

THE MIDAMERICA ECONOMIC REPORT

October
2024

A monthly survey of supply managers

Welcome to Creighton's October supply manager report covering September survey results. The September overall reading from supply managers in MidAmerica sank below growth neutral thus marking the 5th time in 2024 that the reading has fallen below 50.0. Wholesale price growth ticked up slightly. Thank you for your input.

Ernie

SUPPLY CHAIN

MIDAMERICA

Manufacturing Index Slumps: Fear of Longshoremen's Strike Pushes Inventories Higher

Sept. Highlights

- For the fifth time this year, the overall, or Business Conditions Index, sank below growth neutral.
- After 8 straight months of falling wholesale prices, the inflation gauge rose for the month.
- Almost 4 of 10 supply managers named higher inflation as the top challenge to their firm over the next year.
- On average, supply managers expect input prices to rise by 6.2% over the next 12 months.
- The region's employment index slumped below growth neutral for a ninth straight month.
- The fear of an October Longshoremen's strike pushed inventories higher in all 9 Mid-America states.

(continued next page)

Buy, Sell, or Hold Gold? Harris' Taxes and Trump's Debt Are 2025 Keys

On February 24, 2022, Russia invaded Ukraine. Since that time, the price of gold has soared by 38.5%, while stocks, as measured by the S&P 500, expanded by a strong 30.9%. During this 32-month period, inflation as captured by the consumer price index, climbed by 10.4%, and federal government spending rose by 14.5%. What's the connection between these factors?

Contrary to stocks, which are generally priced according to the earnings and dividends paid by the corporation, gold does not have earnings, nor does it pay dividends. Instead, Gold is primarily influenced by risks factors such as war and inflation. When tensions and risks rise, investors buy safe haven assets such as gold and silver. Likewise, when inflation expands, investors seek assets that appreciate with higher prices such as hard assets such as gold, silver, and platinum.

Another very important factor pushing gold prices has been the unprecedented central bank buying of precious metals, primarily gold. The World Gold Council reported that central banks, such as the Peoples Bank of China (PBOC) and the European Central Bank (ECB), have purchased a record high 374.1 tons of gold this year due to fears of the falling value of international currencies (fiat) such as the U.S. dollar. Figure 1 below tracks gold and stock prices, (S&P 500) between 2017 and 2024.

So, what do the U.S. elections have to do with the price of gold? Candidate Harris has effectively promised higher federal spending backed by higher taxes. On the other hand, Candidate Trump has essentially vowed higher federal spending supported by higher deficits. Thus, gold prices should expand at a higher pace under a President Trump than a President Harris, other factors unchanged. Ernie Goss.

Figure 1: Growth in Gold & S&P Stocks, 2017-24
(Annualized 3-Month Moving Average)



BULLISH NEWS

- The U.S. economy added 254,000 jobs for September (manufacturing lost 7,000 jobs, government added 31,000), and the unemployment rate fell to 4.1%.
- Average September hourly earnings climbed by a strong 0.4%.
- U.S. job openings rose to 8,000,000 in August.
- According to the latest Case-Shiller July home price index home prices jumped 5.0% year-over-year, to all time high.

BEARISH NEWS

- U.S. budget deficit for fiscal 2024 stands at \$1.9 trillion with one month to go.
- After the Oct. jobs report, the yield on the 10-year U.S. Treasury bond rose to 3.98%, its highest level since Aug. 8, due to inflation fears.
- Corporate bankruptcies have risen by 8% over the past 12 months.
- The delinquency ratio for commercial real estate (CRE) loans rose 0.16% in the second quarter to 1.40%.



The overall index, much like the U.S. reading, has vacillated around growth neutral since December of 2023. Additionally, supply managers remained concerned about inflationary pressures, with an average 6.2% growth in input prices expected over the next year.

Supply managers were asked to identify the top economic challenges for the next 6 months for their firm; 39.1% named higher inflation; 21.7% reported supply chain disruptions; 13.0% listed higher interest rates; 8.7% noted China trade skirmishes; and the remaining 17.5% named other issues.

Employment: After climbing to growth neutral for December, the employment gauge has tumbled below 50.0 for the past nine months. The September employment index sank to 44.3 from 45.2 in August. Despite falling employment, almost 18% reported a shortage of workers in the survey.

