

Welcome to our September report covering results from Creighton's August survey of 9-state 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 a positive, but slowing economic growth with significantly elevated inflation. Follow my comments at: www.twitter.com/erniegoss

Goss monthly interview at:
<http://bit.ly/MidAmericaBCIAugust2021NewsAssets>

Only 4 of 10 U.S. Households Paid 2020 Federal Income Taxes: Burden Fell on Workers Making Over \$75,000

More than six out of ten U.S. households paid no federal income taxes in 2020 due to declines in income, and boosts in government subsidies that wiped out tax liabilities. According to the Urban-Brookings Tax Policy Center, 106.8 million households escaped the federal income tax. This was up from 75.9 million in 2019. Brookings estimates that the number of families owing no federal income taxes for 2021 will decline only slightly to 101.7 million, or 57.1%, owing a net \$0.00.

And contrary to President's Biden's claim that high income workers are not paying their fair share, and should pay more, the data show the opposite. According to the Tax Policy Center, the top 20% of taxpayers paid 78% of federal income taxes in 2020, up from 68% in 2019. Furthermore, the top 1% of taxpayers paid 28% of taxes in 2020, up from 25% in 2019. And the trend over the decades has not been kind to families experiencing improving income levels by requiring them to pay a rapidly rising share of the federal income tax burden.

For example, in 1979, the top one-fifth of income earners paid a tax rate which was approximately three times that of the bottom one-fifth of income earners. But 38 years later, the top one-fifth of income earners paid 20 times the tax rate of the bottom quintile of tax payers. Did shifting more of the income tax burden on to high income earners reduce income inequality over the period? Emphatically not!

Between 1979 and 2019, the degree of income inequality, as measured by the U.S. Census Bureau's Gini Coefficient, increased from 0.404 to 0.484 (a higher index indicates greater income inequality). But more importantly, not only has shifting the burden of income taxes from low to high income households failed to reduce income inequality, it has reduced the incentive to increase earnings via higher education/training, higher hours worked, or other work activities linked to income that benefit both the household and society. Accordingly, President Biden should reconsider his economic plan which punishes high income workers with a greater share of income tax burdens.

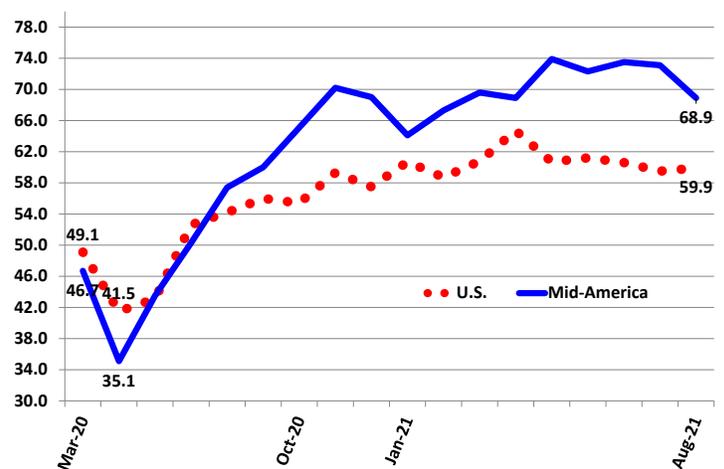
LAST MONTH'S SURVEY RESULTS

Mid-America Manufacturers Report Supply Chain Challenges: August Overall Index Indicates Slower Growth

August Survey Highlights:

- Creighton's regional Business Conditions Index climbed into a range indicating healthy, but slower, growth for the next three to six months.
- Supply managers reported that supply chain bottlenecks represented the top challenge for the next 12 months.
- Approximately 94% of supply managers reported supply chain bottlenecks for the month.
- Supply managers ranked soaring input prices as the second greatest challenge for the next 12 months.
- Confidence index fell for the third straight month.

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



Supply managers ranked soaring input prices as the second greatest challenge for the next 12 months.

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 15 of the last 16 months.

