.1%, while average hourly manufacturing wages are 2.4% higher.

Missouri: The March Business Conditions Index for Missouri rose to 70.5 from 64.2 in February. Components of the overall index from the survey of supply managers for March were: new orders at 69.8, production or sales at 68.6, delivery lead time at 79.3, inventories at 70.7, and employment at 63.7. Compared to pre-Covid-19 levels, according to U.S. Bureau of Labor Statistics, Missouri manufacturing employment is down 10,300 jobs, or 3.7%, while average hourly manufacturing wages are 2.9% higher.

Nebraska: Nebraska's overall index for March rose to 72.0 from 70.8 in February. Components of the index from the monthly survey of supply managers for March were: new orders at 71.9, production or sales at 69.1, delivery lead time at 80.6, inventories at 74.0, and employment at 64.5. Compared to pre-Covid-19 levels, according to U.S. Bureau of Labor Statistics, Nebraska manufacturing employment is flat (no job loss), while average hourly manufacturing wages are 1.6% higher.

North Dakota: The March Business Conditions Index for North Dakota decreased to 69.3 from 76.0 in February. Components of the overall index for March were: new orders at 69.3, production or sales at 68.2, delivery lead time at 82.3, employment at 62.3, and inventories at 64.6. Compared to pre-Covid-19 levels, according to U.S. Bureau of Labor Statistics, North Dakota manufacturing employment is down 1,000 jobs, or 3.8%, while average hourly manufacturing wages are 3.8% higher.

Oklahoma: Oklahoma's Business Conditions Index expanded above growth neutral in March. The overall index fell to 63.0 from 67.1 in February. Components of the overall March index were: new orders at 68.1, production or sales at 66.7, delivery lead time at 71.4, inventories at 50.1, and employment at 58.8. Compared to pre-Covid-19 levels, according to U.S. Bureau of Labor Statistics, Oklahoma manufacturing employment is down 9,900 jobs, or 7.1%, while average hourly manufacturing wages are 6.3% higher.

South Dakota: The March Business Conditions Index for South Dakota climbed to 69.4 from 64.0 in February. Components of the overall index from the February survey of supply managers in the state were: new orders at 69.1, production or sales at 77.9, delivery lead time at 76.1, inventories at 62.2, and employment at 61.7. Compared to pre-Covid-19 levels, according to U.S. Bureau of Labor Statistics, South Dakota manufacturing employment is down 1,200 jobs, or 2.7%, while average hourly manufacturing wages are 2.1% higher.



THE BULLISH NEWS

- Total non-farm employment rose by a whopping 916,000 in March as the unemployment rate fell to 6.0%.
- March's Purchasing management indices (PMI) of supply managers for both ISM's national survey and Creighton's Mid-America approached record highs indicating very strong manufacturing growth.
- Over the past 12 months, according to the Case-Shiller national home price index, housing prices expanded by 11.2% in January (one of the highest on record).



THE BEARISH NEWS

- The downward trend in claims for unemployment compensation has reversed with two straight weeks of rising first-time claims (over 700,000 each week).
- The producer price index has risen by 2.8% for the first three months of 2021. This compares to 0.9% for the previous three months.
- The U.S. **budget** deficit soared to \$1 trillion between October 2020 and February 2021. Spending rocketed 25% and tax collections jumped 5% during the period.

NUMBER OF THE MONTH

\$24,000. According to the National Association of Home Builders, "unprecedented spikes in lumber prices have added more than \$24,000 to the price of the average new single-family home" in the U.S. A large share of this price growth can be attributed to the 20% tariff on Canadian lumber (cut to 9% in December, but likely to be raised again by the Biden Administration).

Survey Results for April Will be released on May 3, 2021, the first business day of the month

THE OUTLOOK

The Conference Board (March 10, 2021): "The Conference Board forecasts that US Real GDP growth will rise to 3.0 percent (annualized rate) in Q1 21 and 5.5 percent (year-over-year) in 2021.* Following a lull in the economic recovery in November and December, growth has improved. We expect real GDP growth to accelerate further over the coming quarters as new COVID-19 infection rates steadily decline, the vaccination program expands, and an additional large fiscal support program is deployed. Following a robust recovery in 2021, we forecast economic growth of 3.5 percent (year-over-year) in 2022."

"While the economy has already partially rebounded from the deep contraction in the first half of 2020, a variety of factors will determine the way forward. Key variables include: a) the spread of the virus itself, b) the deployment and effectiveness of COVID-19 vaccines, c) the size and timing of fiscal support, and d) the status of labor markets and household consumption; and (e) the pace at which mobility and travel restrictions are lifted. While there are many possible outcomes for these factors, The Conference Board has generated three potential recovery scenarios based on specific sets of assumptions."

" **FROM GOSS (April 2021):** **Since the presidential elections, the yield on U.S. long-term Treasury bonds has expanded from 0.83% to 1.64%. I expect that yield to climb by another ¼ % (25 basis points) by the end of Q2, 2021. Mortgage rates, which have expanded by 0.41% (41 basis points), will rise by another 25 basis points by the end of Q2, 2021. **Annualized and seasonally adjusted Q1 2021 GDP growth will range between 7% to 8%.

