The Virginia Tech–USDA Forest Service Housing Commentary: Section II
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2023 Virginia Polytechnic Institute and State University VCE-ANR

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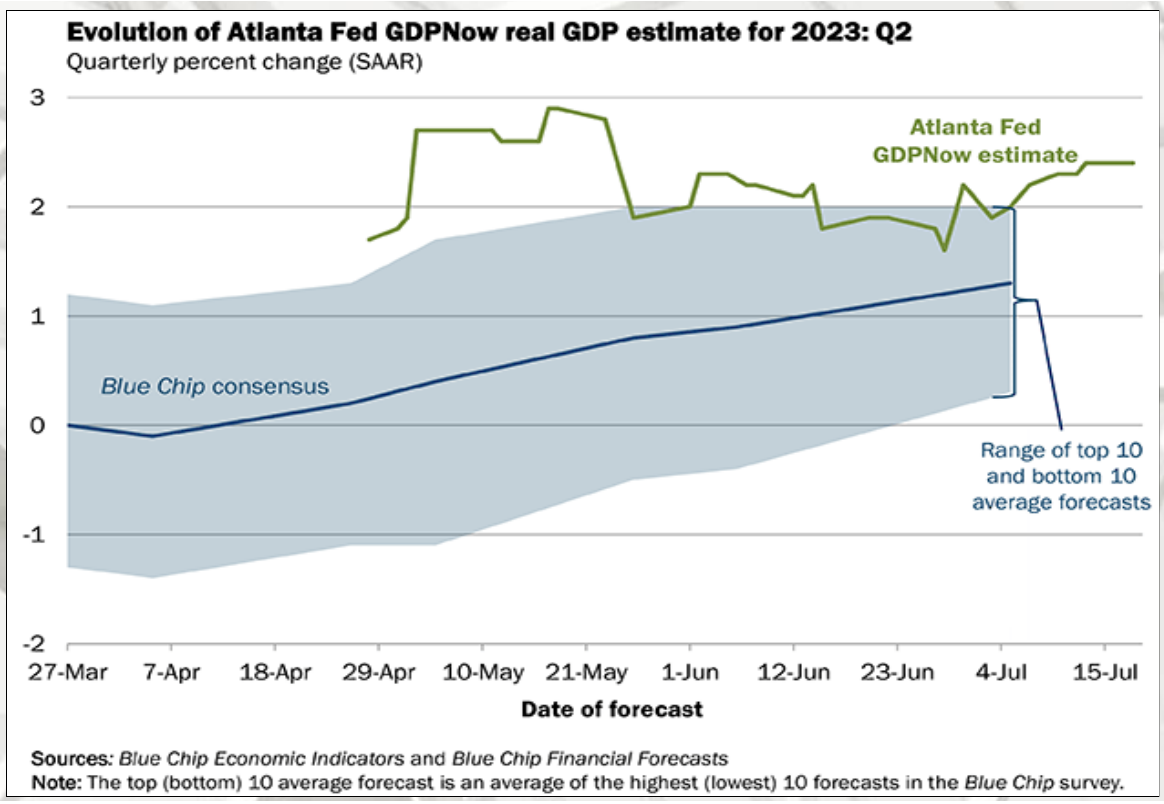
U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest estimate: 2.4 percent — July 18, 2023

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2023 is **2.4 percent** on July 18, up from 2.3 percent on July 10. After recent releases from the US Department of the Treasury's Bureau of the Fiscal Service, the US Bureau of Labor Statistics, the US Census Bureau, and the Federal Reserve Board of Governors, increases in the nowcasts of second-quarter real personal consumption expenditures and real government spending growth from 1.2 percent and 2.4 percent, respectively, to 1.4 percent and 2.8 percent were partially offset by a decrease in the nowcast of second-quarter real gross private domestic investment growth from 10.5 percent to 9.4 percent, while the nowcast of the contribution of the change in real net exports to second-quarter real GDP growth increased from -0.72 percentage points to -0.67 percentage points." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 7/18/23

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

Index Suggests Economic Growth Declined in May

"*Led by declines in production-related indicators, the Chicago Fed National Activity Index (CFNAI) decreased to –0.15 in May from +0.14 in April. Two of the four broad categories of indicators used to construct the index decreased from April, and three of the four categories made negative contributions in May. The index's three-month moving average, CFNAI-MA3, increased to –0.14 in May from –0.20 in April.*

The CFNAI Diffusion Index, which is also a three-month moving average, moved up to –0.09 in May from –0.14 in April. Thirty-nine of the 85 individual indicators made positive contributions to the CFNAI in May, while 46 made negative contributions. Thirty-eight indicators improved from April to May, while 47 indicators deteriorated. Of the indicators that improved, 11 made negative contributions.

Production-related indicators contributed –0.09 to the CFNAI in May, down from +0.18 in April. Industrial production decreased 0.2 percent in May after increasing 0.5 percent in the previous month. The contribution of the sales, orders, and inventories category to the CFNAI moved up to –0.05 in May from –0.10 in April.

Employment-related indicators contributed –0.03 to the CFNAI in May, down from +0.07 in April. The unemployment rate increased to 3.7 percent in May from 3.4 percent in the previous month. The contribution of the personal consumption and housing category to the CFNAI edged up to +0.02 in May from –0.01 in April." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 6/22/23

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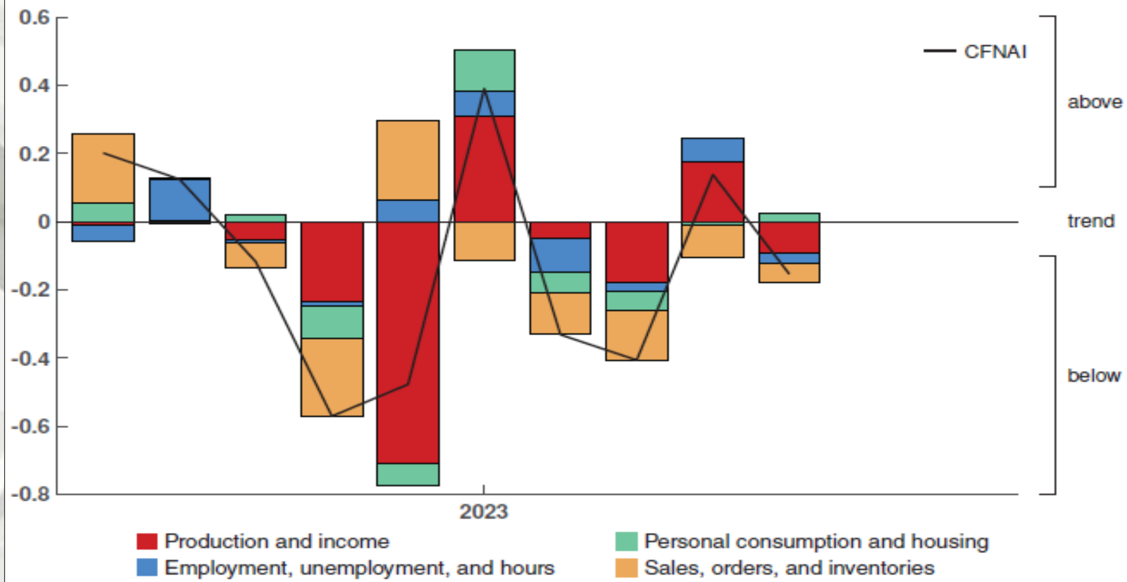
The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)

Chicago Fed National Activity Index, by Categories



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

	May '23	Apr '23	Mar '23	Feb '23	Jan '23	Dec '22	May '22
CFNAI							
Current	–0.15	+0.14	–0.41	–0.33	+0.39	–0.48	–0.22
Previous	N/A	+0.07	–0.37	–0.37	+0.39	–0.48	–0.22
CFNAI–MA3							
Current	–0.14	–0.20	–0.12	–0.14	–0.22	–0.39	+0.03
Previous	N/A	–0.22	–0.12	–0.15	–0.22	–0.38	+0.03
CFNAI Diffusion							
Current	–0.09	–0.14	–0.11	0.00	–0.06	–0.16	+0.06
Previous	N/A	–0.19	–0.12	–0.01	–0.04	–0.15	+0.06

Current and Previous values reflect index values as of the June 22, 2023, release and May 25, 2023, release, respectively.
N/A indicates not applicable.

Source: https://www.chicagofed.org/publications/cfnai/index; 6/22/23

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

Survey Suggests Growth Slowed in June

“The Chicago Fed Survey of Economic Conditions (CFSEC) Activity Index decreased to –51 in June from –27 in May, suggesting that economic growth was well below trend. The CFSEC Manufacturing Activity Index decreased to –48 in June from –26 in May, and the CFSEC Nonmanufacturing Activity Index decreased to –52 in June from –27 in the previous month.

- Respondents’ outlooks for the U.S. economy for the next 12 months improved, but remained pessimistic on balance. Fifty-five percent of respondents expected a decrease in economic activity over the next 12 months.
- The pace of current hiring increased, but respondents’ expectations for the pace of hiring over the next 12 months decreased. The hiring index moved into positive territory, but the hiring expectations index remained negative.
- Respondents’ expectations for the pace of capital spending over the next 12 months increased, but the capital spending expectations index remained negative.
- The labor cost pressures index decreased, but the nonlabor cost pressures index increased. Both cost pressures indexes remained negative.” – Thomas Walstrum, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/research/data/cfsec/current-data; 6/22/23

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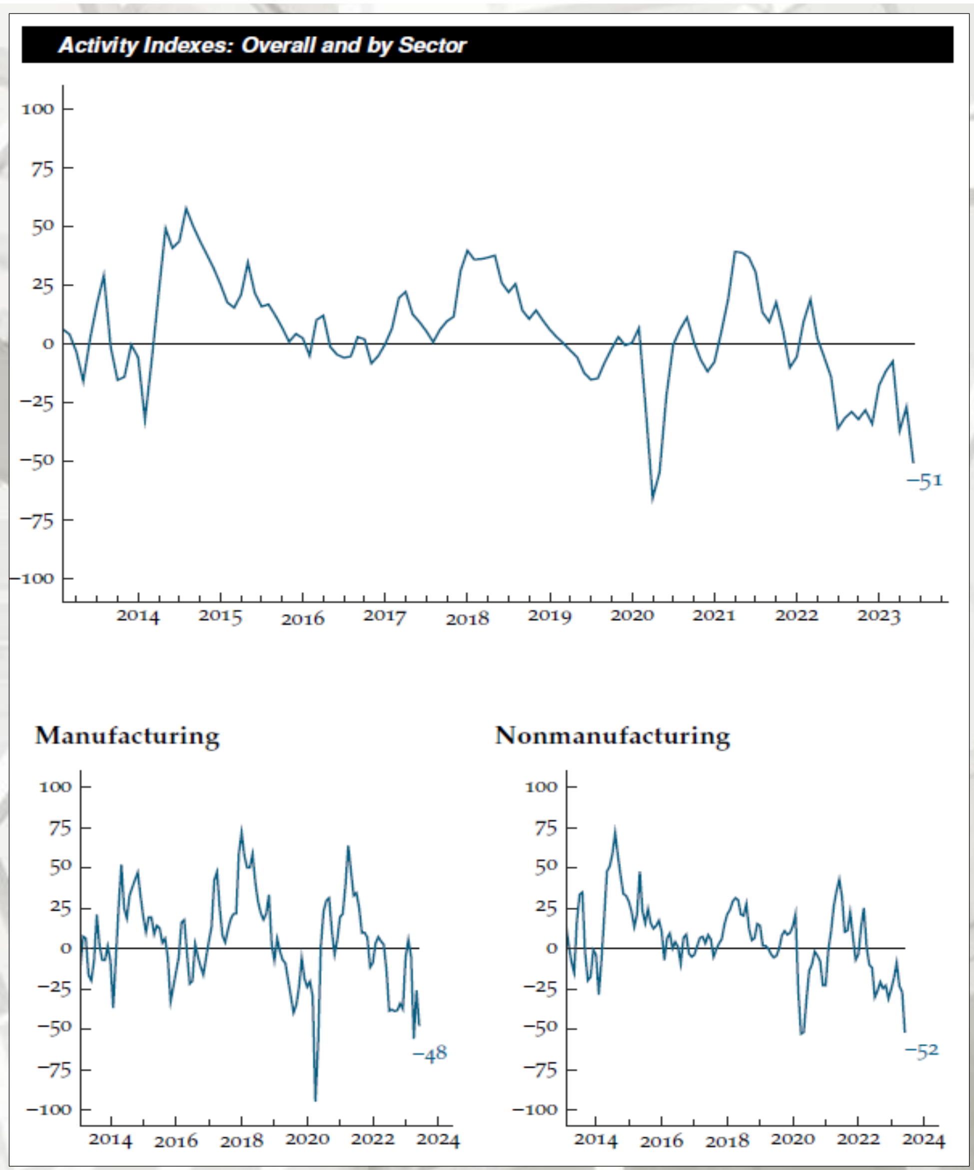
The Federal Reserve Bank of Chicago: Survey of Economic Conditions (CFSEC)



Source: https://www.chicagofed.org/research/data/cfsec/current-data; 6/22/23

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The Federal Reserve Bank of Dallas

Texas Manufacturing Outlook Survey

Texas manufacturing output declines in June, selling prices edge down

"Texas factory activity declined in June, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, fell three points to -4.2, a reading indicative of a slight contraction in output.

Other measures of manufacturing activity also indicated contraction in June. The new orders index has been in negative territory for more than a year and held steady this month at -16.6. The growth rate of orders index inched down to -23.7, its lowest value since mid-2020. The capacity utilization index edged down from -4.9 to -6.0, while the shipments index plunged 14 points to -17.0.

Perceptions of broader business conditions continued to worsen in June. The general business activity and company outlook indexes remained negative, though both moved up, coming in at -23.2 and -10.7, respectively. The outlook uncertainty index ticked up to 16.7, in line with its series average.

Labor market measures suggest weaker employment growth and declining work hours. The employment index retreated seven points to 2.2, falling below its average reading of 7.8. Seventeen percent of firms noted net hiring, while 15 percent noted net layoffs. The hours worked index moved down to -4.3.

Price pressures evaporated, while wage pressures remained elevated. The raw materials prices index dropped 12 points to 1.4, indicative of little change in input costs from May. The finished goods prices index slipped from 0.4 to -1.9, suggesting selling prices edged down in June. The wages and benefits index held at 25.3, still slightly above its average of 21.1." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 6/26/23

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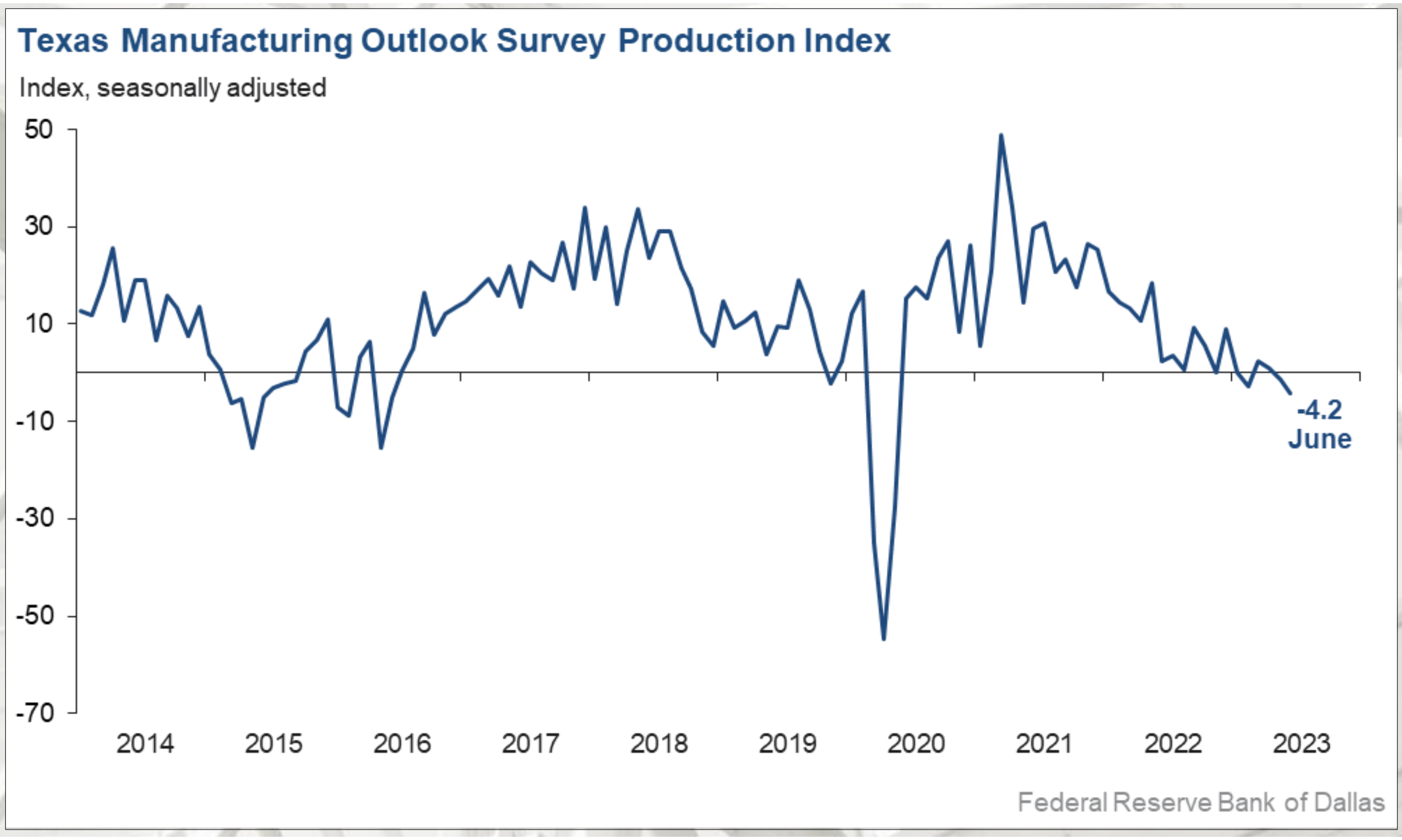
The Federal Reserve Bank of Dallas



"Expectations regarding future manufacturing activity were mixed in June. The future production index moved up 12 points to 24.2. The future general business activity index remained negative, though it rose from -12.7 to -4.5. Most other measures of future manufacturing activity were positive and moved up this month." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 6/26/23

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The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Growth Slows in Texas Service Sector

"Growth in Texas service sector activity slowed in June, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, fell from 6.9 to 3.6, suggesting activity grew at a slower rate than the previous month.

Labor market indicators pointed to faster employment growth and flat workweeks. The employment index increased five points to 9.2, the highest value in five months, indicating an acceleration in employment growth in June. The part-time employment index rose three points to 2.2, while the hours worked index was mostly unchanged at -0.9.

Perceptions of broader business conditions continued to worsen in June, but pessimism around the outlook waned. The general business activity index remained negative but rose nine points to -8.2. The company outlook index increased to -1.4, with the near-zero figure indicating company outlooks were no longer worsening and held mostly steady in June. The outlook uncertainty index ticked down two points to 13.4 – below its series average of 13.6.

Input price and wage pressures increased modestly in June, while selling price pressures were flat. The input prices index ticked up from 31.8 to 35.0, and the selling prices index was generally unchanged at 12.8, though both indexes remained above their series averages. The wages and benefits index inched up two points to 18.6 – still above its average reading of 15.7." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 6/27/23

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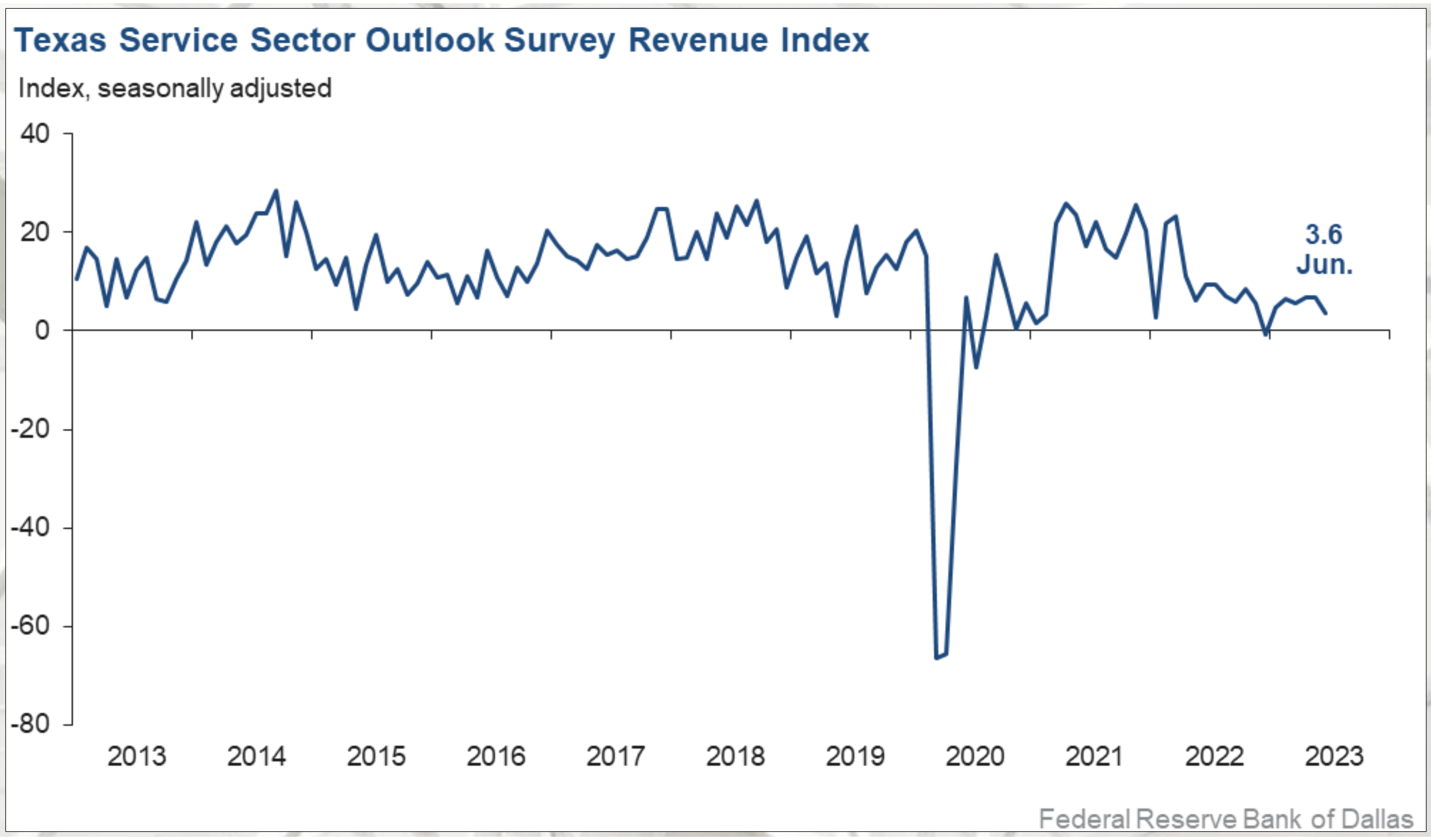

Texas Service Sector Outlook Survey

"Respondents' expectations regarding future business activity were mixed in June. The future general business activity index remained negative but improved notably from -13.2 to -1.6. The future revenue index stayed positive and increased six points to 34.3. Other future service sector activity indexes such as employment and capital expenditures displayed mixed movements but remained in positive territory, reflecting expectations for continued growth in the next six months."
– Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 6/27/23

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The Federal Reserve Bank of Dallas

Texas Retail Outlook Survey

Texas Retail Sales Continue to Decline in June

"Retail sales declined again in June, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, fell four points to -7.2. Retailers' inventories increased at a slower rate than last month, with the index falling from 17.0 to 5.3.

Retail labor market indicators reflected a rebound in employment growth and continued shortening of workweeks in June. The employment index jumped 16 points to 12.2, and the part-time employment index increased 11 points to 2.1. The hours worked index didn't change, remaining in negative territory at -2.3.

Retailers' perceptions of broader business conditions stabilized in June. Both the general business activity index and the company outlook index moved up to near-zero readings, indicating conditions and outlooks were no longer worsening but held steady in June. The outlook uncertainty index fell from 12.9 to 6.6.

Price pressures increased, but wage pressures eased in June. The selling prices index rose seven points to 15.2, and the input prices index ticked up two points to 26.6. However, the wages and benefits index dropped four points to 17.9.

Expectations for future retail growth improved in June. The future sales index rebounded into positive territory, jumping 22 points to 18.4, and the future general business activity index increased 25 points to near zero. Other indexes of future retail activity such as employment and capital expenditures also increased and remained in positive territory, reflecting expectations for higher growth in retail activity later in the year." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 6/27/23

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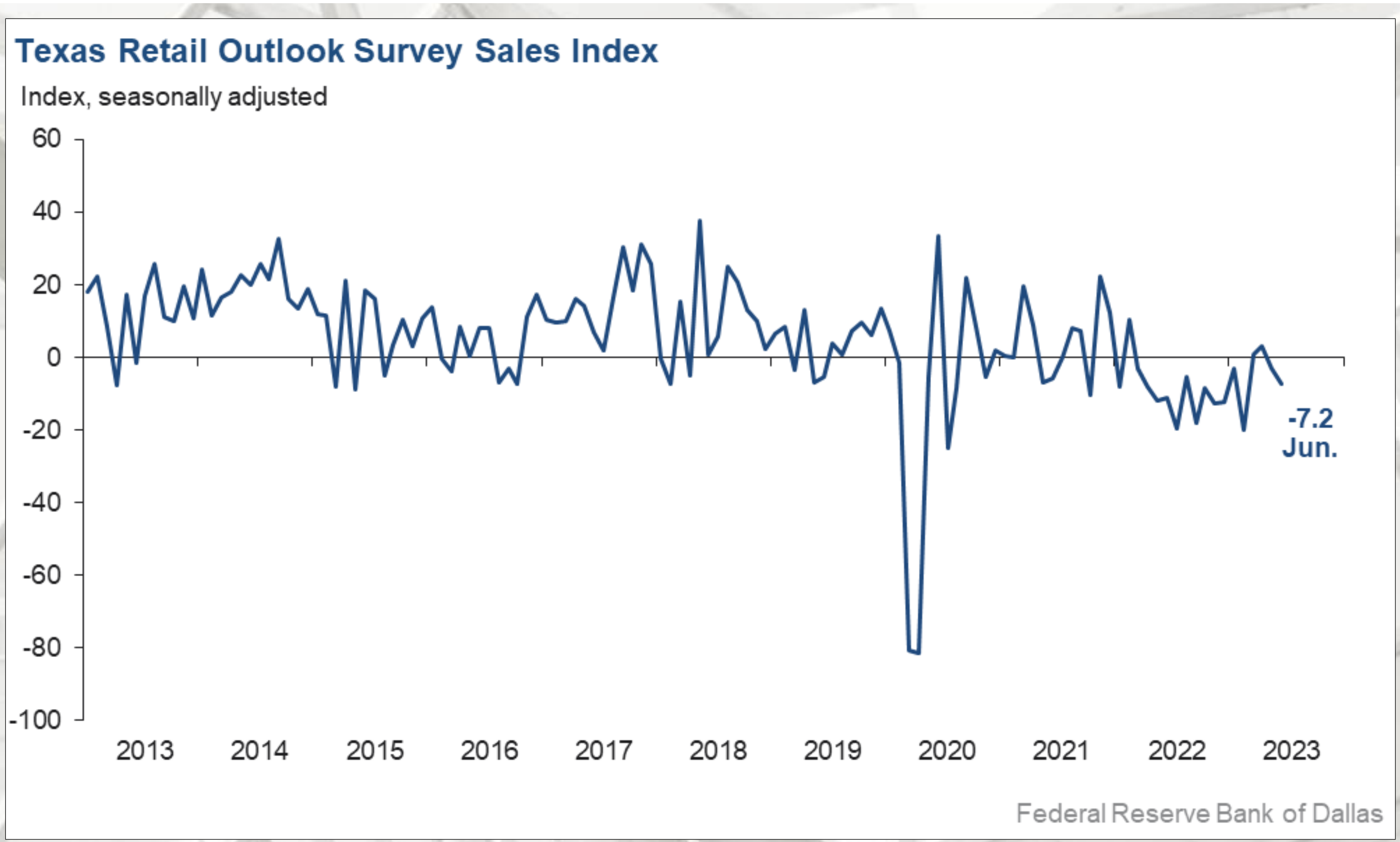

Source: https://www.dallasfed.org/research/surveys; 6/27/23

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Declined Further in June

Regional factory activity declined further in June. District firms' expectations for future activity fell to their lowest levels since April 2020, although firms were still fairly optimistic about employment levels.

Factory Activity Declined Further

"Tenth District manufacturing activity declined further in June, while expectations for future activity fell into negative territory (Chart 1). Monthly price indexes decreased significantly and are expected to continue to ease in the next six months.

The month-over-month composite index was -12 in June, down from -1 in May and from -10 in April. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The decrease from last month was driven by both durable and non-durable goods, especially by primary metals and print manufacturing. Month-over-month indexes remained mostly negative, but the pace of decline accelerated compared to May. The production, volume of shipments, number of employees, supplier delivery time, and inventories indexes all declined at a faster rate. Year-over-year factory indexes decreased further in June, and the composite index slowed from 6 to -12. The future composite index decreased from 2 to -2 in June, reaching the lowest level since April 2020." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Chase Farha, and Jannety Mosley; Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 6/22/23

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Factory Activity Declined Further

Special Questions

"This month contacts were asked special questions about hiring and employment activity and expectations about demand. About 43% of firms reported that they stopped posting new positions, looking for new workers, and reducing the number of hours for hired workers in the last 3 months, with 29% of firms expecting to do so in the next 6 months. Additionally, 40% of district firms expected demand for their products to be lower for the remainder of 2023, while 37% of firms expected demand to be higher, and 23% of firms expected no change in the demand for their products." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Chase Farha, and Jannety Mosley; Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 6/22/23

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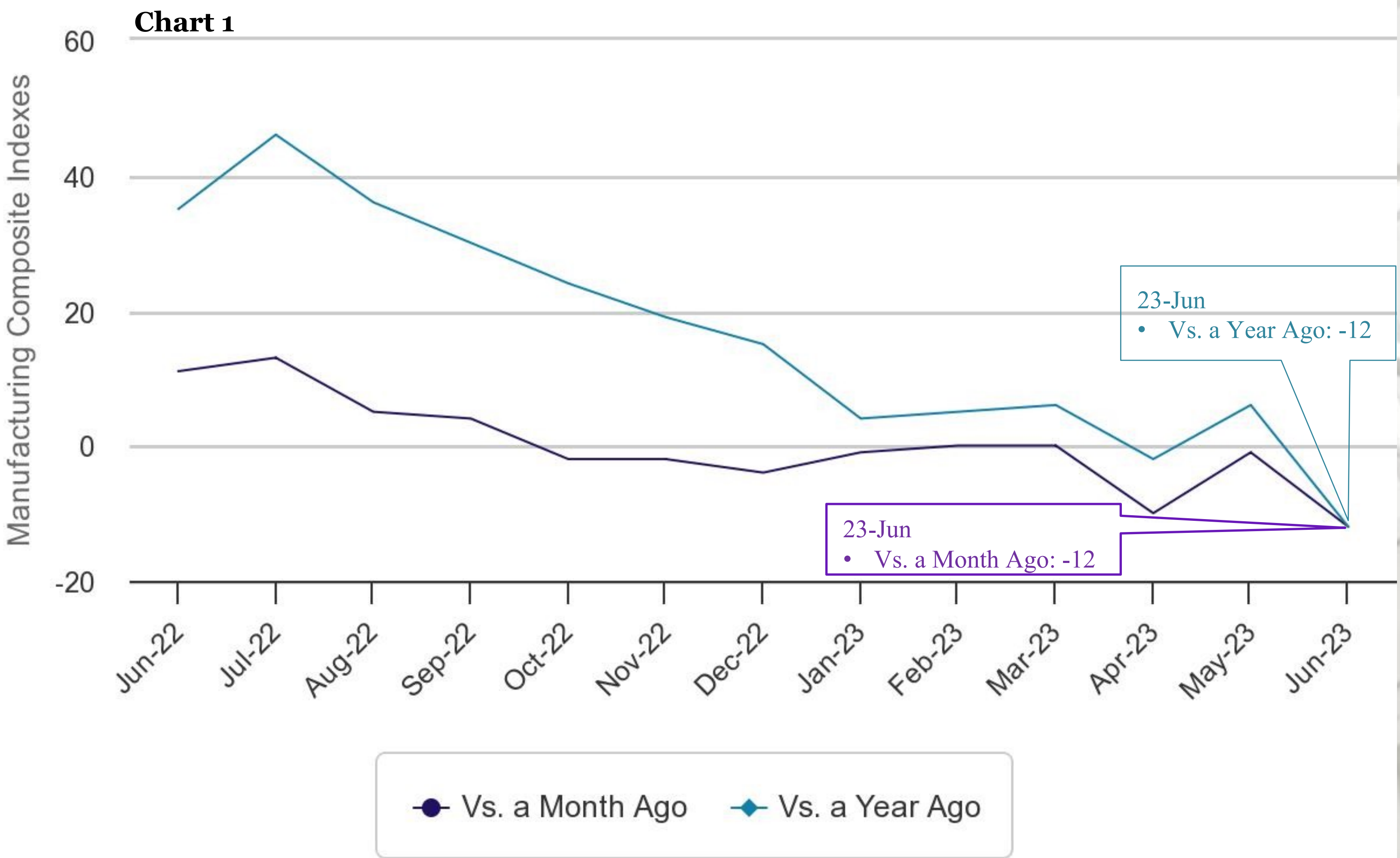
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 6/22/23

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Activity Increased Significantly in June

District services activity increased significantly in June. In contrast, expectations for future activity edged lower as price increases continued.

