"A monthly survey of supply chain managers"

Welcome to our September report covering results from Creighton's monthly survey of supply managers and procurement experts in nine Mid-America states indicate that the economic growth was slightly negative for manufacturing with weakening economic conditions and job losses. Follow my comments at: www.twitter.com/erniegoss

Obama the Economic Anti-Reagan? Reagan Faster Overall & Wage Growth; Obama Swifter Profit Growth

Obama's former campaign manager Jim Messina said in 2015 that "President Obama in many ways has helped start the same kind of political revolution that Reagan did 30 years ago." Conservative commentator Charles Krauthammer argued instead that Obama seeks to be the anti-Reagan. In reaction to the recessions that each inherited, the two leaders differed markedly in terms of fiscal policy responses.

During the first 7.5 years of their terms, as a percent of gross domestic product (GDP), Obama increased federal taxes by 3.5%, while Reagan reduced federal taxes by 2.1%. And in terms of federal spending as a percent of GDP, Obama expanded federal outlays by 0.03%, but Reagan reduced federal spending by 10.0%. As a result of superior economic growth during the Reagan era, the federal debt as a percent of GDP expanded at a slower 17.0% pace under Reagan than the more rapid 27.8% gain under Obama.

Not only have Obama's taxing and spending policies been in sharp contrast to Reagan's, his economic outcomes have likewise been very different. After 7.5 years, areas where Obama's economic gains exceeded those of Reagan were: 1) the U.S. unemployment rate declined by 2.9 percentage points compared to 1.9 percentage points for Reagan; 2) Business profits, as a share of GDP, expanded by 3.7 percentage points during Obama's tenure compared to a weaker 1.9 percentage points under Reagan; 3) the U.S. stock market advanced by 133% in contrast to a weaker 100% during the Reagan era.

Metrics in which Reagan's economic performance in his first 7.5 years bested Obama were: 1) U.S. GDP expanded by 27.3% versus 15.3% for Obama; 2) U.S. non-farm jobs grew by 16.1% in contrast to Obama's more tepid 9.7%; 3) Wages as a share of GDP advanced by 2.1% during the first 7.5 years of the Reagan term, but declined by 1.8% during Obama's first 7.5 years; Thus, historical U.S. economic performance data support the hypothesis Obama's policies as well as economic outcomes have indeed been anti-Reagan. Ernie Goss.

Link to video: https://www.youtube.com/watch?v=2NtxyMzC2jg&feature=youtu.be

LAST MONTH'S SURVEY RESULTS

Mid-America Business Conditions Very Weak for August: Manufacturing Linked to Agriculture and Energy Struggle

SURVEY RESULTS AT A GLANCE:

- For a second straight month, the overall index was below growth neutral 50.0.
- Employment index remained below growth neutral for a third consecutive month.
- Government data show that over the past 12 months the region's manufacturing sector lost more than 22,000 jobs, but added a total of 102,000 nonfarm jobs.
- Businesses expected wages to expand by 2.1 percent over the next 12 months.

The Creighton University Mid-America Business Conditions Index, a leading economic indicator for a nine-state region stretching from Arkansas to North Dakota, rose slightly for August.

Overall index: The August Business Conditions Index, which ranges between 0 and 100, increased slightly to 47.8 from July's 47.6. However, this is the second straight month the index has moved below growth neutral 50.0. Over the past several months the regional index, much like the national reading, has indicated the manufacturing sector is experiencing anemic to negative business conditions.

Weakness among manufacturers linked to agriculture and energy continue to weigh on regional economic conditions. Due to the heavy dependence of the region on these two sectors, I will expect to see the regional economy to continue to underperform the national economy. Over the past 12 months, for example, the region has experienced nonfarm job growth of 0.7 percent compared to 1.7 percent for the U.S. This gap is likely to continue for the remainder of 2016..

Employment: The regional employment gauge indicates the nine-state regional manufacturing sector continues to lose jobs. The index sank to 44.0 from July's 46.9. Over the past 12 months, U.S. Bureau of Labor Statistics data indicate the region's manufacturing sector has lost more than 22,000 jobs for a loss of 1.6 percent of total manufacturing jobs. During the same time period, the region has gained a total of 102,000 jobs for all sectors for an increase of 0.8 percent.

As a result of the weak manufacturing labor market in the region, supply managers expect wages and salaries to grow by a tepid 2.1 percent over the next year.

Wholesale Prices: The wholesale inflation gauge remained in a range indicating modest inflationary pressures at the wholesale level, though the prices-paid index declined to 56.5 from July's 60.8. On average, supply managers expect the prices for their firm's products to expand by 1.6 percent in the second half of 2016.

Even though wholesale price inflation remains in a range indicating only modest upward price pressures, I expect the Federal Reserve to raise rates at least once before the end of the year. The core consumer price index, which excludes food and energy, has risen above 2 percent for nine straight months.

Confidence: Looking ahead six months, economic optimism, as captured by the August business confidence index, sank to 45.4 from July's 47.0. Global economic uncertainty and weakness in the region's agricultural and energy sector are weighing on the business economic outlook of supply managers," said Goss.

