

The Virginia Tech – U.S. Forest Service

March 2020

Housing Commentary: Section II



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2020

Virginia Polytechnic Institute and State University

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Table of Contents

Slide 3: [Federal Reserve System Indicators](#)

Slide 71: [Private Indicators](#)

Slide 136: [Virginia Tech Disclaimer](#)

Slide 137: [USDA Disclaimer](#)

U.S. Economic Indicators 1/19

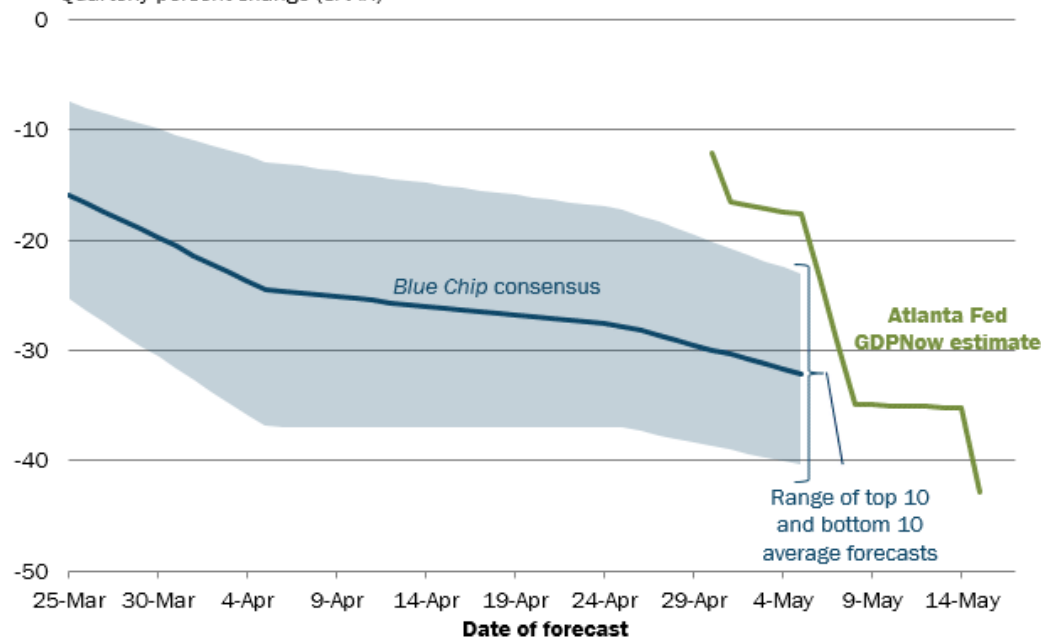


GDPNow™

GDPNow is not an official forecast of the Atlanta Fed. Rather, it is best viewed as a running estimate of real GDP growth based on available data for the current measured quarter. There are no subjective adjustments made to GDPNow—the estimate is based solely on the mathematical results of the model.

In particular, **it does not capture the impact of COVID-19** beyond its impact on GDP source data and relevant economic reports that have already been released. It does not anticipate the impact of COVID-19 on forthcoming economic reports beyond the standard internal dynamics of the model.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2020: Q2
Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Atlanta Fed GDPNow™

Latest forecast: -42.8 percent— May 15, 2020

“The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2020 is **-42.8 percent** on May 15, down from -34.9 percent on May 8. After this week’s data releases from the U.S. Department of the Treasury’s Bureau of the Fiscal Service, the U.S. Bureau of Labor Statistics, the Federal Reserve Board of Governors, and the U.S. Census Bureau, the nowcasts of second-quarter real personal consumption expenditures growth and real gross private domestic investment growth decreased from -33.9 percent and -62.8 percent, respectively, to -43.6 percent and -69.4 percent, respectively.” – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

U.S. Economic Indicators 2/19

Business Expectations



We compute these topic-specific expectations indexes by averaging across firms' expectations about their own sales growth rate over the next four quarters, employment growth rate over the next twelve months, and capital investment rates four quarters ahead. Each index captures both the direction and magnitude of what firms expect sales growth, employment growth, or investment to turn out in the future. Each index is standardized to have a mean of 100 from January 2015 to December 2018. A 10-point movement in an index represents a 1 standard deviation change.

Source: Atlanta Fed/Chicago Booth/Stanford Survey of Business Uncertainty

U.S. Economic Indicators 3/19

Business Uncertainty



We compute these topic-specific uncertainty indexes by averaging across firms' uncertainty about their own sales growth rates over the next four quarters, employment growth rates over the next twelve months, and capital investment rates four quarters ahead. Higher levels of our uncertainty indexes occur when firms express less certainty about where they expect sales growth, employment growth, or investment to go in the future. For example, our sales growth uncertainty index rises when the gap between firms' "lowest" and "highest" sales growth scenarios widens, or when they assign a higher probability to their "lowest" and "highest" case scenarios. Our uncertainty index is standardized to have a mean of 100 from January 2015 to December 2018. A 10-point movement in an index represents a 1 standard deviation change in the series.

Source: Atlanta Fed/Chicago Booth/Stanford Survey of Business Uncertainty

U.S. Economic Indicators 4/19

Business Expectations and Uncertainty



The **Business Expectations Index** reflects firms' expectations about the growth of their own sales, employment, and capital expenditures over the next 12 months. The index can respond to news about the overall economy, changes in business sentiment, policy developments, stock market moves, interest rate changes, and changes in the outlook of firms in the sample.

The **Business Uncertainty Index** reflects firms' uncertainty about the growth of their own sales, employment, and capital expenditures over the next 12 months. The index responds to the same forces that move the Business Expectations Index.

The Business Uncertainty Index captures uncertainty about the outlook for sample firms, while the Business Expectations Index captures the expected direction and magnitude of change. Each index is standardized to have a mean and variance of 100 during the period from January 2015 to December 2018.

Source: Atlanta Fed/Chicago Booth/Stanford Survey of Business Uncertainty

The Federal Reserve Bank of Boston 1/6

Boston Fed analyses outline grim economic consequences of COVID-19 pandemic in New England

Fallout includes major job loss, struggles to pay for housing, likely steep state tax revenue drops

“Massive job loss, widespread difficulty making rent or mortgage payments, and the prospect of steep declines in state tax revenues are among the key economic consequences New England is facing from the COVID-19 outbreak and the public-health efforts to stop the spread of the disease. [Preliminary findings from forthcoming New England Public Policy Center](#) studies of the fallout confirm that the impact has been severe for the region’s businesses, workers, and households. The findings also indicate that New England state governments will suffer major losses of tax revenues.

The full extent of the economic damage will depend on how long the pandemic forces New England businesses to remain closed and how well economic stimulus efforts, including the federal CARES Act and state expansions of unemployment insurance, offset the shutdown’s impacts.

Large job losses may lead to housing payment challenges

The NEPPC’s unemployment analysis finds that the number of initial unemployment insurance claims from late March and early April was equal to 16.6 percent of the total workforce in New England. The analysis of the pandemic’s impact on housing estimates that, due to the wide-scale job loss, 36 percent of the region’s renters and 18 percent of its homeowners are at risk of not being able to pay their rent or mortgage. This equates to \$1.5 billion in monthly payments (slides 15 through 18). However, state and federal unemployment insurance expansions and direct payments to households through the CARES Act are likely to bolster households’ ability to meet monthly housing payments ([slide 19](#)).” – Larry Bean, Economics Editor, Research Department, The Federal Reserve Bank of Boston

Full presentation: <https://www.bostonfed.org/-/media/Documents/neppc/2020/20200420.pdf>

The Federal Reserve Bank of Boston 2/6

Key Facts



Initial unemployment insurance claims between March 21 - April 11, 2020 were equal to **16.6% of the total workforce** in New England.



The NEPPC estimates that **36% of renters and 18% of homeowners** in New England are at risk of **not being able to make their housing payment**; an estimated **\$1.5 billion** in monthly payments are at risk.



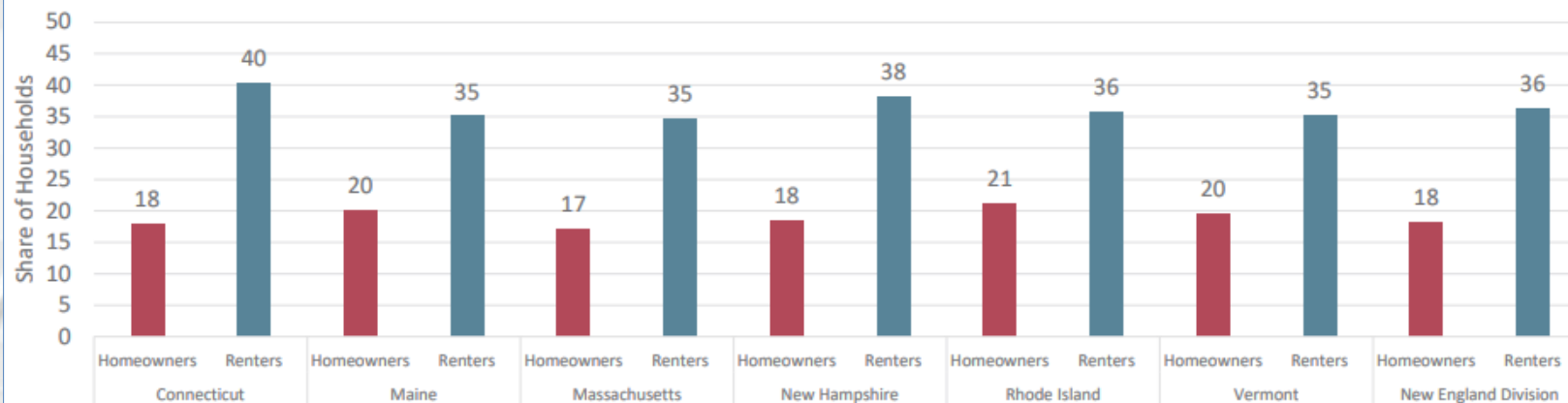
The NEPPC estimates **state revenues across New England will decline dramatically**; a decline of \$3.3 billion to \$3.9 billion between FY 2019 and FY 2020 is forecasted for Mass., depending on unemployment growth.

The Federal Reserve Bank of Boston 3/6

One-fifth of homeowners and more than one-third of renters in New England are at risk of not being able to pay their monthly rent or mortgage

Before considering UI expansion and direct payments in the federal CARES Act

Share of high-risk households unable to pay their monthly rent/mortgage



Households are unable to pay their monthly rent or mortgage if their total household income, excluding income earned in high-risk or high-contact occupations, is less than their monthly housing costs plus a low-cost food budget. Only those households with housing payments such as a mortgage (including second mortgages) and cash rent are included. Households with housing payments are those with a mortgage (including second mortgages) or paying cash rent. High-risk occupations are those defined in Gascon (2020), but with adjustment to include salaried workers who are non-essential and cannot work from home, and to include those non-essential occupations deemed essential based on state policy.

*For the US average, 19.9 percent of homeowners and 40.1 percent of renters are at risk of not making their housing payments.

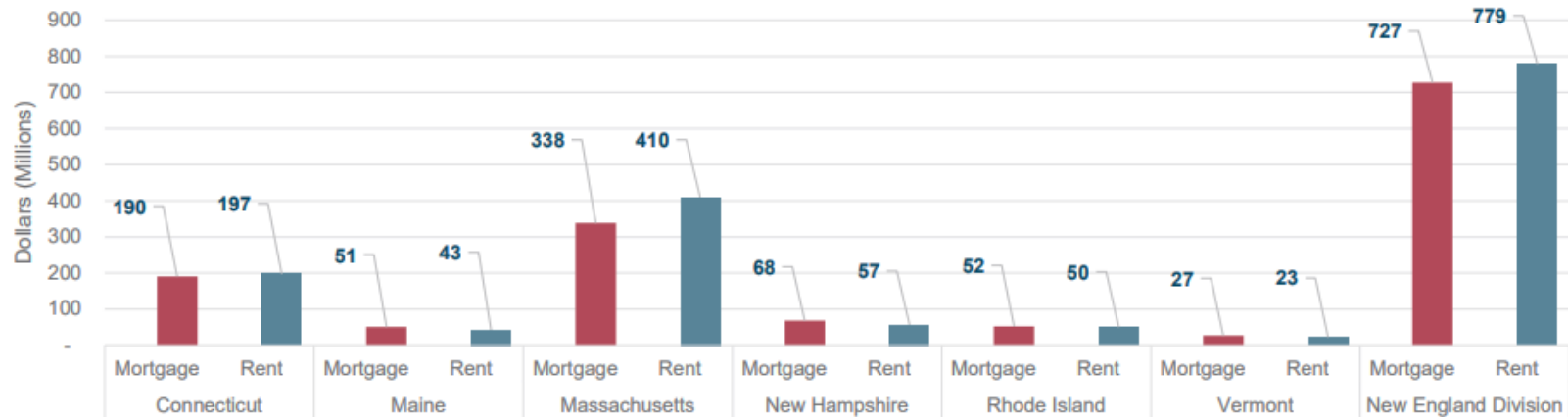
Source(s): 2018 American Community Survey 1-year estimates; USDA Food Plans: Cost of Food Report for December 2018.

Federal Reserve Bank of Boston | [bostonfed.org](https://www.bostonfed.org) | Coronavirus Slidedeck | Housing Impacts

The Federal Reserve Bank of Boston 4/6

The total projected value of missed mortgage and rent payments is more than \$1.5 billion every month in New England alone
Before considering UI expansion and direct payments in the federal CARES Act

Total value of missed monthly rent/mortgage payments



Dollar values are in 2018 dollars. Calculated as the total value of all rent/mortgage payments (including second mortgages) of households who are unable to meet their monthly payment housing cost payments. Households with housing payments are those with a mortgage (including second mortgages) or paying cash rent. High-risk occupations are those defined in Gascon (2020), but with adjustment to include salaried workers who are non-essential and cannot work from home, and to include those non-essential occupations deemed essential based on state policy.

Source(s): 2018 American Community Survey 1-year estimates. USDA Food Plans: Cost of Food Report for December 2018.

Federal Reserve Bank of Boston | [bostonfed.org](https://www.bostonfed.org) | Coronavirus Slidedeck | Housing Impacts

The Federal Reserve Bank of Boston 5/6

Boston Fed analyses outline grim economic consequences of COVID-19 pandemic in New England

“Each of the New England states has seen a dramatic surge in claims on unemployment insurance, or UI. As a share of the labor force, the average number of claims for a New England state was higher than the U.S. average. Across the region, initial claims spiked in the second half of March, and as of mid-April, they were much higher than they were at the worst point of the Great Recession. Furthermore, in contrast to the way the number of UI claims rose steadily over a 12-month period during the Great Recession, they quickly soared due to the COVID-19 outbreak and the ensuing policy actions ([slides 8 through 11](#)).

Service sector hit hardest, unlike during Great Recession

The New England states that report industry-level breakdowns of weekly UI claims show that the majority of initial claims came from the services sector. In Vermont, 77 percent of the claims in March were from the services sector. This presents another contrast with the Great Recession, when UI claims were spread more evenly among the different sectors in the New England states. In Vermont, for example, only 29 percent of claims came from the services sector in March 2009 ([slide 12](#)). In Massachusetts, 53 percent of claims in March 2020 came from the services sector, compared with 36 percent in the Great Recession.

As noted, unemployment implied by the number of UI claims was already greater than 16 percent in mid-April, but the actual rate could be even higher. This is because limited capacity slowed the processing of claims, even as companies continued to lay off workers. Meanwhile, other companies that shut down early in the epidemic are exhausting the resources needed to keep staff on the payroll.” – Larry Bean, Economics Editor, Research Department, The Federal Reserve Bank of Boston

Full presentation: <https://www.bostonfed.org/-/media/Documents/neppc/2020/20200420.pdf>

The Federal Reserve Bank of Boston 6/6

Boston Fed analyses outline grim economic consequences of COVID-19 pandemic in New England

Tourism, job losses among factors leading to likely steep state tax revenue declines

“In addition to unprecedented job loss and housing instability, the NEPPC analyses indicate the pandemic will likely lead to sharp declines in state tax revenues. Among the reasons:

- The cratering of tourism creates a drop-off in room and meal taxes
- Employment losses result in falling personal income taxes
- Decreased business activity reduces business income taxes
- Falling consumption leads to a downturn in sales taxes.

The NEPPC estimates that Massachusetts’s tax revenues for fiscal year 2020 will be \$3.3 billion to \$3.9 billion lower than they were in 2019, depending on how high unemployment rises. The NEPPC provides estimated state tax revenue losses for each New England state ([slides 21 through 23](#)). The magnitude of the tax revenue losses will depend on the depth and the duration of the economic downturn as well as the elements of the state tax system, but the losses likely will continue into fiscal year 2021 ([slide 24](#)).

The NEPPC will present the complete findings from its studies of the economic impact of the COVID-19 epidemic in New England in forthcoming reports.” – Larry Bean, Economics Editor, Research Department, The Federal Reserve Bank of Boston

Full presentation: <https://www.bostonfed.org/-/media/Documents/neppc/2020/20200420.pdf>

The Federal Reserve Bank of Chicago: Midwest Economy Index 1/2

Index Suggests Midwest Growth Decreased Substantially in March

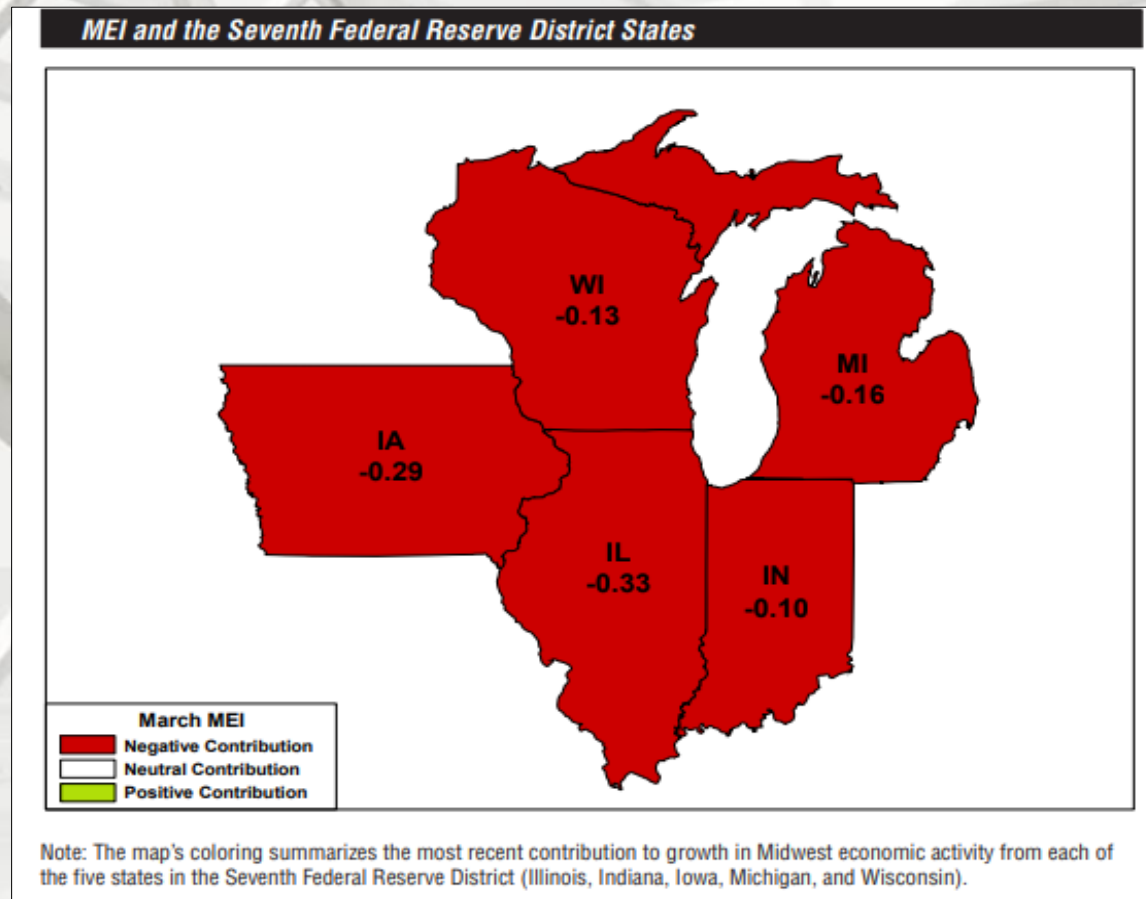
“The Midwest Economy Index (MEI) fell to -1.02 in March from -0.16 in February. Contributions to the March MEI from three of the four broad sectors of nonfarm business activity and all five Seventh Federal Reserve District states decreased from February. The relative MEI increased to $+0.26$ in March from $+0.02$ in February. Contributions to the March relative MEI from two of the four sectors and three of the five states increased from February.

The manufacturing sector’s contribution to the MEI decreased to -0.33 in March from -0.22 in February. The pace of manufacturing activity decreased in Iowa and Michigan, but was unchanged in Illinois, Indiana, and Wisconsin. Manufacturing’s contribution to the relative MEI moved down to -0.25 in March from -0.16 in February.

The construction and mining sector contributed $+0.05$ to the MEI in March, up slightly from $+0.03$ in February. The pace of construction and mining activity was faster in Illinois and Wisconsin, but slower in Indiana and unchanged in Iowa and Michigan. Construction and mining’s contribution to the relative MEI moved up to $+0.17$ in March from $+0.10$ in February.

The service sector’s contribution to the MEI decreased to -0.07 in March from $+0.04$ in February. The pace of service sector activity was down in Illinois, Iowa, Michigan, and Wisconsin, but unchanged in Indiana. The service sector’s contribution to the relative MEI decreased to -0.01 in March from $+0.08$ in February” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

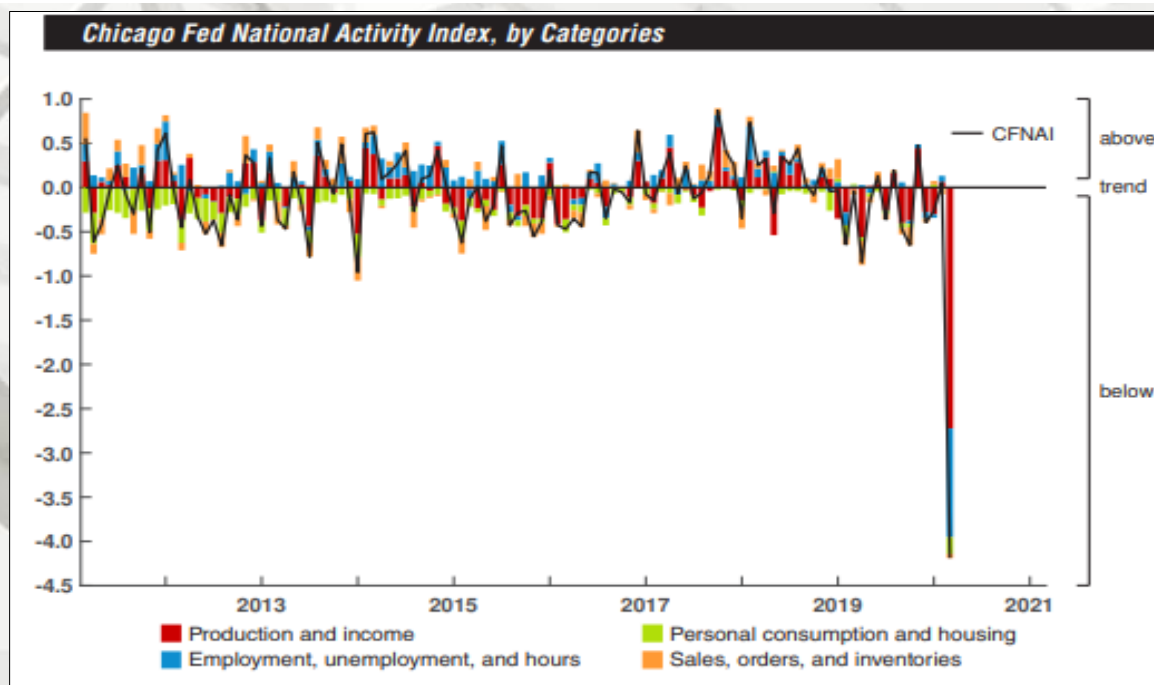
The Federal Reserve Bank of Chicago: Midwest Economy Index 2/2



Index Suggests Midwest Growth Decreased Substantially in March

“Consumer spending indicators contributed -0.66 to the MEI in March, down from -0.01 in February. Consumer spending indicators were, on balance, down in all five states. Consumer spending’s contribution to the relative MEI rose to $+0.35$ in March from a neutral value in February.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

The Federal Reserve Bank of Chicago: National Activity Index 1/2



Index suggests economic growth decreased substantially in March

“Led by declines in production- and employment-related indicators, the Chicago Fed National Activity Index (CFNAI) fell to -4.19 in March from $+0.06$ in February. All four broad categories of indicators used to construct the index made negative contributions in March, and three of the four categories decreased from February. The index’s three-month moving average, CFNAI-MA3, decreased to -1.47 in March from -0.20 in February. Following a period of economic expansion, an increasing likelihood of a recession has historically been associated with a CFNAI-MA3 value below -0.70 .

The CFNAI Diffusion Index, which is also a three-month moving average, moved down to -0.32 in March from -0.21 in February. Eighteen of the 85 individual indicators made positive contributions to the CFNAI in March, while 65 made negative contributions and two made neutral contributions. Twenty-two indicators improved from February to March, while 63 indicators deteriorated. Of the indicators that improved, nine made negative contributions.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

The Federal Reserve Bank of Chicago: National Activity Index 2/2

Index suggests economic growth decreased substantially in March

“Production-related indicators contributed -2.72 to the CFNAI in March, down from $+0.06$ in February. Industrial production decreased 5.4 percent in March after increasing 0.5 percent in February. The contribution of the sales, orders, and inventories category to the CFNAI ticked up to -0.05 in March from -0.06 in February.

Employment-related indicators contributed -1.23 to the CFNAI in March, down from $+0.07$ in February. Nonfarm payrolls fell by 701,000 in March after increasing by 275,000 in February, and the unemployment rate increased to 4.4 percent in March from 3.5 percent in the previous month. The contribution of the personal consumption and housing category to the CFNAI decreased to -0.19 in March from -0.02 in February. Housing starts decreased to 1,216,000 annualized units in March from 1,564,000 in the previous month.

The CFNAI was constructed using data available as of April 16, 2020. At that time, March data for 50 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The February monthly index value was revised to $+0.06$ from an initial estimate of $+0.16$, and the January monthly index value was revised to -0.27 from last month’s estimate of -0.33 . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The revision to the February monthly index value was primarily due to the former, while the revision to the January monthly index value was primarily due to the latter. In addition, this month the method to impute missing values was improved. ...” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

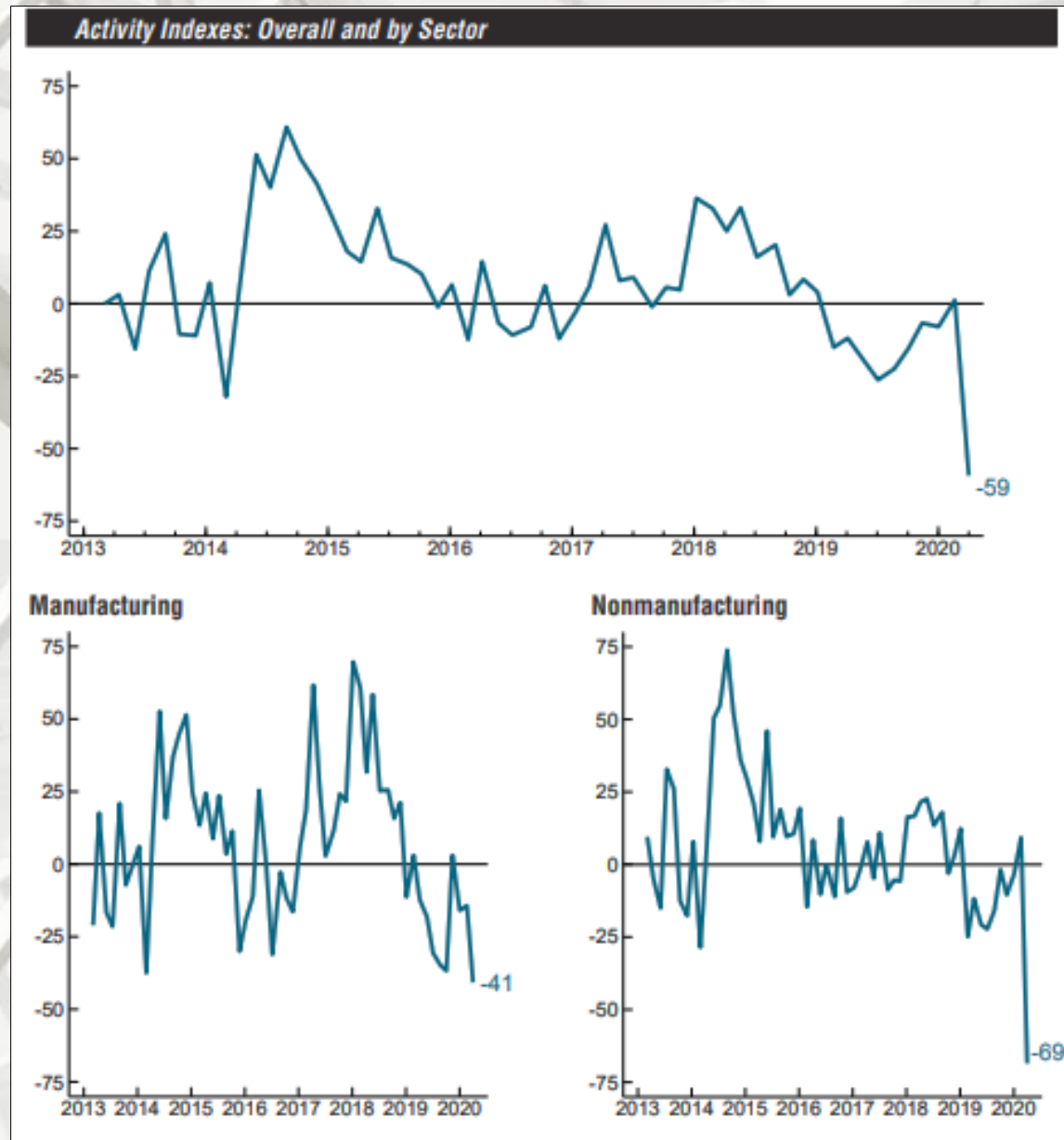
The Federal Reserve Bank of Chicago: Survey of Business Conditions 1/2

Survey Shows Growth Slowed Substantially in Late February and March

“The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index fell to –59 from +1, suggesting that economic growth was well below trend in late February and March. The CFSBC Manufacturing Activity Index decreased to –41 from –14, and the CFSBC Nonmanufacturing Activity Index fell to –69 from +9.

- Respondents’ outlooks for the U.S. economy for the next 12 months deteriorated significantly, turning pessimistic on balance. Respondents with more pessimistic outlooks noted the negative effects of the Covid-19 outbreak on economic activity and expected a slow recovery. Respondents with more optimistic outlooks expected a fast recovery from the Covid-19 crisis.
- The pace of current hiring decreased, as did respondents’ expectations for the pace of hiring over the next 12 months. The hiring index remained negative, and the hiring expectations index moved into negative territory.
- Respondents’ expectations for the pace of capital spending over the next 12 months decreased, and the capital spending expectations index remained negative.
- The labor cost pressures index decreased, as did the nonlabor cost pressures index. Both cost pressures indexes remained negative.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

The Federal Reserve Bank of Chicago: Survey of Business Conditions 2/2



The Federal Reserve Bank of Dallas 1/10

Contraction in Texas Manufacturing Sector Worsens

“Texas factory activity declined further in April, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, pushed further negative from -35.3 to -55.3, suggesting the contraction in output has steepened since last month.

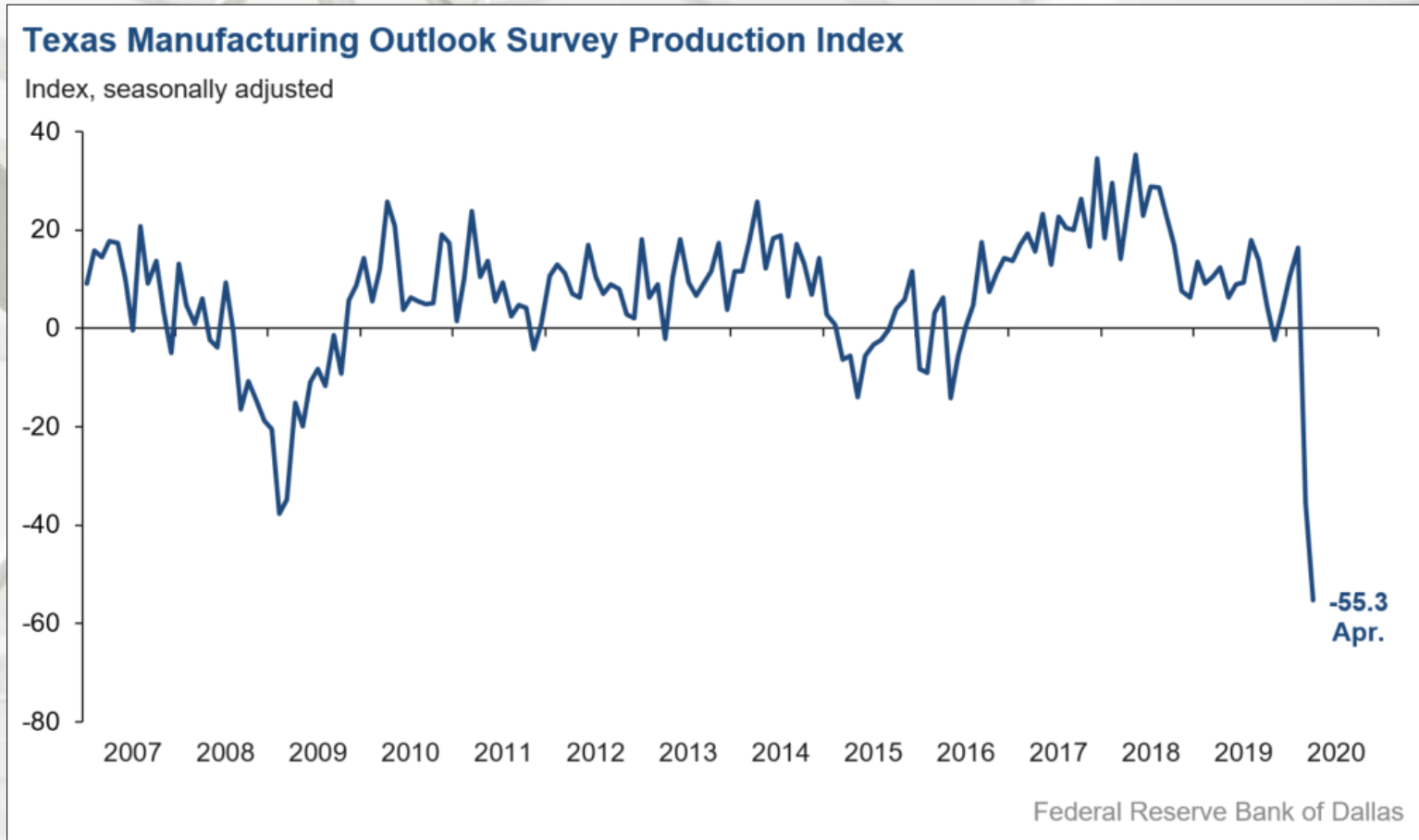
Other measures of manufacturing activity also point to a sharper decline in April. The new orders index dropped 26 points to -67.0, its lowest reading since the survey began in 2004. Similarly, the growth rate of orders index fell to -62.2. The capacity utilization and shipments indexes fell to -54.5 and -56.6, respectively. The capital expenditures index declined 20 points to -54.3. Each of these April readings represents a historical low.

Labor market measures indicate further employment declines and shorter workweeks this month. The employment index held steady at -21.2. Three percent of firms noted net hiring, while 24 percent noted net layoffs. The hours worked index dropped 18 points to -40.2, signaling a notably reduced workweek length.

Prices and wages declined in April. The raw materials prices index posted a second negative reading in a row, falling from -5.9 to -19.6. The finished goods prices index dropped to -24.6 from -9.2. Both price indexes reached lows last seen in mid-2009. The wages and benefits index dipped into negative territory for the first time since the Great Recession, coming in at -2.7.

Perceptions of broader business conditions remained very pessimistic in April. The general business activity index inched down from -70.0 to -73.7, pushing to a new historical low. The company outlook index remained near an all-time low but inched up from -65.6 to -62.6. The index measuring uncertainty regarding companies’ outlooks retreated slightly to 54.4, a reading still indicative of sharply increased uncertainty.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas 2/10



Texas Manufacturing Activity Contracts Suddenly, Outlook Worsens

“Expectations regarding future business conditions remained negative in April. The indexes of future general business activity and future company outlook came in at -42.1 and -41.5, respectively, holding within a few points of their March readings. Other indexes for future manufacturing activity inched up but remained in negative territory.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas 3/10

How has the coronavirus (COVID-19) impacted each of these measures of your business in April?

	No effect (percent)	Slight negative effect (percent)	Significant negative effect (percent)	Negative effect, combined (percent)	Slight positive effect (percent)	Significant positive effect (percent)	Positive effect, combined (percent)
Availability of materials/inputs	37.6	40.4	19.4	59.8	1.5	1.0	2.5
Production/revenue/sales	12.1	26.2	54.7	80.9	4.2	2.7	6.9
Demand for products or services	10.6	21.5	56.4	78.0	4.5	6.9	11.4
Number of employees	48.4	26.9	20.5	47.4	3.0	1.2	4.2
Hours worked	29.5	34.9	28.5	63.4	5.0	2.2	7.2
Capital spending	30.8	21.8	44.5	66.3	1.5	1.5	3.0

NOTES: 407 responses. This same question was posed in March. See results.