Business Activity Increased Significantly

"Tenth District services growth increased significantly in June, while expectations for the next six months declined slightly (Chart 1). Input price indexes remained high over the last month and were up from this time last year, while selling prices have picked up moderately from last month. Looking forward, firms expect an uptick in prices in the next six months.

The month-over-month services composite index was 14 in June, up from 3 in May and 7 in April. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The revenue and sales growth was driven primarily by restaurants and retail. In contrast, autos, transportation, real estate, and education services declined in June. All month-over-month indexes grew and remained expansionary, except input prices which plateaued at 30 and access to credit which declined back to negative territory. The general revenues/sales index increased substantially from 4 to 20, and the inventory levels, employee hours worked, and wages & benefits indexes all increased moderately. The year-over-year composite index declined from -4 to -11, driven mostly by decreases in employment and inventory levels as revenues remained steady. Expectations for services activity declined slightly in June, with the composite index declining from 6 to -4." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Chase Farha, and Jannety Mosley; Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 6/23/23

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Business Activity Increased Significantly

Special Questions

“This month contacts were asked special questions about expected demand, as well as hiring and employment activity. In June, a narrow majority of firms (56%) expected higher demand for their firm’s products for the remainder of 2023, while 19% expected no change and 25% expected lower demand. Additionally, 81% of firms reported they have not lowered hiring and employment activity in the last 3 months and do not plan to in the next 6 months; namely, they have not stopped posting new positions and looking for new workers, reduced the number of hours for hired workers, or laid off workers.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 6/23/23

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The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 6/23/23

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The Federal Reserve Bank of New York

July Empire State Manufacturing Survey

Activity Holds Steady

"Business activity held steady in New York State, according to firms responding to the July 2023 *Empire State Manufacturing Survey*. The headline general business conditions index fell six points to 1.1. New orders inched up and shipments expanded. Delivery times shortened and inventories continued to decline. Employment levels edged higher, though the average workweek was little changed. Input and selling price increases continued to moderate. Planned increases in capital spending remained weak. Looking ahead, while firms expect conditions to improve, optimism remained muted.

Manufacturing activity was little changed in New York State, according to the July survey. The general business conditions index fell six points to 1.1. Twenty-nine percent of respondents reported that conditions had improved over the month, while twenty-seven percent reported that conditions had worsened. The new orders index was little changed at 3.3, indicating that orders edged higher, and the shipments index fell nine points to 13.4, pointing to an increase in shipments, though at a slower pace than last month. At -8.8, the unfilled orders index remained negative for a third straight month, a sign that unfilled orders continued to decline. The inventories index also remained negative at -10.8, indicating that inventories moved lower. The delivery times index came in at -6.9, suggesting that delivery times shortened." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 7/17/23

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The Federal Reserve Bank of New York

July Empire State Manufacturing Survey

Price Increases Continue To Moderate

"The index for number of employees climbed into positive territory for the first time since January and, at 4.7, pointed to a small increase in employment. The average workweek index rose to 0.3, indicating little change in hours worked. Price increases continued to moderate: the prices paid index fell five points to 16.7, and the prices received index fell five points to 3.9. The prices paid index has now fallen nearly fifty points over the past year, and the prices received index has fallen a cumulative twenty-seven points.

Optimism Remains Muted

The index for future business conditions edged down to 14.3, indicating that while conditions are expected to improve, optimism remained subdued. New orders and shipments are expected to increase modestly, delivery times are expected to continue to shorten, and employment is expected to expand modestly. The capital spending index fell five points to 2.9, suggesting that capital spending plans remained soft." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 7/17/23

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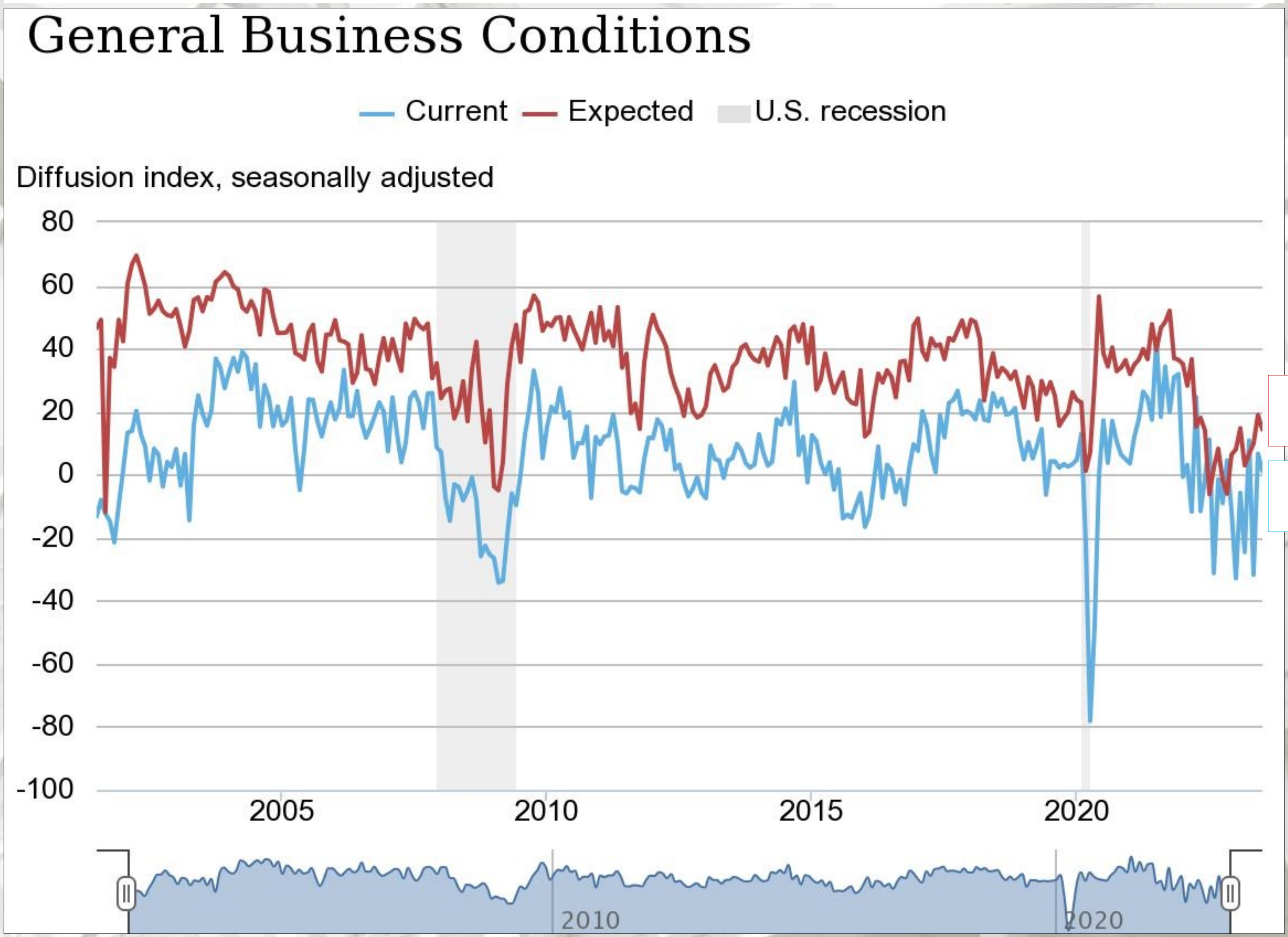
The Federal Reserve Bank of New York



July 2023
14.3

July 2023
1.1

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 7/17/23

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The Federal Reserve Bank of New York

July 2023 Business Leaders Survey (Services)

Activity Holds Steady

“Activity held steady in the region’s service sector, according to firms responding to the Federal Reserve Bank of New York’s July 2023 *Business Leaders Survey*. The survey’s headline business activity index climbed five points to zero, its first non-negative reading in ten months. The business climate index rose eight points, but remained negative at -28.1, suggesting the business climate remains worse than normal. Employment continued to increase, and wage growth moderated somewhat. The pace of price increases was little changed. Looking ahead, firms became more optimistic that conditions will improve over the next six months.

Business activity was unchanged in the region’s service sector, according to the July survey. The headline business activity index rose five points to zero. Twenty-nine percent of respondents reported that conditions improved over the month and twenty-nine percent said that conditions worsened. The business climate index climbed eight points to -28.1, a sign that the business climate remains worse than normal, though less so than in recent months.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 7/18/23

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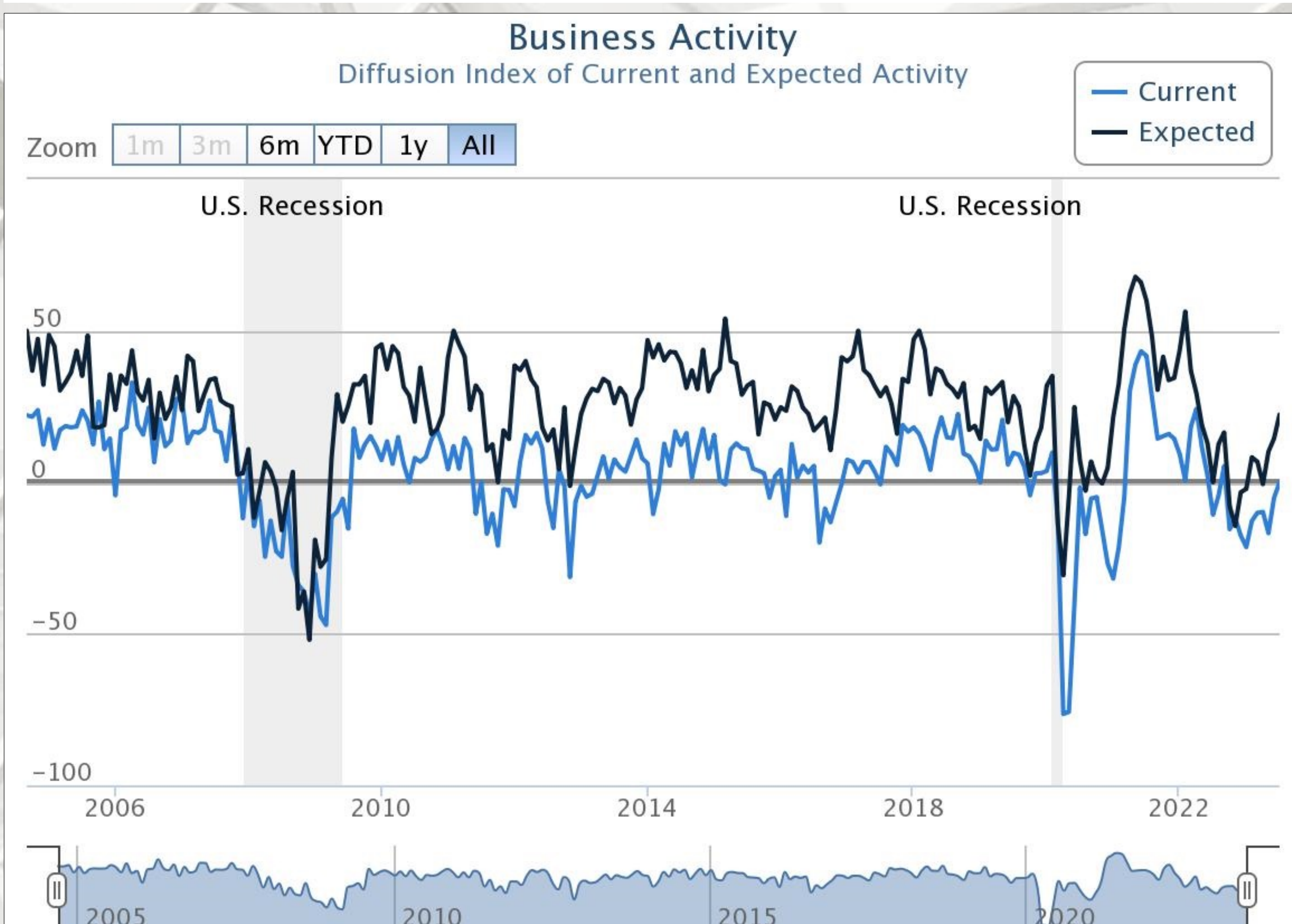
The Federal Reserve Bank of New York



July 2023
22.3

July 2023
0.0

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 7/18/23

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The Federal Reserve Bank of New York

July 2023 Business Leaders Survey (Services)

The Pace Of Price Increases Little Changed

“At -3.6, the index for number of employees remained negative for a fifth consecutive month, and the average workweek index also held below zero at -5.8, pointing to another monthly decline in employment and hours worked. Price increases moderated significantly: the prices paid index fell thirteen points to 22.0, and the prices received index fell fifteen points to 9.0. Both price indexes are now at levels not materially different than what prevailed just before the pandemic.

Firms Becoming More Optimistic

The index for future business activity rose eight points to 22.3, its highest level in more than a year, pointing to growing optimism about the six-month outlook. The index for the future business climate remained negative at -7.8. Employment is expected to grow modestly in the months ahead, and capital spending plans picked up.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 7/18/23

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The Federal Reserve Bank of Philadelphia

June 2023 Manufacturing Business Outlook Survey

Current Indicators Remain Weak

"Manufacturing activity in the region continued to decline overall, according to the firms responding to the June *Manufacturing Business Outlook Survey*. The survey's indicators for general activity and new orders remained negative. However, the index for shipments rose and turned positive. The employment index suggests steady employment overall. The price indexes remained below long-run averages. Most future indicators improved, but expectations for growth over the next six months remained tempered.

The diffusion index for current general activity declined from a reading of -10.4 last month to -13.7 this month (see Chart 1), its 10th consecutive negative reading. One-third of the firms reported decreases, exceeding the 20 percent reporting increases; 45 percent of the firms reported no change in current activity. The index for new orders declined 2 points to -11.0, the index's 13th consecutive negative reading. The current shipments index rose 15 points to 9.9, its highest reading since January. Over 31 percent of the firms reported increases in shipments (up from 21 percent last month) compared with 21 precent that reported decreases (down from 26 percent); 45 percent reported no change (down from 53 percent). The index for delivery times fell 7 points to -16.1, the index's 10th consecutive negative reading.

On balance, the firms reported mostly steady levels of employment. The employment index rose 8 points to a near-zero reading. Similar shares of the firms reported increases and decreases in employment (11 percent); most firms (75 percent) reported no change. The average workweek index ticked down from -7.7 to -8.2." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-06; 6/15/23

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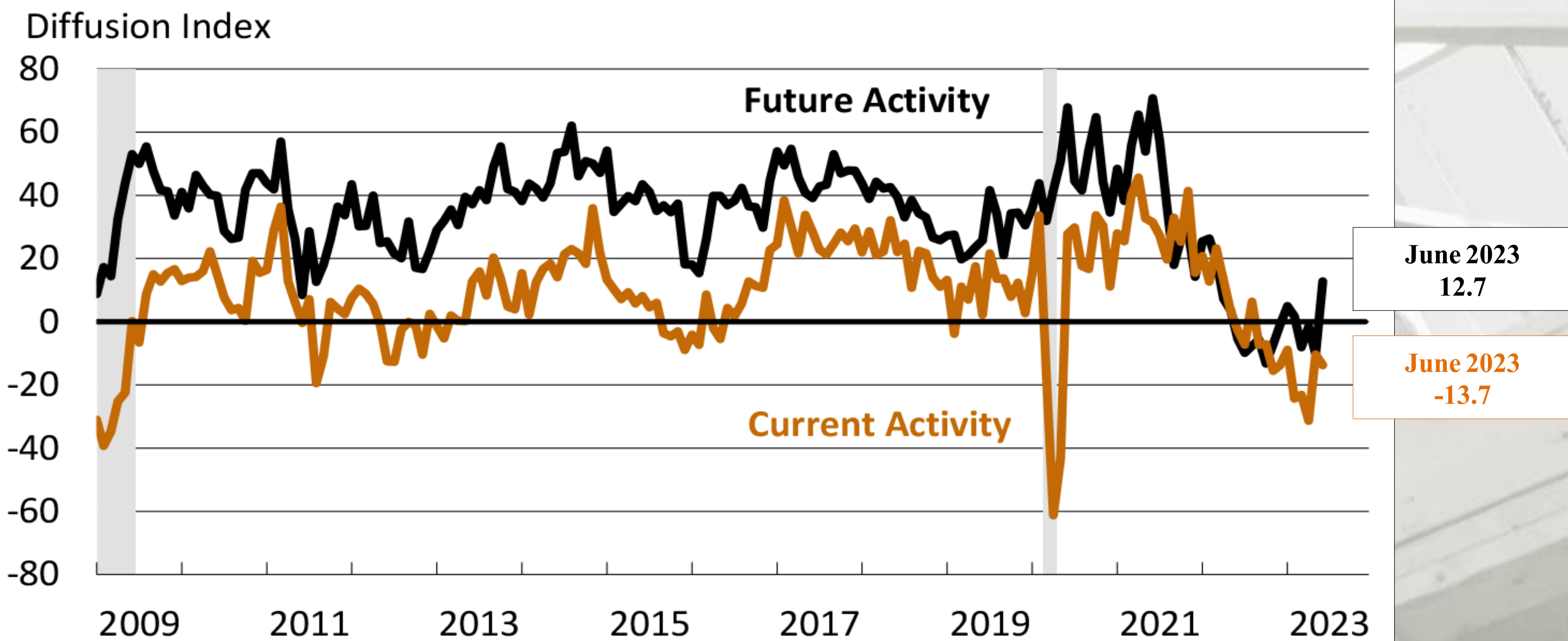
The Federal Reserve Bank of Philadelphia

June 2023 Manufacturing Business Outlook Survey

Chart 1. Current and Future General Activity Indexes

January 2009 to June 2023



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

Note: The diffusion index is computed s the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-06; 6/15/23

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The Federal Reserve Bank of Philadelphia

June 2023 Manufacturing Business Outlook Survey

Price Indexes Remain Below Long-Run Averages

"The prices paid diffusion index was little changed at 10.5 (see Chart 2). Twenty-two percent of the firms reported increases in input prices, and 12 percent reported decreases; 66 percent reported no change. On balance, the firms reported no change in the prices of their own goods. The current prices received index rose 7 points from a three-year low in May to 0.1 in June, marking the index's first increase since January. More than 59 percent of the firms reported no change, 19 percent reported increases, and 19 percent reported decreases.

Firms Report Higher Production, Little Change in Capacity Utilization

In this month's special questions, the firms were asked to estimate their total production growth for the second quarter ending this month compared with the first quarter of 2023. A higher share of firms reported an increase in production (46 percent) compared with the share reporting a decrease (24 percent). Regarding firms' capacity utilization rate for the current quarter and one year ago, the median current capacity utilization rate reported among the responding firms was unchanged at 70 to 80 percent. Although most firms reported labor supply and supply chains as slight or moderate constraints to capacity utilization, 22 percent indicated labor as a significant constraint, and 16 percent indicated supply chains as a significant constraint. Looking ahead over the next three months, most firms expect the impacts of various factors to stay the same; however, 25 percent of the firms expect the impacts of energy markets to worsen, up from 8 percent when this question was asked in March. Additionally, 23 percent of the firms expect financial capital impacts to worsen over the next three months, unchanged from March." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-06; 6/15/23

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The Federal Reserve Bank of Philadelphia

June 2023 Manufacturing Business Outlook Survey

Future Indicators Rise

"The diffusion index for future general activity jumped from a reading of -10.3 in May to 12.7 in June, the index's first positive reading in four months and highest reading since March 2022 (see Chart 1). Nearly 33 percent of the firms expect an increase in activity over the next six months (up from 27 percent last month), and 20 percent expect a decrease (down from 37 percent); 44 percent expect no change (up from 37 percent). The future new orders index increased 16 points to 14.1, while the future shipments index climbed 24 points to 28.3. On balance, the firms continued to expect increases in employment over the next six months. The future employment index edged up from a reading of 12.6 to 13.1. The future price indexes suggest that firms expect price increases over the next six months, but both indexes declined and remained below their long-run averages. The future capital expenditures index increased from 2.5 to 9.9, its highest reading since January.

Summary

Responses to the June *Manufacturing Business Outlook Survey* suggest continued overall declines in the region's manufacturing sector this month. The indicators for current activity and new orders remained negative, while the index for shipments turned positive. The firms reported relatively no change in prices received and continued to indicate overall increases in prices paid. The survey's future indexes improved but continued to suggest subdued expectations for growth over the next six months." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-06; 6/15/23

The Federal Reserve Bank of Philadelphia

June 2023 Nonmanufacturing Business Outlook Survey

Current Indicators Remain Weak

“Nonmanufacturing activity in the region remained weak this month, according to the firms responding to the June *Nonmanufacturing Business Outlook Survey*. The index for general activity at the firm level remained negative, and the indexes for new orders and sales/revenues returned to negative territory. The full-time and part-time employment indexes both recorded negative readings this month. Price pressures relaxed as both the prices paid and prices received indexes fell, with the prices received index falling into negative territory. Although the firms continue to expect growth over the next six months on balance, expectations were less widespread.

The diffusion index for current general activity at the firm level edged up from a reading of -9.5 in May to -7.5 this month (see Chart 1). Almost 23 percent of the firms reported increases, while 30 percent of the firms reported decreases; 45 percent reported no change in activity. After a large increase last month, the new orders index fell 19 points to -16.2 this month. More than 14 percent of the firms reported increases in new orders (down from 28 percent last month), while 30 percent reported decreases (up from 25 percent). Similarly, the sales/revenues index decreased 20 points to -10.6 after returning to positive territory last month. Almost 27 percent of the responding firms reported increases in sales/revenues, while 38 percent reported decreases. The regional activity index inched down to -16.6 this month, its fourth consecutive negative reading.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2023-06; 6/20/23

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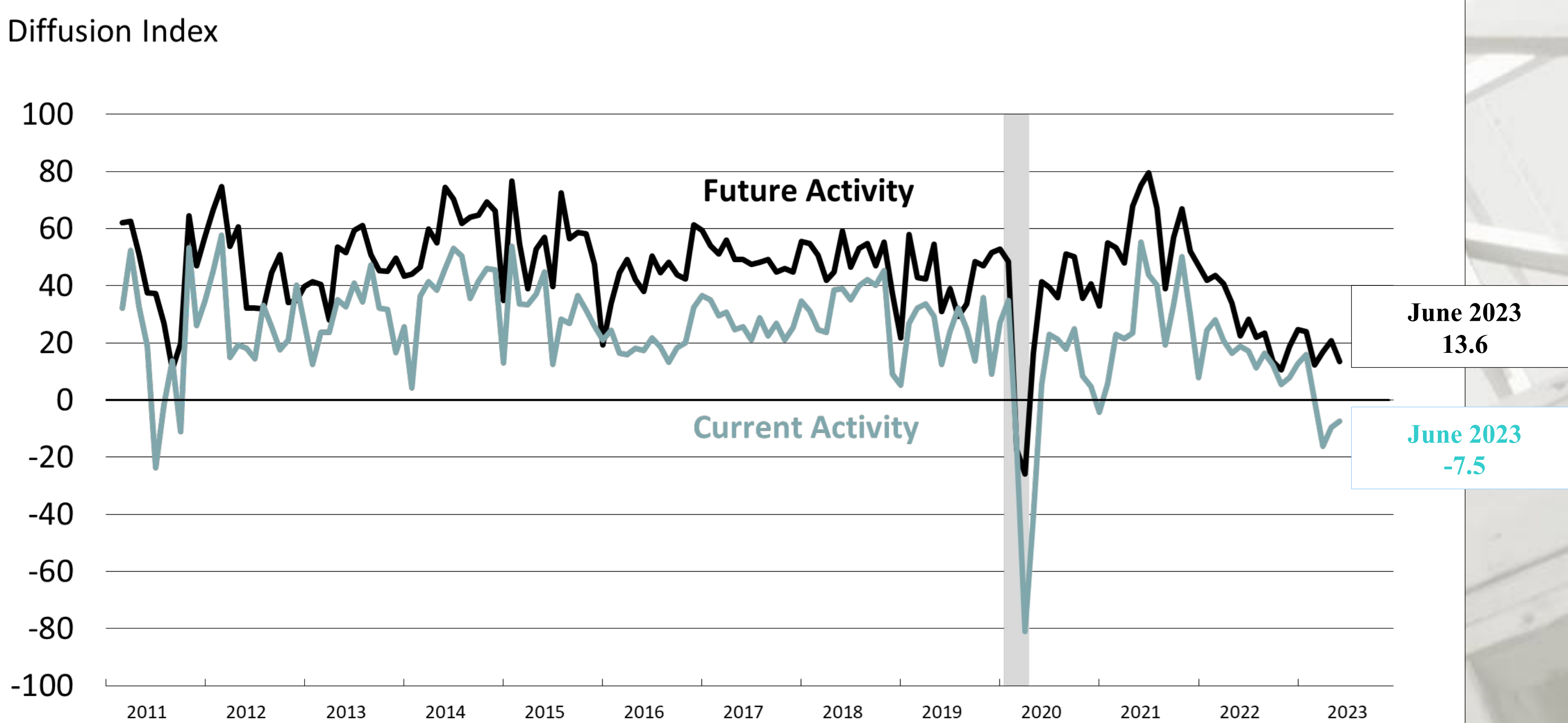
The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes for Firms

March 2011 to June 2023



Note: The diffusion index is computed s the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2023-06; 6/20/23

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The Federal Reserve Bank of Philadelphia

June 2023 Nonmanufacturing Business Outlook Survey

Employment Indicators Record Negative Readings

"On balance, the firms reported decreases in both full-time and part-time employment this month. The full-time employment index fell 29 points to -14.3, its first negative reading since December 2020. Almost 12 percent of the firms reported increases (down from 24 percent last month), while 26 percent reported decreases (up from 9 percent). More than 54 percent of the firms reported steady full-time employment levels. The part-time employment index declined further, falling from -1.3 to -8.8.

Firms Report Declines in Prices of Their Own Goods

Price indicator readings suggest continued but less widespread increases in prices for inputs, but overall declines in prices for the firms' own goods and services. The prices paid index decreased 21 points to 20.8, its lowest reading since October 2020. Over 28 percent of the respondents reported higher input prices, 47 percent reported no change, and 8 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index fell from 21.6 to -5.8, its first negative reading since August 2020. Almost 12 percent of the firms reported decreases in prices received (up from 8 percent), exceeding the 6 percent of firms reporting increases in prices received (down from 30 percent). Most of the firms (60 percent) reported no change in prices for their own goods and services.

Firms Anticipate Growth

The future firm-level general activity index remained low but continued to suggest firms expect growth at their own companies over the next six months. The diffusion index for future general activity at the firm level decreased 7 points to 13.6 (see Chart 1). Almost 40 percent of the firms expect an increase in activity at their firms over the next six months, 26 percent expect decreases, and 32 percent expect no change. The future regional activity index edged up from 2.0 to 4.0.." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2023-06; 6/20/23

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The Federal Reserve Bank of Philadelphia

June 2023 Nonmanufacturing Business Outlook Survey

Firms Higher Sales/Revenues and Lower Constraints

"In this month's special questions, the firms were asked to estimate their total sales/revenues growth for the second quarter ending this month compared with the first quarter of 2023; they were also asked about factors constraining business operations. The share of firms reporting expected increases in second-quarter sales/revenues (58 percent) was greater than the share reporting decreases (30 percent). Most of the firms indicated that labor supply and supply chains constrained operations in the current quarter at least slightly, and although more than half reported that financial capital was not a constraint, 18 percent indicated it was a significant constraint. Looking ahead over the next three months, most of the firms expect the impacts of various factors to stay the same, and 29 percent and 21 percent of the firms expect supply chain and labor supply impacts to improve, respectively. However, 42 percent of the firms expect financial capital impacts to worsen, down slightly from 44 percent in March.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest weak nonmanufacturing activity in the region. The indicator for firm-level general activity remained negative, and the new orders and sales/revenues indexes returned to negative territory. The full-time and part-time employment indexes suggest overall decreases in employment. Both price indexes decreased, with the prices received index falling into negative territory. Overall, the responding firms expect growth over the next six months at their own firms." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2023-06; 6/20/23

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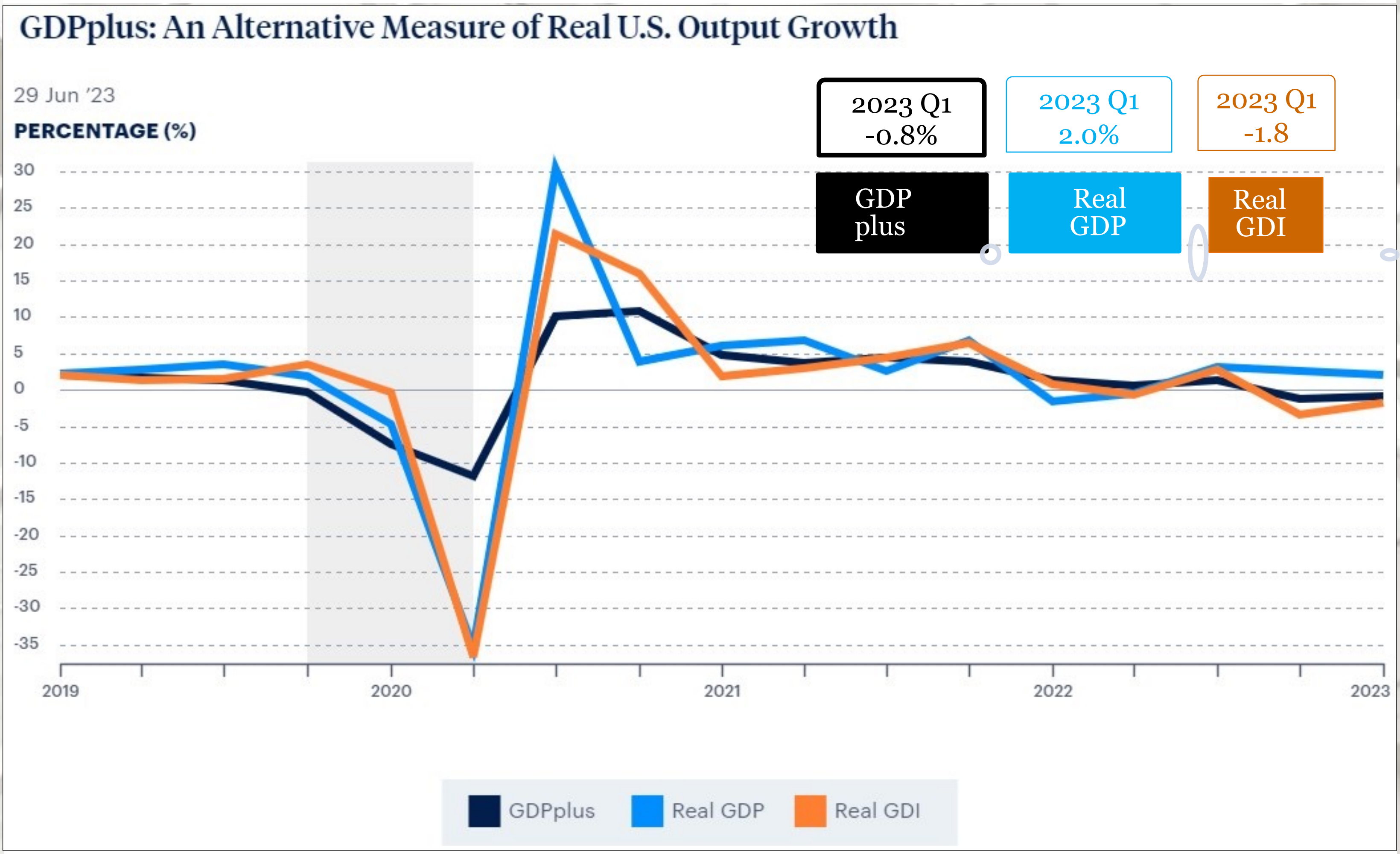
The Federal Reserve Bank of Philadelphia: GDPplus



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; 6/29/23

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The Federal Reserve Bank of Richmond

June 2023 Fifth District Survey of Manufacturing Activity

Manufacturing Activity Remained Relatively Flat in June

"Fifth District manufacturing activity remained relatively flat in June, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index rose from -15 in May to -7 in June. Two of its three component indexes – shipments and new orders – also improved but remained below zero. The shipments index rose from -13 in May to -5 in June, while the new orders index rose from -29 to -15. The employment index, however, fell slightly from 5 in May to 2 in June.

Firms grew less pessimistic about local business conditions, as the index rose notably to -8 in June. Furthermore, the index for future local business conditions increased to 3 from -16.

Many firms continued to report reductions in orders backlogs and vendor lead time as these indexes remained negative. Meanwhile, all three spending indexes increased.

