

The Virginia Tech – U.S. Forest Service

December 2016

Housing Commentary: Section II



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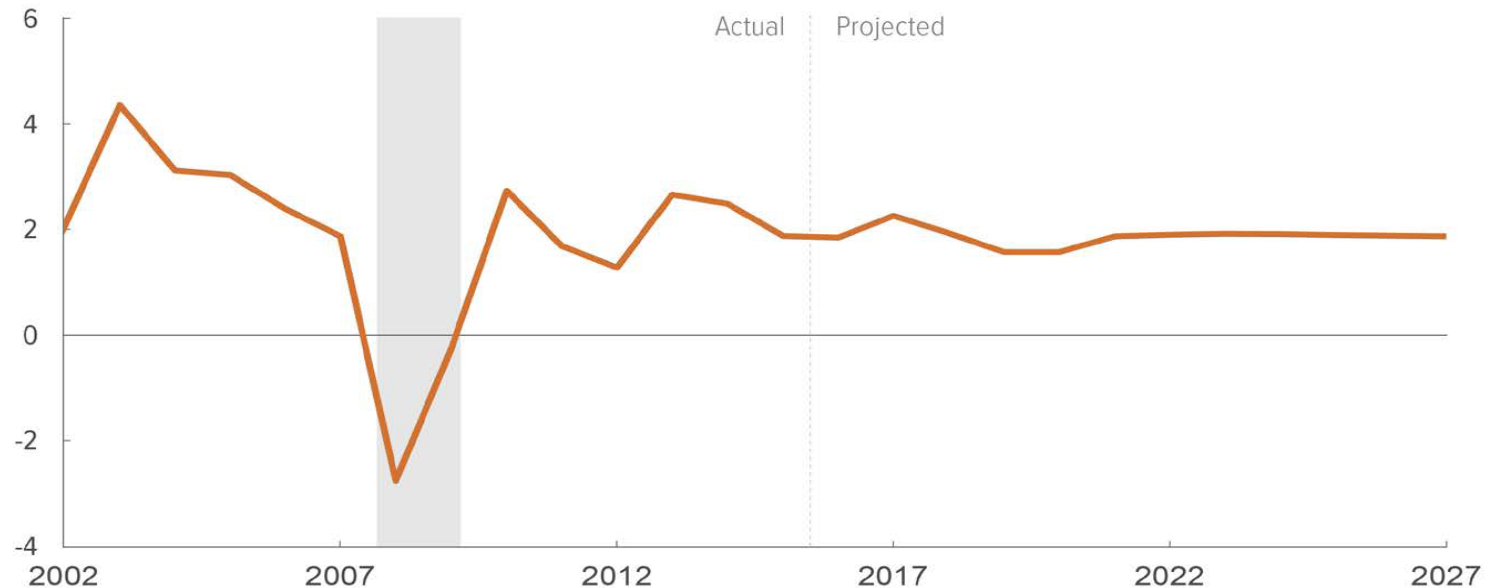
Congressional Budget Office; Federal Reserve System and Private Indicators

U.S. Economic Indicators

Congressional Budget Office Projections

Growth of Real GDP

Percent, Fourth Quarter to Fourth Quarter



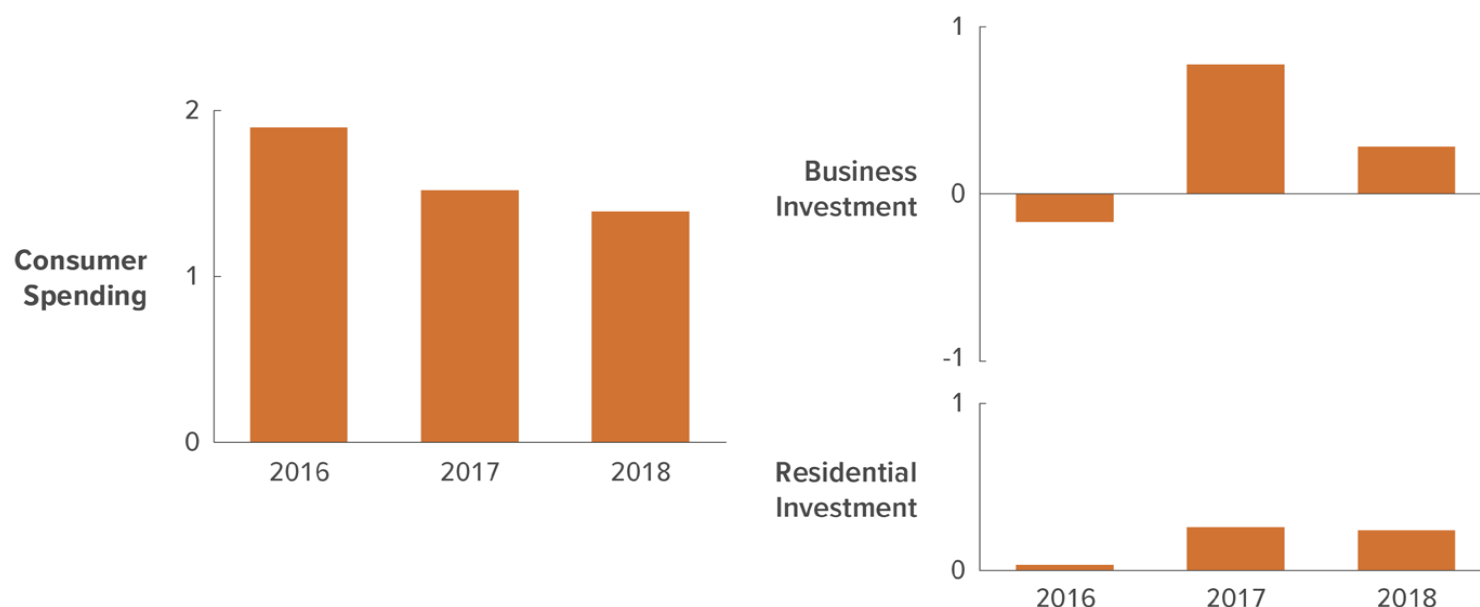
CBO expects real (inflation-adjusted) GDP to grow by 2.3 percent this year and by 1.9 percent next year.

U.S. Economic Indicators

Congressional Budget Office Projections

Projected Contributions to the Growth of Real GDP

Percentage Points



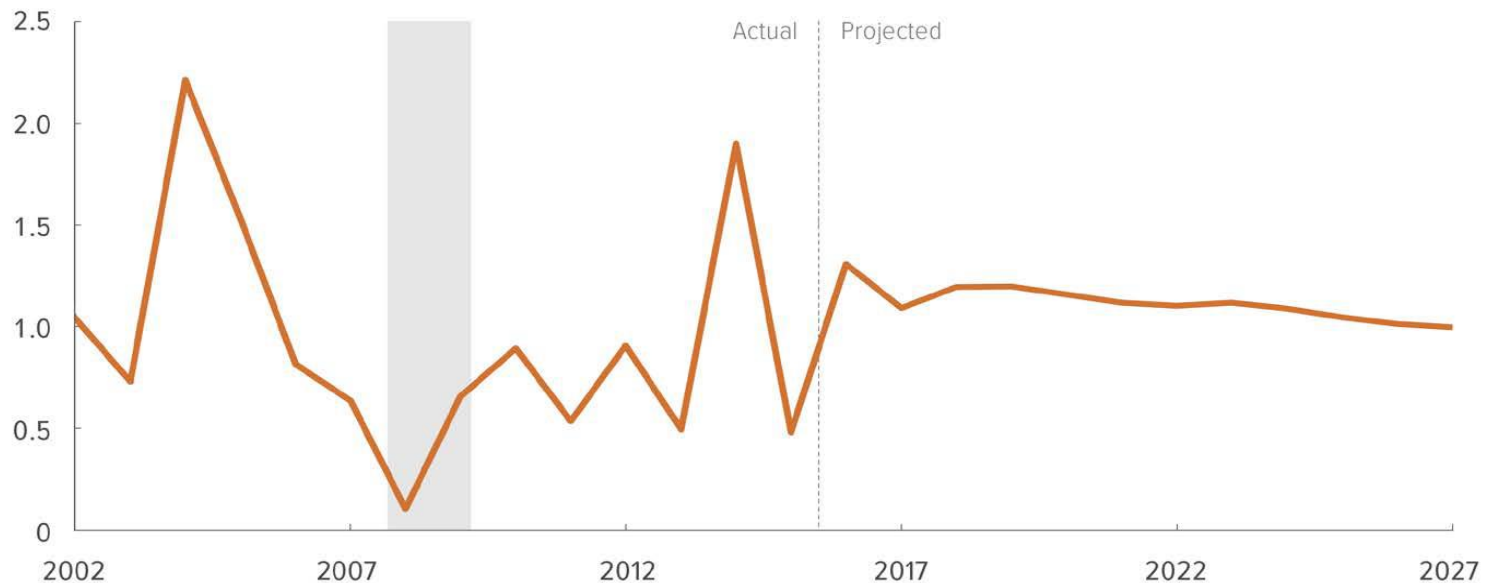
Consumer spending, which accounts for over two-thirds of economic output, is expected to provide the largest contribution to economic growth, as it has generally done in the past. However, the pickup in economic growth that CBO projects for 2017 stems largely from faster growth in business investment.

