

Welcome to our OCTOBER report covering results from Creighton's September 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 healthy pace, but current employment is well below their pre-Covid-19 levels. www.twitter.com/erniegoss

Goss monthly interview at: <http://bit.ly/MidAmericaBCISept2020Video>

Read Biden's Lips: "More New Taxes": What Is a Fair Share of Taxes?

In an effort to bolster the likelihood of his election, presidential candidate, George H.W. Bush proclaimed "Read my lips, no new taxes" at the 1988 Republican National Convention. In sharp contrast, 2020 Democrat presidential hopeful, Joe Biden essentially shouted, "Read my lips, more new taxes." Biden argues that the U.S. economy needs more spending, and more taxes.

He bases his tax hike plan on three factors or allegations: 1) the Trump 2017 tax cuts hurt the economy, 2) high income earners should pay a greater and a "fairer" share of taxes, and 3) the U.S. economy needs more than \$5 trillion in additional federal taxes over a decade to pay for his proposed new spending programs. Are Biden's assertions accurate?

1. **Trump 2017 tax cuts hurt economy.** Biden and his team allege that the December 2017 tax cuts reduced tax collections to levels jeopardizing growth with consequent massive fiscal deficits. However, for the two years after the tax cuts, total federal government receipts climbed by 5.3% compared to a much slower 2.2% for the two years prior to the 2017 tax cuts.

As a result of the slashing of the corporate income tax rate, corporate tax collections fell by 11.4 in the two years after the 2017 cuts. However, this decline is smaller than the 25.4% fall for the two years prior to the 2017 cuts. Furthermore due at least in part to the corporate tax reductions, business investment soared by 11.9% for the subsequent two years in contrast to 4.7% for the two years preceding the 2017 tax cuts.

Moreover, economic performance, as measured by GDP, accelerated after the tax cuts from 9.7% for 2017-19 compared to 5.9% for 2015-17. Furthermore, the Census Bureau reported in September that the median household income advanced by a massive 6.8% in 2019—the largest annual increase on record. **Biden is clearly wrong on this count.**

2. **High income earners do not pay their fair share.** According to the National Taxpayers Union, the top 1% of income earners in 2017 netted 21% of the nation's adjusted gross income, but paid 38% of U.S. personal income taxes. On the other hand, bottom half of income workers netted 11% of the nation's wages, but they paid only 3% of personal income taxes. In fact, fully 32% of filers in 2017 paid no income tax. **From the perspective of high income earners, Biden is likely wrong again.**

3. **Biden needs new tax collections.** The Wall Street Journal reported that Biden's spending proposal would "total \$5.4 trillion in new spending over the next 10 years" based on an analysis by the Penn Wharton Budget Model, a nonpartisan group. "This is the largest proposed spending increase by a presidential nominee since George McGovern," says Kent Smetters, a Wharton economics professor who oversees the budget model project. **Biden is correct here.**

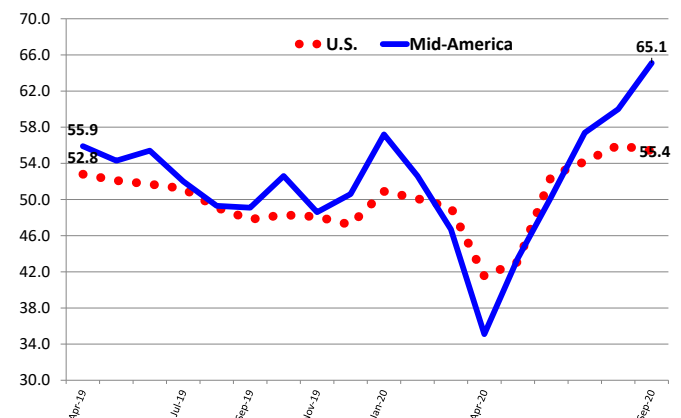
LAST MONTH'S SURVEY RESULTS

Mid-America Index in Growth Range for Fourth Straight Month: Worker Shortages Reported by 40% of Supply Managers

September Survey Highlights:

- The regional Business Conditions Index expanded to its highest level in more than two years.
- The regional employment index climbed to its highest level since June 2019.
- Four of five supply managers reported their firms were experiencing difficulty finding and hiring qualified workers.
- Approximately 62.9% of supply managers reported shipping bottlenecks and difficulties in receiving materials and transporting output.
- Business confidence remains very healthy

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



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 healthy pace, but current employment is well below their pre-Covid-19 levels.

For the fourth straight month, the 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 highest level since May 2018.

