THE PURCHASING ECONOMY SURVEY REPORT
NOVEMBER 2021
"A monthly survey of supply chain managers"

Happy New Year! Welcome to Creighton's January report covering results from Creighton's December survey of Supply Managers. Creighton's monthly survey of supply managers and procurement experts in nine Mid-America states indicates that economic growth is in a range indicating that the regional economy is experiencing healthy growth, but with soaring inflation.
Follow my comments at: www.twitter.com/erniegoss.

Goss monthly interview at:
https://bit.ly/MidAmericaBCIDecember2021

Inflation Winners & Losers: Wages Rise, but Less than Inflation

Over the past 12 months, the nation's inflation rate, as gauged by the consumer price index (CPI), rose at its fastest pace since Jack Benny was 39 years old (that's for all of you baby-boomers). At 7.0%, the last time CPI growth climbed at a faster pace was in 1982. This compares to only 1.1% for the same period in 2020.

But even this rapid surge understates the actual rate as measured in 1982. The U.S. Bureau of Labor Statistics (BLS) has moved away from computing it as the rising cost of owning a home to calculating how much the rental cost for that same home expands– a measurement known as owners' equivalent rent. Thus, the BLS estimated that shelter costs increased by only 4.1% in past 12 months despite the fact that the Case-Shiller home price index soared by 19.0%, Thus today's 7.0% is in reality much higher than otherwise comparable 1980's reading.

But even with an understated inflation rate, there were winners and losers from rocketing 2021 inflation.

2021 Losers - In terms of inflation adjusted returns for 2021:

- Worker hourly wages sank by 2.5%;
- U.S. long term U.S. Treasury bond holders lost 11.5%;
- Gold owners lost 10.5%;
- Renters of one-bedroom apartments suffered an increase of 14.5%; and;
- CD savers lost 5.3%

2021 Winners - In terms of inflation adjusted returns for 2021:

- Bitcoin owners netted 117.4%;
- Standard & Poor's stock investors earned 34.0%;
- NASDAQ stock investors cleared 35.2%;
- Urban home owners made 19.1%; and,
- small cap stock owners (Russell 2000) gained 1.5%.

Who Will Win and Lose in 2022? To dampen inflation in 2022, the Federal Reserve is expected to raise short-term rates by 0.75% to 1.0%, and to reduce its monthly purchases of U.S. Treasury bonds from $80 billion per month to $0. This action will push market interest rates higher making investors turn away from stocks with high price-earnings ratios (primarily growth stocks). That is, stocks with earnings years ahead. Inflation above 4% for 2022, with Fed rates to match, will be bad for stocks, especially growth stocks.

How can investors protect themselves from inflation? One of the best investment options for investors is I-bonds sold by the U.S. Treasury, which are inflation adjusted. Currently, these bonds earn 7.2% annually. However, investors are limited to $10,000 in bond purchases each year. Also, if GDP growth is solid and inflation is 3% - 4%, S&P stocks will expand at a better pace than NASDAQ stocks. Above 4%, I am avoiding stocks and non-inflation adjusted bonds and commodities.
Ernie Goss

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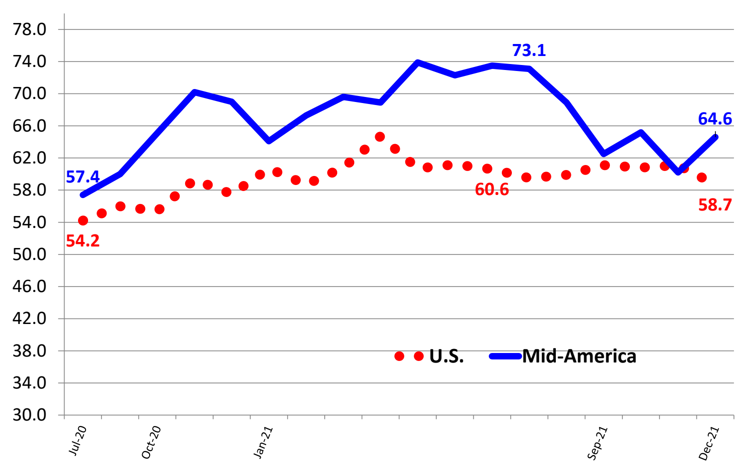
Mid-America Economy Ends on Healthy Note: One-Third Expect Bottlenecks to Worsen in 2022

December Survey Highlights:

- Creighton's regional Business Conditions Index climbed into a range indicating very healthy manufacturing growth.
- Supply chain delays worsened in December.
- Approximately one-third of supply managers expect supply chain disruptions to get worse for the first 6-months of 2022.
- Economic confidence soars off weakness in November.
- Approximately half expect supply managers expect the Omicron strain of Covid-19 to slow deliveries.

