The Virginia Tech–USDA Forest Service Housing Commentary: Section II
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The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2024 is **2.9 percent** on February 15, down from 3.4 percent on February 8. 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, the nowcasts of first-quarter real personal consumption expenditures growth and first-quarter real gross private domestic investment growth decreased from 3.2 percent and 3.3 percent, respectively, to 2.7 percent and 2.4 percent, while the nowcast of the contribution of the change in real net exports to first-quarter real GDP growth decreased from 0.22 percentage points to 0.19 percentage points.” – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 2/15/24
The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)

Index Suggests Economic Growth Decreased in December

“The Chicago Fed National Activity Index (CFNAI) decreased to –0.15 in December from +0.01 in November. All four broad categories of indicators used to construct the index decreased from November, and three categories made negative contributions in December. The index’s three-month moving average, CFNAI-MA3, moved down to –0.28 in December from –0.24 in November.

The CFNAI Diffusion Index, which is also a three-month moving average, edged down to –0.32 in December from –0.28 in November. Thirty-seven of the 85 individual indicators made positive contributions to the CFNAI in December, while 48 made negative contributions. Forty indicators improved from November to December, while 45 indicators deteriorated. Of the indicators that improved, 18 made negative contributions.

Production-related indicators contributed –0.06 to the CFNAI in December, down slightly from –0.04 in November. Manufacturing production increased 0.1 percent in December after rising 0.2 percent in the previous month. The contribution of the sales, orders, and inventories category to the CFNAI moved down to –0.04 in December from +0.04 in November.

Employment-related indicators contributed –0.06 to the CFNAI in December, down from –0.02 in November. The contribution of the personal consumption and housing category to the CFNAI ticked down to +0.01 in December from +0.03 in November.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfna/index; 1/25/24
The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)

Source: https://www.chicagofed.org/publications/cfnai/index; 1/25/24
Survey Suggests Growth Moved Up in January

“The Chicago Fed Survey of Economic Conditions (CFSEC) Activity Index increased to +7 in January from –17 in December, suggesting that economic growth was near trend. The CFSEC Manufacturing Activity Index increased to +21 in January from a neutral value in December, and the CFSEC Nonmanufacturing Activity Index increased to –2 in January from –25 in the previous month.

• Respondents’ outlooks for the U.S. economy for the next 12 months improved, but remained pessimistic on balance. Thirty-six 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. Both hiring indexes 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 increased, as did the nonlabor cost pressures index. The labor cost pressures index moved into positive territory, but the nonlabor cost pressures index remained negative.” – Thomas Walstrum, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/research/data/cfsec/current-data; 1/23/24
The Federal Reserve Bank of Chicago: Survey of Economic Conditions (CFSEC)

[Graph showing activity indexes for overall and by sector, with data from 2014 to 2024.]

Source: https://www.chicagofed.org/research/data/cfsec/current-data; 1/23/24
Texas Manufacturing Outlook Survey

Texas manufacturing activity contracts in January

“Texas factory activity contracted in January after stabilizing in December, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, dropped 17 points to -15.4 – its lowest reading since mid-2020.

Other measures of manufacturing activity also indicated contraction this month. The new orders index ticked down from -10.1 to -12.5 in January, while the growth rate of orders index remained negative but pushed up eight points to -14.4. The capacity utilization index dropped to a multiyear low of -14.9, and the shipments index slipped 11 points to -16.6.

Perceptions of broader business conditions continued to worsen in January. The general business activity index fell from -10.4 to -27.4, and the company outlook index fell from -9.4 to -18.2. The outlook uncertainty index held fairly steady at 20.9.

Labor market measures suggested employment declines and shorter workweeks in January. The employment index moved down seven points to -9.7, its lowest reading since mid-2020. Fourteen percent of firms noted net hiring, while 23 percent noted net layoffs. The hours worked index came in at -11.8 after a near-zero reading last month.

Wage and input costs continued to increase this month, while selling prices were flat. The wages and benefits index edged down to 20.8, in line with its average reading. The raw materials prices index inched up to 20.2, a reading below average and indicative of more modest cost growth than usual. The finished goods prices index came in at 0, suggesting prices in January were similar to those in December.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 1/29/24
“Expectations regarding future manufacturing activity improved in January. The future production index moved up 10 points to 21.7, and most other indexes pushed further positive as well. Meanwhile, the future general business activity index remained negative and was little changed from its December reading, coming in at -10.4.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 1/29/24
Texas Service Sector Outlook Survey

Texas service sector activity slips back into contraction

“Growth in Texas service sector activity contracted slightly in January, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, fell eight points to -3.6.

Labor market measures suggest continued employment growth but shorter work weeks. The employment index held mostly steady at 2.5 in January. The part-time employment index was largely stable at -0.6, while the hours worked index fell from -0.3 to -4.5.

Respondents in January continued to perceive worsening broader business conditions. The general business activity index was largely unchanged at -9.3, while the company outlook index fell from -0.2 to -4.9. The outlook uncertainty index ticked up two points to 14.7.

Input and selling price pressures eased slightly while wage growth remained unchanged in January. The input prices index fell two points to 33.6 and the selling prices index fell four points to 8.7, with both indexes just above their respective series averages. The wages and benefits index was mostly unchanged at 17.0.

Respondents’ expectations regarding future business activity continued to reflect optimism in January. The future general business activity index remained in positive territory at 4.6. The future revenue index increased further to 36.7. Other future service sector activity indexes such as employment and capital expenditures slipped but remained in firmly 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; 1/30/24
The Federal Reserve Bank of Dallas

**Texas Service Sector Outlook Survey Revenue Index**

Index, seasonally adjusted

Source: https://www.dallasfed.org/research/surveys; 1/30/24
Texas Retail Outlook Survey

Texas retail sales fall

“Retail sales declined further in January after showing signs of stabilizing last month, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, dropped from -2.2 to -28.6, indicating retail sales fell at a considerably faster rate than the previous month. Retailers’ inventories grew over the month, with the January index at 9.1.

Retail labor market indicators reflected a contraction in employment and shorter workweeks in January. The employment index fell from 4.2 to -8.4 while the part-time employment index fell 12 points to -4.0. The hours worked index fell from 0.4 to -16.9.

Retailers continued to perceive a worsening of broader business conditions in January. The general business activity index remained in deep negative territory at -25.4, while the company outlook index fell from -7.8 to -17.8. The outlook uncertainty index was largely unchanged at 15.8.

Input price pressures remained steady while selling price and wage pressures eased in January. The input prices index was unchanged at 33.4 while the selling prices index fell four points to 8.5. The wages and benefits index ticked down from 12.2 to 8.5.

Expectations for future retail growth were mixed in January. The future general business activity index continued in negative territory and fell from -5.3 to -9.3 while the future sales index fell five points but remained in positive territory at 19.1. Other indexes of future retail activity such as employment and capital expenditures were positive, reflecting expectations for continued retail sales growth in the next six months.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 1/30/24
Regional factory activity contracted in January, but future activity is expected to increase. Input prices increased sharply this month, and firms expect them to rise further in 2024.

Factory Activity Declined Moderately

“Tenth District manufacturing activity declined moderately, and expectations for future activity expanded further (Chart 1). Prices paid for raw materials in January increased sharply relative to last month and this time last year. Heading forward, raw materials prices are expected to continue increasing at a faster pace than finished product prices.

The month-over-month composite index was -9 in January, down from -1 in December and -2 in November. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The contraction was driven more by durable goods manufacturing, particularly nonmetallic mineral and primary metal manufacturers.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Chase Farha, and Jannety Mosley; Federal Reserve Bank of Kansas City
Factory Activity Declined Moderately

“Production and new orders fell to -17 and -19, respectively, but employment stayed mostly flat with a reading of -2. Year-over-year factory indexes decreased further in January, with the composite index decreasing from -8 to -12. Other than the prices indexes, the capital expenditures is the only index with a positive reading, but it cooled from 13 to 1. Meanwhile, the future composite index grew from 5 to 11 in January with heightened expectations for production and shipments in the next six months.

Special Questions

This month contacts were asked special questions about expectations for wages, input prices, and capital expenditures in 2024. A majority of firms (57%) expect to increase wages by 2-4% in 2024, while another 4% expect no change, 15% expect a 0-2% increase, 22% expect 4-6%, and 2% expect 6-8% growth. Expectations for input prices were more mixed. 41% of firms expect input prices to increase 2-4%, while 21% each expect a 0-2% or 4-6% increase, 1% expect a decrease, 8% expect no change, 6% expect a 6-8% increase, and 2% expect an increase of over 8%. Firms cited the need to preserve cash (45%) and uncertainty (42%) in the coming year as the top factors impacting capital expenditures plans in 2024. Additionally, 27% of firms selected unfavorable financing as having an impact and 12% of firms said they have no need to expand current levels of capital expenditures.” – 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; 1/25/24
The Federal Reserve Bank of Kansas City

Chart 1

Manufacturing Composite Indexes

- Vs. a Month Ago
- Vs. a Year Ago

24-Jan
Vs. a Month Ago: -9

24-Jan
Vs. a Year Ago: -12

Source: https://www.kansasfed.org; 1/25/24
Regional services activity was essentially flat in January. Firms’ sales stayed steady, but employment levels fell moderately with only slight increases anticipated in the coming months.

**Business Activity Was Steady in January**

“Tenth District services activity was steady in January, but expectations for future activity rose slightly (Chart 1). Input price growth remains elevated, with further increases expected, and selling prices continue to grow at a slower, but still robust, pace.

The month-over-month services composite index was -2 in January, up from -7 in December and down from 0 in November. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Activity among industries was mixed. Retail and transportation declined substantially, while professional and health services rose. General revenue/sales were essentially flat this month, rebounding from -13 to -1. However, both the number of employees and part-time/temporary employment indexes fell moderately, with readings of -11 and -10, respectively.” – 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; 1/26/24
The Federal Reserve Bank of Kansas City

Business Activity Was Steady in January

“Most indexes were negative and fell on a year-over-year basis, with the composite index falling from 8 to -7 as revenues and employment declined. Inventories increased somewhat from this time last year while capital expenditures cooled, and access to credit continued to decline. Expectations for future services activity rose only slightly, as mild increases in revenues and employment are anticipated in the next six months.

Special Questions

This month contacts were asked special questions about expectations for wages, input prices, and capital expenditures in 2024. A solid majority of firms reported expected wage increases between 0-6% in 2024, with 21% expecting a 0-2% increase, 33% expecting a 2-4% increase, and 22% expecting a 4-6% increase. An additional 9% expect no change, 3% expect a 6-8% increase, and 6% each expect an increase greater than 8% or a decrease. Expectations for input prices were slightly more mixed. 6% of firms expect a decrease, while 13% expect no change, 24% expect a 0-2% increase, 28% expect 2-4%, 12% expect 4-6%, 10% expect 6-8%, and 7% expect an increase greater than 8%. Firms cited the need to preserve cash (39%) and uncertainty in the year ahead (36%) as the top factors impacting their capital expenditures plans for 2024, while 21% cited unfavorable financing and 24% reported no need to expand capital expenditures this year.” – 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; 1/26/24
February 2024 Manufacturing Survey
Headline Index Gains Ground, But Remains Negative

“Business activity edged slightly lower in New York State, according to firms responding to the February 2024 Empire State Manufacturing Survey. The headline general business conditions index rose forty-one points but remained negative at -2.4. New orders declined modestly, while shipments edged higher. Unfilled orders continued to shrink, and delivery times continued to shorten. Inventories declined. Employment levels were little changed, while the average workweek fell. The pace of input price increases picked up for a second straight month, and the pace of selling price increases also steepened. The six-month outlook improved, though optimism remained subdued.

