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

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2021 Virginia Polytechnic Institute and State University CNRE-NP

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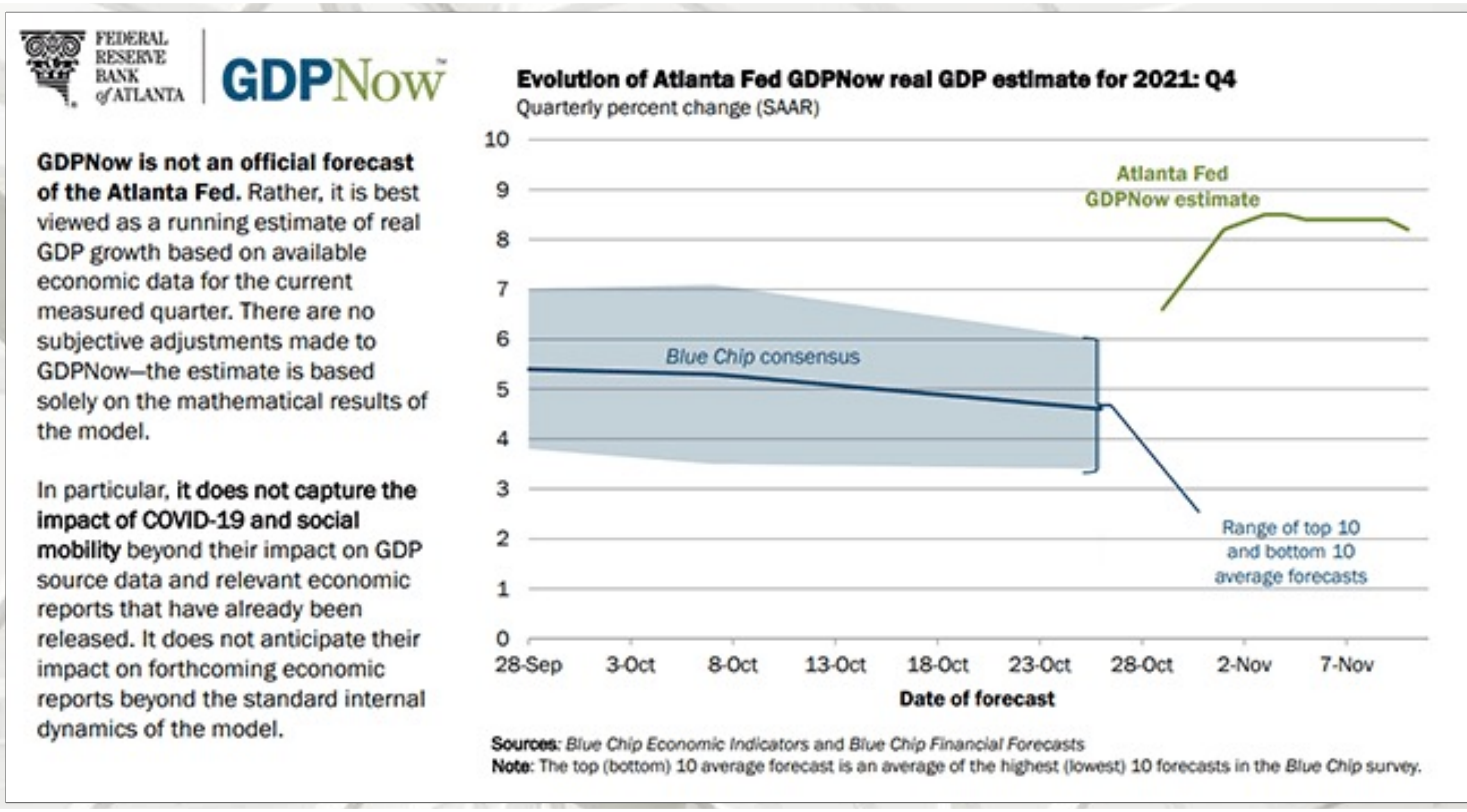
U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest estimate: 8.2 percent — November 10, 2021

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2021 is **8.2 percent** on November 10, down from 8.5 percent on November 4. After the November 4 GDPNow update and subsequent releases from the US Census Bureau and the US Bureau of Labor Statistics, the nowcasts of fourth-quarter real personal consumption expenditures growth and fourth-quarter real gross private domestic investment growth decreased from 9.4 percent and 11.0 percent, respectively, to 9.1 percent and 10.2 percent, respectively." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 11/10/21

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

Index Suggests Slower Economic Growth in September

"Led by declines in production-related indicators, the Chicago Fed National Activity Index (CFNAI) decreased to –0.13 in September from +0.05 in August. One of the four broad categories of indicators used to construct the index made a negative contribution in September, and one category deteriorated from August. The index's three-month moving average, CFNAI-MA3, moved down to +0.25 in September from +0.38 in August.

The CFNAI Diffusion Index, which is also a three-month moving average, edged up to +0.22 in September from +0.20 in August. Forty-three of the 85 individual indicators made positive contributions to the CFNAI in September, while 42 made negative contributions. Thirty-five indicators improved from August to September, while 49 indicators deteriorated and one was unchanged. Of the indicators that improved, 11 made negative contributions

Production-related indicators contributed –0.37 to the CFNAI in September, down from –0.08 in August. Industrial production fell 1.3 percent in September after decreasing 0.1 percent in the previous month. The contribution of the sales, orders, and inventories category to the CFNAI moved up to +0.07 in September from +0.01 in August.

Employment-related indicators contributed +0.16 to the CFNAI in September, up from +0.09 in August. The unemployment rate decreased 0.4 percentage points in September after edging down 0.2 percentage points in August, but nonfarm payrolls increased by 194,000 in September after rising by 366,000 in the previous month. The contribution of the personal consumption and housing category to the CFNAI was unchanged at +0.02 in September." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 10/25/21

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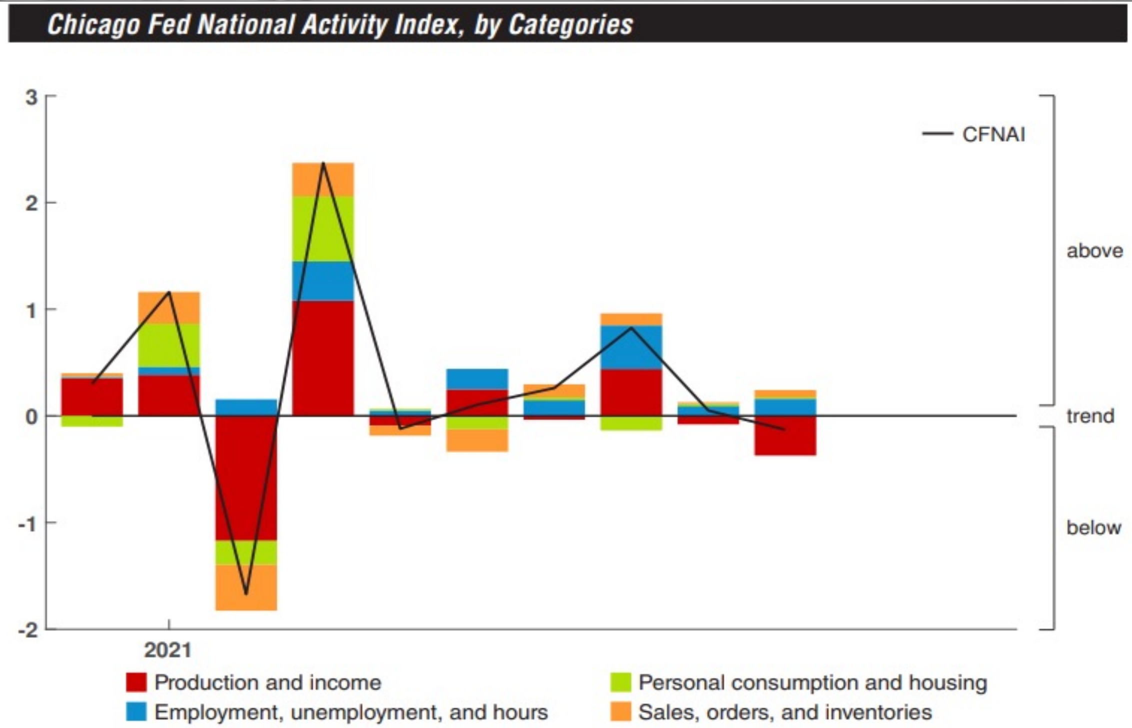
The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)



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

	Sep '21	Aug '21	Jul '21	Jun '21	May '21	Apr '21	Sep '20
CFNAI							
Current	–0.13	+0.05	+0.83	+0.26	+0.10	–0.12	+0.37
Previous	N/A	+0.29	+0.75	+0.24	+0.10	–0.13	+0.37
CFNAI-MA3							
Current	+0.25	+0.38	+0.40	+0.08	+0.79	+0.19	+1.42
Previous	N/A	+0.43	+0.36	+0.07	+0.78	+0.19	+1.41
CFNAI Diffusion							
Current	+0.22	+0.20	+0.32	+0.09	+0.35	+0.14	+0.58
Previous	N/A	+0.30	+0.34	+0.09	+0.35	+0.14	+0.58

Current and Previous values reflect index values as of the October 25, 2021, release and September 23, 2021, release, respectively.
N/A indicates not applicable.

Source: https://www.chicagofed.org/publications/cfnai/index; 10/25/21

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

Survey Suggests Little Change in Growth Again in October

“The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index increased to –1 in October from –3 in September, suggesting that economic growth was near trend. The CFSBC Manufacturing Activity Index decreased to –9 in October from –8 in September, but the CFSBC Nonmanufacturing Activity Index increased to +3 in October from a neutral value in the previous month.

Respondents’ outlooks for the U.S. economy for the next 12 months improved, and remained optimistic on balance. Sixty-one 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. The hiring index moved into negative territory, but the hiring expectations index remained positive.

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

The labor cost pressures index increased, as did the nonlabor cost pressures index. Moreover, 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; 11/10/21

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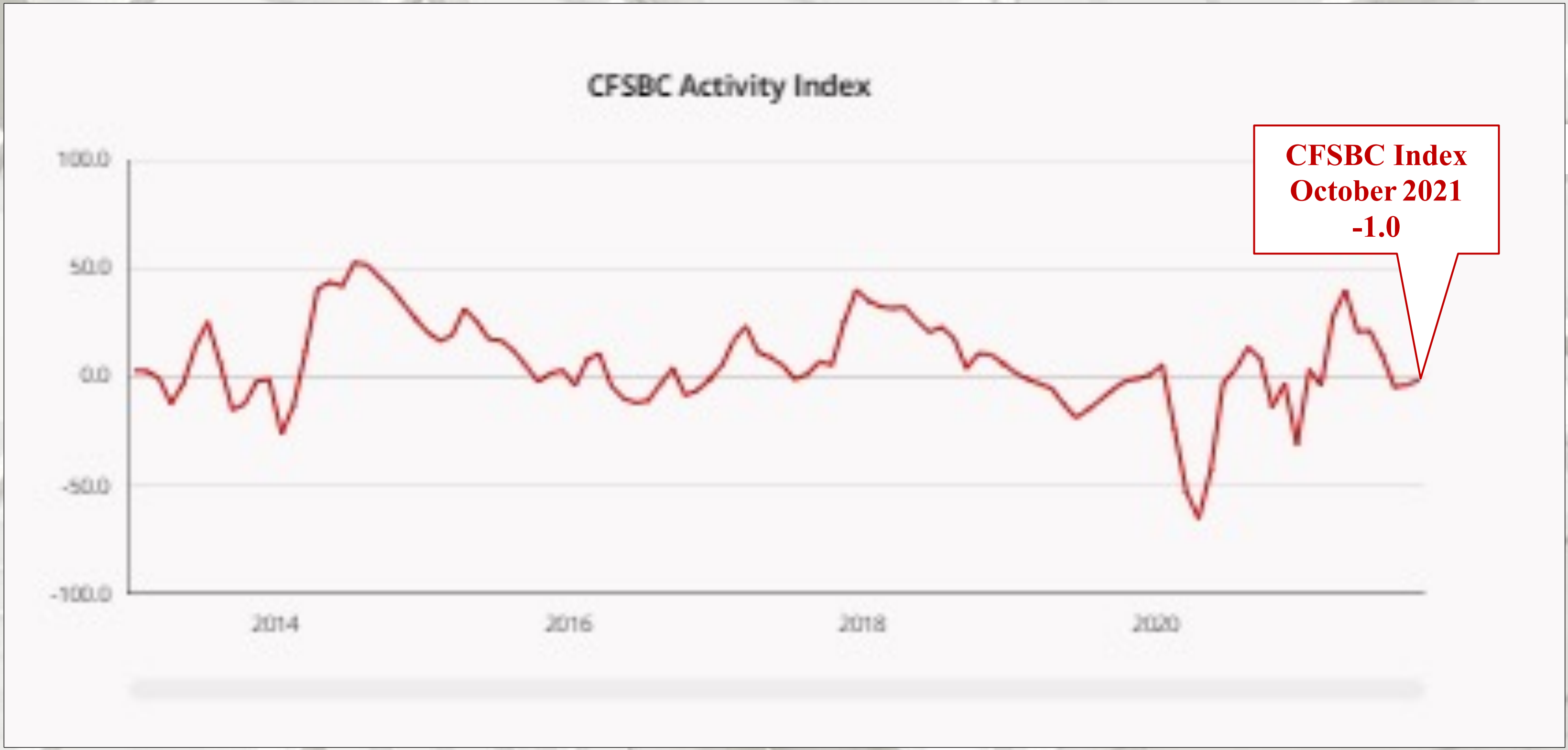
The Federal Reserve Bank of Chicago: Survey of Business Conditions (CFSBC)



Source: https://www.chicagofed.org/publications/cfsbc/index; 11/10/21

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The Federal Reserve Bank of Dallas

Solid Texas Manufacturing Expansion Continues, Though Costs Soar Higher

"Texas factory activity continued to increase in October, albeit at a slightly slower pace, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, fell six points to 18.3. The reading was still well above average and indicative of solid output growth.

Movements were mixed for other measures of manufacturing activity, though all indicated notable growth. While the shipments and capacity utilization indexes slipped slightly to 13.8 and 20.1, respectively, the survey's demand indexes rose. The new orders index came in at 14.9, up five points from September and well above the series average of 6.6. The growth rate of orders index pushed up 11 points to 13.6. Supply-chain disruptions continued to plague many manufacturers, and the unfilled orders index and delivery time indexes pushed up to 20.9 and 25.9, respectively.

Perceptions of broader business conditions were more positive in October. The general business activity index jumped 10 points to 14.6, and the company outlook index rebounded to 2.4 after slipping into slightly negative territory last month. Uncertainty continued to rise, however, with the outlook uncertainty index reaching 29.0, its highest reading since April 2020 amid the onset of the pandemic.

Labor market measures indicated robust employment growth and longer workweeks. The employment index edged up further to 28.3, a six-month high. Thirty-two percent of firms noted net hiring, while 4 percent noted net layoffs. The hours worked index remained elevated and was largely steady at 18.5.

Prices and wages continued to increase strongly in October. The raw materials prices remained near an all-time high but edged down to 76.3, while the finished goods prices index rose to a new high of 49.8. The wages and benefits index held near its own series high at 44.1." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 10/25/21

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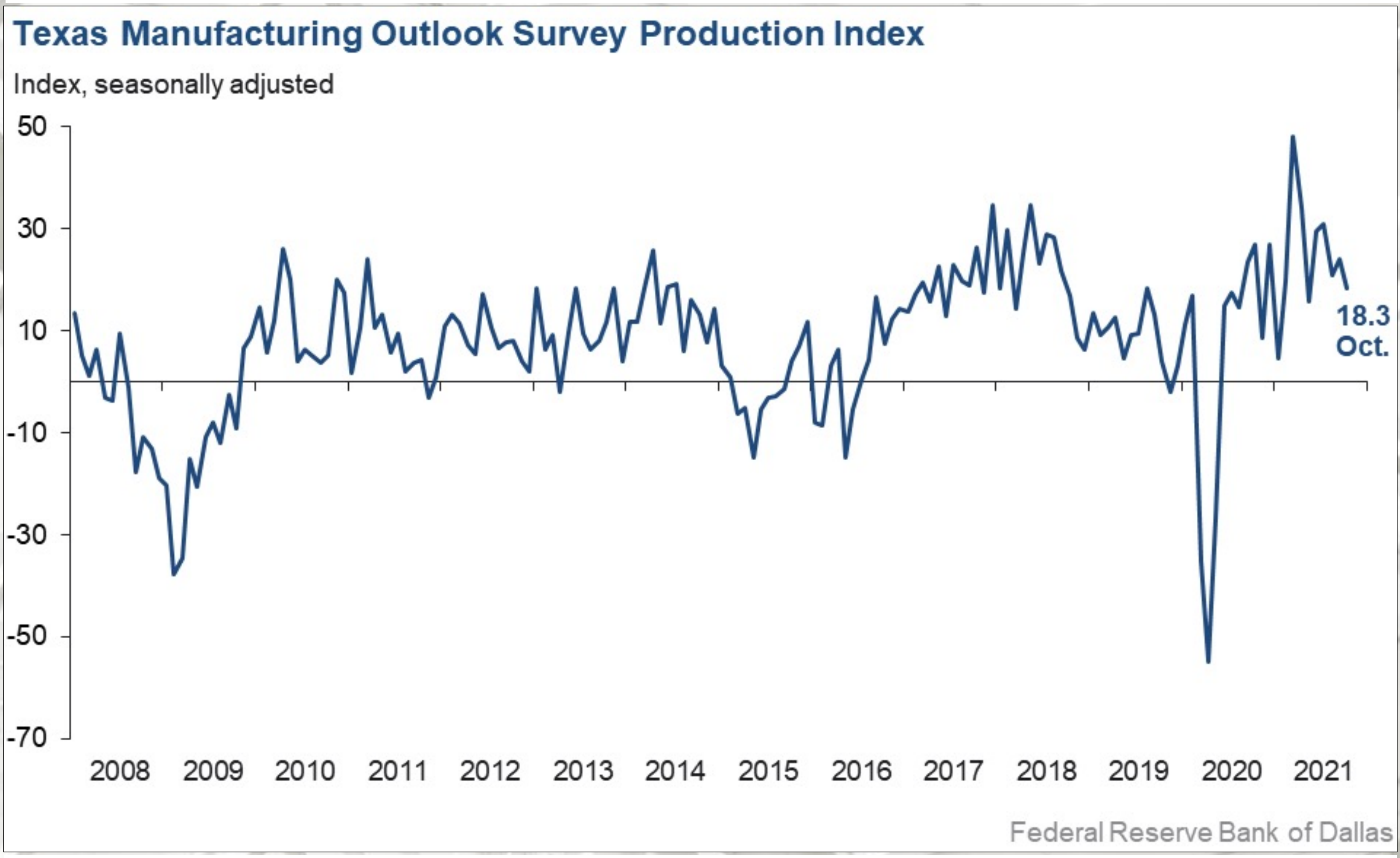
The Federal Reserve Bank of Dallas



"Expectations regarding future manufacturing activity were generally more positive in October. The future production index moved up five points to 46.8, and the future general business activity index inched up to 15.0. Most other measures of future manufacturing activity pushed further into positive territory." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 10/25/21

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The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Texas Service Sector Activity Accelerates in October

“The Texas service sector’s pace of growth picked up in October, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, increased from 14.5 in September to 19.6 in October.

Labor market indicators suggest a significant acceleration in hiring and lengthening of average hours worked this month. The employment index increased five points to 14.2, and the part-time employment index rose from 4.6 to 6.7. The hours worked index surged nearly nine points to 14.0, with 17.5 percent of respondents noting more hours worked by their employees on average.

Perceptions of broader business conditions improved significantly in October. The general business activity index rose from 8.3 to 20.7, while the company outlook index picked up nearly eight points to 13.6. The outlook uncertainty index fell from 19.6 to 12.5 – a reading that suggests uncertainty is still increasing but at a slower pace.

Wage and price pressures rose in October to extremely high levels. The wages and benefits index increased to 34.7, a record high in the survey’s 14-year history. The selling prices index rose to 22.7, while the input prices index climbed to 47.0 – its highest reading since 2008.

Respondents’ expectations regarding future business activity were more positive compared with September. The future general business activity index rose slightly from 24.4 to 32.8, while the future revenue index increased to a five-month high of 56.1. Other future service sector activity indexes such as employment and capital expenditures increased in October, indicating that firms expect activity to rise further through early 2022.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 10/26/21

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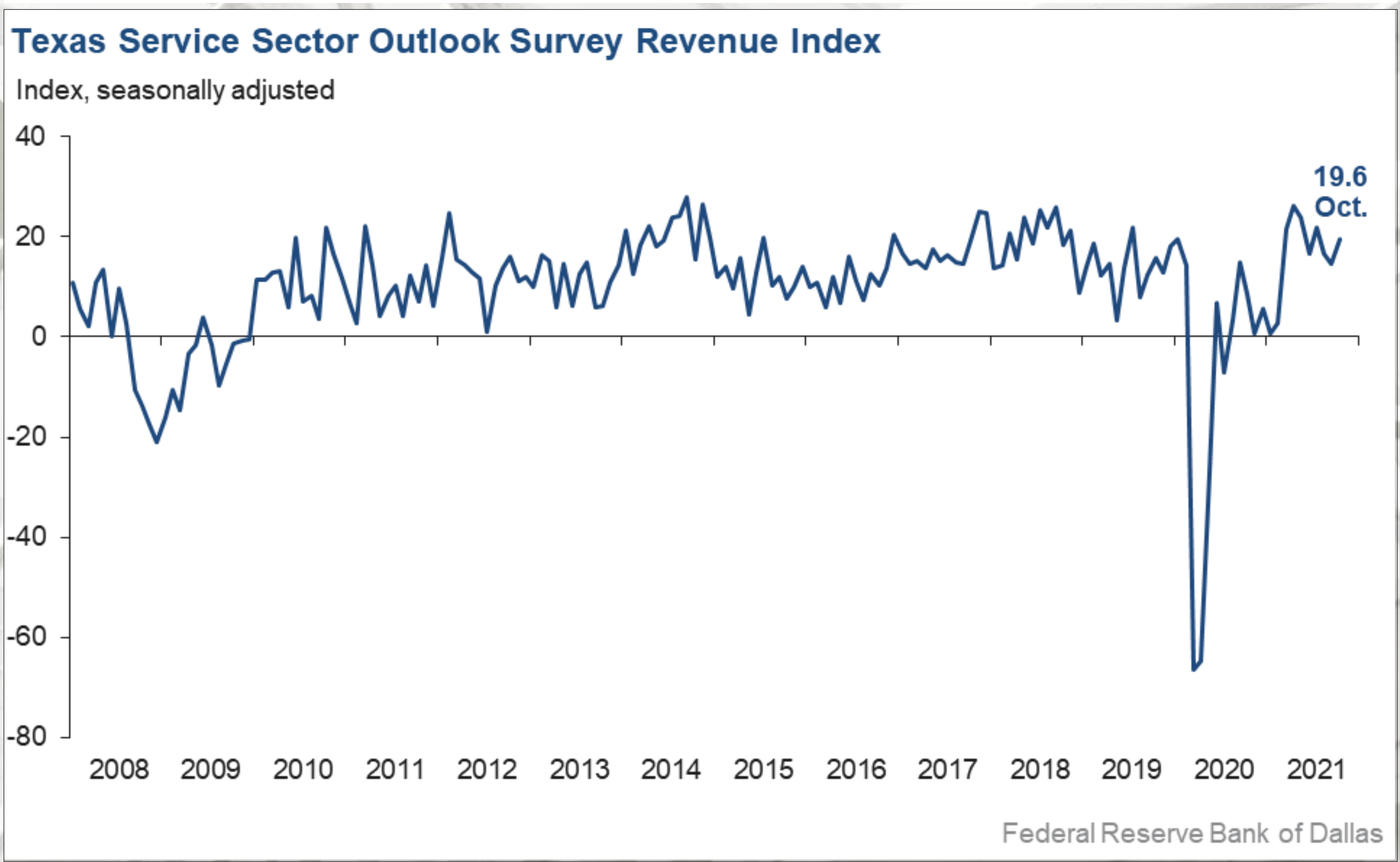
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys; 10/26/21

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The Federal Reserve Bank of Dallas

Texas Retail Sales Slump

"Retail sales activity declined in October, reversing after two months of growth, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, dropped from 7.3 in September to -9.7 in October. Firms saw a new decline in inventories as well, with the inventories index reversing course from September to plummet nearly 21 points to -9.0.

