The Virginia Tech–USDA Forest Service Housing Commentary: Section II
August 2023

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2023 Virginia Polytechnic Institute and State University VCE-ANR

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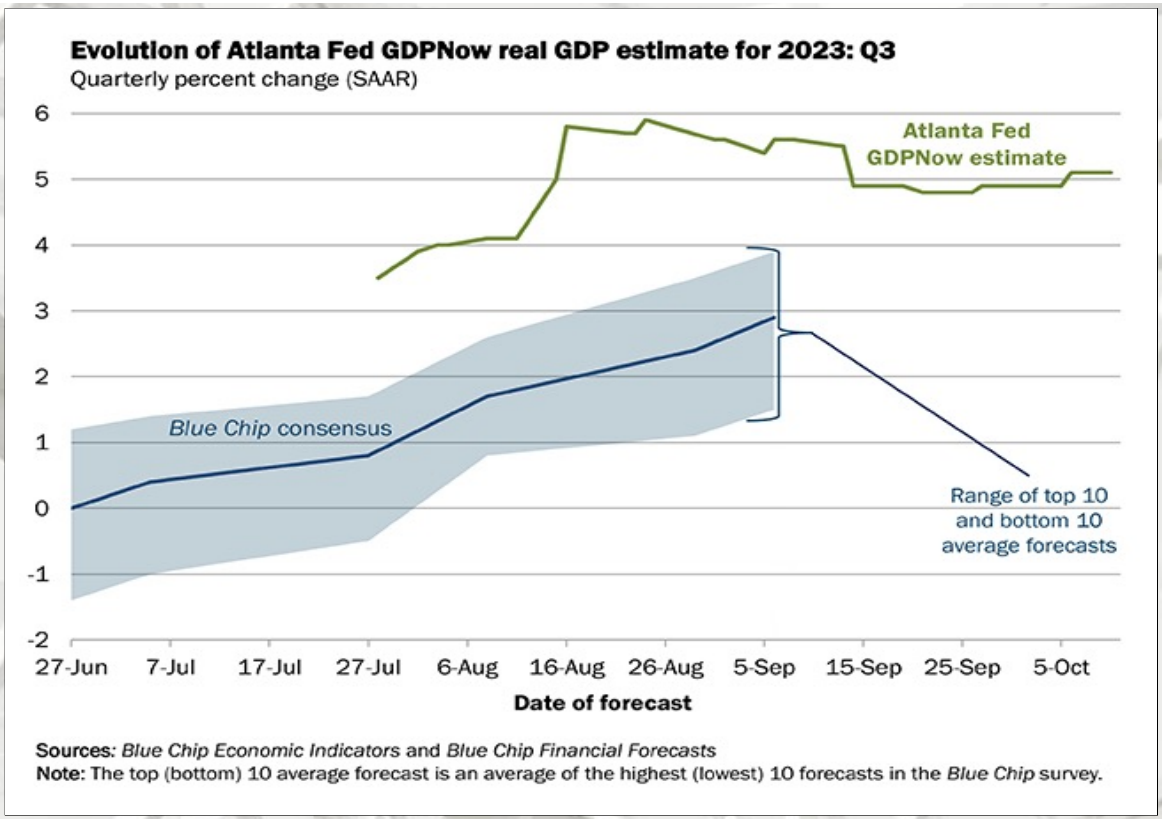
U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest estimate: 5.1 percent — October 10, 2023

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2023 is **5.1 percent** on October 10, up from 4.9 percent on October 5. After last week's employment situation release from the US Bureau of Labor Statistics and this morning's wholesale trade report from the US Census Bureau, the nowcasts of third-quarter real gross private domestic investment growth and third-quarter real government spending growth increased from 5.9 percent and 2.2 percent, respectively, to 6.7 percent and 3.0 percent." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 10/10/23

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

Index Suggests Slower Economic Growth in August

"*The Chicago Fed National Activity Index (CFNAI) decreased to –0.16 in August from +0.07 in July. Two of the four broad categories of indicators used to construct the index decreased from July, and all four categories made negative contributions in August. The index's three-month moving average, CFNAI-MA3, ticked up to –0.14 in August from –0.15 in July*

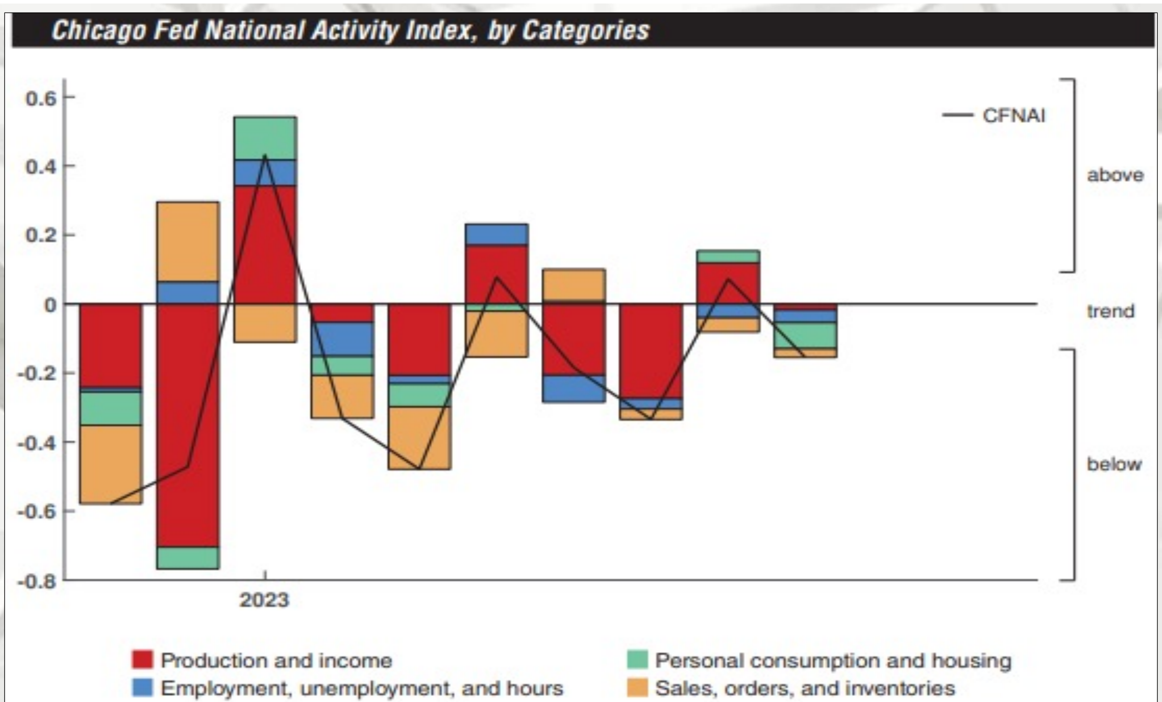
The CFNAI Diffusion Index, which is also a three-month moving average, edged down to –0.04 in August from –0.01 in July. Thirty-five of the 85 individual indicators made positive contributions to the CFNAI in August, while 50 made negative contributions. Thirty-three indicators improved from July to August, while 49 indicators deteriorated and three were unchanged. Of the indicators that improved, 16 made negative contributions.

Production-related indicators contributed –0.02 to the CFNAI in August, down from +0.12 in July. Industrial production moved up 0.4 percent in August after increasing 0.7 percent in the previous month. The contribution of the sales, orders, and inventories category to the CFNAI ticked up to –0.03 in August from –0.04 in July.

The contribution of employment-related indicators to the CFNAI was unchanged at –0.04 in August. The contribution of the personal consumption and housing category to the CFNAI moved down to –0.08 in August from +0.03 in July. " – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 9/25/23

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



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

	Aug '23	Jul '23	Jun '23	May '23	Apr '23	Mar '23	Aug '22
CFNAI							
Current	–0.16	+0.07	–0.33	–0.18	+0.08	–0.48	+0.20
Previous	N/A	+0.12	–0.33	–0.18	+0.07	–0.49	+0.20
CFNAI–MA3							
Current	–0.14	–0.15	–0.15	–0.20	–0.24	–0.13	+0.07
Previous	N/A	–0.13	–0.15	–0.20	–0.25	–0.13	+0.07
CFNAI Diffusion							
Current	–0.04	–0.01	–0.08	–0.13	–0.23	–0.10	+0.14
Previous	N/A	–0.05	–0.08	–0.13	–0.22	–0.10	+0.14

Current and Previous values reflect index values as of the September 25, 2023, release and August 24, 2023, release, respectively. N/A indicates not applicable.

Source: https://www.chicagofed.org/publications/cfnai/index; 9/25/23

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

Survey Suggests Growth Picked Up in September

"The Chicago Fed Survey of Economic Conditions (CFSEC) Activity Index increased to –20 in September from –24 in August, suggesting that economic growth was below trend. The CFSEC Manufacturing Activity Index increased to –17 in September from –22 in August, but the CFSEC Nonmanufacturing Activity Index was unchanged at –26 in September..

- Respondents' outlooks for the U.S. economy for the next 12 months deteriorated slightly, and remained pessimistic on balance. Fifty-five 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 decreased, and the capital spending expectations index remained negative.
- The labor cost pressures index decreased, but the nonlabor cost pressures index increased. Both cost pressures indexes remained negative." – Thomas Walstrum, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/research/data/cfsec/current-data; 9/22/23

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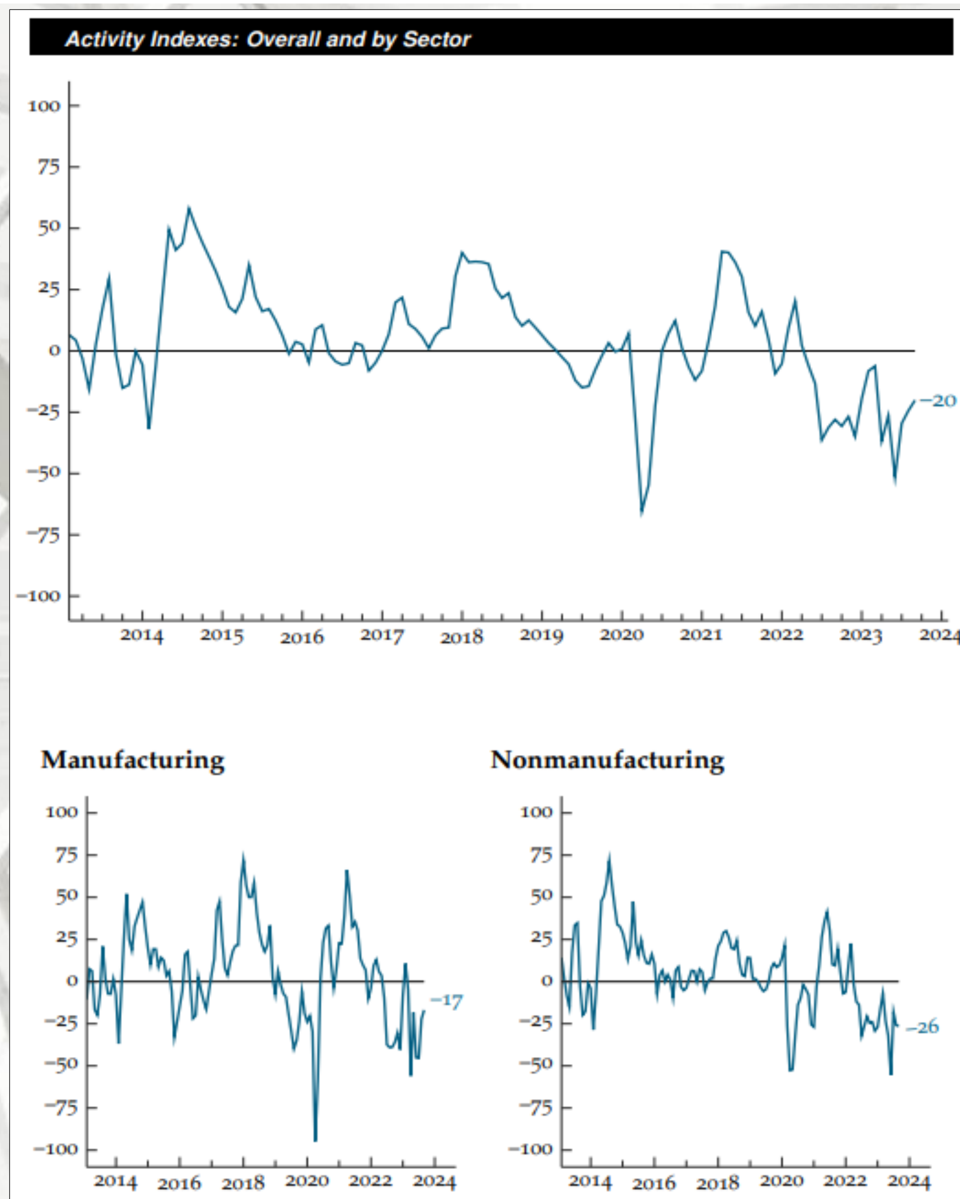
The Federal Reserve Bank of Chicago: Survey of Economic Conditions (CFSEC)



Source: https://www.chicagofed.org/research/data/cfsec/current-data; 9/22/23

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The Federal Reserve Bank of Dallas

Texas Manufacturing Outlook Survey

Texas manufacturing activity rebounds, though outlooks wane

"Growth in Texas factory activity resumed in September, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, rebounded nearly 20 points to 7.9 – its highest reading of the year.

Other measures of manufacturing activity also moved up this month, though some remained in negative territory. The new orders index pushed up 11 points to -5.2, a reading still indicative of falling demand though not at the pace seen in the past several months. The capacity utilization index rebounded into positive territory, rising from -3.7 to 7.8, while the shipments index moved up to near zero after slipping to -15.8 in August.

Perceptions of broader business conditions continued to worsen in September. The general business activity and company outlook indexes remained largely unchanged at -18.1 and -17.5, respectively. Uncertainty regarding outlooks picked up notably, with the corresponding index pushing up 14 points to 27.0, its highest reading in nearly a year.

Labor market measures suggest stronger employment growth and longer workweeks in September. The employment index rebounded nine points to 13.6, a reading well above the series average of 7.9. Twenty-three percent of firms noted net hiring, while 9 percent noted net layoffs. The hours worked index climbed back into positive territory, coming in at 5.1.

Price and wage pressures were mixed. The raw materials prices index rose again this month, to 25.0. This is after trending down in the first half of the year – all the way to a near-zero reading in June – and now trending back up to near its average reading. The finished goods prices index, however, has remained in a -2.0 to 2.0 range since retreating to zero in May. The index held steady at 1.8 this month, suggesting little price growth. The wages and benefits index remained highly elevated at 34.8." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/25/23

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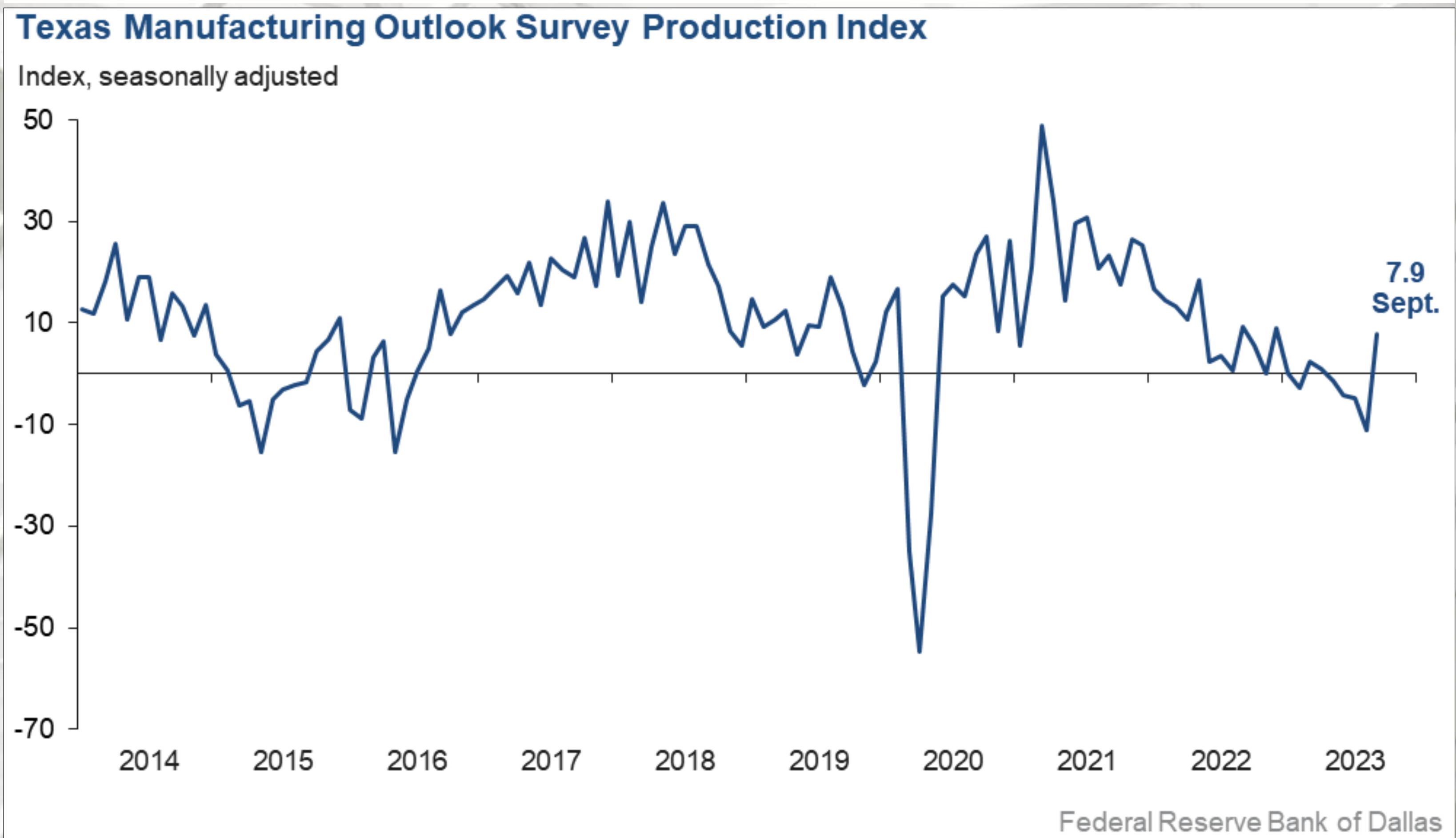
The Federal Reserve Bank of Dallas



"Expectations regarding future manufacturing activity were mixed in September. The future production index remained positive and pushed up five points to 10.9. The future general business activity index fell further negative to -16.5. Most other measures of future manufacturing activity advanced into slightly more positive territory this month." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/25/23

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The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Growth in service activity continues as price and wage pressures pick up in August

"Texas service sector activity expanded at a slightly faster pace in August compared with the prior month, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, increased three points to 16.2.

Labor market indicators pointed to steady growth in employment and workweeks. The employment index remained stable at 9.3, indicating the same employment growth as the previous month. The part-time employment index increased three points to 2.8, while the hours worked index was relatively unchanged at 2.4.

Perceptions of broader business conditions worsened slightly in August. The general business activity index increased two points but remained negative at -2.7. The company outlook index edged down to -1.2. The outlook uncertainty index was unchanged at 11.6 — below the series average of 13.5.

Price and wage pressures increased in August. The input prices index rose from 31.7 to 37.8, and the selling prices index increased four points to 14.2, as both indexes remained above their series averages. The wages and benefits index also increased four points to 20.4, the highest level since January and above its average reading of 15.8." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/26/23

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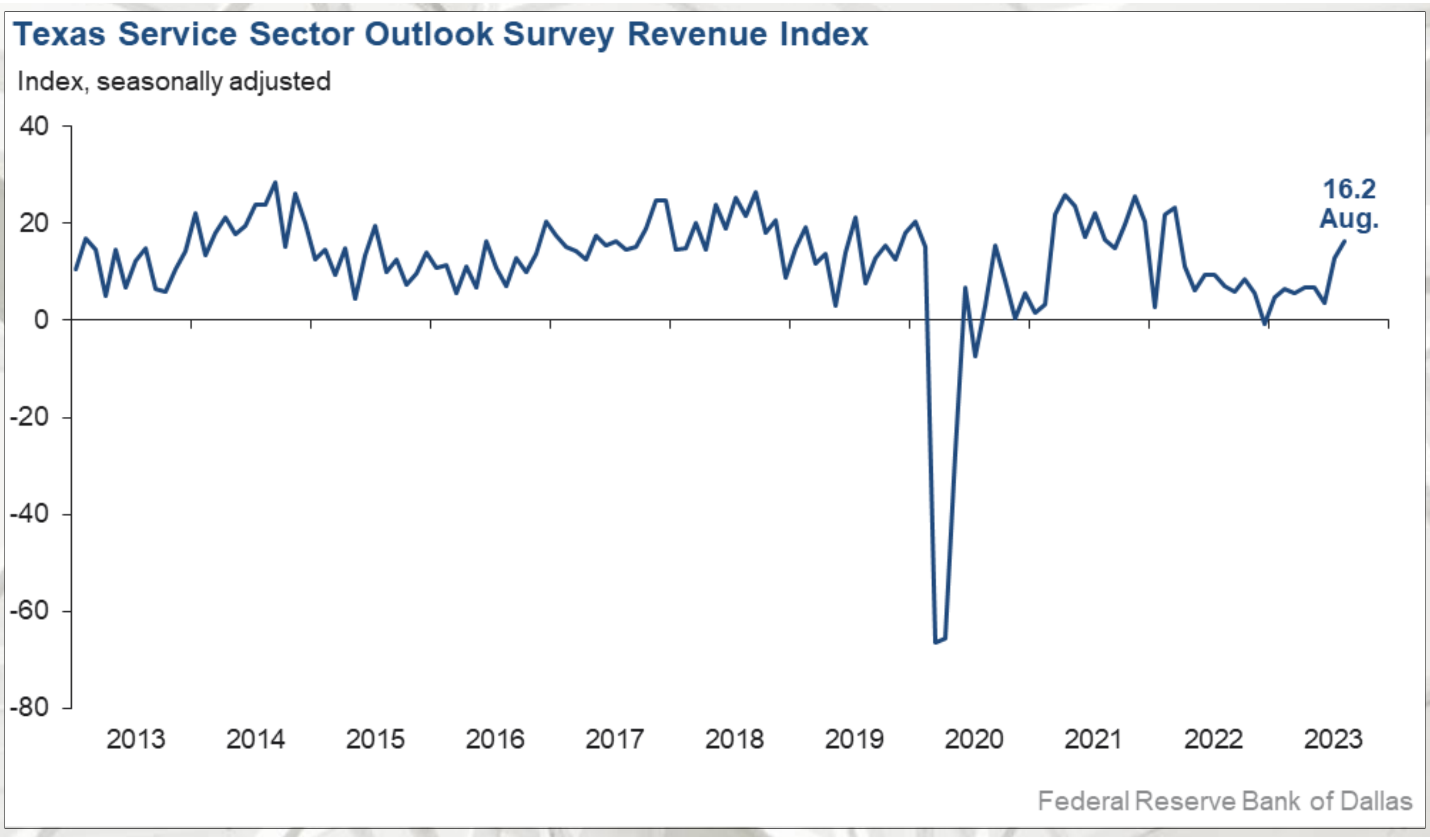
The Federal Reserve Bank of Dallas



Texas Service Sector Outlook Survey

"Respondents' expectations regarding future business activity held steady in August. The future general business activity index was relatively unchanged at 3.9. The future revenue index improved two points to 37.3. Other future service sector activity indexes such as employment and capital expenditures displayed mixed movements but remained in positive territory reflecting expectations for continued growth in the next six months." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/26/23

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The Federal Reserve Bank of Dallas

Texas Retail Outlook Survey

Texas Retail Sales see little growth

"Retail sales were flat in August, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, inched up from -2.4 to -0.6, with the near-zero reading suggestive of no change in sales from last month. Retailers' inventories grew at a faster rate, with the index increasing from 12.0 to 17.2.

Retail labor market indicators reflected steady growth in employment and continued shortening of workweeks in August. The employment index was unchanged at 3.0. The part-time employment index was also largely unchanged at -1.7 while the hours worked index fell from -7.6 to -10.1.

Retailers' perceptions of broader business conditions continued to worsen in August, though pessimism waned. The general business activity index increased from -18.1 to -4.0, and the company outlook index rose six points to -4.5. The outlook uncertainty index fell from 24.6 to 16.9.

Price and wage pressures increased in August. The selling prices index rose eight points to 16.5, and the input prices index increased seven points to 26.9. The wages and benefits index jumped from 10.5 to 19.0." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/26/23

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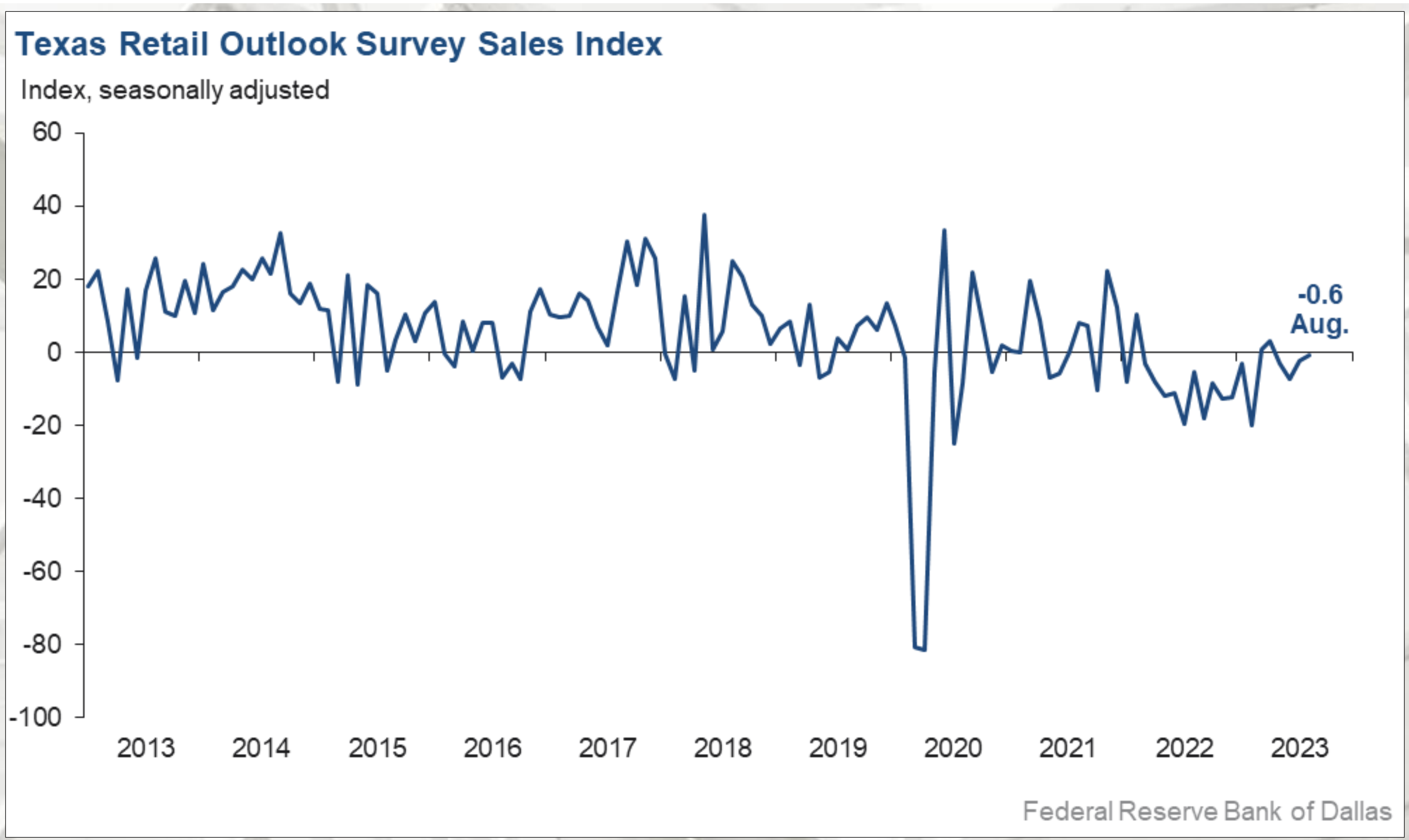
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys; 9/26/23

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Declined Somewhat in September

Regional factory activity declined somewhat in September. District production decreased while employment stayed steady, and access to credit has remained unchanged for a strong majority of manufacturing firms.

Factory Activity Declined Somewhat

"Tenth District manufacturing activity declined somewhat in September, and expectations for future activity stayed mostly flat (Chart 1). District firms' finished product prices picked up slightly this month even as growth in raw materials prices slowed slightly. However, firms expect raw materials price increases to outpace finished product prices in the next six months.

The month-over-month composite index was -8 in September, down from 0 in August and up slightly from -11 in July. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The decline from last month was primarily driven by decreases in durable goods, particularly metal manufacturing. Most month-over-month indexes were negative and decreased from previous readings. The production, shipments, and new orders indexes all declined significantly – now at -13, -15, and -14 respectively. Backlogs and inventories also declined, while the number of employees and the average employee workweek remained steady." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Chase Farha, and Jannety Mosley; Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 9/28/23

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Factory Activity Declined Somewhat

“Factory activity decreased further on a year-over-year basis. The composite index decreased to -12 in September from -9 in August and -4 in July. Growth in capital expenditures increased moderately, despite declines in production, orders, and backlogs. The future composite index ticked down to 1 in September from 2 in August, as firms expectations for production and new orders in six months softened.

