The Virginia Tech–USDA Forest Service Housing Commentary: Section II
August 2020

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2020 Virginia Polytechnic Institute and State University CNRE-NP

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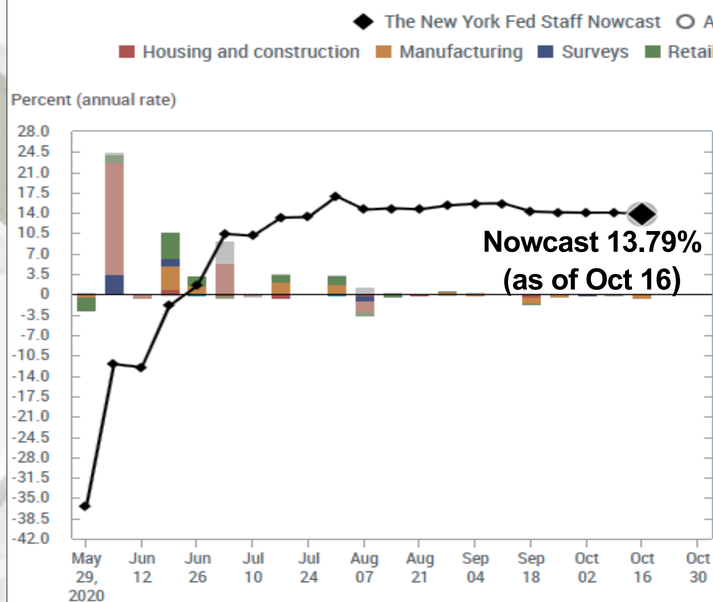
U.S. Economic Indicators

The Federal Reserve Bank of New York Nowcast

2020:Q4 | **2020:Q3** | 2020:Q2 | 2020:Q1

Last Release 11:15am EST Oct 16, 2020



Data Flow (Oct 16, 2020)

Model Update	Release Date	Data Series	Actual	Impact	Nowcast GDP Growth
Oct 16					13.79
	9:10AM Oct 16	Capacity utilization	-0.44	-0.25	
	9:10AM Oct 16	Industrial production index	-0.63	-0.27	
	8:30AM Oct 16	Retail sales and food services	1.91	0.02	
	8:30AM Oct 15	Philadelphia Fed Mfg. Business Outlook: Current activity	32.30	-0.02	
	8:30AM Oct 15	Export price index	0.57	-0.00	
	8:30AM Oct 15	Import price index	0.32	-0.01	
	8:30AM Oct 15	Empire State Mfg. Survey: General business conditions	10.50	-0.01	
	8:30AM Oct 14	PPI: Final demand	0.42	0.01	
	8:30AM Oct 13	CPI-U: All items less food and energy	0.19	-0.00	
	8:30AM Oct 13	CPI-U: All items	0.20	-0.01	
		Data revisions		0.26	
Oct 09					14.07

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

Source: Authors' calculations, based on data accessed through Haver Analytics.

October 16 2020: Highlights

- “The New York Fed Staff Nowcast stands at 13.8% for 2020:Q3 and 3.6% for 2020:Q4.
- News from this week’s data releases decreased the nowcast for 2020:Q3 by 0.3 percentage point and decreased the nowcast for 2020:Q4 by 1.2 percentage points.
- Negative surprises from industrial production and capacity utilization data drove the decrease in both quarters.” – The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/research/policy/nowcast; 10/16/20

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The Federal Reserve Bank of Chicago: Midwest Economy Index

Index suggests Midwest growth above trend through August

“The Midwest Economy Index (MEI), which approximates quarterly growth at a monthly frequency, rose to +1.59 in August from –3.58 in July. Contributions to the August MEI from all four broad sectors of nonfarm business activity and all five Seventh Federal Reserve District states increased from July. However, the relative MEI fell to –5.98 in August from –4.38 in July. Contributions to the August relative MEI from two of the four sectors and four of the five states decreased from July.

The manufacturing sector’s contribution to the MEI increased to +0.16 in August from –1.02 in July. The pace of manufacturing activity increased in all five states. Manufacturing’s contribution to the relative MEI fell to –3.33 in August from –0.99 in July.

The construction and mining sector contributed +0.02 to the MEI in August, up from –0.25 in July. The pace of construction and mining activity was faster in all five states. Construction and mining’s contribution to the relative MEI moved down to –0.57 in August from –0.15 in July.

The service sector’s contribution to the MEI rose to +0.50 in August from –1.91 in July. The pace of service sector activity was up in all five states. The service sector’s contribution to the relative MEI moved up to –1.52 in August from –1.98 in July.

Consumer spending indicators contributed +0.90 to the MEI in August, up from –0.39 in July. Consumer spending indicators were, on balance, up in all five states. Consumer spending’s contribution to the relative MEI increased to –0.57 in August from –1.26 in July.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/mei/index; 9/30/20

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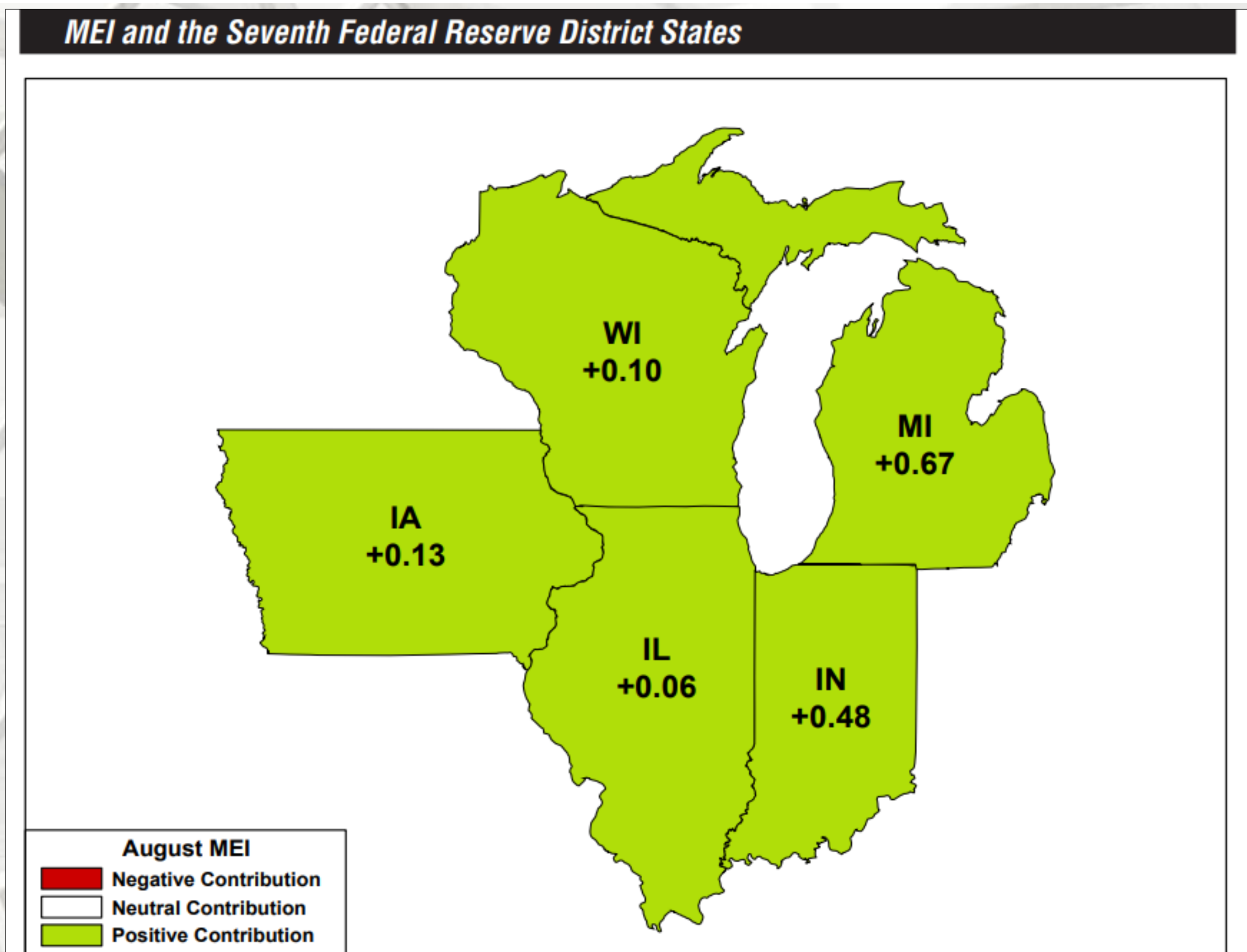
The Federal Reserve Bank of Chicago: Midwest Economy Index



Note: The map's coloring summarizes the most recent contribution to growth in Midwest economic activity from each of the five states in the Seventh Federal Reserve District (Illinois, Indiana, Iowa, Michigan, and Wisconsin).

Source: https://www.chicagofed.org/publications/mei/index; 9/30/20

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The Federal Reserve Bank of Chicago: Survey of Business Conditions

Survey Suggests Growth Slowed Slightly in August

"The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index decreased to +8 in September from +20 in August, suggesting that economic growth was near trend. The CFSBC Manufacturing Activity Index fell to +43 in September from +60 in August, and the CFSBC Nonmanufacturing Activity Index moved down to –10 in September from –2 in the previous month.

- Respondents' outlooks for the U.S. economy for the next 12 months deteriorated, but remained optimistic on balance. Thirty-seven percent of respondents expected an increase in economic activity over the next three months, and 46 percent expected activity to return to its pre-pandemic level by the end of 2021.
- The pace of current hiring increased, as did respondents' expectations for the pace of hiring over the next 12 months. The hiring index remained negative, but the hiring expectations index moved into positive territory.
- Respondents' expectations for the pace of capital spending over the next 12 months decreased, but the capital spending expectations index remained positive.
- The labor cost pressures index increased, as did the nonlabor cost pressures index. Both cost pressures indexes remained negative. " – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfsbc/index/; 8/12/20

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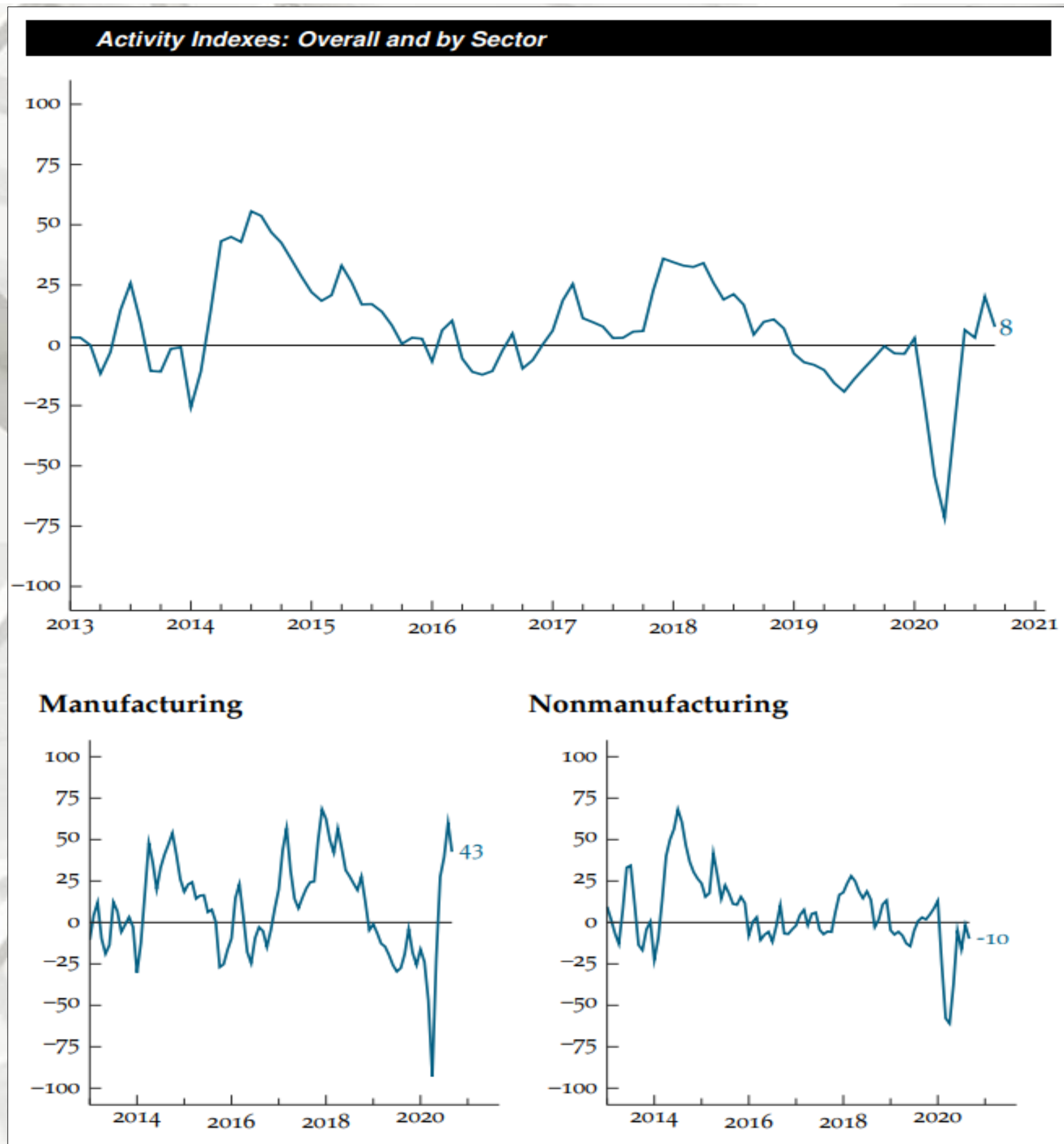
The Federal Reserve Bank of Chicago: Survey of Business Conditions



Source: https://www.chicagofed.org/publications/cfsbc/index/; 8/12/20

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The Federal Reserve Bank of Dallas

Texas Manufacturing Recovery Picks Up Steam

"Texas factory activity expanded in September for the fourth month in a row following a record contraction due to 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, rose nine points to 22.3, its highest reading in two years.

Other measures of manufacturing activity point to above-average growth this month. The new orders index advanced five points to 14.7, and the growth rate of orders index held fairly steady at 13.2. The capacity utilization index rose from 10.9 to 17.5, while the shipments index was largely unchanged at 21.5.

Perceptions of broader business conditions continued to improve in September. The general business activity index pushed up six points to 13.6, its highest reading since November 2018. The company outlook index held mostly steady at 14.9, a reading well above average. Uncertainty regarding companies' outlooks continued to rise, with the index positive but largely unchanged at 6.7.

Labor market measures indicated stronger employment growth and a continued increase in workweek length. The employment index pushed up from 10.6 to 14.5, suggesting more robust hiring. Twenty-four percent of firms noted net hiring, while 10 percent noted net layoffs. The hours worked index remained positive but moved down from 10.5 to 6.9.

Prices and wages increased further in September. The raw materials prices index rose seven points to 26.2, surpassing the series average. The finished goods prices index pushed up to 5.2, its highest reading in 17 months. Compensation costs continued to rise, with the wages and benefits index coming in at 15.9." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/28/20

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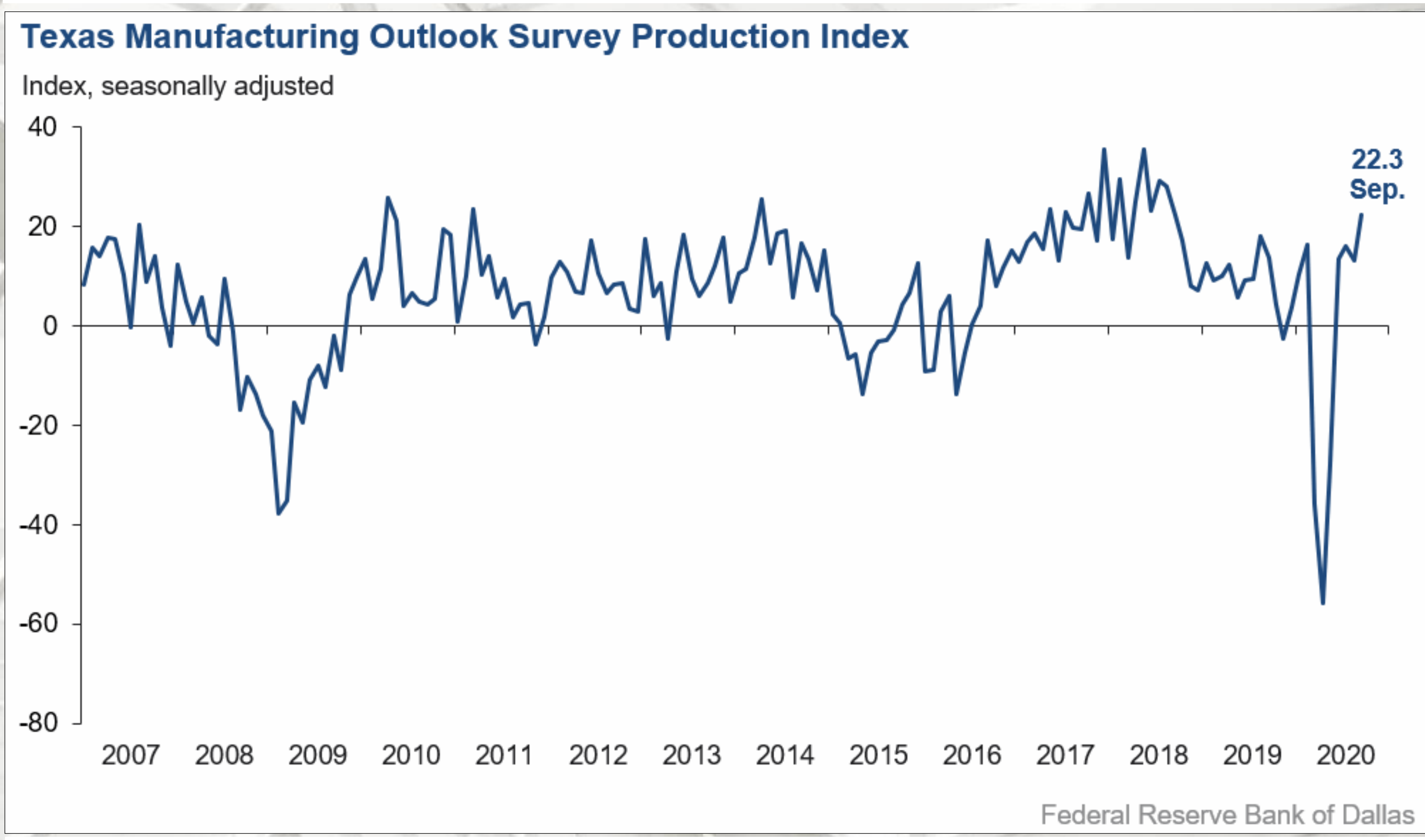
The Federal Reserve Bank of Dallas



Texas Manufacturing Recovery Picks Up Steam

"Expectations regarding future activity were generally more positive in September. The future production index pushed up further to a reading of 47.8, and the future general business activity index jumped eight points to 28.0. Most other measures of future manufacturing activity advanced further into positive territory." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/28/20

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The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Texas Service Sector Growth Rebounds in September

"Activity in the Texas service sector grew at its fastest pace since February, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, jumped from 1.5 in August to 14.0 in September, with one-third of respondents indicating an increase in revenues.

Labor market indicators reflected growth in employment and workweek length in September. The employment index rose three points to 2.7, its first positive reading since February. The hours worked index surged nearly eight points to 6.6, its best reading since mid-2019.

Wages pressures rose in September, while price pressures eased. The wages and benefits index rose from 4.9 to 7.1, pointing to a faster pace of growth in worker compensation. The selling prices index slipped about two points to 2.2, while the input prices index fell from 22.2 to 19.4.

Respondents' expectations regarding future business activity remained optimistic in September but weakened slightly compared with August. The future general business activity index was unchanged at 18.9, while the future revenue index slipped from 35.5 to 31.9, though over half of respondents still expect their revenues to be higher in six months. Other indexes of future service sector activity such as employment fell but remain near pre-COVID-19 levels, suggesting expectations of significant expansion in activity by early 2021." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/29/20

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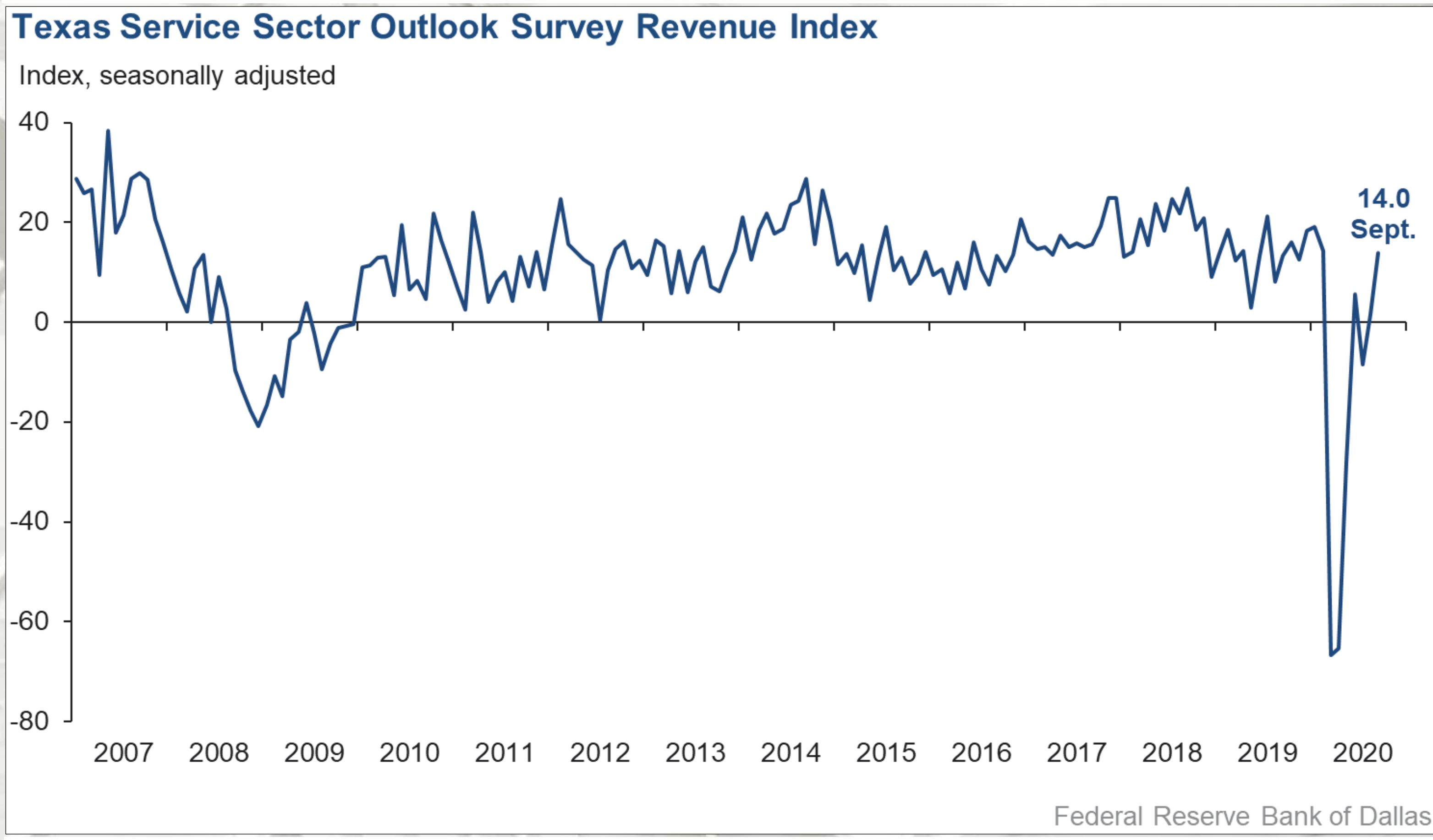
The Federal Reserve Bank of Dallas



Texas Service Sector Growth Rebounds in September

"Perceptions of broader business conditions continued to improve compared with August. The general business activity index advanced about seven points to 11.5, while the company outlook index rose from 5.6 to 9.7. The outlook uncertainty index fell to 0.0, suggesting that the same share of respondents believed outlooks were less uncertain as believed outlooks were more uncertain." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/29/20

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The Federal Reserve Bank of Dallas

Texas Retail Sales Rise Sharply

"Retail sales activity soared in September after two months of declines, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, advanced from -9.9 to 20.8. Over 35 percent of respondents reported increased sales compared with August, while just 16 percent reported decreases – the lowest share since November 2019. The decline in inventories continued to ease, with the inventories index increasing from -8.7 to -4.1.

Retail labor market indicators were positive in September, with net increases in employment and average workweek length. The employment index was roughly unchanged at 2.3, while the hours worked index surged 17 points to 3.1 – its first positive reading since January.

Retailers' perceptions of broader business conditions remained positive in September. The general business activity index rose six points to 10.3, while the company outlook index was mostly unchanged at 8.9. The outlook uncertainty index fell further from 7.2 to 0.0, with nearly 80 percent of respondents noting no change in uncertainty compared with August.

