

April
2024

THE MIDAMERICA ECONOMIC REPORT

A monthly survey of supply managers

MIDAMERICA

Manufacturing Weak:

Higher Inflation and Fewer New Hires

- For the fourth straight month, the overall, or Business Conditions Index, hovered around growth neutral.
- The region's manufacturing sector lost jobs for a third straight month.
- The wholesale price climbed to its highest level in more than a year.
- Over the past 12 months, the number of job openings for each unemployed worker was 2.1. This is down from 2.5 recorded 12 months earlier.
- Approximately 68% of supply managers expect a 2024 economic recession

(continued next page)



Welcome to Creighton's April supply manager report covering March survey results. The March overall reading from supply managers in MidAmerica slumped below growth neutral threshold for a second straight month with higher inflation reading. Thank you for your contributions. Ernie

Wealthy Pay More Than a "Fair Share" of Income Taxes

In his State of the Union Address, President Biden called for income tax increases specifically calling for the wealthy to pay their "fair share." But what is a fair share?

The most recently released IRS data show that the top 1% of earners netted just over 26% of adjusted gross income, but paid almost 46% of total federal income tax collections. Furthermore, the highest 10% of earners paid almost 76% of collected federal income taxes.

On the other side of the equation, the bottom half of earners, or roughly 76.8 million taxpayers, paid only 2.3% of total income tax collections and shelled out an average tax rate of only 3.4%.

Did punishing the top earners with higher rates and rewarding bottom earners with lower rates reduce income

inequality? Decidedly not! Between 2001 and 2021, the share of taxes paid by the top 1% rose from 34% to 46% while the bottom half of earners declined from 5% to 2.3%. During this same period- of-time the degree of income inequality as measured by the U.S. Census Bureau Gini Coefficient increased from 44.6 to 0.49.4 (a higher index indicates greater income inequality).

Thus, not only has shifting the burden of income taxes from low income to high income households failed to reduce income inequality, it has reduced the incentive to increase earnings via education/training, higher hours worked or other work activities that benefit both the household and society. Ernie Goss

BULLISH NEWS

- The U.S. economy added a strong 303,000 jobs in March and the unemployment rate fell to 3.8%.
- Since Jan. 1, 2024, the large cap S&P 500 expanded by 9.7% while smaller cap Russell 2000 rose by only 1.7%.

BEARISH NEWS

- Consumer prices rose by 0.4% in March following 0.7% growth in the previous two months. Much too higher for 3 rate cuts this year.
- The number employed part-time for economic reasons was 4.3 million in March.
- U.S. number of un-employed is up 760,000 since Dec. 2022 and the rate jumped to 3.9% in February.
- The number of long-term unemployed (greater than 27 weeks) rose by 200,000 over the past 12 months.
- U.S. mortgage rates topped 7% in April.



After climbing slightly above growth neutral for December and January, the Creighton University Mid-America Business Conditions Index, a leading economic indicator for the nine-state region stretching from Minnesota to Arkansas, slumped below the 50.0 growth neutral threshold for February and March

The overall index, much like the U.S. reading, has hovered around growth neutral for the last four months. Additionally, supply managers remained pessimistic regarding the 2024 outlook with approximately 68% expecting a 2024 economic recession.

The Mid-America report is produced independently of the national ISM.

Employment: After climbing to growth neutral for December, the employment gauge has tumbled below 50.0 for the past three months. The March employment index fell to 40.9 from February's 42.9. Over the past 12 months, according to the latest monthly U.S. Bureau of Labor Statistics data, the number of job openings for each unemployed worker was 2.1. This is down from 2.5 recorded 12 months earlier.

Despite labor shortages and elevated inflationary pressures, only 13.3% of hiring manufacturers reported boosting entry level wages above the rate of inflation.

Other comments from supply managers in March:

- "We have been slow for 3-4 months. We have lots of quotes and projects, but the orders are not coming in."
- "Our industry has seen a slowdown in sales for the first quarter of the year. This is expected to continue until the Fed takes action on interest rates."
- "A lot of uncertainty in our market. Suppliers raising prices in unison in a weak, excess capacity and inventory market. Expect the pricing will correct downward. Not sure how long it will take."
- "We are starting to have customers push out demand – not necessarily cancel orders but push out 2-5 months."

Overall: The Business Conditions Index, which uses the identical methodology as the national [Institute for Supply Management \(ISM\)](#) and ranges between 0 and 100 with 50.0 representing growth neutral, increased to 49.6 from 49.1 in February.-Ernie Goss

- "Inflation is the government tax that does not need Congress – not that I believe Congress does anything but spend money and waste time and straight out lie."
- "It's going to get tougher before it gets better."