Special Questions

This month contacts were asked special questions about employee qualifications and access to credit. A majority of District firms reported that overall qualifications of applicants for open positions were unchanged in the last six months across all worker categories, while nearly one-third reported that workers are less qualified. Additionally, over 75% of firms’ access to credit has not changed in the past few months or over the last year, while only 13% (10%) of firms’ access to credit has decreased in the last year (in the past few months).” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Chase Farha, and Jannety Mosley; Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 9/28/23

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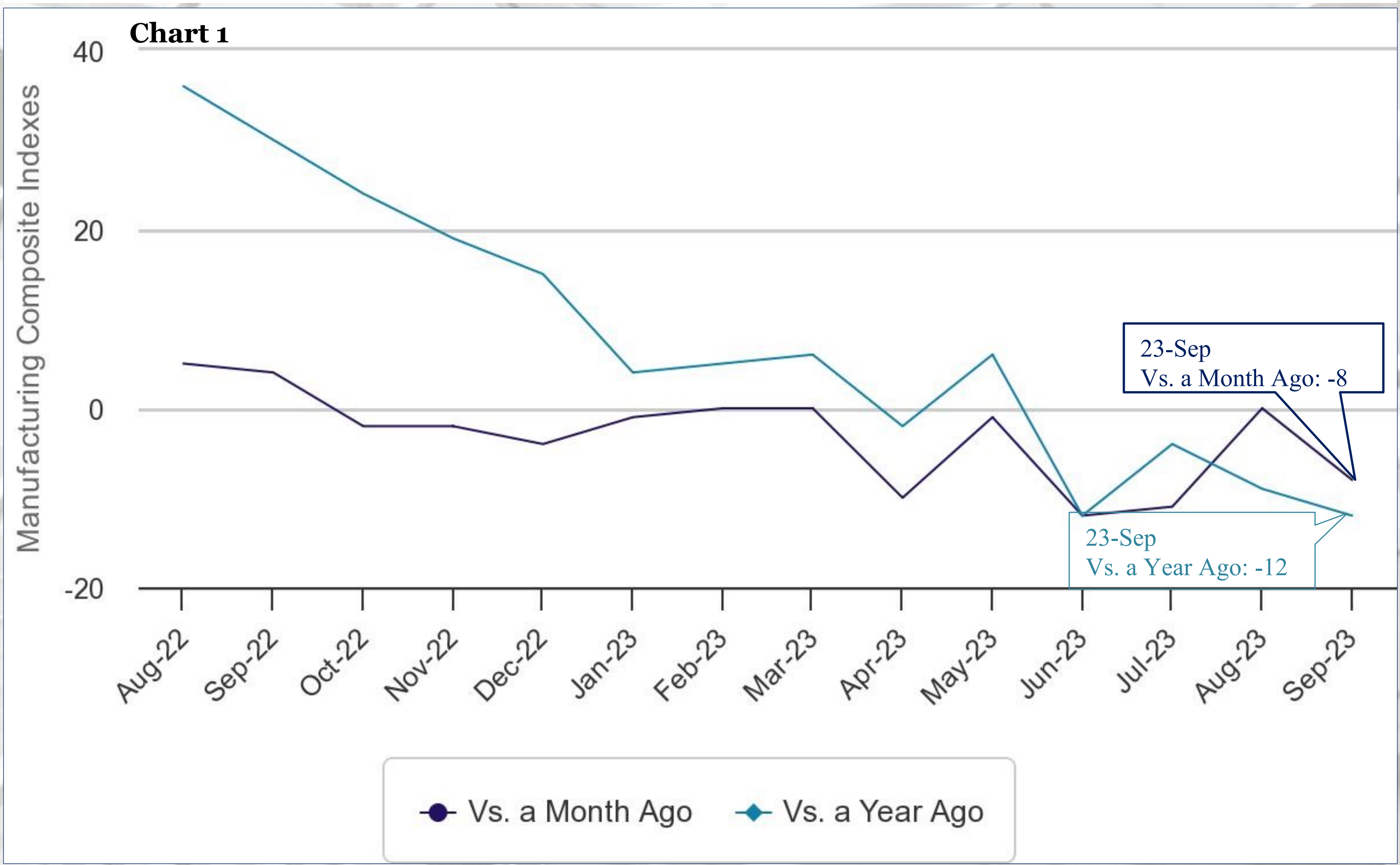
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 9/28/23

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Activity Was Mostly Unchanged in September

District services activity was basically flat again in September. Input cost increases continued to far outpace selling prices, while employment declined slightly and was not expected to rebound in coming months.

Business Activity Was Mostly Unchanged

"Tenth District services activity was mostly unchanged in September, and expectations for the next six months remained steady (Chart 1). District firms increased selling prices moderately as input costs grew significantly and expect this trend to continue in the next six months.

The month-over-month services composite index was 2 in September, up slightly from -1 in August and July. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Revenues in both wholesale and retail trade, as well as restaurants, declined this month. However, healthcare services and tourism revenues increased. All month-over-month indexes rose from previous readings, except the employment index which turned negative and capital expenditures which cooled but remained expansionary. General revenue/sales grew slightly from last month after declining for the past two months and inventory levels continued to increase, while access to credit declined further. The year-over-year composite index ticked down to 4 from 5, as employment growth cooled while revenue stayed steady. Expectations for services activity also ticked down to 3 from 4 due to expectations of stagnant employment growth heading forward." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Chase Farha, and Jannety Mosley; Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 9/29/23

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Business Activity Was Mostly Unchanged

Special Questions

"This month contacts were asked special questions about the qualifications of new applicants. A majority of firms reported no change in the overall qualifications of applicants for open positions across all job categories over the last six months. Approximately one-third of firms reported their applicants for all categories have become less qualified. Similarly, around 45% of contacts reported that new applicants have less experience and relevant job skills compared to six months ago, while another 45% reported no change, and an additional 10% reported more experience and job skills. A slight majority reported decreased reliability from new applicants, 36% reported unchanged reliability, and 11% saw increased reliability. However, just over two-thirds of firms reported no change in the educational attainment of new applicants, while about a quarter reported seeing lower educational levels, and just 4% said applicants had more education." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Chase Farha, and Jannety Mosley; Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 8/25/23

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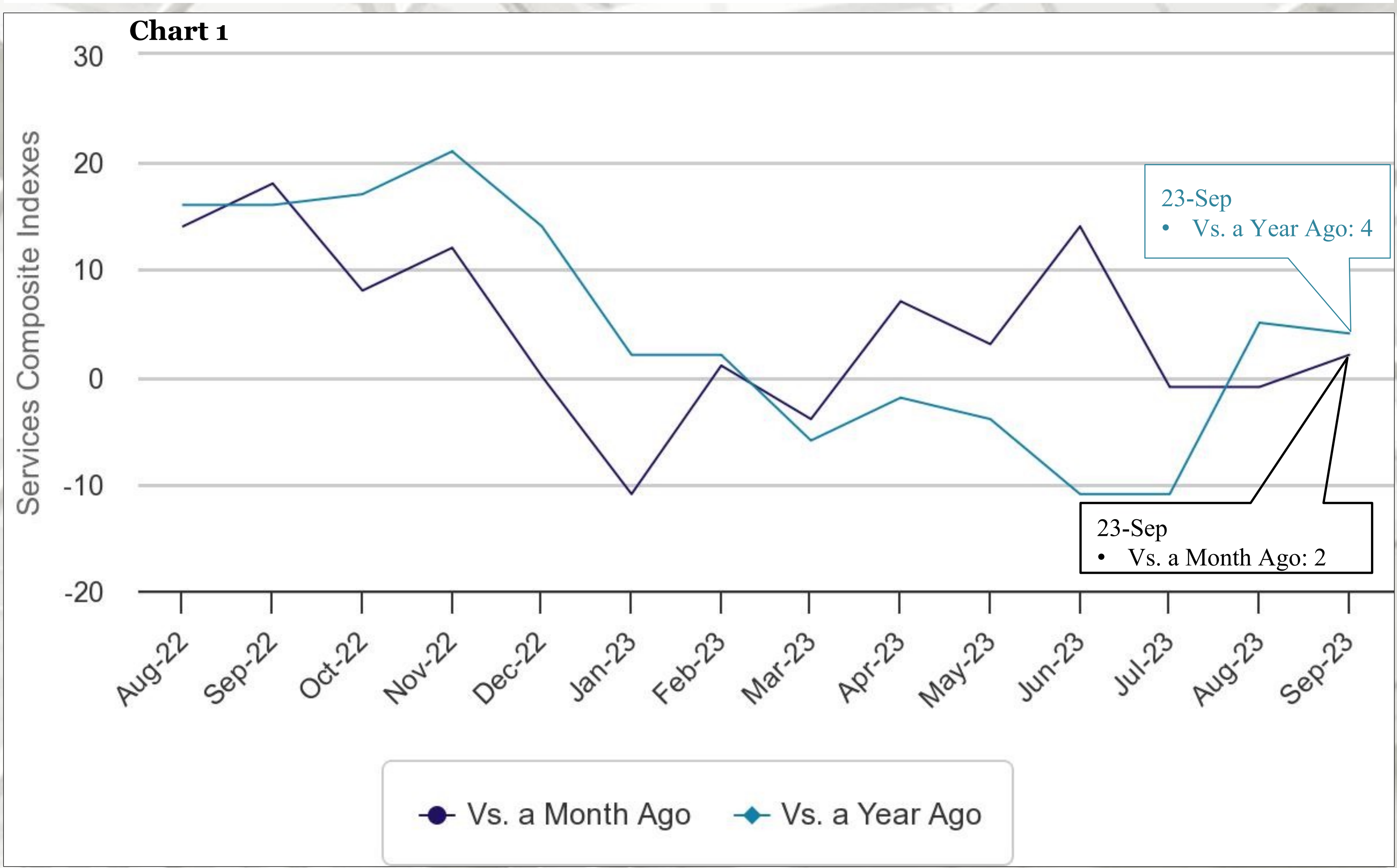
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 9/28/23

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The Federal Reserve Bank of New York

October 2023 Manufacturing Survey

Activity Slightly Lower

“Business activity edged lower in New York State, according to firms responding to the October 2023 *Empire State Manufacturing Survey*. The headline general business conditions index fell seven points to -4.6. New orders fell slightly, while shipments were little changed. Unfilled orders declined, and delivery times shortened. Inventories held steady. Labor market indicators pointed to a slight increase in both employment and the average workweek. The pace of input price increases was similar to last month, while selling price increases moderated. Looking ahead, firms remained relatively optimistic about the six-month outlook.

Manufacturing activity declined slightly in New York State, according to the October survey. The general business conditions index fell seven points to -4.6. Twenty-four percent of respondents reported that conditions had improved over the month, while twenty-nine percent reported that conditions had worsened. The new orders index dropped nine points to -4.2, pointing to a small decline in orders, and the shipments index fell eleven points to 1.4, a sign that shipments were little changed. The unfilled orders index fell to -19.1, indicating that unfilled orders fell significantly. The inventories index remained below zero at -2.1, pointing to a small decline in inventories. The delivery times index moved down to -6.4, suggesting delivery times shortened.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 10/16/23

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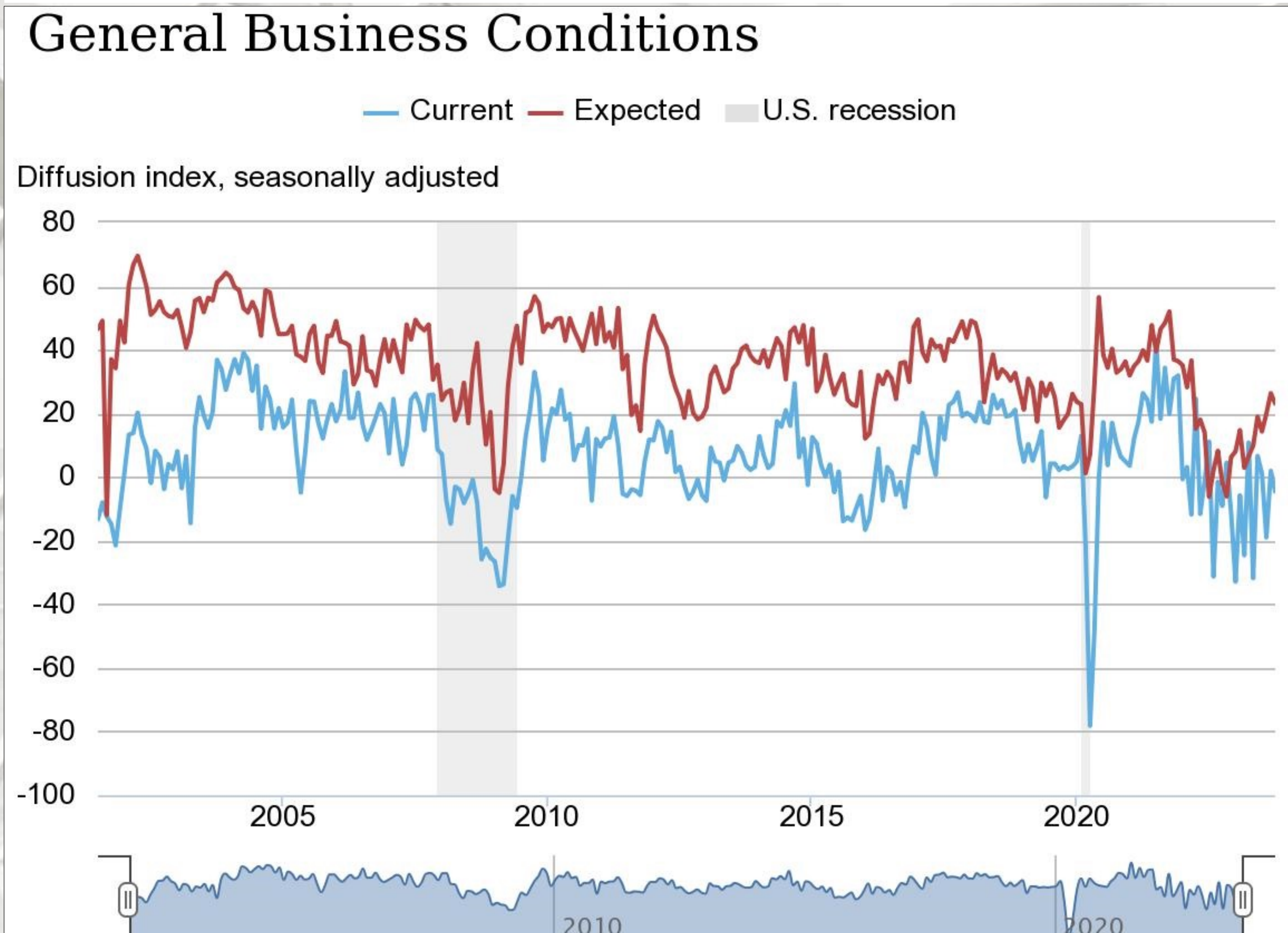
The Federal Reserve Bank of New York



Oct 2023
23.1

Oct 2023
-4.6

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 10/16/23

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The Federal Reserve Bank of New York

October 2023 Manufacturing Survey

Employment Ticks Up

“The index for number of employees rose six points to 3.1, and the average workweek index edged up to 2.2, indicating a slight increase in employment levels and hours worked. The prices paid index held steady at 25.5, reflecting little change in the pace of input price increases, while the prices received index fell eight points to 11.7, signaling a deceleration of input price increases.

Firms Remain Fairly Optimistic

The index for future business conditions moved down three points to 23.1, suggesting that firms remained relatively optimistic about future conditions. However, less than half of respondents expect conditions to improve over the next six months. New orders and shipments are expected to increase, though less so than last month, and employment is expected to grow. The capital spending index was little changed at 9.6, suggesting that capital spending plans remained somewhat weak.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 10/16/23

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The Federal Reserve Bank of New York

October Empire State Business Leaders Survey (Services)

Activity Contracts

"Business activity was little changed in New York State, according to firms responding to the October 2023 *Business Leaders Survey.* The survey's headline business activity index dropped sixteen points to -19.1, its lowest level in several months. The business climate index fell nine points to -35.9, suggesting the business climate remains much worse than normal. Despite the decline in activity, employment growth picked up, while wages grew at about the same pace as last month. Input and selling price increases moderated slightly. Looking ahead, firms were not optimistic that conditions would improve over the next six months.

Business activity fell significantly, according to the October survey. The headline business activity index declined a steep sixteen points to -19.1, its lowest reading since May. Nineteen percent of respondents reported that conditions improved over the month and 38 percent said that conditions worsened. The business climate index fell nine points to -35.9, suggesting that the business climate remains worse than normal, and to a greater extent than in recent months." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 10/17/23

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The Federal Reserve Bank of New York

October Empire State Manufacturing Survey (Services)

Employment Continues To Expand

“The employment index climbed five points to 8.9, pointing to a modest increase in employment despite the decline in activity. The wages index was little changed at 39.5, a sign that wages increased at about the same pace as last month. Both the prices paid and prices received indexes fell three points, indicating that input and selling price increases moderated slightly. The capital spending index came in at 5.1, suggesting a small increase in capital expenditures.

Firms No Longer Optimistic

The index for future business activity fell to 1.9, its near-zero reading indicating that firms do not expect activity to increase over the next six months. The index for the future business climate plunged twenty-four points to -25.5. However, employment is expected to grow modestly in the months ahead, and wage increases are expected to remain widespread.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 10/17/23

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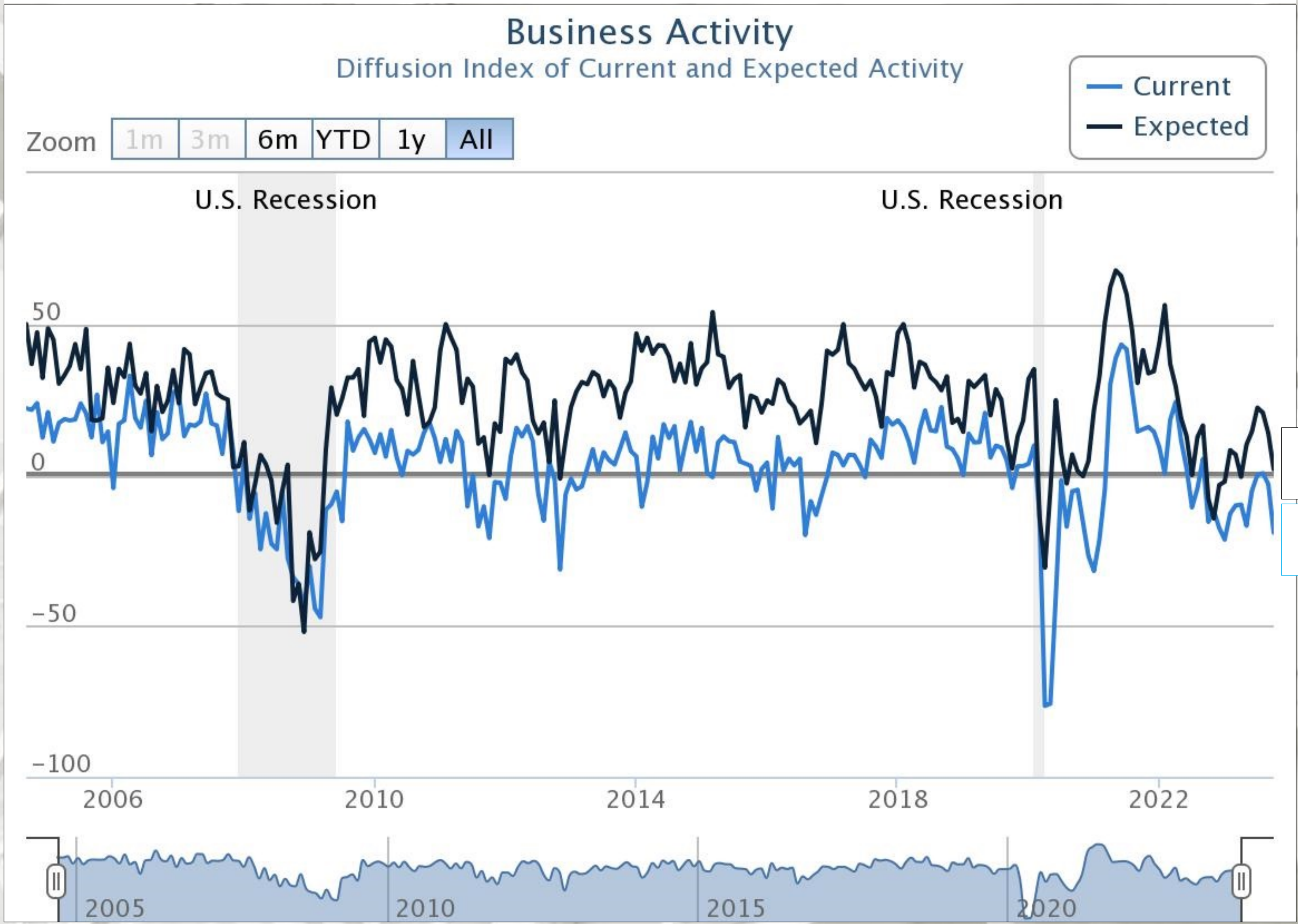
The Federal Reserve Bank of New York



Oct 2023
1.9

Oct 2023
-19.1

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 10/17/23

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The Federal Reserve Bank of Philadelphia

September 2023 Manufacturing Business Outlook Survey

Key Current Manufacturing Indicators Turn Negative In September

"Manufacturing activity in the region declined overall, according to the firms responding to the September *Manufacturing Business Outlook Survey*. The diffusion index for current general activity returned to negative territory, falling from 12.0 in August to -13.5 in September. The indicators for new orders and shipments also declined into negative territory. The firms continued to report overall increases in prices and an overall decline in employment. The survey's future indexes improved, suggesting more widespread expectations for growth over the next six months.

The diffusion index for current general activity returned to negative territory, falling from 12.0 in August to -13.5 in September (see Chart 1). This is the index's 14th negative reading in the past 16 months. More than 29 percent of the firms reported decreases (up from 13 percent last month), exceeding the 16 percent reporting increases (down from 25 percent); 55 percent of the firms reported no change in current activity (down from 58 percent last month). The indicators for new orders and shipments also declined. The new orders index – which had been negative for 14 consecutive months prior to August – dropped from 16.0 last month to -10.2 this month. The shipments index declined 9 points to -3.2 in September.

On balance, the firms continued to report a decline in employment, with the index little changed at -5.7. Over 19 percent of the firms reported a decrease in employment, compared with 14 percent that reported an increase; most firms (67 percent) reported no change. The average workweek index edged down from 6.3 to 4.7." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-09; 9/21/23

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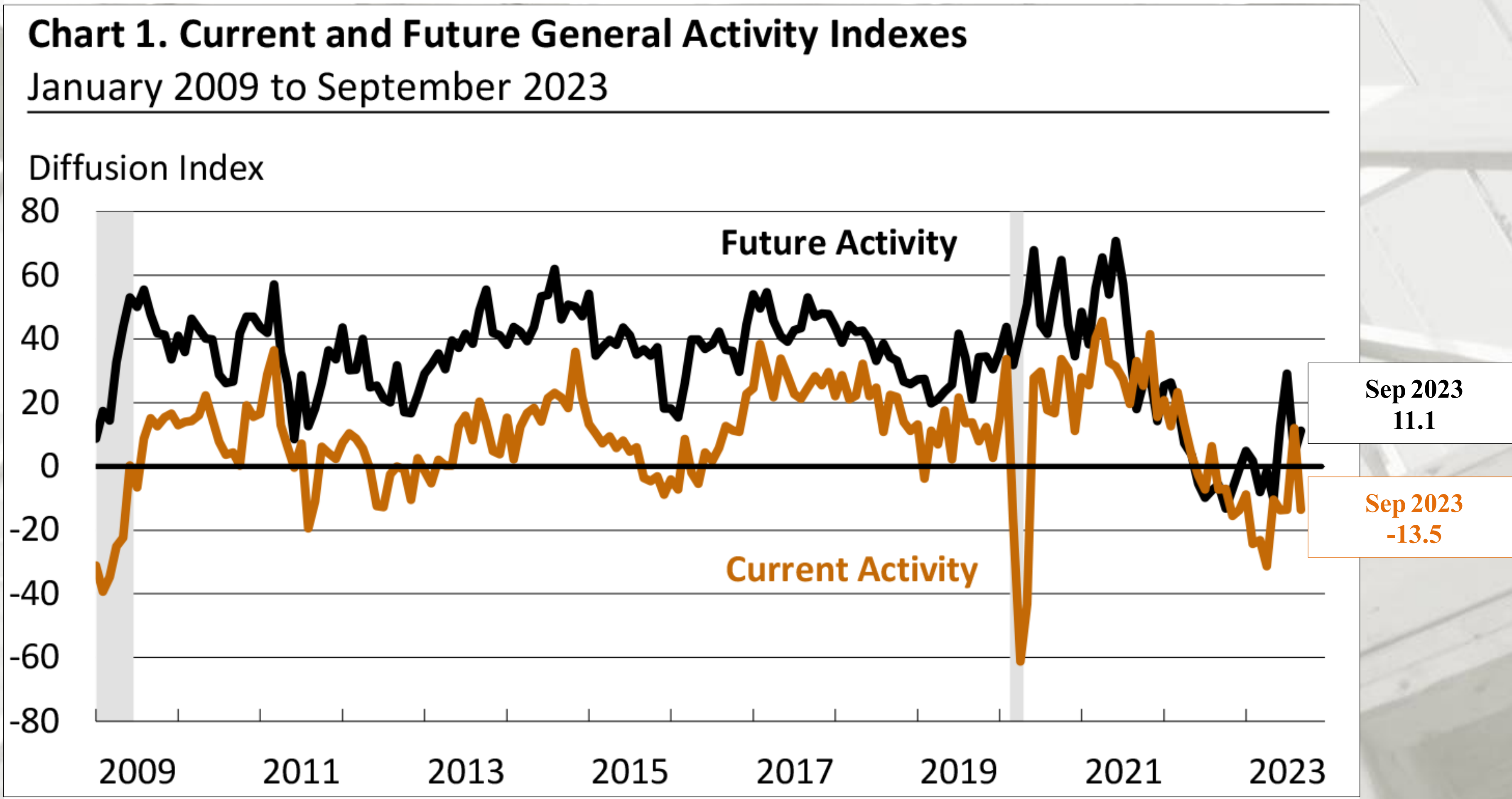
The Federal Reserve Bank of Philadelphia

September 2023 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-2023-09; 9/21/23

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The Federal Reserve Bank of Philadelphia

September 2023 Manufacturing Business Outlook Survey

Price Indexes Remain Near Long-Run Averages

"On balance, the firms reported overall increases in prices. However, most firms reported no change in prices, and both price indexes remained near their long-run averages. The prices paid diffusion index rose 5 points to 25.7 in September. More than 26 percent of the firms reported increases in input prices, while less than 1 percent reported decreases; 73 percent reported no change. The current prices received index was little changed at 14.8 in September. Nearly 25 percent of the firms reported increases in the prices of their own goods, 10 percent reported decreases, and 65 percent reported no change.

Future Indicators Rise

The diffusion index for future general activity rose from a reading of 3.9 in August to 11.1 in September (see Chart 1). Nearly 30 percent of the firms expect an increase in activity over the next six months, exceeding the 19 percent that expect a decrease; 45 percent expect no change. The future new orders and future shipments indexes rose to near their long-run averages. The future new orders index increased 7 points to 25.6, and the future shipments index rose 16 points to 30.5. On balance, the firms continued to expect increases in employment over the next six months, but the future employment index declined from a reading of 12.0 to 6.5. Both future price indexes declined but remained somewhat above their long-run averages. The future capital expenditures index rose 12 points to 7.5." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-09; 9/21/23

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The Federal Reserve Bank of Philadelphia

September 2023 Manufacturing Business Outlook Survey

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Future Indicators Rise

The diffusion index for future general activity rose from a reading of 3.9 in August to 11.1 in September (see Chart 1). Nearly 30 percent of the firms expect an increase in activity over the next six months, exceeding the 19 percent that expect a decrease; 45 percent expect no change. The future new orders and future shipments indexes rose to near their long-run averages. The future new orders index increased 7 points to 25.6, and the future shipments index rose 16 points to 30.5. On balance, the firms continued to expect increases in employment over the next six months, but the future employment index declined from a reading of 12.0 to 6.5. Both future price indexes declined but remained somewhat above their long-run averages. The future capital expenditures index rose 12 points to 7.5.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-09; 9/21/23

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The Federal Reserve Bank of Philadelphia

September 2023 Nonmanufacturing Business Outlook Survey

Current Indicators Decline

“Nonmanufacturing activity in the region declined overall this month, according to the firms responding to the September *Nonmanufacturing Business Outlook Survey*. The indexes for general activity at the firm level, new orders, and sales/revenues all remained negative. The firms continued to report overall increases in full-time employment this month. Price pressures relaxed, as both the prices paid and prices received indexes fell but remained positive. Although the firms continue to expect growth over the next six months on balance, expectations are less widespread.

The diffusion index for current general activity at the firm level declined from a reading of -0.5 in August to -5.5 this month (see Chart 1). More than 26 percent of the firms reported increases, while 32 percent of the firms reported decreases; 41 percent reported no change in activity. The new orders index recorded its fourth consecutive decline at -9.2 this month. Twenty-two percent of the firms reported increases in new orders (up from 16 percent last month), while 31 percent reported decreases (down slightly from 32 percent last month). Similarly, the sales/revenues index decreased 5 points to -10.7. More than 21 percent of the responding firms reported increases in sales/revenues, while 32 percent reported decreases. The regional activity index fell further, from -13.1 last month to -16.6 this month.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-08; 9/26/23

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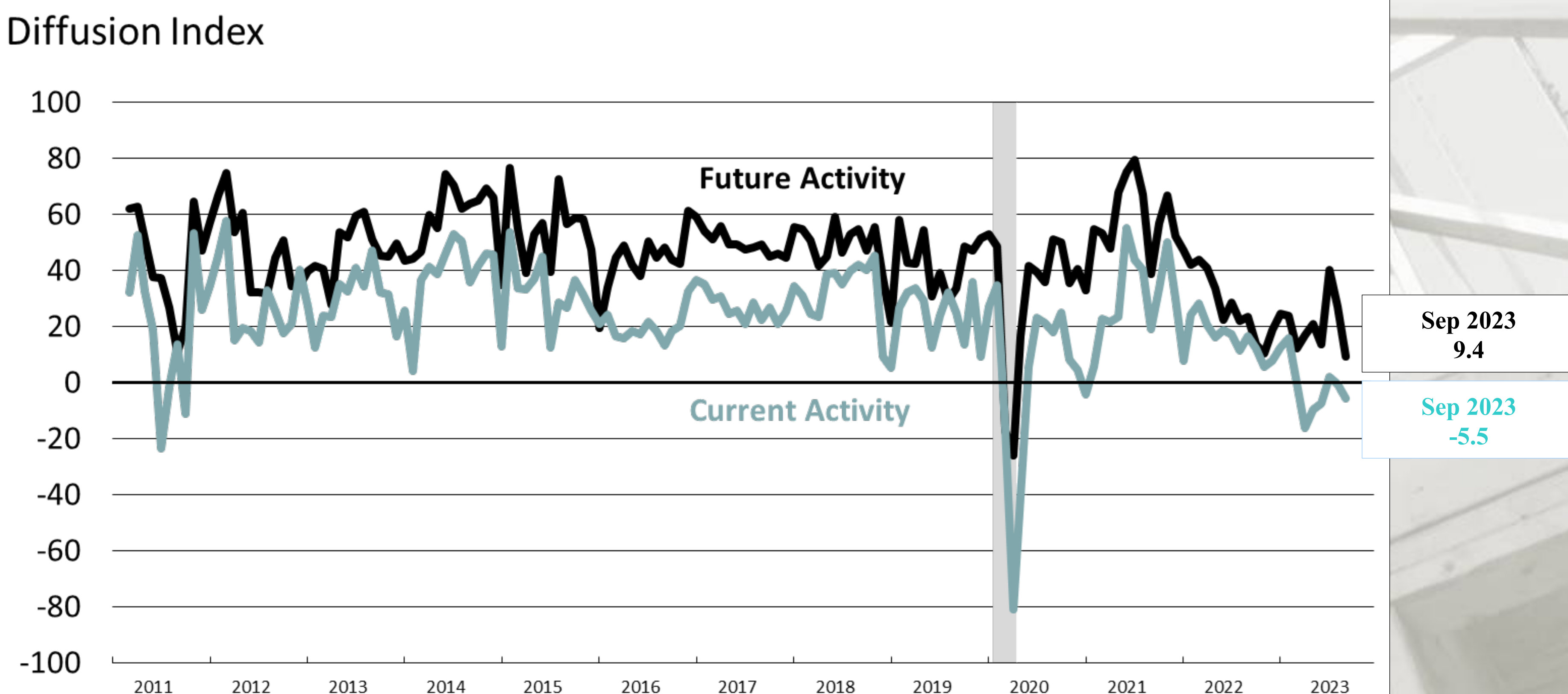
The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes for Firms
March 2011 to September 2023



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-2023-08; 9/26/23

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The Federal Reserve Bank of Philadelphia

September 2023 Nonmanufacturing Business Outlook Survey

Firms Report Overall Increases in Full-Time Employment

"On balance, the firms reported increases in full-time employment this month, but the index edged down 2 points this month. More than 22 percent of the firms reported increases, while 16 percent reported decreases; almost 62 percent of the firms reported steady full-time employment levels. The part-time employment index remained relatively unchanged at -0.8.

