MIDAMERICA MARCH 2021 SUPPLY MANAGERS NEWSLETTER

"A monthly survey of supply chain managers"

Welcome to our February report covering results from Creighton's February 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 www.twitter.com/erniegoss

www.twitter.com/erniegoss Goss monthly interview at: http://bit.ly/MidAmericaBCIFeb2021YouTube

State Misery Indices: New York Most Miserable, Vermont Least Miserable

Economist Arthur Okun created the Misery Index in the 1970s to calculate how the average U.S. resident was doing economically speaking. It was calculated by adding the unemployment rate to the inflation rate. In the accompanying table, I calculate my alternative Misery Indices by adding each state's latest Covid-19 death rate to the state's most recent unemployment rate. Thus, higher rates indicate higher degrees of economic misery for the state.

No surprise here, New York citizens are suffering the highest degree of misery, while Vermont residents are experiencing the lowest level of misery. Interestingly, the most Miserable states are also the states that appear to have enacted the most restrictive economic lockdowns. Also listed in my table, WalletHub's index of Covid-19 economic restrictions by state published March 2, 2021 with the lower WalletHub index indicating the more restrictive the state economy. Virginia and Hawaii had the most restrictive economies, while Iowa and South Carolina had the least restrictive economies. The correlation coefficient between WalletHub's lockdown index and Covid-19 death rates is 0.07, indicating only a slight positive relationship between the two factors. Also, as economic restrictions rise, according to the WalletHub index, the state's Misery index rises.

Table 1: Economic misery by U.S. state, 2021

Rank	State	Misery Index	Lockdown Index	Rank	State	Misery Index	Lockdown Index
1	N York	18.5%	35.6	26	Maryland	11.5%	45.4
2	N Jersey	18.3%	37.7	27	Hawaii	11.4%	22.5
3	Massachusetts	17.1%	23.8	28	S Dakota	11.4%	80.3
4	Rhode Island	16.6%	35.9	29	Ohio	11.2%	51.4
5	Connecticut	16.5%	31.2	30	Colorado	10.7%	28.4
6	Louisiana	15.8%	61.6	31	Florida	10.6%	75.5
7	N Mexico	15.8%	27.6	32	Iowa	10.4%	92.4
8	Arizona	15.4%	46.8	33	N Carolina	10.2%	26.9
9	Mississippi	15.3%	56.0	34	Kansas	9.9%	65.9
10	Illinois	14.7%	43.4	35	Missouri	9.9%	72.1
11	Pennsylvania	14.7%	40.3	36	Virginia	9.9%	17.2
12	Nevada	14.5%	43.6	37	Wyoming	9.7%	48.9
13	California	14.5%	22.8	38	Kentucky	9.6%	44.4
14	DC	14.1%	21.6	39	Minnesota	9.1%	38.5
15	Texas	13.0%	39.0	40	Montana	9.0%	72.8
16	Alabama	12.4%	69.1	41	Oklahoma	8.9%	83.3
17	Michigan	12.2%	41.2	42	Washington	8.6%	28.8
18	Delaware	12.0%	37.3	43	Oregon	8.3%	38.3
19	S Carolina	11.9%	84.5	44	Alaska	8.2%	79.1
20	W Virginia	11.9%	45.6	45	Wisconsin	8.1%	71.3
21	N Dakota	11.9%	72.5	46	Idaho	7.5%	81.5
22	Georgia	11.7%	66.8	47	Nebraska	7.4%	69.6
23	Tennessee	11.7%	74.8	48	Maine	7.3%	32.2
24	Arkansas	11.6%	71.8	49	N Hampshire	7.0%	54.1
25	Indiana	11.6%	59.7	50	Utah	5.5%	77.9
Lockdown index from WalletHub				51	Vermont	4.5%	20.6
Unemployment rate from U.S. BLS				Covid-19 death rates https://www.worldometers.info/coronavirus/country/us/			

