

# **The Virginia Tech–USDA Forest Service Housing Commentary: Section II May 2021**



## **Delton Alderman**

Statistics, Economics, and  
Life Cycle Analysis Research Unit

Forest Products Laboratory



USDA Forest Service

Madison, WI

304.431.2734

[Delton.R.Alderman@usda.gov](mailto:Delton.R.Alderman@usda.gov)



## **Urs Buehlmann**

Department of Sustainable Biomaterials

College of Natural Resources &  
Environment

Virginia Tech

Blacksburg, VA

540.231.9759

[buehlmann@gmail.com](mailto:buehlmann@gmail.com)

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Virginia Polytechnic Institute and State University

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# Table of Contents

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

Slide 43: [Private Indicators](#)

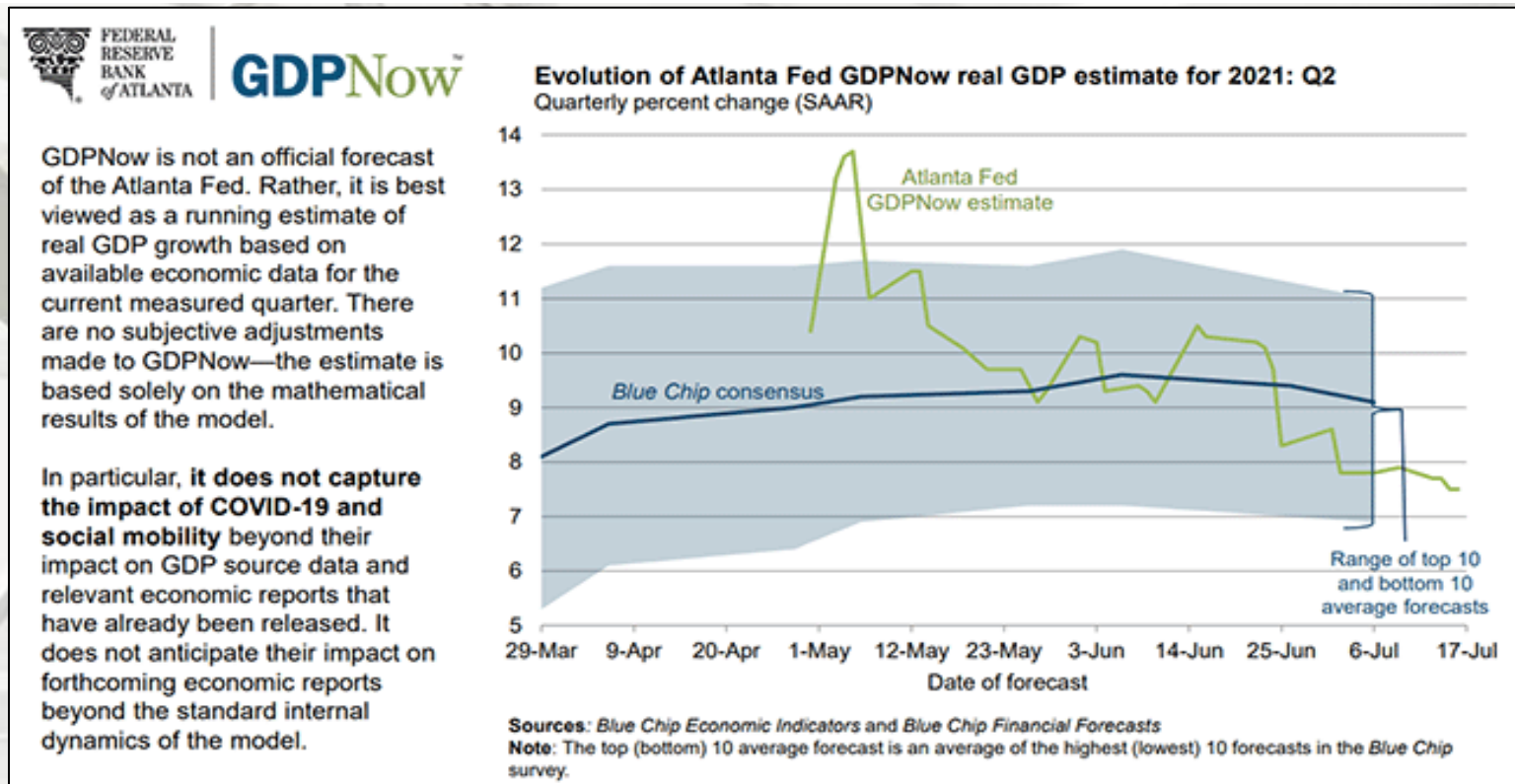
Slide 93: [Demographics](#)

Slide 100: [Economics](#)

Slide 108: [Virginia Tech Disclaimer](#)

Slide 109: [USDA Disclaimer](#)

# U.S. Economic Indicators



## Atlanta Fed GDPNow™

**Latest estimate: 7.5 percent — July 16, 2021**

“The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2021 is **7.5 percent** on July 16, down from 7.9 percent on July 9. After this week’s releases from the U.S. Bureau of Labor Statistics, the U.S. Department of the Treasury’s Bureau of the Fiscal Service, the U.S. Census Bureau, and the Federal Reserve Board of Governors, the nowcasts of second-quarter real gross private domestic investment growth and second-quarter real government spending growth decreased from 5.1 percent and 5.4 percent, respectively, to 3.7 percent and 4.7 percent, respectively.” – Pat Higgins, Economist, Federal Reserve Bank of Atlanta



# The Federal Reserve Bank of Chicago: Midwest Economy Index (MEI)

## Index Points to Little Change in Midwest Growth Through May

**Note: The MEI will be discontinued following this June 30, 2021 release.  
For further details, go to [chicagofed.org/mei](https://chicagofed.org/mei).**

“The Midwest Economy Index (MEI), which approximates quarterly growth at a monthly frequency, moved up to +0.69 in May from +0.63 in April. Contributions to the May MEI from three of the four broad sectors of nonfarm business activity and two of the five Seventh Federal Reserve District states increased from April. The relative MEI increased to +0.79 in May from +0.47 in April. Contributions to the May relative MEI from two of the four sectors and four of the five states increased from April.

The manufacturing sector’s contribution to the MEI moved up to +0.44 in May from +0.39 in April. The pace of manufacturing activity increased in Illinois and Wisconsin, but decreased in Iowa and was unchanged in Indiana and Michigan. Manufacturing’s contribution to the relative MEI increased to +0.80 in May from +0.60 in April.

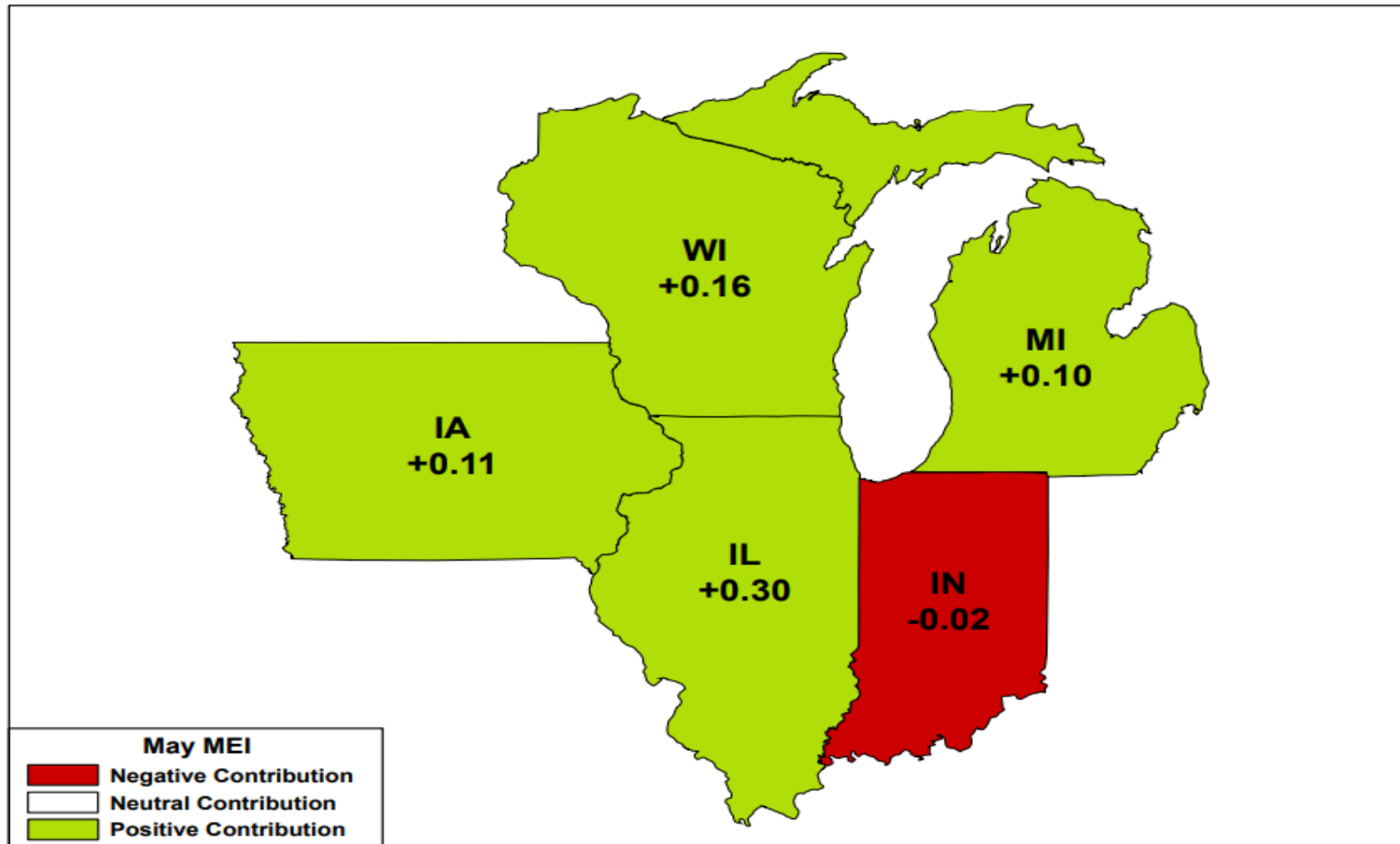
The construction and mining sector contributed +0.04 to the MEI in May, up slightly from –0.02 in April. The pace of construction and mining activity was faster in Illinois, Indiana, Iowa, and Wisconsin, but unchanged in Michigan. Construction and mining’s contribution to the relative MEI increased to a neutral value in May from –0.14 in April.

The service sector’s contribution to the MEI moved down to +0.10 in May from +0.17 in April. The pace of service sector activity was down in Illinois, Indiana, Michigan, and Wisconsin, but unchanged in Iowa. The service sector’s contribution to the relative MEI ticked down to –0.13 in May from –0.12 in April.

The contribution from consumer spending indicators to the MEI edged up to +0.11 in May from +0.09 in April. Consumer spending indicators were, on balance, up in Illinois, but down in Indiana, Michigan, and Wisconsin and steady in Iowa. Consumer spending’s contribution to the relative MEI edged down to +0.12 in May from +0.14 in April.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

# The Federal Reserve Bank of Chicago: Midwest Economy Index (MEI)

## *MEI and the Seventh Federal Reserve District States*



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).

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

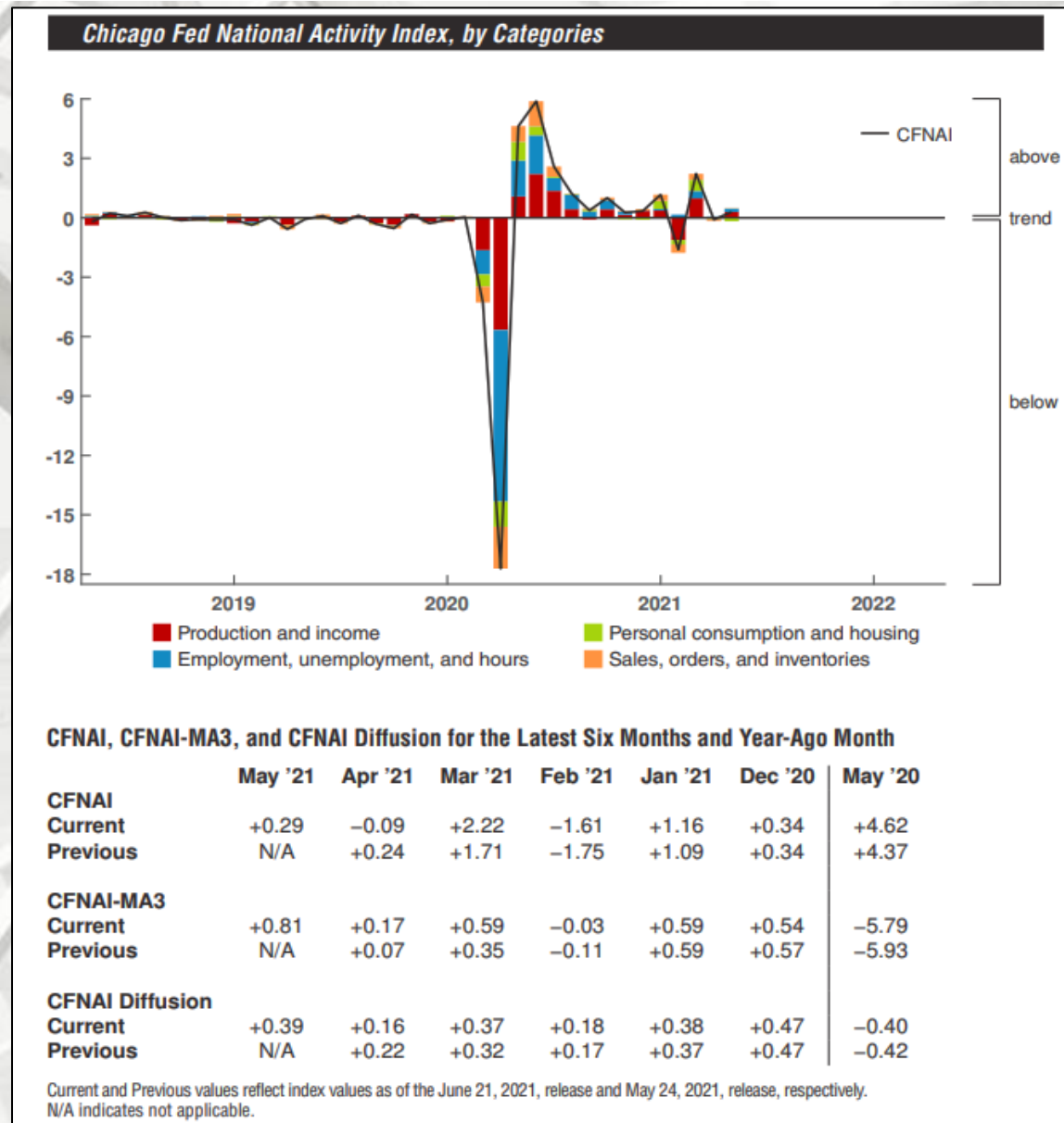
## **Index Points to a Pickup in Economic Growth in May**

“Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) increased to +0.29 in May from –0.09 in April. Three of the four broad categories of indicators used to construct the index made positive contributions in May, and three categories improved from April. The index’s three-month moving average, CFNAI-MA3, rose to +0.81 in May from +0.17 in April.

The CFNAI Diffusion Index, which is also a three-month moving average, moved up to +0.39 in May from +0.16 in April. Fifty-five of the 85 individual indicators made positive contributions to the CFNAI in May, while 30 made negative contributions. Fifty-seven indicators improved from April to May, while 27 indicators deteriorated and one was unchanged. Of the indicators that improved, 15 made negative contributions. The CFNAI was constructed using data available as of June 17, 2021. At that time, May data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The April monthly index value was revised to –0.09 from an initial estimate of +0.24, and the March monthly index value was revised to +2.22 from last month’s estimate of +1.71.

Production-related indicators contributed +0.29 to the CFNAI in May, up from –0.05 in April. Industrial production rose 0.8 percent in May after moving up 0.1 percent in April. The contribution of the sales, orders, and inventories category to the CFNAI increased to +0.02 in May from –0.06 in April. The personal consumption and housing category contributed –0.18 to the CFNAI in May, down from –0.04 in April. The personal consumption indicators in this category broadly deteriorated, while the housing indicators generally improved from April. The contribution of the employment, unemployment, and hours category to the CFNAI increased to +0.16 in May from +0.06 in April. Nonfarm payrolls rose by 559,000 in May after increasing by 278,000 in April, and the unemployment rate decreased by 0.3 percentage points in May.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

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





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

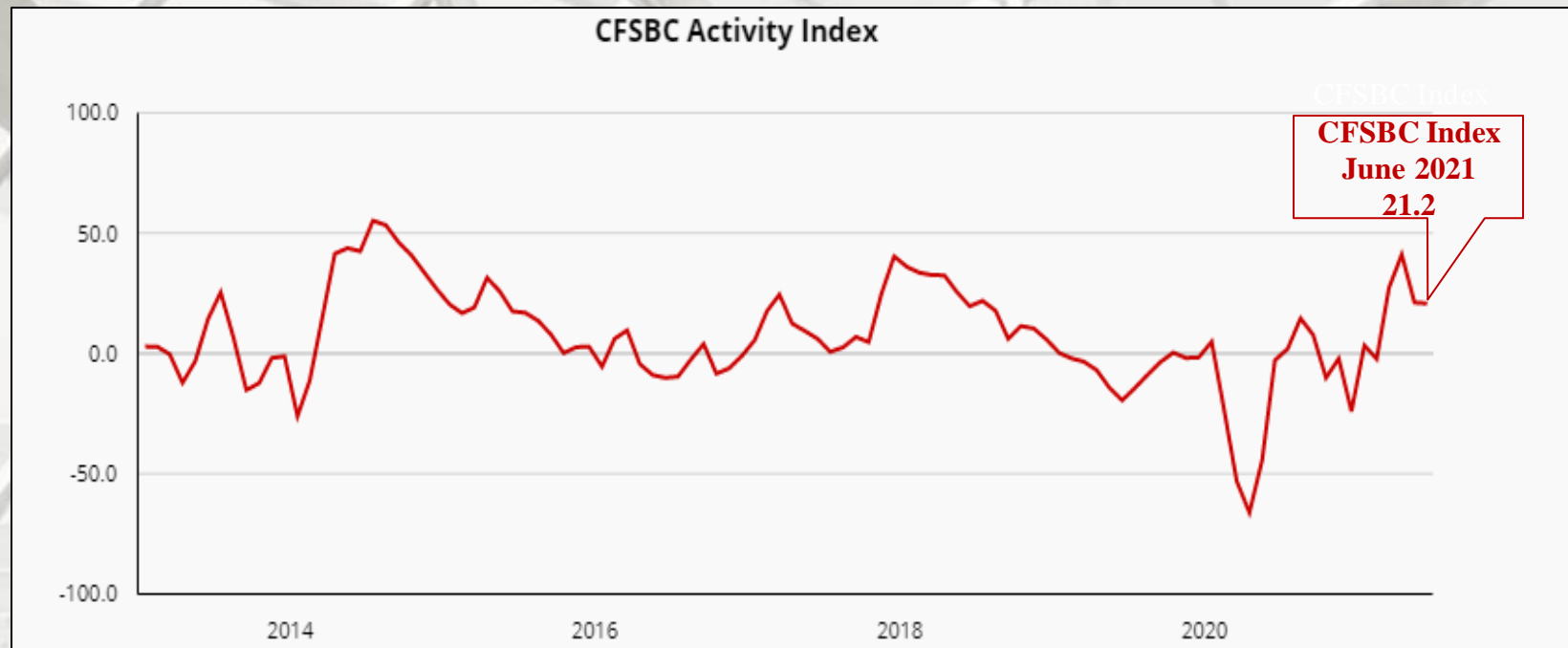
## Survey Suggests Steady Growth in June

“The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index ticked down to +21 in June from +22 in May, suggesting that economic growth was above trend. The CFSBC Manufacturing Activity Index decreased to +8 in June from +25 in May, but the CFSBC Nonmanufacturing Activity Index increased to +31 in June from +21 in the previous month.

- Respondents’ outlooks for the U.S. economy for the next 12 months deteriorated, but remained optimistic on balance. Seventy-nine percent of respondents expected an increase in economic activity over the next 12 months.
- The pace of current hiring increased, but respondents’ expectations for the pace of hiring over the next 12 months decreased. Both hiring indexes remained positive.
- Respondents’ expectations for the pace of capital spending over the next 12 months decreased, but the capital spending expectations index remained positive.
- The labor cost pressures index increased, but the nonlabor cost pressures index decreased. Both cost pressures indexes remained positive.” – Thomas Walstrum, Senior Business Economist, The Federal Reserve Bank of Chicago



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



# **The Federal Reserve Bank of Dallas**

## **Expansion in Texas Manufacturing Picks Up, Costs Soar**

“Texas factory activity expanded at a faster pace in June, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, rose 14 points to 29.4, a reading indicative of strong output growth. Other measures of manufacturing activity also pointed to accelerated growth this month.

The new orders index came in at 26.7, up from 20.8 in May and quadruple the series average of 6.4. Similarly, the growth rate of orders index reached 23.4, up from 19.5. The capacity utilization index rose seven points to 30.6, and the shipments index shot up 14 points to 31.8.

Perceptions of broader business conditions improved markedly in June. The general business activity index came in at 31.1, down slightly from its May reading but notably higher than its series average of 2.8 and indicative of greater activity. The company outlook index moved up six points to 27.5, a reading also well above the series average. The outlook uncertainty index inched up to 17.6, indicating a further rise in uncertainty.

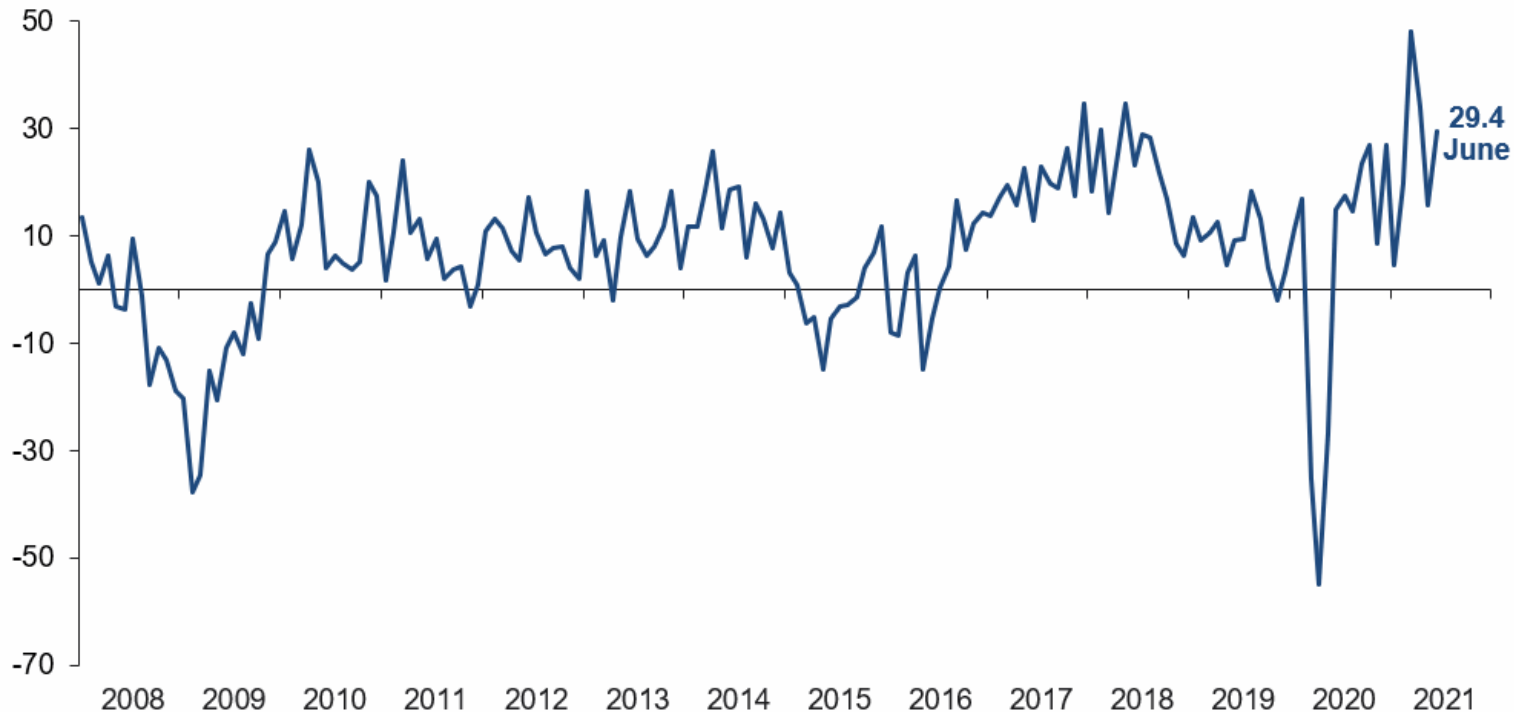
Labor market measures indicate robust growth in employment and work hours. The employment index held steady at a highly elevated 22.9. Thirty-two percent of firms noted net hiring, while 9 percent noted net layoffs. The hours worked index also held fairly steady at 23.8.

Price and wage pressures accelerated further in June. The raw materials prices index inched up to 80.8, an all-time high. The finished goods prices index also pushed to new heights, coming in at 42.8. Similarly, the wages and benefits index set another record high of 48.1, up nine points from its May reading.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

# The Federal Reserve Bank of Dallas

## Texas Manufacturing Outlook Survey Production Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

## Texas Manufacturing Expansion Moderates

“Expectations regarding future manufacturing activity pushed higher in June. The future production index rose nine points to 56.6, and the future general business activity index rose six points to 37.3. Other measures of future manufacturing activity also pushed further into positive territory.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas



# The Federal Reserve Bank of Dallas

## Texas Service Sector Outlook Survey

### Texas Service Sector Growth Moderates

“The pace of growth in the Texas service sector slowed in June, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, declined from 23.9 in May to 16.7 in June.

Labor market indicators suggest continued growth in employment and hours worked in June. The employment index slipped two points to 11.1, while the part-time employment index was roughly unchanged at 5.4. The hours worked index was also steady at 10.8, with about 15 percent of respondents noting increased hours, compared with about 4 percent reporting decreased hours.

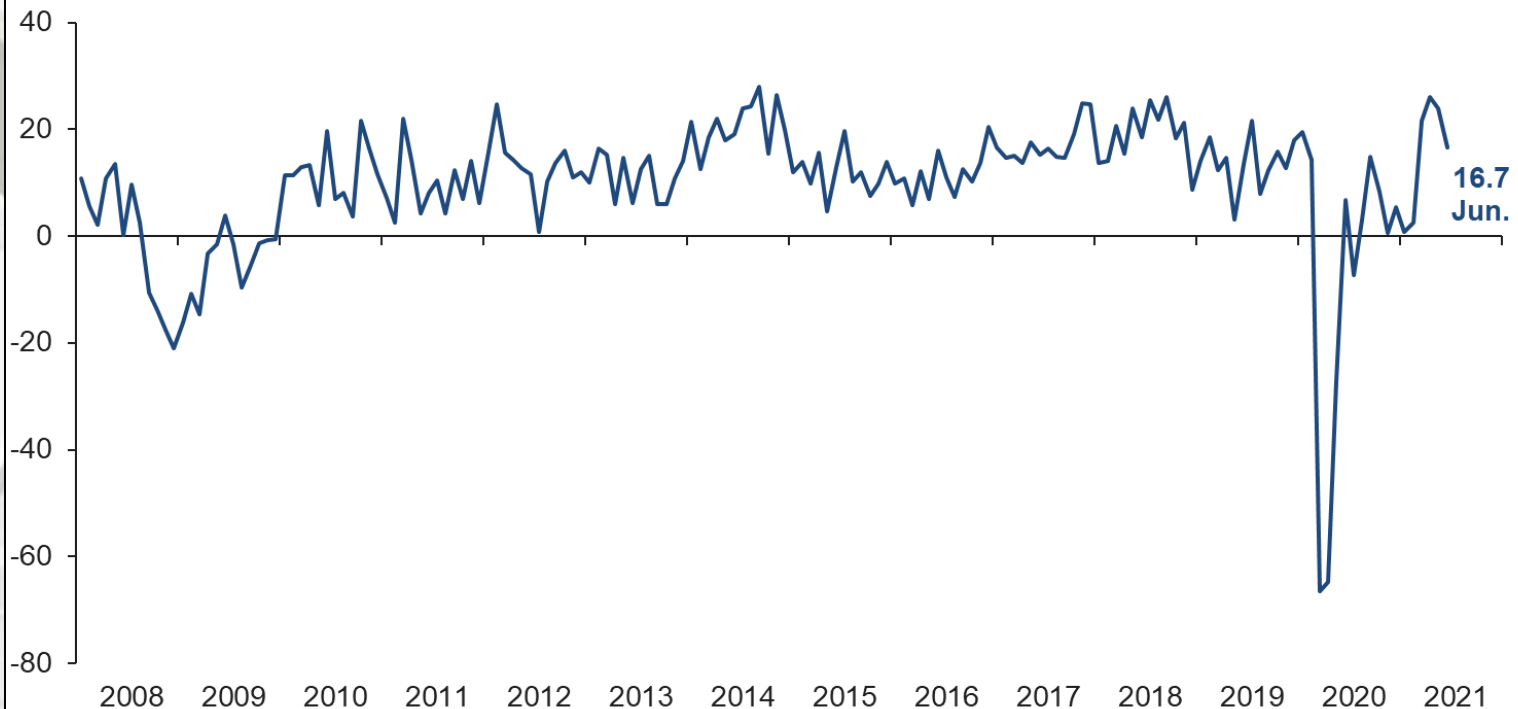
Perceptions of broader business conditions remained positive, though slightly less optimistic than in May. The general business activity index fell four points from a record high to 36.2. The company outlook index fell from 26.0 to 21.7, though nearly 30 percent of respondents reported improved outlooks compared with last month. The capital expenditures index slipped nearly two points to 15.3, while the outlook uncertainty index rose nearly seven points to 1.5 after three consecutive months of negative readings.

