The Virginia Tech–USDA Forest Service Housing Commentary: Section II
July 2021

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2020 Virginia Polytechnic Institute and State University CNRE-NP

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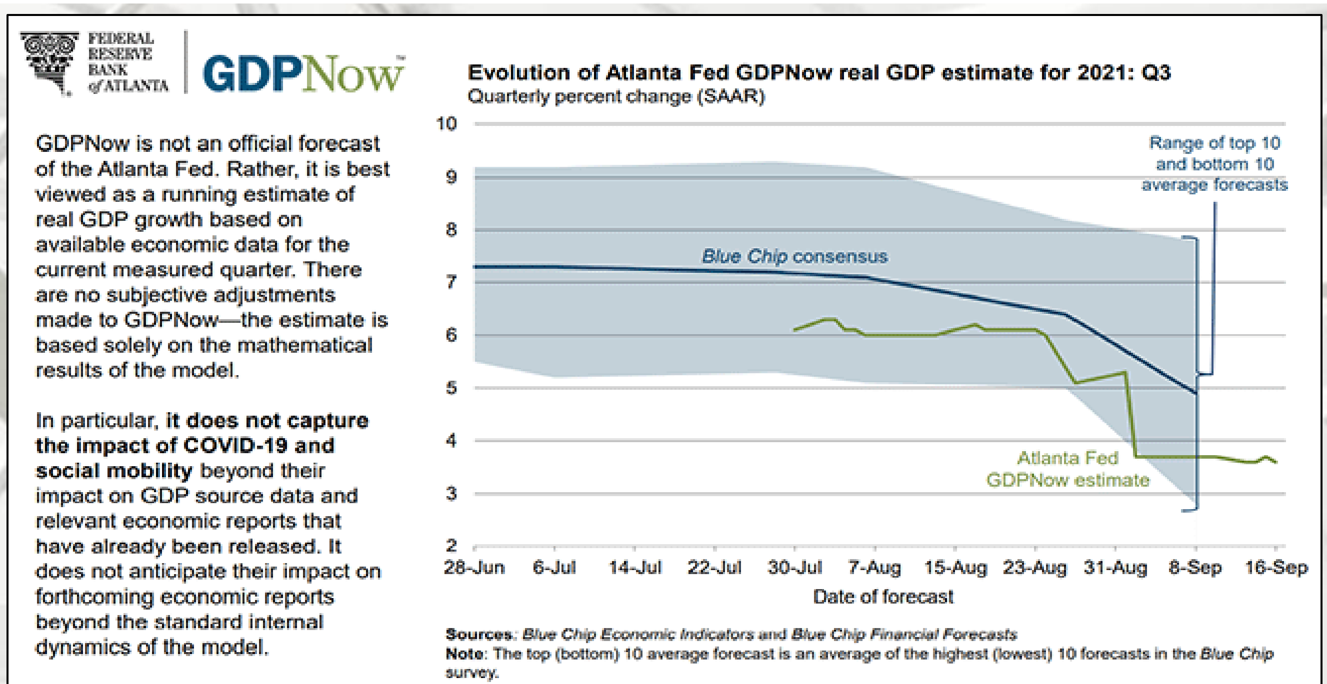
U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest estimate: 3.6 percent — September 16, 2021

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2021 is 3.6 percent on September 16, down from 3.7 percent on September 10 after rounding. 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, a decrease in the nowcast of third-quarter real gross private domestic investment growth from 19.2 percent to 18.9 percent was partially offset by an increase in the nowcast of third-quarter real personal consumption expenditures growth from 2.1 percent to 2.2 percent, while the nowcast of the contribution of the change in real net exports to third-quarter real GDP growth increased from -1.41 percentage points to -1.37 percentage points." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 9/16/21

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

Index points to a pickup in economic growth in July

"Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) increased to +0.53 in July from –0.01 in June. Three of the four broad categories of indicators used to construct the index made positive contributions in July, and three categories improved from June. The index's three-month moving average, CFNAI-MA3, moved up to +0.23 in July from +0.01 in June.

The CFNAI Diffusion Index, which is also a three-month moving average, increased to +0.28 in July from +0.05 in June. Fifty-six of the 85 individual indicators made positive contributions to the CFNAI in July, while 29 made negative contributions. Forty-seven indicators improved from June to July, while 38 indicators deteriorated. Of the indicators that improved, 12 made negative contributions.

Production-related indicators contributed +0.38 to the CFNAI in July, up from –0.09 in June. Manufacturing production rose 1.4 percent in July after decreasing 0.3 percent in the previous month. The contribution of the sales, orders, and inventories category to the CFNAI increased to +0.02 in July from –0.06 in June.

The contribution of the employment, unemployment, and hours category to the CFNAI increased to +0.30 in July from +0.14 in June. The unemployment rate decreased to 5.4 percent in July from 5.9 percent in June, and nonfarm payrolls rose by 943,000 in July after increasing by 938,000 in the previous month. The personal consumption and housing category contributed –0.15 to the CFNAI in July, down from +0.01 in June. Personal consumption indicators broadly deteriorated from June." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 8/23/21

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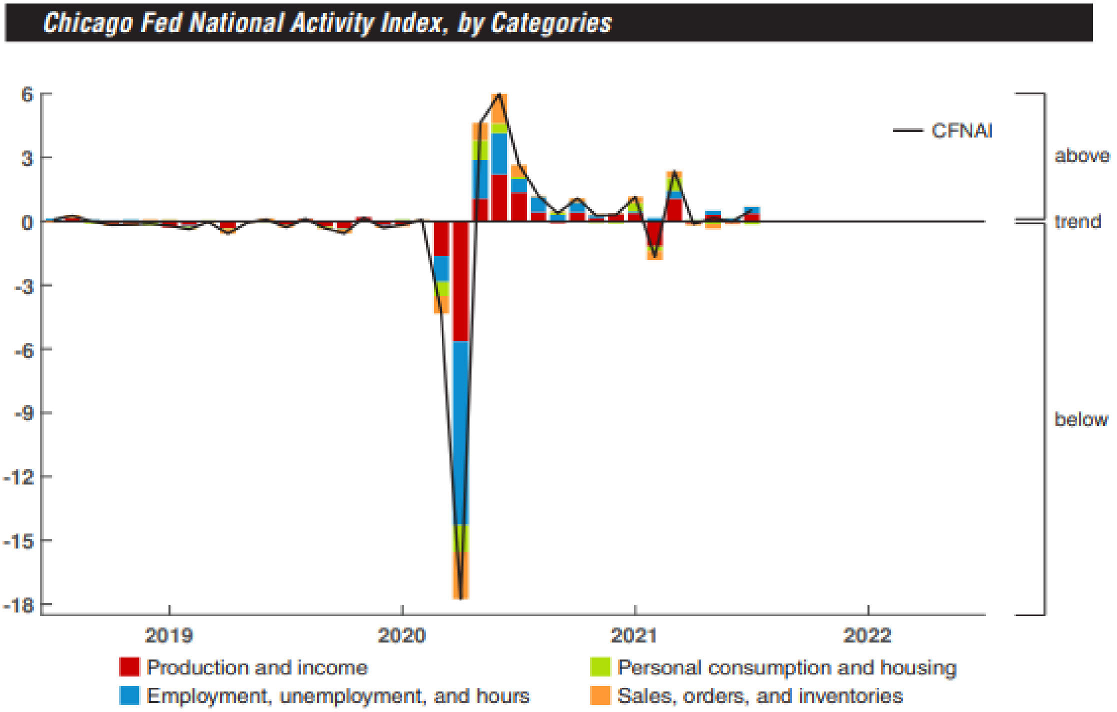
The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)



CFNAI, CFNAI-MA3, and CFNAI Diffusion for the Latest Six Months and Year-Ago Month

	Jul '21	Jun '21	May '21	Apr '21	Mar '21	Feb '21	Jul '20
CFNAI							
Current	+0.53	−0.01	+0.15	−0.12	+2.36	−1.67	+2.66
Previous	N/A	+0.09	+0.26	−0.16	+2.30	−1.67	+2.58
CFNAI-MA3							
Current	+0.23	+0.01	+0.79	+0.19	+0.62	−0.07	+4.43
Previous	N/A	+0.06	+0.80	+0.16	+0.61	−0.04	+4.36
CFNAI Diffusion							
Current	+0.28	+0.05	+0.36	+0.14	+0.36	+0.17	+0.76
Previous	N/A	+0.13	+0.40	+0.15	+0.37	+0.18	+0.74

Current and Previous values reflect index values as of the August 23, 2021, release and July 22, 2021, release, respectively.
N/A indicates not applicable.

Source: https://www.chicagofed.org/publications/cfnai/index; 8/23/21

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

Survey Suggests Growth Slowed in August

"The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index decreased to –2 in August from +14 in July, suggesting that economic growth was near trend. The CFSBC Manufacturing Activity Index moved down to +8 in August from +19 in July, and the CFSBC Nonmanufacturing Activity Index decreased to –5 in August from +13 in the previous month..

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

Source: https://www.chicagofed.org/publications/cfsbc/index; 9/13/21

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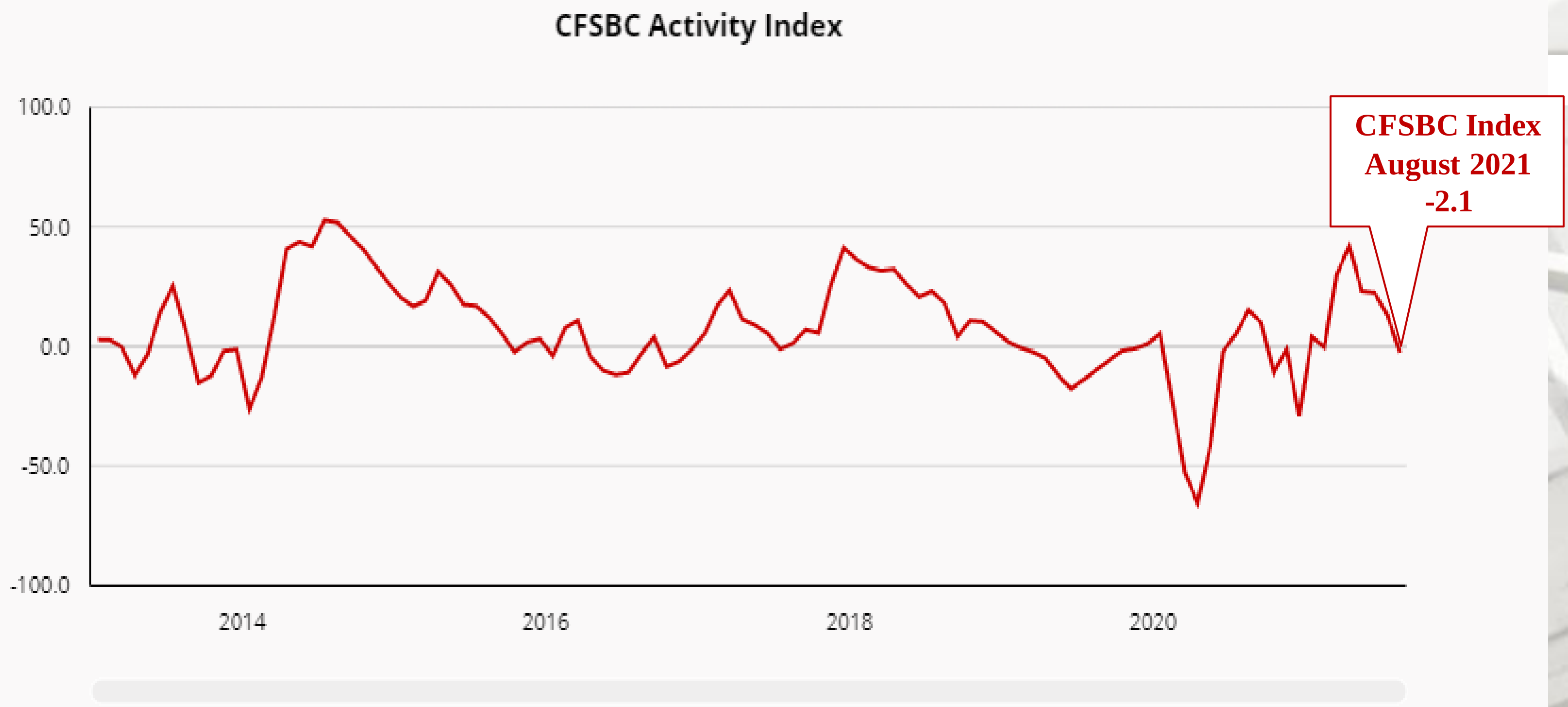
The Federal Reserve Bank of Chicago: Survey of Business Conditions (CFSBC)



Source: https://www.chicagofed.org/publications/cfsbc/index; 9/13/21

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The Federal Reserve Bank of Dallas

Expansion Continues in Texas Manufacturing, though Uncertainty Rises

"Texas factory activity continued to increase in August, albeit at a slower pace, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, slipped 10 points to 20.8. The reading was well above average and indicative of robust output growth. Other measures of manufacturing activity also pointed to slower but above-average growth this month.

The new orders index came in at 15.6, down from 26.8 but more than double the series average of 6.5. The growth rate of orders index fell 15 points to 10.7. The capacity utilization and shipments indexes came in at 21.7 and 15.2, respectively, down from July levels but still elevated.

Perceptions of broader business conditions continued to improve in August, though the indexes came in markedly lower than in recent months. The general business activity index fell 18 points to 9.0, its lowest reading since January. The company outlook index fell 11 points to 11.5. The outlook uncertainty index pushed up from 14.6 to 21.1, posting its highest reading since May 2020.

Labor market measures indicate continued growth. The employment index remained highly elevated at 21.9, down a couple points from the July reading. Twenty-nine percent of firms noted net hiring, while 7 percent noted net layoffs. The hours worked index held steady at 24.3.

Prices and wages continued to increase strongly in August. The price indexes were largely unchanged at high levels, with the raw materials prices index at 74.9 and the finished goods prices index at 38.1. The wages and benefits index ticked down to 43.4 from 46.0 in July." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 8/30/21

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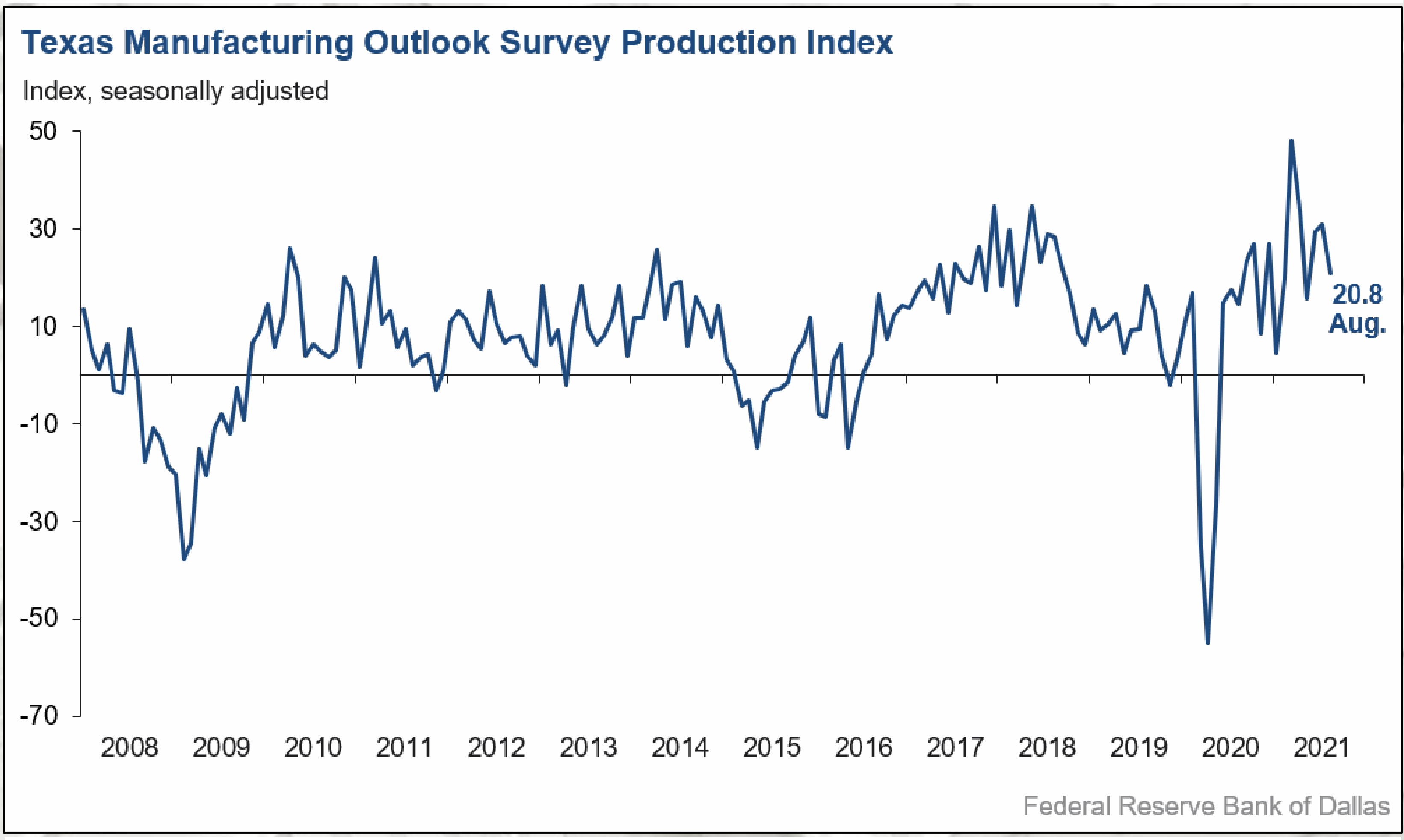
The Federal Reserve Bank of Dallas



"Expectations regarding future manufacturing activity remained optimistic in August, though the future general business activity index was less positive, falling from 37.1 to 15.1. The survey's more tangible measures of future factory activity held up better but also slipped slightly. The future production index ticked down four points to 44.3, and most other measures of future manufacturing activity also declined slightly but remained solidly in positive territory." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 8/30/21

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The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Texas Service Sector Expansion Moderates in August

"The pace of growth in the Texas service sector slowed in August, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, fell from 21.7 in July to 16.5 in August.

Despite broad-based hiring difficulties, labor market indicators improved in August, with an acceleration in hiring and lengthening of hours worked. The employment index rose from 13.5 to 17.6, its best reading since 2007, with nearly a quarter of respondents noting increased employment this month. The hours worked index increased to a three-month high of 11.5.

Perceptions of broader business conditions were sharply less optimistic than in July. The general business activity index plunged nearly 28 points to 5.4, its weakest reading since February. The company outlook index fell nearly 20 points to 5.1, while the outlook uncertainty index surged from 6.6 to 20.4 — its highest level since July 2020.

Price pressures remained highly elevated in August, while wage pressures surged. The wages and benefits index increased from 27.2 to a record high of 32.6. The selling prices index declined from 24.4 to 20.8, while the input prices index was unchanged at 41.9.

Respondents' expectations regarding future business activity moderated in August, with optimism continuing to wane. The future general business activity index fell from 37.5 to 23.0, while the future revenue index fell over seven points to 44.7. Other future service sector activity indexes such as employment and capital expenditures also pulled back, though they remain suggestive of continued growth going into 2022." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 8/31/21

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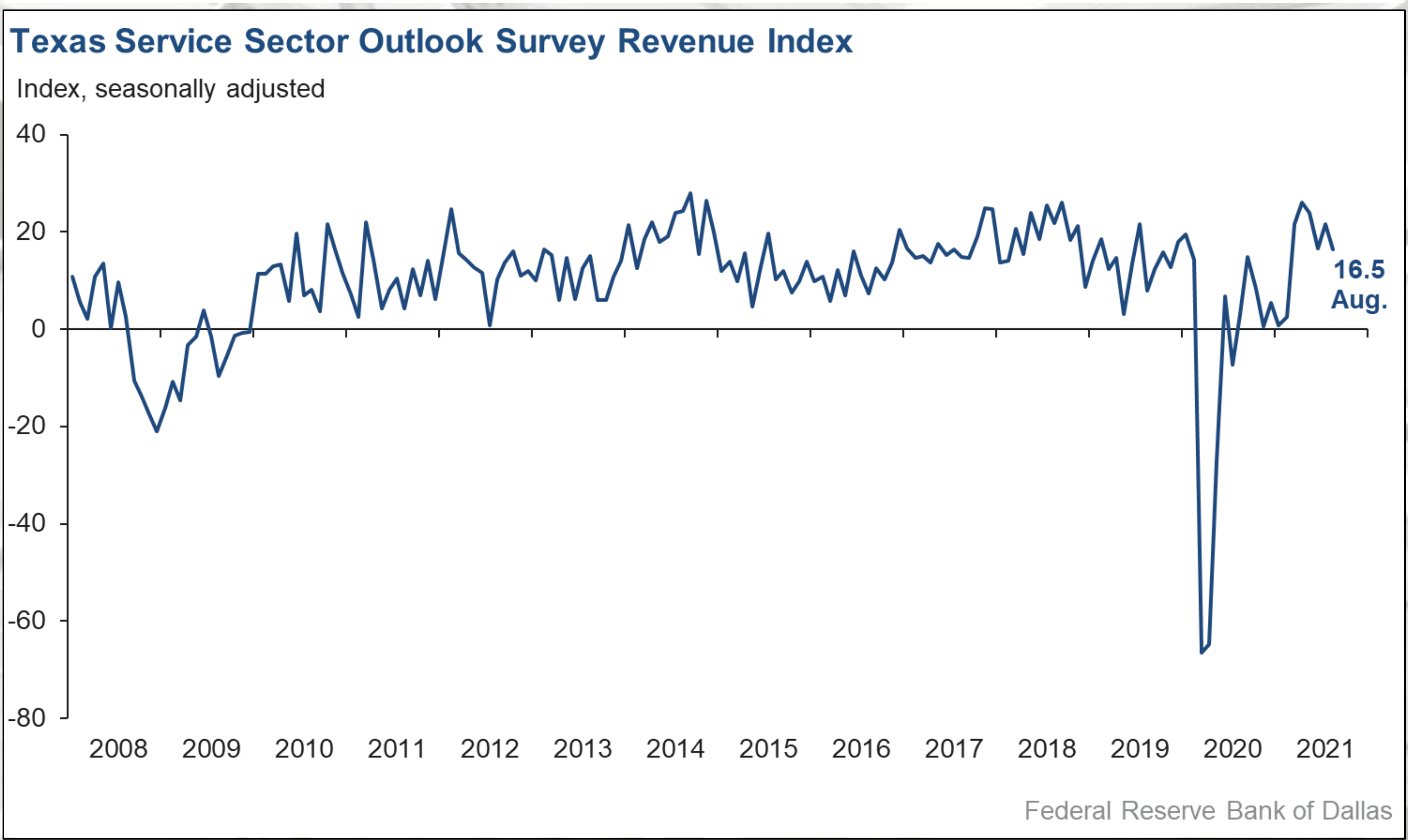
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys; 8/31/21

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The Federal Reserve Bank of Dallas

Texas Retail Sales Decline in July

"Retail sales activity expanded in August after several months of weakness, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, improved from -0.2 in July to 7.9 in August. Inventories saw continued drawdowns, with the inventories index unchanged at -6.4.

Retail labor market indicators improved modestly in August, with employment increasing and average employee hours worked lengthening. The employment index rebounded to positive territory, rising from -0.7 to 2.4, while the hours worked index improved from -2.6 to 4.6.

Retailers' perceptions of broader business conditions were much more mixed this month compared with July. The general business activity index weakened over seven points to 8.5, while the company outlook index plunged into negative territory at -1.7. The outlook uncertainty index inched up slightly to 16.7, its highest level since November.

Retail price pressures continued to ease in August, while wage pressures increased notably. The selling prices index declined from 42.9 to 39.7, while the input prices index shed over 10 points to 41.3. The wages and benefits index increased from 15.8 to 24.2, its highest reading since the beginning of the pandemic.