U.S. Bureau of Labor Statistics data show that seasonally adjusted regional manufacturing employment fell by 4,900 jobs (0.3%) in 2024 thus far.

Comments from supply managers in September:

- “Finding people to work is not difficult but keeping them busy is tough at times.”
- “My gut-feeling is that we will continue to see manufacturing contraction which will reduce supply input costs and somewhat reduce the tight labor market.”
- “Inflation is the hidden tax that has DRAMTICALLY disrupted business and personal finances.”
- “From a labor perspective, the USA STOPPED all programs to both teach and RESPECT hands-on labor.”
- “We are forecasting a flat end of year, with a potential for growth in the first and second quarter of 2025.”
- “The Biden/Harris administration continues to make decisions based solely on getting re-elected rather than what is best for America and its voters. DEI, illegal immigration, climate change (i.e. Milankovitch cycles), elimination of gas, defunding the police, soft on crime and other regressive policies continue to divide the country and drive it further into chaos.”

Overall: The Business Conditions Index, which uses the identical methodology as the National Institute for Supply Management and ranges between 0 and 100 with 50.0 representing growth neutral, declined to 48.1 from August’s 48.7, and represents the 5th time in 2024 that the index has fallen below above growth neutral.

- “The East/Gulf Coast Longshoremen’s strike could negatively impact us.”

Wholesale Prices: The September price gauge climbed to 56.6 from August’s 56.2. This is the first increase in the inflation gauge after six straight months of declines. The regional inflation yardstick has clearly declined into a range indicating inflationary pressures moving toward the Federal Reserve’s target. As a result, I expect the Fed to cut interest rates by 25 basis points (0.25%) at its next meeting on November 6-7.

Confidence: Looking ahead six months, economic optimism, as captured by the September Business Confidence Index, slumped to 26.2 from 26.7 in August. Approximately 62% of supply managers expect a recession or worsening business conditions over the next six months.

Inventories: The regional inventory index, reflecting levels of raw materials and supplies, rose to 51.4 from 45.5 in August. Due to the potential for an East Coast Longshoremen’s strike in the first week of October, supply managers added to their level of inventories in September.

One supply manager said, “The East/Gulf Coast Longshoremen’s strike could negatively impact us.”

Trade: The strong dollar continues to make U.S. goods less competitively priced abroad & pushed the export index down to 49.3 from 50.0 in August. A weakening regional economy pushed the import reading down to 43.1 from August’s 45.1.

Other survey components of the September Business Conditions Index were: new orders dropped to 44.8 from 50.9 in August; the production or sales index fell to 44.9 from 47.2 in August; and the speed of deliveries of raw materials and supplies was unchanged from August’s 55.0. This reading indicates no change in supply chain disruptions and delivery bottlenecks for the month.

Below are the state reports:

Arkansas: The state’s Business Conditions Index expanded to 53.8 from 44.8 in August. Components from the September survey of supply

GOSS EGGS

RECENT DUMB Presidential Proosals

President Biden's 2021 \$1.2 trillion infrastructure bill included \$42.5 billion for states to pursue broadband access to "unserved" mostly rural communities. Thus far, ground has not been broken on a single project.

According to the Wallstreet Journal (WSJ), the Administration's demand that broadband providers hire unrepresented groups--prisoners, older workers, racial/religious minorities and LGBTQ persons, has guaranteed failure. Good luck with recruiting in rural Wyoming with those demands.

Furthermore, states must identify future climate risks and how the project avoids or reduces the risks.

As part of the plan, Rhode Island sought to provide subsidized and duplicate high-speed coverage to wealthy homeowners in Newport, including to Taylor Swift's \$17 million home.

According to the WSJ, Cox Communications is suing to stop this government gift to the wealthy. I guess Taylor Swift will just have to live on a budget like the rest of us.

4 OF 5 GOSS EGGS

managers were: new orders at 43.9; production or sales at 45.6; delivery lead time at 68.1; inventories at 54.1; and employment at 57.4. According to the latest U.S. Bureau of Labor Statistics (BLS) seasonally adjusted data, Arkansas expanded manufacturing jobs by 3,100, or +2.9%, thus far in 2024.