Price and wage pressures further accelerated in June. The wages and benefits index rose from 26.9 to a record high of 31.4, with more than one-third of contacts increasing wages compared with May. The selling prices index increased five points to 28.6, a new all-time high, while the input prices index inched up one point to 44.9 – its highest reading since 2008.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

# The Federal Reserve Bank of Dallas

## Texas Service Sector Outlook Survey Revenue Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

## Texas Service Sector Outlook Survey

Respondents' expectations regarding future business activity continued to reflect optimism going into the second half of the year. The future general business activity index fell from last month's record reading of 48.2 to 43.0 in June, while the future revenue index shed four points to 54.5. Other future service sector activity indexes such as employment and capital expenditures dipped slightly but remained firmly positive." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

# **The Federal Reserve Bank of Dallas**

## **Texas Retail Sales Decline in May**

“Retail sales activity fell for a second consecutive month in June, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, increased one point but remained negative at -5.3 in June. Inventories continued to decline, with the inventories index falling to an 11-month low of -17.1.

Retail labor market indicators weakened in June, with employment flattening out and shortened average workweek length. The employment index plunged eight points to 0.9, suggesting little net change in employment compared with May. The hours worked index fell into negative territory for the first time since Winter Storm Uri, declining from 0.2 to -6.7.

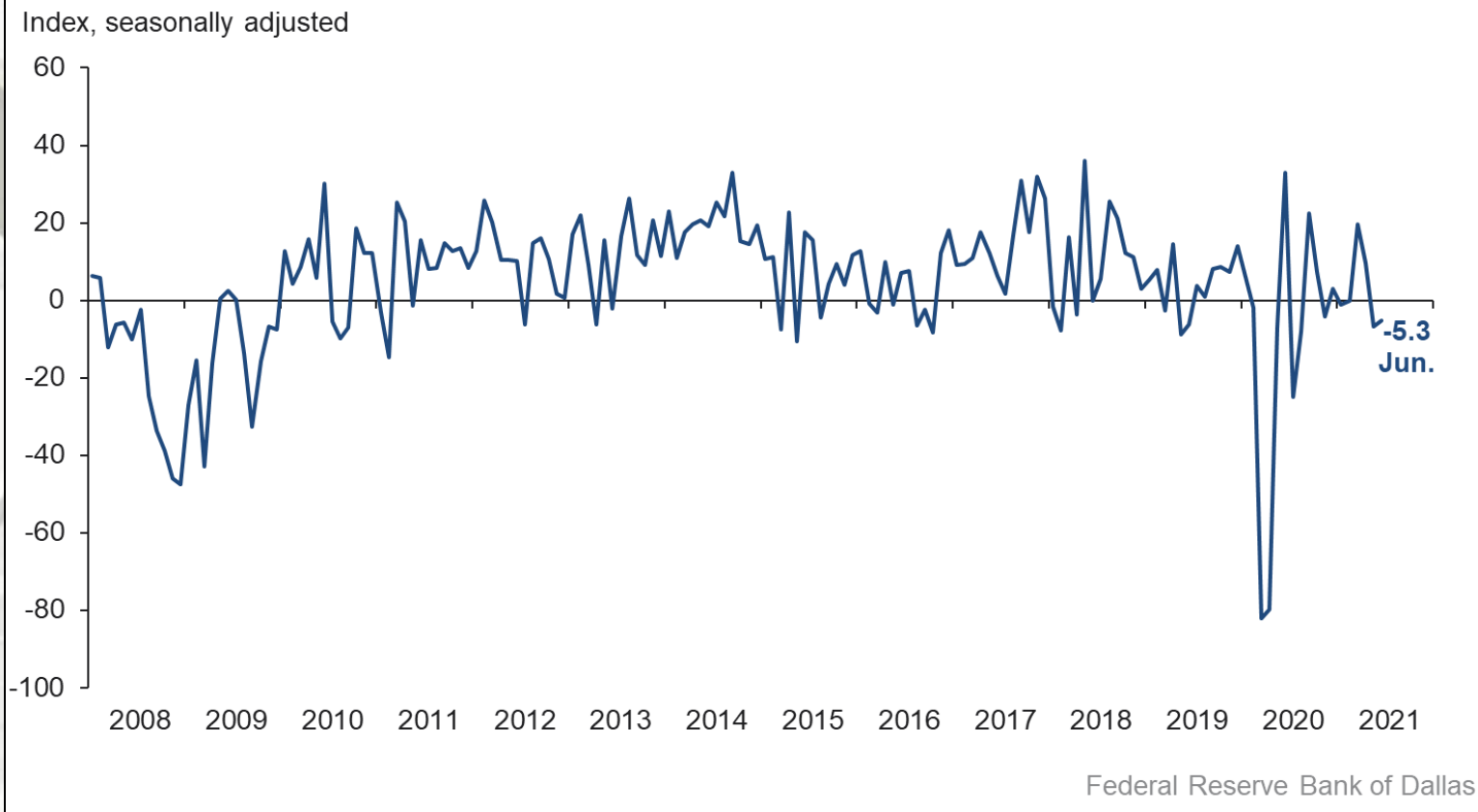
Retailers’ perceptions of broader business conditions remained generally positive, though somewhat mixed compared with last month. The general business activity index rose from 26.7 to 30.9, with the share of firms reporting worsening activity falling from 12.2 percent in May to 6.2 percent in June. The company outlook index declined nearly seven points to 5.6, while the outlook uncertainty index surged from -18.8 to 8.7, suggesting a notable increase in retailer uncertainty.

Retailers saw continued increases in price and wage pressures in June. The selling prices index surged over 11 points to 57.4, with over 60 percent of firms reporting increased prices compared with the previous month. The input prices index increased nearly seven points to 59.2, a record high in the survey, while the wages and benefits index rose from 15.4 to 20.2.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas



# The Federal Reserve Bank of Dallas

## Texas Retail Outlook Survey Sales Index



## Texas Retail Sales Decline in May

“Retailers remained optimistic in June regarding activity in the second half of 2021. The future general business activity index inched up from 36.0 to 37.8, while the future sales index rose from 57.7 to 61.2. Other indexes of future retail activity such as employment remained in firmly positive territory as well.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

# **U.S. Economic Indicators**

## **The Federal Reserve Bank of Kansas City**

### **Tenth District Manufacturing Activity Remained Strong**

Tenth District manufacturing activity remained strong, and expectations for future activity increased to a survey record high.

#### **Factory Activity Remained Strong**

“Tenth District manufacturing activity remained strong, and expectations for future activity increased to a survey record high (Chart 1). The index of prices paid for raw materials and prices received for finished goods compared with a month ago remained very high. Price indexes vs. a year ago posted record highs again in June. Moving forward, district firms expected materials prices and finished goods prices to continue to increase over the next six months.

The month-over-month composite index was 27 in June, similar to 26 in May, and slightly below 31 in April. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The growth in district manufacturing activity continued to be driven by durable goods plants, in particular primary and fabricated metals, machinery, computer and electronic products, furniture, and transportation equipment manufacturing. The month-over-month indexes for order backlog and employees grew modestly, and supplier delivery time increased. On the other hand, month-over-month indexes for production and shipments slowed slightly from record levels a few months ago. Year-over-year factory indexes expanded steadily in June, and the year-over-year composite index remained at 43. The future composite index increased from 33 to 37 in June, a new survey record high, as new orders and supplier delivery time rose.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

# **U.S. Economic Indicators**

## **The Federal Reserve Bank of Kansas City**

### **Factory Activity Remained Strong**

#### **Special questions**

This month contacts were asked special questions about capital spending. Around 47% of firms indicated capital spending plans for 2021 are higher than pre-COVID (2019) levels, with another 33% indicating 2021 capital spending levels are similar to 2019. However, 19% of contacts reported capital spending plans for 2021 were lower than pre-COVID levels. Manufacturers reported that stronger demand and growth were primary factors supporting business investment and capital spending for the remainder of 2021. On the other hand, manufacturers also reported the lack of availability of parts and employees were primary factors restraining business investment and capital spending for the rest of 2021. Because of labor shortages, 41% of firms reported investing or plans to invest in labor-saving automation strategies at a faster pace than in the past. Another 17% of contacts planned to invest in labor-saving automation strategies similar to the past, and 8% were investing at a slower pace than in the past while 33% reported they have not invested in labor-saving technology.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City



# The Federal Reserve Bank of Kansas City



# U.S. Economic Indicators

## The Federal Reserve Bank of Kansas City

### Tenth District Services Activity Grew at a Slower Pace

*Tenth District services activity grew at a slower pace in June, while future activity was expected to increase further over the next six months.*

#### Business Activity Grew at a Slower Pace

“Tenth District services activity grew at a slower pace in June, while future activity was expected to increase further over the next six months (Chart 1). Indexes for input prices and selling prices continued to set survey record highs in June, with more firms indicating price increases from a month ago and a year ago (highest postings since survey inception in 2014). Additionally, firms expected input and selling prices to rise over the next six months.

The month-over-month services composite index was 8 in June, moderately lower than 18 in May, and 20 in April. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were mostly positive in June, indicating some expansion. The general revenue and sales index growth eased, driven by less real estate, auto, and transportation activity, while retail and tourism activity picked up. The index for wages and benefits rose at a faster rate in June while inventory levels declined from a month ago. Year-over-year indexes remained solid, and the year-over-year composite index changed from 28 to 27. Expectations for future services activity rose to the highest level since early 2018, with the future composite index jumping from 29 to 36” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

# U.S. Economic Indicators





# The Federal Reserve Bank of New York

## Empire State Manufacturing Survey

### Activity Expands For A Twelfth Consecutive Month

“Business activity continued to expand in New York State, though at a slower pace than last month, according to firms responding to the June 2021 *Empire State Manufacturing Survey*. The headline general business conditions index fell seven points to 17.4. New orders and shipments increased moderately, and there was a rise in unfilled orders. Delivery times lengthened at a record-setting pace, and inventories edged lower. Employment levels and the average workweek continued to grow modestly, and both input prices and selling prices continued to rise sharply. Looking ahead, firms remained optimistic that conditions would improve over the next six months, with the index for future employment reaching a record high.

Manufacturing activity grew solidly in New York State, according to the June survey, though at a slower pace than seen in the past few months. The general business conditions index moved down seven points to 17.4. Thirty-nine percent of respondents reported that conditions had improved over the month, while 21 percent reported that conditions had worsened. The new orders index fell thirteen points to 16.3, and the shipments index fell sixteen points to 14.2, pointing to ongoing gains in orders and shipments, though at a milder pace than last month. Unfilled orders were slightly higher. The delivery times index hit another record high, rising six points to 29.8, pointing to significantly longer delivery times. Inventories edged somewhat lower.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

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

## **Empire State Manufacturing Survey**

### **Price Indexes Down Just Slightly From Record Highs**

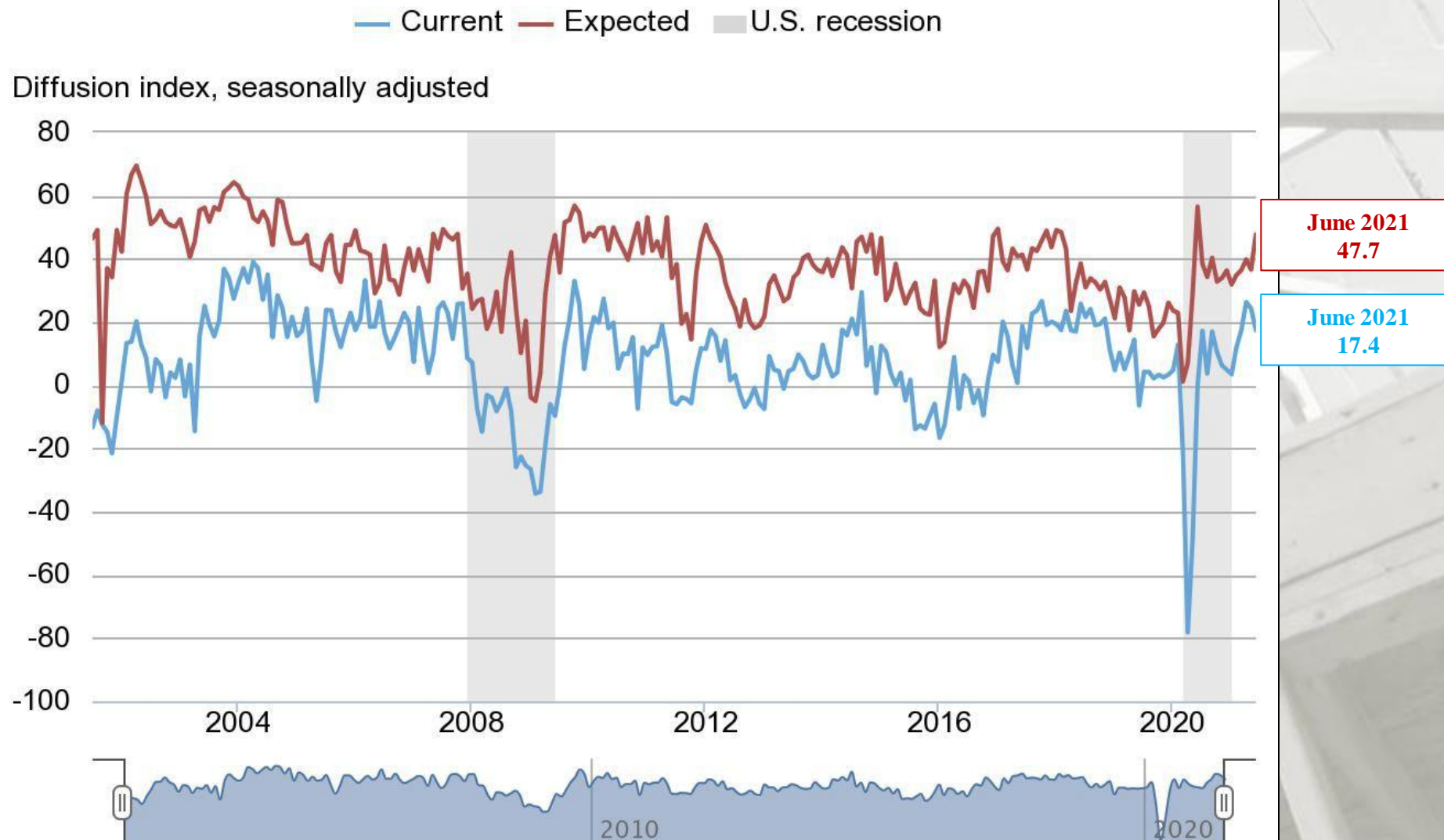
“The index for number of employees held steady at 12.3, and the average workweek index fell four points to 15.1, indicating ongoing modest gains in employment and hours worked. Both price indexes retreated only slightly from last month’s record highs, suggesting ongoing significant price increases: the prices paid index fell four points to 79.8, and the prices received index declined four points to 33.3.

### **Outlook Remains Highly Optimistic**

The index for future business conditions rose eleven points to 47.7, and the indexes for future new orders and shipments rose to similar levels, indicating that firms remained very optimistic about future conditions. The index for future employment rose to a record 41.7, with 45 percent of firms reporting that they expect to increase employment over the next six months. The indexes for future prices paid and future prices received remained elevated. The capital expenditures index fell seven points to 18.4, and the technology spending index fell seven points to 14.9, suggesting some slowing in capital spending and technology spending plans.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

# The Federal Reserve Bank of New York

## General Business Conditions



# The Federal Reserve Bank of New York

## Business Leaders Survey (Services)

### Activity Expands At Record-setting Pace

“Business activity grew at its fastest pace on record in the region’s service sector, according to firms responding to the Federal Reserve Bank of New York’s June 2021 *Business Leaders Survey*. The survey’s headline business activity index increased four points to 43.2. The business climate index rose ten points to 1.0, indicating that for the first time since the pandemic began, firms generally viewed the business climate as about normal for this time of year. Employment levels rose at a solid clip, and wages continued to increase. Both input and selling price increases picked up further. Capital spending held steady, and firms expect to increase capital spending significantly over the next six months. Looking ahead, firms expressed widespread optimism that conditions would improve, with the future business activity and future employment indexes just slightly below last month’s record highs.

Business activity in the region’s service sector increased substantially, according to the June survey. The headline business activity index rose four points to 43.2, breaking last month’s record high. Fifty-five percent of respondents reported that conditions improved over the month, while 12 percent said that conditions worsened. The business climate index rose ten points 1.0, indicating that on net, firms viewed the business climate as about normal, for the first time in well over a year.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York



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

## **Business Leaders Survey (Services)**

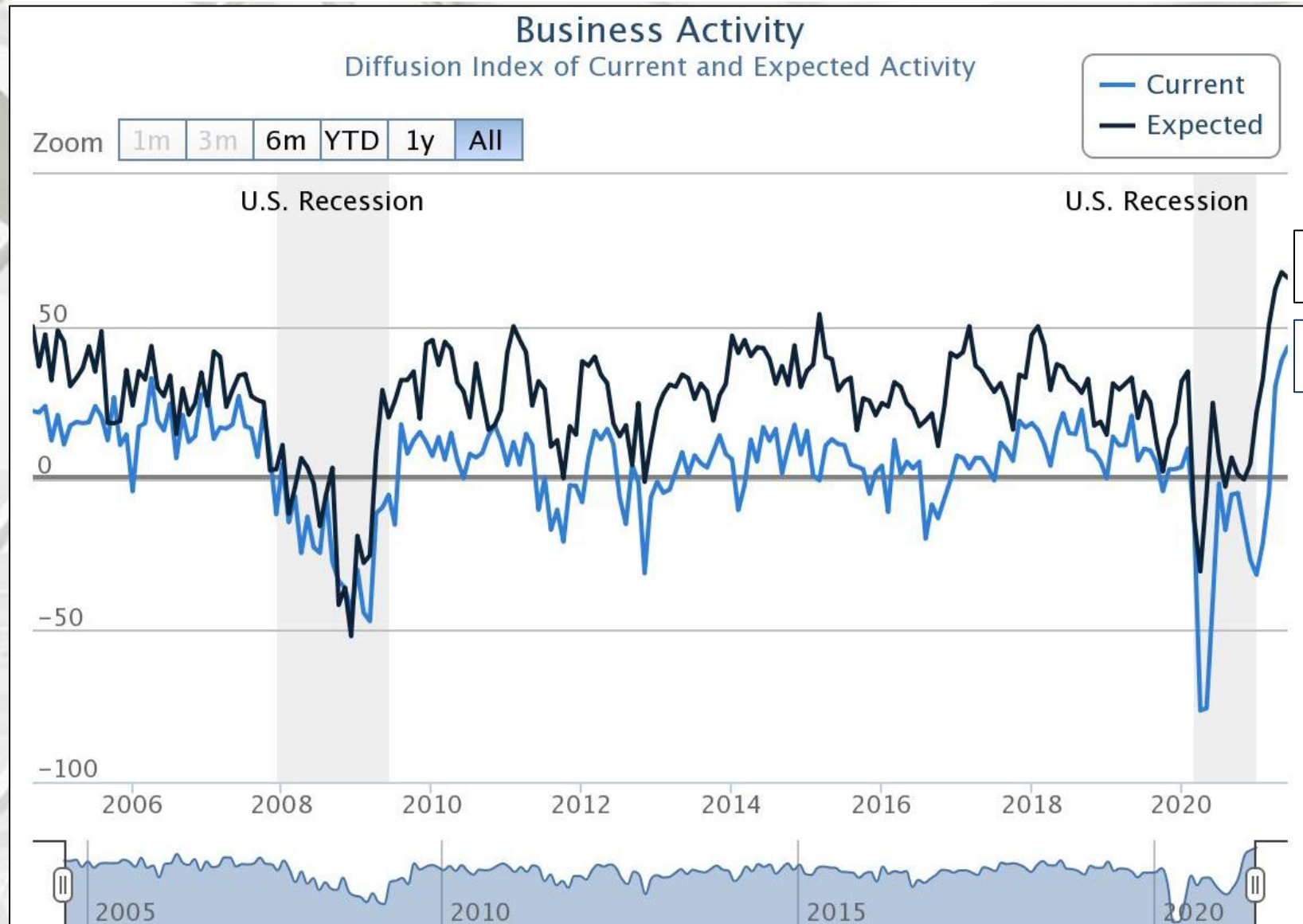
### **A Pickup In Employment**

“The employment index rose five points to 19.9, a multiyear high, pointing to a strong increase in employment levels. The wages index held steady at 38.2, signaling ongoing significant wage growth. Price indexes remained elevated: the prices paid index climbed nine points to 71.2, and the prices received index increased seven points to 25.8. The capital spending index moved up to 2.1, suggesting that capital spending was little changed.

### **Ongoing Widespread Optimism About Future Conditions**

At 66.0, the index for future business activity held near last month’s record high, pointing to widespread optimism about future conditions. The future business climate index was little changed at 57.6. The index for future employment was similar to last month’s record high. Wages and prices are expected to continue to rise significantly in the months ahead, and capital spending plans were the strongest in over two years.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

# The Federal Reserve Bank of New York



# U.S. Economic Indicators

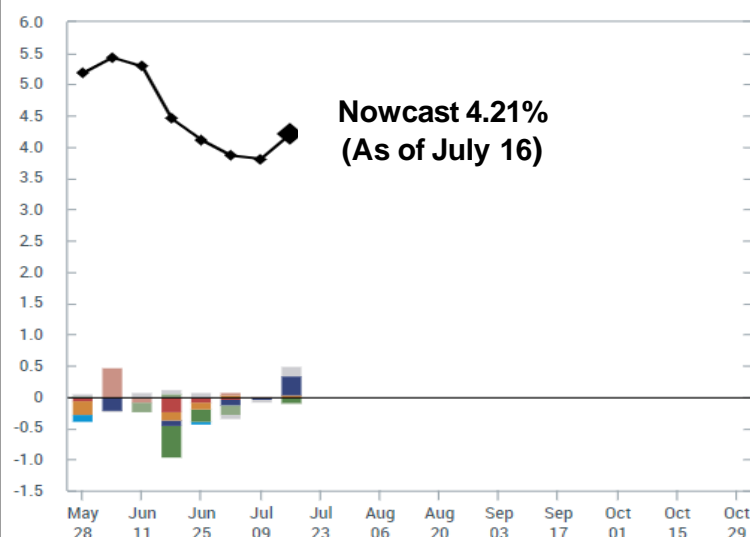
## The Federal Reserve Bank of New York Nowcast

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

Last Release 11:15am EST Jul 16, 2021

◆ The New York Fed Staff Nowcast ○ Advance GDP estimate □ Latest GDP estimate  
 ■ Housing and construction ■ Manufacturing ■ Surveys ■ Retail and consumption ■ Income ■ Labor ■ International trade ■ Others

Percent (annual rate)



### Data Flow (Jul 16, 2021)

Model Update	Release Date	Data Series	Actual	Impact	Nowcast GDP Growth
Jul 16					4.21
	8:30AM Jul 16	Retail sales and food services	0.55	-0.08	
	9:10AM Jul 15	Capacity utilization	0.3	0.03	
	9:10AM Jul 15	Industrial production index	0.44	0.01	
	8:30AM Jul 15	Philadelphia Fed Mfg. Business Outlook: Current activity	21.9	-0.04	
	8:30AM Jul 15	Empire State Mfg. Survey: General business conditions	43	0.35	
	8:30AM Jul 15	Export price index	1.15	0	
	8:30AM Jul 15	Import price index	0.98	-0.01	
	8:30AM Jul 14	PPI: Final demand	0.96	0.1	
	8:30AM Jul 13	CPI-U: All items less food and energy	0.88	0.08	
	8:30AM Jul 13	CPI-U: All items	0.9	0.06	
		Data revisions		-0.09	
Jul 09					3.81

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.

### July 16, 2020: Highlights

- “The New York Fed Staff Nowcast stands at 3.2% for 2021:Q2 and 4.2% for 2021:Q3.
- News from this week’s data releases left the nowcast for 2021:Q2 largely unchanged, and increased the nowcast for 2021:Q3 by 0.4 percentage point.
- A positive surprise from Empire State Manufacturing survey data accounted for most of the increase in 2021:Q3.” – The Federal Reserve Bank of New York

Source: <https://www.newyorkfed.org/research/policy/nowcast; 7/16/21>

[Return to TOC](#)

# U.S. Economic Indicators

## The Federal Reserve Bank of Philadelphia

### June 2021 Manufacturing Business Outlook Survey

“Manufacturing activity in the region continued to improve this month, according to firms responding to the June *Manufacturing Business Outlook Survey*. The survey’s indicators for general activity, new orders, and shipments remained elevated, although movements were mixed. Additionally, the employment index increased, while the price indexes climbed above last month’s long-term highs. Most future indicators improved, suggesting that more firms expect overall growth over the next six months.

#### Current Activity Remain Elevated

The diffusion index for current general activity edged down 1 point to 30.7 this month (see Chart 1). The index for new orders decreased 10 points to a reading of 22.2. Over 36 percent of the firms reported increases in new orders this month (down from 44 percent last month), while 14 percent reported decreases (up from 11 percent). The current shipments index rose 6 points to 27.2 in June. Over 41 percent of the firms reported increases in shipments this month, while 14 percent reported decreases.

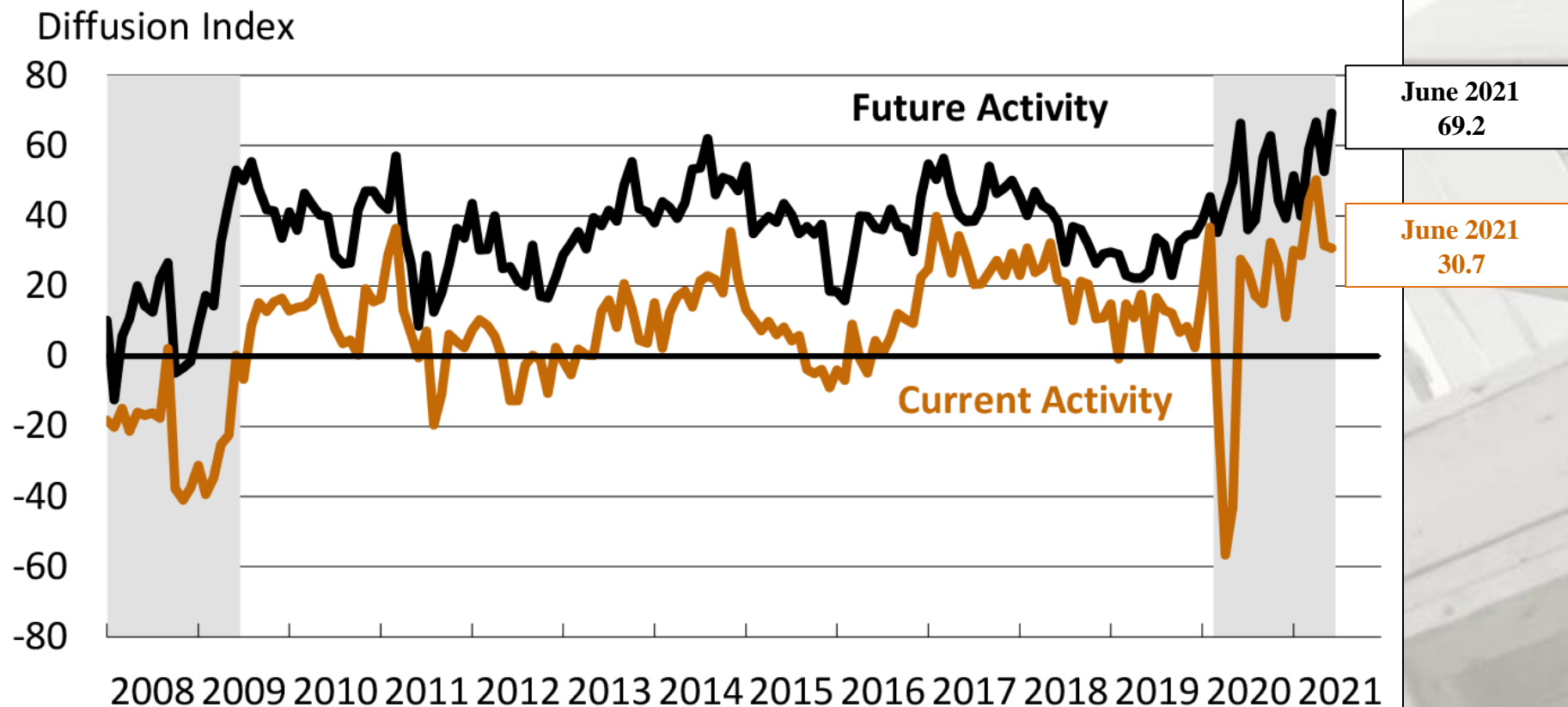
On balance, the firms continued to report increases in employment, as the employment index increased 11 points, recovering its losses from last month. The majority of responding firms (52 percent) reported steady employment levels, and the share reporting increases (39 percent) exceeded the share reporting decreases (8 percent).” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia



# The Federal Reserve Bank of Philadelphia

**Chart 1. Current and Future General Activity Indexes**

January 2008 to June 2021



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

# The Federal Reserve Bank of Philadelphia

## Price Increases Remain Widespread

“The prices paid diffusion index rose for the second consecutive month, 4 points to 80.7, its highest reading since June 1979. The percentage of firms reporting increases in input prices (82 percent) was higher than the percentage reporting decreases (1 percent). The current prices received index rose for the fourth consecutive month, moving up 9 points to 49.7, its highest reading since October 1980. Over 51 percent of the firms reported increases in prices received this month (up from 43 percent last month), while only 2 percent reported decreases (the same as last month).