Please estimate the impact on demand for products or services.

	Percent
Average negative impact	45.7
Average positive impact	40.9

NOTES: This question was only posed to those indicating an effect on demand for products or services. The average negative impact calculation is based on 315 responses. The average positive impact calculation is based on 46 responses.

The Federal Reserve Bank of Dallas 4/10

Please indicate whether the change in employment is temporary or permanent.

	Temporary (percent)	Permanent (percent)
Negative effect on employment	75.1	24.9
Positive effect on employment	58.3	41.7

NOTES: This question was only posed to those indicating an effect on number of employees. The negative effect breakdowns are based on 173 responses. The positive effect breakdowns are based on 12 responses.

Do you expect to rehire the same number of employees?

	Percent
Yes	41.7
No, we expect a slightly reduced headcount going forward	34.8
No, we expect a significantly reduced headcount going forward	8.3
Don't know	15.2

NOTES: This question was only posed to those indicating a temporary negative effect on number of employees. 132 responses.

Please indicate which of the following best characterizes your firm's current situation.

	Percent
Fully operational	59.3
Temporarily shut down part of our operations	33.3
Temporarily shut down all of our operations	5.9
Permanently shut down part of our operations	1.0
Permanently shut down all of our operations	0.5

NOTE: 405 responses.

The Federal Reserve Bank of Dallas 5/10

Please mark the reason(s) behind your firm's shutdown.

	Percent
Employee protection/health	46.9
Our industry is subject to state/local operational restrictions	46.3
Weak demand/sales	46.3
Other	10.5

NOTES: This question was only posed if any type of shutdown was selected. 162 responses.

Have you taken any of the following measures to cover shortfalls in revenues experienced as a result of the coronavirus (COVID-19) outbreak? Please select all that apply.

	Percent
Applied for the new SBA PPP	68.0
Drawn down cash reserves	39.0
Laid off employees	26.7
Reduced salaries	25.6
Drawn down line of credit	23.8
Applied for one of the other new SBA programs established by the CARES Act	14.5
Dipped into personal savings	11.0
Obtained a loan payment deferral	10.2
Obtained a rent payment deferral	7.8
Applied for a traditional SBA loan	3.8
Taken out a new loan (non-SBA)	3.2
Other	14.0

NOTES: 389 responses. The most common 'other' measures specified were reduced work hours, lowered operational or capital spending, and implemented a hiring freeze. SBA stands for Small Business Administration, PPP is the Paycheck Protection Program and CARES is the Coronavirus Aid, Relief, and Economic Security Act.

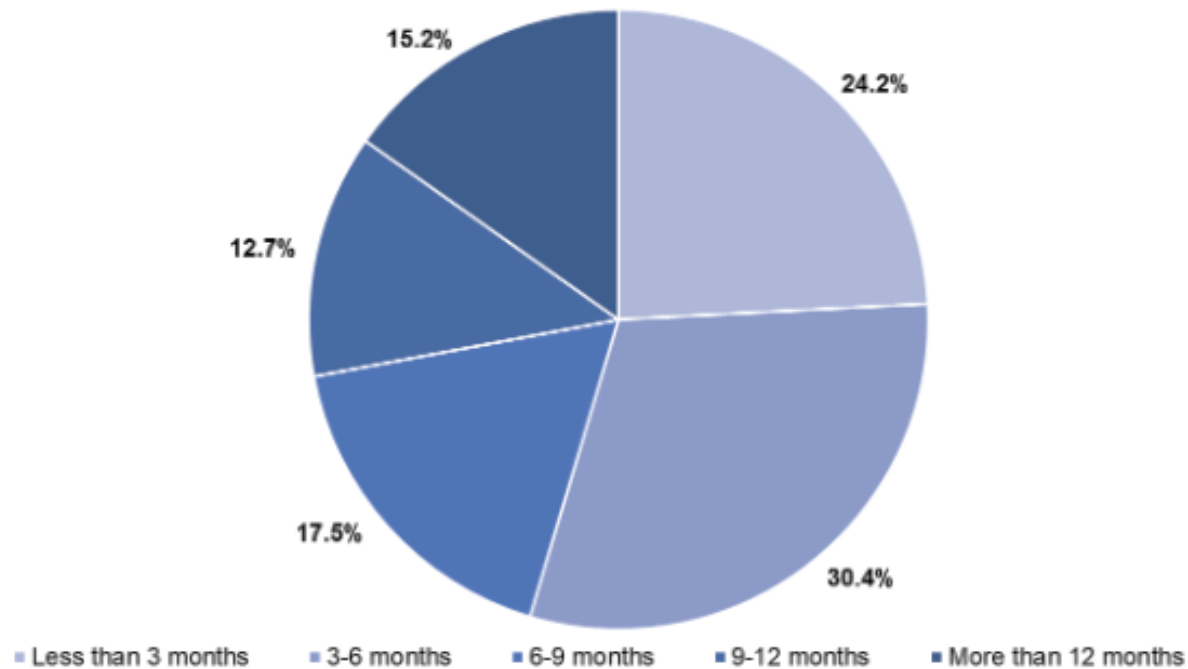
The Federal Reserve Bank of Dallas 6/10

Please mark which new SBA program(s) established by the CARES Act that you applied for, other than the PPP.

	Percent
EIDL Advance	73.9
SBA Express Bridge Loans	26.1
SBA Debt Relief	19.6

NOTES: This question was only posed to those indicating they have applied for one of the other new SBA programs established by the CARES Act. 46 responses. EIDL stands for Economic Injury Disaster Loan.

Once shelter-in-place and social distancing mandates are lifted, how long do you estimate it will take for demand for your firm's products or services to return to typical levels?



NOTE: Shares may not sum to 100 percent due to rounding.

SOURCE: Federal Reserve Bank of Dallas, Texas Business Outlook Surveys.

The Federal Reserve Bank of Dallas 7/10

Texas Service Sector Outlook Survey **Sharp Contraction Continues in Texas Service Sector**

“The Texas service sector continued to see a dramatic contraction in April amid the coronavirus (COVID-19) pandemic and mitigation measures, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, inched up just slightly from an all-time low of -67.0 in March to -65.4 in April.

Labor market indicators reflected steeper declines in employment and further shortening of workweeks. The employment index fell from -23.8 to -35.2, its lowest reading on record. The hours worked index dropped over five points to -48.2, with over half of respondents now noting cuts in employee hours.

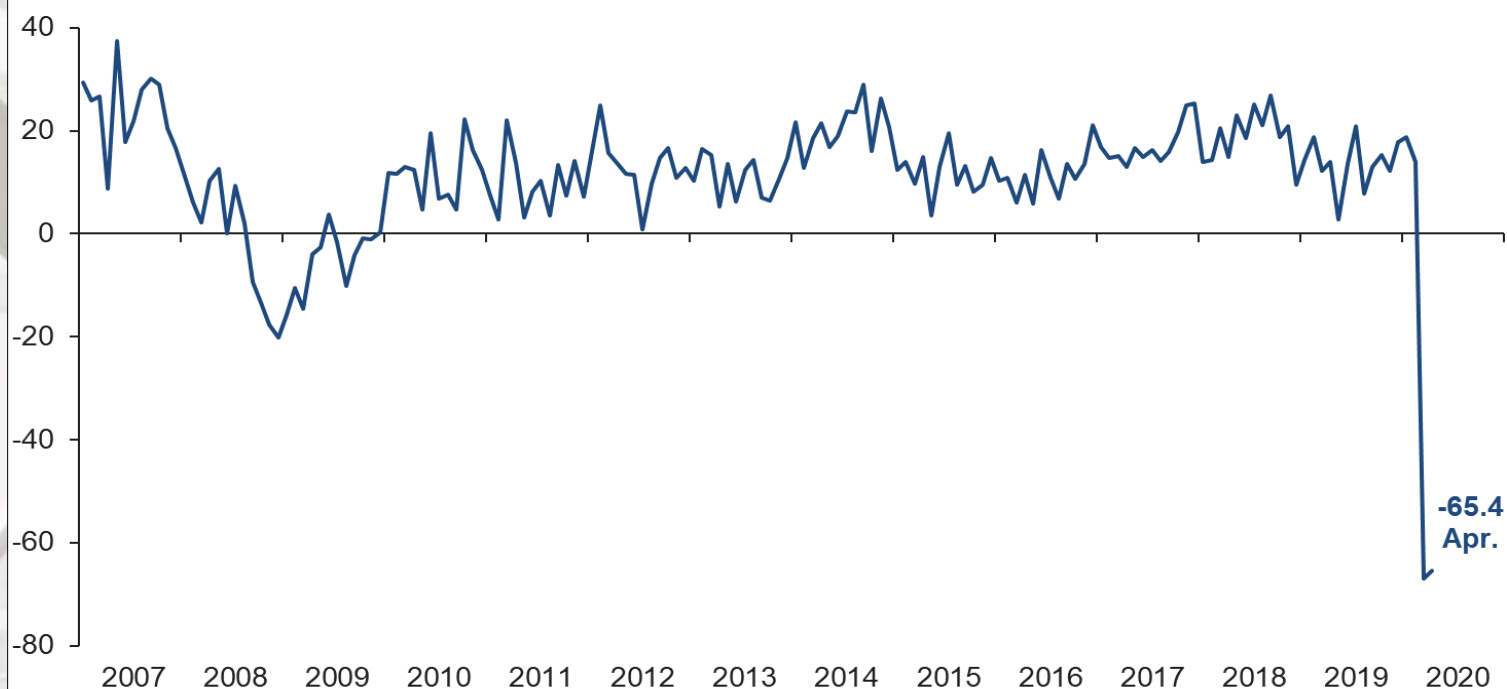
Wages and prices saw significant downward pressures in April. The wages and benefits index declined over nine points to -21.7, a record low. The input prices index fell from 0.1 to -3.8, its lowest reading on record and first negative reading since 2009. The selling prices index further declined into negative territory, from -44.5 to -47.8.

Respondents’ expectations regarding future business conditions remain very pessimistic, though somewhat less so than in March. The future company outlook index, though still negative, improved nearly 18 points to -31.3. The future general business activity index rose over 23 points to a reading of -27.1, though nearly half of respondents expected worsened conditions. Other indexes of future service sector activity, such as revenue and employment, remained starkly negative but were slightly above last month’s all-time lows, suggesting some tempering in expectations of weakness over the next six months.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas 8/10

Texas Service Sector Outlook Survey Revenue Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

Texas Service Sector Sees Unprecedented Decline in Activity

“Perceptions of broader business conditions remained extremely pessimistic in April, while uncertainty continued to escalate. The general business activity index declined nearly three points to a new low of -81.7, while the company outlook index improved nearly six points but remained deeply in negative territory at -69.5. Meanwhile, the outlook uncertainty index rose from 37.6 in March to a new high of 43.2.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas 9/10

Texas Retail Sales Extend Declines

“Retail sales continued to fall sharply in April, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, edged up from an all-time low of -82.6 in March to -78.5. Inventories continued to decline sharply, with the inventories index weakening from -42.6 to -45.5.

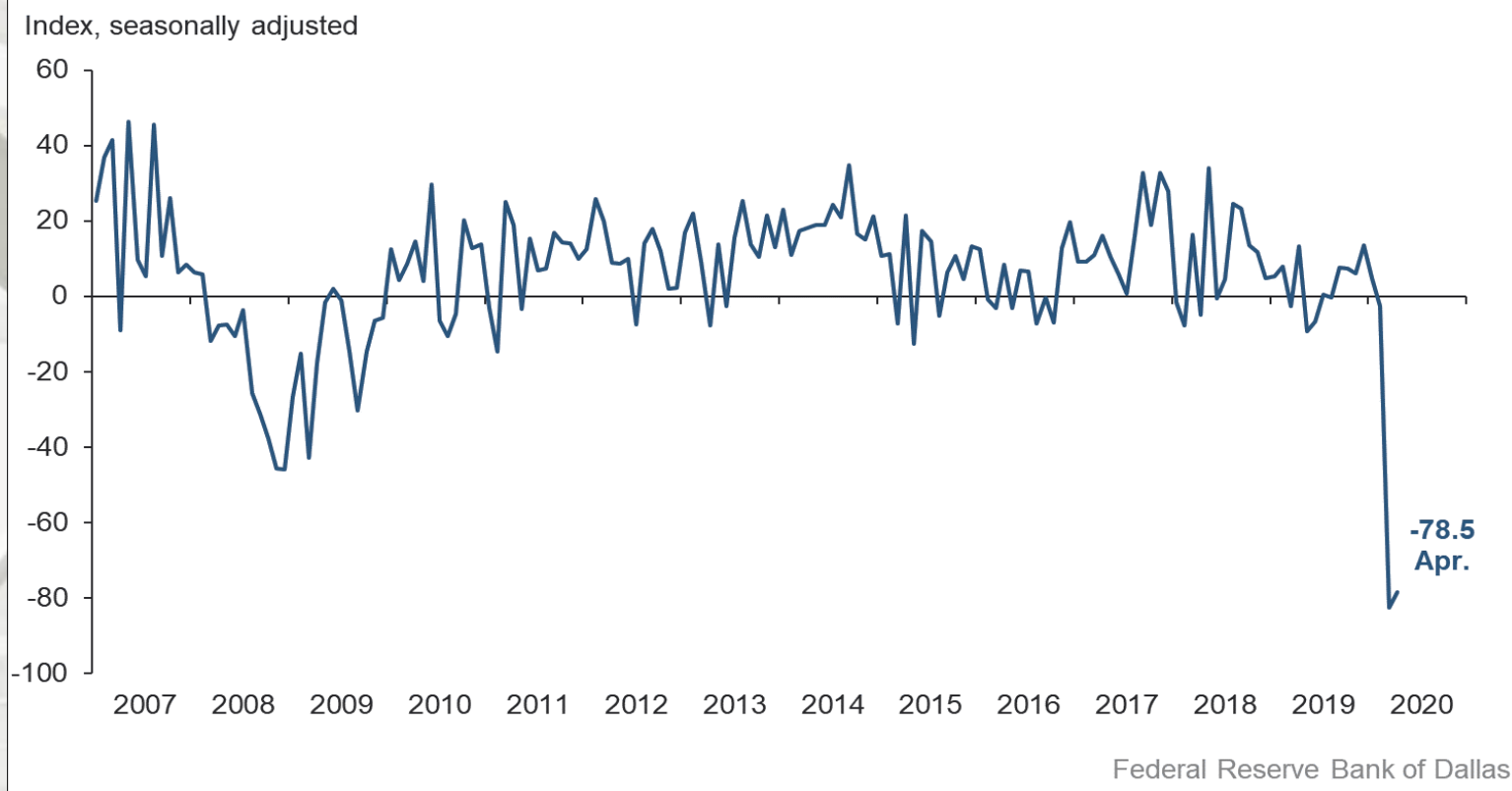
Retail labor market indicators continued to reflect sharp cuts in employment and workweek hours in April. The employment index shed over 20 points to hit an all-time low of -48.8. The hours worked index declined further from -58.1 to -64.9, with nearly 70 percent of respondents noting a cut in hours compared with March.

Retailers’ perceptions of broader business conditions remained bleak in April. The general business activity index was largely unchanged at -83.8, while the company outlook index remained near March levels, hitting a new low of -84.0. The outlook uncertainty index fell over five points, although at a reading of 41.0, it remains extremely elevated.

Retail prices and wages continued to fall in April. The input prices index fell from -12.0 to -24.4, while the selling prices index weakened three points to -38.5, a new low. The wages and benefits index similarly fell to an all-time low reading of -35.4, shedding nearly 15 points.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas 10/10

Texas Retail Outlook Survey Sales Index



Texas Retail Sales Plummet

“While retailers’ perceptions of future conditions remain starkly negative, there was a notable moderation in the expectations of decline this month. The future general business activity index gained over 45 points for a reading of -20.9, while the future company outlook index increased from -62.4 to -22.6. Other indexes of future retail activity, such as sales and employment, were significantly less negative and, compared with March’s readings, suggest a less-negative outlook over the next six months.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

U.S. Economic Indicators 5/19

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Decreased Further

Factory Activity Decreased Further in April

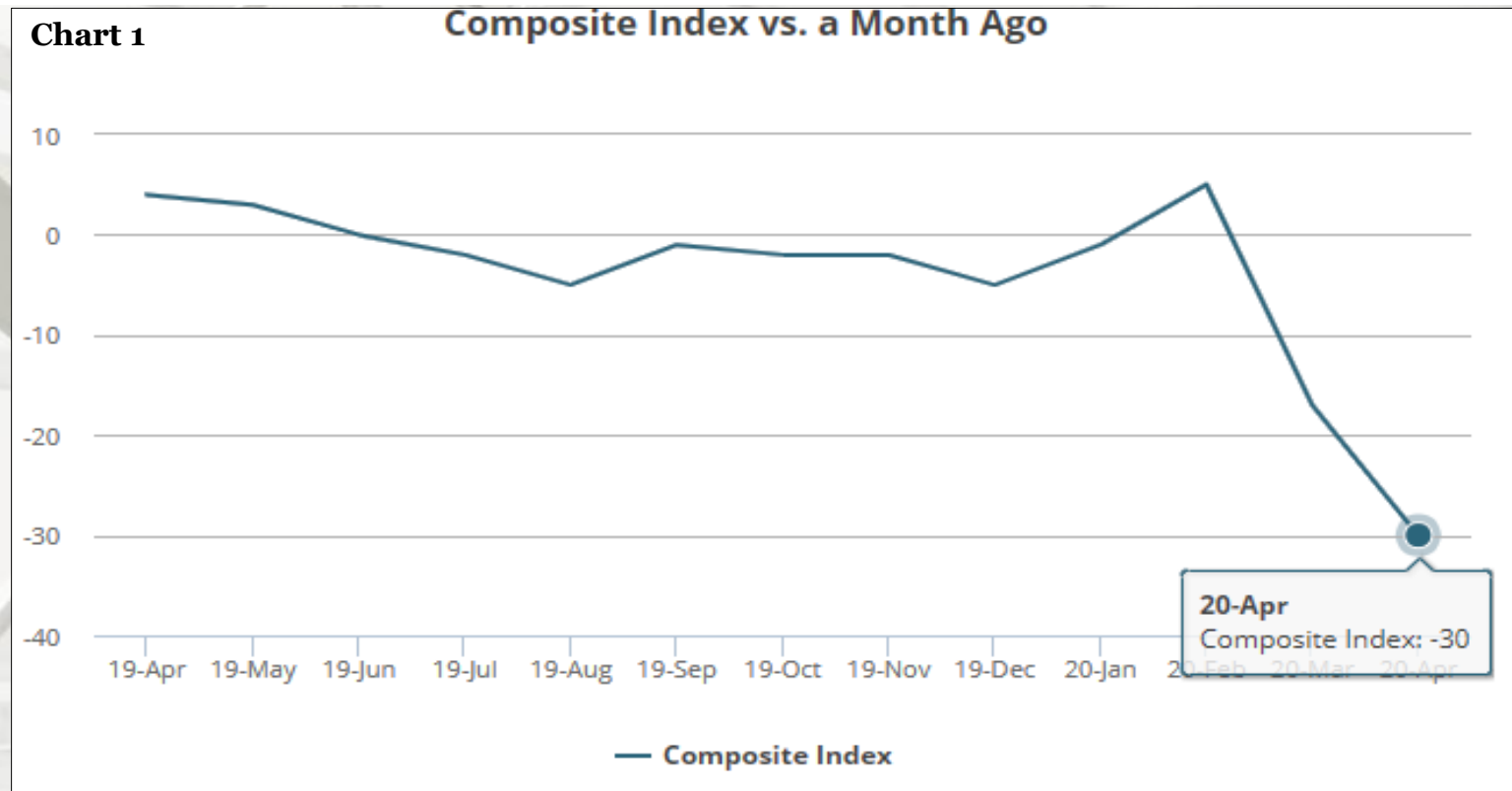
“Tenth District manufacturing activity decreased further to the lowest reading in survey history (since 1994), while expectations for future activity improved but remained slightly negative (Chart 1). Month-over-month price indexes declined again in April, but District firms expected prices to rise slightly in the next six months.

The month-over-month composite index was -30 in April, the lowest composite reading in survey history, and down considerably from -17 in March and 5 in February (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The decrease in district manufacturing activity was steepest at durable goods factories such as primary and fabricated metals, and activity at non-durable goods plants including food and beverage manufacturing declined as well. All month-over-month indexes dropped further in April except for supplier delivery time which continued to increase. Year-over-year factory indexes also decreased again in April, and the composite index fell from -14 to -30. The future composite index improved from -19 April, but remained slightly negative at -6.

Special questions

This month contacts were asked special questions about measures taken to cover shortfalls in revenues and changes in employment as a result of Coronavirus (COVID-19). Approximately 67 percent of factory contacts reported applying for the SBA PPP program, more than 37 percent reported having drawn down cash reserves, and 28 percent made increased use of a credit line or took out a new loan (Chart 2).” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

The Federal Reserve Bank of Kansas City 1/2



The Federal Reserve Bank of Kansas City Special questions

“A number of firms reported applying for emergency governmental funding, but had not received funds yet. Regarding employment changes in response to coronavirus, a third of firms reported using PTO, 23 percent of firms used part-time or reduced staffing levels, and around 20 percent of manufacturers had layoffs (Chart 3). Additionally, 57 percent of firms reported taking other measures regarding employment in response to coronavirus, such as remaining fully staffed, increasing work from home, cutting overtime, and implementing more hygiene and social distancing measures at plants.” – Chad Wilkerson, Vice President & Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

The Federal Reserve Bank of Kansas City 2/2

Chart 2. Special Question: Has your firm taken any measures listed below to cover shortfalls in revenues experienced as a result of the COVID-19 pandemic? (check all that apply)

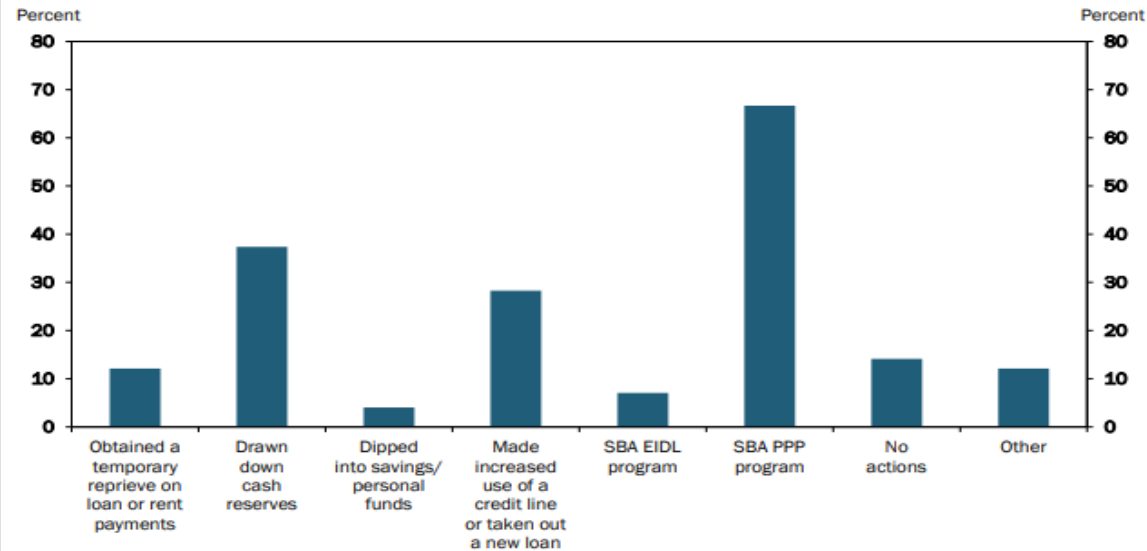
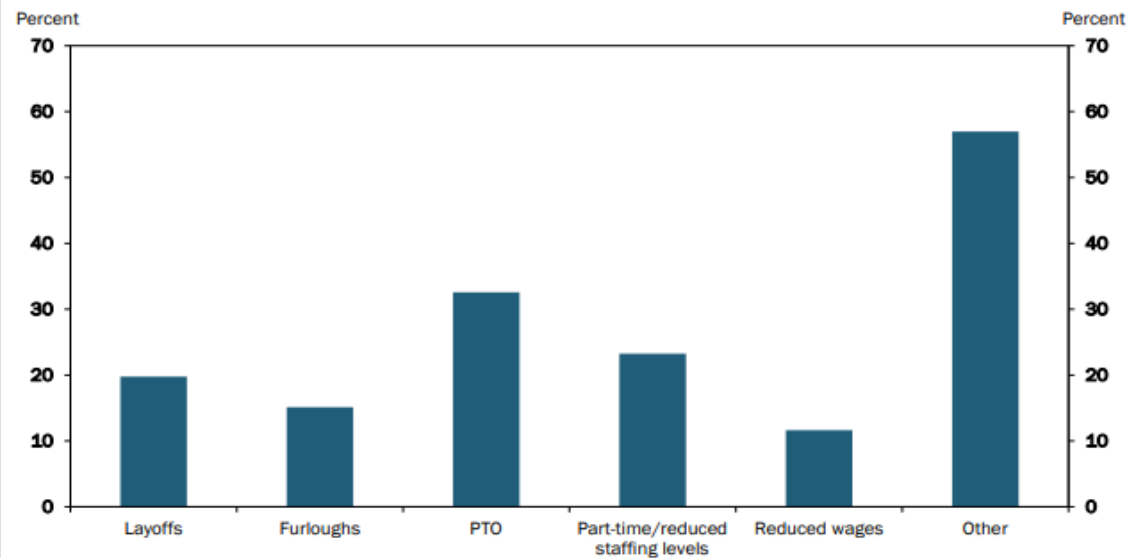


Chart 3. Special Question: What steps regarding employment has your firm taken in response to COVID-19? (check all that apply)



U.S. Economic Indicators 6/19

The Federal Reserve Bank of Kansas City Tenth District Services Activity Dropped Sharply

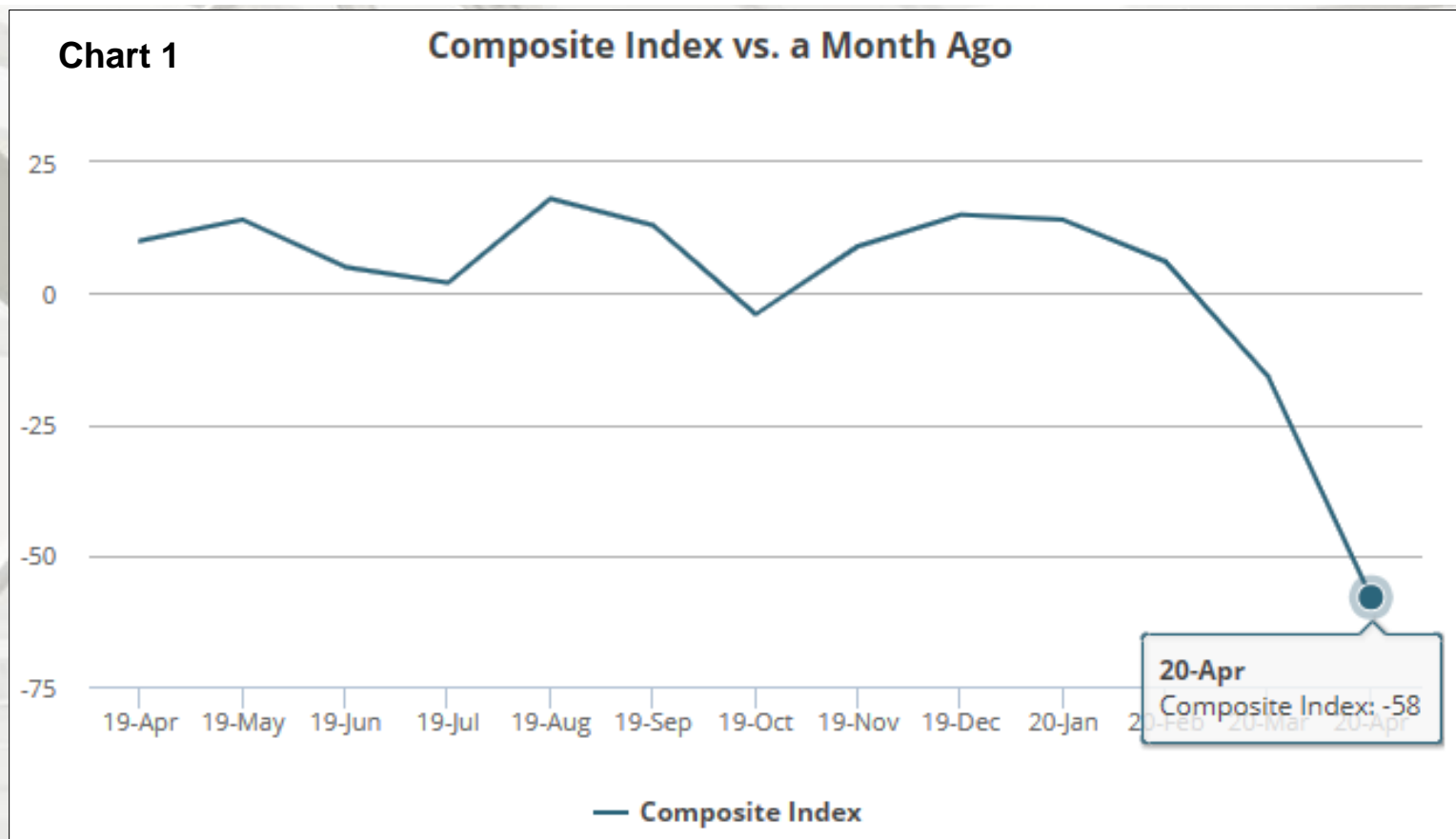
Tenth District services activity dropped sharply in April, greatly surpassing the previous survey low set in March, and expectations for future activity remained negative.

Business activity dropped sharply in April

“Tenth District services activity dropped sharply in April, greatly surpassing the previous survey low set in March, and expectations for future activity remained negative (Chart 1). The input price index declined slightly and the selling price index fell further. Firms expected future input prices to hold steady, while selling prices were expected to decrease in six months.

The month-over-month services composite index was -58 in April, down sharply from the previous low of -16 set in March. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. All month-over-month indexes decreased in April. Except for the access to credit index, all month-over-month indexes were the lowest readings in survey history (since 2014). The decline in general revenue/sales index was broad across business sectors, but especially driven by steep losses in travel and tourism. All of the year-over-year services indexes fell sharply, and the year-over-year composite index dropped from -4 to -44. Expectations for future services activity remained negative with a future composite index of -28, up only slightly from -30 in March.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

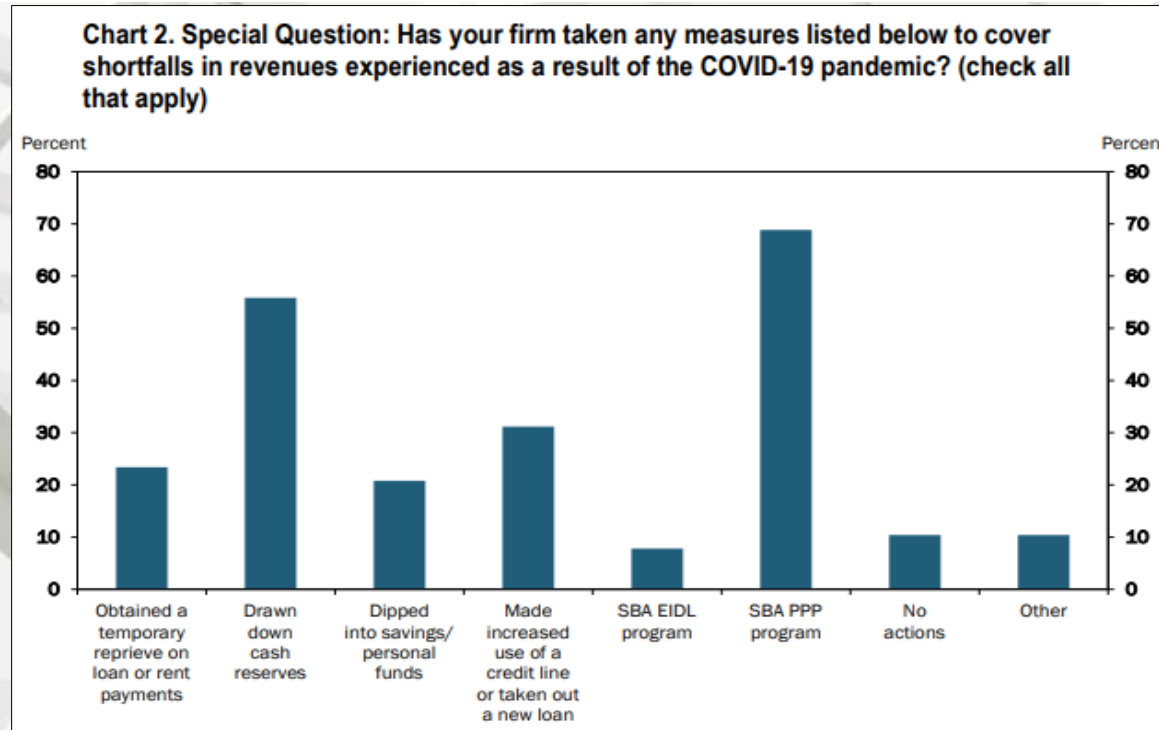
U.S. Economic Indicators 7/19



The Federal Reserve Bank of Kansas City Special questions

“This month contacts were asked special questions about measures taken to cover shortfalls in revenues and changes in employment as a result of Coronavirus (COVID-19). Nearly 69 percent of firms reported applying for the SBA PPP program, around 56 percent reported having drawn down cash reserves, and 31 percent made increased use of a credit line or took out a new loan (Chart 2).” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

U.S. Economic Indicators 8/19

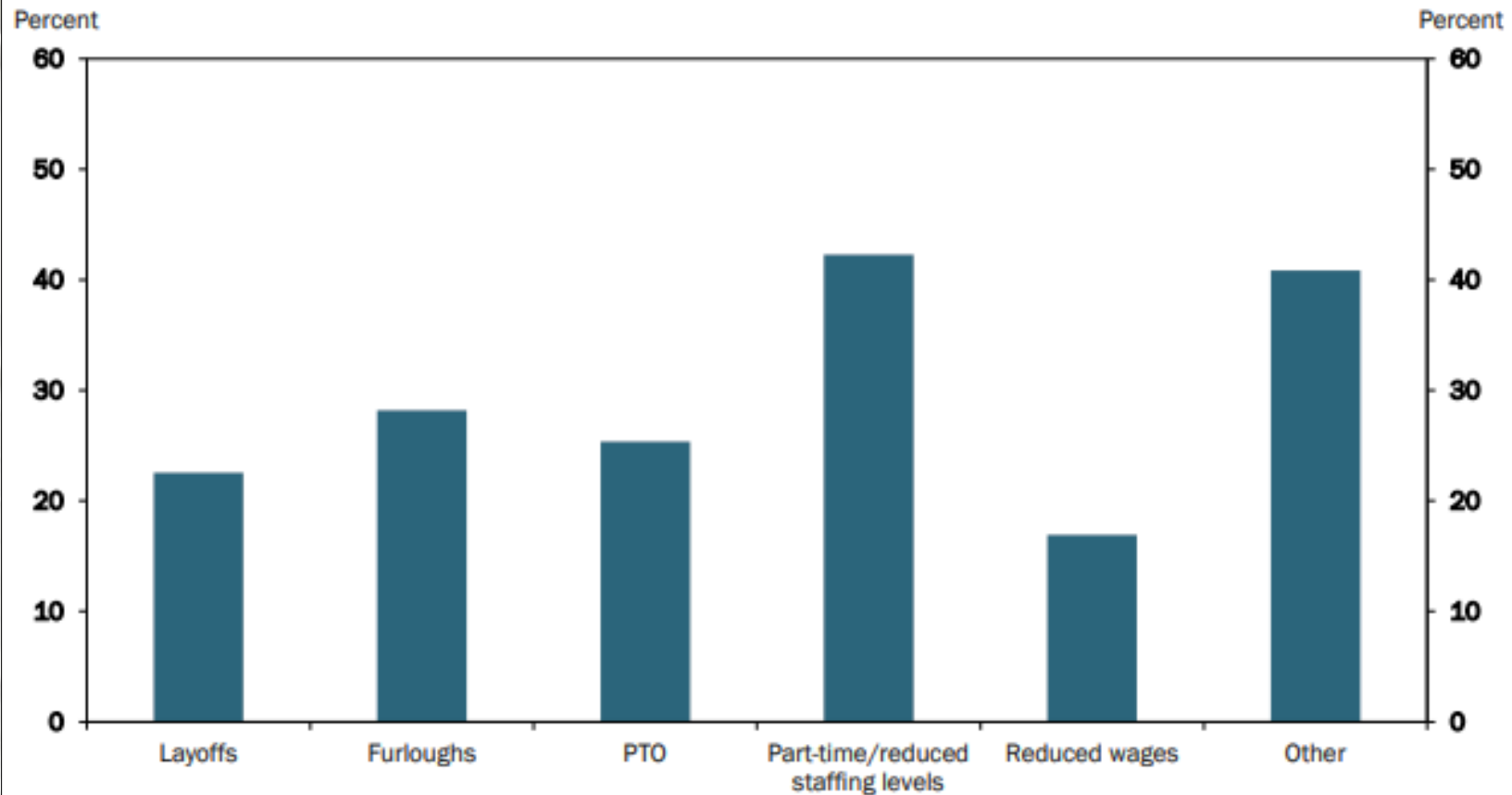


The Federal Reserve Bank of Kansas City Special questions

“Around 23 percent of contacts obtained a temporary reprieve on a loan or rent payments and 21 percent of businesses dipped into savings or personal funds. A number of firms reported applying for emergency governmental funding, but had not received funds yet. Regarding employment changes in response to coronavirus, 43 percent of firms used part-time or reduced staffing levels, 28 percent furloughed employees, 25 percent reported using PTO, and around 23 percent of firms had layoffs (Chart 3). Additionally, 41 percent of respondents reported taking other measures regarding employment in response to coronavirus, such as maintaining staff levels, cutting overtime, increasing work from home, alternating shifts, and implementing more hygiene and social distancing measures.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

U.S. Economic Indicators 9/19

Chart 3. Special Question: What steps regarding employment has your firm taken in response to COVID-19? (check all that apply)



The Federal Reserve Bank of New York 1/5

Empire State Manufacturing Survey

Activity Declines At A Historic Pace

“Business activity declined in New York State, according to firms responding to the April 2020 *Empire State Manufacturing Survey*. The headline general business conditions index plummeted fifty-seven points to -78.2, its lowest level in the history of the survey — by a wide margin. New orders and shipments declined at a record pace. Delivery times lengthened, and inventories fell. Employment levels and the average workweek both contracted at a record pace. Input price increases slowed considerably, while selling prices declined modestly. Though current conditions were extremely weak, firms expected conditions to be slightly better six months from now.