Retail wage and price pressures climbed sharply in September. The wages and benefits index increased from 0.9 to 7.3, while the input prices index surged from 16.0 to 26.3. The selling prices index advanced over eight points to 22.6 – its highest reading since February." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/29/20

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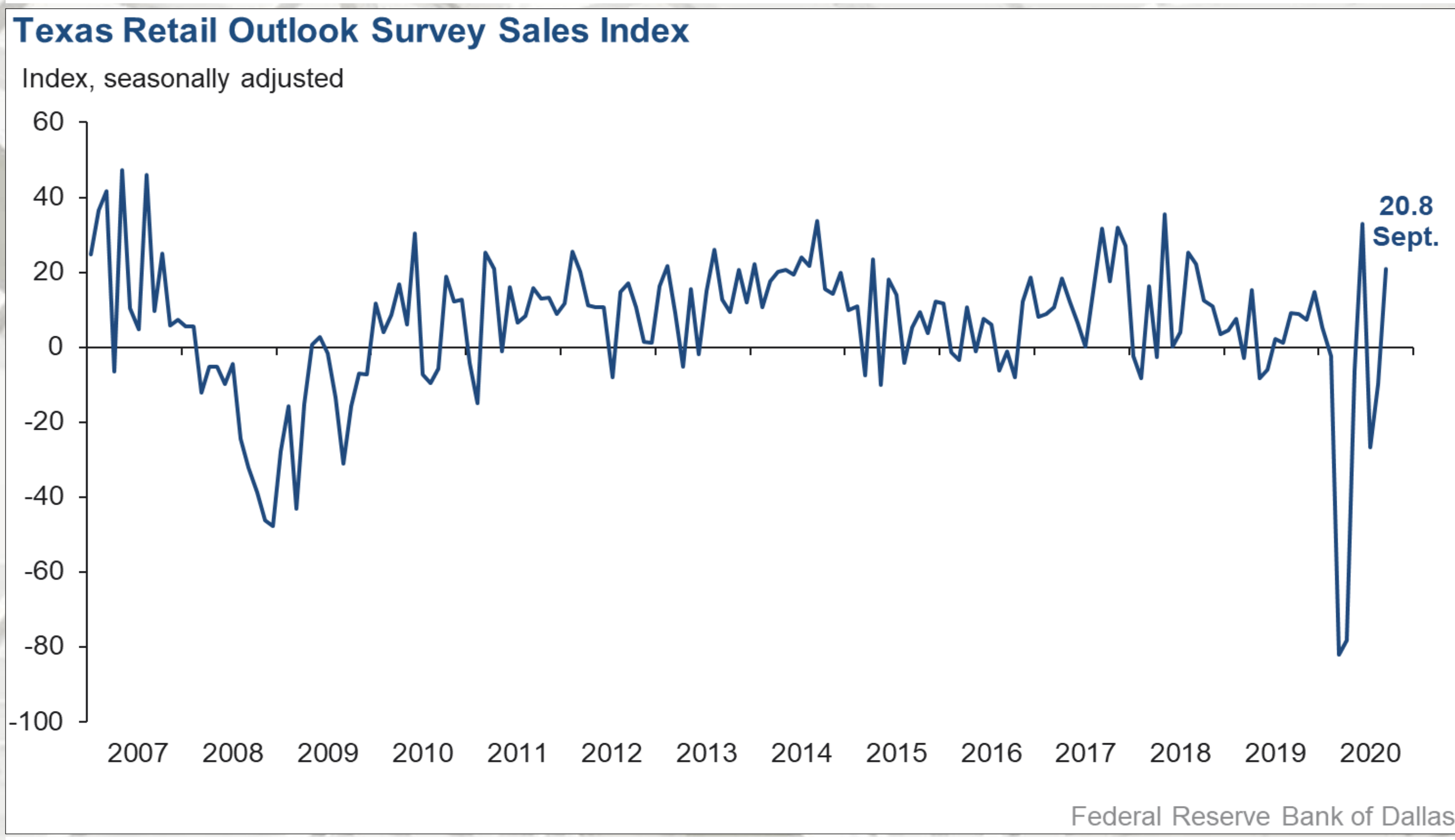
The Federal Reserve Bank of Dallas



Texas Retail Sales Rise Sharply

“Retailers’ perceptions of future activity continued to reflect optimism in September. The future general business activity index slipped three points but remained positive at 24.8, while the future sales index rose nearly eight points to 42.7 – a two-year high. Other indexes of future retail activity such as employment were at or above pre-COVID-19 levels, pointing to expectations of significantly stronger activity in six months.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/1/20

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Increased at a Slower Pace

Factory Activity Increased at a Slower Pace

"Tenth District manufacturing activity increased at a slower pace in September and remained lower than a year ago, while expectations for future activity were positive (Chart 1). Prices paid for raw materials and finished goods rose further. District firms expected prices for both raw materials and finished goods to grow in the next six months.

The month-over-month composite index was 11 in September, slightly lower than 14 in August but higher than 3 in July. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Activity at non-durable and durable goods factories expanded at a similar pace. The increase in activity at food and beverage manufacturers was slower in September than in previous months, when activity bounced back more sharply. Most month-over-month indexes remained positive, indicating continued expansion. Production, shipments, new orders, and employment rose at a slower pace, while order backlog and supplier delivery time increased. The indexes for employee workweek and new orders for exports dipped slightly, and inventory indexes for materials and finished goods were negative. Most year-over-year factory indexes remained negative in September, and the composite index declined from -19 to -21. The future composite index was still positive in September at 18, similar to expectations in August." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 9/24/20

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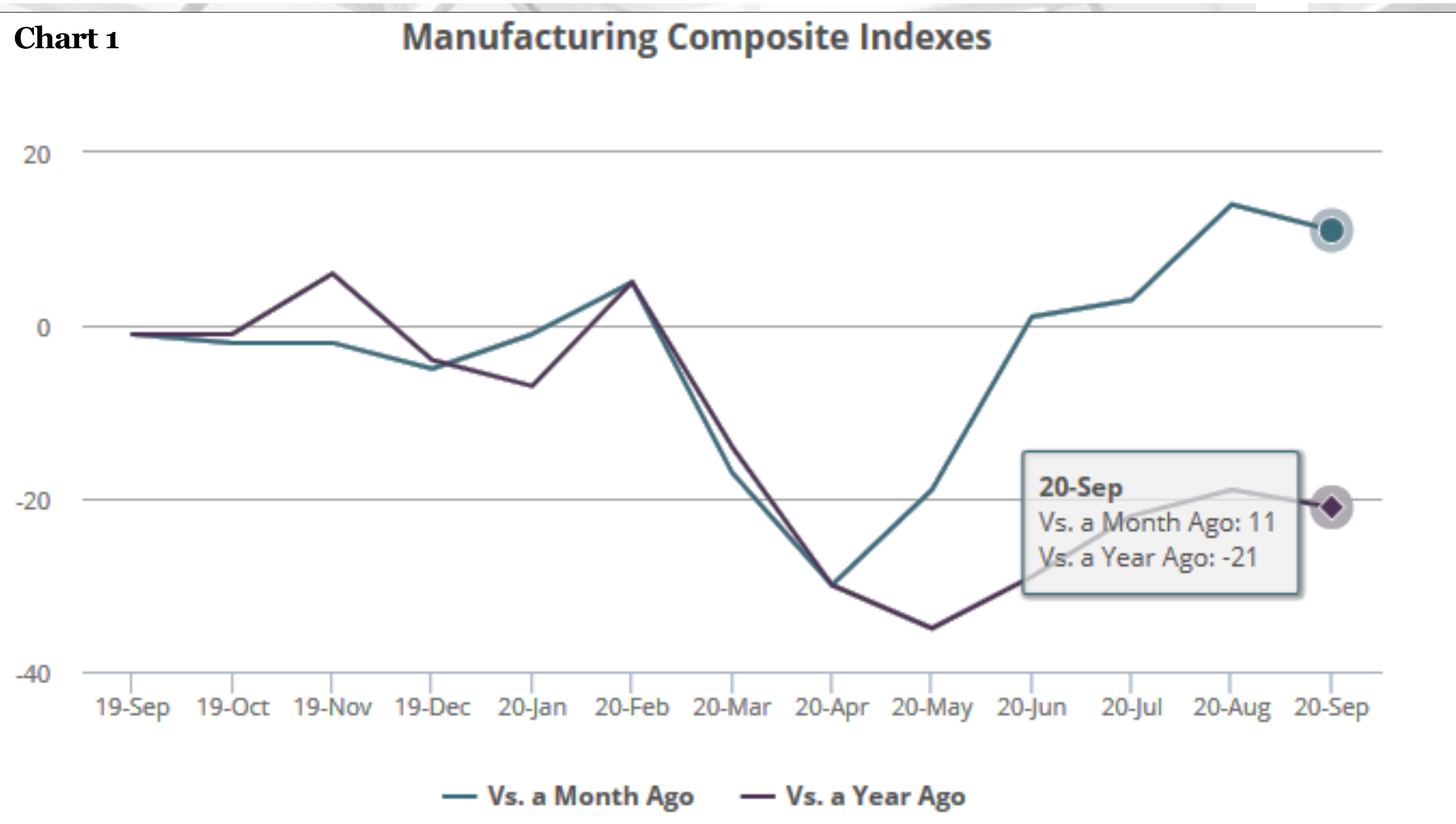
The Federal Reserve Bank of Kansas City

Chart 1



Source: https://www.kansascityfed.org; 9/24/20

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Activity Decreased Moderately

Tenth District services activity decreased moderately in September, but expectations for future activity rose.

Business Activity Decreased Moderately in September

"Tenth District services activity decreased moderately in September, but expectations for future activity rose (Chart 1). The indexes for input and selling prices increased in September, although at a slightly slower rate. Firms expected input prices to expand further in the next six months and the index for future selling prices remained positive

The month-over-month services composite index was -7 in September, dropping considerably from 20 in August and July. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most month-over-month indexes were lower in September. The general revenue and sales index fell sharply, driven by less activity at restaurants, hotels, and auto dealers. The inventory index remained negative, and the index for part-time employment was steady. The indexes for employment, employee hours, wages and benefits, and capital expenditures expanded at a slower pace in September. However, the access to credit index inched higher into positive territory. Year-over-year indexes were generally as negative as in August, and the year-over-year composite was relatively unchanged at -23. Only the wages and benefits and price indexes increased versus a year ago. Expectations for future services activity grew in September, and the composite index rose from 11 to 19." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 9/25/20

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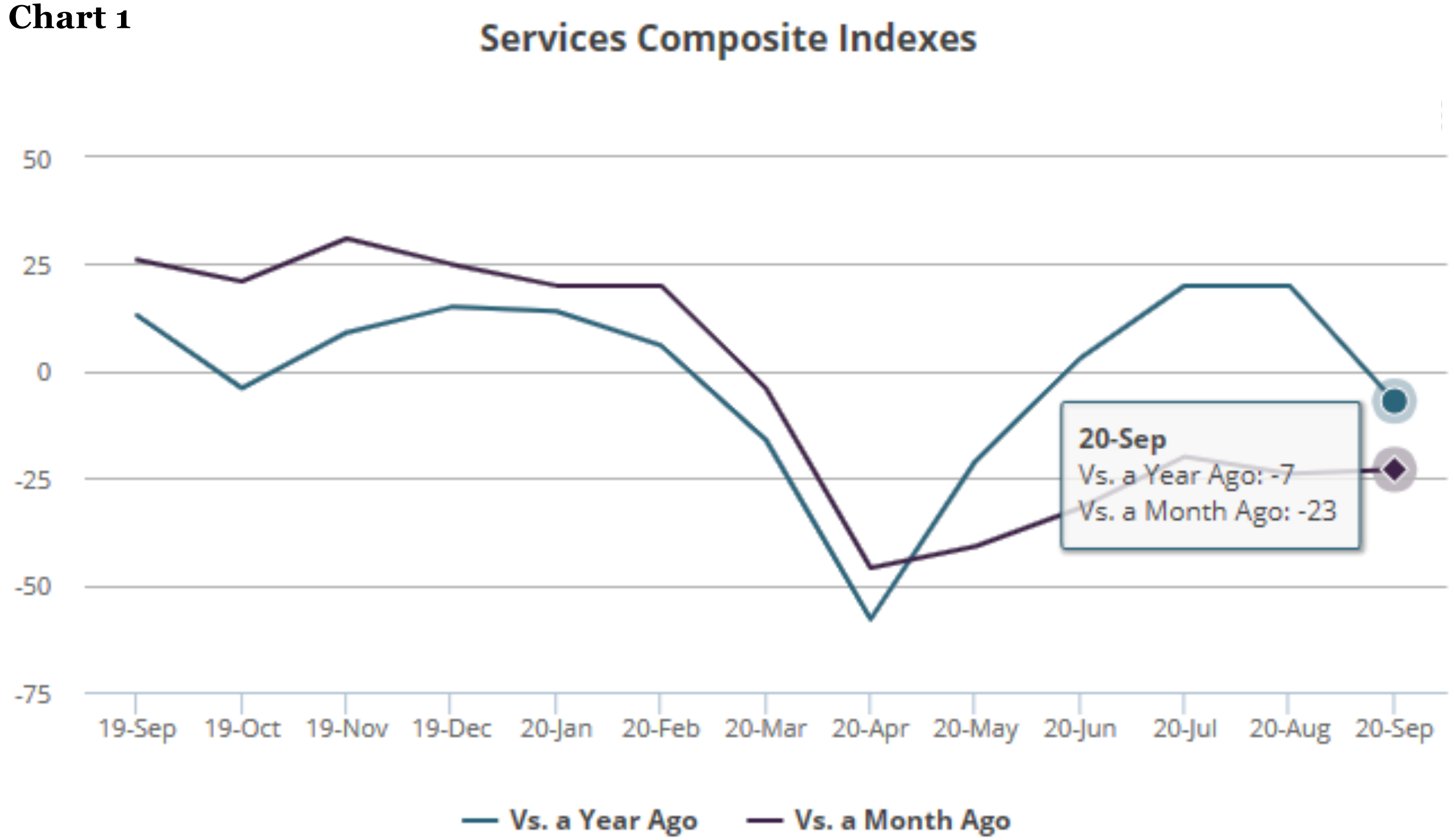
U.S. Economic Indicators

Chart 1



Source: https://www.kansascityfed.org; 9/25/20

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Conditions Improve Noticeably

"Business activity expanded at a solid clip in New York State, according to firms responding to the September 2020 *Empire State Manufacturing Survey*. The headline general business conditions index climbed thirteen points to 17.0. New orders increased modestly, and shipments grew significantly. Unfilled orders continued to decline. Inventories edged slightly lower, and delivery times were somewhat longer. Employment was again little changed this month, though the average workweek picked up. Input prices increased at a faster pace than in August, and selling prices continued to increase modestly. Looking ahead, firms remained optimistic that conditions would improve over the next six months.

Manufacturing activity in New York State grew significantly in September. The general business conditions index rose thirteen points to 17.0, its third consecutive positive reading. Forty percent of respondents reported that conditions had improved over the month, while 23 percent reported that conditions had worsened. The new orders index climbed nine points to 7.1, pointing to a modest increase in orders, and the shipments index rose seven points to 14.1, indicating a significant increase in shipments. Delivery times increased, while unfilled orders and inventories declined." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/15/20

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Selling Prices Increase For A Second Consecutive Month

"The index for number of employees held steady at 2.6, indicating little change in employment levels. The average workweek index rose fourteen points to 6.7, its first positive reading since the pandemic began, signaling an increase in hours worked. The prices paid index rose nine points to 25.2, pointing to a pickup in input price increases. The prices received index edged up to 6.5, its highest level since March, indicating that selling prices increased for a second consecutive month.

Firms Remain Optimistic About Future Conditions

The index for future business conditions moved up six points to 40.3, suggesting that firms remained optimistic about future conditions, and to a greater degree than last month. The indexes for future new orders and future shipments posted similar readings, and firms expect to increase employment in the months ahead. The capital expenditures index rose thirteen points to 18.7, its highest level in several months, a sign that firms, on net, planned to increase capital spending." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/15/20

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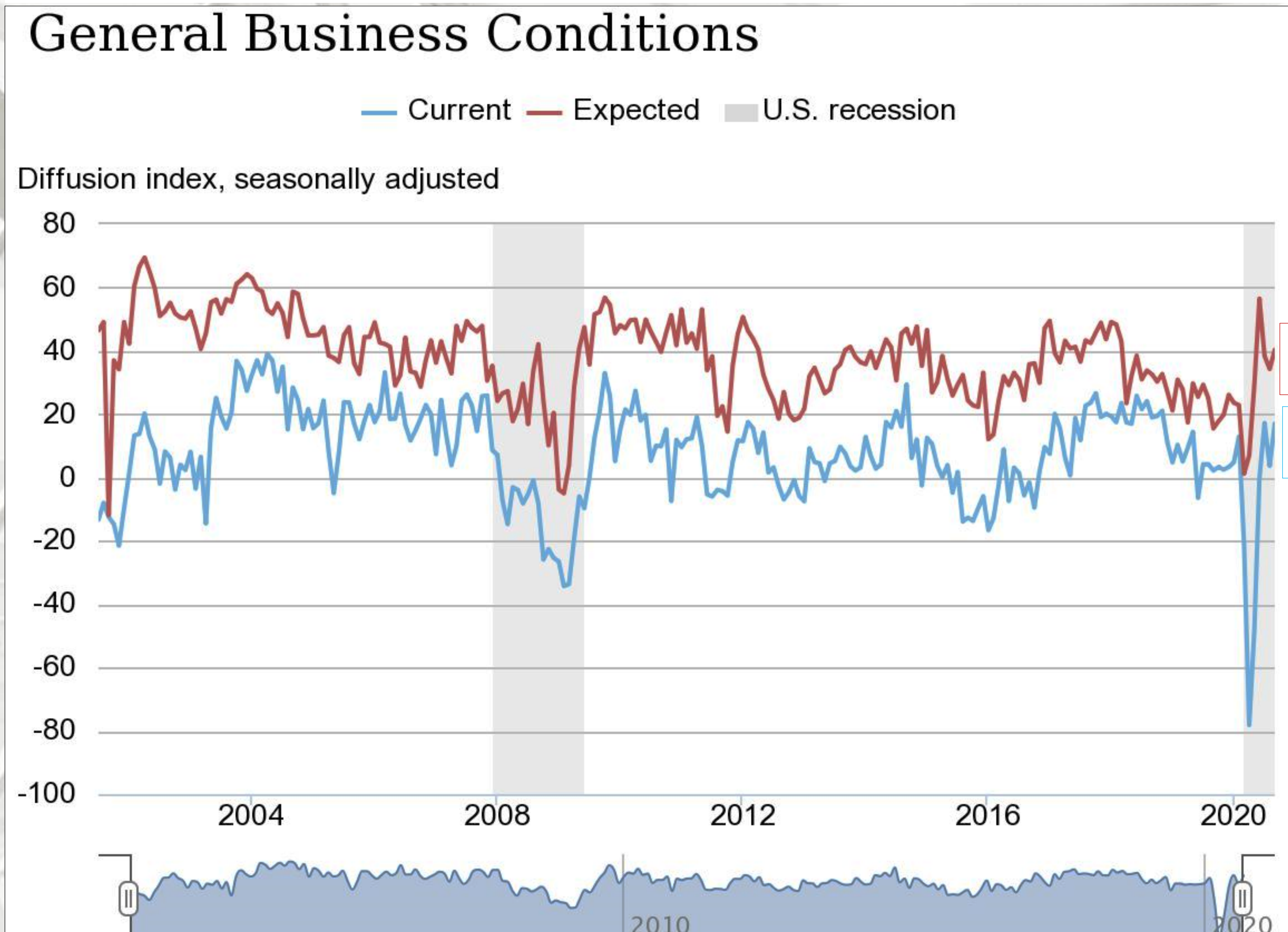
The Federal Reserve Bank of New York



September 2020
40.3

September 2020
17.0

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/15/20

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Conditions Remain Weak

“Activity in the region’s service sector declined modestly, according to firms responding to the Federal Reserve Bank of New York’s September 2020 *Business Leaders Survey*. The survey’s headline business activity index rose twelve points to -5.4, pointing to a slower pace of decline than in August. The business climate index rose eight points to -66.5, indicating that firms viewed the business climate as worse than normal, though to a somewhat lesser extent than last month. Employment levels continued to decline, though only modestly, and wages were higher. Input prices increased at the same pace as last month, while selling prices stabilized. Capital spending fell for a sixth consecutive month. Looking ahead, firms were just slightly optimistic about the six-month outlook, on net, and expected the business climate to remain worse than normal in the months ahead.

Business activity in the region’s service sector continued to decline in September, though conditions were not as weak as last month. The headline business activity index climbed twelve points to -5.4. Thirty percent of respondents reported that conditions improved over the month, and 35 percent said that conditions worsened. The business climate index rose eight points to -66.5, with 76 percent of respondents viewing the business climate as worse than normal.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 9/16/20

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Wages Pick Up, Selling Prices Stabilize

"Employment levels fell, though the pace of decline continued to abate, with the employment index increasing six points to -7.8. The wages index rose to 7.4, its second consecutive positive reading, signaling a small increase in wages. The prices paid index held steady at 28.6, indicating that input prices increased at the same pace as last month. The prices received index climbed to a level of around zero, marking the first time since March that the index was not negative. The capital spending index was little changed at -25.0, suggesting ongoing significant declines in capital spending.

Firms Not Expecting Much Improvement

The index for future business activity climbed into positive territory, rising ten points to 6.8, while the future business climate index remained negative at -5.4; taken together, these readings suggest that firms do not expect much improvement in the months ahead. Employment levels are expected to hold steady, while wages are expected to increase. Firms anticipate lower capital spending in the coming months." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 9/16/20

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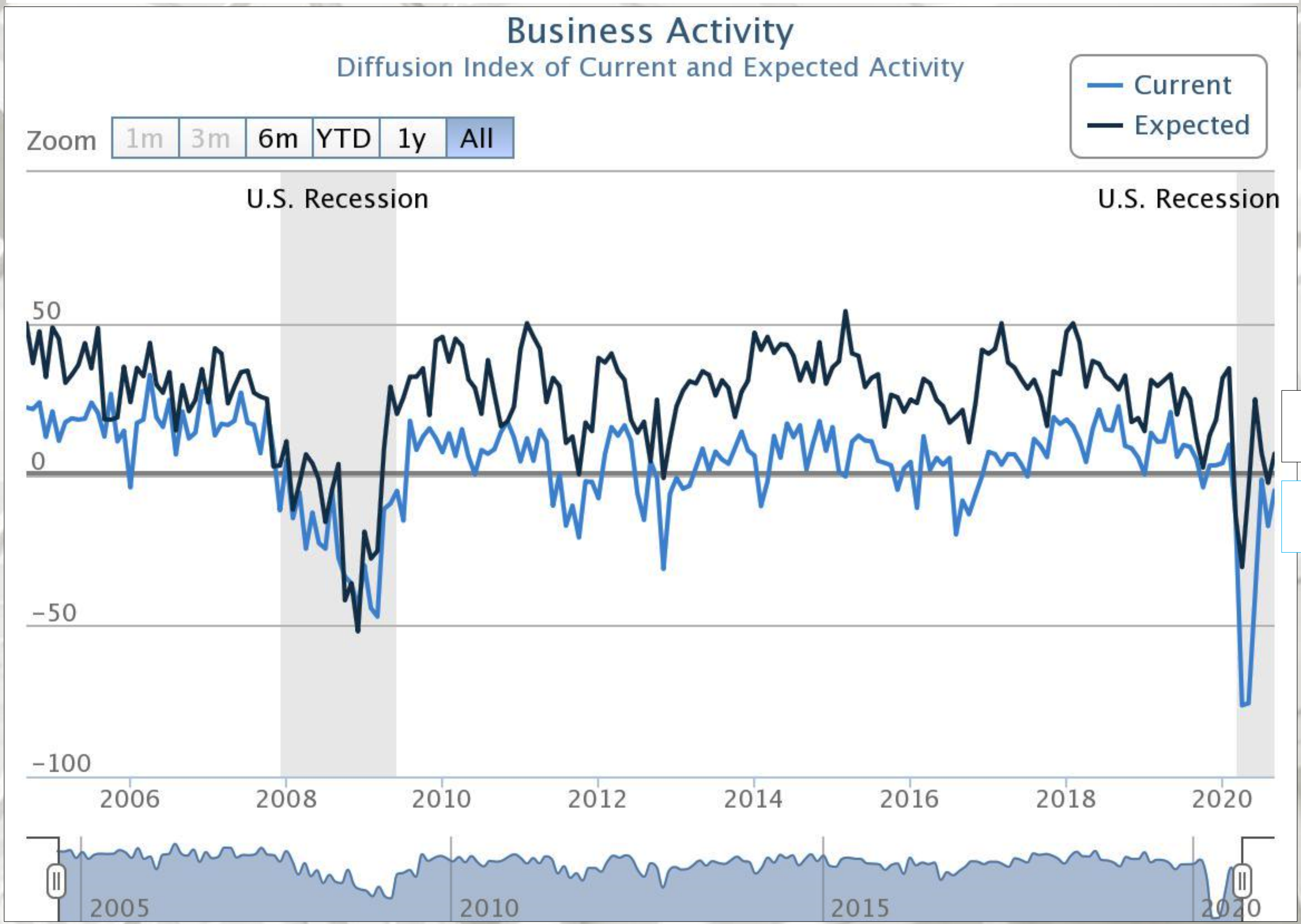
The Federal Reserve Bank of New York



August 2020
6.8

August 2020
-5.4

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 9/16/20

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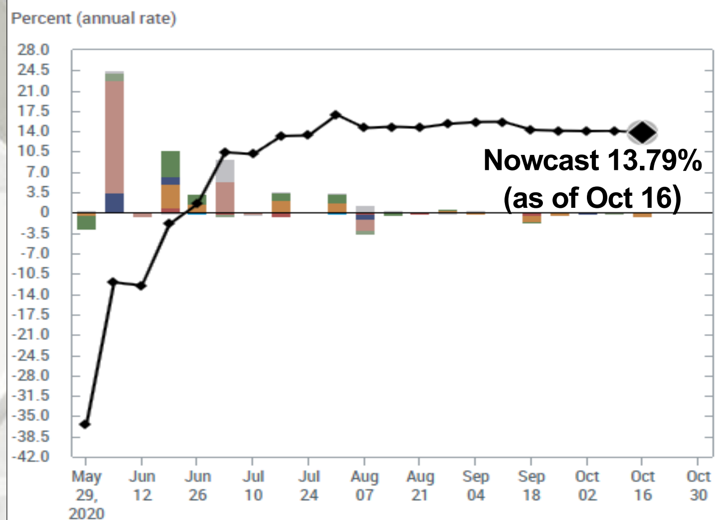
U.S. Economic Indicators

The Federal Reserve Bank of New York Nowcast

2020:Q4 | **2020:Q3** | 2020:Q2 | 2020:Q1

Last Release 11:15am EST Oct 16, 2020



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Source: https://www.newyorkfed.org/research/policy/nowcast; 10/16/20

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U.S. Economic Indicators

The Federal Reserve Bank of Philadelphia

September 2020 Manufacturing Business Outlook Survey

"Manufacturing activity in the region continued to expand this month, according to firms responding to the September *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments remained positive for the fourth consecutive month. The employment index improved in September and remained in positive territory for the third consecutive month. Nearly all of the future indexes increased, suggesting more widespread optimism among firms about growth over the next six months.