Despite recent concerns surrounding the resurgence in COVID-19 cases, retailers remained mostly optimistic regarding expected business conditions going into 2022. The future general business activity index dipped slightly from 24.1 to 22.0, while the future sales index fell more substantially, declining from 58.9 to 45.9 — though holding above its 12-month average. Other indexes of future retail activity such as employment weakened but point to continued growth through the rest of this year." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 8/31/21

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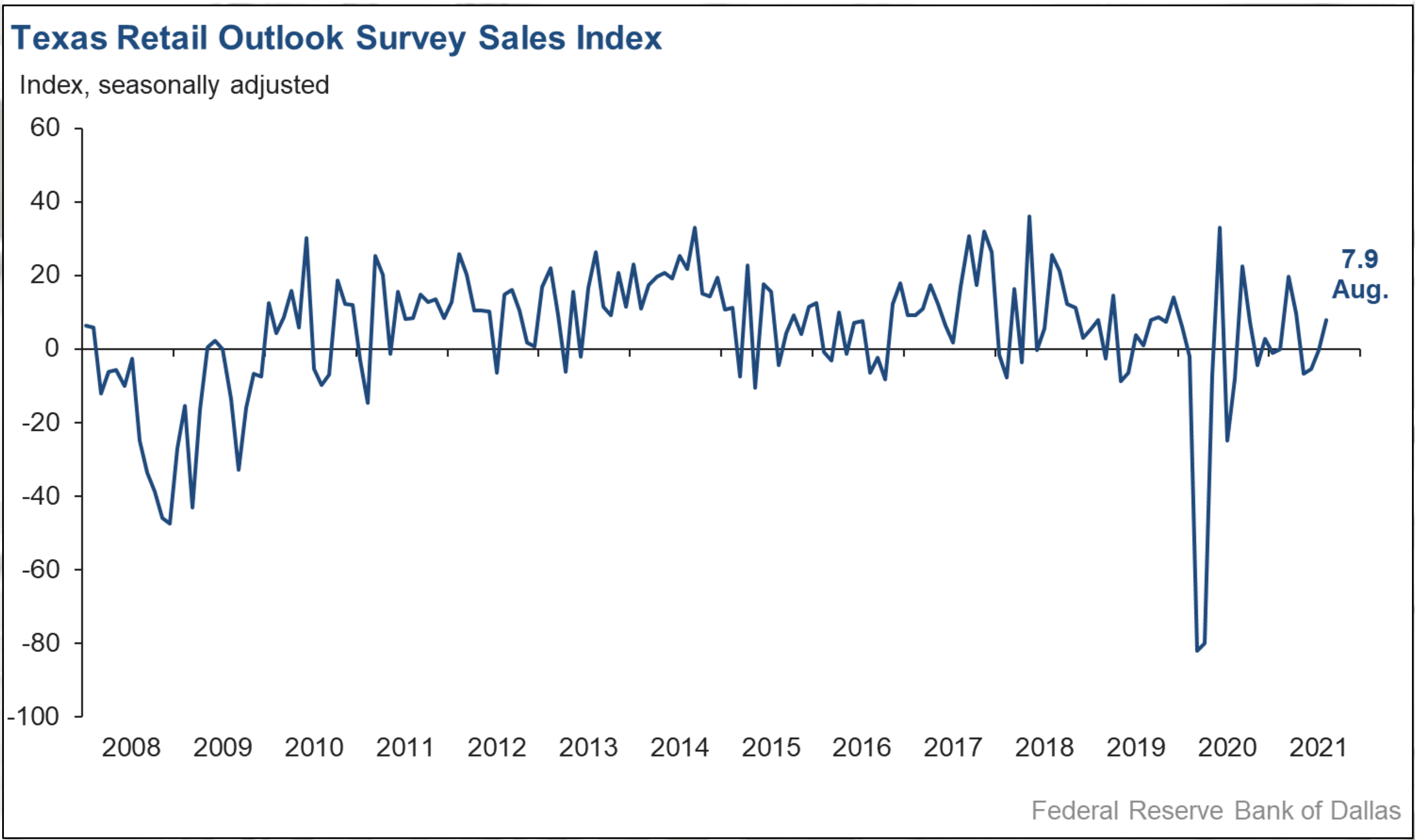
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys; 8/31/21

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Continued at a Strong Pace

Tenth District manufacturing activity continued at a strong pace, and expectations for future activity remained solid.

Factory Activity continued at a Strong Pace

"Tenth District manufacturing activity continued at a strong pace, and expectations for future activity remained solid (Chart 1). The monthly index of prices paid for raw materials continued to increase for a majority of firms in August and the index of prices received for finished goods rose to a new survey high. Price indexes vs. a year ago expanded near record levels. Moving forward, district manufacturing firms expected materials prices and finished goods prices to continue to rise over the next six months.

The month-over-month composite index was 29 in August, similar to 30 in July, and up slightly from 27 in June. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Durable goods plants continued to drive the growth in district manufacturing activity, in particular primary metals, computer and electronic products, and transportation equipment while nondurable goods manufacturing remained steady. Month-over-month indexes remained positive, indicating expansion. The month-over-month indexes for new orders increased at a higher rate in August and there was an uptick for the supplier delivery time index. Materials inventories grew slightly, while finished goods inventories were largely unchanged. Year-over-year factory indexes expanded at an even pace in August with a year-over-year composite index of 50. The future composite index grew from 33 to 36 in August, near recent record high expectations." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 8/26/21

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Factory Activity Increased Further

Special questions

"This month contacts were asked special questions about employment and the effects of the recent surge in COVID cases. Since May, almost 60% of firms reported a decrease in the flow of applicants per job, while 14% reported an increase in the flow of applicants for each job opening. 57% of manufacturers indicated that the rate of workers quitting has not changed at their firm, but 35% reported it has increased in the past few months. Of those quitting, most workers leaving firms reported leaving for another job and/or reported leaving for better pay. Over a quarter of firms reported retirement as a common reason given by workers for quitting. Other firms reported they didn't know why workers left or that some workers no longer liked the manufacturing work environment. Most firms indicated that the recent surge in COVID cases had no change on their business activity. However, 20% of firms reported that the recent COVID surge had decreased activity, and 35% of firms expected the recent COVID surge to decrease business activity over the next six months." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 8/26/21

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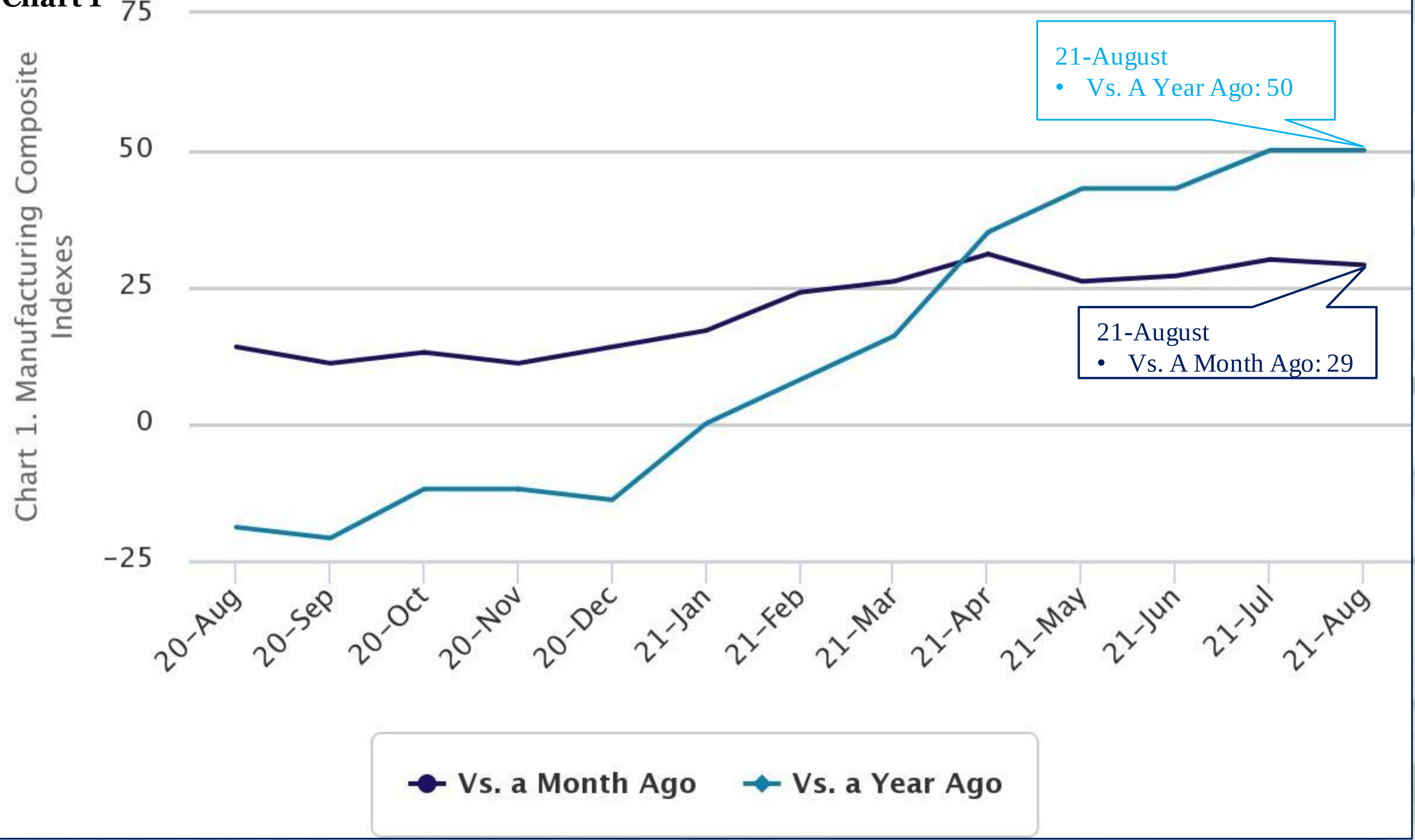
The Federal Reserve Bank of Kansas City

Chart 1



Source: https://www.kansascityfed.org; 8/27/21

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Activity Remained Positive

Tenth District services growth slowed slightly but remained positive, and activity was expected to increase further over the next six months.

Business Activity Remained Positive

"The pace of Tenth District services growth slowed slightly but remained positive, and activity was expected to increase further over the next six months (Chart 1). Indexes for input prices and selling prices rose at a faster rate from a month ago, and price indexes were higher from a year ago for the majority of firms. Firms expected input and selling prices to continue to increase over the next six months, but slightly slower than the recent record high pace.

The month-over-month services composite index was 14 in August, down from 25 in July, but higher than 8 in June. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes remained positive in August, indicating expansion. The increase in general revenue and sales was driven by more wholesale, retail, real estate, restaurant, tourism, and professional and high-tech business activity. On the other hand, auto and healthcare services activity declined. The index for employee hours, wages and benefits, and capital expenditures increased at a faster rate than a month ago, and the inventories index jumped to the highest level since January 2020. Access to credit remained steady from a month ago. Year-over-year indexes grew at a solid pace with a year-over-year composite index of 36. Expectations for future services activity remained high, though the future composite index eased slightly from 32 to 26." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 8/27/21

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The Federal Reserve Bank of Kansas City

Chart 1

Source: https://www.kansascityfed.org; 8/27/21

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Growth Picks Up

"Business activity grew at a swift pace in New York State, according to firms responding to the September 2021 *Empire State Manufacturing* Survey. The headline general business conditions index climbed sixteen points to 34.3. New orders, shipments, and unfilled orders all increased substantially. The delivery times index reached a record high. Labor market indicators pointed to strong growth in employment and the average workweek. Both the prices paid and prices received indexes were at or near record highs. Looking ahead, firms remained very optimistic that conditions would improve over the next six months, and capital spending and technology spending plans increased markedly.

Manufacturing activity grew swiftly in New York State, according to the September survey. The general business conditions index climbed sixteen points to 34.3. Forty-six percent of respondents reported that conditions had improved over the month, while 12 percent reported that conditions had worsened. The new orders index rose nineteen points to 33.7, and the shipments index shot up twenty-three points to 26.9, indicating strong growth in both orders and shipments. The unfilled orders index rose to 20.9. The delivery times index moved up to a record high of 36.5, indicating significantly longer delivery times. Inventories increased modestly." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/15/21

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Selling Prices Increases Continue To Set Records

"The index for number of employees rose eight points to 20.5, and the average workweek index increased fifteen points to 24.3, pointing to strong gains in employment and hours worked. The prices paid index held steady at 75.7, and the prices received index edged up two points to 47.8, marking its third consecutive record high.

Outlook Remains Very Positive

The index for future business conditions was little changed at 48.4, pointing to ongoing optimism about the six-month outlook. The indexes for future new orders and shipments rose to similar levels. Substantial increases in employment and prices are expected in the months ahead. The capital expenditures index climbed eleven points to 33.9, a multi-year high, and the technology spending index rose eighteen points to 33.0, a record high." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/15/21

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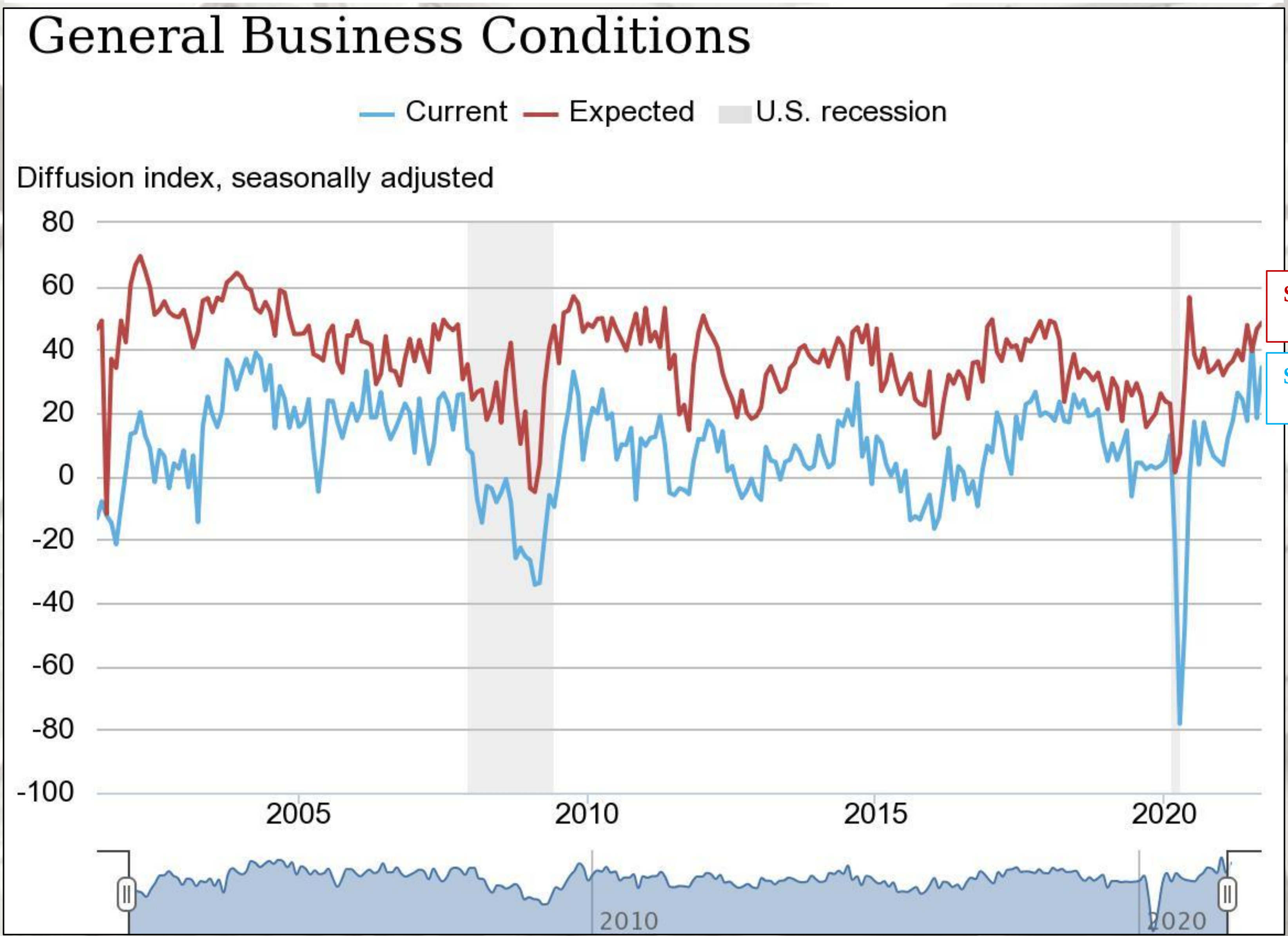
The Federal Reserve Bank of New York



September 2021
46.5

September 2021
18.3

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/15/21

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Growth Slows For A Third Consecutive Month

"Business activity continued to increase in the region's service sector, though at a slower pace than in recent months, according to firms responding to the Federal Reserve Bank of New York's September 2021 *Business Leaders Survey*. The survey's headline business activity index fell thirteen points to 14.4, its third consecutive monthly decline. The business climate index fell to -8.5, indicating that firms generally viewed the business climate as worse than normal for this time of year. Employment levels and wages continued to rise at a solid clip. Both the prices paid and prices received indexes moved higher, pointing to a pickup in input and selling price increases. Capital spending expanded. Looking ahead, firms expressed the view that conditions would improve over the next six months, though optimism continued to wane, as it has for the past few months.

Business activity in the region's service sector increased, according to the September survey, though growth continued to slow. After falling fourteen points last month, the headline business activity index fell another thirteen points to 14.4, hitting its lowest level since March. Thirty-nine percent of respondents reported that conditions improved over the month, while 24 percent said that conditions worsened. The business climate index fell below zero to -8.5, indicating that on net, firms viewed the business climate as worse than normal for this time of year." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 9/16/21

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Price Increases Accelerate

“The employment index was little changed at 18.1, pointing to a moderate increase in employment levels. The wages index held steady at 47.9, signaling another month of strong wage growth. Both input prices and selling prices rose at a steeper pace: the prices paid index rose five points to 78.1, and the prices received index rose six points to 36.9. The capital spending index moved up eleven points to 18.8, its highest level since the pandemic began, indicating a solid increase in capital spending.

Optimism Continues To Wane

While firms are still optimistic, the level of optimism about future conditions continued to wane. The index for future business activity fell eighteen points to 30.5, its fourth consecutive monthly decline. The index for future business climate fell to 17.6. Strong gains in employment and wages are expected in the months ahead, and prices are expected to continue to rise significantly.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 9/16/21

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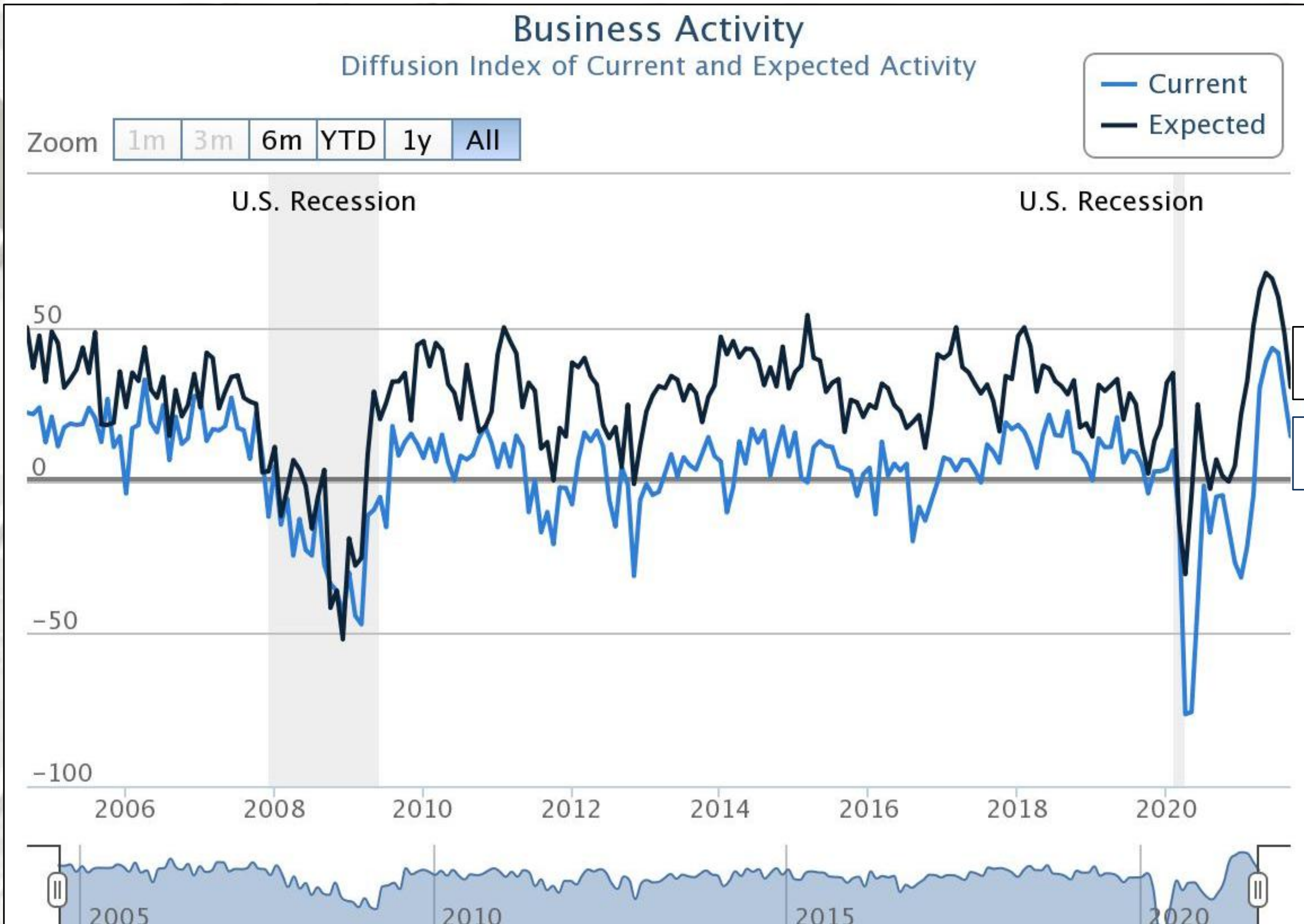
The Federal Reserve Bank of New York



September 2021
30.5

September 2021
14.4

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 9/16/21

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U.S. Economic Indicators

The Federal Reserve Bank of Philadelphia

September 2021 Manufacturing Business Outlook Survey

"Manufacturing activity in the region continued to expand this month, according to the firms responding to the August *Manufacturing Business Outlook Survey*. The survey's indicators for general activity and shipments improved, but the new orders and employment indexes softened somewhat. Both price indexes remained elevated. The survey's future general activity and new orders indexes continued to moderate, but the surveyed firms remained generally optimistic about growth over the next six months.

Current Indicators Remain Elevated

The diffusion index for current general activity rose 11 points to 30.7 this month (see Chart 1). The current shipments index also rose 11 points, to 29.9 in September. More than 34 percent of the firms reported increases in shipments this month, while only 4 percent reported decreases. The index for new orders fell 7 points to a reading of 15.9. Nearly 31 percent of the firms reported increases in new orders this month, while 15 percent reported decreases.