The average growth rate of prices paid decreased somewhat, while the average growth rate of prices received decreased notably in June. Firms expect both growth rates to moderate over the next 12 months." – Jason Kosakow, Research Department, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 6/27/23

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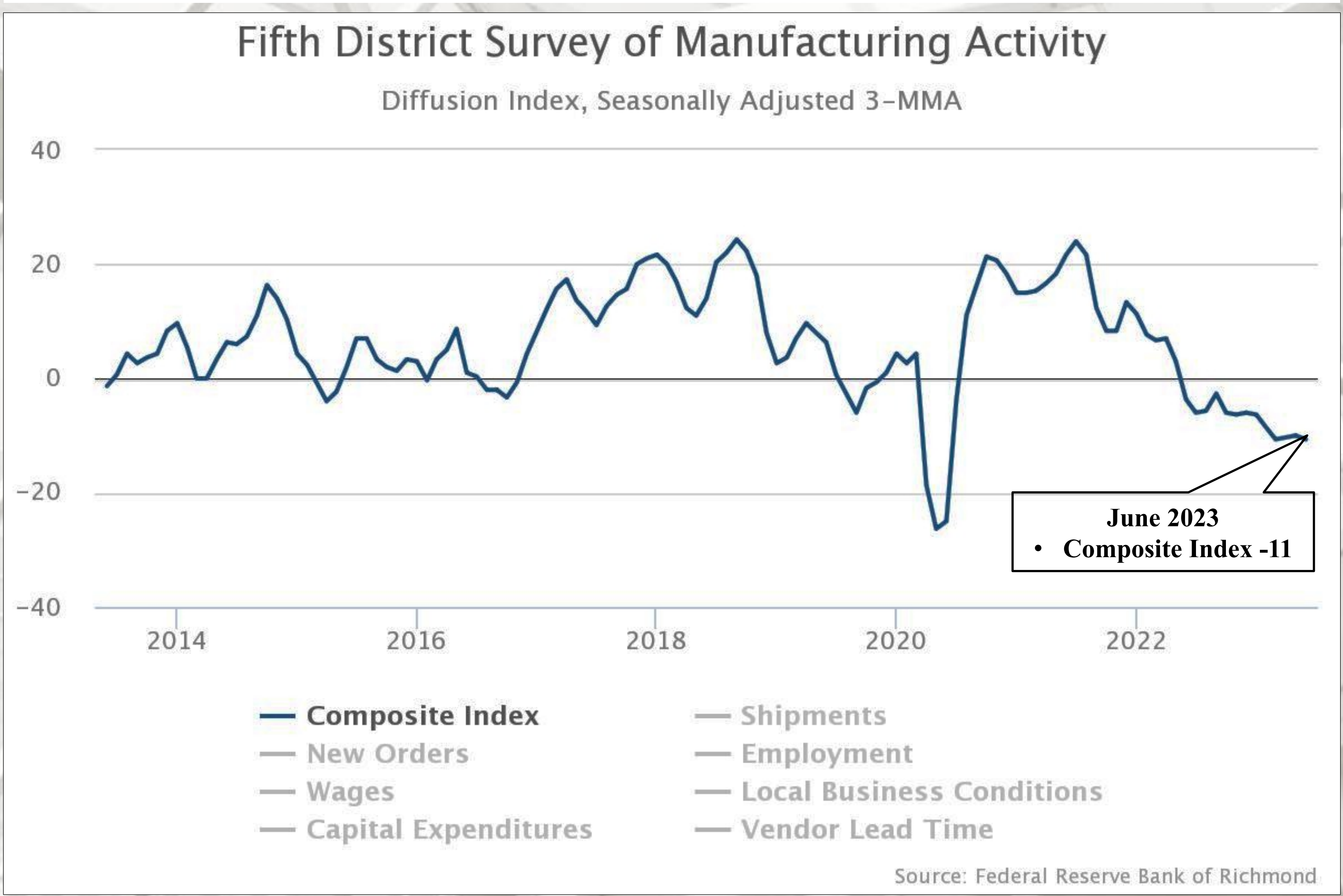
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 6/27/23

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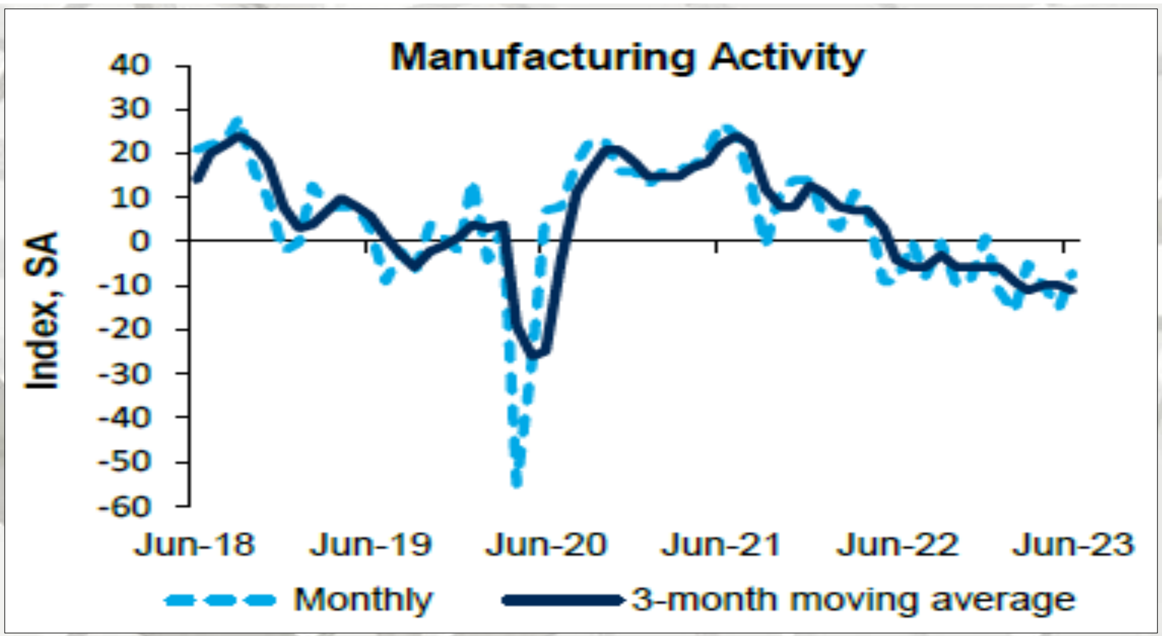
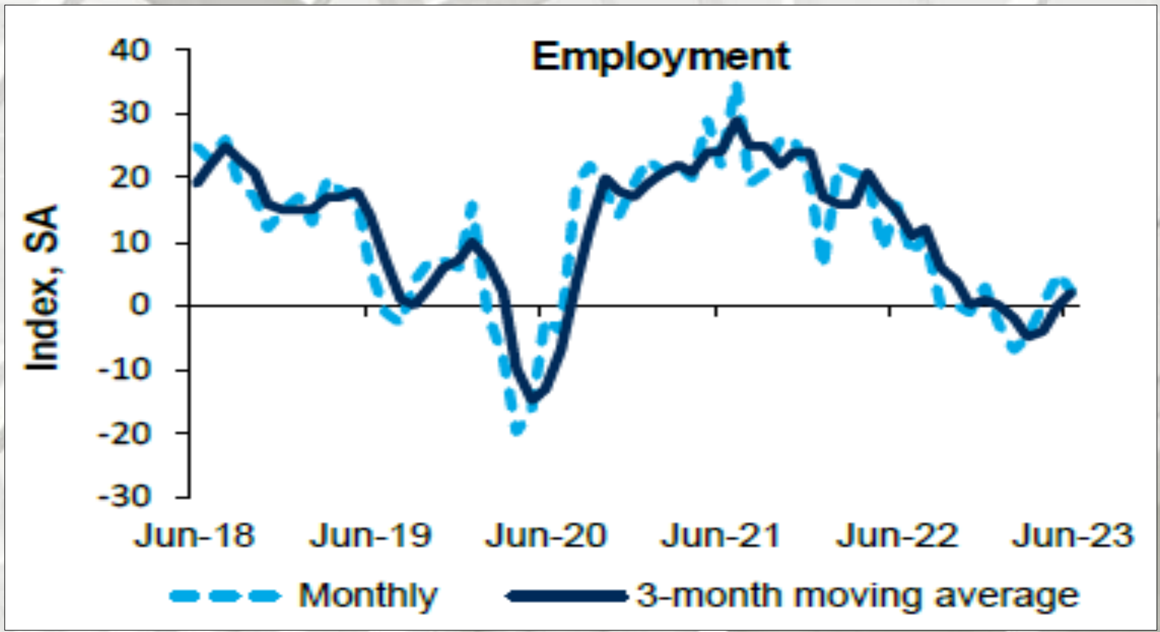
The Federal Reserve Bank of Richmond





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 6/27/23

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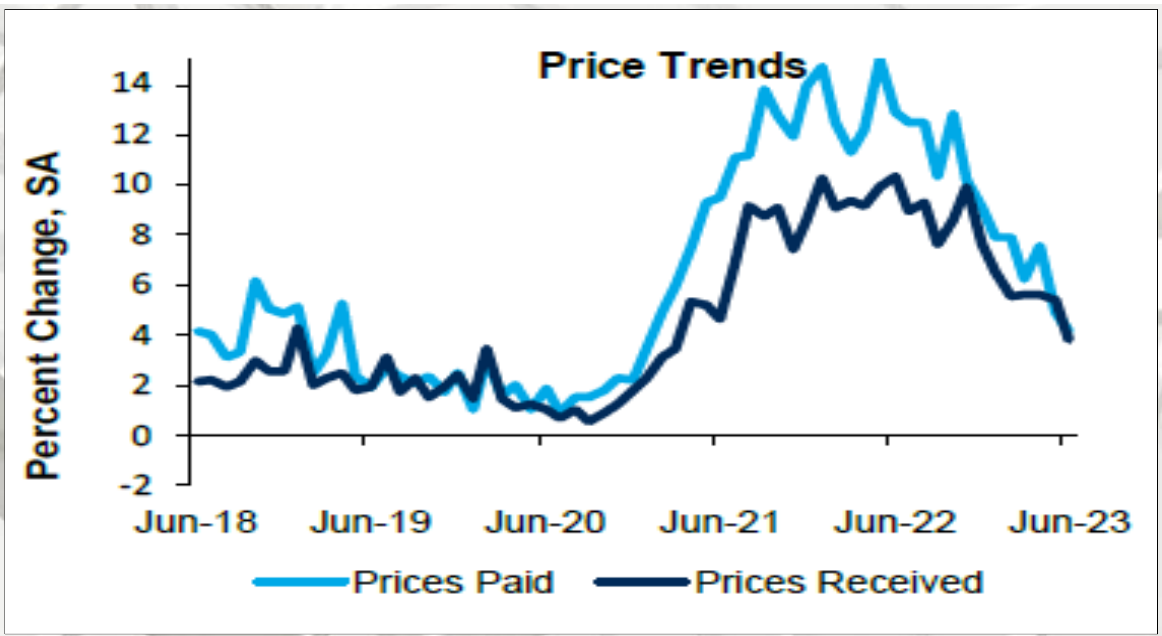
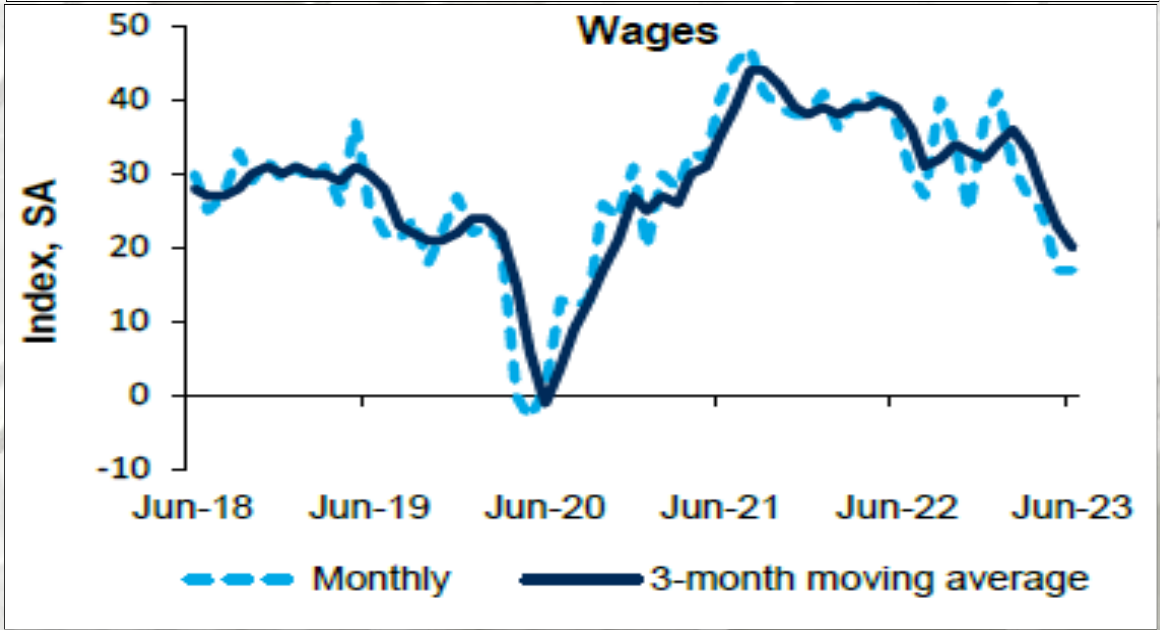
The Federal Reserve Bank of Richmond





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 6/27/23

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The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Service Sector Activity Improved Modestly in June

"Fifth District service sector activity improved modestly in June, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues and demand indexes increased to −3 and 6, respectively. Expectations for future revenue and demand also improved, with both indexes increasing to 11. Firms grew somewhat less pessimistic about local business conditions as that index rose slightly from −17 in May to −12 in June. Firms expected continued improvement, with the index for expected local business conditions increasing to −8 in June.

Two of the three spending indexes edged down slightly, with the capital expenditures index falling the most, from 3 in May to −2 in June. All three spending expectations indexes were positive in June, suggesting that many firms expect to increase spending over the next six months.

The employment index rose slightly to 4 in June and firms continued to report wage increases, while the availability of skills index increased to 7. Over the next six months, many firms expect to continue hiring and anticipate some improvement in their ability to find workers with the necessary skills. Most firms plan to continue wage increases.

The average growth in prices paid increased moderately in June, while the growth rate of prices received decreased slightly. Firms expect both growth rates to moderate over the coming year." – Jason Kosakow, Research Department, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 6/27/23

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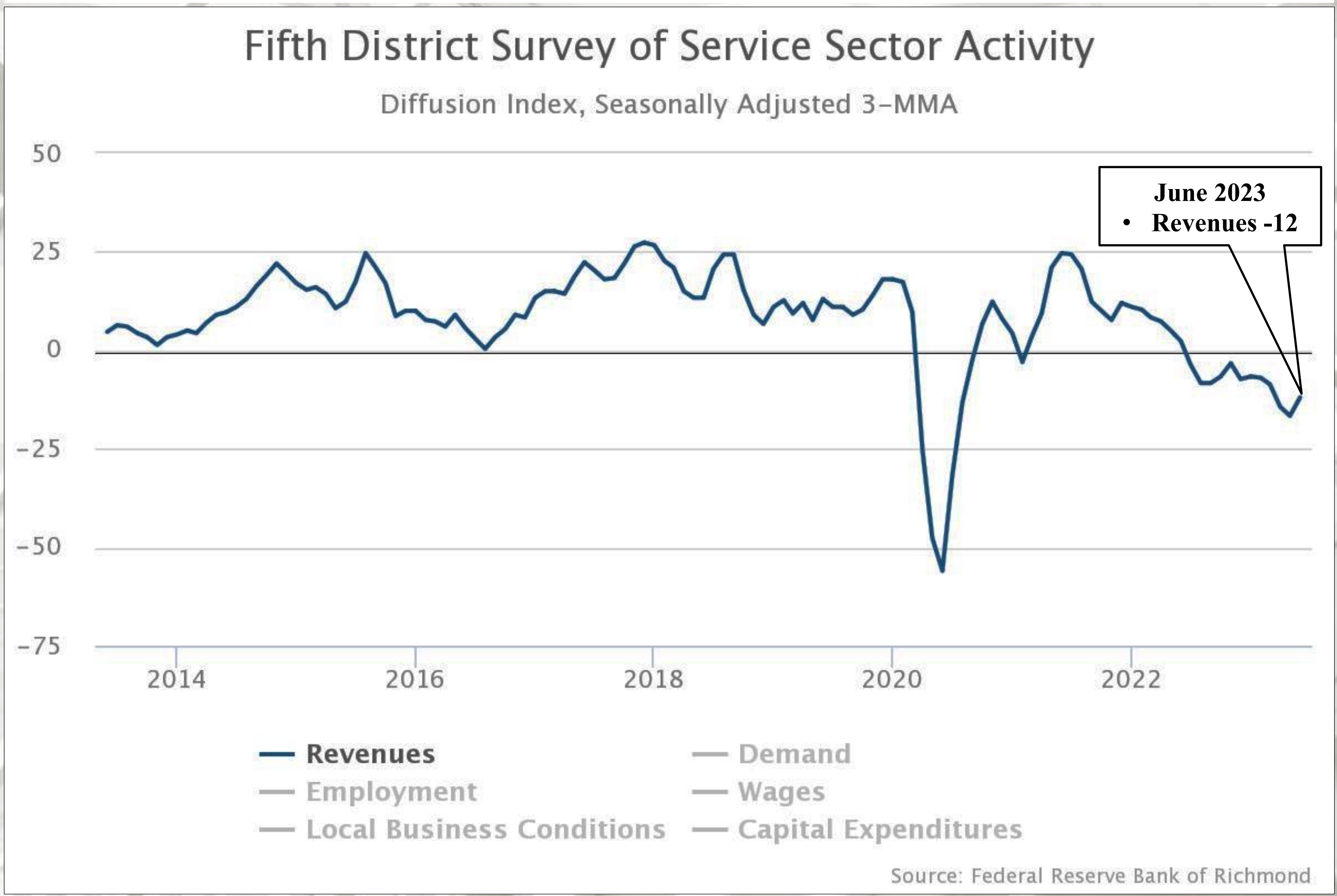
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 6/27/23

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Global Economic Indicators

The Federal Reserve Bank of Dallas

México Economic Update

México's economic growth continues; outlook improves, inflation moderates further

"México's proxy for monthly GDP grew an annualized 5.4 percent in April 2023, an acceleration from revised first-quarter growth of 4.1 percent. Given stronger-than-expected growth so far this year, the consensus forecast for 2023 GDP growth (fourth quarter/fourth quarter), compiled by Banco de México, rose in May to 1.1 percent (*Table 1*). Recent data are mixed for the Méxican economy. While employment and retail sales grew, industrial production was flat and exports ticked down. Inflation moderated, and the peso strengthened further against the dollar.

Economic growth continues

México's global economic activity index (IGAE) – the monthly proxy for GDP growth – rose 0.4 percent month over month in April, a 5.4 percent annualized increase (*Chart 1*). On a nonannualized basis, the goods-producing sector (manufacturing, construction, utilities and mining) grew 1.0 percent, while activity in the services-providing sector (wholesale and retail trade, transportation and business services) was flat in April..

Industrial Production unchanged in April

The three-month moving average of México's industrial production (IP) index – which includes manufacturing, construction, oil and gas extraction, and utilities – was flat in April, while the smoothed manufacturing IP index ticked up 0.3 percent (*Chart 2*). North of the border, the smoothed U.S. IP index moved up 0.2 percent in April after rising 0.3 percent in March. U.S. and Méxican IP have become more correlated with the rise of intra-industry trade between the two countries since the early 1990s. If U.S. consumer demand decelerates further this year in the face of high inflation and the cost of credit, México's manufacturing sector could slow." – Jesus Cañas, Senior Business Economist, and Ana Pranger, Research Analyst; Research Department, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2023/2304; 6/28/23

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Global Economic Indicators

Table 1: Consensus Forecasts for 2023 México Growth, Inflation, and Exchange Rate

May 2023 economic report

GDP, real Q1 '23	Employment, formal May '23	CPI May '23	Peso/dollar May '23
4.1% q/q	133,000 jobs m/m	5.8% y/y	17.7

	April	May
Real GDP growth (Q4/Q4)	0.7	1.1
Real GDP (average year/year)	1.6	2.0
CPI (Dec. '23/Dec. '22)	5.1	5.0
Exchange rate—pesos/dollar (end of year)	19.1	19.0

NOTE: CPI refers to consumer price index. The survey period was May 17-30.
SOURCE: Encuesta sobre las Expectativas de los Especialistas en Economía del Sector Privado: Mayo de 2023 (communiqué on economic expectations, Banco de México, May 2023).

Source: https://www.dallasfed.org/research/update/mex/2023/2304; 6/28/23

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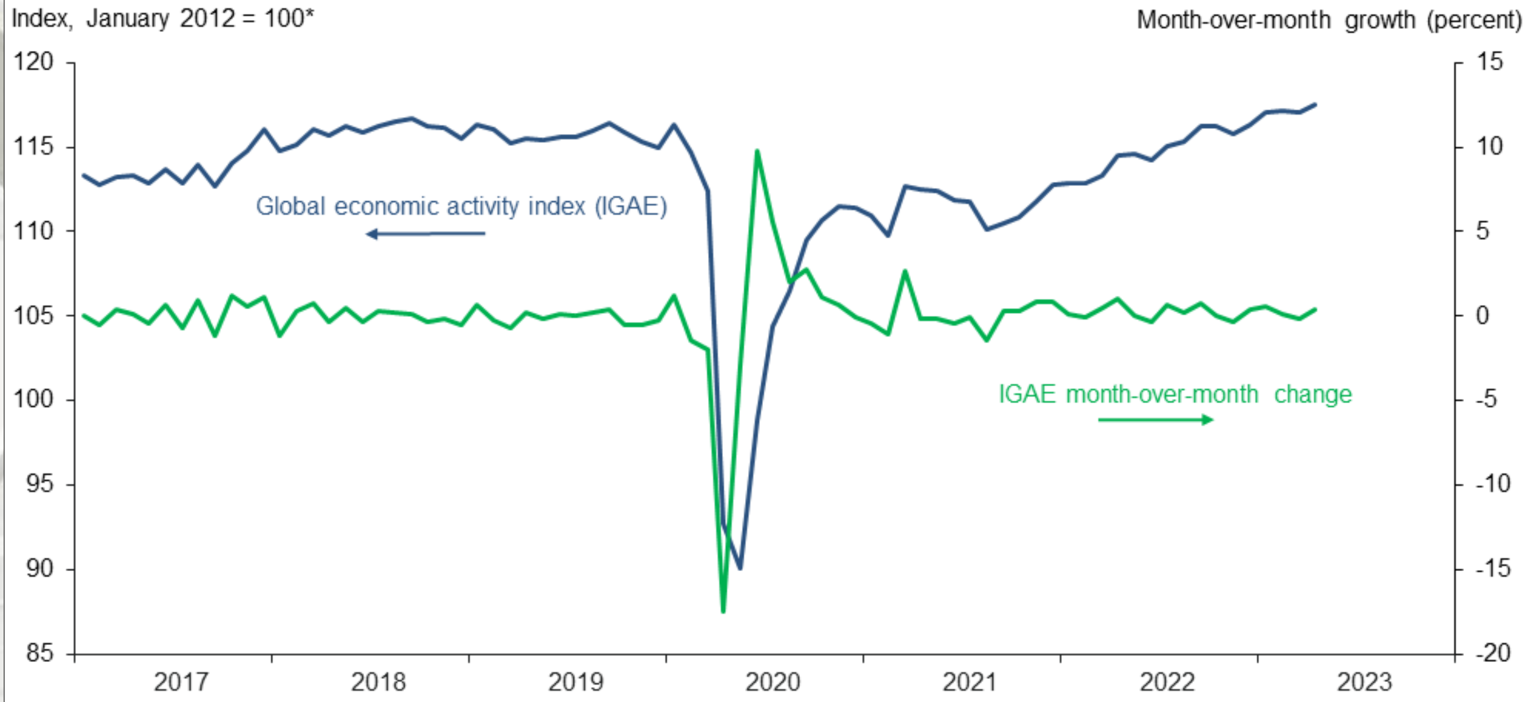
Global Economic Indicators

Chart 1
Economic activity picks up in April



*Seasonally adjusted; real pesos.
NOTE: Data are through February 2023. Data for March 2023 and April 2023 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/2023/2304; 6/28/23

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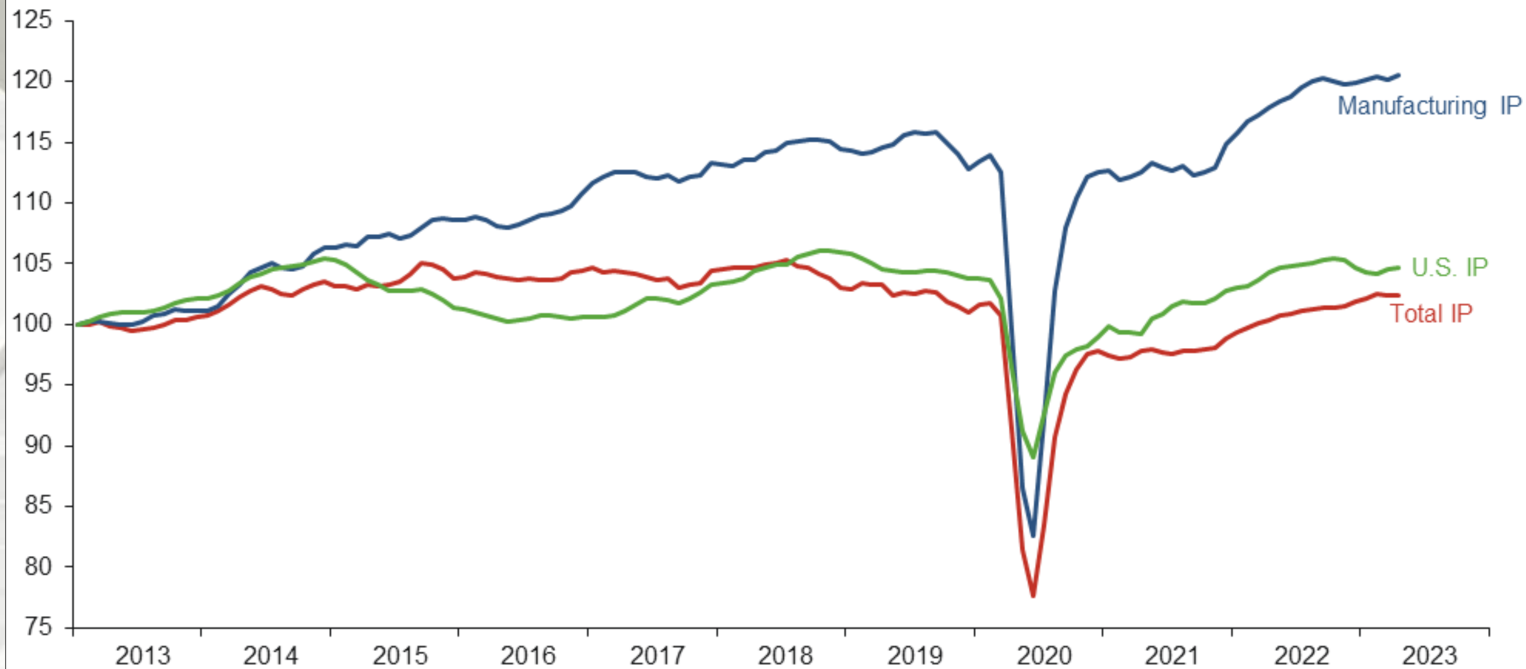
Global Economic Indicators

Chart 2
Industrial production flat in April
Index, January 2013 = 100*



*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. Data are through April 2023.
SOURCES: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography); Federal Reserve Board.

Source: https://www.dallasfed.org/research/update/mex/2023/2304; 6/28/23

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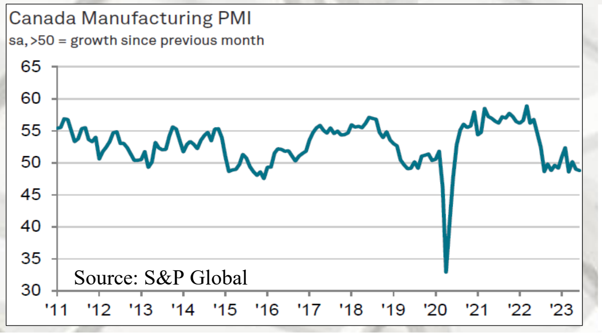
Private Indicators: Global



S&P Global Canada Manufacturing PMI®

"The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index® (PMI®) remained below the 50.0-change mark during June. Moreover, falling slightly from 49.0 in May to 48.8, the index signalled its worst performance since March. It was the second month in a row that a deterioration in operating conditions has been registered.

Canadian manufacturing sector remains in contraction territory

Relatively good news however came in the form of a survey record improvement in average lead times as pandemic related supply-side challenges continued to dissipate. Price stability was also broadly signalled in the latest survey period. Concurrent falls in both output and new orders were registered in June. Firms commented that market demand was subdued, amid reports that high interest rates and the uncertain macroeconomic outlook were leading to the postponement of spending decisions by clients. Companies noted that new export orders were again down, with some firms noting lower demand from the neighbouring USA.

The overall decline in new orders was steeper than that seen for production. And in a sign that the fall in new work was a little sharper than expected, Canadian manufacturers reported a marginal rise in warehouse inventories for a second month in a row. In contrast, inventories of purchases were reported to have declined for an eleventh successive survey period, and to a stronger degree. Companies signalled a preference of utilising existing inventory, rather than buy in new inputs. This was reflected in another, albeit negligible, decline in purchasing activity over the month. …

The Canadian manufacturing sector turned in another subdued performance during June, with the headline PMI remaining inside contraction territory, dragged down by further falls in both output and new orders. Reports of subdued market demand, both at home and abroad, were widespread, with clients reportedly hanging back from committing to new business given the uncertain economic outlook. Elsewhere in the last report, the record improvement in vendor delivery times is on the one hand welcome news, adding to a sense of prevailing market stability following the disruptions of the pandemic. This has clearly helped to ensure that inflationary pressure remain under broad control. However, with a lack of market demand the principal factor behind the shortening of lead times, its hard to get away from the sense of subdued industrial performance heading into the second half of the year." – Paul Smith, Economics Director, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/a65b1f8fe8074c86a8f5bb93212e131f; 6/1/23

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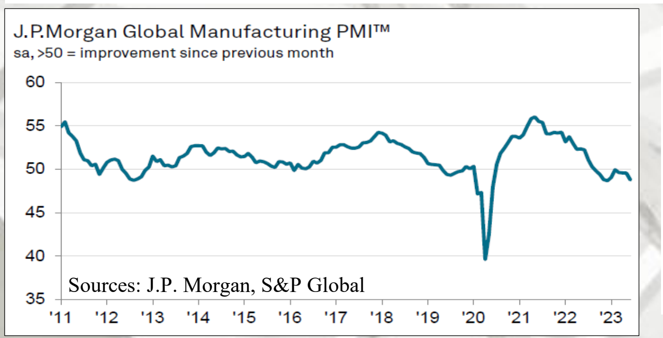
Private Indicators: Global



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 – posted 48.8 in June, a six-month low and down from 49.6 in May. The PMI has signalled a worsening in operating conditions for ten consecutive months.

Global manufacturing output sees renewed contraction as new orders fall at fastest rate in five months

Conditions in the global manufacturing sector worsened at the end of the second quarter. June saw output fall back into contraction territory following a further decrease in new order intakes. This led to a more cautious approach from manufacturers, with purchasing cut back sharply, inventory destocking, employment broadly flat and business optimism dipping to a seven-month low. Factory output declined in June, having risen during the past four months due to easing supply chain constraints and the lifting of restrictions in mainland China. The main factor underlying lower production was a further contraction in new order intakes, which fell for the twelfth successive month.

Only ten out of the 29 nations for which June data were available saw production increase, seven of which were located in Asia (including growth in India and mainland China). Sector data showed output falling in the intermediate and investment goods sectors and stagnating at consumer goods producers. International trade flows remained especially weak, as new export business contracted for the 16th successive month. The rate of decline accelerated to the strongest in six months, with reductions signalled in the US, euro area, Japan, South Korea and Brazil (among others), while mainland China saw only a negligible increase. …

Business optimism was less upbeat in June. Although manufacturers (on average) still forecast output to rise over the coming year, the overall degree of positivity dipped to its lowest since last November. Confidence was at a six-month low in the US, an eight-month low in mainland China and a seven-month low in the euro area (with France and Germany forecasting output to fall over the coming 12 months). Japan was one of the rare exceptions that saw sentiment strengthen. …" – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/f3b0f0fdd3a2474f918a7a3e736e77ce; 7/3/23

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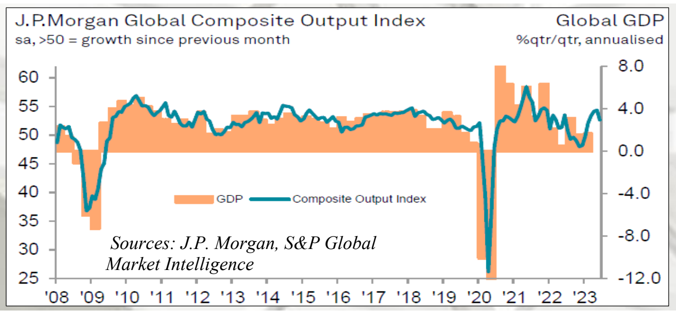
Private Indicators: Global



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 52.7 in June, a four-month low and down from May's one-and-a-half year high of 54.4.

Global economic expansion softens as service sector growth slows and manufacturing contracts

"The global economic upturn lost momentum at the end of the second quarter, as a downturn in manufacturing output was accompanied by slower growth at service providers. The expansion continued to be driven by the service sector where activity rose across the business, consumer and financial services categories, albeit at slower rates in all three. In contrast, manufacturing production contracted for the first time since January. Output declined in both the intermediate and investment goods industries and stagnated at consumer goods producers. …

June saw the level of incoming new business rise for the fifth straight month. Similar to the trend in output, new order growth eased to its lowest since February, reflecting a softer expansion at service providers and continued contraction in manufacturing (the twelfth in as many months).

Global employment continued to rise in June, with job creation signalled for the thirty-fourth month running. Staffing levels were increased in all of the nations covered by the survey. Service sector employment rose, albeit at a slower pace, while manufacturing staffing levels held broadly steady. The combination of weaker growth in both jobs and demand freed up capacity to achieve a second consecutive monthly reduction in work-in-hand volumes. …

There are signs that companies maintained a positive outlook for the sector. Business optimism rose to a 13-month high and stayed above its long-run average, while backlogs of work accumulated for the fourth time in the past five months. Cost inflation edged higher, whereas average output charges rose at the weakest pace since March 2021." – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/aa935e0542484ce8b942d07fe9eb55e0; 7/6/23

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Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Decreases in May, First Time in Nearly a Year

“National nonresidential construction spending decreased 0.2% in May, 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 $1.06 trillion.

