

# **The Virginia Tech–USDA Forest Service Housing Commentary: Section II July 2020**



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Virginia Polytechnic Institute and State University

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# U.S. Economic Indicators



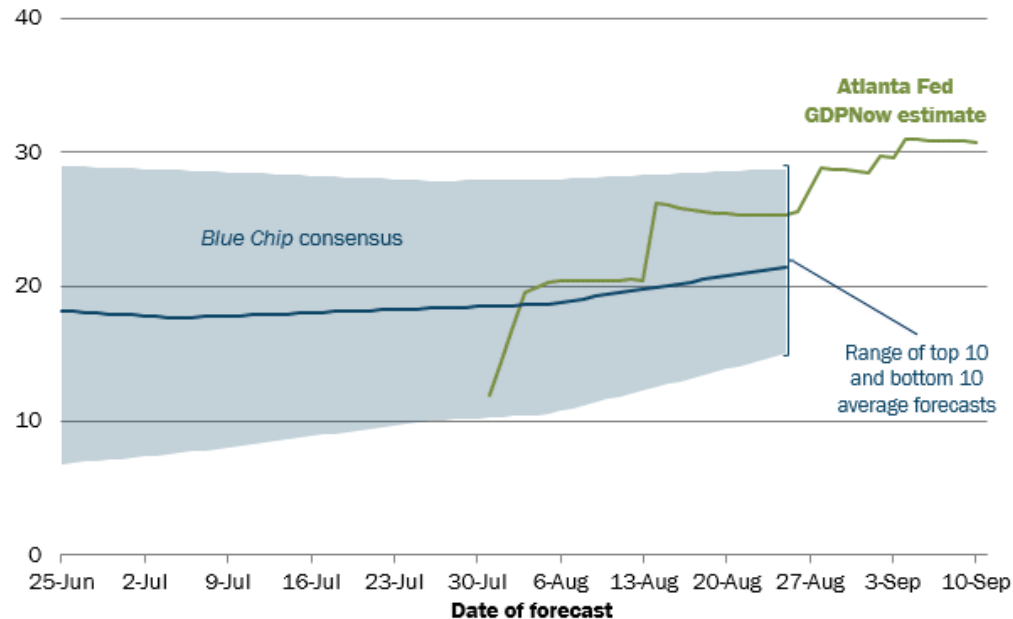
**GDPNow™**

**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 economic 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 and social mobility** beyond their impact on GDP source data and relevant economic reports that have already been released. It does not anticipate their impact on forthcoming economic reports beyond the standard internal dynamics of the model.

## Evolution of Atlanta Fed GDPNow real GDP estimate for 2020: Q3

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: 30.8 percent — September 10, 2020**

“The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2020 is 30.8 percent on September 10, up from **29.6 percent** on September 3. After last week’s release of the employment report by the U.S. Bureau of Labor Statistics and this morning’s releases by the U.S. Bureau of Labor Statistics and U.S. Census Bureau, the nowcasts of third-quarter real gross private domestic investment growth and third-quarter real government spending growth increased from 29.6 percent and 17.0 percent, respectively, to 35.1 percent and 17.9 percent, respectively.” — Pat Higgins, Economist, Federal Reserve Bank of Atlanta



# **The Federal Reserve Bank of Chicago: Midwest Economy Index**

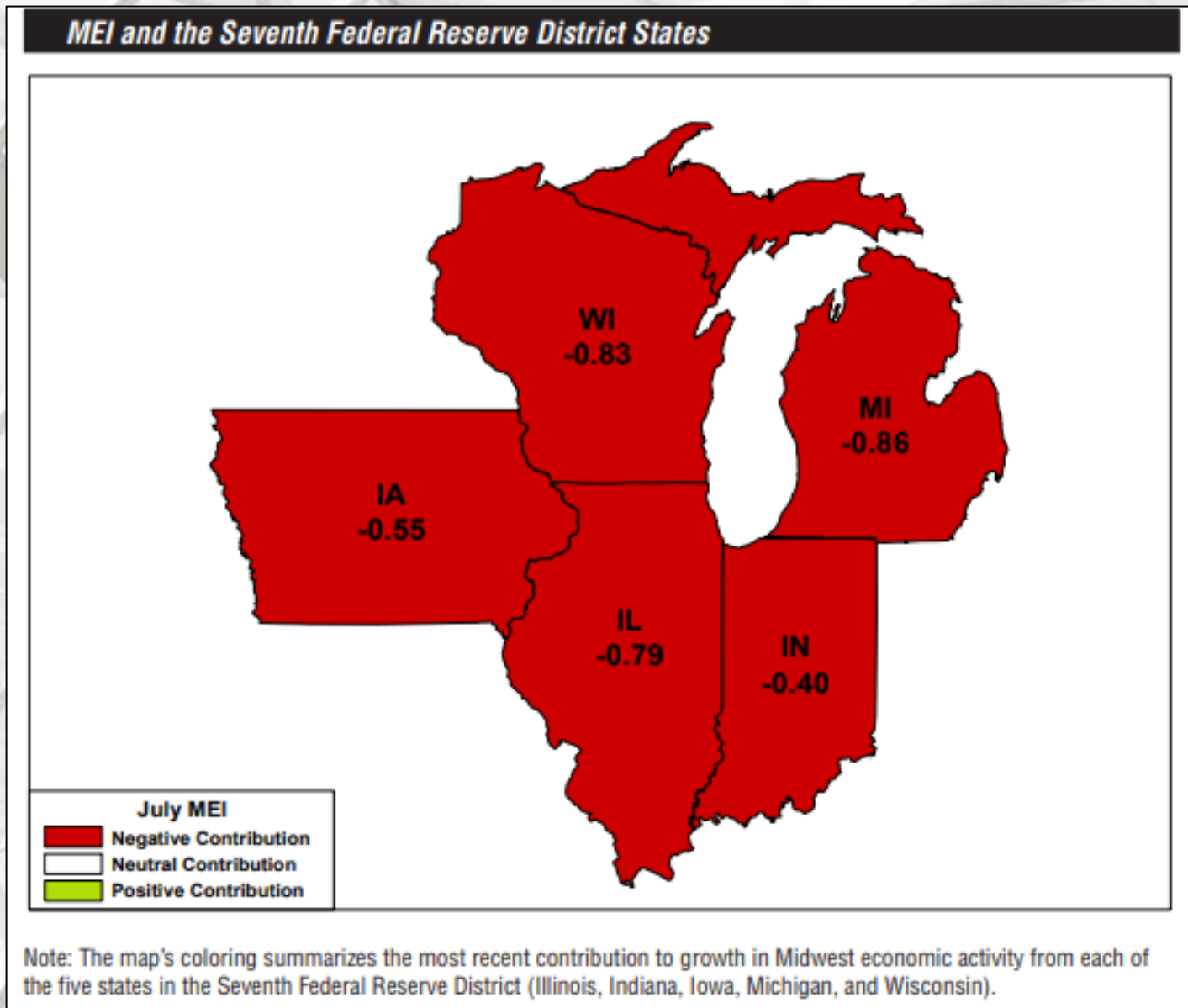
## **Index Suggests Midwest Growth Increased, but Remained Well Below Trend Through July**

“The Midwest Economy Index (MEI), which approximates quarterly growth at a monthly frequency, rose to  $-3.60$  in July from  $-9.54$  in June. Contributions to the July MEI from all four broad sectors of nonfarm business activity and all five Seventh Federal Reserve District states increased from June. The relative MEI increased to  $-3.86$  in July from  $-6.51$  in June. Contributions to the July relative MEI from three of the four sectors and four of the five states increased from June.

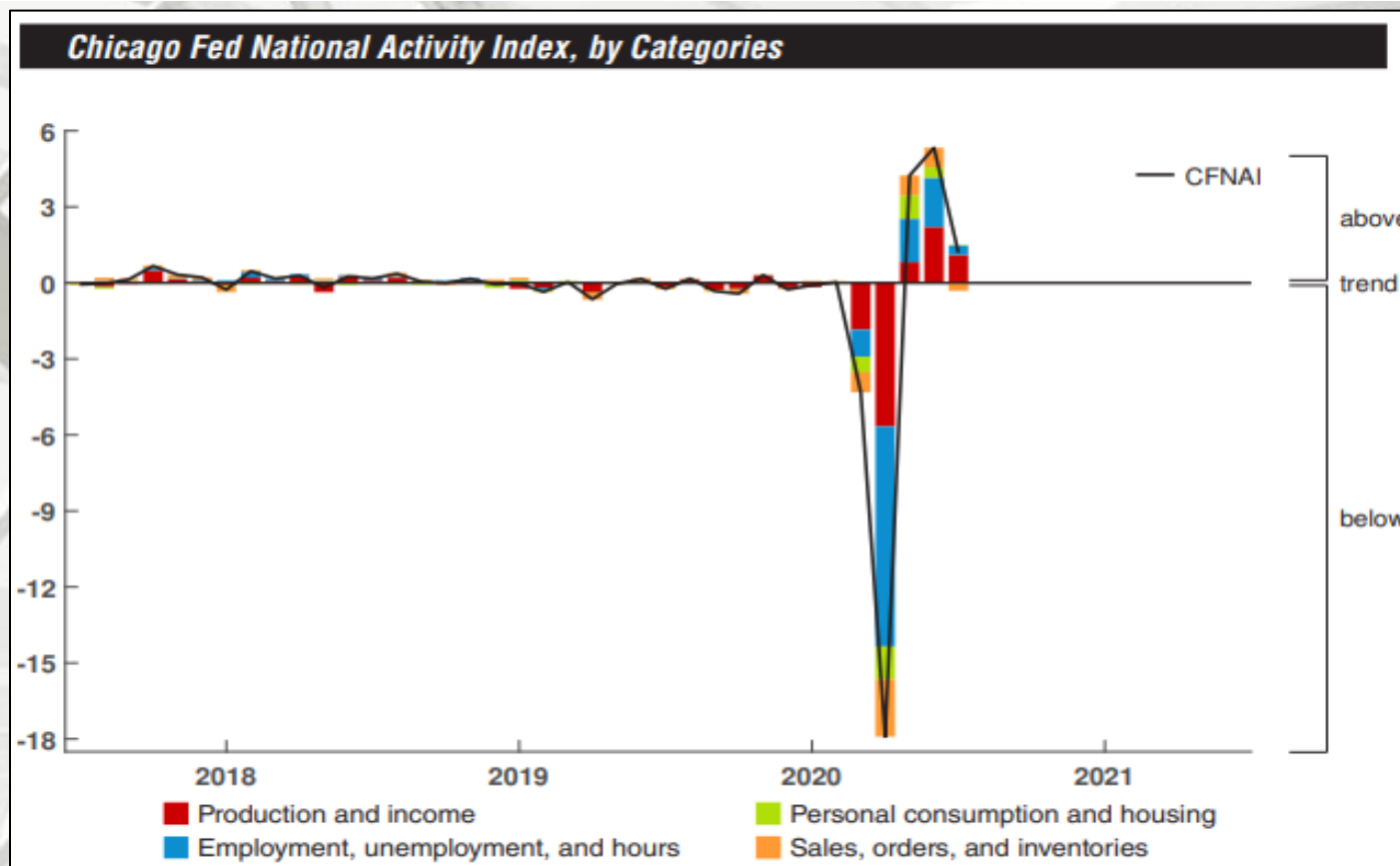
The manufacturing sector’s contribution to the MEI moved up to  $-0.99$  in July from  $-1.85$  in June. The pace of manufacturing activity increased in all five states. Manufacturing’s contribution to the relative MEI fell to  $-0.67$  in July from  $+1.26$  in June. The construction and mining sector contributed  $-0.25$  to the MEI in July, up from  $-0.65$  in June. The pace of construction and mining activity was faster in all five states. Construction and mining’s contribution to the relative MEI moved up to  $-0.02$  in July from  $-0.11$  in June.

The service sector’s contribution to the MEI rose to  $-1.89$  in July from  $-4.60$  in June. The pace of service sector activity was up in all five states. The service sector’s contribution to the relative MEI rose to  $-2.00$  in July from  $-5.07$  in June. Consumer spending indicators contributed  $-0.46$  to the MEI in July, up from  $-2.44$  in June. Consumer spending indicators were, on balance, up in all five states. Consumer spending’s contribution to the relative MEI increased to  $-1.16$  in July from  $-2.58$  in June.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

# The Federal Reserve Bank of Chicago: Midwest Economy Index



# The Federal Reserve Bank of Chicago: National Activity Index



## Index Suggests Slower, but Still Well-Above-Average Growth in July

“Led by some moderation in the growth of production- and employment-related indicators, the Chicago Fed National Activity Index (CFNAI) declined to +1.18 in July from +5.33 in June. Three of the four broad categories of indicators used to construct the index made positive contributions in July, but all four categories decreased from June. The index’s three-month moving average, CFNAI-MA3, rose to +3.59 in July from -2.78 in June.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

# **The Federal Reserve Bank of Chicago: National Activity Index**

## **Index Suggests Slower, but Still Well-Above-Average Growth in July**

“The CFNAI Diffusion Index, which is also a three-month moving average, moved up to +0.62 in July from +0.14 in June. Fifty-six of the 85 individual indicators made positive contributions to the CFNAI in July, while 29 made negative contributions. Twenty-five indicators improved from June to July, while 60 indicators deteriorated. Of the indicators that improved, nine made negative contributions.

Production-related indicators contributed +1.09 to the CFNAI in July, down from +2.21 in June. Manufacturing industrial production increased 3.4 percent in July after rising 7.4 percent in June, and manufacturing capacity utilization moved up by 2.3 percentage points in July after increasing by 4.6 percentage points in the previous month. The contribution of the sales, orders, and inventories category to the CFNAI moved down to -0.31 in July from +0.77 in June.

Employment-related indicators contributed +0.38 to the CFNAI in July, down from +1.94 in June. Nonfarm payrolls increased by 1.8 million in July after rising by 4.8 million in June, and the unemployment rate decreased by 0.9 percentage points in July after falling by 2.2 percentage points in the previous month. The contribution of the personal consumption and housing category to the CFNAI decreased to +0.02 in July from +0.42 in June.

The CFNAI was constructed using data available as of August 20, 2020. At that time, July data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The June monthly index value was revised to +5.33 from an initial estimate of +4.11, and the May monthly index value was revised to +4.24 from last month’s estimate of +3.50.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago



# The Federal Reserve Bank of Chicago: Survey of Business Conditions

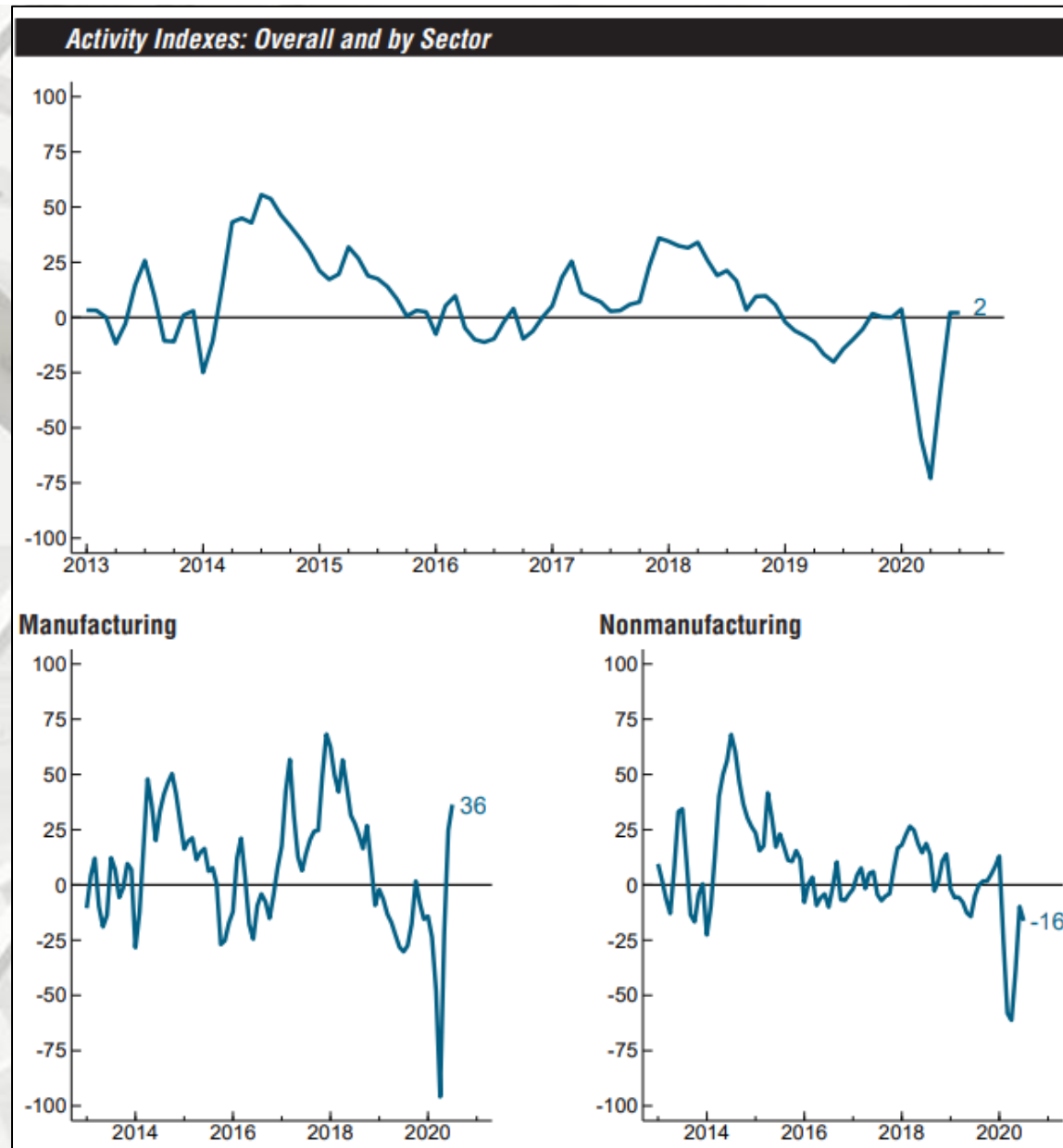
## Survey Suggests Flat Growth in July

“The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index was unchanged at +2 in July, suggesting that economic growth remained near trend. The CFSBC Manufacturing Activity Index increased to +36 in July from +25 in June, while the CFSBC Nonmanufacturing Activity Index decreased to –16 in July from –10 in the previous month.

- Respondents’ outlooks for the U.S. economy for the next 12 months improved a little and remained optimistic on balance. Forty-four percent of respondents expected an increase in economic activity over the next three months, and 53 percent expected activity to return to its level before the pandemic by the end of 2021.
- The pace of current hiring ticked up, while respondents’ expectations for the pace of hiring over the next 12 months moved down. Both hiring indexes remained negative.
- Respondents’ expectations for the pace of capital spending over the next 12 months moved up, and the capital spending expectations index turned positive.
- The labor cost pressures index increased, as did the nonlabor cost pressures index. However, 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



# The Federal Reserve Bank of Dallas

## Recovery Continues in Texas Manufacturing

“Texas factory activity expanded in August for the third month in a row following a record contraction in the spring after the onset of the COVID-19 pandemic, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, came in at 13.1, down slightly from July but still indicative of moderate growth.

Other measures of manufacturing activity also point to expansion this month. The new orders index advanced three points to 9.8, and the growth rate of orders index surged more than 10 points to 11.8. The shipments index rose from 17.3 to 23.3, while the capacity utilization index inched down but remained positive at 10.9.

Perceptions of broader business conditions improved in August. The general business activity index turned positive after five months in negative territory, coming in at 8.0. The company outlook index registered a third consecutive positive reading, shooting up 11 points to 16.6, its highest reading in nearly two years. The index measuring uncertainty regarding companies’ outlooks remained positive but retreated to 8.2.

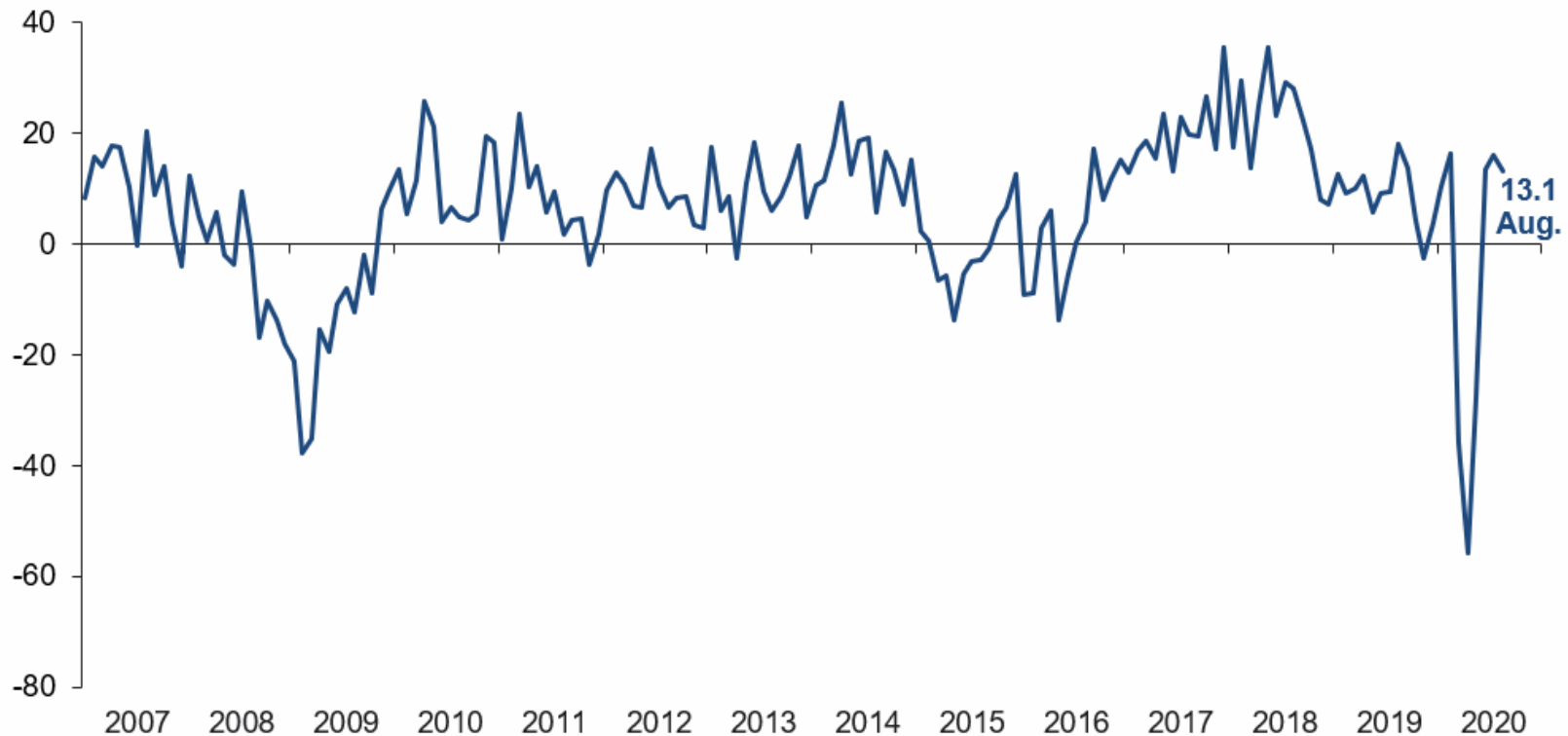
Labor market measures indicated solid growth in employment and workweek length. The employment index pushed up from 3.1 to 10.6, suggesting more robust hiring. Twenty-three percent of firms noted net hiring, while 13 percent noted net layoffs. The hours worked index pushed up five points to 10.5.

Input and labor costs continued to increase, while selling prices remained fairly flat in August. The raw materials prices index rose 10 points to 19.4, and the wages and benefits index rose six points to 15.2. The finished goods prices index remained near zero, suggesting no change in selling prices from July.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

# The Federal Reserve Bank of Dallas

## Texas Manufacturing Outlook Survey Production Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

## Texas Manufacturing Recovery Continues

“Expectations regarding future activity were more positive in August. The future production index pushed up to an above-average reading of 43.0, and the future general business activity index jumped 10 points to 20.4. Other measures of future manufacturing activity advanced further into positive territory.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

# The Federal Reserve Bank of Dallas

## Texas Service Sector Outlook Survey

### Texas Service Sector Activity Stabilizes

“Activity in the Texas service sector held mostly steady in August after declining in July, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, rose from -8.5 in July to 1.5 in August.

Labor market indicators reflected a stabilization of employment and workweek length in August. The employment index rose six-and-a-half points to -0.3 — its highest level since February and a level suggesting no net change in jobs compared with July, while the hours worked index rose nearly three points to -1.0.

Perceptions of broader business conditions rose back into positive territory in August. The general business activity index rebounded over 31 points to 4.7, while the company outlook index advanced from -15.8 to 5.6. Nearly one-quarter of respondents noted an improved outlook, compared with 17 percent noting a worsened outlook. The outlook uncertainty index also declined to 5.7, its lowest reading since February.

Wages picked up in August, while price pressures increased. The wages and benefits index rose from 0.4 to 4.9, while the selling prices index added 10 points, rising to 4.4. The input prices index picked up from 17.8 to 22.2, its highest value since February.