On the heels of a significant contraction last month, manufacturing activity shrank further in New York State, according to the February survey. After falling fifty-three points over the prior two months, the general business conditions index shot up forty-one points, but held below zero at -2.4. The new orders index climbed forty-three points to -6.3, pointing to an ongoing decline in orders, though at a slower pace than last month, and the shipments index increased thirty-four points to 2.8, indicating a small increase in shipments. The unfilled orders index came in at -9.6, a sign that unfilled orders continued to fall. The inventories index was little changed at -9.6, suggesting that inventories shrank modestly, and the delivery times index remained negative at -3.2, indicating shorter delivery times.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 2/15/24
Employment Holds Steady

“The index for number of employees climbed to a level of around zero, suggesting employment levels were unchanged, while the average workweek index came in at -4.7, pointing to a small decline in hours worked. The prices paid index moved higher for a second consecutive month, rising ten points to 33.0, and the prices received index climbed eight points to 17.0, pointing to a pickup in both input and selling price increases.

Optimism Improves

Firms expect activity to grow over the next six months, though optimism remained subdued. The index for future business conditions edged up three points to 21.5. The capital spending index was little changed at 11.7, suggesting capital spending plans remained somewhat soft.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 2/15/24
January 2024 Empire State Business Leaders Survey (Services)

Activity Continues To Drop

“Activity continued to decline modestly in the region’s service sector, according to firms responding to the Federal Reserve Bank of New York’s January 2024 Business Leaders Survey. The survey’s headline business activity index increased five points, but remained negative at -9.7. The business climate index rose eight points to -30.3, suggesting the business climate remains worse than normal, though to a somewhat lesser extent than last month. Employment declined modestly, though wage increases picked up. The pace of price increases was little changed. Looking ahead, optimism about the six-month outlook improved, but remained subdued.

Business activity continued to decline, according to the January survey. The headline business activity index climbed five points, but held below zero at -9.7. Twenty-two percent of respondents reported that conditions improved over the month and 32 percent said that conditions worsened. The business climate index rose eight points to -30.3, suggesting that the business climate remains considerably worse than normal.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 2/17/24
Employment Contracts

“The employment index fell five points to -6.5, its lowest reading in nearly three years, suggesting that employment levels shrank modestly. The wages index moved up sixteen points to 41.9, pointing to a pickup in wage increases. The prices paid and prices received indexes both held steady at 45.2 and 24.7, respectively, suggesting that the pace of price increases was little changed. The capital spending index remained weak at 4.5.

Firms Somewhat More Optimistic

The index for future business activity climbed twelve points to 24.5, and the index for the future business climate climbed to a level just above zero, suggesting that firms were more optimistic about future conditions than last month, though optimism remained subdued. Employment is expected to grow in the months ahead.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 2/17/24
February 2024 Manufacturing Business Outlook Survey

Current Manufacturing Indicators Are Mixed In February

“Manufacturing activity in the region expanded overall, according to the firms responding to the February Manufacturing Business Outlook Survey. The diffusion index for current general activity rose 16 points to 5.2 in February, its first positive reading since August. The shipments index also turned positive, while the new orders index rose but remained negative. On balance, the firms indicated a decline in employment, and the current price indexes continue to suggest overall increases in prices. The survey’s broad indicators for future activity strengthened, suggesting more widespread expectations for growth over the next six months.

The diffusion index for current general activity rose 16 points to 5.2 in February, its first positive reading since August (see Chart). This is only the index’s fourth positive reading since May 2022. More than 27 percent of the firms reported increases in general activity this month (up from 16 percent last month), while 22 percent reported decreases (down from 26 percent); 45 percent reported no change (down from 52 percent last month). The index for new orders rose 13 points but remained negative at -5.2. The current shipments index turned positive, rising from -6.2 in January to 10.7 in February.

On balance, the firms reported a decline in employment. The employment index fell 9 points to -10.3 in February, its lowest reading since May 2020. Most firms (78 percent) reported no change in employment levels this month, while the share of firms reporting decreases (15 percent) exceeded the share reporting decreases (4 percent). The average workweek rose from -0.9 to 1.4 this month.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

February 2024 Manufacturing Business Outlook Survey

Chart. Current and Future General Activity Indexes
January 2009 to February 2024

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.

Price Indexes Remain Below Long-Run Averages

“On balance, the firms continued to report overall increases in prices. However, most firms reported no change in prices, and both price indexes remained below their long-run averages. The prices paid index increased 5 points to 16.6 in February. Almost 21 percent of the firms reported increases in input prices, while 4 percent reported decreases; 70 percent of the firms reported no change. The current prices received index was little changed at 6.2. Over 11 percent of the firms reported increases in prices received for their own goods, 5 percent reported decreases, and 81 percent reported no change.

Firms Experience Lower Increases in Own Prices

In this month’s special questions, the firms were asked to forecast the changes in prices of their own products and for U.S. consumers over the next four quarters. Regarding their own prices over the next year, the firms’ median forecast was for an expected increase of 3.0 percent, unchanged from when this question was last asked in November. The firms reported a median increase of 3.0 percent in their own prices over the past year, down from 5.0 percent last quarter. The firms’ median forecast for the rate of inflation for U.S. consumers over the next year was 3.0 percent, down from 4.0 percent in November. Regarding the long run, the firms’ median forecast for the 10-year average inflation rate was unchanged at 3.0 percent.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia
February 2024 Manufacturing Business Outlook Survey

Most Future Indicators Strengthen

“The diffusion index for future general activity rose from -4.0 in January to 7.2 in February (see Chart). The share of firms expecting increases in activity over the next six months (27 percent) exceeded the share expecting decreases (20 percent); 48 percent expect no change. The future new orders index rose 15 points to 24.2, while the future shipments index jumped 21 points to 26.7. The firms expect overall increases in employment over the next six months, and the future employment index rose 4 points to 4.9. The future capital expenditures index rose 5 points to 12.7, its highest reading since December 2022.

Summary

Responses to the February Manufacturing Business Outlook Survey suggest an overall increase in regional manufacturing activity this month. The indicators for current activity and shipments turned positive, while the new orders index rose but remained negative. On balance, the firms indicated a decline in employment, and the current price indexes continue to suggest overall increases in prices. The survey’s broad indicators for future activity strengthened, suggesting more widespread expectations for growth over the next six months.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Current Indicators Remain Mixed

“Nonmanufacturing activity in the region expanded this month, according to the firms responding to the December Nonmanufacturing Business Outlook Survey. The indexes for general activity at the firm level and sales/revenues remained positive, while the new orders index improved but remained negative. The firms continued to report overall increases in full-time employment this month. Both the prices paid and prices received indexes declined but remained positive. The firms continue to expect growth over the next six months at their own firms and in the region.

The diffusion index for current general activity at the firm level inched down from a reading of 10.3 in December to 8.5 this month (see Chart 1). Almost 35 percent of the firms reported increases, while 26 percent reported decreases; 37 percent reported no change in activity. The new orders index remained negative but rose from -8.6 to -3.3 this month. More than 20 percent of the firms reported increases in new orders, while 24 percent reported decreases. Meanwhile, the sales/revenues index increased 7 points to 16.2. More than 37 percent of the responding firms reported increases in sales/revenues, while 21 percent reported decreases. The regional activity index rose 17 points to 6.3 this month, its first positive reading since July.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia
The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.
Firms Report Overall Increases in Employment

“On balance, the firms reported increases in full-time employment, but the index fell 7 points this month, offsetting its increase last month. Almost 23 percent of the firms reported increases, while 15 percent reported decreases; more than 61 percent of the firms reported steady full-time employment levels. The part-time employment index inched down to -0.2.

Firms Continue to Report Price Increases

Price indicator readings suggest continued but less widespread increases in prices for inputs and prices for the firms’ own goods and services. The prices paid index declined 8 points to 32.3. Thirty-nine percent of the respondents reported higher input prices, 44 percent reported no change, and 7 percent reported decreases. Regarding prices for the firms’ own goods and services, the prices received index fell from 15.4 to 10.6. Almost 20 percent of the firms reported increases in prices, while 9 percent reported decreases. Most of the firms (58 percent) reported no change in prices for their own goods and services.

Firms Anticipate Growth

The future firm-level general activity index 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 5 points to 18.0 (see Chart 1). Almost 45 percent of the firms expect an increase in activity at their firms over the next six months, 27 percent expect decreases, and 26 percent of the firms expect no change. The future regional activity index improved from 1.9 to 13.5.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

January 2024 Nonmanufacturing Business Outlook Survey

Firms Report Higher Sales/Revenues and Easing Constraints

“In this month’s special questions, the firms were asked to estimate their total sales/revenues growth for the fourth quarter ending this month compared with the third quarter of 2023; they were also asked about factors constraining business operations. The share of firms reporting expected increases in fourth-quarter sales/revenues (48 percent) was higher than the share reporting decreases (36 percent). More than 74 percent of the firms reported labor supply as at least a slight constraint on business operations, down from 80 percent in September. The share indicating supply chains as at least a slight constraint also declined in the current quarter, from 60 percent to 51 percent. Looking ahead over the next three months, most of the firms expect the impacts of various factors to stay the same. In the current quarter, the share of firms reporting financial capital as a significant constraint moved up from 13 percent to 19 percent. However, the share of firms that expect financial capital impacts to worsen over the next three months fell from 45 percent in September to 19 percent in December.

Summary

Responses to this month’s Nonmanufacturing Business Outlook Survey suggest overall increases in nonmanufacturing activity in the region. The indicators for firm-level general activity and sales/revenues were positive this month, while the new orders index improved but remained negative. The full-time employment index suggests overall increases in employment. Both price indexes decreased but continue to indicate overall price increases. Overall, the responding firms expect growth at their own firms and in the region over the next six months.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia
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.
January 2024 Fifth District Survey of Manufacturing Activity

Manufacturing Activity Was Sluggish in January

“Fifth District manufacturing activity remained sluggish in January, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index decreased from −11 in December to −15 in January. Of its three component indexes, shipments edged up from −17 to −15, new orders edged down from −14 to −16, and employment fell notably, from −1 to −15.

Firms remained somewhat pessimistic about local business conditions, as the index increased slightly but remained in negative territory. The index for future local business conditions increased from −5 in December to 0 in January.

Most firms continued to report declining backlogs as the index remained negative. The vendor lead time index decreased from 1 to −3 in January. The capacity utilization index fell from −8 to −27 in January, with about one-third of respondents reporting a decline in capacity utilization since December. However, the corresponding expectations index changed little from last month.

The average growth rates of prices paid and prices received were nearly unchanged in January. Firms expect both growth rates to moderate over the next 12 months.” – Jason Kosakow, Research Department, The Federal Reserve Bank of Richmond
The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 1/23/24
The Federal Reserve Bank of Richmond

Price Trends

- Percent Change, SA
- Price Trends
- Prices Paid
- Prices Received
- Jan-19 to Jan-24

Wages

- Index, SA
- Monthly
- 3-month moving average
- Jan-19 to Jan-24

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 1/23/24
Fifth District Survey of Service Sector Activity

Service Sector Activity Was Unchanged in January

“Fifth District service sector activity was relatively unchanged in January, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues index increased slightly from 0 to 4, while the demand index edged up from 2 in December to 5 in January. While changes in the expectations indexes for future revenues and demand were mixed, both indexes remained in positive territory.

Firms’ optimism about local business conditions was little changed, as that index edged down from 0 in December to −3 in January. The index for expected local business conditions also decreased, from 4 in December to −3 in January.

The employment index edged down from 5 in December to 3 in January, while firms continued to report wage increases and little change in their ability to find workers with the necessary skills. Over the next six months, many firms expected to continue hiring and anticipated little improvement in their ability to find workers with the necessary skills. Most firms plan to continue wage increases.

The average growth in prices paid and prices received increased somewhat in January. 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; 1/23/24
Global Economic Indicators

The Federal Reserve Bank of Dallas

México Economic Update

México’s economy shows mixed signals toward end of 2023

“México’s economy likely grew more than 3 percent in 2023 as the proxy for monthly GDP increased for the ninth consecutive month in November. The consensus forecast for 2023 GDP growth (fourth quarter, year over year) compiled by Banco de México remained the same at 3.1 percent in December (Table 1). The latest data available, however, were mixed as exports and retail sales fell while industrial production increased, and employment growth continued to be sluggish. Inflation ticked up, and the peso gained ground against the dollar in December.