Overall Index: The Business Conditions Index, which uses the identical methodology as the national ISM, ranges between 0 and 100, fell to a healthy 68.9 from July's 73.1. Supply managers reported that supply chain bottlenecks represented the greatest challenge for the next 12 months and was restraining growth.

Creighton's monthly survey results indicate the region is adding manufacturing business activity at a healthy pace, and that regional growth will remain positive, but somewhat slower. Supply chain bottlenecks and labor shortages remain obstacles to growth.

Approximately 94% of supply managers reported supply chain bottlenecks for the month with half of those detailing significant supply disruptions.

Employment: The regional employment index remained above growth neutral for August, but sank to 64.6 from July's two decade high of 67.2. Even with strong manufacturing job growth, the region has yet to recover all job losses from the pandemic. The latest U.S. Bureau of Labor Statistics data indicate that current regional nonfarm employment is down by 431,000 jobs, or 3.3%, compared to pre-COVID-19 levels.

Even with healthy job growth for the month, firms continue to report difficulties in finding and hiring new workers. One of five supply managers said finding and hiring qualified workers will be the greatest challenge for the next 12 months.

As reported by one supply manager, "Where did all the workers go?"

Other August comments from supply managers were:

- "Very difficult to get balance. Feel like a 'fiddler on the roof.'"
- "There has been a significant movement away from plastic products to paper-based packaging. This has significantly added to an already constrained market."
- "We are a heavy and medium duty truck dealership with sales, rental/leasing, service, parts and collision centers. Biggest challenges are delays on factory orders of new trucks with demand far outpacing supplies/deliverable orders."
- "Supply bottlenecks on assembly parts, collective bargaining work stoppages impacting new truck production, driver shortages are all impacting our sales efforts."

Wholesale Prices: The wholesale inflation gauge for the month slipped to 95.0 from July's record high 98.7.

Said one supply manager, "(It) will take a long time to catch up to demand, passing along rising prices does not seem to be denting demand."

As reported by supply managers, rising input prices represented the second greatest challenge or threat faced by their firm over the next 12 months.

At the wholesale level, Creighton's survey is tracking higher and higher inflationary pressures. Commodity prices are up approximately 20.9% over the last 12 months, according to U.S. Bureau of Labor Statistics data. Supply managers in Creighton's June survey expect prices for their firm's products to advance by 7.7% for the next 12 months.

Confidence: Looking ahead six months, economic optimism, as captured by the August Business Confidence Index, dipped to 53.5 from July's 53.6. This is the third straight month that the index has declined.

Inventories: The regional inventory index, reflecting levels of raw materials and supplies, plummeted to 54.9 from 70.7 in July.

Trade: Despite supply chain bottlenecks, regional trade numbers were solid for the month. The new export orders index expanded to a very healthy 64.7 from July's 63.9. Supply bottlenecks pushed the August import reading to a lower 52.4 from 65.3.

Other survey components of the August Business Conditions Index were: new orders advanced to 75.8 from 73.5 in July; the production or sales index declined to 65.0 from July's 67.9; and the index reading for the speed of deliveries of raw materials and supplies was unchanged from July's index of 84.5. 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 August Business Conditions Index for Arkansas declined to 69.3 from 71.2 in July. Components from the August survey of supply managers were: new orders at 74.4, production or sales at 68.1, delivery lead time at 83.9, inventories at 53.7, and employment at 66.5. "Durable goods manufacturers in the state are expanding at a solid pace adding both jobs and hours worked, while Arkansas nondurable goods producers are experiencing more modest growth," said Goss.

Iowa: Iowa's Business Conditions Index for August climbed to 68.2 from 67.9 in July. Components of the overall July index were: new orders at 77.2, production, or sales, at 63.2, delivery lead time at 84.3, employment at 61.4, and inventories at 54.8. "Both durable goods and nondurable goods producers in the state are expanding at a solid pace. Metal products manufacturing and food producers are experiencing very healthy growth," said Goss.