## Firms Report Higher Production and Capacity Utilization

In this month’s [special questions](#), the firms were asked to estimate their total production growth for the second quarter ending this month compared with the first quarter of 2021. The share of firms reporting expected increases in second-quarter production (59 percent) was greater than the share reporting decreases (24 percent), and the median response was an increase of 0 to 5 percent. The firms were also asked about their current capacity utilization rate as well as their utilization rate one year ago. The median current capacity utilization rate reported among the responding firms was 70 to 80 percent, higher than the median rate of 60 to 70 percent reported for one year ago. A majority of firms reported labor supply (69 percent) and supply chain issues (80 percent) constraining current capacity utilization.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

# The Federal Reserve Bank of Philadelphia

## Firms Remain Optimistic About Growth

“The diffusion index for future general activity increased 17 points from its May reading, reaching 69.2, its highest level in nearly 30 years (see Chart 1). Over 75 percent of the firms expect increases in activity over the next six months, while 6 percent expect declines. The future shipments and new orders indexes also improved, increasing 15 points and 18 points, respectively. The future employment index rose 2 points to 54.0. Over 59 percent of the firms expect to increase employment in their manufacturing plants over the next six months, compared with only 5 percent that anticipate employment declines.

### Summary

Responses to the June *Manufacturing Business Outlook Survey* suggest continued expansion for the regional manufacturing conditions this month. The indicators for current activity, new orders, and shipments remain elevated. Additionally, both price indexes reached long-term highs. The survey’s future indexes indicate that respondents expect growth over the remainder of the year.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

# The Federal Reserve Bank of Philadelphia

## June 2021 Nonmanufacturing Business Outlook Survey

“Responses to the June *Nonmanufacturing Business Outlook Survey* suggest further strengthening in nonmanufacturing activity in the region. The indicators for firm-level general activity, new orders, and sales/revenues all rose sharply. However, the full-time employment index decreased but remained positive. The respondents expect overall improvement in conditions over the next six months, as both future activity indexes rose.

### General Activity Index Reaches Long-Term High

The diffusion index for current general activity at the firm level rose sharply from 22.1 in May to 56.7 in June, its highest reading since March 2012 (see Chart 1). Reports of increases in activity were more widespread this month: Over 69 percent of the firms reported increases (up from 47 percent last month), while 13 percent reported decreases (down from 25 percent last month). The new orders index rose 11 points to 27.4 in June, and the sales/revenues index rose from 13.8 in May to 41.0 in June, its highest reading since March 2019. Over 54 percent of the firms reported increases in sales/revenues (up from 43 percent last month), while 14 percent reported decreases (down from 29 percent). The regional activity index increased 23 points to 59.6.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia



# **The Federal Reserve Bank of Philadelphia**

## **June 2021 Nonmanufacturing Business Outlook Survey**

### **Employment Indicators Soften**

“The full-time employment index fell 20 points to 4.3 in June after rising 17 points last month. Nearly 20 percent of the firms reported increases in full-time employment (down from 32 percent last month), while 15 percent reported decreases (up from 8 percent). Most firms (58 percent) reported stable full-time employment. The part-time employment index decreased 8 points to 1.3. The majority of firms reported steady part-time employment (67 percent), while 11 percent of the firms reported increases and 10 percent reported decreases. The wages and benefits indicator rose 12 points to 42.6, and the average workweek index rose 9 points to 20.7.

### **Prices Increases Remain Widespread**

After reaching its all-time high in May, the prices paid index mostly held steady in June at 49.0 (see Chart 2). Forty-nine percent of the firms reported increases, none reported decreases, and 33 percent of the firms reported stable input prices. Regarding prices for the firms’ own goods and services, the prices received index rose 12 points to 28.9 in June, its highest reading since June 2018. While 30 percent of the firms reported increases in prices received, only 1 percent reported decreases. Nearly 51 percent of the firms reported no change in prices for their own goods and services.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

# **The Federal Reserve Bank of Philadelphia**

## **June 2021 Nonmanufacturing Business Outlook Survey**

### **Firms Report Higher Sales/Revenues and Labor Supply Issues**

“In this month’s special questions, the firms were asked to estimate their total sales/revenues growth for the second quarter ending this month compared with the first quarter of 2021 (see Special Questions). The share of firms reporting expected increases in second-quarter sales/revenues (68 percent) was greater than the share reporting decreases (18 percent), and the median response was an increase of 0 to 5 percent. Among factors constraining current business operations, nearly 41 percent of the firms reported labor supply issues, 38 percent reported supply chain issues, and 30 percent reported COVID-19 mitigation measures.

### **Future Indicators Strengthen**

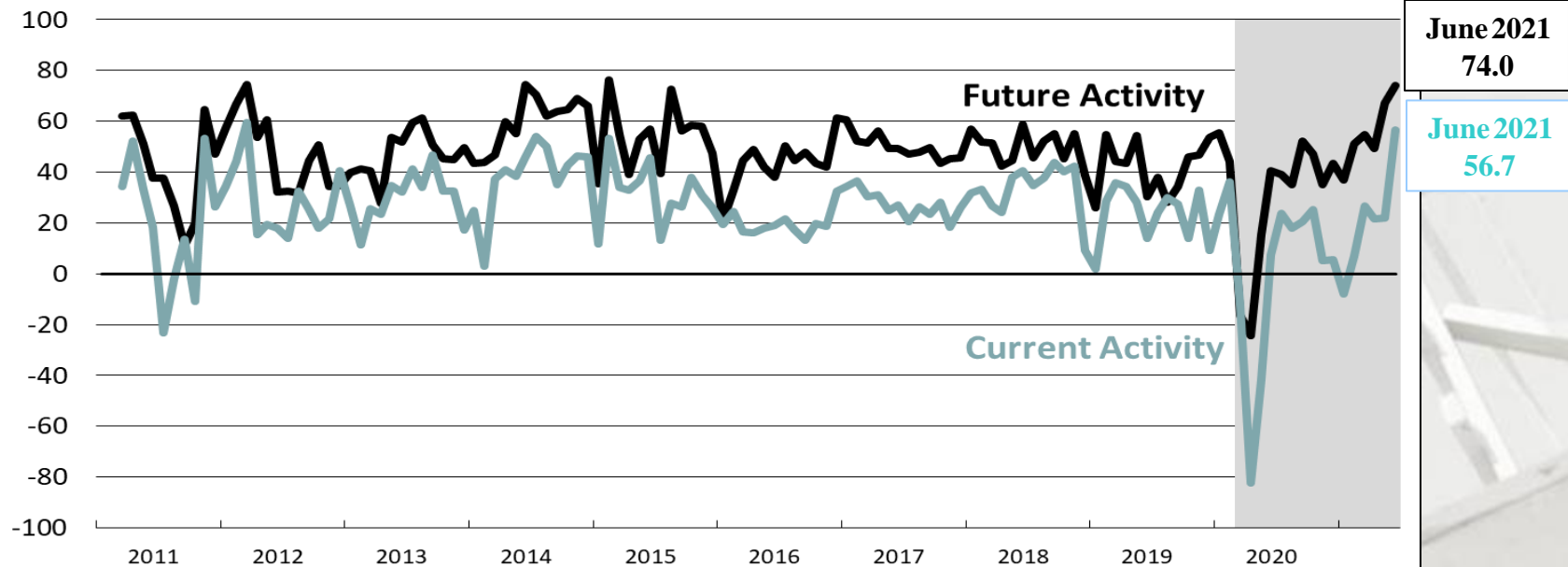
Both future activity indexes suggest that the respondents expect overall improvement in nonmanufacturing activity over the next six months, with both series reaching levels near their long-term highs. The diffusion index for future activity at the firm level increased from a reading of 67.1 in May to 74.0 this month (see Chart 1), its highest reading since February 2015. The future regional activity index rose 4 points to 70.7 in June, its highest reading since March 2012.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

# The Federal Reserve Bank of Philadelphia

**Chart 1. Current and Future General Activity Indexes for Firms**

March 2011 to June 2021

Diffusion Index



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

## Summary

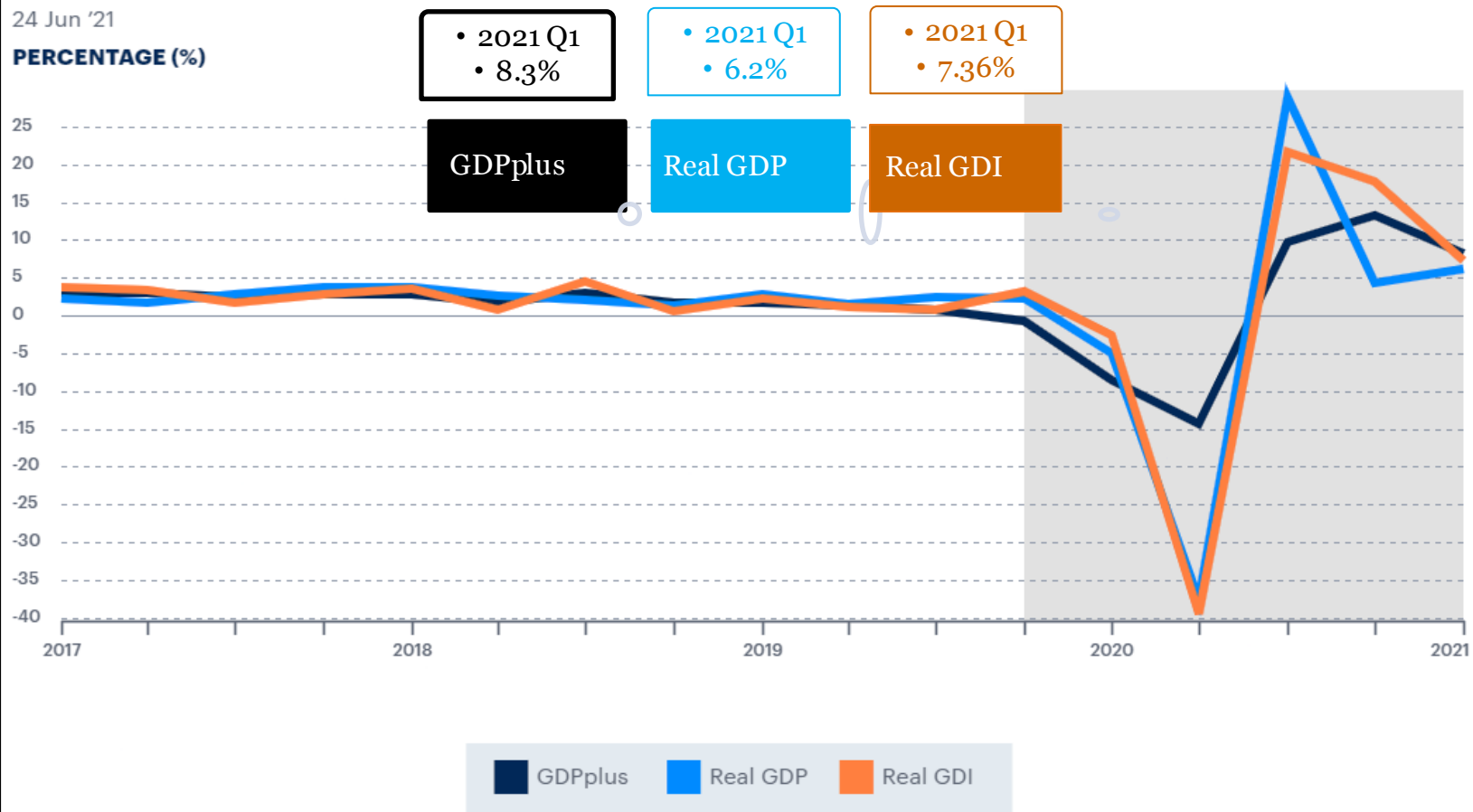
“Responses to this month’s *Nonmanufacturing Business Outlook Survey* suggest further improvement in nonmanufacturing activity in the region. The indicators for firm-level general activity, new orders, and sales/revenues all rose sharply; however, the full-time employment index fell but remained positive. 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

# The Federal Reserve Bank of Philadelphia: GDPplus

## GDPplus: An Alternative Measure of Real U.S. Output Growth

24 Jun '21

PERCENTAGE (%)



Notes: Shaded areas indicate NBER recessions. The data measure the quarter-over-quarter growth rate in continuously compounded annualized percentage points.

Sources: Bureau of Economic Analysis (BEA) and NBER via Haver Analytics. Federal Reserve Bank of Philadelphia.



# **U.S. Economic Indicators**

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

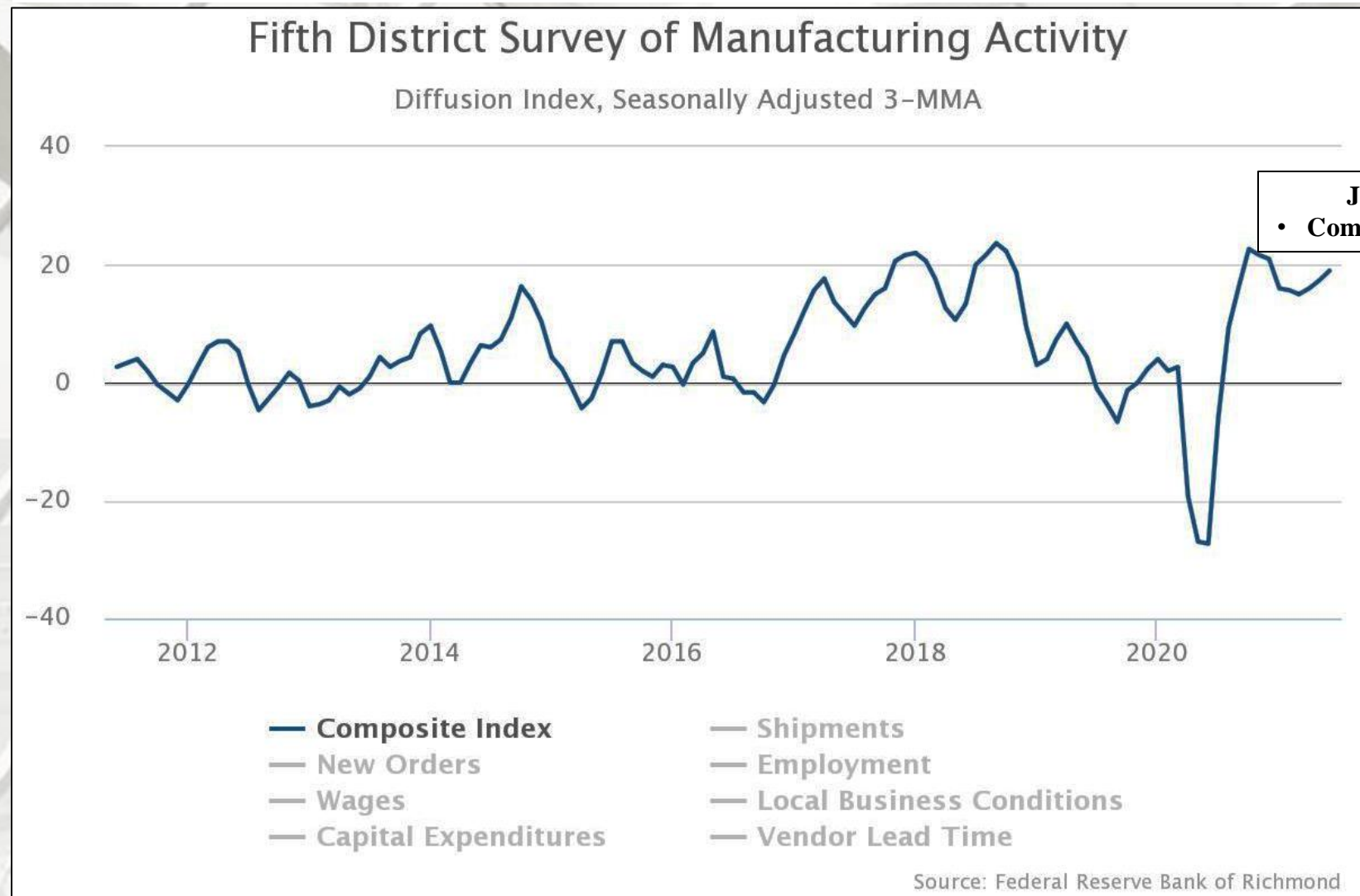
### **Manufacturing Activity Expanded in June**

“Fifth District manufacturing activity expanded in June, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index rose from 18 in May to 22 in June. This was driven by an increase in the new orders index, while the other two component indexes – shipments and employment – also remained in expansionary territory. Manufacturers continued to report shrinking inventories, growing order backlogs, and lengthening vendor lead times. Overall, respondents saw improvement in local business conditions and were optimistic that conditions would continue to improve in the coming months.

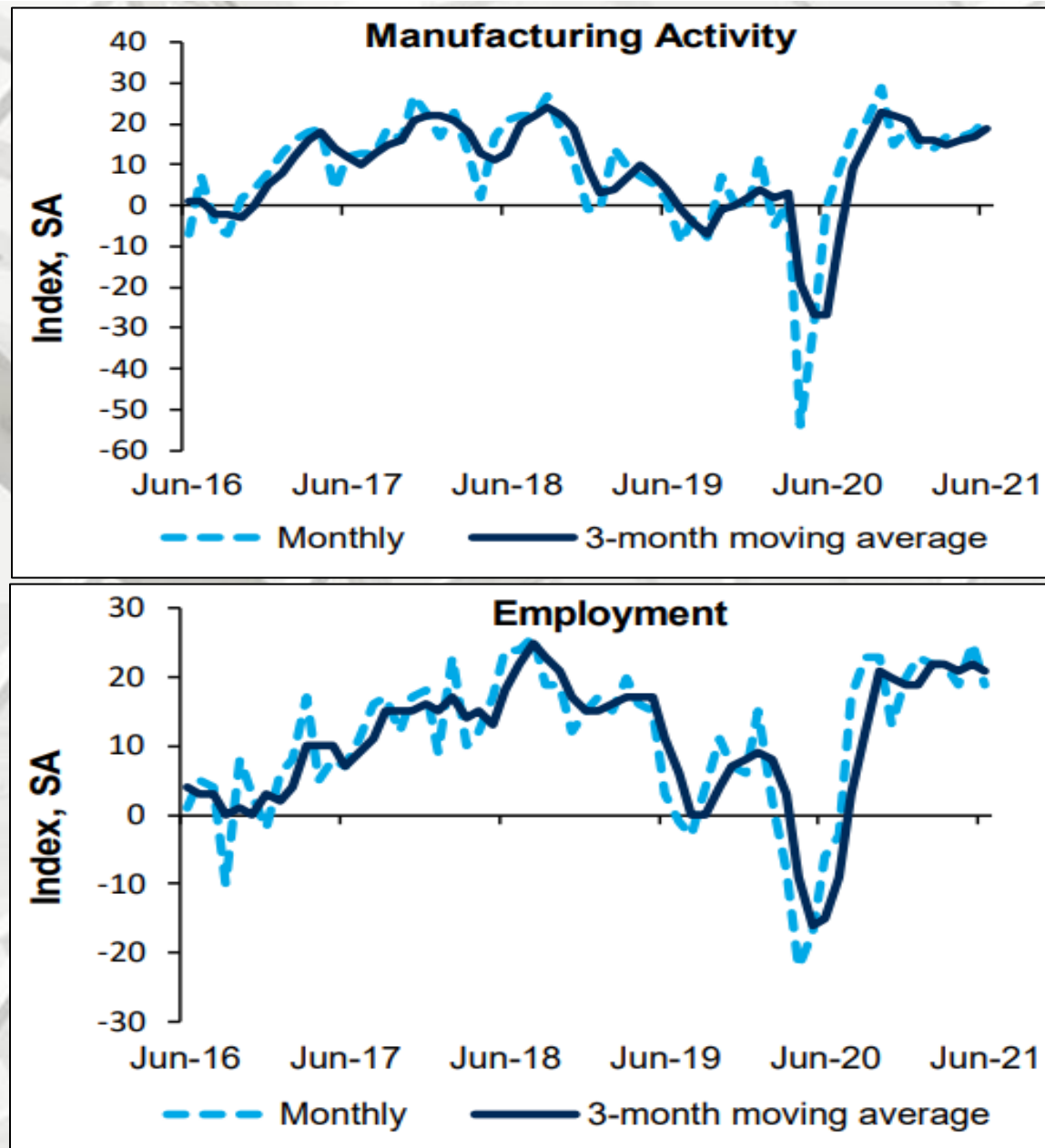
Survey results indicated that many manufacturers increased employment and wages in June and expected further increases in the next six months. Firms struggled to find workers with the necessary skills, a difficulty that manufacturers expected to continue.

The average growth rates of both prices paid and prices received by survey participants declined slightly but remained elevated in June. Contacts expected price growth to slow in the near future.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

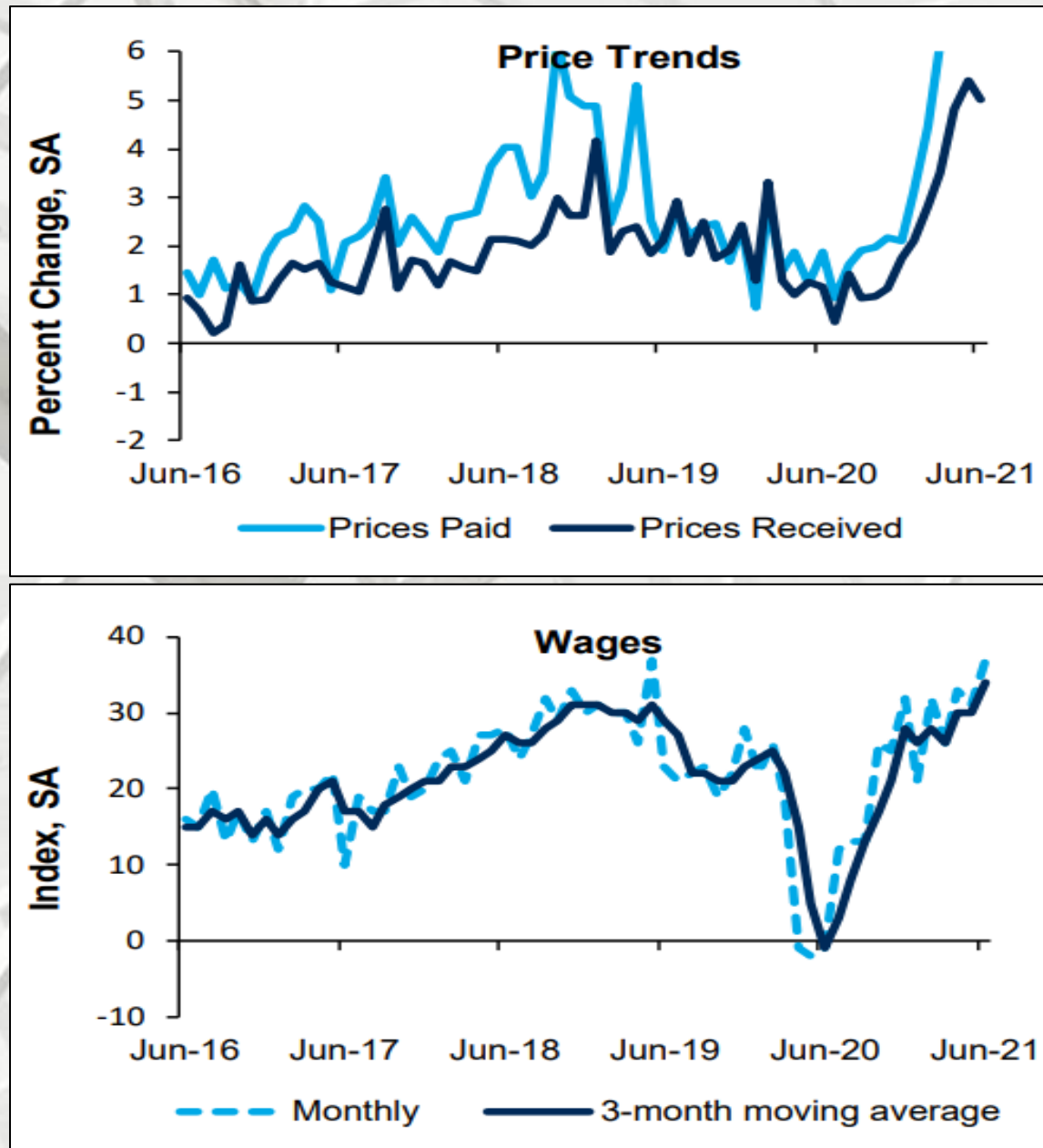
# U.S. Economic Indicators



# U.S. Economic Indicators



# U.S. Economic Indicators





# **U.S. Economic Indicators**

## **The Federal Reserve Bank of Richmond Fifth District Survey of Service Sector Activity**

### **Fifth District Service Sector Activity Saw Growth in June**

“Fifth District service sector activity saw growth in June, according to the most recent survey by the Federal Reserve Bank of Richmond. The indexes for revenues and demand decreased slightly but continued to indicate growth. Survey respondents also reported improved local business conditions and increased spending. They expected conditions to continue to improve in the next six months.

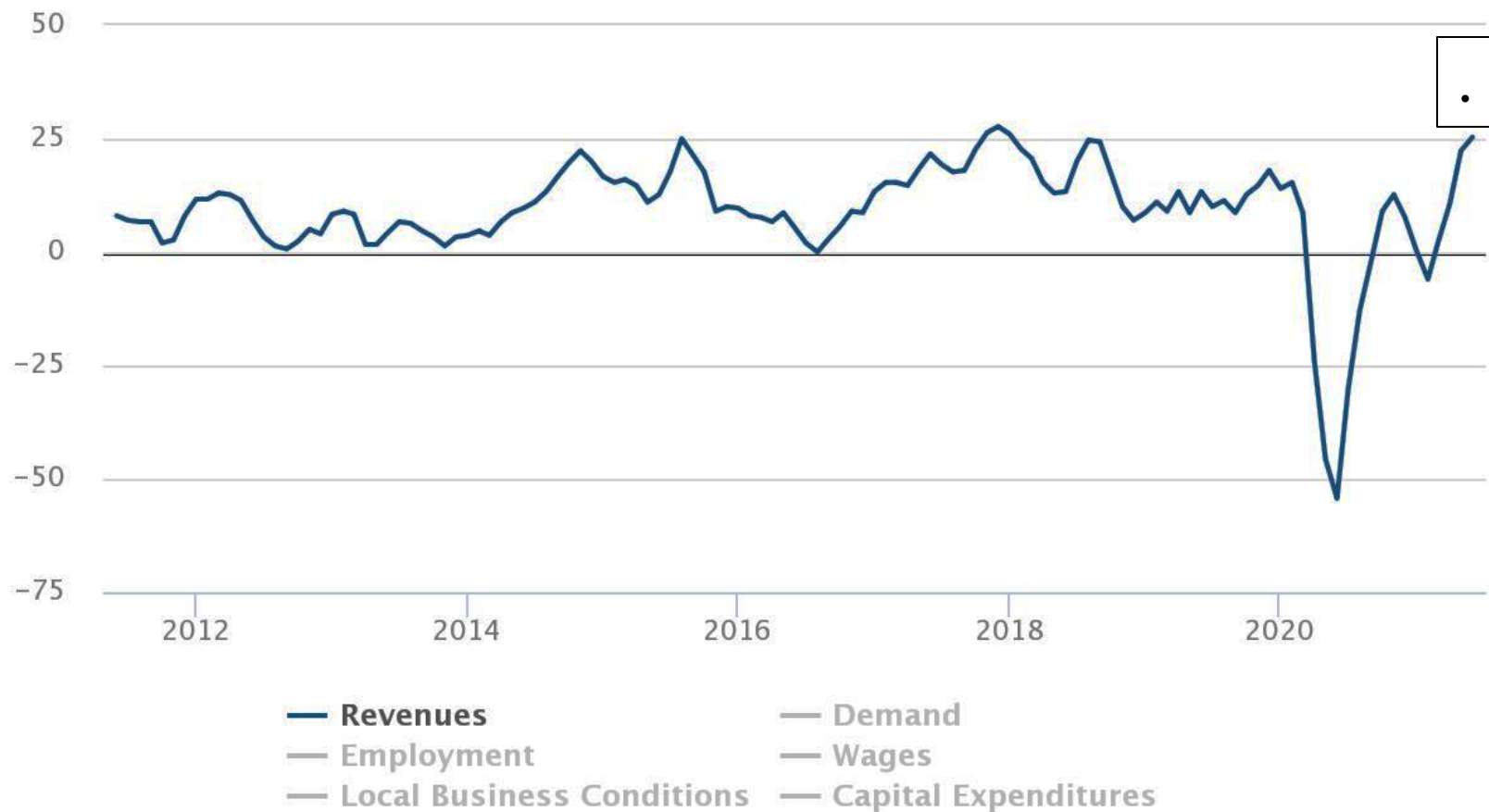
Survey results suggested that several firms increased employment and wages in June. However, survey respondents struggled to find workers with the necessary skills. They expected these trends to persist in the coming months.

The average growth rates of both prices paid and prices received by survey participants rose in June. Growth of prices paid outpaced that of prices received, but contacts expected the gap between them to narrow in the near future.” – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond

# U.S. Economic Indicators

## Fifth District Survey of Service Sector Activity

Diffusion Index, Seasonally Adjusted 3-MMA



June 2021  
• Revenues 25

Source: Federal Reserve Bank of Richmond

# U.S. Global Economic Indicators

## The Federal Reserve Bank of Dallas

### México Economic Update

#### Output Growth Revised Up; Outlook Improves Further

México's gross domestic product (GDP) was revised up to an annualized 3.1 percent in first quarter 2021. In May, the consensus GDP growth forecast for 2021 (fourth quarter/fourth quarter), compiled by Banco de México, increased from 3.1 percent to 3.5 percent.

Mexico still faces headwinds from COVID-19. Though new cases continue to fall, vaccination progress has been slow, and a lack of testing could make a new outbreak hard to identify in a timely manner.

The latest data available show employment, industrial production and retail sales grew, while exports fell in April. The peso gained ground against the dollar in May, and inflation increased further..

#### First-Quarter Output Growth Revised Up

México's first-quarter GDP grew an annualized 3.1 percent, up from its previous estimate of 1.6 percent (Chart 1). Output from goods-producing industries (manufacturing, construction, utilities and mining) increased 1.9 percent, and service-related activities (wholesale and retail trade, transportation and business services) rose 3.6 percent. Agricultural output grew 2.7 percent.