U.S. Economic Indicators

Congressional Budget Office Projections

Household Formation

Millions of Households



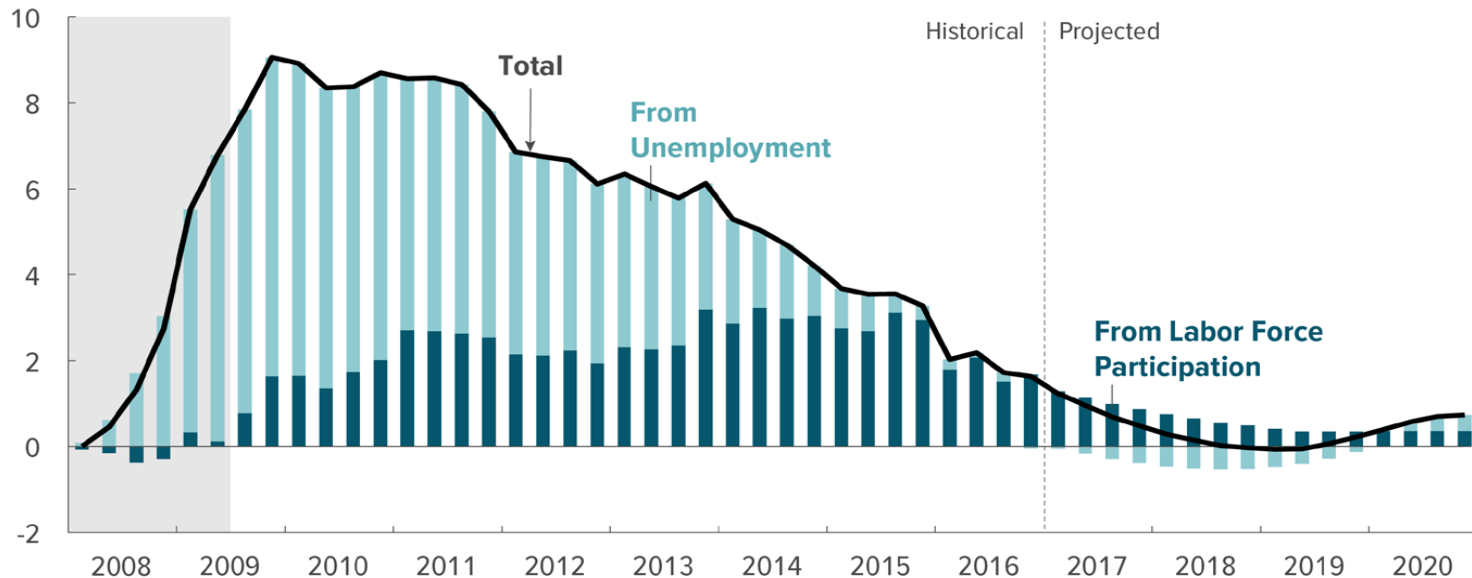
CBO anticipates that the construction of new dwellings will be the primary contributor to the growth of residential investment, mainly because of robust household formation.

U.S. Economic Indicators

Congressional Budget Office Projections

Employment Shortfall

Millions of People



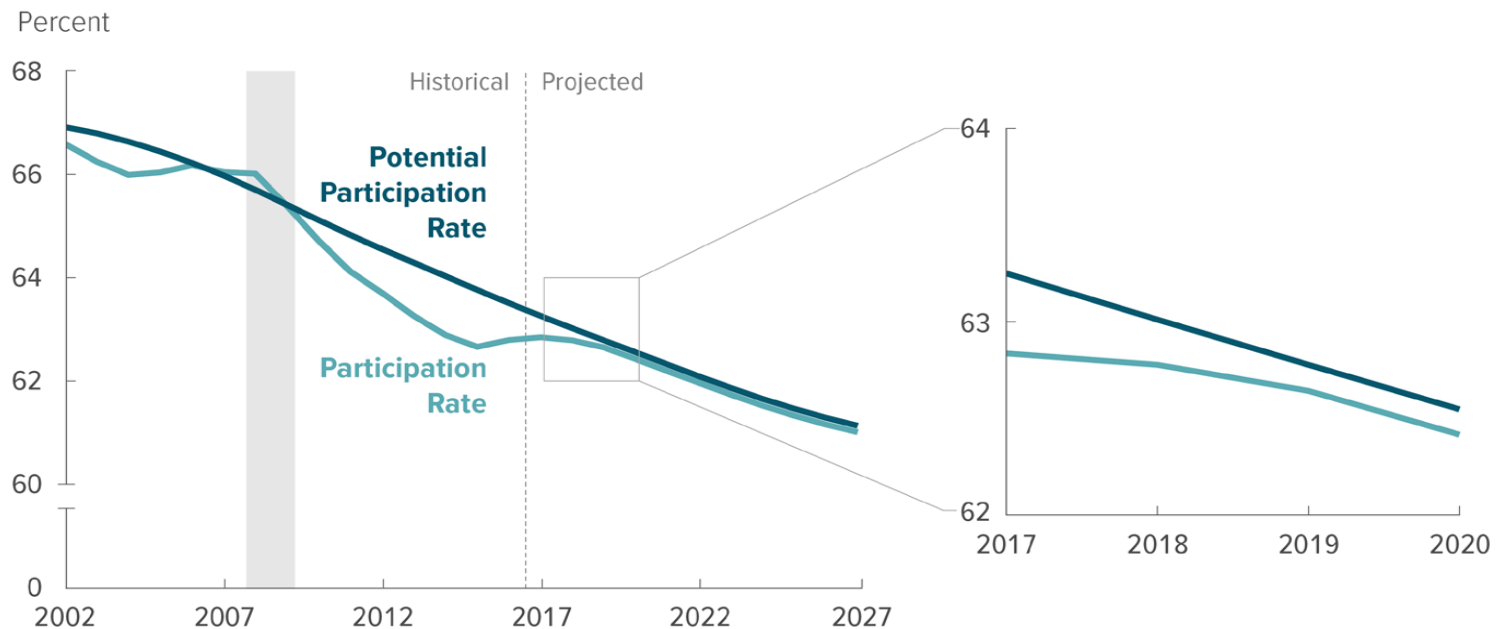
The growth of aggregate demand for goods and services in the economy will increase the demand for labor, eliminating the shortfall between actual and potential employment by the end of 2018.

Potential employment is the number of people who would be employed if the unemployment rate equaled its natural rate and if the labor force participation rate equaled its potential rate.

