The Virginia Tech – U.S. Forest Service August 2019 Housing Commentary: Section II

Urs Buehlmann
Department of Sustainable Biomaterials
College of Natural Resources & Environment
Virginia Tech
Blacksburg, VA
540.231.9759
buehlmann@gmail.com

Delton Alderman
Forest Products Marketing Unit
Forest Products Laboratory
U.S. Forest Service
Madison, WI
304.431.2734
dalderman@fs.fed.us

2018 Virginia Polytechnic Institute and State University VCE-CNRE 75NP

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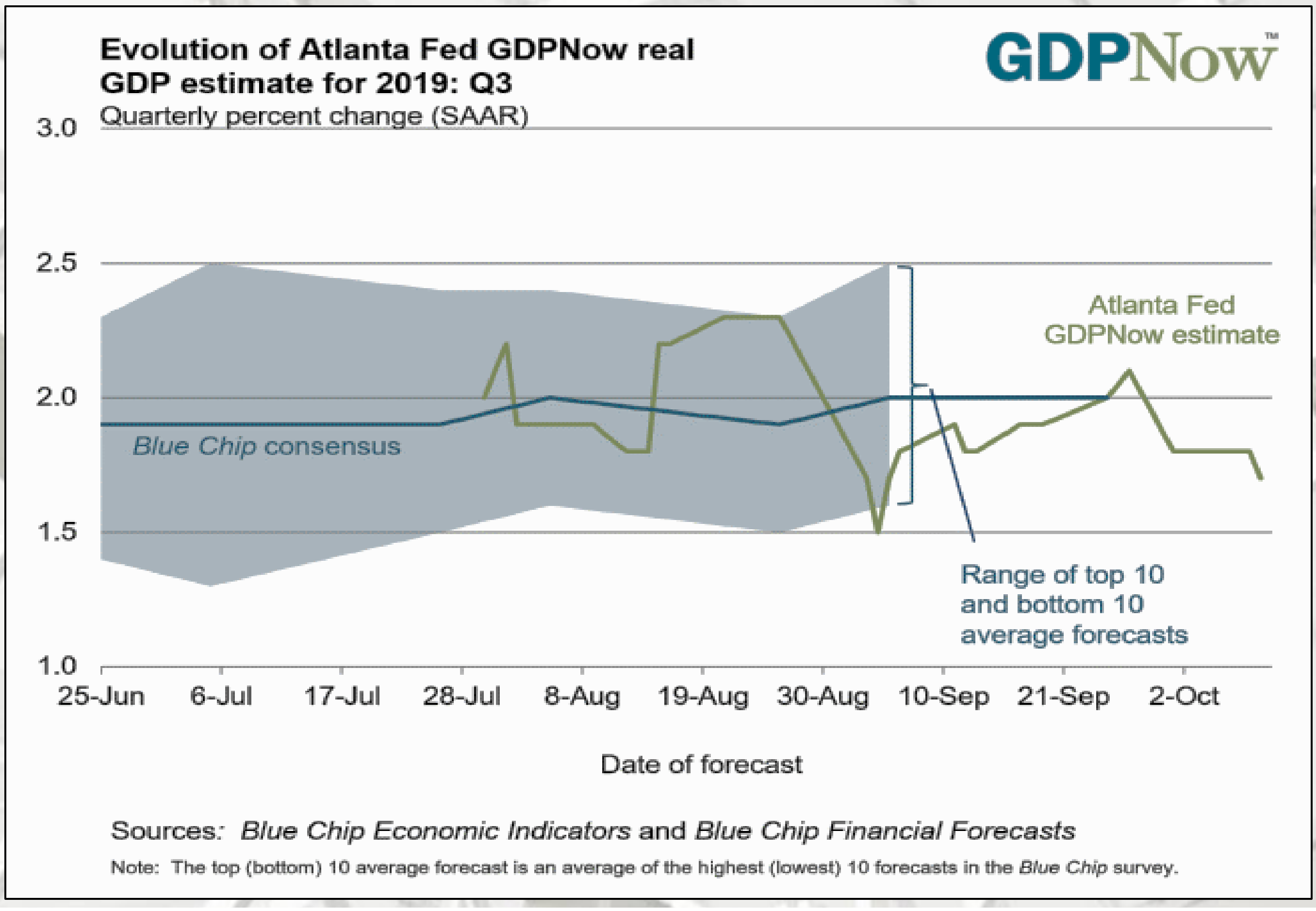
U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest forecast: 1.9 percent — October 9, 2019

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2019 is **1.7 percent** on October 9, down from 1.8 percent on October 4. After this morning's wholesale trade report from the U.S. Census Bureau, the nowcast of the contribution of inventory investment to third-quarter real GDP growth decreased from 0.12 percentage points to 0.01 percentage points."– Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 10/9/19

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The Federal Reserve Bank of Chicago: Midwest Economy Index

Index points to a pickup in Midwest economic growth in August

“The Midwest Economy Index (MEI) moved up to –0.26 in August from –0.37 in July. Contributions to the August MEI from three of the four broad sectors of nonfarm business activity and one of the five Seventh Federal Reserve District states increased from July. The relative MEI decreased to –0.27 in August from –0.06 in July. Contributions to the August relative MEI from all four sectors and all five states decreased from July.

The manufacturing sector’s contribution to the MEI moved up to –0.11 in August from –0.16 in July. The pace of manufacturing activity increased in Iowa and Michigan, but decreased in Indiana and Wisconsin and was unchanged in Illinois. Manufacturing’s contribution to the relative MEI fell to –0.09 in August from +0.09 in July.

The construction and mining sector’s contribution to the MEI was unchanged at –0.02 in August. The pace of construction and mining activity was faster in Iowa and Wisconsin, but slower in Illinois and Michigan and unchanged in Indiana. The contribution from construction and mining to the relative MEI ticked down to +0.02 in August from +0.03 in July.

The service sector contributed –0.11 to the MEI in August, up from –0.16 in July. The pace of service sector activity was up in Indiana, Iowa, and Wisconsin, but down in Michigan and unchanged in Illinois. The service sector’s contribution to the relative MEI ticked down to –0.20 in August from –0.19 in July.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/~/media/publications/mei/2019/mei-September2019-pdf.pdf; 9/30/19

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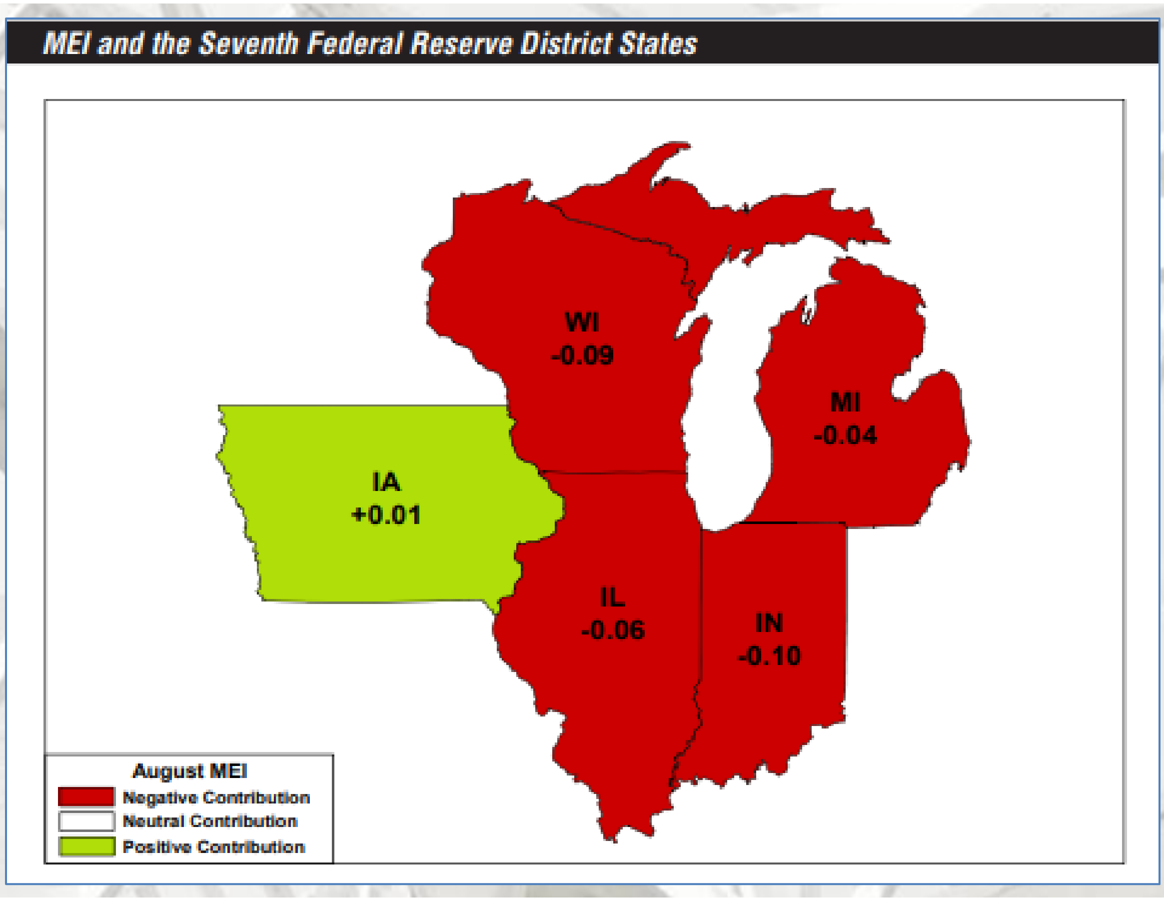
The Federal Reserve Bank of Chicago: Midwest Economy Index



Index points to a pickup in Midwest economic growth in August

"Consumer spending indicators contributed –0.02 to the MEI in August, up slightly from –0.03 in July. Consumer spending indicators were, on balance, up in Illinois, but down in Iowa and Wisconsin and steady in Indiana and Michigan. Consumer spending made a neutral contribution to the relative MEI in August, down from +0.01 in July." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/~/media/publications/mei/2019/mei-September2019-pdf.pdf; 9/30/19

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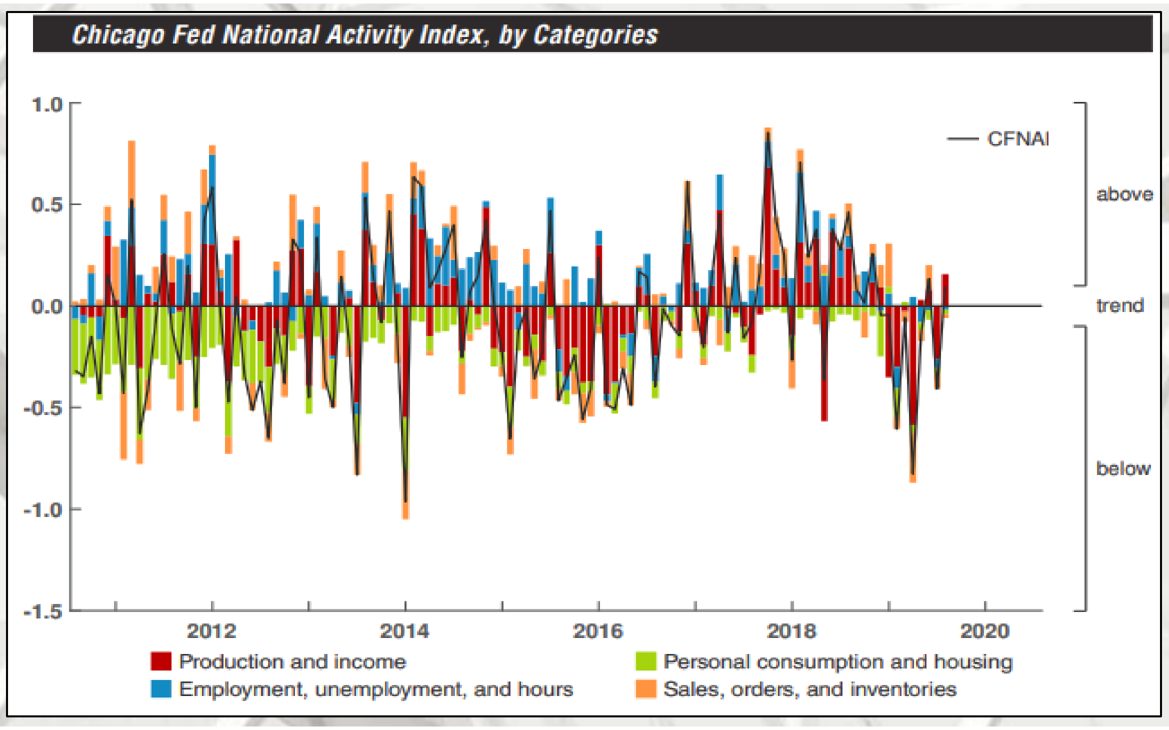
The Federal Reserve Bank of Chicago: National Activity Index



Index Points to a Pickup in Economic Growth in August

"Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) rose to +0.10 in August from –0.41 in July. All four broad categories of indicators that make up the index increased from July, but three of the four categories made negative contributions to the index in August. The index's three-month moving average, CFNAI-MA3, edged up to –0.06 in August from –0.14 in July.

The CFNAI Diffusion Index, which is also a three-month moving average, increased to –0.12 in August from –0.20 in July. Forty-four of the 85 individual indicators made positive contributions to the CFNAI in August, while 41 made negative contributions. Fifty-two indicators improved from July to August, while 30 indicators deteriorated and three were unchanged. Of the indicators that improved, 14 made negative contributions." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 9/23/19

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The Federal Reserve Bank of Chicago: National Activity Index

Index points to a pickup in economic growth in August

"Production-related indicators contributed +0.16 to the CFNAI in August, up from –0.26 in July. Total industrial production rose 0.6 percent in August after decreasing 0.2 percent in July; however, the Institute for Supply Management's Manufacturing Composite Index decreased to 49.1 in August from 51.2 in July. The contribution of the sales, orders, and inventories category to the CFNAI moved up to –0.02 in August from –0.07 in July.

Employment-related indicators contributed –0.02 to the CFNAI in August, up slightly from –0.05 in July. The unemployment rate held steady at 3.7 percent in August, and total nonfarm payrolls increased by 130,000 in August after rising by 159,000 in the previous month. The contribution of the personal consumption and housing category to the CFNAI ticked up to –0.02 in August from –0.03 in July. Housing starts increased to 1,364,000 annualized units in August from 1,215,000 in July.

The CFNAI was constructed using data available as of September 19, 2019. At that time, August data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The July monthly index value was revised to –0.41 from an initial estimate of –0.36, and the June monthly index value was revised to +0.13 from last month's estimate of +0.03. … ." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 9/23/19

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The Federal Reserve Bank of Dallas

Texas Manufacturing Expansion Continues

“Texas factory activity continued to expand in September, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, fell four points to 13.9, suggesting output growth continued but at a slightly slower pace than in August.

Other measures of manufacturing activity also suggested slightly slower expansion in September. The new orders index edged down two points to 7.1, while the shipments index fell three points to 14.7. Similarly, the capacity utilization index fell four points to 12.0. A bright spot this month was the growth rate of orders index, which edged up to 4.4, a five-month high.

Perceptions of broader business conditions remained positive in September. The general business activity index came in at 1.5, a second positive reading in a row after three months in negative territory. The company outlook index inched up to 7.4, its highest reading since February. The index measuring uncertainty regarding companies’ outlooks remained elevated at 13.3.

Labor market measures suggested stronger growth in employment and work hours in September. The employment index jumped 13 points to 18.8, its highest reading in nearly a year. Twenty-seven percent of firms noted net hiring, while 8 percent noted net layoffs. The hours worked index edged up to 5.7.

Input costs and wages continued to rise in September, while selling prices remained fairly steady. The raw materials prices index shot up 11 points to 20.3, a reading slightly below average. The wages and benefits index remained positive but fell 10 points to 17.4, a reading closer to the series average. Meanwhile, the finished goods prices index continued to oscillate around zero for a fifth consecutive month, this time coming in at 1.0. These near-zero readings suggest little change in selling prices month to month.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tmos/2019/1909; 9/30/19

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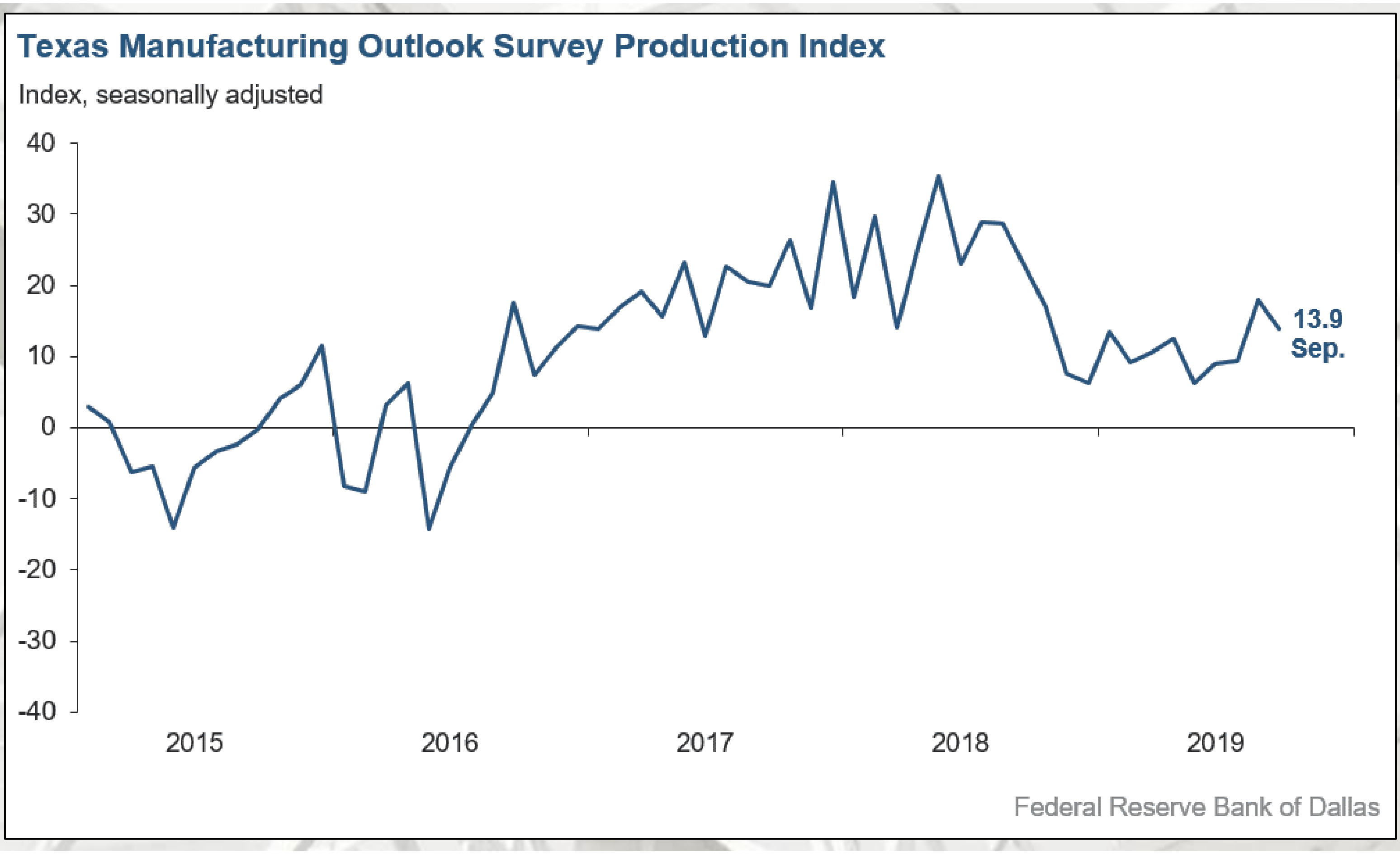
The Federal Reserve Bank of Dallas



Texas Manufacturing Expansion Continues

"Expectations regarding future business conditions were mixed in September. The index of future general business activity slipped into negative territory for the second time this year, falling eight points to -6.8. The index of future company outlook also fell eight points but remained barely positive, coming in at 2.4. Other indexes for future manufacturing activity showed mixed movements but stayed solidly in positive territory." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tmos/2019/1909; 9/30/19

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The Federal Reserve Bank of Dallas

Texas Service Sector Growth Improves

"Activity in the Texas service sector accelerated in September, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, rose from 7.8 in August to 12.9 in September.

Labor market indicators reflected slower employment growth and slightly longer workweeks this month. The employment index remained positive but fell from 10.2 to 6.5, its lowest reading in two years. The hours worked index also declined, falling from 8.2 to 2.4 in September.

Perceptions of broader business conditions strengthened, while the rise in outlook uncertainty moderated compared with August. The general business activity index rose over six points to 6.3 in September, while the company outlook index rebounded from negative territory to 4.1. The outlook uncertainty index remained elevated but fell from 19.6 to 15.4.

Wage pressures moderated in September, while price pressures were mostly unchanged. The wages and benefits index declined nearly six points to 14.1. The selling prices index inched up one point to 2.5, while the input prices index declined slightly from 23.8 to 21.6.

Respondents' expectations regarding future business conditions improved compared with August. The future company outlook index rose seven points to 11.6 in September, while the future general business activity index rebounded over 10 points to 6.2. Other indexes of future service sector activity, such as revenue and employment, reflected expectations of continued growth over the next six months." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tssos/2019/1908.aspx#tab-report; 10/1/19

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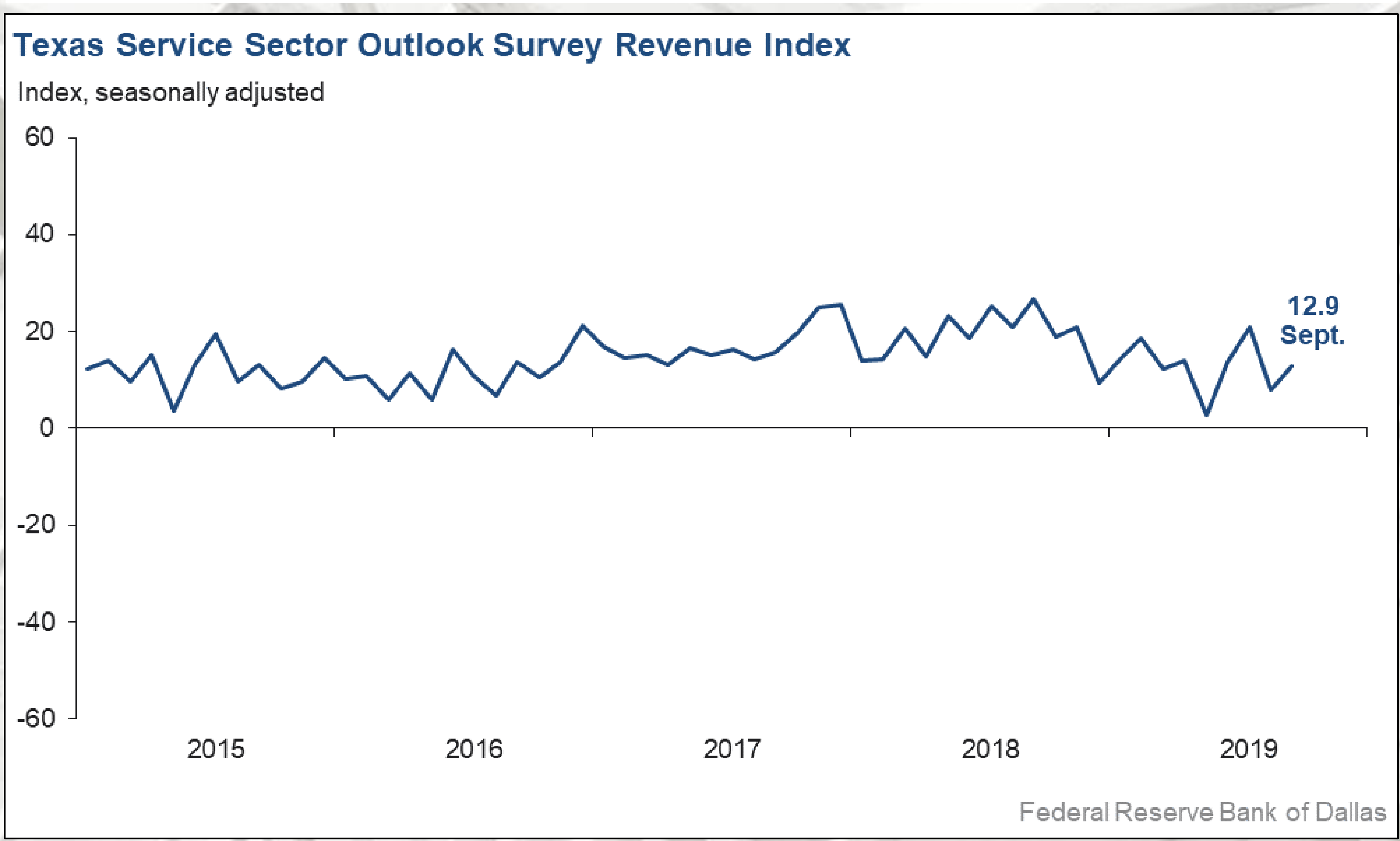
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys/tssos/2019/1908.aspx#tab-report; 10/1/19

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The Federal Reserve Bank of Dallas

Retail Sales Growth Rebounds

"Retail sales strengthened in September, according to business executives responding to the Texas Retail Outlook Survey. The sales index picked up after holding flat for two months, rising from -0.2 to a five-month high of 7.7. Inventories declined, as the inventories index fell 9.5 points to -4.0.

Retail labor market indicators remained weak in September, as respondents indicated a decline in employment and shortening workweeks. The employment index increased but remained in negative territory at -3.1, with 13 percent of respondents noting a decline in employment compared with August. The hours worked index fell over four points to -7.5 in September.

Retailers' perceptions of broader business conditions were notably less pessimistic in September following several months of dismal expectations. The general business activity index improved nearly seven points, though it remained slightly negative at -2.0. The company outlook index rose from -13.8 to -0.1, indicating essentially no change in the outlook. The outlook uncertainty index decreased markedly from 21.1 in August to 11.3 in September. …

Retailers' perceptions of future business conditions were significantly improved this month. The future general business activity index was still slightly negative but increased over 13 points to -1.2, while the future company outlook index rebounded 19 points to 6.6. Most other indexes of future retail sector activity also rose, reflecting expectations for improved growth over the next six months." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tssos/2019/1908.aspx#tab-report; 10/1/19

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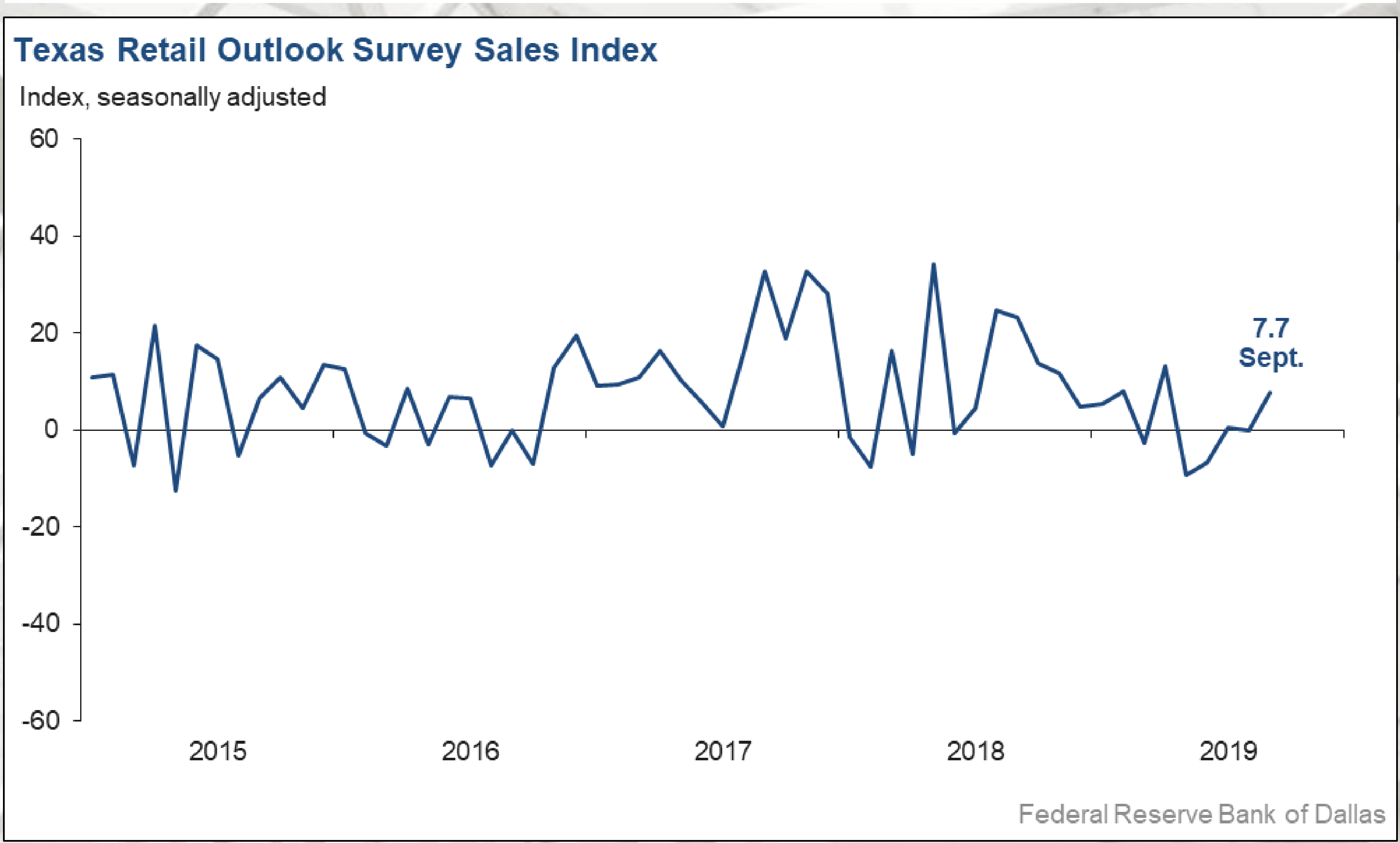
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys/tssos/2019/1908.aspx#tab-report; 10/1/19

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Edged Down in September

Tenth District manufacturing activity edged down in September, and expectations for future activity moderated but remained positive.

