

Welcome to your May 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 record high inflationary pressures. [www.twitter.com/erniegoss](http://www.twitter.com/erniegoss).

Goss monthly interview at:  
<http://bit.ly/idAmericaBCIJan2021YouTube>.

## China's GDP Surpasses U.S.'s: Who Loses, and When?

In 2010, China's gross domestic product (GDP) was approximately one-fourth that of the U.S. Since then, China's overall economy has advanced at an annual compound growth rate of 10.0% compared to the U.S.'s much slower expansion of 4.1%. Should this trend persist, China's GDP will surpass the U.S.'s in 2027. Other than bragging rights, what are the impacts? Could the U.S. dollar lose its reserve status?

At the 1971 Bretton Woods Agreement, the U.S. dollar was officially crowned the world's reserve currency. Even without this official designation, due to the size of the U.S. economy, and its debt markets, the U.S. dollar was, and is, the global reserve currency.

As a result of this status, other countries accumulate reserves of U.S. dollars equivalents instead of gold. But rather than holding U.S. dollars, these nations purchase and hold interest earning U.S. Treasury bonds. These purchases have the impact of reducing U.S. interest rates. Furthermore, these bond purchases strengthen the U.S. dollar making purchases of foreign products such as Paris vacations and German automobiles cheaper in price for U.S. consumers.

However, in 2015, the IMF awarded the Chinese yuan status as one of four reserve currencies with the dollar supreme. The IMF basket of reserve currencies currently includes the euro, the Japanese yen, the British pound, and U.S. dollar. Should China's GDP surpass that of the U.S., and they abandon currency manipulation, there will be pressure from global investors to abandon the dollar and crown the yuan as THE global reserve currency.

The yuan replacing the dollar as THE global reserve would push U.S. interest rate much higher, increase borrowing costs for U.S. firms engaged in international trade, and boost U.S. consumer/business borrowing costs. At this time, China's interest rates on government debt are approximately two percentage points higher than the U.S.'s. Thus, the dollar losing its status as the global reserve currency could increase U.S. federal debt service by as much as two percentage points and cost U.S. taxpayers as much as \$600 billion per year in interest

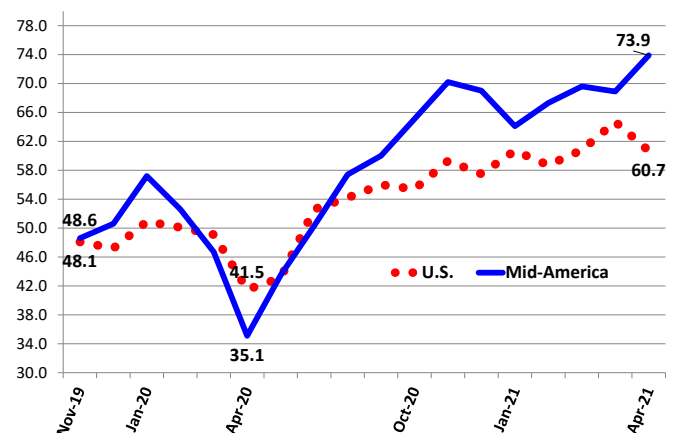
"A monthly survey of supply chain managers"

## Mid-America Manufacturing Rockets to Record High: Wholesale Price Index Soars to 30 Year High

### April Survey Highlights:

- Creighton's regional Business Conditions Index climbed into a range indicating very strong growth for next three to six months.
- The speed of the delivery of raw materials and supplies slowed to its lowest pace on record.
- The wholesale inflation gauge soars to a 30-year high.
- Regarding their firm's greatest 2021 challenge, supply chain bottlenecks, higher prices and finding and hiring qualified workers were the most mentioned.
- More than nine out of 10 supply managers, or 93%, reported supply bottlenecks, or delays for April.

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



(Survey results continue on the following page)

Regarding purchasing managers greatest 2021 challenge, more than one of five, or 22%, of supply managers named finding and hiring qualified workers.

For an eleventh 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, soared to its highest level since initiation of the survey almost three decades ago. The index climbed to 73.9 from March's very strong 68.9. Creighton's regional manufacturing activity gauge is surging, but supply bottlenecks and labor shortages continue to restrain growth.

More than nine out of 10 supply managers, or 93%, reported supply bottlenecks, or delays, for April with 40% indicating that the delays were significant.

As reported by one supply manager, "The (freezing temperatures in the south) followed by panic buying and opportunistic price increases have further stressed supply chains. I believe this could be followed by a downturn."

