MIDAMERICA DECEMBER 2020 SUPPLY MANAGERS NEWSLETTER

"A monthly survey of supply chain managers"

Happy Holidays to you, your family, and friends. Thank you for participating in Creighton's Supply Manager Survey over the past year.

Welcome to our December report covering results from Creighton's October 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 remains well below their pre-Covid-19 levels.
www.twitter.com/erniegoss

WILL BIDEN FORGIVE STUDENT LOANS? WHY NOT AUTOMOBILE LOANS?

A kettle of progressive Democrats is demanding that President-Elect Biden issue an executive order extinguishing student debt in the first week of his reign. Past and present students currently owe $1,700 billion (yes that is $1.7 trillion). Since 2006, student debt has expanded by 253.4%, while income to pay the debt has advanced by one-third that pace, or 79.8%. But there are clear problems and benefits of such action.

Wrong Beneficiaries? It has been well documented that income inequality has soared over the past five decades as college educated incomes rose at a much faster pace than workers that did not earn a two-year, or four-year degree. Except during the Trump Administration, the top 20% of income earners received a greater share of income than the bottom 80% of earners. Furthermore, higher education institutions have sucked up much of the rocketing student debt in the form of higher tuition and fees which, since 2006, expanded at 2.5 times the rate of growth in prices of other consumer goods and services.

Fairness? This month, 45 million of the U.S. population owed approximately $38,000 per individual. Thus, the remaining 284 million Americans either have paid off their student debt, or never received a student loan. How fair will the many view shifting $1.7 trillion to the favored few? Furthermore, any delay in making an executive decision, either yes, or no, will only incentivize student debtors to further delay payments, and even ramp up their borrowing.

Productivity? Economic theory postulates that higher productivity begets higher income. The latest Bureau of Labor Statistics data show that a college graduate earns 71.0% more than a high school graduate without any college experience. Thus, other factors unchanged, encouraging more individuals to earn their college degree will stimulate higher productivity and economic growth.

Economic Stimulus? It is argued that forgiving $1.7 trillion in student debt will help pull the economy out of the current recession. However, the multiplier of providing $1.7 trillion in direct payments to consumers that spend the funds on goods and services will be between 0.08 and 0.23, compared to 0.36 for small business aid, and 0.60 for unemployment benefits, according to the Committee for a Responsible Federal Budget.

The question for the Biden Administration is, will the stimulative productivity impact of debt forgiveness offset the many negatives of such a move? This economist has serious doubts.

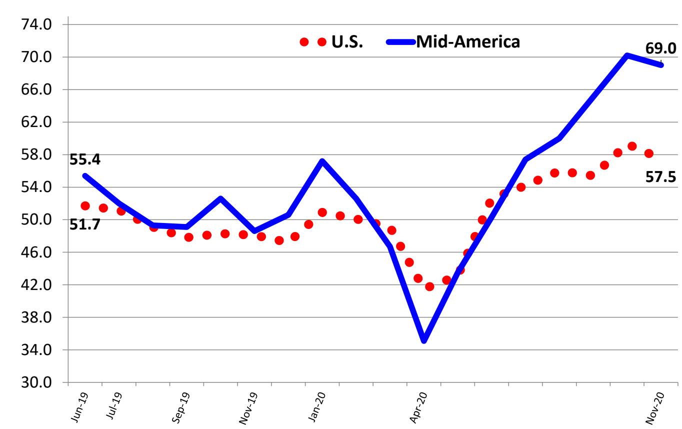
LAST MONTH'S SURVEY RESULTS

First Time Since April, Mid-America Index Drops: Economic Outlook Plummets

November Survey Highlights:

- The regional Business Conditions Index remained above growth neutral for the sixth straight month.
- Since bottoming out in April, regional manufacturing has gained back roughly 37,000, or 2.7%, of the initial non-farm job losses from COVID-19.
- Approximately 52.9% of supply managers from the November Creighton survey indicated their firm had hired back all COVID-19 furloughed workers.
- The wholesale inflation gauge rose its highest level since June 2018.
- Supply managers economic outlook, or business confidence, plummeted for the month.
- Approximately 45.5% of supply managers reported that their employer had increased the employee health care insurance contribution for 2021.

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



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For the first time since April, the Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, fell, but remained above growth neutral for the month04.

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 climbed above growth neutral 50.0 for six of the past seven months. The November Business Conditions Index, which ranges between 0 and 100, dipped to 69.0 from October's 70.2.

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 below pre-COVID-19 levels.

