The Virginia Tech–USDA Forest Service Housing Commentary: Section II
October 2022

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2022 Virginia Polytechnic Institute and State University VCE-ANR

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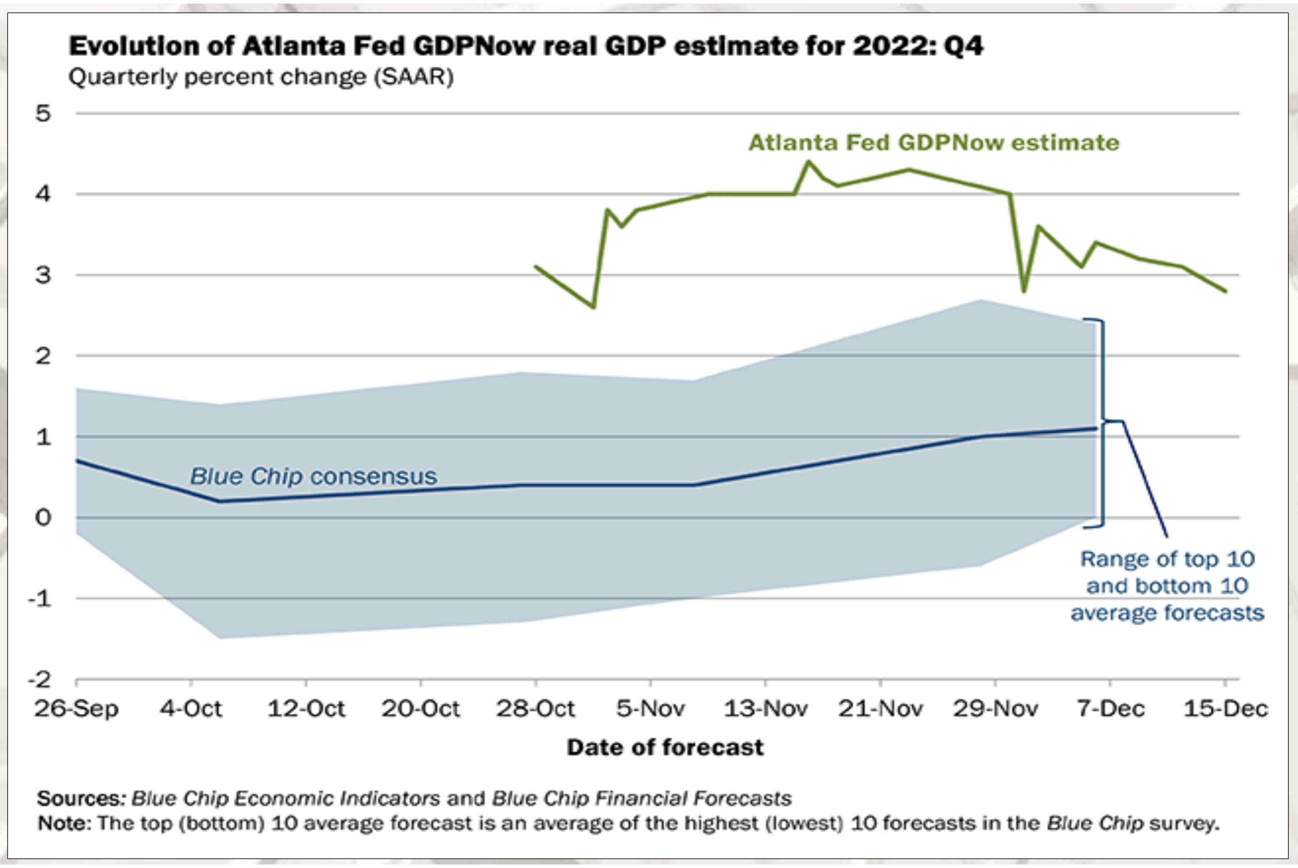
U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest estimate: 4.4 percent — December 15, 2022

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2022 is 2.8 percent on December 15, down from 3.2 percent on December 9. After recent releases from the US Census Bureau, the US Bureau of Labor Statistics, the US Department of the Treasury's Bureau of the Fiscal Service, and the Federal Reserve Board of Governors, the nowcasts of fourth-quarter gross personal consumption expenditures growth, fourth-quarter gross private domestic investment growth, and fourth-quarter real government spending growth decreased from 3.7 percent, 0.7 percent, and 1.1 percent, respectively, to 3.4 percent, -0.1 percent, and 0.8 percent, respectively." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 12/16/22

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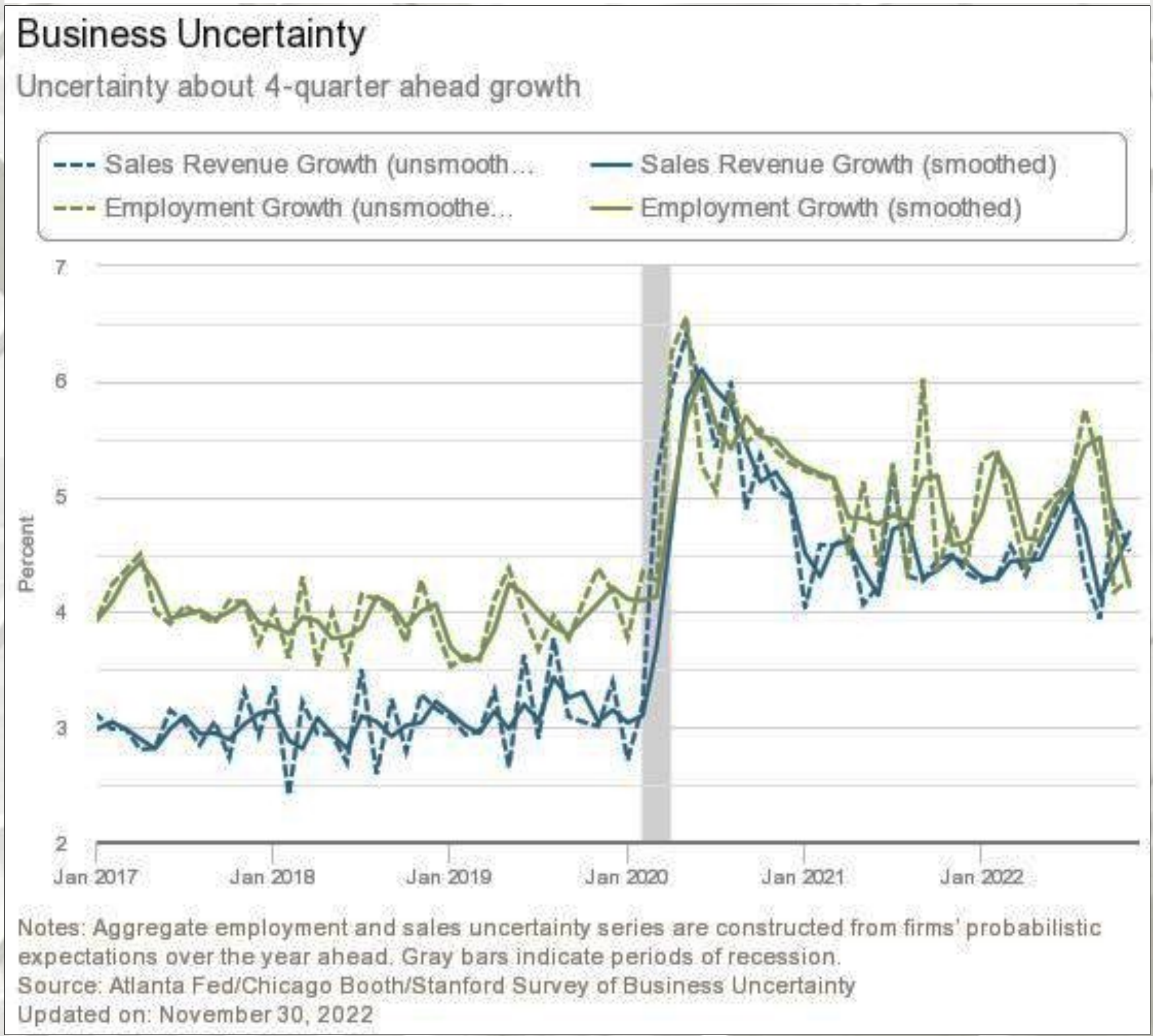
U.S. Economic Indicators

The Federal Reserve Bank of Atlanta



Source: https://www.atlantafed.org/research/surveys/business-uncertainty; 11/30/22

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U.S. Economic Indicators

The Federal Reserve Bank of Atlanta

Notes: Aggregate employment and sales growth series are weighted averages of firms' probabilistic expectations over the year ahead. Gray bars indicate periods of recession.
Source: Atlanta Fed/Chicago Booth/Stanford Survey of Business Uncertainty
Updated on: November 30, 2022

Source: https://www.atlantafed.org/research/surveys/business-uncertainty; 11/30/22

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The Federal Reserve Bank of Chicago: Survey of Economic Conditions (CFSEC)

Survey Suggests Growth Slowed Slightly in November

"The Chicago Fed Survey of Economic Conditions (CFSEC) decreased to –32 in November from –27 in October, suggesting that economic growth was well below trend. The CFSEC Manufacturing Activity Index decreased to –38 in November from –33 in October, and the CFSEC Nonmanufacturing Activity Index decreased to –27 in November from –23 in the previous month.

- Respondents' outlooks for the U.S. economy for the next 12 months improved slightly, but remained pessimistic on balance. Sixty-seven percent of respondents expected a decrease in economic activity over the next 12 months.
- The pace of current hiring increased, as did respondents' expectations for the pace of hiring over the next 12 months. Both hiring indexes remained negative.
- Respondents' expectations for the pace of capital spending over the next 12 months increased, but the capital spending expectations index remained negative.
- The labor cost pressures index increased, but the nonlabor cost pressures index decreased. Both cost pressures indexes remained negative." " – Thomas Walstrum, Senior Business Economist, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/research/data/cfsec/current-data; 12/12/22

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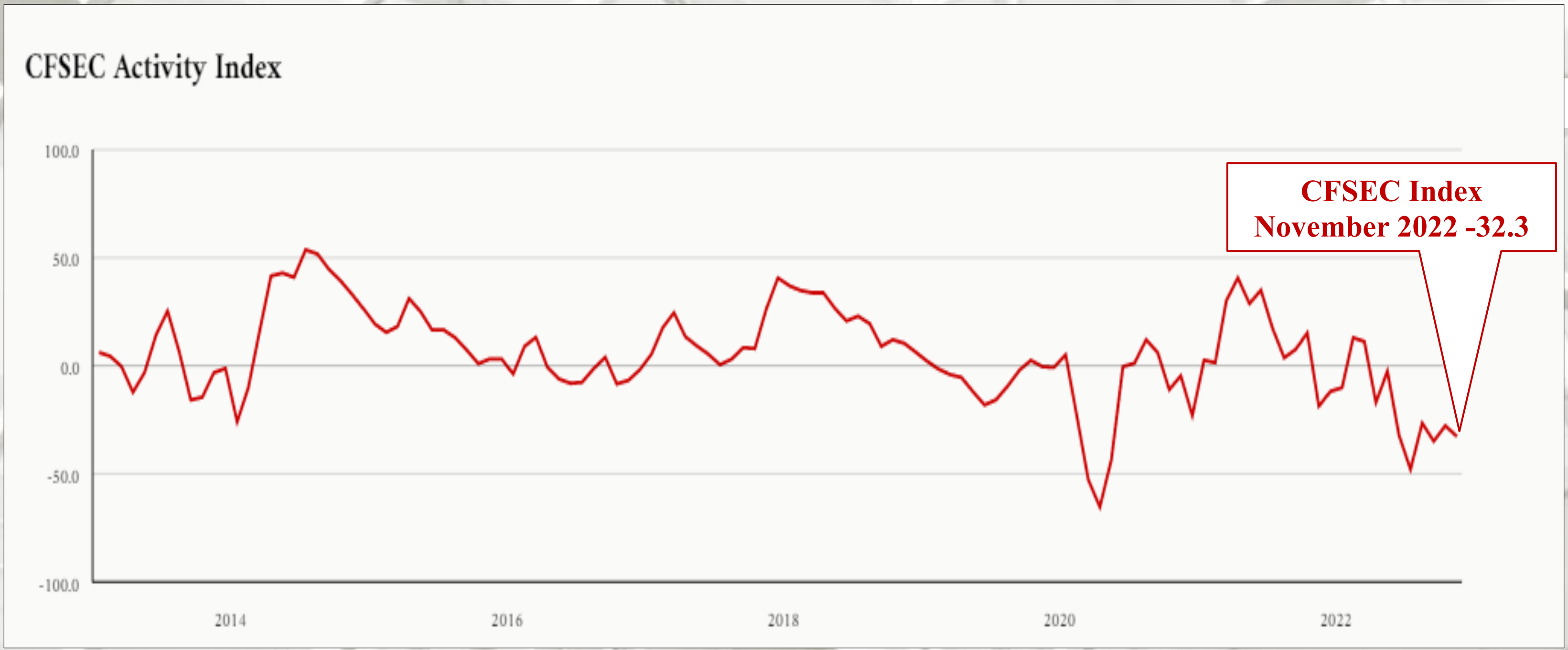
The Federal Reserve Bank of Chicago: Survey of Business Conditions (CFSEC)



Source: https://www.chicagofed.org/research/data/cfsec/current-data; 12/12/22

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The Federal Reserve Bank of Dallas

Texas Manufacturing Outlook Survey

Texas Manufacturing Activity Flat, Outlooks Continue to Worsen

"Growth in Texas factory activity abated in November, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, fell five points to near zero, suggesting little change in output from October.

Other measures of manufacturing activity indicated contraction this month. The new orders index plummeted to -20.9 — its sixth month in a row in negative territory and lowest reading since May 2020. The growth rate of orders index dropped seven points to -19.9. The capacity utilization index turned negative, falling from 9.1 to -3.4, and the shipments index posted a second consecutive negative reading at -7.5, down from -1.6 in October.

Perceptions of broader business conditions continued to worsen in November. The general business activity index posted a seventh consecutive negative reading but moved up five points to -14.4. The company outlook index pushed down further, from -9.1 to -15.2. The outlook uncertainty index retreated 18 points to 20.4, still slightly elevated relative to its average reading of 16.6.

Labor market measures pointed to slower employment growth and stable hours worked. The employment index slipped 11 points to 5.9, its lowest reading since mid-2020. Twenty-two percent of firms noted net hiring, while 16 percent noted net layoffs — a notable increase from the 9 percent share noting layoffs the prior two months. The hours worked index remained near zero, suggesting no change.

Price growth eased, while wage growth remained elevated. The raw materials prices index moved down nine points to 22.6, falling below its series average of 28.1 for the first time in more than two years. The finished goods prices index fell eight points to 13.9, still slightly above its series average of 9.0. The wages and benefits index was unchanged at 36.5." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 11/28/22

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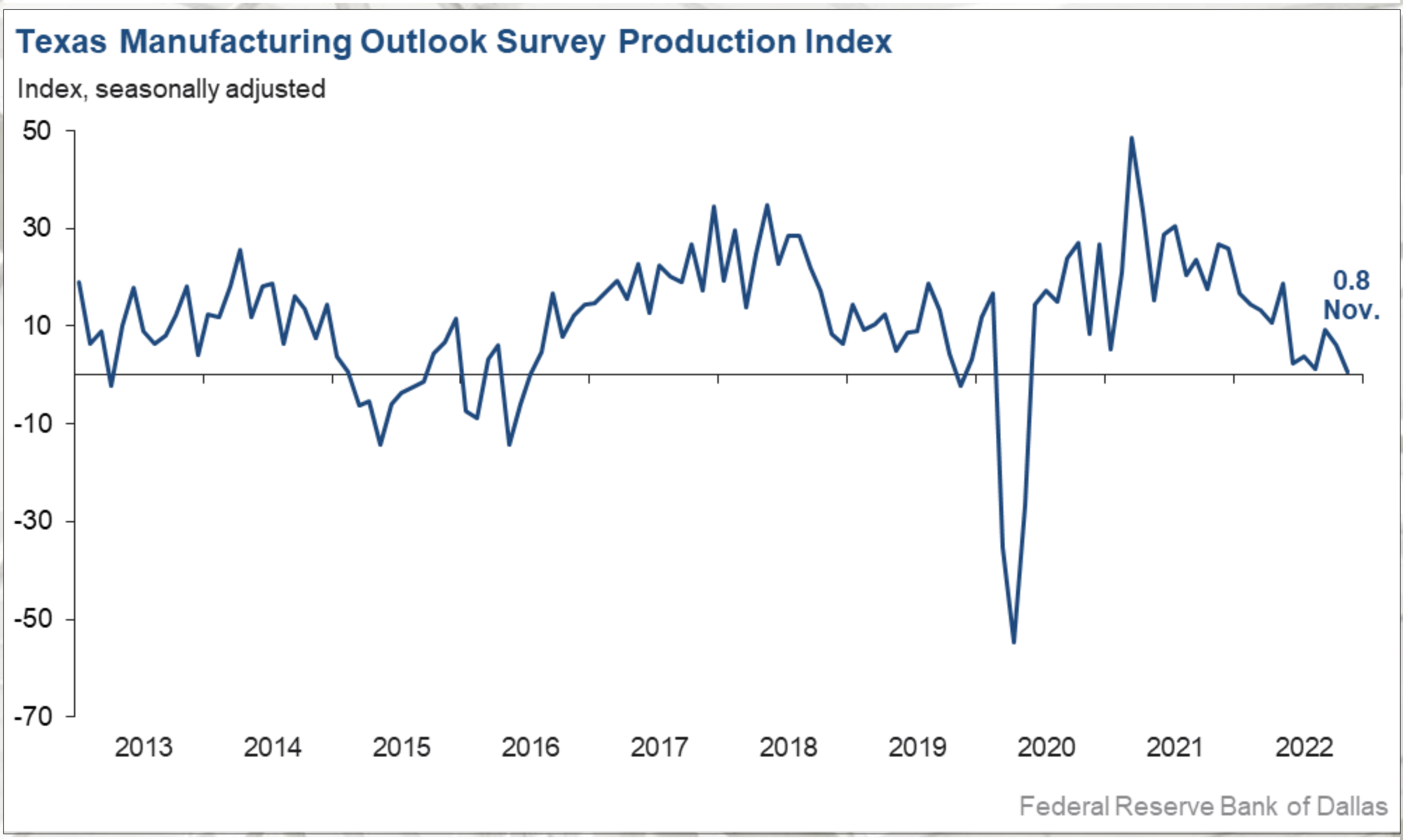
The Federal Reserve Bank of Dallas



"Expectations regarding future manufacturing activity were mixed in November. The future production index remained positive, pushing up six points to 8.9. The future general business activity index remained negative, though it ticked up to -17.5. Most other measures of future manufacturing activity were positive and saw increases in index values this month." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 11/28/22

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The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Texas Service Sector Growth Moderates in November

"Activity in the Texas service sector increased at a slower pace in November, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, weakened slightly from 8.5 in October to 5.5 in November, with the share of firms reporting increasing revenues falling below 30 percent for the first time in six months.

Labor market indicators suggested continued growth in employment and hours worked in November. The employment index was flat at 8.3, while the part-time employment index fell two points to 0.9. The hours worked index held steady at 4.6.

Perceptions of broader business conditions remained negative in November, although they were less pessimistic than in October. The general business activity index improved slightly from -13.6 in October to -11.0 in November. The company outlook index also increased from -9.1 to -4.1, while the outlook uncertainty index fell four points to 23.4.

Growth in selling and input prices continued to moderate in November, while wage pressures picked up slightly. Nevertheless, the indexes remained well above historical averages. The selling prices index edged down from 19.7 to 17.6, while the input prices index fell five points to 46.2. The wages and benefits index increased from 22.9 to 25.4.

Respondents' expectations regarding future business activity were mixed in November, with some indicators pointing to more optimism. The future general business activity index improved seven points but was still in negative territory at -6.3. The future revenue index remained positive, increasing three points to 35.3. Other future service sector activity indexes such as employment and capital expenditures also picked up, suggesting some recovery in expectations for growth next year." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 11/29/22

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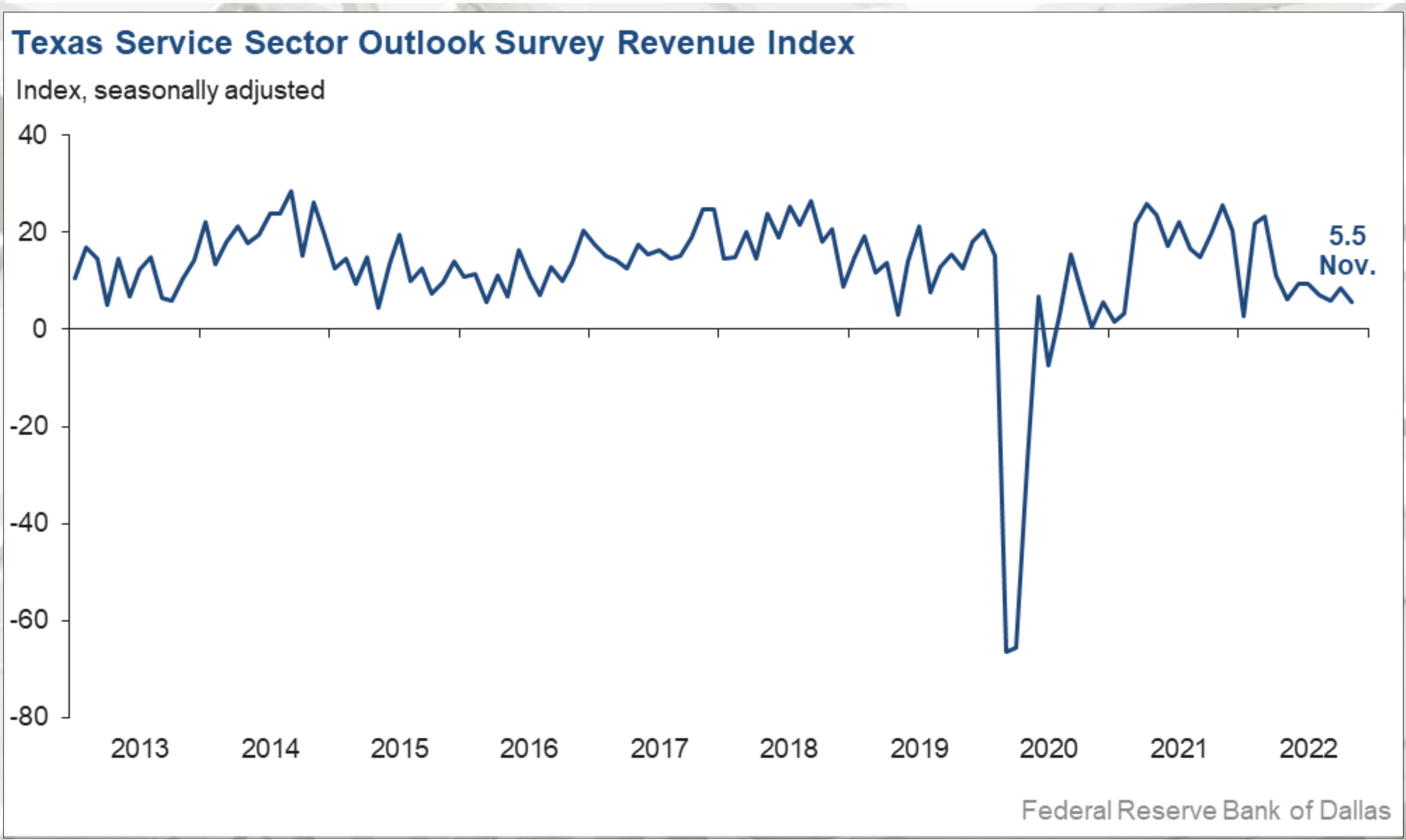
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys; 11/29/22

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The Federal Reserve Bank of Dallas

Texas Retail Outlook Survey

Texas Retail Sales Weaken

"November retail sales activity declined according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, fell four points to -12.7. Retailers' inventories continued to increase, and the index rose from 8.9 to 15.7, suggesting inventories grew at a faster pace than in October.

Retail labor market indicators reflected a contraction in employment and some growth in work weeks in November. The employment index fell from 3.7 to -4.6. The part-time employment index remained in negative territory and fell from -1.9 to -4.3. The hours worked index increased from -0.9 to 1.7, with the share of firms reporting an increase in average hours worked among employees growing from 8.8 percent to 15.2 percent.

Retailers' perceptions of broader business conditions continued to worsen in November, as both the general business activity and company outlook indexes remained deep in negative territory. The general business activity index was largely unchanged at -21.8, while the company outlook index rose two points to -12.3. The outlook uncertainty index increased seven points from 20.6 to 27.7.