Manufacturing firms in New York State reported that business activity declined dramatically in early April. The general business conditions index fell fifty-seven points to -78.2, its largest point drop to its lowest level on record. By way of comparison, the lowest level this indicator had reached prior to April was -34.3 during the Great Recession. Seven percent reported that conditions improved over the month, while 85 percent reported that conditions had worsened. The new orders index fell fifty-seven points to -66.3, and the shipments index dropped sixty-six points to -68.1, indicating a sharp decline in both orders and shipments. Delivery times were longer and inventories were modestly lower.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York 2/5

Empire State Manufacturing Survey

Input Price Increases Slow As Selling Prices Decline

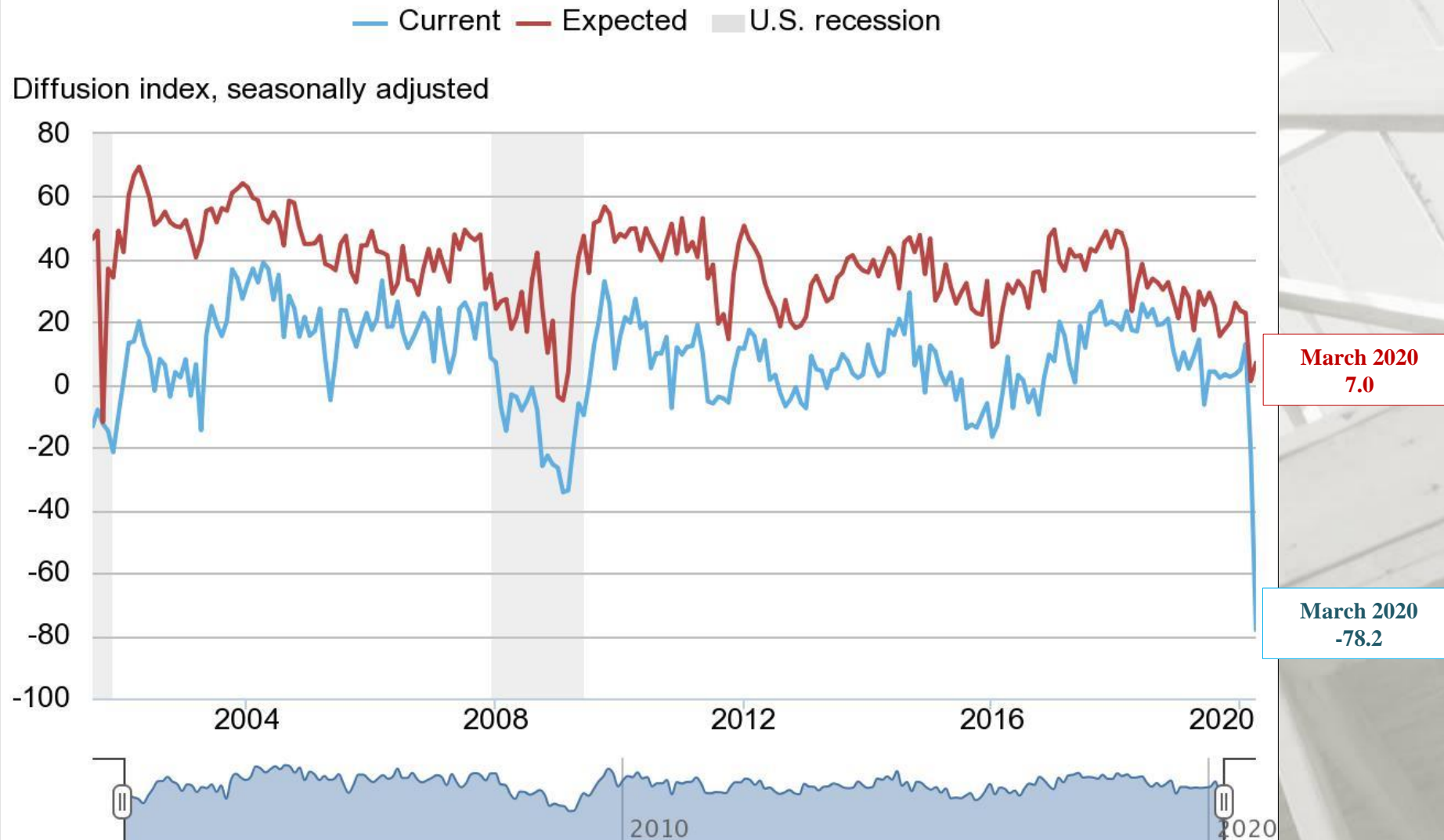
“Labor market indicators were extremely weak. The index for number of employees fell fifty-four points to -55.3, with nearly 60 percent of respondents indicating lower employment levels. The average workweek index fell to -61.6, with 65 percent reporting shorter workweeks. The prices paid index fell nineteen points to 5.8, indicating a slowing in input price increases, while the prices received index fell to -8.4, pointing to a decline in selling prices for the first time since 2016.

Firms Expect Little Improvement

Firms anticipate only a small improvement in business conditions over the next six months. The index for future business conditions edged up six points to 7.0. The indexes for future new orders and future shipments declined, but remained positive, suggesting that firms expect orders and shipments to be modestly higher in six months compared with this month's levels. The capital expenditures and technology spending indexes both fell to -11.0, a sign that firms planned to reduce both kinds of spending.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York 3/5

General Business Conditions



The Federal Reserve Bank of New York 4/5

Business Leaders Survey (Services)

Business Conditions Deteriorate At Record Pace

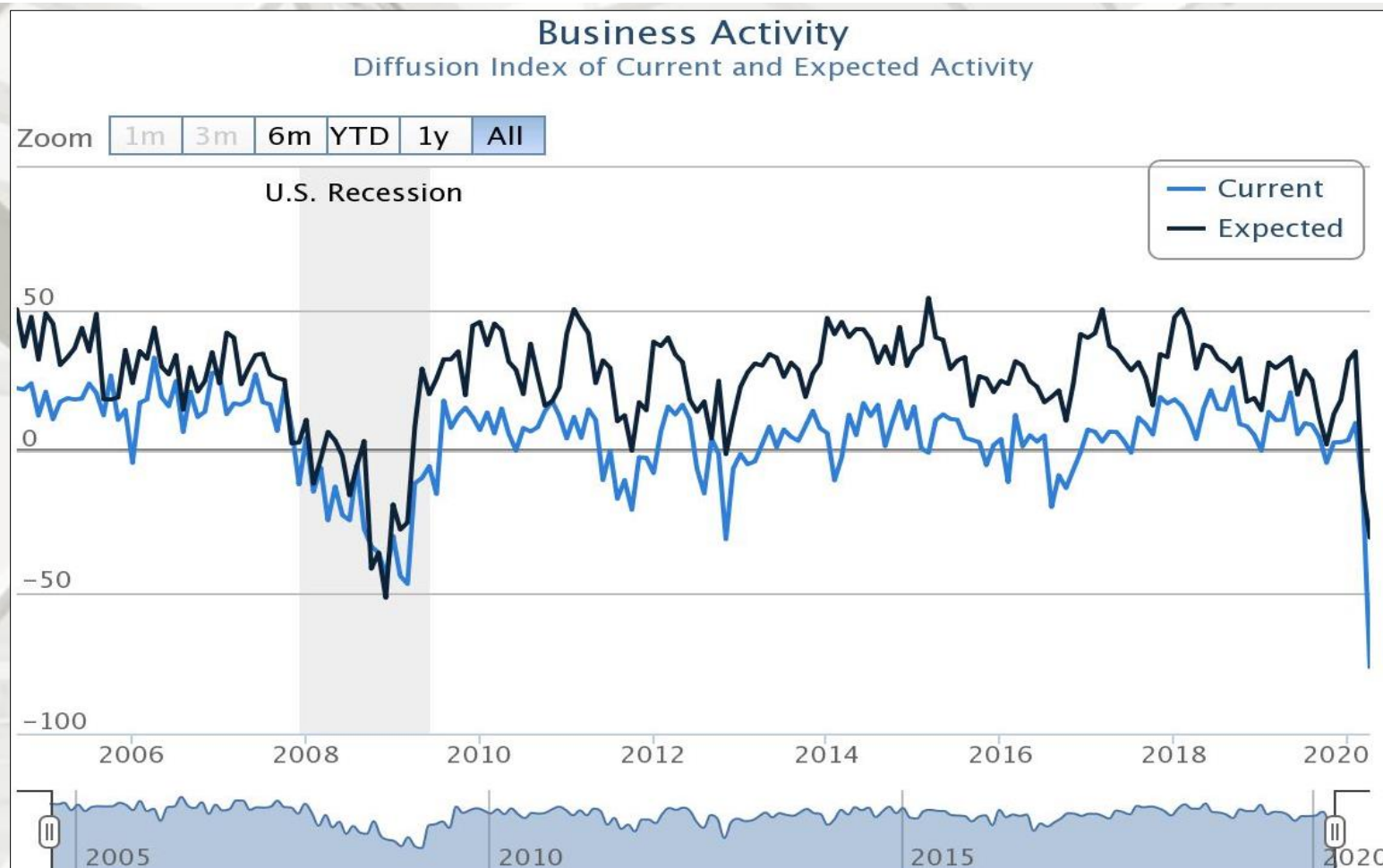
“Activity in the region’s service sector plunged, according to firms responding to the Federal Reserve Bank of New York’s April 2020 *Business Leaders Survey*. The survey’s headline business activity index plummeted sixty-three points to -76.5, well below its prior record low reached during the Great Recession. The business climate index tumbled sixty-five points to -94.3, indicating that firms almost universally regarded the business climate as worse than normal. Employment levels fell sharply, and wages declined for the first time in the survey’s history. Input price increases slowed considerably, and selling prices declined. Capital spending fell. Looking ahead, firms were pessimistic about the future outlook, with the vast majority expecting conditions to be worse in six months.

Business activity in the region’s service sector plummeted in April. The headline business activity index plunged sixty-three points to -76.5 — both its largest-ever point drop and its lowest level on record. Eighty-four percent of respondents reported that conditions worsened over the month, while 7 percent said that conditions improved. The business climate index fell sixty-five points to -94.3, indicating that nearly all firms viewed the business climate as worse than normal.

Employment Levels Down Substantially

The employment index fell forty-four points to -38.7, signaling steep employment cuts, with nearly half of respondents indicating lower employment levels. The wages index turned negative for the first time, falling to -11.4, indicating that wages declined. The prices paid index dropped twenty-eight points to 8.7, pointing to a significant slowing in input price increases. The prices received index fell below zero, declining thirty-four points to -13.2, signaling a decrease in selling prices. The capital spending index moved to well below zero, suggesting a decline in capital spending.” — Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York 5/5

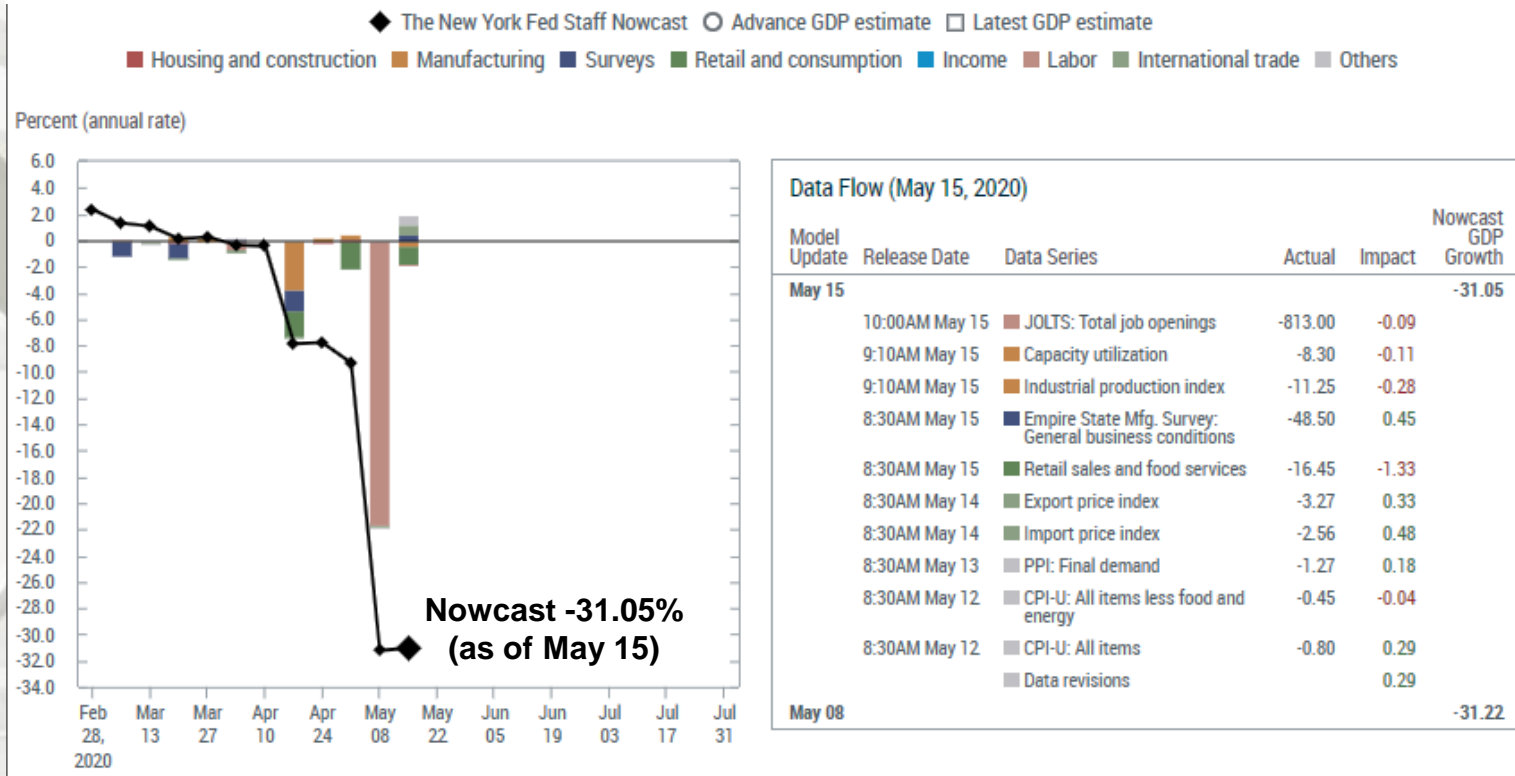


Firms Clearly Pessimistic

“After turning pessimistic about the six-month outlook last month, firms were even more downbeat in April. The index for future business activity fell seventeen points to -30.7, signaling that business activity is expected to continue declining in the months ahead. The index for future business climate fell nine points to -40.8, with two-thirds expecting the business climate to be worse than normal in six months. Indexes for future employment, wages, selling prices, and capital spending all fell below zero.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

U.S. Economic Indicators 10/19

The Federal Reserve Bank of New York Nowcast



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.

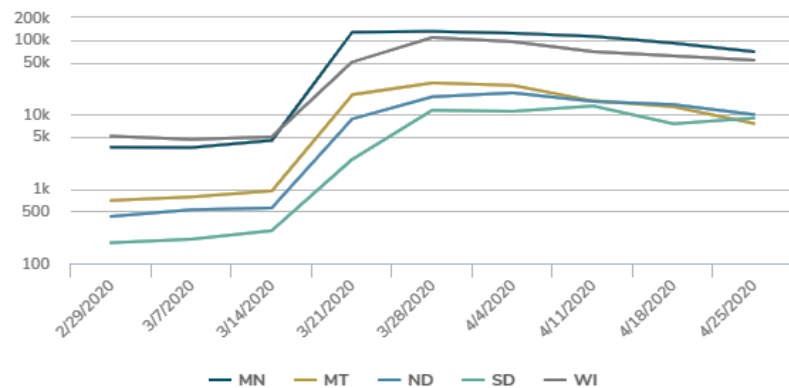
May 15, 2020: Highlights

- “The New York Fed Staff Nowcast stands at -31.1% for 2020:Q2.
- News from this week’s data releases increased the nowcast for 2020:Q2 by 0.1 percentage point.
- Negative surprises from retail sales and industrial production data mostly offset positive surprises from a regional survey and international trade data.” – The Federal Reserve Bank of New York

The Federal Reserve Bank of Minneapolis

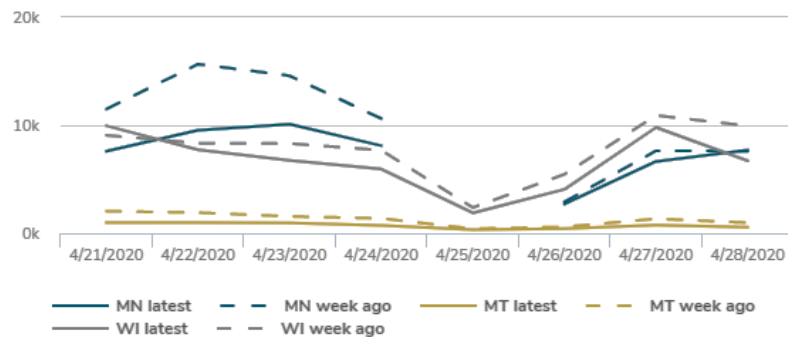
SELECTED REAL-TIME ECONOMIC INDICATORS: LABOR

Weekly unemployment insurance initial claims



Daily unemployment insurance claims

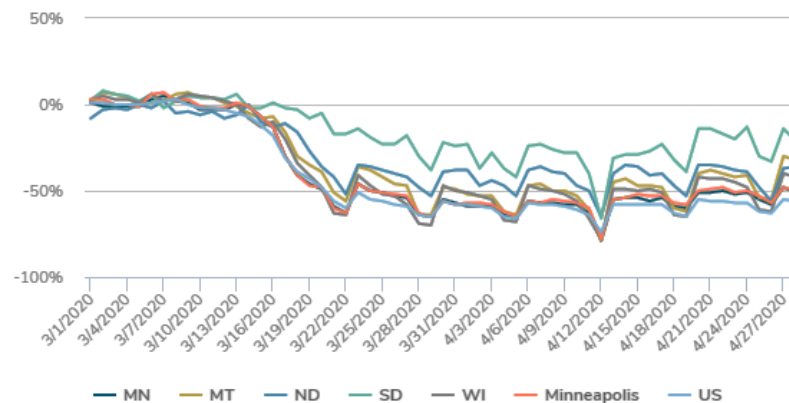
Comparison with week ago



SELECTED REAL-TIME ECONOMIC INDICATORS: SMALL BUSINESS

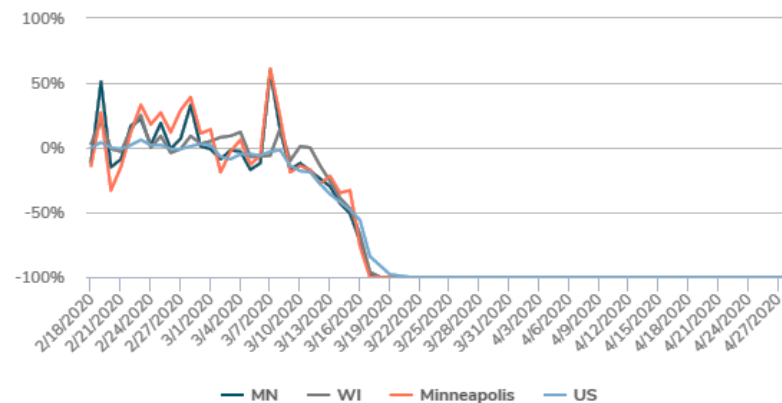
Change in small businesses employment

Compared with median number of hourly employees working Jan. 4-31, 2020



Change in seated diners at restaurants

Compared with year ago



U.S. Economic Indicators 11/19

The Federal Reserve Bank of Philadelphia

March 2020 Manufacturing Business Outlook Survey

“Manufacturing firms reported continued weakening in regional manufacturing activity this month, according to results from the *Manufacturing Business Outlook Survey*. The survey’s current indicators for general activity, new orders, and shipments once again fell sharply this month to long-term low readings, coinciding with ongoing developments related to the coronavirus pandemic. The indexes for employment and the average workweek, which had both remained positive last month, fell into negative territory this month. The firms expect the current letup in manufacturing activity to last less than six months, as the broadest indicator of future activity strengthened further from last month’s reading; furthermore, the firms continue to expect overall growth in new orders, shipments, and employment over the next six months.

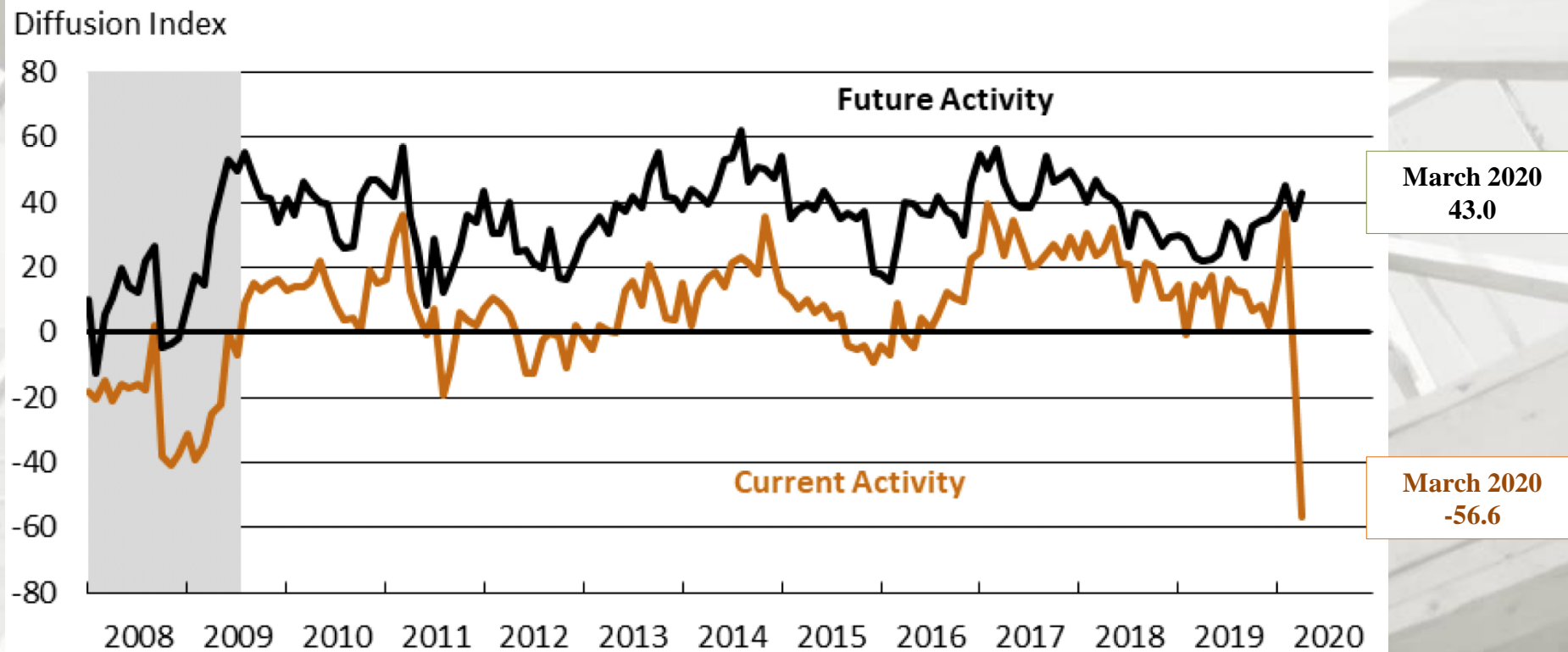
Most Current Indicators Reach Long-Term Lows

The diffusion index for current activity declined strikingly for the second consecutive month from -12.7 in March to -56.6 this month, falling below its nadir during the Great Recession (see Chart 1). This is the current activity index’s lowest reading since July 1980. The percentage of firms reporting decreases (60 percent) this month far exceeded the percentage reporting increases (4 percent). The index for new orders fell further into negative territory, from -15.5 to -70.9, its lowest reading ever. Also reaching an all-time low, the current shipments index fell 74 points after remaining slightly positive in March. Unfilled orders fell 6 points further into negative territory, while delivery times rose 13 points to 4.1, suggesting longer delivery times.

The firms reported widespread decreases in manufacturing employment this month, as the current employment index fell 51 points to -46.7, its lowest reading since March 2009. The average workweek index fell 55 points to -54.5, its lowest reading ever.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia 1/10

Chart 1. Current and Future General Activity Indexes
January 2008 to April 2020



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.

The Federal Reserve Bank of Philadelphia 2/10

Firms Report Price Declines

“The firms reported overall negative price movements for inputs and for their own manufactured goods. The prices paid diffusion index decreased 14 points to -9.3, its lowest reading since May 2015. While most firms reported stable input prices (70 percent), the percentage of firms reporting decreases in input prices (18 percent) was higher than the percentage reporting increases (9 percent). The current prices received index, reflecting the manufacturers’ own prices, declined 17 points to a reading of -10.6, its lowest since July 2009.

Most Future Remain Elevated

Despite the current weakened conditions, the respondents remained optimistic about growth over the next six months. The diffusion index for future general activity rose 8 points to 43.0, mostly offsetting a 10 point decline last month (see Chart 1). Over 53 percent of the firms expect increases in activity over the next six months, while 10 percent expect declines. The future new orders index held steady, while the future shipments index increased by 4 points this month. The future inventories index edged down 3 points to a reading of 13.7.

The firms’ expectations for future prices remain positive this month: The future prices paid index rose 7 points to 25.5, and the future prices received index fell 5 points to 16.9.”— Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia 3/10

Most Future Remain Elevated

“The firms’ expectations for employment over the next six months moderated slightly, with the future employment index decreasing 3 points. Nearly 35 percent of the firms expected higher employment, while 8 percent expected lower employment. The firms’ plans for future capital spending held steady this month after falling notably in March.

Summary

Responses to the March *Manufacturing Business Outlook Survey* indicated a continued prominent weakening in manufacturing activity. The indicators for current activity, new orders, and shipments continued their slide to long-term lows from relatively high readings earlier this year. Both prices paid and prices received indexes entered negative territory. The survey’s future indexes, however, remained elevated, suggesting that respondents expect growth in manufacturing activity to pick back up over a horizon of six months.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia 4/10

April 2020 Nonmanufacturing Business Outlook Survey

Current Indicators Reach Historic Lows

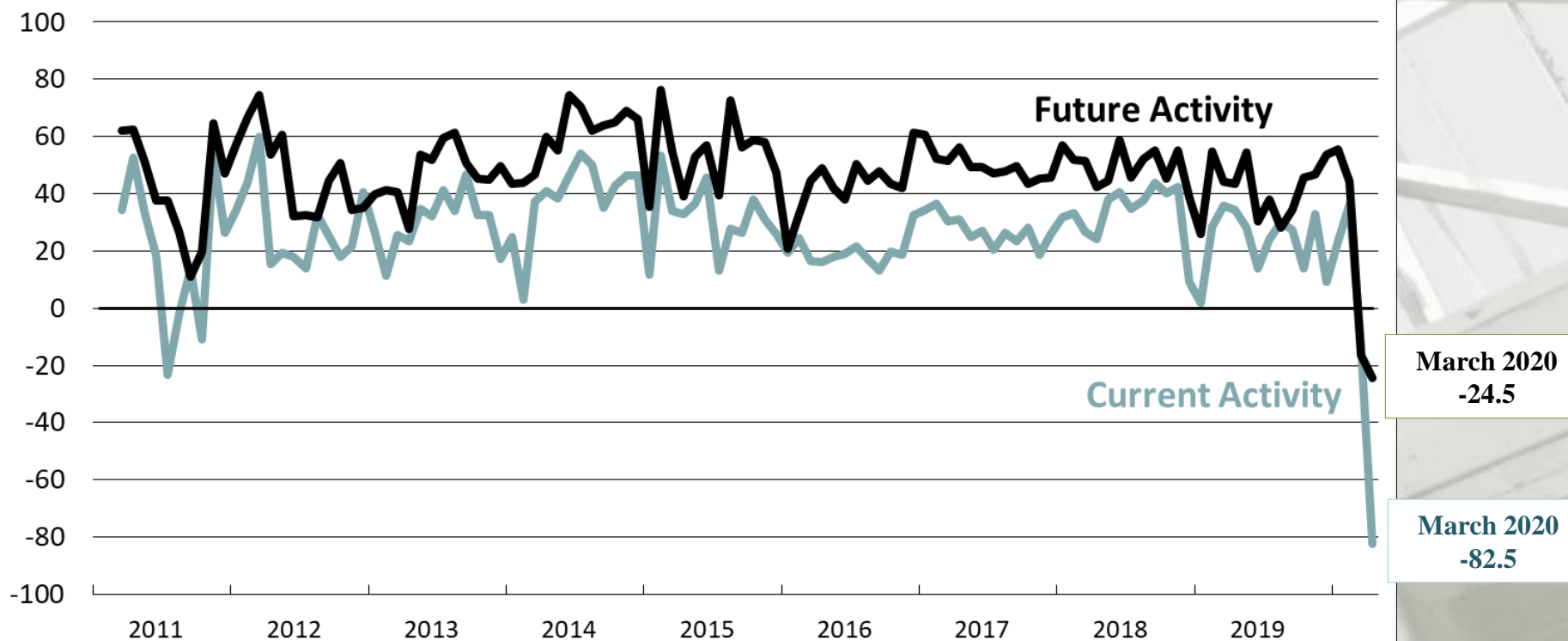
“Nonmanufacturing firms reported continued weakening in regional nonmanufacturing activity this month, according to results from the *Nonmanufacturing Business Outlook Survey*. The survey’s current indicators for general activity at the firm level, sales/revenues, new orders, and full-time employment once again fell sharply this month to historic lows, coinciding with ongoing developments related to the coronavirus pandemic. The firms now report overall net decreases in the prices of both their own goods and their inputs, both of which had remained positive last month. The respondents expect overall declines over the next six months, as future activity indexes fell further to historic lows.

The diffusion index for current general activity at the firm level fell sharply for the second consecutive month from -12.8 in March to -82.5 in April, its lowest reading since this survey began in March 2011 (see Chart 1). Only 3 percent of the firms reported increases in activity (down from 22 percent last month), while 85 percent reported decreases (up from 35 percent last month). The new orders index fell 51 points to -67.2 in April, reaching an all-time low for a second consecutive month. More than 67 percent of the firms reported decreases in new orders, while none reported increases. The sales/revenues index also reached an all-time low, falling from -4.9 to -87.9 in April. No responding firms reported increases in sales/revenues, while 88 percent reported decreases. The regional activity index plummeted to a historic low of -96.4.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia 5/10

Chart 1. Current and Future General Activity Indexes for Firms
March 2011 to April 2020

Diffusion Index



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.

The Federal Reserve Bank of Philadelphia 6/10

April 2020 Nonmanufacturing Business Outlook Survey

Employment Indicators Contract Sharply

“The firms reported overall decreases in full-time and part-time employment for the second consecutive month, as both indexes fell further into negative territory. The full-time employment index fell 46 points to -47.5, an all-time low. While nearly 40 percent of the firms reported steady full-time employment levels, the share of firms reporting decreases (52 percent) vastly exceeded the share reporting increases (4 percent). The part-time employment index decreased 48 points to -58.9, also an all-time low. Twenty-nine percent of the firms reported steady part-time employment levels, with the majority of firms reporting decreases (59 percent) and none reporting increases. The wages and benefits indicator plummeted 62 points to -35.7, and the average workweek index fell 45 points to -50.7, historic lows for both.

Firms Report Declines in Prices of Their Own Goods

Price indicator readings fell and now suggest near-steady prices for inputs and declines in prices for the firms’ own goods and services, both hitting historic lows. The prices paid index declined from 6.0 in March to -0.4 in April. While the majority of respondents (52 percent) reported stable input prices, the shares of firms reporting decreases and increases were roughly equal. Regarding prices for the firms’ own goods and services, the prices received index declined 16 points to -15.4 in April. The share of firms reporting decreases in prices received (23 percent) exceeded the share of firms that reported increases (7 percent). More than 38 percent of the firms reported no change in prices for their own goods and services.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia 7/10

April 2020 Nonmanufacturing Business Outlook Survey

Future Indicators Weaken Further

“Both future activity indexes suggest that the respondents expect continued declines overall in nonmanufacturing activity over the next six months, with both series reaching all-time low readings for a second consecutive month. The diffusion index for future activity at the firm level decreased from a reading of -16.3 in March to -24.5 this month (see Chart 1). More than 32 percent of the firms expect an increase in activity at their firms over the next six months (up from 28 percent last month) compared with 57 percent that expect decreases (up from 45 percent last month). The future regional activity index fell from -36.9 in March to -45.8 in April.

