The Virginia Tech–USDA Forest Service Housing Commentary: Section II
January 2024

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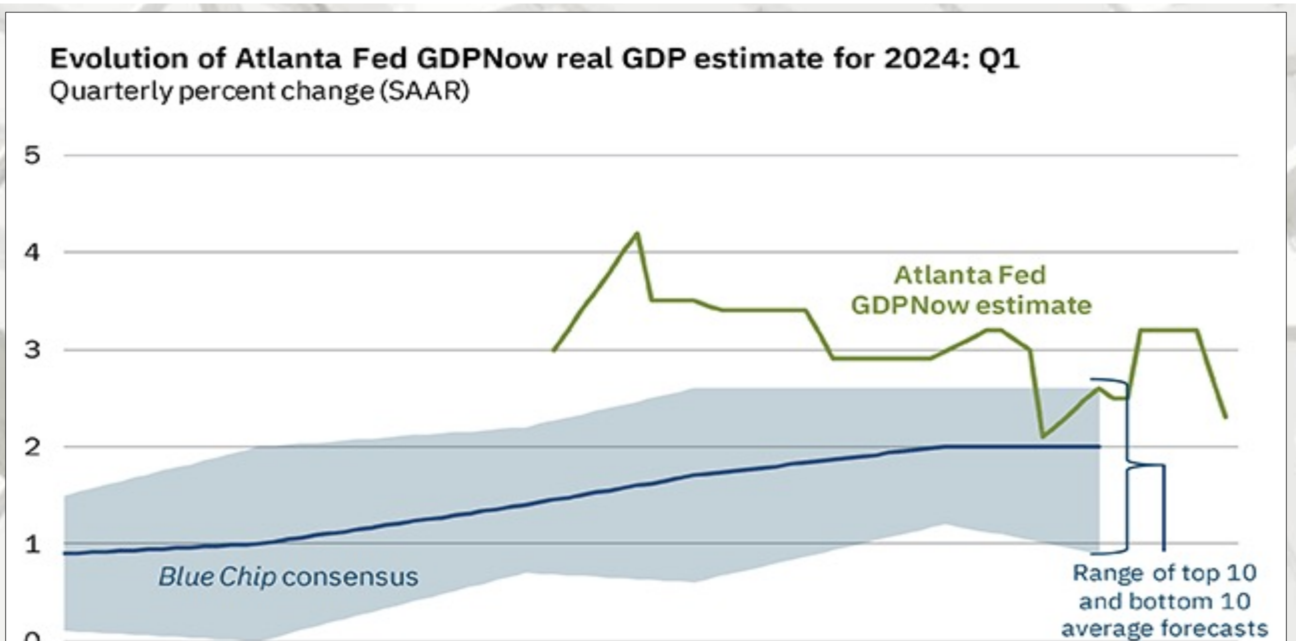
U.S. Economic Indicators



Sources: *Blue Chip Economic Forecasts and Blue Chip Financial Forecasts*
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey

Atlanta Fed GDPNow™

Latest estimate: 2.3 percent — March 14, 2024

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2024 is **2.3 percent** on March 14, down from 2.5 percent from March 7. After recent releases from the US Department of the Treasury's Bureau of the Fiscal Service, the US Bureau of Labor Statistics, and the US Census Bureau, a decrease in the nowcast of first-quarter real personal consumption expenditures growth from 2.9 percent to 2.2 percent was slightly offset by increases in the nowcasts of first-quarter real gross private domestic investment growth and first-quarter real government spending growth from 1.7 and 2.4 percent, respectively, to 3.0 and 2.7 percent." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 3/14/24

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The Federal Reserve Bank of Boston New England Economic Conditions

Key Takeaways

- “Unemployment rates edged up in December 2023 from one month earlier in all six New England states. Nonetheless, for Massachusetts, Rhode Island, and Vermont, the labor force participation rate also increased slightly in December, suggesting improvements in labor supply. Elsewhere in the region, higher unemployment rates appeared to signal an increase in layoffs.
- For both New England and the United States, nominal wage and salary growth outpaced consumer price inflation in the second half of 2023, resulting in net gains in real wages and salaries on a year-over-year basis for both 2023:Q3 and 2023:Q4. The recent (year-over-year) pace of real wage growth was relatively modest in both the United States and the region, at less than one percent, but represented a significant improvement from the negative real wage growth rates observed from 2021:Q2 to 2023:Q1.
- Non-building construction, reflecting the construction of roads, bridges, and other infrastructure, experienced robust growth year-over-year for January 2024 in both New England and the United States (based on the value of contracts awarded), while construction of residential and nonresidential structures was flat in the region and down in the United States for the same period.” – Mary A. Burke, Senior Economist and Policy Advisor; The Federal Reserve Bank of Boston

Source: https://www.bostonfed.org/publications/new-england-economic-conditions/2024/march.aspx; 3/8/24

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The Federal Reserve Bank of Boston New England Economic Conditions

Housing Permits, Construction Contracts, and House Prices

- "Single-family housing permits (seasonally adjusted, indexed to 2011) in New England increased steeply in January 2024 from the previous month and were up nearly 15 percent from January 2023 (Exhibit 8, left), but they were nonetheless considerably lower compared with their 2021 and 2022 averages. In the United States, single-family permits increased at a robust 43 percent pace year-over-year for January but were also down from their 2021 and 2022 averages (Exhibit 8, left).
- Multifamily permits receded year-over-the-year for January 2024 for both New England – by 12 percent – and the United States – by 22 percent (Exhibit 8, right). On average in 2023 and January 2024, multifamily permits were down considerably in both the region and the country from their respective post-2020 highs.
- In both the region and the United States, recent growth in construction activity (measured by the value of contracts awarded) has been dominated by the nonresidential and non-building components, rather than by the residential component (Exhibit 9).
- House-price growth in New England accelerated in the second half of 2023 in terms of year-over-year rates. House-price growth in the United States as a whole also rebounded after May but nonetheless ended 2023 well behind New England's pace, based on either of two indexes." – Mary A. Burke, Senior Economist and Policy Advisor; The Federal Reserve Bank of Boston

Source: https://www.bostonfed.org/publications/new-england-economic-conditions/2024/march.aspx; 3/8/24

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The Federal Reserve Bank of Boston
New England Economic Conditions

Housing Permits, Construction Contracts, and House Prices

- "Rent growth in the Boston area picked up again in recent months after an extended downward trend that started in late 2021, but it still remained well below its post-2020 peak (Exhibit 11). US rent growth declined from 6.9 percent in January 2023 to 3.4 percent in January 2024.

Recent residential permits data – for single-family and multifamily dwellings in both New England and the United States – show a return to roughly pre-pandemic norms after the numbers spiked to historically high levels in 2021 and 2022. Examining the value of construction contracts in New England (rather than the number of permits) reveals that both the residential and nonresidential components were roughly flat year-over-the-year for January 2024, but the non-building component increased 34 percent (Exhibit 9). In the United States, the residential and nonresidential components were down considerably from one year earlier, and the non-building component – although about flat since September 2023 – was up almost 17 percent from a year earlier. In the region and throughout the country, the non-building component of construction is being supported by spending from the Infrastructure Investment and Jobs Act of 2021.[5]

According to First District Beige Book contacts, the recent acceleration in house prices stems from a dearth of inventories combined with fairly healthy buyer demand. The relatively tepid residential permitting activity in the region may bode poorly for relief in house-price growth and rent growth despite recent efforts from policymakers in Massachusetts to increase the supply of multifamily housing in that state via the MBTA Communities Act." – Mary A. Burke, Senior Economist and Policy Advisor; The Federal Reserve Bank of Boston

Source: https://www.bostonfed.org/publications/new-england-economic-conditions/2024/march.aspx; 3/8/24

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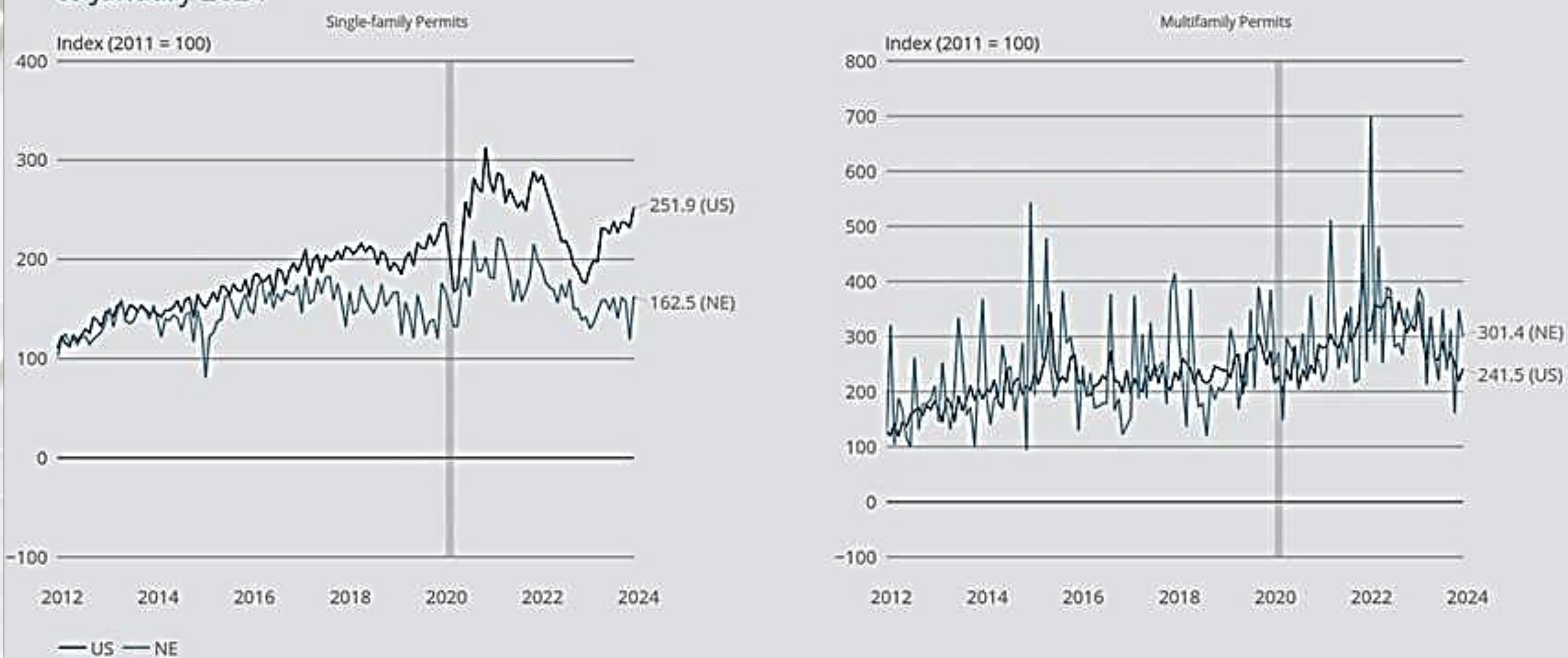
The Federal Reserve Bank of Boston
New England Economic Conditions

EXHIBIT 8:

Housing Permit Activity
to January 2024



Source(s): US Census Bureau/Haver Analytics.
Note(s): Data are seasonally adjusted. Single-family permits are indexed to the average number of single-unit permits in 2011. Multifamily permits are indexed to the average number of multiunit permits in 2011. Gray bar(s) indicates recession(s).

Source: https://www.bostonfed.org/publications/new-england-economic-conditions/2024/march.aspx; 3/8/24

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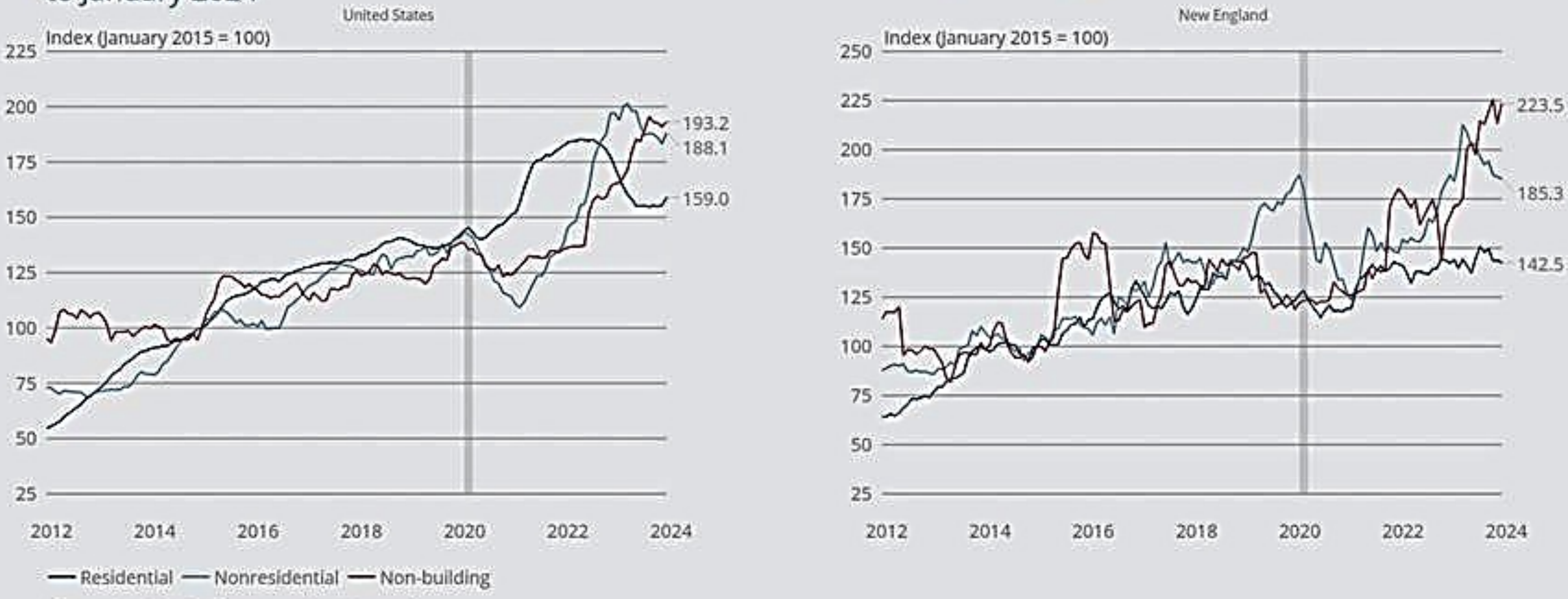
The Federal Reserve Bank of Boston
New England Economic Conditions

EXHIBIT 9:

Construction Contracts Awarded (12-month Moving Average)
to January 2024



Source(s): Dodge Construction Network
Note(s): Each series is indexed to the 12-month moving average of the value of construction contracts of the given type as of January 2015, which is normalized to 100 for each series. Therefore, the chart can be used to compare growth rates in the values of the different types of construction contracts over time but not to compare actual dollar values of contracts of one type relative to another at any point in time. Data are not seasonally adjusted. Gray bar(s) indicates recession(s).

Source: https://www.bostonfed.org/publications/new-england-economic-conditions/2024/march.aspx; 3/8/24

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

Index Suggests Economic Growth Decreased in January

"*The Chicago Fed National Activity Index (CFNAI) decreased to –0.30 in January from +0.02 in December. Three of the four broad categories of indicators used to construct the index decreased from December, and three categories made negative contributions in January. The index's three-month moving average, CFNAI-MA3, increased to –0.02 in January from –0.14 in December.*

The CFNAI Diffusion Index, which is also a three-month moving average, increased to +0.03 in January from –0.09 in December. Twenty-six of the 85 individual indicators made positive contributions to the CFNAI in January, while 59 made negative contributions. Thirty-one indicators improved from December to January, while 53 indicators deteriorated, and one was unchanged. Of the indicators that improved, 14 made negative contributions.

- Production-related indicators contributed –0.16 to the CFNAI in January, down from –0.08 in December.
- The sales, orders, and inventories category's contribution to the CFNAI was –0.04 in January, down from +0.05 in December.
- Employment-related indicators made a neutral contribution to the CFNAI in January, unchanged from December.
- The personal consumption and housing category's contribution to the CFNAI was –0.10 in January, down from +0.05 in December." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 2/22/24

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

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

	Jan '24	Dec '23	Nov '23	Oct '23	Sep '23	Aug '23	Jan '23
CFNAI							
Current	-0.30	0.02	0.21	−0.65	−0.03	−0.25	0.42
Previous	N/A	−0.15	0.01	−0.68	−0.03	−0.21	0.39
CFNAI-MA3							
Current	−0.02	−0.14	−0.16	−0.31	−0.04	−0.16	−0.21
Previous	N/A	−0.28	−0.24	−0.31	−0.02	−0.16	−0.20
CFNAI Diffusion							
Current	0.03	−0.09	−0.13	−0.37	−0.03	−0.14	−0.11
Previous	N/A	−0.32	−0.28	−0.41	−0.05	−0.14	−0.07

Note: Current and Previous values reflect index values as of the February 22, 2024, release and January 25, 2024, release, respectively.
NA indicates not applicable.

Source: https://www.chicagofed.org/publications/cfnai/index; 2/22/24

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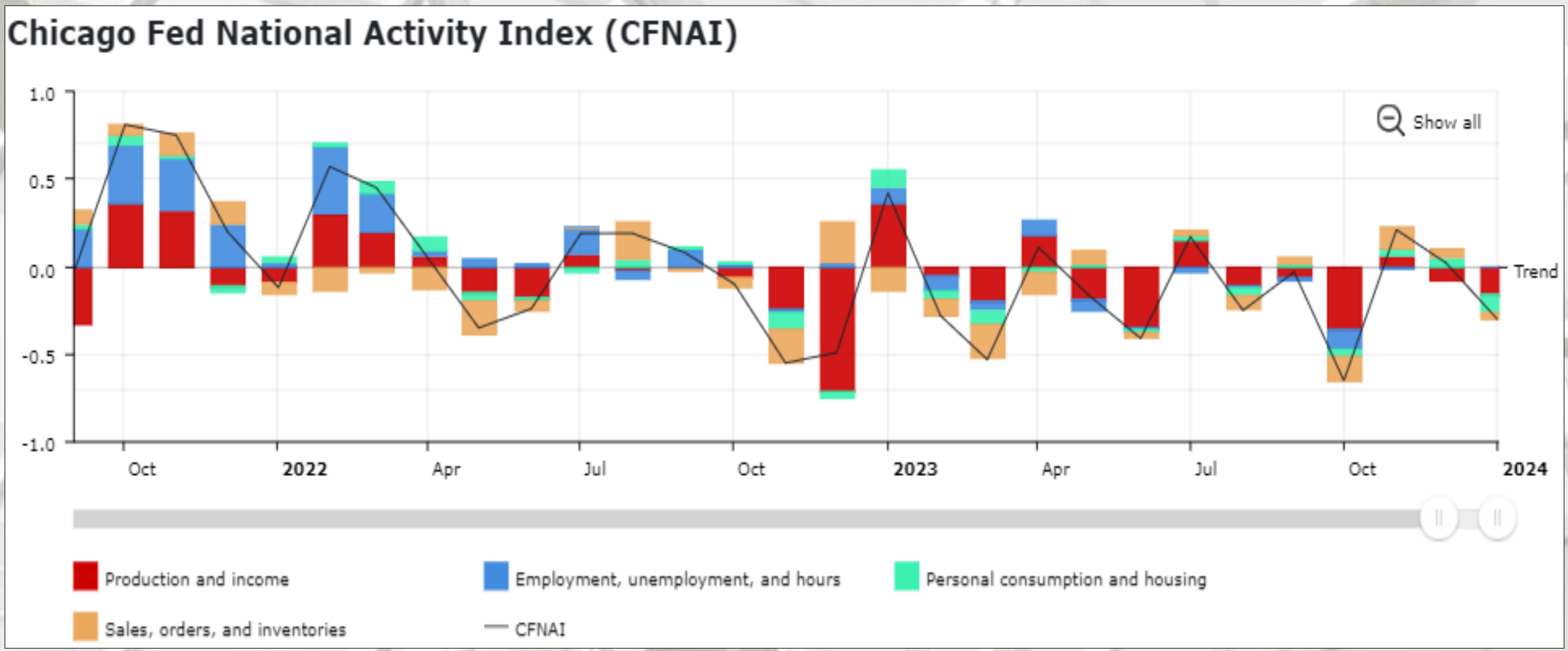
The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)



Source: https://www.chicagofed.org/publications/cfnai/index; 2/22/24

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

Survey Suggests Growth Slowed in February

"The *Chicago Fed Survey of Economic Conditions* (CFSEC) Activity Index decreased to –14 in February from +7 in January, suggesting that economic growth was below trend. The CFSEC Manufacturing Activity Index decreased to –5 in February from +20 in January, and the CFSEC Nonmanufacturing Activity Index decreased to –16 in February from –2 in the previous month.

- Respondents' outlooks for the U.S. economy for the next 12 months improved, turning optimistic on balance. Thirty-nine percent of respondents expected an increase in economic activity over the next 12 months.
- The pace of current hiring decreased, but respondents' expectations for the pace of hiring over the next 12 months increased. 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. The labor cost pressures index moved into negative territory, and the nonlabor cost pressures index remained negative." – Thomas Walstrum, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/research/data/cfsec/current-data; 2/23/24

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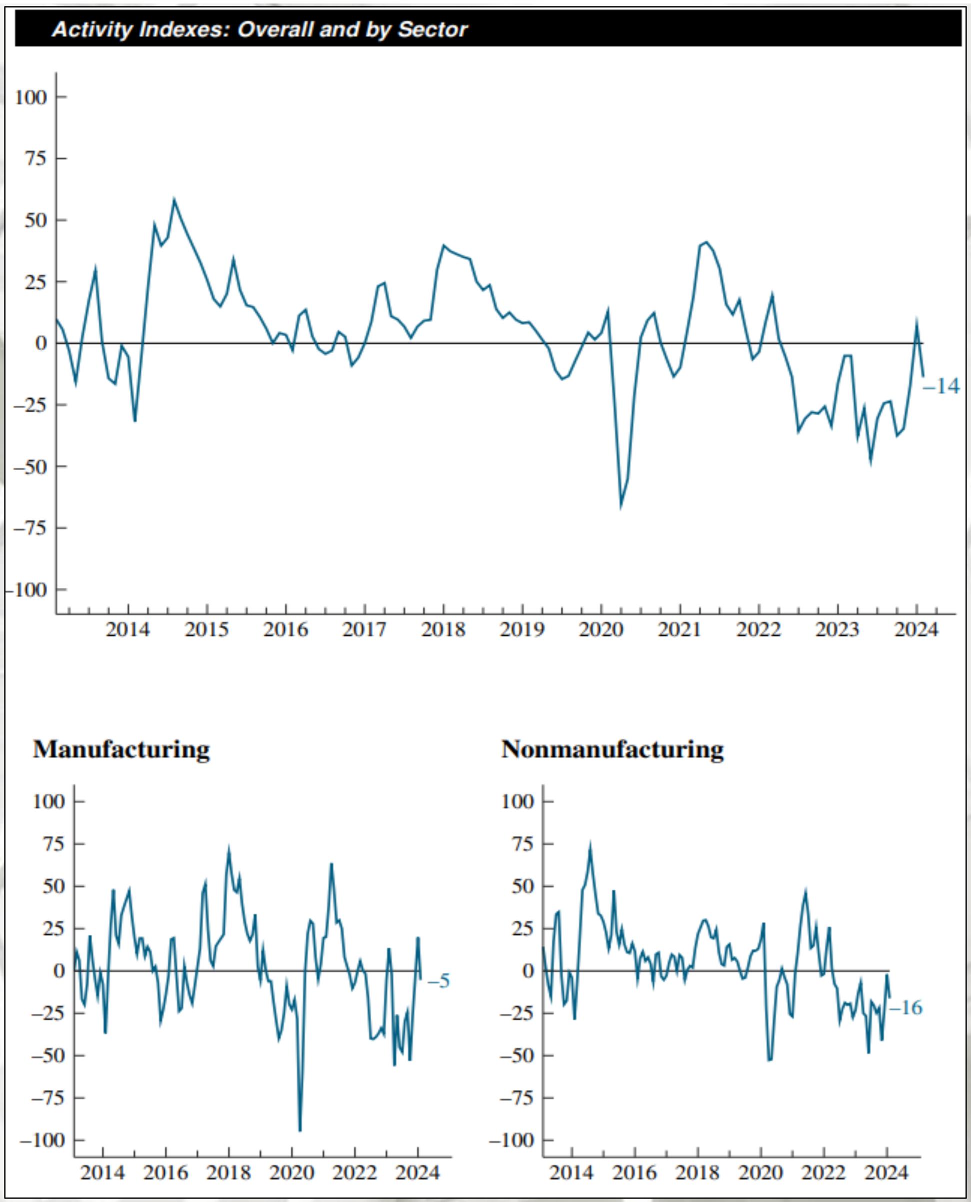
The Federal Reserve Bank of Chicago: Survey of Economic Conditions (CFSEC)



Source: https://www.chicagofed.org/research/data/cfsec/current-data; 2/23/24

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The Federal Reserve Bank of Dallas

Texas Manufacturing Outlook Survey

Texas manufacturing activity stabilizes in February

"Texas factory activity stabilized in February after contracting in January, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, rebounded 16 points to 1.0. The near-zero reading suggests flat output month over month.

Other measures of manufacturing activity also indicated stability this month, and an increase in demand was seen. The new orders index – a key measure of demand – shot up 18 points in January to 5.2, its first positive reading since May 2022. The capacity utilization and shipments indexes both posted double-digit increases to push up from contractionary territory (negative readings) into neutral territory (readings near zero).

Perceptions of broader business conditions continued to worsen in February, though the indexes were less negative than in January. The general business activity index increased from -27.4 to -11.3, and the company outlook index rose from -18.2 to -8.5. The outlook uncertainty index retreated 10 points to 11.0.

Labor market measures suggested growth in employment but shorter workweeks this month. The employment index rebounded after two negative readings, rising 16 points to 5.9. Eighteen percent of firms noted net hiring, while 13 percent noted net layoffs. The hours worked index remained negative for a fifth month in a row but edged up to -7.0.

Wage and input costs continued to increase this month, while selling prices remained flat. The wages and benefits index held steady at a near-average reading of 20.1. The raw materials prices index retreated five points to 15.4, falling further below average and indicative of more modest cost growth than usual. The finished goods prices index remained near 0, suggesting prices in February were unchanged from January." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 2/26/24

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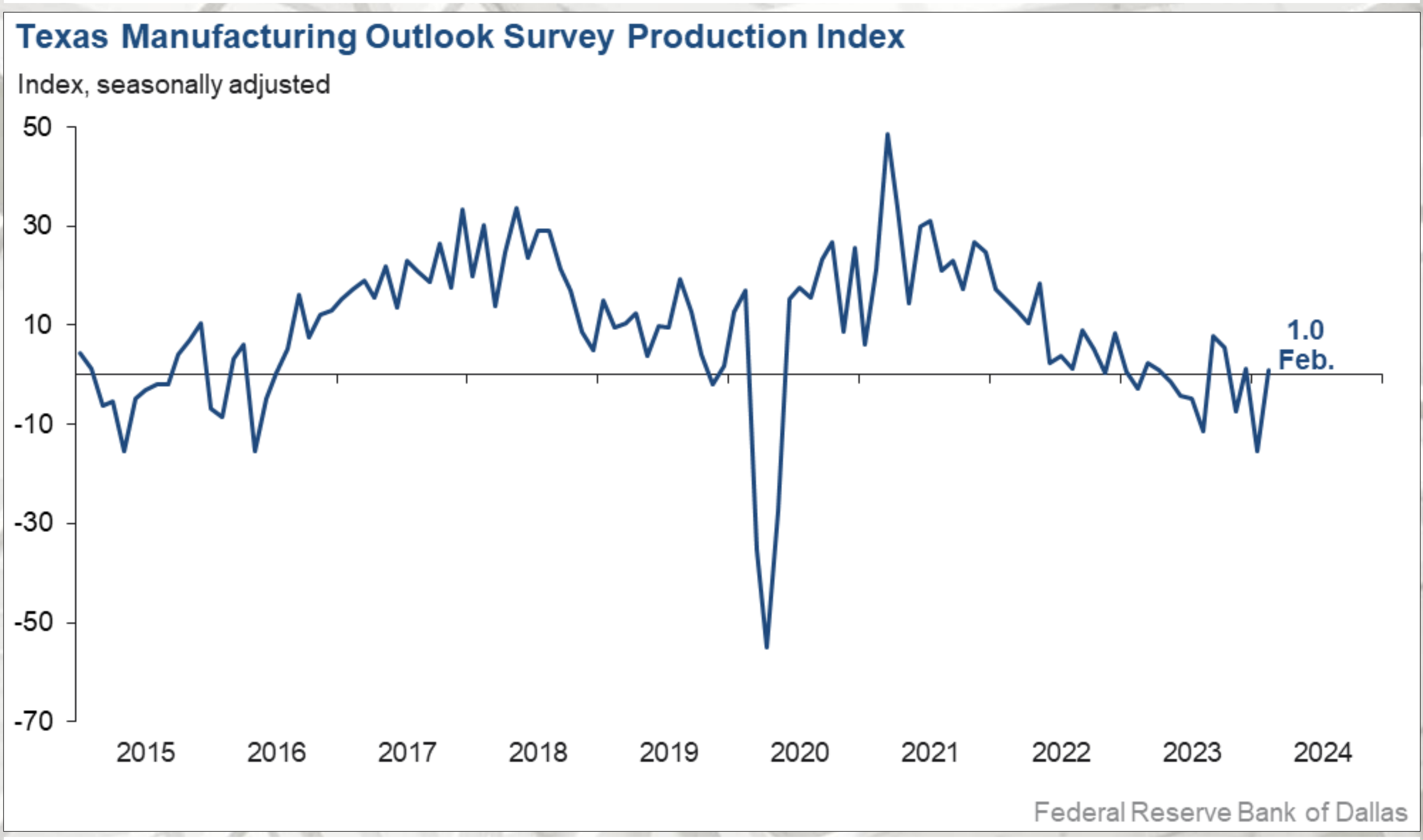
The Federal Reserve Bank of Dallas



"Expectations regarding future manufacturing activity improved in February. The future production index held steady at 22.4, and the future general business activity index shot up 17 points to 6.2, returning to positive territory after six months of negative readings. Most other measures of future manufacturing activity edged further positive this month." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 2/26/24

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The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Growth resumes in Texas service sector activity, company outlook improves

"Texas service sector activity expanded in February after contracting in January, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, increased nine points to 5.2.

Labor market measures suggest continued employment growth but no growth in work weeks. The employment index held steady at 3.8 in February. The part-time employment index increased three points to 2.8, while the hours worked index moved up from -4.5 to 0.3.

Respondents in February continued to perceive worsening broader business conditions, but their outlook improved. The general business activity index remained negative but rose five points to -3.9. The company outlook index moved up to positive territory from -4.9 to 3.8, and the outlook uncertainty index fell eight points to 6.7, its lowest level since mid-2021.