Retail wage and price pressures continued to ease in November. The selling prices index dropped eight points to 13.5, its lowest level since July 2020. The input prices index fell from 41.2 to 38.7, while the wages and benefits index decreased three points to 10.9.

Expectations for future retail growth were mixed in November. The future general business activity index decreased from -22.0 to -17.6, while the future sales index held steady at 8.6, reflecting continued growth expectations. Other indexes of future retail activity such as employment and capital expenditures remained in positive territory, suggesting expectations for continued growth over the next six months." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 11/29/22

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The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 11/29/22

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Declined at a Steady Pace

Regional factory activity continued to decline at a steady rate in November. However, the pace of decline for production, shipments, and new orders slowed slightly, and approximately 91% of firms reported plans to increase or maintain current employment levels.

Factory Activity Continued to Decline at a Similar Pace

"Tenth District manufacturing activity declined at a similar pace compared to last month, while expectations for future activity were mostly flat or slightly positive (Chart 1). The monthly index of raw materials prices continued to slow in November and decreased compared to a year ago. Finished goods price indexes increased slightly from a month ago and compared to year-ago levels. Expectations for future raw materials and finished goods prices continued to fall.

The month-over-month composite index was -6 in November, similar to -7 in October and down from 1 in September. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The slower pace in factory growth in November was driven by decreased activity in primary metals, plastics and rubber products, chemical, furniture, and fabricated metals manufacturing. Month-over-month indexes were mostly negative in November. The current and expected supplier delivery time indexes reached their lowest level in survey history. Indexes for year-over-year factory activity slowed slightly in November, and the composite index decreased from 24 to 19. The future composite index increased from -1 to 0 in November, with the production, employee workweek, and finished goods inventories indexes also moving into positive territory." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 11/17/22

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Declined at a Steady Pace

Special Questions

"This month contacts were asked special questions about employment plans and labor market conditions. About 47% of firms expected to increase employment over the next 12 months, 44% of firms expected to leave employment unchanged, and 8% of firms expected to decrease employment over the next 12 months. About 71% of firms planned to increase employment because expected growth of sales is high, ranking it as one of the top three factors driving employment plans. Other firms noted that employment plans are driven by current staff being overworked or that the firm needs skills not possessed by current staff." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 11/17/22

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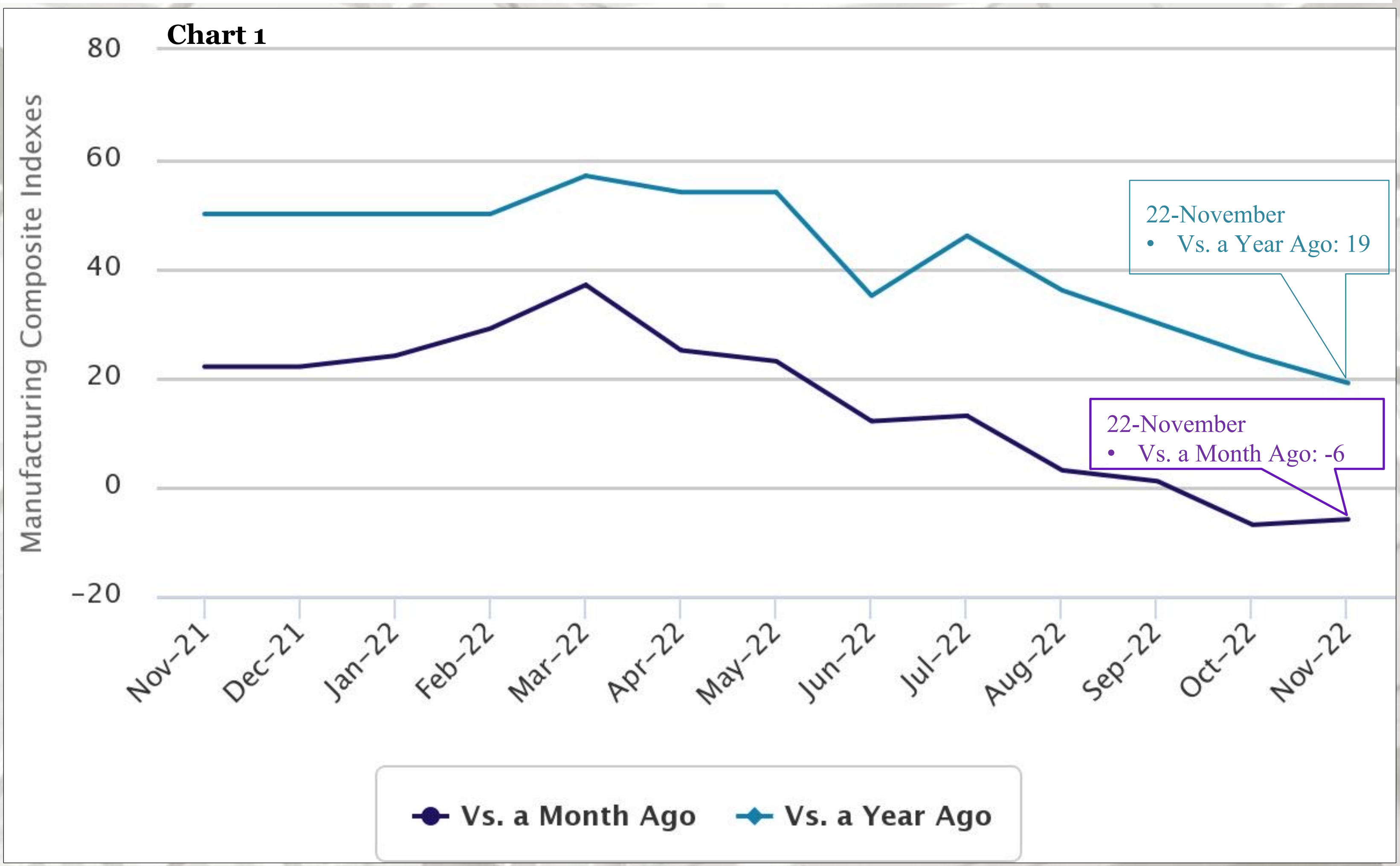
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 11/17/22

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Growth in Tenth District Services Activity Increased Moderately

Overall, regional services firms reported moderate growth in November. The index for revenue and sales rose slightly, and approximately 83% of firms reported plans to increase or maintain current employment levels.

Business Activity Increased Moderately

"Tenth District services activity growth increased moderately in November, and expectations for future activity inched slightly higher (Chart 1). The monthly survey price indexes remained high, but slightly below previous levels. Expectations for future input prices decreased somewhat, while selling prices increased slightly.

The month-over-month services composite index was 10 in November, up from 6 in October but down from 20 in September. The composite index is a weighted average of the revenue/sales, employment, and inventories indexes. The increase in growth was driven by higher activity in wholesale trade, restaurants, retail trade, and transportation. Most month-over-month indexes rose in November, with an increase in revenue/sales, number of employees, wages and benefits, and credit conditions indexes. In contrast, hours worked, employment, and inventory indexes decreased somewhat. The year-over-year composite index increased slightly from 17 to 21, but the inventory, credit conditions, and capital expenditures indexes had lower readings than last month. Expectations for services activity increased slightly in November, however indexes for revenue/sales inched slightly lower than previous levels." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 11/18/22

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Growth in Tenth District Services Activity Increased Moderately

Special Questions

"This month contacts were asked special questions about employment plans and labor market conditions. About 43% of firms expected to increase employment over the next 12 months, 40% of firms expected to leave employment unchanged, and 17% of firms expected to decrease employment over the next 12 months. About 81% of firms planned to increase employment because expected growth of sales is high, ranking it as one of the top three factors driving employment plans. Other firms noted that employment plans are driven by current staff being overworked or that the firm needs skills not possessed by current staff." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 11/18/22

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The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 11/18/22

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The Federal Reserve Bank of New York

November Empire State Manufacturing Survey

Conditions Deteriorate

"Business activity declined in New York State, according to firms responding to the December 2022 *Empire State Manufacturing Survey*. The headline general business conditions index fell sixteen points to -11.2. New orders moved slightly lower, while shipments edged higher. Delivery times and inventories were little changed. Labor market indicators pointed to a moderate increase in employment, but a slightly shorter average workweek. Input prices and selling prices increased at about the same pace as last month. Looking ahead, firms expect some improvement in business conditions over the next six months, but optimism was very subdued.

Manufacturing activity contracted in New York State, according to the December survey. The general business conditions index fell sixteen points to -11.2. Twenty-three percent of respondents reported that conditions had improved over the month, and thirty-four percent reported that conditions had worsened. The new orders index held steady at -3.6, pointing to another small decline in orders, while the shipments index slipped three points to 5.3, indicating a small increase in shipments. The unfilled orders index moved down to -11.2, a sign that unfilled orders were lower. The delivery times index came in at 1.9, indicating that delivery times were little changed. After rising sharply last month, the inventories index retreated to 3.7, pointing to a small increase in inventories." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 12/15/22

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The Federal Reserve Bank of New York

November Empire State Manufacturing Survey

Employment Continues to Grow

"Despite the overall decline in activity, the index for number of employees edged up to 14.0, marking another month of employment gains. The average workweek index, however, fell to -4.5, signaling a small decline in hours worked. The pace of price increases was little changed, with the prices paid index holding steady at 50.5 and the prices received index remaining similar to last month's level at 25.2.

Firms Expect Little Improvement

The index for future business conditions climbed twelve points, but remained subdued at 6.3, suggesting that firms expect little improvement over the next six months. The indexes for future new orders and shipments climbed above zero, indicating that small increases are anticipated, and employment is expected to continue to increase. The capital spending index rose nine points to 23.4." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 12/15/22

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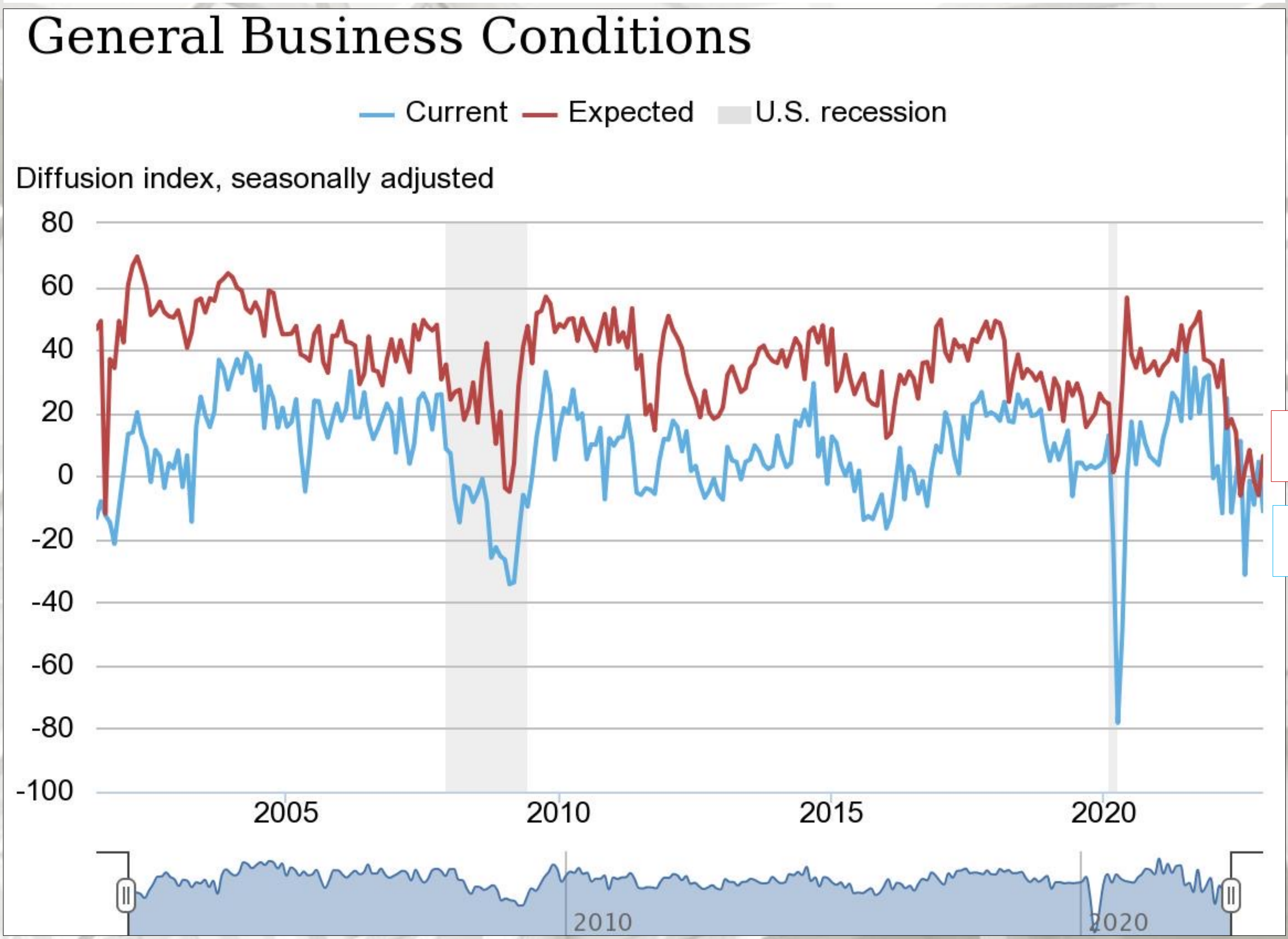
The Federal Reserve Bank of New York



December 2022
6.3

December 2022
-11.2

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 12/15/22

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The Federal Reserve Bank of New York

December Business Leaders Survey (Services)

Activity Continues To Contract

“Activity continued to decline in the region’s service sector, according to firms responding to the Federal Reserve Bank of New York’s December 2022 *Business Leaders Survey*. The survey’s headline business activity index moved up four points but remained below zero at -11.8, its third negative reading in the past four months. The business climate index edged down to -43.6. Despite the decline in activity, employment continued to expand. The wages index, while elevated, fell to its lowest level in more than a year, pointing to a slowing of wage growth. The pace of input price increases was little changed, while the pace of selling price increases slowed somewhat. Looking ahead, firms grew more pessimistic about the six-month outlook.

Like last month, business activity declined in the region’s service sector, according to the November survey. The headline business activity index edged up four points but remained negative at -11.8. Twenty-five percent of respondents reported that conditions improved over the month and thirty-seven percent said that conditions worsened. The business climate index edged down two points to -43.6, with 58 percent of respondents viewing the business climate as worse than normal.”
– Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 12/16/22

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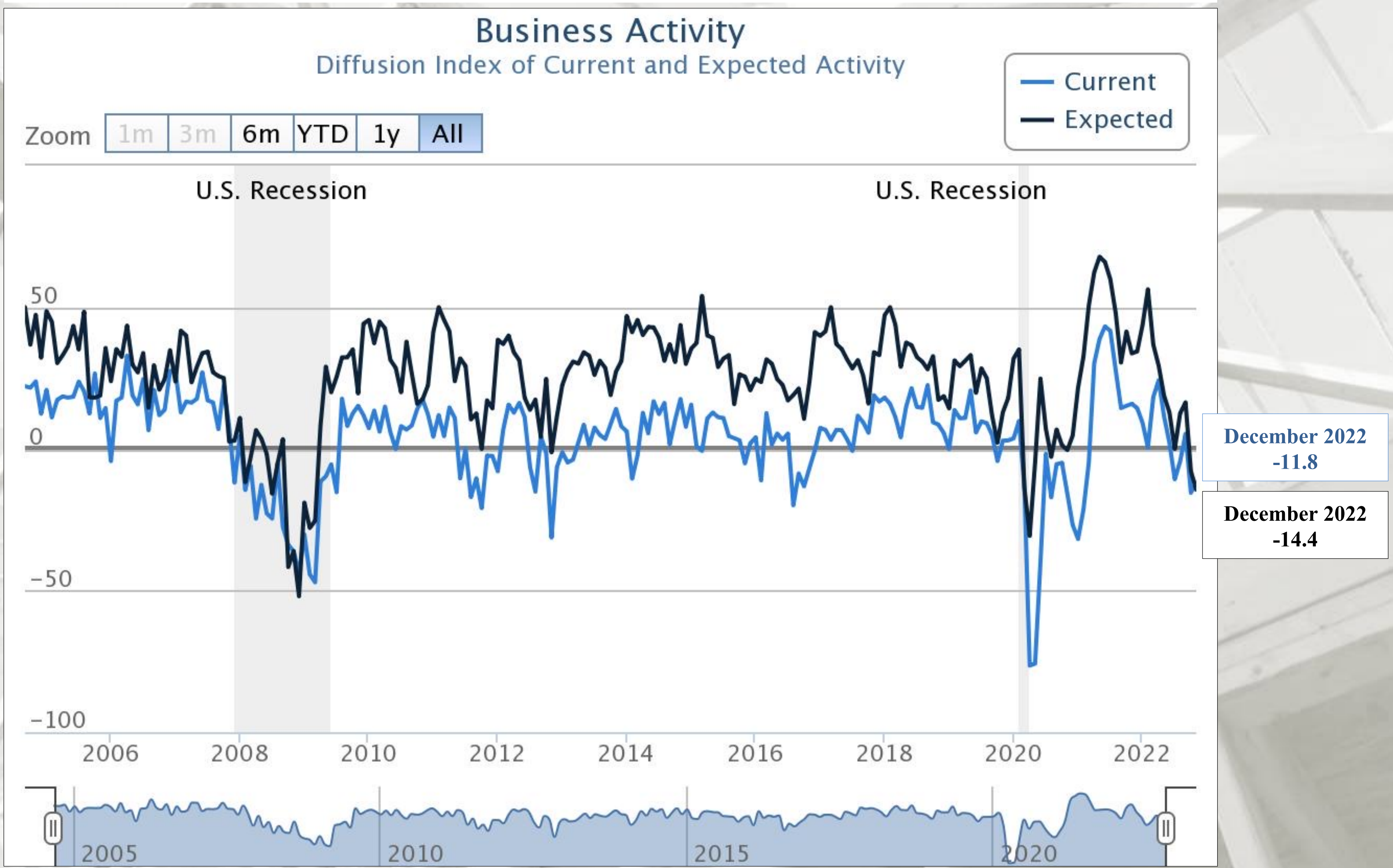
The Federal Reserve Bank of New York



Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 12/16/22

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The Federal Reserve Bank of New York

November Business Leaders Survey (Services)

Employment Expands Despite Decline In Activity

"The employment index inched up to 14.9, pointing to solid employment growth despite the decline in overall activity. In a significant decline, the wages index fell eleven points to 46.8, indicating a slowing of wage growth. The prices paid index held steady at 79.3, signaling ongoing significant input price increases, and the prices received index moved down six points to 33.7, its lowest level in more than a year. Capital spending edged higher.

Firms Remain Pessimistic

Conditions are expected to continue to worsen over the next six months. The index for future business activity fell seven points to -14.4, its lowest level since early 2020, and the index for the future business climate fell four points to -34.2. Employment is expected to grow in the months ahead, though hiring plans appeared to weaken, and wage and price increases are expected to remain widespread." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 12/16/22

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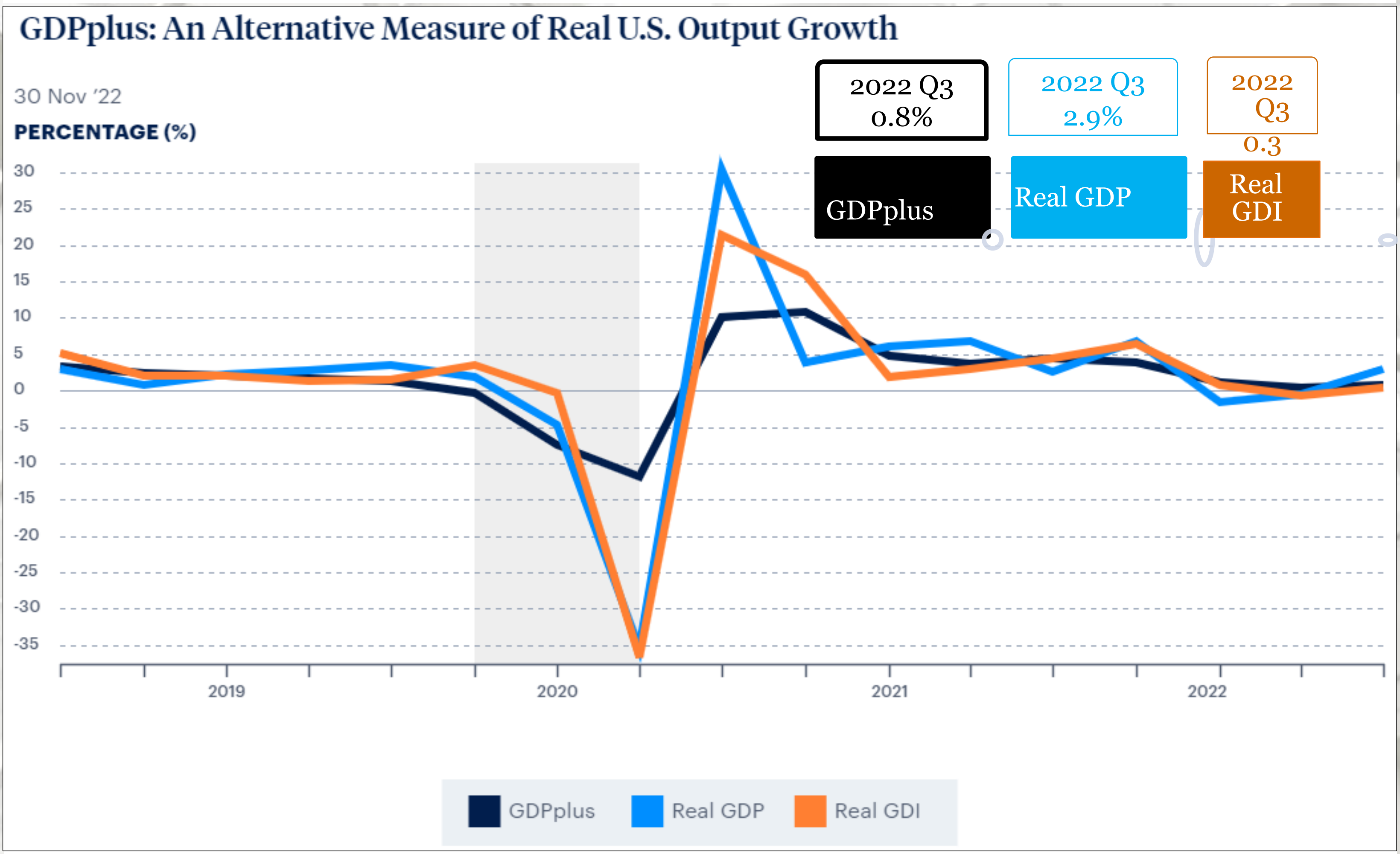
The Federal Reserve Bank of Philadelphia: GDPplus



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; 11/30/22

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The Federal Reserve Bank of Philadelphia

December 2022 Manufacturing Business Outlook Survey

Current Indicators Suggest Declines

"Manufacturing activity in the region continued to decline in December, according to the firms responding to the December *Manufacturing Business Outlook Survey*. The survey's broad indicators for current activity were all negative. The firms on balance also reported a decline in employment. The future indicators improved, suggesting that the firms expect overall growth over the next six months.

The diffusion index for current general activity remained negative but rose 6 points to -13.8 this month (see Chart 1). This is its fourth consecutive negative reading and sixth negative reading in the past seven months. Thirty-one percent of the firms reported declines in activity, while 17 percent reported increases. The majority (51 percent) reported no change. The indicators for new orders and shipments both declined: The new orders index decreased 9 points to -25.8, its lowest reading since April 2020, and the shipments index fell 13 points to -6.2, its first negative reading since May 2020.