Kansas: The Kansas Business Conditions Index for August declined to 70.4 from 73.3 in July. Components of the leading economic indicator from the monthly survey of supply managers were: new orders at 74.5, production or sales at 71.2, delivery lead time at 84.4, employment at 67.1, and inventories at 55.0. "Both durable and nondurable goods manufacturers in the state are advancing at a healthy pace. Nondurable goods producers are increasing the average hourly work week at a healthy pace," said Goss.

Minnesota: The August Business Conditions Index for Minnesota dropped to 71.1 from July's 77.4. Components of the overall August index were: new orders at 78.3, production or sales at 63.6, delivery lead time at 86.0, inventories at 58.7, and employment at 68.9. "Both durable and nondurable goods manufacturers in the states are expanding at a healthy pace. Durable goods producers are increasing the average hourly work week at a healthy pace with medical equipment manufacturers leading the way," said Goss.

Missouri: The August Business Conditions Index for Missouri rose to 75.2 from 71.3 in July. Components of the overall index from the survey of supply managers for August were: new orders at 76.6, production or sales at 65.5, delivery lead time at 94.1, inventories at 61.6, and employment at 78.1. "Nondurable goods manufacturers in the state are growing at a solid pace while Missouri durable goods producers are experiencing more modest growth. Computer and related producers in the state are expanding at a healthy pace," said Goss.

Nebraska: Nebraska's overall index for August dropped to 68.6 from 70.4 in July. Components of the index from the monthly survey of supply managers for August were: new orders at 74.7, production or sales at 63.4, delivery lead time at 85.4, inventories at 57.3, and employment at 62.3. "Both durable and nondurable goods manufacturers in the state are expanding at a solid pace with food processors leading the way," said Goss.

North Dakota: The August Business Conditions Index for North Dakota fell to 63.6 from 74.0 in July. Components of the overall index for August were: new orders at 73.7, production or sales at 62.3, delivery lead time at 80.7, employment at 55.4, and inventories at 46.1. "Both durable and nondurable goods manufacturers in the state are expanding at a healthy pace by expanding both employment and average hours worked," said Goss.

Oklahoma: Oklahoma's Business Conditions Index expanded above growth neutral in August. However, the overall index sank to 68.4 from 72.7 in July. Components of the overall August index were: new orders at 74.3, production or sales at 71.4, delivery lead time at 83.6, inventories at 53.1, and employment at 59.3. "While expanding output at a solid pace, durable good manufacturers in the state are adding few jobs in the past several months while nondurable goods producers are expanding at a solid pace with food processors leading the way," said Goss.

South Dakota: The August Business Conditions Index for South Dakota fell to 67.3 from 72.5 in July. Components of the overall index from the August survey of supply managers in the state were: new orders at 74.1, production or sales at 62.8, delivery lead time at 82.8, inventories at 51.2, and employment at 65.2. "Nondurable goods manufacturers in South Dakota are expanding at a healthy pace, while durable goods producers are experiencing a much more modest expansion," said Goss.



THE BULLISH NEWS

- Initial filings for unemployment insurance for the third week in August fell to their lowest level since March 2020. Continuing claims also dropped to 2.75 million, their lowest level since pre-pandemic.
- The Case-Shiller home price index soared by 18.6% in June compared to 12 months earlier. Good news for home sellers, but obviously not for home buyers.
- The nation's inflation gauge (CPI), less food and energy, rose 0.3% in July. Not great, but down from 0.9% in June.



THE BEARISH NEWS

- August job additions of 235,000 was a disappointment with 728,000 jobs expected. The unemployment rate did fall to 5.2%.
- The August wholesale inflation gauges from Creighton's and the national ISM's surveys of manufacturing supply managers remained in a range indicating excessive inflationary pressures.
- The U.S. budget deficit hit \$2.54 trillion for the first 10 months of this budget year. The deficit is on track to be second largest annual shortfall in U.S. history, behind only the most recent fiscal year that ended Sept. 30, 2020.

NUMBER OF THE MONTH

\$6,000 As a result of a shortage of new vehicles stemming from a lack of semiconductors, the average price of a new car soared by \$6,000 in August from the previous month to reach a record high of \$41,378 per vehicle according to research firm J.D. Power.

