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

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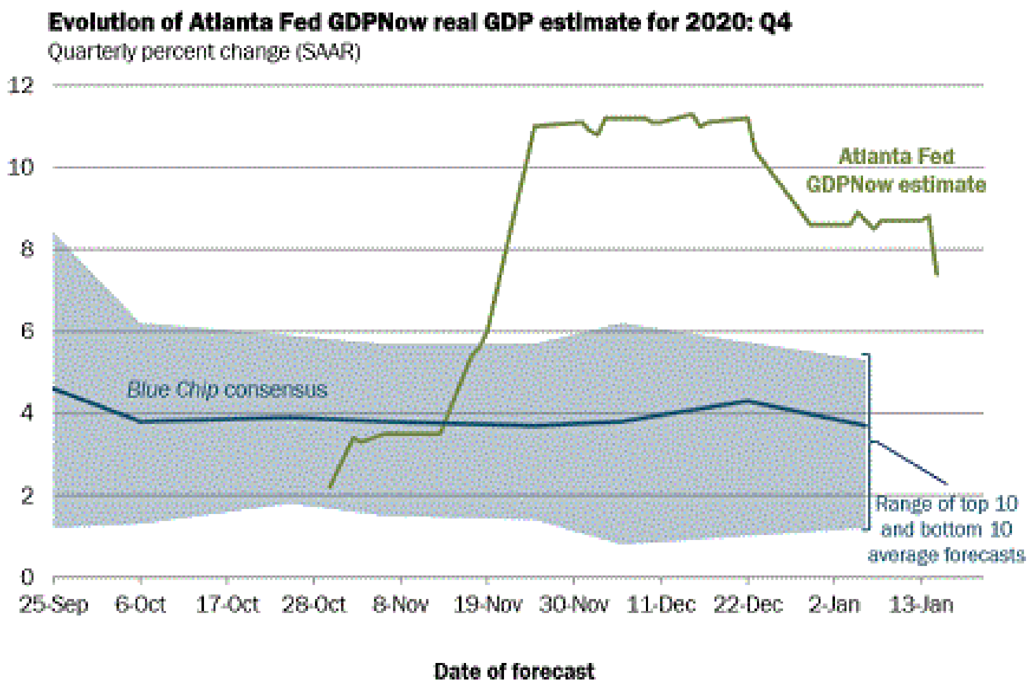
Table of Contents

U.S. Economic Indicators

FEDERAL RESERVE BANK of ATLANTA | GDPNow™

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

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



Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.

Atlanta Fed GDPNow™

Latest estimate: 7.4 percent — January 15, 2021

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2020 is **7.4 percent** on January 15, down from 8.7 percent on January 8. After recent data releases from the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, the U.S. Department of the Treasury's Bureau of the Fiscal Service, and the Federal Reserve Board of Governors, the nowcast of fourth-quarter real personal consumption expenditures growth decreased from 5.5 percent to 3.7 percent, while the nowcast of fourth-quarter real government spending growth increased from 5.4 percent to 5.7 percent." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 1/15/21

Return to TOC

The Federal Reserve Bank of Chicago: Midwest Economy Index

Index Suggests Slower, but Still Above-Trend Midwest Growth Through November

"The Midwest Economy Index (MEI), which approximates quarterly growth at a monthly frequency, fell to +1.79 in November from +3.00 in October. Contributions to the November MEI from all four broad sectors of nonfarm business activity and all five Seventh Federal Reserve District states decreased from October. The relative MEI moved down to +1.99 in November from +2.78 in October. Contributions to the November relative MEI from two of the four sectors and three of the five states decreased from October.

The manufacturing sector's contribution to the MEI edged down to +0.40 in November from +0.45 in October. The pace of manufacturing activity decreased in Illinois, Indiana, and Michigan, but increased in Iowa and Wisconsin. Manufacturing's contribution to the relative MEI moved up to +0.28 in November from –0.07 in October.

The construction and mining sector contributed +0.05 to the MEI in November, down slightly from +0.07 in October. The pace of construction and mining activity was slower in Indiana and Michigan, but faster in Illinois and Iowa and unchanged in Wisconsin. Construction and mining's contribution to the relative MEI edged up to +0.01 in November from –0.04 in October.

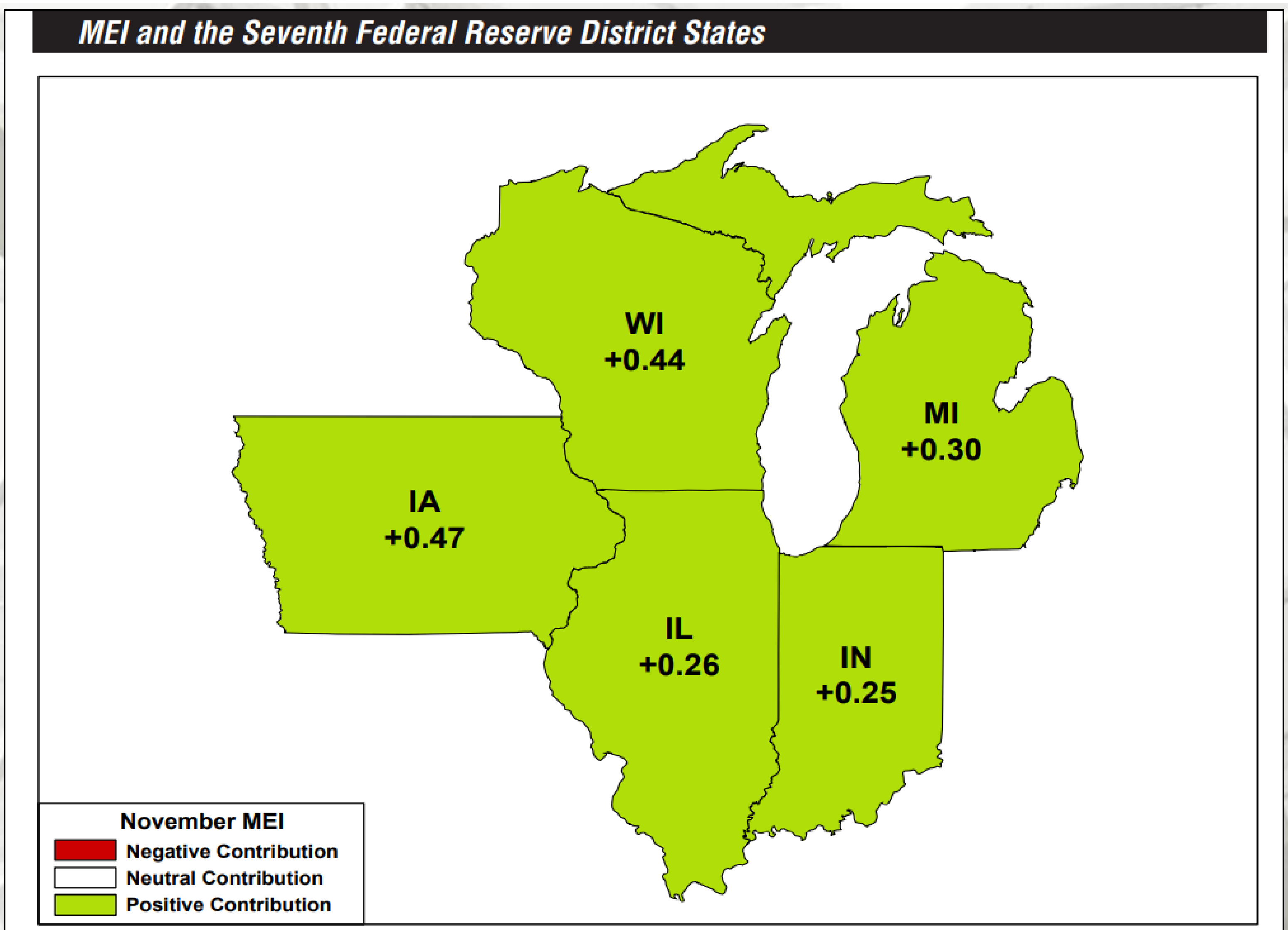
The service sector's contribution to the MEI fell to +0.65 in November from +1.44 in October. The pace of service sector activity was down in all five states. The service sector's contribution to the relative MEI decreased to +0.73 in November from +1.70 in October.

Consumer spending indicators contributed +0.69 to the MEI in November, down from +1.03 in October. Consumer spending indicators were, on balance, down in all five states. Consumer spending's contribution to the relative MEI moved down to +0.97 in November from +1.20 in October." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/mei/index; 12/31/20

Return to TOC

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; 12/31/20

Return to TOC

The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)

Index Suggests Slower, but Still Slightly Above-Average Growth in November

"Led by slower growth in employment- and production-related indicators, the Chicago Fed National Activity Index (CFNAI) declined to +0.27 in November from +1.01 in October. Three of the four broad categories of indicators used to construct the index made positive contributions in November, but all four categories decreased from October. The index's three-month moving average, CFNAI-MA3, decreased to +0.56 in November from +0.85 in October.

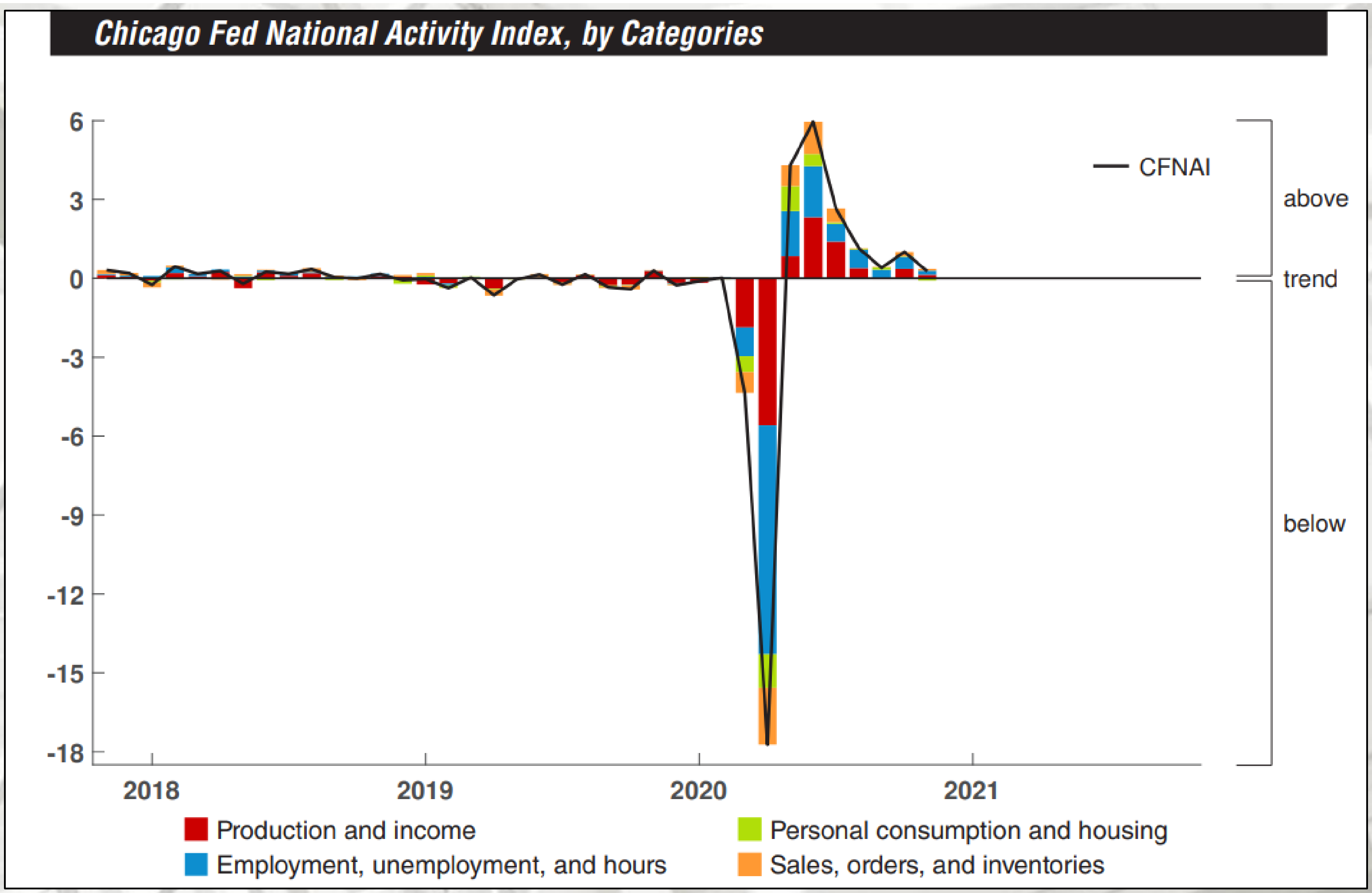
The CFNAI Diffusion Index, which is also a three-month moving average, moved down to +0.53 in November from +0.62 in October. Forty-nine of the 85 individual indicators made positive contributions to the CFNAI in November, while 36 made negative contributions. Twenty indicators improved from October to November, 64 indicators deteriorated, and one was unchanged. Of the indicators that improved, five made negative contributions.

Production-related indicators contributed +0.14 to the CFNAI in November, down from +0.36 in October. Manufacturing industrial production increased 0.8 percent in November after rising 1.1 percent in October. The contribution of the sales, orders, and inventories category to the CFNAI decreased to +0.07 in November from +0.17 in October. Employment-related indicators contributed +0.15 to the CFNAI in November, down from +0.45 in October. Nonfarm payrolls increased by 245,000 in November after rising by 610,000 in October. The contribution of the personal consumption and housing category to the CFNAI moved down to –0.09 in November from +0.02 in October." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 12/21/20

Return to TOC

The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)



Source: https://www.chicagofed.org/publications/cfnai/index; 12/21/20

Return to TOC

The Federal Reserve Bank of Chicago: Survey of Business Conditions (CFSBC)

Survey Suggests Growth Slowed in December

“The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index decreased to –23 in December from a neutral value in November, suggesting that economic growth was below trend. The CFSBC Manufacturing Activity Index increased to +41 in December from +17 in November, but the CFSBC Nonmanufacturing Activity Index fell to –53 in December from –5 in the previous month.

Respondents’ outlooks for the U.S. economy for the next 12 months improved, and remained optimistic on balance. Fifty-three percent of respondents expected an increase in economic activity over the next three months, and 32 percent expected activity to return to its pre-pandemic level by the end of 2021.

The pace of current hiring decreased, but respondents’ expectations for the pace of hiring over the next 12 months increased. The hiring index remained negative, while the hiring expectations index remained positive.

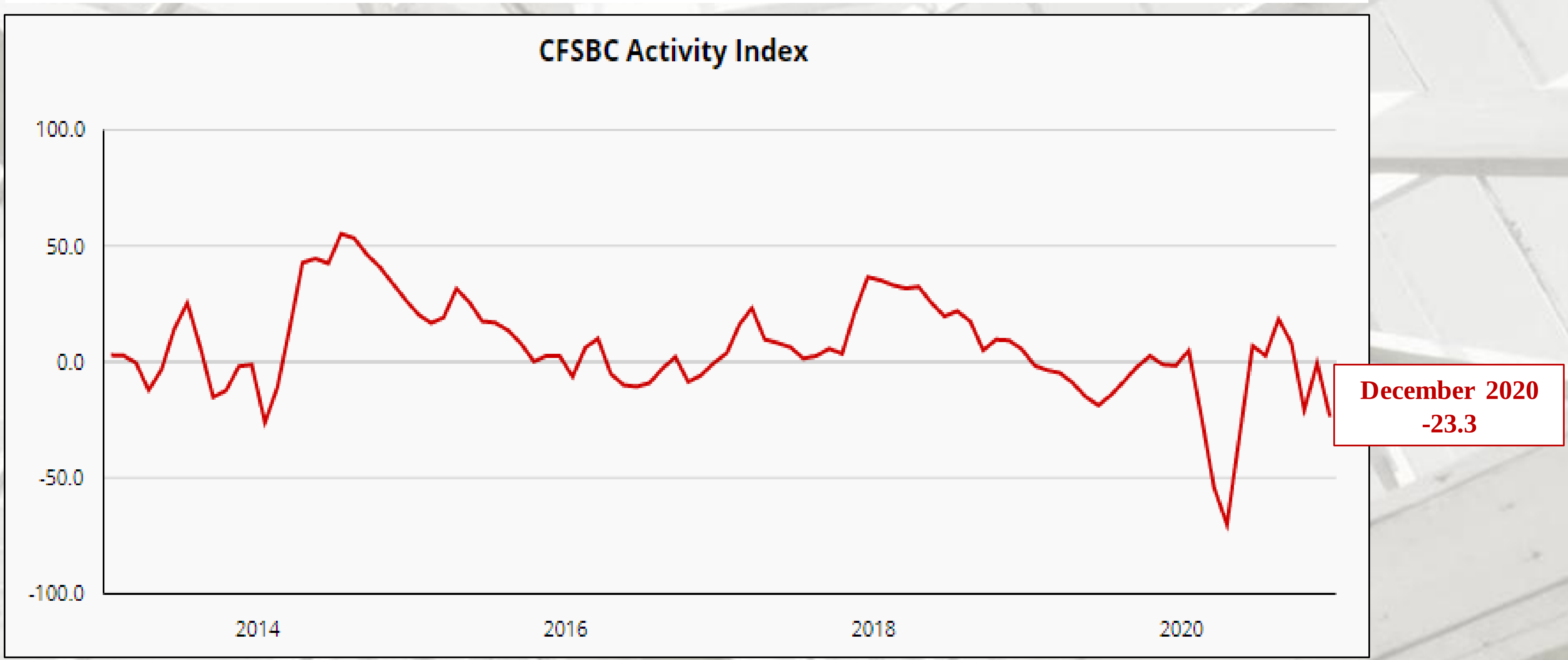
Respondents’ expectations for the pace of capital spending over the next 12 months increased, and the capital spending expectations index remained positive.

The labor cost pressures index decreased, but the nonlabor cost pressures index increased. Both cost pressures indexes remained negative.” – Thomas Walstrum, Senior Business Economist, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfsbc/index; 1/13/21

Return to TOC

The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)



Source: https://www.chicagofed.org/publications/cfsbc/index; 1/13/21

Return to TOC

The Federal Reserve Bank of Dallas

Texas Manufacturing Expands at a Faster Pace

"Expansion in Texas factory activity picked up in December, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, rebounded from 7.2 to 25.5, indicating an acceleration in output growth.

Other measures of manufacturing activity also point to stronger growth this month. The new orders index pushed up 11 points to 17.8, and the growth rate of orders index rose from 9.7 to 16.5. The capacity utilization index moved up 11 points to 17.7, and the shipments index advanced from 13.7 to 21.9.

Perceptions of broader business conditions continued to improve in December. The general business activity index remained positive but edged down from 12.0 to 9.7. Meanwhile, the company outlook index pushed further into positive territory, rising from 11.0 to 16.8. Uncertainty regarding companies' outlooks continued to rise; the index increased six points to 13.4.

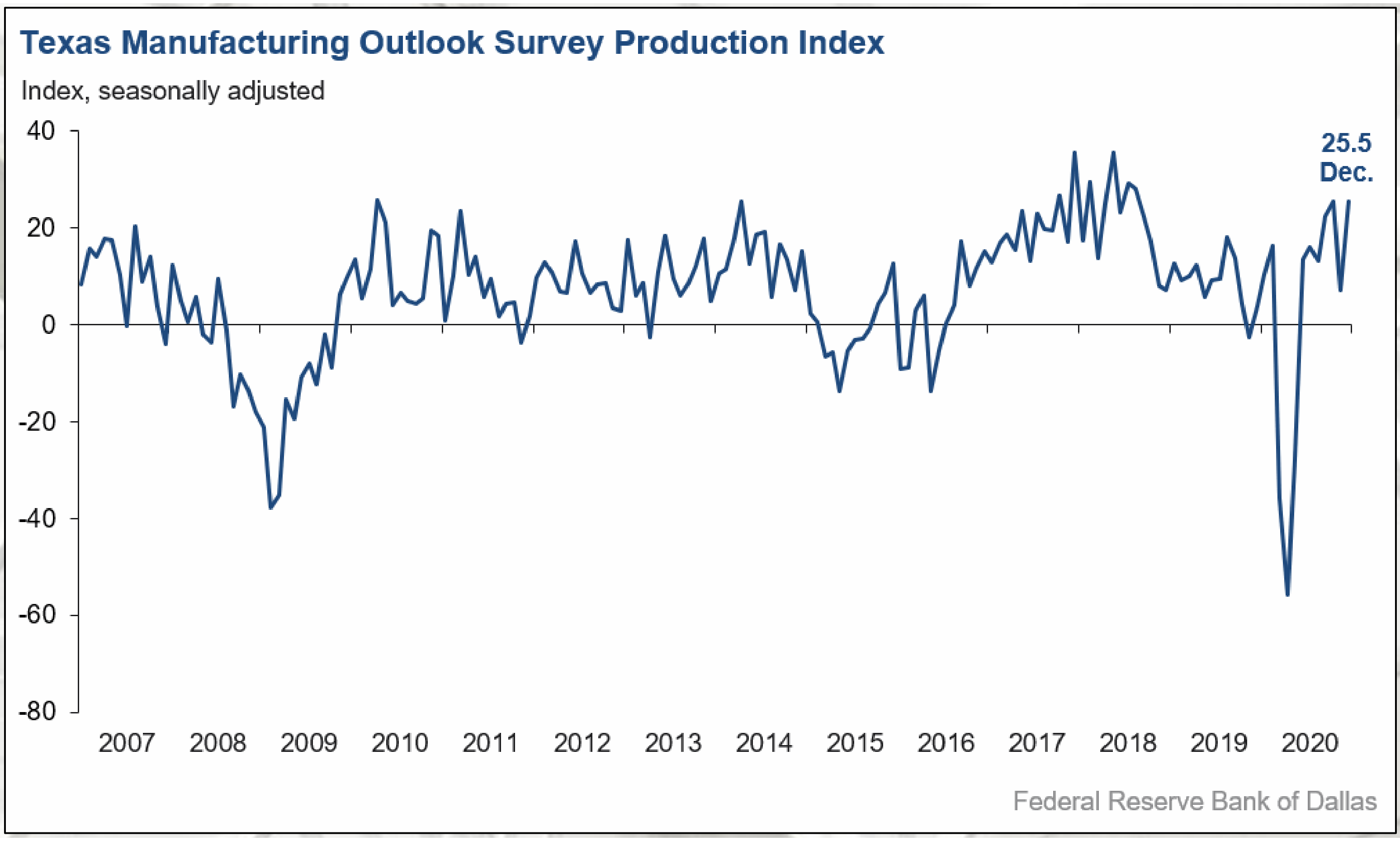
Labor market measures indicated an increase in employment and work hours. The employment index increased from 11.7 to 19.6, suggesting a pickup in hiring. Thirty percent of firms noted net hiring, while 10 percent noted net layoffs. The hours worked index held steady at 9.3.

Price and wage pressures accelerated in December. The raw materials prices index shot up 14 points to 49.0, a two-year high. The finished goods prices index rose notably as well, pushing up 13 points to 17.4, also a two-year high. The wages and benefits index edged up to 19.1 and is back in line with its series average, pulling out of a slump that began in March." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 12/28/20

Return to TOC

The Federal Reserve Bank of Dallas



Texas Manufacturing Expansion Moderates

"Expectations regarding future activity remained positive in December, though some key indexes moved down from their November readings. The future production index rose seven points to 47.3, while the future general business activity index moved down eight points to 17.6. Other measures of future manufacturing activity showed mixed movements but remained solidly in positive territory." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 12/28/20

Return to TOC

The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Texas Service Sector Grows Modestly as Year Ends

"Activity in the Texas service sector returned to positive territory in December, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, rose from -0.7 in November to 4.2 in December, indicating a modest increase in activity.

Labor market indicators point to an increase in employment and hours worked. The employment index rose over four points to 5.1, while the part-time employment index advanced from -0.4 to 1.7. The hours worked index was mostly unchanged at 2.1.

Perceptions of broader business conditions remained subdued in December. The general business activity index continued to weaken, declining from -2.6 to -4.3. However, the company outlook index ticked up to positive territory, increasing from -0.8 to 0.7. The outlook uncertainty index remained positive but fell over 12 points to 5.2.

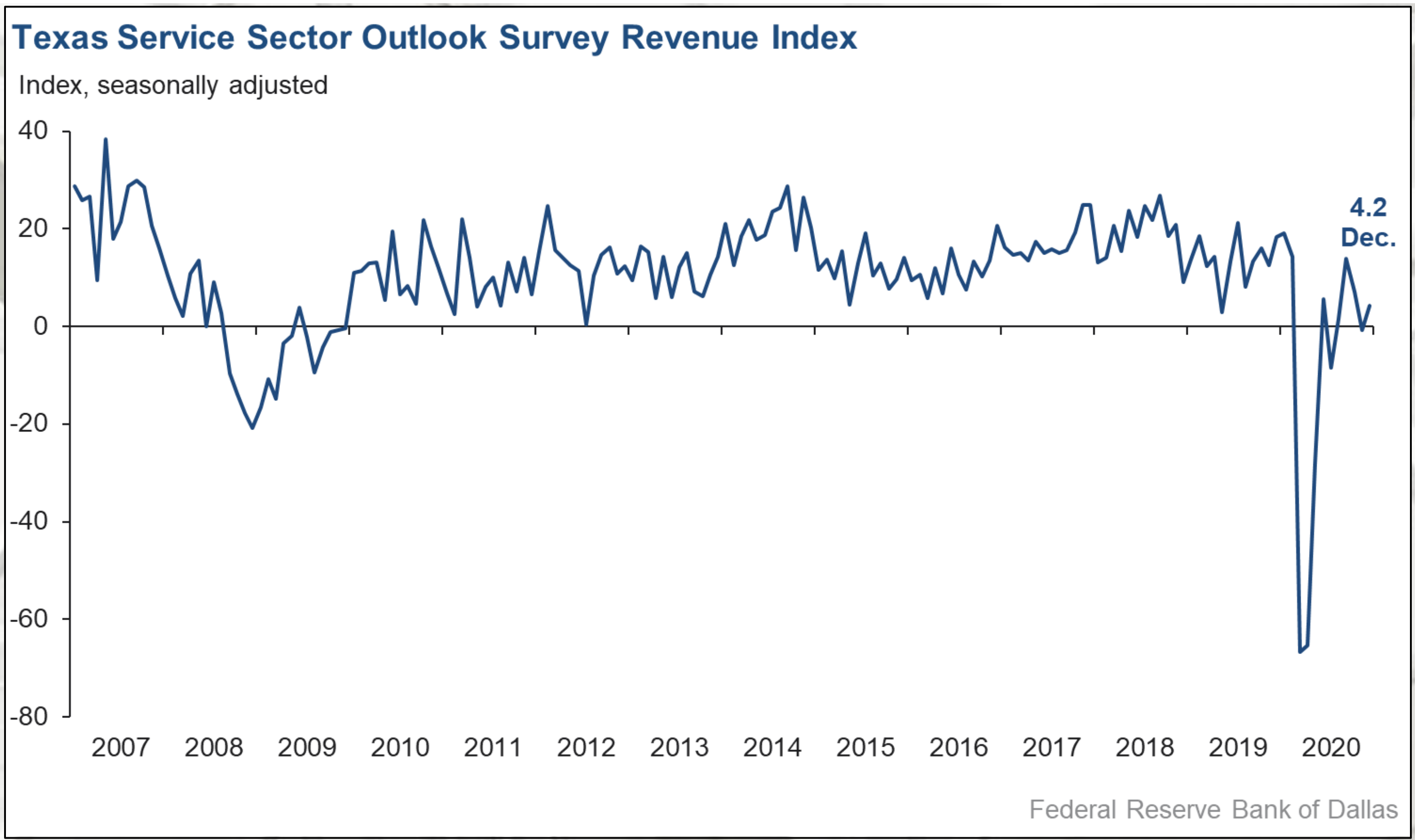
Price pressures increased slightly in December, while wage pressures eased. The selling prices index added two points to rise to 5.3 – its highest reading since February – while the input prices index rose from 20.7 to 21.8. The wages and benefits index remained positive but fell from 11.2 to 8.6.

Respondents' expectations regarding future business activity reflected increased optimism compared with November. The future general business activity index advanced nearly eight points to 23.8, while the future revenue index similarly added eight points to rise to 42.3, its highest reading since the beginning of the COVID-19 pandemic. Other indexes of future service sector activity such as employment rose notably, suggesting expectations of improved activity going into 2021." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 12/29/20

Return to TOC

The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys; 12/29/20

Return to TOC

The Federal Reserve Bank of Dallas

Texas Retail Sales Decline

"Retail sales activity was largely flat in December after posting a sizable decline in November, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, rose from -6.5 to 0.8, with over a quarter of respondents noting increased sales. The inventory index flattened out, declining from 3.0 to -0.1.

Retail labor market indicators were mixed, with employment holding steady but average workweek length contracting. The employment index added nearly three points, rising from -2.4 to 0.3, and the part-time index added nearly six points, rising to 3.9. The hours worked index declined about two points to -4.0, suggesting that retailers continued to cut employee working hours on net.