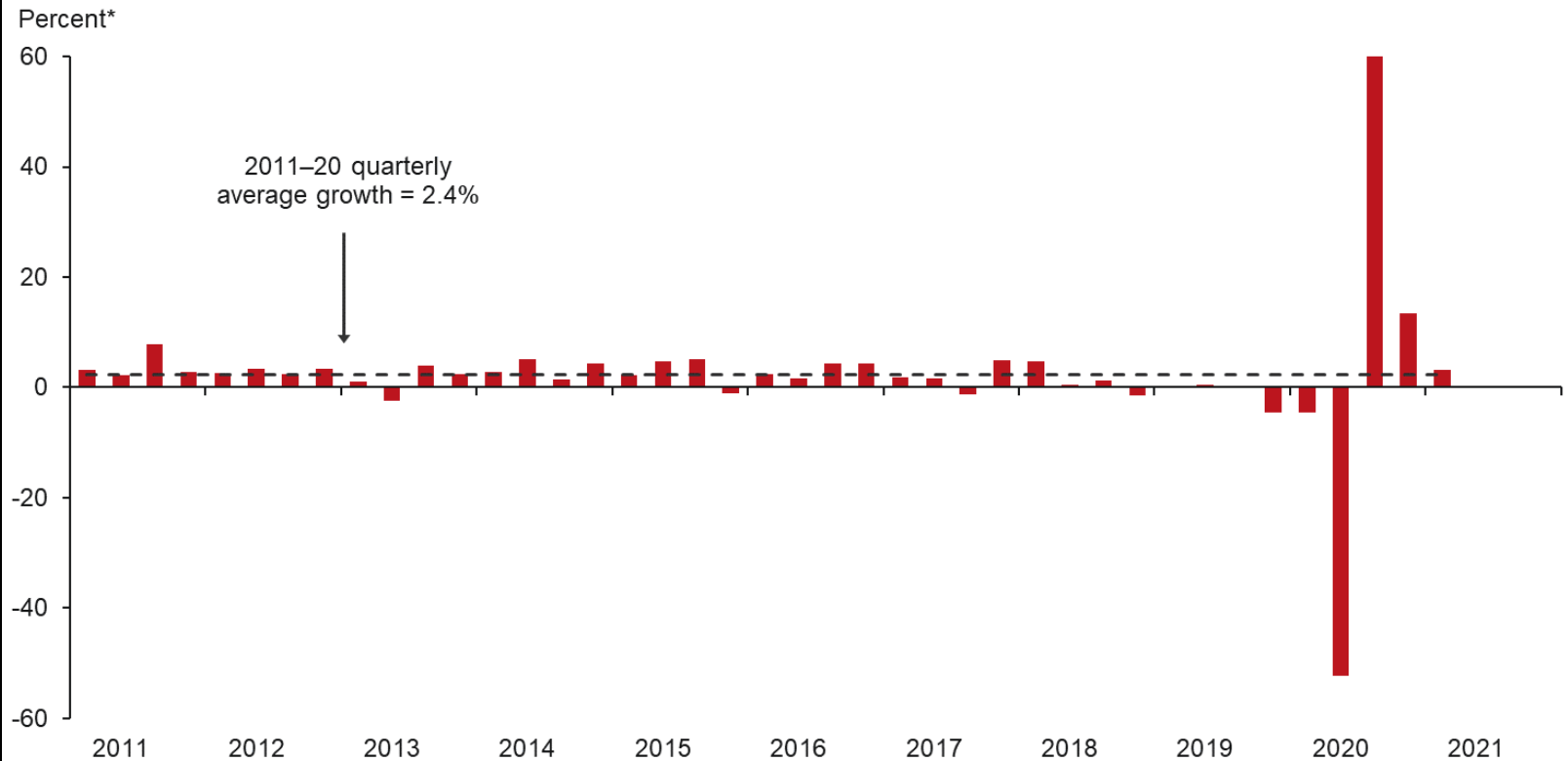
#### Exports Trend Down Even as Oil Exports Improve

The three-month moving average of total exports fell 0.2 percent in April as oil exports increased 4.4 percent, but the dominant manufacturing category dipped 0.3 percent (*Chart 2*). On a month-over-month basis, total exports decreased 0.5 percent in April, and manufacturing exports increased 0.3 percent. Through April, exports are up 13.7 percent compared with the same period in 2020.” – Jesus Cañas, Senior Business Economist, and Chloe Smith, Research Analyst; Research Department, The Federal Reserve Bank of Dallas

# U.S. Global Economic Indicators

**Chart 1**

**Output Growth Revised Up; Still Considerably Below Previous Two Quarters**



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

NOTE: Data are through first quarter 2021.

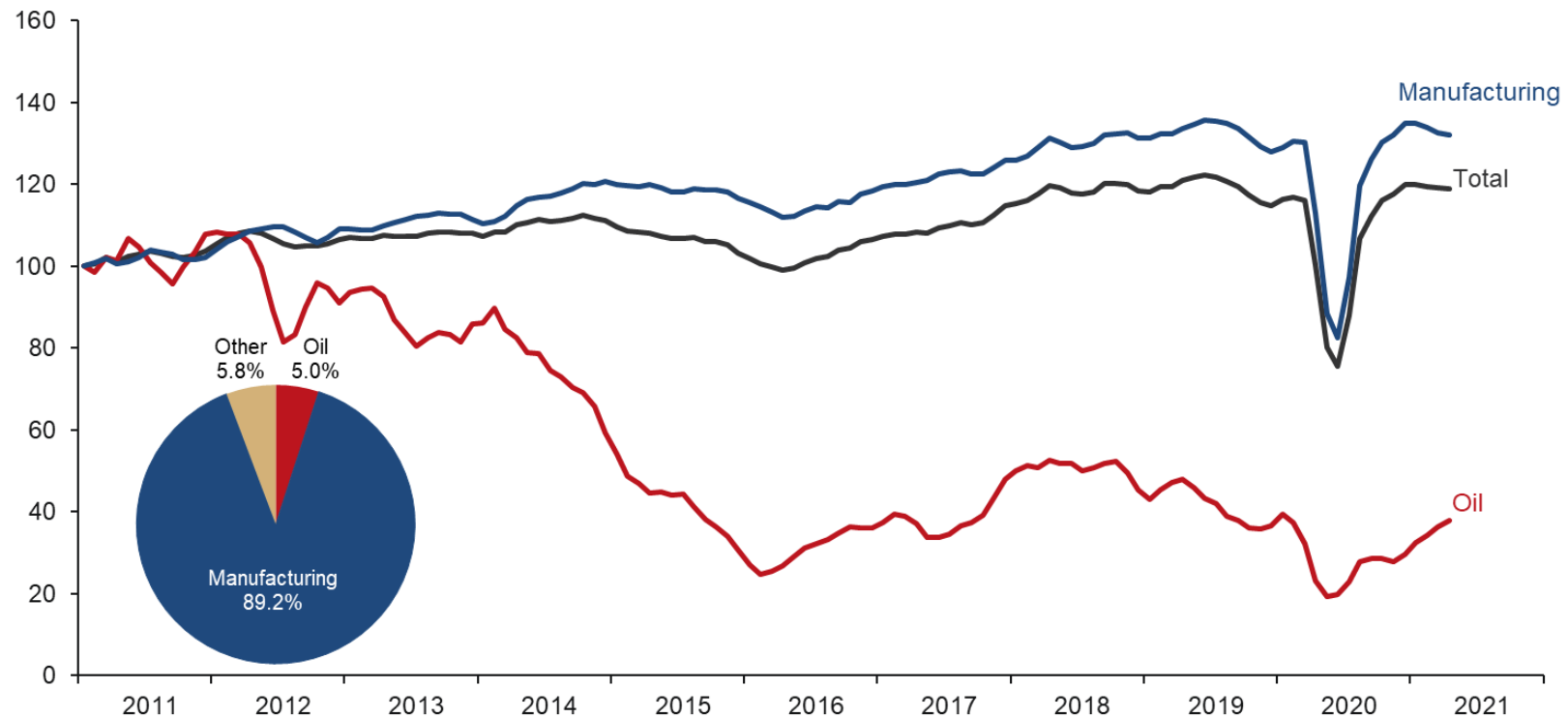
SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).



# U.S. Global Economic Indicators

**Chart 2**  
**Exports Continue to Weaken**

Index, January 2011 = 100\*

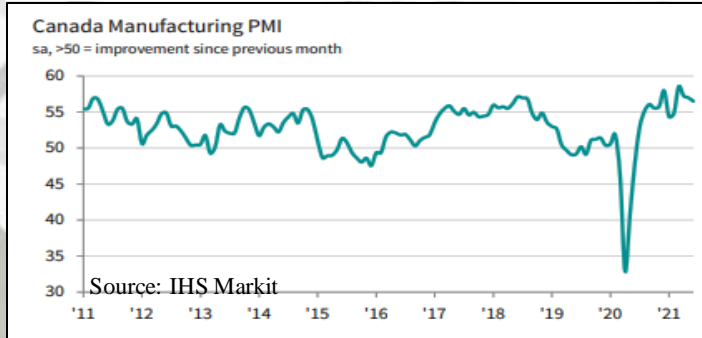


\*Seasonally adjusted, three-month moving average; real dollars.

NOTES: Data are through April 2021. The pie chart reflects the share of total exports year to date in 2021.

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

# Private Indicators: Global



## Markit Canada Manufacturing PMI™

“The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers’ Index® (PMI®) registered 56.5 in June, down from 57.0 in May, to signal the twelfth consecutive expansion in operating conditions. The latest uptick was the softest since February, but was sharp in the context of the historical average.

### Manufacturing growth softens to four-month low, but remains solid

Canadian manufacturers ended the second quarter of 2021 with a robust expansion, led by upticks in output and new orders and a fresh record growth in post-production inventories. To meet rising demand, firms raised their employment levels for the twelfth consecutive month, although difficulties sourcing skilled workers led to another rise in backlogs. Meanwhile, vendor performance deteriorated again, and at the fourth most marked rate in the series history. Nevertheless, firms were widely upbeat about their prospects for growth over the next 12 months.

On the price front, input prices continued to rise sharply which panellists attributed to higher raw material costs. In a bid to protect profit margins, firms raised their selling prices, and at the second quickest rate in the series history. Production volumes increased solidly at the end of the second quarter, although the rate of expansion eased slightly from that seen in the previous survey period. Firms reporting output growth mentioned greater client demand supported the rise. Similarly, new work received at Canadian good producers rose sharply. Panel members often mentioned greater client demand in both domestic and international markets (mainly the US). ...

Although latest data revealed a moderation in output and new order growth at the Canadian manufacturing sector, it continued to highlight a robust expansion. Moreover, a record uptick in pre-production inventory holdings suggests firms are gearing up for another busy quarter while a rise in backlogs could see job creation continue. Yet, material shortages were again evident leading to delivery delays and sharp price pressures. COVID-19 restrictions and freight delays were also blamed for supply-chain disruption. Price pressures continued to mount in June, with rates of output and input price inflation robust overall. Firms will hope that material availability improves over the course of the year to relieve some pressures on prices, but for now Canadian manufactures seem well prepared if shortages are to persist.” – Shreeya Patel, Economist, IHS Markit

# Private Indicators: Global

## Caixin China General Manufacturing PMI™

### PMI edges down to three-month low in June

“The headline seasonally adjusted *Purchasing Managers’ Index*™ (PMI™) – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – edged down from 52.0 in May to 51.3 in June, to signal a further modest improvement in the health of the sector. The reading was the lowest recorded in three months, however.

The Chinese manufacturing sector expanded at a softer pace in June, with firms recording slower increases in both output and new orders. Companies indicated that the recent uptick in COVID-19 cases and supply chain difficulties weighed on output, while the pandemic dampened demand both at home and abroad. Companies continued to add to their staff numbers, however, as capacity pressures persisted. At the same time, input cost inflation eased notably on the month, which led to a slower rise in prices charged.

The headline Index was partly dampened by a softer increase in production at the end of the second quarter. The latest upturn was the slowest recorded since March 2020 and only slight. Panellists stated that the pandemic and difficulties obtaining inputs had weighed on growth.

Total new business likewise expanded at a slower rate in June. The modest increase was the softest seen for three months. Firms often linked higher sales to an ongoing improvement in underlying market demand. However, there were reports that the recent uptick in COVID-19 cases at home and abroad had dampened overall growth. Notably, new export work was broadly stagnant in June.

In line with the trend for new work, June data signalled a slower increase in purchasing activity, which rose modestly overall. The time taken for items to be delivered to manufacturers continued to lengthen solidly, however. Firms frequently mentioned that a lack of stock at vendors and logistical delays related to the pandemic had hampered supplier performance. ...” – Dr. Wang Zhe, Senior Economist, Caixin Insight Group

# Private Indicators: Global

## Caixin China General Manufacturing PMI™

“The Caixin China General Manufacturing PMI came in at 51.3 in June, down from 52 the previous month. The June reading marked the 14th consecutive month of expansion. Both supply and demand in the manufacturing sector continued to expand. The gauges for output and total new orders in June remained in expansionary territory for the 16th consecutive month and the 13th consecutive month, respectively, though the rates of expansion were slower than the previous month. The measure for new export orders dropped at a steeper pace than those for output and total new orders. Surveyed enterprises said the resurgence of Covid-19 in Guangdong province and overseas impacted both supply and demand.

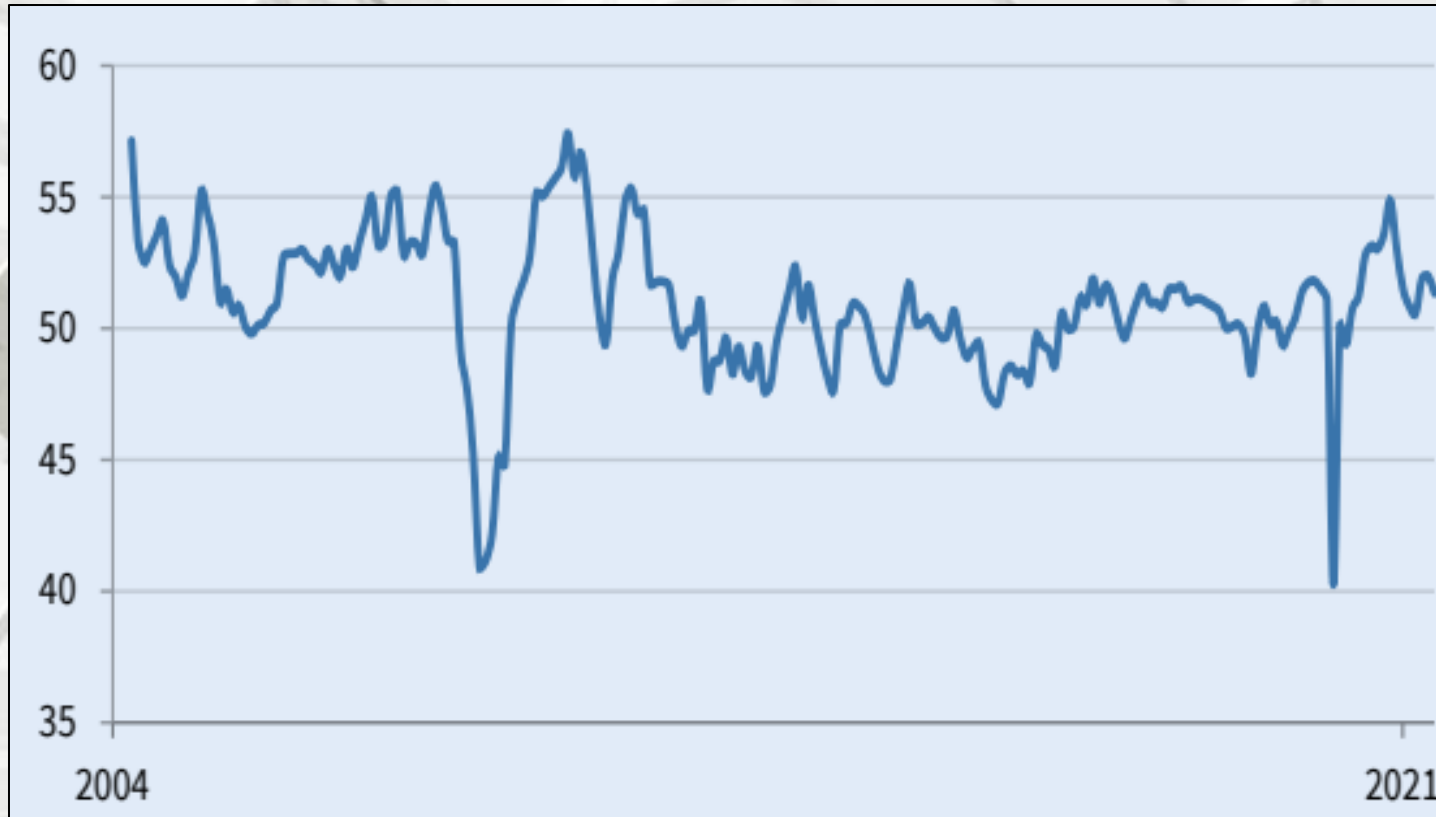
The job market continued to improve. Employment expanded for the third straight month in June, with the rate of expansion faster than the previous month. The measure for employment hit the highest point in seven months and was also the second highest since January 2013. Enterprises accelerated hiring, showing that continued improvement in demand was increasingly being reflected in the job market.

Inflationary pressure remained as price measures stayed high. Both the gauges for input costs and output prices in June fell seven points from the previous month, but still remained in expansionary territory. The upwards trend for prices that has lasted for months moderated. Enterprises said the main causes of rising costs were the high prices of industrial metals and energy commodities. As a result, factory-gate prices continued to increase, though at a slower pace.

Manufacturing enterprises’ delivery times continued to lengthen. Their stocks of purchases increased, while stocks of finished goods fell. The shortage of finished goods and the resurgence of the coronavirus in southern China lengthened suppliers’ delivery times. As a result, some manufacturing enterprises replenished their stocks, with the gauge for stocks of purchases rising into expansionary territory for the first time in six months. Due to rising demand, the gauge for stocks of finished goods remained in contractionary territory for four months in a row.” – Dr. Wang Zhe, Senior Economist, Caixin Insight Group



# Private Indicators: Global



sa, > 50 = improvement since previous month

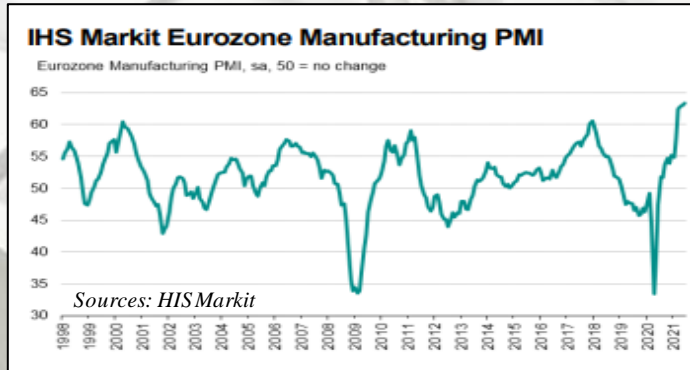
Sources: Caixin, IHS Markit

“Overall, the manufacturing sector continued to stably expand in June, despite the impact of the pandemic. Both demand and supply in the sector remained stable, as did external demand, showing the momentum of economic recovery still remained in the post-epidemic period. The job market continued to improve and businesses were highly optimistic, with the measure for future output expectations in June higher than the long-term average. Inflationary pressures eased somewhat, but manufacturing enterprises’ purchasing prices and factory-gate prices still rose. The shortage of raw materials continued in some regions. The manufacturing sector has gradually returned to normal. In the second half of this year, the low base effect from last year will weaken. Inflationary pressure, coupled with the economic slowdown, is still a serious challenge for China.” – Dr. Wang Zhe, Senior Economist, Caixin Insight Group

Source: <https://www.markiteconomics.com/Public/Home/PressRelease/b1e3b17e70ff4045a0454eb4c7c52505; 7/1/21>

[Return to TOC](#)

# Private Indicators: Global



## Markit Eurozone Manufacturing PMI®

“Growth of the eurozone manufacturing sector hit new heights during June, with the headline PMI® setting a fresh survey record for a fourth successive month. After accounting for seasonal factors, the PMI® improved to 63.4, up from 63.1 in May and firmer than the earlier flash reading. June marked a twelfth successive month that the index has posted above the 50.0 no-change mark that separates growth from contraction.

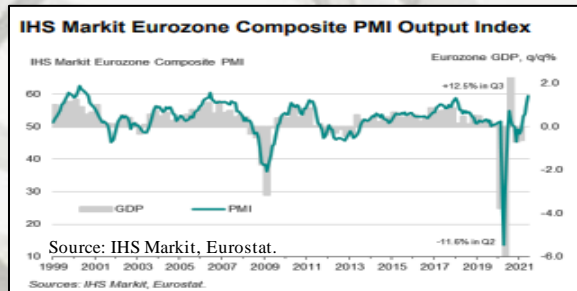
### Eurozone manufacturing PMI sets fresh record high in June

Once again, all three market groups registered noticeable improvements in operating conditions. In line with recent trends, it was investment goods producers that recorded the strongest growth, followed by intermediate goods which registered its best PMI reading in the survey history. Consumer goods continued to lag, though growth here was still the sharpest since June 2000. ... Overall production growth in the eurozone’s manufacturing sector remained elevated during June, edging up slightly since May to a level close to the survey records registered earlier in the year. Output continued to increase at especially strong rates in both Germany and the Netherlands. Strong growth in production was again closely linked to positive demand developments, with new orders experiencing their third-fastest ever reported increase during June. Growth remains broad-based, with new export orders again increasing sharply over the month.

Eurozone manufacturing continued to grow at a rate unbeaten in almost 24 years of survey history in June as demand surged with the further relaxation of COVID-19 containment measures and vaccination progress drove renewed optimism about the future. However, the sheer speed of the recent upsurge in demand has led to a sellers’ market as capacity and transportation constraints limit the availability of inputs to factories, which have in turn driven industrial prices higher at a rate not previously witnessed by the survey. Manufacturers are clearly willing to pay more to ensure sufficient supplies of key inputs. Encouragingly, there are several survey indicators which add to hopes that the current spike in prices will prove transitory.

Widespread issues such as port congestion and a lack of shipping containers should soon fade as the initial rebound from the pandemic passes. Similarly, recent months have seen safety stock building as companies seek to protect themselves against potential future supply-chain disruptions, which has exacerbated the imbalance of demand and supply in the short-term. Once sufficient stocks are built, this effect should likewise fade. Finally, we have also seen the expansion of capacity via record employment growth and greater capital expenditure on business equipment and machinery. This expansion should raise output in sectors that are currently straining to meet demand, and hence remove some of the upward pressure on prices for these goods” – Chris Williamson, Chief Business Economist, Markit®

# Private Indicators: Global



## Markit Eurozone Composite PMI®

“After accounting for seasonal factors, the **IHS Markit Eurozone PMI® Composite Output Index** recorded a reading of 59.5, up from 57.1 in May. June marked not only the fourth successive month that the index has posted above the 50.0 no change mark, but the highest index level since June 2006.

## Eurozone growth hits 15-year high

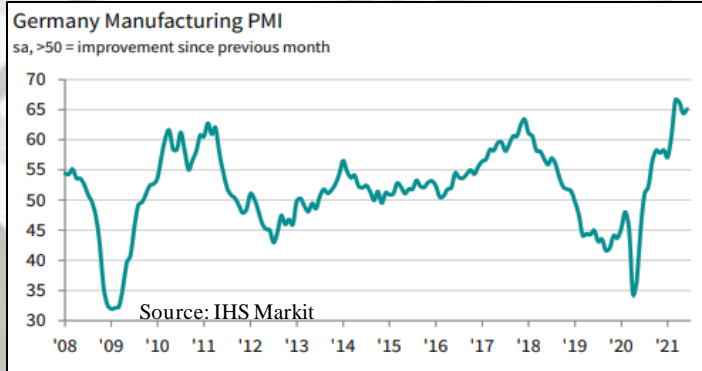
The eurozone private sector economy expanded at its fastest rate for 15 years during June, underpinned by surging levels of output across both manufacturing and service sectors. The latest strengthening of the index reflected a marginal improvement in growth of manufacturing output (and to a rate that was close to March’s survey record) as well as an improvement in service sector expansion to its best since mid-2007. ...

Levels of incoming new business placed with private sector companies in the eurozone rose at a substantial pace. Growth was the best for 21 years, according to June’s survey data. Moreover, there were reported gains from both domestic and international demand sources over the month. New export business, driven in the main by strong manufacturing performance, rose at the sharpest rate since composite data were first available in September 2014. ...

Europe’s economic recovery stepped up a gear in June, but inflationary pressures have also ratcheted higher. Business is booming in the eurozone’s service sector, with output growing at a rate unsurpassed over the past 15 years. Added to the impressive growth seen in the manufacturing sector, the PMI surveys suggest the region’s economy is firing on all cylinders as it heads into the summer. Service sector growth has picked up across the board among the countries surveyed, with hard-hit sectors such as hospitality and tourism now coming back to life to join the recovery as economies and travel are opened up from virus-related restrictions.

A wave of optimism that the worst of the pandemic is behind us has meanwhile propelled firms’ expectations of growth to the highest for 21 years, boding well for the upturn to gain further strength in coming months. Firms are increasingly struggling to meet surging demand, however, in part due to labour supply shortages, meaning greater pricing power and underscoring how the recent rise in inflationary pressures is by no means confined to the manufacturing sector. Service sector companies are hiking their prices at the steepest pace for over 20 years as costs spike higher, accompanying a similar jump in manufacturing prices to signal a broad-based increase in inflationary pressures.” – Chris Williamson, Chief Business Economist, Markit®

# Private Indicators: Global



## IHS Markit/BME Germany Manufacturing PMI®

“After slipping in each of the previous two months from a record high in March, 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 – regained some ground in June, rising from May’s 64.4 to 65.1.

### PMI ticks up in June as output growth regains some momentum

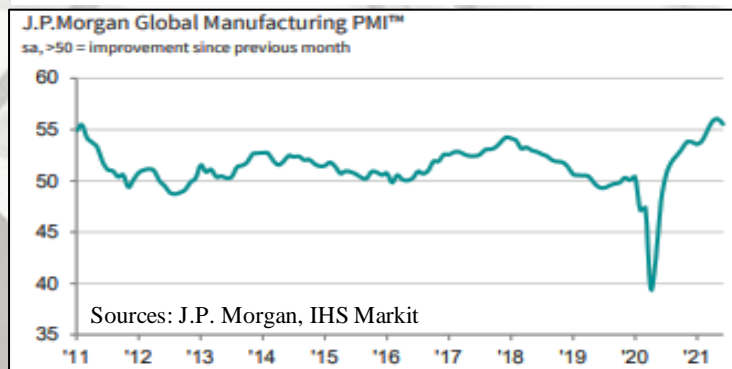
Germany's manufacturing sector showed an improved performance in June, with rates of output and new order growth accelerating for the first time in three months. Supply shortages remained a prominent feature of the survey, contributing to both a further build-up of backlogs of work and a fresh record rise in factory gate charges as costs continued to surge. Looking ahead, firms’ expectations for activity over the next 12 months ticked up to a new all-time high, with the positive outlook helping to support a sharp and accelerated rise in factory employment. ...

June’s PMI survey pointed to an all-round better performance from the German manufacturing sector. Output growth has regained some momentum after back-to-back slowdowns in April and May, the pace of factory job creation has continued to pick up speed, and goods producers’ expectations have ticked up to a new record high. It was also encouraging to see the survey's input cost index nudge lower from a record high in May, and we eagerly await July’s survey for any further signs that cost inflation in the manufacturing sector may have peaked. It is notable, however, that factory gate charges continued to accelerate higher, supported by still-rising demand for goods, as firms continue to seek to pass higher costs on to customers.

Seeing some easing in the rate at which suppliers’ delivery times are deteriorating is also welcome news, and in part reflects the recent expansion of capacity which is helping bring supply and demand into better balance and should help ease supply-chain bottlenecks. However, demand-supply imbalances are still widespread, and it will take time for them to be fully resolved. What’s more, renewed virus waves in Asia could lead to some further disruptions of global supply chains in coming months, which could in turn put further pressure on prices.” – Phil Smith, Principal Economist, IHSMarkit®



# Private Indicators: Global



## J.P. Morgan Global Manufacturing PMI™

“The J.P. Morgan Global Manufacturing PMI™ – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – dipped slightly to 55.5 in June, down from May's 11-year high of 56.0. The PMI has signalled expansion in each of the past 12 months

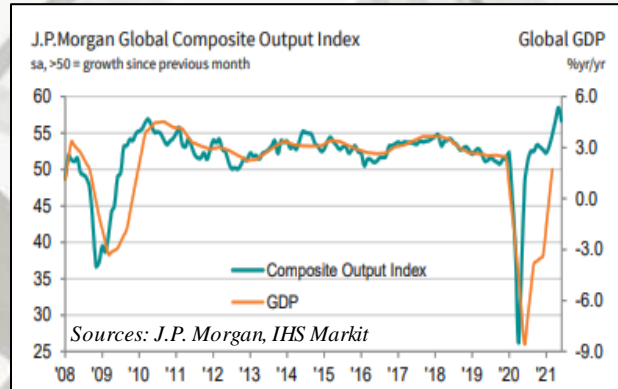
### **Solid upturn in global manufacturing continues but stretched supply chains drive up costs**

Global manufacturing remained in a strong growth phase in June, with output, new orders and employment all rising and business optimism at robust levels. However, stressed global supply chains continued to disrupt production schedules and delay input deliveries resulting in sharp price increases. Out of the 30 nations for which June data were available, 22 saw operating conditions improve (as signalled by a PMI reading above 50.0). However, half of these also saw their rates of expansion slow compared to the previous month. ...

Europe remained a bright spot within global manufacturing, with the top-seven ranked countries all located in this region. The US was in eighth position overall, with Australia the next highest non-European country in thirteenth. Asia continued to underperform (on average) compared to the global average. PMI readings for China and Japan slipped to three- and four-month lows respectively, while India fell back into contraction (breaking a ten-month sequence of growth). The three sub-sectors covered by the survey (consumer, intermediate and investment goods) all registered PMI readings above the neutral 50.0 mark in June. However, rates of expansion also eased in all three. The strongest growth was at investment goods producers, followed by intermediate goods and then consumer goods.