Employment: The regional employment index remained well above growth neutral for November, but fell to 63.1 from 66.7 in October. Since the onset of COVID-19, U.S. Bureau of Labor Statistics data indicate that regional nonfarm employment is down 649,000 jobs, or 4.7%, and regional manufacturing employment is off by 72,000 jobs or 4.9%.

Since bottoming out in April, regional manufacturing has gained back roughly 37,000, or 2.7%, of the initial nonfarm job losses.

Approximately 52.9% of manufacturers from the November Creighton survey indicated that they hired back all COVID-19 furloughed workers, while 29.4% reported that their firms had rehired a portion of the furloughed workers. The remaining 17.7% stated that their firm had never furloughed workers. Approximately 5.9% expect to furlough additional workers.

- "(My firm) cannot find workers; no one wants to do physical labor; unemployment is too low."
- "Employment is up and I can't find enough qualified workers. Our smaller suppliers really need a second stimulus package from the government or the prices we pay our suppliers will have to go up."
- "No employees furloughed."
- "Taxes, costs, prices, debt will all go up while GDP, consumer confidence, etc will go down. Brace yourself."
- "We did not furlough any employees during the COVID-19 pandemic. We have hired new employees because of increased sales volume and back log of new sales for the 1st qtr. These are the first employees we have hired in more than a year."

Wholesale Prices: The wholesale inflation gauge for the month rose to 84.8, its highest level since June 2018, from 76.8 in October.

Said one supply manager, "Corrugated shippers are experiencing tight supply. Prices are up substantially with E-commerce and retail packaging growth."

Though inflationary pressures have risen significantly 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, they 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 November Business Confidence Index, plummeted to 50.0 from October's very strong 70.4.

"A sharp upturn in COVID-19 infections, along with more economic lockdowns, weighted on November's economic outlook," said Goss.

Inventories: The regional inventory index for November, reflecting levels of raw materials and supplies, slumped to a still solid 59.2 from last month's 66.8.

Trade: The regional trade numbers were up sharply for the month, with new export orders rising to 75.0, from October's 58.4. An expanding domestic manufacturing sector supported a solid import index at 67.9, up steeply from 59.5 in October.

Other survey components of the November Business Conditions Index were: new orders at 77.3, were up slightly from 76.2 in October; the production or sales index expanded to 78.3 from 73.3 in October; and the speed of deliveries of raw materials and supplies index at 67.4, down from last month's 68.4.

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 November Business Conditions Index for Arkansas fell to 62.2 from October's 64.4. Components from the November survey of supply managers were: new orders at 73.7, production or sales at 73.9, delivery lead time at 52.3, inventories at 48.9, and employment at 62.3. Recent surveys indicate that durable goods producers are expanding at a solid pace while nondurable goods manufacturers continue to experience flat business conditions.

IOWA: Iowa's Business Conditions Index remained above growth neutral for November though the reading declined to 74.6 from 78.7 in October. Components of the overall November index were: new orders at 77.8, production. or sales at 79.2, delivery lead time at 78.7, employment at 62.5, and inventories at 87.2. Recent surveys indicate that both durable and nondurable goods manufacturers are expanding at a solid pace.

(Continued on next page)

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KANSAS: TThe Kansas Business Conditions Index for November decreased to 60.1 from 68.7 in the October. Components of the leading economic indicator from the monthly survey of supply managers were: new orders at 73.3, production or sales at 81.3, delivery lead time at 50.9, employment at 50.7, and inventories at 45.2. Recent surveys indicate that both durable and nondurable goods producers are experiencing slow growth.

MINNESOTA: The November Business Conditions Index for Missouri dropped to 75.6 from October's 78.0. Components of the overall index from the survey of supply managers for November were: new orders at 82.6, production or sales at 78.2, delivery lead time at 78.8, inventories at 82.6, and employment at 61.2. Recent surveys indicate that durable goods manufacturers continue to expand at a solid pace, and nondurable goods producers are experiencing slow to no growth.

MISSOURI: The November Business Conditions Index for Missouri dropped to 75.6 from October's 78.0. Components of the overall index from the survey of supply managers for November were: new orders at 82.6, production or sales at 78.2, delivery lead time at 78.8, inventories at 82.6, and employment at 61.2. Recent surveys indicate that durable goods manufacturers continue to expand at a solid pace, and nondurable goods producers are experiencing slow to no growth.

NEBRASKA: Nebraska's overall index for November fell to 66.8 from 71.4 in October. Components of the index from the monthly survey of supply managers for November were: new orders at 75.6, production or sales at 76.2, delivery lead time at 58.9, inventories at 66.7, and employment at 56.7. Recent surveys indicate that both durable and nondurable goods manufacturers are expanding at a solid pace.