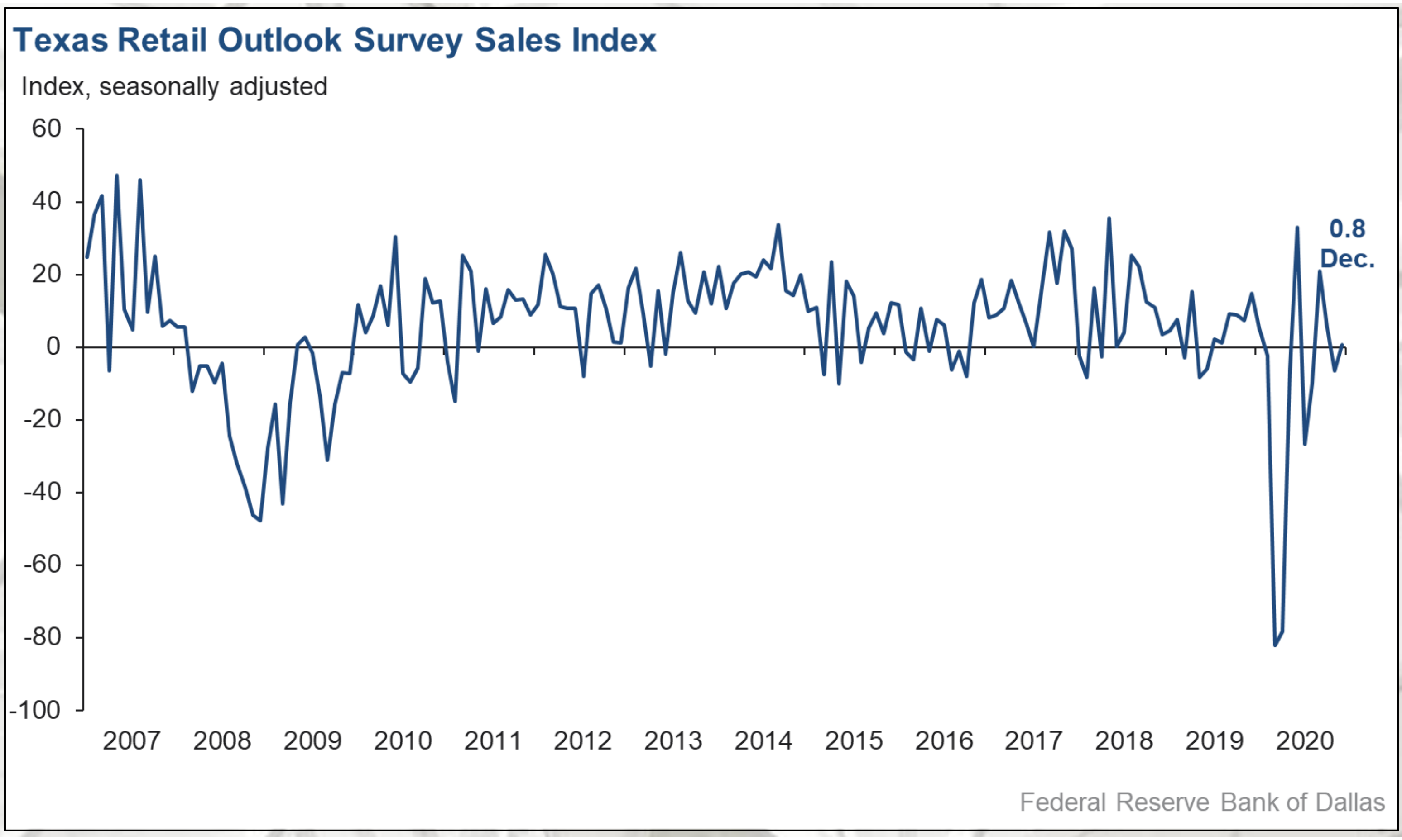
Retailers' perceptions of broader business conditions were increasingly pessimistic in December. The general business activity index declined over 10 points to -14.6, with over a quarter of respondents noting weaker activity compared to November. The company outlook index fell two points to -2.1. The outlook uncertainty index plunged from 18.4 to 0.0, suggesting no net change in uncertainty.

Retail wage pressures held steady, while price pressures surged in December. The wages and benefits index was flat at 6.5, with just 10 percent of respondents noting an increase. The selling prices index rose from 13.9 to 20.3, while the input prices index surged from 20.3 to 35.4 – the highest level in two and a half years." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 12/29/20

Return to TOC

The Federal Reserve Bank of Dallas



Texas Retail Sales Decline

"Retailers' perceptions of future activity remained solidly optimistic in December. The future general business activity index rose slightly from 19.0 in November to 20.5 in December, while the future sales index ticked up from 29.0 to 31.8. Other indexes of future retail activity such as employment improved, pointing to expectations of solid expansion in 2021." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 12/29/20

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Expanded Further

Tenth District manufacturing activity expanded further in December. Manufacturing activity was still below year ago levels, but expectations for future activity were positive.

Factory Activity Expanded Further

“The month-over-month composite index was 14 in December, up from 11 in November and 13 in October. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Activity at non-durable plants declined slightly, while activity at durable goods factories expanded more. Food and beverage production dipped, but transportation equipment manufacturing increased. Month-over-month indexes were positive, indicating continued expansion. Shipments, new orders, order backlog, employment, new orders for exports, and supplier delivery time increased at a faster pace. Materials inventories rebounded while finished goods inventories declined further. Year-over-year factory indexes declined slightly in December, and the composite index dipped from -12 to -14. The future composite index was slightly lower than 21 in November but remained positive at 17 in December.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 12/18/20

Return to TOC

The Federal Reserve Bank of Kansas City

Chart 1

Source: https://www.kansascityfed.org; 12/18/20

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Activity Dipped Slightly

Tenth District services activity dipped slightly from a month ago and remained below year-ago levels, but expectations for future activity increased further.

Business Activity Dipped Slightly

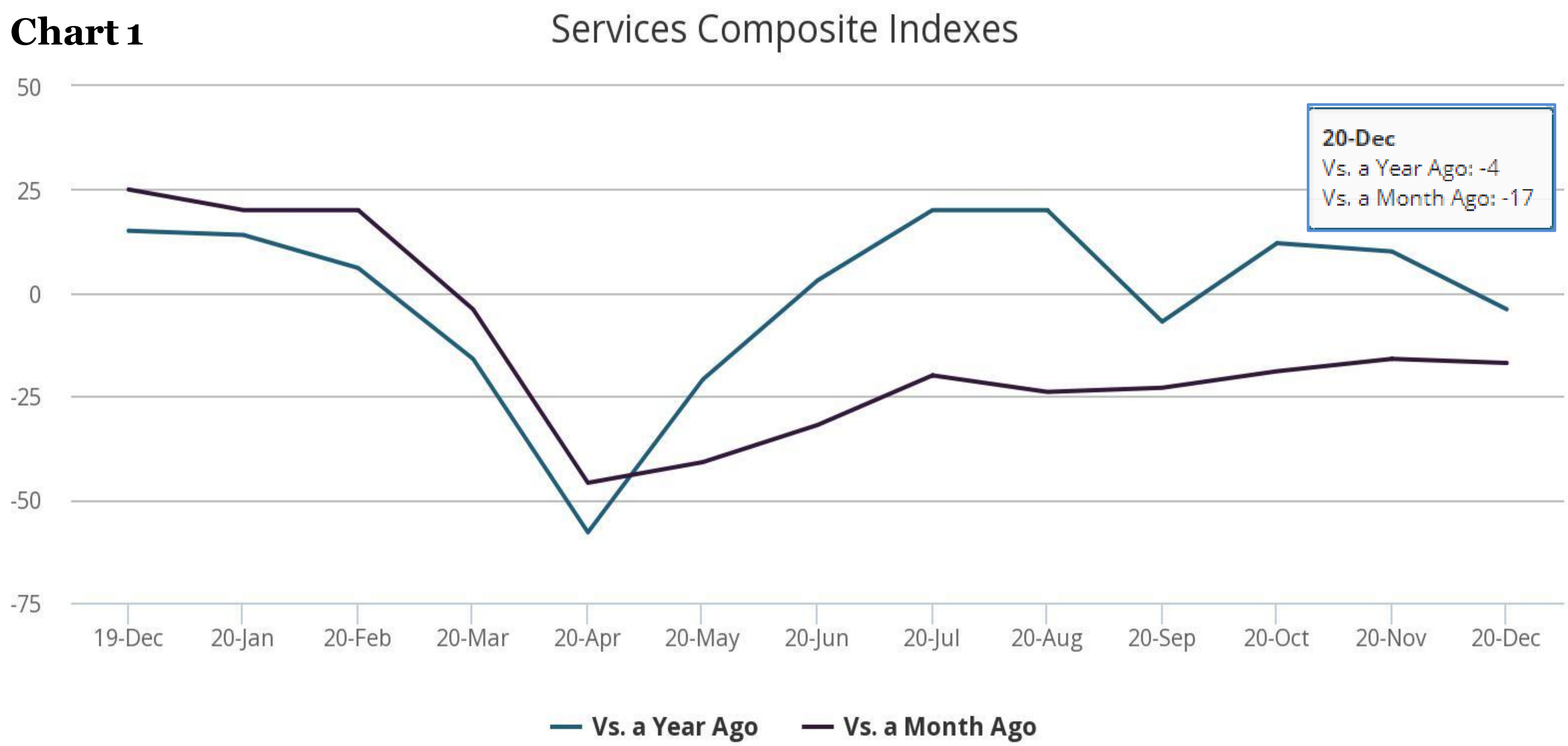
"The month-over-month services composite index was -4 in December, down from 10 in November and 12 in October. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were mixed in December. The general revenue and sales index decreased due to slower auto, transportation, tourism, and restaurant activity. On the other hand, retail and real estate activity expanded somewhat. The inventory index posted no change from last month, while indexes for employee hours and part-time employment edged lower. On the other hand, the employment, wages and benefits, and access to credit indexes expanded. Year-over-year indexes continued to decline in December, and the year-over-year composite moved from -16 to -17. Expectations for future services activity increased further, and the composite index rose from 13 to 16.." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 12/18/20

Return to TOC

U.S. Economic Indicators

Chart 1



Source: https://www.kansascityfed.org; 12/18/20

Return to TOC

The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Very Little Growth In Activity

"Business activity edged slightly higher in New York State, according to firms responding to the December 2020 *Empire State Manufacturing Survey*. The headline general business conditions index was little changed at 4.9. New orders increased marginally, and shipments were modestly higher. Inventories continued to move lower, and delivery times edged up. Employment posted its strongest gain in months, and the average workweek lengthened somewhat. Input prices increased at the fastest pace in two years, while selling prices increased at about the same pace as last month. Looking ahead, firms remained optimistic that conditions would improve over the next six months.

Like last month, manufacturing activity in New York State expanded only to a small degree in December. The general business conditions index held steady at 4.9. Twenty-six percent of respondents reported that conditions had improved over the month, while 21 percent reported that conditions had worsened. The new orders index was little changed at 3.4, indicating a slight increase in orders, and the shipments index climbed six points to 12.1, pointing to a relatively substantial increase in shipments. Delivery times were somewhat longer, and inventories edged lower." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 12/15/20

Return to TOC

The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Employment Grows At A Faster Pace

"The index for number of employees rose five points to 14.2, its highest level in over a year, pointing to ongoing significant gains in employment. The average workweek index was unchanged at 4.8, signaling a small increase in hours worked. The prices paid index rose eight points to 37.1, its highest level in two years, indicating a pickup in input price increases. The prices received index held steady at 10.0, pointing to ongoing modest selling price increases.

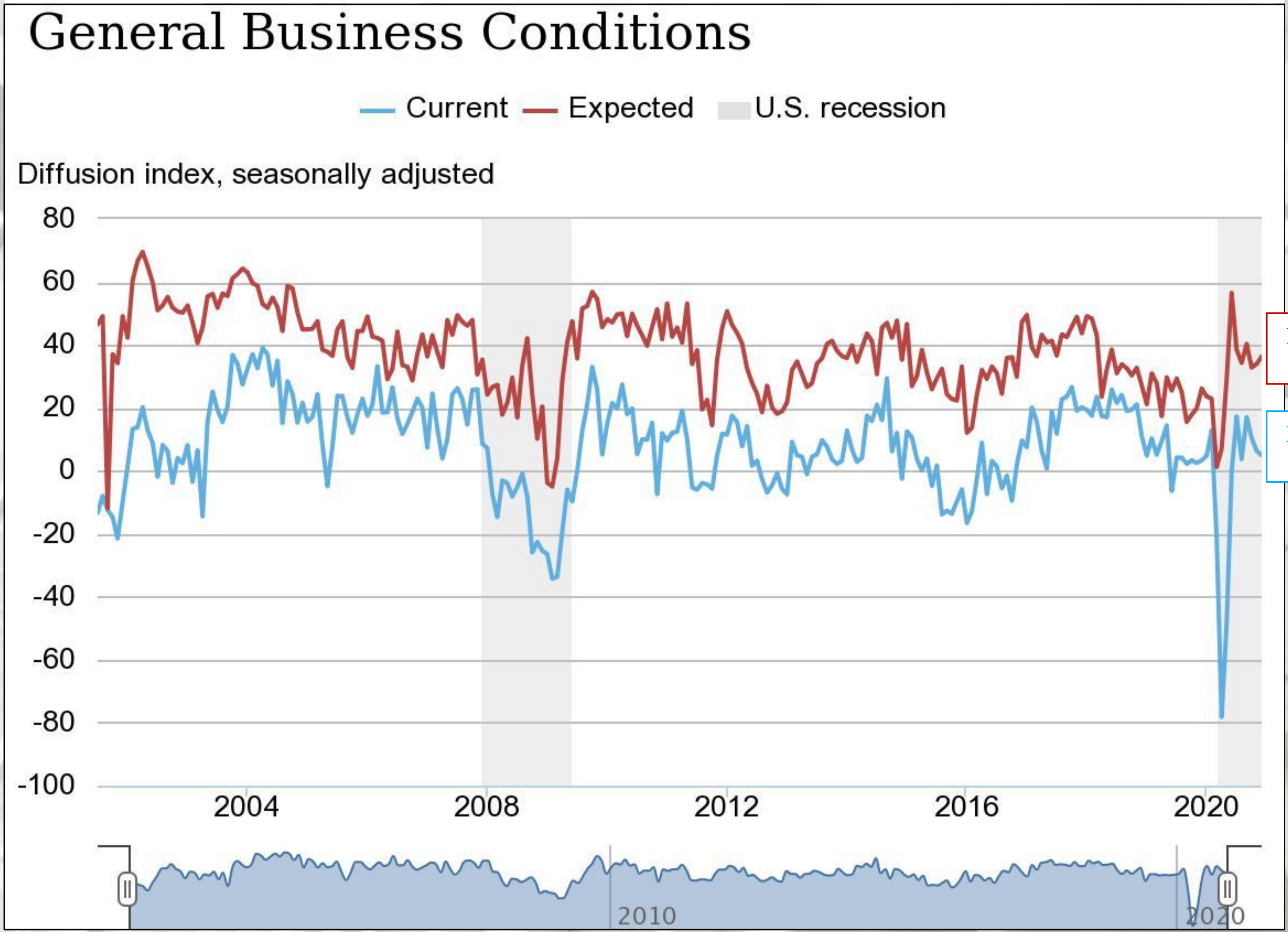
Firms Remain Optimistic

The index for future business conditions was little changed at 36.3, suggesting that firms remained optimistic about future conditions. The indexes for future new orders and shipments were positive and similar to last month's readings. Employment levels and the average workweek are expected to continue to increase in the months ahead. The indexes for future prices paid and prices received both picked up for a third consecutive month. The capital expenditures index came in at 16.4, and technology spending indexes moved down to 12.1." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 12/15/20

Return to TOC

The Federal Reserve Bank of New York



December 2020
33.9

December 2020
6.3

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 12/15/20

Return to TOC

The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Conditions Continue To Weaken

"Activity in the region's service sector declined at its fastest pace since June, according to firms responding to the Federal Reserve Bank of New York's December 2020 *Business Leaders Survey*. The survey's headline business activity index fell eleven points to -26.9. The business climate index was little changed at -60.3, indicating that the vast majority of firms continued to view the business climate as worse than normal. Employment levels declined, and wages increased at a slower pace than last month. Input prices increased at about the same pace as in November, while selling prices held steady. Capital spending fell for a ninth consecutive month. Looking ahead, firms expect little improvement in business conditions over the next six months.

Business activity in the region's service sector declined for a tenth consecutive month. After falling eleven points last month, the headline business activity index fell another eleven points to -26.9, its lowest reading in six months. Eighteen percent of respondents reported that conditions improved over the month, while 44 percent said that conditions worsened. The business climate index was similar to last month's reading, at -60.3, with 72 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; 12/16/20

Return to TOC

The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Employment Shrinks

“The employment index moved down eight points to -11.7, indicating that employment levels dropped. The wages index declined six points to 11.2, suggesting wages increased at a slower pace than in November. The prices paid index was little changed at 33.0, indicating that input prices increased at about the same pace as last month, while the prices received index remained around zero, a sign that selling prices held steady. The capital spending index came in at -19.2, suggesting ongoing significant declines in capital spending.

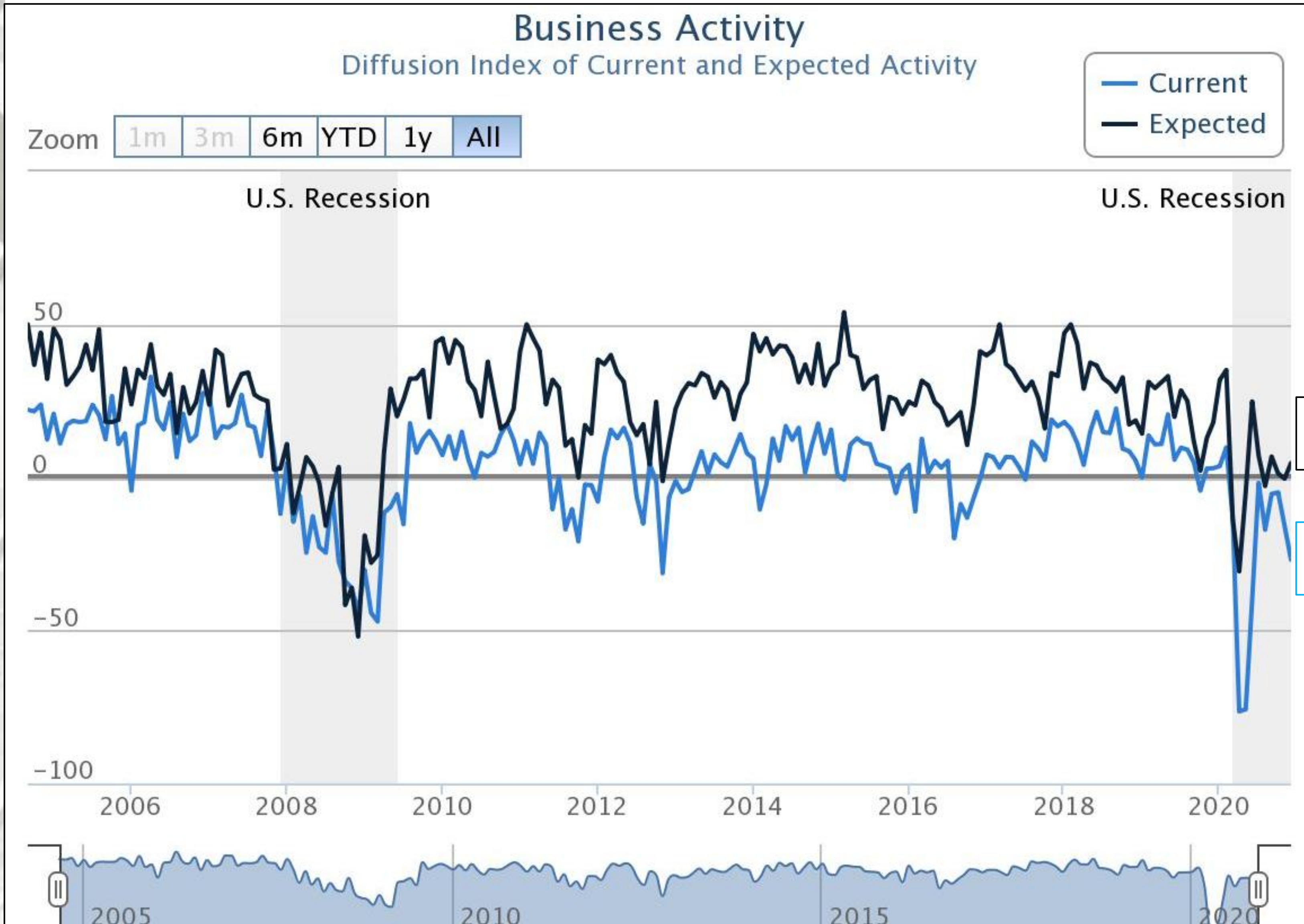
Firms Still Not Expecting Much Improvement

The index for future business activity edged up to 4.7, and the future business climate index came in at zero, signaling that firms expect little if any improvement in conditions over the next six months. Employment levels are expected to edge only slightly higher, on net, though wages are expected to increase.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 12/16/20

Return to TOC

The Federal Reserve Bank of New York



December 2020
4.7

December 2020
-26.9

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 12/16/20

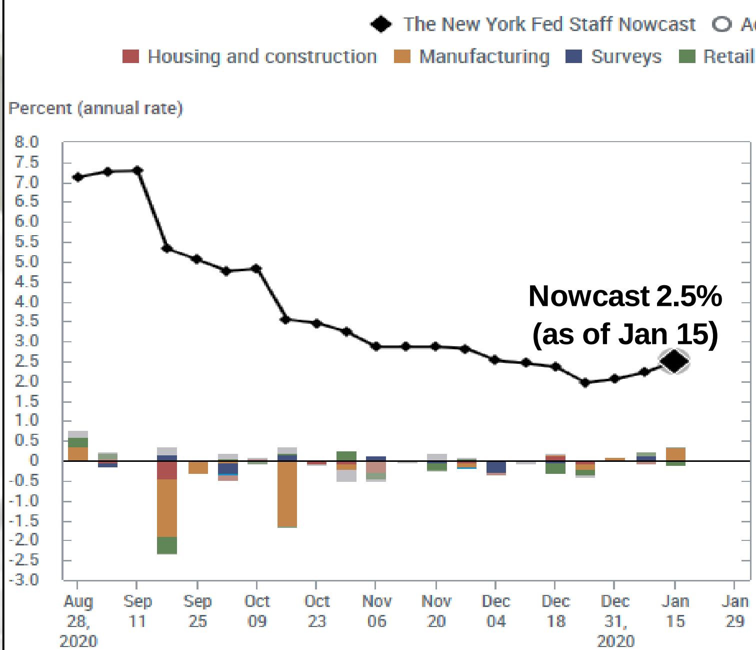
Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of New York Nowcast

2021:Q1 | 2020:Q4 | 2020:Q3 | 2020:Q2

Last Release 11:15am EST Jan 15, 2021



Expand

Data Flow (Jan 15, 2021)

Model Update	Release Date	Data Series	Actual	Impact	Nowcast GDP Growth
Jan 15					2.50
	9:10AM Jan 15	Capacity utilization	1.16	0.17	
	9:10AM Jan 15	Industrial production index	1.57	0.16	
	8:30AM Jan 15	Empire State Mfg. Survey: General business conditions	3.50	-0.00	
	8:30AM Jan 15	Retail sales and food services	-0.68	-0.10	
	8:30AM Jan 15	PPI: Final demand	0.34	0.01	
	8:30AM Jan 14	Import price index	0.89	0.01	
	8:30AM Jan 14	Export price index	1.13	0.01	
	8:30AM Jan 13	CPI-U: All items less food and energy	0.09	-0.00	
	8:30AM Jan 13	CPI-U: All items	0.37	0.01	
	10:00AM Jan 12	JOLTS: Total job openings	-105.00	0.01	
		Data revisions		0.01	
Jan 08, 2021					2.22

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.

January 15, 2020: Highlights

- "The New York Fed Staff Nowcast stands at 2.5% for 2020:Q4 and 6.2% for 2021:Q1.
- News from this week's data releases increased the nowcast for 2020:Q4 by 0.3 percentage point and increased the nowcast for 2021:Q1 by 0.7 percentage point.
- Positive surprises from industrial production and capacity utilization data were only partially offset by a negative surprise from retail sales data in both quarters." – The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/research/policy/nowcast; 1/15/21

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of Philadelphia

December 2020 Manufacturing Business Outlook Survey

"Manufacturing activity in the region continued to grow, but growth was less widespread, according to firms responding to the December *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments remained positive for the seventh consecutive month but fell notably from their readings in November. Some future indexes also moderated this month but continue to indicate that firms expect growth over the next six months.

Current Indicators Are Positive but Weaker

The diffusion index for current activity fell 15 points to 11.1 in December, its lowest positive reading following its fall to long-term lows in April and May (see Chart 1). The percentage of firms reporting increases this month (29 percent) exceeded the percentage reporting decreases (18 percent). The index for new orders decreased nearly 36 points to a reading of 2.3. Although nearly 31 percent of the firms reported increases in new orders this month, the share of firms reporting decreases jumped from 11 percent in November to 28 percent this month. The current shipments index fell 11 points to 14.4 in December.

On balance, fewer firms reported increases in manufacturing employment this month. The current employment index has remained positive for six consecutive months but decreased 19 points to 8.5 in December (see Chart 2). Employment increases were reported by 18 percent of the firms, down from 34 percent in November. The average workweek index was positive for the sixth consecutive month but edged down nearly 8 points to 18.0." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

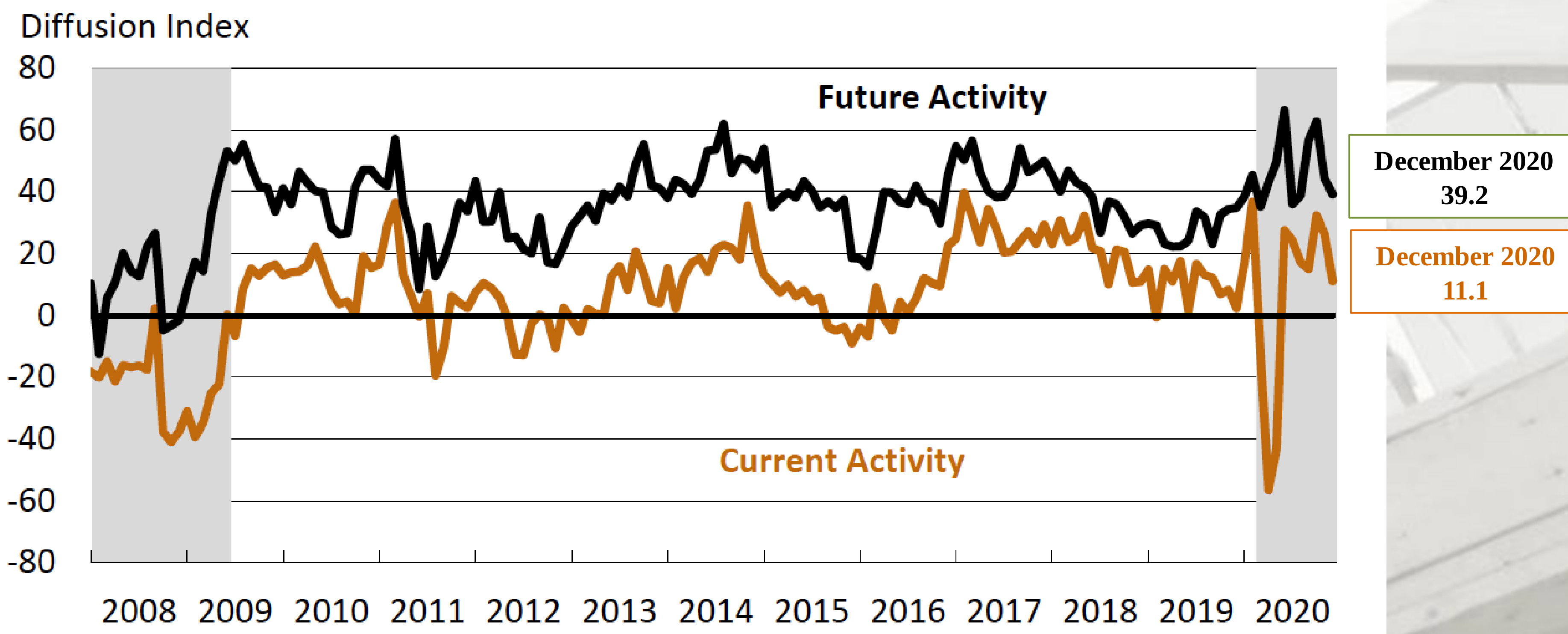
Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2020-12; 12/18/20

Return to TOC

The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes

January 2008 to December 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/surveys-and-data/regional-economic-analysis/mbos-2020-12; 12/18/20

Return to TOC

The Federal Reserve Bank of Philadelphia

Survey Price Indicators Moderate This Month

Price increases were less widespread this month. The prices paid diffusion index decreased 12 points to 27.1. Over 29 percent of the firms reported increases in input prices, compared with 39 percent last month; most firms (63 percent) reported no change. The current prices received index, reflecting manufacturers' own prices, decreased 7 points to 18.0. Over 20 percent of the firms reported increases in prices of their own manufactured goods, while 2 percent reported declines. The largest percentage of firms (75 percent) reported no change in prices for their manufactured goods.

Firms Expect Highest Cost Increases for Health Benefits

In this month's special questions, the firms were asked about their expectations for changes in various input and labor costs for the coming year. The average expected increase for wages was 2.5 percent, for health benefits costs was 5.3 percent, and for nonhealth benefits costs was 2.4 percent. The average forecasted growth in total wage compensation costs (wages plus benefits) was 3.9 percent. The costs of raw materials and intermediate goods are expected to increase 3.6 percent and 2.4 percent, respectively. Energy costs were forecast to increase 1.2 percent. The firms were also asked how the expected costs for 2021 will compare with this year's costs. On balance, for all categories of expenses, the forecasts indicated increases relative to 2020." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2020-12; 12/18/20

Return to TOC

The Federal Reserve Bank of Philadelphia

Firms' Continue to Expect Growth

"The survey's future indicators for activity and new orders were slightly weaker this month, but future indicators for shipments and employment improved. The diffusion index for general activity over the next six months decreased 5 points to 39.2 in December (see Chart 1). The percentage of firms expecting growth over the next six months (53 percent) remained significantly greater than the percentage expecting declines (14 percent). The future new orders index fell 7 points but remains at an elevated reading of 41.5. The future shipments index increased 2 points to 45.3 this month. The future employment index also showed improvement, edging 5 points higher. Over 45 percent of the firms expect to increase employment in their manufacturing plants over the next six months. The future capital spending index declined 2 points to 23.8.

Summary

Responses to the November *Manufacturing Business Outlook Survey* suggested a slower expansion for the region's manufacturing sector in December. Indicators for general activity, new orders, shipments, and employment remained positive but were weaker in December. Changes in future indexes were mixed this month but suggest that overall growth is expected to continue over the next six months." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2020-12; 12/18/20

Return to TOC

The Federal Reserve Bank of Philadelphia

November 2020 Nonmanufacturing Business Outlook Survey

"Firms responding to the November *Nonmanufacturing Business Outlook Survey* indicated a moderation in business activity. The indexes for general activity at the firm level, sales/revenues, and new orders all posted declines for the month, with the latter two indexes reaching negative territory. However, the survey's indexes for full-time and part-time employment remained positive. The respondents expect overall improvement in conditions over the next six months, as both future activity indexes remained positive but declined.