Spending declined on a monthly basis in nine of the 16 nonresidential subcategories. Private nonresidential spending fell 0.3%, while public nonresidential construction spending increased 0.1% in May.

“Nonresidential construction spending declined in May, ending a streak of 11 consecutive monthly increases,” said ABC Chief Economist Anirban Basu. “While spending is up more than 17% over that span, manufacturing-related construction has accounted for the majority of that increase. Excluding the manufacturing segment, nonresidential construction spending is barely outpacing inflation, up just 6% over the past year.

“Contractors remain relatively upbeat, according to ABC’s Construction Confidence Index, and ongoing strength in manufacturing and publicly financed segments justifies that confidence,” said Basu. “Unfortunately, conditions may prove challenging in other segments over the next few quarters. Interest rates remain elevated and are likely to rise at least once more over the second half of 2023, exacerbating already tight credit conditions and ultimately limiting construction activity.”
” – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/20010/nonresidential-construction-spending-decreases-in-may-first-time-in-nearly-a-year-says-abc; 7/3/23

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Private Indicators
Associated Builders and Contractors

Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate

	May 2023	April 2023	May 2022	1-Month % Change	12-Month % Change
Total Construction	$1,925,565	$1,908,996	$1,880,896	0.9%	2.4%
Residential	$867,630	$849,444	$979,044	2.1%	-11.4%
Nonresidential	$1,057,935	$1,059,553	$901,853	-0.2%	17.3%
Public safety	$12,562	$12,082	$11,634	4.0%	8.0%
Water supply	$25,810	$25,105	$22,280	2.8%	15.8%
Manufacturing	$194,301	$192,396	$110,185	1.0%	76.3%
Sewage and waste disposal	$38,438	$38,145	$31,367	0.8%	22.5%
Office	$95,919	$95,622	$90,630	0.3%	5.8%
Amusement and recreation	$30,438	$30,384	$29,655	0.2%	2.6%
Transportation	$62,765	$62,776	$57,351	0.0%	9.4%
Communication	$24,522	$24,551	$24,225	-0.1%	1.2%
Educational	$109,156	$109,377	$101,690	-0.2%	7.3%
Lodging	$23,040	$23,138	$19,060	-0.4%	20.9%
Power	$115,671	$116,172	$109,063	-0.4%	6.1%
Highway and street	$125,264	$125,906	$109,845	-0.5%	14.0%
Health care	$60,757	$61,636	$54,409	-1.4%	11.7%
Commercial	$124,590	$126,861	$118,290	-1.8%	5.3%
Conservation and development	$11,775	$12,262	$9,095	-4.0%	29.5%
Religious	$2,930	$3,139	$3,074	-6.7%	-4.7%
Private Nonresidential	$655,754	$657,815	$544,106	-0.3%	20.5%
Public Nonresidential	$402,181	$401,738	$357,747	0.1%	12.4%

Source: U.S. Census Bureau

Source: https://www.abc.org/News-Media/News-Releases/entryid/20010/nonresidential-construction-spending-decreases-in-may-first-time-in-nearly-a-year-says-abc; 7/3/23

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Private Indicators
Associated Builders and Contractors

Source: https://www.abc.org/News-Media/News-Releases/entryid/20010/nonresidential-construction-spending-decreases-in-may-first-time-in-nearly-a-year-says-abc; 7/3/23

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Holds Steady in June, Contractor Confidence Down

"Associated Builders and Contractors reported today that its Construction Backlog Indicator remained unchanged at 8.9 months in June, according to an ABC member survey conducted June 20 to July 5. The reading is unchanged from June 2022.

Backlog in the infrastructure category increased for the third straight month and is now at the highest level in nearly two years. On a regional basis, the South remains the region with the highest backlog, despite being the only region in which backlog declined in June.

"Backlog once again remained stable in June despite tight credit conditions and high interest rates," said ABC Chief Economist Anirban Basu. "While those risk factors drove a decline in all three Construction Confidence Index series, contractors continue to signal an expectation that sales, profit margins and staffing will expand over the second half of 2023.

"Many aspects of the economy, including consumer spending and the labor market, held up better than expected in the second quarter," said Basu. "That bodes well for economic growth over the summer, but also suggests that the Federal Reserve may raise rates higher and keep them there longer in their ongoing efforts to suppress inflation. All else equal, that will reduce construction activity in the quarters to come."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/20016/abcs-construction-backlog-indicator-steady-in-june-contractor-confidence-down; 7/11/23

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Private Indicators
Associated Builders and Contractors

Construction Backlog Indicator

	June 2023	May 2023	June 2022	1-Month Net Change	12-Month Net Change
Total	**8.9**	**8.9**	**8.9**	**0.0**	**0.0**
Industry					
Commercial & Institutional	9.0	9.2	9.4	-0.2	-0.4
Heavy Industrial	6.4	7.2	7.7	-0.8	-1.3
Infrastructure	11.2	9.3	7.9	1.9	3.3
Region					
Middle States	8.9	7.5	8.3	1.4	0.6
Northeast	8.7	8.0	8.2	0.7	0.5
South	9.5	10.9	10.0	-1.4	-0.5
West	8.4	9.1	9.0	-0.7	-0.6
Company Size					
<$30 Million	8.2	8.2	8.6	0.0	-0.4
$30-$50 Million	8.2	9.1	8.0	-0.9	0.2
$50-$100 Million	10.7	9.7	8.5	1.0	2.2
>$100 Million	13.5	14.1	13.6	-0.6	-0.1

Source: https://www.abc.org/News-Media/News-Releases/entryid/20016/abcs-construction-backlog-indicator-steady-in-june-contractor-confidence-down; 7/11/23

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Private Indicators
Associated Builders and Contractors

Construction Confidence Index

Response	June 2023	May 2023	June 2022
CCI Reading			
Sales	58.7	60.1	58.3
Profit Margins	53.2	55.1	49.4
Staffing	60.2	61.7	59.6
Sales Expectations			
Up Big	7.1%	6.9%	10.4%
Up Small	46.2%	46.9%	43.0%
No Change	26.2%	29.7%	20.4%
Down Small	15.2%	13.1%	21.7%
Down Big	5.2%	3.4%	4.5%
Profit Margin Expectations			
Up Big	2.9%	6.9%	3.2%
Up Small	32.4%	29.1%	32.6%
No Change	42.4%	45.1%	29.0%
Down Small	19.5%	15.4%	29.4%
Down Big	2.9%	3.4%	5.9%
Staffing Level Expectations			
Up Big	4.3%	4.6%	6.8%
Up Small	46.2%	48.6%	40.7%
No Change	38.1%	37.1%	38.0%
Down Small	9.0%	8.6%	13.1%
Down Big	2.4%	1.1%	1.4%

Source: https://www.abc.org/News-Media/News-Releases/entryid/20016/abcs-construction-backlog-indicator-steady-in-june-contractor-confidence-down; 7/11/23

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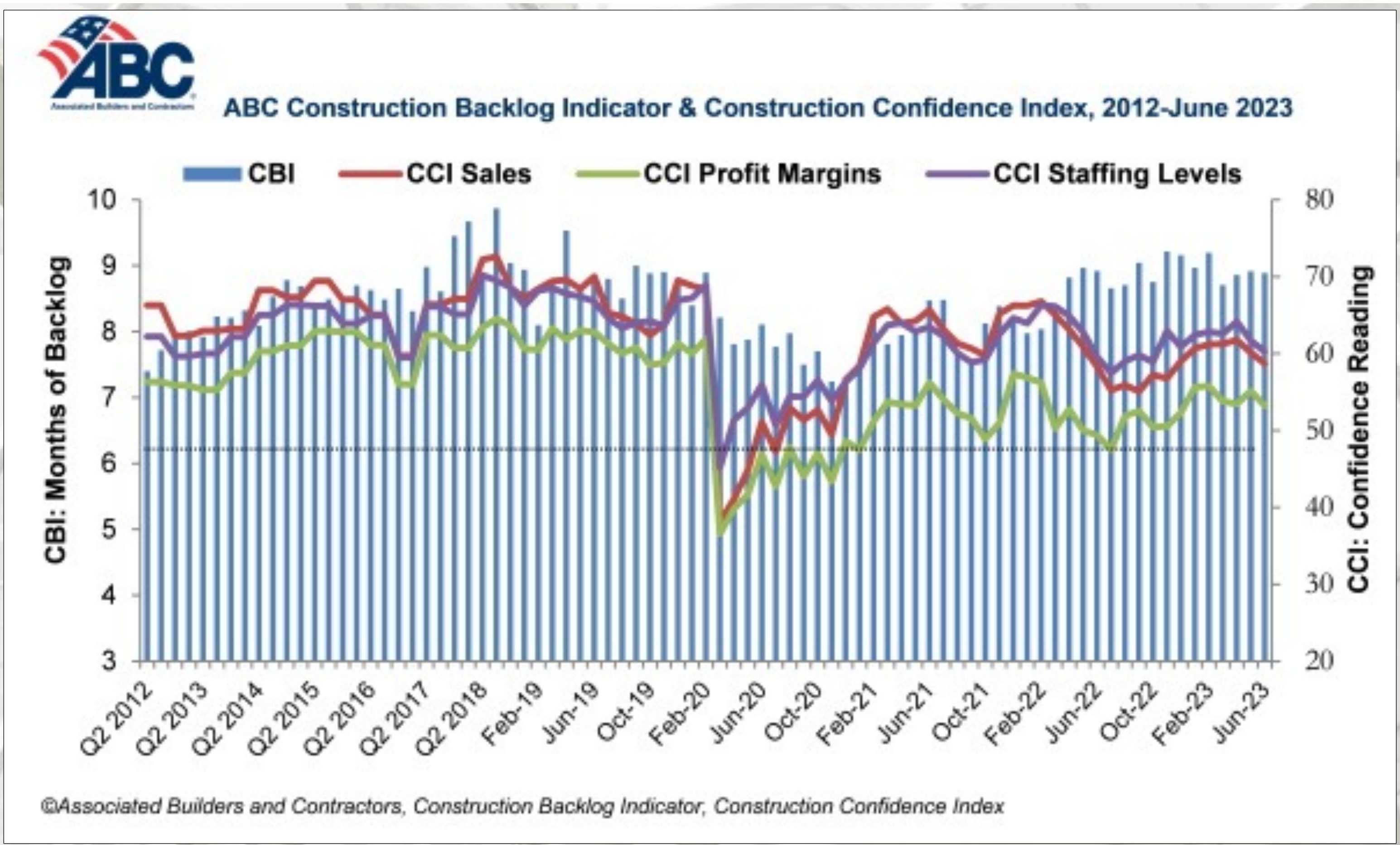
Private Indicators
Associated Builders and Contractors



Source: https://www.abc.org/News-Media/News-Releases/entryid/20016/abcs-construction-backlog-indicator-steady-in-june-contractor-confidence-down; 7/11/23

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Private Indicators
Associated Builders and Contractors

Construction Employment Increased by 23,000 in June

"Construction industry employment increased by 23,000 in June, according to an Associated Builders and Contractors analysis of data released by the U.S. Bureau of Labor Statistics. Industry employment has risen by 198,000 jobs since June 2022, an increase of 2.6%, to 7.947 million.

Nonresidential construction employment rose by 12,200 positions on net, with positive growth in two of the three subcategories. Heavy and civil engineering added 7,300 positions, while nonresidential building added an additional 5,400 jobs. Nonresidential specialty trade contractors lost 500 jobs on net.

The construction unemployment rate increased to 3.6%. Unemployment across all industries decreased from 3.7% in May to 3.6% in June.

"Theory suggests that the roughly 500-basis point increase in the federal funds rate over the past year would weigh on the demand for construction workers, yet the industry continues to add thousands of jobs each month," said ABC Chief Economist Anirban Basu. "Contractors have collectively added jobs in 15 of the past 16 months, and ABC's Construction Confidence Index suggests they will continue to increase staffing levels through the remainder of the year.

"The June jobs report, along with yesterday's JOLTS data, confirm that labor shortages will continue to provide a stiff headwind to hiring," said Basu. "The construction unemployment rate inched up to 3.6% in June, but that's still the second-lowest rate on record. Across all industries, unemployment remains near a 50-year low, and the prime age (24-54) employment-to-population ratio rose to the highest level since 2001. High interest rates and the cumulative effects of inflation will eventually catch up with the economy. For now, however, the labor market remains overheated."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/20014/construction-employment-increased-by-23000-in-june-says-abc; 7/7/23

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Private Indicators
Associated Builders and Contractors

Construction Employment Statistics: June 2023

	June 2023	May 2023	June 2022	1-Month Net Change	12-Month Net Change	12-Month % Change
Employment						
Construction	7,947,000	7,924,000	7,749,000	23,000	198,000	2.6%
Nonresidential	4,675,400	4,663,200	4,529,100	12,200	146,300	3.2%
Nonresidential Building	867,700	862,300	827,900	5,400	39,800	4.8%
Nonresidential Specialty Trade Contractors	2,694,700	2,695,200	2,623,800	-500	70,900	2.7%
Heavy & Civil Engineering	1,113,000	1,105,700	1,077,400	7,300	35,600	3.3%
Residential	3,271,800	3,261,000	3,219,400	10,800	52,400	1.6%
Residential Building	929,200	928,400	921,400	800	7,800	0.8%
Residential Specialty Trade Contractors	2,342,600	2,332,600	2,298,000	10,000	44,600	1.9%
Average Hourly Earnings						
All Private Industries	$33.58	$33.46	$32.18	$0.12	$1.40	4.4%
Construction	$36.31	$36.24	$34.67	$0.07	$1.64	4.7%
Average Weekly Hours						
All Private Industries	34.4	34.3	34.6	0.1	-0.2	-0.6%
Construction	39.0	38.8	38.7	0.2	0.3	0.8%
Unemployment Rate						
All Private Industries (SA)	3.6%	3.7%	3.6%	-0.1pp	0.0pp	
Construction (NSA)	3.6%	3.5%	3.7%	0.1pp	-0.1pp	

Source: U.S. Bureau of Labor Statistics. Note. SA: Seasonally adjusted. NSA: Not seasonally adjusted

Source: https://www.abc.org/News-Media/News-Releases/entryid/20014/construction-employment-increased-by-23000-in-june-says-abc; 7/7/23

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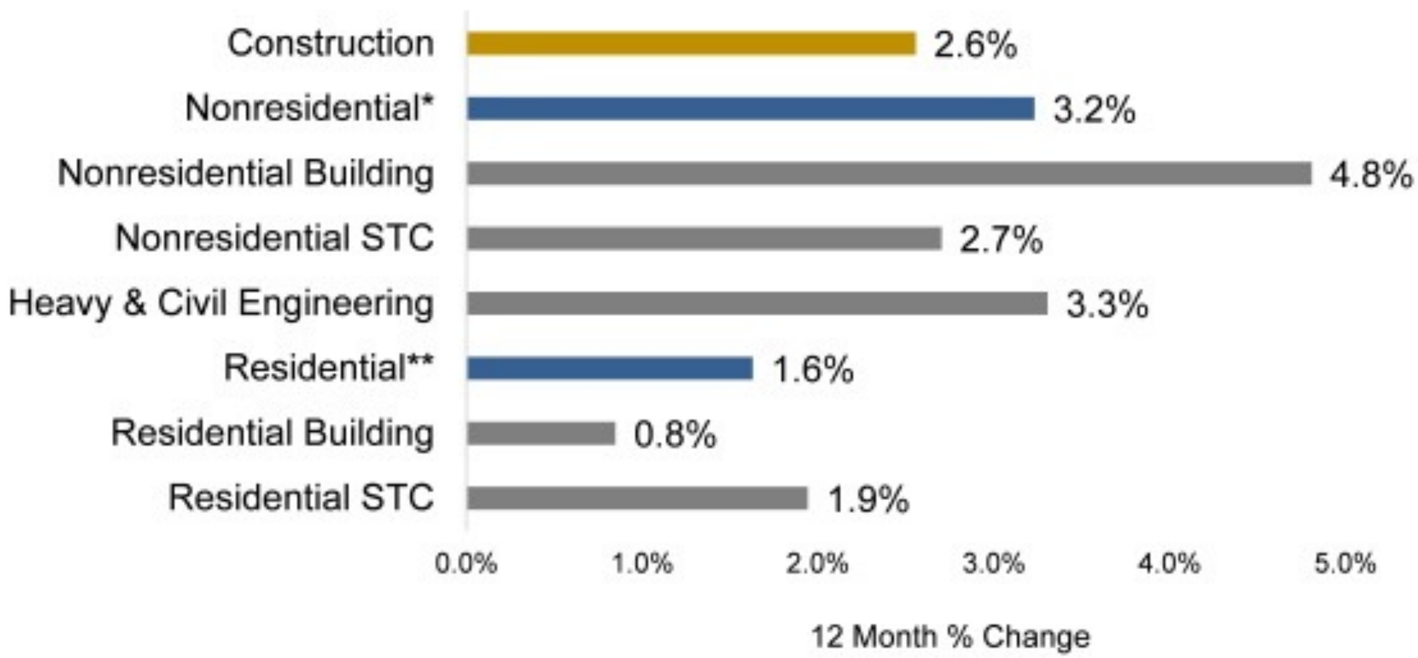
Private Indicators
Associated Builders and Contractors

Construction Employment Growth: June 2022 v. June 2023



Source: U.S. Bureau of Labor Statistics

*Includes Nonresidential Building, Nonresidential STC, and Heavy and Civil Engineering

**Includes Residential Building and Residential STC

Source: https://www.abc.org/News-Media/News-Releases/entryid/20014/construction-employment-increased-by-23000-in-june-says-abc; 7/7/23

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index May 2023

Architecture firm billings bounce back

Nearly half of firm leaders think architecture staff productivity has declined compared to pre-pandemic levels

“Business conditions at architecture firms bounced back in May, following a modest downturn in April. The AIA/Deltek Architecture Billings Index (ABI) score for the month was 51.0, the highest it has been since last September. In addition, inquiries into new projects and the value of new design contracts also bounced back this month, with inquiries reaching their highest level in nine months, and design contracts increasing for the first time since February. With recent declines in inflation and a pause in interest rate increases, it appears that the economy may be stabilizing.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“The modest improvement in overall demand for architectural services that we saw last month is encouraging news. However, there continues to be variation in the performance of firms by regional location and building specialization. This suggests that overall business conditions for the profession likely will continue to be variable.” – Kermit Baker, Chief Economist, AIA

Source: https://www.aia.org/pages/6640244-abi-may-2023-architecture-firm-billings-bo; 6/20/23

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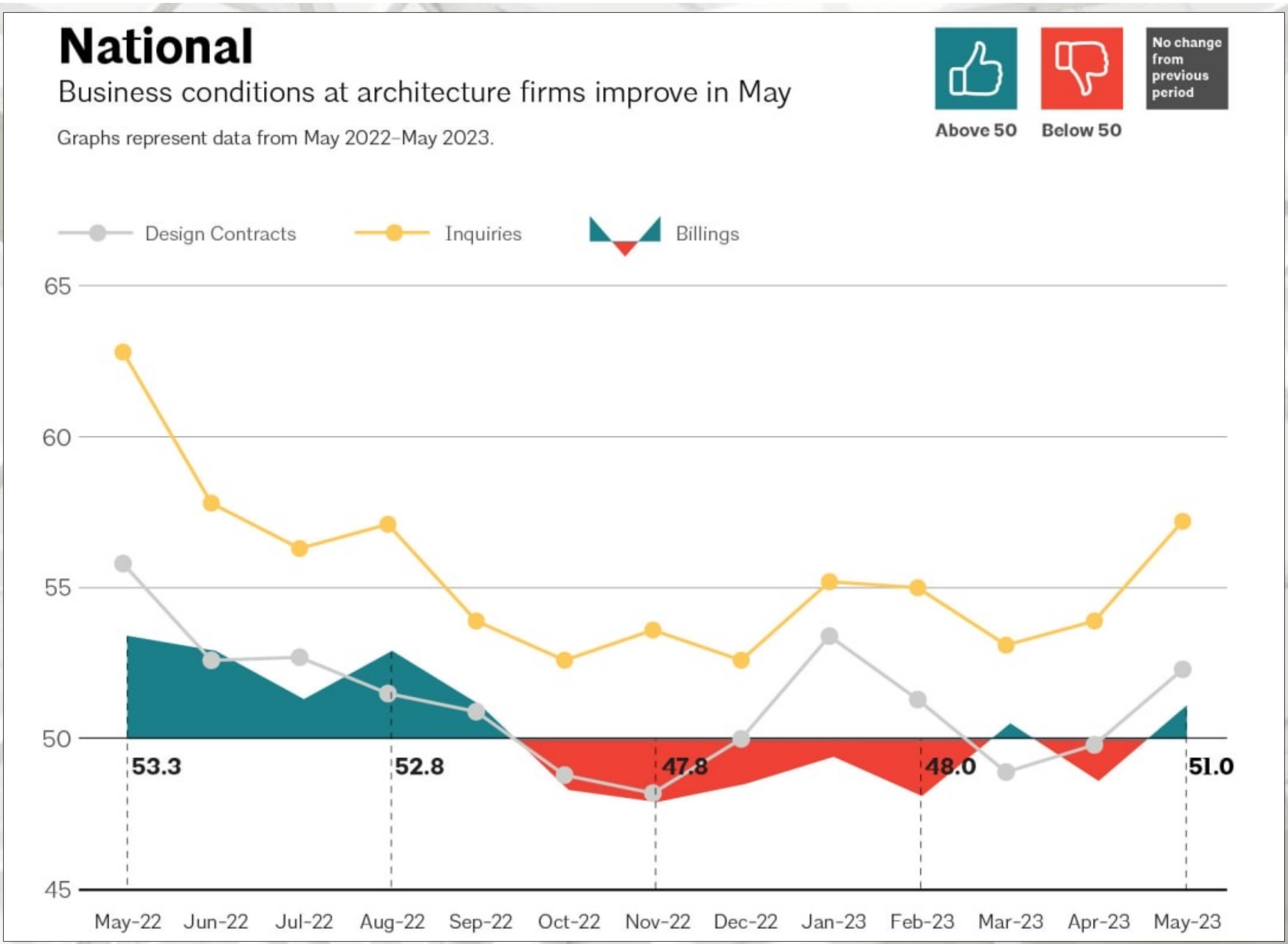
Private Indicators
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6640244-abi-may-2023-architecture-firm-billings-bo; 6/20/23

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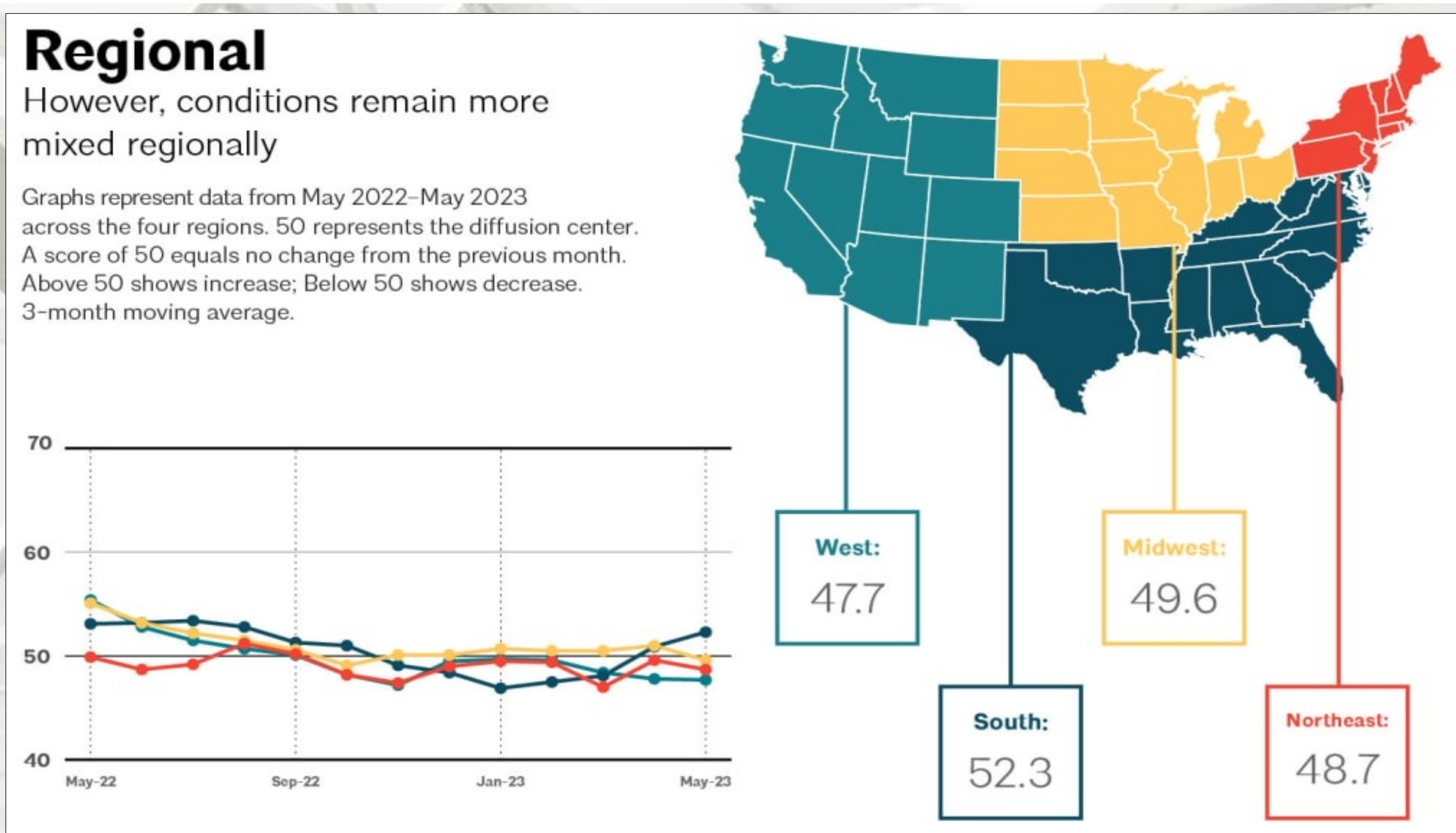
Private Indicators: AIA



Region

“Despite growth in the overall ABI this month, business conditions remain variable in different regions of the country. Billings improved at firms located in the South for the second consecutive month in May, while they were essentially flat at firms located in the Midwest, following six months of growth. However, billings continued to decline at firms located in both the West and Northeast, where scores have been below 50 since last fall. ” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6640244-abi-may-2023-architecture-firm-billings-bo; 6/20/23

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Private Indicators: AIA

Sector

"By firm specialization, business conditions softened further at firms with a multifamily residential specialization in May, falling to the lowest level in two years. Billings also declined for the ninth consecutive month at firms with a commercial/industrial specialization. On the other hand, business conditions improved for the second month in a row at firms with an institutional specialization, as they reported their strongest growth since last year." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6640244-abi-may-2023-architecture-firm-billings-bo; 6/20/23

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Private Indicators

Dodge Data & Analytics

Total Construction Starts Rebound in May

Manufacturing and infrastructure lead the sector with large gains, residential sees double-digit decline

"Total construction starts rose 8% in May to a seasonally adjusted annual rate of $1.11 trillion, according to Dodge Construction Network. Nonresidential starts rebounded following the decline in April, improving 8% thanks to a sizeable gain in manufacturing starts. During the month, nonbuilding starts improved by 24%, while residential lost 4%.

On a year-to-date basis through May, total construction starts were 6% below the first five months of 2022. Residential starts were down 25%, nonresidential starts were 1% lower, and nonbuilding starts gained 25%. For the 12 months ending May 2023, total construction starts were 9% higher than the 12 months ending May 2022. Nonbuilding starts were 30% higher, while nonresidential building starts gained 26%. However, on a 12-month rolling basis, residential starts posted a 15% decline.

"May's data is another sign that the construction sector is slowly splitting in two," said Richard Branch, chief economist for Dodge Construction Network. "Public dollars are flooding into the manufacturing and infrastructure sectors, leading to significant growth over the last year. Meanwhile, the mostly private sectors of the building market like offices, multifamily and retail are struggling under the weight of higher interest rates, tightening lending standards and declining demand. The second half of the year is shaping up to be a challenging one. But, the insulation provided by manufacturing and infrastructure starts will stabilize the industry and lead to modest overall growth."" – Cailey Henderson, Account Manager, 104 West Partners

Source: https://www.construction.com/total-construction-starts/total-construction-starts-rebound-in-may/; 6/20/23

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Private Indicators

Dodge Data & Analytics

"**Nonresidential building** starts rose 8% in May to a seasonally adjusted annual rate of $412 billion. The driving force behind the increase was manufacturing starts, which more than doubled in May. Commercial starts tumbled 20% in May due to a sharp pullback in office and retail starts, while hotel starts moved higher. Institutional starts fell just 1% in May with education starts falling, but healthcare increasing. On a year-to-date basis through May, total nonresidential starts were 1% lower than that of 2022. Institutional starts gained 12%. Meanwhile, manufacturing starts were 11% lower, and commercial starts were down 7%.

For the 12 months ending May 2023, total nonresidential building starts were 26% higher than the 12 months ending May 2022. Manufacturing starts were 72% higher, institutional starts improved 22%, and commercial starts gained 12%.

The largest nonresidential building projects to break ground in May were the $1.9 billion Steel Dynamics aluminum plant in Columbus, Mississippi, the $1.9 billion Eli Lilly & Co facility in Indianapolis, Indiana, and the $1.5 billion Ford Ohio EV plant in Sheffield.

Residential building starts lost 4% in May to a seasonally adjusted annual rate of $356 billion. Single family starts retreated, falling 2% in May following four consecutive monthly gains. Multifamily starts shed 8%. On a year-to-date basis through May 2023, total residential starts were down 25%. Single family starts were 31% lower, and multifamily starts were down 12%.

For the 12 months ending in May 2023, residential starts were 15% lower than that of 2022. Single family starts were 26% lower, while multifamily starts were up 9% on a rolling 12-month basis.

The largest multifamily structures to break ground in May were the $414 million North Cove mixed-use building in New York, New York, the $190 million Albany Terrace and Irene McCoy Gains apartments in Chicago, Illinois, and the $190 million The Kaye Luxury apartment tower in Seattle, Washington.

Regionally, total construction starts in May fell in the Northeast and West, while gaining in the Midwest, South Atlantic and South Central regions." – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/total-construction-starts/total-construction-starts-rebound-in-may/; 6/20/23

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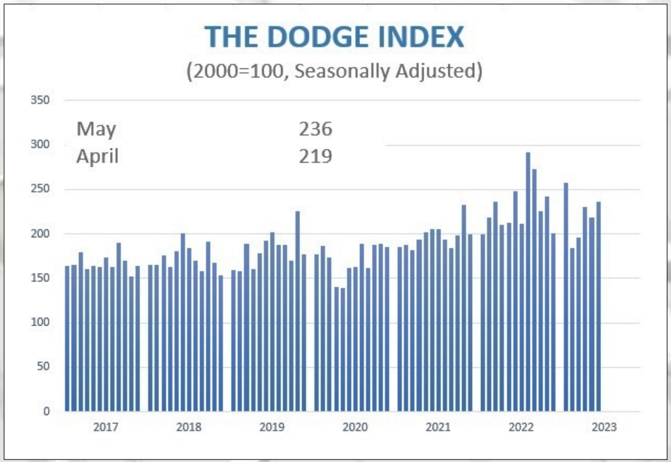
Private Indicators

MONTHLY CONSTRUCTION STARTS
(Millions of Dollars, Seasonally Adjusted Annual Rate)

	May 2023	Apr 2023	% Change
Nonresidential Building	$411,716	$381,212	8
Residential Building	355,946	371,120	-4
Nonbuilding Construction	347,218	280,704	24
Total Construction	$1,114,881	$1,033,035	8

YEAR-TO-DATE CONSTRUCTION STARTS
Unadjusted Totals, in Millions of Dollars

	5 Mos. 2023	5 Mos. 2022	% Change
Nonresidential Building	$156,684	$157,501	-1
Residential Building	141,534	188,630	-25
Nonbuilding Construction	110,320	88,361	25
Total Construction	$408,538	$434,492	-6



Source: Dodge Data & Analytics

Source: https://www.construction.com/total-construction-starts/total-construction-starts-rebound-in-may/; 6/20/23

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Private Indicators

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Investment in business structures: Few bright spots emerge in an overall weak outlook

The June 2023 Economics Spotlight assesses the impact of the pandemic on investment in commercial real estate and other nonresidential structures.

The pandemic caused businesses to rethink their investment priorities. However, while the slowdown in equipment and intellectual property (software and R&D) investment was short lived, investment in structures continues to lag. But under this topline observation is a highly variable landscape full of valleys (for instance, investment in office buildings) and peaks (for instance, investment in warehouses).

The big picture

"In the early days of the pandemic, investment in business structures fell rapidly before stabilizing at around 15% below prepandemic levels. As shown in figure 1, the pattern and size of the decline was identical in both real and nominal terms. This congruency ended in Q2 2021 when supply bottlenecks increased prices and drove a growing wedge between measures of nominal and real investment, with investment rising in nominal terms but continuing to decline in real terms. Even with recent gains, real business investment in structures remains about 20% below its prepandemic levels, while it is slightly above in nominal terms.