Economic activity rises in November

The global economic activity index (IGAE) – the monthly proxy for GDP growth – rose 0.4 percent month over month in November, up from October’s growth of 0.1 percent (Chart 1). Both the goods-producing sector (including manufacturing, construction and utilities) and the service-providing sector (which includes trade and transportation) increased 0.4 percent in November. On a year-over-year basis, IGAE was up 4.2 percent in November, an uptick from October’s 3.8 percent increase.

Industrial Production picks up

In October, the three-month-moving average of México’s industrial production (IP) index, which includes manufacturing, construction, oil and gas extraction and utilities – grew 0.4 percent, while manufacturing alone increased 0.2 percent (Chart 2). North of the border, U.S. IP was down 0.2 percent in November after declining 0.3 percent in October. The correlation between IP in México and the U.S. has increased considerably with the rise of intra-industry trade between the two countries since the early 1990s. México’s manufacturing sector could slow down, particularly if U.S. consumer demand decelerates because of high inflation and interest rates.” – Jesus Cañas, Senior Business Economist and Diego Morales-Burnett, Research Analyst, Research Department, The Federal Reserve Bank of Dallas
## Global Economic Indicators

<table>
<thead>
<tr>
<th>December 2023 economic report</th>
<th>Employment, formal December '23</th>
<th>CPI December '23</th>
<th>Peso/dollar December '23</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP, real Q3 '23</td>
<td>3.6% q/q</td>
<td>35,214 jobs m/m</td>
<td>4.7% y/y</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>November</th>
<th>December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP growth in Q4, year over year</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Real GDP growth in 2023</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>CPI December 2023, year over year</td>
<td>4.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Peso/dollar exchange rate at end of year</td>
<td>17.7</td>
<td>17.6</td>
</tr>
</tbody>
</table>

Note: CPI refers to the consumer price index. The survey period was Nov. 6–13.

Source: Encuesta sobre las Expectativas de los Especialistas en Economía del Sector Privado: Diciembre de 2023 (communiqué on economic expectations, Banco de México, December 2023).
Global Economic Indicators

Chart 1
Economic activity ticks up
Index, January 2012 = 100*

*Seasonally adjusted; real pesos.
NOTES: Data are through September 2023. Data for October 2023 and November 2023 are estimated by the National Institute of Statistics and Geography (INEGI) using its timely indicator of economic activity (IOAE).
Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2024/2401; 1/19/24
Global Economic Indicators

Chart 2
Industrial production trending up

Index, January 2013 = 100*

*Seasonally adjusted, three-month moving average.
NOTES: Total and manufacturing industrial production figures refer to Mexico. U.S. IP refers to total industrial production in the United States. Data are through November 2023 for the U.S. and October 2023 for Mexico.
SOURCES: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography); Federal Reserve Board.

Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2024/2401; 1/19/24
S&P Global Canada Manufacturing PMI®

“The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers’ Index® (PMI®) is a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers’ delivery times and stocks of purchases, remained below the crucial 50.0 no-change mark during January for a ninth month in a row to signal another deterioration in operating conditions. However, by rising to 48.3, from 45.4 in December, the PMI pointed to the weakest rate of sector contraction since last October.

Private Indicators: Global

PMI up to three-month high on back of slower falls in output and new orders

The downturn in Canada’s manufacturing sector was extended into the start of 2024 with concurrent falls seen in output, new orders, and employment. However, rates of decline softened since December, whilst confidence in the future improved. Latest prices data also showed weaker rates of both input and output price inflation despite reports of shipping delays caused by the crisis in the Red Sea.

Production was cut for a sixth month in a row during January, whilst there was another drop in new orders. However, in both cases, rates of decline were slower than at the end of 2023. Panellists nonetheless commented on soft market demand, and an unwillingness amongst clients to commit to new work especially against a backdrop of elevated market prices. Demand from abroad was also lower, with various conflicts from around the world cited as a factor weighing on sales. New export orders declined during January for a fifth month in a row. On the jobs front, firms continued to cut employment at the start of the year, albeit only marginally. Where employment was reduced, this was linked to lower production requirements and sufficient capacity. Indeed, backlogs of work were reduced for an eighteenth successive month according to the data.

Canada’s manufacturing sector performance remained subdued at the start of 2024 as weak underlying demand for goods remained apparent. This continued to weigh on production levels and led to further cuts in purchasing activity and another round of job losses, albeit to lesser degrees than seen at the end of last year. Despite remaining inside negative territory, the latest data therefore provide hope that the downturn in the sector is bottoming out. Moreover, firms are looking to brighter times in the next 12 months, with output expectations hitting a six-month high. Manufacturers and indeed policymakers will also be encouraged by the latest price indices, which continued their recent disinflationary paths in January.” – Paul Smith, Economics Director, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/7e39f4b726304bfebd584ebe0c1a9058; 2/1/24
Global manufacturing output rises for first time in eight months in January

The global manufacturing sector showed signs of stabilisation at the start of 2024. After contracting for seven successive months, production volumes edged higher for the first time since May 2023 as new order intakes fell at the slowest rate in the current 19-month downturn in demand. The year-ahead outlook also brightened, with business confidence rising to its highest level since April last year.

Only two of the five PMI components (output and vendor lead times) were consistent with an outright improvement in operating conditions, while the others all signalled declines. That said, movements in all five sub-index levels positively affected the level of the PMI, as rates of contraction in new orders, employment and stocks of purchases all slowed. Production rose at consumer goods manufacturers, was unchanged in the intermediate goods category and fell in the investment goods sector. Data broken down by nation showed that output rose in China, India and Brazil (among others), and fell more slowly in the US, Japan and the euro area.

Global manufacturing employment fell for the fifth straight month in January, although the rate of job losses eased to a four-month low. … This suggested that output growth was partly supported by work on existing contracts while the downturn in new orders continued. The decrease in total new business was mainly due to the ongoing weakness of international trade flows.

The global manufacturing output PMI rose 0.9-pt to an eight-month high of 50.3 In January. After global manufacturing lost some steam into year-end, today’s news provides a glimmer of hope that momentum is improving again. The PMI subcomponents tracking new orders, future activity and employment also made advances, further raising optimism that fuller recovery could be established during the coming months. The impact of disruptions to Red Sea shipping routes on delivery delays and prices seems minimal thus far, at least at the global level.” – Bennett Parrish, Global Economist, J.P. Morgan
Global economic growth at seven-month high in January

The upturn in global economic activity gathered pace at the start of 2024, with rates of growth in output and new orders accelerating to seven-month highs. Emerging markets continued to outperform their developed nation counterparts (on average), although the latter did see output rise for the first time since July 2023.

January saw the performances of both the global service and manufacturing sectors improve. Services business activity rose at the quickest pace since July 2023, as increases in the business and financial services categories offset a minor decrease at consumer service providers. Global manufacturing edged back into expansion territory for the first time in eight months, mainly on the back of increased production in the consumer goods sub-industry. Output meanwhile stabilised in the intermediate goods category, but fell in investment goods. …

The outlook for the year ahead remained positive in January. Business optimism climbed to a seven-month high and strengthened in both the manufacturing and service sectors. Developed nations expressed a greater degree of positive sentiment (on average) than emerging markets.

The global all-industry output PMI climbed by 0.8pts to a seven-month high of 51.8 in January. Output growth was supported by improved intakes of new orders and also stronger job creation. This alongside rising business optimism all suggests that the expansion still stands on solid foundations. The improvement was also broad-based, with better performances seen in both the manufacturing and services sub-industries. January data provided further signs of price pressures stabilizing” – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/56c654c4b5ef4203a0cb93dd9417e436; 2/5/24
Private Indicators
Associated Builders and Contractors

Construction Job Openings Remain Elevated in December

“The construction industry had 449,000 job openings on the last day of December, according to an Associated Builders and Contractors analysis of data from the U.S. Bureau of Labor Statistics’ Job Openings and Labor Turnover Survey. JOLTS defines a job opening as any unfilled position for which an employer is actively recruiting. Industry job openings decreased by 21,000 last month and are down by 39,000 from the same time last year.

“The construction industry averaged 445,000 job openings per month in the fourth quarter of 2023,” said ABC Chief Economist Anirban Basu. “That’s the highest quarterly level on record and a strong indication that the labor shortages that have long plagued the construction industry remain firmly in place. With more than half of contractors expecting to increase their staffing levels over the next six months, according to ABC’s Construction Confidence Index, the supply of workers is unlikely to meet demand for the first half of 2024.

“There is, however, some good news regarding worker availability,” said Basu. “While contractors are still laying off workers at a historically low rate, the rate at which construction workers are quitting has fallen below 2019 levels. This is likely a reflection of falling demand for labor in industries that compete with construction for talent, including trade, transportation and utilities, which has seen a 25% decline in job openings over the past year.”” – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/construction-job-openings-remain-elevated-in-december-says-abc; 1/30/24
# Private Indicators
## Associated Builders and Contractors

Construction Job Openings Remain Elevated in December

<table>
<thead>
<tr>
<th>Construction Industry Job Openings and Labor Turnover Data: December 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>Job openings</td>
</tr>
<tr>
<td>Hires</td>
</tr>
<tr>
<td>Total separations</td>
</tr>
<tr>
<td>Layoffs &amp; discharges</td>
</tr>
<tr>
<td>Quits</td>
</tr>
<tr>
<td>Other separations</td>
</tr>
</tbody>
</table>

| **Rate**                                      |                  |                |                |                    |                    |                  |
| Job openings                                  | 5.3%            | 5.5%           | 5.8%           |                    |                    |                  |
| Hires                                         | 4.6%            | 4.5%           | 4.8%           |                    |                    |                  |
| Total separations                             | 4.2%            | 4.3%           | 4.3%           |                    |                    |                  |
| Layoffs & discharges                          | 2.1%            | 2.1%           | 2.1%           |                    |                    |                  |
| Quits                                         | 1.9%            | 2.1%           | 2.0%           |                    |                    |                  |
| Other separations                             | 0.3%            | 0.1%           | 0.2%           |                    |                    |                  |

Source: U.S. Bureau of Labor Statistics
Private Indicators
Associated Builders and Contractors

Construction Job Openings Remain Elevated in December

Source: https://www.abc.org/News-Media/News-Releases/construction-job-openings-remain-elevated-in-december-says-abc; 1/30/24
2024 Construction Workforce Shortage Tops Half a Million

“The construction industry will need to attract an estimated 501,000 additional workers on top of the normal pace of hiring in 2024 to meet the demand for labor, according to a proprietary model developed by Associated Builders and Contractors. In 2025, the industry will need to bring in nearly 454,000 new workers on top of normal hiring to meet industry demand, and that’s presuming that construction spending growth slows significantly next year.” – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/abc-2024-construction-workforce-shortage-tops-half-a-million; 1/31/24
Private Indicators
Associated Builders and Contractors

2024 Construction Workforce Shortage Tops Half a Million

“”Broadly, there are two factors shaping the interaction between construction worker supply and demand,” said ABC Chief Economist Anirban Basu. “There are structural factors, including outsized retirement levels, megaprojects in several private and public construction segments and cultural factors that encourage too few young people to enter the skilled construction trades. There are also structural factors, including those related to interest rates, consumer sentiment and general economic performance.

“Over the past two years, cyclical influences have helped diminish the gap between construction worker supply and demand,” said Basu. “Though nonresidential construction spending has continued to surge, home building segments have felt the impact of higher borrowing costs more intensely. With interest rates set to decline in 2024 and 2025, the expectation is that construction worker shortfalls will remain elevated. Among other things, that would delay the rebuilding of American infrastructure and the creation of new domestic supply chains. It would also tend to drive up the cost of construction service delivery, impacting American enterprise and taxpayers alike.

