The Virginia Tech–USDA Forest Service Housing Commentary: Section II
August 2022

VIRGINIA TECH™

Virginia Cooperative Extension
Virginia Tech • Virginia State University

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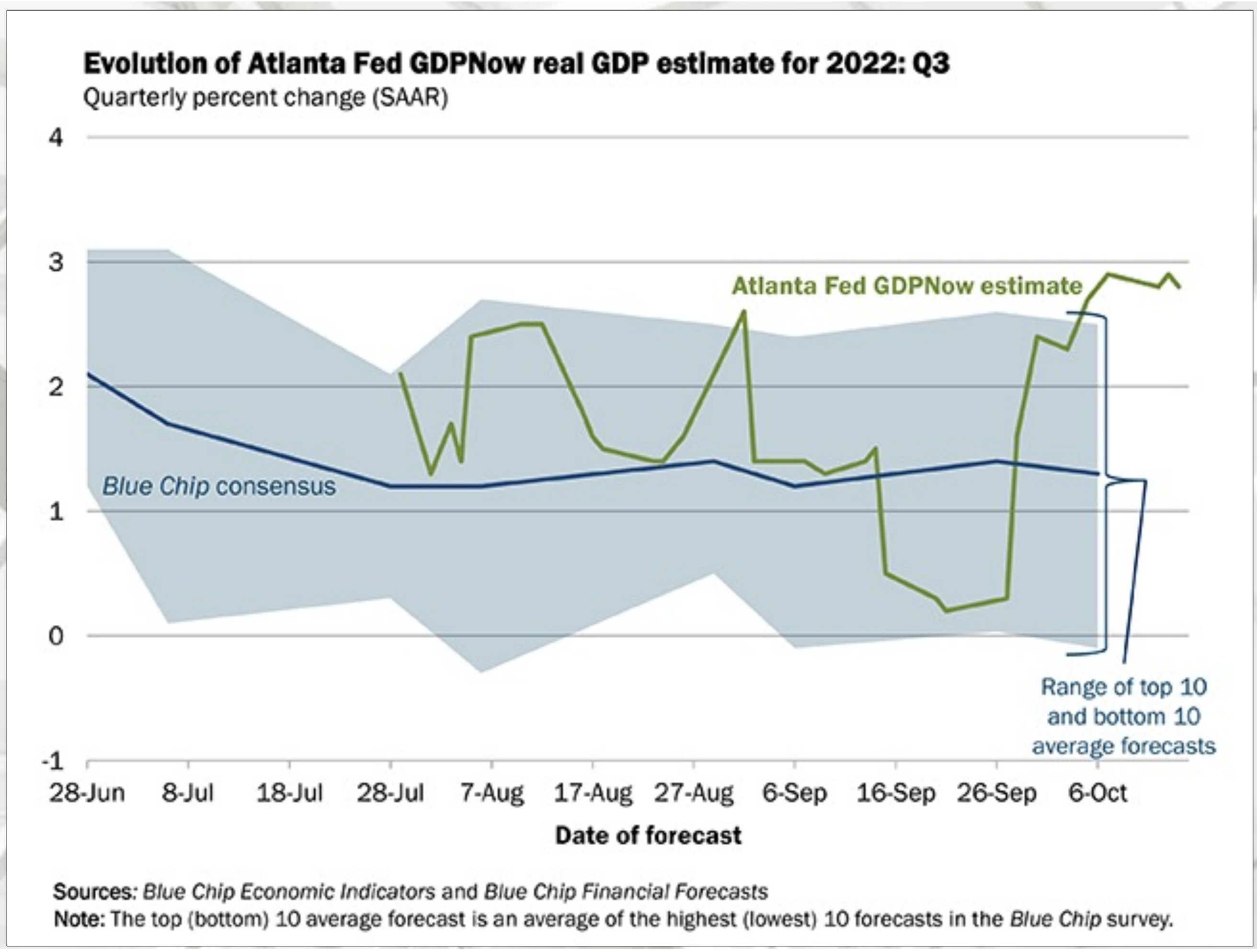
U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest estimate: 2.8 percent — October 14, 2022

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2022 is **2.8 percent** on October 14, down from 2.9 percent on October 7. After recent releases from the US Bureau of Labor Statistics and the US Census Bureau, the nowcast of third-quarter real personal consumption expenditures growth decreased from 1.3 percent to 1.2 percent." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 10/14/22

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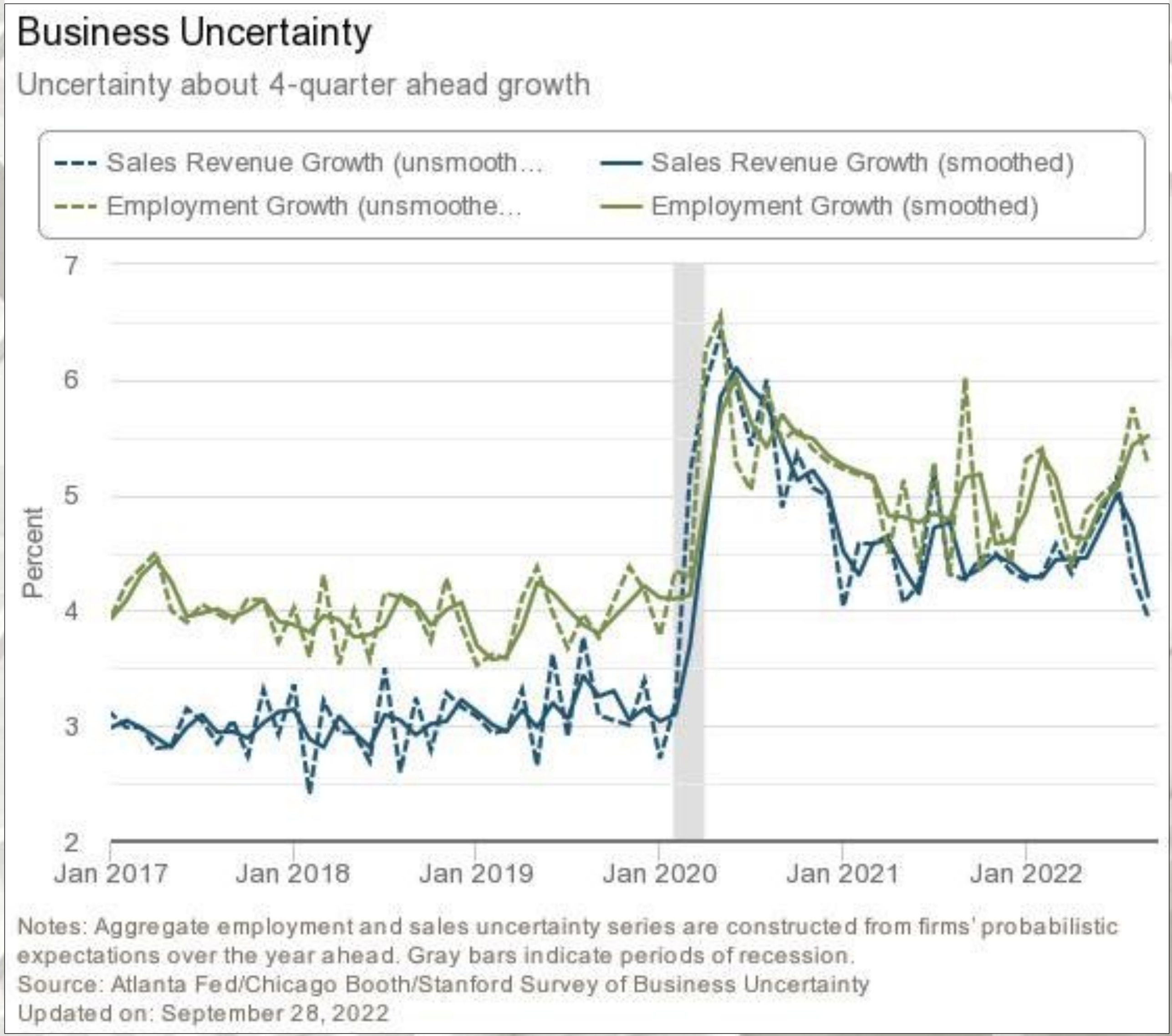
U.S. Economic Indicators

The Federal Reserve Bank of Atlanta



Source: https://www.atlantafed.org/research/surveys/business-uncertainty; 9/28/22

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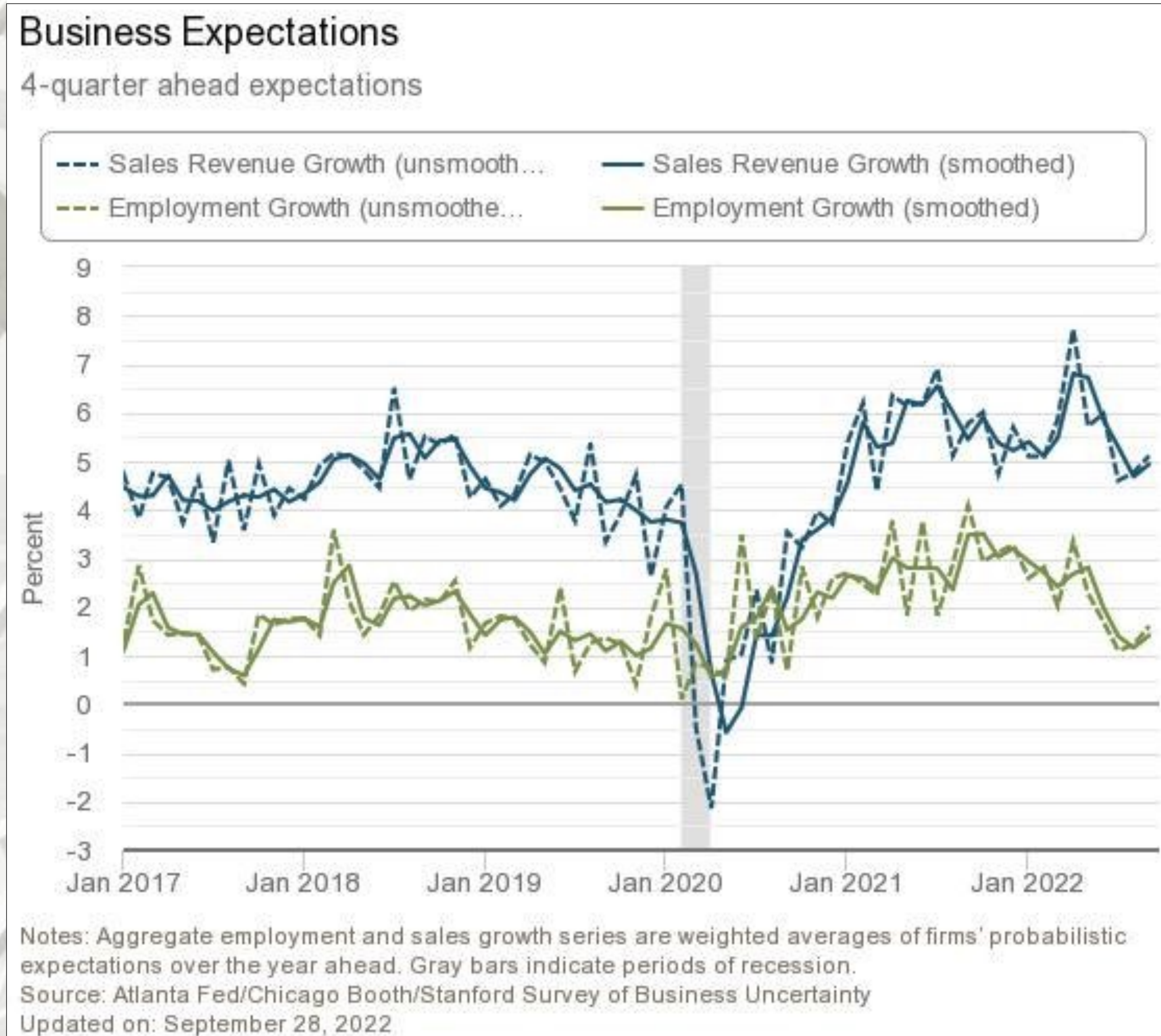
U.S. Economic Indicators

The Federal Reserve Bank of Atlanta



Source: https://www.atlantafed.org/research/surveys/business-uncertainty; 9/28/22

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The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)

Index Suggests Economic Growth Moderated in August

"Led by declines in production-related indicators, the Chicago Fed National Activity Index (CFNAI) decreased to a neutral value in August from +0.29 in July. Three of the four broad categories of indicators used to construct the index made positive contributions in August, but three categories deteriorated from July. The index's three-month moving average, CFNAI-MA3, moved up to +0.01 in August from –0.08 in July.

The CFNAI Diffusion Index, which is also a three-month moving average, increased to +0.11 in August from +0.01 in July. Forty-six of the 85 individual indicators made positive contributions to the CFNAI in August, while 39 made negative contributions. Twenty-nine indicators improved from July to August, while 55 indicators deteriorated and one was unchanged. Of the indicators that improved, eight made negative contributions.

Production-related indicators contributed –0.08 to the CFNAI in August, down from +0.12 in July. Industrial production decreased 0.2 percent in August after increasing 0.5 percent in July. The contribution of the sales, orders, and inventories category to the CFNAI ticked down to +0.01 in August from +0.03 in the previous month.

Employment-related indicators contributed +0.03 to the CFNAI in August, down from +0.12 in July. The unemployment rate ticked up to 3.7 percent in August from 3.5 percent in July, and nonfarm payrolls increased by 315,000 in August after rising by 526,000 in the previous month. The contribution of the personal consumption and housing category to the CFNAI moved up to +0.05 in August from +0.01 in July." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 9/26/22

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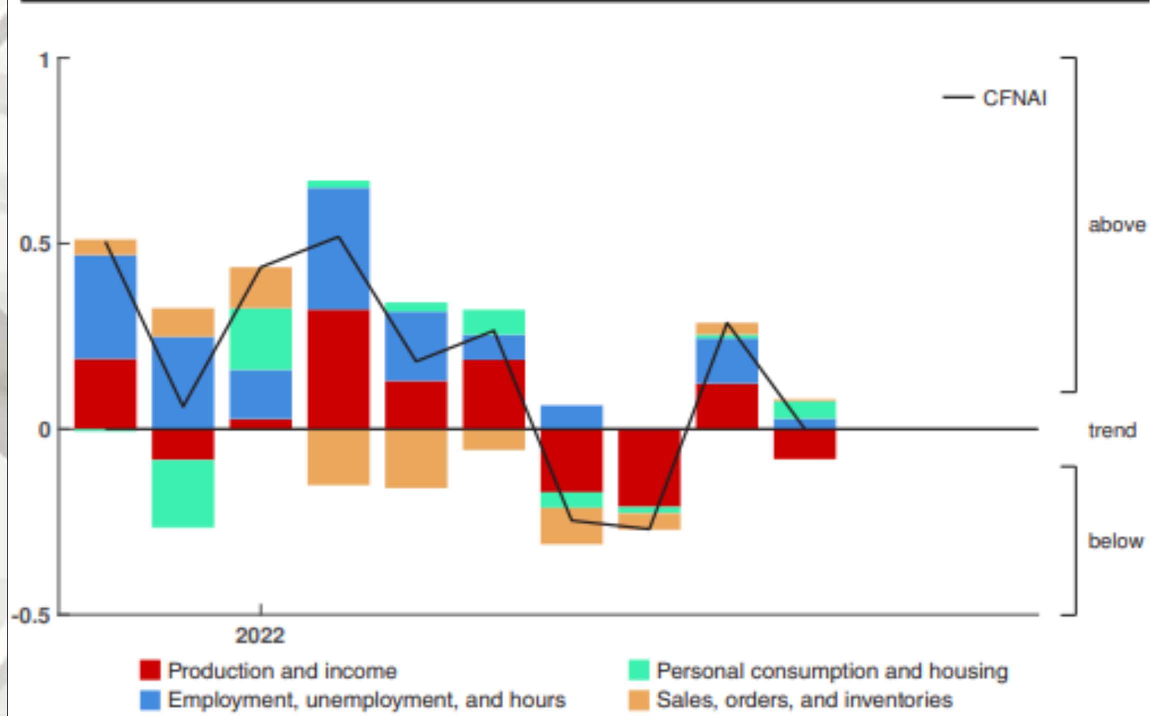
The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)

Chicago Fed National Activity Index, by Categories



CFNAI, CFNAI-MA3, and CFNAI Diffusion for the Latest Six Months and Year-Ago Month

	Aug '22	Jul '22	Jun '22	May '22	Apr '22	Mar '22	Aug '21
CFNAI							
Current	0.00	+0.29	−0.27	−0.25	+0.27	+0.18	+0.08
Previous	N/A	+0.27	−0.25	−0.29	+0.27	+0.19	+0.09
CFNAI-MA3							
Current	+0.01	−0.08	−0.08	+0.07	+0.32	+0.38	+0.33
Previous	N/A	−0.09	−0.09	+0.06	+0.33	+0.38	+0.33
CFNAI Diffusion							
Current	+0.11	+0.01	−0.08	+0.12	+0.34	+0.35	+0.26
Previous	N/A	−0.05	−0.08	+0.12	+0.34	+0.35	+0.26

Current and Previous values reflect index values as of the September 26, 2022, release and August 22, 2022, release, respectively.
N/A indicates not applicable.

Source: https://www.chicagofed.org/publications/cfnai/index; 9/26/22

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The Federal Reserve Bank of Chicago: Survey of Economic Conditions (CFSEC)

Survey Suggests Growth Slowed Slightly in September

"The *Chicago Fed Survey of Economic Conditions* (CFSEC) Activity Index decreased to –37 in September from –33 in August, suggesting that economic growth was well below trend. The CFSEC Manufacturing Activity Index increased to –34 in September from –49 in August, but the CFSEC Nonmanufacturing Activity Index decreased to –40 in September from –22 in the previous month.

- Respondents' outlooks for the U.S. economy for the next 12 months were steady and remained pessimistic on balance.
- Thirteen percent of respondents expected an increase in economic activity over the next 12 months.
- The pace of current hiring increased, as did respondents' expectations for the pace of hiring over the next 12 months. Both hiring indexes remained negative.
- Respondents' expectations for the pace of capital spending over the next 12 months decreased, but the capital spending expectations index remained positive.
- The labor cost pressures index decreased, as did the nonlabor cost pressures index. The labor cost pressures index remained negative, and the nonlabor cost pressures index moved into negative territory." – Thomas Walstrum, Senior Business Economist, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/research/data/cfsec/current-data; 10/13/22

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The Federal Reserve Bank of Chicago: Survey of Business Conditions (CFSEC)

Source: https://www.chicagofed.org/research/data/cfsec/current-data; 10/13/22

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The Federal Reserve Bank of Dallas

Texas Manufacturing Outlook Survey

Texas Manufacturing Growth Picks Up, Though Demand Continues to Decline

"Growth in Texas factory activity picked up in September, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, rose eight points to 9.3, a reading suggestive of stronger output growth.

Other measures of manufacturing activity showed mixed signals this month. The new orders index ticked down to -6.4 – the fourth month in a row in negative territory – suggesting a continued decrease in demand. The growth rate of orders index also remained negative but moved up 13 points to -1.7. The capacity utilization index jumped to 13.4 after posting a near-zero reading in August, and the shipments index moved up to 7.1.

Perceptions of broader business conditions continued to worsen in September. The general business activity index pushed further negative, from -12.9 to -17.2. The company outlook index moved down three points to -10.7. The outlook uncertainty index remained elevated and inched up to 27.2.

Labor market measures continued to indicate robust employment growth and longer workweeks. The employment index was largely unchanged at 15.0, a reading significantly above its series average of 7.8. Twenty-four percent of firms noted net hiring, while 9 percent noted net layoffs. The hours worked index remained slightly elevated but moved down six points to 8.0.

Prices and wages continued to increase at an elevated pace. The raw materials prices index ticked up from 34.4 to 37.1, ending a three-month trend of easing price pressures. The finished goods prices index, however, continued its downward trend and fell nine points to 18.1, a reading still well above average. The wages and benefits index also fell nine points, coming in at 36.6." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/26/22

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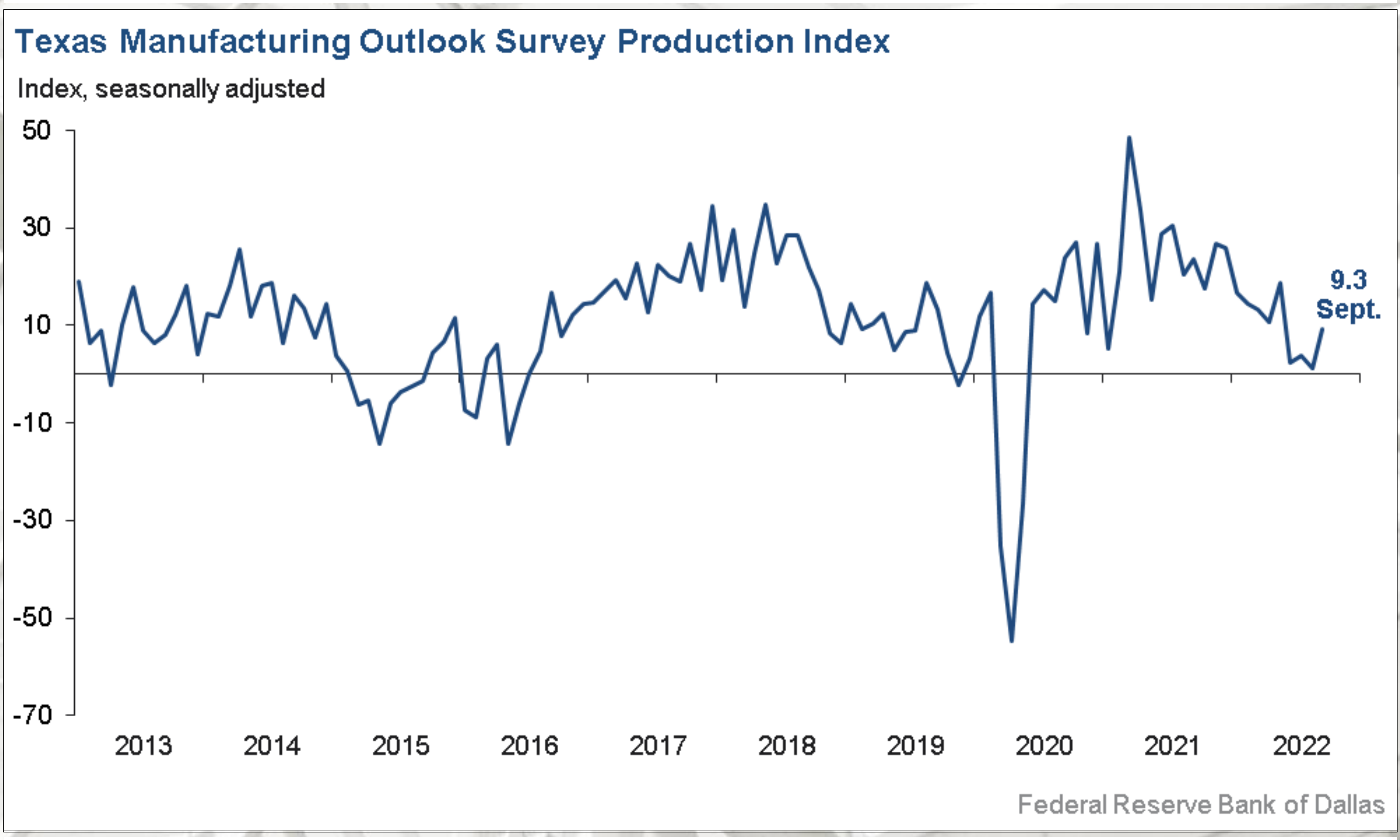
The Federal Reserve Bank of Dallas



"Expectations regarding future manufacturing activity were mixed in September. While the future production index pushed further into positive territory at 28.3, the future general business activity index remained negative and dropped 14 points to -22.4. Other measures of future manufacturing activity, like new orders and employment, pushed further positive in September." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/26/22

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The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Texas Service Sector Growth Weakens Further in September

"Activity in the Texas service sector increased at a slower pace in September, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, weakened from 7.2 in August to 5.9 in September, although the share of firms reporting increasing revenues remained steady at 30 percent.

Labor market indicators suggested growth in employment improved slightly, while hours worked growth remained steady compared with August. The employment index increased two points to 10.4, while the part-time employment index was flat at 1.5. The hours worked index was also mostly flat compared with August at 2.9.

Perceptions of broader business conditions remained negative in September. The general business activity index was roughly unchanged at -5.4. The company outlook index improved from -2.4 to -1.4, while the outlook uncertainty index fell six points to 14.4.

Selling prices and wage pressures continued to moderate in September while input price growth picked up slightly. Nevertheless, the indexes remained well above historical averages. The selling prices index fell from 23.5 to 21.1, while the input prices index increased four points to 48.5. The wages and benefits index slipped from 26.1 to 24.6.