On balance, the firms reported a decline in employment. The employment index dipped into negative territory for the first time since June 2020, falling from 7.1 in November to -1.8 this month. The 19 percent of firms reporting declines in employment narrowly exceeded the 17 percent that reported increases; 64 percent reported steady employment. The average workweek index also turned negative, falling 10 points to -8.9." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-12; 12/15/22

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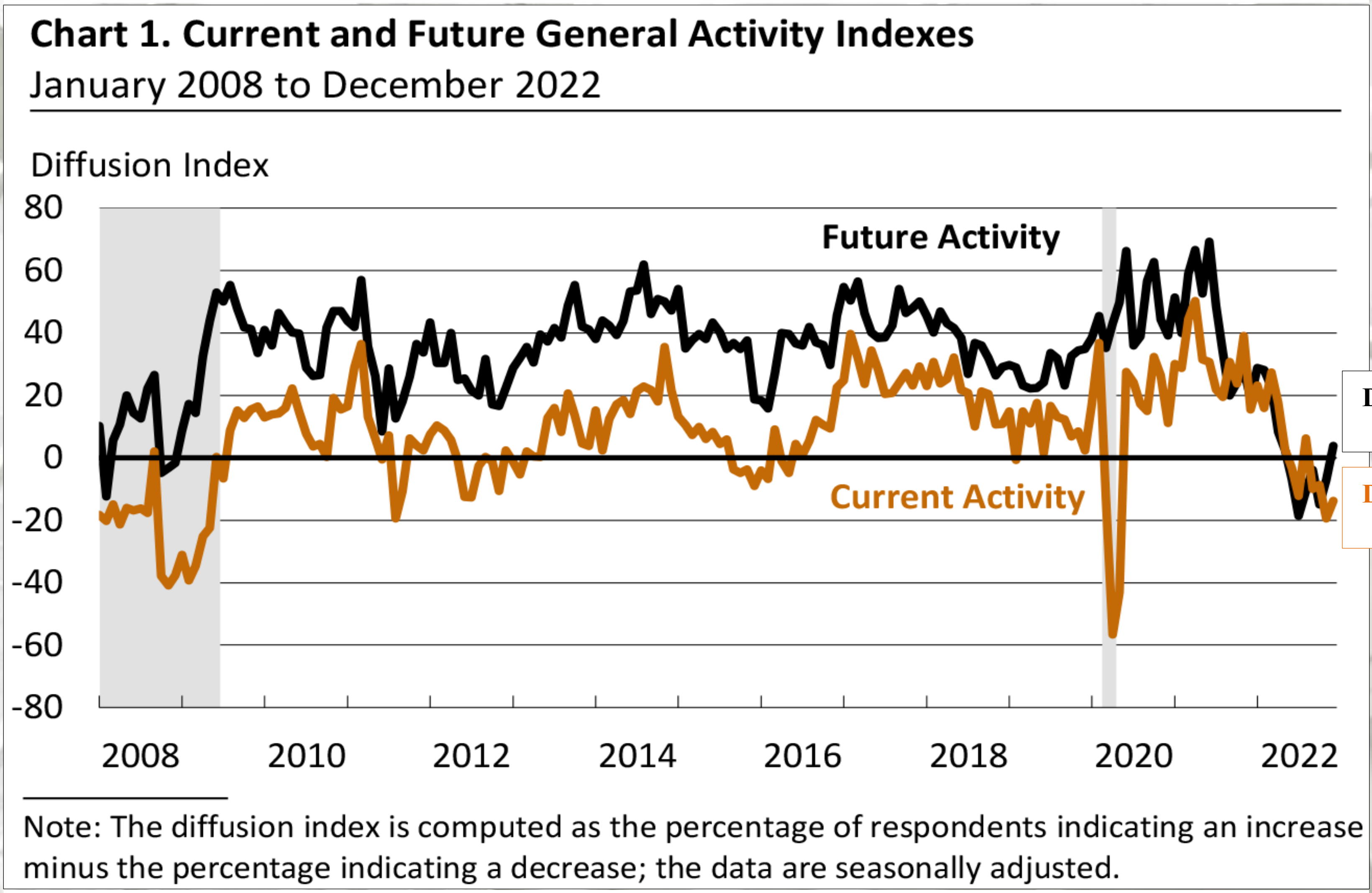
The Federal Reserve Bank of Philadelphia

December 2022 Manufacturing Business Outlook Survey



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/mbos-2022-12; 12/15/22

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The Federal Reserve Bank of Philadelphia

December 2022 Manufacturing Business Outlook Survey

Price Increases Are Less Widespread

"The firms continued to report overall increases in prices, but the indexes for prices paid and prices received both declined this month. The current prices paid index decreased 9 points to 26.4, its lowest reading since September 2020 and near its long-run average. Over 29 percent of the firms reported increases in input prices, while 3 percent reported decreases; 66 percent of the firms reported no change. The current prices received index decreased 10 points to 24.3. Roughly one-quarter of the firms reported increases in prices received for their own goods this month, none reported decreases, and 75 percent reported no change.

Firms Reports Are Mixed on Production, Higher on Capacity Utilization

In this month's special questions, the firms were asked to estimate their total production growth for the fourth quarter ending this month compared with the third quarter of 2022. A slightly higher share of firms reported a decline in production (41 percent) compared with an increase in production (36 percent). Regarding firms' capacity utilization rate for the current quarter and one year ago, the median current capacity utilization rate reported among the responding firms was 80 to 90 percent, slightly higher than the 70 to 80 percent that was reported for one year ago. Although most firms reported labor supply and supply chains as slight or moderate constraints to capacity utilization, 30 percent indicated labor as a significant constraint and 23 percent indicated supply chains as a significant constraint. Looking ahead over the next three months, most firms expect the impacts of various factors to stay the same; however, more than 26 percent of the firms expect financial capital impacts to worsen, up from 8 percent when this question was asked in September." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-12; 12/15/22

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The Federal Reserve Bank of Philadelphia

December 2022 Manufacturing Business Outlook Survey

Future Indicators Improve

"The diffusion index for future general activity increased for the second consecutive month, rising 10 points to 3.8, its first positive reading since May (see Chart 1). The share of firms that expected increases in activity (37 percent) slightly exceeded the share of firms that expected decreases (33 percent); 27 percent expected no change. The future new orders index turned positive, climbing 18 points to 13.6, and the future shipments index increased from 10.2 to 22.5. The firms continued to expect increases in employment over the next six months, and the future employment index rose 7 points to 18.4. Nearly 29 percent of the firms expect to increase employment in their manufacturing plants over the next six months; 11 percent anticipate employment declines. The future capital expenditures index increased from 6.4 to 18.0.

Summary

Responses to the December *Manufacturing Business Outlook Survey* suggest continued declines for the region's manufacturing sector. The survey's indicators for general activity, new orders, and shipments were all negative, and the firms reported a decline in employment, on balance. The survey's broad indicators for future activity improved and indicate firms expect growth overall over the next six months." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

November 2022 Nonmanufacturing Business Outlook Survey

Current Indicators Weaken

"Responses to the November *Nonmanufacturing Business Outlook Survey* suggest weakened nonmanufacturing activity in the region. The index for general activity at the firm level fell into negative territory, and the index for new orders remained negative. The index for sales/revenues declined sharply but remained positive. The full-time employment index continued to suggest overall increases; however, the part-time employment index turned negative this month. The prices paid and prices received indexes both declined but remained elevated. Overall, the respondents continued to expect growth at their own firms over the next six months, but the future firm-level activity index remained low.

The diffusion index for current general activity at the firm level fell 14 points to -2.6 (see Chart), its first negative reading since August. Almost 29 percent of the firms reported increases (down from 40 percent last month), while 31 percent reported decreases (up from 29 percent). The new orders index edged down 1 point to -6.3 this month, its fourth consecutive negative reading. Almost 27 percent of the firms reported increases in new orders, while 33 percent reported decreases. The sales/revenues index decreased from 20.8 to 3.5. Nearly 34 percent of the firms reported increases in sales/revenues (down from 49 percent last month), while 30 percent reported decreases (up from 28 percent). The current regional activity index edged up but remained negative for the second consecutive month at -13.6." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-11; 11/22/22

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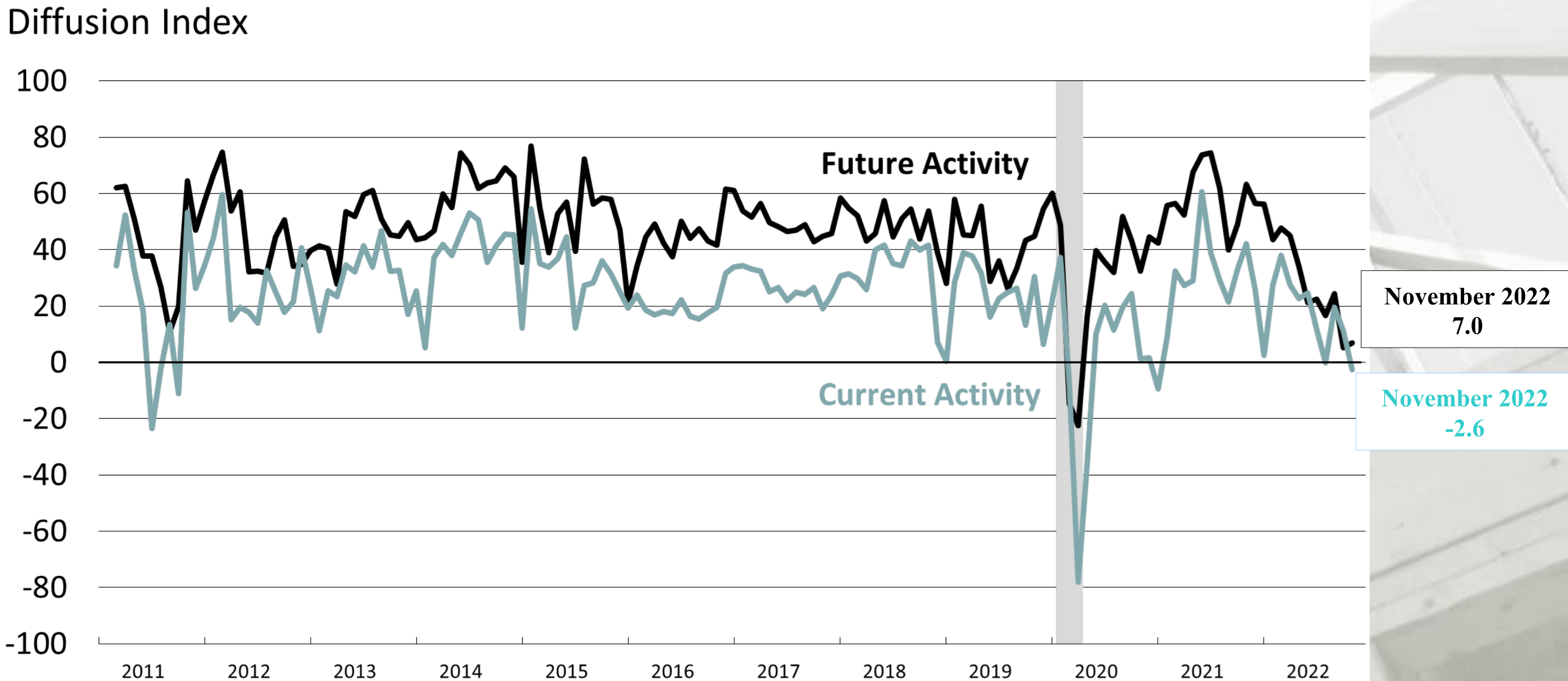
The Federal Reserve Bank of Philadelphia

Chart. Current and Future General Activity Indexes for Firms

March 2011 to November 2022



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/mbos-2022-11; 11/22/22

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The Federal Reserve Bank of Philadelphia

November 2022 Nonmanufacturing Business Outlook Survey

Firms Report Overall Increases in Full-Time Employment

The full-time employment index declined slightly from 13.3 to 10.0. The share of firms reporting increases in full-time employment (20 percent) exceeded the share reporting decreases (10 percent). Most firms (66 percent) reported steady employment. The part-time employment index decreased 10 points to -8.4, its first negative reading since August 2021. Most firms (63 percent) reported steady part-time employment, while 8 percent reported increases and 16 percent reported decreases. The average workweek index decreased 20 points to 10.4.

Price Indexes Decline but Remain Elevated

Price indicator readings continue to suggest widespread increases despite declining in November. The prices paid index fell 22 points to 52.5. Most respondents (54 percent) reported increases in input prices, while 2 percent reported decreases; 32 percent reported stable prices. Regarding prices for the firms' own goods and services, the prices received index fell 10 points to 23.5 this month. Twenty-eight percent of the firms reported higher prices, 5 percent reported lower prices, and 54 percent reported no change.

Future Indicators Remain Weak

The diffusion index for future general activity increased 2 points to 7.0, its second-lowest reading since April 2020 (see Chart). The share of firms expecting increases (42 percent) exceeded the share expecting decreases (35 percent). The future regional activity index rose 21 points but remained negative at -8.9 this month." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-10; 11/25/22

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The Federal Reserve Bank of Philadelphia

November 2022 Nonmanufacturing Business Outlook Survey

Firms Expect Own Prices to Rise Slower Than Inflation

"In this month's **special questions**, the firms were asked to forecast the changes in prices of their own products and for U.S. consumers over the next four quarters. The firms' median forecast for the rate of inflation for U.S. consumers over the next year was 6.0 percent, up from 5.5 percent from when the question was last asked in August. Regarding their own prices over the next year, the firms' median forecast was for an increase of 4.0 percent, up from 3.0 percent in August and above the median reported own price change over the past year of 3.8 percent. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 5.0 percent over the next four quarters, same as in August. The firms' median forecast for the long-run (10-year average) inflation rate was 5.0 percent, up from 4.5 percent in August.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest weakened nonmanufacturing activity in the region. The indicator for firm-level general activity turned negative, the index for new orders remained negative, and the index for sales/revenues declined but remained positive. The firms reported overall increases in full-time employment. The prices paid and prices received indexes declined but remained elevated. Overall, optimism for growth over the next six months remained subdued." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-10; 10/25/22

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The Federal Reserve Bank of Richmond

Fifth District Manufacturing Sector Activity

Manufacturing Activity Continued to Soften in November

"Some Fifth District manufacturing firms reported softening conditions in November, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index remained negative but edged up from −10 in October to −9 in November. Of its three component indexes, the indexes for shipments and employment deteriorated slightly, edging downward to −8 and −1, respectively. The third component index, volume of new orders, however, showed some improvement, increasing from −22 to −14 in November.

The wage index decreased notably from 34 to 25 in November but remained elevated. The local business conditions index rose from -16 in October to -6 in November, with considerably fewer firms pessimistic about conditions over the next six months.

Despite dramatic improvements throughout this year, supply chain issues appeared to persist for some firms, as the indexes for vendor lead time and backlog of orders increased slightly.

The average growth rate of prices paid decreased in November, while the average growth rate of prices received increased somewhat. Expectations for prices paid over the next 12 months decreased slightly since last month, while expectations for prices received increased slightly. Both remained at levels much lower than current price trends." – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 11/22/22

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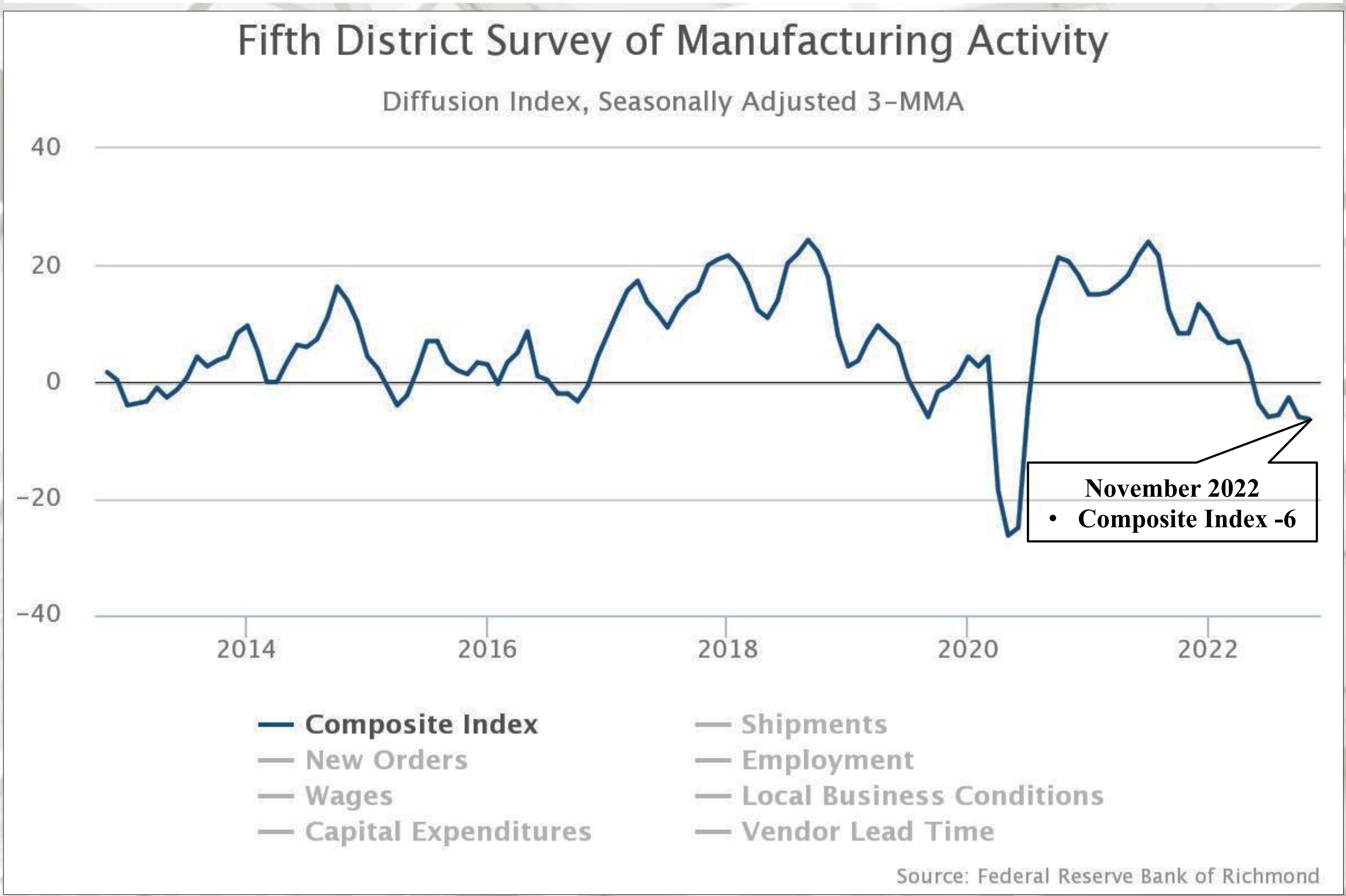
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 11/22/22

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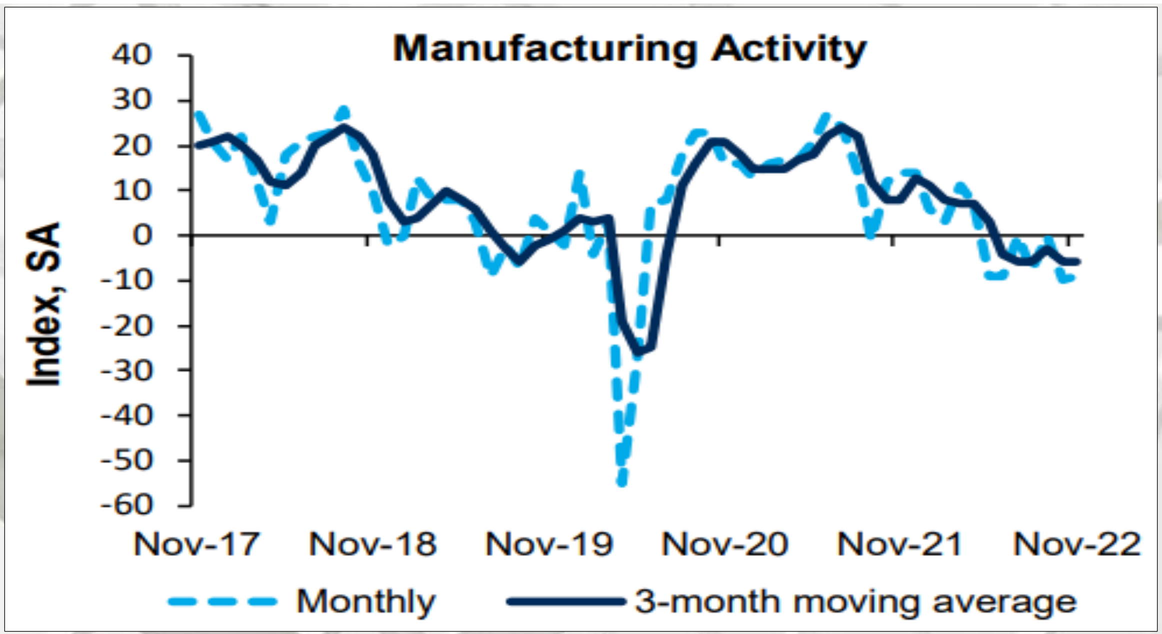
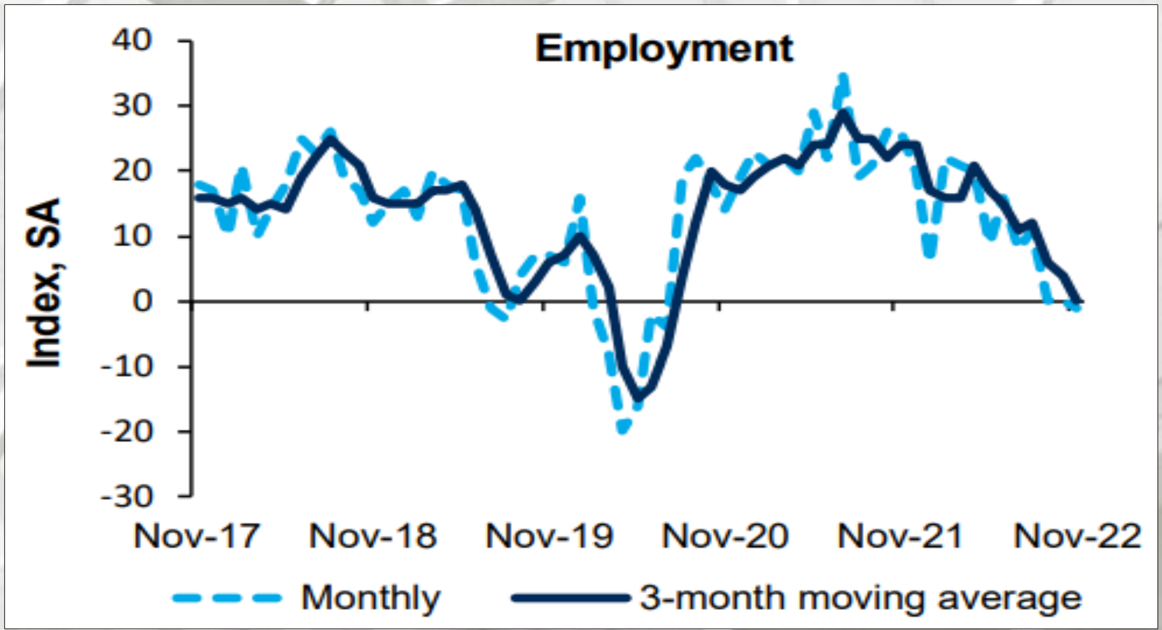
The Federal Reserve Bank of Richmond





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 11/22/22

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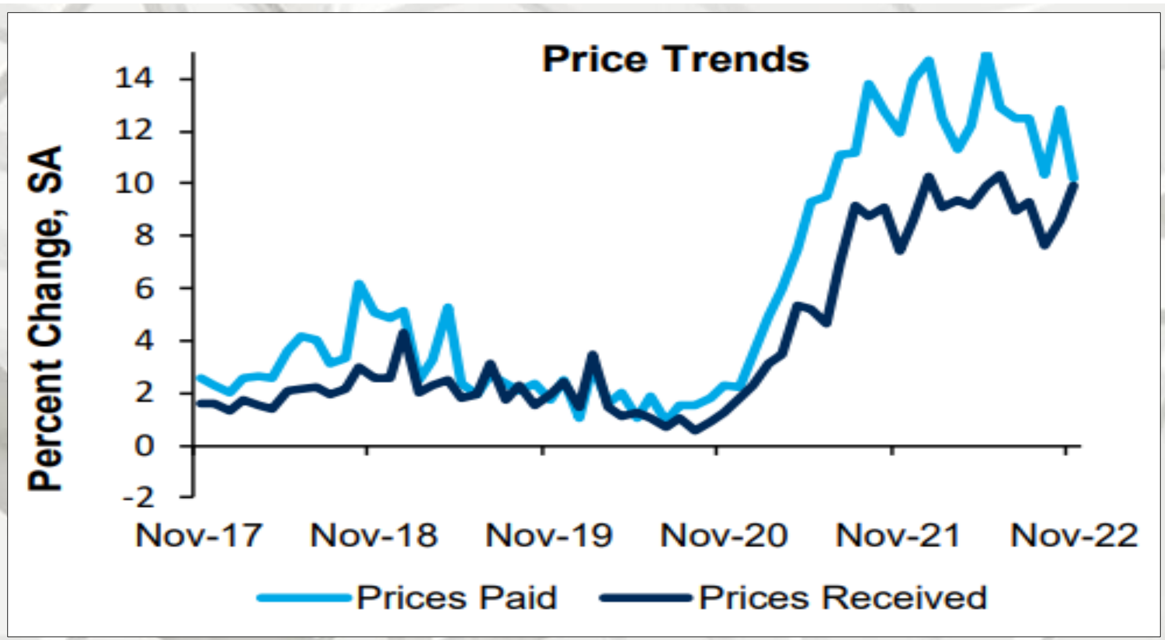
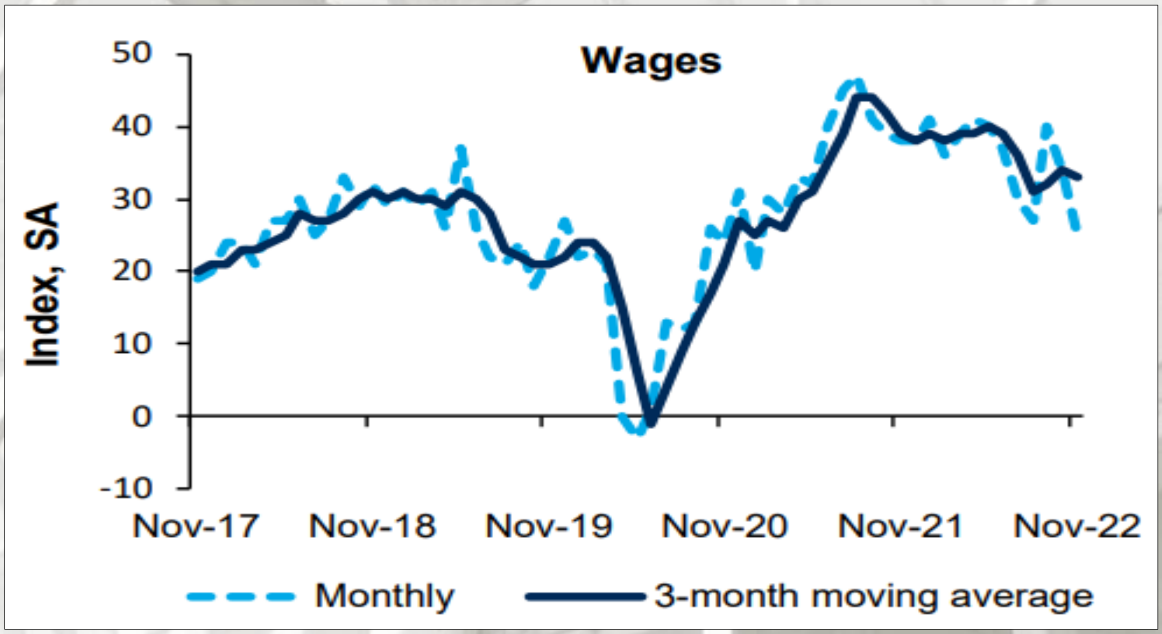
The Federal Reserve Bank of Richmond





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 11/22/22

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The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Service Sector Activity Remained Soft in November

"Fifth District service sector activity remained soft in November, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues and demand indexes increased to −2 and −1, remaining below 0. Firms were slightly more optimistic about the next six months than they were in October. The indexes for capital, equipment & software, and services expenditures edged down slightly again in November.

