

March  
2024

# THE MIDAMERICA ECONOMIC REPORT

A monthly survey of supply managers

## MIDAMERICA

Manufacturing Expands,  
but Fewer Jobs

February 2024 Survey  
Highlights:

- For the third straight month, the overall, or Business Conditions Index, hovered around growth neutral.
- The region's manufacturing sector lost jobs for a second straight month.
- The wholesale price gauge sank into a range indicating only moderated inflationary pressures.
- Over the past 12 months, according to U.S. BLS data the region's job openings declined by 156,000, or 16.3% while layoffs fell by 2,000, or 1.1%.
- Every state in the nine-state region experienced a reduction in job openings and layoffs over the past 12 months.
- Exports and imports plummeted for the month.

(continued next page)



Welcome to Creighton's March supply manager report covering January survey results. The February overall reading from supply managers in MidAmerica slumped below growth neutral threshold after two straight months above the threshold. Thank you for your contributions. Ernie

## Sales Taxes Slow Economic Growth Less Than Other Taxes

Consumption or sales taxes, at their simplest, are taxes imposed on spending in the form of retail sales taxes, excise taxes, or value added taxes. Rather than target income, property, or other forms of tax collections, a consumption or sales tax policy upon the purchase of goods and services, allowing consumers a more active role in determining their individual tax burden. But how does shifting tax burdens to consumption taxes impact economic growth?

A 2021 UK study by Nguyen, et al. showed that an **increase** in consumption taxes and an equivalent **reduction** in income taxes had an expansionary effect on GDP, while maintaining revenues.

Table 1 lists 2021-22 growth according to dependence on taxes. As presented, the 25 states with the highest overall tax burden (as a share of GDP) experienced GDP growth of 8.6% compared

to the 25 states with the lowest tax burdens which expanded by 10.0%.

As presented, only states with higher sales taxes grew by a higher 9.2% compared to a lower 8.5% growth for lower sales taxes as a share of GDP. In a statistical model not presented, but available on request, it was concluded that shifting:

\*all property taxes to sales taxes would increase GDP growth by 0.2%;

\*all individual income taxes to sales taxes would boost GDP growth by 3.9%;

\*all corporate income taxes to sales taxes would add 10.5% to GDP.

While these impacts are supportive of shifting other state & local taxes to sales taxes, these findings may not be representative of other periods of time.

Ernie Goss & Alyssa Gove

Table 1: GDP growth 2021-22 by tax dependence in 2021

	GDP growth, 2021-22	
	Top half of states in terms of specific tax	Bottom half of states in terms of specific tax
All tax burdens	8.6%	10.0%
Property taxes	8.7%	9.3%
Sales taxes	9.2%	8.5%
Individual income	8.6%	9.9%
Corporate income	8.6%	10.0%

Source: Census Bureau for tax data; BEA for GDP data.

## **BULLISH NEWS**

- The New York Fed estimates Q1, 2024 GDP growth at 2.1% (not great but not bad).
- The U.S. economy added a strong 275,000 jobs in February.
- Gold soared to an all time high of \$2,188 / oz. (this may be signalling economic trouble ahead).

## **BEARISH NEWS**

- U.S. number of unemployed is up 760,000 since Dec. 2022 and the rate jumped to 3.9% in February.
- The Congressional Budget Office (CBO) projects Federal budget deficits of \$20 trillion 2025-34 on top of the current debt of \$34.5 trillion.
- U.S. payroll growth for the year ending in March will likely be revised down by 500,000.
- For a 2<sup>nd</sup> straight month, the Case-Shiller home price index fell



Even with the positive bounce in readings for December and January, supply managers remained pessimistic regarding the 2024 outlook with only 9.1% expecting a 2024 economic expansion.

The rapid expansion in federal government spending and debt will limit the Federal Reserve's ability to reduce interest rates in 2024. Even so, I do expect a rate cut in March with a total of three to four for the full year.

**Employment:** After climbing to growth neutral 50.0 for December the employment gauge tumbled to its lowest level since June 2020 in January, but rose to a weak 42.9 in February. Over the past 12 months, according to U.S. Bureau of Labor Statistics data the region's job openings declined by 156,000, or 16.3% while the number of layoffs fell by 2,000, or 1.1%.