Retail labor market indicators were mixed in October, as hiring was flat, but average hours worked continued to rise. The employment index dropped from 8.4 to 0, suggesting no net change in employment levels, while the hours worked index was largely unchanged at 9.6, a pandemic-era high. This suggests that retailers on net were not hiring new employees, but that existing employees were working more hours on average.

Retailers' perceptions of broader business conditions became slightly pessimistic in October. The general business activity index fell from 10.0 to 1.6, while the company outlook index dipped into negative territory at -2.2. Nevertheless, the outlook uncertainty index declined to 8.5, with just 17.0 percent of respondents noting increased uncertainty compared with 27.0 percent last month.

Retail price pressures remained highly elevated in October, while wage pressures accelerated. The selling prices index slipped five points to 45.5 – still near a record-high level – while the input prices index rose from 50.1 to 56.3. The wages and benefits index spiked nearly 14 points to 38.3, near the survey's record high." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 10/26/21

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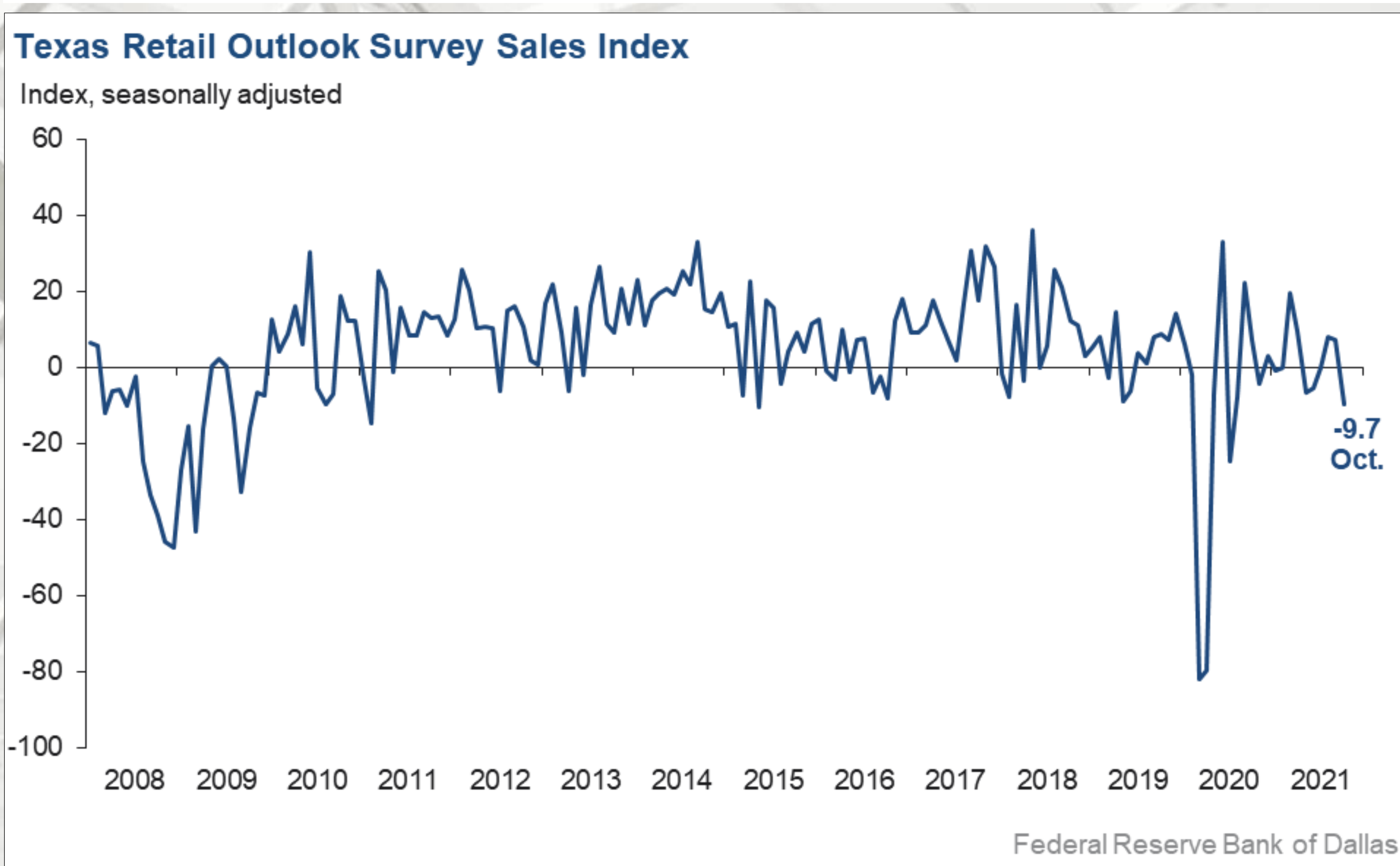
The Federal Reserve Bank of Dallas



While current indicators suggest some weakness in retail, expectations for future activity picked up. The future general business activity index increased from 13.1 to 16.0, while the future sales index added nearly 17 points, rising to 44.6. Other indexes of future retail activity were more mixed, with expectations for hiring pulling back but future capital expenditures and other measures of activity suggesting steady growth in activity going into 2022." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 10/26/21

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Growth Edged Higher

Production and employment have continued to increase. However, more firms reported additional price increases and delivery time delays.

Factory Activity Edged Higher

"Tenth District manufacturing growth edged higher, and expectations for future activity remained at solid levels (Chart 1). The monthly index of prices paid for raw materials posted a new survey record high in October, and 99% of firms continued to report higher input prices compared to a year ago. Finished goods price indexes also increased from a month ago and a year ago. Moving forward, more district manufacturing firms expected additional materials and finished goods price increases over the next six months.

The month-over-month composite index was 31 in October, up from 22 in September and 29 in August. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Factory growth in October was driven by increased activity at nondurable goods plants, in particular paper and printing production, chemical manufacturing, and plastics products, while durable goods manufacturing grew more moderately. Most month-over-month indexes increased in October. Firms continued to report higher supplier delivery times, setting another survey record high. Even so, production, shipments, new orders, and employment expanded more in October compared to the previous month. Order backlog declined slightly. The pace of growth for month-over-month materials inventories eased from 29 to 20 in October, while finished goods materials inventories inched up. Year-over-year factory indexes expanded, and the year-over-year composite index moved from 48 to 50. Compared to a year ago, production, new orders, and supplier delivery time increased." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 10/28/21

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

"The pace of growth for month-over-month materials inventories eased from 29 to 20 in October, while finished goods materials inventories inched up. Year-over-year factory indexes expanded, and the year-over-year composite index moved from 48 to 50. Compared to a year ago, production, new orders, and supplier delivery time increased. The future composite index was 34 in October, near 35 in September, with the highest recorded expectations for supplier delivery time.

Special Questions

This month contacts were asked special questions about supply chain disruptions. 95% of firms in October reported facing challenges with supply chain disruptions and shortages, up from 89% in July 2021. Firms reported more instances of delaying projects and raising prices in October than in July, and around 70% of firms reported diversifying suppliers. A higher share of firms also reported increasing inventories, turning away business, and a third of firms reported making capital or technological investments in response to supply chain issues. Around 56% of firms expected rising materials prices and lack of availability/delivery times to persist for 6 to 12 months, while 36% of firms expected these issues to persist for more than 12 months. Only 8% of firms expected materials price increases and supply chain issues to be resolved within the next six months." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 10/28/21

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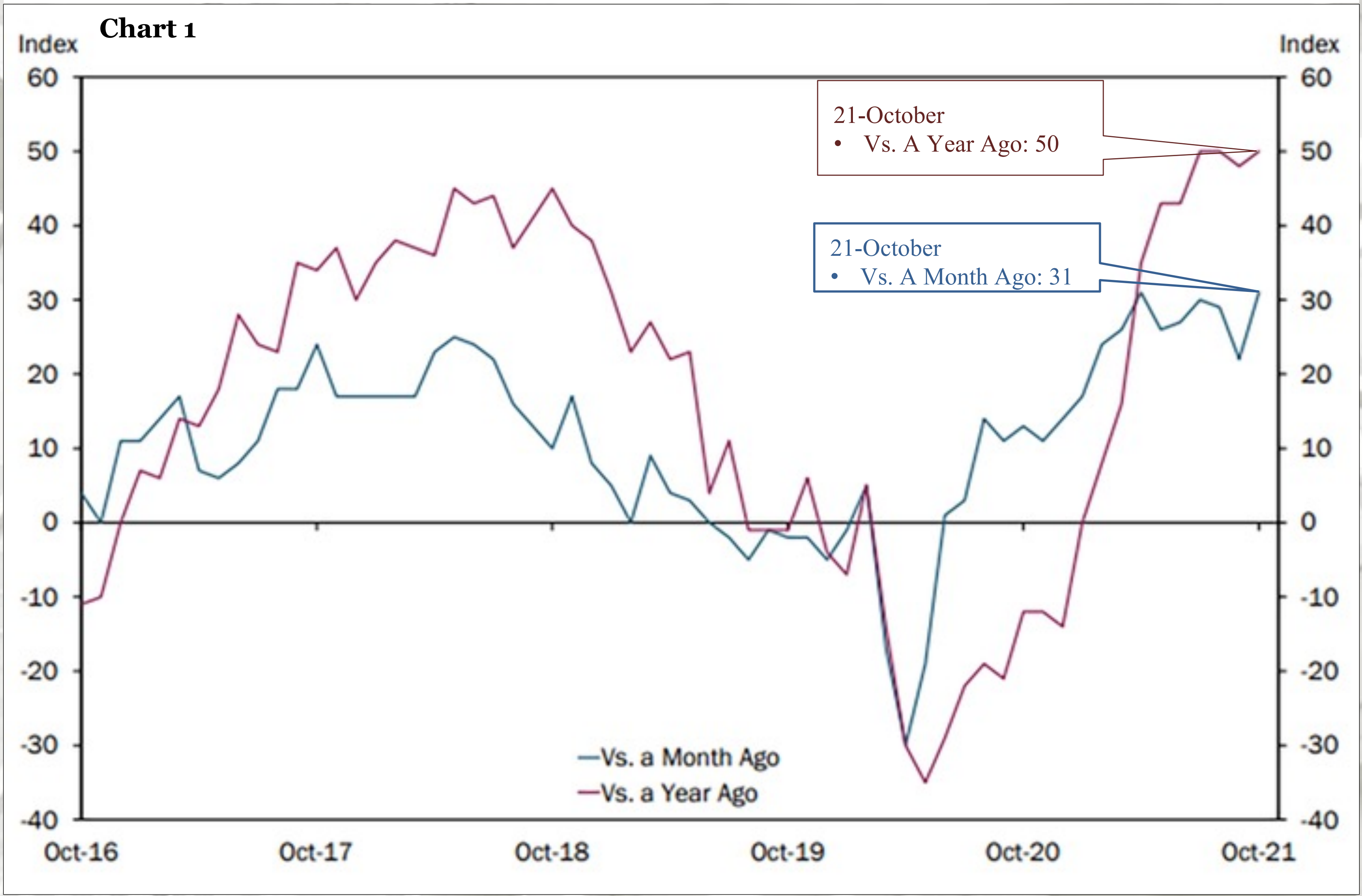
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 10/28/21

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Activity Growth Continued at a Moderate Pace

Regional services activity grew in October. Many firms continued to report supply chain issues, and a significant share of business contacts reported raising prices as a result of delivery time delays, transportation costs, and stronger demand for goods and services.

Business Activity Grew at a Moderate Pace

"Tenth District services activity growth continued at a moderate pace, and activity was expected to increase at a modest rate over the next six months (Chart 1). Indexes for input and selling prices increased to surpass the survey record highs set in recent months. Input and selling prices were also higher than a year ago for most firms and were expected to expand more over the next six months, especially input prices.

The month-over-month services composite index was 18 in October, up moderately from 13 in September and 14 in August. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes . The increase in revenue and sales was driven by an uptick in wholesale, retail, real estate, and professional and high-tech business activity. On the other hand, auto and tourism activity declined. Most month-over-month indexes remained positive in October, indicating expansion. Sales and employment rose at a faster pace, while inventories declined slightly from a month ago. Wages and benefits and capital expenditures remained high for many firms. The year-over-year composite index eased slightly from 38 to 26 but remained positive. Compared to a year ago, sales were solid and capital expenditures increased while inventory levels continued to decrease. Future services activity was expected to increase at a modest pace with a future composite index of 22." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 10/29/21

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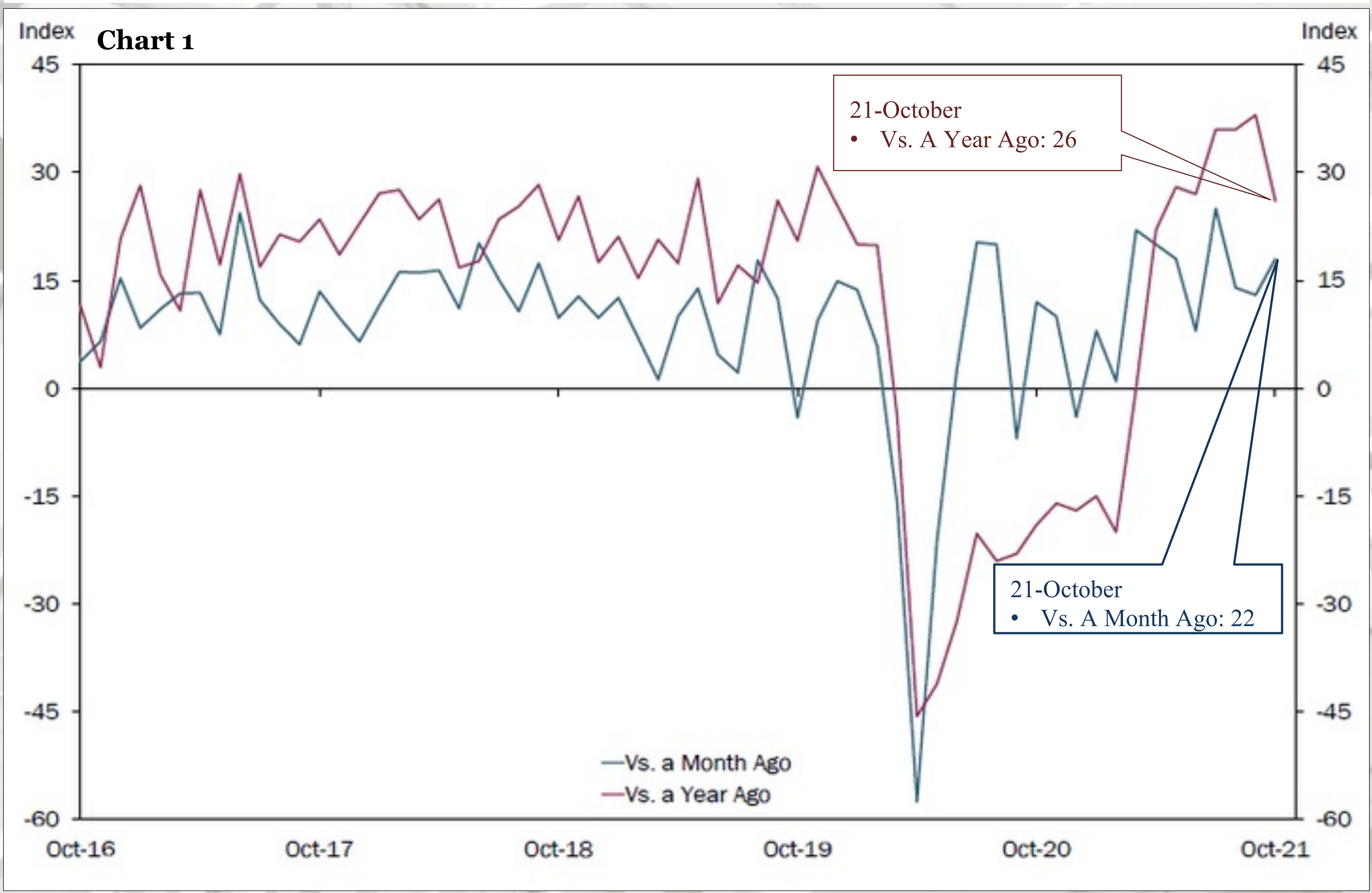
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 10/29/21

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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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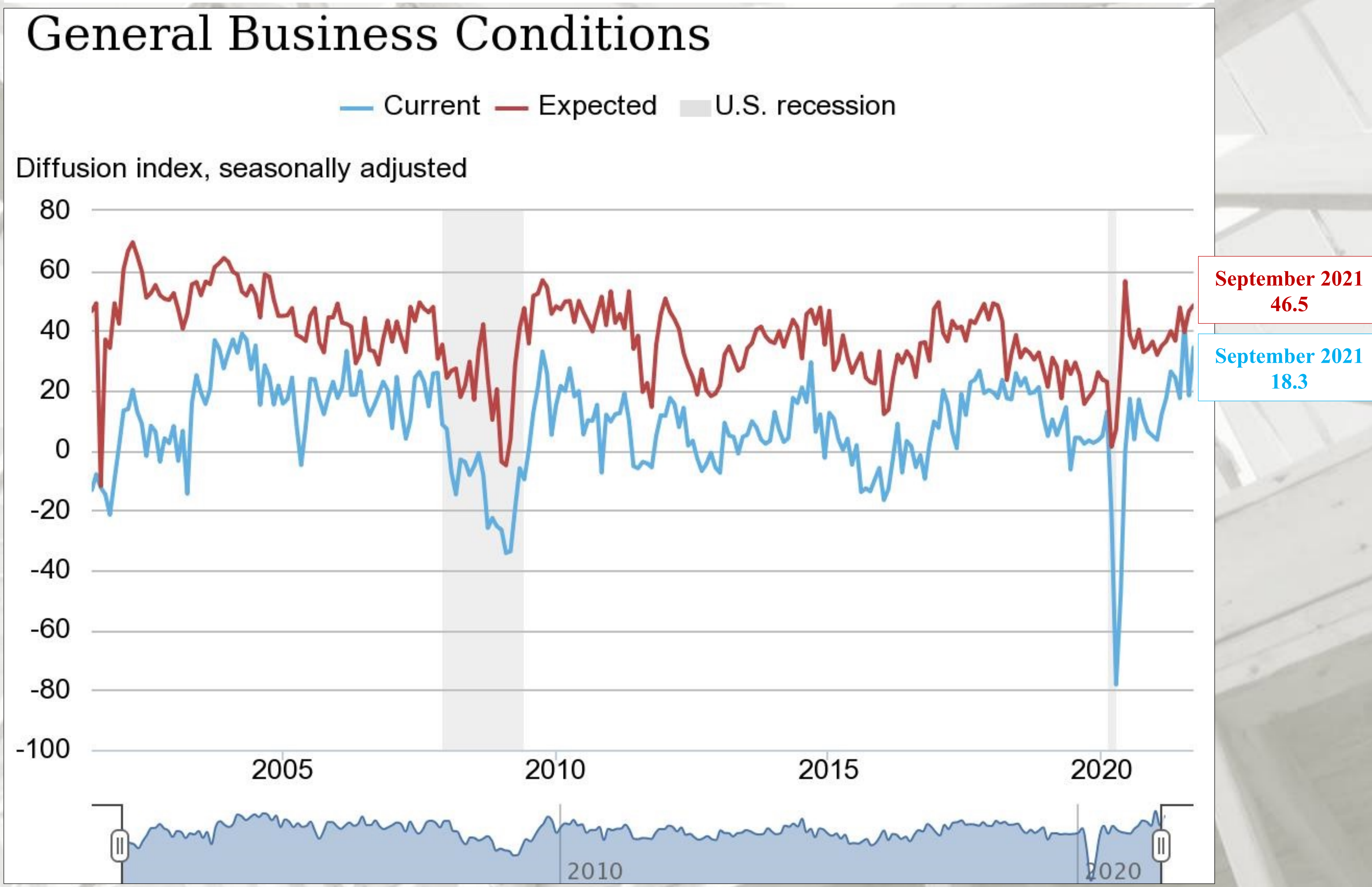
The Federal Reserve Bank of New York



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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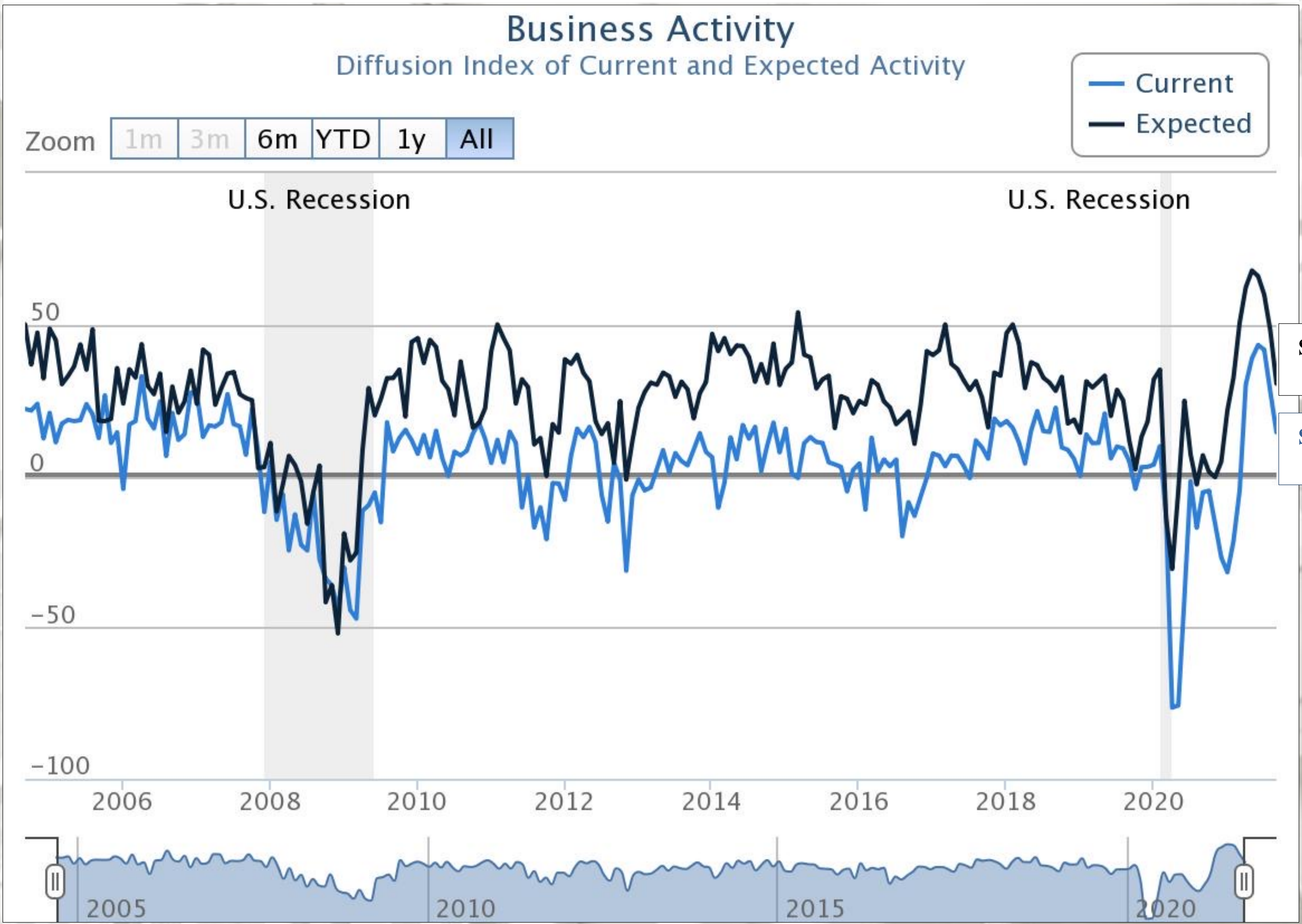
The Federal Reserve Bank of New York



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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The Federal Reserve Bank of Philadelphia

October 2021 Manufacturing Business Outlook Survey

"Manufacturing activity in the region continued to expand this month, according to the firms responding to the October *Manufacturing Business Outlook Survey*. The survey's indicator for general activity declined, the new orders index improved, and the shipments index held steady. Both price indexes remained elevated. The survey's future indexes suggest that the surveyed firms remained generally optimistic about growth over the next six months.