Respondents' expectations regarding future business activity were mixed in September. The future general business activity index worsened from -0.9 to -6.7. The future service sector activity indexes such as revenue, employment and capital expenditures remained positive, suggesting continued growth for the rest of the year." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/27/22

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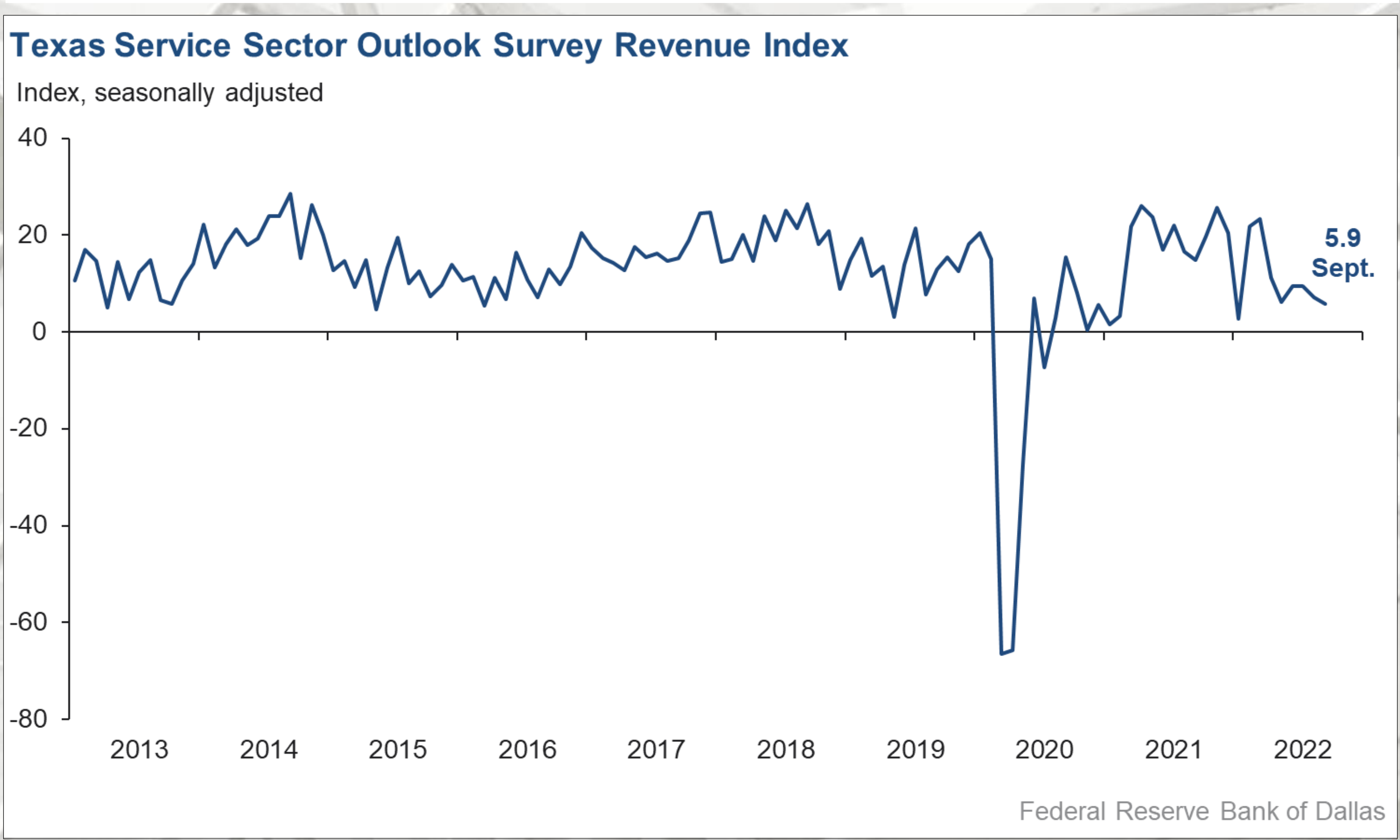
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys; 9/27/22

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The Federal Reserve Bank of Dallas

Texas Retail Outlook Survey

Texas Retail Sales Deteriorate in September

"September retail sales activity declined, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, dropped 13 points to -17.9. Retailers' inventories continued to increase on net, as the inventories index rose from 2.5 to 10.1, suggesting inventories grew at a significantly faster pace than in August.

Retail labor market indicators reflected somewhat slower employment growth and shorter workweeks in September. The employment index remained positive, though it slipped from 4.1 to 3.0. The part-time employment index remained in negative territory but increased from -4.4 to -0.5. The hours worked index declined further from -3.9 to -7.3, with the share of firms reporting an increase in average hours worked among employees falling from 7.3 percent to 5.8 percent.

Retailers' perceptions of broader business conditions worsened further in September. The general business activity index fell two points to -20.5, while the company outlook index slipped from -11.8 to -13.1. The outlook uncertainty index fell from 12.9 to 8.2.

Retail wage pressures remained unchanged in September, while price pressures were mixed. The selling prices index inched down one point to 32.0, while the input prices index grew from 38.1 to 47.6. The wages and benefits index was flat at 17.5.

Expectations for future retail growth were mixed in September. The future general business activity index fell further to -19.1, while the future sales index dropped 16 points to 5.9, reflecting continued growth expectations. Other indexes of future retail activity such as employment and capital expenditures showed mixed movements but remained in positive territory, suggesting expectations for continued growth over the next six months." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/27/22

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The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/27/22

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Growth in Tenth District Manufacturing Continued to Decelerate

Regional factory activity was sluggish overall in September. However, firms continued to add workers and were moderately optimistic about growth in future months.

Factory Activity Continued to Decelerate

"Tenth District manufacturing activity continued to decelerate in September, but growth remained slightly positive. Expectations for future activity remained moderate (Chart 1). Monthly survey price indexes saw slight growth from the previous month. Price indexes were still above year-ago levels for most firms, and most firms expected further price increases over the next six months.

The month-over-month composite index was 1 in September, the lowest composite reading since July 2020, and down from 3 in August and from 13 in July. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The slower pace in factory growth in September was driven by decreased activity at durable goods plants, especially electrical, furniture, nonmetallic mineral, primary metal, fabricated metal, and transportation equipment manufacturing. Most month-over-month indexes increased in September, except for supplier delivery time, materials inventories, and finished goods inventories which continued to decrease. Year-over-year factory indexes also decreased again in September, and the composite index fell from 36 to 30. The future composite index eased from 10 to 9 in September." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 9/22/22

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Factory Activity Pace of Growth Slowed Considerably

Special Questions

“This month contacts were asked special questions on changes in their scale of operations and anticipated costs in the next six months. In September, nearly half of firms reported they were taking steps, or planning to take steps, to expand the scale of operations over the next six months, while only a handful expected to decrease capacity. The steps firms reported to expand scale included adding to workforce size, capital expansion, and expanding into new or existing markets. In relation to current conditions, a majority of firms anticipated costs will increase in the next six months across all categories, especially for financing and energy related costs ” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 9/22/22

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The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 9/22/22

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Growth in Tenth District Services Activity Continued at a Moderate Pace

Overall, regional services firms saw solid growth in revenue in September. However, firms saw less growth in employment and price pressures continued.

Business Activity Continued at a Moderate Pace

"Growth in Tenth District services activity continued at a moderate pace in September, and expectations for future activity remained positive (Chart 1). Monthly survey price indexes remained elevated, and expectations for future prices increased slightly.

The month-over-month services composite index was 20 in September, up from 14 in August and 2 in July. The composite index is a weighted average of the revenue/sales, employment, and inventories indexes. The increase in growth was driven by higher activity in restaurants, transportation, wholesale trade, and professional services. Most month-over-month indexes rose in September, with an increase in revenue/sales, hours worked, wages and benefits, and capital expenditures indexes. In contrast, inventories and employment indexes eased somewhat. The year-over-year composite index remained solid, with all indexes having higher readings than last month except employment and inventories. Expectations for services activity remained positive overall in September, though indexes for employment declined modestly." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 9/23/22

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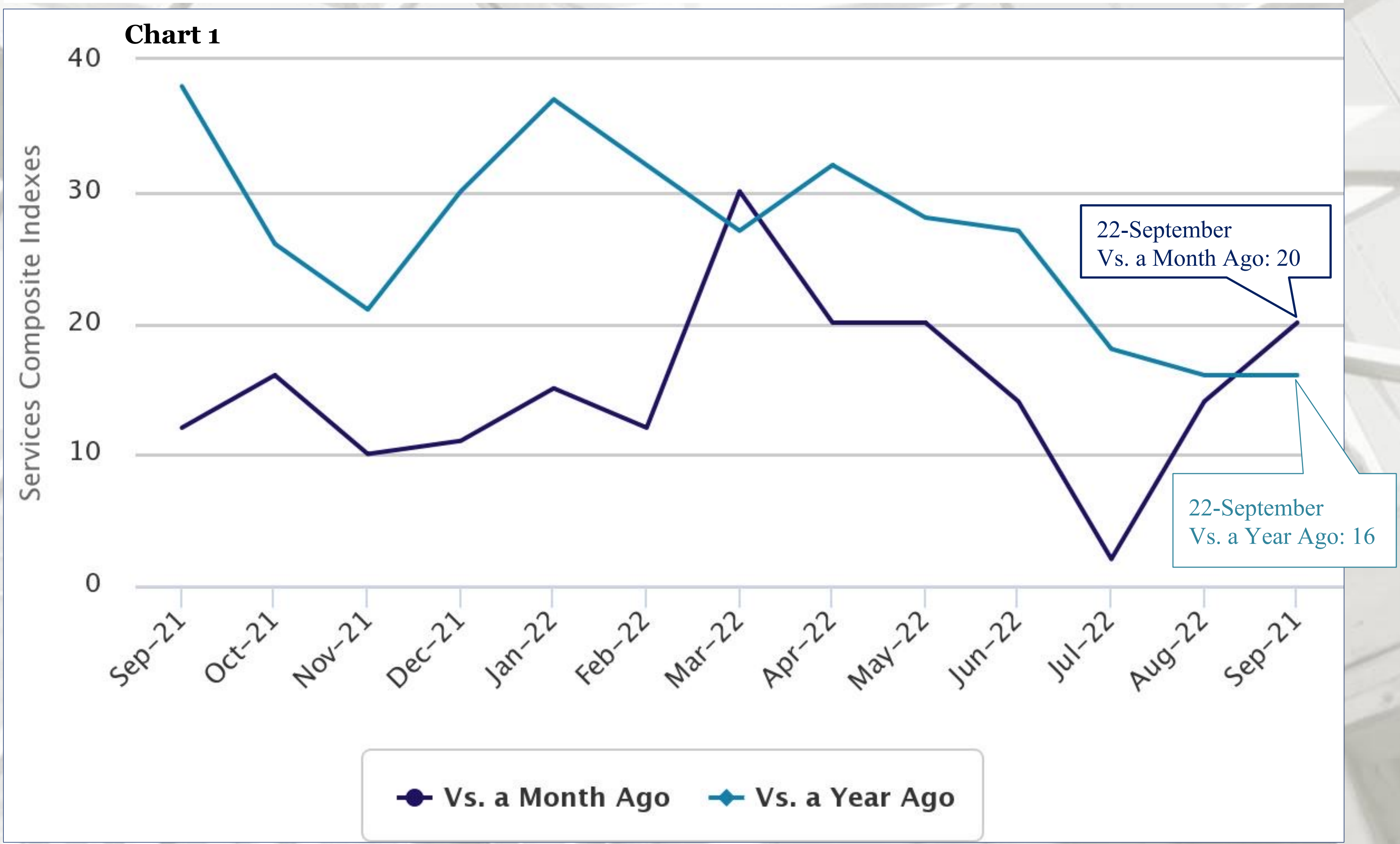
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 9/23/22

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The Federal Reserve Bank of New York

September Empire State Manufacturing Survey

Conditions Weaken

"Business activity declined modestly in New York State, according to firms responding to the October 2022 *Empire State Manufacturing Survey*. The headline general business conditions index fell eight points to -9.1. New orders, unfilled orders, and shipments were all little changed from last month. Delivery times held steady, and inventories inched higher. Labor market indicators pointed to a small increase in employment and the average workweek. Input price increases picked up, while the pace of selling price increases held steady. Looking ahead, firms do not expect business conditions to improve over the next six months.

Manufacturing activity declined in New York State, according to the October survey. The general business conditions index fell eight points to -9.1. Twenty-three percent of respondents reported that conditions had improved over the month, and thirty-two percent reported that conditions had worsened. The new orders index was unchanged at 3.7, indicating a slight increase in orders, while the shipments index plunged twenty points to -0.3, pointing to a levelling off of shipments after they increased significantly last month. The unfilled orders index came in at -3.7, indicating that unfilled orders were slightly lower. The delivery times index held near zero for a third consecutive month, indicating that delivery times held steady. The inventories index edged down to 4.6, a sign that inventories increased just slightly." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 10/17/21

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The Federal Reserve Bank of New York

September Empire State Manufacturing Survey

Input Price Increases Pick Up

"The index for number of employees was little changed at 7.7, pointing to a modest increase in employment levels, and the average workweek index climbed to 3.3, signaling a slight increase in hours worked. After falling significantly over the prior three months, the prices paid index rose nine points to 48.6. The prices received index held steady at 22.9.

Conditions Not Expected To Improve

The index for future business conditions fell ten points to -1.8, indicating that firms do not expect conditions to improve over the next six months. The indexes for future new orders and shipments remained depressed, though employment is expected to continue to increase. Delivery times are expected to shorten, and increases in capital spending are planned for the months ahead." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 10/17/21

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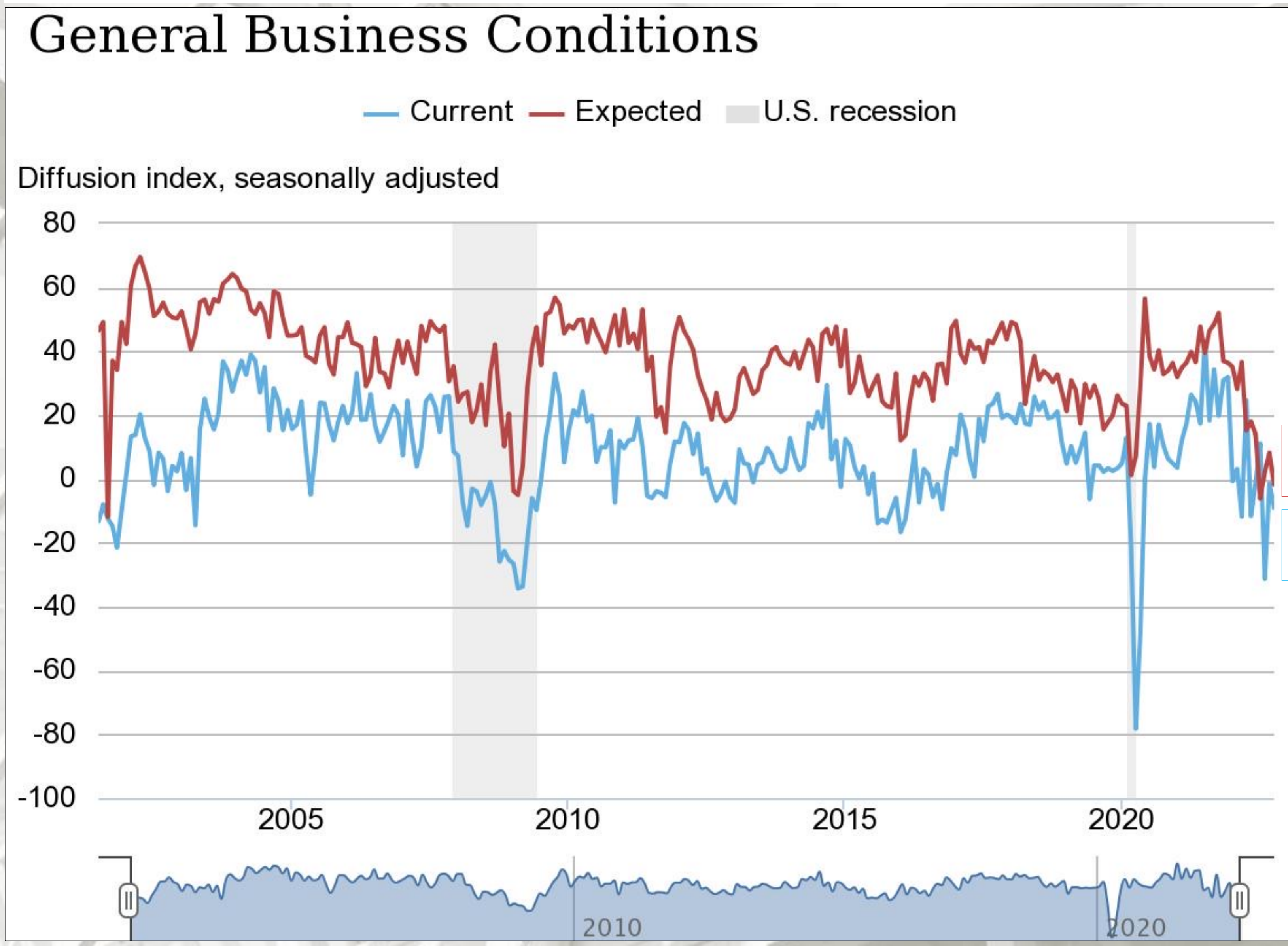
The Federal Reserve Bank of New York



October 2022
-1.8

October 2022
-9.1

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 10/17/21

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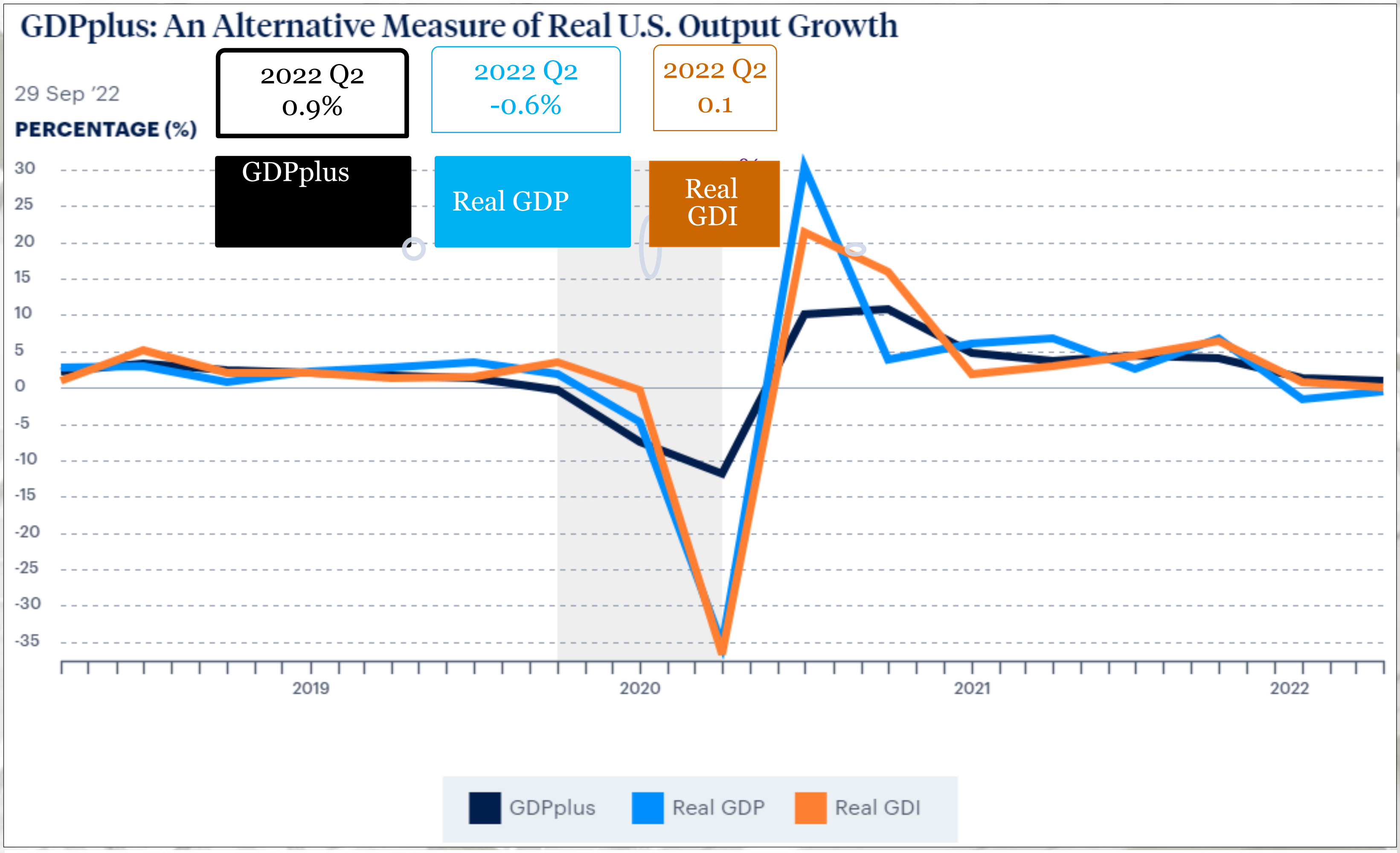
The Federal Reserve Bank of Philadelphia: GDPplus



Notes: Shaded areas indicate NBER recessions. The data measure the quarter-over-quarter growth rate in continuously compounded annualized percentage points.

Sources: Bureau of Economic Analysis (BEA) and NBER via Haver Analytics. Federal Reserve Bank of Philadelphia.

Source: https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/gdpplus; 9/29/22

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Manufacturing Activity Was Flat in September

“Many Fifth District manufacturing firms reported little change in activity in September, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index rose from −8 in August to 0 in September, matching its July level. Two of its three component indexes improved notably: the indexes for shipments and volume of new orders rose from −8 and −20 in August to 14 and −11 in September, respectively. However, the third component, the employment index, fell to 0 from 11 in September, as hiring challenges persisted

The wage index also increased dramatically, surpassing its July and August levels. The local business conditions index rose but remained negative in September, moving from −14 to −5. Firms’ expectations of conditions over the next six months, too, saw a small increase but remained negative.

There was not much indication of supply chain relief since August, as the indexes for vendor lead time and backlog of orders remained steady, although both have improved dramatically since earlier this year.