"Tenth District manufacturing activity edged down in September, and expectations for future activity moderated but remained positive (Chart 1). The month-over-month price index for raw materials continued to fall, while the price index for finished products inched higher. Firms continued to expect prices to rise over the next 6 months, but at a slower pace.

The month-over-month composite index was -2 in September, up slightly from -6 in August and similar to -1 in July (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The dip in manufacturing activity was driven by continued declines at durable goods plants, especially from decreases in nonmetallic mineral products, primary metal, computer and electronic products, and transportation equipment manufacturing. While the month-over-month employment index dropped further in September, the production and shipments indexes rebounded considerably. Year-over-year factory indexes were somewhat mixed in September, but the composite index was unchanged at -1. The future composite index remained positive, but slowed from 9 to 5, the lowest future composite index since May 2016." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/en/research/indicatorsdata/mfg/articles/2019/manufacturing-edged-down-09; 9/26/19

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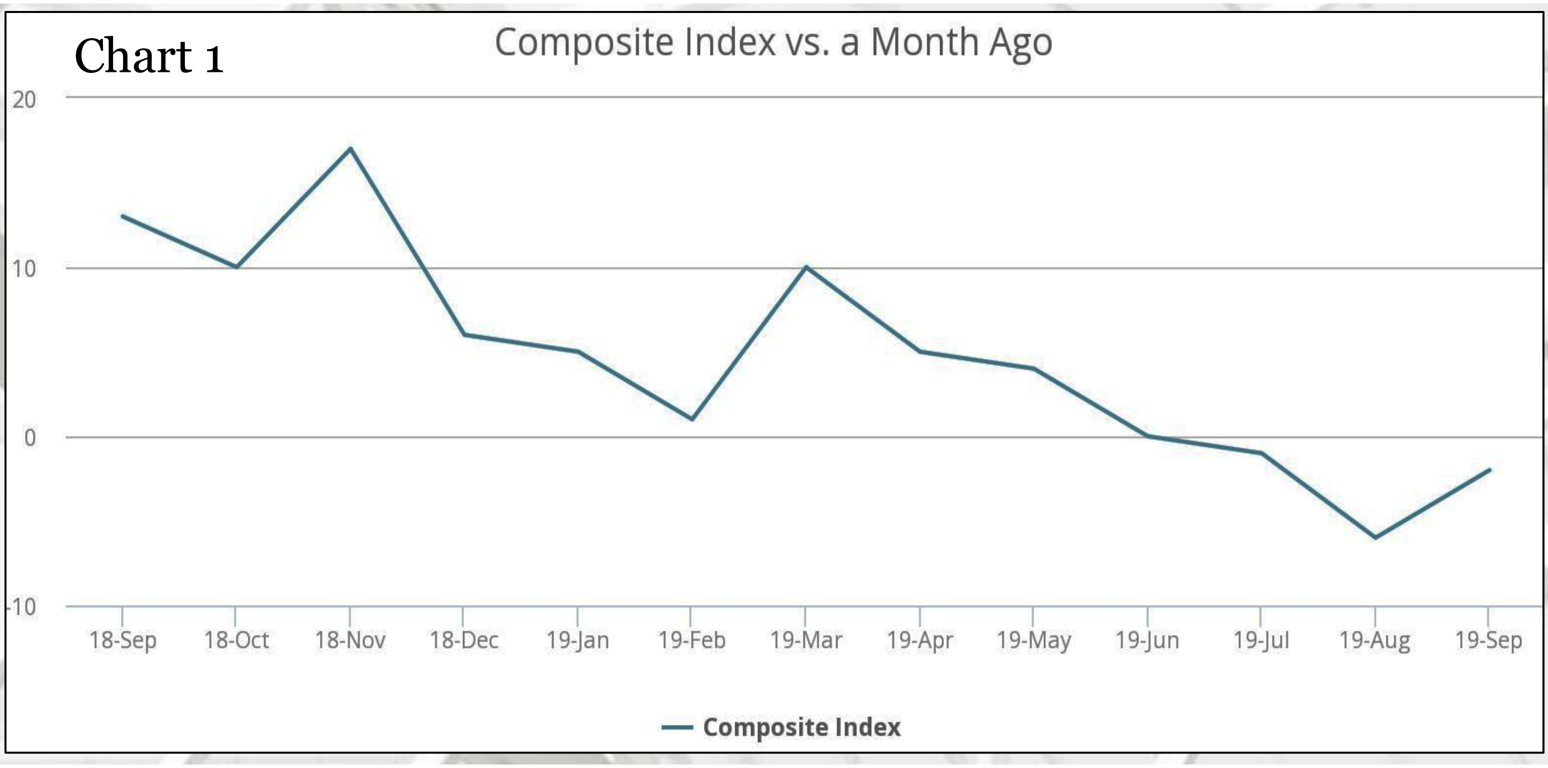
The Federal Reserve Bank of Kansas City



The Federal Reserve Bank of Kansas City
Special questions

"This month contacts were asked special questions about employment levels and capital spending plans compared with their expectations from early 2019. Nearly 34 percent of regional manufacturing contacts indicated that their number of expected employees for 2019 was higher since the beginning of the year, while 25 percent had lowered expectations for 2019 employment levels. Regarding capital spending, 30 percent of firms have delayed their plans in 2019, and 25 percent have delayed their capital spending plans for 2020. However, 18 percent of firms have accelerated their 2019 capital spending plans, and more than 11 percent have accelerated their capital spending plans for 2020." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/en/research/indicatorsdata/mfg/articles/2019/manufacturing-edged-down-09; 9/26/19

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The Federal Reserve Bank of Kansas City

Table 1. Summary of Tenth District Manufacturing Conditions, September 2019

	September vs. August (percent)*					September vs. Year Ago (percent)*				Expected in Six Months (percent)*				
Plant Level Indicators	Increase	No Change	Decrease	Diff Index^	SA Index*^	Increase	No Change	Decrease	Diff Index^	Increase	No Change	Decrease	Diff Index^	SA Index*^
Composite Index				-1	-2				-1				5	5
Production	38	40	23	15	11	35	24	41	-6	37	31	32	5	5
Volume of shipments	37	40	23	14	9	41	24	35	6	36	35	30	6	5
Volume of new orders	29	38	33	-5	-3	37	25	38	-1	38	35	27	12	13
Backlog of orders	15	49	36	-21	-19	23	37	40	-16	21	46	33	-12	-12
Number of employees	12	65	23	-12	-13	38	30	31	7	35	42	24	11	13
Average employee workweek	20	70	10	9	10	27	52	21	6	17	62	21	-3	-2
Prices received for finished product	17	69	14	3	1	49	35	16	33	28	59	13	15	14
Prices paid for raw materials	15	63	22	-7	-6	53	19	27	26	45	41	14	31	30
Capital expenditures						44	33	23	22	26	55	19	7	6
New orders for exports	8	84	9	-1	-2	12	68	20	-8	14	69	17	-2	-2
Supplier delivery time	8	85	7	1	1	13	77	10	2	10	80	9	1	0
Inventories: Materials	21	52	28	-7	-5	26	39	34	-8	21	53	26	-5	-8
Inventories: Finished goods	17	56	27	-10	-9	33	32	35	-1	27	44	28	-1	0

*Percentage may not add to 100 due to rounding.

^Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

*^Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The September survey was open for a five-day period from September 18-23, 2019 and included 89 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Source: https://www.kansascityfed.org/en/research/indicatorsdata/mfg/articles/2019/manufacturing-edged-down-09; 9/26/19

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Continued to Rise Moderately in September

Tenth District services activity continued to rise moderately in September, and expectations for future growth remained solid.

Business continued to rise moderately

“Tenth District services activity continued to rise moderately in September, and expectations for future growth remained solid (Chart 1). Input and selling price indexes increased compared with a month ago and a year ago, and expectations for future selling prices also grew in September.

The month-over-month services composite index was 16 in September, similar to 17 in August, and up considerably from -1 in July. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were mostly positive in September. The indexes for employment, wages and benefits, and capital expenditures increased, while the inventory index dipped into negative territory. The general revenue/sales index continued to expand, driven by increases in wholesale, auto, professional and business activity, and health services, while restaurant activity decreased. Year-over-year services indexes increased compared to last month, up from 15 to 26. Expectations for future services activity were unchanged at 18, as the future employment index increased, while the future inventory index decreased.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/en/research/indicatorsdata/services/articles/2019/september-2019-services-survey; 9/27/19

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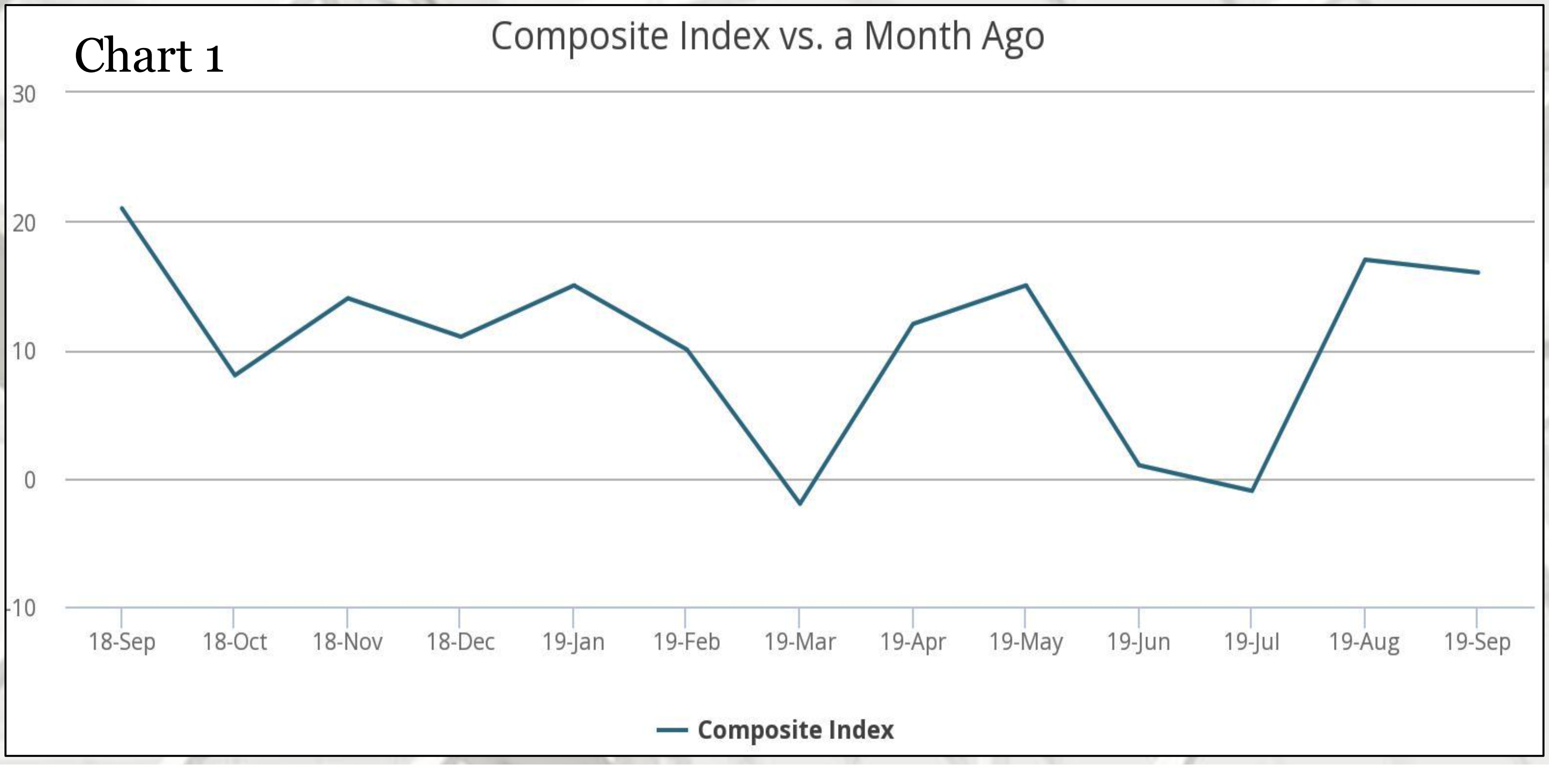
U.S. Economic Indicators



The Federal Reserve Bank of Kansas City
Special questions

"This month contacts were asked special questions about employment levels and capital spending plans compared with their expectations from early 2019. Over 33 percent of regional business contacts indicated that their number of expected employees for 2019 was higher since the beginning of the year, and only 15 percent lowered expectations for 2019 employment levels. Regarding capital spending, more than 22 percent of firms have delayed their plans in 2019 and similarly, 22 percent have delayed their capital spending plans for 2020. However, more than 15 percent of firms have accelerated their 2019 capital spending plans, and nearly 14 percent have accelerated their capital spending plans for 2020." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/en/research/indicatorsdata/services/articles/2019/september-2019-services-survey; 9/27/19

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

LMCI suggest the level of activity declined and momentum decelerated in August

"The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity declined and momentum decelerated in August. The level of activity indicator decreased in August from 1.07 to 0.97, while the momentum indicator decelerated from 0.90 to 0.61." – Kelly Edmiston, Senior Economist, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/~/media/files/publicat/research/indicatorsdata/lmci/2019/lmci_091119.pdf; 9/11/19

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Growth Remains Sluggish

"Business activity was little changed in New York State, according to firms responding to the September 2019 *Empire State Manufacturing Survey*. The headline general business conditions index edged down three points to 2.0. New orders were marginally higher than last month, and shipments grew modestly. Delivery times were steady, and inventories increased. Employment levels expanded, while the average workweek held steady. Both input prices and selling prices increased at a faster pace than last month. Indexes assessing the six-month outlook indicated that optimism about future conditions deteriorated noticeably, and capital spending plans weakened markedly.

Manufacturing firms in New York State reported that business activity was little changed from last month. The general business conditions index moved down three points to 2.0. Twenty-seven percent of respondents reported that conditions had improved over the month, while 25 percent reported that conditions had worsened. The new orders index fell three points to 3.5, pointing to a small increase in orders. The shipments index fell four points to 5.8, its lowest level in nearly three years. The unfilled orders index remained negative for a fourth consecutive month, indicating that unfilled orders continued to decline. Delivery times were steady, and inventories climbed." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/16/19

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Employment Rises

"After spending three months in negative territory, the index for number of employees rose to 9.7, pointing to an increase in employment levels, while the average workweek index came in at 1.7, indicating little change in hours worked. Prices increased at a faster pace than last month: the prices paid index moved up six points to 29.4, and the prices received index climbed five points to 9.2.

Optimism Slips

Indexes assessing the six-month outlook suggested that optimism about future conditions waned. The index for future business conditions fell twelve points to 13.7. The indexes for future new orders and shipments also moved lower. Firms expected increases in employment levels but no change in the average workweek in the months ahead. The capital expenditures index plunged nineteen points to 4.6, its lowest level in three years, and the technology spending index fell to 6.5, also a multi-year low." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/16/19

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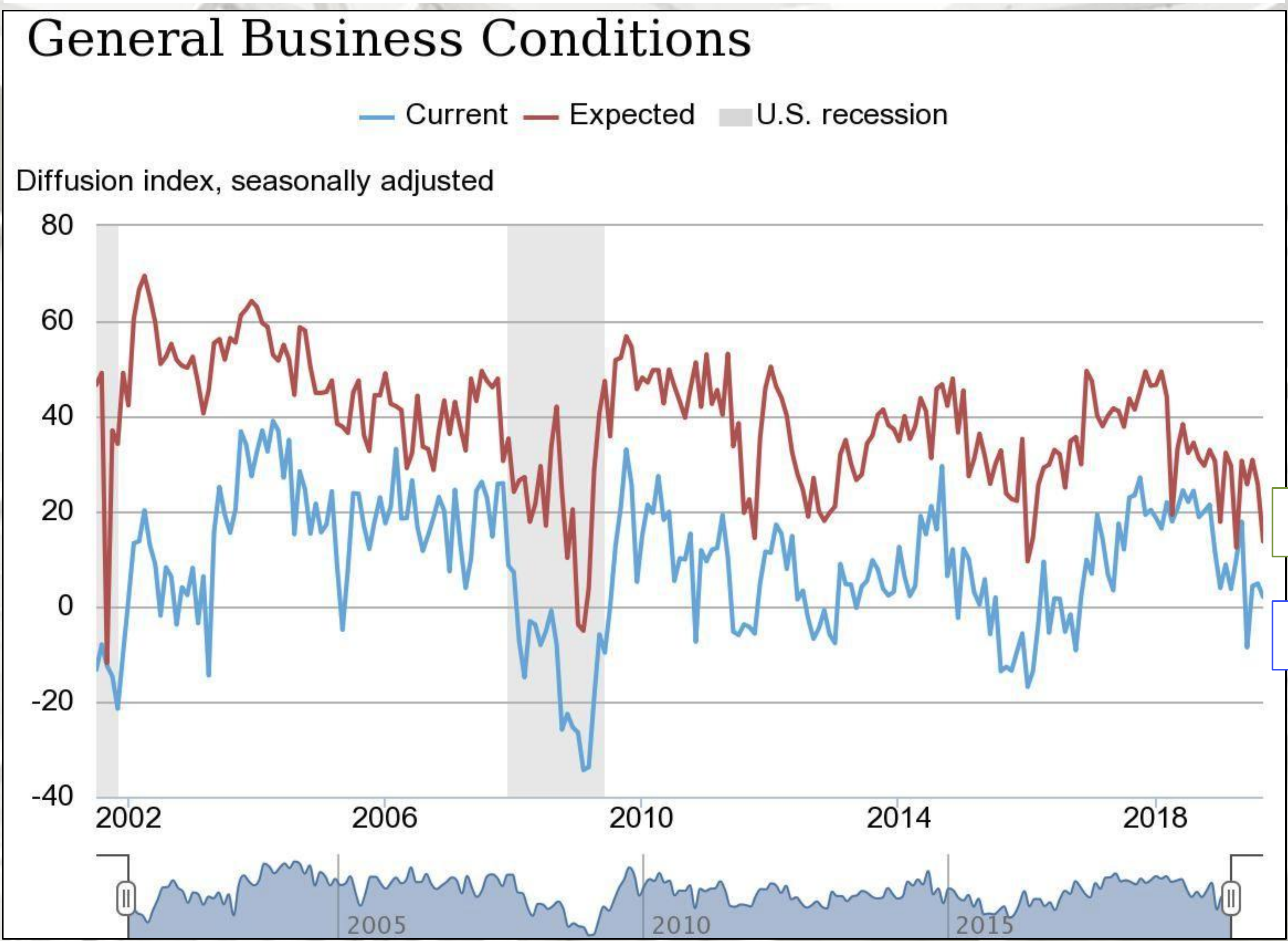
The Federal Reserve Bank of New York



September 2019
13.7

September 2019
2.0

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/16/19

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Modest Growth Continues

“Activity in the region’s service sector grew modestly, according to firms responding to the Federal Reserve Bank of New York’s September 2019 *Business Leaders Survey*. The survey’s headline business activity index fell four points to 4.9, pointing to a slower pace of growth than in August. However, the business climate index plunged eighteen points to -15.6, indicating that on balance, firms regarded the business climate as worse than normal. Employment levels rose modestly, and wage increases remained widespread. Input price increases continued to slow, while selling prices increased at about the same pace as last month. Optimism about future conditions deteriorated, with firms expressing pessimism about the future business climate to the worst degree in a decade.

Business activity continued to grow in the region’s service sector in September, though at a slower pace than last month. The headline business activity index declined four points to 4.9. Twenty-nine percent of respondents reported that conditions improved over the month, and 24 percent said that conditions worsened. The business climate index fell a steep eighteen points to -15.6, its lowest level in more than two years, indicating that, on balance, firms viewed the business climate as worse than normal.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 9/15/19

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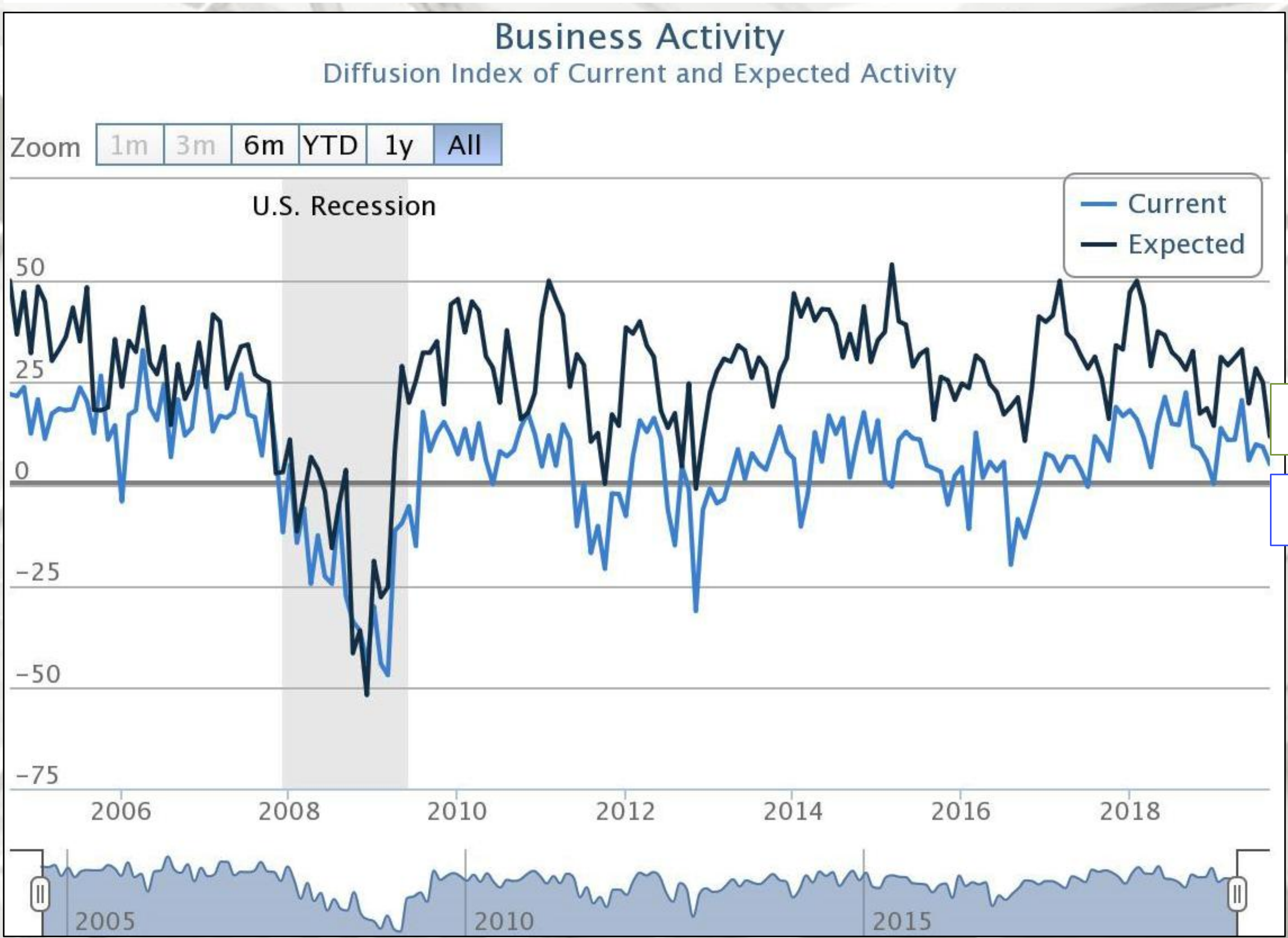
The Federal Reserve Bank of New York



September 2019
11.7

September 2019
4.9

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 9/15/19

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Input Price Increases Slow Further

“The employment index was little changed at 6.7, pointing to ongoing modest gains in employment. The wages index held steady at 39.8, indicating that wages increased at a pace similar to last month. The prices paid index fell for a second consecutive month, declining three points to 38.9, pointing to an ongoing deceleration in input price increases. The prices received index held steady at 20.0. The capital spending index fell four points to 13.4.

Outlook For Future Business Climate Grows More Pessimistic

Firms were notably less optimistic about the six-month outlook. The index for future business activity, while still positive, fell thirteen points to 11.7, a three-year low. The index for future business climate declined eleven points to -18.6, its lowest level since 2009, indicating that firms expected the business climate to worsen in the months ahead. The indexes for future wages and future employment both moved lower, and the index for planned capital spending fell four points to 17.3.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 9/15/19

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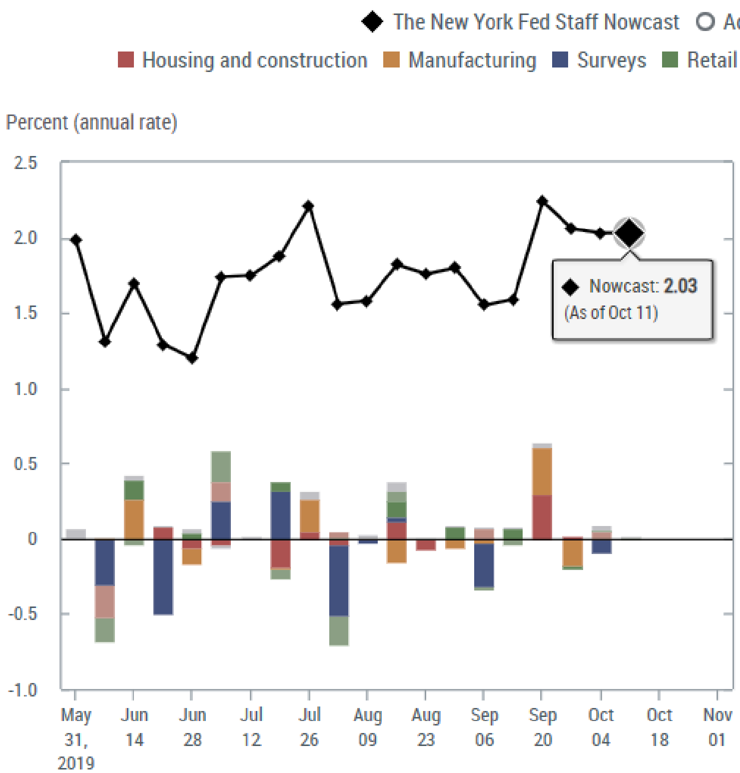
U.S. Economic Indicators

The Federal Reserve Bank of New York Nowcast

2019:Q4 | **2019:Q3** | 2019:Q2 | 2019:Q1

Last Release 11:15am EST Oct 11, 2019



Data Flow (Oct 11, 2019)

Model Update	Release Date	Data Series	Actual	Impact	Nowcast GDP Growth
Oct 11					**2.03**
	8:30AM Oct 11	Export price index	-0.24	0.00	
	8:30AM Oct 11	Import price index	0.24	0.01	
	8:30AM Oct 10	CPI-U: All items less food and energy	0.13	-0.00	
	8:30AM Oct 10	CPI-U: All items	0.02	-0.00	
	10:00AM Oct 09	JOLTS: Total job openings	-123.00	-0.00	
	8:30AM Oct 08	PPI: Final demand	-0.34	-0.01	
		Data revisions		0.02	
Oct 04					**2.03**

Notes: We start reporting the Nowcast for a reference quarter about one month before the quarter begins; we stop updating it about one month after the quarter closes. Colored bars reflect the impact of each broad category of data on the Nowcast; the impact of specific data releases is shown in the accompanying table.
Source: Authors' calculations, based on data accessed through Haver Analytics.

October 11, 2019: Highlights

- "The New York Fed Staff Nowcast stands at 2.0% for 2019:Q3 and 1.3% for 2019:Q4.
- News from the JOLTS, PPI, CPI, and export and import prices releases were small, leaving the nowcast for both quarters broadly unchanged." – The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/research/policy/nowcast; 10/11/19

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U.S. Economic Indicators

The Federal Reserve Bank of Philadelphia

September 2019 Manufacturing Business Outlook Survey

Current Manufacturing Indexes Indicate Expansion in September

"Manufacturing activity in the region continued to expand this month, according to results from the September *Manufacturing Business Outlook Survey*. The diffusion index for current general activity fell 5 points this month to 12.0. The survey's future general activity index moderated but continues to suggest growth over the next six months.

Current Indexes Indicate Growth

The diffusion index for current general activity fell 5 points this month to 12.0 (see Chart 1). Over 28 percent of the firms indicated an increase in activity, and 16 percent reported a decrease. The index for current new orders declined slightly, from 25.8 in August to 24.8 in September. The current shipments index, however, increased 7 points. Both the unfilled orders and delivery times indexes remained positive this month, suggesting higher unfilled orders and slower delivery times.