Inventories: The August inventory index, which tracks the change in the level of raw materials and supplies, rebounded to 52.3 from July's 43.5.

Trade: The new export orders index slipped to 50.1 from 52.5 in July. "Expansions among global trading partners more than offset a relatively strong U.S. dollar to maintain a reading above growth neutral for the export reading. A strong U.S. dollar makes U.S. goods less competitively priced abroad. However, I do expect a Federal Reserve rate hike to push the value of the dollar higher, which will pull export orders lower," said Goss.

The import index for August fell to 45.8 from July's 51.0.

Other components: Components of the August Business Conditions Index were new orders at 44.4, up from 41.9 in July; production or sales were 45.2 for August, down from 47.6; and delivery speed of raw materials and supplies declined to 52.9 from last month's 58.3.

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, formerly the National Association of Purchasing Management.

MID-AMERICA STATES

ARKANSAS
Arkansas' overall index for August grew slightly to 47.5 from 47.3 in July. Components of the index from the monthly survey of supply managers were new orders at 43.5, production or sales at 44.4, delivery lead time at 53.6, inventories at 52.3, and employment at 44.0. "As in previous months, job losses for durable goods producers more than offset gains for nondurable goods manufacturers for July," said Goss. Job growth last 12 months: Overall, 1.4 percent; manufacturing, -0.8 percent.

IOWA
The August Business Conditions Index for Iowa expanded to a weak 48.3 from July's 47.9. Components of the overall index for August from the monthly survey of supply managers were new orders at 43.7, production or sales at 44.6, delivery lead time at 55.8, employment at 44.6, and inventories at 53.1. "Metal manufacturers and agricultural machinery producers continue to experience pullbacks in economic activity. On the other hand, food processors in the state are boosting production and employment," said Goss. Job growth last 12 months: Overall, 1.5 percent; manufacturing, -3.1 percent.

KANSAS
The Kansas Business Conditions Index for August improved slightly to a frail 47.6 from 47.0 in July. Components of the leading economic indicator from the monthly survey of supply managers were new orders at 43.5, production or sales at 44.4, delivery lead time at 52.1, employment at 44.1, and inventories at 53.9. "Gains for food processors and aircraft and related manufacturing were more than offset by losses for machinery manufacturers. Job growth last 12 months: Overall, -0.3 percent; manufacturing, -0.6 percent.

MINNESOTA
The August Minnesota Business Conditions Index declined to 49.4 from 51.2 in July. Components of the overall August index from the monthly survey of supply managers were new orders at 44.0, production or sales at 44.8, delivery lead time at 59.0, inventories at 54.1, and employment at 45.4. Business losses for metal manufacturers and machinery producers more than offset gains for computer and electronic product manufacturers and food processors in the state. Job growth last 12 months: Overall, 1.5 percent; manufacturing, 0.2 percent.

MISSOURI
The August Business Conditions Index for Missouri sank to 48.5 from July's reading of 52.3. Components of the overall August index from the survey of supply managers were new orders at 43.8, production or sales at 44.6, delivery lead time at 56.4, inventories at 52.9, and employment at 44.7. Business dips were reported by metal producers, machinery manufacturers, and computer and electronic manufacturers. These losses more than offset gains for vehicle manufacturing. Job growth last 12 months: Overall, 0.8 percent; manufacturing, -0.5 percent.

NEBRASKA
The August Business Conditions Index for Nebraska rose to 47.3 from 47.0 in July and a stronger 51.5 in June. Components of the index from the monthly survey of supply managers for August were new orders at 43.5, production or sales at 44.3, delivery lead time at 53.2, inventories at 43.9, and employment at 43.9. Firms linked to agriculture such as farm equipment manufacturers and metal producers continue to shed jobs and economic activity. On the other hand, food processors in the state are expanding jobs and sales at a healthy pace in the state. Job growth last 12 months: Overall, 1.2 percent; manufacturing, 0.5 percent.

NORTH DAKOTA
North Dakota's leading economic indicator for August once again sank below growth neutral 50.0. However, the Business Conditions Index for the month did expand to 44.0 from July's 40.8, a regional low. Components of the overall index from the monthly survey of supply managers were new orders at 48.8, production or sales at 44.3, delivery lead time at 48.9, employment at 43.7, and inventories at 49.5. Manufacturing in the state linked to agriculture and energy continue to experience significant economic headwinds. On the other hand, the headwinds have clearly diminished over the last few months. Job growth last 12 months: Overall, -2.2 percent; manufacturing, -2.8 percent.

OKLAHOMA
After moving above growth neutral for May, Oklahoma's Business Conditions Index has been below growth neutral 50.0 for three consecutive months. The August index sank to a regional low of 44.0 from 45.2 in July. Components of the overall August index from a survey of supply managers in the state were new orders at 42.8, production or sales at 43.7, delivery lead time at 45.6, inventories at 45.6, and employment at 42.0, Metal producers and machine manufacturers have cut jobs and experienced downturns in economic activity for many months in the state. Job growth last 12 months: Overall, -0.6 percent; manufacturing, -8.0 percent.