On a positive note, the average growth rate of prices paid and prices received both decreased markedly in September, as expectations for both over the next 12 months changed little from August.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/27/22

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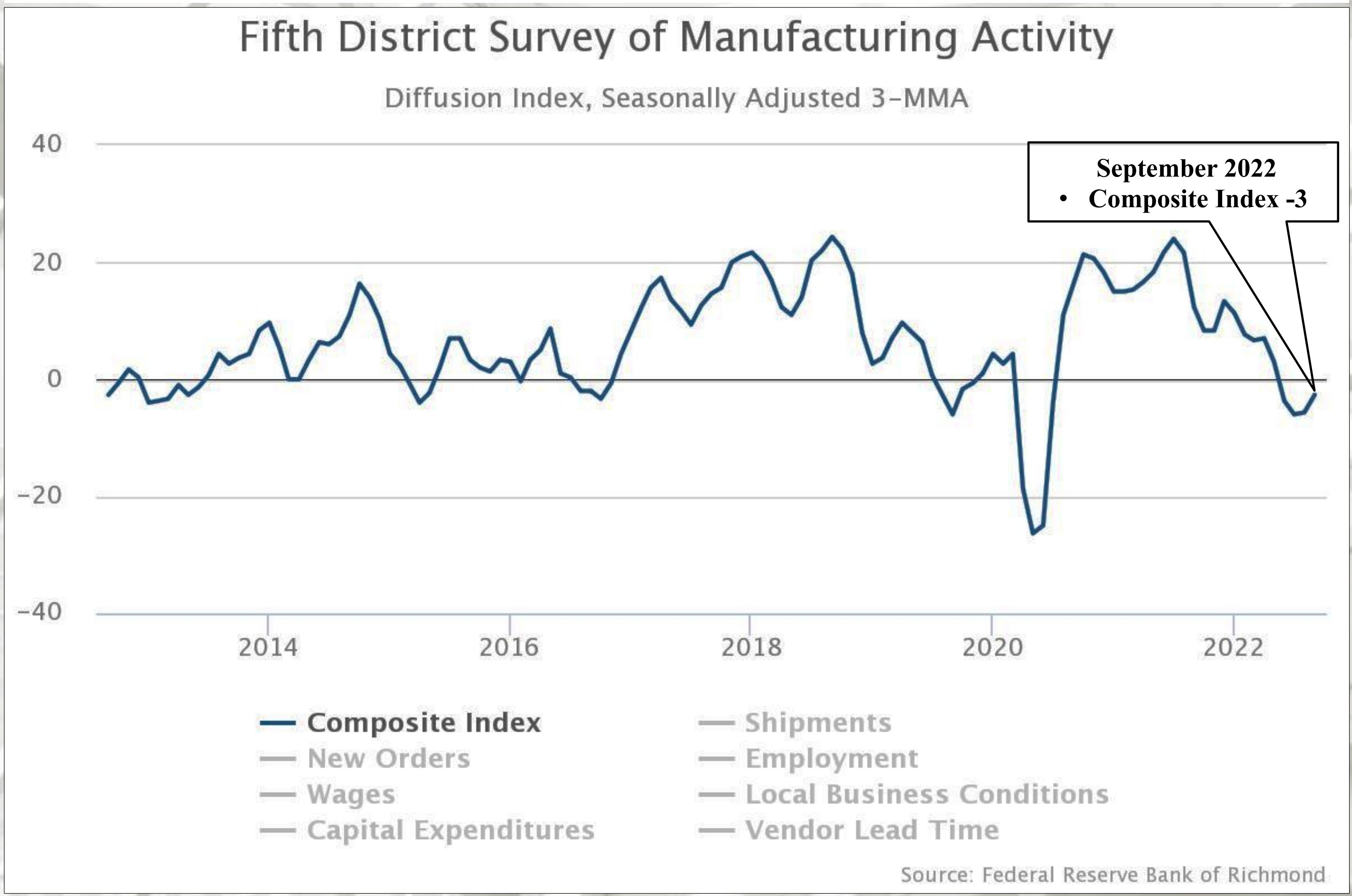
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/27/22

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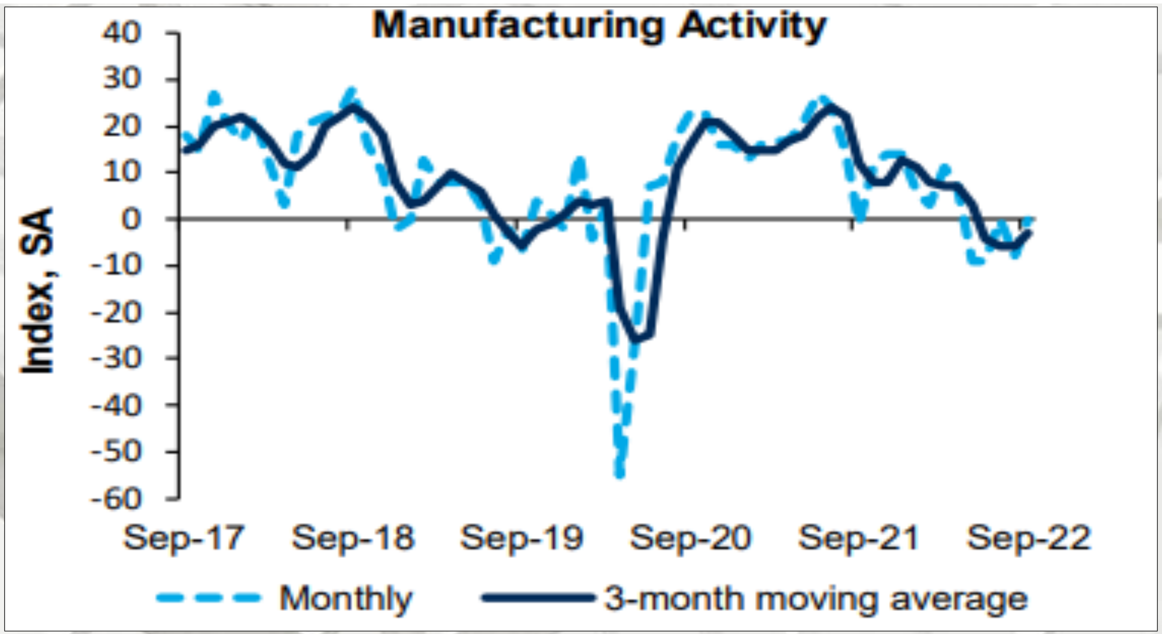
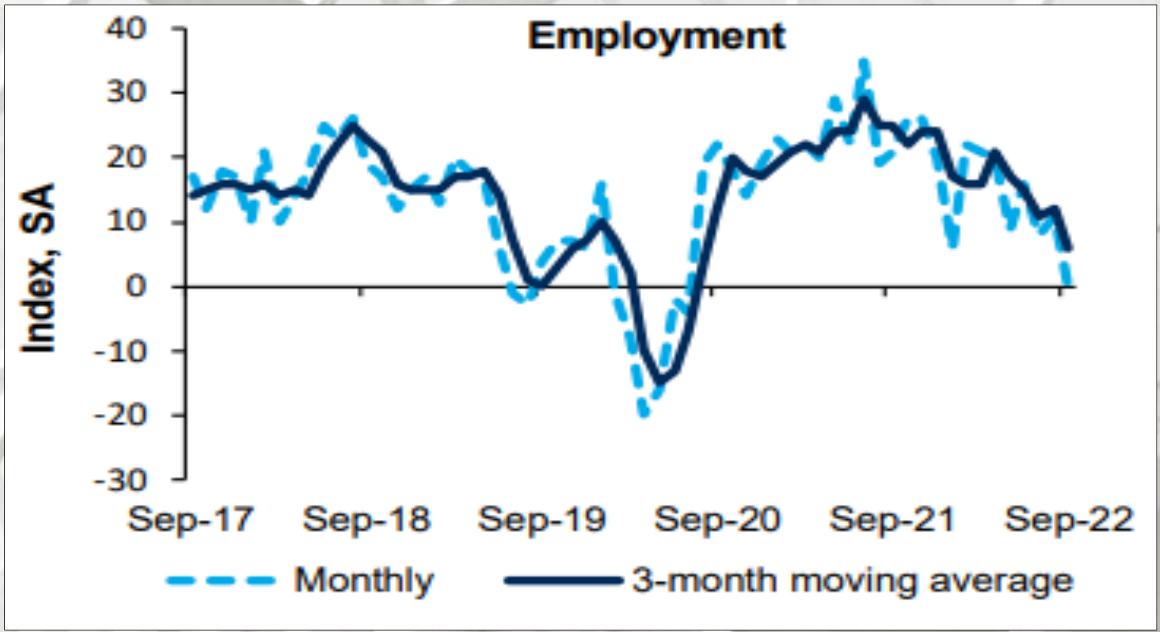
U.S. Economic Indicators





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/27/22

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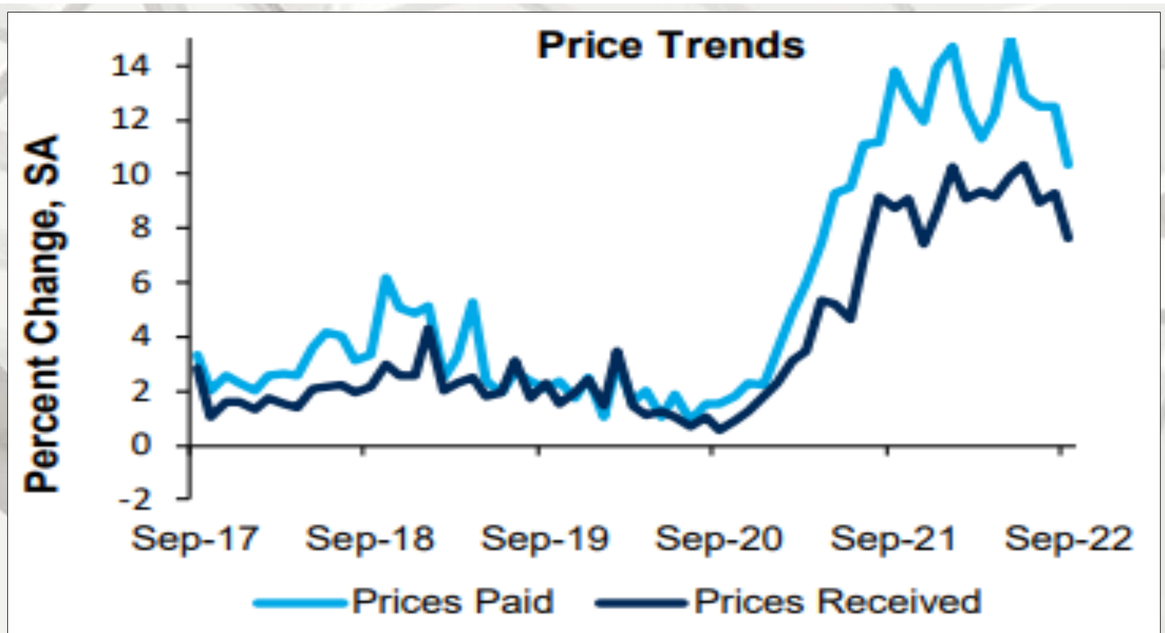
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/27/22

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Service Sector Activity Saw Modest Improvements in September

"Fifth District service sector activity improved modestly in September, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues and demand indexes increased notably to 0 and 5, after being negative in July and August. Furthermore, optimism that revenues and demand will improve over the next six months continued to increase in September, with both expectations indexes moving further into positive territory. The indexes for capital and equipment & software expenditures edged up slightly, while the index for services expenditures decreased mildly.

Firms' assessments of local business conditions continued to improve from August, with a reading of −2 in September. Moreover, firms were less pessimistic about future business conditions, as the expected business conditions index rose to −9 from −18, a dramatic improvement from −31 in July.

A slightly larger share of firms reported increased hiring in September, but their ability to find workers with the necessary skills deteriorated. Firms were split on the issue of labor availability over the next six months and expect elevated wages to persist. On the other hand, growth in prices paid and prices received decreased in September." – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 9/27/22

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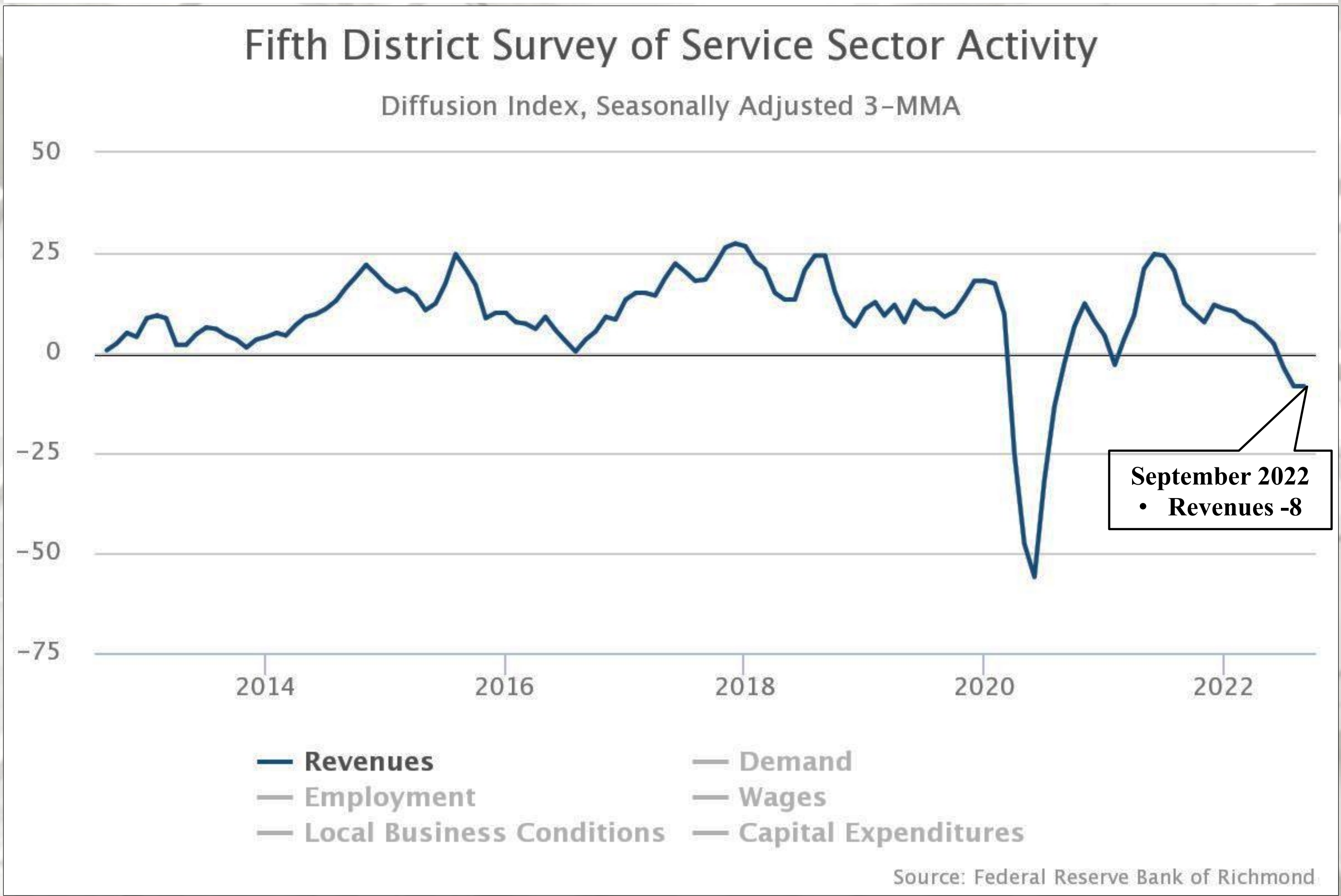

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 9/27/22

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U.S. Global Economic Indicators

The Federal Reserve Bank of Dallas

México Economic Update

México's Economy Slightly Improves; Outlook Deteriorates

"México's proxy for monthly GDP averaged 0.2 percent during July and August, a slight improvement over the previous two months. However, the possibility of a U.S. recession, inflationary pressures, weak investment and monetary tightening are headwinds for the Méxican economy. The consensus forecast for 2022 GDP growth (fourth quarter/fourth quarter), compiled by Banco de México, fell in August to 1.8 percent (*Table 1*). The latest data available show growth in industrial production, retail sales, remittances and employment, while exports fell. In August and September, the peso strengthened a bit against the dollar, and inflation remained elevated.

Economic Activity Improves

The global economic activity index (IGAE) – the monthly proxy for GDP growth – grew 0.2 percent (month over month) on average over July and August, a slight acceleration from the previous two months' average decline of 0.3 percent (*Chart 1*). The pickup in activity was mainly due to the goods-producing sector (including manufacturing, construction and utilities), which increased 0.2 percent over July and August. Growth in service-related activities (including trade and transportation) was flat over the same period. On a year-over-year basis, IGAE rose 3.0 percent in August and 2.2 percent in July.

Industrial Production Ticks Up

The three-month moving average of México's industrial production (IP) index – which includes manufacturing, construction, oil and gas extraction, and utilities – increased 0.2 percent in July from June (*Chart 2*). On a month-over-month and unsmoothed basis, IP was up 0.4 percent in July while manufacturing IP increased 1.6 percent. North of the border, U.S. IP dipped 0.2 percent in August after rising 0.5 percent in July. The correlation between IP in México and the U.S. has increased considerably with the rise of intra-industry trade between the two countries since the early 1990s. México's manufacturing sector could experience a slowdown toward the end of the year, particularly if U.S. consumer demand decelerates as a result of high inflation and higher interest rates." – Jesus Cañas, Senior Business Economist, and Juliette Coia, Research Analyst; Research Department, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2022/2205.aspx; 10/6/22

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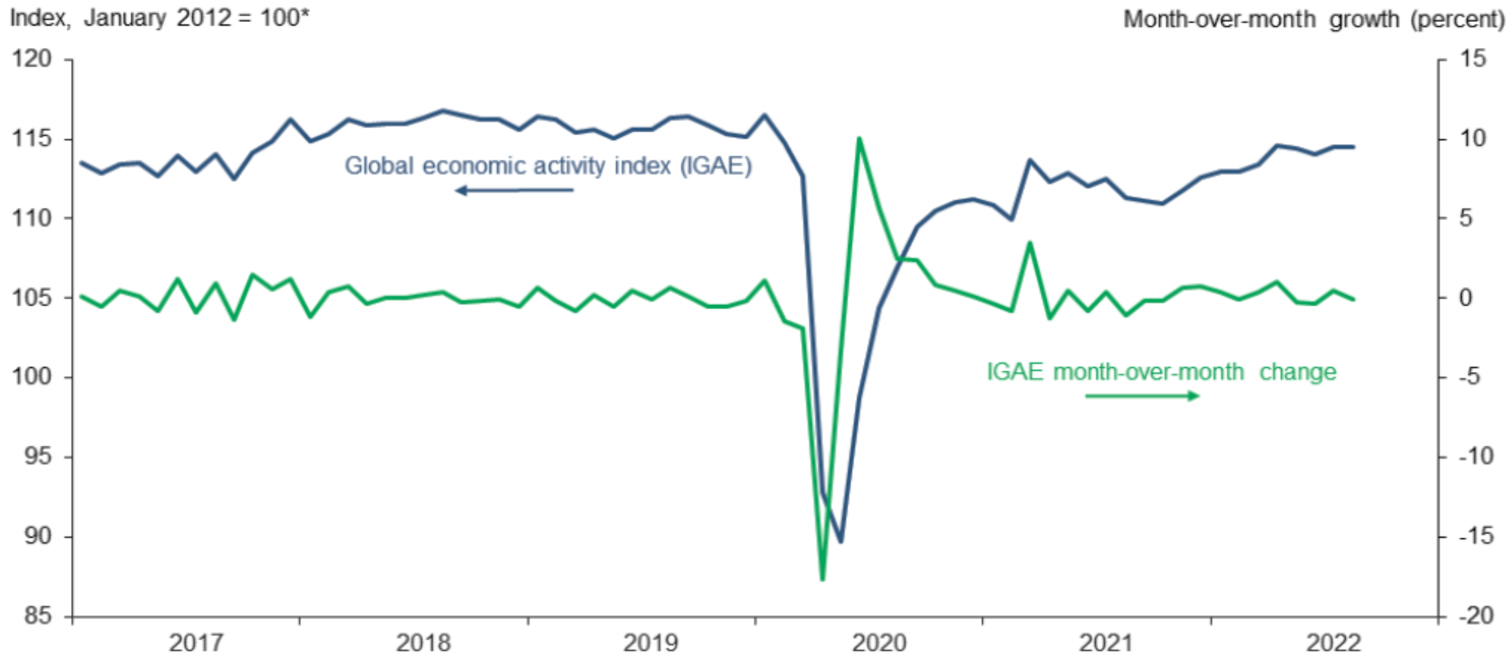
U.S. Global Economic Indicators

Table 1: Consensus Forecasts for 2022 México Growth, Inflation and Exchange Rate

	July	August
Real GDP growth (Q4/Q4)	2.0	1.8
Real GDP (average year/year)	1.8	1.9
CPI (Dec. '22/Dec. '21)	7.8	8.1
Exchange rate—pesos/dollar (end of year)	20.8	20.7

NOTE: CPI refers to consumer price index. The survey period was Aug. 16–30. The next quarterly GDP data will be available Oct. 30.
SOURCE: Encuesta sobre las Expectativas de los Especialistas en Economía del Sector Privado: Agosto de 2022 (communiqué on economic expectations, Banco de México, August 2022).

Chart 1
Economic Activity Flattens



*Seasonally adjusted; real pesos.
NOTE: Data are through June 2022. Data for July and August 2022 are estimated by the National Institute of Statistics and Geography (INEGI) using its timely indicator of economic activity (IOAE).
SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Source: https://www.dallasfed.org/research/update/mex/2022/2205.aspx; 10/6/22

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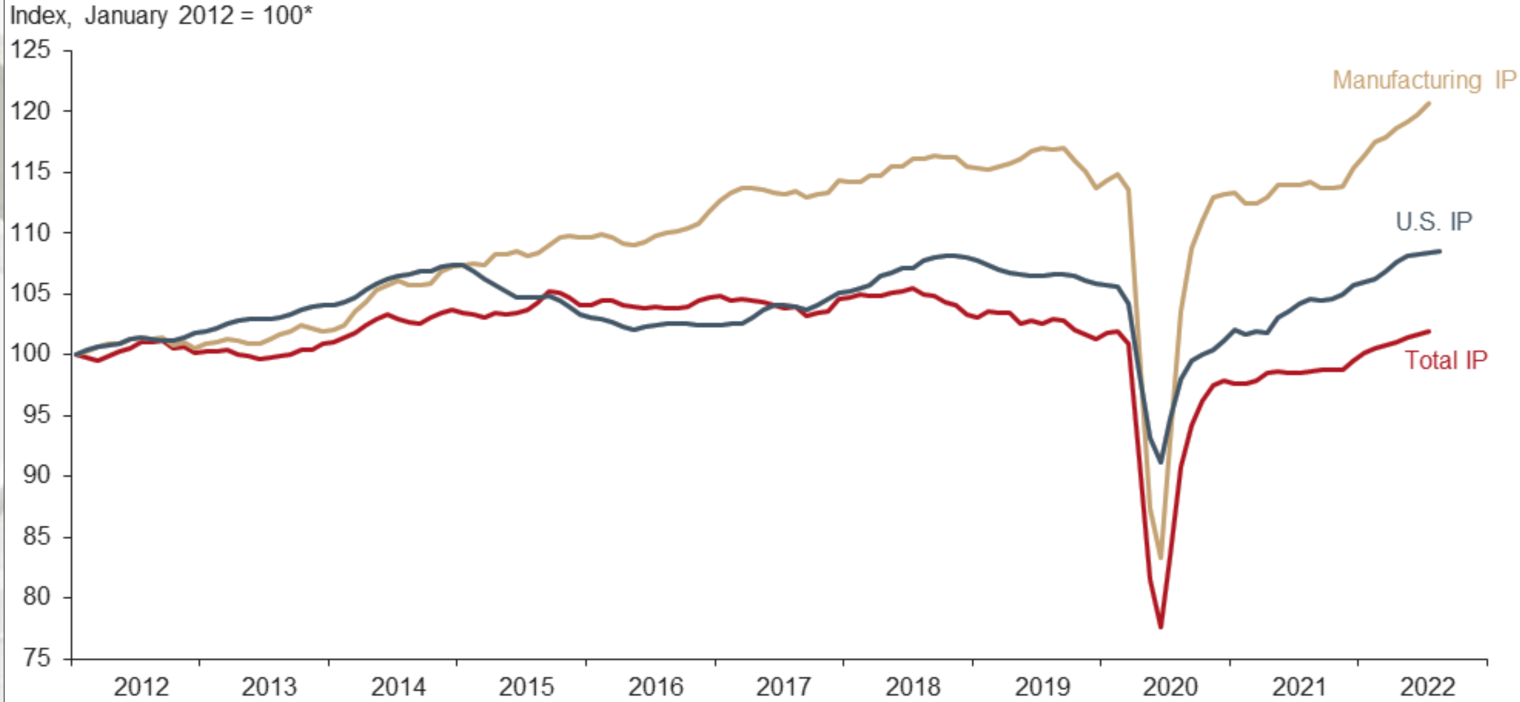
U.S. Global Economic Indicators

Chart 2
Industrial Production and Manufacturing Output Inch Up



*Seasonally adjusted, three-month moving average.
NOTES: Total and manufacturing IP refer to Mexico. U.S. IP refers to total industrial production in the United States. Mexico data are through July 2022; U.S. data are through August 2022.
SOURCES: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography); Federal Reserve Board.

Source: https://www.dallasfed.org/research/update/mex/2022/2205.aspx; 10/6/22

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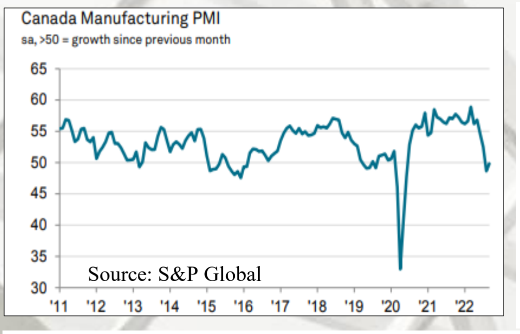
Private Indicators: Global



S&P Global Canada Manufacturing PMI®

"The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 49.8 in September, up from 48.7 in August, indicating a second monthly deterioration in manufacturing performance. The latest fall was only slight, however, with the headline figure improving from that seen in August and only fractionally below the 50.0 neutral value.

Manufacturing conditions continue to deteriorate

Latest data for Canada's manufacturing sector signalled another difficult month with output and new orders falling once again. Demand was hit by interest rate hikes and client uncertainty while firms grew less optimistic over their output expectations for the year-ahead. Subsequently, staffing levels, purchasing activity and inventory holdings all fell for the second month in a row. There were, however, positives on the price front with both input price and output charge inflation easing to 22-month lows. There were still reports of rising wage and material prices, however.

A solid reduction in new orders was central to the latest decline. According to panel comments, interest rate hikes, and weak macroeconomic conditions led clients to refrain from placing orders. A similar trend was seen with regards to exports which declined for the fourth month running. That said, the rate of contraction in both cases eased from those seen in the previous survey period. …

The close of the third quarter yielded a mixed bag of results for Canada's manufacturing sector with a backto-back deterioration in operating conditions recorded during September. Output and new orders continued to fall with the sector still feeling the repercussions of material shortages and delivery delays. Demand was once again hit by client hesitancy in the wake of rising interest rates and weak macroeconomic conditions. This led to a third monthly build-up of finished items held at Canadian manufacturing firms; the longest run in over eight years.