The firms reported overall improvement in manufacturing employment this month. Nearly 25 percent of the firms reported higher employment, while 9 percent reported lower employment. The employment index increased 12 points, and the average workweek index increased 6 points." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0919; 9/19/19

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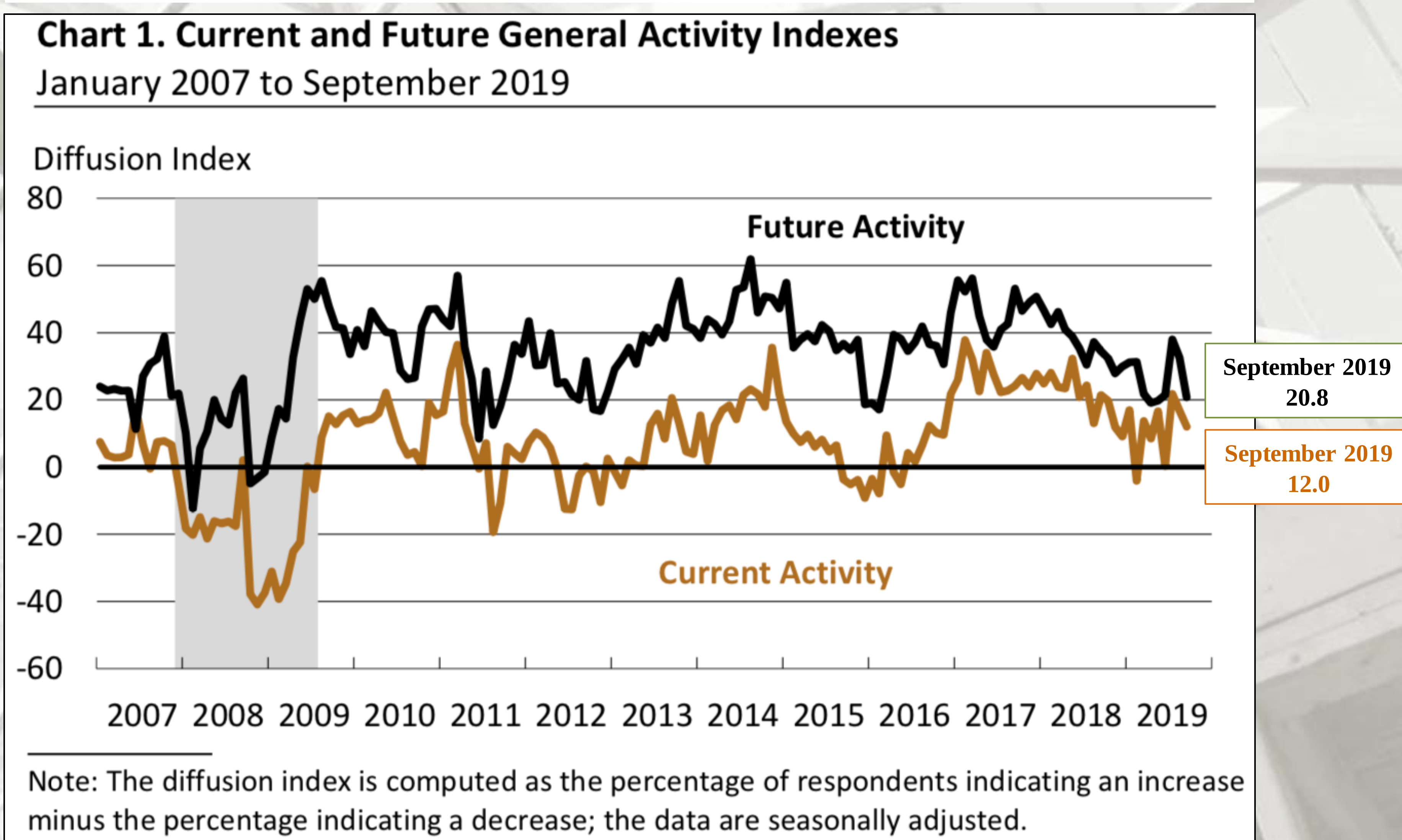
The Federal Reserve Bank of Philadelphia



Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0919; 9/19/19

The Federal Reserve Bank of Philadelphia

Survey Price Measures Rise This Month

"Price increases were more widespread this month. On the cost side, nearly 38 percent of the firms reported increases in the prices paid for inputs this month, up from 25 percent in August. The prices paid index increased 20 points to 33.0, its highest reading since December 2018. With respect to prices received for firms' own manufactured goods, 26 percent of the firms reported higher prices, up from 16 percent in August. The diffusion index for prices received increased 8 points to 20.8, its highest reading since March.

Modernization of Manufacturing Processes Is Most Cited Goal Among Firms

In this month's special questions, the firms were asked about spending plans related to achieving company growth (see Special Questions). Modernization of manufacturing processes was the most frequently cited goal of capital spending (69 percent), followed by expansion of facilities (29 percent), and the launching of new units (24 percent). Still reporting notable percentages, fewer firms indicated other goals to achieve growth: internationalization (17 percent), the purchase of other companies' assets (12 percent), and acquisition of other companies (12 percent). Joint venture goals were cited by only 5 percent of the respondents.

The firms were also asked about how these same cited goals had changed over the past few years. Over 60 percent of the firms indicated that modernization has become more important, while only 2 percent indicated it is less important. The firms were evenly divided on the change in importance of expanding facilities (29 percent). The firms that indicated capital spending for facilities expansion and process modernization have become less important cited the following reasons: fewer profitable opportunities (19 percent), policy uncertainty, weaker economic conditions, and international trade policies (each cited by 17 percent of the respondents)." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0919; 9/19/19

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The Federal Reserve Bank of Philadelphia

Firms Remain Optimistic Overall

"The diffusion index for future general activity fell 12 points to 20.8 (see Chart 1). Over 37 percent of the firms expect increases in activity over the next six months, while 16 percent expect declines. The future new orders index decreased 9 points, and the future shipments index decreased 2 points. The firms remained optimistic about future hiring, and the future employment index increased 6 points. The firms also expect prices to move higher in the next six months: The future prices paid index increased 10 points, and the future prices received index increased 9 points.

Summary

Responses to the September *Manufacturing Business Outlook Survey* suggest continued expansion in manufacturing activity this month. The current activity and new orders indexes, however, moderated from their August readings. The firms reported continued increases in hiring. More firms also reported increases in prices this month. Although most future indexes moderated this month, the firms continue to expect increases in activity and employment over the next six months." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0919; 9/19/19

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The Federal Reserve Bank of Philadelphia

August 2019 Nonmanufacturing Business Outlook Survey

"Responses to the September *Nonmanufacturing Business Outlook Survey* suggest an expansion of nonmanufacturing activity in the region. The index for general activity at the firm level and the index for sales/revenues both moderated slightly, while the new orders index held steady. The index for full-time employment remained stable. The firms continued to report overall increases in the prices of both their own goods and their inputs. T he respondents continued to anticipate growth over the next six months.

Firms Report Overall Growth

The diffusion index for current general activity at the firm level decreased 3 points to 29.4 in September (see Chart 1). Forty-one percent of the firms reported increases in activity, and 12 percent reported decreases. The new orders index was little changed, at 9.7, after a 16-point fall in August. The share of firms reporting increases in new orders (22 percent) was higher than the share reporting decreases (12 percent). The sales/revenues index fell from 28.5 in August to 22.5 in September. Nearly 40 percent of the responding firms reported increases in sales/revenues, while 17 percent reported decreases. The regional activity index edged up 2 points to 9.5.

Full-Time Employment Remains Stable

The firms continued to report overall increases in full-time and part-time employment. The full-time employment index remained stable at 22.1. Over 55 percent of the firms reported steady full-time employment levels, while the share of firms reporting increases (31 percent) was higher than the share reporting decreases (9 percent). The part-time employment index rose 10 points to 23.5, and the wages and benefits indicator fell 7 points to 36.1. The average workweek index decreased 5 points to 12.5." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey/2019/nbos0919; 9/24/19

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The Federal Reserve Bank of Philadelphia

August 2019 Nonmanufacturing Business Outlook Survey

Firms Continue to Report Overall Price Increases

"Price indicator readings suggest overall increases in prices for inputs and for the firms' own goods and services, but both indicators ticked down. The prices paid index declined 3 points to 26.5. Although the majority of respondents (51 percent) reported stable input prices, 32 percent of the respondents reported increases, while only 6 percent reported decreases. Regarding prices for firms' own goods and services, the prices received index edged down 2 points from August to 12.0 in September. While 18 percent of the firms reported increases in prices received, only 6 percent reported decreases. More than 63 percent of the firms reported no change in prices for their own goods and services.

Firms' Expect Growth to Continue

Both future activity indexes suggest that firms anticipate continued growth over the next six months. The diffusion index for future activity at the firm level moved up from a reading of 26.8 in August to 30.7 this month (see Chart 1). More than 45 percent of the firms expect an increase in activity at their firms over the next six months compared with 15 percent that expect decreases. Nearly 36 percent of the firms expect no change over the next six months. The future regional activity index strengthened 18 points to 17.3.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest that nonmanufacturing activity expanded in the region. The indicators for firm-level general activity and sales/revenues both moderated, while the full-time employment and new orders indexes both held steady. Overall, the respondents continue to expect growth over the next six months at their own firms." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey/2019/nbos0919; 9/24/19

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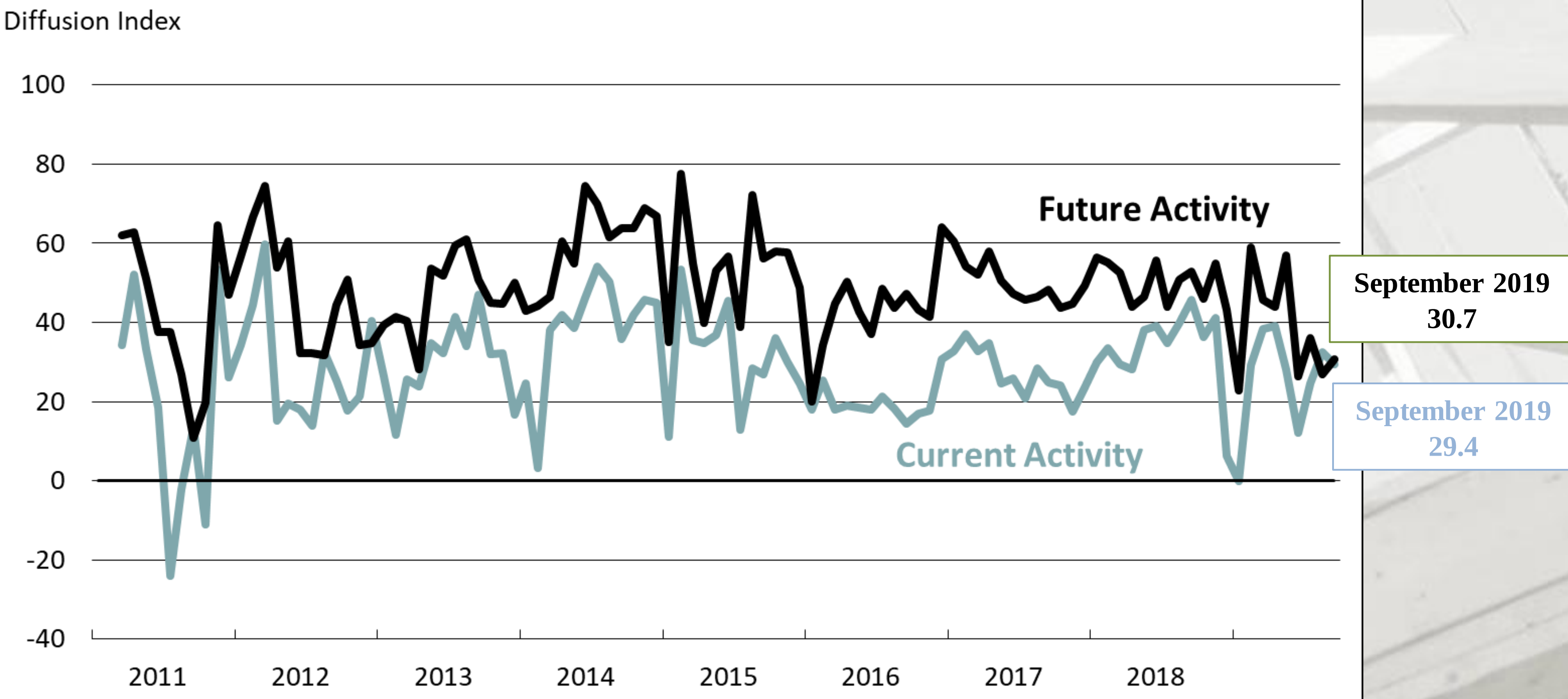
The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes for Firms
March 2011 to September 2019



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.

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey/2019/nbos0919; 9/24/19

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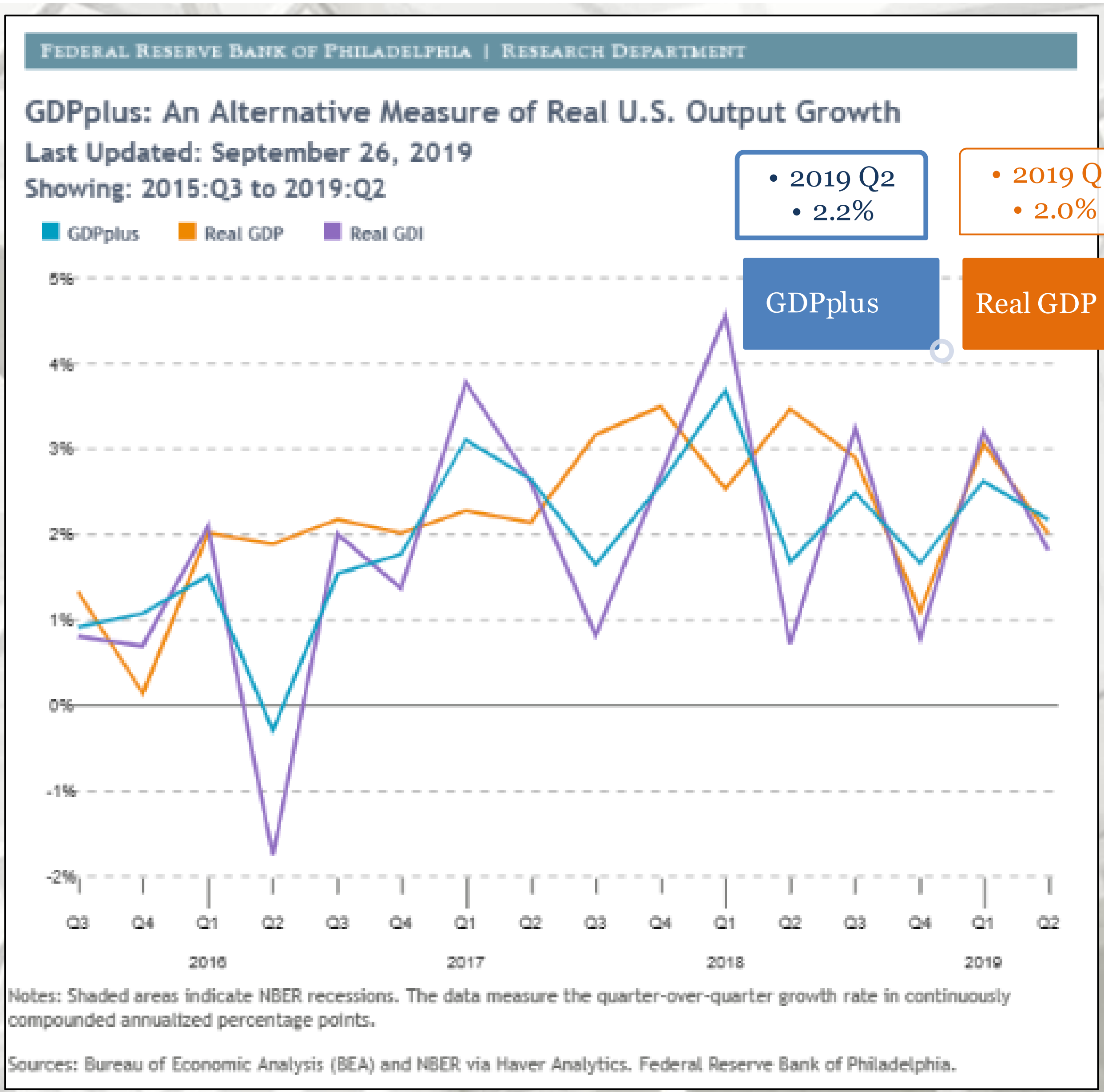
The Federal Reserve Bank of Philadelphia: GDPplus



- 2019 Q2
- 2.2%

GDPplus

- 2019 Q2
- 2.0%

Real GDP

- 2019 Q2
- 1.8%

Real GDI

Source: https://philadelphiafed.org/research-and-data/real-time-center/gdpplus/ 9/26/19

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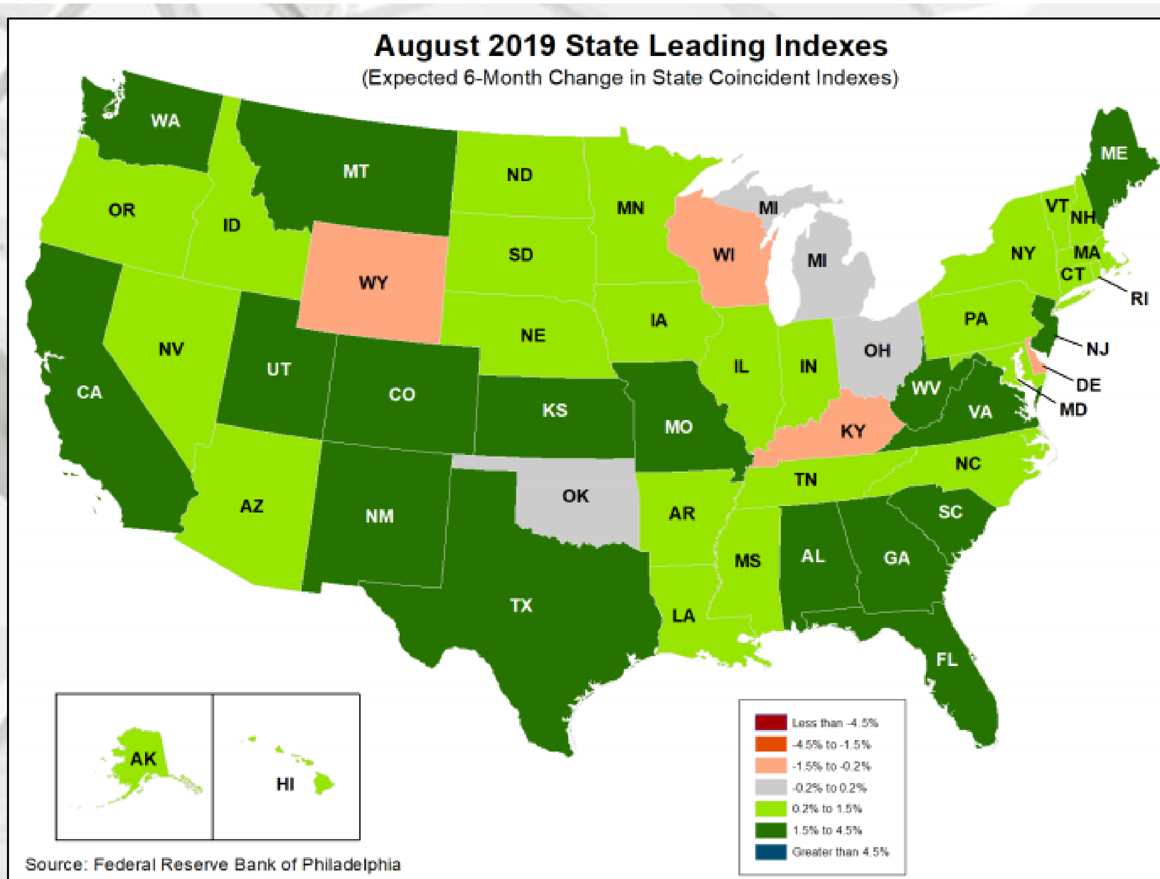

"The Federal Reserve Bank of Philadelphia has released the leading indexes for the 50 states for August 2019. The indexes are a six-month forecast of the state coincident indexes (also released by the Bank). Forty-five state coincident indexes are projected to grow over the next six months, and five are expected to decrease. For comparison purposes, the Philadelphia Fed has also developed a similar leading index for its U.S. coincident index, which is projected to grow 1.4 percent over the next six months." – Daniel Mazone, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/-/media/research-and-data/regional-economy/indexes/leading/2019/LeadingIndexes0819.pdf; 10/1/19

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Manufacturing Activity Softened in September

"Fifth District manufacturing activity softened in September, according to the most recent survey from the Richmond Fed. The composite index dropped from 1 in August to −9 in September, as both shipments and new orders fell. However, the third component, employment, rose. Firms also reported a drop in backlog of orders and weakening local business conditions but were optimistic that conditions would improve in the coming months.

Survey results indicated wage growth and a slight increase in employment in the manufacturing sector in September. However, firms struggled to find workers with the necessary skills, and the indicator for the average workweek hit a nine-year-low. Manufacturers expected wages and employment to continue to grow but finding workers to continue to be a struggle in the next six months.

Growth of prices paid by survey respondents held fairly steady in September, while the growth rate of prices received increased, narrowing the gap between the two. Firms expected growth of both prices paid and prices received to slow in the near future." – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_09_24_19; 9/24/19

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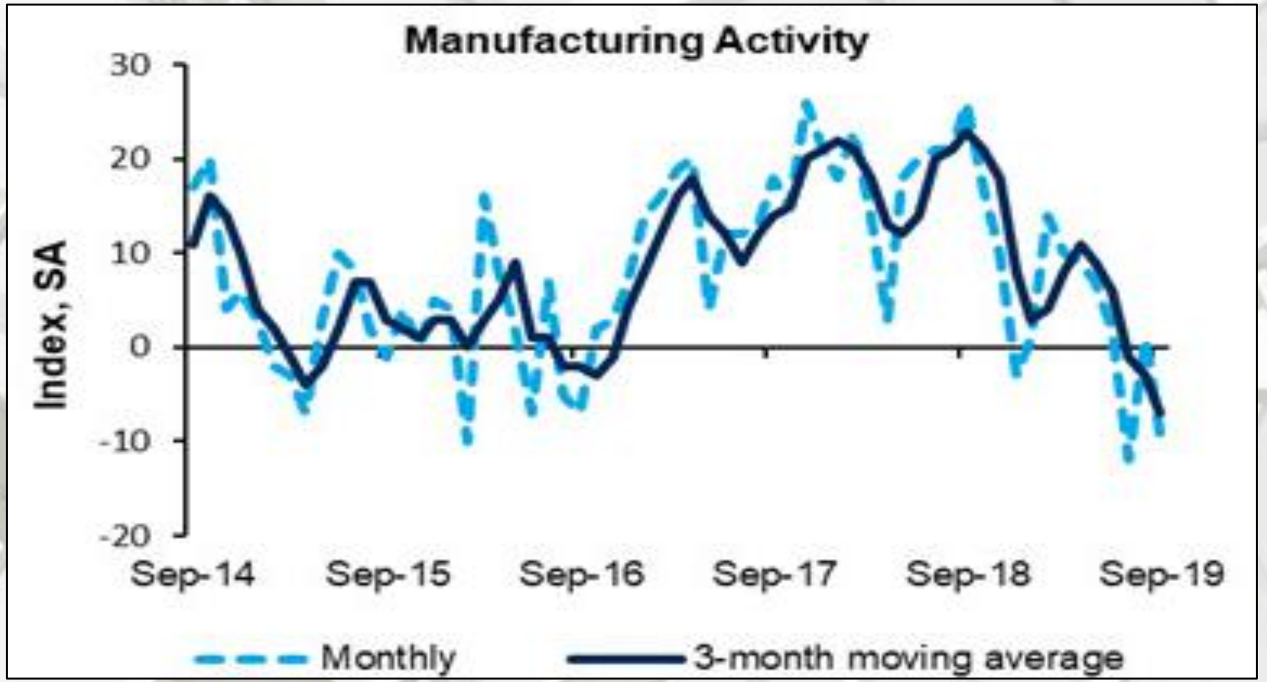
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_09_24_19; 9/24/19

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U.S. Economic Indicators

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_09_24_19; 9/24/19

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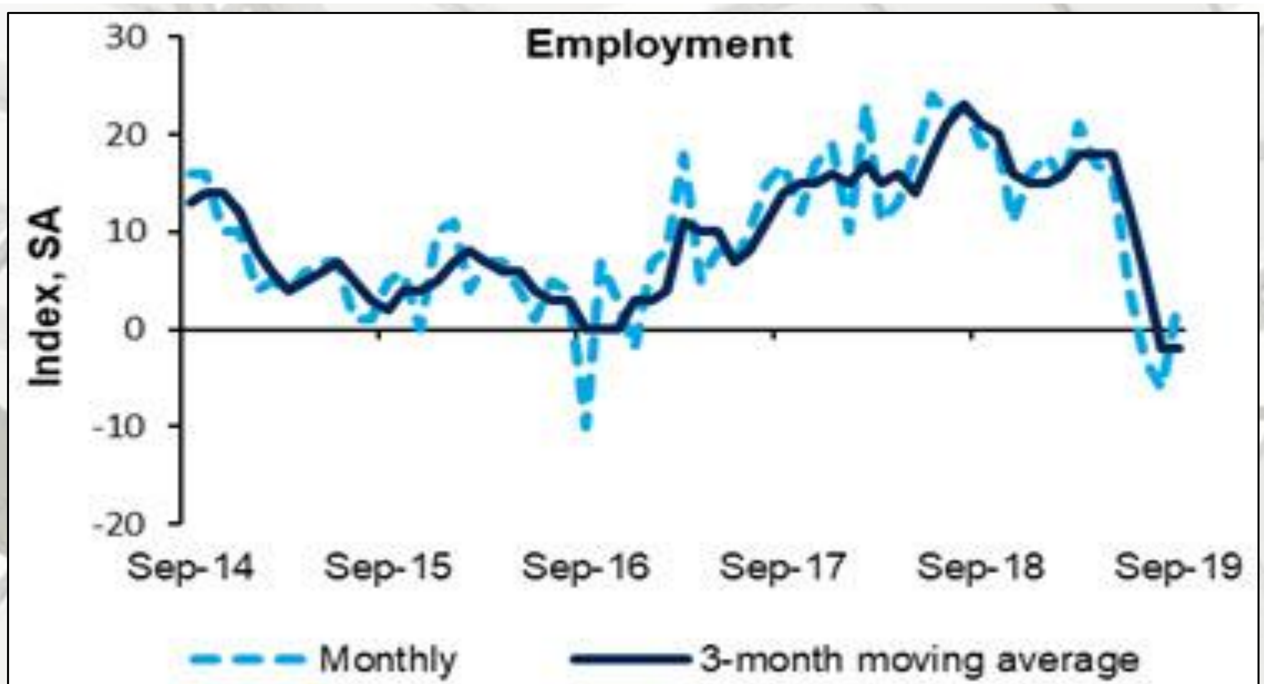
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_09_24_19; 9/24/19

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U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

FedViews

- "The current U.S. economic expansion reached a milestone in July as the longest period without a recession in historical records dating back to the 1850s. However, emerging headwinds have dimmed the outlook somewhat, prompting a monetary policy pivot starting late last year.
- Real GDP growth peaked at slightly above 3% in mid-2018, well beyond its estimated trend rate of about 1¾%. Growth in recent years has been largely propelled by solid gains in consumer spending and a fiscal policy tailwind. Recent data for automobile and general retail sales through August of this year indicate continued consumer strength.
- Despite healthy consumer spending, overall growth has slowed this year in the face of the waning effects of fiscal policy and intensifying headwinds from global economic developments. GDP grew slightly faster than 2% over the past four quarters, through the second quarter of 2019. We expect further slight slowing over the next few years, with growth converging toward trend. Growth at trend is consistent with continued economic health and is not troubling after a prolonged period of faster growth.
- The ongoing U.S. slowdown reflects intensifying headwinds arising from global economic developments, as trade barriers have risen and global growth prospects have dimmed. These developments have directly reduced demand for U.S. goods and also have contributed to rising business uncertainty that further restrains growth. The adverse impact of global headwinds is evidenced by a slowdown in U.S. exports to foreign economies and by reduced U.S. business investment spending." – Robert Valletta, Group Vice President, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/september/september-12-2019/; 9/12/19

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U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

- "Consistent with slower economic growth, job gains also have been easing this year. However, with past gains well above trend, this slowdown is consistent with a still healthy labor market, since by definition trend employment growth is adequate to absorb normal labor force growth and maintain a stable unemployment rate. Growth at trend will continue to support households' favorable income prospects and financial positions, helping to sustain growth in consumer spending.
- Increased concerns about the economic outlook have prompted a pivot in monetary policy, as reflected in the Federal Open Market Committee's (FOMC) quarterly "Summary of Economic Projections" (SEP). The SEP includes the projected path of the federal funds rate, the FOMC's main policy tool. In the September 2018 SEP, FOMC members expected further tightening of monetary policy, with their median projection showing the funds rate rising by a full percentage point over the subsequent two years. In contrast, the June 2019 SEP showed that the projected funds path had flattened considerably. The committee's decision the following month to reduce the funds rate by a quarter point reflects its commitment expressed in the July 2019 post meeting statement to "act as appropriate to sustain the expansion.
- The level of the unemployment rate reflects the favorable effects of the prolonged expansion in the U.S. labor market. The unemployment rate has been as low as 3.6% in recent months, a level not seen since the late 1960s.
- Inflation has been below the FOMC's 2% goal in 2019, continuing a pattern evident since 2012. We have lowered our estimate of the long-term sustainable or "natural" unemployment rate to help reconcile very low unemployment with muted inflation." – Robert Valletta, Group Vice President, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/september/september-12-2019/; 9/12/19

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U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