U.S. Economic Indicators

Congressional Budget Office Projections

Labor Force Participation Rates



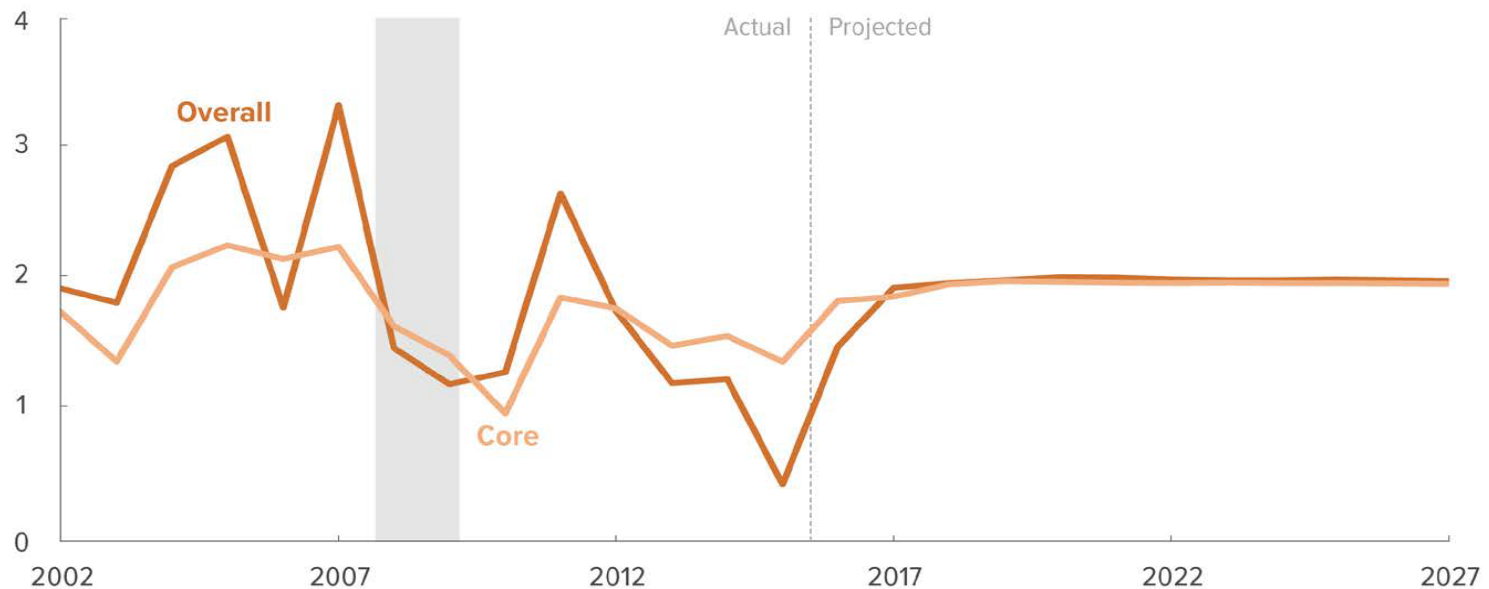
As the increase in employers' demand for labor continues to draw workers back into the labor force, the strengthening economy is expected to slow the downward trend in the rate of labor force participation, which largely reflects the retirement of the baby boomers.

U.S. Economic Indicators

Congressional Budget Office Projections

Inflation

Percentage Change in PCE Price Indexes



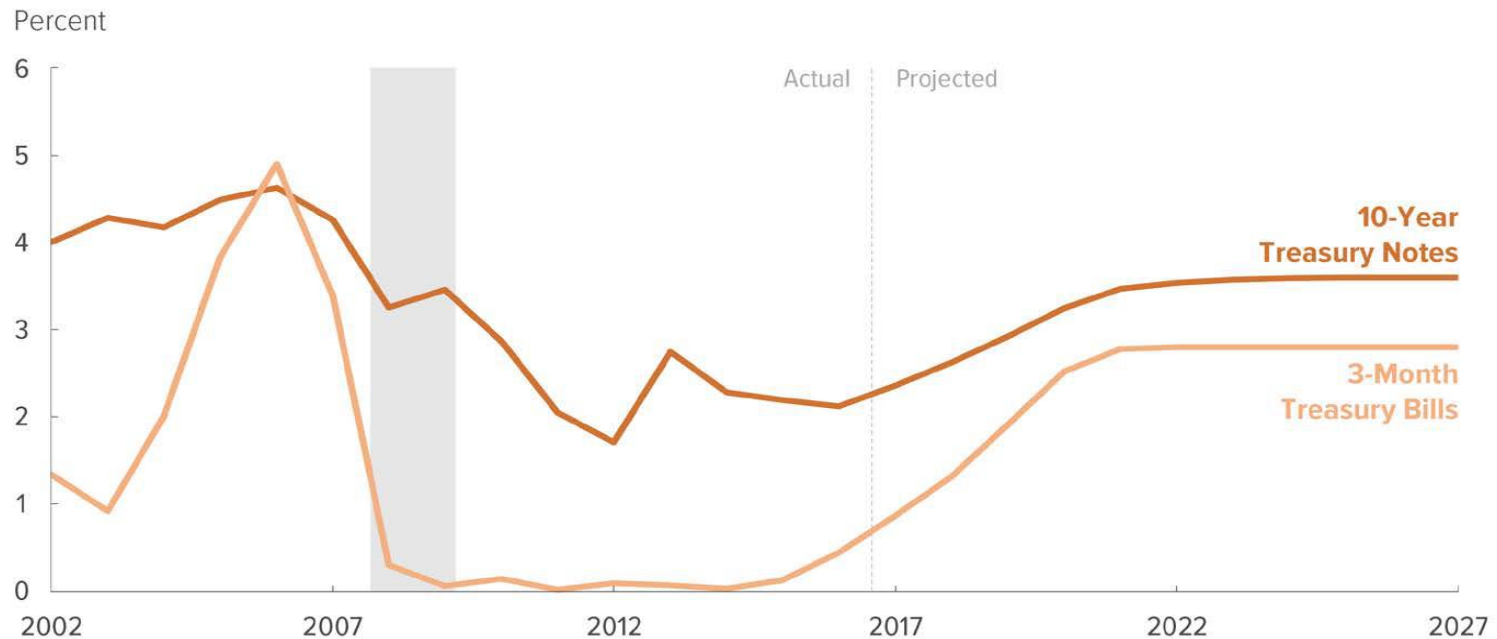
CBO anticipates that over the next two years, as slack in the economy diminishes, inflation will rise to the Federal Reserve's goal of 2 percent.

PCE = personal consumption expenditures; the core rate excludes prices for food and energy.

U.S. Economic Indicators

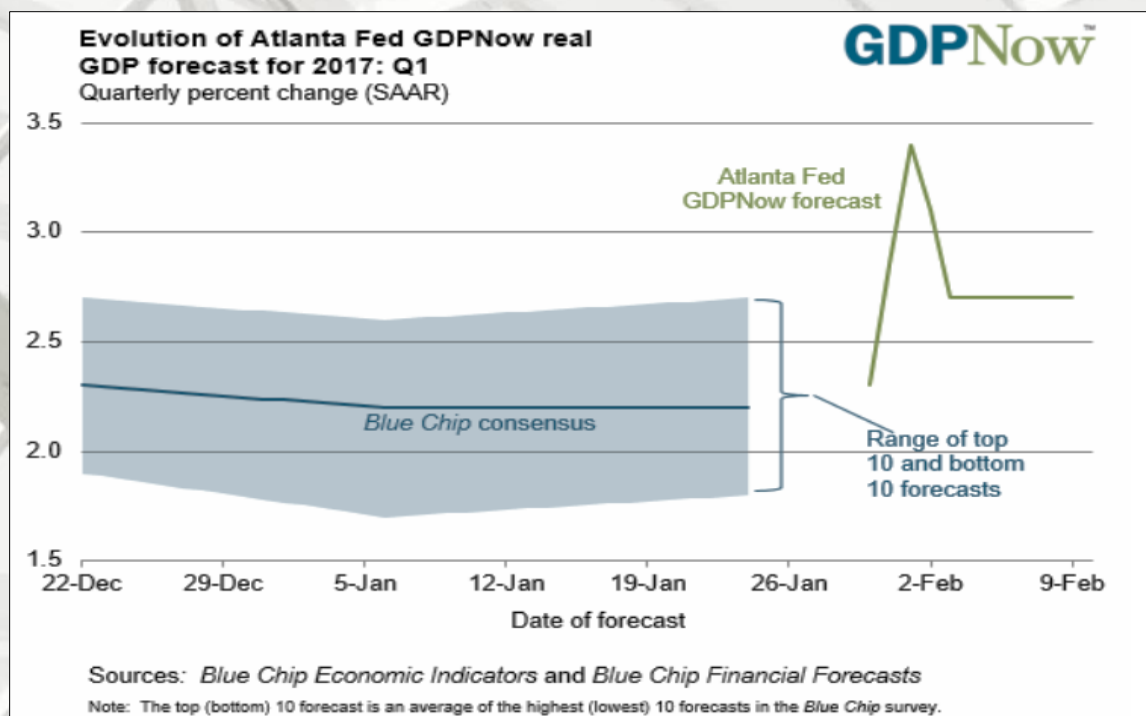
Congressional Budget Office Projections

Interest Rates



Interest rates on Treasury securities will rise, CBO projects, reflecting continued economic improvement and increases in the federal funds rate.