Most Current Indicators Remain Positive

The diffusion index for current activity fell 2 points to 15.0 in September, its fourth consecutive positive reading after reaching long-term lows in April and May (see Chart 1). The percentage of firms reporting increases (33 percent) exceeded the percentage reporting decreases (18 percent). The index for new orders increased from 19.0 to 25.5. Nearly 42 percent of the firms reported increases in new orders this month, while 16 percent reported decreases. The current shipments index increased 27 points to 36.6 in September. Over 45 percent of the firms reported higher shipments this month, compared with 26 percent last month.

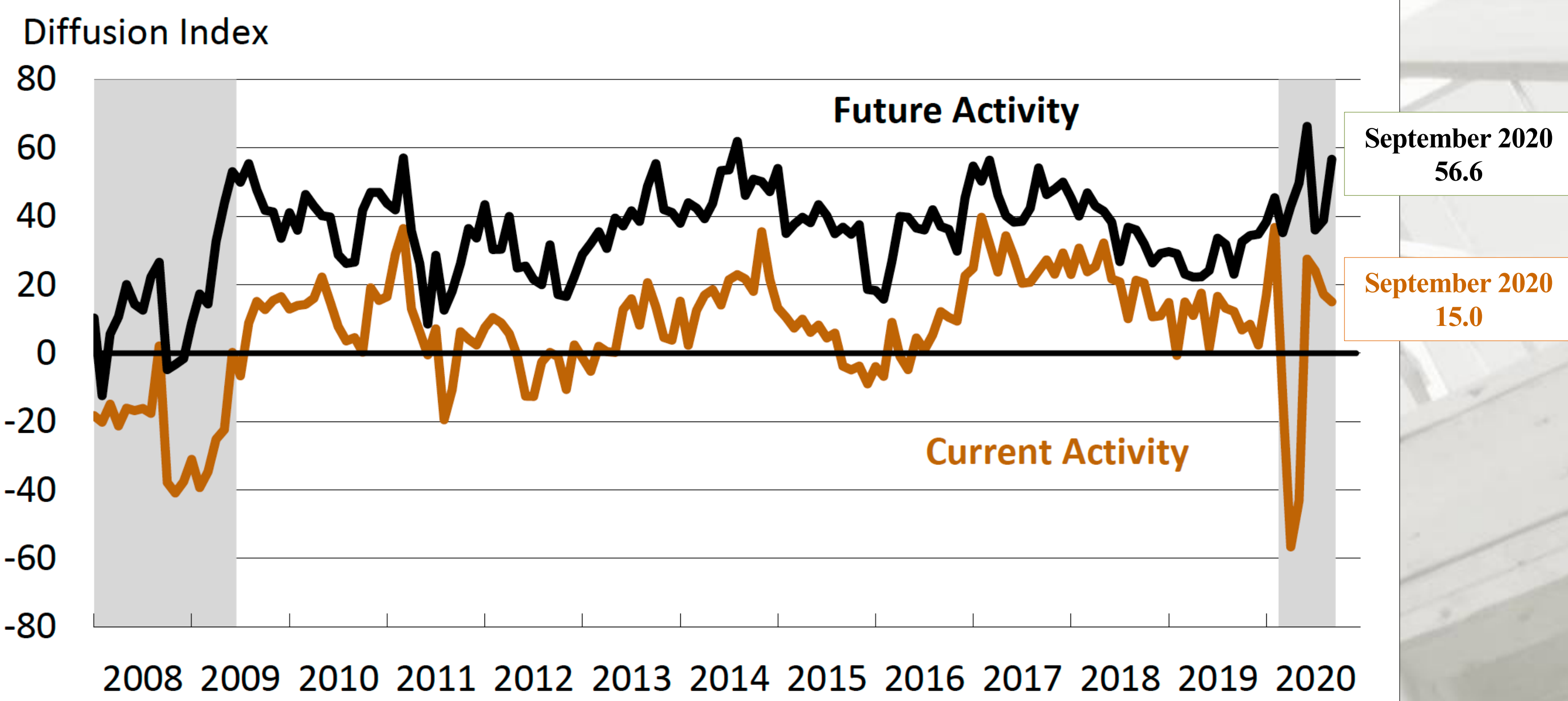
On balance, the firms reported increases in manufacturing employment for the third consecutive month: The current employment index increased 7 points to 15.7 this month. Employment increases were reported by 31 percent of the firms, while 16 percent reported decreases. The average workweek index was positive for the third consecutive month but fell 4 points to 7.8." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2020/bos0920; 9/17/20

The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes

January 2008 to September 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.

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2020/bos0920; 9/17/20

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The Federal Reserve Bank of Philadelphia

More Firms Report Increases in Prices

"The survey's price indicators remained positive and increased this month. The prices paid diffusion index increased 10 points to 25.1. Nearly 29 percent of the firms reported increases in input prices, and 4 percent reported decreases; most firms (68 percent) reported no change. The current prices received index, reflecting manufacturers' own prices, increased 6 points to 18.4. Over 22 percent of the firms reported increases in prices of their own manufactured goods, up from 16 percent in August.

Firms Expect Higher Production During the Fourth Quarter

In this month's special questions, the firms were asked to estimate their total production growth for the third quarter ending this month along with expected growth for the fourth quarter (see Special Questions)". The share of firms reporting increases in third-quarter production (51 percent) was greater than the share reporting decreases (40 percent). The firms have yet to recover production losses experienced during the widespread closures in April and May. The firms indicated that third-quarter production was still 85 percent of pre-pandemic levels. Looking ahead to the fourth quarter, 62 percent of the firms expect an increase in production compared with the third quarter, while 29 percent of the firms expect decreases. For those firms forecasting an increase in production, 11 percent will need to hire additional workers, 20 percent will increase work hours without hiring additional workers, and 22 percent will increase production through higher productivity without hiring additional workers." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2020/bos0920; 9/17/20

The Federal Reserve Bank of Philadelphia

Firms Are More Optimistic About Future Growth

"The respondents remained optimistic about growth over the next six months. The diffusion index for future general activity increased 18 points to 56.6 in September (see Chart 1). The future new orders index rose 2 points and remained at an elevated reading of 56.9, while the future shipments index edged up 1 point to 47.9 this month. The firms continued to expect increases in employment over the next six months, as the future employment index increased 13 points. Nearly 46 percent of the firms expected higher employment, compared with 38 percent in August. The index for future capital spending increased 8 points to 31.0, with nearly 36 percent of the firms expecting to increase spending over the next six months.

Summary

Responses to the September *Manufacturing Business Outlook Survey* suggest continued recovery for the region's manufacturing sector. The indicators for current activity, new orders, shipments, and employment all remained positive. The survey's future indexes suggest more widespread optimism about manufacturing activity over the next six months."
– Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2020/bos0920; 9/17/20

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The Federal Reserve Bank of Philadelphia

September 2020 Nonmanufacturing Business Outlook Survey

Current Indicators Remain Positive

"Nonmanufacturing firms reported continued signs of improvement in regional nonmanufacturing activity this month, according to results from the *Nonmanufacturing Business Outlook Survey*. The index for general activity at the firm level edged up, sales/revenues remained stable, and new orders edged down. The survey's indexes for full-time and part-time employment both showed positive readings for the first time since February. The respondents expect overall improvement in conditions over the next six months, as both future activity indexes increased.

The diffusion index for current general activity at the firm level rose from 17.9 in August to 20.4 in September, its fourth consecutive positive reading since reaching record lows in the spring (see Chart 1). Over 42 percent of the firms reported increases, while 22 percent reported decreases. The new orders index was positive for the third consecutive month but fell 3 points to 8.5 in September. Nearly 31 percent of the firms reported increases in new orders, while 22 percent reported decreases. The sales/revenues index ticked down 1 point to 9.8 in September. The regional activity index increased 6 points to 8.0, its highest reading since February." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey; 9/21/20

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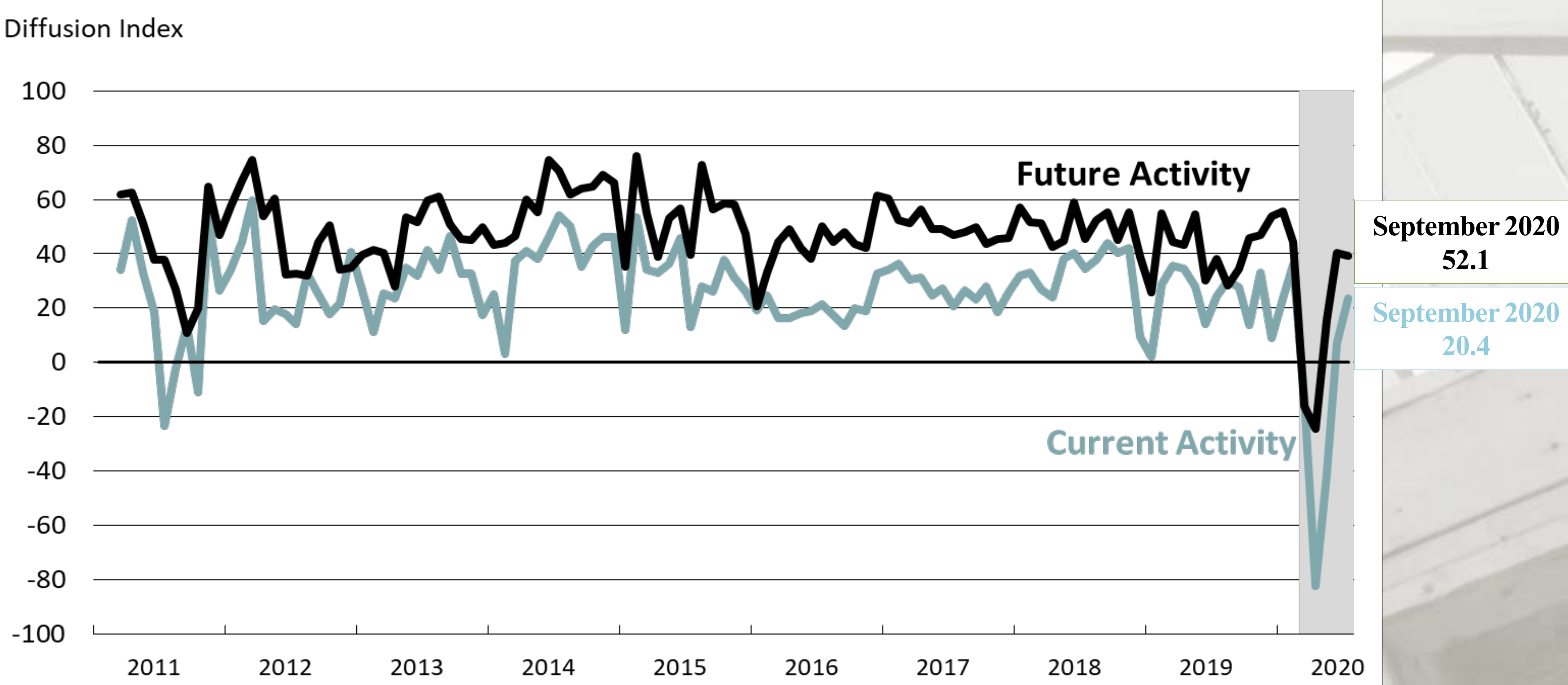
The Federal Reserve Bank of Philadelphia

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

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey; 9/21/20

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The Federal Reserve Bank of Philadelphia

August 2020 Nonmanufacturing Business Outlook Survey

Employment Indicators Turn Positive

"The firms reported overall increases in full-time and part-time employment for the first time since February, after six straight months of negative readings for both employment indicators. The full-time employment index increased for the fifth consecutive month, rising 8 points to 5.1. The share of firms reporting increases in full-time employment (20 percent) exceeded the share reporting decreases (15 percent); the majority (65 percent) reported no change. The part-time employment index increased 14 points to 8.0. The majority of firms reported steady part-time employment (67 percent), while 15 percent of the firms reported increases and 7 percent reported decreases. The wages and benefits indicator fell 2 points to 13.1, and the average workweek index fell 4 points to 9.7.

Firms Now Report Increases in Prices of Own Goods

Price indicator readings suggest overall increases in prices for inputs and prices for the firms' own goods and services. The prices paid index increased from 10.1 in August to 17.1 in September. While most respondents (59 percent) reported stable input prices, 24 percent of the firms reported increases, and 7 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index was positive for the first time since March, rising 22 points to 15.5. Over 23 percent of the firms reported increases for their own goods (up from 6 percent last month), while 8 percent reported decreases (down from 12 percent last month). More than 59 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

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey; 7/21/20

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The Federal Reserve Bank of Philadelphia

August 2020 Nonmanufacturing Business Outlook Survey

Future Indicators Strengthen

"Both future activity indexes suggest more widespread optimism about growth over the next six months. The diffusion index for future activity at the firm level rose 17 points to a reading of 52.1 this month (see Chart 1). Over 64 percent of the firms expect an increase in activity at their firms over the next six months (up from 51 percent last month), compared with 12 percent that expect decreases (down from 16 percent). The future regional activity index rose from 19.7 in August to 33.7 in September.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest further signs of improvement in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, and new orders remained positive after reaching all-time lows in the spring, and the indexes for full-time and part-time employment returned to positive territory for the first time since February. 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

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey; 9/21/20

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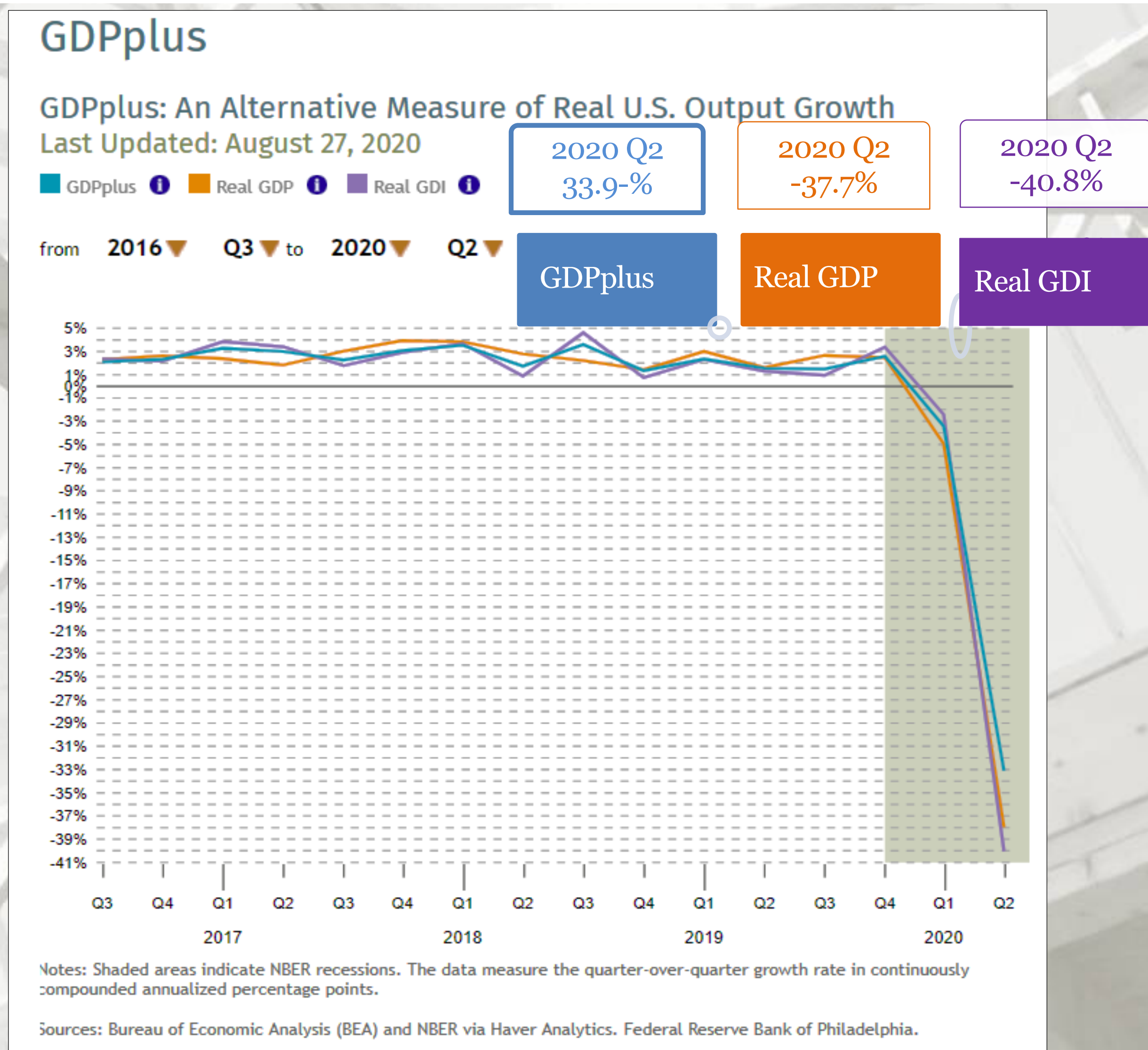
The Federal Reserve Bank of Philadelphia: GDPplus



Source: https://philadelphiafed.org/research-and-data/real-time-center/gdpplus/ 9/30/20

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Manufacturing Activity Improved in September

“Manufacturing activity in the Fifth District improved in September, according to the most recent survey from the Richmond Fed. The composite index climbed from 18 in August to 21 in September, buoyed by increases in the indicators for new orders and employment. The third component index—shipments— decreased but remained positive, suggesting continued expansion. Survey results also reflected improvement in local business conditions and increased capital spending. Overall, respondents were optimistic that conditions would continue to improve in the next six months.

Results reflected higher employment among many survey participants in September and suggested several manufacturers raised wages over the month. Firms struggled to find workers with the necessary skills. Respondents expected to see a continued rise in employment and wages.

The average growth rate of prices paid by surveyed manufacturers rose in September, while that of prices received fell, widening the gap between the two. On average, firms expected growth rates of both prices paid and prices received to rise in the near future.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/22/20

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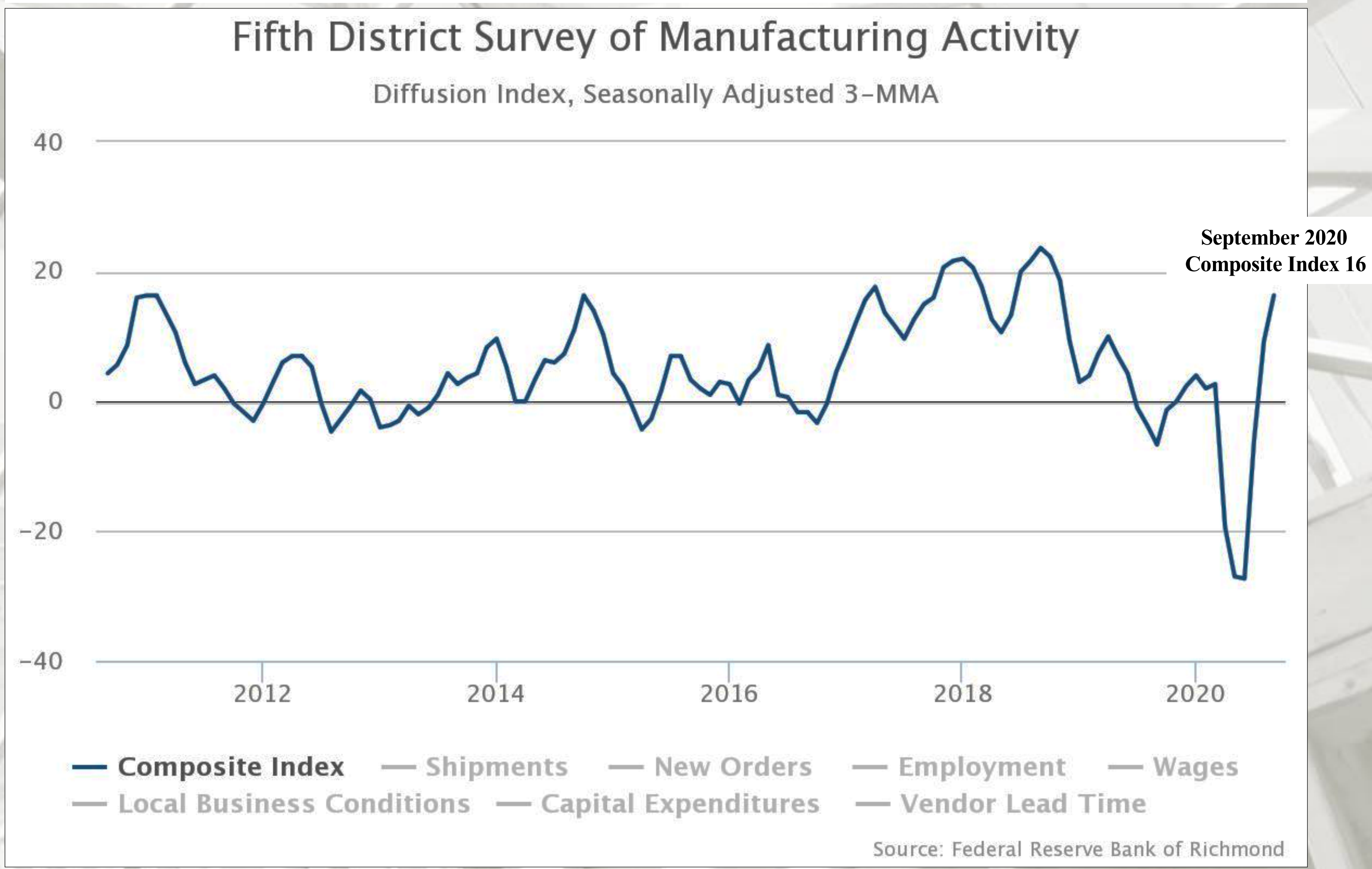
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/22/20

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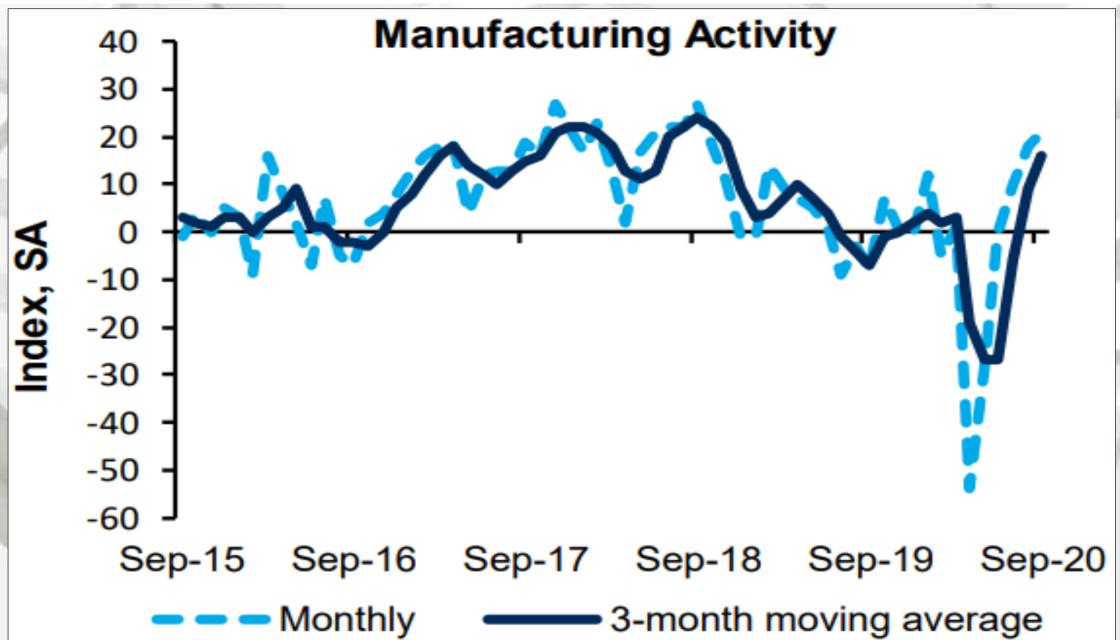
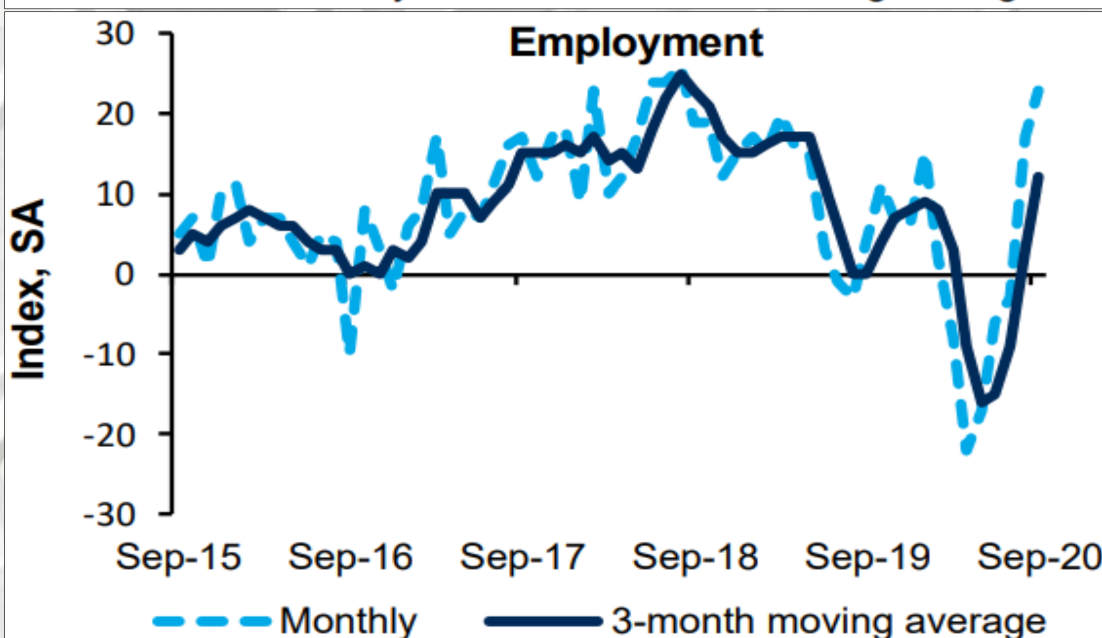
U.S. Economic Indicators