This month, supply managers reported that the share of their firm's employment working from home was approximately 14.0%. One supply manager reported that, "Question 3 - 0% are working from home."

Even so, 43.5% of firms reported a shortage of job applicants, while 13.0% reported that their firm was not hiring due to an economic slowdown.

### Other comments from supply managers in February:

- "Difficult to ignore the problem with labor, also difficult to ignore all of the other problems including the tax of inflation."
- "Sales orders are down."
- "The government tells us that inflation is way down but we are not seeing it."
- "We can't allow our gov't to continue kicking the can down the road. We must get control of our spending and demand a balanced budget!"
- "While I dislike Trump's personality, I can't argue with his knowledge of business, the economy and desire to have other countries pay their fair share as the US has been abused financially far too long."

**Wholesale Prices:** The wholesale inflation gauge for the month fell to 61.9, indicating only

Overall: The overall index, much like the U.S. reading, has hovered around growth neutral for last three months. Additionally, supply managers remained pessimistic regarding the 2024 outlook with only 14.3% expecting a 2024 economic expansion," -Ernie Goss

modest inflationary pressure, from January's 71.7. Approximately 60% of supply managers in February's survey identified escalating input prices as the top economic threat over the next six months; 15% identified a shortage of workers; 14% reported rising regulations with the remaining 11% identified a variety of issues

Even though the inflation rate and job growth have been trending lower, I do not expect a Federal Reserve rate cut until June or July of this year.

**Confidence:** Looking ahead six months, economic optimism as captured by the February Business Confidence Index rose to a very weak 33.4 from 31.9 in January. Approximately 48% of supply managers expect worsening business conditions over the next six months.

**Inventories:** The regional inventory index, reflecting levels of raw materials and supplies, declined to 54.4 from January's 58.7. Said Goss, The question remains, was this contraction intentional, planned, or unplanned due to a sales downturn?

Other survey components of the February Business Conditions Index were: new orders slumped to 40.5 from 47.9 in January; the production or sales index sank to 42.9 from 45.7 in January; and the speed of deliveries of raw materials and supplies decreased to 54.8 from January's strong 63.1. 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 40.9 from January's 39.9. Components from the February survey of supply managers were: new orders at 39.2; production or sales at 43.2; delivery lead time at 49.3; inventories at 37.8; and employment at 34.8. Over the past 12 months, according to U.S. Bureau of Labor Statistics data, the state's job openings sank by 17,000, or 18.3%, while layoffs fell by 1,400, or 23.4%.

**Iowa:** The state's Business Conditions Index for February slipped to 49.3 from 51.8 in January. Components of the overall February index were: new orders at 49.6; production or sales at 39.1; delivery lead time at 52.9; employment

# GOSS EGGS

## RECENT DUMB ECONOMIC MOVES

Bad News: Biden & Trump Agree on Something : Trade Barriers

The two chief rivals for the presidency finally agree on something and that, in of itself, should be a warning to U.S. workers, consumers, and taxpayers.

Both presidential candidates support boosting trade restrictions, tariffs and other economic nonsense.

In 2023, China, the major target of both presidential candidates, exported \$35.6 billion to the U.S. and imported \$12.3 billion from the U.S.

Not only did these exchanges provide low cost products for U.S. consumers, the Chinese used their net trade surplus in dollars to purchase U.S. Treasury bonds resulting in lower interest rates for U.S. borrowers. Security concerns (i.e. Tik Tok) are an important consideration, but should not mean economic Harikari.

4 OF 5 GOSS EGGS

at 39.1; and inventories at 61.2. Over the past 12 months, according to U.S. Bureau of Labor Statistics data, the state's job openings sank by 27,000, or 24.5%, while layoffs fell by 1,200, or 16.8%.