U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest forecast: 2.7 percent — February 9, 2017

“The GDPNow model forecast for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2017 is **2.7 percent** on February 9, unchanged from February 7. The forecast for the contribution of inventory investment to first-quarter growth remained at -0.25 percentage points after this morning's wholesale trade report from the U.S. Census Bureau.” – Pat Higgins, Economist, The Federal Reserve Bank of Atlanta

U.S. Economic Indicators

Southeast Purchasing Managers Index



Note: 50+ = Expansion

Source: Kennesaw State University, Coles College of Business Econometric Center



The Federal Reserve Bank of Atlanta Southeast Manufacturing

“Kennesaw State University's Southeast Purchasing Managers Index (PMI), is a composite index that measures the region's manufacturing sector based on key sector indicators. December's reading was 53.8, a decrease from December (57.9) and an increase from December 2015 (52.0). The composite index measures the region's manufacturing sector based on key sector indicators; a reading below 50 indicates manufacturing is contracting, while over 50 means the industry is expanding.” – Troy Balthrop, Senior Analyst, The Federal Reserve Bank of Atlanta

U.S. Economic Indicators



	Current	Previous	1 Month Ago	3 Months Ago	6 Months Ago	12 Months Ago
Index	2/10/2017	2/3/2017	1/13/2017	11/11/2016	8/12/2016	2/12/2016
NFCI	-0.82	-0.81	-0.77	-0.71	-0.69	-0.57
ANFCI	-0.18	-0.18	-0.22	-0.11	0.13	0.05

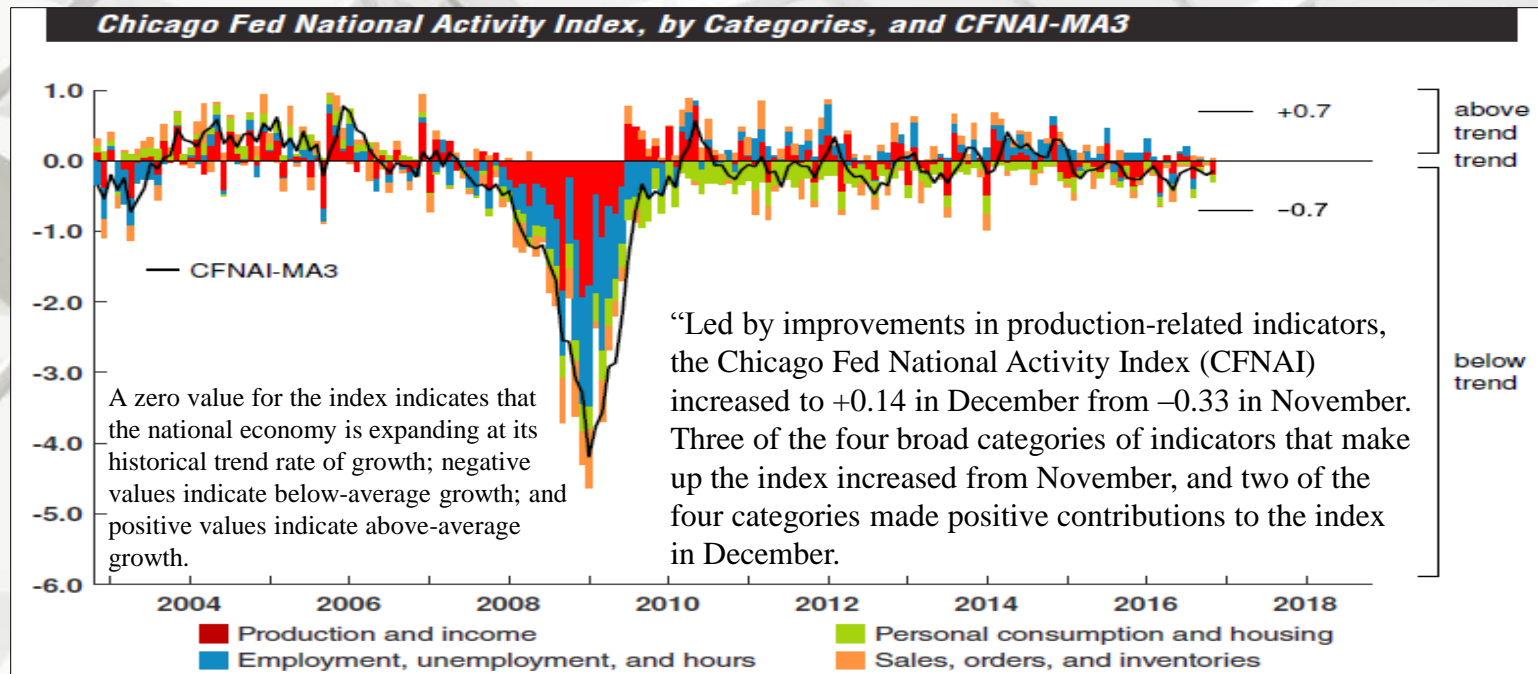
The Federal Reserve Bank of Chicago

Financial Conditions Little Changed in Week Ending February 10

“The NFCI ticked down to -0.82 in the week ending February 10. The credit subindex decreased slightly from the previous week, while the risk, leverage and nonfinancial leverage subindexes all were unchanged.

The ANFCI was also unchanged, at -0.18 . The current level of the ANFCI indicates that financial conditions in the latest week were somewhat looser than what would typically be suggested by current economic conditions as captured by the three-month moving average of the Chicago Fed National Activity Index (CFNAI-MA3) and three-month total inflation according to the Price Index for Personal Consumption Expenditures (PCE).” – Scott Brave, Economic Research, The Federal Reserve Bank of Chicago

Chicago Fed: National Activity Index

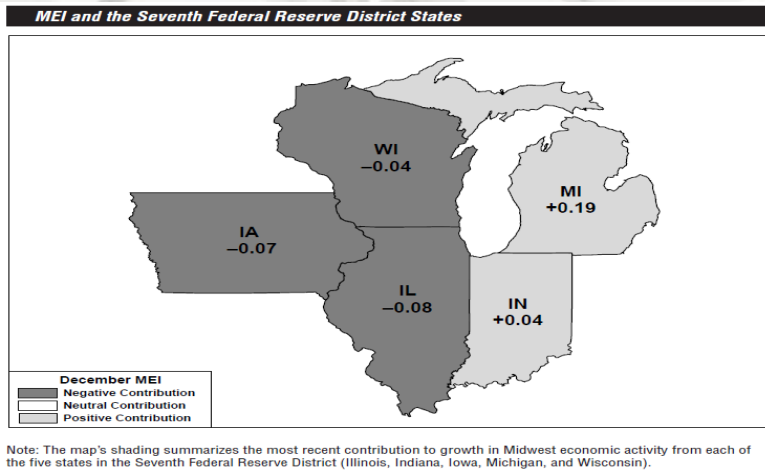


Economic Growth Increased in December

“The index’s three-month moving average, CFNAI-MA3, edged up to -0.07 in December from -0.14 in November. December’s CFNAI-MA3 suggests that growth in national economic activity was slightly below its historical trend. The economic growth reflected in this level of the CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year.