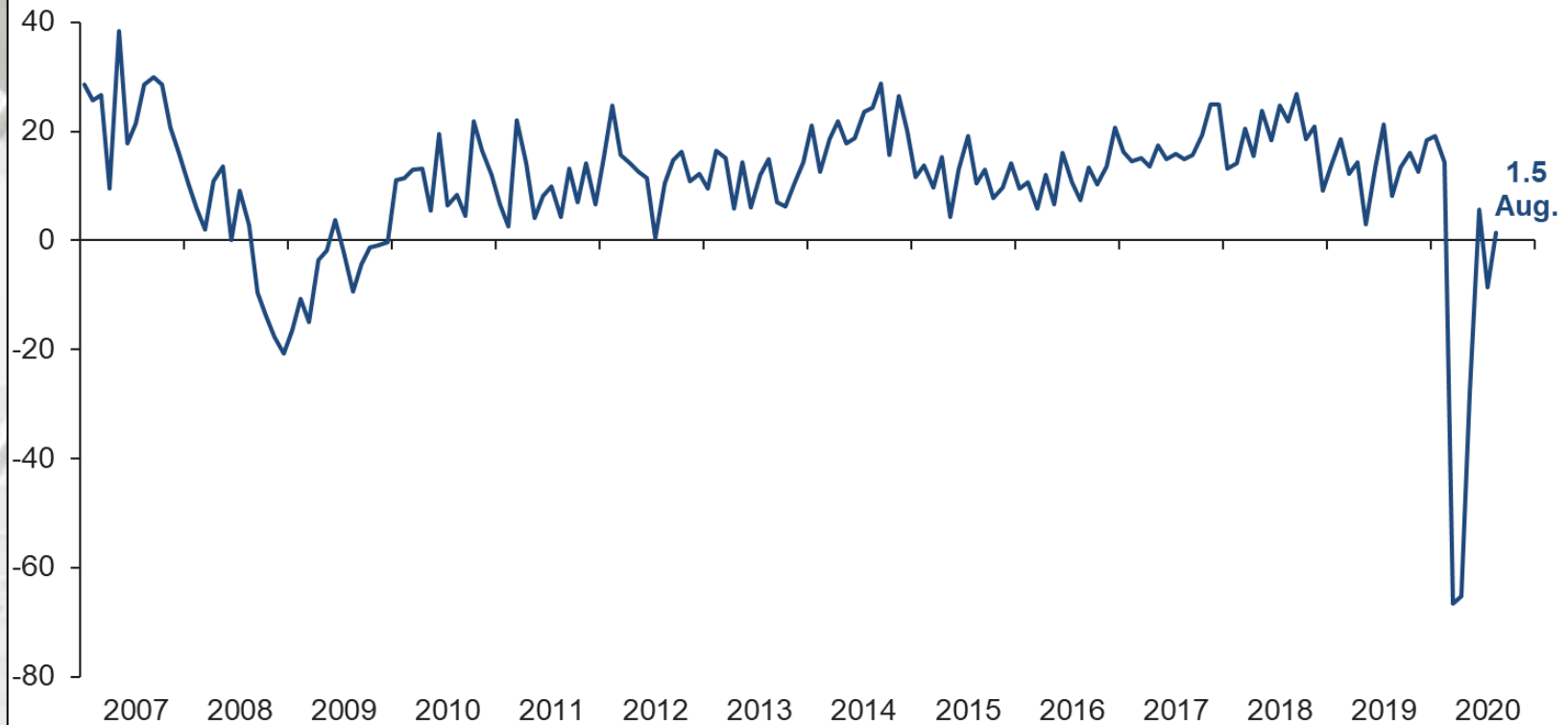
Respondents’ expectations regarding future business activity improved markedly in August. The future general business activity index rose over 28 points to 19.2, its highest level since late 2018, with 37 percent of respondents expecting improved activity over the next six months. The future revenue index surged over 17 points, increasing to 35.5. Other indexes of future service sector activity such as employment also rose to values last seen prior to the COVID-19 outbreak; this suggests expectations of more rapid improvement in economic activity over the next six months.” — Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas



# The Federal Reserve Bank of Dallas

## Texas Service Sector Outlook Survey Revenue Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

# **The Federal Reserve Bank of Dallas**

## **Texas Retail Sales Rebound Sharply**

“Retail sales activity declined in August, though at a much slower pace than July’s plunge, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, rose from -26.7 to -9.9. Over 35 percent of respondents reported decreased sales compared with July, while 25 percent reported increases. The decline in inventories also eased markedly, with the inventories index increasing nearly 13 points but remaining negative at -8.7.

Retail labor market indicators were mixed in August, with employment flattening out but the average workweek length shortening. The employment index added over 12 points, returning to positive territory at 1.4. The hours worked index fell from -7.8 to -13.9, with only 1 percent of respondents noting increases in workweek length.

Retailers’ perceptions of broader business conditions returned to positive territory in August. The general business activity index rose nearly 28 points to 4.2, while the company outlook index picked up from -6.8 in July to 9.6 in August. The outlook uncertainty index fell from 13.7 to 7.2.

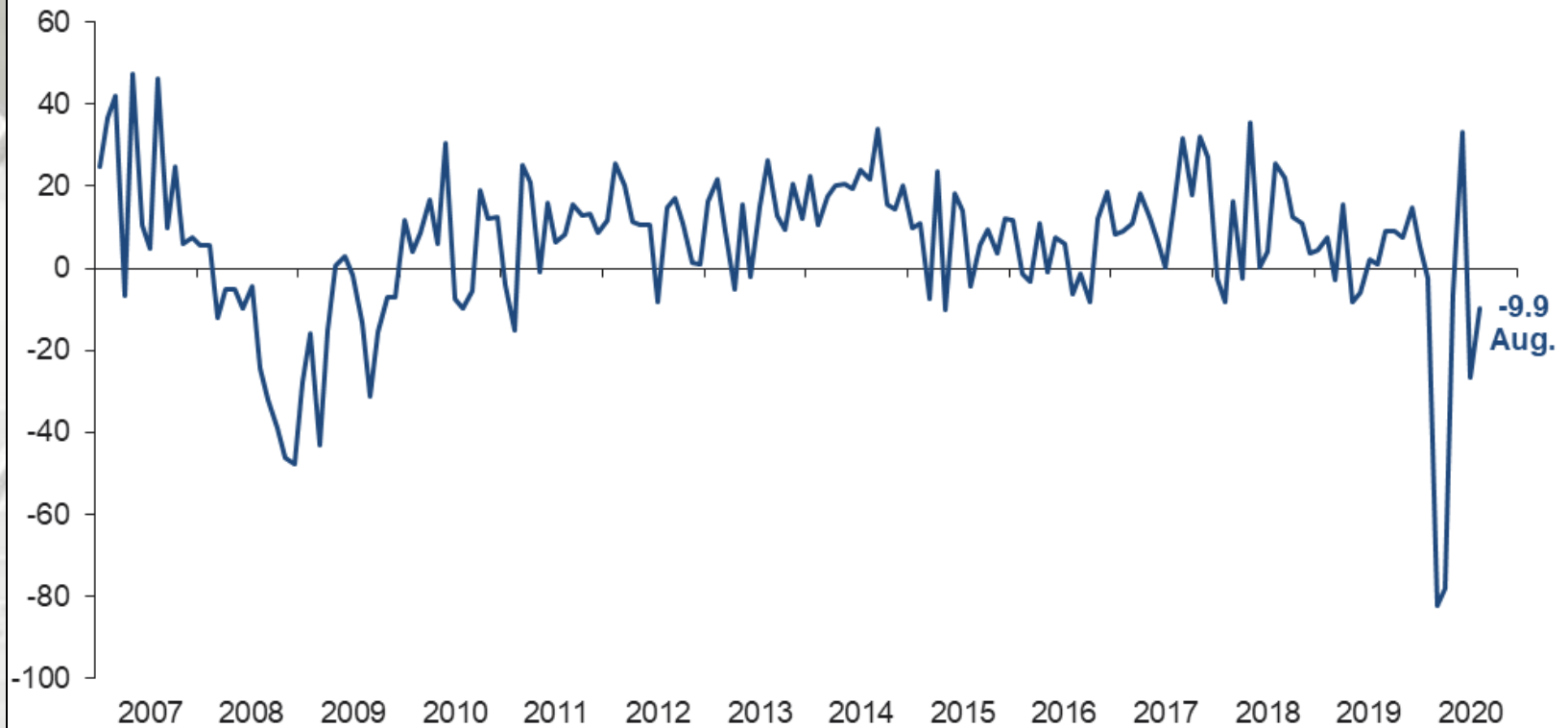
Retail wages flattened out in August, while price pressures rose. The wages and benefits index rose from -5.3 to 0.9, a level suggesting little change in net wages compared with July. The selling prices index surged over 12 points to 14.3, while the input prices index dipped one point to 16.0.

Retailers’ perceptions of future activity reflected increased optimism in August compared with July. The future general business activity index advanced over 31 points to 28.1, while the future sales index inched up from 32.3 to 34.9. Other indexes of future retail activity such as employment increased significantly, suggesting overall expectations of more robust future activity.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

# The Federal Reserve Bank of Dallas

## Texas Retail Outlook Survey Sales Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

# U.S. Economic Indicators

## The Federal Reserve Bank of Kansas City

### Tenth District Manufacturing Activity Rose Moderately

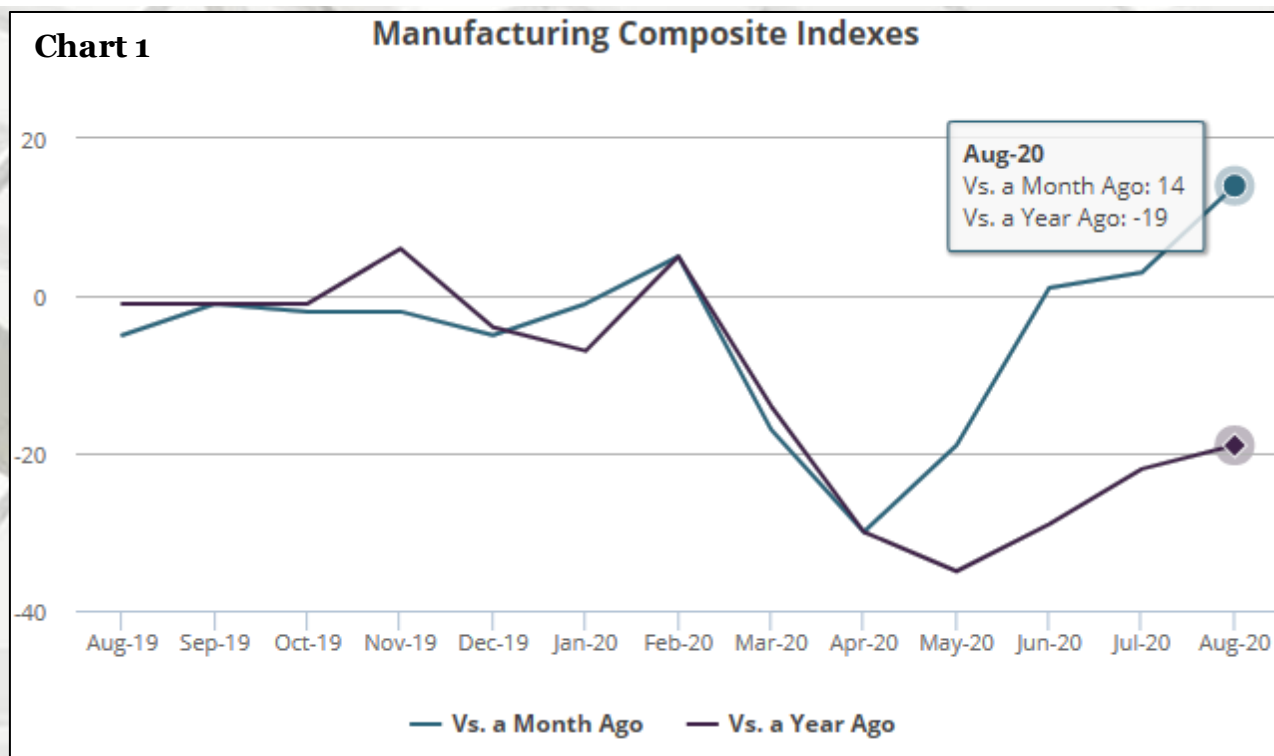
*Factory activity rose moderately in August*

“Tenth District manufacturing activity rose moderately from July but remained below year-ago levels, while expectations for future activity expanded further (Chart 1). Prices paid for raw materials increased and prices received for finished goods were slightly positive. District firms expected prices for both finished goods and raw materials to expand more in the next six months.

The month-over-month composite index was 14 in August, moderately higher than 3 in July and 1 in June. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Non-durable goods factories continued to drive the uptick in recent activity, especially food and beverage manufacturers. Activity at durable goods plants grew slightly. The majority of month-over-month indexes were positive, indicating continued expansion. Production, shipments, and new orders grew considerably compared to a month ago. Only the month-over-month finished goods inventories index was still negative, but it declined at a slower pace in August. Most year-over-year factory indexes remained negative in August, but slightly less negative than in previous months. The future composite index expanded further in August to 19, up from 14 in July.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City



# The Federal Reserve Bank of Kansas City



## Special questions

“This month contacts were asked special questions about the impact of government stimulus and unemployment benefits. Nearly two-thirds of contacts reported that government stimulus programs positively contributed to their business’s performance in the past three months. Many firms noted the helpfulness of Paycheck Protection Program (PPP) loans in retaining staff, and around half of firms indicated their business outlook was dependent on additional government support of some sort. At the same time, almost 60% of contacts indicated the CARES Act extra \$600/week or recent \$400/week boost in unemployment benefits created some or significant difficulties in bringing furloughed or laid-off employees back to work. More than 40% of firms also reported difficulty sourcing inputs, especially from international suppliers.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

# U.S. Economic Indicators

## The Federal Reserve Bank of Kansas City Tenth District Services Activity Expanded Again

*Tenth District services activity expanded again in August, but was still much lower than a year ago, while expectations for future activity rebounded.*

### **Business Activity Expanded Again in August**

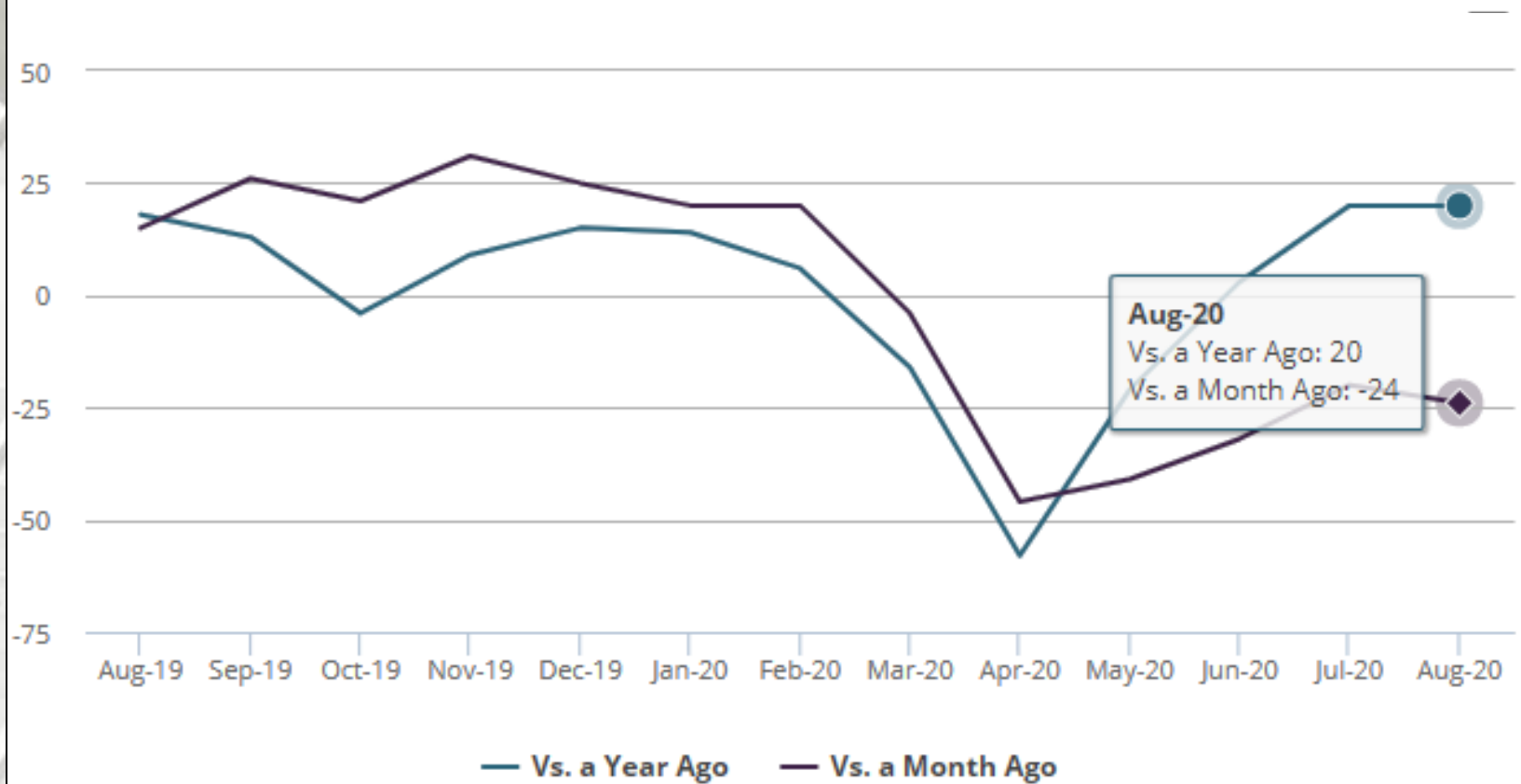
“Tenth District services activity expanded again in August, but was still much lower than a year ago, while expectations for future activity rebounded (Chart 1). The indexes for input and selling prices increased at a faster pace in August. Firms expected input and selling prices to rise further over the next six months.

The month-over-month services composite index was 20 in August, unchanged from 20 in July, and up significantly from 3 in June. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were similar in August to the postings from July. The general revenue and sales index was still high, driven by increased activity for wholesale, transportation, real estate, restaurants, tourism and hotels, while retail activity declined slightly. The indexes for employee hours, part-time employment, wages and benefits, and capital expenditures expanded at a faster pace in August, and the employment index remained positive. On the other hand, the month-over-month indexes for inventories and credit conditions decreased again in August. In addition, most year-over-year indexes declined further in August, and the year-over-year composite index dipped from -20 to -24. However, the year-over-year index for capital expenditures rose into positive territory for the first time since February. Expectations for future services activity rebounded in August, and the composite index grew from -2 to 11.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

# U.S. Economic Indicators

Chart 1

Services Composite Indexes



# The Federal Reserve Bank of New York

## Empire State Manufacturing Survey

### Growth Slows Following July's Sturdy Increase

“Business activity edged slightly higher in New York State, according to firms responding to the August 2020. *Empire State Manufacturing Survey* The headline general business conditions index fell fourteen points to 3.7, signaling a slower pace of growth than in July. New orders were little changed, and shipments increased modestly. Unfilled orders were down, and inventories declined. Employment inched higher, while the average workweek declined. Input prices increased at about the same pace as last month, while selling prices increased for the first time in several months. Firms remained optimistic that conditions would improve over the next six months, though optimism fell for a second consecutive month.

After increasing significantly in July for the first time since the pandemic began, manufacturing activity in New York State grew only slightly in August. The general business conditions index fell fourteen points to 3.7. Thirty-four percent of respondents reported that conditions had improved over the month, while 30 percent reported that conditions had worsened. The new orders index fell sixteen points to -1.7, indicating that orders levelled off, and the shipments index fell twelve points to 6.7, pointing to a modest increase in shipments. Delivery times were steady. Unfilled orders and inventories declined.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York



# **The Federal Reserve Bank of New York**

## **Empire State Manufacturing Survey**

### **Selling Prices Increase For The First Time In Months**

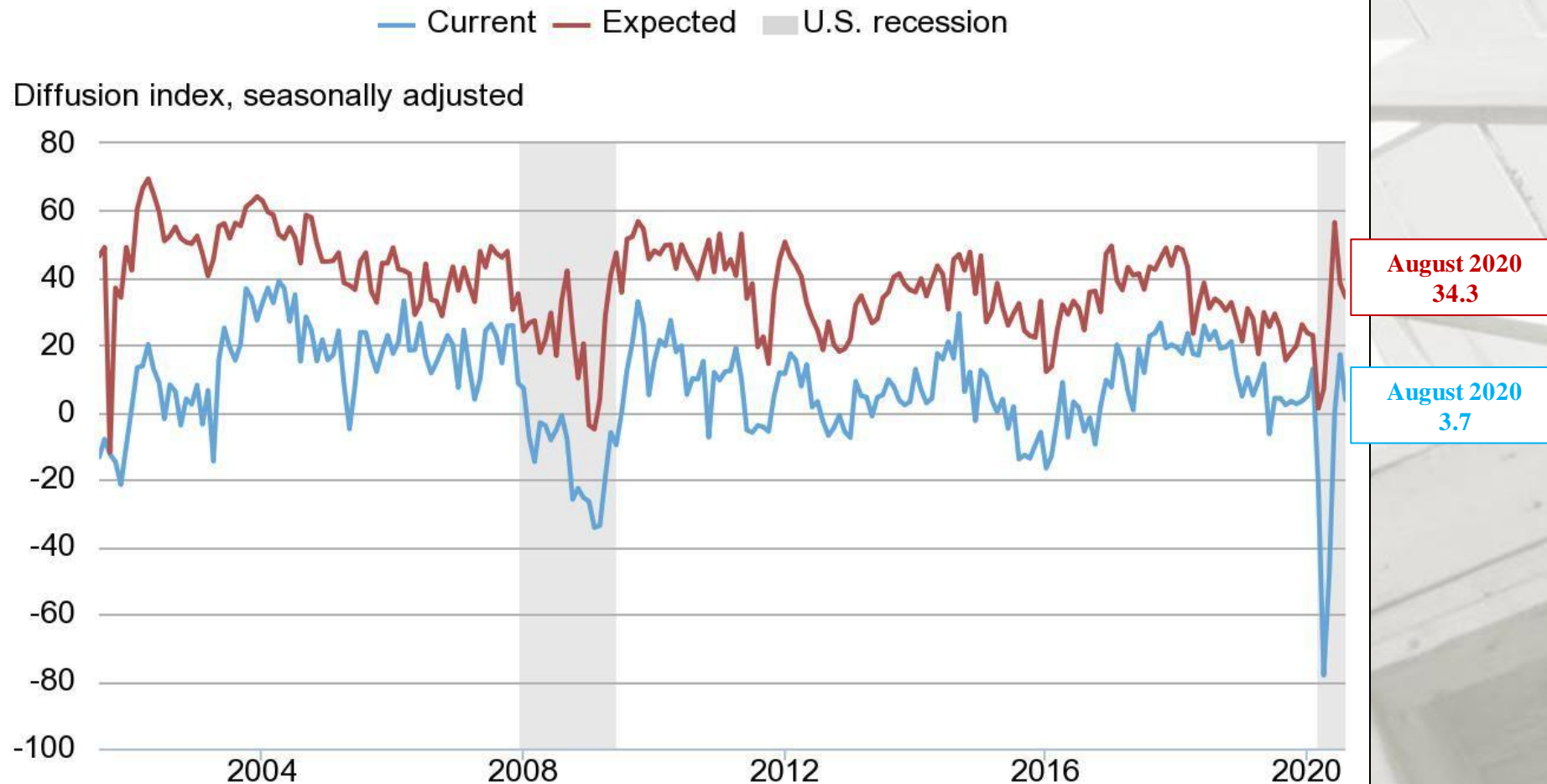
“The index for number of employees edged up to 0.4, signaling that employment levels were steady. Notably, 22 percent of firms said that employment levels increased in July, the same proportion that reported a decrease. The average workweek index increased nine points to -2.6, pointing to a small decline in hours worked. The prices paid index was little changed at 14.9, indicating that input prices increased at about the same pace as last month. The prices received index moved down to -4.5, indicating that selling prices declined.

### **Conditions Expected To Improve**

After rising sharply last month to a multi-year high, the index for future business conditions fell eighteen points to 38.4, suggesting that firms remained optimistic about future conditions, though less so than in July. The indexes for future new orders and future shipments fell somewhat, but remained near 40. The index for future employment rose to 21.1, suggesting firms expect to increase employment in the months ahead. The capital expenditures index rose to 9.1, a sign that firms, on net, planned to increase capital spending.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

# The Federal Reserve Bank of New York

## General Business Conditions



# The Federal Reserve Bank of New York

## Business Leaders Survey (Services)

### Decline Resumes After Brief Pause

“After steadying last month, activity in the region’s service sector declined significantly, according to firms responding to the Federal Reserve Bank of New York’s August 2020 *Business Leaders Survey*. The survey’s headline business activity index fell fifteen points to -17. The business climate index was little changed at -74.1, indicating that the vast majority of firms still viewed the business climate as worse than normal. Employment levels continued to decline, though at a slower pace than in recent months, and wages edged slightly higher. Input price increases picked up, while selling prices continued to decline slightly. Capital spending fell for a fifth consecutive month. Firms turned pessimistic about the six-month outlook, and expected the business climate to be worse than normal in the months ahead.

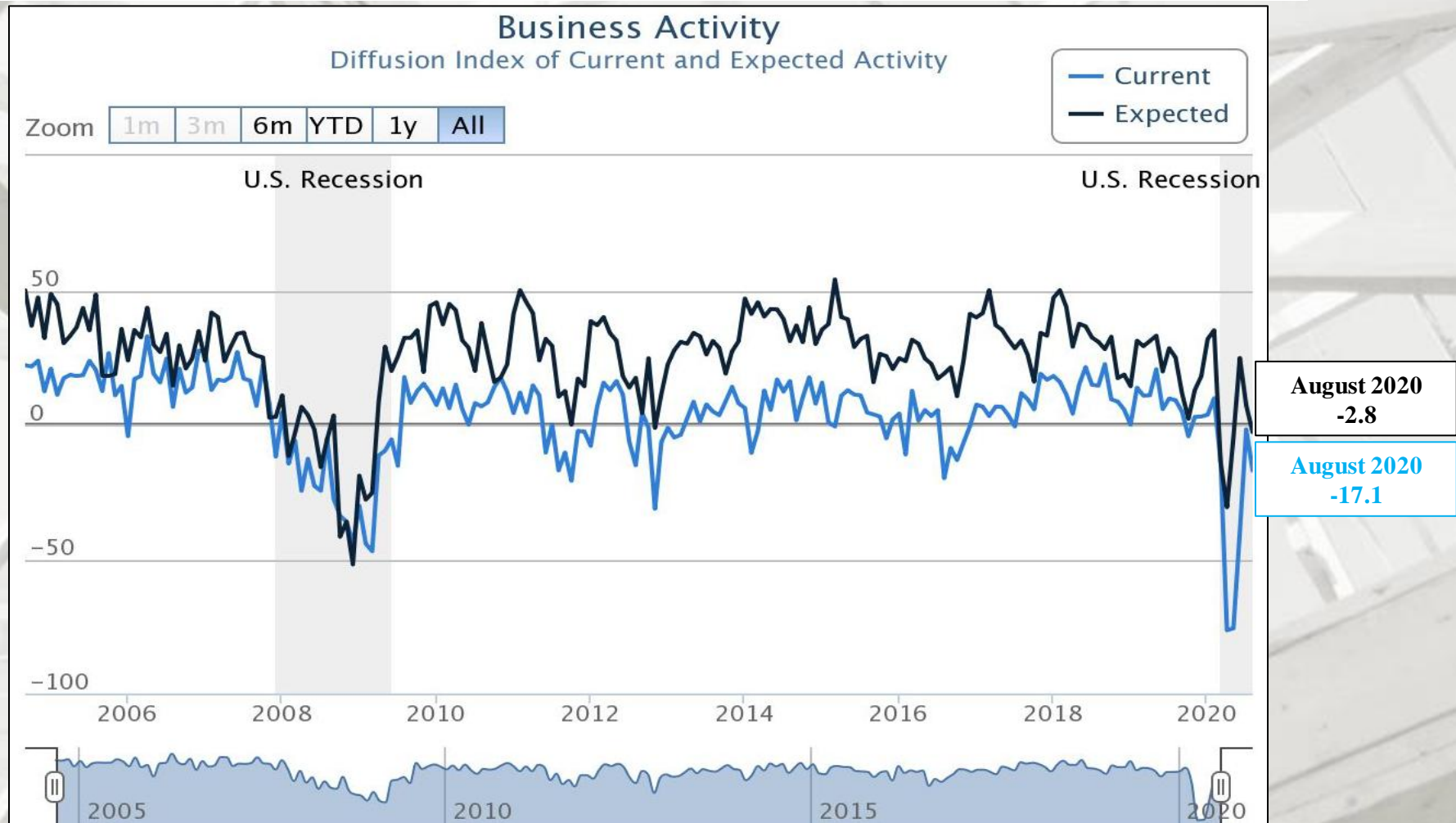
After stabilizing last month for the first time since the pandemic began, business activity in the region’s service sector declined in August. The headline business activity index fell fifteen points to -17.1. Twenty-four percent of respondents reported that conditions improved over the month, and 42 percent said that conditions worsened. The business climate index was little changed at -74.1, with 82 percent of respondents viewing the business climate as worse than normal.