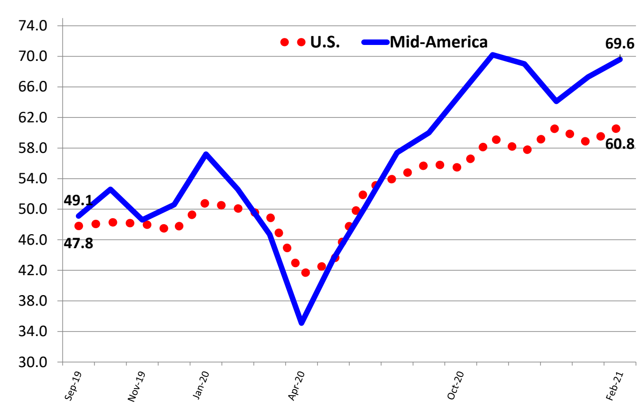
LAST MONTH'S SURVEY RESULTS

Mid-America Manufacturing Soars:
Inflation Gauge Rockets to Record High

February Survey Highlights:

- Creighton's regional Business Conditions Index climbed into a range indicating very strong growth.
- The wholesale inflation gauge soared to a record high.
- More than eight of 10 supply managers reported supply bottlenecks and delays for the month.
- Shipping and transportation delays were named as the top issue accounting for supply bottlenecks.
- A weak dollar bolstered new export orders.
- According to U.S. Bureau of Labor Statistics data, manufacturing wages for production workers in the region expanded by 3.6% since the onset of COVID-19 in March.

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



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For a ninth 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, climbed to a very strong 69.6 from 67.3 in January. Creighton's regional manufacturing activity gauge is surging, restrained only by supply and labor constraints. From the February survey, 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,

Since bottoming out in April, the region has regained almost one-half of the manufacturing jobs lost to COVID-19. Even so, the regional manufacturing level is currently down by approximately 50,000 jobs, or 3.5%. 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 for the first half of 2021.

Employment: The regional employment index remained well above growth neutral for February, rising from 57.2 in January to 65.6 in February.

Other comments from February survey participants:

- "We are in the shipping business and the demand for services both domestically and internationally is very strong."
- "The impacts of the Biden Executive Orders have yet to take effect but will start to show as the market wains and consumer confidence shrivels."
- "My comments are for my plants in Minnesota, South Dakota, North Carolina, Texas, Monterrey, Mexico, Juarez, Mexico and Brampton, Canada. In regard to the bottleneck question, I would rate all 5 items a #1, or very important."
- "Supply bottlenecks are caused by raw material (steel) availability and price, international shipping container availability. Weather caused factory shutdowns (no longer Covid)."

Wholesale Prices: The wholesale inflation gauge for the month soared to 95.2, a record high for the region and up from January's 10-year high of 91.1.

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. Over the last six months metal prices have expanded by 11% and lumber products have advanced by 16% 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 February Business Confidence Index, dropped to 50.0 from January's 53.6.

Supply bottlenecks and rapidly rising prices pushed economic confidence among manufacturing supply managers lower for the month.

Inventories: The regional inventory index for February, reflecting levels of raw materials and supplies, slipped to 53.4 from last month's 55.4.

Said one supply manager in our January survey, "Order fulfillment times have extended from 8-10 weeks to 20-22 weeks and longer."

In addition to issues related to California port delays in obtaining supplies and raw materials, supply managers detailed significant delays. One-third identified shipping and transportation delays as the top factor accounting for delays. Approximately 23% indicated that supplier cutbacks and shutdowns were the prime factor slowing deliveries, and 18% reported that supplier's capacity constraints were the major factor slowing deliveries.

Trade: The regional trade numbers strengthened significantly for the month with new export orders soaring to 70.5 from January's 62.5. An expanding domestic manufacturing sector supported an import reading of 52.3, but was down from 63.2 in December.

The trade-weighted value of the U.S. dollar has declined by approximately 5.2% between August of last year and today. "The cheaper U.S. dollar has made U.S. goods more competitively priced abroad. However, I expect higher U.S. interest rates to strengthen the value of the U.S. dollar slightly in the months ahead. 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 February Business Conditions Index were: new orders advanced to 79.0 from 76.9 in January; the production or sales index fell to a still strong 76.6 from January's 80.4; and the index for the speed of deliveries of raw materials and supplies climbed to 73.5, indicating rising supply delays, from last month's 69.7.