In March and April of last year, the region lost 106,000 manufacturing jobs. However, since bottoming in April of last year, Mid-America has added 58,000 manufacturing jobs. Creighton's monthly survey results indicate that the region is adding manufacturing business activity at a healthy pace, and that growth will remain strong well into the second half of 2021.

**Employment:** The regional employment index remained above growth neutral for April, but sank from 60.0 in March to 57.2 for April. More than one of five, or 22%, of supply managers named finding and hiring qualified workers as the greatest 2021 challenge to their firm.

Other comments from April survey participants:

- "Several suppliers are now on "allocation" from raw metal suppliers."
- "Aluminum and steel supplies and prices are of particular concern now and probably through July."
- "Tough year for procurement."
- "The supply chain madness continues."

**Wholesale Prices:** The wholesale inflation gauge for the month surged to a record high 96.2, up from March's 94.0.

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 wholesale prices. Since June of last year, metal prices have expanded by 20.8%, and lumber products have advanced by 63.1% 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 April Business Confidence Index, climbed to a strong 64.8 from March's solid 58.0.

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

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Regarding purchasing managers greatest 2021 challenge:

- Approximately 39% of supply managers indicated supply chain bottlenecks.
- Approximately 30% of supply managers identified rapidly rising input prices.
- More than one of five, or 22%, of supply managers named finding and hiring qualified workers.
- Only 9% of the remaining supply managers indicated COVID-19.

**Inventories:** The regional inventory index, reflecting levels of raw materials and supplies, rose to 68.5 from last month's 62.5.

**Trade:** Despite supply chain bottlenecks, regional trade numbers were solid for the month. The new export orders index fell to 58.8 from March's healthy 63.9. An expanding domestic manufacturing sector underpinned April's import reading of 57.9, which was down from March's 64.0.

As reported by one supply manager in April, "We import a lot of parts and its extremely difficult getting orders on time. Most everything is two to three months late."

### Other survey components of the April Business Conditions

**Index were:** new orders rose to 81.5 from 70.9 in March; the production or sales index climbed to very strong 78.6 from March's 70.0; and the index for the speed of deliveries of raw materials and supplies rocketed to 84.0, a record high, from 81.3 in March. A higher reading indicates slower deliveries.

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 April Business Conditions Index for Arkansas decreased to 73.9 from 75.0 in March. Components from the April survey of supply managers were: new orders at 80.6, production or sales at 77.1, delivery lead time at 84.8, inventories at 70.2, and employment at 56.9. Compared to pre-COVID-19 levels, according to U.S. Bureau of Labor Statistics, Arkansas manufacturing employment is higher by 900 jobs, or 0.6%, while average hourly manufacturing wages are 2.6% higher.

### IOWA

Iowa's Business Conditions Index for April rose to 67.9 from 66.5 in March. Components of the overall April index were: new orders at 79.7, production, or sales, at 76.1, delivery lead time at 80.9, employment at 54.6, and inventories at 59.9. Compared to pre-COVID-19 levels, according to U.S. Bureau of Labor Statistics, Iowa manufacturing employment is down 4,300 jobs, or 1.9%, while average hourly manufacturing wages are 2.1% lower.

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## THE BULLISH NEWS

### KANSAS

The Kansas Business Conditions Index for April climbed to 75.0 from March's 67.3. Components of the leading economic indicator from the monthly survey of supply managers were: new orders at 80.9, production or sales at 77.5, delivery lead time at 85.6, employment at 57.6, and inventories at 73.2. Compared to pre-COVID-19 levels, according to U.S. Bureau of Labor Statistics, Kansas manufacturing employment is down 12,400 jobs, or 7.3%, while average hourly manufacturing wages are 1.1% higher.

### MINNESOTA

The April Business Conditions Index for Minnesota rocketed to 79.7 from 59.8 in March. Components of the overall April index were: new orders at 82.0, production or sales at 78.8, delivery lead time at 90.8, inventories at 86.1, and employment at 60.6. Compared to pre-COVID-19 levels, according to U.S. Bureau of Labor Statistics, Minnesota manufacturing employment is down 13,600 jobs, or 4.2%, while average hourly manufacturing wages are 1.7% higher.

### MISSOURI

The April Business Conditions Index for Missouri rose to 73.2 from 70.5 in March. Components of the overall index from the survey of supply managers for April were: new orders at 80.4, production or sales at 76.9, delivery lead time at 84.0, inventories at 68.2, and employment at 56.5. Compared to pre-COVID-19 levels, according to U.S. Bureau of Labor Statistics, Missouri manufacturing employment is down 6,800 jobs, or 2.5%, while average hourly manufacturing wages are 0.7% higher.