Price Increases Are Less Widespread

Price indicator readings suggest continued but less widespread increases in prices for inputs and prices for the firms' own goods and services. The prices paid index declined 5 points to 41.2. Almost 49 percent of the respondents reported higher input prices, 33 percent reported no change, and 8 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index fell from 14.6 to 4.5. Almost 20 percent of the firms reported increases in prices received (down slightly from 22 percent last month), while 15 percent of the firms reported decreases (up from 7 percent). Most of the firms (55 percent) reported no change in prices for their own goods and services.

Firms Anticipate Growth

The future firm-level general activity index remained positive but low and continued to suggest firms expect growth at their own companies over the next six months. The diffusion index for future general activity at the firm level decreased 18 points to 9.4 (see Chart 1). Almost 33 percent of the firms expect an increase in activity at their firms over the next six months, 23 percent expect decreases, and 41 percent of the firms expect no change. The future regional activity index fell from 8.2 to 3.4." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-08; 9/26/23

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The Federal Reserve Bank of Philadelphia

September 2023 Nonmanufacturing Business Outlook Survey

Firms Report Higher Sales/Revenues and Lower Constraints

"In this month's special questions, the firms were asked to estimate their total sales/revenues growth for the third quarter ending this month compared with the second quarter of 2023; they were also asked about factors constraining business operations. The share of firms reporting expected increases in third-quarter sales/revenues (38 percent) was slightly less than the share reporting decreases (40 percent). Most of the firms indicated that labor supply and supply chains constrained operations in the current quarter at least slightly, and 56 percent of the firms reported that financial capital was at least slightly constraining business. Looking ahead over the next three months, a majority of the firms expect the impacts of various factors to stay the same, and 26 percent and 20 percent of the firms expect labor supply and supply chain impacts to improve, respectively. However, 45 percent of the firms expect financial capital impacts to worsen, up slightly from 42 percent in June, while 30 percent of the firms expect COVID-19 mitigation measures to worsen, up from zero percent in June.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest a decline in nonmanufacturing activity in the region. The indicators for firm-level general activity, new orders, and sales/revenues were all negative this month. The full-time employment index suggests overall increases in employment. Both price indexes decreased but continue to indicate overall price increases. Overall, the responding firms expect growth over the next six months at their own firms, although expectations are less widespread." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-08; 9/26/23

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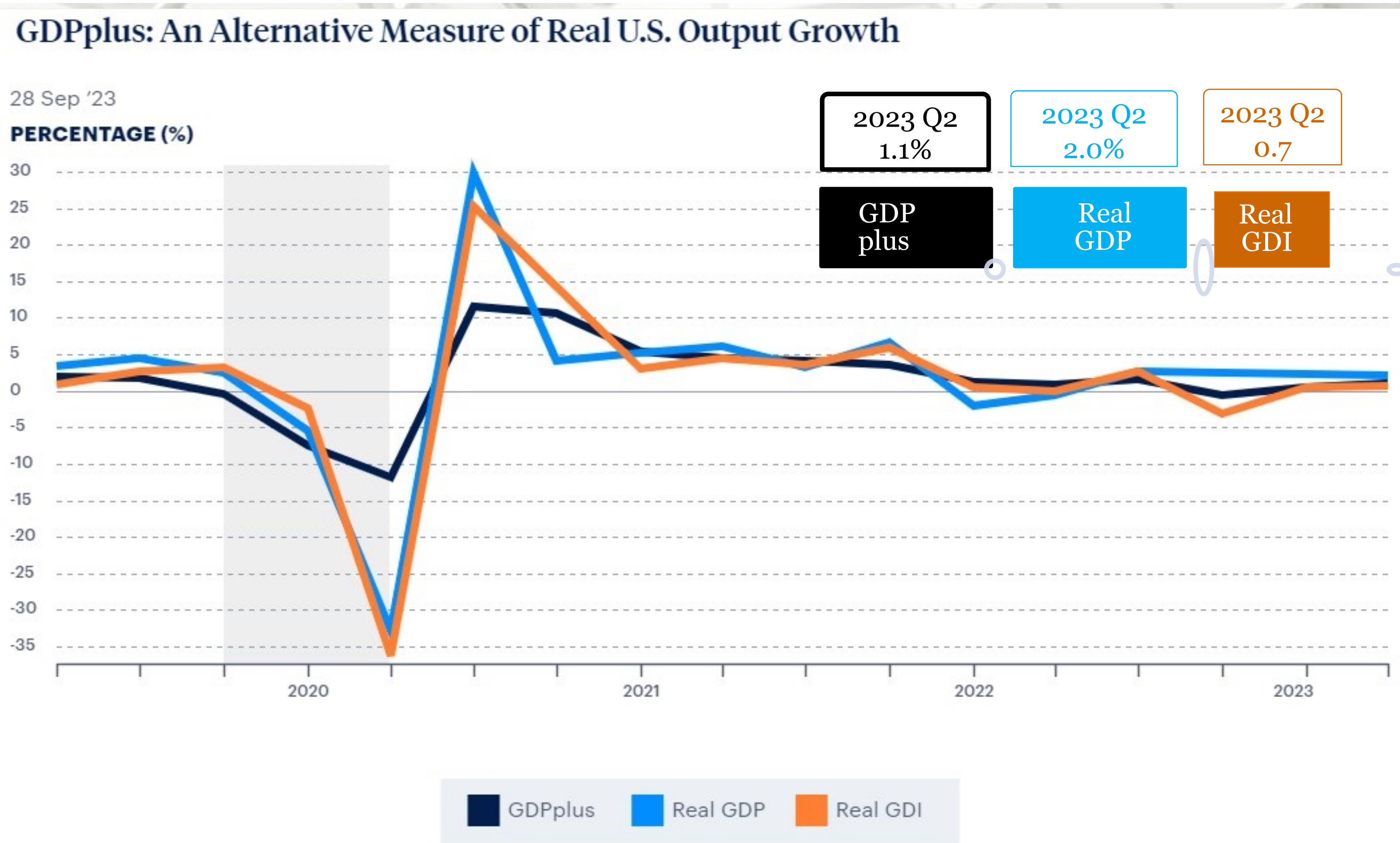
The Federal Reserve Bank of Philadelphia: GDPplus



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; 9/28/23

The Federal Reserve Bank of Richmond

August 2023 Fifth District Survey of Manufacturing Activity

Manufacturing Activity Improved in September

“Fifth District manufacturing activity improved in September, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index increased from −7 in August to 5 in September. Each of its three component indexes — shipments, new orders, and employment — increased. The shipments index improved from −5 in August to 7 in September, the new orders index increased from −11 to 3, and the employment index rose from −3 to 7. Although the level of the composite index was not very high, this was the first positive reading of the index since the spring of 2022.

Firms were not much more optimistic about local business conditions, however, as the index edged down two points to 0 in September. The index for future local business conditions fell slightly, but remained positive, declining from 10 in August to 6 in September.

Although the orders backlogs index increased notably in September, most firms continued to report declining backlogs and vendor lead time as these indexes both remained negative. Meanwhile, two of the three spending indexes increased.

The average growth rates of prices paid increased somewhat in September, while the average growth rate of prices received edged downward. Firms continued to expect both to moderate in the coming year.” – Jason Kosakow, Research Department, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/26/23

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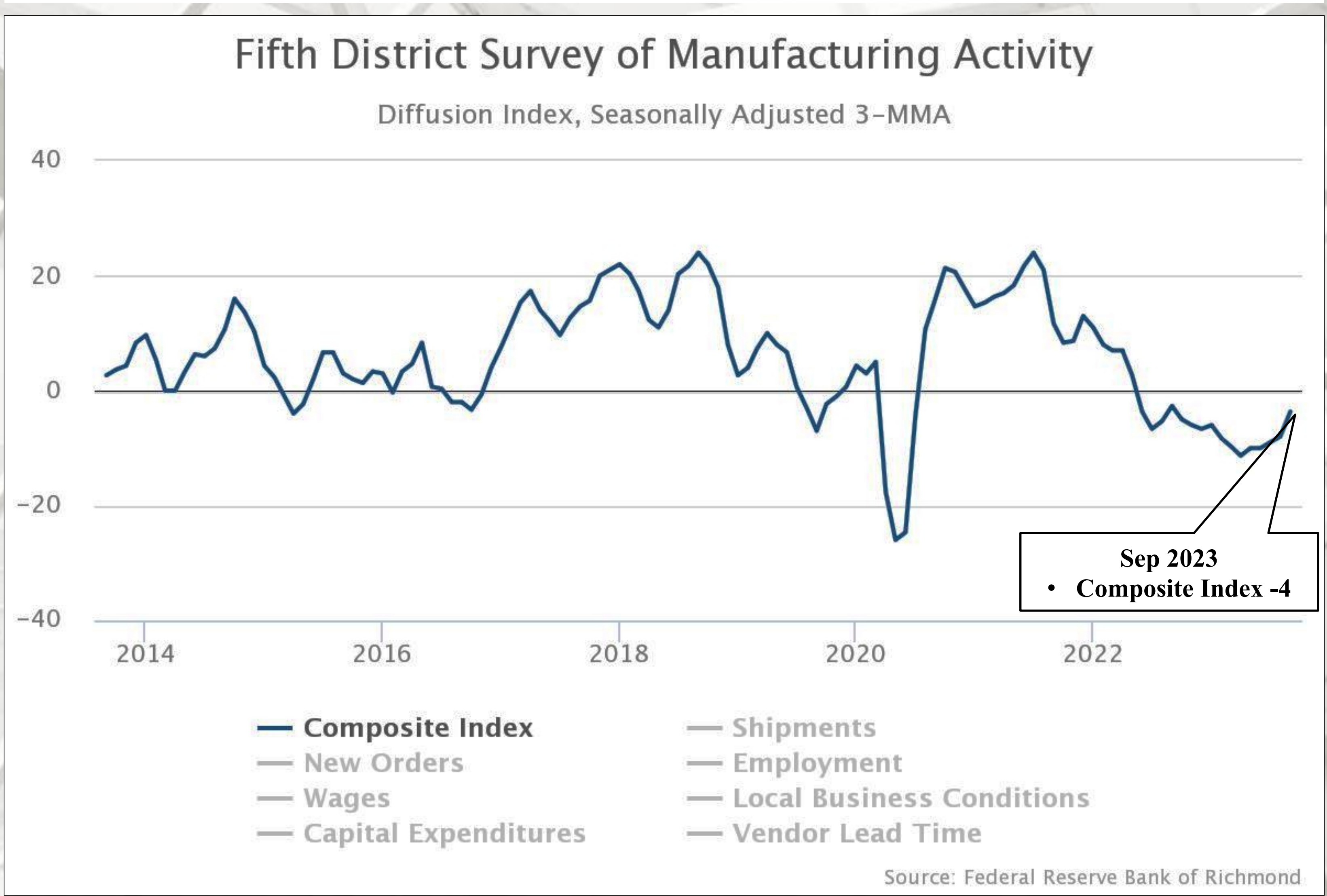
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/26/23

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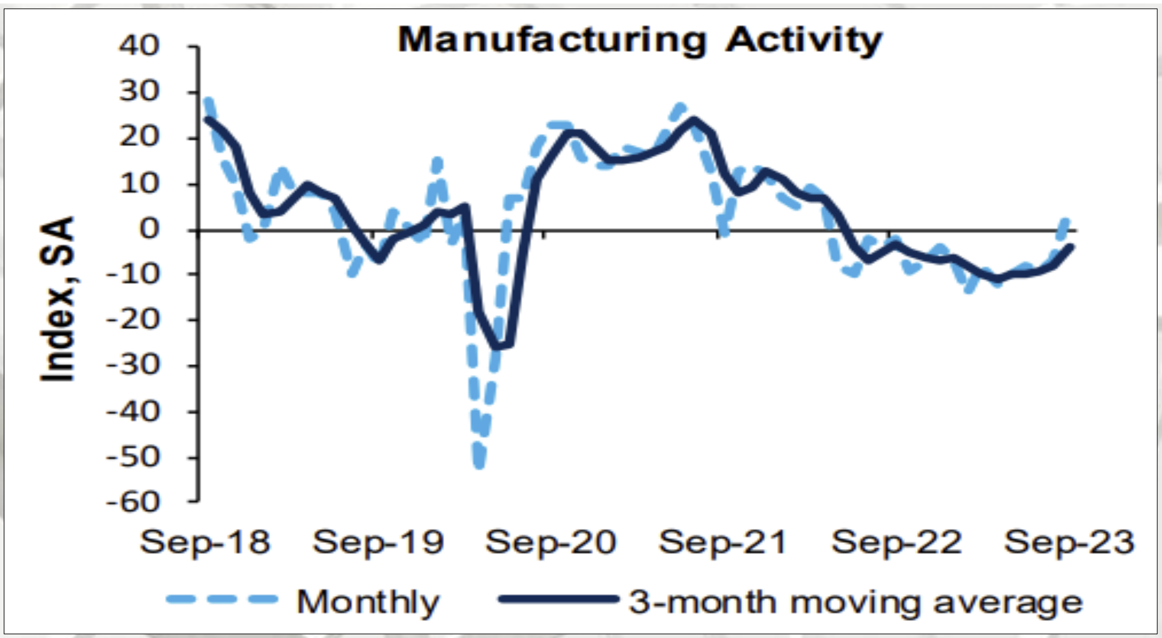
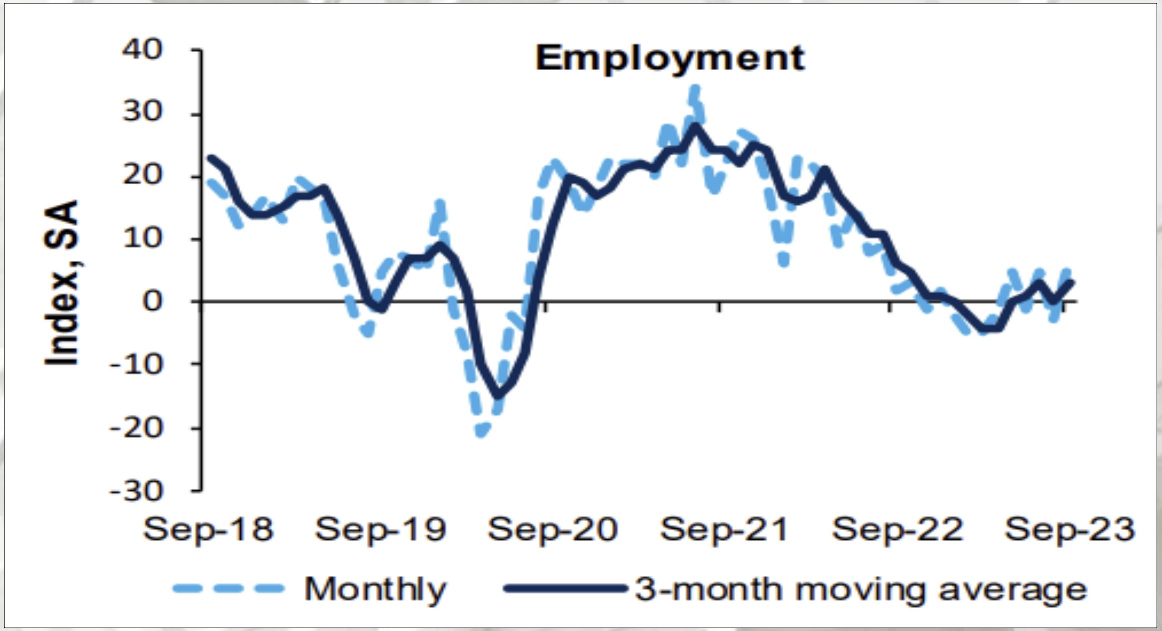
The Federal Reserve Bank of Richmond





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/26/23

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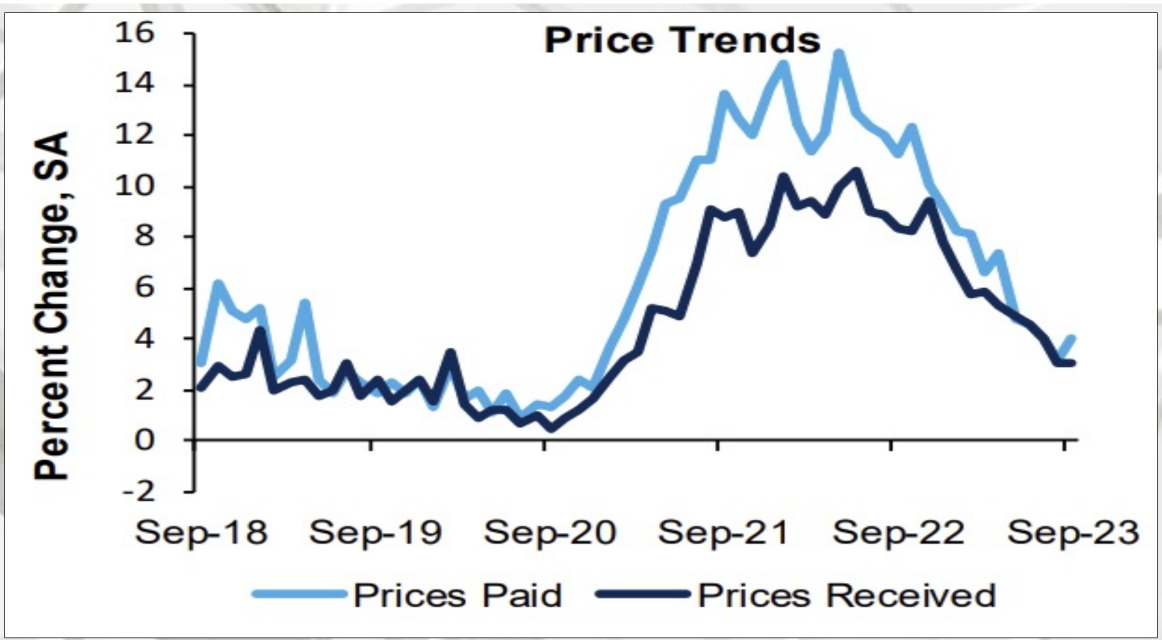
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/26/23

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The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Manufacturing Activity held steady in September

“Fifth District service sector activity held steady in September, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues index remained at 4, while the demand index edged up from 9 in August to 10 in September. Expectations for future revenue and demand decreased slightly but remained strong. Firms grew a bit more pessimistic about local business conditions as that index fell from 1 in August to −5 in September. The index for expected local business conditions also fell, from 15 in August to 4 in September.

Changes in the three spending indexes were mixed, but small, in September. Meanwhile, all three spending expectations indexes remained positive, suggesting that some firms expect to increase spending in the next six months.

The employment index edged up to 3 in September and firms became more likely to report easing in their ability to find workers with the necessary skills while continuing to report wage increases. Over the next six months, many firms expect to continue hiring and anticipate some improvement in their ability to find workers with the necessary skills. Most firms plan to continue wage increases.

The average growth in prices paid and prices received decreased slightly in September. Firms expect both growth rates to moderate over the coming year.” – Jason Kosakow, Research Department, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 9/26/23

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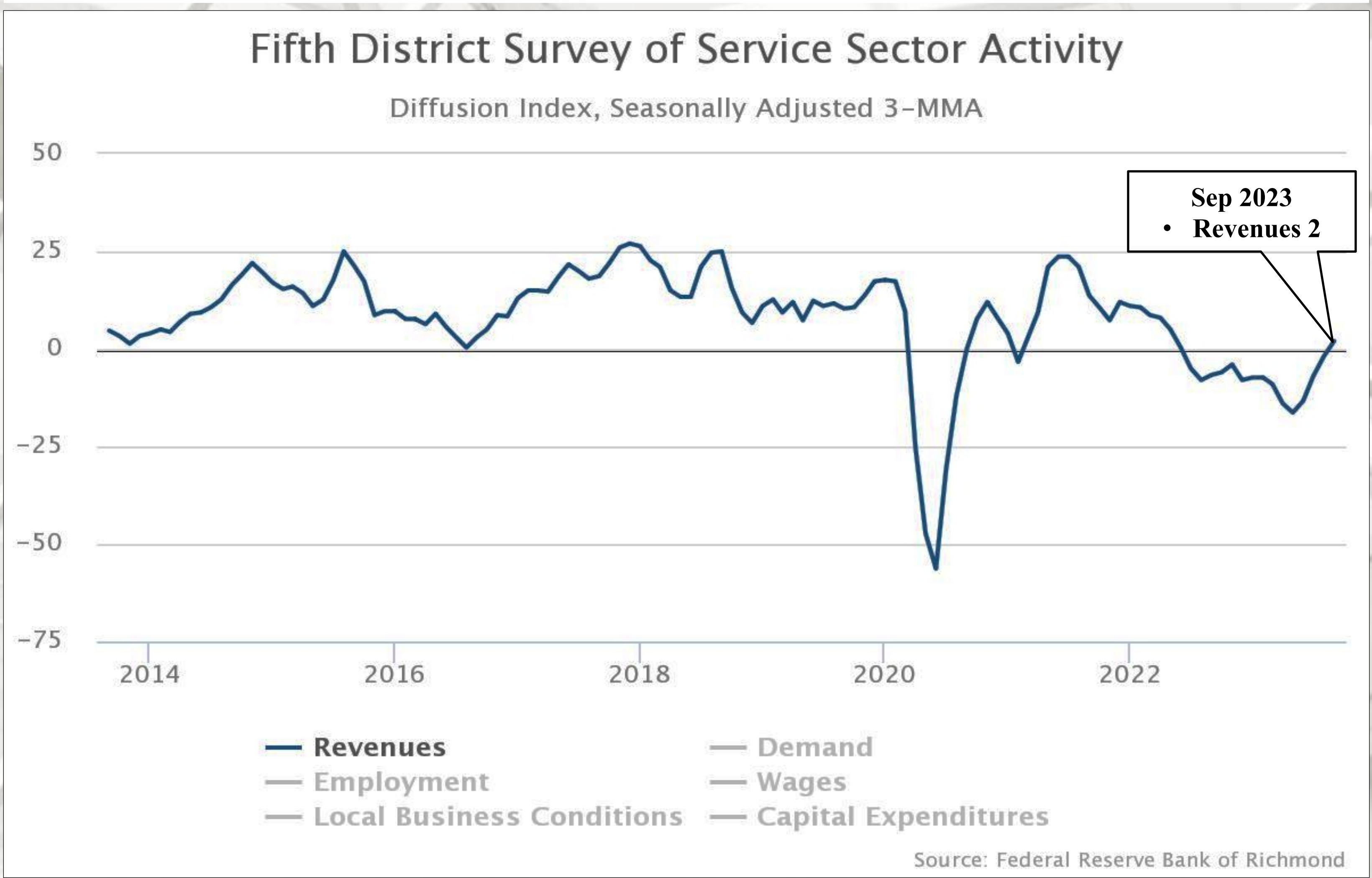
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 9/26/23

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Global Economic Indicators

The Federal Reserve Bank of Dallas

México Economic Update

México's economic momentum continues; outlook improves

"México's GDP grew at a revised annualized 3.4 percent in the second quarter, about the same as the previous quarter's gains of 3.3 percent. This is the seventh consecutive quarter the Méxican economy has expanded, and growth is generally surprising to the upside. Given stronger-than-expected growth so far this year, the consensus forecast for 2023 GDP growth (fourth quarter, year over year) compiled by Banco de México rose to 2.4 percent in September (*Table 1*). Meanwhile, the average annual GDP growth forecast for 2023 rose from 3.0 percent in August to 3.2 percent in September. The latest data available show industrial production, exports, retail sales and employment increased. Inflation continued easing, and the peso retreated some against the dollar in September.

Economic activity improves

The global economic activity index (IGAE) – the monthly proxy for GDP growth – grew 0.2 percent month over month in August (*Chart 1*). The pickup in activity was mainly due to the goods-producing sector (including manufacturing, construction and utilities), which increased 0.5 percent in July and 0.2 percent in August. Growth in service-related activities (including trade and transportation) was steady at 0.2 percent in July and August. The IGAE rose 3.4 percent year over year in August.

Industrial Production picks up

The three-month moving average of México's industrial production (IP) index, which includes manufacturing, construction, oil and gas extraction and utilities, rose 0.7 percent in July, while the smoothed manufacturing IP index was flat (*Chart 2*). North of the border, the smoothed U.S. IP index grew 0.2 percent in August after holding steady in July. U.S. and Méxican IP have become more correlated with the rise of intra-industry trade between the two countries since the early 1990s. If U.S. consumer demand decelerates further this year in an environment of elevated inflation and higher credit costs, México's manufacturing sector could slow." – Jesus Cañas, Senior Business Economist and Diego Morales-Burnett, Research Analyst, Research Department, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2023/2306; 10/12/23

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Global Economic Indicators

Table 1: Consensus Forecasts for 2023 México Growth, Inflation, and Exchange Rate

	August	September
Real GDP growth in Q4, year over year	2.1	2.4
Real GDP growth in 2023	3.0	3.2
CPI December 2023, year over year	4.7	4.7
Peso/dollar exchange rate at end of year	17.8	17.6

Note: CPI refers to the consumer price index. The survey period was Sept. 19–28.
Source: Encuesta sobre las Expectativas de los Especialistas en Economía del Sector Privado: Septiembre de 2023 (communiqué on economic expectations, Banco de México, September 2023).

Source: https://www.dallasfed.org/research/update/mex/2023/2306; 10/12/23

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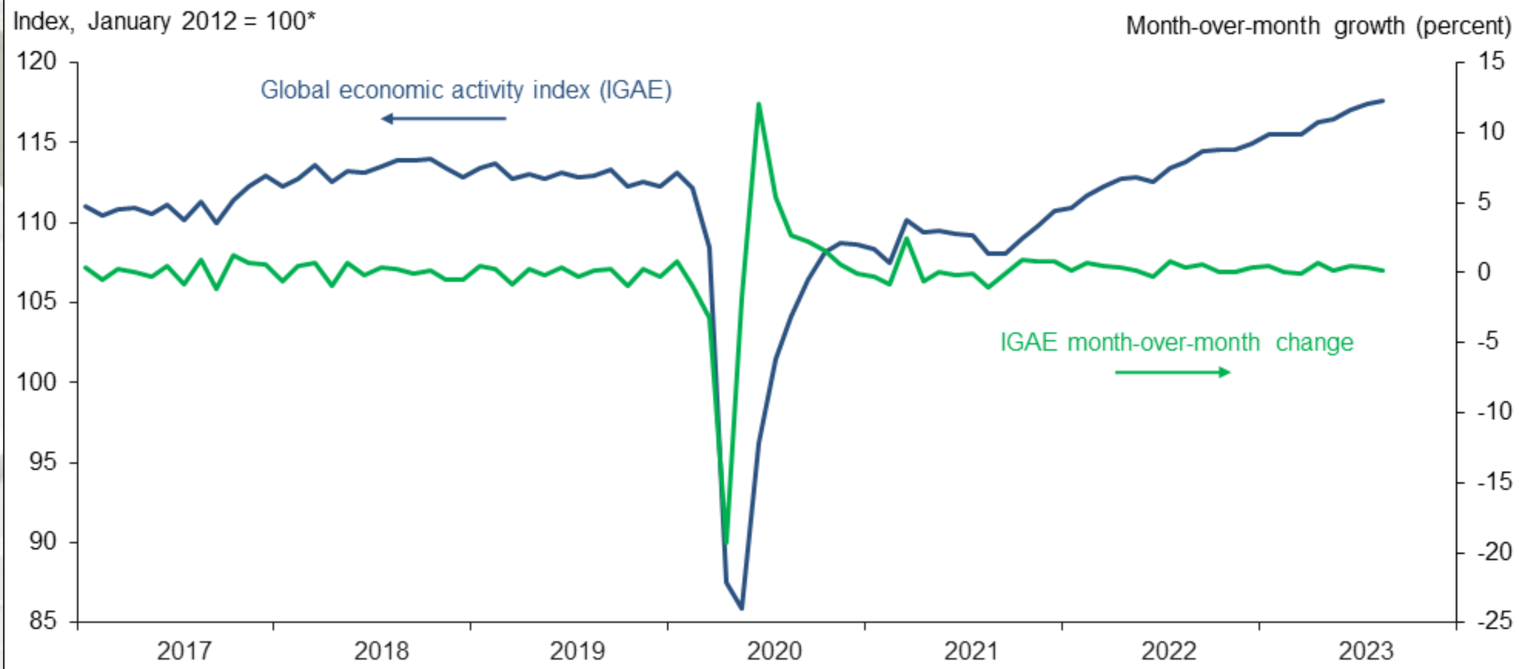
Global Economic Indicators

Chart 1
Economic activity trends upward



*Seasonally adjusted; real pesos.
NOTES: Data are through June 2023. Data for July 2023 and August 2023 are estimated by the National Institute of Statistics and Geography (INEGI) using its timely indicator of economic activity (IOAE).
SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography). Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2023/2306; 10/12/23

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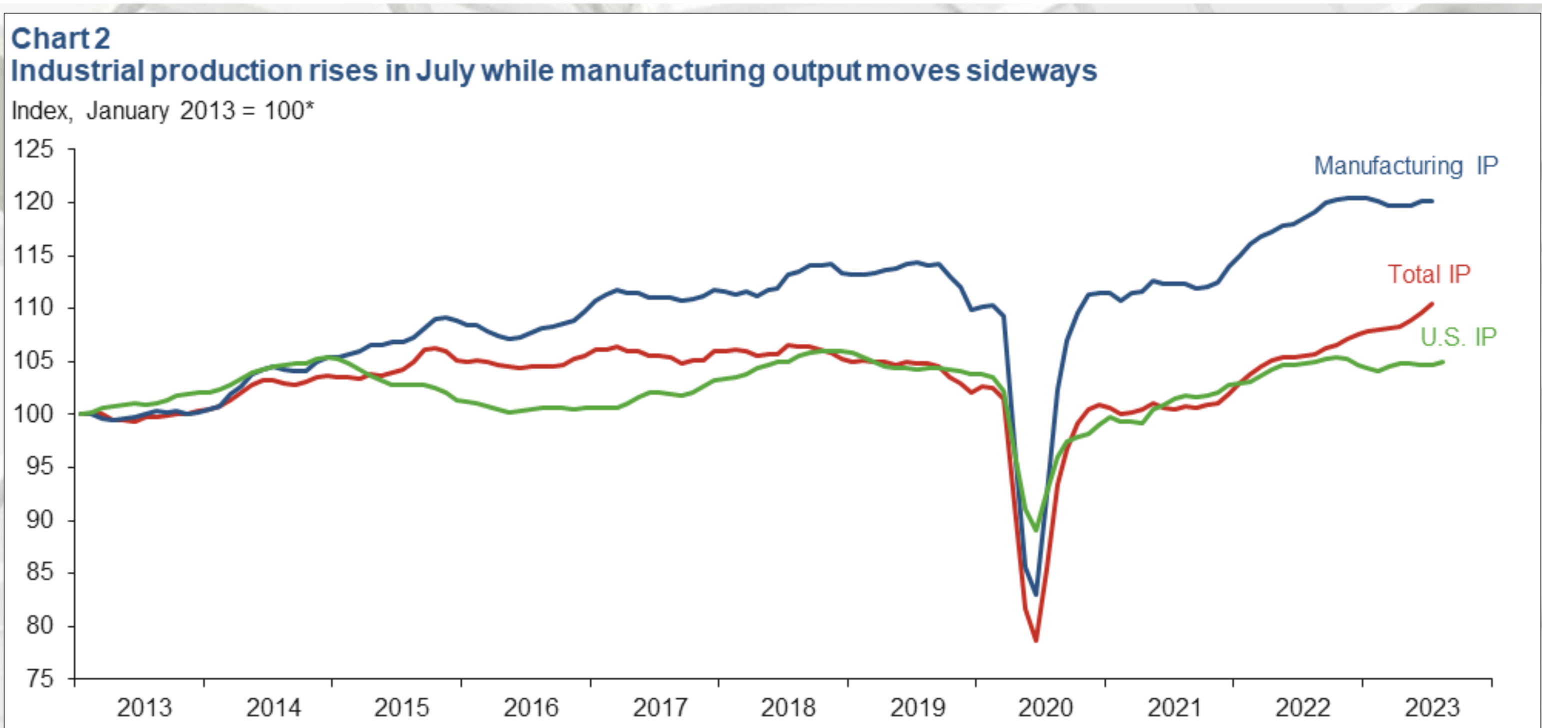
Global Economic Indicators



*Seasonally adjusted, three-month moving average.
NOTES: Total and manufacturing industrial production figures refer to Mexico. U.S. IP refers to total industrial production in the United States. Mexican data are through July 2023; U.S. data are through August 2023.
SOURCES: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography); Federal Reserve Board.
Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2023/2306; 10/12/23

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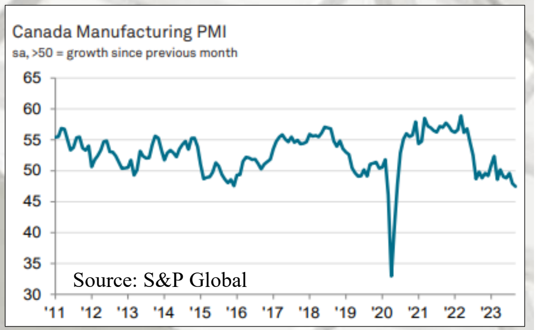
Private Indicators: Global



S&P Global Canada Manufacturing PMI®

"The seasonally adjusted **S&P Global Canada Manufacturing Purchasing Managers' Index® (PMI®)** is a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. The PMI fell further below the crucial 50.0 no-change mark in September to 47.5, from 48.0 in August. It was the fifth successive month that a deterioration in operating conditions has been registered, and the latest PMI number was the lowest since May 2020.