Manufacturing production rose again in June, albeit at the slowest pace for four months. Output growth was supported by solid intakes of new work, including improved international trade flows. However, stretched global supply chains constrained output growth, leading to a further marked accumulation of backlogs of work at factories. ...” – Olya Borichevska, Global Economist, Global Economic Research, J.P. Morgan

# Private Indicators: Global



## J.P. Morgan Global Composite PMI™

“The J.P. Morgan Global Composite Output Index – which is produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – posted 56.6 in June, down from May's 181-month high of 58.5. The reading was still among the best registered over the past 15 years. The headline index has remained above the neutral 50.0 mark for 12 consecutive months. Companies benefited from rising intakes of new work, including increased new export business.

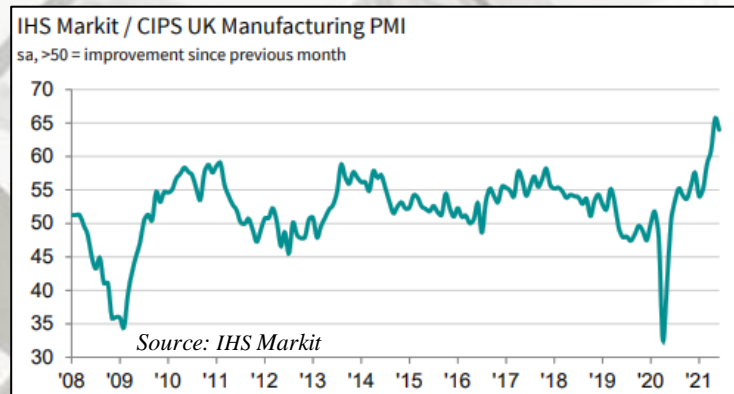
### Strong global economic growth continues at end of second quarter

The solid upswing in global economic activity continued at the end of the second quarter. Output expanded at a rate close to May's 15-year high, as intakes of new work remained strong. The US and Europe remained the brighter growth spots, while Asian economies struggled in comparison. ... All six of the sub-sectors covered by the survey saw output rise during June, although only one – consumer services – registered a steeper rate of expansion. Growth was quickest overall in the business services sector and weakest at consumer goods producers. The extent of the slowdown was especially noticeable in the financial services category. ...

The continued upswing in global economic activity contributed to increased employment. Job creation was registered for the tenth successive month, with the rate of growth remaining among the best signalled over the past 13-and-a-half years. Staffing levels rose in almost all of the nations covered, the exceptions being China and India. Job creation was strongest in Ireland, followed by the UK. Part of the increase in employment reflected efforts to combat the build-up of backlogs of work at factories and service providers. Outstanding business rose for the fourth successive month and to one of the greatest extents in the survey history. Capacity issues across global supply chains meanwhile resulted in increased costs, with input price inflation staying close to May's near 13-year high. Output charges also rose at a near-series record pace.

Business optimism improved again in June, with the degree of positivity the second-best on record. Developed nations were (on average) more confident than their emerging market counterparts.” – Olya Borichevska, Global Economic Research, J.P. Morgan

# Private Indicators: Global



## IHS Markit/CIPS UK Manufacturing PMI®

“The seasonally adjusted IHS Markit/CIPS Purchasing Managers’ Index® (PMI®) dipped slightly to 63.9 in June, down from May's record high of 65.6. The PMI has signalled an improvement for 13 successive months.

### UK Manufacturing PMI surges to record high in May

Manufacturing remained in a strong growth phase in June, with rates of expansion in output, new orders and employment among the best seen during the near 30-year survey history. Industry was still beset by supply-chain and distribution difficulties, however, leading to longer vendor lead times and disruption to production schedules. Manufacturing production increased at marked rates across the consumer, intermediate and investment goods industries during June. Growth was supported by strong intakes of new business, which rose at a rate close to May's record high. ...

UK manufacturing maintained a near survey-record pace of expansion at the end of the second quarter, as the reopening of economies at home and overseas supported increased production, new orders and employment. Solid business confidence and rising backlogs of work also suggest that the current upturn has further to run.

The sector is still beset by rising cost inflationary pressures, however, as Brexit-related trade issues exacerbated global supply chain delays. The resulting widespread raw material shortages drove purchase prices up to the greatest extent on record, leading to an unprecedented steep rise in selling prices. There are also widespread reports of supply issues causing disruptions to production schedules and impeding the re-building of buffer stocks.

The continued inflationary impact of capacity issues at both manufacturers and their suppliers will be a further factor keeping headline inflation above the Bank of England's 2% target in coming months.”” –

Rob Dobson, Director, IHS Markit



# Private Indicators

## Associated Builders and Contractors

### Nonresidential Construction Spending Down 0.7% in May

“National nonresidential construction spending declined 0.7% in May, according to an Associated Builders and Contractors analysis of data published today by the U.S. Census Bureau. On a seasonally adjusted annualized basis, nonresidential spending totaled \$784.5 billion for the month. Spending fell on a monthly basis in 11 of the 16 nonresidential subcategories and is down in every category except sewage and waste disposal year over year. Private nonresidential spending fell 1.1% in May, while public nonresidential construction spending declined 0.3%. Nonresidential construction spending is down 7.1% on a year-over-year basis.

“There is a significant gap between elevated levels of [contractor confidence](#) and still poor nonresidential construction industry outcomes,” said ABC Chief Economist Anirban Basu.

“Recent months have seen declines in nonresidential construction spending and employment, but contractors continue to indicate upbeat assessments regarding near-term performance, according to [ABC’s Construction Confidence Index](#).

“Certain segments have experienced particularly large declines in activity,” said Basu. “Lodging-related construction declined nearly 3% in May and is down more than 23% on a year-ago basis. Despite the red-hot data center construction segment, spending in the office category is down nearly 9% on a year-over-year basis. Spending declines are even larger in the conservation/development, educational and religious categories. Spending in the public safety category, which surged during the earlier months of the pandemic, is down nearly 40% since May 2020.

““Interestingly, while a number of private construction segments are struggling under the dislocating impacts of the pandemic, public nonresidential construction has actually declined more rapidly than the private sector over the past year,” said Basu.” – Erika Walter, Director of Media Relations, ABC



# Associated Builders and Contractors

Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate

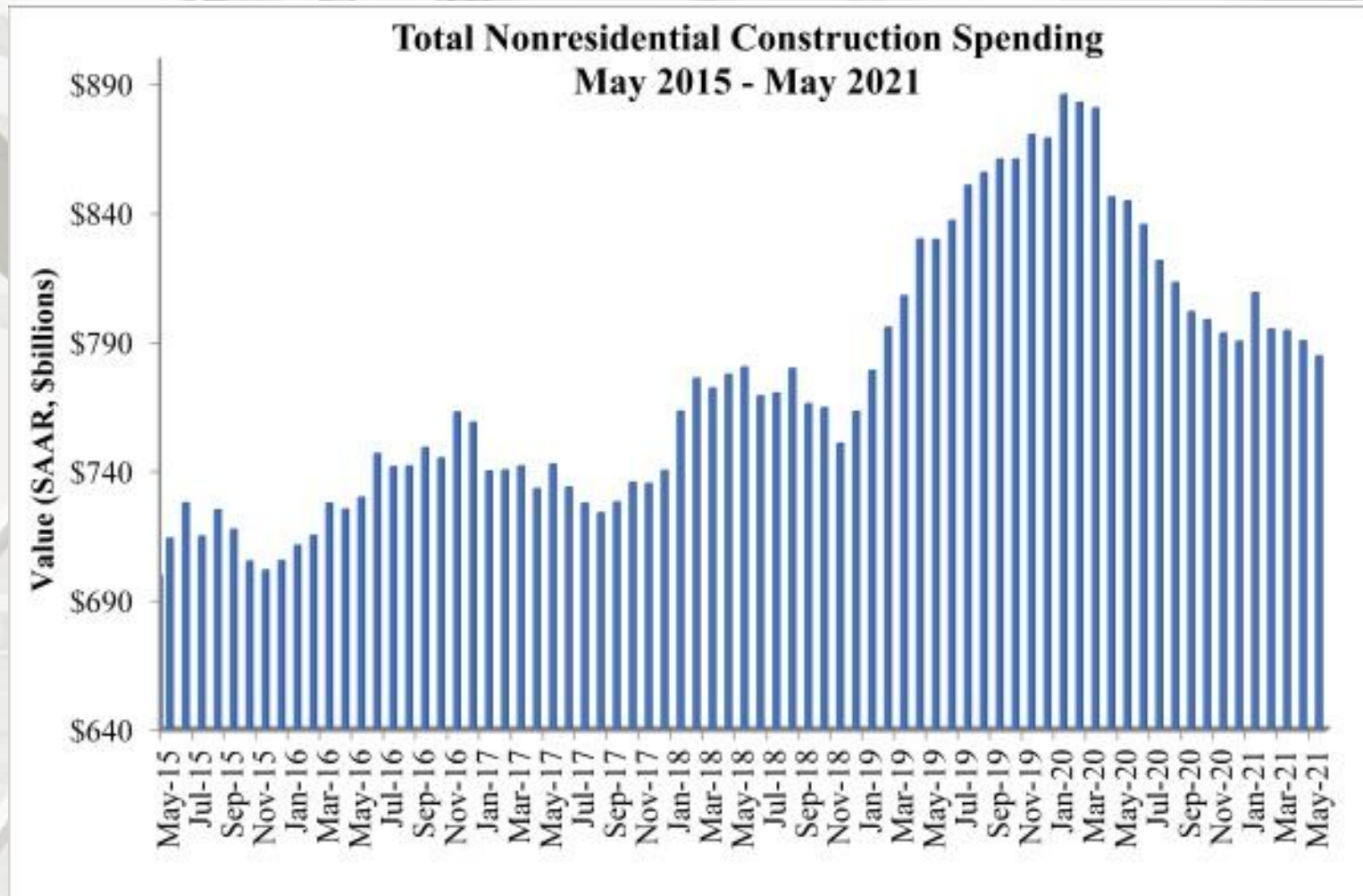
	May 2021	April 2021	May 2020	1-Month % Change	12-Month % Change
Nonresidential	\$784,542	\$790,379	\$844,517	-0.7%	-7.1%
Water supply	\$19,082	\$18,687	\$19,135	2.1%	-0.3%
Conservation and development	\$7,280	\$7,170	\$9,037	1.5%	-19.4%
Highway and street	\$98,992	\$97,648	\$103,381	1.4%	-4.2%
Public safety	\$11,801	\$11,694	\$19,547	0.9%	-39.6%
Transportation	\$55,916	\$55,889	\$61,276	0.0%	-8.7%
Office	\$80,813	\$80,844	\$88,289	0.0%	-8.5%
Amusement and recreation	\$25,076	\$25,106	\$27,115	-0.1%	-7.5%
Communication	\$21,623	\$21,733	\$22,679	-0.5%	-4.7%
Commercial	\$85,440	\$85,997	\$88,208	-0.6%	-3.1%
Health care	\$46,979	\$47,299	\$47,675	-0.7%	-1.5%
Sewage and waste disposal	\$27,062	\$27,450	\$25,771	-1.4%	5.0%
Power	\$112,372	\$114,062	\$113,210	-1.5%	-0.7%
Religious	\$3,012	\$3,064	\$3,532	-1.7%	-14.7%
Educational	\$96,948	\$98,972	\$114,255	-2.0%	-15.1%
Manufacturing	\$69,550	\$71,483	\$71,940	-2.7%	-3.3%
Lodging	\$22,596	\$23,282	\$29,469	-2.9%	-23.3%
Private Nonresidential	\$451,561	\$456,541	\$479,172	-1.1%	-5.8%
Public Nonresidential	\$332,980	\$333,837	\$365,345	-0.3%	-8.9%

Source: U.S. Census Bureau

## Nonresidential Construction Spending Down 0.7% in May

““With many state and local governments experiencing much better financial conditions than anticipated a year ago, public construction spending can be expected to improve going forward. However, anticipated improvement may be delayed by the specter of still high construction materials prices, which may induce many project owners to postpone the onset of construction. Construction worker shortages are also deeply problematic, further exacerbating costs at a time of sluggish industry recovery. To put this into further perspective, at the onset of the crisis, residential construction comprised 41% of total construction spending. That proportion is now up to 49%.”” – Erika Walter, Director of Media Relations, ABC

# Associated Builders and Contractors



Source: U.S. Census Bureau

# **Private Indicators**

## **Associated Builders and Contractors**

### **ABC's Construction Backlog Indicator and Contractor Confidence Index Rise in June**

“Associated Builders and Contractors reports today that its Construction Backlog Indicator rose to 8.5 months in June, according to an ABC member survey conducted June 20-July 6, 0.5 months higher than in May 2021 and 0.4 months higher than in June 2020.

“ABC’s Construction Confidence Index readings for sales, profit margins and staffing levels increased modestly in June. All three indices remain above the threshold of 50, indicating expectations of growth over the next six months.

“Nonresidential contractors continue to predict a strong rebound in activity over the balance of the year,” said ABC Chief Economist Anirban Basu. “Despite recent weakness in industry employment and spending data, contractors collectively remain upbeat. The neck-snapping pace of economic recovery, along with low financing costs and the return of projects that had been placed on the back burner during the pandemic, is translating into rising backlog and optimistic perspectives on employment, sales and profit margins.

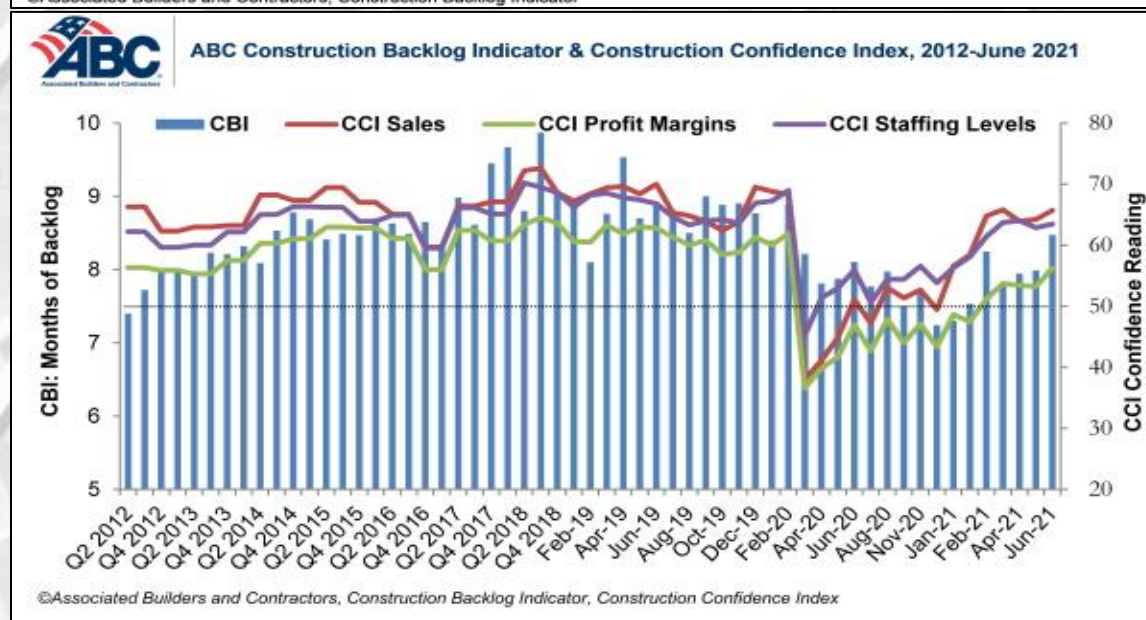
“Rapidly rising materials prices was one of the leading threats to a vigorous nonresidential construction recovery; however, that factor has become a bit less concerning in recent weeks,” said Basu. “Still, materials prices are likely to remain meaningfully above pre-pandemic levels. Moreover, the [shortage](#) of skilled workers continues to worsen, driving up wages and project bids in the process. Demand for construction services is expected to be strong enough during the months ahead to allow contractors to pass many of these higher costs onto the purchasers of construction services, preserving margins in the process.”” – Erika Walter, Director of Media Relations, ABC



# Associated Builders and Contractors

Construction Backlog Indicator					
	June 2021	May 2021	June 2020	1-Month Net Change	12-Month Net Change
<b>Total</b>	<b>8.5</b>	<b>8.0</b>	<b>8.1</b>	<b>0.5</b>	<b>0.4</b>
<i>Industry</i>					
Commercial & Institutional	8.5	8.0	8.2	0.5	0.3
Heavy Industrial	4.6	6.5	5.2	-1.9	-0.6
Infrastructure	10.2	8.7	10.0	1.5	0.2
<i>Region</i>					
Middle States	8.0	7.5	6.7	0.5	1.3
Northeast	8.9	7.3	8.5	1.6	0.4
South	8.4	9.5	8.9	-1.1	-0.5
West	8.5	7.7	8.7	0.8	-0.2
<i>Company Size</i>					
<\$30 Million	8.0	7.6	7.8	0.4	0.2
\$30-\$50 Million	8.5	6.8	6.7	1.7	1.8
\$50-\$100 Million	9.4	9.5	8.9	-0.1	0.5
>\$100 Million	12.8	13.4	12.0	-0.6	0.8

©Associated Builders and Contractors, Construction Backlog Indicator





# Associated Builders and Contractors

Construction Confidence Index			
Response	June 2021	May 2021	June 2020
<b>CCI Reading</b>			
Sales	65.7	64.2	51.1
Profit Margins	56.3	53.2	47.0
Staffing	63.5	62.9	56.0
<b>Sales Expectations</b>			
Up Big	11.2%	11.3%	7.8%
Up Small	55.8%	53.1%	39.4%
No Change	20.0%	20.5%	13.4%
Down Small	10.8%	11.3%	28.1%
Down Big	2.3%	3.8%	11.3%
<b>Profit Margins Expectations</b>			
Up Big	5.8%	4.6%	4.3%
Up Small	41.9%	38.1%	27.3%
No Change	26.9%	28.9%	29.0%
Down Small	22.3%	22.6%	30.7%
Down Big	3.1%	5.9%	8.7%
<b>Staffing Level Expectations</b>			
Up Big	7.7%	6.3%	4.8%
Up Small	50.0%	49.8%	38.5%
No Change	32.7%	35.1%	35.1%
Down Small	7.7%	6.7%	19.0%
Down Big	1.9%	2.1%	2.6%

© Associated Builders and Contractors, Construction Confidence Index

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

## **Architecture Billings Index May 2021**

### **Business conditions strengthen further at architecture firms**

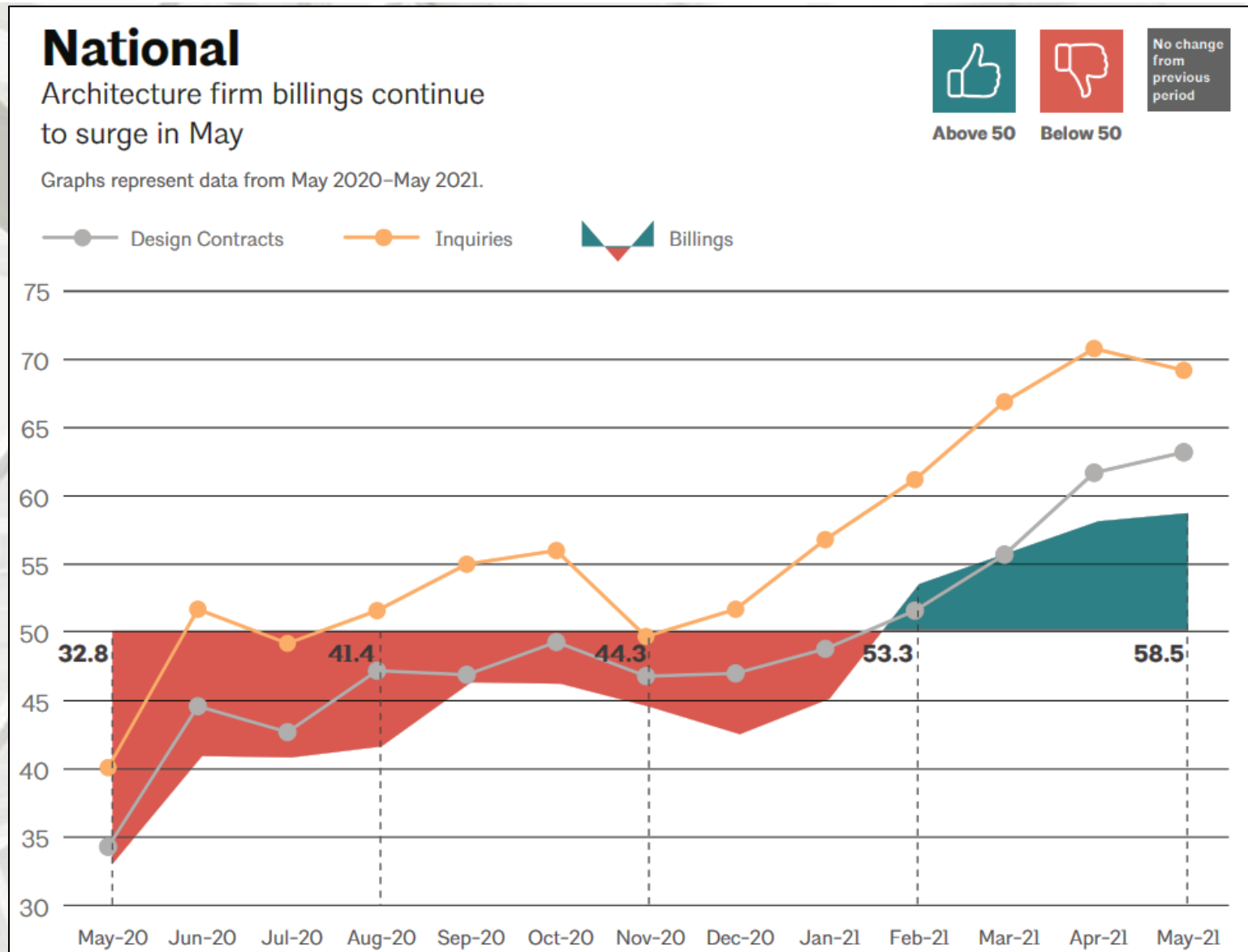
#### **Work on existing buildings accounts for more than half of firm billings so far this year**

“Business conditions remained robust at architecture firms in May, as the Architecture Billings Index (ABI) score climbed even higher. The score of 58.5 for the month (any score over 50 indicates billings growth) is one of the highest ever reported, and indicates that even more firms reported an increase in their billings in May than in April. In addition, significant work remains in the pipeline, with inquiries into new projects remaining very high, and the value of new design contracts rising further to a new all-time high in the 11-year history of that index. Although comments from survey respondents indicate some concern about the impact of inflation on building costs, those fears have not yet impacted the frenetic post-pandemic pace of work at most firms.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“Despite ballooning costs for construction materials and delivery delays, design activity is roaring back as more and more places reopen. However, concern over rising inflation and ongoing supply chain disruptions, as well as emerging labor shortages, could dampen the emerging construction recovery.” – Kermit Baker, Chief Economist, AIA

# Private Indicators

## American Institute of Architects (AIA)

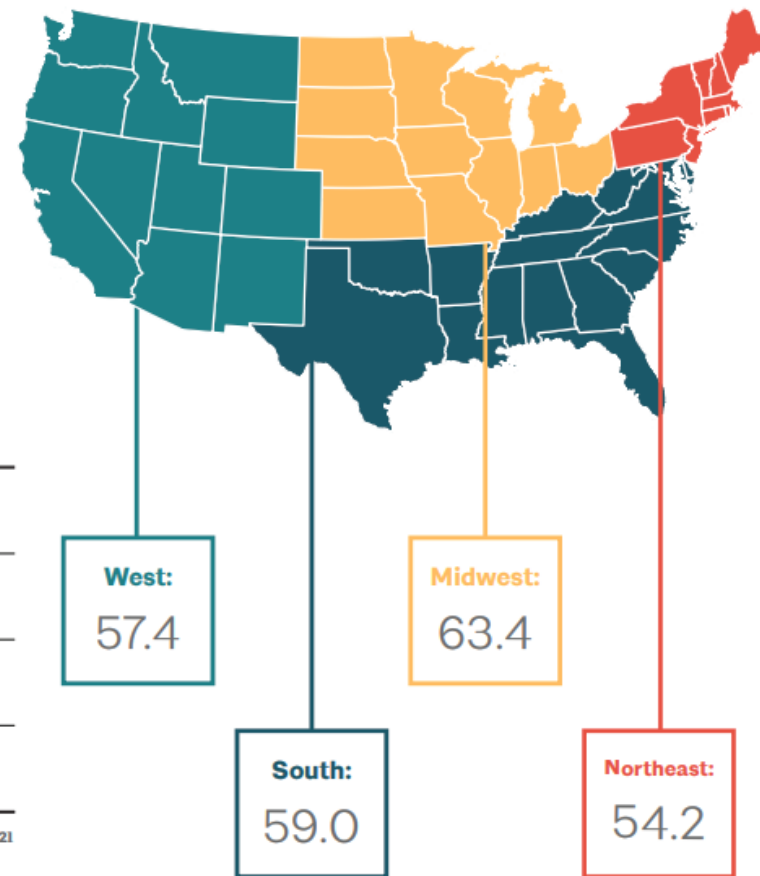
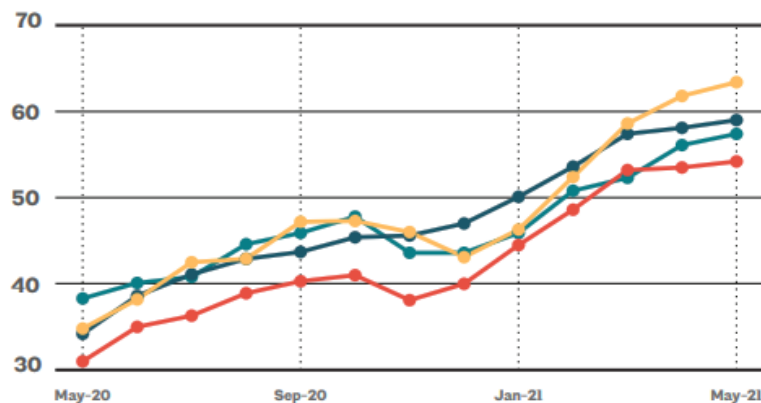


# Private Indicators: AIA

## Regional

Business conditions remain strongest at firms in the Midwest

Graphs represent data from May 2020–May 2021 across the four regions. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



## Region

“Architecture firm billings continued to expand at firms across the country in May as well, with all regions seeing billings growth for the third consecutive month. Conditions remained strongest at firms located in the Midwest, but were also robust at firms located in the sunbelt regions of the South and West.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

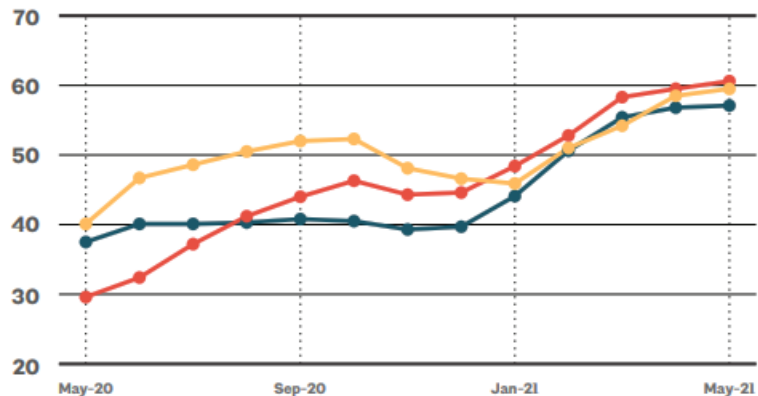


# Private Indicators: AIA

## Sector

All firm specializations report strong growth in billings for the third consecutive month

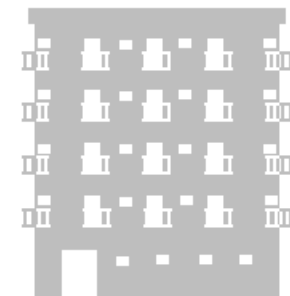
Graphs represent data from May 2020–May 2021 across the three sectors. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



**Commercial/Industrial: 60.6**



**Institutional: 57.1**



**Residential: 59.5**

## Sector

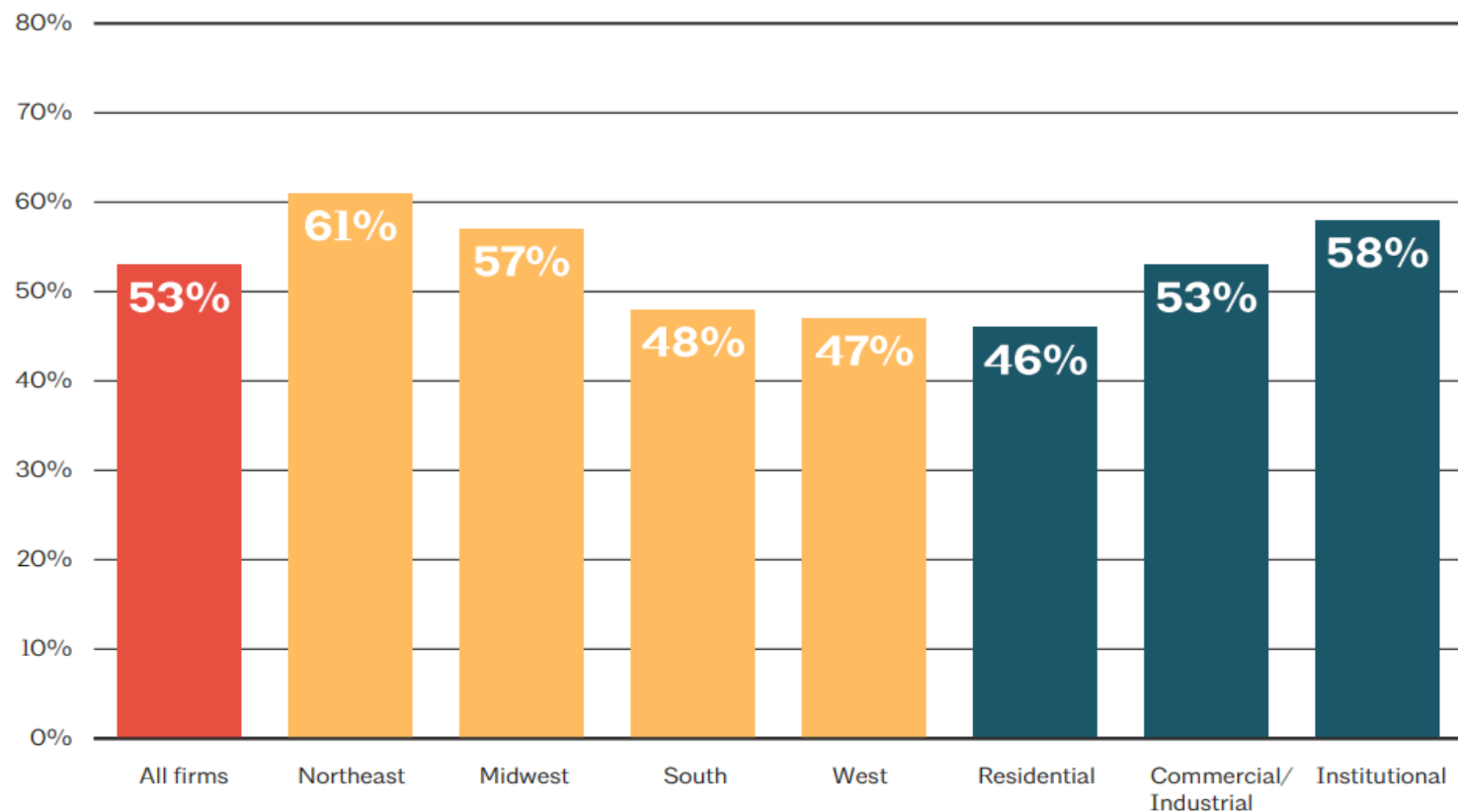
“By firm specialization, firms that concentrate on commercial/industrial projects reported the strongest business conditions for the third consecutive month. Billings are also growing rapidly at firms with a multifamily residential specialization once again, following a modest decline early last winter.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

# Private Indicators: AIA

## Practice

Share of firm billings from existing buildings is highest at firms located in Northeast, and those with an institutional specialization

units: estimated share of billings at firms from 2021 so far for projects dealing with renovations, rehabilitation, retrofits, additions, and historic preservation to existing facilities



# Private Indicators

## Dodge Data & Analytics

### Total Construction Falls in May as Housing Stumbles

#### Single family construction feeling brunt of higher material prices

“Total construction starts dropped 1% in May to a seasonally adjusted annual rate of \$902.8 billion, according to [Dodge Data & Analytics](https://www.construction.com/news/Total-Construction-Falls-in-May-as-Housing-Stumbles). The brunt of the decline was borne by residential starts, while nonresidential and nonbuilding starts continued their recovery from the COVID-19 pandemic.