Iowa: The state's Business Conditions Index for September sank to 43.3 from 44.5 in August. Components of the overall September index were: new orders at 40.0; production or sales at 32.8; delivery lead time at 46.4; employment at 41.2; and inventories at 56.2. According to the latest U.S. Bureau of Labor Statistics (BLS) seasonally adjusted manufacturing data, Iowa lost 3,800 manufacturing jobs, or -2.5%, thus far in 2024.

Kansas: The Kansas Business Conditions Index for September rose to 48.8 from 46.5 in August. Components of the leading economic indicators from the monthly survey of supply managers for September were: new orders at 42.6; production or sales at 41.6; delivery lead time at 61.2; employment at 47.4; and inventories at 51.0. According to the latest U.S. Bureau of Labor Statistics (BLS) seasonally adjusted manufacturing data, Kansas lost 600 manufacturing jobs, or -0.5%, thus far in 2024.

Minnesota: The September Business Conditions Index for Minnesota fell to 42.5 from August's 44.9. Components of the overall September index were: new orders at 39.8; production or sales at 32.3; delivery lead time at 45.6; inventories at 54.1; and employment at 40.9. According to the latest U.S. Bureau of Labor Statistics (BLS) seasonally adjusted manufacturing data, Minnesota lost 6,000 manufacturing jobs, or -2.8%, thus far in 2024.

Missouri: The state's September Business Conditions Index increased to 45.7 from 45.5 in August. Components of the overall index from the survey of supply managers for September were: new orders at 41.4; production or sales at 37.8; delivery lead time at 54.5;

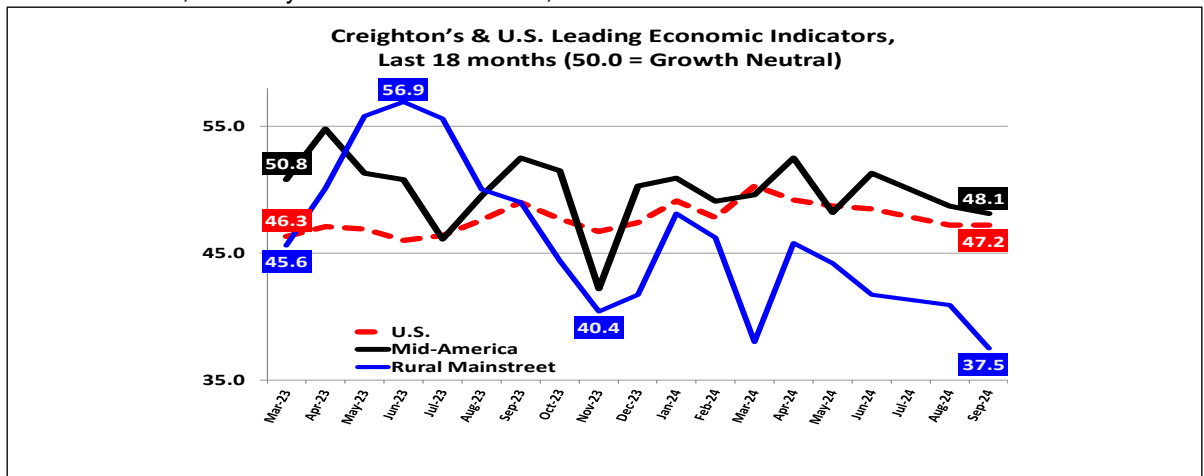
inventories at 50.4; and employment at 44.6. According to the latest U.S. Bureau of Labor Statistics (BLS) seasonally adjusted manufacturing data, Missouri gained 2,700 manufacturing jobs, or +1.4%, so far in 2024.

Nebraska: For the fifth time in the past six months, Nebraska's overall index rose above growth neutral. However, the state's September Business Conditions Index declined to 51.5 from 56.4 in August. Components of the index from the monthly survey of supply managers for September were: new orders at 43.0; production or sales at 51.3; delivery lead time at 63.4; inventories at 51.2; and employment at 48.3. According to the latest U.S. Bureau of Labor Statistics (BLS) seasonally adjusted manufacturing data, Nebraska gained 2,400 manufacturing jobs, or +3.4%, thus far in 2024.