Input and selling price pressure remained largely unchanged, while wage growth eased slightly in February. Both the input prices and selling prices indexes were mostly unchanged at 34.3 and 7.7, respectively. While input price growth continues above average, selling price growth is now at its historical average. The wages and benefits index fell two points to 15.4." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 2/27/24

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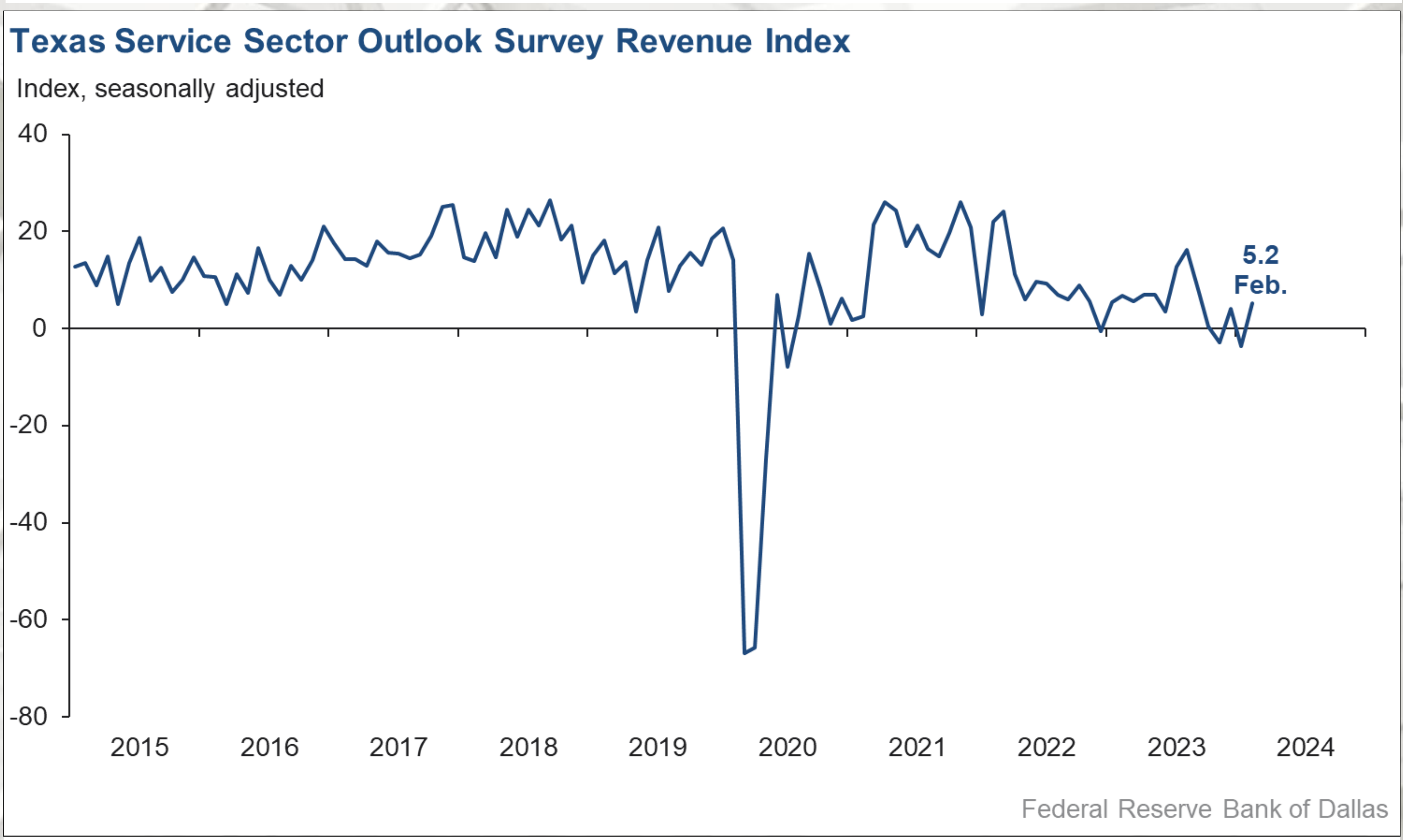
The Federal Reserve Bank of Dallas



"Respondents' expectations regarding future business activity continued to reflect optimism in February. The future general business activity index increased from 4.6 to 12.0, and the future revenue index held steady at 37.8. Other future service-sector activity indexes such as employment and capital expenditures remained in firmly 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; 2/27/24

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The Federal Reserve Bank of Dallas

Texas Retail Outlook Survey

Texas retail sales fall, but at a slower rate than the previous month

"Retail sales declined in February, but at a considerably slower pace than last month, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, jumped from -28.6 to -5.3, indicating retail sales fell at a considerably slower rate than the previous month. Retailers' inventories grew over the month, with the February index at 18.9.

Retail labor market indicators reflected employment growth but shorter workweeks in February. The employment index increased from -8.4 to 2.4, and the part-time employment index moved up nine points to 4.5. The hours worked index increased from -16.9 to -4.6.

Retailers continued to perceive a worsening of broader business conditions in February, but pessimism waned. The general business activity index increased from -25.4 to -18.0, while the company outlook index moved up 13 points to -5.0. The outlook uncertainty index fell six points to 9.5.

Input price and selling price pressure eased while wage pressure increased slightly in February. The input price index fell 11 points to 22.3 while the selling price index fell from 8.5 to 3.8, its lowest level since mid-2020. The wages and benefits index ticked up four points to 12.9.

Expectations for future retail growth were mixed in February. The future general business activity index increased from -9.3 to -0.9. The near-zero reading suggests little change in perceptions about broader business conditions from last month. The future sales index fell ten points but remained in positive territory at 8.7. Other indexes of future retail activity such as employment and capital expenditures were positive, reflecting expectations for continued retail sales growth in the next six months." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 2/27/24

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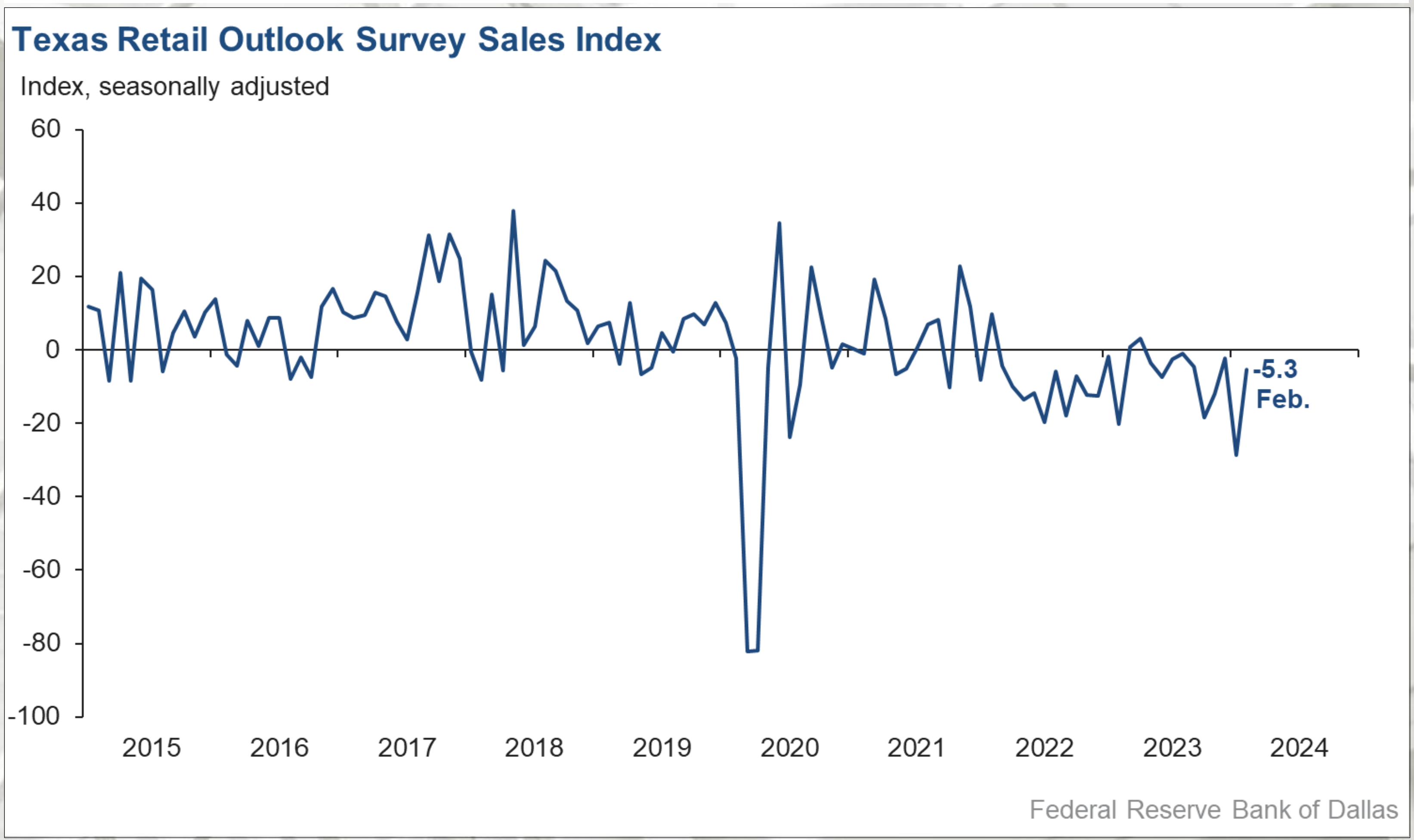
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys; 2/27/24

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Declined Slightly in February

Regional factory activity fell slightly in February, and expectations for future activity were not as high as last month. Production and new orders were essentially flat, but the volume of shipments and employment picked up.

Factory Activity Declined Slightly

"Tenth District manufacturing activity declined slightly in February, and expectations for future activity moderated but remained slightly positive. Price growth for raw materials slowed somewhat this month and finished product prices also eased, although future increases are expected. On a year-over-year basis, both price indexes increased at similar paces (Chart 1).

The month-over-month composite index was -4 in February, up from -9 in January and down from -1 in December. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Activity for nondurable goods fell, while activity rose slightly for durable goods, with nonmetallic minerals, electrical equipment, and transportation equipment manufacturing driving the increases from last month." – 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; 2/29/24

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Factory Activity Declined Slightly

“The production and new orders indexes improved considerably, while the volume of shipments index grew to 6 and the employment index increased to 8. However, Inventories of raw materials and finished goods, as well as supplier delivery times, declined further this month. The year-over-year index for factory activity increased to -8 from -12. Production, new orders, shipments, and backlogs remained negative but the indexes rose slightly from last month’s readings. Year-over-year capital expenditures declined slightly for the first time since January 2021. The future composite index fell to 2 from 11 in February, as expectations for growth in production, shipments, and new orders slowed. Despite this, firms expect employment to increase even further.

Special Questions

This month contacts were asked special questions about expectations price pressures and profit margins. Changes in firms’ profit margins have been mixed over the past 3 months. 37% of firms reported their margins have decreased slightly while a third reported no change, 30% reported a slight increase, and 11% (1%) reported a significant decrease (increase). Expectations for the year ahead are also mixed, with 30% of firms anticipating a slight increase, 29% a slight decrease, 28% no change, and around 6-7% each reporting a significant increase or significant decrease. Most firms reported they are passing through higher costs to customers to maintain their margins, while a third are also reducing worker hours or overtime and over a quarter are changing supplier relationships to reduce input prices. Additionally, 17% of firms are curtailing production and 7% are laying off workers, while another 17% have not implemented any of the above strategies to maintain margins.” – 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; 2/29/24

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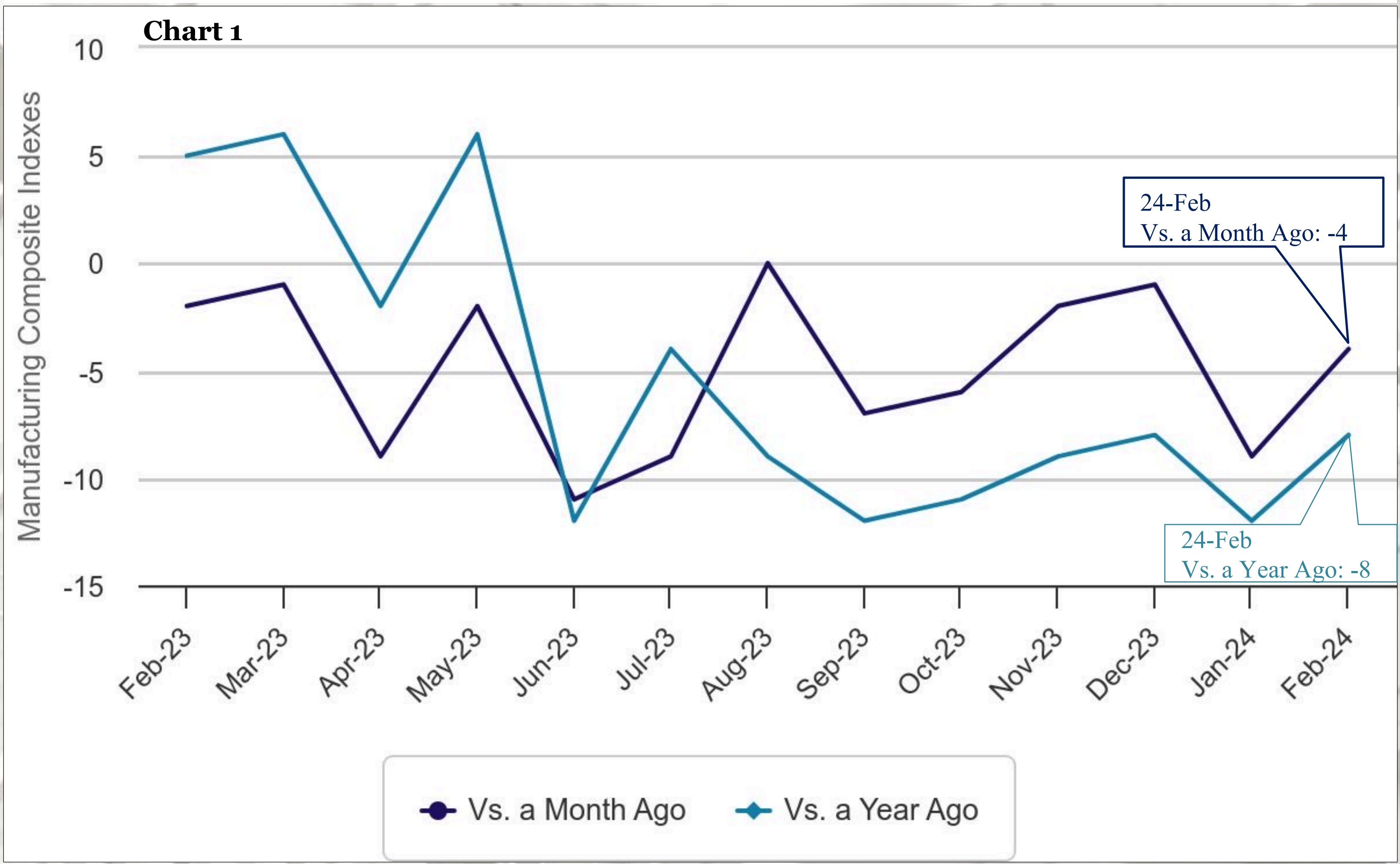
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 2/29/24

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Activity Grew Moderately in February

District services activity increased moderately in February, and expectations for future activity declined slightly. Firms' sales increased substantially last month, while employment levels held steady.

Business Activity Grew Moderately

"Tenth District services activity grew moderately in February, and expectations for the next six months declined slightly (Chart 1). Input price growth continued to far outpace increases in selling prices, and this trend is expected to continue in future months.

The month-over-month services composite index was 12 in February, up from -2 in January and -7 in December. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The increase was driven primarily by growth in wholesale, retail, and transportation. Most month-over-month indexes were positive and increased from previous readings. General revenue/sales jumped from -2 to 12 and inventories ticked up from 7 to 11. Employment levels were flat, while employee hours increased and wages and benefits remained expansionary. The year-over-year composite index declined from -7 to -11, as revenues fell further. Capital expenditures expanded modestly and access to credit continued to decrease. Expectations for services activity declined to -3 from 3, as firms anticipate revenues to decrease somewhat and employment to grow slightly." – 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; 3/1/24

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Business Activity Grew Moderately

Special Questions

"This month contacts were asked special questions about price pressures and profit margins. Profit margins decreased over the past 3-months for a narrow majority of services firms. 38% of firms reported their margins have decreased slightly while 22% reported a slight increase, 20% reported a slight decrease, and another 20% reported a significant decrease. Expectations for the year ahead are more mixed, with a third of firms anticipating a slight increase, 29% a slight decrease, 21% no change, 15% a significant decrease, and 2% a significant increase. About half of firms reported they are passing through higher costs to customers to maintain their margins, while 40% are also reducing worker hours or overtime and 29% are changing supplier relationships to reduce input prices. Additionally, 11% of firms each are curtailing production or laying off workers, while another 22% have not implemented any of the above strategies to maintain margins." – 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; 3/1/24

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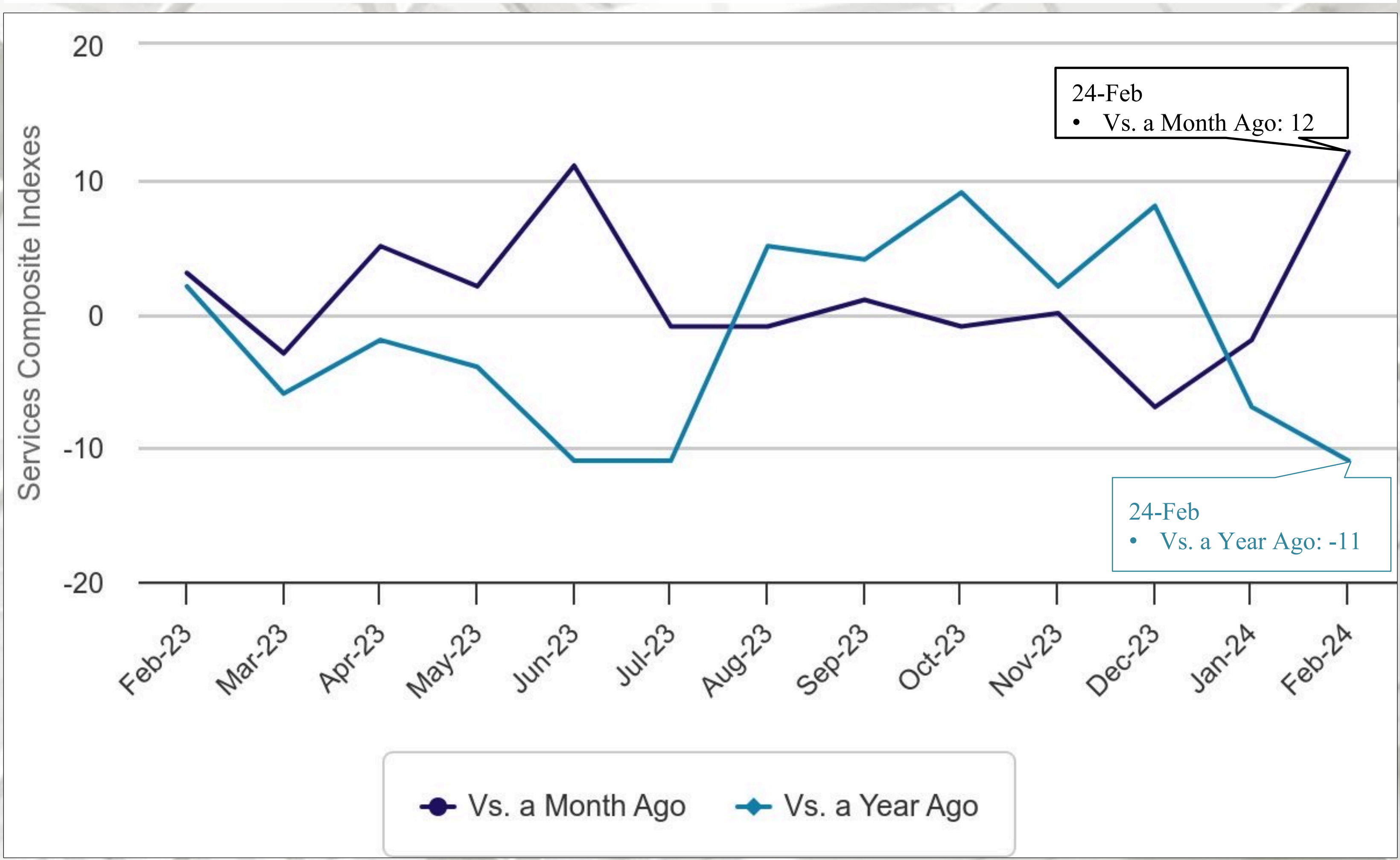
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 3/1/24

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The Federal Reserve Bank of New York

March 2024 Manufacturing Survey

Activity Continues To Shrink

“Business activity continued to decline in New York State, according to firms responding to the March 2024 *Empire State Manufacturing Survey*. The headline general business conditions index fell nineteen points to -20.9. Demand softened as new orders declined significantly, and shipments were lower. Unfilled orders continued to shrink, and delivery times were little changed. Inventories declined. Labor market indicators weakened, as employment and hours worked both decreased. The pace of input price increases moderated somewhat, while the pace of selling price increases held steady. Firms expect conditions to improve over the next six months, though optimism remained subdued.

Manufacturing activity contracted in New York State, according to the March survey. The general business conditions index fell nineteen points to -20.9. The new orders index fell eleven points to -17.2, and the shipments index moved down ten points to -6.9, pointing to a decline in orders and shipments. The unfilled orders index held steady at -10.9, a sign that unfilled orders continued to fall. The inventories index was little changed at -12.9, suggesting that inventories were lower, and the delivery times index came in at -1.0, indicating that delivery times held steady.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 3/15/24

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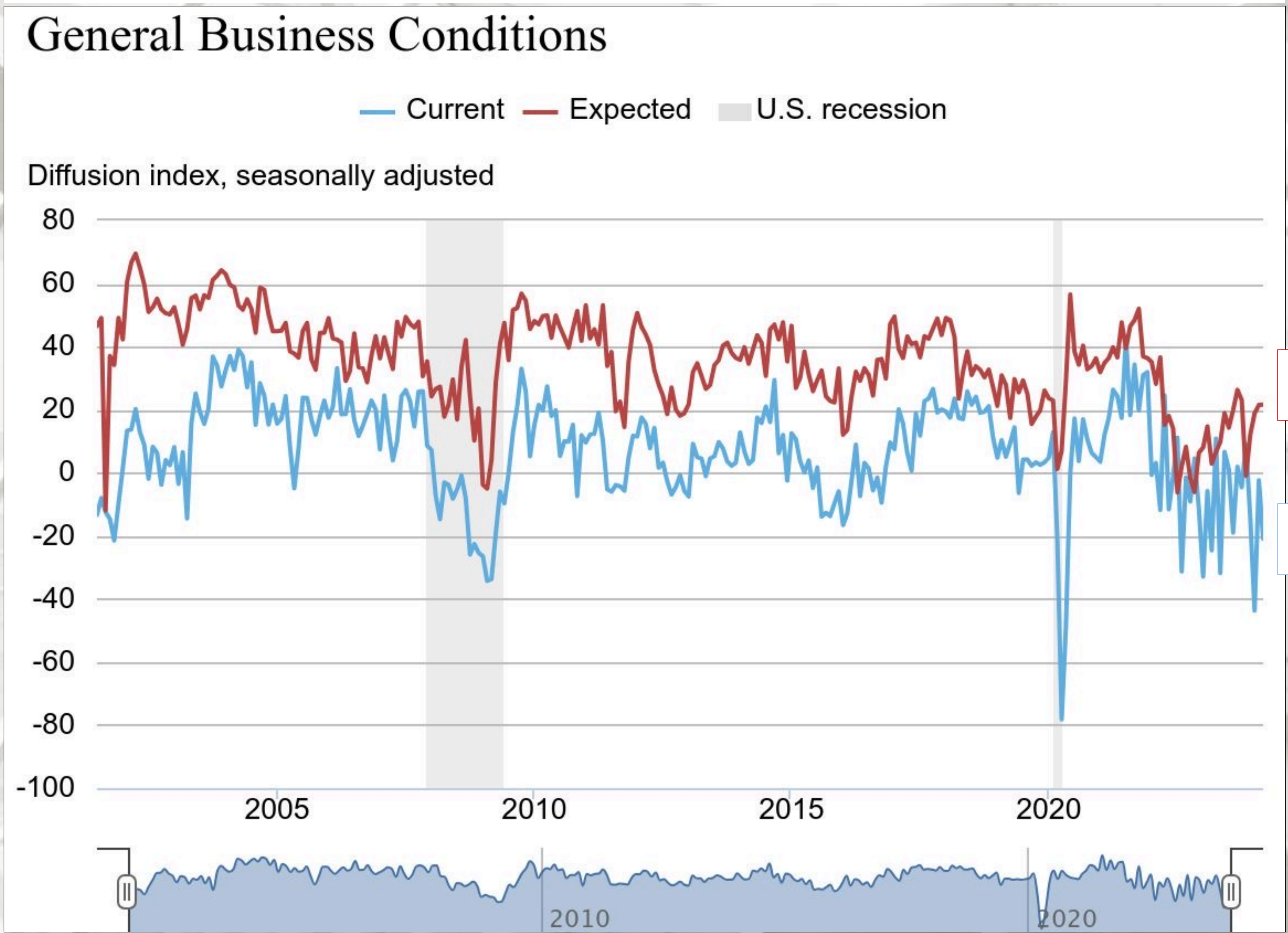
The Federal Reserve Bank of New York



Mar 2024
21.6

Mar 2024
-20.9

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 3/15/24

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The Federal Reserve Bank of New York

March 2024 Manufacturing Survey

Activity Continues To Shrink

Labor Market Indicators Weaken

"The index for number of employees fell seven points to -7.1, and the average workweek index fell six points to -10.4, pointing to a modest decline in employment levels and hours worked. The prices paid index edged down four points to 28.7, indicating that input price increases slowed, and the prices received index was unchanged at 17.8.

Optimism Remains Muted

Firms expect conditions to improve over the next six months, though optimism continued to be subdued. The index for future business conditions held steady at 21.6. The capital spending index was little changed at 11.9, suggesting capital spending plans remained somewhat soft." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 3/15/24

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The Federal Reserve Bank of New York

March 2024 Empire State Business Leaders Survey (Services)

Activity Steadies

"Activity held steady in the region's service sector, according to firms responding to the Federal Reserve Bank of New York's March 2024 *Business Leaders Survey*. The survey's headline business activity index climbed eight points to 0.6, its highest level in several months. The business climate index was little changed at -26.4, suggesting the business climate remains worse than normal. Employment held steady, and wage increases moderated to a small degree. Input and selling price increases picked up somewhat. Capital spending was flat. Looking ahead, firms remained moderately optimistic about future conditions, with the business climate expected to be better than normal in six months.

After declining for the prior six months, business activity stabilized in the New York-Northern New Jersey region, according to the March survey. The headline business activity index climbed eight points to 0.6. Thirty percent of respondents reported that conditions improved over the month and 30 percent said that conditions worsened. The business climate index edged down two points to -26.4, suggesting that the business climate remains worse than normal." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 3/18/24

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The Federal Reserve Bank of New York

March Empire State Manufacturing Survey (Services)

Employment Flat

“The employment index held at a level of around zero, signaling that employment levels held steady. The wages index edged down three points to 43.8, indicating wage increases moderated slightly. The prices paid index rose five points to 55.1 and the prices received index climbed three points to 27.8, with the two upticks pointing to a modest pickup in the pace of input and selling price increases. The capital spending index fell to -0.6.

Conditions Expected To Improve

The index for future business activity was little changed at 29.8, and the index for the future business climate held steady at 13.6, suggesting that firms were fairly optimistic about future conditions. Employment is expected to increase modestly in the months ahead.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 3/18/24

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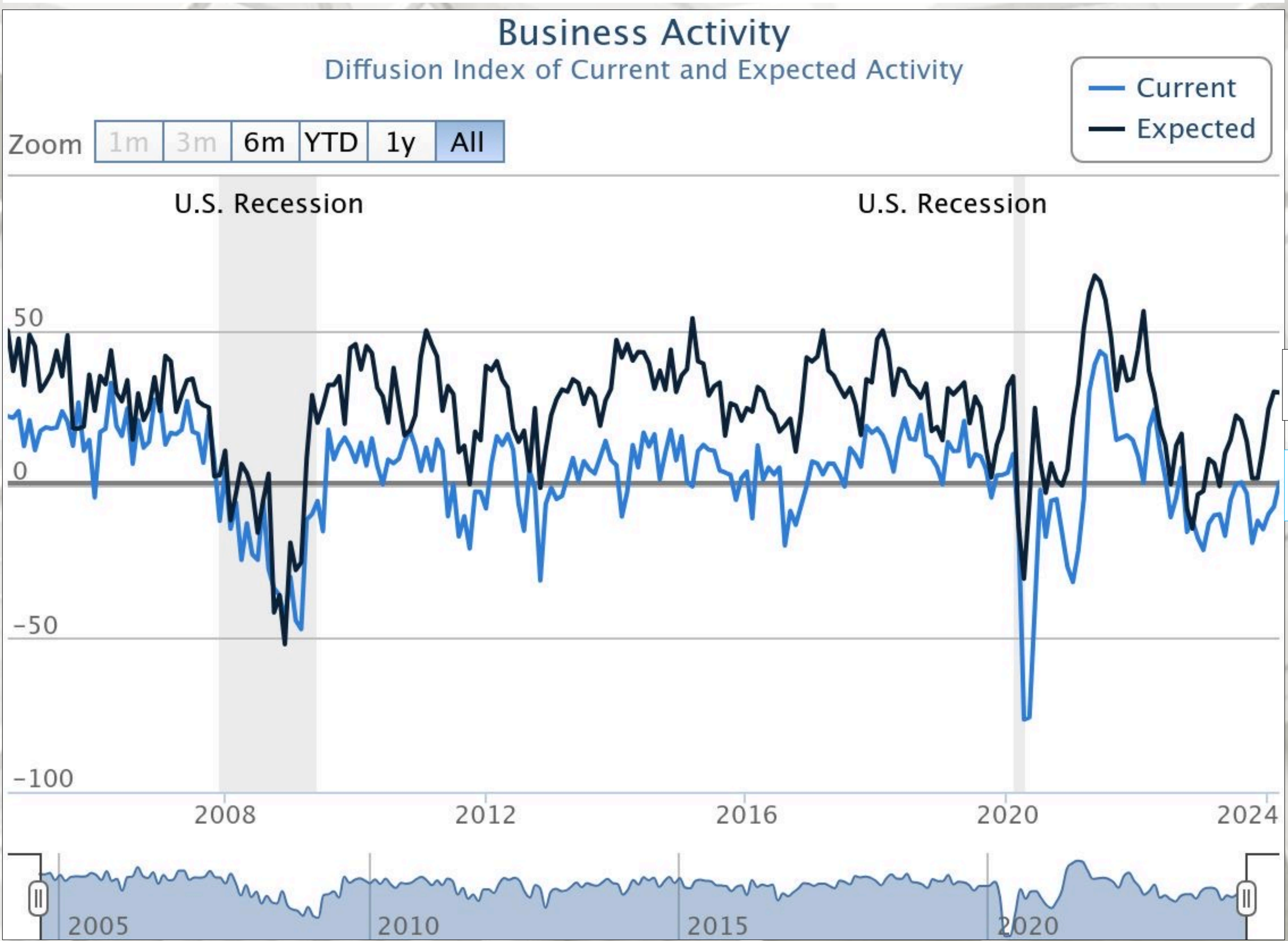
The Federal Reserve Bank of New York



Mar 2024
29.8

Mar 2024
-0.6

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 3/18/24

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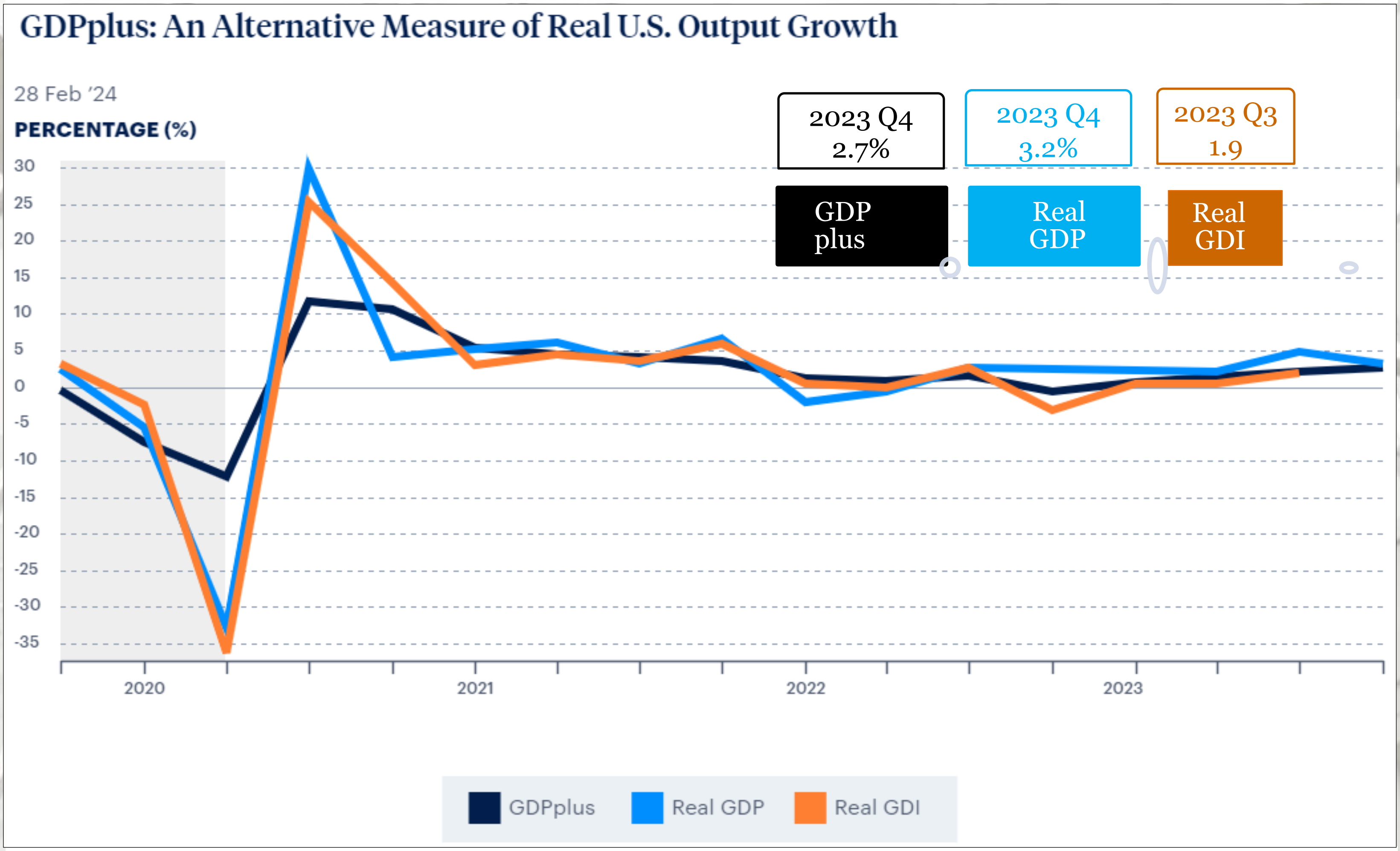
The Federal Reserve Bank of Philadelphia: GDPplus



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; 2/28/24

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The Federal Reserve Bank of Richmond

February 2024 Fifth District Survey of Manufacturing Activity

Manufacturing Activity Was Flat in February

“Fifth District manufacturing activity was flat in February, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index increased from −15 in January to −5 in February. Of its three component indexes, shipments remained solidly negative at −15, new orders increased from −16 to −5, and employment rose notably, from −15 to 7.