Firms' assessments of local business conditions remained low but improved somewhat from October, with a reading of -13 in November. Firms remained pessimistic about future business conditions, with the expected business conditions index increasing only slightly to -25 from -28.

A slightly smaller share of firms reported increased hiring in November, but their ability to find workers with the necessary skills improved modestly. Firms were again split on the issue of labor availability over the next six months, but a larger share now expect improvements. Firms also continued to expect wage increases. Growth in prices paid increased somewhat in November, while growth in prices received decreased slightly." – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 11/22/22

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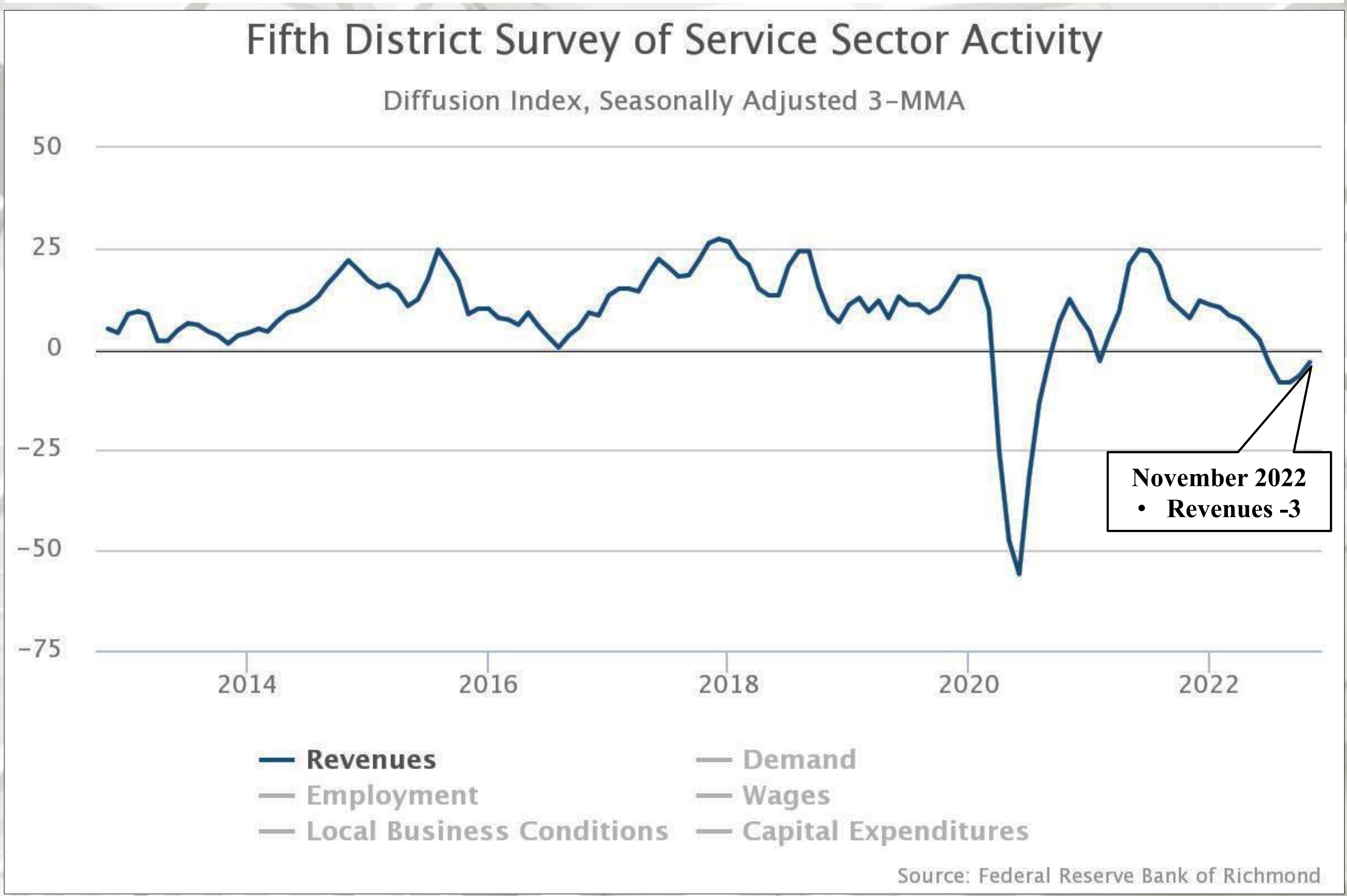
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 11/22/22

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U.S. Global Economic Indicators

The Federal Reserve Bank of Dallas

México Economic Update

México's Economy Grows for Fourth Straight Quarter; Outlook Improves

"México's GDP grew at an annualized 4.1 percent in third quarter 2022, an increase from the second quarter's growth of 3.7 percent and above analysts' expectations. As a result, analysts revised their GDP projections upward in October for the second month in a row (Table 1). Nevertheless, inflation and the looming risk of a U.S. recession remain headwinds for the Méxican economy. The latest data available show growth in industrial production, exports, employment and remittances, while retail sales were flat. In October, the peso held steady, and inflation remained elevated.

Output Grows in Third Quarter

According to preliminary estimates, México's third-quarter GDP grew an annualized 4.1 percent (Chart 1). The service-providing sector (wholesale and retail trade, transportation and business services) grew 4.8 percent, while output in the goods-producing sector (manufacturing, construction, utilities and mining) increased 3.6 percent. Agriculture increased 7.2 percent in the third quarter.

Industrial Production Ticks Up

The three-month moving average of México's industrial production (IP) index — which includes manufacturing, construction, oil and gas extraction, and utilities — increased 0.2 percent in August from July (Chart 2). On a month-over-month and unsmoothed basis, IP was flat in August while manufacturing IP declined 0.1 percent. North of the border, U.S. IP rose 0.4 percent in September after staying level in August. The correlation between IP in México and the U.S. has increased considerably with the rise of intra-industry trade between the two countries since the early 1990s. México's manufacturing sector could experience a slowdown in the near term, particularly if U.S. consumer demand decelerates as a result of high inflation and higher interest rates." – Jesus Cañas, Senior Business Economist, and Ana Pranger, Research Analyst; Research Department, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2022/2205.aspx; 10/6/22

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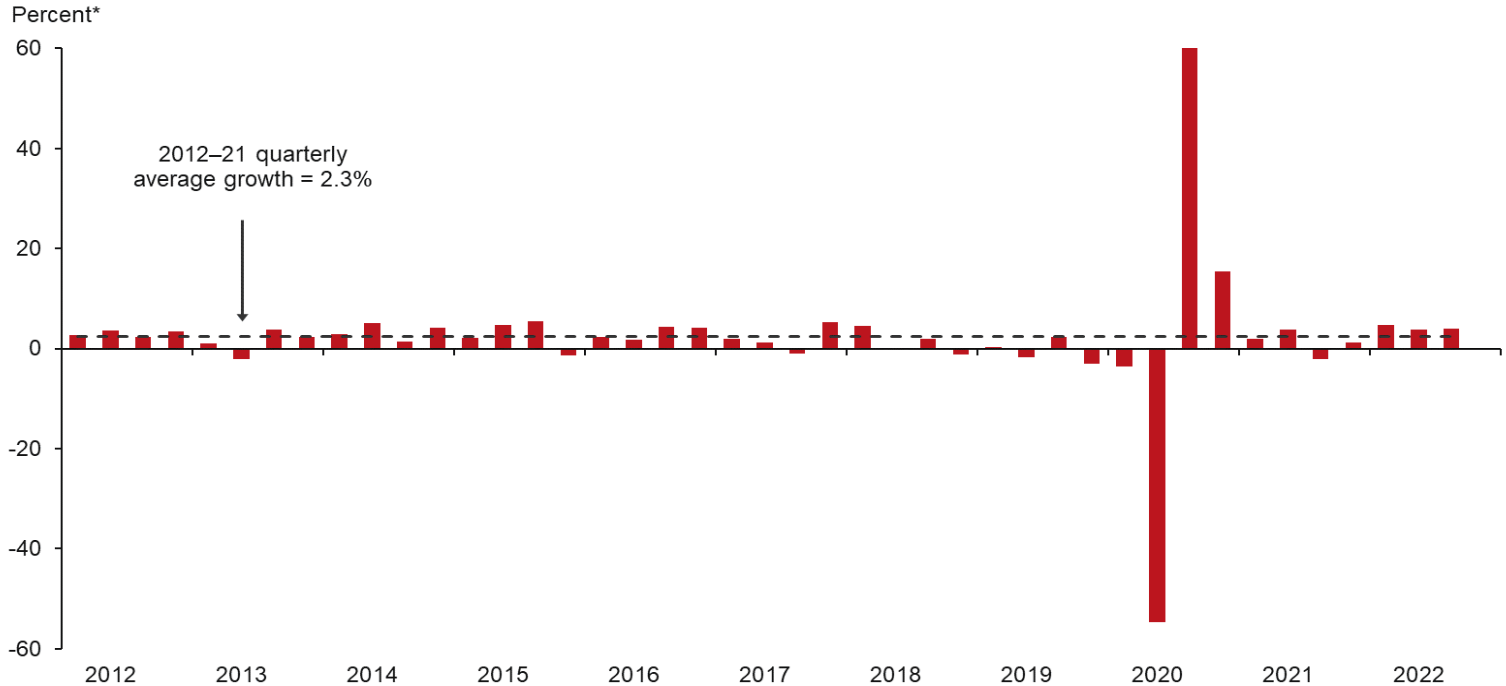
U.S. Global Economic Indicators

Table 1: Consensus Forecasts for 2022 México Growth, Inflation and Exchange Rate

	September	October
Real GDP growth (Q4/Q4)	1.9	2.1
Real GDP (average year/year)	2.0	2.1
CPI (Dec. '22/Dec. '21)	8.4	8.5
Exchange rate—pesos/dollar (end of year)	20.6	20.4

NOTE: CPI refers to Consumer Price Index. The survey period was Oct. 24–28.
SOURCE: Encuesta sobre las Expectativas de los Especialistas en Economía del Sector Privado: Octubre de 2022 (communiqué on economic expectations, Banco de México, October 2022).

Chart 1
Third Quarter 2022 GDP Growth Holds Steady



*Quarter/quarter, real pesos; seasonally adjusted, annualized rate.
NOTES: Shown is GDP growth in Mexico. Data are through third quarter 2022.
SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Source: https://www.dallasfed.org/research/update/mex/2022/2205.aspx; 10/6/22

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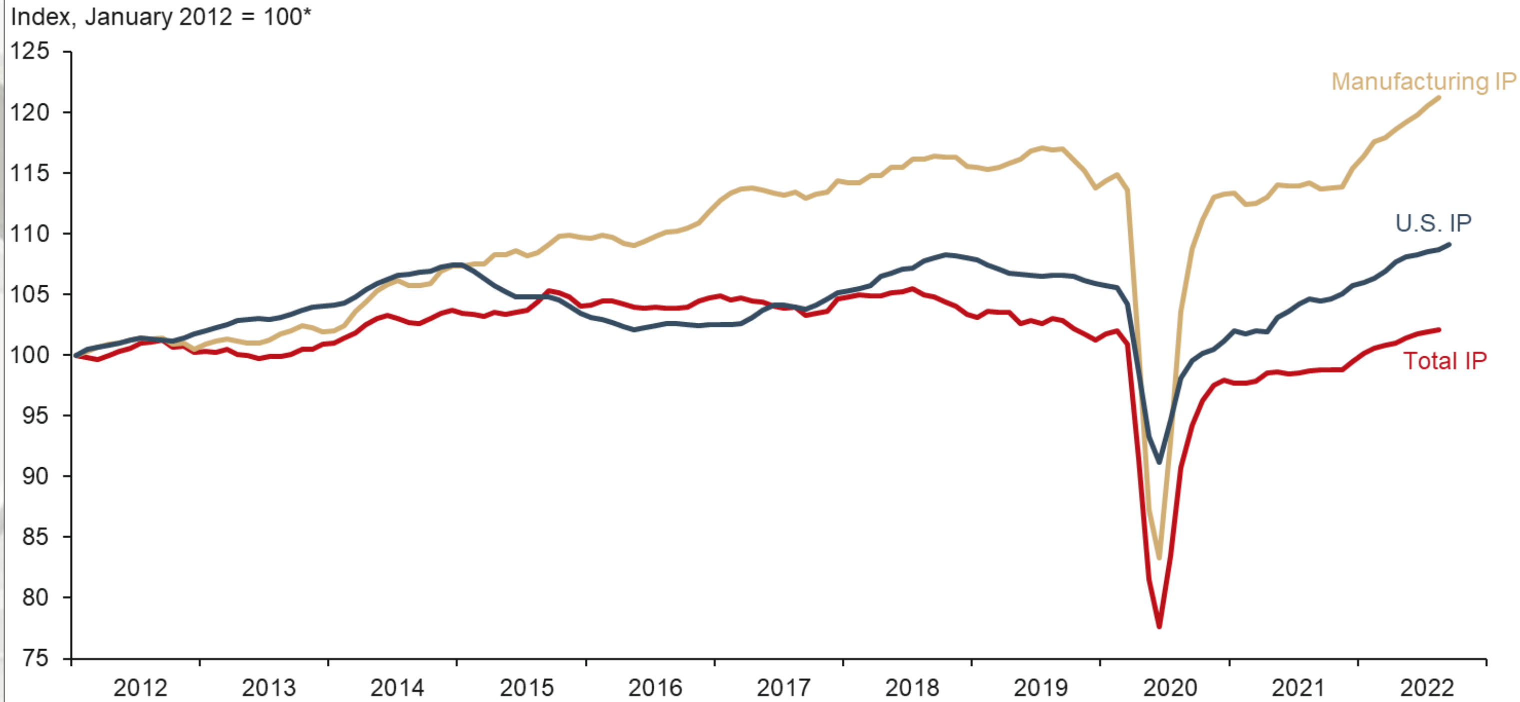
U.S. Global Economic Indicators

Chart 2
Industrial Production and Manufacturing Output Inch Up



*Seasonally adjusted, three-month moving average.
NOTES: Total and manufacturing IP refer to Mexico. U.S. IP refers to total industrial production in the United States. Mexico data are through August 2022; U.S. data are through September 2022.
SOURCES: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography); Federal Reserve Board.

Source: https://www.dallasfed.org/research/update/mex/2022/2205.aspx; 10/6/22

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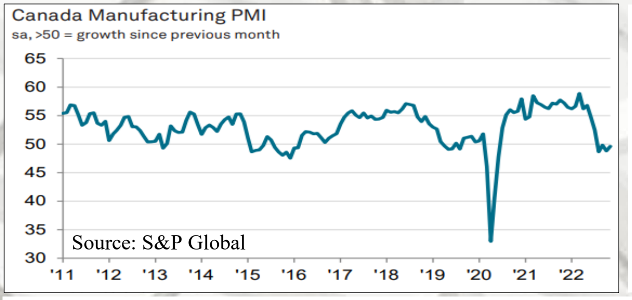
Private Indicators: Global



S&P Global Canada Manufacturing PMI®

"The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index® (PMI®) recorded 49.6 in November. That was up from 48.8 in October to signal a slower rate of contraction. Nonetheless, the PMI has now posted below the 50.0 no-change mark for four months in a row.

Canadian manufacturing PMI remains below par in November

Canada's manufacturing economy remained inside contraction territory during November, but only just as both output and new orders fell at slower rates compared to October. Moreover, several firms addressed staff shortages at their plants by registering a net increase in employment amid positive growth projections. That said, underlying conditions remained challenging, with high inflation and worries over recession again undermining sales and demand which, alongside shipping delays, led to a modest rise in inventories of finished goods.

Underlying what was an underwhelming PMI reading was another contraction in levels of new orders. Amid reports that market demand was subdued, and negatively impacted by high inflation, November marked the fifth successive month that new orders have fallen. Foreign sales were also down, as global macroeconomic uncertainties continued to weigh on product sales.

Negatively impacted by reduced orders, manufacturing production also fell over the month, but only slightly and to the lowest degree in the current five-month sequence of contraction. Support to production came in the form of an increase in staffing levels as firms sought to address the labour shortages that have at times hampered sector performance in recent months. This enabled companies to make some decent inroads into their backlogs of work, which fell for a fourth month in succession. …

Against a backdrop of high inflation and ongoing macroeconomic uncertainty in product markets, November's PMI data signalled that operating conditions in Canada's manufacturing sector remained challenging. Both output and new orders continued to fall, although perhaps of some comfort is that the degrees of decline were softer than in October. Moreover, cost inflation continues to ease as lower prices for several goods slowly make their way down the supply-chain, whilst several firms added to their staffing numbers as they sought to address labour shortages at their plants. Confidence in the future has also edged higher, adding to hopes that the current downturn in the sector is passing its trough." – Paul Smith, Economics Director, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/8c1c88b8dced412183a6f1926b970703; 12/1/22

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Private Indicators: Global

S&P Global Eurozone Manufacturing PMI®

"The S&P Global Eurozone Manufacturing PMI® moved slightly higher in November to 47.1, from 46.4 in October. However, by posting another sub-50.0 reading – the fifth in as many months – the headline index signalled a further deterioration in the health of the goods-producing sector.

Eurozone manufacturing downturn continues in November but inflationary pressures ease further

The downturn in the eurozone goods-producing sector continued in November, although rates of decline in output and new orders were less aggressive when compared to the near two-and-a-half year records seen in October. There was also a further easing of inflationary pressures, in part due to weaker demand and reduced strain on suppliers. Nevertheless, November survey data pointed to a solid reduction in output volumes. The level of incoming new orders also fell sharply once again as client demand in markets across the eurozone and other parts of the globe deteriorated. Input purchasing was subsequently reduced to the quickest extent since May 2020 and firms remained pessimistic in their outlook for the next 12 months. … Manufacturing output levels fell in November for a sixth straight month. Deteriorating order books were a key reason for lower production, according to surveyed companies. While the rate of decline was solid, it was weaker than October's 29-month record. …

The PMI signals some welcome moderation in the intensity of the eurozone manufacturing downturn in November, which will support hopes that the region many not be facing a winter downturn as severe as previously anticipated by many. However, the survey's production index continuing to run at one of the lowest levels recorded over the past decade. At these levels the survey is indicative of a marked annualised rate of contraction of approximately 4%. While official manufacturing data have been more buoyant – and more volatile – in recent months, such weak PMI readings have always been followed by commensurate steep declines in the official statistics. …

Looking ahead, future output expectations have picked up slightly on improved supply chain and energy market signals, the latter buoyed by warmer than usual autumn weather, but confidence remains amongst the lowest seen over the past decade. How manufacturers fare over the winter months will of course be conditional to a large extent on the weather, with any cold snaps likely to fuel concerns over energy resources and potentially hitting production and supply chains further" – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/9d590d283d3e4a1aab6a2578e5f9983c; 12/1/22

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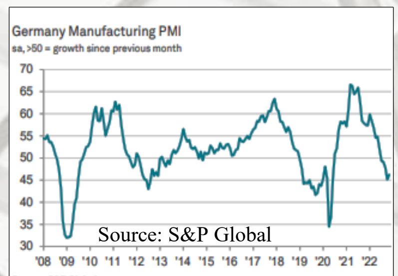
Private Indicators: Global



Source: S&P Global

S&P Global/BME Germany Manufacturing PMI®

"The headline the seasonally adjusted S&P Global/BME Germany Manufacturing PMI® – a single-figure measure of sector performance derived from measures of new orders, output, employment, suppliers' delivery times and stocks of purchases – registered 46.2 in November, thereby remaining in sub-50 contraction territory for a fifth straight month. However, up from October's near two-and-a-half year low of 45.1, the latest figure pointed to a slight slowdown in the rate of decline.

Manufacturing sector remains in contraction territory, but cost and supply pressures ease

Germany's manufacturing sector remained in contraction at the midway point of the fourth quarter, with goods producers reporting a notable weakening of demand, according to latest PMI® survey data. Rates of decline in output and new orders were slower than in October, however, while firms were less pessimistic about the outlook. Expectations were lifted in part by an easing of material shortages and an associated slowdown in the rate of input cost inflation, which retreated to a near two-year low.

November's survey showed another sharp drop in new orders across the German manufacturing sector, indicating a sustained weakening of underlying demand for goods. The rate of contraction eased since October, when it had shown the most marked decline for almost two-and-a half years, but was still the second-fastest since May 2020. High energy costs, soaring inflation and an uncertain economic outlook each acted as headwinds to demand, according to surveyed businesses. Furthermore, goods producers noted a further sharp fall in new export orders, with lower sales to Asia and across Europe reported. …

Although the immediate threat of gas shortages may have subsided somewhat, contributing to an improvement in expectations from October's low point, energy security remains a major concern for German manufacturers, as does falling demand. New orders have plunged rapidly in recent months, leading to a build-up of inventories and becoming the main drag on output for many manufacturers in place of material shortages. Pressure on supply chains has been steadily easing thanks in part to the scaling back of purchasing activity among manufacturers. The improvement in supply conditions was underscored by the survey's delivery times index registering above the 50.0 no-change threshold for the first time in almost two-and-a-half years in November.