North Dakota: After five straight months of below growth neutral readings, the state's overall index advanced above growth neutral for a second consecutive month. The state's overall, or Business Conditions Index, increased to 50.8 from 50.7 in August. Components of the overall index for September were: new orders at 43.5; production or sales at 44.4; delivery lead time at 65.8; employment at 49.3; and inventories at 51.1. According to the latest U.S. Bureau of Labor Statistics (BLS) seasonally adjusted manufacturing data, North Dakota gained 600 manufacturing jobs, or +3.2%, thus far in 2024.

Oklahoma: The state's Business Conditions Index sank to 45.7 from August's 48.0. Components of the overall September index were: new orders at 41.5; production or sales at 37.8; delivery lead time at 54.8; inventories at 50.9; and employment at 44.7. According to the latest U.S. Bureau of Labor Statistics (BLS) seasonally adjusted manufacturing data, Oklahoma lost 1,700 manufacturing jobs, or -1.8%, thus far in 2024.

South Dakota: The September Business Conditions Index for South Dakota sank to 43.1 from August's 44.5. Components of the overall September index were: new orders at 40.3; production or sales at 33.8; delivery lead time at 48.1; inventories at 51.1; and employment at 41.9.





THE OUTLOOK

National Association of Business Economics (September 2024). NABE Panelists See Fed's Rate Cut as Improving the Outlook for the Economy, but Risks Shift to the Downside. **SUMMARY:** "More than half of the NABE Outlook Survey panelists believe the risks to their forecasts over the next 12 months are weighted to the downside," said **NABE President Ellen Zentner**, chief economic strategist and global head of Thematic and Macro Investing, Morgan Stanley Wealth Management. "A monetary policy mistake is cited as the greatest downside risk by 39% of panelists, followed by the outcome of the U.S. presidential election noted by 23% of panelists, and the broadening of conflicts in the Middle East or Ukraine, also by 23%. Panelists have revised their economic growth forecasts higher for 2024, and lowered their forecasts for 2025. Forecasts for the unemployment rate have also been revised upward from the previous survey, to 4.1% in 2024 and 4.4% in 2025. "Just over one third of survey panelists indicates that the fed funds rate should be between 4.75% and 4.99%, in line with the Federal Reserve's Federal Open Market Committee decision to cut rates by 50 basis points at the September 17-18 meeting," added NABE Outlook Survey Chair Mervin Jebaraj, director, Center for Business and Economic Research at the University of Arkansas".

<https://tinyurl.com/4mwha5zs>

Supply Manager Reading Room

"Ten Supply chain risks, and ways to mitigate them," 1. Global political unrest 2. Economy and inflation 3. Climate-driven disruptions 4. Non-compliance with ESG and related mandates 5. Cyber threats 6. Product, and raw materials shortages 7. Logistics risks 8. Demand volatility 9. Lack of transparency 10. Business information risks.

<https://tinyurl.com/5n8w4s29>

Supply Manager Job Market

Supply Chain Capabilities Analyst-Omaha, NE. **Qualifications:** >Bachelor's degree required 3 years of related work experience (Supply Chain or IT). >Understanding of Supply Chain Management principles, production planning, inventory management, demand-based replenishment and purchasing. **Responsibilities:** >Reporting to the Manager of Supply Chain Capabilities you will be a liaison between system users, business partners and IT. >You will be a contact for any system related issues whether originated by IT or the users. >You will identify training opportunities, system business process gaps, system performance concerns and system enhancement needs. **Benefits:** >Health: Comprehensive healthcare plans, wellness incentive program, mental wellbeing support and fitness reimbursement. >Wealth: Great pay, bonus incentive opportunity, matching 401(k) and stock purchase plan.