More concerning news came on the sentiment front with firms less optimistic about output levels in the next 12 months. Anecdotal evidence suggested that Canadian companies feared a recession which had led firms to reevaluate their growth projections. That said, not all is gloom and doom with latest data also pointing to a slowdown in inflation. Both output charge and input price inflation moderated to 22-month lows and were only just above their respective long-run series averages, suggesting tighter monetary policies are having the desired effect on price pressures." – Shreeya Patel, Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/5e0cbc6f56ce4ffe8f4dc98642db2667; 10/3/22

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Private Indicators: Global

Source: S&P Global

S&P Global Eurozone Manufacturing PMI®

"The S&P Global Eurozone Manufacturing PMI® fell to 48.4 in September, from 49.6 in August, signalling a further worsening of operating conditions for euro area goods producers. Moreover, the headline index slumped to its lowest level since June 2020.

Manufacturing sector downturn accelerates in September as Demand tumbles further and price pressures intensify

The euro area's manufacturing sector fell deeper into contraction territory during September, latest PMI® data from S&P Global showed, due to further slides in both output and new orders. In some cases, production volumes were reduced in response to high energy prices, while many firms downwardly adjusted their operating schedules in line with lower order books. Demand for eurozone goods sank sharply in September as high inflation and economic uncertainty reportedly squeezed client appetite. Business confidence subsequently fell to its lowest level since May 2020, leading firms to cut purchasing activity further in anticipation of more challenging conditions. Meanwhile, inflationary pressures accelerated in September. Although pressures arising from material shortages had reportedly faded slightly, many companies remarked on the rising costs for energy. …

The ugly combination of a manufacturing sector in recession and rising inflationary pressures will add further to concerns about the outlook for the eurozone economy. Excluding the initial pandemic lockdowns, eurozone manufacturers have not seen a collapse of demand and production on this scale since the height of the global financial crisis in early-2009. The downturn is being driven primarily by the surging cost of living, which is reducing spending power and hitting demand, but soaring energy prices are also increasingly limiting production at energy intensive manufacturers. Worse looks set to come, with orders slumping at a significantly steeper rate than production is being cut. Further steep production cuts look to be on the cards in the coming months unless demand revives.

The combination of rising costs and slumping demand has also pushed firms expectations for the year ahead sharply lower again in September, leading in turn to reduced input buying and lower jobs growth as firms prepare for a tough winter. The energy crisis has offset the easing of inflationary pressures from fewer supply delays in recent months. Input cost inflation re-accelerated after four months of cooling price pressures, putting further upward pressure on consumer price inflation" – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/7f7c7616023b42029707537a14443b78; 10/3/22

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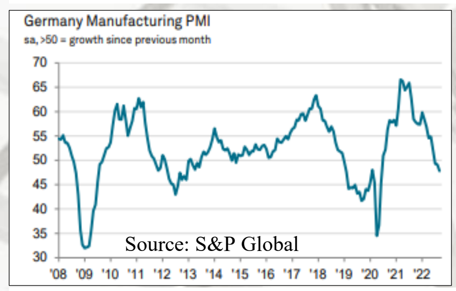
Private Indicators: Global



S&P Global/BME Germany Manufacturing PMI®

"The headline the seasonally adjusted S&P Global/BME Germany Manufacturing PMI® – a single-figure measure of sector performance derived from measures of new orders, output, employment, suppliers' delivery times and stocks of purchases – sank deeper into sub-50 contraction territory in September, falling from August's 49.1 to 47.8. This was its lowest reading since June 2020.

Conditions worsen across manufacturing amid steep drop in new orders and surge in energy prices

The health of Germany's manufacturing sector took a further turn for the worse in September, latest PMI® survey data showed, with the downturn in new orders deepening and soaring energy prices driving up the rate of input cost inflation. Amid a further easing of supply-side constraints, the rate of decline in output was the weakest for three months in September. However, firms' expectations towards future production sank sharply to their lowest since May 2020, with rising stocks of finished goods and risks around energy supply each boding ill for growth prospects.

Driving the decline in the headline PMI was a faster fall in new orders. September saw inflows of new work at German manufacturers decrease for the sixth month in a row and to the greatest extent since May 2020. Anecdotal evidence indicated that sharply rising prices and the deteriorating economic outlook had led to a growing number of customers either postponing or cancelling orders. The downturn in new export orders was likewise the deepest for almost two-and-a-half years, with a number of firms commenting on weaker demand from China. …

September's PMI survey indicated a sustained downturn in Germany's manufacturing sector, with goods producers coming under pressure from a deepening decline in demand as well as an energy-led rise in cost inflation. Amid reports of improvement in the availability of some materials, there was a degree of resilience in output levels, which showed the shallowest decline for three months as firms worked through order backlogs and accumulated stocks of finished goods. However, the soaring cost of energy, which has already led some businesses to cut production, caused alarm bells, with manufacturers' expectations for future output plummeting in September following the shutdown of the Nord Stream 1 pipeline.

The surge in energy prices put paid to the steady slowdown in input cost inflation seen over recent months, causing it to re-accelerate to a three-month high in September. If demand continues falling in the months ahead as businesses are expecting, the passthrough of higher costs will inevitably become more and more difficult, thereby squeezing margins. Indeed, we're already getting reports of some manufacturers trying to improve cashflow by running down stocks of purchases." – Phil Smith, Principal Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/5d0d5d29df034093b4ac76f8f47940b7; 10/3/22

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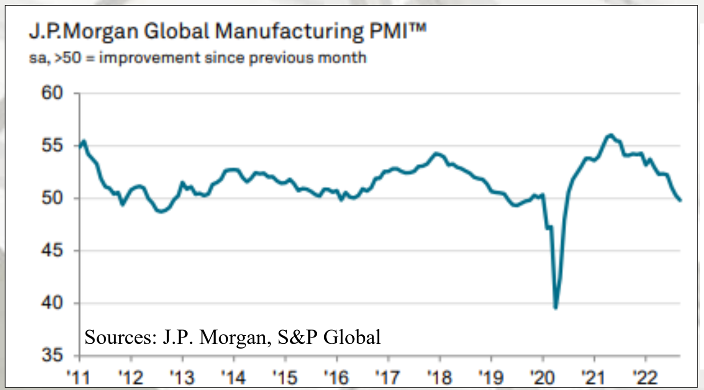
Private Indicators: Global



J.P. Morgan Global Manufacturing PMI™

"The J.P. Morgan Global Manufacturing PMI™ – a composite index produced by J.P. Morgan and S&P Global in association with ISM and IFPSM – fell to 49.8 in September, down from 50.3 in August. This is the first time that the headline PMI has posted below the neutral 50.0 mark since June 2020.

Global manufacturing downturn continues as output and new orders fall further

Global manufacturing production decreased for the second successive month in September, as intakes of new work deteriorated and international trade flows contracted. The rate of contraction in output accelerated to the fastest since April, when lockdowns in mainland China disrupted global production growth. Barring the pandemic lockdown months in the first half of 2020, the latest decline was the steepest since 2012.

Production decreased in two of the three sub-sectors covered by the survey (intermediate and investment goods). The steeper contraction was at intermediate goods producers, where output fell at the quickest pace in over two years. The decline in investment goods production was only marginal, while the consumer goods category saw a mild uptick. Output rose in only ten of the 30 economies for which data are available, including the US, Brazil, India, Russia and Australia. Production losses were seen in the China, Japan, the euro area and the UK (among others). New orders and new export business both fell at faster rates in September, the steepest downturns signalled by both demand measures since June 2020. Finished goods inventories continued to rise amid weaker than anticipated sales. …

The global manufacturing PMI saw output and new orders lose further ground in September, suggesting that global industrial production is slipping into recession. The orders-to-inventory ratio fell to another multi-year low last month as excess capacity continued to build at factories. The ongoing rise in stock-building is a worrying sign that demand is faltering and will weigh on activity deeper into 2H22. The September surveys offered a few silver linings, including signs of improving supply chain conditions and resilience in the labor market" – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/3760cf0d3e5f449dbfe06bdb7ca1933d; 10/3/22

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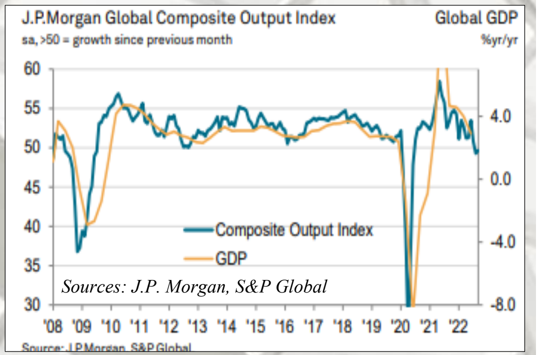
Private Indicators: Global



J.P. Morgan Global Composite PMI™

"The J.P. Morgan Global Composite Output Index – produced by J.P. Morgan and S&P Global in association with ISM and IFPSM – posted 49.7 in September, up from August's 26-month low of 49.3. Three out of the six sub-sectors covered registered contractions – consumer services, intermediate goods and investment goods – with the first two also seeing steeper rates of decrease than during the prior survey month. Growth was recorded in the consumer goods, business services and financial services categories, with the fastest rate of expansion in the latter.

Global economic activity declines for second successive month in September

September saw the level of global economic activity contract for the second successive month, as output fell more quickly manufacturers but stabilised at service providers. However, the rate of overall decline eased slightly since August, reflecting a marked easing in the downturn in the US and return to growth in Japan. … The level of incoming new business was unchanged during September, as a further decrease in manufacturing was offset by a modest increase at service providers. The trend in new export orders remained a drag on overall new work intakes, declining at the steepest pace since June 2020. Decreases were seen in both the manufacturing and service sectors, with the sharper downturn in the former. The US, the euro area, Japan, the UK and Brazil were among the larger economies to see new export business fall.

Business optimism was unchanged from August's three-month high during September. Confidence levels were generally weaker in manufacturing sub-sectors compared to their service industry counterparts, however. …

The September PMIs signaled sluggishness in global economic activity, as the downturn in the industrial sector continued and service sector activity remained subdued. There were some positive developments in the surveys, however, as the labor market showed resilience. The pricing data show modest easing in inflationary pressure, which should provide some welcome respite from the ongoing purchasing power squeeze in the months ahead." – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/c8897896b54048eea7474b01c3d37b57; 10/5/22

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Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Down 0.4% in August

"National nonresidential construction spending was down 0.4% in August, according to an Associated Builders and Contractors analysis of data published by the U.S. Census Bureau. On a seasonally adjusted annualized basis, nonresidential spending totaled $859.3 billion for the month.

Spending was down on a monthly basis in 10 of 16 nonresidential subcategories. Private nonresidential spending was down 0.1%, while public nonresidential construction spending was down 0.8% in August.

"The disparity between high contractor confidence and worrisome macroeconomic outcomes persists," said ABC National Chief Economist Anirban Basu. "According to ABC's Construction Confidence Index and Backlog Indicator, many contractors remain in expansion mode and expect to experience rising sales and profit margins going forward. Many also expect their employment levels to be higher in six months.

"But the nonresidential construction data indicate that consistent spending growth remains elusive," said Basu. "Given the rising costs of project financing and delivering construction services, that is not surprising. Arguably, it is contractor confidence that is counterintuitive.

"Reconciling strong microeconomic perspective with weak macroeconomic outcomes involves looking at segment-specific data," said Basu. "While some segments like office and lodging continue to struggle in the context of behavioral shifts wrought by the pandemic, other segments are showing significant momentum. This is especially apparent in certain public construction segments like water/sewer, highway/street and flood control."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19626/nonresidential-construction-spending-down-04-in-august-says-abc; 10/3/22

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Private Indicators
Associated Builders and Contractors

Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate					
	August 2022	July 2022	August 2021	1-Month % Change	12-Month % Change
Total Construction	$1,781,278	$1,793,514	$1,641,600	-0.7%	8.5%
Residential	$921,993	$930,948	$820,597	-1.0%	12.4%
Nonresidential	$859,285	$862,565	$821,003	-0.4%	4.7%
Lodging	$18,155	$17,868	$16,642	1.6%	9.1%
Sewage and waste disposal	$32,575	$32,133	$29,111	1.4%	11.9%
Conservation and development	$9,316	$9,204	$7,898	1.2%	18.0%
Religious	$2,895	$2,869	$2,724	0.9%	6.3%
Amusement and recreation	$26,351	$26,194	$24,210	0.6%	8.8%
Communication	$24,443	$24,374	$24,798	0.3%	-1.4%
Transportation	$55,342	$55,355	$55,537	0.0%	-0.4%
Commercial	$112,807	$112,909	$94,686	-0.1%	19.1%
Health care	$52,058	$52,259	$48,234	-0.4%	7.9%
Educational	$96,135	$96,525	$95,866	-0.4%	0.3%
Office	$85,438	$85,859	$86,205	-0.5%	-0.9%
Manufacturing	$97,194	$97,803	$79,997	-0.6%	21.5%
Power	$107,522	$108,417	$123,100	-0.8%	-12.7%
Highway and street	$103,001	$104,277	$100,644	-1.2%	2.3%
Water supply	$24,515	$24,822	$19,890	-1.2%	23.3%
Public safety	$11,540	$11,697	$11,461	-1.3%	0.7%
Private Nonresidential	$513,051	$513,555	$486,177	-0.1%	5.5%
Public Nonresidential	$346,234	$349,010	$334,826	-0.8%	3.4%

Source: U.S. Census Bureau

Source: https://www.abc.org/News-Media/News-Releases/entryid/19626/nonresidential-construction-spending-down-04-in-august-says-abc; 10/3/22

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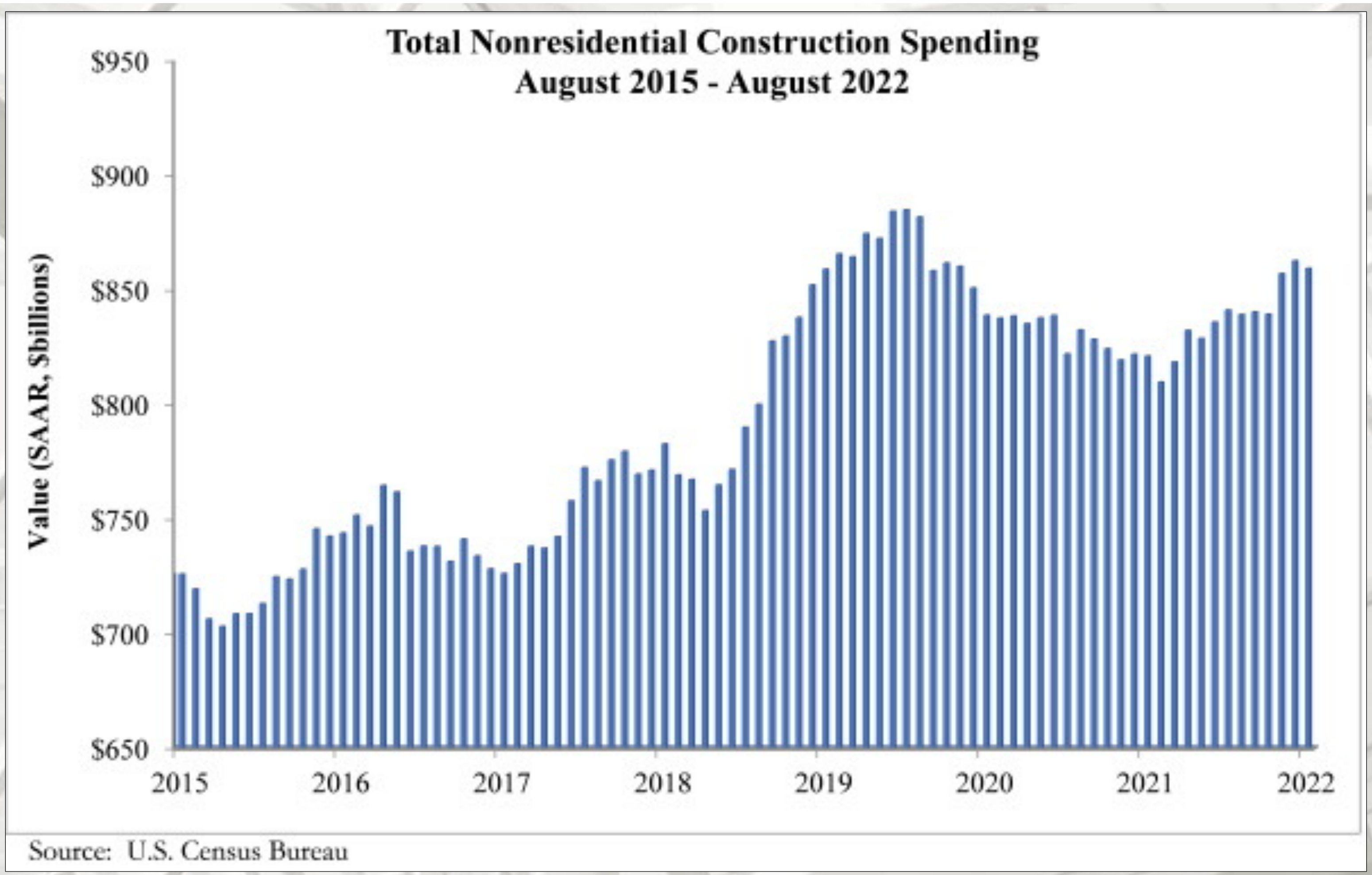
Private Indicators
Associated Builders and Contractors



Source: https://www.abc.org/News-Media/News-Releases/entryid/19626/nonresidential-construction-spending-down-04-in-august-says-abc; 10/3/22

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Jumps in September; Contractor Confidence Remains Steady

"Associated Builders and Contractors reports today that its Construction Backlog Indicator increased to 9.0 months in September, according to an ABC member survey conducted Sept. 20 to Oct. 5. The reading is 1.4 months higher than in September 2021.

Backlog reached its highest level since May 2022 and is once again above the level observed at the start of the pandemic (8.9 months in February 2020). Backlog in heavy industrial increased sizably in September, spurred by a 21.5% year-over-year increase in manufacturing-related construction spending.

ABC's Construction Confidence Index readings for profit margins and staffing levels increased in September, while the reading for sales moved slightly lower. All three readings remain above the threshold of 50, indicating expectations of growth over the next six months.

"The construction confidence and backlog metrics appear strong despite the U.S. economy facing headwinds like inflation, financial market volatility and rapidly rising borrowing costs," said ABC Chief Economist Anirban Basu. "Contractors remain decidedly upbeat, with backlog expanding and expectations for rising sales, employment and profit margins over the next six months."

"One would think the recent surge in interest rates would be enough to dampen contractor confidence," said Basu. "Instead, project owners continue to move forward with a significant number of projects. Faced with high demand for their services, contractors continue to show pricing power, helping to offset rising compensation and other construction delivery costs."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19644/abcs-construction-backlog-indicator-jumps-in-september-contractor-confidence-remains-steady; 10/11/22

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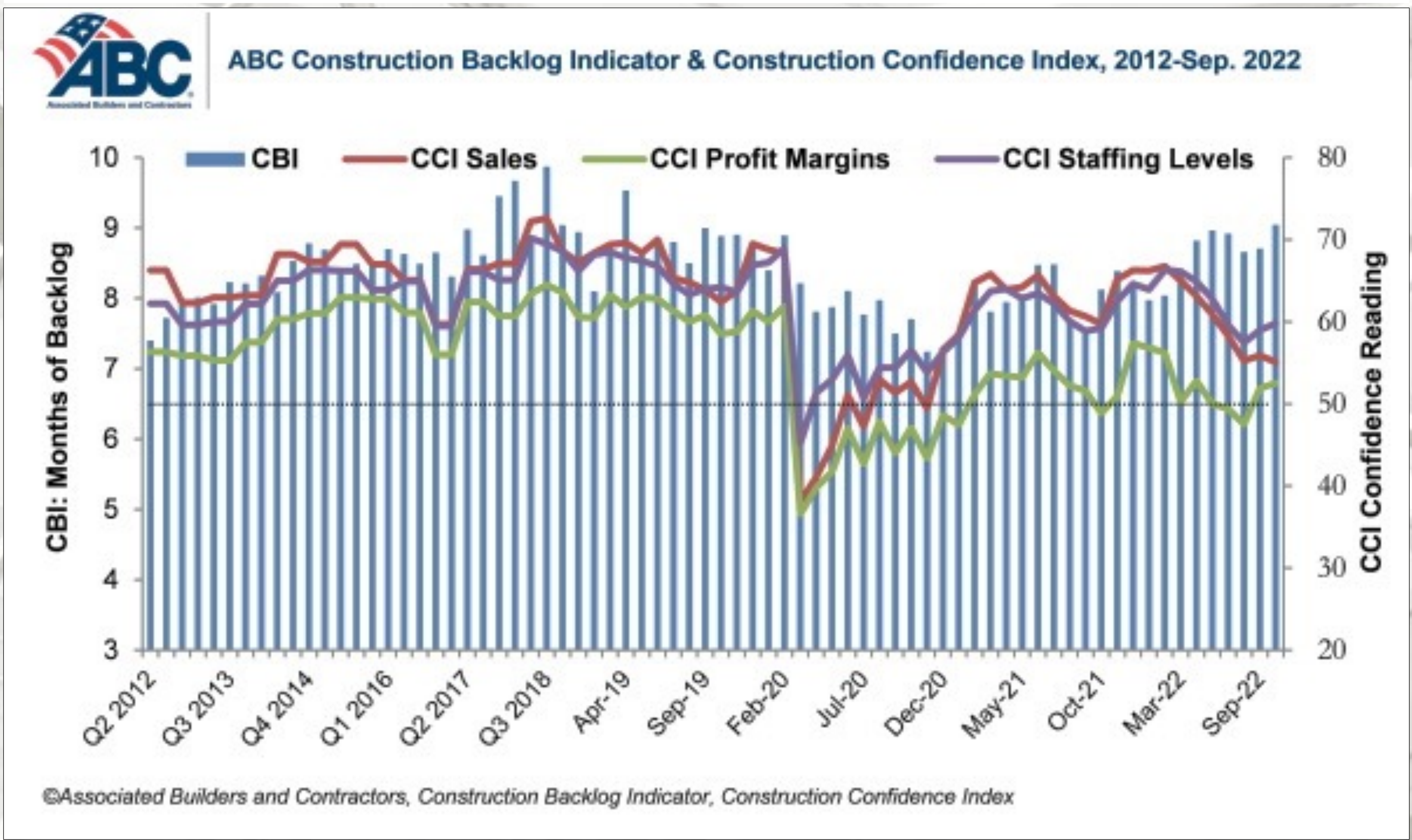
Private Indicators
Associated Builders and Contractors



Source: https://www.abc.org/News-Media/News-Releases/entryid/19644/abcs-construction-backlog-indicator-jumps-in-september-contractor-confidence-remains-steady; 10/11/22

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Private Indicators
Associated Builders and Contractors

Construction Backlog Indicator

	Sep. 2022	Aug. 2022	Sep. 2021	1-Month Net Change	12-Month Net Change
Total	**9.0**	**8.7**	**7.6**	**0.3**	**1.4**
Industry					
Commercial & Institutional	9.4	9.1	7.8	0.3	1.6
Heavy Industrial	8.5	7.4	7.5	1.1	1.0
Infrastructure	7.2	8.2	7.4	-1.0	-0.2
Region					
Middle States	7.2	7.2	6.7	0.0	0.5
Northeast	9.4	8.0	6.6	1.4	2.8
South	10.7	10.9	10.3	-0.2	0.4
West	8.4	9.1	6.3	-0.7	2.1
Company Size					
<$30 Million	8.0	7.8	6.8	0.2	1.2
$30-$50 Million	10.0	10.0	7.8	0.0	2.2
$50-$100 Million	11.2	13.1	11.1	-1.9	0.1
>$100 Million	13.4	13.9	10.6	-0.5	2.8

Source: https://www.abc.org/News-Media/News-Releases/entryid/19644/abcs-construction-backlog-indicator-jumps-in-september-contractor-confidence-remains-steady; 10/11/22

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Private Indicators
Associated Builders and Contractors

Construction Confidence Index

Response	September 2022	August 2022	September 2021
CCI Reading			
Sales	55.1	55.9	60.7
Profit Margins	52.5	51.9	51.6
Staffing	59.8	59.0	58.9
Sales Expectations			
Up Big	6.6%	3.8%	6.8%
Up Small	40.5%	47.3%	49.4%
No Change	25.6%	23.7%	25.3%
Down Small	21.1%	19.4%	16.9%
Down Big	6.2%	5.9%	1.7%
Profit Margin Expectations			
Up Big	4.4%	2.7%	2.5%
Up Small	30.8%	34.9%	33.3%
No Change	38.8%	34.9%	36.7%
Down Small	22.5%	22.0%	22.8%
Down Big	3.5%	5.4%	4.6%
Staffing Level Expectations			
Up Big	4.8%	5.9%	3.4%
Up Small	44.9%	39.8%	43.0%
No Change	36.6%	40.3%	40.9%
Down Small	11.9%	12.4%	11.0%
Down Big	1.8%	1.6%	1.7%