Firms were slightly more optimistic about local business conditions, as the index increased to 1. The index for future local business conditions edged up from 0 in January to 3 in February.

Most firms continued to report declining backlogs as the index remained negative. The vendor lead time index increased from −3 to 4 in February. The capacity utilization index rebounded notably from last month, increasing from −27 to −4 in February.

The average growth rate of prices paid decreased in February, while the average growth rate of prices received was nearly unchanged. Firms expect both growth rates to moderate over the next 12 months.” – Jason Kosakow, Research Department, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 2/27/24

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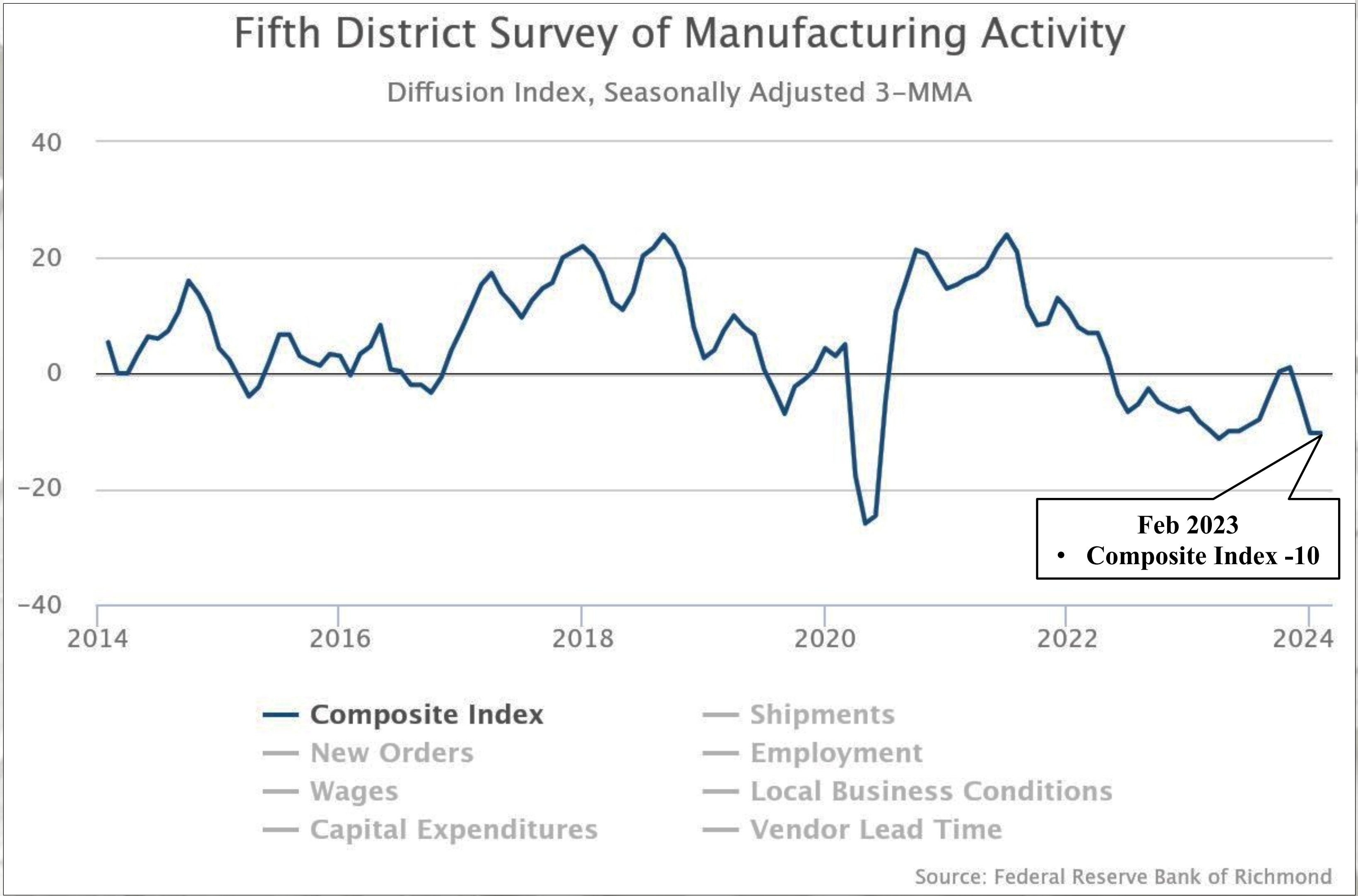
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 2/27/24

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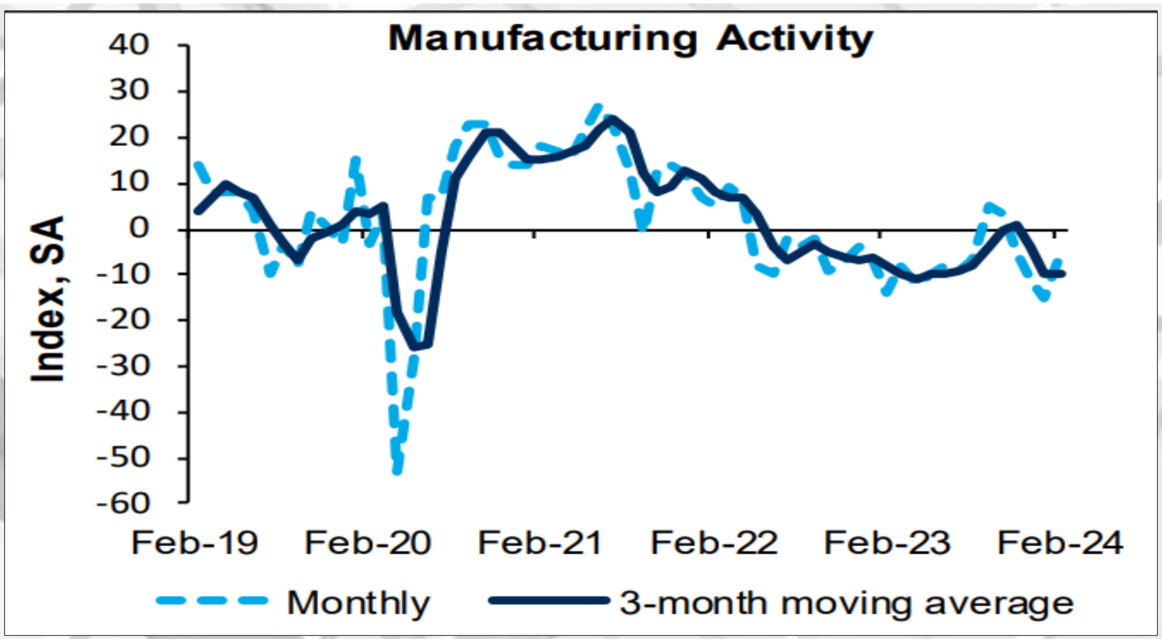
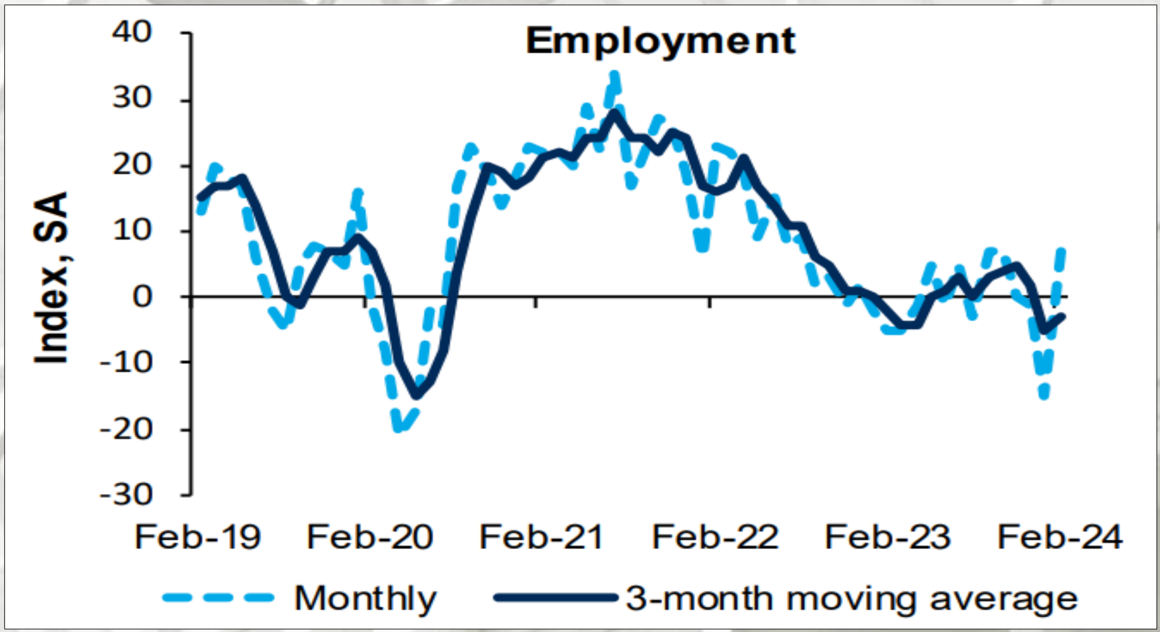
The Federal Reserve Bank of Richmond





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 2/27/24

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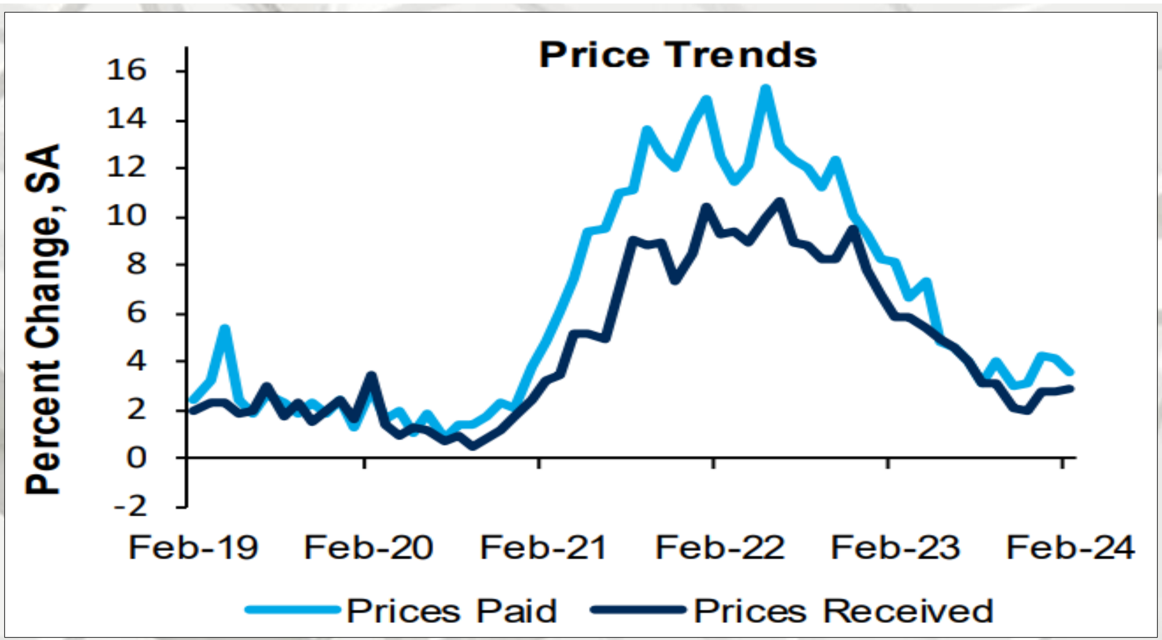
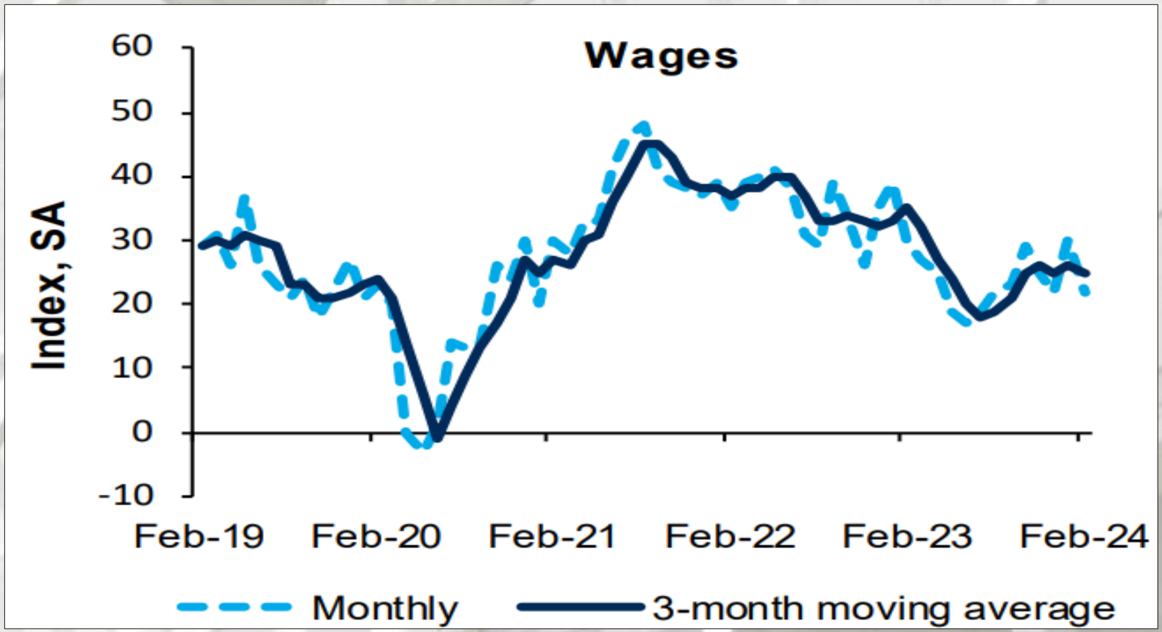
The Federal Reserve Bank of Richmond





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 2/27/24

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The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Service Sector Activity Slowed in February

“Fifth District service sector activity slowed in February, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues index decreased notably from 4 to −16, while the demand index decreased from 5 in January to 0 in February. However, the indexes for future revenues and demand both increased and remained firmly in positive territory.

Firms' optimism about local business conditions fell slightly, as that index edged down from −3 in January to −7 in February. The index for expected local business conditions, however, increased slightly into positive territory in February.

The employment index edged up from 3 in January to 4 in February, while firms continued to report wage increases and little change in their ability to find workers with the necessary skills. Over the next six months, many firms expected to continue hiring and anticipated little improvement in their ability to find workers with the necessary skills. Most firms plan to continue wage increases.

The average growth in prices paid inched up very slightly in February, while growth in prices received decreased slightly. 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; 2/27/24

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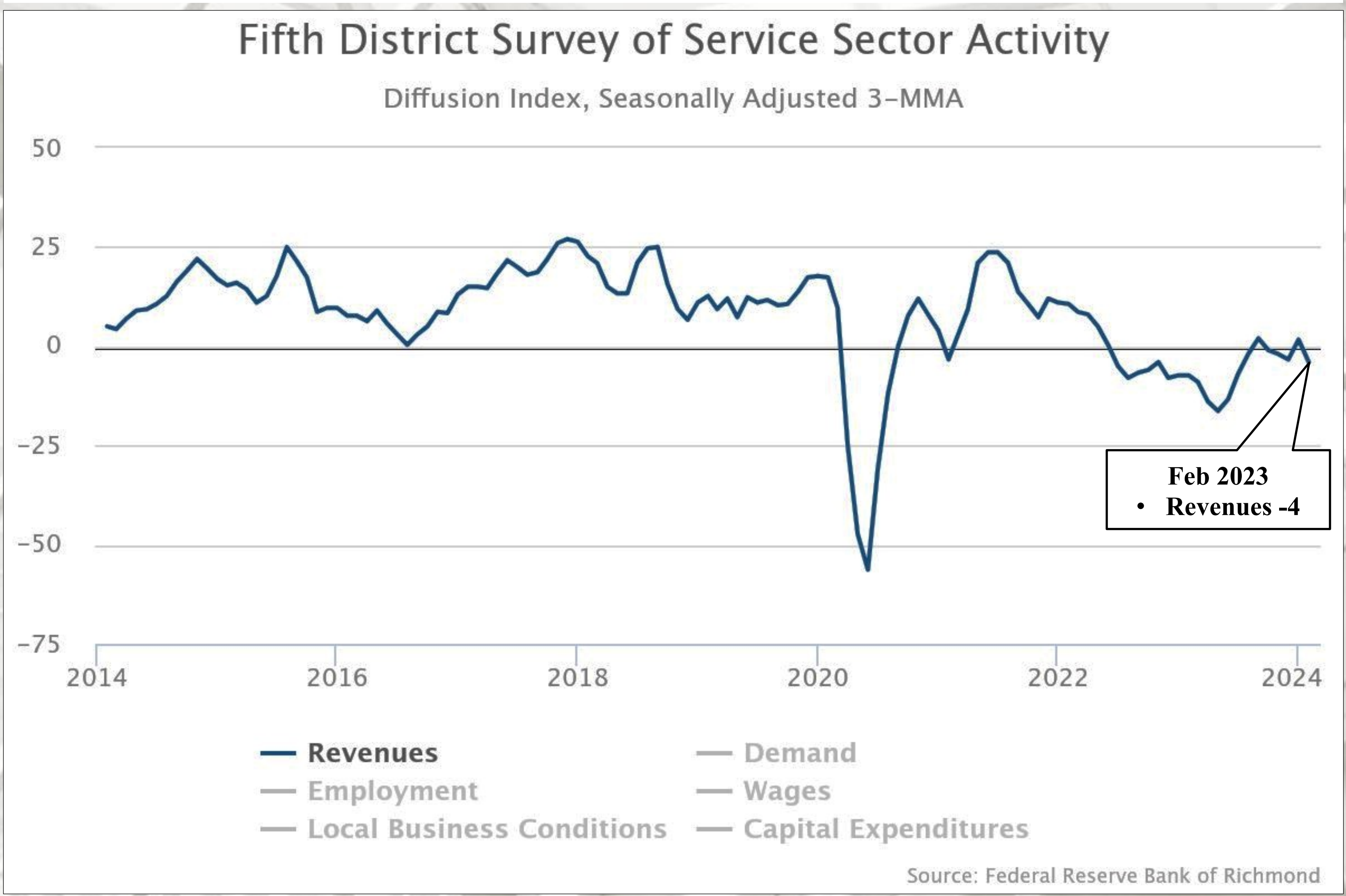
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 2/27/24

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The Federal Reserve Bank of San Francisco

FedViews: March 7, 2024

- "Recent developments continue to support a "soft landing" for the economy, which means inflation returning to the Federal Reserve's longer-run goal of 2% without triggering a recession. The labor market remains robust with the January 2024 unemployment rate holding steady at 3.7%, and nonfarm payroll employment rising by 353,000 jobs. Real GDP grew at a solid pace of 3.2% in the fourth quarter of 2023. Given the current restrictive stance of monetary policy, we expect real GDP growth to slow towards our 1.7% estimate of trend growth over the forecast horizon.
- From March 2022 through July 2023, the Federal Open Market Committee (FOMC) increased the federal funds rate eleven times in response to elevated inflation. Since July 2023, the federal funds rate has remained between 5.25 and 5.5%. This level of the funds rate is well above our 2.75% estimate of the neutral rate and is expected to restrain economic activity and bring about a gradual decline of inflation towards 2%.
- Market participants have adjusted their expectations of the federal funds rate path in response to recent inflation developments. The expected path shifted upward after the February 13 release of the Consumer Price Index (CPI) data for January 2024 and has changed little since then. The upward shift implies that market participants now expect monetary policy to remain somewhat more restrictive during 2024.
- After peaking in June 2022 at 7.1%, the 12-month change in the headline personal consumption expenditures (PCE) price index declined to 2.4% in January 2024. Much of this decline can be attributed to lower inflation contributions coming from the food, energy, and core goods categories. In contrast, the inflation contributions coming from housing and other core services categories remain above pre-pandemic levels." – Brigitte Roth Tran, Senior Economist, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/research-and-insights/publications/fedviews/2024/03/fedviews-march-7-2024; 3/7/24

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The Federal Reserve Bank of San Francisco

FedViews: March 7, 2024

- "The housing category of PCE inflation reflects changes in average rents for the entire stock of housing units in the economy. In contrast, the Zillow Observed Rent Index measures the asking rents that landlords are currently seeking for new leases of rental units. In an environment where asking rents are rising, average rents for the entire housing stock take some time to fully reflect such changes. This occurs because rents for existing leases are generally fixed for the duration of each lease. Thus, it is not until existing tenants move or renew their leases that they typically face rent increases that ultimately drive up average rents.
- The Zillow index shows that asking rents climbed rapidly from early 2021 through the first half of 2022 but have since slowed to a more moderate pace. The PCE housing inflation component is likely to remain above its pre-pandemic level for some time as the measure for average rents adjusts to catch up with higher asking rents.
- The vacancy rate for the entire stock of rental units in the United States was 6.6% in the fourth quarter of 2023. This vacancy rate is well below the average rate observed in the 25 years prior to 2020. A low vacancy rate indicates that rental markets are tight as units that open up are leased quickly. A low supply of available rental units puts upward pressure on asking rents. This is another reason that the housing category of PCE inflation may remain elevated for some time. Unlike some other sectors of the U.S. economy where supply can often ramp up quickly in response to increased demand, housing supply is relatively inelastic because construction of new units from start to finish can take years." – Brigitte Roth Tran, Senior Economist, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/research-and-insights/publications/fedviews/2024/03/fedviews-march-7-2024; 3/7/24

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The Federal Reserve Bank of San Francisco

FedViews: March 7, 2024

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- The sluggish response of housing supply to rising demand can be seen in the large post-Great Recession shortfall of new housing starts relative to the historical average. Part of the reason for this shortfall was the substantial overbuilding that took place during the housing bubble years of the mid-2000s, when starts reached a peak rate of over 2 million units annually in early 2006. After declining for several years, starts began a slow recovery but did not return to the historical average rate of about 1.5 million units annually until 2019. The cumulative shortfall in new housing starts since the end of the Great Recession now outweighs the entire surplus of starts during the housing bubble years." – Brigitte Roth Tran, Senior Economist, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/research-and-insights/publications/fedviews/2024/03/fedviews-march-7-2024; 3/7/24

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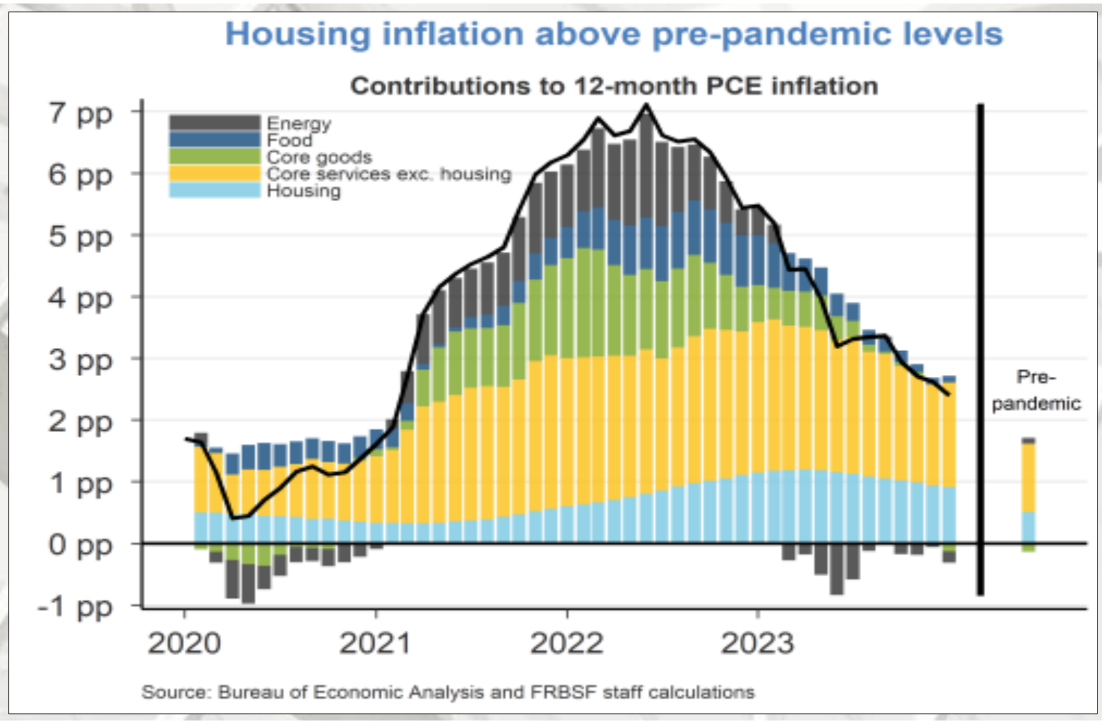
The Federal Reserve Bank of San Francisco



FedViews: March 7, 2024

- "The shortfall in new housing starts is likely due to a number of contributing factors. These include the limited availability of developable land where demand is strongest and the high cost of construction materials like lumber. Another contributor may be the limited supply of construction workers. The job vacancy rate in the construction sector was 5.5% in December 2023, which is close to its historical high. These data suggest that builders are facing difficulties finding and hiring the qualified workers needed to expand production. The construction sector's labor situation may be slow to resolve because many construction tasks require specialized skills that can take a long time to acquire." – Brigitte Roth Tran, Senior Economist, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/research-and-insights/publications/fedviews/2024/03/fedviews-march-7-2024; 3/7/24

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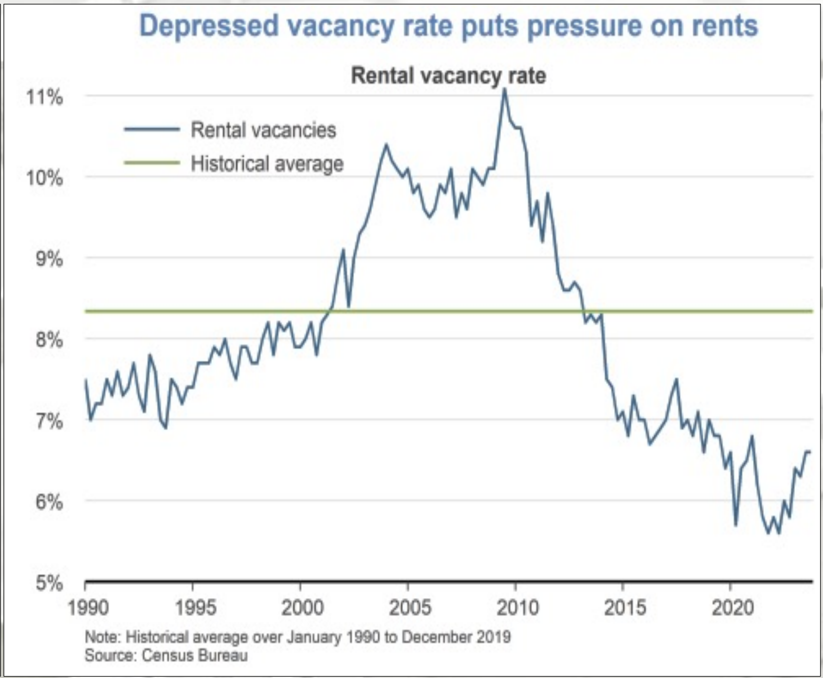

Source: https://www.frbsf.org/research-and-insights/publications/fedviews/2024/03/fedviews-march-7-2024; 3/7/24

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The Federal Reserve Bank of San Francisco

Note: Historical average over January 1959 to December 2000. Shaded area denotes NBER recession dates
Source: Census Bureau, Department of Housing and Urban Development

Note: Shaded area denotes NBER recession dates
Source: Bureau of Labor Statistics, FRBSF staff calculations

Source: https://www.frbsf.org/research-and-insights/publications/fedviews/2024/03/fedviews-march-7-2024; 3/7/24

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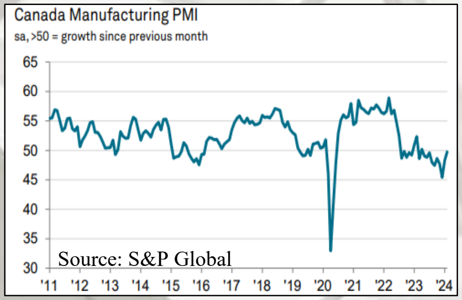
Private Indicators: Global



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, remained below the crucial 50.0 no-change mark in February. It was the tenth successive month that a deterioration in operating conditions has been recorded. However, by rising to 49.7, from 48.3 in January, the index signalled only a marginal decline that was the slowest in the current sequence.

Manufacturing sector close to stabilising in February

"Canada's manufacturing downturn slowed in February. Both output and new orders fell only slightly, and employment rose as firms remained confident in the outlook. That said, there were further cuts to purchasing and inventories. Price trends meanwhile showed an accelerated rate of cost inflation. Output charges rose in response, but at the slowest pace since June 2023.

The relative improvement in the PMI reflected slower falls in both output and new orders. Production was only down slightly, and the decline in orders modest. That said, there remained many reports that client demand was subdued, characterised by hesitant decision-making and a reluctance to commit to new contracts. This was especially the case for international demand, where sales declined for a sixth month running. …

Canada's manufacturing PMI moved closer to the crucial break-even 50.0 mark during February amid slower falls in both output and new orders. Although continuing to decline, reflective of some ongoing client hesitancy, rates of contraction were small in the context of recent months and reflect a steady underlying improvement in global market conditions. Moreover, firms expressed their optimism about the future by adding to their staffing levels for the first time in three months. This in part may be the result of relative price stability; although costs continued to rise in February, the net increase was broadly in line with the trend seen over the past half-year or so. Still, margins remain under a little pressure, with factory gate prices continuing to rise only modestly and at a slower pace than costs." – Paul Smith, Economics Director, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/bbc376a70aa8418a80f3f57d8538adaa; 3/1/24

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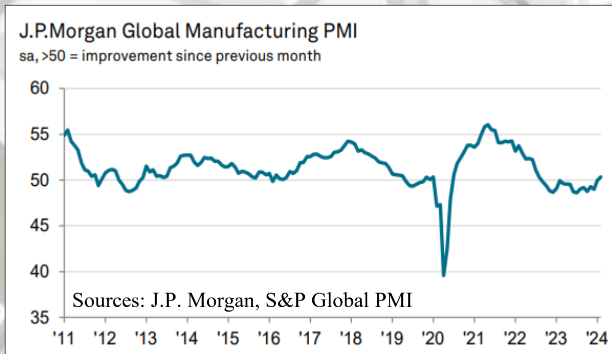
Private Indicators: Global



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 50.3 in February, up from 50.0 in January, its first reading above the neutral 50.0 mark in 18 months (since August 2022). Three of the five PMI subindices signalled growth (new orders, output and stocks of purchases).