### Employment Continues To Fall

Although the employment index increased for a third consecutive month, it remained well below zero at -14.2, pointing to ongoing employment declines, though such declines were less widespread than last month. The wages index rose to 2.8, signaling a slight increase in wages for the first time in several months. The prices paid index rose eight points to 28.0, indicating that input price increases picked up. The prices received index moved up four points to -3.7, indicating that selling prices declined at a slower pace than in July. The capital spending index came in at -27.3, suggesting ongoing significant declines in capital spending.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York



# The Federal Reserve Bank of New York



## Outlook Turns Pessimistic Again

“The index for future business activity turned negative, falling ten points to -2.8, and the future business climate index fell to -20.4, indicating that firms expected conditions to be worse over the next six months. Employment levels are expected to hold steady at current levels, and small increases in wages are anticipated. Capital spending is expected to continue to decline.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York



# U.S. Economic Indicators

## The Federal Reserve Bank of Philadelphia

### August 2020 Manufacturing Business Outlook Survey

“Manufacturing activity in the region continued to expand this month, according to firms responding to the August *Manufacturing Business Outlook Survey*. The survey’s current indicators for general activity, new orders, and shipments remained positive for the third consecutive month but fell from their readings in July. The employment index also fell from its reading in July but remained in positive territory for the second consecutive month. Most of the future indicators remained elevated, suggesting that the firms expect growth over the next six months.

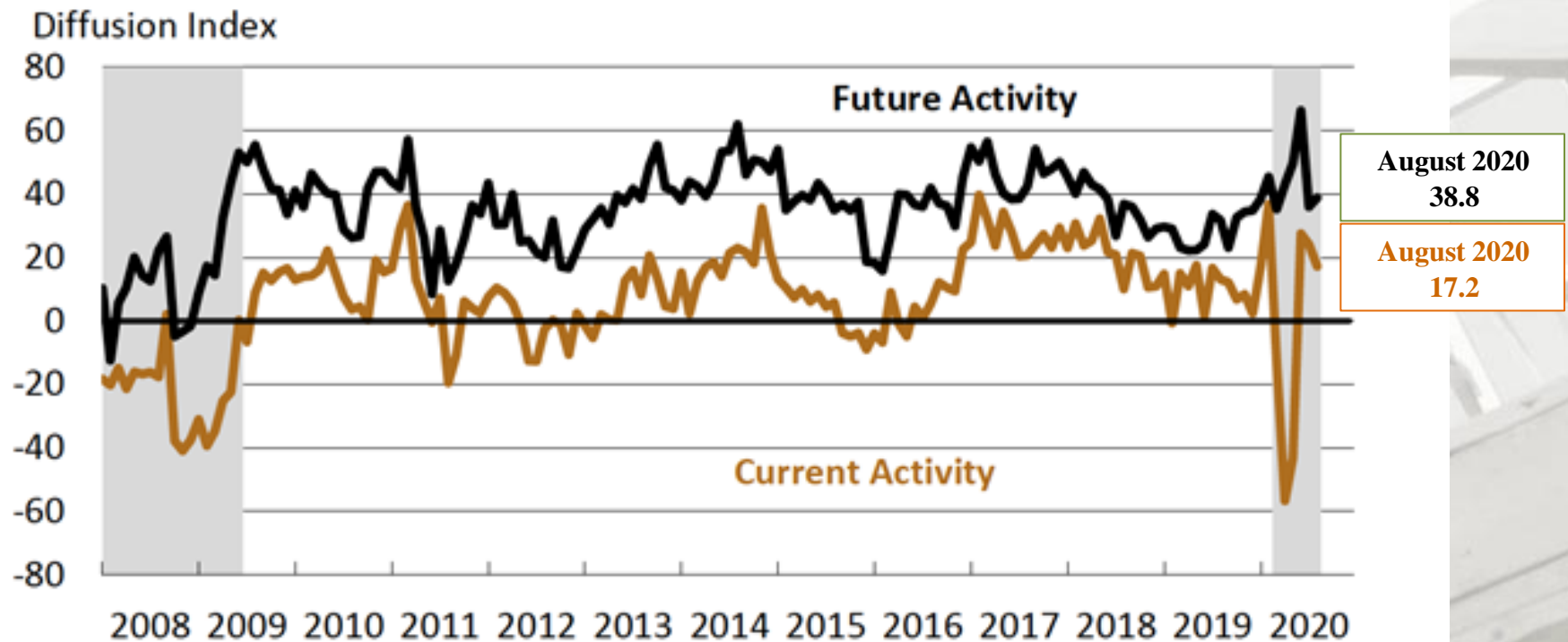
#### Most Current Indicators Remain Positive

The diffusion index for current activity fell 7 points to 17.2 in August, its third consecutive positive reading after reaching long-term lows in April and May (see Chart). The percentage of firms reporting increases (28 percent) exceeded the percentage reporting decreases (11 percent). The index for new orders decreased from 23.0 to 19.0. Over 34 percent of the firms reported increases in new orders this month, while 15 percent reported decreases. The current shipments index fell 6 points to 9.4 in August.

On balance, the firms reported increases in manufacturing employment for the second consecutive month, but the current employment index fell 11 points to 9.0 this month. Employment increases were reported by 23 percent of the firms, down from 29 percent in July. The average workweek index remained positive for the second consecutive month but fell 6 points to 11.3.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

# The Federal Reserve Bank of Philadelphia

**Chart. Current and Future General Activity Indexes**  
January 2008 to August 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**

## **Some Firms Report Increases in Prices**

“The survey’s price indicators remained positive and were little changed this month. The prices paid diffusion index was essentially unchanged at 15.3. More than 21 percent of the firms reported increases in input prices, and 6 percent reported decreases; most firms (73 percent) reported no change. The current prices received index, reflecting manufacturers’ own prices, increased 1 point to 12.4. Over 16 percent of the firms reported increases in prices of their own manufactured goods, and 4 percent reported decreases; most firms (80 percent) reported no change.

## **Firms Expect Own Prices to Match Rate of Inflation**

In this month’s special questions, the firms were asked to forecast the changes in the prices of their own products and for U.S. consumers over the next four quarters. Regarding their own prices, the firms’ median forecast was for an increase of 2.0 percent, higher than the 1.0 percent that was forecast when the same question was last asked in May. The firms’ actual price change over the past year was 1.5 percent. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 3.0 percent over the next four quarters, an increase from 2.5 percent in the previous quarter. When asked about the rate of inflation for U.S. consumers over the next year, the firms’ median forecast was unchanged at 2.0 percent. The firms’ median forecast for the long-run (10-year average) inflation rate was 2.8 percent, a slight decrease from 3.0 percent in the previous quarter.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

# The Federal Reserve Bank of Philadelphia

## Firms Remain Optimistic About Future Growth

“The respondents remained optimistic about growth over the next six months. The diffusion index for future general activity edged 3 points higher to 38.8 in August (see Chart). The future new orders index ticked down 1 point and remained at an elevated reading of 55.1, while the future shipments index decreased 4 points to 46.9 this month. The firms continued to expect increases in employment over the next six months, although the future employment index edged down 3 points. Nearly 38 percent of the firms expected higher employment, while 8 percent expected lower employment. The index for future capital spending fell 4 points to 23.0, with roughly one-third of the firms expecting to increase spending over the next six months.

### Summary

Responses to the August *Manufacturing Business Outlook Survey* suggest continued recovery for the region’s manufacturing sector. The indicators for current activity, new orders, shipments, and employment remained positive, although all decreased from their readings in July. The survey’s future indexes suggest that respondents continue to expect growth in manufacturing activity over the next six months.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia



# The Federal Reserve Bank of Philadelphia

## July 2020 Nonmanufacturing Business Outlook Survey

### Current Indicators Reach Positive Territory

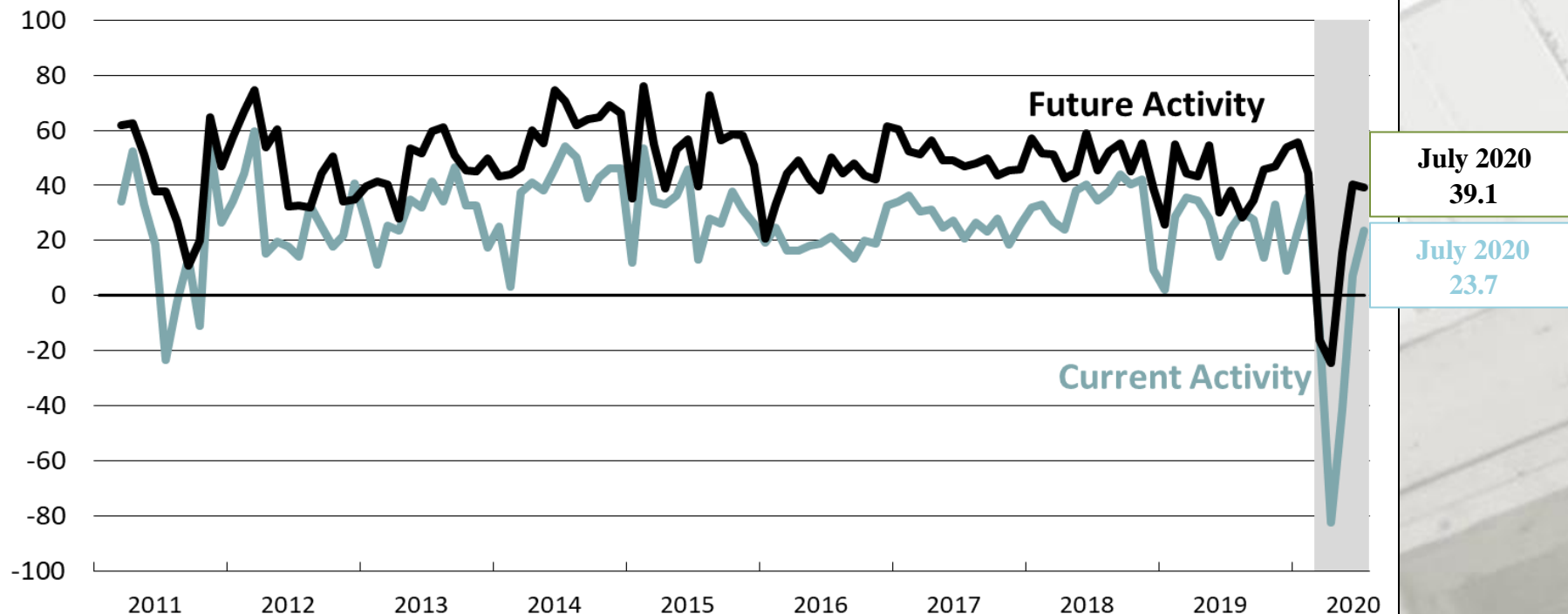
“Nonmanufacturing firms reported continued weakness in regional nonmanufacturing activity this month, according to results from the *Nonmanufacturing Business Outlook Survey*. The indexes for general activity at the firm level and sales/revenues showed positive readings for the second consecutive month after a string of negative readings in the spring, coinciding with the phased reopening of the service economy in the region. Additionally, the new orders index showed a positive reading for the first time since February. However, the full-time employment index remained negative. The respondents expect overall improvement in conditions over the next six months, as both future activity indexes remain positive.

The diffusion index for current general activity at the firm level rose for the third consecutive month from 7.3 in July to 23.7 in July, after reaching historic lows in the spring (see Chart 1). Over 49 percent of the firms reported increases (up from 45 percent last month), while 25 percent reported decreases (down from 38 percent last month). The new orders index rose 26 points to 13.8 in July, its third consecutive month with a double-digit increase and its first positive reading since February. Forty percent of the firms reported increases in new orders, while 26 percent reported decreases. The sales/revenues index rose from 0.3 in July to 11.1 in July. The regional activity index increased 4 points to 0.7, its first positive reading since February.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

# The Federal Reserve Bank of Philadelphia

**Chart 1. Current and Future General Activity Indexes for Firms**  
March 2011 to July 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**

## **July 2020 Nonmanufacturing Business Outlook Survey**

### **Employment Indicators Remain Negative**

“The firms reported overall decreases in full-time and part-time employment for the fifth consecutive month. The full-time employment index rose 5 points to -8.1, rising for the third consecutive month after reaching an all-time low in April. The share of firms reporting decreases in full-time employment (22 percent) exceeded the share reporting increases (14 percent); the majority (59 percent) reported no change. The part-time employment index increased 4 points to -20.7. The majority of firms reported steady part-time employment (56 percent), while 29 percent of the firms reported decreases and 9 percent reported increases. The wages and benefits indicator rose 6 points to 2.3, its first positive reading since March, and the average workweek index fell 5 points to 1.6.

### **Firms Continue to Report Declines in Prices of Own Goods**

Price indicator readings suggest overall increases in prices for inputs and declines in prices for the firms’ own goods and services. The prices paid index increased from 2.0 in July to 9.9 in July. While most respondents (60 percent) reported stable input prices, 18 percent of the firms reported increases, and 8 percent reported decreases. Regarding prices for the firms’ own goods and services, the prices received index held steady at -13.8 in July. Twenty-three percent of the firms reported decreases in prices received, and 9 percent reported increases. Fifty-seven 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

## July 2020 Nonmanufacturing Business Outlook Survey

### Future Indicators Remain Positive

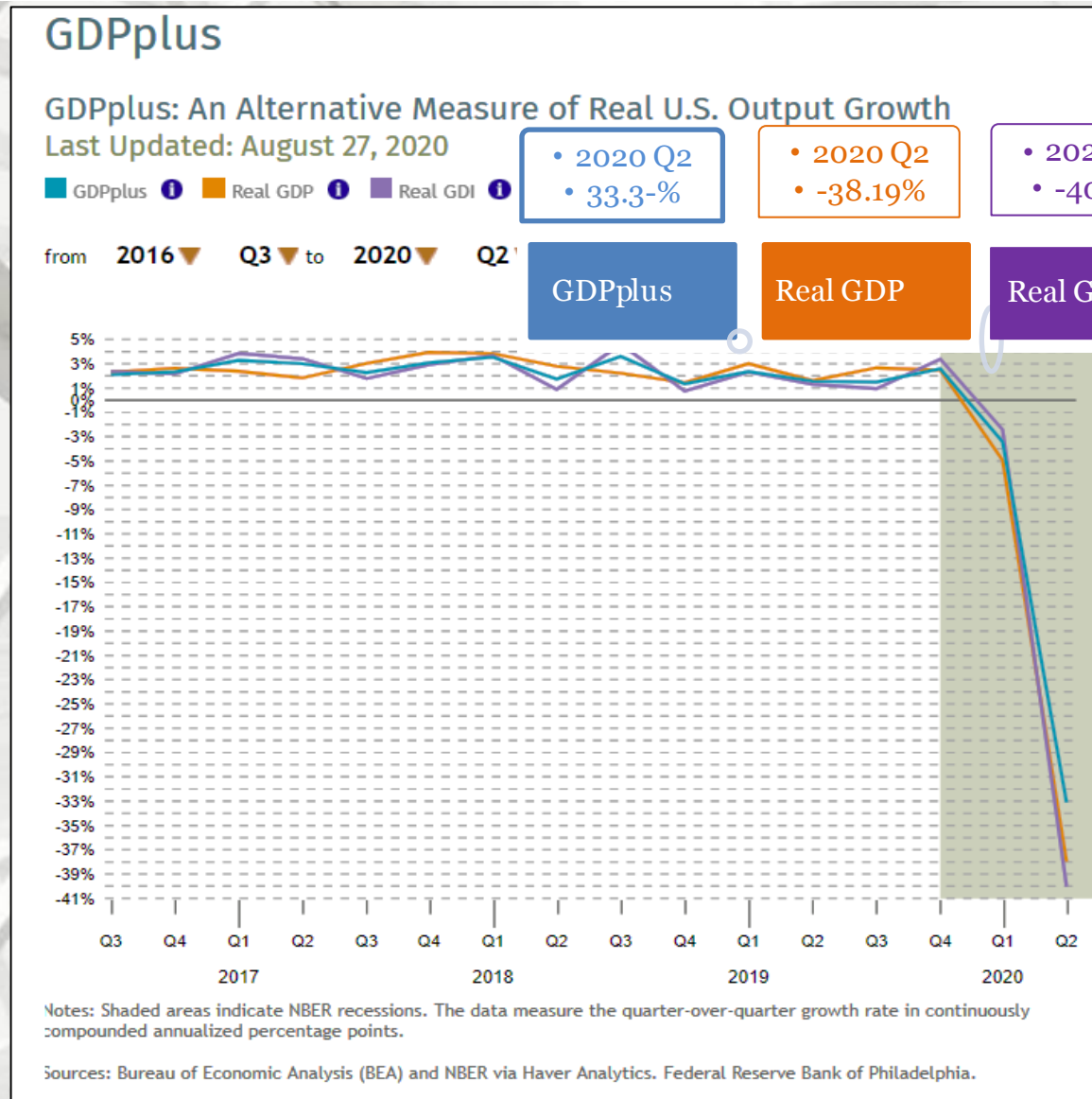
“Both future activity indexes suggest that the respondents expect overall improvement in nonmanufacturing activity over the next six months. The diffusion index for future activity at the firm level edged down from a reading of 40.5 in July to 39.1 this month (see Chart 1). Nearly 60 percent of the firms expect an increase in activity at their firms over the next six months, compared with 21 percent that expect decreases. The future regional activity index fell from 37.1 in July to 23.9 in July.

### Summary

Responses to this month’s *Nonmanufacturing Business Outlook Survey* suggest signs of improvement in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, and new orders are now all in positive territory after reaching all-time lows in the spring; however, the index for full-time employment remained negative. The future activity indexes suggest that respondents expect improvement at their firms and in the region over the next six months.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia



# The Federal Reserve Bank of Philadelphia: GDPplus



# **U.S. Economic Indicators**

## **The Federal Reserve Bank of Richmond**

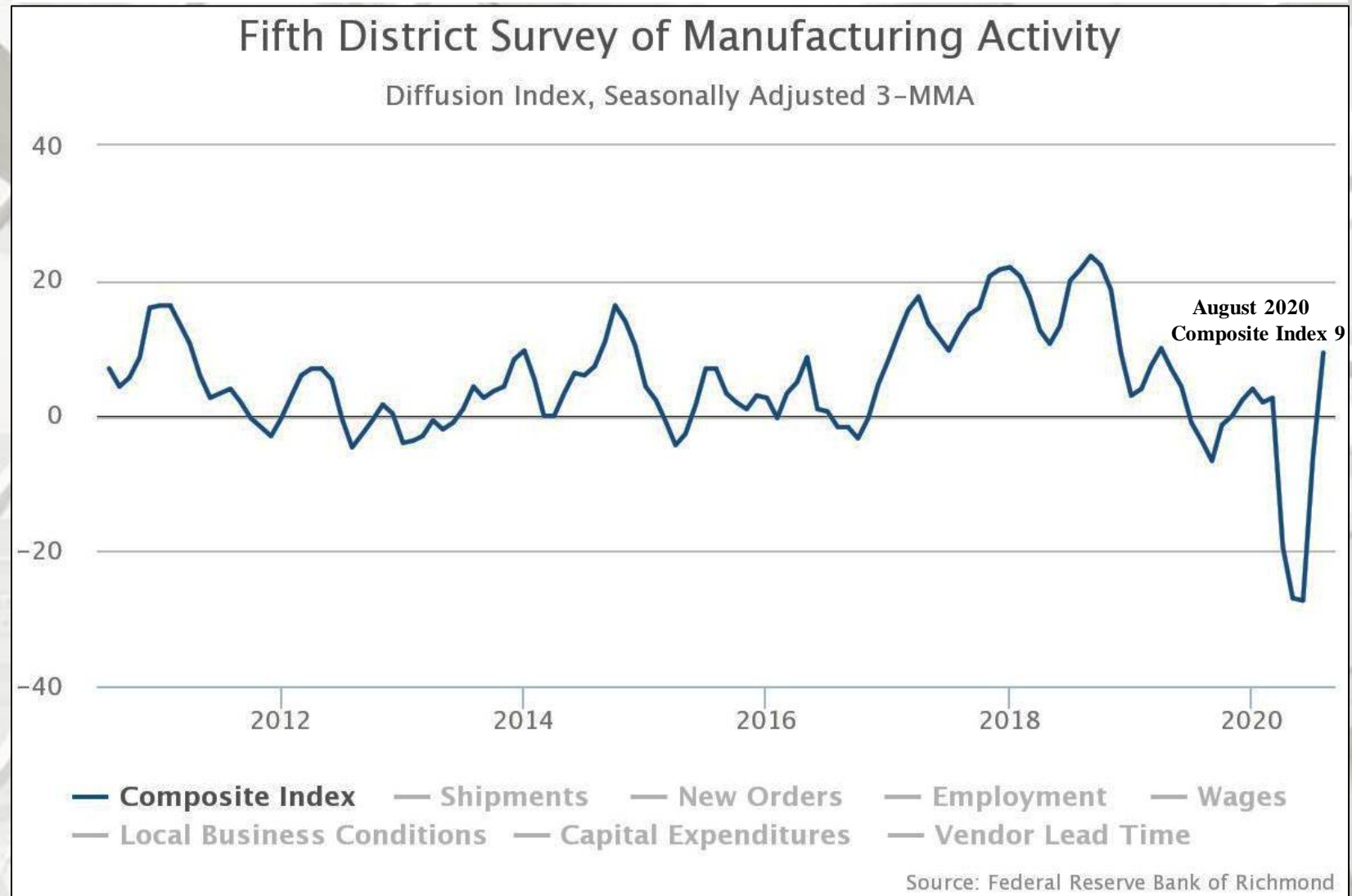
### **Manufacturing Activity Strengthened in August**

“Manufacturing activity in the Fifth District continued to strengthen in August, according to the most recent survey from the Richmond Fed. The composite index rose from 10 in July to 18 in August, as all three components — shipments, new orders, and employment — increased. The index for local business conditions also rose and many firms reported increased capital expenditures. Manufacturers were optimistic that conditions would continue to improve.

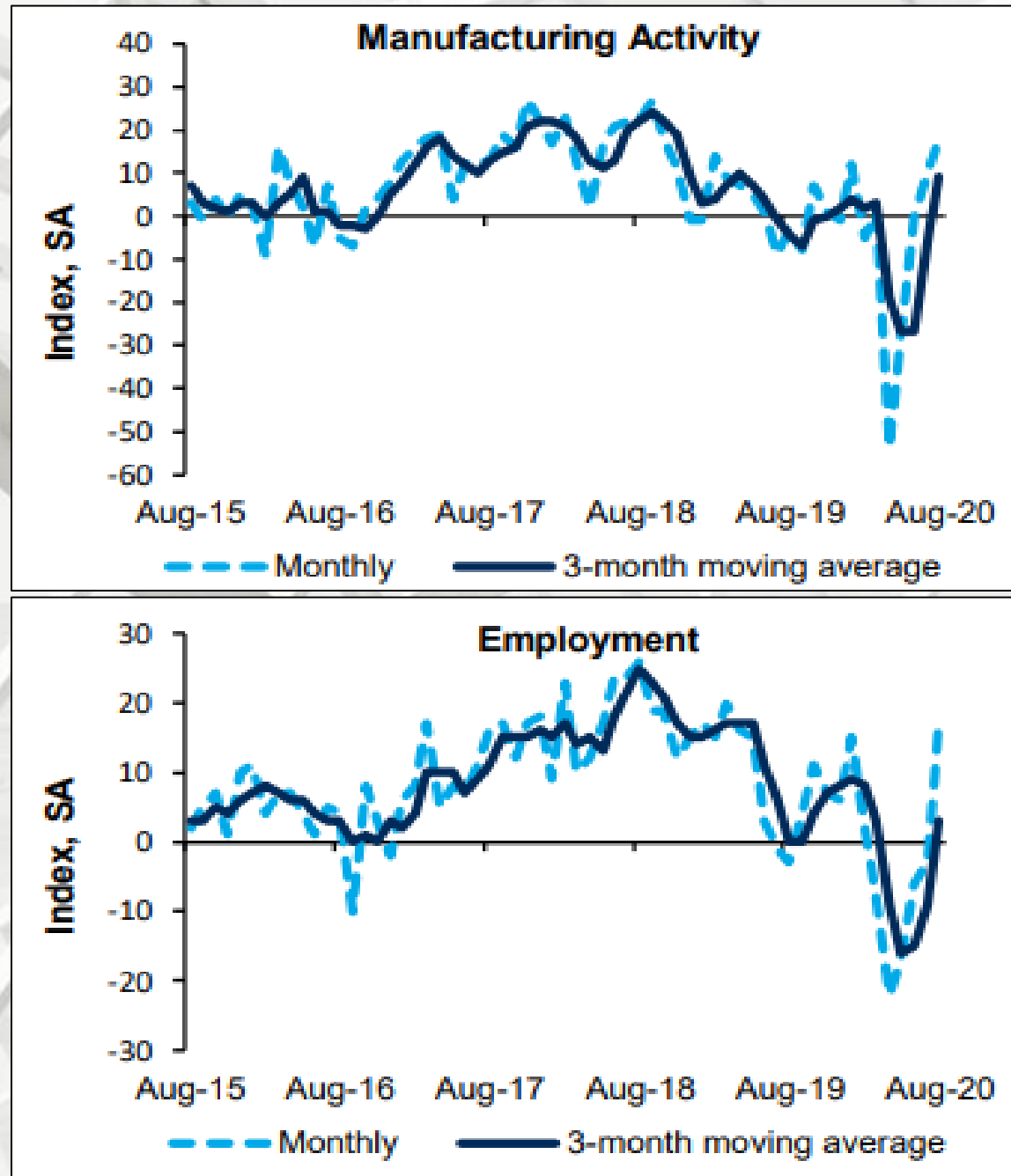
Survey results suggested many Fifth District manufacturers saw increases in employment, wages, and the average workweek in August. However, firms struggled to find workers with the necessary skills, as this index fell from 3 in July to -21 in August, its largest one-month drop on record. Survey respondents expected employment and wages to rise and continued difficulty finding skills in the coming months.