Source: https://www.abc.org/News-Media/News-Releases/entryid/19644/abcs-construction-backlog-indicator-jumps-in-september-contractor-confidence-remains-steady; 10/11/22

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index August 2022

Billings continue to grow at architecture firms

Client willingness to invest in improving energy efficiency
has increased in recent years

"Business conditions remained generally strong at architecture firms in August. The Architecture Billings Index (ABI) score for the month ticked back up to 53.3 from 51.0 in July, as more firms reported an increase in billings. Inquiries into new projects also increased modestly in August from July, while the value of new design contracts held steady at the same rate of growth it has been at for the last two months. Many firms are still struggling to find enough employees to meet the amount of work they have coming in." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

"While a strengthening billings score is encouraging, the flat scoring across regions and sectors is indicative of a nationwide deceleration over the next several months. A variety of economic storm clouds continue to gather, but since design activity continues to increase, we can expect at least another nine to 12 month runway before building construction activity is negatively affected." – Kermit Baker, Chief Economist, AIA

Source: https://www.aia.org/pages/6546765-abi-august-2022-billings-continue-to-grow-; 9/21/22

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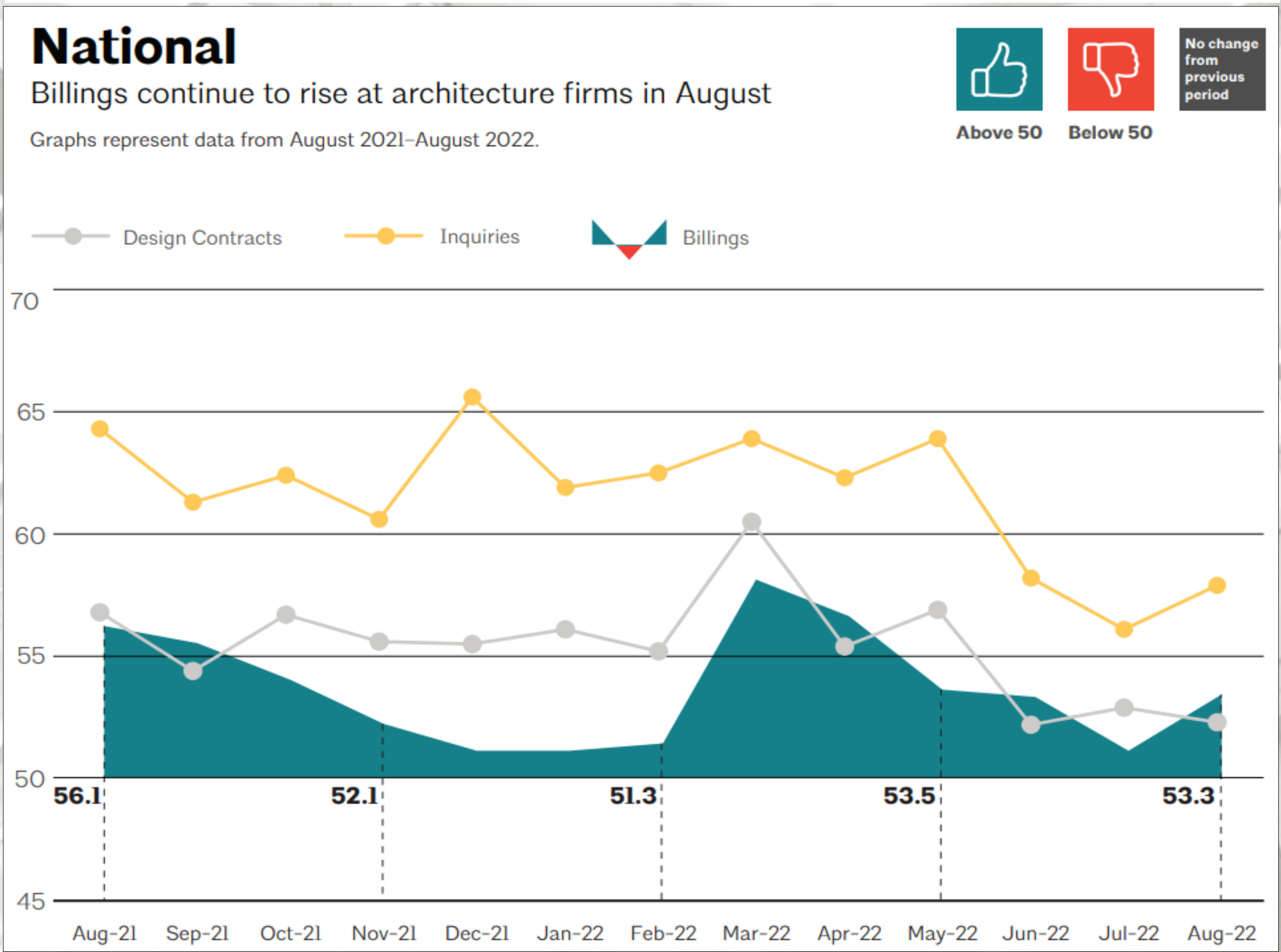
Private Indicators
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6546765-abi-august-2022-billings-continue-to-grow-; 9/21/22

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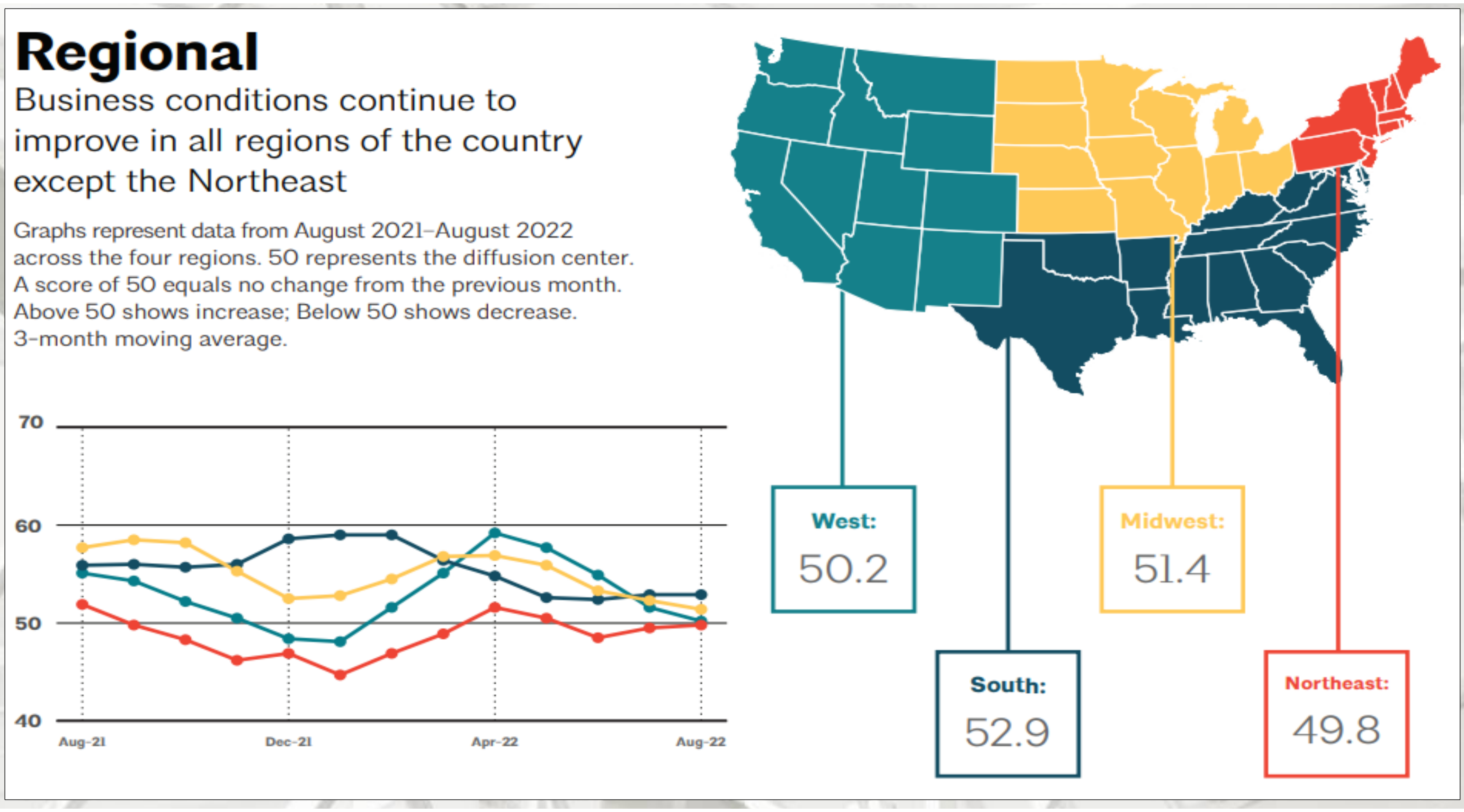
Private Indicators: AIA



Region

"However, business conditions remain mixed by region of the country. Billings softened for the third consecutive month at firms located in the Northeast in August, and have declined for all but two months of the year so far. And while billings continued to rise at firms located in the West, fewer firms reported billings growth in August than they have in several months, and the pace of growth also declined slightly at firms located in the Midwest. Business conditions held steady at firms located in the South, where they were strongest overall for the second month in a row." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6546765-abi-august-2022-billings-continue-to-grow-; 9/21/22

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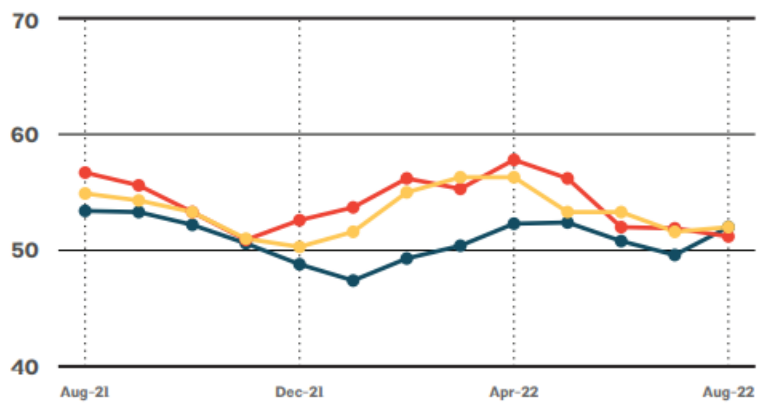
Private Indicators: AIA

Sector

Firms of all specializations still experiencing billings growth

Graphs represent data from August 2021–August 2022 across the three sectors. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



Commercial/Industrial: 51.2

Institutional: 52.0

Residential: 52.0

Sector

"In addition, firms of all specializations reported an increase in billings in August, with the strongest conditions reported by firms with multifamily residential and institutional specializations." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6546765-abi-august-2022-billings-continue-to-grow-; 9/21/22

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Private Indicators

Dodge Data & Analytics

Total Construction Starts Fall in August

Single family starts drag as starts stabilize following a robust July

"Total construction starts fell 9% in August to a seasonally adjusted annual rate of $1.25 trillion, according to Dodge Construction Network. The decline, however, comes on the heels of a massive increase in July that saw the start of three large manufacturing plants and two LNG export facilities. In August, nonresidential building starts rose 7%, residential starts were 1% higher, while nonbuilding starts lost 36%.

Year-to-date, total construction was 16% higher in the first eight months of 2022 compared to the same period of 2021. Nonresidential building starts rose 35% over the year, residential starts were 1% higher, and nonbuilding starts were up 21%.

For the 12 months ending August 2022, total construction starts were 15% above the 12 months ending August 2021. Nonresidential starts were 33% higher, residential starts gained 4%, and nonbuilding starts were up 15%.

"While construction starts activity continues to be dominated by mega-projects like chip fabrication plants, the middle and lower end of the value spectrum is holding up well," said Richard Branch, chief economist for Dodge Construction Network. "This is a sign that organic growth in the construction sector has not yet been undermined by the concern of a potential recession in 2023. While higher interest rates may undo this support in the coming months, the industry is in a very good position to continue modest growth."" – Nicole Sullivan, Public Relations & Social Media, AFFECT

Source: https://www.construction.com/news/August-2022-Starts; 9/22/22

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Private Indicators

Dodge Data & Analytics

"**Residential building starts** rose 1% in August to a seasonally adjusted annual rate of $400.7 billion. Single family starts lost 10%, while multifamily starts gained 19%. Through the first eight months of 2022, residential starts were 1% higher than during the same timeframe in 2021. Multifamily starts were up 28%, while single family housing slipped 8%.

For the 12 months ending August 2022, residential starts improved 4% from the same period ending August 2021. Single family starts were 6% lower, while multifamily starts were 33% stronger on a 12-month rolling sum basis.

The largest multifamily structures to break ground in August were the $700 million Aria Reserve residential tower in Miami, FL, the $500 million 30 Van Ness mixed-use tower in San Francisco, CA, and the $500 million 42-02 Orchard Street mixed-use tower in Long Island City, NY.

Regionally, total construction starts in August rose in the Northeast, South Atlantic, and West, but fell in the Midwest and South Central.

Nonresidential building fell 36% in August to a seasonally adjusted annual rate of $278.8 billion. This decline follows a July that saw the start of two multi-billion-dollar LNG export plants. If these projects were excluded from July, August's nonbuilding starts would have increased 27%. In August, highway and bridge starts moved 21% higher, environmental public works increased 39%, while miscellaneous nonbuilding starts lost 9%. Through the first eight months of the year, total nonbuilding starts were 21% higher than in 2021. Utility/gas plant starts gained 57% through the first eight months, highway and bridge starts were 21% higher, and environmental public works were 14% higher. Miscellaneous nonbuilding starts, by contrast, were down 14% through the first eight months.

For the 12 months ending August 2022, total nonbuilding starts were 15% higher than in the 12 months ending August 2021. Utility/gas plant starts were 46% higher, highway and bridge starts rose 11%, and environmental public works increased by 15%. Miscellaneous nonbuilding starts decreased by 14%." – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/August-2022-Starts; 9/22/22

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Private Indicators

August 2022 CONSTRUCTION STARTS

MONTHLY CONSTRUCTION STARTS

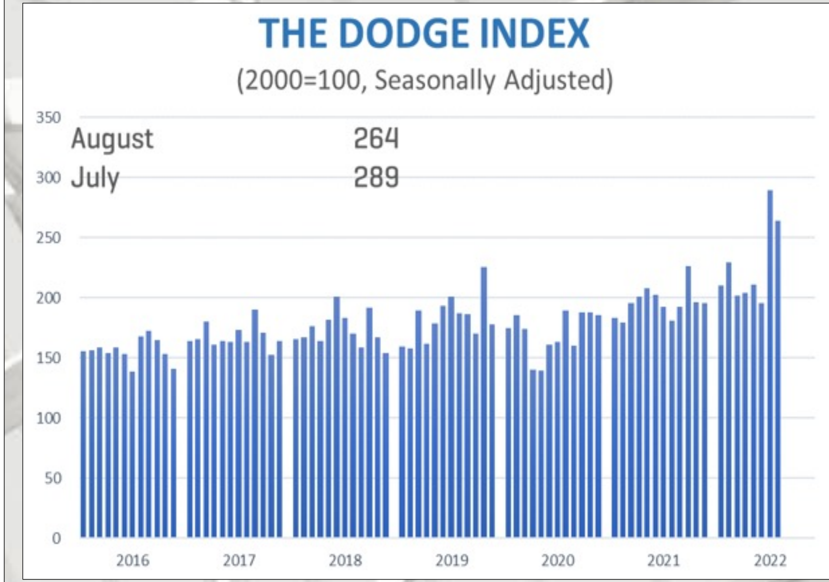
(Millions of Dollars, Seasonally Adjusted Annual Rate)

	Aug 2022	Jul 2022	% Change
Nonresidential Building	$569,555	$532,524	7
Residential Building	400,685	397,261	1
Nonbuilding Construction	278,764	437,142	-36
Total Construction	$1,249,004	$1,366,927	-9

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	8 Mos. 2022	8 Mos. 2021	% Change
Nonresidential Building	$261,555	$193,738	35
Residential Building	292,593	288,613	1
Nonbuilding Construction	164,938	136,479	21
Total Construction	$719,086	$618,830	16



Source: Dodge Data & Analytics

Source: https://www.construction.com/news/August-2022-Starts; 9/22/22

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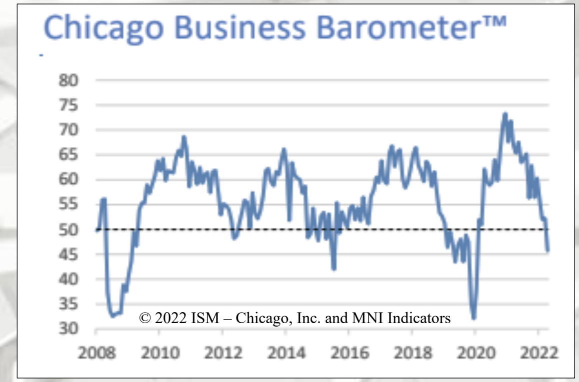
Private Indicators

MNI Chicago

"The Chicago Business Barometer™, produced with MNI, declined to a more than two-year low in September. The indicator tumbled by 6.5 points to 45.7, entering contraction territory for the first time since June 2020.



Chicago Business Barometer™ – Fell to 45.7 in September

- All main indicators fell in September, with production, new orders, order backlogs, employment and supplier deliveries all weakening to Summer 2020 lows. The largest declines were recorded in employment, order backlogs and production sub-indices.
- Production slumped by 10.4 points to 44.5 in September, giving back all the recovery (and more) from August. Continued supply-chain issues alongside slowing new orders contributed to lower production for the month, experienced by over a quarter of respondents.
- New Orders contracted for the fourth consecutive month, slipping by 6.7 points to 42.2. Softening demand was cited.
- Order Backlogs slowed 12.6 points to 41.9 as weak new orders saw production shift to working through remaining orders.
- Employment recorded the starkest decline in September, dropping 14.4 points to 40.2 in September and re-entering contractive territory." – Les Commons, Senior Economist and Lucy Hager, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 9/30/22

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Private Indicators

MNI Chicago

Chicago Business Barometer™ – Fell to 45.7 in September

- Supplier Deliveries moderated by a further 2.3 points to 59.8. This was the lowest since July 2020 as deliveries remained unstable and lead times long.
- Inventories weakened by 8.6 points to 53.0, over five points below the 12-month average. Inventories remain very high, as firms cite having overstocked previously due to supplies issues. As demand for materials slows alongside lower sales projections, suppliers are requesting orders to maintain
- relationship.
- Prices Paid softened in September by 7.7 points to 74.1. Prices Paid was the lowest since November 2020 and signals a more substantial slowing of prices charged related to an early sign of contracting demand in specific products.

This month we asked firms whether they were considering new hires into the second half of the year. Around 41% were, however half of these were looking to hire less than originally planned. A total 33.3% were holding off on new hires. A minority of 2.6% anticipated severances, while 23.1% remained unsure of employment plans for H2." – Les Commons, Senior Economist and Lucy Hager, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 9/30/22

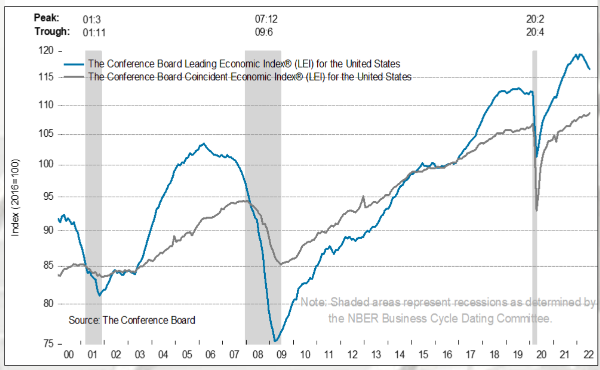
Private Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. Fell Again in August

US LEI continues to point to a decline in near-term economic activity

"**The Conference Board Leading Economic Index®** (LEI) for the U.S. decreased by 0.4 percent in August 2022 to 116.6 (2016=100), after declining by 0.7 percent in June. The LEI was down by 1.6 percent over the six-month period from January to August 2022, a reversal from its 1.6 percent growth over the previous six months."

U.S. Composite Economic Indexes (2016 = 110)



"The US LEI declined for a fifth consecutive month in August, suggesting recession risks are rising in the near term. Consumer pessimism and equity market volatility as well as slowing labor markets, housing construction, and manufacturing new orders suggest that economic weakness will intensify and spread more broadly throughout the US economy. The Conference Board projects the US economy will not expand in the third quarter and could tip into a short but mild recession by the end of the year or early 2023." – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

"**The Conference Board Coincident Economic Index®** (CEI) for the U.S. increased by 0.3 percent in August 2022 to 108.6 (2016=100), after increasing by 0.1 percent in June. The CEI rose by 0.8 percent over the six-month period from January to August 2022, slower than its growth of 1.2 percent over the previous six-month period.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased by 0.4 percent in August 2022 to 114.4 (2016 = 100), following a 0.7 percent increase in June. The LAG is up 3.7 percent over the six-month period from January to August 2022, faster than its growth of 2.0 percent over the previous six-month period."

Source: https://www.conference-board.org/data/bcicountry.cfm; 9/18/22

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Private Indicators

Equipment Leasing and Finance Association's Survey of Economic Activity: Monthly Leasing and Finance Index

August New Business Volume Up 4 Percent Year-over-year, Down 13 Percent Month-to-month, Up 5 Percent Year-to-date

"The **Equipment Leasing and Finance Association's** (ELFA) **Monthly Leasing and Finance Index (MLFI-25)**, which reports economic activity from 25 companies representing a cross section of the $900 billion equipment finance sector, showed their overall new business volume for August was $8.8 billion, up 4 percent year-over-year from new business volume in August 2021. Volume was down 13 percent from $10.1 billion in July. Year-to-date, cumulative new business volume was up 5 percent compared to 2021.

Receivables over 30 days were 1.5 percent, down from 1.6 percent the previous month and down from 1.8 percent in the same period in 2021. Charge-offs were 0.17 percent, down from 0.18 percent the previous month and down from 0.23 percent in the year-earlier period.