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



(Survey results continue on the following page)

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"A monthly survey of supply chain managers"

Since declining to a record low in April of last year, the Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, has remained above growth neutral for 19 of 20 months.

Overall Index: The Business Conditions Index, which uses the identical methodology as the national ISM, ranges between 0 and 100, expanded to a strong 64.6 from November's healthy 60.2.

Creighton's monthly survey results indicate the region is adding manufacturing activity at a positive pace, and that regional growth will remain solid. In terms of supply chain disruptions and bottlenecks for the first half of 2022, approximately one-third of supply managers expect delays to worsen with only one in six anticipating improvements.

Regarding the Omicron variant, approximately half expect this strain of Covid-19 to slow deliveries while roughly 42.3 anticipate little or no impact on supply deliveries.

Employment: The regional employment index remained above growth neutral for December, but dropped to 59.3 from 61.1 in November.

Despite healthy growth over the past year, compared to its pre-pandemic level, U.S. Bureau of Labor Statistics employment data indicate that the region has lost 25,000 **manufacturing jobs**, or 1.8%.

Other December comments from supply mangers were:
- "(I) am forecasting stagflation in 2022."
- "Biden economic policies are everything we feared they would be."

Wholesale Prices: The wholesale inflation gauge for the month declined to an elevated 82.7 from December's 92.9. Creighton's monthly survey is tracking the highest and most consistent inflationary pressures in more than a quarter of a century of conducting the survey.

According to the U.S. Bureau of Labor Statistics, commodity prices are up approximately 22.8% over the last 12 months with fuels expanding by 54.6%, farm products advancing by 17.5%, and metal products soaring by 48.0%.

Confidence: Looking ahead six months, economic optimism, as captured by the December Business Confidence Index climbed to a healthy 64.0 from November's 46.2.

Inventories: The regional inventory index, reflecting levels of raw materials and supplies, expanded to 61.6 from 52.0 in November.

Trade: Despite supply chain bottlenecks, regional export numbers were positive for the month. The new export orders index advanced to 60.1 from November's 56.7, while the regional import reading climbed to 61.2 from 50.1 in November.

Other survey components of the December Business Conditions Index were: new orders rose to 66.7 from 57.4 in November; the production or sales index increased slightly to 53.8 from 53.7 in November; and the index reading for the speed of deliveries of raw materials and supplies climbed to 81.5 from November's 76.8. A higher reading indicates an increase in supply chain disruptions and delays.

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 Business Conditions Index for Arkansas expanded to 66.1 from 54.6 in November. Components from the December survey of supply managers were: new orders at 66.8, production or sales at 52.9, delivery lead time at 81.6, inventories at 72.3, and employment at 57.0. Since the beginning of the pandemic, Arkansas durable goods manufacturing experienced much stronger growth than non-durable goods producers in the state. Average hourly wages have advanced by 3.5% during this same period of time (all data non-seasonally adjusted from U.S. Bureau of Labor Statistics).

IOWA
Iowa's Business Conditions Index for December rose to 60.6 from 59.4 in November. Components of the overall December index were: new orders at 66.9, production, or sales, at 53.1, delivery lead time at 74.2, employment at 57.6, and inventories at 51.2. Since the beginning of the pandemic, Iowa durable goods manufacturing experienced much stronger growth than non-durable goods producers in the state. Average hourly wages have advanced by only 0.8% during this same period of time (all data non-seasonally adjusted).

KANSAS
The Kansas Business Conditions Index for December climbed to 61.7 from 61.2 in November. Components of the leading economic indicator from the monthly survey of supply managers for December were: new orders at 66.8, production or sales at 52.9, delivery lead time at 81.6, employment at 57.0, and inventories at 50.0. Since the beginning of the pandemic, Kansas durable goods manufacturing experienced much stronger growth than non-durable goods producers in the state. Average hourly wages have advanced by 4.4% during this same period of time (all data non-seasonally adjusted).

MINNESOTA
The December Business Conditions Index for Minnesota advanced to 70.2 from November's 65.1. Components of the overall December index were: new orders at 68.3, production or sales at 56.3, delivery lead time at 89.5, inventories at 70.5, and employment at 66.3. Since the beginning of the pandemic, Kansas non-durable goods manufacturing experienced much stronger growth than durable goods producers in the state. Average hourly wages have advanced by 6.4% during this same period of time (all data non-seasonally adjusted).

MISSOURI

The December Business Conditions Index for Missouri dipped to 65.3 from 66.3 in November. Components of the overall index from the survey of supply managers for December were: new orders at 60.3, production or sales at 54.9, delivery lead time at 86.3, inventories at 62.2, and employment at 62.5. Since the beginning of the pandemic, Missouri has yet to regain jobs lost in durable goods manufacturing and non-durable goods production. Average hourly wages have advanced by 6.1% during this same period of time (all data non-seasonally adjusted).