““The weight of higher material prices and a lack of skilled labor are having a direct and notable influence on residential construction activity,” said Richard Branch, Chief Economist for Dodge Data & Analytics. “These negative factors are expected to continue to impact the sector over the remainder of the year and will result in a less positive influence from housing on overall levels of construction activity. While feeling similar effects, the nonresidential sector continues its modest recovery off the lows of last summer. There are enough projects in the planning pipeline to suggest this trend should continue into next year, but higher material prices will result in longer lead times to groundbreaking and more temperate improvements in nonresidential starts.”” – Nicole Sullivan, Public Relations & Social Media, AFFECT

# Private Indicators

## Dodge Data & Analytics

- **“Residential building** lost 10% in May to a seasonally adjusted annual rate of \$394.2 billion. Single family starts were 12% lower, while multifamily starts dropped 7%. Year-to-date, total residential starts were 30% higher than the same period a year earlier. Single family starts were up 37%, while multifamily starts were 12% higher.

For the 12 months ending May 2021, total residential starts were 18% higher than the 12 months ending May 2020. Single family starts gained 27%, while multifamily starts were down 2% on a 12-month sum basis.

- **The largest multifamily structures to break ground in May** were a \$500 million mixed-use project in Brooklyn, N.Y, the \$230 million Mather Senior Living Community in McLean VA, and the \$160 million Alcove Tower in Nashville TN.
- **Regionally**, May’s starts rose in the Midwest, South Atlantic, and West regions but fell in the Northeast and South Central regions.
- **Nonresidential building starts** jumped 10% in May to a seasonally adjusted annual rate of \$309.5 billion. Manufacturing starts more than doubled over the month as a large refinery broke ground. Commercial starts gained 6%, with only the office category losing ground. Institutional starts were down 2% in May, despite a large increase in healthcare projects. Year-to-date, total nonresidential building starts were down 5% compared to the first five months of 2020. Institutional starts were 9% lower, while commercial starts were down 7%. Manufacturing starts were up 42% on a year-to-date basis.

For the 12 months ending May 2021, nonresidential building starts were 19% lower than the 12 months ending May 2020. Commercial starts were down 20%, while institutional starts fell 14%. Manufacturing starts dropped 43% in the 12 months ending May 2021.” – Richard Branch, Chief Economist, Dodge Data & Analytics



# Private Indicators

## MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

	May 2021	Apr 2021	% Change
<b>Nonresidential Building</b>	\$309,491	\$282,461	10
<b>Residential Building</b>	394,169	439,024	-10
<b>Nonbuilding Construction</b>	199,165	189,403	5
<b>Total Construction</b>	\$902,825	\$910,889	-1

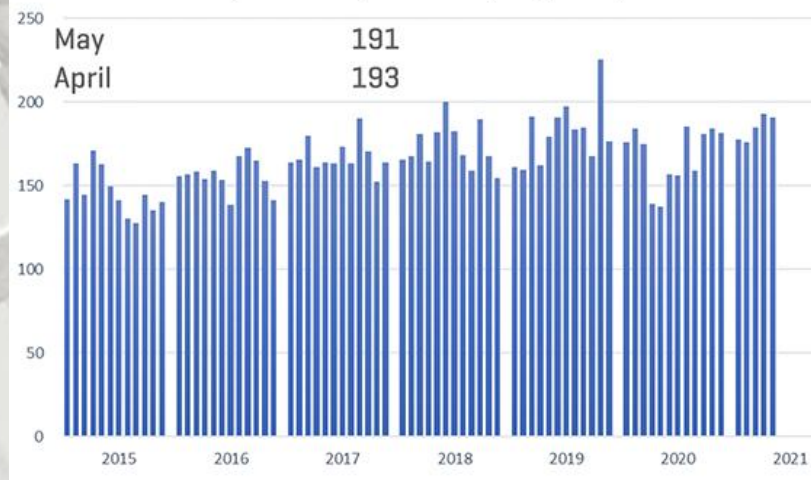
## YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	5 Mos. 2021	5 Mos. 2020	% Change
<b>Nonresidential Building</b>	\$100,596	\$105,882	-5
<b>Residential Building</b>	170,726	130,859	30
<b>Nonbuilding Construction</b>	76,159	70,339	8
<b>Total Construction</b>	\$347,482	\$307,081	13

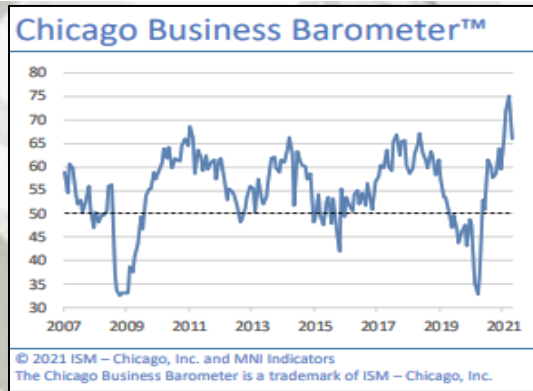
## THE DODGE INDEX

(2000=100, Seasonally Adjusted)



Source: Dodge Data & Analytics

# Private Indicators



## MNI Chicago

“The Chicago Business Barometer™, produced with MNI, fell to 66.1 in June, a four-month low. Through Q2, the index surged 7.9 points to 71.1, its highest quarterly reading since Q4 1973.

## Chicago Business Barometer™ Slipped To 66.1 in June

Among the main five indicators, Order Backlogs saw the largest decline, with Supplier Deliveries posting the only gain. New Orders languished markedly, dropping to a three-month low in June. However, the index jumped to 73.0 over Q2, its highest reading since Q3 1983. Production eased slightly in Q2 to 67.9, while the monthly index slipped 10.6 points. Some firms reported lower production levels due to material shortages, while others noted that the shortages created new business. Order Backlogs slowed by 14.1 points. Across Q2, the indicator saw the largest increase, rising from 60.0 in Q1 to 73.5.

Inventories declined 4.3 points, to the lowest level since August 2020 and the third successive reading below the 50-mark. Over the second quarter, Inventories fell sharply, down 11.6 points to 42.1.

Employment slipped to the lowest level since January with firms noting difficulties in finding new staff. Through Q2 the index gained 1.1 points, rising to 50.1. Supplier Deliveries rose 4.2 points to the highest level since March 1974 as logistical problems persisted. The index rose to 81.7 in Q2, its highest level since Q1 1974. Prices paid at the factory gate surged to the highest level since December 1979.

Companies noted higher prices due to material shortages. Across Q2, prices rose to 90.6, also a near 41 - year high.

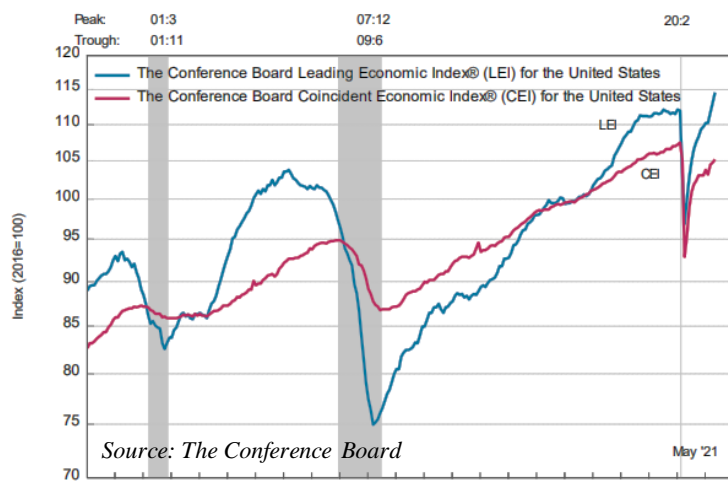
This month's special question asked, “How would you compare the current state of your organization to a year ago?”. The majority (41.0%) reported that their firms are thriving and growing. The second question asked, “Are rising prices going to have a material impact on your business thinking?”. The majority (82.1%) said their business decisions are impacted.” – Les Commons, Senior Economist and Irene Prihoda, Economist, MNI Indicators

# Private Indicators

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

“**The Conference Board Leading Economic Index® (LEI)** for the U.S. increased by 1.3 percent in May to 114.5 (2016 = 100), following a 1.3 percent increase in April, and a 1.4 percent increase in March.”

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



“After another large improvement in May, the U.S. LEI now stands above its previous peak reached in January 2020 (112.0), suggesting that strong economic growth will continue in the near term. Strengths among the leading indicators were widespread, with initial claims for unemployment insurance making the largest positive contribution to the index; housing permits made this month’s only negative contribution. The Conference Board now forecasts real GDP growth in Q2 could reach 9 percent (annualized), with year-over-year economic growth reaching 6.6 percent for 2021.” – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

“**The Conference Board Coincident Economic Index® (CEI)** for the U.S. increased by 0.4 percent in May to 105.1 (2016 = 100), following a 0.3 percent increase in April and a 1.3 percent increase in March.

**The Conference Board Lagging Economic Index® (LAG)** for the U.S. decreased by 2.2 percent in May to 103.0 (2016 = 100), following a 3.0 percent increase in April and 4.2 percent decrease in March.”



# Private Indicators

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

### **May New Business Volume 20 Percent Year-over-year, Down 17 Percent Month-to-month, and Up 7 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 May was \$8.1 billion, up 20 percent year-over-year from new business volume in May 2020. Volume was down 17 percent month-to-month from \$9.8 billion in April. Year-to-date, cumulative new business volume was up nearly 7 percent compared to 2020.

Receivables over 30 days were 1.9 percent, up from 1.8 percent the previous month and down from 4.3 percent in the same period in 2020. Charge-offs were 0.30 percent, unchanged from the previous month and down from 0.61 percent in the year-earlier period.

Credit approvals totaled 77.4 percent, up from 76.3 percent in April. Total headcount for equipment finance companies was down 13.8 percent year-over-year, a decrease due to significant downsizing at an MLFI reporting company.

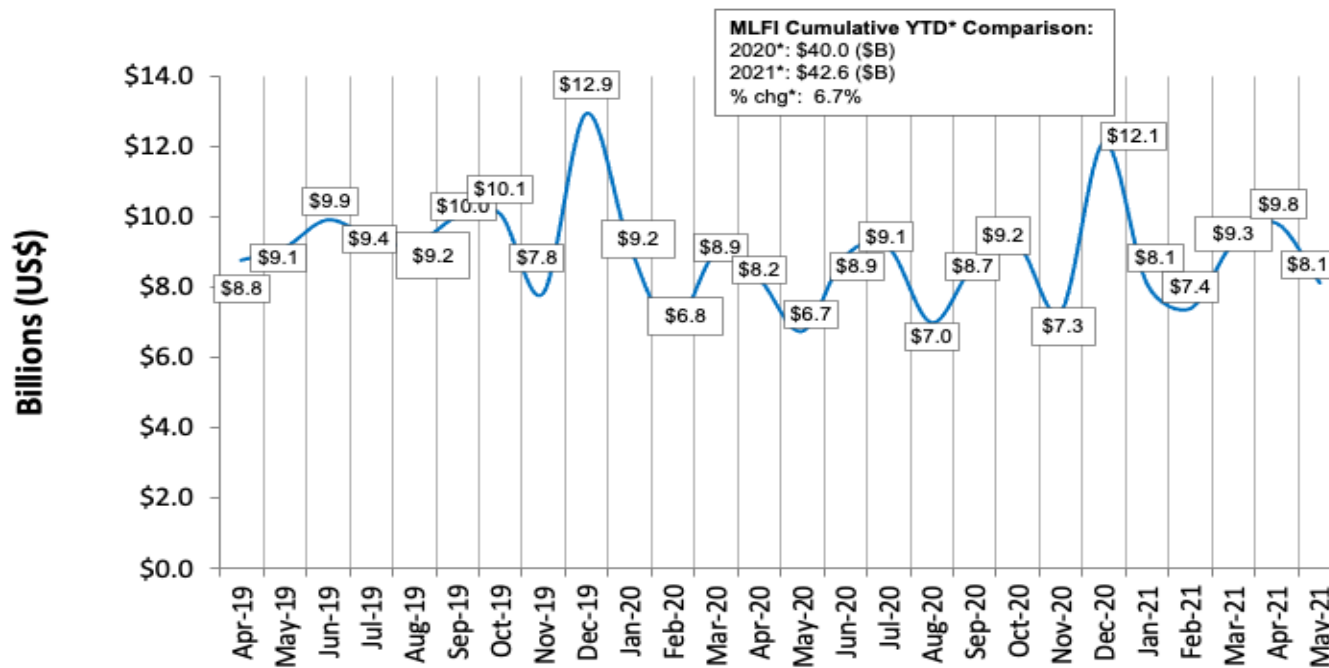
Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in June is 71.3, steady with the May index of 72.1.” – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

“Solid May new business volume growth, put in perspective, compares favorably to a low y-o-y base when the pandemic was raging at the beginning of the summer last year. While overall industry performance is relatively strong during the first half of this year, even more robust demand for financing is being constrained by supply chain shortages in several economic subsectors. And, with covid-related payment modifications resolved for the most part, ELFA members report their portfolios performing well.” – Ralph Petta, President and CEO, ELFA



# Private Indicators

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



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



### Monthly Leasing and Finance Index: May 2021

“Customer requests for loans and finance leases are strong with demand for our manufactured products (trailers and containers) at all-time highs. Economic conditions for transportation equipment are robust, driving customers to expand their fleets. Current headwinds continue to be supply chain shortages and shipping delays. The trend in these conditions and headwinds seem likely to continue for the foreseeable future.” – Jeffrey Walker, CEO, CIMC Capital

# Private Indicators

## Markit U.S. Manufacturing PMI™

### **Output growth eases as supply-chain disruption worsens, despite marked rise in client demand**

“June PMI™ data from IHS Markit signalled the joint-fastest improvement in the health of the U.S. manufacturing sector on record. The upturn was supported by further marked expansions in output and new orders, but supply chain disruptions worsened and weighed on production capacity. Vendor performance deteriorated to the greatest extent on record. Input costs meanwhile showed the largest jump on record, feeding through to another record rise in factory selling prices. Hopes of a sustained period of strong client demand strengthened output expectations, as the degree of confidence reached a seven month high.

New orders growth remained substantial in June, despite the rate of expansion easing from May's historic high. The pace of increase was the second-fastest on record, with firms continuing to note marked upturns in demand from both new and existing clients. Some companies also stated that the further relaxation of COVID-19 restrictions encouraged customers to expand their activity. New export orders meanwhile rose solidly in June, albeit at the softest pace for three months. Output growth, however, was weighed down by ongoing and severe supply-chain disruptions, and reports of labour shortages. Although the rate of growth was among the sharpest since May 2007, firms noted difficulties processing new orders amid material delivery delays and challenges finding suitable candidates for current vacancies.

Suppliers' delivery times lengthened to the greatest extent on record in June, as component shortages and transportation issues exacerbated supply-chain woes. Subsequently, vendors hiked their charges. Input costs rose at the fastest pace since data collection for the series began in May 2007, as greater global demand for inputs put pressure on material shortages. Manufacturers were able to partially pass on higher costs to clients, however, as the rate of charge inflation matched May's historic peak. Firms overwhelmingly linked the uptick in selling prices to greater cost burdens.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators

## Markit U.S. Manufacturing PMI™

“Raw material shortages and strong growth in new orders led to a sharp expansion in input buying at the end of the second quarter. Goods producers registered the second-fastest rise in purchasing since August 2014, which in turn drove a solid increase in preproduction inventories. At the same time, stocks of finished goods were utilised to fulfill new orders and fell at the steepest rate for just over a year. Meanwhile, manufacturing firms indicated a solid rise in employment during June. The rate of job creation was the slowest for six months, however, as companies reported difficulties enticing workers back. Labour shortages exacerbated pressure on capacity, as backlogs of work rose at one of the steepest rates on record. Finally, goods producers registered the strongest degree of optimism regarding the outlook for output for seven months. Confidence reportedly stemmed from hopes of a sustained period of strong client demand, and more consistent vendor performance going forward.

June saw surging demand drive another sharp rise in manufacturing output, with both new orders and production growing at some of the fastest rates recorded since the survey began in 2007. The strength of the upturn continued to be impeded by capacity constraints and shortages of both materials and labor, however, meaning concerns over prices have continued to build.

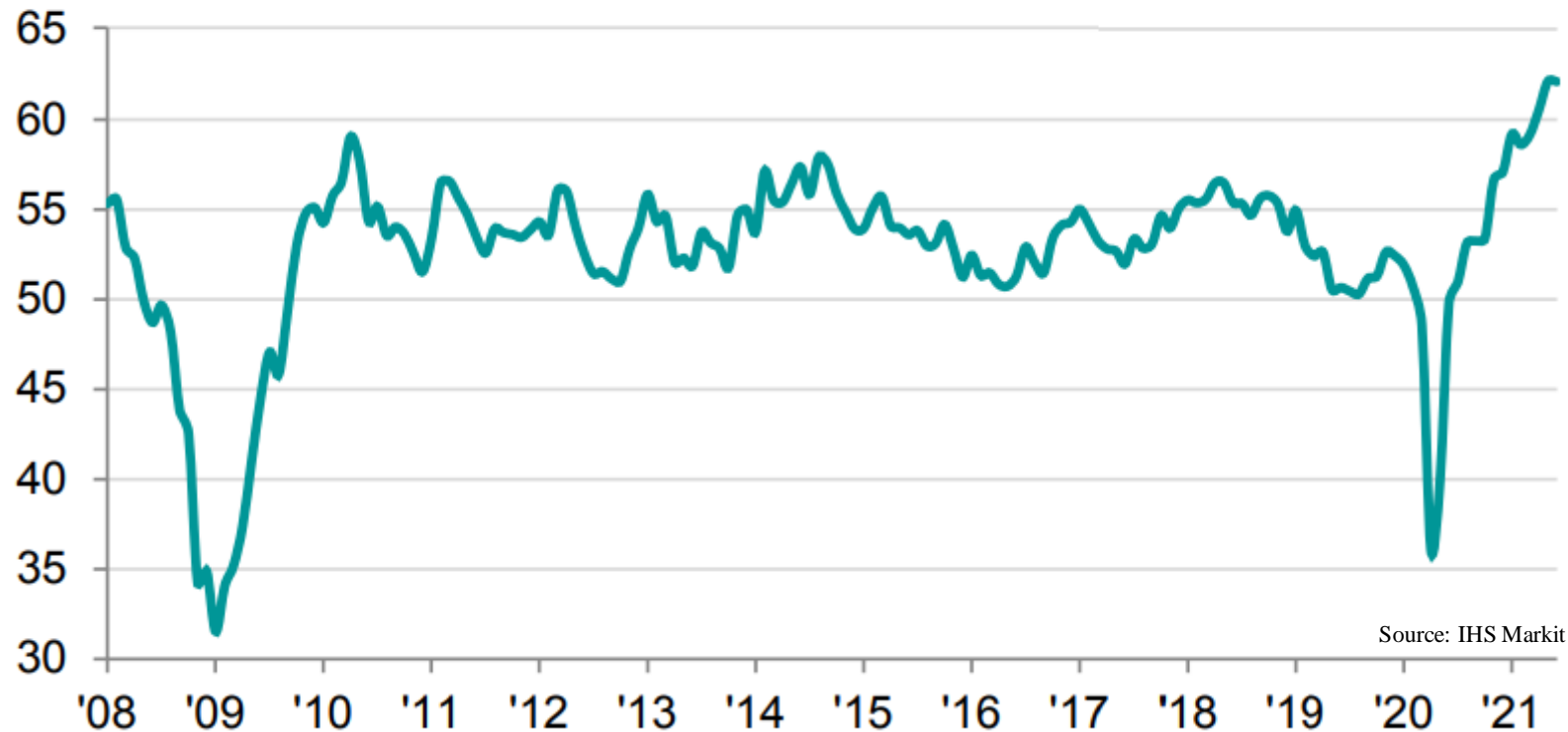
Supplier delivery times lengthened to the greatest extent yet recorded as suppliers struggled to keep pace with demand and transport delays hindered the availability of inputs. Factories were increasingly prepared, or forced, to pay more to secure sufficient supplies of key raw materials, resulting in the largest jump in costs yet recorded.

Strong customer demand in turn meant producers were often able to pass these higher costs on to customers, pushing prices charged for goods up at a rate unbeaten in at least 14 years. Capacity needs to be boosted and supply chains need to improve to help alleviate some of the inflationary pressures. However, companies reported increasing difficulties filling vacancies in June, and raising COVID-19 infection waves in Asia threaten to add to supply chain issues.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators

## U.S. Manufacturing PMI

sa, >50 = improvement since previous month



### Markit U.S. Manufacturing PMI™

“The seasonally adjusted IHS Markit U.S. Manufacturing Purchasing Managers’ Index™ (PMI™) posted 62.1 in June, unchanged on May, but slipping slightly from the earlier released ‘flash’ estimate of 62.6. The marked improvement in operating conditions was the joint-strongest since data collection began in May 2007.” – Chris Williamson, Chief Economist, Markit®



# Private Indicators

## IHS Markit U.S. Services PMI™

### **Strong business activity growth rounds off best quarter in PMI survey history**

“The seasonally adjusted final IHS Markit US Services PMI Business Activity Index registered 64.6 in June, down from 70.4 in May and slightly below the earlier released ‘flash’ estimate of 64.8. The latest expansion in output was the third-fastest since data collection began in October 2009, only slower than recent upturns in May and April, respectively.

June PMI™ data indicated a further marked upturn in business activity across the U.S. service sector, supported by a substantial rise in client demand. Business confidence in the outlook also improved to the second-highest in seven years. Rates of output and new order growth eased from May’s record highs, however, and capacity constraints meant backlogs of work grew at the quickest rate for ten months. Although firms continued to hire new workers, challenges finding suitable candidates weighed on the pace of job creation. Meanwhile, input prices increased at the second-fastest rate on record as supplier price hikes and greater wage bills pushed up cost burdens. Nonetheless, accommodative demand conditions allowed firms to partially pass on higher costs to clients.

Contributing to the robust rise in activity across the service sector was a further marked increase in new business at the end of the second quarter. Alongside strong customer demand, firms attributed the upturn in new sales to the acquisition of new clients. Although the rate of new business growth slipped to a three-month low, it was still the third-fastest on record.

Mirroring the trend for total sales, new export orders rose at a strong pace that was only slightly slower than May's recent peak and among the steepest in the history of the survey. The fourth successive monthly expansion in foreign client demand was linked by companies to the relaxation of COVID-19 restrictions in key export markets. At the same time, service providers registered the secondsteepest rise in input costs on record in June. Although the rate of input price inflation eased from May's recent high, firms continued to highlight rising supplier, fuel and wage costs.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators

## IHS Markit U.S. Services PMI™

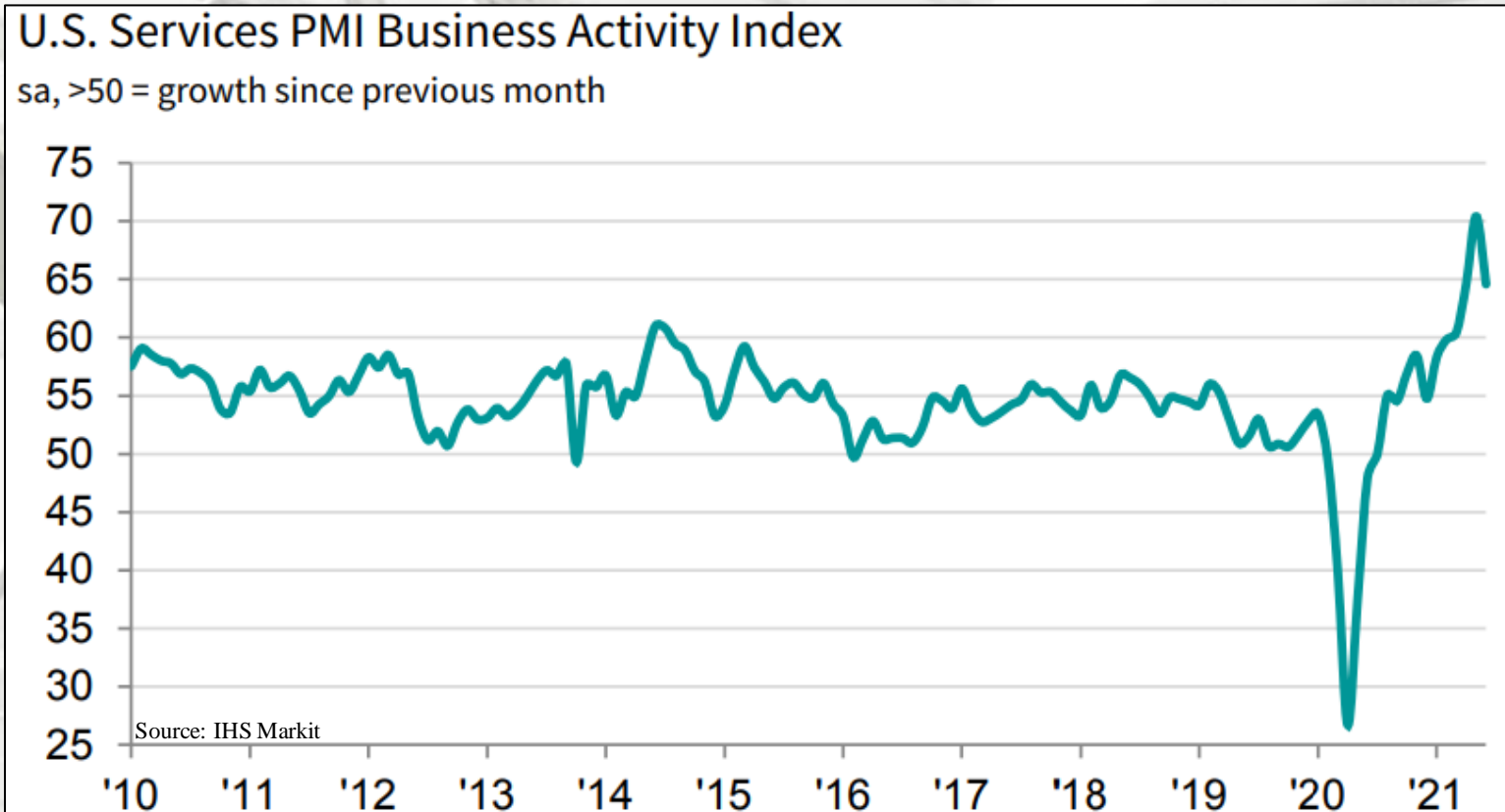
“Service sector firms were able to partially pass on higher cost burdens to clients, however, as output charges increased at the second-steepest rate on record, albeit with the rate of inflation cooling from May’s peak. Greater new order inflows placed greater pressure on output capacity during June, as the level of outstanding business expanded at the sharpest rate for ten months. Labour shortages reportedly exacerbated strains meeting demand following sustained and robust increases in new sales. The rate of job creation was strong overall, but softened amid challenges enticing workers back to employment.

June saw another month of impressive output growth across the manufacturing and services sectors of the US economy, rounding off the strongest quarterly expansion since data were first available in 2009. The rate of growth cooled compared to May’s record high, however, adding to signs that the economy’s recovery bounce peaked in the second quarter.