### NEBRASKA

Nebraska's overall index for April climbed to 76.8 from 72.0 in March. Components of the index from the monthly survey of supply managers for April were: new orders at 81.3, production or sales at 78.0, delivery lead time at 87.7, inventories at 78.1, and employment at 58.7. Compared to pre-COVID-19 levels, according to U.S. Bureau of Labor Statistics, Nebraska manufacturing employment is lower by 100 jobs, or 0.1%, while average hourly manufacturing wages are 1.0% higher.

### NORTH DAKOTA

The April Business Conditions Index for North Dakota jumped to 74.3 from 69.3 in March. Components of the overall index for April were: new orders at 83.3, production or sales at 80.3, delivery lead time at 82.1, employment at 63.8, and inventories at 62.3. Compared to pre-COVID-19 levels, according to U.S. Bureau of Labor Statistics, North Dakota manufacturing employment is down 1,200 jobs, or 4.5%, while average hourly manufacturing wages are 3.7% higher.

### OKLAHOMA

Oklahoma's Business Conditions Index expanded above growth neutral in April. The overall index expanded to 70.9 from 63.0 in March. Components of the overall April index were: new orders at 79.8, production or sales at 76.3, delivery lead time at 81.6, inventories at 61.9, and employment at 55.0. Compared to pre-COVID-19 levels, according to U.S. Bureau of Labor Statistics, Oklahoma manufacturing employment is down 9,200 jobs, or 6.6%, while average hourly manufacturing wages are 4.3% higher.

### SOUTH DAKOTA

The April Business Conditions Index for South Dakota climbed to 74.9 from 69.4 in March. Components of the overall index from the April survey of supply managers in the state were: new orders at 80.8, production or sales at 77.4, delivery lead time at 72.9, inventories at 72.9, and employment at 57.5. Compared to pre-COVID-19 levels, according to U.S. Bureau of Labor Statistics, South Dakota manufacturing employment is down 1,100 jobs, or 2.5%, while average hourly manufacturing wages are 2.9% higher.



## THE BEARISH NEWS

- Initial claims for unemployment benefits fell sharply last week, sinking below 500,000 for the first time since the Covid crash.
- April'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.
- The Case-Shiller U.S. Home Price NSA Index reported a 12% annual home price gain in February, up from 11.2% in January.
- Creighton's wholesale inflation gauge from the April Mid-America manufacturing supply manager survey soared to a record high. The U.S. consumer price index climbed by an inflationary 0.6% in March.
- U.S. employment for April rose by almost 700,000 less than expected and the unemployment rate increased from 6.0% to 6.1%. The U.S. budget deficit rocketed to \$4.1 trillion in March from a year earlier—a record.
- Job openings in the U.S. soared to a record high 8,1 million despite high unemployment. Biden's \$300 weekly

## THE OUTLOOK

National Association of Business Economics. (April, 2021): "Results of the April NABE Business Conditions Survey show that conditions continued to improve during the first quarter of 2021. Two thirds of panelists indicate that the vaccine rollout and the new administration have had a positive impact on their view of the economy," said NABE President Manuel Balmaseda, CBE, chief economist, CEMEX. "This optimism is broad-based by sector. Furthermore, respondents see a stronger outlook for growth in inflation-adjusted gross domestic product, or real GDP, over the year ahead than they expected three months ago. Thirty-five percent of panelists anticipate real GDP to expand by at least 6% from the first quarter of 2021 through the first quarter of 2022. That's an increase from just 5% of panelists in the January survey who expected growth in calendar year 2021 to equal 6% or more." <https://tinyurl.com/3ae3jyb3>

**Goss (May 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 0.25% (25 basis points) by the end of Q2, 2021. Mortgage rates, which have expanded by 0.18% (18 basis points), will rise by another 25 basis points by the end of Q2, 2021.

Survey results for May will be released on June 1, 2021, the first business day of the month

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## GOSS EGGS (for recent dumb economic moves)

According to the Penn Wharton Budget model, a nonpartisan organization and Democrat favorite, the Biden capital gains tax increase to a high of 43.4% would reduce federal revenue by \$33 billion over 10 years. On the other hand, the Tax Foundation, a Republican darling, estimates that the rate hike would cut federal revenue by \$124 billion over the same period of time. Pandering to the big tax and spenders can be expensive!