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/22/20

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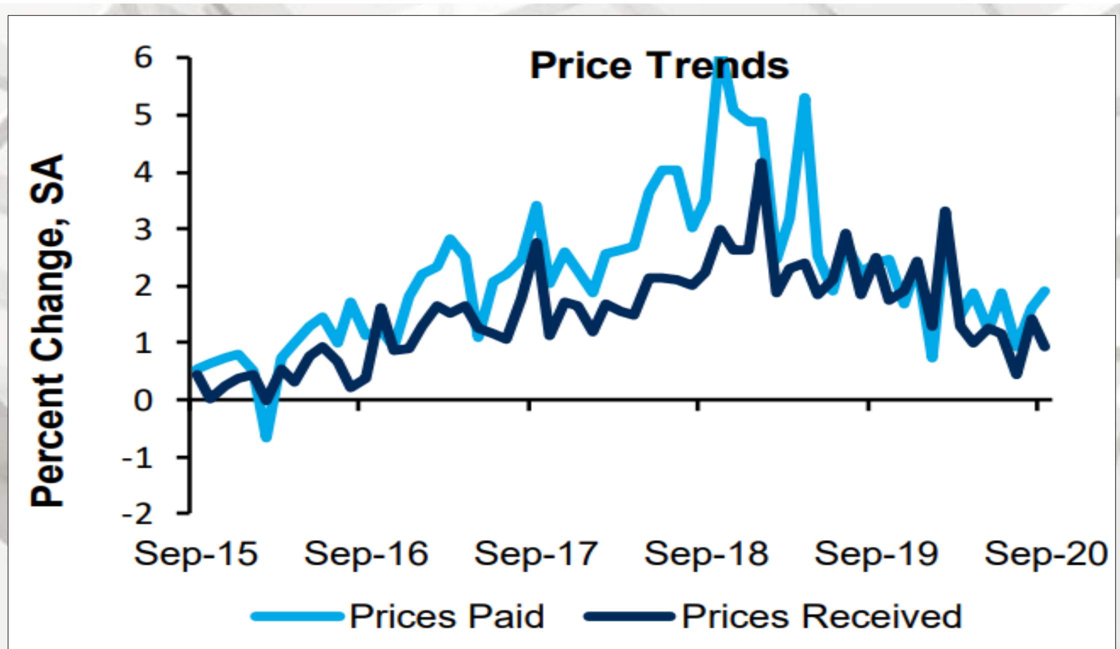
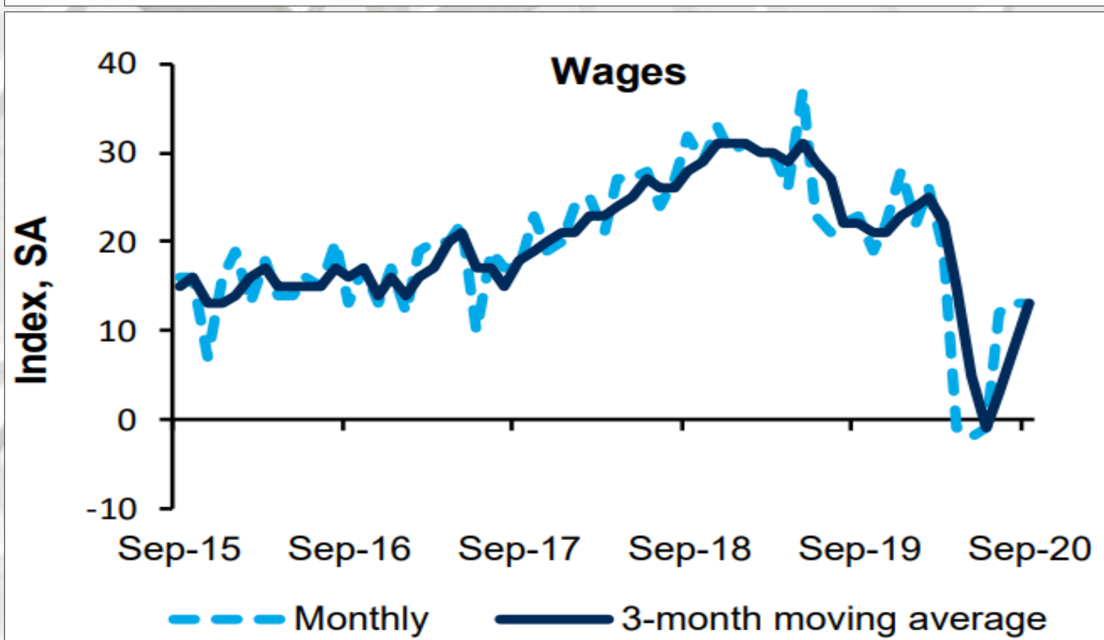
U.S. Economic Indicators





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/22/20

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Service Sector Improved Slightly in September

"The Fifth District service sector improved slightly in September, according to the most recent survey by the Federal Reserve Bank of Richmond. The indexes for revenues and demand increased from 2 and −1 in August to 6 and 11 in September, the first positive reading for demand since March. Some firms reported improvement in local business conditions as well. In general, contacts were optimistic that conditions would improve in the coming months.

Survey results suggested continued softness in employment, as that index fell slightly from 0 in August to −3 in September and has not been above 0 since March. Most survey participants reported increases in wages in September and expected both employment and wages to grow in the next six months.

The average growth rates of both prices paid and prices received by survey respondents rose in September, as growth of prices paid continued to outpace that of prices received. Firms expected to see slowing growth of both prices paid and prices received in the near future." – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 9/22/20

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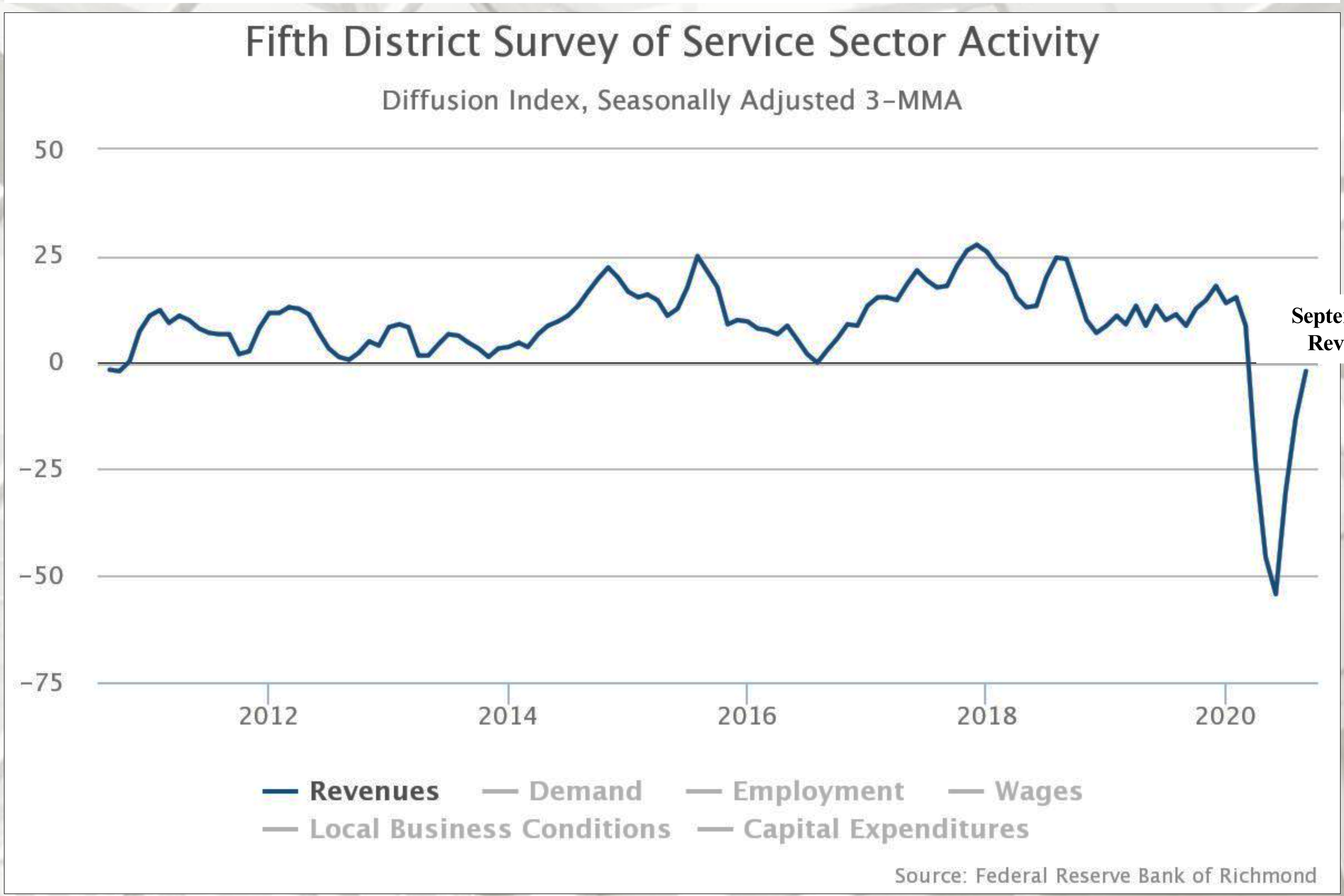
U.S. Economic Indicators



September 2020
Revenues - 2

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U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

FedViews

- "The coronavirus (COVID-19) pandemic and associated social-distancing measures caused an unprecedented contraction in GDP, which fell 31.4% at an annual rate in the second quarter. Recent data on consumption spending, manufacturing output, purchasing manager reports, and housing construction and sales indicate the economy rebounded substantially in the third quarter, though August and September data suggest some deceleration heading into the fourth quarter. We expect continued GDP growth over the near to medium term, but it will take several years before output catches up to its potential level absent the virus. Downside risks to the current outlook include a possible resurgence of the virus and the lack of an agreement for more fiscal stimulus.
- Consumption accounts for two thirds of economic activity and is the main driver behind the economy's plunge and recovery. In a typical recession, durable goods spending falls as consumers postpone big expenditures. In this downturn, service spending fell in March and April because of reduced outlays for "COVID-sensitive" services, such as transportation, recreation, restaurants, and hotels, which rely on extensive personal contact. Even health-care spending fell substantially, as many discretionary services were postponed in the initial phase of the pandemic." – Reuven Glick, Group Vice President, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2020/september/october-8-2020; 10/8/20

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U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

FedViews

- "Since April, consumer spending has rebounded significantly, recovering most of its earlier decline, with the exception of spending on COVID-sensitive services, which is still well below normal. This disparate spending pattern reflects the two-track nature of the recovery related to the extent to which particular industries and people are directly exposed to the pandemic. The expiration of expanded unemployment insurance benefits at the end of July has caused concern that consumer spending may falter without more fiscal support or more business reopenings.
- The labor market provides more evidence that the economy is recovering. A bit more than half of the 22 million jobs lost in March and April have been added, though the rate of job gains is slowing. A disproportionate share of the job losses has occurred for service industry workers interacting with the public. Correspondingly, since spiking to 14.7% in April, unemployment has fallen almost by half, reaching 7.9% in September. There is still a long way to go, as unemployment is more than twice as high as its pre-pandemic level of near 4%.
- The huge negative hit to aggregate demand in the second quarter, coupled with drops in oil prices, pushed down both headline and core inflation, where core excludes food and energy. Inflation has risen recently as economic activity has picked up. Headline inflation in August rose 1.4% on a 12-month basis, up from 1.1% in July, while core inflation rose to 1.6%, up from 1.4% in the prior month. We expect inflation to recover more going forward, but we do not expect to see a return to the 2% target for several years." – Reuven Glick, Group Vice President, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2020/september/october-8-2020; 10/8/20

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U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

FedViews

- “The Federal Reserve responded very quickly to the effects of the coronavirus on the economy, lowering the federal funds target rate to essentially zero. That policy, combined with other market forces, pushed down other interest rates, especially Treasury bond yields, to near historic lows. Hence, monetary policy and financial conditions are quite accommodative and likely are contributing substantially to the economic recovery, along with fiscal stimulus.
- The FOMC regularly emphasizes that “the path of the economy will depend significantly on the course of the virus.” The spread of COVID-19 has been generally slowing since July, though its uneven pattern has raised concerns that it might pick up again. Notably, the number of deaths during the summer stayed well below the spring’s elevated levels. Possible explanations for the reduced death rates include better treatment of those infected and a change in the composition of cases, with more new cases being younger with much lower fatality rates.
- The number of COVID-19 cases and deaths has varied by region. Cases and deaths peaked in the Northeast in April, while in the rest of the country they peaked in the summer months. However, the number of daily fatalities in the South and West have remained well below those seen in the Northeast in the spring.
- The incidence of COVID-19 varies by race and ethnicity as well. Black and Latino people have disproportionately contracted the virus relative to their shares of the population. This possibly reflects that they are more likely to work outside the home in jobs interacting with the public, to live in cramped conditions, and to rely on public transit, all of which can increase exposure to the coronavirus.” – Reuven Glick, Group Vice President, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2020/september/october-8-2020; 10/8/20

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U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

FedViews

- "Cases and deaths have also varied by age. According to data from the Centers for Disease Control and Prevention (CDC), most people who have died from COVID were 65 years or older and account for almost 80% of the deaths, but only 15% of the total cases to date. In contrast, people under 40 years of age account for less than 2% of deaths, but almost 50% of total cases. The CDC also reported the share of cases under age 40 has increased, which may help explain why the nationwide death total has not risen as much as the nationwide case total.
- The virus has affected the economy largely through reduced social and market interactions. Google community "mobility" indices track people's movements through their smartphones and provide a picture of how actively people are shopping, going to work, or engaging in recreation. These measures bottomed out in early April, then rose through June, but have since plateaued below the pre-pandemic baseline of 100.
- Mobility varies across destinations. Trips for essentials like groceries or medicine are close to normal, while commuting to work is depressed because many are working remotely or businesses have not reopened. Retail and recreation-related trips are roughly 20% of baseline, which is consistent with the weakness in consumer spending on COVID-sensitive services.
- Returning to "normal" levels of economic activity depends on people's perceptions of the risks of infection, which in turn depends on more testing and the development and distribution of a vaccine, expected next year." – Daniel Wilson, Vice President, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2020/september/october-8-2020; 10/8/20

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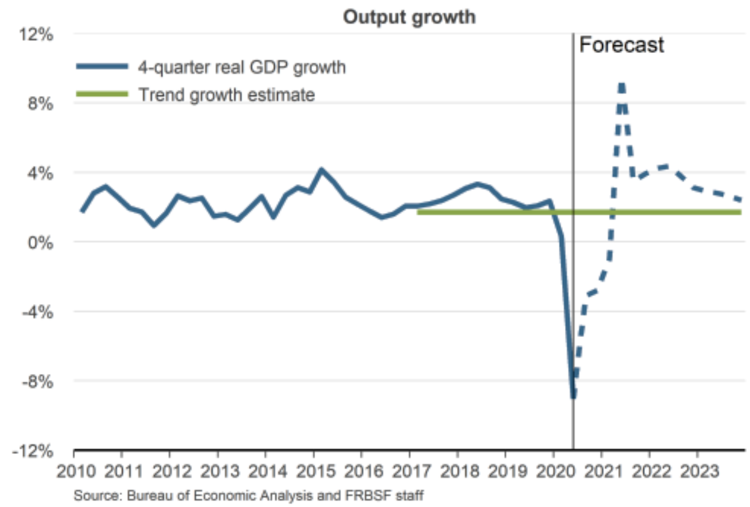
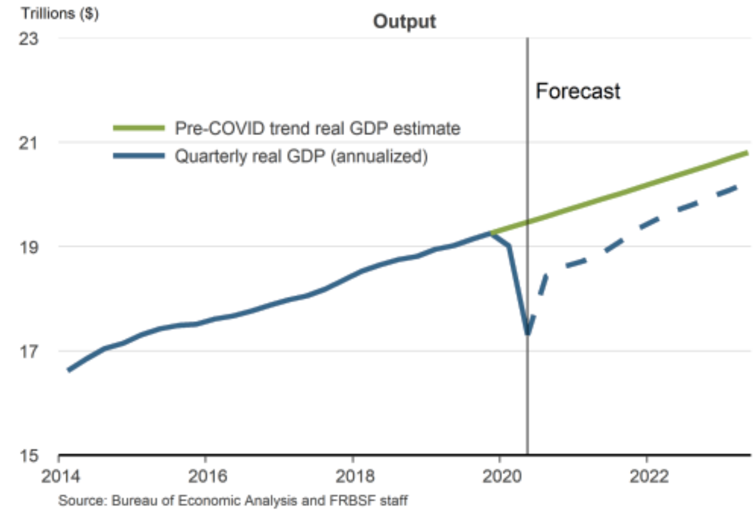
U.S. Economic Indicators

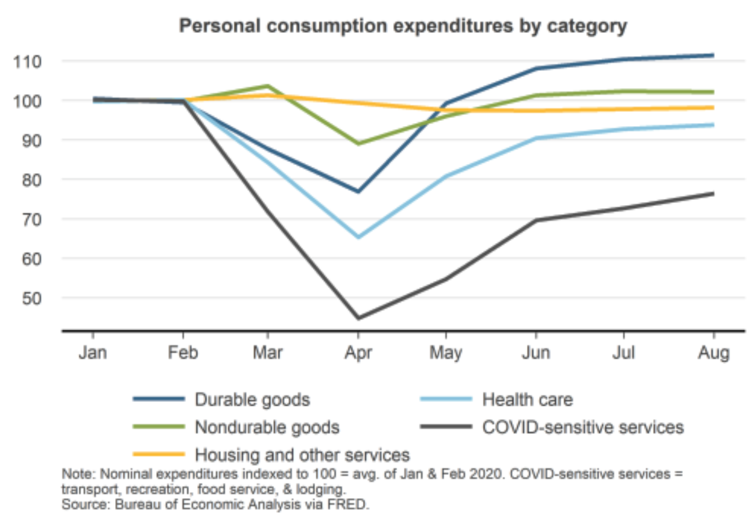
Output growth is picking up



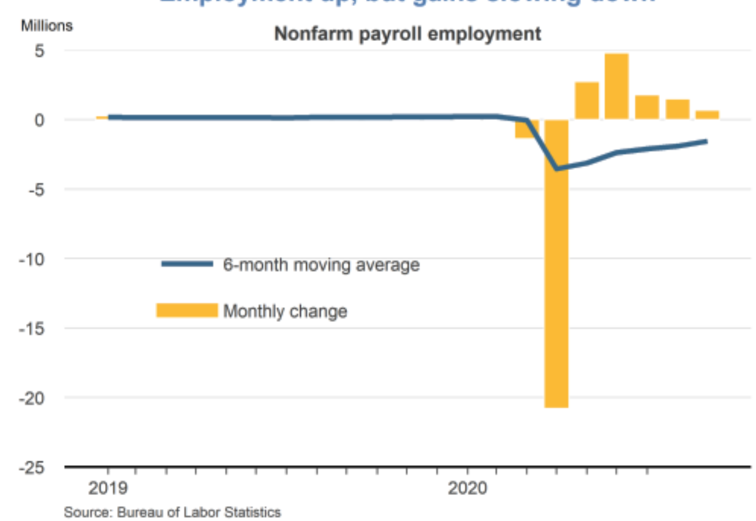
...but level expected below potential for some time



Spending on some services still depressed



Employment up, but gains slowing down



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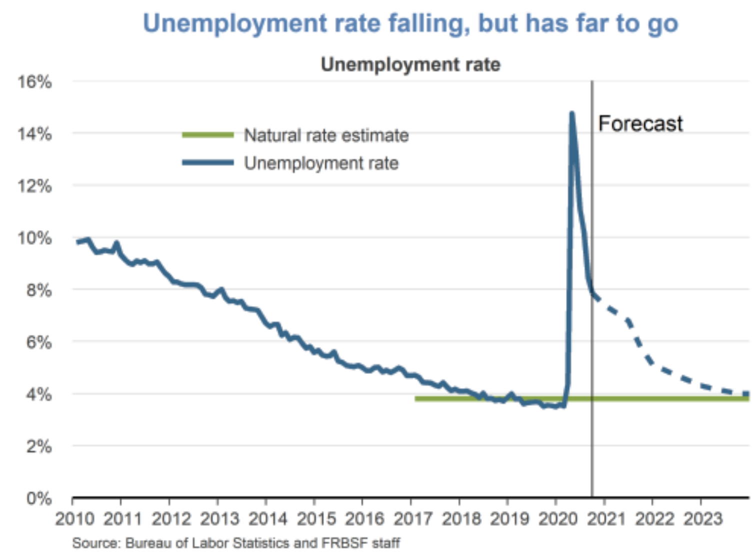
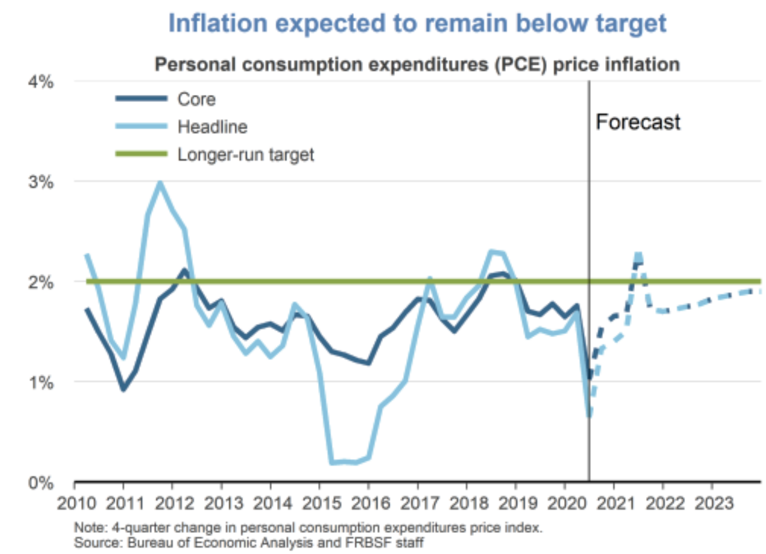
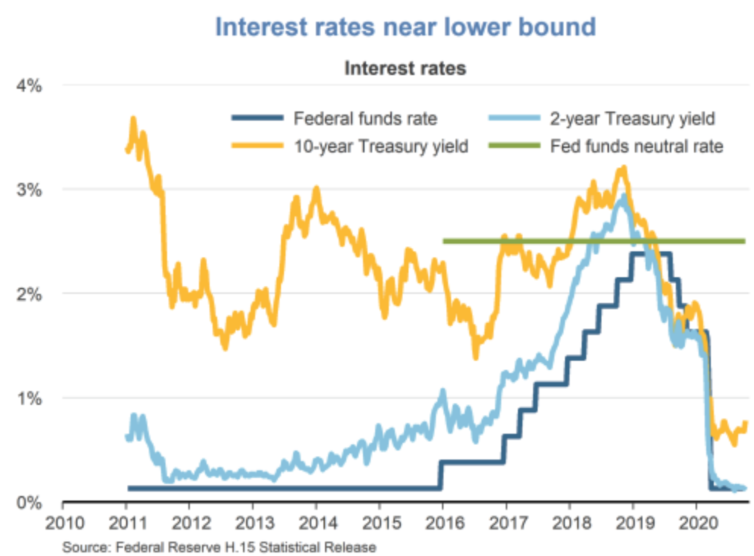
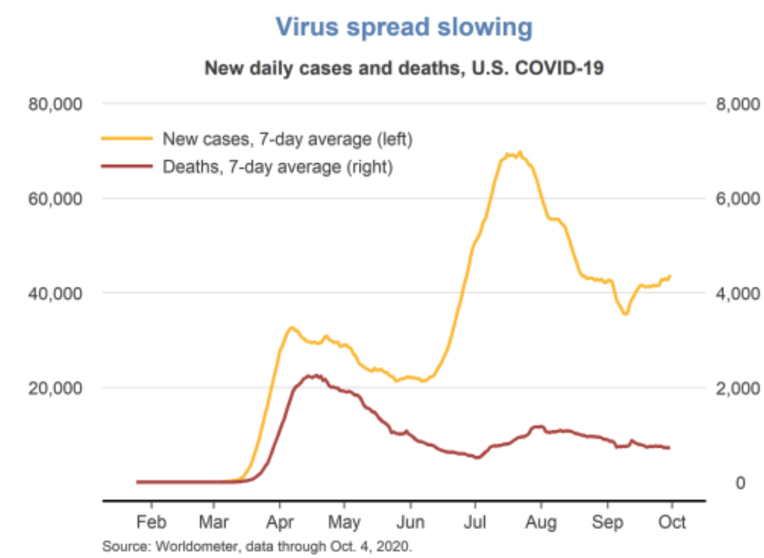
U.S. Economic Indicators









Source: https://www.frbsf.org/economic-research/publications/fedviews/2020/september/october-8-2020; 10/8/20

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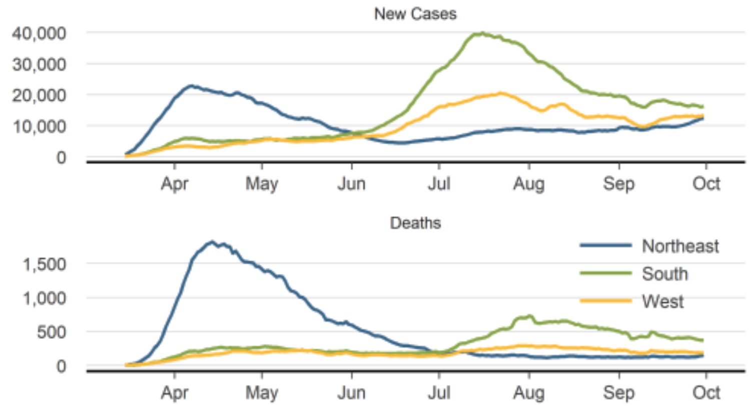
U.S. Economic Indicators

COVID incidence varies by geography

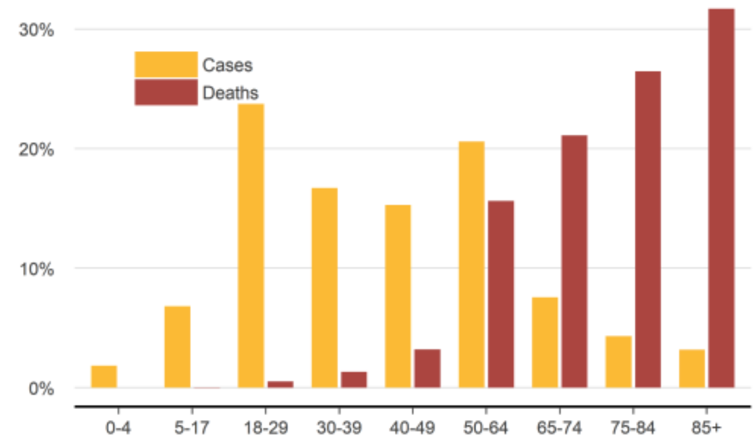
New daily cases and deaths, COVID-19



Note: Figures are 7-day moving averages. East = New England + Middle Atlantic + East North Central + Maryland + DC; South = South Atlantic + South Central - Maryland - DC; West = Pacific + Mountain + West North Central
Source: Worldometer, data through Oct. 4, 2020.