**Kansas:** The Kansas Business Conditions Index for February dropped to 50.7 from 54.0 in January. Components of the leading economic indicator from the monthly survey of supply managers for February were: new orders at 50.7; production or sales at 40.6; delivery lead time at 57.9; employment at 45.1; and inventories at 65.5. Over the past 12 months, according to U.S. Bureau of Labor Statistics data, the state's job openings sank by 1,600, or 16.7%, while layoffs fell by 700, or 11.1%.

**Minnesota:** The February Business Conditions Index for Minnesota sank to 52.4 from 56.0 in January. Components of the overall February index were: new orders at 40.7; production or sales at 44.7; delivery lead time at 59.0; inventories at 71.2; and employment at 46.5. Over the past 12 months, according to U.S. Bureau of Labor Statistics data, the state's job openings sank by 12,000, or 5.6%, while layoffs fell by 1,000, or 15.5%.

**Missouri:** The state's February Business Conditions Index fell to 46.6 from 50.5 in December. Components of the overall index from the survey of supply managers for February were: new orders at 39.7; production or sales at 43.7; delivery lead time at 52.4; inventories at 58.5; and employment at 38.5. Over the past 12 months, according to U.S. Bureau of Labor Statistics data, the state's job openings sank by 51,000, or 25.1%, while layoffs fell by 300, or 7.5%.

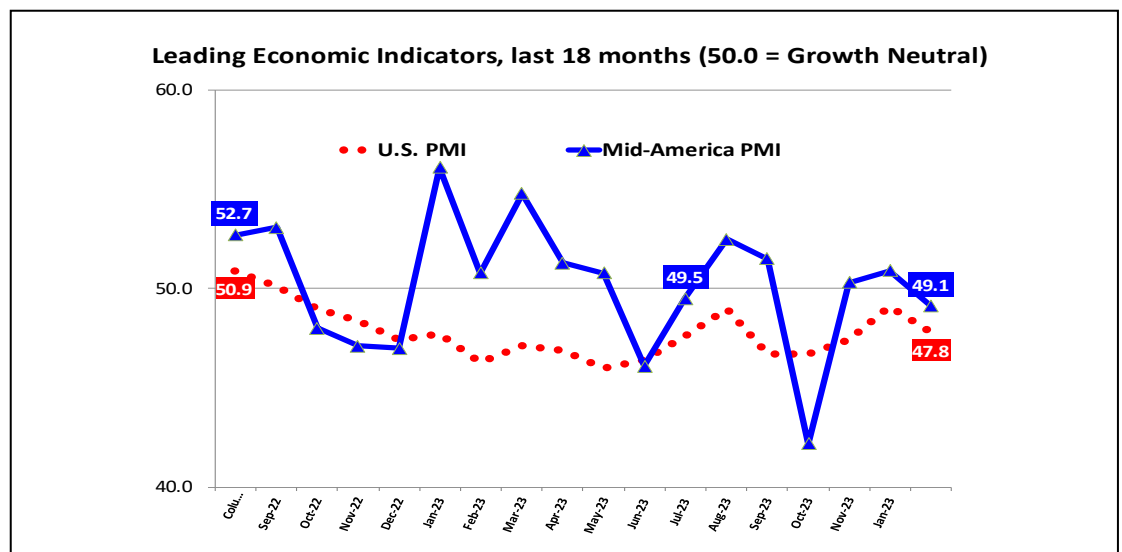
**Nebraska:** For the fourth time in the past five months, Nebraska's Business Conditions Index moved below growth neutral. The

overall reading for February slumped to 45.7 from 50.4 for January. Components of the index from the monthly survey of supply managers for February were: new orders at 40.0; production or sales at 44.0; delivery lead time at 54.7; inventories at 48.8; and employment at 41.3. Over the past 12 months, according to U.S. Bureau of Labor Statistics data, the state's job openings sank by 1,300, or 19.4%, while layoffs fell by 1,700, or 30.9%.

**North Dakota:** For a third straight months the state's overall, or Business Conditions Index climbed above growth neutral, but declined to 51.3 from January's 53.9. Components of the overall index for February were: new orders at 40.6; production or sales at 44.6; delivery lead time at 58.3; employment at 45.6 and; inventories at 67.5. Over the past 12 months, according to U.S. Bureau of Labor Statistics data, the state's job openings sank by 400, or 14.3%, while layoffs fell by 500, or 14.3%.