Firms Report Declines in New Orders

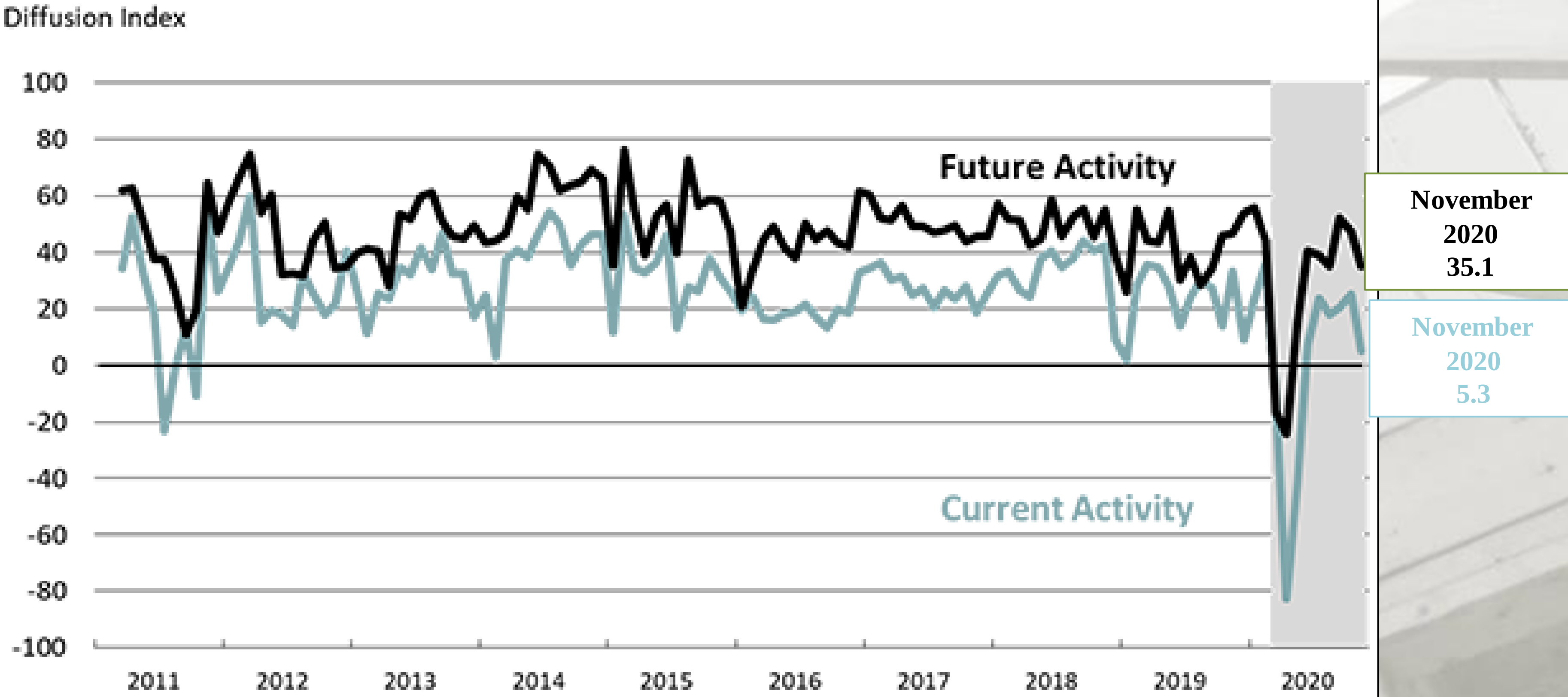
The diffusion index for current general activity at the firm level was positive for the sixth consecutive month but fell from 25.3 in November to 5.3 this month, its lowest reading since June. Over 39 percent of the firms reported increases in activity (down from 45 percent last month), while 34 percent reported decreases (up from 20 percent). The new orders index fell 9 points to -3.7 in November, decreasing for the fourth consecutive month and reaching negative territory for the first time since June. Nearly 30 percent of the firms reported increases in new orders, while 34 percent reported decreases. The sales/revenues index declined from 14.2 to -0.5, as the share of firms reporting decreases narrowly exceeded the share of firms reporting increases. The current regional activity index declined 32 points to -15.9 in November." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2020-11; 11/24/20

Return to TOC

The Federal Reserve Bank of Philadelphia

Chart. Current and Future General Activity Indexes for Firms
March 2011 to November 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/surveys-and-data/regional-economic-analysis/nbos-2020-11; 11/24/20

Return to TOC

The Federal Reserve Bank of Philadelphia

November 2020 Nonmanufacturing Business Outlook Survey

Employment Indicators Remain Positive

"The firms reported, on balance, increases in full-time and part-time employment for the third consecutive month. The full-time employment index edged down 2 points to 13.9. The share of firms reporting increases in full-time employment (23 percent) exceeded the share reporting decreases (9 percent); the majority (64 percent) reported no change. The part-time employment index increased 4 points to 5.6. Most firms reported steady part-time employment (57 percent), while 19 percent of the firms reported increases and 14 percent reported decreases. The average workweek index fell 6 points to 15.3.

Firms Continue to Report Price Increases

Price indicator readings suggest overall increases in prices for inputs and the firms' own goods and services. The prices paid index rose 5 points to 22.7 in November. While most respondents (54 percent) reported stable input prices, 26 percent of the firms reported increases, and 4 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index edged down 1 point but remained in positive territory for the third consecutive month, at 3.9 in November." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2020-11; 11/24/20

Return to TOC

The Federal Reserve Bank of Philadelphia

November 2020 Nonmanufacturing Business Outlook Survey

Expect Own Prices to Rise Slower Than Inflation

"In this month's special questions, the firms were asked to forecast the changes in the prices of their own products and services and for U.S. consumers over the next four quarters (see Special Questions). Regarding their own prices, the firms' median forecast was for an increase of 2.0 percent, up from 1.0 percent when the question was asked in August. Regarding the firms' own price change over the previous year, the median response was 0.8 percent, up from 0.0 percent in August. The firms expect their employee compensation costs (wages plus benefits per employee) to rise 3.0 percent over the next four quarters, up from 2.0 percent in August. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 2.5 percent, up from 2.0 percent in August. The firms' forecast for the long-run (10-year) inflation rate was 4.0 percent, up from 3.0 percent in August.

Future Indicators Remain Positive

Both future activity indexes suggest that the respondents expect overall improvement in nonmanufacturing activity over the next six months. The diffusion index for future activity at the firm level declined 12 points, from a reading of 47.3 in November to 35.1 this month (see Chart). Nearly 56 percent of the firms expect an increase in activity (down from 61 percent last month) at their firms over the next six months, compared with 21 percent that expect decreases (up from 14 percent). The future regional activity index edged down 2 points to 31.2 in November." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2020-11; 11/24/20

Return to TOC

The Federal Reserve Bank of Philadelphia

November 2020 Nonmanufacturing Business Outlook Survey

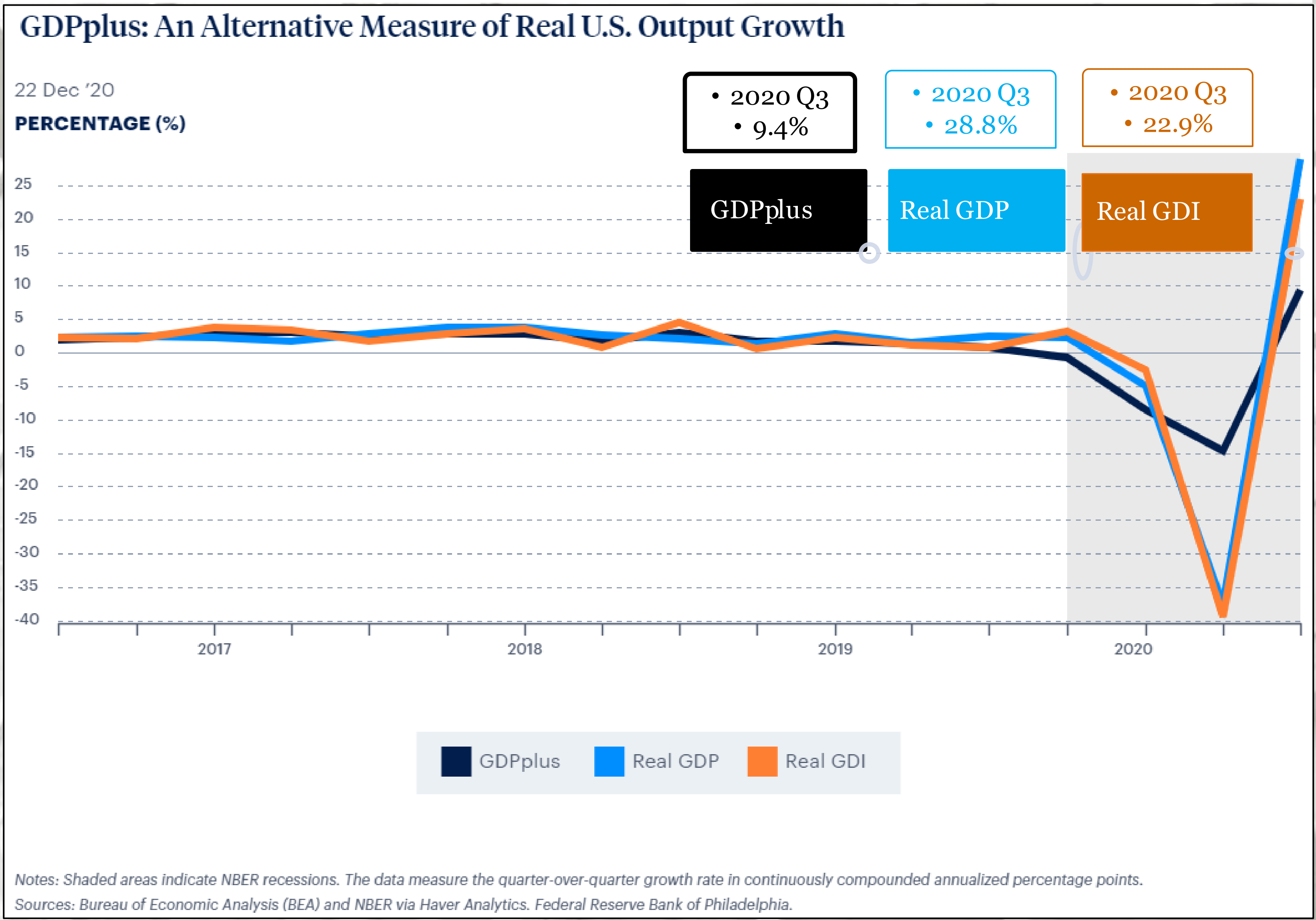
Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* reflected signs of moderation in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, and new orders all posted declines; however, the indexes for both full-time and part-time employment remained positive. 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/surveys-and-data/regional-economic-analysis/nbos-2020-11; 11/24/20

Return to TOC

The Federal Reserve Bank of Philadelphia: GDPplus



Source: https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/gdpplus; 12/22/20

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Manufacturing Showed Signs of Improvement in December

"Fifth District manufacturing activity showed signs of improvement in December, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index rose from 15 in November to 19 in December, buoyed by increases in the indexes for new orders and employment, while the third component — the shipments index — declined but remained positive. Indexes for local business conditions and capital spending were also positive, and manufacturers were optimistic that conditions would improve in the coming months.

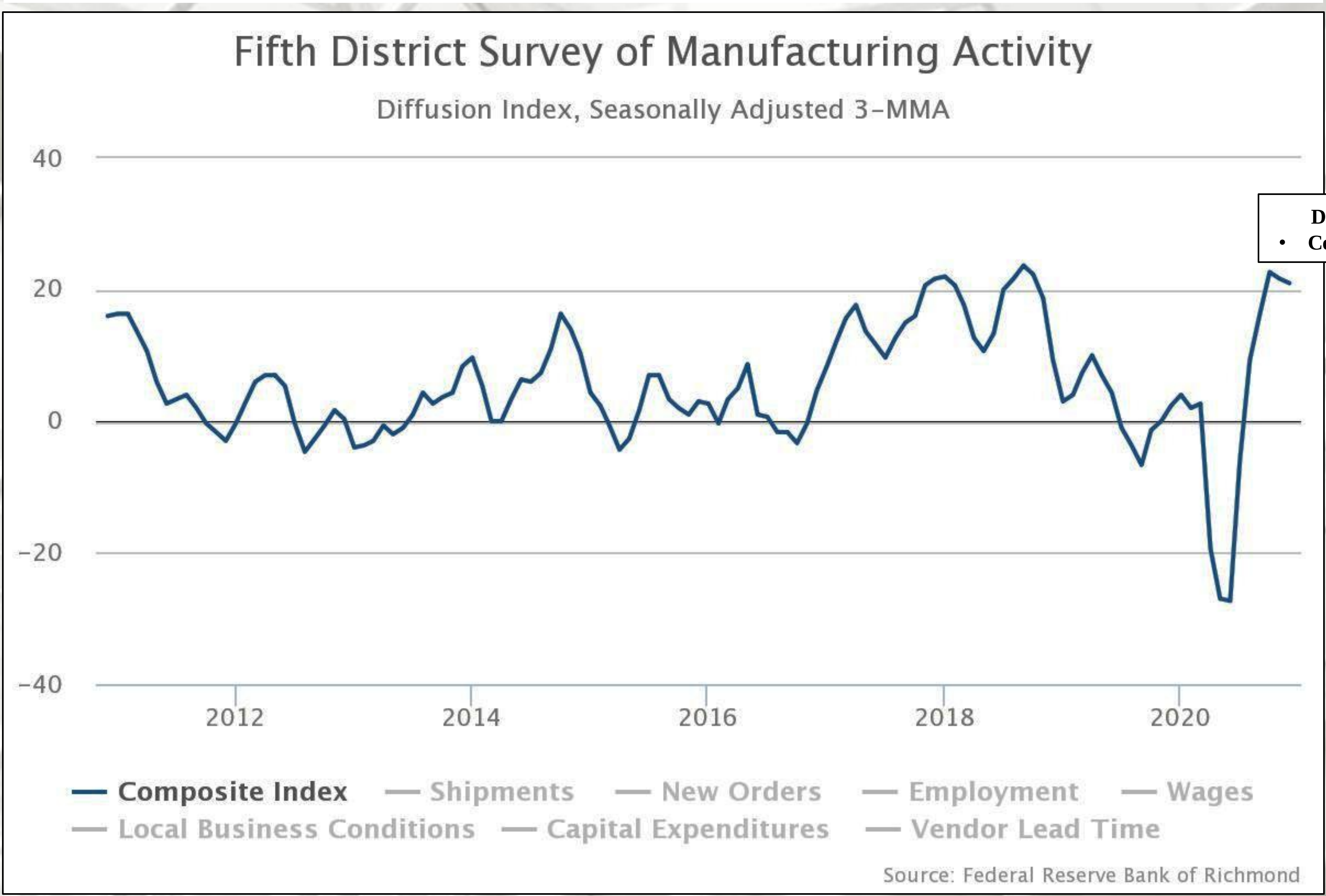
Survey results indicated that many firms increased employment and wages in December. However, manufacturers struggled to find workers with the necessary skills. They expected this difficulty to continue and both employment and wages to continue to grow in the next six months.

The average growth rate of prices paid by survey respondents declined slightly in December, while that of prices received rose, narrowing the gap between the two. Respondents expected growth of prices paid and received to increase 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; 12/22/20

Return to TOC

U.S. Economic Indicators



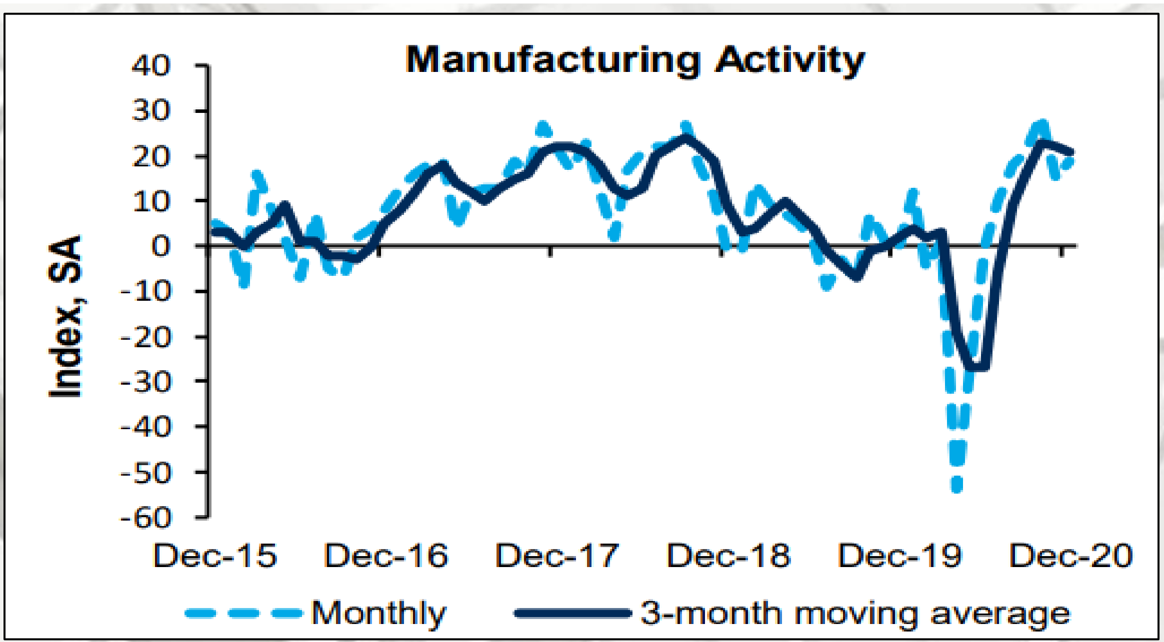
December 2020

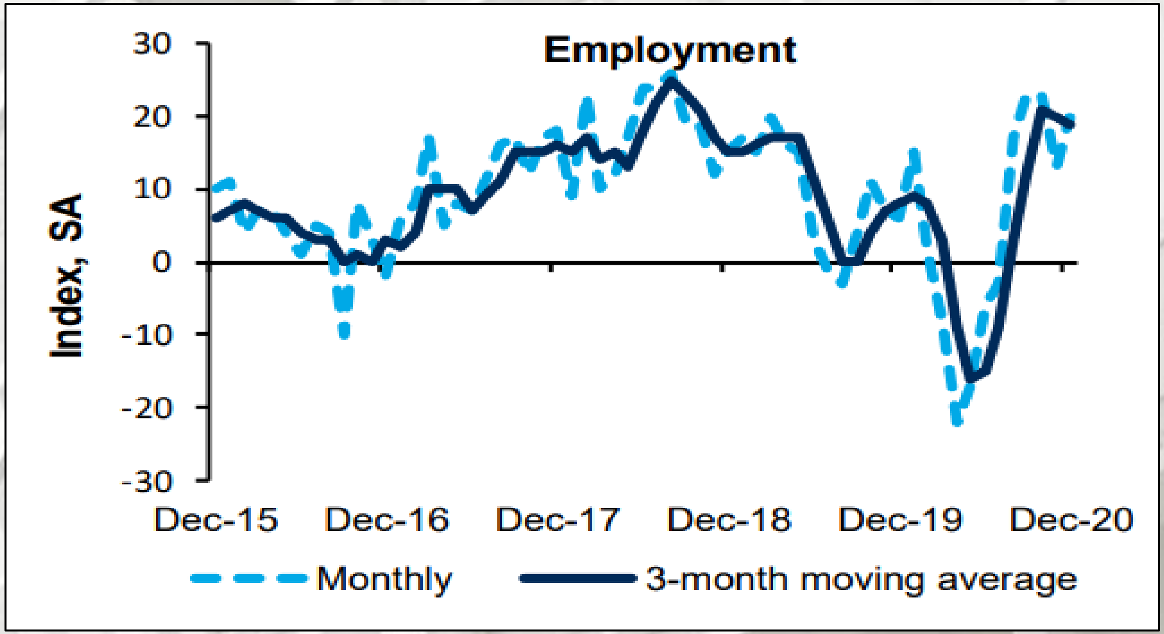
- **Composite Index 21**

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 12/22/20

Return to TOC

U.S. Economic Indicators

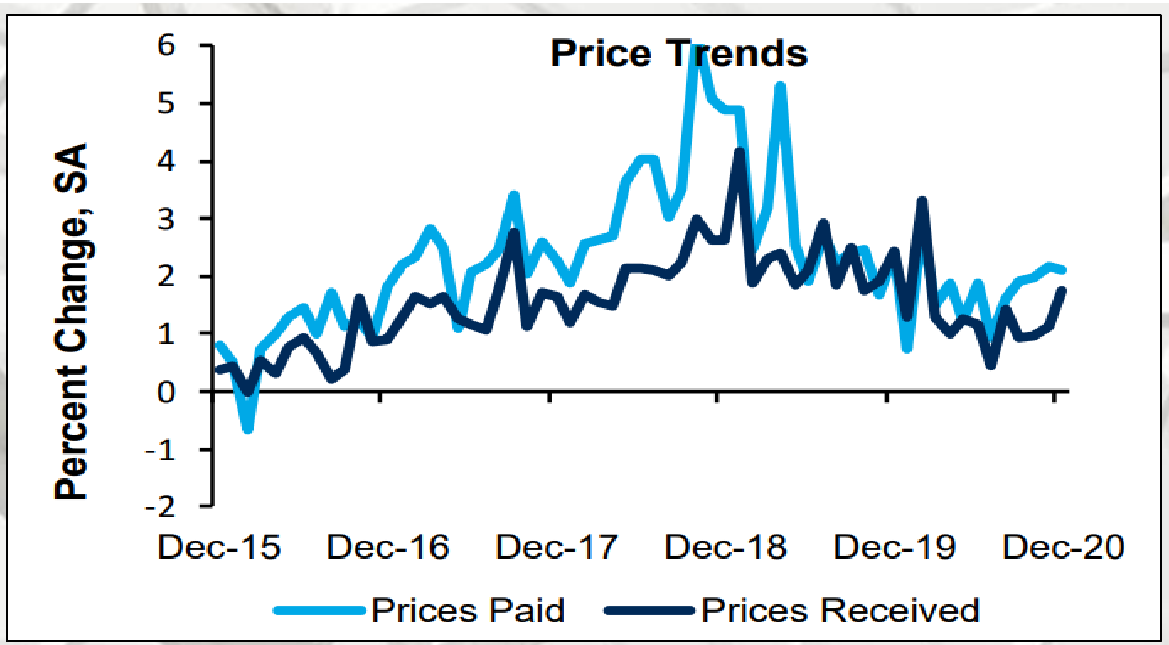


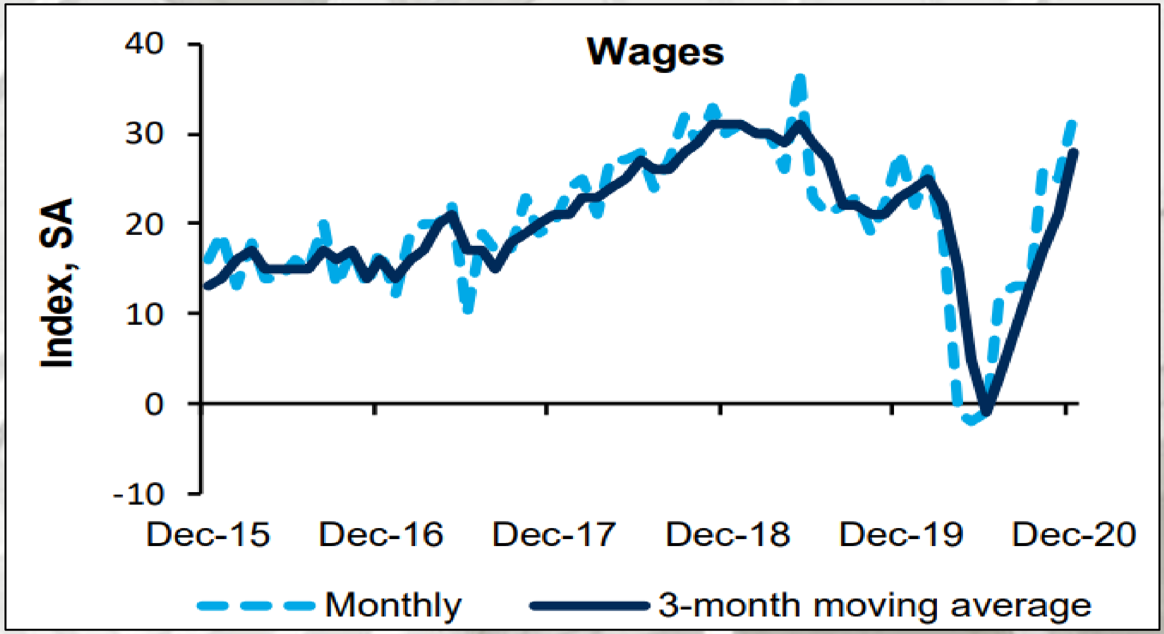


Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 12/22/20

Return to TOC

U.S. Economic Indicators





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 12/22/20

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Service Sector Showed Signs of Softening in December

“The Fifth District service sector showed signs of softening in December, according to the most recent survey from the Federal Reserve Bank of Richmond. The indexes for revenues and demand fell from 13 and 15 in November to −9 and −6, respectively, in December. The index for local business conditions also reflected a drop in sentiment as it fell to −12, its lowest reading since June. Survey respondents were optimistic that conditions would improve in the next six months.

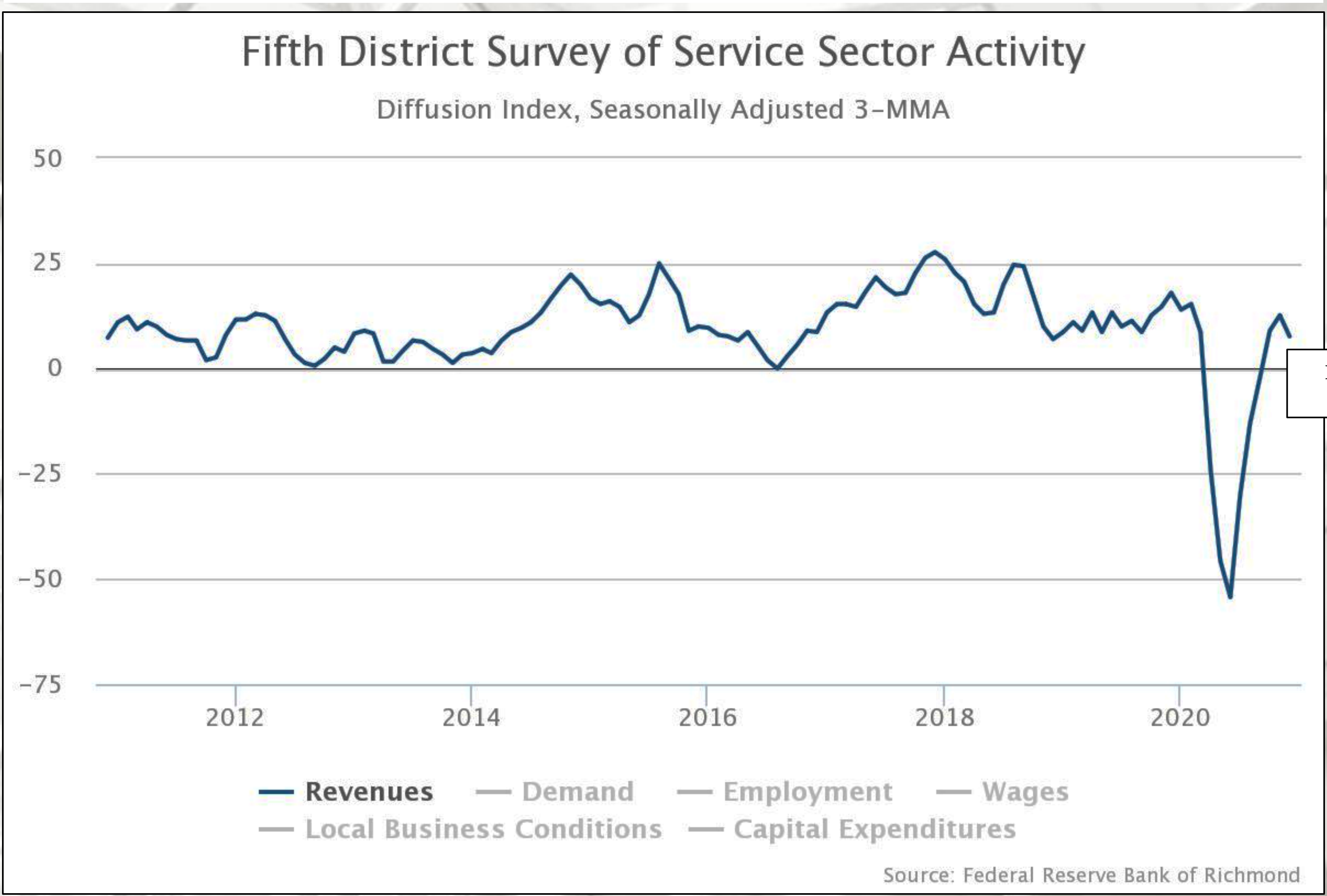
Survey responses indicated that many firms increased employment, wages, and hours in December, but finding workers with the necessary skills was challenging. Survey participants expected employment to increase further in the coming months.

The average growth rates of both prices paid and prices received by survey respondents increased in December, as growth of prices paid continued to outpace that of prices received. Participants expect the gap between them to narrow 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; 12/22/20

Return to TOC

U.S. Economic Indicators



December 2020

- **Revenues 8**

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 12/22/20

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

FedViews

- "Real GDP grew 33.4% at an annual rate in the third quarter of 2020, revised up slightly from the prior estimate of the Bureau of Economic Analysis. For 2020 as a whole, we expect the economy to have contracted significantly but forecast a strong rebound in 2021 due in part to stimulus from fiscal and monetary policy and widespread deployment of COVID-19 vaccines.

- The Bureau of Labor Statistics reported that payroll employment declined by 140,000 jobs in December, following seven consecutive monthly gains. Overall, the labor market is still down by about 10 million jobs since February 2020, just before the pandemic began. The unemployment rate was unchanged at 6.7% in December. We expect unemployment to remain elevated in the near term and decline gradually over the medium term as the economy recovers.