Current Indicators Remain Positive

The diffusion index for current general activity fell 7 points to 23.8 this month (see Chart 1). More than 40 percent of the firms reported increases in general activity this month (up from 34 percent last month), while 17 percent reported decreases (up from 3 percent). The current shipments index was essentially unchanged at 30.0 in October. The index for new orders rose 15 points to a reading of 30.8. Over 47 percent of the firms reported increases in new orders this month, while 16 percent reported decreases.

The firms continued to report increases in employment on balance, with the employment index rising from 26.3 in September to 30.7 this month. The majority of responding firms (65 percent) reported steady employment levels, and the share reporting increases (31 percent) exceeded the share reporting decreases (1 percent). The average workweek index fell 2 points to 27.8." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2021-10; 10/21/21

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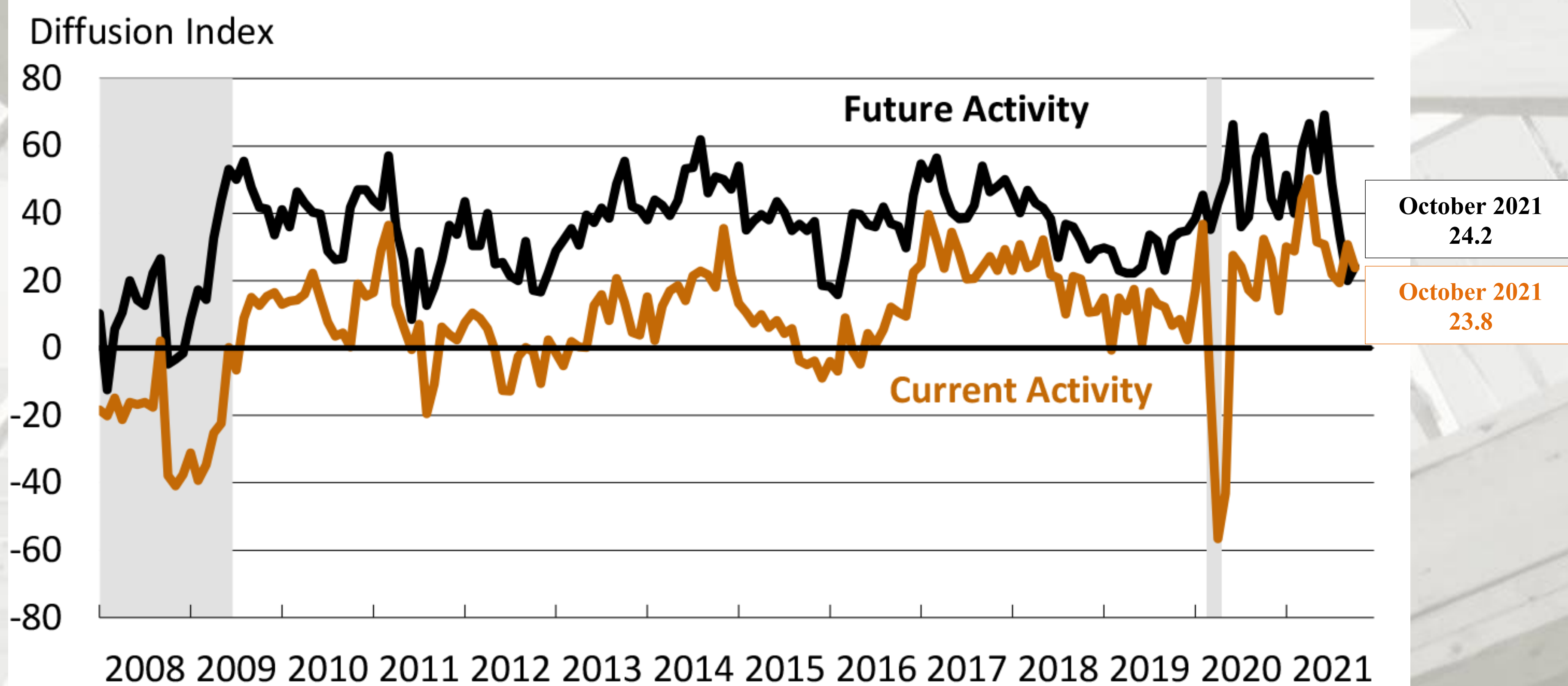
The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes

January 2008 to October 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-2021-10; 10/21/21

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The Federal Reserve Bank of Philadelphia

October 2021 Manufacturing Business Outlook Survey

Price Indicators Remain Elevated

"The indicators for prices paid and prices received remained elevated this month. The prices paid index rose 3 points to 70.3. The percentage of firms reporting increases in input prices (73 percent) far exceeded the percentage reporting decreases (3 percent); 22 percent of the firms reported no change. The current prices received index edged down 2 points to 51.1. Over 58 percent of the firms reported increases in prices received for their own goods this month, 7 percent reported decreases, and 34 percent reported no change.

Firms Anticipate Higher Capital Expenditures Next Year

For this month's special questions, manufacturers were asked about their plans for different categories of capital spending next year. For five out of six categories of investment spending (software, noncomputer equipment, computer equipment, energy-saving investments, and other), the share of firms expecting to increase spending was higher than the share of firms expecting to decrease spending. On balance, the firms expect larger increases for software and noncomputer equipment and a small net decrease in capital expenditures on structure next year." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2021-10; 10/21/21

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The Federal Reserve Bank of Philadelphia

October 2021 Manufacturing Business Outlook Survey

Firms Remain Optimistic About Growth

“The diffusion index for future general activity rose 4 points to 24.2 (see Chart 1). The share of firms expecting increases in activity over the next six months (47 percent) exceeded the share expecting decreases (23 percent). The future new orders index declined 6 points, while the future shipments index fell 11 points. The firms continued to expect overall increases in employment over the next six months, with the future employment index ticking down 1 point to 37.5. Over 45 percent of the firms expect to increase employment in their manufacturing plants over the next six months; only 8 percent anticipate employment declines.

Summary

Responses to the October *Manufacturing Business Outlook Survey* suggest continued expansion in regional manufacturing conditions this month. The indicator for current activity fell from its September reading, while the new orders index rose and the shipments index remained stable. 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.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2021-10; 10/21/21

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The Federal Reserve Bank of Philadelphia

October 2021 Nonmanufacturing Business Outlook Survey

"Nonmanufacturing activity in the region continued to expand this month, according to the firms responding to the *Nonmanufacturing Business Outlook Survey*. The survey's current indicators for general activity and sales/revenues increased, while the index for new orders remained steady. The survey's indexes for prices paid and prices received both reached all-time highs this month. The respondents expect overall improvement in conditions over the next six months.

Firms Report Continued Growth

The diffusion index for current general activity at the firm level rose 12 points to 34.3 in October after falling 15 points last month (see Chart 1). Almost 48 percent of the firms reported increases, while 13 percent reported decreases. The new orders index remained mostly unchanged at 14.6 in October. Nearly 29 percent of the firms reported increases in new orders, exceeding the 14 percent that reported decreases. The sales/revenues index rose 6 points to 22.5 this month. Forty-three percent of the firms reported increases in sales/revenues, while 21 percent reported decreases. The regional activity index mostly recovered from its decline last month, rising 24 points to 33.4.

Employment Indexes Remain Positive

The firms reported overall increases in full-time and part-time employment. The full-time employment index was positive at 12.5 despite a 2 point drop this month. The share of firms reporting increases in full-time employment (26 percent) exceeded the share reporting decreases (14 percent); the majority (54 percent) reported no change. The part-time employment index increased 3 points to 16.6. Most firms reported steady part-time employment (62 percent), while 21 percent of the firms reported increases and 4 percent reported decreases. The wages and benefits indicator rose 9 points to 51.3, and the average workweek index rose 10 points to 29.0." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2021-09; 10/26/21

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The Federal Reserve Bank of Philadelphia

October 2021 Nonmanufacturing Business Outlook Survey

Firms Continue to Report Overall Price Increases

"Price indicator readings suggest overall increases in prices for inputs and prices for the firms' own goods and services, as both indexes reached all-time highs this month. The prices paid index increased 14 points to 65.5 in October (see Chart 2). Sixty-seven percent of the firms reported increases in prices paid, 23 percent of the firms reported steady input prices, and only 2 percent of the firms reported decreases. Regarding prices for the firms' own goods and services, the prices received index increased 11 points to 31.3. Most firms (53 percent) reported no change in prices received, while 34 percent reported increases, and 3 percent reported decreases.

Firms Anticipate Higher Capital Expenditures Next Year

For this month's special question, nonmanufacturers were asked about their plans for different categories of capital spending for the upcoming year (see Special Question). Identical shares of firms (41 percent) expect either to increase total capital spending or keep it unchanged in 2022; 18 percent expect to spend less on capital spending. On balance, the firms expect higher capital spending in all categories (software, noncomputer equipment, energy-saving investments, computer and related hardware, structure, and other). More than 49 percent of the responding firms expect higher spending on software, and 43 percent expect higher spending on computer and related hardware." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2021-09; 10/26/21

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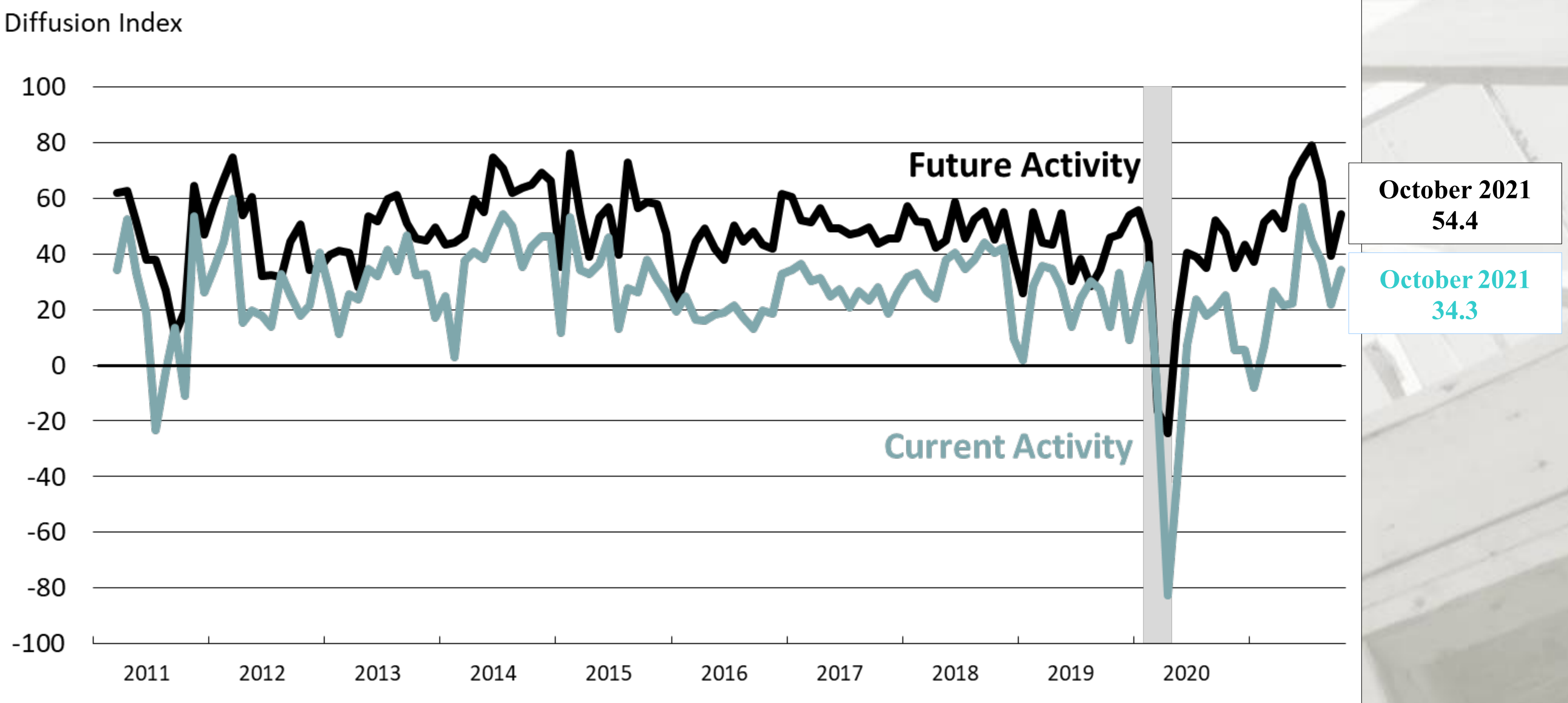
The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes for Firms

March 2011 to October 2021



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

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2021-09; 10/26/21

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The Federal Reserve Bank of Philadelphia

October 2021 Nonmanufacturing Business Outlook Survey

Firms Anticipate Continued Growth

"Both future activity indexes suggest continued optimism about growth over the next six months. The diffusion index for future activity at the firm level increased 15 points to a reading of 54.4 this month (see Chart 1). More than 64 percent of the firms expect an increase in activity at their firms over the next six months compared with 10 percent that expect decreases. The future regional activity index increased 20 points to 53.8 in October.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest continued expansion in nonmanufacturing activity in the region. The indicators for firm-level general activity and sales/revenues increased, while the index for full-time employment held steady. Both the prices paid and prices received indexes reached all-time highs this month. The future activity indexes suggest that respondents expect improvement at their firms and in the region over the next six months." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2021-09; 10/26/21

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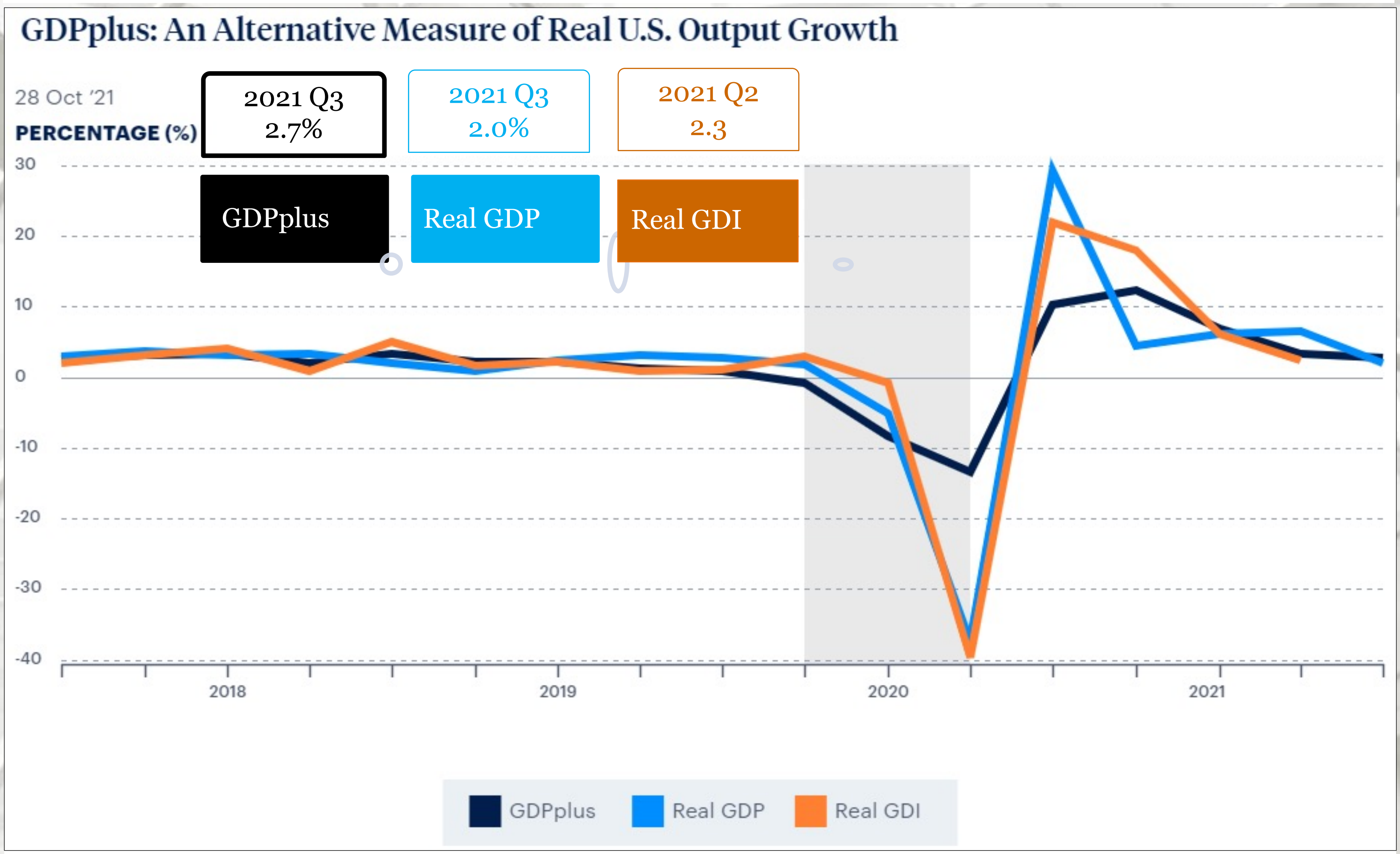
The Federal Reserve Bank of Philadelphia: GDPplus



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; 10/28/21

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Manufacturing Activity Strengthened in October

"Fifth District manufacturing activity strengthened in October, according to the most recent survey from the Richmond Fed. The composite index rose from −3 in September to 12 in October, as all three component indexes – shipments, new orders, and employment – increased. Backlogs of orders and lead times indexes continued to grow, as the vendor lead time index hit its highest value on record. Firms also reported that inventories of both finished goods and raw materials remained too low. Manufacturers were optimistic that conditions would improve in the coming months but expected inventories to remain low for some time.

Survey results indicate that many manufacturing firms increased employment and wages in October but finding workers with the necessary skills was difficult. Respondents expected this challenge to continue but employment and wages to grow further in the next six months.

The average growth rate of prices paid by survey respondents decreased in October, while that of prices received increased. Respondents expected growth of both prices paid and prices received 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; 10/26/21

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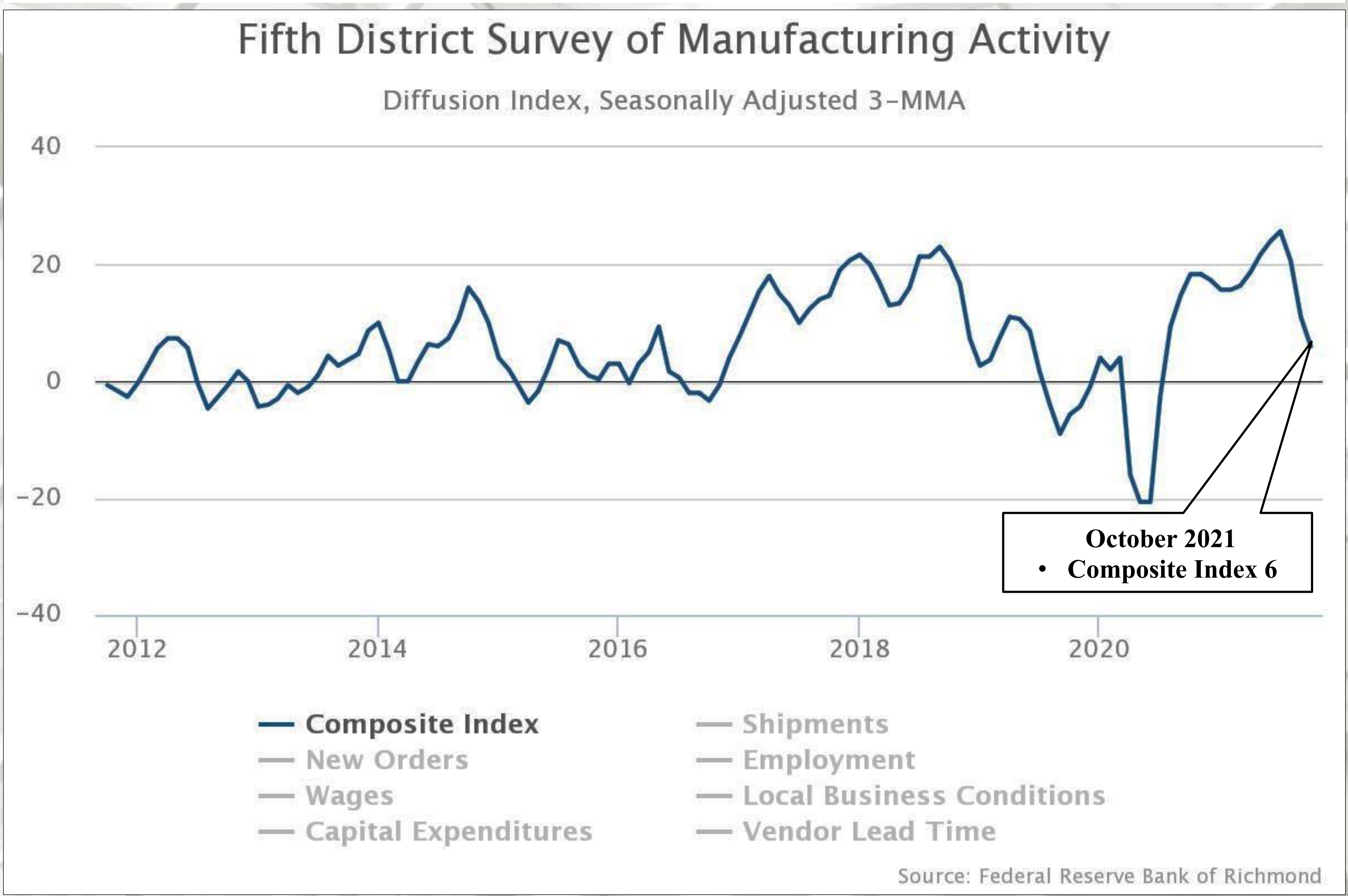
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 10/26/21

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U.S. Economic Indicators

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 10/26/21

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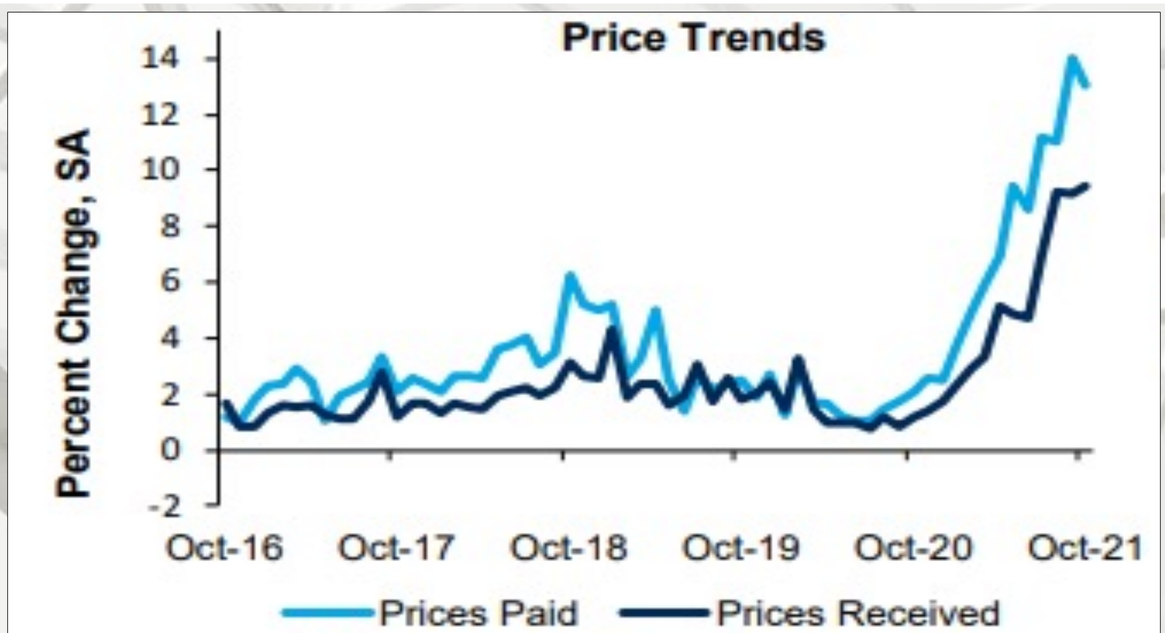
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 10/26/21

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Service Sector Firms Reported Growth in October

"Fifth District service sector firms reported growth in October, according to the most recent survey by the Federal Reserve Bank of Richmond. The indexes for revenues and demand rose from −3 and 17 in September to 9 and 18, respectively, in October. Meanwhile, the local business conditions index remained fairly flat. Firms were optimistic that business conditions would improve in the next six months.