Cases, deaths vary by age

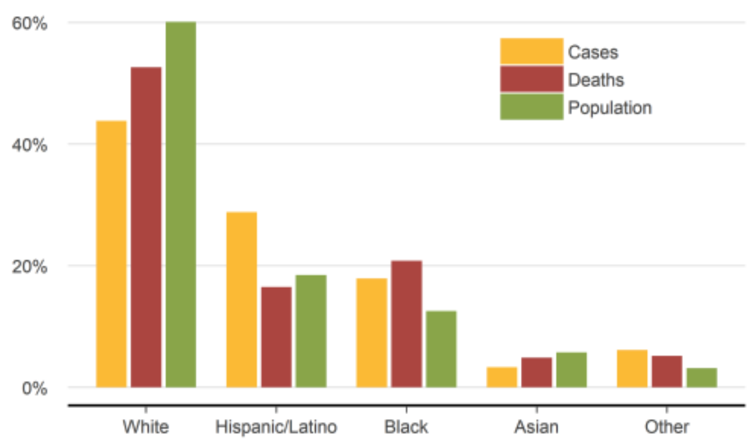
Share of total COVID cases and deaths by age



Source: Center for Disease Control and Prevention, data through Oct. 4, 2020

...and by race/ethnicity

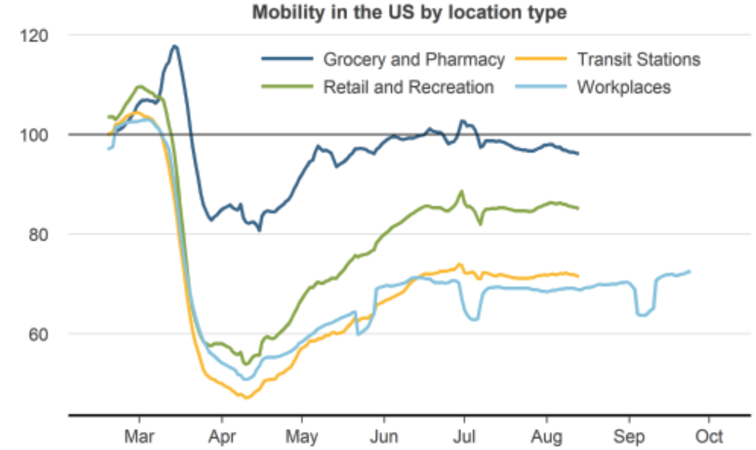
Share of COVID cases, deaths, and population by race/ethnicity



Note: Asian, Black, and White groups are each non-Hispanic
Source: Center for Disease Control and Prevention, data through Oct. 4, 2020

Mobility still below pre-pandemic levels

Mobility in the US by location type



Note: Figures are 7-day moving averages. Indexed to 100 = median value for for 5-week period Jan 3rd - Feb 6th.
Source: Google Community Mobility Reports

Source: https://www.frbsf.org/economic-research/publications/fedviews/2020/september/october-8-2020; 10/8/20

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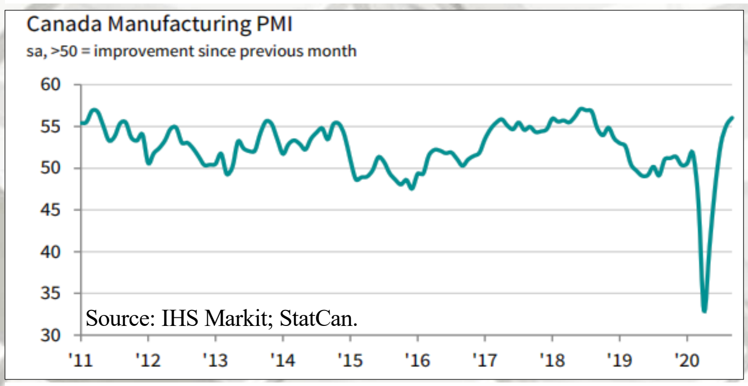
Private Indicators: Global



Markit Canada Manufacturing PMI™

"The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 56.0 in September, up from 55.1 in August, to signal the sharpest improvement in operating conditions since August 2018.

Recovery gains momentum amid stronger new order growth

September data signalled a sharp and accelerated improvement in overall operating conditions across the Canadian manufacturing sector. A robust rise in new work helped to boost output levels further and stimulate job creation. As a result, panel members reported a faster increase in the quantity of purchases to support production volumes. Respondents noted improved demand conditions as coronavirus disease 2019 (COVID-19) restrictions eased, while some clients resumed operations. However, intense supply chain pressures continued, which contributed to the accumulation of incomplete work as firms faced longer delays in the delivery of raw materials. Rising demand for inputs and higher oil prices also led to the fastest increase in average costs for almost two years. …

Overall, the health of the Canadian manufacturing sector continued to strengthen in September, as has been the case throughout the third quarter. Conditions improved at the fastest pace in over two years, helped by a solid upturn in manufacturing sales at both domestic and foreign clients. A strong increase in workforce numbers also suggested a commitment towards expanding production schedules in the months to come.

For the moment, Canadian manufacturers continue to report positive sentiment, which was the highest in over a year. However, not all is well, with supply chain disruption hampering stock building, as vendor performance deteriorated at rates only seen in the last six months. Inflationary pressures were the highest in nearly two years, while stocks of purchases and finished goods were depleted further amid insufficient capacity" – Tim Moore, Economics Associate Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/7c2a0b21016543599dcb521b27345f8d; 10/1/20

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Private Indicators: Global

Caixin China General Manufacturing PMI™

Operating conditions continue to improve solidly in September

"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 – edged down from 53.1 in August to 53.0 in September, to signal a further solid improvement in the health of the sector. Operating conditions have now strengthened in each of the past five months. Notably, the latest reading rounded off the best quarterly performance since Q4 2010.

China's manufacturing economy retained strong growth momentum in September, with firms signalling further marked increases in production and new work. Notably, new business expanded at the strongest rate since January 2011, aided by a solid rebound in export sales. Increased activity at home and abroad was reportedly driven by the easing of lockdown measures as the sector continued to recover from the coronavirus disease 2019 (COVID-19) pandemic. Furthermore, employment stabilised in September, which ended an eight-month period of job shedding. However, operating margins remained under pressure, as firms reported a further marked increase in input costs but raised their selling prices only slightly.

Chinese manufacturers recorded a sharp and accelerated increase in total new work during September, with a number of firms commenting that a further recovery in client demand had boosted sales. Furthermore, the rate of new order growth was the steepest recorded since the start of 2011. Stronger external demand also helped to lift sales, with new export business expanding at the quickest pace since August 2017. Manufacturers registered a softer, but still marked, rise in production during September. Companies continued to report that higher inflows of new work led them to raise output.

The Caixin China General Manufacturing PMI came in at 53 in September, dipping from 53.1 the previous month. Before August, the last time the index climbed above 53 was January 2011. That indicates the post-coronavirus manufacturing recovery has stayed strong, managing to even accelerate over the past two months." – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/0c1a6f7c13ef40ad9d32938dcd8272f8; 9/30/20

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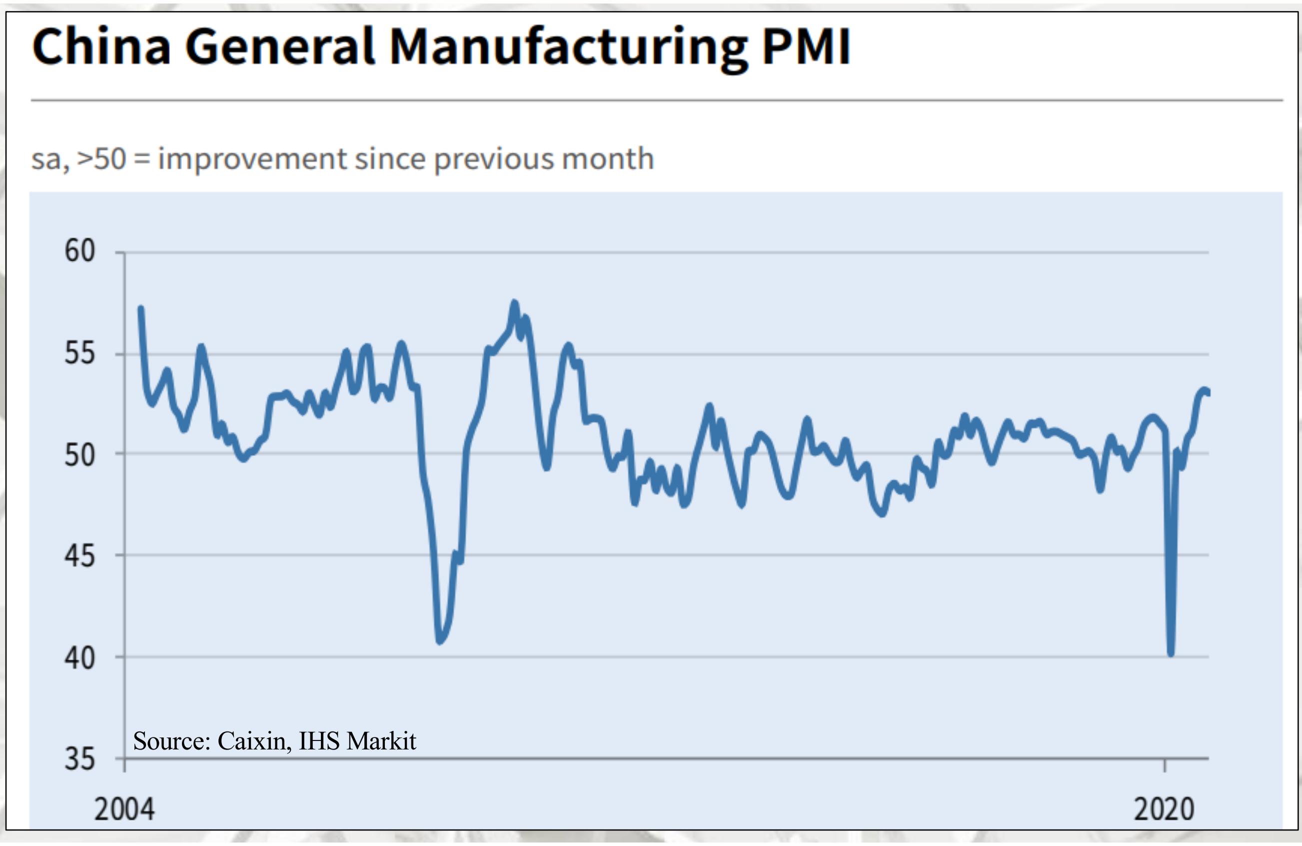
Private Indicators: Global



Caixin China General Manufacturing PMI™

"To sum up, the economic recovery has picked up its pace after the epidemic, with both the supply and demand improving. The sharp rise in overseas demand has complemented the domestic market. Manufacturers remained confident about the economy for the next 12 months and they were no longer reluctant to add to their inventories. The strength of the manufacturing sector will take some of the pressure off policymakers going forward. However, the job market remains worrisome, as the improvement in employment relies on a longer-term economic recovery and a more stable external environment. In the near future, great uncertainties remain about the overseas pandemic and the U.S. presidential election." – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/0c1a6f7c13ef40ad9d32938dcd8272f8; 9/30/20

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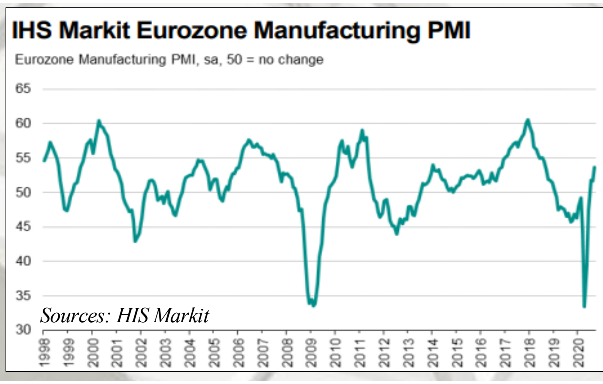
Private Indicators: Global



Markit Eurozone Manufacturing PMI®

"The IHS Markit Eurozone Manufacturing PMI® signalled an acceleration in growth of the manufacturing economy during September. After accounting for seasonal factors, the index posted 53.7, unchanged on the earlier flash reading and up from 51.7 in the previous month. Moreover, September marked the strongest growth in over two years and improved operating conditions have now been signalled for three months in a row.

Eurozone manufacturing growth strongest for over two years

All three market groups recorded a monthly improvement in operating conditions during September. Solid gains were seen in both the consumer and intermediate goods categories, but both lagged investment goods where growth was the strongest for over two years. … A noticeable feature of the upturn in manufacturing new orders was the relative resurgence of export trade, with latest data showing a third successive month of growth and the sharpest gain since February 2018. …

The eurozone's manufacturing recovery gained further momentum in September, rounding off the largest quarterly rise in production since the opening months of 2018. Order book growth and exports also accelerated, indicating a welcome strengthening of demand. Job losses consequently eased as firms grew more upbeat about prospects for the year ahead, with optimism returning to the highs seen before the trade war escalation in early 2018. The recovery would have been far more modest without Germany, however, where output has surged especially sharply to account for around half of the region's overall expansion in September. Germany's performance contrasted markedly with modest production growth in Spain, slowdowns in Italy and Austria, plus a particularly worrying return to contraction in Ireland. Excluding Germany, output growth would have weakened to the lowest since June.

Divergent export performance explains much of the difference between national production trends, with Germany the stand-out leader in terms of growth in September, led by a strengthening of demand for investment goods such as plant and machinery. Encouragingly, optimism about the future rose not only in Germany but also in France, Italy, Spain and Austria, hinting that the upturn could broaden out in coming months. Without a more broad-based recovery, the sustainability of the upturn looks at risk, with additional worries fuelled by rising Covid19 infection rates." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/02de257c54754d1fb667f877d1fee4b7; 10/1/20

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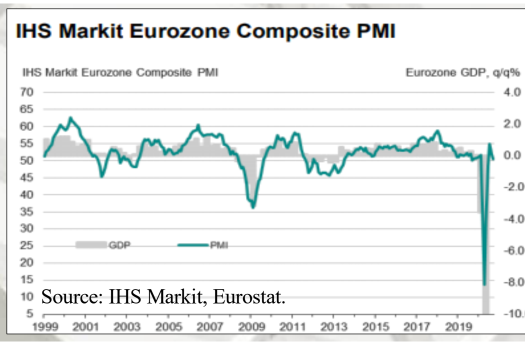
Private Indicators: Global



Markit Eurozone Composite PMI®

"Growth of the eurozone's private sector slowed further towards stagnation in September. The **IHS Markit Eurozone PMI® Composite Output Index** slipped to a three-month low of 50.4, down from August's 51.9 and indicative of only a marginal expansion. The final reading was, however, firmer than the earlier flash estimate (50.1).

Service sector weighs on eurozone economy in September

The composite PMI belied a two-speed economy during September. Led by a strongly performing Germany, overall regional manufacturing output rose at the fastest pace for over two-and-a-half years. In contrast, service sector activity slipped back into contraction by registering its worst performance since May. There was some notable divergences in activity at the country level during September. On the one hand, Germany recorded a marked rate of growth, with its performance far outstripping the rest of the region. Italy was the only other nation to record expansion, although the gain here was marginal. …

With the eurozone economy having almost stalled in September, the chances of a renewed downturn in the fourth quarter have clearly risen. Spain has been especially hard-hit as rising Covid19 case numbers led to further disruptions to daily life. With the exception of the March-to-May period at the height of the first wave of infections, Spain's service sector contraction in September was the largest recorded since November 2012. However, renewed service sector downturns were also recorded in France and Ireland, while a near stalling was recorded in Germany, underscoring the broad-based geographical spread of the worsening service sector picture. Virus containment measures remained particularly strict in both Spain and Italy during September, and were also tightened in France and Germany.

Much will depend on whether second waves of virus infections can be controlled, and whether social distancing restrictions can therefore be loosened to allow service sector activity to pick up again. Governments will also need to be vigilant in providing timely support to sustain recoveries, alongside increasingly accommodative monetary policy. In terms of the latter, inflationary pressures remained low in September, keeping the door open for loose policy. Any further deterioration of the PMI numbers as we head through the fourth quarter will add further weight to calls for more stimulus." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/12c554fd819449d69b2da7ab81f57547; 10/5/20

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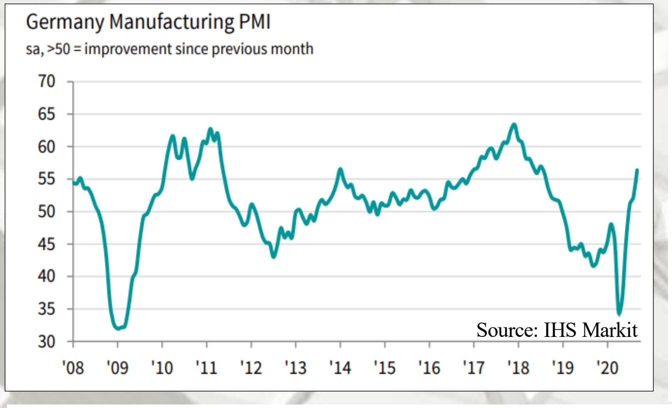

IHS Markit/BME Germany Manufacturing PMI®

"The headline IHS Markit/BME Germany Manufacturing PMI® – a single-figure snapshot of overall business conditions – remained on a steep upward trajectory in September, climbing from 52.2 in August to a 26-month high of 56.4. Underlying data showed operating conditions improving across each of the three main industrial groupings – consumer, intermediate and investment.

Manufacturing PMI climbs to 26-month high, showing recovery still firmly on course

September's PMI® survey showed more signs of improvement Source: IHS Markit. across the German manufacturing sector, including stronger rates of growth in output and new orders as well as a slowdown in the pace of job cuts. Business expectations also strengthened, although the impact of the coronavirus disease 2019 (COVID-19) continued to be seen in falling stock of purchases as firms looked to increase liquidity. The main highlight of the survey was a steep and accelerated increase in new orders. Growth was among the strongest recorded since data collection began in 1996. Supporting the upturn was a sharp rise in new export orders, which posted the largest increase since December 2017 amid reports of improved demand across Europe, China and Turkey. …

The recovery in the manufacturing sector continued with good momentum in September, with the PMI climbing unabated to its highest since mid-2018. Encouragingly, order books and output are rising all across the manufacturing sector, supported by a general upturn in export demand. Even investment goods producers, who have generally underperformed in the recovery up to now, enjoyed a much better month in September.

Still, firms are under financial strain, as highlighted by another round of job cuts and the running down of stocks as they look to increase their liquidity. The worst of the factory job losses seem to be behind us, at least for now, with the rate of staff cuts back in line with that seen before the pandemic struck. Furthermore, as manufacturers' optimism improves, there is a greater chance of more jobs being saved" – Phil Smith, Principal Economist, IHSMarkit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/e095b9c1e78f4bb7b387d9f6012cc2d9; 10/1/20

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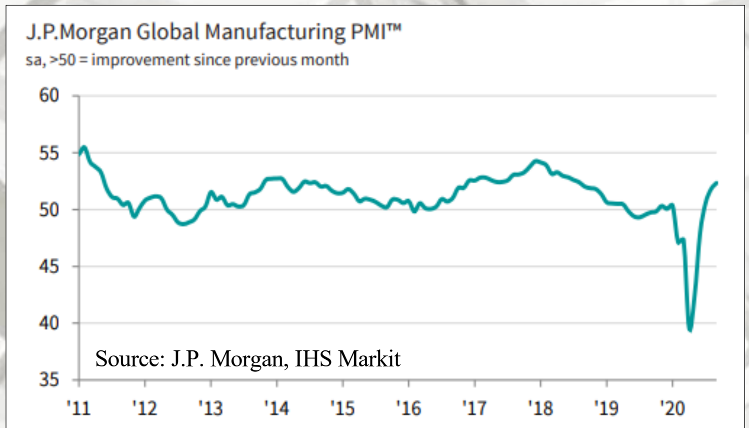

J.P. Morgan Global Manufacturing PMI™

"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 25-month high of 52.3 in September, up from 51.8 in August. The headline PMI has signalled expansions in each of the past three months. Out of the 29 nations for which PMI data were available, 21 registered growth during the latest survey month

Global manufacturing recovery continues at end of third quarter

The upturn in the global manufacturing sector continued during September. Output and new orders both rose for the third successive month, while new export business expanded for the first time in over two years. Business sentiment hit its highest level since May 2018. The rate of increase in manufacturing production remained close to August's 28-month record. Faster expansions in the US and the eurozone were partly offset by slower growth in China and the UK and ongoing contraction in Japan. Subsector PMI data signalled that the upturn remained broadbased, with expansions signalled across the consumer, intermediate and investment goods industries. Growth accelerated to a near ten-year high at investment goods producers, but eased in the other two categories. … Business optimism improved to a 28-month high during September, with confidence strengthening across the consumer, intermediate and investment goods industries. The highest degree of positivity was registered at investment goods producers.

The global industrial sector continued its recovery in September. While overall the September manufacturing PMIs disappointed, there were a number of positive aspects in the report. Against a decline in the output index, the new orders PMI and its ratio to finished goods inventory both increased suggesting a near term gain in the output index. Overall we think the recovery should be sustained as the re-opening of economies continues. The labour market remains subdued, with the level in the employment PMI depressed. That said, pockets of jobs growth raise the possibility that the retrenchment on this front is softening." – Olya Borichevska, Global Economic Research, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/4459e6d304154c1d8f9612c8c5e13a13; 10/1/20

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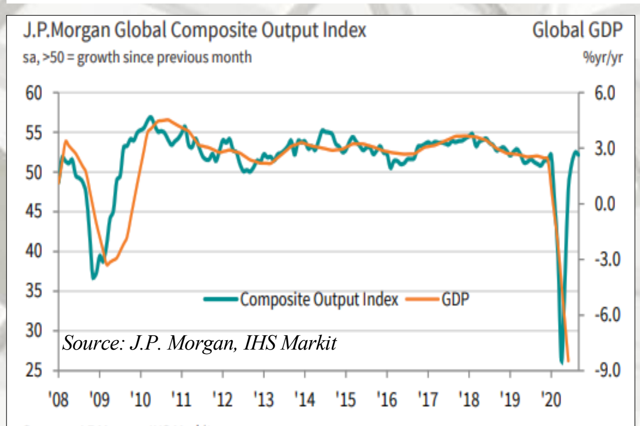

J.P. Morgan Global Composite PMI™

"The J. P. Morgan Global Composite Output Index – which is produced by J. P. Morgan and IHS Markit in association with ISM and IFPSM – posted 52.1 in September, down marginally from August's 17-month high of 52.4. Output growth was registered in both the manufacturing and services sectors, although rates of expansion ticked lower. The increase in manufacturing production remained faster than that signalled for service sector business activity.