- The contraction of the economy during 2020 has kept inflation low. The overall personal consumption expenditures (PCE) price index rose by only 1.1% over the 12 months ending in November. Core inflation, which excludes volatile food and energy prices, rose 1.4%. With unemployment above the natural rate and real GDP below trend, we expect inflation to remain for the next few years below 2%, the longer-run goal of the Federal Open Market Committee (FOMC)." – Kevin Lansing, Research Advisor, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2021/january/january-14-2021; 1/14/21

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

FedViews

- "Following the conclusion of its latest meeting on December 16, 2020, the FOMC announced its decision to maintain the target range for the federal funds rate at 0 to 1/4%. The Committee noted that it "expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessment of maximum employment and inflation has risen to 2% and is on track to moderately exceed 2% for some time. In addition, the Federal Reserve will continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month until substantial further progress has been made toward the Committee's maximum employment and price stability goals.

- The current level of the federal funds rate is significantly accommodative as it stands about 2.5 percentage points below our estimate of the "neutral" federal funds rate. Long-term Treasury yields have risen from around 0.5% during August 2020 to around 1% in January 2021.

- As noted by the FOMC in its December statement, the future path of the economy depends significantly on the course of COVID-19. The 7-day moving average of daily new COVID-19 cases in the United States is around 254,000. The 7-day moving average of daily new deaths from COVID-19 is around 3,300. The number of people currently hospitalized for COVID-19 is around 131,000. All of these statistics have surged in recent months and are now at all-time highs." – Kevin Lansing, Research Advisor, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2021/january/january-14-2021; 1/14/21

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

FedViews

- "A key concept in the study of infectious diseases like COVID-19 is the "reproduction number," which measures the average number of secondary infections per infected case in the population. When the reproduction number is above 1.0, the number of infected people continues to grow, with higher reproduction numbers implying faster growth. The goal of public health responses, including the distribution of vaccines, is to push the reproduction number below 1.0 for a sustained period so that the disease eventually dies out.

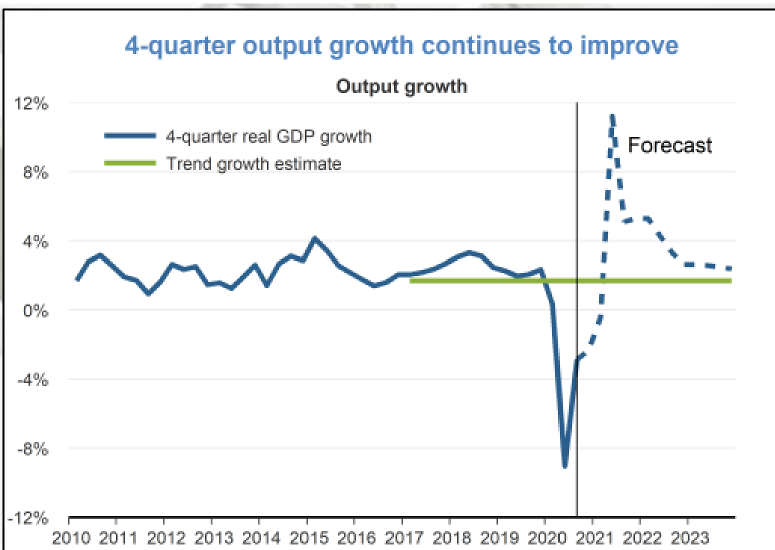
- Using daily data for the number of people currently infected with COVID-19 in the United States, a standard epidemiology model implies that the reproduction number is currently around 1.5 and trending upwards. Reversal of this trend requires successful mitigation measures to limit the spread of the virus along with timely distribution and uptake of available vaccines.

- The negative economic consequences of COVID-19 have fallen disproportionately upon low-wage workers. The employment rate for low-wage workers (those making less than $27,000 per year) is down by about 25% compared with January 2020. In contrast, the employment rate for high-wage workers (those making more than $60,000 per year) has fully recovered and now stands about 1% higher compared with January 2020. The employment rate for middle-wage workers (those making between $27,000 and $60,000 per year) is down by about 6% compared with January 2020." – Kevin Lansing, Research Advisor, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2021/january/january-14-2021; 1/14/21

Return to TOC

U.S. Economic Indicators



Source: Bureau of Economic Analysis and FRBSF staff

Source: Bureau of Labor Statistics

FedViews

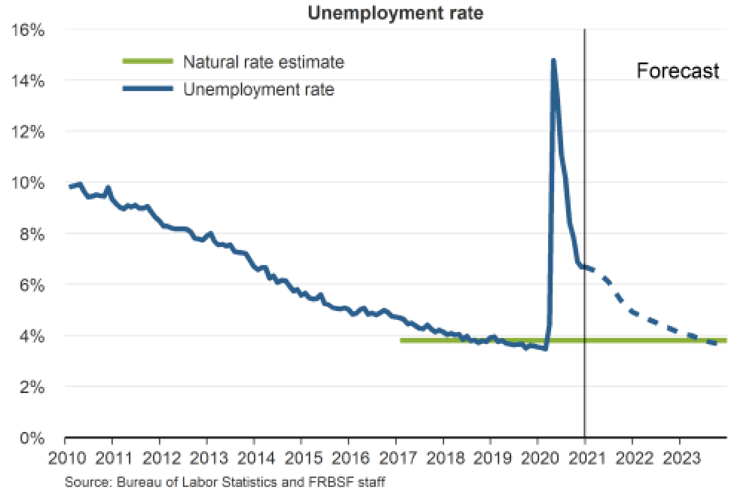
- "Consumer spending in low-income zip codes (those with a median household income below $46,000 per year) jumped sharply in response to the stimulus payments received in April 2020 as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In contrast, consumer spending in high-income zip codes (those with a median household income above $78,000 per year) showed a much smaller increase during April. Many high-income households were not eligible for stimulus payments. Moreover, the share of spending devoted to necessities is lower for high-income households than for low-income households." – Kevin Lansing, Research Advisor, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2021/january/january-14-2021; 1/14/21

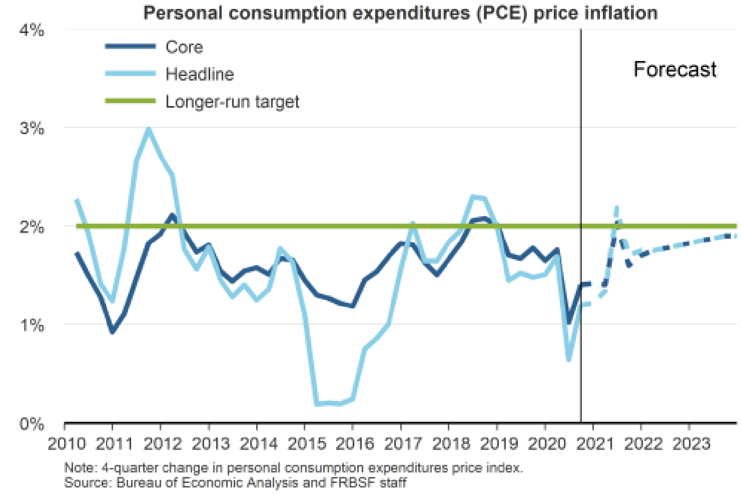
Return to TOC

U.S. Economic Indicators

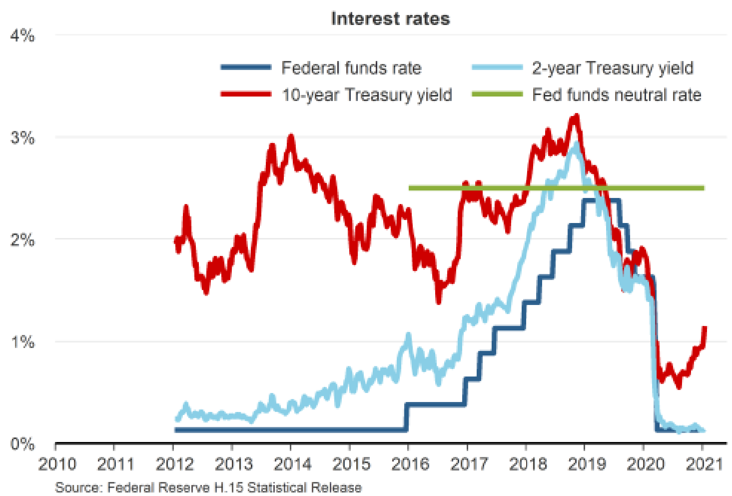
Unemployment rate declining, but remains elevated



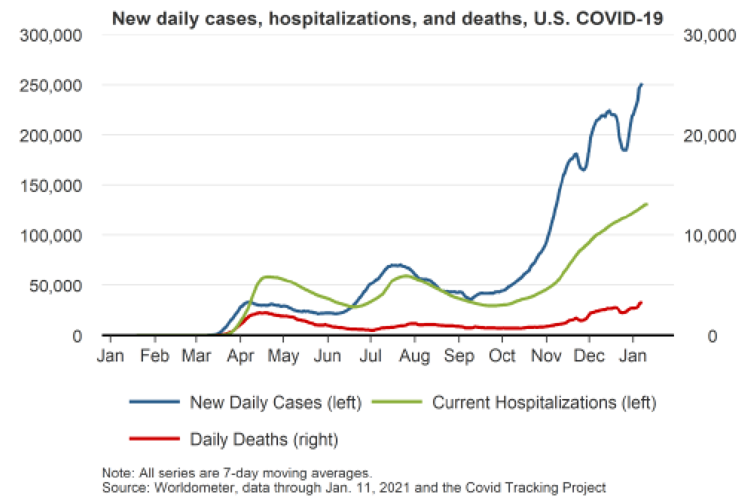
Inflation expected to remain below target



Interest rates remain low



New cases, hospitalizations, and deaths are rising

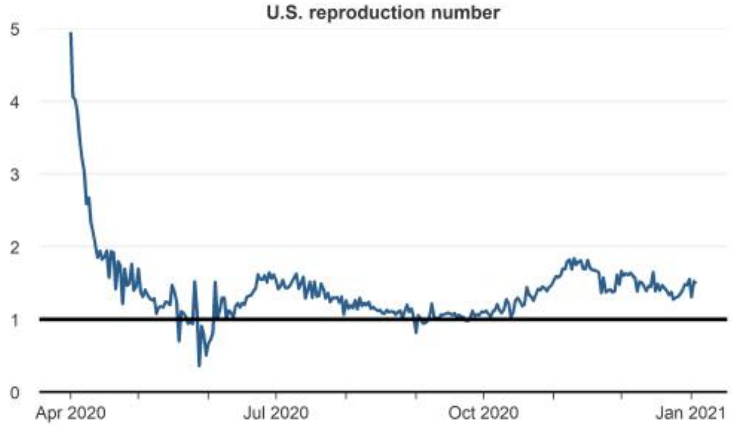


Source: https://www.frbsf.org/economic-research/publications/fedviews/2021/january/january-14-2021; 1/14/21

Return to TOC

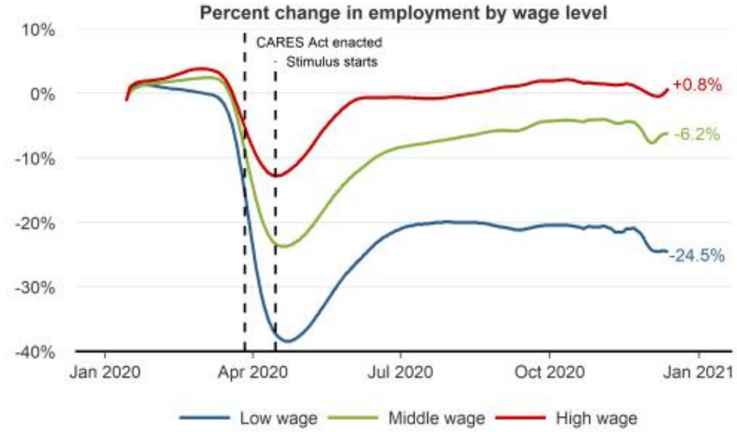
U.S. Economic Indicators

U.S. reproduction number remains above 1



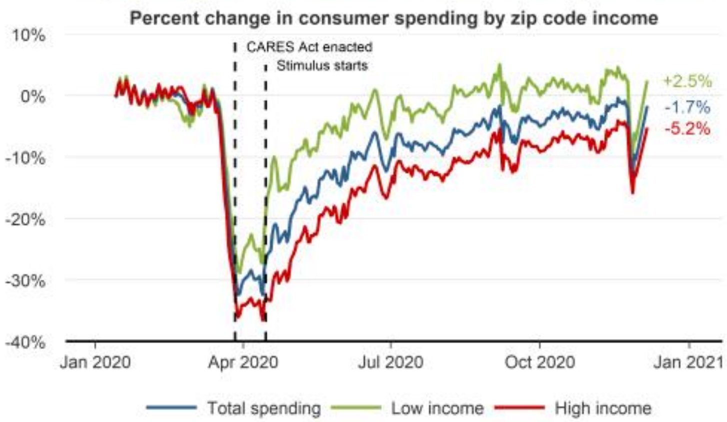
Note: The reproduction number is the average number of secondary infections of COVID-19 per infected case in the population.
Source: Buckman, Glick, Lansing, Petrosky-Nadeau, and Seitelman (2020)

Low-wage workers hit harder by COVID-19



Note: Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. Low wage is <$27K, middle wage $27K-$60K, high wage >$60K.
Source: Opportunity Insights

Spending in low-income areas boosted by stimulus



Note: Change in average consumer credit and debit card spending, indexed to Jan. 4-31, 2020 and seasonally adjusted. Zip codes are classified as low income if the median household income < $46K per year and high income if the median household income > $78K per year.
Source: Opportunity Insights and Affinity Solutions.

Source: https://www.frbsf.org/economic-research/publications/fedviews/2021/january/january-14-2021; 1/14/21

Return to TOC

U.S. Global Economic Indicators

The Federal Reserve Bank of Dallas

México Economic Update

México's Economy Rebounds; Outlook Revised Up

"México's gross domestic product (GDP) grew an annualized 58.0 percent in third quarter 2020. The consensus GDP growth forecast for 2020, compiled by the Banco de México, was revised up from -9.3 percent in October to -9.0 percent in November.

The latest data available show continued improvement as industrial production, employment, exports and retail sales increased. The peso gained ground against the dollar in November, while inflation was closer to the target rate.

Economic Activity Rises

México's third-quarter GDP rose an annualized 58.0 after the second quarter's staggering 52.4 percent drop (*Chart* 1). Even with this strong bounce-back, third-quarter GDP was 8.6 percent down from the same quarter a year ago. Service-related activities (including trade and transportation) were up 39.9 percent in the third quarter. Goods-producing industries (including manufacturing, construction and utilities) increased 119.3 percent. Agricultural output grew 35.8 percent.

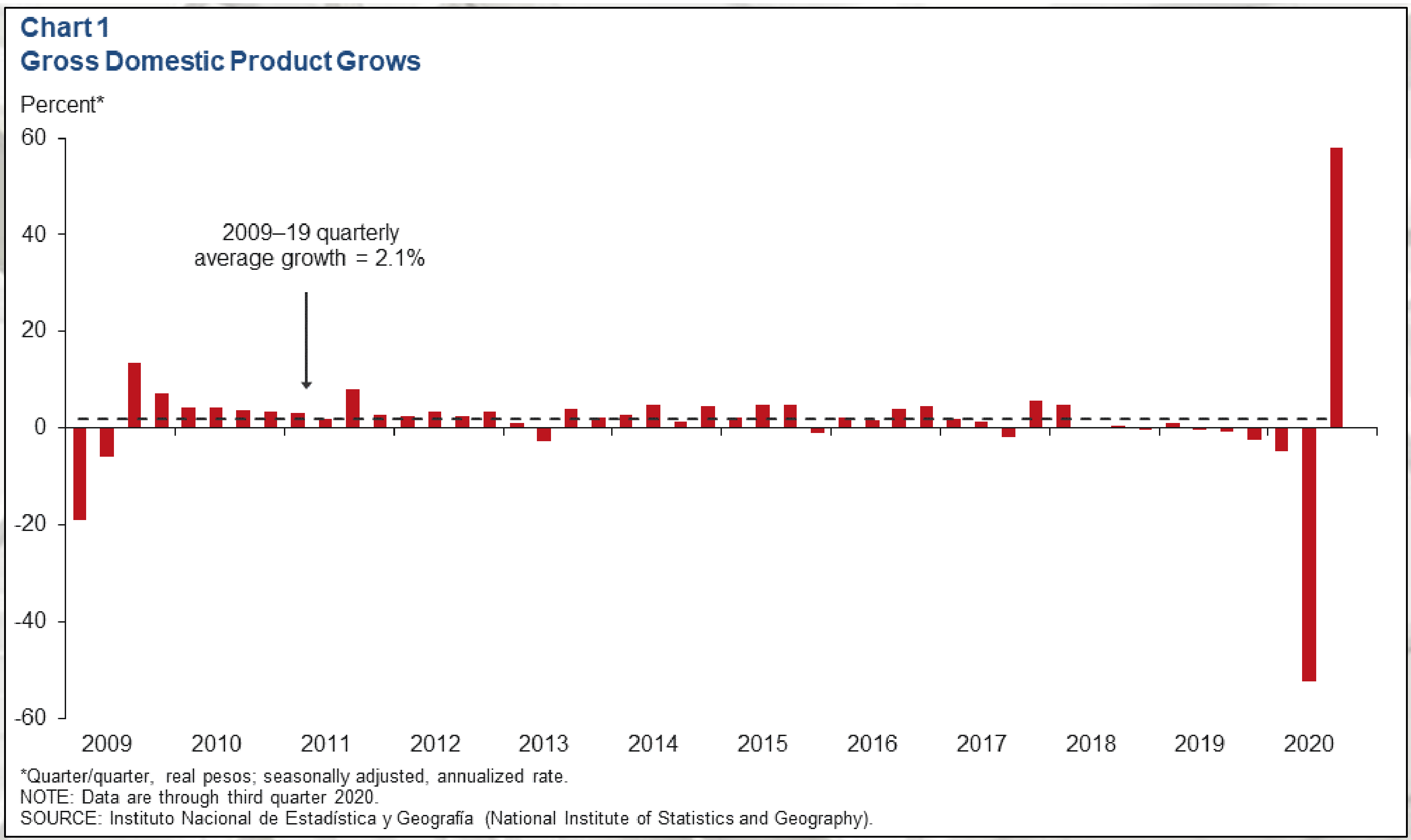
Exports Continue to Recover

The three-month moving average of total exports grew 3.3 percent in October as oil exports fell 1.1 percent and manufacturing exports rose 3.1 percent (*Chart* 2). On a month-over-month basis, both total and manufacturing exports expanded by 4.8 percent in October. This year through October, exports have fallen 13.7 percent compared with the same period in 2019. …" – Jesus Cañas, Senior Business Economist and Chloe Smith, Research Analyst; Research Department, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2020/2012; 12/21/20

Return to TOC

U.S. Global Economic Indicators

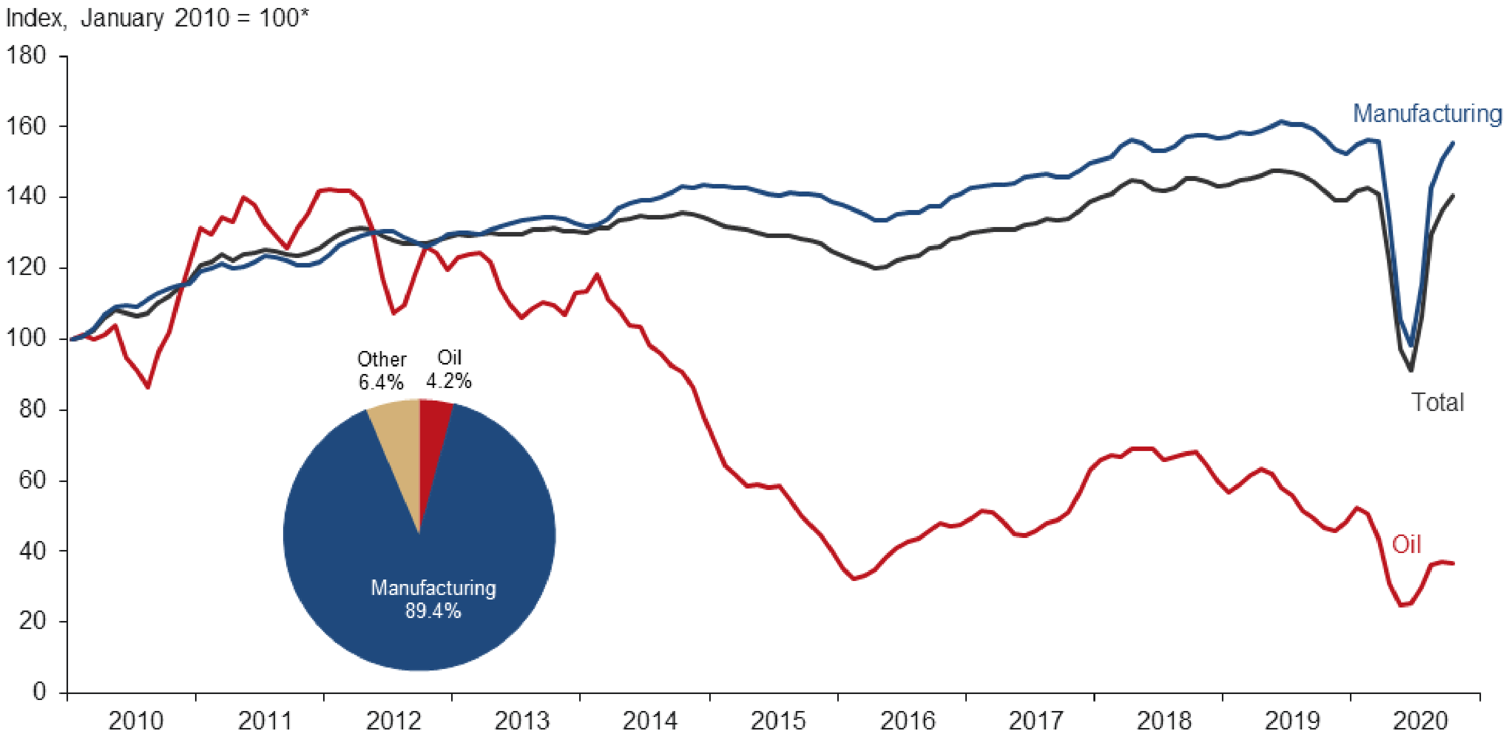


Source: https://www.dallasfed.org/research/update/mex/2020/2012; 12/21/20

Return to TOC

U.S. Economic Indicators

Chart 2
Exports Slow in October

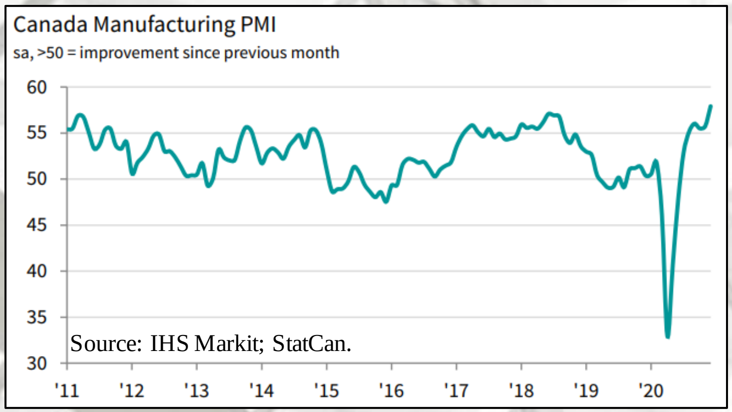


*Seasonally adjusted, three-month moving average; real dollars.
NOTES: Data are through October 2020. The pie chart reflects the share of total exports year to date in 2020.
SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Source: https://www.dallasfed.org/research/update/mex/2020/2012; 12/21/20

Return to TOC

Private Indicators: Global



Markit Canada Manufacturing PMI™

"The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 57.9 in December, up from 55.8 in November, signalling the strongest overall improvement in business conditions since the survey began in October 2010. The headline index has now posted above the 50.0 neutral value in each month since July.

Record improvement in business conditions during December

Canadian manufacturers registered a survey-record overall improvement in business conditions during December. Sharp expansions in new orders and output underpinned the latest growth. Sustained increases in manufacturing workloads contributed to capacity pressures and another round of job creation. There were also widespread reports that supply chain pressures mounted in December, which were often linked to the restrictions imposed to curb the surge in coronavirus disease 2019 (COVID-19) cases. Nevertheless, Canadian manufacturers remained optimistic that their output levels in 2021 will improve.

Production volumes increased at a marked pace in December, extending the current run of growth to six consecutive months. The latest expansion was the strongest since August 2018, and linked by panellists to greater order books.

Latest data indicated the Canadian manufacturing sector concluded 2020 with a record month-on-month improvement in business conditions. The headline PMI figure reached 57.9, the highest since the survey began over a decade ago. New orders and output supported the latest rise with robust increases registered. As a result, firms continued hiring efforts, although capacity pressures emerged with incomplete work rising further in December. Material shortages and strong inflationary pressures partly weighed on profit margins, although firms increased stocked inputs to limit the impact of future shortages. Overall, the sector continues to recover from the second quarter downturn, although relatively high virus case numbers still pose a threat to the industry should restrictions tighten again." – Tim Moore, Economics Associate Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/17c2e36c80ef4234967abf1f038007d8; 1/4/21

Return to TOC

Private Indicators: Global

Caixin China General Manufacturing PMI™

PMI signals softer improvement in manufacturing conditions

"The headline seasonally adjusted Purchasing Managers' Index™ (PMI™) – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – slipped from 54.9 in November to 53.0 at the end of 2020. The reading signalled a solid improvement in the health of the sector, as the economy continued to recover from the coronavirus disease 2019 (COVID-19) outbreak. That said, the rate of improvement was the softest for three months, having eased from November's decade-high.

The health of China's manufacturing sector continued to improve in December, albeit at the softest rate for three months. Firms signalled slower, but still steep, expansions of output and total new work, while export sales rose modestly. At the same time, companies took a more cautious approach to employment levels amid an accelerated rise in overall input costs, as workforce numbers were broadly unchanged. Looking ahead, firms were still optimistic that output would increase over the next year, though overall confidence dipped to a three-month low.

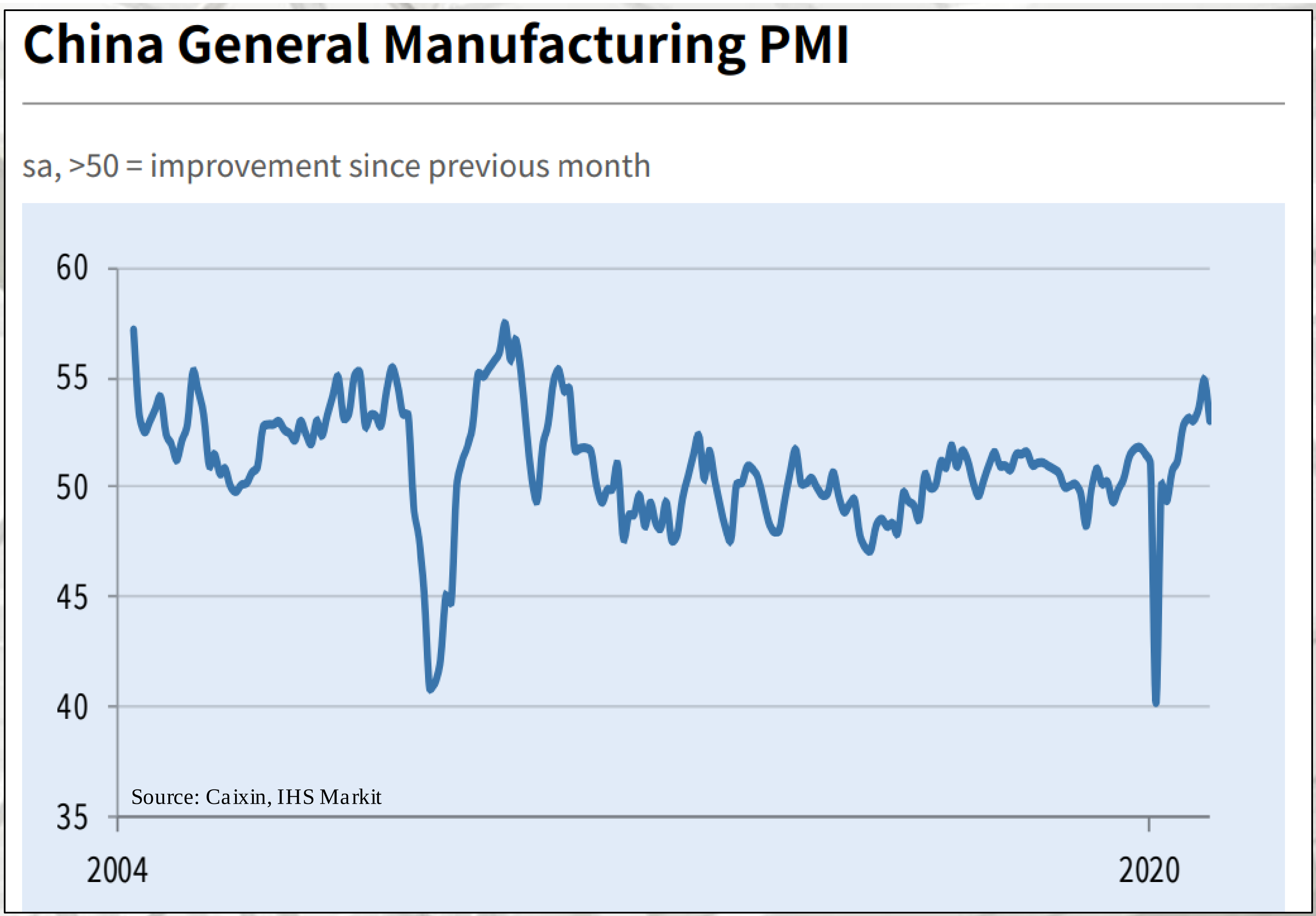
Weighing on the headline index was a slower increase in production during December. Nonetheless, the rate of expansion remained sharp overall. Firms also reported a slower, but still marked, increase in overall new orders. Underlying data suggested that this was partly due to weaker growth of new export sales, as demand from foreign clients expanded only modestly.. … .