With the easing of supply-chain bottlenecks comes a softening of inflationary pressures in the goods producing sector. The rate of increase in manufacturing input costs slowed sharply for a second straight month in November to leave it at its lowest for almost two years. This bodes well for headline inflation as easing pipeline price pressures start to filter through." – Phil Smith, Principal Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/abcc68fd91c64021af55917a451e4d1f; 12/1/22

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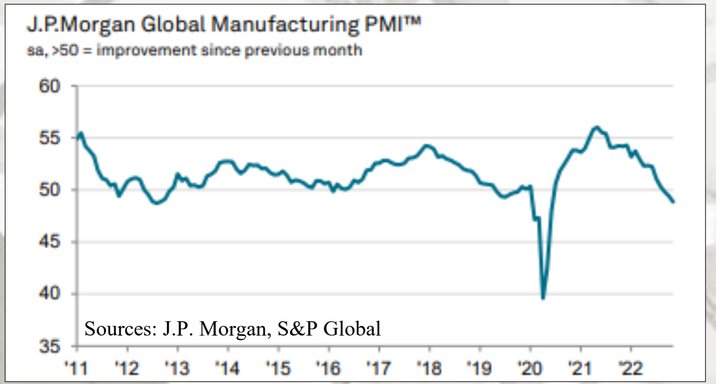
Private Indicators: Global



J.P. Morgan Global Manufacturing PMI™

"The J.P. Morgan Global Manufacturing PMI™ – a composite index produced by J.P. Morgan and S&P Global in association with ISM and IFPSM – fell to a 29-month low of 48.8 in November, down from 49.4 in October. The PMI has posted below the neutral mark of 50.0 in each of the past three months. 23 of the 31 nations for which data were available had PMI readings indicating contraction, including China, the US, the euro area and Japan.

Global manufacturing downturn intensifies as output and new orders fall at faster rates

November saw global manufacturing production contract for the fourth consecutive month, as companies were hit by weaker intakes of new business, receding international trade flows and continued high costs. The outlook remained bleak, amid subdued business optimism about the future and rising finished goods holdings. Data broken down by sector indicated that output declined across the consumer, intermediate and investment goods industries. The weakest performer was intermediate goods, which saw a solid drop in production volumes. The downturns at consumer and investment goods producers were both mild in comparison. …

November survey data also highlighted a number of potential headwinds for the sector during coming months. New order intakes fell for the fifth month running and to the greatest extent in two-and-a-half years. International trade also retreated further, posting a decline for the ninth successive month. Weaker demand led to a build up of finished goods inventories at factories, which may act as a further brake. on production. Stocks rose at the quickest pace since comparable data were first compiled in late-2009. Input inventories meanwhile decreased slightly for the first time in 20 months, as elevated cost pressures led manufacturers to cut back purchasing sharply. …

The November PMIs point to an intensification of the global manufacturing downturn, as the output index fell to a new low since June 2020. The decline in output was accompanied by a tick down in new orders as rising inventories have put the brakes on production. There was some positive news on the price front, however, as price pressures continued to ease. The delivery times index also improved, consistent with the signal from high frequency shipping cost indicators that show supply chain conditions normalizing." – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/f77b312d47774dcc8895840bdfc6f3b9; 12/1/22

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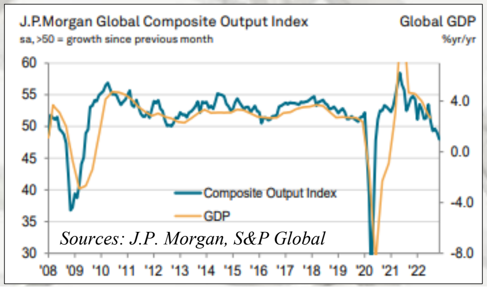
Private Indicators: Global



J.P. Morgan Global Composite PMI™

"The J.P. Morgan Global Composite Output Index – produced by J.P. Morgan and S&P Global in association with ISM and IFPSM – fell to 48.0 in November, from 49.0 in October. The headline index has signalled contraction in each of the past four months.

Global PMI signals accelerating downturn of economic activity in November

The downturn in global economic activity deepened during November. Output fell at the quickest pace in almost two-and-a-half years following a similarly steep drop in new order intakes. There was slightly better news on the price front, however, as rates of increase in input costs and output charges both eased further. November saw manufacturing output and service sector business activity fall at the fastest rates since June 2020. Furthermore, of the six narrow sector definitions covered by the survey, five (business services, consumer goods, consumer services, intermediate goods and investment goods) registered contractions. Financial services was the only category to see expansion, although the rate of increase was marginal and mainly represented a broad stabilisation following October's marked decline. …

The level of incoming new business decreased for the fourth month running in November, with the rate of contraction accelerating to a two-and-a-half year record. The trend in international trade also remained weak, with new export orders contracting for the ninth successive month. Lower intakes in new work led to a further reduction in outstanding business, which fell for the fifth straight month. The downturn in the global economy was partly reflected in the labor market. Although staffing levels rose for the twenty-seventh successive month, the rate of job creation was only slight and among the weakest during that sequence. … November saw companies maintain a subdued outlook for the global economy. Although business optimism improved on October's 28-month low, it remained at one of its lowest levels since comparable data were first compiled in mid-2012.

The November PMIs signal a further downshift in momentum for the global economy. The output and new orders PMIs fell by 1.0pts and 1.3pts, respectively, to settle at their lowest levels for two-and-a-half years. The employment PMI points to job growth at its weakest since early-2021. Input costs and selling prices both easing during the latest survey month as improved supply chain conditions and weaker demand have filtered through to inflation." – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/2e0ef98927e64e73946afec94adbd153; 12/5/22

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Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Down 0.3% in October

"National nonresidential construction spending was down by 0.3% in October, according to an Associated Builders and Contractors analysis of data published today by the U.S. Census Bureau. On a seasonally adjusted annualized basis, nonresidential spending totaled $898.4 billion for the month.

Spending was down on a monthly basis in seven of the 16 nonresidential subcategories. Private nonresidential spending was down 0.8%, while public nonresidential construction spending was up 0.6% in October.

"While economists have spent much of 2022 watching interest rates march higher and fretting about recession, contractors have been working through their lofty backlog and improving America's built environment," said ABC Chief Economist Anirban Basu. "Despite the rising cost of capital, elevated materials prices and equipment shortages, contractors have generally remained upbeat despite a worsening outlook, according to ABC's Construction Confidence Index.

"These data suggest that nonresidential construction activity is weakening," said Basu. "Spending declined in a majority of nonresidential subsectors in October, and residential spending has now fallen in each of the previous four months. The only bright spot: the 0.6% increase in publicly financed nonresidential construction spending. The infrastructure package and excess pandemic relief funds should allow the public sector to retain momentum even as the broader economy weakens."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19718/abc-nonresidential-construction-spending-down-03-in-october; 12/1/22

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Private Indicators
Associated Builders and Contractors

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

	October 2022	September 2022	October 2021	1-Month % Change	12-Month % Change
Total Construction	$1,794,949	$1,800,105	$1,644,332	-0.3%	9.2%
Residential	$896,505	$899,328	$825,903	-0.3%	8.5%
Nonresidential	$898,444	$900,777	$818,428	-0.3%	9.8%
Amusement and recreation	$28,186	$27,475	$25,026	2.6%	12.6%
Public safety	$11,736	$11,556	$10,601	1.6%	10.7%
Power	$106,758	$105,229	$118,677	1.5%	-10.0%
Lodging	$19,125	$18,882	$15,655	1.3%	22.2%
Conservation and development	$9,114	$9,040	$8,171	0.8%	11.5%
Communication	$24,849	$24,707	$24,777	0.6%	0.3%
Health care	$52,410	$52,207	$48,655	0.4%	7.7%
Educational	$98,218	$97,817	$93,380	0.4%	5.2%
Office	$87,138	$86,891	$86,352	0.3%	0.9%
Transportation	$56,597	$56,633	$55,314	-0.1%	2.3%
Commercial	$117,411	$117,924	$95,950	-0.4%	22.4%
Highway and street	$114,273	$115,096	$102,161	-0.7%	11.9%
Water supply	$25,470	$25,660	$19,140	-0.7%	33.1%
Sewage and waste disposal	$32,706	$33,061	$28,051	-1.1%	16.6%
Manufacturing	$111,618	$115,451	$83,632	-3.3%	33.5%
Religious	$2,835	$3,148	$2,889	-9.9%	-1.9%
Private Nonresidential	$533,156	$537,622	$486,771	-0.8%	9.5%
Public Nonresidential	$365,289	$363,155	$331,657	0.6%	10.1%

Source: U.S. Census Bureau

Source: https://www.abc.org/News-Media/News-Releases/entryid/19718/abc-nonresidential-construction-spending-down-03-in-october; 12/1/22

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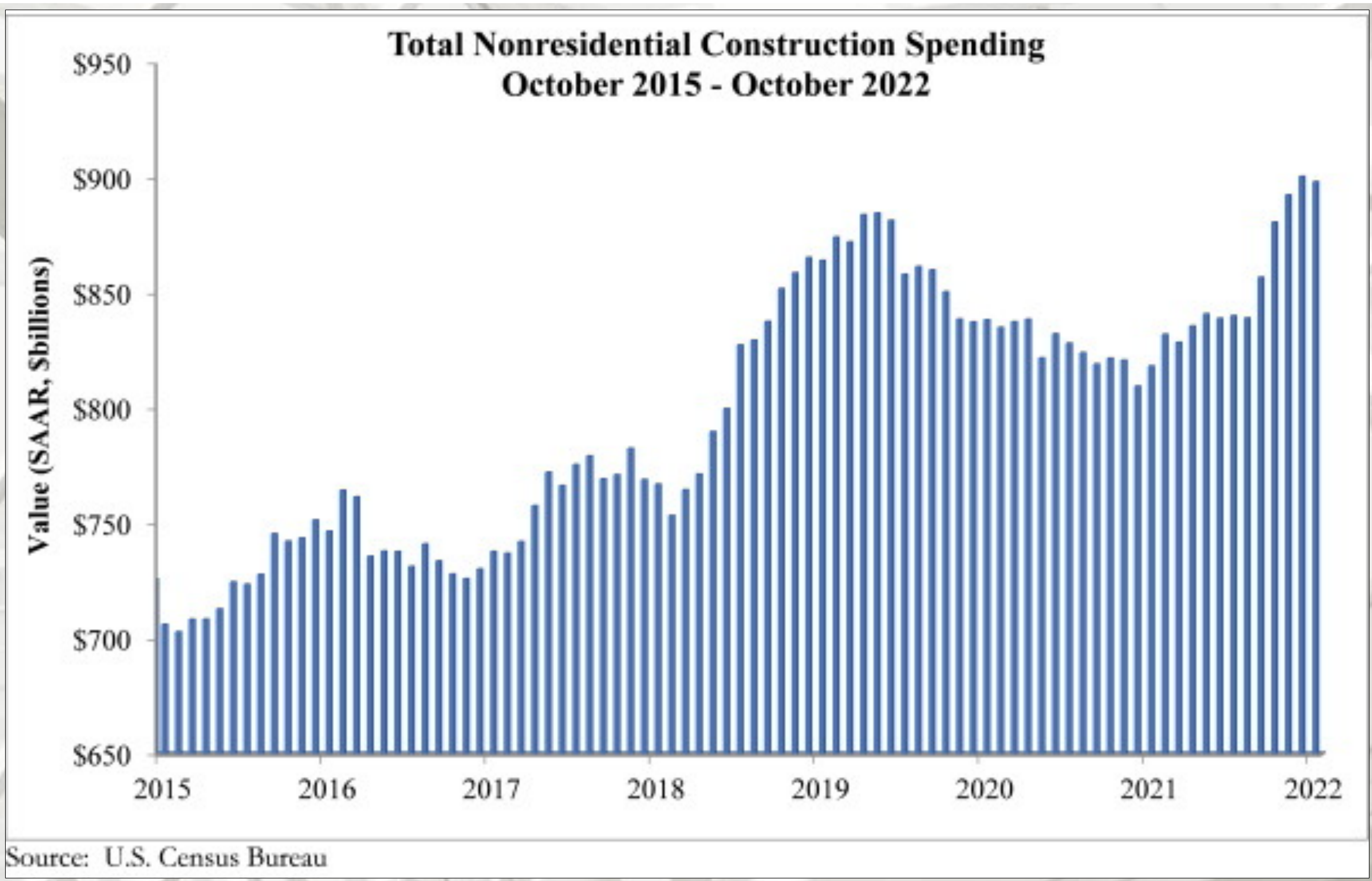
Private Indicators
Associated Builders and Contractors



Source: https://www.abc.org/News-Media/News-Releases/entryid/19718/abc-nonresidential-construction-spending-down-03-in-october; 12/1/22

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Private Indicators
Associated Builders and Contractors

Commercial, Institutional and Health Care Construction Drive ABC's Backlog Indicator to Highest Level Since Q2 2019

"Associated Builders and Contractors reports today that its Construction Backlog Indicator increased to 9.2 months in November, according to an ABC member survey conducted Nov. 21 to Dec. 6. The reading is 0.8 months higher than in November 2021.

Backlog is now at its highest level since the second quarter of 2019. The increase in backlog observed in November is largely attributed to contractors with under $30 million in revenue, which now have their highest level of backlog in over three years.

ABC's Construction Confidence Index reading for profit margins and staffing increased in November, while the reading for sales inched lower. All three readings remain above the threshold of 50, indicating expectations of growth over the next six months.

"The rise in backlog is remarkable and unexpected," said ABC Chief Economist Anirban Basu. "A number of contractors have been reporting that their backlog has risen rapidly over the past three months, which is counterintuitive given the pervasive view that the broader economy is headed into recession.

"The improvement in backlog was particularly sharp in the commercial and institutional category, and health care-related construction has emerged as a major driver of new activity," said Basu. "While it seems unlikely that backlog will hold up in the face of the Federal Reserve's efforts to slow demand, many predicted that backlog would have dipped by now and that has yet to transpire. What's more, many contractors expect sales and staffing levels to climb over the next six months, while profit margins are projected to remain stable.'"" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19722/commercial-institutional-and-health-care-construction-drive-abcs-backlog-indicator-to-highest-level-since-q2-2019; 12/13/22

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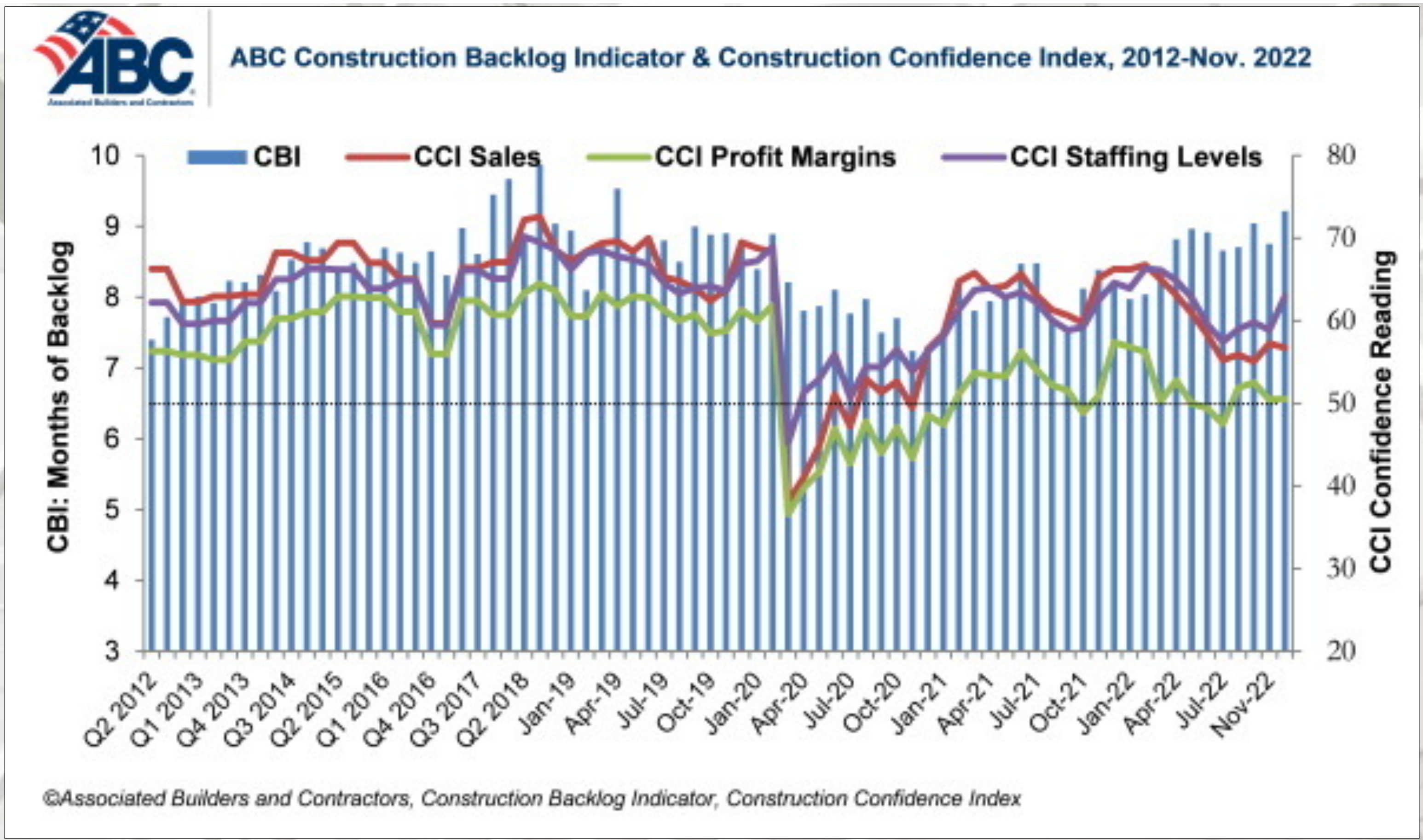
Private Indicators
Associated Builders and Contractors



Source: https://www.abc.org/News-Media/News-Releases/entryid/19722/commercial-institutional-and-health-care-construction-drive-abcs-backlog-indicator-to-highest-level-since-q2-2019; 12/13/22

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Private Indicators
Associated Builders and Contractors

Construction Backlog Indicator

	Nov. 2022	Oct. 2022	Nov. 2021	1-Month Net Change	12-Month Net Change
Total	**9.2**	**8.8**	**8.4**	**0.4**	**0.8**
Industry					
Commercial & Institutional	9.6	8.8	8.7	0.8	0.9
Heavy Industrial	9.5	10.3	9.9	-0.8	-0.4
Infrastructure	6.7	8.9	8.6	-2.2	-1.9
Region					
Middle States	7.8	8.7	8.1	-0.9	-0.3
Northeast	8.6	7.5	7.7	1.1	0.9
South	11.5	11.2	10.2	0.3	1.3
West	8.3	7.8	8.0	0.5	0.3
Company Size					
<$30 Million	8.5	7.9	7.7	0.6	0.8
$30-$50 Million	9.8	9.7	8.9	0.1	0.9
$50-$100 Million	10.6	10.8	10.2	-0.2	0.4
>$100 Million	12.7	13.9	15.0	-1.2	-2.3

Source: https://www.abc.org/News-Media/News-Releases/entryid/19722/commercial-institutional-and-health-care-construction-drive-abcs-backlog-indicator-to-highest-level-since-q2-2019; 12/13/22

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Private Indicators
Associated Builders and Contractors

Construction Confidence Index

Response	November 2022	October 2022	November 2021
CCI Reading			
Sales	56.8	57.2	65.2
Profit Margins	50.5	50.4	50.9
Staffing	63.0	58.9	62.5
Sales Expectations			
Up Big	4.3%	7.7%	12.8%
Up Small	44.9%	41.4%	52.1%
No Change	28.6%	25.4%	19.7%
Down Small	17.8%	23.1%	13.8%
Down Big	4.3%	2.4%	1.6%
Profit Margin Expectations			
Up Big	2.7%	2.4%	2.7%
Up Small	29.2%	29.0%	31.9%
No Change	38.9%	41.4%	39.4%
Down Small	25.9%	22.5%	18.6%
Down Big	3.2%	4.7%	7.4%
Staffing Level Expectations			
Up Big	5.9%	4.7%	4.8%
Up Small	54.1%	41.4%	50.0%
No Change	27.6%	40.8%	37.2%
Down Small	10.8%	10.7%	6.4%
Down Big	1.6%	2.4%	1.6%

Source: https://www.abc.org/News-Media/News-Releases/entryid/19722/commercial-institutional-and-health-care-construction-drive-abcs-backlog-indicator-to-highest-level-since-q2-2019; 12/13/22

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index October 2022

Architecture firm billings take a sharp downward turn

“Billings at architecture firms softened considerably in October with an ABI score of 47.7, as firms reported the first decline in billings since January 2021. Economic headwinds have been mounting, and finally led to weakening demand for new projects. While one month of weak business conditions is not enough to indicate an emerging trend, it is worth keeping a close eye on firm billings in the coming months. In addition, while inquiries into new projects continued to grow at a modest pace in October, the value of new design contracts also declined in October as fewer new projects entered the pipeline. Since most firms currently have robust backlogs, there may be enough work in the pipeline to serve as a buffer against a downturn.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“Economic headwinds have been steadily mounting, and finally led to weakening demand for new projects. Firm backlogs are healthy and will hopefully provide healthy levels of design activity against fewer new projects entering the pipeline should this weakness persist.” – Kermit Baker, Chief Economist, AIA

Source: https://www.aia.org/pages/6567531-abi-october-2022-architecture-firm-billing; 11/18/22

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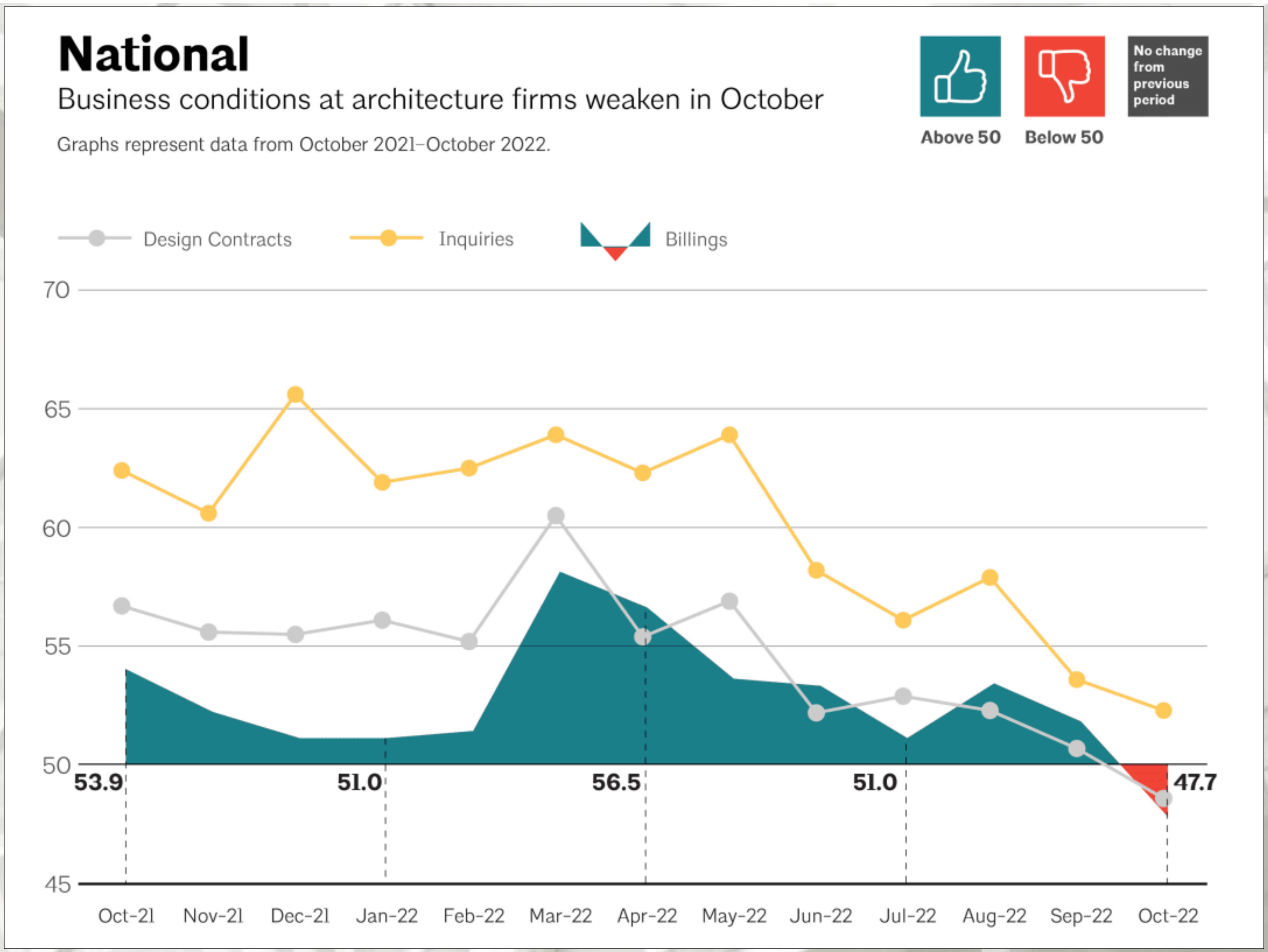
Private Indicators
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6567531-abi-october-2022-architecture-firm-billing; 11/18/22