Global economic growth slows but remains solid in September

Economic activity rose in five of the six sub-sectors covered by the survey in September. The strongest performance was in the investment goods industry, where production rose at the fastest pace in almost a decade. Growth was also signalled at business services, consumer goods, financial services and intermediate goods companies, although among those only the business services category saw an acceleration. In contrast, the downturn in consumer services activity deepened, falling at the steepest rate in three months.

Eight out of the 12 nations for which September Composite PMI data were available registered expansions of output. Growth in the US, Germany, the UK, Italy, Brazil, Russia, Australia and Kazakhstan offset contractions in Japan, France, Spain and Ireland. …

While the slight dip in the global Output PMI in September was disappointing, there remained several positive aspects to the latest surveys. The trend in new orders strengthened, international trade PMI increased above 50 for the first time since August 2018 and the labour market stabilised following its recent deep retrenchment. This should place the global economy on a firmer footing to sustain the recovery especially if the re-opening process continues during the final quarter of the year as expected." – Olya Borichevska, Global Economic Research, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/14f2c7f343524934b4f8f4ce62206bfb; 10/5/20

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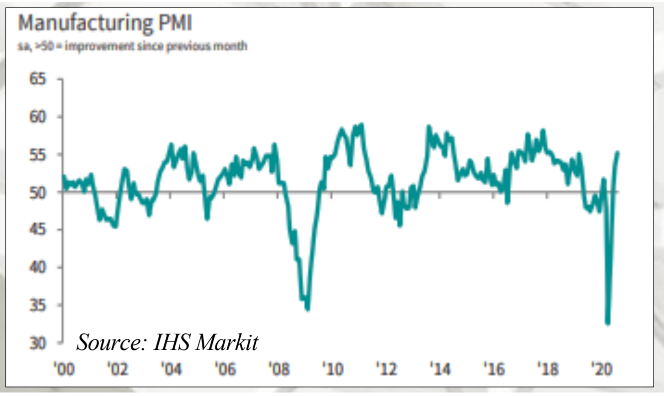

IHS Markit/CIPS UK Manufacturing PMI®

"The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) fell slightly to 54.1 in September, down from August's two-and-a-half year high of 55.2. The PMI has remained above its no-change mark of 50.0 for four successive months, its longest sequence in expansion territory since early-2019.

UK manufacturing recovery continues in September as output and new orders rise again

The UK manufacturing sector continued its recovery from the coronavirus disease 2019 (COVID-19) induced downturn earlier in the year. Output and new orders increased as new work intakes improved from both domestic and overseas markets. Output increased for the fourth consecutive month in September, despite the rate of growth easing slightly. Higher production was linked to improved inflows of new work, companies reopening and staff returning to work. Solid expansions were seen in the consumer, intermediate and investment goods sectors, with the steepest increase in intermediate goods. Large manufacturers saw the fastest growth and small-sized firms the slowest. …

September saw UK manufacturing continue its recovery from the steep COVID-19 induced downturn. Although rates of expansion in output and new orders lost some of the bounce experienced in August, they remained solid and above the survey's long-run averages. Export demand is also picking up, as economies across the world restart operations and adjust to COVID-19 restrictions. Business sentiment remained positive as a result, with three-fifths of UK manufacturers forecasting a rise in output over the coming year.

While the sector is still making positive strides, keep in mind that there remain considerable challenges ahead. This is especially true for the labour market, which saw further job losses and redundancies in September. The full economic cost incurred by 2020 will likely rise further as governments look to re-introduce some restrictions, job support schemes are tapered and rising numbers of firms start focussing on Brexit as a further cause of uncertainty and disruption during the remainder of the year" – Rob Dobson, Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/e94ff418de5e4729b78e106c42810a3a; 10/1/20

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Slips in September; Contractors Remain Optimistic

"Associated Builders and Contractors reported today that its Construction Backlog Indicator fell to 7.5 months in September, a decline of 0.5 months from August's reading, according to an ABC member survey conducted Sept. 20-Oct. 6. Backlog is 1.5 months lower than in September 2019.

ABC's Construction Confidence Index readings for sales and profit margins decreased in September, while the reading for staffing levels remained unchanged. Sales and staffing index readings remained above the threshold of 50, indicating expectations of expansion during the next six months. Contractors indicated an expectation of shrinking profit margins for the seventh consecutive month.

"ABC's survey data indicate that we are in the early stages of a nonresidential construction spending downturn," said ABC Chief Economist Anirban Basu. "With few exceptions, declines in backlog have begun to accelerate across all markets and regions. This has been most pronounced in the West, which is largely a reflection of the many challenges facing California's economy.

"Predictably, backlog has also declined rapidly in the commercial/institutional segment," said Basu. "In addition, backlog has also declined in the infrastructure category, yet was higher in the heavy industrial category, a segment that is coming back to due to a combination of an inventory rebuilding cycle, surging e-commerce demand and reshoring of production back to America." – Rachel O'Grady, Media Relations Director, ABC

Source: https://abc.org/News-Media/News-Releases/entryid/18220/abc-s-construction-backlog-slips-in-september-contractors-remain-optimistic; 10/13/20

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Private Indicators
Associated Builders and Contractors

Construction Backlog Indicator

	Sep. 2020	Aug. 2020	Sep. 2019	1-Month Net Change	12-Month Net Change
Total	**7.5**	**8.0**	**9.0**	**-0.5**	**-1.5**
Industry					
Commercial & Institutional	7.4	7.8	9.0	-0.4	-1.6
Heavy Industrial	8.4	7.9	7.7	0.5	0.7
Infrastructure	7.4	9.6	10.4	-2.2	-3.0
Region					
Middle States	6.7	7.0	8.8	-0.3	-2.1
Northeast	7.4	7.7	7.6	-0.3	-0.2
South	9.5	8.7	10.1	0.8	-0.6
West	6.3	8.9	9.4	-2.6	-3.1
Company Size					
<$30 Million	6.9	7.4	8.0	-0.5	-1.1
$30-$50 Million	10.3	9.2	9.7	1.1	0.6
$50-$100 Million	7.2	9.2	10.0	-2.0	-2.8
>$100 Million	10.1	11.4	14.1	-1.3	-4.0

Source: https://abc.org/News-Media/News-Releases/entryid/18220/abc-s-construction-backlog-slips-in-september-contractors-remain-optimistic; 10/13/20

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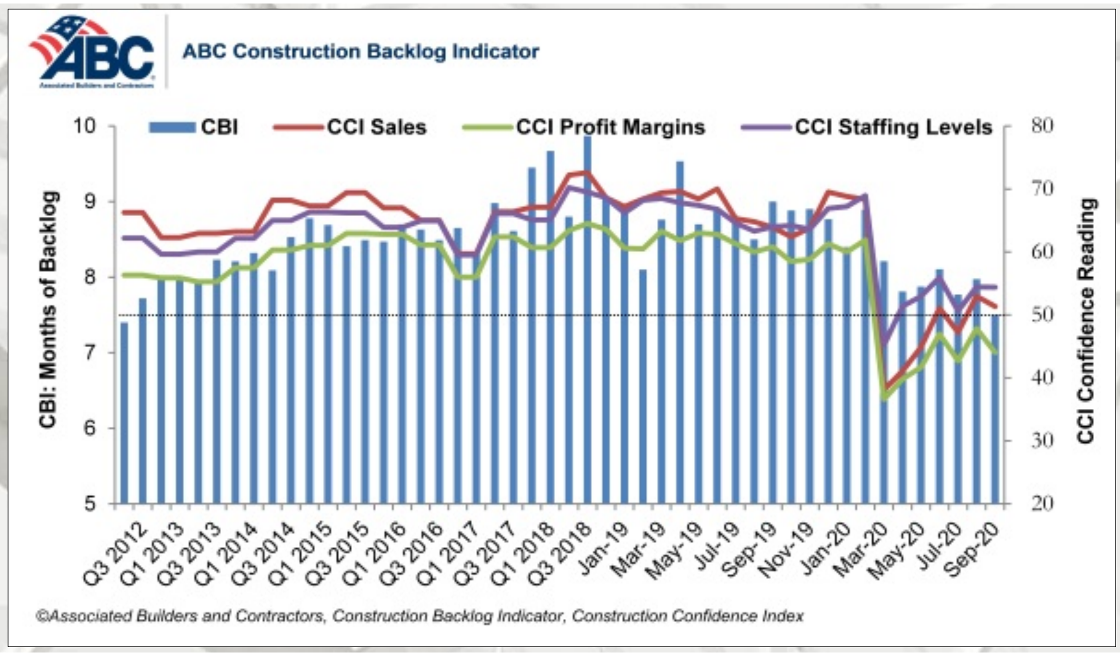
Private Indicators
Associated Builders and Contractors



ABC's Construction Backlog Slips in September

"""While nonresidential construction industry sales are anticipated to be roughly flat over the next six months, more than a third of contractors expect their sales to decline, a dramatic increase from the less than 17% recorded at the same time last year," said Basu. "In addition, more than three-fourths of contractors expect profit margins to be flat or worse over the next six months. This is consistent with fewer bidding opportunities, more vigorous competition for work, rising materials costs, tighter lending standards, weakened commercial real estate fundamentals, diminished state and local government financial health, and persistent difficulty in identifying and hiring sufficiently skilled and motivated workers. Despite ongoing economic uncertainty as the pandemic lingers and winter approaches, staffing levels are expected to grow over the next six months as contractors strive to hold onto their workforce and potentially add to their pool of talent."" – Rachel O'Grady, Media Relations Director, ABC

Source: https://abc.org/News-Media/News-Releases/entryid/18220/abc-s-construction-backlog-slips-in-september-contractors-remain-optimistic; 10/13/20

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Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Falls Slightly in August

"National nonresidential construction spending fell 0.1% in August, according to an Associated Builders and Contractors analysis of data published today by the U.S. Census Bureau. On a seasonally adjusted annualized basis, spending totaled $814.3 billion for the month. Of the 16 nonresidential subcategories, nine were down on a monthly basis. Private nonresidential spending decreased 0.3% from July, while public nonresidential construction spending was up 0.2%. Nonresidential construction spending is down 0.7% compared to August 2019.

"While overall construction spending rose significantly in August, much of that was attributed to surging single-family housing starts," said ABC Chief Economic Anirban Basu. "The picture is very different in a number of nonresidential construction categories, especially in segments that have been disproportionately impacted by the pandemic, such as lodging and office, which are down 12.1% and nearly 9% year over year, respectively.

"The good news is that nonresidential construction spending momentum remains apparent in a number of public segments," said Basu. "On a monthly basis, construction spending was up in the water supply, highway/street and educational categories. Spending in the public safety segment is up nearly 40% compared to the same time last year.

"Absent an infrastructure-oriented stimulus package, the likely trajectory of nonresidential construction spending does not appear especially bright," said Basu. "Commercial real estate fundamentals are poor, with elevated vacancy rates and tighter lending conditions, rendering it probable that private nonresidential construction spending will continue to dip. State and local finances have been pummeled by the pandemic, resulting in less support for the next generation of public projects. Many contractors report declining backlog, according to ABC's Construction Backlog Indicator, and fewer opportunities to bid on new projects. With winter coming and infection rates poised to rise, the quarters to come are shaping up to be challenging ones."" – Rachel O'Grady, Media Relations Director, ABC

Source: https://abc.org/News-Media/News-Releases/entryid/18198/nonresidential-construction-spending-falls-slightly-in-august-says-abc; 10/1/20

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Associated Builders and Contractors

Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate					
	August 2020	July 2020	August 2019	1-Month % Change	12-Month % Change
Nonresidential	$814,267	$815,184	$819,794	-0.1%	-0.7%
Manufacturing	$76,974	$75,282	$80,631	2.2%	-4.5%
Water supply	$19,568	$19,164	$15,326	2.1%	27.7%
Highway and street	$100,941	$98,996	$94,273	2.0%	7.1%
Educational	$99,588	$99,224	$103,332	0.4%	-3.6%
Religious	$2,722	$2,713	$3,535	0.3%	-23.0%
Communication	$23,061	$23,033	$22,824	0.1%	1.0%
Amusement and recreation	$26,741	$26,746	$28,455	0.0%	-6.0%
Lodging	$29,039	$29,153	$33,031	-0.4%	-12.1%
Transportation	$57,454	$57,752	$58,868	-0.5%	-2.4%
Health care	$46,894	$47,325	$44,666	-0.9%	5.0%
Office	$80,469	$81,245	$88,278	-1.0%	-8.8%
Power	$118,015	$119,323	$118,857	-1.1%	-0.7%
Commercial	$81,478	$82,441	$80,557	-1.2%	1.1%
Sewage and waste disposal	$27,199	$27,668	$26,527	-1.7%	2.5%
Public safety	$15,329	$15,642	$10,968	-2.0%	39.8%
Conservation and development	$8,795	$9,478	$9,667	-7.2%	-9.0%
Private Nonresidential	$471,994	$473,425	$493,268	-0.3%	-4.3%
Public Nonresidential	$342,273	$341,759	$326,526	0.2%	4.8%

Source: U.S. Census Bureau

Source: https://abc.org/News-Media/News-Releases/entryid/18198/nonresidential-construction-spending-falls-slightly-in-august-says-abc; 10/1/20

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index August 2020

Architecture firm billings still show little sign of improvement

Many firms are finding that fewer proposals are converting to active projects since pandemic's start

"Business conditions remained stalled at architecture firms in August, with the Architecture Billings Index (ABI) recording a score of 40 for the third consecutive month (a score below 50 indicates declining firm billings). While fewer firms reported declining billings in August than during the early months of the COVID-19 pandemic, the fact that the score has been unchanged for the last three months means that the share of firms reporting increasing billings has not risen during that time. However, there is some reason to be optimistic when it comes to work in the pipeline: inquiries into new projects grew in August for the first time since February, and the value of new design contracts increased to a score of 46.0, indicating that fewer firms reported a decline this month, despite the fact that they remained negative overall." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

"Unfortunately, since the start of the COVID-19 pandemic, many architecture firms are finding fewer inquiries that convert to billable projects. While fewer firms reported declining billings in August than during the early months of the COVID-19 pandemic, the fact that the score has been unchanged for the last three months shows that the recovery from this downturn is not progressing at the pace we had hoped to see." – Kermit Baker, Chief Economist, The American Institute of Architects

Source: https://www.aia.org/pages/6330393-abi-august-2020-architecture-firm-billings; 9/21/20

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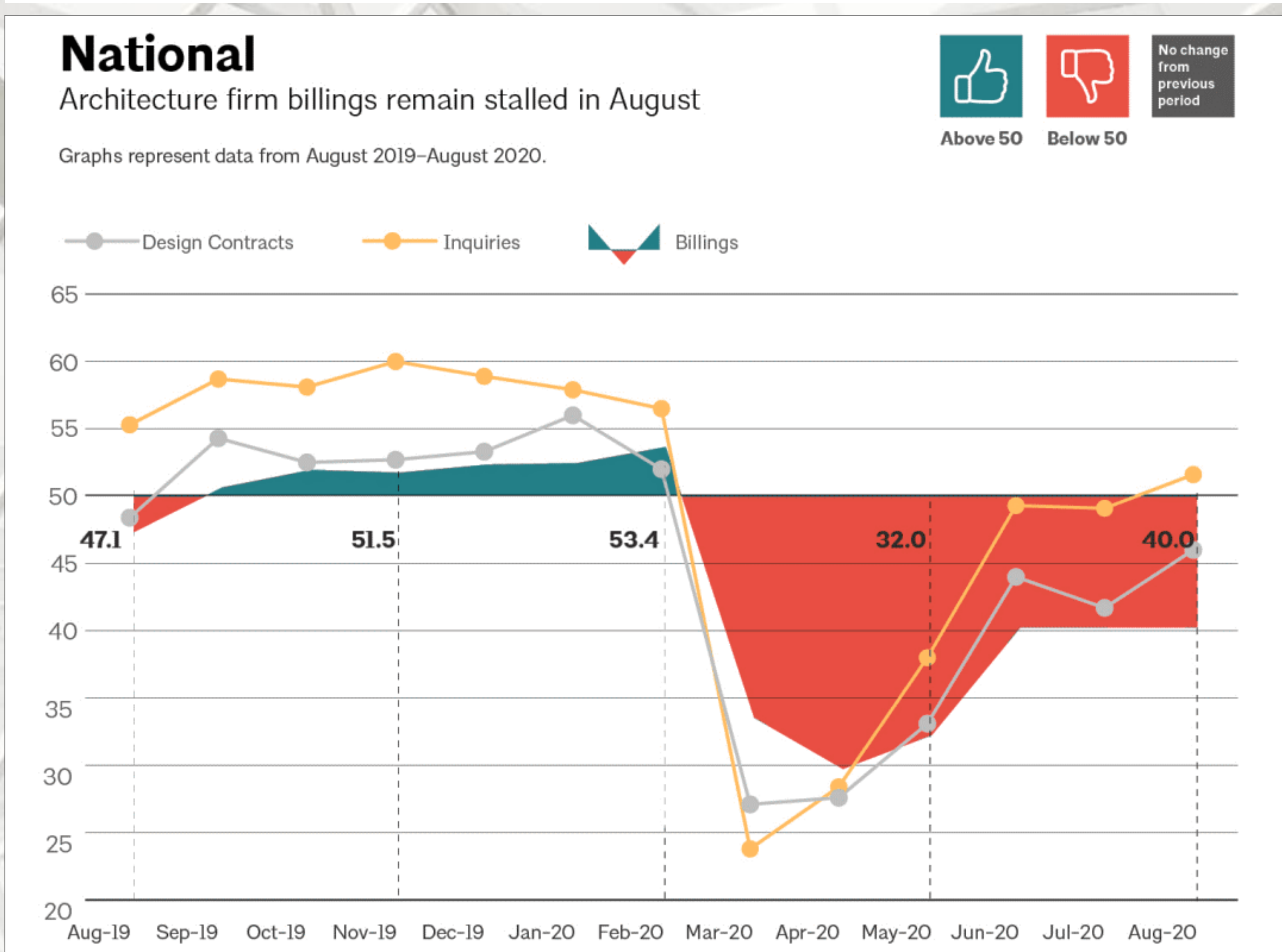
Private Indicators
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6330393-abi-august-2020-architecture-firm-billings; 9/21/20

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Private Indicators: AIA

Region

"Business conditions remained extremely soft at firms located in the Northeast in August, where firms had not only been experiencing a lengthy period of weakness prior to the pandemic, but were also located in the region that was hardest hit by the pandemic and subsequent recession. Billings continued to decline at firms in the rest of the country as well, but the pace of that decline has slowed from the low point in the spring." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6330393-abi-august-2020-architecture-firm-billings; 9/21/20

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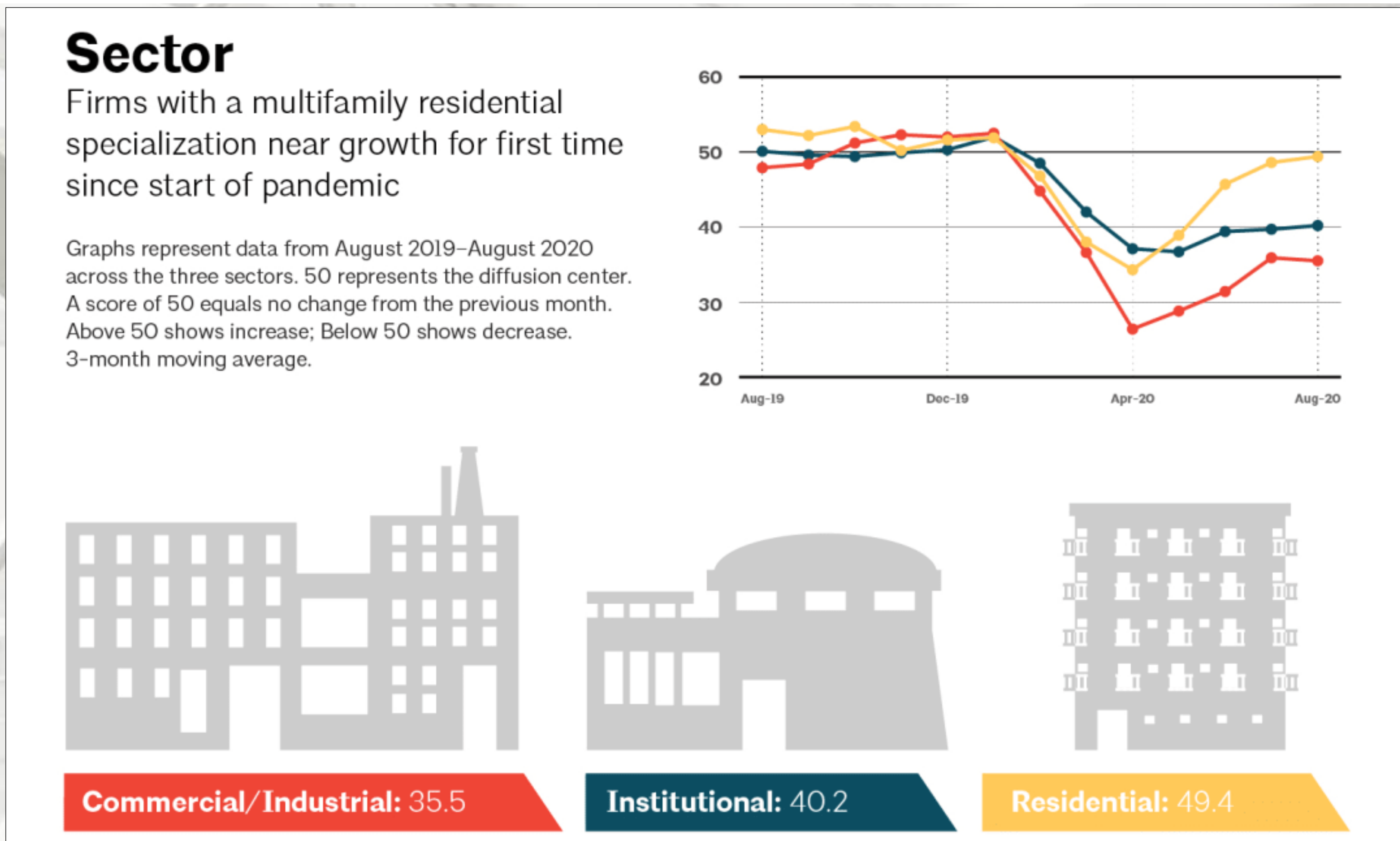
Private Indicators: AIA



Sector

"On the other hand, firms with a multifamily residential specialization continued to report stabilizing conditions, and almost saw overall billings growth in August for the first time in seven months. However, conditions remained very weak at firms with a commercial/industrial specialization, and have stabilized modestly at firms with an institutional specialization." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6330393-abi-august-2020-architecture-firm-billings; 9/21/20

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Private Indicators

Dodge Data & Analytics

Construction Starts Post Solid Gain in August

Large projects fuel gains across most broad sectors of construction

"Total construction starts rose 19% in August to a seasonally adjusted annual rate of $793.3 billion. Gains were seen in all three major building sectors: nonresidential building starts rose 16% and residential building climbed 12%, while nonbuilding construction jumped 40% over the month. While large projects certainly influenced the August gains, removing those projects would still have resulted in a gain for the month.

Year-to-date through the first eight months of the year, starts were 14% lower than in the same period in 2019. Nonresidential starts were 24% lower and nonbuilding starts were down 20%, but residential starts were down less than one percent. For the 12 months ending August 2020, total construction starts declined 6% from the 12 months ending August 2019. Nonresidential building starts fell 13% and nonbuilding starts were 9% lower in the 12 months ending August 2020, while residential building starts rose 3%. In August, the Dodge Index rose 19% to 168 (2000=100) from the 141 reading in June. The Dodge Index was down 8% compared to a year earlier and 6% lower than its pre-pandemic level in February.

"Construction starts continue to make up ground following the nadir in activity in April," stated Richard Branch, Chief Economist for Dodge Data & Analytics. "Residential and commercial construction are driving the gains, while the public side of building construction is proving to be a drag on growth. The regional pattern has also evened out with gains in starts seen in every region but the Midwest in August – somewhat muting the concern over the potential impact of rising COVID cases in the South and West. The nascent recovery in starts, however, will face challenges as summer turns to fall. The expiration of enhanced unemployment insurance benefits and small business loans that were provided in the CARES Act, the budget crises facing state and local governments, and the impending expiration of the FAST Act on September 30 will all have a dampening effect on starts."" – Nicole Sullivan, Public Relations & Social Media, AFFECT

Source: https://www.construction.com/news/construction-starts-gain-ground-August-2020; 9/16/20

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Private Indicators

Dodge Data & Analytics

"**Residential building** starts moved 12% higher over the month in August to a seasonally adjusted annual rate of $372.1 billion. Multifamily building starts increased 62%, while single family starts fell 3%.