<https://tinyurl.com/ynwr3996>

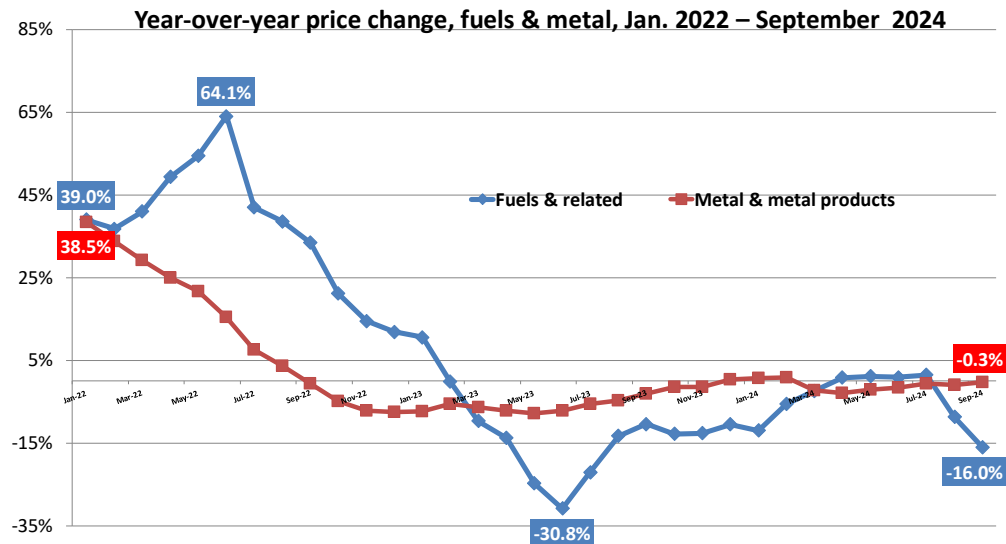
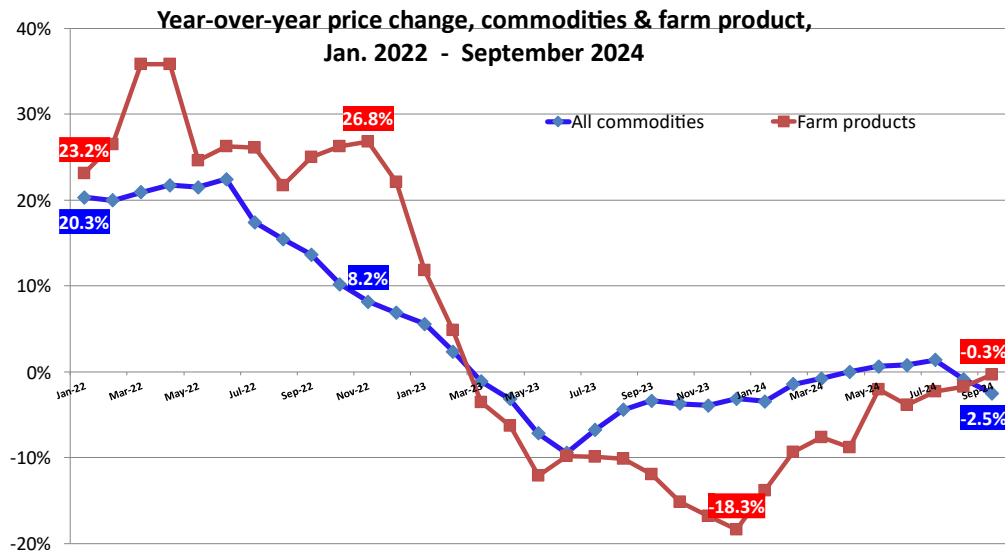
KEEP AN EYE ON

- > Keep an eye on the yield on the 10-yr U.S Treasury bond. It has climbed above 4.0% due to concerns over higher inflation.
- > Consumer price index (CPI). On Oct. 10 and Nov. 13, the U.S. BLS releases its CPI for September and October. An upturn could thwart a December Fed rate cut.
- > GDP for 3rd quarter. On October 30, the U.S. BEA releases Q3 GDP. A reading above 3.5% could scuddle a December rate cut.
- > Employment Report for October. On Nov. 1st the U.S. BLS releases its job estimates for October. Another blowout reading will take a 50 basis Fed rate cut off the table on Nov. 6/7 and make a December cut less likely.

STATISTIC(S) OF THE MONTH

2,800 tons

Over the last 2 years, according to Bloomberg, China's Peoples Bank of China (PBOC) purchased 2,800 tons of gold from overseas, or one-third the total holdings of the U.S. Federal Reserve.



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This month's survey results will be released on November 1st