Survey results suggested that many firms increased wages in October. While more firms saw an increase in employment than a decrease, many struggled to find workers with the necessary skills. They expected this difficulty to persist and employment and wages to continue to grow in the coming months.

The average growth rates of both prices paid and prices received by survey respondents increased slightly in October, as growth of prices paid continued to outpace that of prices received. However, participants expected growth of both prices paid and prices received to slow over the next year" – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 10/26/21

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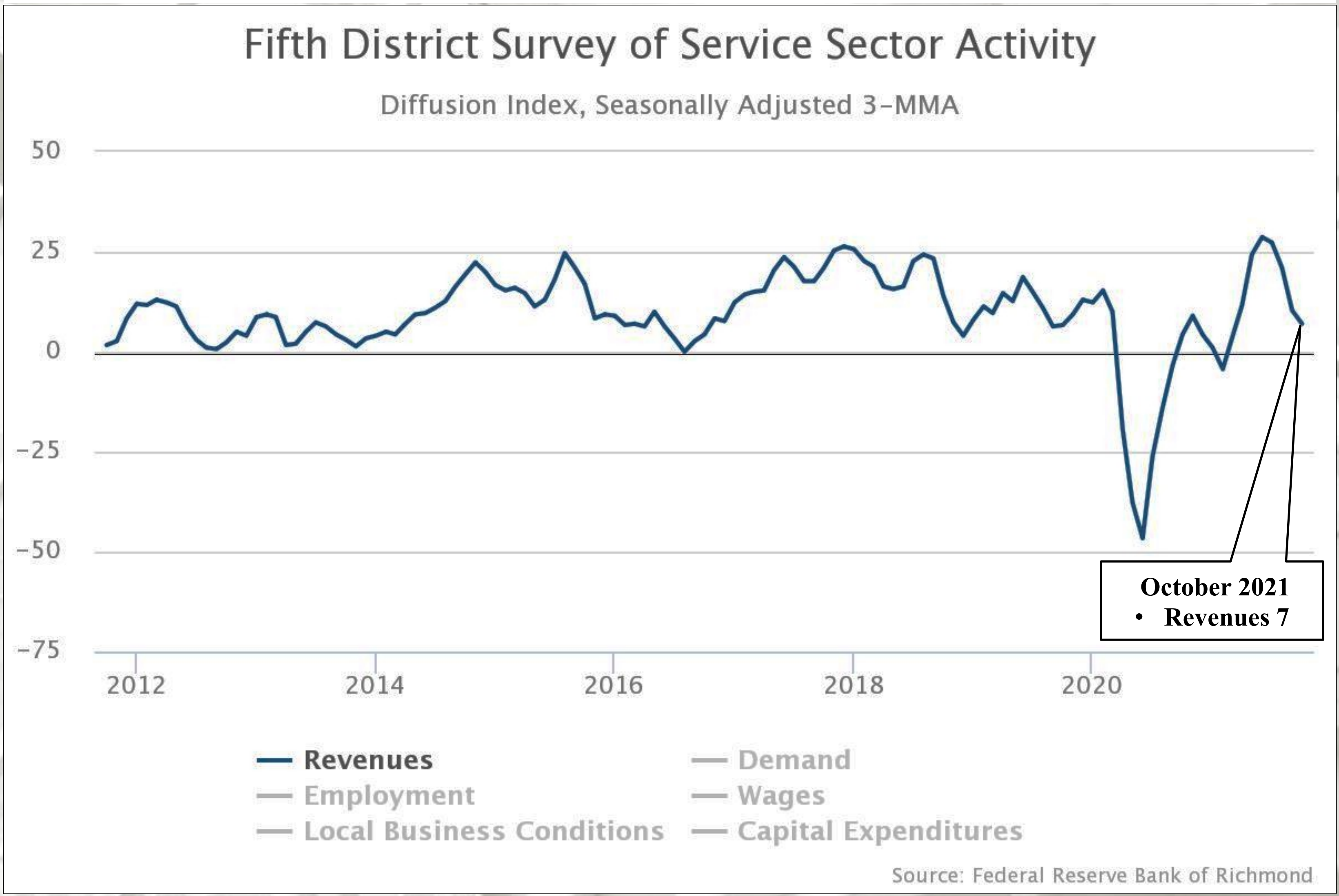
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 10/26/21

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U.S. Global Economic Indicators

The Federal Reserve Bank of Dallas

México Economic Update

México's Economic Growth Slows, Outlook Remains Steady

México's gross domestic product (GDP) contracted an annualized 0.8 percent in third quarter 2021. In addition, the consensus forecast for GDP growth in 2021, compiled by Banco de México, was revised down from 3.9 percent in August to 3.6 percent in September (fourth quarter/fourth quarter).

The latest data available show industrial production and employment grew, while exports and retail sales fell. The peso/U.S. dollar exchange rate remained relatively unchanged for the sixth consecutive month, but inflation rose in September. New COVID-19 cases continued falling after peaking in mid-August. Vaccination progress has improved, with about 42 percent of the population fully vaccinated.

Output Falls in Third Quarter 2021

México's negative third-quarter GDP growth was well below its long-run average of 2.4 percent (*Chart 1*). Preliminary estimates indicate that output from both goods-producing industries (manufacturing, construction, utilities and mining) and agriculture increased 2.8 percent, while service-related activities (wholesale and retail trade, transportation and business services) fell 2.4 percent.

Exports Trend Down Even as Oil Exports Improve

The three-month moving average of total exports fell 1.6 percent in August as oil exports increased 3.9 percent but the dominant manufacturing category decreased 2.2 percent (*Chart 2*). On a month-over-month basis, total exports declined 4.8 percent in August, and manufacturing exports decreased 5.2 percent. México's total monthly exports in August were up 3.3 percent compared with prepandemic levels in February 2020." – Jesus Cañas, Senior Business Economist, and Juliette Coia, Research Analyst; Research Department, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2021/2106.aspx; 11/9/21

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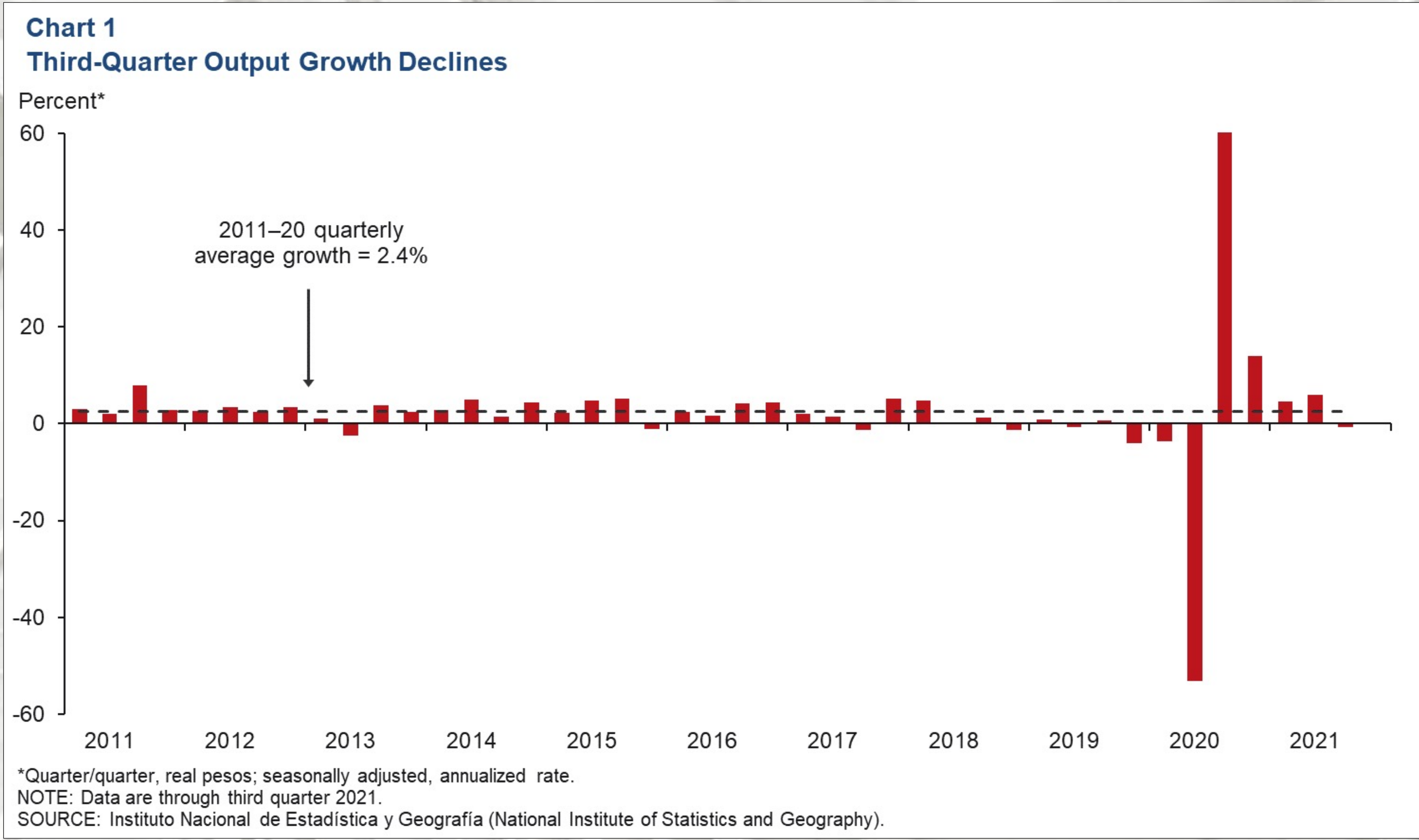
U.S. Global Economic Indicators



Source: https://www.dallasfed.org/research/update/mex/2021/2106.aspx; 11/9/21

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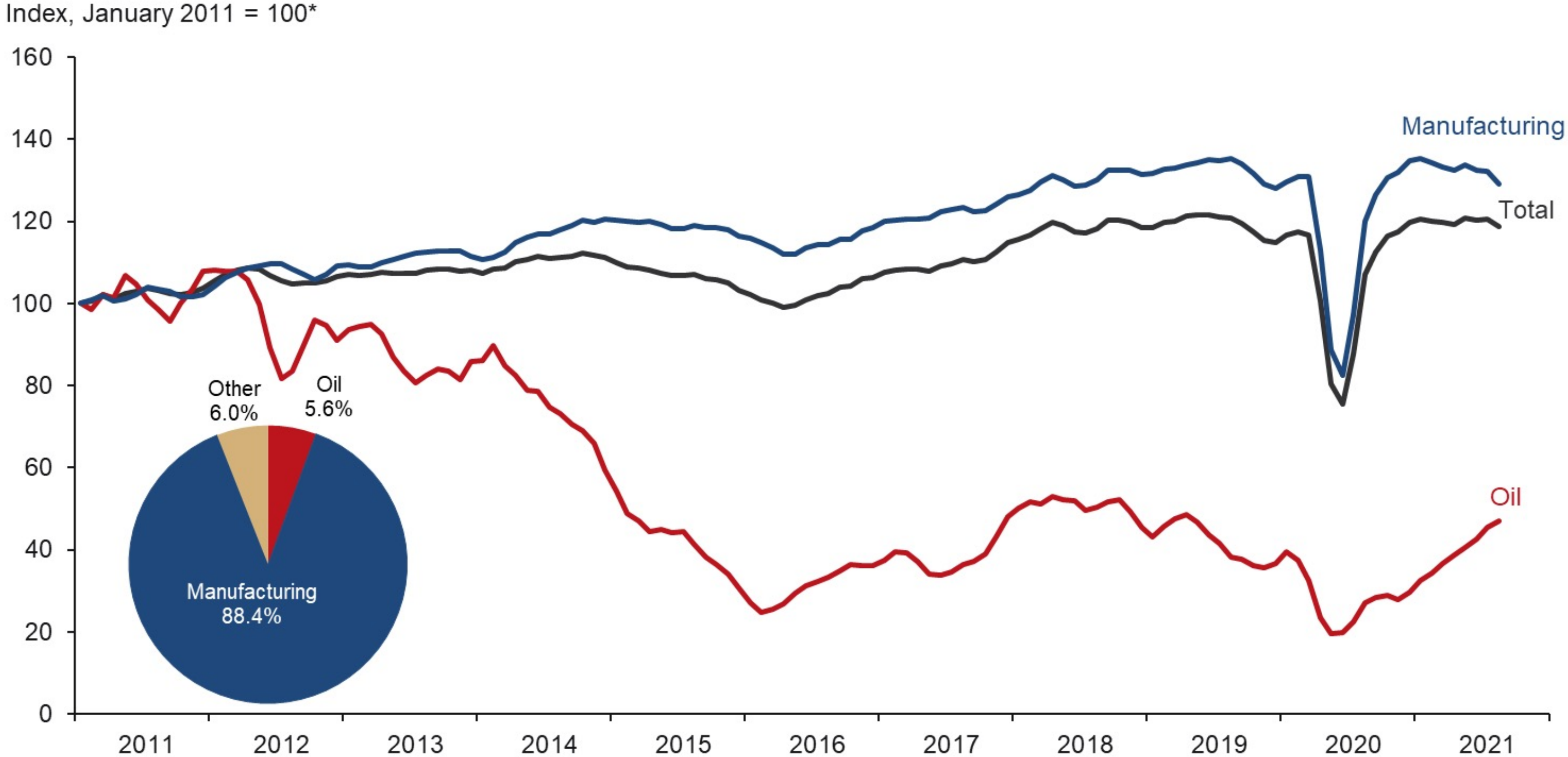
U.S. Global Economic Indicators

Chart 2
Total Exports Tick Down



*Seasonally adjusted, three-month moving average; real dollars.
NOTE: Data are through August 2021. The pie chart reflects the share of total exports year to date in 2021.
SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Source: https://www.dallasfed.org/research/update/mex/2021/2106.aspx; 11/9/21

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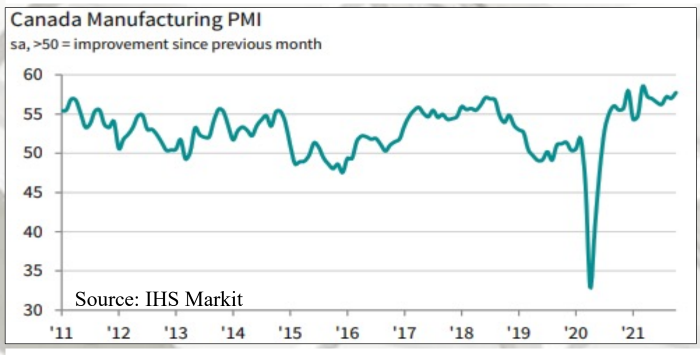
Private Indicators: Global



Markit Canada Manufacturing PMI™

"The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered at 57.7 in October, up from 57.0 in September. The latest reading extended the period of growth to 16 successive months, with the latest expansion the third-strongest in over 11 years of data collection.

PMI hits seven-month high, but severe delivery delays and supply shortages persist

October PMI® data revealed another robust improvement in the health of Canada's manufacturing sector. Expansions were seen across output, new orders, employment and purchasing activity. However, supply-chain pressures continued to mount with firms registering a record lengthening in lead times. This, paired with greater client demand and concerns of future supply shocks, led companies to raise their pre-production inventories at a record pace. Yet, firms remained optimistic that global economic conditions will improve over the coming 12 months and support expansions in output. Meanwhile, material scarcity for a wide range of inputs, as well as higher transportation and energy costs led to a near-record rate of input cost inflation. Selling prices also rose, and at the second-most marked rate in the series history….

Latest PMI data revealed that Canada's manufacturing sector performed strongly, continuing 2021's run of robust growth. New orders rose at a quicker pace in October, and firms continued hiring activity to meet their existing orders. Whilst domestic demand conditions were favourable, firms across the regions also recorded a healthy upturn in international demand as restrictions continue to ease across the globe. However, concerns surrounding supply were reinforced with severe delivery delays and near-record increases in costs again evident in October. Firms responded by raising their stock levels at the quickest rate on record, which should sustain solid output levels over the next few months.

Nevertheless, Canada's manufacturing sector has performed well over the course of the year, which was reflected in sentiment. Anecdotal evidence suggests firms are gearing up for another busy 12 months of trading." – Shreeya Patel, Economist, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/1b8a8212068c4034875c204a3cdeeae7; 11/1/21

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Private Indicators: Global

Caixin China General Manufacturing PMI™

Demand conditions improve, but power shortages weigh on output in October

"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 – picked up from 50.0 in September to 50.6 in October, to signal a renewed improvement in the health of China's manufacturing sector. Although only slight, the rate of expansion was the strongest recorded since June.

Chinese manufacturers noted an improvement in demand during October, but power shortages and rising costs weighed on production, according to latest PMI data. Limited power supply and material shortages also dampened supplier performance, with lead times increasing at the fastest rate since March 2020. As a result, inflationary pressures intensified, with average input prices rising at the sharpest rate since December 2016, while the pace of output charge inflation also accelerated notably since September.

The manufacturing sector featured a combination of strong demand and weak supply last month. Output shrank for the third consecutive month, and at a faster clip than the previous month. Power cuts and rationing, raw material shortages and commodity price hikes were the reasons behind the supply contraction. Demand continued to recover with the subindex for total new orders rising further into expansionary territory. Overseas demand remained sluggish as new export orders dropped for the third straight month. The job market remained stable, though it shrank slightly due to weak supply. The gauge for employment had stayed in contractionary territory for three consecutive months. Surveyed manufacturers remained optimistic about the outlook for business and market demand, but some expressed worries about the nominalization of supply chains." – Dr. Wang Zhe, Senior Economist, Caixin Insight Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/a3a46da8f2854739a02a748b73668a2d; 11/1/21

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Private Indicators: Global

Caixin China General Manufacturing PMI™

“Inflationary pressure remained high. Input costs rose for the 17th month in a row, with the growth rate accelerating to the highest since December 2016. Raw material and energy prices rose sharply, pushing up manufacturers’ costs. Transportation costs also increased. The measure for output prices jumped to the highest in five months as enterprises raised prices to pass their higher costs downstream. Increases in prices charged by producers of intermediate products were particularly substantial.

Suppliers’ delivery times rose sharply as the power crunch and raw material shortages disrupted logistics. The gauge for delivery times hit the lowest point since March 2020. Manufacturers cut purchases due to multiple factors including weak supply, the power crunch and raw material shortages. Last month, the gauges for quantity of purchases and stocks of purchases declined to the lowest since February 2020 and March 2020, respectively.