Production posts back-to-back expansions as new order intakes return to growth

"February saw global manufacturing show signs of renewed vigour. Output expanded for the second successive month, supported by the first increase in new order intakes since June 2022. The outlook remained broadly positive overall, with optimism regarding the year ahead staying close to January's nine-month high. Although the rate of expansion in output remained only mild in February, it was still the second-fastest during the past 20 months (beaten only by May 2023 during that sequence). All three of the sub-sectors covered by the survey saw output increase. …

The increase in global manufacturing production was supported by growth in new business intakes and efforts to complete backlogs of work. Total new orders rose for the first time in 20 months, albeit only marginally. Although the downturn in new export orders continued – international trade volumes have fallen throughout the past two years – the rate of decline eased to its weakest since June 2022. …

The February PMI survey saw the rebound in global manufacturing gather pace. The output PMI advanced by 0.9 pts to its highest level since May 2023. The new orders index also rose above the 50-mark for the first time in 20 months. An improving orders-to-inventory ratio and upward momentum in both new export business and employment all suggest the underlying dynamics of the manufacturing sector are also moving in the right direction. Supply chain stresses seem to have faded somewhat, at least on aggregate." – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4bb2843d8c8b4de0ba782f834b5f391e; 3/1/24

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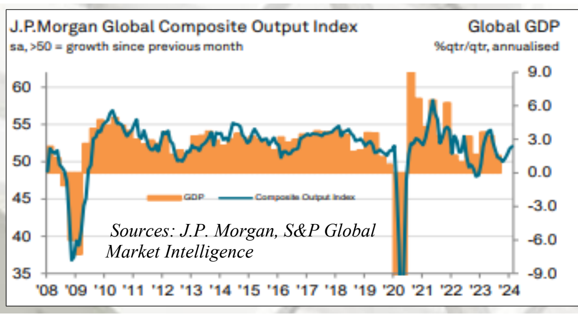
Private Indicators: Global



J.P. Morgan Global Composite PMI™

"The J.P. Morgan Global Composite Output Index – produced by J.P. Morgan and S&P Global in association with ISM and IFPSM – posted 52.1 in February, up from, 51.8 in January and its highest level since June 2023.

Global economic growth accelerates to eight-month high in February

February saw the upturn in global economic activity gather momentum. Output rose for the fourth successive month, with the rate of growth accelerating through that sequence to reach an eight-month high. The latest expansion was underpinned by improved intakes of new business and efforts to complete backlogs of work.

Growth was registered in both the manufacturing and services sectors during February, with rates of increase hitting nine- and seven-month highs respectively. There were also signs of the upturn broadening, with all six of the sub-sectors covered by the survey (business services, consumer goods, consumer services, financial services, intermediate goods and investment goods) seeing output rise concurrently for the first time since May 2023. The quickest growth was in the financial services category and the slowest at investment goods producers. …

The level of incoming new business rose for the fourth successive month in February. The rate of expansion was the fastest since last June, reflecting a further solid increase at service providers and the first gain in manufacturing new orders for 20 months. The trend in international trade volumes also moved closer to stabilising. Total new export orders fell only marginally and to the least marked extent during the current two-year sequence of decline. …

The latest expansion of business activity was supported by growth of new orders and a modest reduction in backlogs of work. New export business also increased for the second month in a row. The upturn at service providers led to job creation, with employment having now risen throughout the past three years. Input costs and output prices both increased. Business optimism dipped slightly to a three-month low." – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/61a6ae08fb1d4709803a52b29c36b514; 3/5/24

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Private Indicators
Associated Builders and Contractors

Construction Job Openings Remain Elevated at 413,000 in January

“The construction industry had 413,000 job openings on the last day of January, according to an Associated Builders and Contractors analysis of data from the U.S. Bureau of Labor Statistics’ Job Openings and Labor Turnover Survey. JOLTS defines a job opening as any unfilled position for which an employer is actively recruiting. Industry job openings decreased by 21,000 last month but are up by 120,000 from the same time last year.

“The number of construction industry job openings remained elevated in January,” said ABC Chief Economist Anirban Basu. “Yet there were signs of potential softening demand for construction workers. January saw the lowest rate of construction workers quitting and the highest rate of layoffs and discharges since March 2023. Fortunately, this likely reflects the temporary effects of frigid weather on the industry rather than any broader slowing of construction activity. A majority of contractors expect to increase their staffing levels over the next six months, according to ABC’s Construction Confidence Index, a sign that the demand for workers should remain strong through at least the first half of the year.”” – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/construction-job-openings-remain-elevated-at-413000-in-january-says-abc; 3/6/24

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Private Indicators
Associated Builders and Contractors

Construction Job Openings Remain Elevated at 413,000 in January

Construction Industry Job Openings and Labor Turnover Data: January 2024

	January 2024	December 2023	January 2023	1-Month Net Change	12-Month Net Change	12-Month % Change
Total						
Job openings	413,000	434,000	293,000	-21,000	120,000	41.0%
Hires	380,000	357,000	386,000	23,000	-6,000	-1.6%
Total separations	372,000	335,000	349,000	37,000	23,000	6.6%
Layoffs & discharges	210,000	173,000	151,000	37,000	59,000	39.1%
Quits	148,000	149,000	184,000	-1,000	-36,000	-19.6%
Other separations	13,000	13,000	14,000	0	-1,000	-7.1%
Rate						
Job openings	4.8%	5.1%	3.6%			
Hires	4.7%	4.4%	4.9%			
Total separations	4.6%	4.1%	4.4%			
Layoffs & discharges	2.6%	2.1%	1.9%			
Quits	1.8%	1.8%	2.3%			
Other separations	0.2%	0.2%	0.2%			

Source: U.S. Bureau of Labor Statistics

Source: https://www.abc.org/News-Media/News-Releases/construction-job-openings-remain-elevated-at-413000-in-january-says-abc; 3/6/24

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Private Indicators
Associated Builders and Contractors

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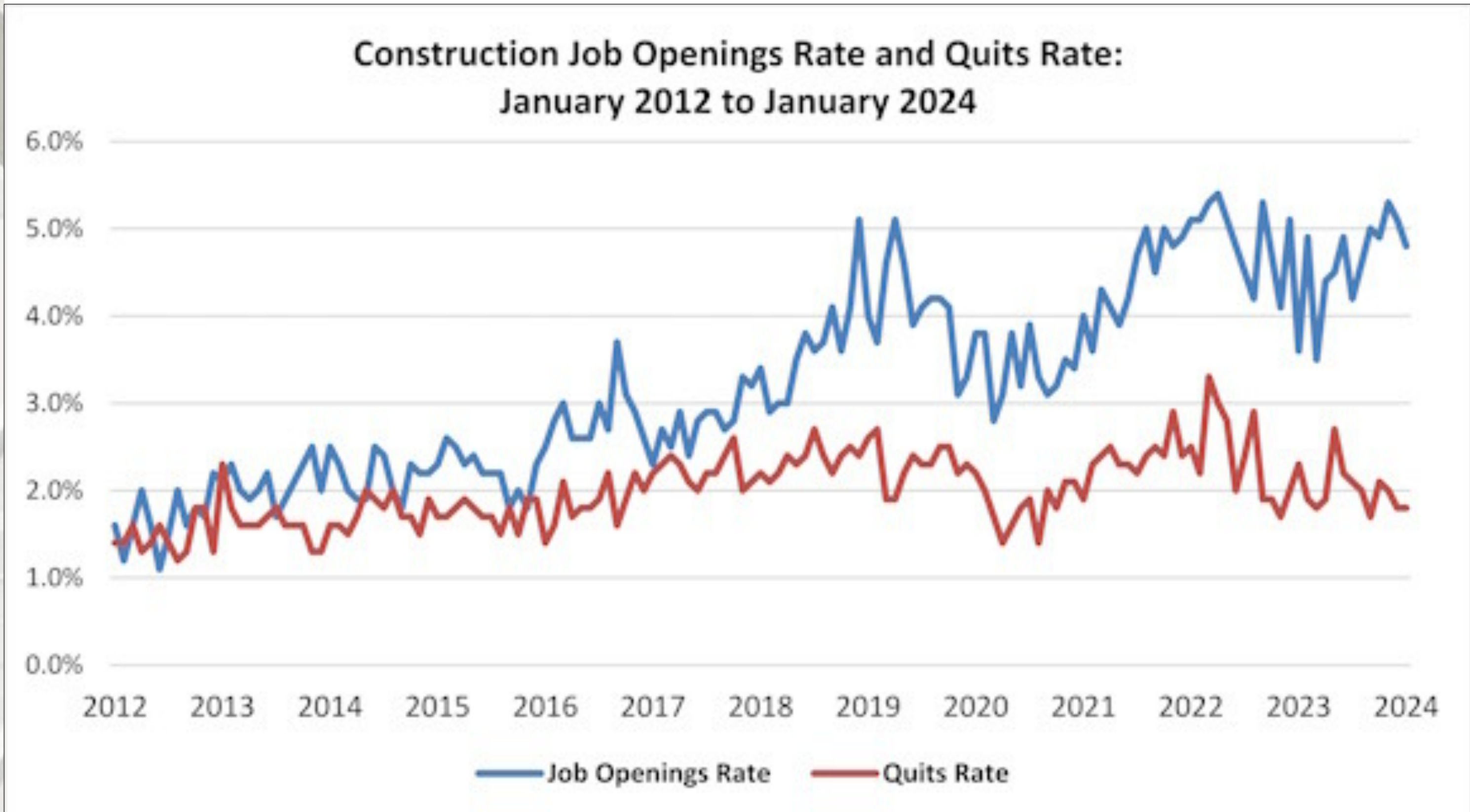

Source: U.S. Bureau of Labor Statistics

Source: https://www.abc.org/News-Media/News-Releases/construction-job-openings-remain-elevated-at-413000-in-january-says-abc; 3/6/24

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Private Indicators
Associated Builders and Contractors

Nonresidential Construction Employment Increased by 23,000 in February

"The construction industry added 23,000 jobs on net in February, 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 expanded by 215,000 jobs, an increase of 2.7%.

Nonresidential construction employment grew by 24,200 positions on net, with growth in all three subcategories. Heavy and civil engineering gained the most jobs, increasing by 12,500 positions. Nonresidential specialty trade and nonresidential building added 7,400 and 4,300 jobs, respectively. The construction unemployment rate rose to 7.0% in February. Unemployment across all industries increased from 3.7% in January to 3.9% last month.

"In February, we saw evidence that contractors continue to add workers, fulfilling expectations," said ABC Chief Economist Anirban Basu. "Employment growth happened in a variety of nonresidential subsegments, which is quite remarkable given headwinds such as high project financing costs, elevated construction service delivery costs and lingering recessionary fears.

"Though the February jobs report and the Construction Confidence Index data both indicate ongoing industry momentum, there remain reasons for concern," said Basu. "Contractors whose clients are project owners who rely on the availability of private financing have been reporting higher numbers of project delays. ABC's Construction Backlog Indicator declined last month, indicating that, while the industry continues to expand, a growing fraction of nonresidential contractors may be feeling the effects of a still-restrictive monetary environment."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/nonresidential-construction-employment-increased-by-23000-in-february-says-abc; 3/8/24

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Private Indicators
Associated Builders and Contractors

Nonresidential Construction Employment Increased by 23,000 in February

Construction Employment Statistics: February 2024

	February 2024	January 2024	February 2023	1-Month Net Change	12-Month Net Change	12-Month % Change
Employment						
Construction	8,162,000	8,139,000	7,947,000	23,000	215,000	2.7%
Nonresidential	4,830,900	4,806,700	4,672,400	24,200	158,500	3.4%
Nonresidential building	912,300	908,000	873,000	4,300	39,300	4.5%
Nonresidential specialty trade contractors	2,772,700	2,765,300	2,694,800	7,400	77,900	2.9%
Heavy & civil engineering	1,145,900	1,133,400	1,104,600	12,500	41,300	3.7%
Residential	3,330,900	3,332,100	3,274,100	-1,200	56,800	1.7%
Residential building	936,000	936,200	926,800	-200	9,200	1.0%
Residential specialty trade contractors	2,394,900	2,395,900	2,347,300	-1,000	47,600	2.0%
Average Hourly Earnings						
All private industries	$34.57	$34.52	$33.15	$0.05	$1.42	4.3%
Construction	$37.53	$37.56	$35.86	-$0.03	$1.67	4.7%
Average Weekly Hours						
All private industries	34.3	34.2	34.5	0.1	-0.2	-0.6%
Construction	38.9	38.5	39.0	0.4	-0.1	-0.3%
Unemployment Rate						
All private industries (SA)	3.9%	3.7%	3.6%	0.2pp	0.3pp	
Construction (NSA)	7.0%	6.9%	6.6%	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/nonresidential-construction-employment-increased-by-23000-in-february-says-abc; 3/8/24

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Private Indicators
Associated Builders and Contractors

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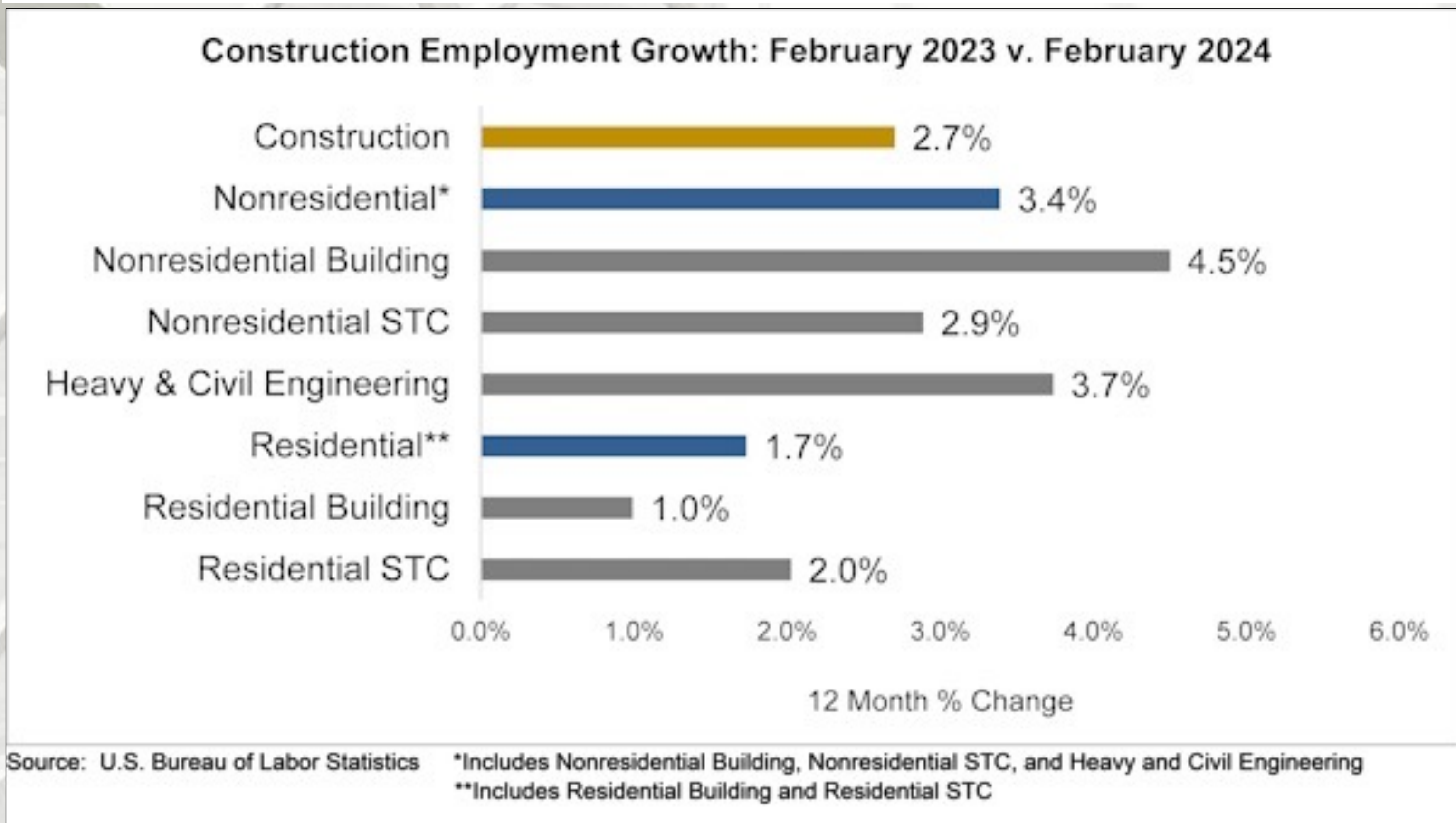

Source: https://www.abc.org/News-Media/News-Releases/nonresidential-construction-employment-increased-by-23000-in-february-says-abc; 3/8/24

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Down in February, Contractors Remain Confident

"Associated Builders and Contractors reported that its Construction Backlog Indicator declined to 8.1 months in February, according to an ABC member survey conducted Feb. 20 to March 5. The reading is down 1.1 months from February 2023.

Backlog fell for every size of contractor except for those with under $30 million in annual revenues in February. Over the past year, however, the largest contractors – those with greater than $50 million in revenues – have experienced the greatest decline in backlog.

ABC's Construction Confidence Index readings for sales, profit margins and staffing levels also decreased in February. However, all three readings remain above the threshold of 50, indicating expectations for growth over the next six months.

"Backlog is declining and confidence began to fade modestly in February," said ABC Chief Economist Anirban Basu. "While it is far too early to predict an industrywide downturn given that confidence readings continue to signal growth along sales, employment and profit margin dimensions, it appears that a rising tide of project cancellations and postponements has begun to make its mark.

"With excess inflation remaining stubbornly durable, at least according to certain measures, interest rates are poised to remain higher for longer," said Basu. "That gives higher borrowing costs more time to upset the economic momentum that has so surprised economists over the past two years and has provided support for various nonresidential construction activities. With so much federal money still entering the economy, there will continue to be support for growth in certain construction segments, including public works and manufacturing-related megaprojects, but industry weakness is more apparent in segments that rely more purely on private financing."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/abcs-construction-backlog-indicator-down-in-february-contractors-remain-confident; 3/12/24

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Private Indicators
Associated Builders and Contractors

Construction Backlog Indicator Down in February

Construction Backlog Indicator

	February 2024	January 2024	February 2023	1-Month Net Change	12-Month Net Change
Total	**8.1**	**8.4**	**9.2**	**-0.3**	**-1.1**
Industry					
Commercial and institutional	8.1	8.6	9.4	-0.5	-1.3
Heavy industrial	9.2	10.9	10.4	-1.7	-1.2
Infrastructure	9.4	7.3	10.0	2.1	-0.6
Region					
Middle States	7.3	7.2	8.3	0.1	-1.0
Northeast	7.4	8.7	8.8	-1.3	-1.4
South	9.9	11.4	11.0	-1.5	-1.1
West	7.9	5.3	8.7	2.6	-0.8
Company Size					
<$30 Million	7.5	7.2	8.2	0.3	-0.7
$30-$50 Million	8.4	9.2	8.8	-0.8	-0.4
$50-$100 Million	10.5	10.9	14.8	-0.4	-4.3
>$100 Million	10.3	13.0	12.4	-2.7	-2.1

Source: https://www.abc.org/News-Media/News-Releases/abcs-construction-backlog-indicator-down-in-february-contractors-remain-confident; 3/12/24

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Private Indicators
Associated Builders and Contractors

Construction Backlog Indicator Down in February

Construction Confidence Index

Response	February 2024	January 2024	February 2023
CCI Reading			
Sales	57.9	59.3	61.2
Profit margins	51.8	53.7	55.8
Staffing	59.8	63.5	62.8
Sales Expectations			
Up big	8.5%	5.5%	8.6%
Up small	41.5%	48.0%	50.7%
No change	27.1%	28.1%	20.4%
Down small	18.9%	15.0%	17.8%
Down big	4.0%	3.4%	2.6%
Profit Margin Expectations			
Up big	1.2%	3.1%	3.9%
Up small	30.8%	33.6%	37.5%
No change	44.5%	41.0%	38.8%
Down small	21.0%	19.6%	17.1%
Down big	2.4%	2.8%	2.6%
Staffing Level Expectations			
Up big	4.3%	5.8%	5.3%
Up small	43.6%	49.8%	49.3%
No change	41.2%	37.6%	37.5%
Down small	9.1%	6.1%	7.2%
Down big	1.8%	0.6%	0.7%

Source: https://www.abc.org/News-Media/News-Releases/abcs-construction-backlog-indicator-down-in-february-contractors-remain-confident; 3/12/24

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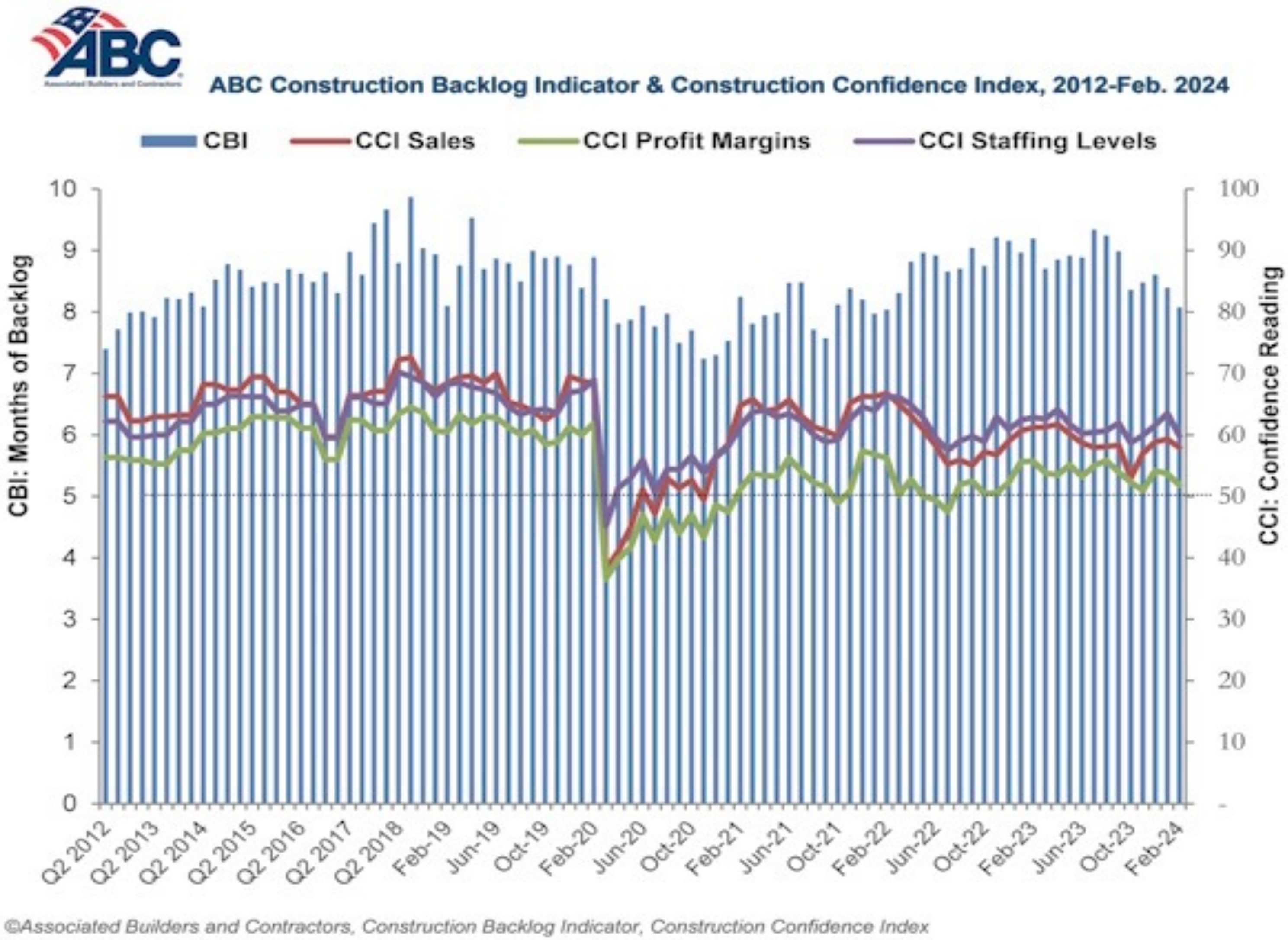
Private Indicators
Associated Builders and Contractors

Construction Backlog Indicator Down in February



Source: https://www.abc.org/News-Media/News-Releases/abcs-construction-backlog-indicator-down-in-february-contractors-remain-confident; 3/12/24

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Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Falls Sharply in January

"National nonresidential construction spending decreased 0.4% in January, according to an Associated Builders and Contractors analysis of data published by the U.S. Census Bureau. On a seasonally adjusted annualized basis, nonresidential spending totaled $1.190 trillion.

Spending was down on a monthly basis in 10 of the 16 nonresidential subcategories. Private nonresidential spending fell 0.1%, while public nonresidential construction spending was down 1.0% in January.

"Nonresidential construction spending fell sharply in January, ending a 19-month streak of monthly gains," said ABC Chief Economist Anirban Basu. "Some of this decrease is due to weather-related factors. That's especially true in infrastructure categories like highway and street and water supply, both of which exhibited steep declines in spending to start the year but should remain elevated through 2024.

"Construction spending in the manufacturing category, on the other hand, continued to surge in January," said Basu. "Manufacturing now accounts for nearly $1 of every $5 of nonresidential construction spending.

"Despite January's disappointing data, nonresidential construction spending is still up more than 17% over the past year," said Basu. "Given that year-over-year strength and the fact that a majority of contractors expect their sales to increase over the next six months, according to ABC's Construction Confidence Index, spending is likely to rebound over the coming months."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/abc-nonresidential-construction-spending-falls-sharply-in-january; 3/1/24

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Private Indicators
Associated Builders and Contractors

Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate	January 2024	December 2023	January 2023	1-Month % Change	12-Month % Change
Total Construction	$2,102,434	$2,105,791	$1,882,199	-0.2%	11.7%
Residential	$912,206	$910,225	$865,778	0.2%	5.4%
Nonresidential	$1,190,228	$1,195,566	$1,016,421	-0.4%	17.1%
Manufacturing	$224,947	$220,394	$164,649	2.1%	36.6%
Transportation	$65,341	$64,803	$62,518	0.8%	4.5%
Religious	$3,921	$3,895	$3,174	0.7%	23.5%
Communication	$25,473	$25,367	$24,609	0.4%	3.5%
Power	$134,476	$134,190	$115,869	0.2%	16.1%
Health care	$67,361	$67,378	$59,559	0.0%	13.1%
Office	$101,975	$102,105	$95,597	-0.1%	6.7%
Conservation and development	$11,823	$11,844	$11,121	-0.2%	6.3%
Lodging	$23,807	$23,957	$22,579	-0.6%	5.4%
Educational	$126,546	$127,618	$105,769	-0.8%	19.6%
Amusement and recreation	$34,507	$34,825	$29,616	-0.9%	16.5%
Sewage and waste disposal	$44,016	$44,515	$35,516	-1.1%	23.9%
Water supply	$29,226	$29,815	$23,923	-2.0%	22.2%
Highway and street	$151,080	$154,437	$123,802	-2.2%	22.0%
Public safety	$14,765	$15,211	$11,196	-2.9%	31.9%
Commercial	$130,964	$135,214	$126,925	-3.1%	3.2%
Private Nonresidential	$722,602	$723,183	$627,226	-0.1%	15.2%
Public Nonresidential	$467,626	$472,383	$389,195	-1.0%	20.2%

Source: U.S. Census Bureau

Source: https://www.abc.org/News-Media/News-Releases/abc-nonresidential-construction-spending-falls-sharply-in-january; 3/1/24

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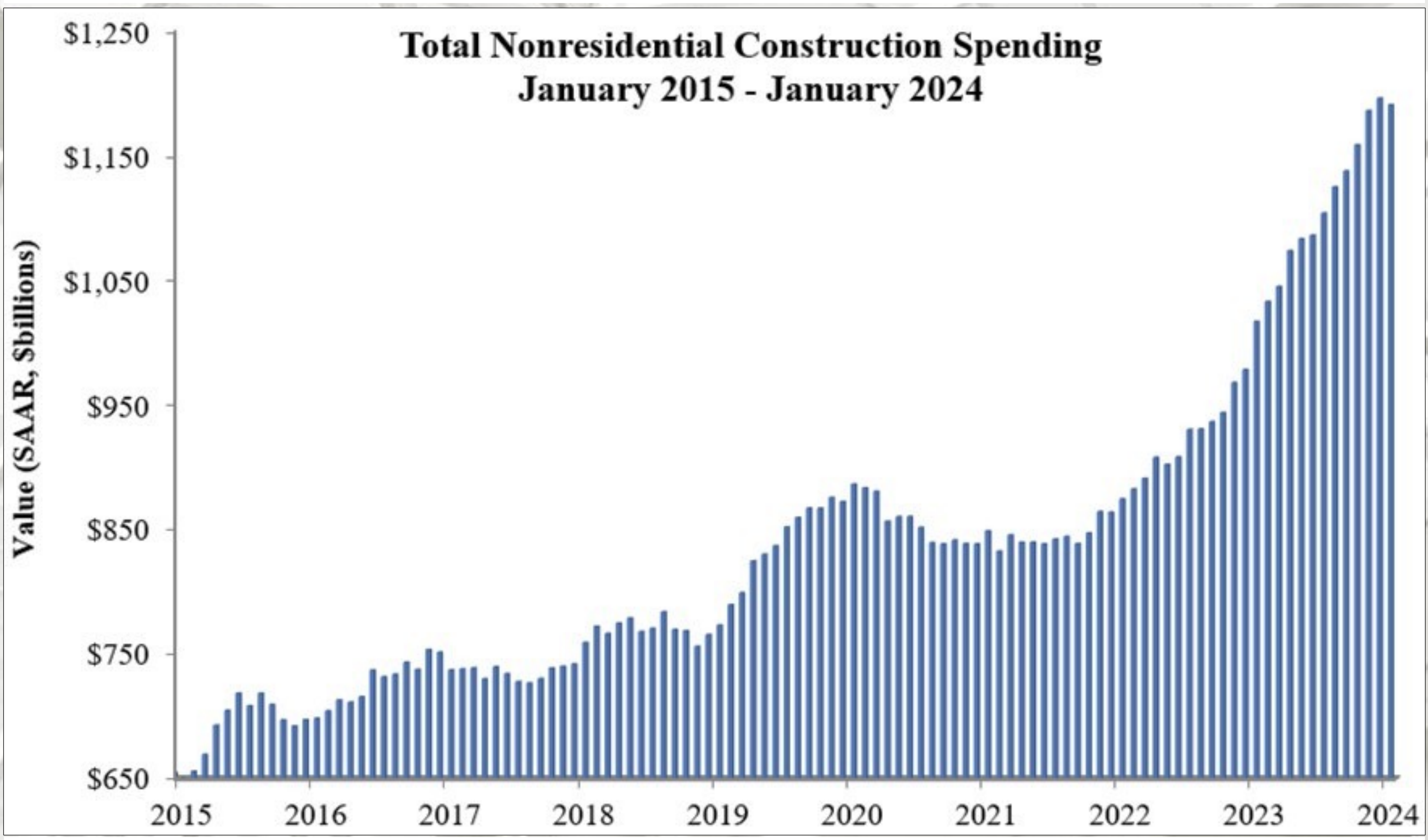
Private Indicators
Associated Builders and Contractors



Source: U.S. Census Bureau

Source: https://www.abc.org/News-Media/News-Releases/abc-nonresidential-construction-spending-falls-sharply-in-january; 3/1/24

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Private Indicators
American Institute of Architects (AIA) & Deltek

Architecture Billings Index January 2024

Business conditions remain soft at architecture firms to start the year

With business development becoming more challenging, more than one-third of firms report increased spending on marketing over the last year

"Architecture firm billings remained sluggish to start 2024, with an AIA/Deltek Architecture Billings Index (ABI) score of 46.2 in January (any score below 50 indicates a decline in billings). Billings at firms have declined for twelve straight months, as some of the scores from 2023 that initially showed modest growth were revised downward this month during the annual revision to the ABI data. This now marks the lengthiest period of declining billings since 2010–2011, although the pace of this decline is slower. However, inquiries into new projects continue to grow, while the value of newly signed design contracts remains generally flat. While neither of these are signs of immediate growth, they indicate that clients remain interested in new projects, they just are not yet prepared to commit to them." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

"This now marks the lengthiest period of declining billings since 2010, although it is reassuring that the pace of this decline is less rapid and the broader economy showed improvement in January. Firms are seeing growth with inquiries into new projects and value of newly signed design contracts is holding steady, showing potential signs of interest from clients in new projects." – Kermit Baker, Chief Economist, AIA

Source: https://www.aia.org/resource-center/abi-january-2024-business-conditions-remain-soft-architecture-firms-start-year; 2/21/24

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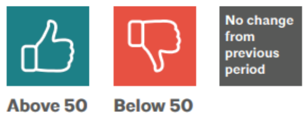
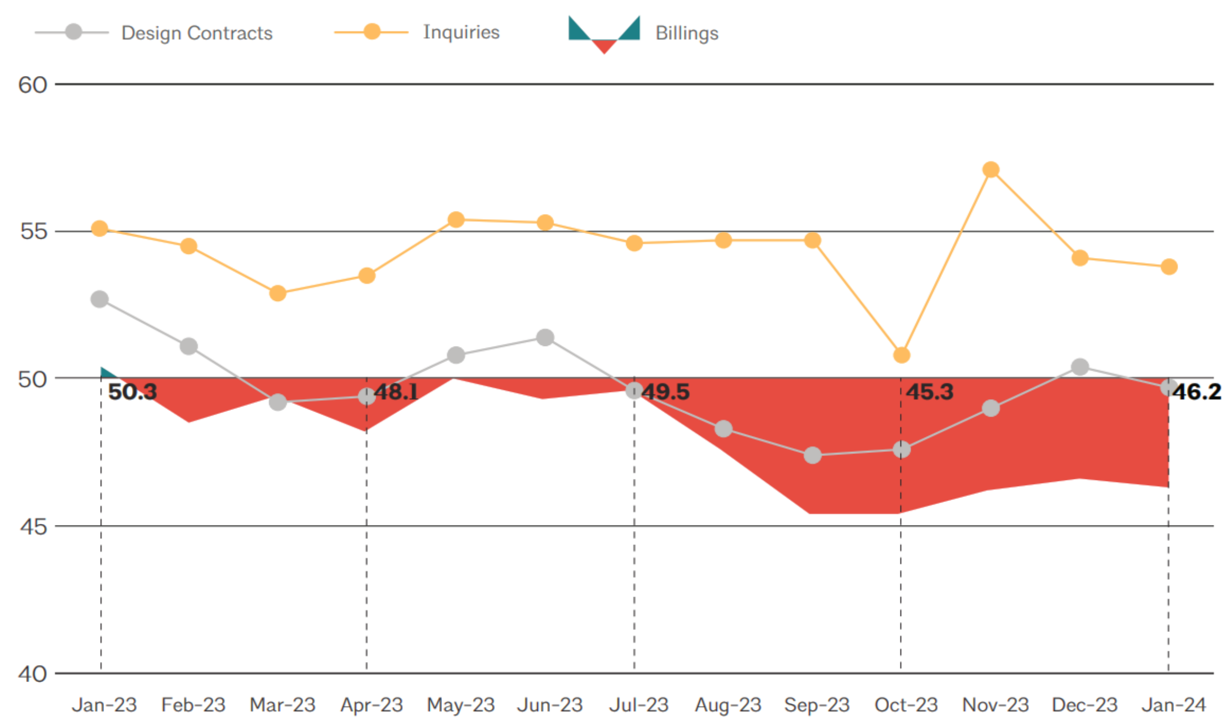
Private Indicators
American Institute of Architects (AIA) & Deltek

National

Architecture firm billings start 2024 on a soft note

Graphs represent data from January 2023–January 2024.