PMI hits lowest level since May 2020

Canada's manufacturing sector remained inside contraction territory during September. Output, orders and employment all fell amid reports of softening market conditions. Purchasing activity was subsequently cut as firms focused on reducing any excess inventory at their plants. Cost pressures showed signs of stabilisation following August's upturn.

Output and new orders both contracted in September. The decline in production was the steepest since August 2022, whilst for sales it was the worst performance since March. Firms widely commented that market demand was slow, and that some clients were waiting for price reductions before committing to new business. Similar factors were reported by panellists to have weighed on international demand. New export orders fell for the first time in three months in September and to the steepest degree since May. Faced with dwindling workloads, further evidenced by the steepest reduction in backlogs of work for 40 months, manufacturers reduced both their purchasing activity and employment in September. …

In line with the global industrial downturn, the Canadian manufacturing sector continued to experience lacklustre performance during September. Output and new orders both fell to steeper degrees amid evidence of slow market demand. Price levels remain a problem for many clients, especially as Canadian manufacturers continued to hike their charges to a solid degree. However, the weakening of cost inflation to a marginal pace may augur well for price developments further down the supply chain in the coming months. With job shedding again reported, these later developments add support to the Bank of Canada's recent decision to hold its main policy rate unchanged. … " – Paul Smith, Economics Director, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/c30418428f0944e19005c674ab10731b; 10/2/23

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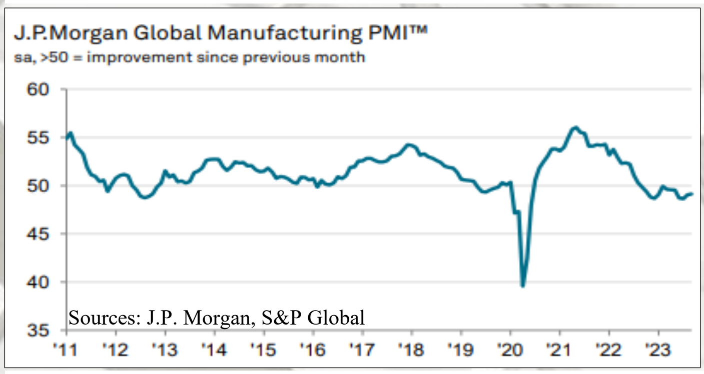
Private Indicators: Global



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 – posted 49.1 in September, up a pip from 49.0 in August, remaining below the neutral 50.0 mark for the thirteenth successive month.

Global manufacturing output contracts as demand weakens in September

Global manufacturing remained in the doldrums at the end of the third quarter, as output, new orders and employment all contracted. The eurozone, UK and Canada posted steep overall downturns, with global growth lead by China and Indonesia. The US posted higher output and jobs but lower new orders. All five of the sub-indices comprising the headline PMI (output, new orders, employment, stocks of purchases and suppliers' delivery times) were at levels indicative of a deterioration in overall performance.

Global manufacturing output declined for the fourth successive month in September, as further contractions in the intermediate and investment goods industries were only partly offset by growth at consumer goods producers. Output rose in only eight of the 29 nations for which data were available, including mainland China and the US. The euro area, Japan, UK, Canada and Brazil were among the economies to see production volumes scaled back. A weaker intake of new orders was the main factor underlying lower output in September. Destocking also played a role, with inventories of both finished products and raw materials decreasing during the latest survey month. …

There were further signs of price pressures building in September. Input costs and output charges both rose for the second consecutive months, with rates of inflation accelerating for both measures. That said, the increases remained moderate in comparison to the steep rates seen throughout 2021 and 2022."– Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/b7141fc969fc4475bd6e1e2d4e16609e; 10/2/23

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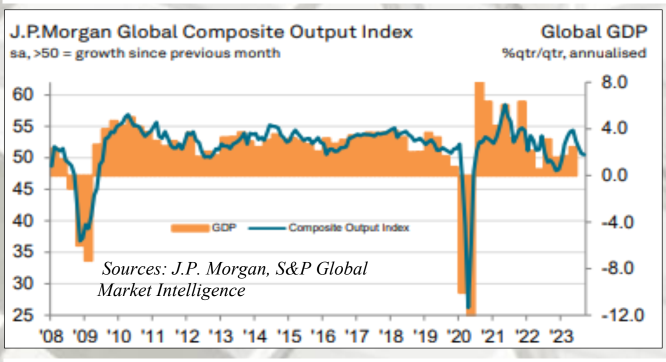
Private Indicators: Global



Sources: J.P. Morgan, S&P Global Market Intelligence

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 50.5 in September, down from 50.6 in August and its lowest reading during the current eight-month sequence of expansion. The latest reading takes the PMI further below the long-run survey average of 53.3.

Global economic growth slows as new orders contract for first time in eight months

Global economic growth remained lacklustre at the end of the third quarter, as output edged higher and intakes of new work contracted for the first time in eight months. There were also signs of further weakness in the coming months, as backlogs of work fell sharply and business optimism dipped to a nine-month low. Manufacturing production remained the main drag on overall economic growth, contracting for the fourth month running. Although output rose at consumer goods producers, this was more than offset by declines in the intermediate and investment goods categories. September also saw signs of slowdown in the global services sector, where growth was at an eight-month low. Rates of expansion weakened in the business and consumer services sectors. There was a return to growth at financial service providers, however. …

September data also pointed to a potential risk of conditions remaining subdued in the coming months. Economic growth was partly sustained through the erosion of work-in-hand, with outstanding business falling at manufacturers and service providers alike. Meanwhile, the outlook for the year ahead was less positive, as business sentiment dipped to a nine-month low and remained below its long-run average.

Slower growth of output and lower intakes of new work led to weaker job creation in September. Employment rose to the least marked extent since January, as an increase at service providers was partly offset by cuts in manufacturing. Mainland China, Japan, Germany and the UK were the nations to reduce employment during the latest survey month. …" – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/13520721b61b4c50ba86b1f33b5f9a80; 10/4/23

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Private Indicators
Associated Builders and Contractors

ABC: Construction Adds 11,000 Jobs, Nonresidential Employment Contracts Slightly in September

“The construction industry added 11,000 jobs on net in September, according to an Associated Builders and Contractors analysis of data released by the U.S. Bureau of Labor Statistics. On a year-over-year basis, industry employment has increased by 217,000 jobs, an uptick of 2.8%. Nonresidential construction employment decreased by 1,300 positions on net, with contraction in 2 of the 3 subcategories. Nonresidential specialty trade lost 3,300 positions, while nonresidential building lost 200 jobs. Heavy and civil engineering added 2,200 jobs.

The construction unemployment rate decreased slightly to 3.8%, while unemployment across all industries remained unchanged at 3.8% last month.

“Despite declining last month, America’s nonresidential construction segment has still added jobs at a faster rate than the broader economy over the past year,” said ABC Chief Economist Anirban Basu. “While a meaningful share of that hiring relates to infrastructure and large-scale manufacturing projects, several other subsegments, such as data centers and health care, enter the fourth quarter with momentum.

“Hiring would likely be faster if not for ongoing skills and labor shortages,” said Basu. “America desperately needs more people to enter the skilled trades as it seeks to rebuild its supply chains and improve its built environment. Despite efforts by the Federal Reserve to soften economic growth, a majority of contractors expect their sales and staffing to expand over the next six months, according to ABC's Construction Confidence Index. That suggests that the construction labor market is poised to tighten further during the months ahead despite ongoing Federal Reserve efforts to curb inflation, including by further slowing the pace of hiring.”” – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/abc-construction-adds-11000-jobs-nonresidential-employment-contracts-slightly-in-september; 10/6/23

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Private Indicators
Associated Builders and Contractors

ABC: Construction Adds 11,000 Jobs, Nonresidential Employment Contracts Slightly in September

Construction Employment Statistics: September 2023

	September 2023	August 2023	September 2022	1-Month Net Change	12-Month Net Change	12-Month % Change
Employment						
Construction	8,014,000	8,003,000	7,797,000	11,000	217,000	2.8%
Nonresidential	4,717,200	4,718,500	4,555,600	-1,300	161,600	3.5%
Nonresidential building	877,700	877,900	829,700	-200	48,000	5.8%
Nonresidential specialty trade contractors	2,712,300	2,715,600	2,652,200	-3,300	60,100	2.3%
Heavy and civil engineering	1,127,200	1,125,000	1,073,700	2,200	53,500	5.0%
Residential	3,296,600	3,284,000	3,241,300	12,600	55,300	1.7%
Residential building	933,100	926,400	924,600	6,700	8,500	0.9%
Residential specialty trade contractors	2,363,500	2,357,600	2,316,700	5,900	46,800	2.0%
Average Hourly Earnings						
All private industries	$33.88	$33.81	$32.53	$0.07	$1.35	4.2%
Construction	$36.85	$36.73	$35.05	$0.12	$1.80	5.1%
Average Weekly Hours						
All private industries	34.4	34.4	34.6	0.0	-0.2	-0.6%
Construction	39.0	39.1	38.7	-0.1	0.3	0.8%
Unemployment Rate						
All private industries (SA)	3.8%	3.8%	3.5%	0.0pp	0.3pp	
Construction (NSA)	3.8%	3.9%	3.4%	-0.1pp	0.4pp	

Source: U.S. Bureau of Labor Statistics. Note. SA: Seasonally adjusted. NSA: Not seasonally adjusted

Source: https://www.abc.org/News-Media/News-Releases/abc-construction-adds-11000-jobs-nonresidential-employment-contracts-slightly-in-september; 10/6/23

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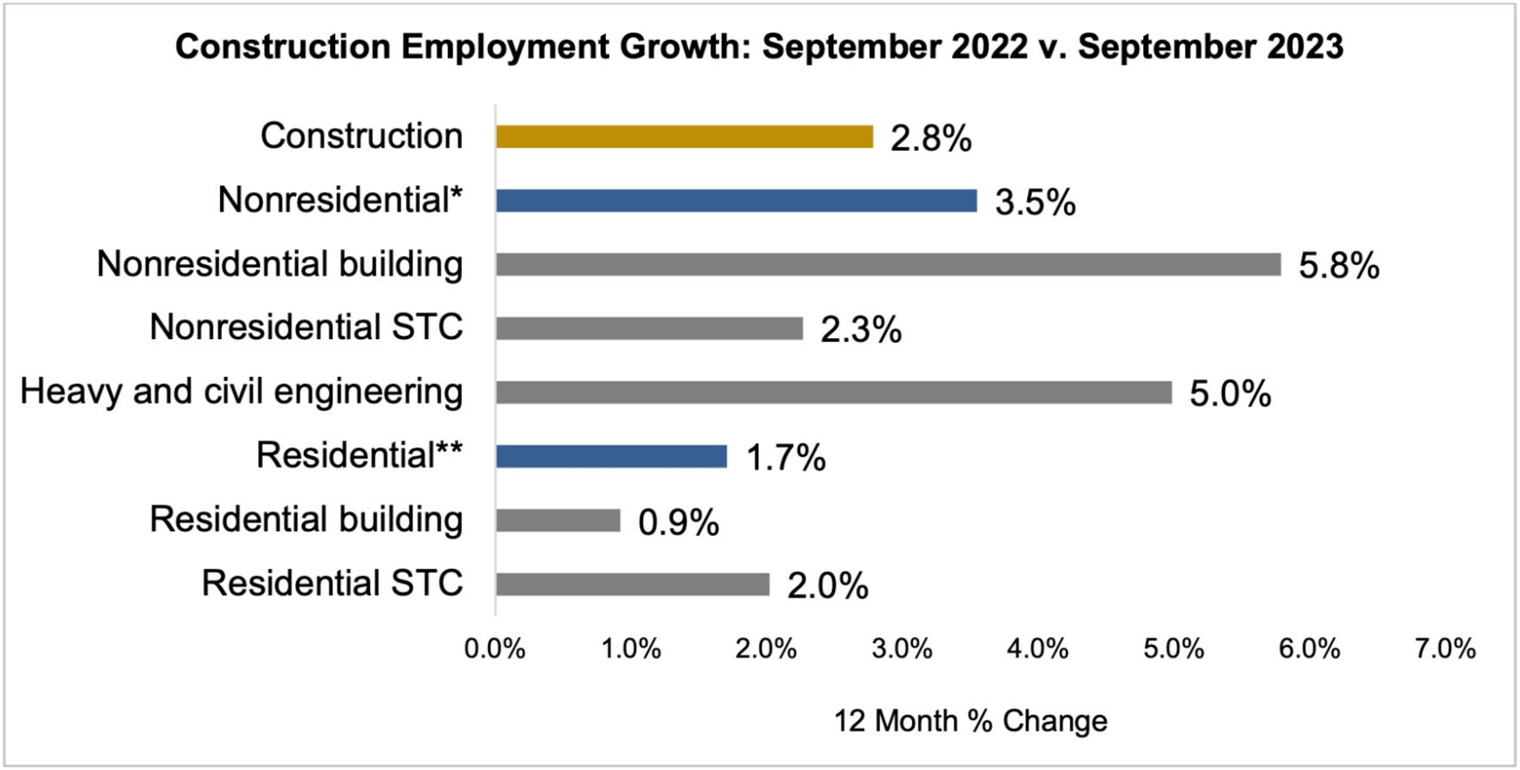
Private Indicators
Associated Builders and Contractors

ABC: Construction Adds 11,000 Jobs, Nonresidential Employment Contracts Slightly in September



Source: U.S. Bureau of Labor Statistics

*Includes Nonresidential Building, Nonresidential STC, and Heavy and Civil Engineering

**Includes Residential Building and Residential STC

Source: https://www.abc.org/News-Media/News-Releases/abc-construction-adds-11000-jobs-nonresidential-employment-contracts-slightly-in-september; 10/6/23

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Dips, Contractors Remain Confident

"Associated Builders and Contractors reported today that its Construction Backlog Indicator declined to 9.0 months in September, according to an ABC member survey conducted Sept. 20 to Oct. 4. The reading is equivalent to one year ago.

View the full Construction Backlog Indicator and Construction Confidence Index data series.

Though it declined last month, the South continues to have the lengthiest backlog, which has been the case since October 2021. Over the past year, only the West has experienced increasing backlog.

ABC's Construction Confidence Index reading for sales and staffing levels edged higher in September. The profit margins reading fell slightly. All three readings remain above the threshold of 50, indicating expectations for growth over the next six months.

"Construction continues to defy the downward gravitational pull of tightening credit conditions," said ABC Chief Economist Anirban Basu. "Despite high and rising project financing costs, ABC contractor members continue to report lofty backlog, rising employment, expanding sales and stable profit margins.

"That said, industry headwinds grow in force," said Basu. "Interest rates are still edging higher. Political dysfunction in Washington persists. Rising worker compensation costs and lingering supply chain issues are still frustrating industry performance and profitability. The U.S. economy appears poised to slow further. If the past is any indication, that will eventually catch up to construction in the form of dissipating demand. But economists have talked about recession for more than a year, and the industry still shows substantial forward momentum. It remains to be seen whether that momentum can survive the latest set of challenges."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/abcs-september-construction-backlog-indicator-dips-yet-contractors-remain-confident; 10/10/23

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Steady Dips, Contractors Remain Confident

Construction Backlog Indicator

	September 2023	August 2023	September 2022	1-Month Net Change	12-Month Net Change
Total	9.0	9.2	9.0	-0.2	0.0
Industry					
Commercial and institutional	9.3	9.5	9.4	-0.2	-0.1
Heavy industrial	7.4	7.7	8.5	-0.3	-1.1
Infrastructure	8.6	10.2	7.2	-1.6	1.4
Region					
Middle States	6.3	8.4	7.2	-2.1	-0.9
Northeast	9.4	8.8	9.4	0.6	0.0
South	10.4	11.4	10.7	-1.0	-0.3
West	9.1	8.3	8.4	0.8	0.7
Company Size					
<$30 Million	8.4	8.4	8.0	0.0	0.4
$30-$50 Million	11.0	10.8	10.0	0.2	1.0
$50-$100 Million	10.7	12.8	11.2	-2.1	-0.5
>$100 Million	10.6	13.8	13.4	-3.2	-2.8

Source: https://www.abc.org/News-Media/News-Releases/abcs-september-construction-backlog-indicator-dips-yet-contractors-remain-confident; 10/10/23

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Dips, Contractors Remain Confident

Construction Confidence Index

Response	September 2023	August 2023	September 2022
CCI Reading			
Sales	58.3	58.1	55.1
Profit margins	54.0	55.8	52.5
Staffing	62.0	60.7	59.8
Sales Expectations			
Up big	2.9%	5.7%	6.6%
Up small	50.7%	46.0%	40.5%
No change	26.1%	26.7%	25.6%
Down small	17.4%	18.2%	21.1%
Down big	2.9%	3.4%	6.2%
Profit Margin Expectations			
Up big	1.4%	5.7%	4.4%
Up small	38.4%	38.1%	30.8%
No change	37.0%	34.7%	38.8%
Down small	21.0%	17.0%	22.5%
Down big	2.2%	4.5%	3.5%
Staffing Level Expectations			
Up big	2.9%	5.1%	4.8%
Up small	49.3%	46.0%	44.9%
No change	41.3%	36.4%	36.6%
Down small	5.8%	11.4%	11.9%
Down big	0.7%	1.1%	1.8%

Source: https://www.abc.org/News-Media/News-Releases/abcs-september-construction-backlog-indicator-dips-yet-contractors-remain-confident; 10/10/23

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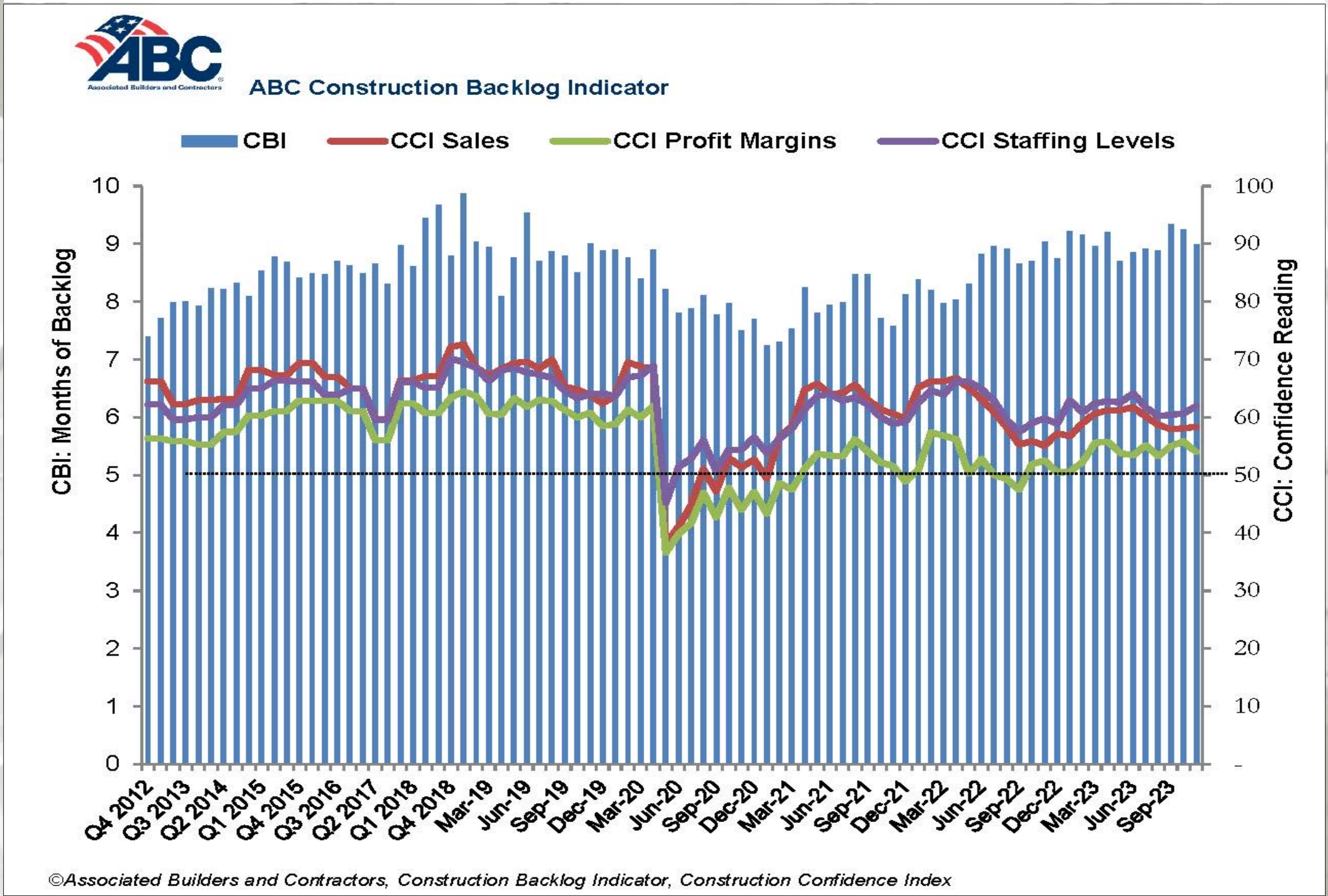
Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Dips, Contractors Remain Confident



Source: https://www.abc.org/News-Media/News-Releases/abcs-september-construction-backlog-indicator-dips-yet-contractors-remain-confident; 10/10/23

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Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Increases in August, Led by Manufacturing and Public Works; Contractors Stay Upbeat

"National nonresidential construction spending increased 0.4% in August, 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 $1.09 trillion. Spending was up on a monthly basis in 12 of the 16 nonresidential subcategories. Private nonresidential spending increased by 0.3%, while public nonresidential construction spending was up 0.6% in August.

"Aggregate nonresidential construction spending expanded at a respectable rate in August," said ABC Chief Economist Anirban Basu. "But manufacturing-related and public sector projects accounted for more than 100% of the monthly increase. Privately financed commercial- and educational-related construction spending declined by almost 1% at least partially due to elevated borrowing costs.

"Despite high interest rates and ongoing weakness in certain segments like office and retail, contractors remain relatively upbeat," said Basu. "Despite still-high materials costs and ongoing labor shortages, a plurality of contractors expect their profit margins to increase over the next six months, according to ABC's Construction Confidence Index."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/abc-nonresidential-construction-spending-increases-in-august-led-by-manufacturing-and-public-works-contractors-stay-upbeat; 10/2/23

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Private Indicators
Associated Builders and Contractors

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

	August 2023	July 2023	August 2022	1-Month % Change	12-Month % Change
Total Construction	$1,983,470	$1,973,693	$1,847,285	0.5%	7.4%
Residential	$889,803	$884,675	$917,150	0.6%	-3.0%
Nonresidential	$1,093,668	$1,089,019	$930,135	0.4%	17.6%
Conservation and development	$11,423	$10,797	$9,665	5.8%	18.2%
Lodging	$23,675	$23,380	$20,452	1.3%	15.8%
Manufacturing	$198,447	$196,102	$119,897	1.2%	65.5%
Transportation	$64,084	$63,376	$58,572	1.1%	9.4%
Communication	$24,952	$24,735	$24,572	0.9%	1.5%
Power	$118,064	$117,556	$107,471	0.4%	9.9%
Health care	$61,572	$61,320	$54,905	0.4%	12.1%
Office	$99,375	$98,980	$91,479	0.4%	8.6%
Highway and street	$131,162	$130,672	$116,474	0.4%	12.6%
Amusement and recreation	$32,966	$32,888	$29,902	0.2%	10.2%
Sewage and waste disposal	$41,388	$41,318	$33,981	0.2%	21.8%
Educational	$112,963	$112,913	$98,968	0.0%	14.1%
Public safety	$13,392	$13,407	$11,610	-0.1%	15.3%
Water supply	$27,418	$27,487	$25,034	-0.3%	9.5%
Commercial	$129,677	$130,867	$124,118	-0.9%	4.5%
Religious	$3,110	$3,220	$3,037	-3.4%	2.4%
Private Nonresidential	$671,927	$669,933	$561,457	0.3%	19.7%
Public Nonresidential	$421,741	$419,085	$368,678	0.6%	14.4%

Source: U.S. Census Bureau

Source: https://www.abc.org/News-Media/News-Releases/abc-nonresidential-construction-spending-increases-in-august-led-by-manufacturing-and-public-works-contractors-stay-upbeat; 10/2/23

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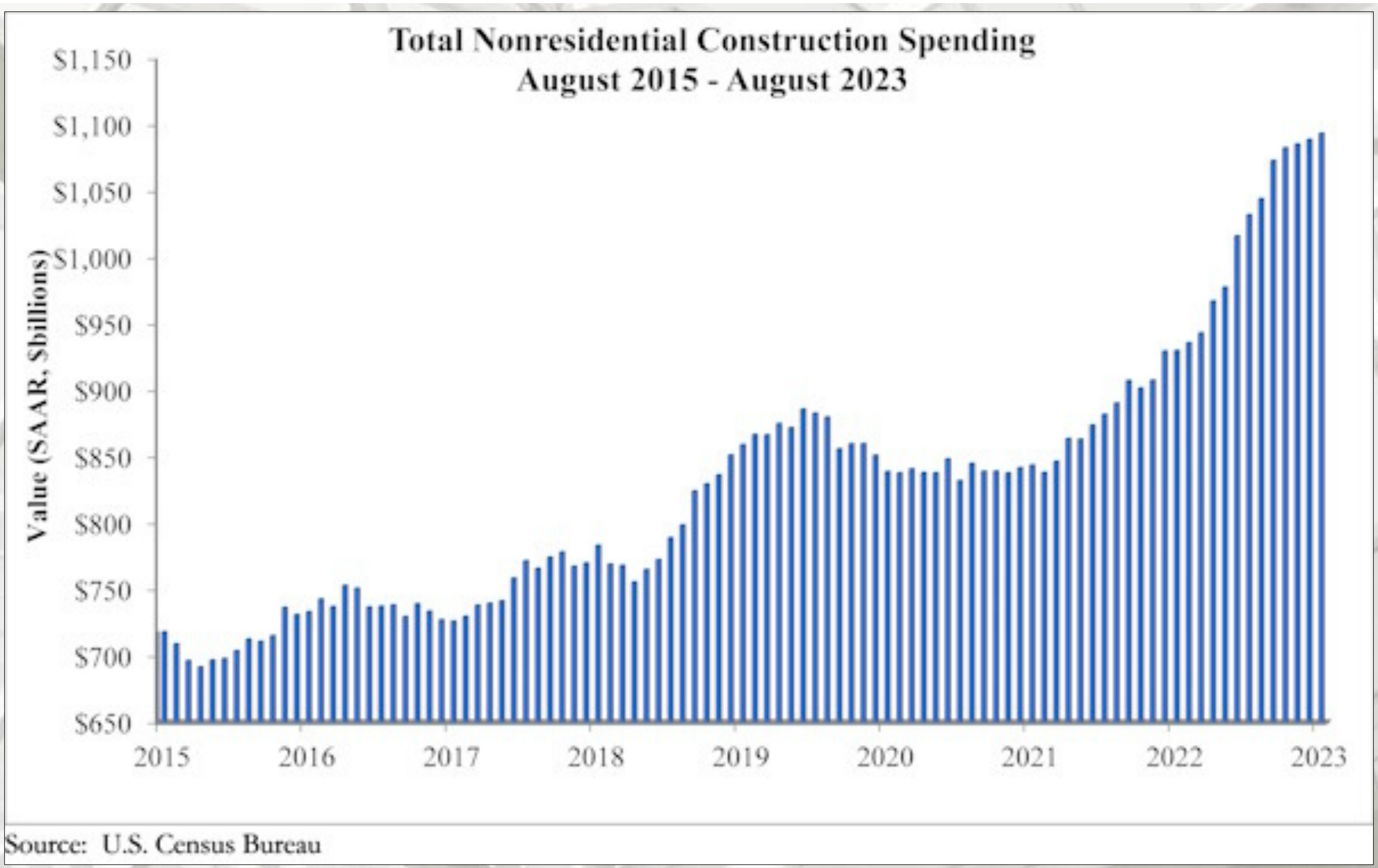
Associated Builders and Contractors



Source: https://www.abc.org/News-Media/News-Releases/abc-nonresidential-construction-spending-increases-in-august-led-by-manufacturing-and-public-works-contractors-stay-upbeat; 10/2/23

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index August 2023

Business conditions soften at architecture firms

Despite staffing challenges, few firms report outsourcing domestic design work offshore

"Business conditions at architecture firms softened modestly in August, with the AIA/Deltek Architecture Billings Index (ABI) score falling below 50 to 48.1. This marks the eleventh consecutive month where billings have been essentially flat at architecture firms, following a period of strong growth in much of 2021 and 2022. There are also signs that the pipeline of future work may be starting to slow. While inquiries into new projects remained relatively strong in August, the value of newly signed design contracts declined for the first time since April, meaning that fewer clients signed contracts for new projects than in the prior three months." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

"Business conditions at architecture firms continue to be sluggish. New project work has been even stronger over this period. New project work coming into architecture firms as well ongoing project activity remain stalled in a relatively narrow range and exhibit very little month-to-month variation. Through this pause has taken pressure off tight staffing conditions across the profession, there is considerable uncertainty over the direction of future activity." – Kermit Baker, Chief Economist, AIA

Source: https://www.aia.org/pages/6669572-abi-august-2023-business-conditions-soften; 9/20/23