The six major categories of nonresidential investment in structures are commercial, health care, manufacturing, power and communication, mining exploration, and "other." In real terms, investment declined across all these categories from the onset of the pandemic, with only investment in manufacturing structures now above prepandemic levels (figure 2). In nominal terms, investment declined in power and communication facilities, mining exploration, and other structures, but increased in commercial, health care, and manufacturing structures (figure 3)." – Patricia Buckley, Director, and Bhavna Tejwani, Economist, Research & Insights; Deloitte Services LP

Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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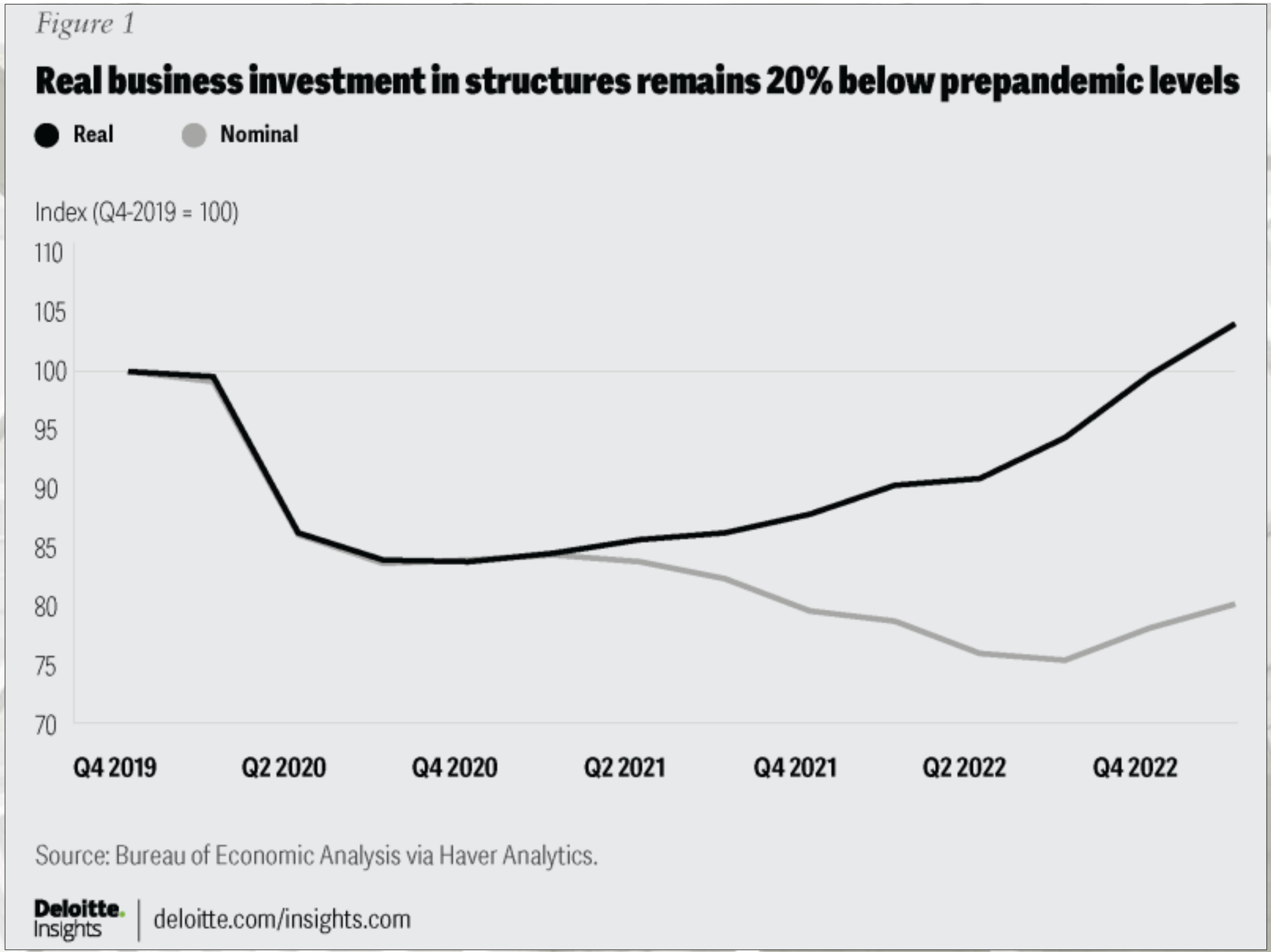

Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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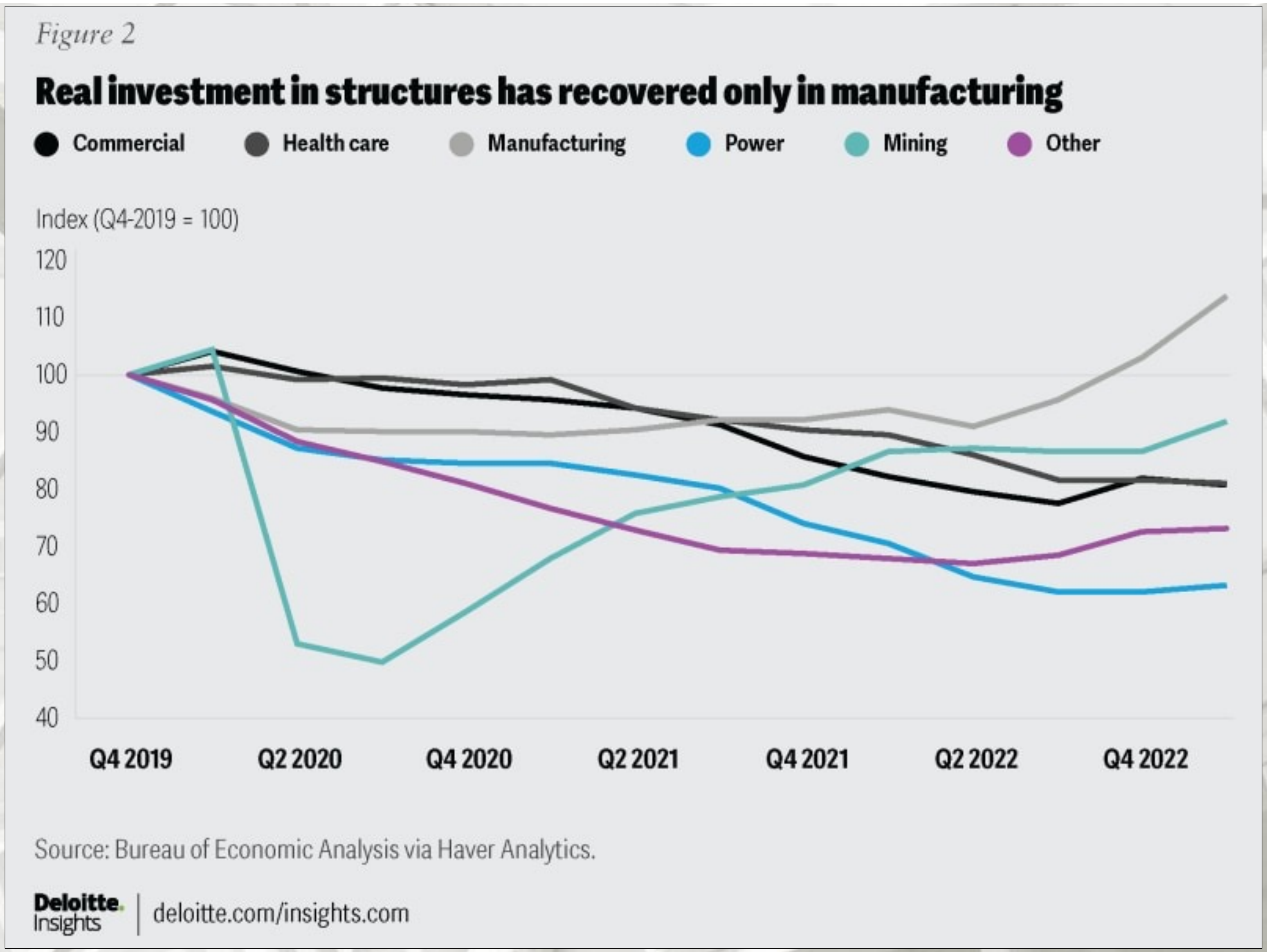

Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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Figure 3

Composition of business investment in structures

Nominal investment (US$ billion)	Q4 2019	Q1 2023	Percentage change
Private nonresidential investment in structures	**694.2**	**722.6**	**4.1**
Commercial buildings	**169.3**	**197.5**	**16.7**
Office buildings	92.6	95.5	3.1
Warehouses	37.9	63.1	66.5
Other commercial buildings	15.5	15.5	–0.2
Multimerchandise shopping	13.8	13.5	–2.5
Food and beverage establishments	9.5	10.0	4.9
Health care structures	**43.5**	**47.9**	**10.1**
Hospital buildings	23.9	26.2	9.8
Medical buildings	13.7	17.7	29.7
Special health care buildings	5.9	3.9	–34.4
Manufacturing structures	**77.8**	**125.5**	**61.2**
Power and communication facilities	**150.5**	**119.8**	**–20.4**
Electric power facilities	89.5	74.3	–17.0
Nonelectric power facilities	38.8	21.0	–46.0
Communication facilities	22.1	24.5	11.0
Mining exploration	**120.1**	**111.8**	**–6.9**
Petroleum and natural gas exploration	110.2	99.7	–9.5
Mining	9.9	12.1	22.4
Other structures	**132.9**	**120.0**	**–9.7**
Lodging facilities	40.5	24.5	–39.6
Educational and vocational	19.7	20.3	3.0
Amusement and recreation structures	19.1	17.7	–7.3
Transportation facilities	16.5	17.1	4.0
Others	37.2	40.4	8.7

Source: Bureau of Economic Analysis via Haver Analytics

Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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"Commercial buildings have historically attracted the most investment in structures, accounting for approximately one-fourth of the total. Over the course of the pandemic, this category gained two percentage points of the total business structures spending (figure 4). Manufacturing structures had the largest share gain, growing from 11% to 17% of the total.

Commercial buildings: Squeeze that office space, we need more warehouses

The major categories within commercial buildings are office buildings, warehouses, multi-merchandise shopping, food and beverage establishments, and other commercial buildings . Prepandemic, the largest chunk of commercial investment was in office buildings. However, investment in this category has fallen over time and this decline was accelerated during the pandemic. The recovery in nominal terms was feeble, at around US$3 billion above the prepandemic level of US$92.6 billion, but in real terms, investment in office buildings remains approximately 30% below prepandemic levels.[1]

As work-from-home increasingly became the norm during the pandemic, business tenants began exiting leased properties, causing a pause in new office building development. Indeed, some existing office complexes considered converting their commercial properties to residential, but due to the complexities of switching, most of these plans were abandoned.[2] At present, the competition for tenants between existing commercial buildings and new construction is fierce as they try to help employers lure their employees back to the office.3

But even as the demand for offices has declined, the demand for warehouses surged with the pandemic-fueled growth in online shopping (figure 5).[4] Between Q4 2019 and Q1 2023, nominal investment in warehouses surged by 67% from US$37.9 billion to US$63.1 billion. Real investment peaked at around 22% above the prepandemic level in Q3 2021 and, according to the latest data for Q1 2023, remains 15% higher than in Q4 2019. The aging warehouse inventory in the economy is also pushing demand for larger, modern warehouses that use automation.5

With the growth in online shopping, demand fell at multi-merchandise shopping centers and food and beverage establishments, resulting in less building investment in these categories." – Patricia Buckley, Director, and Bhavna Tejwani, Economist, Research & Insights; Deloitte Services LP

Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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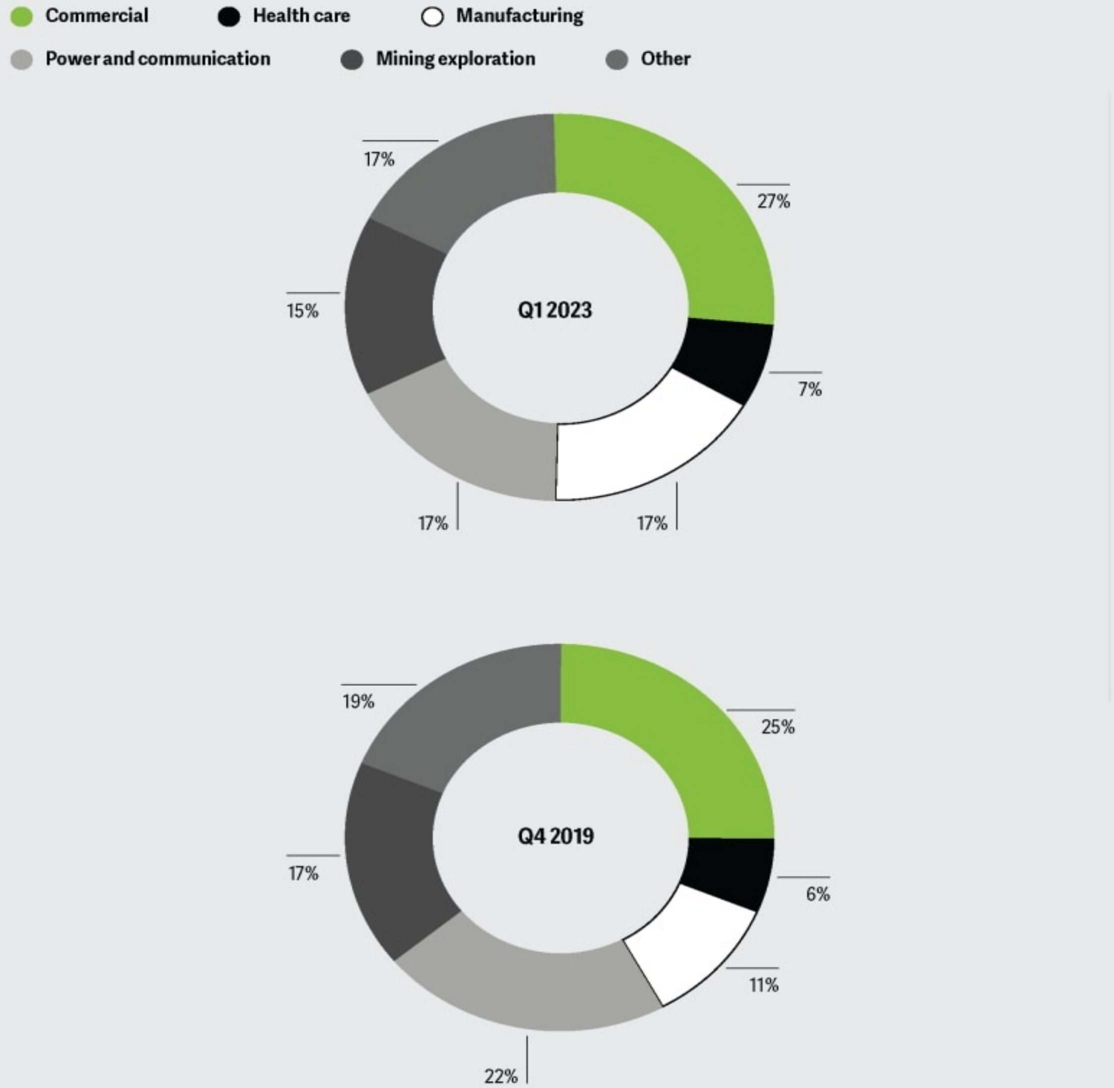
Private Indicators

Figure 4

Share of nominal business investment in structures increased in the commercial, health care, and manufacturing sectors



Source: Bureau of Economic Analysis via Haver Analytics

Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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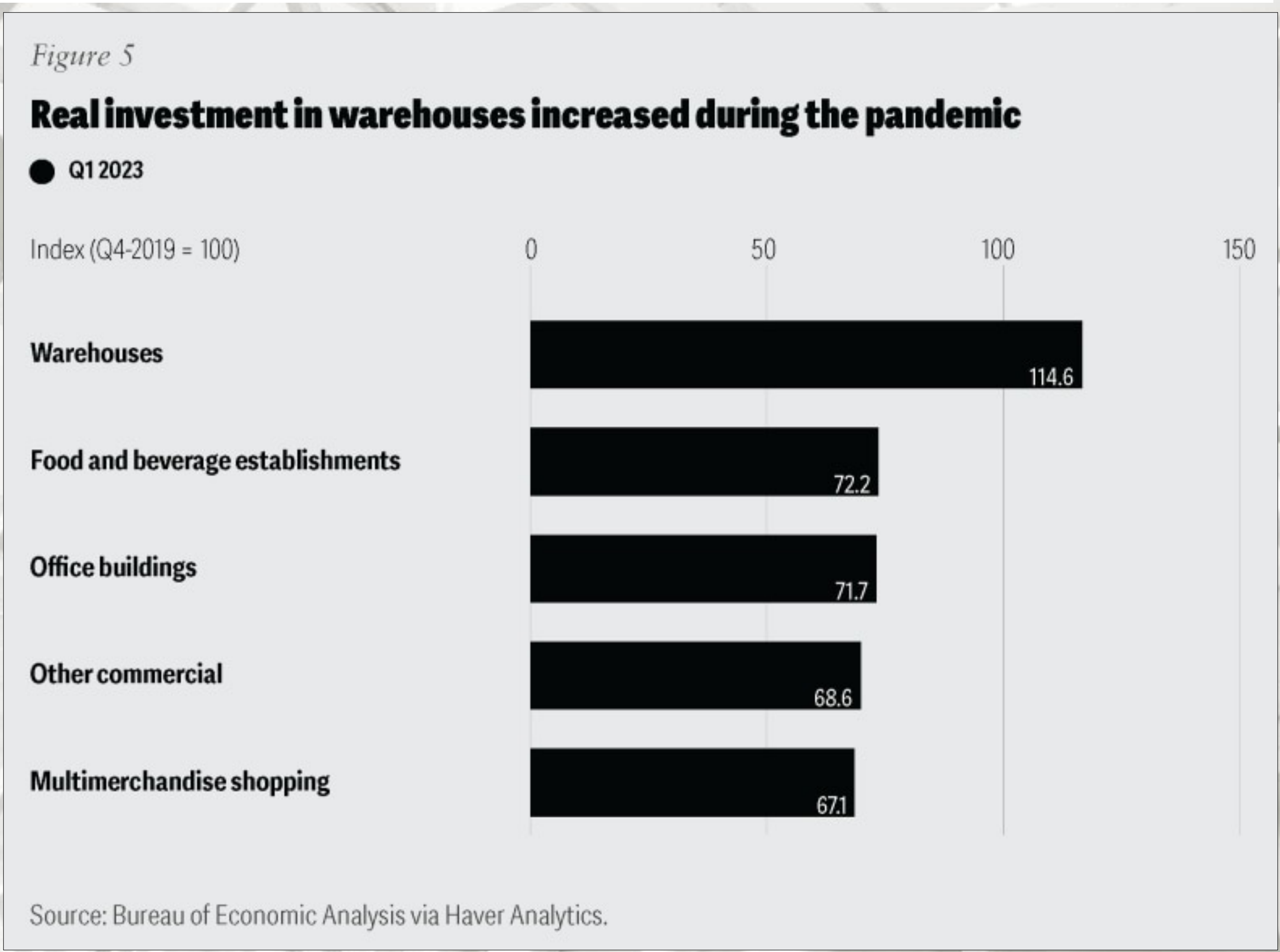

Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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Health care structures: More investment in medical buildings

Investment in health care structures increased during the pandemic due to high demand for medical care. Nominal investment was US$43.5 billion in Q4 2019; by Q1 2023, it was up 10% at US$47.9 billion. In real terms, investment in certain types of health care structures rose during the early days of the pandemic, but over the past few quarters, investment has drifted back to prepandemic levels. The latest data for Q1 2023 suggests that real investment in health care structures is around 20% below the level in Q4 2019.

Health care structures are categorized as hospitals, medical buildings, and special health care buildings. Around 55% of the investment in health care structures goes into hospital buildings. Nominal investment in hospitals increased because of the pandemic, although real investment declined and remains below prepandemic levels.

The main shift was between the other two categories. Between Q4 2019 and Q1 2023, nominal investment in special health care buildings, such as nursing homes and hospices, declined 34% from US$5.9 billion to US$3.9 billion, while investment in medical buildings increased 30% from the level in Q4 2019 to US$17.7 billion in Q1 2023. This is not surprising, as the pandemic necessitated more medical buildings, including clinics, medical offices, medical labs, doctor offices, outpatient clinics, and research labs. Real investment in medical buildings consistently remained above prepandemic levels until Q1 2022 but has moderated more recently. In the initial quarters of the pandemic, real investment in special health care building structures also increased, but later fell below prepandemic levels and is now more than 50% below those levels (figure 6)." – Patricia Buckley, Director, and Bhavna Tejwani, Economist, Research & Insights; Deloitte Services LP

Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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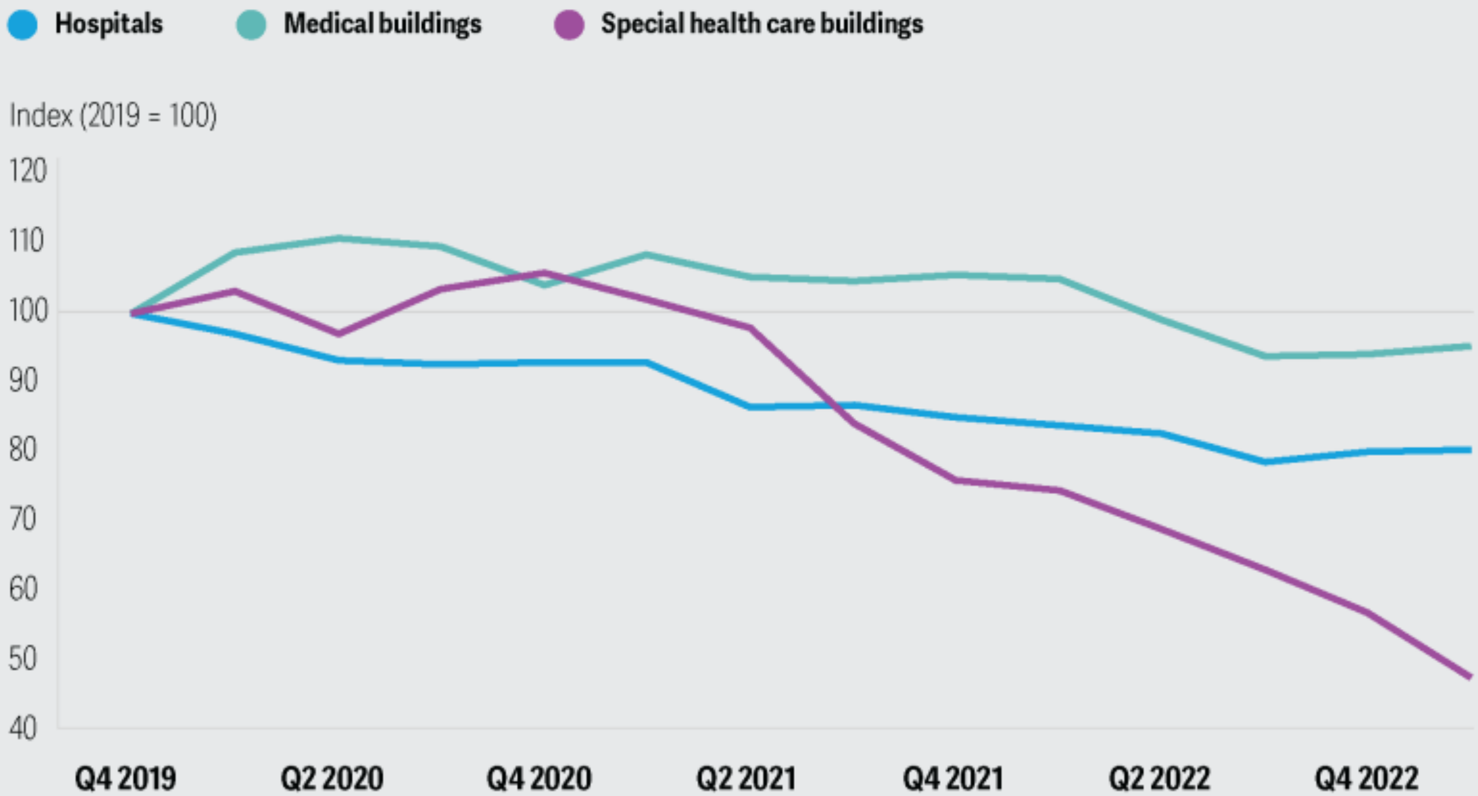
Figure 6

Real investment in special health care buildings is half of prepandemic levels



Source: Bureau of Economic Analysis via Haver Analytics.

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Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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Private Indicators

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Manufacturing and mining structure investment have also responded to changing demand

"Among the major categories for investment in structures, nominal investment increased the most in manufacturing structures. Investment surged 61% from US$77.8 billion in Q4 2019 to US$125.5 billion in Q1 2023. As a result, investment in manufacturing structures as a share of total business investment in structures increased from 11% to 17% during this period. Manufacturing is the only sector where real investment in structures has recovered and is almost 14% above prepandemic levels. The output in this sector, with a four-quarter lead, is an approximate indicator of the cyclical trends in investment in manufacturing structures. If this relationship were to hold, one would expect investment in manufacturing structures to begin declining as we are seeing the growth in manufacturing output stalling.

A similar story is unfolding in the mining exploration sector. Historical data indicates close correlation between mining structures and crude oil prices (figure 7). When the pandemic hit, oil prices declined, and so did real investment in mining exploration structures, which fell to half of its prepandemic levels in Q3 2020. As of Q1 2023, investment in mining exploration is below prepandemic levels, both in nominal and real terms. Between Q4 2019 and Q1 2023, nominal investment has declined 7% to US$111.8 billion, while real investment is down 8%.

Investment in mining exploration structures is classified into 1) structures for petroleum and natural gas exploration and 2) mining structures. Of the total business investment in mining exploration structures, around 90% comprises structures for petroleum and natural gas exploration, and the remaining is in mining structures. In the case of structures for petroleum and natural gas exploration, investment remains below the prepandemic levels, both in nominal and real terms. Real investment in mining structures has not yet recovered, but with the increase in crude oil prices, nominal investment was 22% above the prepandemic level in Q1 2023." – Patricia Buckley, Director, and Bhavna Tejwani, Economist, Research & Insights; Deloitte Services LP

Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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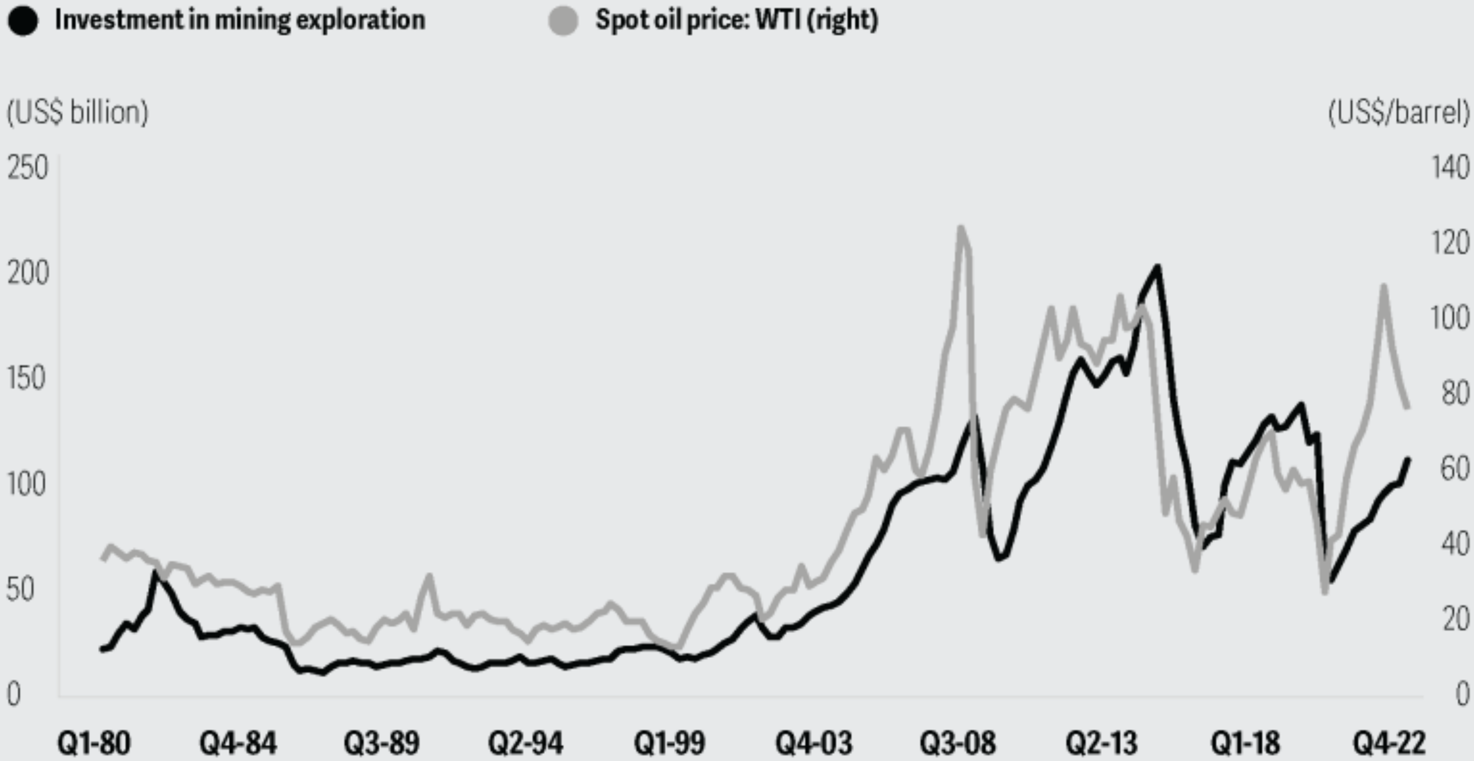
Figure 7

Investment in mining exploration correlates to oil prices



Source: Bureau of Economic Analysis, Energy Information Administration/Chicago Mercantile Exchange via Haver Analytics.

Deloitte. Insights | deloitte.com/insights.com

Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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Deloitte® Development LLC. © 2023

The decline in investment in power facilities is not good news for aging infrastructure

"Investment in power and communication facilities is classified into electric power facilities, nonelectric power facilities, and communication facilities. Most of the investment in this sector goes toward power facilities, particularly electric power (around 60% of the total investment in power and communications).

Electric power facilities include buildings and structures for the generation and distribution of electric power, including coal and gas fired plants, nuclear reactors, hydroelectric plants, dry-waste generation, and thermal, wind and solar energy facilities. This category also includes electric distribution systems, electrical substations, switch houses, transformers, and transmission lines. Nonelectric power facilities include buildings and structures for the distribution, transmission, gathering, and storage of natural gas and crude oil.

Real investment in both electric and nonelectric power facilities has largely been below prepandemic levels between Q4 2019 and Q1 2023, so the real investment in overall power and communication facilities was 37% below the prepandemic level in Q1 2023 (figure 8).

Nominal investment in overall power and communication facilities fell around 20% from US$150.5 billion in Q4 2019 to US$119.8 billion in Q1 2023. As a result, investment in these facilities as a share of total business investment in structures declined from 22% to 17%. During this period, although nominal investment decreased in electric (-17%) and nonelectric power facilities (-46%), it increased in communication facilities (11%).

The demand for communication facilities increased during the pandemic. Communication facilities include telephone, television, and radio, as well as buildings and structures for distribution and maintenance of these facilities. Real investment in these facilities increased during the pandemic and stayed above the prepandemic level until Q4 2021, after which it gradually declined." – Patricia Buckley, Director, and Bhavna Tejwani, Economist, Research & Insights; Deloitte Services LP

Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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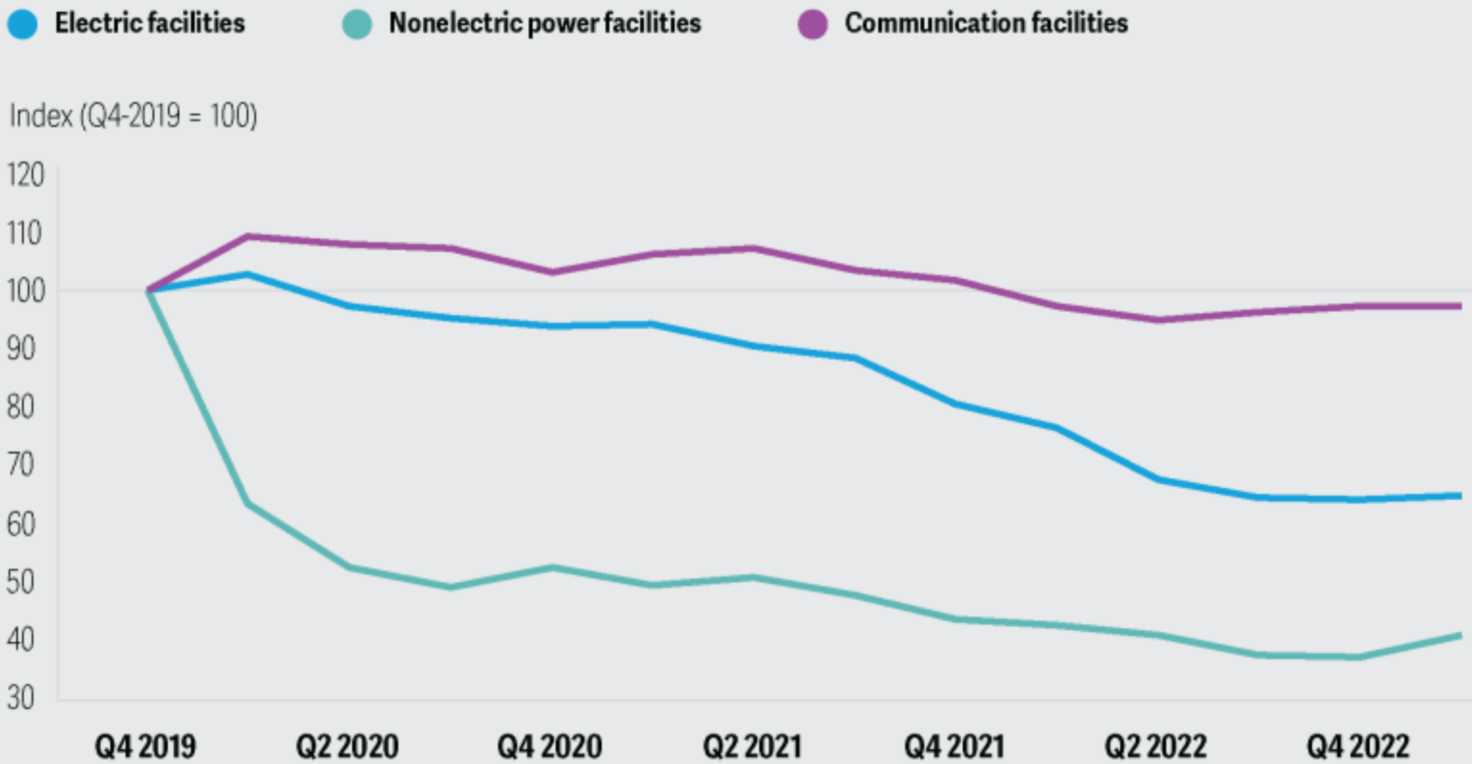
Figure 8

Real investment in power facilities remains below prepandemic levels



Source: Bureau of Economic Analysis via Haver Analytics.