Some of the easing in the rate of expansion reflects payback after especially strong expansions in prior months as the economy opened up from pandemic-related restrictions, especially in consumer-facing companies. However, many firms reported that business activity had been constrained either by shortages of supplies or difficulties filling vacancies. Backlogs of uncompleted orders are consequently rising at a rate unprecedented in the survey’s history, underscoring how demand is outstripping supply of both goods and services.

These capacity constraints are not only stifling growth, but also driving prices sharply higher. June saw the second-steepest rise in average prices charged for goods and services in the survey’s 12-year history, though some encouragement can be gleaned from the rate of inflation easing in the service sector compared to May.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators



## IHS Markit U.S. Services PMI™

“Finally, business expectations regarding the outlook for output over the coming year improved at the end of the second quarter. The degree of optimism strengthened to the highest since November 2020, as firms gained confidence following a more extensive reopening of the economy and expressed hopes of further boosts to client demand. Survey respondents also cited a reduction in concerns over inflation.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators

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

### Report for June 2021: Combined Sectors

“The current assessment of the U.S. economy is that it is on fire. Although it was assumed that 2021 would be a year of recovery, the dominant opinion held that most of this rebound would take place near the end of the year.

However, consumers had other plans as they came roaring out of the gate at record speed. The first quarter saw a growth rate in the first quarter of 6.5% and showed little sign of slowing in the second quarter even as inflation started to rear its ugly head. Throughout all of this growth, some consistent questions remain: How long will this last? Through the summer, the rest of the year, into 2022? Credit managers, who are forward thinkers, have started to provide an answer to these questions.

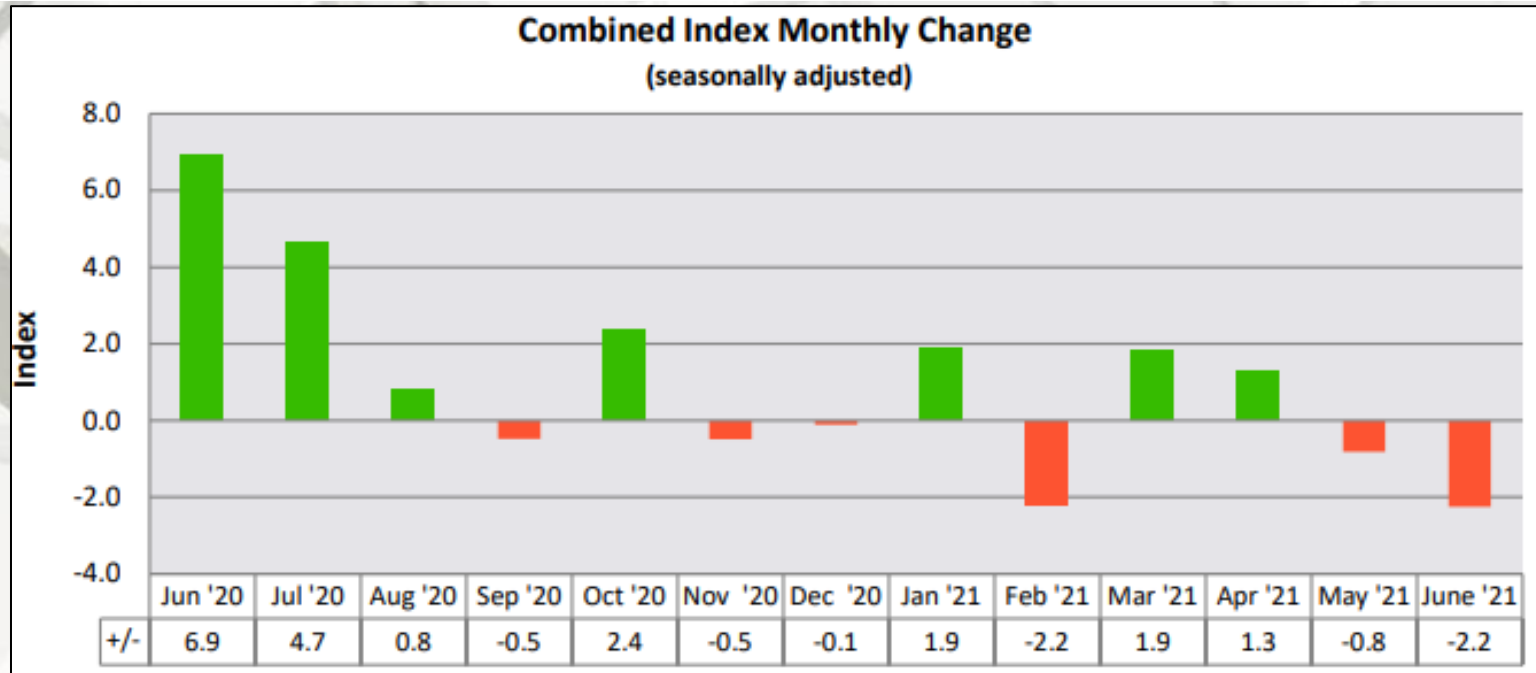
The last two months of **NACM's Credit Manager's Index (CMI)** have indicated some slowing in the overall economy. Although the numbers remain high, they have fallen slightly from April's peaks. Overall, the combined score for the June CMI fell 2.3 points month on month, and 3.1 points since April. However, “57.5 is still a very respectable number in an index where anything over 50 is considered expansion,” said NACM Economic Chris Kuehl, Ph.D.

With a 1.9-point slip month on month, the combined index of favorable factors still remains well into the 60s, but it now returns to numbers seen in November 2020. Sales tumbled 5.5 points close to a level not seen since November 2020. Amount of credit extended slipped 1.6 points month on month, and new credit applications, 1.5 points. Dollar collections with a 1.1 increase was the only category in June to see a gain.

“The fall in sales is taking place at the same time that many have been touting all the increases in sales of capital goods and strong retail numbers,” Kuehl said. “This is a good time to remember that credit managers are focused primarily on the future, and they seem to be getting a little nervous. As long as the numbers are in the 60s, there is no alarm to sound, but it is clearly not headed in the right direction.”” – Andrew Michaels, Editorial Associate, NACM



# Private Indicators



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

“The combined index of unfavorable factors also slipped to its lowest level since February 2021. With a combined drop of 2.5 points, some unfavorable categories noted significant changes. Disputes fell close to the contraction zone as it fell 3.3 points. Dollar amount beyond terms was the only category to fall into the contraction zone.

“As usual, the more interesting data shows up in the subcategories,” Kuehl said. “A bit more desperation is showing up in some sectors, but the biggest change and by far the most worrying was dollar amount beyond terms as it fell 7.6 points. This is an early sign of distress in companies and suggests that some businesses are starting to try to protect their cash flow at the expense of their creditors.”

Dips in rejections of credit applications, accounts placed for collection, dollar amount of customer deductions, and filings for bankruptcies ranged from one point to 0.8 points. “These are still very respectable readings and do not signal any real issues,” Kuehl said. Overall, “unfavorable categories remain in decent shape, but they are no longer all in positive territory as they had been for the seven consecutive months prior.” – Andrew Michaels, Editorial Associate, NACM

Source: <https://nacm.org/cmi.html>; 6/30/21

# Private Indicators

<b>Combined Manufacturing and Service Sectors (seasonally adjusted)</b>	<b>Jun '20</b>	<b>Jul '20</b>	<b>Aug '20</b>	<b>Sep '20</b>	<b>Oct '20</b>	<b>Nov '20</b>	<b>Dec '20</b>	<b>Jan '21</b>	<b>Feb '21</b>	<b>Mar '21</b>	<b>Apr '21</b>	<b>May '21</b>	<b>June '21</b>
Sales	54.1	64.3	65.8	65.5	74.2	66.5	70.2	75.9	69.9	73.9	74.7	73.2	67.7
New credit applications	57.9	62.4	63.4	63.6	65.2	63.9	64.4	67.8	65.5	63.9	65.9	64.6	63.1
Dollar collections	53.9	62.5	61.2	63.3	64.6	62.6	62.8	66.0	59.2	64.5	63.1	60.0	61.1
Amount of credit extended	55.2	57.3	61.3	60.8	68.0	64.8	65.3	69.2	66.8	68.4	69.0	69.0	67.4
<b>Index of favorable factors</b>	<b>55.3</b>	<b>61.6</b>	<b>62.9</b>	<b>63.3</b>	<b>68.0</b>	<b>64.4</b>	<b>65.7</b>	<b>69.7</b>	<b>65.3</b>	<b>67.7</b>	<b>68.2</b>	<b>66.7</b>	<b>64.8</b>
Rejections of credit applications	49.8	50.0	51.5	51.6	51.4	51.5	51.3	51.6	51.5	52.0	53.0	53.1	52.3
Accounts placed for collection	46.7	50.8	51.6	49.4	49.5	56.2	51.6	52.9	51.6	55.1	59.6	54.2	53.2
Disputes	49.6	50.7	51.8	48.7	51.0	50.6	51.2	50.9	51.0	50.6	51.3	53.7	50.4
Dollar amount beyond terms	44.4	57.3	58.2	54.6	58.0	58.1	57.0	58.9	52.0	57.0	59.4	57.1	49.5
Dollar amount of customer deductions	50.6	52.4	52.2	51.1	51.0	51.7	51.5	51.3	52.8	52.2	53.0	53.6	52.6
Filings for bankruptcies	47.7	48.8	47.7	51.3	50.7	53.0	52.5	52.3	54.5	55.7	57.1	59.3	58.3
<b>Index of unfavorable factors</b>	<b>48.1</b>	<b>51.7</b>	<b>52.2</b>	<b>51.1</b>	<b>51.9</b>	<b>53.5</b>	<b>52.5</b>	<b>53.0</b>	<b>52.2</b>	<b>53.8</b>	<b>55.6</b>	<b>55.2</b>	<b>52.7</b>
<b>NACM Combined CMI</b>	<b>51.0</b>	<b>55.6</b>	<b>56.5</b>	<b>56.0</b>	<b>58.4</b>	<b>57.9</b>	<b>57.8</b>	<b>59.7</b>	<b>57.5</b>	<b>59.3</b>	<b>60.6</b>	<b>59.8</b>	<b>57.5</b>

# Private Indicators

## National Federation of Independent Business (NFIB) June 2021 Report

### Labor Shortage Remains a Challenge for Small Businesses as Inflation Increases

“Small businesses optimism is rising as the economy opens up, yet a record number of employers continue to report that there are few or no qualified applicants for open positions. Owners are also having a hard time keeping their inventory stocks up with strong sales and supply chain problems.”  
– Bill Dunkelberg, Chief Economist, NFIB

“The NFIB Optimism Index increased 2.9 points in June to 102.5, the first time the Index exceeded 100 since November 2020. Seven of the 10 Index components improved and three declined. The NFIB Uncertainty Index increased four points to 83.

Other key findings include:

- Owners expecting better business conditions over the next six months rose 14 points to a net negative 12%, an improvement but still in very negative territory.
- Earnings trends over the past three months improved six points to a net negative 5%.
- The net percent of owners raising average selling prices increased seven points to a net 47% (seasonally adjusted), the highest reading since January 1981.” – Holly Wade, NFIB

# Private Indicators

## National Federation of Independent Business (NFIB) June 2021 Report

“As reported in [NFIB’s monthly jobs report](#), 46% of owners reported job openings that could not be filled, a decrease of two points from May but still historically high and above the 48-historical average of 22%. Small employers have plans to fill open positions, job creation plans over the next three months rose to a net 28%, up one point.

Down from May’s report, 53% of owners reported capital outlays in the last six months. Of those making expenditures, 36% reported spending on new equipment, 23% acquired vehicles, and 14% improved or expanded facilities. Six percent of owners acquired new buildings or land for expansion and 11% spent money for new fixtures and furniture.

A net 9% of all owners (seasonally adjusted) reported higher nominal sales in the past three months. The net percent of owners expecting higher real sales volumes improved five points to a net 7%.

The net percent of owners reporting inventory increases rose 2 points to a net 1%. A net 11% of owners view current inventory stocks as “too low” in June, up three points from May and a historically high reading.

A record high reading, a net 11% of owners plan inventory investment in the coming months.

Unadjusted, 5% reported lower average selling prices and 54% reported higher average prices. Price hikes were the most frequent in wholesale (82% higher, 4% lower), retail (63% higher, 1% lower), and manufacturing (62% higher, 5% lower). Seasonally adjusted, a net 44% plan price hikes, up one point from May.” – Holly Wade, NFIB



# Private Indicators

## National Federation of Independent Business (NFIB) June 2021 Report

“A net 39% (seasonally adjusted) reported raising compensation, a record high. A net 26% plan to raise compensation in the next three months.

Eight percent of owners cited labor costs as their top business concern and 26% said that labor quality was their top business problem, unchanged from May but remaining the top overall concern.

The frequency of reports of positive profit trends improved six points to a net negative 5%, driven primarily by the increase in sales. Among owners reporting lower profits, 35% blamed weaker sales, 25% cited a rise in the cost of materials, 9% cited labor costs, 9% cited lower prices, 8% cited the usual seasonal change, and 5% cited higher taxes or regulatory costs. For owners reporting higher profits, 66% credited sales volumes, 13% cited usual seasonal change, and 9% cited higher prices.

Three percent of owners reported that all of their borrowing needs were not satisfied. Twenty-five percent reported all credit needs were met and 59% said they were not interested in a loan. A net 2% reported that their last loan was harder to get than in previous attempts.

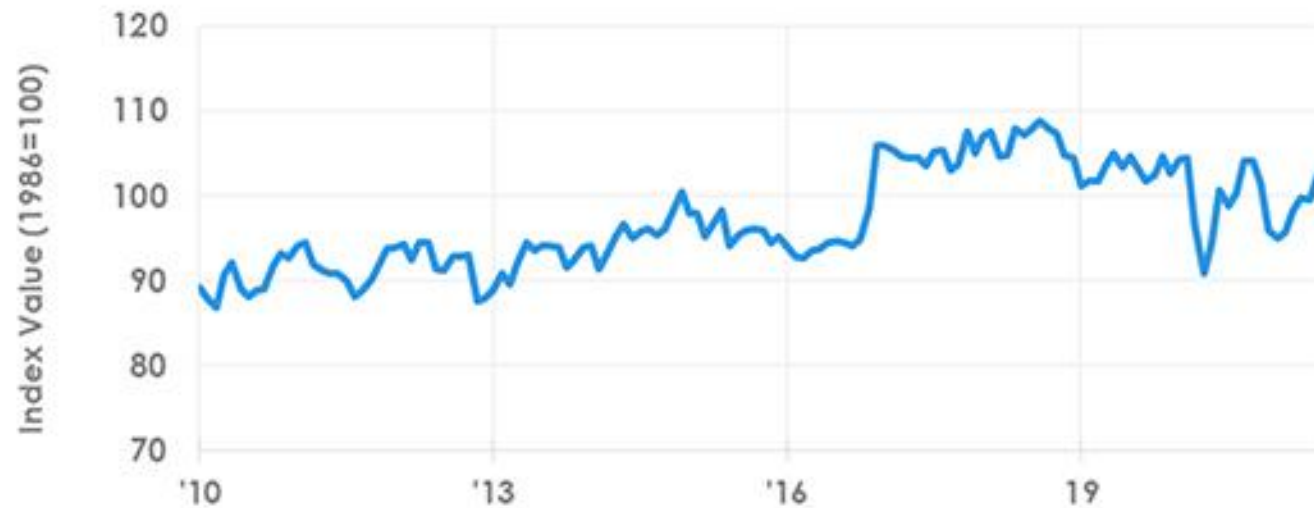
One percent of owners reported that financing was their top business problem. The net percent of owners reporting paying a higher rate on their most recent loan was 1%.

The average rate paid on short maturity loans was 4.9%, unchanged from May. Twenty-three percent of all owners reported borrowing on a regular basis.” – Holly Wade, NFIB

# Private Indicators

## Small Business Optimism Index at 102.5

Based on 10 survey indicators, seasonally adjusted, Jan. '10 – May. '21



[NFIB.com/sboi](https://www.nfib.com/sboi)

# Private Indicators

## Small Business Optimism

Index Component	Net %	Change From May
Plans to Increase Employment	28%	▲ 1
Plans to Make Capital Outlays	25%	▼ -2
Plans to Increase Inventories	11%	▲ 5
Expect Economy to Improve	-12%	▲ 14
Expect Real Sales Higher	7%	▲ 5
Current Inventory	11%	▲ 3
Current Job Openings	46%	▼ -2
Expected Credit Conditions	-4%	▼ -1
Now a Good Time to Expand	15%	▲ 2
Earnings Trends	-5%	▲ 6



NFIB.com/sboi

# Private Indicators



## Thomas Manufacturing Index (TMX)

“The Thomas Manufacturing Index, or “TMX”, is an index that measures industrial activity in the United States and Canada. TMX leads the stock market when industrial activity is driven by long term investments or major shifts in the manufacturing sector.

Conversely, the index lags the market when there are sustained sharp upward or downward trends in stock prices. This is particularly the case when the market is in an investment regime where sourcing is highly impacted by the availability of capital. As a manufacturing sector fundamentals index, TMX sheds light on key dynamics that drive market performance.

Occasionally, some extraordinary events such as trade conflicts or the coronavirus outbreak result in major disruptions in the supply chain. In these particular cases, TMX was an early indicator as it temporarily diverged from the market.” – Thomas Publishing Company



# Private Indicators

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

### **Small Business Employment Gains Continue, Especially in Leisure and Hospitality**

**Job growth in the leisure and hospitality sector rebounded  
to pre-pandemic levels in June**

“Despite the competitive hiring environment, small business employment growth grew 0.26 percent in June, according to aggregated payroll data of approximately 350,000 clients provided by Paychex. The data released in the latest report of the Paychex | IHS Markit Small Business Employment Watch shows momentum in job growth with the Small Business Jobs Index gaining 4.53 percent during the second quarter of 2021 (in part driven by the 2020 comparison period). Hiring is particularly strong in the leisure and hospitality sector, which gained 12.65 percent in the past quarter. Hourly earnings growth increased slightly, from 2.82 percent in May to 2.84 percent in June.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

“With re-openings across the country, the leisure and hospitality jobs index regained its pre-pandemic level.” – James Diffley, Chief Regional Economist, IHS Markit

“Following a year marked by lower employment rates, there was a notable uptick in small business jobs growth in June and throughout the second quarter. In fact, all four regions of the country experienced an increase in employment last month” – Martin Mucci, President and CEO, Paychex

# Private Indicators

## The Paychex | IHS Markit Small Business Employment Watch

“In further detail, the June report showed:

- The national index gained 0.26 percent to 98.52 in June and 4.53 percent during the second quarter of 2021.
- Employment growth in the leisure and hospitality sector increased 1.22 percent in June and 12.65 percent during the second quarter of 2021.
- Wages are also on the rise in leisure and hospitality. The sector ranks highest in hourly earnings and hours worked growth, with weekly earnings growth up double digits.
- The South continues to lead all regions in small business job growth.
- Job growth in North Carolina spiked 6.36 percent during the second quarter.
- Tampa once again leads all metros job growth.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

# Private Indicators

## The Paychex | IHS Markit Small Business Employment Watch

### June Jobs Index

Index  
**98.52**

12-Month Change  
**+3.91%**

### June Wage Data

Hourly Earnings  
**\$29.29**

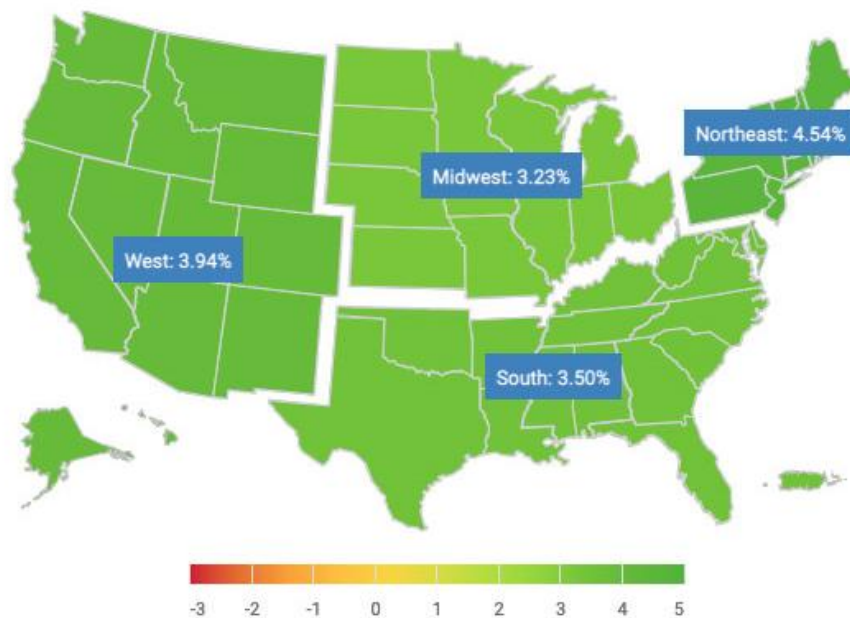
12-Month Growth  
**+2.84% (+\$0.81)**

Source: Paychex | IHS Markit Small Business Employment Watch

# Private Indicators

## The Paychex | IHS Markit Regional Jobs Index

### Regional Performance



Region	Index	Change
Midwest	98.23	3.23%
Northeast	98.14	4.54%
South	99.43	3.50%
West	98.25	3.94%

Change 12-Month ▼

Source: Paychex | IHS Markit Small Business Employment Watch



# Demographics

## First American

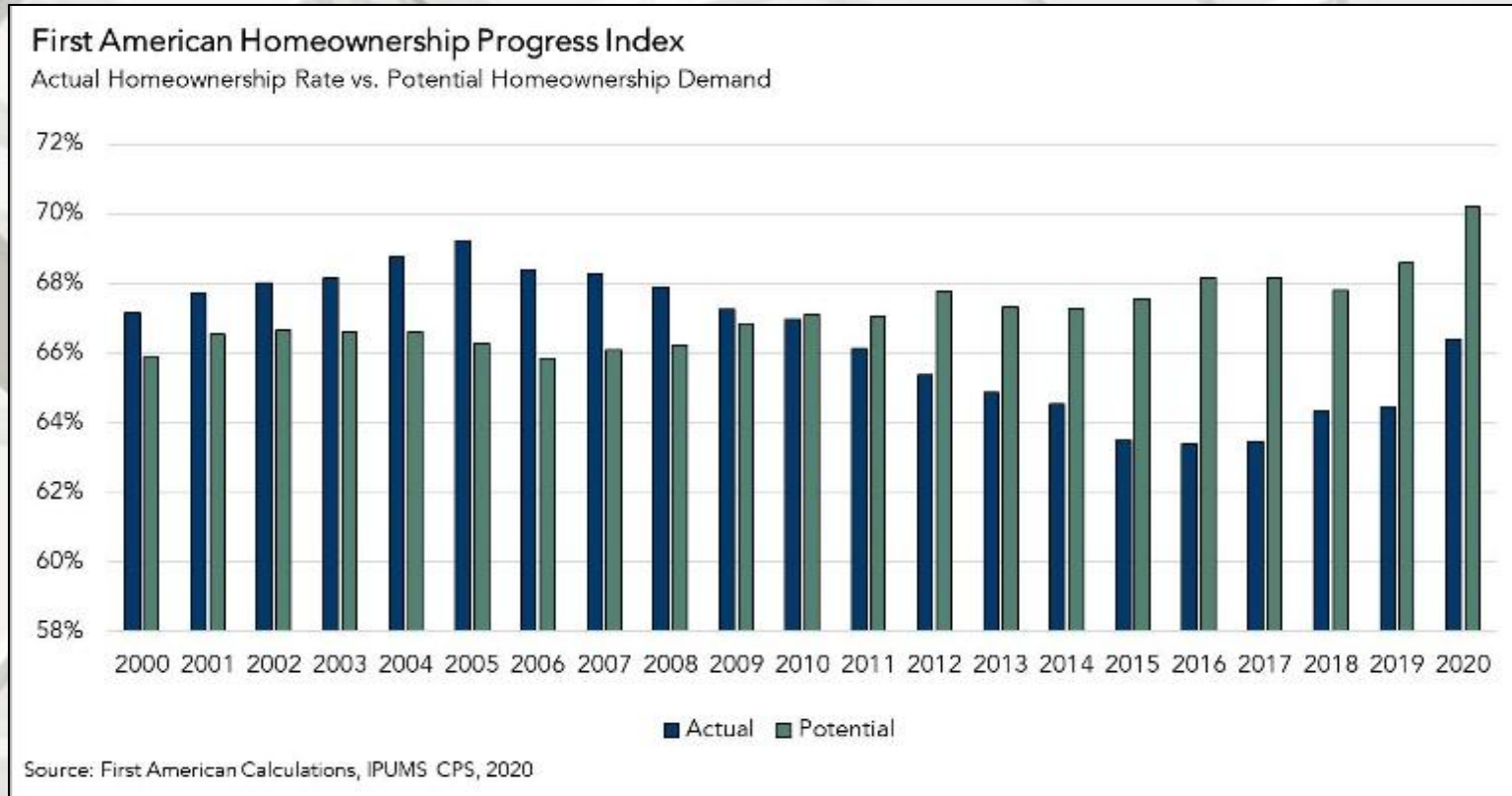
### **Pandemic Accelerated ‘Roaring 20s’ of Millennial Home Ownership Demand**

*“Millennials now have the greatest influence on the housing market and remain poised to fuel a ‘roaring 20s’ of home ownership demand.”*

“[National Homeownership Month](#) takes on a new meaning this year, as the pandemic has redefined the role of a home. A home is not just a dwelling or even just a vehicle for wealth creation, but also an office, a classroom, a daycare and even a gym. A home, now more than ever, has become a top priority for American households. The broadening role of the home in American life powered the housing market to multiple records during this unprecedented time: the fastest house price appreciation since 2005, the lowest days on market in the history of record-keeping, the lowest mortgage rates ever, and the greatest cumulative number of purchase mortgage applications since 2008. But, while the pandemic accelerated the demand for home ownership, home ownership was on the upswing before the pandemic hit. Fueled by a combination of demographic and economic factors, the home ownership rate has risen steadily since reaching a generational low of 63 percent in 2016, and 2020 was no different.

The home ownership rate is influenced by underlying demographic and economic factors, as well as housing market conditions. Close examination of these underlying forces can provide a more in-depth understanding of the changes in the home ownership rate over time. Our annual [Homeownership Progress Index \(HPRI\)](#) accounts for the influence of critical lifestyle, societal and economic trends on the likelihood of owning a home, providing a measure of potential home ownership demand.” – Odeta Kushi, Deputy Chief Economist, First American

# Demographics



## First American

### Home Ownership Rate Continues to Underperform Potential

“A historical comparison of the home ownership rate with potential home ownership demand according to the HPRI reveals that from 2000 through 2009 the actual home ownership rate exceeded potential homeownership demand by an average of 1.7 percentage points. When the actual home ownership rate exceeds the HPRI, it indicates that the home ownership rate is above the levels supported by demographic and economic fundamentals and may be elevated by other market dynamics. This was indeed the case at the peak of the gap (3 percentage points) in 2005, when speculation and easy access to credit caused the actual home ownership rate to exceed potential home ownership demand.” – Odeta Kushi, Deputy Chief Economist, First American

# Demographics

## First American

### Home Ownership Rate Continues to Underperform Potential

“However, since 2010, potential home ownership demand, based on the lifestyle, societal and economic factors tracked in our HPRI model, has exceeded the actual home ownership rate. When the HPRI exceeds the actual home ownership rate, it indicates that home ownership may be restricted by market forces, like an historically low supply of homes for sale. While the ongoing housing supply shortage has likely hindered the actual home ownership rate, potential demand has strengthened further as a result of demographic and lifestyle dynamics.

In 2020, rising house-buying power, driven primarily by low mortgage rates, was a primary driver of potential demand. Between 2011 and 2020, the annual average of the 30-year, fixed-rate mortgage has been near or below 4.5 percent, significantly below the pre-2011 average of 8.9 percent. In 2020, mortgage rates fell to their lowest annual level in history (3.1 percent), boosting house-buying power and further elevating potential home ownership demand, which exceeded the actual home ownership rate by 3.8 percentage points.

### Millennials Continue to Drive Potential Home Ownership Demand

Millennials are the largest generation in U.S. history, and the majority turned 30 in 2020. Historically, millennials have delayed the critical lifestyle choices often linked to buying a first home, including getting married and having children, in order to further their education. This is clear in cross-generational comparisons of home ownership rates which show millennials lagging their generational predecessors. At age 30, 42 percent of millennials own homes, compared with 48 percent of Gen Xers and 51 percent of Baby Boomers at the same age. Yet, millennials are narrowing this gap as they move into a new phase of their lives.” – Odeta Kushi, Deputy Chief Economist, First American

# Demographics

## First American

### Home Ownership Rate Continues to Underperform Potential

“In 2020, potential home ownership demand improved by 3.5 percentage points for millennials, the largest increase among the major generational cohorts. Generation Z followed with a 2.5 percentage point increase in the HPRI, Generation X increased by 2.1 percentage points and Baby Boomers increased by 1.3 percentage points. While millennial home ownership has been delayed relative to their generational predecessors, millennials now have the greatest influence on the housing market and remain poised to fuel a “roaring 20s” of home ownership demand.

Despite the pandemic-driven economic downturn in 2020, millennials continued to age into the key lifestyle decisions that increase the likelihood of home ownership. In 2021, while faster nominal house price appreciation may begin to erode the affordability boost from low mortgage rates and rising income, these lifestyle decisions will persist. Buying a home is both a financial and lifestyle decision, and despite growing affordability headwinds, millennials continue to transition to their prime home buying age, helping to boost potential homeownership demand in the years ahead.