The average growth rates of both prices paid and prices received by survey participants increased in August. Growth of prices paid continued to outpace that of prices received, and respondents expect the gap to widen in the next six months.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

# U.S. Economic Indicators

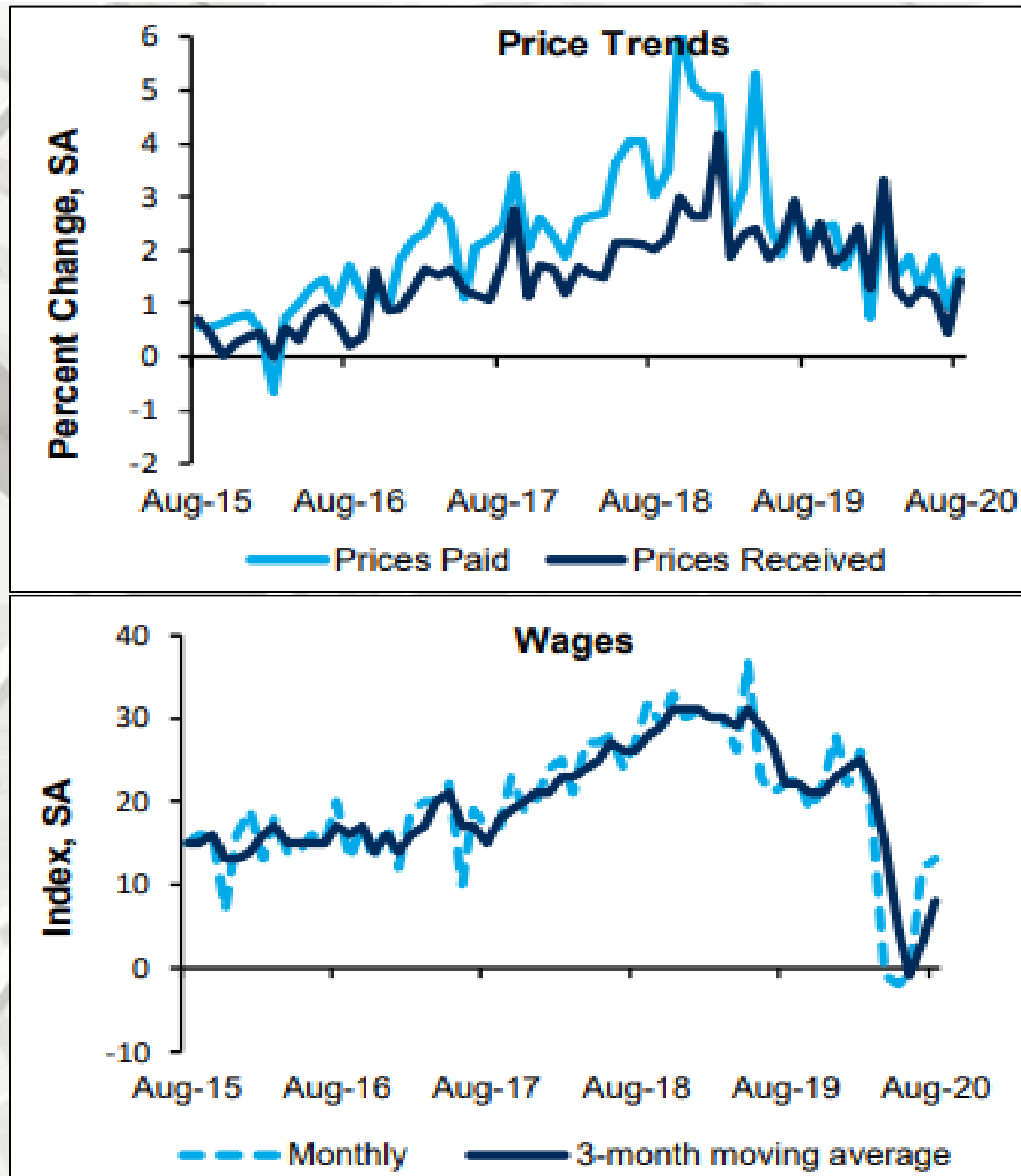


# U.S. Economic Indicators





# U.S. Economic Indicators



# **U.S. Economic Indicators**

## **The Federal Reserve Bank of Richmond Fifth District Survey of Service Sector Activity Service Sector Activity Held Steady in August**

“Activity in the Fifth District service sector held fairly steady in August, according to the most recent survey by the Richmond Fed. The indexes for revenues and demand increased from -14 and -5 in July to 2 and -1 in August, respectively, indicating fairly flat activity after several months of contraction. Service sector firms reported a decrease in capital spending and a slight softening of business conditions in August. However, they expected to see improving conditions in the coming months.

Survey results indicated that employment and wages were little changed overall in August. The index for availability of skills needed was positive, indicating more availability. Respondents expected employment and wages to increase in the next six months.

The growth rates of both prices paid and prices received by survey respondents rose in August, as growth of prices paid continued to outpace prices received. Participants expected growth of both prices paid and prices received to slow in the near future.” – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond

# U.S. Economic Indicators

## Fifth District Survey of Service Sector Activity

Diffusion Index, Seasonally Adjusted 3-MMA



Source: Federal Reserve Bank of Richmond

# U.S. Economic Indicators

## The Federal Reserve Bank of San Francisco

### FedViews

- “After the historic hit to real GDP in the second quarter, an economic recovery appears to be underway, and we expect strong real GDP growth in the second half of the year. However, the pace of the recovery is quite uncertain and will depend heavily on the path of the COVID-19 pandemic and the pace of development of vaccines and effective drug treatments.
- Even with the strong growth forecast, it likely will take several years until the level of real GDP returns to the trend path it was on prior to the pandemic.
- A similar story applies to the labor market. Like GDP, nonfarm payroll employment plummeted in the spring, falling by over 22 million jobs in March and April. Employment has rebounded strongly in recent months, but far from enough to make up for all of these job losses.
- Correspondingly, the official unemployment rate has fallen from its peak in April of 14.7% to 10.2% in July, but it is still nearly three times higher than it was before the pandemic and is about where it was when it peaked during the Great Recession. We forecast a steady drop in the unemployment rate but do not expect it to return to its pre-pandemic level for many years.
- The huge negative hit to aggregate demand since the onset of the pandemic coupled with drops in oil prices have pushed down both headline inflation and core inflation. Under its recently updated monetary policy framework, the FOMC “seeks to achieve inflation that averages 2% over time.” With the initial hit to inflation over, we expect it to recover going forward, but we do not see inflation reaching 2% on a sustainable basis for several years.” – Daniel Wilson, Vice President, The Federal Reserve Bank of San Francisco



# U.S. Economic Indicators

## The Federal Reserve Bank of San Francisco

### FedViews

- “In response to the pandemic downturn, the Federal Open Market Committee quickly lowered the target federal funds rate down to near zero and launched a series of facilities to calm financial markets. These actions have helped pushed down other interest rates, particularly Treasury bond yields, to near historic lows. Thus, monetary policy and financial conditions are quite accommodative and, together with federal fiscal stimulus, likely have contributed substantially to the economic recovery to date.
- The current and impending fiscal distress facing state and local governments is a brewing risk to the economic recovery. These budgets have been hit hard by the pandemic downturn, with revenues falling sharply because of shrinking income and sales tax bases.
- For instance, a recent study by the Center for Budget and Policy Priorities estimated that total state revenues will fall by \$290 billion during the current fiscal year, which as a share of pre-recession revenues is three times larger than the decline during the Great Recession. At the same time, spending needs have only increased, especially in the areas of public health, Medicaid, and unemployment insurance benefits.
- Fortunately, states entered the crisis with a record-high total of rainy day funds, with an aggregate amount equivalent to nearly 9% of annual expenditures in fiscal year 2020 — the year ending June 30, 2020, in most states. In addition, local governments get a considerable amount of their revenues directly from their state governments, so what is good for state finances is good for local finances.” – Daniel Wilson, Vice President, The Federal Reserve Bank of San Francisco

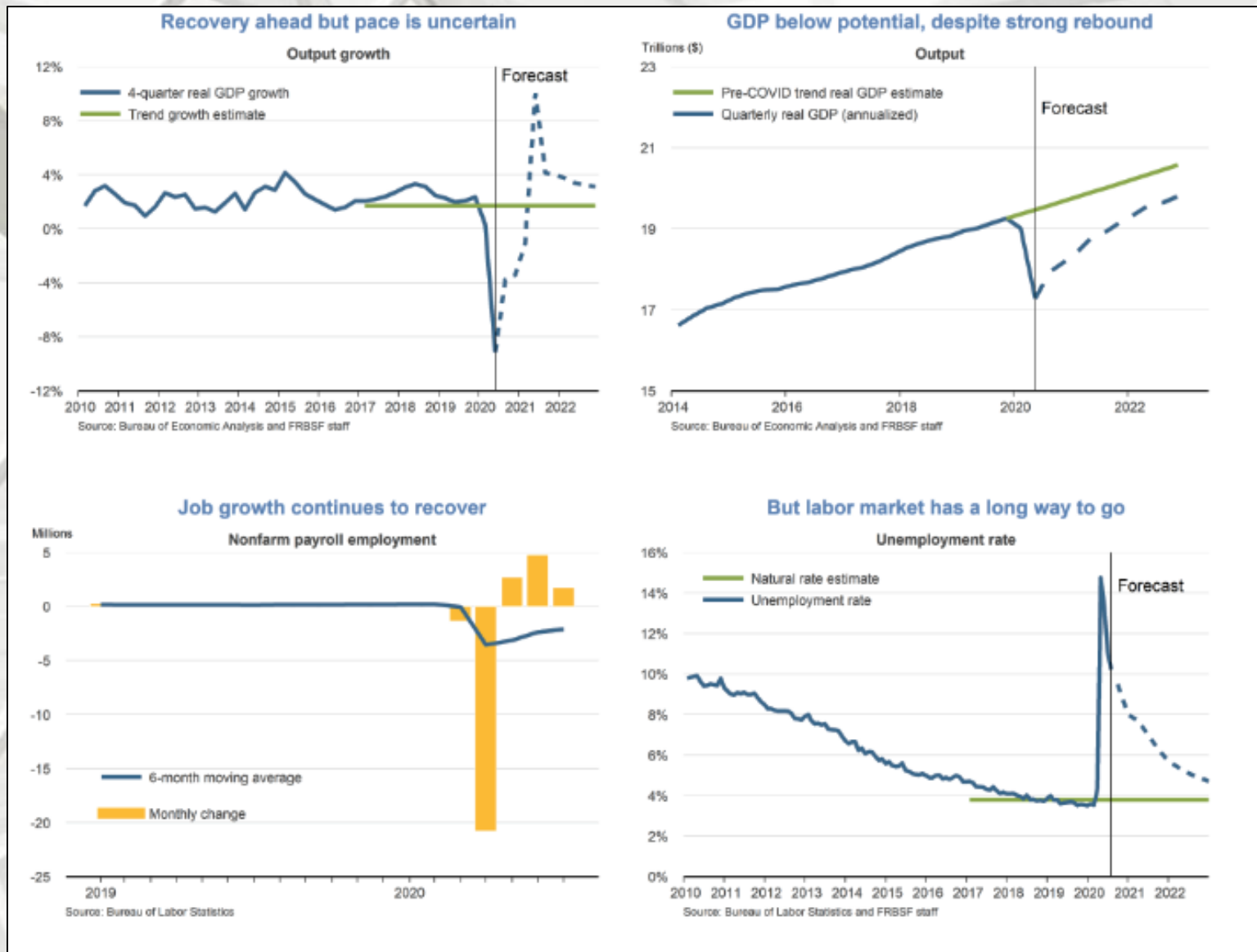
# U.S. Economic Indicators

## The Federal Reserve Bank of San Francisco

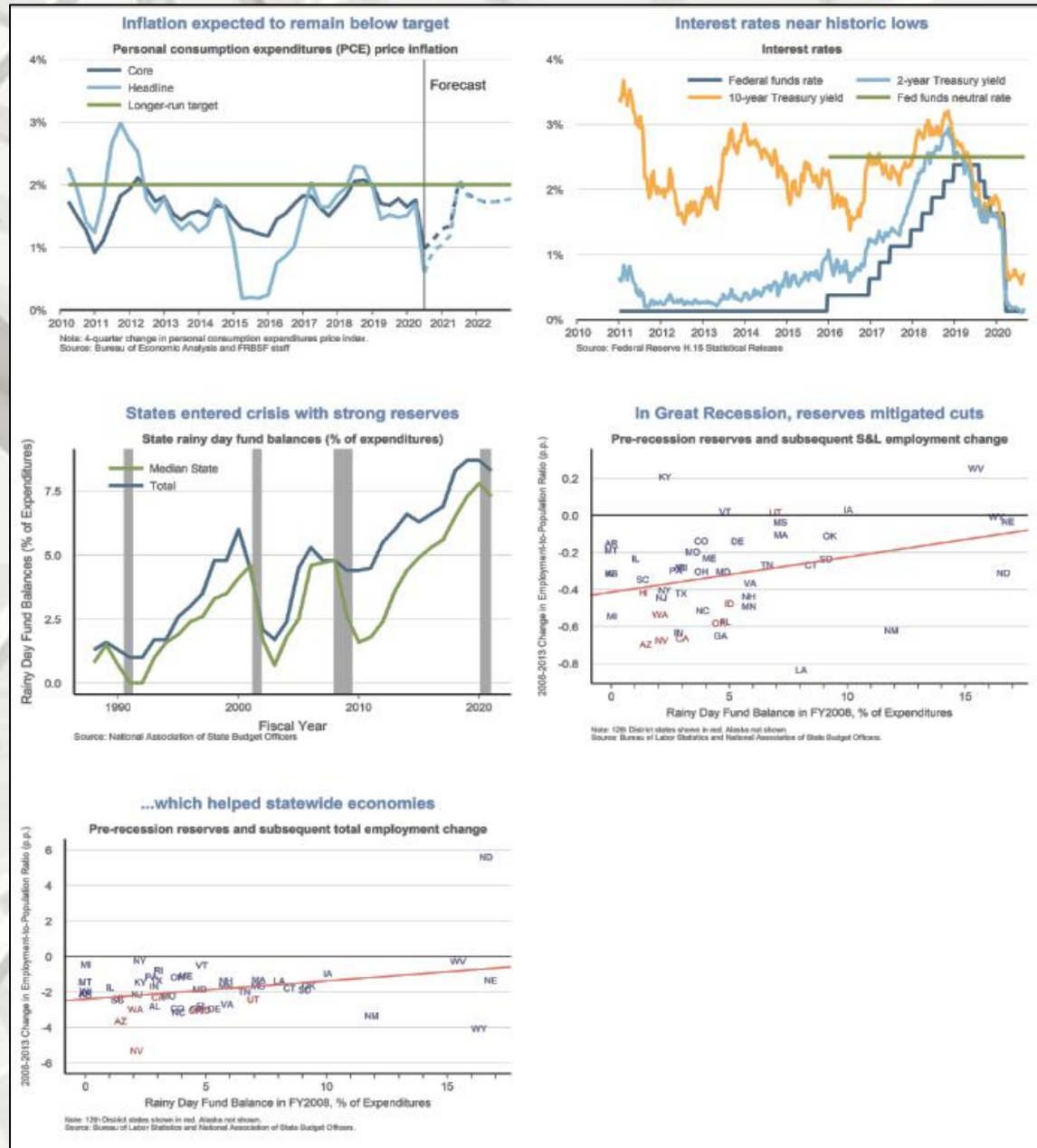
### FedViews

- “Rainy day funds help cushion state spending from the effects of revenue shocks. In the Great Recession, states with larger rainy day funds shed fewer state and local government workers (as a share of population) over the subsequent five years compared to states with smaller rainy day funds. These effects carried over to their entire state economy as well. States with larger rainy day funds entering the Great Recession not only saw smaller declines in state and local government employment but also smaller declines in statewide employment. However, in the current environment even rainy day funds as high as 9% of expenditures are likely to be insufficient to make up for the revenue declines facing state and local governments ahead.
- State and local governments are generally prohibited from deficit spending due to balanced budget rules. Their only avenue for long-term borrowing is general obligation bonds for capital infrastructure projects. Therefore, budget shortfalls must be closed in the near term by either tax increases or spending cuts. Because governments are loath to raise taxes in the middle of a recession, we should expect major budget cuts to come.
- Indeed, state and local budget cuts have already begun. The evidence from the Great Recession suggests that, if history is any guide, the state and local budget cuts to come likely will be an important drag on aggregate employment and economic growth over the next few years.” – Daniel Wilson, Vice President, The Federal Reserve Bank of San Francisco

# U.S. Economic Indicators

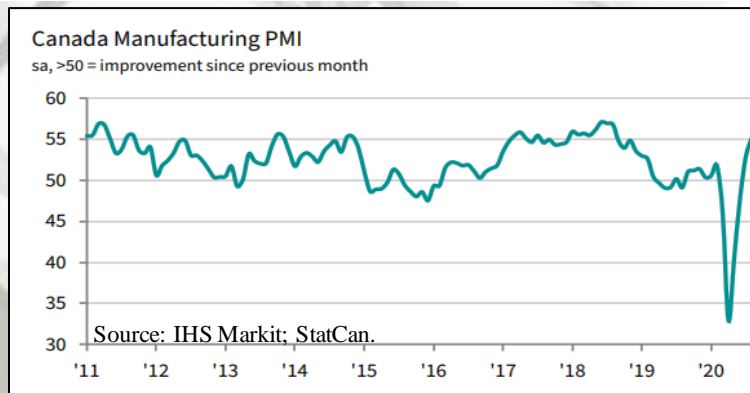


# U.S. Economic Indicators





# Private Indicators: Global



## Markit Canada Manufacturing PMI™

“The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers’ Index® (PMI®) registered 55.1 in August, up from 52.9 in July, to signal the sharpest improvement in business conditions since August 2018.

### Manufacturing PMI signals fastest growth since August 2018

August data pointed to another positive month overall for the Canadian manufacturing industry as it extended its recovery. New orders and output both increased solidly, with firms linking growth to greater client demand. Employment also saw another upturn which manufacturers attributed to demand for staff amid signs of emerging capacity pressures. Meanwhile, input price inflation accelerated at the fastest pace since January 2019. Manufacturing production rose strongly in the survey period, with growth the fastest in two years. Firms generally linked improved output with recovering market conditions following the coronavirus disease 2019 (COVID-19).

Mirroring the trend seen in output, the latest survey data pointed to a second successive expansion in new orders in the Canadian manufacturing sector. Foreign demand also improved, ending a five-month sequence of falling new export orders. Anecdotal evidence pointed to growing client demand as the main driver of new order growth. ...

Latest data highlighted a strong upturn in the Canadian manufacturing industry, continuing the recovery from the severe second quarter downturn. Production and order book volumes both expanded at the fastest pace in two years, driven by the reopening of client businesses and improvements in customer demand. Rising workloads, and signs of capacity pressures emerging were good news for jobs. Employment increased at the fastest rate since the start of 2019. That said, it was not all positive in August, delivery times lengthened at another marked rate amid ongoing COVID-19 disruption, while there were signs of building inflationary pressures” – Tim Moore, Economics Associate Director, IHS Markit

# Private Indicators: Global

## Caixin China General Manufacturing PMI™

### Manufacturing sector expands at solid pace in August

“China’s manufacturing sector continued to expand strongly in August, adding to signs of a further recovery in conditions after the coronavirus disease 2019 (COVID-19) virus outbreak earlier in the year. Production and new orders both expanded at sharper rates than in July, while firms reported the first increase in export sales in 2020 to date. Firmer demand conditions led to a sustained increase in purchasing activity, although the rate of expansion eased slightly since July. Meanwhile, staffing levels fell at only a fractional, hinting that employment was close to stabilisation as firms registered a further increase in backlogs of work. Prices data meanwhile indicated softer increases in both input costs and output charges compared to the previous month.

Helping to lift the headline PMI were steeper increases in both output and new orders in August. Total new work expanded at the sharpest rate since the start of 2011 amid reports of firmer client demand as the domestic and global economy continued to recover from the pandemic. Notably, manufacturers registered the first increase in new export sales since December 2019. ...

... Overall, the post-epidemic economic recovery in the manufacturing sector continued. Supply and demand expanded with the pickup in overseas demand. Backlogs of work continued to increase. Both quantity of purchases and stocks of purchased items also grew. Companies’ future output expectations remained strong, reflecting a positive outlook for the manufacturing sector for the year ahead. Employment remained an important focus. An expansion of employment relies on long-term improvement in the economy. Macroeconomic policy supports are essential, especially when there are still many uncertainties in domestic and overseas economies. Relevant policies should not be significantly tightened.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

# Private Indicators: Global

## China General Manufacturing PMI

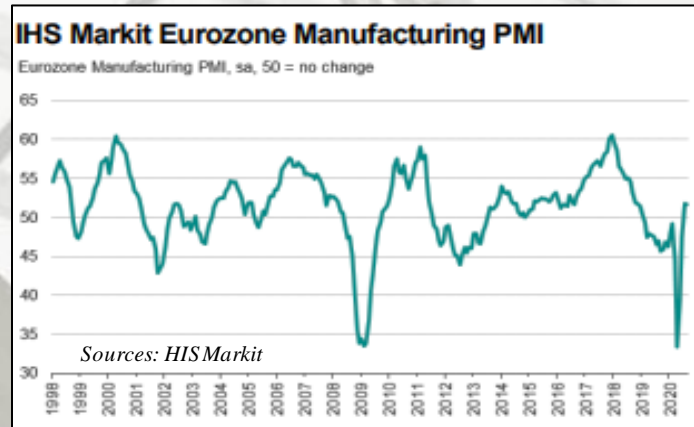
sa, >50 = improvement since previous month



### Caixin China General Manufacturing PMI™

“The headline seasonally adjusted Purchasing Managers’ Index™ (PMI™) – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – rose from 52.8 at the start of the third quarter to 53.1 in August. The reading was indicative of a solid overall improvement in the health of the sector, and one that was the most marked since January 2011.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

# Private Indicators: Global



## Markit Eurozone Manufacturing PMI®

“The recovery of the euro area’s manufacturing sector from the severe constraints on economic activity related to fighting the global coronavirus disease (COVID-19) continued during August. Output and new orders both rose at marked rates and ensured that the IHS Markit Eurozone Manufacturing PMI® remained above the 50.0 no-change mark for a second successive month. The headline index posted 51.7 in August, unchanged on the earlier flash reading and little-moved on July’s 51.8.

### Modest growth of eurozone manufacturing sector sustained

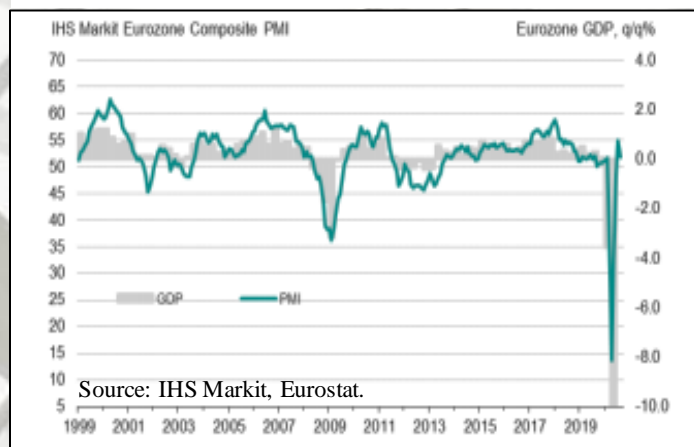
Growth was again widespread, with all three market groups registering an improvement in operating conditions compared to the previous month. The consumer goods category was again the best performing, retaining a solid pace of expansion. Relatively modest gains were seen in the intermediate and investment goods categories. ...

Eurozone factory output rose strongly again in August, providing further encouraging evidence that production will rebound sharply in the third quarter after the collapse seen at the height of the COVID19 pandemic in the second quarter. Business expectations for output in a year’s time also rose to the highest for over two years as prospects continued to brighten from the unprecedented gloom seen earlier in 2020. Caution is warranted in assessing the likely production trend, however, as so far it would have been surprising to have seen anything other than a rebound in output and sentiment. Worryingly, order book growth cooled slightly in August, and there are indications that firms are bracing for a near-term weakening of demand. Of note, a key theme of the latest survey is one of firms taking a cautious approach to costs and spending, notably in respect to investment and hiring, amid continued worries about the strength of future demand and uncertainty over the course of the pandemic. Producers of investment goods such as plant and machinery reported the weakest order book growth, and job losses remained amongst the most prevalent since the global financial crisis. Whilst the drop in payroll numbers was led by Germany, France, Spain and Austria reported a reacceleration of job losses and a return to job cutting was seen in Ireland, sending worrying signals that many firms have become more concerned about the near-term outlook.

In short, manufacturing is currently being buoyed by a wave of pent up demand, but capacity is being scaled back. The next few months’ data will be allimportant in assessing the sustainability of the upturn.” – Chris Williamson, Chief Business Economist, Markit®



# Private Indicators: Global



## Markit Eurozone Composite PMI®

“The recovery of the eurozone’s private sector economy lost momentum in August as growth eased markedly on July’s recent peak. After accounting for seasonal factors, the **IHS Markit Eurozone PMI® Composite Output Index** fell to 51.9, down from 54.9 in the previous month. The index was, however, higher than the earlier flash reading (51.6) and represented moderate growth in activity.

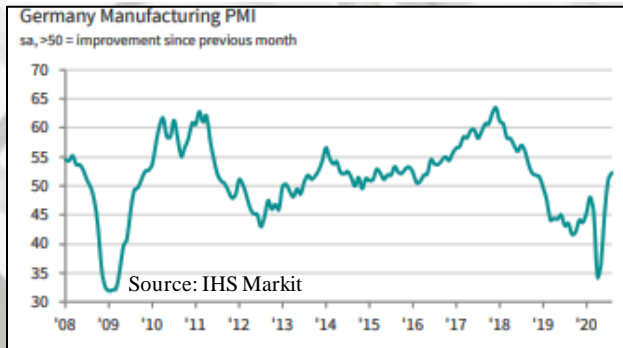
## Markedly lower growth of eurozone economy during August

There was a divergence in performance in activity by sector during August. Manufacturing output rose markedly and at the fastest pace since April 2018. Although service sector activity also rose for a second month in succession, the rate of growth eased sharply and was only marginal. Underpinned by a strong performance in its manufacturing sector, Germany was the best performing country during August, although overall growth was a little softer than the previous month. Ireland and France also recorded gains in activity although, in the case of the latter, the rate of expansion was much slower than in July. ...

Service sector companies across the eurozone saw growth of business activity grind almost to a halt in August, fueling worries that the post-lockdown rebound has started to fade amid ongoing social distancing restrictions linked to COVID-19. The near-stalling needs to be viewed in the context of the strong expansion seen in July: business growth had surged to a near two-year high as economies opened up further from the severe COVID-19 lockdowns. However, the latest reading still sends a disappointing signal that the rebound has lost almost all momentum.