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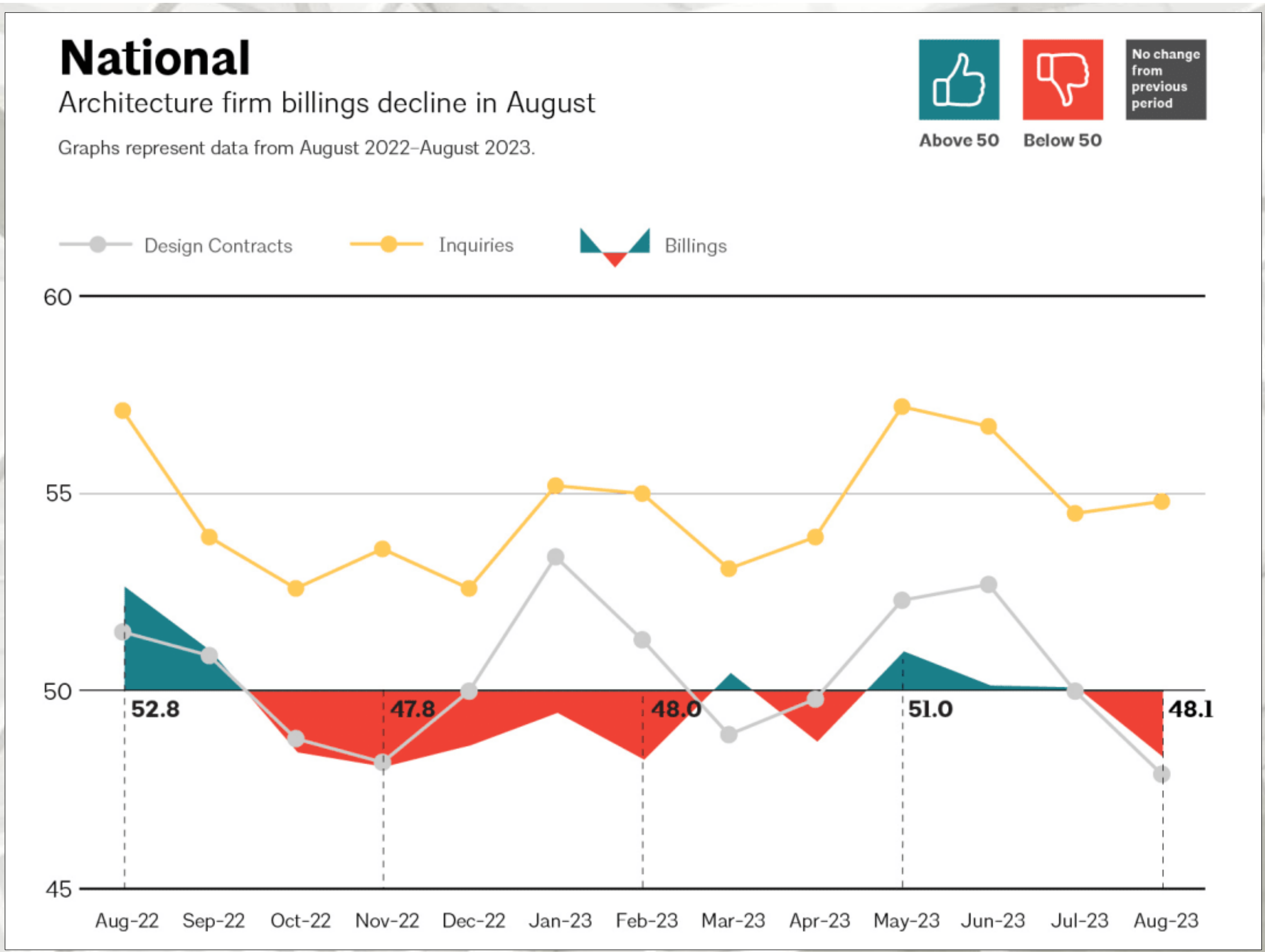
Private Indicators
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6669572-abi-august-2023-business-conditions-soften; 9/20/23

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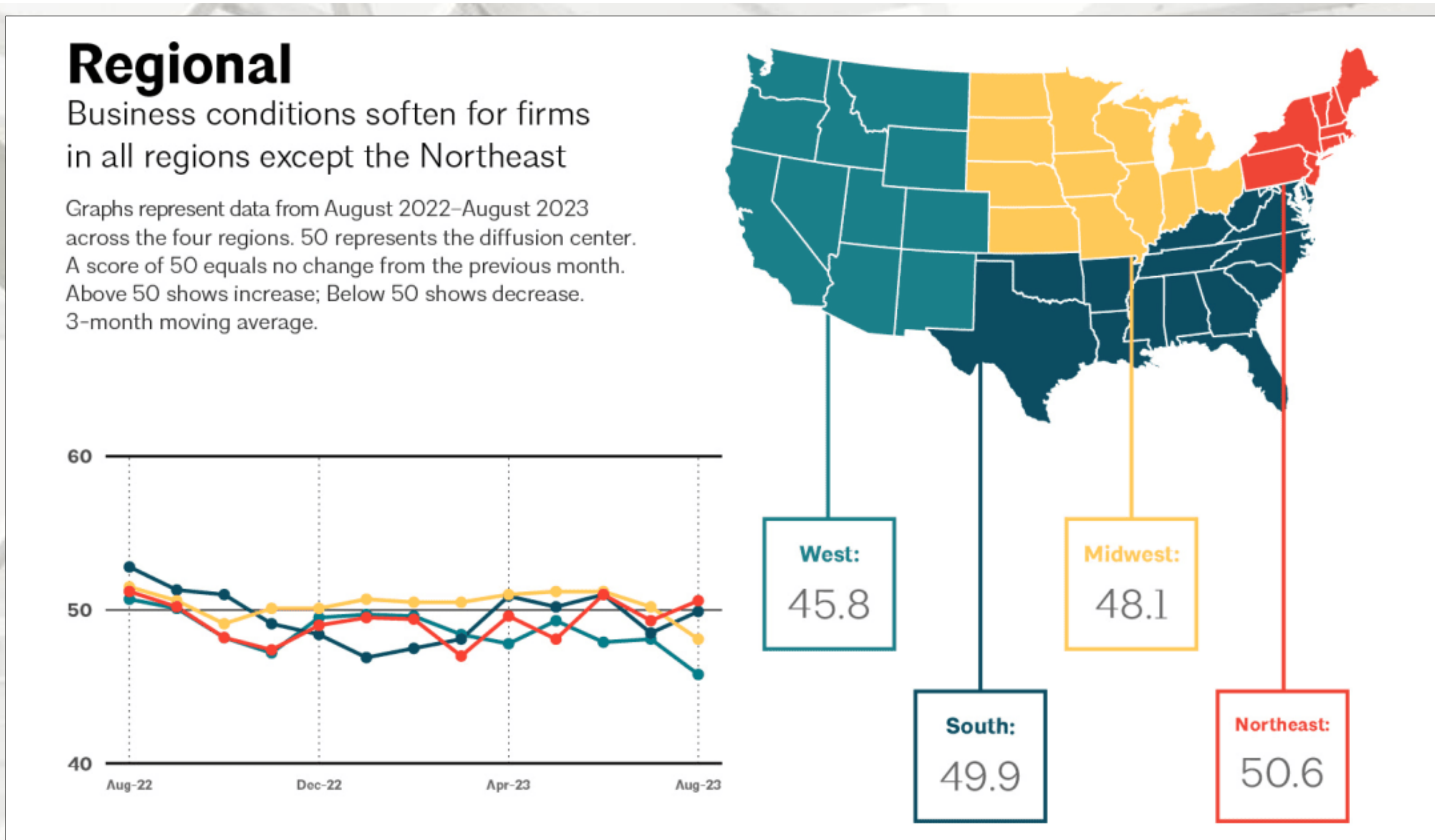
Private Indicators: AIA



Region

"Firm billings declined for the eleventh consecutive month at firms located in the West in August, while remaining essentially flat at firms located in the South and Northeast. Most notable, though, was the decline in billings at firms located in the Midwest, which had reported the strongest billings in the country for the last nine months." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6669572-abi-august-2023-business-conditions-soften; 9/20/23

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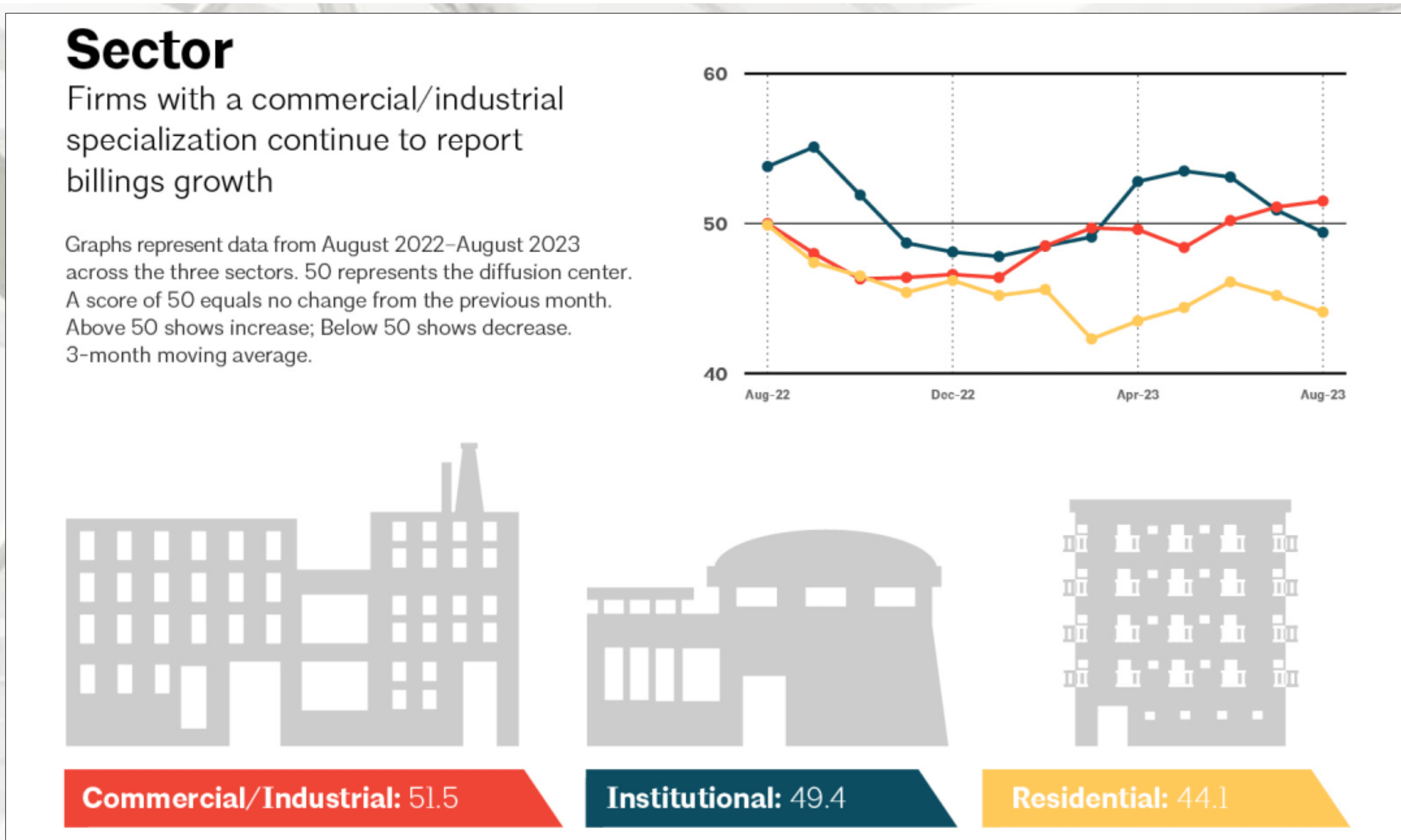
Private Indicators: AIA



Sector

"Business conditions also remained soft at firms with a multifamily residential specialization and declined modestly at firms with an institutional specialization. However, firms with a commercial/industrial specialization reported billings growth for the third month in a row in August." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6669572-abi-august-2023-business-conditions-soften; 9/20/23

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Private Indicators

Dodge Data & Analytics

Total Construction Increase in August Due to Influx of Nonresidential Projects

Manufacturing and transportation projects drive gains

"Total construction starts rose 6% in August to a seasonally adjusted annual rate of $1.3 trillion, according to Dodge Construction Network. Nonresidential starts rose 40% thanks to a large pickup in manufacturing and transportation buildings. Residential and nonbuilding starts fell 1% and 14%, respectively.

Year-to-date through August 2023, total construction starts were 5% below that of 2022. Residential and nonresidential starts were down 18% and 9%, respectively; however, nonbuilding starts were up 22%. For the 12 months ending August 2023, total construction starts were unchanged. Nonbuilding starts were 20% higher, and nonresidential building starts gained 6%. Conversely, on a 12-month rolling basis, residential starts posted a 17% decline overall.

"Despite the August gain, the construction sector is running uphill," said Richard Branch, chief economist for Dodge Construction Network. "Fear of an imminent recession seems to have abated, which should provide a boost of confidence to the sector. However, higher interest rates, labor shortages and significantly tighter lending standards will weigh down starts in the final quarter of the year. This will persist for the foreseeable future, lasting until interest rates start to move lower."" – Cailey Henderson, Account Manager, 104 West Partners

Source: https://www.construction.com/total-construction-starts/total-construction-increase-in-august-due-to-influx-of-nonresidential-projects/; 9/20/23

Private Indicators

Dodge Data & Analytics

"**Nonresidential building starts** gained 40% in August to a seasonally adjusted annual rate of $475 billion, largely due to a surge in manufacturing activity. Nonresidential building starts would have gained 24% when excluding these large manufacturing projects. Commercial starts rose 8% in August led by gains in parking structures and hotels, and institutional starts rose 35% with all sectors but dormitories increasing. Manufacturing starts rose 285% from July to August, fueled by two large projects. On a year-to-date basis through August, total nonresidential starts were 9% lower than that of 2022. Institutional starts gained 3%, while commercial and manufacturing starts fell 8% and 32%, respectively.

For the 12 months ending August 2023, total nonresidential building starts were 6% higher than that ending August 2022. Manufacturing starts were 2% higher. Institutional starts improved 8%, and commercial starts gained 6%.

Residential

Residential building starts fell 1% in August to a seasonally adjusted annual rate of $418 billion. Single family starts gained 2%, while multifamily starts lost 5%. On a year-to-date basis through August 2023, total residential starts were down 18%. Single family starts were 21% lower, and multifamily starts were down 12%.

For the 12 months ending in August 2023, residential starts were 17% lower than in 2022. Single family starts were 23% lower, while multifamily starts were down 3% on a rolling 12-month basis.

The largest multifamily structures to break ground in August were the $530 million Hub on Campus mixed-use building in Knoxville, Tennessee, the $425 million 250 Water Street mixed-use tower in New York, New York, and the $340 million Ritz Carlton residences in North Palm Beach, Florida.

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

Source: https://www.construction.com/total-construction-starts/total-construction-increase-in-august-due-to-influx-of-nonresidential-projects/; 9/20/23

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Private Indicators

MONTHLY CONSTRUCTION STARTS

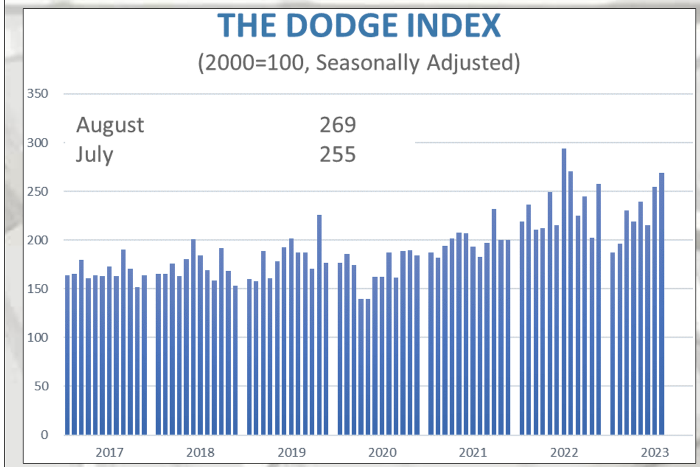
(Millions of Dollars, Seasonally Adjusted Annual Rate)

	Aug 2023	Jul 2023	% Change
Nonresidential Building	$475,125	$339,933	40
Residential Building	418,029	422,231	-1
Nonbuilding Construction	379,758	441,972	-14
Total Construction	$1,272,913	$1,204,136	6

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	8 Mos. 2023	8 Mos. 2022	% Change
Nonresidential Building	$262,806	$287,824	-9
Residential Building	245,001	299,268	-18
Nonbuilding Construction	214,400	175,276	22
Total Construction	$722,207	$762,368	-5



Source: Dodge Data & Analytics

Source: https://www.construction.com/total-construction-starts/total-construction-increase-in-august-due-to-influx-of-nonresidential-projects/; 9/20/23

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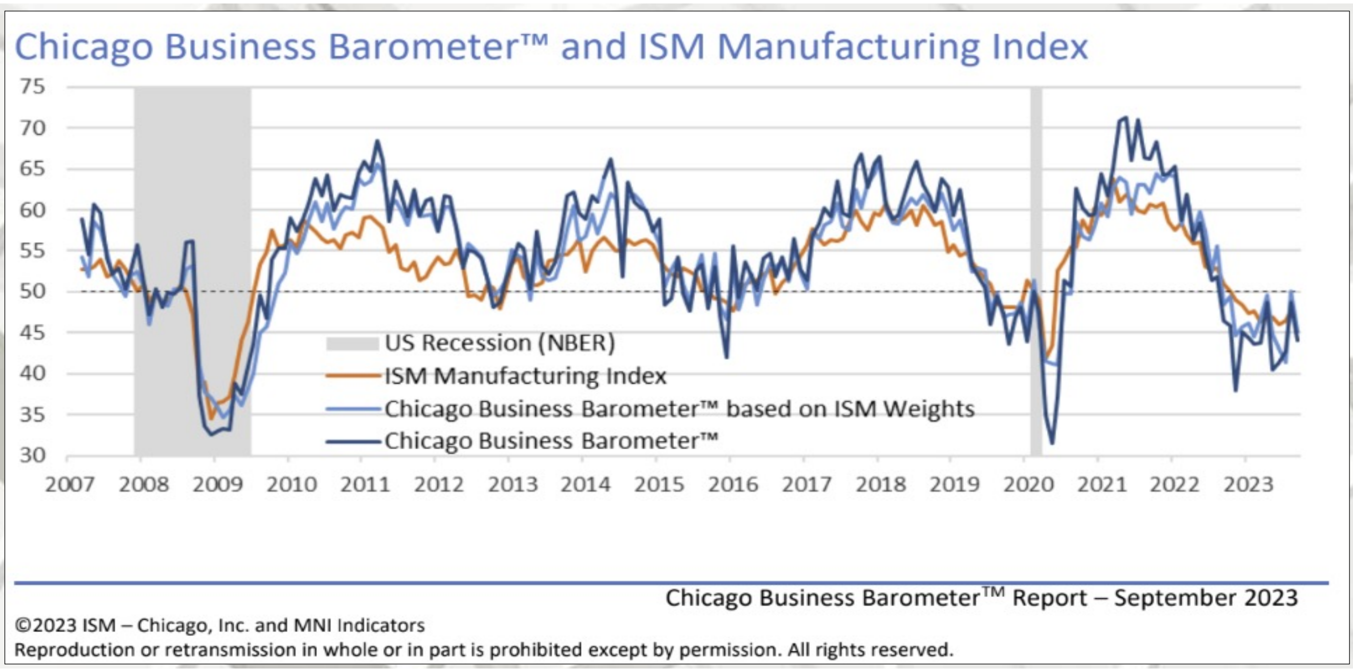
Private Indicators



MNI Chicago

September 2023 Chicago Report™ Softened

"**The Chicago Business Barometer™, produced with MNI,** fell back -4.6 points to 44.1 from 48.7 in August, partially reversing the rebound seen in last month's data.

- New Orders, Production and Employment were the biggest downside drivers while Order Backlogs limited the downward move and Supplier Deliveries also moved a little higher.
- New Orders dropped -17.6 points. This was the sixth biggest decline since the series began in 1967, and the largest since April 2020. We have also only seen one reading lower than this since June 2020.
- Production fell -6.0 points to 51.1, just about remaining in expansive territory and reversing half of the increase seen in August." – Tim Davis, Head of Fixed Income Research, and Tim Cooper, Chief Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 9/29/23

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Private Indicators

MNI Chicago

September 2023 Chicago Report™ Softened

- "Employment fell -3.8 points to 44.5.
- Order Backlogs increased +10.5 points to its highest level since April 2023.
- Supplier Deliveries improved +2.6 points.
- Prices Paid more than reversed last month's large increase, falling -14.5 points to 59.5. With the exception of June 2023, this is the lowest Prices paid reading since August 2020.
- Inventories marginally increased by +0.2 points." – Tim Davis, Head of Fixed Income Research, and Tim Cooper, Chief Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 9/29/23

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Private Indicators

The Conference Board Leading Economic Index® (LEI)

LEI for the U.S. Fell Again in August

"**The Conference Board Leading Economic Index®** (LEI) for the U.S. declined by 0.4 percent in August 2023 to 105.4 (2016=100), following a decline of 0.3 percent in July. The LEI is down 3.8 percent over the six-month period between February and August 2023 — little changed from its 3.9 percent contraction over the previous six months (August 2022 to February 2023).

With August's decline, the US Leading Economic Index has now fallen for nearly a year and a half straight, indicating the economy is heading into a challenging growth period and possible recession over the next year. The leading index continued to be negatively impacted in August by weak new orders, deteriorating consumer expectations of business conditions, high interest rates, and tight credit conditions. All these factors suggest that going forward economic activity probably will decelerate and experience a brief but mild contraction. The Conference Board forecasts real GDP will grow by 2.2 percent in 2023, and then fall to 0.8 percent in 2024."

The Conference Board Coincident Economic Index® (CEI) for the U.S. improved by 0.2 percent in August 2023 to 110.6 (2016=100), after a 0.3 percent increase in July. The CEI is now up 0.8 percent over the six-month period between February and August 2023 — an acceleration from its 0.5 percent growth over the previous six months. The CEI's component indicators — payroll employment, personal income less transfer payments, manufacturing trade and sales, and industrial production — are included among the data used to determine recessions in the US. All four components contributed positively to the index, with personal income less transfer payments and industrial production being the strongest contributors, followed by manufacturing and trade sales and employees on nonagricultural payrolls. Indeed, over the past six months, the CEI has improved signaling that the current environment remains satisfactory for now.

The Conference Board Lagging Economic Index® (LAG) for the U.S. was improved by 0.2 percent in August 2023 to 118.5, after a 0.1 percent increase in July. (2016 = 100). The LAG is up slightly by 0.1 percent over the six-month period from February and August 2023, down dramatically from its 2.0 percent growth over the previous six months." – Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board

Source: https://www.conference-board.org/data/bcicountry.cfm; 9/21/23

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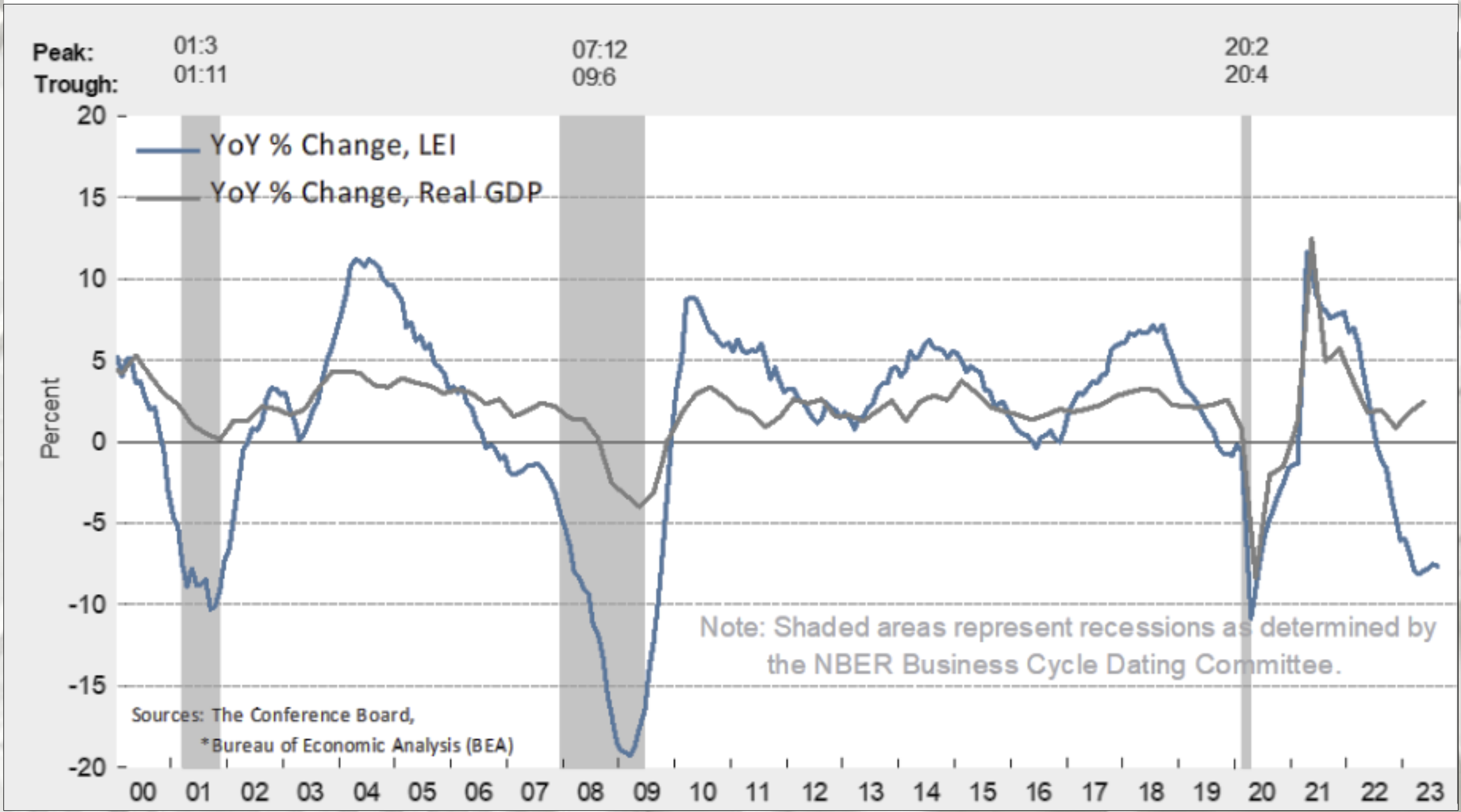
Private Indicators

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

LEI for the U.S. Fell Again in August

The annual growth rate of the LEI remained negative, suggesting weaker future economic activity



Source: https://www.conference-board.org/data/bcicountry.cfm; 9/21/23

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Private Indicators

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

August New Business Volume Up 14 Percent Year-over-year and 2 Percent Month-to-month; Up 2.8 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 August was $10.1 billion, up 14 percent year-over-year from new business volume in August 2022. Volume was up 2 percent from $9.9 billion in July. Year-to-date, cumulative new business volume was up 2.8 percent compared to 2022.

Receivables over 30 days were 2.3 percent, unchanged from the previous month and up from 1.5 percent in the same period in 2022. Charge-offs were 0.34 percent, up from 0.32 percent the previous month and up from 0.17 percent in the year-earlier period.

Credit approvals totaled 75.1 percent, down from 75.3 percent in July. Total headcount for equipment finance companies was down 2.3 percent year-over-year. Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in September is 50.3, steady with the August index of 50.4." – Amy Vogt, Vice President, Communications and Marketing, ELFA

"At its recent meeting, the Fed signaled to keep interest rates artificially elevated for the time being, hoping to continue its campaign to control inflation. Despite this higher interest rate environment, many businesses continue to invest in productive assets. As they do, equipment finance companies are providing the necessary capital to help these businesses thrive and prosper." – Ralph Petta, President and CEO, ELFA

"The August MLFI survey results are encouraging given recent economic turbulence caused by high interest rates and inflationary pressures. Growth in new business volume is improving across all industries especially for technology assets, clean energy assets, and projects in transportation and construction. As an independent lender, we are also experiencing an increase in activity as companies are looking for flexible financing alternatives amid credit tightening. Companies will always need access to capital to support and sustain growth, and we expect demand for financing new equipment to continue to strengthen as the economic environment improves." – Craig Weinewuth, President and Chief Executive Officer, Mitsubishi HC Capital America, Inc

Source: https://www.elfaonline.org/news-and-publications/press-room/press-releases/details/2023/09/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 926/23

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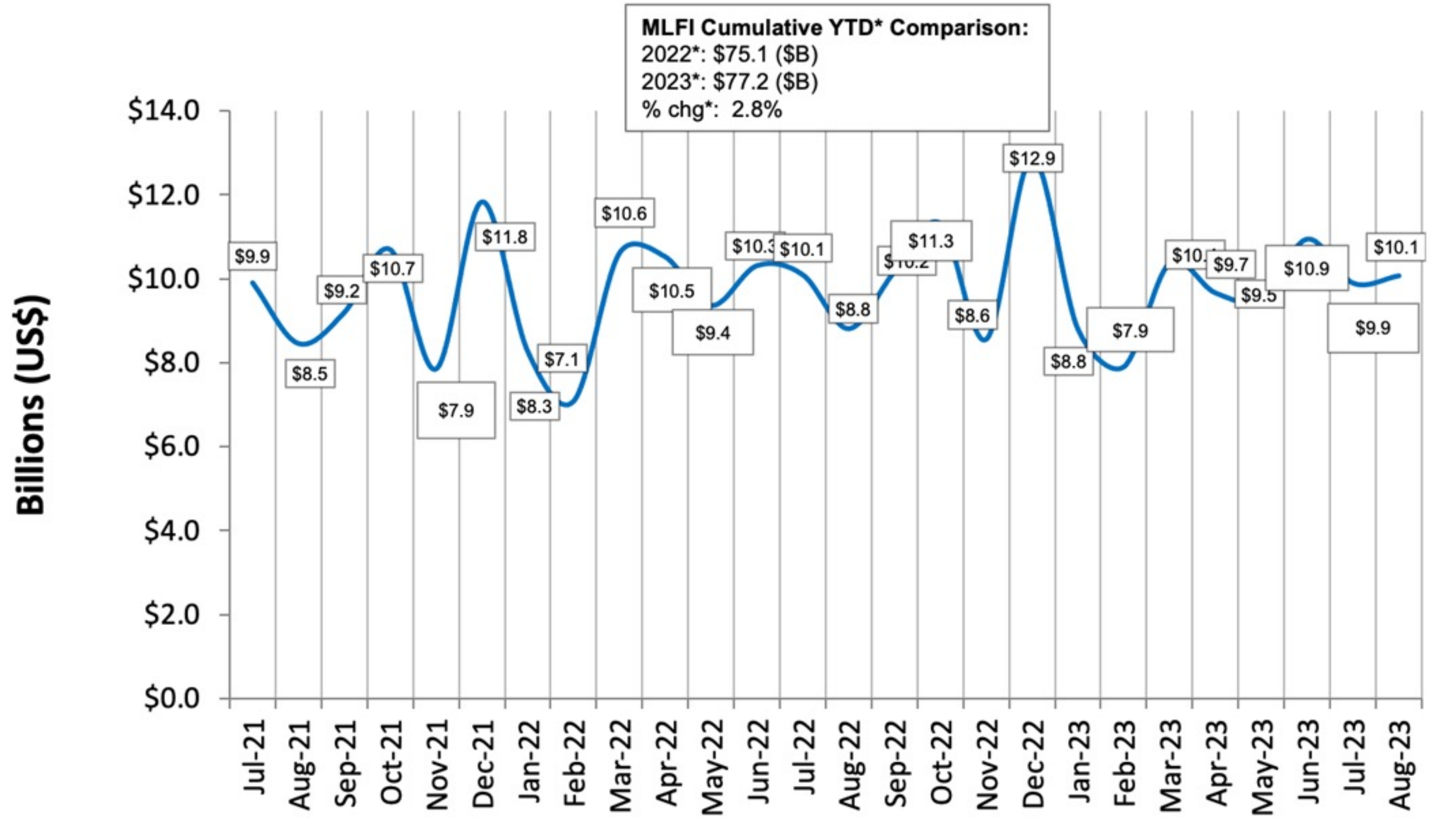
Private Indicators

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



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

ELFA
Equipping Business for Success

MLFi

Source: https://www.elfaonline.org/news-and-publications/press-room/press-releases/details/2023/09/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 926/23

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Output returns to growth, but prices also rise at increased rate

"The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 49.8 in September, up from 47.9 in August and higher than the earlier released 'flash' estimate of 48.9. With the exception of the slight expansion seen in April, operating conditions have deteriorated in ten of the last 11 months. Nonetheless, the latest decline in the sector's health was only fractional.