- "Although we expect tight labor markets to slowly push inflation back up to 2% over the next year or two, some unusual features of the current labor market appear to have played a role in holding down inflation. In particular, the recent behavior of job seekers and employers likely has expanded the pool of potential workers and helped to sustain very low unemployment rates without the rapid wage and price growth experienced in past tight labor markets.
- The fraction of the adult population participating in the labor force, hence directly available for work, has been trending downward over the past few decades and fell sharply in the aftermath of the most recent recession. This recent decline largely reflects the aging and retirement of the large baby boom generation as well as declines in participation by people in their prime working years (ages 25–54). However, since 2015 the prime-age participation rate has risen substantially, providing a source of growing labor availability. Recent data suggest that this trend may be leveling off.
- On the employer side, widespread media reports suggest that firms have been expanding their candidate pools in response to the tight labor market, by reaching out to various groups that are often overlooked in the recruiting process. This is reflected in the shrinking gaps in unemployment rates across racial and ethnic groups. On average, blacks and Hispanics face labor market disadvantages, experiencing substantially higher unemployment rates in comparison to whites. However, these gaps have diminished to historic lows recently." – Robert Valletta, Group Vice President, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/september/september-12-2019/; 9/12/19

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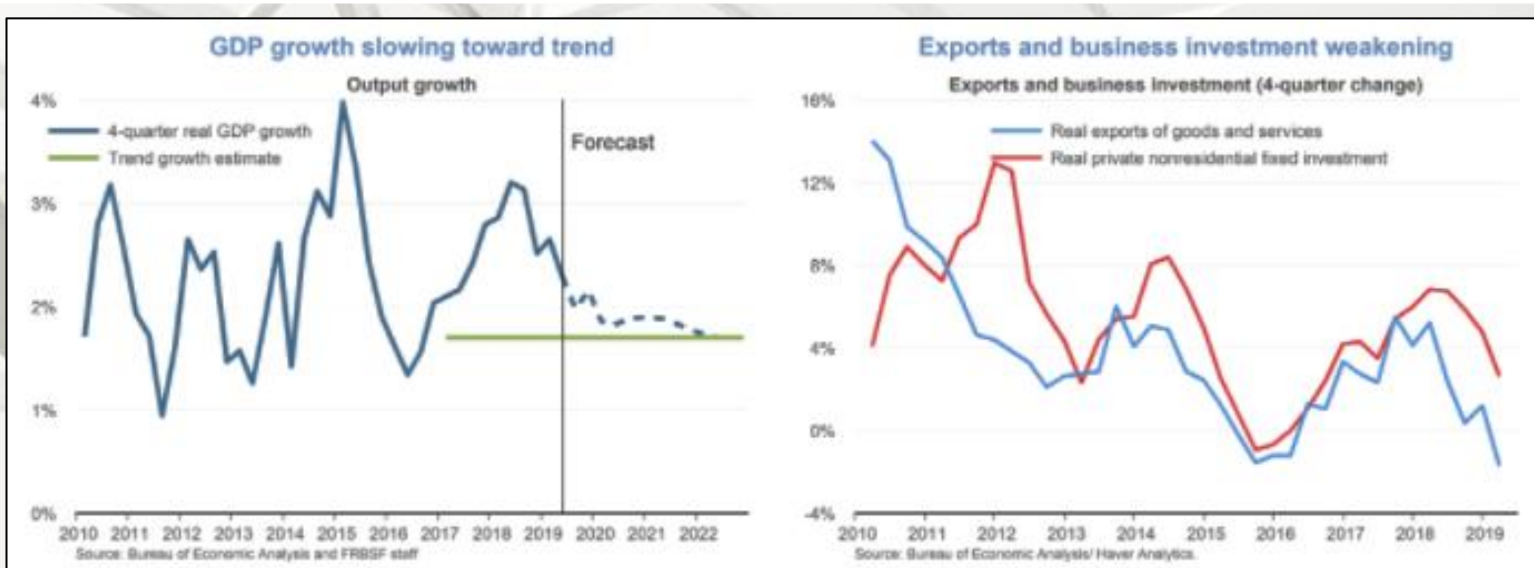
U.S. Economic Indicators



The Federal Reserve Bank of San Francisco

- "Underlying the unemployment gaps across racial and ethnic groups are differences in the rates at which unemployed individuals from these groups lose and find jobs. Hispanics workers, who are concentrated in high turnover sectors such as construction, tend to have high job-finding rates, whereas blacks tend to have low job-finding rates. Relative to whites, job-finding rates for both groups have been unusually high since early 2018, consistent with the expansion of employers' recruiting activities toward previously marginalized groups. This pattern may be reaching its limit, however, as job-finding rates for blacks and Hispanics have eased in recent months." – Robert Valletta, Group Vice President, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/september/september-12-2019/; 9/12/19

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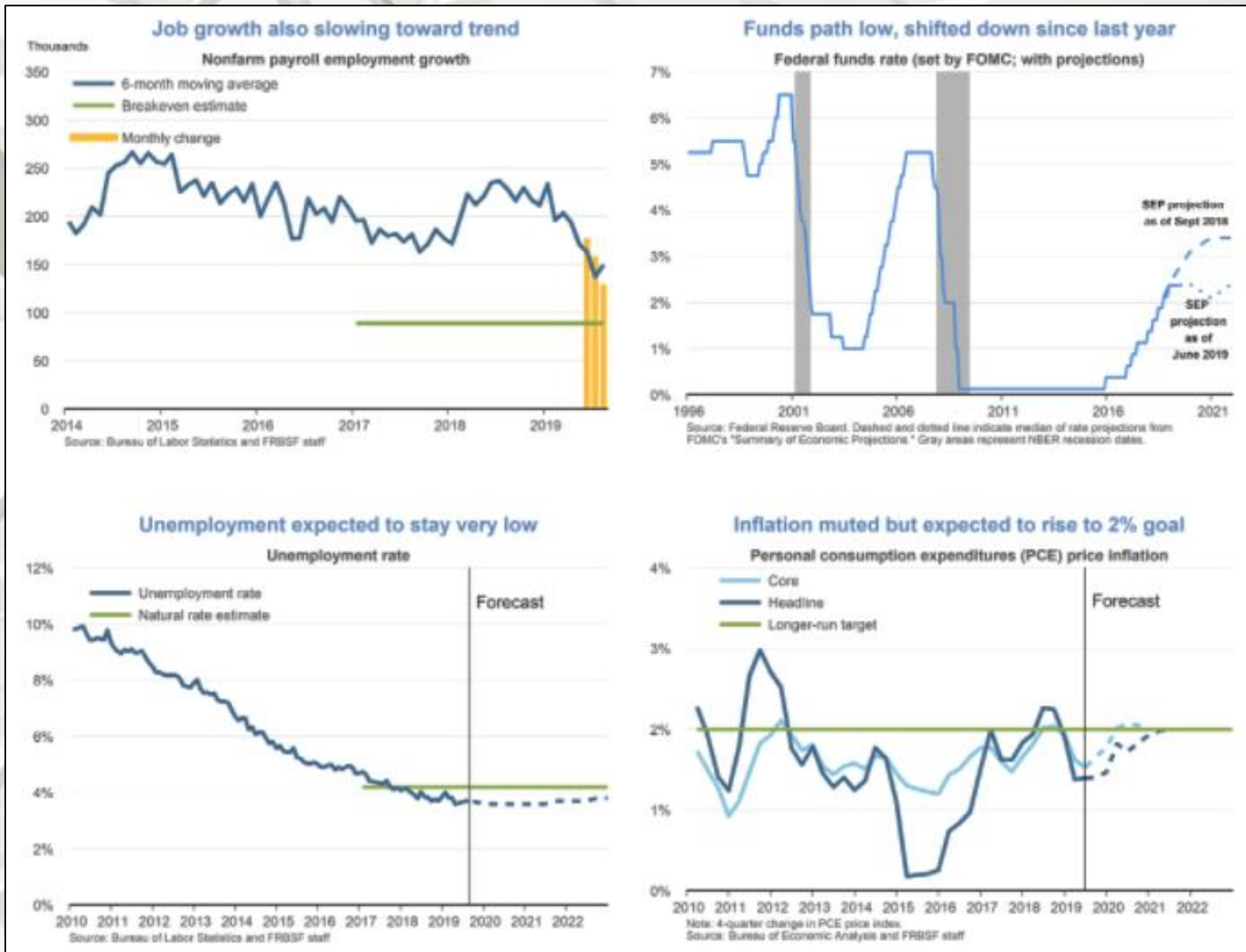
U.S. Economic Indicators



Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/september/september-12-2019/; 9/12/19

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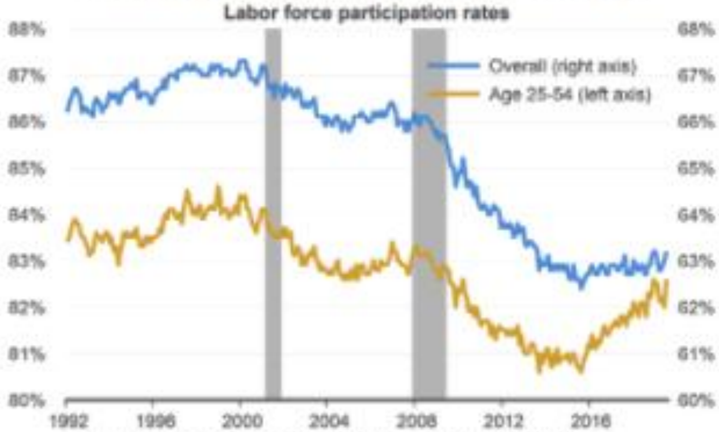
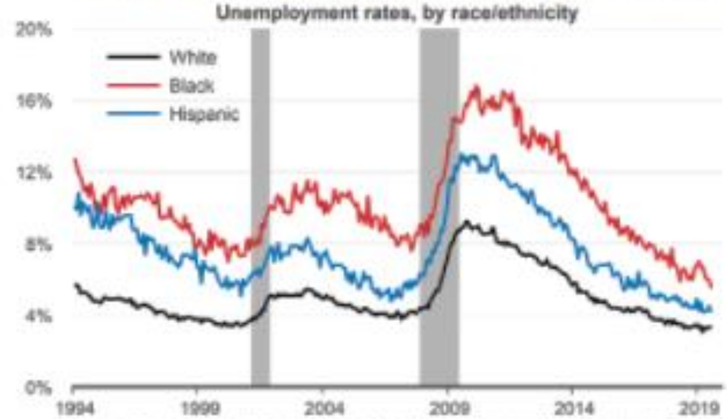


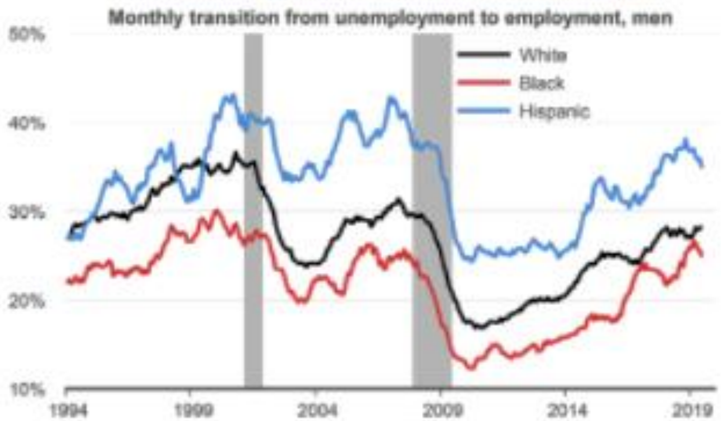
Prime-age participation up, may be leveling off

Source: Bureau of Labor Statistics. Gray areas represent NBER recession dates.



Unemployment gaps by race/ethnicity have shrunk

Source: Bureau of Labor Statistics/Haver Analytics. Gray areas represent NBER recession dates.



Job-finding improves for disadvantaged

Source: Authors' calculations from matched monthly CPS data, 12-month moving averages (data through July 2019). Gray areas represent NBER recession dates.

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/september/september-12-2019/; 9/12/19

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U.S. Economic Indicators

The Federal Reserve Bank of Dallas

Mexico's Economic Outlook Revised Down Further as Growth Disappoints

“Mexico’s gross domestic product (GDP) declined 0.5 percent in the first half of the year, its weakest growth in six years. GDP grew 0.1 percent in the second quarter after declining 1 percent in the first quarter. Meanwhile, the monthly economic activity index dipped slightly in July. The consensus GDP growth forecast for 2019, compiled by Banco de México, was revised down to 0.5 percent in August from 0.8 percent in July.

Other data are mixed. Exports grew, but industrial production and employment fell. Retail sales were flat. The peso gained ground against the dollar in September, but inflation fell.

Economic Activity Dips in July

Mexico’s global economic activity index, the monthly proxy for GDP, fell 0.1 percent in July after rising 0.2 percent in June. Service-related activities (including trade and transportation) fell 0.1 percent in July. Goods-producing industries (including manufacturing, construction and utilities) decreased 0.4 percent. Agricultural output grew 3.5 percent. The index’s three-month moving average was flat, and annual growth was also close to zero (Chart 1). …” – Jesus Cañas, Senior Business Economist and Chloe Smith, Research Assistant, Research Department; The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2019/1906.aspx/; 10/15/19

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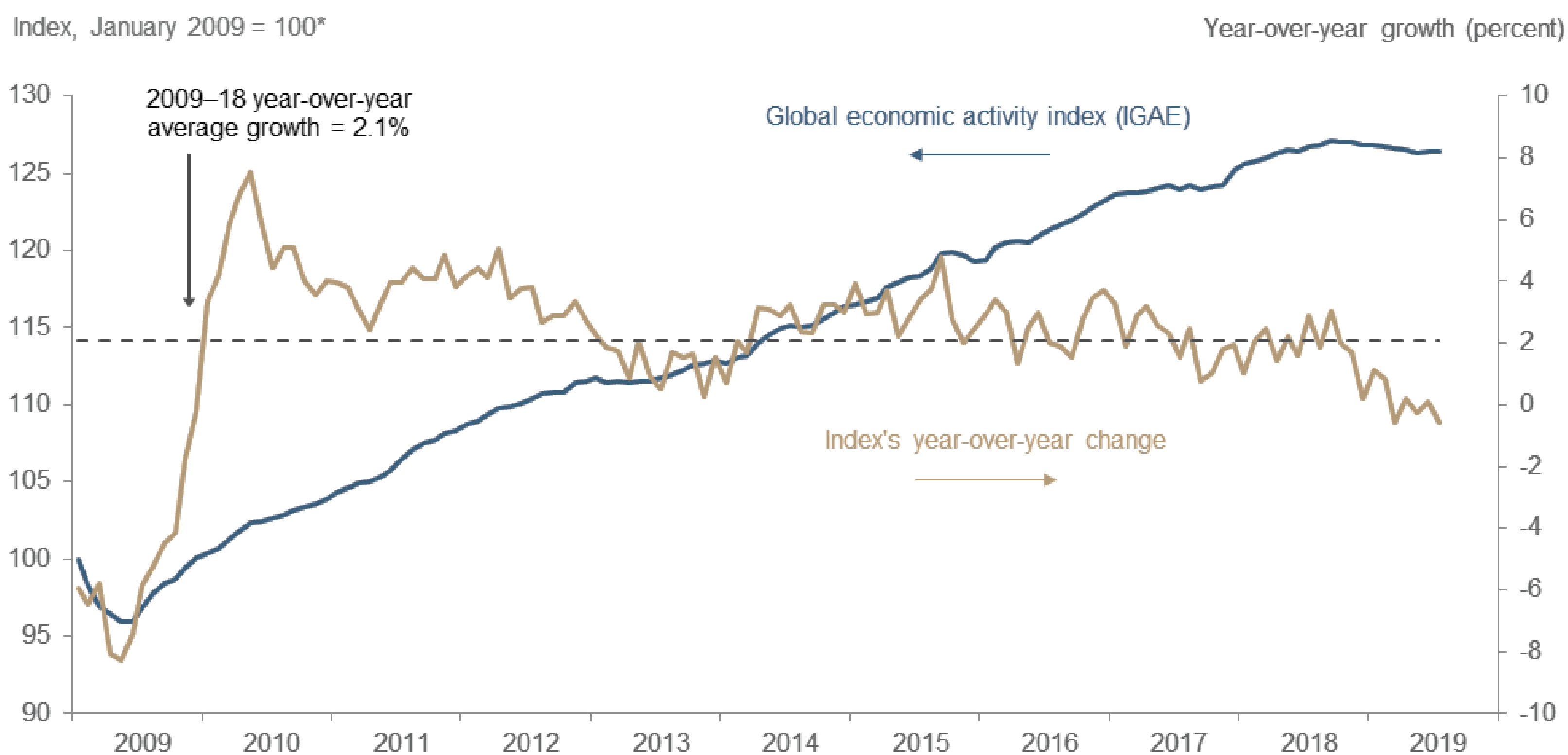
U.S. Economic Indicators

Chart 1
Economic Activity Stagnates



*Seasonally adjusted, three-month moving average; real pesos.
NOTE: Data are through July 2019.
SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Source: https://www.dallasfed.org/research/update/mex/2019/1906.aspx/; 10/15/19

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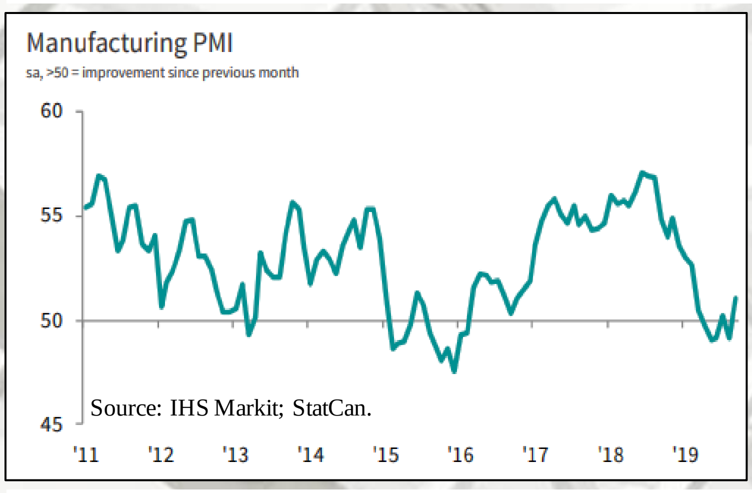
Private Indicators: Global



Markit Canada Manufacturing PMI™

"The seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) rose back above the 50.0 no-change mark in September, posting 51.0 from 49.1 in August. The rate of improvement in the health of the sector this signalled was modest, but the most marked in seven months.

New orders rise for first time in seven months

There were some signs of positivity in the Canadian manufacturing sector at the end of the third quarter, with output, new orders and exports all returning to growth in September. Meanwhile, the rate of job creation picked up to a seven-month high. A further slowdown in the rate of input cost inflation was recorded, with price pressures among the weakest in the survey's history. As a result, output prices also continued to rise only modestly.

All five constituents of the headline PMI contributed to the upwards movement, with renewed growth seen in output, new orders and stocks of purchases. There were tentative signs of a pick-up in customer demand in September. New orders rose slightly, ending a six-month sequence of decline. New export business also ticked up during the month. …

The latest PMI figures for Canada provide some cause for optimism at the end of the third quarter. Tentative signs of demand improving helped firms secure greater volumes of new business and increase production slightly, though conditions clearly remain challenging. Further respite was provided to manufacturers in terms of input costs, with the latest rise in prices of inputs the slowest in over seven years. This meant that firms were able to keep selling price inflation relatively low in what is a competitive marketplace." – Tim Moore, Economics Associate Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/3600b3d948354a43894f7b01521d6621; 10/1/19

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Private Indicators: Global

Caixin China General Manufacturing PMI™

"The headline seasonally adjusted *Purchasing Managers' Index™ (PMI™)* – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – posted 51.4 in September, up from 50.4 in August, to signal an improvement in the health of the sector for the second month running. Though modest overall, the pace of improvement was the quickest seen since February 2018.

PMI signals modest improvement in operating conditions

China's manufacturing sector saw a modest improvement in overall operating conditions during September. Production and total new orders both expanded at quicker rates than in August, despite a further reduction in new export business. Staffing levels were broadly unchanged, however, leading to a stronger increase in backlogs of work. At the same time, firms expanded their buying activity and inventories, albeit at marginal rates. Currency movements meanwhile contributed to a renewed rise in average input costs, while prices charged were broadly stable after a two-month sequence of discounting. Chinese goods producers continued to express a relatively subdued level of confidence towards future output, as worries persisted over the outcome of the ongoing China-US trade negotiations.

The increase in the headline figure was partly driven by a faster rise in overall new work. The latest upturn in new orders, though modest, was the quickest since March 2018. Underlying data continued to signal that the increase was supported by firmer domestic demand, as new work from abroad continued to decline. That said, the latest reduction in new export orders was only slight. Companies often commented that the ongoing China-US trade dispute had continued to dampen foreign sales. Higher volumes of total new work led firms to expand production again in September. The rate of growth was the fastest seen since August 2018. Employment across China's manufacturing sector was broadly unchanged for the second month running. Stagnant payrolls and rising orders contributed to a further increase in the amount of outstanding business at Chinese goods producers. Notably, the rate of accumulation was the steepest seen since the start of 2018." – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/f99161d414664978aa46d4631e7e3094; 9/30/19

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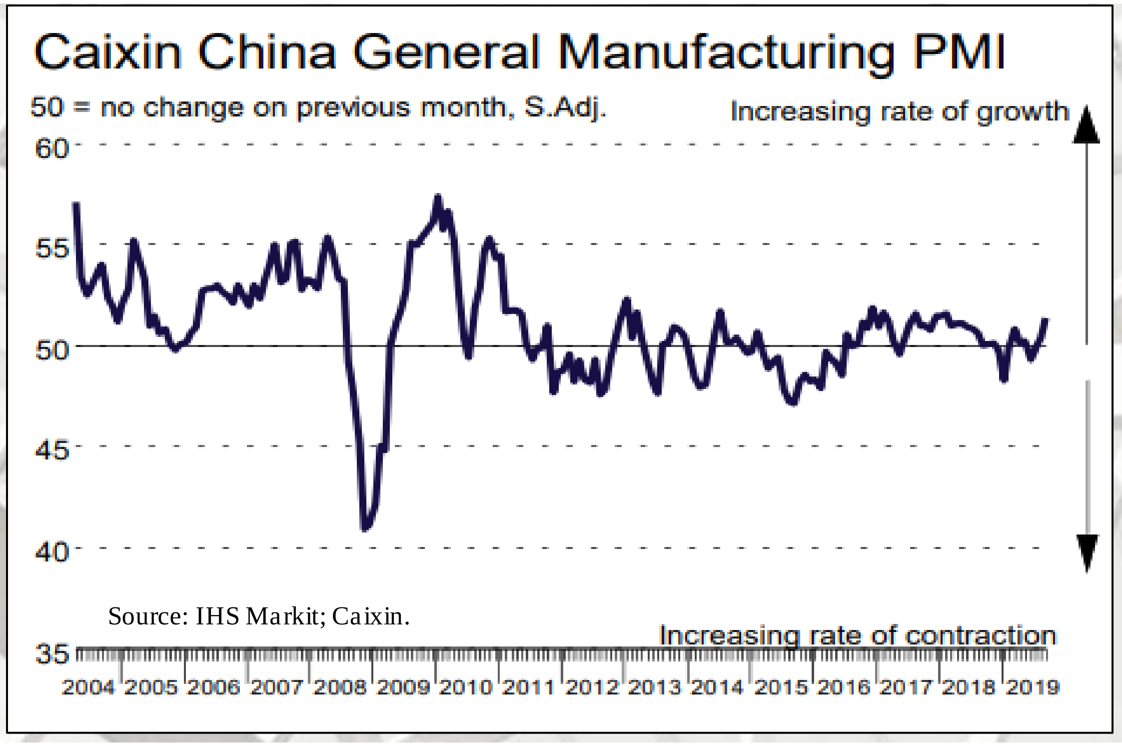
Private Indicators: Global



Caixin China General Manufacturing PMI™

"Latest data indicated that firms were relatively cautious towards buying activity and inventories. Although input buying rose for the third month running, the rate of growth remained marginal overall. As a result, stocks of purchased items also expanded only slightly. Stocks of finished goods rose marginally for the second month running. After declining in August, average input costs rose at the end of the third quarter. The rate of increase was modest overall, with a number of panel members blaming the rise on unfavourable exchange rate movements and higher raw material costs. Output charges were meanwhile broadly unchanged compared to the previous month.

Optimism towards the one-year outlook for output remained relatively weak in September, with concerns over future trade conditions commonly cited by panel members.

The Caixin China General Manufacturing Purchasing Managers' Index came in at 51.4 in September, up from 50.4 in the previous month, marking the highest reading since February 2018 and signaling a recovery in the manufacturing sector." – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/f99161d414664978aa46d4631e7e3094; 9/30/19

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Private Indicators: Global

Caixin China General Manufacturing PMI™

"1) Both the subindexes for new orders and output increased from the previous month. New orders grew at the fastest pace since March 2018. The measure for new export orders improved from the previous month, but it remained in contractionary territory. Growth in manufacturing demand was mainly driven by the domestic market as China-U.S. trade conflicts still restrained overseas demand.

2) The employment subindex remained the same as the previous month, coming in a bit lower than the line dividing expansion from contraction. Despite growth in new orders, employment did not grow. The gauge for backlogs of work increased to the highest since January 2018. As the labor market remains subdued, it's likely that there are structural issues in the labor market.

3) Both the measures for stocks of purchased items and stocks of finished goods rose marginally, indicating companies' cautious attitude toward stocking activities. The subindex for future output expectations increased, but it remained near a historic low, indicating subdued confidence among companies, which is negative for the recovery of manufacturing investment.

4) Both gauges for output charges and input costs rebounded, with input costs increasing at the fastest pace since November. The fluctuations in exchange rates and mutual tariff hikes between China and the U.S. were the main drivers of rising costs. The gauge for output charges rose slightly, but it remained in negative territory, reflecting that fierce market competition is negative for companies to improve their profitability.

The recovery in China's manufacturing industry in September benefited mainly from the potential growth of domestic demand. The trade conflicts between China and the U.S. had a notable impact on exports, production costs and confidence of enterprises. Compared with growth in new orders, the employment situation recovered only a bit, indicating that structural issues may exist in the labor market. Central policymakers have recently been emphasizing the strong growth in the domestic market. Faster construction of infrastructure projects, better implementation of upgrading the industrial sector, and tax and fee cuts are likely to offset the influence of the subdued overseas demand and soften the downward pressure on China's economic growth." – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/f99161d414664978aa46d4631e7e3094; 9/30/19

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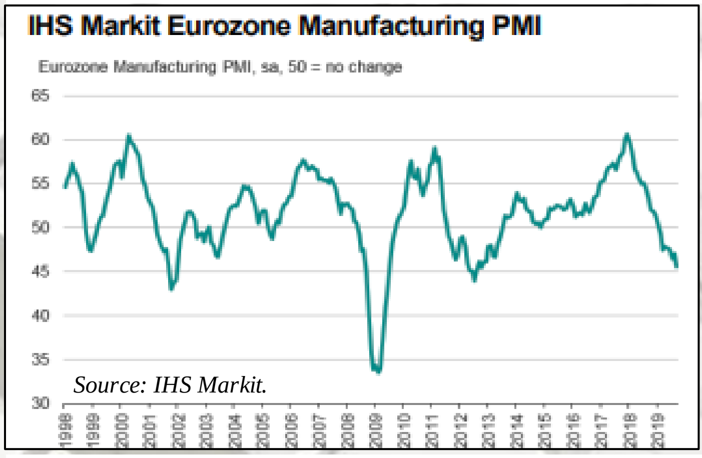

Markit Eurozone Manufacturing PMI®

"Operating conditions in the euro area's manufacturing economy deteriorated in September to the greatest degree in just under seven years. After accounting for seasonality, the IHS Markit Eurozone Manufacturing PMI® fell to 45.7, down from 47.0 in August and its lowest reading since October 2012. Latest data indicated the eighth successive month that the PMI has posted below the 50.0 no-change mark.

PMI drops to lowest level since October 2012

All three market groups covered by the survey showed a deterioration in operating conditions. Investment goods producers registered the sharpest deterioration, followed by intermediate goods. Consumer goods recorded a PMI reading below the 50.0 no-change mark for the first time since November 2013. The region's manufacturing downturn was led in the main by rapidly deteriorating operating conditions in Germany, with the respective PMI falling to its lowest level since June 2009. Austria also experienced a notable deterioration, whilst Spain, Italy, and Ireland also recorded sub-50.0 PMI readings during September.

The health of the eurozone manufacturing sector went from bad to worse in September, with the PMI survey indicating the steepest downturn for nearly seven years and sending increasingly grim signals for the fourth quarter. The September PMI points to manufacturing output falling at a quarterly rate in excess of 1%, representing a severe drag on GDP in the third quarter. Germany is leading the downturn, with the PMI down to levels not seen since 2009, but Italy and Spain are also in deepening downturns, whilst France's manufacturing sector has stalled.