On balance, the firms continued to report increases in employment, but the employment index declined from 32.6 in August to 26.3 this month. The majority of responding firms (62 percent) reported steady employment levels, and the share reporting increases (31 percent) exceeded the share reporting decreases (5 percent). The average workweek index climbed 5 points to 29.3." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2021-09; 9/16/21

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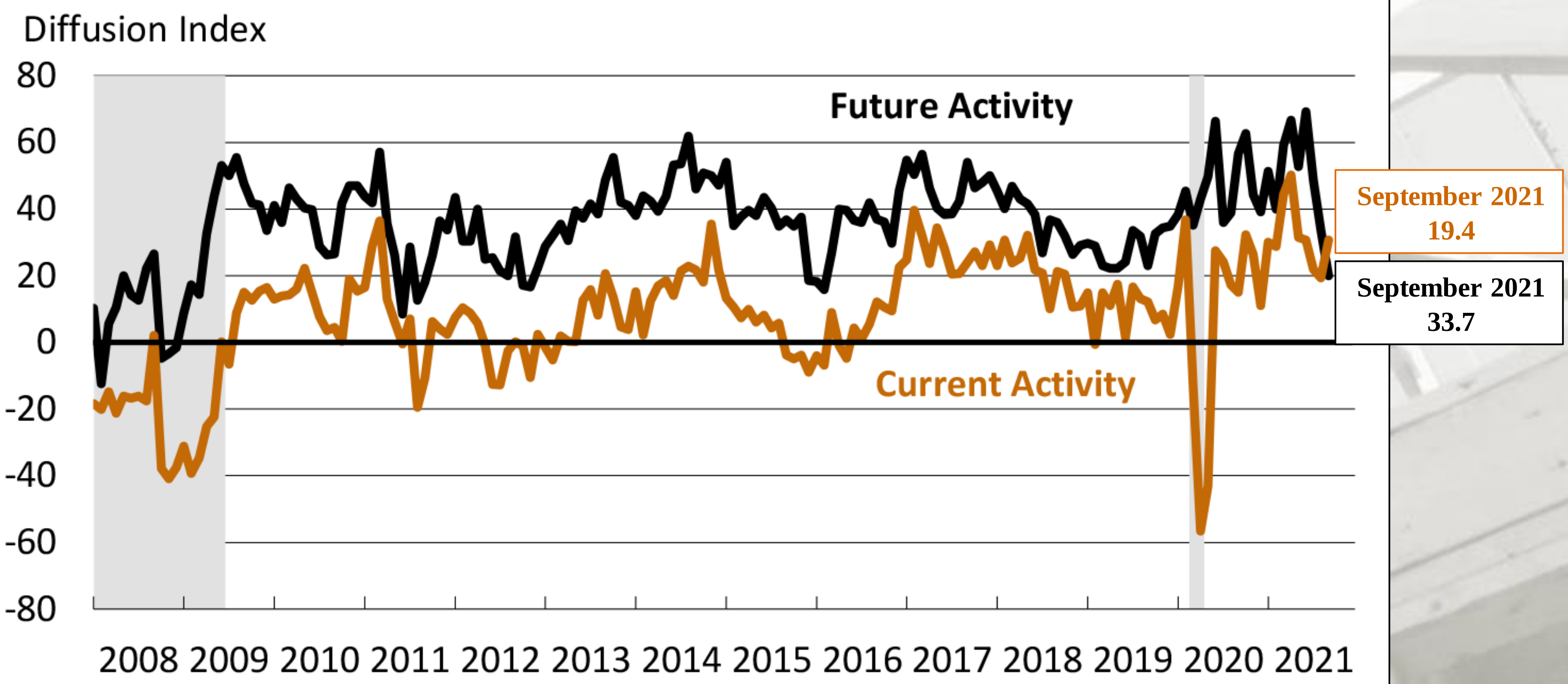
The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes

January 2008 to September 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.

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2021-09; 9/16/21

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The Federal Reserve Bank of Philadelphia

Price Indexes Remain Widespread

"The indicators for prices paid and prices received remained elevated but posted small declines this month. The prices paid index declined 4 points to 67.3. The percentage of firms reporting increases in input prices (71 percent) far exceeded the percentage reporting decreases (4 percent); 23 percent of the firms reported no change. The current prices received index ticked down 1 point to 52.9. Nearly 55 percent of the firms reported increases in prices received for their own goods this month, 2 percent reported decreases, and 42 percent reported no change.

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 third quarter ending this month compared with the second quarter of 2021 (see Special Questions). The share of firms reporting expected increases in third-quarter production (70 percent) was greater than the share reporting decreases (18 percent), with a median response of 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. Most firms reported supply chain (87 percent) and labor (74 percent) issues as factors constraining current capacity utilization." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2021-09; 9/16/21

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The Federal Reserve Bank of Philadelphia

Firms Remain Optimistic About Growth

"The diffusion index for future general activity decreased for the third consecutive month, falling 14 points to 20.0 (see Chart 1). The share of firms expecting increases in activity over the next six months (33 percent) exceeded the share expecting decreases (13 percent); a majority (41 percent) expect no change. The future new orders index declined 6 points, while the future shipments index inched up nearly 1 point. The firms continued to expect overall increases in employment over the next six months, although the future employment index declined 4 points to 38.6. Over 44 percent of the firms expect to increase employment in their manufacturing plants over the next six months; only 6 percent anticipate employment declines.

Summary

Responses to the August *Manufacturing Business Outlook Survey* suggest continued expansion in regional manufacturing conditions this month. The indicators for current activity and shipments rose from their August readings. The price indexes remain elevated and continue to suggest widespread increases in prices. The survey's future indexes indicate that respondents continue to expect growth over the next six months, although the future general activity and new orders indexes continued to trend lower." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2021-09; 9/16/21

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The Federal Reserve Bank of Philadelphia

August 2021 Nonmanufacturing Business Outlook Survey

"Responses to the August *Nonmanufacturing Business Outlook Survey* indicated continued growth in business activity in the region. The indexes for firm-level general activity, new orders, and sales/revenues remained positive but declined from their July readings. Further, the indexes for prices paid and prices received edged back, while the full-time employment index fell. The respondents expect overall improvement in conditions over the next six months.

Current Indexes Decline but Remain Elevated

The diffusion index for current general activity at the firm level fell from 44.8 in July to 37.2 this month, its second consecutive decline after reaching its second-highest reading ever in June (see Chart). Over 49 percent of the firms reported increases in activity, while 12 percent reported decreases and 30 percent reported no change. The new orders index declined for the first time since April, falling 4 points to 27.4 in August. Over 35 percent of the firms reported increases in new orders, while 8 percent reported decreases. The sales/revenues index declined 11 points to 29.0, while the unfilled orders index increased 5 points to 13.0.

Firms Indicators Remain Positive

Both future activity indexes suggest that the respondents expect overall improvement in nonmanufacturing activity over the next six months. The diffusion index for future activity at the firm level fell 13 points, from a historical high reading of 79.2 in July to 65.8 this month (see Chart). More than 69 percent of the firms expect an increase in activity at their firms over the next six months, compared with 21 percent that expect no change and 4 percent that expect decreases. The future regional activity index fell from 74.8 in July to 61.0 in August." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nonmanufacturing-business-outlook-survey; 8/24/21

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The Federal Reserve Bank of Philadelphia

August 2021 Nonmanufacturing Business Outlook Survey

Most Firms Report Steady Employment

"The full-time employment index, which has fluctuated over the past few months, fell 17 points to 8.2 after increasing 21 points in July. Just over 19 percent of the firms reported increases in full-time employment (down from 36 percent last month), while 11 percent reported decreases. Most respondents (60 percent) reported no change. The part-time employment index decreased 8 points to 2.1. Most firms reported steady part-time employment (59 percent), while 13 percent of the firms reported increases and 11 percent reported decreases. The average workweek index fell 4 points to 21.5.

Firms Continue to Report Overall Price Increases

Both the prices paid and prices received indexes declined this month but remain elevated. The prices paid index fell 5 points to 50.1. Most respondents (51 percent) reported increases in input prices, 33 percent of the firms reported no change, and 1 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index decreased 3 points to 26.2. Most respondents (56 percent) reported no change in prices received, while 28 percent reported increases and 2 percent reported decreases." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nonmanufacturing-business-outlook-survey; 8/24/21

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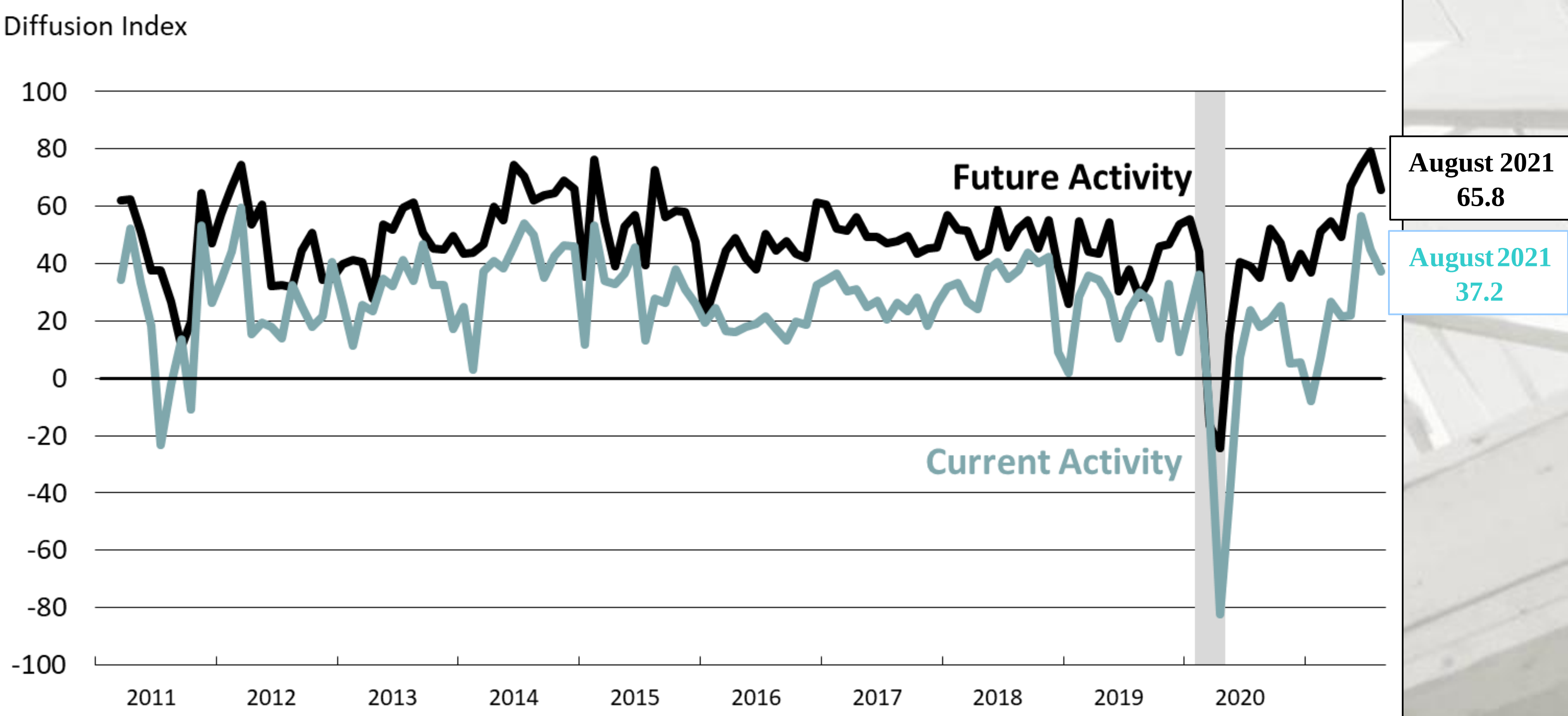
The Federal Reserve Bank of Philadelphia

Chart. Current and Future General Activity Indexes for Firms

March 2011 to August 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.

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Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nonmanufacturing-business-outlook-survey; 8/24/21

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The Federal Reserve Bank of Philadelphia

August 2021 Nonmanufacturing Business Outlook Survey

Firms Expect Own Prices to Rise Slower Than Inflation

"In this month's special questions, the firms were asked to forecast the changes in the prices of their own products and services and for U.S. consumers over the next four quarters. Regarding their own prices, the firms' median forecast was for an increase of 3.8 percent, higher than the 3.0 percent increase reported in May. Regarding the firms' own price change over the previous year, the median response was 2.0 percent, up from 1.6 percent in May. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 4.5 percent, higher than the 4.0 percent recorded in May. The firms expect their employee compensation costs (wages plus benefits per employee) to rise 4.0 percent over the next four quarters, up from 3.0 percent in May. The firms' forecast for the long-run (10-year) inflation rate increased to 5.0 percent from 4.0 percent in May.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* reflect continued growth in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, and new orders declined but remained elevated. The indexes for both full-time and part-time employment also decreased. The future activity indexes continued to suggest that respondents expect improvement at their firms and in the region over the next six months." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nonmanufacturing-business-outlook-survey; 8/24/21

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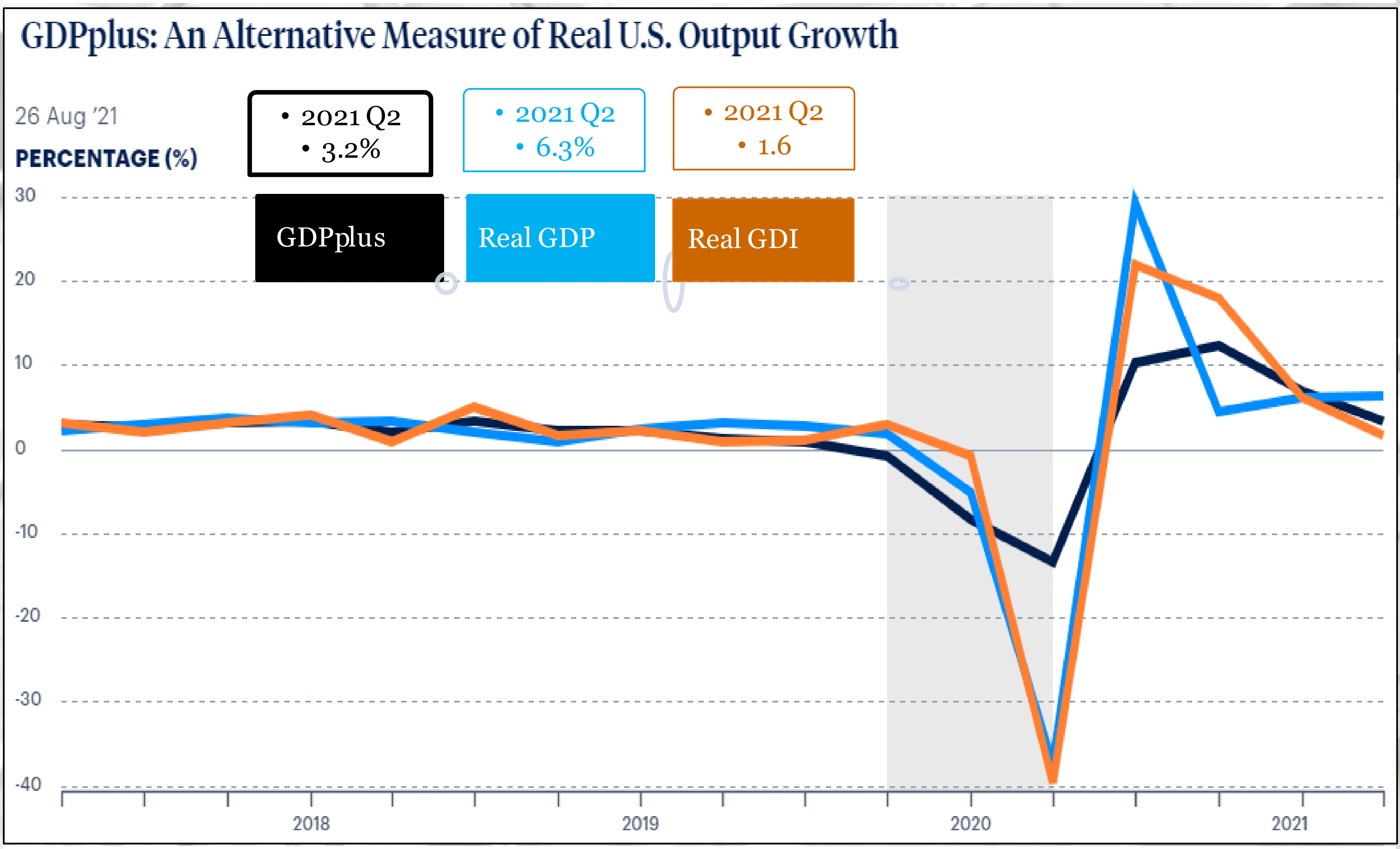
The Federal Reserve Bank of Philadelphia: GDPplus



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.

Source: https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/gdpplus; 8/26/21

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Manufacturing Activity Improved in August

"Fifth District manufacturing activity improved in August, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index declined from 27 in July to 9 in August but remained in expansionary territory, as all three component indexes – shipments, new orders, and employment – decreased but remained positive. However, several manufacturers reported deteriorating local business conditions. Survey contacts also noted that lead times continued to increase and inventories remained low. Overall, they were optimistic that conditions would improve in the next six months.

Survey results suggested that many firms increased employment and wages in August, as the wage index hit a record high. Firms struggled to find workers with the necessary skills, and they expected these trends to continue in the coming months.

The average growth rate of prices paid by survey respondents declined slightly in August, while that of prices received increased. Firms expect price growth to slow over the next year." – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 8/24/21

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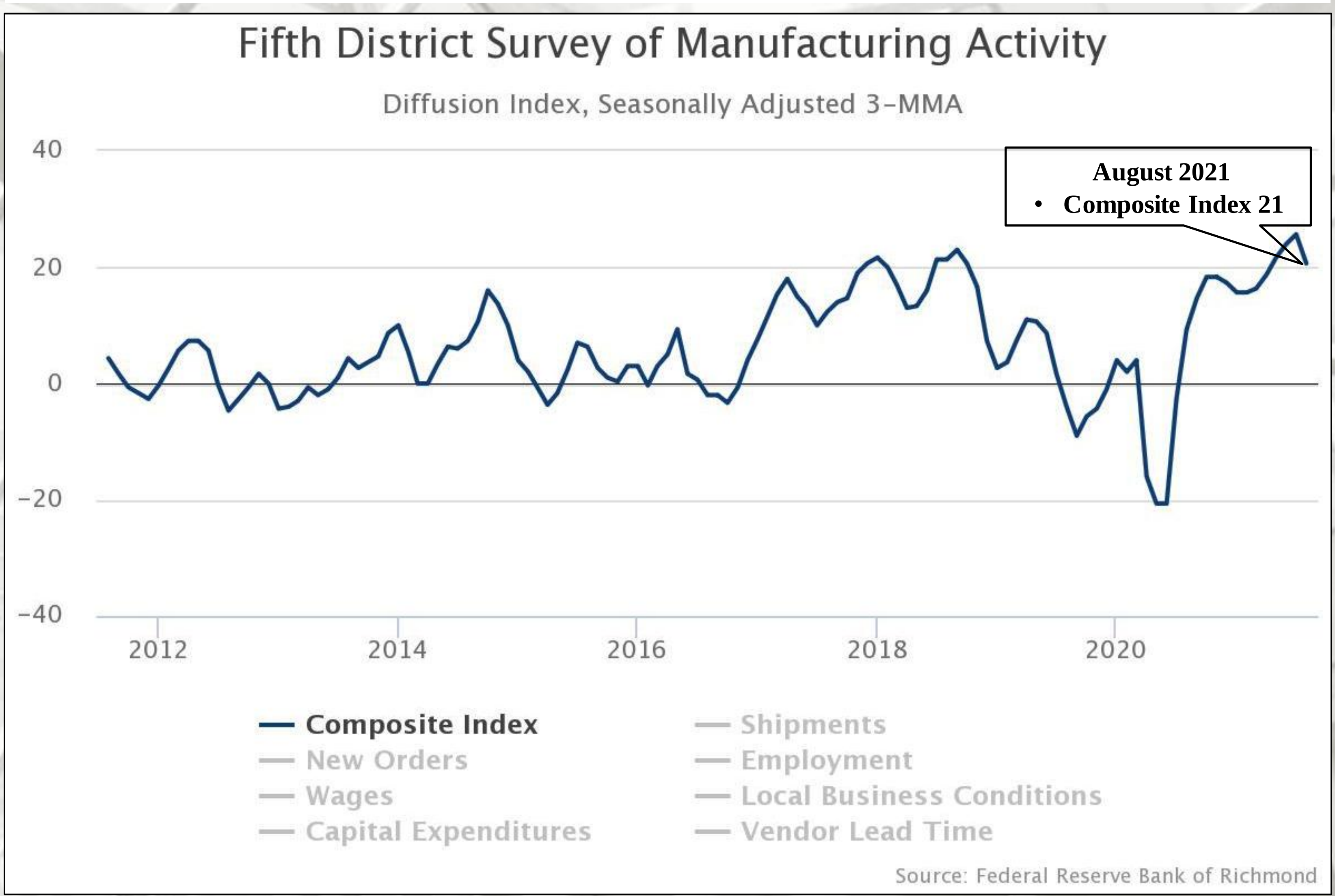
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 8/24/21

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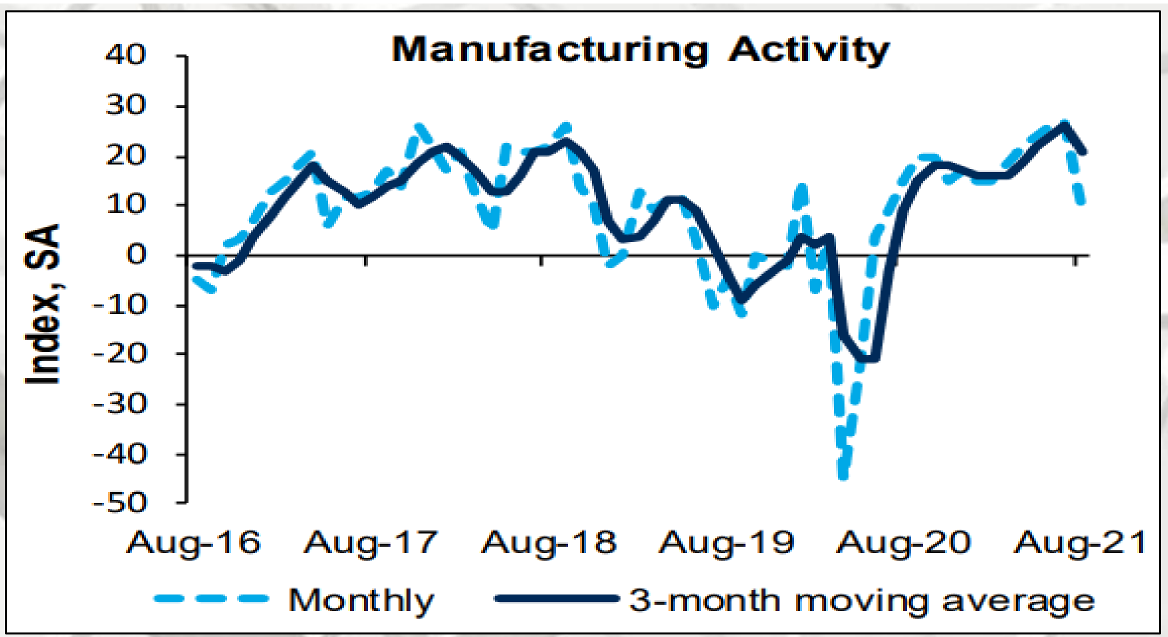
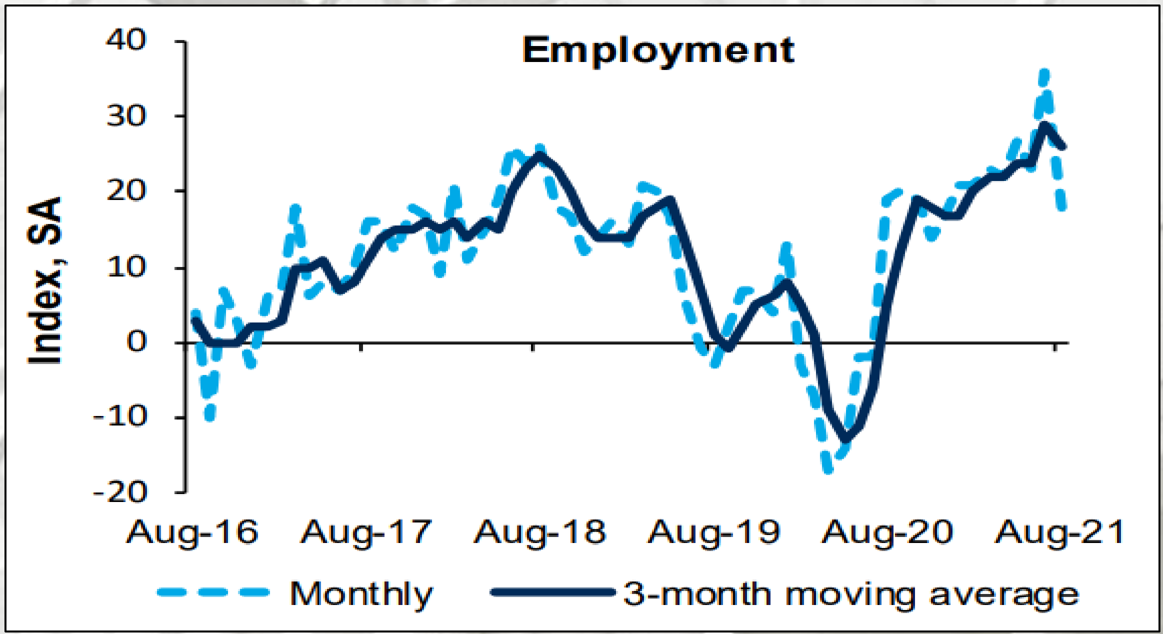
U.S. Economic Indicators