Overall index: In April of this year, Covid-19 pushed the overall index to its lowest level in 11 years. Since April, the overall index has risen five consecutive months with four straight months above growth neutral 50.0. The September Business Conditions Index, which ranges between 0 and 100, increased to 65.1 from August's 60.0.

Creighton's monthly survey results have mirrored the national manufacturing survey results indicating that the manufacturing sector has been expanding at a solid pace since sinking to a post-2008 recession low in April. Even so, current output in the regional and U.S. manufacturing sectors remains well below pre-COVID-19 levels. I expect the national number to rise well above growth neutral for September when it is released later this morning.

Employment: The regional employment index moved well above growth neutral for September to its highest level since June 2019, climbing to 61.8 from 54.8 in August. Prior to COVID-19, the regional insured unemployment rate for the region stood at 1.3%. It reached a high of 11% in May and fell to 4.6% in September.

Importantly, four of five supply managers reported that their firms were experiencing difficulty finding and hiring qualified workers.

As stated by one supply manager, “Very competitive for entry level staff and company is having to adjust scale wages.”

- “Tough navigating: Just a lot of cross currents and changes.”
- “March thru May hiring was significantly down due to COVID, but since July we are rebounding strongly.”
- “In September, we have many openings, some are tough to fill.”
- “I expect the economy to go up assuming President is reelected.”

Wholesale Prices: The wholesale inflation gauge for the month soared to 71.5 from 53.3 in August.

Though inflationary pressures have risen over the last several months, the Federal Reserve remains comfortable with current ultra-low short-term interest rates. In recent meetings of the rate setting committee, the FOMC, the committee indicated they will likely keep short-term interest rates at near record lows well into the future even as inflation ticks up above their target.

Confidence: Looking ahead six months, economic optimism, as captured by the September Business Confidence Index, dipped to a still strong 69.4 from 73.3 in August.

An expanding manufacturing sector, the federal stimulus plan, the Federal Reserve monetary incentive programs, and U.S. stock markets supported September's very healthy confidence index.

Inventories: The regional inventory index for September, reflecting levels of raw materials and supplies, increased to a weak 45.6 from last month's 41.7.

Trade: The regional trade numbers were down for the month, with new export orders falling to 50.0 from August's 58.3. An expanding domestic manufacturing sector supported a solid import index at 56.0, down slightly from August's 56.8.

Other survey components of the August Business Conditions Index were: new orders at 79.4, up from 72.6 in August; the production or sales index expanded to 72.1 from 67.7 in August; and the speed of deliveries of raw materials and supplies index at 66.7 up from last month's 63.3 (indicating slower deliveries for September).

Approximately 62.9% of supply managers reported shipping bottlenecks and difficulties in receiving materials and transporting output in September.

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 September Business Conditions Index for Arkansas rose to 68.5 from August's 63.0. Components from the September survey of supply managers were: new orders at 78.8, production or sales at 48.9, delivery lead time at 77.0, inventories at 53.9, and employment at 63.9. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 0.9% in the second week of March, peaked at 11.7% in the third week of May, and fell to 3.3% in the first week of September.

IOWA: Iowa's Business Conditions Index bounced above growth neutral for September. The reading climbed to 67.1 from 56.4 in August. Components of the overall September index were: new orders at 80.1, production or sales at 70.5, delivery lead time at 65.7, employment at 67.4, and inventories at 64.8. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 1.7% in the second week of March, peaked at 12.4% in the first week of May, and fell to 4.3% in the first week of September.

KANSAS: The Kansas Business Conditions Index for September increased to 69.9 from 63.0 in August. Components of the leading economic indicator from the monthly survey of supply managers were: new orders at 78.9, production or sales at 73.3, delivery lead time at 78.5, employment at 64.2, and inventories at 54.7. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 0.7% in the second week of March, peaked at 14.6% in the third week of May, and fell to 4.1% in the first week of September.

MINNESOTA: The September Business Conditions Index for Minnesota increased to 55.9 from 54.5 in August. Components of the overall September index were: new orders at 76.5, production or sales at 61.9, delivery lead time at 46.7, inventories at 35.9, and employment at 58.3. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 2.3% in the second week of March, peaked at 14.9% in the second week of May, and fell to 7.2% in the first week of September.

MISSOURI: The September Business Conditions Index for Missouri advanced to 74.4 from August's 63.0. Components of the overall index from the survey of supply managers for September were: new orders at 82.5, production or sales at 73.2, delivery lead time at 58.8, inventories at 84.1, and employment at 73.5. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 0.8% in the second week of March, peaked at 9.5% in the third week of May, and fell to 3.2% in the first week of September.