… In December, the negative impact of the pandemic on the domestic economy further subsided and the manufacturing industry continued to recover. Both the supply and demand sides continued to improve. Overseas demand also steadily increased. In terms of the trend, we expect the economic recovery in the post-epidemic era to continue for several months, and macroeconomic indicators will be stronger in the next six months, taking into account the low bases in the first half of 2020. Meanwhile, we need to pay attention to the mounting pressure on costs brought by the increase in raw material prices and its adverse impact on employment, which is particularly important for the design of the exit from stimulus policies implemented during the epidemic." – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/65dad40759b84304a55832f47f644be24d94b649ec9ce93c04e5; 1/4/21

Return to TOC

Private Indicators: Global



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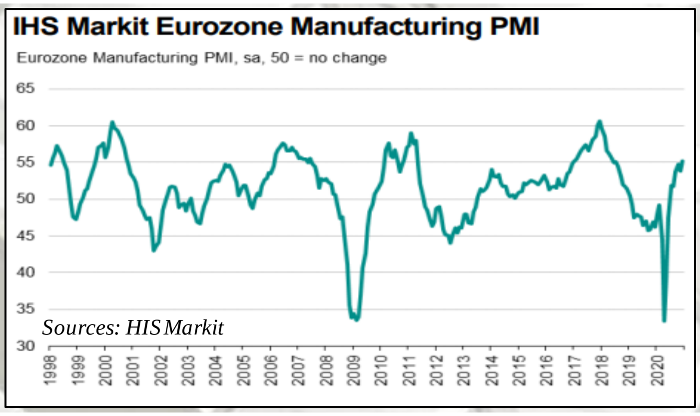


Markit Eurozone Manufacturing PMI®

"The seasonally adjusted IHS Markit Eurozone Manufacturing PMI® improved to its highest since May 2018 during the final month of 2020. Posting 55.2, up from 53.8 in November but a little softer than the earlier flash reading, the headline index was above the crucial 50.0 no-change mark that separates growth from contraction for a sixth successive month.

Manufacturing growth accelerates in final month of 2020

Although all three broad market groups recorded an improvement in operating conditions since November, rates of growth were noticeably different. Investment goods producers recorded the strongest improvement, followed by intermediate goods where marked growth was also registered. In contrast, only a marginal strengthening in operating conditions was seen amongst consumer goods producers. …

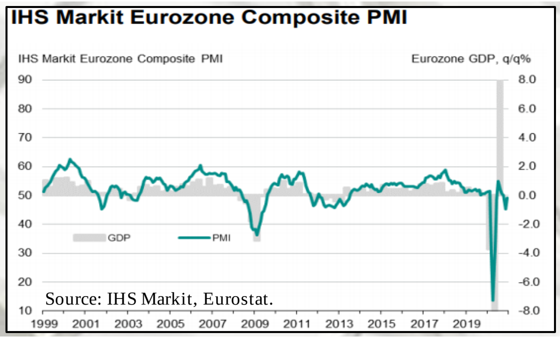
Eurozone manufacturing ended 2020 on an encouragingly strong note, with production growth accelerating to one of the fastest seen over the past three years. The solid performance of manufacturing amid the tightening of COVID-19 restrictions in the closing months of 2020 represents a major contrast to the lockdowns earlier in the year, with factories acting as a crucial support to the economy as the service sector is hit by tough social distancing measures. The strong manufacturing growth is thanks to a large extent on booming demand for German goods, which drove most of the increase in eurozone production during December, in turn buoyed by rising exports. While robust expansions were also seen in the Netherlands and Ireland, these in part reflected a temporary spike in UK demand prior to the end of the Brexit transition period. …

The economy consequently looks set to be hit by the pandemic in the fourth quarter far less than the unprecedented decline in the second quarter thanks to the resilience of manufacturing, and an improvement in business expectations for 12 months ahead to the highest for almost three years suggests that momentum can be sustained in 2021. Rising virus case numbers are nevertheless likely to mean trading conditions remain challenging in the near-term and therefore constrain growth." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/afd52762ea2948fa86fe3a8b9ecc6483; 1/4/21

Return to TOC

Private Indicators: Global



Markit Eurozone Composite PMI®

"The eurozone private sector economy contracted for a second successive month in December, albeit at a much slower rate. After accounting for seasonal factors, the **IHS Markit Eurozone PMI® Composite Output Index** rose from 45.3 in November to 49.1 in December. The final result was lower than the earlier flash reading (49.8).

Eurozone private sector contracts again in final month of 2020

Services remained the principal drag on economic output, with activity here falling for a fourth successive survey period. In line with the recent trend, manufacturing remained the principal bright spot of eurozone economic performance, expanding for a sixth successive month and at a faster rate than in November. There were notable country level divergences at the end of the year. In part driven by Brexit-related stockpiling and higher manufacturing production, Ireland was the best-performing economy followed by Germany, where growth was again underpinned by strong export performance. In contrast, all other nations registered a contraction, although rates of decline eased noticeably in both France and Spain. Italy was comfortably the worst performing as service sector activity continued to contract noticeably and more than offset modest growth in manufacturing. …

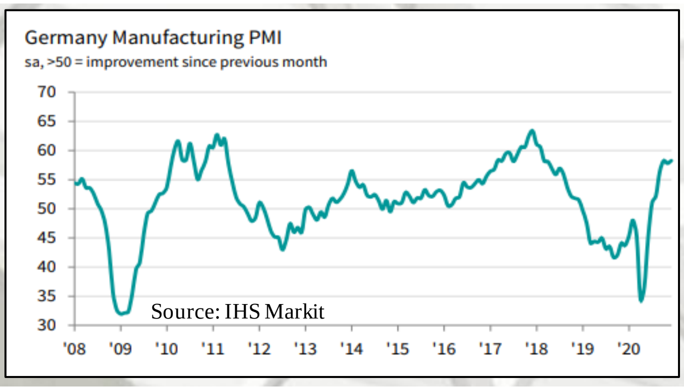
The eurozone economy contracted for a second successive month in December, deteriorating at a slightly faster rate than previously thought at the end of the year due to intensifying COVID-19 restrictions. Service sector activity in particular fell more sharply than estimated by the earlier 'flash' PMI estimate, as more countries stepped up their fights against rising virus case numbers. While the data indicate a renewed decline in eurozone GDP in the fourth quarter, the downturn appears to have been far less severe than seen in the second quarter, thanks to sustained strong manufacturing growth, rising global trade and lockdowns having been less onerous than earlier in the year.

Worse may be yet to come before things get better, especially as the latest survey data were collected before the news of the new – more contagious – strain of the virus. Service sector activity in particular looks likely to remain constrained by severe social distancing in the early months of the new year. The risk of a technical recession, with GDP also falling in the first quarter has therefore risen. More encouragingly, businesses grew more optimistic about their situation in one year's time, reflecting the light at the end of the tunnel offered by vaccine developments. A recovery will hopefully be seen from the second quarter onwards." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/cc88b8983d4d4fb4a2d8bd0affeed7d8; 1/6/21

Return to TOC

Private Indicators: Global



IHS Markit/BME Germany Manufacturing PMI®

"December saw the headline IHS Markit/BME Germany Manufacturing PMI® – a weighted aggregate of measures of new orders, output, employment, suppliers' delivery times and stock of purchases – tick up from 57.8 in November to 58.3, its highest since February 2018.

Manufacturing sector ends 2020 with further strong growth, but supply chain pressures build

Latest PMI® survey data showed Germany's manufacturing sector still growing strongly in December, as it continued to recover from the shutdowns induced by the coronavirus disease 2019 (COVID19) pandemic earlier in 2020. Production continued to rise, albeit at a slightly reduced rate, while goods producers reported strong optimism towards the year-ahead outlook. Less positively, however, factory workforce numbers remained in decline, while increased strain on manufacturing supply chains led to a sharp rise in cost pressures.

The latest result was indicative of a rapid improvement in manufacturing conditions, which reflected sustained strong increases in both output and new orders. However, it was a sharp drop in the supplier delivery times sub-component (which is inverted for the calculation of the PMI) that led to December's improved reading, alongside a slower fall in stocks of purchases.

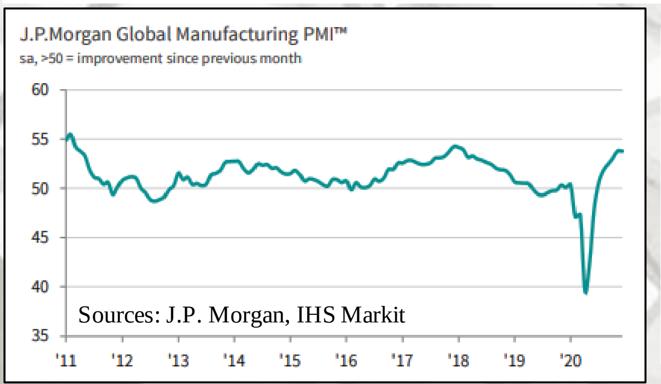
The German manufacturing sector, for the most part, continued to power on in December, with only consumer goods production showing any real weakness as a result of the fresh lockdowns at home and abroad. … Manufacturers in December's survey didn't report a great deal of disruption to production from these emerging supply issues, but they could start to bite as we move through the opening quarter of 2021 and they are already impacting businesses through increased input prices and freight rates.

Nevertheless, manufacturers mainly see a bright future in 2021. With the rollout of COVID vaccines, it's hoped that the pandemic will become less and less of a hindrance to demand and that investment will continue to recovery in the year ahead." – Phil Smith, Principal Economist, IHSMarkit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/94eee3d2d1364edd8b40afe6ebfb7226; 1/4/21

Return to TOC

Private Indicators: Global



J.P. Morgan Global Manufacturing PMI™

"The J.P. Morgan Global Manufacturing PMI™ – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – was unchanged from November's 33-month high of 53.8. The headline PMI has remained above the neutral 50.0 mark for six successive months.

Global manufacturing growth stays close to decade highs in December, but supply-chain pressures grow

The end of 2020 saw rates of growth in global manufacturing production and new orders remain among the strongest seen over the past decade, as the sector continued to recover from the COVID-19 related downturn earlier in the year. However, world supply chains stayed severely stretched, leading to marked delays and disruption to raw material deliveries, production schedules and distribution timetables.

December saw manufacturing production rise at a rate close to highs achieved over the past decade, despite easing slightly from the prior month. Germany, Brazil and India saw the strongest output growth, while expansions were also seen in most of the other large industrial regions including China, the US and the euro area (as a whole). Although Japan was a notable exception to the growth trend, it nonetheless saw output volumes stabilise following 23 months of decline.

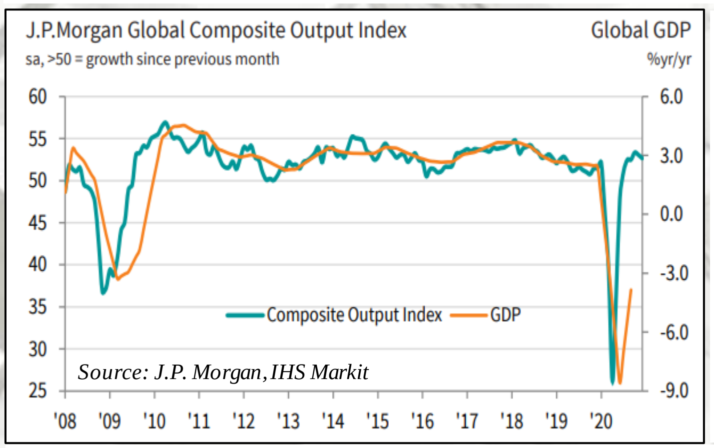
Manufacturing new orders rose for the sixth successive month and at a solid pace in December. Signs of recovery and growth in most major domestic markets were accompanied by a fourth successive monthly increase in new export orders. The trend in employment remained subdued, however, with no change in staffing levels signalled. Job creation in the US and Japan (albeit only marginal in the latter case) were offset by slight drops in staff headcounts in China, the euro area and the UK. …

The global industrial sector finished 2020 with strong performance as the global output PMI inched down a touch to a solid level of 54.9 in December. This was a positive development in the face of virus spreading which has forced many countries to put back in place activity restrictions. The trend in employment stabilised, providing welcome respite to the jobs market" – Olya Borichevska, Global Economist, Global Economic Research, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/3c8de3f96eb244839499b5bc508f6953; 1/4/21

Return to TOC

Private Indicators: Global



J.P. Morgan Global Composite PMI™

"The rate of global economic expansion remained solid at the end of 2020. At 52.7 in December, down slightly from 53.1 in November, the J.P. Morgan Global Composite Output Index – which is produced by J. P. Morgan and IHS Markit in association with ISM and IFPSM – remained close to October's two-year high. Output rose across the manufacturing and service sectors, with the former outperforming the latter for the sixth straight month.

Global economic recovery continues at end of 2020

Five out of the six sub-industries covered by the survey registered increased output during December. Growth was led by the financial services and intermediate goods sectors, which were also the only categories to record faster expansions (to 106- and 118-month highs respectively). Output also rose in the consumer goods, investment goods and business services sectors. In contrast, consumer services activity fell for the eleventh consecutive month and at the fastest pace since June. … December saw intakes of new business rise for the sixth month in a row. Gains were registered at manufacturers and service providers, albeit at slightly reduced rates in both cases. New export orders fell for the first time in four months, as a steep drop in the service sector more than offset a modest increase in manufacturing.

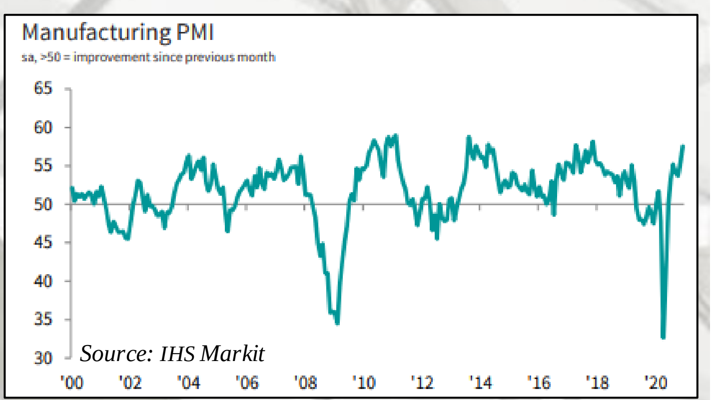
Global employment rose for the fourth consecutive month in December. The rate of increase was moderate and slightly weaker than in the prior survey month. Job creation was seen in the US, China, Brazil, Australia and Ireland. Backlogs of work were little-changed compared to November. The outlook for output in one year's time remained (on balance) positive at the end of 2020. Despite easing from November's 78-month high, the overall degree of optimism remained above its long-run average. …

The global economic recovery remained resilient based on the all-industry December PMI. The PMI ticked down a touch for a second month in a row though the level remained solid at 52.7. European economies where the PMI fell hard in October and November rebounded in December against declines in the US and China. The internals of the PMI report showed modest declines across the board." – Olya Borichevska, Global Economic Research, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/32d80e21cca44f2d83da9927a4855e34; 1/6/21

Return to TOC

Private Indicators: Global



IHS Markit/CIPS UK Manufacturing PMI®

"The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) rose to a three-year high of 57.5 in December, up from 55.6 in November. The level of the PMI was mainly boosted by a marked lengthening of suppliers' delivery times and substantial increase in stocks of purchases as part of preparations before the end of the transition period (which also boosted new order intakes).

'Brexit-buying' and port issues lead to stockpiling and supply-chain disruption at UK manufacturers

The UK manufacturing sector had a mixed end to 2020. Clients bringing forward orders to beat the end of the Brexit transition period and the ongoing bounce from the re-opening of the global economy boosted inflows of new orders and pushed output higher. However, port delays and other logistical disruptions meant that supply-chain delays lengthened to one of the greatest extents in the survey's history. …

Business optimism eased in December, with 56% of manufacturers forecasting output to rise over the next 12 months (compared to 61% in November). Positive sentiment was linked to ongoing economic recoveries, hopes of a lesser impact from COVID-19, reduced uncertainty following the completion of Brexit and planned strategic investments.

The Manufacturing PMI rose to its highest level in over three years in December, mainly reflecting a boost from last-minute preparations before the end of the Brexit transition period. Customers, especially those based in the EU, brought forward purchases, boosting sales temporarily. It seems likely that this boost will reverse in the opening months of 2021, making for a weak start to the year. Note also that the December PMI data were collected prior to the border closures, which will have led to further logistics and production disruptions for many companies. Worryingly, the manufacturing sector was already beset by near-record supply-chain delays even prior to the closure of Dover-Calais shipping. Manufacturers reported freight delays – especially at ports – plus shortages of certain raw materials and a lack of supplier capacity. Vendor lead times, a bellwether of supply-chain pressures, lengthened in December to a similar extent to during the first wave of the pandemic. …" – Rob Dobson, Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/a505c02d05e14e608d7cc91cff686c35; 1/4/21

Return to TOC

Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Declines in November

"National nonresidential construction spending fell 0.6% in November 2020, 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 $792.5 billion for the month.

Ten of the sixteen nonresidential subcategories saw decreased spending on a monthly basis. Private nonresidential spending fell 0.8%, while public nonresidential spending fell 0.2% in November.

"Typically, spending patterns in nonresidential construction lag behind those of the overall economy by 12 to 18 months," said ABC Chief Economist Anirban Basu. "But the pandemic-induced downturn of 2020 was so abrupt and created such massive issues for developers, state and local governments, and others who purchase construction services that the impact on nonresidential construction was virtually immediate. As a result, private nonresidential construction spending is down 9.5% since November 2019.

"The single hardest hit segment of the industry is lodging, a category in which construction spending declined more than 8% in a single month and 27% since the same time last year," said Basu. "While leisure travel is likely to rebound as more Americans are vaccinated, business travel may take years to recover. This bodes poorly for the construction of hotels with elaborate meeting spaces located in central business districts or close to airports.

"The near-term nonresidential construction spending outlook is generally not positive," said Basu. "While there will be certain construction segments that remain active, including data centers, fulfillment centers and certain healthcare facilities, commercial construction is positioned to be weak for the next several quarters. This is reflected in ABC's Construction Backlog Indicator, which in November reached its lowest level since the beginning of 2011." – Erika Walter, director of media relations, ABC

Source: http://www.abc.org/News-Media/News-Releases/entryid/18374/nonresidential-construction-spending-declines-in-november-says-abc; 1/4/21

Return to TOC

Associated Builders and Contractors

Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate					
	November 2020	October 2020	November 2019	1-Month % Change	12-Month % Change
Nonresidential	$792,450	$797,065	$831,431	-0.6%	-4.7%
Highway and street	$97,769	$96,052	$90,094	1.8%	8.5%
Religious	$3,183	$3,143	$3,455	1.3%	-7.9%
Transportation	$56,760	$56,592	$57,242	0.3%	-0.8%
Office	$80,045	$79,811	$85,399	0.3%	-6.3%
Educational	$103,033	$102,732	$107,623	0.3%	-4.3%
Manufacturing	$69,833	$69,782	$82,236	0.1%	-15.1%
Commercial	$81,989	$82,485	$83,204	-0.6%	-1.5%
Sewage and waste disposal	$26,038	$26,260	$26,117	-0.8%	-0.3%
Power	$114,348	$115,411	$125,417	-0.9%	-8.8%
Health care	$46,838	$47,553	$47,529	-1.5%	-1.5%
Amusement and recreation	$25,485	$26,001	$29,931	-2.0%	-14.9%
Communication	$21,999	$22,479	$21,997	-2.1%	0.0%
Water supply	$17,969	$18,400	$17,725	-2.3%	1.4%
Conservation and development	$7,700	$7,976	$8,842	-3.5%	-12.9%
Public safety	$15,412	$16,170	$11,920	-4.7%	29.3%
Lodging	$24,050	$26,218	$32,701	-8.3%	-26.5%
Private Nonresidential	$453,754	$457,612	$501,449	-0.8%	-9.5%
Public Nonresidential	$338,697	$339,453	$329,982	-0.2%	2.6%

Source: U.S. Census Bureau

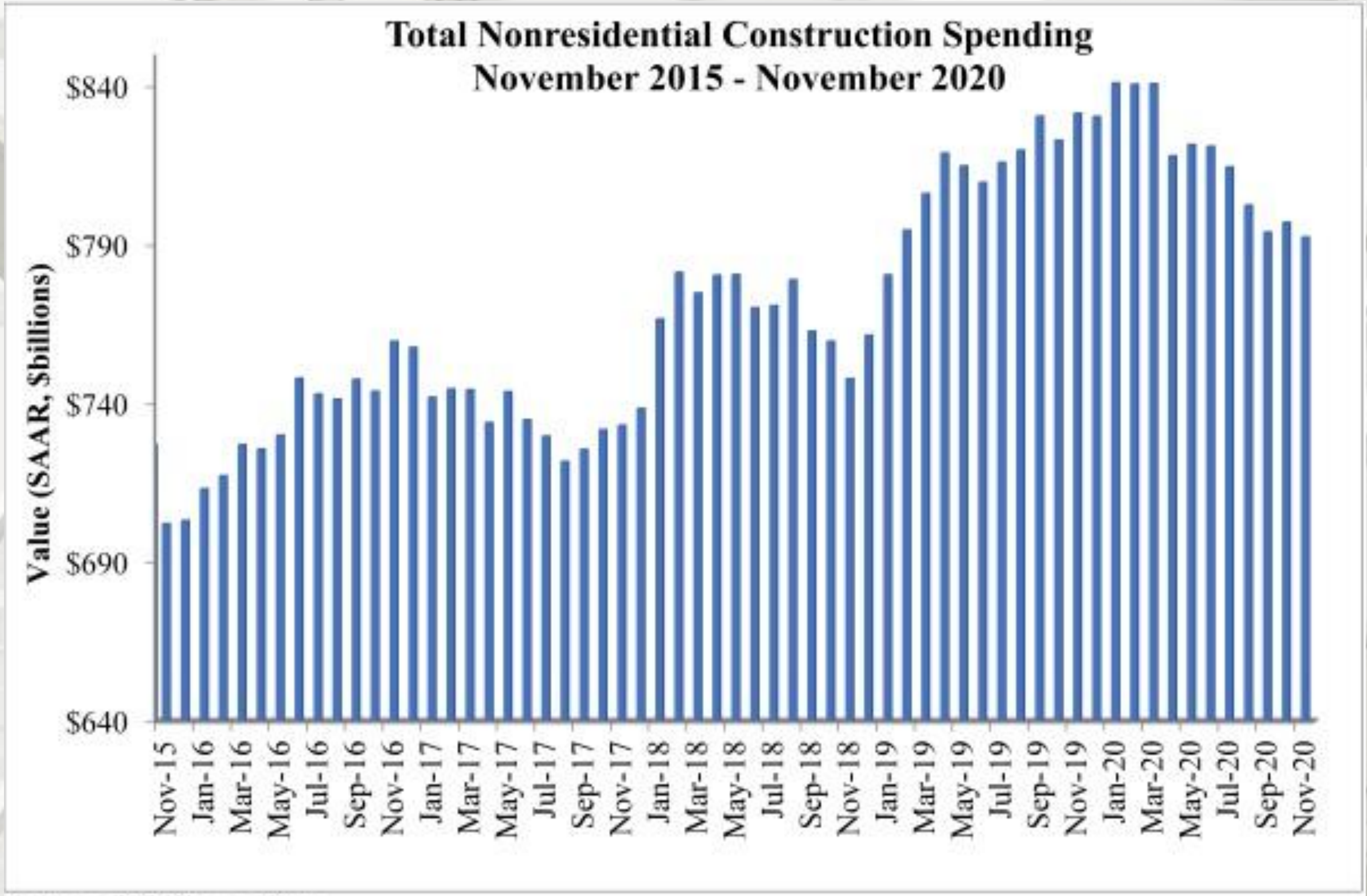
Nonresidential Construction Spending Unchanged in November

"""Many public segments have also experienced declines in spending in recent months," said Basu. "The good news is that public construction may receive a substantial boost from post-inauguration stimulus. Infrastructure investment often produces additional opportunities for profitable private development. Suburban commercial developers may also take heart in America's ongoing residential construction boom, with residential construction spending up more than 16% on a year-over-year basis, as interest in homeownership surges."""" – Erika Walter, director of media relations, ABC

Source: http://www.abc.org/News-Media/News-Releases/entryid/18374/nonresidential-construction-spending-declines-in-november-says-abc; 1/4/21

Return to TOC

Associated Builders and Contractors



Source: U.S. Census Bureau

Source: http://www.abc.org/News-Media/News-Releases/entryid/18374/nonresidential-construction-spending-declines-in-november-says-abc; 1/4/21

Return to TOC

Private Indicators
Associated Builders and Contractors

Contractor Optimism Improves as ABC's Construction Backlog Inches Up in December

"Associated Builders and Contractors reported that its Construction Backlog Indicator rebounded modestly to 7.3 months in December, an increase of 0.1 months from November's reading, according to an ABC member survey conducted from Dec. 18 to Jan. 5. Backlog is 1.5 months lower than in December 2019.

ABC's Construction Confidence Index readings for sales, profit margins and staffing levels increased in December. The sales index climbed above the threshold of 50, indicating contractors expect to grow sales over the next six months. The index reading for profit margins remained below that threshold. The staffing level index increased to 56.3 but remains well below its December 2019 reading.

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"While many contractors enter 2021 with significant trepidation, the most recent backlog and confidence readings suggest that the onset of vaccinations has generally led to more upbeat assessments regarding nonresidential construction's future. Backlog is down substantially from its year-ago level and profit margins remain under pressure, yet many contractors expect to enjoy higher sales and to support more staff six months from now. The baseline expectation is that by the spring, the U.S. economy will blossom. With many households sitting on mounds of savings and sustaining pent-up demand for many goods and services, the U.S. economy is set for rapid growth as it reopens more fully during mid to late 2021. While it will take time for that to fully translate into new construction projects, some that were postponed earlier during the pandemic are likely to come back to life over the next several months. That should help many contractors begin to rebuild backlog, and to eagerly await 2022." – Rachel O'Grady, Media Relations Director, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/18393/contractor-optimism-improves-as-abc-s-construction-backlog-inches-up-in-december; 1/12/20

Return to TOC

Private Indicators
Associated Builders and Contractors

Construction Confidence Index

Response	December 2020	November 2020	December 2019
	CCI Reading		
Sales	56.6	49.4	69.5
Profit Margins	48.6	43.4	61.3
Staffing	56.3	53.8	66.9
	Sales Expectations		
Up Big	5.6%	5.4%	14.5%
Up Small	47.5%	36.5%	60.5%
No Change	21.7%	22.1%	14.8%
Down Small	18.2%	22.5%	8.9%
Down Big	7.1%	13.5%	1.3%
	Profit Margins Expectations		
Up Big	5.1%	2.7%	4.9%
Up Small	24.7%	22.1%	47.7%
No Change	35.4%	32.0%	35.5%
Down Small	29.3%	32.4%	11.2%
Down Big	5.6%	10.8%	0.7%
	Staffing Level Expectations		
Up Big	2.5%	2.7%	7.9%
Up Small	39.9%	35.1%	56.9%
No Change	40.4%	43.7%	30.6%
Down Small	14.6%	11.7%	3.9%
Down Big	2.5%	6.8%	0.7%

Source: https://www.abc.org/News-Media/News-Releases/entryid/18393/contractor-optimism-improves-as-abc-s-construction-backlog-inches-up-in-december; 1/12/20

Return to TOC

Private Indicators
Associated Builders and Contractors

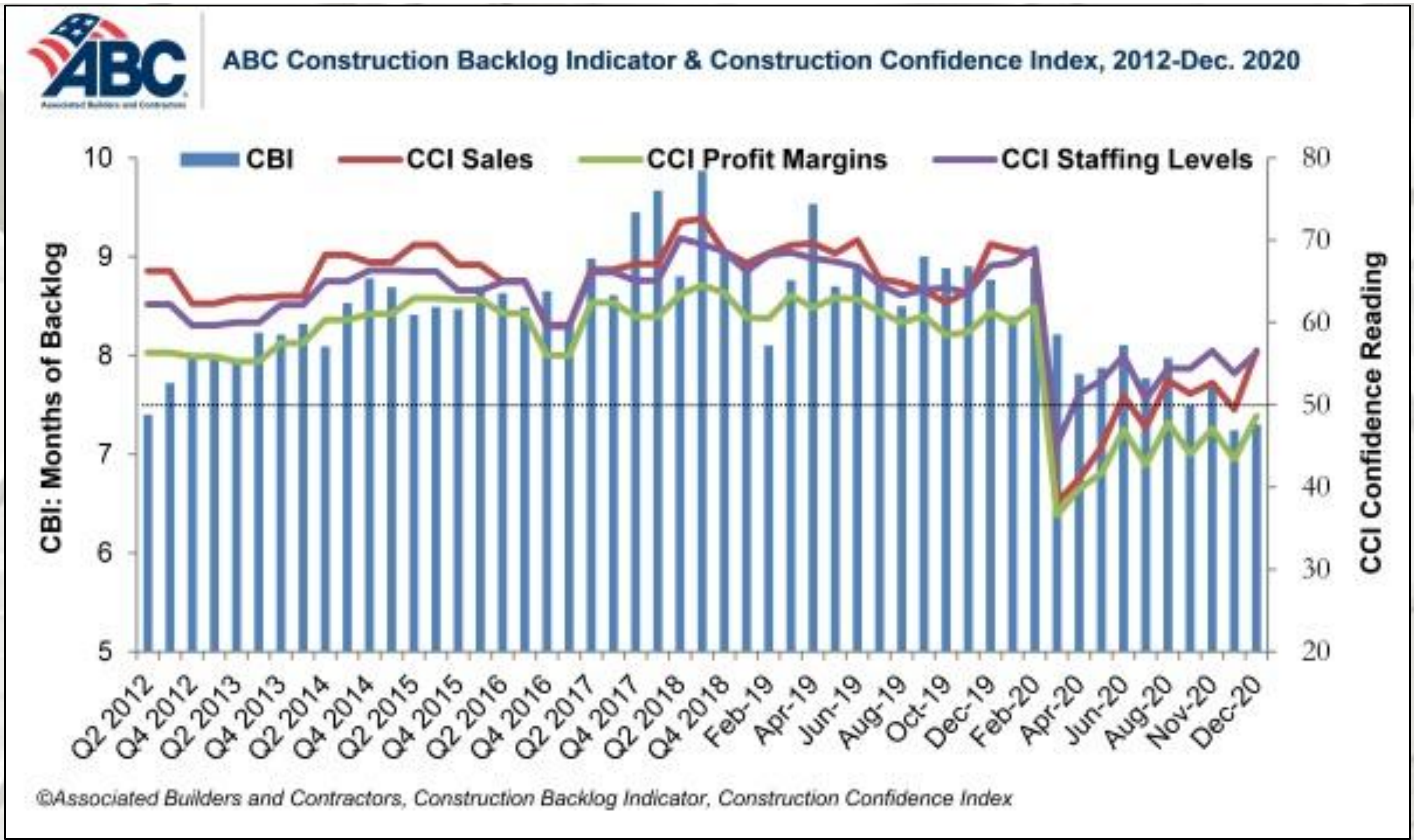
Construction Backlog Indicator

	Dec. 2020	Nov. 2020	Dec. 2019	1-Month Net Change	12-Month Net Change
Total	**7.3**	**7.2**	**8.8**	**0.1**	**-1.5**
Industry					
Commercial & Institutional	7.3	7.2	8.9	0.1	-1.6
Heavy Industrial	4.2	4.5	7.1	-0.3	-2.9
Infrastructure	8.9	8.7	9.6	0.2	-0.7
Region					
Middle States	6.2	6.0	7.5	0.2	-1.3
Northeast	7.9	7.1	8.5	0.8	-0.6
South	8.3	8.4	10.2	-0.1	-1.9
West	6.7	7.8	8.8	-1.1	-2.1
Company Size					
<$30 Million	7.0	6.8	8.1	0.2	-1.1
$30-$50 Million	7.2	7.5	8.3	-0.3	-1.1
$50-$100 Million	8.5	8.2	9.8	0.3	-1.3
>$100 Million	10.0	10.4	13.0	-0.4	-3.0

Source: https://www.abc.org/News-Media/News-Releases/entryid/18393/contractor-optimism-improves-as-abc-s-construction-backlog-inches-up-in-december; 1/12/20

Return to TOC

Private Indicators
Associated Builders and Contractors



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Return to TOC

Private Indicators

American Society of Interior Designers (ASID) Interior Design Billings Index (IDBI)

ASID Billings and Future Work Indicators Continue to Improve

"Encouraging signs are evident for the interior design industry as reported in this month's survey. The November Interior Design Billings Index (IDBI), produced by ASID, moved up three index points to 55.4 and the inquiry index rose nearly five index points to 57.5 over September's scores (any score above 50 represents expansion and below 50 represents contraction). Reflecting this positive trend, the three-month moving average of the IDBI index was 53.5 and the three-month moving average of the new projects inquiry index recorded a 55.9. This positive momentum was also matched in the panelist's 6-month outlook ratcheting up the expectation index to 56.7.