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 8/24/21

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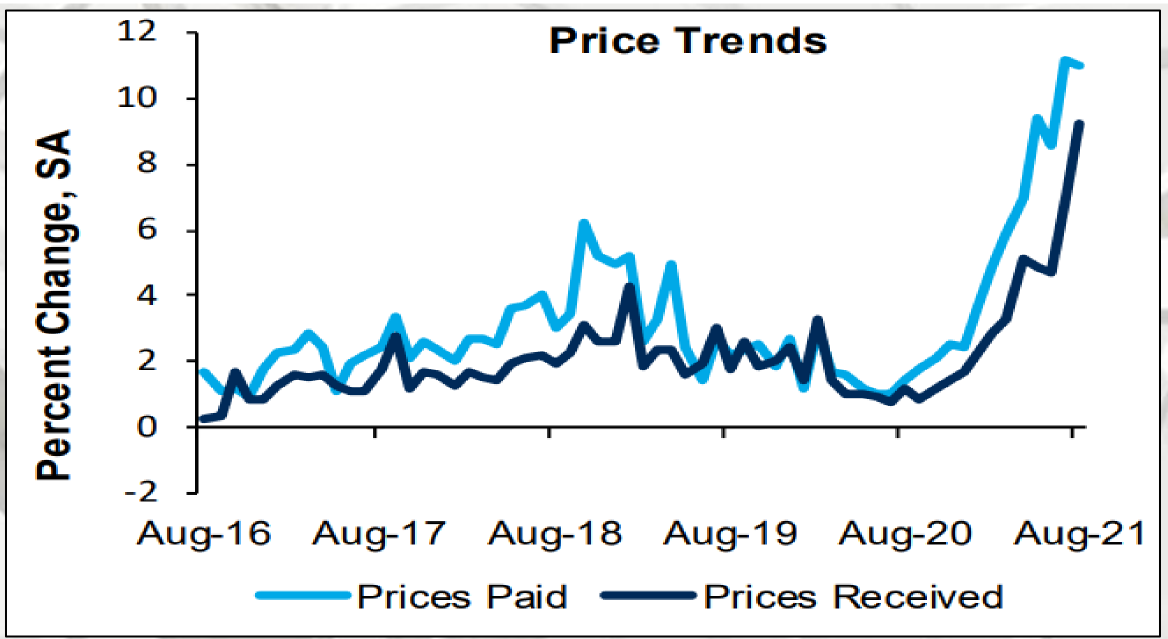
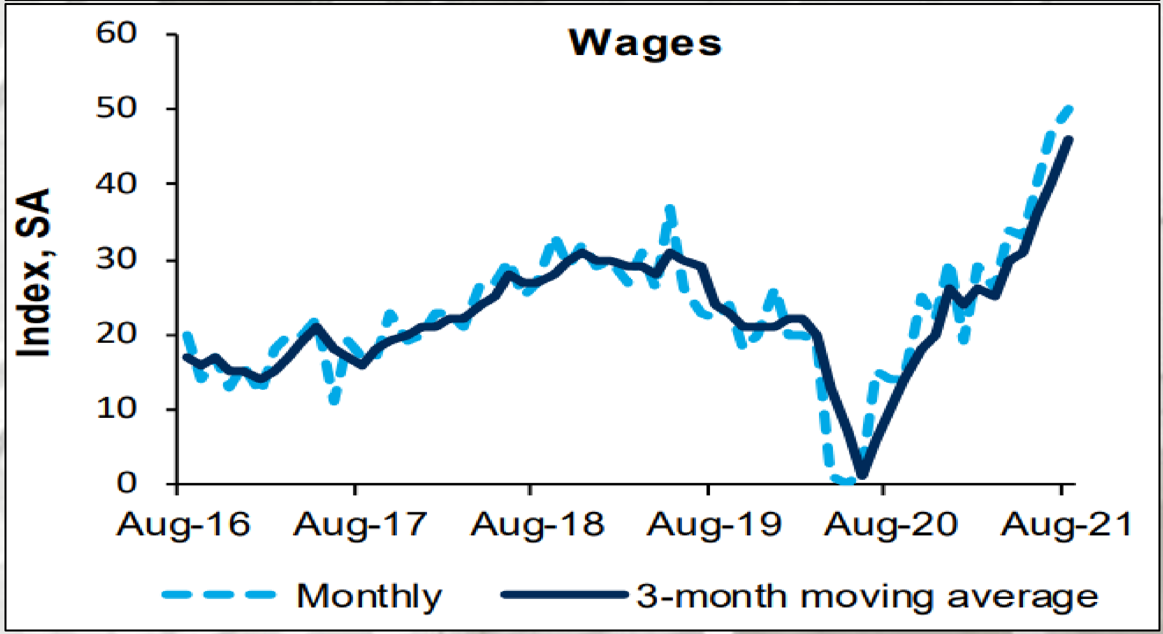
U.S. Economic Indicators





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 8/24/21

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Service Sector Strengthened in August

"Fifth District service sector activity strengthened in August, according to the most recent survey by the Federal Reserve Bank of Richmond. The indexes for revenues and demand declined from 19 and 26 in July to 15 and 25, respectively, in August but continued to indicate expansion. Respondents reported improved local business conditions and increased capital spending, and they were optimistic that conditions would continue to improve in the coming months.

Survey results reflect growth in employment and wages in August, but finding workers with the necessary skills was a challenge. Firms expected this difficulty to continue and employment and wages to grow further in the next six months.

The average growth rates of both prices paid and prices received by survey respondents increased in August. Growth of prices paid continued to outpace that of prices received, but survey participants expected this gap to narrow in the near future." – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 8/24/21

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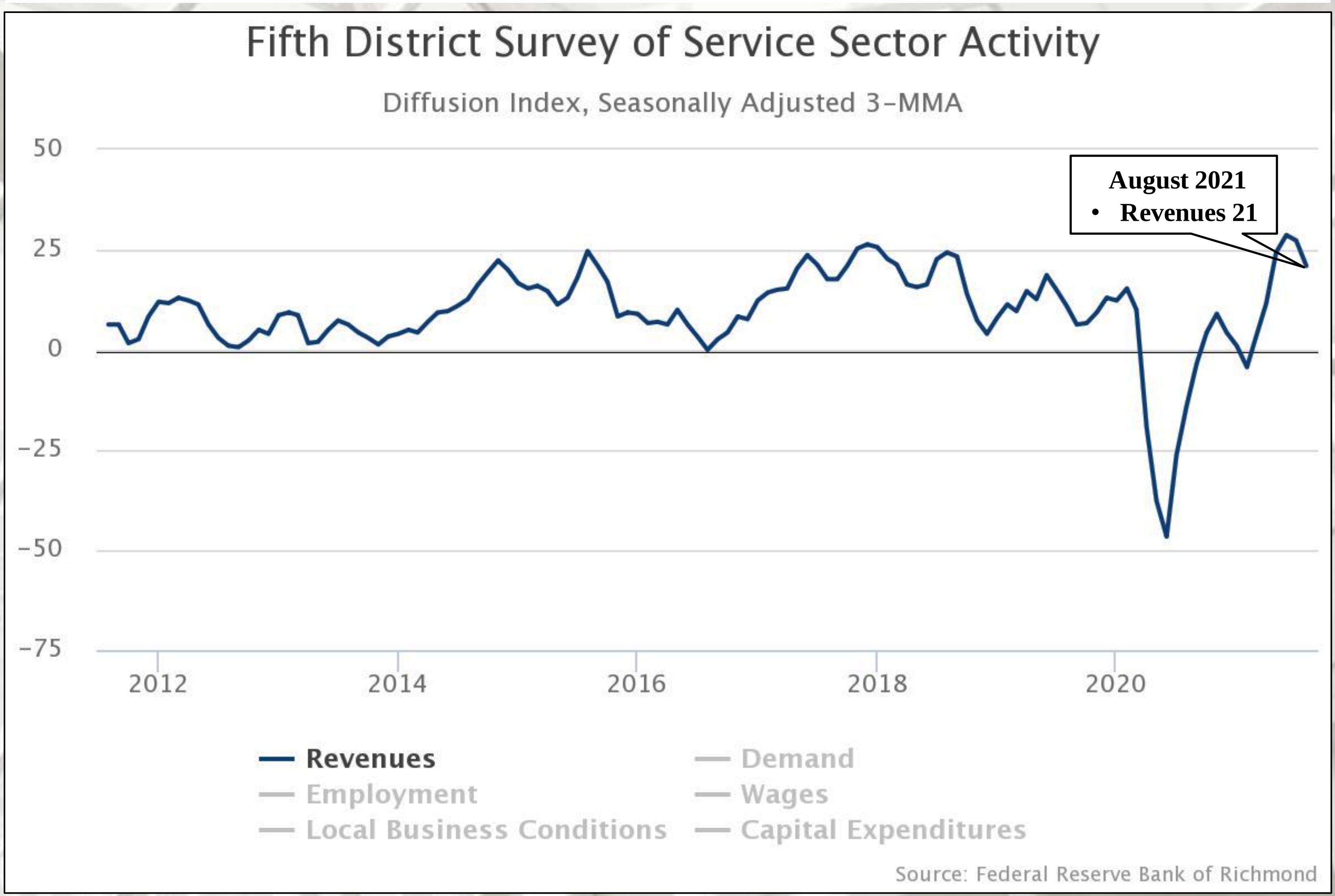
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 8/24/21

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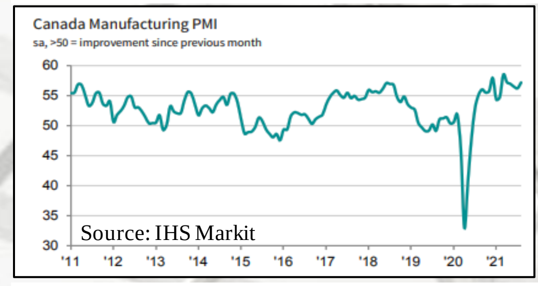
Private Indicators: Global



Markit Canada Manufacturing PMI™

"The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 57.2 in August, up from 56.2 in July. The latest reading extended the period of growth to 14 successive months, with the latest expansion the fourth quickest in the near 11-year history of the survey.

Operating conditions improve sharply amid stronger demand conditions

Canadian manufacturers recorded another robust expansion in manufacturing conditions with the PMI at a four-month high in August. Quicker upticks in output, new orders, exports and purchases underpinned growth and in turn supported optimism. Delivery delays were again, however, a common theme in the latest survey period, with lead times lengthening markedly. As a result, firms sought to protect against future shortages by building pre-production inventories but consequently faced steep cost pressures. Input price inflation strengthened to a fresh new series high, but selling prices rose at a fractionally softer pace.

…Higher inventory levels in response to greater output requirements also supported growth. Employment, meanwhile, rose for the fourteenth month running, yet at a softer pace despite higher sales. Anecdotal evidence suggested staff shortages weighed slightly on hiring activity. Encouragingly, we could see employment growth in the manufacturing sector continue over the coming months.

Despite rising cases and regional lockdowns over the year, Canada's manufacturing sector has dealt well with demand shocks. Its main concern, as with many economies, has been price and supply chain pressures which have often stemmed from material shortages. With costs intensifying over the course of the month, prices look set to remain elevated for some time. … Robust expansions in new orders, along with some reports of insufficient staffing levels led to another increase in outstanding business. In fact, backlogs rose at the third-quickest rate in the series history. Material shortages and transportation bottlenecks were also blamed for the rise in incomplete work. As a result, firms fulfilled sales through existing stocks of finished goods which were depleted at a quicker pace. Supply chains were once again under intense pressure in August. Global material shortages and port congestions added to lead times which lengthened to the second-greatest extent in the series history. In a bid to protect against future supply shocks, firms added to their pre-production inventories, and at the second-quickest rate on record. Rising demand led to input price inflation strengthening to a new series high. Material shortages and higher prices for steel, resin and transportation were also mentioned. The relatively strong demand environment allowed firms to partially pass-through higher expenses, with output price inflation the third-fastest on record.

Finally, outlook reflected the strong demand environment, which improved notably in the latest survey period." – Shreeya Patel, Economist, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/948c4d2101d544c88c50059433174e21; 9/1/21

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Private Indicators: Global

Caixin China General Manufacturing PMI™

Business conditions deteriorate slightly in August

"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 – posted below the neutral 50.0 level at 49.2 in August, down from 50.3 in July, to signal a deterioration in the health of the sector. Though only marginal, it was the first time that business conditions had worsened since April 2020, with the index dipping to its lowest level for a year-and-a-half.

Chinese manufacturers signalled a slight deterioration in business conditions in August, driven by a renewed drop in output and a further fall in new work. Panellists often stated that the resurgence of the COVID-19 virus at home and abroad had weighed on the sector's performance. Restrictions to contain the virus also impacted supplier performance, which deteriorated solidly, while shortages led to steeper rises in cost burdens and prices charged. At the same time, subdued market demand led firms to trim their purchasing activity and payroll numbers slightly.

The Caixin China General Manufacturing PMI came in at 49.2 in August, down from 50.3 the previous month and falling into contractionary territory for the first time since April 2020. The reappearance of Covid-19 clusters in several regions beginning in late July has dealt a blow to manufacturing activity. Both supply and demand in the manufacturing sector shrank as the Covid-19 outbreaks disrupted production. The gauges for output, total new orders and new export orders all dropped into negative territory. Output shrank for the first time since February 2020. Demand for intermediary products and investment goods also dropped, while that for consumer goods was relatively stable. Exports fell amid logistics disruptions and as the pandemic continued overseas. The job market shrank slightly amid the Covid-19 pressure. The subindex for employment fell into contractionary territory for the first time in five months, leading to a rise in backlogs of work." – Dr. Wang Zhe, Senior Economist, Caixin Insight Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/93c05fffcc3d4a049560c577f642f270; 9/1/21

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Private Indicators: Global

Caixin China General Manufacturing PMI™

"Inflationary pressure remained high. Input costs rose for the 15th month in a row and the growth rate accelerated in August after slowing for two consecutive months. Transportation costs rose and raw material prices remained high. The gauge for output prices stayed in expansionary territory, but growth was moderate. Some surveyed manufacturers said demand was sluggish due to the pandemic and their ability to pass rising costs onto clients was limited

Suppliers' delivery times continued rising as measures to contain the Covid-19 outbreaks disrupted logistics and some suppliers experienced raw material shortages. The gauge for delivery times hit the lowest point since February. The quantity of purchases dropped amid the sluggish market, and stocks of finished goods rose slightly.

The latest Covid-19 resurgence has posed a severe challenge to the economic normalization that began in the second quarter of last year. Manufacturing shrank in August as both supply and demand weakened. Meanwhile, overseas demand also dropped. The job market weakened slightly, though it managed to maintain overall stability. Manufacturers cut purchases, leading to a rise in stocks of finished goods.

Meanwhile, raw material prices remained high along with inflationary pressure. Surveyed manufacturers remained optimistic about the business outlook, but the gauge for future output expectations stayed below the long-term average.

Official economic indicators for July were worse than the market expected, indicating mounting downward pressure on economic growth. Authorities need to take a holistic view and balance containing Covid-19, stabilizing the job market, and maintaining stability in supply and prices." – Dr. Wang Zhe, Senior Economist, Caixin Insight Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/93c05fffcc3d4a049560c577f642f270; 9/1/21

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Private Indicators: Global

China General Manufacturing PMI

sa, > 50 = improvement since previous month
Sources: Caixin, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/93c05fffcc3d4a049560c577f642f270; 9/1/21

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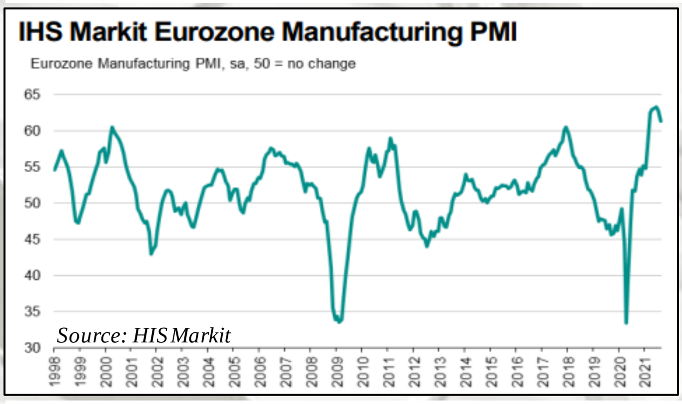
Private Indicators: Global



Markit Eurozone Manufacturing PMI®

"The euro area manufacturing sector registered another marked expansion during August, latest PMI® data showed, although momentum waned once again as the headline index fell to a six-month low. The final reading of the IHS Markit Eurozone Manufacturing PMI® for August of 61.4 was fractionally lower than the earlier 'flash' print of 61.5, and down from 62.8 in July. This marked a second successive month in which growth has slowed in the sector since June's survey record expansion.

Eurozone manufacturing growth slows to six-month low in August

All three sub-sectors registered sharp, albeit weaker, improvements in operating conditions over the month. Growth at investment goods makers continued to lead over consumer goods and intermediate goods producers, as has been the case in each of the past 12 months. … Goods production across the eurozone continued to expand in August, as has been the case in each month since July 2020. Although the pace of growth was the weakest in six months, it was still sharp overall and well above the historical average.

Supporting robust production schedules were continued improvements in demand for euro area goods. Total new orders increased for a fourteenth straight month in August, while new export business also grew at a marked rate. The Netherlands, Germany and Italy performed particularly well on the export front. However, the overall rate of growth in export demand across the eurozone lost momentum in August. …

Eurozone manufacturers reported another month of buoyant production in August, continuing the growth spurt into its fourteenth successive month. The overriding issue was again a lack of components, however, with suppliers either unable to produce enough parts or are facing a lack of shipping capacity to meet logistics demand. These supply issues were the primary cause of a shortfall of manufacturing production relative to orders of a magnitude not previously recorded by the survey, surpassing the 24-year record deficit seen in July. Factory selling prices consequently rose steeply once again, albeit with some of the upward pressure alleviated by a slight cooling of input cost inflation, albeit with still-high materials prices adding to manufacturers' problems.

Employment growth meanwhile eased only modestly from July's all-time high as producers remained focused on boosting operating capacity. However, a dip in future sentiment in August – linked to the peaking of demand, persistent supply chain issues and the spread of Delta variant – add to signs that both output and employment growth has peaked." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/d4e4668ed5014144920b3637320a826e; 9/1/21

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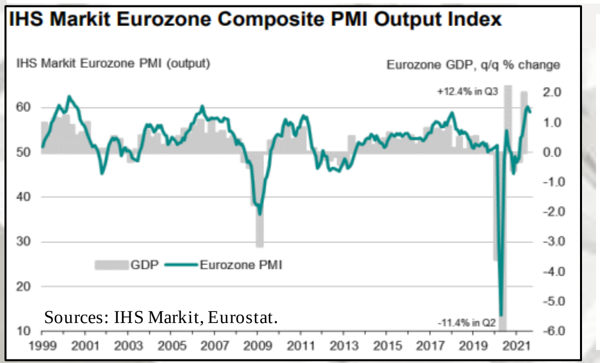
Private Indicators: Global



Markit Eurozone Composite PMI®

"After accounting for seasonal factors, the **IHS Markit Eurozone PMI® Composite Output Index** signalled another considerable month-on-month expansion in business activity during August. At 59.0, the headline figure was below 60.2 seen in July (which was the highest since June 2006), but still indicative of one of the fastest rates of growth seen in the past 15 years.

Eurozone still growing at considerable pace despite slight slowdown

The euro area economy recorded another marked expansion in business activity during August, with momentum only fading slightly from July's 15-year peak. Jobs growth continued and was at one of the fastest rates seen in over two decades, as firms swiftly acted to boost operating capacities amid strong demand for goods and services. There were softer increases in output across both the manufacturing and service sectors in August. While goods production growth was sharp, it was the weakest in six months. Service sector output on the other hand increased at the second-fastest rate since mid-2006, behind July.

… It was another solid result for euro area businesses in August, according to the PMI numbers, which still point to rapid rates of expansion in output and demand. The labour market is also performing well and will further encourage this domestic-driven growth spurt. The benefit of looser lockdown restrictions has fuelled two of the best expansions since mid-2006 in July and August, but a step down since the preliminary 'flash' number tells us that this growth momentum is fading.

While growth will naturally lose some impetus as the post-lockdown boom peters out, there are a number of other downside factors at play. The Delta variant has taken hold in Europe, while further material shortages and transport bottlenecks continue to restrain business activity. Rampant cost increases also persist, but slightly weaker rates of input and output price inflation provided some respite to both businesses and consumers alike, however.

Regardless, another strong quarter-on-quarter rise in GDP is on the cards for the third quarter, and we're certainly on track for the eurozone economy to be back at pre-pandemic levels by the end of the year, if not sooner." – Joe Hayes, Senior Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/c4a96eb6dee04ef19264776341957b53; 9/3/21

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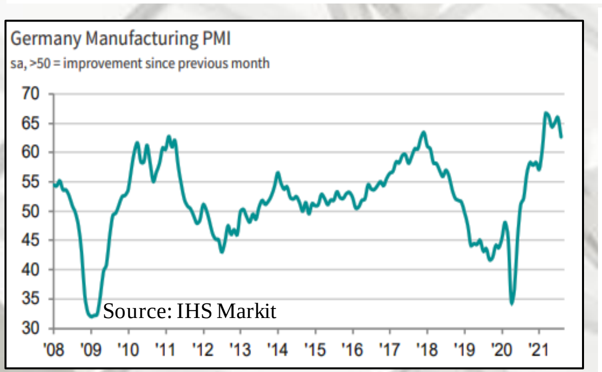
Private Indicators: Global



IHS Markit/BME
Germany Manufacturing PMI®

"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 – signalled a loss of momentum in the goods-producing sector in August. At 62.6, down from 65.9 in July, the latest reading was the lowest since February (albeit still well above the 50.0 no-change threshold).

PMI slips to six-month low in August as supply shortages constrain production

German manufacturers struggled to keep pace with demand in August due to constraints posed by supply shortages, latest PMI® data showed, with output growth falling behind that of new orders to the greatest extent in the survey's history. Goods producers' optimism about growth prospects in the coming year meanwhile waned, with elevated price pressures playing a part. Ongoing efforts to expand capacity saw factory employment rise for the sixth straight month, though the number of firms taking on additional staff eased from July's record.

The greatest drag on the headline index was from the output subcomponent, which fell more than five points to its lowest since August 2020. Anecdotal evidence indicated that firms' efforts to raise production in line with demand were often hampered by raw material and component shortages. Though also easing in August, down to its lowest for three months, the rate of new order growth remained sharp by historical standards and exceeded that of output by the greatest margin in the series history since 1996. A softer increase in new export orders was also recorded by the survey.

While we continue to see strong demand for German goods, with growth in new orders still among the highest on record, production levels are being constrained as manufacturers grapple with supply chain problems. According to August's data, growth in output has now fallen behind that of new orders to an extent previously unseen in over 25 years of data collection. …

Supply-demand imbalances continue to push up costs at a historically elevated rate, and concerns that higher prices could discourage customers is one of the factors that has seen manufacturers' expectations for future output fade to the lowest since last October. Still, many goods producers are hopeful that conditions will have improved come next summer, and a further steep rise in employment levels shows that efforts are still being made to expand capacity and prepare for higher output in the future." – Phil Smith, Principal Economist, IHSMarkit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/8c05a726d1a44046973bdf48c373e3d5; 9/1/21

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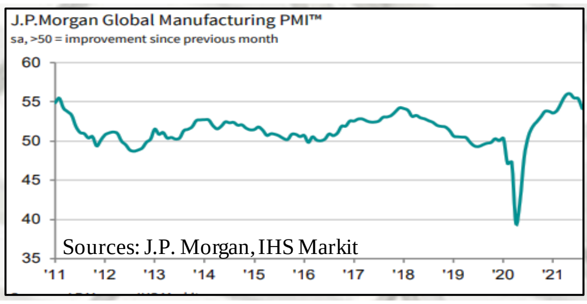
Private Indicators: Global



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 – fell to a six-month low of 54.1 in August. This nonetheless extended the current sequence of improving operating conditions to 14 months.