Wholesale Prices: The wholesale inflation gauge for the month rose to 77.3 from 61.9 in February, indicating expanding inflationary pressures. March's inflation reading is the highest recorded since February 2023. With the wholesale price index elevated in Creighton's survey and the U.S., I do not expect a Federal Reserve rate cut until July 30/31 of this year.

Confidence: Looking ahead six months, economic optimism as captured by the March Business Confidence Index rose to a weak 41.0 from 33.4 in February. Approximately 68% of supply managers expect worsening business conditions over the next six months.

Inventories: The regional inventory index, reflecting levels of raw materials and supplies, climbed to 54.6 from February's 54.4. Slack sales among manufacturers in Creighton's survey have resulted in higher inventories.

Trade: Trade numbers improved for the month with new export orders soaring to 53.9 from February's 23.9. March's import reading climbed to a weak 44.2 from 38.1 in February.

Other survey components of the March Business Conditions Index were: new orders increased to a weak 47.8 from 40.5 in February; the production or sales index improved to 50.1 from February's 42.9; and the speed of deliveries of raw materials and supplies decreased to 54.5 from February's 54.8. The reduction indicates a fall in supply chain disruptions and delivery bottlenecks for the month.

Below are the state reports:

Arkansas: The state's Business Conditions Index increased to 50.1 from February's 40.9. Components from the March survey of supply managers were: new orders at 48.4; production or sales at 51.0; delivery lead time at 54.1; inventories at 54.1; and employment at 43.0. According to the latest month's U.S. Bureau of Labor Statistics data,

GOSS EGGS

RECENT DUMB ECONOMIC MOVES

Too Much Spending

The unacceptably high inflation reading for March released on April 10 was a deafening shot at the Biden Administration's out-of-control federal spending. The CBO estimated that the budget deficit for the first half of fiscal year was \$1.1 trillion.

Despite a 7% increase in total tax collections, a 6% jump in income tax receipts, and a 35% upturn in corporate tax gains, the Biden Administration has managed to expand spending as a share of gross domestic product to its highest level since World War II. That is, the U.S. now has a war time deficit in a peace time economy.

As a result, the nation's interest on the public debt soared by \$133 billion which is a 43% boost since Biden took office. Interest payments on the nation's debt is now greater than military spending.

As Nixon's chief economist shouted in 1971, "If something cannot go on forever, it will stop." (i.e. stopping with 3 negative outcomes): higher inflation, soaring taxes, and unacceptably high interest rates. Keep an eye on 10-year U.S. Treasury bonds for early warnings.

4 OF 5 GOSS EGGS

there were 1.43 job openings for every unemployed worker in the state. This is well down from 2.0 recorded 12 months earlier.

Iowa: The state's Business Conditions Index for March improved to 51.8 from 49.3 in February. Components of the overall March index were: new orders at 48.5; production or sales at 51.2; delivery lead time at 54.8; employment at 47.1; and inventories at 57.4. According to the latest month's U.S. Bureau of Labor Statistics data, there were 2.0 job openings for every unemployed worker in the state. This is the same ratio recorded 12 months earlier.

Kansas: The Kansas Business Conditions Index for March dropped to 45.6 from 50.7 in February. Components of the leading economic indicator from the monthly survey of supply managers for March were: new orders at 48.0; production or sales at 50.7; delivery lead time at 52.3; employment at 31.9; and inventories at 45.1. According to the latest month's U.S. Bureau of Labor Statistics data, there were 2.0 job openings for every unemployed worker in the state. This is the same ratio recorded 12 months earlier.

Minnesota: The March Business Conditions Index for Minnesota sank to 47.4 from February's 52.4. Components of the overall March index were: new orders at 48.2; production or sales at 50.8; delivery lead time at 53.0; inventories at 48.7; and employment at 36.3. According to the latest month's U.S. Bureau of Labor Statistics data, there were 2.0 job openings for every unemployed worker in the state. This is down from 2.5 openings for each unemployed worker recorded 12 months earlier.

Missouri: The state's March Business Conditions Index expanded to 53.8 from 46.6 in February. Components of the overall index from the survey of supply managers for March were: new orders at 48.8; production or sales at 46.2; delivery lead time at 56.3; inventories at 64.9; and employment at 52.5. According to the latest month's U.S. Bureau of Labor Statistics data, there were 2.0 job openings for every unemployed worker in the state. This is down from 2.5 openings for each unemployed worker recorded 12 months earlier.

Nebraska: For the fifth time in the past six months, Nebraska's Business Conditions Index moved below growth neutral. The overall reading for March increased to 49.7 from 45.7 in February. Components of the index from the monthly survey of supply managers for March: new orders at 48.4; production or sales at 51.0; delivery lead time at 54.0; inventories at 53.3;

and employment at 42.0. According to the latest month's U.S. Bureau of Labor Statistics data, there were 2.0 job openings for every unemployed worker in the state. This is down from 2.5 openings for each unemployed worker recorded 12 months earlier.