Reported as three-month moving averages, two regions moved further into an expansionary mode while two remained in contractionary territory for September. Firms in the Midwest and the South indicate positive business conditions with index readings of 53.4 and 61.6, respectively, while firms in the Northeast (47.2) and West (46.1) remain in a contractionary environment.

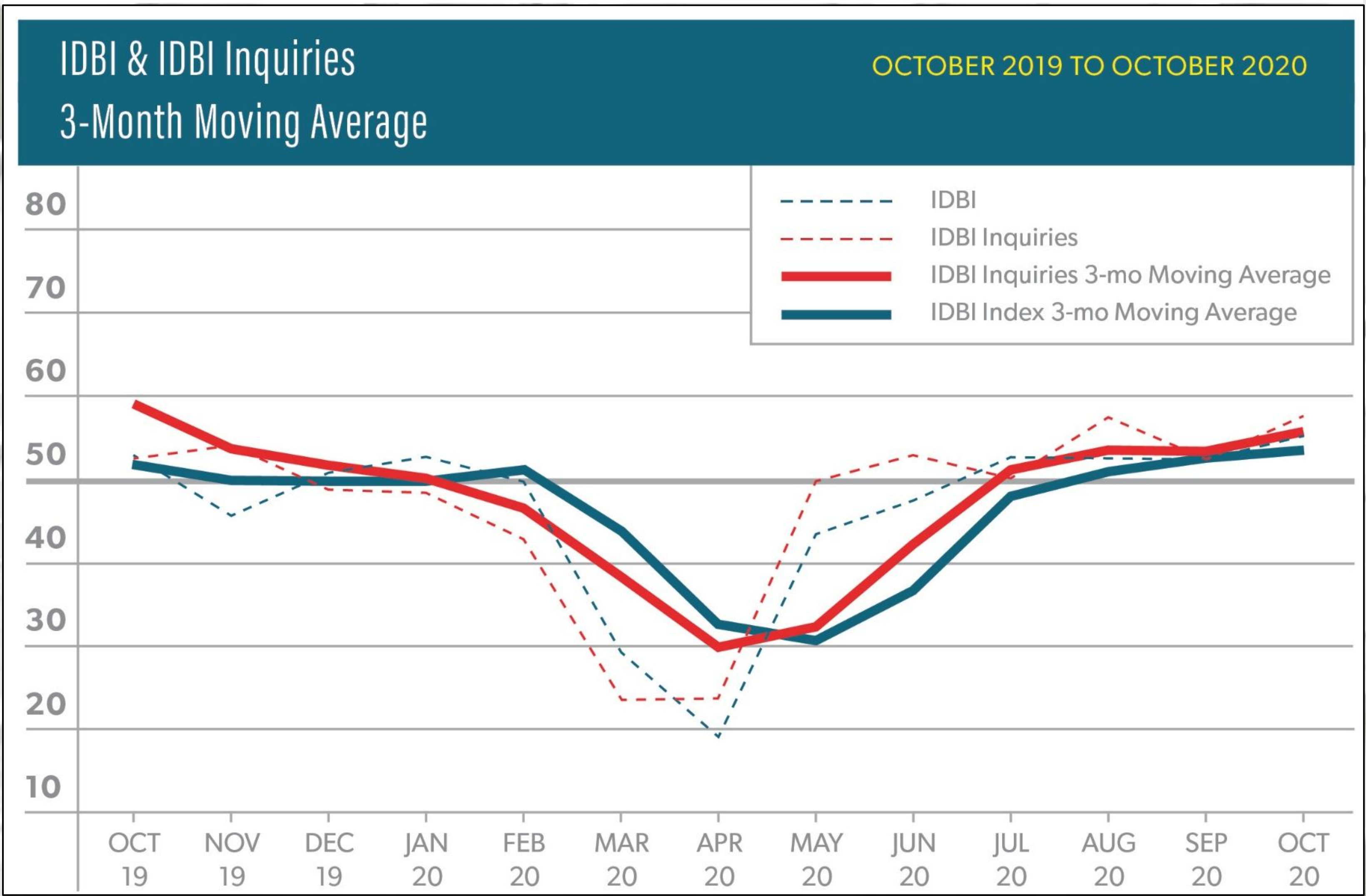
ASID has been monitoring closely the industry developments with respect to the coronavirus (COVID-19) pandemic by asking panelists about their level of concern related to the impact of COVID-19 on their business and revenues. Similar to last month, nearly all panelists (91 percent) say they have at least some concern or anxiety about the impact of COVID-19 might have on their business with 17 percent of panelists indicating a high level of concern (1= no concern to 5= high concern). The percent of interior designers that believe COVID-19 will have a negative impact upon next month's billings held constant at 61 percent (62 percent in September) while 31 percent feel that COVID will have a positive impact (32 percent in September)." – American Society Of Interior Designers

Source: https://www.asid.org/news/asid-interior-design-billings-index-idbi-November-2020; 11/24/20

Return to TOC

Private Indicators

ASID Interior Design Billings Index (IDBI)



Source: https://www.asid.org/news/asid-interior-design-billings-index-idbi-November-2020; 11/24/20

Return to TOC

Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index November 2020

Business conditions at architecture firms backslide from October

Architecture billings lose ground in November

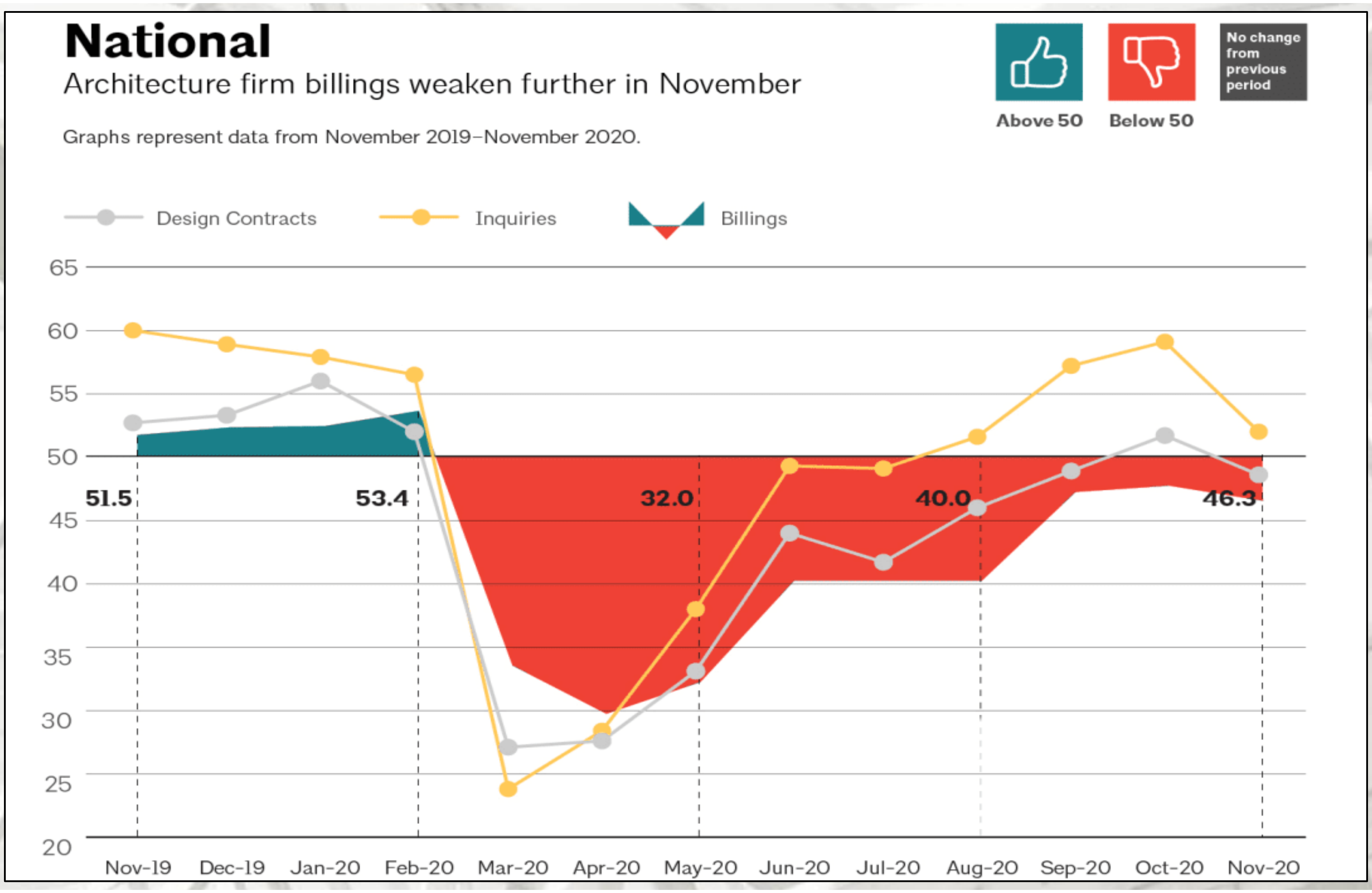
"Architecture firm billings declined for the ninth consecutive month in November. Architecture firm billing activity is contracting once again after two months of a slowing decline, according to a new report from the American Institute of Architects (AIA). The recent increase in COVID-19 cases over the last several weeks seems to have put a damper on the nascent recovery, and also appears to be reflected in a decline in the value of new design contracts in November, following their first increase since February last month. In addition, while inquiries into new work continued to rise, the pace of that growth slowed substantially from the previous two months. Together, these signs indicate that client interest in new projects has started to wane after more encouraging signs last month. The pace of decline during November accelerated from October, posting an Architecture Billings Index (ABI) score of 46.3 from 47.5 (any score below 50 indicates a decline in firm billings). The pace of inquiries into new projects slowed, but remained positive with a score of 52.0, however the value of new design contracts dipped back into negative territory with a score 48.6." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

"In previous design cycles, we typically haven't seen a straight line back to growth after a downturn hits. The path to recovery is shaping up to be bumpier than we hoped for. While there are pockets of optimism in design services demand, the overall construction landscape remains depressed. New project inquiries decreased – but remained in positive territory – from 59.1 in October to 52.0 in November. However, design contracts went back into negative territory, dropping from 51.7 in October to 48.6 in November." – Kermit Baker, Economist, Hon. AIA, The American Institute of Architects

Source: https://www.aia.org/press-releases/6358149-architecture-billings-lose-ground-in-novem; 12/26/20

Return to TOC

Private Indicators
American Institute of Architects (AIA)



Architecture Billings Index November 2020

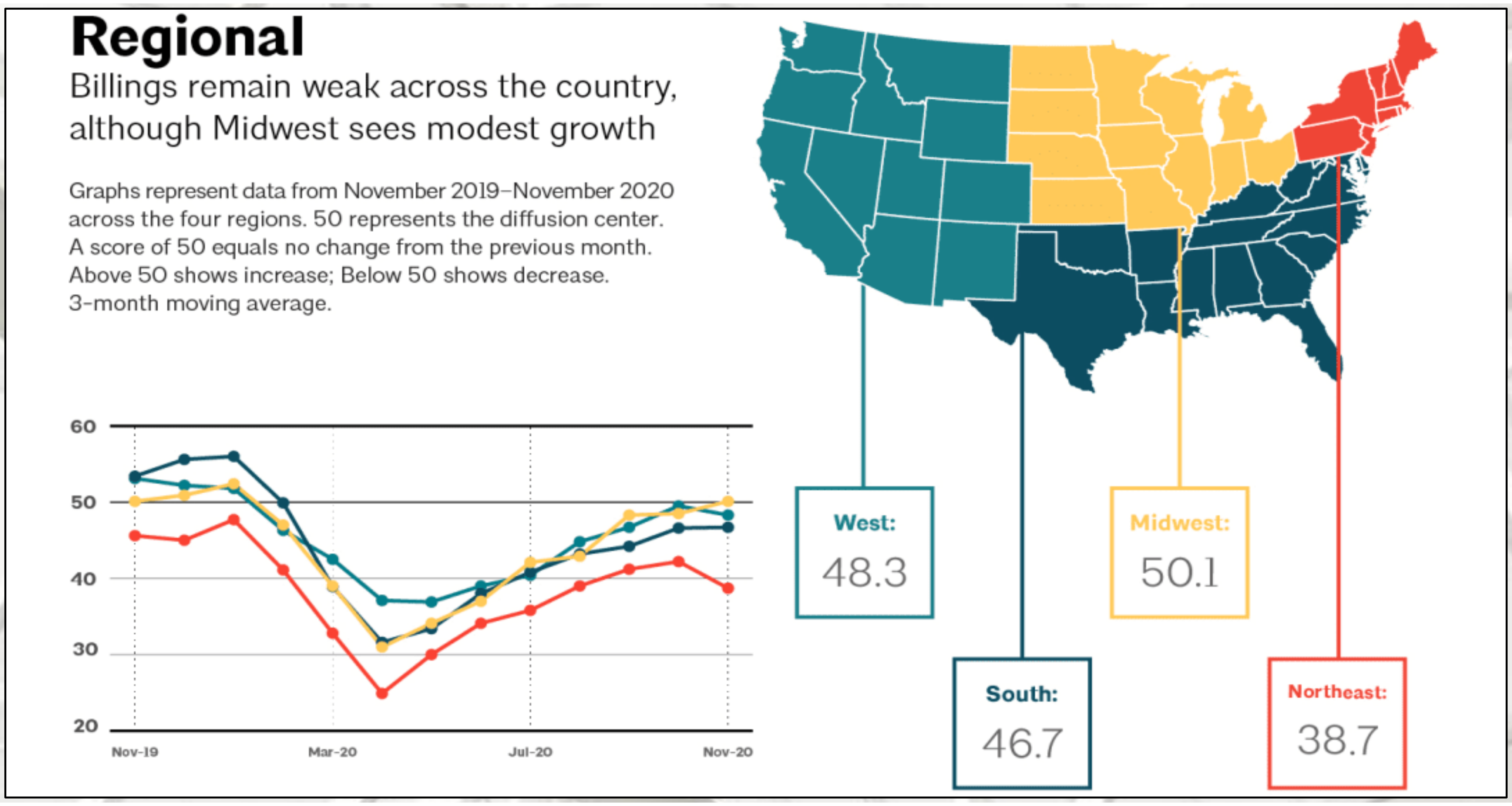
However, firms remain modestly optimistic about 2021

"Business conditions also remained soft across much of the country in November, …" – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/press-releases/6358149-architecture-billings-lose-ground-in-novem; 12/26/20

Return to TOC

Private Indicators: AIA



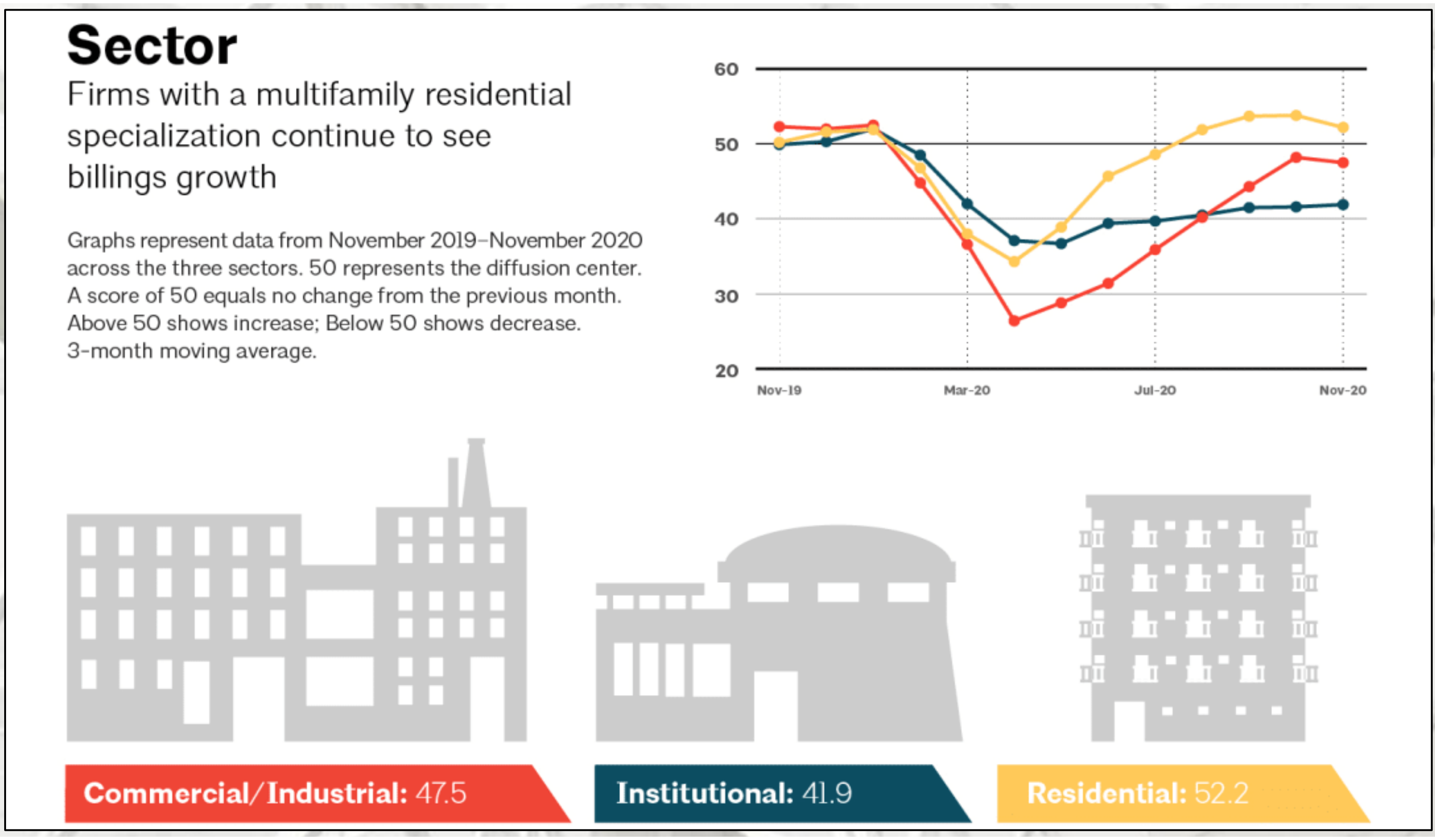
Region

"The month-to-month change in scores for regional billings – which, unlike the national score, are calculated as three-month moving averages – were mixed in November, with three of the four regions continuing to report scores below the threshold of 50. Billings in the Midwest rose 0.7 point to a score of 50.1 (rising slightly for the first time since January), while billings in the West decreased 2.1 points to a score of 48.3. Billings in the South rose 0.9 point to a score of 46.7, with billings weakening most noticeably at firms located in the Northeast, which were also hardest hit earlier in the pandemic, dropped 6.2 points to a score of 38.7." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/press-releases/6358149-architecture-billings-lose-ground-in-novem; 12/26/20

Return to TOC

Private Indicators: AIA



Sector

"In addition, this month firms with a multifamily residential specialization saw modest growth for the fourth consecutive month, as that sector remains the one bright spot amid the pandemic-induced downturn. But billings continued to decline at both firms with commercial/industrial and institutional specializations, with firms with a commercial/industrial specialization seeing a less dramatic decline, likely due to increased demand for distribution, logistics, data centers, and other industrial facilities recently." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/press-releases/6358149-architecture-billings-lose-ground-in-novem; 12/26/20

Return to TOC

Private Indicators

Dodge Data & Analytics

November A Mixed Month for Construction Starts

Weakness in residential and nonbuilding activity overwhelmed nonresidential building strength

“Total construction starts fell 2% in November to a seasonally adjusted annual rate of $797.5 billion following a strong gain in October. Residential starts fell 7% during the month, while nonbuilding starts dropped 14%. Nonresidential building construction starts, however, rose 19% in November. Total construction starts fell in three regions, the South Atlantic, West, and Northeast, but rose in two, the Midwest and South Central.

Year-to-date through 11 months, total construction starts were 12% down from the same period in 2019. Nonresidential starts were 25% lower, while nonbuilding starts were down 16%. Residential starts, by contrast, were 3% higher through 11 months. In November, the Dodge Index fell 2% to 169 (2000=100) from the 173 October reading. The Dodge Index was down 24% from a year earlier and 6% lower than its pre-pandemic level in February.

“November construction starts were somewhat of a mixed bag,” stated Richard Branch, Chief Economist for Dodge Data & Analytics. “On the positive side, the gain in nonresidential building starts shows that the recovery from the early months of the pandemic remains on course. If not for the start of a very large bridge and tunnel project in October, nonbuilding starts would actually have posted a tepid gain in November. And despite the November decline in single family starts, tremendous positive momentum remains in the housing sector. There remains significant concern, however, about the ability of construction starts to maintain their current pace in the face of rising COVID-19 cases, the uncertain outlook for additional federal stimulus, and the lack of agreement on funding the federal government past Dec 18. While the near-term outlook for starts remains cloudy, the recent deployment of a vaccine in the U.S. raises hope and expectation that 2021 will be a better year.”” – Nicole Sullivan, Public Relations & Social Media, AFFECT

Source: https://www.construction.com/news/november-mixed-month-construction-starts-2020; 12/16/20

Return to TOC

Private Indicators

Dodge Data & Analytics

"**Residential building** starts dropped 7% in November to a seasonally adjusted annual rate of $356.1 billion. Single family starts fell 5% over the month and multifamily starts slipped 14%.

The largest multifamily building to break ground in November was the $175 million Simone Residential Tower in San Diego CA. Also starting in November were the $123 million Scotts Run apartments in Tysons VA and the $103 million Hanover Wellesley Residential building in Wellesley MA.

Through the first 11 months of 2020, residential construction starts were 3% higher than the same time period in 2019. Single family starts were up a healthy 10%, but multifamily starts were down 13%.

Nonresidential building starts moved 19% higher in November to a seasonally adjusted annual rate of $249.7 billion. The commercial sector increased 27% as two large office projects got underway. Gains were also seen in the hotel, warehouse, and parking structures categories. Institutional construction starts increased 17% over the month due to gains in healthcare and education. Manufacturing starts, meanwhile, fell 29% in November.

The largest nonresidential building project to get started in November was the $1.3 billion One Madison Avenue office project in New York NY. Also starting was the $940 million Richard Boulevard Office Complex in Sacramento CA and the $615 million Baptist Healthcare Hospital in Pensacola FL.

Year-to-date through the first 11 months of 2020, total nonresidential building starts were down 25%. Commercial starts were 26% lower, while institutional starts were down 15%, and manufacturing starts were 63% lower." – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/november-mixed-month-construction-starts-2020; 12/16/20

Return to TOC

Private Indicators

November 2020 Construction Starts

MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

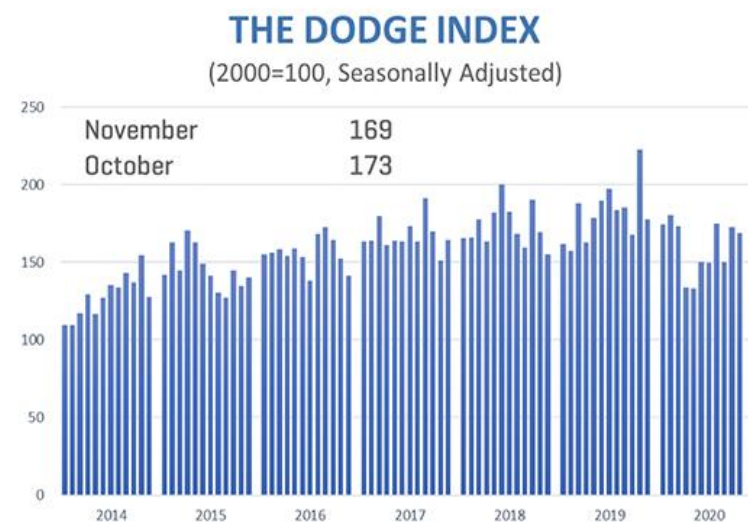
	November 2020	October 2020	% Change
Nonresidential Building	$249,679	$210,214	19
Residential Building	356,060	382,501	-7
Nonbuilding Construction	191,761	223,455	-14
Total Construction	$797,499	$816,170	-2

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	11 Mos. 2020	11 Mos. 2019	% Change
Nonresidential Building	$217,925	$291,454	-25
Residential Building	313,218	305,202	3
Nonbuilding Construction	166,272	198,800	-16
Total Construction	$697,416	$795,456	-12

November 2020 Construction Starts

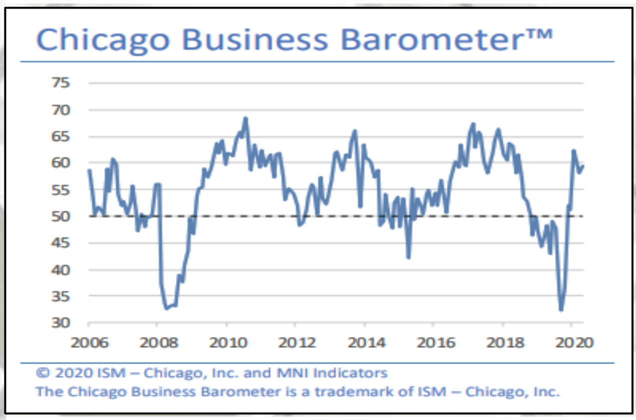


Source: Dodge Data & Analytics

Source: https://www.construction.com/news/november-mixed-month-construction-starts-2020; 12/16/20

Return to TOC

Private Indicators



MNI Chicago

"The Chicago Business Barometer™, produced with MNI, edged up to 59.5 in December. Through Q4 as a whole, business sentiment recovered further to 59.6, the strongest reading since Q4 2018.

Chicago Business Barometer™ – Rose to 59.5 in December

Among the main five indicators, Employment saw the largest monthly gain, followed by Order Backlogs. New Orders recorded the biggest decline. Demand eased in December as New Orders slipped 2 points, while Production ticked up by 1.1 points as business activity picked up. On a quarterly basis, both New Orders and Production jumped to a 2-year high, pushing the indices up to 61.0 and 61.6, respectively.

Order Backlogs grew 3.6 points in December, second consecutive advancement. In Q4 the index rose to 52.3, lifting the indicator above the 50-mark for the first time since Q1 2019. Inventories jumped to a seven-month high in December, leaving the quarterly index at 47.6 in Q4. Employment saw the largest climb in December, rising to a one-year high. Nevertheless, the indicator has now been in contraction territory since July 2019. Quarterly demand for labor progressed to 45.3 in Q4. …

This month's special question asked, "What is your planned business activity forecast for 2021, by percent?" The majority (44.9%) sees growth below 5%, while 42.9% expect growth to be between 5% and 10%. The second question asked, "As vaccine(s) roll out over the next few months, have you made plans to adjust your 2021 budget, in which period?" The majority does not know yet if they will adjust their 2021 budget. " – Les Commons, Senior Economist and Irene Prihoda, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 12/30/20

Return to TOC

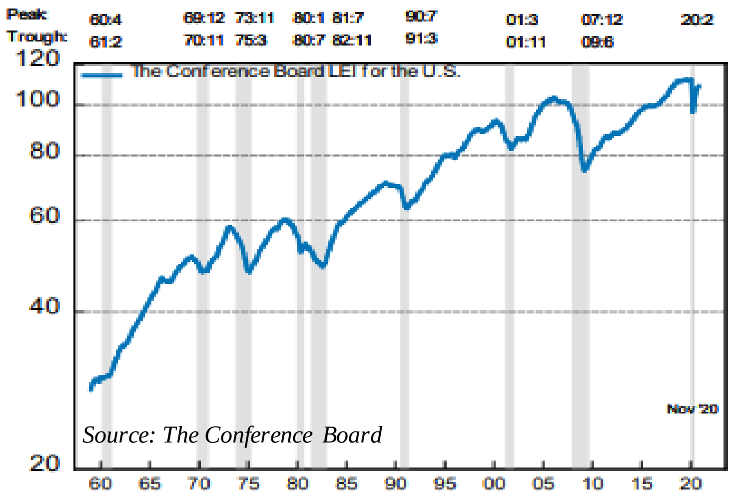
Private Indicators

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

Recovery to continue in Q4, but downside risk persists

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.6 percent in November to 109.1 (2016 = 100), following a 0.8 percent increase in October and a 0.7 percent increase in September.