The CFNAI Diffusion Index, which is also a three-month moving average, was unchanged at -0.06 in December. Thirty-seven of the 85 individual indicators made positive contributions to the CFNAI in December, while 48 made negative contributions. Fifty indicators improved from November to December, while thirty-five indicators deteriorated. Of the indicators that improved, 23 made negative contributions.” – Laura LaBarbera, Media Relations, The Federal Reserve Bank of Chicago

Chicago Fed: Midwest Economy Index



Midwest Economy Index

“The Midwest Economy Index (MEI) increased to +0.06 in December from -0.02 in November. The relative MEI decreased to +0.12 in December from +0.19 in November.

December’s value for the relative MEI indicates that Midwest economic growth was slightly higher than what would typically be suggested by the growth rate of the national economy.” – Laura LaBarbera, Media Relations, Chicago Fed

“The manufacturing sector’s contribution to the MEI increased to +0.05 in December from -0.01 in November. The pace of manufacturing activity increased in Illinois, Indiana, Michigan, and Wisconsin, but was unchanged in Iowa. Manufacturing’s contribution to the relative MEI edged down to +0.17 in December from +0.22 in November.

The construction and mining sector’s contribution to the MEI ticked up to -0.02 in December from -0.03 in November. The pace of construction and mining activity was higher in Michigan and Wisconsin, but unchanged in Illinois, Indiana, and Iowa. Construction and mining made a neutral contribution to the relative MEI in December, up slightly from -0.02 in November.

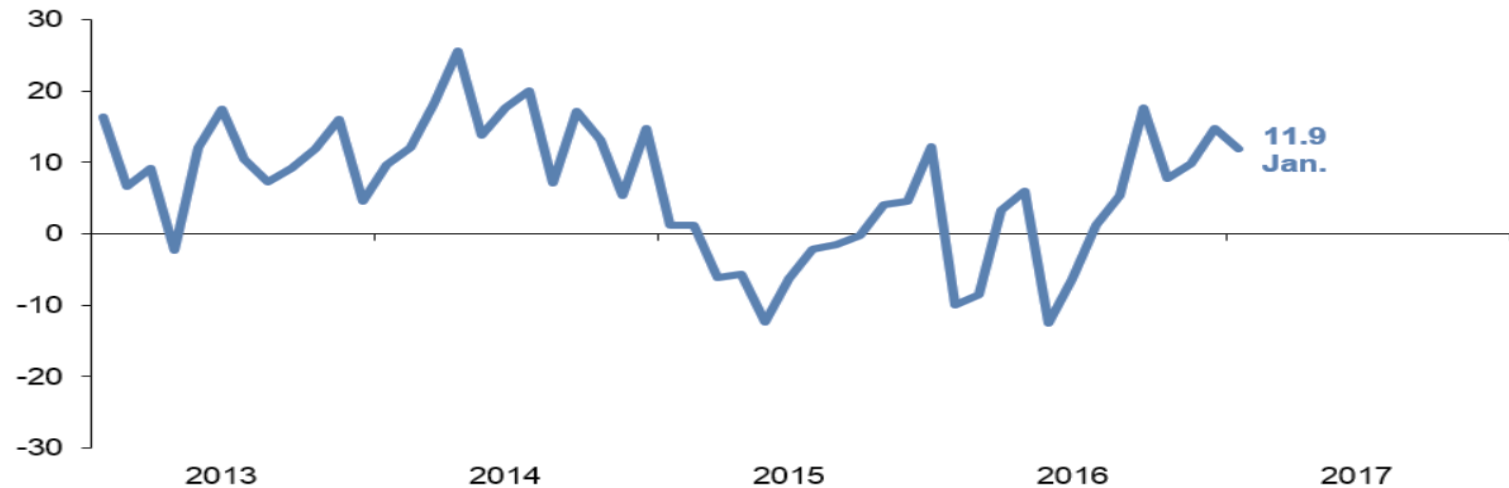
The service sector made a neutral contribution to the MEI in December, up slightly from -0.01 in November. The pace of service sector activity was up in Iowa and Michigan, but down in Illinois and unchanged in Indiana and Wisconsin. The service sector’s contribution to the relative MEI decreased to -0.07 in December from -0.02 in November.

The contribution from consumer spending indicators to the MEI ticked down to +0.03 in December from +0.04 in November. Consumer spending indicators were, on balance, down in Illinois and Indiana, but up in Iowa and steady in Michigan and Wisconsin. Consumer spending’s contribution to the relative MEI ticked up to +0.02 in December from +0.01 in November.” – Laura LaBarbera, Media Relations, The Federal Reserve Bank of Chicago

U.S. Economic Indicators

Texas Manufacturing Outlook Survey Production Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

Texas Manufacturing Activity Continues to Expand

“Texas factory activity increased for the seventh consecutive month in January, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, edged down but remained positive at 11.9, suggesting output growth continued but at a slightly slower pace this month.

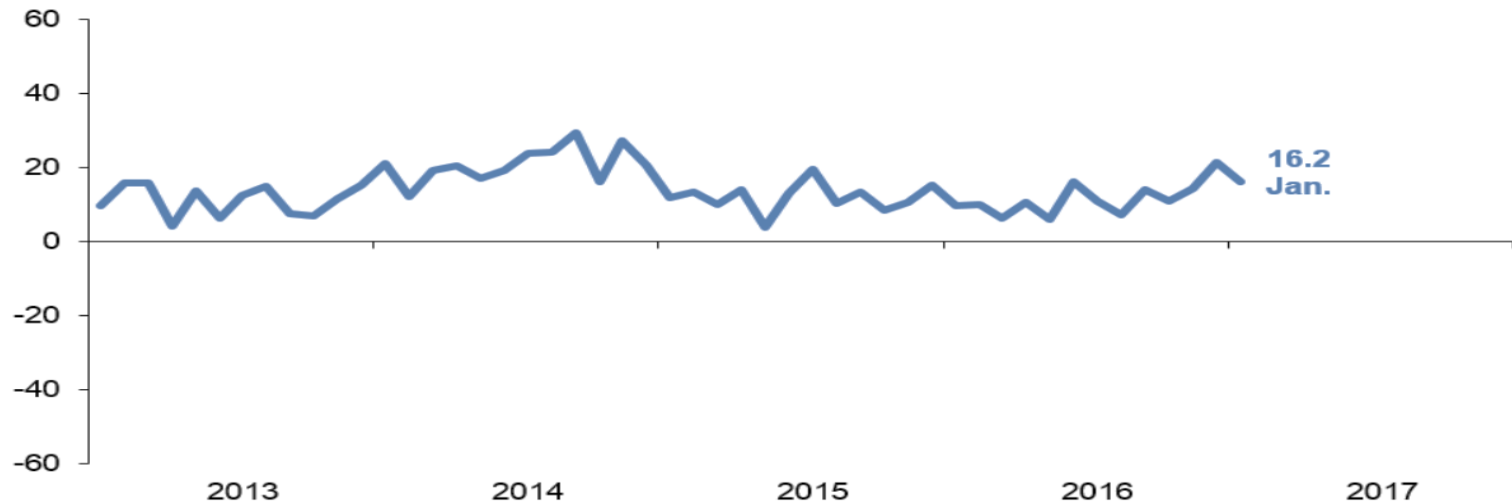
Other measures of current manufacturing activity also indicated expansion. The new orders index climbed to a multiyear high of 15.7, while the growth rate of orders index returned to positive territory, rising 8 points to 6.7. The capacity utilization index posted a seventh positive reading in a row, although it moved down to 9.1 this month. The shipments index rose 10 points to 15.8, with more than a third of manufacturers noting a rise in shipment volumes from December.