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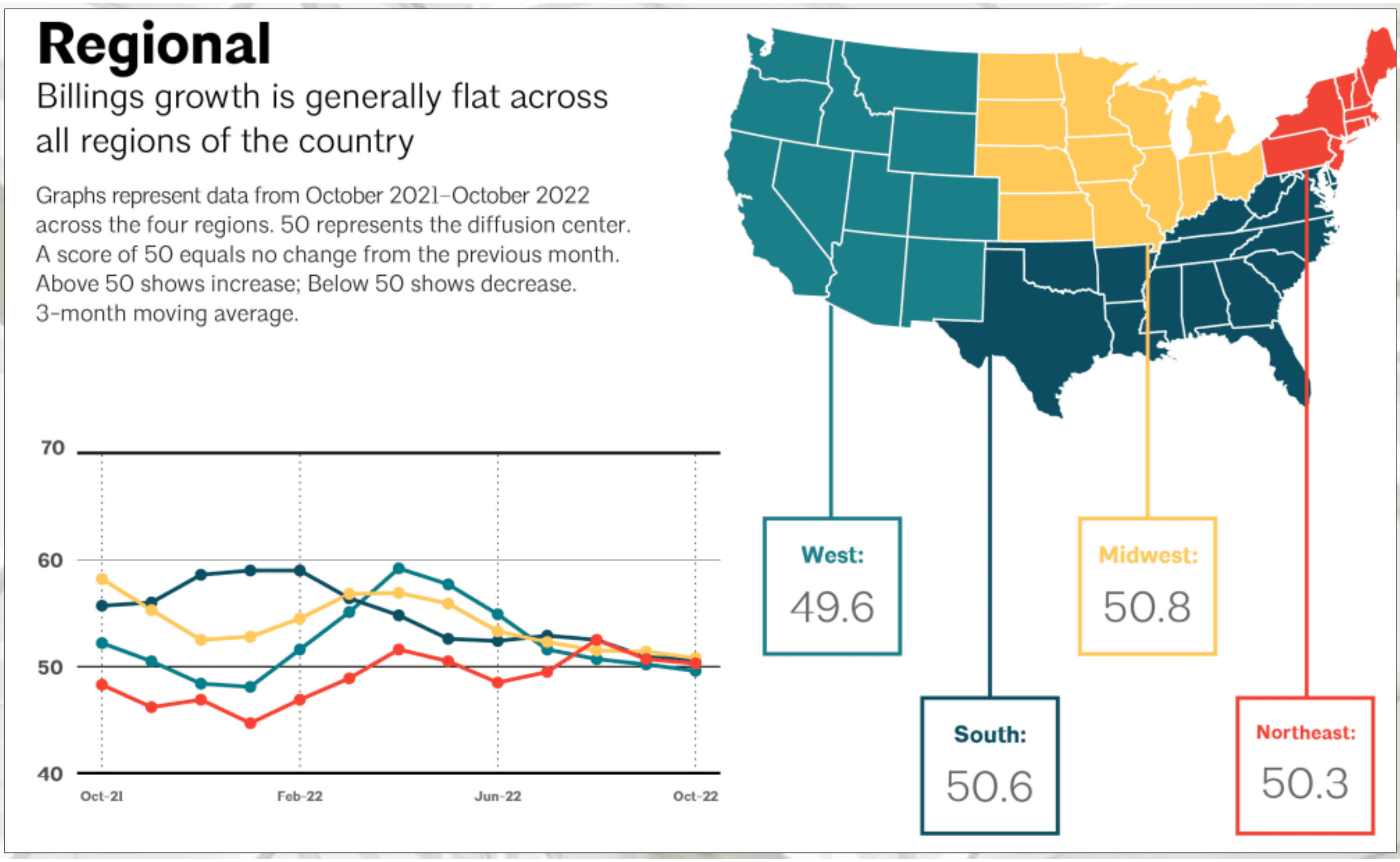
Private Indicators: AIA



Region

"Business conditions were fairly consistent across the country in October, as firms in all four regions saw either slight growth or a slight downturn. (Due to the fact that regional and sector data are reported as three-month moving averages, they may show more variability, and may not average out to the national billings number exactly.) In addition, firms in the South may have been impacted by Hurricane Ian and may also see an impact from Hurricane Nicole as well." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6567531-abi-october-2022-architecture-firm-billing; 11/18/22

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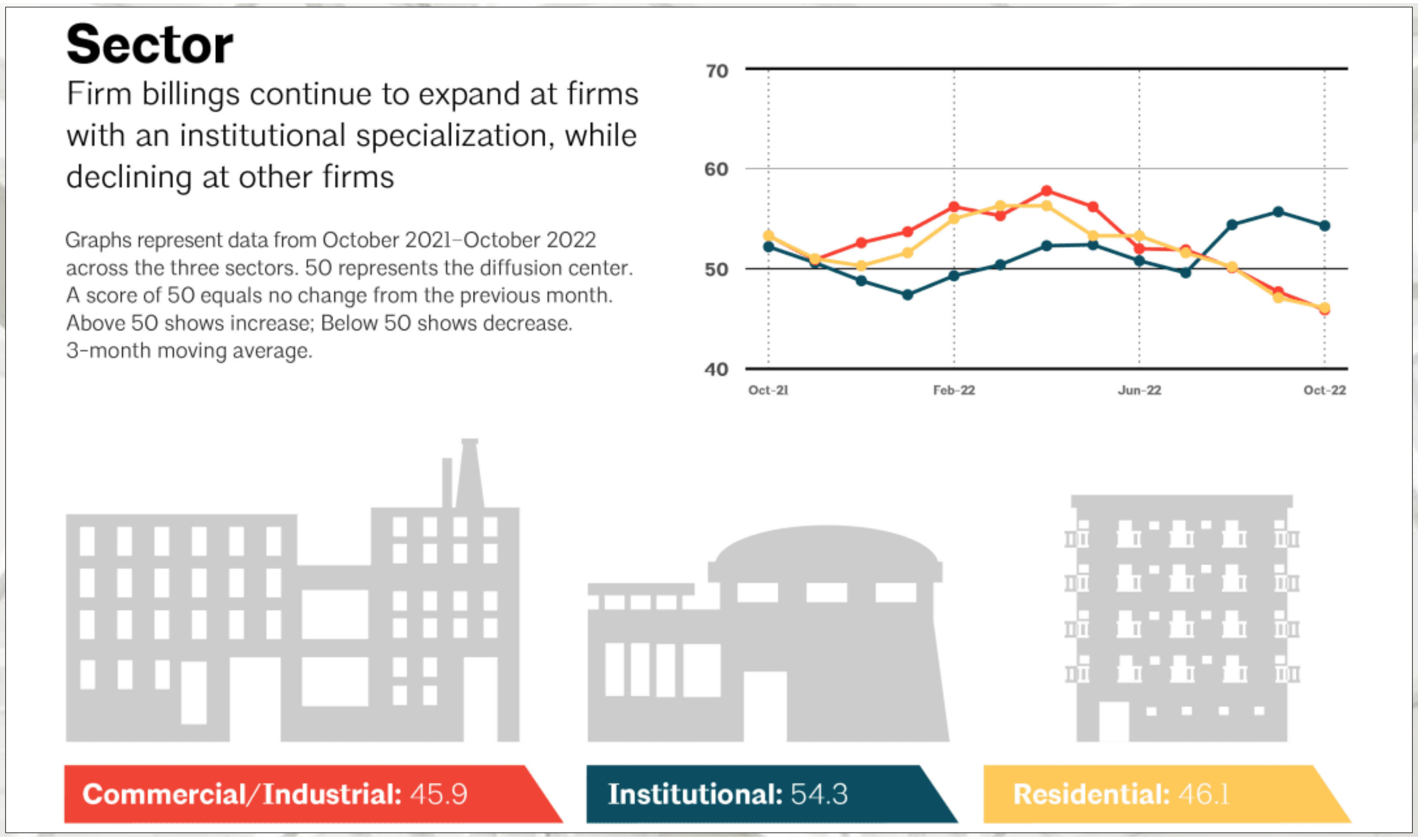
Private Indicators: AIA



Sector

"Conditions were more mixed by firm specialization this month, with firms with multifamily residential and commercial/industrial specializations seeing more significant declines in billings in October, following a gradual softening during the third quarter. Firms with an institutional specialization, on the other hand, saw fairly strong growth, which is typical for this point in the business cycle. Multifamily residential and commercial/industrial projects are usual first to rebound following a recession, and then as they start to slow, institutional projects pick up steam." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6567531-abi-october-2022-architecture-firm-billing; 11/18/22

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Private Indicators

Dodge Data & Analytics

Total Construction Starts Increase in October

“Total construction starts rose 8% in October to a seasonally adjusted annual rate of $1.12 trillion, according to Dodge Construction Network. In October, nonresidential building starts gained 9%, and nonbuilding starts rose 26%; however, residential starts fell by 3%.

Year-to-date, total construction was 16% higher in the first ten months of 2022 compared to the same period of 2021. Nonresidential building starts rose 37% over the year, residential starts remained flat, and nonbuilding starts were up 17%.

“October’s gain in construction starts is a further sign that the construction sector continues to weather the storm of higher interest rates,” said Richard Branch, chief economist for Dodge Construction Network. “While the residential sector is feeling the pain, the nonresidential building and infrastructure sectors are hitting their stride. Some weakness is to be expected as the Federal Reserve continues its battle with inflation; however, the damage should be isolated to a few verticals and not as widespread as what the industry witnessed during the Great Recession.”” – Cailey Henderson, Account Manager, 104 West Partners

Source: https://www.construction.com/news/October-2022-Starts; 11/17/22

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Private Indicators

Dodge Data & Analytics

“**Nonresidential building** rose 26% in October to a seasonally adjusted annual rate of $277.7 billion. Highway and bridge starts rose 57%, while utility/gas plants increased 19%, and environmental public works were 13% higher. This growth is tempered as miscellaneous nonbuilding starts fell 20% in the month. Through the ten months of the year, total nonbuilding starts were 17% higher than in 2021. Highway and bridge starts were 25% higher, environmental public works were 14% higher, and miscellaneous nonbuilding starts increased 17% on a year-to-date basis. Utility/gas plant starts were flat.

The largest nonbuilding projects to break ground in October were the $576 million TX DOT Interstate Highway 820 reconstruction project in Fort Worth, TX, the $548 million TX DOT Interstate Highway 35 widening project in Austin, TX, and the $364 million repaving project in Honolulu, HI.

- **Nonresidential building starts** rose 9% in October to a seasonally adjusted annual rate of $480.5 billion. During the month, commercial starts rose 19%, led by office and hotel projects. Institutional starts rose 8% due to a surge in education projects, while manufacturing starts fell by 5%. Through the first ten months of 2022, nonresidential building starts were 37% higher than the first ten months of 2021. Commercial starts grew 23%, and institutional starts rose 21%. Manufacturing starts were 157% higher on a year-to-date basis.

The largest nonresidential building projects to break ground in October were the $3.2 billion Texas Industries chip fabrication plant (building 1) in Sherman, TX, the $2.0 billion General Motors Orion EV plant in Orion Township, MI, and the $1 billion Gevo Net-Zero 1 hydrocarbon plant in Lake Preston, SD.” – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/October-2022-Starts; 11/17/22

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Private Indicators

Dodge Data & Analytics

"**Residential building starts** fell 3% in October to a seasonally adjusted annual rate of $366.4 billion. Single family starts lost 3%, while multifamily starts dropped 4%. Through the first ten months of 2022, residential starts were flat when compared to the same time frame in 2021. Multifamily starts were up 26%, while single family housing slipped 10%.

The largest multifamily structures to break ground in October were the $564 million Long Island City Center II in Long Island City, NY, the $450 million Waldorf Astoria residences and hotel in Miami, FL, and the $167 million Modera McGavock mixed-use building in Nashville, TN.

Regionally, total construction starts in October rose in the Midwest and South Atlantic regions, but fell in the South Central and West." – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/October-2022-Starts; 11/17/22

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Private Indicators

October 2022 CONSTRUCTION STARTS

MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

	Oct 2022	Sep 2022	% Change
Nonresidential Building	$480,495	$440,249	9
Residential Building	366,438	379,115	-3
Nonbuilding Construction	277,712	220,601	26
Total Construction	$1,124,645	$1,039,965	8

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	10 Mos. 2022	10 Mos. 2021	% Change
Nonresidential Building	$342,142	$250,032	37
Residential Building	357,667	357,967	0
Nonbuilding Construction	206,746	176,573	17
Total Construction	$906,555	$784,572	16

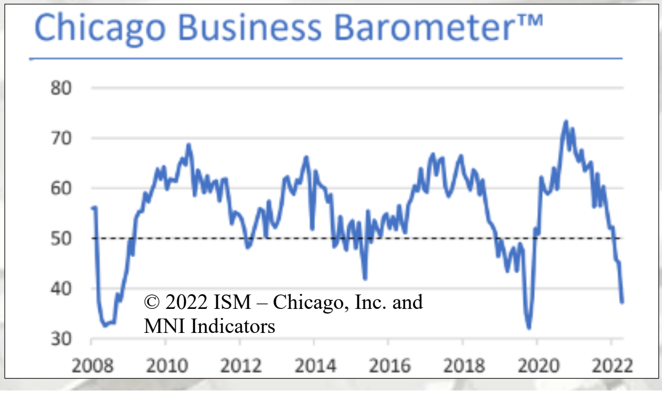
Source: Dodge Data & Analytics

Source: https://www.construction.com/news/October-2022-Starts; 11/17/22

Private Indicators

MNI Chicago

"The Chicago Business Barometer™, produced with MNI, tumbled a further eight points to 37.2 in November, contracting for a third consecutive month. Excluding the 2020 pandemic shock, this was the lowest reading since the 2008/09 Global Financial Crisis.



Chicago Business Barometer™ – Tumbled to 37.2

November Chicago Report™ Signals Deepening Downturn

- After marginal improvements in October, only Employment and Inventories recorded November upticks. All other indexes saw marked declines. Production, New Orders and Order Backlogs fell further to June 2020 lows. Only Inventories and Prices Paid remained expansionary.
- Production plunged by 9.2 points to 35.9, contracting for the third month running to 17 points below the 12-month average. Low order levels dampened production. Close to 90% of respondents recorded the same or lower production.
- New Orders recorded the lowest sub-index level at 30.7, 8.5 points below the October level. Weak demand conditions saw 46% of firms experience falling orders. Inflation concerns, higher inventories and the slowing housing market were cited as key contributors.
- Order Backlogs experienced the largest decline, receding 11.2 points to 36.1. As new orders weaken further, firms are quickly working through outstanding customer orders.
- Employment ticked up 1.5 points to 47.1, improving for a second month from the brief September dip." – Les Commons, Senior Economist and Lucy Hager, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 11/30/22

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Private Indicators

MNI Chicago

Chicago Business Barometer™ – Tumbled to 37.2

- Inventories grew 2.9 points to 59.8. Anecdotal evidence showed firms were actively looking to normalize levels of stock as orders weaken. Nonetheless, weak demand conditions made it difficult to bring down inventory levels.
- Supplier deliveries declined by 9.4 points to 49.9 in November, nearing pre-pandemic levels as supply pressures eased. Overall lead times remain historically long and transparency issues persist.
- Prices Paid moderated by 8.6 points in November. This is 15.9 points below the 12-month average and signals a continued slowing in prices. Falling freight costs contributed to lower prices paid and further easing is expected in Q1 2023.

We asked firms whether they were passing the higher cost of doing business onto customers. 30% of respondents were able to pass on higher costs, whilst the vast majority (60%) were able to do so only partly. 10% of firms were unable to charge higher prices to account for rising costs." – Les Commons, Senior Economist and Lucy Hager, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 10/31/22

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Private Indicators

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

"**The Conference Board Leading Economic Index®** (LEI) for the U.S. decreased 0.8 percent in October 2022 to 114.9 (2016=100), following a decline of 0.5 percent in September. The LEI is now down 3.2 percent over the six-month period between April and October 2022, a reversal from its 0.5 percent growth over the previous six months.

The US LEI fell for an eighth consecutive month, suggesting the economy is possibly in a recession. The downturn in the LEI reflects consumers' worsening outlook amid high inflation and rising interest rates, as well as declining prospects for housing construction and manufacturing. The Conference Board forecasts real GDP growth will be 1.8 percent year-over-year in 2022, and a recession is likely to start around yearend and last through mid-2023.

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased by 0.2 percent in October 2022 to 109.3 (2016=100), after an increase of 0.1 percent in September. The CEI rose by 1.1 percent over the six-month period from April to October 2022, faster than its growth of 0.9 percent over the previous six-month period.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased by 0.1 percent in October 2022 to 116.3 (2016 = 100), following a 0.8 percent increase in September. The LAG is up 3.7 percent over the six-month period from April to October 2022, faster than its growth of 3.1 percent over the previous six-month period." – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

Source: https://www.conference-board.org/data/bcicountry.cfm; 11/18/22

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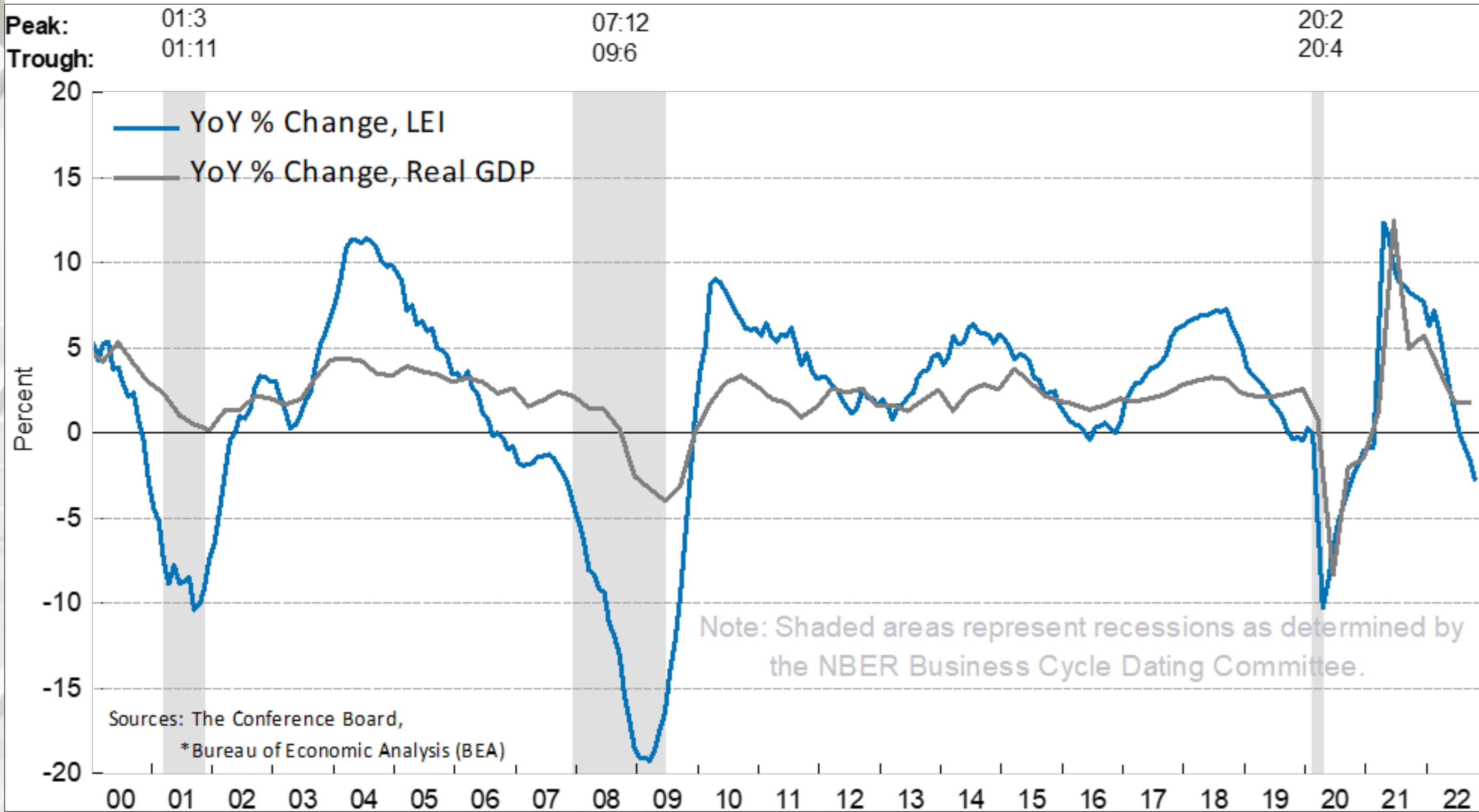
Private Indicators

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

The annual growth rate of the US LEI became more negative in October



Source: https://www.conference-board.org/data/bcicountry.cfm; 11/18/22

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Private Indicators

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

October New Business Volume Up 6 Percent Year-over-year, 11 Percent Month-to-month and Nearly 6 Percent Year-to-date

"The **Equipment Leasing and Finance Association's** (ELFA) **Monthly Leasing and Finance Index (MLFI-25)**, which reports economic activity from 25 companies representing a cross section of the $1 trillion equipment finance sector, showed their overall new business volume for October was $11.3 billion, up 6 percent year-over-year from new business volume in October 2021. Volume was up 11 percent from $10.2 billion in September. Year-to-date, cumulative new business volume was up nearly 6 percent compared to 2021.

Receivables over 30 days were 1.7 percent, up from 1.5 percent from the previous month and unchanged from the same period in 2021. Charge-offs were 0.18 percent, up from 0.17% the previous month and up from 0.16 percent in the year-earlier period.

Credit approvals totaled 77.0 percent, down from 77.3 percent in September. Total headcount for equipment finance companies was down 4.7 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in November is 43.7, a decrease from the October index of 45." – Amy Vogt, Vice President, Communications and Marketing, ELFA

"The equipment finance industry demonstrates its typical resilient nature, producing an increase in October new business volume despite months of interest rate hikes brought on by the Fed's efforts to control inflation. Despite the spectre of an imminent recession – as many economists predict – equipment finance organizations continue to do what they do best, i.e., help supply the nation's businesses with productive assets that enable them to survive and thrive." – Ralph Petta, President and CEO, ELFA

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2022/09/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 11/22/22

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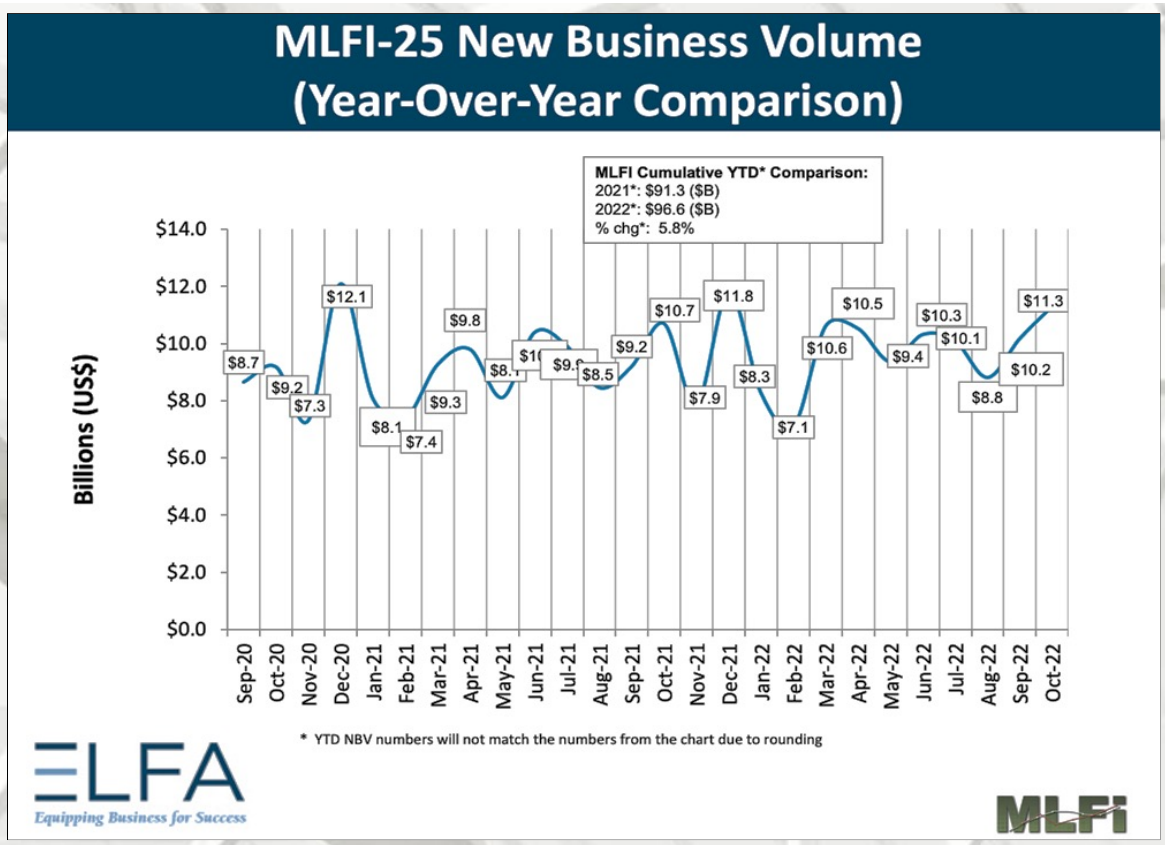
Private Indicators



Equipment Leasing and Finance Association's Survey of Economic Activity

"By now there should be some consensus amongst economists and industry vets alike that the economy slowing down is not only predictable, but intended – and necessary. We see it coming and know it's close. We just won't know what the severity and duration will be until we come out on the other side. Despite the rhetoric from drama-driven sources, it's unlikely that the sky will fall given our modern quantitative tightening policies and practices. Tough, yes, global economic catastrophe, probably not. We see the economic tightening as an opportunity for carriers to get back on track with normal equipment replacement cycles that have been postponed and explore new verticals. Business reorganizations will require lenders to adapt to changing practices and operations. It will not be business as usual for the foreseeable future, so it is our role as lenders and financing consultants to help manage difficult situations." – James Currier, Chief Revenue Officer, Finloc USA Inc.