NEBRASKA

Nebraska's overall index for December fell to 64.1 from 67.0 in November. Components of the index from the monthly survey of supply managers for December were: new orders at 53.9, production or sales at 67.7, delivery lead time at 83.8, inventories at 55.8, and employment at 59.6. Since the beginning of the pandemic, Nebraska durable goods and non-durable goods manufacturers have experienced slow growth with total manufacturing jobs above pre-pandemic levels. Average hourly wages have advanced by 10.2% during this same period of time (all data non-seasonally adjusted).

NORTH DAKOTA

The December Business Conditions Index for North Dakota bounced above growth neutral to 59.4 from November's regional low of 49.6. Components of the overall index for December were: new orders at 66.5, production or sales at 52.0, delivery lead time at 79.5, employment at 54.6, and inventories at 44.6. Since the beginning of the pandemic, North Dakota non-durable goods manufacturing experienced much stronger growth than durable goods producers in the state. Average hourly wages have advanced by 8.7% during this same period of time (all data non-seasonally adjusted).

OKLAHOMA

Oklahoma's Business Conditions Index expanded above growth neutral in December to a regional high of 70.3 from 62.4 in November. Components of the overall December index were: new orders at 68.3, production or sales at 56.3, delivery lead time at 89.5, inventories at 70.4, and employment at 66.3. Since the beginning of the pandemic, Oklahoma non-durable goods manufacturing experienced much stronger growth than durable goods producers in the state. Average hourly wages have advanced by 9.8% during this same period of time (all data non-seasonally adjusted).

SOUTH DAKOTA

The December Business Conditions Index for South Dakota climbed to 60.5 from 55.0 in November. Components of the overall index from the December survey of supply managers in the state were: new orders at 65.4, production or sales at 49.5, delivery lead time at 73.8, inventories at 65.7, and employment at 47.9. Since the beginning of the pandemic, South Dakota non-durable goods manufacturing experienced much stronger growth than non-durable goods producers in the state. Average hourly wages have advanced by 7.7% during this same period of time (all data non-seasonally adjusted).

STATISTIC OF THE MONTH(S)

According to Helsinki-based Centre for Research on Energy and Clear Air (CREA), China will build 43 new coal-fired power plants in 2022. In China's iron and steel sector, 35 million tons of new coal-based ironmaking capacity was announced in first half of 2021 (more than in all of 2020).

THE BULLISH NEWS

- December U.S. jobs report indicated that the nation added 199,000 (not bad in my judgment) as the unemployment rate fell to 3.9%
- December's purchasing management indices (PMI) for both ISM's national survey and Creighton's Mid-America were in a range indicating healthy manufacturing growth.
- The Case-Shiller national home price index cooled a bit to a still strong growth of 19.1% for the 12 months ending in October.

THE BEARISH NEWS

- U.S. consumer debt rocketed $40 billion higher in November to a highest on record.
- The U.S. trade deficit jumped 19.4% in November to $80.2 billion. U.S. goods imports rose by 5.1% to a record high $254.9 billion for November.
- Rising inflation expectations pushed mortgage rates to their highest level since May 2020.

THE OUTLOOK

The Conference Board (December 15, 2021). "The Conference Board forecasts that US Real GDP growth will rise to 6.5 percent (annualized rate) in Q4 2021, vs. 2.1 percent growth in Q3 2021, and that 2021 annual growth will come in at 5.6 percent (year-over-year). Looking further ahead, we forecast that the US economy will grow by 3.5 percent (year-over-year) in 2022 and 2.9 percent (year-over-year) in 2023. This forecast is an upgrade for growth in Q4 2021, but a downgrade for growth momentum in 2022. The upgrade in Q4 2021 GDP growth is associated with stronger than expected economic activity in October and November. Even with an acceleration in new COVID-19 cases in December (which are largely associated with the Delta variant thus far), GDP growth in Q4 2021 should be stronger than previously expected. However, this strength is likely to moderate in 2022." https://www.conference-board.org/research/us-forecast/us-forecast

Goss (January 2022): **I expect the inflation rate to cool a bit (4.5%) in the second quarter of 2022 **Since the presidential elections, the yield on U.S. long-term Treasury bonds has expanded from 0.83% to 1.77%. I expect that yield to climb by another ¼ % (25 basis points) by the end of Q1 2022. Mortgage rates, which have expanded only marginally will rise by another 25 basis points by the end of Q1, 2022. **Annualized and seasonally adjusted Q1 2022 GDP growth will range between 1% to 2%.