Survey Results for September will be released on Oct. 1, 2021, the first business day of the month

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

THE OUTLOOK

National Association of Business Economics. (August, 2021): SUMMARY: "'NABE panelists' views are split on whether fiscal and monetary policies are 'too stimulative,' or 'about right,'" said NABE President Manuel Balmaseda, CBE, chief economist, CEMEX. "While 49% of respondents believe current fiscal policy is 'too stimulative,' nearly as many—45%—indicate current policy is 'about right.' Similarly, a slight majority—52%—of panelists believes current monetary policy is too stimulative, compared to 47% who say it is about right. "Seventy-nine percent of respondents are in favor of employers requiring their employees to be vaccinated against COVID-19 before they return to the workplace," Balmaseda added. "In addition, 69% of panelists think that the federal government should provide a standard document that individuals can carry and certify that they are vaccinated against COVID-19." "Nearly two-thirds of respondents believe that the Federal Reserve will be able to achieve its goal of inflation averaging 2% over time," added Survey Chair Ilan Kolet, institutional portfolio manager, Fidelity Investments, "and more than half of respondents believe that inflation risks are to the upside. Almost three-fourths of the respondents believe the Fed should raise interest rates by the end of 2022. <https://tinyurl.com/keee6bzk>

FROM GOSS (September 2021):): **While I expect solid wage growth for the rest of 2021, inflation adjusted wage growth will be close to zero, or even negative, due to soaring inflation. **The Democrat \$3.5 trillion reconciliation infrastructure bill (i.e. passed without Republican support) will be scaled back to obtain Senator Manchin's support. The Republicans and Manchin will save Biden from himself. **The Fed will begin scaling back (e.g. tapering) its monthly purchases of MBS and U.S. Treasury bonds in the fourth quarter of 2021.

KEEP AN EYE ON

- **U.S. Inflation Report.** On October 13, the U.S. Bureau of Labor Statistics (BLS) releases its consumer price index (CPI) for September. Another below 0.4% gain for the month will be an optimistic reading on inflation giving the Fed room to delay tapering. Gross Domestic Product. On April 19, the U.S. Bureau of Economic Analysis releases its Q1 GDP estimate. The New York Federal Reserve is estimating between 6% and 7% (annualized). I think it is going to come in stronger than this, thus placing upward pressure on expected inflation and interest rates.
- **U.S. Jobs Report.** On October 8, the BLS releases its job numbers for September. Another weaker than expected reading (below 150,000) will push the Federal Reserve to delay their tapering of bond buying of mortgage-backed securities (currently \$40 billion per month).
- **Retail Sales.** On October 15, the U.S. Census Bureau releases its retail sales estimate for September. Another reading similar to August's very strong 0.7% gain will be very positive for continuing economic expansion.

GOSS EGGS
(Recent Dumb Economic Moves)

President Biden plans to extend the reach of the IRS with an additional \$80 billion into enforcement. He claims this will raise \$700 billion in 10 years; the Congressional Budget Office (CBO) dismisses this estimate. As part of his plan, President Biden wants banks to file paperwork every year on gross inflows and outflows for personal and business accounts with balances greater than \$600. What's the cost to banks and to the collective privacy of this nation? To quote George Orwell in 1984, "It was a bright cold day in April, and the clocks were striking thirteen." Grade=3.5 Goss Eggs.