Policymakers should not only take effective measures to stabilize commodity supplies and prices, but also pay close attention to downstream firms, especially small and midsize ones. In addition, a new wave of Covid-19 outbreaks has reappeared in many central and western regions since late October, which means re-emerging economic disruptions. It is critical to balance the goals of controlling the outbreaks and maintaining normal economic activity

To sum up, manufacturing recovered slightly in October from the previous month. But downward pressure on economic growth continued. We noticed that the pandemic’s impact on manufacturing faded from late September to mid-October as the number of new Covid-19 cases dropped, which boosted demand. However, supply strains became the paramount factor affecting the economy. Shortages of raw materials and soaring commodity prices, combined with electricity supply problems, created strong constraints for manufacturers and disrupted supply chains. Input costs for manufacturers have risen much faster than output prices for several months, putting a lot of pressure on downstream enterprises.” – Dr. Wang Zhe, Senior Economist, Caixin Insight Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/a3a46da8f2854739a02a748b73668a2d; 11/1/21

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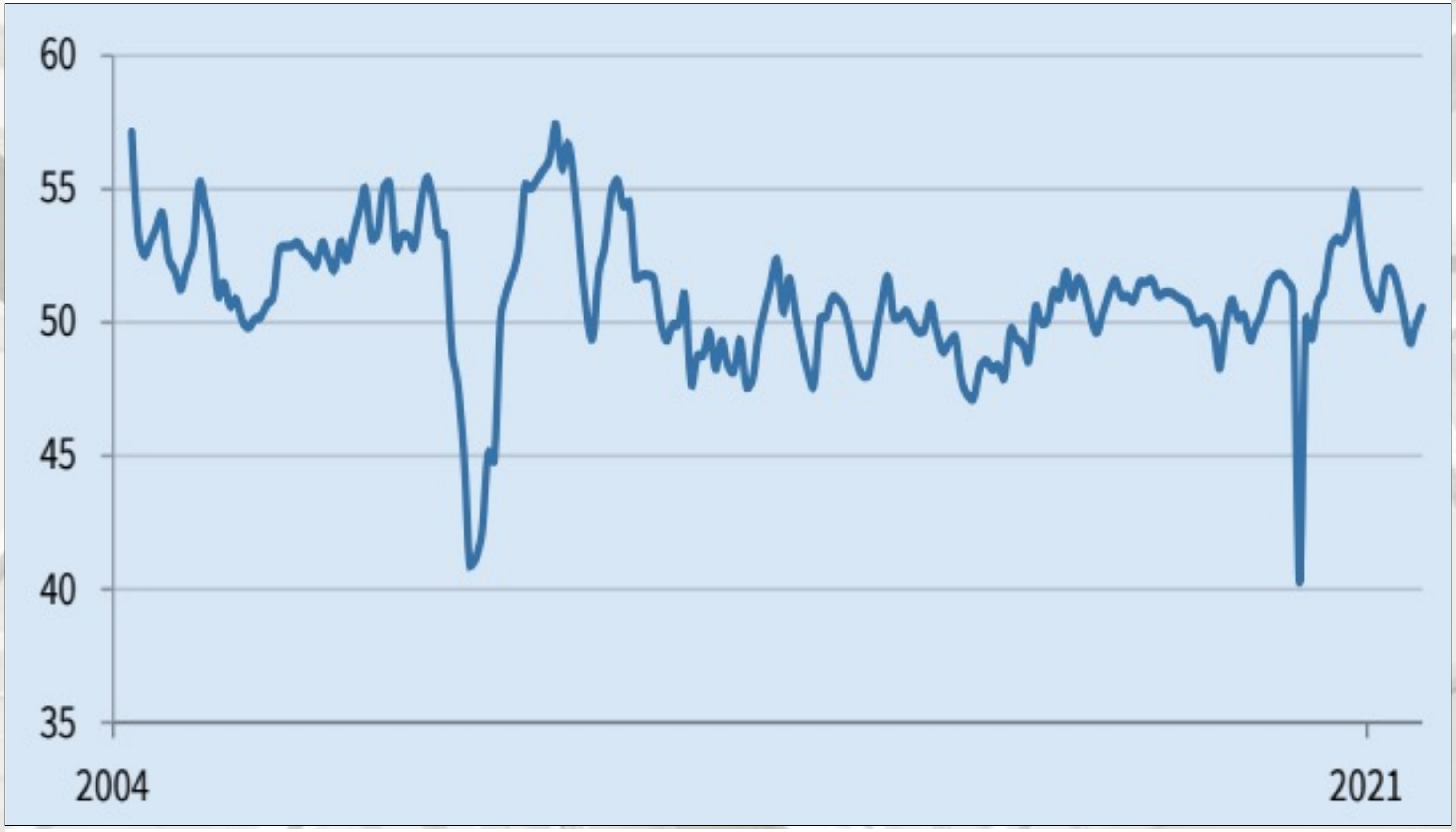
Private Indicators: Global

China General Manufacturing PMI



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

Source: https://www.markiteconomics.com/Public/Home/PressRelease/a3a46da8f2854739a02a748b73668a2d; 11/1/21

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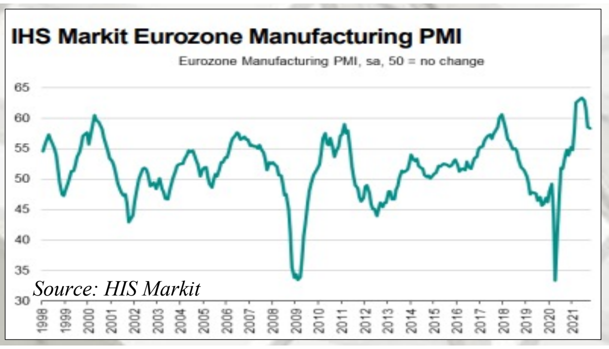
Private Indicators: Global



Markit Eurozone Manufacturing PMI®

"The final reading of the IHS Markit Eurozone Manufacturing PMI® dipped to 58.3 in October, from the 'flash' estimate of 58.5 and down from 58.6 in September. Overall, this signalled the slowest improvement in manufacturing sector conditions since February.

PMI drops to eight-month low as supply issues disrupt manufacturers

The eurozone manufacturing sector lost further momentum in October, latest PMI® data showed, as supply-side issues interrupted production schedules and dented order books, causing growth of both metrics to slow. Firms' struggles to obtain manufacturing inputs was also clear in survey data, with supplier delivery times lengthening to one of the most severe extents on record. Subsequently, input cost and output price inflation rates surged to new survey peaks. …

Eurozone manufacturers reported a worsening of the supply chain situation in October, which curbed production growth sharply during the month. Average delivery times for raw materials lengthened at a rate exceeded only twice in almost a quarter of a century of survey data as companies reported demand once again running ahead of supply for a wide variety of inputs and components. Production constraints at suppliers were reported alongside a growing list of logistical issues. These include a lack of shipping containers and inadequate freight capacity, port congestion, driver shortages and broader transport delays linked mainly to the pandemic.

These shortages have led to the weakest rise in factory output since the recovery began in July of last year, and also pushed inflationary pressures to new survey highs, raising further questions about just how transitory the recent spike in inflation will be.

Business confidence also lost some ground to hit a one-year low in October, as increasing numbers of producers grew concerned about the supply situation and the impact of rising costs and prices, adding to the indications that manufacturers face some challenging months ahead.

Finally, although business confidence remained strong and above its historical average in October, the level of positive sentiment slumped to a one-year low." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/d1e6b09a9eea4993bb787845fb55233f; 11/2/21

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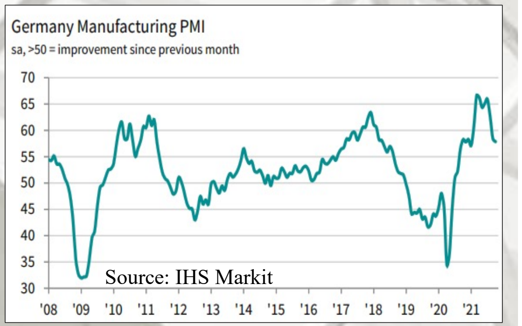
Private Indicators: Global



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 – registered 57.8 in October, down from 58.4 in September. Though the lowest in nine months, the latest reading remained firmly above the 50.0 no change mark. However, this once again owed in large part to the suppliers' delivery times sub-component, which continued to boost the index in level terms.

German manufacturing sector remains afflicted by supply chain problems

Supply bottlenecks remained a major hindrance to Germany's manufacturers at the start of the fourth quarter, latest PMI® survey data showed. Material shortages were a restraining factor for both output and new orders, while at the same time they underpinned a record increase in factory gate charges as firms looked to pass on sharply rising costs to customers. Trends in employment and expectations also disappointed in October. The rate of job creation slowed for a third straight month, while business optimism slipped to the lowest since August 2020. …

Output levels across the manufacturing sector are being increasingly shackled by supply bottlenecks. According to surveyed businesses, the well-documented slowdown in autos production is dragging down other parts of the manufacturing economy with it, as firms in that sector scale back orders for components and materials. However, while producers of intermediate goods have recorded a sustained drop in new orders, we're still seeing some pockets of robust strength in demand, particularly for investment goods. Backlogs continued to rise across each of the main industrial groupings, suggesting this is still mainly a supply-side issue.

Worryingly, the supply problems took a turn for the worse in October, with lead times on purchases lengthening to the greatest extent for three months. Adding to this, the rate of cost inflation has crept back up towards the record highs seen in the summer, leading to an unprecedented rise in factory gate prices and putting more inflationary pressure into the system. Manufacturers lost further confidence that these issues will be resolved sooner rather than later, with business expectations now at their lowest since August 2020." – Phil Smith, Principal Economist, IHSMarkit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/4007dd0de4164ef5857105c20201a1ea; 11/2/21

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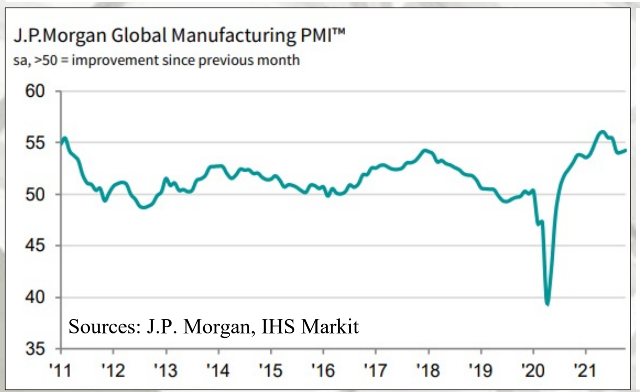
Private Indicators: Global



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 – edged higher to 54.3 in October, up from 54.1 in September. The rise in the headline index reflected a record lengthening of vendor lead times, increased stock holdings and faster jobs growth. This offset the effect on the PMI level of slower increases in both output and new orders

Growth of global manufacturing output slows amid record supplier delays, rising costs and stalling export trade

The rate of expansion in global manufacturing production was the weakest during the current 16-month upturn in October. Output growth was stymied by substantial disruption to raw material deliveries, resulting input shortages, rising cost inflation and a near-stalling of international trade flows. The upturn in global manufacturing production eased to a marginal pace during October, with rates of expansion slowing in the US, the euro area and the UK. The downturn in China extended into a third successive month while Japan registered renewed growth but at only a modest pace. Among the largest emerging markets, India saw a sharp output growth acceleration, while Brazil sank back into contraction territory.

Production rose at a marginally quicker rate in the consumer goods sector, but decelerated slightly in the intermediate goods category. Meanwhile, the investment goods industry saw output decrease for the first time in 16 months. The level of incoming new business rose at a slower pace at the start of the final quarter, in part reflecting weaker growth in international trade volumes. Capacity at manufacturers remained under pressure despite the muted trend in demand, as highlighted by a further solid increase in backlogs of work.

…Supplier performance deteriorated to record, or near-record, extents across the consumer, intermediate and investment goods industries. The impact of supply-chain issues filtered through to price inflation during October. Input costs increased at the fastest pace in over 13 years, while average output charges rose to the greatest extent on record. Rates of inflation in both price measures were noticeably steeper (on average) in developed nations compared to emerging markets." – Olya Borichevska, Global Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/bc75b00489df461ea6c512a625b4bb27; 11/1/21

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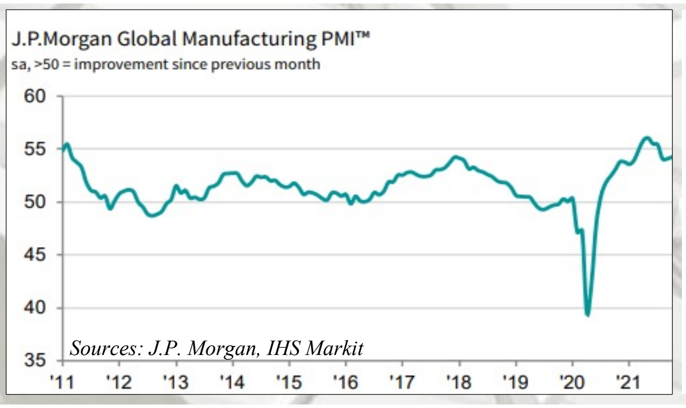
Private Indicators: Global



J.P. Morgan Global Composite PMI™

" The J.P. Morgan Global Composite Output Index – produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – edged higher to 54.3 in October, up from 54.1 in September. The rise in the headline index reflected a record lengthening of vendor lead times, increased stock holdings and faster jobs growth. This offset the effect on the PMI level of slower increases in both output and new orders.

Growth of global manufacturing output slows amid record supplier delays, rising costs and stalling export trade

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Global supply chains remained under severe pressure during October, with average vendor delivery times increasing to the greatest extent in the survey history. Supplier performance deteriorated to record, or near-record, extents across the consumer, intermediate and investment goods industries. The impact of supply-chain issues filtered through to price inflation during October. Input costs increased at the fastest pace in over 13 years, while average output charges rose to the greatest extent on record. Rates of inflation in both price measures were noticeably steeper (on average) in developed nations compared to emerging markets." – Olya Borichevska, Global Economic Research, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/bc75b00489df461ea6c512a625b4bb27; 11/2/21

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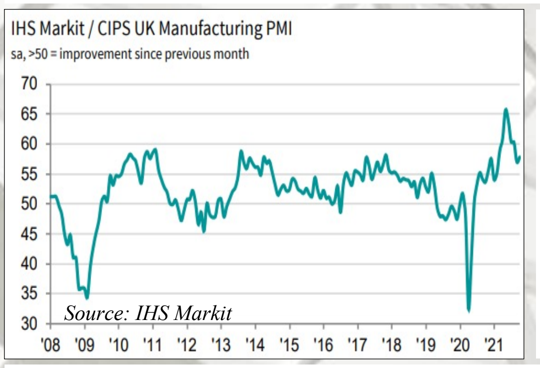
Private Indicators: Global



IHS Markit/CIPS UK Manufacturing PMI®

"The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) posted 57.8 in October, up from 57.1 in September, rising for the first time in five months. Although the PMI was boosted by improved growth of new orders and employment, alongside a steeper rise in stocks of purchases and lengthier vendor lead times, a further slowdown in output growth held back the headline index.

Output growth slows at start of fourth quarter as supply difficulties provide severe headwind

Manufacturing production rose only marginally and at the slowest pace for eight months. Companies reported that supply chain delays alongside shortages of raw materials, staff and certain skills had contributed to slower output growth. Lower intakes of new export work also had an impact on production volumes. New export business fell, albeit slightly, for the second successive month. Companies reported that some overseas clients were cancelling or postponing orders due to longer lead times caused by port delays and freight capacity issues. …

Growth of UK manufacturing production slowed further during October, with output volumes rising only slightly and at the weakest pace for eight months. Strained global supply chains are disrupting production schedules, while staff shortages and declining intakes of new export work are also stymieing the upturn. This low growth environment is occurring in tandem with a severe upshot in inflationary pressures, with manufacturers reporting both a near-record increase in input costs and record rise in selling prices.

There are also positive notes to take from the survey. A slight improvement in new order growth, led by the domestic market, suggests the trend in demand is stabilising following its recent slowdown. Businesses also remain relatively optimistic about the year-ahead outlook, with 62% expecting production to be higher. This alongside rising backlogs of work – a by-product of material and staff shortages – is driving a recovery in jobs growth. However, these positives could potentially be at risk if supply-chain, Brexit or COVID headwinds rise during the coming months, especially if high inflation leads to higher borrowing costs" – Rob Dobson, Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/031456d3e67f43b086a30e2003539cb3; 11/1/21

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Private Indicators
Associated Builders and Contractors

GDP Report: Investment in Nonresidential Structures Falls 7.3% in Third Quarter of 2021

"Investment in nonresidential structures contracted at an annual rate of 7.3% during the third quarter of 2021 and has now contracted during seven of the past eight quarters, according to an Associated Builders and Contractors analysis of data released today by the U.S. Bureau of Economic Analysis. The overall economy expanded at a 2.0% annualized rate during the third quarter of 2021.

Increases in private inventory investment, personal consumption expenditures, state and local government spending and spending on equipment drove GDP growth.

"Measurements emerging from ABC's Construction Backlog Indicator foreshadowed the decline in nonresidential structure investment registered during the third quarter," said ABC Chief Economist Anirban Basu. "For months, contractors have been indicating that input shortages, higher materials costs and skilled worker shortages have driven up the cost of delivering construction services and expanded project timelines. Certain project owners have responded by mothballing projects, which translates into less spending on nonresidential structures.

"There are other factors at work," said Basu. "Pandemic-induced behavior changes have undermined several commercial real estate segments, causing negative impacts on business travel and office space utilization and large numbers of store closures. Despite low interest rates and plentiful capital available to invest, this translates into fewer projects in these segments. Since March 2020, construction spending in the lodging and office categories has declined substantially, despite the fact that data center construction, which has surged during the pandemic, is included in the office segment."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19070/gdp-report-investment-in-nonresidential-structures-falls-7-3-in-third-quarter-of-2021-says-abc; 10/28/21

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Associated Builders and Contractors

Percent Change from Preceding Period, Seasonally Adjusted at Annual Rates

	2018	2019	2020	2020	2021		
				QIV	QI	QII	QIII
Gross Domestic Product	**2.9%**	**2.3%**	**-3.4%**	**4.5%**	**6.3%**	**6.7%**	**2.0%**
Gross Private Domestic Investment	**5.7%**	**3.4%**	**-5.5%**	**24.7%**	**-2.3%**	**-3.9%**	**11.7%**
Fixed Investment	4.8%	3.2%	-2.7%	17.7%	13.0%	3.3%	-0.8%
Nonresidential	6.4%	4.3%	-5.3%	12.5%	12.9%	9.2%	1.8%
Structures	**4.0%**	**2.0%**	**-12.5%**	**-8.2%**	**5.4%**	**-3.0%**	**-7.3%**
Equipment	6.4%	3.3%	-8.3%	26.4%	14.1%	12.1%	-3.2%
Intellectual Property Products	8.1%	7.2%	2.8%	10.2%	15.6%	12.5%	12.2%
Residential	-0.6%	-0.9%	6.8%	34.4%	13.3%	-11.7%	-7.7%

Source: Bureau of Economic Analysis

Change in Investment in Structures, 2008Q3 through 2021Q3

Source: Bureau of Economic Analysis

"“Leading indicators are more upbeat,” said Basu. “Architecture billings have risen for the past eight months, signaling more investment to come, though some of that may be tied to a resurgence of multifamily residential construction. There are also certain segments that continue to generate work for contractors, including structures related to health care, e-commerce and schools. Many state and local governments are flush with cash because of the federal stimulus package passed in March. Public sector construction will help offset some of the weakness in a number of private segments in the future. Moreover, materials prices will likely begin to moderate during the months ahead, which will help induce more project owners to push forward.”" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19070/gdp-report-investment-in-nonresidential-structures-falls-7-3-in-third-quarter-of-2021-says-abc; 10/28/21

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Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Contracts 0.6% in September

"National nonresidential construction spending contracted 0.6% in September, according to an Associated Builders and Contractors analysis of data published by the U.S. Census Bureau. On a seasonally adjusted annualized basis, nonresidential spending totaled $791.2 billion for the month.

Spending was down in 11 of the 16 nonresidential subcategories, with spending in amusement and recreation unchanged for the month. Both private and public nonresidential spending declined 0.6% in September.

"It is not surprising that nonresidential construction spending declined in September," said ABC Chief Economist Anirban Basu. "Nonresidential construction spending has generally been trending lower for several months and the factors behind this are well known. First, the pandemic has continued, resulting in ongoing global supply chain disarray. That has kept commodity and materials prices higher than they otherwise would be, causing some project owners to pull back on construction starts. Indeed, ABC's Construction Backlog Indicator has signaled a loss of momentum in nonresidential construction spending.

"Second, many observers thought that America would have passed a meaningful infrastructure package by now," said Basu. "That has not yet happened, and many state transportation agencies, along with their local counterparts, note that planning for projects has become extraordinarily challenging in the context of uncertain federal funding." – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19077/nonresidential-construction-spending-contracts-0-6-in-september-says-abc; 11/1/21

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Private Indicators
Associated Builders and Contractors

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

	September 2021	August 2021	September 2020	1-Month % Change	12-Month % Change
Nonresidential	$791,151	$796,182	$801,652	-0.6%	-1.3%
Educational	$95,973	$95,284	$103,237	0.7%	-7.0%
Sewage and waste disposal	$28,457	$28,348	$26,714	0.4%	6.5%
Office	$81,809	$81,606	$84,535	0.2%	-3.2%
Commercial	$90,666	$90,595	$82,216	0.1%	10.3%
Amusement and recreation	$24,589	$24,593	$26,852	0.0%	-8.4%
Water supply	$19,609	$19,670	$18,773	-0.3%	4.5%
Communication	$21,560	$21,636	$22,670	-0.4%	-4.9%
Religious	$2,893	$2,905	$3,292	-0.4%	-12.1%
Transportation	$56,142	$56,480	$59,933	-0.6%	-6.3%
Highway and street	$100,195	$100,922	$93,504	-0.7%	7.2%
Power	$112,434	$113,714	$109,165	-1.1%	3.0%
Manufacturing	$72,916	$74,126	$69,554	-1.6%	4.8%
Health care	$48,143	$48,992	$47,199	-1.7%	2.0%
Lodging	$18,334	$18,704	$27,702	-2.0%	-33.8%
Public safety	$10,730	$11,226	$17,436	-4.4%	-38.5%
Conservation and development	$6,702	$7,380	$8,871	-9.2%	-24.5%
Private Nonresidential	$456,379	$459,305	$458,779	-0.6%	-0.5%
Public Nonresidential	$334,772	$336,877	$342,873	-0.6%	-2.4%

Source: U.S. Census Bureau

Nonresidential Construction Spending Contracts 0.6% in September

"“Finally, to the extent that projects are moving forward, construction skills shortages are slowing the pace of construction delivery,” said Basu. “Were an infrastructure package to pass, it is unclear how projects would be sufficiently staffed given a higher rate of retirement among construction workers and a lack of entry into the skilled trades. These factors have continued in recent weeks, suggesting that nonresidential construction spending may remain somewhat soft during the months ahead.”" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19077/nonresidential-construction-spending-contracts-0-6-in-september-says-abc; 11/1/21

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Rebounds in October; Contractor Confidence in Sales and Profit Margins Falls

"Associated Builders and Contractors reports today that its Construction Backlog Indicator rose to 8.1 months in October, according to an ABC member survey conducted from Oct. 20 to Nov. 2. The reading is up 0.5 months from September 2021 and 0.4 months from October 2020.

However, ABC's Construction Confidence Index readings for sales and profit margins declined in October, while the index for staffing rose slightly. The sales and staffing readings are still above the threshold of 50, indicating expectations of growth over the next six months. The index for profit margins fell below that threshold, pointing to expectations of decline.

"After declining for two months, nonresidential construction backlog bounced back in October," said ABC Chief Economist Anirban Basu. "But some of the renewed momentum appears to be at the expense of profit margins. ABC's Construction Confidence Index indicates that the average contractor expects profit margins to dip over the next six months. The implication is that contractors are finding it difficult to pass along all the cost increases caused by higher materials prices."