Summary

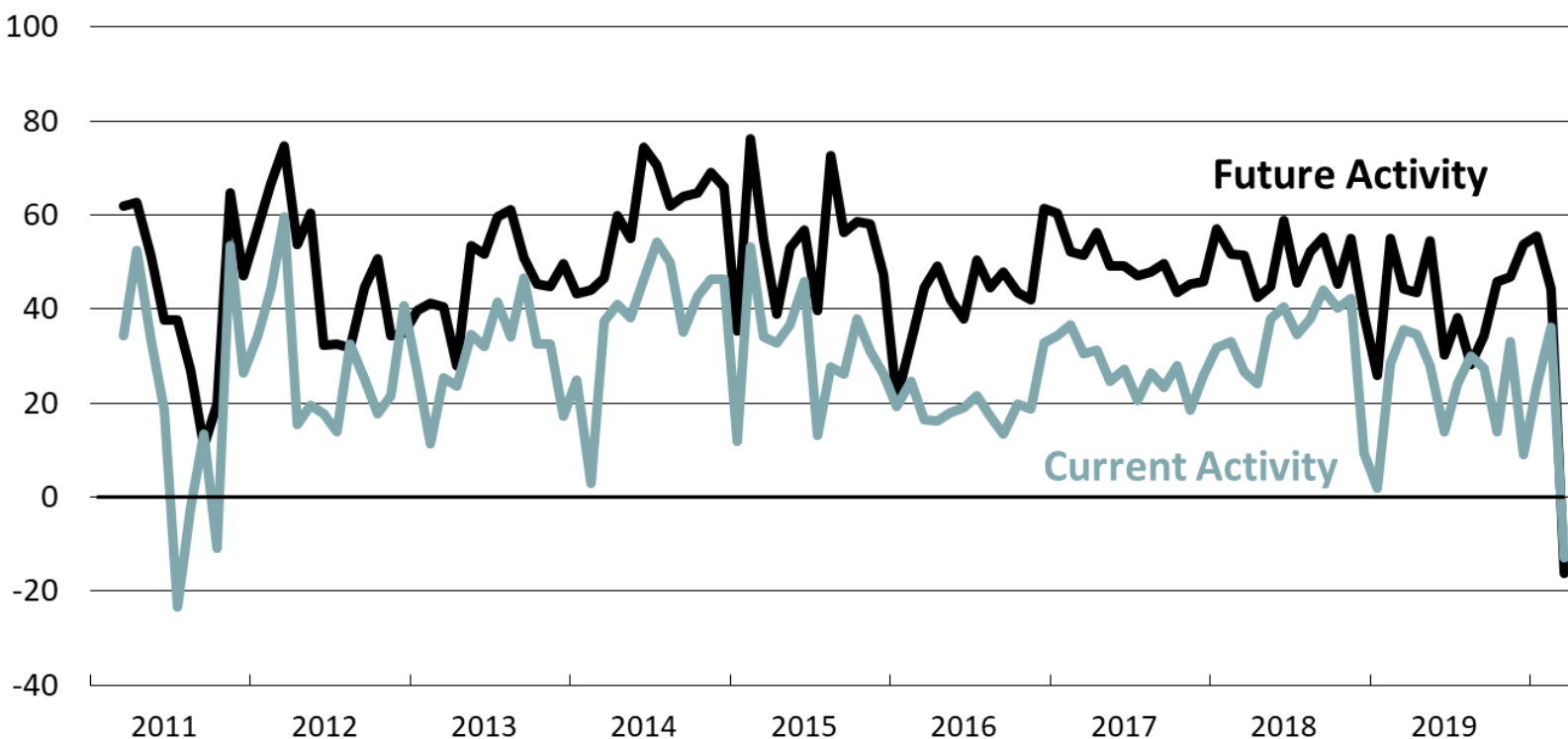
Responses to this month’s *Nonmanufacturing Business Outlook Survey* suggest a continued weakening in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, new orders, and full-time employment all reached historic lows after falling into negative territory last month. Both price indicators declined further this month, indicating overall price reductions. Future activity indexes once again fell to historic lows and suggest that respondents expect continued declines over the next six months.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia 8/10

Chart 1. Current and Future General Activity Indexes for Firms

March 2011 to March 2020

Diffusion Index

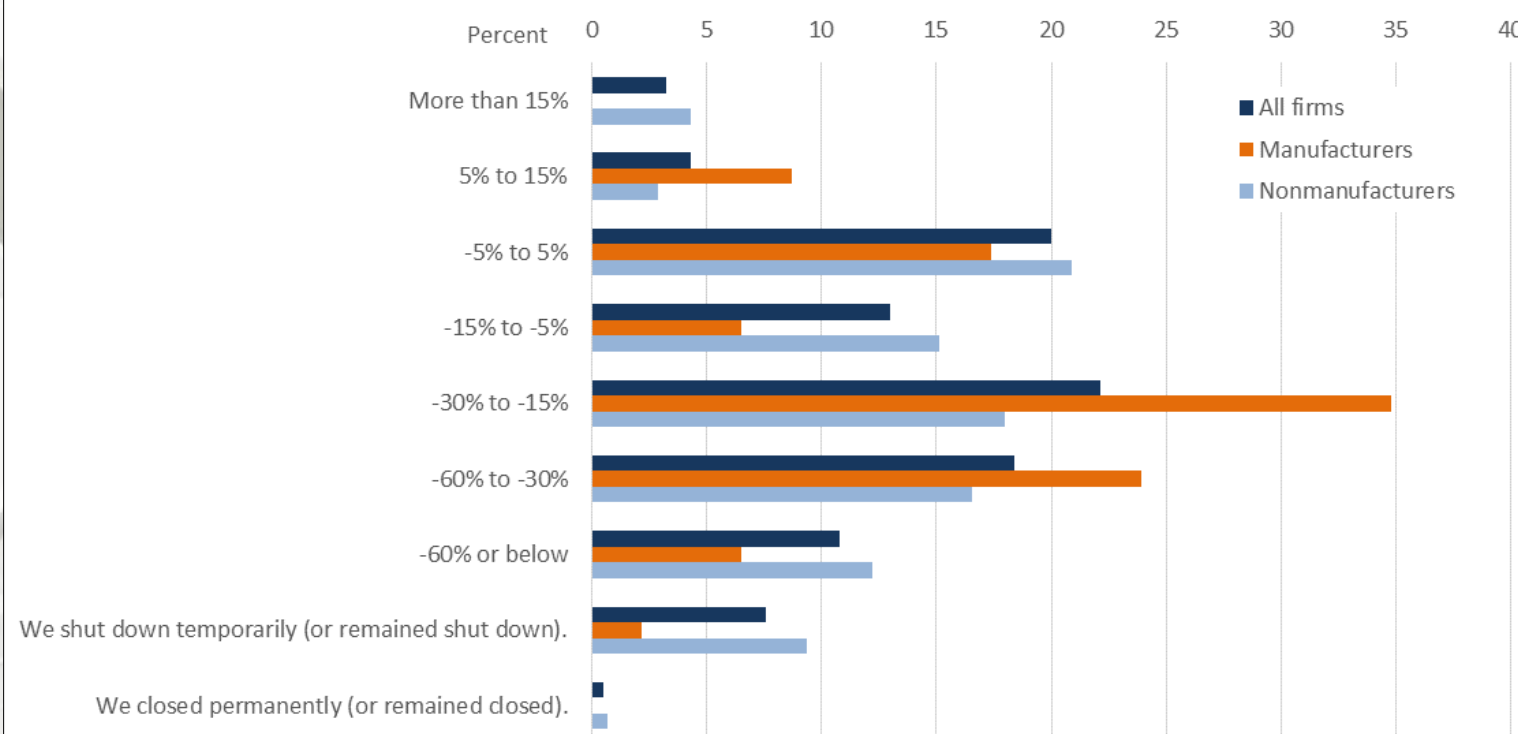


Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

The Federal Reserve Bank of Philadelphia 9/10

Considering what you had expected before the COVID-19 outbreak, what would you say has been the impact of the COVID-19 pandemic and associated effects on the past week's new orders or sales?

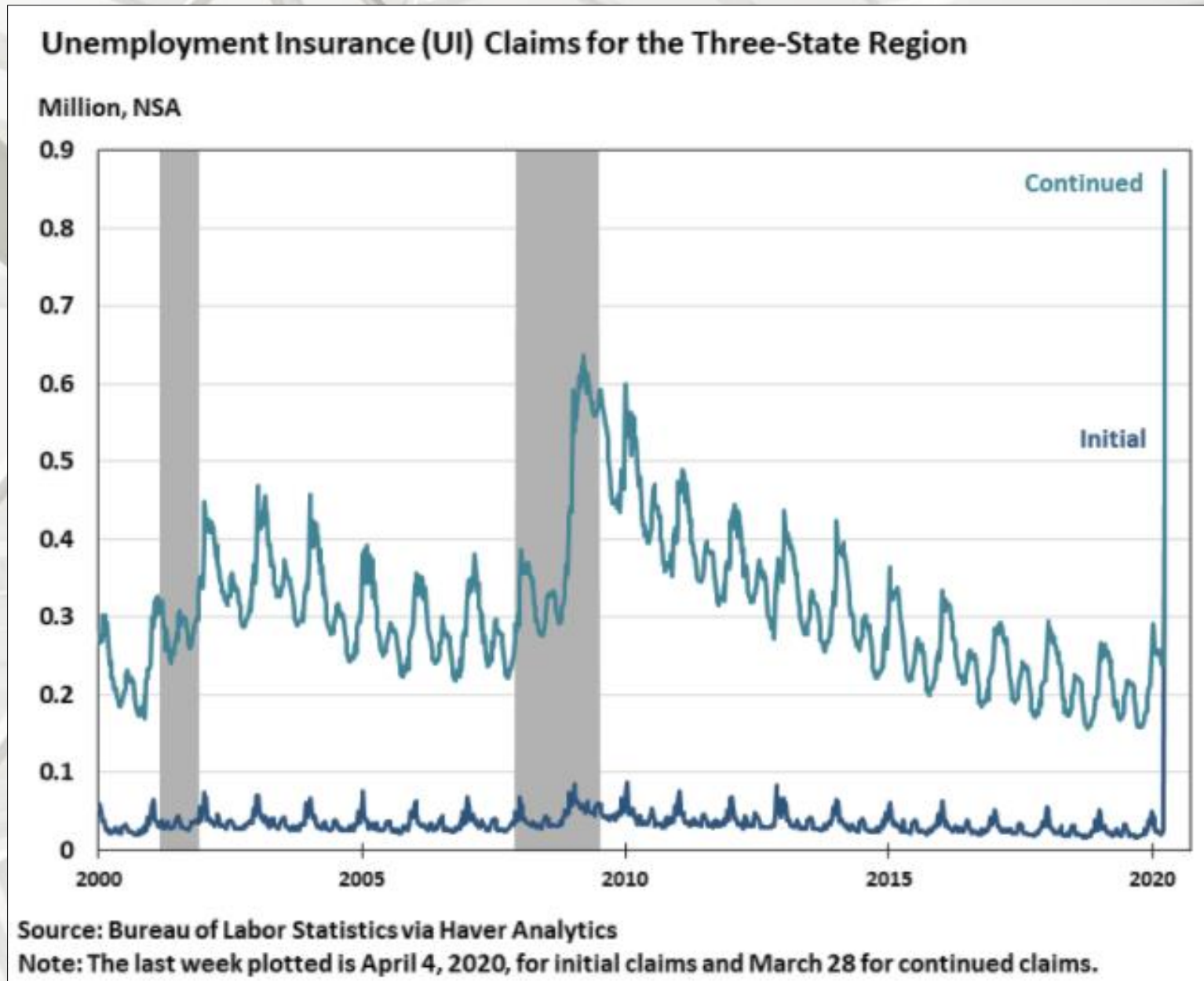
For week ending May 10, 2020



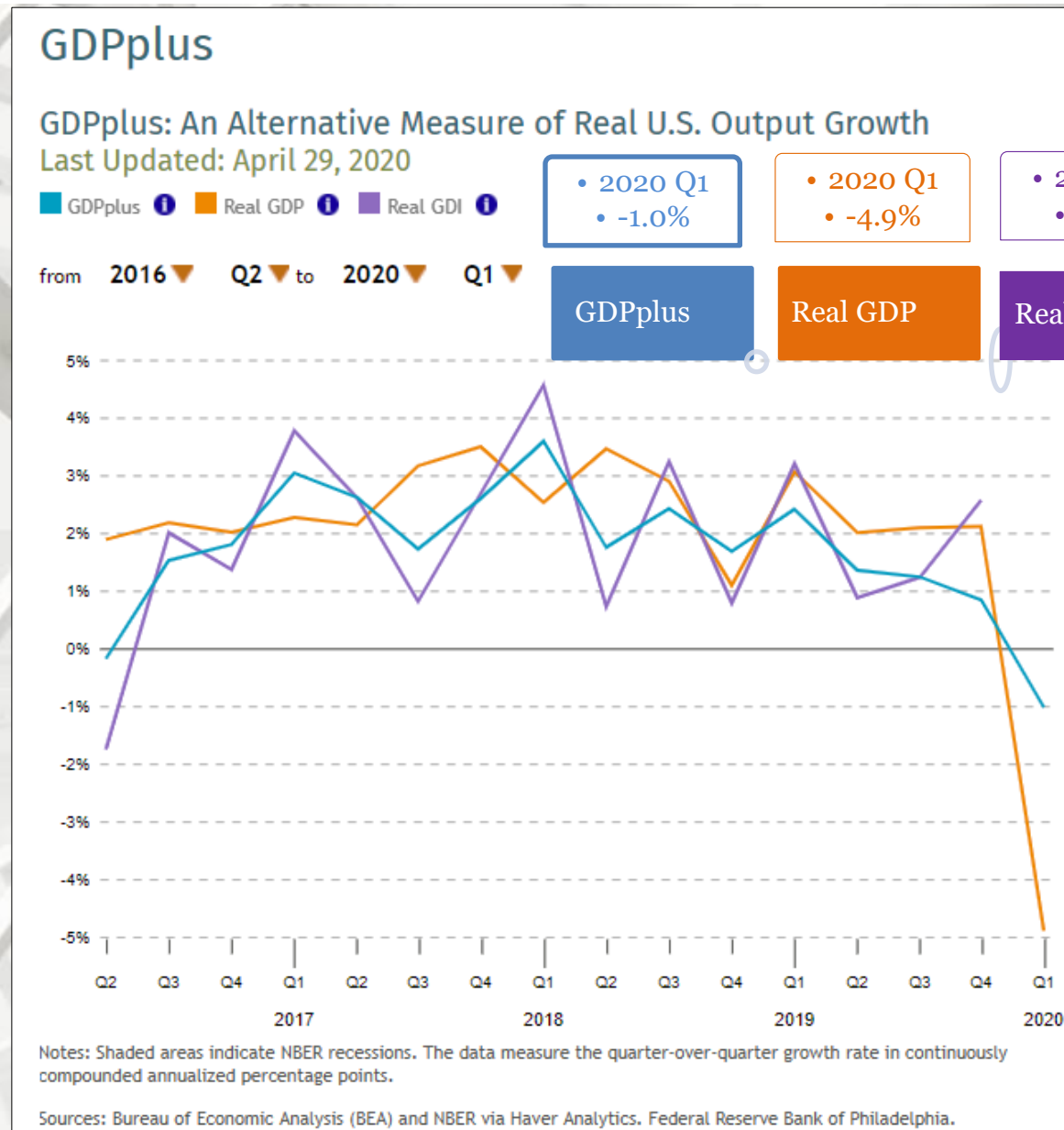
Weekly Economic Impacts of the COVID-19 Outbreak

“The Federal Reserve Bank of Philadelphia and our colleagues in Districts around the country continue to monitor the economy to better understand the scope of the economic damage this pandemic is causing. Given the speed with which the economy is changing, we are compiling weekly data for more timely, higher-frequency information for the regional and national economy. We believe this weekly information will be even more valuable for tracking the economy upward and restoring confidence – as businesses reopen and workers are called back.” – The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia 10/10



The Federal Reserve Bank of Philadelphia: GDPplus



U.S. Economic Indicators 12/19

The Federal Reserve Bank of Richmond

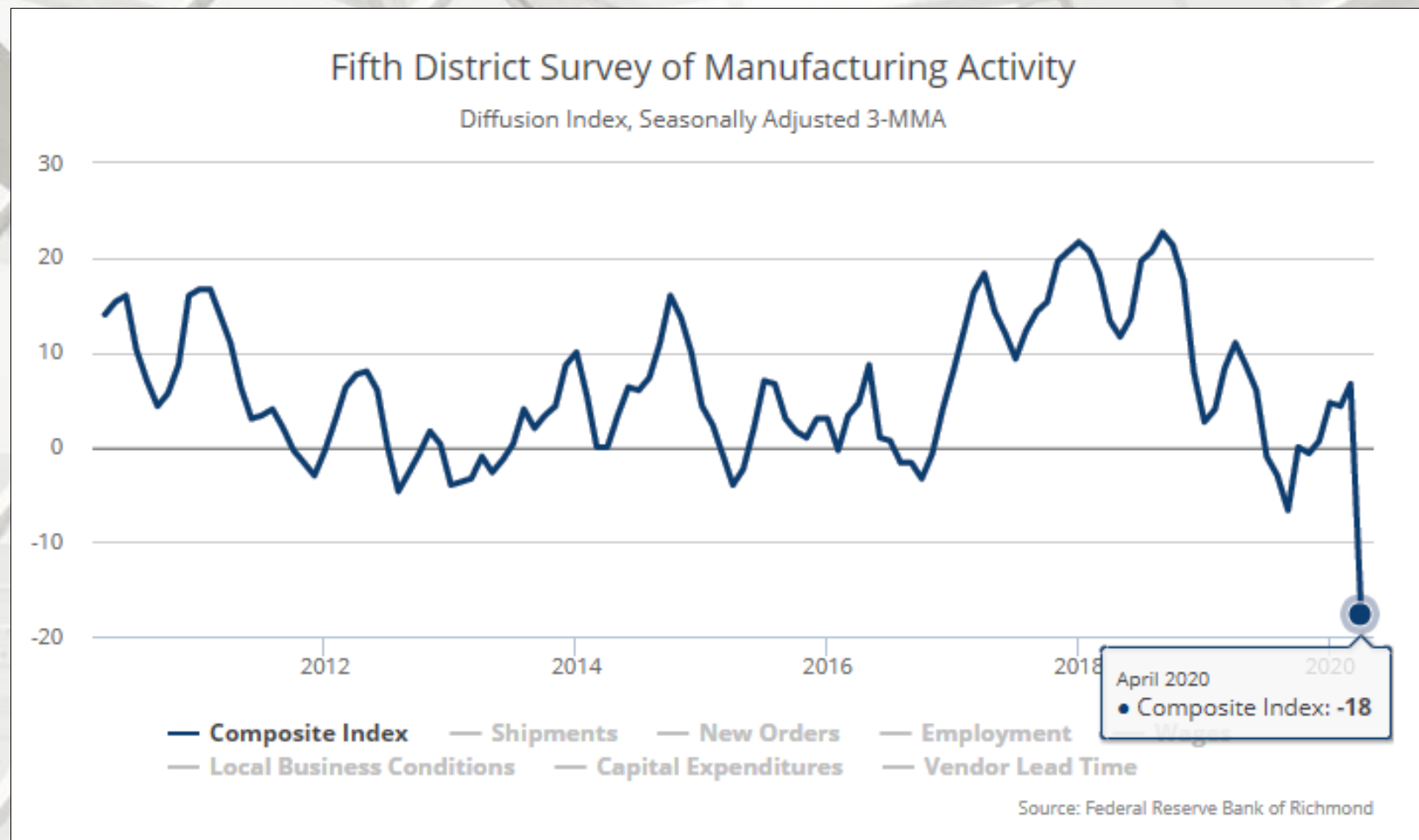
Manufacturing Activity Declined Sharply in April

“Fifth District manufacturing activity declined sharply in April, according to the most recent survey from the Richmond Fed. The composite index plummeted from 2 in March to –53 in April, its lowest reading and largest one-month drop on record. All three components — shipments, new orders, and employment — fell, and the indexes for shipments and new orders reached record lows. Firms reported weakened local business conditions and expected conditions to remain soft in the next six months.

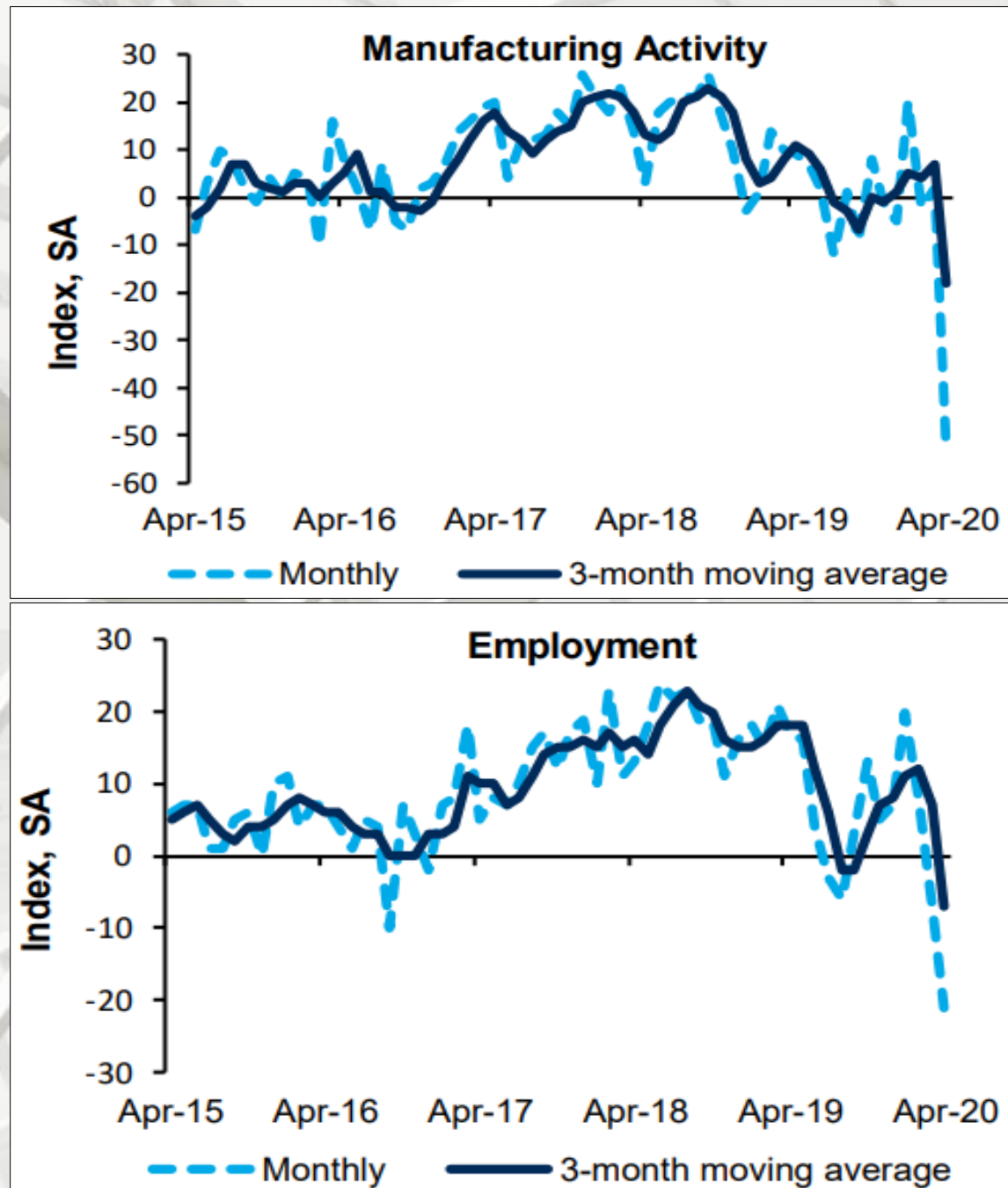
Survey results reflected a deterioration in employment conditions in April. More contacts reported drops in employment and average work week, although the wage index remained flat. Manufacturers expected these conditions to persist. On balance, employers still struggled to find workers with the necessary skills, but expected this constraint to ease in the coming months — the expectation index for availability of skills was above zero for the first time since 2017.

The average growth rate of prices paid by survey respondents rose in April, while that of prices received fell, widening the gap between the two. Manufacturers expected the growth rates of both to increase in the next several months.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

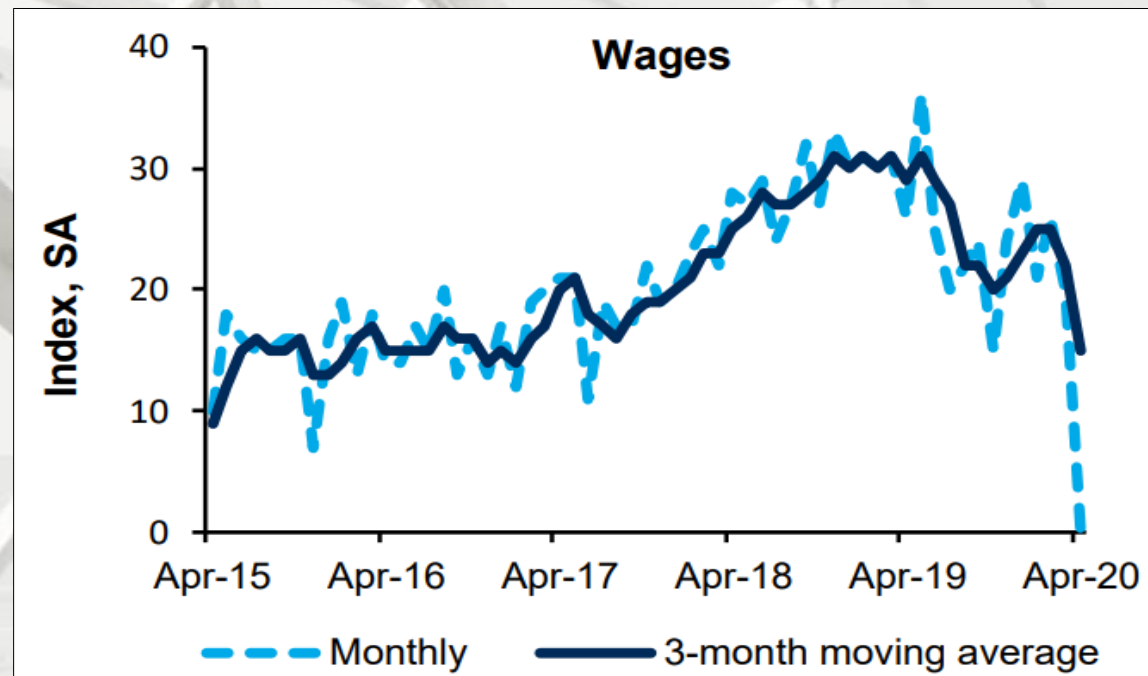
U.S. Economic Indicators 13/19



U.S. Economic Indicators 14/19



U.S. Economic Indicators 15/19



U.S. Economic Indicators 16/19

The Federal Reserve Bank of Richmond

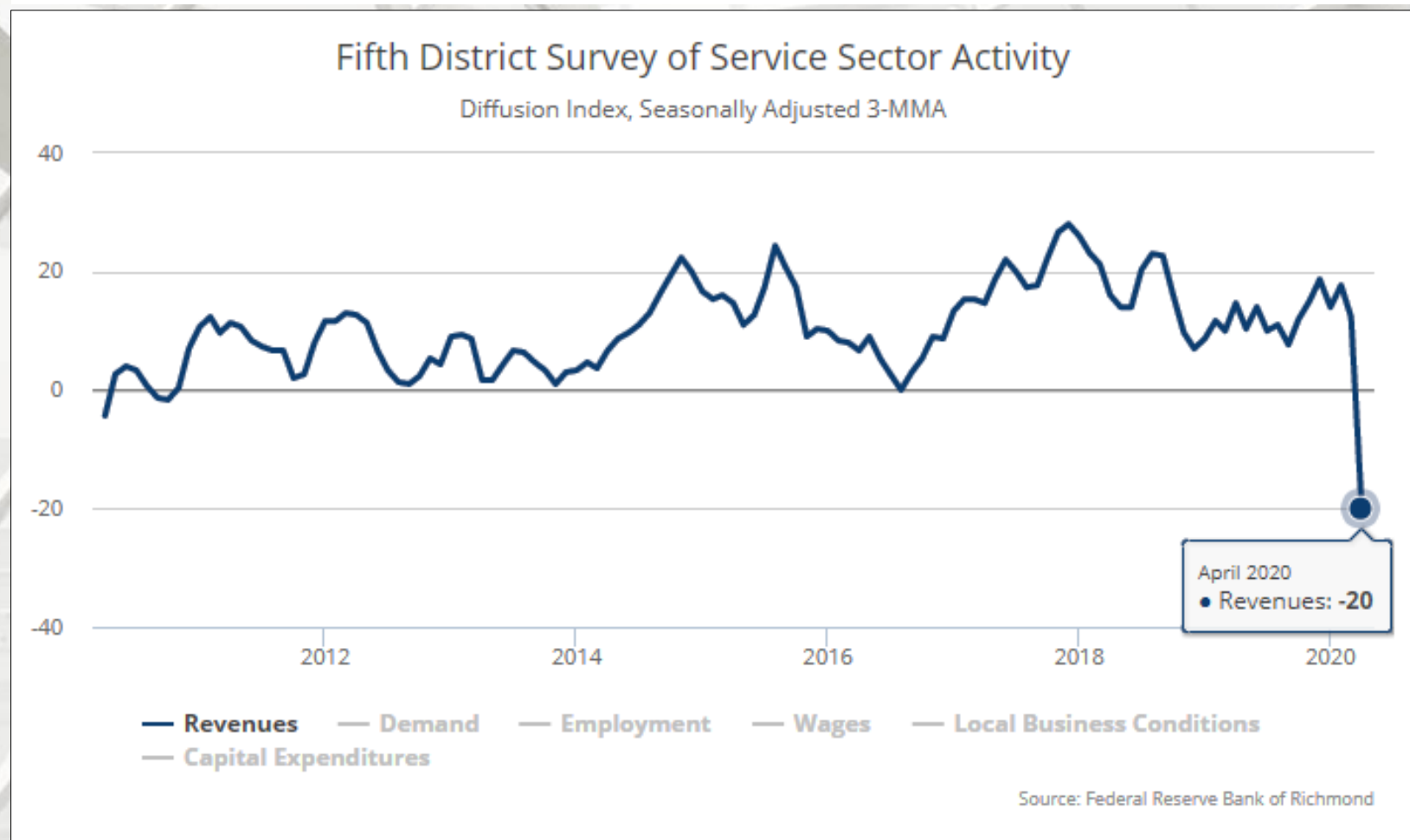
Fifth District Survey of Service Sector Activity

“Fifth District service providers reported a significant softening of activity in April, according to the most recent survey by the Richmond Fed. The revenues index dropped from 1 in March to -87 in April, its lowest reading and largest one-month drop on record. Meanwhile, the indexes for demand, local business conditions, and capital spending all fell precipitously, with demand and local business conditions indexes reaching record lows. Firms expected conditions to remain soft in the near future.

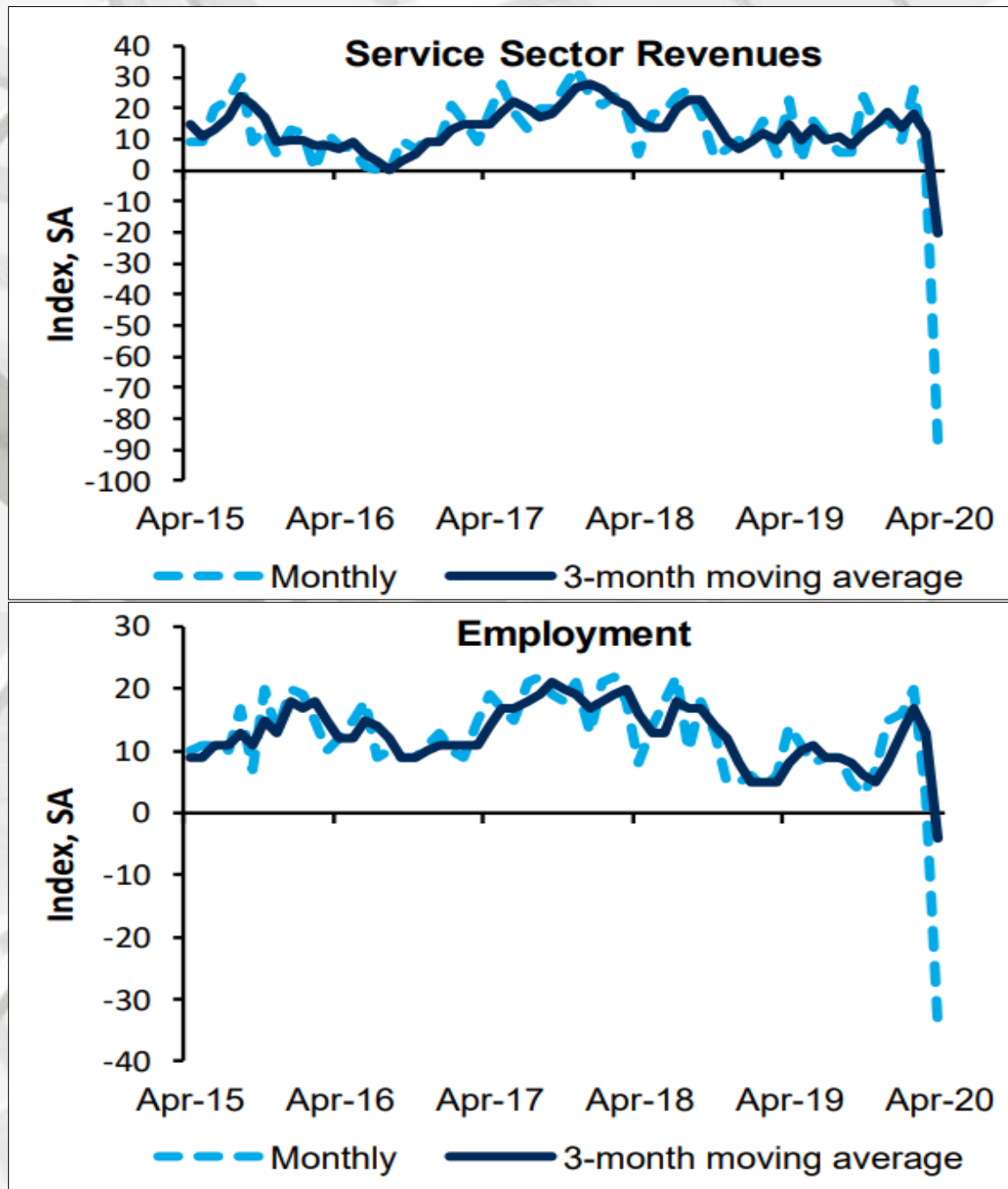
Survey results indicated drops in employment, wages, and the average workweek in April, as all three indexes reached their lowest values in the history of the survey. More firms reported that workers with the necessary skills were easier to find, as this index was above zero for the first time since 2017. Survey respondents expected employment to remain soft and skilled workers to be easier to find in the coming months.

On average, the growth rate of prices paid by survey participants rose in April, while that of prices received decreased, widening the gap between the two. Firms expected growth of both prices paid and prices received to slow in the next six months.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

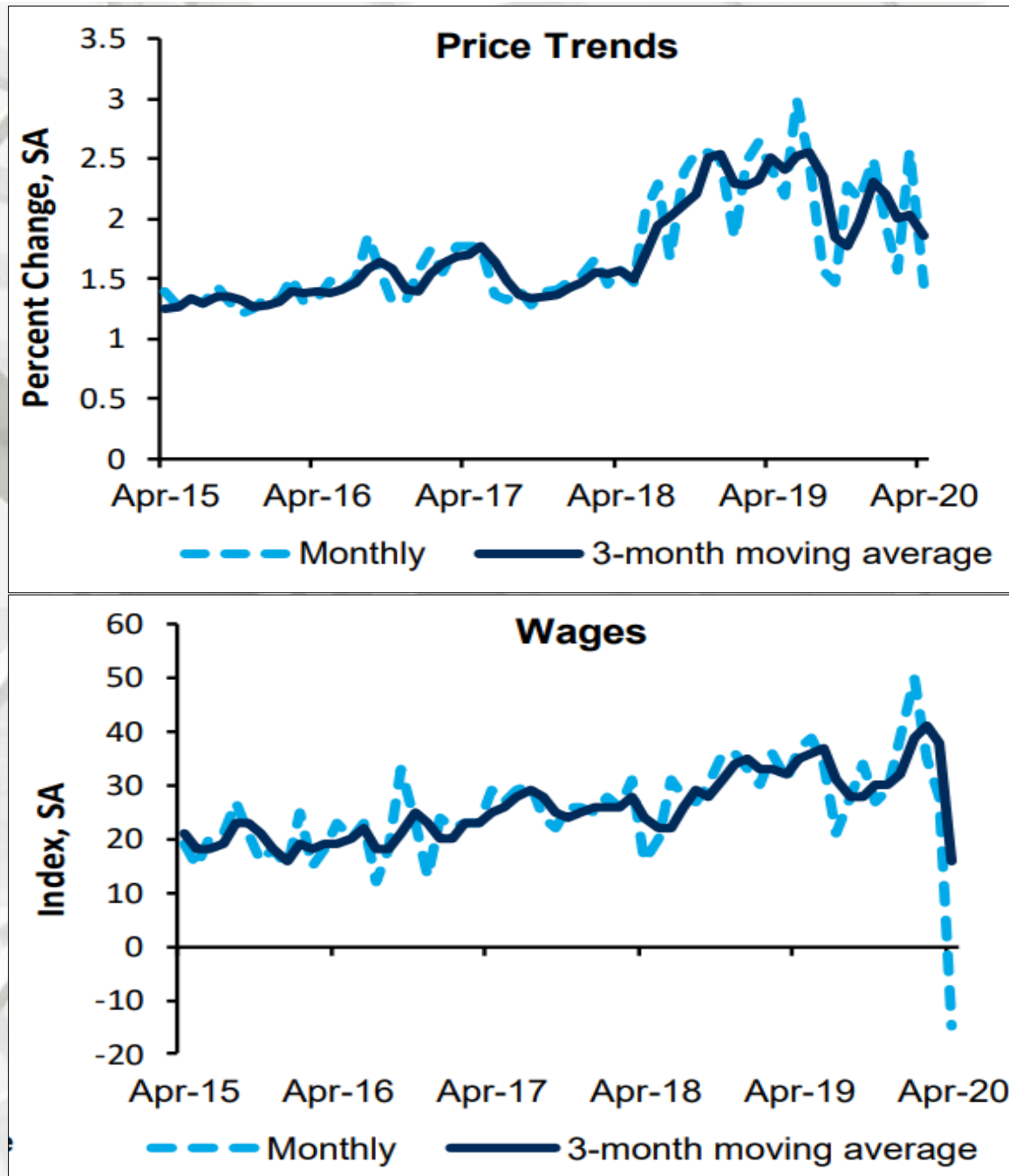
U.S. Economic Indicators 17/19



U.S. Economic Indicators 18/19



U.S. Economic Indicators 19/19



U.S. Economic Indicators: Global 1/3

The Federal Reserve Bank of Dallas México Economic Growth Tumbles in First Quarter; Outlook Worsens Considerably

“México’s gross domestic product (GDP) contracted an annualized 6.2 percent in first quarter 2020—the largest quarterly drop since 2009 during the global financial crisis. The GDP growth forecast for 2020, compiled by Banco de México, was markedly revised down from -3.5 percent in March to -7.1 in April due to the combined impacts of COVID-19 and low oil prices on the Mexican economy.

The latest data available, mostly reflecting pre-COVID-19 conditions, show that exports, industrial production, employment and retail sales fell. Inflation declined as the peso continued losing ground against the dollar in April.

Output Falls in First Quarter 2020

México’s first-quarter GDP dropped by an annualized 6.2 percent, pushing growth further from its long-run average of 2.1 percent (Chart 1). Output from both goods-producing industries (manufacturing, construction, utilities and mining) and service-related activities (wholesale and retail trade, transportation and business services) fell 5.5 percent. Agricultural output rose 2.0 percent.