The larger size of the services economy means the subdued picture offsets the more upbeat survey of manufacturers in August, suggesting that the overall pace of economic growth has waned midway through the third quarter. Although the relative strength of the PMI data in July and August mean the autumn is likely to still see the economy rebound strongly from the collapse witnessed in the spring, the survey highlights how policymakers will need to remain focused firmly on sustaining the recovery as we head further into the year.” – Chris Williamson, Chief Business Economist, Markit®

# Private Indicators: Global



## IHS Markit/BME Germany Manufacturing PMI®

“The headline IHS Markit/BME Germany Manufacturing PMI® – a single-figure snapshot of overall business conditions – improved to a 22-month high of 52.2 in August, up from 51.0 in July. The index has risen in each month since hitting an 11-year low at the height of the COVID-19 lockdown in April.

### **Business conditions continue to recover across manufacturing sector during August**

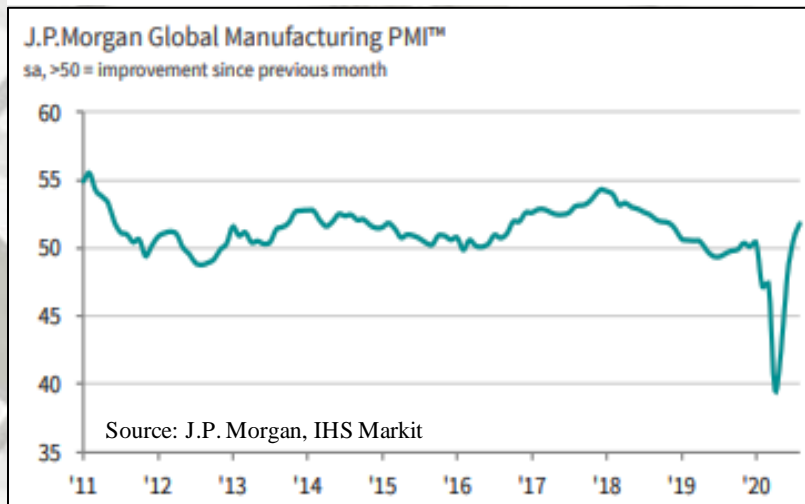
Latest PMI® data showed a further improvement in business conditions across the German manufacturing sector in August, with new orders continuing to rebound from the lows during the coronavirus disease 2019 (COVID-19) lockdown and growth of production reaching the strongest for two-and-a-half years. Goods producers meanwhile noted a further marked round of job cuts, though the decline in employment eased amid improved expectations and steadily rising backlogs of work.

Supporting the rise in the PMI in August was a faster increase in output which, after having returned to growth territory for the first time in 18 months at the start of the third quarter, showed the strongest expansion for two-and-a-half years. The upturn in production was led by the intermediate and consumer goods categories, with makers of investment goods lagging behind.

The manufacturing sector continues to make up the ground lost during the lockdown, with the survey data for August showing output growth reaching the fastest since early-2018. There has been a sustained strong rebound in new orders, although it's unclear where the true current level of demand is really at, with some firms still noting a catch-up effect due to orders having previously been delayed during the lockdown. The encouraging top-line numbers mask ongoing troubles in some sectors, especially machinery and equipment production, which is being hit by a lack of appetite for investment.

Factory jobs continued to be lost at an unsettling rate in August, which is bad news for domestic demand. However, with backlogs of work at factories on the rise, we're at least seeing the pace of staff cuts slowing down. By contrast, the decline in inventory levels has accelerated, with some firms under financial pressure to streamline stocks and many still showing caution in terms of their purchasing activity.” – Phil Smith, Principal Economist, IHSMarkit®

# Private Indicators: Global



## J.P. Morgan Global Manufacturing PMI™

“The J.P. Morgan Global Manufacturing PMI™ – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – rose to a 21-month high of 51.8 in August, from 50.6 in July and above the neutral 50.0 mark for the second successive month. Of the 31 territories covered by the survey, 19 recorded PMI readings indicative of growth.

## Global manufacturing PMI at 21-month high in August

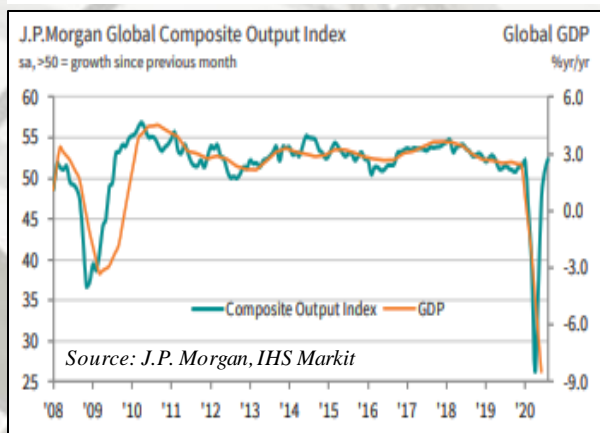
The recovery of the global manufacturing sector gathered pace in August, with output and new orders rising at the fastest rates since April 2018 and June 2018 respectively. The upturn was mainly driven by the restarting of production and reopening of clients following lockdowns in response to the coronavirus disease 2019 (COVID-19) outbreak. August saw manufacturing output increase for the second month running, following a five-month sequence of decline. Production rose across the three sub-sectors covered by the survey. Growth accelerated to a 16-month high at consumer goods producers and to 30- and 23-month peaks in the intermediate and investment goods categories respectively. ...

The level of incoming new business also rose for the second successive month in August. However, the recent rebound in new order inflows has been achieved despite a continued downturn in international trade. ...

The recovery in the global manufacturing sector gathered further pace in August, with rates of expansion in output and new orders the steepest since mid-2018. The upturn should strengthen further in the short term if lockdowns and other restrictions in place to combat the COVID-19 pandemic are eased further as expected. Business optimism and the orders-to-inventory ratio also point to further near-term gains. The labour market remains in the doldrums and could face prolonged weakness as companies restructure in light of the current normal.” – Olya Borichevska, Global Economic Research, J.P. Morgan



# Private Indicators: Global



## 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 – rose to 52.4 in August, its highest level since March 2019. Expansions have been signalled in each of the past two months, following a five-month sequence of contraction. Output growth was registered in both the manufacturing and service sectors, hitting 28- and seven month highs respectively. The steeper pace of expansion was again seen at manufacturers.

### Growth of global output and new orders gather pace in August, as reopening of economies continue

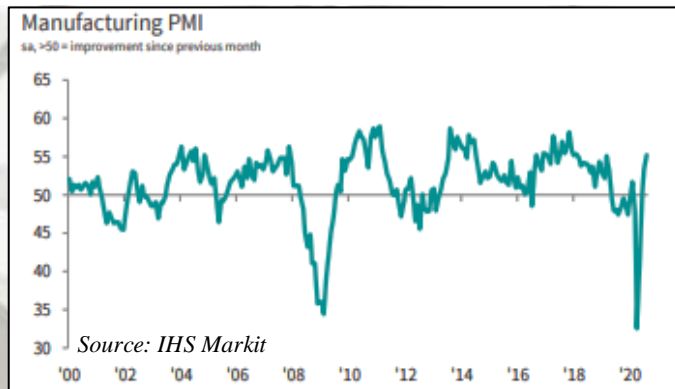
The rate of global economic expansion accelerated to a 17-month high in August. Growth was underpinned by rising levels of incoming new work, as lockdowns and restrictions in response to the coronavirus disease 2019 (COVID-19) were eased in many territories. Five of the six sub-sectors covered by the survey saw output increase, all of which also saw faster rates of expansion. Growth was led by financial services, followed by producers of consumer and intermediate goods. Although consumer services saw activity decline, the rate of contraction was the lowest during the current seven-month downturn.

The J. P. Morgan Global Services Business Activity Index rose to a seven-month high of 51.9 in August, signalling an expansion of output for the second successive month. New business also posted back-to-back increases, contributing to slight rises in outstanding work and employment during the latest survey month. Business optimism eased from July's 13-month record and remained well below its long-run average. Rates of inflation of input costs and output charges edged higher

The recovery in global activity continued through August with the PMIs reflecting this. Manufacturing is faring better so far during the recovery, as a continued downturn in consumer services weighs on services activity as whole despite a strong revival at financial service providers. The labour market continues to improve though more slowly than activity and on net remains depressed. Jobs may face renewed pressure later in the year as government support schemes fade and company restructuring programmes are implemented.” – Olya Borichevska, Global Economic Research, J.P. Morgan



# Private Indicators: Global



## IHS Markit/CIPS UK Manufacturing PMI®

“The seasonally adjusted IHS Markit/CIPS Purchasing Managers’ Index® (PMI®) rose to a 30-month high of 55.2 in August, up from 53.3 in July but a tick below the earlier flash estimate of 55.3. The PMI has posted above its neutral 50.0 mark for three consecutive months.

### **Manufacturing production rises at fastest pace since May 2014 as re-opening of economy continues**

August saw UK manufacturing output expand at the fastest rate for over six years, as companies and their clients restarted operations following coronavirus disease 2019 (COVID-19) lockdowns. New order intakes also strengthened, whereas the trend in employment remained weak with job losses recorded for the seventh straight month. Manufacturing production rose at the fastest pace since May 2014, reflecting solid expansions across the consumer, intermediate and investment goods sub-sectors. The steepest growth was registered in the intermediate goods category, whereas investment goods producers saw the lowest pace of growth. ...

The recovery of the UK manufacturing sector gathered pace in August. Output expanded at the fastest rate in over six years as new work intakes rose to the greatest extent since November 2017, led by an upturn in domestic demand and signs of recovering exports. Business optimism also remained encouragingly robust and close to July's recent peak. However, companies report that the current bounce is mainly driven by the restarting of manufacturers' operations and reopening of clients as COVID-19 restrictions continue to be relaxed. Backlogs of work fell at an increased rate, hinting at spare capacity, and the labour market remains worryingly weak, with job losses registered for the seventh straight month. The downturn in employment may have further to run as the government's furlough scheme is phased out unless demand rises sharply.

Given the fragility of demand and uncertain outlook, both in terms of COVID-19 and Brexit, policymakers may struggle to prevent a 'surge-then-slump' scenario from developing.” – Rob Dobson, Director, IHS Markit

# **Private Indicators**

## **Associated Builders and Contractors**

### **Nonresidential Construction Spending Falls Again in July**

“National nonresidential construction spending fell 1.2% in July, according to an Associated Builders and Contractors analysis of data published by the U.S. Census Bureau. On a seasonally adjusted annualized basis, spending totaled \$809.1 billion for the month.

Of the 16 nonresidential subcategories, 10 were down on a monthly basis. Private nonresidential spending declined 1.0% while public nonresidential construction spending was down 1.3% in July.

“There are two primary countervailing forces influencing the trajectory of nonresidential construction spending,” said Basu. “The first is a force for good and involves the reopening of the economy and associated rebound in overall economic activity. Despite the lingering pandemic, third quarter GDP growth is likely to be quite strong. All things being equal, this would tend to strengthen business for contractors.

“However, the second force at work is not benign and appears to be the stronger of the two,” said Basu. “The crisis has resulted in tighter project financing conditions, battered state and local government finances, substantial commercial vacancy and uncertainty regarding the future of key segments, such as office and lodging. And while backlog was strong at the start of the year, contractors indicate that it is now declining rapidly, in part due to abundant project cancellations.”

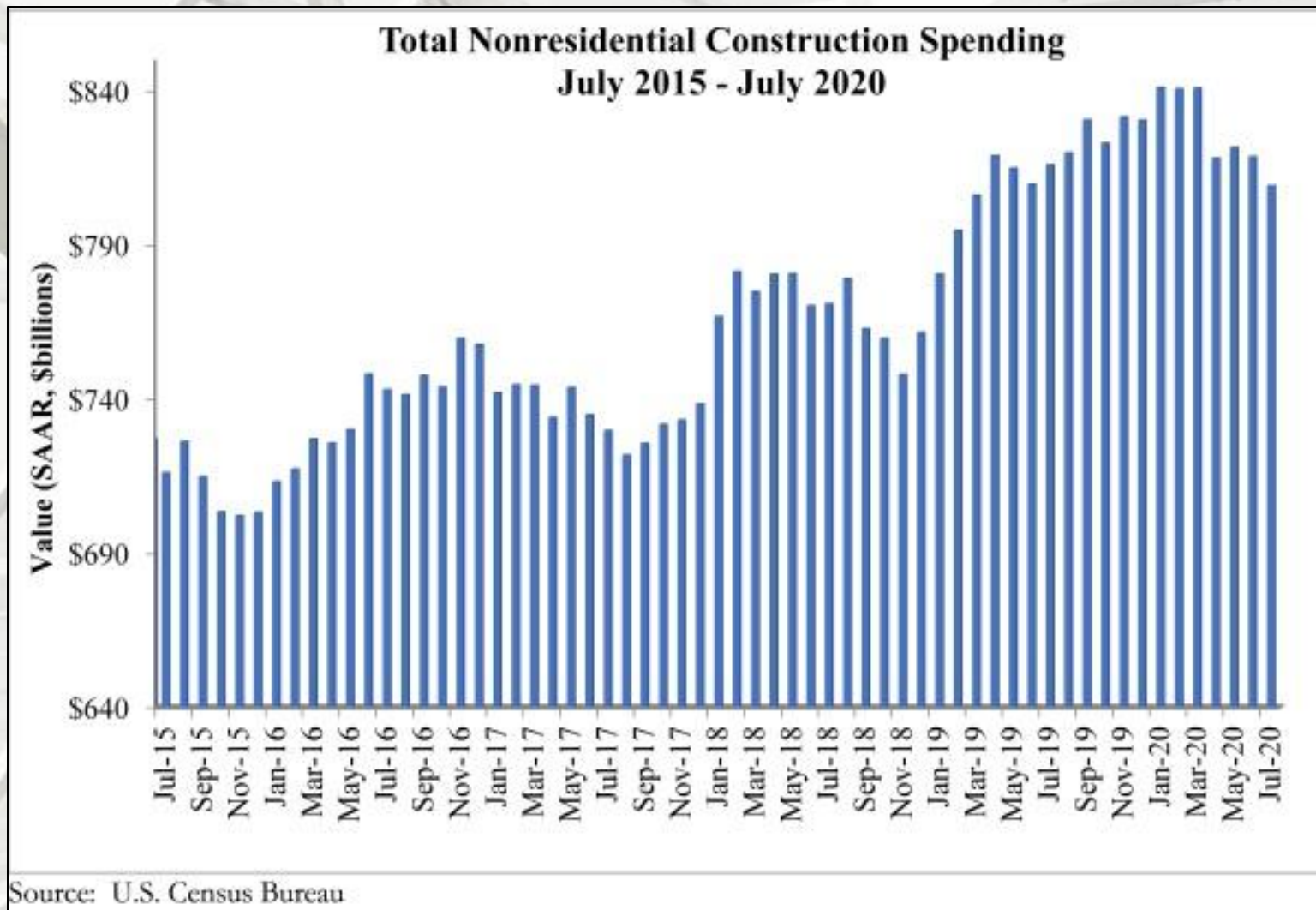
“Next year is shaping up to be an especially harsh one for many contractors, especially as some are already indicating that they are nearing the end of their backlog,” said Basu. “The wild card, as is often the case, is Congress. Another stimulus package could go a long way toward improving the trajectory of overall nonresidential construction spending, particularly one with a sizable infrastructure component. The upshot is that declines in nonresidential construction spending are likely even in the context of broader economic recovery.”” – Rachel O’Grady, Media Relations Director, ABC

# Associated Builders and Contractors

Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate					
	July 2020	June 2020	July 2019	1-Month % Change	12-Month % Change
Nonresidential	\$809,111	\$818,550	\$815,934	-1.2%	-0.8%
Conservation and development	\$9,279	\$8,985	\$9,017	3.3%	2.9%
Public safety	\$16,225	\$15,750	\$10,489	3.0%	54.7%
Communication	\$23,030	\$22,714	\$21,876	1.4%	5.3%
Sewage and waste disposal	\$27,620	\$27,462	\$26,761	0.6%	3.2%
Manufacturing	\$72,761	\$72,651	\$80,826	0.2%	-10.0%
Power	\$118,180	\$118,073	\$114,529	0.1%	3.2%
Water supply	\$18,938	\$18,971	\$16,034	-0.2%	18.1%
Transportation	\$57,615	\$57,761	\$57,248	-0.3%	0.6%
Office	\$81,279	\$81,578	\$87,355	-0.4%	-7.0%
Amusement and recreation	\$26,942	\$27,050	\$27,931	-0.4%	-3.5%
Lodging	\$28,622	\$29,196	\$32,724	-2.0%	-12.5%
Educational	\$98,343	\$100,983	\$104,139	-2.6%	-5.6%
Health care	\$46,259	\$47,602	\$45,791	-2.8%	1.0%
Commercial	\$82,016	\$84,423	\$80,292	-2.9%	2.1%
Highway and street	\$99,228	\$102,433	\$97,151	-3.1%	2.1%
Religious	\$2,774	\$2,919	\$3,771	-5.0%	-26.4%
Private Nonresidential	\$466,860	\$471,634	\$488,017	-1.0%	-4.3%
Public Nonresidential	\$342,251	\$346,916	\$327,916	-1.3%	4.4%
Source: U.S. Census Bureau					



# Associated Builders and Contractors





# **Private Indicators**

## **American Institute of Architects (AIA)**

### **Architecture Billings Index July 2020**

**Business conditions remain soft at architecture firms, as clients are reluctant to move ahead with new projects**

**Most firms that received a PPP loan anticipate having to reduce staff and/or staff hours as their loan is exhausted**

“The majority of architecture firms continued to report a decline in their firm’s billings in July, as the pace of that decline remained at about the same level as in June, with an ABI score of 40.0 (a score below 50 indicates a decline in firm billings). Inquiries into new projects continued to show just a modest decline, but more seriously, the value of new signed design contracts slipped from its June level. Unfortunately, with the continued resurgence in COVID-19 cases in many areas of the country, clients may be interested in starting new projects, but remain reluctant to sign on the dotted line.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“It’s clear the pandemic continued to contribute to uncertainty in business conditions, especially as cases spiked in states across the country. While clients expressed interest in exploring new projects, many are hesitant to sign onto new contracts with the exception of the multifamily residential sector, which came close to seeing billings growth in July.” – Kermit Baker, Chief Economist, The American Institute of Architects

# Private Indicators

## American Institute of Architects (AIA)

### National

Architecture firm billings continue to decline, albeit at slower pace than earlier this year



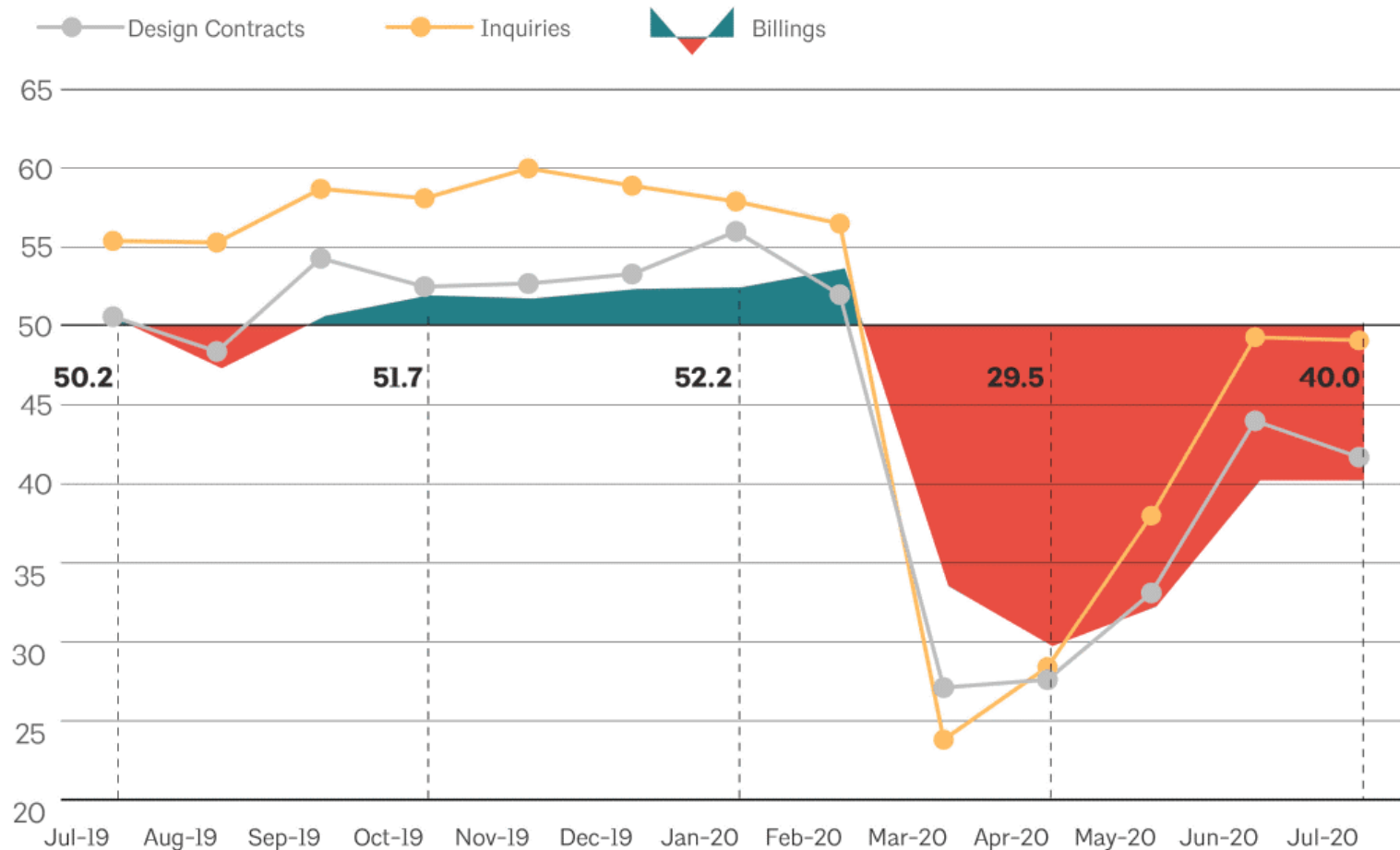
Above 50



Below 50

No change from previous period

Graphs represent data from July 2019–July 2020.

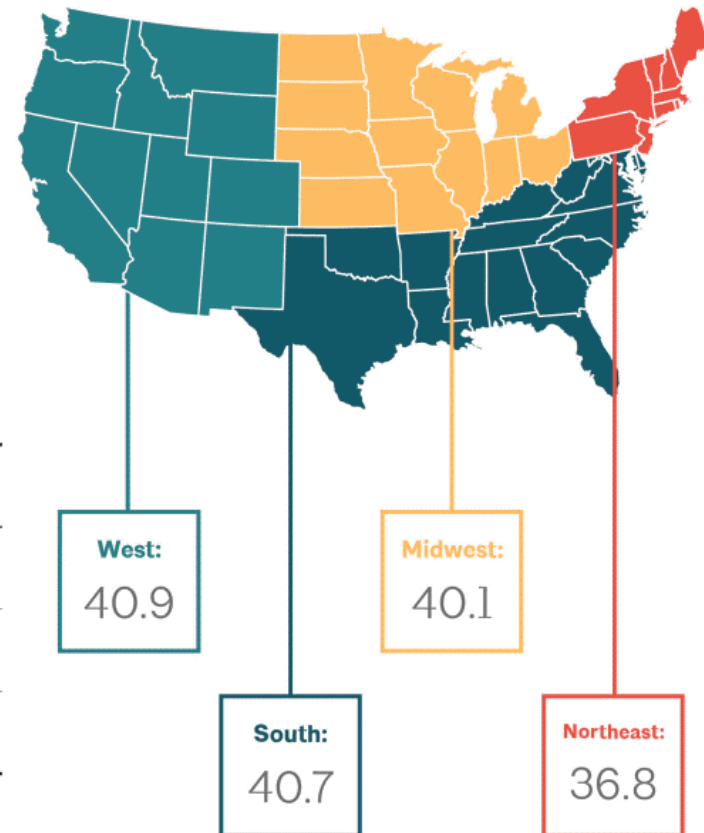
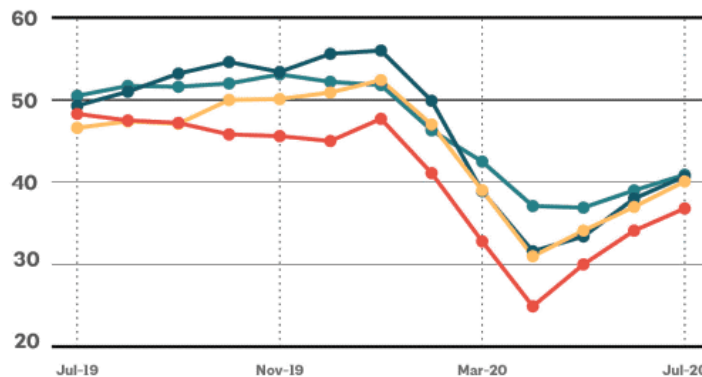


# Private Indicators: AIA

## Regional

Business conditions remain softest in Northeast, stabilize in other regions

Graphs represent data from July 2019–July 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

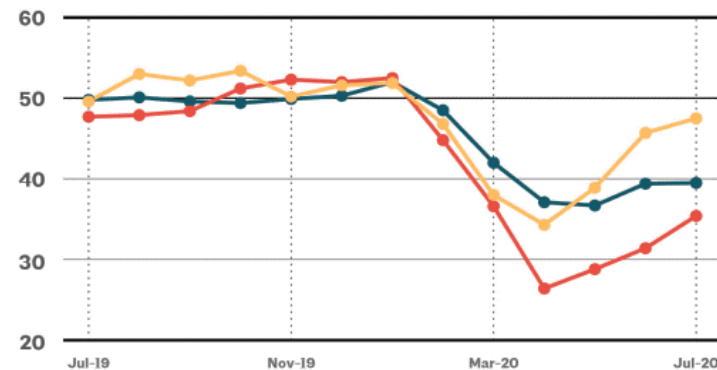
“Firm billings remained soft at firms in all regions of the country in July as well, with firms located in the Northeast continuing to report the weakest conditions, although the pace of the decline did continue to stabilize again this month from the low point in April.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

# Private Indicators: AIA

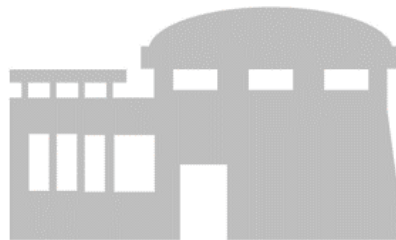
## Sector

Firms with a multifamily residential specialization see slowing pace of billings decline

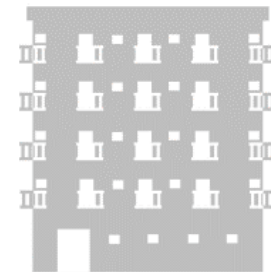
Graphs represent data from July 2019–July 2020 across the three sectors. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



**Commercial/Industrial: 35.4**



**Institutional: 39.5**



**Residential: 47.5**

## Sector

“By firm specialization, firms with a multifamily residential specialization came close to seeing billings growth in July, for the first time since January, but still fell short and continued to experience a slight decline instead. Conditions remain softest at firms with a commercial/industrial specialization, while firms with an institutional specialization saw their decline in billings stabilize somewhat.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

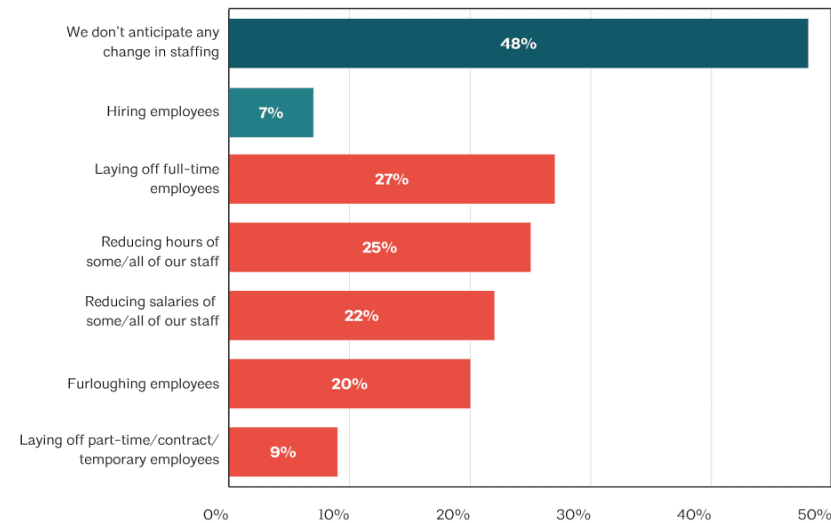


# Private Indicators: AIA

## Practice

45% of firms expect to have to lay off, reduce hours, and/or furlough staff after their PPP loan ends

units: % of firms that received a PPP loan, indicating that they expect they have to take given action related to staffing as the PPP loan period winds down (multiple responses permitted)



## PPP loans provide temporary relief, but half of firms anticipate staffing impacts ahead

“This month’s special practice questions followed up on architecture firm usage of loans from the Payroll Protection Program (PPP) under the Federal CARES Act, and the impacts they expect to see on their firm now that the loan period is winding down. Overall, 85% of responding firms reported that they applied for, and received, a PPP loan. Just 1% applied for a loan but did not receive one, while the remaining 14% did not apply for a loan at all. Firms with an institutional specialization were most likely to report receiving a PPP loan (89%), followed by firms with a commercial/industrial specialization (81%), and firms with a multifamily residential specialization (75%). ...” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

# Private Indicators

## Dodge Data & Analytics

### Construction Starts Lose Ground in July

#### **Building starts on the rise, nonbuilding starts move lower during the month**

“Total construction starts fell 7% in July to a seasonally adjusted annual rate of \$631.6 billion. The decline was due to a significant pullback in the nonbuilding segment, which fell 31% from June to July. Nonresidential building starts rose 3% while residential building starts increased 2%.