"The good news is that demand for construction services remains elevated despite weaker economic growth and a stalled federal infrastructure package," said Basu. "With interest rates low and liquidity high, many investors are seeking positive rates of return through investment in real estate and new construction. Partially as a result, contractors continue to expect sales and employment to grow in the near term. It may be that many project owners have adjusted expectations about construction costs and are ready to move forward despite them. If that stays true, backlog should continue to rise from current levels."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19088/abc-s-construction-backlog-rebounds-in-october-contractor-confidence-in-sales-and-profit-margins-falls; 10/9/21

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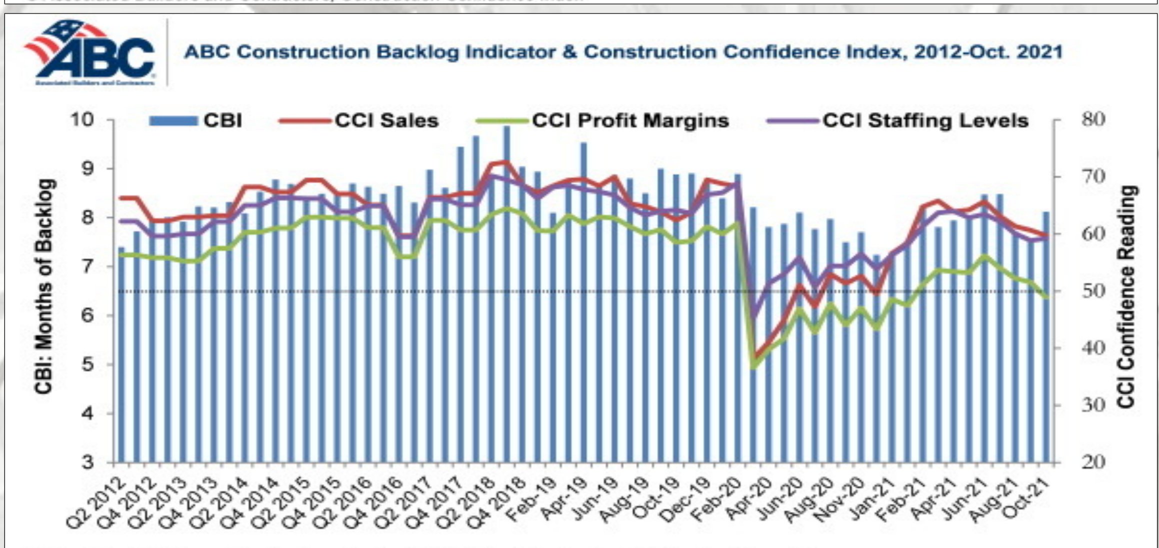
Associated Builders and Contractors

Construction Confidence Index

Response	October 2021	September 2021	October 2020
	CCI Reading		
Sales	59.7	60.7	52.7
Profit Margins	48.9	51.6	47.1
Staffing	59.2	58.9	56.6
	Sales Expectations		
Up Big	9.0%	6.8%	8.3%
Up Small	44.7%	49.4%	35.4%
No Change	27.0%	25.3%	23.3%
Down Small	14.8%	16.9%	24.8%
Down Big	4.5%	1.7%	8.3%
	Profit Margins Expectations		
Up Big	3.7%	2.5%	2.4%
Up Small	30.3%	33.3%	27.7%
No Change	32.0%	36.7%	32.0%
Down Small	25.8%	22.8%	31.6%
Down Big	8.2%	4.6%	6.3%
	Staffing Level Expectations		
Up Big	4.9%	3.4%	3.4%
Up Small	44.7%	43.0%	38.8%
No Change	34.8%	40.9%	41.3%
Down Small	13.5%	11.0%	13.6%
Down Big	2.0%	1.7%	2.9%



Source: https://www.abc.org/News-Media/News-Releases/entryid/19088/abc-s-construction-backlog-rebounds-in-october-contractor-confidence-in-sales-and-profit-margins-falls; 10/9/21

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index September 2021

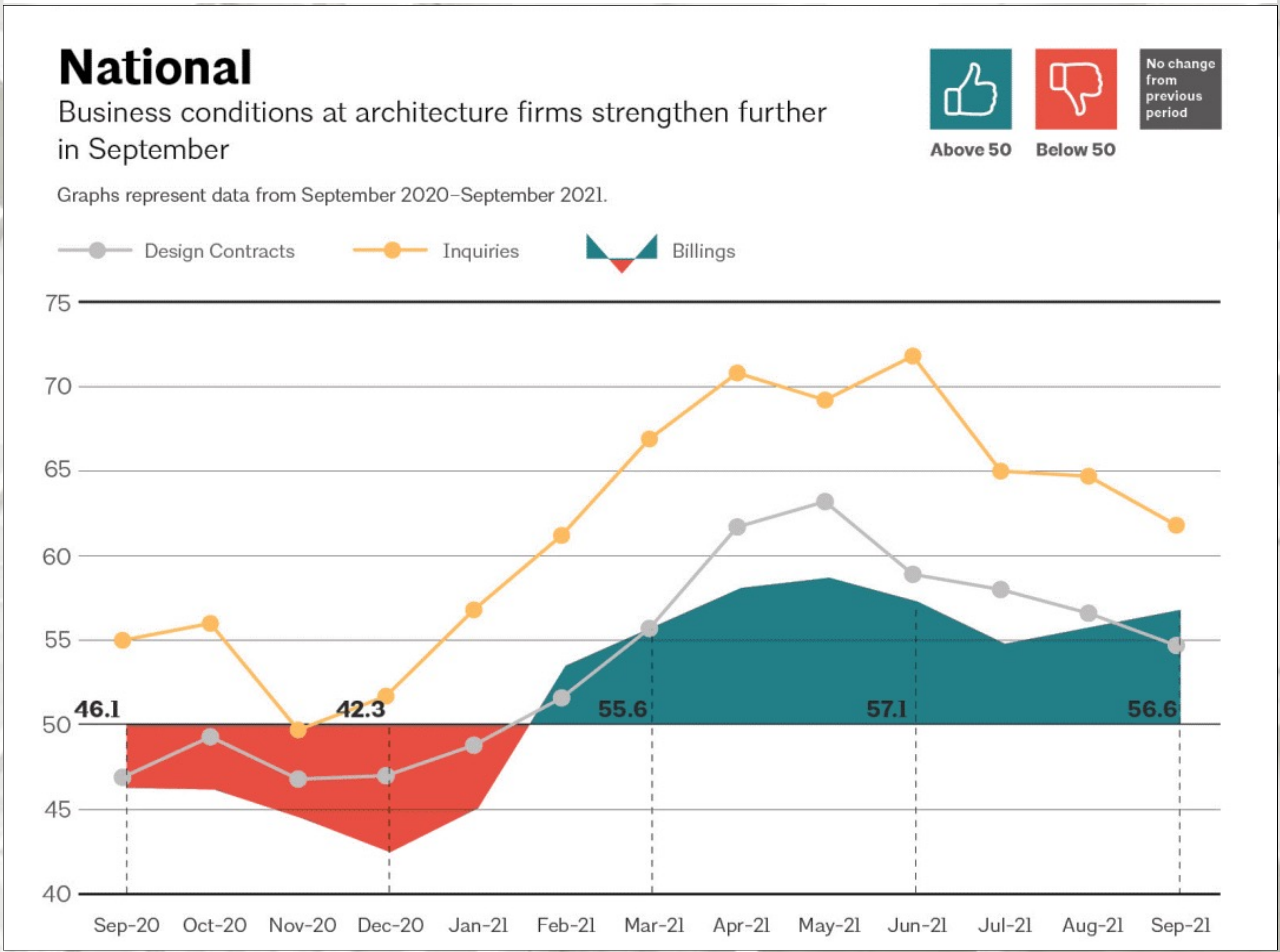
Architecture firm billings end the summer on a strong note

“Architecture firms continued to report strong business conditions in September. The ABI score rose by a point from August to 56.6, one of the higher scores seen this year. The ABI scores over the last eight months continue to be among the highest ever seen in the immediate post-recession periods that have been captured throughout the index’s history, underscoring just how strong the bounce back has been this year following the abrupt downturn in 2020. Firms continue to report plenty of work in the pipeline as well, with inquiries into new projects and the value of new design contracts remaining strong. In addition, backlogs at architecture firms reached a new high since we started collecting the data on a quarterly basis in late 2010, now averaging 6.6 months.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“The ABI scores over the last eight months continue to be among the highest ever seen in the immediate post-recession periods that have been captured throughout the index’s history. Backlogs at architecture firms reached a new high since we started collecting the data on a quarterly basis in late 2010, now averaging 6.6 months.” – Kermit Baker, Chief Economist, AIA

Source: https://www.aia.org/pages/6444946-architecture-firm-billings-end-the-summer-; 10/20/21

Private Indicators
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6444946-architecture-firm-billings-end-the-summer-; 10/20/21

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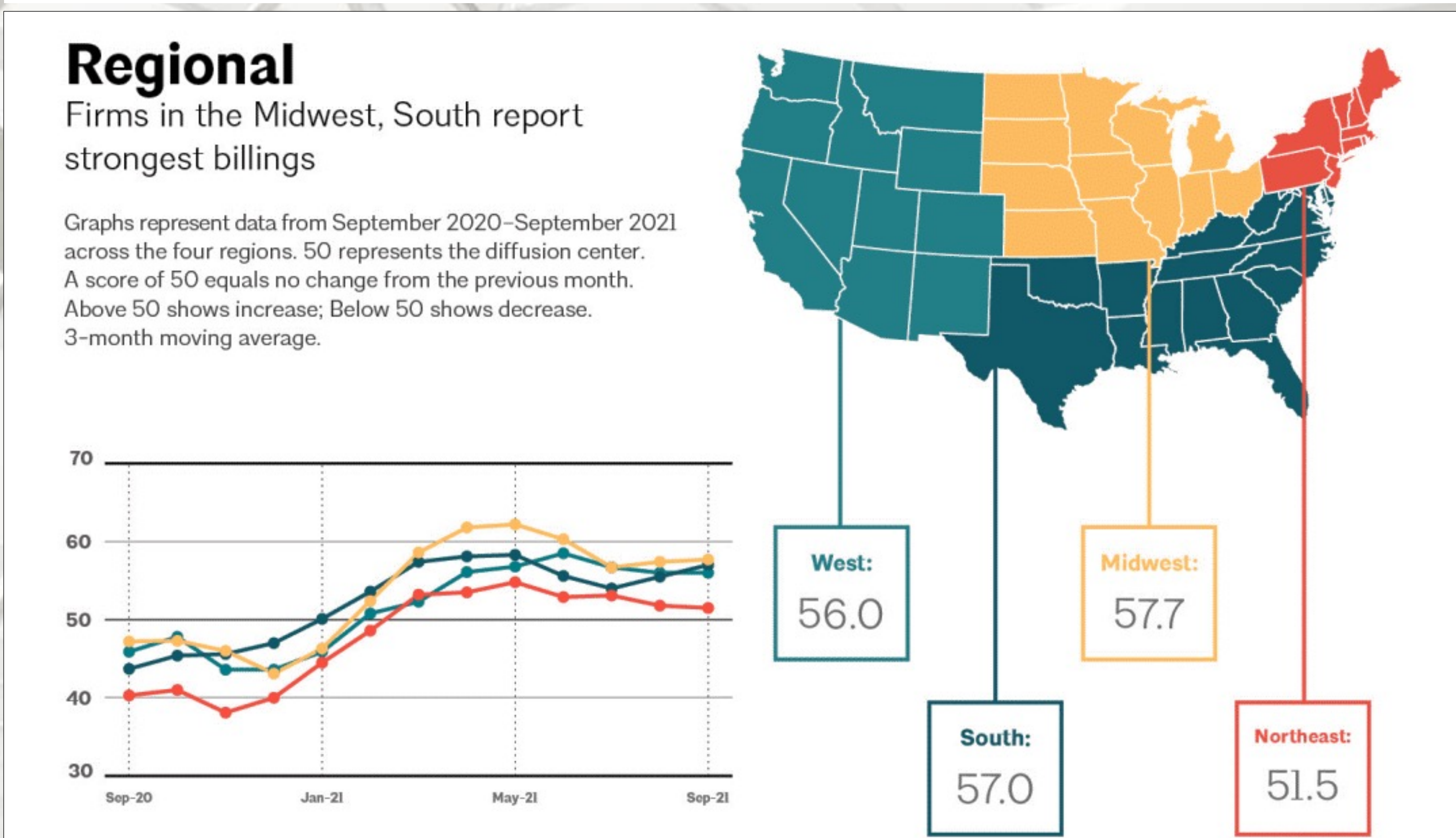
Private Indicators: AIA



Region

"Firm billings remained strongest at firms located in the Midwest in September, and business conditions also strengthened further at firms located in the South. Billings growth continued to soften at firms located in the Northeast, but remained positive overall." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6444946-architecture-firm-billings-end-the-summer-; 10/20/21

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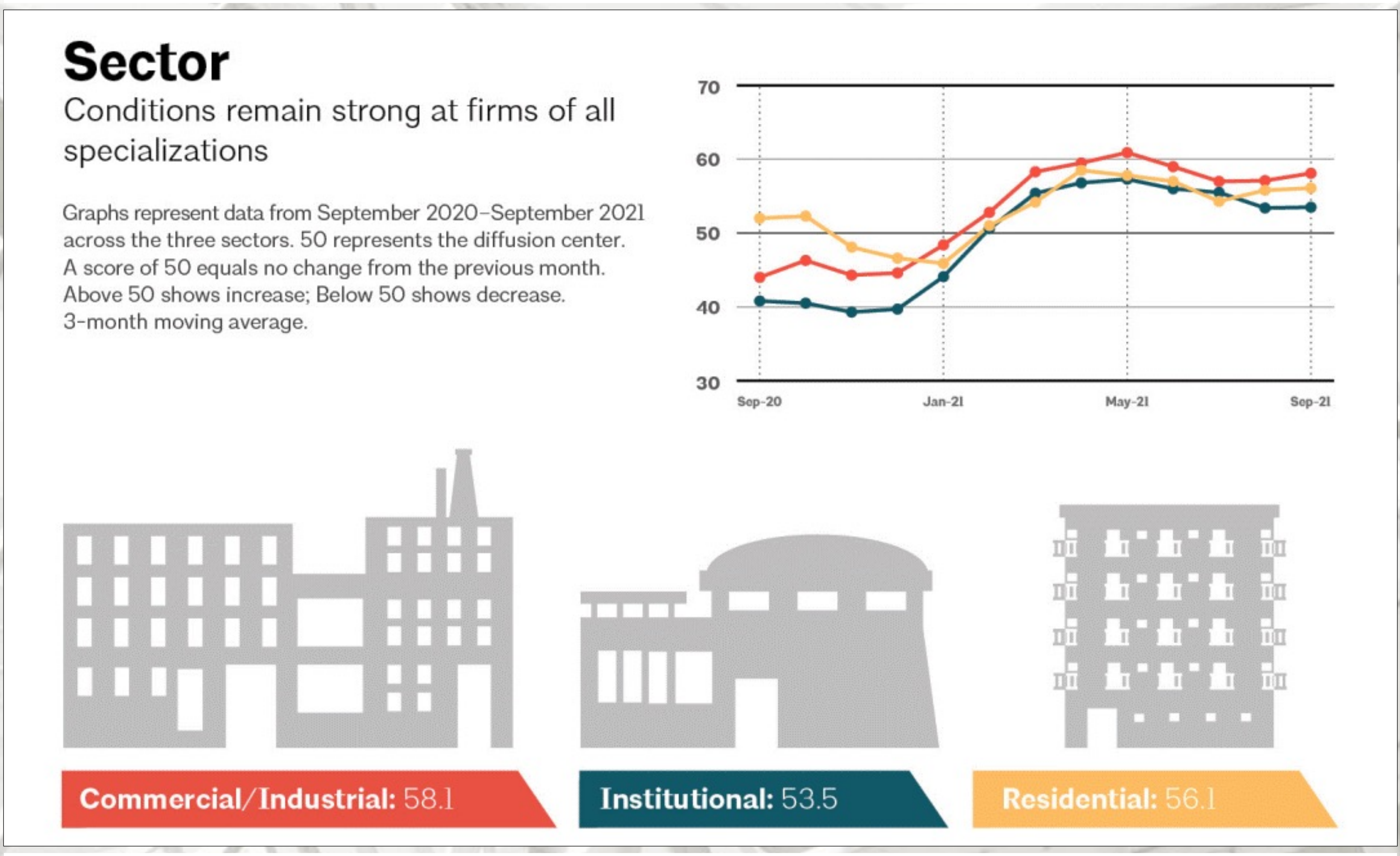
Private Indicators: AIA



Sector

"Firms with a commercial/industrial specialization reported the strongest billings for the eighth consecutive month, although business conditions remain robust at firms with multifamily residential and institutional specializations as well." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6444946-architecture-firm-billings-end-the-summer-; 10/20/21

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Private Indicators

Dodge Data & Analytics

Total Construction Starts Rebound in September

Construction shakes off concerns about material prices
and Delta variant to post solid growth

"Total construction starts rose 10% in September to a seasonally adjusted annual rate of $889.7 billion, according to Dodge Construction Network. All three sectors improved: nonresidential building starts rose 15%, residential starts moved 9% higher, and nonbuilding starts increased by 6%.

"Construction starts have struggled over the last three months as concerns over rising prices, shortages of materials, and scarce labor led to declines in activity," stated Richard Branch, Chief Economist for Dodge Construction Network. "The increase in September, however, partially allays the fear that construction is headed for a free-fall and shows that owners and developers are still ready to move ahead with projects. Starts are likely to continue to trend in a positive but sawtooth fashion in the coming months until a more balanced recovery takes hold next year."" – Nicole Sullivan, Public Relations & Social Media, AFFECT

Source: https://www.construction.com/news/Total-Construction-Starts-Rebound-in-September-2021; 10/20/21

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Private Indicators

Dodge Data & Analytics

•"**Residential building starts** rose 9% in September to a seasonally adjusted annual rate of $430 billion. Single family starts gained 9% in September, while multifamily starts increased by 24%. Through nine months, residential starts were 25% higher than in the same period one year ago. Single family starts gained 26%, and multifamily starts grew 20%.

For the 12 months ending in September 2021, total residential starts were 22% higher than the 12 months ending in September 2020. Single family starts gained 26%, and multifamily starts were up 10% on a 12-month sum basis..

The largest multifamily structures to break ground in September were the $300 million Islablue Apartments in Long Beach, NY, the $256 million Station Square Apartments (phase 2A) in Ronkonkoma, NY, and the $215 million 906 W. Randolph mixed-use project in Chicago, IL.

Regionally, total construction starts improved in all five regions during September.

Nonresidential building starts rose 6% in September to a seasonally adjusted annual rate of $177.9 billion. Miscellaneous nonbuilding starts (pipelines, site work, etc.) and environmental public works (water, sewers, etc.) each gained 29%, while highway and bridge starts gained less than 1%. On the downside, utility/gas plant starts dropped 53%. Year-to-date, total nonbuilding starts were essentially unchanged through September. Environmental public works were 24% higher, while highway and bridge starts were 2% lower. Miscellaneous nonbuilding fell 14% and utility/gas plant starts fell 10% during the first nine months of the year.

For the 12 months ending in September 2021, total nonbuilding starts were 1% lower than the 12 months ending in September 2020. Environmental public works starts were 22% higher and highway and bridge starts were up 3%, while utility and gas plant starts were down 20% and miscellaneous nonbuilding starts were 16% lower on a 12-month rolling basis." – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/Total-Construction-Starts-Rebound-in-September-2021; 10/20/21

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Private Indicators

MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

	Sep 2021	Aug 2021	% Change
Nonresidential Building	$281,765	$244,111	15
Residential Building	429,991	394,348	9
Nonbuilding Construction	177,932	167,554	6
Total Construction	$889,688	$806,013	10

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	9 Mos. 2021	9 Mos. 2020	% Change
Nonresidential Building	$206,266	$193,318	7
Residential Building	320,672	257,341	25
Nonbuilding Construction	142,283	142,108	0
Total Construction	$669,221	$592,767	13

Source: Dodge Data & Analytics

Source: https://www.construction.com/news/Total-Construction-Starts-Rebound-in-September-2021; 10/20/21

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Private Indicators

MNI Chicago

"The Chicago Business Barometer™, produced with MNI, rose to 68.4 in October, picking up after two consecutive months of decline. Among the main five indicators, four were higher, led by Order backlogs and Employment. Only Production fell across the month.

Chicago Business Barometer™ – Rose to 68.4 in October

After the sharp September fall, Order Backlogs recovered more than half the loss, picking up 13.5 points index points. Supplier Deliveries rose through September to stand at 84.7, as firms again reported worsening port congestion and ongoing logistical issues with trucking, rail, and even air cargo.

New Orders advanced 3.1 points, recovering from September's 6-month low. Some businesses said raw material shortages and a low supply of critical components like semiconductors at suppliers was impacting opportunities. Prices Paid rose by 3.6 points in October to a 42-year high, with many companies saying prices continued to be an issue. Production was the only component to fall in October, dropping 2.2 to the lowest reading since August 2020. Employment increased again, up for a fourth straight month, rising 4.2 points to stand at the highest in just over three years.

This month's special question asked, firms what they anticipated "will be the greatest challenge for your business in Q4?" The majority (52.8%) said logistics. The second question asked simply, "Are you considering new hires in 2022?" The vast majority (72.2%) said they were looking to recruit, with just 11.1% saying no. The balance, 16.7%, were unsure of how they would stand on hiring next year. " – Les Commons, Senior Economist and Irene Prihoda, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 10/29/21

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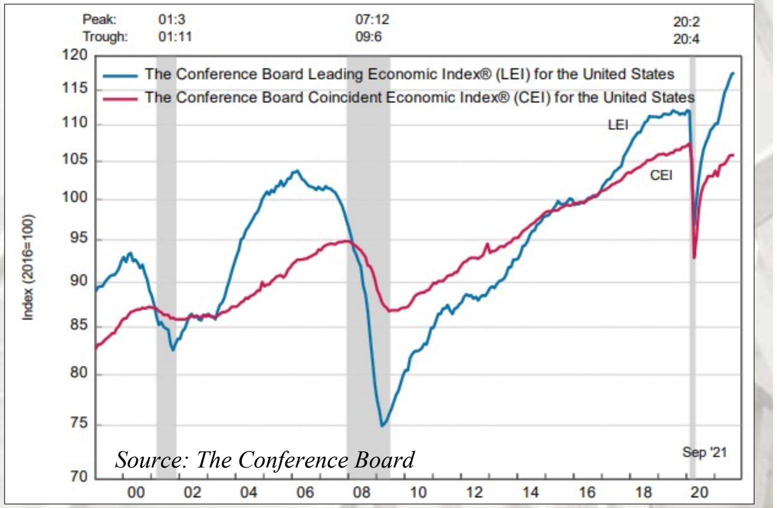
Private Indicators

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

"**The Conference Board Leading Economic Index®** (LEI) for the U.S. increased by 0.2 percent in September to 117.5 (2016 = 100), following a 0.8 percent increase in August and a 0.9 percent increase in July."

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



"The U.S. LEI rose again in September, though at a slower rate, suggesting the economy remains on a more moderate growth trajectory compared to the first half of the year. The Delta variant, rising inflation fears, and supply chain disruptions are all creating headwinds for the US economy. Despite the LEI's slower growth in recent months, the strengths among the components remain widespread. Indeed, The Conference Board continues to forecast strong growth ahead: 5.7 percent year-over-year for 2021 and 3.8 percent for 2022." – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

"**The Conference Board Coincident Economic Index®** (CEI) for the U.S. remained unchanged in September at 105.8 (2016 = 100), following a 0.1 percent increase in August and a 0.6 percent increase in July.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased by 0.3 percent in September to 106.5 (2016 = 100), following a 0.1 percent increase in August and a 0.4 percent increase in July."

Source: https://www.conference-board.org/data/bcicountry.cfm; 10/21/21

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Private Indicators

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

September New Business Volume Up 6 Percent Year-over-year, 8 Percent Month-to-month, and 10 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 September was $9.2 billion, up 6 percent year-over-year from new business volume in September 2020. Volume was up 8 percent month-to-month from $9.9 billion in August. Year-to-date, cumulative new business volume was up 10 percent compared to 2020.

Receivables over 30 days were 1.6 percent, down from 1.8 percent the previous month and down from 2.0 percent in the same period in 2020. Charge-offs were 0.35 percent, up from 0.23 percent the previous month and down from 0.82 percent in the year-earlier period.