“‘ABC estimates that the U.S. construction industry needs to attract about a half million new workers in 2024 to balance supply and demand,’ said Michael Bellaman, ABC president and CEO. “Not addressing the shortage through an all-of-the-above approach to workforce development will slow improvements to our shared built environment, worker productivity, living standards and the places where we heal, learn, play, work and gather.’” – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/abc-2024-construction-workforce-shortage-tops-half-a-million; 1/31/24
“ABC’s model uses the historical relationship between inflation-adjusted construction spending growth, sourced from the U.S. Census Bureau’s Value of Construction Put in Place Survey, and payroll construction employment, sourced from the U.S. Bureau of Labor Statistics, to convert anticipated increases in construction outlays into demand for construction labor at a rate of approximately 3,550 jobs per billion dollars of additional spending. This increased demand is added to the current level of above-average job openings. Projected industry retirements, shifts to other industries and other forms of anticipated separation are also embodied within the computations.

Based on historical Census Bureau Job-to-Job Flows data, an estimated 1.9 million construction workers will leave their jobs to work in other industries in 2024. This should be offset by an anticipated 2.1 million workers who will leave other industries to work in construction. These frictional interindustry transfers are estimated exogenously and serve as inputs to the model.

“Meanwhile, structural influences persist,” said Basu. “More than 1 in 5 construction workers are 55 or older, meaning that retirement will continue to contract the industry’s workforce. These are the most experienced workers, and their departures are especially concerning.”” – Erika Walter, Director of Media Relations, ABC
Private Indicators
Associated Builders and Contractors

2024 Construction Workforce Shortage Tops Half a Million

“While construction employment is growing, it is not growing fast enough to meet the demand to complete the work on the books for 2024,” said Bellaman. “To address this shortage and grow the construction talent pool, ABC has a network of more than 800 apprenticeship, craft, health and safety and management education programs – including more than 450 government-registered apprenticeship programs across 20 different occupations. ABC chapters also have 323 entry point programs in place nationally to welcome all to begin a career in construction. To address workforce demand that drives the U.S. economy, Congress must also look toward much-needed reforms to our legal immigration system and provide high-demand industries, like construction, with access to new or expanded visa programs.”

“Exclusionary policies and programs that do not welcome all to compete to build our public works projects, such as project labor agreement mandates, will further exacerbate this shortage and undermine significant investments made by taxpayers in infrastructure, clean energy and manufacturing projects,” said Bellaman. “Taxpayers and workers are best served by inclusive, win-win policies that create a level playing field for all contractors to compete to build public works projects.”” – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/abc-2024-construction-workforce-shortage-tops-half-a-million; 1/31/24
“The construction industry added 11,000 jobs on net in January, according to an Associated Builders and Contractors analysis of data released by the U.S. Bureau of Labor Statistics. On a year-over-year basis, industry employment has expanded by 216,000 jobs, an increase of 2.7%.

Nonresidential construction employment increased by 7,600 positions on net, with growth in 2 of the 3 subcategories. Nonresidential specialty trade added 13,700 positions, while nonresidential building added 1,600 jobs on net. Heavy and civil engineering lost 7,700 jobs.

The construction unemployment rate rose to 6.9% in January. Unemployment across all industries remained unchanged at 3.7% last month.

“The construction industry added jobs for the 10th straight month in January,” said ABC Chief Economist Anirban Basu. “That was hardly the biggest story from today’s release, however, with total U.S. payroll employment increasing by a staggering 353,000 positions. That’s nearly twice the consensus forecast and represents yet another economic indicator that has surprised to the upside.”

“The construction unemployment rate stood at 6.9% for the month, which is tied for the third-lowest January rate on record,” said Basu. “As a result of labor scarcity, construction wages surged in January, increasing at the fastest rate since July 2023. With both the construction industry and the broader economy continuing to grow at a rapid pace, contractors will struggle to remain adequately staffed over the coming quarters, especially with a majority of contractors intending to increase their staffing levels over the next six months, according to ABC’s Construction Confidence Index.” – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/abc-construction-employment-up-11000-in-january; 2/2/24
## Construction Employment Statistics: January 2024

### Employment

<table>
<thead>
<tr>
<th>Category</th>
<th>January 2024</th>
<th>December 2023</th>
<th>January 2023</th>
<th>1-Month Net Change</th>
<th>12-Month Net Change</th>
<th>12-Month % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>8,137,000</td>
<td>8,126,000</td>
<td>7,921,000</td>
<td>11,000</td>
<td>216,000</td>
<td>2.7%</td>
</tr>
<tr>
<td>Nonresidential</td>
<td>4,803,900</td>
<td>4,796,300</td>
<td>4,648,800</td>
<td>7,600</td>
<td>155,100</td>
<td>3.3%</td>
</tr>
<tr>
<td>Nonresidential building</td>
<td>904,600</td>
<td>903,000</td>
<td>870,300</td>
<td>1,600</td>
<td>34,300</td>
<td>3.9%</td>
</tr>
<tr>
<td>Nonresidential specialty trade contractors</td>
<td>2,774,100</td>
<td>2,760,400</td>
<td>2,689,300</td>
<td>13,700</td>
<td>84,800</td>
<td>3.2%</td>
</tr>
<tr>
<td>Heavy &amp; civil engineering</td>
<td>1,125,200</td>
<td>1,132,900</td>
<td>1,089,200</td>
<td>-7,700</td>
<td>36,000</td>
<td>3.3%</td>
</tr>
<tr>
<td>Residential</td>
<td>3,332,700</td>
<td>3,330,000</td>
<td>3,272,600</td>
<td>2,700</td>
<td>60,100</td>
<td>1.8%</td>
</tr>
<tr>
<td>Residential building</td>
<td>938,400</td>
<td>935,900</td>
<td>929,900</td>
<td>2,500</td>
<td>8,500</td>
<td>0.9%</td>
</tr>
<tr>
<td>Residential specialty trade contractors</td>
<td>2,394,300</td>
<td>2,394,100</td>
<td>2,342,700</td>
<td>200</td>
<td>51,600</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

### Average Hourly Earnings

<table>
<thead>
<tr>
<th>Category</th>
<th>January 2024</th>
<th>December 2023</th>
<th>January 2023</th>
<th>1-Month Net Change</th>
<th>12-Month Net Change</th>
<th>12-Month % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>All private industries</td>
<td>$34.55</td>
<td>$34.36</td>
<td>$33.07</td>
<td>$0.19</td>
<td>$1.48</td>
<td>4.5%</td>
</tr>
<tr>
<td>Construction</td>
<td>$37.55</td>
<td>$37.34</td>
<td>$35.70</td>
<td>$0.21</td>
<td>$1.85</td>
<td>5.2%</td>
</tr>
</tbody>
</table>

### Average Weekly Hours

<table>
<thead>
<tr>
<th>Category</th>
<th>January 2024</th>
<th>December 2023</th>
<th>January 2023</th>
<th>1-Month Net Change</th>
<th>12-Month Net Change</th>
<th>12-Month % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>All private industries</td>
<td>34.1</td>
<td>34.3</td>
<td>34.6</td>
<td>-0.2</td>
<td>-0.5</td>
<td>-1.4%</td>
</tr>
<tr>
<td>Construction</td>
<td>38.6</td>
<td>39.0</td>
<td>39.2</td>
<td>-0.4</td>
<td>-0.6</td>
<td>-1.5%</td>
</tr>
</tbody>
</table>

### Unemployment Rate

<table>
<thead>
<tr>
<th>Category</th>
<th>January 2024</th>
<th>December 2023</th>
<th>January 2023</th>
<th>1-Month Net Change</th>
<th>12-Month Net Change</th>
<th>12-Month % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>All private industries (SA)</td>
<td>3.7%</td>
<td>3.7%</td>
<td>3.4%</td>
<td>0.0pp</td>
<td>0.3pp</td>
<td></td>
</tr>
<tr>
<td>Construction (NSA)</td>
<td>6.9%</td>
<td>4.4%</td>
<td>6.9%</td>
<td>2.5pp</td>
<td>0.0pp</td>
<td></td>
</tr>
</tbody>
</table>

Private Indicators
Associated Builders and Contractors

Construction Employment Up 11,000 in January

![Construction Employment Growth: January 2023 v. January 2024]

- Construction: 2.7%
- Nonresidential*: 3.3%
- Nonresidential Building: 3.9%
- Nonresidential STC: 3.2%
- Heavy & Civil Engineering: 3.3%
- Residential**: 1.8%
- Residential Building: 0.9%
- Residential STC: 2.2%

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/abc-construction-employment-up-11000-in-january; 2/2/24
Private Indicators
Associated Builders and Contractors

ABC’s Construction Backlog Indicator Slips in January, Contractors Remain Confident

“Associated Builders and Contractors reported that its Construction Backlog Indicator declined to 8.4 months in January, according to an ABC member survey conducted from Jan. 22 to Feb. 4. The reading is down 0.6 months from January 2023.

View the full Construction Backlog Indicator and Construction Confidence Index data series.

Backlog increased to 10.9 months in the heavy industrial category, the highest reading on record for that category, and is 2.5 months higher than in January 2023. Backlog is down on a year-over-year basis in the commercial/institutional and infrastructure categories.

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

“As predicted, performance in the nonresidential construction sector is becoming more disparate across segments,” said ABC Chief Economist Anirban Basu. “For much of the pandemic recovery period, contractors in virtually all segments were indicating stable to rising backlog. That remains the case for contractors most exposed to the nation’s industrial production. Reshoring and near-shoring continue to drive construction spending.

“In other categories, however, including those most interest rate-sensitive, activity appears to be slowing. Developer financing has become both more expensive and more difficult to obtain over roughly the past year, in part because of rising office vacancy in many markets. That helps to explain declining backlog in the commercial category. The decline in infrastructure-related backlog may be due only to seasonality, however. There is every reason to believe that contractors specializing in public works will have a very busy year, said Basu.”” – Erika Walter, Director of Media Relations, ABC

### Private Indicators
Associated Builders and Contractors

**Construction Backlog Indicator Slips in January**

<table>
<thead>
<tr>
<th>Construction Backlog Indicator</th>
<th>January 2024</th>
<th>December 2023</th>
<th>January 2023</th>
<th>1-Month Net Change</th>
<th>12-Month Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>8.4</td>
<td>8.6</td>
<td>9.0</td>
<td>-0.2</td>
<td>-0.6</td>
</tr>
<tr>
<td><strong>Industry</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial and institutional</td>
<td>8.6</td>
<td>9.1</td>
<td>9.2</td>
<td>-0.5</td>
<td>-0.6</td>
</tr>
<tr>
<td>Heavy industrial</td>
<td>10.9</td>
<td>8.4</td>
<td>8.4</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>7.3</td>
<td>7.9</td>
<td>8.6</td>
<td>-0.6</td>
<td>-1.3</td>
</tr>
<tr>
<td><strong>Region</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle States</td>
<td>7.2</td>
<td>8.5</td>
<td>8.1</td>
<td>-1.3</td>
<td>-0.9</td>
</tr>
<tr>
<td>Northeast</td>
<td>8.7</td>
<td>8.0</td>
<td>8.4</td>
<td>0.7</td>
<td>0.3</td>
</tr>
<tr>
<td>South</td>
<td>11.4</td>
<td>10.7</td>
<td>10.5</td>
<td>0.7</td>
<td>0.9</td>
</tr>
<tr>
<td>West</td>
<td>5.3</td>
<td>6.6</td>
<td>9.0</td>
<td>-1.3</td>
<td>-3.7</td>
</tr>
<tr>
<td><strong>Company Size</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;$30 Million</td>
<td>7.2</td>
<td>7.4</td>
<td>8.2</td>
<td>-0.2</td>
<td>-1.0</td>
</tr>
<tr>
<td>$30-$50 Million</td>
<td>9.2</td>
<td>11.1</td>
<td>9.9</td>
<td>-1.9</td>
<td>-0.7</td>
</tr>
<tr>
<td>$50-$100 Million</td>
<td>10.9</td>
<td>12.3</td>
<td>12.0</td>
<td>-1.4</td>
<td>-1.1</td>
</tr>
<tr>
<td>&gt;$100 Million</td>
<td>13.0</td>
<td>10.7</td>
<td>12.0</td>
<td>2.3</td>
<td>1.0</td>
</tr>
</tbody>
</table>