Year-to-date through seven months, starts were 15% down from the same period in 2019. Nonresidential starts plummeted 25%, nonbuilding starts dropped 20%, and residential starts slipped 4%. For the 12 months ending July 2020, total construction starts fell a more modest 5% from the same period a year earlier. Nonresidential building starts were 11% lower, while residential building starts rose 1%. Nonbuilding starts fell in between, with a 7% drop over the 12 months ending July 2020. In July, the Dodge Index fell 7% to 134 (2000=100) from the 144 reading in June. Compared to a year ago, the Dodge Index was down 32%.

“The July decline in construction starts should not be interpreted as a setback on the sector’s road to recovery,” stated Richard Branch Chief Economist for Dodge Data & Analytics. “The gains in the nonresidential and residential sectors mirror the general overall improvements in the economy. The drop in public works could represent a settling back in activity following a solid spring in which some projects broke ground earlier than expected to take advantage of the fewer cars on the road during the COVID-19 shutdown in March and April. While the recovery progresses, the Congressional impasse preventing the extension of enhanced unemployment insurance benefits and small business loans included in earlier fiscal support packages casts a pallor over the future trajectory for growth. Furthermore, the gain in nonresidential building starts was entirely due to strength in the Northeast and West regions, with starts in the South Atlantic and South Central regions down sharply during the month. While one month doesn’t constitute a trend, the potential risk to construction from the rising number of COVID cases in these regions is significant.”” –

Nicole Sullivan, Public Relations & Social Media, AFFECT

# Private Indicators

## Dodge Data & Analytics

“**Residential building** starts rose 2% in July to a seasonally adjusted annual rate of \$296.6 billion. Multifamily starts increased 11%, while single family starts declined by less than one percent. The largest multifamily structure to break ground in July was the \$500 million 101 Lincoln Ave mixed-use project in the Bronx NY. Also starting was the \$275 million Figueroa Centre mixed-use complex in Los Angeles CA and the \$200 million first phase of the Society Orlando Apartments in Orlando FL.

Through the first seven months of 2020, residential construction starts were down 4% versus the same time period in 2019. Single family starts were 2% higher, while multifamily starts were down 17% year-to-date. For the 12 months ending in July, total residential starts were 1% higher than a year earlier. Single family starts were up 4%, while multifamily starts were down 7%.

**Nonresidential building** starts increased 3% in July to a seasonally adjusted annual rate of \$202.6 billion. Commercial starts gained 13% led by gains in hotels, warehouses, and office buildings. Institutional starts rose 2% due to an increase in education activity, while manufacturing starts lost 52% during the month. ...

Year-to-date, total nonresidential building starts were 25% lower in the first seven months of 2020. Institutional building starts were down 16%, while commercial starts were 32% lower and manufacturing starts were down 52% on a year-to-date basis. For the 12 months ending July 2020, total nonresidential building starts dropped 11% from the 12 months ending in July 2019. Commercial starts were 12% lower, while institutional starts were down 10%. Manufacturing starts dropped 4% on a 12-month rolling basis.” – Richard Branch, Chief Economist, Dodge Data & Analytics



# Private Indicators

## July 2020 Construction Starts

### MONTHLY CONSTRUCTION STARTS

[Millions of Dollars, Seasonally Adjusted Annual Rate]

	July 2020	June 2020	% Change
Nonresidential Building	\$202,608	\$196,045	3
Residential Building	296,638	289,763	2
Nonbuilding Construction	132,362	192,830	-31
Total Construction	\$631,607	\$678,637	-7

### YEAR-TO-DATE CONSTRUCTION STARTS

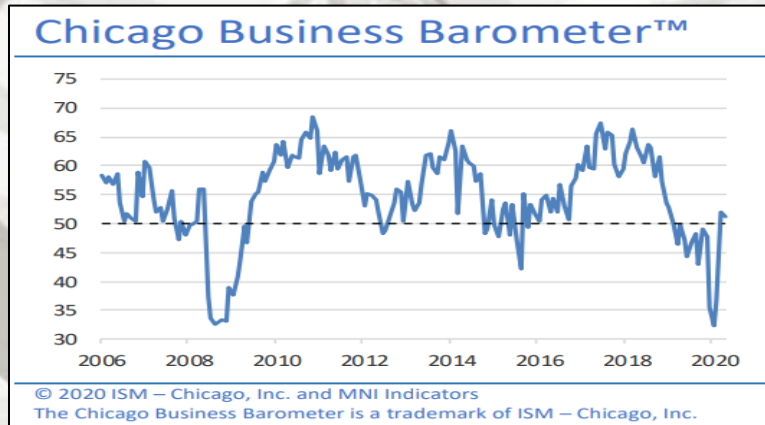
Unadjusted Totals, in Millions of Dollars

	7 Mos. 2020	7 Mos. 2019	% Change
Nonresidential Building	\$136,081	\$180,273	-25
Residential Building	183,116	189,763	-4
Nonbuilding Construction	98,267	123,059	-20
Total Construction	\$417,464	\$493,095	-15

Source: Dodge Data & Analytics



# Private Indicators



## MNI Chicago

“The Chicago Business Barometer™, produced with MNI, slipped to 51.2 in August. This was the second straight reading above the 50-mark after having sat below it for a full year, as firms stated that business activity picked up further in August.

## Chicago Business Barometer™ Eased to 51.2 in August

Among the five main indicators, Order Backlogs was the only category to show a monthly decline, while Supplier Deliveries recorded the largest gain. Production improved further in August, increasing 1.4 points to the highest level since June 2019. Companies noted that previously pushed out orders led to an increase in production. Demand improved as well in August, with New Orders edging up to a one-year high. Anecdotal evidence suggests that the industrial and agricultural sector were hit the hardest and recovered only slowly, while the medical sector is faring very well. The backlog of work cooled 1 point in August following a strong increase in the previous month. The indicator has been in contraction since August 2019.

Inventories fell 9 points in August, hitting the lowest level since March, indicating that companies continue to run down their stocks. Employment ticked up 0.9 points but remains in contraction for a fourteenth straight month. Firms again noted staff reductions due to the Covid-19 crisis. Supplier Deliveries rose 4.2 points after having eased for three consecutive months. Supplier Deliveries surged due to the pandemic, with delivery times peaking in April and only falling slowly since. Prices paid at the factory gate decreased by 1.9 points in August after three consecutive months of gains.” – Les Commons, Senior Economist and Irene Prihoda, Economist, MNI Indicators

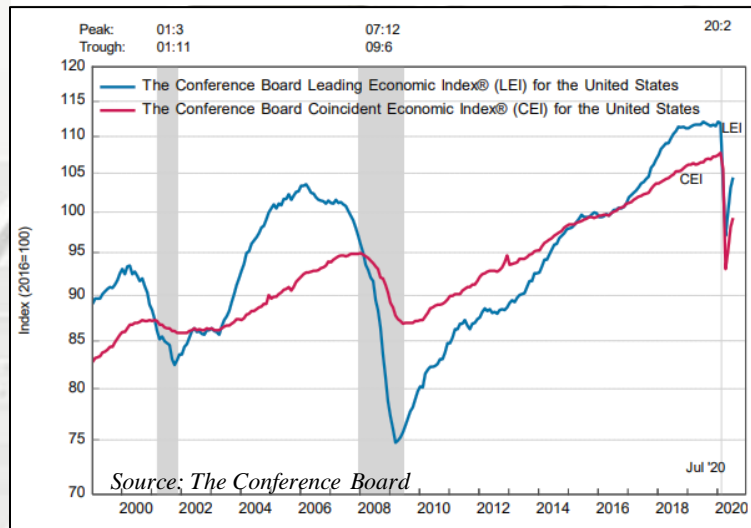
# Private Indicators

## ***The Conference Board Leading Economic Index® (LEI) for the U.S. Improved in July***

***Despite improvement, pace of economic growth  
will likely weaken in final months of 2020***

**The Conference Board Leading Economic Index® (LEI)** for the U.S. increased 1.4 percent in July to 104.4 (2016 = 100), following a 3.0 percent increase in June and a 3.1 percent increase in May.

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



“The US LEI increased for the third consecutive month in July, albeit at a slower pace than the sharp increases in the previous two months. Despite the recent gains in the LEI, which remain fairly broad-based, the initial post-pandemic recovery appears to be losing steam. The LEI suggests that the pace of economic growth will weaken substantially during the final months of 2020.” – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

**“The Conference Board Coincident Economic Index® (CEI)** for the U.S. increased 1.2 percent in July to 99.2 (2016 = 100), following a 2.9 percent increase in June and a 2.4 percent increase in May.

**The Conference Board Lagging Economic Index® (LAG)** for the U.S. decreased 1.0 percent in July to 109.2 (2016 = 100), following a 2.3 percent decline in both June and in May.

## **Equipment Leasing and Finance Association:**

### **Equipment Leasing and Finance Industry Confidence Steady in July, COVID-19 Impact Survey Data Reveal Deferral Rates & Default Expectations**

“The [Equipment Leasing & Finance Foundation](#) (the Foundation) releases the August 2020 [Monthly Confidence Index for the Equipment Finance Industry](#) (MCI-EFI). 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 is 48.4, an increase from the July index of 45.3.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

The Foundation also releases highlights of the [COVID-19 Impact Survey of the Equipment Finance Industry](#), a monthly survey of industry leaders designed to track the impact of the coronavirus pandemic on the equipment finance industry. From 98 survey responses collected from August 3-14, results show that 89% of equipment finance companies have offered payment deferrals, including extensions, modifications or restructuring. 76% of companies expect that the default rate will be greater in 2020 than in 2019, 19% expect it to be the same, and 5% expect it to be lower. A majority (81%) of companies have not furloughed or laid off employees. Comments from survey respondents follow MCI-EFI survey comments below, and additional survey results are available at <https://www.leasefoundation.org/industry-resources/covid-impact-survey/>.

“To date, receivables have held up surprisingly well, which seems to indicate businesses were relatively healthy entering the crisis. The biggest concern is continued limited demand given the amount of uncertainty related to the spread of COVID-19.” – Brian Madison, President, TrinityRail Leasing & Management Services

## Equipment Leasing and Finance Association:

**“August 2020 Survey Results:** The overall MCI-EFI is 48.4, an increase from the July index of 45.3.

- When asked to assess their business conditions over the next four months, 24.1% of executives responding said they believe business conditions will improve over the next four months, up from 21.4% in July. 51.7% believe business conditions will remain the same over the next four months, an increase from 50% the previous month. 24.1% believe business conditions will worsen, a decrease from 28.6% in July.
- 13.8% of the survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, down from 14.3% in July. 65.5% believe demand will “remain the same” during the same four-month time period, an increase from 64.3% the previous month. 20.7% believe demand will decline, a decrease from 21.4% in July.
- 17.2% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, up from 10.7% in July. 75.9% of executives indicate they expect the “same” access to capital to fund business, a decrease from 78.6% last month. 6.9% expect “less” access to capital, a decrease from 10.7% the previous month.
- When asked, 13.8% of the executives report they expect to hire more employees over the next four months, up from 7.1% in July. 69% expect no change in headcount over the next four months, a decrease from 75% last month. 17.2% expect to hire fewer employees, down slightly from 17.9% the previous month.
- None of the leadership evaluate the current U.S. economy as “excellent,” unchanged from the previous month. 48.3% of the leadership evaluate the current U.S. economy as “fair,” up from 39.3% in July. 51.7% evaluate it as “poor,” down from 60.7% last month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association



## Equipment Leasing and Finance Association:

**“August 2020 Survey Results:** The overall MCI-EFI is 48.4, an increase from the July index of 45.3.

- 31% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, an increase from 25.9% in July. 44.8% indicate they believe the U.S. economy will “stay the same” over the next six months, a decrease from 55.6% last month. 24.1% believe economic conditions in the U.S. will worsen over the next six months, up from 18.5% the previous month.
- In August, 31% of respondents indicate they believe their company will increase spending on business development activities during the next six months, an increase from 21.4% last month. 48.3% believe there will be “no change” in business development spending, a decrease from 57.1% in July. 20.7% believe there will be a decrease in spending, down from 21.4% last month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

“Increased certainty following the presidential election this year will increase confidence as will more informed clarity regarding the COVID pandemic.” – David Normandin, CLFP, President and CEO, Wintrust Specialty Finance

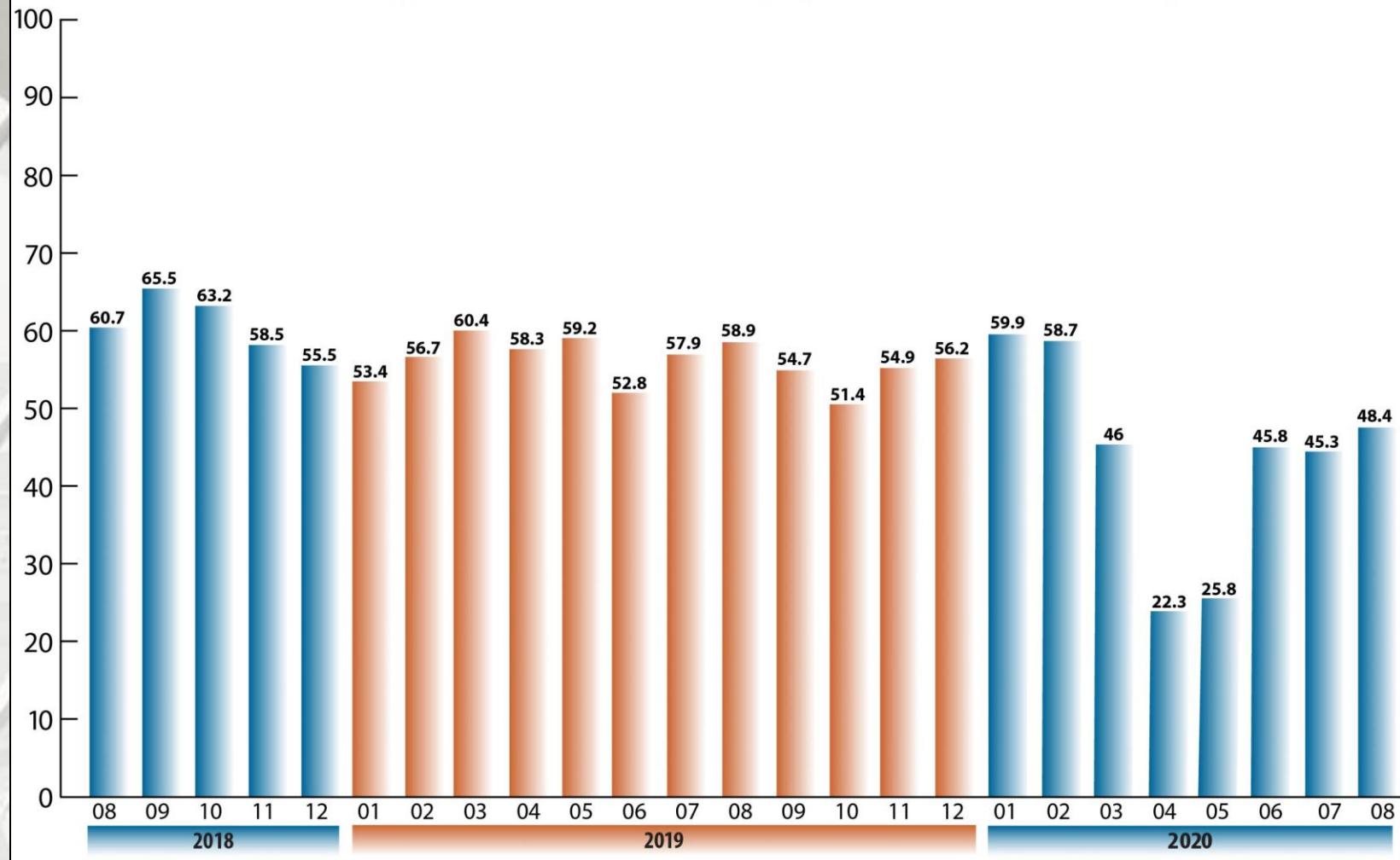
“We are continuing to see opportunities in the marketplace. We have seen some delay on projects; however, we have also seen an increase in opportunities with customers who were considering paying for investments with cash and are now looking to finance.” – Michael Romanowski, President, Farm Credit Leasing

“There are numerous industry sectors that are performing well during the pandemic and are requiring financing for new equipment needs. The pandemic continues to challenge our economy and no one knows for sure how long that will last, but we’ll continue to be there for our customers every day.” – John Wolfe, Group Manager, M&T Commercial Bank

# Equipment Leasing and Finance Association



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



# Private Indicators

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

**July New Business Volume Down 3 Percent Year-over-year,  
Up 3 Percent Month-to-Month, Down 1 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 July was \$9.1 billion, down 3 percent year-over-year from new business volume in July 2019. Volume was up 3 percent month-to-month from \$8.9 billion in June. Year-to-date, cumulative new business volume was down 1 percent compared to 2019.

Receivables over 30 days were 2.40 percent, down from 2.60 percent the previous month and up from 2.00 percent the same period in 2019. Charge-offs were 0.73 percent, up from 0.71 percent the previous month, and up from 0.37 percent in the year-earlier period.

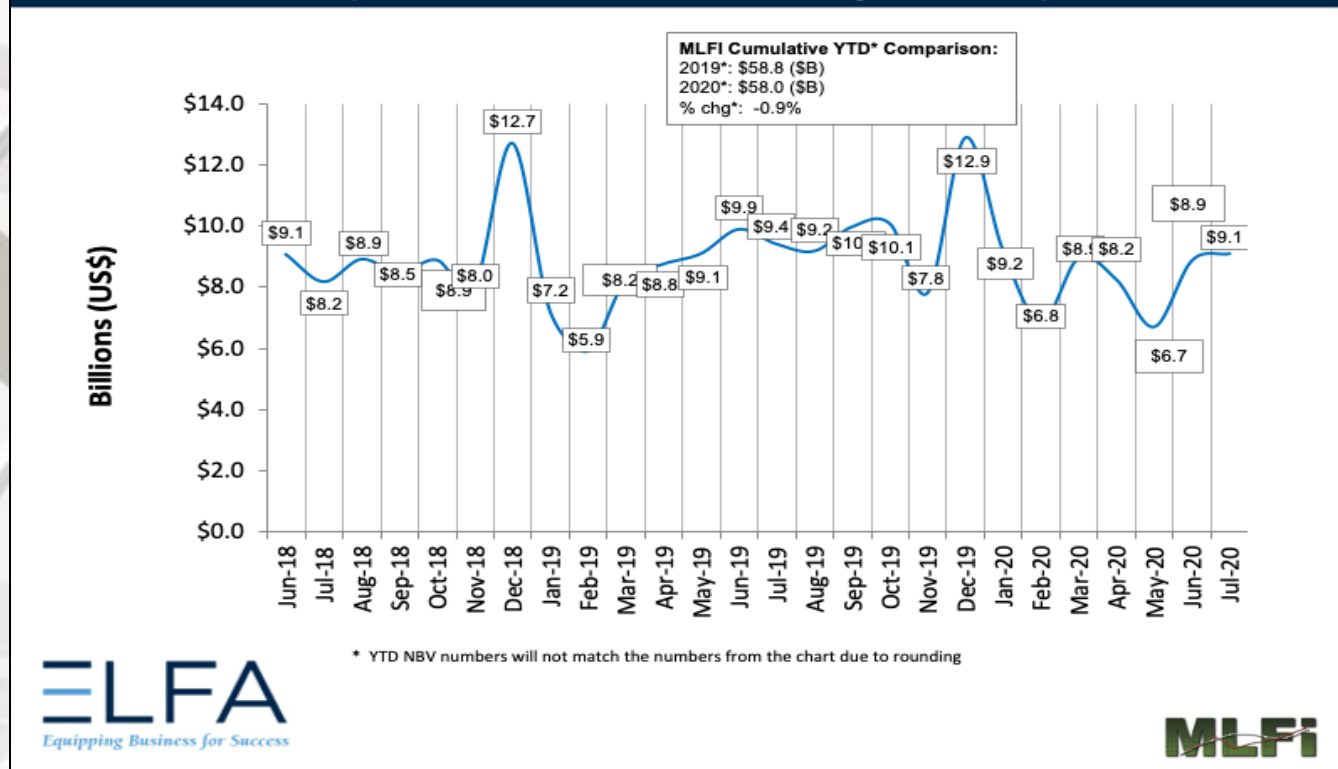
Credit approvals totaled 72.9 percent, up from 71.5 percent in June. Total headcount for equipment finance companies was down 2.3 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in August is 48.4, an increase from the July index of 45.3 ” – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

“The July data gives voice to anecdotal evidence from ELFA members that, in the face of rising Covid-19 cases in some areas of the country, equipment demand remains solid in certain market sectors and weak in others. Some middle market businesses and corporate customers continue to operate in pre-pandemic form. Low interest rates, a gravity-defying equities market, and abundant liquidity all serve to provide fuel for a strong housing market; however, too many small businesses and the hospitality and restaurant sectors are struggling to turn a profit and keep their people employed. This is not sustainable long-term, and the hope is that, as we move into the third quarter, economic growth turns a corner and Americans return to work.” – Ralph Petta, President and CEO, ELFA

# Private Indicators

## MLFI-25 New Business Volume (Year-Over-Year Comparison)



## Monthly Leasing and Finance Index: July 2020

“Continued incremental improvements in the reported leasing indices have been supported by the enormous stimulus programs of the past several months and the high level of liquidity in the financial markets. Our primarily large corporate customer base has been focused on resizing and prioritizing their capital expenditures and on executing funding programs in the current market environment. Recent stimulus program delays and the upcoming national election uncertainties for many clients appear to be a growing concern and seem to be providing an incentive to complete transactions without delay.” – Stefan Breuer, Managing Director, MUFG Americas Capital Leasing & Finance LLC



# **FreightWaves**

## **Transportation capacity near 2-year low; pricing surges**

### **Logistics Managers' Index climbs higher in July**

“Supply chain data shows transportation capacity has declined to a 22-month low with utilization and prices reaching 19-month highs.

Those were a couple of the highlights from a report summarizing July data from the Logistics Managers' Index (LMI), a survey of leading logistics executives. The overall index increased to a reading of 63% during the month, up 130 basis points from June and well off the all-time April low of 51.3%. The July mark was the highest for the index since January 2019.

The LMI is a diffusion index, wherein a reading above 50% indicates expansion and a reading below 50% indicates contraction.

“Interestingly, upstream respondents report a higher level of activity than their downstream counterparts [those in the supply chain that are closer to the consumer]. Whether or not this reflects the closings of downstream retailers due to COVID-19 outbreaks remains to be seen,” the report stated.

Transportation capacity tightened further during July with the sub-index declining 680 basis points to a reading firmly in contraction territory at 42.8%. Transportation utilization remained elevated, unchanged at 66.7% for the month.