Credit approvals totaled 76.3 percent, unchanged from August. Total headcount for equipment finance companies was down 14.0 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 October is 61.1, an increase from the September index of 60.5." – Amy Vogt, Vice President, Communications and Marketing, ELFA

"Originations in the equipment finance industry continue to tick up, with September new business volume showing good growth compared to the same period last year. Supply chain disruptions and inflation concerns continue, with the Fed poised to gradually ease its asset purchases in the near term. For now, liquidity is abundant and businesses are acquiring the productive equipment necessary to respond to customer demand in a variety of market sectors. Portfolio quality is mixed, however, with lower delinquencies offset by slightly higher charge offs for the 25 responding MLFI participants." – Ralph Petta, President and CEO, ELFA

Source: www.elfaonline.org/news/press-room/press-releases/details/2021/10/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 10/26/21

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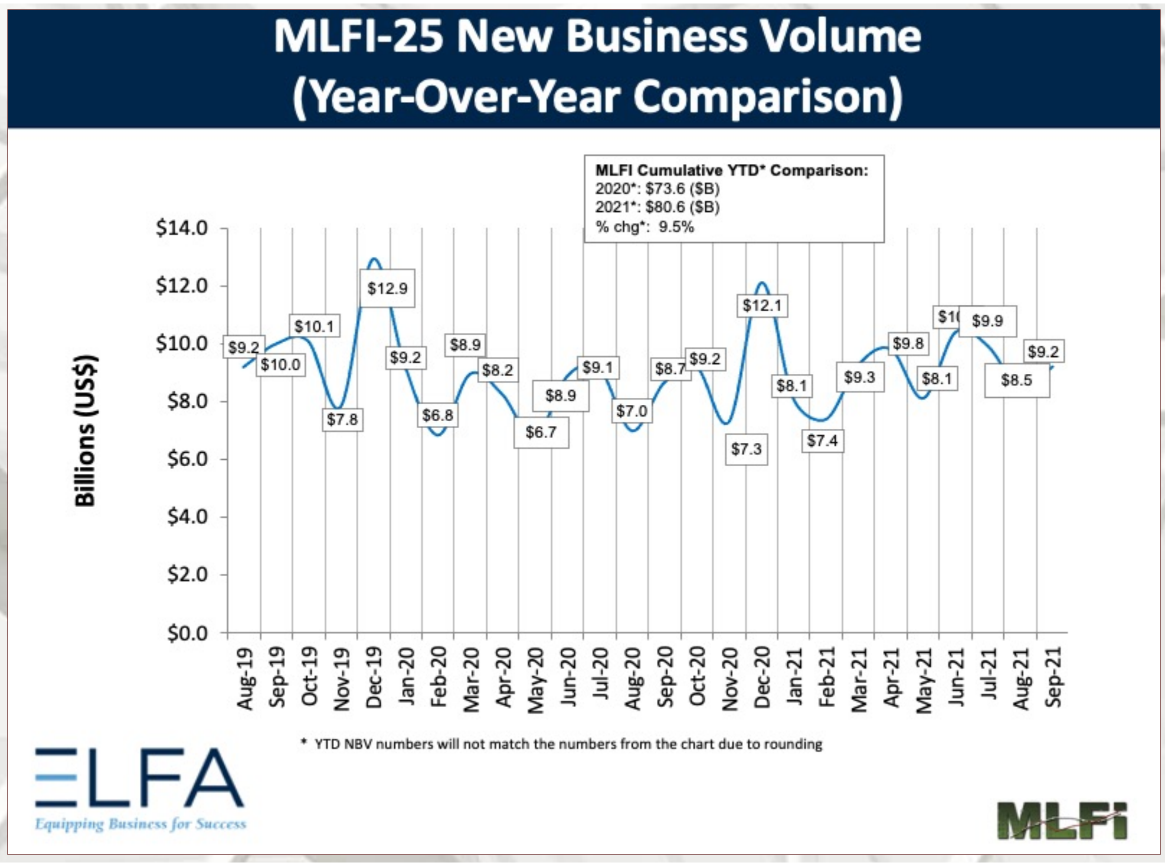

Equipment Leasing and Finance Association's Survey of Economic Activity: Monthly Leasing and Finance Index

"The September MLFI data display encouraging signs of improvement for the industry with new business volume increasing and delinquency decreasing from August. Losses are trending higher but remain in a range below what we saw in comparable, pre-pandemic periods. Looking forward, it seems this is a story of tailwinds and headwinds. A slight increase in the Foundation's October Monthly Confidence Index, reduced levels of COVID-19 cases from the late summer peak and increasing demand are indications that things will continue to improve. On the other hand, supply chain disruption, significant increases in equipment prices and low worker supply continue to hamper expansion in major industry sectors our industry serves. This should really make for an interesting fourth quarter." – Robert L. Boyer, President, First Commonwealth Equipment Finance

Source: www.elfaonline.org/news/press-room/press-releases/details/2021/10/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 10/26/21

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Private Indicators

Markit U.S. Manufacturing PMI™

Output growth hampered further by material shortages, but expansion in new orders remains sharp

"The seasonally adjusted IHS Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 58.4 in October, down from 60.7 in September and below the earlier released 'flash' estimate of 59.2. The latest improvement in the health of the U.S. manufacturing sector was sharp, despite being the weakest for ten months.

October PMI™ data from IHS Markit signalled a steep improvement in operating conditions across the U.S. manufacturing sector. Although the overall upturn slowed to the softest in 2021 so far, the expansion in new orders remained sharp and historically elevated. Nonetheless, output growth eased again to the weakest since July 2020 amid capacity constraints including material shortages. A lack of input availability and transportation delays led to a severe deterioration in vendor performance, with input costs rising markedly. At the same time, firms passed through higher input prices to their clients, as charges rose at the fastest pace on record. Meanwhile, concerns regarding supply chain disruption and inflation weighed on business confidence which dropped to the weakest for a year.

Contributing to the overall upturn was a steep rise in new business at manufacturing firms in October. Companies continued to highlight strong demand conditions, but some noted that raw material shortages were hampering demand from clients as stocks of inputs had already been built or delivery times were too extensive. The pace of new order growth was the slowest for ten months. New export sales rose only fractionally as foreign demand was also weighed down by the knock-on effects of uncertain supply.

In line with capacity constraints, production growth slowed to the softest since July 2020 in October. Raw material and labour shortages were commonly cited as hampering the upturn. " – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/a8cc4754ce9a40158976a6b47f03e82f; 11/1/21

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Private Indicators

Markit U.S. Manufacturing PMI™

"Alongside supplier shortages, transportation delays and strong demand for inputs exacerbated an already substantial deterioration in vendor performance. The extent to which lead times lengthened was broadly unchanged from that seen in September and among the most marked on record. The rate of input cost inflation remained substantial at the start of the fourth quarter, as hikes in vendor prices and greater transportation surcharges pushed costs up. With the exception of August and September's record rises, the latest increase was the fastest since data collection began in May 2007. At the same time, firms continued to partially pass on higher costs to clients. The rate of charge inflation accelerated to the fastest on record.

Despite marked increases in costs, firms expanded their input buying sharply again in October. Although at the slowest pace for seven months, companies attributed higher purchasing activity to efforts to build stocks amid greater new order inflows. Meanwhile, stocks of purchases rose only modestly as firms utilised current input holdings to supplement production. Similarly, stocks of finished goods fell solidly as companies sought to meet new order deadlines. Backlogs of work rose markedly, and at one of the sharpest paces on record as firms grappled with pressure on capacity. The rate of growth eased to a four-month low, however, as employment increased at a solid pace.

October saw US manufacturers report yet another near-record lengthening of supply chains, with shortages of components constraining production growth to the lowest since July of last year. Around half of all companies reporting lower production in October attributed the decline to a lack of supplies. However, a further one-in-ten cited a lack of labor, and one-in-four reported that demand had fallen, often as a result of customers either lacking other inputs or pushing back on higher prices." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/a8cc4754ce9a40158976a6b47f03e82f; 11/1/21

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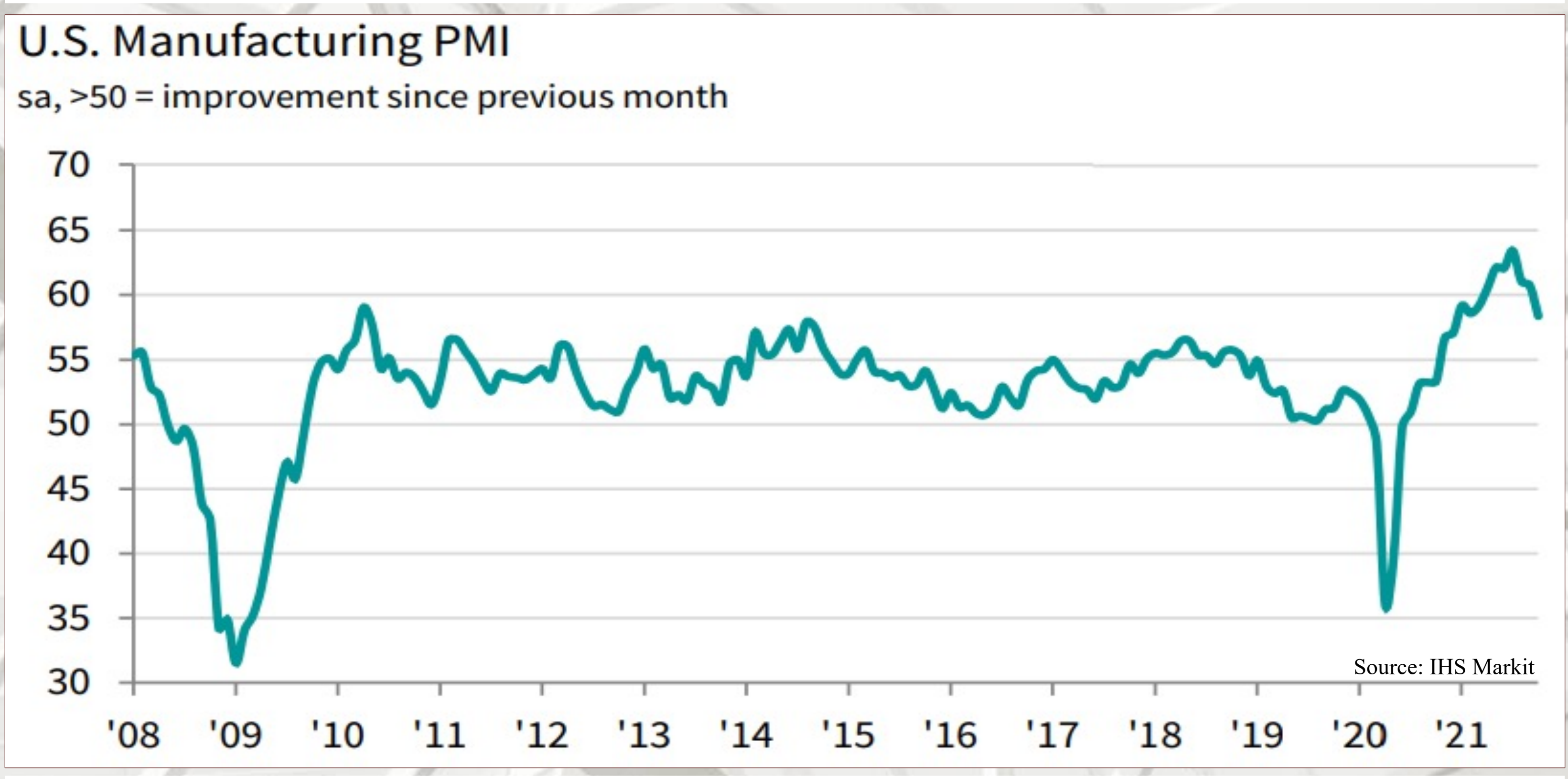
Private Indicators



Markit U.S. Manufacturing PMI™

"Although production growth has now slipped below the pre-pandemic long-run average due to the supply and labor constraints, demand growth – as measured by new order inflows – remains well above trend despite easing in October, hence producers saw another steep rise in backlogs of uncompleted work. This shortfall of production relative to demand was the principal driving force behind a survey record rise in manufacturers' selling prices, suggesting that inflationary pressures continue to build and look unlikely to abate to any significant degree any time soon. Finally, output expectations dropped to a 12-month low in October amid concerns regarding inflation and supply-chain disruption." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/a8cc4754ce9a40158976a6b47f03e82f; 11/1/21

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Private Indicators

IHS Markit U.S. Services PMI™

Business activity growth quickens to three-month high amid stronger client demand

“The seasonally adjusted final IHS Markit US Services PMI Business Activity Index registered 58.7 in October, up from 54.9 in September and above the earlier released ‘flash’ estimate of 58.2. The latest expansion was sharp overall and the quickest since July. The upturn was faster than the series average, with firms linking the increase to greater client demand and a further rise in new business.

US service providers registered a steep upturn in business activity during October, according to the latest PMI™ data. The rise in output was the quickest for three months and was supported by a stronger expansion in new business. In line with greater new order inflows, firms signalled the fastest increase in backlogs of work since data collection began in October 2009, despite a faster pace of job creation. Nonetheless, concerns regarding labor shortages and unstable supply chains led business confidence to drop to an eight-month low. Meanwhile, the rate of cost inflation eased to an eight-month low, despite being quicker than any pace of increase seen before March 2021. In response to a further rise in costs, firms raised their selling prices at the fastest rate on record.

October data signalled a strong rise in new orders at service providers, with the pace of growth quickening to a three-month high. Companies stated that demand from new and existing customers helped boost new sales. At the same time, some firms noted that greater confidence at clients alongside the return to office for some customers supported the upturn. Conversely, new business from abroad fell for the third successive month at the start of the fourth quarter. Demand was reportedly stymied by pandemic uncertainty in key export markets. The decrease was modest overall and broadly in line with the pace seen in September.

In line with greater new order inflows and burgeoning pressure on capacity, firms registered an unprecedented rise in backlogs of work during October. Labor shortages reportedly exacerbated the strain on business capacity.” – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/3c6b4c7721994516a4a734991db3eb68; 11/3/21

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Private Indicators

IHS Markit U.S. Services PMI™

"In response to a record rate of accumulation in outstanding business, firms expanded their workforce numbers in October. The rate of job creation was solid overall and the fastest since June, despite some companies continuing to note challenges finding suitable candidates for current vacancies.

Service providers recorded another marked uptick in cost burdens. The rate of inflation eased but was faster than any seen before March 2021. Greater input prices were attributed to higher fuel, wage, transportation and material costs. Subsequently, firms sought to pass on higher costs to clients through a further sharp increase in selling prices. The latest rise in output charges was the steepest since data collection began 12 years ago.

While the service sector is seeing a waning impact from the pandemic, it's a different story in manufacturing, where the supply crisis continues to cause havoc and dampen production growth. Supply delays worsened in October, which has in turn fed through to a further intensification of inflationary pressures. Going forward, the big questions will revolve around the extent to which manufacturers can overcome their supply chain bottlenecks, which look set to worsen as we head towards the busy holiday period, and whether the service sector can sustain its current resilience as the rebound from the pandemic starts to fade and incomes are squeezed by higher prices.

The final PMI data add to indications that the US economy has picked up speed again in the fourth quarter. After the Delta variant caused growth to slow in the third quarter, the easing of virus case numbers has been followed by a strong revival of economic activity, notably in the service sector, which looks set to be the driving force of the economy as we head towards the end of the year.

Finally, the level of optimism slipped to the lowest since February, as service providers reported ongoing concerns surrounding inflation and material shortages." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/3c6b4c7721994516a4a734991db3eb68; 11/3/21

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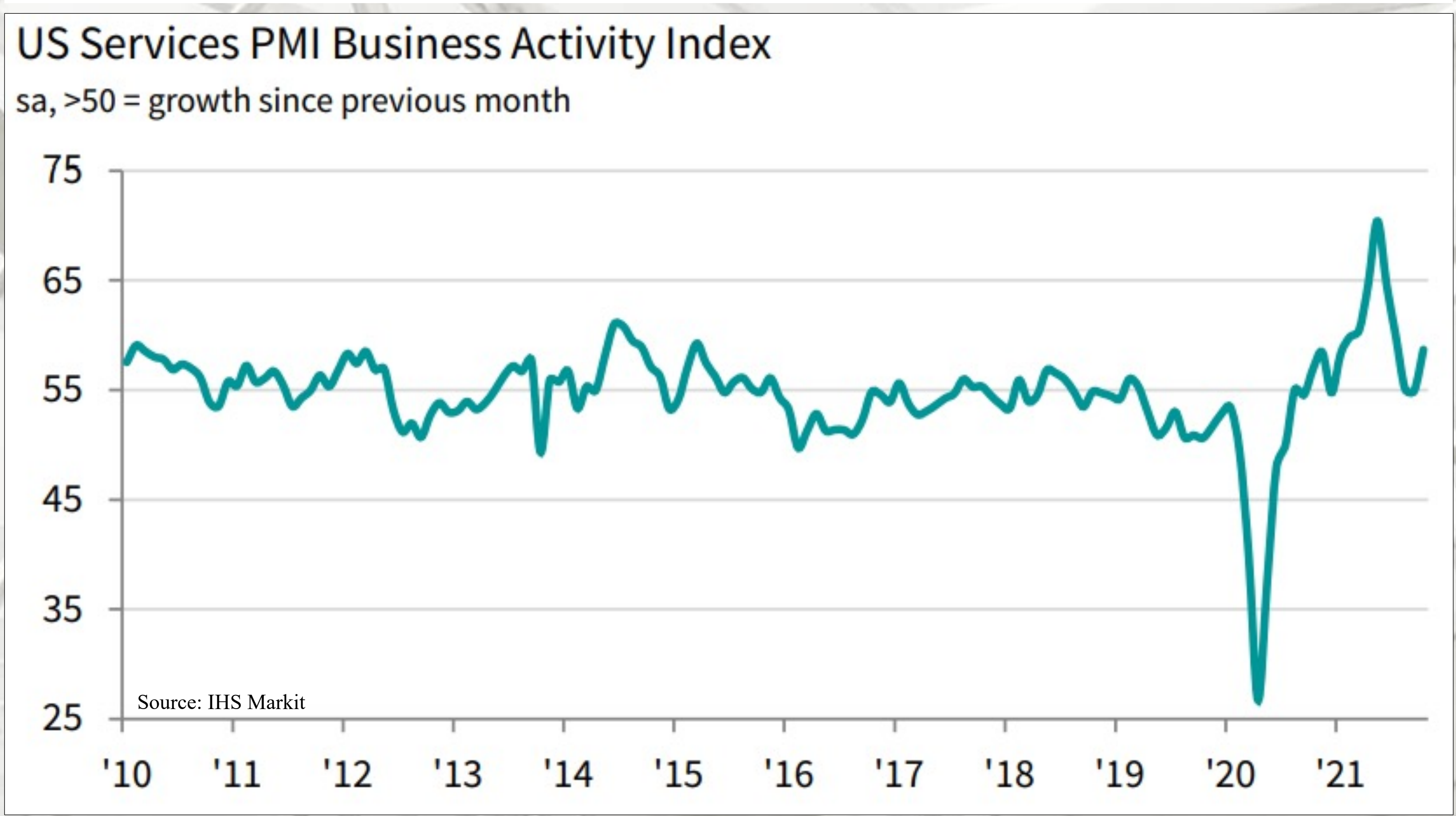

Source: https://www.markiteconomics.com/Public/Home/PressRelease/3c6b4c7721994516a4a734991db3eb68; 11/3/21

Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for October 2021: Combined Sectors

"NACM's Credit Managers' Index (CMI) has been fluctuating for months starting with the decline from the pandemic, followed by unanticipated economic recovery earlier this year. However, October's readings show some form of stability. This month's combined index score remained fairly unchanged with only a 0.1-point drop to 58.0 compared to last month.

"The fact that the CMI this month is nearly identical to the CMI last month is an anomaly but perhaps a welcome one," said NACM Economist Chris Kuehl, Ph.D. "Given the fact that credit managers tend to think more about the future than what is happening right now, this outbreak of stability may be pointing to a more predictable end of the year."

The combined index of favorable factors improved with a 1.7-point gain this month. Sales numbers and dollar collection improved by 2.3 points to 72.7 and 63.4, respectively. Amount of credit extended improved the most with a 2.5-point jump to 70.0 - the first time this category has breached the 70's. New credit applications slipped 0.4 points to 64.6.

"Many companies are buying more heavily and aggressively than they usually do as they are trying to beat inflation and they are concerned about the supply chain," Kuehl noted.

The combined index for unfavorable factors slipped with a 1.3-point dop to 51.5 - the lowest level seen in the last year. Rejections of credit applications remained unchanged at 52.1 while accounts placed for collection dipped slightly by 0.2 points. The disputes category dropped 2.8 points into the contraction zone and the dollar amount of customer deductions also fell by 2.8 points into contraction territory. Filings for bankruptcies stayed fairly stable with a 0.5-point drop." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 10/30/21

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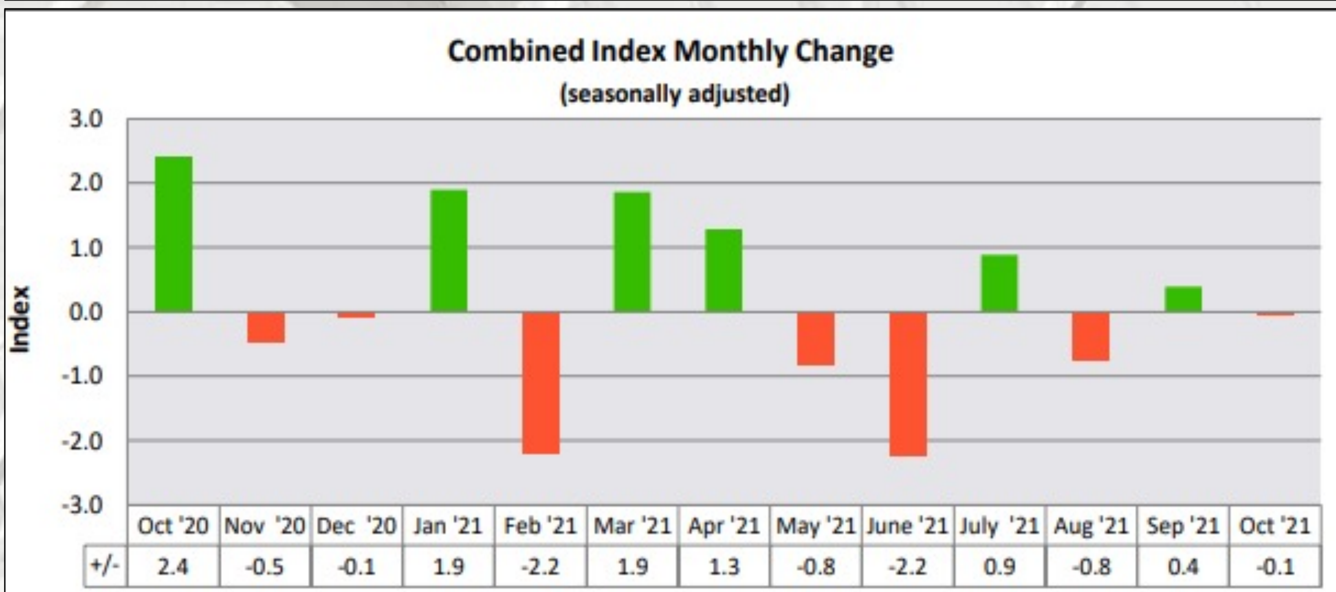
Private Indicators

Combined Manufacturing and Service Sectors (seasonally adjusted)	Oct '20	Nov '20	Dec '20	Jan '21	Feb '21	Mar '21	Apr '21	May '21	June '21	July '21	Aug '21	Sep '21	Oct '21
Sales	74.2	66.5	70.2	75.9	69.9	73.9	74.7	73.2	67.7	73.3	68.6	70.4	72.7
New credit applications	65.2	63.9	64.4	67.8	65.5	63.9	65.9	64.6	63.1	69.8	64.4	65.0	64.6
Dollar collections	64.6	62.6	62.8	66.0	59.2	64.5	63.1	60.0	61.1	63.8	62.8	61.1	63.4
Amount of credit extended	68.0	64.8	65.3	69.2	66.8	68.4	69.0	69.0	67.4	61.1	68.4	67.5	70.0
Index of favorable factors	68.0	64.4	65.7	69.7	65.3	67.7	68.2	66.7	64.8	67.0	66.0	66.0	67.7
Rejections of credit applications	51.4	51.5	51.3	51.6	51.5	52.0	53.0	53.1	52.3	52.2	52.2	52.1	52.1
Accounts placed for collection	49.5	56.2	51.6	52.9	51.6	55.1	59.6	54.2	53.2	52.0	51.7	51.7	51.5
Disputes	51.0	50.6	51.2	50.9	51.0	50.6	51.3	53.7	50.4	49.4	49.5	51.3	48.5
Dollar amount beyond terms	58.0	58.1	57.0	58.9	52.0	57.0	59.4	57.1	49.5	52.4	51.6	51.9	50.9
Dollar amount of customer deductions	51.0	51.7	51.5	51.3	52.8	52.2	53.0	53.6	52.6	52.2	50.1	52.3	49.5
Filings for bankruptcies	50.7	53.0	52.5	52.3	54.5	55.7	57.1	59.3	58.3	58.2	57.4	57.3	56.8
Index of unfavorable factors	51.9	53.5	52.5	53.0	52.2	53.8	55.6	55.2	52.7	52.7	52.1	52.8	51.5
NACM Combined CMI	58.4	57.9	57.8	59.7	57.5	59.3	60.6	59.8	57.5	58.4	57.7	58.1	58.0



Source: https://nacm.org/cmi.html; 10/30/21

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Private Indicators

National Federation of Independent Business (NFIB) October 2021 Report

Small Business Optimism Decreases, Owners Uncertain About Future Business Conditions

"Small business owners are attempting to take advantage of current economic growth but remain pessimistic about business conditions in the near future. One of the biggest problems for small businesses is the lack of workers for unfilled positions and inventory shortages, which will continue to be a problem during the holiday season." – Bill Dunkelberg, Chief Economist, NFIB

"The NFIB Small Business Optimism Index decreased slightly in October by 0.9 points to 98.2. One of the 10 Index components improved, seven declined, and two were unchanged.