## STATISTIC OF THE MONTH

**9.6%.** This week's inflation release (the CPI) was scary. Annualized inflation has increased from 1.2% in October 2020 to 9.6% in April 2021. This is likely to torpedo significant portions of Biden's next two deficit spending programs. Helicopter Joe is spraying the countryside with U. S. dollars with negative impacts. Watch out for rising interest rates next.

## KEEP AN EYE ON

- **U.S. Inflation Report.** On June 10, the U.S. Bureau of Labor Statistics releases its consumer price index (CPI) for May. Recent readings are signaling well above the Federal Reserve's acceptable level.
- **U.S. Jobs Report.** On June 4, the U.S. Bureau of Labor Statistics releases its job numbers for May. Another weaker than expected report will very bearish for the U.S. economy.
- **The NASDAQ index.** Due partially to fears of higher inflation and interest rates, the index has fallen by 5.6% over the past two weeks. Greater inflation fears will be bearish for the index.

## FOLLOW ERNIE

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

## SUPPLY MANAGERS READING ROOM

### Supply Chain: "Responding to the next disruption."

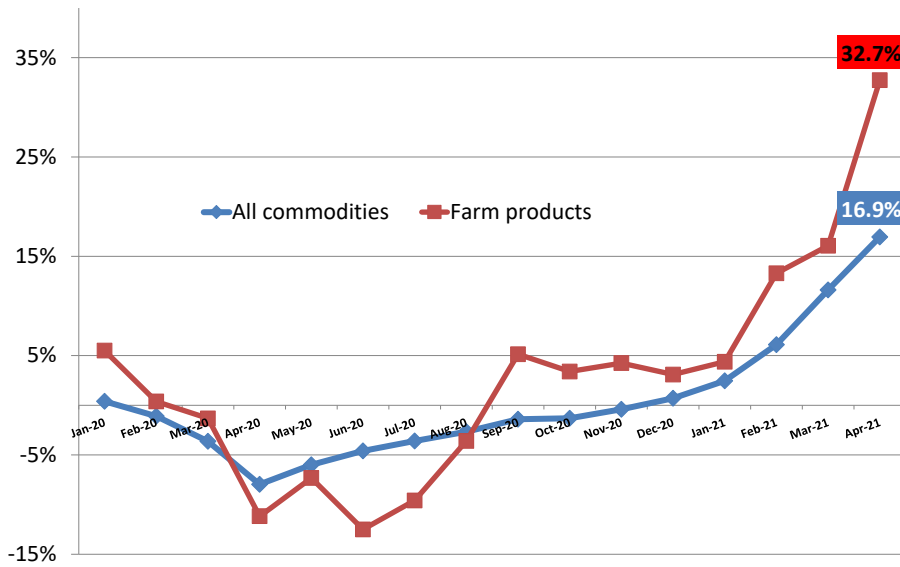
The rapid cascade of challenges at the outset of the pandemic last year decimated the supply chain capabilities of organizations across the fresh produce supply chain. In contrast, well-prepared companies, like those interviewed for this article, quickly regained their footing to minimize the negative supply chain impacts—avoiding lengthy disruptions of inbound and outbound flows thanks to four strategies. A strong technology backbone is an important and well-documented supply chain capability. It facilitates internal and external connectivity, data integrity, and a single version of the truth. When the pandemic hit, leading companies were already on their way to digitizing their supply chains and a greater reliance on cloud technologies. These strategic moves made it easier to continue operations with minimal interruption. Read rest of article at: <https://tinyurl.com/4sks84mk>.

## SUPPLY MANAGER CAREERS

Assistant General Manager (Logistics Operations), Kinloch, Missouri. The Assistant General manager Provide tactical direction and leadership to staff to ensure customer requirements are met while meeting our Penske goals and objectives. Maintain a professional approach while supporting the solution enabling achievement of all contractual obligations. Create and foster a relationship with the customer's logistics manager to facilitate operational stability. Qualifications: 8 years related logistics and supply chain experience required. Food grade distribution/ warehousing in a high velocity and fast paced environment preferred. \*At least 5 years managerial experience in a distribution center environment required.\* Bachelor's Degree in Business or Supply Chain Management preferred. \*Ability to work in a 900,000 sq.ft temperature controlled distribution center.\* Ability to manage 25 direct reports and 350 indirect reports.\*Proficiency with computers including Microsoft Outlook, Word, Excel, Access, and PowerPoint required. \*Willingness to travel as necessary, work the required schedule, work at the specific location required, complete Penske employment application, submit to a background investigation (to include past employment, education, and criminal history) and drug screening required. Apply at: <https://tinyurl.com/2jvhv8f>

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



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