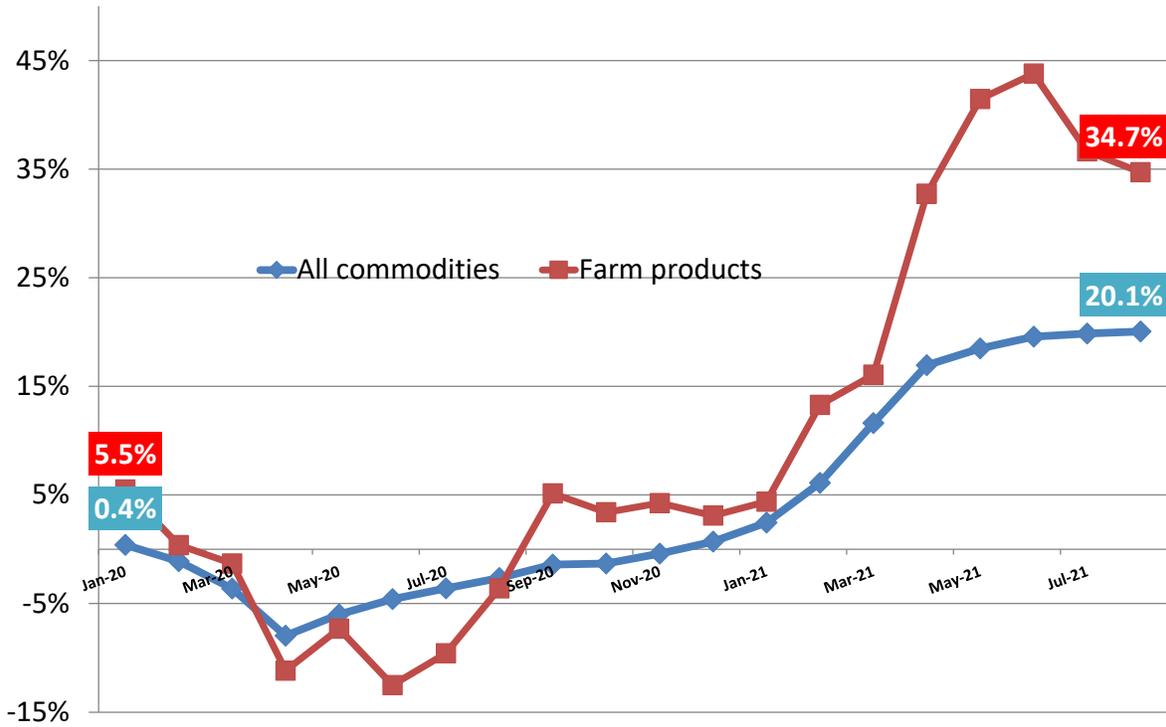
SUPPLY MANAGER CAREERS

Penske, Material Control Analyst, Kansas City, Missouri. Penske Logistics is looking for Material Control Analysts to become part of an excellent team. This is a great opportunity for individuals who are self-motivated, with strong analytical and computer skills, customer-centric, and safety conscious. This position coordinates all processes and functions of a department and provides visibility to management by tracking, process oversight, auditing, researching and troubleshooting operational issues or functions. **Major responsibilities:** *Use computer to enter records and generate reports. *Weigh or count items for distribution within plant to ensure conformance to company standards (as applicable). *Read work orders or receive oral instructions to determine work assignments. *Complete daily logs. *Proactively seeks opportunities to improve customer's inventory and material flow processes. *Work with customer to resolve stock shortages. *Identify cost savings opportunities for the customer. Qualifications: 1-3 years inventory/auditing/transportation experience preferred. *High school diploma or equivalent required. *Some college, preferred. *Fundamental understanding of transportation, supply chain and logistics concepts. *Strong problem solving and time management skills required. 1-3 years inventory/auditing/transportation experience preferred. <https://tinyurl.com/6zv5j3xs>

SUPPLY MANAGER READING ROOM

"Supply Chain Disruptions and How to Respond," Accenture, "In the eye of the storm COVID-19 has disrupted supply chains around the world. But they've also been a vital lifeline to support the response, keeping essential medical supplies, food and other key necessities flowing where they're needed most. There's no doubt that the pandemic has tested the ingenuity, resilience and flexibility of supply chain leaders globally, as they have sought to maintain essential operations. The pandemic has also proved to be a real test of corporate values and purpose. Consumers, investors, governments and communities may ultimately judge companies on how they respond to this period of disruption." Read rest of essay at: <https://tinyurl.com/ep4hehev>

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



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