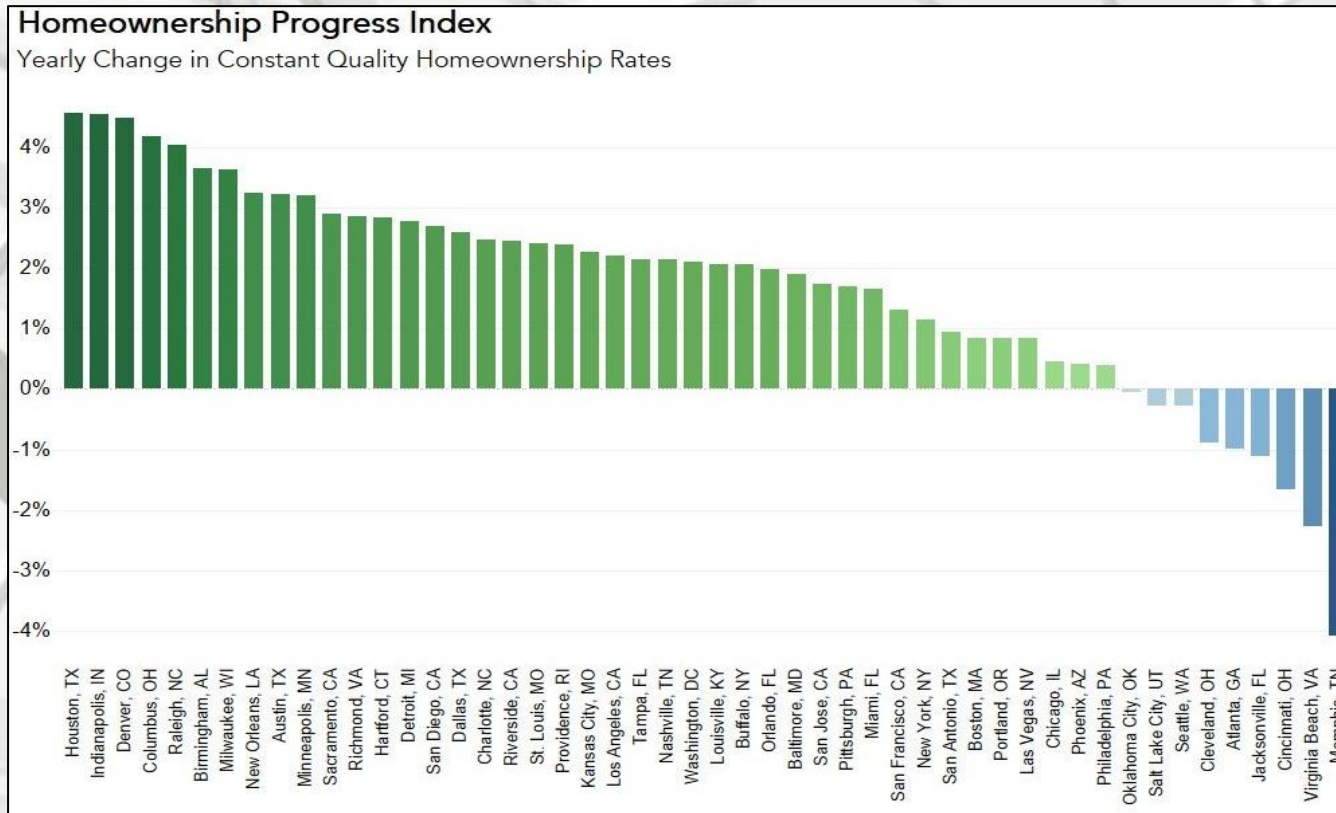
### 2020 Homeownership Progress Index

The First American Homeownership Progress Index (HPRI) showed that in 2020:

- Nationally, potential home ownership demand represented by the HPRI increased 1.6 percentage points in 2020 compared with 2019, based on changes in the underlying lifestyle, societal and economic data.
- Some factors that increased potential home ownership demand included house-buying power growth [1] (+2.1 percent), an aging population (+0.4 percent), rising educational attainment (+0.2 percent), the higher share of married households (+0.02 percent), and the increase in the number of children per household (+0.009 percent).
- The increase in the U-6 unemployment rate [2] decreased potential home ownership demand (-0.3).
- Potential home ownership demand increased from 2019 to 2020 in 41 of the 50 metropolitan areas tracked by First American, as demographic and economic trends in these cities raised the likelihood of home ownership.” – Odeta Kushi, Deputy Chief Economist, First American



# Demographics



Sources: First American calculations, IPUMS CPS, 2020

## First American 2020 Homeownership Progress Index Local Market Highlights

- “Among the largest 50 Core Based Statistical Areas (CBSAs), the five markets with the greatest year-over-year increase in potential home ownership demand are: Houston (+4.6 percentage points), Indianapolis (+4.5 percentage points), Denver (+4.5 percentage points), Columbus, Ohio (+4.2 percentage points), and Raleigh, N.C. (+4.0 percentage points).
- Among the largest 50 CBSAs, the five markets with the greatest year-over-year decrease in potential home ownership demand are: Memphis, Tenn. (-4.1 percentage points), Virginia Beach, Va. (-2.3 percentage points), Cincinnati (-1.6 percentage points), Jacksonville, Fla. (-1.1 percentage points), and Atlanta (-1.0 percentage points).” – Odeta Kushi, Deputy Chief Economist, First American

Source: <https://blog.firstam.com/economics/pandemic-accelerated-roaring-20s-of-millennial-homeownership-demand>; 6/28/21

[Return to TOC](#)

# Demographics

## Mortgage Bankers Association

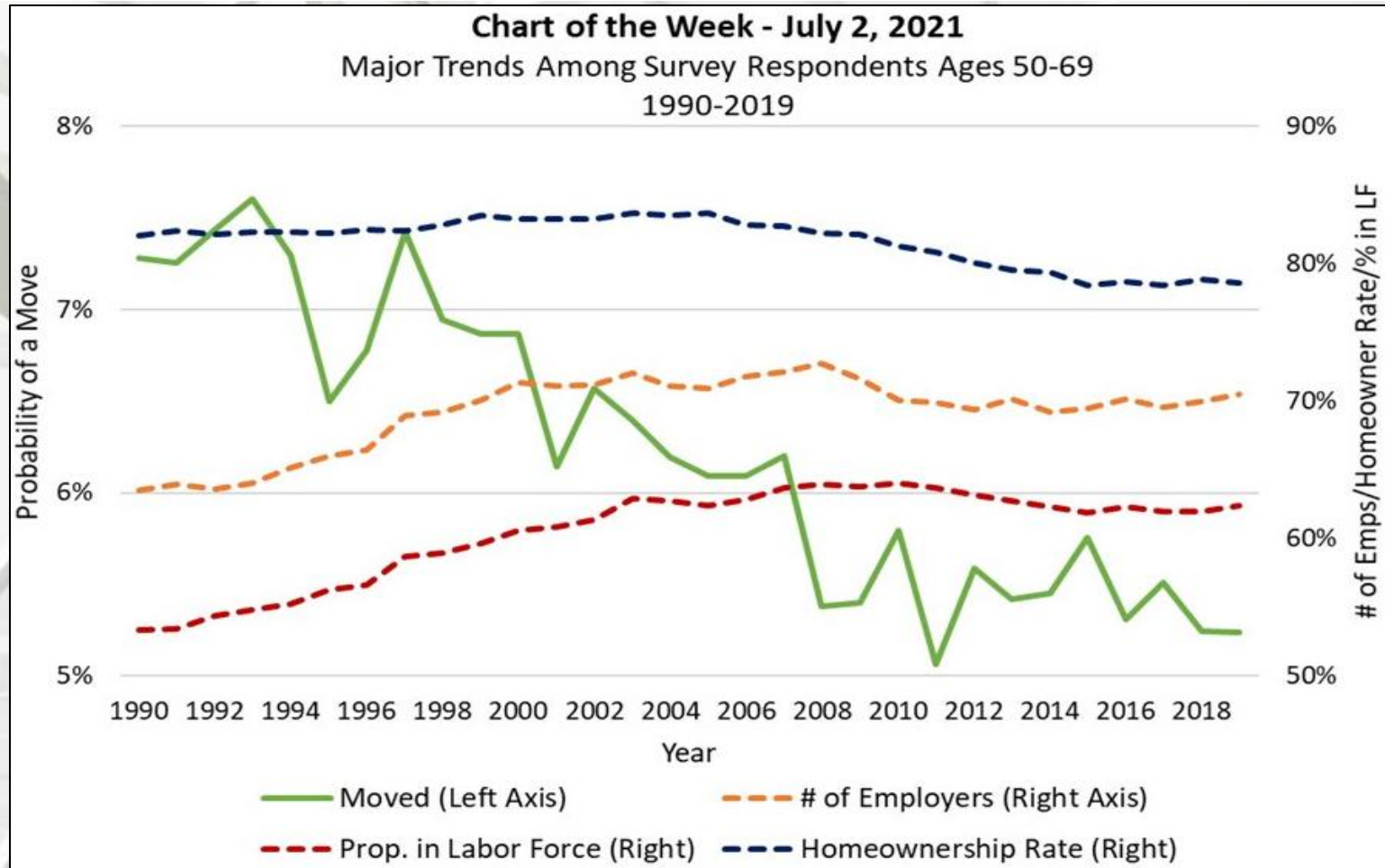
### Older Workers' Labor Force Participation and Migration

“On June 29, the Research Institute for Housing America (RIHA), MBA’s think tank, released a [special report](#) that examines why, since the 1990s, older workers’ labor force participation has increased while their migration has decreased, counter to conventional economic wisdom. [Brian Asquith](#) of the W.E. Upjohn Institute, used detailed Current Population Survey (CPS) and Health and Retirement Study (HRS) microdata to analyze if this phenomenon is being driven by changes in the housing market, in the labor market, or both. The report provides a rich set of results (highlighted in MBA’s [press release](#)).

This week’s MBA Chart of the Week illustrates the central problem examined in the paper by graphing migration, labor force participation, and homeownership rates, as well as the number of non-consecutive employers in the past year (a proxy for job changing) for survey respondents ages 50-69. The graph underscores that while the fall in homeownership appears to be related to the Great Recession, the fall in migration is long-standing, and the increase in labor force participation occurred throughout the 1990s and the 2000s.

Asquith drills down into various subgroups – by college level, homeownership status, and metropolitan area economic standing – and finds strong compositional effects (i.e., that responses to negative economic shocks differ by group). For example, he finds that older homeowners and college-educated individuals are more inclined than renters to retire or leave the workforce after losing their job. He surmises that older renters seem to be more reluctant than homeowners to leave the labor force in response to any adverse event, possibly because they are worried about paying for their rents in the future when they expect to be living on a fixed income. Unsurprisingly, this means that older homeowners, particularly those without a college degree, really seem to value having their homes as a buffer against these same adverse events.” – Edward Seiler, Director of Mortgage Finance, Mortgage Bankers Association

# Demographics



## Older Workers' Labor Force Participation and Migration

“Asquith emphasizes that his research “highlights both opportunities and downsides for the mortgage market. The college-educated share of older Americans is rising, and degree holders have higher homeownership rates. Meanwhile, both an aging population and rising regional inequality in home prices will continue to dampen migration, potentially hurting demand for new mortgages in some areas.”” – Edward Seiler, Director of Mortgage Finance, Mortgage Bankers Association



# Economics

## Federal Reserve Bank of Minneapolis

### ***What a \$400 emergency expense tells us about the economy***

“Can you afford a \$400 emergency expense right now? If so, how would you pay for it? Every year since 2012, economists from the Board of Governors of the Federal Reserve System have asked these and other consumer-finance questions to a representative sample of U.S. adults through the Survey of Household Economics and Decisionmaking, or SHED. Findings from the latest SHED, conducted in late 2020, [were released on May 17](#). While the survey asks more than 100 questions on a range of topics related to household financial well-being, the question about the ability to pay for a \$400 emergency expense has garnered regular attention from the media, policymakers, and the broader public, and has become a go-to data barometer for measuring the financial fragility of Americans.

### **The go-to barometer**

The \$400 statistic is widely quoted in the news media’s coverage of America’s financial well-being. An examination with a standard news-search tool, NewsBank’s *Access World News database*,\* reveals that the specific keyword-search phrase “\$400 emergency expense” has appeared in more than 1,000 unduplicated news content features in the United States since 2014. Use of the \$400 statistic in news content started out small but increased over time, likely as the SHED became more renowned.

Appearances peaked in 2019, with the \$400 statistic mentioned in more than 300 news sources that year. Newspapers cited the statistic the most (192 instances), followed by newswires (69 instances) and web-only news content providers (32 instances).

A review of news content from that year shows that a broad range of institutions used the \$400 emergency-expense data to frame stories about inequality, poverty, savings, and personal finance. The May 23, 2019, release of 2018 SHED data was covered by a variety of national news organizations, including *The Washington Post*, *Bloomberg*, and ABC News. Several weeks later, CNBC published [a more in-depth story](#) on the survey findings and led their coverage with responses to the \$400 question, stating: “The statistic is used to show how unequal things have become in the U.S.: Some 40% of Americans would struggle to come up with even \$400 to pay for an unexpected bill.”” – Michael Grover, Assistant Vice President, Community Development and Engagement; Federal Reserve Bank of Minneapolis



# Economics

## Federal Reserve Bank of Minneapolis

### ***What a \$400 emergency expense tells us about the economy***

“Inclusion of the \$400-emergency-expense question and accompanying statistic in news content peaked, in part, due to their contextual use for framing the financial hardships households faced during the federal government shutdown in January 2019. Throughout the year, though, a variety of national and regional news organizations, such as *TIME* magazine and the *Detroit Free Press*; public policy organizations, such as the Brookings Institution and the Center for American Progress; and personal finance blogs and newsletters, such as the *Motley Fool*; relied on this specific SHED statistic to help frame their stories, data analyses, and consumer advice.

Policymakers and thought leaders also use the \$400 question and statistic as a barometer for financial well-being. On the presidential campaign trail, then-Senator Kamala Harris used them to frame a discussion about the economic difficulties American families confront. Neal Gabler, a journalist with *The Atlantic*, [highlighted the \\$400 data point](#) to draw readers into his personal story of financial insecurity. Personal finance guru Zach Friedman, [writing in Forbes magazine](#), drew on them to provide advice to readers managing their own emergency funds. Lastly, economist and former Assistant Secretary of the Treasury Alicia Munnell used them in her [MarketWatch op-ed](#) that questioned the ability of some households to save for retirement.

### **How financially fragile are American families?**

Taken together, the SHED’s questions on emergency savings provide important insight into the financial fragility of American families. The specific questions, included in the survey since its first edition in 2012, are:

- Have you set aside emergency or rainy-day funds that would cover your expenses for three months?
- Suppose that you have an emergency expense that costs \$400. Based on your current financial situation, how would you pay for this expense?” – Michael Grover, Assistant Vice President, Community Development and Engagement; Federal Reserve Bank of Minneapolis

# Economics

## Federal Reserve Bank of Minneapolis

### *What a \$400 emergency expense tells us about the economy*

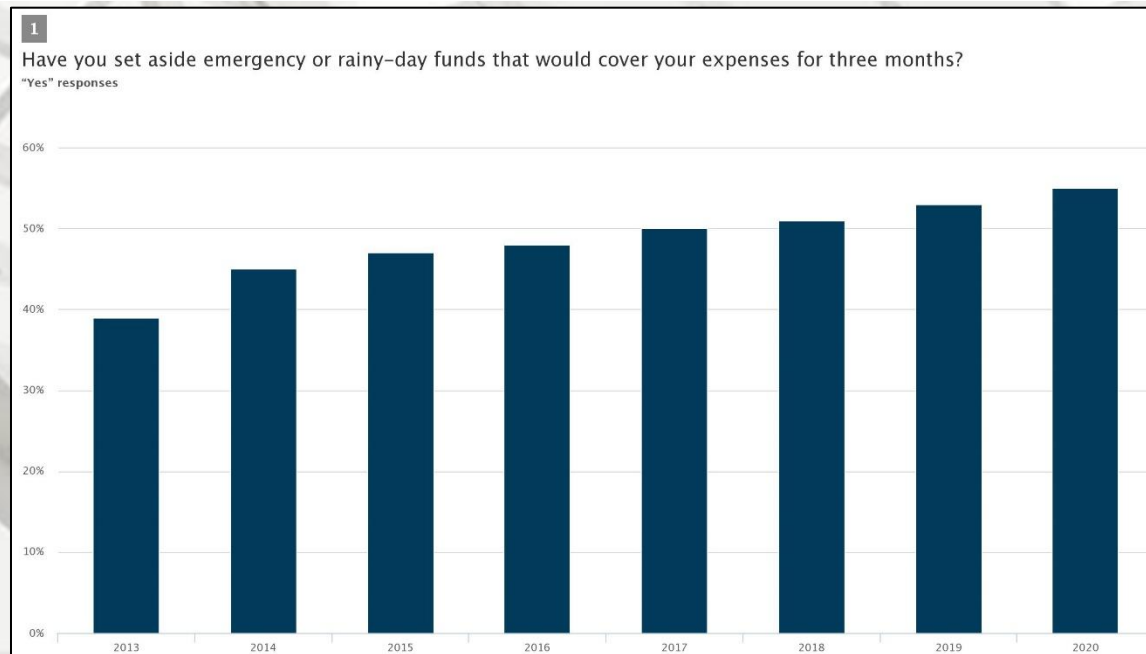
“As the Brookings Institution points out in their June 2019 article “[Six facts about wealth in the United States](#),” news organizations haven’t always gotten this statistic right, sometimes characterizing the “I would have difficulty paying a \$400 emergency expense” response to the second question above as meaning “I can’t” pay an emergency expense. The precise use of the question and statistic is important, especially for policymakers, since an imprecise interpretation may overestimate the financial hardships households face, when the actual share of households who can’t pay the expense is much lower (see below).

In the development of these survey questions about emergency savings, Federal Reserve economists sought to measure how many people had an emergency fund that was attuned to respective budgets. They also sought to gauge how much of a financial hardship a small, unexpected expense, such as a car repair or a modest medical bill, would be for a family.

“When we first launched the SHED, there was still much we didn’t fully understand about how people were experiencing various aspects of their financial lives,” said David Buchholz, deputy associate director in the Federal Reserve Board’s Division of Consumer and Community Affairs. “We designed the ‘\$400 question’ to understand the effects of a much more modest financial bump in the road than some traditional measures, such as the three-month safety net question. I’m not sure that any of us expected to see just how many people would struggle with paying for such a modest expense, indicating a concerning level of financial fragility.”

In 2013, the findings from the first survey painted a bleak financial picture of American families four years after the end of the Great Recession. The survey estimated that only four in ten adults had set aside enough funds to cover three months of expenses. In addition, the survey estimated that 50 percent of all adults would have difficulty paying for a \$400 emergency expense, with 19 percent of adults — one in five — not being able to pay the expense at all.” – Michael Grover, Assistant Vice President, Community Development and Engagement; Federal Reserve Bank of Minneapolis

# Economics

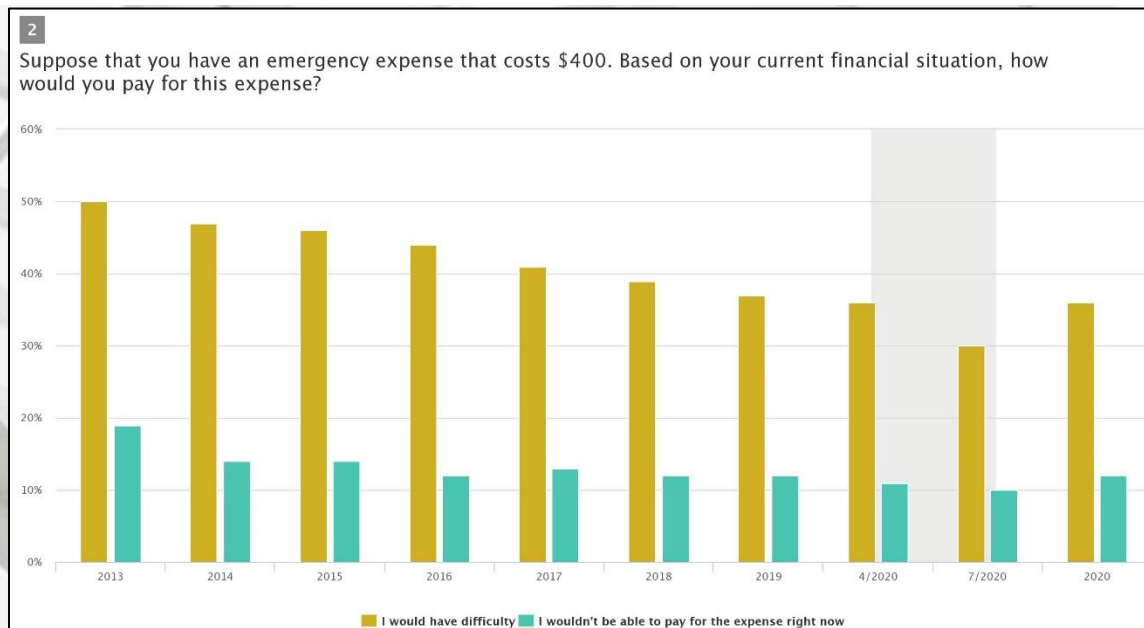


## Federal Reserve Bank of Minneapolis

### *What a \$400 emergency expense tells us about the economy*

“After 2013, as the economy has recovered from the Great Recession, responses to the two emergency - expense questions have shown the financial position of Americans stabilizing, and perhaps even strengthening. By 2020, the share of adults who had set aside three-month emergency funds had risen by 16 percentage points, to 55 percent, and the share of households having difficulty paying a \$400 emergency expense declined by nearly the same percentage margin, to 36 percent of all households. Even during the economic downturn that resulted from the COVID-19 pandemic in 2020, the share of respondents having difficulty paying a \$400 emergency expense or unable to pay it remained relatively stable, dropping to 30 percent in July 2020 before returning to 36 percent at the end of the year. The temporary decline is likely due to infusions of state and federal resources and pandemic-relief funding to support American households.” – Michael Grover, Assistant Vice President, Community Development and Engagement; Federal Reserve Bank of Minneapolis

# Economics



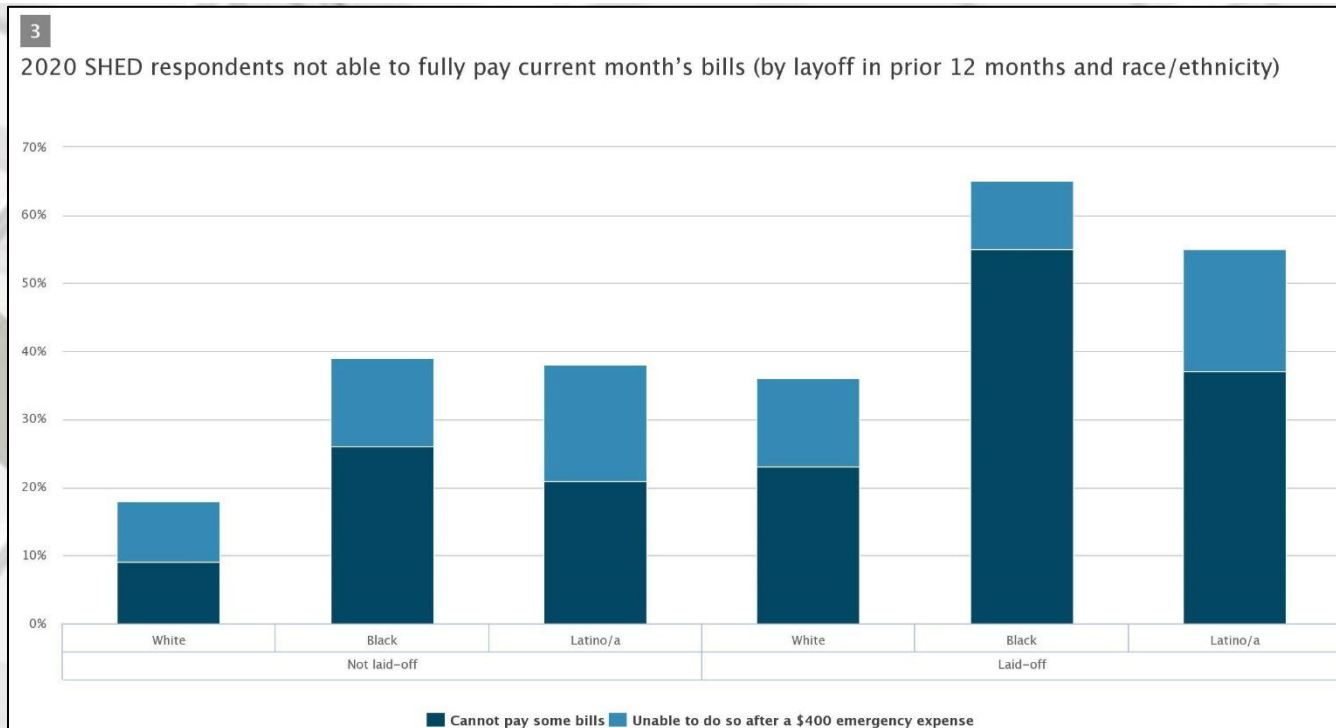
## Federal Reserve Bank of Minneapolis

“Yet beneath the positive trajectory for financial well-being at the aggregate household level, the survey found important differences by demographic characteristics and employment status that suggest the economic distress caused by the pandemic was starkly uneven. At the end of 2020, for example, 45 percent of adults who were laid off in the past 12 months indicated they were not able to pay their bills or would not be able to do so if facing a \$400 emergency expense, versus 24 percent of adults who were not laid off.

The survey also revealed that Black and Latino/a adults, even after accounting for their employment status, were more financially fragile than White adults at the end of 2020 when it came to paying their monthly bills after covering a \$400 emergency expense. In 2020, for example, 18 percent of White adults who were not laid off could not pay off all their monthly bills after covering a \$400 emergency expense, versus 39 percent of Black and 38 percent of Latino/a adults who were not laid off. When the survey examines those who were laid off in the past 12 months, the share of adults increases markedly, with the gaps between demographic groups remaining in place.” – Michael Grover, Assistant Vice President, Community Development and Engagement; Federal Reserve Bank of Minneapolis



# Economics








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### *Latest SHED findings point to hardship and persistent gaps*

“Results from the 2020 annual SHED give us a better understanding of the financial well-being of families when the United States was at or near the peak of COVID-19 infections and in a period of elevated unemployment. Thanks to federal and state resources and funding households received during 2020, several measures of financial stability remained mostly unchanged since 2019. However, the SHED results also reveal the emergence of potential financial well-being challenges and the presence of persistent gaps. For example, the share of adults who reported that they were worse off financially than a year earlier increased to the highest level since 2014 (close to one-quarter of all respondents in 2020, compared to 14 percent in 2019 and 21 percent in 2014). In addition, racial and ethnic gaps in financial well-being caused by the ongoing economic distress remained.” – Michael Grover, Assistant Vice President, Community Development and Engagement; Federal Reserve Bank of Minneapolis

# Economics

## U.S. Census Bureau NEW Business Formation Statistics June 2021

Business Applications - At a Glance						
		US	Northeast	Midwest	South	West
Total	JUN 2021	448,533	62,798	74,535	219,267	91,933
	JUN 2021 / MAY 2021	-9.8%	-9.1%	-12.2%	-9.4%	-8.9%
High-Propensity	JUN 2021	152,272	23,388	24,776	68,538	35,570
	JUN 2021 / MAY 2021	-8.8%	-5.9%	-11.4%	-10.2%	-6.1%
With Planned Wages	JUN 2021	52,325	6,911	9,212	23,702	12,500
	JUN 2021 / MAY 2021	-7.6%	-8.9%	-8.7%	-7.3%	-6.8%
From Corporations	JUN 2021	51,543	10,195	6,268	19,977	15,103
	JUN 2021 / MAY 2021	-1.6%	-0.9%	-2.9%	-1.0%	-2.4%

Details may not equal totals due to rounding. Regions defined by Census Bureau Geography Program. Statistical significance is not applicable or not measurable.  
Data adjusted for seasonality. **Green** Percentage changes are greater than zero (+). **Red** Percentage changes are less than zero (-). Z = absolute value < 0.05.

“Business Applications for June 2021, adjusted for seasonal variation, were 448,533, a decrease of 9.8 percent compared to May 2021.

Projected Business Formations (within 4 quarters) for June 2021, adjusted for seasonal variation, were 32,990, a decrease of 6.9 percent compared to May 2021. The projected business formations are forward looking, providing an estimate of the number of new business startups that will appear from the cohort of business applications in a given month. It does not provide an estimate of the total number of business startups that appeared within a specific month. In other words, the Census Bureau is projecting that 32,990 new business startups with payroll tax liabilities will form within 4 quarters of application from all the business applications filed during June 2021. The 6.9 percent decrease indicates that for June 2021 there will be 6.9 percent fewer businesses projected to form within 4 quarters of application, compared to the analogous projections for May 2021.” – U.S. Census Bureau, Economic Indicators Division, Business Formation Statistics

# Economics

## U.S. Census Bureau

### NEW Business Formation Statistics

June 2021

#### BUSINESS APPLICATIONS

U.S. Business Applications:	JUN 2021	JUN 2021 / MAY 2021
Total	448,533	-9.8%°
High-Propensity	152,272	-8.8%°
With Planned Wages	52,325	-7.6%°
From Corporations	51,543	-1.6%°

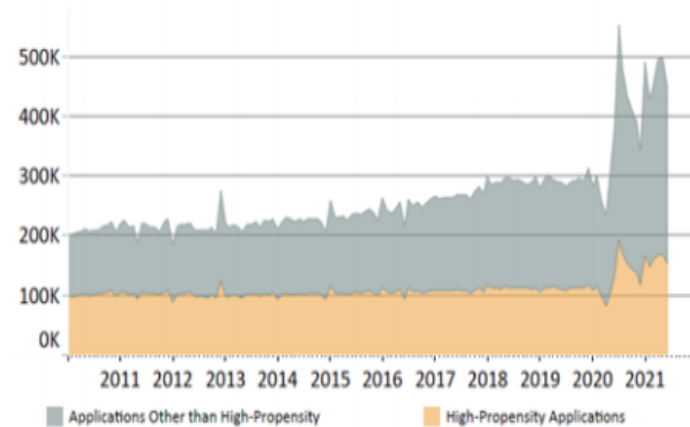
Next release: August 11, 2021

(°) Statistical significance is not applicable or not measurable.

Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, July 15, 2021

Monthly Business Applications  
(Seasonally Adjusted)



Source: U.S. Census Bureau, Business Formation Statistics, July 15, 2021

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