Credit approvals totaled 75.2 percent, down from 78 percent in July. Total headcount for equipment finance companies was down 2.9 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in September is 48.7, a decrease from 50 in August." – Amy Vogt, Vice President, Communications and Marketing, ELFA

"August origination volume reflects an equipment finance industry that is fueling continued growth and expansion of businesses throughout the U.S. Up to this point at least, steadily rising interest rates do not appear to dampen enthusiasm of businesses that prefer the utilization of productive assets versus their ownership, which is the essence of the equipment finance sector. With the Fed's most recent 75-basis point jump in short-term interest rates, and the prospect of a hard landing, time will tell whether — and to what extent — these same business owners continue to grow and invest in equipment." – Ralph Petta, President and CEO, ELFA

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2022/09/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 9/26/22

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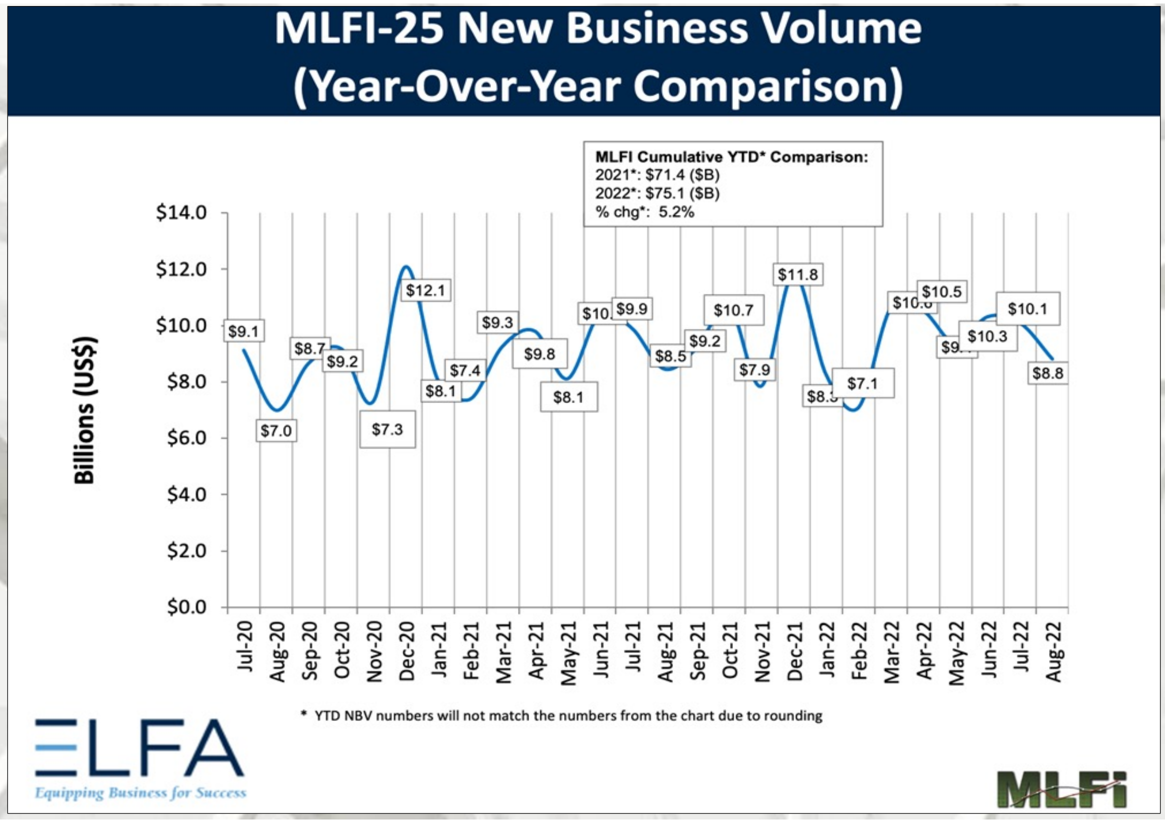

Equipment Leasing and Finance Association's Survey of Economic Activity

"While the economic data may be construed in any number of ways and can feel, at times, unsettling, the fundamentals of our equipment finance business remain strong. Companies invest in capital equipment, throughout all cycles, for a myriad of reasons and equipment obsolescence is certainly real. Productivity gains require capital and business owners are always seeking an edge on the competition. Once decision-makers get past the initial 'sticker shock' of seeing how their financing rates have climbed over the past year they make rational choices based on their individual circumstances. The August MLFI results look positive, generally, given the market environment with continued high inflation, supply chain issues and other challenges. It will be interesting to see the September end-of-quarter MLFI results when the effects of the Fed's latest interest rate hike are clearer. A 'wait and see' approach never feels great, but we're reminded that patience is a virtue." – Thomas Sbordone, Managing Director and National Sales Manager, BMO Harris Equipment Finance

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2022/09/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 9/26/22

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Renewed expansions in output and new orders as cost pressures soften

"The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 52.0 in September, up from 51.5 in August and broadly in line with the earlier release 'flash' estimate of 51.8. The headline index was above the 50.0 neutral mark, as has been the case for the last 27 months, but continued to signal muted improvements in the health of the manufacturing sector.

Operating conditions across the US manufacturing sector remained relatively subdued in September, according to latest PMI™ data from S&P Global. Although output and new orders returned to growth during the month, rates of expansion were historically muted. Nonetheless, firms expanded their workforce numbers at the fastest pace since March, although labor shortages continued to hamper firms' ability to work through incoming new orders. Outstanding business rose again and at a quicker rate. Concerns regarding inflation and client purchasing power weighed on expectations, which dipped from August, and input buying.

At the same time, cost pressures softened amid reports of lower prices for some inputs. Although slower than those seen earlier in the year, the rate of selling price inflation picked up slightly as firms continued to pass-through higher cost burdens to customers.

The slight uptick in the headline reading was supported by renewed expansions in output and new orders at the end of the third quarter. Greater production was linked to increased client demand. The rate of growth was the quickest since May despite being slower than the series trend and only marginal." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/300175030b714e97a39cd3683491ec57; 10/3/22

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Private Indicators

S&P Global U.S. Manufacturing PMI™

"New orders rose for the first time for four months in September, albeit at only a mild pace. Companies noted the acquisition of new customers and an improvement in demand conditions. The rate of expansion was much slower than those seen earlier in the year, however, and well below the series trend amid cost-cutting efforts at clients. At the same time, new export orders fell further as challenging economic conditions and a strong US dollar weighed on foreign customer demand.

On the price front, input costs rose at a slower pace in September. The rate of inflation was still historically elevated amid reports of hikes in energy and material costs, but eased to the softest since January 2021 as inputs such as steel, plastics and lumber reportedly fell in price.

In an effort to drive sales, manufacturers registered a softer increase in selling prices compared to earlier in the year. That said, the pace of charge inflation ticked up from August as firms sought to pass through higher cost burdens to clients. Supporting the softening of cost pressures was the least marked deterioration in vendor performance for two years at the end of the third quarter. Reports of greater input availability and less severe transportation delays contributed to greater supply chain stability. Nonetheless, input buying fell at a quicker pace and preproduction inventories were depleted for the first time since February 2021. Stocks of finished items increased marginally as some firms noted lower than expected new order inflows.

Meanwhile, employment rose at the sharpest pace since March in September. Labor shortages were nonetheless evident, leading to another rise in backlogs of work, as firms stated that job creation stemmed from greater production requirements.

Manufacturing firms remained positive on balance regarding the year ahead outlook, but the degree of confidence dipped from August. Concerns surrounding inflation and client purchasing power weighed on sentiment which was below the series trend." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/300175030b714e97a39cd3683491ec57; 10/3/22

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Comment

"With US manufacturers reporting a return to growth of order books for the first time in four months, as well as improved job gains, the September survey brings welcome news that business conditions are starting to improve again. However, even with the latest improvement, the weakness of the data in recent months still point to manufacturing acting as a drag on the economy in the third quarter, and demand will need to revive further if any meaningful positive contribution to GDP is going to be seen in the rest of the year.

The brightest signs of life are coming from the domestic market, with producers of both consumer goods and, most notably, business equipment reporting improved sales to the home market. Manufacturers across the board are, however, reporting further export losses, linked to weaker economic growth abroad and the dollar's strength.

While the strong dollar is curbing exports, a beneficial effect from the greenback's strength is being seen via lower import costs. With supply chain delays also easing substantially again in September and shipping costs falling, upwards pressure on firms' costs has moderated sharply, which will feed through to lower goods prices to consumers."" – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/300175030b714e97a39cd3683491ec57; 10/3/22

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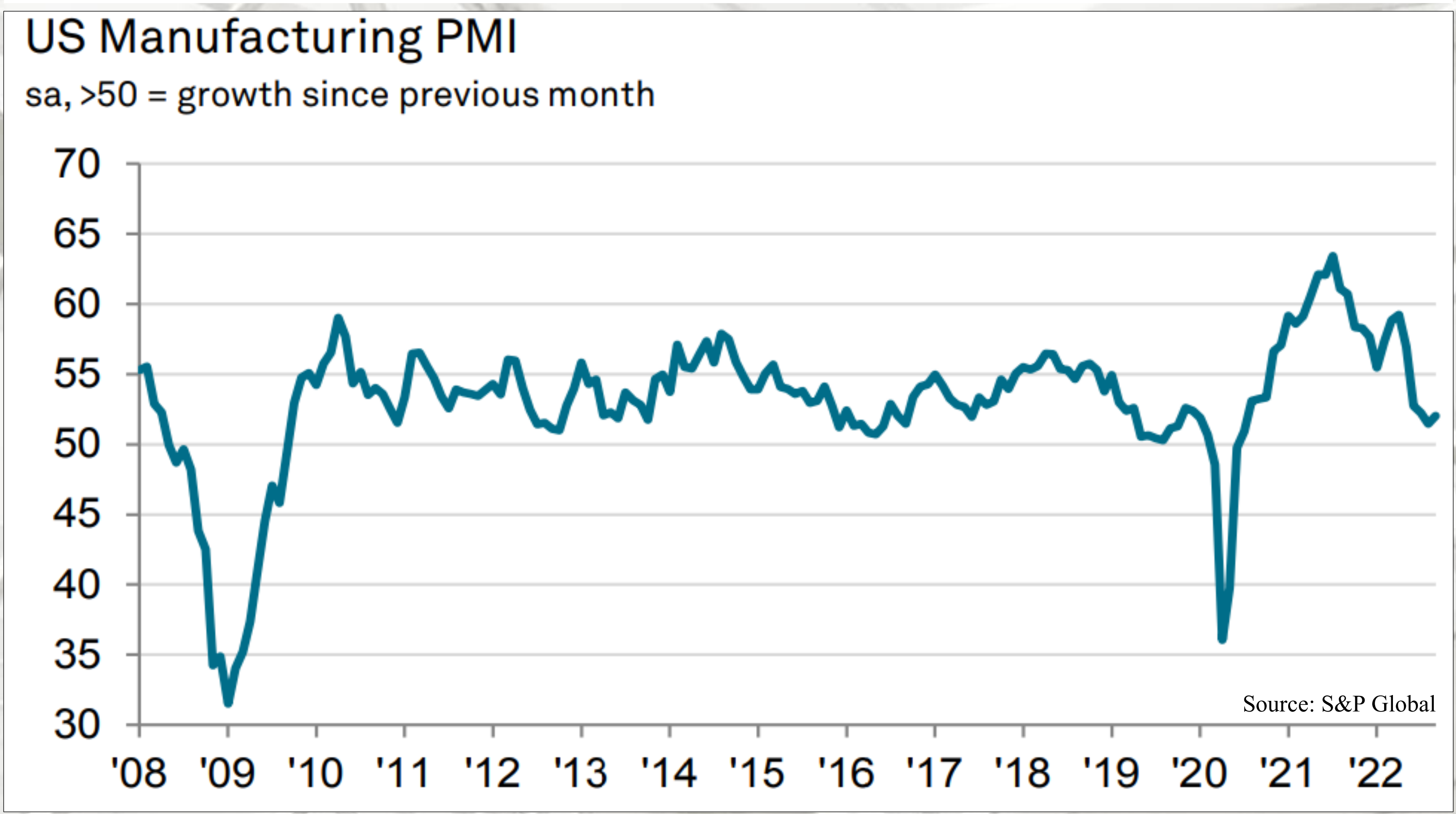

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/300175030b714e97a39cd3683491ec57; 10/3/22

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Private Indicators

S&P Global U.S. Services PMI™

Business activity declines at slower pace amid renewed rise in client demand

"The seasonally adjusted final S&P Global US Services PMI Business Activity Index registered 49.3 in September, up from 43.7 in August, and broadly in line with the earlier released 'flash' estimate of 49.2. The latest data indicated only a slight contraction in US service sector business activity, and the slowest in the current three-month sequence of decline. That said, September data rounded off the second worst performing quarter for the sector since data collection began in 2009.

US service providers signalled a much slower contraction in business activity during September, according to the latest PMI™ data. The fall in output was only marginal overall, as firms noted that improved demand conditions led to a weaker decline. New orders returned to growth, with domestic sales supporting the upturn, as new export business fell further. The rate of job creation softened to the slowest in 2022 to date, however, as challenges finding and retaining staff persisted. Labor and input shortages sparked a renewed rise in backlogs of work. Hopes of greater client demand, a peaking of inflation and investment in new products drove business expectations for the year-ahead to the highest for four months.

Meanwhile, cost pressures eased for the fourth month running amid reports of some reductions in input prices. Softer increases in operating expenses were mirrored in selling prices, which rose at the slowest pace since the end of 2020.

Supporting the softer fall in output was a renewed rise in new business at the end of the third quarter. Although only slight and below the series average, the upturn was linked to the acquisition of new customers and greater demand from existing clients" – Chris Williamson, Chief Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/b1bd53284017462d90382e3810abc450; 10/5/22

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Private Indicators

S&P Global U.S. Services PMI™

"That said, foreign client demand weighed on the overall rise in total sales as new export orders declined for the fourth month running in September. The fall in new orders from abroad was linked to inflation, the strong dollar and challenging economic conditions in key export markets. At the same time, firms registered slower increases in input costs and output charges during September. Although still historically elevated and linked to greater material, energy and wage expenses, the overall rate of cost inflation was the softest since January 2021. Companies highlighted lower prices for some inputs, especially imported items.

Reflecting efforts to drive new sales and pass on slower increases in input costs, selling prices rose at the weakest pace since December 2020. Despite firms passing on higher costs to clients, a number noted concessions and discounts made to customers to secure orders.

September data indicated only a modest rise in employment at service providers. The rate of job creation was the slowest since December 2021, as firms stated that challenges hiring new staff and difficulties offering high wages to retain certain employees hampered efforts to expand workforce numbers.

Subsequently, service sector firms recorded a renewed increase in backlogs of work. The expansion in the level of outstanding business was the first for four months, albeit only marginal.

Business expectations at service providers strengthened in September, with the degree of confidence in the outlook for activity in the year ahead reaching the highest since May. Hope of greater client demand and reports of investment in new product lines supported optimism." – Chris Williamson, Chief Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/c99346fb0f424ff291acbf2598a1bda0; 9/6/22

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Private Indicators

S&P Global U.S. Services PMI™

Comment

“With service sector activity declining for a third straight month in September, businesses have faced a tough third quarter. Economic growth has come under pressure from falling output in both the manufacturing and service sectors, though in both cases September has seen some encouraging signals that business conditions may be starting to improve.

Driving this improvement is a cooling of inflationary pressures in manufacturing supply chains, which is in turn alleviating cost growth for goods and energy in both manufacturing and service sectors, helping stimulate demand and allaying some concerns about the economic outlook.

The worry is that tightening financial conditions, and notably higher borrowing costs, are exerting increased cost pressures on households and businesses, as well as hitting growth in the vast financial services sector, which has seen the steepest downturns in both demand and business activity in recent months and saw yet another marked worsening of business conditions in September.

Furthermore, despite easing, inflationary pressures in terms of firms' costs and average selling prices for goods and services remain elevated. With companies also reporting staffing issues and rising wages due to very tight labor market conditions, persistent inflation remains a concern at the same time that the economy appears to be struggling to regain momentum."” – Chris Williamson, Chief Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/c99346fb0f424ff291acbf2598a1bda0; 9/6/22

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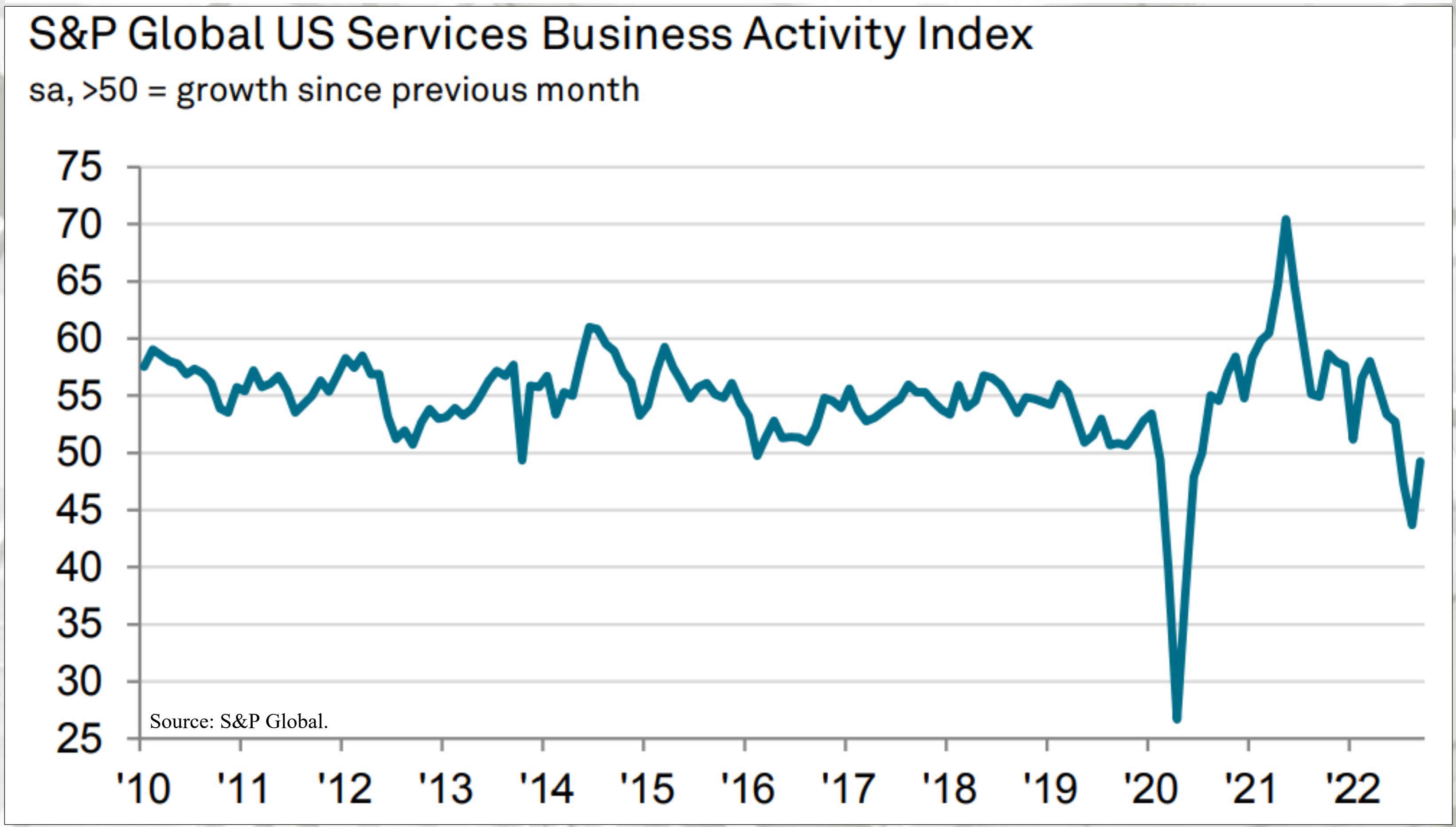

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/c99346fb0f424ff291acbf2598a1bda0; 9/6/22

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for September 2022: Combined Sectors

"The National Association of Credit Management's seasonally adjusted Credit Managers' Index (CMI) for September rose slightly to 55.6 points, with improvements in favorable factor indexes offsetting deterioration in unfavorable factor indexes. Respondents continue to note that supply constraints and logistics issues are problematic – affecting payment times and increasing customer dissatisfaction. Many respondents also indicated more issues with collections and one respondent indicated that several clients were advising of financial distress relating to cashflow and inflation pressures, said NACM Economist Amy Crews Cutts, Ph.D., CBE®.

"The CMI came in a bit stronger this month, up six-tenths of a point, but the comments from survey respondents have a more urgent tone regarding business conditions and worry that the economic tide is turning, even with marked improvements in some factors" Cutts said. "The data and the commentary seem to be in opposition, but they are in alignment. For example, sales, which are measured in dollars, are rising in value due to higher prices while the number of units sold is steady or falling for most of our respondents. Similarly, collections are up this month, but it is taking much more effort on the part of credit managers to get payments.

"The Treasury yield curve, which compares rates on Treasury bonds at different maturity terms, has inverted, meaning yields on shorter terms bonds are higher than on those with longer terms. This is often taken as a sign of imminent recession. The CMI is still on the side of economic expansion at this time from a number's standpoint, aligning with the healthy employment report that we had in August."'" – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 9/31/22

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for September 2022: Combined Sectors

"The CMI is centered on a value of 50, with values greater indicating expansion and values lower indicating economic contraction. The combined September CMI rose by 0.6 points to 55.6. The index of favorable factors improved 1.7 points in September to 63.8, a level that is 1.0 points lower than a year ago. The index of unfavorable factors fell by 0.1 points, but with rounding remained level at 50.2 points, 1.7 points lower than a year ago.

Three of the four categories in the favorable factors list increased the September survey, reversing their trends from the August survey. The dollar collections index led the rise with a sharp 5.6-point gain to 63.3, its best reading since May 2022. The sales index improved for the first time in six months, adding 1.2 points to 64.2, and the amount of credit extended index grew 1.0 points to 66.3. The index for new credit applications deteriorated by 1.0 points to 61.4.

All but two of the unfavorable factor indexes for the combined CMI deteriorated in the September survey. The index for dollar amount beyond terms improved 2.3 points to 48.7, which being below 50 still indicates that more respondents are seeing late payments than are being paid on time. The index for rejections of credit applications gained 2.8 points to put it back on the side of economic expansion with a reading of 52.2 points. The filings for bankruptcies index deteriorated the most, falling 4.1 points to 53.5, reversing all the gain recorded in the August survey. The disputes index lost 1.0 points, to come in at 48.2, its twelfth consecutive month below 50. The index for accounts placed for collections declined 0.2 points to 49.4, 2.1 points lower than a year ago. Lastly, the index for the dollar amount of customer deductions fell 0.1 points to 49.1.

"In the press briefing following the announcement by the Open Market Committee of the Federal Reserve, Fed Chairman Powell indicated that we will be seeing increases in the Fed funds target rate for as long as it takes to bring inflation down to the target range," Cutts said. "The tone of this statement was sobering and a bit surprising, as it was a direct indication that they, the FOMC, valued fighting inflation over avoiding a recession."" – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 9/31/22

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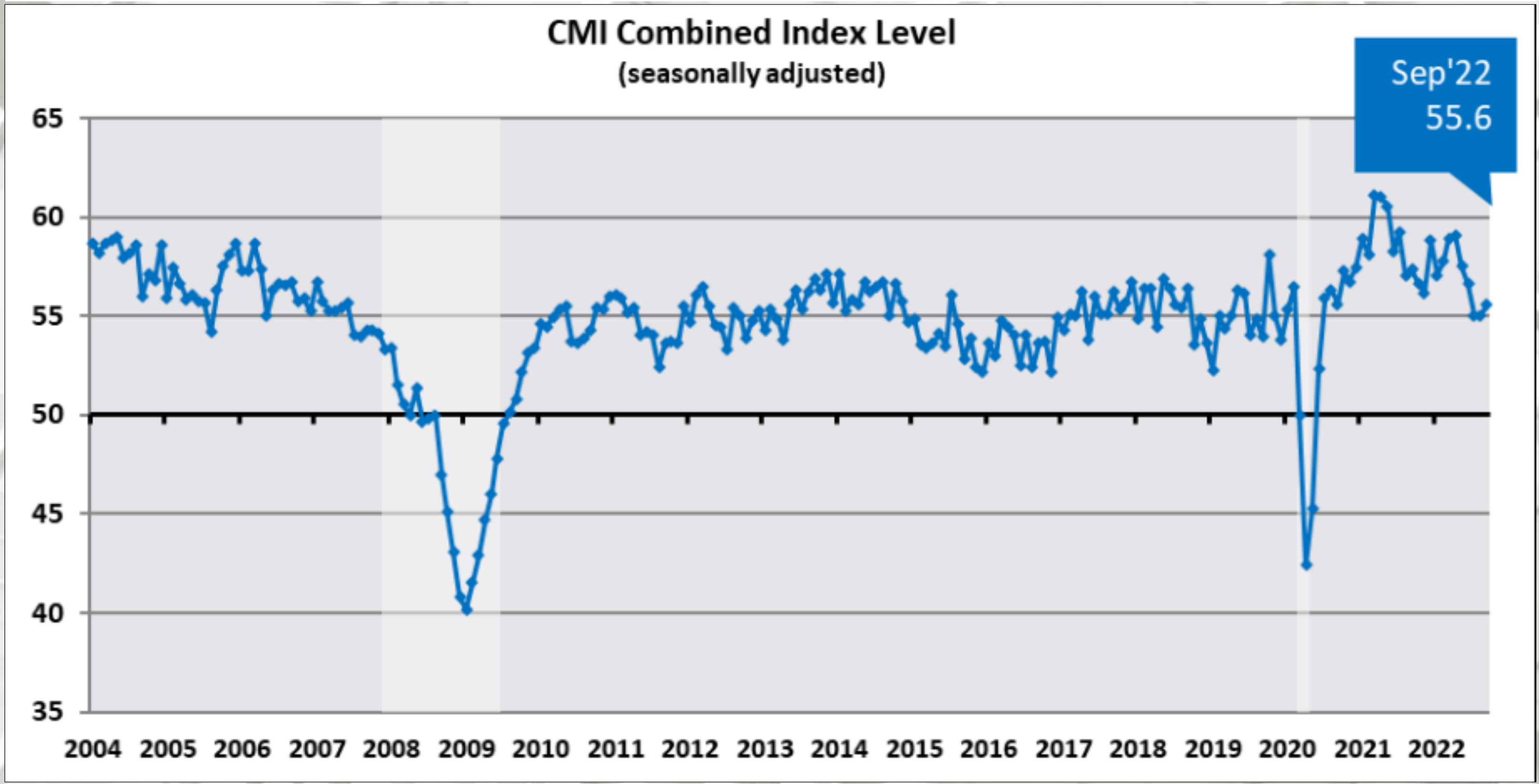
National Association of Credit Management – Credit Managers' Index