Exports Tick Down

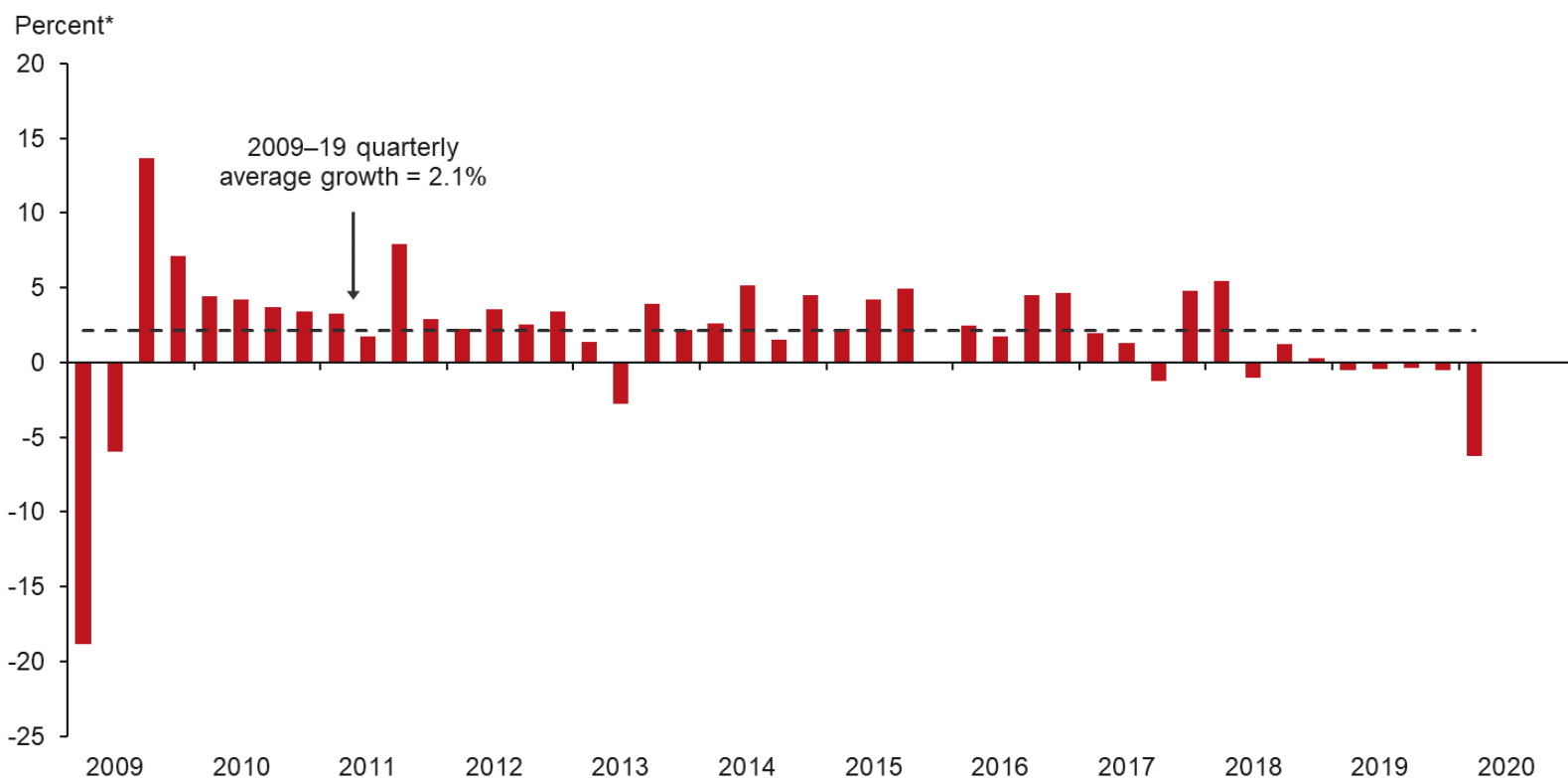
The three-month moving average of total exports dipped 1.1 percent in March, as oil exports fell 13.2 percent, and manufacturing exports contracted 0.6 percent (Chart 2). On a month-over-month basis, total exports fell 3.5 percent in March, and manufacturing exports declined 3.4 percent. First-quarter exports fell 2.6 percent compared with the same period in 2019, as manufacturing exports declined 1.6 percent and oil exports were down 25.6 percent.” – Jesus Cañas, Senior Business Economist and Chloe Smith, Research Assistant; The Federal Reserve Bank of Dallas

U.S. Economic Indicators: Global 2/3

The Federal Reserve Bank of Dallas

Chart 1

Gross Domestic Product Contracts Sharply in First Quarter



*Quarter/quarter, real pesos; seasonally adjusted, annualized rate.

NOTE: Data are through first quarter 2020.

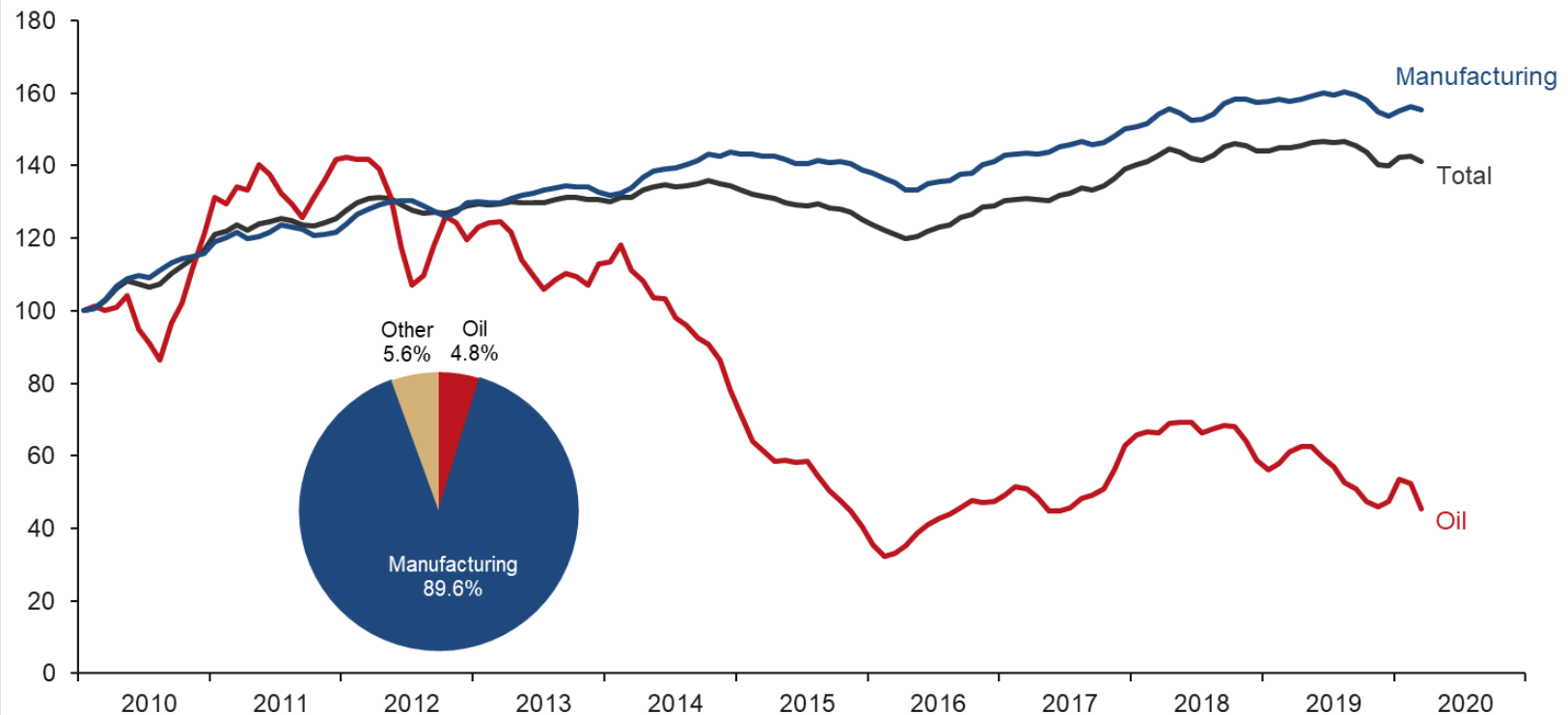
SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

U.S. Economic Indicators: Global 3/3

The Federal Reserve Bank of Dallas

Chart 2
Exports Were Trending Up Before COVID-19

Index, January 2010 = 100*

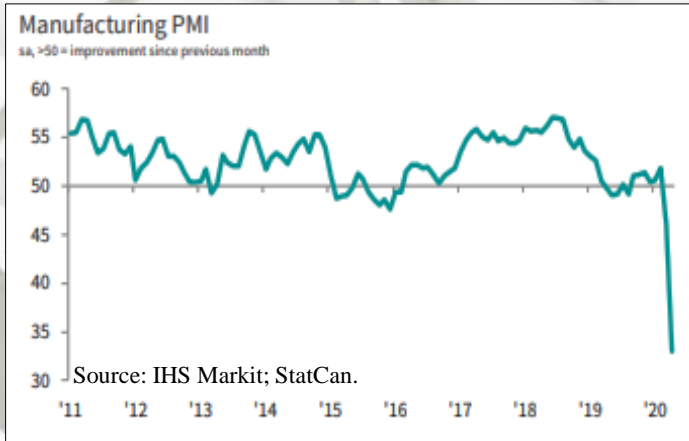


*Seasonally adjusted, three-month moving average; real dollars.

NOTES: All data are through March 2020. Pie chart reflects the share of total exports year to date in 2020.

SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Private Indicators: Global 1/12



Markit Canada Manufacturing PMI™

“At 33.0 in April, the headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers’ Index® (PMI®) was down sharply from 46.1 in March, to signal a rapid decline in manufacturing sector business conditions. This reflected survey-record declines in output (index at 22.6), new orders (23.9) and employment (25.1), alongside a severe reduction in stocks of purchases.

Rapid manufacturing downturn amid COVID-19 pandemic in April

April data signalled by far the steepest downturn in manufacturing conditions since the survey began in October 2010. Survey respondents almost exclusively attributed lower production, new orders and employment to shutdowns amid emergency public health measures to halt the spread of coronavirus disease 2019 (COVID-19). The fall in the Manufacturing PMI since March was softened to some extent by a steep lengthening of suppliers' delivery times (which has an inverse contribution to the headline index). However, longer lead-times were not demand-driven in April, but instead simply reflected severe distress across global supply chains amid widespread business closures and delays at international borders.

Canadian manufacturers unsurprisingly recorded a survey record drop in output during April as the COVID-19 pandemic led to either complete factory shutdowns or reduced production schedules, alongside rapidly shrinking customer demand. Only a small minority of survey respondents indicated a rise in output volumes, which was almost exclusively linked to consumer essentials and production to support healthcare supply chains. With manufacturers facing a drop in output of historic proportions, the latest data also highlighted by far the fastest reductions in both employment numbers and input buying since the survey began in late-2010.

Business sentiment worsened to a considerable degree in April, with the largest fall seen across the investment goods category. Manufacturers widely commented on concerns about the outlook for capital spending in the energy sector, as well as uncertainty about the length of customer closures and worries about a protracted downturn in global economic conditions” – Tim Moore, Economics Associate Director, IHS Markit

Source: <https://www.markiteconomics.com/Public/Home/PressRelease/30452aac9ebb401fb5f6228c8bef6acc>; 5/1/20

Private Indicators: Global 2/12

Caixin China General Manufacturing PMI™

Operating conditions deteriorate slightly as COVID-19 pandemic weighs on demand

“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 – slipped from 50.1 in March to 49.4 in April, to indicate a renewed deterioration in operating conditions. That said, the decline was marginal and much softer than the record pace seen in February when many firms closed down to stem the spread of the virus.

After broadly stabilising in March, operating conditions across China's manufacturing sector weakened slightly in April. The recent easing of measures to halt the spread of the coronavirus disease 2019 (COVID-19) pandemic underpinned a further rise in output. However, the impact of the virus globally led to a substantial drop in export sales, which drove a further decline in total new work. Weaker demand conditions prompted firms to reduce their staff numbers and input buying. At the same time, companies reported moderate falls in both input costs and selling prices.

Chinese manufacturers signalled a back-to-back monthly rise in production after a record decline in February, as more firms reopened and were able to increase capacity. That said, the rate of expansion remained marginal overall.

Meanwhile, total new orders fell for the third month running at the start of the second quarter. The modest drop in overall new business was largely driven by weaker foreign demand, according to underlying data. New export business fell at the steepest rate since December 2008, as the COVID-19 pandemic led to temporary lockdowns and business closures across the globe.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Private Indicators: Global 3/12

“The Caixin China General Manufacturing PMI returned to contractionary territory in April, coming in at 49.4. China’s economic recovery was hindered by shrinking foreign demand, despite the domestic epidemic being largely contained.

1. While manufacturing output expanded at a faster clip, export orders plunged amid sluggish demand. The output subindex rose further into expansionary territory, the best performing among the five PMI subindexes and the only one above 50, reflecting further resumption of work. The gauge for new export orders dropped back sharply to a level lower than that in February, pointing to a sharp contraction in foreign demand amid the coronavirus pandemic. The subindex for total new orders worsened slightly from a relatively low level the previous month, amid shrinking overseas demand compounded by limited recovery in domestic consumption.

2. Amid rapid production recovery and falling demand, inventories of finished goods increased relatively fast, and growth in work backlogs continued to slow. The subindexes for stocks of purchased items and suppliers’ delivery times continued to recover despite staying in negative territory, reflecting the fact that manufacturers were well prepared for production.

3. Prices of industrial products continued to fall. Amid a plunge in global oil prices, input costs dropped markedly. The gauges for input costs and output prices had the same reading in April. Meanwhile, downward pressure on the prices of raw materials including glass and steel grew amid large inventories and limited demand recovery.

4. Both the gauges for business confidence and employment dropped. Unlike in February and March, manufacturers’ confidence was not high in April as the coronavirus’s hard hit on external demand forced them to reassess the pandemic’s impact: the economic shock may be greater than previously thought, and it may take longer for the economy to recover. Amid sluggish demand, employment contracted at a steeper rate.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group.

Private Indicators: Global 4/12



“To sum up, the sharp fall in export orders seriously hindered China’s economic recovery in April, although businesses were gradually getting back to work. Amid the second shockwave from the pandemic, the problems of low business confidence, shrinking employment and large inventories of industrial raw materials became more serious. A package of macroeconomic policies, as suggested in the April 17 Politburo meeting, must be implemented urgently. It is particularly necessary to aid weak links including small and midsize enterprises and personal incomes.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group.

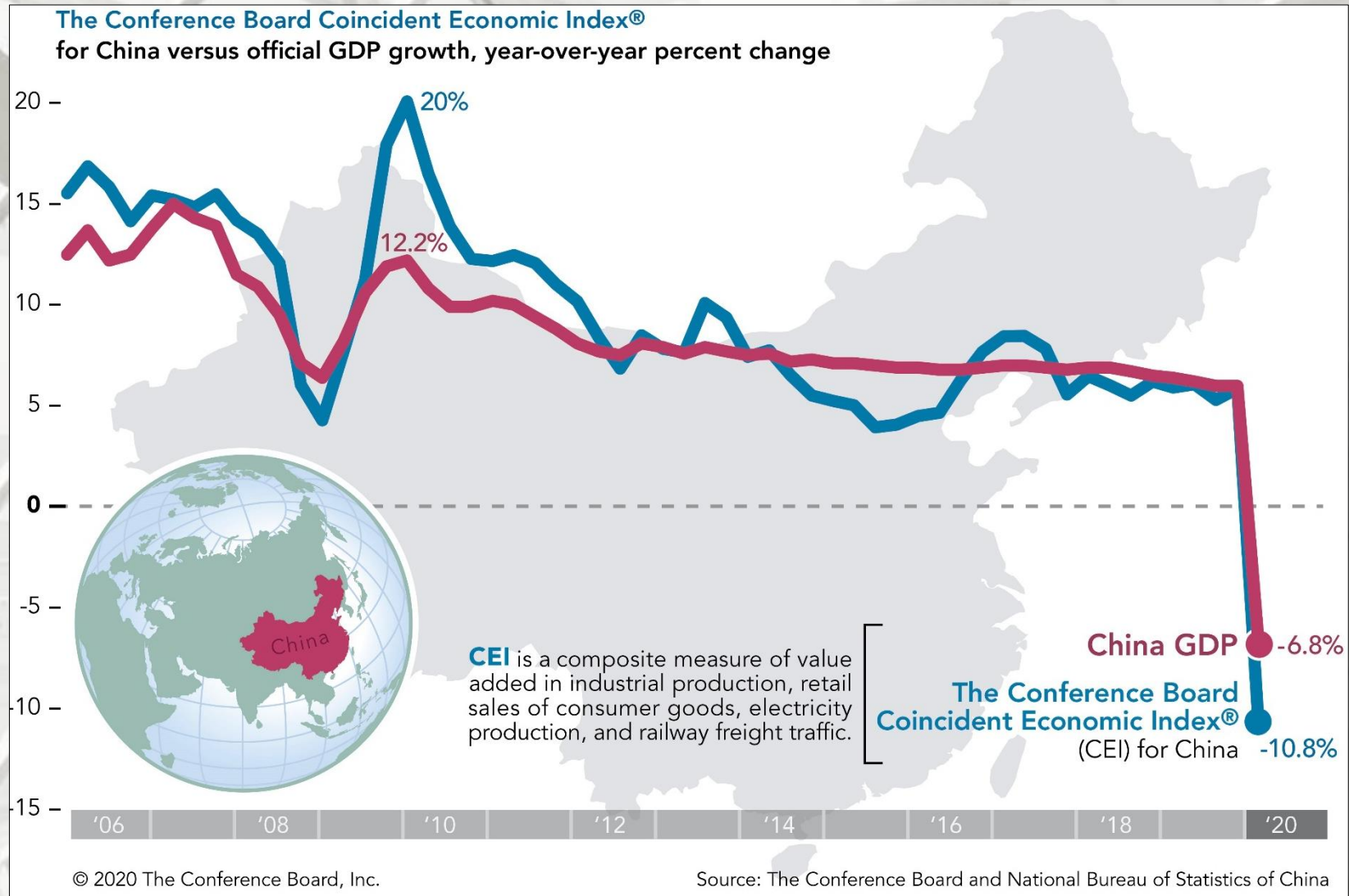
Private Indicators: Global 5/12

The Conference Board Coincident Economic Index® (CEI)

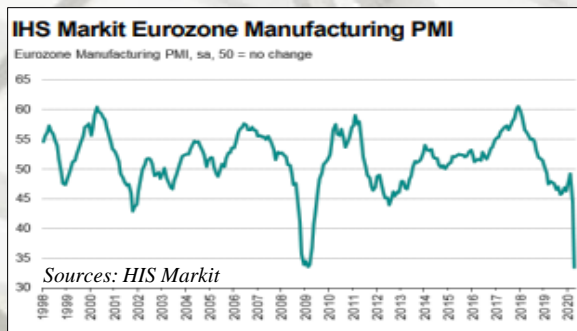
COVID-19's impact in China: Business activity shows deeper drop than GDP

“The CEI for China dropped 10.9 percent in Q1 of 2020 over the same quarter last year. This shows a faster drop in economic activity than reported GDP, which fell 6.8 percent over the same period. The CEI, based on monthly data, provides a better real-time picture of economic activity. It also shows greater volatility in China’s economy than indicated by GDP. Economic conditions in China improved in March, but gains were lower than the combined losses in January and February. China’s recovery is expected to continue at a slow pace for the rest of the year as domestic conditions and weak external demand weigh on production and consumption growth.” – The Conference Board

Private Indicators: Global 6/12



Private Indicators: Global 7/12



Markit Eurozone Manufacturing PMI®

“The IHS Markit Eurozone Manufacturing PMI® registered 33.4 in April, down sharply from March’s 44.5. Below the earlier flash reading, the latest PMI was the lowest ever recorded by the series (which began in June 1997), surpassing readings seen during the depths of the global financial crisis and indicative of a considerable deterioration in operating conditions.

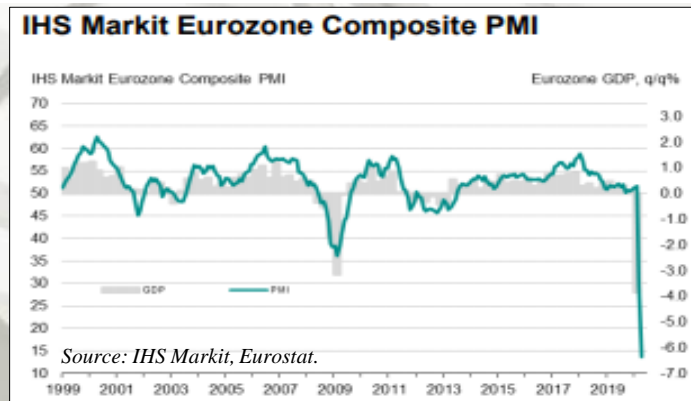
Eurozone manufacturing economy contracts at record pace in April

Euro area manufacturing experienced a substantial deterioration in operating conditions during April as government restrictions to limit the spread of the global coronavirus disease (COVID-19) weighed on the sector. Output, new orders, export sales, and purchasing activity all fell at record rates, whilst supply side constraints intensified to an unprecedented extent. Confidence about the future sank to a fresh series low. Market groups data indicated that all categories recorded considerable deteriorations in operating conditions. Investment goods producers suffered the sharpest contraction. At the country level, PMIs were down across the region, with numbers either at record lows (Austria, France, Greece, and Italy) or registering readings only surpassed during the worst of the global financial crisis. ...

Euro area manufacturing output plunged to an extent greatly exceeding any decline previously seen in the near 23-year history of the PMI survey in April, reflecting a combination of factors including widespread factory closures, slumping demand and supply shortages, all linked to the COVID-19 outbreak. All countries suffered record falls in factory output, with Italy reporting the sharpest decline, as measures to contain the coronavirus intensified during the month. With virus curves flattening and talk now moving to lifting some of the pandemic restrictions, April will have hopefully represented the eye of the storm in terms of the virus impact on the economy, meaning the rate of decline will now likely start to moderate. Barring any second wave of infections, which would throw any recovery off course, the news should start to improve as we see more people and businesses get back to work.

However, the PMI is indicating an industrial sector that has collapsed at a quarterly rate of decline measured in double digits, and any recovery will be frustratingly slow. Steps needed to keep workers safe will mean even businesses that are able to restart production will generally be running at low capacity, and most will be operating in an environment of greatly reduced demand. Not only will household spending remain historically weak, not least due to ongoing shop closures, but business spending on inputs and machinery and equipment will also remain subdued for some time.” – Chris Williamson, Chief Business Economist, Markit®

Private Indicators: Global 8/12



Markit Eurozone Composite PMI®

“The coronavirus disease 2019 (COVID-19) pandemic continued to have a severe impact on the eurozone private sector economy during April. This was highlighted by the **IHS Markit Eurozone PMI® Composite Output Index** which fell to a new series low in April of 13.6, down from March’s previous record of 29.7.

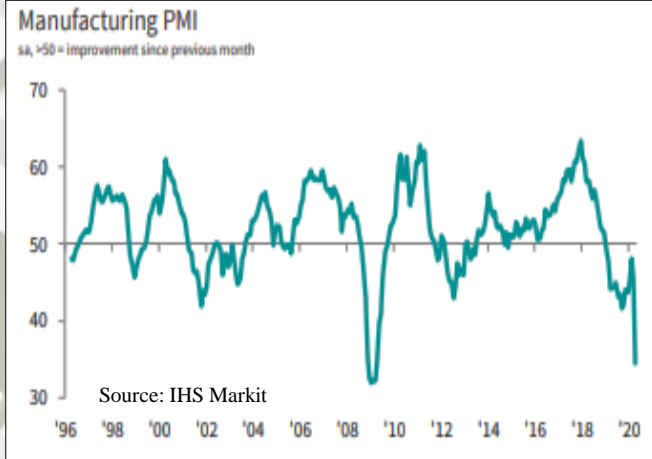
Eurozone economy registers fresh record drop in activity in April

Reflective of the ongoing restrictions to nonessential economic activities in place across the region, the severe and unprecedented contraction in activity was replicated at the sector level. Both the manufacturing and services economies recorded record falls in output during April, with service providers again registering the sharper contraction. At the country level, all nations for which both manufacturing and services data are available for endured survey record contractions in activity. There was some variance in the rates that private sector economies contracted. Spain and Italy fared worst, followed by France. Germany and Ireland recorded the highest composite PMI figures. ...

The extent of the euro area economic downturn was laid bare by record downturns in every country surveyed in April, with output falling at unprecedented rates across the region’s manufacturing and services sectors. With a large part of the region’s economy shut down while COVID-19 infections spiked higher, the economic data for April were inevitably going to be bad, but the scale of the decline is still shocking. The survey data are indicative of GDP falling at a quarterly rate of around 7.5%, far surpassing the worst decline seen in the global financial crisis. Jobs are also being lost at a rate never previously seen. Hopefully, with coronavirus curves flattening and governments making moves to ease lockdown restrictions, many sectors should start to see output and demand pick up. The process will be only very gradual, however, as governments juggle between reviving economies and preventing a second wave of infections. Most companies will inevitably need to work at levels well below full capacity and sectors such as retail, travel, tourism and recreation – already the hardest hit – will continue to be badly affected by social distancing.

While the rate of decline may ease in coming months, we do not expect to see any material signs of recovery until the second half of the year, and it is likely to be several years before the output lost due to the virus outbreak is fully regained.” – Chris Williamson, Chief Business Economist, Markit®

Private Indicators: Global 9/12



IHS Markit/BME Germany Manufacturing PMI®

“The headline IHS Markit/BME Germany Manufacturing PMI dropped sharply from 45.4 in March to 34.5. Though the lowest since March 2009, this compared with a reading of 19.7 for the survey's Output Index. The decline in the headline index was softened by a record lengthening of supplier delivery times and rise in stocks of purchases – both linked to supply-chain disruption caused by the coronavirus outbreak, and both contrary to trends usually associated with a downturn.

April sees unprecedented fall in manufacturing output amid efforts to contain virus outbreak

The COVID-19 pandemic and resulting global virus containment measures led to a record contraction in German manufacturing output in April, latest PMI® data from IHS Markit and BME showed. A collapse in demand and bleak outlook for the coming year meanwhile resulted in the deepest cuts to factory job numbers for almost 11 years, despite widespread uptake of the short-time work scheme. The decline in output was once again led by the investment goods category, followed by intermediate goods. After having remained little-changed during March, production across the consumer goods category also fell sharply, dropping to the greatest extent on record. ...

The fall in manufacturing production in March now pales in comparison to the unprecedented drop seen in April following a full month of virus containment measures at home and abroad. Output nosedived as large numbers of manufacturers either temporarily closed factories or cut working hours amid a collapse in export demand across Europe and the US, and mounting supply chain challenges. Even as more manufacturers start to come back on stream, there are still some huge question marks, like what kind of demand conditions are they returning to, and for how long will supply chains be impacted. The data show that manufacturers expect disruption to supply and demand to continue deep into 2020 at the very least, making the chances of a V-shaped recovery unlikely.

Given such a challenging outlook, job cuts have continued to gather pace despite the widespread uptake of the short-time working scheme, thus raising the chances of a more protracted recovery” – Phil Smith, Principal Economist, IHSMarkit®

Private Indicators: Global 10/12



J.P. Morgan Global Manufacturing PMI™

“The J.P. Morgan Global Manufacturing PMI – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – fell to 39.8 in April, its lowest level since March 2009. The downturn in the headline index was softened by the recent relative resilience of the Mainland China PMI. The Global Excluding Mainland China PMI reading was 35.8, down from 46.2 in March.

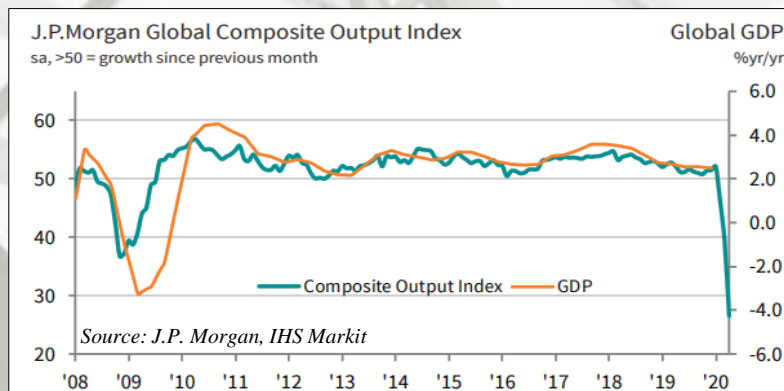
Global Manufacturing PMI slumps to lowest level since financial crisis of 08/09

The economic disruption resulting from the outbreak of coronavirus disease 2019 (COVID-19) continued to hit global industry hard during April. Rates of contraction in output and new orders were among the steepest registered in the 22-year survey history and the worst since the global financial crisis of 2008/09. Business confidence took a severe knock, falling to a fresh record-low. The cyclically-sensitive new orders-to-inventory ratio also fell to its lowest ever level.

Manufacturing production and new orders suffered similarly steep contractions during April, with rates of reduction the third and fourth sharpest in the survey history respectively. International trade flows also ground to a sudden halt, with new export order intakes falling to the greatest extent on PMI record. New Export Orders indices fell to record lows in almost all nations, the exceptions being Japan, China and Taiwan (which still signalled declines nonetheless). Global manufacturing employment fell at the quickest pace in almost 11 years in April. All of the nations covered saw staffing levels decline, with almost all also seeing accelerated job losses. This included 13 countries registering a survey record drop in workforce numbers (including the UK, India, South Korea, Canada, Mexico, Australia, Malaysia, Vietnam and Indonesia). ...

The continued impact of the global COVID-19 pandemic caused significant disruption to industrial activity during April. Output and new orders contracted at near survey record rates as demand, international trade flows and economic sentiment were all constrained by restrictions to stop the virus spreading, company closures and shortages of material and labour. Only time will tell how permanent the damage to global supply chains is, although moves in many nations to loosen lockdowns may provide a guide over the coming weeks and months.” – Olya Borichevska, Global Economic Research, J.P. Morgan

Private Indicators: Global 11/12



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 26.5 in April, down by a record 12.7 points from 39.2 in March and far below its previous low of 36.8 in November 2008 during the global financial crisis.

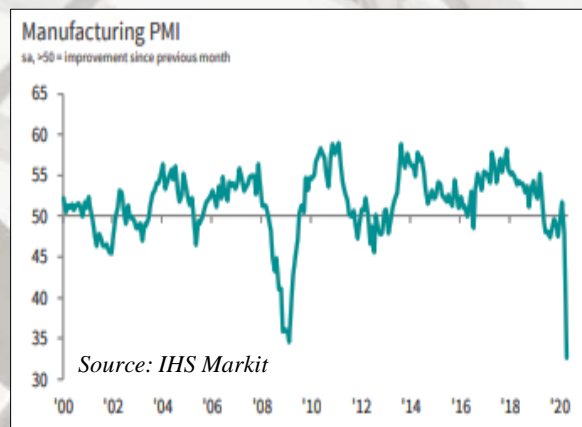
The rate of global economic contraction accelerated to its sharpest in the near 22-year PMI survey history during April. Companies across the world were hit hard by the impact of lockdowns, shutdowns and other restrictions in place to combat the spread of coronavirus 2019 (COVID-19). Rates of decline in output, new orders, new export business, employment and backlogs of work all registered new series records in April. All of the nations for which April final data were available saw activity and new fall to the greatest extent on PMI record, including the US, Germany, the UK, France, Italy, Spain, India, Brazil and Australia. Flash Composite PMI data for Japan also signalled the steepest drop in output and second-sharpest fall in new work received....

Sector PMI data further emphasised the widespread disruption caused by the outbreak of COVID-19. Global service sector business activity fell at a fresh survey-record pace, while manufacturing production declined at the third fastest rate on record. The month-on-month declines in both the Manufacturing Output Index (12.3 points) and Services Business Activity Index (12.8) were also the greatest so far. Record contractions in output and new business were registered across the six sub-sectors covered (consumer, intermediate and investment goods producers and business, consumer and financial service providers).

The uncertainty and economic disruption wreaked by the COVID-19 pandemic had noticeable impacts on business confidence, employment and international trade flows. Global business sentiment fell to a series-record low, with confidence at its weakest level on PMI record in the US, Japan, France, Spain, Brazil, Ireland and Kazakhstan. Sentiment picked up slightly in Germany, the UK, Italy and Australia, but remained historically weak. The survey-record contraction in global employment included the steepest reductions in staffing levels in the US, the euro area, the UK, India and Australia so far.

April also saw marked decreases in average input costs (fastest since April 2009) and output charges (series-record). Rates of reduction in both price measures were faster at service providers than at manufacturers.” – Olya Borichevska, Global Economic Research, J.P. Morgan

Private Indicators: Global 12/12



IHS Markit/CIPS UK Manufacturing PMI®

“The seasonally adjusted IHS Markit/CIPS Purchasing Managers’ Index® (PMI®) fell to a record low of 32.6 in April, down from 47.8 in March. The fall in the Manufacturing PMI (which is a composite of five indices) was softened by a comparatively modest reduction in stocks of purchases and record lengthening of vendor lead times (which has an inverse contribution to the PMI level). Survey data were collected between 7-27 April. Response levels were similar to those observed before the outbreak.

Output, new orders and employment fall at record rates as COVID-19 emergency continues

The public health emergency caused by the outbreak of coronavirus disease 2019 (COVID-19) caused substantial disruption across the UK manufacturing sector and its supply chains in April. Manufacturing production, new orders and employment all contracted at the fastest rates in the 28-year survey history, while vendor lead times lengthened to the greatest extent so far. The global pandemic also hit overseas demand, leading to a series-record drop in new export business.

UK manufacturing suffered its worst month in recent history in April, as output, orders books and employment all fell at rates far surpassing anything seen in the PMI survey's 28-year history. Huge swathes of industry were hit hard by company closures, weak global demand, lockdowns and social distancing measures in response to COVID-19. The only pockets of growth were seen at firms making medical and food products. Supply-chains also felt the full force of the outbreak as average supplier delays rose to the greatest extent seen since PMI records began. International goods flows were constrained by delays in air freight, shipping and border control issues, and staff shortages often limited production. Inflationary pressures are remaining in check at the moment, linked to weak demand and collapsing global oil prices, but persistent shortages could start to drive some prices higher, notably for food.

The outstanding question remains how long the current restrictions will need to remain in place, and which sectors can start to safely reopen. The pressure is mounting, as the longer the global economy remains in lockdown the greater the cost to industry will grow, and the greater the likelihood that more jobs will be cut.”
– Rob Dobson, Director, IHS Markit

Private Indicators Associated Builders and Contractors 1/4

ABC's Construction Confidence Index

Falls in April; Contractor Confidence Rebounds from Historic Lows

“Associated Builders and Contractors reported today that its Construction Backlog Indicator fell to 7.8 months in April, the series’ lowest reading since the third quarter of 2012. Based on an ABC member survey conducted April 20-May 4, the results indicate that confidence among U.S. construction industry leaders inched higher last month compared to the historically low levels observed in the March survey.

Nonresidential construction backlog is down 0.4 months compared to the March 2020 ABC survey and 1.7 months from April 2019. Backlog has declined year-over-year in every industry classification, region and company size. Backlog in the infrastructure category has been stable, however, and reached its highest level since December 2019.

ABC’s Construction Confidence Index readings for sales, profit margins and staffing levels expectations all increased from the historically low levels reported in the March 2020 survey, although sales and profit margin expectations remain below the threshold of 50, indicating ongoing expectations of contraction. The staffing level index rose to 51.4 in April, however, indicating positive hiring expectations over the next six months.” – Rachel O’Grady, Media Relations Director, ABC

Private Indicators

Associated Builders and Contractors 2/4

ABC's Construction Backlog Indicator

“More than 55% of contractors expect their sales to decline over the next six months compared to just 34% who expect them to increase. Only 27% of contractors expect to increase their profit margins over the next two quarters. More than half expect to experience diminished margins.

- The CCI for sales expectations increased from 38.1 to 41.1 in April.
- The CCI for profit margin expectations increased from 36.6 to 39.8.
- The CCI for staffing levels increased from 45.2 to 51.4.