US manufacturers reported a further deterioration in overall operating conditions during September, according to the latest PMI™ survey data from S&P Global, albeit only fractional overall. The slower pace of contraction stemmed from a renewed rise in output following greater hiring activity and expanded capacity, alongside only a slight fall in new orders. Although domestic and external demand remained subdued, conditions declined at a much-reduced pace. Expectations for future output also rose, hitting the highest since April 2022 amid hopes of a pick up in demand conditions.

Meanwhile, input prices and output charges increased at quicker rates. Paces of inflation were historically muted, however, and far below those seen throughout the majority of the last three years." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/2e05e860dd7e4bdaaca625049e1c826a; 10/2/23

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Output returns to growth, but prices also rise at increased rate

"Contributing to the upward movement in the headline figure was a return to output growth in September. Production increased at a marginal pace that was nonetheless the fastest since May. Firms often attributed the upturn to greater workforce numbers as companies sought to broaden capacity. Some manufacturers, however, noted that less downbeat demand conditions had helped to support the expansion in output.

New orders fell for the fifth month running in September, albeit at the slowest pace in this period. Firms continued to highlight strain on customer spending due to high interest rates and inflation. That said, some suggested that there were signs of a pick up in customer interest.

At the same time, new export orders continued to decrease as challenging economic conditions in key export markets dampened demand. The rate of decline was, however, the slowest in the current 16-month sequence of contraction.

Recent increases in oil prices reportedly pushed up costs for oil-derived products and transportation, according to panellists. The rate of cost inflation quickened again to the sharpest since April. In turn, firms sought to pass through greater operating expenses to customers through the fastest rise in selling prices in five months. Nevertheless, rates of inflation were well below their respective series averages and much softer than those seen over the last three years." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/2e05e860dd7e4bdaaca625049e1c826a; 10/2/23

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Output returns to growth, but prices also rise at increased rate

“Greater hopes of a return to growth of new orders and further increases in output spurred firms into another round of hiring in September. The rate of job creation was modest and broadly in line with the long-run series average. Greater employment allowed firms to clear backlogs, as work-in-hand fell solidly. The pace of decline was the slowest since April, however.

Firms also pinned confidence on investment in marketing and outreach to new customers. The degree of optimism regarding the 12-month outlook for output was notably the highest since April 2022.

Finally, a further decrease in new orders led firms to cut their purchasing activity again despite an improvement in input delivery times. The fall in input buying led to a subsequent drop in pre-production inventories. Efforts to reduce safety stocks and ease cashflow also resulted in a strong contraction in stocks of finished goods” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/2e05e860dd7e4bdaaca625049e1c826a; 10/2/23

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Output returns to growth, but prices also rise at increased rate

Comment

"September saw a welcome near-stabilization of business conditions in manufacturing, but a further increase in price pressures is a concern on the inflation front. Output reversed some of the loss seen in August as higher employment and improved supply availability helped factories fulfil backlogs of orders.

Although the pace of production growth remains disappointingly subdued thanks to a further decline in new orders received during the month, notably from weak export markets, there are signs that the situation will improve as we head through to the end of the year.

Manufacturers' expectations of future output have jumped to their highest for nearly one and a half years, supply conditions continue to improve, and the rate of order book decline has moderated considerably in recent months, in part due to fewer producers and customers reporting deliberate cost-focused inventory reduction policies.

Less encouraging was the news on the inflation outlook, as producers' costs rose at the fastest rate for five months, largely on the back of higher oil prices. These increased costs are already feeding through to higher prices to customers, which will inevitably result in some renewed upward pressure on inflation."" – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/2e05e860dd7e4bdaaca625049e1c826a; 10/2/23

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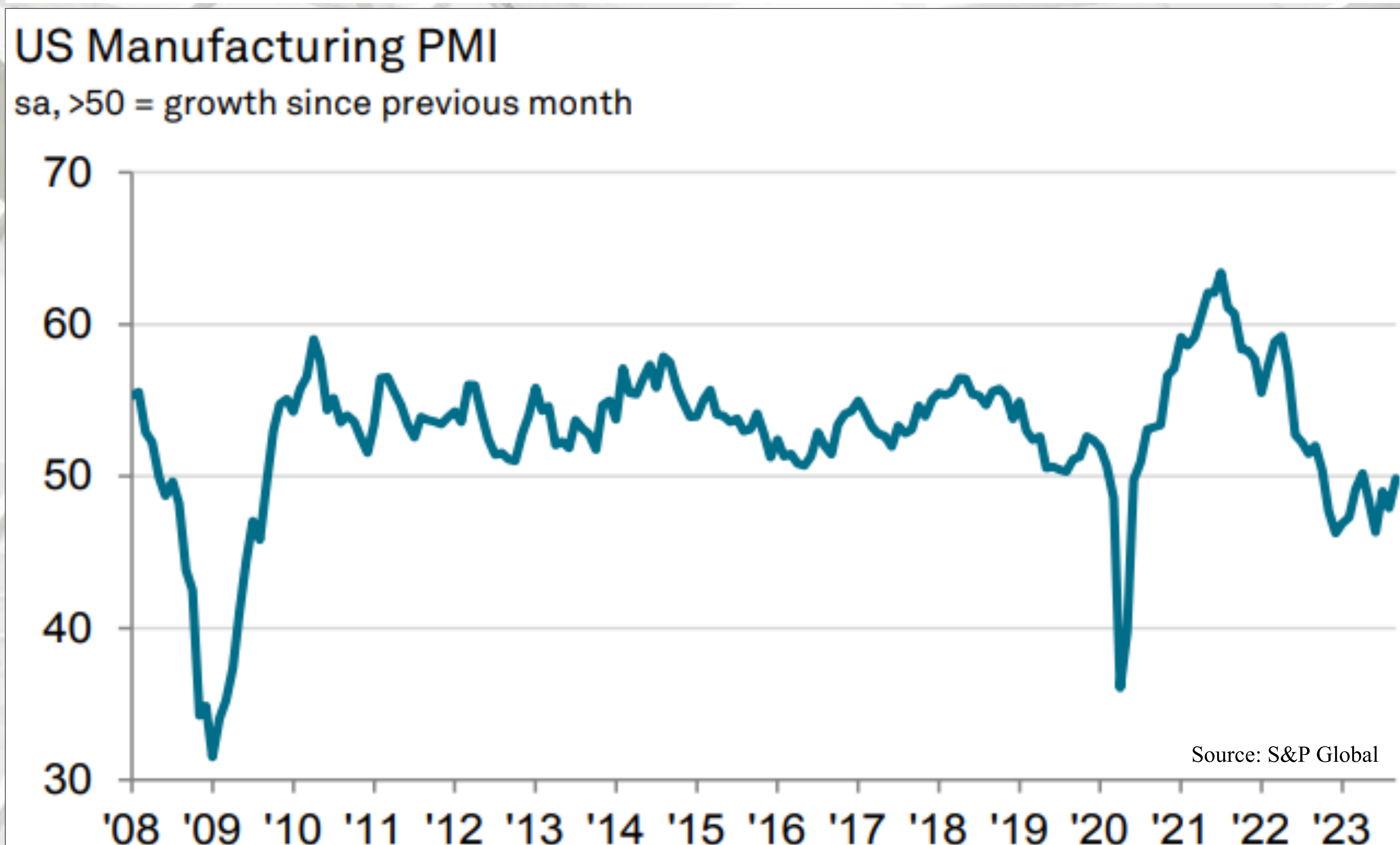
Private Indicators



Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/2e05e860dd7e4bdaaca625049e1c826a; 10/2/23

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Private Indicators

S&P Global U.S. Services PMI™

Service sector stagnates in September, as demand conditions wane further

“The seasonally adjusted final S&P Global US Services PMI Business Activity Index posted 50.1 in September, down from 50.5 in August and broadly in line with the earlier released ‘flash’ estimate of 50.2. The latest data signalled a broad stagnation in business activity following seven successive months of growth in output. Despite some reports of sustained inflows of new business, companies highlighted that elevated inflation, high interest rates, and economic uncertainty all stymied customer demand.

September data pointed to higher levels of business activity in three out of seven US sectors monitored by the survey, which matched that seen in August but was down from five in July.

Healthcare regained its position as the best-performing category of private sector output, with growth accelerating from August's six-month low. Higher levels of business activity have been recorded in each month since March, which is a longer phase of expansion than all other sectors except Consumer Services.

September data indicated a continued decline in new business at service sector firms. The rate of contraction quickened to the sharpest since December 2022, albeit still modest overall. Lower new orders were reportedly linked to weak domestic and foreign client demand, with new export orders falling for the first time in five months. The decrease in new export sales was the steepest since February and was in stark contrast to the solid expansion seen in July.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/0a8f5a98775048bfaed2854540b14ee8; 10/4/23

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Private Indicators

S&P Global U.S. Services PMI™

Service sector stagnates in September, as demand conditions wane further

“Although slower than the series average, service providers saw a further rise in employment during September. Staffing numbers have risen in each month since July 2020, with the latest uptick the fastest for three months. Alongside efforts to clear backlogs, firms noted that greater workforce numbers on the month were often due to the replacement of previous voluntary leavers.

Expanded capacity and a reduction in new orders allowed firms to work through their backlogs again. The level of incomplete business fell for the fourth time in the last five months and at the quickest rate since November 2022. On the prices front, input costs rose at a further marked pace, with the rate of inflation similar to that seen in August. Panellists stated that higher energy, fuel, wage and food costs drove the latest increase in business expenses. The pace of cost inflation remained above the long-run series average.

In line with another substantial uptick in cost burdens, service providers hiked their selling prices in September. The pace of charge inflation accelerated to the fastest since July as firms sought to pass through greater costs to customers. Finally, service sector businesses expressed positive expectations regarding the outlook for output over the coming year. The degree of confidence matched that seen in August but remained below the series trend. Optimism was pinned on investment in new service lines and greater marketing, as well as hopes of stronger customer demand, according to panellists” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/0a8f5a98775048bfaed2854540b14ee8; 10/4/23

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Private Indicators

S&P Global U.S. Services PMI™

Service sector stagnates in September, as demand conditions wane further

Comment

"The final PMI data for September add to indications that the US economy has started to cool again after a resurgence of growth earlier in the summer. Inflationary pressures in the service sector meanwhile remain uncomfortably sticky.

The biggest change in recent months has been the waning in demand for consumer services, such as travel, tourism and recreation, along with a slump in financial services activity.

Providers of consumer-oriented services report that a revival of demand in the spring has gradually lost momentum amid the ratcheting up of interest rates and increased cost of living at a time of diminishing savings. In the financial services sector, financial conditions are tightening and uncertainty about the outlook is subduing confidence. Both sectors are now reporting falling activity levels, taking away a major source of support to the wider economy's expansion.

The economy therefore looks to be moving into the fourth quarter on a weak footing, hinting at slower GDP growth as we head toward the end of the year.

Average prices charged for goods and services meanwhile continue to rise at a rate well above the pre-pandemic average, with service sector charge inflation remaining especially stubborn, in part due to recent oil price hikes." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/0a8f5a98775048bfaed2854540b14ee8; 10/4/23

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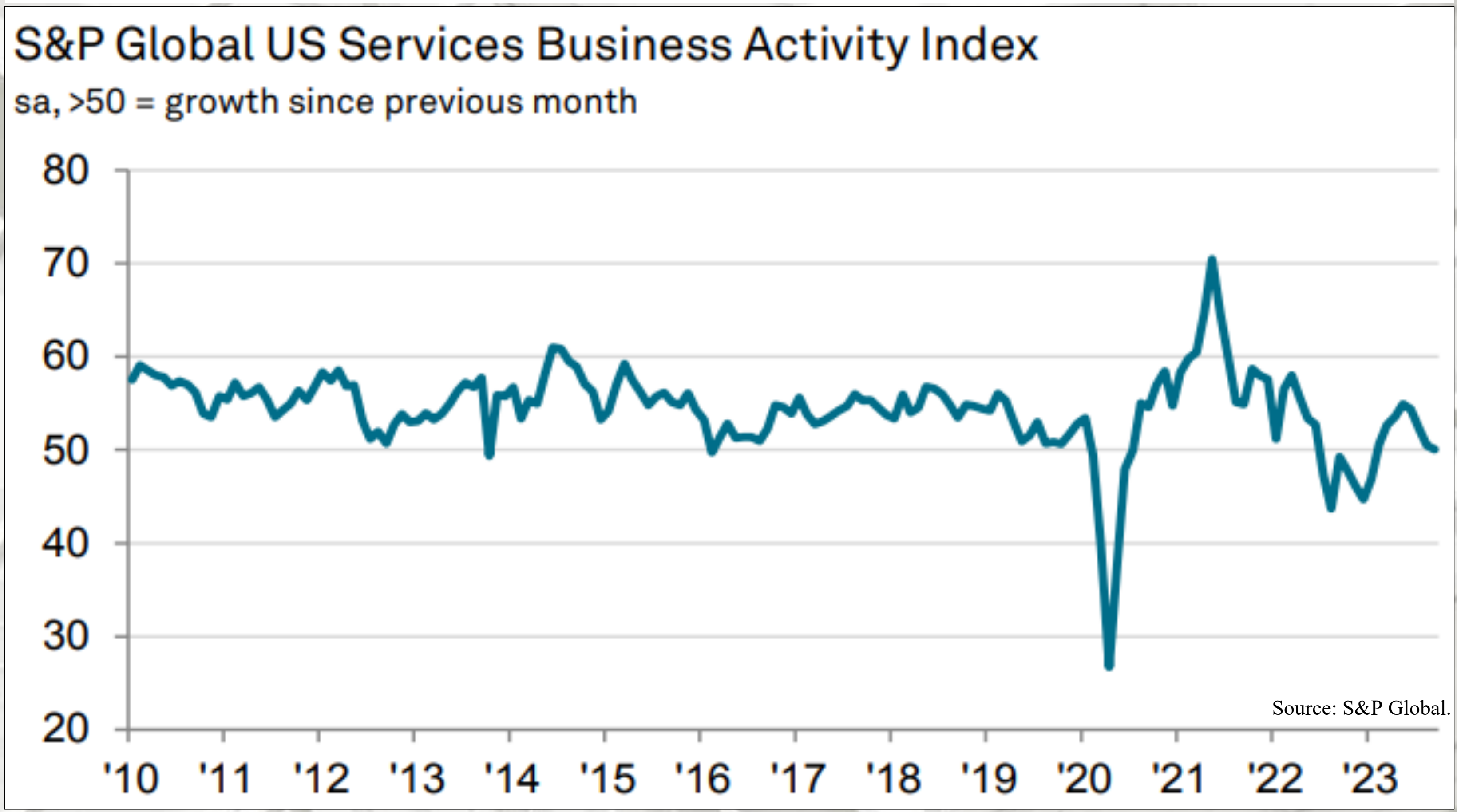

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/0a8f5a98775048bfaed2854540b14ee8; 10/4/23

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for September 2023: Combined Sectors

"The National Association of Credit Management's seasonally adjusted combined Credit Managers' Index (CMI) for September 2023 gained 1.8 points to 52.6. The improvement this month is welcome, but the CMI appears stuck on the precipice of a recession in business activity, said NACM Economist Amy Crews Cutts, Ph.D., CBE.

"Over the first nine months of 2023, the CMI has been bouncing around levels suggesting business activity is about to decline, up one month and down the next," Cutts said. "If the trend was consistently in one direction, it would be more helpful in predicting which direction we are truly headed. At present, I think we are balanced in the overall risk of a recession starting in the next few months, but with the looming federal government shutdown, the effects of the writers and actors strikes, the expansion of the auto worker strikes and rising oil prices, things could certainly turn quickly to the negative."

"Several respondents noted that while back-to-school activity was helping boost government sales, private sector accounts were fairing less well," said Cutts. "When supply chains were broken due to the pandemic, we saw disputes rise because no one wanted to pay full price when it took months to get the products or services. But now supply chains are functioning again and order backlogs are catching up, yet we are seeing a rise in disputes collection referrals. This is indicative of stress on businesses."

"Neither the manufacturing nor the service sector CMIs are giving indications regarding where business activity is headed," Cutts said. "We've seen aggressive increases in interest rates by the Federal Reserve in efforts to slow inflation, which coincides with these indexes declining. But like other economic indicators, especially the number of jobs added each month, we seem to have slowed to a level that's near contraction but refusing to tip over the edge. Maybe we will get lucky and get the soft landing desired by the Fed, the sort of zone we're in now." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 9/30/23

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Private Indicators

National Association of Credit Management – Credit Managers' Index

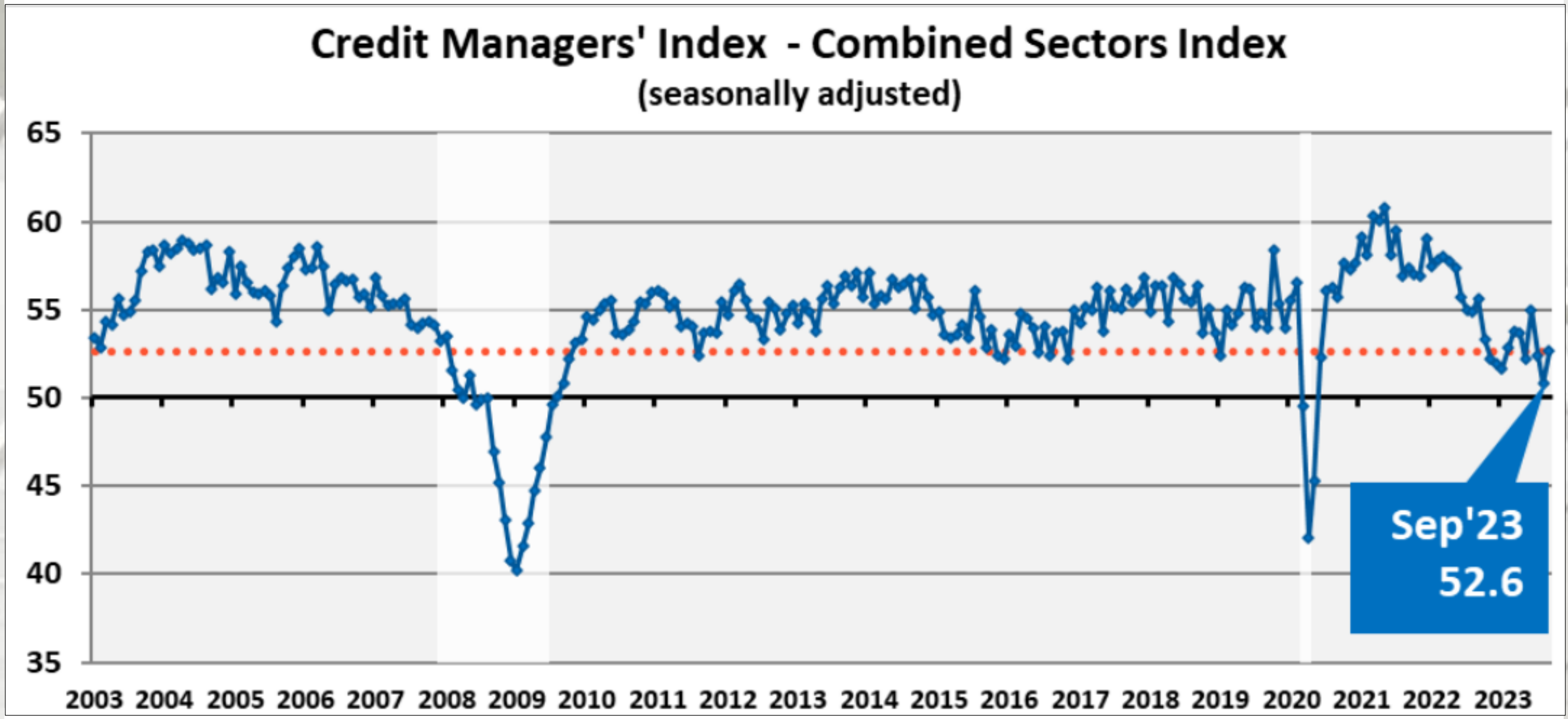
Key Findings:

- The index for favorable factors is up 5.3 points to 58.6, led by a 9.2-point improvement in the sales factor index to 58.8 points, a 6.5-point improvement in the amount of credit extended factor index to 61.4 and a 5.4-point improvement in the dollar collections index to 58.0.
- The sales factor index has been the most volatile in 2023.
- The index for unfavorable factors deteriorated by 0.6 to 48.7, remaining in the tight range around 50 that it has been in the past year and a half, while recording its fourth consecutive decline and third month below 50.
- Four of the six unfavorable factor indexes deteriorated in the August survey; the index for the dollar
- amount of customer deductions led with a decline of 3.5 points to an index value of 47.4, its lowest level since May of 2009.
- The index for disputes fell 2.5 points to 47.3, its lowest level since April of 2009.
- The index for the dollar amount beyond terms improved by 1.6 points to 50.5, its second month of improvement." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 9/30/23

Private Indicators

National Association of Credit Management – Credit Managers' Index



The CMI is centered on a value of 50, with values greater indicating expansion and values lower indicating economic contraction. All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.

Source: https://nacm.org/cmi.html; 9/30/23

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Combined Manufacturing and Service Sectors (seasonally adjusted)	Sep '22	Oct '22	Nov '22	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23
Sales	63.7	56.0	55.3	55.9	51.2	57.6	57.0	59.0	54.1	62.0	55.6	49.5	58.8
New credit applications	61.3	59.0	57.2	55.6	56.9	58.5	58.9	58.5	57.7	58.3	56.8	56.2	56.3
Dollar collections	63.9	55.5	56.2	58.3	57.7	59.7	60.0	61.4	57.1	61.6	56.2	52.6	58.0
Amount of credit extended	65.6	59.0	57.6	56.1	57.9	58.6	58.2	58.6	56.5	60.2	56.8	54.9	61.4
Index of favorable factors	**63.6**	**57.4**	**56.6**	**56.5**	**55.9**	**58.6**	**58.5**	**59.4**	**56.4**	**60.5**	**56.4**	**53.3**	**58.6**
Rejections of credit applications	52.0	51.9	51.0	50.9	50.4	50.4	50.8	47.7	48.7	53.3	50.7	50.3	49.2
Accounts placed for collection	49.4	47.6	46.7	46.4	45.2	45.5	46.6	46.7	45.9	48.2	48.2	44.9	47.5
Disputes	48.4	50.3	48.4	49.0	48.9	48.4	50.6	49.6	48.4	51.1	50.3	49.8	47.3
Dollar amount beyond terms	49.4	49.3	48.2	46.5	47.9	51.4	53.0	53.8	51.4	51.8	46.1	48.9	50.5
Dollar amount of customer deductions	49.4	51.3	49.3	49.3	50.0	48.5	50.5	49.8	52.9	51.0	51.0	50.9	47.4
Filings for bankruptcies	53.3	53.5	52.3	51.0	50.8	50.1	51.8	51.4	49.7	52.4	52.3	50.2	50.0
Index of unfavorable factors	**50.3**	**50.6**	**49.3**	**48.9**	**48.9**	**49.1**	**50.5**	**49.8**	**49.5**	**51.3**	**49.8**	**49.1**	**48.7**
NACM Combined CMI	**55.6**	**53.3**	**52.2**	**51.9**	**51.7**	**52.9**	**53.7**	**53.7**	**52.2**	**55.0**	**52.4**	**50.8**	**52.6**

Source: https://nacm.org/cmi.html; 9/30/23

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Private Indicators

National Federation of Independent Business (NFIB) September 2023 Report

Small Business Optimism Dips in September as Inflation Remains Top Problem

"The **NFIB Small Business Optimism Index** decreased half of a point in September to 90.8. September's reading marks the 21st consecutive month below the 49-year average of 98. Twenty-three percent of owners reported that inflation was their single most important problem in operating their business, unchanged from last month and tied with labor quality as the top concern." – Holly Wade, NFIB

"Owners remain pessimistic about future business conditions, which has contributed to the low optimism they have regarding the economy. Sales growth among small businesses have slowed and the bottom line is being squeezed, leaving owners few options beyond raising selling prices for financial relief." – Bill Dunkelberg, Chief Economist, NFIB

Key findings include:

- "Small business owners expecting better business conditions over the next six months deteriorated six points from August to a net negative 43% seasonally adjusted, however, 18 percentage points better than last June's reading of net negative 61% and definitely at recession levels.
- Forty-three percent (seasonally adjusted) of owners reported job openings that were hard to fill, up three points from August and remaining historically high as owners can't hire enough workers due to few qualified applicants
- Seasonally adjusted, a net 23% plan to raise compensation in the next three months, down three points from August.
- The net percent of owners raising average selling prices increased two points to a net 29% seasonally adjusted, still a very inflationary level.
- The net percent of owners who expect real sales to be higher increased one point from August to a net negative 13% (seasonally adjusted), still a very dismal posture." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/11/23

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Private Indicators

National Federation of Independent Business (NFIB) September 2023 Report

"As reported in NFIB's monthly jobs report, 43% (seasonally adjusted) of all small business owners reported job openings they could not fill in the current period, up three points from August. Owners' plans to fill open positions remain elevated, with a seasonally adjusted net 18% planning to create new jobs in the next three months.

Fifty-seven percent of owners reported capital outlays in the last six months. Of those making expenditures, 41% reported spending on new equipment, 22% acquired vehicles, and 17% improved or expanded facilities. Twelve percent of owners spent money on new fixtures and furniture and 7% acquired new buildings or land for expansion. Twenty-four percent of owners plan capital outlays in the next few months.

A net negative 8% of all owners (seasonally adjusted) reported higher nominal sales in the past three months, up six points from August's lowest reading since August 2020. The net percent of owners expecting higher real sales volumes improved one point to a net negative 13%.

The net percent of owners reporting inventory gains improved four points to a net negative 3%. Not seasonally adjusted, 13% reported increases in stocks and 15% reported reductions. A net negative 4% of owners viewed current inventory stocks as "too low" in September, so more now have surplus stocks. By industry, shortages are reported most frequently in the transportation (15%), construction (9%), retail (9%), and services (8%) sectors. A net negative 1% of owners plan inventory investment in the coming months, down one point from August. Not much inventory investment." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/11/23

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Private Indicators

National Federation of Independent Business (NFIB) September 2023 Report

"The net percent of owners raising average selling prices increased two points from August to a net 29% seasonally adjusted.

Twenty-three percent of owners reported that inflation was their single most important problem in operating their business, unchanged from last month and tied with labor quality as the top problem.

Unadjusted, 13% of owners reported lower average selling prices and 41% reported higher average prices. Price hikes were the most frequent in finance due to rising interest rates (75% higher, 3% lower), construction (53% higher, 6% lower), retail (49% higher, 11% lower), services (33% higher, 12% lower), and wholesale (33% higher, 10% lower). Seasonally adjusted, a net 30% plan price hikes.

Seasonally adjusted, a net 36% reported raising compensation in September. A seasonally adjusted net 23% plan to raise compensation in the next three months, down three points from August. Nine percent of owners cited labor costs as their top business problem, up one point from August. Twenty-three percent said that labor quality was their top business problem, down one point.

The frequency of reports of positive profit trends was a net negative 24%, up one point from August. Among owners reporting lower profits, 29% blamed weaker sales, 20% blamed the rise in the cost of materials, 15% cited labor costs, 8% cited lower prices, 7% cited the usual seasonal change, and 6% cited higher taxes or regulatory costs. For owners reporting higher profits, 55% credited sales volumes, 22% cited usual seasonal change, and 9% cited higher selling prices." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/11/23

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Private Indicators

National Federation of Independent Business (NFIB) September 2023 Report

"Two percent of owners reported that all their borrowing needs were not satisfied. Twenty-three percent reported all credit needs met and 65% said they were not interested in a loan. A net 8% reported that their last loan was harder to get than in previous attempts.

Two percent of owners reported that all their borrowing needs were not satisfied. Twenty-seven percent reported all credit needs met and 59% said they were not interested in a loan. A net 4% reported their last loan was harder to get than in previous attempts.

Four percent of owners reported that financing was their top business problem. A net 26% of owners reported paying a higher rate on their most recent loan.