NEBRASKA: Nebraska: Nebraska's overall index for September slipped to 62.9 from 64.2 in August. Components of the index from the monthly survey of supply managers for September were: new orders at 77.7, production or sales at 67.7, delivery lead time at 62.6, inventories at 45.4, and employment at 61.2. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 0.5% in the second week of March, peaked at 11% in the fourth week of May, and fell to 3.2% in the first week of September.

NORTH DAKOTA: The September Business Conditions Index for North Dakota climbed to 55.6 from 53.6 in August. Components of the overall index for September were: new orders at 69.3, production or sales at 74.3, delivery lead time at 52.2, employment at 40.0, and inventories at 42.1. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 1.5% in the second week of March, peaked at 9.7% in the first week of May, and fell to 2.3% in the first week of September.

OKLAHOMA: The state's Business Conditions Index remained above growth neutral in September. The overall index declined to a solid 58.6 from August's 61.8. Components of the overall September index were: new orders at 76.9, production or sales at 66.8, delivery lead time at 51.5, inventories at 38.8, and employment at 59.2. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 1.1% in the second week of March, peaked at 9.6% in third week of May, and fell to 7.1% in the first week of September.

SOUTH DAKOTA: The September Business Conditions Index for South Dakota fell to 59.9 from 62.9 in August. Components of the overall index from the September survey of supply managers in the state were: new orders at 77.1, production or sales at 67.1, delivery lead time at 54.9, inventories at 40.8, and employment at 59.8. Validating a rapidly improving state economy, U.S. Department of Labor data indicate that the state's insured unemployment rate stood at 0.6% in the second week of March, peaked at 9.7% in the fourth week of May, and fell to 1.6% in the first week of September.

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



THE BULLISH NEWS

- The nation added 661,000 jobs and the unemployment rate declined to 7.9% even as the Census Bureau shed 34,000 temporary jobs.
- The sales of previously owned housing rose to an annualized, seasonally adjusted 6,000,000 units in August, the fastest pace since December 2006.
- Purchasing management indices (PMI) for both ISM's national survey and Creighton's Mid-America were in a range indicating healthy manufacturing growth.
- Amazon announced that it would open 1,500 small warehouses in the nation's suburbs.



THE BEARISH NEWS

- Core retail sales fell 0.1% in August. Higher gasoline prices pushed overall retail sales up by 0.6%.
- The U.S. trade deficit for August climbed by 3.5%.
- The U.S. budget deficit hit an all-time high of \$3 trillion for the first 11 months of fiscal 2020.

NUMBER OF THE MONTH

96. Former President Jimmy Carter celebrated his 96th birthday on October 1, 2020. He has now become the longest-lived of all those to hold the nation's highest political office.

THE OUTLOOK

Goldman Sachs (September 11, 2020). Goldman Sachs has upgraded its forecasts for the US economy and now expects GDP to reach 35% in the third quarter of the year, making it by far the most bullish bank on Wall Street. Goldman Sachs is predicting US Q3 GDP to be 35% due to a better than expected August jobs report. *The bank said in a note on Thursday: "We upgraded our near-term growth forecasts based on the much stronger-than-expected August jobs report and the solid summer data more generally."**The US added 1.37 million jobs in August, higher than an expected addition of 1.35 million jobs. **The bank said data is pointing to higher real spending in August, another factor prompting its GDP upgrade. **Bloomberg economists are expecting US GDP to be 21% in Q3.

<https://tinyurl.com/y3c5jsqj>

Goss (OCTOBER 2020): **The yield on U.S. long-term Treasury bonds, along with mortgage rates, to climb by as much ¼ % (25 basis points) by the end of 2020. **The October job additions will be healthy but somewhat disappointing in comparison to September's. **Annualized and seasonally adjusted Q3 GDP will range between 14% to 15%.

KEEP AN EYE ON

- U.S. BEA's 3rd Quarter GDP report. On October 29, just in time for the presidential elections, the Bureau of Economic Analysis will release its third quarter GDP numbers. Expect 15% annualized and seasonally adjusted gain which will be good for Trump's reelection.
- ISM's Creighton's Mid-America PMIs. On November 2, ISM and Creighton release manufacturing survey results for October. Expect healthy values from both.
- Creighton's Rural Mainstreet report. On November 19th, Creighton releases its November survey of bank CEOs in rural areas of 10 states in the Rocky Mountains and Plains states.