U.S. Composite Economic Indexes (2016 = 110)



"The US LEI continued rising in November, but its pace of improvement has been decelerating in recent months, suggesting a significant moderation in growth as the US economy heads into 2021. Initial claims for unemployment insurance, new orders for manufacturing, residential construction permits, and stock prices made the largest positive contributions to the LEI. However, falling average working hours in manufacturing and consumers' worsening outlook underscore the downside risks to growth from a second wave of COVID-19 and high unemployment."
– Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

"**The Conference Board Coincident Economic Index®** (CEI) for the U.S. increased 0.2 percent in November to 103.2 (2016 = 100), following a 0.6 percent increase in October and a 0.5 percent increase in September.

The Conference Board Lagging Economic Index® (LAG) for the U.S. decreased 0.4 percent in November to 106.9 (2016 = 100), following a 0.3 percent increase in October and a 0.4 percent decrease in September.

Source: https://www.conference-board.org/data/bcicountry.cfm; 12/18/20

Return to TOC

Private Indicators

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

November New Business Volume Down 7 Percent Year-over-year, Down 21 Percent Month-to-Month, and Down Almost 6 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 November was $7.3 billion, down 7 percent year-over-year from new business volume in November 2019. Volume was down 21 percent month-to-month from $9.2 billion in October. Year-to-date, cumulative new business volume was down almost 6 percent compared to 2019.

Receivables over 30 days were 2.30 percent, up from 2.20 percent the previous month and up from 1.80 percent the same period in 2019. Charge-offs were 0.61 percent, a slight uptick from 0.60 percent the previous month and up from 0.43 percent in the year-earlier period. Credit approvals totaled 70.4 percent, down from 72.3 percent in October. Total headcount for equipment finance companies was down 7.0 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in December is 59.7, up from the November index of 56.1." – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

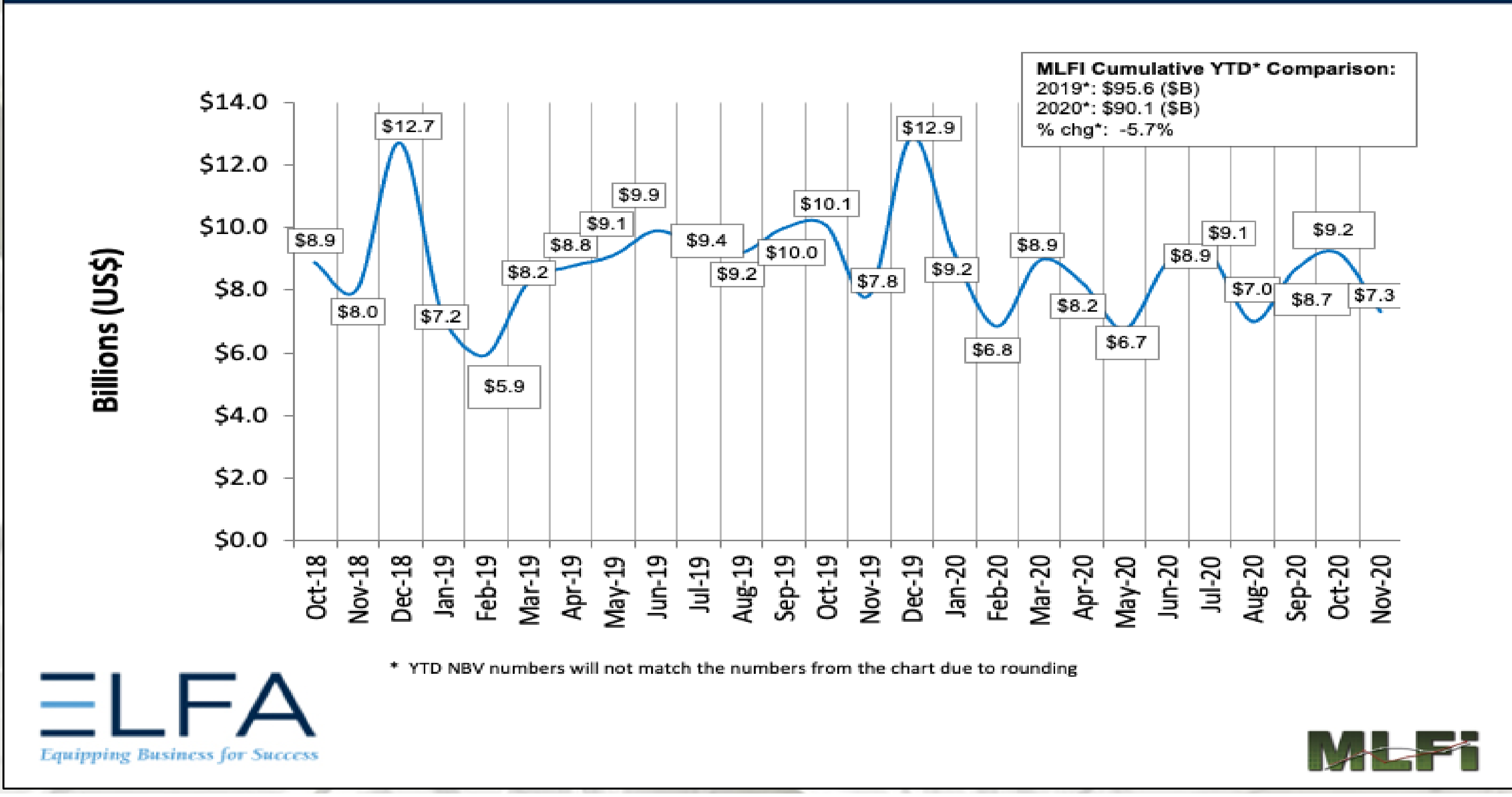
"With a tumultuous election season behind us, the equipment finance industry reports slightly lower volume totals for the month. The effect of the COVID-19 pandemic on the U.S. economy surely has taken, and will continue to take, a toll on some members' business operations. But, overall, the broader industry is performing well, with delinquencies and losses in very acceptable ranges. And, the roll out of vaccines should inject a renewed sense of optimism and hope by consumers and businesses alike, which will only bode well for our industry in the months ahead." – Ralph Petta, President and CEO, ELFA

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2020/12/21/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 12/21/20

Return to TOC

Private Indicators

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



Monthly Leasing and Finance Index: November 2020

"As we can see from the data in this month's report, COVID-19 continues to cause disruption in the equipment finance marketplace. We have seen some industries perform very well while others have essentially fallen off a cliff. Capital spending has been cut dramatically by most businesses as they look to preserve cash or re-evaluate their future growth prospects. With all that said, now that the election is behind us combined with the delivery of two FDA approved vaccinations, the market sentiment has begun to shift despite increasing COVID cases.." – Rick Matte, President and Chief Commercial Officer. Encina Equipment Finance, LLC

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2020/12/21/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 12/21/20

Return to TOC

December 2020 Manufacturing ISM® *Report On Business*®

PMI® at 60.7%

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

"Economic activity in the **manufacturing sector grew in December, and the overall economy notching an eighth consecutive month of growth,** say the nation's supply executives in the latest **Manufacturing ISM® *Report On Business*®**. The December PMI® 60.7 percent, up 3.2 percentage points from the November reading of 57.5 percent. This figure indicates expansion in the overall economy for the eighth month in a row after contracting in March, April, and May, which ended a period of 131 consecutive months of growth.

The New Orders Index registered 67.9 percent, up 2.8 percentage points from the November reading of 65.1 percent.

The Production Index registered 64.8 percent, an increase of 4 percentage points compared to the November reading of 60.8 percent.

The Backlog of Orders Index registered 59.1 percent, 2.2 percentage points higher compared to the November reading of 56.9 percent.

The Employment Index returned to expansion territory at 51.5 percent, 3.1 percentage points higher from the November reading of 48.4 percent.

The Supplier Deliveries Index registered 67.6 percent, up 5.9 percentage points from the November figure of 61.7 percent.

The Inventories Index registered 51.6 percent, 0.4 percentage point higher than the November reading of 51.2 percent.

The Prices Index registered 77.6 percent, up 12.2 percentage points compared to the November reading of 65.4 percent." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/december/; 1/5/20

Return to TOC

December 2020 Manufacturing ISM® *Report On Business®*

"The New Export Orders Index registered 57.5 percent, a decrease of 0.3 percentage point compared to the November reading of 57.8 percent.

The Imports Index registered 54.6 percent, a 0.5-percentage point decrease from the November reading of 55.1 percent.

The manufacturing economy continued its recovery in December. Survey Committee members reported that their companies and suppliers continue to operate in reconfigured factories, but absenteeism, short-term shutdowns to sanitize facilities and difficulties in returning and hiring workers are causing strains that are limiting manufacturing growth potential. However, panel sentiment remains optimistic (three positive comments for every cautious comment), an improvement compared to November. **Demand** expanded, with the (1) New Orders Index growing at a strong level, supported by the New Export Orders Index expanding, (2) Customers' Inventories Index remaining in 'too low' territory and at a level considered a positive for future production, and the (3) Backlog of Orders Index achieving a 2½-year high. **Consumption** (measured by the Production and Employment indexes) contributed positively (a combined 7.1-percentage point increase) to the Manufacturing PMI® calculation. The Production Index hit a 10-year high, as the last reading above 64.8 percent was in January 2011 (65.3 percent), with five of the top six industries reporting moderate to strong expansion. The Employment Index moved into expansion after a single month of contraction, due to the inability to attract and retain direct labor. **Inputs** — expressed as supplier deliveries, inventories and imports — continued to indicate input-driven constraints to production expansion, at higher rates compared to November, as indicated by minimal gains in inventory levels and difficulties in expanding imports. Supply chains continue to struggle compared to November, contributing moderately to the Manufacturing PMI® calculation. (The Supplier Deliveries and Inventories indexes directly factor into the Manufacturing PMI®; the Imports Index does not.) The Prices Index jumped dramatically in December, to a level last reached in the summer of 2018, the peak of the last manufacturing expansion cycle." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/december/; 1/5/20

Return to TOC

December 2020 Manufacturing ISM® *Report On Business®*

"All six of the biggest manufacturing industries — Fabricated Metal Products; Computer & Electronic Products; Transportation Equipment; Chemical Products; Petroleum & Coal Products; and Food, Beverage & Tobacco Products — registered moderate to strong growth in December.

Manufacturing performed well for the seventh straight month, with demand, consumption and inputs registering strong growth compared to November. Labor market difficulties at panelists' companies and their suppliers will continue to restrict the manufacturing economy expansion until the coronavirus (COVID-19) crisis ends.

Of the 18 manufacturing industries, 16 reported growth in December, in the following order: Apparel, Leather & Allied Products; Furniture & Related Products; Wood Products; Fabricated Metal Products; Machinery; Computer & Electronic Products; Transportation Equipment; Plastics & Rubber Products; Paper Products; Chemical Products; Petroleum & Coal Products; Primary Metals; Textile Mills; Electrical Equipment, Appliances & Components; Food, Beverage & Tobacco Products; and Miscellaneous Manufacturing. The two industries reporting contraction in December are: Printing & Related Support Activities; and Nonmetallic Mineral Products." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/decermber/; 1/5/20

Return to TOC

Private Indicators

December 2020 Services PMI™ Report On Business®

NMI® at 57.2%

Business Activity Index at 59.4%; New Orders Index at 58.5% Employment Index at 48.2%; Supplier Deliveries Index at 62.8%

"Economic activity in the **non-manufacturing sector** grew in December for the seventh month in a row, say the nation's purchasing and supply executives in the latest **Services PMI™ Report On Business®**. The Services PMI™ registered 57.2 percent, 1.3 percentage points higher than the November reading of 55.9 percent. This reading represents a seventh straight month of growth for the services sector, which has expanded for all but two of the last 131 months.

The Supplier Deliveries Index registered 62.8 percent, up 5.8 percentage points from November's reading of 57 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 64.8 percent is 1.3 percentage points lower than the November reading of 66.1 percent, indicating that prices increased in December, and at a slower rate. According to the Services PMI™, 14 services industries reported growth. The composite index indicated growth for the seventh consecutive month after a two-month contraction in April and May. In December, a slight uptick in the rate of services-sector growth continued. Respondents' comments are mixed about business conditions and the economy. Various local- and state-level COVID-19 shutdowns continue to negatively impact companies and industries. Applicable human resources, production capacity and logistics have been more constrained than during the previous month. Most respondents are cautiously optimistic about business conditions with the recent approval and impending distribution of vaccines" – 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.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/services/december/; 1/8/21

Return to TOC

Private Indicators

ISM® SERVICES SURVEY RESULTS AT A GLANCE
COMPARISON OF ISM® SERVICES AND ISM® MANUFACTURING SURVEYS*
December 2020

	Services PMI™						Manufacturing PMI®		
Index	Series Index Dec	Series Index Nov	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Dec	Series Index Nov	Percent Point Change
Services PMI™	57.2	55.9	+1.3	Growing	Faster	7	60.7	57.5	+3.2
Business Activity/ Production	59.4	58.0	+1.4	Growing	Faster	7	64.8	60.8	+4.0
New Orders	58.5	57.2	+1.3	Growing	Faster	7	67.9	65.1	+2.8
Employment	48.2	51.5	-3.3	Contracting	From Growing	1	51.5	48.4	+3.1
Supplier Deliveries	62.8	57.0	+5.8	Slowing	Faster	19	67.6	61.7	+5.9
Inventories	58.2	49.3	+8.9	Growing	From Contracting	1	51.6	51.2	+0.4
Prices	64.8	66.1	-1.3	Increasing	Slower	9	77.6	65.4	+12.2
Backlog of Orders	48.7	50.7	-2.0	Contracting	From Growing	1	59.1	56.9	+2.2
New Export Orders	57.3	50.4	+6.9	Growing	Faster	5	57.5	57.8	-0.3
Imports	51.8	55.0	-3.2	Growing	Slower	3	54.6	55.1	-0.5
Inventory Sentiment	47.7	49.9	-2.2	Too Low	Faster	2	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	37.9	36.3	+1.6
Overall Economy				Growing	Faster	7			
Services Sector				Growing	Faster	7			

Services ISM® *Report On Business®* data is seasonally adjusted for the Business Activity, New Orders, Prices and Employment indexes. Manufacturing ISM® *Report On Business®* data is seasonally adjusted for New Orders, Production, Employment and Inventories indexes.
**Number of months moving in current direction.

Industry Performance

"The 14 services industries reporting growth in December — listed in order — are: Management of Companies & Support Services; Wholesale Trade; Retail Trade; Health Care & Social Assistance; Transportation & Warehousing; Finance & Insurance; Utilities; Agriculture, Forestry, Fishing & Hunting; Information; Professional, Scientific & Technical Services; Mining; Public Administration; Construction; and Educational Services. The four industries reporting contraction in December are: Arts, Entertainment & Recreation; Accommodation & Food Services; Other Services; and Real Estate, Rental & Leasing." – 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.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/services/december/; 1/8/21

Return to TOC

Private Indicators

Markit U.S. Manufacturing PMI™

Operating conditions improve at fastest pace since September 2014

"The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 57.1 in December, up from 56.7 in November, to signal the steepest improvement in the health of the U.S. manufacturing sector for over six years. The headline figure was also up from the earlier released 'flash' reading of 56.5.

December PMI™ data from IHS Markit signalled a marked improvement in operating conditions across the U.S. manufacturing sector. The upturn was the sharpest since September 2014. Although supported by further substantial increases in output and new orders, the headline figure was pushed higher by severe supply chain disruption. Amid a significant deterioration in vendor performance, cost burdens and selling prices soared, as firms sought to partially pass on higher input prices. Output expectations moderated slightly, however, as the post-election spike eased and virus cases surged once again.

Production growth remained marked in December, despite the rate of expansion easing slightly from November's recent high. The pace of increase was the second-strongest since March 2015. Companies continued to link the rise to the release of pent-up demand, but some did temper this by stating that greater virus cases dampened output growth at the end of 2020. Similarly, the rate of expansion in new orders softened in December, as some firms reported that supplier delays and reduced capacity due to additional coronavirus disease 2019 (COVID-19) restrictions had led to order cancellations. Nonetheless, the upturn was the second-sharpest since November 2018 and steep overall.

New export orders rose at a marginal rate, but one that was the fastest for three months in the final month of 2020. A number of respondents reported stronger client demand despite the greater prevalence of national lockdowns in key export markets." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/09b26f3d6bbd42308734b4a196abaa5e; 1/4/21

Return to TOC

Private Indicators

Markit U.S. Manufacturing PMI™

PMI improves to highest since January 2019

"Driving the headline figure higher, however, was a substantial deterioration in vendor performance. Supply chain disruptions escalated amid supplier shortages and transportation delays stemming from a lack of available drivers, and COVID-19 travel restrictions. Lead times lengthened to the greatest extent since data collection began in May 2007. As a result, cost burdens were pushed higher. The rise in input prices was substantial and the fastest since April 2018, driven by raw material shortages and supplier price hikes. Firms were able to partially pass on higher costs, however, as selling prices increased at the sharpest rate since May 2011. …

Manufacturers reported a strong end to 2020, with production and order books continuing to grow, albeit with the rates of expansion slowing as a result of rising virus case numbers and related restrictions. Producers of consumer goods reported a marked downturn in orders and production, reflecting weakened consumer expenditure amid the resurgence of COVID-19. More encouragingly, producers of machinery and equipment reported sustained strong demand, suggesting companies are increasing their investment spending. Producers of inputs to other factories also fared well, as manufacturers sought to restock their warehouses.

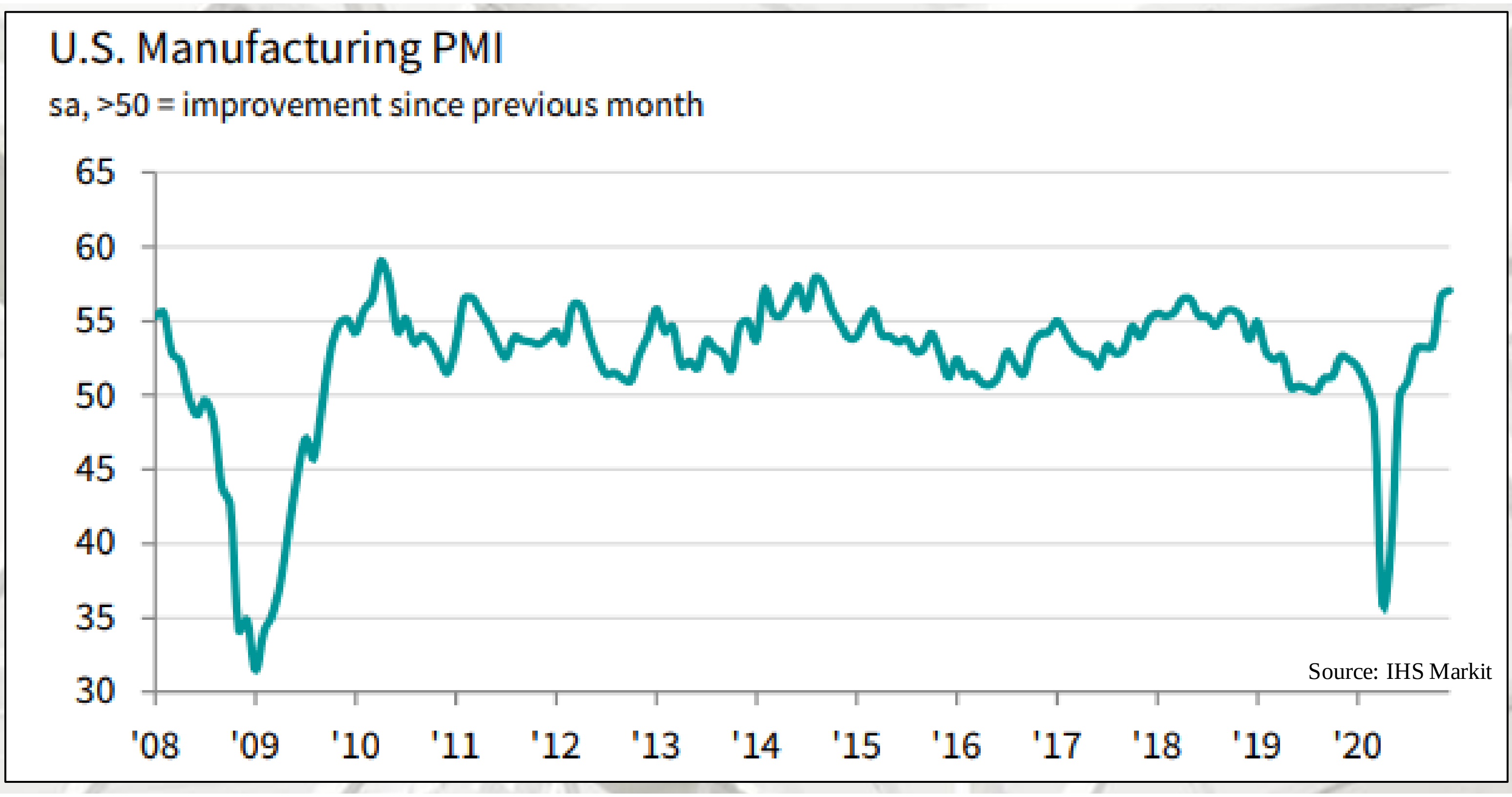
However, the survey also highlights how manufacturers are now not only facing weaker demand conditions due to the pandemic, but are also seeing COVID-19 disrupt supply chains further, causing shipping delays. These delays are limiting production capabilities as well as driving producers' input prices sharply higher, adding to the sector's woes.

Firms nevertheless remain highly positive about the outlook for the year ahead, anticipating that vaccine roll-outs will help drive a further recovery in 2021, although some of November's post-election exuberance has been tamed by the recent rise in virus case numbers, suggesting the near-term outlook will remain challenging." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/09b26f3d6bbd42308734b4a196abaa5e; 1/4/21

Return to TOC

Private Indicators



Markit U.S. Manufacturing PMI™

PMI improves to highest since January 2019

"Output expectations slid slightly from those seen in November, as a rise in virus cases weighed on sentiment. Nevertheless, firms were strongly optimistic of a rise in output over the coming year." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/09b26f3d6bbd42308734b4a196abaa5e; 1/4/21

Return to TOC

Private Indicators

IHS Markit U.S. Services PMI™

Healthcare sector continues to lead private sector expansion in December

"The seasonally adjusted final IHS Markit US Services PMI™ Business Activity Index registered 54.8 in December, down notably from 58.4 in November and also lower than the earlier released 'flash' estimate of 55.3. Although the rate of expansion was slightly stronger than the series average, it marked a significantly slower upturn in output, as a rise in virus cases dampened client demand.

December PMI™ data signalled a slower expansion in business activity across the U.S. service sector. Although still solid, the upturn eased notably from November's recent high, as new business growth softened amid increased virus cases. Additional restrictions also dampened foreign client demand which fell for the first time since May. Cost burdens continued to soar, as the rate of input price inflation picked up again to reach a series record high. Meanwhile, business confidence softened as the post-election surge in optimism dwindled and the coronavirus disease 2019 (COVID-19) pandemic worsened.

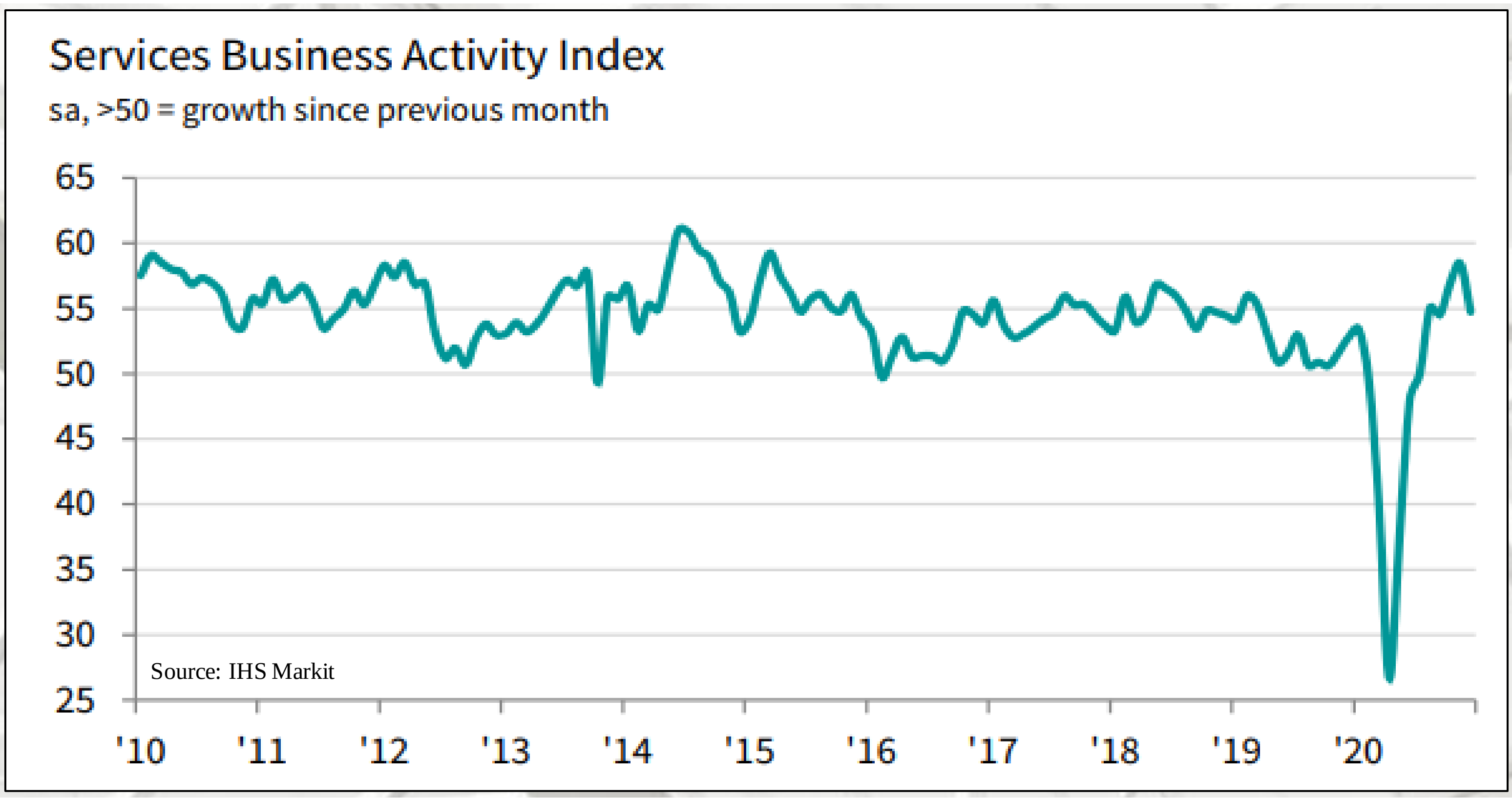
The latest increase in total new business was the slowest for four months. The loss of growth momentum reportedly stemmed from difficulties among consumer-facing firms following another surge in virus cases and additional social distancing restrictions. Alongside a slowdown in domestic demand growth, service sector firms registered the first contraction in new business from abroad since May. Panellists often stated that the fall in foreign client demand stemmed from greater travel restrictions imposed due to the ongoing pandemic. The rate of decline was solid overall, but was much softer than those seen in the spring at the start of the pandemic. …

Rising virus case numbers took an increasing toll on the US economy in December, with business activity, order books and employment all growing at much reduced rates. The slowdown was especially steep in the service sector, where stricter social distancing measures hit consumer facing businesses in particular."
– Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/adc517110a0e4375b768010f191f9a5d; 1/6/21

Return to TOC

Private Indicators



IHS Markit U.S. Services PMI™

"While the survey data remained sufficiently resilient to indicate that GDP continued to expand at a relatively robust rate in the fourth quarter, the near-term outlook has deteriorated. Business expectations for the coming year fell considerably compared to November, as some postelection exuberance waned and companies grew more anxious about the ongoing impact of the pandemic. Rising case numbers represent an increased risk to the economy in the coming weeks, and hopes rest to a large extent on pandemic stimulus lifting the economy to prevent another downturn.

More encouragingly, businesses remain much more confident about the outlook in a year's time than before the successful vaccine developments, reflecting greater optimism for prospects of life returning to normal in the second half of 2021." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/adc517110a0e4375b768010f191f9a5d; 1/6/21

Return to TOC

Private Indicators

National Association of Credit Management – Credit Managers' Index

December Combined Sectors

"Astounding as it may appear, the economy may have reached a stage of some stability. At least that is what the December Credit Managers' Index (CMI) is suggesting. This has been a spectacularly difficult year to forecast and anticipate as the data has been swinging wildly. The utter collapse that followed the pandemic-inspired shutdown led to several months of artificial rebound. The economy behaved like a spring that was pushed down and then released. Neither the down state nor the rebound was accurate. "It now appears that the movement has slowed, and what we are seeing now could be considered normal or at least some version of normal," said NACM Economist Chris Kuehl, Ph.D. "This is not to say that there has been an end to the economic crisis. Unemployment remains very high; thousands of businesses have been forced to shut down and many others are hanging on by a thread. The data from the latest CMI makes that abundantly clear, but for the first time in almost a year, there is some reason to expect the future to look a little brighter."