Similar results have been seen in FreightWaves' Outbound Tender Reject Index (SONAR: OTRI.USA), a measure of the number of loads tendered to and rejected by carriers. Currently, the index stands near all-time highs at a 25% rejection rate.” – Todd Maiden, Finance Editor, FreightWaves

# FreightWaves

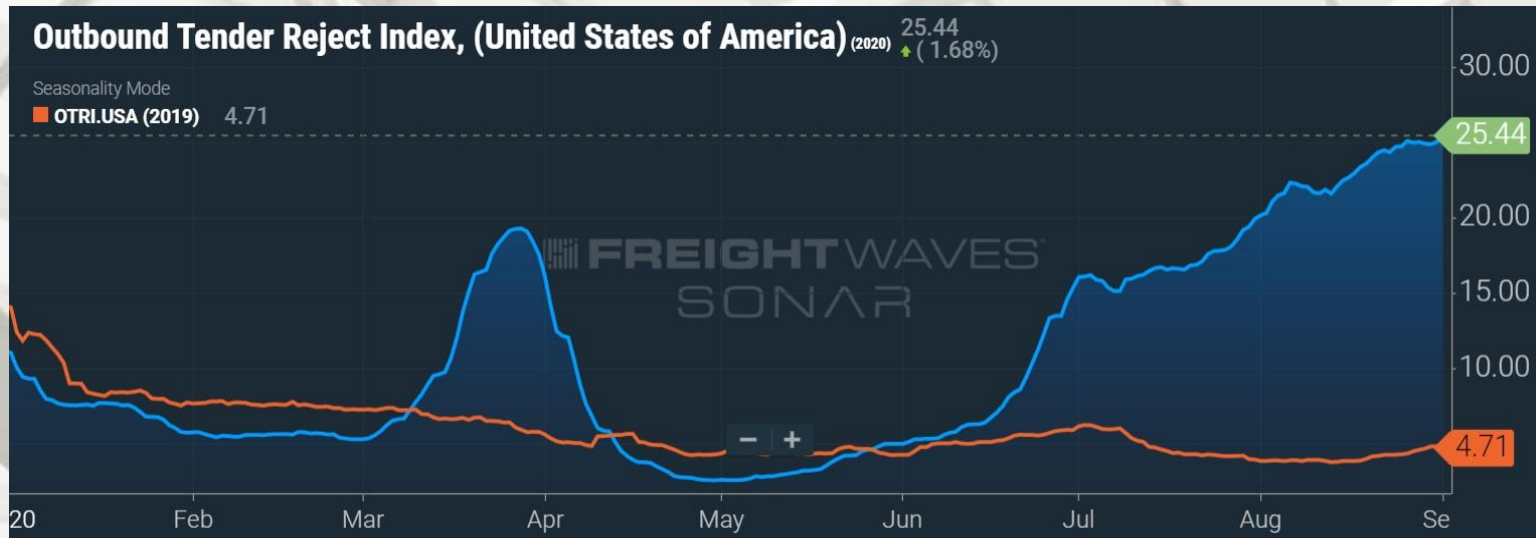


Chart: LMI Transportation Capacity, Source: CSCMP

# FreightWaves

## Transportation capacity near 2-year low; pricing surges

““When taken together with contracting capacity and increasing utilization, it is clear that the transportation market continues to recover rapidly, indicating that at least parts of the economy are moving back towards their pre-crisis velocity.”

Difficulty procuring capacity lifted the pricing component of the index 820 basis points to 72.6%, almost double the low mark reached in April. The report noted that sea and rail rates have lagged price improvements in trucking.

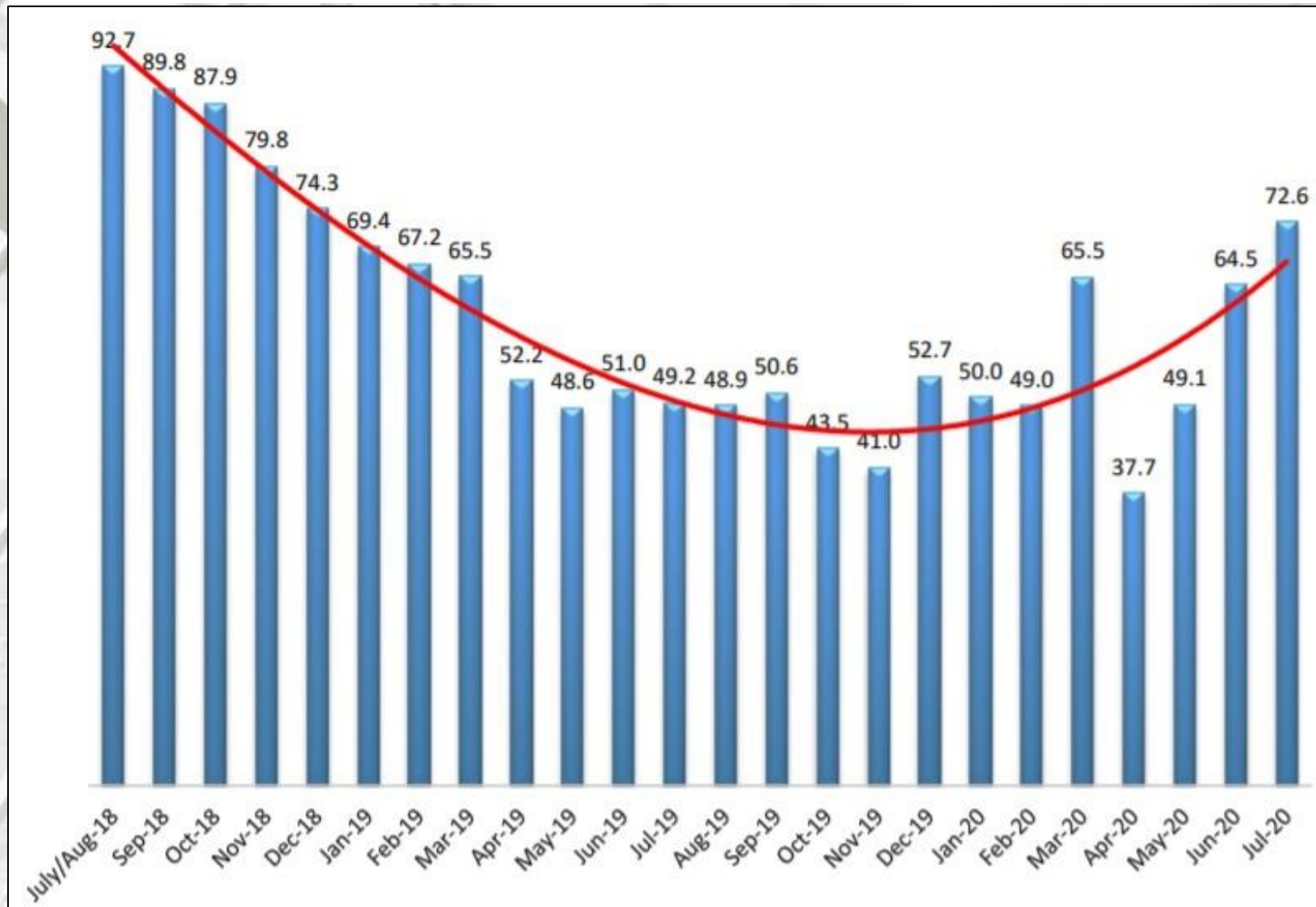
“This is interesting as sea and rail freight often precede automotive shipments as they tend to move both raw materials domestically and finished goods that will eventually be moved to retailers from international suppliers,” the report continued.

Inventories remained at an elevated level for the month at 57.2% but 710 basis points lower than June and 1,000 basis points lower than July 2019. Inventory costs accelerated 570 basis points to a reading of 69.1%. Limited warehouse space was cited as the primary reason for the cost increases.

“The crunch on available warehousing spurred by high inventory levels remains a going concern – particularly for upstream firms.”

The warehousing capacity sub-index increased 830 basis points to the neutral level of 50%, an increase from the all-time low of 41.3% in June. The report said incremental warehouse space hasn’t been added, it has just stopped contracting. “There is still significant evidence that warehouse space is tight, with firms fighting to lock down prime storage space in anticipation of an ecommerce-heavy Q4.”” – Todd Maiden, Finance Editor, FreightWaves

# FreightWaves





## **FreightWaves**

### **Transportation capacity near 2-year low; pricing surges**

“The June LMI report suggested declining warehouse capacity and increasing utilization rates would drive warehouse prices higher. In July, prices increased 690 basis points to 67.5%.

“Interestingly, warehouse capacity is lower, and prices higher, for upstream firms. This suggests that industries a step or two removed from the customer are having more difficulty locating affordable facilities to store their goods. Whether or not this is indicative of increased demand (manifested in quicker inventory turns) or decreased demand (manifested in cancelled orders to suppliers) downstream remains to be seen.”

Asked to predict changes in the LMI over the next year, respondents said further tightness in transportation and warehousing were likely. The transportation price and inventory cost sub-indexes are expected to reach low-80% readings. Transportation capacity is expected to remain tight, holding the current level in 12 months’ time.

The survey showed that the overall LMI is expected to increase to 69.1% 12 months from now.

“If these trends hold as predicted, we will see rapid growth across the logistics industry. Whether or not this is possible is primarily a function of whether or not the economy remains open, and avoids further economic lockdowns.”” – Todd Maiden, Finance Editor, FreightWaves

# **August 2020 Manufacturing ISM® *Report On Business*®**

**PMI® at 56.0%**

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

“Economic activity in the **manufacturing sector grew in August, and the overall economy notching a fourth consecutive month of growth**, say the nation's supply executives in the latest **Manufacturing ISM® *Report On Business*®**. The August PMI® registered 56 percent, up 1.8 percentage points from the July reading of 54.2 percent. This figure indicates expansion in the **overall economy** for the fourth month in a row after a contraction in April, which ended a period of 131 consecutive months of growth.

The New Orders Index registered 67.6 percent, an increase of 6.1 percentage points from the July reading of 61.5 percent.

The Production Index registered 63.3 percent, up 1.2 percentage points compared to the July reading of 62.1 percent.

The Backlog of Orders Index registered 54.6 percent, an increase of 2.8 percentage points compared to the July reading of 51.8 percent.

The Employment Index registered 46.4 percent, an increase of 2.1 percentage points from the July reading of 44.3 percent.

The Supplier Deliveries Index registered 58.2 percent, up 2.4 percentage points from the July figure of 55.8 percent.

The Inventories Index registered 44.4 percent, 2.6 percentage points lower than the July reading of 47 percent.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

## August 2020 Manufacturing ISM® Report On Business®

“The Prices Index registered 59.5 percent, up 6.3 percentage points compared to the July reading of 53.2 percent.

The New Export Orders Index registered 53.3 percent, an increase of 2.9 percentage points compared to the July reading of 50.4 percent.

The Imports Index registered 55.6 percent, a 2.5-percentage point increase from the July reading of 53.1 percent.

After the coronavirus (COVID-19) brought manufacturing activity to historic lows, the sector continued its recovery in August, the first full month of operations after supply chains restarted and adjustments were made for employees to return to work. Survey Committee members reported that their companies and suppliers operated in reconfigured factories, with limited labor application due to safety restrictions. Panel sentiment was generally optimistic (1.4 positive comments for every cautious comment), though to a lesser degree compared to July. **Demand** expanded, with the (1) New Orders Index growing at very strong levels, supported by the New Export Orders Index expanding modestly; (2) Customers' Inventories Index at its lowest figure since June 2010, a level considered a positive for future production, and (3) Backlog of Orders Index indicating growth for the second consecutive month. **Consumption** (measured by the Production and Employment indexes) contributed positively (a combined 3.3-percentage point increase) to the PMI® calculation, with industries continuing to expand output compared to July. Inputs – expressed as supplier deliveries, inventories and imports – were flat during the survey period, due to supplier delivery issues returning and import levels expanding moderately. Inventory levels contracted again due to strong production output and supplier delivery difficulties. **Inputs** likely were the biggest impediment to production growth and contributed negatively (a combined 0.2-percentage point decrease) to the PMI® calculation. (The Supplier Deliveries and Inventories indexes directly factor into the PMI®; the Imports Index does not.) Prices continued to expand and at higher rates, reflecting a shift to seller pricing power – a positive for new-order growth.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

## **August 2020 Manufacturing ISM® Report On Business®**

**PMI® at 56.0%**

“Demand and consumption continued to drive expansion growth, with inputs representing near- and moderate-term supply chain difficulties. Among the six biggest manufacturing industries, Food, Beverage & Tobacco Products remains the best-performing sector, with Chemical Products; Computer & Electronic Products; and Fabricated Metal Products growing strongly. Transportation Equipment also expanded, but at a low rate. Petroleum & Coal Products sunk into contraction territory.

Impacted by the current economic environment, many panelists' companies are holding off on capital investments for the rest of 2020. In addition, (1) commercial aerospace equipment companies, (2) office furniture and commercial office building sub suppliers and (3) companies operating in the oil and gas markets – as well as their supporting supply bases – are and will continue to be impacted due to low demand. These companies represent approximately 20 percent of manufacturing output. This situation will likely continue at least through the end of the year

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



# Private Indicators

## August 2020 Services PMI™ Report On Business®

**NMI® at 56.9%**

**Business Activity Index at 62.4%;**

**New Orders Index at 56.8%**

**Employment Index at 47.9%;**

**Supplier Deliveries Index at 60.5%**

“Economic activity in the **non-manufacturing sector** grew in August for the third month in a row, say the nation's purchasing and supply executives in the latest **Services PMI™ Report On Business®**. The Services PMI™ (formerly the Non-Manufacturing NMI®) registered 56.9 percent, 1.2 percentage points lower than the July reading of 58.1 percent. This reading represents growth in the services sector for the third straight month and the 125th time in the last 127 months, with the exception of April's and May's contraction.

The Supplier Deliveries Index registered 60.5 percent, up 5.3 percentage points from July's reading of 55.2 percent. Supplier Deliveries is the only ISM® Report On Business® index that is inversed; a reading of above 50 percent indicates slower deliveries, which is typical as the economy improves and customer demand increases. The higher readings for supplier deliveries in the four months prior to July were primarily a product of supply problems related to the coronavirus (COVID-19) pandemic. Supplier deliveries are now more closely correlating to current supply and demand.

### Industry Performance

The 15 services industries reporting growth in August — listed in order — are: Arts, Entertainment & Recreation; Health Care & Social Assistance; Utilities; Accommodation & Food Services; Transportation & Warehousing; Wholesale Trade; Construction; Retail Trade; Management of Companies & Support Services; Public Administration; Finance & Insurance; Educational Services; Agriculture, Forestry, Fishing & Hunting; Real Estate, Rental & Leasing; and Professional, Scientific & Technical Services. The three industries reporting a decrease in August are: Mining; Information; and Other Services.” — 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

ISM® SERVICES SURVEY RESULTS AT A GLANCE									
COMPARISON OF ISM® SERVICES AND ISM® MANUFACTURING SURVEYS*									
August 2020									
	Services PMI™						Manufacturing PMI®		
	Series Index	Series Index	Percent Point	Direction	Rate of Change	Trend** (Months)	Series Index	Series Index	Percent Point
Index	Aug	Jul	Change				Aug	Jul	Change
<b>Services PMI™</b>	56.9	58.1	-1.2	Growing	Slower	3	56.0	54.2	+1.8
<b>Business Activity/</b>									
Production	62.4	67.2	-4.8	Growing	Slower	3	63.3	62.1	+1.2
New Orders	56.8	67.7	-10.9	Growing	Slower	3	67.6	61.5	+6.1
Employment	47.9	42.1	+5.8	Contracting	Slower	6	46.4	44.3	+2.1
Supplier Deliveries	60.5	55.2	+5.3	Slowing	Faster	15	58.2	55.8	+2.4
Inventories	45.8	52.0	-6.2	Contracting	From Growing	1	44.4	47.0	-2.6
Prices	64.2	57.6	+6.6	Increasing	Faster	5	59.5	53.2	+6.3
Backlog of Orders	56.6	55.9	+0.7	Growing	Faster	3	54.6	51.8	+2.8
New Export Orders	55.8	49.3	+6.5	Growing	From Contracting	1	53.3	50.4	+2.9
Imports	50.8	46.3	+4.5	Growing	From Contracting	1	55.6	53.1	+2.5
Inventory Sentiment	52.5	50.0	+2.5	Too High	From Unchanged	1	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	38.1	41.6	-3.5
Overall Economy				Growing	Slower	3			
Services Sector				Growing	Slower	3			

## August 2020 Non-Manufacturing ISM® Report On Business®

“The Prices Index figure of 64.2 percent is 6.6 percentage points higher than the July reading of 57.6 percent, indicating that prices increased in August at a faster rate. According to the Services PMI™, 15 services industries reported growth. The composite index indicated growth for the third consecutive month after contraction in April and May. The sector's previous period of contraction was in November and December 2009, with Services PMI™ readings of 49.5 percent and 49.7 percent, respectively. Respondents' comments are mostly optimistic and industry specific about business conditions and the economy as businesses are starting to reopen. Industries that have not reopened remain concerned about the ongoing uncertainty. There is a challenge with capacity and logistics due to the pandemic and the impact on deliveries and order fulfillment.” – 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

## Markit U.S. Manufacturing PMI™

### Fastest manufacturing expansion since January 2019

“August PMI™ data from IHS Markit signalled a solid improvement in operating conditions across the U.S. manufacturing sector, with overall growth accelerating to the strongest since early 2019. The upturn reflected faster increases in output and new orders, with firms also indicating a renewed rise in employment. Moreover, companies registered the highest degree of confidence in the outlook for output over the coming year since April 2019 amid hopes of further growth of client demand. On the price front, input costs rose sharply amid supplier price hikes and raw material shortages. Firms were able to partly pass on higher cost burdens through a modest increase in selling prices.

Contributing to the overall expansion was a faster increase in new order inflows in August. The rate of growth was solid and the steepest since the start of 2019. Firms often linked the rise in new sales to stronger client demand and increased marketing. New export orders also picked up, as companies registered the first upturn in foreign client demand in 2020 so far. Moreover, the pace of increase was the quickest in four years.

Output rose only modestly in July, albeit the first expansion in production since February. Where an increase was reported, firms linked this to the resumption of operations at manufacturers and their clients. Some also noted that demand also began to pick up.

Reflecting strengthened demand conditions, manufacturers recorded a steeper pace of output growth. The upturn was the quickest since November 2019. At the same time, goods producers expanded their workforce numbers for the first time since February. The rate of employment growth was the joint-fastest since March 2019, with firms attributing hiring to greater production requirements and upwards pressure on capacity. Backlogs of work rose at the sharpest rate for over a year as new order inflows picked up.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators

## Markit U.S. Manufacturing PMI™

“Meanwhile, manufacturers remained optimistic regarding the outlook for output over the coming year in August. Confidence reportedly stemmed from hopes of a return to stronger demand conditions and an end to the pandemic. The degree of positive sentiment was solid overall and the highest since April 2019.

August data signalled an acceleration in the rate of input price inflation, as cost burdens rose sharply amid raw material shortages and supplier price hikes. The pace of increase was the steepest since early-2019, but firms were only able to raise their output charges modestly amid efforts to retain clients.

Finally, the quicker increase in new sales drove input buying up in August. Firms also sought to rebuild stock levels, as preproduction inventories rose at the fastest pace in 2020 so far. At the same time, post-production inventories stabilised, bringing to an end a seven-month sequence of contraction.

The manufacturing upturn gained further ground in August, adding to indications that the third quarter should see a strong rebound in production from the steep decline suffered in the second quarter. Encouragingly, new order inflows improved markedly, outpacing production to leave many companies struggling to produce enough goods to meet demand, often due to a lack of operating capacity. Backlogs of uncompleted work consequently rose at the fastest rate since the early months of 2019, encouraging increasing numbers of firms to take on more staff.

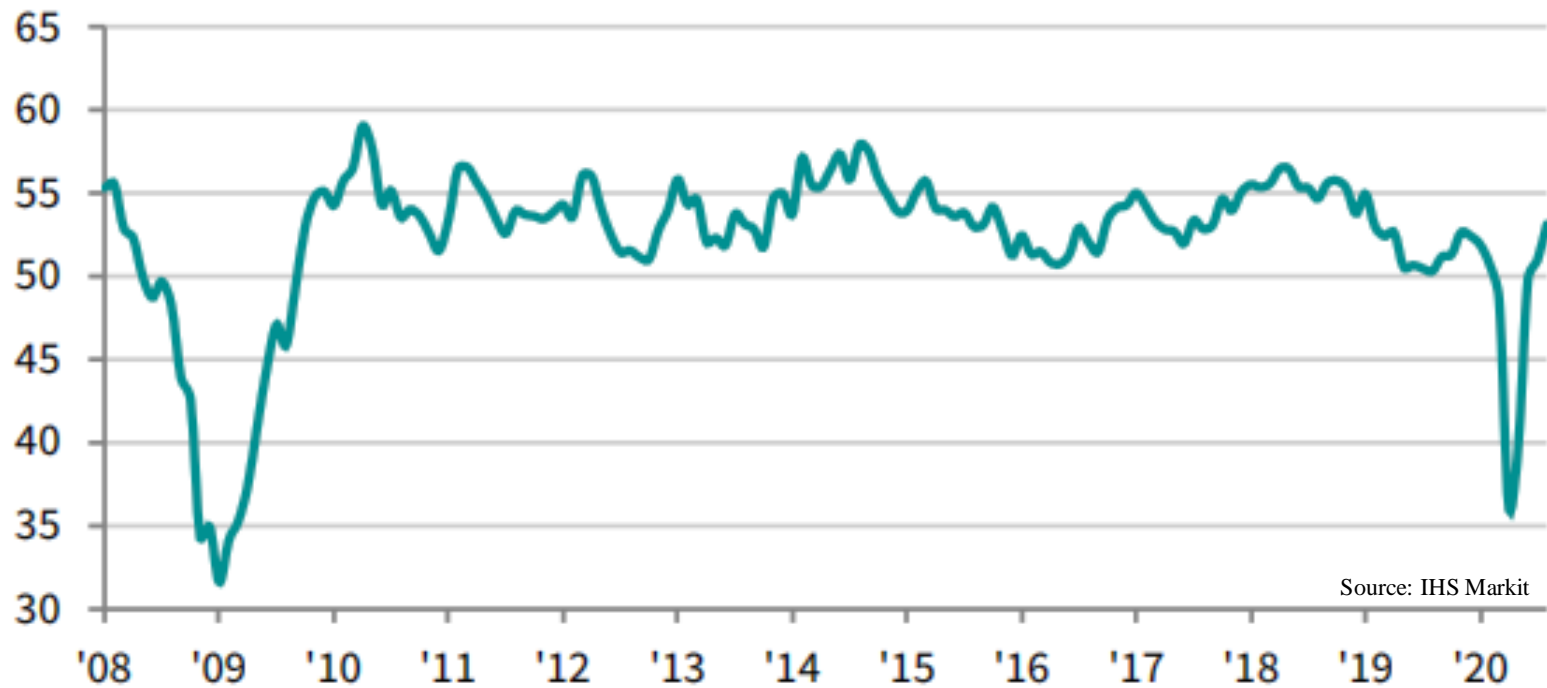
Key to the upturn was a jump in new export orders, which rose at the fastest rate for four years, reflecting improving demand in many foreign markets, and benefitting larger companies in particular. Disappointingly, new orders and export sales at smaller manufacturers continued to fall, highlighting an unbalanced recovery in favour of larger firms.” – Chris Williamson, Chief Economist, Markit®



# Private Indicators

## U.S. Manufacturing PMI

sa, >50 = improvement since previous month



## Markit U.S. Manufacturing PMI™

“The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers’ Index™ (PMI™) posted 53.1 in August, down slightly from the previously released 'flash' estimate of 53.6, but up from 50.9 at the start of the third quarter. The upturn in operating conditions was only the second in as many months, following the easing of coronavirus disease 2019 (COVID-19) restrictions and the reopening of large sections of the manufacturing sector. Overall growth was solid and the sharpest since January 2019.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators

## IHS Markit U.S. Services PMI™

### **Strongest expansion in business activity since March 2019**

“August PMI™ data signalled a strong expansion in business activity across the U.S. service sector, as output rose at the sharpest rate for nearly one and a half years. The upturn was driven by greater client demand, as new orders grew at the quickest pace for over a year. As a result, firms increased their workforce numbers sharply to cope with greater pressure on capacity. Although business expectations ticked down slightly, firms remained optimistic on balance, with sentiment regarding the year ahead at its second-highest since April 2019. Meanwhile, input cost inflation eased slightly, though nonetheless remained sharp. Increased supplier prices, including for PPE, were partially passed on to clients through a second month of marked growth of charges.

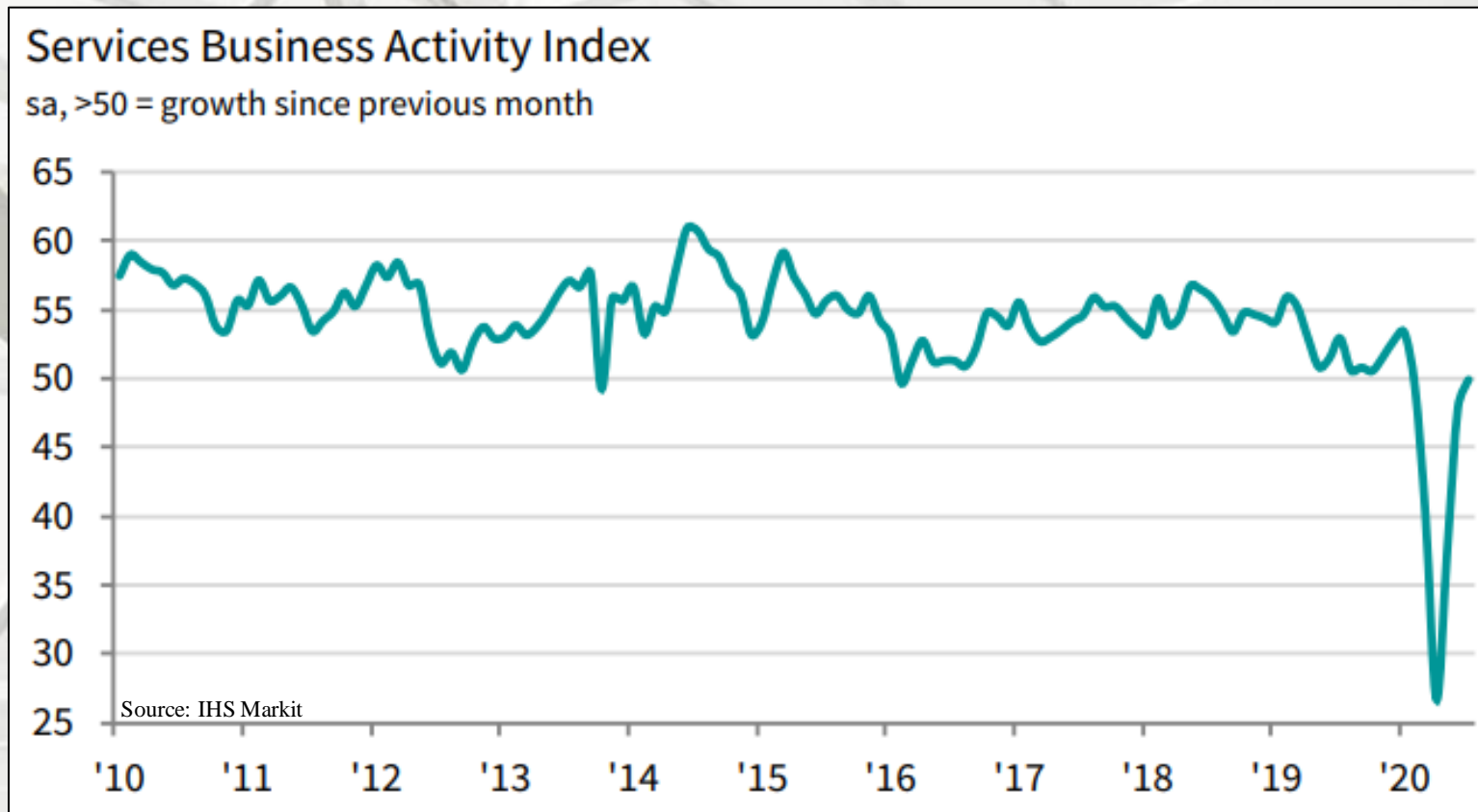
Contributing to the rise in business activity was a solid increase in new sales in August. Growth in new business was commonly attributed to rising client demand and increased marketing activity. The rate of expansion was the fastest since July 2019, with new export orders also rising, growing at the fastest pace on record (since September 2014).