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Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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A look at investment levels in other structures

"In addition to the five main sectors, 19% of business investment in structures fell into the "other" category in Q4 2019. This amounted to a nominal investment of US$132.9 billion, which declined by around 10% to US$120.0 billion in Q1 2023.

In Q4 2019, over 70% of investment in structures in the other category went into four subsectors, and by Q1 2023, this combined share fell to 66%. These subsectors include lodging facilities, education and vocational structures, amusement and recreation facilities, and transportation structures. In real terms, combined investment in these four subsectors was 33% below the prepandemic level in Q1 2023.

The largest share of investment in other structures was in lodging facilities, but due to the pandemic, investment took a hit. Even in Q1 2023, investment in nominal and real terms was below the prepandemic level (figure 9). This trend also holds true for amusement and recreation structures, as people stayed home due to pandemic-induced lockdowns. In fact, in real terms, investment has not recovered in any of the major subcategories within other structures. However, in nominal terms, educational and vocational facilities, and transportation facilities were exceptions as investment recovered and was above the prepandemic level as of Q1 2023.

What does this mean for future investment?

Overall, there are a few bright spots for investment in structures, such as manufacturing, warehouses, and communication facilities, but the outlook for the commercial real estate sector is not positive.

In an article published in 2015,6 we noted that most types of nonresidential construction had been stagnant for decades due to the changing structure of the US economy. The shift toward a knowledge economy made investment in building structures less critical to growth, paving the way for more investment in technology through equipment and intellectual property products. This trend has been exacerbated by the Federal Reserve's path of monetary tightening to combat inflation." – Patricia Buckley, Director, and Bhavna Tejwani, Economist, Research & Insights; Deloitte Services LP

Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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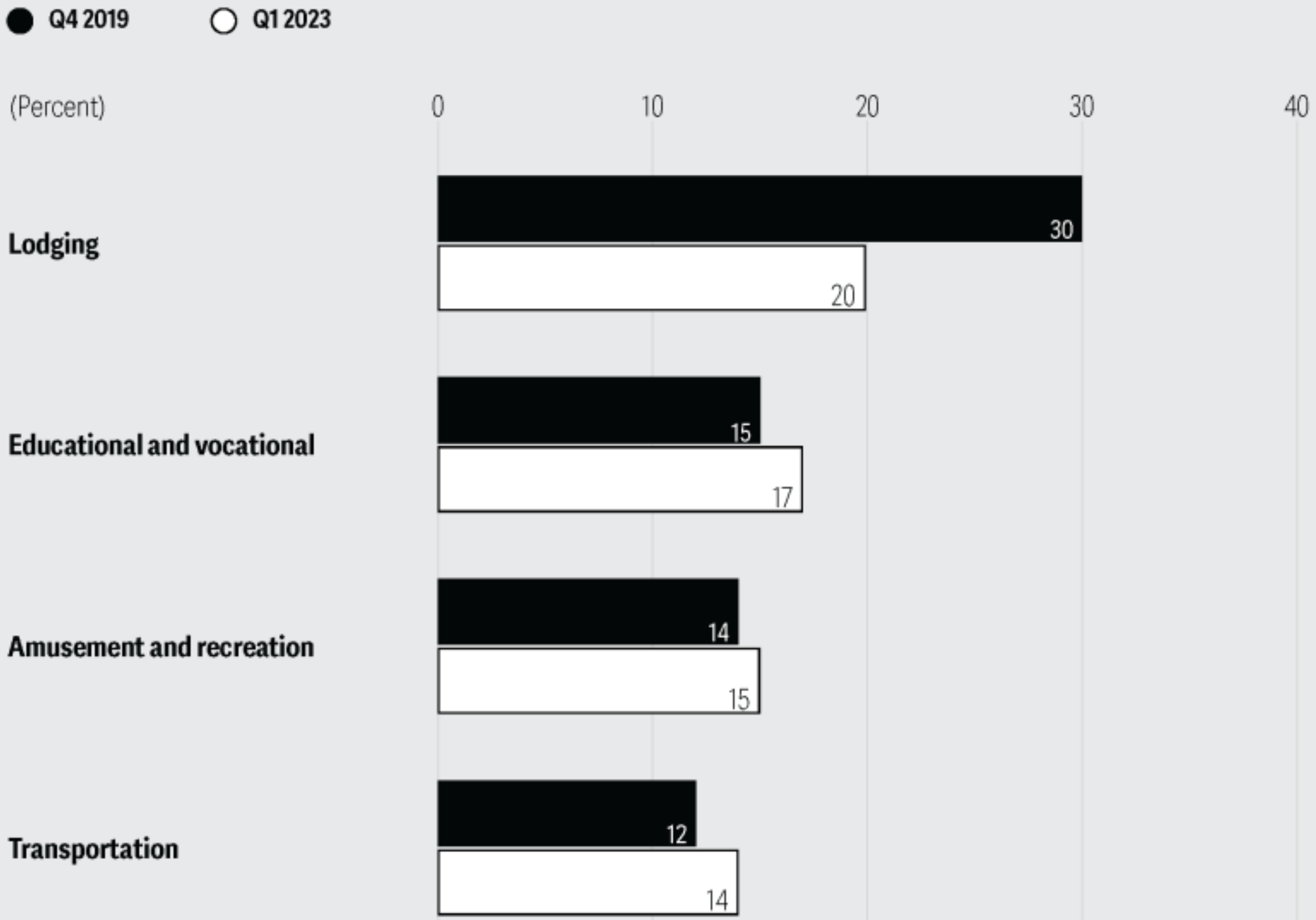
Figure 9

Share of nominal investment in other structures remains the largest in lodging facilities



Source: Bureau of Economic Analysis via Haver Analytics

Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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What does this mean for future investment?

"In its latest Financial Stability report,[7] the Fed notes the risk from the exposure of financial institutions, including banks, to commercial real estate mortgages. The increase in interest rates could make it difficult for mortgage borrowers to refinance loans at the end of the term. Also, although commercial real estate prices have declined, valuations are relatively higher, and a potential correction could lead to credit losses by holders of commercial real estate debt. These factors could be additional sources of vulnerability for the banking sector, which is already under pressure due to runs on SVB and Signature Bank, and the failure of First Republic Bank in March. In fact, some banks are willing to sell off commercial real estate loans at a discount to reduce exposure to the sector amid fears of an increase in delinquencies.[8]

A combination of cyclical and structural factors clouds the outlook for the commercial real estate sector, and, therefore, investment in structures. However, there is a silver lining on the policy front. As noted in one of our recent articles on the US economic outlook,[9] the Inflation Reduction Act has provisions for investments in climate protection, including clean energy production and other climate change remediation measures, which could create avenues for construction activities in the economy." – Patricia Buckley, Director, and Bhavna Tejwani, Economist, Research & Insights; Deloitte Services LP

Endnotes

1.Unless otherwise stated, all data is from Bureau of Economic Analysis, National Income and Product Accounts. *View in Article*
2.CBRE, "*The rise and fall of office to multifamily conversions: a real estate investigation*," March 14, 2023. *View in Article*
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4.Daniel Newman, "*E-commerce popularity ignites growing investment in warehouse automation*," *Forbes*, September 6, 2022. *View in Article*
5.CBRE, "*As US warehouse market ages, robust warehouse construction is spurred by demand for larger, more modern facilities*," September 19, 2022. *View in Article*
6.Daniel Bachman, *US capital stock: Fewer buildings, more knowledge*, Deloitte Insights, May 12, 2015. *View in Article*
7.Board of Governors of the Federal Reserve System, *Financial Stability Report*, US Federal Reserve, May 2023. *View in Article*
8.Financial Times, "*US banks prepare for losses in rush for commercial property exit*," June 5, 2023. *View in Article*
9.Daniel Bachman, *United States Economic Forecast*, Deloitte Insights, March 15, 2023. *View in Article*

Source: https://www2.deloitte.com/us/en/insights/economy/spotlight/investment-in-business-structures.html; 7/6/23

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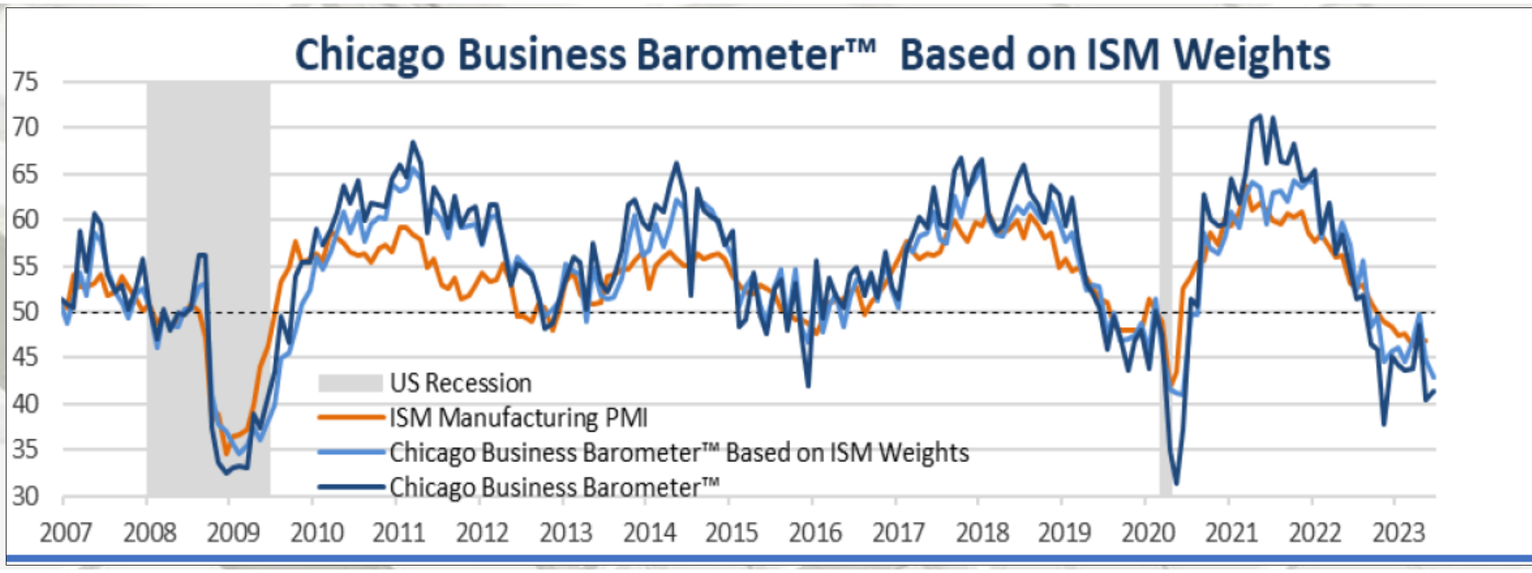

MNI Chicago
Chicago Business Barometer™ – Edges Up to 41.5 in June

June Chicago Report™ Signals a Less Stark Contraction in Production

"**The Chicago Business Barometer™, produced with MNI,** ticked up by 1.1 points to 41.5 in June, largely due to a less stark contraction in Production. The barometer remains firmly sub-50, signaling ten consecutive months of contractionary business activity in June.

- Production and Order Backlogs inched up in June, whilst all other subindexes weakened. Prices Paid and Inventories recorded the biggest falls. All subindexes excluding Prices Paid were in contractive (sub-50) territory this month.
- Production improved by +3.0 points to 42.6 in June, having experienced a tumultuous few months and a marked 8.3 point May decline.
- The New Orders index was broadly unchanged, softening by -0.1 points to the lowest since November 2022." – Tim Davis, Head of Fixed Income Research, Tim Cooper, Chief Economist, and Lucy Hager, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 6/30/23

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Private Indicators

MNI Chicago

Chicago Business Barometer™ – Edges Up to 41.5 in June

June Chicago Report™ Signals a Less Stark Contraction in Production

- "Order Backlogs gained +2.7 points, albeit failing to reverse the marked May slide to the lowest level since May 2020. With demand weakness prevailing, the index signals firms have been working down backlogs over the last six months.
- Employment slipped -2.9 points in June, weakening to 45.6. Barring an April uptick, the Employment indicator has been contractive since September 2022. Recruiting and retention of staff continue to be challenging.
- Supplier Deliveries dipped by -3.3 points as delivery times moderated. This was the lowest since March 2016.
- Inventories declined by -6.1 points in June to the lowest reading since August 2020 as firms wound down stocks in aggregate. Some firms had built up inventory due to concerns regarding West Coast port strikes.
- Prices Paid decelerated by -7.4 points to 53.5, the lowest since April 2020. Only 29.2% of firms reported higher prices paid in June, the lowest since October 2020 and substantially lower than the peak of 86.1% experienced in June 2021.

In June, the Chicago Survey™ asked firms "*In light of the recent talk of recession towards the end of the year, are you considering slowing hiring in upcoming months?*" A combined 41.7% were expecting to do so (equally split between responding yes and somewhat). 29.2% were not intending to slow hires, and a further 29.2% were unsure." – Tim Davis, Head of Fixed Income Research, Tim Cooper, Chief Economist, and Lucy Hager, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 6/30/23

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Private Indicators

The Conference Board Leading Economic Index® (LEI)

LEI for the U.S. Declined Further in May

"**The Conference Board Leading Economic Index®** (LEI) for the U.S. declined by 0.7 percent in May 2023 to 106.7 (2016=100), following a decline of 0.6 percent in April. The LEI is down 4.3 percent over the six-month period between November 2022 and May 2023 – a steeper rate of decline than its 3.8 percent contraction over the previous six months from May to November 2022.

The US LEI continued to fall in May as a result of deterioration in the gauges of consumer expectations for business conditions, ISM® New Orders Index, a negative yield spread, and worsening credit conditions. The US Leading Index has declined in each of the last fourteen months and continues to point to weaker economic activity ahead. Rising interest rates paired with persistent inflation will continue to further dampen economic activity. While we revised our Q2 GDP forecast from negative to slight growth, we project that the US economy will contract over the Q3 2023 to Q1 2024 period. The recession likely will be due to continued tightness in monetary policy and lower government spending.

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased by 0.2 percent in May 2023 to 110.2 (2016=100), after rising by 0.3 percent in April. The CEI is now up 0.8 percent over the six-month period between November 2022 and May 2023 – down slightly from the 0.9 percent growth it recorded over the previous six months. The CEI's component indicators – payroll employment, personal income less transfer payments, manufacturing trade and sales, and industrial production – are included among the data used to determine recessions in the US. While recent data for industrial production have contributed negatively to coincident index, sales, employment, and income growth remained positive.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased by 0.1 percent in May 2023 to 118.4 (2016 = 100), reversing a decline of 0.1 percent in April. The LAG is up 0.6 percent over the six-month period from November 2022 to April 2023, much slower than its growth rate of 3.3 percent over the previous six months." – Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board

Source: https://www.conference-board.org/data/bcicountry.cfm; 6/22/23

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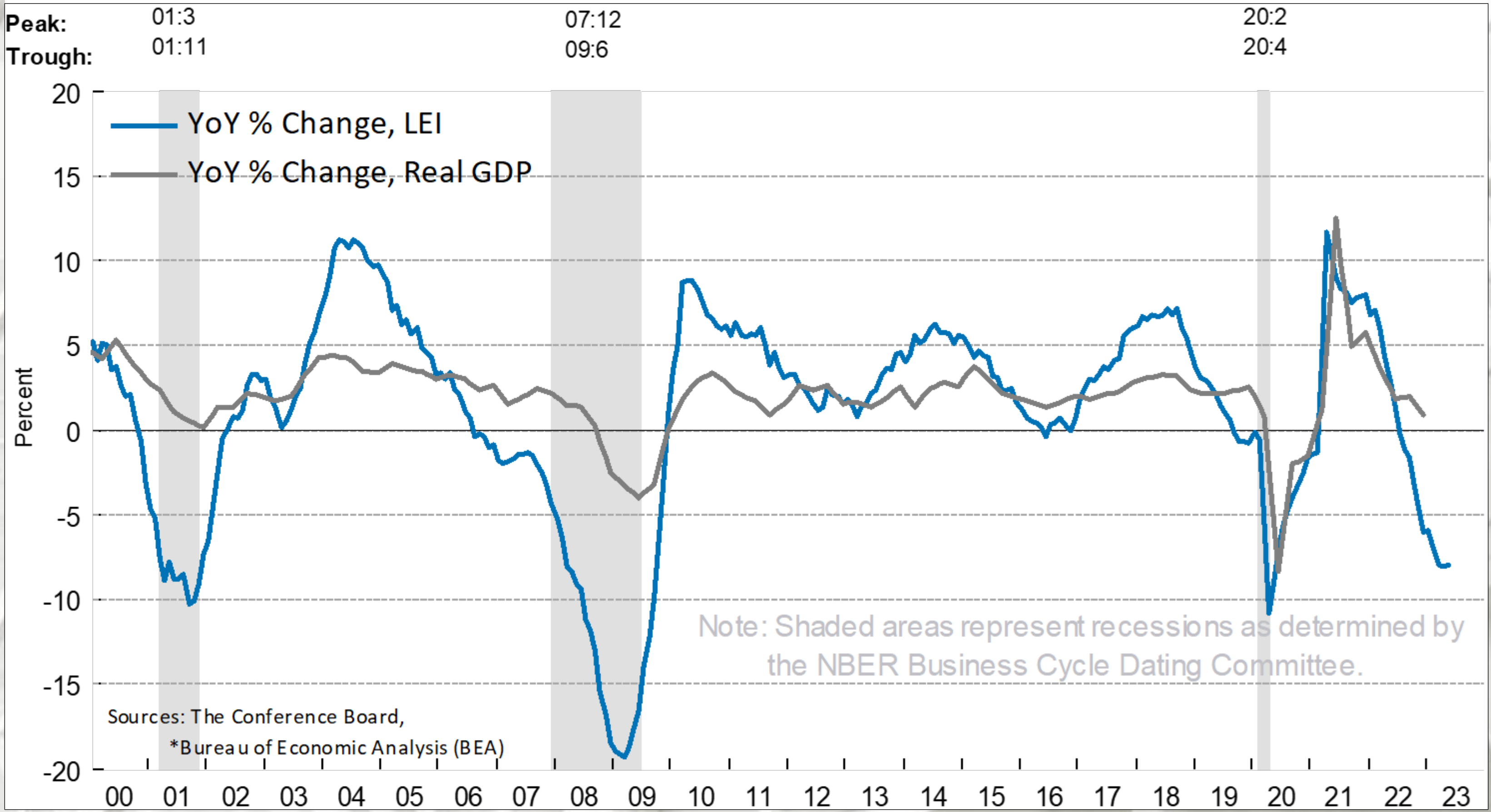
Private Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S.

LEI for the U.S. Declines Again in May

The annual growth rate of the US LEI remained negative, continuing to signal weaking growth prospects



Source: https://www.conference-board.org/data/bcicountry.cfm; 6/22/23

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Private Indicators

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

May New Business Volume Up 1 Percent Year-over-year, Down 2 Percent Month-to-month and Up 0.9 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 $1 trillion equipment finance sector, showed their overall new business volume for May was $9.5 billion, up 1 percent year-over-year from new business volume in May 2022. Volume was down 2 percent from $9.7 billion in April. Year-to-date, cumulative new business volume was up 0.9 percent compared to 2022.

Receivables over 30 days were 2.0 percent, up from 1.8 percent the previous month and up from 1.6 percent in the same period in 2022. Charge-offs were 0.33 percent, unchanged from the previous month and up from 0.12 percent in the year-earlier period.

Credit approvals totaled 76.4 percent, down from 77.3 percent in April. Total headcount for equipment finance companies was down 2.5 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in June is 44.1 an increase from the May index of 40.6." – Amy Vogt, Vice President, Communications and Marketing, ELFA

"MLFI respondents show steady new business volume for the month of May. As the Fed puts a pause on interest rate hikes and the U.S. economy refuses to accede to a recession – at least for the time being – equipment finance companies continue to do what they do best, i.e., provide the necessary capital for businesses to grow and prosper. A number of equipment finance executives polled recently have expressed a sense of heightened optimism that the industry will continue to show steady growth, at least in the near term." – Ralph Petta, President and CEO, ELFA

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2023/06/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 6/26/23

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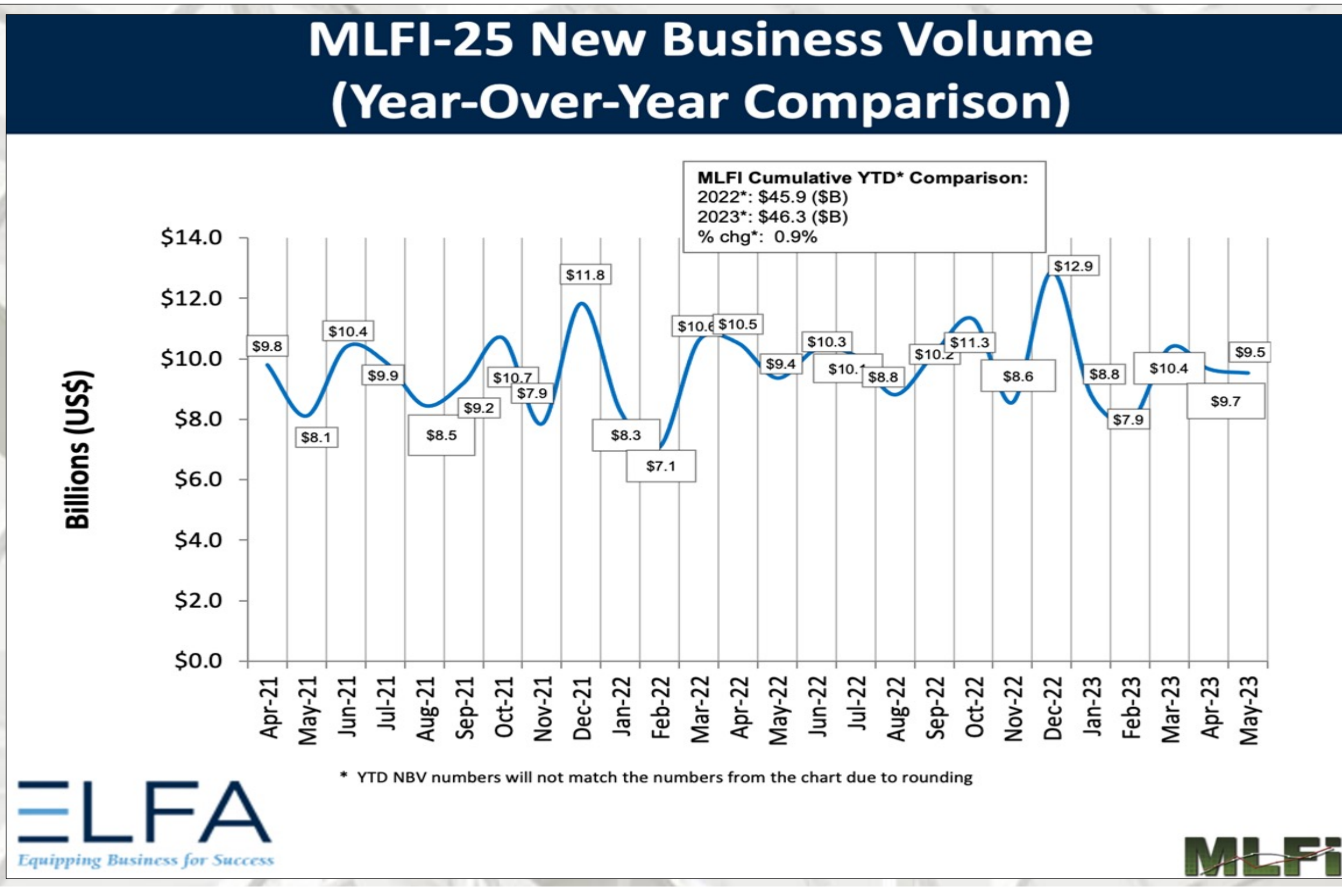

Equipment Leasing and Finance Association’s Survey of Economic Activity: Monthly Leasing and Finance Index

“We are cautiously optimistic about the stability of the economy based on both the recent indicators and what continues to be resilient demand from businesses. The tightened liquidity remains a concern, but we have seen some small signs of localized stabilization with previously shy banks and finance companies slowly showing interest in exploring equipment finance assets. Our industry provides great support during these times by continuously thinking creatively, remaining nimble, and finding niches and opportunities as they arise.” – Daryn Lecy, Vice President and Chief Operating Officer, Oakmont Capital Services

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2023/06/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 6/26/23

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Renewed drop in output as demand dwindles, with price pressures dissipating in June

“The seasonally adjusted S&P Global US Manufacturing Purchasing Managers’ Index™ (PMI™) posted 46.3 in June, down from 48.4 in May. The index therefore signalled the steepest decline in operating conditions in 2023 so far, as the recent downturn intensified. Manufacturing performance has deteriorated in seven of the last eight months.

US manufacturing firms recorded a second successive monthly decline in the health of the sector in June, according to the latest PMI™ survey from S&P Global. The overall rate of contraction gained momentum amid a renewed fall in output and a sharper downturn in new orders. Despite a steep drop in backlogs of work, manufacturers still sought to replace voluntary leavers and fill long-held vacancies, meaning employment grew further. Nonetheless, future output expectations weakened. A dearth of new orders led firms to continue in their efforts to run down stocks with input buying also contracting markedly.

On the price front, cost burdens fell at the fastest pace for over three years. Weak demand conditions, meanwhile, led to broadly unchanged output charges on the month as firms sought to attract new sales.

Underpinning the latest PMI reading was a marked contraction in new orders in June. The decrease was the steepest of the year so far and the second-fastest in over three years. Firms commonly attributed the decline to suppressed demand due to inflationary pressure and higher interest rates. At the same time, external demand weakened. New export orders fell for the thirteenth month running and at a sharp rate that was among the fastest in the last three years.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/347746d7505243f8b84ca01657a4410a; 7/3/23

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Renewed drop in output as demand dwindles, with price pressures dissipating in June

"Subsequently client reticence ensured that production moved back into contraction territory following a three-month period of expansion. The rate of decline was the joint sharpest in 2023 to date. Some companies also stated that additional production was no longer being used to replenish stocks amid weak demand.

Prices pressures dissipated in June as input costs fell for a second month running. Manufacturers saw the sharpest drop in material prices since May 2020. Suppliers were often reported to offer promotions in an effort to entice purchases of inputs.

Output charges, meanwhile, were broadly unchanged on the month. The respective seasonally adjusted index was at its lowest level in three years. Although some firms noted the pass through of cost savings to customers, others stated that they continued to transfer previous cost increases to clients in an effort to protect margins.

Input buying at goods producers contracted at the steepest rate since January, as dwindling new orders led firms to adjust their spending downwards. Some companies also mentioned that lower purchasing activity reflected efforts to destock and wind down inventories.

Subsequently, stocks of purchases fell at an accelerated pace that was the second-fastest since May 2020. Firms sought to reduce current holdings of inputs for cost considerations. At the same time, stocks of finished goods declined sharply, and at the quickest rate since November 2021." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/347746d7505243f8b84ca01657a4410a; 7/3/23

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Renewed drop in output as demand dwindles, with price pressures dissipating in June

"Subdued sentiment at customers was reflected in weaker business confidence in June. The degree of optimism in the year ahead outlook for output softened. Although still forecasting an increase in output, expectations were the lowest in 2023 to date.

Comment

The health of the US manufacturing sector took a sharp turn for the worse in June, adding to concerns over the economy potentially slipping into recession in the second half of the year. Leading the darkening picture was a severe drop in demand for goods, with new orders slumping at a rate among the steepest since the global financial crisis of 2009. Companies report that customers have become increasingly reticent to spend amid the rising cost of living, higher interest rates, growing concerns about the economic outlook and a switch in spending to services.

Exacerbating the downturn has been a continued focus on inventory reduction as manufacturers, their suppliers and their customers all seek to cut warehouse stocks in the face of weakening demand. In this environment, pricing power is fading rapidly. Prices charged for inputs by suppliers are now falling at a rate not seen since 2009 barring only the early pandemic lockdown months. Prices charged for goods leaving the factory gate meanwhile barely rose in June amid increasing reports of discounting, indicating a near-total collapse of inflationary pressures in the goods-producing sector.

The focus now turns to the service sector, where inflationary pressures have been more stubborn in recent months amid resurgent post-pandemic demand. The big question is how long this service sector spending can be sustained in the face of headwinds from the cost of living and higher interest rates." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/347746d7505243f8b84ca01657a4410a; 7/3/23

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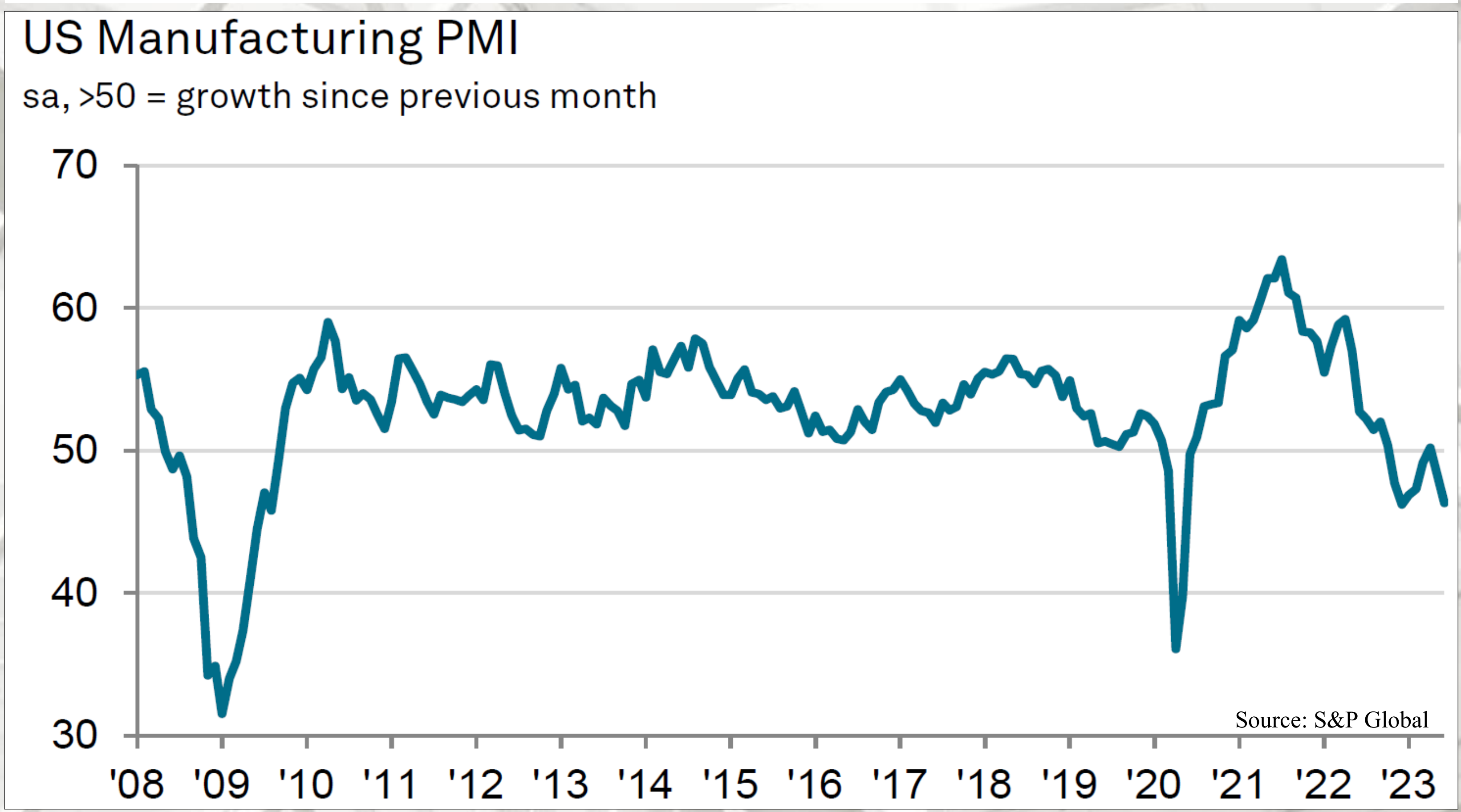

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/347746d7505243f8b84ca01657a4410a; 7/3/23

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Private Indicators

S&P Global U.S. Services PMI™

Robust services growth accompanied by reignition of cost pressures in June

"At 54.4 in June, the seasonally adjusted final S&P Global US Services PMI Business Activity Index fell slightly from 54.9 in May. Nonetheless, the latest data indicated a solid rise in business activity that was the second-fastest in just over a year. Companies noted that strong client demand and a sustained uptick in new business supported the latest expansion.