There's likely worse to come, with forward-looking indicators (such as the orders to-inventory ratio) deteriorating further during the month. Businesses also remain downbeat about the year ahead, with optimism around a seven-year low amid trade war worries, signs of slowing global economic growth and geopolitical concerns, including heightened anxiety over a disruptive Brexit. Adding to the gloom, jobs are now being cut at the fastest rate since early 2013, which is not only a sign of manufacturers bracing themselves for more trouble ahead, but also adds to the risk that a deteriorating labour market will hit households and the service sector." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/4925e67a1f414e10b68fd6571eb29464; 10/1/19

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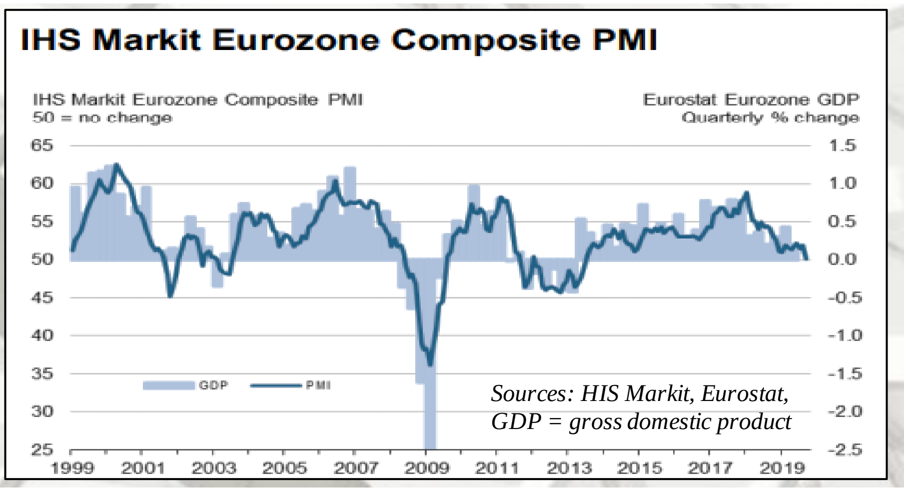

Markit Eurozone Composite PMI®

"The **IHS Markit Eurozone PMI® Composite Output Index** fell in September to a level only slightly above the crucial 50.0 no-change mark. After accounting for seasonal factors, the index recorded 50.1, down from 51.9 (and lower than the earlier flash reading of 50.4). September's figure was the lowest since June 2013 and signalled a broad stagnation of the private sector economy at the end of the third quarter of 2019.

Euro area private sector close to stagnation in September

National data showed Germany slipping into contraction territory during September for the first time since April 2013, and the only country to record a fall in activity compared to August. Growth was nonetheless relatively weak elsewhere. Italy and France registered only marginal increases in economic output, whilst growth weakened in both Ireland and Spain.

Weighing on the euro area's private sector during September was a deterioration in the level of incoming new work. Data showed new business falling for the first time since January and, albeit modestly, to the greatest degree since mid-2013. …

The eurozone economy ground to a halt in September, the PMI surveys painting the darkest picture since the current period of expansion began in mid-2013. GDP looks set to rise by 0.1% at best in the third quarter, with signs of further momentum being lost as we head into the fourth quarter, meaning the risk of recession is now very real. Inflows of new business are falling at the fastest rate for over six years and employment growth has hit the lowest since early 2016. Companies are increasingly looking to reduce overheads and tighten belts in the face of falling demand and an uncertain outlook.

The downturn also shows further signs of spreading from manufacturing to services. While the goods-producing sector is stuck in its deepest downturn since 2012, the service sector has also seen its growth rate slow sharply to one of the weakest for six years. The deteriorating picture is being led by a downturn in Germany, but France and Italy are also close to stalling and Spain has seen growth slow to the joint-lowest in around six years. The growing risk of recession, coupled with a further moderation of inflationary pressures, will add to expectations that the ECB will need to do more to stimulate the economy in coming months." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/51de396b073d4d3889b1afe7b9a36872; 10/3/19

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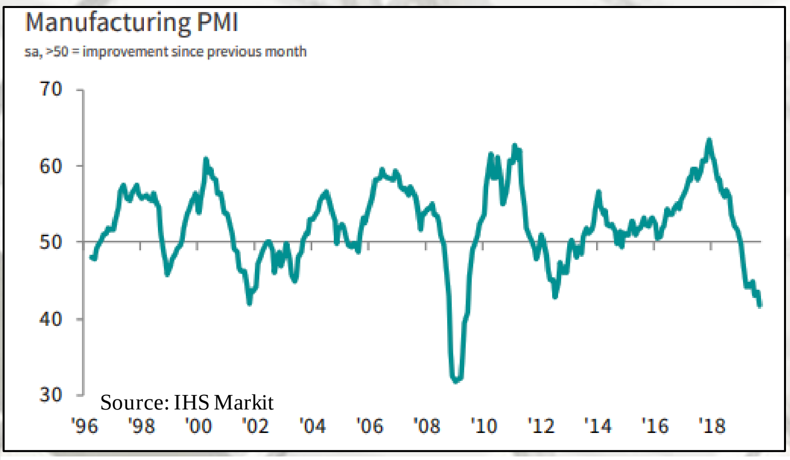

IHS Markit/BME Germany Manufacturing PMI®

"The headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases – registered 41.7 in September, down from 43.5 in August and its lowest reading since June 2009.

Manufacturing PMI drops to lowest since June 2009

Germany's manufacturing sector recorded its worst performance since the depths of the global financial crisis in September, latest PMI® data from IHS Markit and BME showed, as contractions in output and new orders accelerated. Job shedding also intensified, with factory employment falling to the greatest extent for almost a decade. Elsewhere, the survey revealed a growing number of firms cutting output prices amid increasing competitive pressures, and a sustained decline in the cost of raw materials.

A breakdown of the data by main industrial grouping showed that investment goods was the worst-performing category during the month, followed by intermediate goods. Notably, consumer goods producers joined their counterparts in recording a contraction. … Lastly, latest data revealed that manufacturers remained strongly pessimistic about the outlook in September. That said, expectations were slightly higher than the seven-year record-low seen in August.

The manufacturing numbers coming out of Germany continue to disappoint, with September's PMI widely missing expectations and showing the downturn deepening. The downward trend in new orders – which fell the most in more than ten years – is a particular worry, and continues drive cutbacks in factory output, employment and prices. The severity of the job losses across manufacturing we are now seeing could start to weigh more heavily on consumer confidence, which up to this point has been relatively resilient. Interestingly, the weakness seen for a long time across the intermediate and investment goods sectors shows signs of spreading to consumer products, the decreases in output and new orders of which were key factors behind September's lower headline number" – Phil Smith, Principal Economist, IHSMarkit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/ade884e8882b462f9f87c1195486cf96; 10/1/19

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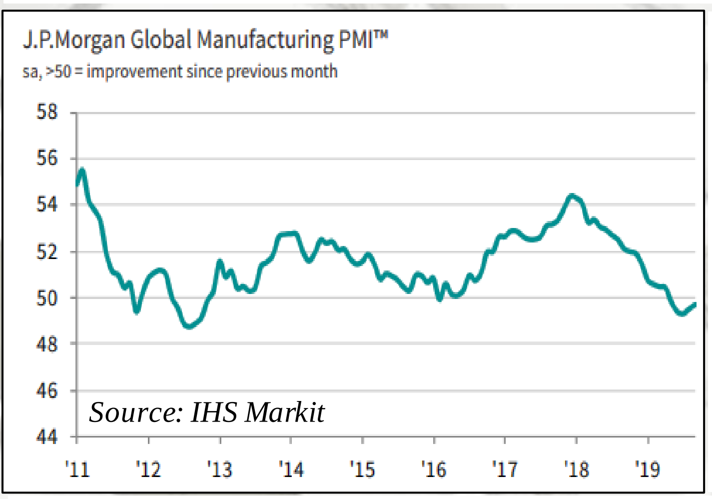

J.P. Morgan Global Manufacturing PMI™

"The global manufacturing sector deteriorated further in September, but edged closer to stabilisation. This was signalled by the J.P. Morgan Global Manufacturing PMI™ – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – rising for the second month running to 49.7. Although still below the neutral mark of 50.0 that separates improvement from deterioration, it was the highest reading since May.

Global Manufacturing PMI signals further deterioration in September

Downturns continued in the intermediate and investment goods sub-industries during September, with both seeing contractions in production and new order intakes. The consumer goods industry fared better, as output and new business both moved higher. National PMI data signalled deteriorations in overall business conditions in 15 of the countries covered. Among the larger industrial regions, growth was registered in both the US and China. In contrast, Japan saw further contraction while the downturn in the euro area deepened. The rate of decline in the eurozone was the fastest in almost seven years, mainly due to a sharp deterioration in the performance of Germany.

Global manufacturing production was broadly stagnant in September, as reduced intakes of new business discouraged any meaningful expansion of output volumes. The trend in international trade flows also remained weak, as new export orders declined for the thirteenth consecutive month. The US, China, Germany and Japan were among the many nations to report a decrease in new export business. …

The global manufacturing PMI sent a message of stability in September. The output index near 50.0 is broadly unchanged from its level in May and consistent with very modest growth in IP. Away from the output PMI, other components also stabilized though at depressed levels. For now, the PMI is consistent with our rest-of-the-year outlook in which we expect modest growth in global manufacturing output. Conditions will need to revive if manufacturing is to show a substantial recovery in the coming months" – Olya Borichevska, Global Economic Research, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/6d5ffb41584d4c08a54706d85d3580b3; 10/1/19

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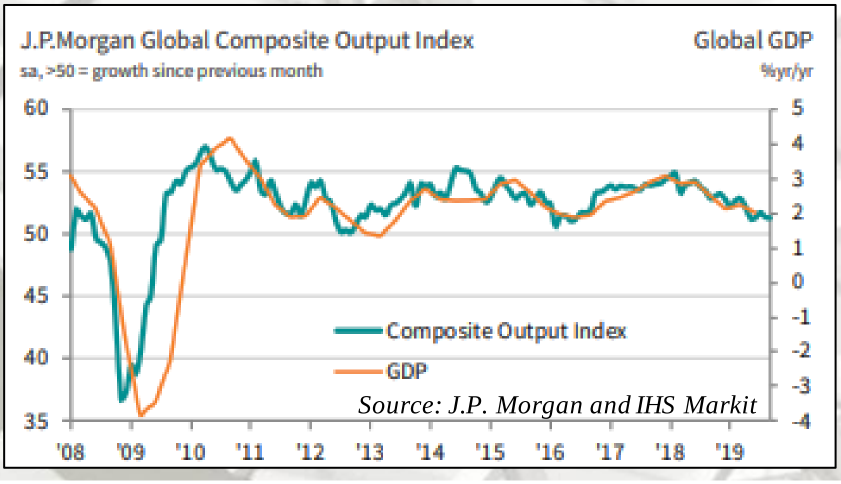

Source: J.P. Morgan and IHS Markit

J.P. Morgan Global Composite PMI™

"The J.P. Morgan Global Composite Output Index – which is produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – fell to 51.2 in September, its joint-lowest reading since mid-2016 (identical figures were posted in May and June of this year). The headline index has now remained above the neutral 50.0 mark for 84 consecutive months.

Global economic expansion eases to joint-weakest rate since mid-2016

The rate of global economic expansion edged lower in September, as growth of new business slowed and the downturn in international trade continued. This filtered through to the labour market, with the pace of job creation easing to near-stagnation. Among the nations for which September PMI data were available, rates of growth improved in the US, Italy and Brazil, while Australia returned to expansion following a contraction in August. Rates of increase slowed in France, Spain, Russia and Ireland, while downturns were signalled for Germany and the UK.

The service sector continued to outperform its manufacturing counterpart, despite seeing growth slow over the month. The Global Services Business Activity Index eased to 51.6 in September, its joint-weakest reading in over three years. Manufacturing production was broadly unchanged, as signalled by the Global Manufacturing Output Index posting 50.1, up from 50.0 in August. …

The main drag on global economic growth was a weaker increase in the volume of new business generated during September. New work rose moderately and at the slowest pace in almost seven years (since November 2012), while new export business decreased for the tenth successive month. The slowdown in new order growth was mainly centred on manufacturers, as service providers saw a further (albeit slower) expansion of new business. Manufacturing new work contracted for the fifth straight month, dragged lower by a further solid decrease in new export business. Global service providers also saw export demand decline. …" – Olya Borichevska, Global Economist, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/e70fbc98955f439ea0301fa83ce02d11; 10/3/19

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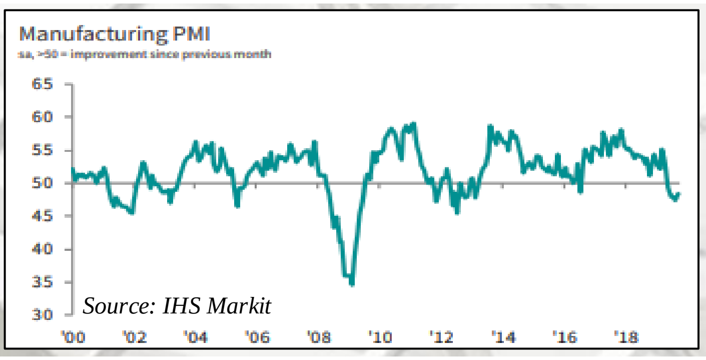
Private Indicators: Global



IHS Markit/CIPS UK Manufacturing PMI®

"The headline seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) rose slightly to 48.3 in September, up from August's six-and-a-half year low of 47.4. The headline index has now remained below the neutral 50.0 mark for five successive months, its longest sequence below that mark since mid-2009.

Downturn in UK manufacturing continues as rate of job losses accelerates

The downturn in the UK manufacturing sector continued in September. Although the contraction was shallower than the prior survey month, levels of output, new orders, new export business and employment nonetheless fell further. Stocks of purchases and input buying volumes also rose for the first time in recent months, as some companies restarted their Brexit preparations. Manufacturing production continued to contract in September, as companies cut back output in response to a further reduction in new order intakes. The investment goods sector was by far the weakest performer, seeing the steepest drops in both output and new business. This reflected, at least in part, a reluctance among clients to commit to capital expenditure due to ongoing market uncertainties (economic, political and Brexit related). …

The UK manufacturing downturn continued in September, adding to signs that the sector may be sliding into recession. Output, new orders and employment all fell further as rising political, trade and economic uncertainties exacerbated concerns about Brexit. Some manufacturers noted increased inventory building activity in preparation for the forthcoming exit date, but the impact of such Brexit-related stock building was dwarfed by weakening demand for other customers, due in part to clients routing supply chains away from the UK.

The rate of job losses accelerated to a six-and-a-half-year high, highlighting how manufacturers are increasingly seeking to cut costs. Similarly, the investment goods sector was especially hard hit in September, seeing the sharpest drops in production and new business, as clients reined in capital spending while conditions remained volatile. The shroud of uncertainty also weighed on manufacturers' confidence, which remained at one of its lowest ebbs in the survey history. These headwinds all ensure that manufacturing will likely remain a drag on UK economic growth during the months ahead." – Rob Dobson, Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/f319bb580e7345ae9aa0a3ba40a06947; 10/1/19

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Private Indicators
Associated Builders and Contractors

ABC's Construction Confidence Index

Construction Contractors Less Confident in July, Says ABC

"U.S. construction industry leaders' confidence diminished somewhat in July 2019, yet they remain optimistic regarding nonresidential construction's near-term prospects, according to the Construction Confidence Index released by Associated Builders and Contractors.

While contractor confidence regarding sales, profits and staffing levels declined for a third consecutive month, all three principal components measured by the survey remained well above the diffusion index threshold of 50. More than 60% of contractors expect sales to increase over the coming six months, while more than 56% expect staffing levels to increase and 52% expect profit margins to expand.

- The CCI for sales expectations decreased from 65.3 to 64.8 in July.
- The CCI for profit margin expectations fell from 61.3 to 60.
- The CCI for staffing levels fell from 64.6 to 63.3.

Contractor confidence is behaving as expected during the latter stages of a construction spending cycle. While the average American nonresidential contractor remains busy, the July CCI data suggests an oncoming inflection point in trends. And according to available construction spending data, some softening in the pace of growth has already begun. That said, the near-term remains bright.

While the greatest challenge for many contractors remains completing work under contract given significant skills shortages, contractors collectively expect to continue to expand staffing levels in the context of increasing sales. Perhaps most impressively, despite rapidly growing compensation costs, the average contractor expects that profit margins will continue to rise over the next six months, consistent with a substantial appetite for construction services for the balance of the current year and into 2020." – Anirban Basu, Chief Economist, ABC

Source: https://abc.org/News-Media/News-Releases/entryid/16696/construction-contractors-less-confident-in-july-says-abc; 9/19/19

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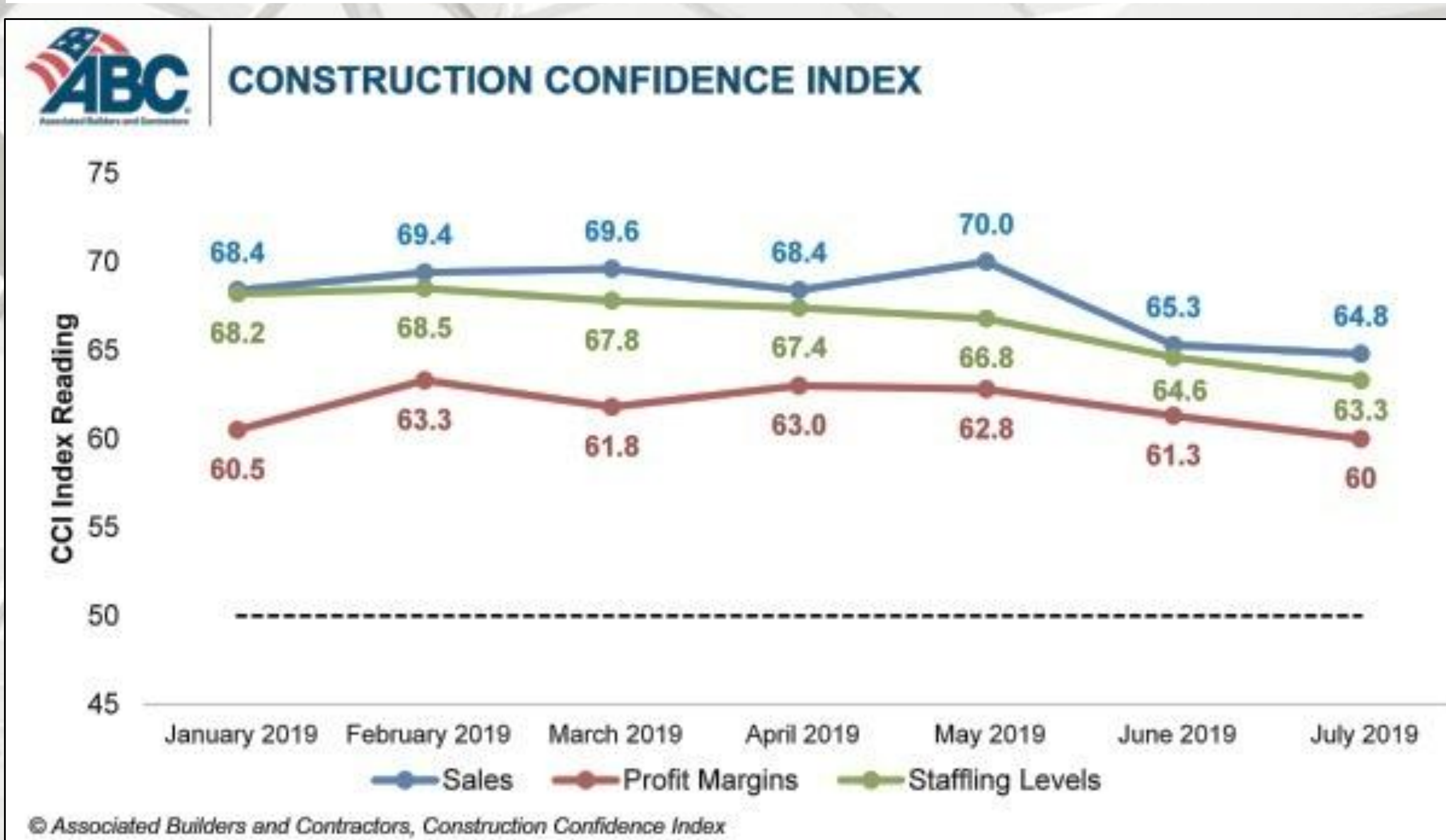
Associated Builders and Contractors



ABC's Construction Confidence Index

CCI is a diffusion index. Readings above 50 indicate growth, while readings below 50 are unfavorable.

Source: https://abc.org/News-Media/News-Releases/entryid/16696/construction-contractors-less-confident-in-july-says-abc; 9/19/19

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Private Indicators
Associated Builders and Contractors

Construction Confidence Index

Response	July 2019 Expectations	June 2019 Expectations	Percentage Point Change
Sales Expectations			
Up Big	12.5%	10.5%	2.0
Up Small	50.1%	56.4%	-6.3
No Change	23.6%	18.5%	5.1
Down Small	11.4%	13.1%	-1.7
Down Big	2.3%	1.5%	0.8
Profit Margins			
Up Big	6.0%	4.1%	1.9
Up Small	46.7%	50.0%	-3.3
No Change	31.1%	34.1%	-3.0
Down Small	14.0%	10.8%	3.2
Down Big	2.3%	1.0%	1.3
Staffing Levels			
Up Big	6.6%	7.7%	-1.1
Up Small	49.6%	51.7%	-2.1
No Change	35.3%	32.6%	2.7
Down Small	7.7%	7.9%	-0.2
Down Big	0.9%	0.0%	0.9

ABC's Construction Confidence Index

CCI is a diffusion index. Readings above 50 indicate growth, while readings below 50 are unfavorable.

Source: https://abc.org/News-Media/News-Releases/entryid/16696/construction-contractors-less-confident-in-july-says-abc; 9/19/19

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index August 2019

A significant setback in business conditions

As architecture firms report a rare decline in both billings on current projects and new work coming in, many beginning to consider international opportunities.

"Business conditions at U.S. architecture firms so far this year have been disappointing. Reports from firms regarding their August performance clearly point to another setback. The national ABI score for the month was just 47.2 (any score below 50 signifies a decline in aggregate design activity). Additionally, the national score for new design contracts, which measures new design work coming into architecture firms, was just 47.9 (again, any score below 50 signifies a decline in aggregate new design contract activity). So, architecture firms reported a rare double decline in both new work coming into their firms and design work that was being completed." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

"The sizeable drop in both design billings and new project activity, coming on the heels of six months of disappointing growth in billings, suggests that the design expansion that began in mid-2012 is beginning to face headwinds. Currently, the weakness is centered at firms specializing in commercial/industrial facilities as well as those located in the Midwest. However, there are fewer pockets of strength in design activity now, either by building sector or region than there have been in recent years." – Kermit Baker, Hon. AIA, Chief Economist, AIA

Source: https://www.aia.org/pages/6201872-abi-august-2019-a-significant-setback-in-b; 9/21/19

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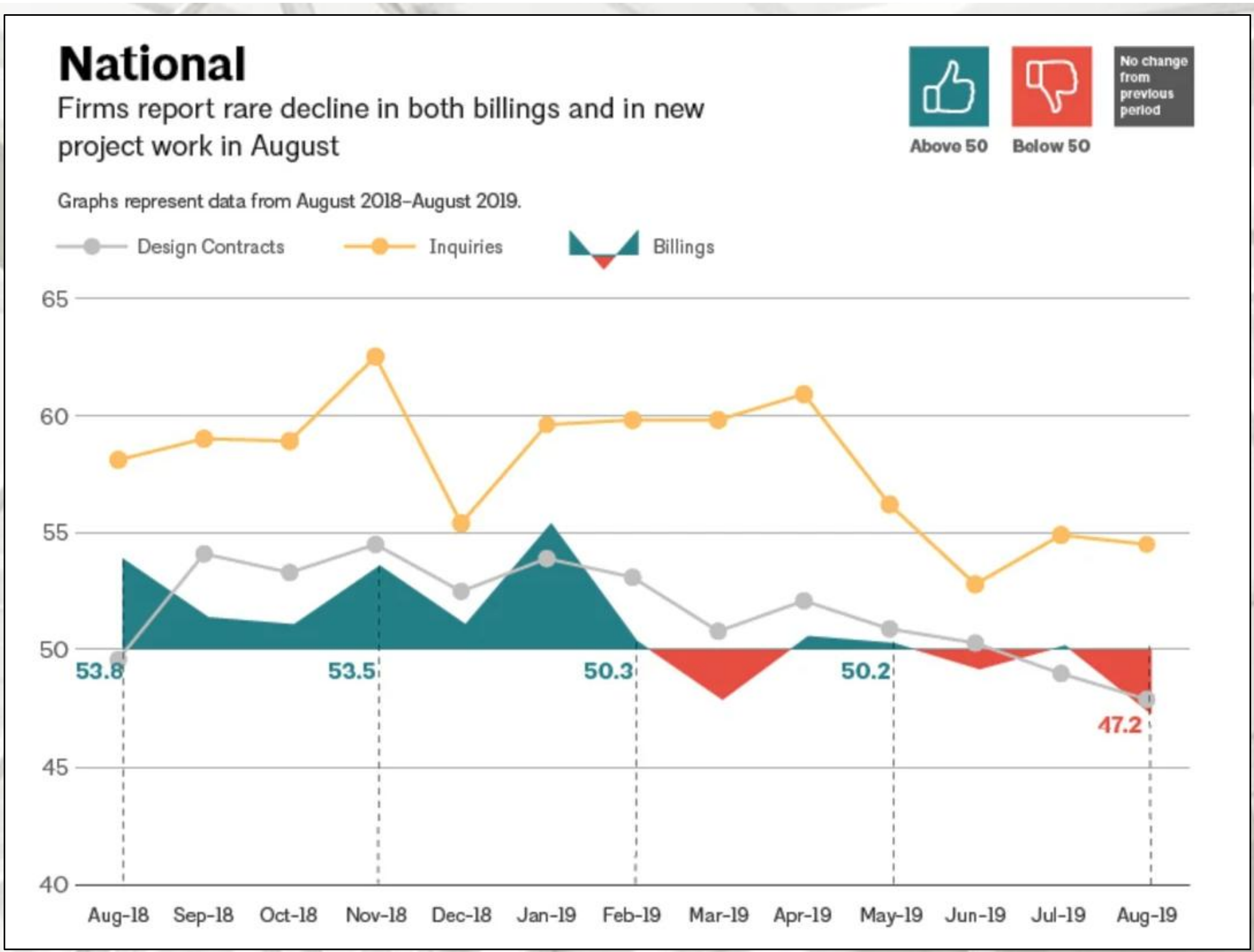
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6201872-abi-august-2019-a-significant-setback-in-b; 9/21/19

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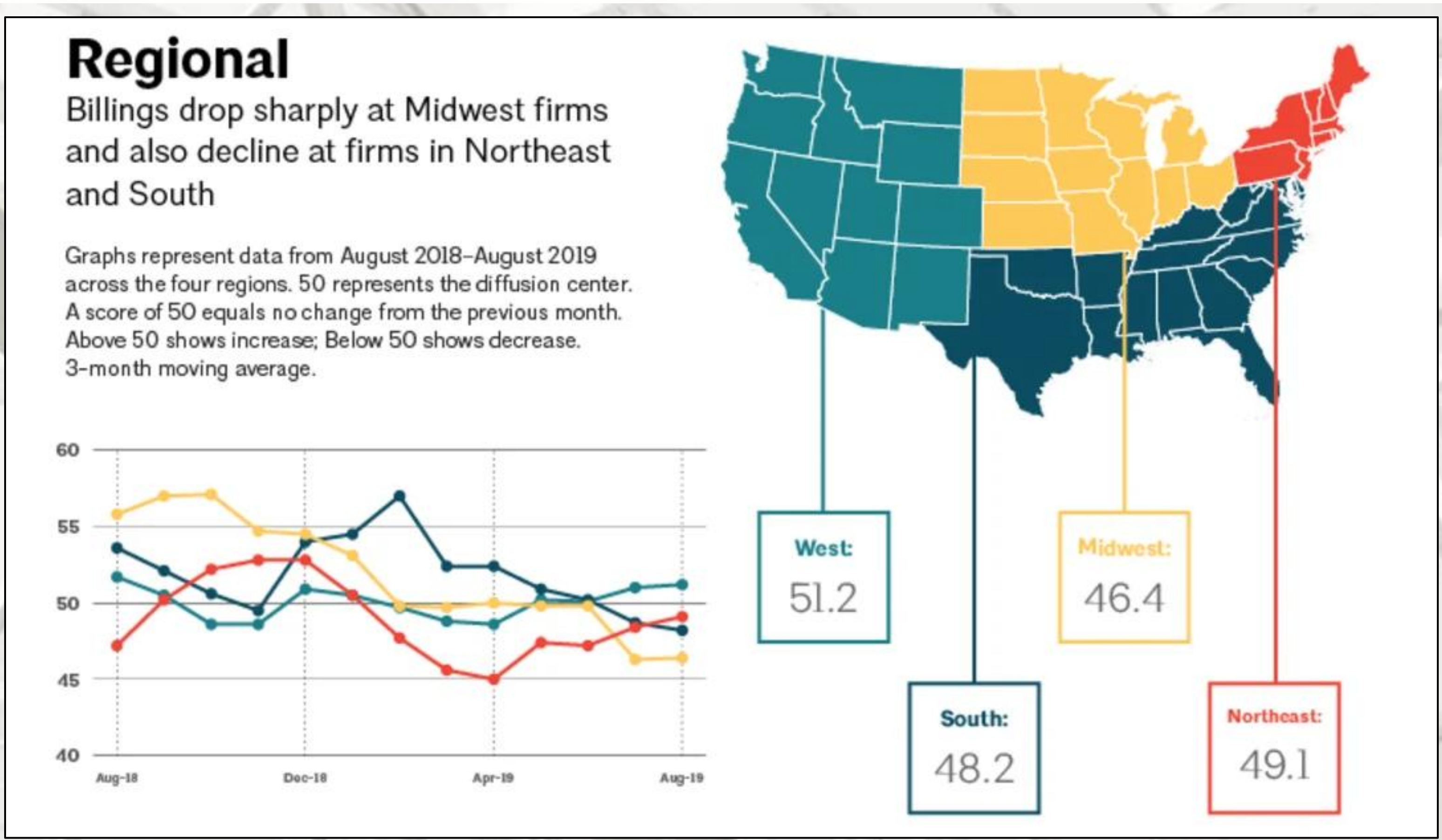

Region

"Regionally, firms in the Midwest bore the brunt of this recent slowdown. Firms in this region reported a reasonably steep decline in August on top of a comparable setback in July. Firms in the Northeast reported another modest setback in billings for the month, extending the string of monthly declines to seven. Firms in the West were the only ones reporting growth on average." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6201872-abi-august-2019-a-significant-setback-in-b; 9/21/19