Key findings include:

- The NFIB Uncertainty Index decreased seven points to 67.
- Small business owners expecting better business conditions over the next six months fell four points to a net negative 37%. This indicator has declined 17 points over the past three months to its lowest level since November 2012.

As reported in NFIB's monthly jobs report, 49% of owners reported job openings that could not be filled, a decrease of two points from September. A net 44% of owners (seasonally adjusted) reported raising compensation, a 48-year record high reading. A net 32% plan to raise compensation in the next three months." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 11/9/21

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Private Indicators

National Federation of Independent Business (NFIB) October 2021 Report

Fifty-six percent of owners reported capital outlays in the last six months, up three points from September. Of those making expenditures, 40% reported spending on new equipment, 24% acquired vehicles, and 14% improved or expanded facilities. Seven percent acquired new buildings or land for expansion and 12% spent money for new fixtures and furniture. Thirty-one percent of owners plan capital outlays in the next few months, up three points and two points above the 48-year average.

A net negative 4% of all owners reported higher nominal sales in the past three months, down seven points from September. The net percent of owners expecting higher real sales volumes decreased by two points to a net 0%.

The net percent of owners reporting inventory increases decreased three points to a net 0%. Thirty-nine percent of owners report that supply chain disruptions have had a significant impact on their business. Another 29% report a moderate impact and 21% report a mild impact. Only 10% of owners reported no impact from recent supply chain disruptions.

A net 9% of owners viewed current inventory stocks as "too low" in October, down one point from last month and near a record high level. A net 8% of owners plan inventory investment in the coming months.

The net percent of owners raising average selling prices increased seven points to a net 53% (seasonally adjusted). Six percent of owners reported lower average selling prices and 57% reported higher average prices. Price hikes were the most frequent in wholesale (78% higher, 4% lower), retail (72% higher, 4% lower) and construction (66% higher, 0% lower). A net 51% of owners (seasonally adjusted) plan price hikes." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 11/9/21

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Private Indicators

National Federation of Independent Business (NFIB) October 2021 Report

"The frequency of reports of positive profit trends decreased three points to a net negative 17%. Among owners reporting lower profits, 31% blamed the rise in the cost of materials, 25% blamed weaker sales, 9% cited labor costs, 9% cited the usual seasonal change, 6% cited lower prices, and 3% cited higher taxes or regulatory costs. For owners reporting higher profits, 56% credited sales volumes, 17% cited usual seasonal change, and 11% cited higher prices.

Two percent of small employers reported that all their borrowing needs were not satisfied. Twenty-three percent reported all credit needs met and 63% said they were not interested in a loan. A net 2% reported their last loan was harder to get than in previous attempts.

The economy grew at a disappointing 2 percent rate in the third quarter, due mostly to a weakening of consumer spending. A reduction in government support payments was the major drag, but so were supply chain issues and labor shortages. New car spending collapsed over 20 percent as dealers' inventories shrunk due to production and distribution problems. A large share of the new homes sold have not been built yet due in part by labor shortages. With housing in short supply across much of the country, home prices have also advanced 20 percent. So, reduced government support, higher prices, and slowing job creation delivered a soft quarterly performance." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 11/9/21

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Private Indicators

National Federation of Independent Business (NFIB) October 2021 Report

"Adding to the muddle, Washington is having trouble putting its economic policies in place. Spending and tax policies are still up in the air, while debt ceiling problems loom larger each day. The Federal Reserve is also scrambling to reset policies to deal with growth and inflation numbers that it had not expected. Small businesses are hanging on, trying to take advantage of current economic growth while remaining pessimistic about the course of business conditions in the near future. Not knowing the course of federal economic policies (e.g., taxes) makes it harder to make the investment expenditures that will be needed to raise worker productivity. Add to that the unclear course of the virus and associated government policies and owners face an economy filled with uncertainty that must be resolved to figure out the likely course of the economy." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 11/9/21

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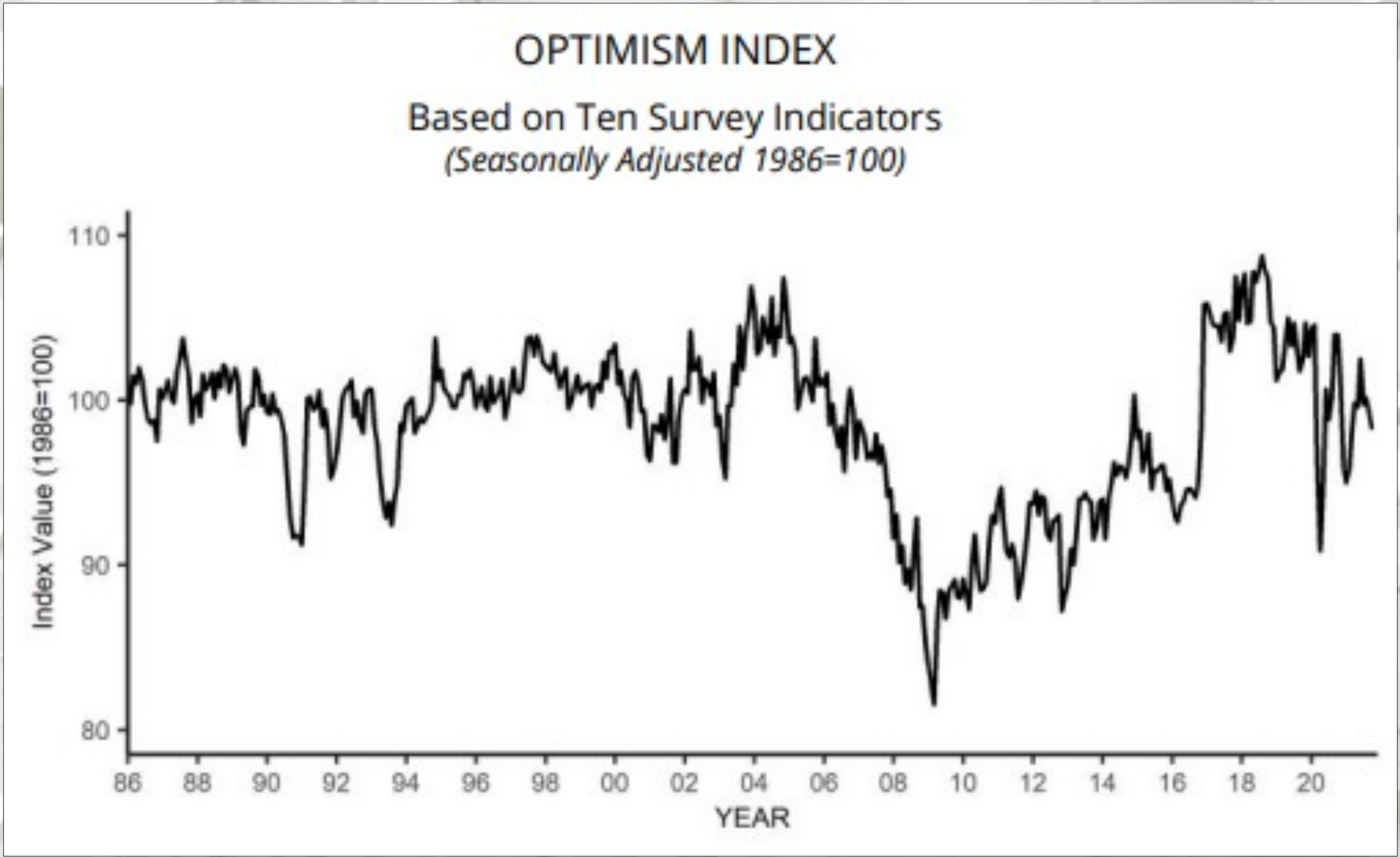
Private Indicators



Source: http://www.nfib.com/surveys/small-business-economic-trends; 11/9/21

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Private Indicators

OPTIMISM INDEX

Based on Ten Survey Indicators
(Seasonally Adjusted 1986=100)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	93.9	92.9	92.6	93.6	93.8	94.5	94.6	94.4	94.1	94.9	98.4	105.8
2017	105.9	105.3	104.7	104.5	104.5	103.6	105.2	105.3	103.0	103.8	107.5	104.9
2018	106.9	107.6	104.7	104.8	107.8	107.2	107.9	108.8	107.9	107.4	104.8	104.4
2019	101.2	101.7	101.8	103.5	105.0	103.3	104.7	103.1	101.8	102.4	104.7	102.7
2020	104.3	104.5	96.4	90.9	94.4	100.6	98.8	100.2	104.0	104.0	101.4	95.9
2021	95.0	95.8	98.2	99.8	99.6	102.5	99.7	100.1	99.1	98.2		

Source: http://www.nfib.com/surveys/small-business-economic-trends; 11/9/21

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

Small Business Hiring Advances in October;
Wage Growth Hits Record High

“National job growth was on the rise for the fifth consecutive month in October and wages are increasing dramatically too, 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 for October increased to 100.45, up 0.50 percent in October and 6.50 percent over a year ago. In response to labor market pressures, hourly earnings growth improved to 3.85 percent in October, a new record level since reporting began ten years ago.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

“The Small Business Jobs Index added another 0.50 percent to reach 100.45 in October, its best level in four and a half years, indicating that small business hiring is improving rapidly,” – James Diffley, Chief Regional Economist, IHS Markit

“The positive gains seen since June indicate that jobs lost in 2020 are steadily coming back, although there’s still ground to make up to return to pre-pandemic levels. With hourly earnings growth at record levels, you can see employers are responding to labor market pressures and the impact of many workers leaving their current jobs and seeking new opportunities.” – Martin Mucci, President and CEO, Paychex

Source: https://www.paychex.com/employment-watch; 11/2/21

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

Small Business Hiring Advances in October; Wage Growth Hits Record High

"In further detail, the October report showed:

- The national jobs index surpassed 100 for the first time since 2017.
- At a national level, hourly earnings growth has steadily increased, from 2.99 percent in June to 3.85 percent in October.
- Of the 20 largest states based on U.S. population, nine have hourly earnings growth above four percent.
- With hourly earnings growth at record levels, weekly earnings growth is also on the rise, increasing to 3.15 percent in October.
- Leisure and hospitality leads sectors in earnings and hours worked growth for the seventh consecutive month.
- The West is the new top region for small business employment growth, overtaking the South."
  – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 11/2/21

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

October Job Index	October Wage Data
Index	Hourly Earnings
100.45	$29.77
12-Month Change	12-Month Growth
+6.50%	+3.85% (+$1.10)

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 11/2/21

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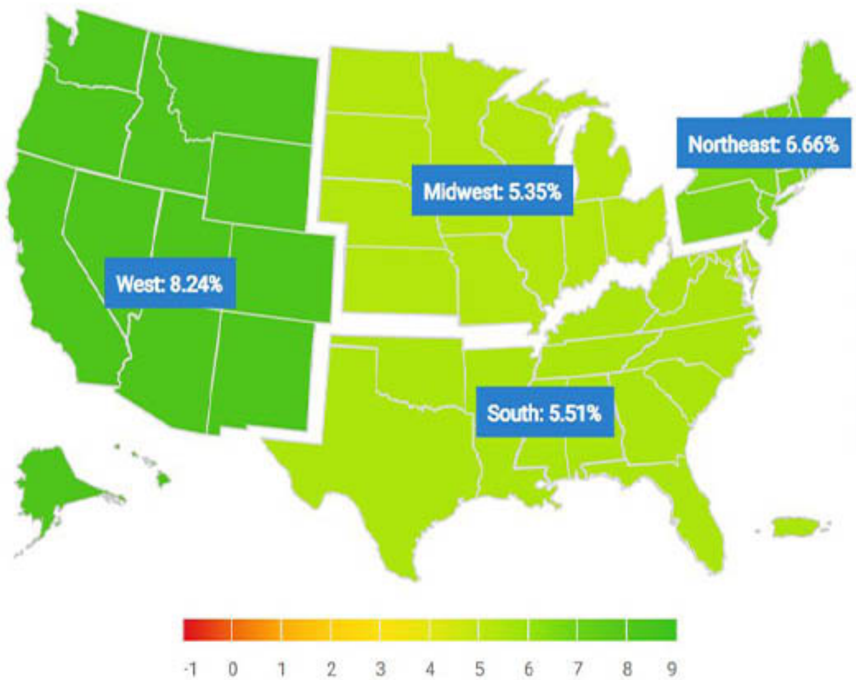
Private Indicators

The Paychex | IHS Markit Regional Jobs Index

Regional Performance



Region	Index	Change
Midwest	99.72	5.35%
Northeast	100.08	6.66%
South	100.92	5.51%
West	100.98	8.24%

Change 12-Month

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 11/2/21

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Economics

U.S. Census Bureau

NEW Business Formation Statistics

October 2021

Business Applications - At a Glance

		US	Northeast	Midwest	South	West
Total	SEP 2021	431,381	65,462	70,193	200,538	95,188
	SEP 2021 / AUG 2021	+0.8%	Z	Z	+0.5%	+2.5%
High-Propensity	SEP 2021	145,628	23,523	23,372	63,132	35,601
	SEP 2021 / AUG 2021	-0.1%	-3.0%	+1.6%	-0.6%	+1.8%
With Planned Wages	SEP 2021	51,617	7,267	9,175	22,297	12,878
	SEP 2021 / AUG 2021	+0.8%	-0.8%	+3.2%	-0.9%	+2.8%
From Corporations	SEP 2021	50,587	10,337	6,363	18,958	14,929
	SEP 2021 / AUG 2021	+0.2%	-4.2%	+3.4%	+1.8%	+0.1%

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 October 2021, adjusted for seasonal variation, were 431,381, an increase of 0.8 percent compared to September 2021.

The U.S. Census Bureau announced the following seasonally adjusted business application and formation statistics for October 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/; 11/14/21

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Economics

U.S. Census Bureau

NEW Business Formation Statistics

October 2021

BUSINESS APPLICATIONS

U.S. Business Applications:	SEP 2021	SEP 2021 / AUG 2021
Total	431,381	0.8%*
High-Propensity	145,628	-0.1%*
With Planned Wages	51,617	0.8%*
From Corporations	50,587	0.2%*

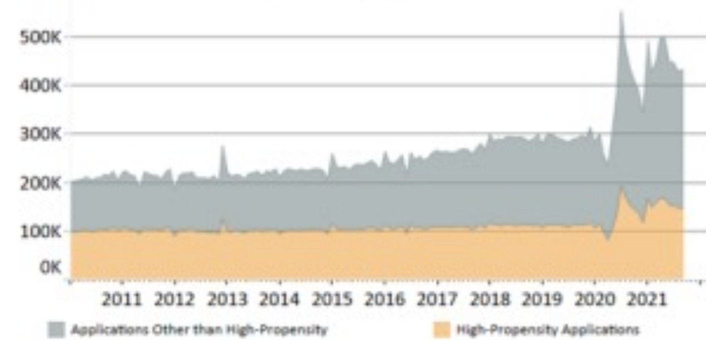
Next release: November 10, 2021

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

Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, October 14, 2021

Monthly Business Applications
(Seasonally Adjusted)

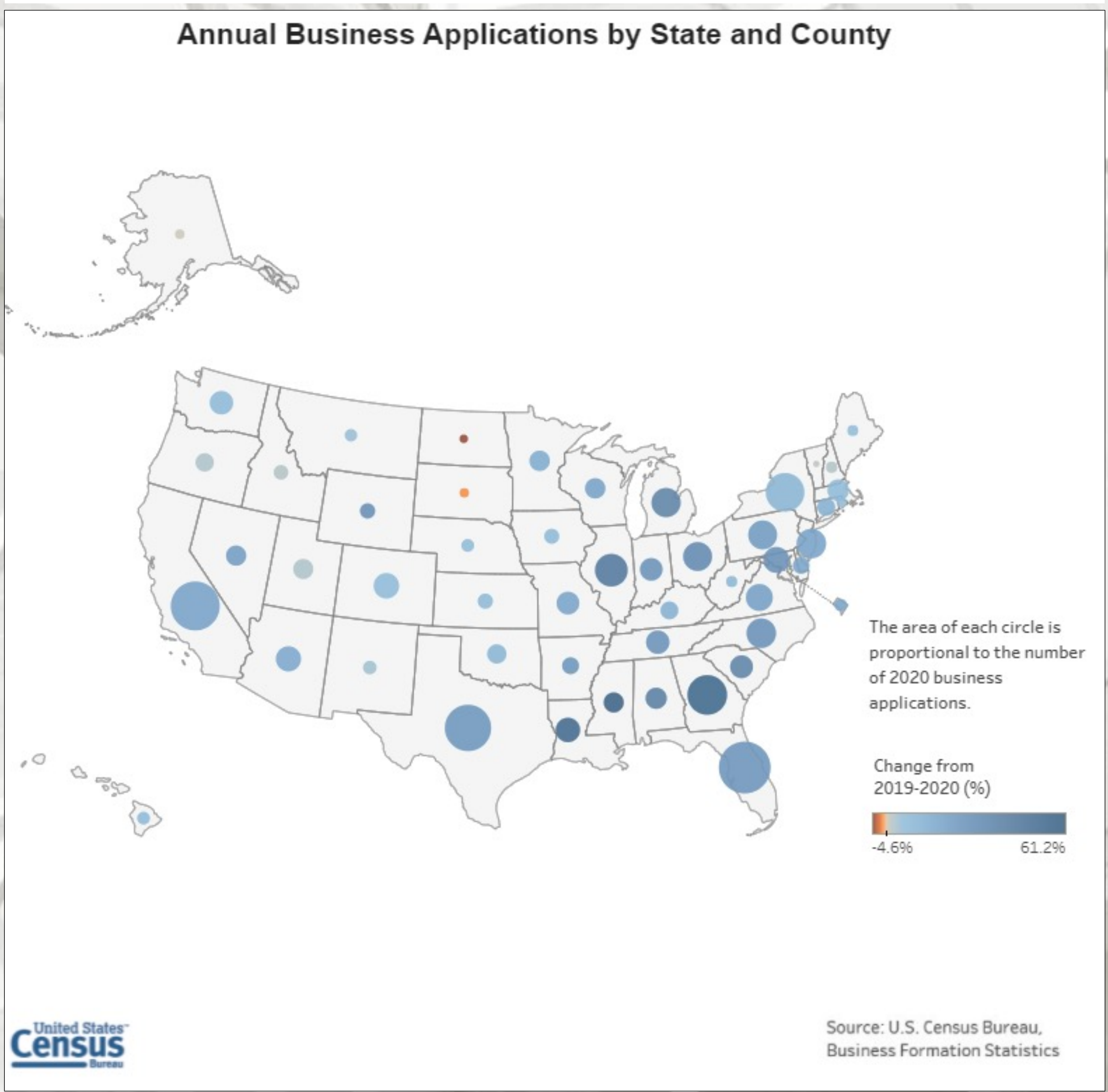


Source: U.S. Census Bureau, Business Formation Statistics, October 14, 2021

Economics

NEW Business Formation Statistics

October 2021



Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf/; 11/14/21

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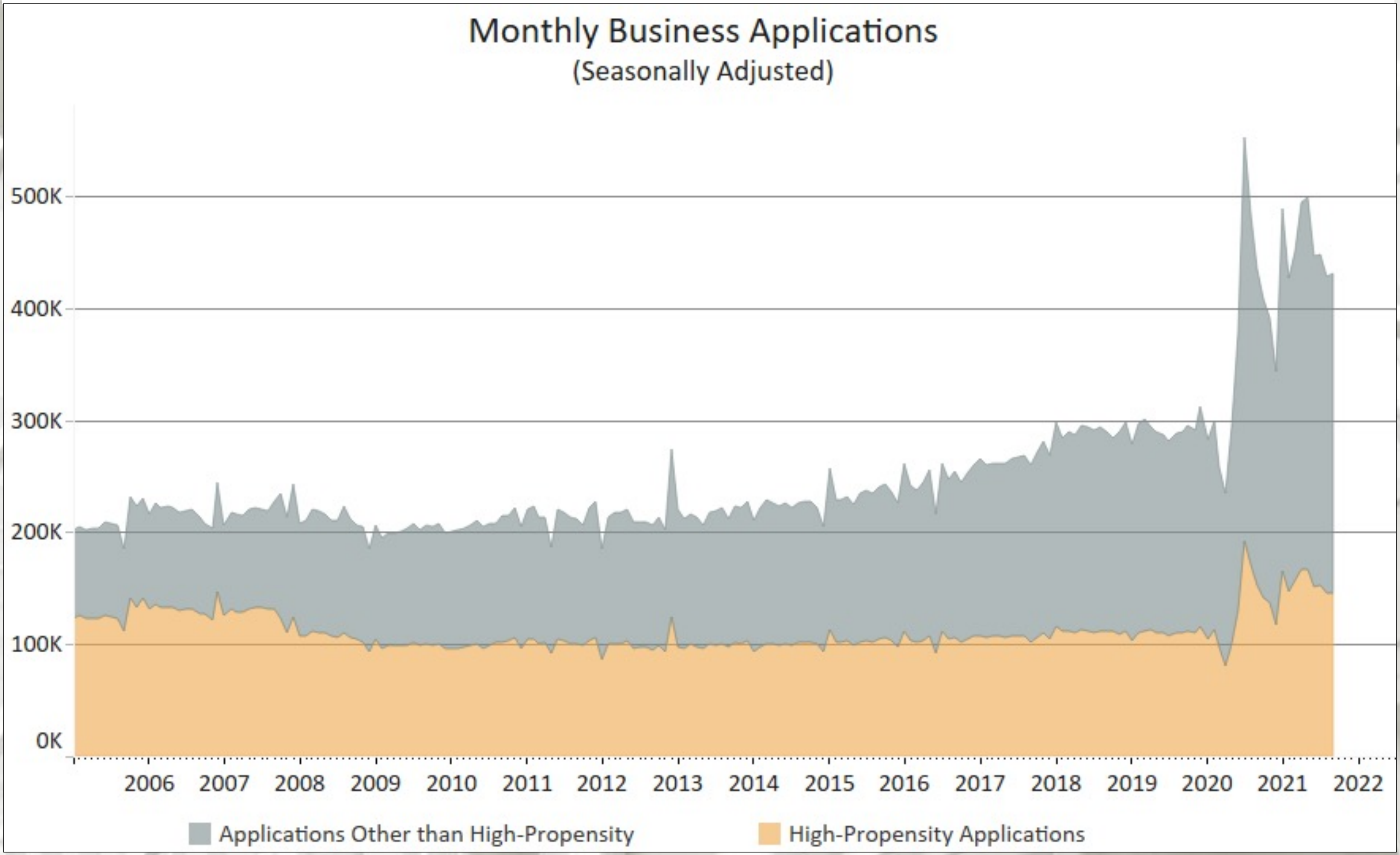
Economics

NEW Business Formation Statistics

September 2021



Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf/; 10/14/21

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