June data signalled a further expansion of activity across the US service sector, according to the latest PMI™ data from S&P Global. Output continued to rise at a solid pace as the demand environment improved, spurring a strong upturn in new orders. Domestic and foreign client demand supported new business growth, as new export orders rose for a second month running. Subsequently, firms were more upbeat in their year-ahead expectations for activity and sought to expand employment accordingly. Job creation was also linked to greater pressure on capacity as backlogs of work returned to growth.

Supplier shortages, higher interest rates and increased wage bills pushed cost burdens higher. Input prices consequently rose at the sharpest pace in five months. That said, efforts to remain competitive led to more muted upticks in charges, meaning selling prices increased at the slowest rate since February.

New orders at service providers increased for the fourth successive month in June. The rate of growth eased fractionally from May's 13-month high, but remained sharp overall. New customer wins and continued interest from existing clients were reportedly maintained by successful marketing strategies, helping to boost new sales, according to panellists." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/11da20dd6b8a43509d1173419f0f4af8; 7/6/23

Private Indicators

S&P Global U.S. Services PMI™

Robust services growth accompanied by reignition of cost pressures in June

"At the same time, external demand improved for a second month running. Firms noted that a rise in new business from abroad was linked to the acquisition of new customers and a greater interest in international travel. New export orders grew at a solid pace, though the rate of increase slowed from that seen in May.

On the price front, service sector firms saw a marked rise in cost burdens at the end of the second quarter. The increase in business expenses was reportedly driven by greater wage bills, with some companies also noting upticks in supplier prices and higher borrowing costs. The pace of cost inflation reaccelerated and was the sharpest since January.

Despite faster cost inflation, service providers registered a slower increase in selling prices in June. The rate of charge inflation eased further from April's eight-month high to the weakest since February. Efforts to remain competitive reportedly limited pricing power, despite several firms reporting the continued pass-through of greater costs to clients.

A further expansion in new business led firms to raise employment. Job creation has been seen in each month since July 2020, with June's modest pace of increase again little-changed since March. Nonetheless, strain on capacity was reflected in a renewed accumulation of backlogs of work in June. Although only marginal, service providers noted pressure on staffing resources to fulfil incoming new business.

Sentiment was buoyed by accommodating demand conditions, with output expectations for the year ahead strengthening. The degree of confidence was the highest for just over a year amid hopes that investment in new service lines, marketing spending and softer inflation will support growth." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/11da20dd6b8a43509d1173419f0f4af8; 7/6/23

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Private Indicators

S&P Global U.S. Services PMI™

Robust services growth accompanied by reignition of cost pressures in June

Comment

"June saw encouraging resilience of the US services economy, which helped offset a renewed contraction of manufacturing output to ensure the overall pace of economic growth remained encouragingly solid. The surveys signal GDP growth of just under 2% for the second quarter as a whole, albeit with June seeing some loss of momentum.

Demand for services has remained surprisingly buoyant in the face of headwinds from the increased cost of living and higher interest rates, with spending still being supported by a post-pandemic tailwind for spending by consumers in particular. Higher interest rates and recent market gains are also boosting demand for some financial services.

The worry is that, although selling price inflation has cooled further, June saw increased cost growth in the service sector, which has been the main area of inflation concern in recent months. Higher wages in particular are driving costs up, and could keep selling price inflation stubbornly elevated in the months ahead." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/11da20dd6b8a43509d1173419f0f4af8; 7/6/23

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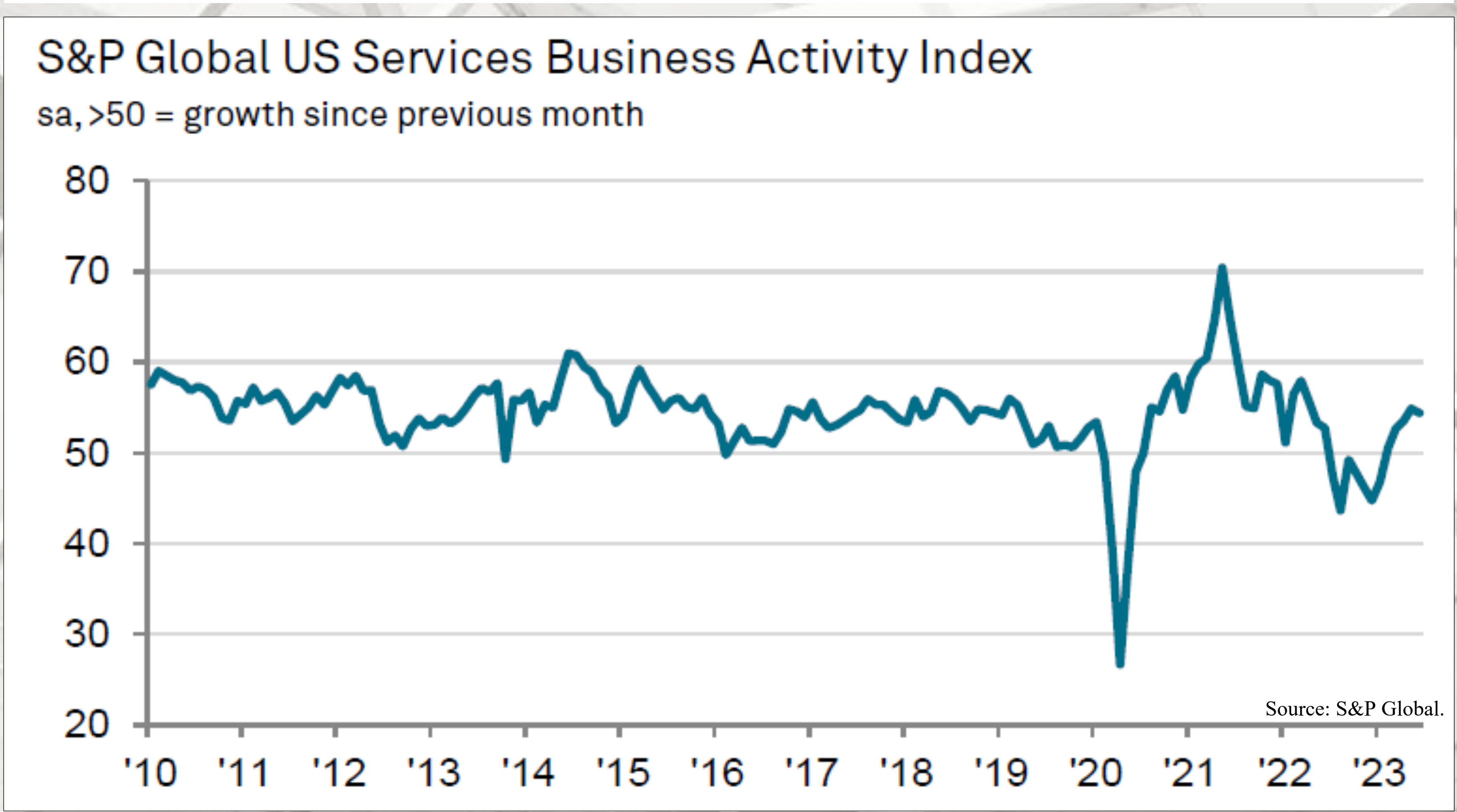

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/11da20dd6b8a43509d1173419f0f4af8; 7/6/23

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for June 2023: Combined Sectors

"The National Association of Credit Management's seasonally adjusted combined Credit Managers' Index (CMI) for June 2023 came in at 55.2 points, rising 2.9 points from May and reaching its highest level since September of last year. "The main driver for the improvement came from favorable factors, led by a huge gain in sales and dollar collections," said NACM Economist Amy Crews Cutts, Ph.D., CBE®. "These two factors have shown significant volatility in recent months, first dragging down the overall CMI earlier this year and now rallying to the highest levels in almost a year. Several respondents noted that they are seeing increased business activity like demand for services or new orders, but also financial stress with more customers seeking payment extensions or new terms."

The banking crisis that erupted in March caused credit managers to take on a more cautious posture temporarily, "but as it became apparent that the banking crisis was contained, everyone took a deep breath and got back to business," she said. "The CMI has been dancing around, signaling that recession was all but imminent at the start of the year, then reversing course and indicating steady improvement in conditions, then a dip in May, and now back to solidly out of the recession zone. Economists seem convinced that a recession will start this year, but they have to keep moving out their start date because the economy is not slowing down despite all the reasons we think it should. The CMI is indicating maybe they should push their forecasted recession start date later still."

"The Credit Managers' Index did a sort of head-fake in January and again in May, indicating that a recession was just about to start," said Cutts. "But this month we got more evidence that recession, if it does start, will do so in the fourth quarter or later. The June CMI indicates no recession in the near term."" – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 6/30/23

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Private Indicators

National Association of Credit Management – Credit Managers' Index

"**Key Findings:**

- The index for favorable factors was up 4.5 points to 61.0, led by an 8.3-point improvement in the sales factor index to 62.7 points and a 5.5-point gain in the dollar collections index to 62.2. The amount of credit extended factor index improved 3.6 points to 60.4.
- Favorable factors have improved to their best reading since June of last year.
- The index for unfavorable factors improved by 1.8 points to 51.4. This index has stayed in a tight range around 50, showing neither a steady improvement nor declining trend over the past year and a half.
- All but one of the unfavorable factor indexes improved in the June survey; the index for dollar amount of customer deductions fell by 2.2 points to 50.9. In May the index was at 53.1.
- The index for the dollar amount beyond terms gained 0.7 points to 52.3, remaining in the expansion range above 50 points for the fourth month in a row.
- The factor index for filings for bankruptcies improved 2.9 points to 52.5. In prior surveys this year some respondents indicated that they expect to see more bankruptcy filings this year although none noted that expectation this month." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 6/30/23

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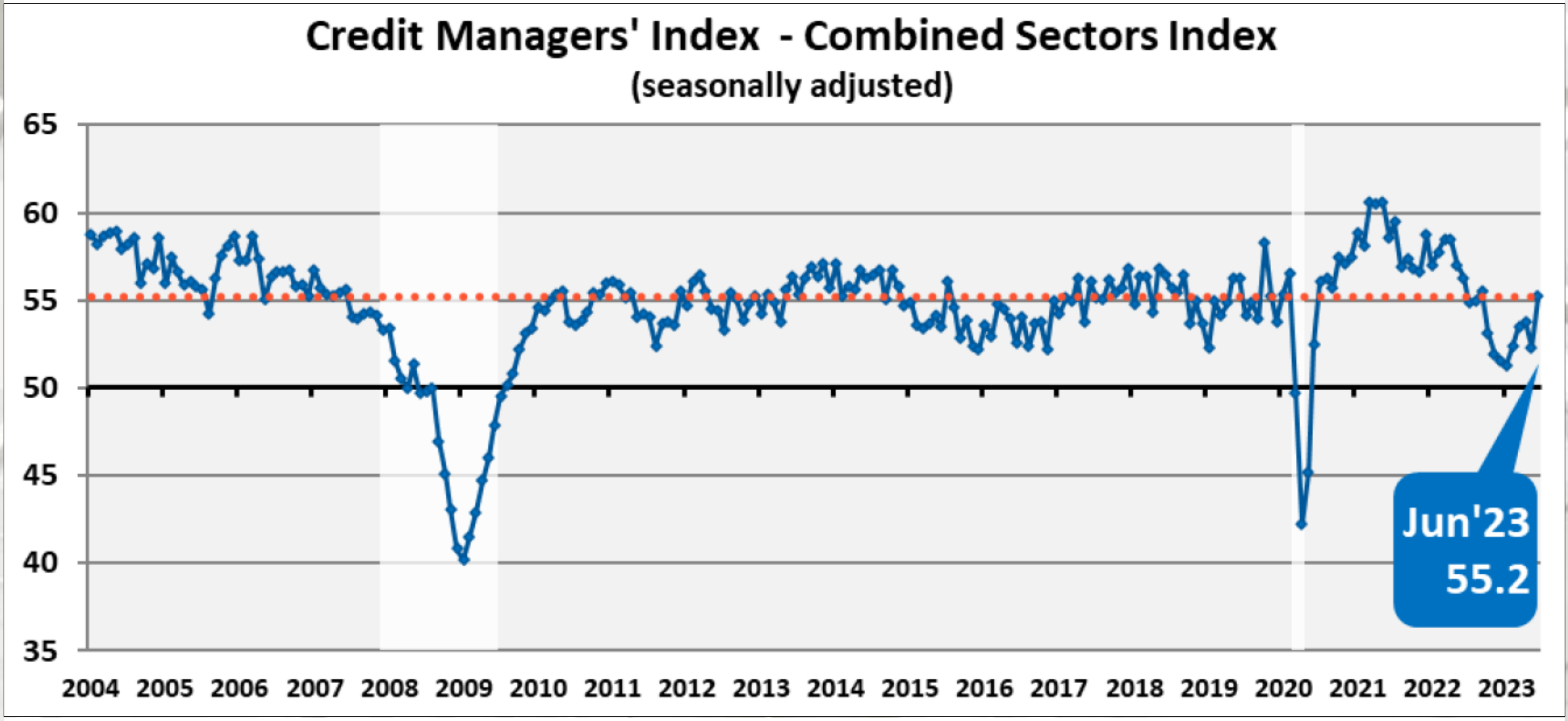
Private Indicators

National Association of Credit Management – Credit Managers' Index



The CMI is centered on a value of 50, with values greater indicating expansion and values lower indicating economic contraction. All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.

Source: https://nacm.org/cmi.html; 6/30/23

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Combined Manufacturing and Service Sectors (seasonally adjusted)	Jun '22	Jul '22	Aug '22	Sep '22	Oct '22	Nov '22	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23
Sales	65.8	65.5	63.0	63.6	55.5	54.5	54.8	49.8	56.5	56.5	59.3	54.4	62.7
New credit applications	63.5	60.0	62.6	61.2	58.7	56.7	55.5	56.3	57.9	58.8	58.8	57.8	58.6
Dollar collections	60.5	60.3	58.0	63.4	54.9	56.2	57.8	57.3	59.8	59.7	61.8	56.7	62.2
Amount of credit extended	67.0	67.2	64.8	65.9	58.7	57.1	55.4	56.8	57.9	58.1	58.9	56.8	60.4
Index of favorable factors	**64.2**	**63.2**	**62.1**	**63.5**	**56.9**	**56.1**	**55.9**	**55.1**	**58.0**	**58.3**	**59.7**	**56.5**	**61.0**
Rejections of credit applications	50.4	51.0	49.5	52.1	52.0	51.1	51.0	50.5	50.4	50.6	47.9	48.7	53.4
Accounts placed for collection	49.6	47.3	49.5	49.3	47.6	46.5	46.2	45.0	45.3	46.4	46.5	45.7	48.3
Disputes	49.1	48.4	49.2	48.4	50.3	48.4	49.0	48.8	48.1	50.4	49.5	48.6	51.1
Dollar amount beyond terms	51.0	46.6	46.1	49.0	49.0	47.6	45.7	47.4	49.6	52.8	54.1	51.6	52.3
Dollar amount of customer deductions	50.4	49.2	49.4	49.4	51.3	49.3	49.3	50.2	48.5	50.4	49.6	53.1	50.9
Filings for bankruptcies	55.4	53.4	57.2	53.4	53.5	52.2	50.9	50.5	49.8	51.6	51.5	49.6	52.5
Index of unfavorable factors	**51.0**	**49.3**	**50.2**	**50.3**	**50.6**	**49.2**	**48.7**	**48.7**	**48.6**	**50.4**	**49.8**	**49.6**	**51.4**
NACM Combined CMI	**56.3**	**54.9**	**54.9**	**55.6**	**53.2**	**52.0**	**51.6**	**51.3**	**52.4**	**53.5**	**53.8**	**52.3**	**55.2**

Source: https://nacm.org/cmi.html; 6/30/23

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Private Indicators

National Federation of Independent Business (NFIB) June 2023 Report

Small Businesses Raising Prices Falls to Lowest Level Since March 2021

"The **NFIB Small Business Optimism Index** increased 1.6 points in June to 91.0, however, it is the 18th consecutive month below the 49-year average of 98. Inflation and labor quality are tied as the top small business concerns with 24% of owners reporting each as their single most important problem. The net percent of owners raising average selling prices decreased three points to a net 29% seasonally adjusted, still a very inflationary level but trending down. This is the lowest reading since March 2021." – Holly Wade, NFIB

"Halfway through the year, small business owners remain very pessimistic about future business conditions and their sales prospects. Inflation and labor shortages continue to be great challenges for small businesses. Owners are still raising selling prices at an inflationary level to try to pass on higher inventory, labor, and energy costs." – Bill Dunkelberg, Chief Economist, NFIB

Key findings include:

- "Small business owners expecting better business conditions over the next six months improved 10 points from May to a net negative 40%, 21 percentage points better than last June's reading of a net negative 61%.
- Forty-two percent of owners reported job openings that were hard to fill, down two points from May but remaining historically very high.
- The net percent of owners who expect real sales to be higher improved seven points from May to a net negative 14%." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 7/11/23

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Private Indicators

National Federation of Independent Business (NFIB) June 2023 Report

"As reported in NFIB's monthly jobs report, NFIB's monthly jobs report, 59% of owners reported hiring or trying to hire in June, down four points from May. Of those hiring or trying to hire, 92% reported few or no qualified applicants for the positions they were trying to fill.

Fifty-three percent of owners reported capital outlays in the last six months, down four points from May. Of those making expenditures, 37% reported spending on new equipment, 21% acquired vehicles, and 14% improved or expanded facilities. Eight percent spent money on new fixtures and furniture and 6% acquired new buildings or land for expansion. Twenty-five percent of owners plan capital outlays in the next few months. Overall, business investment is weak.

A net negative 10% of all owners (seasonally adjusted) reported higher nominal sales in the past three months, down two points from May. The net percent of owners expecting higher real sales volumes improved seven points to a net negative 14%. A very negative outlook for the second half.

The net percent of owners reporting inventory increases decreased one point to a net negative 3%. Not seasonally adjusted, 14% reported increases in stocks and 13% reported reductions. Fourteen percent of owners recently reported that supply chain disruptions still have a significant impact on their business. Another 28% reported a moderate impact and 42% reported a mild impact. A net negative 4% of owners viewed current inventory stocks as "too low" in June, down one point from May. A net negative 3% of owners plan inventory investment in the coming months, a weak number.

Seasonally adjusted, a net 36% of owners reported raising compensation, down five points from May. A net 22% plan to raise compensation in the next three months. Eight percent cited labor costs as their top business problem, down two points from May and 24% said that labor quality was their top business problem." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 7/11/23

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Private Indicators

National Federation of Independent Business (NFIB) June 2023 Report

"The net percent of owners raising average selling prices decreased three points from May to a net 29% seasonally adjusted, the lowest since March 2021. Unadjusted, 12% of owners reported lower average selling prices and 43% reported higher average prices. Price hikes were the most frequent in retail (52% higher, 10% lower), construction (49% higher, 4% lower), finance (48% higher, 3% lower), and wholesale (47% higher, 19% lower). Seasonally adjusted, a net 31% of owners plan price hikes.

The frequency of positive profit trends was a negative net 24%, up two points from May. Among owners reporting lower profits, 28% blamed weaker sales, 24% blamed the rise in the cost of materials, 13% cited the usual seasonal change, 10% cited labor costs, 8% cited lower prices, and 4% cited higher taxes or regulatory costs. For owners reporting higher profits, 50% credited sales volumes (where price increases show up), 23% cited usual seasonal change, and 11% cited labor costs.

Two percent of owners reported that all their borrowing needs were not satisfied. Twenty-seven percent of owners reported all credit needs met and 60% said they were not interested in a loan. A net 6% reported their last loan was harder to get than in previous attempts. Two percent of owners reported that financing was their top business problem, down two points from May. Credit remains available but the price is rising as the Federal Reserve raises its policy rate.

The **NFIB Research Center** has collected Small Business Economic Trends data with quarterly surveys since the fourth 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 June 2023." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 7/11/23

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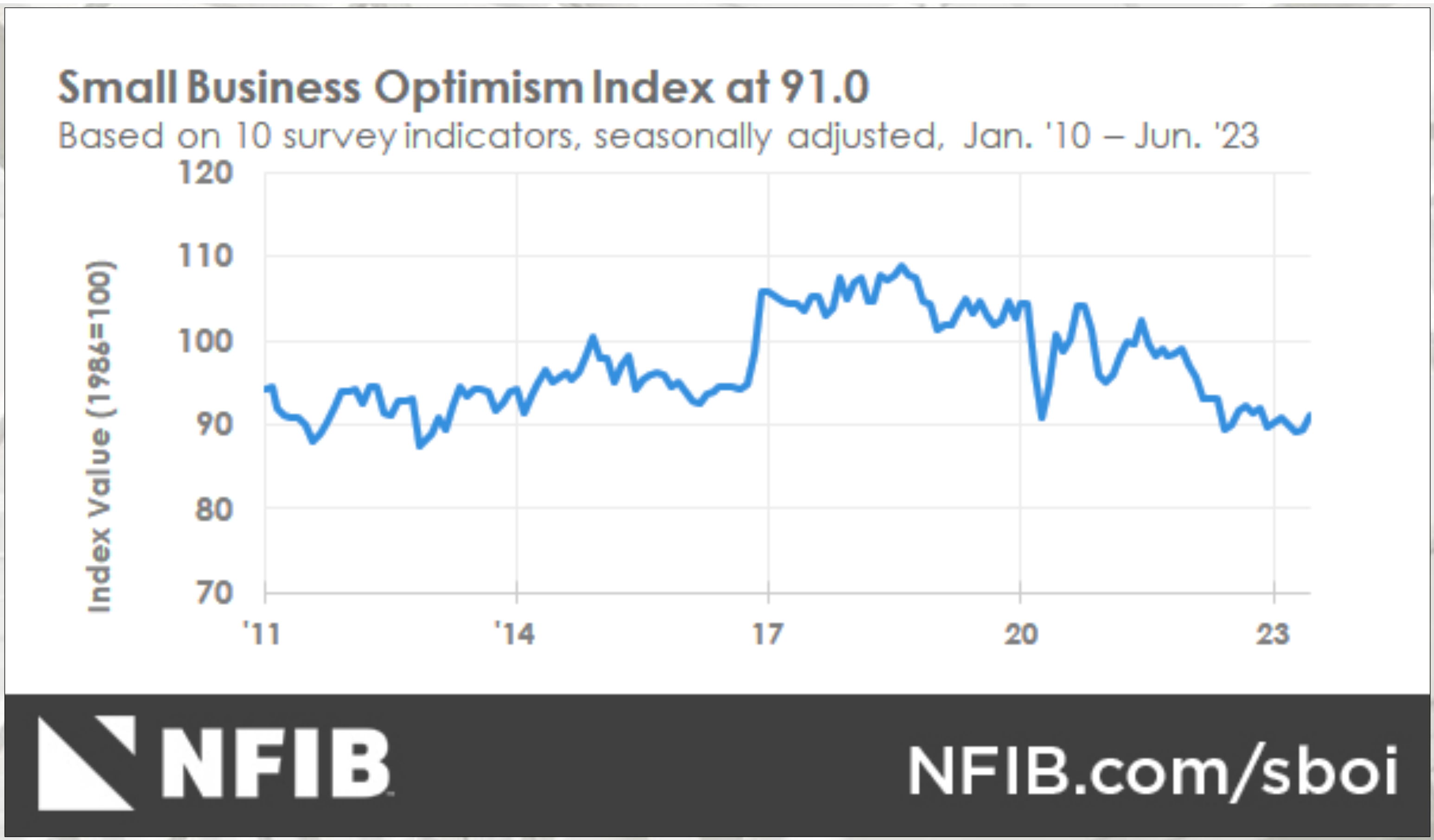
Private Indicators

National Federation of Independent Business (NFIB)
June 2023 Report



Source: http://www.nfib.com/surveys/small-business-economic-trends; 7/11/23

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Private Indicators

National Federation of Independent Business (NFIB)
June 2023 Report

Small Business Optimism

Index Component	Net %	From Last Month
Plans to Increase Employment	15%	▼ -4
Plans to Make Capital Outlays	25%	▬ 0
Plans to Increase Inventories	-3%	▼ -1
Expect Economy to Improve	-40%	▲ 10
Expect Real Sales Higher	-14%	▲ 7
Current Inventory	-4%	▼ -1
Current Job Openings	42%	▼ -2
Expected Credit Conditions	-8%	▲ 2
Now a Good Time to Expand	6%	▲ 3
Earnings Trends	-24%	▲ 2

NFIB

NFIB.com/sboi

Source: http://www.nfib.com/surveys/small-business-economic-trends; 7/11/23

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

Small Business Jobs Index Dips in June, Rate of Wage Growth Continues to Moderate

“The rate of small business hiring slowed modestly in June as the hourly earnings growth across the U.S. decelerated to 4.02% from 4.24% in May, according to the Paychex | IHS Markit Small Business Employment Watch. The national Small Business Jobs Index – which measures the rate of small business job growth in the U.S. – registered 99.21 in June, virtually unchanged so far in 2023.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

“Hourly earnings gains slowed to 4.02%, in line with a gradually slowing rate of inflation.” – James Diffley, Chief Regional Economist, S&P Global Market Intelligence

“Our June data suggests small business employment trends are following greater economic patterns, with slowing hourly wage gains aligning with continued declining inflation – a positive sign for businesses. A moderation in job growth signals that the competitive hiring environment continues. This is especially true in leisure and hospitality, as these employers appear to once again be struggling to find people to fill open positions. Now more than ever, it is important for businesses to improve their operational efficiency and offer competitive employee benefits.’”” – John Gibson, President and CEO, Paychex’

Source: https://www.paychex.com/employment-watch; 7/5/23

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

"In further detail, the June report showed:

- At 99.21, the national jobs index decreased 0.24% in June. Overall, employment growth slowed 0.51% during the second quarter of 2023 after increasing in the first three months of 2023. The index remains a full point higher than the year leading up to the pandemic (March 2019-February 2020).
- Hourly earnings growth moderated further to 4.02%, while one-month annualized hourly earnings growth is now below three percent (2.99%) for the first time since 2020.
- The South continues to lead small business employment growth among regions for the 15th consecutive month at 100.12, down 0.35%. The South also leads hourly earnings growth by a small margin.
- Texas (4.91%) continues to report the strongest hourly earnings growth among the 20 largest states, though growth is decelerating.
- At 101.89, Houston ranks first among metros for small business employment growth for the eighth consecutive month.
- At 4.81%, leisure and hospitality is again first among sectors for hourly earnings growth and is the only sector to report an increase in hourly earnings growth from May to June." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 7/5/23

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

June Job Index	June Wage Data
Index	Hourly Earnings
99.21	$31.64
12-Month Change	12-Month Growth
-1.58%	4.02%

Source: Paychex | IHS Markit Small Business Employment Watch

- "At 99.21, the national index is down 0.24% in June and 1.58% from a year ago.
- The pace of small business employment growth slowed 0.51% during the second quarter of 2023, following a 0.35% increase during the first quarter of 2023." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 7/5/23

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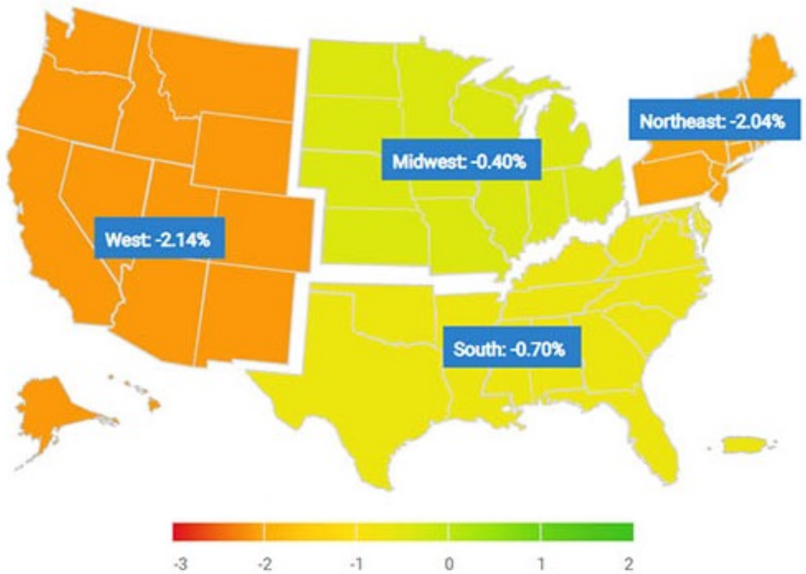
Private Indicators

The Paychex | IHS Markit Regional Jobs Index

Regional Performance



Region	Index	Change
Midwest	99.66	-0.40%
Northeast	98.88	-2.04%
South	100.47	-0.70%
West	98.86	-2.14%

Change 12-Month

Source: Paychex | IHS Markit Small Business Employment Watch

- "Despite slowing 0.35% in June, the South (100.12) continues a 15-month streak leading small business employment growth among regions.
- Every region's index decreased in June. The Northeast (98.68) fell to the lowest rank among regions. At 98.73, the West declined just 0.13%, leaving last place for the first time since October 2022." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 7/5/23

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Economics

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CFO Signals™ 2Q 2023

This quarter, surveyed CFOs lowered their assessment of North America's current and future economic conditions and shared that their CEOs want them to focus on cost reduction.

"In the second quarter of 2023, CFO Signals reveals a slightly smaller proportion of North America's CFOs feeling optimistic about their own companies' financial prospects, compared to the prior quarter, and a smaller proportion of CFOs saying now is a good time to be taking greater risk, compared to 1Q23. Still, CFOs have higher expectations for year-over-year (YOY) growth for revenue, dividends, and capital investment. On the other hand, they have lower growth expectations for earnings – which had the largest pullback, compared to last quarter – followed by domestic hiring and domestic wages and salaries.

The special topic covered in this quarter's survey was enterprise risk and regulation. If the last few years have shown anything, it's that threats, like opportunities, can take shape rapidly. That heightened sense of dynamism may account for CFOs' evolving risk concerns. That said, their understanding of risk has likely fueled their awareness of needing better systems to identify and react to a variety of threats. We asked CFOs about their most worrisome risks and their greatest challenges in managing enterprise risk and regulation, among other questions." – Steve Gallucci, National Managing Partner, US CFO Program, Deloitte LLP Global Leader, CFO Program, Deloitte Touche Tohmatsu Limited

Source: https://www2.deloitte.com/us/en/pages/finance/articles/cfo-signals-2q-2023.html; 6/29/23

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Economics

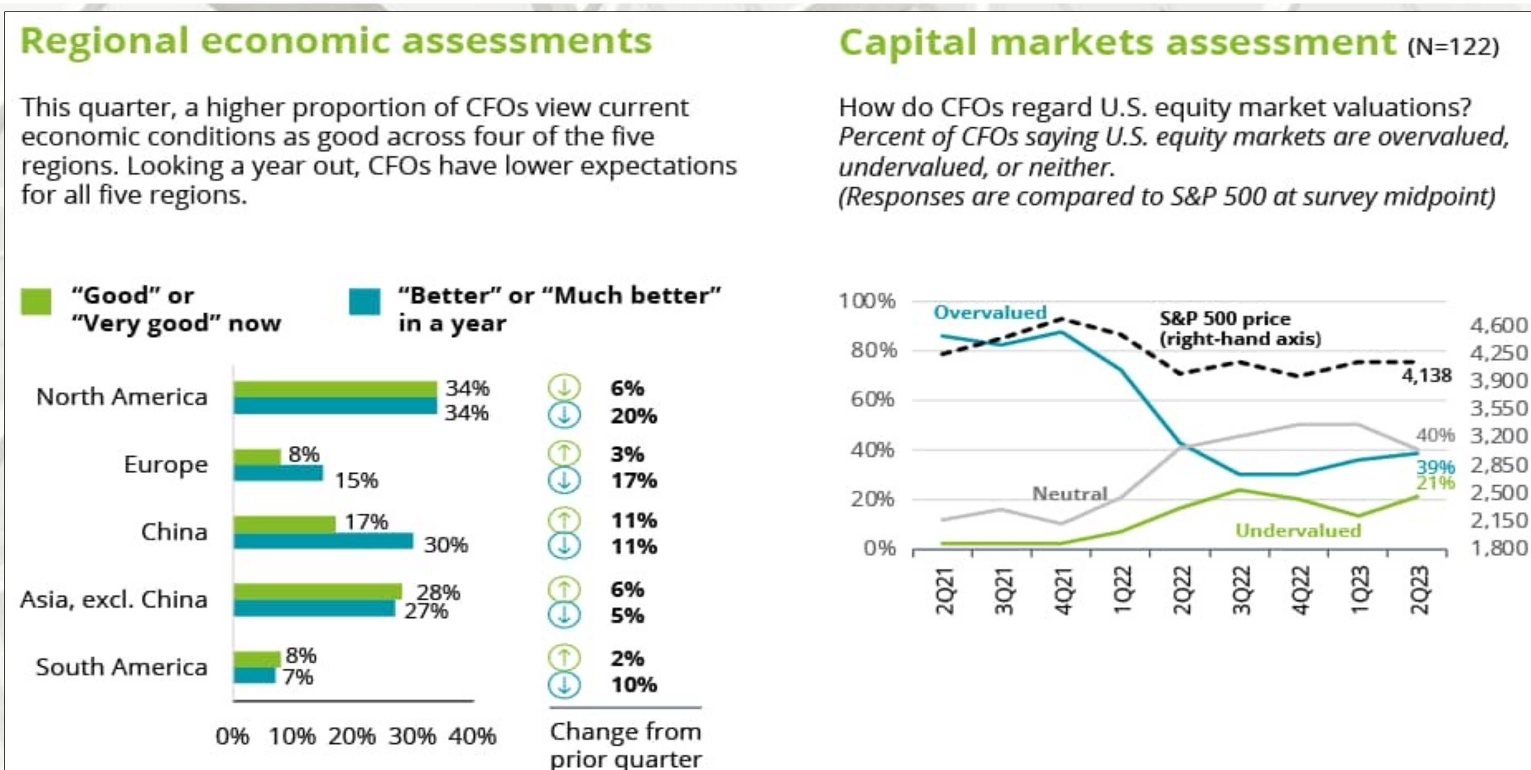
Deloitte® Development LLC. © 2023

CFO Signals™ 2Q 2023

CFOs' views of regional economies and capital markets

"Compared to the previous quarter, a higher proportion of CFOs view current economic conditions as good across four of the five regions tracked by CFO Signals. The exception: North America, with CFOs' sentiment falling measurably. Looking a year out, CFOs have lower expectations for economic conditions to improve across all five regions.