Perceptions of broader business conditions improved further this month. The general business activity index posted a fourth consecutive positive reading and moved up to 22.1, its highest reading since April 2010. The company outlook index pushed up to 25.0, also a level not seen since 2010.” – Emily Kerr, Business Economist, Federal Reserve Bank of Dallas

U.S. Economic Indicators

Texas Service Sector Outlook Survey Revenue Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

Texas Service Sector Activity Expands at a Slower Pace

“Texas service sector activity continued to reflect expansion in January albeit at a slower pace, according to business executives responding to the *Texas Service Sector Outlook Survey*. The [revenue](#) index, a key measure of state service sector conditions, fell from 21.3 in December to 16.2 in January.

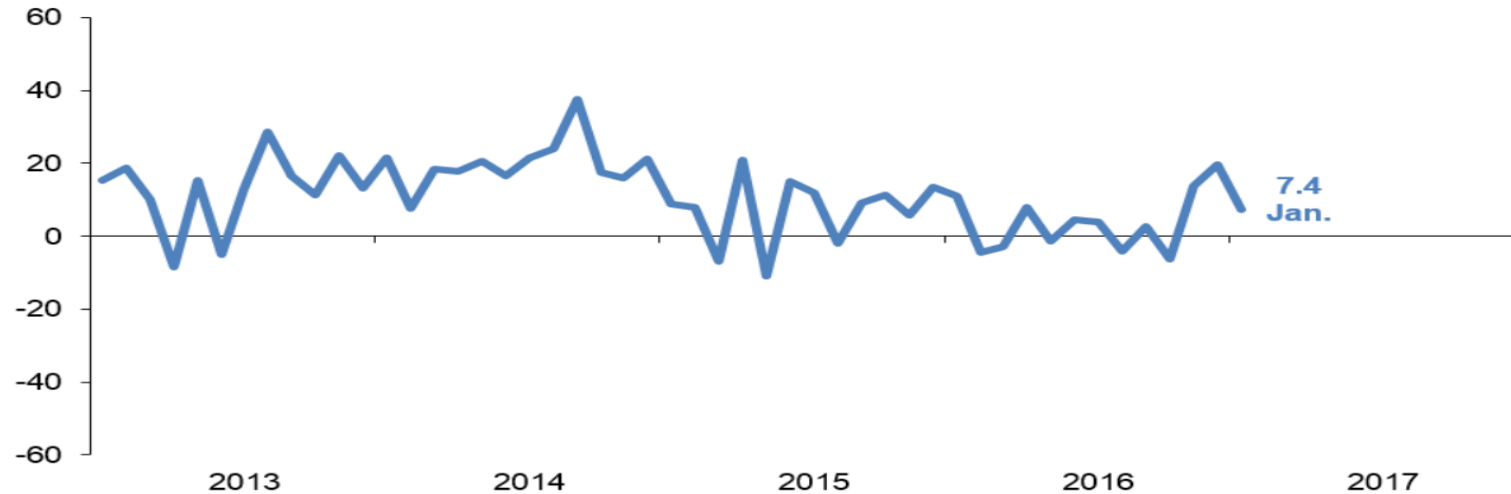
Labor market indicators reflected slower employment growth and longer workweeks this month. The [employment](#) index dipped from 6.9 to 4.8. The [hours worked](#) index at 4.8 was similar to last month.

Perceptions of broader economic conditions continued to reflect optimism in January. The [general business activity](#) index edged up 2 points to 21.2. The [company outlook](#) index edged down 3 points to 17.9, with 27 percent of respondents reporting that their outlook improved from last month and 9 percent noting it worsened.” – Amy Jordan, Assistant Economist, Federal Reserve Bank of Dallas

U.S. Economic Indicators

Texas Retail Outlook Survey Sales Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas

Retail Sales Increase but at a Slower Pace

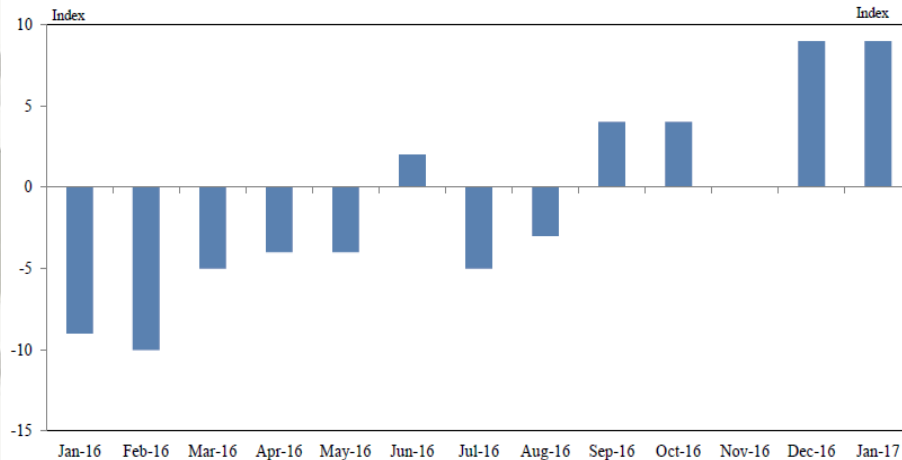
“Retail sales grew in January but at a slower pace than last month, according to business executives responding to the Texas Retail Outlook Survey. The [sales](#) index retreated from 19.8 in December to 7.4 in January. [Inventories](#) increased at a faster pace this month.

Labor market indicators were mixed this month. The [employment](#) index plunged into negative territory to a reading of -3.2, indicating retail employment decreased. The [hours worked](#) index fell slightly to a reading near zero, suggesting workweeks were unchanged from last month.

Retailers’ perceptions of broader economic conditions continued to reflect optimism in January. The [general business activity](#) index rose from 16.4 to 21.8. The [company outlook](#) index fell from 22.6 to 16.0, with 26 percent of respondents reporting that their outlook improved from last month and 10 percent noting that it worsened.” – Amy Jordan, Assistant Economist, Dallas Fed

U.S. Economic Indicators

Composite Index vs. a Month Ago



Tenth District Manufacturing Summary

“Tenth District manufacturing activity continued to expand moderately, and producers’ expectations for future activity increased considerably. Most price indexes recorded little change, with the exception of current selling prices which fell modestly.” – Pam Campbell, Federal Reserve Bank of Kansas City

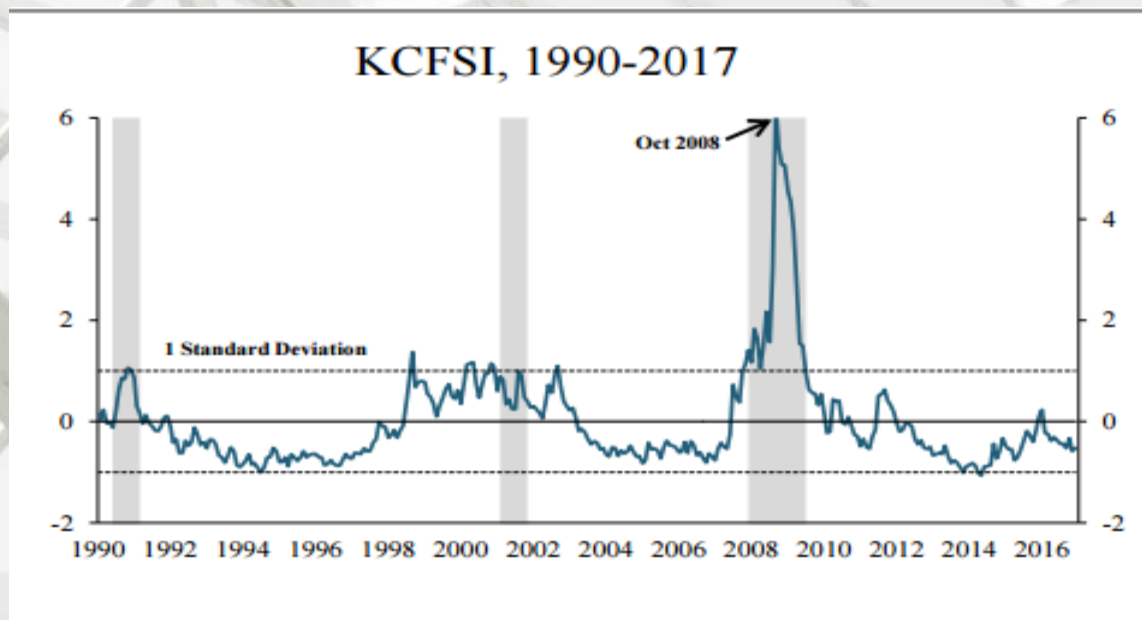
The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Continued To Expand Moderately