Source: https://www.aia.org/resource-center/abi-january-2024-business-conditions-remain-soft-architecture-firms-start-year; 2/21/24

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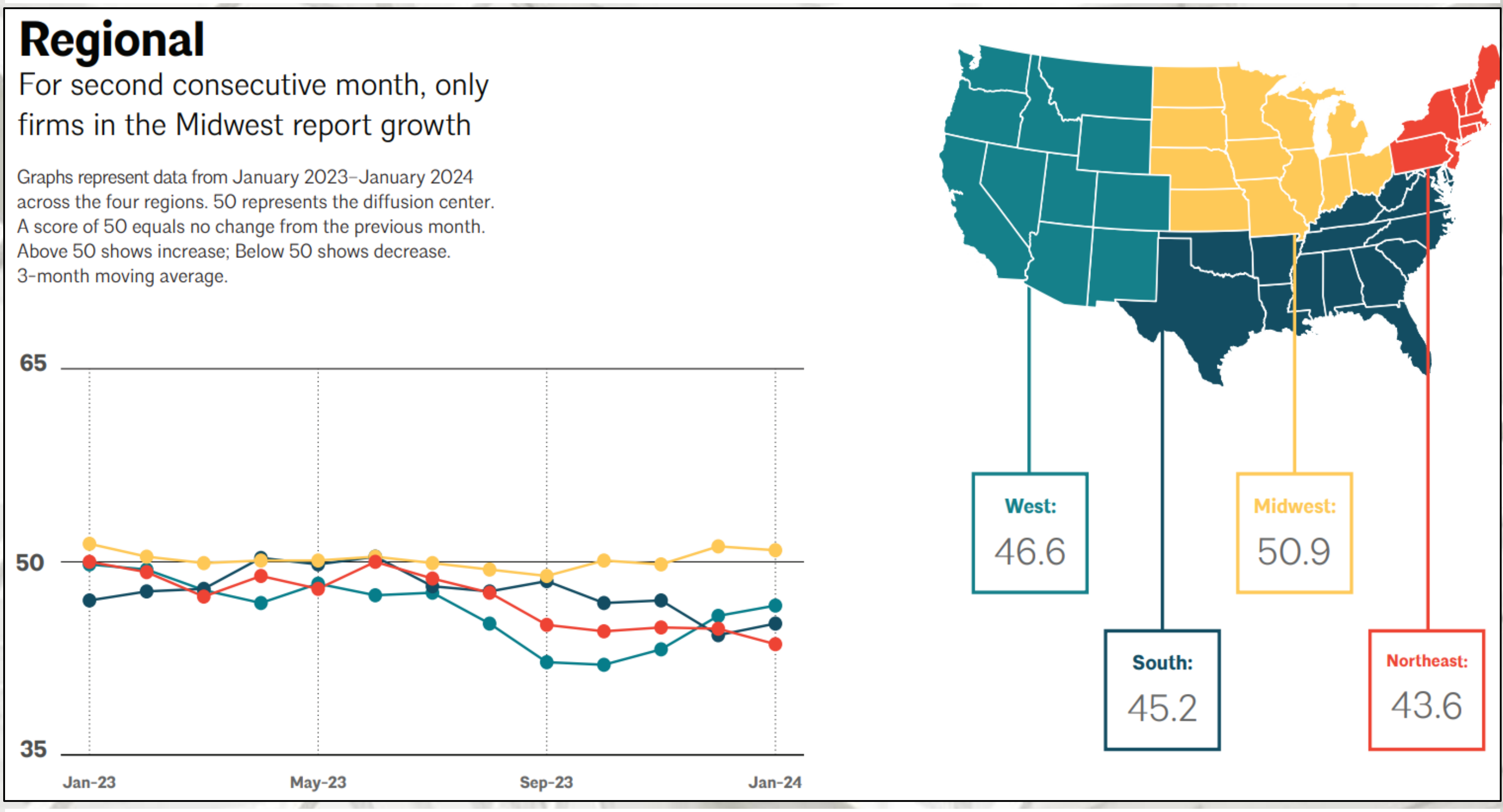
Private Indicators: AIA & Deltek



Region

"For the second consecutive month, business conditions remained weak at firms in all regions of the country except the Midwest, where modest growth was seen. Firms located in the Midwest have now reported billings growth for three of the last four months. On the other hand, billings continued to soften further at firms located in the Northeast, reporting the lowest level in three years." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/resource-center/abi-january-2024-business-conditions-remain-soft-architecture-firms-start-year; 2/21/24

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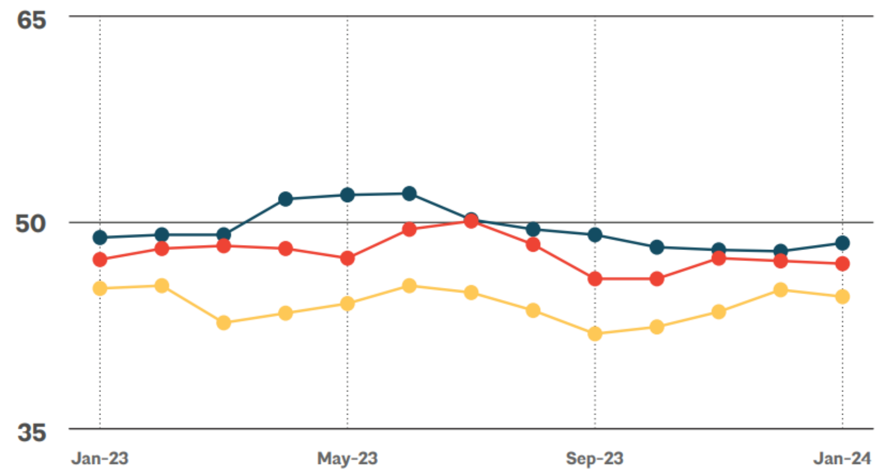
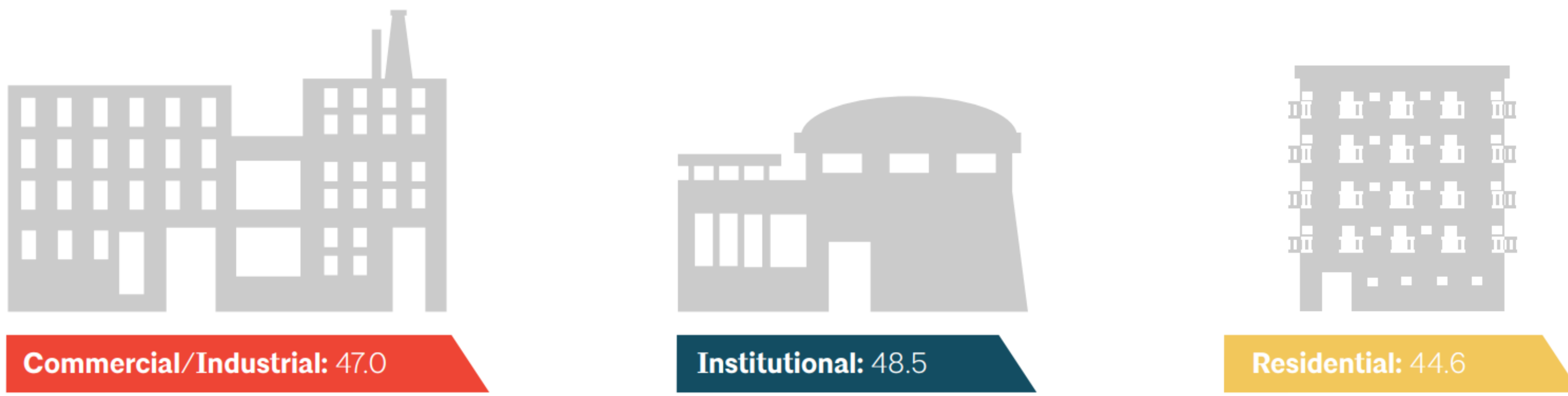
Private Indicators: AIA & Deltek

Sector

Business conditions continue to decline at firms of all specializations

Graphs represent data from January 2023–January 2024 across the three sectors. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.





Sector

“Billings also declined at firms of all specializations in January, remaining softest at firms with a multifamily residential specialization.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/resource-center/abi-january-2024-business-conditions-remain-soft-architecture-firms-start-year; 2/21/24

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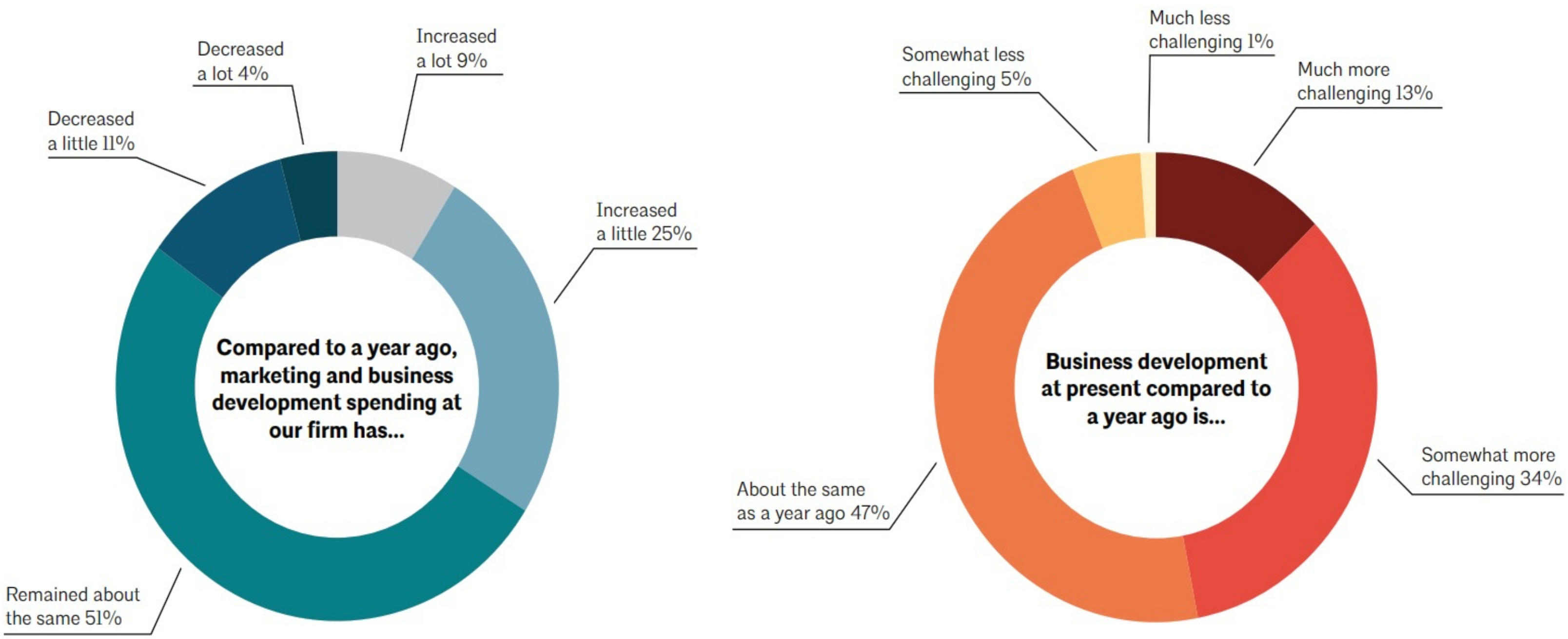
Private Indicators: AIA & Deltek

Practice

Firms have increased spending on marketing and business development as they have become more challenging over the last year

units: % of firms indicating change in marketing and business development spending, and business development difficulty, at their firm versus one year ago



Source: https://www.aia.org/resource-center/abi-january-2024-business-conditions-remain-soft-architecture-firms-start-year; 2/21/24

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Private Indicators

Dodge Data & Analytics

Construction Starts Grow 1% in January

Amidst persistent high interest rates, building starts weaken, while nonbuilding starts show growth.

"Total construction starts grew 1% in January to a seasonally adjusted annual rate of $1.16 trillion, according to Dodge Construction Network. Nonbuilding starts rose 9% during the month, while nonresidential building starts fell 2% and residential starts were flat.

For the 12 months ending January 2024, total construction starts were down 1% from the 12 months ending January 2023. Nonresidential building starts were down 5% while residential starts were 8% lower, with nonbuilding starts up 17% on a 12-month rolling sum basis.

Construction starts are struggling to make headway in the new year," said Richard Branch, chief economist for Dodge Construction Network. "Construction starts will continue to struggle early on in 2024 as higher interest rates and tight credit standards are slowing down projects moving through the planning cycle to start. The Federal Reserve is expected to cut rates later this year. That will move some of these projects in the planning queue through to start and provide for a more stable rising trend in construction activity in the second half of the year." – Cailey Henderson, Account Manager, 104 West Partners

Source: https://www.construction.com/company-news/construction-starts-grow-1-in-january/; 2/20/24

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Private Indicators

Dodge Data & Analytics

Nonresidential

“**Nonresidential building starts** lost 2% in January to a seasonally adjusted annual rate of $483 billion. Commercial starts were 14% lower with hotel starts the only category to post a gain. Institutional starts were 1% lower with both education and healthcare down, while manufacturing starts rose 26%.

For the 12 months ending January 2024, nonresidential building starts were 5% lower than the previous 12 months. Manufacturing starts were down 20%, commercial starts were 10% lower, and institutional starts were 9% higher for the 12 months ending January 2024.

The largest nonresidential building projects to break ground in January were the $5.5 billion Texas Instruments fabrication plant in Lehi, Utah, the $2.6 billion Terminal B construction at George Bush Houston Airport in Houston, Texas, and the $1.0 billion BlueOval battery plant in Marshall, Michigan.

Residential

Residential building starts were flat from December to January at a seasonally adjusted annual rate of $393 billion. Multifamily starts improved 6% while single family starts lost 3%.

For the 12 months ending January 2024, residential starts were 8% lower than the previous 12 months. Single family starts were 8% lower, while multifamily starts were 7% lower on a 12 month rolling sum basis.

The largest multifamily structures to break ground in January were the $1.5 billion One Beverly Hills tower in Beverly Hills, California, the $447 million Olara Condominium tower in West Palm Beach, Florida, and the $330 million Exchange at Spring Hill Station in Tysons, Virginia.

Regionally, total construction starts in January rose in the West, but fell in all other regions.” – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/company-news/construction-starts-grow-1-in-january/; 2/20/24

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Private Indicators

MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

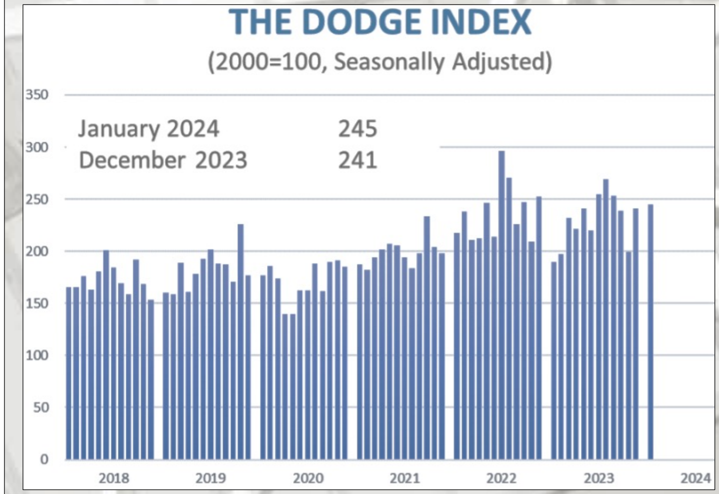
	Jan 2024	Dec 2023	% Change
Nonresidential Building	$483,326	$490,811	-2
Residential Building	393,209	391,839	0
Nonbuilding Construction	279,520	256,839	9
Total Construction	$1,156,056	$1,139,489	1

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	1 Mos. 2024	1 Mos. 2023	% Change
Nonresidential Building	$38,600	$27,529	40
Residential Building	31,636	23,255	36
Nonbuilding Construction	22,268	18,871	18
Total Construction	$92,504	$69,656	33

Source: Dodge Construction Network



Source: Dodge Data & Analytics

Source: https://www.construction.com/company-news/construction-starts-grow-1-in-january/; 2/20/24

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Private Indicators

MNI Chicago

February 2024 Chicago Report™ – Softened to 44.0

"**The Chicago Business Barometer™**, produced with MNI, softened -2.0 points to 44.0 in February. This is the third consecutive monthly decline, pushing the index deeper into contractionary territory, and marking the lowest print since July 2023. We also note that this print is -1.4 points below the 2023 average.

- The move lower was largely driven by falls in Production and Employment, while Supplier Deliveries also moved lower. New Orders, and Order Backlogs rose compared to January, limiting some of the move in the headline index." – Tim Davis, Head of Fixed Income Research, and Tim Cooper, Chief Economist, MNI Indicators

Source: https://chicago.ismworld.org/news-publications/reports/research-survey/; 2/29/24

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Private Indicators

February 2024 Chicago Report™ – Softened to 44.0

- "Production fell -5.8 points to its lowest level since May 2023 and the third consecutive month on month fall. As was also the case last month, the decline was driven by a greater proportion of respondents reporting lower production.
- Employment dropped -6.0 points to its lowest since July 2023. The smallest proportion of respondents since May 2020 reported that they had increased employment while we also saw the largest proportion of respondents reporting lower levels of employment since July 2023.
- Supplier Deliveries were down -2.6 points to its lowest since October 2023 and taking the subindex back into contractionary territory.
- Order Backlogs picked up +1.1 points, the second consecutive monthly rise.
- New Orders increased slightly by +0.3 points, the highest level since November 2023.
- Inventories rebuilt +6.0 points but remain in contraction. The rise was driven by more respondents replenishing inventory levels.
- Prices paid saw a small change of +0.8 points.

A **special question in February** asked: How have changes in financial conditions affected your access to borrowing? 55.2% expected "No impact", while 10.3% were winding down borrowing due to higher costs." – Tim Davis, Head of Fixed Income Research, and Tim Cooper, Chief Economist, MNI Indicators

Source: https://chicago.ismworld.org/news-publications/reports/research-survey/; 2/29/24

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Private Indicators

The Conference Board Leading Economic Index® (LEI)

LEI for the U.S. Fell Further in January

"**The Conference Board Leading Economic Index®** (LEI) for the U.S. fell by 0.4 percent in January 2024 to 102.7 (2016=100), following a 0.2 percent decline in December 2023. The LEI contracted by 3.0 percent over the six-month period between July 2023 and January 2024, a smaller decrease than the 4.1 percent decline over the previous six months.

The U.S. LEI fell further in January, as weekly hours worked in manufacturing continued to decline and the yield spread remained negative. While the declining LEI continues to signal headwinds to economic activity, for the first time in the past two years, six out of its ten components were positive contributors over the past six-month period (ending in January 2024). As a result, the leading index currently does not signal recession ahead. While no longer forecasting a recession in 2024, we do expect real GDP growth to slow to near zero percent over Q2 and Q3..

The Conference Board Coincident Economic Index® (CEI) for the U.S. rose by 0.2 percent in January 2024 to 112.1 (2016=100), after a 0.2 percent increase in December 2023. The CEI expanded by 1.0 percent in the six-month period ending January 2024, down from a 0.8 percent growth rate over the previous six months. The CEI's component indicators – payroll employment, personal income less transfer payments, manufacturing and trade sales, and industrial production – are included among the data used to determine recessions in the US. Three out of four components of the index were positive in January, with payroll employment and personal income less transfer payments having the strongest contributions, followed by a much smaller positive contribution from manufacturing and trade sales.

The Conference Board Lagging Economic Index® (LAG) for the U.S. rose by 0.4 percent in January 2024 to 118.6 (2016 = 100), reversing a decline of 0.4 percent in December 2023. The LAG is up by 0.9 percent over the six-month period from July to January 2024, following a decline of 0.1 percent 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; 2/21/24

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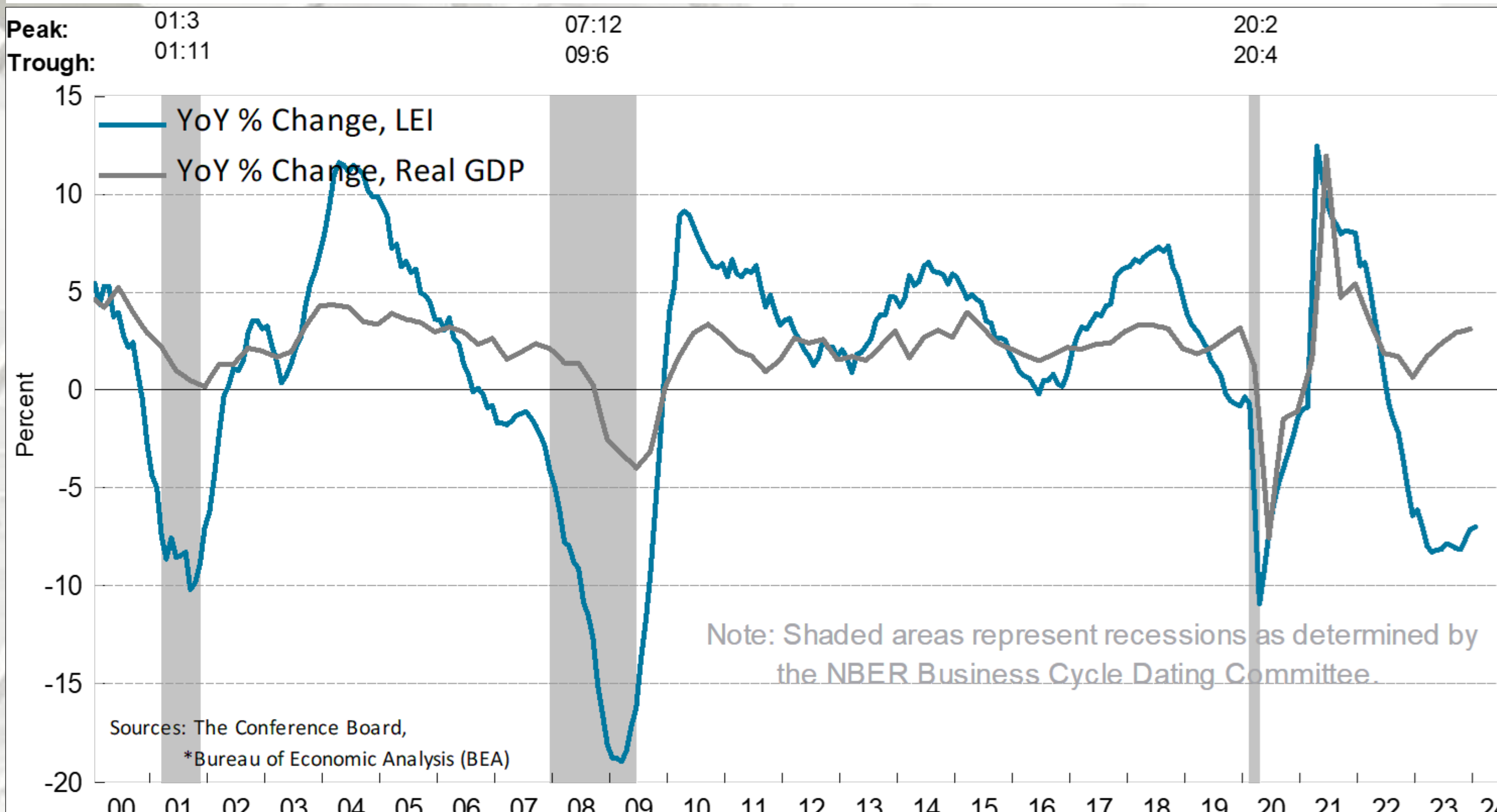
Private Indicators

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

LEI for the U.S. Fell Further in January

The LEI still declined in January 2024 but at the slowest pace since March 2023



Source: https://www.conference-board.org/data/bcicountry.cfm; 2/21/24

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Private Indicators

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

January New Business Volume Up 6% Year-over-year

"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 January was $9.3 billion, up 6% year-over-year from new business volume in January 2023. Volume was down 26% from $12.5 billion in December following the typical end-of-quarter, end-of-year spike in new business activity.

Receivables over 30 days were 2.3%, unchanged from the previous month and up from 1.9% in the same period in 2023. Charge-offs were 0.5%, up from 0.4% the previous month and up from 0.3% in the year-earlier period.

Credit approvals totaled 76%, up from 75% in December. Total headcount for equipment finance companies was up 1.4% year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in February is 51.7, an increase from the January index of 48.6." – Amy Vogt, Vice President, Communications and Marketing, ELFA

"The optimism I expressed in last month's MLFI continues as 2024 gets off to a strong start with solid new business volume and increased industry confidence. It's especially encouraging to kick off in positive territory since equipment investment – the lifeblood of the equipment finance industry – is forecast to pick up in the second half of the year. Credit quality bears monitoring since delinquencies and charge-offs, in particular, remain elevated year over year." – Leigh Lytle, President and CEO, ELFA

Source: https://www.elfaonline.org/news-and-publications/press-room/press-releases/details/2024/02/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 2/26/24

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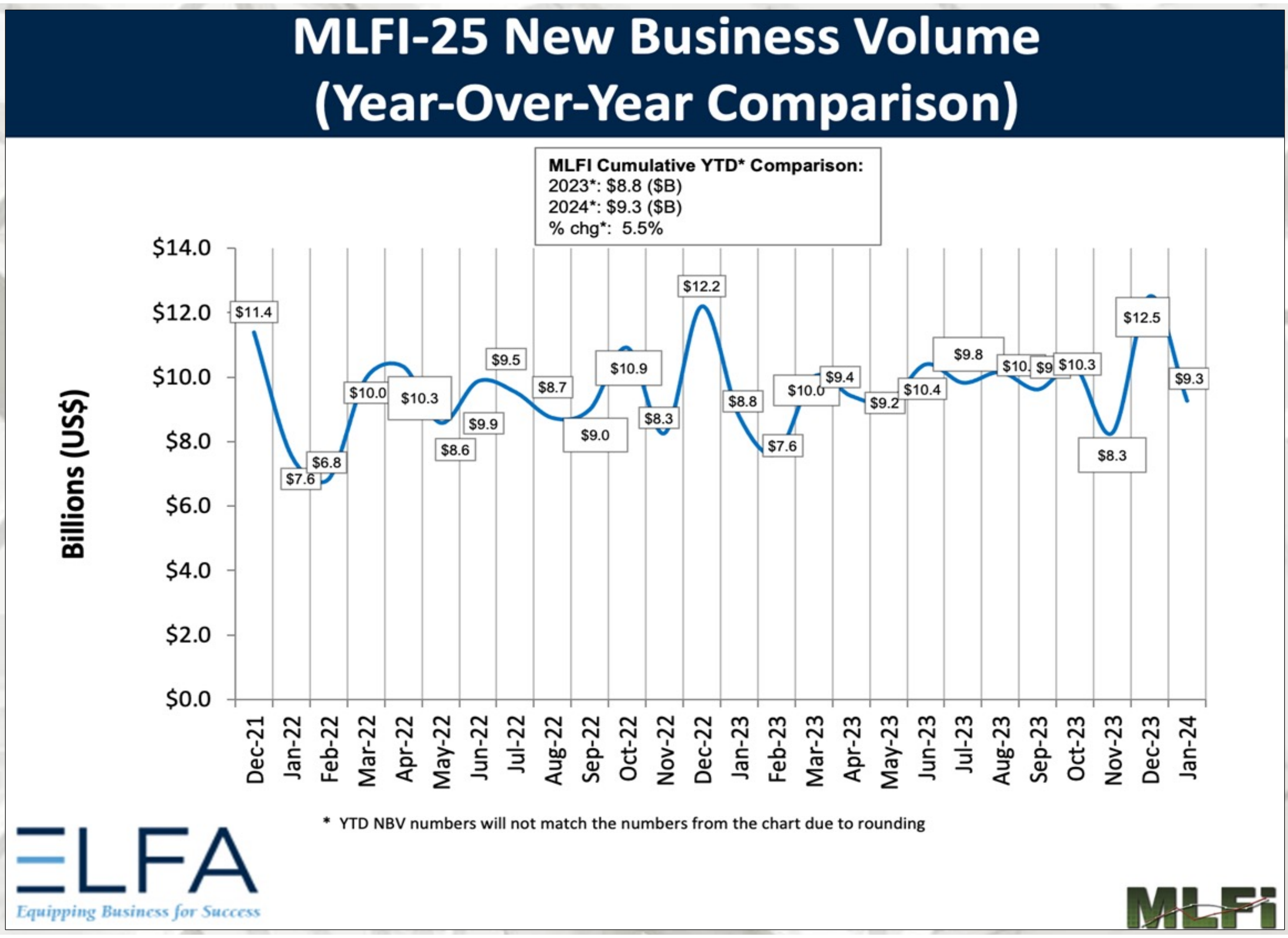
Private Indicators



"Our equipment finance industry has kicked off 2024 with a stronger launch than a year before on the heels of an extremely active fourth quarter. Many finance companies remain cautious within certain segments of the trucking industry, though credit concerns and delinquency are beginning to level off with hopes of a near-term positive inflection. With several bank finance players facing ongoing liquidity challenges, strong independents and captives should continue to take advantage of capturing additional market share in the months ahead." – Bobby Campbell, SVP, Managing Director, Operations & Strategic Development, Flagstar Financial & Leasing LLC

Source: https://www.elfaonline.org/news-and-publications/press-room/press-releases/details/2024/02/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 2/26/24

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Manufacturing conditions improve at fastest pace since July 2022

"The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 52.2 in February, up from 50.7 in January and higher than the earlier released 'flash' estimate of 51.5. The latest upturn indicated a modest improvement in operating conditions that was the strongest since July 2022.