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2022/09/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 11/22/22

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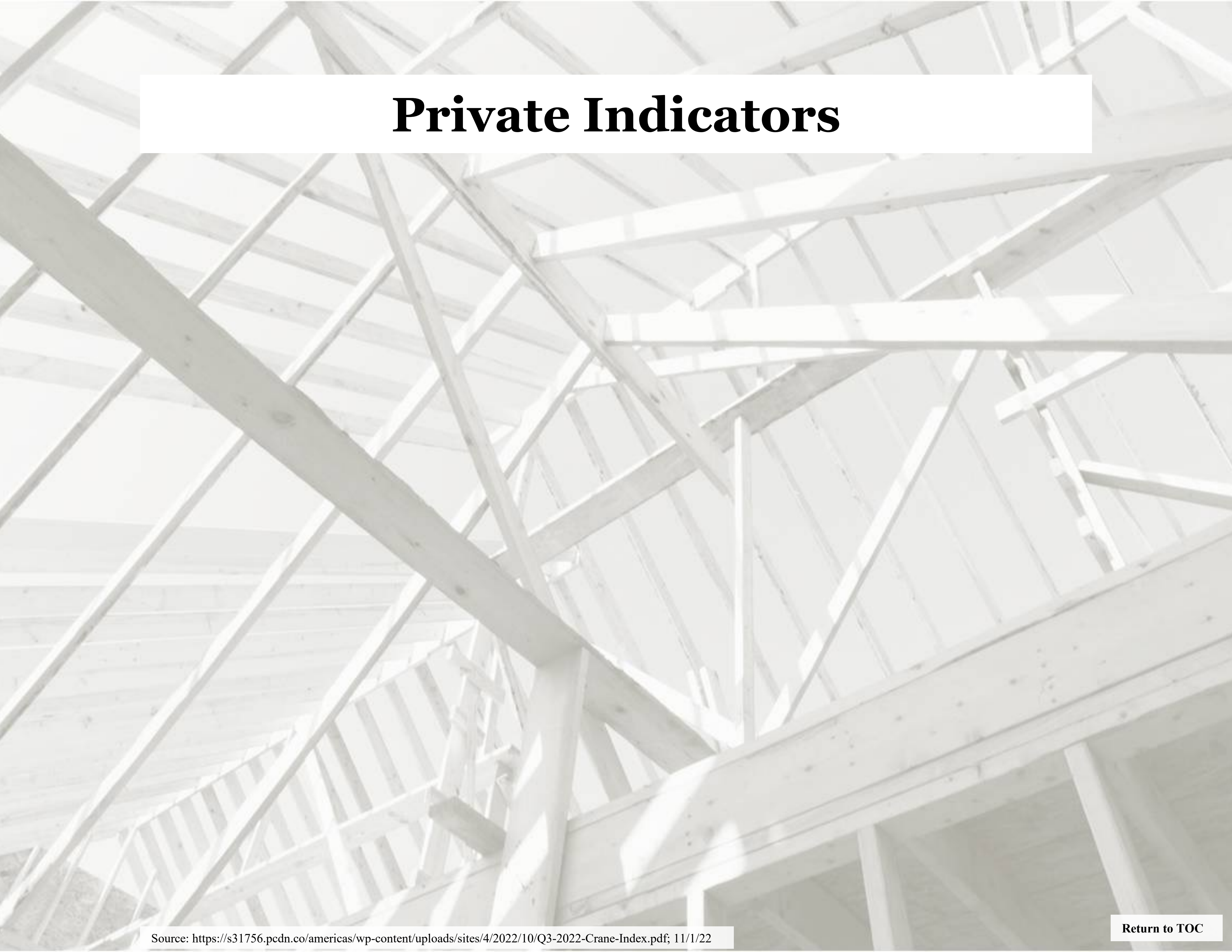

Private Indicators

Source: https://s31756.pcdn.co/americas/wp-content/uploads/sites/4/2022/10/Q3-2022-Crane-Index.pdf; 11/1/22

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Private Indicators

The overall crane count is up holding steady (down only 3 cranes; -0.62%).

Commercial cranes are up 53% (or 26 cranes) collectively, in the cities surveyed.

Only 1 of the 14 cities surveyed saw a significant decrease (of greater than 20%) from their previous count.

WHAT IS THE RLB CRANE INDEX®?

Rider Levett Bucknall's Crane Index® for North America is published biannually. It tracks the number of operating tower cranes in 14 major cities across the U.S. and Canada.

Our index was the first of its kind, and unlike other industry barometers that track cost and other financial data, the Crane Index® tracks the number of fixed cranes on construction sites and gives a simplified measure of the current state of the construction industry's workload in each location.

Q3 2022 SUMMARY:

This survey reports a nominal decrease 0.62% (3 cranes) from our Q1 2022 edition of the RLB Crane Index®. Of the fourteen cities surveyed: nine experienced an increase; four are holding steady; and one has decreased.

Key market indicators are returning to pre-pandemic levels, demonstrating that the industry appears to be recovering from the impacts of COVID-19. However, drivers in the market - including inflation, labor shortage, and supply chain issues - continue to impact construction, whether it be through cost or schedule.

We anticipate the number of cranes to increase going into 2023. Despite volatile market conditions, construction projects will continue to break ground, only at a cost.

Source: https://s31756.pcdn.co/americas/wp-content/uploads/sites/4/2022/10/Q3-2022-Crane-Index.pdf; 11/1/22

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Private Indicators

S&P Global U.S. Manufacturing PMI™

November sees first deterioration in US manufacturing performance since June 2020

"The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 47.7 in November, down from 50.4 in October but broadly in line with the earlier released 'flash' estimate of 47.6. The headline index signalled the first decline in the health of the manufacturing sector since June 2020, with operating conditions deteriorating modestly overall.

US manufacturing firms signalled a renewed deterioration in operating conditions in November, according to the latest PMITM data from S&P Global. The downturn was the sharpest since May 2020, and driven by declines in output and new orders. Demand conditions weakened in domestic and external markets, as new export orders fell further. Employment growth slowed as pressure on capacity dwindled and backlogs of work contracted strongly. On a more positive note, supply chains improved for the first time since October 2019, with price pressures softening as a result of reduced demand for inputs from firms. Input costs rose at the slowest rate for two years.

Business confidence remained historically subdued, however, as concerns regarding inflation and customer hesitancy weighed on optimism.

Contributing to the fall in the headline reading was a renewed drop in production during November. The decrease in output was solid overall, and the quickest for two-and-a-half years. Where a decline in production was noted, firms linked this to weak client demand and a further downturn in new order inflows.

Manufacturing firms stated that the impact of inflation and higher borrowing costs dented customer demand and led to a reduction in spending again midway through the fourth quarter. New orders fell at the sharpest pace since May 2020, as foreign client demand also waned. New export orders decreased for the sixth month running and at a strong rate." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/21fde9af3b5b4baeba548a10df8fb1c1; 12/1/22

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Private Indicators

S&P Global U.S. Manufacturing PMI™

"Ending a sequence of deterioration that began three years ago, vendor performance improved in November. Although shortening only fractionally, lead times improved to the greatest extent since June 2013. That said, faster deliveries were often linked to lower demand for inputs and greater capacity at vendors.

Subsequently, cost pressures softened again midway through the fourth quarter. The rate of input price inflation eased for the sixth successive month to the slowest since November 2020. Reports of lower prices for key inputs such as plastic, lumber and steel alleviated some pressure on cost burdens.

Output charges rose at the second-slowest pace since February 2021 in November. Although firms continued to pass-through higher costs to clients, the pace of inflation was dampened by discounts offered to customers in an effort to drive sales. Input buying declined at a marked pace during November, as demand for inputs dropped following lower production requirements. The rate of contraction was the quickest since May 2020. At the same time, stocks of purchases fell solidly amid lower purchasing activity. Post-production inventories rose modestly, however, amid lower than expected new orders.

In line with lower sales, manufacturers recorded a strong fall in backlogs of work in November. Although firms continued to fill long-held vacancies, numerous companies noted that voluntary leavers were not replaced in order to reduce cost overheads. Employment rose at the joint-slowest pace since January.

Manufacturers' output expectations for the year ahead were historically muted in November, despite improving from October. Concerns regarding inflation, interest rates and future customer demand dampened positive sentiment."– Chris Williamson, Chief Business Economist, Markit®

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/21fde9af3b5b4baeba548a10df8fb1c1; 12/1/22

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Comment

"A combination of the rising cost of living, higher interest rates and growing recession fears have led to slumping demand for goods in both the home-market and abroad. Companies are consequently cutting production at a rate not seen since the global financial crisis, if the initial pandemic lockdowns are excluded. However, even with the latest production cuts, the downturn in demand has still led to one of the largest increases in unsold stock recorded since survey data were first available 15 years ago, which suggests that companies will continue to reduce production in the coming months to bring these inventories down to more manageable levels.

Likewise, companies are slashing their purchases of inputs and raw materials at a rate not seen outside of the pandemic since the global financial crisis.

This slump in demand is increasingly manifesting itself in a shift from a sellers' – to a buyers' – market for a wide variety of goods, as evidenced by improving supply chains, meaning price pressures are now abating rapidly.

While supply chain worries persist, notably in relation to China's lockdowns, companies' concerns are increasingly moving away from the supply side to focusing on the darkening outlook for demand, meaning the business mood remains among the gloomiest seen over the past decade." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/21fde9af3b5b4baeba548a10df8fb1c1; 12/1/22

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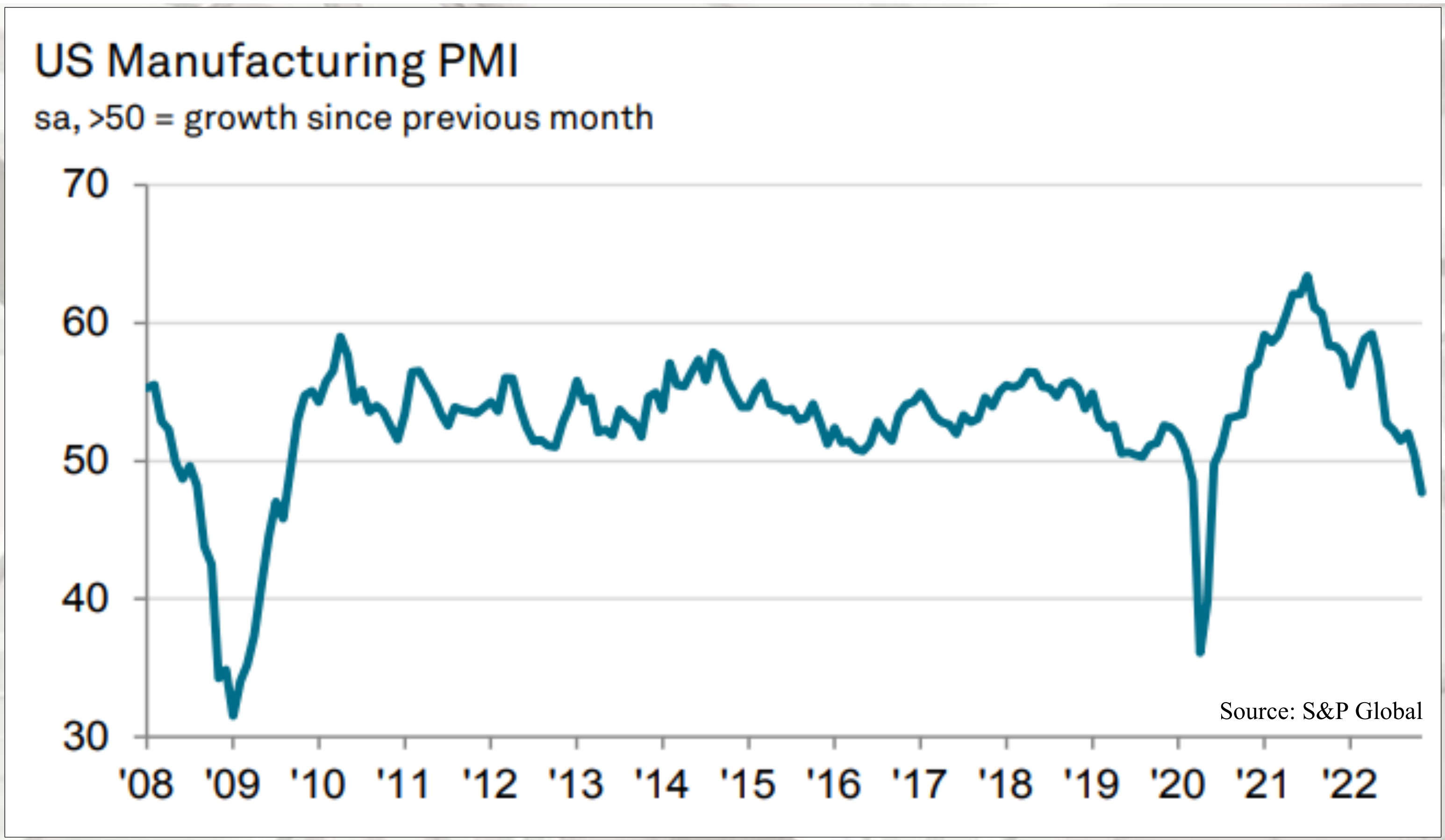

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/21fde9af3b5b4baeba548a10df8fb1c1; 12/1/22

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Private Indicators

S&P Global U.S. Services PMI™

Business activity contraction gains pace as demand conditions weaken in November

"The seasonally adjusted final S&P Global US Services PMI Business Activity Index registered 46.2 in November, down from 47.8 in October but broadly in line with the earlier released 'flash' estimate of 46.1. The latest headline figure indicated a solid decrease in output at service providers. The fall in business activity was largely linked to lower new orders and subdued client demand. The rate of contraction was the fastest since August and among the sharpest on record (since October 2009).

November data signalled a faster contraction in business activity across the US service sector, according to the latest PMI™ data. The fall in output was the solid overall and the second-sharpest since May 2020. Contributing to the decline was a steeper decrease in new orders, as domestic and foreign client demand remained weak. Efforts to entice customer spending were reflected in the slowest rise in output charges since October 2020. Softer upticks in selling prices followed easing cost pressures, as input prices increased at the slowest rate in almost two years. Subdued client demand led to a strong decline in backlogs of work, with concerns for future new order inflows driving below-average levels of business confidence. Nonetheless, efforts to fill long-held vacancies saw employment rise marginally.

Driving the decrease in service sector output were declines in domestic and foreign client demand in November. Total new business fell at a solid pace that was the fastest since May 2020, as inflation and higher interest rates put pressure on customer spending and drove client hesitancy.

At the same time, new export orders contracted for the sixth month running and at a steeper pace. The downturn in foreign client demand was the quickest in two-and-a-half years, as economic conditions in key export markets remained challenging." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/af9bd2435c984707b19cb0501019743d; 12/5/22

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Private Indicators

S&P Global U.S. Services PMI™

"On the price front, cost pressures softened again midway through the fourth quarter. The rate of input price inflation eased to the slowest since the end of 2020 as firms noted a reduction in some input costs. Nonetheless, cost burdens continued to be driven up by higher supplier and wage bills.

Although firms remained keen to pass on higher costs to clients through a further hike in selling prices during November, the pace of increase moderated. Output charges increased at the softest rate for just over two years as some companies offered discounts to customers in an effort to spur on new sales.

Service providers recorded a second successive monthly decline in backlogs of work in November. The rate of contraction quickened to the joint-fastest since May 2020. Lower levels of unfinished business reportedly stemmed from a further reduction in new orders, which allowed firms to deal with backlogs.

Despite a reduction in pressure on capacity, firms continued to hire midway through the fourth quarter. Nonetheless, where job creation was noted, firms largely attributed this to the filling of long-held vacancies. The uptick in staffing numbers was only marginal and the second-slowest since September 2020.

Hopes of greater client demand and lower rates of inflation over the coming year supported an improvement in business expectations in November. The degree of confidence was below the series trend, however, as firms remained concerned regarding cost pressures, the economic outlook, rising interest rates and customer hesitancy" – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/af9bd2435c984707b19cb0501019743d; 12/5/22

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Private Indicators

S&P Global U.S. Services PMI™

Comment

“The survey data are providing a timely signal that the health of the US economy is deteriorating at a marked rate, with malaise spreading across the economy to encompass both manufacturing and services in November. The survey data are broadly consistent with the US economy contracting in the fourth quarter at an annualized rate of approximately 1%, with the decline gathering momentum as we head towards the end of the year.

There are some small pockets of resilience, notably in the tech and healthcare sectors, but other sectors are reporting falling output amid the rising cost of living, higher interest rates, weaker global demand and reduced confidence. Struggling most of all is the financial services sector, though consumer facing service providers are also seeing a steep fall in demand as households tighten their budgets.

A striking development is the extent to which companies are increasingly reporting a shift towards discounting in order to help stimulate sales, which augurs well for inflation to continue to retrench in the coming months, potentially quite significantly.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/af9bd2435c984707b19cb0501019743d; 12/5/22

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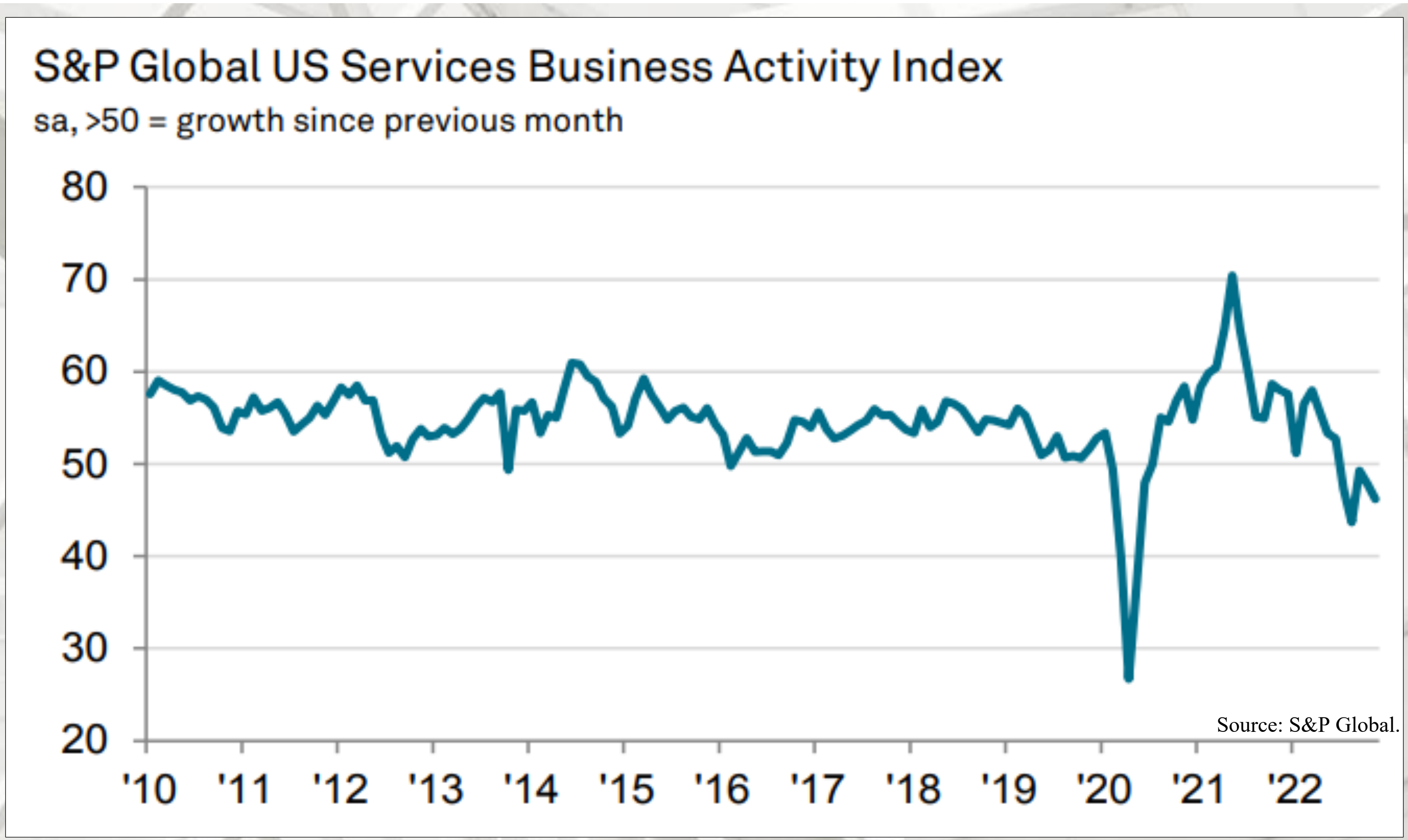

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/af9bd2435c984707b19cb0501019743d; 12/5/22

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for November 2022: Combined Sectors

"The National Association of Credit Management's seasonally adjusted Credit Managers' Index (CMI) for November 2022 came in at 52.0 points, with deterioration in nearly every factor index. Respondents continue to cite ongoing supply constraints and logistics issues as negatively affecting their businesses, said NACM Economist Amy Crews Cutts, Ph.D., CBE®.

The combined CMI has been deteriorating for the past eight months, and this month it recorded its lowest value since May of 2020. More specifically, the combined CMI just recorded its lowest non-recession, non-pandemic value. Technically the index is still on the expansionary side, so there is some room for optimism, like the bump in October retail sales. But the rapid decline of the housing and financial markets, headwinds from the end of federal pandemic aid programs and now large tech industry layoffs suggest growing recession risk as we head into 2023.

Members have indicated that some parts of their supply chains have gotten better, but they are still fighting to get all the parts or products delivered when they need and expect them. Cargo shippers are working to realign their capacity and schedules for container ships. This is affecting our members' ability to get products and materials in and to export their products out. I am concerned that we could see a railroad strike in early December as the largest union for conductors has rejected the proposed contract negotiated in September and that work stoppages at ports may increase. The global supply chain and logistics systems are still fragile and problematic for NACM members."

The CMI is centered on a value of 50, with values greater indicating expansion and values lower indicating economic contraction. The combined November CMI fell by 1.2 points to 52.0. The index of favorable factors deteriorated by 0.8 to 56.1, a level that is 8.2 points lower than a year ago and the lowest value since May of 2020. The index of unfavorable factors fell by 1.4 points to a reading of 49.3 points; 1.5 points lower than a year ago and the lowest value recorded since June of 2020." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 11/30/22

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for November 2022: Combined Sectors

"Three of the four categories in the favorable factors list declined in the November survey. The index for new credit applications leads the declining factors, shedding 2.0 points in this month's survey to 57.0. The index for the amount of credit extended dropped 1.5 points to 57.2, and the sales index lost 0.7 points to sit at 54.5. The index for dollar collections rose 1.0 point to 55.7. Respondents indicate that while collections are holding up, they are having to do considerably more work to get paid either because of client understaffing or cashflow issues. All of the favorable factor indexes except dollar collections are at the lowest levels recorded by the CMI survey outside of a recession period.

All the unfavorable factor indexes for the combined CMI deteriorated in the November survey. The largest decline was recorded by the index for disputes, which fell 2.1 points to 48.3. The index for the dollar amount of customer deductions lost 1.9 points to 49.4, and the indexes for filings for bankruptcies and dollar amount beyond terms both lost 1.4 points, to 52.4 and 47.6, respectively. The rejections of credit applications index declined 1.0 point to 51.2, and the index for accounts placed for collection fell to 46.9 after recording a loss of 0.7 of a point. "Credit is still available to businesses, but it is getting tougher to come by and it comes with higher costs," said Cutts.