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. (continued on next page)

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Iowa: Iowa's Business Conditions Index for February dipped to 71.1 from 71.5 in January. Components of the overall February index were: new orders at 80.2, production, or sales, at 68.9, delivery lead time at 78.4, employment at 68.8, and inventories at 68.4. Since July of last year, both durable and nondurable goods manufacturers in Iowa have expanded at a healthy pace. However, according to U.S. Bureau of Labor Statistics data, manufacturing wages for production workers in the state have been flat since the onset of COVID-19.

Kansas: The Kansas Business Conditions Index for February slipped to 61.6 from 62.0 in January. Components of the leading economic indicator from the monthly survey of supply managers were: new orders at 68.7, production or sales at 74.2, delivery lead time at 67.0, employment at 60.8, and inventories at 37.4. Since July of last year, both durable and nondurable goods manufacturers in the state have expanded at a slow pace. According to U.S. Bureau of Labor Statistics data, manufacturing wages for production workers in the state have expanded by weak 0.6% since the onset of COVID-19.

Minnesota: The February Business Conditions Index for Minnesota climbed to 68.8 from 66.9 in January. Components of the overall February index were: new orders at 78.7, production or sales at 76.1, delivery lead time at 72.9, inventories at 51.5, and employment at 64.9. Since July of last year, nondurable goods manufacturers in the state have expanded at a healthy pace while durable goods producers have advanced at a slow pace. According to U.S. Bureau of Labor Statistics data, manufacturing wages for production workers in the state have expanded by 2.6% since the onset of COVID-19.

Missouri: The February Business Conditions Index for Missouri rose to 64.2 from 62.5 in January. Components of the overall index from the survey of supply managers for February were: new orders at 77.3, production or sales at 76.4, delivery lead time at 67.5, inventories at 38.8, and employment at 61.1. Since July of last year, both durable and nondurable goods manufacturers in the state have expanded at an anemic pace. According to U.S. Bureau of Labor Statistics data, manufacturing wages for production workers in Missouri have expanded by a strong 6.1% since the onset of COVID-19.

Nebraska: Nebraska's overall index for February rose to 70.8 from 69.2 in January. Components of the index from the monthly survey of supply managers for February were: new orders at 80.2, production or sales at 76.5, delivery lead time at 74.3, inventories at 57.2, and employment at 65.9. Since July of last year, both durable and nondurable goods manufacturers in the state have expanded at a slow pace. According to U.S. Bureau of Labor Statistics data, manufacturing wages for production workers in Nebraska have expanded by 1.7% since the onset of COVID-19.

North Dakota: The February Business Conditions Index for North Dakota increased to 76.0 from 75.6 in January. Components of the overall index for February were: new orders at 80.5, production or sales at 78.2, delivery lead time at 79.7, employment at 69.7, and inventories at 71.9. Since July of last year, both durable and nondurable goods manufacturers in the state have experienced only slight growth. According to U.S. Bureau of Labor Statistics data, manufacturing wages for production workers in North Dakota have expanded by 2.9% since the onset of COVID-19.

Oklahoma: Oklahoma's Business Conditions Index expanded above growth neutral in February. The overall index climbed to 67.1 from 65.4 in January. Components of the overall February index were: new orders at 78.1, production or sales at 75.3, delivery lead time at 70.5, inventories at 48.7, and employment at 63.2. Since July of last year, nondurable goods manufacturers in the state have advanced at a slow pace while durable goods producers experienced only slight growth. However according to U.S. Bureau of Labor Statistics data, manufacturing wages for production workers in the state have expanded by a very strong 12.9% since the onset of COVID-19.

South Dakota: The February Business Conditions Index for South Dakota climbed to 64.0 from 62.2 in January. Components of the overall index from the January survey of supply managers in the state were: new orders at 77.2, production or sales at 74.3, delivery lead time at 67.2, inventories at 38.0, and employment at 63.4. Since July of last year, both durable and nondurable goods manufacturers in South Dakota have expanded at a slow pace. According to U.S. Bureau of Labor Statistics data, manufacturing wages for production workers in the state have expanded by 0.1% since the onset of COVID-19.