PMI eases to six-month low as supply chain issues constrain output growth

The upturn in the global manufacturing sector lost further momentum during August, as rates of output growth decelerated in several major markets including the US and euro area and slipped into contraction (on average) in Asia. Out of the 31 nations for which August data were available, 21 registered PMI readings above the neutral mark of 50.0 compared to ten signalling contraction (< 50.0). The slowdown was broad-based, however, with the PMI readings for 24 of the countries covered lower than in July.

Manufacturing production and new orders both rose for the fourteenth successive month in August. However, the rate of expansion in output eased to its weakest during that sequence. Efforts to raise production further were constrained by supply chain issues and, in some cases, shortages of labour and skills. Growth of new export business eased to a seven-month low in August. Rates of increase slowed at intermediate and investment goods producers, while a decrease was seen in the consumer goods sector. New export intakes continued to rise strongly in the euro area (including intra-bloc trade) and, to a lesser extent, the US, while Japan and China were among the nations to register a reduction in external trade volumes.

Supply chain disruption remained severe during August. This was highlighted by a further marked increase in average vendor lead times, with the extent of the lengthening staying close to June's series record. Companies reported transportation delays and shortages developing for a wide range of inputs and raw materials. With rising demand chasing constrained supply, average purchasing costs rose sharply, which also fed through to a further near-record increase in selling prices. Employment rose for the tenth month running in August, with the rate of expansion remaining solid. Companies were encouraged to increase staffing due to rising demand, higher backlogs of work and robust business optimism. Although confidence dipped to a ten-month low, it remained above its long-run average and indicated that manufacturers still expect production to rise over the coming 12 months." – Olya Borichevska, Global Economist, Global Economic Research, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/20b335c125b7425da0e8614c9992e7ad; 9/1/21

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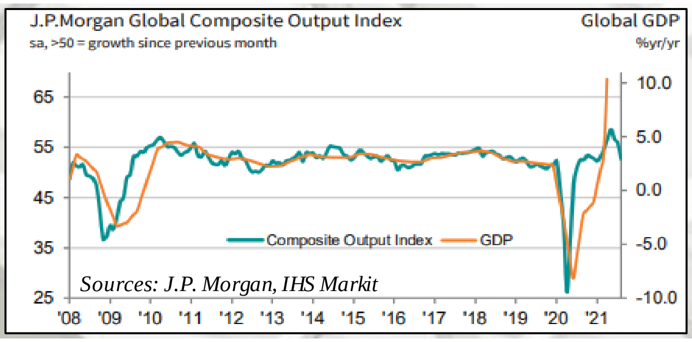
Private Indicators: Global



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 52.6 in August, down from 55.8 in July.

Global economic expansion slows to seven-month low as growth eases across manufacturing and services sectors

The rate of global economic expansion slumped to a seven-month low in August, as growth eased across the manufacturing and service industries. The slowdown was centred on Asia, where Japan and China fell into contraction, while weaker expansions were seen in the US and Europe. Manufacturing production rose at the weakest pace during its current sequence of increases, with rates of growth easing across the consumer, intermediate and investment goods sub-industries. Services activity meanwhile rose at the slowest pace since February. Weaker expansions were seen at business and consumer service providers, especially the latter. Financial services was the only category covered to register a growth acceleration.

… The rate of increase in new order intakes slowed to a sixmonth low in August, in part reflecting an easing in the pace of new export business growth to near-stagnation. New orders rose only marginally in emerging markets – with a contraction in China – while new export orders fell. The upturns in both variables meanwhile slowed across developed nations. Global employment rose for the twelfth consecutive month in August. However, the rate of increase was only moderate and the weakest for five months, with jobs growth easing across all six of the sub-sectors covering manufacturing and services activities (consumer, intermediate and investment goods producers and business, consumer and financial service providers). …

On the price front, average input costs and output charges both continued to increase at substantial rates in August. This largely reflected rising raw material prices caused by supply-chain disruptions, alongside increasing staff costs in some markets and sectors due to labor market constraints. That said, inflation of input costs and selling prices both eased to four-month lows in August. …" – Olya Borichevska, Global Economic Research, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/82d6ba4715574a188dd0b73b531cd810; 9/3/21

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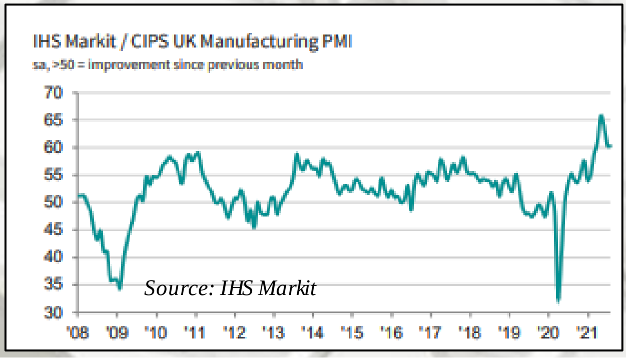
Private Indicators: Global



IHS Markit/CIPS UK Manufacturing PMI®

"The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) fell to a five-month low of 60.3, a tick below July's 60.4 but above the long-run average of 51.9. The PMI has signalled an improvement in operating performance in each of the past 15 months.

Rising supply chain constraints lead to slower production growth and rising input prices in August

UK manufacturers continued to face rising constraints caused by supply chain issues during August. Shortages of inputs and delivery delays disrupted production schedules, leading to slower output growth, and also resulted in marked increases in input prices. Companies nonetheless still achieved solid gains in output, new orders and employment. Manufacturing output rose again in August, albeit to the weakest extent since February. Growth eased particularly sharply at intermediate goods producers. Companies linked higher output to new order gains and the ongoing process of re-opening global economies.

Severe disruptions to supply chains and raw material shortages eroded the growth momentum of UK manufacturing in August. Although solid gains in output and new orders were achieved, companies reported that production, delivery and distribution schedules were experiencing substantial delays. A wide range of factors contributed to the disruption, including port capacity issues, international shipping delays, the re-imposition of COVID restrictions at some key points in global supply networks and ongoing issues post-Brexit. With all of these factors likely to persist for the foreseeable future, manufacturing could well see a further growth slowdown in the coming months. The impact of supply issues is also feeding through to rapid price inflation. Rates of increase in both input costs and selling prices remained close to record highs in August, as rising demand chased constrained supply and companies moved to pass on price increases to clients and consumers alike. This is affecting most markets, but especially autos, metals, food stuffs and electronics.

Business confidence remained elevated despite the widespread shortages as firms focused on the longer-term outlook and brought back furloughed workers. However, the solid jobs growth seen in August could soon wane if supply disruptions and shortages of both labour and required skills continue to worsen." – Rob Dobson, Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/2a0d1ccd251d4e31a4f7aafd86bfa0db; 9/1/21

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Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Weak in July

"National nonresidential construction spending expanded 0.1% in July, 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 $786.7 billion for the month.

However, spending was down on a monthly basis in six of 16 nonresidential subcategories. Spending in three categories was virtually unchanged. Private nonresidential spending was down 0.2% for the month, while public nonresidential construction spending rose 0.6% in July. Total nonresidential construction spending is down 4.2% from July 2020.

"The nonresidential construction spending numbers are meaningfully worse than they initially appear," said ABC Chief Economist Anirban Basu. "While the headline number suggests that nonresidential spending was effectively flat in July, the figure does not adjust for inflation. In real terms, the volume of construction services delivered by the nation's nonresidential contractors declined in July.

"Higher materials prices and worsening skills shortages represent primary culprits," said Basu. "Many project owners are delaying projects due to elevated construction service delivery costs. With COVID-19 continuing to wreak havoc on supply chains, materials prices and transportation costs are set to remain elevated well into 2022. The result is that the construction recovery is significantly slower than it would otherwise be, a fact reflected in the most recent reading from ABC's Construction Backlog Indicator."'" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/18957/nonresidential-construction-spending-weak-in-july-says-abc; 9/1/21

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Associated Builders and Contractors

Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate					
	July 2021	June 2021	July 2020	1-Month % Change	12-Month % Change
Nonresidential	$786,706	$785,534	$821,455	0.1%	-4.2%
Highway and street	$94,877	$93,080	$94,909	1.9%	0.0%
Conservation and development	$7,862	$7,752	$10,015	1.4%	-21.5%
Religious	$3,033	$3,001	$3,317	1.1%	-8.6%
Water supply	$19,077	$18,916	$19,434	0.9%	-1.8%
Public safety	$11,723	$11,639	$19,066	0.7%	-38.5%
Sewage and waste disposal	$27,802	$27,679	$27,221	0.4%	2.1%
Amusement and recreation	$24,856	$24,796	$27,110	0.2%	-8.3%
Commercial	$88,370	$88,331	$85,452	0.0%	3.4%
Transportation	$56,752	$56,773	$59,292	0.0%	-4.3%
Health care	$48,017	$48,036	$48,828	0.0%	-1.7%
Lodging	$19,862	$19,874	$28,364	-0.1%	-30.0%
Office	$81,059	$81,113	$87,169	-0.1%	-7.0%
Manufacturing	$74,574	$74,666	$73,171	-0.1%	1.9%
Educational	$94,485	$94,784	$103,494	-0.3%	-8.7%
Power	$112,805	$113,382	$111,776	-0.5%	0.9%
Communication	$21,552	$21,713	$22,839	-0.7%	-5.6%
Private Nonresidential	$458,038	$458,955	$475,021	-0.2%	-3.6%
Public Nonresidential	$328,669	$326,579	$346,434	0.6%	-5.1%
Source: U.S. Census Bureau					

"“Data indicate that public construction spending has been more negatively affected than private spending,” said Basu. “While overall nonresidential construction spending is down 4% on a year-over-year basis, public construction spending is down more than 5%. That said, there are some private segments that continue to exhibit weakness, due in part to behavioral shifts that have transpired during the public health crisis. Spending is down year over year in the lodging and office segments, and neither of these segments exhibited a rebirth of momentum in July.”" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/18957/nonresidential-construction-spending-weak-in-july-says-abc; 9/1/21

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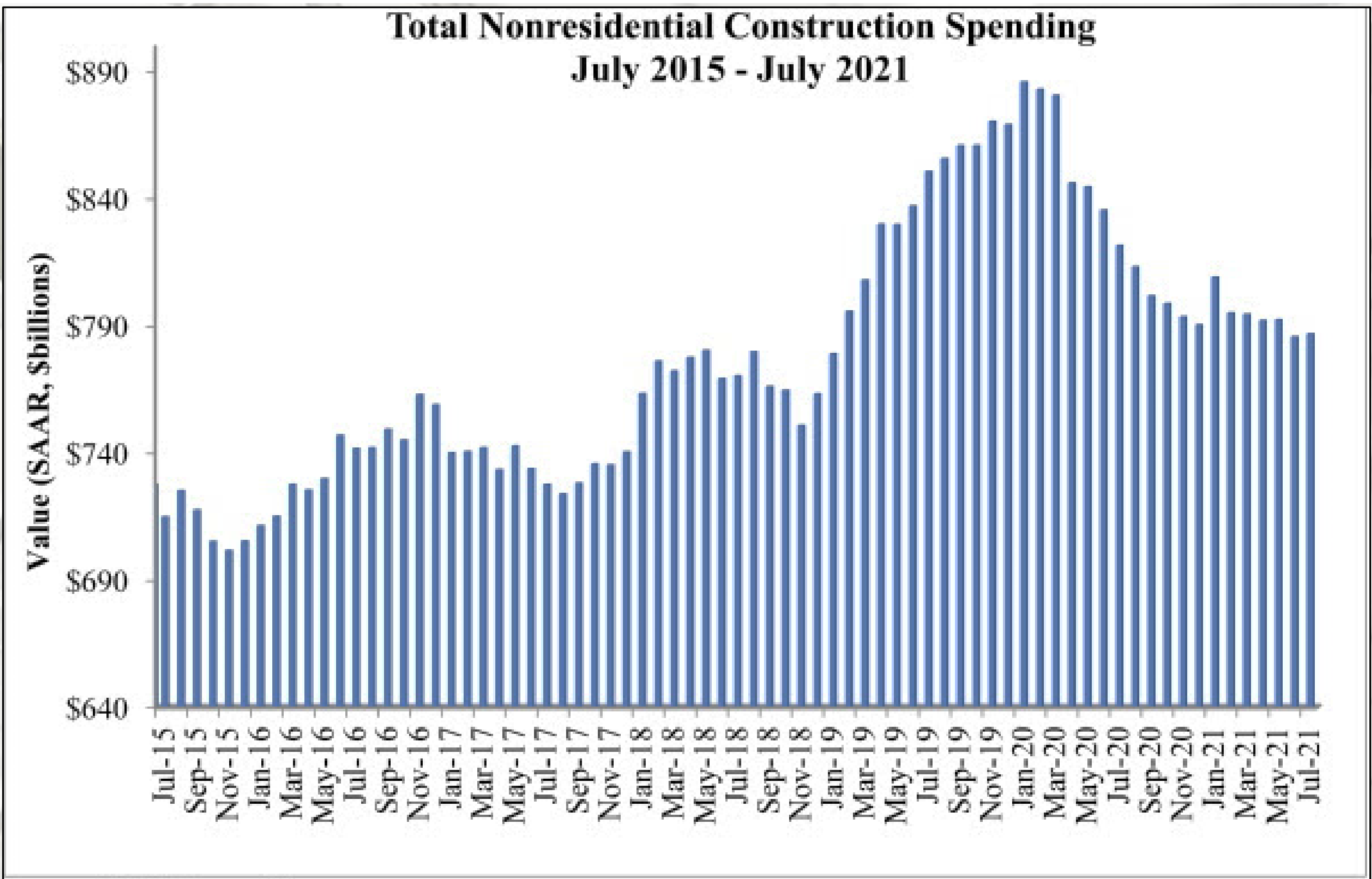
Associated Builders and Contractors



Source: U.S. Census Bureau

Source: https://www.abc.org/News-Media/News-Releases/entryid/18957/nonresidential-construction-spending-weak-in-july-says-abc; 9/1/21

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Plummets in August; Contractor Confidence Down

"Associated Builders and Contractors reports today that its Construction Backlog Indicator fell sharply to 7.7 months in August, according to an ABC member survey conducted Aug. 19 to Sep.1. The reading is down 0.8 months from July 2021 and down 0.3 months from August 2020. ABC's Construction Confidence Index readings for sales, profit margins and staffing levels all fell modestly in August but remain above the threshold of 50, indicating expectations of growth over the next six months.

"Both contractor backlog and confidence have begun to fade," said ABC Chief Economist Anirban Basu. "Higher materials prices and labor costs have conspired to put more projects on hold. In many instances, expanding costs have rendered projects infeasible.

"That said, it is still the case that contractors collectively anticipate sales, staffing levels and margins to rise over the next six months," said Basu. "The expected pace of improvement has softened, however. With so much liquidity continuing to be injected into financial systems, investors have considerable sums to deploy in new investments. Real estate valuations and construction volumes benefit from such dynamics. Recent dips in commodity prices and more normal labor market functioning should help translate into slower cost escalations and rebounding backlog during the months ahead, ultimately reversing the backlog decline sustained in August."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/18967/abc-s-construction-backlog-indicator-plummets-in-august-contractor-confidence-down; 9/14/21

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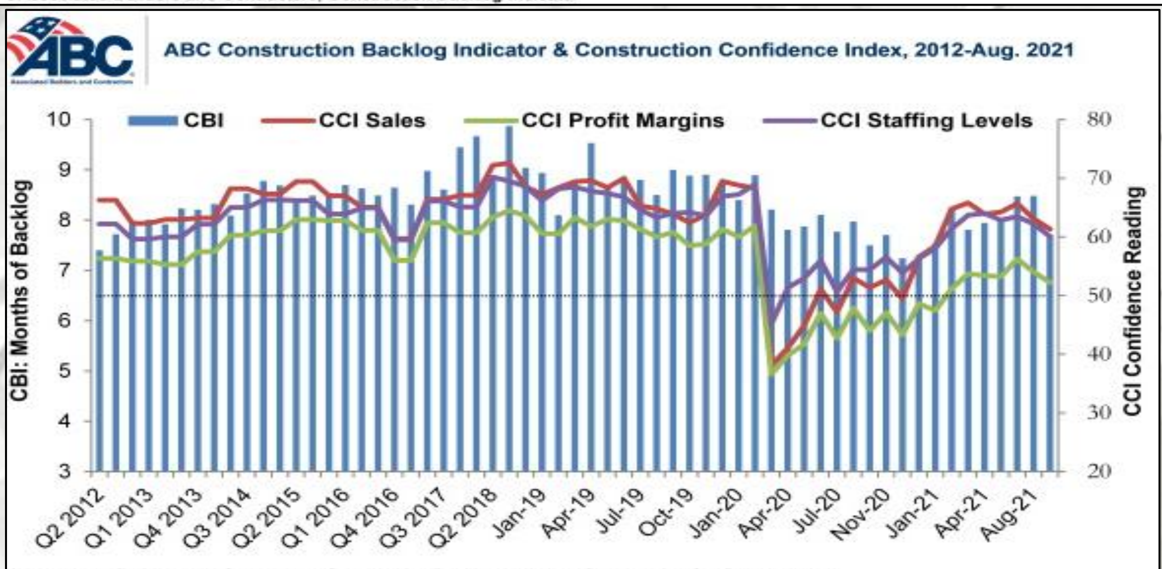
Associated Builders and Contractors

Construction Backlog Indicator

	August 2021	July 2021	August 2020	1-Month Net Change	12-Month Net Change
Total	**7.7**	**8.5**	**8.0**	**-0.8**	**-0.3**
Industry					
Commercial & Institutional	7.8	8.3	7.8	-0.5	0.0
Heavy Industrial	5.4	8.1	7.9	-2.7	-2.5
Infrastructure	7.7	11.3	9.6	-3.6	-1.9
Region					
Middle States	7.4	7.1	7.0	0.3	0.4
Northeast	7.4	8.2	7.7	-0.8	-0.3
South	8.9	9.8	8.7	-0.9	0.2
West	7.4	9.0	8.9	-1.6	-1.5
Company Size					
<$30 Million	7.4	7.9	7.4	-0.5	0.0
$30-$50 Million	7.5	8.6	9.2	-1.1	-1.7
$50-$100 Million	10.9	10.0	9.2	0.9	1.7
>$100 Million	10.4	16.0	11.4	-5.6	-1.0



Source: https://www.abc.org/News-Media/News-Releases/entryid/18967/abc-s-construction-backlog-indicator-plummets-in-august-contractor-confidence-down; 9/14/21

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Associated Builders and Contractors

Construction Confidence Index

Response	August 2021	July 2021	August 2020
	CCI Reading		
Sales	61.3	63.1	53.0
Profit Margins	52.2	54.0	47.8
Staffing	60.1	62.2	54.4
	Sales Expectations		
Up Big	8.9%	9.6%	9.5%
Up Small	46.6%	49.8%	37.4%
No Change	27.5%	26.6%	19.8%
Down Small	14.8%	11.4%	22.2%
Down Big	2.1%	2.6%	11.1%
	Profit Margins Expectations		
Up Big	3.8%	4.4%	4.1%
Up Small	30.5%	37.1%	28.8%
No Change	39.8%	32.3%	29.6%
Down Small	22.5%	22.7%	29.2%
Down Big	3.4%	3.5%	8.2%
	Staffing Level Expectations		
Up Big	4.2%	3.5%	4.9%
Up Small	42.4%	54.1%	34.2%
No Change	44.9%	31.0%	37.9%
Down Small	6.4%	10.5%	19.8%
Down Big	2.1%	0.9%	3.3%

Source: https://www.abc.org/News-Media/News-Releases/entryid/18967/abc-s-construction-backlog-indicator-plummets-in-august-contractor-confidence-down; 9/14/21

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index July 2021

Firm revenue projected to grow further in the second half of 2021

“Although the torrid pace of billings growth seen earlier this year eased in July, architecture firms are still reporting very strong business conditions overall. The ABI score of 54.6 for the month indicates that the majority of firms are continuing to see their billings increase. Inquiries into new projects and the value of new design contracts remain extremely high as well, with both still near their all-time historic high points from earlier this year. The rate of growth that firms are reporting now is more typical for a post-recession recovery phase, while the exceptionally high numbers seen earlier this year were more of an aberration due to the precipitous nature of the decline in 2020, and the commensurately strong rebound in early 2021.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“In prior business cycles, architecture firms generally saw their project work soften quickly and then recover slowly. So the strength of this recovery is unprecedented. Firm leaders who have leaned into this economic upturn by reinvesting in their firms by hiring staff and upgrading their technology, will likely have a better year than those that anticipated a slower recovery.” – Kermit Baker, Chief Economist, AIA

Source: https://www.aia.org/pages/6425639-abi-july-2021-business-conditions-remain-s; 8/19/21

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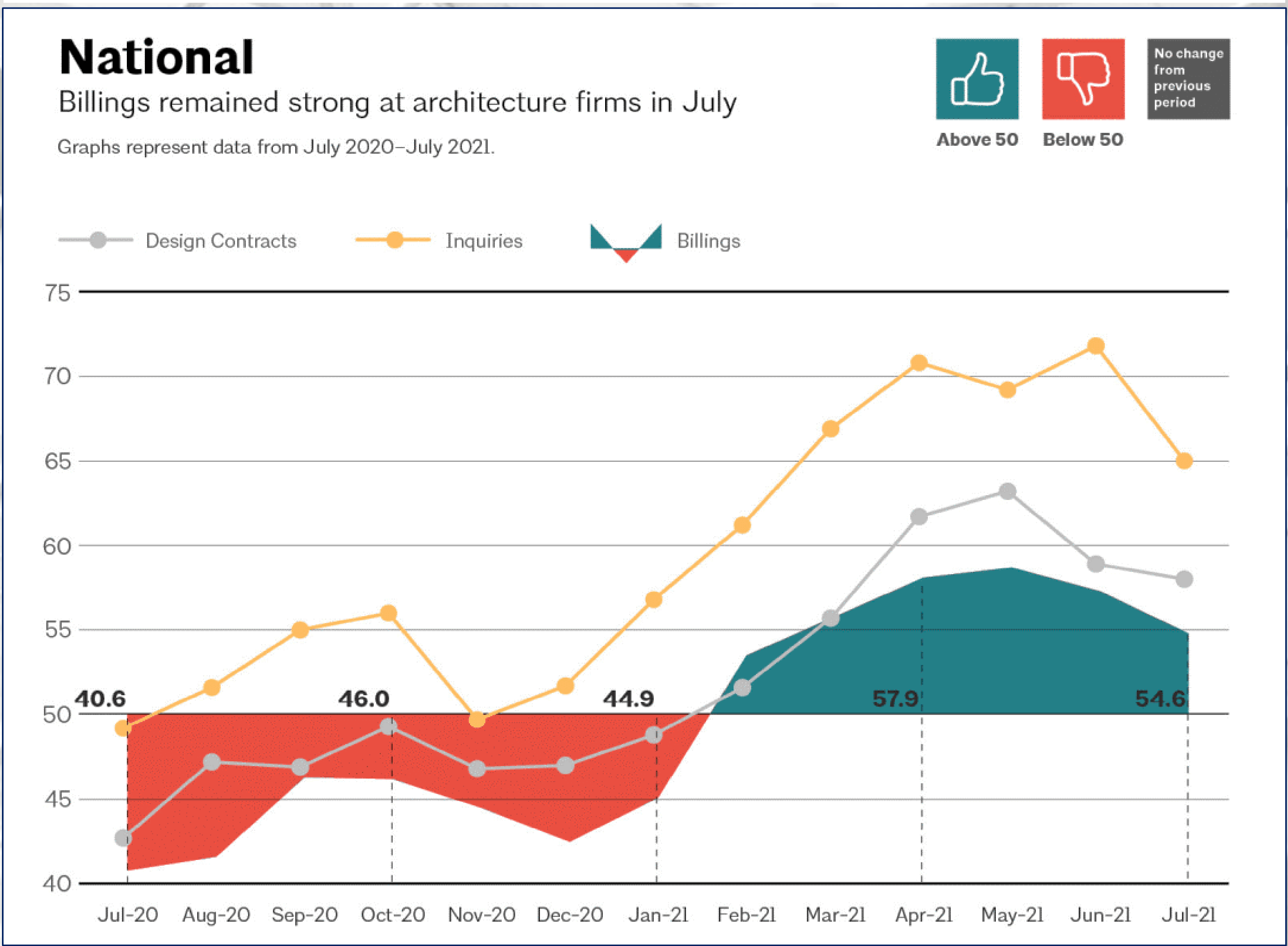
Private Indicators
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6425639-abi-july-2021-business-conditions-remain-s; 8/19/21