The largest multifamily structure to break ground in August was the $549 million Mana'olana Place Mixed Use in Honolulu HI. Also starting in August were the $500 million Pacific Park Mixed Use Development in Brooklyn NY and a $250 million condominium building at the Union Theological Seminary Space in New York NY.

Through the first eight months of 2020, residential construction starts were down less than one percent versus a year earlier. Single family starts grew 4%, while multifamily starts slid 11%. For the 12 months ending in August 2020, total residential starts gained 3% with single family starts up 6% but multifamily starts down 4%..

Nonresidential building starts in August were also aided by large projects in the office and manufacturing sectors leading to an increase of 16% to $236.7 million. Removing these projects, however, would not have prevented an increase in nonresidential building starts. Commercial starts rose 36% and manufacturing starts soared 201%. Institutional starts, however, fell 7% despite small gains in education and healthcare. …

On a year-to-date basis, total nonresidential building starts were 24% lower than in the first eight months of 2019. Institutional building starts dropped 16%, while commercial starts slid 27% and manufacturing starts were 47% lower than a year earlier. Over the 12 months ending August 2020, total nonresidential building starts were down 13% from the 12 months ending in August 2019. Commercial starts were 16% lower, institutional starts were down 13%, and manufacturing starts slipped 1%." – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/construction-starts-gain-ground-August-2020; 9/16/20

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Private Indicators

MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

	August 2020	July 2020	% Change
Nonresidential Building	$236,748	$203,655	16
Residential Building	372,121	333,428	12
Nonbuilding Construction	184,407	131,640	40
Total Construction	$793,276	$668,723	19

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	8 Mos. 2020	8 Mos. 2019	% Change
Nonresidential Building	$158,861	$207,847	-24
Residential Building	219,346	219,880	0
Nonbuilding Construction	114,598	142,881	-20
Total Construction	$492,805	$570,608	-14

Source: Dodge Data & Analytics

Source: https://www.construction.com/news/construction-starts-gain-ground-August-2020; 9/16/20

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Private Indicators

MNI Chicago

"The Chicago Business Barometer™, produced with MNI, jumped to 62.4 in September, the highest level since December 2018, as business activity recovered across the board. Through Q3, business sentiment recovered sharply to 55.2, the strongest reading since Q1 2019.

Chicago Business Barometer™ Surges to 64.2 in September

All five main indicators saw monthly gains in September, with Production and New Orders leading the way. On a quarterly basis, Supplier Deliveries was the only category to see a decline. Production recovered sharply in September, rising by 16.0 points to an almost two-year high. Output jumped 29.2 points on a quarterly basis in Q3, while Demand gained 11.0 points in September, shifting the New Orders index up to the highest level since November 2018. In Q3, New Orders saw the greatest uptick, rising by 32.0 points.

Order Backlogs jumped 14.4% in September, while the quarterly index gained 16.7 points to rise to its highest level since Q1 2019. Inventories climbed to a four-month high in September, although the indicator has been stuck below the 50- mark since May. Supplier Deliveries edged up 2.8 points, while Q3 dropped 9.2 points as Covid-19 related delays declined. Prices paid at the factory gate leaped 9.7 points. Companies noted increased costs for PPE, cleaning supplies and raw materials.

Despite the improvement in Employment, firms continued to mention additional layoffs in September. Across Q3, the sub-index rose 8.1 points.

This month's special question asked: "Have your business costs changed during the crisis?" The majority, at 52.2%, reported an increase in business costs during the pandemic, while only 13.0% saw decreasing costs. Just over a third of respondents noted no changes in their expenses during the crisis." – Les Commons, Senior Economist and Irene Prihoda, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 9/30/20

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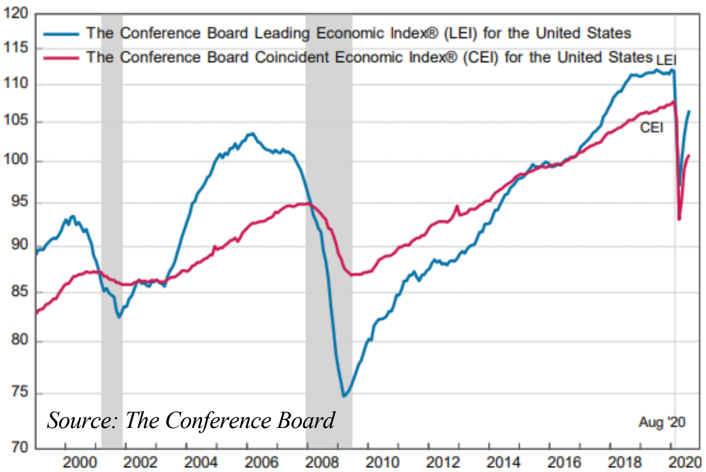
Private Indicators

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

Slowing pace of improvement points to weakening growth in final months of 2020

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 1.4 percent in August to 106.5 (2016 = 100), following a 2.0 percent increase in July and a 3.1 percent increase in June.

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



"While the US LEI increased again in August, the slowing pace of improvement suggests that this summer's economic rebound may be losing steam heading into the final stretch of 2020. Despite the improvement, the LEI remains in recession territory, still 4.7 percent below its February level. Weakening in new orders for capital goods, residential construction, consumers' outlook, and financial conditions point to increasing downside risks to the economic recovery. Looking ahead to 2021, the LEI suggests that the US economy will start the new year under substantially weakened economic conditions." – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

"**The Conference Board Coincident Economic Index®** (CEI) for the U.S. increased 0.6 percent in August to 100.8 (2016 = 100), following a 1.2 percent increase in July and a 3.9 percent increase in June.

The Conference Board Lagging Economic Index® (LAG) for the U.S. decreased 0.6 percent in August to 107.6 (2016 = 100), following a 0.6 percent decrease in July and a 3.5 percent decrease in June.

Source: https://www.conference-board.org/data/bcicountry.cfm; 9/18/20

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Private Indicators

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

August New Business Volume Down 24 Percent Year-over-year, 23 Percent Month-to-Month, and 4 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 August was $7.0 billion, down 24 percent year-over-year from new business volume in August 2019. Volume was down 23 percent month-to-month from $9.1 billion in July. Year-to-date, cumulative new business volume was down 4 percent compared to 2019.

Receivables over 30 days were 2.40 percent, unchanged from the previous month and up from 2.00 percent the same period in 2019. Charge-offs were 0.75 percent, up from 0.73 percent the previous month, and up from 0.42 percent in the year-earlier period.

Credit approvals totaled 71.0 percent, down from 72.9 percent in July. Total headcount for equipment finance companies was down 1.9 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in September is 56.5, an increase from the August index of 48.4." – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

"The sizeable drop in new business volume is testament to an economy that continues to struggle in certain industry sectors. Seasonality also plays a role in the noticeable decline in equipment investment in the month of August. The hope is that Congress's inability to enact additional stimulus legislation to combat the pandemic will not slow an economic recovery that many economists, including the Fed, are projecting for the third and fourth quarters." – Ralph Petta, President and CEO, ELFA

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2020/09/24/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 9/24/20

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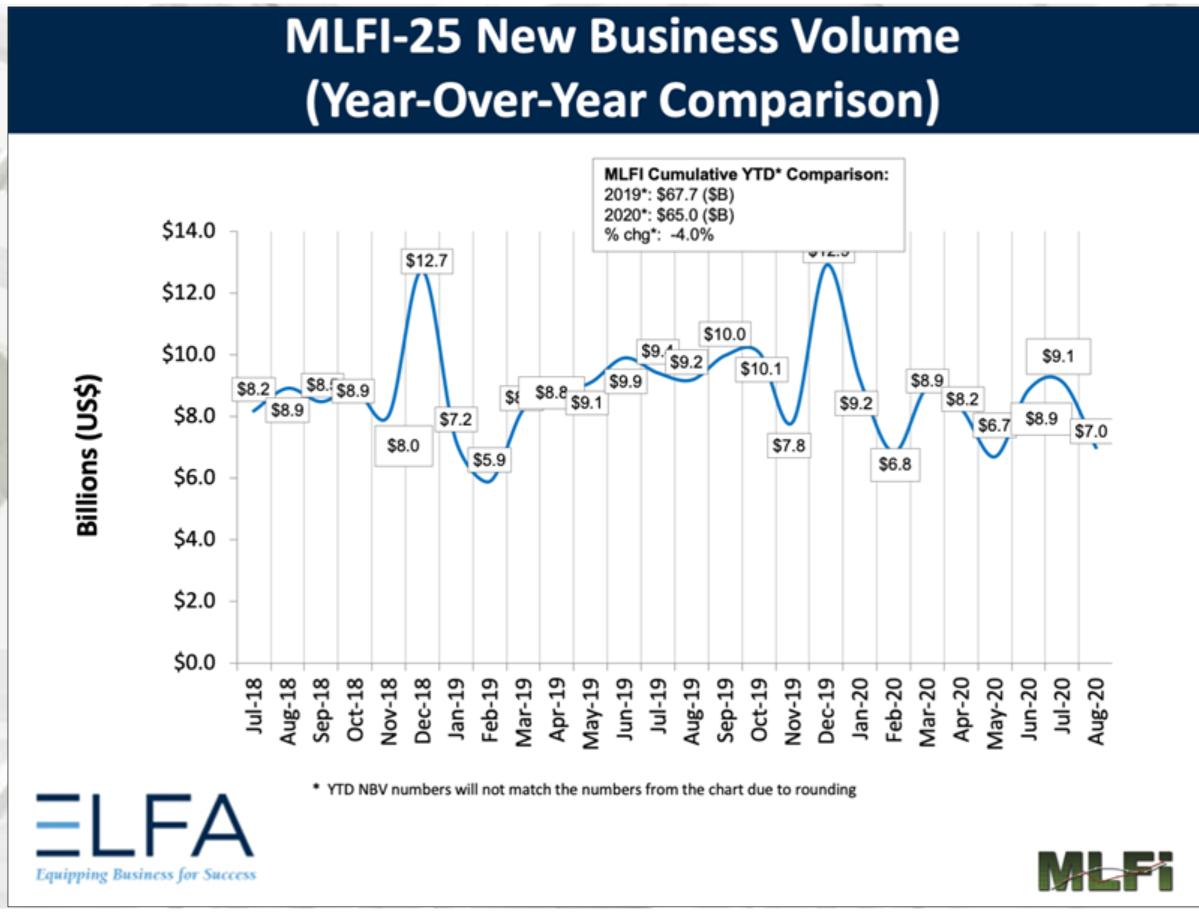
Private Indicators



Monthly Leasing and Finance Index: August 2020

"The new monthly data gives reason for continued apprehension about the overall economy as COVID-19 maintains its grip on the country. We have seen with many of our customers in agriculture and construction that these essential industries continue to experience growth as they are minimally impacted by the virus. Low interest rates continue to fuel those businesses and industries that are the least affected by the pandemic and are using this opportunity to expand." – Willis Kleinjan, Founder and CEO, Northland Capital Equipment Finance

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2020/09/24/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 9/24/20

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FreightWaves

Table set for 3Q truckload earnings blowout

Commentary likely to focus on runway for demand strength and lack of available drivers

"The rubber will soon meet the road for trucking companies. After a couple of months of improving data points, positive commentary from management and analysts raising their earnings expectations, the third-quarter earnings season kicks off later this week. …

Favorable data points throughout the third quarter

After a choppy second quarter, which didn't begin to see year-over-year improvement in demand until mid-May when stay-at-home mandates eased and the manufacturing complex came back online, the third quarter provided a much more constructive backdrop for the publicly traded carriers. The recent quarter ushered in a period of continual sequential improvement as consumers settled into an at-home lifestyle, forgoing trips and events in favor of hard goods that have to be moved by truck.

At an industry investor conference, management teams from TL carriers noted a continuous improvement in volumes week after week throughout the quarter. Some commented that they would be overbooked on a daily basis even if 10% to 15% of their loads were to walk, while others viewed the current capacity crunch as a once-in-a-career event.

The robust demand environment stems from seemingly endless inventory restocking, including some retail supply chains adding safety stock, and shipments tied to the expectation of a robust peak season. The strength in demand likely kept carriers operating at full capacity during the quarter. However, many carriers have recently indicated difficulty seating additional tractors due to the lack of available drivers, which potentially limits the degree to which year-over-year volume growth occurred. Either way, the improved demand backdrop had a favorable impact on utilization and revenue per tractor per week." – Todd Maiden, Finance Editor, FreightWaves

Source: https://freightwaves.com/news/table-set-for-3q-truckload-earnings-blowout; 10/13/20

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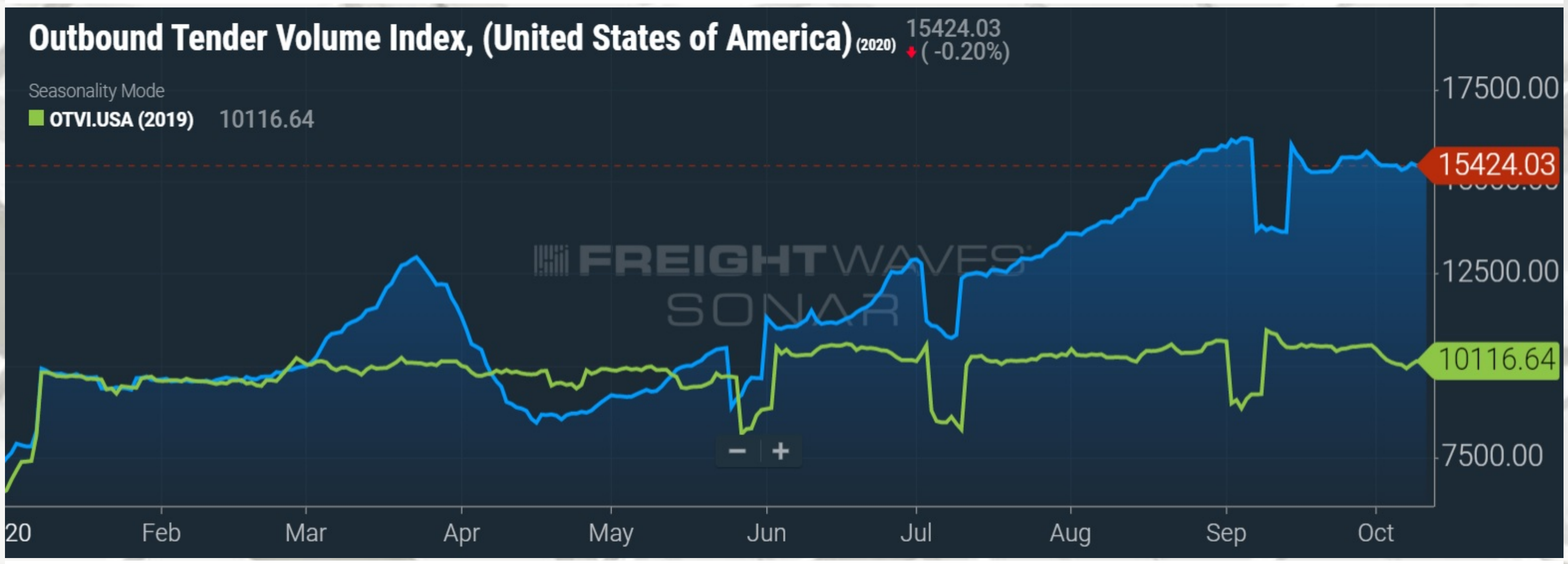
FreightWaves



FreightWaves

"The squeeze on truck supply was evident in the spot market, where rates surged as the quarter progressed. Up approximately 20% year-over-year in the beginning of the quarter, spot rates were nearly 40% higher by the end of the period. While the publicly traded carriers work off of contractual pricing, which lags changes in spot market rates, most carriers have roughly 10% of their TL capacity that isn't tied to a contract. This provides a lift in revenue per mile metrics when spot rates are rising and improves margins as there is no direct cost offset to price increases. Any lift in rate realized during the quarter helped to offset recent headwinds to expense lines like rising insurance costs and softness in gains on equipment sales.

Some carriers have publicly mentioned that they are in the process of addressing contracts negotiated prior to the pandemic that are priced below the current market. These out-of-cycle mini bids have been prompted by shippers in some cases as they are eager to lock down capacity before the supply dynamic potentially worsens. While the pull forward of contractual rate negotiations wasn't likely overly impactful to the third quarter, any recent price actions taken present an earnings tailwind in the fourth quarter." – Todd Maiden, Finance Editor, FreightWaves

Source: https://freightwaves.com/news/table-set-for-3q-truckload-earnings-blowout; 10/13/20

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September 2020 Manufacturing ISM® *Report On Business*®

PMI® at 55.4%

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

The New Orders Index registered 60.2 percent, a decrease of 7.4 percentage points from the August reading of 67.6 percent.

The Production Index registered 61 percent, down 2.3 percentage points compared to the August reading of 63.3 percent.

The Backlog of Orders Index registered 55.2 percent, 0.6 percentage point higher compared to the August reading of 54.6 percent.

The Employment Index registered 49.6 percent, an increase of 3.2 percentage points from the August reading of 46.4 percent.

The Supplier Deliveries Index registered 59 percent, up 0.8 percentage point from the August figure of 58.2 percent." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.prnewswire.com/news-releases/pmi-at-55-4-september-2020-manufacturing-ism-report-on-business-301142396.html; 10/1/20

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September 2020 Manufacturing ISM® *Report On Business*®

"The Inventories Index registered 47.1 percent, 2.7 percentage points higher than the August reading of 44.4 percent.

The Prices Index registered 62.8 percent, up 3.3 percentage points compared to the August reading of 59.5 percent.

The New Export Orders Index registered 54.3 percent, an increase of 1 percentage point compared to the August reading of 53.3 percent.

The Imports Index registered 54 percent, a 1.6-percentage point decrease from the August reading of 55.6 percent.

After the coronavirus (COVID-19) pandemic brought manufacturing activity to historic lows, the sector continued its recovery in September. Survey Committee members reported that their companies and suppliers continue to operate in reconfigured factories and are becoming more proficient at maintaining output. Panel sentiment was optimistic (2.3 positive comments for every cautious comment), an improvement compared to August. **Demand** expanded, with the (1) New Orders Index growing at strong levels, supported by the New Export Orders Index expanding moderately, (2) Customers' Inventories Index at its lowest figure since June 2010, a level considered a positive for future production, and the (3) Backlog of Orders Index expanding at a faster rate compared to the prior two months. **Consumption** (measured by the Production and Employment indexes) contributed positively (a combined 0.9-percentage point increase) to the PMI® calculation, with five of the top six industries continuing to expand output strongly. Employment neared expansion territory for the first time since July 2019. **Inputs** – expressed as supplier deliveries, inventories and imports – continued to indicate input-driven constraints to further production expansion, but at slower rates compared to August. Inventory levels contracted again due to strong production output and supplier delivery difficulties. Overall, inputs improved compared to August and contributed positively to the PMI® calculation. (The Supplier Deliveries and Inventories indexes directly factor into the PMI®; the Imports Index does not.) Prices continued to expand at higher rates, reflecting a continued shift to seller pricing power – a positive for new-order growth." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.prnewswire.com/news-releases/pmi-at-55-4-september-2020-manufacturing-ism-report-on-business-301142396.html; 10/1/20

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September 2020 Manufacturing ISM® *Report On Business®*

PMI® at 55.4%

“Among the six biggest manufacturing industries, Food, Beverage & Tobacco Products remains the best-performing sector, with Fabricated Metal Products and Chemical Products growing strongly. Computer & Electronic Products and Transportation Equipment expanded moderately. Petroleum & Coal Products remained a headwind to PMI® performance.

Manufacturing performed well in the month with demand, consumption and inputs registering growth indicative of a normal expansion cycle. While certain industry sectors are experiencing difficulties that will continue in the near term, the manufacturing community as a whole has learned to conduct business effectively and deal with the variables imposed by the COVID-19 pandemic

Of the 18 manufacturing industries, 14 reported growth in September, in the following order: **Paper Products**; **Wood Products**; Food, Beverage & Tobacco Products; Furniture & Related Products; Electrical Equipment, Appliances & Components; Nonmetallic Mineral Products; Fabricated Metal Products; Chemical Products; Miscellaneous Manufacturing; Plastics & Rubber Products; Machinery; Textile Mills; Computer & Electronic Products; and Transportation Equipment. The four industries reporting contraction in September are: Apparel, Leather & Allied Products; Printing & Related Support Activities; Petroleum & Coal Products; and Primary Metals.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.prnewswire.com/news-releases/pmi-at-55-4-september-2020-manufacturing-ism-report-on-business-301142396.html; 10/1/20

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Private Indicators

September 2020 Services PMI™ Report On Business®

NMI® at 57.8%

Business Activity Index at 63.0%; New Orders Index at 61.5% Employment Index at 51.8%; Supplier Deliveries Index at 54.9%

"Economic activity in the **non-manufacturing sector** grew in September for the fourth month in a row, say the nation's purchasing and supply executives in the latest **Services PMI™ Report On Business®.** The Services PMI™ registered 57.8 percent, 0.9 percentage point higher than the August reading of 56.9 percent. This reading represents growth in the services sector for the fourth straight month and the 126th time in the last 128 months, except for April's and May's contraction.

The Supplier Deliveries Index registered 54.9 percent, down 5.6 percentage points from August's reading of 60.5 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 Prices Index figure of 59 percent is 5.2 percentage points lower than the August reading of 64.2 percent, indicating that prices increased in September at a slower rate. According to the Services PMI™, 16 services industries reported growth. The composite index indicated growth for the fourth consecutive month after contraction in April and May. Respondents' comments remain mostly optimistic about business conditions and the economy, which correlates directly to those businesses that are operating. There continues to be capacity and logistics issues, as business volumes have increased." – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Source: https://www.prnewswire.com/news-releases/services-pmi-at-57-8-september-2020-services-ism-report-on-business-301145141.html; 10/5/20

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Private Indicators

ISM® SERVICES SURVEY RESULTS AT A GLANCE

COMPARISON OF ISM® SERVICES AND ISM® MANUFACTURING SURVEYS

September 2020

Index	Services PMI™ Series Index Sep	Services PMI™ Series Index Aug	Services PMI™ Percent Point Change	Direction	Rate of Change	Trend** (Months)	Manufacturing PMI® Series Index Sep	Manufacturing PMI® Series Index Aug	Manufacturing PMI® Percent Point Change
Services PMI™	57.8	56.9	+0.9	Growing	Faster	4	55.4	56.0	-0.6
Business Activity/ Production	63.0	62.4	+0.6	Growing	Faster	4	61.0	63.3	-2.3
New Orders	61.5	56.8	+4.7	Growing	Faster	4	60.2	67.6	-7.4
Employment	51.8	47.9	+3.9	Growing	From Contracting	1	49.6	46.4	+3.2
Supplier Deliveries	54.9	60.5	-5.6	Slowing	Slower	16	59.0	58.2	+0.8
Inventories	48.8	45.8	+3.0	Contracting	Slower	2	47.1	44.4	+2.7
Prices	59.0	64.2	-5.2	Increasing	Slower	6	62.8	59.5	+3.3
Backlog of Orders	50.1	56.6	-6.5	Growing	Slower	4	55.2	54.6	+0.6
New Export Orders	52.6	55.8	-3.2	Growing	Slower	2	54.3	53.3	+1.0
Imports	46.6	50.8	-4.2	Contracting	From Growing	1	54.0	55.6	-1.6
Inventory Sentiment	55.4	52.5	+2.9	Too High	Faster	2	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	37.9	38.1	-0.2
Overall Economy				Growing	Faster	4			
Services Sector				Growing	Faster	4			

Industry Performance

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

Source: https://www.prnewswire.com/news-releases/services-pmi-at-57-8-september-2020-services-ism-report-on-business-301145141.html; 10/5/20

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Private Indicators

Markit U.S. Manufacturing PMI™

Strongest improvement in operating conditions since January 2019

"September PMI™ data from IHS Markit indicated the sharpest improvement in operating conditions across the U.S. manufacturing sector since early-2019. Overall growth was supported by a faster expansion in production and a solid rise in new orders. As a result, firms continued to broaden their workforce numbers, as hiring increased following further upward pressure on capacity. Nonetheless, output expectations moderated in September amid increased uncertainty regarding the coronavirus disease 2019 (COVID-19) pandemic and the upcoming presidential election. Meanwhile, cost burdens rose sharply once again, with selling prices increasing at the fastest rate since January 2019.

The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 53.2 in September, broadly in line with 53.1 seen in August, but down slightly from the earlier 'flash' reading of 53.5. The solid improvement in the health of the goods-producing sector was the steepest since January 2019, and signalled a further recovery from April's nadir.

Contributing to the overall upturn was a quicker rise in output at the end of the third quarter. The rate of growth was the sharpest for ten months and solid overall. A number of firms attributed the expansion to a further uptick in new orders and the resumption of operations at clients. At the same time, manufacturers indicated a solid, albeit slightly slower, increase in new order inflows. The rate of expansion was the second-fastest for almost a year, as panellists continued to note strengthening demand conditions following the marked contractions seen throughout the second quarter. New export orders also picked up and, although slowing from August's recent peak, the rate of growth was faster than the series trend.

Greater new sales led to further pressure on capacity at manufacturing firms. As a result, companies registered a second monthly rise in backlogs of work. To help alleviate pressure, firms expanded their workforce numbers again. The upturn in employment was slightly slower than that seen in August and modest, but was nevertheless the second-strongest since November 2019. " – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/dc4675fa98e94e5791259ac621e82c2c; 10/1/20

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Private Indicators

Markit U.S. Manufacturing PMI™

Strongest improvement in operating conditions since January 2019

"Meanwhile, business confidence eased in September. Although firms remained optimistic regarding the outlook for output over the coming year on balance, positive sentiment was weighed down by uncertainty towards the ongoing pandemic and the upcoming election. The overall degree of confidence was the lowest for four months. …

Finally, input buying remained modest in September. Although firms expanded their purchasing activity, supplier delays and the use of stocks in production led to a renewed contraction in pre-production inventories. Stocks of finished goods also fell as companies met demand from stock.