Surging inflows of new business helped propel service sector activity higher in August, with the sector growing at its fastest rate for almost one and a half years. Firms were often left struggling to meet demand and, despite taking on extra staff at a pace not seen for over six years, backlogs of uncompleted work accumulated at a rate exceeding anything recorded since 2009. The increase in backlogs of work bodes well for robust output growth to persist into September.

Combined with the stronger picture emerging from manufacturing in August, the improved performance of the vast service sector adds to signs that the third quarter will see an impressive rebound in the economy from the collapse seen in the second quarter. However, the survey also highlights how the rebound is very uneven and the recovery path remains highly uncertain.

August’s growth was driven by financial and business services as well as tech firms, but consumer-facing sectors such as travel, tourism and recreation remained firmly in decline due to the need for ongoing social distancing. Companies across the board also remain concerned about resurgent virus infections and the durability of demand in the coming months after the initial rebound potentially fades, with uncertainty over the Presidential election adding further risks to the outlook for many companies.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators



## IHS Markit U.S. Services PMI™

“The seasonally adjusted final IHS Markit US Services PMI Business Activity Index registered 55.0 in August, up notably from 50.0 in July and slightly higher than the earlier ‘flash’ estimate of 54.8. The latest expansion was strong overall and the quickest since March 2019. Firms often stated that the upturn in output was due to greater client demand and the further reopening of businesses.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators

## National Association of Credit Management – Credit Managers' Index

### August Combined Sectors

“There are doubtless legions of credit managers that are starting to turn blue. They have been watching the data that has been emerging over the last several months of the Credit Managers' Index (CMI), and they have been waiting for it to turn sour somehow. The general economic news seems to be gloom and doom, but the CMI keeps showing significant progress. “Given that the credit manager tends to think in the future, this is yet another signal that there may well be better times ahead,” said NACM Economist Chris Kuehl, Ph.D. The latest version of Markit's Purchasing Managers' Index (flash version) was also up, and that is consistent with what we have noted before as far as the CMI is concerned. “A movement in the CMI often presages movement in the PMI, and now we are seeing a rise that matches the one we have been observing in the CMI since June. Of course, all the economic news is not as rosy as this has been a recession and a recovery that has been highly sector specific.”

The overall score improved for yet another month — moving from 55.6 to 56.5, and that is highest level reached in the last twelve months — very close to January when it reached 56.4. The index of favorable factors also rose to new heights as it hit 62.9. This is back to the numbers we started the year with as the reading was 62.2 in January and again in February. The index of unfavorable factors continued to show stability with a reading of 52.2 after last month's 51.7. The January number was only slightly better than it is this month as it was at 52.6. “The data is more than encouraging and seems to signal there is considerable confidence building as far as the end of the year,” Kuehl noted.” – Andrew Michaels, Editorial Associate, NACM



# Private Indicators

## National Association of Credit Management – Credit Managers' Index

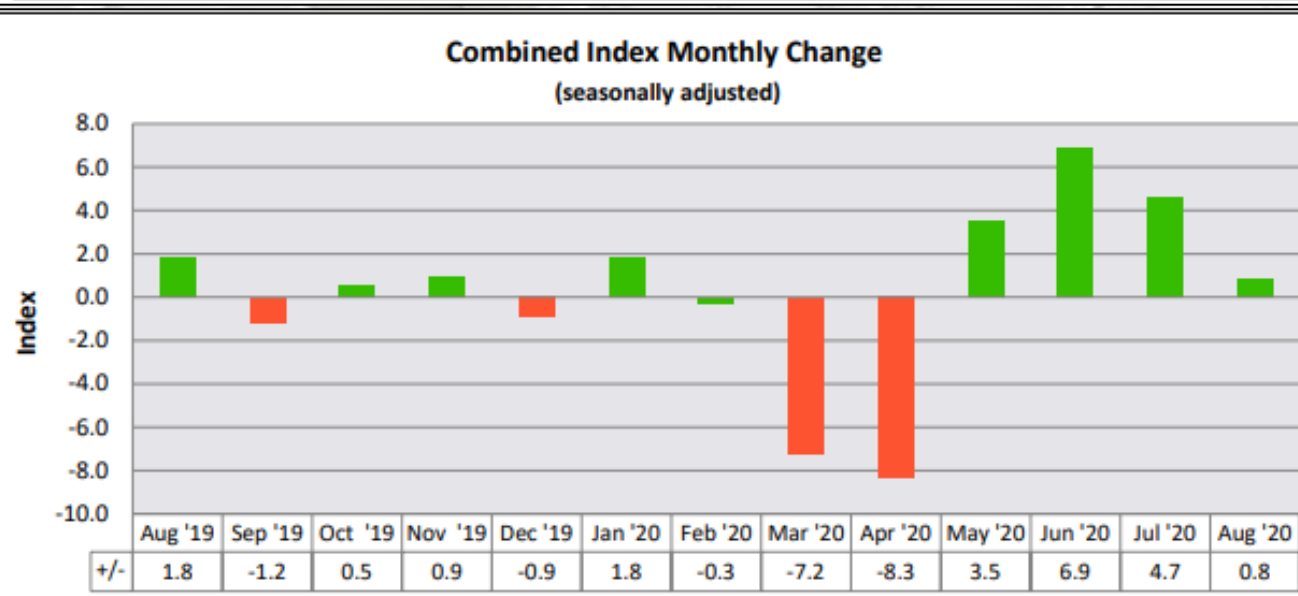
“The readings within the favorable categories are firmly back in expansion territory, and in many cases, they are better than they have been in well over a year. The sales number is at 65.8 and beats every reading in the last few years. The new credit application numbers are at 63.4, another reading better than anything seen in the last year. The dollar collections number was down just slightly from last month but stayed firmly in the 60s with a 61.2 reading as compared to 62.5 the month prior. The amount of credit extended finally jumped into the 60s, and that means that all of these favorables are in the 60s now. The latest reading is 61.3, and last month it was at 57.3. January and February were slightly higher but not my much so this sector is in clear recovery.

With one exception the unfavorable categories all returned to expansion territory with readings in the 50s. The exception has been filings for bankruptcies as the reading has fallen from 48.8 to 47.7. “This is not unexpected given the surge of businesses that had been forced out by the lockdown and the very slow process of restarting,” said Kuehl. The rejections of credit applications moved up from 50 to 51.5, and that is good news given the fact there have been more credit applications. The highest levels were reached in February with a 53.8 reading, so this month is not all that far off. The accounts placed for collection also registered an improvement with a reading of 51.6 as compared to 50.8 last month. This is the highest reading this year, even better than the 50.6 noted in both January and February. The disputes numbers also improved with a reading of 51.8 as compared to the 50.7 in July. The reading for dollar amount beyond terms shifted up very dramatically as it hit 58.2 compared to July’s 57.3. “That makes two months in a row for these very solid readings and suggests that there is a desire to stay very current in terms of credit. That is generally an indicator that more credit is likely to be requested and companies seek to be in good standing when the request is made.” The dollar amount of customer deductions stayed very close to the numbers in July with a reading of 52.2 as compared to July’s 52.4.” – Andrew Michaels, Editorial Associate, NACM

# Private Indicators

## National Association of Credit Management

Combined Manufacturing and Service Sectors (seasonally adjusted)	Aug '19	Sep '19	Oct '19	Nov '19	Dec '19	Jan '20	Feb '20	Mar '20	Apr '20	May '20	Jun '20	Jul '20	Aug '20
Sales	64.4	58.7	57.9	61.6	58.8	63.0	64.0	39.5	20.0	28.6	54.1	64.3	65.8
New credit applications	60.9	59.7	59.0	61.2	59.4	61.1	62.2	44.0	31.1	43.3	57.9	62.4	63.4
Dollar collections	60.0	58.5	62.1	59.2	57.9	61.7	58.8	49.3	35.5	43.2	53.9	62.5	61.2
Amount of credit extended	61.7	59.7	61.6	64.3	61.1	62.9	63.6	53.2	41.6	42.8	55.2	57.3	61.3
Index of favorable factors	61.8	59.1	60.1	61.6	59.3	62.2	62.2	46.5	32.0	39.5	55.3	61.6	62.9
Rejections of credit applications	52.1	51.4	52.1	51.3	52.0	52.0	53.8	53.5	52.7	51.9	49.8	50.0	51.5
Accounts placed for collection	48.6	48.4	49.1	49.8	50.3	50.6	50.6	50.6	47.4	49.1	46.7	50.8	51.6
Disputes	49.4	50.0	48.1	50.3	50.8	52.4	50.3	52.1	50.8	51.5	49.6	50.7	51.8
Dollar amount beyond terms	53.6	50.2	52.0	52.6	51.0	54.2	53.5	43.9	27.6	32.4	44.4	57.3	58.2
Dollar amount of customer deductions	50.0	52.1	50.9	51.4	51.3	52.2	51.5	50.4	49.4	50.9	50.6	52.4	52.2
Filings for bankruptcies	51.6	52.1	53.4	53.5	53.4	54.4	53.3	53.2	50.2	47.3	47.7	48.8	47.7
Index of unfavorable factors	50.9	50.7	50.9	51.5	51.5	52.6	52.2	50.6	46.3	47.2	48.1	51.7	52.2
NACM Combined CMI	55.2	54.1	54.6	55.5	54.6	56.4	56.2	49.0	40.6	44.1	51.0	55.6	56.5



# Private Indicators

## National Federation of Independent Business (NFIB) August 2020 Report

### Small Business Optimism Rebounds, Exceeding Historical Average

“The NFIB Optimism Index increased 1.4 points in August to 100.2, a reading slightly above the historical 46-year average. Seven of the 10 Index components improved, two declined, and one was unchanged. The NFIB Uncertainty Index increased two points in August to 90, the second-highest reading since 2017. The NFIB Uncertainty Index rose two points in August to 90, the second-highest reading since March 2017. The record reading of 100 was reached in November 2016.

Other key findings from the survey include:

- Earnings trends over the past three months improved seven points to a net negative 25% reporting higher earnings.
- Job openings increased three points to 33% of firms with at least one unfilled position.
- The percent of owners thinking it's a good time to expand increased one point to 12%.
- Real sales expectations in the next three months decreased two points to a net 3%.” – Holly Wade, NFIB

# Private Indicators

## National Federation of Independent Business (NFIB) August 2020 Report

“As reported in [NFIB’s monthly jobs report](#), job creation plans increased three points to a net 21%, an unprecedented recovery from April’s reading of 1%. Construction job growth continues to be strong but owners in the sector are having a particularly hard time finding skilled employees. The manufacturing sector’s employment remained strong but not as strong as seen in previous months. The service sector is the missing link and the key to stronger job growth going forward.

Forty-seven percent of owners reported capital outlays in the last six months, down 2 points from July and 16 points below January’s level. The low levels of investment are contributing to low GDP growth. Twenty-six percent plan capital outlays in the next few months, unchanged from July’s reading.

Of those making expenditures, 34% reported spending on new equipment, 21% acquired vehicles, and 12% improved or expanded facilities. Six percent acquired new buildings or land for expansion and 9% spent money for new fixtures and furniture.

A net negative 15% of all owners reported higher nominal sales in the past three months, up 13 points from July. The net percent of owners expecting higher real sales volumes decreased 2 points to a net 3% of owners. ... ” – Holly Wade, NFIB

“Small businesses are working hard to recover from the state shutdowns and effects of COVID-19. We are seeing areas of improvement in the small business economy, as job openings and plans to hire are increasing, but many small businesses are still struggling and are uncertain about what the future will hold.” – Bill Dunkelberg, Chief Economist, NFIB



# Private Indicators

## Small Business Optimism

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

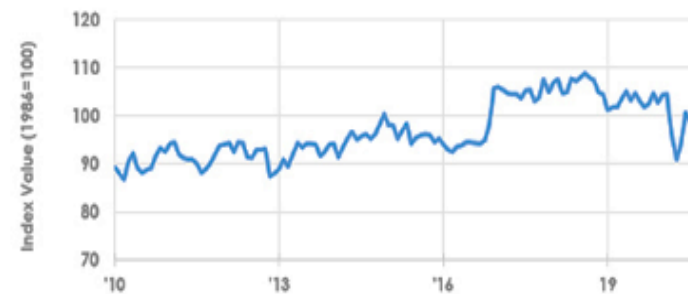
Index Component	Net %	Change From July
Plans to Increase Employment	21%	▲ 3
Plans to Make Capital Outlays	26%	■ 0
Plans to Increase Inventories	6%	▲ 2
Expect Economy to Improve	24%	▼ -1
Expect Real Sales Higher	3%	▼ -2
Current Inventory	3%	▲ 2
Current Job Openings	33%	▲ 1
Expected Credit Conditions	-4%	▲ 1
Now a Good Time to Expand	12%	▲ 7
Earnings Trends	-25%	▲ 16



NFIB.com/sboi

## Small Business Optimism Index at 98.8

Based on 10 survey indicators, seasonally adjusted, Jan. '10 – Aug. '20



NFIB.com/sboi

# Private Indicators

## **The Paychex | IHS Markit Small Business Employment Watch**

### **Growth in Hours Worked Contributing to Wage Gains for Employees of Small Businesses**

Weekly earnings and hours worked growth strongest in the Northeast as COVID-19 conditions improve in states such as New York, New Jersey, and Pennsylvania

“The latest Paychex | IHS Markit Small Business Employment Watch shows that despite hiring remaining flat since its drop-off in April, employees of small business are seeing the benefits of solid wage growth. Hourly earnings growth was steady at 3.28 percent in August and weekly earnings continue to improve as the number of hours worked increases. The national jobs index stood at 94.39, moderating 0.21 percent from the previous month. The national index stalled this summer, with the month of August again, as it has since April, closing below 95.” – James Diffley, Chief Regional Economist, IHS Markit

“As the jobs index has remained near April levels, PPP loans appear to have provided stability and prevented further declines. While employment levels remain challenging, wages continue to show positive momentum.” Martin Mucci, President and CEO, Paychex

# Private Indicators

## The Paychex | IHS Markit Small Business Employment Watch

“The report also includes regional, state, metro, and industry level analysis, showing:

- Amid a regional COVID-19 surge, the West and South reported the largest declines in employment growth, -0.38 percent and -0.31 percent, respectively.
- Weekly earnings and hours worked growth is strongest in the Northeast.
- New York posts the best weekly hours worked growth among states.
- Despite a significant downturn in August (-0.69 percent), Florida continues to lead states in employment growth with an index of 96.50.
- At 4.23 percent, hourly earnings growth in the Construction sector has improved every month in 2020.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

# Private Indicators

## The Paychex | IHS Markit Small Business Employment Watch

### August Jobs Index

Index  
**94.39**

12-Month Change  
**-3.70%**

### August Wage Data

Hourly Earnings  
**\$28.15**

12-Month Growth  
**+3.28% (+\$0.89)**

Source: Paychex | IHS Markit Small Business Employment Watch



# Demographics

## Pew Research Center

### **A majority of young adults in the U.S. live with their parents for the first time since the Great Depression**

“The [coronavirus outbreak](#) has pushed millions of Americans, especially young adults, to move in with family members. The share of 18- to 29-year-olds living with their parents has become a majority since U.S. coronavirus cases began spreading early this year, surpassing the previous peak during the Great Depression era.

In July, 52% of young adults resided with one or both of their parents, up from 47% in February, according to a new Pew Research Center analysis of monthly Census Bureau data. The number living with parents grew to 26.6 million, an increase of 2.6 million from February. The number and share of young adults living with their parents grew across the board for all major racial and ethnic groups, men and women, and metropolitan and rural residents, as well as in all four main census regions. Growth was sharpest for the youngest adults (ages 18 to 24) and for White young adults.

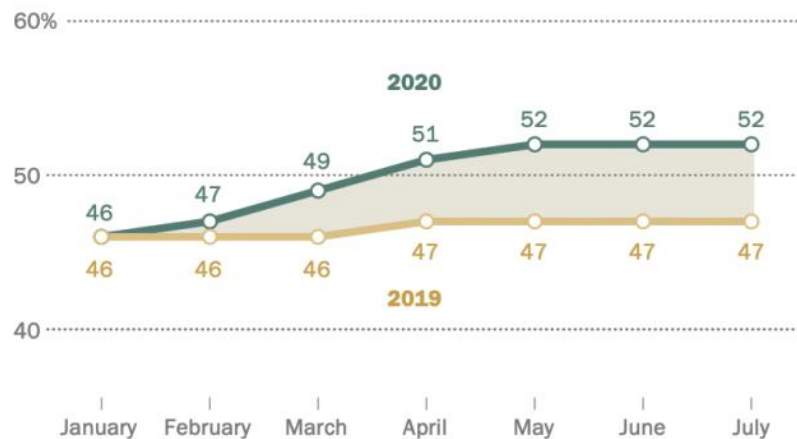
The share of young adults living with their parents is higher than in any previous measurement (based on current surveys and decennial censuses). Before 2020, the highest measured value was in the 1940 census at the end of the Great Depression, when 48% of young adults lived with their parents. The peak may have been higher during the worst of the Great Depression in the 1930s, but there is no data for that period.

The share of young adults living with parents declined in the 1950 and 1960 censuses before rising again. The monthly share in the Current Population Survey has been above 50% since April of this year, reaching and maintaining this level for the first time since CPS data on young adults’ living arrangements became available in 1976.” – Richard Fry, Jeffrey Passel and D’vera Cohn, Pew Research Center

# Demographics

## COVID-19 disruptions associated with a large increase in the share of young adults living with parent(s)

% of 18- to 29-year-olds in U.S. living with a parent

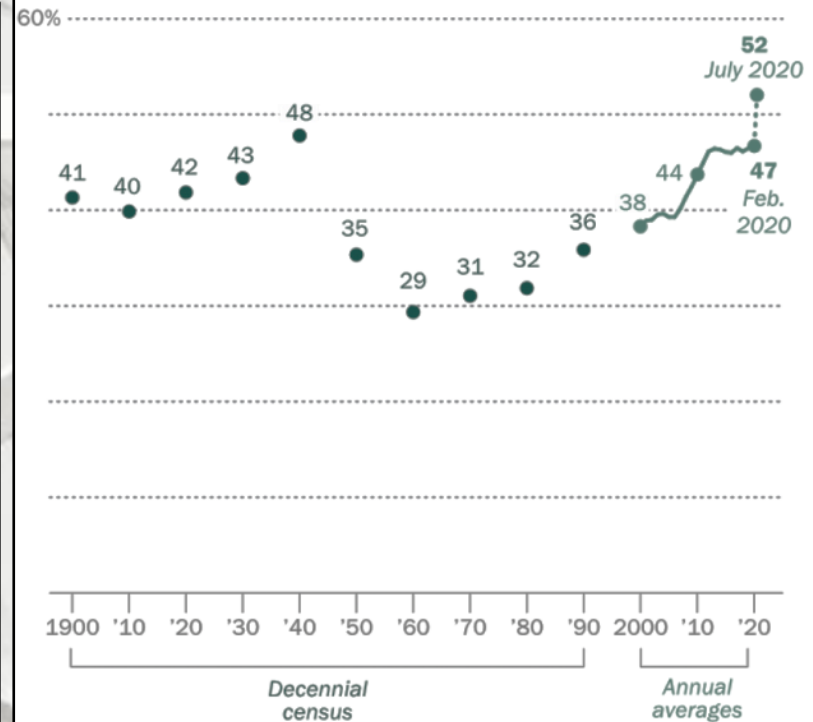


Note: "Living with a parent" refers to those who are residing with at least one parent in the household.  
Source: Pew Research Center analysis of 2019 and 2020 Current Population Survey monthly files.

PEW RESEARCH CENTER

## Share of young adults living with parents rises to levels not seen since the Great Depression era

% of 18- to 29-year-olds in U.S. living with a parent



Note: "Living with a parent" refers to those who are residing with at least one parent in the household. 1900-1990 shares based on household population.

Source: Pew Research Center analysis of decennial census 1900-1990; Current Population Survey annual averages 2000-2019; 2020 Current Population Survey monthly files (IPUMS).

PEW RESEARCH CENTER

# Demographics

## Pew Research Center

### **A majority of young adults in the U.S. live with their parents for the first time since the Great Depression**

“Young adults have been particularly hard hit by this year’s pandemic and [economic downturn](#), and have been more likely to move than other age groups, according to a [Pew Research Center survey](#). About one-in-ten young adults (9%) say they [relocated temporarily or permanently](#) due to the coronavirus outbreak, and about the same share (10%) had somebody move into their household. Among all adults who moved due to the pandemic, 23% said the most important reason was because their college campus had closed, and 18% said it was due to job loss or other financial reasons.

These new living arrangements may have an impact not just on young adults and their families, but on [the U.S. economy overall](#), reflecting the importance of the housing market to overall economic growth. Even before the outbreak, the [growth in new households](#) trailed population growth, in part because people were moving in with others. Slower household growth could mean [less demand for housing](#) and household goods. There also may be a decline in the [number of renters](#) and homeowners, and in overall housing activity. Between February and July 2020, the number of households headed by an 18- to 29-year-old declined by 1.9 million, or 12%. The total went from 15.8 million to 13.9 million.

The vast majority of young adults who live with their parents – 88% – live in their parents’ home, and this group accounts for the growth in the population of adult children living with their parents. Nearly all of the remainder live in their own homes along with their parents, or in homes headed by other family members. These shares have been relatively stable for the past decade.” – Richard Fry, Jeffrey Passel and D’vera Cohn, Pew Research Center

# Demographics

## Pew Research Center

### **Most of the increase in young adults living with parents was among the youngest adults**

“The youngest adults (ages 18 to 24) accounted for most of the growth in the number of 18- to 29-year-olds living with their parents from February to July – 2.1 million of the 2.6 million increase was attributable to them. Most in this youngest age group already lived with their parents, but the share grew to 71% in July from 63% in February.

The pattern is consistent with employment losses since February. The youngest adults have been more likely than other age groups to [lose their jobs](#) or [take a pay cut](#). The share of 16- to 24-year-olds who are [neither enrolled in school nor employed](#) more than doubled from February (11%) to June (28%) due to the pandemic and consequent economic downturn.

It is worth noting that in these Current Population Survey numbers, unmarried students who reside in on-campus college dorms are counted as living in their family home, so any increase in young adults living with parents this year would not be due to the pandemic-related closure of college dorms in the spring.

That said, there generally is a seasonal pattern to young adults living with their parents: The share tends to rise slightly in the summer, after college final exams. In 2019, for example, the share living with their parents rose by less than 2 percentage points in July compared with February. But this year, the increase was much sharper – more than 5 points.” – Richard Fry, Jeffrey Passel and D’vera Cohn, Pew Research Center



# Demographics

## Pew Research Center

### **Racial and ethnic differences in the share of young adults living with parents have narrowed**

“In past decades, White young adults have been less likely than their Asian, Black and Hispanic counterparts to live with their parents. That gap has narrowed since February as the number of White young adults living with their mothers and/or fathers grew more than for other racial and ethnic groups.

In fact, Whites accounted for about two-thirds (68%) of the increase in young adults living with their parents. As of July, more than half of Hispanic (58%) and Black (55%) young adults now live with their parents, compared with about half of White (49%) and Asian (51%) young adults.

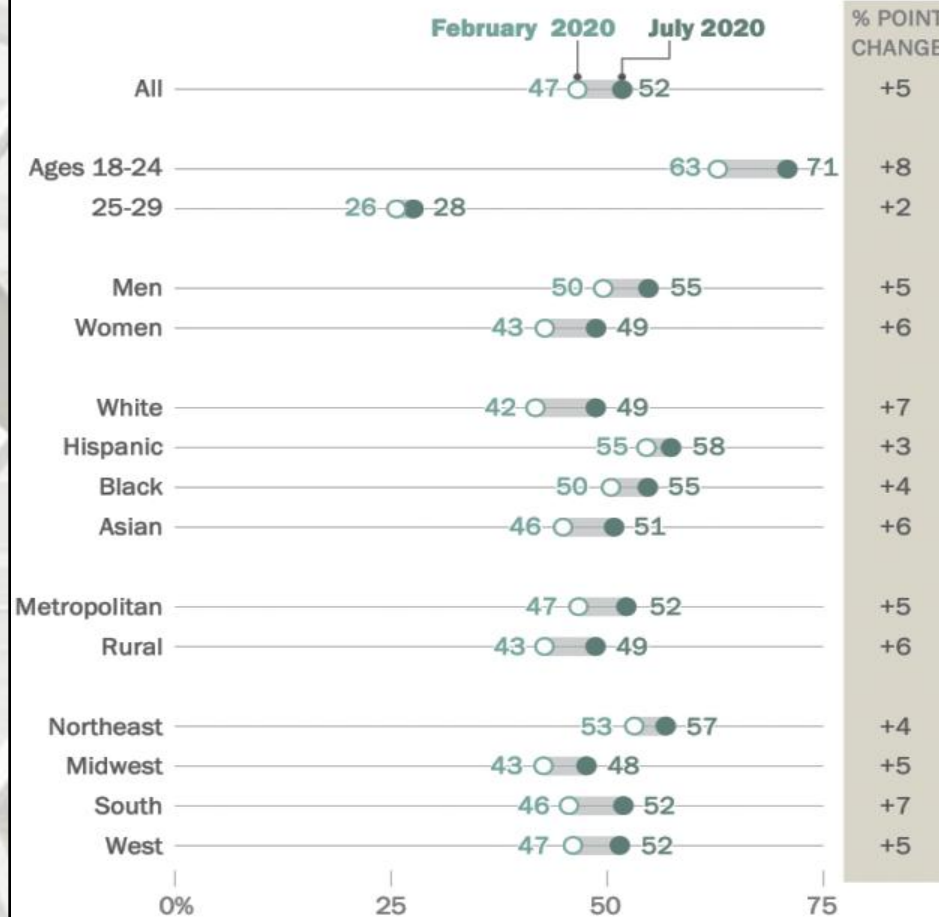
Young men are more likely than young women to live with their parents, and both groups experienced increases in the number and share residing with mom, dad or both parents since the beginning of the coronavirus outbreak. Similarly, a higher share of young adults in metropolitan areas compared with rural ones live with their parents now, but the number in both areas grew from February to July.

By region, the number and share of young adults living with parents grew throughout the country. Growth was sharpest in the South, where the total rose by more than a million and the share increased by 6 percentage points, from 46% to 52%. But the Northeast retained its status as the region where the highest share of young adults live with parents (57%).” – Richard Fry, Jeffrey Passel and D’vera Cohn, Pew Research Center

# Demographics

## Increase in share of those living with their parents is more pronounced among 18- to 24-year-olds

% of 18- to 29-year-olds in U.S. living with a parent



Note: "Living with a parent" refers to those who are residing with at least one parent in the household. White, Black and Asian adults include those who report being only one race and are non-Hispanic. Hispanics are of any race. The percentage point changes are computed from unrounded shares.

Source: Pew Research Center analysis of 2020 Current Population Survey monthly files.

PEW RESEARCH CENTER

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