© Associated Builders and Contractors, Construction Backlog Indicator

Private Indicators
Associated Builders and Contractors

Construction Backlog Indicator Slips in January

<table>
<thead>
<tr>
<th>Construction Confidence Index</th>
<th>January 2024</th>
<th>December 2023</th>
<th>January 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Response</strong></td>
<td><strong>CCI Reading</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>59.3</td>
<td>58.9</td>
<td>60.7</td>
</tr>
<tr>
<td>Profit margins</td>
<td>53.7</td>
<td>54.2</td>
<td>55.6</td>
</tr>
<tr>
<td>Staffing</td>
<td>63.5</td>
<td>61.6</td>
<td>62.4</td>
</tr>
<tr>
<td><strong>Sales Expectations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up big</td>
<td>5.5%</td>
<td>6.7%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Up small</td>
<td>48.0%</td>
<td>47.4%</td>
<td>49.7%</td>
</tr>
<tr>
<td>No change</td>
<td>28.1%</td>
<td>23.9%</td>
<td>24.9%</td>
</tr>
<tr>
<td>Down small</td>
<td>15.0%</td>
<td>18.7%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Down big</td>
<td>3.4%</td>
<td>3.4%</td>
<td>2.3%</td>
</tr>
<tr>
<td><strong>Profit Margin Expectations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up big</td>
<td>3.1%</td>
<td>4.5%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Up small</td>
<td>33.6%</td>
<td>32.8%</td>
<td>41.6%</td>
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<tr>
<td>No change</td>
<td>41.0%</td>
<td>40.3%</td>
<td>34.1%</td>
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<tr>
<td>Down small</td>
<td>19.6%</td>
<td>19.8%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Down big</td>
<td>2.8%</td>
<td>2.6%</td>
<td>1.7%</td>
</tr>
<tr>
<td><strong>Staffing Level Expectations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up big</td>
<td>5.8%</td>
<td>7.8%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Up small</td>
<td>49.8%</td>
<td>43.7%</td>
<td>49.1%</td>
</tr>
<tr>
<td>No change</td>
<td>37.6%</td>
<td>37.3%</td>
<td>41.0%</td>
</tr>
<tr>
<td>Down small</td>
<td>6.1%</td>
<td>9.3%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Down big</td>
<td>0.6%</td>
<td>1.9%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Private Indicators
Associated Builders and Contractors

Construction Backlog Indicator Slips in January

Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending
Increases 0.4% in December

“National nonresidential construction spending increased 0.4% in December, 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 $1.174 trillion.

Spending was down on a monthly basis in 8 of the 16 nonresidential subcategories. Private nonresidential spending was down 0.2% in December, while public nonresidential construction spending was up 1.4%.

“Nonresidential construction spending finished 2023 up more than 20% – the 19th consecutive monthly increase – and will carry ample momentum in 2024,” said ABC Chief Economist Anirban Basu. “While much of that strength is due to surging investment in new manufacturing structures, roughly half of the 16 nonresidential subsegments saw spending increases by 20% or more in 2023.

“That said, privately financed nonresidential activity actually declined in December, albeit by just 0.2%,” said Basu. “That decrease in private activity was offset by surging activity in the highway and street category, which along with other publicly financed segments will retain momentum in the coming months as infrastructure investments are finally put in place.”” – Erika Walter, Director of Media Relations, ABC

## Private Indicators
### Associated Builders and Contractors

<table>
<thead>
<tr>
<th>Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate</th>
<th>December 2023</th>
<th>November 2023</th>
<th>December 2022</th>
<th>1-Month % Change</th>
<th>12-Month % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Construction</td>
<td>$2,096,012</td>
<td>$2,078,267</td>
<td>$1,840,896</td>
<td>0.9%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Residential</td>
<td>$922,161</td>
<td>$909,487</td>
<td>$863,102</td>
<td>1.4%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Nonresidential</td>
<td>$1,173,851</td>
<td>$1,168,780</td>
<td>$977,794</td>
<td>0.4%</td>
<td>20.1%</td>
</tr>
<tr>
<td>Highway and street</td>
<td>$152,375</td>
<td>$146,327</td>
<td>$121,021</td>
<td>4.1%</td>
<td>25.9%</td>
</tr>
<tr>
<td>Conservation and development</td>
<td>$11,903</td>
<td>$11,721</td>
<td>$9,768</td>
<td>1.6%</td>
<td>21.9%</td>
</tr>
<tr>
<td>Public safety</td>
<td>$14,921</td>
<td>$14,724</td>
<td>$11,122</td>
<td>1.3%</td>
<td>34.2%</td>
</tr>
<tr>
<td>Transportation</td>
<td>$65,001</td>
<td>$64,488</td>
<td>$60,369</td>
<td>0.8%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Amusement and recreation</td>
<td>$34,453</td>
<td>$34,199</td>
<td>$31,090</td>
<td>0.7%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Power</td>
<td>$130,644</td>
<td>$130,388</td>
<td>$110,002</td>
<td>0.2%</td>
<td>18.8%</td>
</tr>
<tr>
<td>Office</td>
<td>$101,408</td>
<td>$101,429</td>
<td>$96,321</td>
<td>0.0%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Lodging</td>
<td>$23,681</td>
<td>$23,687</td>
<td>$22,546</td>
<td>0.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Health care</td>
<td>$65,640</td>
<td>$65,690</td>
<td>$57,602</td>
<td>-0.1%</td>
<td>14.0%</td>
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<tr>
<td>Communication</td>
<td>$25,254</td>
<td>$25,284</td>
<td>$24,686</td>
<td>-0.1%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Educational</td>
<td>$124,456</td>
<td>$124,616</td>
<td>$106,736</td>
<td>-0.1%</td>
<td>16.6%</td>
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<tr>
<td>Manufacturing</td>
<td>$213,892</td>
<td>$214,173</td>
<td>$133,244</td>
<td>-0.1%</td>
<td>60.5%</td>
</tr>
<tr>
<td>Religious</td>
<td>$3,818</td>
<td>$3,827</td>
<td>$2,908</td>
<td>-0.2%</td>
<td>31.3%</td>
</tr>
<tr>
<td>Commercial</td>
<td>$133,194</td>
<td>$133,811</td>
<td>$131,333</td>
<td>-0.5%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Sewage and waste disposal</td>
<td>$44,050</td>
<td>$44,519</td>
<td>$35,017</td>
<td>-1.1%</td>
<td>25.8%</td>
</tr>
<tr>
<td>Water supply</td>
<td>$29,162</td>
<td>$29,897</td>
<td>$24,029</td>
<td>-2.5%</td>
<td>21.4%</td>
</tr>
<tr>
<td>Private Nonresidential</td>
<td>$707,972</td>
<td>$709,213</td>
<td>$594,609</td>
<td>-0.2%</td>
<td>19.1%</td>
</tr>
<tr>
<td>Public Nonresidential</td>
<td>$465,879</td>
<td>$459,568</td>
<td>$383,185</td>
<td>1.4%</td>
<td>21.6%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau
Private Indicators
Associated Builders and Contractors

Total Nonresidential Construction Spending
December 2015 - December 2023

Source: U.S. Census Bureau

Private Indicators
American Institute of Architects (AIA) & Deltek

Architecture Billings Index December 2023

Architecture firm billings remain soft to end the year

Nearly one third of firms report an uptick in significantly delayed projects over the past six months

“Business conditions at architecture firms remained soft to close out 2023, with an AIA/Deltek Architecture Billings Index (ABI) score of 45.4 for December (any score below 50 indicates declining billings). Billings at firms declined for eight months of the year, with the only growth coming in some spring and summer months. However, clients largely remained interested in at least discussing potential new projects, since inquiries increased every month of the year except one. The value of new design contracts increased for only six months of the year, indicating that while clients were interested in new projects, they were generally less likely to commit to them by signing a contract. In addition, backlogs at firms remained quite strong throughout 2023, despite declining from a record-high peak in 2022. Backlogs at firms stood at an average of 6.7 months in December, indicating that most firms still have a significant amount of work in the pipeline.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“Billings at firms declined for eight months of the year, and the last four months saw this overall weakness accelerate. Fortunately, project backlogs at firms eased only slightly through the year despite the overall reported softness in billings.” – Kermit Baker, Chief Economist, AIA

Source: https://www.aia.org/resource-center/abi-december-2023-architecture-firm-billings-remain-soft-end-year; 1/24/24
Private Indicators
American Institute of Architects (AIA) & Deltek

National
Architecture firm billings remain weak in December

Source: https://www.aia.org/resource-center/abi-december-2023-architecture-firm-billings-remain-soft-end-year; 1/24/24
“Firm billings declined at firms in all regions of the country except the Midwest in December, where billings were essentially flat. Billings declined for all or nearly all months of 2023 at firms located in the West and Northeast. Firms in the South saw growth in the second quarter but otherwise declined. Only firms located in the Midwest reported increasing billings for most of the year, although conditions also softened there by late summer.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/resource-center/abi-december-2023-architecture-firm-billings-remain-soft-end-year; 1/24/24
“Business conditions were also weak for most of the year at firms of all specializations, with firms with a multifamily residential specialization experiencing a particularly challenging year. Firms with an institutional specialization reported growth in the second quarter, but billings softened for them as well by the end of the year. Billings were flat throughout much of the year at firms with a commercial/industrial specialization and remained soft to end the year.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/resource-center/abi-december-2023-architecture-firm-billings-remain-soft-end-year; 1/24/24
Private Indicators

Dodge Data & Analytics

Year-end surge prevails against high rates and limited credit accessibility

“Total construction starts grew 20% in December to a seasonally adjusted annual rate of $1.12 trillion, according to Dodge Construction Network. Nonresidential building starts rose 37% during the month, while residential starts gained 8% and nonbuilding starts improved by 13%.

For the full year of 2023, total construction starts lost 4% compared to the previous year. Residential and nonresidential starts were down 13% and 8%, respectively, but nonbuilding starts were up 16%.

“Construction starts ended the year on a positive note,” said Richard Branch, chief economist for Dodge Construction Network. “Looking ahead, the new year provides promise that positive momentum will continue to build. The planning queue is stabilizing, and the promise of lower rates should spur construction onward. While hurdles remain, including scarce labor and tight credit, 2024 should be a more positive year for the construction sector.”” – Cailey Henderson, Account Manager, 104 West Partners

Nonresidential

“Nonresidential building starts” rebounded in December, gaining 37% from November to a seasonally adjusted annual rate of $479 billion. Manufacturing starts gained 75%, commercial starts rose 48% with all categories seeing sizeable gains. Institutional starts rose 22% with increases in education, public buildings, and recreation offsetting a decline in healthcare starts. In 2023, total nonresidential starts were 8% lower than in 2022. Institutional starts gained 7%, while commercial and manufacturing starts fell 12% and 27%, respectively.

The largest nonresidential building projects to break ground in December were the $2.7 billion Texas Instruments fabrication plant in Sherman, Texas, the $1.1 billion OxyChem Project Orca in La Porte, Texas, and the $815 million University of Chicago Cancer Center in Chicago, Illinois.

Residential

Residential building starts grew 8% in December to a seasonally adjusted annual rate of $391 billion. Single family starts increased 1%, while multifamily starts rose 22%. In 2023, total residential starts were down by 13%, with single-family starts dropping 13%, and multifamily starts by 12%.