US manufacturers rounded off a solid quarter which should see the sector rebound strongly from the steep second quarter downturn. Encouragingly, companies reported a marked upturn in demand for plant and machinery, which suggests firms are increasing their investment spending again after expansion plans were put on hold during the spring. Similarly, fuller order books helped drive further job creation as firms continued to expand capacity. But it was not all good news. Supply shortages worsened as companies increasingly struggled to source enough inputs to meet production requirements. With demand often exceeding supply, prices rose sharply again across many types of inputs, especially metals.

Growth of new orders for consumer goods also waned during the month, hinting at some cooling of demand from households, commonly blamed on Covid-19. Overall order book inflows consequently slowed compared to August. The outlook also darkened, as companies grew more concerned about the sustained economic disruption from the pandemic alongside uncertainty caused by the upcoming presidential election. The sector therefore looks to be entering the fourth quarter on a slower growth trajectory, adding to signs that fourth quarter GDP growth will wane considerably from the third quarter rebound." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/dc4675fa98e94e5791259ac621e82c2c; 10/1/20

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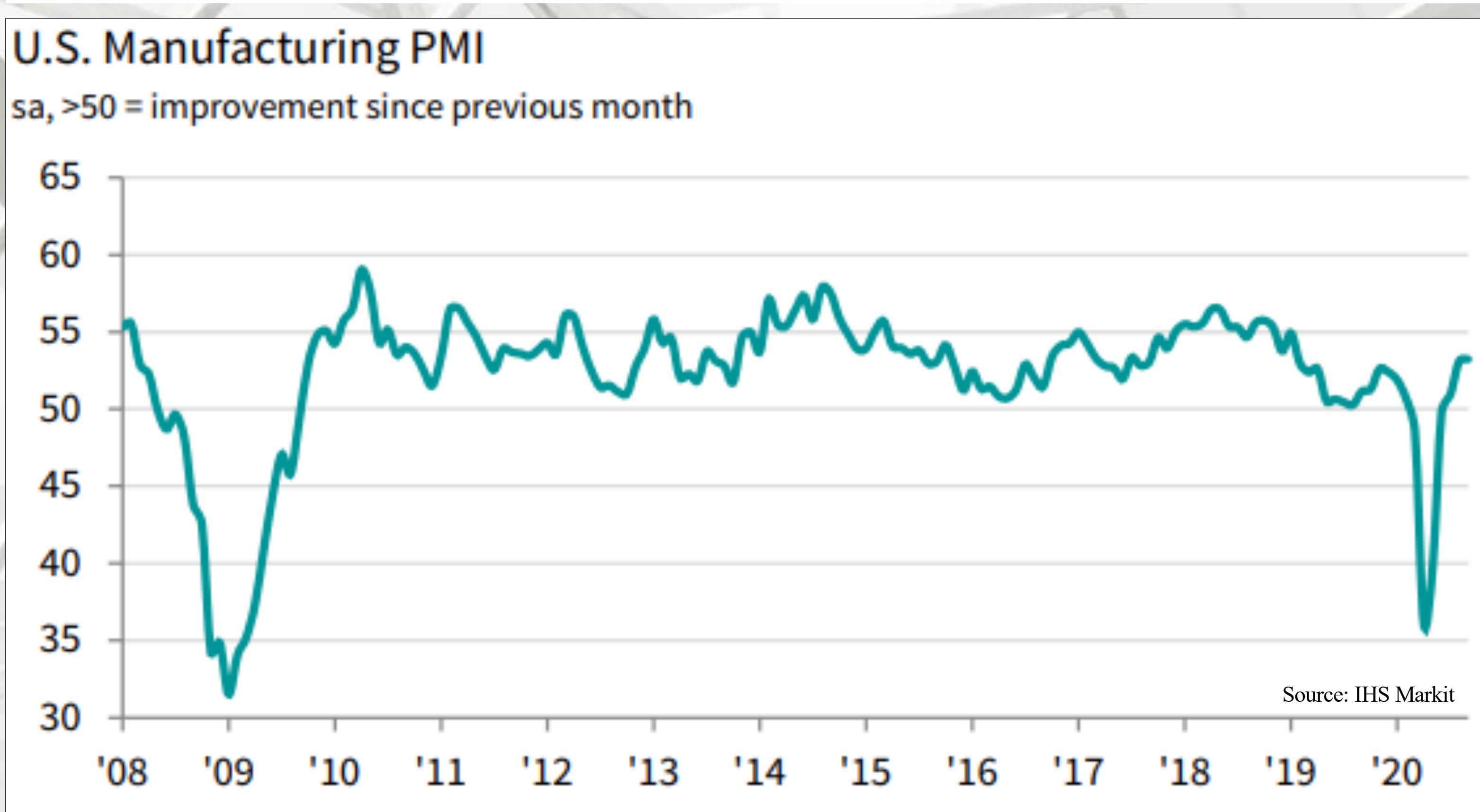

Source: https://www.markiteconomics.com/Public/Home/PressRelease/dc4675fa98e94e5791259ac621e82c2c; 10/1/20

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Private Indicators

IHS Markit U.S. Services PMI™

New business growth accelerates to fastest since March2019

"September PMITM data signalled a solid upturn in U.S. service sector business activity, albeit one that was slightly slower than August's recent high. The expansion was largely driven by a faster rise in new business. Quicker growth in new sales was supported by another strong increase in foreign client demand. As a result, employment growth remained historically marked, with firms mentioning strains on capacity. Business confidence, however, sank to a four-month low amid concerns regarding the coronavirus disease 2019 (COVID-19) pandemic. Input costs rose at a strong rate, but one that was outpaced by the increase in selling prices, as firms passed on higher costs to clients.

The seasonally adjusted final IHS Markit US Services PMI Business Activity Index registered 54.6 in September, down slightly from 55.0 in August, but matching the earlier released 'flash' estimate. The solid rise in business activity was commonly linked to stronger demand conditions. The rate of growth was the second-fastest since March 2019 and solid overall despite softening from that seen in August.

The rate of new business growth accelerated in September, as the respective seasonally adjusted index moved further away from April's nadir. The strong expansion was the sharpest since March 2019, as total new sales were boosted by strengthening customer demand. The upturn was aided by a fourth successive monthly rise in new export orders. Moreover, the expansion in foreign client demand was the second-strongest since data collection for the series began six years ago.

In line with greater new business inflows, firms increased their workforce numbers in September. The rate of job creation was strong overall and the second-quickest since February 2019, as many firms stated that insufficient capacity to process new orders had driven hiring. At the same time, backlogs of work rose for the third month running and at a solid pace. …" – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/12560bb861234dc1b58b3dacc48210fa; 10/5/20

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Private Indicators

IHS Markit U.S. Services PMI™

New business growth accelerates to fastest since March2019

"Nevertheless, business expectations regarding the outlook for output over the coming 12 months slumped at the end of the third quarter. Although optimistic of a rise in business activity, hesitancy among service providers reportedly stemmed from concerns relating to the ongoing COVID-19 pandemic and the impact on future demand.

The U.S. economy continued to rebound in September from the deep contraction seen at the height of the Covid-19 pandemic, with business activity rising across both manufacturing and services to round off the strongest quarter since early-2019. Covid-19 worries and social distancing continued to impact many businesses, however, especially in consumer facing sectors, where demand for services fell once again. However, business and financial services, healthcare and housing sectors all fared well as the economy continued to revive, and exports of services also picked up as other countries continued to open up their economies.

Encouragingly, new orders for services grew at an increased rate in September, putting additional pressure on operating capacity and fuelling another robust rise in employment. A further rise in backlogs of work bodes well for robust jobs growth to be sustained into October. Sentiment on prospects for the coming year darkened significantly, however, linked to growing worries about virus numbers, uncertainty regarding the presidential election and fears that the economy is susceptible to weakening unless more support measures are put in place soon." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/12560bb861234dc1b58b3dacc48210fa; 10/5/20

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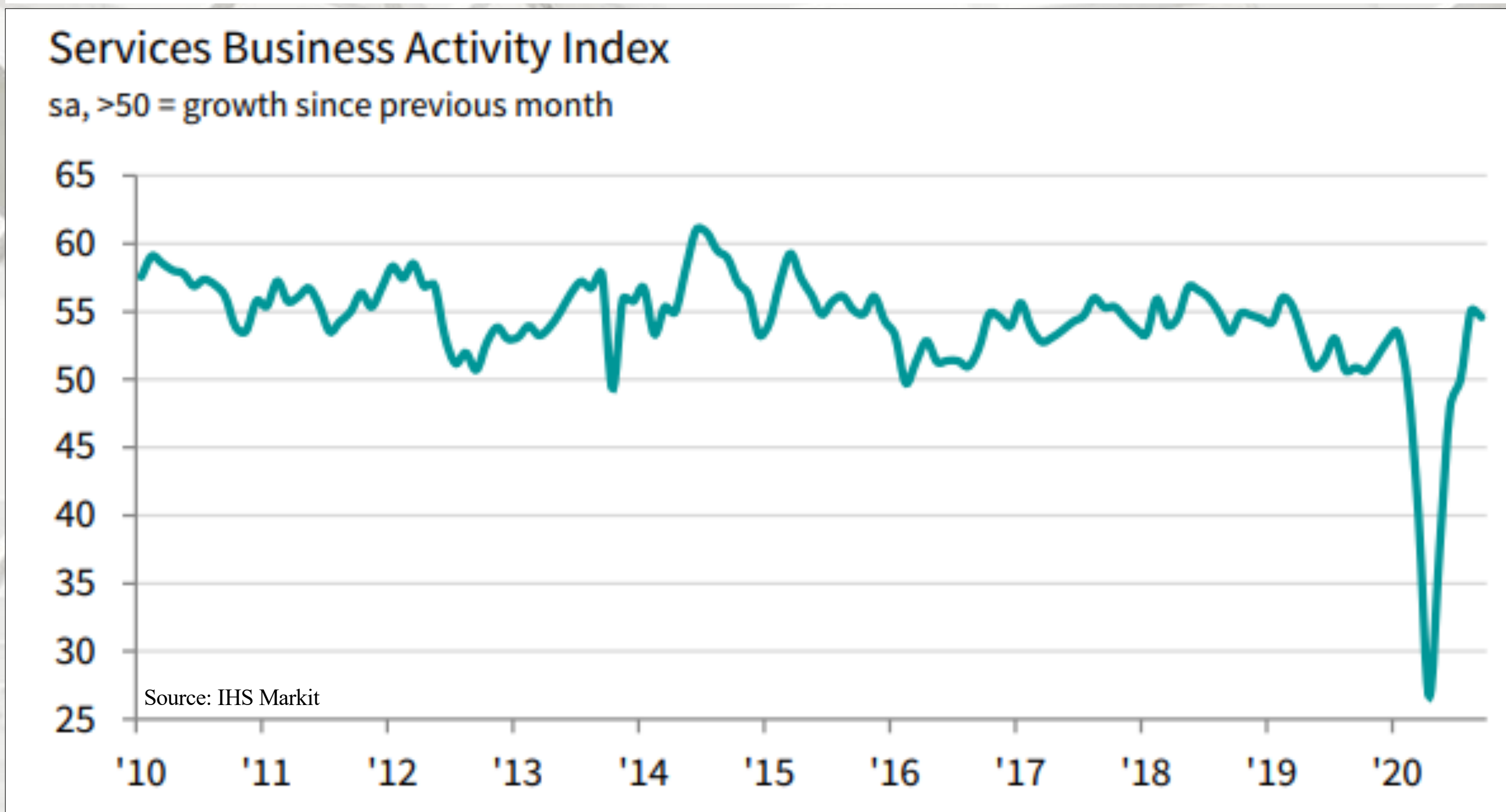

Source: https://www.markiteconomics.com/Public/Home/PressRelease/12560bb861234dc1b58b3dacc48210fa; 10/5/20

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Private Indicators

National Association of Credit Management – Credit Managers' Index

September Combined Sectors

"When there is a collapse as complete and dramatic as the one experienced in the second quarter of this year it becomes nearly impossible to make sense of the data that comes in afterwards. What does a rebound of 30 points in the third quarter mean after a dive of 35 points in the second quarter? Does that mean there was an actual decline of maybe 5%, or is there more to this than that? "The truth is that data will be hard to interpret for a while as we wait for some sense of normalcy to return," said NACM Economist Chris Kuehl, Ph.D. "The data in the CMI is similar as there has been a significant surge in the data but it is coming off some record lows."

Overall, there was a slight decline from where the index stood just a month ago. The combined score stood at 56.5 and is now at 56. This is a fairly minor decline, and the important point is that the reading is still in the mid-50s. The combined score for the favorable factors improved by quite a bit, and that is considered a very positive sign. It had been at 62.9 and now stands at 63.3 – the highest point reached in well over a year. The last time these numbers were even close to that level was in January and February when they stood at 62.2. The rebound in these factors bodes well for the coming months. The combined index for the unfavorable factors slumped a little as it fell from 52.2 to 51.1." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 9/30/20

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Private Indicators

National Association of Credit Management – Credit Managers' Index

September Combined Sectors

"The detail in the favorable and unfavorable sectors point in some interesting directions. "There was a dramatic fall in the favorable factors as the crisis emerged, but the unfavorables didn't respond as negatively at first," said Kuehl. "Now they are becoming the problem, and the favorables are carrying the load. It is all a matter of timing. The initial impact of the shutdown was felt in everything from sales to applications, but issues like bankruptcies and collections took a little longer to develop." This month the sales numbers remained very high at 65.5 – only a bit down from the 65.8 registered last month. The new credit applications reading improved a little from 63.4 to 63.6, and most importantly there was an improvement in dollar collections as it went from 61.2 to 63.3. To cap off a nice month of gains, the amount of credit extended went from 61.3 to 60.8 – a slight decline but still above the 60 line. This makes the second month in a row for all four readings sitting above 60.

The rejections of credit applications stayed stable with a reading of 51.6 compared to last month's 51.5. "Given the large number of new applications this is a very good sign. Often there are increases in applications during stressed economic times but too few qualify." One area of concern is the accounts placed for collection as it moved from 51.6 to 49.4. "This suggests there are companies that are reeling from the lockdown and are falling behind." The disputes readings also deteriorated from 51.8 to 48.7. The dollar amount beyond terms also sagged a bit but remained in solid territory with a reading of 54.6 after sitting at 58.2 the prior month. The dollar amount of customer deductions slipped a bit as well but stayed above the 50 line that separates expansion from contraction. It went from 52.2 to 51.1. The filings for bankruptcies actually improved with a reading of 51.3 as compared to last month at 47.7." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 9/30/20

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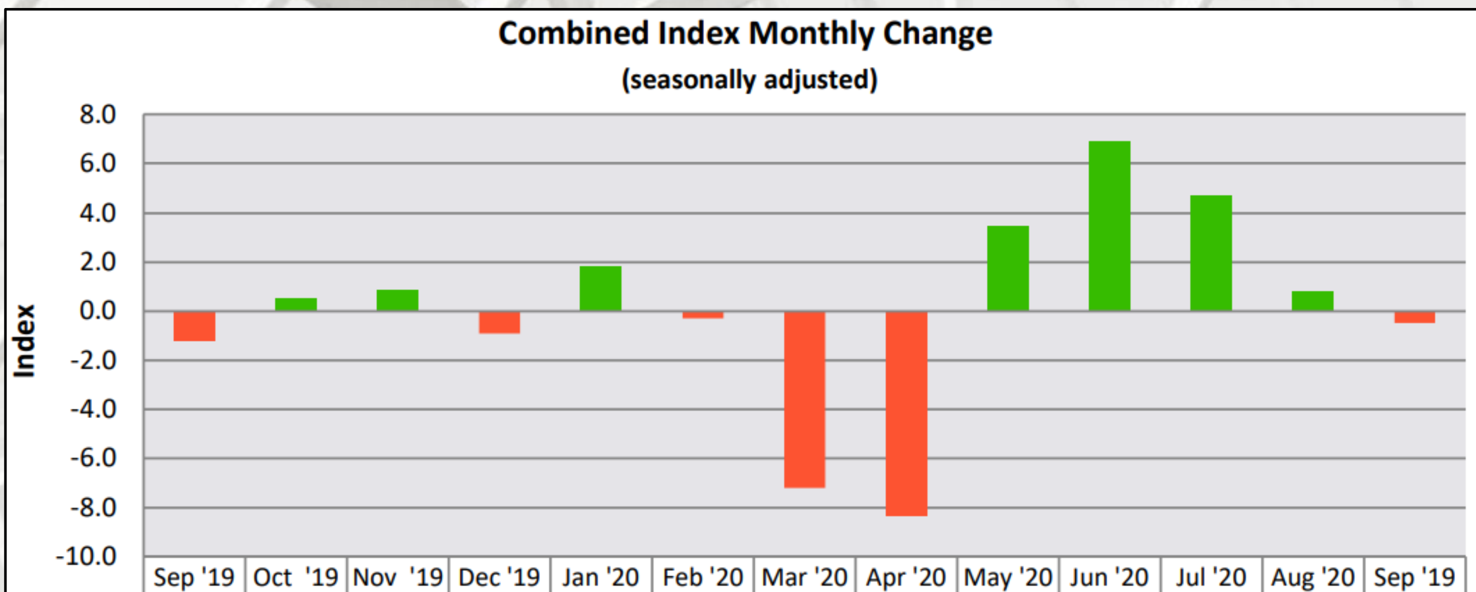
Private Indicators

Combined Manufacturing and Service Sectors (seasonally adjusted)	Sep '19	Oct '19	Nov '19	Dec '19	Jan '20	Feb '20	Mar '20	Apr '20	May '20	Jun '20	Jul '20	Aug '20	Sep '20
Sales	58.7	57.9	61.6	58.8	63.0	64.0	39.5	20.0	28.6	54.1	64.3	65.8	65.5
New credit applications	59.7	59.0	61.2	59.4	61.1	62.2	44.0	31.1	43.3	57.9	62.4	63.4	63.6
Dollar collections	58.5	62.1	59.2	57.9	61.7	58.8	49.3	35.5	43.2	53.9	62.5	61.2	63.3
Amount of credit extended	59.7	61.6	64.3	61.1	62.9	63.6	53.2	41.6	42.8	55.2	57.3	61.3	60.8
Index of favorable factors	**59.1**	**60.1**	**61.6**	**59.3**	**62.2**	**62.2**	**46.5**	**32.0**	**39.5**	**55.3**	**61.6**	**62.9**	**63.3**
Rejections of credit applications	51.4	52.1	51.3	52.0	52.0	53.8	53.5	52.7	51.9	49.8	50.0	51.5	51.6
Accounts placed for collection	48.4	49.1	49.8	50.3	50.6	50.6	50.6	47.4	49.1	46.7	50.8	51.6	49.4
Disputes	50.0	48.1	50.3	50.8	52.4	50.3	52.1	50.8	51.5	49.6	50.7	51.8	48.7
Dollar amount beyond terms	50.2	52.0	52.6	51.0	54.2	53.5	43.9	27.6	32.4	44.4	57.3	58.2	54.6
Dollar amount of customer deductions	52.1	50.9	51.4	51.3	52.2	51.5	50.4	49.4	50.9	50.6	52.4	52.2	51.1
Filings for bankruptcies	52.1	53.4	53.5	53.4	54.4	53.3	53.2	50.2	47.3	47.7	48.8	47.7	51.3
Index of unfavorable factors	**50.7**	**50.9**	**51.5**	**51.5**	**52.6**	**52.2**	**50.6**	**46.3**	**47.2**	**48.1**	**51.7**	**52.2**	**51.1**
NACM Combined CMI	**54.1**	**54.6**	**55.5**	**54.6**	**56.4**	**56.2**	**49.0**	**40.6**	**44.1**	**51.0**	**55.6**	**56.5**	**56.0**



	Sep '19	Oct '19	Nov '19	Dec '19	Jan '20	Feb '20	Mar '20	Apr '20	May '20	Jun '20	Jul '20	Aug '20	Sep '19
+/-	-1.2	0.5	0.9	-0.9	1.8	-0.3	-7.2	-8.3	3.5	6.9	4.7	0.8	-0.5

Source: https://nacm.org/cmi.html; 9/30/20

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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 record reading of 100 was reached in November 2016.

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%.

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.

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

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 10/13/20

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Private Indicators

National Federation of Independent Business (NFIB) August 2020 Report

"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

"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. …

Seasonally adjusted, a net 18% reported raising compensation. The percent of owners raising compensation remains well below the 36% reading in February before COVID-19 policies were implemented. A net 14% plan to do so in the coming months and 9% cited labor costs as their top problem.

Twenty-one percent of owners selected "finding qualified labor" as their top business problem, with 41% in construction where the unavailability of qualified workers is slowing new home production. …" – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 10/13/20

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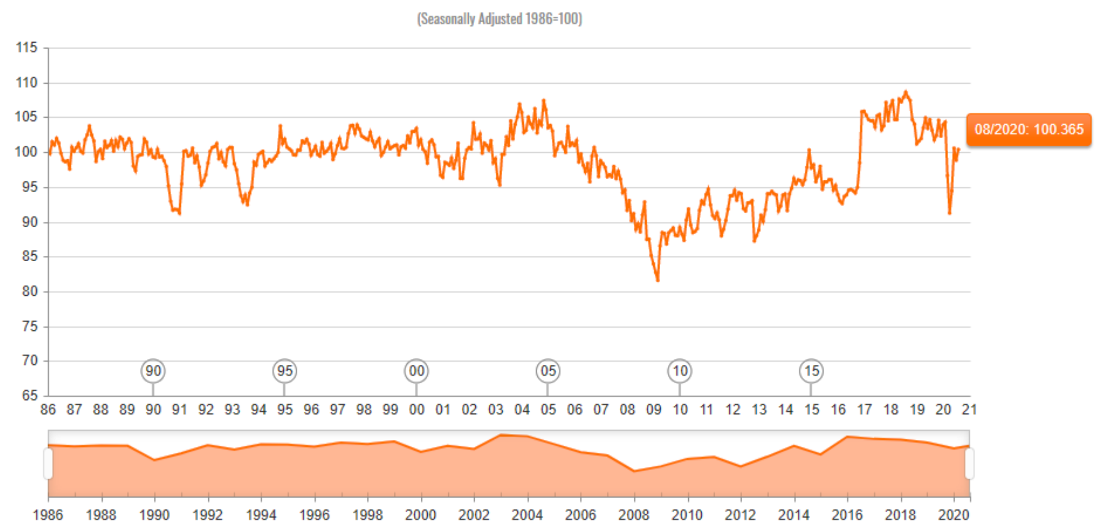
Small Business Optimism Index



Index Component Levels and Percentage Change from Prior Year

		2016
Small Business Optimism Index	100.4	-3%
Plans to Increase Employment	21 %	1%
Plans to Make Capital Outlays	25 %	-2%
Plans to Increase Inventories	6 %	4%
Expect Economy to Improve	24 %	12%
Expect Real Sales Higher	3 %	-14%
Current Inventory	3 %	9%
Current Job Openings	33 %	-2%
Expected Credit Conditions	-4 %	-2%
Now a Good Time to Expand	12 %	-13%
Earnings Trends	-24 %	-23%

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 10/13/20

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

Small Business Jobs Index Increases Slightly Driven by Gains in the Northeast and the Construction Industry

The report by Paychex and IHS Markit showed a
0.06 percent uptick in national job growth

"The latest Paychex | IHS Markit Small Business Employment Watch shows a slight increase in hiring from the previous month, rising 0.06 percent nationally and 0.36 percent in the Northeast. The national jobs index stands at 94.44, remaining in line with April's reading of 94.63. Small business wage growth slowed to 3.14 percent in September, while growth in weekly hours worked maintained a solid pace, up 0.65 percent from last year. Weekly earnings growth held steady at 3.86 percent in September.

"While it was positive to see a slight improvement in September, the national jobs index and small business hiring has remained largely flat over the past several months." – James Diffley, Chief Regional Economist, IHS Markit

"We're starting to see signs of improvement in specific regions, including the Northeast, which was hit particularly hard in the early stages of the pandemic. Activity in the Construction industry has also been a bright spot. Even with hiring levels remaining flat on the national level for many small businesses, when monitoring the number of employees being paid, steady growth is being seen, indicating that small businesses are bringing existing employees back to work." Martin Mucci, President and CEO, Paychex

Source: https://www.paychex.com/employment-watch; 9/29/20

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The Paychex | IHS Markit
Small Business Employment Watch

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

- The Northeast had its biggest one-month gain in job growth since 2019, up 0.36 percent in September.
- Job growth in the West slowed 0.35 percent in September and 1.05 percent during the past quarter, ranking last among regions.
- New Jersey has improved each month since the April drop-off and neighboring New York has picked up the pace of job growth as well in recent months.
- The top three states for employment growth, Florida, Missouri, and Texas, all saw improvements in September.
- Construction leads all industry sectors in small business employment growth for the fifth consecutive month and is down just 1.38 percent from last year's pace." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 9/29/20

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The Paychex | IHS Markit
Small Business Employment Watch

September Jobs Index	September Wage Data
Index **94.44**	Hourly Earnings **$28.20**
12-Month Change **-3.85%**	12-Month Growth **+3.14% (+$0.86)**

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 9/29/20

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