KEEP AN EYE ON

- **U.S. Inflation Report.** On May 12, the U.S. Bureau of Labor Statistics releases its consumer price index (CPI) for April. Recent readings are signaling higher interest rates ahead.
- **U.S. Jobs Report.** On May 7, the U.S. Bureau of Labor Statistics releases its job numbers for April. Another strong report will put upward pressure on long-term interest rates.
- **Gross Domestic Product.** On April 19, the U.S. Bureau of Economic Analysis releases its Q1 GDP estimate. The New York Federal Reserve is estimating between 6% and 7% (annualized). I think it is going to come in stronger than this, thus placing upward pressure on expected inflation and interest rates.

SUPPLY MANAGER 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. Engaging a third-party logistics (3PL) can assist in eliminating these types of inefficiencies, while also saving the period of time it takes for the production process, energy, and costs caused by bottlenecks.
<https://tinyurl.com/ktww5use>

SUPPLY MANAGER CAREERS

Direct Materials Management, Saint Lukes Hospital, Kansas City, MO. Director of Materials Management to join our team. As an experienced professional in this role, you will have the opportunity to manage and direct oversight of supplies, supply chain process, Advanced Logistics programs, and supply chain staff within CSR, OR, CVOR, Cath Lab, and IR departments. **This role requires a background in Healthcare**, clinical experience is preferred. Your expertise will drive change and innovation to ensure our vision, "The Best Place to Get Care. The Best Place to Give Care." is maintained. Core responsibilities will include but are not limited to: accurate inventory management through the use of Par, POS technology, LUM and Kanban techniques, linen and laundry, patient care equipment logistics management, supply chain ordering and receiving, case pick activities for all procedures, preference card recommendations, and Bill Only processing. Job Requirements: Applicable Experience: 10-14 years. Certified Materials & Resource Professional (CMRP) - Association for Health Care Resource & Materials Management (AHRMM), Bachelor's Degree (Required).
<https://tinyurl.com/htj6u5n>

GOSS EGGS (Recent Dumb Economic Moves)

Jamie Dimon, CEO of JP Morgan, showed just how aligned BIG business is with BIG government when he asserted that "taxes are going to have to go up: you can't run a 10% to 15% (budget) deficit forever." I guess trimming federal spending is not in the playbook for a CEO hoping for a plum position in the Biden Administration.

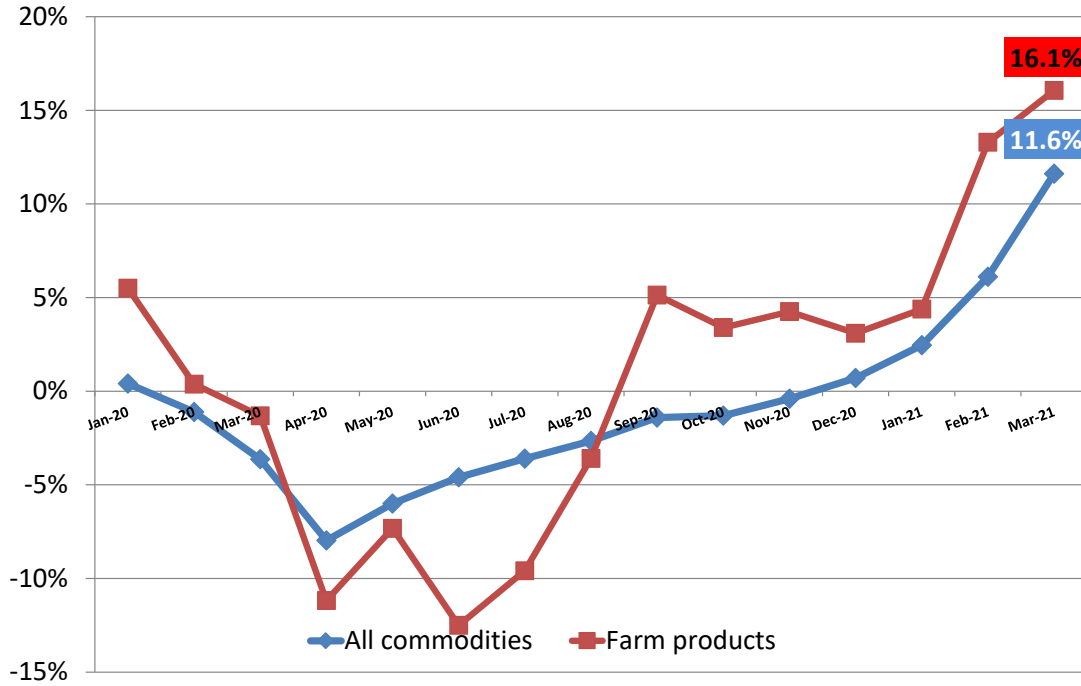
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For historical data and forecasts visit our website at:
<http://business.creighton.edu/organizations-programs/economic-outlook>

MIDAMERICA APRIL 2021 SUPPLY MANAGERS NEWSLETTER

"A monthly survey of supply chain managers"

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



Year-over-year price change, fuels and metal products, 2020 – March 2021