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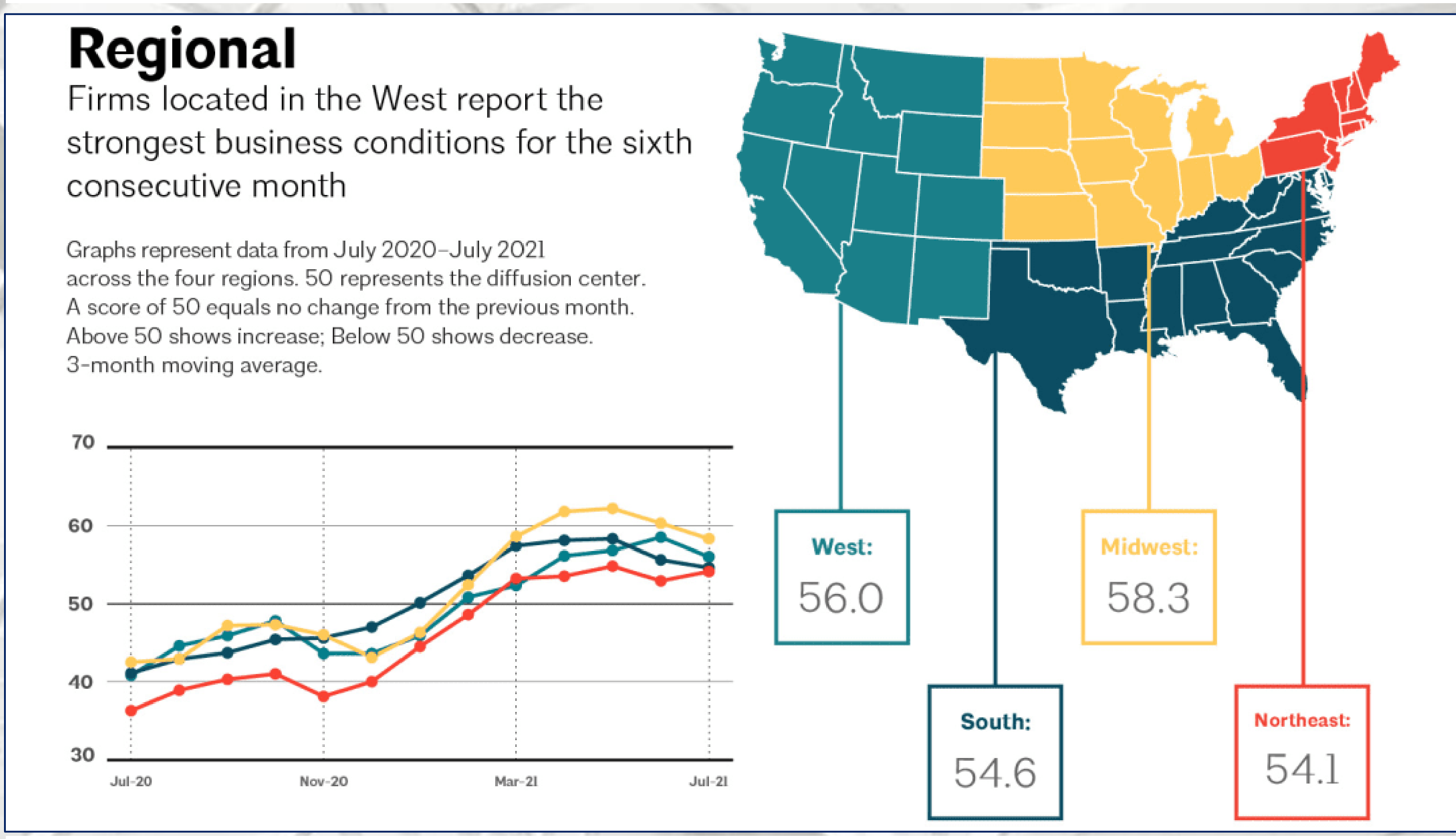
Private Indicators: AIA



Region

"Business conditions remained strong in all regions of the country in July as well, with firms located in the Midwest and West reporting the strongest conditions for the second consecutive month. And more firms in the Northeast reported an increase in billings in July than in June, as conditions continued to strengthen in the region that was experiencing weakness even prior to the pandemic." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6425639-abi-july-2021-business-conditions-remain-s; 8/19/21

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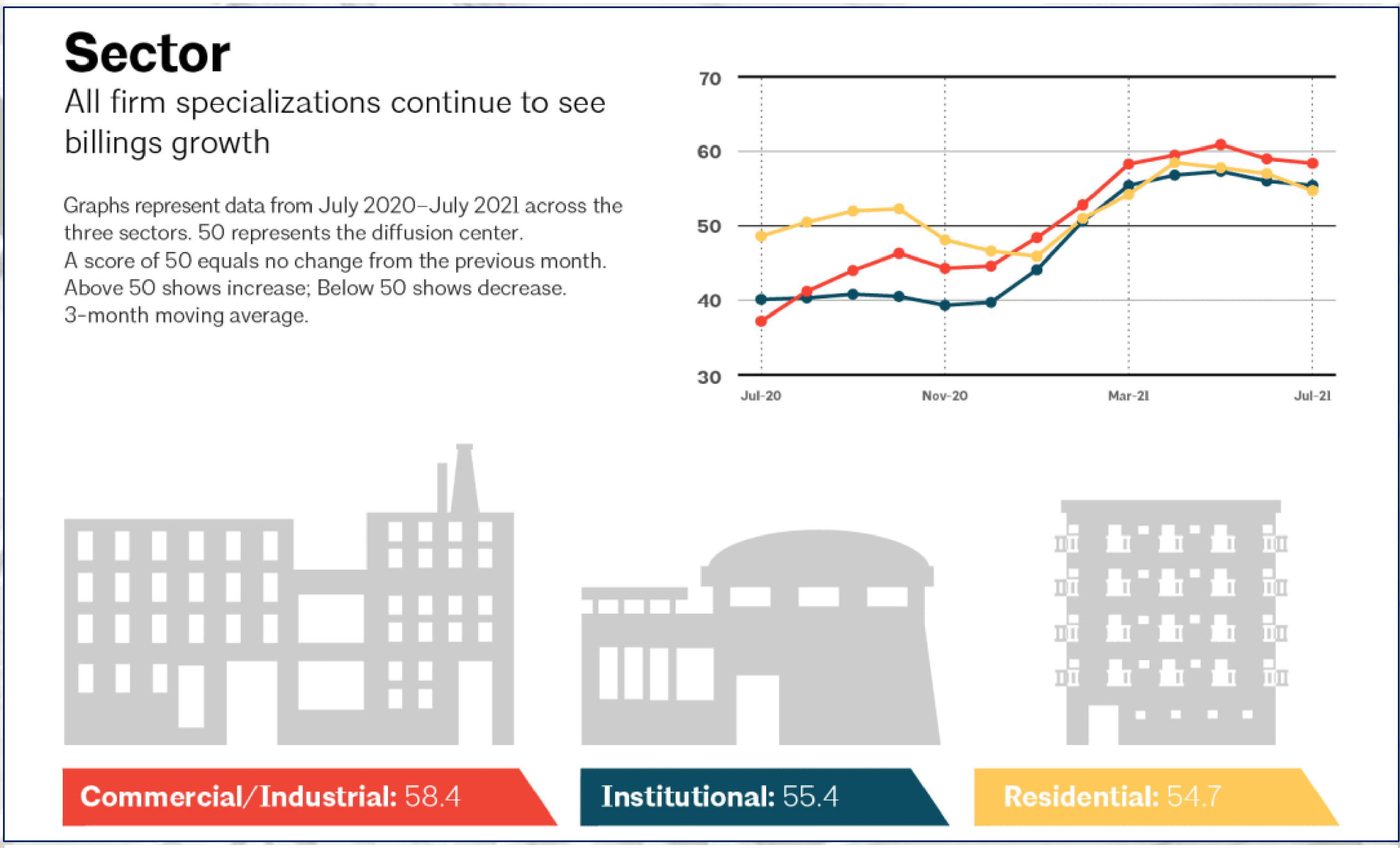
Private Indicators: AIA



Sector

"Firm billings remained particularly robust at firms with a commercial/industrial specialization, but were also strong at firms with institutional and multifamily residential specializations." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6425639-abi-july-2021-business-conditions-remain-s; 8/19/21

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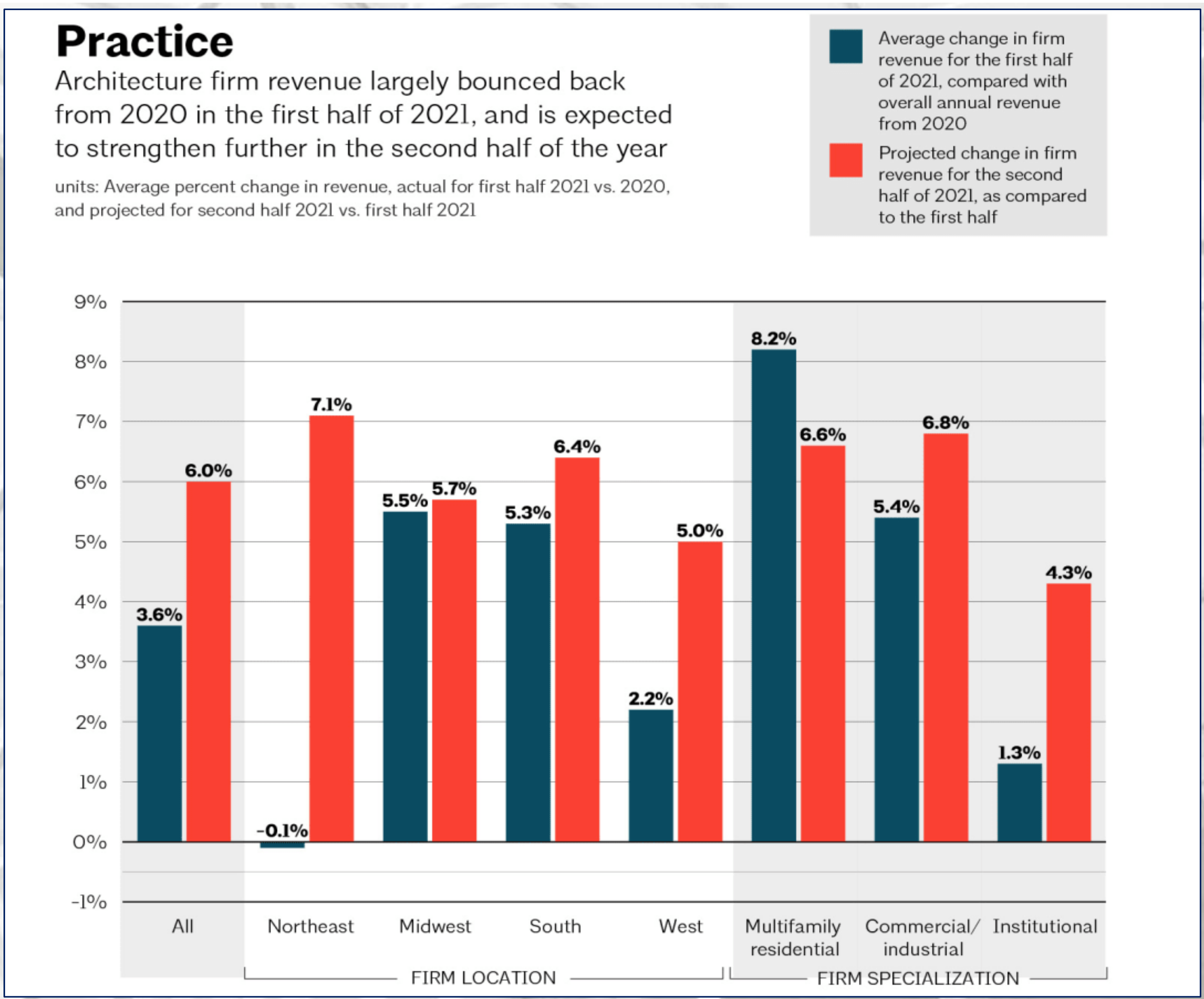
Private Indicators: AIA



Source: https://www.aia.org/pages/6425639-abi-july-2021-business-conditions-remain-s; 8/19/21

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Private Indicators

Dodge Data & Analytics

Total Construction Falls in July as Housing Stumbles

Single family construction feeling brunt of higher material prices

"Total construction starts fell 3% in July to a seasonally adjusted annual rate of $854.8 billion, according to Dodge Data & Analytics. There were few bright spots during the month, with all three sectors (residential, nonresidential building and nonbuildings) moving lower in July.

"""Construction material prices continue their march higher and are weighing heavily on construction starts," stated Richard Branch, Chief Economist for Dodge Data & Analytics. "Lumber and copper prices have fallen in recent weeks; however, steel, plastic and other construction-related products are continuing their ascent. These increases will continue to impact construction starts over the coming months, somewhat muting the impact of stronger economic activity. A further risk to the sector is the rising number of COVID-19 cases due to the Delta variant. While we don't expect significant business restrictions in response, it is a risk that can not be fully discounted. On the upside, projects entering the planning stage remain at levels not seen in several years and forward progress on an infrastructure program and the federal budget provides hope that brighter days are ahead."''' – Nicole Sullivan, Public Relations & Social Media, AFFECT

Source: https://www.construction.com/news/Total-Construction-Starts-Move-Lower-July-2021; 8/18/21

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Private Indicators

Dodge Data & Analytics

- "**Residential building starts** fell 6% in July to a seasonally adjusted rate of $400.0 billion. Single family starts lost 6% in July, while multifamily starts dipped 4%. Through seven months, residential starts were 30% higher than the same period one year ago. Single family starts were up 34%, while multifamily was 19% higher.
- For the 12 months ending July 2021, total residential starts were 23% higher than the 12 months ending July 2020. Single family starts gained 29%, while multifamily starts were up 8% on a 12-month sum basis.
- **The largest multifamily structures to break ground in July** were he $223 million second phase of the Sendero Verde project in New York, NY, the $203 million Chestnut Commons in Brooklyn, NY, and the $194 million 100 Flatbush mixed-use project in Brooklyn, NY.
- Regionally, July's starts rose in the Northeast, Southeast and Midwest regions, but fell in the South Atlantic and West regions.
- **Nonresidential building starts** fell 1% in July to a seasonally adjusted annual rate of $283.8 billion. Commercial starts lost 19% during the month as starts pulled back in the warehouse, office and retail sectors, while hotel starts rose. Institutional starts rose 11% during the month due to gains in healthcare, recreation and transportation, while education starts fell. Manufacturing starts posted a solid gain in the month, nearly doubling from June's level. Through the first seven months of 2021 nonresidential building starts were 4% higher when compared to the first seven months of 2020. Commercial starts were up 5% and manufacturing starts rose 45%, while institutional starts were 1% lower.
- For the 12 months ending July 2021, nonresidential building starts were 8% lower than the 12 months ending July 2020. Commercial starts were down 8%, while institutional starts fell 5%. Manufacturing starts dropped 26% in the 12 months ending July 2021." – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/Total-Construction-Starts-Move-Lower-July-2021; 8/18/21

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Private Indicators

MONTHLY CONSTRUCTION STARTS

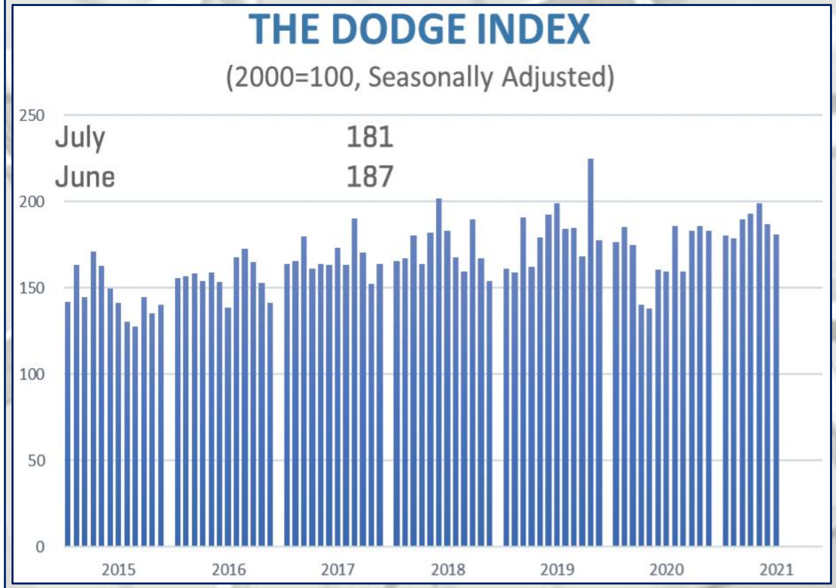
(Millions of Dollars, Seasonally Adjusted Annual Rate)

	Jul 2021	Jun 2021	% Change
Nonresidential Building	$283,799	$285,605	-1
Residential Building	399,984	424,144	-6
Nonbuilding Construction	171,024	172,593	-1
Total Construction	$854,807	$882,342	-3

YEAR-TO-DATE CONSTRUCTION STARTS

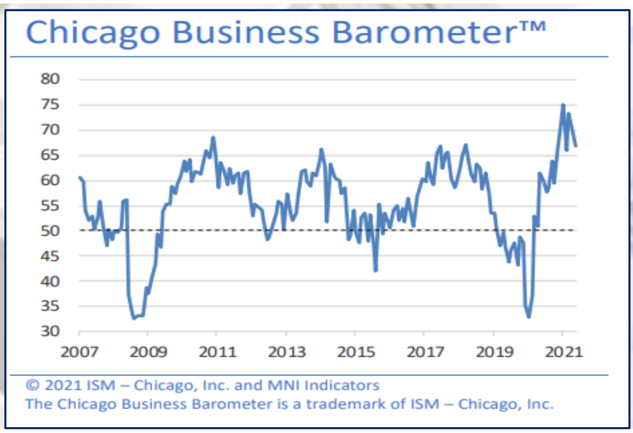
Unadjusted Totals, in Millions of Dollars

	7 Mos. 2021	7 Mos. 2020	% Change
Nonresidential Building	$158,698	$152,012	4
Residential Building	248,178	191,338	30
Nonbuilding Construction	112,103	109,397	2
Total Construction	$518,979	$452,747	15



Source: Dodge Data & Analytics

Private Indicators



MNI Chicago

"The Chicago Business Barometer™, produced with MNI, fell to 66.8 in August, the lowest reading since June after climbing to a two-month high in July. Order backlogs rose sharply while production sank. Firms say the available supply of raw materials and workers isn't sufficient to keep up with new orders.

Chicago Business Barometer™ – Fell to 66.8 in August

Among the five main indicators, Order Backlogs saw the largest increase. That was followed by Supplier Deliveries, while Production saw the largest decline. Order Backlogs climbed 11.6 points to 81.6, the highest reading since 1951, as firms reported a shortage of materials, freight inconsistencies, and insufficient staff. Supplier Deliveries shot up 6.3 points to a three-month high of 92.8, with one survey respondent reporting the worst delivery times in three years.

Inventories rose 6.2 points to 48.8, the highest since March though still signaling contraction. Some firms reported stockpiling to get ahead of further supply chain disruptions, while others said their inventories were dwindling because of logistics issues. Prices Paid increased 2.3 points to 93.9, hitting the highest level since 1979 as companies continued to report higher costs for production materials.

Demand for labor rose only slightly in August, with the Employment index increasing 0.8 points to 48.3 as firms struggled to find qualified workers for available jobs. Production fell sharply in August, dropping 7.8 points to a two-month low of 61. New Orders fell 4.4 points to 67.8, suggesting demand is growing at a slower pace compared to July.

This month's special question asked, "When do you expect the supply chain impact of COVID-19 to peak?" The majority (37.8%) expect it to peak in 2022. The second question asked, "With enhanced Unemployment Insurance benefits set to expire in September, are you forecasting an increase in your staffing levels?" The majority said they were not." – Les Commons, Senior Economist and Irene Prihoda, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 8/31/21

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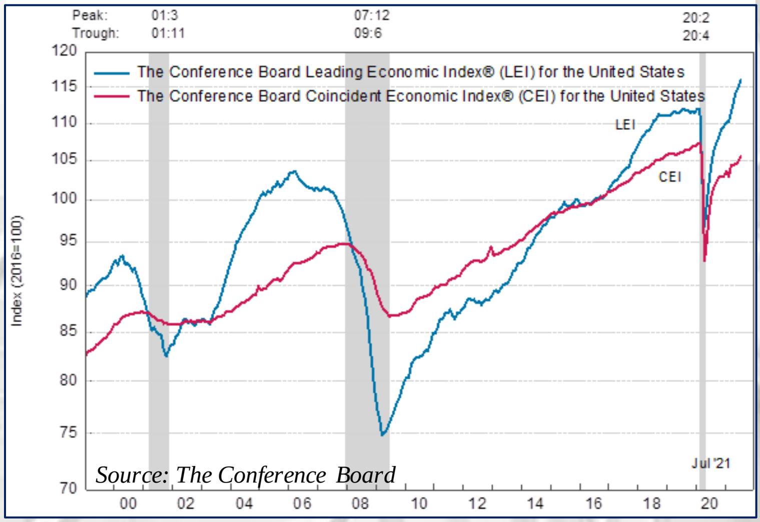
Private Indicators

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

"**The Conference Board Leading Economic Index®** (LEI) for the U.S. increased by 0.9 percent in July to 116.0 (2016 = 100), following a 0.5 percent increase in June, and a 1.2 percent increase in May."

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



"The U.S. LEI registered another large gain in July, with all components contributing positively. The Leading Index's overall upward trend, which started with the end of the pandemic-induced recession in April 2020, is consistent with strong economic growth in the second half of the year. While the Delta variant and/or rising inflation fears could create headwinds for the US economy in the near term, we expect real GDP growth for 2021 to reach 6.0 percent year-over-year, before easing to a still robust 4.0 percent growth rate for 2022." – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

"**The Conference Board Coincident Economic Index®** (CEI) for the U.S. by 0.6 percent in July to 105.6 (2016 = 100), following a 0.4 percent increase in June and a 0.1 percent increase in May.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased by 0.6 percent in May to 106.5 (2016 = 100), after being unchanged in June and increasing 0.8 percent in May."

Source: https://www.conference-board.org/data/bcicountry.cfm; 8/19/21

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Private Indicators

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

July New Business Volume Up 9 Percent Year-over-year, Down 5 Percent Month-to-month, and Up Nearly 9 Percent Year-to-date

"The **Equipment Leasing and Finance Association's** (ELFA) **Monthly Leasing and Finance Index (MLFI-25)**, which reports economic activity from 25 companies representing a cross section of the $900 billion equipment finance sector, showed their overall new business volume for July was $9.9 billion, up 9 percent year-over-year from new business volume in July 2020. Volume was down 5 percent month-to-month from $10.4 billion in June. Year-to-date, cumulative new business volume was up nearly 9 percent compared to 2020.

Receivables over 30 days were 1.9 percent, up from 1.8 percent the previous month and down from 2.4 percent in the same period in 2020. Charge-offs were 0.18 percent, down from 0.22 percent the previous month and down from 0.73 percent in the year-earlier period.