Source: https://nacm.org/cmi.html; 9/31/22

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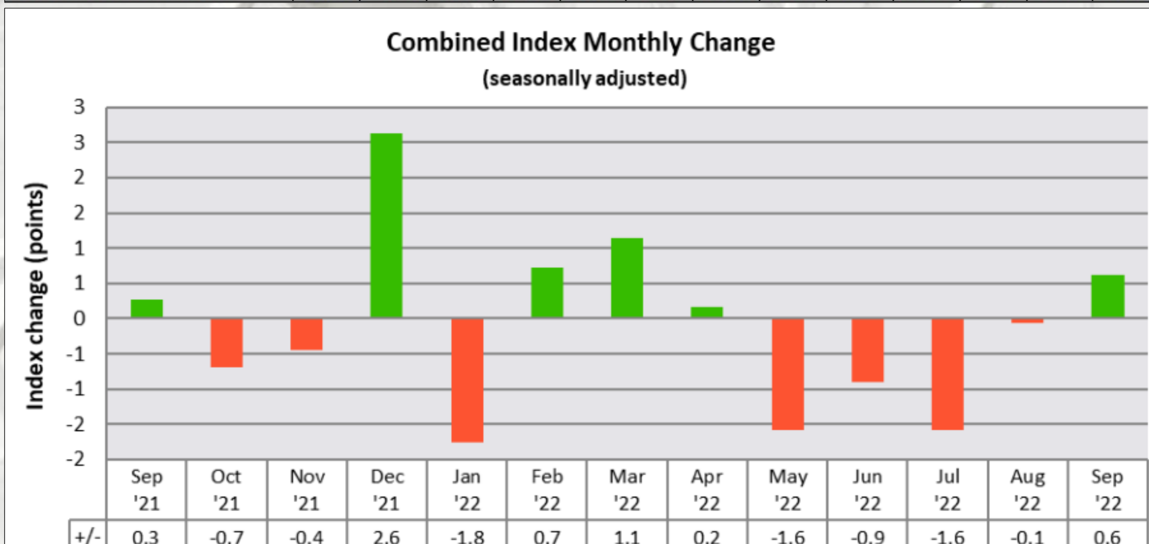
Private Indicators

National Association of Credit Management – Credit Managers' Index

Combined Manufacturing and Service Sectors (seasonally adjusted)	Sep '21	Oct '21	Nov '21	Dec '21	Jan '22	Feb '22	Mar '22	Apr '22	May '22	Jun '22	Jul '22	Aug '22	Sep '22
Sales	67.8	67.4	67.4	75.1	71.2	71.3	77.1	74.7	71.6	66.6	65.8	63.0	64.2
New credit applications	63.5	62.1	62.9	67.6	60.6	64.0	68.8	67.1	64.7	64.1	59.7	62.4	61.4
Dollar collections	60.4	61.3	59.2	63.5	62.5	63.2	67.0	65.9	65.5	60.9	61.2	57.7	63.3
Amount of credit extended	67.2	67.6	67.7	71.7	67.2	68.7	69.2	72.1	70.4	67.7	67.6	65.3	66.3
Index of favorable factors	**64.7**	**64.6**	**64.3**	**69.5**	**65.4**	**66.8**	**70.5**	**69.9**	**68.1**	**64.8**	**63.6**	**62.1**	**63.8**
Rejections of credit applications	52.1	52.3	53.2	51.7	51.5	52.3	51.9	51.3	50.7	50.2	50.8	49.4	52.2
Accounts placed for collection	51.4	52.1	52.0	52.1	51.1	52.7	51.5	50.6	51.0	49.7	47.4	49.6	49.4
Disputes	51.2	48.3	48.6	48.2	48.4	48.6	48.0	49.1	49.1	49.4	48.3	49.2	48.2
Dollar amount beyond terms	50.6	49.5	47.1	53.3	53.5	50.9	51.2	54.2	47.2	51.1	46.7	46.4	48.7
Dollar amount of customer deductions	51.9	49.4	48.2	49.3	49.5	49.9	49.0	50.5	48.7	50.7	49.3	49.2	49.1
Filings for bankruptcies	57.1	56.4	55.9	55.7	55.2	56.4	55.8	55.7	56.4	55.8	53.7	57.6	53.5
Index of unfavorable factors	**52.4**	**51.3**	**50.8**	**51.7**	**51.5**	**51.8**	**51.2**	**51.9**	**50.5**	**51.1**	**49.4**	**50.2**	**50.2**
NACM Combined CMI	**57.3**	**56.6**	**56.2**	**58.8**	**57.1**	**57.8**	**58.9**	**59.1**	**57.5**	**56.6**	**55.0**	**55.0**	**55.6**



Source: https://nacm.org/cmi.html; 9/31/22

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Private Indicators

National Federation of Independent Business (NFIB) September 2022 Report

Inflation Remains Top Business Problem for Small Business Owners

“NFIB’s Small Business Optimism Index rose 0.3 points in September to 92.1, making the ninth consecutive month below the 48-year average of 98. Thirty percent of owners reported that inflation was their single most important problem in operating their business.” – Holly Wade, NFIB

“Inflation and worker shortages continue to be the hardest challenges facing small business owners. Even with these challenges, owners are still seeking opportunities to grow their business in the current period.” – Bill Dunkelberg, Chief Economist, NFIB

Key findings include:

- “Small business owners expecting better business conditions over the next six months improved 10 points from July to a net negative 42%, the highest level since February 2022, but a dismal outlook.
- The net percent of owners raising average selling prices decreased three points to a net 53% (seasonally adjusted), still a very inflationary outcome.
- The net percent of owners who expect real sales to be higher increased 10 points from July to a net negative 19%, but owners still want to hire.
- The Uncertainty Index increased seven points to 74.” – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/11/22

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Private Indicators

National Federation of Independent Business (NFIB) September 2022 Report

"As reported in NFIB's monthly jobs report, owners' plans to fill open positions remain elevated, with a seasonally adjusted net 23% of planning to create new jobs in the next three months. Of those owners trying to hire, 89% reported few or no qualified applicants for the positions they were trying to fill.

Fifty-six percent of owners reported capital outlays in the last six months, up four points. Of those making expenditures, 40% reported spending on new equipment, 22% acquired vehicles, and 16% improved or expanded facilities. Nine percent spent money for new fixtures and furniture and 6% acquired new buildings or land for expansion. Twenty-four percent plan capital outlays in the next few months, down one point.

A net negative 5% of all owners (seasonally adjusted) reported higher nominal sales in the past three months, up three points from August. The net percent of owners expecting higher real sales volumes improved by nine points to a net negative 10%.

The net percent of owners reporting inventory increases improved four points to a net negative 2%, sixteen percent of owners reported increases in stocks and 17% reported reductions as solid sales reduced inventories at many firms.

Thirty-two percent of owners reported that supply chain disruptions have had a significant impact on their business. Thirty-four percent report a moderate impact and 22% report a mild impact. Only 10% of owners report no impact from recent supply chain disruptions." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/11/22

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Private Indicators

National Federation of Independent Business (NFIB) September 2022 Report

"A net 1% of owners viewed current inventory stocks as "too low" in September, down two points from August. A net 0% of owners plan inventory investments in the coming months down four points from August.

The net percent of owners raising average selling prices decreased two points from August to a net 51% (seasonally adjusted). Unadjusted, 9% of owners reported lower average selling prices and 59% reported higher average prices. Price hikes were the most frequent in retail (73% higher, 11% lower), construction (69% higher, 3% lower), transportation (68% higher, 5% lower), and wholesale (64% higher, 0% lower). Seasonally adjusted, a net 31% of owners plan price hikes.

A net 45% of owners reported raising compensation, down one point from August. A net 23% of owners plan to raise compensation in the next three months, down three points from August but historically still very high. Ten percent of owners cited labor costs as their top business problem and 22% said that labor quality was their top business problem.

The frequency of reports of positive profit trends was a net negative 31%, up two points from August. Among owners reporting lower profits, 42% blamed the rise in the cost of materials, 21% blamed weaker sales, 12% cited labor costs, 8% cited lower prices, 6% cited the usual seasonal change, and 3% cited higher taxes or regulatory costs. For owners reporting higher profits, 44% credited sales volumes, 24% cited usual seasonal change, and 18% cited higher prices." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/11/22

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Private Indicators

National Federation of Independent Business (NFIB) September 2022 Report

"Two percent of owners reported that all their borrowing needs were not satisfied. Twenty-six percent reported all credit needs met and 62% said they were not interested in a loan. A net 5% reported their last loan was harder to get than in previous attempts.

The **NFIB Research Center** has collected Small Business Economic Trends data with quarterly surveys since the 4th quarter of 1973 and monthly surveys since 1986. Survey respondents are randomly drawn from NFIB's membership. The report is released on the second Tuesday of each month. This survey was conducted in September 2022." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/11/22

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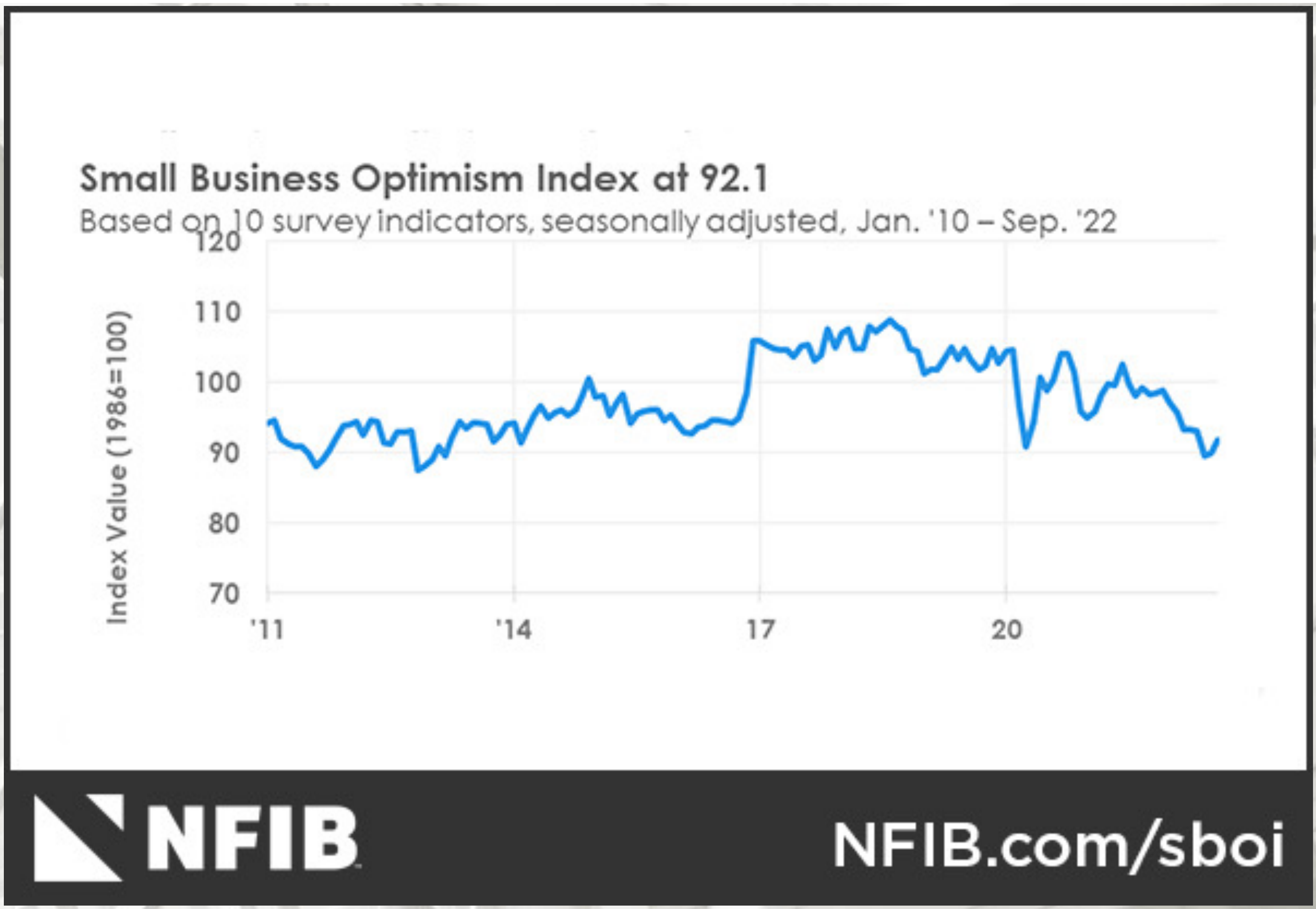
Private Indicators



Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/11/22

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Private Indicators

Small Business Optimism

Index Component	Net %	From Last Month
Plans to Increase Employment	23%	▲ 2
Plans to Make Capital Outlays	24%	▼ -1
Plans to Increase Inventories	0%	▼ -4
Expect Economy to Improve	-44%	▼ -2
Expect Real Sales Higher	-10%	▲ 9
Current Inventory	1%	▼ -2
Current Job Openings	46%	▼ -3
Expected Credit Conditions	-6%	▲ 2
Now a Good Time to Expand	6%	▲ 1
Earnings Trends	-31%	▲ 2

NFIB NFIB.com/sboi

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/11/22

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

Hourly Earnings Growth Slows in September

"Hourly earnings growth for workers of U.S. small businesses slowed in September, according to the latest Paychex | IHS Markit Small Business Employment Watch. Hourly earnings growth stood at 4.98 percent in September, falling below 5 percent for the first time since April. The Small Business Job Index, which measures the rate of small business job growth, also slowed slightly from the previous month, down -0.19 percent to 99.75." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

"Decreasing for the seventh consecutive month, the jobs index is now below its level from one year ago," – James Diffley, Chief Regional Economist, IHS Markit

"With low unemployment levels continuing, small businesses are relying on their current staff to do more, driving an increase hours worked. The moderation in hourly earnings growth is of particular note, though, as it may be a sign that the Fed's actions are possibly having an impact in the battle against inflation." – Martin Mucci, President and CEO, Paychex

Source: https://www.paychex.com/employment-watch; 10/4/22

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

"In further detail, the September report showed:

- One-month annualized hourly earnings growth fell to 3.35 percent, the weakest growth rate since April 2021.
- Small business employment gains slowed during the spring and summer as monthly decreases averaged -0.26 percent from April through September.
- North Carolina remained the top state for small business job growth; Florida was once again the top state for worker hourly earnings growth (6.47 percent).
- Dallas continues to lead U.S. metros in small business job growth and hourly earnings growth for workers.
- Other services (except public administration) remained the top sector for job growth in September at 102.68." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 8/30/22

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

September Job Index	September Wage Data
Index	Hourly Earnings
99.75	$30.77
12-Month Change	12-Month Growth
-0.21%	+4.98% (+$1.46)

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 8/30/22

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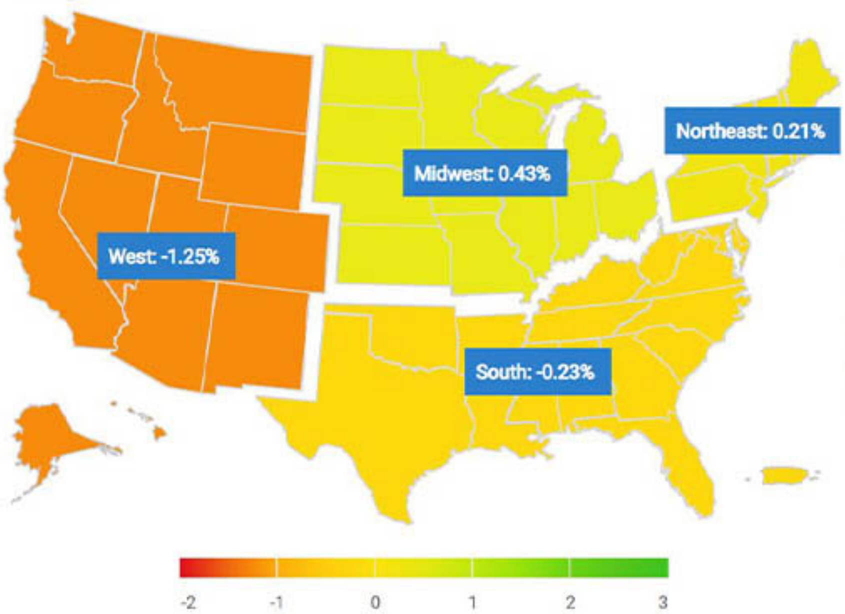
Private Indicators

The Paychex | IHS Markit Regional Jobs Index

Regional Performance



Region	Index	Change
Midwest	99.44	0.43%
Northeast	99.59	0.21%
South	100.54	-0.23%
West	99.28	-1.25%

Change 12-Month

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 8/30/22

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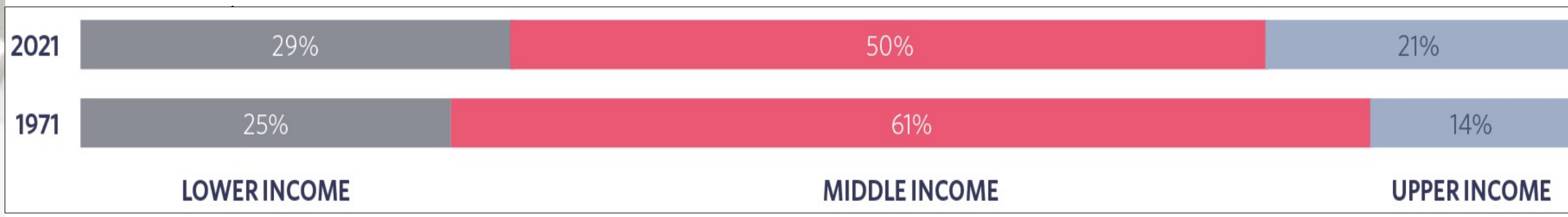
Demographics

Pew

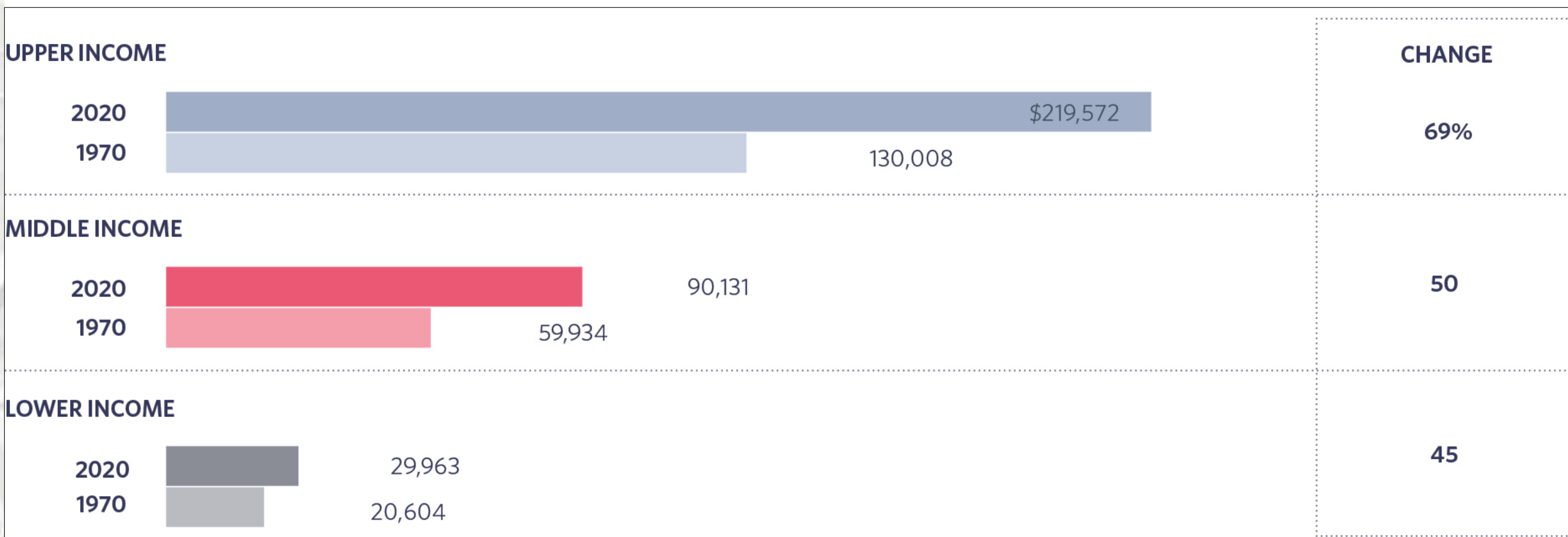
How the American Middle Class Has Changed in the Past Five Decades

"The middle class, once the economic stratum of a clear majority of American adults, has steadily contracted in the past five decades. The share of adults who live in middle-class households fell from 61% in 1971 to 50% in 2021, according to a new Pew Research Center analysis of



1. Household incomes have risen considerably since 1970, but those of middle-class households have not climbed nearly as much as those of upper-income households." – The Pew Charitable Trusts

Median income, in 2020 dollars and scaled to reflect a three-person household



Source: https://www.pewtrusts.org/en/trust/archive/fall-2022/how-the-american-middle-class-has-changed-in-the-past-five-decades; 9/20/22

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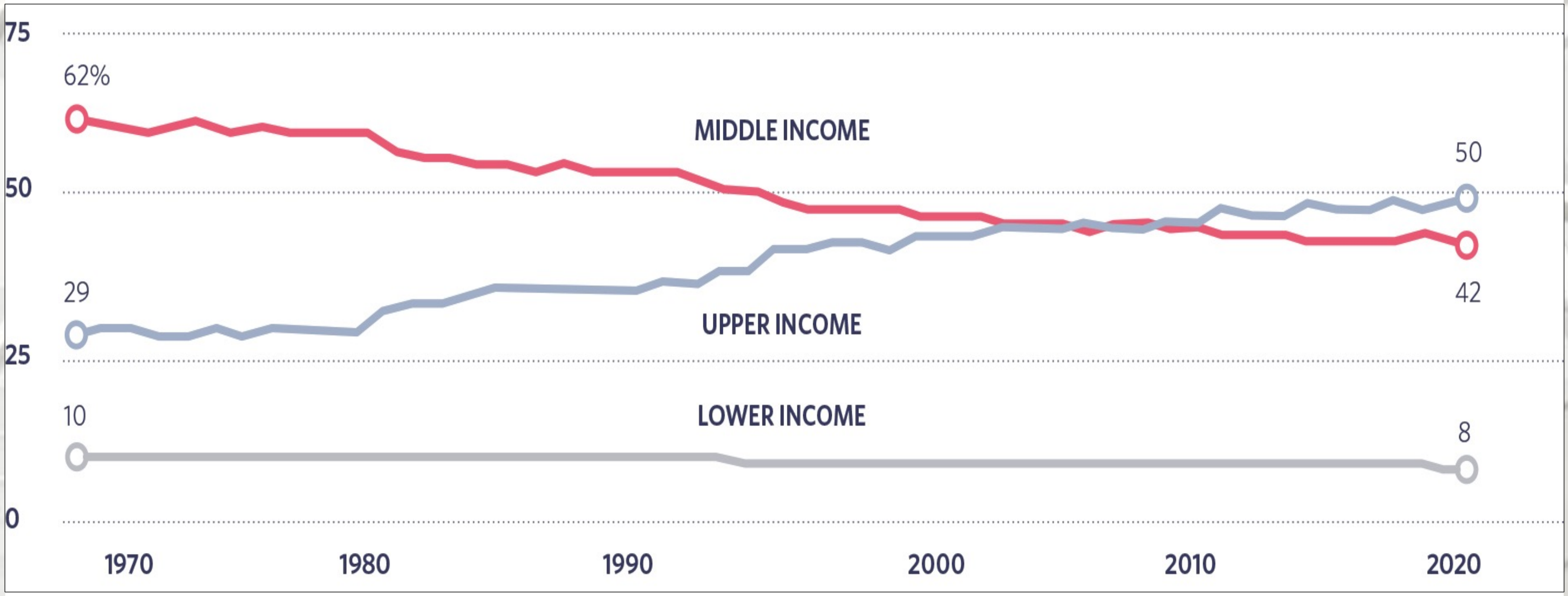
Demographics

Pew

How the American Middle Class Has Changed in the Past Five Decades

“2. The share of aggregate U.S. household income held by the middle class has fallen steadily since 1970.” – The Pew Charitable Trusts

% of U.S. aggregate household income held by lower-, middle- and upper-income households



Note: Shares may not add to 100% due to rounding.