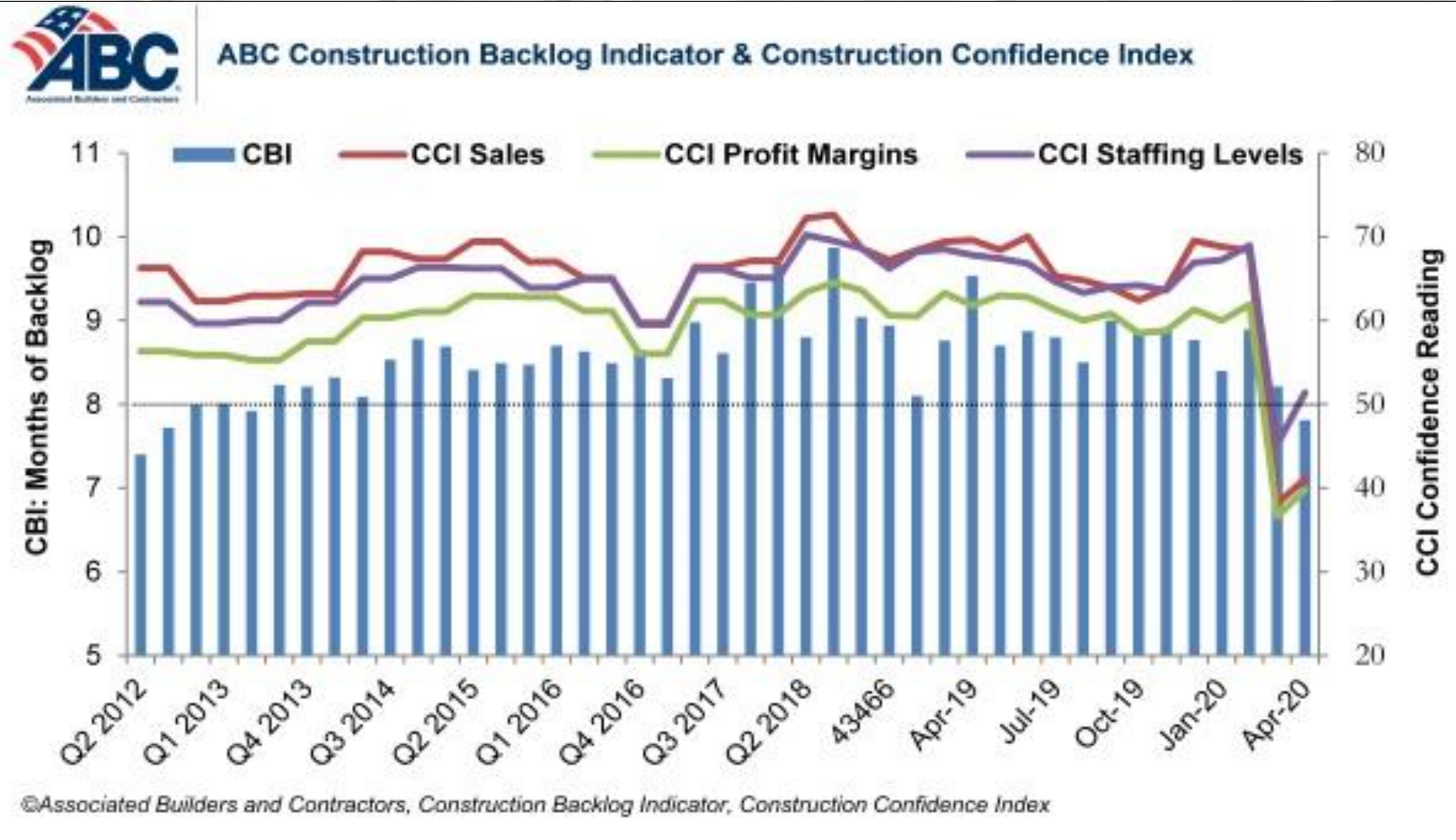
“Backlog has not been quite the protective shield that it normally is during the early stages of an economic downturn,” said ABC Chief Economist Anirban Basu. “These survey data indicate that only 30% of nonresidential contractors have enjoyed uninterrupted work flows recently. Roughly two in five contractors indicate that their work has been interrupted by government mandate. Other sources of interruption to construction projects include labor force issues as well as a lack of personal protective equipment and/or key construction inputs.

“Given the large quantity of businesses that will likely not survive the public health and economic crisis, demand for construction services could be suppressed for quite some time,” said Basu.

“Vacant storefronts, empty office suites and shattered state and local government finances do not serve as a solid foundation for robust demand for construction services. For construction activity to rebound briskly, the federal government is going to have to step forward and provide substantial assistance to state and local governments, including to finance infrastructure improvements.”” – Rachel O’Grady, Media Relations Director, ABC

Private Indicators

Associated Builders and Contractors 3/4



Private Indicators

Associated Builders and Contractors 4/4

Construction Backlog Indicator					
	April 2020	March 2020	April 2019	1-Month Net Change	12-Month Net Change
Total	7.8	8.2	9.5	-0.4	-1.7
<i>Industry</i>					
Commercial & Institutional	7.9	8.6	9.9	-0.7	-2.0
Heavy Industrial	4.2	5.2	5.6	-1.0	-1.4
Infrastructure	9.0	8.9	11.7	0.1	-2.7
<i>Region</i>					
Middle States	7.0	7.3	7.4	-0.3	-0.4
Northeast	7.8	7.6	10.1	0.2	-2.3
South	8.7	9.7	10.9	-1.0	-2.2
West	8.0	7.8	10.3	0.2	-2.3
<i>Company Size</i>					
<\$30 Million	7.5	8.1	8.7	-0.6	-1.2
\$30-\$50 Million	7.8	7.0	10.6	0.8	-2.8
\$50-\$100 Million	7.9	7.8	11.0	0.1	-3.1
>\$100 Million	11.1	11.5	12.2	-0.4	-1.1

©Associated Builders and Contractors, Construction Backlog Indicator

Private Indicators

American Institute of Architects (AIA) 1/13

Architecture Billings Index March 2020

Architecture firm billings plummet as a result of the global pandemic

“Billings at architecture firms plummeted in March as the Architecture Billings Index (ABI) fell by 20.1 points to a score of 33.3 for the month (a score over 50 indicates increasing billings, a score below 50 indicates declining billings). This is by far the largest single month decline the index has seen in its nearly 25-year history, far surpassing the declines of 9.4 points seen at the start of the 2001 recession and 8.3 points seen at the start of the Great Recession. It reflects just how quickly and fundamentally business conditions have changed across the country and around the world in the last month as a result of the COVID-19 pandemic.

In addition, indicators of future work also declined at a staggering rate in March as uncertainty abounds. It remains difficult to know how long the essentially complete shutdown of the economy will last. Inquiries into new projects fell particularly low, and while the value of new design contracts signed for the month did not fall quite as far as some projects that were in the works continued to move forward, that score was also extremely low. Firms also reported a sharp decline in their backlogs, from a near record high of 6.3 months at the start of the year to an average of 5.0 months at the end of the first quarter. 59% of firms reported that their backlogs declined in that period, with a third indicating that they had fallen by 10% or more. Just 10% of firms reported that backlogs increased in the first quarter, while the remaining 31% said that they were generally unchanged.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“Though most architecture firms have made quick transitions to remote operations, the complete shutdown of business activity is severely impacting architects. The dramatic pullback in new and ongoing design projects reflects just how quickly and fundamentally business conditions have changed across the country and around the world in the last month as a result of the COVID-19 pandemic.” – Kermit Baker, Chief Economist, The American Institute of Architects

Private Indicators

American Institute of Architects (AIA) 2/13

National

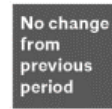
Architecture firm billings see historic drop from February to March



Above 50

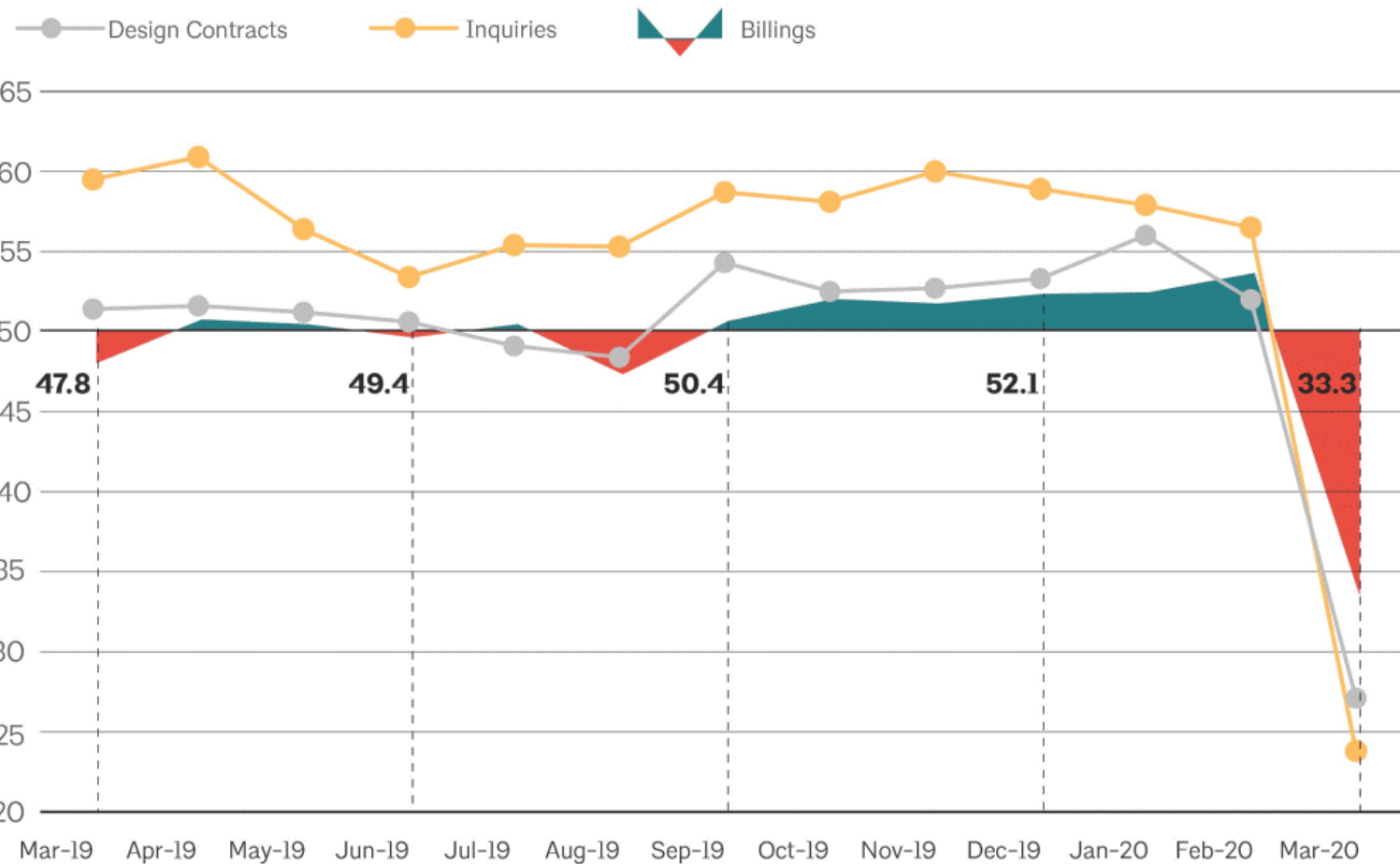


Below 50



No change from previous period

Graphs represent data from March 2019–March 2020.

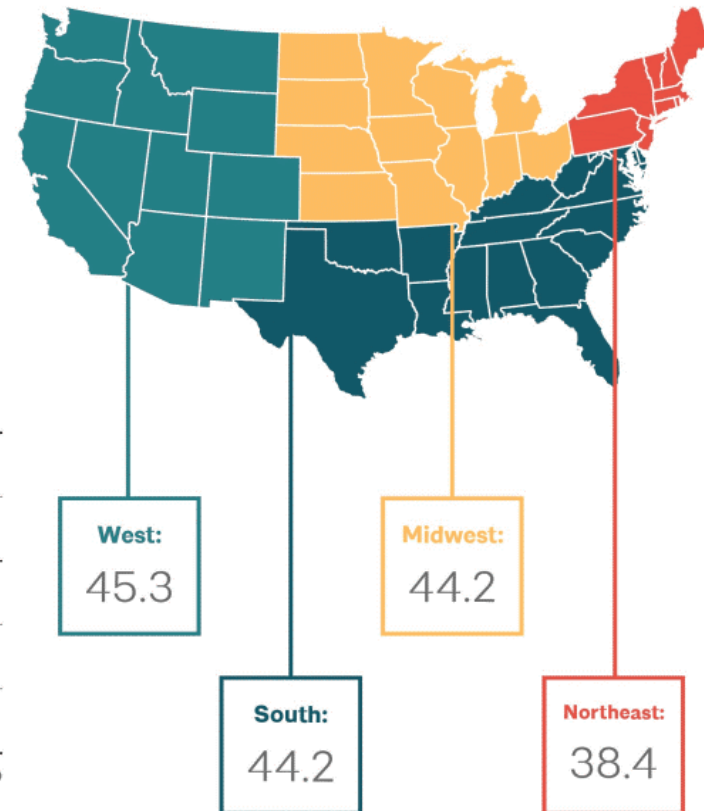
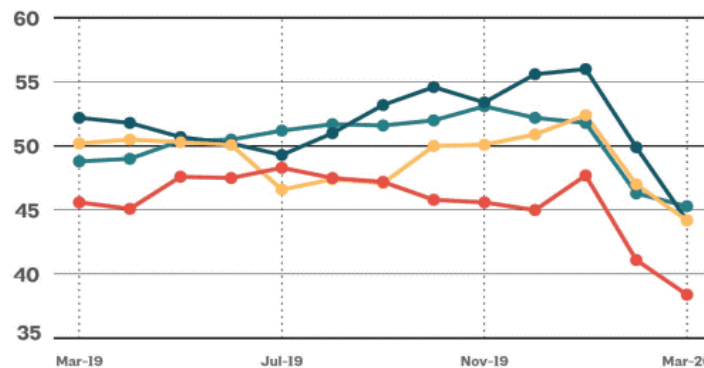


Private Indicators: AIA 3/13

Regional

Business conditions soften across the country

Graphs represent data from March 2019–March 2020 across the four regions. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



Region

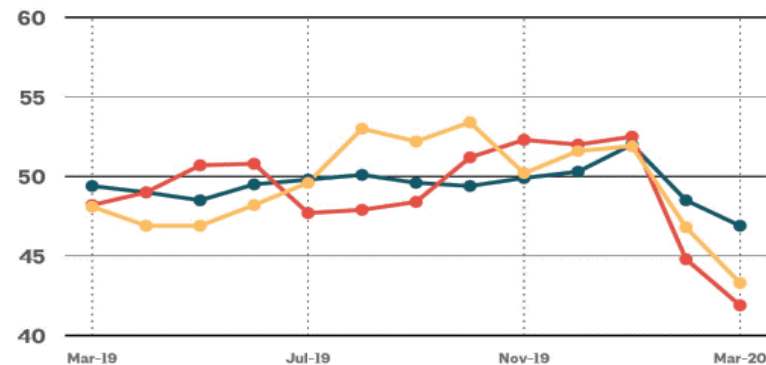
“The scores for regional billings – which, unlike the national score, are calculated as three-month moving averages – fell in the four regions in March with all regions reporting scores below the threshold of 50. Billings also declined across all regions of the country and all firm specializations in March, although the declines were more slightly modest than at the national level at this time, since these figures are reported as three-month moving averages. Conditions softened the most at firms located in the Northeast, likely due in large part to the nearly complete shuttering of New York City, as well as the construction stop order in Boston.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Private Indicators: AIA 4/13

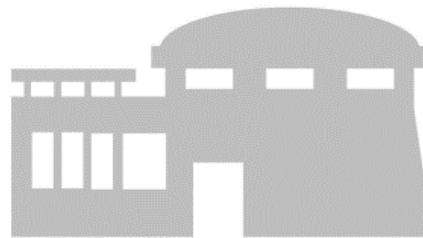
Sector

Firms with an institutional specialization see slightly smaller losses than other firms

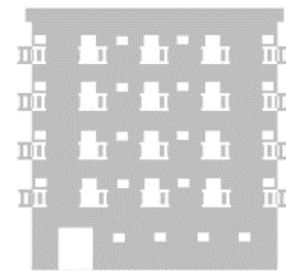
Graphs represent data from March 2019–March 2020 across the three sectors. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



Commercial/Industrial: 41.9



Institutional: 46.9



Residential: 43.3

Sector

“Billings scores also fell in all four individual industry sectors, with all sectors falling below the threshold of 50. Firms with a commercial/industrial specialization also reported the softest conditions so far, with so much uncertainty over what the future holds for the hospitality and retail sectors in particular. Billings declined the least at firms with an institutional specialization as some of those firms reported actually seeing a modest uptick in work due to increased demand for healthcare facilities. And some firms reported that school projects are actually getting underway early now that many schools are shuttered for the rest of the academic year.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Private Indicators: AIA 5/13

Projected strength in residential markets set to be derailed by global pandemic

“Residential construction is traditionally one of the most closely watched markets in our economy. Homebuilding has historically been an accurate leading indicator of economic cycles, both for heading into a downturn, and coming out of one. This sector also gives an early indication of how severe a downturn is likely to be. In the 2008-2009 Great Recession, for example, spending on new homes declined over 75% from its pre-recession high to its recessionary low, suggesting that the broader economic downturn was going to be extremely severe by historical standards. Home improvement spending can also be a helpful predictor of broader consumer behavior. During the Great Recession, home improvement activity declined almost 25%, again pointing to a substantial pullback in household spending.

Given the magnitude of the downturn in the residential sector during the last recession, it has taken many years for the residential market to recover. Consumers initiated construction on fewer than ten million new homes nationally over the past decade, a figure that compares unfavorably to the fourteen to fifteen million homes built in each decade since the 1970s. Still, there has been considerable progress in the recovery of the housing market coming out of the last devastating recession. Early in the recovery, most of the gains were made with multifamily projects. In recent years, single-family homes have generated most of the growth. As a result, total residential construction levels approached 1.3 million housing units in 2019.

With years of overbuilding, the large millennial generation reaching their prime home-building years, and mortgage rates near historical lows, the outlook was bright for the housing sector entering 2020. Most forecasters were expecting housing production to average 1.5 to 1.6 million units per year over the coming years. In fact, in the months leading up the COVID-19 outbreak, home construction rates were on a pace consistent with those levels.” – Matt Tinder, AIA

Private Indicators: AIA 6/13

Coping with a significant setback

“Over the course of just a few weeks, however, it is clear that the momentum building in the housing market has completely reversed itself. Instead of residential construction activity ramping back up to historical levels, the industry will see activity cycle down for at least the next several months. A recent survey conducted by the American Institute of Architects (AIA) (detailed below) reports that revenue at residential architecture firms for March is estimated to have been 15% below their expectations at the beginning of the month, while April is expected to be almost 20% below previous expectations. Other surveys conducted by the AIA and the Associated General Contractors of America document that architects and contractors are reporting a host of issues that are depressing the industry’s ability to build and remodel homes, including:

- State or local government-mandated halts to nonessential construction activity. A growing number of state and local governments are limiting or freezing work on construction projects.
- Difficulty in obtaining building permits, inspections, and certificates of occupancy. Local governments are increasingly requiring their employees to work remotely and shelter in place, limiting their ability to approve progress on construction projects.
- Financing issues, since lenders may be hesitant to make construction loans or write mortgages given the uncertainty in the economy.
- Delays or cancellations by suppliers in delivering building materials to the jobsite.
- Homeowners requesting project holds, particularly for home improvement projects where the household would need to interact with the construction crew.
- Consumer nervousness about proceeding with projects. This will ultimately be the most significant determinant of the future pace of residential construction and remodeling activity. The loss in wealth from the stock market declines has been significant, and job losses continue to grow at a startling pace, limiting the willingness of consumers to make major investments.” – Matt Tinder, AIA

Private Indicators: AIA 7/13

Projected impact of the COVID-19 outbreak on residential architecture firms

“The beginnings of this reversal in housing activity is detailed in a recent national survey of residential architecture firms conducted by the AIA. These findings build on a separate recent survey of architecture firms serving the nonresidential buildings market, the [nonresidential report](#). Key findings from the survey of residential architects include the following:

- 70% of firms indicate that inquiries for new work declined in March.
- 78% of firms have already seen slowing or stoppage of projects.
- Around 90% of firms have seen problems with current projects due to COVID-19.
- Most residential firms, about two thirds, indicated that virtually all/majority of their staff are now working remotely.
- Few firms have started to lay off staff, but 17% are starting to consider layoffs or staff furloughs.
- Residential firms anticipate accelerated revenue losses in April, with almost 70% expecting losses of 10% or more for the month relative to their expectations in early March.

Most residential firms expect declining interest in new work

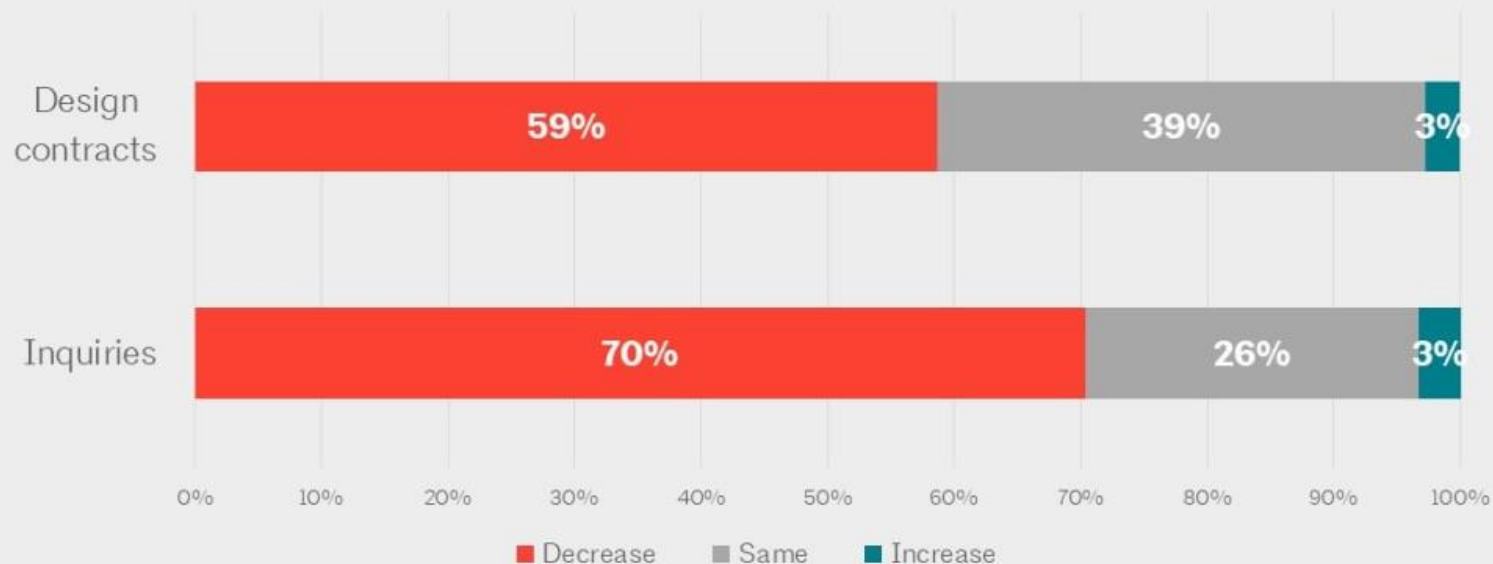
When asked about indicators of future work at their firms, inquiries for new work and the value of new design contracts, residential firms were significantly more likely to report declining interest from February to March than nonresidential firms. The majority of residential firms, 70%, reported that they expect inquiries for new work to decline, compared to 59% of nonresidential firms. Only 3% of residential firms reported that they expect inquiries for new work to increase. (Figure 1) Over half of residential firms, 59%, reported that they expect the value of new design contracts to decrease, compared to 50% of nonresidential firms. Of the residential respondents, only 3% expect the value of new design contracts to increase. These numbers have shifted significantly from the fourth quarter of 2019, where 36% of residential firms reported an increase in inquiries for new work and 22% reported an increase in the value of new design contracts.” – Matt Tinder, AIA

Private Indicators: AIA 8/13

FIGURE 1

Majority of residential architecture firms expect interest in new projects to decline in March

% of residential firms reporting estimated change in inquiries and design contracts from February to March 2020



Data from survey conducted of AIA custom residential architecture firm leaders from March 23-30, 2020

Nearly all residential firms have encountered problems with current projects due to COVID-19

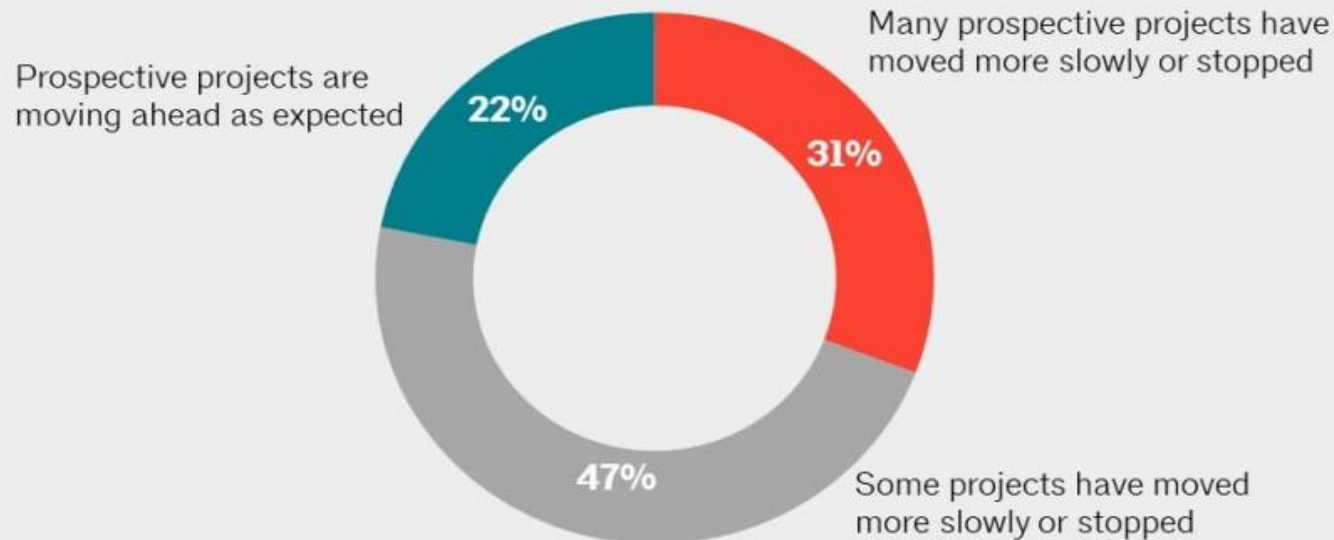
“The majority of responding firms, 78%, also indicated that they have seen prospective project inquiries or negotiations for new projects moving more slowly or completely stopping due to issues related to the COVID-19 outbreak. (Figure 2) When looking at regional differences, firms located in the Midwest and West reported a higher percentage of firms having seen prospective inquiries or negotiations for new projects moving more slowly or completely stopping than compared to firms in other region.” – Matt Tinder, AIA

Private Indicators: AIA 9/13

FIGURE 2

78% of residential architecture firms report slowing or stoppage of projects due to COVID-19

% of residential firms reporting change in prospective project inquiries or negotiations for new projects due to issues related to the COVID-19 outbreak



Data from survey conducted of AIA custom residential architecture firm leaders from March 23-30, 2020

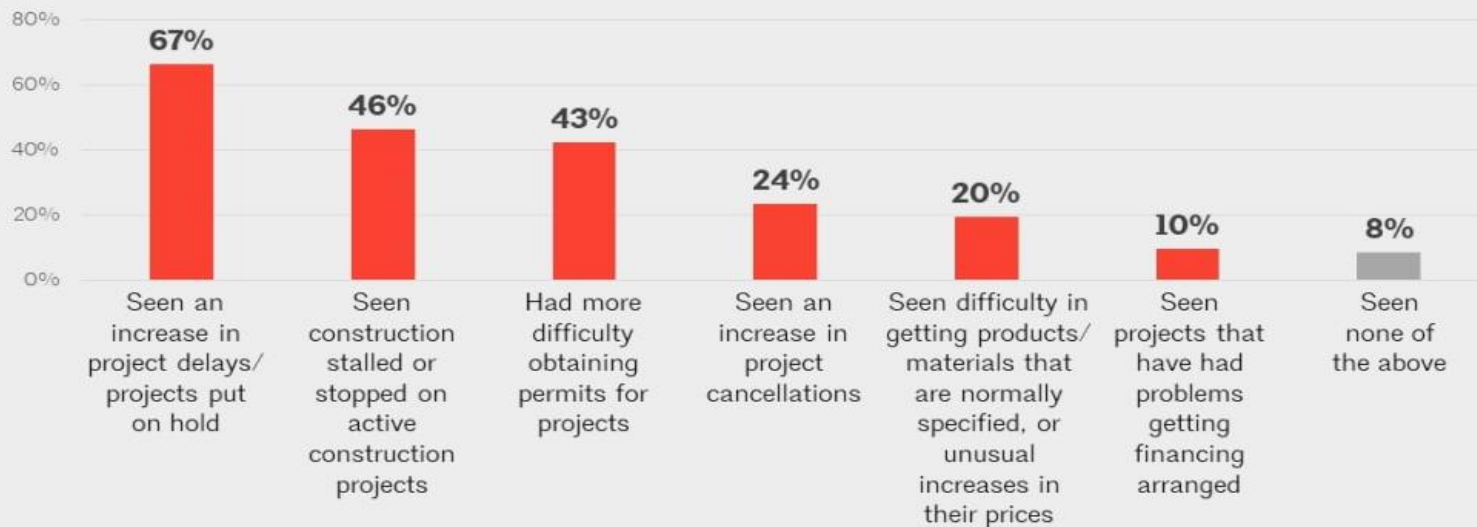
“Nearly all residential firms, about 90%, also reported that they have encountered problems with current projects due to the COVID-19 outbreak, such as stalled construction, difficulty obtaining permits, increased project cancellations, and difficulty getting products/materials. By far the most common problem reported was an increase in project delays/projects being put on hold, reported by 67% of firms. Some of these issues are likely partially due to government mandates and closures of offices. (Figure 3)” – Matt Tinder, AIA

Private Indicators: AIA 10/13

FIGURE 3

About 90% of residential architecture firms have seen problems with current projects due to COVID-19 pandemic

% of residential firms reporting problems with current projects over the past month that seem related to the COVID-19 outbreak



Data from survey conducted of AIA custom residential architecture firm leaders from March 23-30, 2020

Most residential firms report staff are working remotely

“One of the most common impacts residential firms reported when asked about their current office conditions as a result of the COVID-19 outbreak was remote working. About two thirds of firms (67%) indicated that virtually all/majority of their staff and or including themselves are now working remotely; almost 20 percentage points higher than nonresidential firms reported. This is likely due to residential firms typically being smaller in size and having employees that already telework. Few residential firms reported not being able to work remotely effectively and only 1% reported having started to lay off staff. (Figure 4) However, 17% reported that they are starting to consider layoffs or staff furloughs.” – Matt Tinder, AIA

Private Indicators: AIA 11/13

FIGURE 4

Main impact of COVID-19 on residential architecture firms so far is increased staff working remotely, limiting in-person meetings

% of residential firms reporting conditions that apply to their office at present



Most residential firms report staff are working remotely

“Most residential firms, 68%, also indicated that they are currently limiting in-person client meetings, and/or moving those meetings online. However, less than a quarter of firms have implemented a temporary work-related travel restriction or a strict no-travel policy for work for the foreseeable future.” – Matt Tinder, AIA

Private Indicators: AIA 12/13

Over half of residential firms expect revenue losses of 10% or more in the coming months

“Firms were also asked to estimate how much of a loss in revenue they anticipate in March and April due to the COVID-19 outbreak. On average, residential firms expect a 15% loss in revenue in March, with slightly over half of firms expecting revenue losses of at least 10%. Revenue losses reported in April are expected to increase on average to 19%, with 69% of firms expecting revenue losses of at least 10%. (Figure 5).

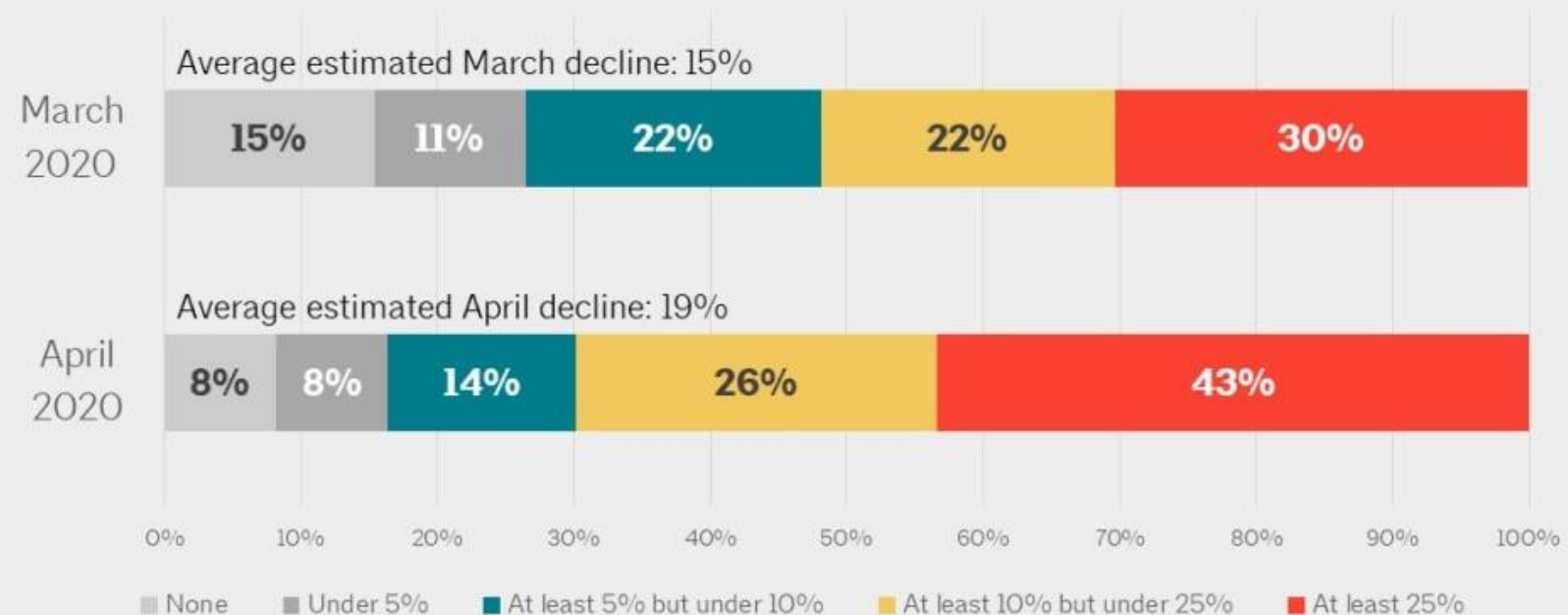
Residential firms had a much higher share of firms reporting estimated revenue losses of at least 25% compared to nonresidential firms for both March and April. Almost a third of residential firms (30%) expect revenue losses of 25% or more in March due to the COVID-19 outbreak, with the share of respondents increasing to 43% in April, while only 13% of nonresidential firms expect a loss of 25% or more in March and 25% of firms in April. Firms located in the Northeast were more likely to expect revenue losses of at least 25% in March and April compared to firms in other locations.” – Matt Tinder, AIA

Private Indicators: AIA 13/13

FIGURE 5

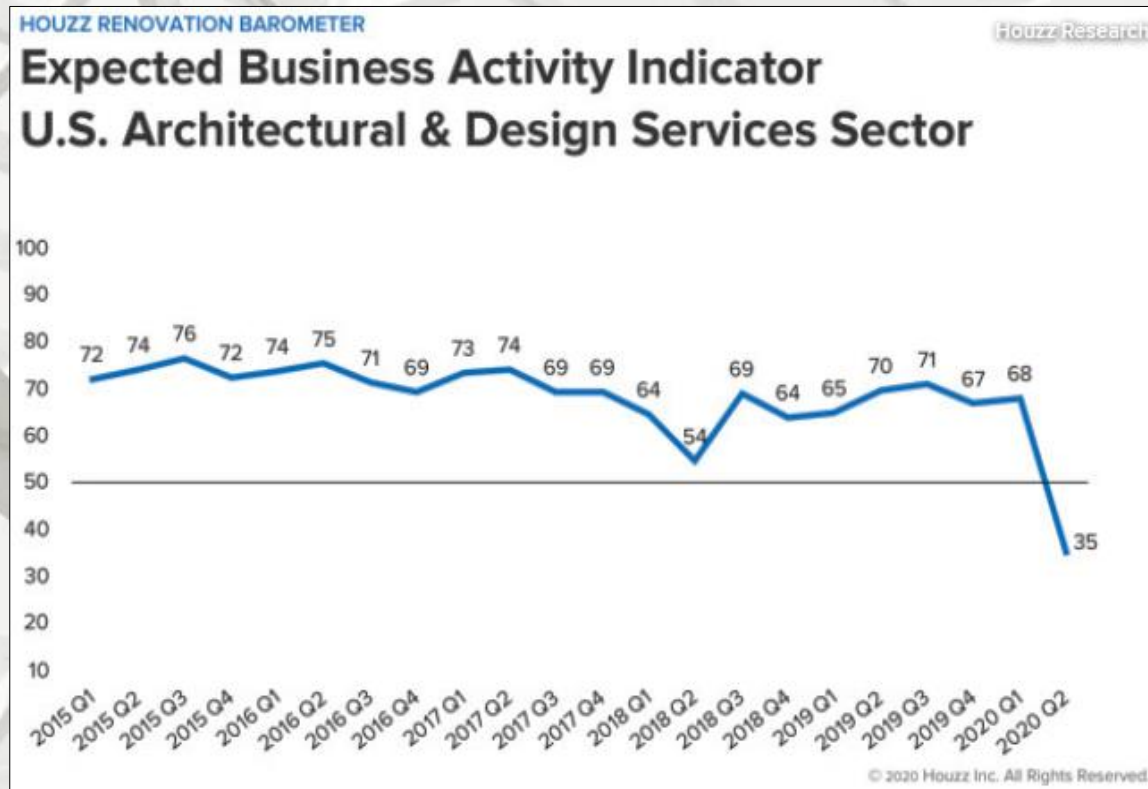
Residential architecture firms expect COVID-19-related revenue losses to accelerate in April

% of residential firms projecting estimated loss in revenue in March and April 2020 due to issues related to the COVID-19 outbreak



Data from survey conducted of AIA custom residential architecture firm leaders from March 23-30, 2020