The largest multifamily structures to break ground in December were the $430 million Auberge South Beach Condo project in Miami Beach, Florida, the $325 million 2600 Biscayne mixed-use project in Miami, Florida, and the $300 million mixed-use project at 55 Hudson St in Jersey City, NJ.

Regionally, total construction starts in December rose in the Midwest, South Atlantic, and West regions, but fell in the Northeast.” – Richard Branch, Chief Economist, Dodge Data & Analytics

# Private Indicators

## Monthly Construction Starts

(Millions of Dollars, Seasonally Adjusted Annual Rate)

<table>
<thead>
<tr>
<th></th>
<th>Dec 2023</th>
<th>Nov 2023</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonresidential Building</td>
<td>$479,227</td>
<td>$350,116</td>
<td>37</td>
</tr>
<tr>
<td>Residential Building</td>
<td>390,908</td>
<td>362,594</td>
<td>8</td>
</tr>
<tr>
<td>Nonbuilding Construction</td>
<td>253,019</td>
<td>223,766</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total Construction</strong></td>
<td>$1,123,154</td>
<td>$936,477</td>
<td>20</td>
</tr>
</tbody>
</table>

## Full Year Construction Starts

(Unadjusted Totals, in Millions of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonresidential Building</td>
<td>$411,252</td>
<td>$445,160</td>
<td>-8</td>
</tr>
<tr>
<td>Residential Building</td>
<td>365,065</td>
<td>417,587</td>
<td>-13</td>
</tr>
<tr>
<td>Nonbuilding Construction</td>
<td>297,184</td>
<td>256,589</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total Construction</strong></td>
<td>$1,073,501</td>
<td>$1,119,336</td>
<td>-4</td>
</tr>
</tbody>
</table>

Source: Dodge Data & Analytics

Private Indicators

MNI Chicago

**January 2024 Chicago Report™ – Tempered to 46.0**

“The Chicago Business Barometer™, produced with MNI, as indicated by a decline of only 1.2 as compared to a decline of 9.4 the previous month at year end. Production fell along with inventories; production material and capital equipment lead times. Prices paid for goods and material slipped 4.1 indicating a possible slowing down of the inflationary trend that has kept the Fed on alert although a few more months of data is needed to confirm.

- All of the subcomponents included in the headline index rose compared to December’s revised levels, apart from Production which plunged -9.9 points into contractionary territory.” – Tim Davis, Head of Fixed Income Research, and Tim Cooper, Chief Economist, MNI Indicators

Source: https://chicago.ismworld.org/news-publications/reports/research-survey/; 1/7/24
Private Indicators

January 2024 Chicago Report™ – Tempered to 46.0

• “Production fell -9.9 points to 48.7 points, reentering contraction, and is the lowest since October 2023. This was driven by a larger proportion of respondents reporting lower production, but this may have been at least partly due to the severe weather.

• Order Backlogs grew +2.8 points. With the exception of November 2023, this is the highest since April 2023.

• Supplier Deliveries inched up +1.0 points. Again, with the exception of November 2023 this was the highest since April 2023 and the third consecutive month in expansionary territory.

• New Orders saw a small increase of +1.4 points, remaining in contractionary territory but above the 2023 average of 44.1.

• Employment crept up +0.5 points to 46.7 points.

• Inventories (which are not included in the calculation for the headline index) declined -3.1 points, the lowest since July 2023, with the highest proportion of respondents reporting lower inventories since October 2009.

• Prices paid slipped for the first time since September 2023 by -4.1 points to 63.9 points. The survey ran from January 2 to January 17.

A special question in January asked: How do you see your business activity growing in the first half of 2024, by percent? 43.3% of the respondents expected growth of 5-10% while 13.3% expected growth of 10% or more.” – Tim Davis, Head of Fixed Income Research, and Tim Cooper, Chief Economist, MNI Indicators

Source: https://chicago.ismworld.org/news-publications/reports/research-survey/; 1/7/24
Private Indicators

The Conference Board Leading Economic Index® (LEI)

LEI for the U.S. Inched Down in December

“The Conference Board Leading Economic Index® (LEI) for the U.S. fell by 0.1 percent in December 2023 to 103.1 (2016=100), following a 0.5 percent decline in November. The LEI contracted by 2.9 percent over the six-month period between June and December 2023, a smaller decrease than its 4.3 percent contraction over the previous six months.

The US LEI fell slightly in December, continuing to signal underlying weakness in the US economy. Despite the overall decline, six out of ten leading indicators made positive contributions to the LEI in December. Nonetheless, these improvements were more than offset by weak conditions in manufacturing, the high interest-rate environment, and low consumer confidence. As the magnitude of monthly declines has lessened, the LEI’s six-month and twelve-month growth rates have turned upward but remain negative, continuing to signal the risk of recession ahead. Overall, we expect GDP growth to turn negative in Q2 and Q3 of 2024 but begin to recover late in the year.

The Conference Board Coincident Economic Index® (CEI) for the U.S. rose by 0.2 percent in December 2023 to 111.7 (2016=100), following a 0.2 percent increase in November. The CEI expanded by 1.1 percent over the second half of 2023, up from its 0.8 percent growth rate over the first half of 2023. The CEI’s component indicators – payroll employment, personal income less transfer payments, manufacturing and trade sales, and industrial production – are included among the data used to determine recessions in the US. All four components of the index were positive in December, with personal income less transfer payments continuing to be the strongest contributor, followed by much smaller positive contributions from the remaining three components.

The Conference Board Lagging Economic Index® (LAG) for the U.S. declined by 0.2 percent in December 2023 to 118.4 (2016 = 100), partially reversing an increase of 0.5 percent in November. The LAG is up by 0.6 percent over the six-month period from June to December 2023, following no change over the previous six months.” – Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board
Private Indicators

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

LEI for the U.S. Inched Down in December

The annual growth rate of the LEI remains deeply negative

Note: Shaded areas represent recessions as determined by the NBER Business Cycle Dating Committee.
“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 December was $12.5 billion, up 2% year-over-year from new business volume in December 2022. Volume was up 51% from $8.3 billion in November in a typical end-of-quarter, end-of-year spike. Cumulative new business volume for 2023 was up 3.9% compared to 2022.

Receivables over 30 days were 2.3%, up from 2.0% the previous month and up from 1.8% in the same period in 2022. Charge-offs were 0.4%, unchanged from the previous month and up from 0.3% in the year-earlier period.

Credit approvals totaled 75%, down from 76% in November. Total headcount for equipment finance companies was up 1.2% year-over-year.

Separately, the **Equipment Leasing & Finance Foundation’s Monthly Confidence Index (MCI-EFI)** in January is 48.6, an increase from the December index of 42.5.” – Amy Vogt, Vice President, Communications and Marketing, ELFA

“The MLFI closes out 2023 with a strong finish despite ongoing concerns of a recession and the higher interest rate environment throughout the year. Positive year-end new business volume shows that U.S. businesses continue to rely on equipment financing to operate and grow. Delinquencies and losses, while historically elevated, have remained within consistent ranges since last summer. These metrics, combined with improved industry confidence, bode well for an optimistic start to 2024.” – Leigh Lytle, President and CEO, ELFA
Private Indicators

“DLL finished the year strong with a good December as new applications were up, both in dollar amount and overall count. This contributed to DLL closing out 2023 above plan. Based on the positive closing of 2023, I believe the industry can move into 2024 with confidence. Activity across industry verticals is robust with expectations that tech device sales and, by extension, leasing volumes will recover in 2024. I also anticipate a focus on retail finance programs from hard asset manufacturers, pulling inventory from their dealer channels.” – Neal Garnett, Chief Commercial Officer and Member of the Executive Board, DLL

S&P Global U.S. Manufacturing PMI™

Strongest improvement in manufacturing performance since September 2022

“The seasonally adjusted S&P Global US Manufacturing Purchasing Managers’ Index™ (PMI™) posted 50.7 in January, up from 47.9 in December and slightly higher than the earlier released ‘flash’ estimate of 50.3. The latest upturn ended a two-month sequence of decline, and signalled the strongest improvement in operating conditions since September 2022.

The opening month of 2024 saw an improvement in the health of the US manufacturing sector for the first time since April 2023, according to the latest PMI® survey data from S&P Global. Although only marginal, overall growth was supported by a return to expansion in new orders and a slower contraction in output. Production was reportedly hampered, however, by a renewed decline in supplier performance and longer input deliveries. Greater transportation costs pushed input prices higher on the month, with cost inflation hitting a nine-month high. In response, firms hiked their selling prices at the fastest rate since April 2023.

Greater new orders and stronger output expectations for the year ahead spurred firms to hire workers, as employment rose for the first time since last September.

Driving the uptick in the headline figure was a renewed expansion in new orders at manufacturing firms at the start of the year. The pace of growth was moderate overall and the quickest since May 2022. Where an increase was noted, companies linked this to successful marketing initiatives and stronger customer demand.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/d29bb53ca6cb41a680468453eebb6612; 2/1/24
Strongest improvement in manufacturing performance since September 2022

“That said, improved demand conditions were domestically focused, as new export orders fell for the nineteenth time in the last 20 months. Europe and Canada were identified by panellists as key export markets with a weakened sales environment.

Despite greater new order inflows, goods producers recorded a drop in output during January. Supply disruption stemming from severe storms and transportation delays reportedly hampered firms' ability to expand production. The pace of output decline eased to only a marginal pace, however.

Supplier delivery performance deteriorated for the first time in just over a year as trucking and transportation was delayed. Although only marginal, the extent to which lead times for inputs lengthened was the greatest since October 2022.

Concurrentlly, higher transportation, supplier and fuel costs pushed up the pace of input price inflation in January. The rate of increase accelerated for the second month running to the sharpest since April 2023, despite being softer than the series average.

Meanwhile, manufacturers stated that output prices continued to rise as firms sought to pass on higher costs to customers. The pace of charge inflation was broadly in line with the series trend and the quickest in nine months” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/d29bb53ca6cb41a680468453eebb6612; 2/1/24
Private Indicators

S&P Global U.S. Manufacturing PMI™

Strongest improvement in manufacturing performance since September 2022

“Employment at manufacturers rose fractionally in January, thereby ending a three-month period of job shedding. Firms hired in anticipation of greater new orders despite a further strong drop in backlogs of work.

A rise in new orders led firms to cut their input buying at a much slower pace compared to that seen in December. Although stocks of inputs also continued to fall, the pace of depletion eased to a marginal pace, with stocks of finished goods also declining only slightly.

Finally, business confidence at goods producers jumped to a 21-month high in January. Optimism was reportedly underpinned by planned investment in marketing spending and building capacity, alongside hopes of stronger demand conditions.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/d29bb53ca6cb41a680468453eebb6612; 2/1/24
S&P Global U.S. Manufacturing PMI™

Strongest improvement in manufacturing performance since September 2022

Comment

“Manufacturers have started the year with a spring in their step. Business optimism about the year ahead has surged to its highest since early 2022 thanks to a jump in demand. New orders are rising at a pace not seen for over a year and a half, improving especially sharply for consumer goods as households benefit from signs of an easing in inflation and looser financial conditions.

Factories are also showing signs of restocking, with some firms buying more inputs to support higher production in the coming months. Payroll numbers are also rising again as firms seek to build extra operating capacity, boding well for the upturn to gain further strength as we head through the first quarter.

The brighter news is tempered by signs of factory costs rising on the back of supply delays, with costlier deliveries often linked to adverse weather and recent disruptions to global shipping. These higher costs are feeding through to increased prices charged for goods by factories, which rose in January at the fastest pace since last April. Some renewed upward pressure on consumer prices could therefore appear in the months ahead if these supply-linked inflationary trends persist.” — Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/d29bb53ca6cb41a680468453eebb6612; 2/1/24
Business activity growth accelerates to seven-month high in January

“The seasonally adjusted final S&P Global US Services PMI Business Activity Index posted 52.5 in January, up from 51.4 in December, but slightly lower than the earlier released ‘flash’ estimate of 52.9. The latest reading signalled a modest expansion in output, with the rate of growth accelerating for the fourth month running to the fastest since June 2023. Greater business activity was commonly linked to stronger demand conditions and a faster upturn in new orders.