Bankruptcies are still low relative to pre-pandemic times, but they have started ticking up according to the U.S. Courts statistics through the third quarter of this year. That said, NACM member respondents are indicating credit deterioration with more accounts going beyond terms or being referred to collections. Disputes and customer deductions are now reflecting both dissatisfaction because of delayed deliveries as well as inability to pay. I believe the CMI is indicative of recession starting soon, if it hasn't already, from a business point of view. Whether the National Bureau of Economic Research Business Cycle Dating Committee agrees won't be known for quite a while as they often announce the start of the recession several months after it begins (in their consensus view) due to lags in relevant data."" – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 11/30/22

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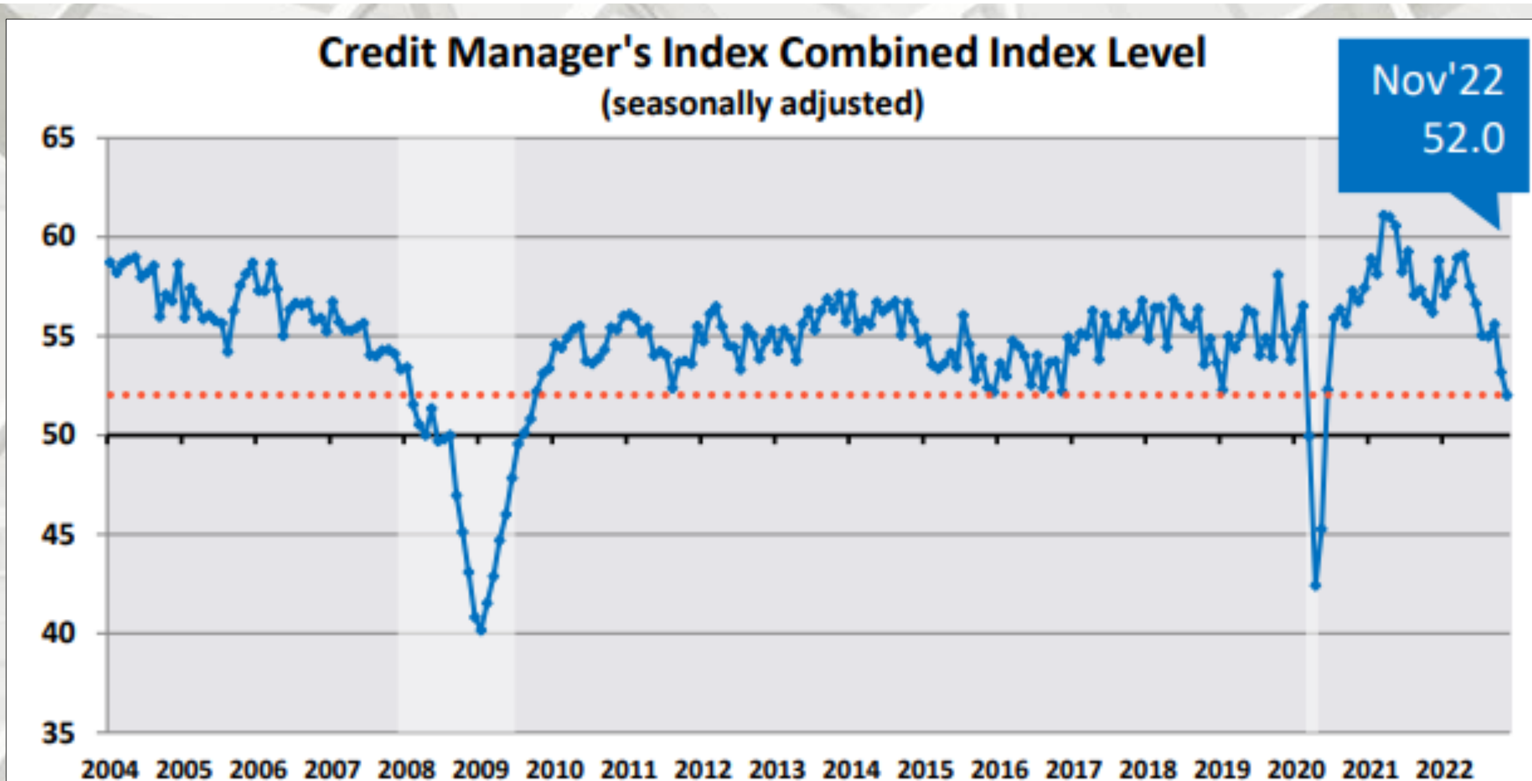
National Association of Credit Management – Credit Managers’ Index



Source: https://nacm.org/cmi.html; 11/30/22

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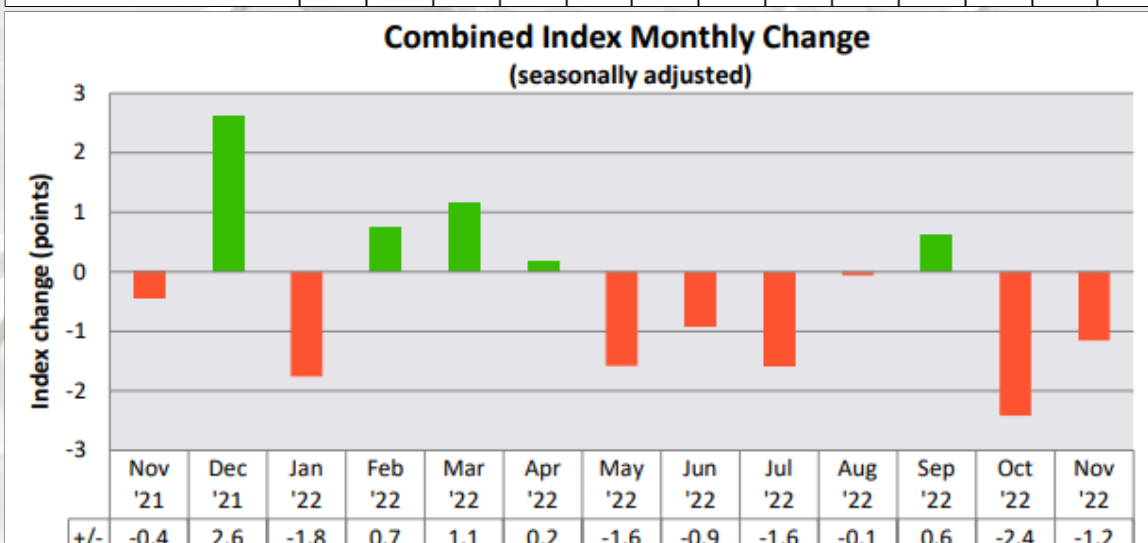
Private Indicators

National Association of Credit Management – Credit Managers' Index

Combined Manufacturing and Service Sectors (seasonally adjusted)	Nov '21	Dec '21	Jan '22	Feb '22	Mar '22	Apr '22	May '22	Jun '22	Jul '22	Aug '22	Sep '22	Oct '22	Nov '22
Sales	67.4	75.1	71.2	71.3	77.1	74.7	71.6	66.6	65.8	63.0	64.2	55.2	54.5
New credit applications	62.9	67.6	60.6	64.0	68.8	67.1	64.7	64.1	59.7	62.4	61.4	59.0	57.0
Dollar collections	59.2	63.5	62.5	63.2	67.0	65.9	65.5	60.9	61.2	57.7	63.3	54.7	55.7
Amount of credit extended	67.7	71.7	67.2	68.7	69.2	72.1	70.4	67.7	67.6	65.3	66.3	58.7	57.2
Index of favorable factors	**64.3**	**69.5**	**65.4**	**66.8**	**70.5**	**69.9**	**68.1**	**64.8**	**63.6**	**62.1**	**63.8**	**56.9**	**56.1**
Rejections of credit applications	53.2	51.7	51.5	52.3	51.9	51.3	50.7	50.2	50.8	49.4	52.2	52.2	51.2
Accounts placed for collection	52.0	52.1	51.1	52.7	51.5	50.6	51.0	49.7	47.4	49.6	49.4	47.6	46.9
Disputes	48.6	48.2	48.4	48.6	48.0	49.1	49.1	49.4	48.3	49.2	48.2	50.4	48.3
Dollar amount beyond terms	47.1	53.3	53.5	50.9	51.2	54.2	47.2	51.1	46.7	46.4	48.7	49.0	47.6
Dollar amount of customer deductions	48.2	49.3	49.5	49.9	49.0	50.5	48.7	50.7	49.3	49.2	49.1	51.3	49.4
Filings for bankruptcies	55.9	55.7	55.2	56.4	55.8	55.7	56.4	55.8	53.7	57.6	53.5	53.8	52.4
Index of unfavorable factors	**50.8**	**51.7**	**51.5**	**51.8**	**51.2**	**51.9**	**50.5**	**51.1**	**49.4**	**50.2**	**50.2**	**50.7**	**49.3**
NACM Combined CMI	**56.2**	**58.8**	**57.1**	**57.8**	**58.9**	**59.1**	**57.5**	**56.6**	**55.0**	**55.0**	**55.6**	**53.2**	**52.0**



Source: https://nacm.org/cmi.html; 11/30/22

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Private Indicators

National Federation of Independent Business (NFIB) November 2022 Report

Inflation Pressures Ease Slightly on Main Street but Remains the Top Business Problem

"Inflation remains the top business problem for small business owners, with 32% of owners reporting it as their single most important problem in operating their business, five points lower than July's highest reading since the fourth quarter of 1979. The Small Business Optimism Index rose 0.6 points in November to 91.9. November's reading is the 11th consecutive month below the 49-year average of 98." – Holly Wade, NFIB

"Going into the holiday season, small business owners are seeing a slight ease in inflation pressures, but prices remain high. The small business economy is recovering as owners manage an ongoing labor shortage, supply chain disruptions, and historic inflation." – Bill Dunkelberg, Chief Economist, NFIB

Key findings include:

- "Owners expecting better business conditions over the next six months improved three points from October to a net negative 43%, a recession reading.
- Forty-four percent of owners reported job openings that were hard to fill, down two points from October, but historically high and not typical of a recession period.
- The net percent of owners raising average selling prices increased one point to a net 51% seasonally adjusted, a high reading but lower than earlier this year.
- The net percent of owners who expect real sales to be higher improved five points from October to a net negative 8%, a weak economic reading" – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 12/13/22

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Private Indicators

National Federation of Independent Business (NFIB) November 2022 Report

"As reported in NFIB's monthly jobs report, 44% of all owners reported job openings they could not fill in the current period. The difficulty in filling open positions is particularly acute in the transportation, wholesale, and construction sectors. Owners' plans to fill open positions remain elevated, with a net 18% (seasonally adjusted) planning to create new jobs in the next three months.

Fifty-five percent of owners reported capital outlays in the last six months, up one point from October. Of those making expenditures, 39% of owners reported spending on new equipment, 19% acquired vehicles, and 12% improved or expanded facilities. Eleven percent spent money for new fixtures and furniture and 5% acquired new buildings or land for expansion. Up one point from October, 24% plan capital outlays in the next few months. Overall, capital spending remains too weak to improve productivity.

A net negative 7% of all owners (seasonally adjusted) reported higher nominal sales in the past three months. The net percent of owners expecting higher real sales volumes improved five points to a net negative 8%, a weak reading. The net percent of owners reporting inventory increases rose six points to a net 5%. Nineteen percent reported increases in stocks and 14% reported reductions.

Twenty-nine percent of owners recently reported that supply chain disruptions have had a significant impact on their business. Another 34% report a moderate impact and 26% report a mild impact. Only 11% report no impact from recent supply chain disruptions." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 12/13/22

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Private Indicators

National Federation of Independent Business (NFIB) November 2022 Report

"A net negative 2% of owners viewed current inventory stocks as "too low" in November, down two points. By industry, shortages were the most frequent in wholesale (18%), manufacturing (14%), transportation (12%), and retail (11%). Shortages in construction (9%) have been reduced because of home sales and new construction have slowed. Down six points from October, a net negative 4% of owners plan inventory investment in the coming months. Overall. Inventories are starting to build, but only modestly to date.

The net percent of owners raising average selling prices increased one point from October to a net 51% seasonally adjusted. Unadjusted, 8% of owners reported lower average selling prices and 56% reported higher average prices. Price hikes were the most frequent in wholesale (73% higher, 0% lower), retail (69% higher, 7% lower), construction (66% higher, 5% lower), and manufacturing (63% higher, 5% lower). Seasonally adjusted, a net 34% plan price hikes.

Seasonally adjusted, a net 40% reported raising compensation, down four points from October. A net 28% of owners plan to raise compensation in the next three months, down four points from October's reading. Nine percent of owners cited labor costs at their top business problem and 21% said that labor quality was their top business problem.

The frequency of reports of positive profit trends was a net negative 22%. Among owners reporting lower profits, 29% blamed the rise in the cost of materials, 25% blamed weaker sales, 10% cited labor costs, 9% cited lower prices, 6% cited the usual seasonal change, and 3% cited higher taxes or regulatory costs. For owners reporting higher profits, 57% credited sales volumes, 15% cited usual seasonal change, and 12% cited higher prices." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 12/13/22

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Private Indicators

National Federation of Independent Business (NFIB) November 2022 Report

"Two percent of owners reported that all their borrowing needs were not satisfied. Twenty-two percent reported all credit needs were met and 62% said they were not interested in a loan. Three percent reported that financing was their top business problem, up two points and the highest since December 2018.

The **NFIB Research Center** has collected Small Business Economic Trends data with quarterly surveys since the 4th quarter of 1973 and monthly surveys since 1986. Survey respondents are randomly drawn from NFIB's membership. The report is released on the second Tuesday of each month. This survey was conducted in November 2022." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 12/13/22

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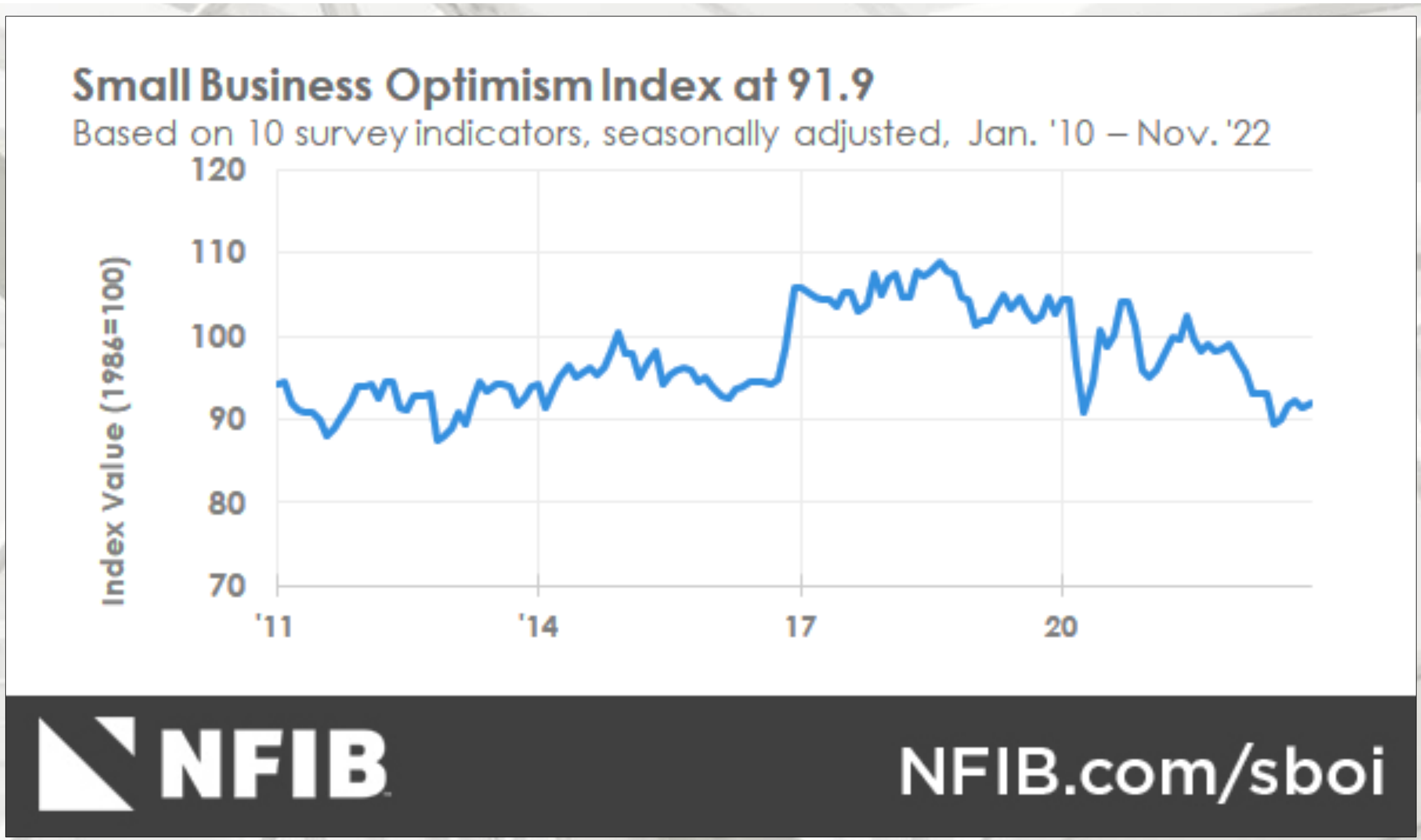
Private Indicators



Source: http://www.nfib.com/surveys/small-business-economic-trends; 12/13/22

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Private Indicators

Small Business Optimism

Index Component	Net %	From Last Month
Plans to Increase Employment	18%	▼ -2
Plans to Make Capital Outlays	24%	▲ 1
Plans to Increase Inventories	-4%	▼ -6
Expect Economy to Improve	-43%	▲ 3
Expect Real Sales Higher	-8%	▲ 5
Current Inventory	-2%	▲ 2
Current Job Openings	44%	▼ -2
Expected Credit Conditions	-6%	▲ 2
Now a Good Time to Expand	6%	▲ 1
Earnings Trends	-22%	▲ 8

NFIB NFIB.com/sboi

Source: http://www.nfib.com/surveys/small-business-economic-trends; 12/13/22

Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

Small Business Hiring and Worker Wages Hold Steady

Paychex data also reveals that the growth in three-month annualized weekly hours worked has reached its highest level since March 2021

“The rate of job growth and hourly earnings growth held relatively steady at U.S. small businesses in November, according to the latest Paychex | IHS Markit Small Business Employment Watch. The Small Business Jobs Index moderated slightly -0.05 percent from the previous month and stands at 99.38. At 5.04 percent, the pace of hourly earnings growth was unchanged over the previous month.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

“While there was little to no change in hiring rates and hourly earnings growth in November, this month’s data reveals interesting trends in hours worked. One-month annualized weekly hours worked growth was positive for the third consecutive month, increasing 0.50 percent, possibly signaling that small businesses are adapting to the current labor market and are leveraging existing staff.” – James Diffley, Chief Regional Economist, IHS Markit

“As U.S. businesses approach the end of the year, they're continuing to contend with inflation pressures and a challenging labor market. They should remember government programs are available to help, including the Employee Retention Tax Credit, which could be a source of significant support.” – John Gibson, President and CEO, Paychex

Source: https://www.paychex.com/employment-watch; 11/29/22

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

"In further detail, the November report showed:

- At 99.38, the national jobs index moderated -0.05 percent from last month (-0.05 percent is the smallest one-month decrease since March 2022).
- Three-month annualized weekly hours worked growth reached its highest level since March 2021, increasing to 0.77 percent in November.
- After eight consecutive increases, weekly earnings growth slowed slightly to 4.84 percent.
- Leisure and hospitality ranks first among sectors in hourly earnings growth (6.38 percent) and last in weekly hours worked growth (-0.66 percent).
- The South continues to lead U.S. regions in small business job growth and hourly earnings growth for workers.
- North Carolina remained the top state for small business job growth; Missouri replaced Florida as the top state for worker hourly earnings growth.
- Houston overtook Dallas to lead U.S. metros in small business job growth; Dallas and Miami are the top metros for hourly earnings growth (6.69 percent).
- Likely an impact from Hurricane Ian, weekly hours worked growth is down -0.79 percent in Florida and -0.98 percent in Tampa, the lowest level among U.S. states and metros, respectively." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 11/29/22

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

November Job Index	November Wage Data
Index	Hourly Earnings
99.38	$31.00
12-Month Change	12-Month Growth
-1.32%	+5.04% (+$1.49)

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 11/29/22

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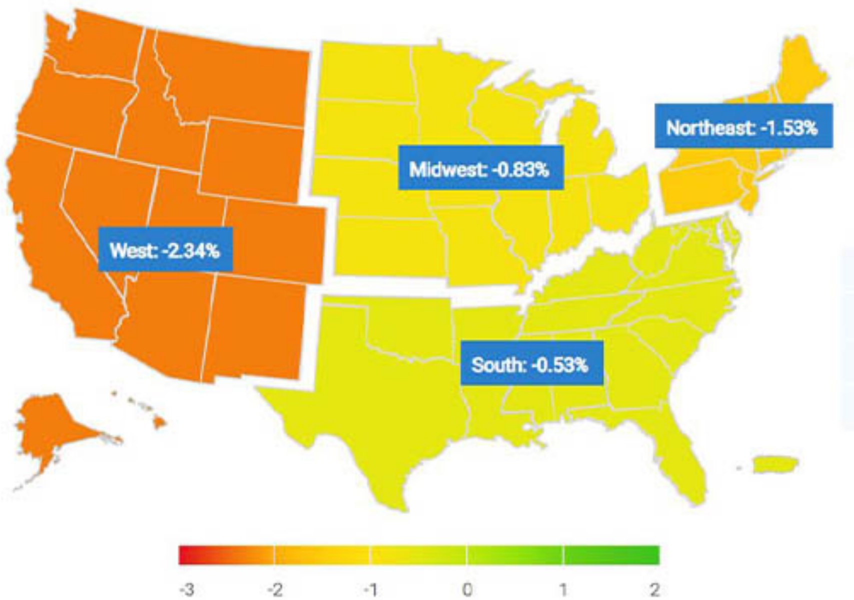
Private Indicators

The Paychex | IHS Markit Regional Jobs Index

Regional Performance



Region	Index	Change
Midwest	99.10	-0.83%
Northeast	98.96	-1.53%
South	100.64	-0.53%
West	98.73	-2.34%

Change 12-Month

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 11/29/22

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Economics

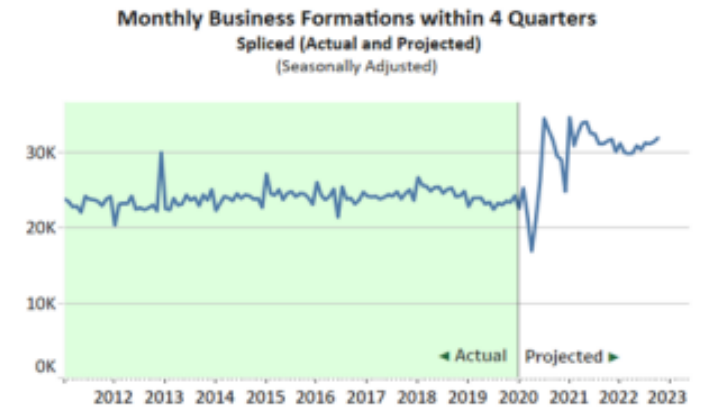
U.S. Census Bureau

NEW Business Formation Statistics

October 2022

BUSINESS FORMATIONS		
U.S. Total Projected Business Formations:	OCT 2022	OCT 2022 / SEP 2022
Within 4 Quarters	31,889	1.6%*
Within 8 Quarters	40,287	1.7%*

Next release: December 14, 2022
(*) Statistical significance is not applicable or not measurable.
Spliced - Data adjusted for seasonality.
Source: U.S. Census Bureau, Business Formation Statistics, November 10, 2022



Source: U.S. Census Bureau, Business Formation Statistics, November 10, 2022

Projected Business Formations - At a Glance

		US	Northeast	Midwest	South	West
Within 4 Quarters	OCT 2022	31,889	5,008	5,115	12,774	8,992
	OCT 2022 / SEP 2022	+1.6%	-1.6%	+2.2%	+2.5%	+2.0%
Within 8 Quarters	OCT 2022	40,287	6,268	6,525	16,084	11,410
	OCT 2022 / SEP 2022	+1.7%	-2.0%	+3.7%	+1.8%	+2.7%

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.

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 11/10/22

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Economics

NEW Business Formation Statistics

October 2022

Source: U.S. Census Bureau, Business Formation Statistics, October 14, 2022

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 11/10/22

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