Credit approvals totaled 76.5 percent, down from 76.7 percent in June. Total headcount for equipment finance companies was down 13.9 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 August is 66.6, a decrease from the July index of 72.9." – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

"Despite supply chain disruptions in some sectors of the economy, signs of inflation, and emergence of the Delta coronavirus, July new business volume in the equipment finance industry is strong. Consumer spending is picking up, equity markets continue to advance, and unemployment is slowing — reasons to be optimistic about equipment investment and industry performance for the second half of the year." – Ralph Petta, President and CEO, ELFA

Source: www.elfaonline.org/news/press-room/press-releases/details/2021/08/24/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 8/24/21

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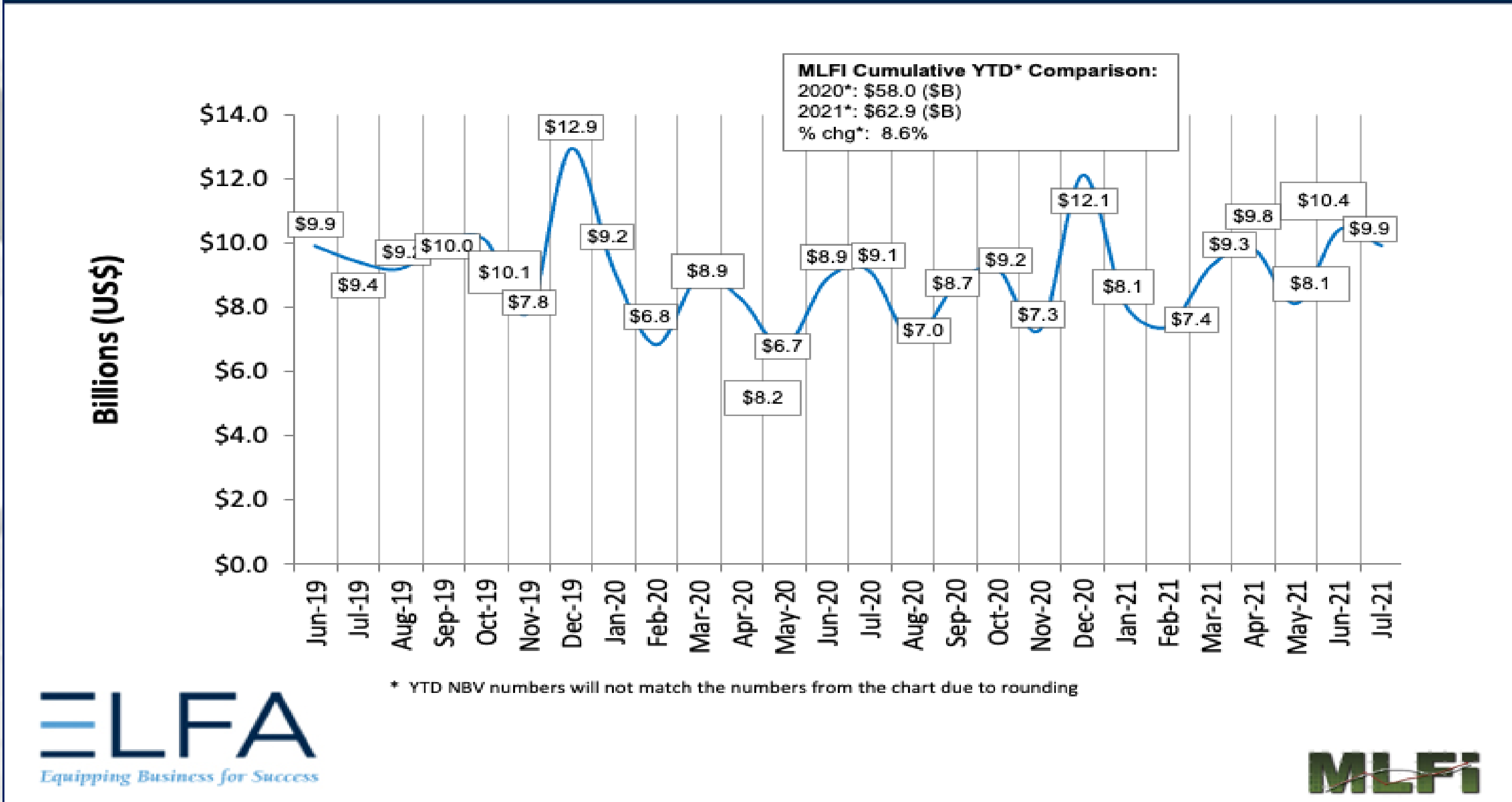
Private Indicators

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



Monthly Leasing and Finance Index: July 2021

"2021 continues to be interesting. Demand for equipment remains high, which is resulting in higher equipment costs. Customers are ordering equipment from OEMs with very long lead times, with the delivery times of some orders unknown. The interest rate environment still remains low. Cash has been one of our main competitors this year, due to companies still having additional resources due to PPP loans. However, we have been able to continue to grow and remain steady with organic growth." – Jill McKean-Bilby, President, BOK Financial Equipment Finance, Inc.

Source: www.elfaonline.org/news/press-room/press-releases/details/2021/08/24/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 8/24/21

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Private Indicators

Markit U.S. Manufacturing PMI™

Marked improvement in operating conditions amid strong demand conditions

"August PMITM data from IHS Markit signalled a marked improvement in the health of the U.S. manufacturing sector. Although slightly softer than that seen in July, the expansion was supported by steep upturns in production and new orders. Nevertheless, output growth was reportedly hampered by capacity constraints and material shortages. Lead times for inputs extended further as cost burdens soared, with the pace of inflation reaching a fresh series high. Although output expectations strengthened, employment growth eased as firms struggled to retain staff and find suitable candidates for current vacancies.

The seasonally adjusted IHS Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 61.1 in August, down from 63.4 in July, and broadly in line with the earlier released 'flash' estimate of 61.2. The latest improvement in operating conditions was the softest for four months, but nonetheless among the strongest seen in the over 14-year series history.

Contributing to overall growth was a sharp expansion in production during August, albeit the slowest for five months. Where an increase was reported, it was generally linked to a further upturn in new orders and firm demand conditions. The softer expansion of output was due to capacity constraints including material shortages, according to panellists. New orders continued to increase midway through the third quarter, as client demand rose markedly. Alongside greater customer spending, some companies noted that stockpiling efforts at clients drove new sales. The rate of growth was the slowest since March, however. At the same time, growth in new export orders also softened and was the slowest for eight months." – Siân Jones, Senior Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/cb6af618670b451b98cd0d3f1e41cd31; 9/1/21

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Private Indicators

Markit U.S. Manufacturing PMI™

"Manufacturers commonly reported that material shortages hampered output growth, as supplier delivery times increased markedly and to one of the greatest extents on record. Longer lead times were attributed to greater global demand for inputs and capacity issues at suppliers. Subsequently, cost burdens rose substantially in August. The rate of input price inflation was the fastest seen in more than 14 years of data collection amid supplier price hikes. In an effort to partially pass on greater costs to their clients, goods producers raised their selling prices at the steepest pace on record.

In line with greater new order inflows, manufacturers expanded their input buying during August. Firms also noted that efforts to build safety stocks drove the upturn in purchasing. Although stocks of purchases rose for the sixth month running, the pace of accumulation slowed as firms utilised current holdings of inputs in production. Meanwhile, stocks of finished goods were depleted at the fastest pace since May 2020 as firms struggled to rebuild inventories amid material shortages and pressure on capacity. Backlogs of work rose markedly midway through the third quarter, and at one of the sharpest rates on record. Despite a further increase in employment, firms expressed challenges retaining staff which reportedly exacerbated constraints on capacity.

US goods producers continued to register marked upturns in output and new orders in August, as demand flourished once again. That said, constraints on production due to material shortages exerted further pressure on capacity as backlogs of work rose at a near-record rate. Not only were firms facing difficulties trying to clear outstanding work, they also faced further hikes in supplier costs. The pace of cost inflation exceeded the previous series record amid a pervasive scarcity of inputs. Favourable demand conditions allowed finished goods prices to also rise at an unprecedented rate, as firms sought to protect their margins.

Delivery times lengthened at the second-sharpest rate in over 14 years of data collection, with purchasing activity still rising markedly. It was not only producers who highlighted stockpiling, however, as reports of customers shoring up their holdings of finished items resulted in a substantial drop in post-production inventories. Challenges rebuilding such stocks, including material and labour shortages, and ever burgeoning levels of incomplete work are likely to remain a feature for some time to come." – Siân Jones, Senior Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/cb6af618670b451b98cd0d3f1e41cd31; 9/1/21

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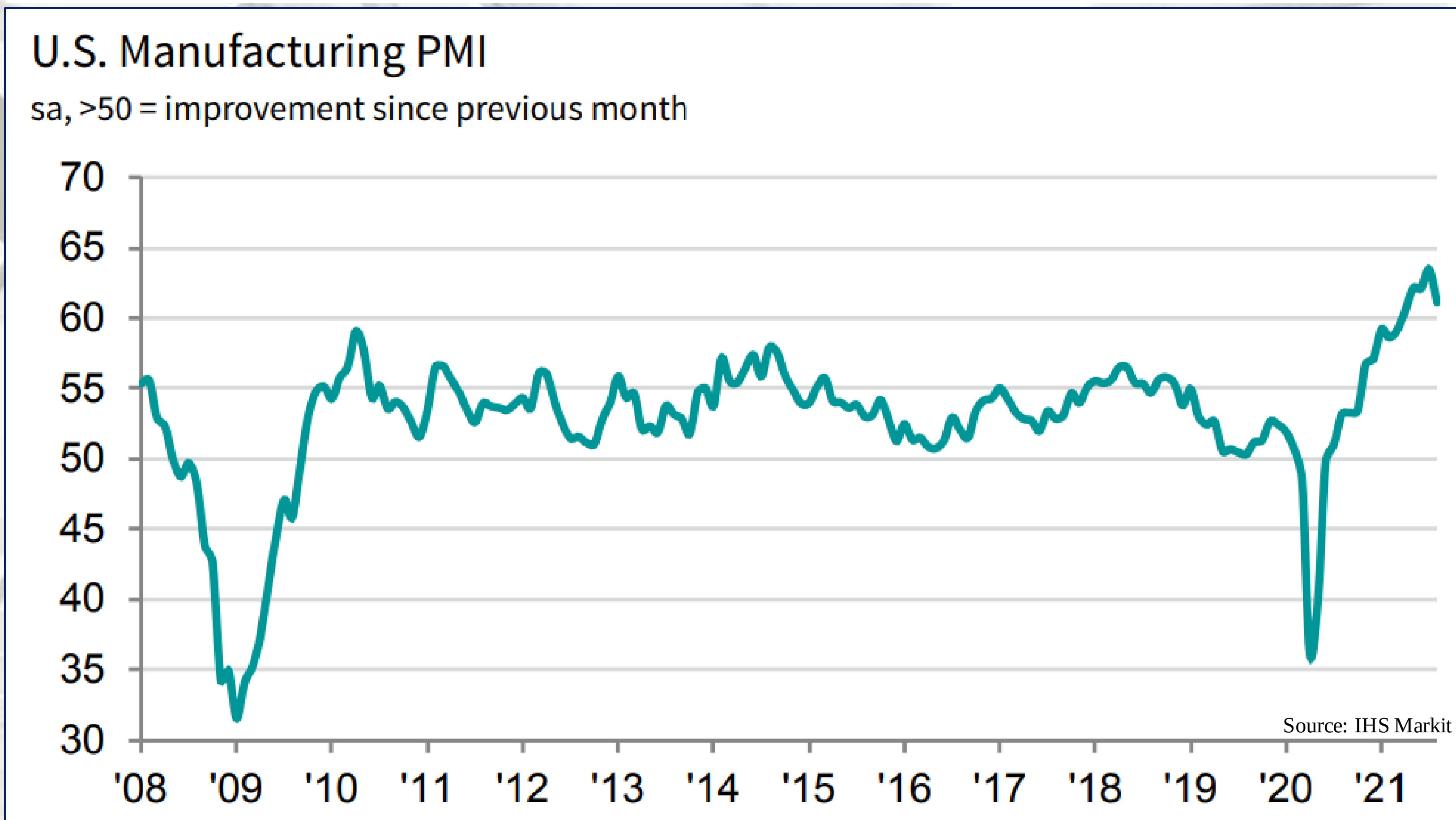

Markit U.S. Manufacturing PMI™

"Finally, business confidence regarding the outlook for output over the coming year strengthened in August. Greater optimism was linked to hopes of further growth in client demand." – Siân Jones, Senior Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/cb6af618670b451b98cd0d3f1e41cd31; 9/1/21

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Private Indicators

IHS Markit U.S. Services PMI™

Slowest rise in activity so far this year as demand recovery slows during August

"The seasonally adjusted final IHS Markit US Services PMI Business Activity Index registered 55.1 in August, down from 59.9 in July and broadly in line with the earlier released 'flash' estimate of 55.2. The latest data signalled a strong upturn in business activity across the U.S. service sector, albeit the slowest since December 2020. The rise in output was often linked to a sustained upturn in client demand and a further increase in new business.

August PMI™ data indicated a marked weakening in the rate of expansion of business activity across the U.S. service sector. Output increased at the slowest rate for eight months, as less robust demand conditions led to the softest rise in new business since August 2020 and supply constraints limited growth. Weak foreign client demand also weighed on the rise in total sales, as new export orders fell for the first time since February. Nevertheless, service providers experienced increased pressure on capacity, with backlogs of work rising at an unprecedented rate as firms struggled to source inputs and expand workforce numbers. Jobs growth was the slowest for 14 months. Meanwhile, rates of input cost and output charge inflation quickened slightly as hikes in supplier and wage bills were partly passed on to clients.

August data signalled a solid rise in new orders at service providers, but the rate of growth eased to the slowest since August 2020. Although firms recorded a further uptick in customer spending, many suggested that client demand eased notably from the series record expansion in May. Total sales were also weighed down by a drop in new export orders. Foreign client demand fell at the fastest pace in 2021 to date. Some companies stated that greater uncertainty in key export markets, due in many cases to a resurgence in COVID-19, dampened demand." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/8bfca1780ca342dd8bf08db50fcee9d8; 9/3/21

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Private Indicators

IHS Markit U.S. Services PMI™

"At the same time, service providers registered broadly unchanged employment levels midway through the third quarter, with the marginal increase in jobs almost ending a sequence of job creation that extends back to July 2020. Although services firms commonly highlighted greater requirements for staff due to a further rise in new orders, companies noted significant issues retaining employees and finding suitable candidates for current vacancies. Service sector firms registered unprecedented constraints on capacity in August. Backlogs of work rose markedly and at the fastest pace since data collection began in October 2009.

Meanwhile, cost burdens rose substantially during August. Higher input prices were often linked to hikes in supplier costs and wage bills amid labour and product shortages. The rate of input price inflation accelerated slightly from that seen in July and was faster than the series average. Output charges rose markedly and at a fractionally quicker pace than in July. Companies commonly attributed the uptick in selling prices to the pass-through of costs to clients where possible.

Growth slowed sharply in the US service sector in August, joining the manufacturing sector in reporting a marked cooling in demand and encountering growing problems finding staff and supplies. Jobs growth almost stalled among the surveyed companies in August and supplier lead times are lengthening at a near record rate.

While the resulting overall pace of economic growth signalled is the weakest seen so far this year, backlogs of uncompleted work are rising at a rate unprecedented in at least 12 years, underscoring how supply and labor shortages are putting the brakes on the recovery. The inevitable upshot is higher prices, with firms' input costs and selling prices rising at increased rates again in August, continuing the steepest period of price growth yet recorded by the survey by a wide margin.

Encouragement comes from a rise in business expectations about the year ahead, though optimism in the service sector in particular remains off the high seen in the second quarter, to a large extent reflecting concerns over the spread of the Delta variant." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/8bfca1780ca342dd8bf08db50fcee9d8; 9/3/21

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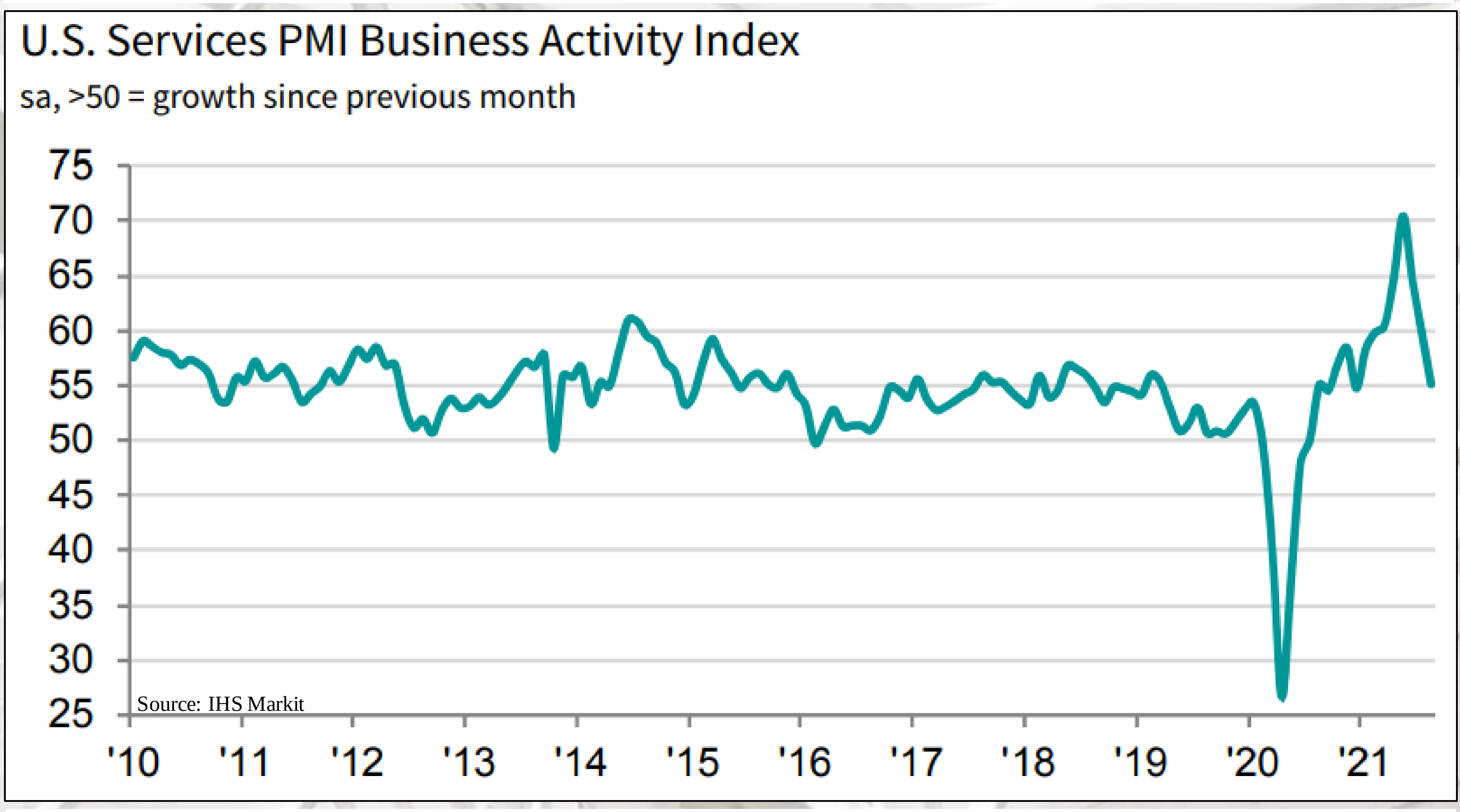

IHS Markit U.S. Services PMI™

"Finally, business expectations improved in August, as service providers signalled a stronger degree of confidence regarding the outlook for output over the coming year. Optimism was linked to hopes of an end to pandemic uncertainty and a further boost to client demand." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/8bfca1780ca342dd8bf08db50fcee9d8; 9/3/21

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for August 2021: Combined Sectors

"Overall, the latest data for NACM's Credit Managers' Index (CMI) remain relatively healthy. The same pattern is showing up with the Purchasing Managers' Index, a measure that the CMI often anticipates. The August reading for the combined score is back to 57.7 – about where the numbers stood in June. Thus far the past 12 months have shown quite a bit of variability with a high of 60.6 in April; a low of 56.0 last September; and an average of 58.4.

This latest reading is the fifth lowest in the last 12 months, making it a fairly average mark. The index of favorable factors dropped a point, but this number remains comfortably in the 60s. The closest this sector has gotten to the 50s was in September of last year, and these factors have not dipped close to the contraction zone since the recession in Q2 of 2020. The index of unfavorable factors remains stable and has been nearly the same for three straight months. Sales data slipped by roughly five points, the first time that sales have been out of the 70s since February. Credit applications also decreased by roughly five points in August after reaching an all-time high in July. Rejections of credit applications continued to remain stable as accounts out for collection dipped slightly and disputes remained in contraction territory with a one-tenth of a point gain.

"The dollar collections reading did not change much, and that is encouraging as it points to the desire to continue staying current on debt," noted NACM Economist Chris Kuehl, Ph.D. However, amount of credit extended soared by 7.3 points. "This reading may indicate a surge in 'hoarding' by many companies that have worried about the breakdown in the supply chain and the potential for higher inflation," Kuehl pointed out." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 8/30/21

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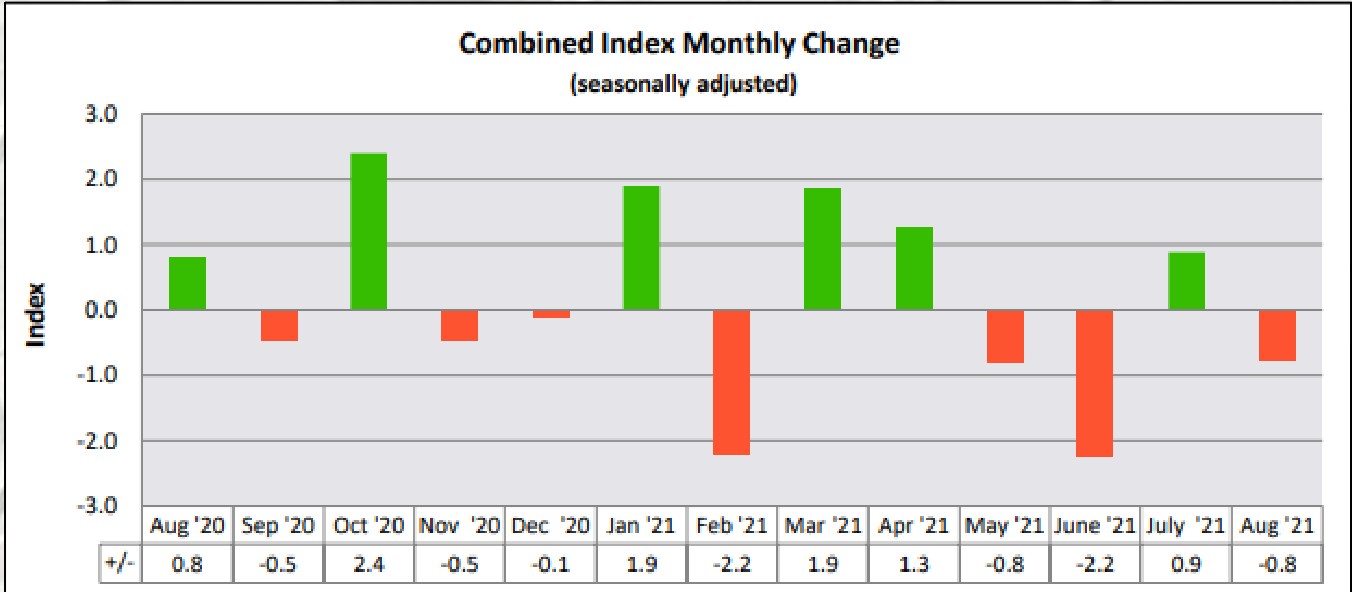
Private Indicators

Combined Manufacturing and Service Sectors (seasonally adjusted)	Aug '20	Sep '20	Oct '20	Nov '20	Dec '20	Jan '21	Feb '21	Mar '21	Apr '21	May '21	June '21	July '21	Aug '21
Sales	65.8	65.5	74.2	66.5	70.2	75.9	69.9	73.9	74.7	73.2	67.7	73.3	68.6
New credit applications	63.4	63.6	65.2	63.9	64.4	67.8	65.5	63.9	65.9	64.6	63.1	69.8	64.4
Dollar collections	61.2	63.3	64.6	62.6	62.8	66.0	59.2	64.5	63.1	60.0	61.1	63.8	62.8
Amount of credit extended	61.3	60.8	68.0	64.8	65.3	69.2	66.8	68.4	69.0	69.0	67.4	61.1	68.4
Index of favorable factors	62.9	63.3	68.0	64.4	65.7	69.7	65.3	67.7	68.2	66.7	64.8	67.0	66.0
Rejections of credit applications	51.5	51.6	51.4	51.5	51.3	51.6	51.5	52.0	53.0	53.1	52.3	52.2	52.2
Accounts placed for collection	51.6	49.4	49.5	56.2	51.6	52.9	51.6	55.1	59.6	54.2	53.2	52.0	51.7
Disputes	51.8	48.7	51.0	50.6	51.2	50.9	51.0	50.6	51.3	53.7	50.4	49.4	49.5
Dollar amount beyond terms	58.2	54.6	58.0	58.1	57.0	58.9	52.0	57.0	59.4	57.1	49.5	52.4	51.6
Dollar amount of customer deductions	52.2	51.1	51.0	51.7	51.5	51.3	52.8	52.2	53.0	53.6	52.6	52.2	50.1
Filings for bankruptcies	47.7	51.3	50.7	53.0	52.5	52.3	54.5	55.7	57.1	59.3	58.3	58.2	57.4
Index of unfavorable factors	52.2	51.1	51.9	53.5	52.5	53.0	52.2	53.8	55.6	55.2	52.7	52.7	52.1
NACM Combined CMI	56.5	56.0	58.4	57.9	57.8	59.7	57.5	59.3	60.6	59.8	57.5	58.4	57.7



Source: https://nacm.org/cmi.html; 8/30/21

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Private Indicators

National Federation of Independent Business (NFIB) August 2021 Report

Small Business Optimism Increased Slightly in August

"As the economy moves into the fourth quarter, small business owners are losing confidence in the strength of future business conditions. The biggest problems facing small employers right now is finding enough labor to meet their demand and for many, managing supply chain disruptions." – Bill Dunkelberg, Chief Economist, NFIB

"The NFIB Small Business Optimism Index increased in August to 100.1, up 0.4 points from July. Five of the 10 Index components improved, four declined, and one was unchanged. The NFIB Uncertainty Index decreased seven points to 69, the lowest level since January 2016.