Private Indicators: Houzz 1/3

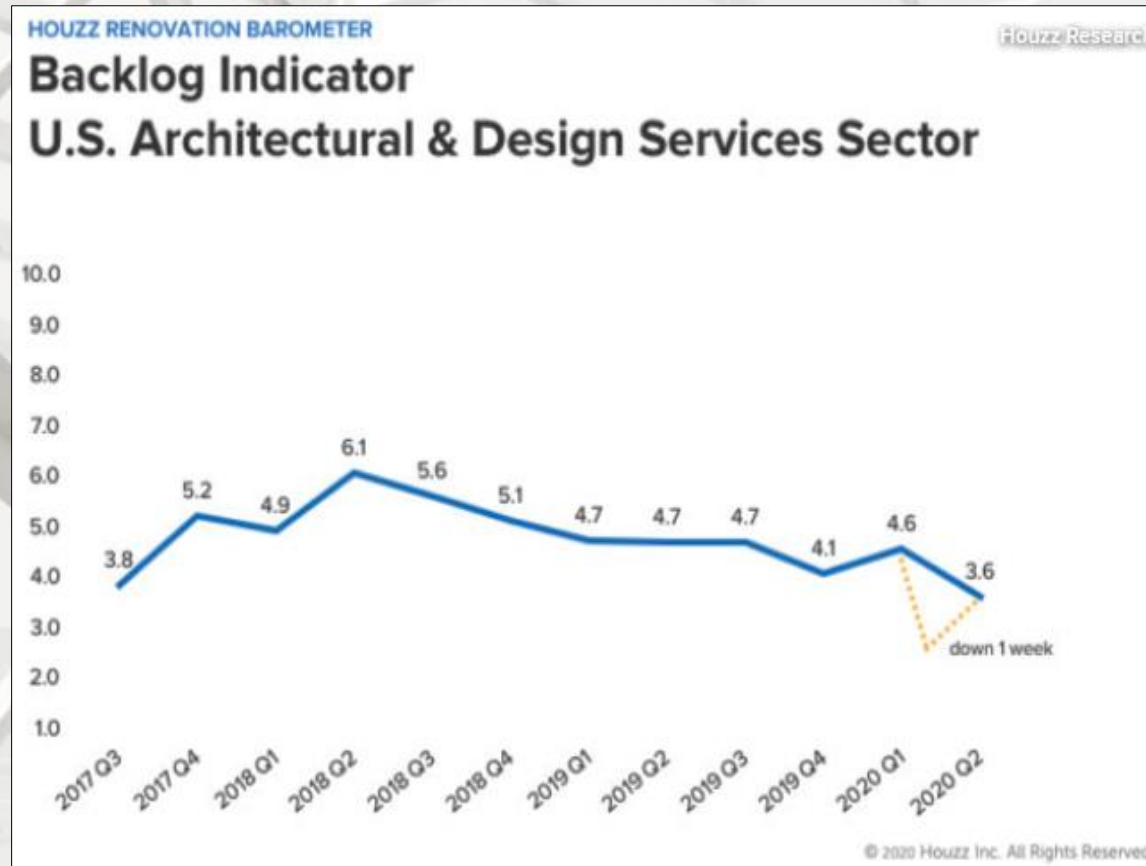


Houzz Research

2020Q2 Houzz Renovation Barometer - Architectural & Design Sector

“The Expected Business Activity Indicator related to project inquiries and new committed projects decreased significantly to 35 in Q2 (compared to 68 in Q1): The decline is a result of grim expectations for project inquiries at 31 (down 36 points relative to Q1) and expectations for new committed projects at 39 (down 29 points relative to Q1). Among the two reporting business groups, architects reported a 21-point decline in overall expectations to 42 relative to Q1, while interior designers’ expectations declined more dramatically to 22 (down 53 points relative to Q1). [See additional subsector and regional data \(PDF\).](#)” – Erin Carlyle, Houzz Research

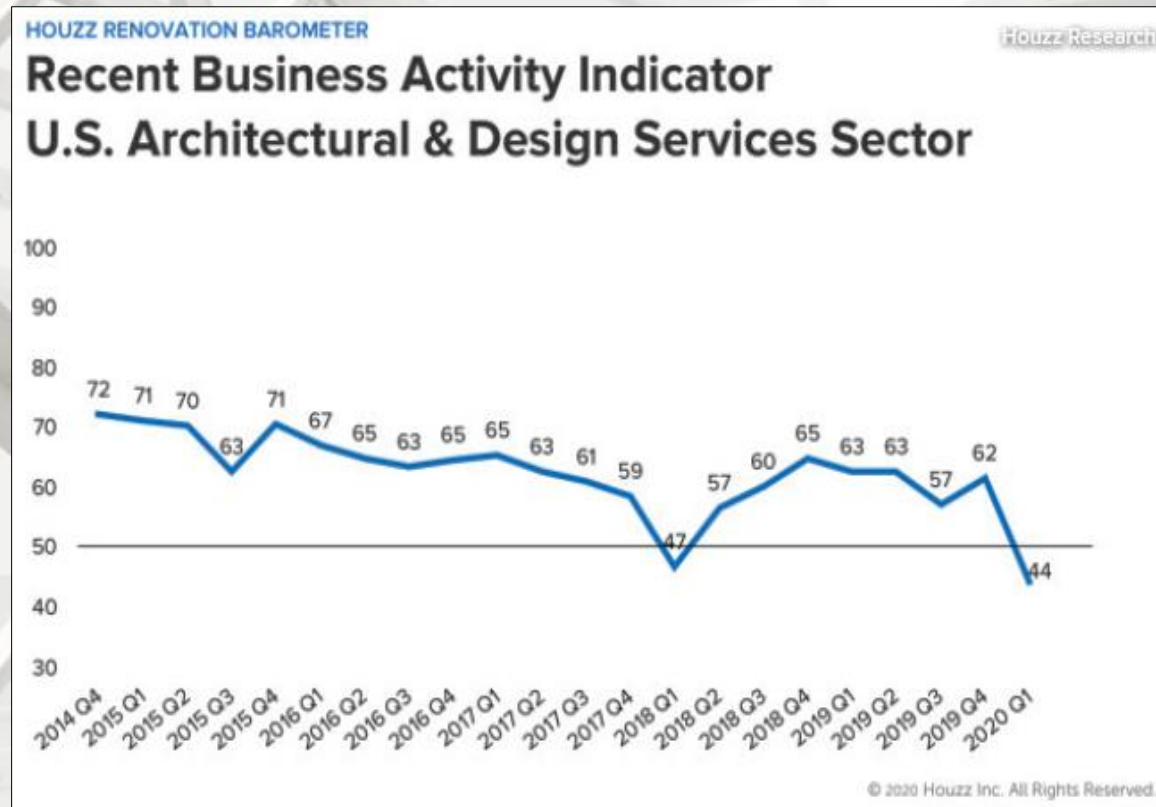
Private Indicators: Houzz 2/3



Houzz Research

“The Project Backlog Indicator decreased to 3.6 weeks nationally at the start of Q2 (relative to Q1): The overall backlog for the architectural and design services sector is 1.1 weeks shorter than the same period last year. Among the two reporting business groups, architects’ project backlog decreased to 3.6 weeks (down 0.6 weeks relative to Q1), and interior designers’ backlog decreased to 3.7 weeks (down 1.5 weeks relative to Q1). Backlogs vary from 3.3 weeks (West North Central division) to 4.0 weeks (East North Central division) across the nine Census divisions. [See additional subsector and regional data \(PDF\).](#)” – Erin Carlyle, Houzz Research

Private Indicators: Houzz 3/3



Houzz Research

“The Recent Business Activity Indicator related to project inquiries and new committed projects decreased to 44 in Q1 (compared to 62 in 2019 Q4): The overall indicator follows from recent project inquiry activity, which decreased to 39 in Q1 (down 24 points), and new committed projects, which declined to 50 in Q1 (down ten points). Among the two reporting business groups, overall recent activity decreased to 41 (down 18 points) for architects and decreased by 15 points to 50 for interior designers. [See additional subsector and regional data \(PDF\).](#)” – Erin Carlyle, Houzz Research

Private Indicators 1/31

Dodge Data & Analytics

Construction Starts Decline in March

Growth in nonbuilding starts not enough to offset pullback in building activity

“Total construction starts declined 5% from February to March to a seasonally adjusted annual rate of \$746.9 billion. Volatility caused by the presence or absence of large projects in healthcare and the utility/gas plant category, however, skewed the analysis. In March, nonresidential building starts fell 9% from February (seasonally adjusted), while residential building dropped 11%. Nonbuilding construction starts, however, rose 14% during the month.

For the 12 months ending March 2020, total construction starts were 2% higher than they were for the same period ending March 2019. Residential building starts were 3% higher, while nonbuilding starts were up 5% for the 12 months ending March 2020. Nonresidential building starts, however, were down less than one percent. The Dodge Index dropped to 158 (2000=100) in March from the 167 posted in February.” – Nicole Sullivan, Public Relations & Social Media, AFFECT

“Considering the calamity that occurred towards the end of March as the fallout from the COVID-19 (Coronavirus) hit the economy, construction starts held up rather well. Construction starts in March were unlikely to be greatly impacted as projects that broke ground during the month likely had materials sourced and in-place and labor booked well ahead of the scheduled groundbreaking. That momentum and planning is difficult to reverse at the last minute. Additionally, most of the stay-at-home orders and construction moratoriums were not instituted until the last week of the month and into April. Therefore, April construction starts are likely to be a very different story with states like New York, New Jersey, and Pennsylvania among others banning construction activity. April’s starts data will be the first true indication of how the crisis will impact the construction industry.” – Richard Branch, Chief Economist, Dodge Data & Analytics

Private Indicators 2/31

Dodge Data & Analytics

“Residential building starts moved 11% lower in March to a seasonally adjusted annual rate of \$318.2 billion. During the month, single family starts dropped 14%, while multifamily starts lost 3%.

The largest multifamily structure to break ground during in March was the \$420 million Hunter’s Point South Mixed-Use building in Long Island City NY. Also starting during the month was the \$200 million Piazza Terminal Mixed-Use building in Philadelphia PA and the \$125 million Adeline Residences in Phoenix AZ.

For the 12 months ending in March, total residential starts were 3% higher than the 12 months ending March 2019. Single family starts were up 5%, while multifamily building starts were less than one percent lower.

Nonresidential building starts fell 9% in from February to March to a seasonally adjusted \$259.8 billion. Commercial building starts were 5% lower, with losses in three of the five commercial sub-categories (warehouses and parking structures made gains). Manufacturing buildings dropped 7% during the month, while institutional buildings dropped 12%. Institutional buildings posted a large gain in February due to the start of several large healthcare facilities, which were not present in the March statistics. However, education facilities posted a solid 18% gain in March.

The largest nonresidential building project to break ground in March was the \$616 million Duncan Neuroscience Research Facility in Saint Louis MO. Also getting started in March was a \$415 million Amazon fulfillment warehouse in Wilmington DE and a \$369 million Amazon fulfillment center in Colorado Springs CO.

On a 12 month total basis, nonresidential building starts were less than one percentage point lower than they were for the 12 months ending March 2019. Commercial starts were up 2%, while institutional building starts were 1% lower and manufacturing starts were down 7%.” – Richard Branch, Chief Economist, Dodge Data & Analytics

Private Indicators 3/31



MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

	March 2020	February 2020	% Change
Nonresidential Building	\$259,774	\$284,264	-9
Residential Building	318,247	357,084	-11
Nonbuilding Construction	168,908	148,262	14
Total Construction	\$746,929	\$789,610	-5

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	3 Mos. 2020	3 Mos. 2019	% Change
Nonresidential Building	\$59,475	\$64,807	-8
Residential Building	79,155	72,773	9
Nonbuilding Construction	36,387	44,152	-18
Total Construction	\$175,017	\$181,732	-4

Source: Dodge Data & Analytics

Private Indicators 4/31

Dodge Data & Analytics

Dodge Reforecast: COVID-19 Impact on 2020 Construction Starts

Dodge Data & Analytics adapts forecasts for residential and nonresidential construction through the coronavirus crisis and into their recovery

“Single-family housing starts exemplify the construction economy’s COVID-19 heartbreak in the first quarter of 2020. Total 2019 residential starts were 1.4 million units, just 0.3% above 2018, with single-family starts down 1,000 and multifamily up 1%.

“We expected 2020 single-family starts to decline mildly again,” Richard Branch, chief economist with Dodge Data & Analytics told webinar attendees on April 9. “But Q1 was the best quarter since 2007 – 940,000 units (seasonally adjusted annualized rate).”

Then March became a tale of two months; housing starts growing early as the construction season unfolded, in line with March of 2019. And then the virus hit. Construction moratoria and stay-at-home orders in the last week doused so much work.

“Q2 home sales probably could fall by 50% compared to Q1, bringing us back to the levels we last saw during the Great Recession in 2007, 2008 and 2009,” Branch says. “And that could be optimistic, depending on how long the stay-at-home and physical-distancing requirements stay in place. The spring and probably the summer selling seasons are gone, and this weakness might continue into Q3.”

Dodge forecasts single-family starts to be down 10% in 2020, but begin to recover quickly with 5% growth in 2021.” – Larry Stewart, Editor, ForConstructionPros.com

Private Indicators 5/31

U.S. Residential Building Starts

Residential units will fall 13% in 2020, gain 3% in 2021



“Dodge expects Q2 single-family home sales could fall by 50%, to Great Recession depths; but begin to recover quickly in 2021.” – Larry Stewart, Editor, ForConstructionPros.com

Private Indicators 6/31

Dodge Data & Analytics

Multifamily struggles harder

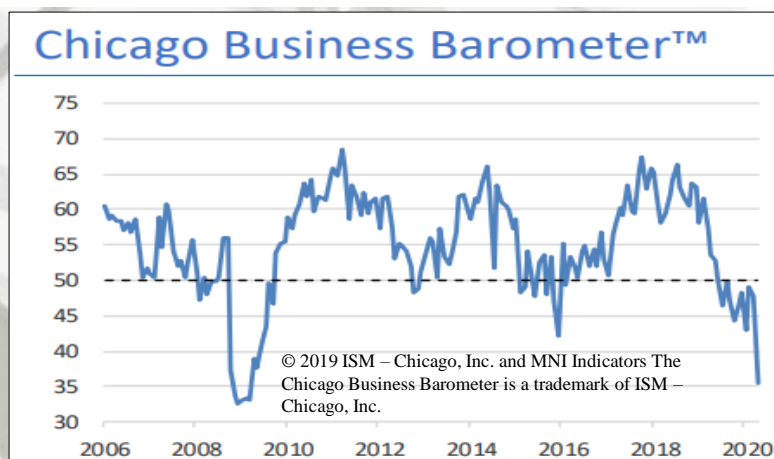
“Multifamily construction didn’t start the year nearly as strong, with units falling in Q1 16% (-12% compared to Q1 2019). And its recovery prospects are not nearly as encouraging as single-family housing.

“This market has a lot more exposure,” Branch cautions. “We’re running 16 to 17 million in unemployment insurance claims. Jobs were down sharply in March. They will be down even more sharply in April. This will certainly lead to a pickup in delinquencies. This will put owners and developers into increasing financial difficulty.

“Vacancy rates ended 2019 at 4%; by the time we get to the end of 2020, they will be closer to 6%. In truth they would probably be much higher if it weren’t for local moratoriums on evictions. But even as the economy starts to recover, assuming that rent is just delayed and not forgiven, it will take time for renters to accumulate that back rent.”

Dodge forecasts multifamily starts to plunge 19% in 2020 and fall an additional 2% in 2021. “As we get into 2021, the multifamily market will also have to contend with growth on the single-family side,” Branch explains.”” – Larry Stewart, Editor, ForConstructionPros.com

Private Indicators 7/31



MNI Chicago

“The Chicago Business Barometer™, produced with MNI, fell 12.4 points in April to its lowest level since March 2009 as business confidence dipped sharply amid the current spread of COVID-19.

Chicago Business Barometer™ – Cascaded to 35.4 in April

Among the main five indicators, New Orders and Production registered the steepest declines, while Supplier Deliveries surged. Production dropped by 19 points in April, hitting the lowest level since June 1980. After slipping in March, demand faded to a near 40-year low. April’s 21-point drop in New Orders was the largest decline on record as firms noted a severe negative COVID-19 impact on both demand and production.

Order Backlogs eased in April by 7.4% following two consecutive months of gains. Inventories rose substantially with the index increasing by 39.4%, although remaining below the 50-mark for a ninth successive month.

The demand for labor cooled significantly, with Employment falling 11.1 points in April to the lowest level since June 2009. Supply Network limitations are further impacting Supplier Deliveries which surged to its highest level since April 1974. There was, however, anecdotal evidence of improved delivery times from China. Prices at the factory gate slipped below the 50-mark in April, falling 14.6%, the lowest level since March 2016.

This month’s special questions asked “Have you taken actions to mediate supply issues amid the corona crisis?” The majority, at 52.9%, reported a few changes, while 43.1% said they had undertaken major changes. Only 3.9% of respondents noted they had made no changes. Measures taken by firms range from reviewing their supply chains, to working remotely and increased cleaning.” – Les Commons, Senior Economist and Irene Prihoda, Economist, MNI Indicators

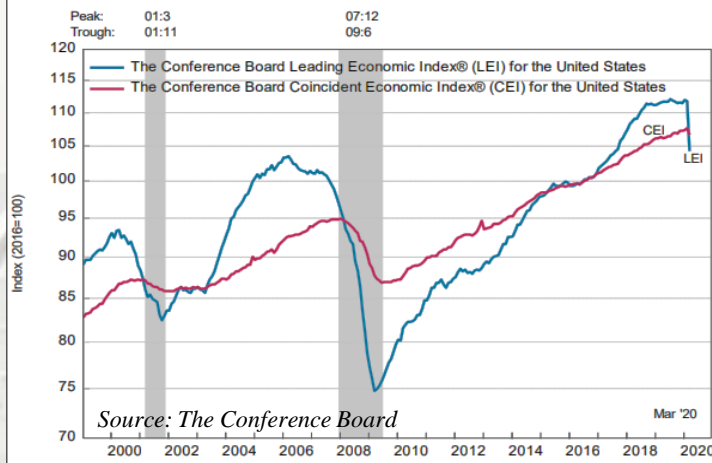
Private Indicators 8/31

The Conference Board Leading Economic Index® (LEI) for the U.S. Increased Slightly in March

The Conference Board Leading Economic Index® (LEI) for the U.S. declined 6.7 percent in March to 104.2 (2016 = 100), following a 0.2 percent decrease in February, and a 0.4 percent increase in January.

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

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



Improvement in Index Will Not Continue into March

“In March, the US LEI registered the largest decline in its 60-year history. The unprecedented and sudden deterioration was broad based, with the largest negative contributions coming from initial claims for unemployment insurance and stock prices. The sharp drop in the LEI reflects the sudden halting in business activity as a result of the global pandemic and suggests the US economy will be facing a very deep contraction.”
– Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

“The Conference Board Coincident Economic Index® (CEI) for the U.S. decreased 0.9 percent in March to 106.6 (2016 = 100), following a 0.3 percent increase in February, and a 0.1 percent increase in January.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 1.2 percent in March to 110.2 (2016 = 100), following a 0.3 percent increase in February, and a 0.1 percent decline in January.

Equipment Leasing and Finance Association: Equipment Leasing and Finance Industry Confidence Plummets in April From Impact of COVID-19 1/3

2020 **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 \$900 billion equipment finance sector.

Overall, confidence in the equipment finance market fell to a historic low in April of 22.3, decreasing from the previous low of 46.0 in the March index.” – Anneliese DeDietmar, Author, Equipment Leasing & Finance Association

When asked about the outlook for the future...:

“During these uncertain times, I remain optimistic about the future of the equipment leasing and finance industry. While production is likely to soften in the short term, in many ways we have a great opportunity to affirm our value to our existing clients and demonstrate our value to new ones. It’s an important time to stay close to our clients.” – Michael DiCecco, Executive Vice President, Huntington Asset Finance

“I am grateful for the strong liquidity of Wintrust during this rough period. I am concerned that if businesses do not get back to work soon, they will be detrimentally impacted.” – David Normandin, CLFP, President and CEO, Wintrust Specialty Finance

“We are assessing the impact of COVID-19 on our customers’ capital investment. We expect impacts related to equipment and labor shortages. The industries we serve, agriculture and rural infrastructure, are paramount to supporting the nation as we traverse through this crisis, and we expect investment to continue and perhaps expand over the next 12 months.” – Michael Romanowski, President, Farm Credit Leasing

“COVID-19 has created an environment that few expected, and none truly planned for. We are optimistic for a ‘V’ shaped economic cycle, which we believe can only be achieved if the health crisis is first solved. Otherwise, a prolonged COVID-19 shutdown will create a domino effect of business failures, more unemployment and unprecedented losses not only in our industry, but worldwide.” – Bruce J. Winter, President, FSG Capital, Inc.

Equipment Leasing and Finance Association: Equipment Leasing and Finance Industry Confidence Plummets in April From Impact of COVID-19 2/3

“April 2020 Survey Results: The overall MCI-EFI is 22.3, a decrease from 46.0 in March.

- When asked to assess their business conditions over the next four months, 6.9% of executives responding said they believe business conditions will improve over the next four months, up from 3.7% in March. None believe business conditions will remain the same over the next four months, a decrease from 48.2% the previous month. 93.1% believe business conditions will worsen, an increase from 48.2% in March.
- 6.9% of the survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, an increase from 3.7% in March. 3.5% believe demand will “remain the same” during the same four-month time period, a decrease from 59.3% the previous month. 89.7% believe demand will decline, an increase from 37% in March.
- None of the respondents expect more access to capital to fund equipment acquisitions over the next four months, a decrease from 14.8% in March. 53.6% of executives indicate they expect the “same” access to capital to fund business, a decrease from 77.8% last month. 46.4% expect “less” access to capital, an increase from 7.4% the previous month.
- When asked, 6.9% of the executives report they expect to hire more employees over the next four months, a decrease from 29.6% in March. 69% expect no change in headcount over the next four months, an increase from 66.7% last month. 24.1% expect to hire fewer employees, down from 3.7% the previous month.” – Anneliese DeDietmar, Author, Equipment Leasing & Finance Association

Equipment Leasing and Finance Association: Equipment Leasing and Finance Industry Confidence Plummets in April From Impact of COVID-19 3/3

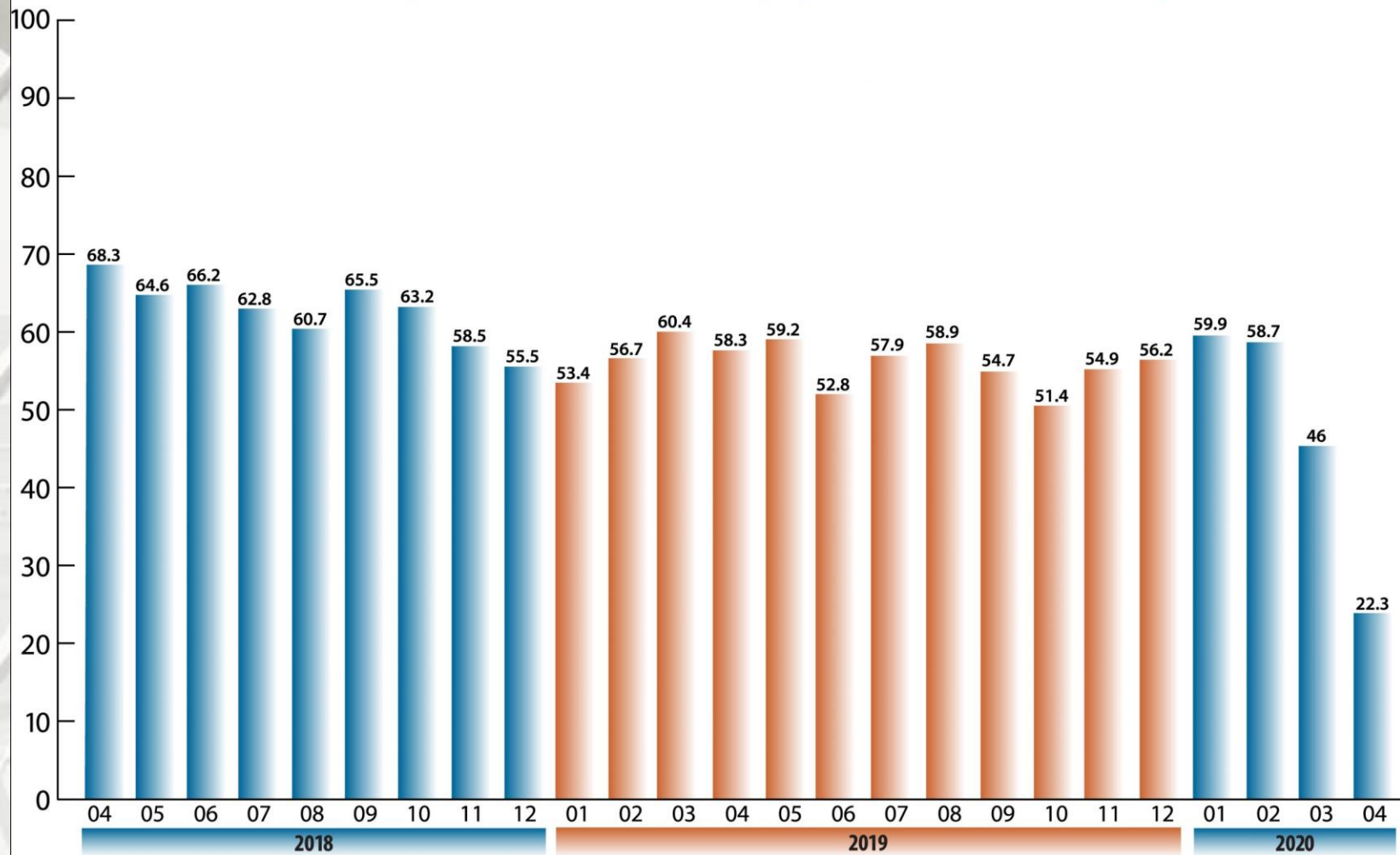
“April 2020 Survey Results: The overall MCI-EFI is 22.3, a decrease from 46.0 in March.

- None of the leadership evaluate the current U.S. economy as “excellent,” down from 18.5% the previous month. None of the leadership evaluate the current U.S. economy as “fair,” down from 77.8% in March. 100% evaluate it as “poor,” up from 3.7% last month.
- 27.6% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, an increase from 14.8% in March. 6.9% indicate they believe the U.S. economy will “stay the same” over the next six months, a decrease from 37% last month. 65.5% believe economic conditions in the U.S. will worsen over the next six months, up from 48.2% the previous month.
- In April, 17.2% of respondents indicate they believe their company will increase spending on business development activities during the next six months, a decrease from 22.2% last month. 48.3% believe there will be “no change” in business development spending, down from 70.4% in March. 34.5% believe there will be a decrease in spending, an increase from 7.4% last month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Equipment Leasing and Finance Association



24-Month Monthly Confidence Index - Equipment Finance Industry (MCI-EFI)



Private Indicators 9/31

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

**March New Business Volume Up 9 Percent Year-over-year,
31 Percent Month-to-Month, and 17 Percent Year-to-date**

“The [Equipment Leasing and Finance Association's](#) (ELFA) [Monthly Leasing and Finance Index \(MLFI-25\)](#), which reports economic activity from 25 companies representing a cross section of the \$900 billion equipment finance sector, showed their overall new business volume for March was \$8.9 billion, up 9 percent year-over-year from new business volume in March 2019. Volume was up 31 percent month-to-month from \$6.8 billion in February. Year-to-date, cumulative new business volume was up 17 percent compared to 2019.

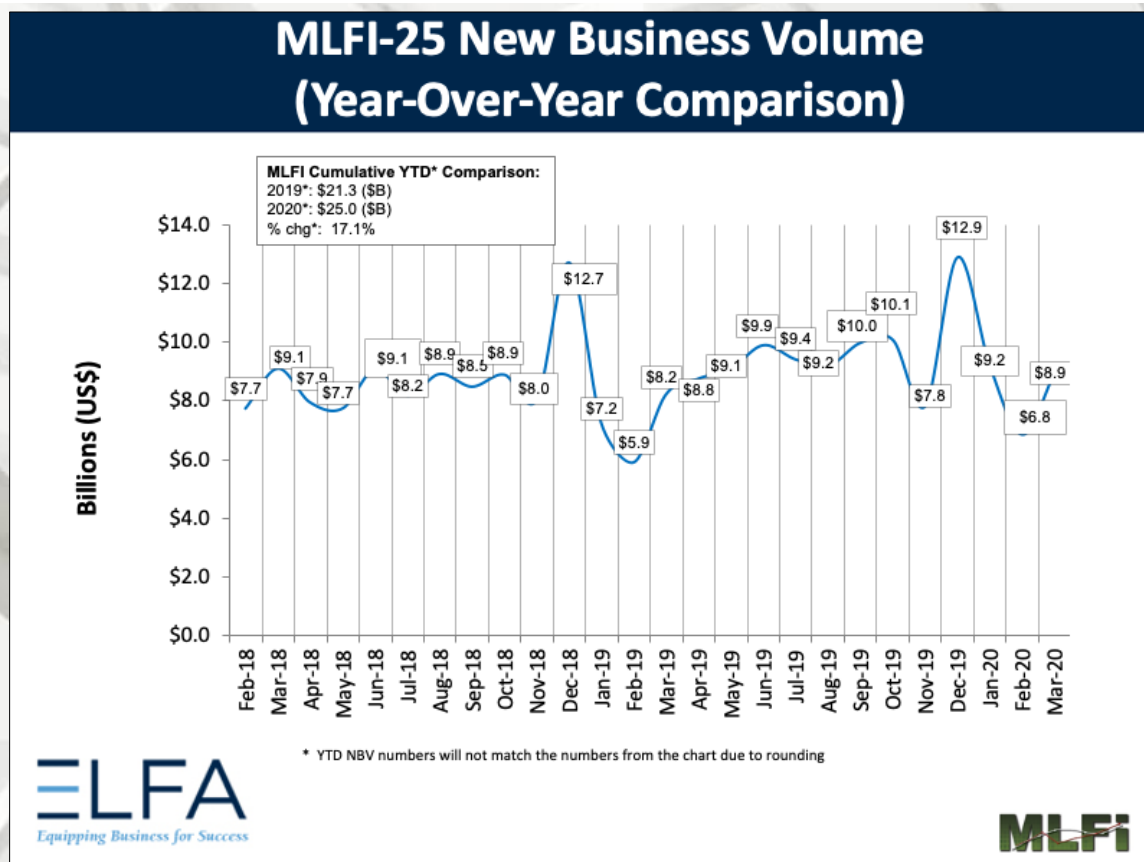
Receivables over 30 days were 2.60 percent, up from 2.00 percent the previous month and up from 1.90 percent the same period in 2019. Charge-offs were 0.55 percent, up from 0.51 percent the previous month, and up from 0.37 percent in the year-earlier period.

Credit approvals totaled 74.2 percent, down from 74.7 percent in February. Total headcount for equipment finance companies was down 2.9 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) decreased from 46.0 in March to a historic low of 22.3 in April due to the impact of COVID-19.” – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

“The increase in March new business volume data is misleading. It presents a ‘tale of two cities.’ During the first half of the month, economic activity and industry performance were strong, mirroring overall strength in the U.S. economy. However, during the second half of March, as the coronavirus pandemic's impact — both from a health and economic standpoint — entered the country's consciousness, all that changed. One need not look any further than the delinquency and charge-off data to understand the myriad challenges confronting U.S. businesses, both large and small, in the weeks and months ahead as this insidious disease grips the nation and our people. For now, acquiring and financing business equipment takes a back seat to critical efforts by families vitally concerned about their health and safety. Things we know: this crisis is temporary; the equipment leasing and finance industry's resilience and resolve are enduring.” – Ralph Petta, President and CEO, ELFA

Private Indicators 10/31



Monthly Leasing and Finance Index: March 2020

“March results for the equipment finance industry illustrate how robust activity was as we headed into the final month of the first quarter. However, due to coronavirus-induced containment measures, many businesses began to close in mid-March and, not unexpectedly, delinquency is beginning to rise. As evidenced by declining approvals, new business is and will continue to be negatively impacted. This will be an extremely challenging time for our industry. I believe independents in the small-ticket space will be hit particularly hard as their customers — small and medium-sized businesses — struggle to survive in the wake of widespread shutdowns. With a developing global economic recession, the Equipment Leasing & Finance Foundation currently projects an 8.6% to 13.5% contraction in equipment and software investment for this year. Government officials relaxing stay-at-home orders and allowing those at low risk to return to work under a responsible plan, sooner rather than later, will be essential in mitigating further economic decline.” — Nancy Pistorio, CLFP, President, Madison Capital LLC

April 2020 Manufacturing ISM® *Report On Business*® 1/3

PMI® at 41.5%

**Production, New Orders, and Employment Contracting
Supplier Deliveries Slowing at Faster Rate; Backlog Contracting
Raw Materials Inventories Contracting; Customers' Inventories Too Low
Prices Decreasing; Exports and Imports Contracting**

“Economic activity in the **manufacturing sector contracted in April, and the overall economy contracted after 131 consecutive months of expansion**, say the nation's supply executives in the latest **Manufacturing ISM® *Report On Business*®**. The April PMI® registered 41.5 percent, down 7.6 percentage points from the March reading of 49.1 percent.

The New Orders Index registered 27.1 percent, a decrease of 15.1 percentage points from the March reading of 42.2 percent.

The Production Index registered 27.5 percent, down 20.2 percentage points compared to the March reading of 47.7 percent.

The Backlog of Orders Index registered 37.8 percent, a decrease of 8.1 percentage points compared to the March reading of 45.9 percent.

The Employment Index registered 27.5 percent, a decrease of 16.3 percentage points from the March reading of 43.8 percent.

The Supplier Deliveries Index registered 76 percent, up 11 percentage points from the March reading of 65 percent, limiting the decrease in the composite PMI®.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

April 2020 Manufacturing ISM® Report On Business® 2/3

PMI® at 41.5%

“The Inventories Index registered 49.7 percent; 2.8 percentage points higher than the March reading of 46.9 percent.

The Prices Index registered 35.3 percent, down 2.1 percentage points compared to the March reading of 37.4 percent.

The New Export Orders Index registered 35.3 percent, a decrease of 11.3 percentage points compared to the March reading of 46.6 percent.

The Imports Index registered 42.7 percent, a 0.6-percentage point increase from the March reading of 42.1 percent.

The coronavirus pandemic and global energy market weakness continue to impact all manufacturing sectors for the second straight month. Among the six big industry sectors, Food, Beverage & Tobacco Products remains the strongest. Transportation Equipment and Fabricated Metal Products are the weakest of the big six sectors.

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

April 2020 Manufacturing ISM® Report On Business® 3/3

PMI® at 41.5%

“Comments from the panel were strongly negative (three negative comments for every one positive comment) regarding the near-term outlook, with sentiment clearly impacted by the coronavirus (COVID-19) pandemic and continuing energy market recession. The PMI® indicates a level of manufacturing-sector contraction not seen since April 2009, with a strongly negative trajectory.

Demand contracted heavily, with the (1) New Orders Index contracting at a very strong level, again pushed by new export order contraction, (2) Customers’ Inventories Index approaching a level that is considered a negative for future production, and (3) Backlog of Orders Index strongly contracting, in spite of a lack of production during the period.

Consumption (measured by the Production and Employment indexes) contributed negatively (a combined 36.5-percentage point decrease) to the PMI® calculation, with activity dramatically contracting due to plant closures and lack of demand.

Inputs — expressed as supplier deliveries, inventories and imports — strengthened again due to supplier delivery issues that were partially offset by continuing imports sluggishness. The delivery issues were the result of disruptions in domestic and global supply chains, driven primarily by supplier plant shutdowns. Inventory contraction slowed due to throughput issues. Inputs contributed positively (a combined 13.8-percentage point increase) to the PMI® calculation. (The Supplier Deliveries and Inventories indexes directly factor into the PMI®; the Imports Index does not.) Prices continued to contract (and at a faster rate in April), supporting a negative outlook.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Private Indicators 11/31

April 2020 Non-Manufacturing ISM® Report On Business®

NMI® at 41.8%

Business Activity Index at 26.0%;

New Orders Index at 32.9%

Employment Index at 30.0%;

Supplier Deliveries Index at 78.3%

“Economic activity in the **non-manufacturing sector** contracted in April for the first time since December 2009, ending a 122-month period of growth, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM® Report On Business®**.

The NMI® registered 41.8 percent, 10.7 percentage points lower than the March reading of 52.5 percent. This reading represents contraction in the non-manufacturing sector and is the NMI®'s lowest since March 2009 (40.1 percent).

The Business Activity Index fell 22 percentage points from March's figure, registering 26 percent – the lowest reading for that index since the debut of the Non-Manufacturing ISM® *Report On Business®* in 1997.

The New Orders Index registered 32.9 percent, 20 percentage points below the reading of 52.9 percent in March.

The Employment Index decreased to 30 percent, 17 percentage points below the March reading of 47 percent.” – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Private Indicators 12/31

April 2020 Non-Manufacturing ISM® Report On Business®

“The Prices Index figure of 55.1 percent is 5.1 percentage points higher than the March reading of 50 percent, indicating that prices increased in April. According to the NMI®, two non-manufacturing industries reported growth. The non-manufacturing sector composite index indicated contraction for the first time since December 2009, when the NMI® was at 49.7 percent. Respondents are concerned about the continuing coronavirus impacts on the supply chain, operational capacity, human resources and finances, as well as the uncertain timelines for the resumption of business and a return to normality.