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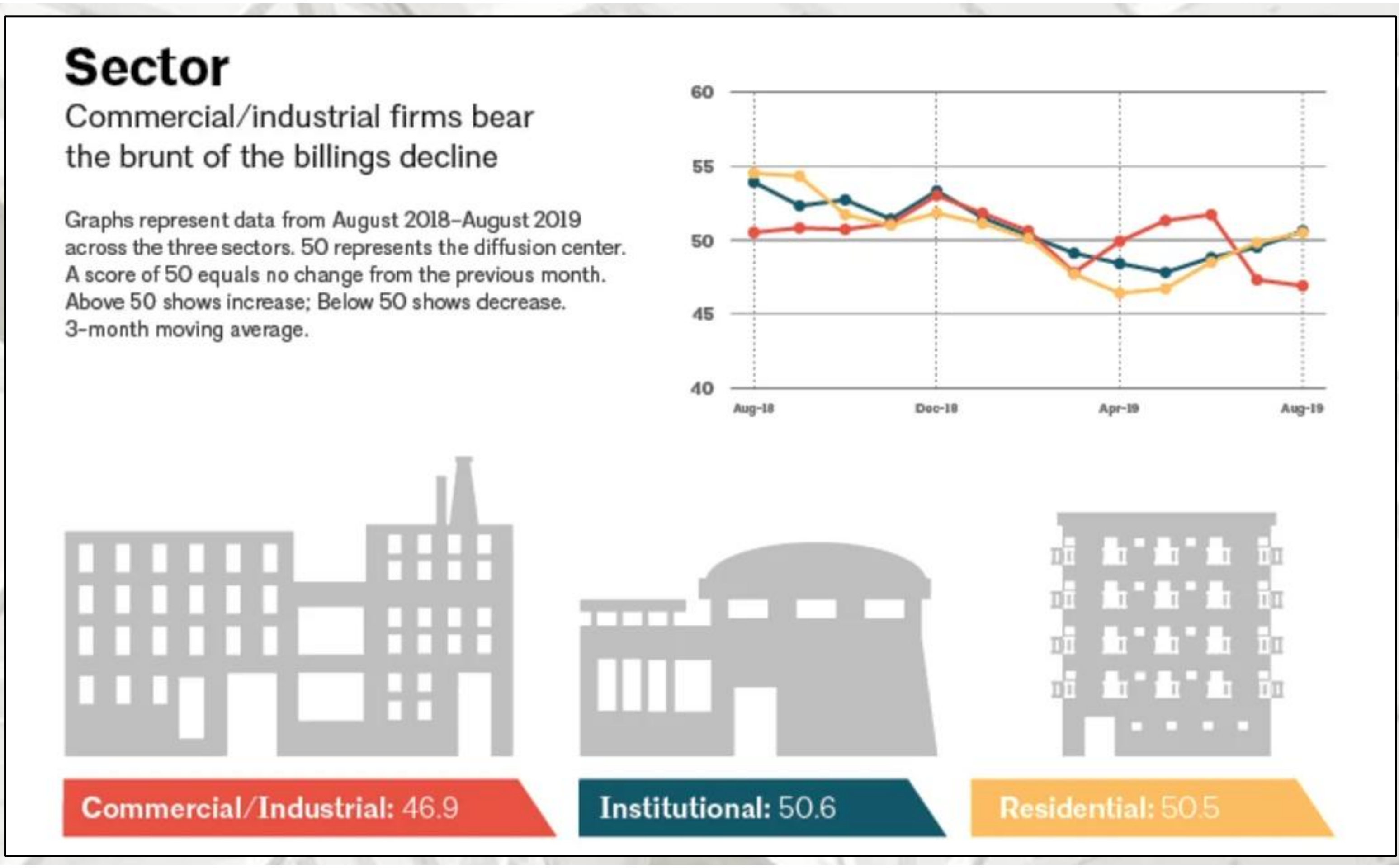

Sector

"Firms specializing in commercial and industrial facilities likewise reported a drop in design activity in August, coming on the heels of a fairly significant downturn in July. Firms concentrating in either the multifamily residential or institutional sector reported some modest gains in August. Firms in both sectors had seen several months of declining billings prior to August." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6201872-abi-august-2019-a-significant-setback-in-b; 9/21/19

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Private Indicators

Dodge Data & Analytics

August Construction Starts Decrease 6 Percent

Drop in Public Works following a strong July breaks the three-month string of Total Construction Gains

"New construction starts dropped 6% over the month in August to a seasonally adjusted annual rate of $807.1 billion, according to Dodge Data & Analytics. August's decline breaks a string of three consecutive month-to-month gains. By major sector, nonbuilding construction fell 15% in August, reversing the large increases made in the previous month when several notable projects started. The declines in residential and nonresidential building were milder – falling 1% and 3% respectively in August.

The August statistics lowered the Dodge Index to 171 (2000=100) compared to 182 in July, marking the lowest reading for the Index since May. Despite the month's decline, the Index remains above its 2019 average of 167.

Year-to-date through eight months, total construction starts were 5% lower than the same period a year ago due to declines in residential and nonresidential buildings. Nonbuilding construction activity was 3% higher through the first eight months of the year due to gains in electric utilities/gas plants." – Nicole Sullivan, AFFECT Public Relations & Social Media

Source: https://www.construction.com/news/august-construction-starts-decrease-6-percent-september-2019; 9/27/19

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Private Indicators

Dodge Data & Analytics

August Construction Starts Decrease 6 Percent

“The August decline was expected after July’s robust level of starts,” stated Richard Branch, Chief Economist for Dodge Data & Analytics. Furthermore, the year-to-date activity continued to suggest that this year’s levels are easing back from what was seen in 2018 – essentially mirroring the slowdown in overall economic growth.

Residential building fell 1% during the month to $305.8 billion. Single family construction was 3% lower, overwhelming a 3% gain in multifamily starts. The month-to-month growth in multifamily housing was aided by the start of a $600 million apartment complex on West 29th Street in New York, NY. Also breaking ground during the month was the $515 million Brookfield residential tower in Los Angeles, CA and the $223 million Sendero Verde mixed-use project in New York, NY.

On a year-to-date basis, total residential construction was 8% lower than during the first eight months of 2018 at $211.3 billion. Single family construction was 6% down, while multifamily declined 13% through eight months.” – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/august-construction-starts-decrease-6-percent-september-2019; 9/27/19

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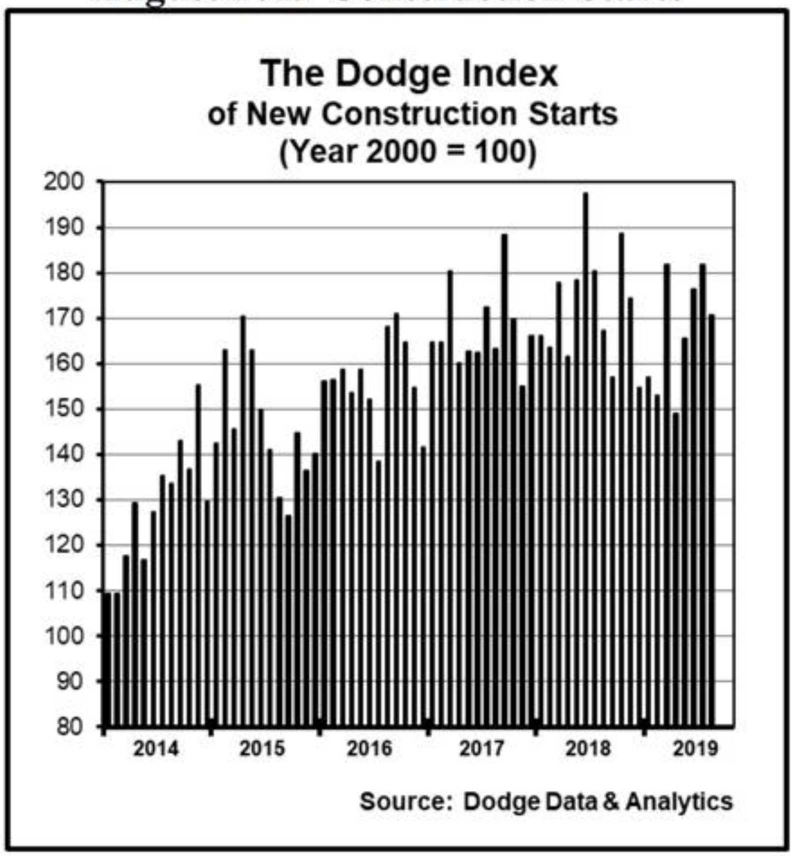
Private Indicators

August 2019 Construction Starts



August 2019 Construction Starts

Monthly Summary of Construction Starts
Prepared by Dodge Data & Analytics

Monthly Construction Starts
Seasonally Adjusted Annual Rates, in Millions of Dollars

	August 2019	July 2019	% Change
Nonresidential Building	$283,925	$292,973	-3
Residential Building	305,765	309,333	-1
Nonbuilding Construction	217,381	256,459	-15
Total Construction	$807,071	$858,765	-6

The Dodge Index
Year 2000=100, Seasonally Adjusted

August 2019......171

July 2019...........182

Year-to-Date Construction Starts
Unadjusted Totals, in Millions of Dollars

	8 Mos. 2019	8 Mos. 2018	% Change
Nonresidential Building	$188,218	$201,646	-7
Residential Building	211,369	228,963	-8
Nonbuilding Construction	135,709	131,794	+3
Total Construction	$535,296	$562,402	-5

Source: https://www.construction.com/news/august-construction-starts-decrease-6-percent-september-2019; 9/27/19

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Private Indicators

MNI Chicago

"The Chicago Business Barometer™, produced with MNI, fell 3.3 points to 47.1 in September, following August's rebound to 50.4. Business confidence dropped below the 50-mark to 47.3 in Q3, leaving the index at the lowest level on a quarterly basis since Q3 2009. The index fell 4.9 points compared to the previous quarter.

Chicago Business Barometer™ – Drifts to 47.1 in September

Supplier Deliveries and Employment are the only Business Activity components higher on the month, increasing to 54.8 and 45.6, respectively. Production saw the largest decline, falling by 15.8% or 7.6 points, to 40.4, the lowest since May 2009. Demand slowed in September, indicated by a sharp fall in New Orders, which shifted back into contraction by ticking down 7.6 points to 48.5. Order Backlogs fell by 8.9% to 46.8 in September after rebounding to 51.3 in August. However, the component rose by 2.8 points overall in Q3, averaging 47.2 across the period. Inventories slipped further into contraction, with the index lower by 6.2% to 41.7. The index hit a forty month low in September, highlighting that firms continued to run down inventories.

Labor demand improved slightly to 45.6 in September, but the quarterly average fell to 44.1, recording the weakest quarter since Q4 2009. Prices at the factory gate saw a modest monthly decline, although it rose 4.1 points to 57.7 in Q3. There was anecdotal evidence of tariffs affecting prices and business activity.

This month's special question asked firms – "How do you see supplier delivery times faring in the next three months?" The majority (65%) expect supplier delivery times to remain unchanged, while 24% anticipate longer times and 11% forecast shorter delivery times." – Shaily Mittal, Senior Economist, MNI Indicators

Source: https://s3.amazonaws.com/images.chaptermanager.com/chapters/b742ccc3-ff70-8eca-4cf5-ab93a6c8ab97/files/mni-chicago-press-release-2019-09.pdf; 9/30/19

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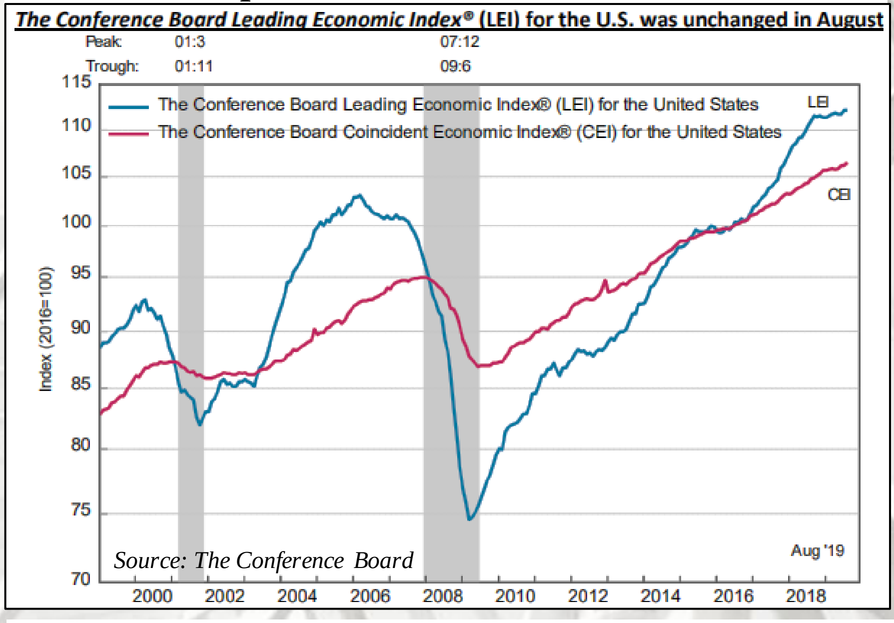
Private Indicators

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

Index Points to Slow But Still Expanding Economy

The Conference Board Leading Economic Index® (LEI) for the U.S. was unchanged in August at 112.1 (2016 = 100), following a 0.4 percent increase in July, and no change in June.

U.S. Composite Economic Indexes (2016 = 100)



"The US LEI remained unchanged in August, following a large increase in July. The recent trends in the LEI are consistent with a slow but still expanding economy, which has been primarily driven by strong consumer spending and robust job growth." – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

"**The Conference Board Coincident Economic Index®** (CEI) for the U.S. increased 0.3 percent in August to 106.4 (2016 = 100), following no change in July, and a 0.3 percent increase in June.

The Conference Board Lagging Economic Index® (LAG) for the U.S. declined 0.3 percent in August to 108.2 (2016 = 100), following a 0.6 percent increase in July, and a 0.5 percent increase in June."

Source: https://www.conference-board.org/data/bcicountry.cfm; 9/19/19

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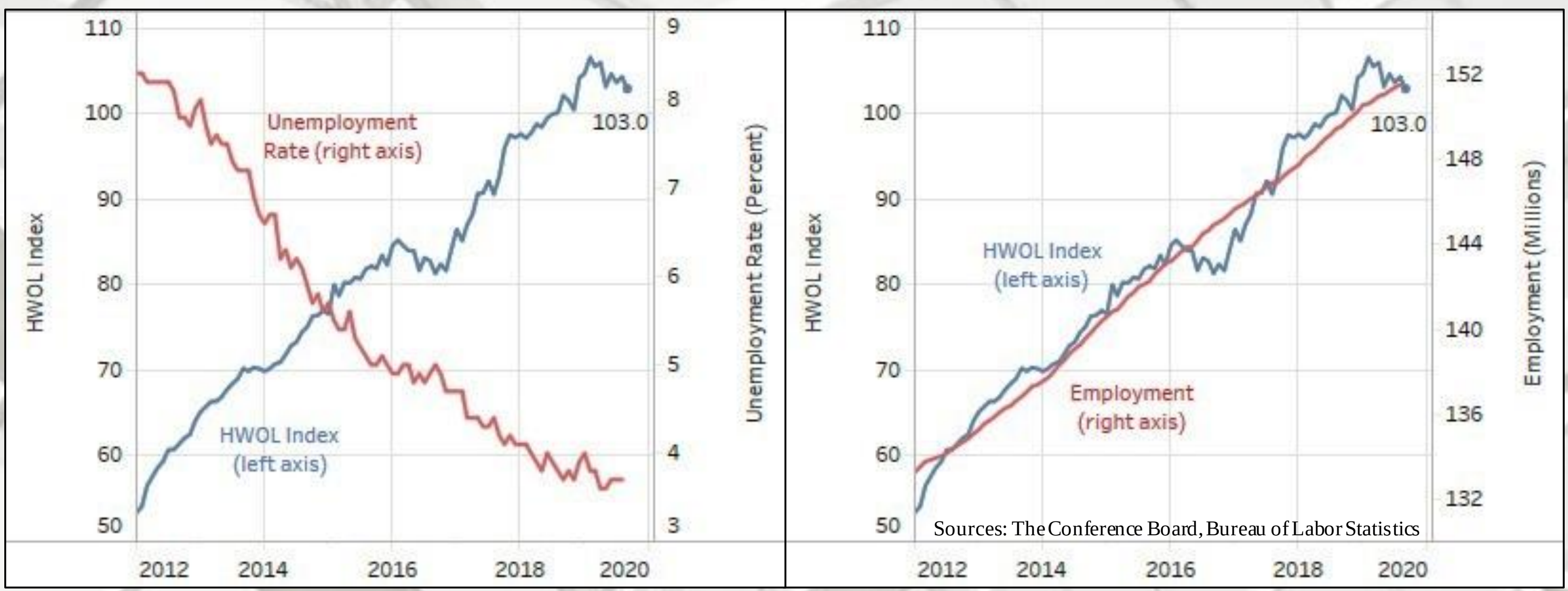
Private Indicators



The Conference Board Help Wanted OnLine® (HWOL)
Online Labor Demand Fell in September

- "HWOL Index fell in September, following a small increase in August
- All regions and most states declined

The Conference Board Help Wanted OnLine® (HWOL) Index fell in September and now stands at 103.0 (July 2018=100), down from 104.4 in August. The Index declined 1.3 percent from the prior month but is up 0.8 percent from a year ago.

In the Midwest, North Dakota decreased 3.5 percent and Ohio decreased 1.9 percent. In the Northeast, Maine fell 4.9 percent and New York decreased 2.0 percent. In the South, North Carolina fell 3.1 percent and Louisiana decreased 2.6 percent. In the West, Wyoming declined 4.6 percent and Hawaii decreased 4.2 percent.

The Professional occupational category experienced declines in Education (-3.4 percent), Legal (-2.5 percent), and Business and Finance (-1.9). The Services/Production occupational category fell in Protective Services (-4.8 percent), Office and Administrative Support (-2.3)." – Gad Levanon, Chief Economist, North America, at The Conference Board

Source: https://www.conference-board.org/data/helpwantedonline.cfm; 10/9/19

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Equipment Leasing and Finance Association: Confidence Eases in September

"The **Equipment Leasing & Finance Foundation** (the Foundation) releases the September 2019 **Monthly Confidence Index for the Equipment Finance Industry** (MCI-EFI). Designed to collect leadership data, the index reports a qualitative assessment of both the prevailing business conditions and expectations for the future as reported by key executives from the $1 trillion equipment finance sector. Overall, confidence in the equipment finance market is 54.7, a decrease from the August index of 58.9." – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

"I'm optimistic about the health of the consumer confidence and unemployment rates. I'm very concerned about the real and psychic impacts of the trade wars on the economy and the size of the deficit limiting the government's tools to keep the economy balanced." –Quentin Cote, CLFP, President, Mintaka Financial, LLC

"Tariffs continue to be the discussion with our customers. Belt tightening will continue until there is a light at the end of the tunnel. We expect investment in expansion to be muted until trade issues are resolved." – Michael Romanowski, President, Farm Credit Leasing

"Companies across many sectors continue to invest in capital equipment projects to compete and succeed." – Alan Sikora, CEO, First American Equipment Finance

Equipment Leasing and Finance Association:
Confidence Eases in September

"September 2019 Survey Results: The overall MCI-EFI is 54.7, a decrease from 58.9 in August.

- When asked to assess their business conditions over the next four months, 10.3% of executives responding said they believe business conditions will improve over the next four months, down from 16.7% in August. 75.9% of respondents believe business conditions will remain the same over the next four months, a decrease from 76.7% the previous month. 13.8% believe business conditions will worsen, up from 6.7% in August.
- 13.3% of the survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, a decrease from 16.7% who believed so in August. 76.7% believe demand will "remain the same" during the same four-month time period, a decrease from 80% the previous month. 10% believe demand will decline, up from 3.3% in August.
- 16.7% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, 83.3% of executives indicate they expect the "same" access to capital to fund business, and none expect "less" access to capital, all unchanged from last month.
- When asked, 30% of the executives report they expect to hire more employees over the next four months, a decrease from 31% in August. 63.3% expect no change in headcount over the next four months, an increase from 62.1% last month. 6.7% expect to hire fewer employees, down slightly from 6.9% last month." – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/09/19/equipment-leasing-and-finance-industry-confidence-eases-in-september; 9/19/19

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Equipment Leasing and Finance Association:
Confidence Increases Again in August

“September 2019 Survey Results: The overall MCI-EFI is 54.7, a decrease from 58.9 in August.

- 20% of the leadership evaluate the current U.S. economy as “excellent,” down from 36.7% in August. 80% of the leadership evaluate the current U.S. economy as “fair,” an increase from 60% the previous month. None evaluate it as “poor,” down from 3.3% in August.
- 3.3% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, a decrease from 6.7% in August. 70% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, a decrease from 73.3% the previous month. 26.7% believe economic conditions in the U.S. will worsen over the next six months, an increase from 20% in August.
- In September, 26.7% of respondents indicate they believe their company will increase spending on business development activities during the next six months, a decrease from 36.7% last month. 70% believe there will be “no change” in business development spending, an increase from 63.3% in August. 3.3% believe there will be a decrease in spending, up from none last month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/09/19/equipment-leasing-and-finance-industry-confidence-eases-in-september; 9/19/19

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

August New Business Volume Up 3 Percent Year-over-year, Down 2 Percent Month-over-month and Up 3 Percent Year-to-date

"The **Equipment Leasing and Finance Association's** (ELFA) **Monthly Leasing and Finance Index (MLFI-25)**, which reports economic activity from 25 companies representing a cross section of the $1 trillion equipment finance sector, showed their overall new business volume for August was $9.2 billion, up 3 percent year-over-year from new business volume in August 2018. Volume was down 2 percent month-to-month from $9.4 billion in July. Year to date, cumulative new business volume was up 3 percent compared to 2018.

Receivables over 30 days were 2.0 percent, unchanged from the previous month and up from 1.90 percent the same period in 2018. Charge-offs were 0.42 percent, up from 0.37 percent the previous month, and up from 0.29 in the year-earlier period.

Credit approvals totaled 76.6 percent, up from 75.7 percent in July. Total headcount for equipment finance companies was down 2.1 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in September is 54.7, down from the August index of 58.9." – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/09/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 9/26/19

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Equipment Leasing and Finance Association

Monthly Leasing & Finance Index

August New Business Volume Up 3 Percent Year-over-year,
Down 2 Percent Month-over-month and Up 3 Percent Year-to-date

“New business volume reported by member-respondents grew modestly in August, as the U.S. economy continues to perform well. A variety of economic indicators all point to a continued pattern of sustained, moderate growth in many sectors within the equipment finance industry.” – Ralph Petta, President and CEO, ELFA

“August monthly and year-to-date new origination volume activity demonstrates a consistent increase over last year's monthly and year-to-date results. Credit quality continues to be actively monitored as month-over-month charge-offs rose slightly. The August MLFI-25 points to the continued desire of business owners to invest in efficient and productive capital equipment solutions for their enterprises.” – Richard E. Barry, President, Merchants Bank Equipment Finance

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/09/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 9/26/19

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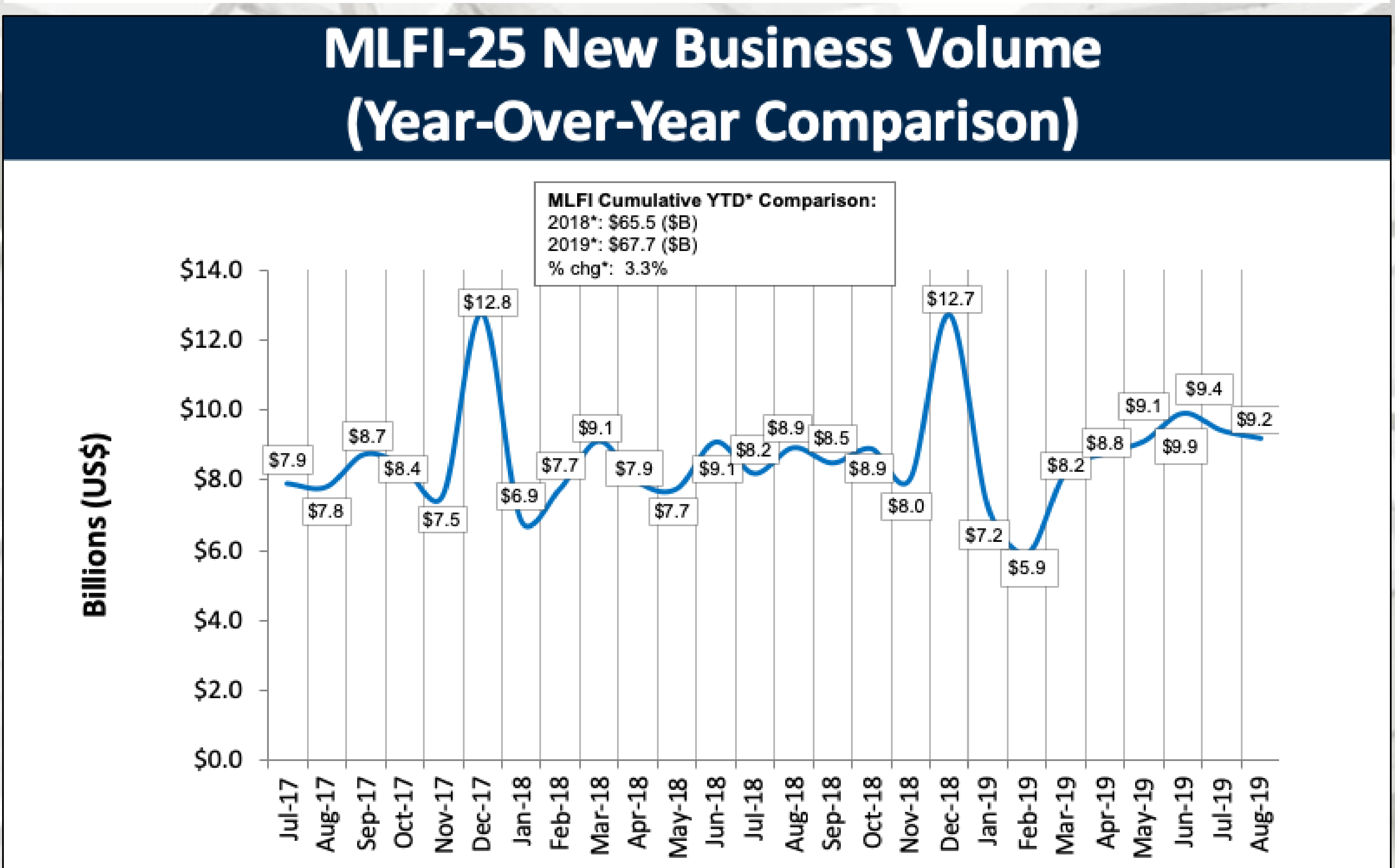
Equipment Leasing and Finance Association



* YTD NBV numbers will not match the numbers from the chart due to rounding

ELFA
Equipping Business for Success

MLFI

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/09/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 9/26/19

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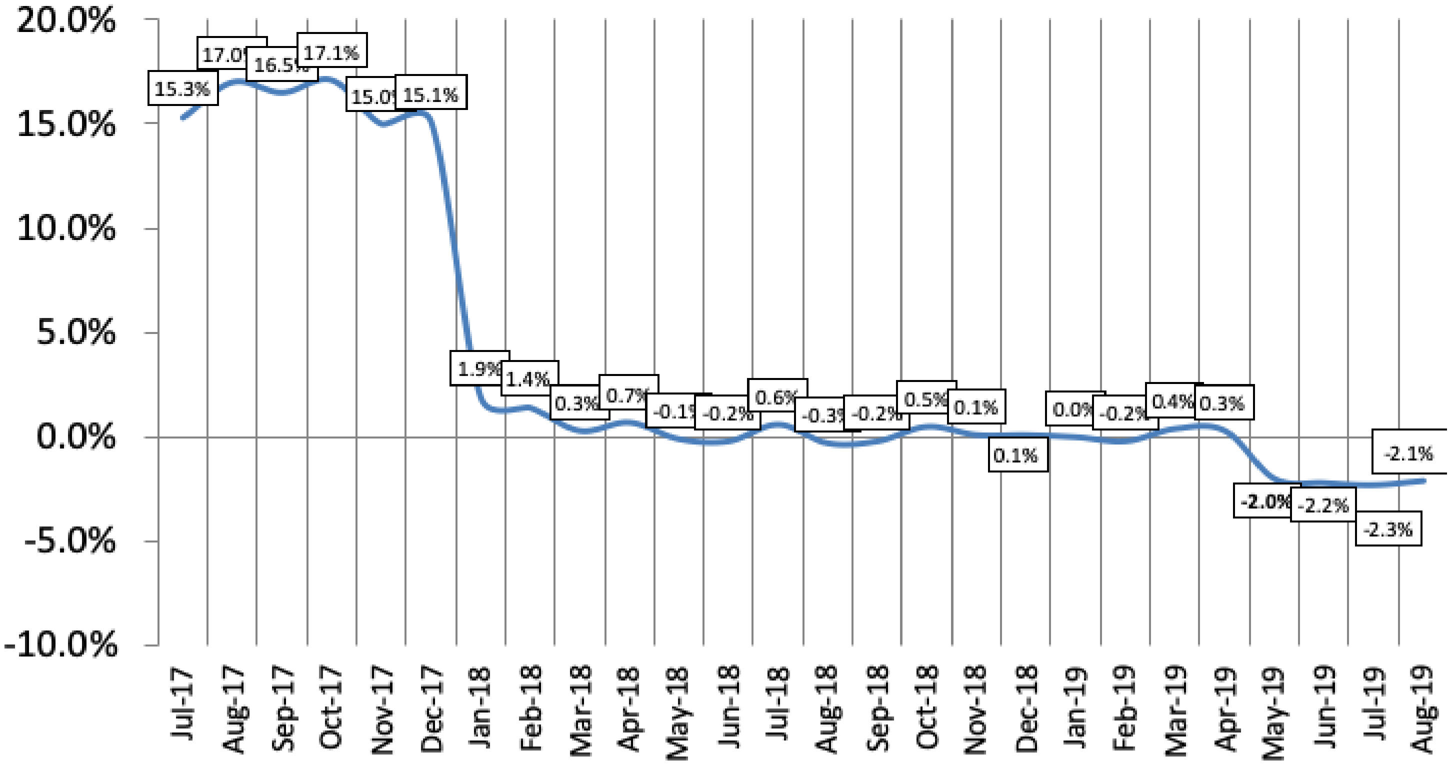
Equipment Leasing and Finance Association