The combined score for the CMI changed very little from its position last month, going from 57.9 to 57.8. This is just slightly off from the 58.4 reached in October. The last three months have been the high points for the past couple of years. The index of favorable factors improved over November's reading with a 65.7 as compared to 64.4. Again, the peak was in October when the reading stood at 68. The index of unfavorable factors went the other direction with a slight decline from 53.5 to 52.5. "This is really the story of the economy at the end of 2020 in a nutshell. There was a definite surge in activity at the start of the holiday spending season, but the arrival of the second wave of the virus prompted more shutdowns and a receding pace of economic expansion," Kuehl said." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 12/31/20

Return to TOC

Private Indicators

National Association of Credit Management – Credit Managers' Index

December Combined Sectors

"The sub-sector readings told that story even more clearly. The sales numbers have been climbing, and at 70.2 they have almost returned to the levels seen in October. The consumer responded to the sales and discounts on offer, and the business community also found a reason to invest and spend. The new credit applications data also improved over last month, moving from 63.9 to 64.4. The dollar collections data stayed very stable at 62.8, just slightly above the 62.6 in November. The last of the favorable readings also trended back toward the level seen in October with a reading of 65.3 compared to 64.8 in November.

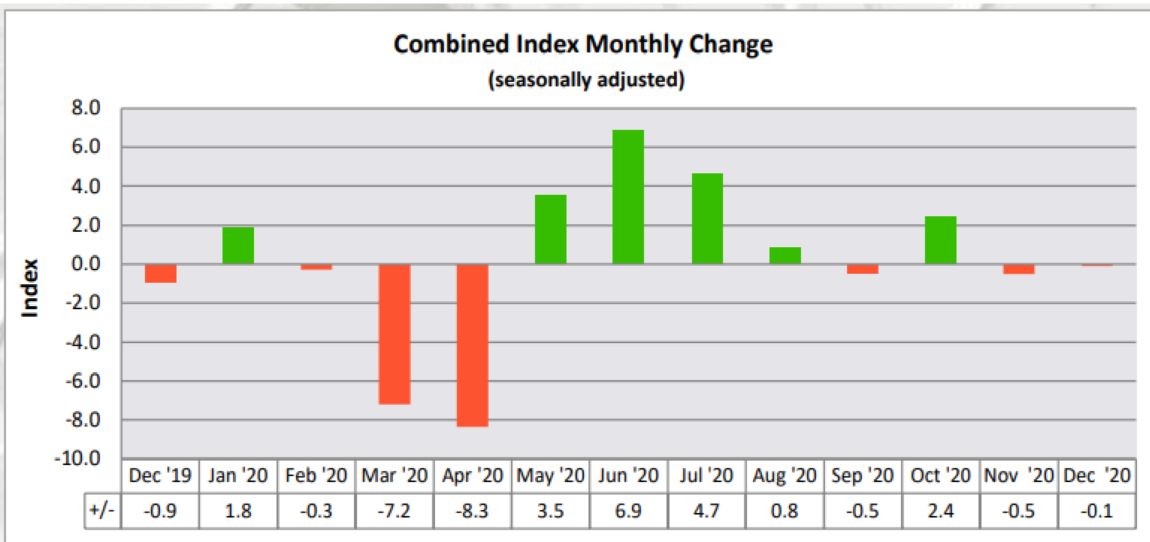
There was more activity and more of a retreat in the unfavorable categories. The rejections of credit applications remained very similar to the month prior with a reading of 51.3 as compared to 51.5. There was a much more pronounced change as far as accounts placed for collection as this reading had been 56.2 in November and has fallen back to 51.6. This is a reversal to be sure, but the data remains above the 50 line and therefore in expansion territory. There are more than a few indications that businesses remain fragile and the imposition of new restrictions pushed more over the edge. The disputes reading actually improved from November as it went from 50.6 to 51.2. There was a slight dip as far as the dollar amount beyond terms reading is concerned, moving from 58.1 to 57, but these are still very solid numbers and well into the expansion zone. The dollar amount of customer deductions showed very little change at all, moving from 51.7 to 51.5. The data regarding filings for bankruptcies showed a decline from 53 to 52.5, but these numbers are still firmly in the expansion zone. "Despite some weakening of the data in the unfavorable category all the readings are in expansion territory and that makes two months in a row for this kind of positive data. The favorables are all at least in the 60s this month as well, and that points in a positive direction going into the first quarter." … " – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 12/31/20

Return to TOC

Private Indicators

Combined Manufacturing and Service Sectors (seasonally adjusted)	Dec '19	Jan '20	Feb '20	Mar '20	Apr '20	May '20	Jun '20	Jul '20	Aug '20	Sep '20	Oct '20	Nov '20	Dec '20
Sales	58.8	63.0	64.0	39.5	20.0	28.6	54.1	64.3	65.8	65.5	74.2	66.5	70.2
New credit applications	59.4	61.1	62.2	44.0	31.1	43.3	57.9	62.4	63.4	63.6	65.2	63.9	64.4
Dollar collections	57.9	61.7	58.8	49.3	35.5	43.2	53.9	62.5	61.2	63.3	64.6	62.6	62.8
Amount of credit extended	61.1	62.9	63.6	53.2	41.6	42.8	55.2	57.3	61.3	60.8	68.0	64.8	65.3
Index of favorable factors	59.3	62.2	62.2	46.5	32.0	39.5	55.3	61.6	62.9	63.3	68.0	64.4	65.7
Rejections of credit applications	52.0	52.0	53.8	53.5	52.7	51.9	49.8	50.0	51.5	51.6	51.4	51.5	51.3
Accounts placed for collection	50.3	50.6	50.6	50.6	47.4	49.1	46.7	50.8	51.6	49.4	49.5	56.2	51.6
Disputes	50.8	52.4	50.3	52.1	50.8	51.5	49.6	50.7	51.8	48.7	51.0	50.6	51.2
Dollar amount beyond terms	51.0	54.2	53.5	43.9	27.6	32.4	44.4	57.3	58.2	54.6	58.0	58.1	57.0
Dollar amount of customer deductions	51.3	52.2	51.5	50.4	49.4	50.9	50.6	52.4	52.2	51.1	51.0	51.7	51.5
Filings for bankruptcies	53.4	54.4	53.3	53.2	50.2	47.3	47.7	48.8	47.7	51.3	50.7	53.0	52.5
Index of unfavorable factors	51.5	52.6	52.2	50.6	46.3	47.2	48.1	51.7	52.2	51.1	51.9	53.5	52.5
NACM Combined CMI	54.6	56.4	56.2	49.0	40.6	44.1	51.0	55.6	56.5	56.0	58.4	57.9	57.8



Source: https://nacm.org/cmi.html; 12/31/20

Return to TOC

Private Indicators

National Federation of Independent Business (NFIB) December 2020 Report

Small Business Optimism Drops Below Index Average in December

"The NFIB Small Business Optimism Index declined 5.5 points in December to 95.9, falling below the average Index value since 1973 of 98. Nine of the 10 Index components declined and only one improved. Owners expecting better business conditions over the next six months declined 24 points to a net negative 16%.

"This month's drop in small business optimism is historically very large, and most of the decline was due to the outlook of sales and business conditions in 2021. Small businesses are concerned about potential new economic policy in the new administration and the increased spread of COVID-19 that is causing renewed government-mandated business closures across the nation." – Bill Dunkelberg, Chief Economist, NFIB

"Key findings include:

- The NFIB Uncertainty Index decreased 8 points to 82.
- The percent of owners thinking it's a good time to expand decreased 4 points to 8%.
- Sales expectations over the next three months declined 14 points to a net negative 4%.
- Earnings trends over the past three months declined 7 points to a net negative 14% reporting higher earnings." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 1/12/21

Return to TOC

Private Indicators

National Federation of Independent Business (NFIB) December 2020 Report

“As reported in NFIB’s monthly jobs report, small business job growth continued in December but the gains remain uneven as certain sectors of the economy are slowing due to state-mandated business closures and consumer resistance to spend.

A net 21% (seasonally adjusted) of owners reported raising compensation and a net 14% plan to do so in the coming months.

Fifty-two percent of owners reported capital outlays in the last six months. Of those owners making expenditures, 38% reported spending on new equipment, 20% acquired vehicles, and 11% improved or expanded facilities. Five percent acquired new buildings or land for expansion and 8% spent on new fixtures and furniture. Twenty-two percent plan capital outlays in the next few months.

Seasonally adjusted, a net negative 2% of all owners reported higher nominal sales in the past three months, down 7 points from November. The net percent of owners expecting higher real sales volumes decreased 14 points to a net negative 4%.” – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 1/12/21

Return to TOC

Private Indicators

National Federation of Independent Business (NFIB) December 2020 Report

"The net percent of owners reporting inventory increases decreased 2 points to a net negative 6%. The net percent of owners viewing current inventory stocks as too low increased 2 points to 7%, a record high. A net 4% of owners plan inventory investment in the coming months, down 1 point from November but historically high.

The net percent of owners raising average selling prices decreased 2 points to a net 16% (seasonally adjusted). Price hikes were the most frequent in retail (30% higher, 6% lower) and wholesale (26% higher, 13% lower). A net 22% are planning price hikes (seasonally adjusted).

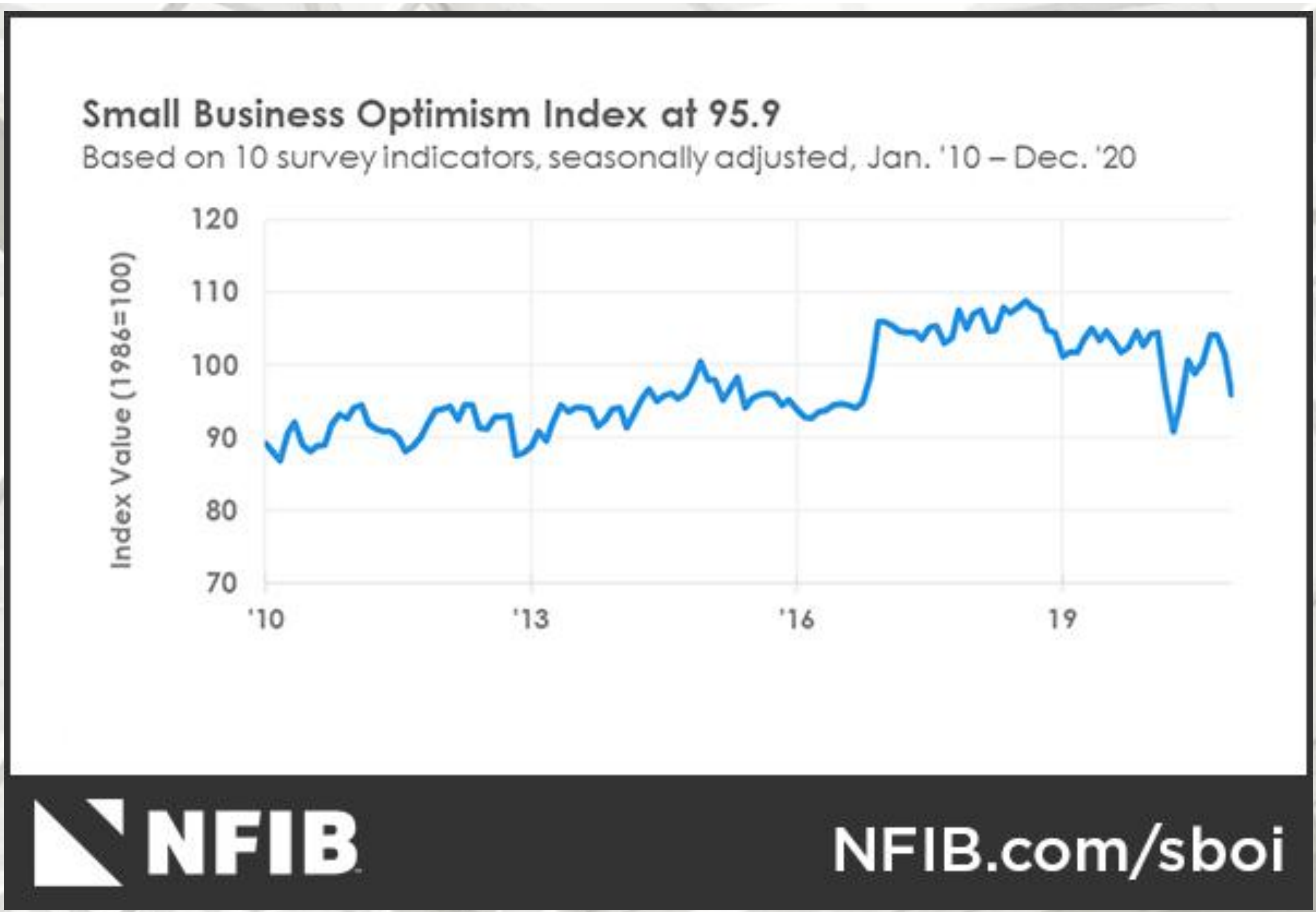
The frequency of reports of positive profit trends decreased 7 points to a net negative 14% reporting quarter on quarter profit improvement. Among owners reporting weaker profits, 55% blamed weak sales, 11% cited usual seasonal change, 6% cited a higher cost of materials, 6% cited labor costs, and 3% cited lower prices. For owners reporting higher profits, 69% credited sales volumes, 16% cited usual seasonal change, and 6% cited higher prices.

Three percent of owners reported that all their borrowing needs were not satisfied. Twenty-six percent reported all credit needs were met and 60% said they were not interested in a loan." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 1/12/21

Return to TOC

Private Indicators



Source: http://www.nfib.com/surveys/small-business-economic-trends/; 1/12/21

Return to TOC

Private Indicators

Small Business Optimism

Index Component	Net %	Change From Nov.
Plans to Increase Employment	17%	-4
Plans to Make Capital Outlays	22%	-4
Plans to Increase Inventories	4%	-1
Expect Economy to Improve	-16%	-24
Expect Real Sales Higher	-4%	-14
Current Inventory	7%	2
Current Job Openings	32%	-2
Expected Credit Conditions	-5%	-2
Now a Good Time to Expand	8%	-4
Earnings Trends	-14%	-7

NFIB NFIB.com/sboi

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 1/12/21

Return to TOC

Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

Increase in COVID-19 Cases Spur Decline in Small Business Jobs and Wage Growth

The report by Paychex and IHS Markit indicates the South leads all regions in employment growth and shows continued strength for jobs and wage growth in the construction industry

“The latest Paychex | IHS Markit Small Business Employment Watch benchmark report reveals the effect of increasing COVID-19 cases on small businesses in the U.S. The Jobs Index shows a slowing of 0.24 percent in December to 94.06, a decrease of 4.18 percent from the year prior. A decline in weekly hours worked and hourly earnings growth decelerating to 2.63 percent brought national weekly earnings growth to 2.42 percent.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

“The winter season brought a surge in COVID-19 cases and with it a retreat in jobs growth.” – James Diffley, Chief Regional Economis, IHS Markit

“The new pandemic stimulus package has come at the right time for business owners. COVID-19 cases continue to grow and many state and local restrictions remain in place, limiting business activity in some communities. The second round of Paycheck Protection Program loans, simplified forgiveness for new and existing PPP loans, and an extension and expansion of the Employee Retention Tax Credit are all significant measures to help businesses weather the months ahead.” – Martin Mucci, President and CEO, Paychex

Source: https://www.paychex.com/employment-watch; 1/8/21

Return to TOC

Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

"In further detail, the December report showed:

- The South was the only region to improve job growth in December (up 0.04 percent).
- Florida regained its position as the top-ranked state, up 0.28 percent with an index of 97.00.
- Tennessee improved 0.76 percent in December and is up 1.01 percent during the past quarter, best among states.
- Houston and Dallas have the best three-month employment growth rates among metros.
- Construction leads the industry jobs index for the eighth consecutive month.
- Financial activities has the best weekly hours worked growth among sectors." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 1/8/21

Return to TOC

Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

November Jobs Index	November Wage Data
Index	Hourly Earnings
94.29	$28.26
12-Month Change	12-Month Growth
-3.89%	+2.76% (+$0.76)

Source: Paychex | IHS Markit Small Business Employment Watch

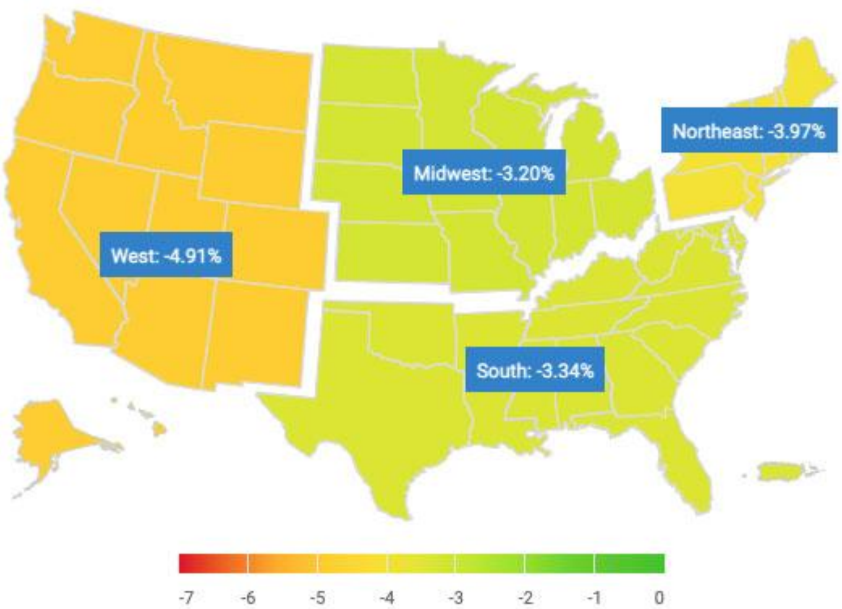
Source: https://www.paychex.com/employment-watch; 1/8/21

Return to TOC

Private Indicators

The Paychex | IHS Markit Regional Jobs Index

Regional Performance



Region	Index	Change
Midwest	94.62	-3.20%
Northeast	93.79	-3.97%
South	95.62	-3.34%
West	93.28	-4.91%

Change 12-Month

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 1/8/21

Return to TOC

Demographics

Zillow

After Years of Decline, Household Formation Rates Were Improving Pre-Pandemic. Now What?

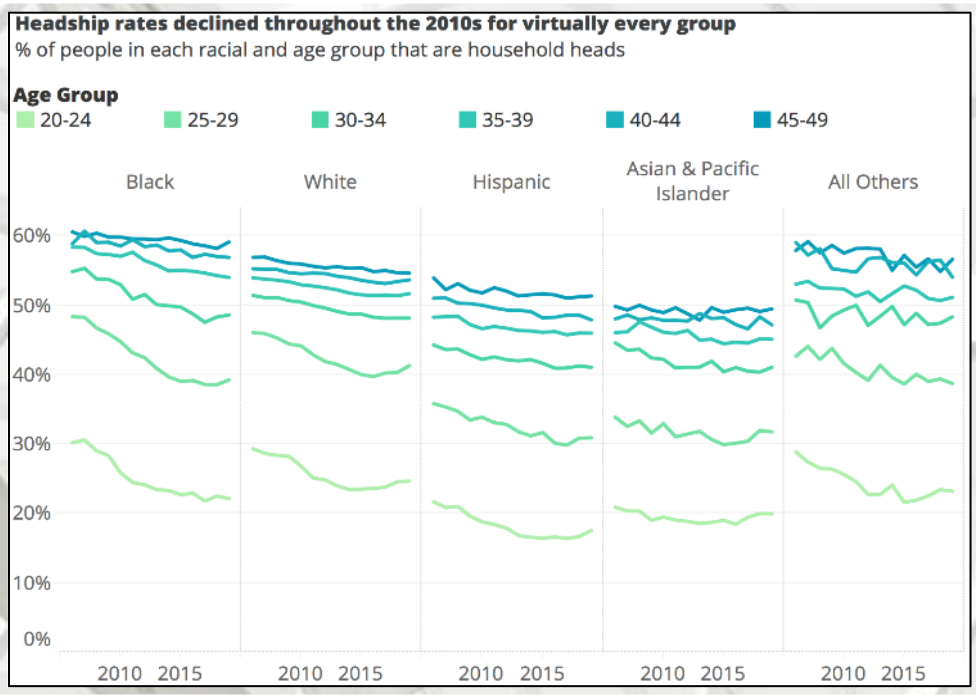
- Americans of every age group and ethnicity are forming households at lower rates than before the Great Recession.
- The trend of fewer households began to reverse in 2018 and 2019.
- There would be 5.7 million more households if today's demographic groups formed households at the same rate they did in 2006.
- The group with the largest number of missing households relative to 2006 is white 25- to 29-year-olds, whose headship rate dropped from 46.1% to 41.3%. The groups with the largest fall since 2006 in the ability or tendency to form households are Black 25-to-29-year-olds, whose headship rate fell from 48.4% to 39.3%.
- Even at today's lower headship rates, there will be 6.4 million more households in 2025, because so many millennials are aging into their late 30s.

"There would be some 5.7 million additional households today if Americans formed households at the same rate they did in 2006, a testament to widespread difficulties in securing affordable, accessible housing over the past decade-plus but also a potential indicator of enduring housing demand to come." – Jeff Tucker, Analyst, Economic Research, Zillow

Source: https://www.zillow.com/research/household-formation-pandemic-2020-28431/; 12/1/20

Return to TOC

Demographics



Zillow

After Years of Decline, Household Formation Rates Were Improving Pre-Pandemic. Now What?

"Home values nationwide plummeted between 2007 and 2013, taking the U.S. economy with them, but have since come roaring back over the better part of the last decade as the economy gradually recovered from the Great Recession. But this recent years-long housing recovery was missing an accompanying recovery in newly formed households, with the number of households headed by almost every demographic group steadily declining. That decline finally showed signs of leveling off and reversing by 2019, on the eve of the pandemic, but that progress may prove delicate and could delay millions of Americans from striking out and making a home of their own into the next several years." – Jeff Tucker, Analyst, Economic Research, Zillow

Source: https://www.zillow.com/research/household-formation-pandemic-2020-28431/; 12/1/20

Return to TOC

Demographics

Zillow

After Years of Decline, Household Formation Rates Were Improving Pre-Pandemic. Now What?

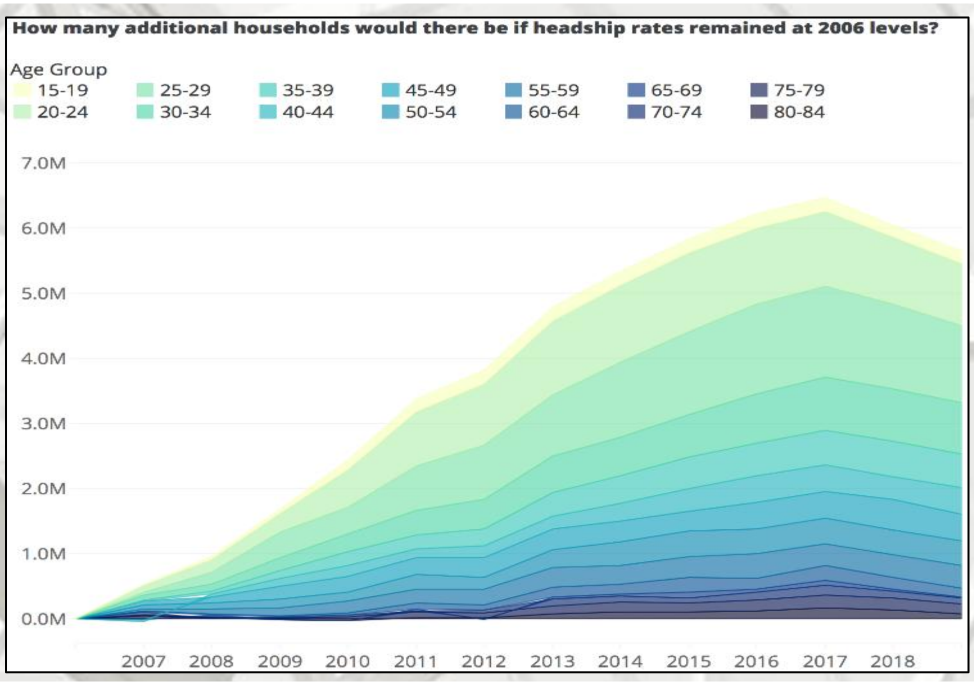
"The simplest explanation for why household formation fell much more quickly over the past decade or so is that for much of that time, Americans faced a handful of unique financial challenges. First, massive amounts of savings and equity were lost in the 2008 financial collapse and subsequent foreclosure crisis, impacting the ability of both older generations to retire and younger ones to shield their children from substantial college debt. At the same time, job opportunities and incomes fell precipitously from 2007-2011, which has long-lasting effects on individuals' ability and confidence to start a new household. And finally, at points during the recovery (notably from 2015-2017), rapid growth in home prices widely outpaced income growth over the same period, making it difficult to save for a down payment or the often substantial upfront costs of renting. Either way, would-be household heads of virtually all ages remained entangled with other family or roommates instead of creating a household of their own.

By 2018 and 2019, the broadening economic expansion seemingly began to finally outweigh these effects, with most demographic groups – especially twenty- and thirty-somethings – beginning to get their own homes at higher rates closer to historic norms. But even after the turnaround of the past two years, young Americans especially remain much less likely than prior generations to have a place of their own. The effect is most dramatic for 20-to-34-year-olds: Only 35% of this group were household heads in 2019, down from 39.2% in 2006. In other words, only 22.72 million of the 64.5 million total individuals in this group succeeded in becoming heads of their own household. " – Jeff Tucker, Analyst, Economic Research, Zillow

Source: https://www.zillow.com/research/household-formation-pandemic-2020-28431/; 12/1/20

Return to TOC

Demographics



Zillow

"If this age group had succeeded in creating newly headed households at the same rate as people their age did in 2006, there would be 12% more, or an additional 2,817,000, households on top of that 22.7 million – bringing the total number of 20-to-34-year-old householders to 26 million. To put that in perspective, that "shortfall" of 2.8 million households is more than twice the number of new homes built in the United States in 2019, when 1,386,000 new homes were completed.

Despite the fall in the rate of new household formation, the housing market has still seen significant gains in the number of households, and will soon see even more, largely because of the size of the maturing Millennial generation. Even at 2019's low age-specific headship rates, the surge of Millennials moving from their low-headship 20s into higher-headship 30s will mean 6.4 million more households by 2025, an increase from 130.5 million to 137 million, using Census population projections." – Jeff Tucker, Analyst, Economic Research, Zillow

Source: https://www.zillow.com/research/household-formation-pandemic-2020-28431/; 12/1/20

Return to TOC

Demographics

Zillow

After Years of Decline, Household Formation Rates Were Improving Pre-Pandemic. Now What?

A Symptom of Slow Building, Eroding Affordability

"That the decline in headship rates is so widespread across virtually all groups is a central signal that the housing market is struggling to provide enough afford able homes for all. If the decline in headship was largely limited to just those in their early 20s, that might be explained in part by more people in this group choosing to pursue higher education. But the decline in headship also happened for Americans in their 30s, 40s, and 50s. And within age groups, it is not explained by a changing composition as the population grows more diverse.

The narrative that younger generations are and will be delayed in life's major events includes the assumption that they will eventually catch up, ultimately hitting the same milestones as previous generations. But the ever-falling headship rate across all ages changes that narrative, and signals that many more may never hit those milestones, that housing fundamentals have changed and that household formation and home ownership are more difficult. The Great Recession and financial collapse that cost U.S. home owners roughly $6 trillion in home equity wealth simply sped up the process." – Jeff Tucker, Analyst, Economic Research, Zillow

Source: https://www.zillow.com/research/household-formation-pandemic-2020-28431/; 12/1/20

Return to TOC

Demographics

Zillow

Want More Households? Build More Homes

"Home building collapsed during the Great Recession and remained at depressed levels for several years. More new homes were completed in 2019 than in any other year of the past decade, and still there were far fewer homes built last year than in any other non-recession year in the postwar era. Particularly when adjusting for population size, which is key for predicting household formation, we are now building only about 2.6 single-family homes per 1,000 Americans, compared to a historical average of almost **four**. Some of the challenges holding back new construction include a shortage of buildable land and the financing to acquire it; shortages of labor, as job openings for construction workers remain unfilled; and onerous permitting processes that add time and cost to the construction process.

On the eve of the pandemic, there were promising signs of a significant rise in new home construction, with new home starts exceeding 1.5 million (annualized) each month from December 2019 to February 2020. Those numbers came crashing down in March but builder confidence has come roaring back, and now October 2020 once again saw construction begin at an annualized pace above 1.5 million homes, suggesting a robust pipeline of expanded housing supply in the near future.

New households are formed by both renters and home buyers, but the first-time home purchase in particular has gotten harder as saving for a down payment in an environment in which home price growth rapidly outpaces income growth gets increasingly difficult. Higher student debt loads and rising rent burdens contribute to savings difficulties. But even if first-time buyers managed to save the same share of their income as their parents' generation, thanks to rapidly rising home prices and the steady increase in price-income ratios, it would still take them years longer to save an adequate amount." – Jeff Tucker, Analyst, Economic Research, Zillow

Source: https://www.zillow.com/research/household-formation-pandemic-2020-28431/; 12/1/20

Return to TOC

Demographics

Zillow

After Years of Decline, Household Formation Rates Were Improving Pre-Pandemic. Now What?

Turnaround, interrupted?

"Despite the difficulties, progress was being made. Among 25-to-29-year-olds (the age range with the largest shortfall in households in 2017 relative to 2006 rates), the headship rate rose from a low of 37.1% in 2016 to 38.1% in 2019. And the increase was fairly uniform across race: The headship rate for white, Black, Hispanic, and Asian Americans & Pacific Islanders in this age range rose by 1.1, 0.7, 1.0, and 1.3 percentage points, respectively. This suggests that when America experiences a long-enough economic expansion – like the record-long period of growth that ended abruptly in March – then the economic freedom to set out and head a household at 2006 levels may just be within reach.

If and when the economy begins recovering again once the pandemic has passed, it may very well be that the best outcome will show that the decline in headship was only temporary and that demand for homes that may have been satisfied this year will simply be pushed into next year and beyond. Even so, in only a few short months, the pandemic has proven how delicate progress can be. Millions of young adults moved back in with their parents in the early months of the outbreak, and while recent data suggest about half of them have already moved back out, big unanswered questions remain.

Will the rest of Gen Z be able to keep setting out on their own, or remain set-back for years to come like Millennials were in the wake of the Great Recession?" – Jeff Tucker, Analyst, Economic Research, Zillow

Source: https://www.zillow.com/research/household-formation-pandemic-2020-28431/; 12/1/20

Return to TOC

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