Source: https://www.pewtrusts.org/en/trust/archive/fall-2022/how-the-american-middle-class-has-changed-in-the-past-five-decades; 9/20/22

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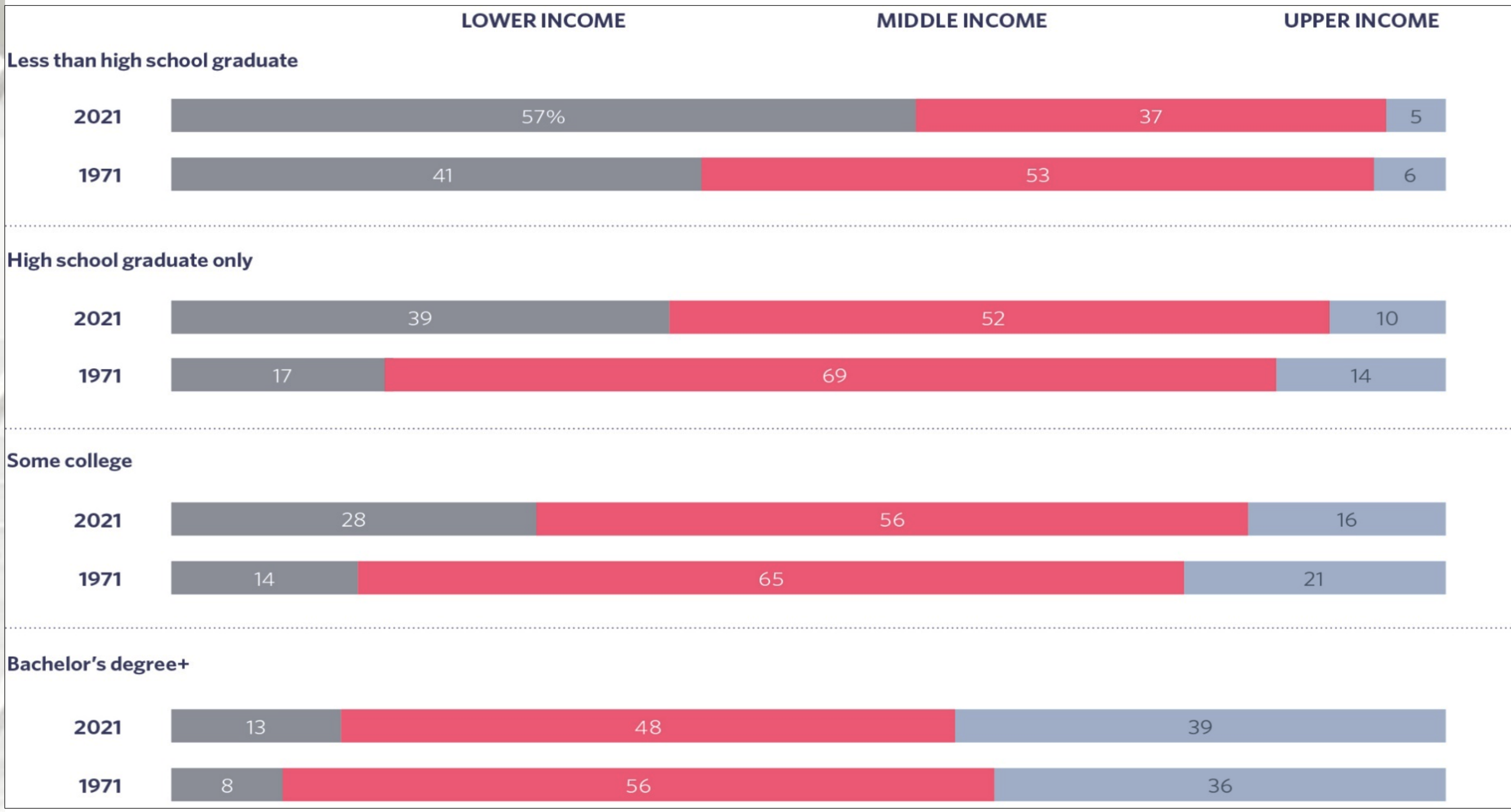
Demographics

Pew

How the American Middle Class Has Changed in the Past Five Decades

“3. There is a sizable and growing income gap between adults with a bachelor’s degree and those with lower levels of education.” – The Pew Charitable Trusts

% of adults in each income tier



Note: Adults are assigned to income tiers based on their size-adjusted household incomes in the calendar year prior to the survey year. “High school graduate” refers to those who have a high school diploma or its equivalent, such as a General Education Development (GED) certificate, and those who had completed 12th grade, but their diploma status was unclear. “Some college” includes those with an associate degree and those who attended college but did not obtain a degree. Shares may not add to 100% due to rounding.

Source: https://www.pewtrusts.org/en/trust/archive/fall-2022/how-the-american-middle-class-has-changed-in-the-past-five-decades; 9/20/22

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Economics

ING Economics

40-year high for US core inflation heaps pressure on the Fed

US consumer price inflation surprised on the upside once again as rapid increases in housing costs, medical care, food and airline fares offset signs of moderation elsewhere. The Fed has admitted it is prepared to inflict economic pain to get a grip on inflation and today's report will ensure at least another 75bp rate hike in November and 50bp in December.

6.6%: Highest "core" inflation rate since August 1982

Sticky inflation means the Fed has more work to do

"Once again US consumer price inflation has come in higher than expected with headline prices up 0.4% month-on-month in September (consensus 0.2%) and core – ex food and energy – up 0.6% MoM (consensus 0.4%). This means the annual headline rate slows to 8.2% from 8.3% while core rises to 6.6% from 6.3%, having been down at "just" 5.9% in July. With core inflation heading in the wrong direction (and at its highest rate since August 1982) and yesterdays' Fed minutes to the September FOMC meeting warning that doing too little to tame inflation is worse than too much, it confirms that a 75bp interest rate increase on November 2nd is the minimum expectation with markets now pricing in the slight possibility of a 100bp hike." – James Knightley, Chief International Economist, ING Economics

Source: https://think.ing.com/articles/40-year-high-for-us-core-inflation-heaps-pressure-on-the-fed; 10/13/22

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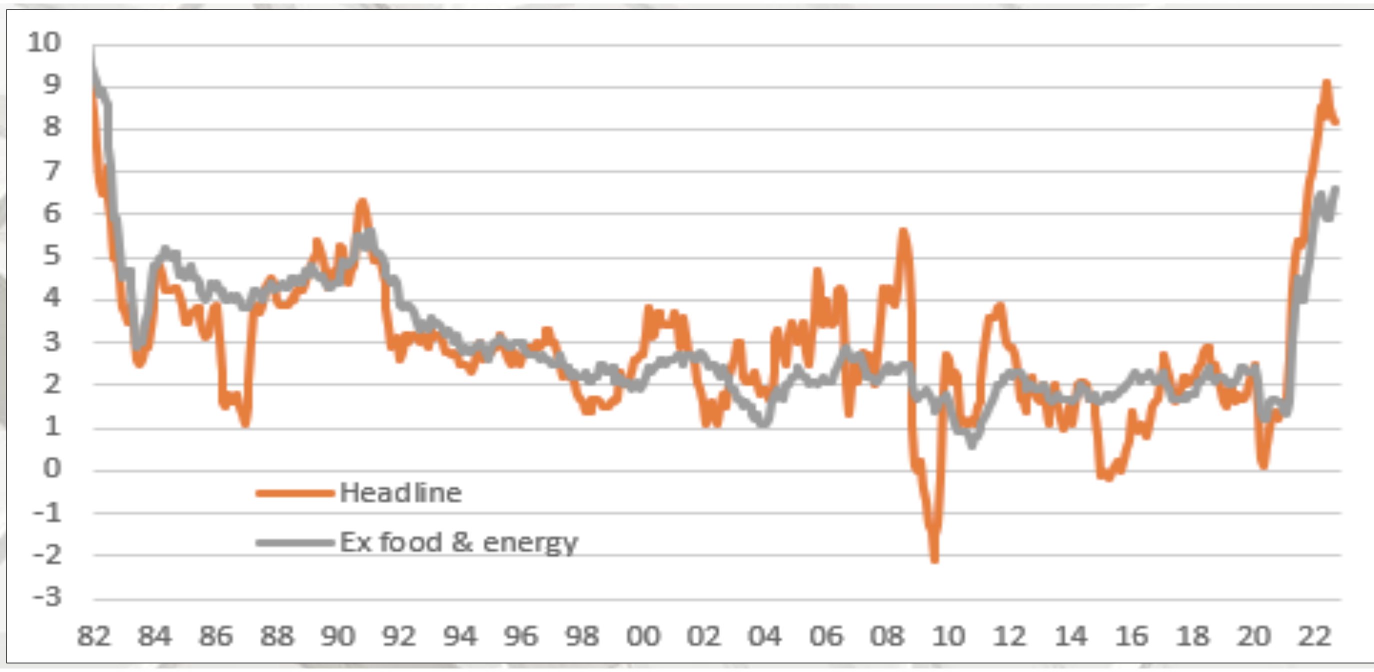
Economics



ING Economics

75bp the minimum for November, but 100bp is only a small chance

"Looking at the details, housing continues to big a major story with shelter (32.5% weighting) rising 0.7% MoM yet again. While medical care costs, which have been posting some solid price increases over the past six months, rose 0.8%. Airline fares were up 0.8% while food prices increased 0.8% on the month. On the softer side were gasoline (-4.9% MoM) while apparel prices declined 0.3% and used car prices fell for the third month in a row. Recreation and education/communication rose only 0.1% MoM each, weaker than we had expected. It is therefore a slightly more mixed picture than just looking at the headline and core MoM's with pricing power appearing to be softening in some components." – James Knightley, Chief International Economist, ING Economics

Source: https://think.ing.com/articles/40-year-high-for-us-core-inflation-heaps-pressure-on-the-fed; 10/13/22

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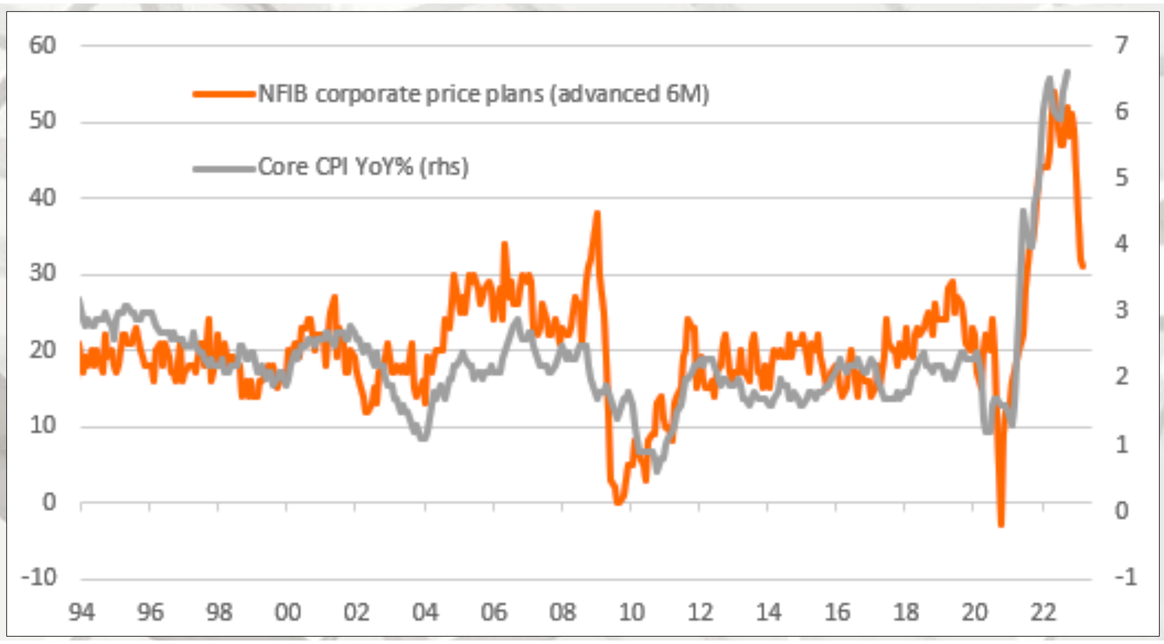
Economics



ING Economics

Why we favour 50bp in December

"Nonetheless, the increase in the annual rate of core inflation is not a good story and the Federal Reserve has stated it is willing to inflict economic pain to get inflation moving back to the 2% target. 75bp is indeed the solid call for the November 2nd FOMC meeting, but we are still looking for the Fed to slow the pace to a 50bp in December (market is pricing just over 60bp, indicating a close call as to whether we get a fifth consecutive 75bp move).

Our rationale is that the economy is slowing and there is more evidence pointing to weakening corporate pricing power. The National Federation of Independent Business survey shows the proportion of companies looking to raise their prices is moderating quickly to reflect the shifting growth outlook and rising inventory levels, that they don't want left on their books." – James Knightley, Chief International Economist, ING Economics

Source: https://think.ing.com/articles/40-year-high-for-us-core-inflation-heaps-pressure-on-the-fed; 10/13/22

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Economics

ING Economics

Why we favour 50bp in December

"Moreover, we think used car prices have much further to fall based on the Manheim car auction price data (4% weighting in the inflation basket) while slowing global chip demand suggesting new vehicle production issues (new vehicles also have a 4% weight) are possibly moderating, paving the way for more supply and less inflation.

Shelter could be key to lower inflation

The key swing story is going to be shelter though given it is the largest component of inflation. Historically the shelter series lags behind movements in house prices by around 12-14 months, but over the past week rent.com, apartments.com and CoStar Group have all been reporting rent price falls in major cities. House prices only started falling in July so this could imply a quicker transmission.

A possible reason is that rents have risen so much on top of a broad cost of living increase. This is leading to fewer "household formations" – basically people can't afford rent so are cohabiting with friends/family leading to less demand for apartments and prices are already dropping. We will see how this develops, but like the corporate pricing and the vehicle stories we still think the risks are skewed towards inflation falling more quickly through 2023 than the consensus." – James Knightley, Chief International Economist, ING Economics

Source: https://think.ing.com/articles/40-year-high-for-us-core-inflation-heaps-pressure-on-the-fed; 10/13/22

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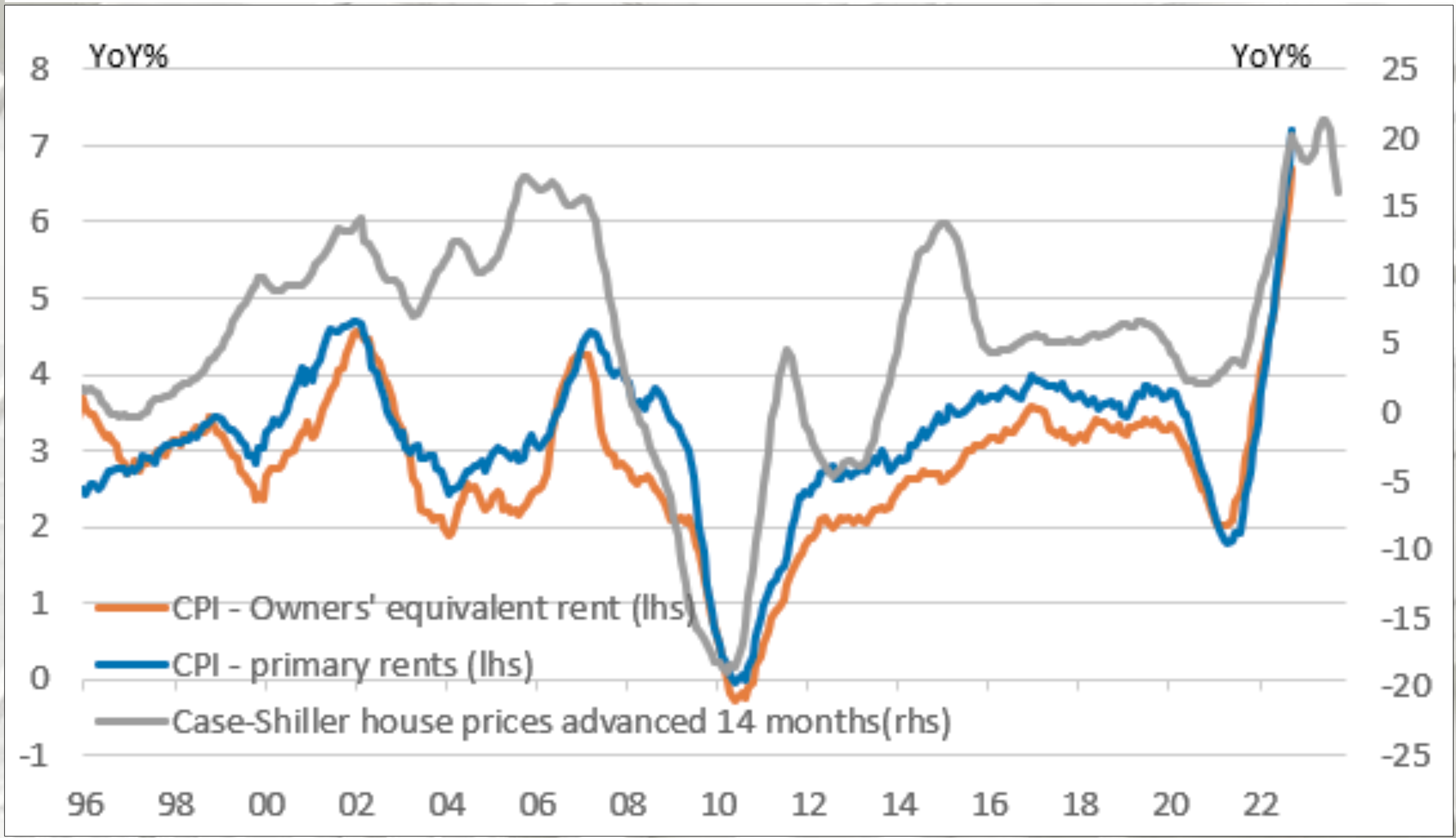
Economics

ING Economics

40-year high for US core inflation heaps pressure on the Fed



Source: https://think.ing.com/articles/40-year-high-for-us-core-inflation-heaps-pressure-on-the-fed; 10/13/22

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Economics

U.S. Census Bureau

NEW Business Formation Statistics

September 2022

Business Applications

"Business Applications for September 2022, adjusted for seasonal variation, were 421,503, a decrease of 1.0 percent compared to September 2022.

Business Formations

Projected Business Formations (within 4 quarters) for September 2022, adjusted for seasonal variation, were 30,623, a decrease of 0.4 percent compared to September 2022. The projected business formations are forward looking, providing an estimate of the number of new business startups that will appear from the cohort of business applications in a given month. It does not provide an estimate of the total number of business startups that appeared within a specific month. In other words, the Census Bureau is projecting that 30,623 new business startups with payroll tax liabilities will form within 4 quarters of application from all the business applications filed during September 2022. The 0.4 percent decrease indicates that for September 2022 there will be 0.4 percent fewer businesses projected to form within 4-quarters of application, compared to the analogous projections for August 2022." – Census Bureau, Economic Indicators Division, Business Formation Statistics

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 10/14/22

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Economics

U.S. Census Bureau

NEW Business Formation Statistics

September 2022

BUSINESS APPLICATIONS

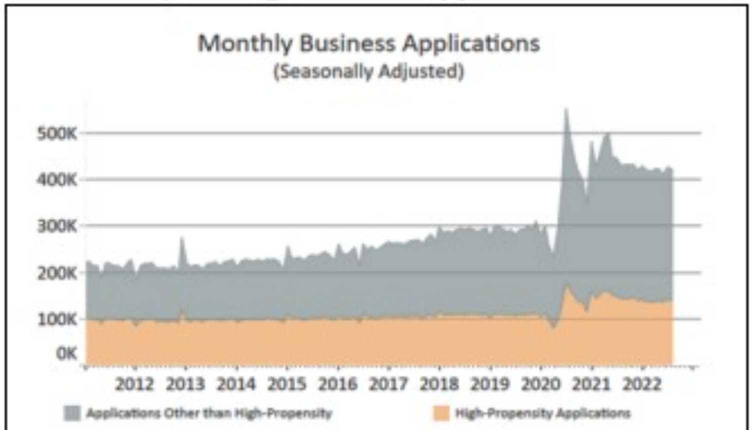
U.S. Business Applications:	AUG 2022	AUG 2022 / JUL 2022
Total	421,503	-1.0%*
High-Propensity	138,533	-1.7%*
With Planned Wages	48,138	-0.5%*
From Corporations	48,699	-3.5%*

Next release: October 13, 2022

(*) Statistical significance is not applicable or not measurable.

Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, September 14, 2022



Source: U.S. Census Bureau, Business Formation Statistics, September 14, 2022

Business Applications - At a Glance





		US	Northeast	Midwest	South	West
Total	AUG 2022	421,503	61,991	69,143	195,277	95,092
	AUG 2022 / JUL 2022	-1.0%	-2.0%	-2.2%	-1.1%	+0.9%
High-Propensity	AUG 2022	138,533	22,317	21,826	60,314	34,076
	AUG 2022 / JUL 2022	-1.7%	-4.1%	-1.1%	-1.8%	-0.3%
With Planned Wages	AUG 2022	48,138	6,545	8,495	20,908	12,190
	AUG 2022 / JUL 2022	-0.5%	-2.2%	-0.6%	+0.1%	-0.5%
From Corporations	AUG 2022	48,699	10,375	5,977	17,643	14,704
	AUG 2022 / JUL 2022	-3.5%	-6.3%	-0.1%	-3.3%	-3.1%

Details may not equal totals due to rounding. Regions defined by Census Bureau Geography Program. Statistical significance is not applicable or not measurable.

Data adjusted for seasonality. Green Percentage changes are greater than zero (+). Red Percentage changes are less than zero (-). Z = absolute value < 0.05.

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 9/14/22

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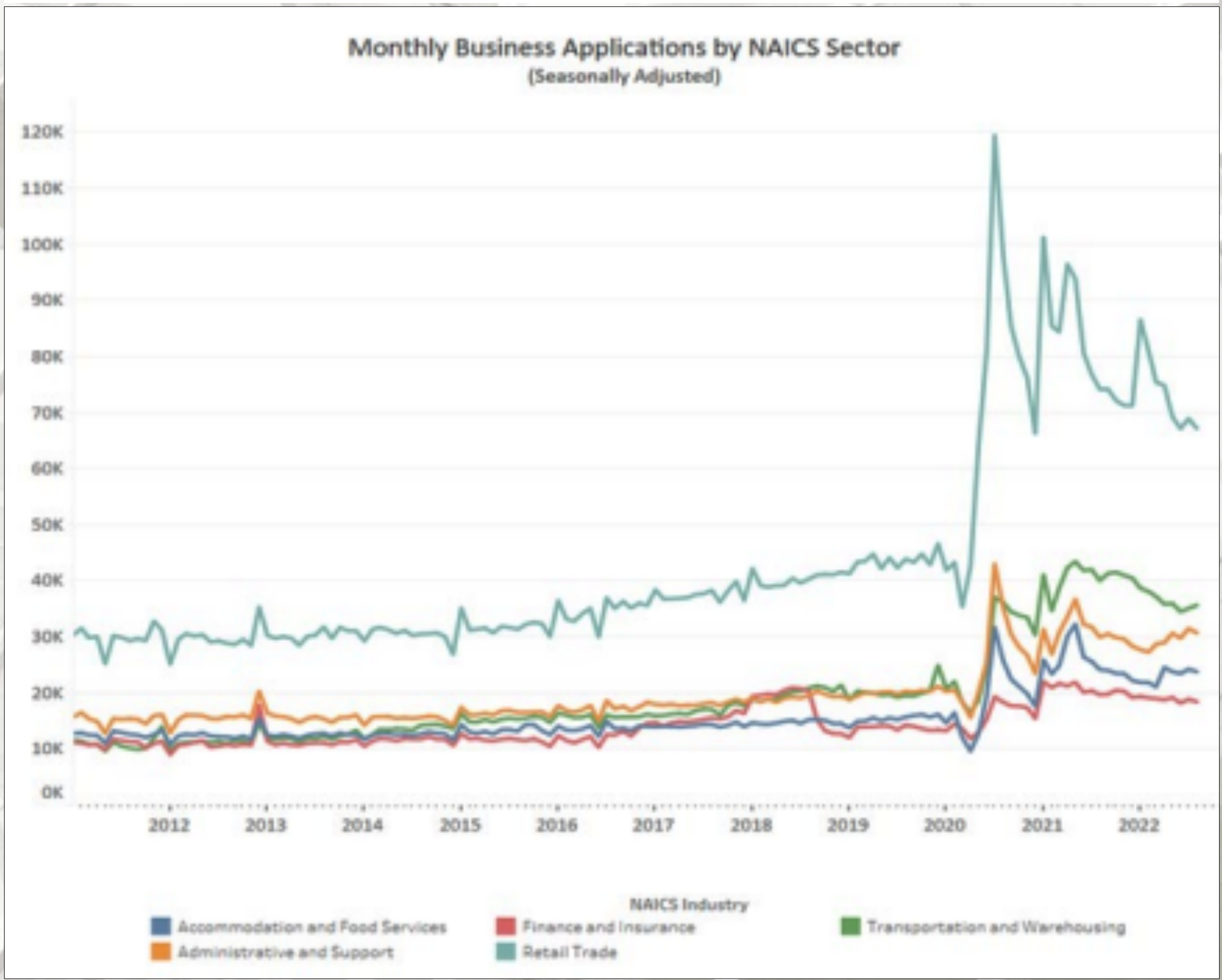
Economics

NEW Business Formation Statistics

September 2022



Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 9/14/22

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