**Oklahoma:** For a third time in the past four months, the state's Business Conditions Index sank below growth neutral to 46.9 from January's 48.7. Components of the overall February were: new orders at 40.2; production or sales at 44.1; delivery lead time at 55.4; inventories at 52.7; and employment at 42.2. Over the past 12 months, according to U.S. Bureau of Labor Statistics data, the state's job openings sank by 14,000, or 11.9%, while layoffs fell by 1,100, or 19.5%.

**South Dakota:** The February Business Conditions Index for South Dakota bounced to a regional high 56.2 but down from 56.4 in January, also a regional high. Components of the overall index were: new orders at 41.8; production or sales at 45.8; delivery lead time at 65.8; inventories at 73.1; and employment at 54.7. Over the past 12 months, according to U.S. Bureau of Labor Statistics data, the state's job openings sank by 200, or 7.1%, while layoffs fell by 300, or 7.1%.







**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.

➤ Consumer price index (CPI).

On April 10<sup>th</sup> the U.S. BLS releases its CPI for March. Another monthly gain above 0.3% will push a Fed rate cut to the second half of 2024.

➤ Employment Report for March.

On April 5, the U.S. BLS releases its estimate for March unemployment. A rate above 4.0% would shake equity markets and boost bond prices.

**STATISTIC(S) OF THE MONTH**

**-881,000**

U.S. Dept. of Labor reported that over the past 12 months, the number of native born Americans with jobs fell by 881,000 while the number of foreign born working expanded by 1,500,000.

**THE OUTLOOK**

**The U.S. Conference Board: Feb. 7, 2024).** “The US economy started 2024 on strong footing. Various indicators of business activity, labor markets, sentiment, and inflation are moving in a favorable direction. However, headwinds including rising consumer debt and elevated interest rates will weigh on economic growth.”

“With these factors in mind, The Conference Board is upgrading its US forecast for the year. While we no longer forecast a recession, we do expect the consumer spending growth to cool and for overall GDP growth to slow to under 1% in Q2 and Q3 2024. Thereafter, inflation and interest rates should normalize and quarterly annualized GDP growth should converge toward its potential of near 2 percent in 2025.” <https://www.conference-board.org/research/us-forecast>

**Goss: I expect:** \*\*\*The Federal Reserve Open Market Committee to leave short-term interest rates unchanged until their meetings on June 11-12. \*\*\*I continue to expect a mild U.S. recession in the second half of 2024. The real banking sector will be the catalyst for the recession. \*\*\*I expect 30-year mortgage rates to rise above 8% by the end of 2024. .