Total Number of Employees % CHG YOY



ELFA
Equipping Business for Success

Note: During 2017, headcount was elevated due to acquisition activity at several MLFI reporting company

MLFI

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/09/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 9/26/19

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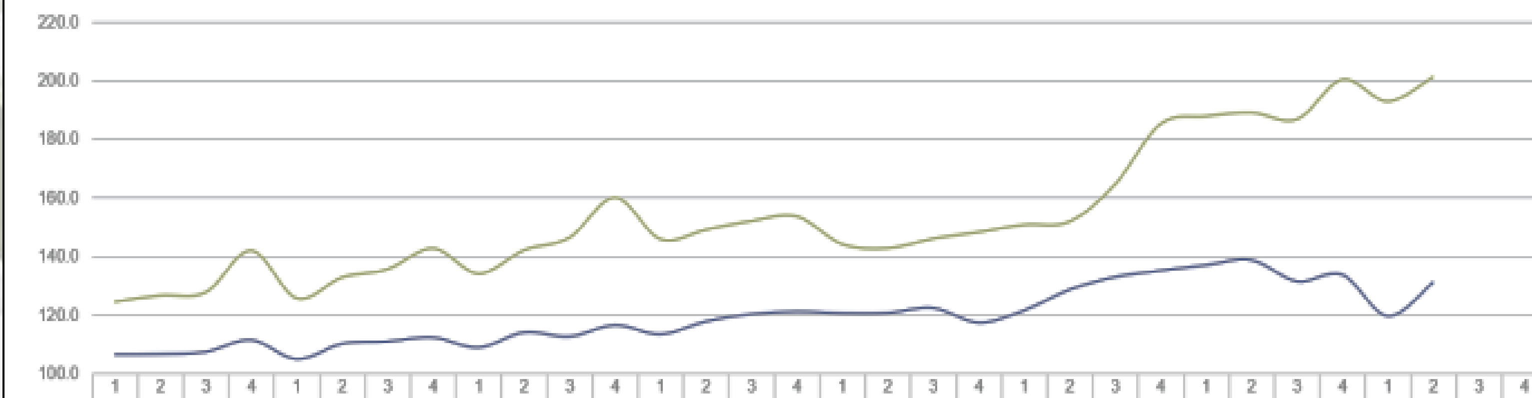
Private Indicators

U.S. Bank Freight Payment Index®



	2012				2013				2014				2015			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Shipments	106.8	106.9	107.7	111.7	105.2	110.4	111.2	112.5	109.1	114.3	112.8	116.7	113.6	118.0	120.5	121.3
Spend	124.8	126.9	128.0	142.1	125.9	133.0	135.8	142.9	134.3	142.3	146.6	160.2	146.1	149.3	152.2	153.8

	2016				2017				2018				2019			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Shipments	120.8	120.9	122.5	117.6	121.7	128.7	133.0	135.2	137.1	138.7	131.6	133.8	119.8	131.3		
Spend	144.3	143.0	146.2	148.4	150.9	152.0	164.7	185.2	187.8	189.1	186.8	200.3	192.9	201.3		

Shipments	
Index Value	131.3
Quarterly % Change	9.7% ▲
Yearly % Change	-5.3% ▼

Spend	
Index Value	201.3
Quarterly % Change	4.3% ▲
Yearly % Change	6.4% ▲

Q2 2019 National Freight Market Overview

"The U.S. Bank National Shipment Index came back 9.7% during the second quarter after falling 10.5% in the first quarter. The increase was more likely due to freight being pushed into the second quarter from difficult winter conditions in the first quarter and a late Easter holiday than any underlying acceleration in economic growth." – Bob Costello, Chief Economist and Senior Vice President, American Trucking Associations (ATA)

Source: https://freight.usbank.com/?rid=110218.686238437843&a=20e=48; 9/25/19

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U.S. Bank Freight Payment Index®

Q2 2019 National Freight Market Overview

"The U.S. Bank National Shipment and Spend Indexes bounced back during the second quarter, after a slow first quarter influenced by weather, trade tensions and the government shutdown. Despite the gains in the second quarter, the underlying economic conditions and freight market suggest this was a rebalancing from the first quarter of the year rather than an improvement in macroeconomic conditions. More specifically, winter weather as well as a late April Easter holiday, placed some normally first quarter freight into the second quarter.

While the gain in shipments is welcome, context is important. For example, the gain did not completely offset the first quarter decline. Second, truckload and less-than-truckload shipments continue to slow on a year-over-year basis. The main components of freight, including retail sales, factory output and construction activity, continued to moderate through the second quarter. Additionally, despite potential recent progress in the trade discussions with China, the business community remains uncertain about the trade outlook and the economic impact of increased tariffs.

As a result, many companies are pausing on expansions and investments while the current situations resolve, creating an economic drag. Related to international trade concerns, inventories throughout the supply chain remained elevated in the second quarter as businesses stockpiled goods from China, due to the threat of higher tariffs. Bloated supply stocks will remain an issue for truck freight growth, as the supply chain draws down that inventory." – Bob Costello, Chief Economist and Senior Vice President, American Trucking Associations (ATA)

Source: https://freight.usbank.com/?rid=110218.686238437843&a=20e=48; 9/25/19

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U.S. Bank Freight Payment Index®

Q2 2019 National Freight Market Overview

"The National Shipment Index contracted 5.3% from a year earlier, the fourth straight quarter with a year-over-year decline. While the contraction from the second quarter of last year was better than the 12.6% year-over-year decline witnessed in the first quarter, and the comparison was against the all-time high second quarter of 2018, macroeconomic conditions last quarter did not improve as much as expected. As a result, any excitement needs to be tempered.

Shipments remain at high levels despite the year-earlier contractions, however it cannot be overlooked that the shipment index was down 9% in the first half of the year compared with the same period in 2018.

The National Spend Index rose 4.3% the second quarter, more than erasing the 3.7% drop the previous quarter to an all-time high. Compared with a year earlier, spending on truckload and less-than-truckload truck transportation was up 6.4% after rising 2.7% in the first quarter on a year-over-year basis. Despite softer freight growth and a modest gain in industry capacity, spending remains elevated. This suggests that capacity didn't soften as much in the second quarter as some feared." – Bob Costello, Chief Economist and Senior Vice President, American Trucking Associations (ATA)

Source: https://freight.usbank.com/?rid=110218.686238437843&a=20e=48; 9/25/19

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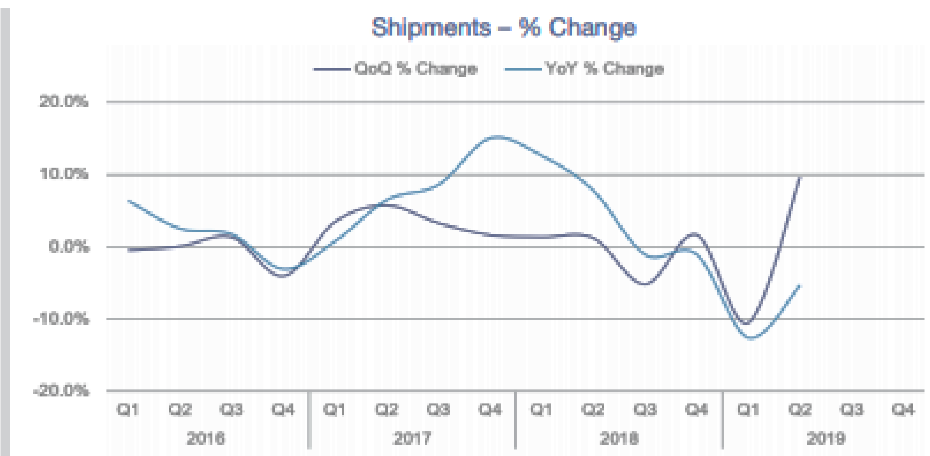
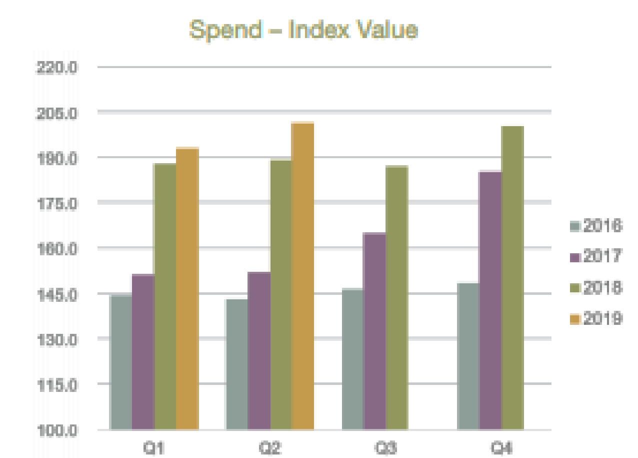
U.S. Bank Freight Payment Index®





Source: https://freight.usbank.com/?rid=110218.686238437843&a=20e=48; 9/25/19

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September 2019 Manufacturing ISM® *Report On Business*®

PMI® at 47.8%

New Orders, Production, and Employment Contracting

Supplier Deliveries Slowing at a Slower Rate; Backlog Contracting

Raw Materials Inventories Contracting; Customers' Inventories Too Low

Prices Decreasing; Exports and Imports Contracting

"Economic activity in the **manufacturing sector** expanded in September, and the **overall economy** grew for the 125th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM® *Report On Business*®**. The September PMI® registered 47.8 percent, a decrease of 1.3 percentage points from the August reading of 41.9 percent.

The New Orders Index registered 47.3 percent, an increase of 0.1 percentage point from the August reading of 47.2 percent.

The Production Index registered 47.3 percent, a 2.2-percentage point decrease compared to the August reading of 49.5 percent.

The Employment Index registered 46.3 percent, a decrease of 1.1 percentage points from the August reading of 47.4 percent.

The Supplier Deliveries Index registered 51.1 percent, a 0.3-percentage point decrease from the August reading of 51.4 percent.

The Inventories Index registered 46.9 percent, a decrease of 3 percentage points from the August reading of 49.9 percent.

The Prices Index registered 49.7 percent, a 3.7-percentage point increase from the August reading of 46 percent.

The New Export Orders Index registered 41 percent, a 2.3-percentage point decrease from the August reading of 43.3 percent.

The Imports Index registered 48.1 percent, a 2.1-percentage point increase from the August reading of 46 percent." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.instituteforsupplymanagement.org/ISMReport/MfgROB.cfm; 10/1/19

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September 2019 Manufacturing ISM® *Report On Business®*

"Comments from the panel reflect a continuing decrease in business confidence. September was the second consecutive month of PMI® contraction, at a faster rate compared to August. **Demand** contracted, with the New Orders Index contracting at August levels, the Customers' Inventories Index moving toward 'about right' territory and the Backlog of Orders Index contracting for the fifth straight month (and at a faster rate). The New Export Orders Index continued to contract strongly, a negative impact on the New Orders Index. **Consumption** (measured by the Production and Employment indexes) contracted at faster rates, again primarily driven by a lack of demand, contributing negative numbers (a combined 3.3-percentage point decrease) to the PMI® calculation. **Inputs** — expressed as supplier deliveries, inventories and imports — were again lower in September, due to inventory tightening for the fourth straight month. This resulted in a combined 3.3-percentage point decline in the Supplier Deliveries and Inventories indexes. Imports contraction slowed. Overall, inputs indicate (1) supply chains are meeting demand and (2) companies are continuing to closely match inventories to new orders. Prices decreased for the fourth consecutive month, but at a slower rate.

Global trade remains the most significant issue, as demonstrated by the contraction in new export orders that began in July 2019. Overall, sentiment this month remains cautious regarding near-term growth.

Of the 18 manufacturing industries, three reported growth in September: Miscellaneous Manufacturing; Food, Beverage & Tobacco Products; and Chemical Products. The 15 industries reporting contraction in September — in the following order — are: Apparel, Leather & Allied Products; Printing & Related Support Activities; Wood Products; Electrical Equipment, Appliances & Components; Textile Mills; Paper Products; Fabricated Metal Products; Plastics & Rubber Products; Petroleum & Coal Products; Primary Metals; Transportation Equipment; Nonmetallic Mineral Products; Machinery; Furniture & Related Products; and Computer & Electronic Products." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.instituteforsupplymanagement.org/ISMReport/MfgROB.cfm; 10/1/19

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September 2019 Non-Manufacturing ISM® Report On Business®

PMI® at 52.6%

Business Activity Index at 55.2%; New Orders Index at 53.7%; Employment Index at 50.4%

“Economic activity in the **non-manufacturing sector** grew in September for the 116th consecutive month, say the nation’s purchasing and supply executives in the latest **Non-Manufacturing ISM® Report On Business®**.

The NMI® registered 52.6 percent, which is 3.8 percentage points below the August reading of 56.4 percent. This represents continued growth in the non-manufacturing sector, at a slower rate.

The Non-Manufacturing Business Activity Index decreased to 55.2 percent, 6.3 percentage points lower than the August reading of 61.5 percent, reflecting growth for the 122nd consecutive month.

The New Orders Index registered 53.7 percent; 6.6 percentage points lower than the reading of 60.3 percent in August.

The Employment Index decreased 2.7 percentage points in September to 50.4 percent from the August reading of 53.1 percent.

The Prices Index increased 1.8 percentage points from the August reading of 58.2 percent to 60 percent, indicating that prices increased in September for the 28th consecutive month.

According to the NMI®, 13 non-manufacturing industries reported growth. The non-manufacturing sector pulled back after reflecting strong growth in August. The respondents are mostly concerned about tariffs, labor resources and the direction of the economy.” – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Source: https://www.instituteforsupplymanagement.org/ISMReport/NonMfgROB.cfm?navItemNumber=12943&SSO=1; 10/3/19

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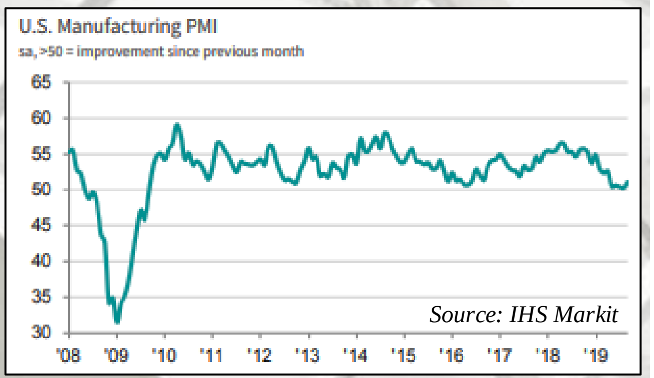

Markit U.S. Manufacturing PMI™

"The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 51.1 in September, broadly in line with the earlier flash reading of 51.0, and up from 50.3 in August to signal a slightly stronger end to the third quarter for the U.S manufacturing sector. That said, the quarterly average indicated the worst performance across the sector since the same period in 2009. Moreover, the latest data signalled only a slight improvement in operating conditions across the sector.

September PMI rises to five-month high as output growth strengthens

September PMI data indicated a marginally faster rate of improvement in the health of U.S manufacturing, though the overall picture remained one of a stuggling goods producing sector that has suffered its worst quarter since 2009. Expansions in production and new orders remained only modest, meaning firms were encouraged to increase their workforce numbers only tentatively. Business confidence remained relatively gloomy due to muted demand conditions. Although rates of both input cost and selling price inflation quickened, they remained historically subdued following a drop in demand for inputs and widespread efforts to stay competitive. …

News of the PMI hitting a five-month high brings a sigh of relief, but manufacturing is not out of the woods yet. The September improvement fails to prevent US goods producers from having endured their worst quarter for a decade. Given these PMI numbers, the manufacturing recession appears to have extended into its third quarter. It's also far from clear that the trend will improve in the fourth quarter. Inflows of new work remain worryingly subdued, to the extent that current production growth is having to be supported by firms increasingly eating into order book backlogs. Business sentiment about the year ahead is also stuck at gloomy levels.

The current situation contrasts markedly with earlier in the year, when companies were struggling to keep up with demand. Now, spare capacity appears to be developing, which is causing firms to curb their hiring compared to earlier in 2019 and become more cautious about costs and spending." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/a8267cc27e4f495ab9b5422d7cd606ea; 10/1/19

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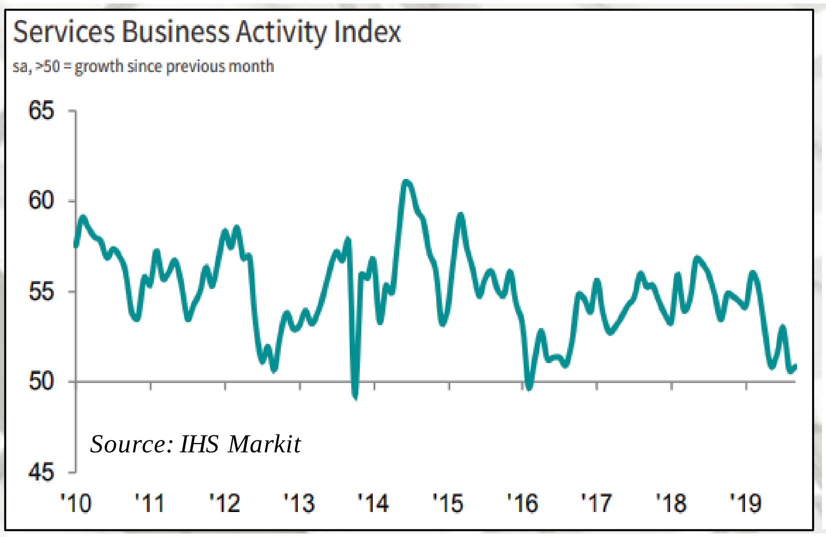

Markit U.S. Services PMI™

"The seasonally adjusted final IHS Markit U.S. Services Business Activity Index registered 50.9 in September, in line with the earlier 'flash' figure and up slightly from 50.7 in August, but nonetheless signalled one of the slowest increases in output for over three years. Many firms noted that less robust client demand held back the expansion. Moreover, the third quarterly average for 2019 signalled the weakest business activity performance across the sector since the same period three years ago.

New business growth slides to lowest in survey history

September data indicated only a slight increase in business activity across the U.S. service sector, with the expansion constrained by the slowest monthly rise in new business recorded since data collection began in October 2009. Subsequently, firms reduced their workforce numbers for the first time since early-2010. Business confidence also remained subdued amid ongoing economic uncertainty. On the price front, input costs fell for only the second time in the series history. Firms also cut their selling prices in an effort to remain competitive. Concurrently, new business growth slipped further to the slowest in the near-decade long series history in September. The marginal expansion was reportedly stymied by tough competition and soft demand conditions. Ongoing economic uncertainty also reduced client demand, notably in foreign markets, with new export orders falling for the second month running. The decrease in new business from abroad the fastest since the series began in 2014. …

A disappointing service sector PMI follows news of lacklustre manufacturing and means the past two months have seen one of the weakest back-to-back expansions of business activity since 2009, sending a signal of slower GDP growth in the third quarter. The surveys are consistent with the economy growing at a 1.5% annualised rate in the third quarter, with forward-looking indicators suggesting further momentum could be lost in the fourth quarter. In particular, inflows of new business have almost stalled, with September seeing the smallest increase since 2009, and business expectations about the year ahead remain stuck at one of the gloomiest levels since at least 2012. ..." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/ca1384c7acd74adca76a0c2aa0353292; 10/3/19

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Credit Managers' Index Disappoints in September

Combined Sectors

"It was fun while it lasted! "Last month featured a nice little rebound in the Credit Managers' Index (CMI) – especially on the manufacturing side," said Chris Kuehl, NACM Economist. "That gain was short-lived as this month there was a bit of a decline. The data is still pretty firmly in the expansion zone (above 50) but not as robustly as was the case earlier." His take is that the indicators for the economy in general have been following that same pattern – some good indicators coinciding with some not so good. Industrial production numbers were far better than they were in the previous month and there was an improvement in the industrial capacity numbers as well. On the other hand, the Purchasing Managers' Index sank into contraction territory for the first time in years with a reading of 49.1. The problems with the CMI were in the favorable categories, but the drop was not calamitous.

The combined index score fell from 55.2 to 54.1, but still higher than the numbers seen in July (53.4). Readings in the mid-50s, however, certainly beat the high 40s that are showing up in the Purchasing Managers' Index. The combined score for the favorable factors fell from 61.8 to 59.1, but again, this is better than the 58.6 notched in July. "There is certainly no reason to panic about numbers in the high 50s, but there is concern that a downward trend might extend," Kuehl said. The combined score for the nonfavorable factors stayed almost the same as last month – going from 50.9 to 50.7. "This category has been teetering on the edge of contraction for months and even years, but has been able to keep out of the contraction zone thus far."" – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 9/30/19

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Credit Managers' Index Disappoints in September

"The biggest drop in the favorable categories was in sales, which could be a potential problem. Last month the sales data was at a high point – 64.4. This was close to the level reached in May. The reading this month fell to 58.7, about where it was in July. "A reading in the upper 50s is certainly no cause for alarm," Kuehl said, "but the trend is not good and signals there may be more caution in the economy – an observation that has been made by many looking at other data points." The other readings in this category were not as concerning. The new credit applications data slipped from 60.9 to 59.7, a pretty minor reduction. The dollar collections numbers went from 60 to 58.5. He suggests this is a bit more worrisome as it shows some creditors may be struggling a little. The amount of credit extended also fell out of the 60s with a reading of 59.7 as compared to last month's 61.7. In sum, "the numbers are not as good as they were in August, but they have hardly fallen off the map."

The data from the nonfavorable factors didn't vary much from the month before, but this is somewhat cold comfort as the readings are not all that high. The rejections of credit applications slipped a bit from 52.1 to 51.4. Kuehl explains that this category is tied to the applications for credit – if there are fewer applications and there are more rejections, it essentially means there are fewer good applicants." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 9/30/19

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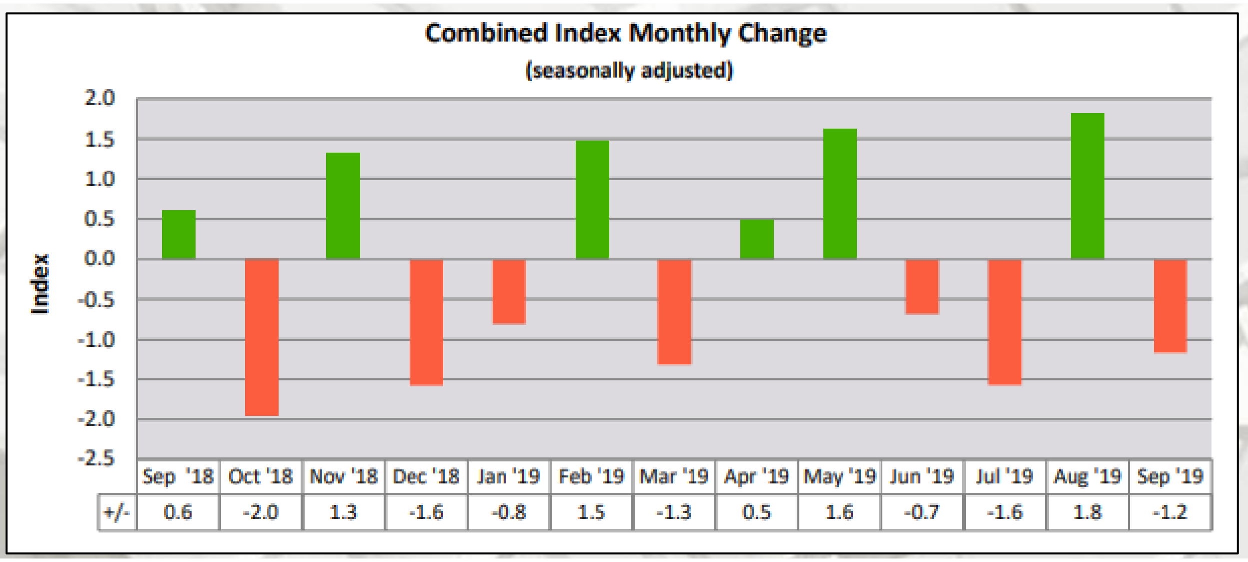

National Association of Credit Management – Credit Managers' Index

Credit Managers' Index Disappoints in September

"There was very little change in terms of accounts out for collection. The reading this month was 48.4; it was 48.6 the month before. The more salient point is this category remains in contraction territory. The disputes numbers actually improved with a reading of 50 after an August reading of 49.4. It is always good to see a reading break out of contraction – even if only by a little. The reading for dollar amount beyond terms fell quite a bit, but has still managed to stay out of contraction (down from 53.6 to 50.2). He notes that this is worrying in that slow pays are the first sign of future problems. The dollar amount of customer deductions improved a little, which was somewhat unexpected. It has gone from 50 to 52.1. There was also an improvement in filings for bankruptcies from 51.6 to 52.1. According to Kuehl, "The bankruptcy numbers had been a bright spot for years, but had been slipping over the last few months, so it was reassuring to see an upward trend."" – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 9/30/19

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Credit Managers' Index Disappoints in September

Manufacturing Sector

"As for the manufacturing sector, Kuehl said that it has been experiencing the greatest levels of volatility thus far this year. The start was pretty impressive, but there were developing concerns as the trade and tariff war began to take shape. By mid-year, the slowing global economy was taking a toll on the U.S. industrial sector. Much of what the U.S. exports is machinery and other higher tech goods, and the market has been suffering a little. These issues are expected to worsen.

The combined score for manufacturing is at 54.3 – less impressive than the month before (55.7). It is still higher than it was in July, however. The favorable numbers fell from the 60s, but remained firmly in expansion territory with a reading of 58.8. The nonfavorable factors came in very close to what they had been – 51.2 as compared to 51.7. The sales data took a significant hit as it went from 65.3 to 57.9, a development that was not unexpected given all the challenges that have been facing the manufacturing sector of late. Kuehl attributes this to the global slowdown, as most of the major trading partners for the U.S. have been struggling. "Of the top-15 U.S. trade partners, all but three now have Purchasing Managers' Index readings below 50 and the three that are still in expansion territory are only at 51 or 52. " The new credit application numbers slipped from 60.1 to 59.5. The dollar collections numbers also declined, but not by that much as they went from 59.6 to 58.7, certainly still respectable. The amount of credit extended numbers fell out of the 60s, going from 61.4 to 59.2. He notes that the favorable numbers are clearly still favorable as readings in the 50s are solid. The worry is that sales data tends to drive everything else." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 9/30/19

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National Association of Credit Management – Credit Managers' Index

Credit Managers' Index Disappoints in September

Service Sector

"As the holiday season gets firmly underway, Kuehl says it is likely there will be additional movement in the index as there is both good news and bad. The retail sales numbers will climb, but the question will be by how much and for how long. If the season is not quite what had been expected, the nonfavorable factors will likely show the strain – perhaps even experiencing a hike in bankruptcies in the retail community. The other service category that shows strong influence over the CMI is construction. This area may decline simply due to seasonal factors.

The combined score is 53.9, which takes the readings back to nearly what they were in July at 53.7. The favorable factors slipped out of the 60s with a reading of 59.4 compared to the 61.9 in August. The nonfavorable combined score went from 50 to 50.1, as close to no change as one can get. The majority of the activity in the survey was in the favorable categories.