THE BULLISH NEWS

- Total non-farm employment rose by 379,000 in February as the unemployment rate remained steady at 6.2%.
- February's Purchasing management indices (PMI) for both ISM's national survey and Creighton's Mid-America were in a range indicating very healthy manufacturing growth.
- Over the past 12 months, according to the Case-Shiller national home price index, housing prices expanded by 10.4% in December (one of the highest on record).

THE BEARISH NEWS

- The Consumer Price Index (CPI) climbed by 0.4% in February. Too much inflationary pressures. U.S. payroll employment expanded at a snail's pace of 50,000 jobs and 406,000 workers left the labor force. Since the onset of Covid-19, the federal government has implemented over $6.0 trillion, or approximately 27.3% of total U.S. output (GDP). A record share of the economy.
- As a percent of GDP, the U.S. budget deficit will rise to its highest level since World War II.
- The deficit in trade of goods and services expanded by 1.9% to $68.2 billion in January. The 2020 trade deficit climbed to its highest level in more than 12 years.

NUMBER OF THE MONTH

50%. Fully 50% of the world's advanced semiconductor chips are produced by Taiwan. China is increasing its threat levels to reunite with what it regards as the renegade nation of Taiwan. The U.S. shortage will only soar higher.

THE OUTLOOK

National Association of Business Economics. 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 a 3.4% annualized growth rate in the first quarter of 2021 for inflation-adjusted gross domestic product, or real GDP. The panel has become more bullish about 2021 as a whole. The median real GDP growth estimate for 2021 is 4.8%, compared to the 3.8% forecasted in the December 2020 survey."

"While NABE panelists have become increasingly optimistic about future GDP growth, their views on the job market are less so," added Survey Chair Holly Wade, executive director, NFIB Research Center. "Despite unemployment projected to decrease every quarter through 2022, 59% of panelists do not anticipate a full recovery in the job market to pre-pandemic employment levels until 2023 or later.

"About half of the respondents considers the balance of risks to economic growth in 2021 to be to the upside, whereas fewer than one-quarter expects the balance to be to the downside," continued Wade. "Panelists point to a large fiscal stimulus program and a faster vaccine rollout as the main upside risks."

FROM GOSS (March 2021): **Since the presidential elections, the yield on U.S. long-term Treasury bonds has expanded from 0.83% to 1.54%. I expect that yield to climb by another ¼ % (25 basis points) by the end of Q2, 2021. Mortgage rates, which have not expanded yet, will rise by 25 basis points by the end of Q1, 2021. **Annualized and seasonally adjusted Q1 2021 GDP growth will range between 4% to 5%.

KEEP AN EYE ON

- **U.S. Inflation Report.** On April 11, the U.S. Bureau of Labor Statistics releases it consumer price index (CPI) for March. Last month's reading was too, too high.
- **U.S. Jobs Report.** On April 2, the U.S. Bureau of Labor Statistics releases its job numbers for March. Another strong report will put upward pressures on long-term interest rates.
- **Creighton's Rural Mainstreet report.** On March 15th, Creighton releases its April 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 solid and improving putting upward pressure on farmland prices.

SUPPLY MANAGER READING ROOM

"Supply chain bottlenecks grow as COVID infection rates shrink." COVID-19 infection rates are falling across the country more than a year after the first case of the novel coronavirus was detected in the U.S. But supply chain difficulties continue to be widespread for trucking and trailer suppliers — 90% of whom believe that an OE production bottleneck is either imminent or already in progress, according to Richard Anderson, director of market research for the **Heavy Duty Manufacturers Association.** Anderson recently presented data from February's HDMA Pulse Report — which includes information gathered through surveys of North American trucking and trailer manufacturers in February — during an HDMA Pulse webinar. **https://tinyurl.com/3wabdbew**