NORTH DAKOTA: The November Business Conditions Index for North Dakota slumped to 57.2 from 59.0 in October. Components of the overall index for November were: new orders at 73.2, production or sales at 73.3, delivery lead time at 50.5, employment at 50.4, and inventories at 38.9. Recent surveys indicate that durable goods manufacturers and nondurable goods producers continue to experience slow to no growth.

OKLAHOMA: Oklahoma's Business Conditions Index sank below growth neutral in November. The overall index dropped to 49.4 from October's strong 61.1. Components of the overall November index were: new orders at 70.7, production or sales at 70.2, delivery lead time at 41.7, inventories at 20.6, and employment at 43.8. Recent surveys indicate that durable goods manufacturers are experiencing slow to no growth, while nondurable goods producers continue to experience solid growth.

SOUTH DAKOTA: The November Business Conditions Index for South Dakota climbed to 71.7 from 71.2 in October. Components of the overall index from the November survey of supply managers in the state were: new orders at 77.0, production or sales at 77.9, delivery lead time at 63.7, inventories at 79.5, and employment at 60.3. Recent surveys indicate that durable goods manufacturers are experiencing slow to no growth, while nondurable goods producers continue to experience solid growth.

THE BULLISH NEWS

- U.S. employers added 245,000 jobs for November and the unemployment declined to 6.7% from 6.9% in October.
- U.S. exports and imports rose in October reflecting growth in the global economy (exports 2.2%), and the U.S. domestic economy (imports 2.1%).
- Purchasing management indices (PMI) for both ISM's national survey and Creighton's Mid-America were in a range indicating healthy manufacturing growth.
- According to the Case-Shiller national home price index, housing prices expanded at an annual pace of 7.0% in September.

THE BEARISH NEWS

- October seasonally adjusted retail sales climbed a mere 0.3% from September.
- The federal deficit jumps $284 billion in October. And that does not include the $900+ billion stimulus program currently being debated before Congress.
- Approximately, 36.9% of the unemployed have been out-of-work for more than 26 weeks.

NUMBER OF THE MONTH

2.96%. This is the compound annual hourly wage growth for production, non-supervisory workers during the Trump Administration. This compares to 2.87% for the Clinton Administration, 2.76% for the Bush Administration, and 1.71% for the Obama Administration. Assuming these same growth rates until 2030, here are average annual wages for production, non-supervisory workers in 2030: Trump $55,326, Clinton $54,797, Bush $54,155 and Obama $48,370.

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THE OUTLOOK

The Conference Board. 2021 US: The US economy will recover from COVID-19, but It may be forever changed. "Following signs of improvement in Q3 2020, The Conference Board expects a lull in the pace of recovery Q4 2020. Gains in consumption will be limited by high unemployment rates but will likely accelerate again in 2021 as the labor market heals. In the medium term, a contraction in the quantity of labor due to the pandemic and the exiting of baby boomers from the labor force will hinder US economic growth potential between 2020 and 2023 (the COVID-19 period). Real GDP growth should meaningfully improve between 2024 and 2030 as these labor market effects wane somewhat and productivity growth accelerates."

FROM GOSS (DECEMBER 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 Q1, 2021. **The December job additions will be solid, but somewhat disappointing in comparison to November's. **Annualized and seasonally adjusted Q4 2020 GDP growth will range between 3% to 4%.

KEEP AN EYE ON

- U.S. Retail Sales report. On Dec. 16 and Jan. 15, the U.S. Census Bureau releases retail and food services sales for November and December, respectively. Look for weaker reports to signal a buying pullback by the U.S. consumer.
- U.S. Jobs Report. On January 8, the U.S. Bureau of Labor Statistics releases its job numbers for December. Another disappointing report (lower job growth and another drop in size of labor force will indicate that the V-shaped recovery is resembling a Swoosh, or check mark.
- Creighton's Rural Mainstreet report. On December 17th, Creighton releases its December survey results of bank CEOs in rural areas of 10 states in the Rocky Mountains and Plains states. Growth in the rural economy has been slowing, and performing at a pace below urban areas.