North Dakota: After three straight months of above growth neutral readings, the overall index fell below 50.0 for March. The state's overall, or Business Conditions Index, sank to 43.9 from February's 51.3. Components of the overall index for March were: new orders at 47.9; production or sales at 50.5; delivery lead time at 51.6; employment at 27.8; inventories at 41.8. According to the latest month's U.S. Bureau of Labor Statistics data, there were 3.3 job openings for every unemployed worker in the state. This is unchanged from 3.3 openings for each unemployed worker recorded 12 months earlier.

Oklahoma: The state's Business Conditions Index expanded to a solid 53.3 from February's 46.9. Components of the overall March index were: new orders at 48.6; production or sales at 51.3; delivery lead time at 55.4; inventories at 60.3; and employment at 50.7. According to the latest month's U.S. Bureau of Labor Statistics data, there were 1.7 job openings for every unemployed worker in the state. This is down from 2.5 openings for each unemployed worker recorded 12 months earlier.

South Dakota: The March Business Conditions Index for South Dakota bounced to a regional high 60.8 from February's regional high 56.2. Components of the overall index were: new orders at 49.4; production or sales at 52.1; delivery lead time at 59.4; inventories at 68.1; and employment at 75.0. According to the latest month's U.S. Bureau of Labor Statistics data, there were 2.5 job openings for every unemployed worker in the state. This is down from 3.3 openings for each unemployed worker recorded 12 months earlier.

Survey results for the month of April will be released on May 1, 2024, the first business day of the month.





KEEP AN EYE ON

Yield on 10-year U.S. Treasury bond. This indicator which is released in almost “real time” has become the most watched financial indicator. Moving outside the range of 3.9% and 4.6% is a warning signal of higher inflation.

- PMIs. On May 1, the ISM and Creighton releases purchasing management indices (PMI) for April for the U.S. and for Mid-America. Upturns in both readings will push interest rates higher.

- Employment Report for April. On May 3, the U.S. BLS releases its estimate for April employment. Another reading above 300,000 may push the Fed to hold on rate cuts until after the November elections.

THE OUTLOOK

The Conference Board (April 11, 2024): “The US economy entered 2024 on strong footing, but headwinds including rising consumer debt and elevated interest rates will weigh on economic growth. While we do not forecast a recession in 2024, we do expect consumer spending growth to cool and for overall GDP growth to slow to under 1% over Q2 and Q3 2024. Thereafter, inflation and interest rates should gradually normalize and quarterly annualized GDP growth should converge toward its potential of near 2% in 2025.”

“On inflation, much progress was made over the course of 2023 but more recent data show that momentum has slowed. Emerging trends in energy markets and among certain services industries are serving as a headwind, but support from cooling rental prices remains in the pipeline. Given these trends, we are pushing our 2% inflation forecast back one quarter to Q4 2024. While we are maintaining our call for a cut to the Fed Funds rate in June, more progress on inflation will need to be made between now and then. Assuming this happens, we anticipate four 25 bp cuts this year (100bps in total) and an additional four 25 bp cuts in 2025 (100bps in total).”

<https://www.conference-board.org/research/us-forecast>

SUPPLY MANAGER READING ROOM

Supply Chain Disruptions

A supply chain disruption that originates abroad is still keenly felt by your customers, your company, and your supply chain right here at home. Supply chain disruptions may stem from natural disasters, global health pandemics, political uncertainty, economic upheaval, cyber and terrorist attacks, supplier threats, and rapid swings in consumer preferences and demand. Supply chain disruption is no longer an “if”, nor is it really a “when” since it’s both omnipresent and unpredictable at the same time.