SUPPLY MANAGER CAREERS

Supply Chain Manager, Kearney Regional Medical Center, Kearney, NE. The Supply Chain Manager will be responsible for contract administration, including timeliness of renewal, negotiation, coordination, analysis, and obtaining Business Associate Agreements (BAAs). The Gift Shop at KRMC is a retail store with operational responsibility by the Supply Chain Manager. Requirements:· *Bachelor's degree in business administration, accounting, industrial engineering, finance, economics or a related field is preferred.·* Minimum of five (5) years of Supply Chain operations or related experience. Hospital or healthcare experience preferred. Job Type: Full-time. *Benefits:*401(k) 401(k) matching *Dental insurance *Flexible schedule. **https://tinyurl.com/2649ebp8**

GOSS EGGS
(Recent Dumb Economic Moves)

The Biden $1.9 trillion is a HUGE mistake. 1) It will pay a high share of the jobless to remain unemployed rather than seeking a job--cost $300 billion. 2) It sends $350 billion to state & local governments, much of it going to big overspending states. 3) It provides $40 billion for higher education including provision for student loan forgiveness. "If you borrowed it, you pay it back" Goss. 4) The bill includes $130 billion to allow for a return to full-time, in-person teaching at K-12 schools. "They should have gone back just as we have in higher education. 5) Most importantly, contrary to modern monetary theorists, someone has to pay for it later with: Higher inflation, taxes, or interest rates (or all three).

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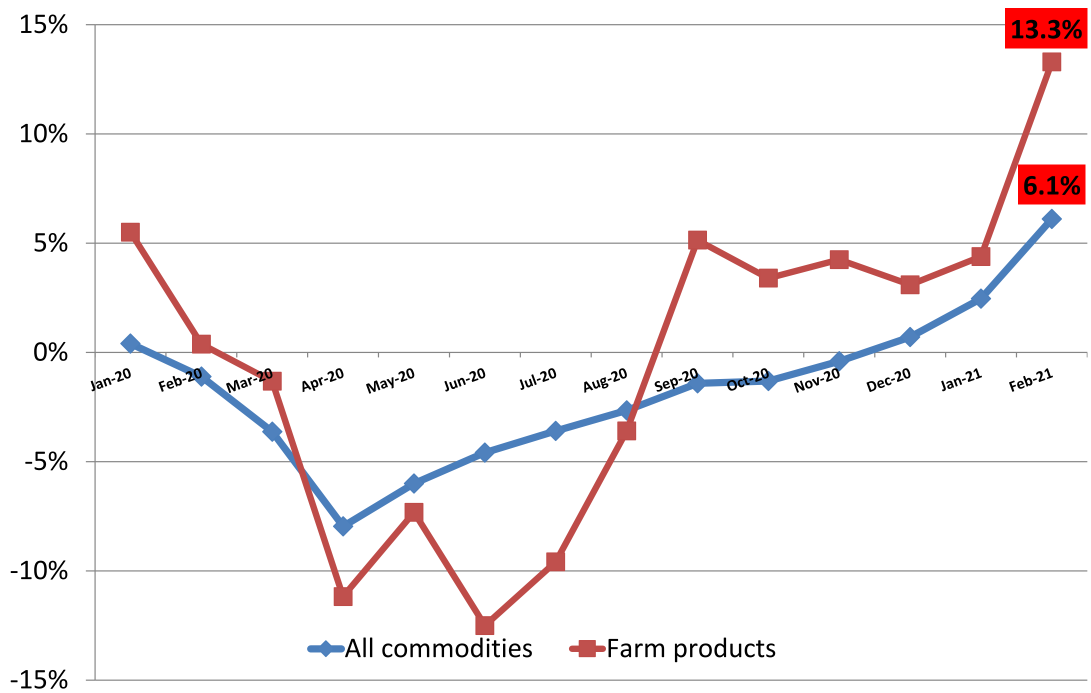
For historical data and forecasts visit our website at: http://business.creighton.edu/organizations-programs/economic-outlook

Survey results for March will be released on April 1, 2021, the first business day of the month.

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



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