“We had another solid composite index reading in January, and firms’ expectations for future activity were the highest in more than twelve years” – Chad Wilkerson, Vice President and Economist, The Federal Reserve Bank of Kansas City

“The month-over-month composite index was 9 in January, unchanged from 9 in December but up from 0 in November. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Activity in durable goods plants increased moderately, particularly for metals, electronics, and machinery, while nondurable goods plants expanded at a slower pace with food production falling considerably. Most month-over-month indexes improved slightly in January. The production index moved slightly higher from 18 to 20, and the shipments, new orders, and order backlog indexes also increased. The employment index moderated somewhat from 8 to 6, and the new orders for exports index remained negative. The finished goods inventory index decreased from 0 to -4, and the raw materials inventory index also fell into negative territory.” – Pam Campbell, The Federal Reserve Bank of Kansas City

U.S. Economic Indicators



The Federal Reserve Bank of Kansas City The KCFSI suggests financial stress remains low

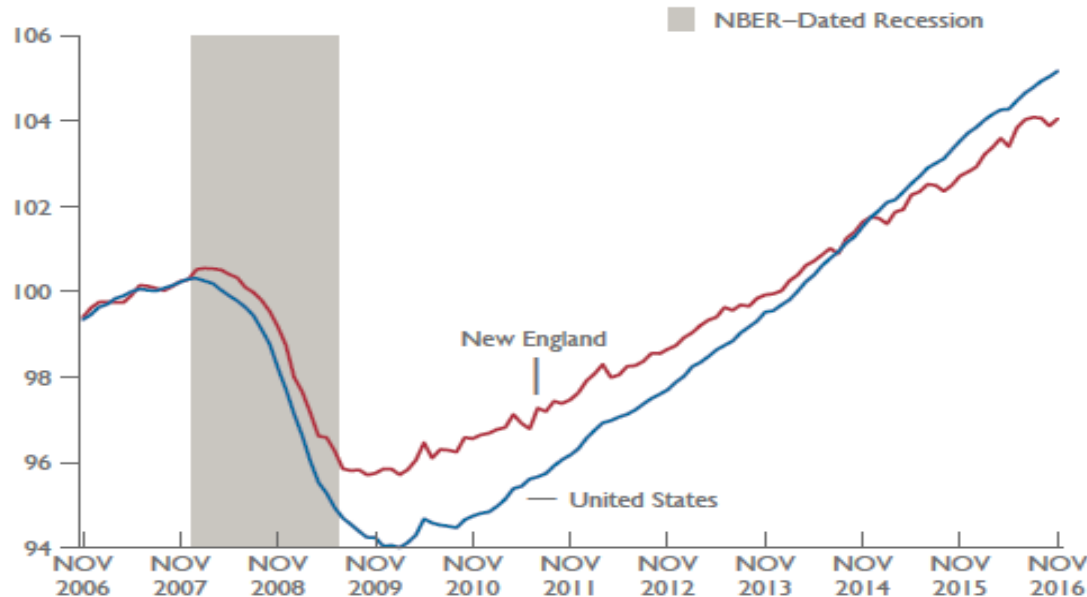
“The Kansas City Financial Stress Index (KCFSI) increased slightly from -0.59 in December to -0.52 in January.”

The KCFSI is constructed to have a mean value of zero and a standard deviation of one. A positive value of the KCSFI indicates that financial stress is above the long-run average, while a negative value signifies that financial stress is below the long-run average. A useful way to assess the level of financial stress is to compare the index in the current month to the index during a previous episode of financial stress, such as October 2008.” – Bill Medley, Media Relations, The Federal Reserve Bank of Kansas City

U.S. Economic Indicators

Exhibit I Nonagricultural Employment

November 2006 – November 2016
Index 2007=100



Source: U.S. Bureau of Labor Statistics. Data are seasonally adjusted.

New England Economic Indicators

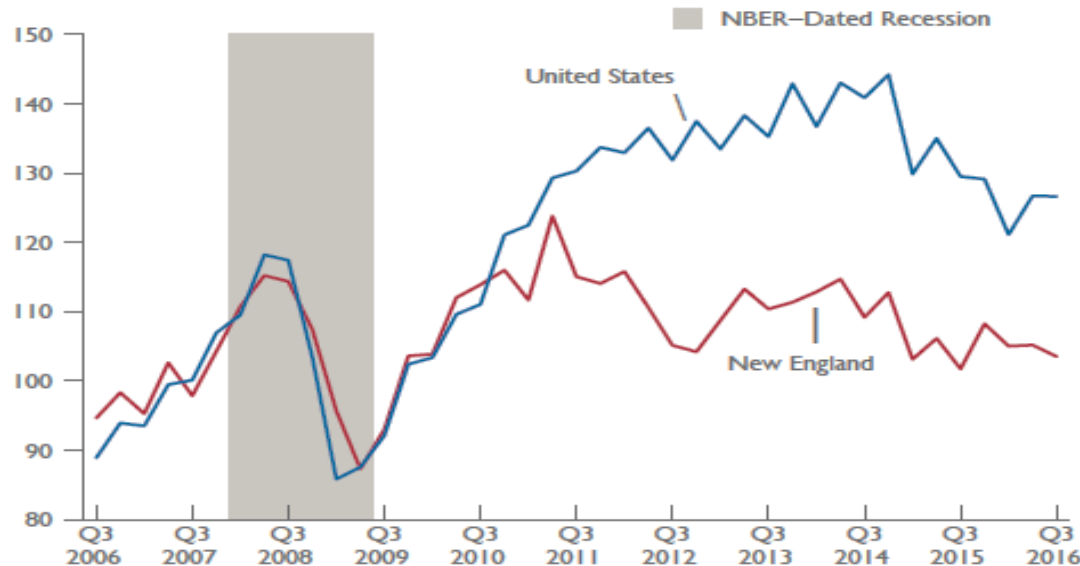
Economic activity continued to improve throughout 2016

“In late 2016, New England and the United States continued to see improvements in economic indicators. Employment increased, home prices rose, and unemployment rates fell. Growth in consumer prices was modest in the region due in part to decreased Transportation and Medical Care costs. Despite a small decrease in exports nationally from Q3 2015 to Q3 2016, the New England region experienced a moderate increase in exports year-over-year.” – Riley Sullivan, Policy Analyst, The Federal Reserve Bank of New England

U.S. Economic Indicators

Exhibit 6 Total Merchandise Exports

Third Quarter 2006 – Third Quarter 2016
Index 2007=100



Source: World Institute for Strategic Economic Research.