February data signalled a quicker pace of improvement in the health of the US manufacturing sector, according to the latest PMI® survey compiled by S&P Global. The overall rate of growth was the fastest since July 2022, with the upturn supported by a renewed increase in production and a quicker rise in new orders. Domestic and foreign client demand strengthened, driving total sales higher and at the sharpest pace since May 2022. Greater new order inflows sparked a steeper pace of job creation and an uptick in input buying, as stock building became a renewed goal.

The greater availability of raw materials and solid improvement in supplier performance eased pressure on cost burdens, meaning input prices rose at a slower pace. Nevertheless, selling prices increased at the steepest pace since April 2023.

Contributing to the upturn was a renewed rise in output during February. Production levels increased at the fastest pace since May 2022, as previous supply chain delays which hampered activity in January eased and demand conditions strengthened again. The rate of growth was solid and quicker than the trend pace." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4b4d1eb122e34625ad17114f644f2a15; 3/1/24

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Manufacturing conditions improve at fastest pace since July 2022

“Panellists highlighted more favourable demand conditions in February, as total new orders grew at a strong pace that was the fastest for 21 months. Alongside greater interest from customers, manufacturers noted that some clients had worked through safety stocks and were looking to replenish inventories.

Meanwhile, new export orders expanded for the first time in three months. Foreign client demand improved, especially in Europe and Canada, with external sales rising at the sharpest rate since May 2022, albeit only marginally.

At the same time, selling prices increased at the quickest pace in ten months midway through the first quarter. The rate of charge inflation accelerated for the third successive month as firms sought to pass through higher costs to customers.

That said, the rate of input price inflation eased on the month in February. Although higher cost burdens were linked to greater freight, transportation and raw material prices, the pace of increase eased to the slowest since last November.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4b4d1eb122e34625ad17114f644f2a15; 3/1/24

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Manufacturing conditions improve at fastest pace since July 2022

"Some inputs reportedly fell in price as supply chains improved and the availability of raw materials increased. Goods producers signalled a renewed improvement in vendor performance, with lead times shortening to the greatest extent since last July.

In line with stronger demand conditions, firms recorded the first rise in input buying since July 2022 in February. Companies reportedly sought to rebuild stocks, as both pre- and post-production inventories returned to growth.

Increased new order inflows also spurred a sharper uptick in workforce numbers. Manufacturers registered the quickest rate of job creation since last September, with many noting the hiring of full-time and permanent staff. Moreover, goods producers remained upbeat regarding the outlook for output over the coming 12 months despite the degree of confidence slipping slightly from January's 21-month high.

Backlogs of work were broadly unchanged in February. Although capacity was expanded, greater new orders placed strain on some firms." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4b4d1eb122e34625ad17114f644f2a15; 3/1/24

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Manufacturing conditions improve at fastest pace since July 2022

Comment

“Manufacturing is showing encouraging signs of pulling out of the malaise that has dogged the goods-producing sector over much of the past two years. After a long spell of reducing inventories in order to cut costs, factories are now increasingly rebuilding warehouse stock levels, driving up demand for inputs and pushing production higher at a pace not seen since early 2022. There are also signs of stronger demand for consumer goods, linked in part to signs of the cost of living crisis easing.

Firms are consequently investing in more staff and more equipment, laying the foundations of further production gains in the coming months to hopefully drive a stronger and more sustainable recovery of the manufacturing economy.

Problems with shipping disruptions and supply chains earlier in the year have eased, taking some pressure off input prices, though factory gate prices are recovering amid stronger customer demand, which will be an area to watch closely in the coming months as policymakers assess the appropriateness and timing of any interest rate cuts.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4b4d1eb122e34625ad17114f644f2a15; 3/1/24

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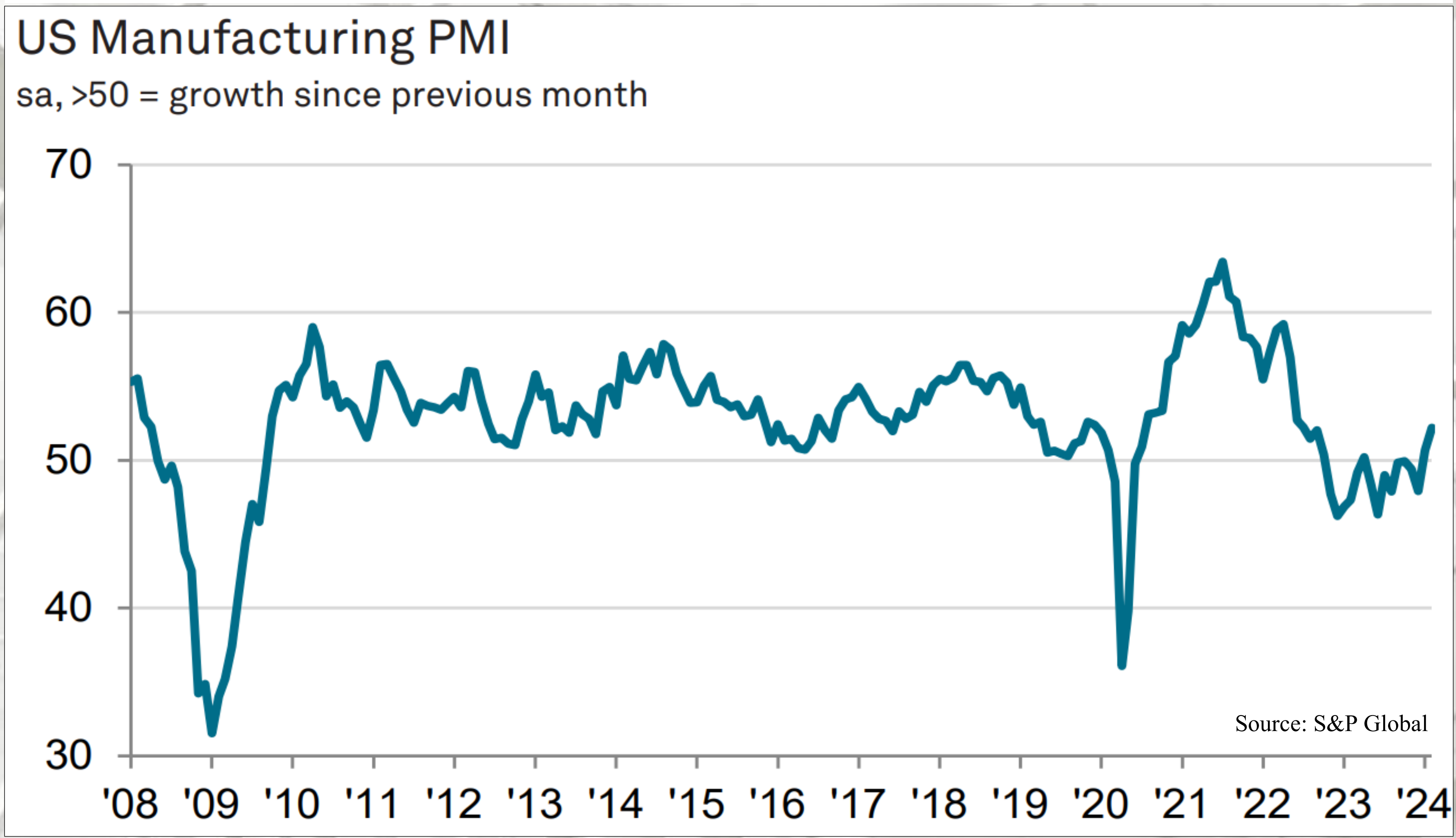

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4b4d1eb122e34625ad17114f644f2a15; 3/1/24

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Private Indicators

S&P Global U.S. Services PMI™

US service sector reports sustained expansion in February

"The seasonally adjusted final S&P Global US Services PMI Business Activity Index posted 52.3 in February, down slightly from 52.5 in January but up from the earlier released 'flash' estimate of 51.3. The latest expansion extended the current sequence of growth to just over a year and was the second-fastest since last July.

US service providers signalled a further solid performance during February, according to the latest PMI® data from S&P Global. Output rose for a thirteenth successive month, the rate of growth falling only slightly from January's seven-month high. New business inflows have now risen for four straight months. Total new order growth nonetheless slipped to the weakest in three months, as new business from abroad dipped back into contraction territory. Pressure on capacity dissipated as backlogs of work fell, aided by a further rise in employment. Business confidence dropped to the lowest since last November, however, slipping below the survey's long-run average.

On the price front, the rate of input cost inflation eased again to the slowest since October 2020. Companies sought to pass higher costs on to customers, causing selling prices to rise at a sharper pace, albeit still one of the lowest since early-2020.

Panellists stated that greater output was due to a further rise in new business. February data indicated a sustained rise in sales volumes at service providers, as new orders expanded for the fourth month running. The rate of growth eased to the weakest in three months, however, as companies suggested that reduced purchasing power at some customers dampened demand conditions." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/3d1517f30b994abebbc751214e091391; 3/5/23

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Private Indicators

S&P Global U.S. Services PMI™

US service sector reports sustained expansion in February

“Growth in total sales was led by domestic demand, as foreign customer interest dwindled and drove a renewed fall in new export orders in February. Moreover, the pace of export decline was the quickest since September 2023.

Meanwhile, service sector firms recorded a slower rise in input prices midway through the first quarter. Although companies attributed cost inflation to higher wage and fuel bills, many stated that lower prices for materials led to a moderation in the overall pace of increase. Furthermore, the rate of cost inflation eased to the weakest since October 2020 and was slower than the long-run series average.

In contrast, efforts to pass higher costs on to customers led to a sharper rise in selling prices in February. The pace of charge inflation was among the slowest in the current near four-year sequence of increase, but it was in line with the Series’ long-run average.

Service sector firms continued to hire additional workers during February. That said, anecdotal evidence suggested that hiring was focused on part-time and temporary staff amid cost-cutting initiatives which also hampered total job creation. The rate of employment growth slowed to the weakest since last November.

Firms were able to process incoming new business in a timely manner, as backlogs of work fell in February. Incomplete business declined for the seventh time in the last eight months, albeit at only a marginal pace.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/3d1517f30b994abebbc751214e091391; 3/5/23

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Private Indicators

S&P Global U.S. Services PMI™

US service sector reports sustained expansion in February

“Softer demand conditions also led to dampened expectations regarding activity over the coming year. Service sector firms recorded the lowest level of optimism for three months, and one that was historically muted. Weighing on business confidence were reports of reduced purchasing power at customers and efforts to cut costs.

Comment

A further robust expansion of service sector activity in February follows news of faster manufacturing output growth. The goods and services producing sectors are collectively reporting the sharpest growth since last June, hinting at a further quarter of solid GDP growth.

The acceleration occurred despite a cooling of growth in financial services, linked to the recent pull-back in rate cut expectations. Demand for consumer goods and services has, however, picked up further in February amid the easing of the cost of living crisis and healthy labor market conditions, meaning consumers are once again at the forefront of the economic expansion.

A concern is that alongside this faster growth, the survey has seen price pressures revive. Although average prices are still rising at one of the slowest rates seen over the past four years, the rate of inflation picked up for goods and services alike in February to hint at some broad-based firming of price pressures that could worry policymakers about cutting interest rates too early.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/3d1517f30b994abebbc751214e091391; 3/5/23

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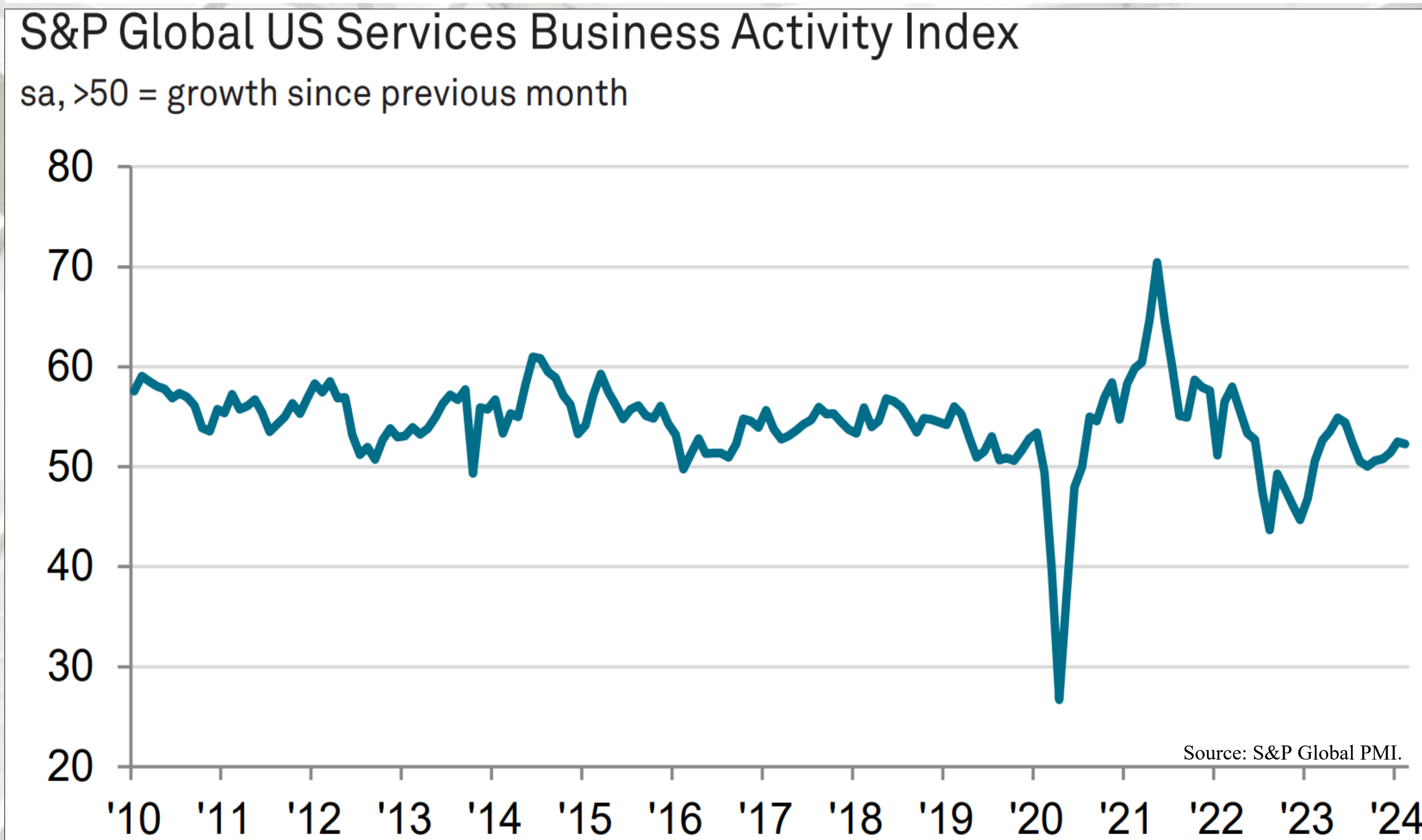

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/3d1517f30b994abebbc751214e091391; 3/5/23

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for February 2024: Combined Sectors

"The National Association of Credit Management's seasonally adjusted combined Credit Managers' Index (CMI) for February 2024 improved 1.3 points to 52.4. "The CMI improved this month, but the index remains stubbornly in a tight band just above the contraction line with no obvious trend," said NACM Economist Amy Crews Cutts, Ph.D., CBE.

"The big driver this month is the dramatic drop in the dollar amount beyond terms index, which went from being deep in contraction to just above the neutral line, meaning the dollar amount owed on accounts beyond terms was essentially unchanged from last month but at a level that is substantially higher than a year ago. I've been watching this factor for a while as it is a strong leading indicator of business stress. This indicator has been trending negatively since July 2021 and went into contraction in July of last year. Respondents have regularly noted that they are having trouble getting paid on time, a growing concern among credit managers."

"CMI survey respondents this month noted that although this was a time of seasonal slowing, many are seeing lighter collections and difficulty recovering bad debt," said Cutts. "This is counter to the narrative of a strong economy and likely is due in part to lingering inflation headaches. They may have tried to pass on higher costs to customers but there are limits to how hard and how fast a business can push before a price increase decreases the dollar amount of sales as units sold falls. We are all feeling it, and while slowing inflation is very welcome it means that we are stuck with high prices that are rising slower than before, not that prices have returned to their prior levels.''" – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 2/29/24

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Private Indicators

National Association of Credit Management – Credit Managers’ Index

““Taken together, the sudden leveling off of the dollar amount owed that is beyond terms and the long run of a rising number of accounts being referred to collections, I think credit managers are tiring of promises to pay and cries for extensions. Instead, they are moving more accounts to collections to stem losses. This to me is the strongest indication yet of the deep stresses affecting businesses. We did not fall into formal recession in 2023 and we might not in 2024 but for many credit managers, it’s as if the recession is well underway.”

“We’ve been seeing a steady drumbeat of contraction in unfavorable factors in both the manufacturing and services sectors,” Cutts said. “Favorable factors have remained in expansion, but the trend in the factor indexes has been downward for two years – that is, the pace of business improvement as represented by the index is slowing. The manufacturing sector CMI would have been in contraction this month but for the huge recovery in the dollar amount beyond terms. We did not see a similar jump in the service sector index.”

“Several respondents cited weather as affecting their sales, but most of the comments highlighted difficulty in getting paid,” Cutts said. “The improvement in the dollar amount owed that is now beyond terms to a level essentially unchanged from last month does not make up for the fact that an ever-growing number of accounts are being referred to collections. That more applications for business credit are being rejected is proof that the Fed’s policy is working on business demand by limiting access to credit. Consumers on the other hand seem to have paid little attention to the higher rates.”” – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 2/29/24

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Key Findings:

- "The index for unfavorable factors improved by 0.4 to 48.6, recording its eighth consecutive month in contraction.
- Two of the six unfavorable factor indexes improved in the February survey, which records credit performance for the prior month; the index for the dollar amount beyond terms led with a rise of 7.0 points to 50.6, moving into expansion after seven months in contraction.
- The index for accounts placed for collection fell to a nearly 15-year low of 42.9 points and marked its 21st month in contraction.
- The index for favorable factors remains solidly in expansion and improved 2.6 points to 58.1, led by a 4.9-point rise in the sales factor index to 557.6 points and a 4.4-point advancement in the new credit applications factor index to 59.5." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 2/29/24

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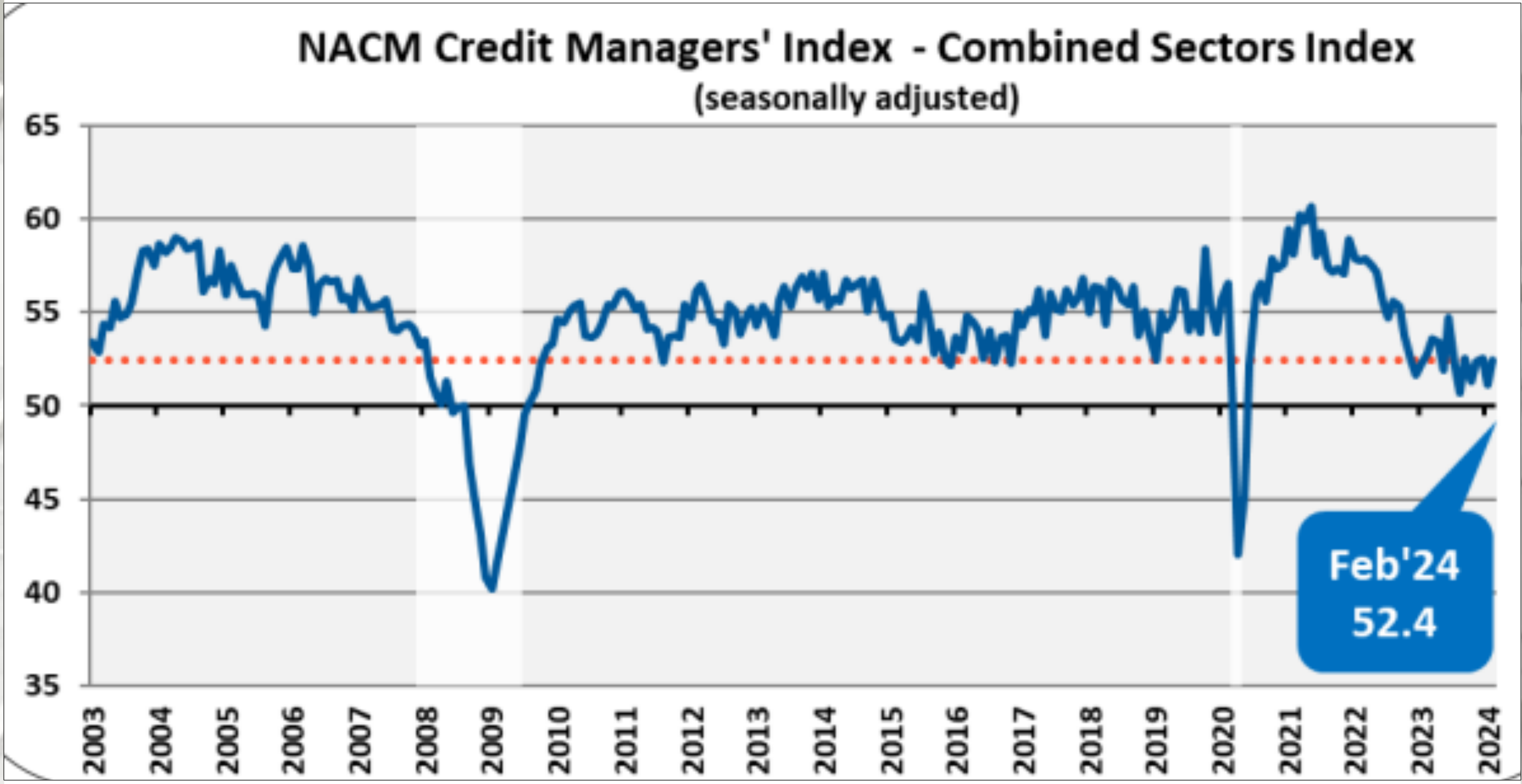
Private Indicators

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; 2/29/24

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Combined Manufacturing and Service Sectors (seasonally adjusted)	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23	Aug '23	Sep '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24
Sales	57.3	56.5	58.4	53.4	61.0	54.7	49.4	58.3	52.6	55.9	53.6	52.7	57.6
New credit applications	58.2	58.5	58.2	57.3	58.0	56.5	56.5	56.5	56.6	58.4	60.4	55.1	59.5
Dollar collections	59.5	59.7	61.0	56.7	61.0	56.3	52.5	58.6	56.5	59.4	58.7	56.1	59.0
Amount of credit extended	58.6	58.0	58.4	56.0	60.5	56.7	55.2	61.5	58.7	58.3	58.1	57.9	56.1
Index of favorable factors	**58.4**	**58.2**	**59.0**	**55.9**	**60.1**	**56.1**	**53.4**	**58.7**	**56.1**	**58.0**	**57.7**	**55.4**	**58.1**
Rejections of credit applications	50.5	50.8	47.8	48.8	53.3	50.5	50.0	49.2	49.7	48.8	49.1	50.7	47.9
Accounts placed for collection	45.7	46.7	46.7	45.7	48.1	47.7	44.9	47.0	45.4	44.6	45.8	44.6	42.9
Disputes	48.5	50.5	49.5	48.4	51.0	49.9	49.5	47.4	48.4	49.9	49.4	48.6	48.2
Dollar amount beyond terms	51.1	52.6	53.2	50.8	51.1	45.8	48.6	49.6	45.5	48.9	48.2	43.6	50.6
Dollar amount of customer deductions	48.5	50.6	49.6	52.8	50.8	50.7	50.6	47.4	48.8	51.2	50.5	50.1	49.5
Filings for bankruptcies	50.2	51.7	51.4	49.5	52.4	52.0	49.8	50.0	50.5	47.7	51.1	51.7	52.6
Index of unfavorable factors	**49.1**	**50.5**	**49.7**	**49.3**	**51.1**	**49.4**	**48.9**	**48.4**	**48.1**	**48.5**	**49.0**	**48.2**	**48.6**
NACM Combined CMI	**52.8**	**53.6**	**53.4**	**52.0**	**54.7**	**52.1**	**50.7**	**52.5**	**51.3**	**52.3**	**52.5**	**51.1**	**52.4**

Note: Seasonal adjustment factors were updated for the January 2024 report, which may affect previously published values.

Source: https://nacm.org/cmi.html; 2/29/24

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Private Indicators

National Federation of Independent Business (NFIB) February 2024 Report

Optimism on Main Street Declines as Inflation Looms as Top Challenge

“The NFIB Small Business Optimism Index decreased in February to 89.4, marking the 26th consecutive month below the 50-year average of 98. Twenty-three percent of small business owners reported that inflation was their single most important business problem in operating their business, up three points from last month and replacing labor quality as the top problem.” – Holly Wade, NFIB

“While inflation pressures have eased since peaking in 2021, small business owners are still managing the elevated costs of higher prices and interest rates. The labor market has also eased slightly as small business owners are having an easier time attracting and retaining employees” – Bill Dunkelberg, Chief Economist, NFIB

Key findings include:

- “Reports of labor quality as the single most important problem for business owners decreased five points to 16%, the lowest reading since April 2020.
- The net percent of owners who expect real sales to be higher increased six points from January to a net negative 10% (seasonally adjusted), an improvement from last month.” – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 3/12/24

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Private Indicators

National Federation of Independent Business (NFIB) February 2024 Report

Key findings include:

- "Small business owners' plans to fill open positions continue to slow, with a seasonally adjusted net 12% planning to create new jobs in the next three months, the lowest level since May 2020.
- Thirty-seven percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down two points from January and the lowest reading since January 2021.
- The net percent of owners raising average selling prices declined one point from January to a net 21% (seasonally adjusted), the lowest reading since January 2021.

As reported in NFIB's monthly jobs report, 56% of owners reported hiring or trying to hire in February. Twenty-five percent of owners reported few qualified applicants for their open positions and 26% reported none.

Fifty-four percent of owners reported capital outlays in the last six months, down five points from January. Of those making expenditures, 35% reported spending on new equipment, 23% acquired vehicles, and 15% improved or expanded facilities. Twelve percent spent money on new fixtures and furniture and 6% acquired new buildings or land for expansion. Twenty-one percent (seasonally adjusted) plan capital outlays in the next few months.

A net negative 13% of all owners (seasonally adjusted) reported higher nominal sales in the past three months. The net percent of owners expecting higher real sales volumes improved six points to a net negative 10% (seasonally adjusted)." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 3/12/24

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Private Indicators

National Federation of Independent Business (NFIB) February 2024 Report

"The net percent of owners reporting inventory gains decreased one point to a net negative 1% (seasonally adjusted). Thirteen percent reported increases in stocks and 19% reported reductions. A net negative 4% (seasonally adjusted) of owners viewed current inventory stocks as "too low" in February.

By industry, shortages are reported the most frequent in the transportation (17%), services (12%), construction (11%), and manufacturing (11%) sectors. Shortages were reported least frequently in the wholesale (0%) and agriculture (5%) sectors. A net negative 7% (seasonally adjusted) of owners plan inventory investment in the coming months.

The net percent of owners raising average selling prices declined one point from January to a net 21% (seasonally adjusted), the lowest reading since January 2021. Twenty-three percent of owners reported that inflation was their single most important problem in operating their business, replacing labor quality as the top problem.

Unadjusted, 16% reported lower average selling prices and 37% reported higher average prices. Price hikes were the most frequent in the finance (59% higher, 2% lower), retail (43% higher, 13% lower), construction (42% higher, 8% lower), services (36% higher, 8% lower), and professional services (36% higher, 0% lower) sectors. Seasonally adjusted, a net 30% plan price hikes.

Seasonally adjusted, a net 35% reported raising compensation, down four points from January and the lowest reading since May 2021. A seasonally adjusted 19% plan to raise compensation in the next three months, down seven points from January and the lowest since March 2021." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 3/12/24

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Private Indicators

National Federation of Independent Business (NFIB) February 2024 Report

"Eleven percent cited labor costs as their top business problem, up one point from January and only two points below the highest reading of 13% reached in December 2021. Sixteen percent said that labor quality was their top business problem, the lowest reading since April 2020.

The frequency of reports of positive profit trends was a net negative 31% (seasonally adjusted), a very poor reading. Among those owners reporting lower profits, 29% blamed weaker sales, 15% blamed the rise in the cost of materials, 13% cited usual seasonal change, and 11% cited price change. For owners reporting higher profits, 42% credited sales volumes, 29% cited usual seasonal change, and 14% cited higher selling prices.

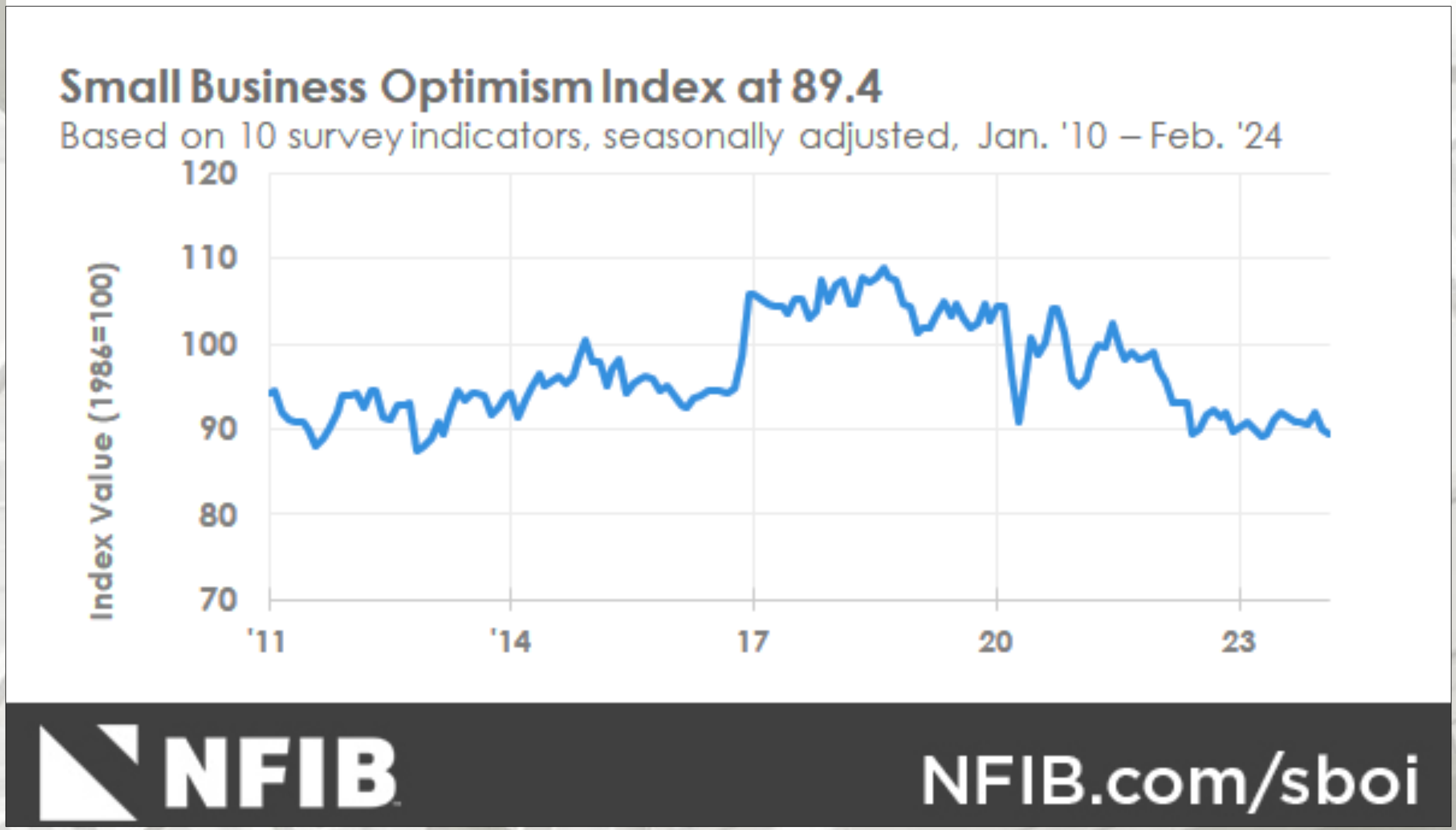
Three percent of owners reported that all their borrowing needs were not satisfied. Twenty-four percent reported all credit needs met and 61% said they were not interested in a loan. A net 7% reported their last loan was harder to get than in previous attempts.