Industry Performance

The two non-manufacturing industries reporting growth in April are: Public Administration; and Finance & Insurance. The 16 industries reporting a decrease in April – listed in order – are: Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; Retail Trade; Other Services; Wholesale Trade; Construction; Transportation & Warehousing; Mining; Professional, Scientific & Technical Services; Information; Accommodation & Food Services; Management of Companies & Support Services; Educational Services; Real Estate, Rental & Leasing; Utilities; and Health Care & Social Assistance.” – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Private Indicators 13/31

Markit U.S. Manufacturing PMI™

Sharpest contraction in output in series history due to COVID-19 impact

“The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers’ Index™ (PMI™) posted 36.1 in April, down from 48.5 in March and the previously released 'flash' figure of 36.9. The headline reading was the lowest for just over eleven years, despite being buoyed by the greatest deterioration in suppliers’ delivery times since data collection began in May 2007 (ordinarily a signal of improving manufacturing demand but currently the result of virus-related supply constraints).

April data signalled an unprecedented contraction in production across the U.S. manufacturing sector, overwhelmingly linked to measures implemented to contain the COVID-19 outbreak. Factory closures were widely reported and the frequent cancellation or postponement of orders resulted in the largest monthly drop in the new orders index on record. Spare capacity across the sector and pessimism about the year ahead meanwhile resulted in the fastest fall in employment since March 2009, despite efforts to furlough staff. Both input costs and output charges fell sharply as companies and their suppliers offered discounts to boost sales.

Driving the headline figure down was the steepest decline in output in the series history. The unprecedented contraction in production was widely linked to factory and other business closures following the implementation of COVID-19 related emergency public health measures. New orders decreased at the most marked pace since January 2009, as customers reportedly cancelled or postponed orders amid a broad-based contraction in consumer and business spending. Domestic and foreign client demand declined, with new export orders falling at the quickest rate in the series history. Lower sales from abroad were attributed to the global nature of the pandemic escalation, with numerous key export markets badly affected.” – Chris Williamson, Chief Economist, Markit®

Private Indicators 14/31

Markit U.S. Manufacturing PMI™

“Ongoing uncertainty and fear surrounding the longevity of lockdown procedures led business confidence to slump to a series low in April. Firms were pessimistic regarding the outlook for output over the coming year on average for the first time in the series history (since July 2012), with companies reportedly struggling to plan for their short-term futures.

At the same time, firms reduced their staffing levels in increased numbers. The fall in employment was the steepest since March 2009. Greater spare capacity drove the decline, as backlogs of work decreased at the most marked rate for eleven years.

Manufacturers registered a sharp downturn in buying activity in April, reflecting reduced production requirements. An associated fall in input costs reportedly stemmed from the drop in demand for inputs and a notable decrease in fuel prices. Firms partially passed lower input prices on to clients through a further and faster decrease in factory gate charges. The fall in output prices was the steepest since data collection began in May 2007.

Finally, a reduction in input buying and lower client demand led to a depletion of inventory levels. Stocks of purchases and finished goods both fell at the steepest rates for 11 years.

April saw the manufacturing sector struck hard by the COVID-19 pandemic, with output falling to an extent surpassing that seen even at the height of the global financial crisis. With orders collapsing at a rate not seen for over a decade, supply chains disrupted to a record degree and pessimism about the outlook hitting a new survey high, rising numbers of firms are culling payroll numbers.

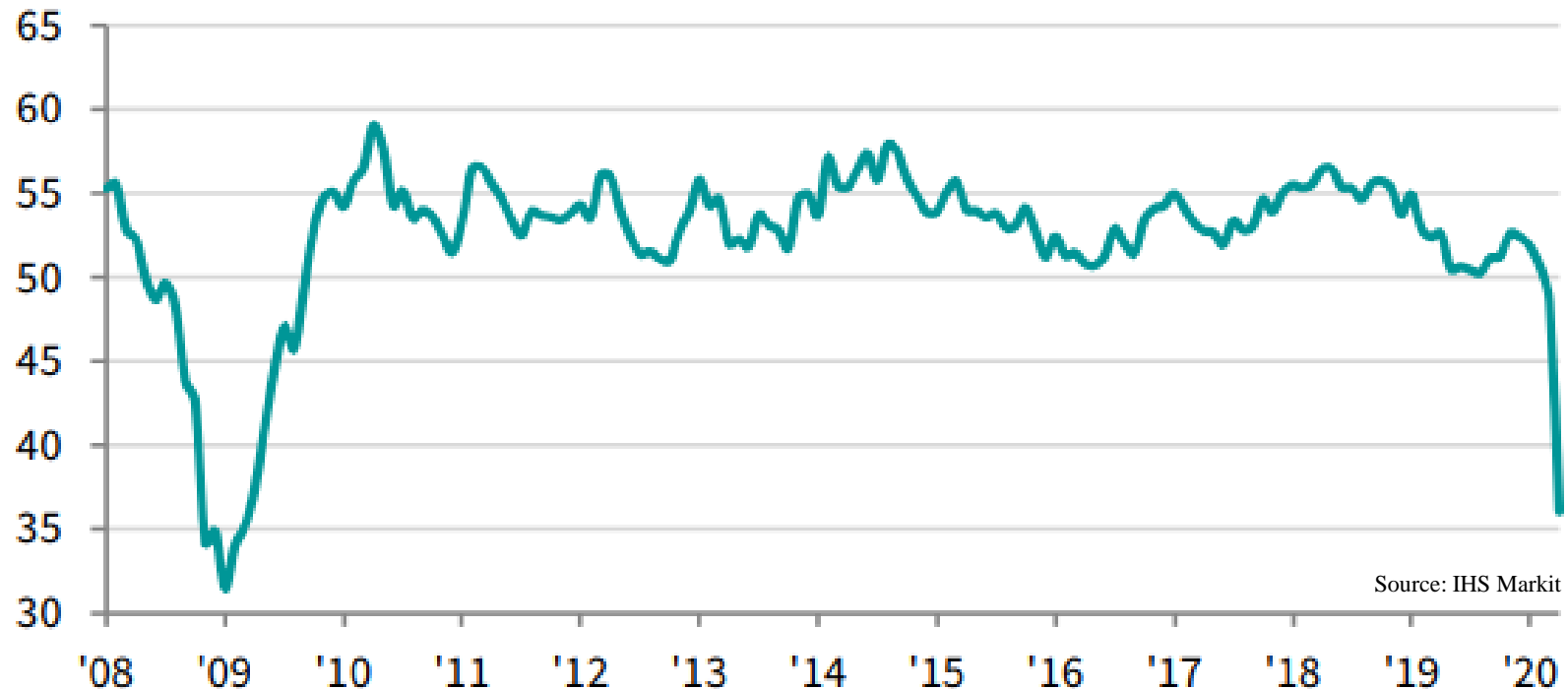
Consumer facing businesses are being hit by slumping demand from households as April saw widespread lockdowns, but business spending on inputs and equipment has also tumbled as companies slash production and investment.

Smaller firms are being hit the hardest, and also reporting the highest job losses, but large firms are also seeing the sharpest downturn on record.” – Chris Williamson, Chief Economist, Markit®

Private Indicators 15/31

U.S. Manufacturing PMI

sa, >50 = improvement since previous month



Markit U.S. Manufacturing PMI™

“With infection curves showing signs of flattening, it is naturally hoped that the economic downturn will also bottom out. As restrictions are lifted, demand should gradually revive, but the trade-off between risking a second wave of infections and bringing the economy back to life looks set to be one of the greatest challenges faced by policy- and lawmakers in recent history. The process will inevitably be led by caution, meaning recovery will also be frustratingly slow.” – Chris Williamson, Chief Economist, Markit®

Private Indicators 16/31

IHS Markit U.S. Services PMI™

COVID-19 impact drives record decline in business activity

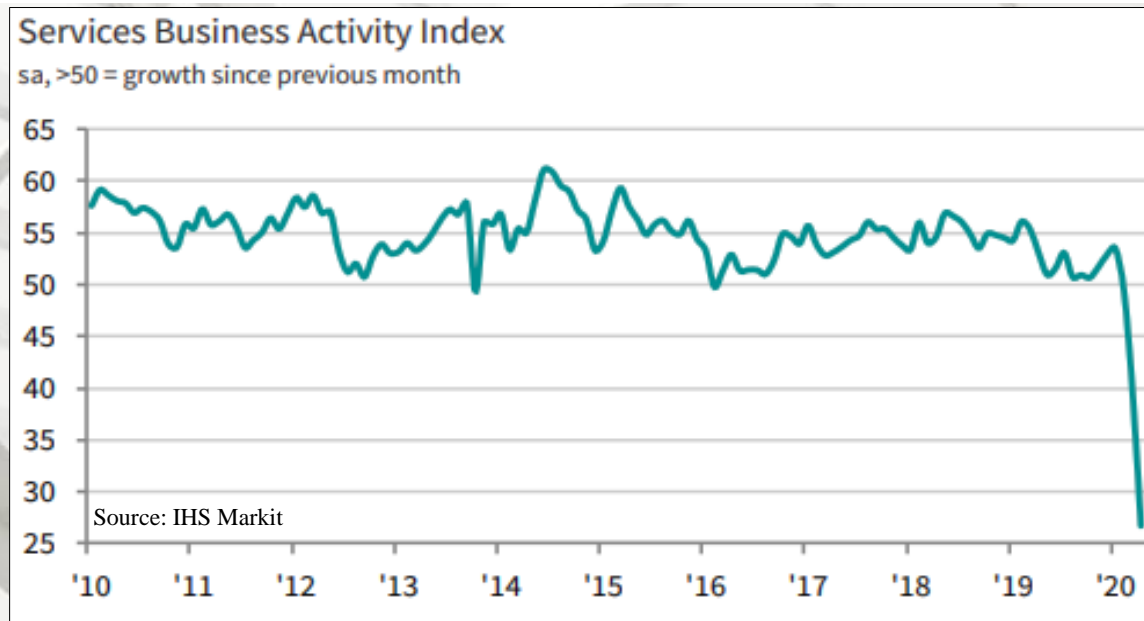
“The seasonally adjusted final IHS Markit US Services Business Activity Index registered 26.7 in April, down notably from 39.8 in March and fractionally lower than the previously published ‘flash’ figure of 27.0. Efforts to adhere to social distancing and stay-at-home measures resulted in many services firms struggling to remain open, with client demand also dropping significantly.

The latest data signalled a substantial decline in business activity across the U.S. service sector in April, as the COVID-19 outbreak escalated and emergency public health measures intensified. The rate of contraction accelerated to the fastest on record as client demand slumped and many businesses closed temporarily. New order inflows fell significantly as customers postponed or cancelled orders amid ongoing global lockdowns. Subsequently, expectations for the year ahead sank to their most pessimistic in the series history. Uncertainty and a further reduction in confidence led to the steepest decrease in workforce numbers on record.

In an effort to retain clients, firms passed lower costs on to clients through the fastest decrease in output charges in the series history.

The escalation of emergency public health procedures resulted in the cancellation and postponement of customer orders, with new business contracting at the most severe rate since the series began in October 2009. Firms that rely on face-to-face custom generally stated they were working at reduced capacity or had closed temporarily. ...” – Chris Williamson, Chief Economist, Markit®

Private Indicators 17/31



IHS Markit U.S. Services PMI™

“The slump in the business survey indicators to all-time lows in April indicates how the 4.8% rate of economic decline seen in the first quarter will likely be dwarfed by what’s to come in the second quarter. Measures to fight the COVID-19 outbreak mean vast swathes of the service sector has been especially hard hit by travel restrictions and social distancing, with temporary company closures and dramatically reduced demand resulting in an overall drop in activity of even greater magnitude than seen during the height of global financial crisis.

With hope, infections rates have peaked and the economic downturn should start to ease as virus-related restrictions are lifted. However, while manufacturing may see a rebound in production as increasing numbers of factories are allowed to re-open, prospects look bleaker for many parts of the services economy, especially where businesses rely on travel, social gatherings or close contact with customers. Businesses such as airlines, bars, restaurants, cinemas, sports arenas and other recreational activities will likely be at the back of the line in terms of being able to re-open to anything like previous capacity levels, meaning the recovery will be long and slow.” – Chris Williamson, Chief Economist, Markit®

Private Indicators 18/31

IHS Markit U.S. Sector PMI™

Healthcare sector output growth at record high amid COVID-19 outbreak

“US Sector PMI™ indices are compiled from responses to questionnaires sent to purchasing managers in IHS Markit's US manufacturing and services PMI survey panels, covering over 1,000 private sector companies. Indices are available for the basic materials, consumer goods, consumer services, financials, healthcare, industrials and technology sectors.

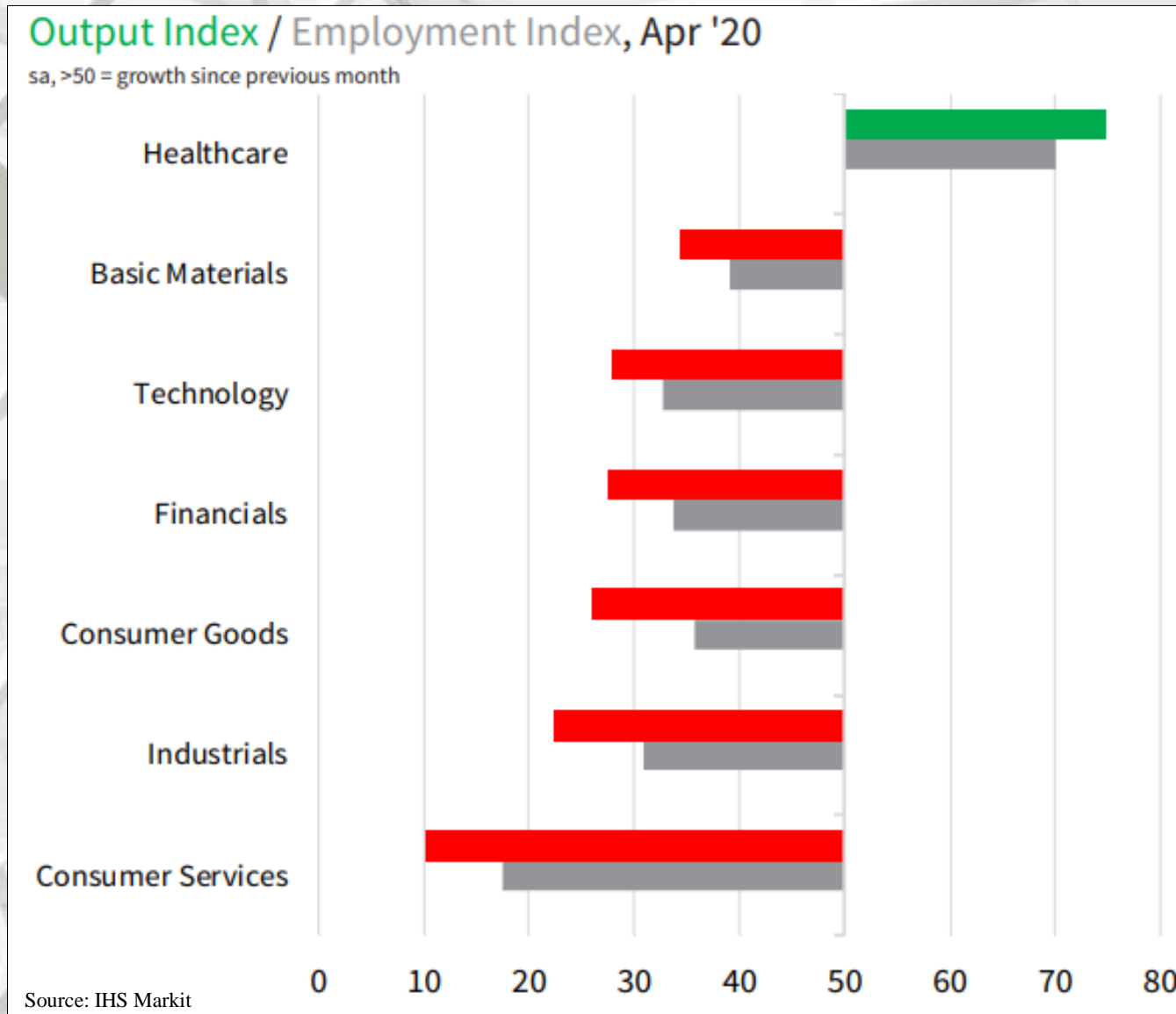
April data, collected 7-29 April, indicated substantial decreases in output across six of the seven monitored sectors. The only exception was **healthcare**, which recorded by far the fastest expansion since the series began in October 2009. The upturn was driven by the escalation of the COVID-19 pandemic.

The introduction of social distancing and stay-at-home measures created challenges for businesses across the U.S., with **consumer services** firms especially registering a significant contraction in business activity. The downturn was by far the steepest on record and outpaced those seen across the other monitored sectors.

Financials, industrials and **technology** companies also recorded the most severe contractions in business activity in their respective series histories, amid ongoing lockdown measures.

Of the monitored manufacturing sectors **consumer goods** posted a stronger decline than **basic materials**, which registered the softest fall in output of the six sectors that saw a decrease. That said, the rates of contraction in both were the most marked since the series began.” – Chris Williamson, Chief Economist, Markit®

Private Indicators 19/31



Private Indicators 20/31

National Association of Credit Management – Credit Managers' Index

NACM's April CMI Sinks Deeper into Contraction Combined Sectors

“NACM Economist, Chris Kuehl, Ph.D., shares his views on the COVID-19 pandemic. He notes that the use of the word unprecedented has become a cliché by this time; everybody has become frustrated with the rash of uncertainties that have characterized this economic crisis. The reference to a “lockdown recession” seems to say it all. There has been nothing natural about this global economic collapse. It was not triggered by any sort of economic issue as had been the case with the 2008 recession, or any of the other downturns the world has faced in the last several decades. The decision to shutter the entire business community in order to deal with a pandemic is creating a crisis that has never existed before. That leaves business with few options other than to simply hang on.

The data collected by the CMI this month is as bad as it has been in the history of the index — numbers that rival the depths of the 2008 recession and, in some cases, far worse. “The most vexing issue is that nobody has a real sense as to when this situation will change,” Kuehl said. “The optimistic scenario holds there will be a swift rebound just as soon as the restrictions are lifted. It seems most states will be engaging in a phased recovery through the month of May. The pessimistic outlook holds that consumers will not be ready to resume old patterns; business will be reluctant to fully engage, and this will extend the downturn well into the summer.”

Now for the litany of bad reports. The combined score for the CMI fell to 40.6 this month. That comes dangerously close to the miserable numbers from 2008, when readings in the 30s became common. The index of favorable factors has fallen into the low 30s — in record territory. “The shutdown in the economy has been widespread and has left no opportunity for progress,” Kuehl said. The index of unfavorable factors had been holding up to some degree, but this month it fell to 46.3, and will almost certainly trend in a more negative direction in future months. The extent of the collapse becomes more obvious with a look at the specific factors. ...” – Andrew Michaels, Editorial Associate, NACM

Private Indicators 21/31

National Association of Credit Management

Manufacturing Sector

“As for manufacturing, Kuehl said that the impact of the lockdown recession has been felt most profoundly in the service sector as opposed to the manufacturing sector. There are obvious exceptions to this as there have been manufacturers that have been devastated by a combination of factors. Those connected most closely to the energy sector have taken an enormous hit as oil prices have cratered and severely limited production around the world. The airline sector has been another one that will be hard pressed to rebound quickly. Other sectors have fared better — such as those related to the medical community. The manufacturers most sensitive to the consumer will be the ones that will be watching the reopening carefully.

The combined score for the manufacturing sector fell to 42 from the 49.8 reading in March. The majority of the damage was in the favorable category as this reading went from 48.2 to 34.3. To illustrate the extent of this crisis, consider the fact that manufacturing was at 62 in February. The unfavorable category has been a little less affected, but still notched a significant loss as it fell from 50.8 to 47.2. Kuehl said that this relatively less dramatic decline is attributed to the fact there has not yet been enough time for creditors to get in real trouble.

The majority of the damage has been seen in the favorable categories — sales utterly collapsed — not a shock to anyone given the total shutdown of the economy. It had already shown a steep decline from February when it was at 65.7. By March, it was down to 40.3 and now sits at a record low of 21.4. There is simply no activity to register. The new credit application numbers show a similar collapse as they have gone from 61.4 in February to 45 in March down to 35.7 in April. The dollar collections data follows that grim trajectory—58.3 in February, 53.4 in March and 35 in April. He noted that the effort to keep current on the part of creditors has largely been abandoned in the face of the lockdown. The amount of credit extended category was on the same path — 62.8 in February, 54 in March and big tumble to 45.1 in April. “The slightly less dramatic drop has been attributed to the fact that some select manufacturing sectors have been handling the lockdown better than others.” ...” – Andrew Michaels, Editorial Associate, NACM

Private Indicators 22/31

National Association of Credit Management Service Sector

“Kuehl’s take here is that this recession has been immensely hard on the global economy in general, so it is not easy to single out a country or region or even an industry sector that has suffered more than another. However, the evidence shows that the brunt of the damage has been sustained in the service sector as the vast majority of the shuttered businesses have been in the service area. The data from the latest CMI makes that abundantly clear. These are record low numbers; low enough that a rapid comeback will be very hard to execute in some of these sectors.

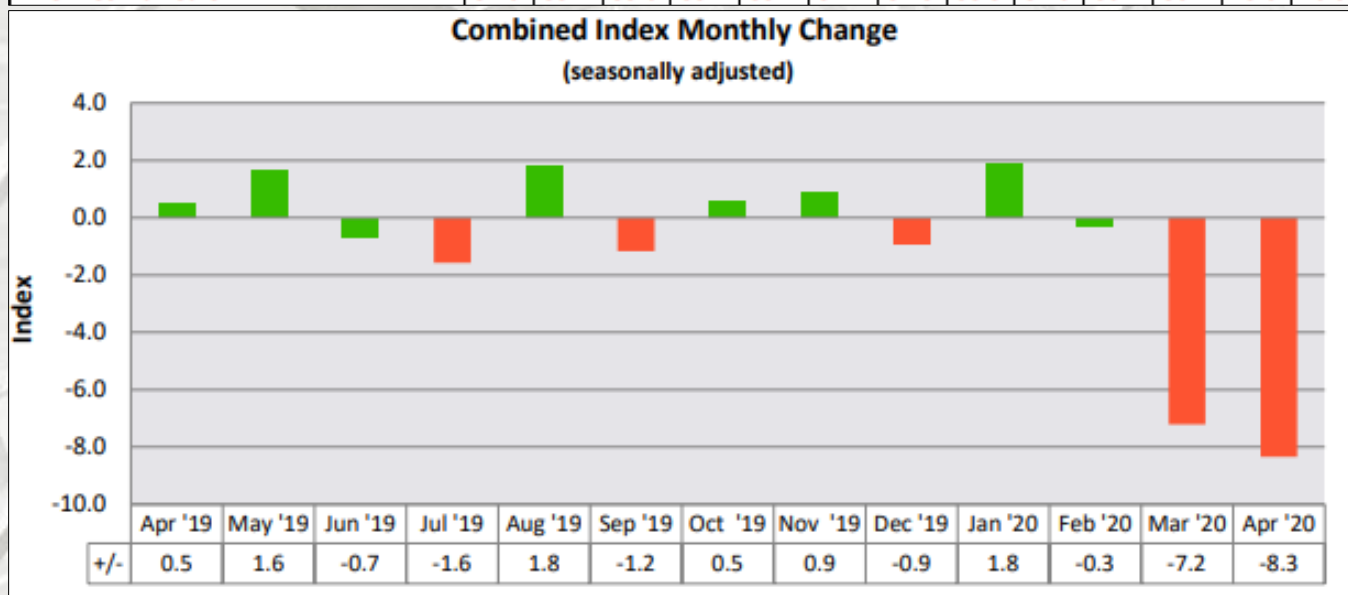
The combined score for the service sector was 39.2, as close to a total collapse as has been seen since the Credit Managers’ Index was launched. The index of favorable factors is at 29.8 — a brutal reading. In February of this year, the index was sitting at 62.3; it had not been under 59 for over two years. In the last 12 months, the favorable readings had been above 60 nine times. In March, they fell to a worrisome 44.8 and now sit at a miserable 29.8. “This is a stunning collapse,” Kuehl said, “and worse than many had projected at the start of this debacle.” The index of unfavorable factors also fell, but as with the manufacturing sector, the decline has been tempered by the fact there has not been enough time to react. In February, the numbers were at 52.6; now they are sitting at 45.5.

As usual, the devil is in the details. The sales numbers have fallen to almost absurd depths — 18.6 is so far below the previous record to be truly nightmarish. It was at 62.3 in February and at a very low 38.7 in March. He attributed this to the near complete elimination of the entire service sector in the U.S. It also accounts for the fact that there has been a loss of some 30 million jobs. The new credit applications have also fallen to all-time lows of 26.5 compared to 43 last month and 63.1 in February. The dollar collections numbers fell as well to 36.1. That compares to the 45.1 in the prior month and 59.3 in February. Even the amount of credit extended has fallen to 38.1 after having been at 64.5 only two months ago. ...” – Andrew Michaels, Editorial Associate, NACM

Private Indicators 23/31

National Association of Credit Management

Combined Manufacturing and Service Sectors (seasonally adjusted)	Apr '19	May '19	Jun '19	Jul '19	Aug '19	Sep '19	Oct '19	Nov '19	Dec '19	Jan '20	Feb '20	Mar '20	Apr '20
Sales	61.0	65.9	60.4	58.4	64.4	58.7	57.9	61.6	58.8	63.0	64.0	39.5	20.0
New credit applications	59.7	64.2	62.4	60.8	60.9	59.7	59.0	61.2	59.4	61.1	62.2	44.0	31.1
Dollar collections	59.1	59.8	60.3	56.6	60.0	58.5	62.1	59.2	57.9	61.7	58.8	49.3	35.5
Amount of credit extended	60.6	65.4	62.5	58.7	61.7	59.7	61.6	64.3	61.1	62.9	63.6	53.2	41.6
Index of favorable factors	60.1	63.8	61.4	58.6	61.8	59.1	60.1	61.6	59.3	62.2	62.2	46.5	32.0
Rejections of credit applications	52.0	51.8	52.4	52.6	52.1	51.4	52.1	51.3	52.0	52.0	53.8	53.5	52.7
Accounts placed for collection	48.5	47.0	50.0	46.2	48.6	48.4	49.1	49.8	50.3	50.6	50.6	50.6	47.4
Disputes	48.5	48.6	48.6	50.5	49.4	50.0	48.1	50.3	50.8	52.4	50.3	52.1	50.8
Dollar amount beyond terms	47.6	51.3	49.8	46.1	53.6	50.2	52.0	52.6	51.0	54.2	53.5	43.9	27.6
Dollar amount of customer deductions	49.7	49.3	50.0	51.2	50.0	52.1	50.9	51.4	51.3	52.2	51.5	50.4	49.4
Filings for bankruptcies	53.9	53.3	53.5	53.2	51.6	52.1	53.4	53.5	53.4	54.4	53.3	53.2	50.2
Index of unfavorable factors	50.0	50.2	50.7	50.0	50.9	50.7	50.9	51.5	51.5	52.6	52.2	50.6	46.3
NACM Combined CMI	54.0	55.7	55.0	53.4	55.2	54.1	54.6	55.5	54.6	56.4	56.2	49.0	40.6



Private Indicators 24/31

National Federation of Independent Business (NFIB) April 2020 Report

Small Business Optimism Continues Two Month Slide

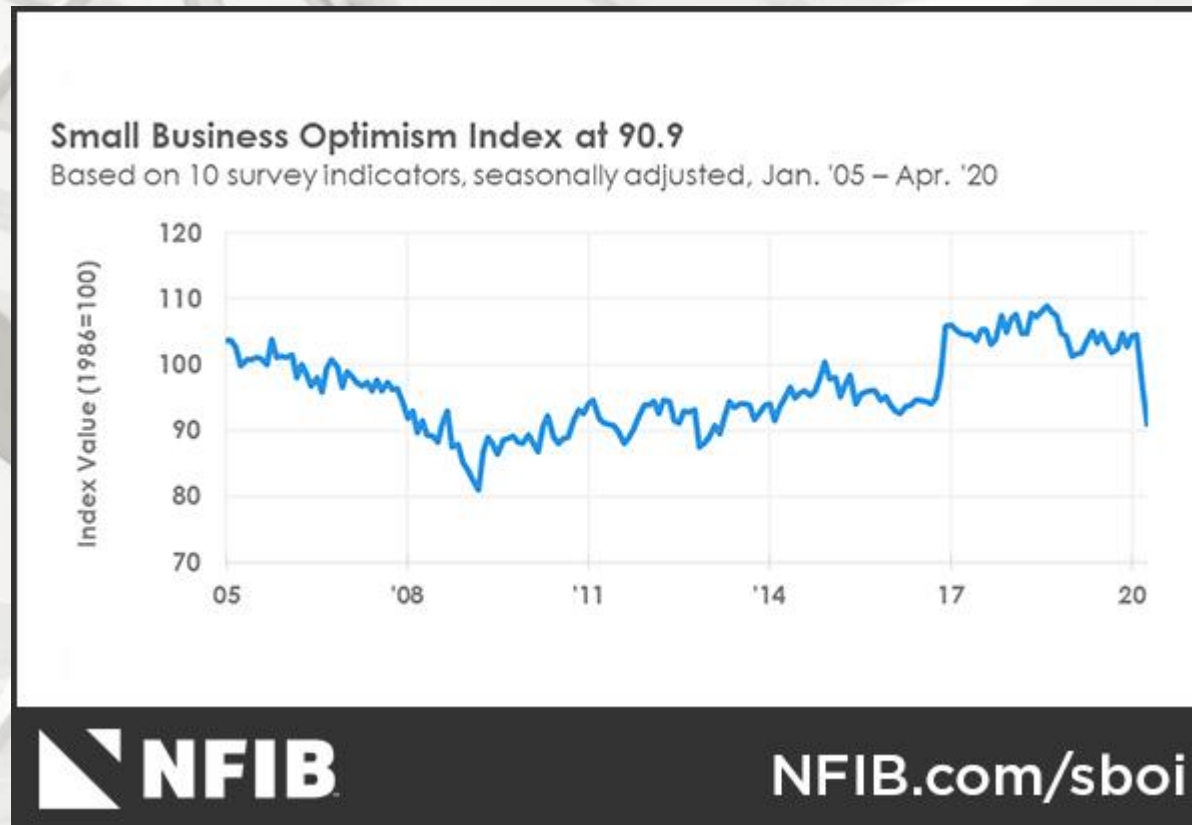
“Small business optimism took another dive in April, falling 5.5 points to 90.9, with owners expressing certainty the economy will weaken in the near-term, but expecting it to improve over the next six months. The Optimism Index has fallen 13.6 points over the last two months, with nine of 10 Index components declining in April and one improving.

Spotlighting small business owners’ need for more flexibility is that real sales expectations in the next six months declined 30 points to a net negative 42 percent, the lowest reading in the survey’s 46-year history. The second-lowest reading was net negative 24 percent in April 1980. A net negative 11 percent of all owners (seasonally adjusted) reported higher nominal sales in the past three months, down 19 points from March.

The NFIB Uncertainty Index fell 17 points in March to 75, with most owners quite certain that the economy will weaken in the near-term. However, reports of expected better business conditions in the next six months increased 24 points, rebounding from a 17-point decline in March. Owners’ optimism about future conditions indicates they expect the recession to be short-lived. Other key findings from April’s Optimism Index included:

- Earnings trends declined 14 points to a net negative 20 percent. Among owners reporting weaker profits, 39 percent blamed weak sales, 16 percent blamed usual seasonal change, six percent cited price changes, four percent cited labor costs, and two percent cited materials costs. For owners reporting higher profits, 63 percent credited sales volumes and 17 percent credited usual seasonal change.
- The percent of owners thinking it’s a good time to expand lost 10 points falling to three percent, its lowest level since March 2010” – Holly Wade, NFIB

Private Indicators 25/31



NFIB March 2020 Report

“As reported in last week’s [NFIB’s monthly jobs report](#), job creation plans fell eight points to a net one percent, the lowest level since December 2012. Three times as many owners reduced employment as reported an increase in their workforce. Forty-seven percent reported hiring or trying to hire (down seven points), but 41 percent (87 percent of those hiring or trying to hire) reported few or no “qualified” applicants for the positions they were trying to fill. Twenty-four percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 11 points.” – Holly Wade, NFIB

Private Indicators 26/31

NFIB Small Business Optimism Index

“The impact from this pandemic, including government stay-at-home orders and mandated non-essential business closures has had a devastating impact on the small business economy. Owners are starting to benefit from the PPP and EIDL small business loan programs as they try to reopen and keep employees on staff. Small business owners need more flexibility, though, in using the PPP loan to support business operations and liability protection so that all these efforts to support small businesses are not ultimately lost in costly litigation.

The full force of the “recession” has not yet been felt as programs such as PPP encourage firms to maintain employment even as the government shutdown reduces business activity. A large percentage of the unemployed expect to be rehired as the economy opens back up, but the picture is further confused by unemployment benefits that for many exceed previous pay. Small business owners are starting to rehire laid-off employees as states lift business restrictions and small business loans are hitting bank accounts.” – Bill Dunkelberg, Chief Economist, NFIB

“The frequency of reports of positive profit trends fell two points to a net negative 6% reporting quarter-on-quarter profits. Among the owners reporting weaker profits, 32% blamed weaker sales, 26% blamed usual seasonal change, 9% cited price changes, 7% cited labor costs, and 7% cited material costs. For those reporting higher profits, 53% credited sales volumes and 22% credited usual seasonal change.

NFIB released [surveys](http://www.nfib.com/surveys/small-business-economic-trends/) in March on how COVID-19 is impacting small businesses. The latest survey showed 92% of small employers are negatively impacted by the outbreak and about half of small employers said they can survive for no more than two months under the current business conditions.” – Holly Wade, NFIB

Private Indicators 27/31

NFIB Small Business Optimism Index

Small Business Optimism

Abrupt Turn in Small Business Optimism Ends 39-Month Historic Run

Index Component	Net %	Change From Mar.
Plans to Increase Employment	1%	▼ -8
Plans to Make Capital Outlays	18%	▼ -3
Plans to Increase Inventories	-4%	▼ -1
Expect Economy to Improve	29%	▲ 24
Expect Real Sales Higher	-42%	▼ -30
Current Inventory	-7%	▼ -5
Current Job Openings	24%	▼ -11
Expected Credit Conditions	-6%	▼ -2
Now a Good Time to Expand	3%	▼ -10
Earnings Trends	-20%	▼ -14



NFIB.com/sboi

Private Indicators 28/31

The Paychex | IHS Markit Small Business Employment Watch

Small Business Employment Declines, Reflecting the Ongoing Impact of the Coronavirus Pandemic

“The latest Paychex | IHS Markit Small Business Employment Watch shows a decrease in small business employment as the COVID-19 pandemic caused instability for employers nationwide. The jobs index declined 3.65 percent last month to 94.63, a level consistent with rates seen in 2009 during the financial crisis. Hourly earnings growth rose slightly to 2.78 percent (\$0.75) year-over-year. However, one-month annualized weekly hours worked growth dropped sharply, by 8.92 percent in April, resulting in a decline in weekly earnings growth to 1.28 percent from a year ago.

“April’s decline marks a low for the jobs index, with employment registering slightly below levels seen in July 2009, during the Great Recession,” said James Diffley, chief regional economist at IHS Markit.

“This month’s results reflect some of the negative impact COVID-19 has had on small business employment across the U.S. Our jobs index reflects that many small businesses have suspended operations and reduced payroll costs through partial or complete shutdowns, but are trying to remain in business while navigating a number of federal support opportunities,” said Martin Mucci, Paychex president and CEO. “Receiving loan approval and funds from the Paycheck Protection Program is a critical next step for many small businesses as they look forward to the gradual, safe reopening of the economy and their employees returning to work.”” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Private Indicators 29/31

The Paychex | IHS Markit Small Business Employment Watch

“Broken down further, the April report shows:

- One of the last large states to shut down, Florida, had the highest jobs index reading among states.
- New York, the state considered the epicenter of COVID-19 in the U.S., saw its jobs index fall to 92.81 and now has the lowest-ranked state index.
- Among metros, New York City had the largest decline in weekly hours worked (falling to -16.44 percent one-month annualized growth in April).
- The jobs index for Leisure and Hospitality fell to a record low (90.29), surpassing its previous low of 94.25 seen during the financial crisis.
- One-month annualized weekly hours worked growth in Leisure and Hospitality is down 53.43 percent.
- Among industry sectors, Financial Activities saw the least disruption in the rate of small business job growth and now ranks first among all sectors.
- Down 0.39 percent, small business job growth in Leisure and Hospitality slowed most among industry sectors during the first quarter of 2020.
- Positive earnings growth momentum toward the end of 2019 has reversed during the first quarter of 2020.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Private Indicators 30/31

The Paychex | IHS Markit Small Business Employment Watch

April Jobs Index

Index
94.63

12-Month Change
-4.19%

April Wage Data

Hourly Earnings
\$27.76

12-Month Growth
+2.78% (+\$0.75)

Source: Paychex | IHS Markit Small Business Employment Watch

Private Indicators 31/31

The Paychex | IHS Markit Small Business Employment Watch National Jobs Index

- “As a result of the COVID-19 pandemic, the national jobs index declined to a historic low (94.63), slightly below levels seen during the financial crisis.
- The national jobs index fell 3.65 percent in April and 4.19 percent from a year ago.” – Lisa Fleming, Kate Smith, & Tess Flynn, Paychex, Inc.

Historical View



Source: Paychex | IHS Markit Small Business Employment Watch

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