The **NFIB Research Center** has collected Small Business Economic Trends data with quarterly surveys since the fourth 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 September 2023." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/11/23

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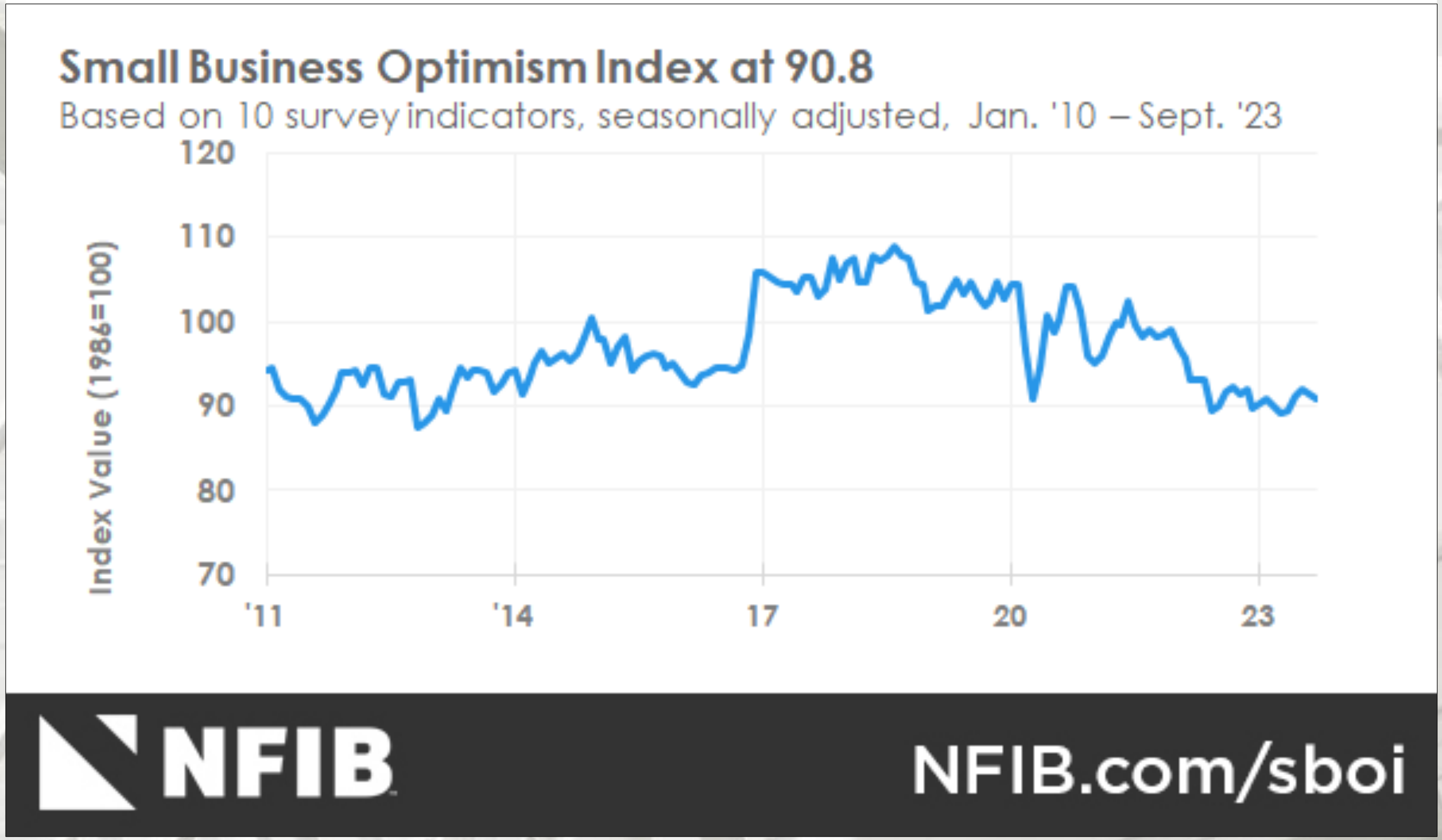
National Federation of Independent Business (NFIB) September 2023 Report



Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/11/23

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Private Indicators

National Federation of Independent Business (NFIB)
September 2023 Report

Small Business Optimism

Index Component	Net %	From Last Month
Plans to Increase Employment	18%	▲ 1
Plans to Make Capital Outlays	24%	— 0
Plans to Increase Inventories	-1%	▼ -1
Expect Economy to Improve	-43%	▼ -6
Expect Real Sales Higher	-13%	▲ 1
Current Inventory	-4%	▲ 1
Current Job Openings	43%	▲ 3
Expected Credit Conditions	-10%	▼ -4
Now a Good Time to Expand	5%	▼ -1
Earnings Trends	-24%	▲ 1

NFIB NFIB.com/sboi

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/11/23

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

Hourly Wage Growth for Small Business Workers Continues to Cool, Consistent with Overall Inflation Trend

Jobs index indicates the tight labor market for small businesses continues

“According to the Paychex | IHS Markit Small Business Employment Watch, hourly earnings growth has slowed to 3.79% in September 2023, a pace not seen since September 2021 (3.77%). The Small Business Jobs Index — which measures the rate of small business job growth in the U.S. — shows 98.89 in September, a -0.21% change from August.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

“Wage inflation continues to cool, and the jobs index dips below 99 for September. These indicators are not precursors of a recession but instead indicate a tighter supply of available workers.” – James Diffley, Chief Regional Economist, S&P Global Market Intelligence

“Our data indicates a continued stable macroeconomic environment for small businesses, which are adding workers at a sustained but modest rate. Small businesses, like those represented in our Employment Watch, are managing their organizations in a tight labor market that’s being driven by a lack of worker supply rather than a lack of hiring demand. Employers facing this challenge may find it helpful to turn to trusted business partners like Paychex to help advise and educate them on how to effectively attract and retain talent in this environment.” – John Gibson, President and CEO, Paychex’

Source: https://www.paychex.com/employment-watch; 10/3/23

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

"In further detail, the August report showed:

- As the post-pandemic surge has cooled, the rate of small business job growth has slowed in 16 of the last 19 months – from a record high 101.33 in February 2022 to 98.89 in September 2023. The current rate remains above the level seen just prior to the start of the pandemic.
- In line with hourly earnings growth, weekly earnings growth has steadily decreased since early 2023, standing at 3.44% in September.
- The West leads regional hourly earnings growth for the fourth-straight month and remains the only region above four percent (4.23%). West Coast metros San Diego (4.96%), Seattle (4.79%), and Riverside (4.45%) lead top U.S. metros in hourly earnings growth in September.
- North Carolina ranks first in small business employment growth among states with a slight uptick (0.07%) to 100.76 in September.
- Houston (102.06) ranks first among metros for the 11th consecutive month and is two points higher than the next strongest metro. Miami (100.20) and Chicago (100.06) rank second and third among the nation's top 20 metros, respectively.
- September marks the first month in more than two years that Leisure and Hospitality job growth (98.85) is slower than the national pace, but the sector continues to lead in hourly earnings growth (4.35%)." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 10/3/23

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

September Job Index	September Wage Data
Index	Hourly Earnings
98.89	$31.93
12-Month Change	12-Month Growth
-0.86%	3.79%

Source: Paychex | IHS Markit Small Business Employment Watch

- "The national small business jobs index slowed for the sixth consecutive month, falling 0.21% to 98.89 in September.
- While still growing, the rate of small business job growth has slowed in 16 of the last 19 months, falling from the record high of 101.33 in February 2022 to 98.89 in September 2023." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 10/3/23

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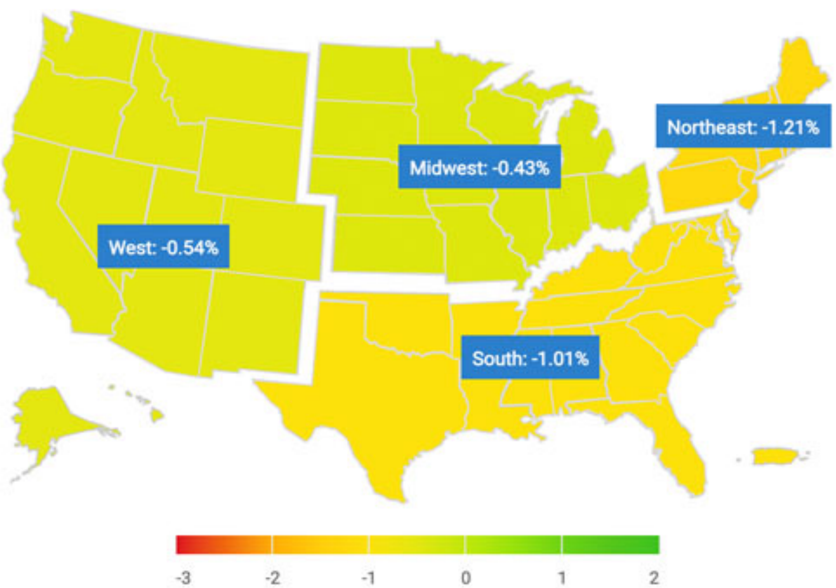
Private Indicators

The Paychex | IHS Markit Regional Jobs Index

Jobs Index Regional Performance



Region	Index	Change
Midwest	99.01	-0.43%
Northeast	98.39	-1.21%
South	99.52	-1.01%
West	98.74	-0.54%

Change 12-Month

Source: Paychex | IHS Markit Small Business Employment Watch

- "At 4.23%, the West leads regional hourly earnings growth for the fourth straight month and remains the only region above four percent.
- The Midwest ranks last among regions in both hourly earnings growth (3.75%) and weekly earnings growth (3.36%).
- While all regions had a positive one-month annualized weekly hours worked growth rate in September, the Northeast was the strongest by a wide margin (3.20%)." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 10/3/23

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Economics

The Federal Reserve Bank of San Francisco

Men's Falling Labor Force Participation across Generations

The labor force participation rate for prime-age men has been declining for decades. About 14% of millennial males at age 25 are not in the labor force, compared with 7% of baby boomer males when they were that age. This generational gap declines substantially as groups approach middle age; the decline reflects that younger millennials enrolled in postsecondary education at higher rates and moved into the workforce later than prior generations. The convergence for millennial males suggests that the trend of men's higher nonparticipation rates may slow in the future.

People in their prime working years, ages 25–54, make up the bulk of the U.S. labor force. However, the fraction of prime-age men not participating in the labor force has risen for decades, from 5.8% in 1976 to 11.4% in 2022. This trend has contributed to slower growth of the U.S. labor force.

In this *Economic Letter*, we analyze the evolution of the nonparticipation rate for prime-age men, which is relevant for potential economic growth, as high rates of nonparticipation imply fewer workers to create economic outputs. We look at male nonparticipation by age across different generations, which can give insights into future movements in nonparticipation rates.

Our analysis reveals that nonparticipation rates across the age distribution are higher in each subsequent generation. Millennial males ages 25–30 have the highest nonparticipation rates, but by about age 40, rates for this generation are similar to those for 40-year-old men in the prior generation. We attribute this gap at younger ages to millennials' prolonged investments in formal education relative to earlier generations." – Leila Bengali, Evgeniya Duzhak, and Cindy Zhao; Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/economic-letter/2023/october/mens-falling-labor-force-participation-across-generations; 10/10/23

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Economics

The Federal Reserve Bank of San Francisco

Men's Falling Labor Force Participation across Generations

"Although ongoing educational investments increase nonparticipation rates, for younger individuals, higher educational attainment eventually creates an offsetting effect. Across the age distribution, we find that the most-educated groups have lower nonparticipation rates and smaller cross-generational gaps than groups with a high school education or less. For these reasons, we argue that the increase in men with postsecondary education puts downward pressure on nonparticipation rates for those graduates later in life. This suggests that, while prime-age nonparticipation rates are likely to continue climbing, the pace of that increase may be slower than in the past.

Trends in prime-age male nonparticipation

Research suggests that no single factor can explain rising nonparticipation among prime-age men (Binder and Bound 2019). Some drivers include changes in industry structure and falling demand for jobs that prime-age men have traditionally held (Valletta and Barlow 2018), and rising health issues, including opioid use (Krueger 2017).

Our *Letter* complements other research that uses time trends to explain changes in nonparticipation. For this study, we compare the experiences of four generations: the Silent Generation, born 1928–1945, the baby boom generation, born 1946–1964, Generation X, born 1965–1980, and the millennial generation, born 1981–1996.

We use monthly microdata from the Current Population Survey (CPS), the official U.S. household and labor force survey, from 1976 through 2022 to understand the reasons prime-age men are not in the labor force. As of 2022, 39.5% indicate disability or illness, 17.9% are caretakers, 11.0% are in school, and 31.6% are not in the labor force for other reasons such as retirement." – Leila Bengali, Evgeniya Duzhak, and Cindy Zhao; Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/economic-letter/2023/october/mens-falling-labor-force-participation-across-generations; 10/10/23

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Economics

The Federal Reserve Bank of San Francisco

Men's Falling Labor Force Participation across Generations

"Nonparticipation rates vary systematically by demographic factors such as age and educational attainment. Rates tend to be higher for older individuals and people with a high school diploma or less. Rates for all groups generally increased over the past decades, more so for those with no postsecondary education. The difference in nonparticipation rates between the most- and least-educated groups has widened as a result. Though nonparticipation growth rates and levels are higher for those with less education, the fraction of individuals with a college degree is higher among younger generations. As these younger generations age and make up more of the prime-age population, this may reduce nonparticipation rates.

Explaining changes in prime-age male nonparticipation across generations

To see if the simple passage of time could put downward pressure on nonparticipation through higher participation rates for younger generations, we calculate the rates separately for the four generations in our sample. Figure 1 shows that younger men tend to have somewhat higher nonparticipation rates that decline until about age 30 and increase thereafter. Millennial men follow a similar pattern, except their nonparticipation does not reach a minimum until around age 35.

The figure also shows that younger generations have systematically higher nonparticipation rates than older ones. This is particularly evident for millennial men through their early 30s. Therefore, the simple passage of time is unlikely to bring down nonparticipation rates. However, the patterns indicate the pace of the increase is slowing. For example, at age 40, the participation rate gap between the Silent Generation and the baby boom generation is 2.6 percentage points. For baby boomers and Generation X, the gap shrinks to 1.6 percentage points, and further still to 1.0 percentage points for Generation X and millennials." – Leila Bengali, Evgeniya Duzhak, and Cindy Zhao; Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/economic-letter/2023/october/mens-falling-labor-force-participation-across-generations; 10/10/23

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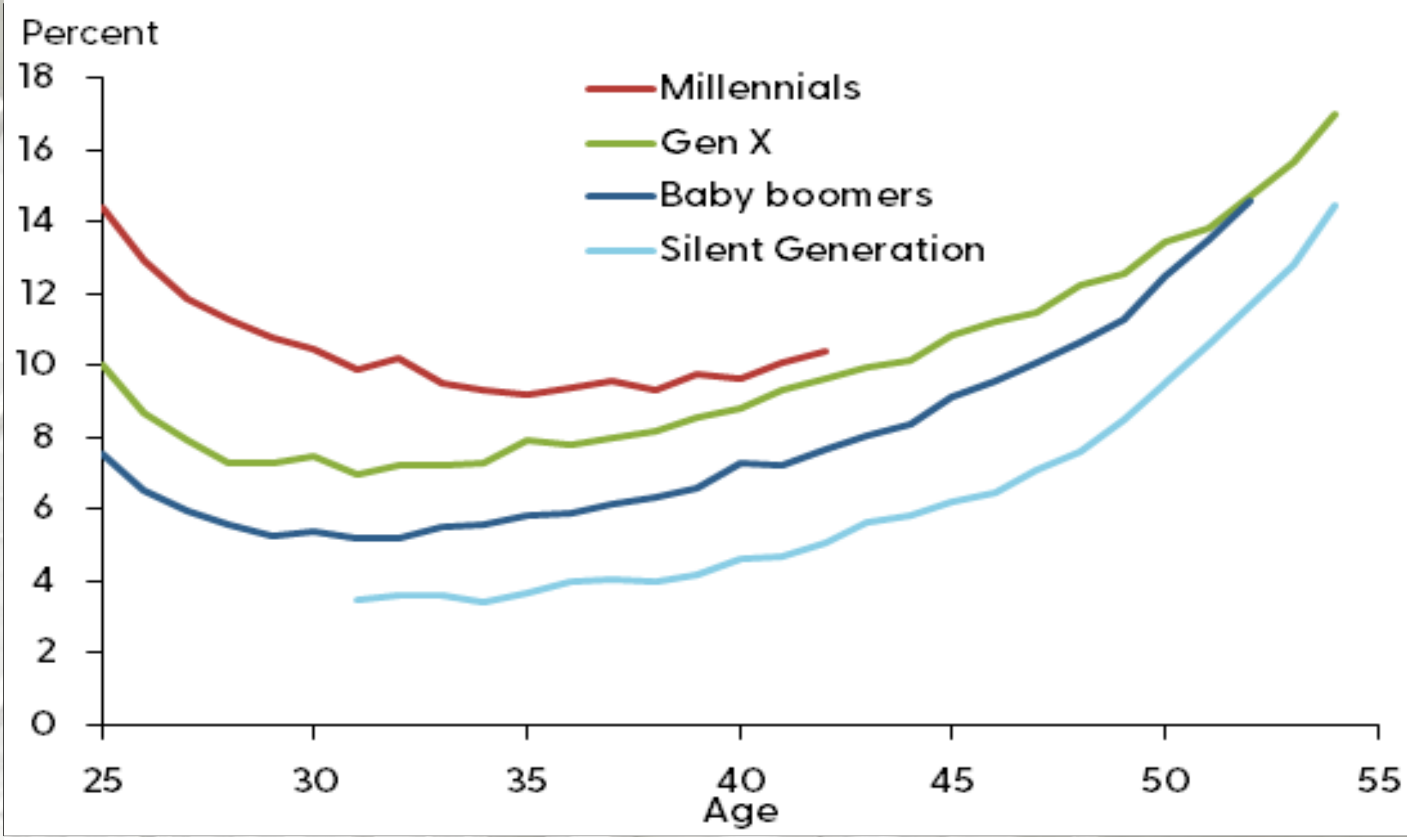
Economics

The Federal Reserve Bank of San Francisco

Figure 1: Nonparticipation rate: prime-age men by generation, age



Source: Current Population Survey and authors' calculations.

Source: https://www.frbsf.org/economic-research/publications/economic-letter/2023/october/mens-falling-labor-force-participation-across-generations; 10/10/23

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Economics

The Federal Reserve Bank of San Francisco

Men's Falling Labor Force Participation across Generations

"What can explain the level shifts in male nonparticipation rates over generations? One possibility is compositional: nonparticipation rates vary by age, and the overall makeup of the prime-age population shifts over time depending on the size of specific age groups. Therefore, if the composition shifts towards groups with higher nonparticipation rates, that can lower the overall nonparticipation rate. Data show that population shifts have been towards groups that tend to have higher nonparticipation rates, such as older men ages 50-54, and more recently, younger men ages 25-30. However, analyzing the shift in shares (not displayed) shows that the change in age composition within the broad prime-age group explains a relatively small fraction of year-to-year changes in the nonparticipation rate. Further, we use statistical regressions to account for demographic and economic factors that may vary across generations and can affect nonparticipation rates, including race/ethnicity, marital status, state of residence, and the national unemployment rate to capture business cycle sensitivity; however, this has a minimal impact on the patterns in Figure 1.

To further understand why younger generations have higher rates of male labor force nonparticipation, we break down the differences in millennial and baby boomer nonparticipation rates into a set of reasons identified in the CPS data. Based on this information, the main reasons for higher nonparticipation rates among millennials compared with the older generations are a higher incidence of self-reported disability or illness, school enrollment, and caretaker responsibilities. For consistency across generations in the data, we group disability with illness, retirement, and the catch-all "other" as reasons for nonparticipation." – Leila Bengali, Evgeniya Duzhak, and Cindy Zhao; Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/economic-letter/2023/october/mens-falling-labor-force-participation-across-generations; 10/10/23

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Men's Falling Labor Force Participation across Generations

"The difference between nonparticipation rates for millennials and baby boomers is largest for younger men and decreases with age (Figure 2). The "other" category, which is mostly driven by disability, contributes the most to higher nonparticipation rates among millennials across all ages. Similarly, Krueger (2017) shows that health conditions, disability, and the rise of opioid prescriptions contribute to rising nonparticipation of prime-age men. Individuals not working due to having a disability are less likely to re-join the labor force, therefore permanently increasing nonparticipation for men in this group (Burkhauser, Daly, and Ziebarth 2016). Caretaking contributes about 1.5 percentage points on average to higher nonparticipation rates in the millennial generation, becoming relatively more important by age 30. Shifts in childcare responsibilities (Council of Economic Advisers 2016) and an aging population increase the number of prime-age men caring for relatives, putting upward pressure on nonparticipation rates relative to earlier generations.

While caretaking and all categories grouped as "other" are relatively constant across all age groups, being in school explains more of the baby boomer–millennial labor force nonparticipation gap at younger ages – accounting for about a third of the gap – than at older ages, making up virtually none of the gap by age 42. The 2.7 percentage point reduction in the blue bars in Figure 2 – representing the generational nonparticipation rate gap explained by differences in school attendance – explains about two-thirds of the total reduction in the generational gap between ages 25 and 42. This pattern can help explain why the nonparticipation rate for 25–35-year-old millennials in Figure 1 has a higher starting point and steeper initial decline than in previous generations, while disability and caretaking help explain persistent level differences between generations across ages." – Leila Bengali, Evgeniya Duzhak, and Cindy Zhao; Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/economic-letter/2023/october/mens-falling-labor-force-participation-across-generations; 10/10/23

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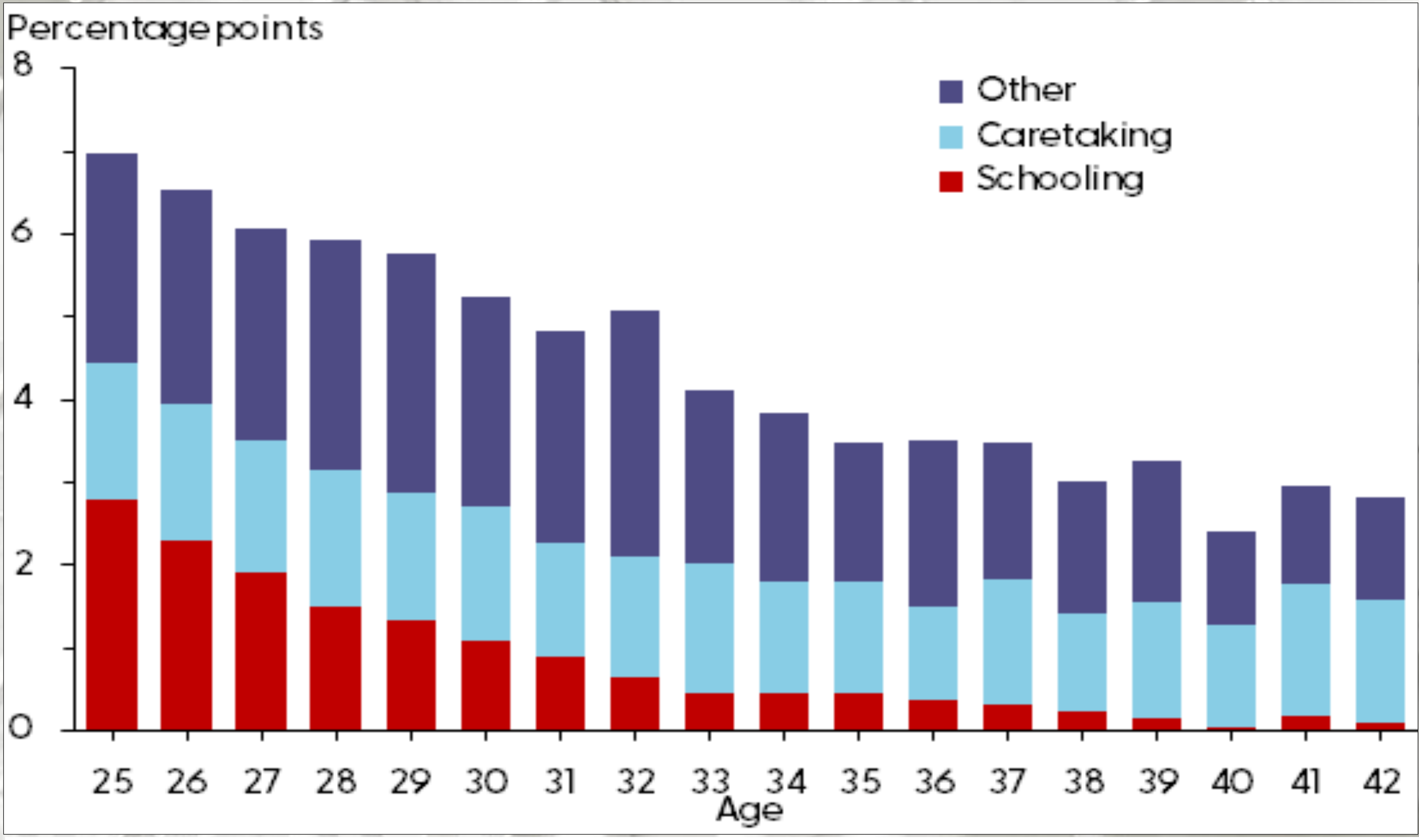
Men’s Falling Labor Force Participation across Generations

Figure 2: Nonparticipation rate gap for prime-age men by reason



Source: Current Population Survey and authors’ calculations.

Source: https://www.frbsf.org/economic-research/publications/economic-letter/2023/october/mens-falling-labor-force-participation-across-generations; 10/10/23

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Men's Falling Labor Force Participation across Generations

The role of education

"To further explore the role of education in determining nonparticipation rates, we focus on two groups: individuals who have at most a high school diploma and individuals who have at least a four-year college degree. We continue to find that nonparticipation rates, for both educational attainment groups, are systematically higher across the age distribution for more recent generations. However, Figure 3 shows some notable differences between the groups. For example, the downward trend in nonparticipation rates at young ages is only seen for those with at least a bachelor's degree (panel B), likely reflecting that the pursuit of additional education delayed people's labor market entry. In addition, generational gaps in nonparticipation rates are narrower for the college-educated group and are relatively constant across the age distribution. Moreover, since nonparticipation rates are lower for those with a college degree or more, the increasing share of the population completing college may portend downward pressure on nonparticipation rates, similar to findings in Hornstein et al. (2023).

For individuals with a high school degree or less (panel A), nonparticipation rates show a notable convergence between millennials and earlier generations. The gap in nonparticipation rates between millennials and baby boomers at age 25 is 9.5 percentage points, but by age 40, it shrinks significantly to only 3.4 percentage points. This suggests that the catch-up in participation for the high school or less group of millennials can help explain the convergence between millennials and earlier generations in Figure 1. Though nonparticipation rates for younger generations are persistently higher for both education groups, if current trends for millennials continue, nonparticipation rates could rise at a slower pace in the future." – Leila Bengali, Evgeniya Duzhak, and Cindy Zhao; Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/economic-letter/2023/october/mens-falling-labor-force-participation-across-generations; 10/10/23

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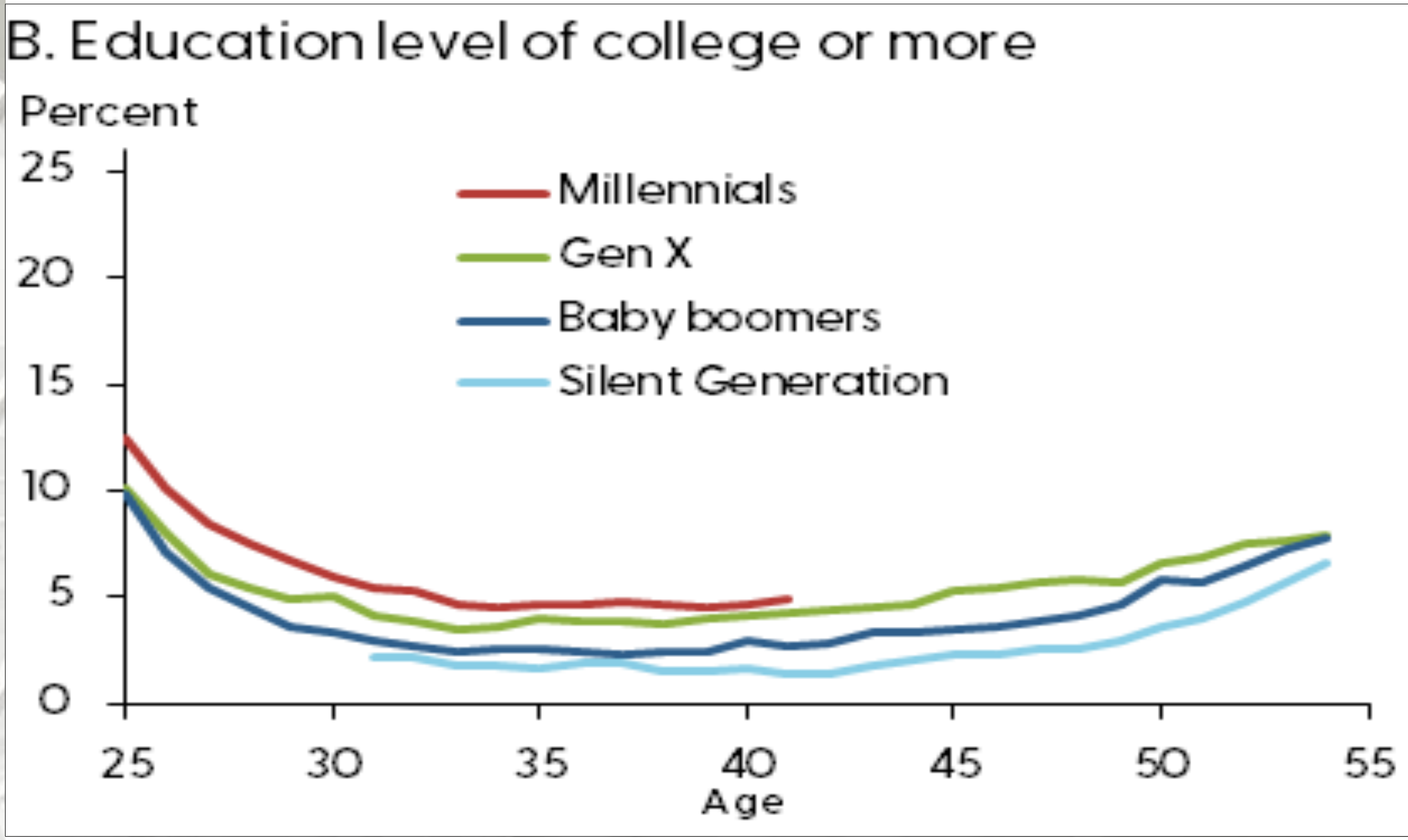
Men's Falling Labor Force Participation across Generations

Figure 3: Nonparticipation rates for prime-age men, by generation, age, educational attainment



Source: Current Population Survey and authors' calculations.

Source: https://www.frbsf.org/economic-research/publications/economic-letter/2023/october/mens-falling-labor-force-participation-across-generations; 10/10/23

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Men's Falling Labor Force Participation across Generations

Conclusion

"This *Economic Letter* documents how nonparticipation rates have increased with each generation of prime-age men and breaks these differences down according to the reason for nonparticipation. Millennials experience a notably different nonparticipation rate trajectory over their lifetime compared with previous generations, with rates starting at a higher level and declining more steeply until their mid-30s. This temporarily higher level of nonparticipation is driven by school enrollment. Other reasons, such as disability and caretaking contribute to the persistent participation gap between baby boomers and millennials. Even though nonparticipation rates for millennials are still higher than in previous generations, given the increasing educational attainment for younger generations and the trends we observe by education groups, the pace of the sustained rise in male nonparticipation rates may slow in the future, which could benefit economic growth." – Leila Bengali, Evgeniya Duzhak, and Cindy Zhao; Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/economic-letter/2023/october/mens-falling-labor-force-participation-across-generations; 10/10/23

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Economics

The Conference Board

CEO Confidence Dips in Q4

CEOs maintain a cautious outlook regarding what's ahead for the economy

"The Conference Board Measure of CEO Confidence™ in collaboration with The Business Council fell to 46 in Q4 2023, down from 48 in the third quarter. The Measure remained below a reading of 50, which indicates that CEOs maintain a cautious outlook regarding what's ahead for the economy. (A reading below 50 reflects more negative than positive responses.) A total of 136 CEOs participated in the Q4 survey, which was fielded from September 18 through October 2.

Compared to last quarter, CEOs' view of current economic conditions was a tad less enthusiastic in the latest survey, and they carried forward a cautious outlook for the economy ahead. In Q4, 18% of CEOs reported general economic conditions to be better than they were six months ago, down from 28% in Q3. At the same time, future expectations became more pessimistic: While 19% of CEOs expect future conditions to improve, similar to last quarter, 47% expect general economic conditions to worsen over the next six months, up from 39% in Q3.