Continued high inflation, interest rate increases, geopolitics, and the uncertainty over the debt ceiling likely influenced CFOs' outlook." – Steve Gallucci, National Managing Partner, US CFO Program, Deloitte LLP Global Leader, CFO Program, Deloitte Touche Tohmatsu Limited



Source: https://www2.deloitte.com/us/en/pages/finance/articles/cfo-signals-2q-2023.html; 6/29/23

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Economics

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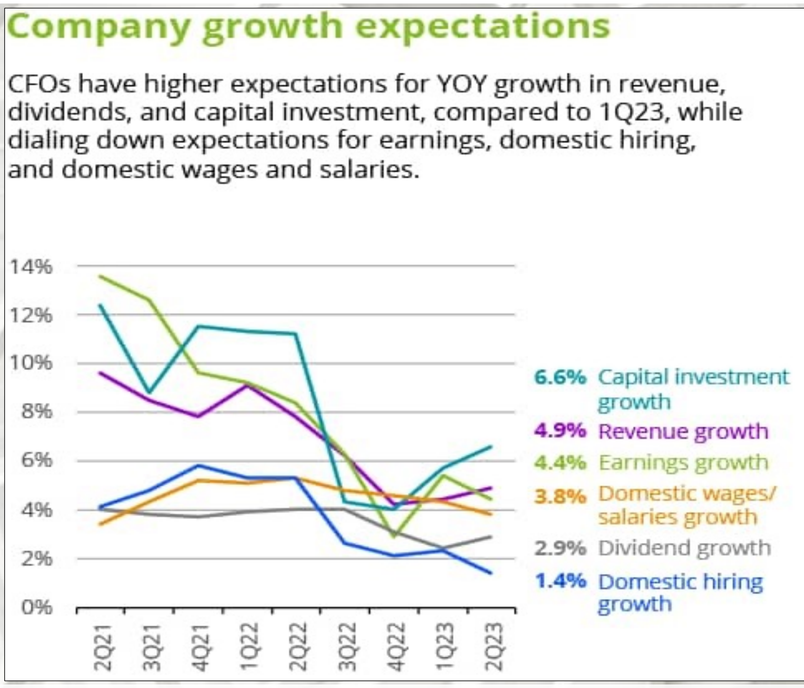
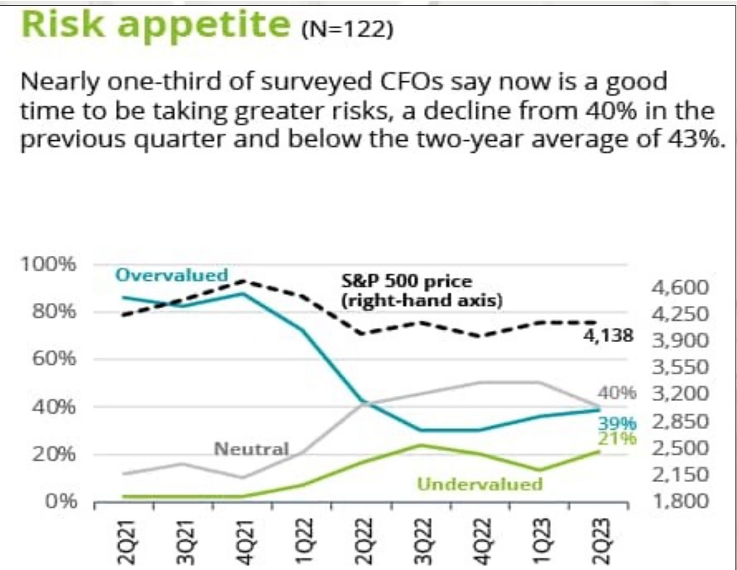
CFO Signals™ 2Q 2023

Growth expectations and risk appetite

"CFOs signaled expectations for higher year-over-year growth in revenue, dividends, and capital investment this quarter, compared to 1Q23, while dialing down their expectations for YOY growth in earnings, domestic hiring, and domestic wages and salaries.

These expectations could be influencing CFOs' appetite for risk-taking. Nearly one-third (33%) of surveyed CFOs say now is a good time to be taking greater risks, a decline from 40% in the previous quarter and below the two-year average of 43%. The decrease in some CFOs' risk appetite could reflect their reluctance to take on new risks amid continued high inflation, rising interest rates, uncertainty in the markets, and the geopolitical landscape." – Steve Gallucci, National Managing Partner, US CFO Program, Deloitte LLP Global Leader, CFO Program, Deloitte Touche Tohmatsu Limited





Source: https://www2.deloitte.com/us/en/pages/finance/articles/cfo-signals-2q-2023.html; 6/29/23

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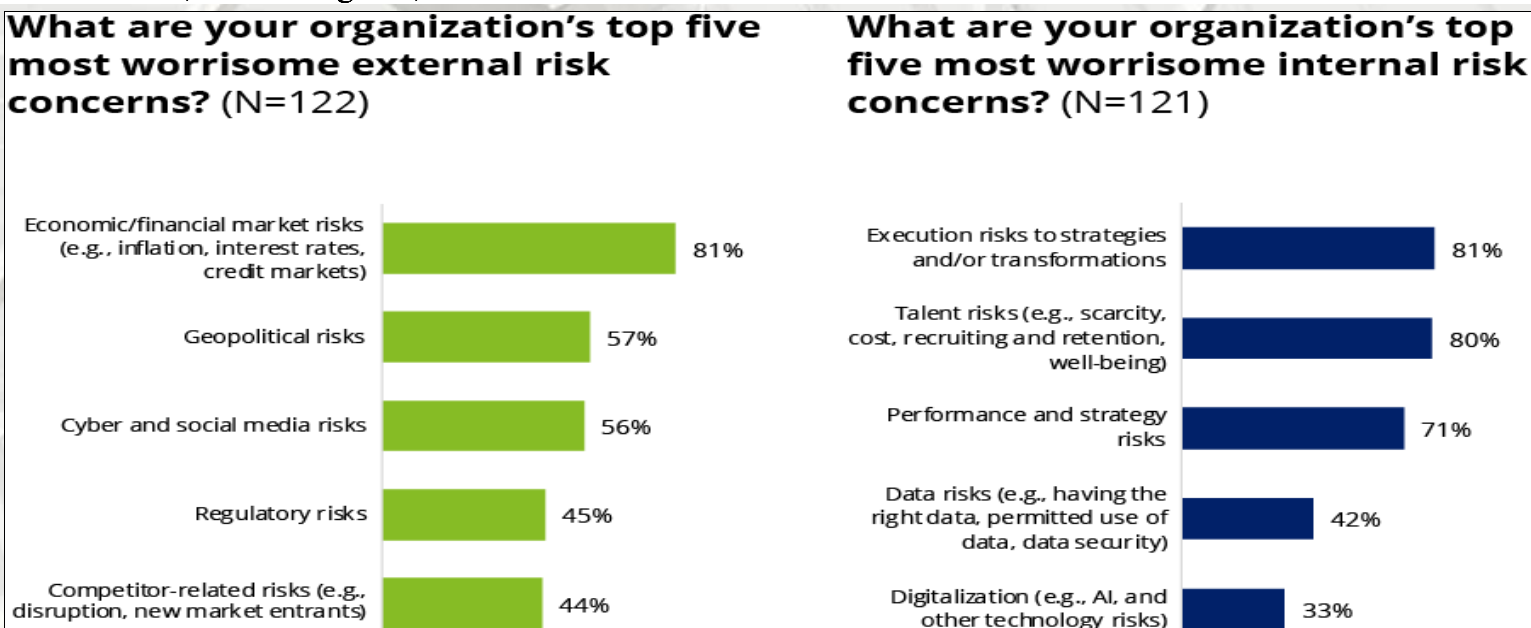
CFO Signals™ 2Q 2023

External and internal risks

"Economic/financial market risks stand at the top of surveyed CFOs' five most worrisome external risks, cited by more than three-quarters (81%) of CFOs. Geopolitical risks (57% of CFOs), cyber and social media risks (56%), regulatory risks (45%), and competitor-related risks (44%) round out the remaining top five external risks that worry CFOs most. These risks might partially explain the decline in CFOs' assessments of regional economies and their overall optimism for their companies' financial prospects.

Looking at CFOs' top five most worrisome internal risks, execution risks to strategies and/or transformations and talent risks are neck and neck, at 81% and 80%, respectively. Performance and strategy risks (71% of CFOs), data risks (42%), and digitalization (33%) follow among CFOs' top five most worrisome internal risks. More than one-fifth of CFOs cite shareholder value or missed earnings guidance, business continuity disruption, and reputational and other social media risks each as their most worrisome internal risks." – Steve Gallucci, National Managing Partner, US CFO Program, Deloitte LLP Global Leader, CFO Program, Deloitte Touche Tohmatsu Limited



Source: https://www2.deloitte.com/us/en/pages/finance/articles/cfo-signals-2q-2023.html; 6/29/23

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CFO Signals™ 2Q 2023

Managing enterprise risk and regulatory challenges

"CFOs indicate changing and/or increasing regulations and working with regulators; implementing processes to identify, monitor, and address risks; and managing resources, costs, and business constraints as their top three greatest challenges in managing enterprise risk and regulatory compliance. Other challenges mentioned less frequently are managing macroeconomic risks, their impact, and uncertainty, and recruiting and retaining the right talent to manage risks." – Steve Gallucci, National Managing Partner, US CFO Program, Deloitte LLP Global Leader, CFO Program, Deloitte Touche Tohmatsu Limited

As CFO, what are your three greatest challenges related to managing enterprise risk and regulatory compliance? (N=96)

*Most frequently cited comments by category (number of CFOs citing each category)**

**Note, these categories were developed based on responses to open-ended text questions.*

Source: https://www2.deloitte.com/us/en/pages/finance/articles/cfo-signals-2q-2023.html; 6/29/23

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CFO Signals™ 2Q 2023

Managing enterprise risk and regulatory challenges

"When asked for the top three actions their organizations are taking to enhance processes for managing enterprise risk and regulatory compliance, CFOs most frequently mention strengthening governance and reporting; bolstering leadership, talent, capabilities, and training; and establishing or improving ERM systems, technology, and data." – Steve Gallucci, National Managing Partner, US CFO Program, Deloitte LLP Global Leader, CFO Program, Deloitte Touche Tohmatsu Limited

What top three actions is your organization taking to enhance processes for managing enterprise risk and regulatory compliance? (N=84)

*Most frequently cited comments by category (number of CFOs citing each category)**

**Note, these categories were developed based on responses to open-ended text questions.*

Source: https://www2.deloitte.com/us/en/pages/finance/articles/cfo-signals-2q-2023.html; 6/29/23

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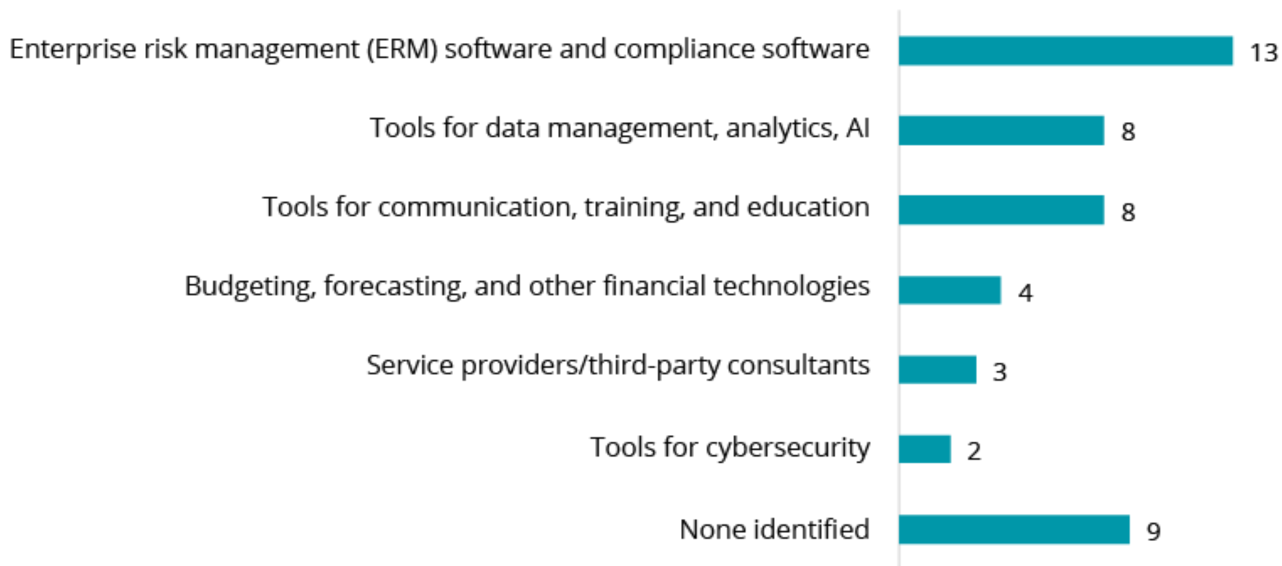
CFO Signals™ 2Q 2023

Managing enterprise risk and regulatory challenges

“CFOs frequently cite enterprise risk management and compliance software as the most helpful technologies for managing enterprise risk and regulatory compliance . Several CFOs also mention analytics, AI, communication and training tools, and financial technologies as helpful. Still, some CFOs indicate difficulty in finding effective tools and technology to manage risk effectively.” – Steve Gallucci, National Managing Partner, US CFO Program, Deloitte LLP Global Leader, CFO Program, Deloitte Touche Tohmatsu Limited

Which technologies do you find most helpful in managing enterprise risk and regulatory compliance? (N=38)

*Most frequently cited comments by category (number of CFOs citing each category)**



**Note, these categories were developed based on responses to open-ended text questions.*

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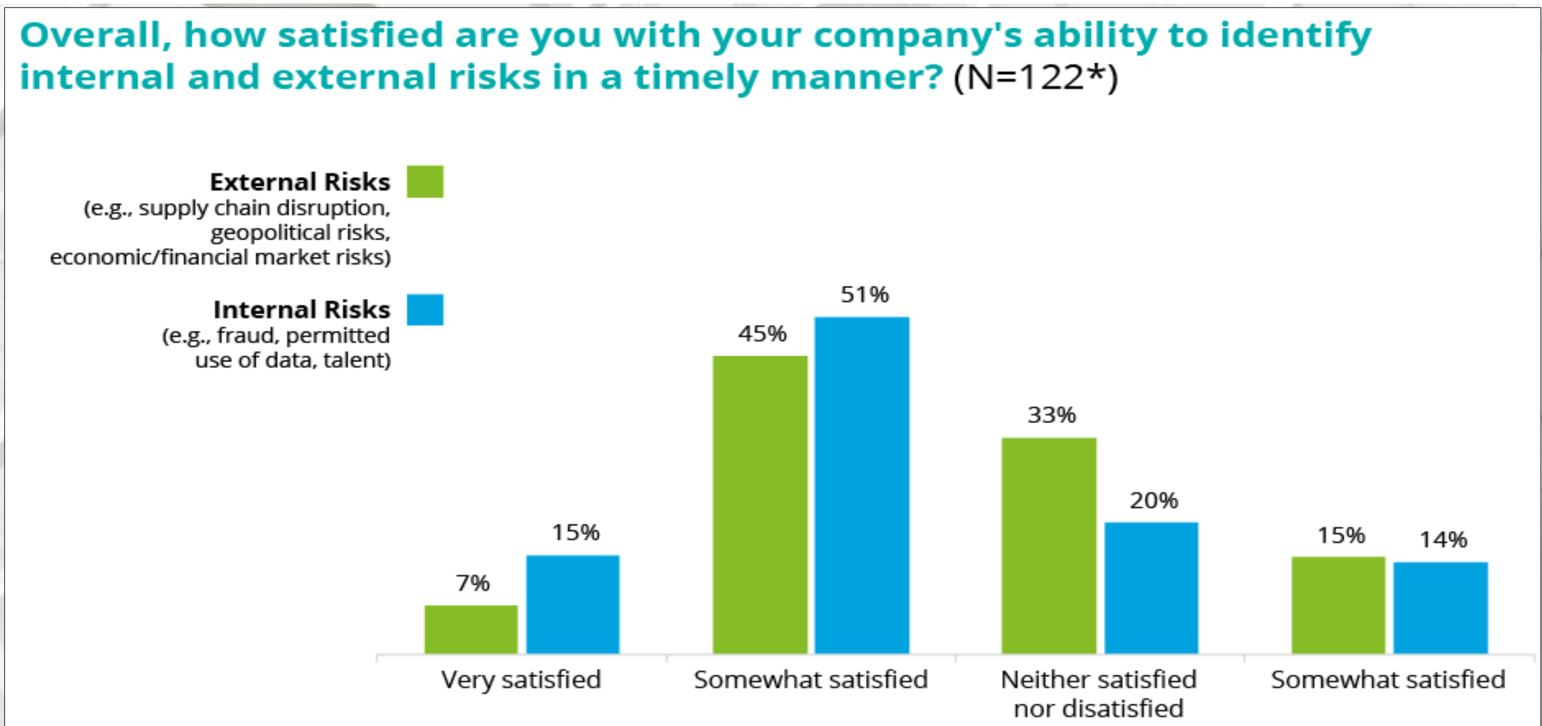
CFO Signals™ 2Q 2023

Managing enterprise risk and regulatory challenges

"For nearly two-thirds (63%) of surveyed CFOs, environmental, social, and governance (ESG) accounting and disclosure requirements are of most interest to their organizations due to the impact on their ability to comply or other factors. Nearly half (49%) of CFOs indicate that cyber risk disclosure requirements are of most interest, followed by domestic corporate tax-related regulations and data privacy rules. Interestingly, only 25% of CFOs say AI management and ethics proposed rules and regulations are of most interest, but that could be due to the early stage of regulation over these matters." – Steve Gallucci, National Managing Partner, US CFO Program, Deloitte LLP Global Leader, CFO Program, Deloitte Touche Tohmatsu Limited



*122 (100%) of respondents across eight industries answered.
Note, none of the CFOs surveyed indicated they are very dissatisfied with their companies' abilities to identify internal or external risks in a timely manner.

Source: https://www2.deloitte.com/us/en/pages/finance/articles/cfo-signals-2q-2023.html; 6/29/23

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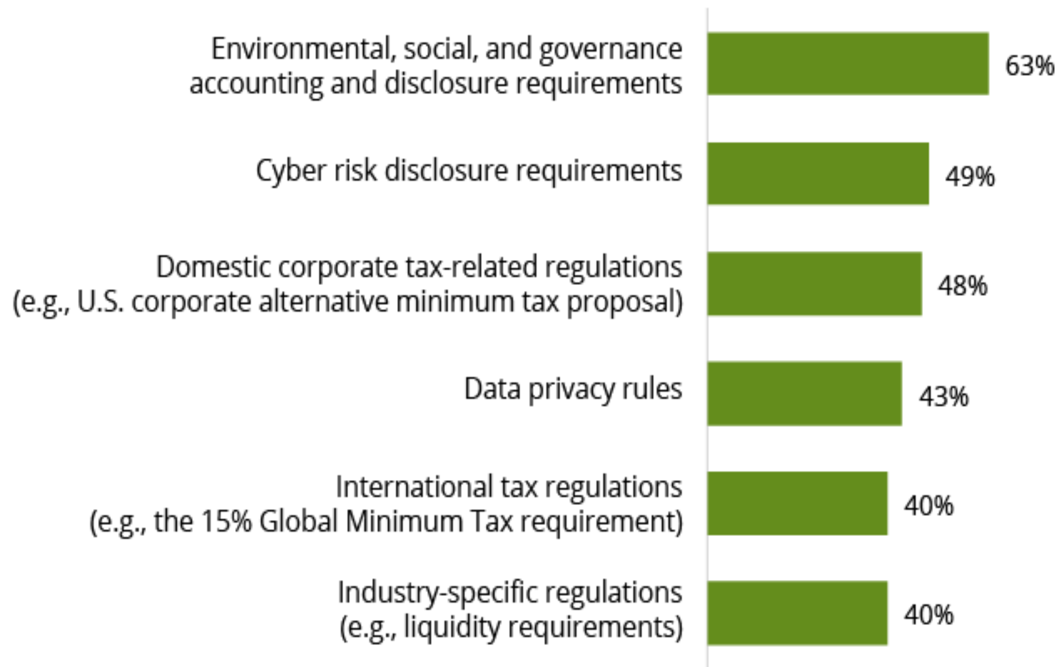
CFO Signals™ 2Q 2023

Managing enterprise risk and regulatory challenges

Which proposed rules or regulations are of most interest to your organization due to their impact on your ability to comply or other factors? (N=120)



**Note, these categories were developed based on responses to open-ended text questions.*

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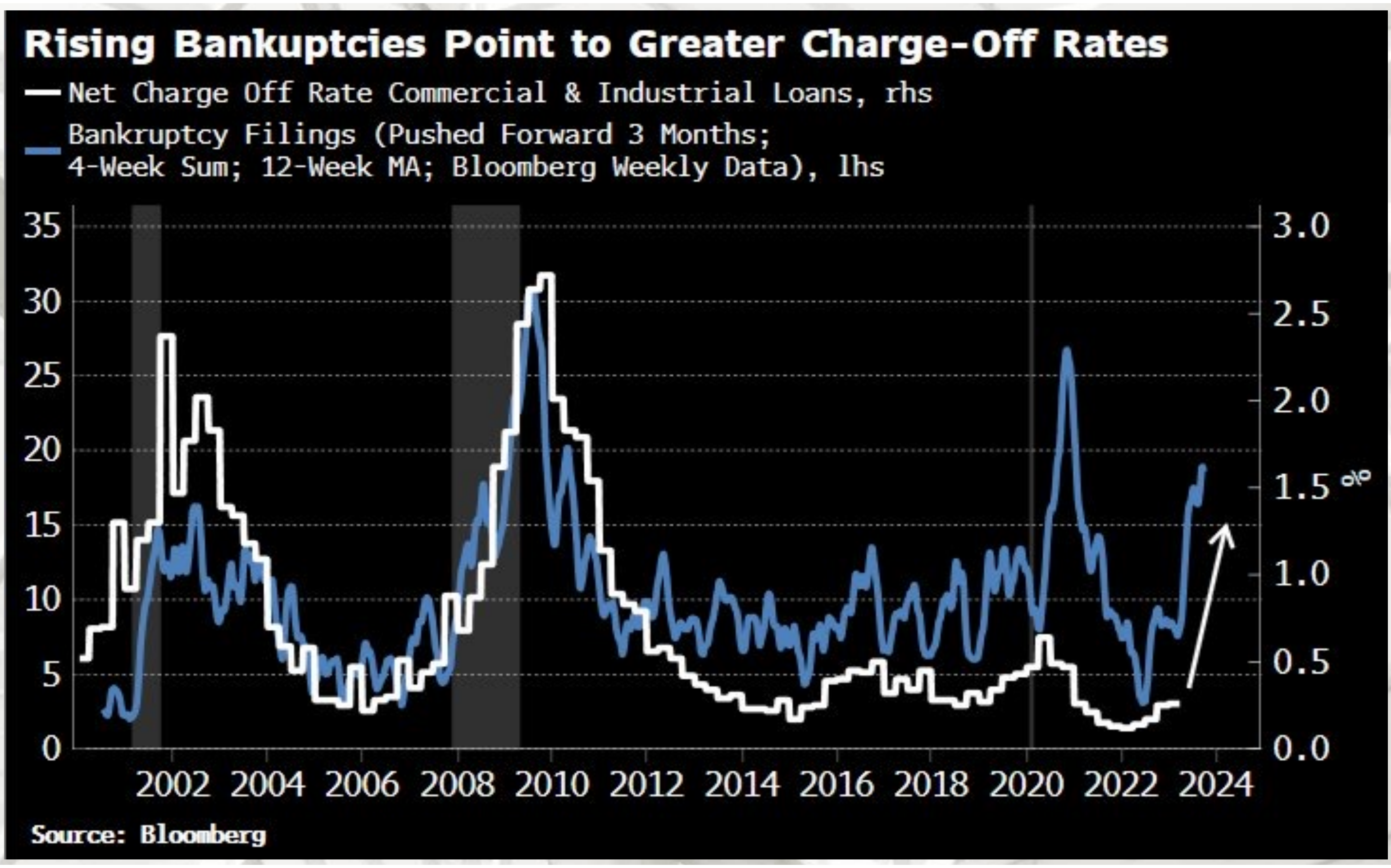

Danielle DiMartino Booth

GFC Starting Point Matters

"Bankruptcies lag business cycle, with peak seen at end of recession. Ch 11 filings heavily lagged in 2001 recession, not peaking until 2003/04. Bankruptcy filings also lead bank loan charge-off rates. Moreover, filings lead loan delinquencies." – Danielle DiMartino Booth, CEO & Chief Strategist, QI Research LLC

Source: https://twitter.com/DiMartinoBooth/status/1676272763416322063; 7/4/23

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Economics

U.S. Census Bureau

NEW Business Formation Statistics

June 2023

Business Applications

"Business Applications for June 2023, adjusted for seasonal variation, were 465,906, an increase of 6.2 percent compared to May 2023.

Business Formations

Projected Business Formations (within 4 quarters) for June 2023, adjusted for seasonal variation, were 32,148, an increase of 4.0 percent compared to May 2023. 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 32,148 new business startups with payroll tax liabilities will form within 4 quarters of application from all the business applications filed during June 2023. The 4.0 percent increase indicates that for June 2023 there will be 4.0 percent more businesses projected to form within 4 quarters of application, compared to the analogous projections for May 2023." – U.S. Census Bureau

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 7/17/23

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U.S. Census Bureau

NEW Business Formation Statistics

June 2023

BUSINESS APPLICATIONS

U.S. Business Applications:	JUN 2023	JUN 2023 / MAY 2023
Total	465,906	6.2%*
High-Propensity	149,536	6.0%*
With Planned Wages	48,354	3.9%*
From Corporations	48,126	0.8%*

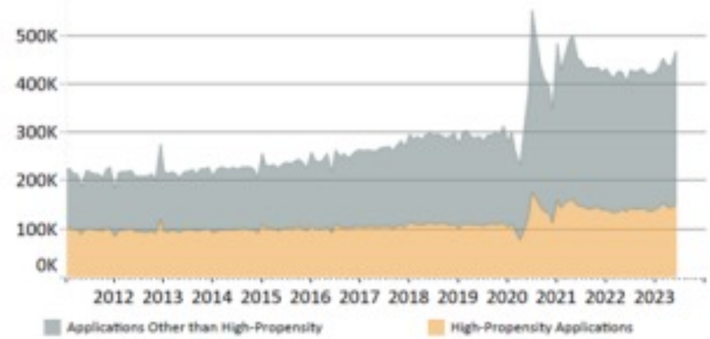
Next release: August 11, 2023

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

Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, July 17, 2023

Monthly Business Applications
(Seasonally Adjusted)



Source: U.S. Census Bureau, Business Formation Statistics, July 17, 2023

Business Applications - At a Glance

		US	Northeast	Midwest	South	West
Total	JUN 2023	465,906	68,475	76,218	210,388	110,825
	JUN 2023 / MAY 2023	+6.2%	+6.5%	+6.7%	+6.2%	+5.5%
High-Propensity	JUN 2023	149,536	23,860	23,739	64,387	37,550
	JUN 2023 / MAY 2023	+6.0%	+3.6%	+4.7%	+6.1%	+8.1%
With Planned Wages	JUN 2023	48,354	6,393	8,748	20,878	12,335
	JUN 2023 / MAY 2023	+3.9%	-0.1%	+6.8%	+4.4%	+3.3%
From Corporations	JUN 2023	48,126	11,118	6,205	16,664	14,139
	JUN 2023 / MAY 2023	+0.8%	-0.1%	Z	-1.4%	+4.7%

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; 7/17/23

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Economics

U.S. Census Bureau

June 2023

BUSINESS FORMATIONS		
U.S. Total Projected Business Formations:	JUN 2023	JUN 2023 / MAY 2023
Within 4 Quarters	32,148	4.0%*
Within 8 Quarters	41,658	4.5%*

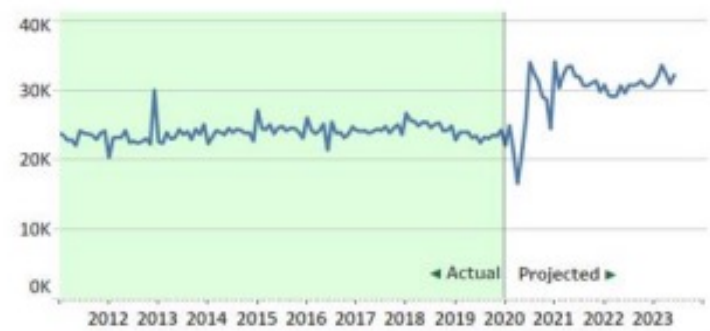
Next release: August 11, 2023

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

Spliced - Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, July 17, 2023

Monthly Business Formations within 4 Quarters
Spliced (Actual and Projected)
(Seasonally Adjusted)



Source: U.S. Census Bureau, Business Formation Statistics, July 17, 2023

Projected Business Formations - At a Glance





		US	Northeast	Midwest	South	West
Within 4 Quarters	JUN 2023	32,148	5,093	5,209	12,670	9,176
	JUN 2023 / MAY 2023	+4.0%	+1.6%	+4.1%	+3.8%	+5.5%
Within 8 Quarters	JUN 2023	41,658	6,625	6,649	16,673	11,711
	JUN 2023 / MAY 2023	+4.5%	+2.1%	+4.0%	+5.6%	+4.6%

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; 7/17/23

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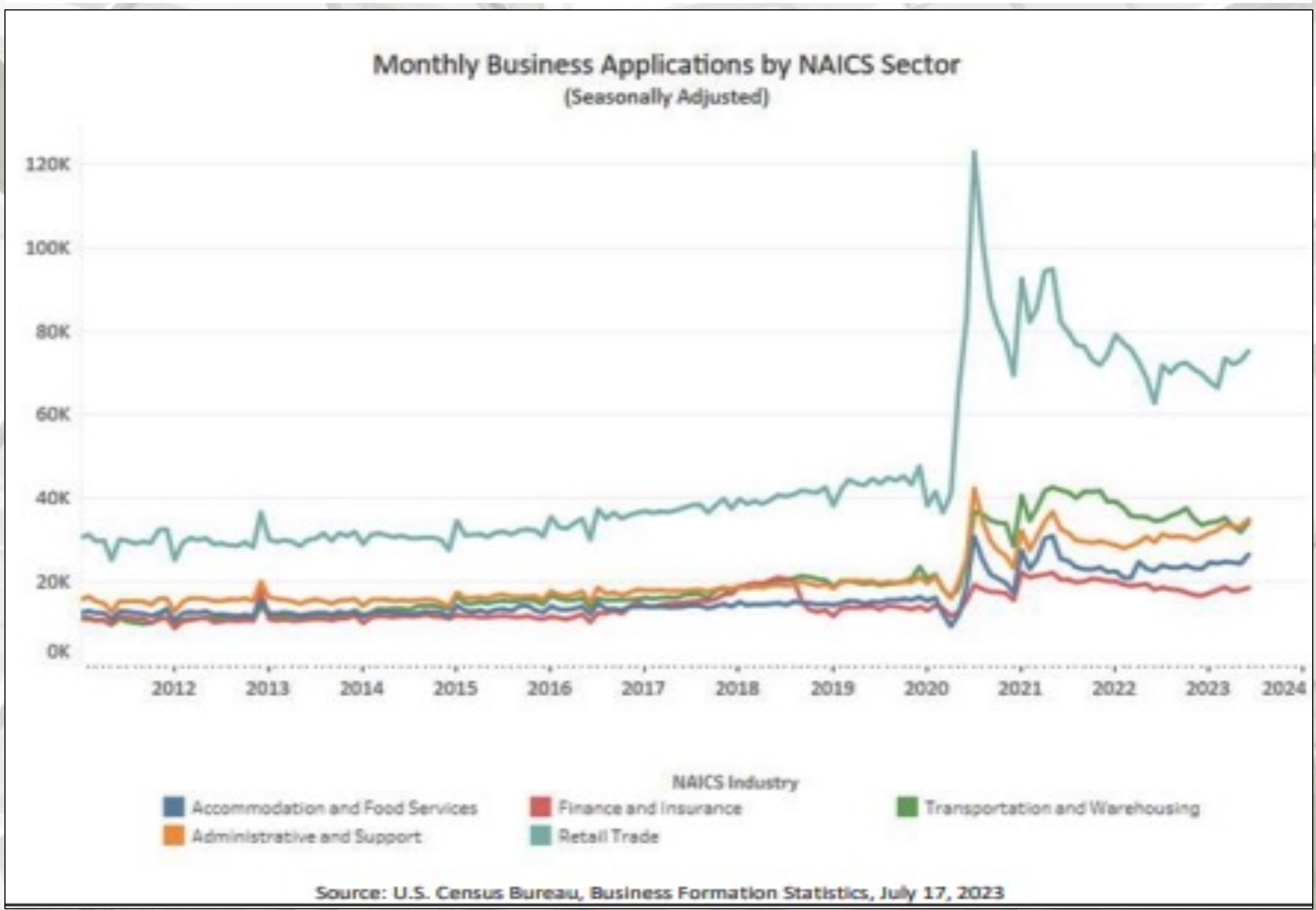
NEW Business Formation Statistics

June 2023



Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 7/17/23

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