Key findings include:

- Owners expecting better business conditions over the next six months decreased by eight points to a net negative 28%. This indicator has declined 16 points over the past two months to its lowest reading since January 2013.
- Fifty percent of owners reported job openings that could not be filled, an increase of one point from July and a 48-year record high for the second consecutive month.

As reported in NFIB's monthly jobs report, 50% of owners reported job openings they could not fill in the current period, up one point from July and a record high reading for the second consecutive month. The number of unfilled job openings remains far above the 48-year historical average of 22%." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 9/14/21

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Private Indicators

National Federation of Independent Business (NFIB) August 2021 Report

"Fifty-five percent of owners reported capital outlays in the last six months, unchanged from July and historically weak. Of those businesses making expenditures, 41% reported spending on new equipment, 22% acquired vehicles, and 16% improved or expanded facilities. Six percent of owners acquired new buildings or land for expansion and 12% spent money for new fixtures and furniture.

Thirty percent of owners plan capital outlays in the next few months, up four points from July but still historically fairly weak.

A net zero percent of all owners (seasonally adjusted) reported higher nominal sales in the past three months, down five points from July. The net percent of owners expecting higher real sales volumes improved two points to a net negative 2%.

The net percent of owners reporting inventory increases rose four points to a net negative 2%. Over 37% of owners report supply chain disruptions have had a significant impact on their business, 29% report a moderate impact, and 21% report a mild impact. Only 13% report no impact from recent supply chain disruptions.

A net 11% of owners view current inventory stocks as "too low" in August, down one point from July's record high. A net 11% of owners plan inventory investment in the coming months, up five points from July.

The net percent of owners raising average selling prices increased three points to a net 49% (seasonally adjusted). Unadjusted, 4% reported lower average selling prices and 52% reported higher average prices. Price hikes were the most frequent in wholesale (68% higher, 0% lower), manufacturing (60% higher, 2% lower), and retail (52% higher, 4% lower). Seasonally adjusted, a net 44% of owners plan price hikes." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 9/14/21

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Private Indicators

National Federation of Independent Business (NFIB) August 2021 Report

"A net 41% (seasonally adjusted) reported raising compensation, up three points from July and a 48-year record high reading. A net 26% plan to raise compensation in the next three months, down one point from July's record high reading. Ten percent of owners cited labor costs as their top business problem and 28% said that labor quality was their top business problem, up two points from July and both are record high readings.

The frequency of reports of positive profit trends declined two points to a net negative 15%. Among owners reporting lower profit trends, 34% blamed the rise in the cost of materials, 27% blamed weaker sales, 9% cited labor costs, 9% cited the usual seasonal change, 8% cited lower prices, and 3% cited higher taxes or regulatory costs. For owners reporting higher profits, 60% credited sales volumes, 20% cited usual seasonal change, and 10% cited higher prices.

Two percent of owners reported that all their borrowing needs were not satisfied, 22% reported all credit needs were met, and 63% said they were not interested in a loan. A net 3% reported their last loan was harder to get than in previous attempts. Only 1% of owners reported that financing was their top business problem. A net 2% of owners reported paying a higher rate on their most recent loan, up one point from July." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 9/14/21

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Private Indicators

Small Business Optimism

Index Component	Net %	Change From July
Plans to Increase Employment	32%	▲ 5
Plans to Make Capital Outlays	30%	▲ 4
Plans to Increase Inventories	11%	▲ 5
Expect Economy to Improve	-28%	▼ -8
Expect Real Sales Higher	-2%	▲ 2
Current Inventory	11%	▼ -1
Current Job Openings	50%	▲ 1
Expected Credit Conditions	-4%	▬ 0
Now a Good Time to Expand	10%	▼ -3
Earnings Trends	-15%	▼ -2

NFIB NFIB.com/sboi

Source: http://www.nfib.com/surveys/small-business-economic-trends; 9/14/21

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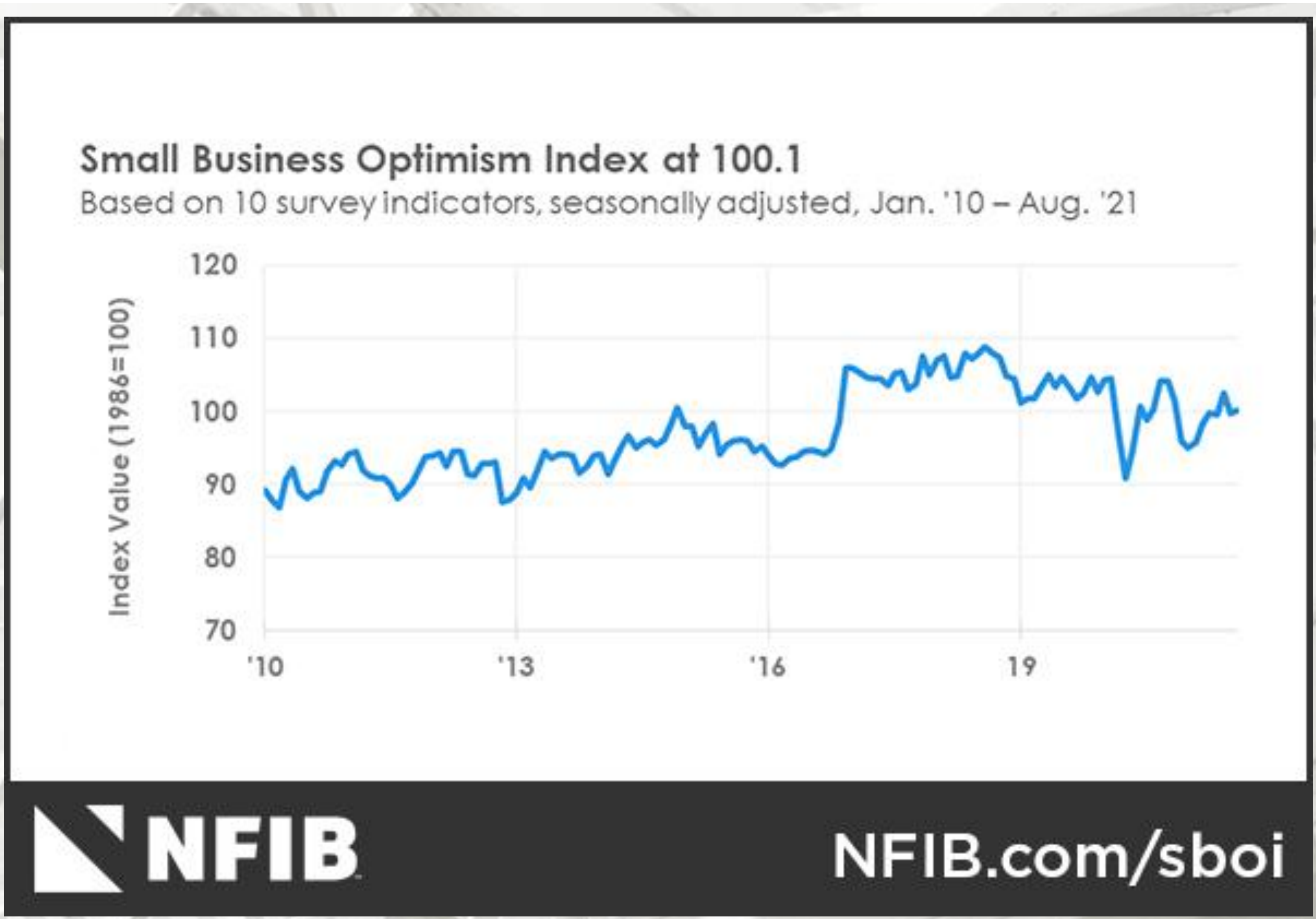

Source: http://www.nfib.com/surveys/small-business-economic-trends; 9/14/21

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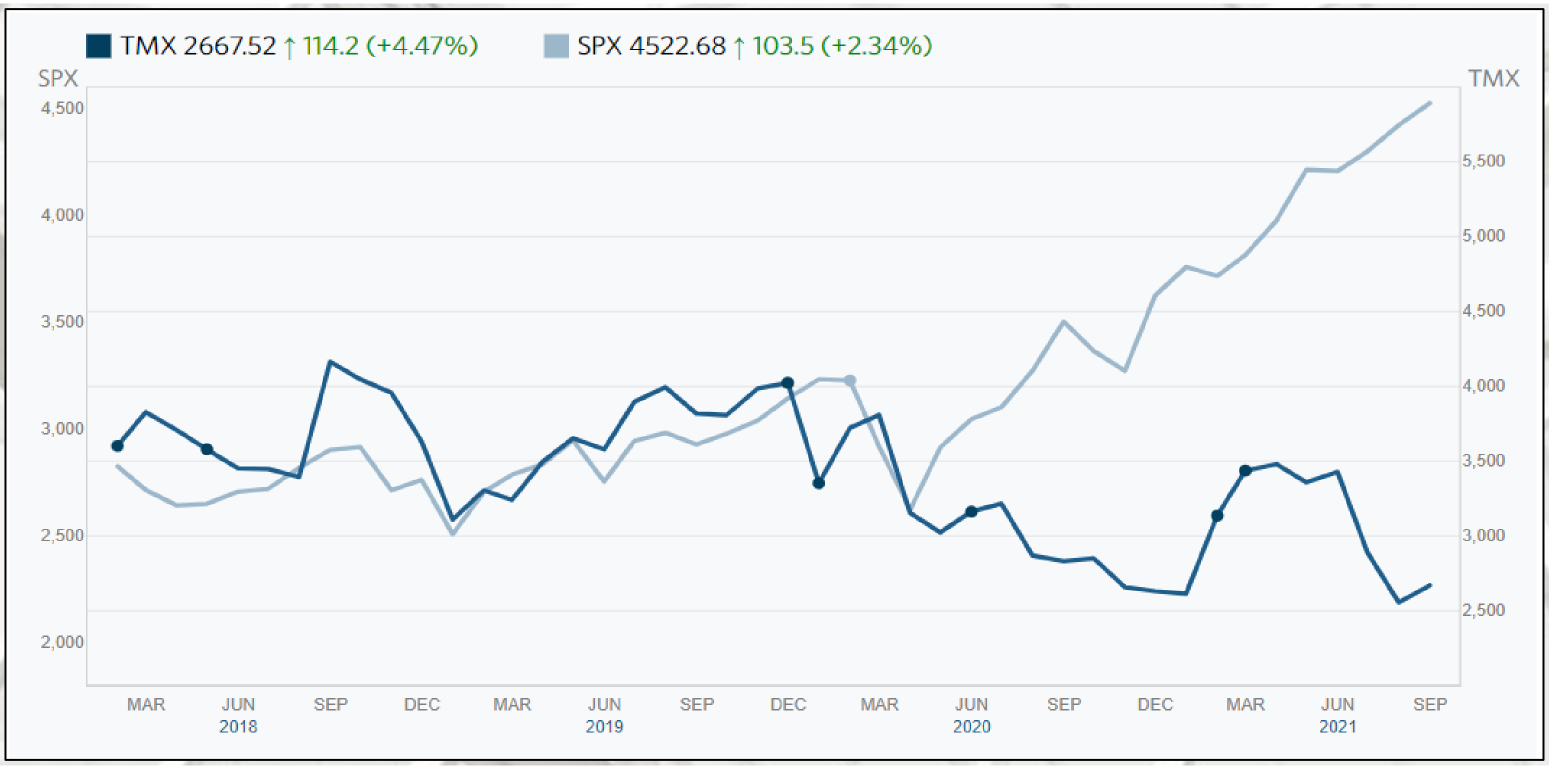

Thomas Manufacturing Index (TMX)

"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

Source: https://business.thomasnet.com/tmx; 9/1/21

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

Small Business Job Growth Continues to Accelerate in August

Small business employment growth driven largely by recovery in the leisure and hospitality sector

"National job growth continued to rise significantly in August, 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 the Small Business Jobs Index gained 0.45 percent in August. At 99.80, the national index has increased 5.74 percent during the past 12 months, representing a record-high year-over-year growth rate. Hourly earnings growth increased to 3.42 percent in August, its third consecutive gain." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

"The Small Business Jobs Index reached its highest level since January 2018. The national index climbed 1.56 percent in the quarter to 99.80." – James Diffley, Chief Regional Economis, IHS Markit

"August's growth in employment suggests continued economic recovery. In the weeks ahead, we'll be examining the impact of the conclusion of extended COVID-19 unemployment benefits, which could provide another boost to hiring" – Martin Mucci, President and CEO, Paychex

Source: https://www.paychex.com/employment-watch; 8/31/21

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

"In further detail, the August report showed:

- Leisure and hospitality continued its recovery in August with its employment index surging to 101.90, up 14.61 percent since August 2020.
- Hourly earnings growth is up 8.36 percent since last year in leisure and hospitality.
- All regions of the U.S. had sizable employment gains in August. The South remains the leader in small business job growth.
- Arizona continues to lead all states in small business job growth.
- Tampa leads all metros in small business employment growth, with Dallas, Atlanta, Phoenix, and Houston rounding out the top five." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 8/31/21

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

August Jobs Index	August Wage Data
Index	Hourly Earnings
99.80	$29.56
12-Month Change	12-Month Growth
+5.74%	+3.42% (+$0.98)

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 8/31/21

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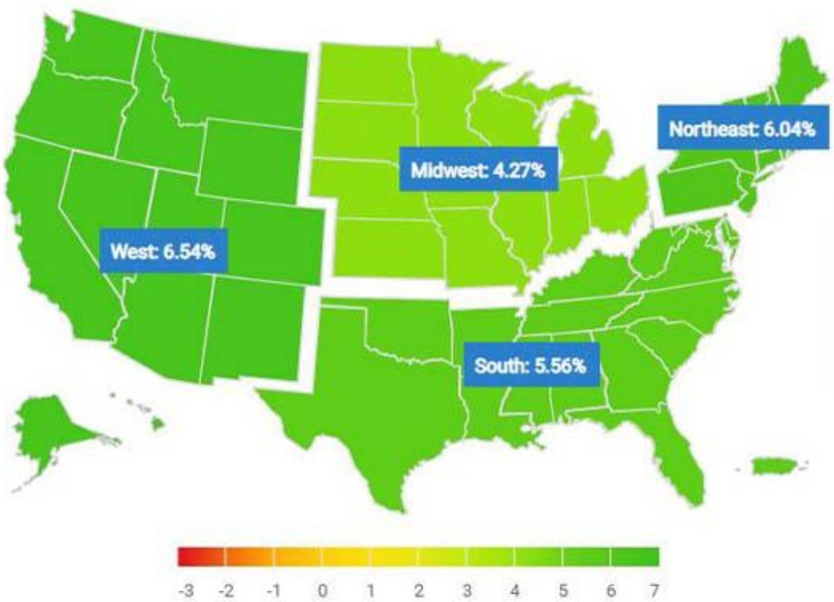
Private Indicators

The Paychex | IHS Markit Regional Jobs Index

Regional Performance



Region	Index	Change
Midwest	98.96	4.27%
Northeast	99.30	6.04%
South	100.79	5.56%
West	100.00	6.54%

Change 12-Month

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 8/31/21

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Economics

U.S. Census Bureau

NEW Business Formation Statistics

August 2021

Business Applications - At a Glance

		US	Northeast	Midwest	South	West
Total	AUG 2021	427,842	65,834	70,027	199,194	92,787
	AUG 2021 / JUL 2021	-4.7%	-1.1%	-5.2%	-6.2%	-3.6%
High-Propensity	AUG 2021	145,748	24,282	22,902	63,563	35,001
	AUG 2021 / JUL 2021	-4.4%	-0.3%	-7.4%	-5.5%	-3.2%
With Planned Wages	AUG 2021	51,240	7,324	8,903	22,495	12,518
	AUG 2021 / JUL 2021	-3.7%	+1.4%	-6.3%	-5.1%	-1.8%
From Corporations	AUG 2021	50,564	10,803	6,153	18,653	14,955
	AUG 2021 / JUL 2021	-2.5%	+2.4%	-3.6%	-2.1%	-5.9%

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 August 2021, adjusted for seasonal variation, were 427,842, a decrease of 4.7 percent compared to July 2021.

The U.S. Census Bureau announced the following seasonally adjusted business application and formation statistics for July 2021. The Business Application Series describe the business applications for tax IDs as indicated by applications for an Employer Identification Number (EIN) through filings of the IRS Form SS-4. The Business Formation Series describe employer business formations as indicated by the first instance of payroll tax liabilities for the corresponding business applications." – U.S. Census Bureau, Economic Indicators Division, Business Formation Statistics

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf/; 9/9/21

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Economics

U.S. Census Bureau

NEW Business Formation Statistics

August 2021

BUSINESS APPLICATIONS

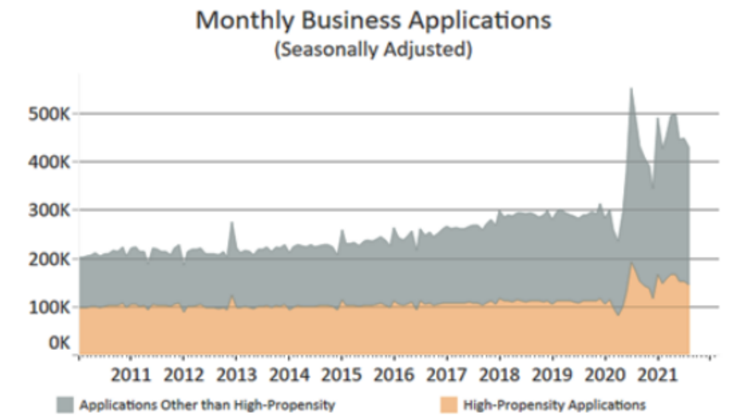
U.S. Business Applications:	AUG 2021	AUG 2021 / JUL 2021
Total	427,842	-4.7%°
High-Propensity	145,748	-4.4%°
With Planned Wages	51,240	-3.7%°
From Corporations	50,564	-2.5%°

Next release: October 14, 2021

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

Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, September 09, 2021



Source: U.S. Census Bureau, Business Formation Statistics, September 09, 2021

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf/; 9/9/21

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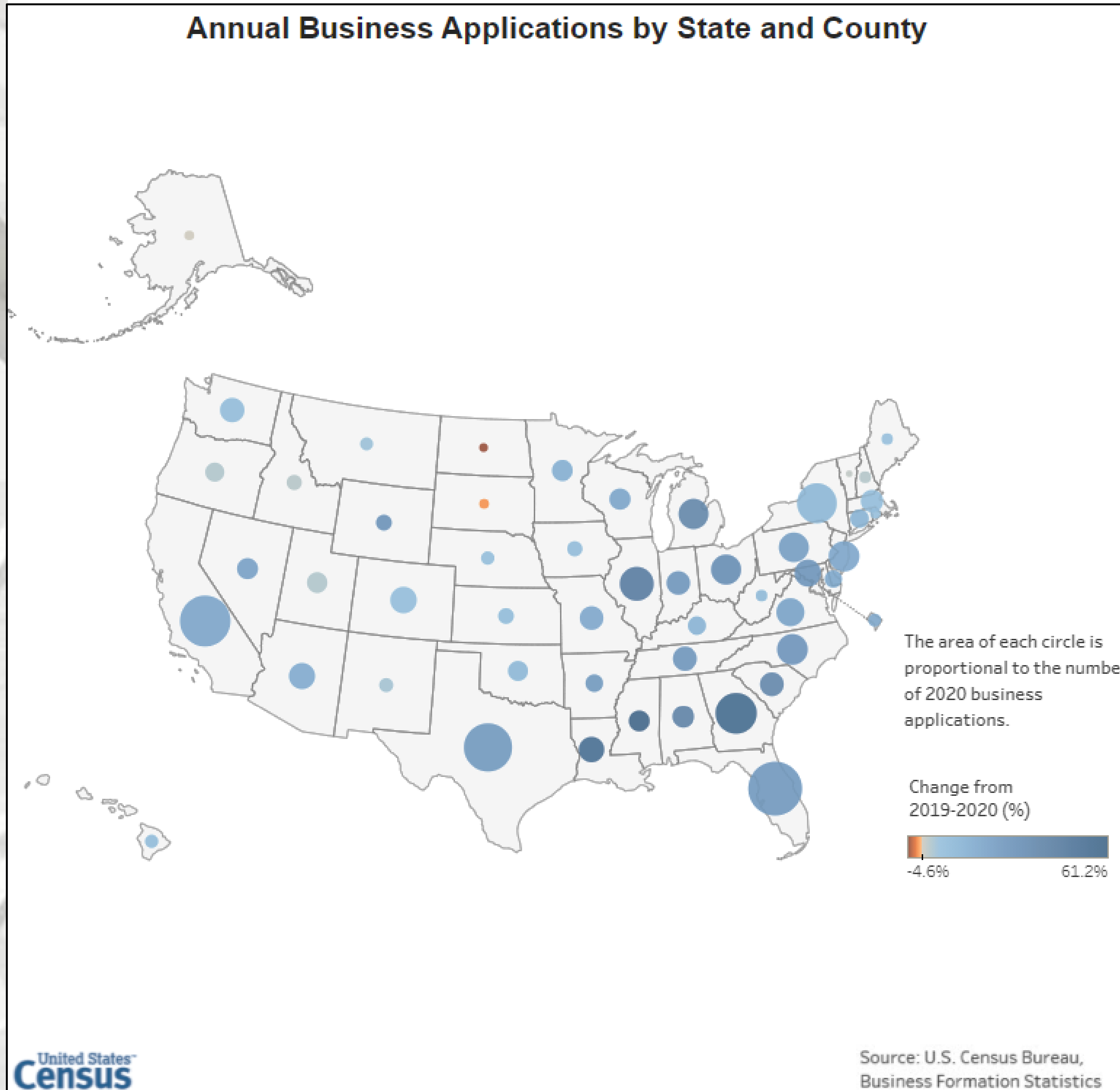
Economics

NEW Business Formation Statistics

August 2021



Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf/; 9/9/21

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