"A large majority of CEOs continue to expect a US recession ahead — but that consensus receded notably over the course of 2023," said Roger W. Ferguson, Jr., Vice Chairman of The Business Council and Trustee of The Conference Board. "In Q4, 72% of CEOs reported that they are preparing for a US recession over the next 12-18 months, compared to 93% at the start of the year. Of those, 69% expect a brief and shallow recession, with limited global spillovers, and only 3% are preparing for a deep US recession. The share of CEOs who are not preparing for any recession in the next 12-18 months rose to 28% in Q4, up from just 6% in Q1 2023."" – Joseph Diblasi, Director, Communications; The Conference Board

Source: https://www.conference-board.org/topics/CEO-Confidence; 10/12/23

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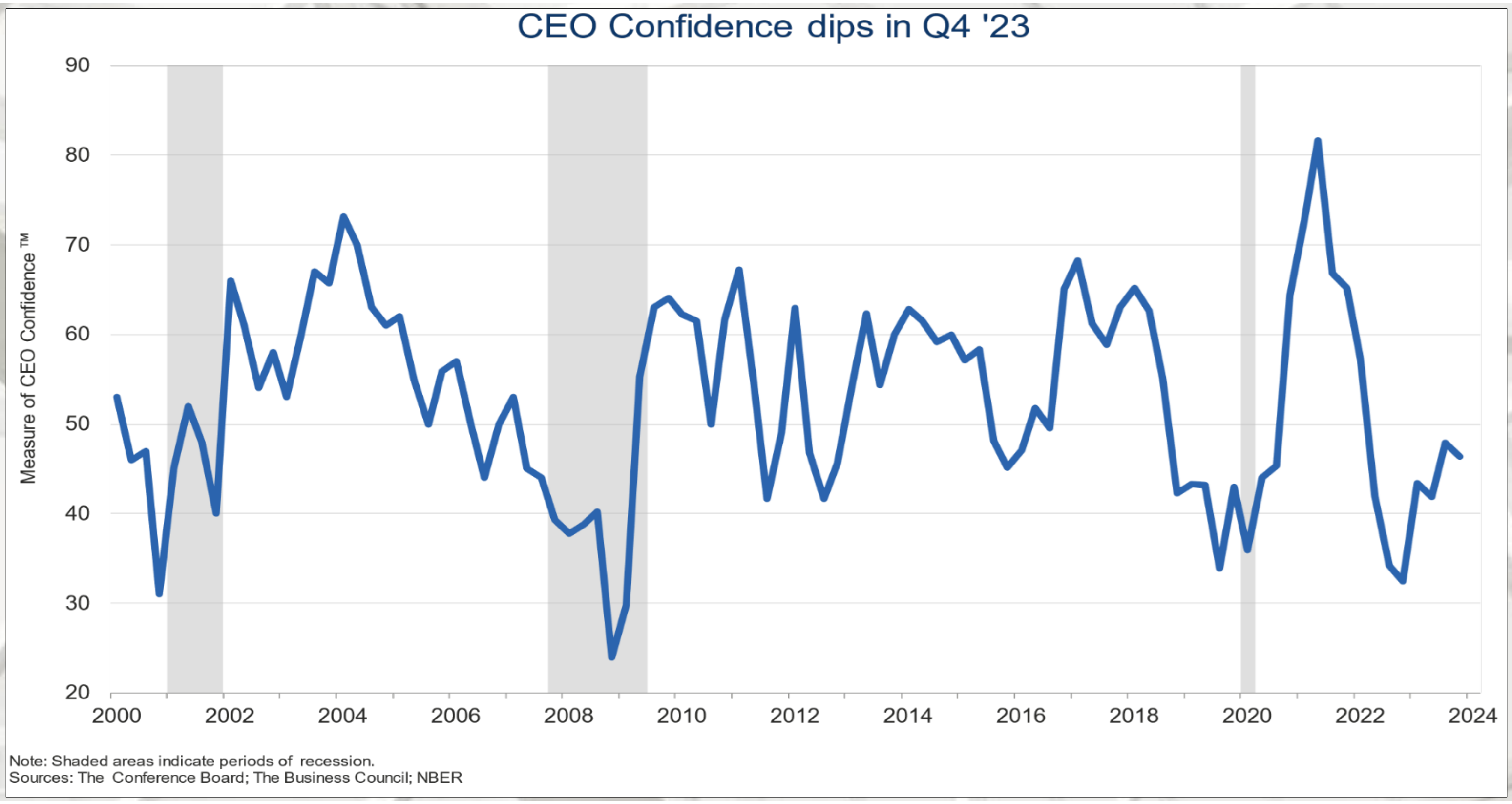

The Conference Board

CEO Confidence Dips in Q4

“CEOs are still hiring amid a tight labor market, with 38% of CEOs expecting to expand their workforce over the next 12 months, down slightly from 40% in Q3,” said Dana M. Peterson, Chief Economist of The Conference Board. “Only 13% of CEOs expect to cut workers, with the remaining 49% of CEOs anticipating little change in their workforces – a likely sign of labor hoarding. Attracting qualified workers has become somewhat less difficult for companies: While 71% of CEOs still plan to raise wages by more than 3% over the next year, the Q4 survey found a slight uptick in the number looking to make smaller increases or even no changes in wages.”” – Joseph Diblasi, Director, Communications; The Conference Board

Source: https://www.conference-board.org/topics/CEO-Confidence; 10/12/23

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The Conference Board

"**Current Conditions**

CEOs' assessment of **general economic conditions** were slightly less enthusiastic in Q4:

- 18% of CEOs said economic conditions were better compared to six months ago, down from 28% in Q3.
- 32% said conditions were worse or much worse, relatively unchanged from 31% in Q3.
- CEOs rated **conditions in their own industries** similarly a tad lower than last quarter:
- 27% of CEOs reported that conditions in their industries were better compared to six months ago, down from 29%.
- 37% said conditions in their own industries were worse, up slightly from 35% in Q3.

Future Conditions

- CEOs' expectations about the **short-term economic outlook** darkened slightly in Q4:
- 19% of CEOs expected economic conditions to improve over the next six months, down from 20%.
- 47% expected conditions to worsen, up from 39%.
- CEOs' expectations regarding **short-term prospects in their own industries** was relatively unchanged:
- 26% expect conditions in their own industry to improve over the next six months – down slightly from 29% in Q3.
- 29% expect conditions to worsen, down from 30% in Q3.

Employment, Recruiting, Wages, and Capital Spending

- **Employment:** 38% of CEOs expect to expand their workforce over the next 12 months, down from 40% in Q3. Only 13% of CEOs expect a reduction in their workforce, down from 20%.
- **Hiring Qualified People:** 47% of CEOs report problems attracting qualified workers, down from 56% in Q3. Those reporting only some problems in some areas stood at 49%, up from 39% last quarter.
- **Wages:** 71% of CEOs expect to increase wages by 3% or more over the next year, down slightly from 74% in Q3.
- **Capital Spending:** 27% of CEOs expect their capital budgets to increase over the next year, up from 22% last quarter." – Joseph Diblasi, Director, Communications; The Conference Board

Source: https://www.conference-board.org/topics/CEO-Confidence; 10/12/23

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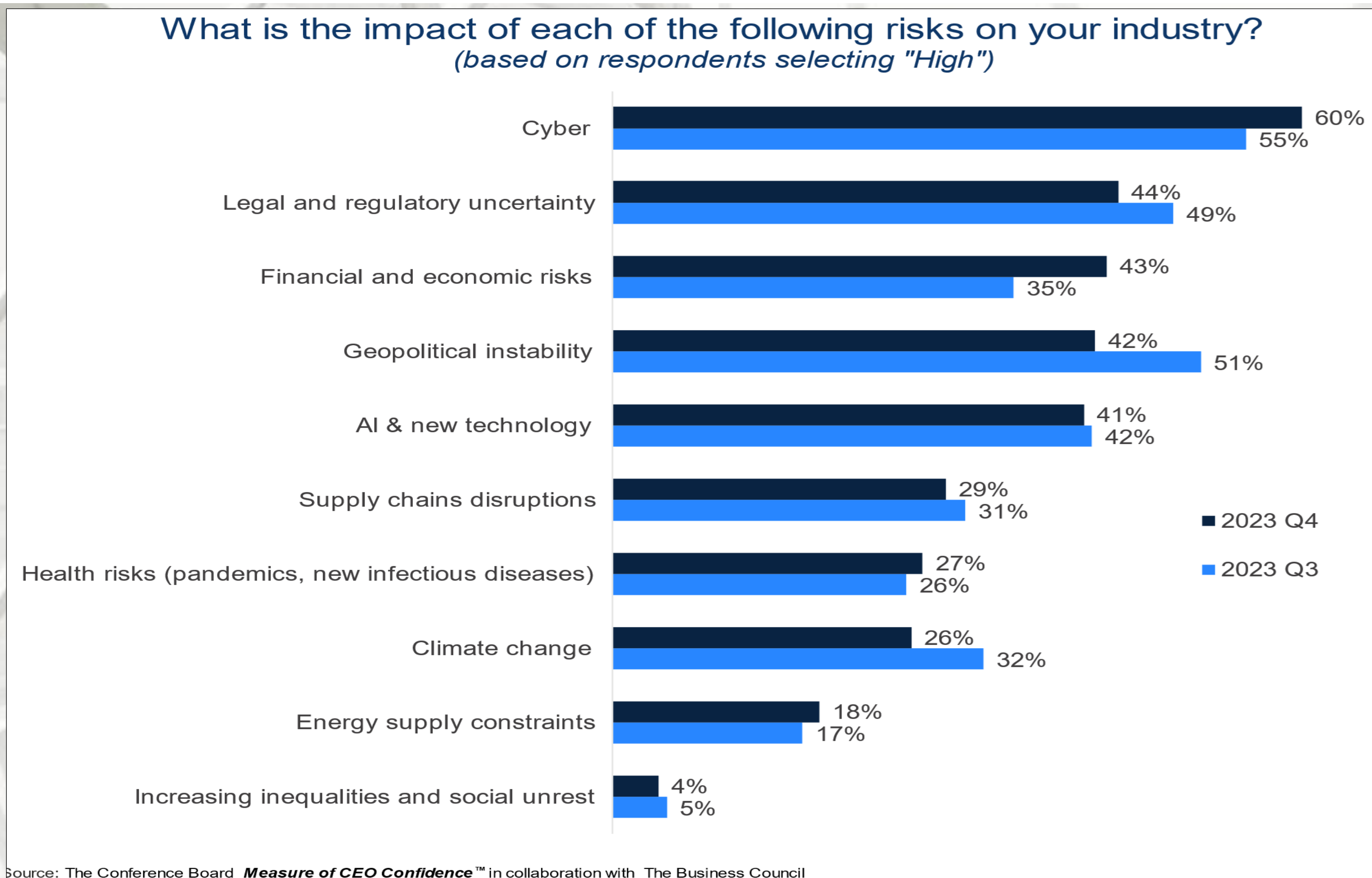
The Conference Board

CEO Confidence Dips in Q4

“Industry Risks:

CEO concerns about geopolitical risks subsided in Q4, while cyber, along with legal and regulatory uncertainty rose to the top.” – Joseph Diblasi, Director, Communications; The Conference Board



Source: https://www.conference-board.org/topics/CEO-Confidence; 10/12/23

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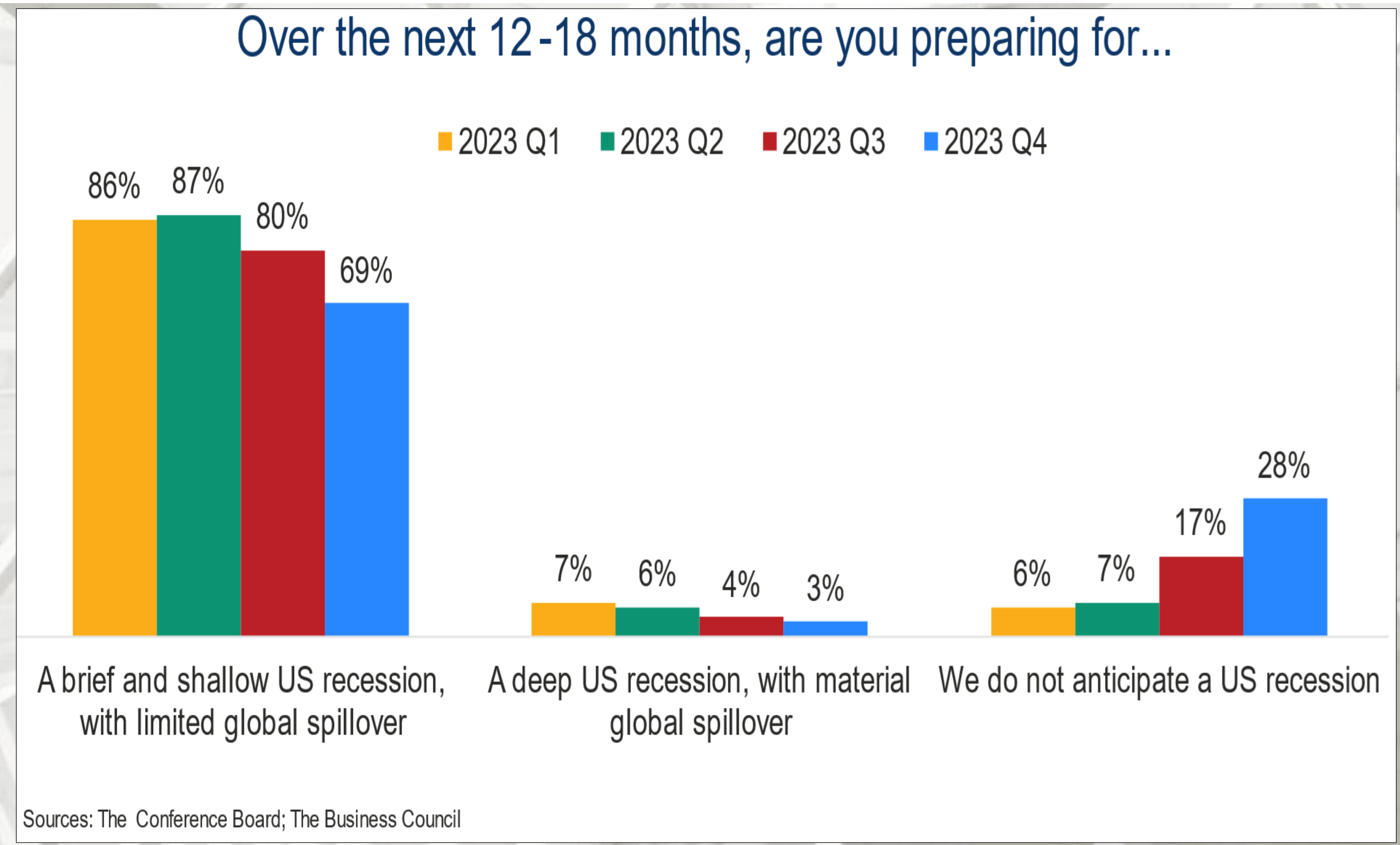
The Conference Board

CEO Confidence Dips in Q4

"US Recession Outlook:

Recession fears receded in the Q4 survey compared to the start of the year." – Joseph Diblasi, Director, Communications; The Conference Board



Source: https://www.conference-board.org/topics/CEO-Confidence; 10/12/23

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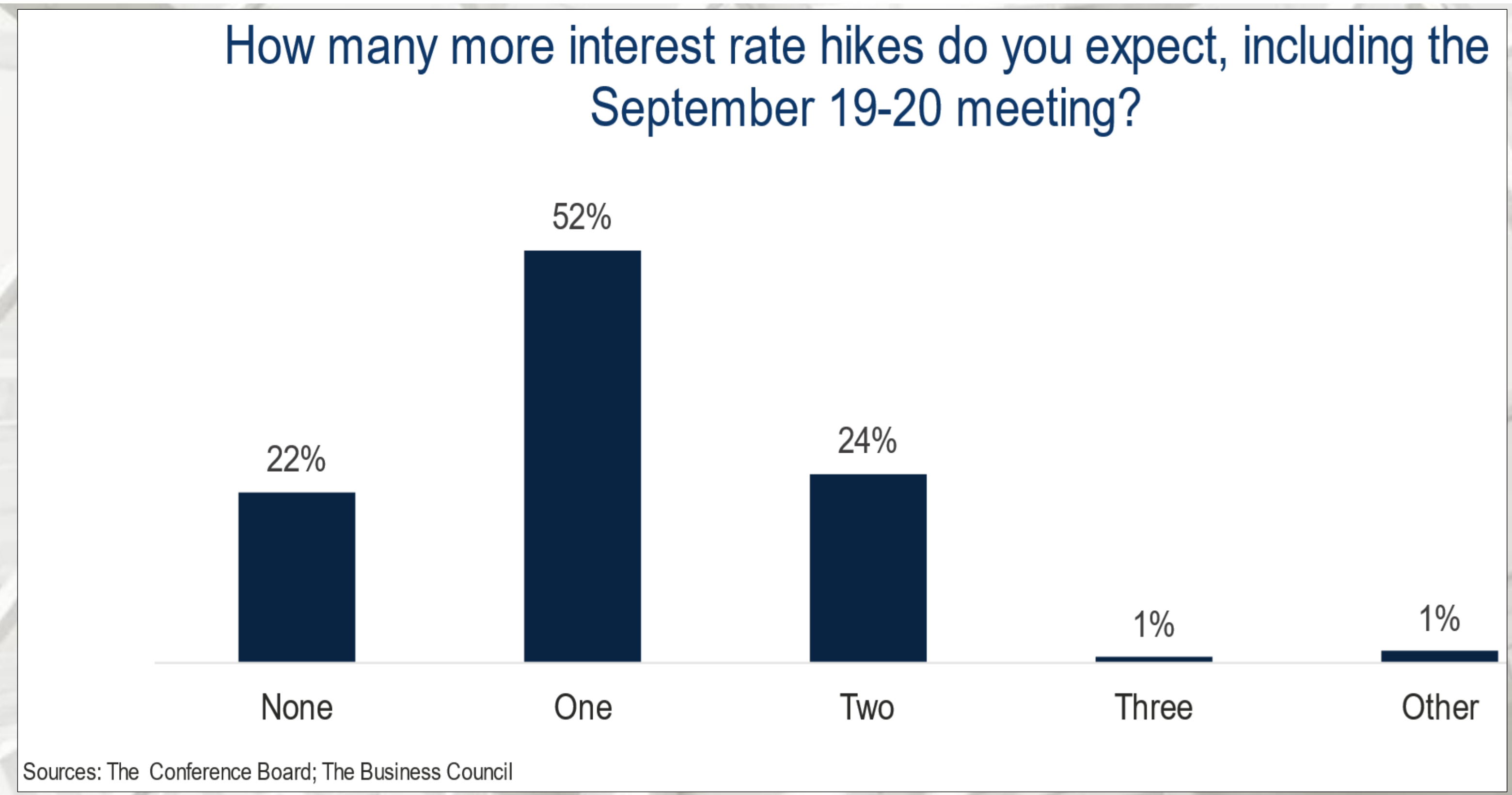
The Conference Board

CEO Confidence Dips in Q4

“Federal Funds Rate, pt1:

Most CEOs expect the Fed to raise its target rate at least one more time in the current tightening cycle.” – Joseph Diblasi, Director, Communications; The Conference Board



Source: https://www.conference-board.org/topics/CEO-Confidence; 10/12/23

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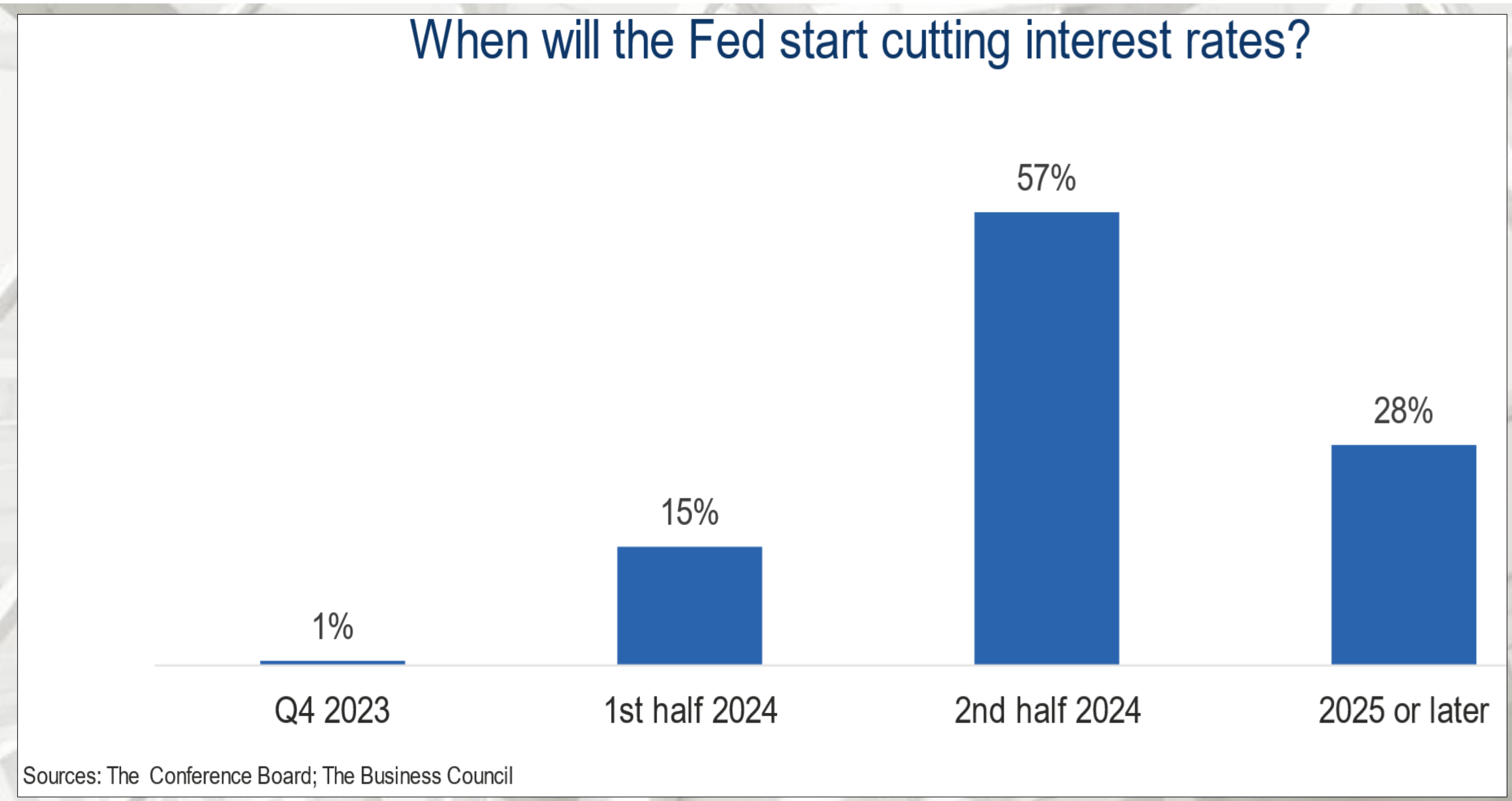
The Conference Board

CEO Confidence Dips in Q4

“Federal Funds Rate, pt2:

Most CEOs expect the Fed to start cutting interest rates in the second half of 2024 or later.” – Joseph Diblasi, Director, Communications; The Conference Board



Source: https://www.conference-board.org/topics/CEO-Confidence; 10/12/23

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U.S. Census Bureau

NEW Business Formation Statistics

September 2023

Business Applications

"Business Applications for September 2023, adjusted for seasonal variation, were 472,961, an increase of 1.3 percent compared to August 2023.

Business Formations

Projected Business Formations (within 4 quarters) for September 2023, adjusted for seasonal variation, were 32,219, a decrease of 1.6 percent compared to August 2023. The projected business formations are forward looking, providing an estimate of the number of new business startups that will appear from the cohort of business applications in a given month. It does not provide an estimate of the total number of business startups that appeared within a specific month. In other words, the Census Bureau is projecting that 32,219 new business startups with payroll tax liabilities will form within 4-quarters of application from all the business applications filed during September 2023. The 1.6 percent decrease indicates that for September 2023 there will be 1.6 percent fewer businesses projected to form within 4-quarters of application, compared to the analogous projections for August 2023. " – U.S. Census Bureau

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 10/16/23

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U.S. Census Bureau

NEW Business Formation Statistics

September 2023

BUSINESS APPLICATIONS

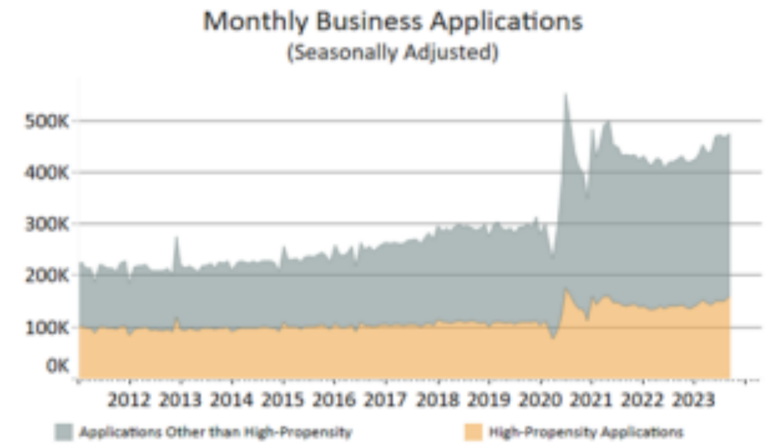
U.S. Business Applications:	SEP 2023	SEP 2023 / AUG 2023
Total	472,961	1.3%*
High-Propensity	159,105	6.1%*
With Planned Wages	61,950	23.0%*
From Corporations	49,059	-1.2%*

Next release: November 13, 2023

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

Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, October 16, 2023



Source: U.S. Census Bureau, Business Formation Statistics, October 16, 2023

Business Applications - At a Glance

		US	Northeast	Midwest	South	West
Total	SEP 2023	472,961	68,083	77,485	218,168	109,225
	SEP 2023 / AUG 2023	+1.3%	-1.7%	+0.6%	+3.2%	Z
High-Propensity	SEP 2023	159,105	23,865	24,009	74,330	36,901
	SEP 2023 / AUG 2023	+6.1%	-0.1%	+1.0%	+14.1%	-0.6%
With Planned Wages	SEP 2023	61,950	7,403	9,471	31,801	13,275
	SEP 2023 / AUG 2023	+23.0%	+9.1%	+6.5%	+44.5%	+4.8%
From Corporations	SEP 2023	49,059	10,897	6,142	17,409	14,611
	SEP 2023 / AUG 2023	-1.2%	-1.0%	-1.7%	-0.1%	-2.4%

Details may not equal totals due to rounding. Regions defined by Census Bureau Geography Program. Statistical significance is not applicable or not measurable.

Data adjusted for seasonality. Green Percentage changes are greater than zero (+). Red Percentage changes are less than zero (-). Z = absolute value < 0.05.

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 10/16/23

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U.S. Census Bureau

September 2023

BUSINESS FORMATIONS

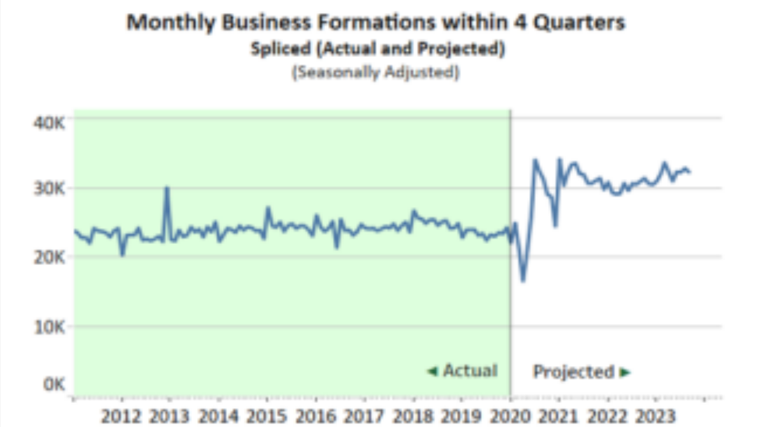
U.S. Total Projected Business Formations:	SEP 2023	SEP 2023 / AUG 2023
Within 4 Quarters	32,219	-1.6%*
Within 8 Quarters	41,429	-2.0%*

Next release: November 13, 2023

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

Spliced - Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, October 16, 2023



Source: U.S. Census Bureau, Business Formation Statistics, October 16, 2023

Projected Business Formations - At a Glance

		US	Northeast	Midwest	South	West
Within 4 Quarters	SEP 2023	32,219	5,093	5,204	13,071	8,851
	SEP 2023 / AUG 2023	-1.6%	-1.4%	-0.6%	-0.2%	-4.2%
Within 8 Quarters	SEP 2023	41,429	6,559	6,672	16,808	11,390
	SEP 2023 / AUG 2023	-2.0%	-1.6%	-1.0%	-1.2%	-3.9%

Details may not equal totals due to rounding. Regions defined by Census Bureau Geography Program. Statistical significance is not applicable or not measurable.

Data adjusted for seasonality. Green Percentage changes are greater than zero (+). Red Percentage changes are less than zero (-). Z = absolute value < 0.05.

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 10/16/23

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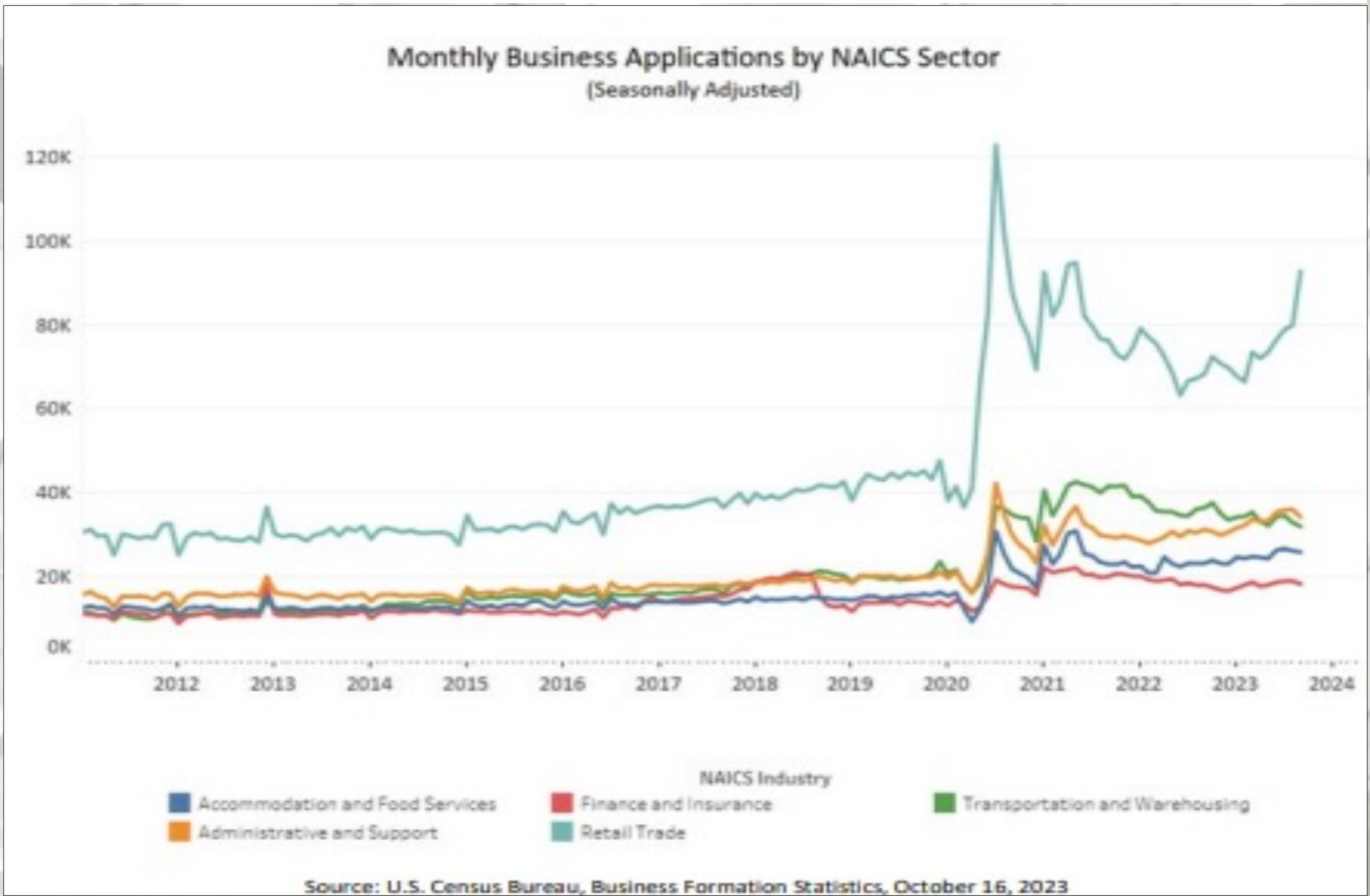
NEW Business Formation Statistics

September 2023



Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 10/16/23

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