The US services economy signalled a stronger start to the year as business activity expanded at the fastest pace since June 2023, according to the latest PMI® data from S&P Global. Contributing to the upturn was a quicker rise in new orders. Improved demand conditions were reported in the domestic market, but new export orders also increased, rising at the steepest rate since August 2023. Subsequently, firms expressed increased optimism regarding the outlook for output over the next year, and continued to expand their staffing numbers. This was also in response to renewed pressure on capacity, as backlogs of work rose for the first time in seven months.

At the same time, inflationary pressures softened. In a bid to remain competitive, services providers raised output charges at the slowest pace in the current sequence of increase that began in June 2020, aided by slower growth of input costs. Service sector input prices rose at the second slowest rate since October 2020.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/3e713a5d4c3a49cc85284834fa28ee3b; 2/5/23
“Services firms recorded a third successive monthly increase in new business, the pace of growth quickening to the sharpest in seven months. Although slower than the series average, the expansion was attributed to fruitful advertising campaigns and greater customer activity. In line with a rise in total new sales, new business from abroad returned to growth in January. Albeit only marginal, the rate of expansion was the steepest since August 2023 amid stronger demand conditions in key export markets. Although new business growth strengthened, service providers reportedly sought to price competitively and some offered concessions to customers. Subsequently, the rate of charge inflation slowed to the softest in the current sequence of increase that began in June 2020. Moreover, the uptick in selling prices was only marginal overall.

Input costs continued to rise at a sharp pace in January, however. Panellists attributed higher operating expenses to greater supplier, fuel and transportation costs, alongside increased wage bills. That said, the pace of cost inflation was slower than in December and weaker than the historic trend rate.

Greater new order inflows helped support stronger business confidence among US services firms at the start of the year. Output expectations for the year ahead picked up to the highest since June 2023, with the degree of optimism in line with the historic series average. Investment in advertising campaigns and the introduction of new service lines reportedly buoyed firms' sentiment” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/3e713a5d4c3a49cc85284834fa28ee3b; 2/5/23
S&P Global U.S. Services PMI™

Business activity growth accelerates to seven-month high in January

“Meanwhile, a renewed rise in backlogs of work spurred services companies to expand staffing numbers during January. The rise in backlogs of work was the quickest since March 2023. That said, the rate of job creation was only marginal and eased from December, as some firms reported struggles retaining employees or replacing leavers.

Comment
The US service sector started the year in a sweet spot, with output and demand growth accelerating while price pressures cooled markedly. The key driver of faster growth was the financial services sector, where looser financial conditions tied to expectations of lower interest rates spurred greater activity in January. Households are also benefitting from loosened financial conditions, driving renewed growth in consumer-facing services.

The buoyancy of the service sector has outweighed a further lackluster performance in manufacturing, and is driving overall output higher at a rate broadly consistent with GDP rising at a 2% pace. With bad weather having curbed some economic activity in January, February should see some further improvement in overall performance.

Business optimism about growth prospects in the service sector has likewise jumped higher, encouraging further payroll growth, albeit the latter limited by labor shortages.

Price pressures have meanwhile shifted lower. Overall service sector input cost growth is now running at the second-lowest for over three years, helping pull selling price growth across goods and services down to a level consistent with inflation dropping materially below the Federal Reserve's 2% target in the near future.” – Chris Williamson, Chief Business Economist, S&P Global
Private Indicators

S&P Global US Services Business Activity Index

sa, >50 = growth since previous month

Source: S&P Global PMI.
“The National Association of Credit Management’s seasonally adjusted combined Credit Managers’ Index (CMI) for January 2024 deteriorated 1.4 points to 51.1. “The CMI continues to show considerable weakness but without a deliberate trend other than bouncing around just above the contraction threshold,” said NACM Economist Amy Crews Cutts, Ph.D., CBE.

“Business bankruptcies accelerated in the fourth quarter of 2023, with total annual bankruptcies rising over 40% versus 2022. While overall consumer inflation is down, it only means prices are still rising but at a slower pace. Meanwhile, the Producer Price Index declined 3.2% versus a year ago in December. Attacks on ships in the Red Sea, the drought affecting shipping in the Panama Canal and other geopolitical events are increasing the costs and shipping times over water. CMI respondents are noting these pressures in their survey responses.”

“CMI survey respondents this month noted that although this was the slow time of year for many, sales seemed slower than usual,” Cutts said. “Even for those who noted sales were up as companies tried to get 2023 budget dollars spent on paper, they are not as eager to pay up. Inventories were used up in the latter part of 2023 as noted in recent macroeconomic reports, but many companies are signaling a return to leaner, just-in-time inventory management, which is consistent with what the CMI sales index is indicating. Sales are up in dollars, but units sold is stagnant or down.”” – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 1/31/24
Private Indicators

National Association of Credit Management – Credit Managers’ Index

“The Manufacturing Sector CMI deteriorated 2.7 points in the January survey to a level of 50.8 – its lowest reading since May 2020. The Service Sector CMI was unchanged from its December level, standing at 51.4.

We are seeing the effects of inflation and monetary policy in business credit markets,” Cutts said. “The service sector CMI fell sharply over the summer of 2022 and has remained tightly around 51 points since then – a level technically in expansion, but barely so. However, the manufacturing sector CMI has shown more volatility though a smoother general decline since the start of 2022. The manufacturing sector is more sensitive to the Fed’s interest rate moves due to higher investment in structures and machines that would be funded by capital markets and banks, however higher capital market rates do find their way into the B2B credit market eventually.”

Key Findings:

• “The index for favorable factors deteriorated 2.3 points to 55.4, led by a 5.3-point drop in the new credit applications factor index to 55.1 points and a 2.6-point decline in the dollar collections factor index to 56.1.

• The amount of credit extended factor index declined 0.3 to its lowest level since last August.

• The sales factor index has been the most volatile since the pandemic and is down 8.3 points from its recent high of 62.0 in June.” – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 1/31/24
Private Indicators

National Association of Credit Management – Credit Managers’ Index

Key Findings:

• “The index for unfavorable factors deteriorated by 0.8 to 48.2, remaining in the tight range around 50 that it has been in the past year and a half, while recording its seventh consecutive month below 50.

• Two of the six unfavorable factor indexes improved in the January survey, which records credit performance for the prior month; the index for rejections of credit applications led with a rise of 1.6 points to an index value of 50.7, its first value in over the expansion threshold in five months.

• The index for dollar amount beyond terms had the largest degradation, falling 4.6 points to 43.6, a new low for the post-pandemic period and the seventh consecutive month in which the index was below 50 denoting increasing amounts beyond terms.” – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 1/31/24
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; 1/31/24
Private Indicators

National Association of Credit Management – Credit Managers’ Index

<table>
<thead>
<tr>
<th>Combined Manufacturing and Service Sectors (seasonally adjusted)</th>
<th>Jan '23</th>
<th>Feb '23</th>
<th>Mar '23</th>
<th>Apr '23</th>
<th>May '23</th>
<th>Jun '23</th>
<th>Jul '23</th>
<th>Aug '23</th>
<th>Sep '23</th>
<th>Oct '23</th>
<th>Nov '23</th>
<th>Dec '23</th>
<th>Jan '24</th>
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<tbody>
<tr>
<td>Sales</td>
<td>52.1</td>
<td>57.3</td>
<td>56.5</td>
<td>58.4</td>
<td>53.4</td>
<td>61.0</td>
<td>54.7</td>
<td>49.4</td>
<td>58.3</td>
<td>52.6</td>
<td>55.9</td>
<td>53.6</td>
<td>52.7</td>
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<tr>
<td>New credit applications</td>
<td>58.4</td>
<td>58.2</td>
<td>58.5</td>
<td>58.2</td>
<td>57.3</td>
<td>58.0</td>
<td>56.5</td>
<td>56.5</td>
<td>56.5</td>
<td>56.6</td>
<td>58.4</td>
<td>60.4</td>
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<tr>
<td>Dollar collections</td>
<td>58.3</td>
<td>59.5</td>
<td>59.7</td>
<td>61.0</td>
<td>61.0</td>
<td>61.0</td>
<td>63.6</td>
<td>59.9</td>
<td>58.6</td>
<td>55.4</td>
<td>59.4</td>
<td>59.4</td>
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<tr>
<td>Amount of credit extended</td>
<td>58.5</td>
<td>58.6</td>
<td>58.0</td>
<td>58.4</td>
<td>56.0</td>
<td>60.5</td>
<td>56.7</td>
<td>55.2</td>
<td>61.5</td>
<td>58.7</td>
<td>58.3</td>
<td>58.1</td>
<td>57.9</td>
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<tr>
<td>Index of favorable factors</td>
<td>56.8</td>
<td>58.4</td>
<td>58.2</td>
<td>59.0</td>
<td>55.9</td>
<td>60.1</td>
<td>56.1</td>
<td>53.4</td>
<td>58.7</td>
<td>56.1</td>
<td>58.0</td>
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<td>55.4</td>
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<td>Rejections of credit applications</td>
<td>50.4</td>
<td>50.5</td>
<td>50.8</td>
<td>47.8</td>
<td>48.8</td>
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<tr>
<td>Accounts placed for collection</td>
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<td>45.7</td>
<td>46.7</td>
<td>46.1</td>
<td>45.1</td>
<td>47.7</td>
<td>44.9</td>
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<td>45.4</td>
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<td>Disputes</td>
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<tr>
<td>Dollar amount beyond terms</td>
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<td>48.9</td>
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<tr>
<td>Dollar amount of customer deductions</td>
<td>50.2</td>
<td>48.5</td>
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<td>49.6</td>
<td>52.8</td>
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<td>50.7</td>
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<td>48.8</td>
<td>51.2</td>
<td>50.5</td>
<td>50.1</td>
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<tr>
<td>Filings for bankruptcies</td>
<td>50.9</td>
<td>50.2</td>
<td>51.7</td>
<td>51.4</td>
<td>49.5</td>
<td>52.4</td>
<td>52.0</td>
<td>49.8</td>
<td>50.0</td>
<td>50.5</td>
<td>47.7</td>
<td>51.1</td>
<td>51.7</td>
</tr>
<tr>
<td>Index of unfavorable factors</td>
<td>49.1</td>
<td>49.1</td>
<td>50.5</td>
<td>49.7</td>
<td>49.3</td>
<td>51.1</td>
<td>49.4</td>
<td>48.9</td>
<td>48.4</td>
<td>48.1</td>
<td>48.5</td>
<td>49.0</td>
<td>48.2</td>
</tr>
<tr>
<td>NACM Combined CMI</td>
<td>52.2</td>
<td>52.8</td>
<td>53.6</td>
<td>53.4</td>
<td>52.0</td>
<td>54.7</td>
<td>52.1</td>
<td>50.7</td>
<td>52.5</td>
<td>51.3</td>
<td>52.3</td>
<td>52.5</td>
<td>51.1</td>
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Note: Seasonal adjustment factors were updated for the January 2024 report, which may affect previously published values.
Small Business Owners Expectations for Higher Sales Declined in January

“The NFIB Small Business Optimism Index decreased two points in January to 89.9, marking the 25th consecutive month below the 50-year average of 98. The net percent of owners who expect real sales to be higher declined 12 points from December to a net negative 16% (seasonally adjusted), a very negative shift in expectations.” – Holly Wade, NFIB

“Small business owners continue to make appropriate business adjustments in response to the ongoing economic challenges they’re facing. In January, optimism among small business owners dropped as inflation remains a key obstacle on Main Street.” – Bill Dunkelberg, Chief Economist, NFIB

Key findings include:

• “The frequency of reports of positive profit trends was a net negative 30%, five points worse than in December and a very poor reading.