Sales slipped out of the 60s with a reading of 59.6, but these are obviously very legitimate readings and still a little higher than was the case in July (59.3). The new credit applications also dropped from the 60s with a reading of 59.8 after 61.7 in August. Again, this is not a bad number overall. The dollar collections number was the third to leave the 60 range with a new reading of 58.2. Only amount of credit extended was able to stay in that 60 zone with a reading of 60.2 compared to the 62.1 registered the month before." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 9/30/19

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Combined Manufacturing and Service Sectors (seasonally adjusted)	Sep '18	Oct '18	Nov '18	Dec '18	Jan '19	Feb '19	Mar '19	Apr '19	May '19	Jun '19	Jul '19	Aug '19	Sep '19
Sales	68.8	62.7	64.5	59.0	59.7	62.6	58.2	61.0	65.9	60.4	58.4	64.4	58.7
New credit applications	61.9	61.7	62.2	57.5	58.2	58.9	57.8	59.7	64.2	62.4	60.8	60.9	59.7
Dollar collections	62.8	57.5	60.9	59.3	59.0	59.1	56.6	59.1	59.8	60.3	56.6	60.0	58.5
Amount of credit extended	67.1	64.5	65.3	61.9	61.2	62.3	63.5	60.6	65.4	62.5	58.7	61.7	59.7
Index of favorable factors	65.2	61.6	63.2	59.4	59.5	60.7	59.0	60.1	63.8	61.4	58.6	61.8	59.1
Rejections of credit applications	51.8	51.4	51.4	51.4	51.8	52.1	51.2	52.0	51.8	52.4	52.6	52.1	51.4
Accounts placed for collection	50.2	48.8	48.2	49.7	48.2	49.0	46.4	48.5	47.0	50.0	46.2	48.6	48.4
Disputes	47.6	48.9	50.1	49.6	47.1	48.5	49.5	48.5	48.6	48.6	50.5	49.4	50.0
Dollar amount beyond terms	49.9	47.7	52.3	49.3	47.4	51.3	50.0	47.6	51.3	49.8	46.1	53.6	50.2
Dollar amount of customer deductions	48.6	49.5	49.6	49.7	48.0	50.0	48.8	49.7	49.3	50.0	51.2	50.0	52.1
Filings for bankruptcies	55.6	52.1	53.6	55.0	53.8	54.9	53.7	53.9	53.3	53.5	53.2	51.6	52.1
Index of unfavorable factors	50.6	49.7	50.9	50.8	49.4	51.0	49.9	50.0	50.2	50.7	50.0	50.9	50.7
NACM Combined CMI	56.4	54.5	55.8	54.2	53.4	54.9	53.6	54.0	55.7	55.0	53.4	55.2	54.1

Source: https://nacm.org/cmi.html; 9/30/19

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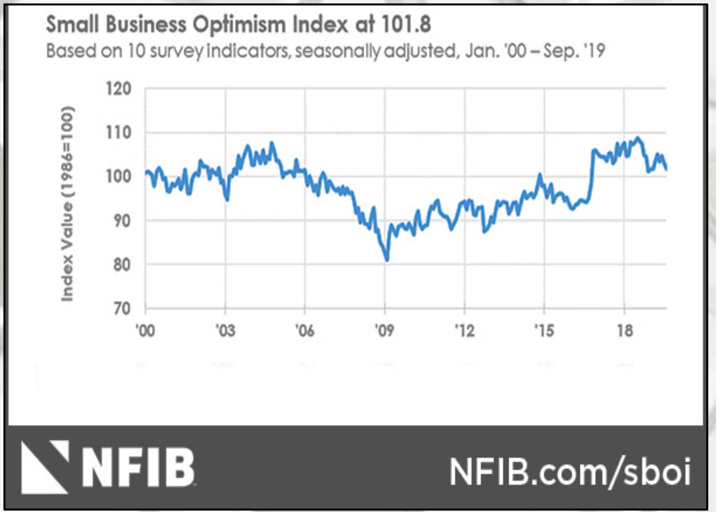

August 2019 Report:

"The small business Optimism Index maintained a historically solid reading, but took a dip in September, falling 1.3 points to 101.8. September's figure falls within the top 20% of all readings in the Index's 46-year history. The survey shows no sign of a recession and indicated continued job creation, capital spending, and inventory investment, all consistent with solid, but slower growth. The Uncertainty Index rose 2 points, revisiting high levels of concern.

Small Business Declines but Remains Historically High

Key findings from September's index included:

- No Index component advanced, three were unchanged (at good levels), and six declined.
- Reports of rising labor compensation remained historically strong and fewer firms reported raising selling prices, so rising labor costs are still not pushing up inflation on Main Street.
- Twenty-five percent expected credit conditions to remain unchanged or to tighten in spite of two rate cuts by the Federal Reserve. Reported credit market conditions remain among the most supportive in the 46-year survey history.
- The perceived environment for expansion and expected business conditions deteriorated further. Twenty-two percent of owners said it was a good time to expand, down 4 points, while a net 9% expect better business conditions, down 3 points." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 10/8/19

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Private Indicators

NFIB Small Business Optimism Index

“As small business owners continue to invest, expand, and try to hire, they’re doing so with less gusto than they did earlier in the year, thanks to the mixed signals they’re receiving from policymakers and politicians. All indications are that owners are eager to do more, but they’re uncertain about what the future holds and can’t find workers to fill the jobs they have open.” – Juanita D. Duggan, President and CEO, NFIB

“As more owners become unsure, caution will seep into business decisions. In addition to tariff concerns, the Fed’s decision to cut interest rates raised uncertainty. Perhaps the country will indeed talk itself into a recession, but not anytime soon. The persistence of unfilled job openings and reports of a deficiency of job applicants indicate that there is still substantial economic optimism about the economy on Main Street.” – Bill Dunkelberg, Chief Economist, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 10/8/19

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Private Indicators

NFIB Small Business Optimism Index

Small Business Optimism

Small Business Optimism Remains Steady

Index Component	Net %	Change From Aug
Plans to Increase Employment	17%	▼ -3
Plans to Make Capital Outlays	27%	▼ -1
Plans to Increase Inventories	2%	— 0
Expect Economy to Improve	9%	▼ -3
Expect Real Sales Higher	16%	▼ -1
Current Inventory	-6%	— 0
Current Job Openings	35%	— 0
Expected Credit Conditions	-4%	▼ -2
Now a Good Time to Expand	22%	▼ -4
Earnings Trends	-3%	▼ -2

NFIB

NFIB.com/sboi

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 10/8/19

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Private Indicators

NFIB Small Business Optimism Index

"The Uncertainty Index has risen 6 points over the past three months, as more owners are unable to make a statement confidently, good or bad, about the future of economic conditions. Tariffs are adversely affecting many small firms, with 30% reporting negative effects in NFIB's September survey. Owners are more reluctant to make major spending commitments when the future becomes less certain.

Fifty-seven percent of owners reported capital outlays, down 2 points from August. Plans to make capital outlays were not energized by the rate reductions. Twenty-seven percent plan capital outlays in the next six months, down 1 point. Plans to invest were strong in manufacturing, 34%, professional services, 33%, and the wholesale trades, 32%.

The net percent of owners reporting inventory increases fell 1 point to a net 0%, indicating that inventory rebuilding which was strong early in the year has slowed to a trickle. The contribution of inventory investment to GDP growth in the third quarter is likely to be minimal as rising uncertainty curbs production. The net percent of owners planning to expand inventory holdings was unchanged at a net 2%, a solid number given weaker real sales expectations. The net percent of owners expecting higher real sales volumes fell 1 point to a net 16% of owners.

Inflationary pressures are fading on Main Street as fewer firms on balance are raising prices. The net percent of owners raising average selling prices fell 3 points to a net 8%, seasonally adjusted, the lowest reading since December 2017. A net 15%, seasonally adjusted, plan price hikes (down 2 points). While 13% reported cutting selling prices, only 1 percent plan to do so. This suggests that most price cutting is an unanticipated, unplanned response to market conditions, a healthy process.

A seasonally-adjusted net 17% plan to create new jobs, down 3 points. Not seasonally adjusted, 18% plan to increase total employment at their firm (up 1 point), and 6% plan reductions (up 3 points). Thirty percent of owners reported few qualified applicants for their open positions (down 3 points) and 20% reported none (down 4 points). Twenty-three percent selected "finding qualified labor" as their top business problem, more than cited taxes or regulations. Reports of higher worker compensation were unchanged at a net 29% of all firms. Plans to raise compensation fell 1 point to a net 18%." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 10/8/19

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

Small Business Job Growth Rebounds in September; Wage Growth Also Increases

"Job growth increased in September, as did hourly and weekly earnings growth, according to the latest Paychex | IHS Markit Small Business Employment Watch. At 98.22, the national jobs index experienced its largest gain in three years (0.21 percent), breaking with recent trends; however, the index remains down 0.97 percent year-over-year. In September, hourly earnings growth rose at its fastest one-month pace since 2016 to 2.77 percent ($0.74). Weekly earnings growth continued its upward trend as well, reaching 2.93 percent.

"The national index turned up for the first time since February. While still almost a full percentage point below a year ago, it remains to be seen whether this one-month change marks a turning point," said James Diffley, chief regional economist at IHS Markit.

"Employment and earnings increases in the Construction industry contributed to the encouraging national gains for both jobs and wages in September," said Martin Mucci, Paychex president and CEO. "Increased optimism from business owners in their ability to fill open positions with qualified candidates and raise wages was also reflected in our Fall 2019 Business Sentiment Report, released last week."" – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 10/1/19

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

Small Business Job Growth Rebounds in September; Wage Growth Also Increases

"Broken down further, the September report showed:

- The South remains first among regions in employment growth; hourly earnings growth in the Northeast hit a decade high.
- Tennessee continues to lead states in small business job growth; Illinois remains the top state for wage growth.
- Dallas is again the top metro for job growth; San Diego maintains its lead among metros in wage growth.
- Recent increases in weekly hours worked growth has sparked weekly earnings; the three-month weekly earnings annualized growth rates are higher than the 12-month rates in every industry." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 10/1/19

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The Paychex | IHS Markit
Small Business Employment Watch

September Jobs Index	September Wage Data
Index	Hourly Earnings
98.22	$27.40
12-Month Change	12-Month Growth
-0.97%	+2.77% (+$0.74)

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 10/1/19

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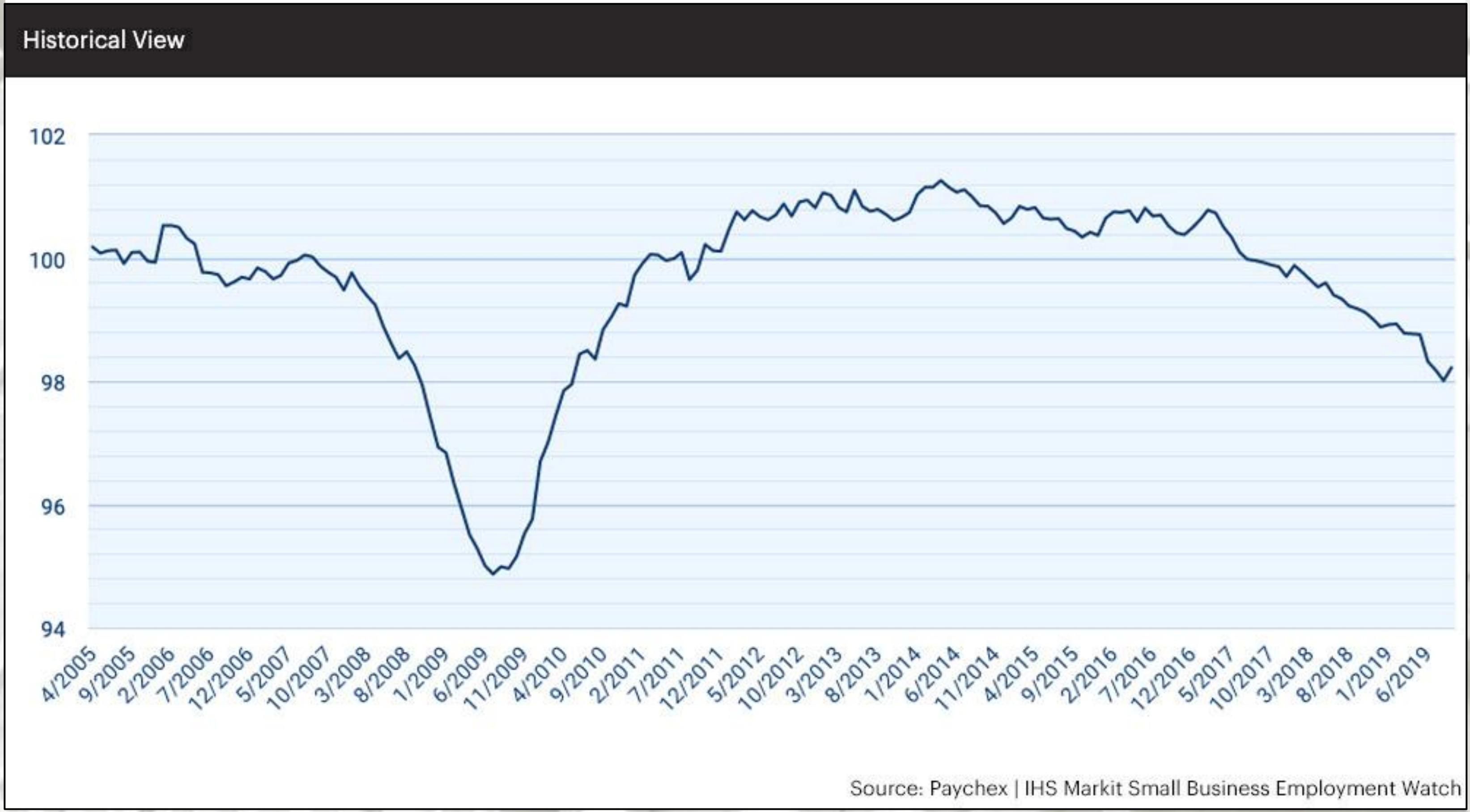
The Paychex | IHS Markit
Small Business Employment Watch

National Jobs Index



Source: https://www.paychex.com/employment-watch; 10/1/19

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Demographics

Zillow Research

People Start Living Alone Later – and Rising College Attendance Is not the Cause

- "In 1980, most adults from age 23 onwards lived independently, without family or roommates. By 2017, this tipping point age had increased to 26.
- Rising rates of college attendance don't explain this delay: People with a high school education level are less likely to live independently at every age – and by a margin of about 12 percentage points by age 30.
- People in more expensive places take longer to live independently, and this gap has widened over time.
- Moving into your own place is an important life milestone for many people, marking financial independence, personal success, and the beginning of mature adulthood. But today's young adults are taking longer than previous generations to strike out on their own, especially in the nation's most economically dynamic – and most expensive – places.

In broad strokes, there's a cycle to the type of household in which people live over the course of their lives. In childhood and teenage years, the vast majority of people live with at least one parent. At age 18, even as some go off to college and others start full-time work, it's not unusual for some young people to continue living with Mom and Dad. For those who do move out, sharing a home with roommates is a common way to save on living expenses." – Cecile Murray, Economic Data Analyst, Zillow Research

Source: https://www.zillow.com/research/living-alone-age-25505/; 9/23/19

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Demographics

Zillow Research

People Start Living Alone Later – and Rising College Attendance Is not the Cause

"Eventually, though, most people form their own households – separate from their parents and without roommates. This analysis examines at what age the share of adults living independently [1] first tips over 50%, i.e. at what age most people begin living independently. It also examines how that tipping point has changed over time, and how it varies across the nation's major housing markets. [2]

It Takes Longer to Live Independently, and Fewer People Are

In 1980, the tipping point age was 23: 49% of 22-year-olds and 58% of 23-year-olds lived independently, so 23 was the age at which it became more common than not for someone to have their own place. By 2017, the most recent year for which data are available, this tipping point had increased to age 26. The following figure illustrates this shift: it plots the difference between the share of adults who had their own place and the share of those who didn't. The age at which this measure first becomes positive is the age at which most adults first live independently – what we're calling the tipping point age.

And this shift isn't just a delay for 20- and 30-somethings: a smaller share of adults of every age lived independently in 2017 than in 1980. In other words, it's not just that it takes longer for people to get their own place today, but also that fewer people ever do. The share of 40-year-olds who live independently was ten percentage points lower in 2017 (81%) than in 1980 (91%)." – Cecile Murray, Economic Data Analyst, Zillow Research

Source: https://www.zillow.com/research/living-alone-age-25505/; 9/23/19

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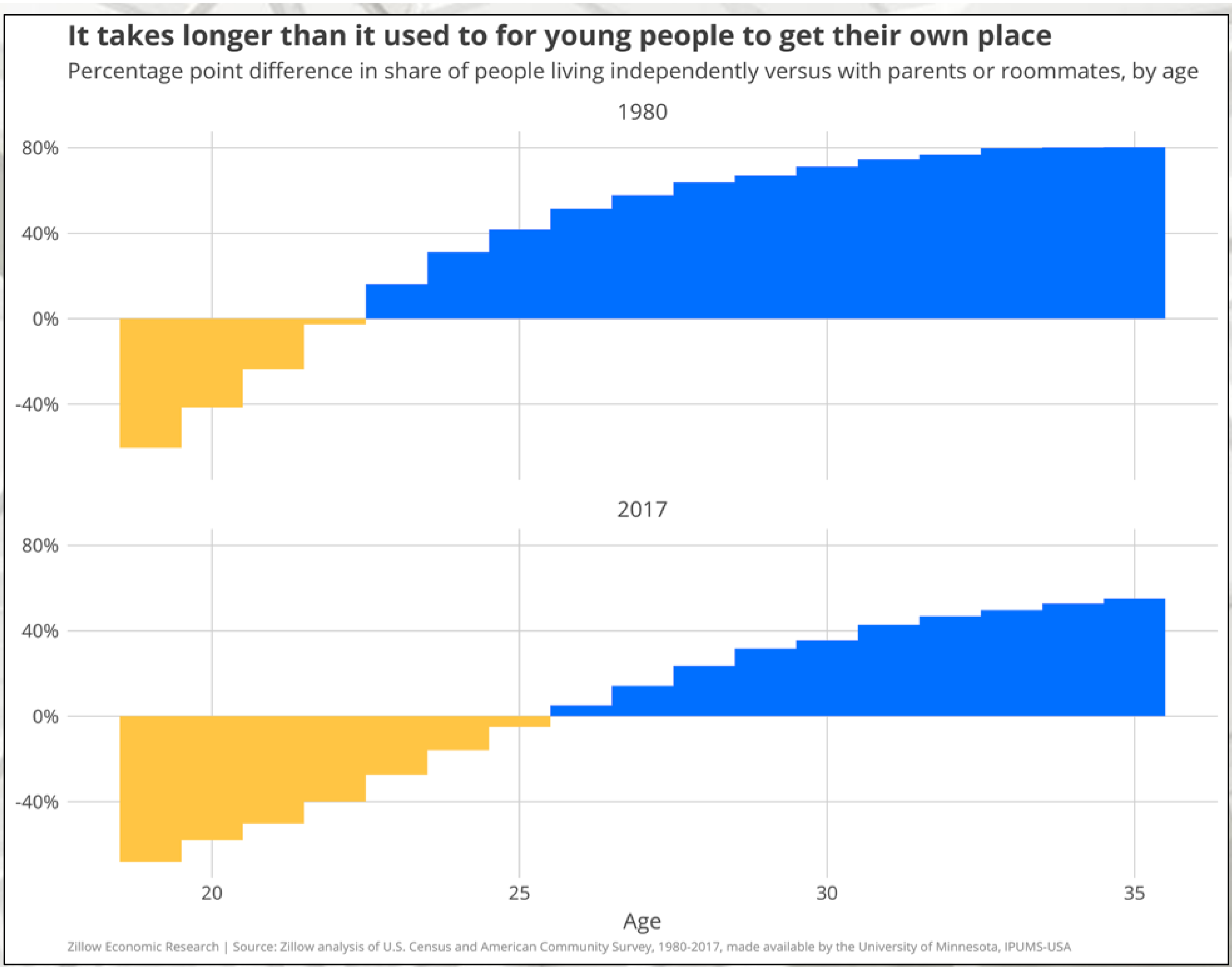

Source: https://www.zillow.com/research/living-alone-age-25505/; 9/23/19

Demographics

Zillow Research

A Delay Not Explained by Rising College Attendance

"Today's young people pursue higher education at higher rates than previous generations, which typically delays when people start full-time work and when they marry and have children. Moreover, high levels of student debt could mean that it takes longer for people to afford their own place.

But the data tell a more complicated story. Although people with a high school education level used to live independently at roughly similar rates to their college-educated counterparts, they now are less likely to do so – by a margin of about 12 percentage points by age 30. Notably, adults without a college degree used to live independently at higher rates than similarly-aged college graduates almost up to age 30, which isn't surprising given their additional years of earnings. Today, even that temporary advantage has been lost – despite having spent more years in college rather than working, college graduates are more likely to have their own place as early as 26.

The Gap Between Markets has Widened

Not surprisingly, it takes longer for young adults in more expensive places to live on their own. More than half of adults living outside of metropolitan areas have their own place by age 25, whereas their counterparts inside metro areas wait two more years, until age 27. Among the nation's largest metros, this same pattern holds: the tipping point age is 24 in relatively affordable markets like Cincinnati and Indianapolis, but it's 29 in pricey coastal metros like Los Angeles and Miami." – Cecile Murray, Economic Data Analyst, Zillow Research

Source: https://www.zillow.com/research/living-alone-age-25505/; 9/23/19

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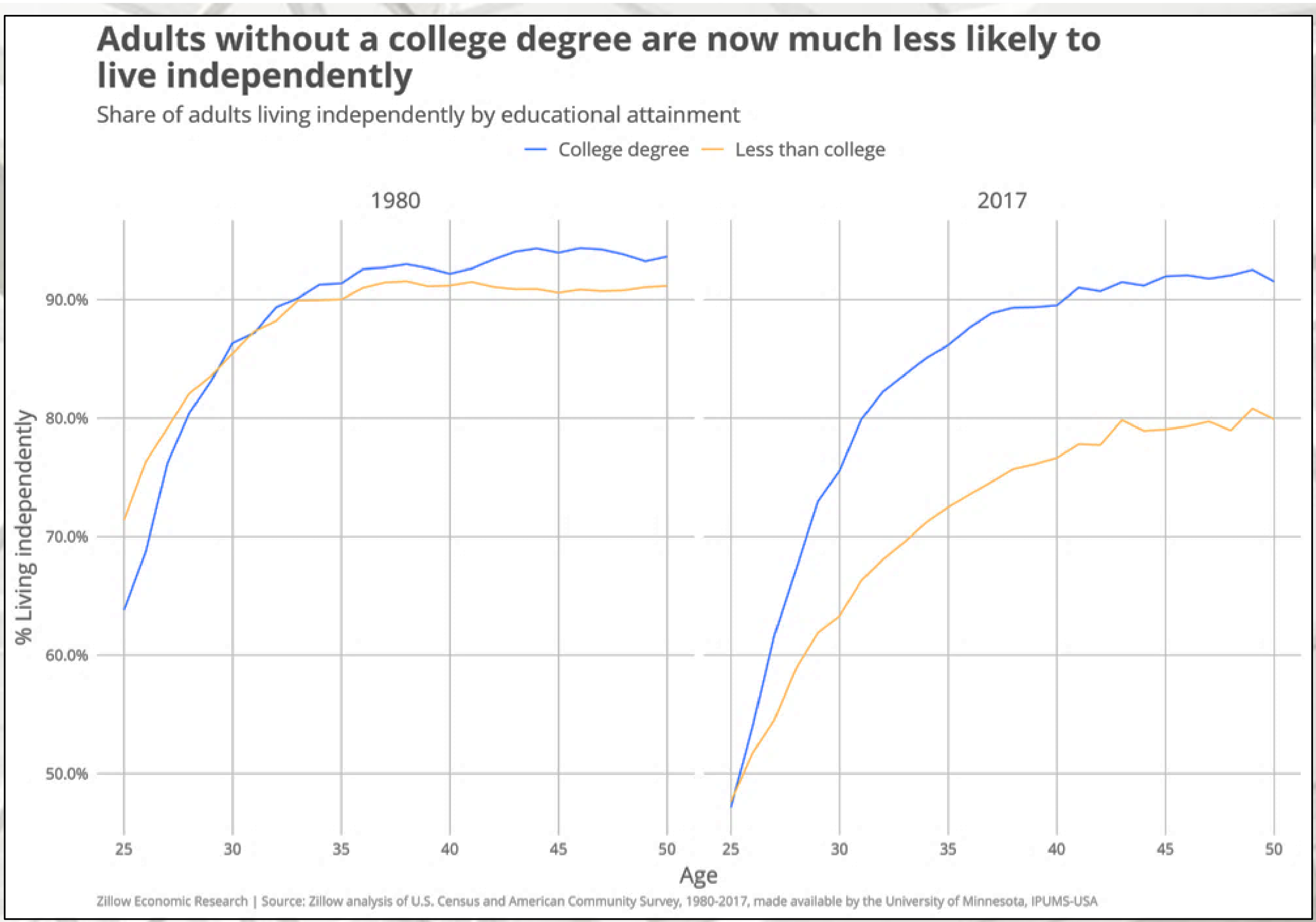

Source: https://www.zillow.com/research/living-alone-age-25505/; 9/23/19

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Demographics

Zillow Research

The Gap Between Markets has Widened

"In 1980, the typical age at which a majority of people first lived independently was between 22 and 24 in most metro areas – even expensive ones. By 2017, both expensive and less-expensive metros had seen their median tipping point age move up, by about four years in the former compared with only two years for the latter.

A similar pattern reveals itself in how both home price increases and the tipping point age have changed over time. Broadly, the markets that saw the greatest home price appreciation between 1980 and 2017 are also those that saw the largest increases in tipping point age. New York and Los Angeles, along with many of the nation's other large expensive coastal metros, are perfect examples. In 1980, more than half of 24-year-olds living in each market had their own place, but by 2017, that age had increased to 29.

However, there are some intriguing outliers as well: not all metros whose housing markets have boomed over the last several decades have seen the age at which young adults live independently increase to the same degree. For example, Seattle, San Diego, New York City, and Boston all saw home values more than quadruple since 1980, but Seattle experienced a notably smaller increase in the age at which most people have their own place than these other metros. By contrast, Dallas's home values haven't even doubled, yet the tipping point age increased by four years – the same as San Francisco." – Cecile Murray, Economic Data Analyst, Zillow Research

Source: https://www.zillow.com/research/living-alone-age-25505/; 9/23/19

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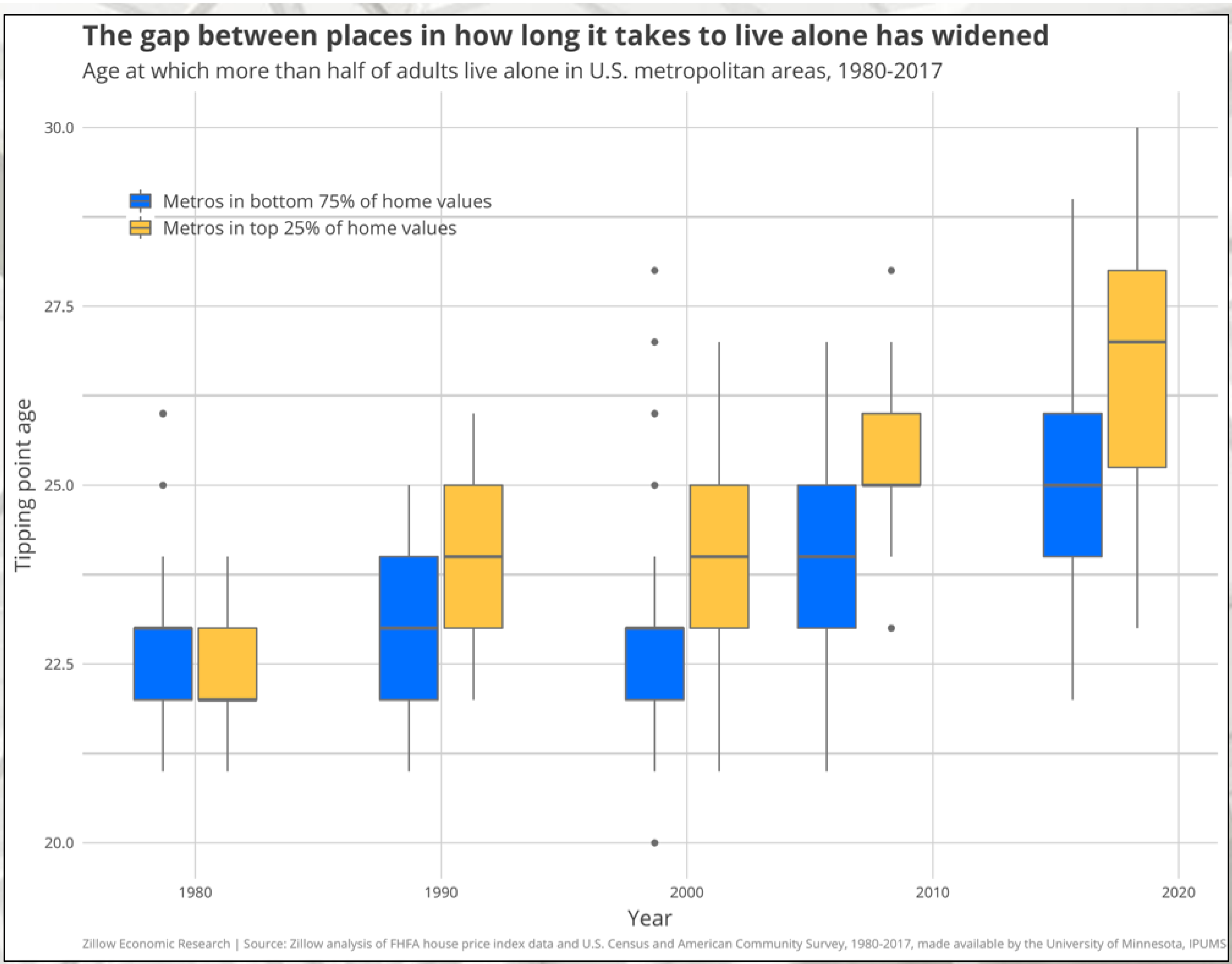

Source: https://www.zillow.com/research/living-alone-age-25505/; 9/23/19

Demographics

Zillow Research

What Might be Driving This?

“There is a range of cultural and economic reasons why people might be delaying moving out on their own – or never doing so at all.

First, social norms about whether and when to get married and have children have changed, so delaying settling down or choosing not to – is more socially acceptable.

Rising income inequality likely also contributed to this shift. Most Americans have seen their wages grow only sluggishly over the last several decades, lagging behind other living costs. That’s especially true for millennials who don’t have a college degree, who earn less than previous generations did at the same age. Today’s young people are also more likely to live in urban cores, where housing is more expensive. Moreover, recent research suggests that the wage premium for working in a major metro, where costs of living are higher, has substantially shrunk or disappeared for all but the highest-paying occupations.

Combined with skyrocketing home price appreciation in some of the nation’s most dynamic metros, these changes in incomes could explain why young people are taking longer to move out on their own. Put more simply, if rents and home prices are going up and paychecks aren’t, people just can’t afford their own place.” – Cecile Murray, Economic Data Analyst, Zillow Research

Source: https://www.zillow.com/research/living-alone-age-25505/; 9/23/19

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