SUPPLY MANAGER READING ROOM

SUPPLY MANAGER JOB MARKET

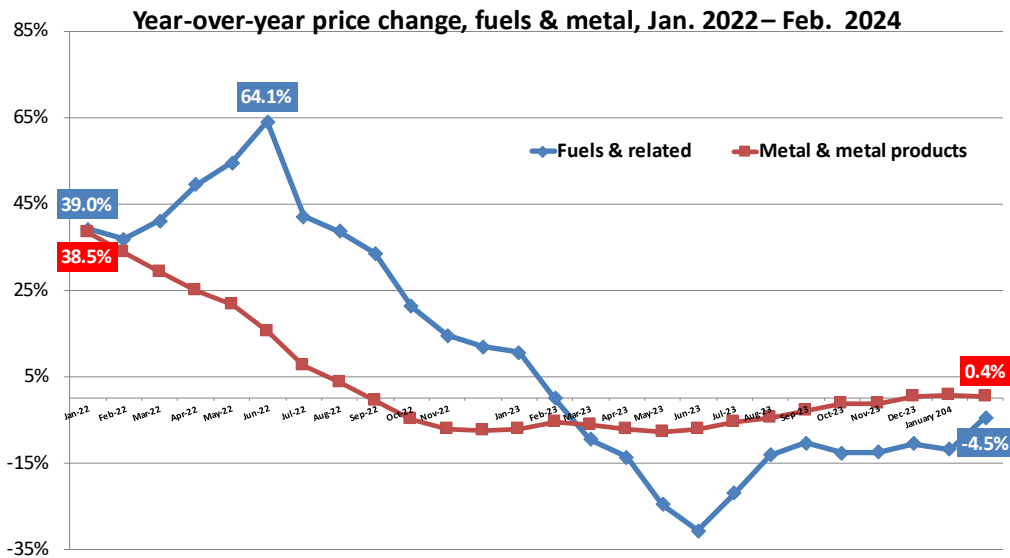
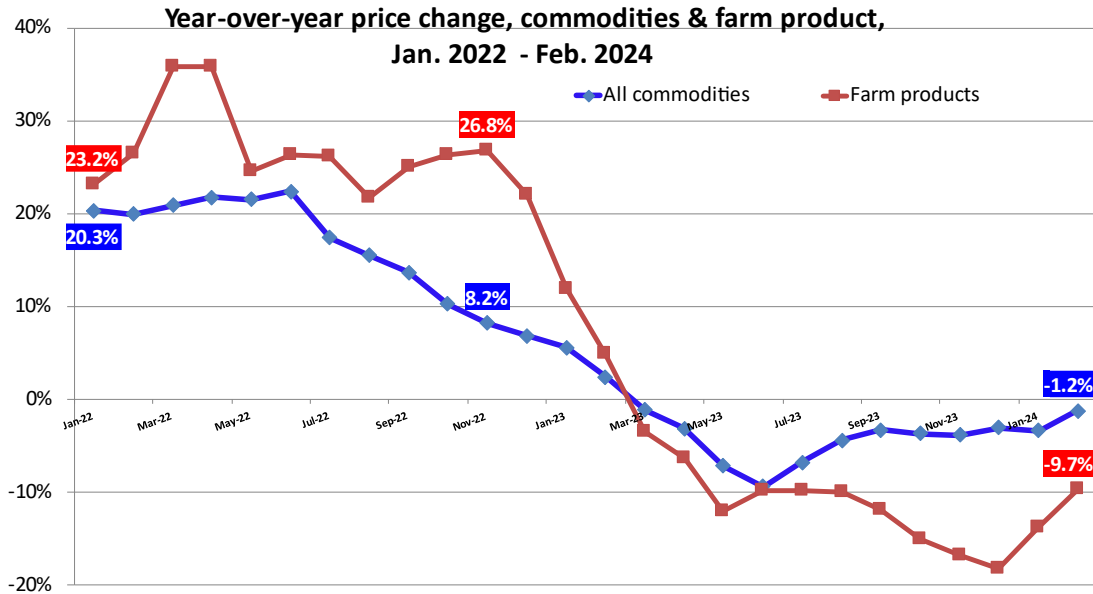
Supply Chain Disruptions

Now world events are combining to form what feels like a perpetual storm of disruption for supply chains. This new reality will continue to test the ingenuity, resilience, and flexibility of supply chain leaders. Their goal: to maintain supply chain networks that not only survive but thrive.

The pandemic was also a test of corporate values and purpose. Consumers, investors, governments, and communities judged companies on how they responded. And companies will be judged on supply chain lessons learned.

<https://tinyurl.com/mfh8rbka>

Instructor of Operations Management, Business Intelligence and Analytics, Creighton University, Omaha, NE. Responsibilities: The College seeks a balanced teacher-servant with a commitment to excellent teaching and a desire to assist with committee service, advising, and student organization activity leadership. The University actively supports faculty research, should the candidate wish to establish a record of scholarship as well. Qualifications: Qualified candidates will have a masters or doctorate in operations, supply chain management, or project management with teaching experience in project management, supply chain, operations, quality assurance, logistics, inventory management, or statistics/analytics. <https://tinyurl.com/45jpsnj2>



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[www.economicstrends.blogspot.com](http://www.economicstrends.blogspot.com)

Goss monthly interview at: <https://bit.ly/MidAmericaBCIFebruary2024YouTube>

This month's survey results will be released on April 1<sup>st</sup>