SUPPLY MANAGER READING ROOM

"The supply chain under a Biden administration," Gordon Bitko. President-elect Joe Biden has announced what he calls the Biden Plan to Rebuild U.S. Supply Chains. Its components indicate he is likely to shift priorities from the Trump Administration in information technology. With the new administration, it is likely that considerable investment in IT systems can happen, according to Gordon Bitko, former CIO of the FBI. Although the composition of Congress did not change a lot on Election Day, Bitko said there is a consensus in Congress about the importance of a functioning government with updated systems. The fact that so many agencies were able to keep going at the level they did during the pandemic was due to investments they made in modernization, Bitko said. There were still a lot of challenges, however, such as the failures of state unemployment insurance systems. . Read rest at: **https://tinyurl.com/y8nktkyj**

SUPPLY MANAGER CAREERS

Supply Chain Process Improvement Analyst I. Nebraska Furniture Mart, Omaha Nebraska. Nebraska Furniture Mart's Process Improvement Analyst will evaluate work processes to determine strategies and programs that provide greater productivity, quality and efficiency of functions. This role will work to find the most efficient solutions to each request through project planning including scope, resources, and timeline with expenses always being on the forefront. Experience Required: 1-2 years experience in process improvement or within a functional area of a retail store, such as distribution/logistics, merchandising, sales, etc.* Microsoft Office tools (Word, Excel, PowerPoint, Outlook, Access). *Microsoft Visio. *Must be able to work independently. * Ability to work night, weekend and/or early morning hours based on business needs. *Pre-employment screening includes, but isn't limited to, drug screen and criminal background check. Preferred: Bachelor's degree in logistics/ supply chain management, business administration, industrial engineering or a related field. *1-2 years experience in vendor compliance/management, EDI, lead time management, KPI performance analysis. *Working knowledge of POPS system. Apply at: **https://tinyurl.com/y8fol6ex**

GOSS EGGS
(Recent Dumb Economic Moves)

Last week, Nasdaq Exchange officials filed a proposal with the Securities and Exchange Commission (SEC) to adopt listing rules which would require all 3,300 listed companies to have, or explain why they do not have, at least two diverse directors, including one who self-identifies as female, and one who self-identifies as either an underrepresented minority, or LGBTQ. Will board members be required to self-identify to which group they belong? Companies must use non-discriminatory criteria for hiring and appointments based on measures related to productivity, and productivity alone.

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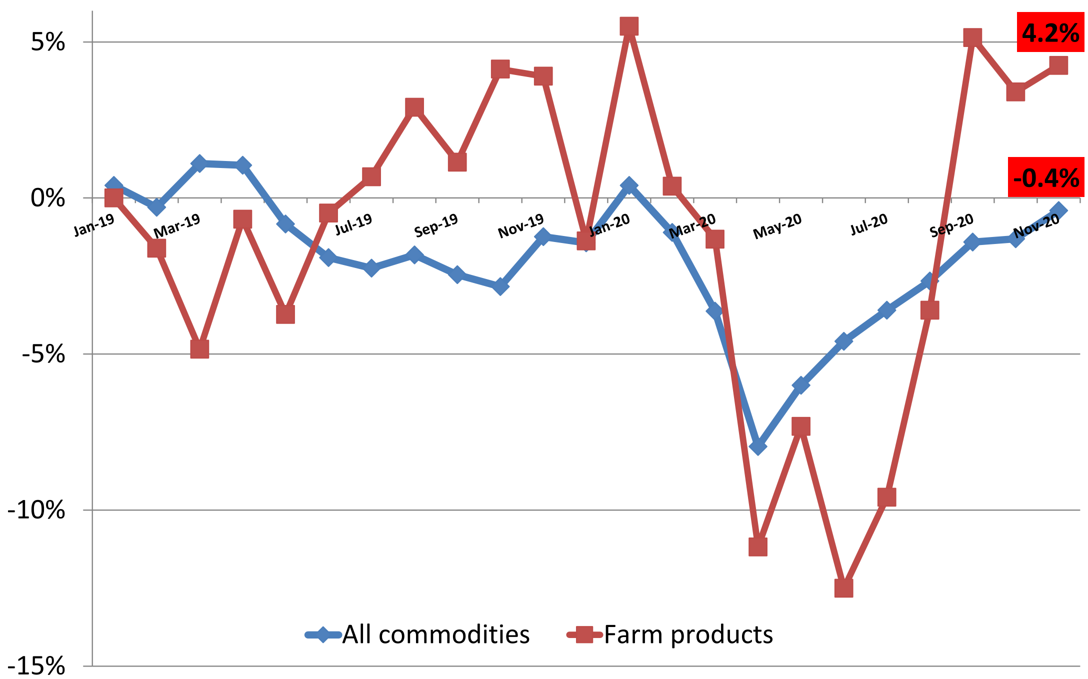
For historical data and forecasts visit our website at: http://business.creighton.edu/organizations-programs/economic-outlook

Survey results for December will be released on Jan. 4, 2021, the first business day of the month.



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