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 February 2024." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 3/12/24

Private Indicators

National Federation of Independent Business (NFIB)
February 2024 Report



Source: http://www.nfib.com/surveys/small-business-economic-trends; 3/12/24

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Private Indicators

National Federation of Independent Business (NFIB)
February 2024 Report

Small Business Optimism

Index Component	Net %	From Last Month
Plans to Increase Employment	12%	▼ -2
Plans to Make Capital Outlays	21%	▼ -2
Plans to Increase Inventories	-7%	▼ -4
Expect Economy to Improve	-39%	▼ -1
Expect Real Sales Higher	-10%	▲ 6
Current Inventory	-4%	— 0
Current Job Openings	37%	▼ -2
Expected Credit Conditions	-6%	▲ 2
Now a Good Time to Expand	5%	▼ -3
Earnings Trends	-31%	▼ -1

NFIB NFIB.com/sboi

Source: http://www.nfib.com/surveys/small-business-economic-trends; 3/12/24

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

U.S. Small Businesses Continue to Show Moderate Job Growth and Wage Inflation Continues to Moderate

“According to the Paychex Small Business Employment Watch, year-over-year hourly earnings growth for U.S. workers moderated to 3.42% in February, continuing a trend that began mid-2022. Small business job growth held steady from last month, with the national Small Business Jobs Index closing February at 100.67.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

“While our index continues to show job growth in businesses with fewer than 50 workers, it has now remained below pre-pandemic levels for two months. For the first time since March 2021, a major region has fallen below 100 (West: 99.81. A tight job market for qualified candidates, access to affordable growth capital, and concerns about inflation continue to constrain small business owners from reaching their full growth potential.”

Wage growth for small business workers continues to moderate, most notably for weekly earnings in Leisure and Hospitality. The sector fell below three percent (2.58%) for the first time since January of 2021 and is down from a peak of 10.35%.” – John Gibson, President and CEO, Paychex

Source: https://www.paychex.com/employment-watch; 3/5/24

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

Jobs Index and Wage Data Highlights

- "The national index for February (100.67) continued to show slow and steady growth, down just 0.26 percentage points since July 2023.
- National hourly earnings growth moderated to 3.42% year-over-year, continuing a measured deceleration that began in May 2022.
- The West (3.87%) led regional hourly earnings growth for the ninth month in a row, and job growth fell below 100 for the first time since March 2021.
- The South reported the weakest hourly earnings growth (3.11%) among regions in February. It remained the strongest region for small business employment growth (101.35), a designation it has held for 17 of the last 18 months.
- Small business job gains in Leisure and Hospitality (100.24) continue to level off after pandemic surges, down 0.35 percentage points from last month and 5.09 percentage points from last year."– Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 3/5/24

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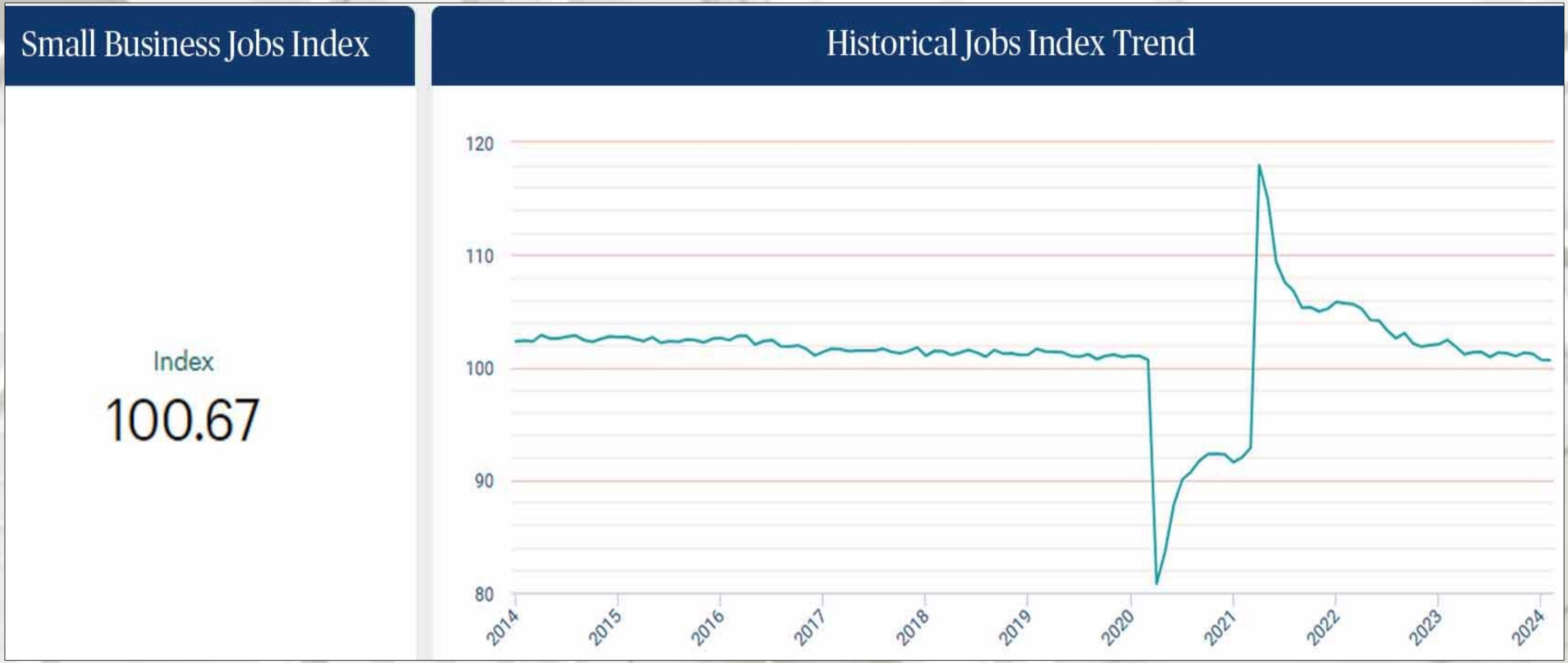
Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch



Source: https://www.paychex.com/employment-watch; 3/5/24

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

Small Business Wage Data

Hourly Earnings

$32.17

12-Month Growth

3.42% ($1.06)

Historical 12-Month Growth Trend

Source: https://www.paychex.com/employment-watch; 3/5/24

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Private Indicators

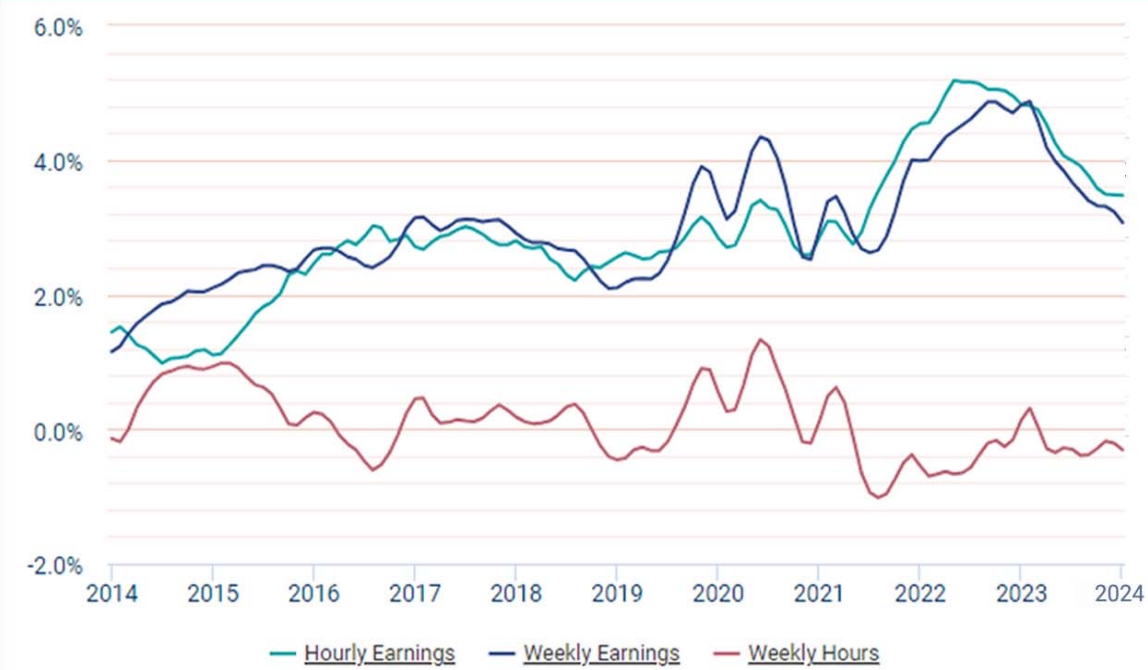
The Paychex | IHS Markit Regional Jobs Index

Small Business Wage Data

Hourly Earnings
$32.07

12-Month Growth
3.47% (-$1.37)

Historical 12-Month Growth Trend



Source: https://www.paychex.com/employment-watch; 3/5/24

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Demographics

Redfin

Home Owners Today Stay in Their Homes Twice As Long As They Did in 2005, Driven Largely By Older Americans Aging in Place

- Home owners are staying put longer than they were in the early aughts. That's largely because older Americans are aging in place and it's difficult to find and afford houses, but partly because it was easy to get mortgages in the early 2000s.
- Tenure has declined a bit from its 2020 peak due to the pandemic moving frenzy.
- Home owners hanging onto houses is contributing to the inventory shortage and rising home prices.
- California home owners typically stay put longest, partly because of a state property-tax incentive. Home owners move most often in relatively affordable southern metros like Louisville, KY and Nashville.

"The typical U.S. home owner has spent 11.9 years in their home, up from 6.5 years two decades ago. Home owner tenure peaked at 13.4 years in 2020, just when the pandemic set off a moving frenzy, and has declined since then.

This data is from a Redfin analysis of median home owner tenure by year in the U.S. as of 2023, using historical county records. Home tenure for 2023 is defined as the number of years between the most recent sale date of a home and December 1, 2023. Data on home owner tenure by generation is from a Redfin analysis of the U.S. Census Bureau's 1-year American Community Survey in 2022, the most recent year for which the data is available." – Dana Anderson, Data Journalist, Redfin

Source: https://www.redfin.com/news/homeowner-tenure-2023/; 2/14/24

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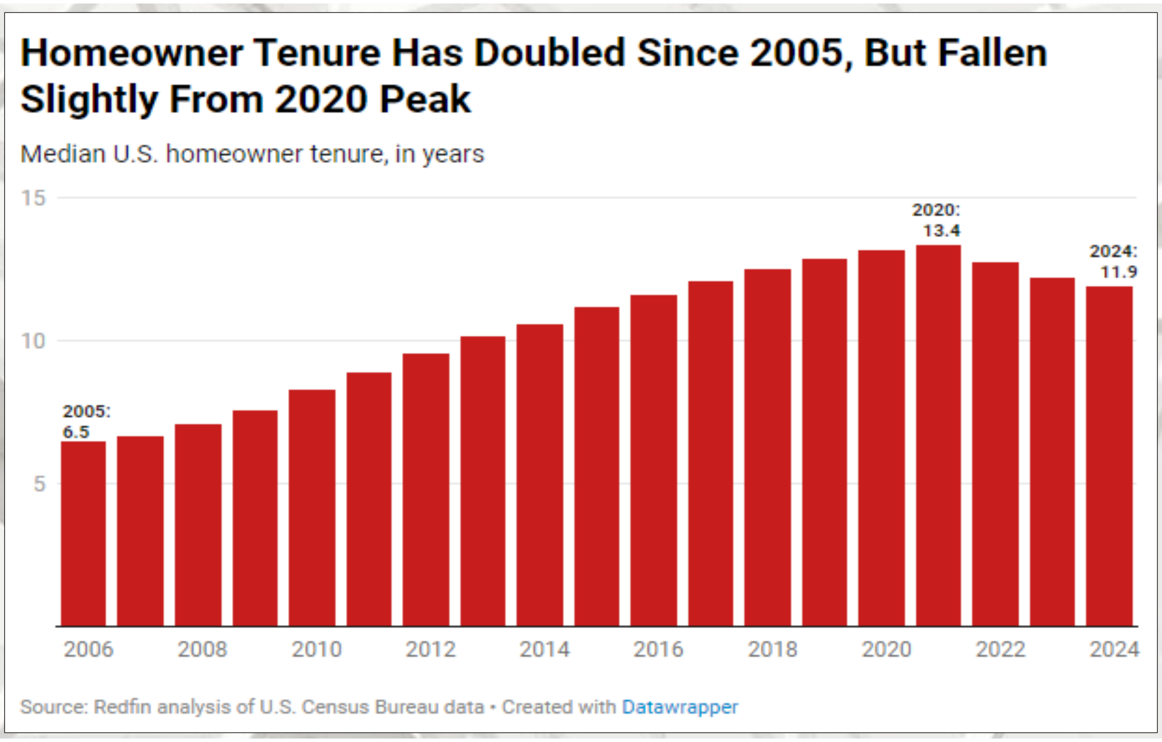
Demographics



"Baby boomers are aging in place, driving home owner tenure up

Older Americans staying in their homes is the driving force behind longer home owner tenure. Nearly 40% of baby boomers have lived in their home for at least 20 years, and another 16% have lived in their home for 10-19 years. For Gen Xers, more than one-third (35%) have lived in the same home for at least 10 years.

Millennials typically stay in homes for shorter periods, largely because they're younger and partly because they switch jobs more than older generations. Less than 7% of millennials have lived in their home for 10 years or longer, 13% have lived in their home for 5-9 years, and 30% have lived in their home for less than five years. Nearly all Gen Zers who own a home have had it for less than five years, which stands to reason because the oldest Gen Zer was 26 in 2023." – Dana Anderson, Data Journalist, Redfin

Source: https://www.redfin.com/news/homeowner-tenure-2023/; 2/14/24

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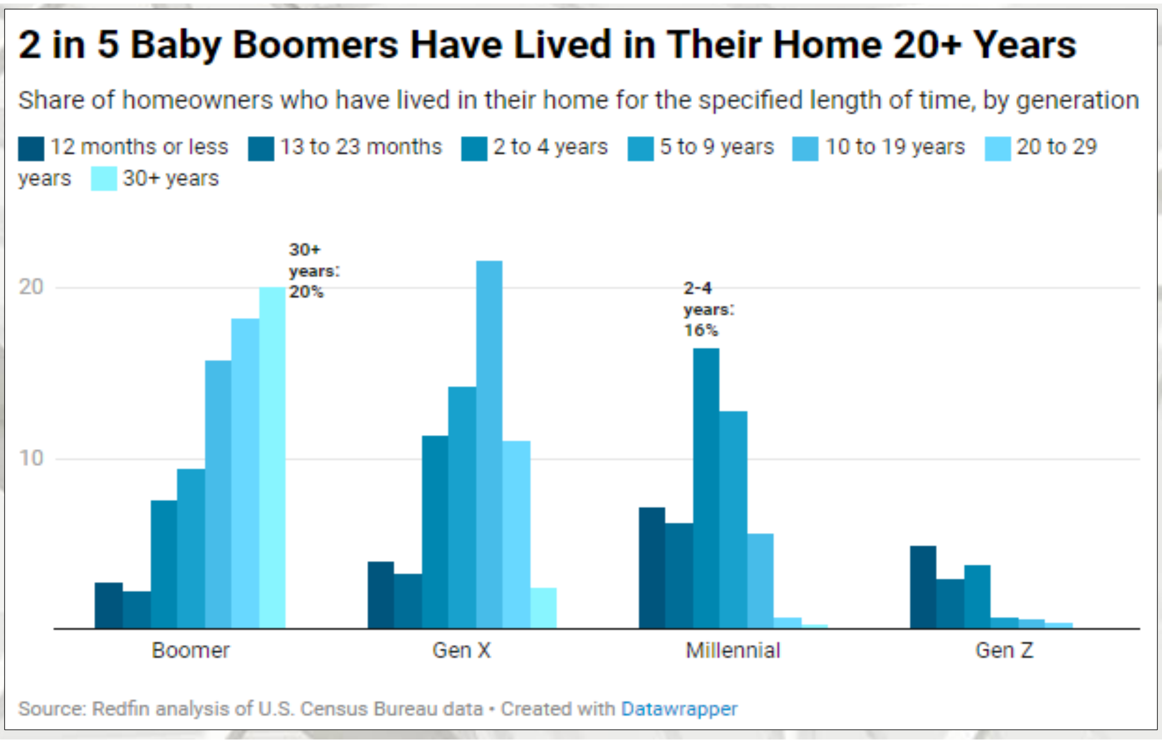

"Baby boomers are aging in place, driving home owner tenure up

The time periods for each generation noted in the chart above don't add up to 100%. That's because not everyone owns a home; the remainder are either renters or living in institutions like assisted living facilities.

Baby boomers and Gen Xers have an outsized impact on overall housing-market trends for a few reasons. One, the American population is aging: Roughly 17% of people in the U.S. were 65 and older as of 2020, up from 13% in 2010. Two, they're most likely to own homes: Nearly 80% of baby boomers and 72% of Gen Xers own their home, compared to 55% of millennials and 26% of Gen Zers." – Dana Anderson, Data Journalist, Redfin

Source: https://www.redfin.com/news/homeowner-tenure-2023/; 2/14/24

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"There are several reasons why home owner tenure has increased since the early aughts:

- Older Americans are hanging onto their homes because they're financially incentivized to do so. Most (54%) baby boomers who own homes own them free and clear, with no outstanding mortgage. For that group, the median monthly cost of owning a home – which includes insurance and property taxes, among other things – is just over $600 (similar to the monthly cost for other generations with no outstanding mortgage, but other generations are far less likely to own homes free and clear).
- Nearly all boomers who do have a mortgage have a much lower rate than they would if they sold and bought a new home with today's 7%-ish rates.
- Some state tax systems have policies that make it financially beneficial for people to stay in their homes as they get older. Texas home owners over 65 can defer property taxes until the home is sold, and in California, Proposition 13 limits property-tax increases.
- Many older Americans prefer aging in their family home rather than moving to a different house or entering an assisted-living facility: Nearly 9 in 10 Americans between 50 and 80 years old said in a recent survey it's important to stay in their homes as they get older. And with medical and tech advancements, it's increasingly possible to do so.
- It was cheap and easy to move in the early 2000s. More people than usual were able to get mortgages and buy homes because mortgage-lending standards were loose, which ultimately led to the subprime mortgage crisis." – Dana Anderson, Data Journalist, Redfin

Source: https://www.redfin.com/news/homeowner-tenure-2023/; 2/14/24

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"Home owner tenure has dropped 1.5 years from its 2020 peak and is expected to stay flat

Home owner tenure has declined slightly each year since 2020 because the pandemic kicked off a moving frenzy, with remote work and record-low mortgage rates leading to more homes changing hands in 2021 than any year since 2006.

Moving forward, we expect home owner tenure to stay flat or increase slightly for the foreseeable future. Existing-home sales hit a 15-year low last year, with many home owners locked in by low mortgage rates, and while sales should pick up a bit this year, it'll be more of a trickle than a flood.

Metro-level highlights: Home owner tenure, 2023

- Home owners stay put longest in California. The typical Los Angeles home owner has lived in their home for 18.7 years, followed by 17.8 years in San Jose, CA. Next come Cleveland, OH (17.4), San Francisco (16.7), and Memphis, TN (16.5). Californians tend to hold onto their homes for a long time partly because they're incentivized to do so by Proposition 13.
- Home owners move most often in relatively affordable metros, mostly in the South. Tenure is shortest in Louisville, KY (7.4 years) and Las Vegas (8). Next come Nashville, TN, Charlotte, NC, and Raleigh, NC, which each have a median tenure of 8.5 years. Tenure is shorter in those metros partly because they have been popular migration destinations over the last few years, which means a lot of homes have changed hands recently." – Dana Anderson, Data Journalist, Redfin

Source: https://www.redfin.com/news/homeowner-tenure-2023/; 2/14/24

Demographics

Freddie Mac Outlook

Aging boomers and the impact on the housing market over the next decade

"The Baby Boomer generation comprises those born between 1946 and 1964, meaning this year, the youngest of the Boomers will turn 60. As older Boomers reach their golden years, the lifestyle choices they make will have a massive impact on the U.S. economy and the housing market, which is why Freddie Mac has been studying this cohort closely.

Given that the housing market is facing a shortage of available single-family homes, the housing decisions Boomers will make in the coming years will have an outsized impact. Some have warned of a "silver tsunami" as aging Boomers look to sell their homes, flooding the market with inventory. But as this analysis demonstrates, the tsunami is more like a tide, bringing a gradual exit that will mostly be offset by new entrants.

If Boomers follow the pattern of earlier generations and experience declining home ownership rates as they enter their late 70s, how many fewer Boomer home owner households would that mean? We estimate the number of Boomer home owner households over the next few years by using the home owner retention rate concept. The retention rate is the share of the number of home owners in a birth cohort at the end of a period to the number of home owners in the same cohort at the beginning of the period. Using the American Community Survey (ACS), we estimate the retention rates of the Boomers as they age, assuming that they behave like previous generations." – Freddie Mac Economic & Housing Research group

Source: https://www.freddiemac.com/research/forecast/20240226-us-economy-defied-expectations/; 2/26/24

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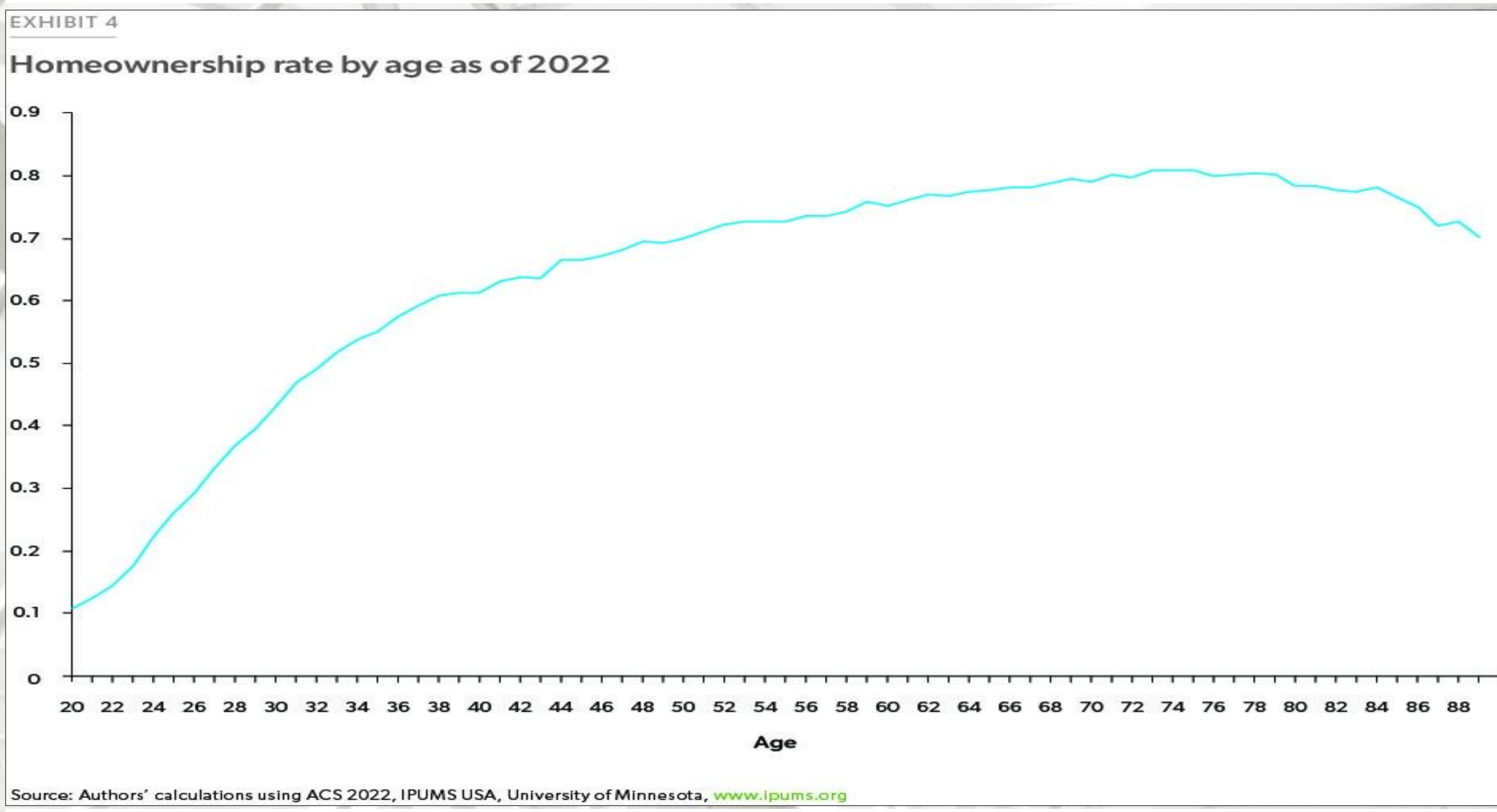

Freddie Mac Outlook

Aging boomers and the impact on the housing market over the next decade

"As of 2022 there were 69 million Boomers, accounting for 21% of the U.S. population, and 38% of total home owner households. Boomers are overrepresented in the home owner demographic because home ownership rates tend to increase as households age, gradually starting to decline as households age beyond age 75 (Exhibit 4)." – Freddie Mac Economic & Housing Research group

Source: https://www.freddiemac.com/research/forecast/20240226-us-economy-defied-expectations/; 2/26/24

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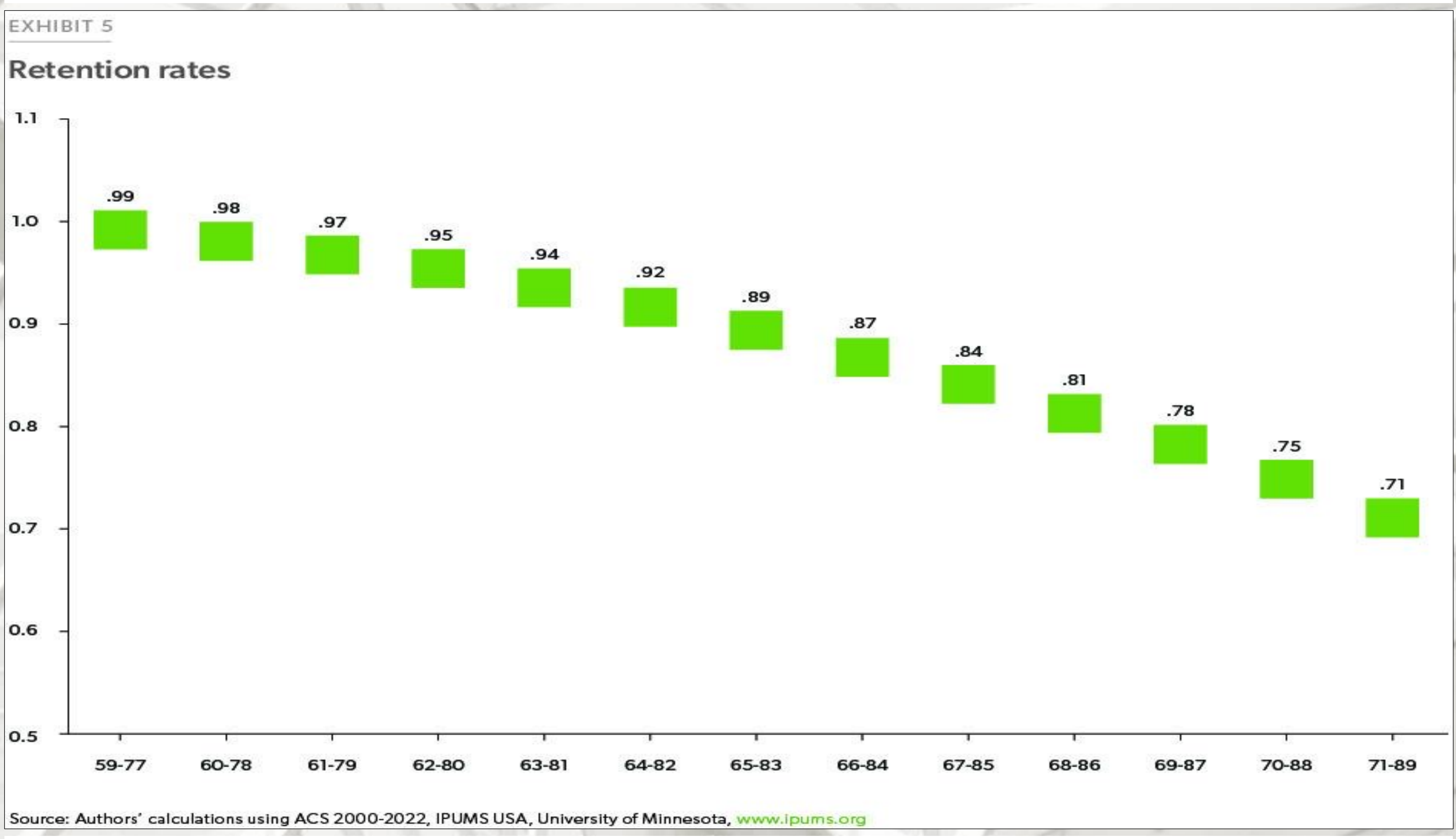

Freddie Mac Outlook

Aging boomers and the impact on the housing market over the next decade

"As of 2022, Boomers were between 58-76 years of age. By 2035, these Boomers will be between the ages of 71 and 89. We estimate the retention rates of these age cohorts as they age over the period from 2000-202211 (Exhibit 5)." – Freddie Mac Economic & Housing Research group

Source: https://www.freddiemac.com/research/forecast/20240226-us-economy-defied-expectations/; 2/26/24

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Freddie Mac Outlook

Aging boomers and the impact on the housing market over the next decade

“Applying these retention rates to the Boomer households as of 2022, we estimate the number of Boomer households each year through 2035. We find a gradual decline in the number of Boomer households over time from around 32 million in 2022 to 23 million by 2035 as the oldest Boomers reach ages close to 90. Per this estimate, there will be 9.2 million fewer Boomer home owner households by 2035 (Exhibit 6). Using this method, the projected decline in home owner households accelerates in the 2030s as the majority of Boomers will be in their 70s or 80s. Over the next five years, the decline is more modest, and we only see a reduction of 2.7 million households by 2028. In this sense, the silver tsunami is more like a tide, with a gradual reduction phasing in over several years. While the number of people aging out of home ownership will increase in the coming years, it is more of an upward sloping trend than a disruptive spike.