SOUTH DAKOTA
The Business Conditions Index for South Dakota advanced to a regional high 53.2 from 50.2 in July. Contrary to the rest of the region, the index has been above growth neutral for eight straight months. Components of the overall index for the August survey of supply managers in the state were new orders at 44.8, production or sales at 45.7, delivery lead time

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at 69.4, inventories at 58.2, and employment at 48.0. Growth among the state's non-durable goods manufacturers has exceeded that of durable goods manufacturers. Job growth last 12 months: Overall, 2.2 percent; manufacturing, -0.9 percent.

THE BULLISH NEWS

- The U.S. trade deficit dropped by 11.6% in July due to a sharp increase in exports.
- U.S. non-farm payrolls rose by 151,000 in August. A lot of economists are slamming this "not too hot", "not too cool" reading. I consider it a good indicator.
- The U.S. Case-Shiller home price index rose by a seasonally adjusted 0.2% for June and is 5.1% above the reading for June 2015.

THE BEARISH NEWS

- The U.S. PMI and the Creighton PMI both fell below growth neutral for August indicating that U.S. and regional manufacturing are losing economic steam.
- Average hourly earnings rose 3 cents last month to $25.73, an annualized rate of 2.4%. After previous recessions, wage growth has typically hit at least 3%.

WHAT TO WATCH

- **Federal Reserve (Fed) Meetings**: On Sept. 20-21, the interest rate setting committee of the Fed meets to consider changing short-term interest rates. While they may not raise rates at this meeting, they may set the stage for a Dec. rate increase in their post-meeting statements.
- **The Jobs Report:** On Oct. 7, the Bureau of Labor Statistics will release the September jobs report. Another very strong report (i.e. more than 200,000 jobs) will push the Federal Reserve to raise rates later in 2015.
- **PMIs for U.S. and Mid-America:** On Oct. 3, Creighton and the Institute for Supply Management will release their readings on manufacturing in Mid-America and U.S. Another set of readings below growth neutral 50.0 will be bearish for U.S. stocks.

Goss Eggs (Recent Dumb Economic Moves)

- The EU last week fined Apple more than $14 billion in back taxes. Their decision was based on Ireland's corporate tax that is too low by EU standards. In their attempt to "harmonize" or provide uniformity across the EU, they are simply ratifying Great Britain's decision to leave the EU. Ireland has benefited mightily for its competitive corporate tax structure. Decisions like this will encourage other EU exits.

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

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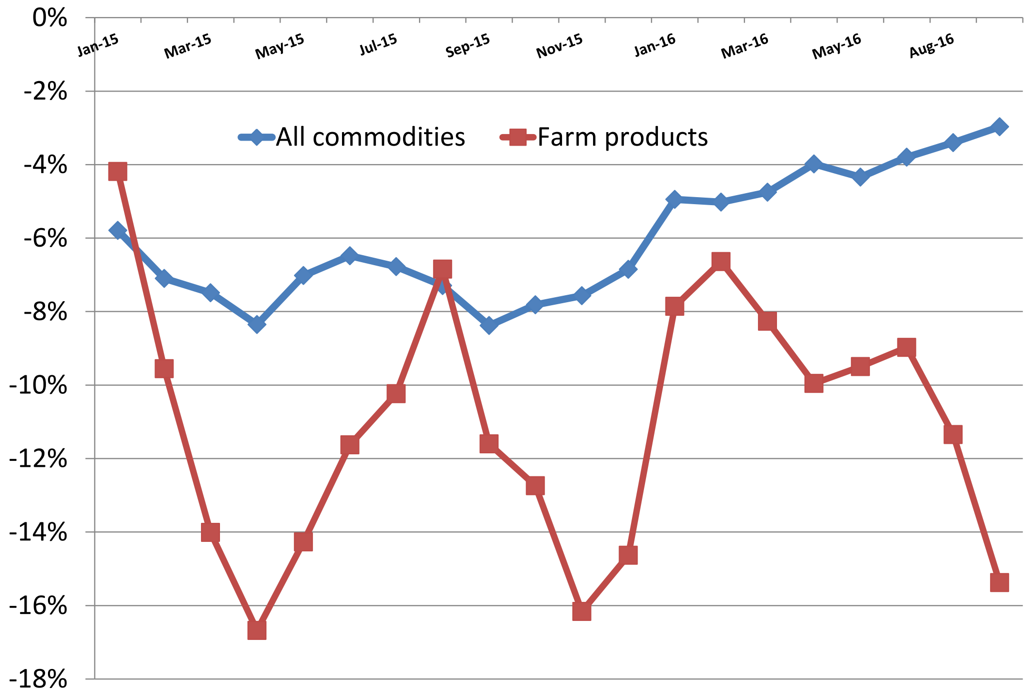
For historical data and forecasts visit our website at:
http://www2.creighton.edu/business/economicoutlook/

PRICE DATA

ALL COMMODITIES/FARM PRODUCTS 2007-2014
FUELS & RELATED/METALS & METAL PRODUCTS

Year over year price change, commodities and farm product, 2015-16



Year over year price change, fuels and metal products, 2015-16