<https://tinyurl.com/2x3aru67>

SUPPLY MANAGER JOB MARKET

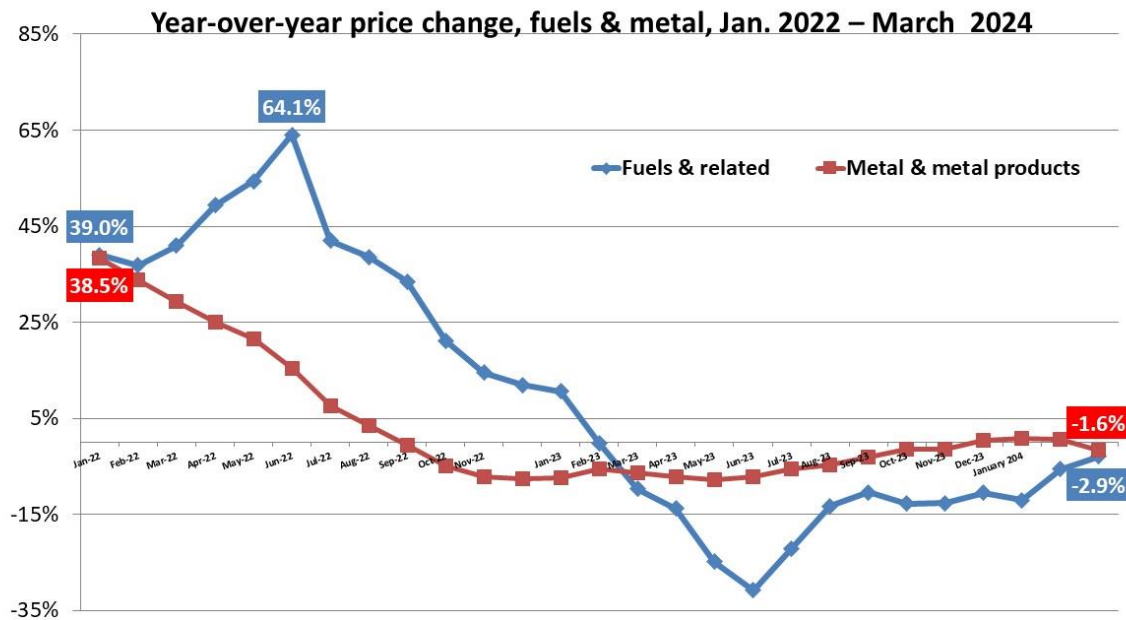
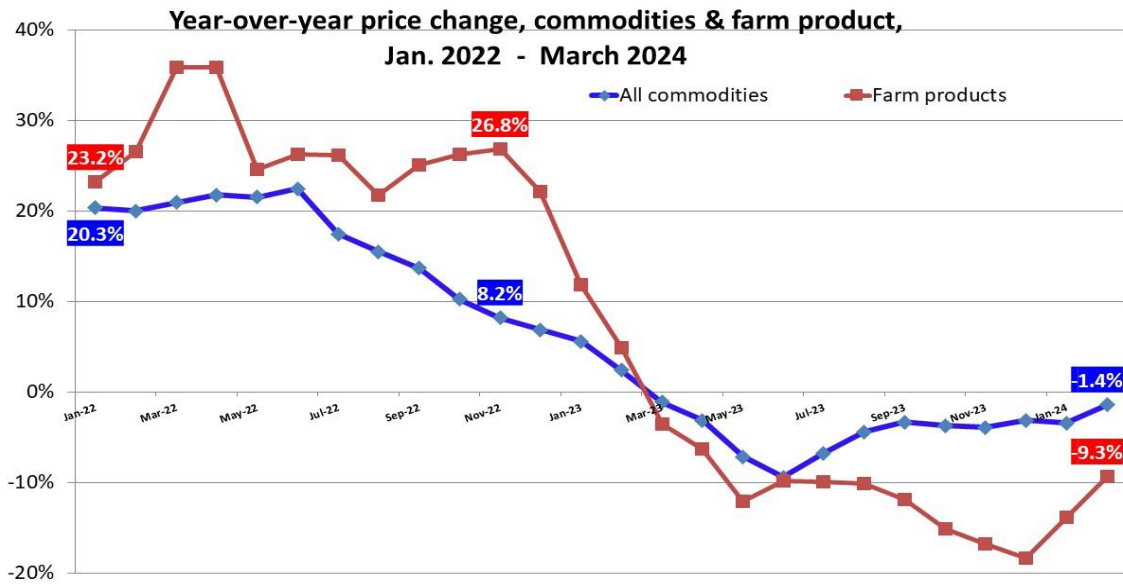
Supply Manager, The Judge Group Omaha

Salary: \$140,000 - \$160,000 Description: The Judge Group is seeking a Supply Chain Manager for a manufacturing company located in Nebraska Title: Supply Chain Manager Location: Oversee master production scheduling-Material planning-Oversite of direct and indirect purchasing-Monthly S&OP planning and execution. Qualifications:-Bachelors Degree required, MBA preferred -10+ years of experience in plant level supply chain management -Six Sigma/lean certification preferred -Proven track record of leadership and people development. <https://tinyurl.com/mwfm4d93>

STATISTIC(S) OF THE MONTH

\$60,000

The IRS is hiring new agents with average salaries of \$125,000 plus \$60,000 of student loan forgiveness. About 63% of IRS audits last year targeted middle-income tax payers



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For ongoing commentary on recent economic developments, visit our blog at: www.economicstrends.blogspot.com

Goss monthly interview at: <https://bit.ly/MidAmericaBCIMarch2024YouTube>

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