However, it is possible that we may see a different outcome. The estimates based on historical retention rates may be too negative. Retention rates have been increasing over time as health outcomes for older Americans improved and life expectancy has increased. If instead of the historical average retention rate, we used the retention rates for the most recent cohorts as of 2022, the cumulative decline in Boomer households by 2035 would be closer to one million less than what we presented in Exhibit 6.” – Freddie Mac Economic & Housing Research group

Source: https://www.freddiemac.com/research/forecast/20240226-us-economy-defied-expectations/; 2/26/24

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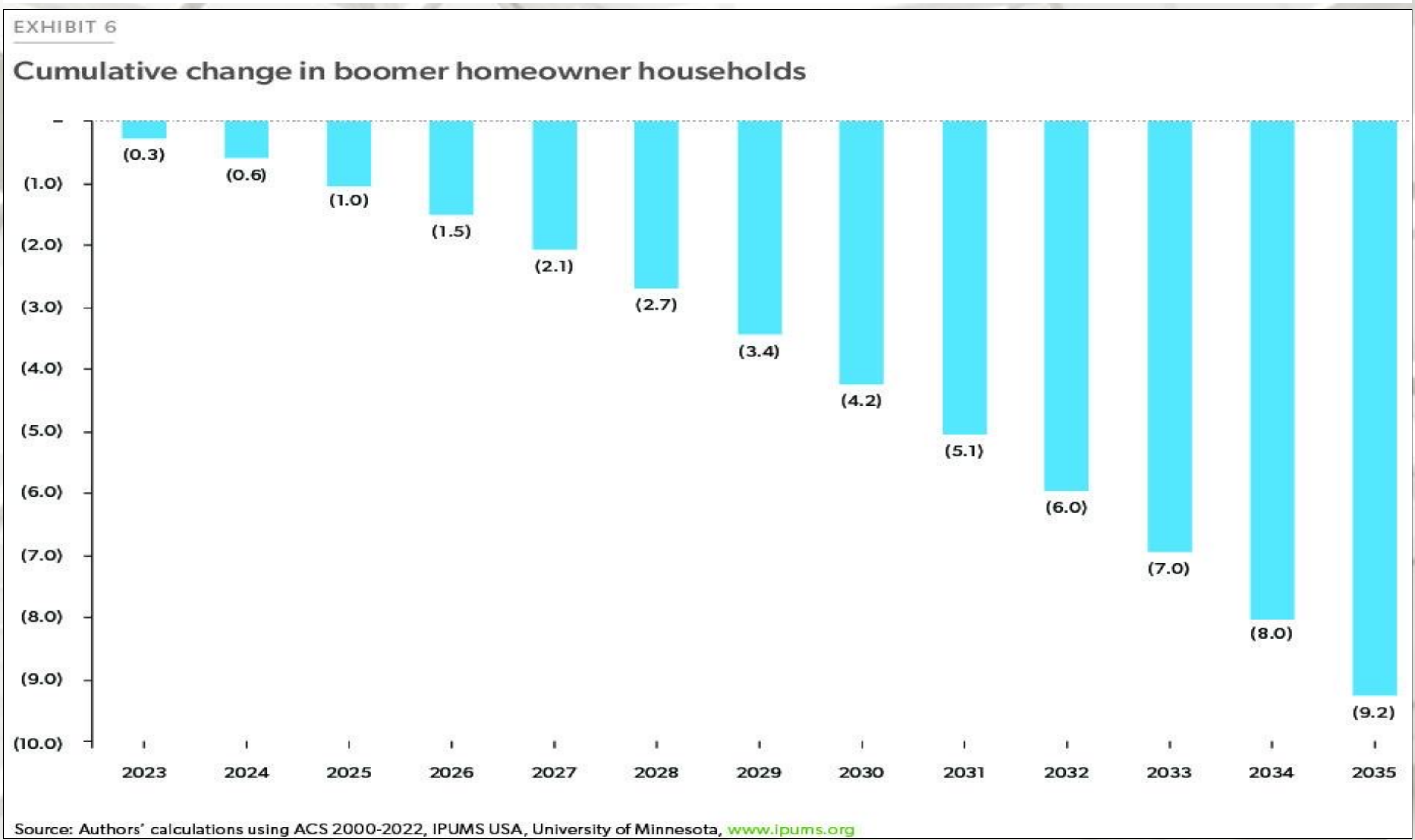

Source: https://www.freddiemac.com/research/forecast/20240226-us-economy-defied-expectations/; 2/26/24

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Aging boomers and the impact on the housing market over the next decade

“Relatedly, while age will inevitably catch up with us all individually, the population as a whole is renewed by younger generations. In addition to the natural growth from population, there is still a large latent demand for housing. In our October 2023 Outlook, we presented estimates showing that there were as many as two million potential additional households in the Millennial generation. Along with increases from Gen Z, total housing demand over the next few years is likely to continue to increase even as the Boomers continue to exit the market. Over at least the next five years, we expect the increase in the young adult home owner households to more than offset the decline in Boomer home owner households.

Freddie Mac has been studying the Baby Boomer generation for years in an attempt to better understand how their decisions have and will impact the housing market. In addition to this data driven analysis, we’ve also published consumer survey results outlining this cohort’s perceptions and plan to release more research later this year. In addition to this data driven analysis, we’ve also published consumer survey results outlining this cohort’s perceptions and plan to release more research later this year.” – Freddie Mac Economic & Housing Research group

Source: https://www.freddiemac.com/research/forecast/20240226-us-economy-defied-expectations/; 2/26/24

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Demographics

ResiClub

Why the office exodus hasn't translated into a bigger spike in office-to-multifamily conversions, as told by Goldman Sachs

"Underutilized office buildings, due to the surge of remote work, have increased the U.S. office vacancy rate to 13.5%, the highest level since 2000. Over the next decade, Goldman Sachs analysts expect the office vacancy rate to rise to 18%.

According to Goldman Sachs, about 4% of U.S. office buildings may no longer be viable. *In the cities most affected by remote work*, between 14% and 16% of offices may no longer be viable. These are typically office buildings located in suburban areas or central business districts which were built more than 30 years ago, have not been renovated since 2000, and currently have vacancy rates exceeding 30%.

However, only 0.49% of office inventory was converted into multifamily units in 2023, compared to 0.23% in pre-pandemic 2019. Goldman Sachs expects that figure to rise to just 0.74% by 2028. That's according to a report published this week by Goldman Sachs titled *"The Price Is Still Too High for Office-to-Multifamily Conversion,"* which concludes that the high costs of converting office buildings to multifamily housing units are hindering a more significant acceleration.

"The office-to-multifamily conversion rate is [still] quite low, suggesting that there may be substantial financial and physical hurdles to conversion," wrote Goldman Sachs analysts Vinay Viswanathan and Elsie Peng in the report." – Meghan Malas, Data Editor, ResiClub

Source: https://www.resiclubanalytics.com/p/office-exodus-hasnt-translated-bigger-spike-officetomultifamily-conversions-told-goldman-sachs; 2/28/24

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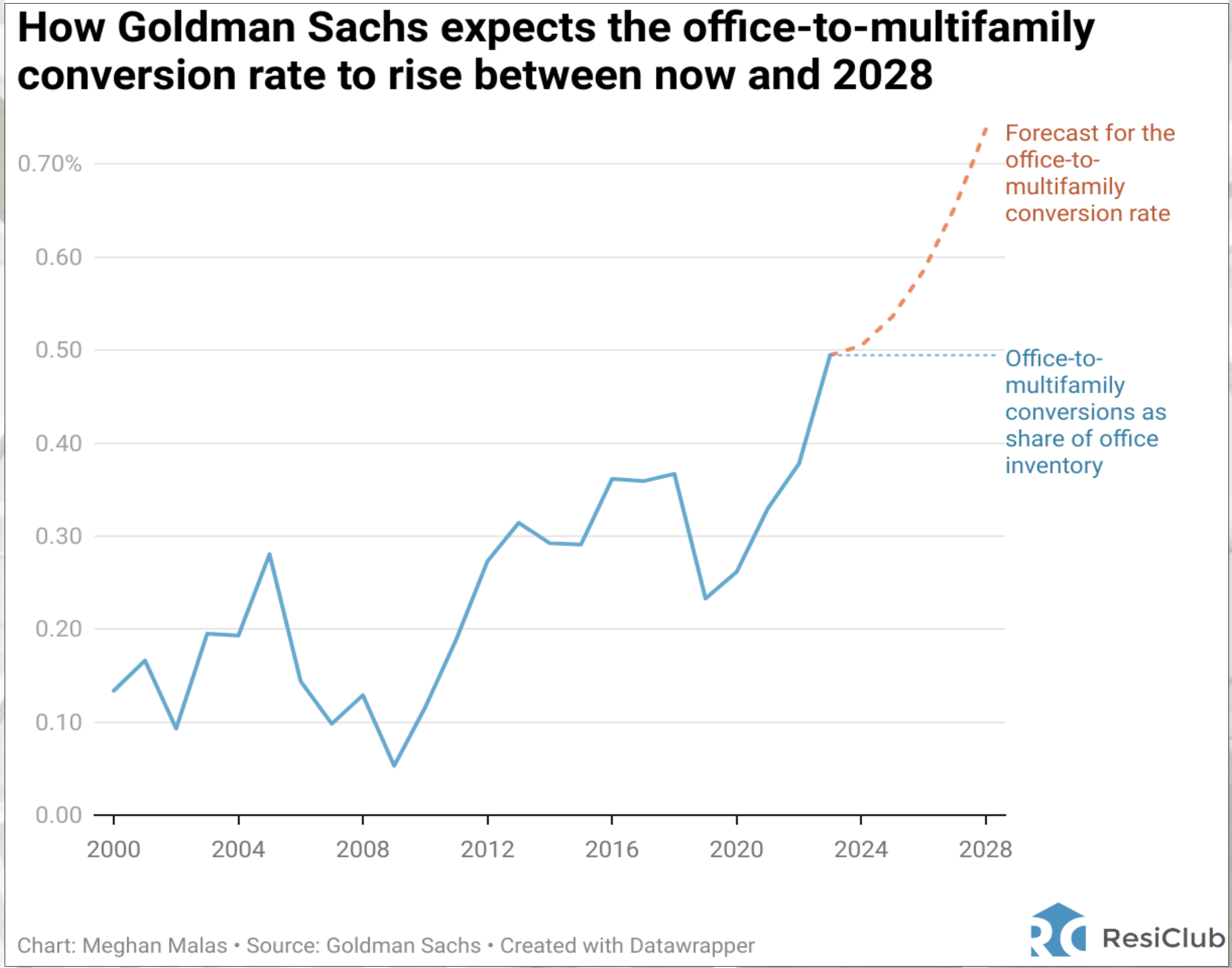
ResiClub



Source: https://www.resiclubanalytics.com/p/office-exodus-hasnt-translated-bigger-spike-officetomultifamily-conversions-told-goldman-sachs; 2/28/24

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Demographics

ResiClub

Why the office exodus hasn't translated into a bigger spike in office-to-multifamily conversions, as told by Goldman Sachs

"According to analysts at Goldman Sachs, office prices still haven't fallen enough to entice developers to do more conversions.

Goldman Sachs analysts found that: "For the top 5 metropolitan areas that are most affected by remote work, we estimate that office acquisition prices would need to fall almost 50% for conversion to be financially feasible. This suggests that most of these offices will likely remain underutilized in the near term."

In part, office prices haven't fallen further because institutional barriers to reevaluating office space have resulted in many lenders extending or modifying office mortgages that might otherwise default. As a result, forced property sales that would have otherwise already happened have not occurred.

The report states that another obstacle to conversion is safety codes. Residential building codes require bedrooms to have certain sizes of windows, but it is impossible to restructure some office buildings with deep floor plates – common in large buildings – in a way that provides all units with proper windows, Goldman Sachs analysts explain. Additionally, transforming an office's existing plumbing, ventilation, and electric system for each residential unit can be challenging.

"The annual conversion rate from office to multifamily will remain low and only increase slowly to 0.74% in the next four years, delivering about 20,000 additional multifamily units per year," wrote Goldman Sachs. That's a drop in the bucket compared to the total of 468,000 multifamily units that were built in 2023." – Meghan Malas, Data Editor, ResiClub

Source: https://www.resiclubanalytics.com/p/office-exodus-hasnt-translated-bigger-spike-officetomultifamily-conversions-told-goldman-sachs; 2/28/24

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Demographics

Fannie Mae

Older Home Owners are Financially Confident Aging in Place

No Imminent Demographic-Driven Supply Boost Expected

"Older home owners aged 60-plus years like their homes, many view the equity in those homes as a financial reserve, and a significant share are confident of their overall retirement financial plan and expect to age in place. Importantly, the home ownership rate among this age group is nearly 80%. The timing of the potential transition of this cohort away from home ownership has increasingly been a focus of industry stakeholders, particularly given the historically low level of existing home supply.

In 2022, Americans aged 60-plus represented 29% of the adult population and 44% of home owners. In the next decade, the 60-plus population is forecast by the Census Bureau to increase to 32% of the total adult population. **If household formation and ownership rates remain unchanged from 2022 levels, the change in population levels alone would mean the 60-plus population could approach nearly half of all home owners in the next decade.**

Given the size of this home owner segment, we thought it was important to better understand their financial plans – and housing's role in those plans – to determine how that might impact future housing market dynamics." – Douglas Duncan, Senior Vice President and Chief Economist, Fannie Mae

Source: https://www.fanniemae.com/research-and-insights/perspectives/older-homeowners-are-financially-confident-aging-place/; 2/29/24

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Fannie Mae

Older Home Owners are Financially Confident Aging in Place

"In April 2023, we conducted a research study of a nationally representative group of 1,141 home owners aged 60-plus. Approximately two-thirds were already retired, and, of those still working, a majority planned to retire in the next five years. All were asked about their financial plan for retirement and the role they expect their home to play in that retirement. An additional group of 307 older home owners with lower incomes and lower amounts of retirement assets and savings were also surveyed to understand the differences in attitudes and needs among older home owners facing greater financial constraints. Prior to fielding the survey, we also conducted in-depth interviews with 25 older home owners to gain deeper insight into their motivations and attitudes, and to better inform the survey work. The details and methodology of our survey, as well as the data and findings, can be found in the research deck.

Key Insights

Our research study identified several important insights for older home owners (unless otherwise noted, percentages are from the nationally representative sample), including:

- Older home owners are confident in their retirement planning: 72% were confident they will have enough income during their retirement, and that confidence grew with age. Economically disadvantaged home owners were less confident, at 55%.
- Most are not interested in using their home equity as retirement income: Only 15% said that they would consider using their home's equity for extra funds needed during retirement, and economically disadvantaged owners felt similarly." – Douglas Duncan, Senior Vice President and Chief Economist, Fannie Mae

Source: https://www.fanniemae.com/research-and-insights/perspectives/older-homeowners-are-financially-confident-aging-place/; 2/29/24

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Fannie Mae

Older Home Owners are Financially Confident Aging in Place

Key Insights

- "A majority plan to age in place: 56% said they will never sell; 27% said they might sell at some point; and only 17% said they have already sold or plan to sell their home. The retired older adults who sold their homes said they did so for a variety of reasons, including moving to a home that better fits their needs, financial reasons (e.g., lower taxes, lower cost housing), living closer to family/friends, and living in a warmer climate.
- Many report feeling an emotional and financial "lock-in" effect: Older home owners' disinclination to move is tied to the love of their home, pride in debt elimination (especially their mortgage), community engagement, and access to known services.
- Although generally averse to debt, there is modest interest in using loan products for home improvement, and nearly half would be interested in a home-maintenance/repair service designed for retirees at a lower cost: 26% expressed interest in a home improvement loan, and 48% were interested in a home-maintenance/repair service at a lower cost, representing the largest interest across programs and services.
- Over one-third are open to retirement advice: 38% said they were open to receiving advice; and the younger the home owner, the more open they are to receiving retirement advice (43% of those under age 65 vs. 33% of those over age 80).

As outlined below, these insights have broader implications for the overall housing market, including the potential availability of homes for sale, the maintenance of an aging housing supply, home equity product interest, and necessary retirement services." – Douglas Duncan, Senior Vice President and Chief Economist, Fannie Mae

Source: https://www.fanniemae.com/research-and-insights/perspectives/older-homeowners-are-financially-confident-aging-place/; 2/29/24

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Fannie Mae

Older Home Owners are Financially Confident Aging in Place

Detailed Findings

Confidence in Retirement Planning

"Many older home owners felt prepared for retirement and thought they had planned enough to live comfortably and within their means during retirement. Survey results show 72% of older home owners felt confident they will have enough income during retirement, and close to 60% agreed they had "done a lot of research and planned quite well for retirement."

Within the cohort, there was an age progression to these questions, with older home owners (ages 70-plus) more confident that they have planned well compared to younger home owners (ages 60-69). Over 60% of older home owners wished they had saved more for retirement when they were younger, and significantly more mortgage holders (68%) than outright owners (56%) wished they had saved more for retirement. Over one-third of older home owners were also open to receiving financial advice for retirement.

Here, too, there was an age progression within the cohort, with younger home owners more open to receiving advice than older home owners.

Qualitative interviews shed additional light on these findings. Many older home owners who were interviewed indicated that they do not have extravagant wants or needs and prefer to live simply and frugally to keep their expenses in line with their incomes. Additionally, many were open to receiving information they may not have come across when doing their own retirement research. …" – Douglas Duncan, Senior Vice President and Chief Economist, Fannie Mae

Source: https://www.fanniemae.com/research-and-insights/perspectives/older-homeowners-are-financially-confident-aging-place/; 2/29/24

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Older Home Owners are Financially Confident Aging in Place

Most Older Home Owners Expect to Age in Place

“Only 17% of older homeowners said they sold their home, or plan to, during retirement (8% already sold, and 9% plan to sell); another 27% said they may sell; and 56% said they will never sell. Respondents offered a compelling combination of emotional and financial reasons for remaining in their homes, including a “love” of their home, comfort with the area, and that their “home is, or almost is, paid off.” The top reasons for staying in their homes did not differ by age group (younger vs. older), but potential future research might explore whether intergenerational households are becoming a more prominent reason for some retirees to stay in their homes.

Only 7% of older home owners said the process would be “too difficult” to sell their home, so that does not appear to be a barrier for many home owners. Additionally, 62% said that their goal is to leave their home to their heirs, which may indicate that many view their homes as part of their legacy, another emotional and financial reason to stay in their home. Almost half said their home's equity provides security for costs associated with unexpected emergencies, which, while not explicitly defined by the survey, could be anything from extensive healthcare costs to assisted living or major home repairs.

Amid the larger discussion of mortgaged home owners being “locked in” to their homes following the post-pandemic jump in mortgage rates, a previously published survey of ours on the “lock-in effect” found that, for home owners of all ages, households cited a number of non-monetary reasons for planning to remain in their homes longer. These latest survey results corroborate those findings, and they may be especially true for older home owners, many of whom cited the same non-financial reasons for wanting to stay in their homes longer. …” – Douglas Duncan, Senior Vice President and Chief Economist, Fannie Mae

Source: https://www.fanniemae.com/research-and-insights/perspectives/older-homeowners-are-financially-confident-aging-place/; 2/29/24

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Older Home Owners are Financially Confident Aging in Place

Wide-Ranging Implications

"We think our survey findings have important implications for older home owners, their families, and the entire housing market, including the supply of housing, home maintenance programs, and retirement advisory services. Since the research found that only 17% of older home owners say they have sold or plan to sell their home during retirement – and many who sold their home just bought another home to fit their retirement needs – we believe older home owners exiting their homes are unlikely to offer much near-term housing supply relief.

As older home owners age along with their homes, helping them maintain their homes – from home improvement loan products to help with maintenance and repair services – could be supportive of their stated needs in our survey.

Providing cost-effective maintenance and repair programs would help sustain the value and safety of their homes, and potentially reduce unexpected housing-related emergency costs, for which, as a last resort, some home owners may use their home equity. The research shows that almost half of older home owners see their home equity as security for unexpected emergency costs. As mentioned previously, home improvement loans or programs could provide benefits on many fronts – including potentially lowering healthcare costs due to safer living conditions. There may also be a way to a better interface with home health care organizations as a strategy to lower or help maintain societal costs." – Douglas Duncan, Senior Vice President and Chief Economist, Fannie Mae

Source: https://www.fanniemae.com/research-and-insights/perspectives/older-homeowners-are-financially-confident-aging-place/; 2/29/24

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Fannie Mae

Older Home Owners are Financially Confident Aging in Place

Wide-Ranging Implications

"Even though most older home owners expressed confidence in their retirement planning, providing objective advice to help them make informed financial choices about their homes earlier in retirement, or prior to retirement, may be another opportunity for the financial services industry. Our research found that over one-third of older home owners, especially those under 70, are open to financial advice. With housing representing a sizable portion of many home owners' net worth, we believe it's important that housing and home equity planning be included in holistic retirement planning.

In sum, while a majority of older home owners feel capable of managing their retirement and income needs, and express little interest in using their home equity for income (with the exception of addressing emergencies), our research indicates areas of potential support for certain older home owners who may need or benefit from it. Such support could be provided by various organizations within the housing and financial industries. Examples include lenders providing low-cost home improvement loans; home maintenance companies or local organizations/governments providing cost-effective maintenance programs; and retirement-planning advisors including housing/home equity planning in a holistic manner for older home owners looking for advice. At Fannie Mae, we look forward to working with our industry partners to help support older adult home owners, including by helping to shed light on their needs via continued research and insights." – Douglas Duncan, Senior Vice President and Chief Economist, Fannie Mae

Source: https://www.fanniemae.com/research-and-insights/perspectives/older-homeowners-are-financially-confident-aging-place/; 2/29/24

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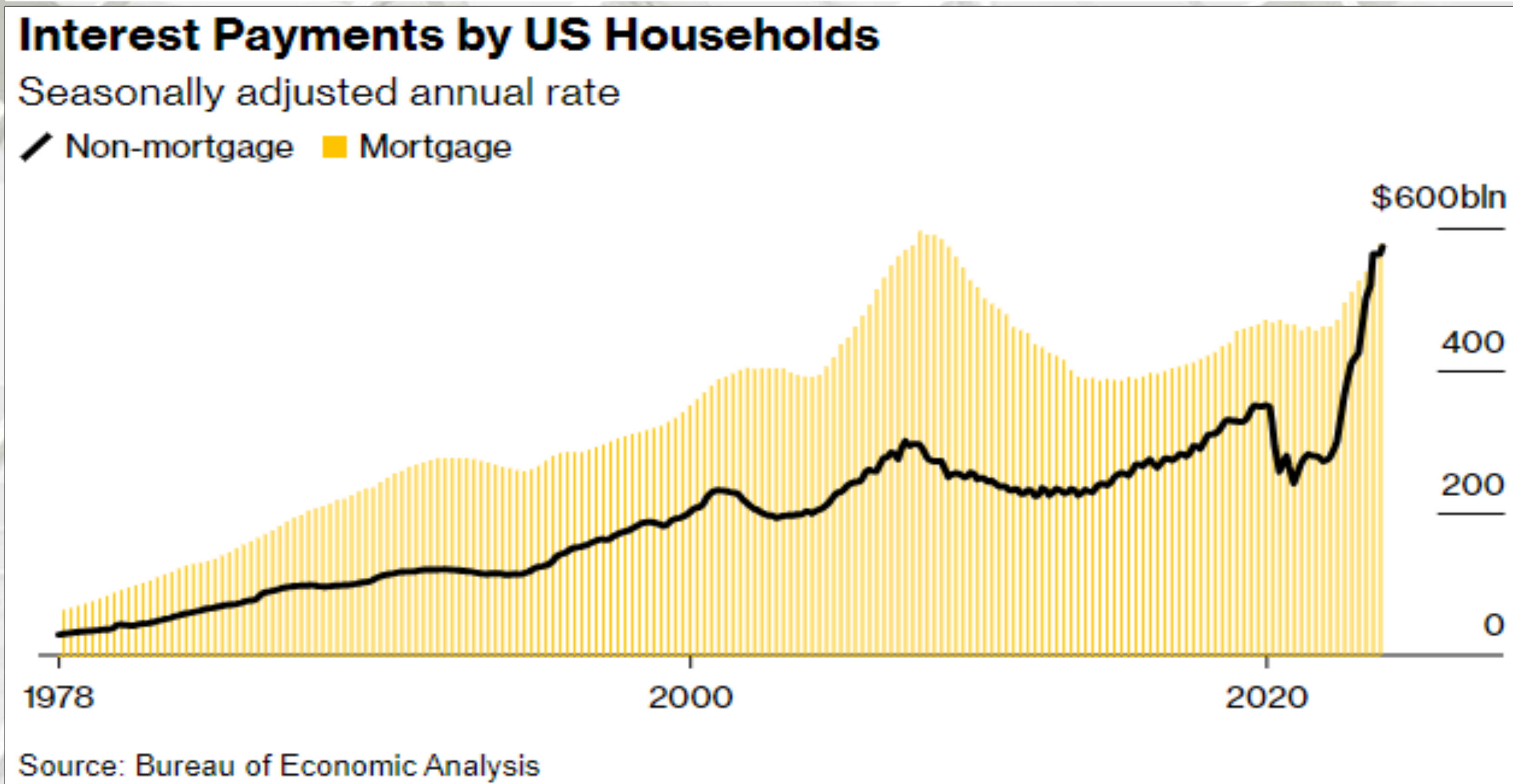
Economics

Charlie Bilello

U.S. Household Interest Payments



"US household interest payments on non-mortgage debt hit a record $573 billion over the past year and is close to surpassing interest payments on mortgage debt ($578 billion) for the first-time ever." – Charlie Bilello

Source: https://twitter.com/charliebilello/status/1765390345104175456/photo/1; 3/6/24

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Economics

U.S. Census Bureau

NEW Business Formation Statistics

February 2024

Business Applications

“Business Applications for February 2024, adjusted for seasonal variation, were 436,358, a decrease of 2.7 percent compared to January 2024.

Business Formations

Projected Business Formations (within 4 quarters) for February 2024, adjusted for seasonal variation, were 28,582, a decrease of 1.4 percent compared to January 2024. 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 28,582 new business startups with payroll tax liabilities will form within 4-quarters of application from all the business applications filed during February 2024. The 1.4 percent decrease indicates that for February 2024 there will be 1.4 percent fewer businesses projected to form within 4-quarters of application, compared to the analogous projections for January 2024.” – U.S. Census Bureau

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 3/12/24

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Economics

U.S. Census Bureau

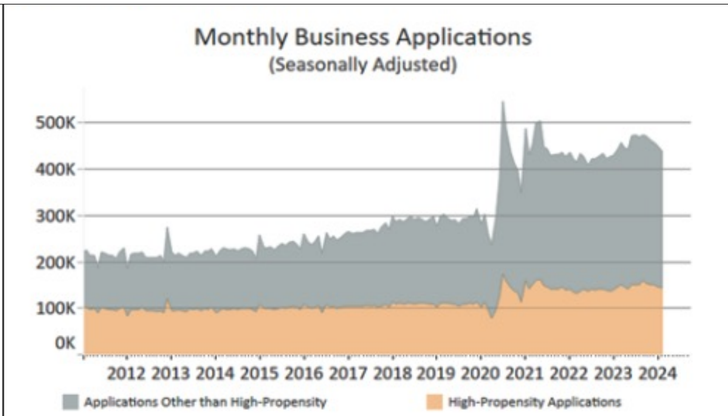
NEW Business Formation Statistics

February 2024

BUSINESS APPLICATIONS

U.S. Business Applications:	FEB 2024	FEB 2024 / JAN 2024
Total	436,358	-2.7%°
High-Propensity	142,576	-2.2%°
With Planned Wages	45,821	-3.2%°
From Corporations	48,066	-1.0%°

Next release: April 11, 2024
(°) Statistical significance is not applicable or not measurable.
Data adjusted for seasonality.
Source: U.S. Census Bureau, Business Formation Statistics, March 12, 2024



Source: U.S. Census Bureau, Business Formation Statistics, March 12, 2024

Business Applications - At a Glance

		US	Northeast	Midwest	South	West
Total	FEB 2024	436,358	64,516	71,251	201,915	98,676
	FEB 2024 / JAN 2024	-2.7%	-5.2%	-1.7%	-1.3%	-4.6%
High-Propensity	FEB 2024	142,576	23,618	23,052	61,174	34,732
	FEB 2024 / JAN 2024	-2.2%	-1.2%	-1.0%	-2.5%	-3.2%
With Planned Wages	FEB 2024	45,821	6,570	8,262	19,781	11,208
	FEB 2024 / JAN 2024	-3.2%	-2.4%	-1.3%	-2.1%	-6.6%
From Corporations	FEB 2024	48,066	10,819	5,979	16,777	14,491
	FEB 2024 / JAN 2024	-1.0%	-0.3%	+1.8%	-3.2%	+0.1%

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

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 3/12/24

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Economics

U.S. Census Bureau

February 2024

BUSINESS FORMATIONS

U.S. Total Projected Business Formations:	FEB 2024	FEB 2024 / JAN 2024
Within 4 Quarters	28,582	-1.4%°
Within 8 Quarters	38,773	-1.1%°

Next release: April 11, 2024

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

Spliced - Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, March 12, 2024

Source: U.S. Census Bureau, Business Formation Statistics, March 12, 2024

Projected Business Formations - At a Glance

		US	Northeast	Midwest	South	West
Within 4 Quarters	FEB 2024	28,582	4,673	4,629	11,265	8,015
	FEB 2024 / JAN 2024	-1.4%	-0.2%	+0.1%	-0.9%	-3.5%
Within 8 Quarters	FEB 2024	38,773	6,346	6,198	15,597	10,632
	FEB 2024 / JAN 2024	-1.1%	-0.5%	-0.3%	-0.1%	-3.1%

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

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

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 3/12/24

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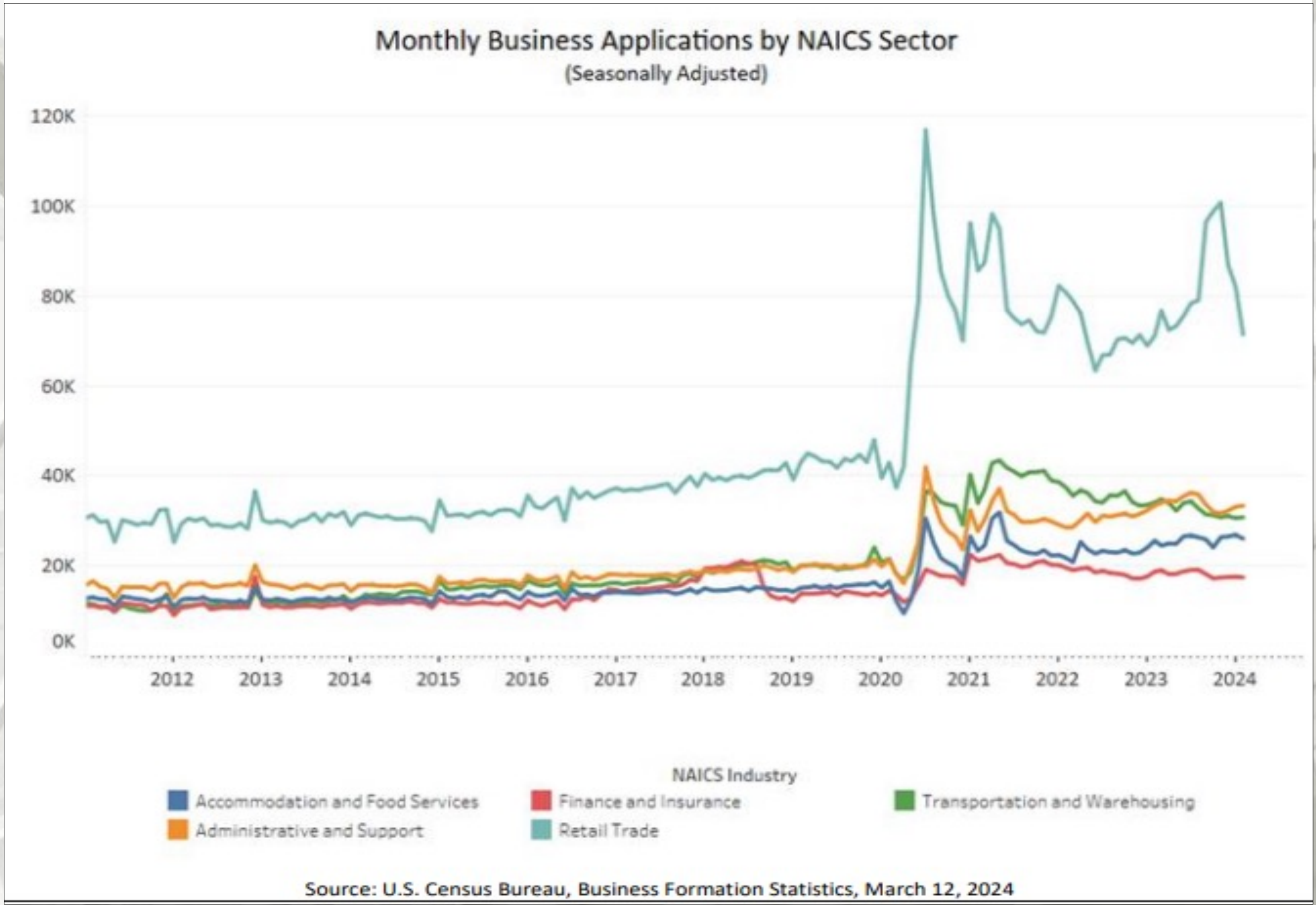
NEW Business Formation Statistics

February 2024



Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 3/12/24

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