• Twenty percent of owners reported that inflation was their single most important problem in operating their business, down three points from last month and one point behind labor quality as the top problem.” – Holly Wade, NFIB

Private Indicators

National Federation of Independent Business (NFIB)
January 2024 Report

Key findings include:
• “Small business owners’ plans to fill open positions softened, with a seasonally adjusted net 14% planning to create new jobs in the next three months, down two points from December and the lowest level since May 2020.
• Thirty-nine percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down one point from December and the lowest reading since January 2021.

As reported in NFIB’s monthly jobs report, 39% (seasonally adjusted) of all owners reported job openings they could not fill in the current period. Seasonally adjusted, a net 26% plan to raise compensation in the next three months, down three points from December. Ten percent cited labor costs as their top business problem and 21% said that labor quality was their top business problem.

Fifty-nine percent of owners reported capital outlays in the last six months, up one point from December. Of those making expenditures, 40% reported spending on new equipment, 25% acquired vehicles, and 17% improved or expanded facilities. Twelve percent of owners spent money on new fixtures and furniture and 7% acquired new buildings or land for expansion. Twenty-three percent (seasonally adjusted) plan capital outlays in the next few months.

A net negative 11% of all owners (seasonally adjusted) reported higher nominal sales in the past three months, unchanged from December. The net percent of owners expecting higher real sales volumes declined 12 points to a net negative 16%.” – Holly Wade, NFIB

Private Indicators

National Federation of Independent Business (NFIB) January 2024 Report

“The net percent of owners reporting inventory gains increased two points to 0%. Not seasonally adjusted, 13% reported increases in stocks and 19% reported reductions, up four points. A net negative 4% of owners viewed current inventory stocks as “too low” in January, up one point from December. By industry, shortages are reported most frequently in the wholesale (18%), retail (12%), and finance (11%) sectors. Shortages were reported least frequently in the professional services (2%) and construction (4%) sectors. A net negative 3% of owners plan inventory investment in the coming months, up two points from December.

The net percent of owners raising average selling prices declined three points from December to a net 22% seasonally adjusted. Fifteen percent of owners reported lower selling prices, the highest since August 2020. Twenty percent of owners reported that inflation was their single most important problem in operating their business, down three points from last month and one point behind labor quality as the top problem.

Unadjusted, 15% reported lower average selling prices and 36% reported higher average prices. Price hikes were the most frequent in wholesale (47% higher, 7% lower), retail (43% higher, 11% lower), services (43% higher, 6% lower), finance (42% higher, 14% lower), and construction (36% higher, 9% lower). Seasonally adjusted, a net 33% plan price hikes.” – Holly Wade, NFIB

“The frequency of reports of positive profit trends was a net negative 30%, five points worse than in December and a very poor reading. Among owners reporting lower profits, 32% blamed weaker sales, 15% blamed the rise in the cost of materials, 15% cited usual seasonal change, and 11% cited labor costs. For owners reporting higher profits, 49% credited sales volumes, 24% cited usual seasonal change, and 9% cited higher selling prices.

Three percent of owners reported that all their borrowing needs were not satisfied. Twenty-six percent reported all credit needs met and 62% said they were not interested in a loan.

A net 6% reported their last loan was harder to get than in previous attempts. Five percent of owners reported that financing was their top business problem. A net 18% of owners reported paying a higher rate on their most recent loan, down two points from December.

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 January 2024.” – Holly Wade, NFIB
Private Indicators

National Federation of Independent Business (NFIB) January 2024 Report

Small Business Optimism Index at 89.9
Based on 10 survey indicators, seasonally adjusted, Jan. '10 – Jan. '24

## Private Indicators

### National Federation of Independent Business (NFIB) January 2024 Report

<table>
<thead>
<tr>
<th>Small Business Optimism</th>
<th>From Last Month</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Index Component</strong></td>
<td><strong>Net %</strong></td>
</tr>
<tr>
<td>Plans to Increase Employment</td>
<td>14%</td>
</tr>
<tr>
<td>Plans to Make Capital Outlays</td>
<td>23%</td>
</tr>
<tr>
<td>Plans to Increase Inventories</td>
<td>-3%</td>
</tr>
<tr>
<td>Expect Economy to Improve</td>
<td>-38%</td>
</tr>
<tr>
<td>Expect Real Sales Higher</td>
<td>-16%</td>
</tr>
<tr>
<td>Current Inventory</td>
<td>-4%</td>
</tr>
<tr>
<td>Current Job Openings</td>
<td>39%</td>
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<tr>
<td>Expected Credit Conditions</td>
<td>-8%</td>
</tr>
<tr>
<td>Now a Good Time to Expand</td>
<td>8%</td>
</tr>
<tr>
<td>Earnings Trends</td>
<td>30%</td>
</tr>
</tbody>
</table>

Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

Job Gains Continue Among U.S. Small Businesses to Start 2024

“According to the Paychex Small Business Employment Watch, January marks the 34th consecutive month of job growth for U.S. small businesses. Wage growth for workers continues to stabilize in the new year with hourly earnings growth remaining essentially unchanged since November at 3.47%.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

“As we begin 2024, job growth in small businesses is continuing at a steady pace. Nationally, wage growth remains stable despite 65 minimum wage changes taking effect in various states and localities on January 1. Small and medium-sized businesses remain resilient in the face of many challenges, including a tight labor market for qualified workers, the cost of and access to capital, rising employer regulations, and cost of providing benefits to attract and retain employees.

Several macroeconomic data sources point to a strong close to 2023. Gross domestic product (GDP) increased 3.3% in the fourth quarter while the annual unemployment rate hit its lowest point since 1969, signaling federal policymakers have managed to bring down inflation and secure a ‘soft landing’ without major repercussions for workers or the economy. Policymakers need to address the cost and access to growth capital for small businesses, as well as the long term-issues impacting the labor market – including the participation rate and the quality of the workforce – to support the continued growth of small businesses, which drives the U.S. economy.” – John Gibson, President and CEO, Paychex

Source: https://www.paychex.com/employment-watch; 1/30/24
Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

Jobs Index Highlights

• “At 100.69, the national index indicates continued job growth but at a slower pace.
• With indexes above 100, all regions continue to report positive job growth in January. The South (101.12) leads the pace of regional job growth in January and has ranked first among regions for 16 of the last 17 months.
• Leading the South, Tennessee (102.19), Texas (102.06), and Virginia (102.01) are all reporting index levels above 102 in January.
• Ranked first among top U.S. metros in January, Dallas jumped 1.60 percentage points to 103.30 and has now increased its job growth rate for three-straight months.
• Education and Health Services (101.91) leads industries for small business job growth to start 2024. Indicating strong, sustained job growth, this sector’s jobs index was above 102 for 33 consecutive months leading up to January 2024.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 1/30/24
Wage Data Highlights

• “At 3.47%, hourly earnings growth has stabilized and is essentially unchanged over the past three months (3.48% in December 2023, 3.49% in November 2023).

• At 4.03%, the West leads regional hourly earnings growth for the eighth consecutive month. The South (3.33%) has the lowest hourly earnings growth rate among regions.

• Washington’s 5.17% hourly earnings growth in January is the highest among states for the sixth consecutive month.

• Seattle reports 5.27% hourly earnings growth in January, the fifth consecutive month over five percent, and ranked first among top U.S. metros.

• Construction has the strongest weekly hours worked among sectors for January, up 0.32% since December. Leisure and Hospitality also experienced strong one-month hourly earnings growth (5.10%).” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.
Private Indicators

Small Business Jobs Index

Historical Jobs Index Trend

Index

100.69

Source: https://www.paychex.com/employment-watch; 1/30/24
Private Indicators

The Paychex | IHS Markit
Regional Jobs Index

<table>
<thead>
<tr>
<th>Small Business Wage Data</th>
<th>Historical 12-Month Growth Trend</th>
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<tbody>
<tr>
<td><strong>Hourly Earnings</strong></td>
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<tr>
<td>$32.07</td>
<td>Hourly Earnings: Red line</td>
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<tr>
<td></td>
<td>Weekly Earnings: Blue line</td>
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<tr>
<td></td>
<td>Weekly Hours: Green line</td>
</tr>
</tbody>
</table>

Source: https://www.paychex.com/employment-watch; 1/30/24
Business Applications

“Business Applications for January 2024, adjusted for seasonal variation, were 450,078, a decrease of 1.3 percent compared to December 2023.

Business Formations

Projected Business Formations (within 4-quarters) for January 2024, adjusted for seasonal variation, were 29,047, a decrease of 4.3 percent compared to December 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 29,047 new business startups with payroll tax liabilities will form within 4-quarters of application from all the business applications filed during January 2024. The 4.3 percent decrease indicates that for January 2024 there will be 4.3 percent fewer businesses projected to form within 4 quarters of application, compared to the analogous projections for December 2023.” – U.S. Census Bureau
Economics

U.S. Census Bureau

NEW Business Formation Statistics
January 2024

**BUSINESS APPLICATIONS**

<table>
<thead>
<tr>
<th></th>
<th>JAN 2024</th>
<th>JAN 2024 / DEC 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>450,078</td>
<td>-1.3%*</td>
</tr>
<tr>
<td>High-Propensity</td>
<td>146,038</td>
<td>-2.5%*</td>
</tr>
<tr>
<td>With Planned Wages</td>
<td>47,469</td>
<td>-3.6%*</td>
</tr>
<tr>
<td>From Corporations</td>
<td>48,597</td>
<td>-2.4%*</td>
</tr>
</tbody>
</table>

Next release: March 12, 2024

(*) Statistical significance is not applicable or not measurable.
Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, February 14, 2024

**Business Applications - At a Glance**

<table>
<thead>
<tr>
<th></th>
<th>JAN 2024</th>
<th>JAN 2024 / DEC 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>US</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Northeast</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-Propensity</td>
<td>146,038</td>
<td>-2.5%</td>
</tr>
<tr>
<td>With Planned Wages</td>
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</tr>
<tr>
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<td>48,597</td>
<td>-2.4%</td>
</tr>
<tr>
<td><strong>Midwest</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>450,078</td>
<td>-1.3%</td>
</tr>
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<td>48,597</td>
<td>-2.4%</td>
</tr>
<tr>
<td><strong>South</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-Propensity</td>
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<tr>
<td><strong>West</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
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</tr>
</tbody>
</table>

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; 2/14/24
Economics

U.S. Census Bureau
January 2024

BUSINESS FORMATIONS

<table>
<thead>
<tr>
<th>U.S. Total Projected Business Formations:</th>
<th>JAN 2024</th>
<th>JAN 2024 / DEC 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 4 Quarters</td>
<td>29,047</td>
<td>-4.3%*</td>
</tr>
<tr>
<td>Within 8 Quarters</td>
<td>39,213</td>
<td>-4.0%*</td>
</tr>
</tbody>
</table>

Next release: March 12, 2024

(*) Statistical significance is not applicable or not measurable.
Spliced - Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, February 14, 2024

Projected Business Formations - At a Glance

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>Northeast</th>
<th>Midwest</th>
<th>South</th>
<th>West</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 4 Quarters</td>
<td>JAN 2024</td>
<td>29,047</td>
<td>4,682</td>
<td>4,621</td>
<td>11,396</td>
</tr>
<tr>
<td></td>
<td>JAN 2024 / DEC 2023</td>
<td>-4.3%</td>
<td>-3.0%</td>
<td>-2.9%</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Within 8 Quarters</td>
<td>JAN 2024</td>
<td>39,213</td>
<td>6,376</td>
<td>6,212</td>
<td>15,616</td>
</tr>
<tr>
<td></td>
<td>JAN 2024 / DEC 2023</td>
<td>-4.0%</td>
<td>-3.0%</td>
<td>-2.8%</td>
<td>-1.6%</td>
</tr>
</tbody>
</table>

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; 2/14/24
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NEW Business Formation Statistics

January 2024

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 2/14/24
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