SUPPLY MANAGER CAREERS

Inventory Specialist, Fairview Health Services, Minneapolis, MN. Manage/direct the adjustment of inventory levels of stock and nonstock supplies/equipment throughout the site (to include, but not limited to all patient care areas, surgery, ancillary departments, related clinics). Make independent judgments and decisions based on analyzing and monitoring inventory levels to authorize volume purchases regarding inventory levels. Consider labor and acquisition costs in determining appropriate par levels for cost efficient inventory management. Preferred Education: BA/BS, Supply Chain, Logistics, Business, Nursing, Related. Preferred License: Certified Resource and Materials Professional (CMRP), APICS. Preferred Experience: 2 years inventory management in healthcare. Apply:

<https://tinyurl.com/y3f5cp57>

SUPPLY MANAGER READING ROOM

"Experts: 3 ways coronavirus has shifted supply chains' focus." Practitioners from across the industry came together at the U.S. Chamber of Commerce to discuss how the pandemic is affecting their operations. The coronavirus pandemic has brought supply chains to the forefront, whereas previously, many were accustomed to it running unseen in the background of everyday life. But for supply chain leaders, the pandemic has shifted focus from business as usual to crisis management, and planning for more robust supply chains in the future. "What we've seen, for all of us, it's been unprecedented," Georgia Ports Authority Executive Director Griffith Lynch said Tuesday, when practitioners from across the industry came together to share insights with the U.S. Chamber of Commerce. Read rest at: <https://tinyurl.com/yxeknjaz>

GOSS EGGS (Recent Dumb Economic Moves)

Los Angeles and New York City political leaders continue to lead the nation in bad economic decisions. Disney this week announced layoffs of almost 30,000 jobs, much of those in LA where the city's lockdowns restrict Disneyland's ability to reopen in Los Angeles. Not surprisingly the latest unemployment rates were 5.1% higher for closed-down Los Angeles than wide-open San Diego. Remarkably, Covid-19 death rates per 1,000 in population were 1.67 for Los Angeles and 0.56 for San Diego.

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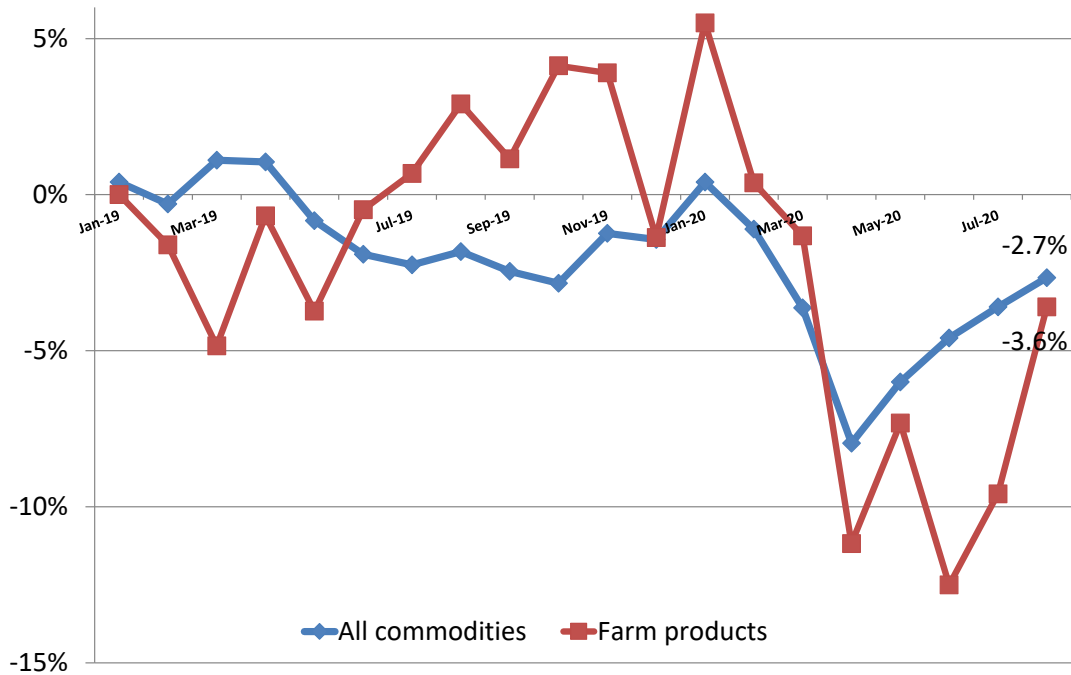
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For historical data and forecasts visit our website at: <http://business.creighton.edu/organizations-programs/economic-outlook>

MIDAMERICA OCTOBER 2020 SUPPLY MANAGERS NEWSLETTER

"A monthly survey of supply chain managers"

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



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