KEEP AN EYE ON

- U.S. Jobs Report. On Feb. 4, the U.S. Bureau of Labor Statistics releases its jobs report for January 2022. Job gains of less than 100,000 would be bad for U.S. stock prices. It would be good for U.S. Treasury bond prices and push yields lower.
- U.S. Economic Growth. On Jan.27, the U.S. Bureau of Labor Statistics releases its advance estimate of gross domestic product growth for the 4th Quarter of 2021. Anything less than 2.5% annualized and seasonally will be a big disappointment and a drag of U.S. stock prices.
- Yield on 10-Year U.S. Treasury Bond. Available continuously at https://finance.yahoo.com/ Current yield of 1.77% is almost one-third of a percentage point (29 basis points) higher than one-month ago. Look for rising rates on fixed mortgages as this yield heads higher.

GOSS EGGS
(for recent dumb economic moves)

German Chancellor Angela Merkel, in a parting shot to the nation's citizens, closed three of Germany's last six nuclear power plants last month. Ten years ago, 17 nuclear plants provided approximately 25% of the nation's electricity needs. Not surprisingly, Germany's one-year forward electricity prices soared to €300 ($338) per megawatt from an average 2010-20 price of €50 ($56) per megawatt. Even France with 70% of its electric power provided by nuclear plants recognizes Germany's folly by building even more clean energy nuclear plants. Four Goss Eggs.

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SUPPLY MANAGERS READING ROOM

"Federal Reserve Bank (NY) Supply Chain Manager Salaries," Base Pay Average: $142,822 - $157,047. Supply Chain Manager salaries at Federal Reserve Bank (NY) can range from $142,822-$157,047. This estimate is based upon Federal Reserve Bank (NY) Supply Chain Manager salary report(s) provided by employees or estimated based upon statistical methods. See all Supply Chain Manager salaries to learn how this stacks up in the market. The average salary for a Supply Chain Manager is $87,261 per year in United States, which is 41% lower than the average Federal Reserve Bank (NY) salary of $149,737 per year for this job. What is the salary trajectory of a Supply Chain Manager? The salary trajectory of a Supply Chain Manager ranges between locations and employers. The salary starts at $68,481 per year and goes up to $196,031 per year for the highest level of seniority. **https://careers.pella.com/jobs/sr-supply-manager-4768**

SUPPLY MANAGER CAREERS

Sr. Supply Manager, Pella Corporation, Pella Iowa. $80,000 - $100,000. Key Responsibilities: Overall responsibility for the long-term success of supply and sourcing initiatives for assigned commodity to support Pella's manufacturing needs. The key focus will be on leveraging spend, utilizing strategic sourcing, category management and supplier performance management processes and tools to deliver value. Qualifications: Bachelor's degree (B.A. or B. S.) in Supply Chain Mgt, Industrial Engineering or related business field. Minimum 5-7 years demonstrated experience procuring large dollar capital equipment in a manufacturing/ engineering setting

Minimum 5-7 years demonstrated experience managing indirect sourcing and services in a manufacturing/engineering setting. Strong project management, organizational, and analytical skills required Proficient with Word, Excel, Power Point, Oracle, and Access. Apply at: https://careers.pella.com/jobs/sr-supply-manager-4768

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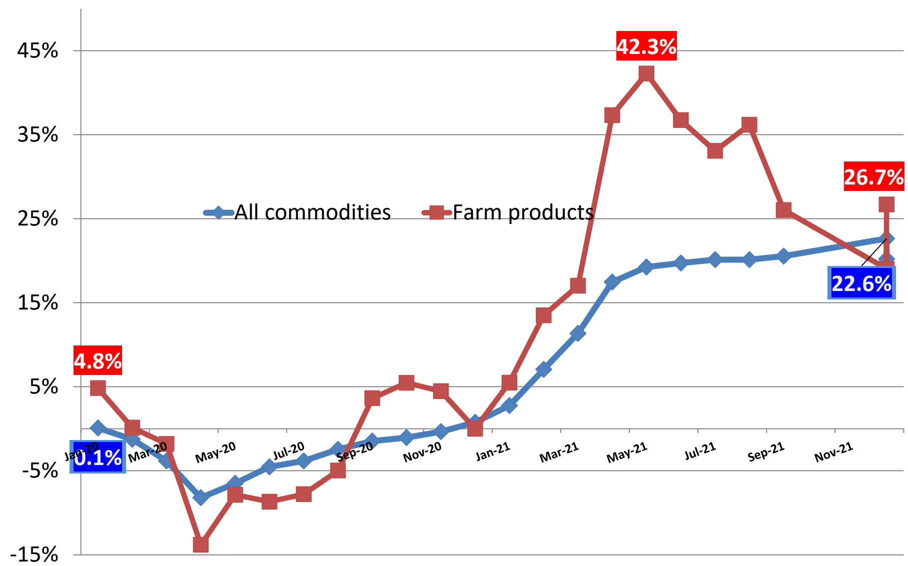
For historical data and forecasts visit our website at:
http://business.creighton.edu/organizations-programs/economic-outlook

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



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