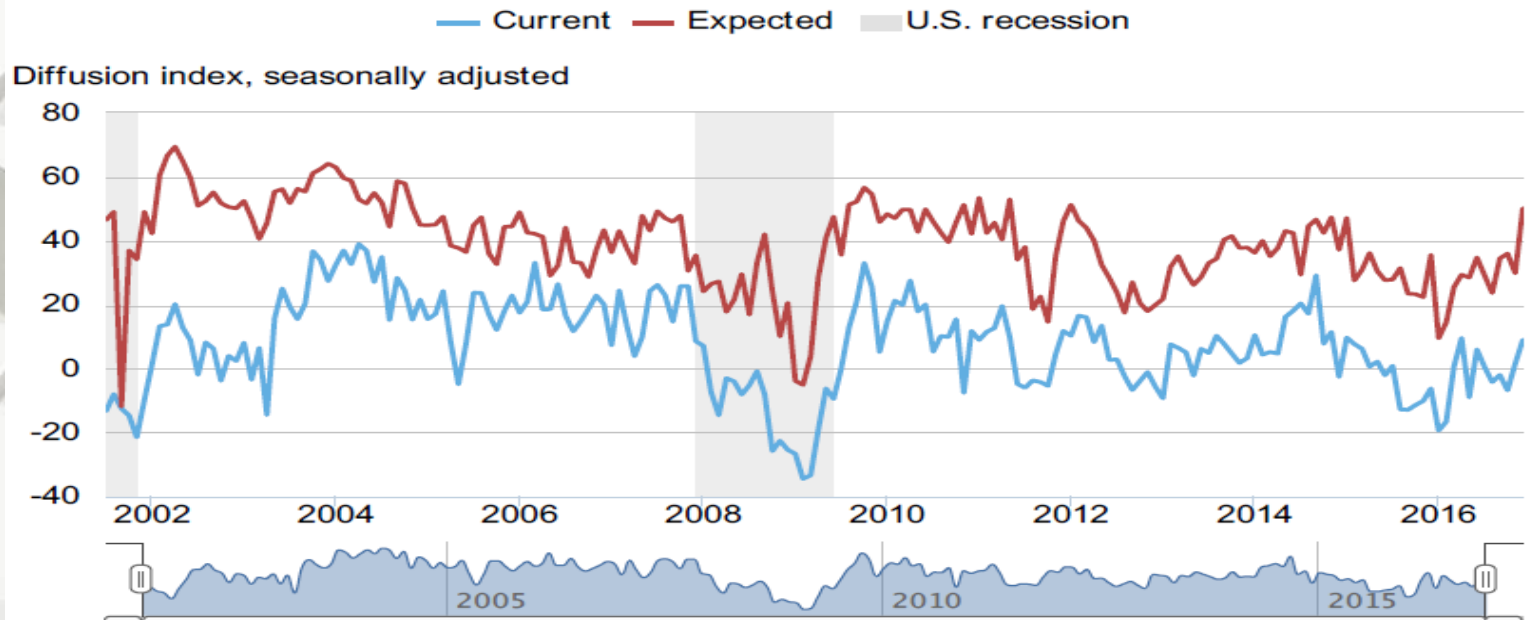
New England Economic Indicators

Exports are mixed throughout the New England states

“The dollar value of exports from New England is up 1.7 percent year-over-year through the first three quarters of 2016. Nationally, exports are down 2.2 percent from Q3 2015 to Q3 2016 (Exhibit 6). Exports to Canada, the largest trading partner with the New England states, increased 4.6 percent, and the dollar value of exports to Mexico, the second largest trading partner, decreased 16.1 percent. Computer & Electronic Products, the industry with the highest dollar value of exports from New England, decreased 10.3 percent from Q3 2015 to Q3 2016, and Transportation Equipment, the industry with the second highest dollar value, increased 11.6 percent over the same period.” – Riley Sullivan, Policy Analyst, The Federal Reserve Bank of New England

U.S. Economic Indicators

General Business Conditions



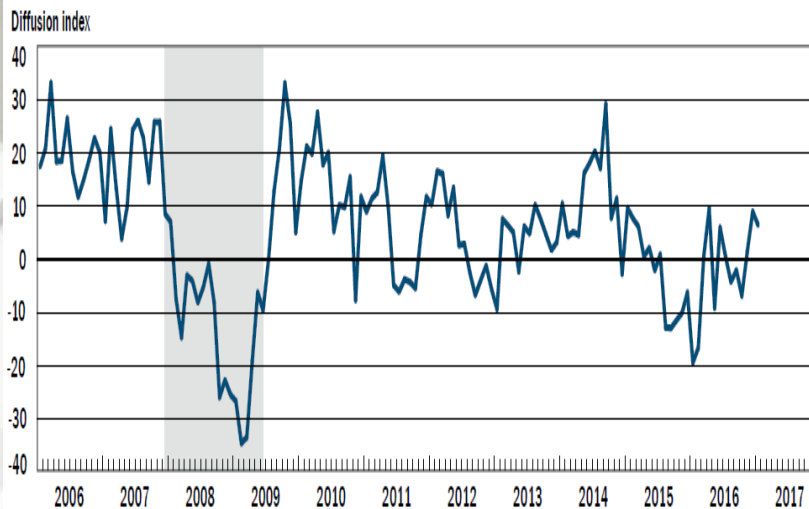
Empire State Manufacturing Survey

Business Activity Steadies

“Business activity grew modestly in New York State, according to firms responding to the December 2016 *Empire State Manufacturing Survey*. The headline general business conditions index climbed eight points to 9.0. The new orders index rose to 11.4, and the shipments index was unchanged at 8.5. Labor market conditions remained weak, with manufacturers reporting declines in employment and hours worked. Inventories continued to fall, and delivery times shortened. The prices paid index rose seven points, pointing to a pickup in input price increases, while the prices received index showed only a slight increase in selling prices. Indexes for the six-month outlook conveyed a high degree of optimism about future conditions, with the index for future business conditions rising to its highest level in nearly five years.” – The Federal Reserve Bank of New York

U.S. Economic Indicators

General Business Conditions
Seasonally Adjusted



Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Empire State Manufacturing Survey

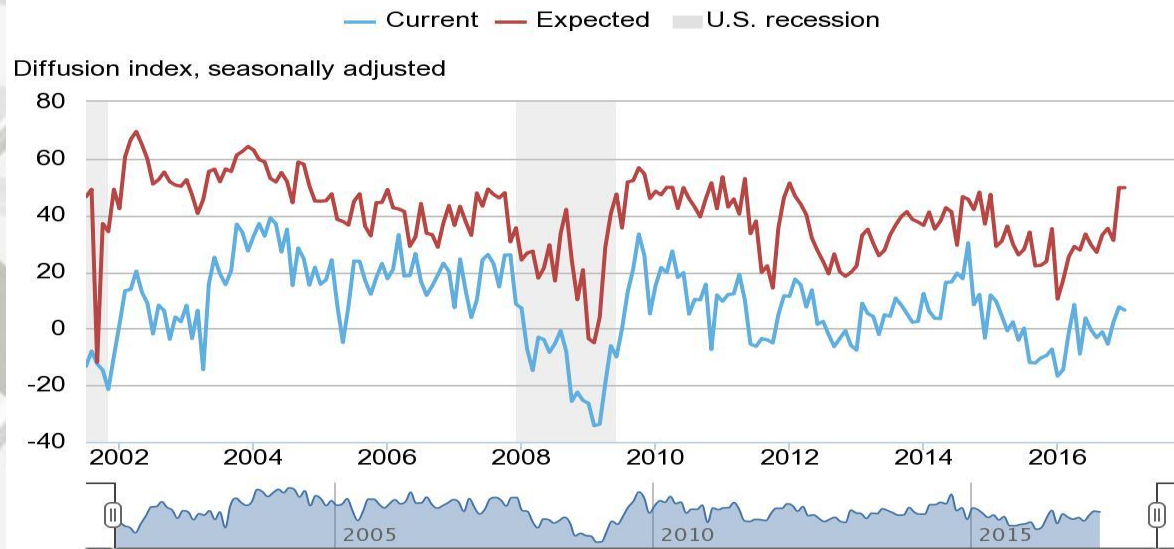
“Manufacturing firms in New York State reported that business activity grew in January. The general business conditions index was little changed at 6.5, its third consecutive positive reading. The new orders index fell seven points to 3.1, indicating that orders increased at a slower clip than last month, and the shipments index held steady at 7.3, pointing to an ongoing increase in shipments. The unfilled orders index rose to -1.7, and the delivery time index rose to -2.5. The inventories index climbed 16 points to 2.5, signaling a slight increase in inventory levels – the first increase since mid-2015.” – Federal Reserve Bank of New York

Business Activity Continues to Expand

“Indexes for the six-month outlook suggested that respondents remained very optimistic about future conditions. The index for future business conditions was unchanged at 49.7, matching last month’s multiyear high. Delivery times were expected to be longer, and inventories were expected to increase. The index for future employment and the future average workweek indicated that firms expected strong growth in employment and hours worked. The capital expenditures index climbed four points to 25.2, and the technology spending index edged up to 14.3.” – The Federal Reserve Bank of New York

U.S. Economic Indicators

General Business Conditions

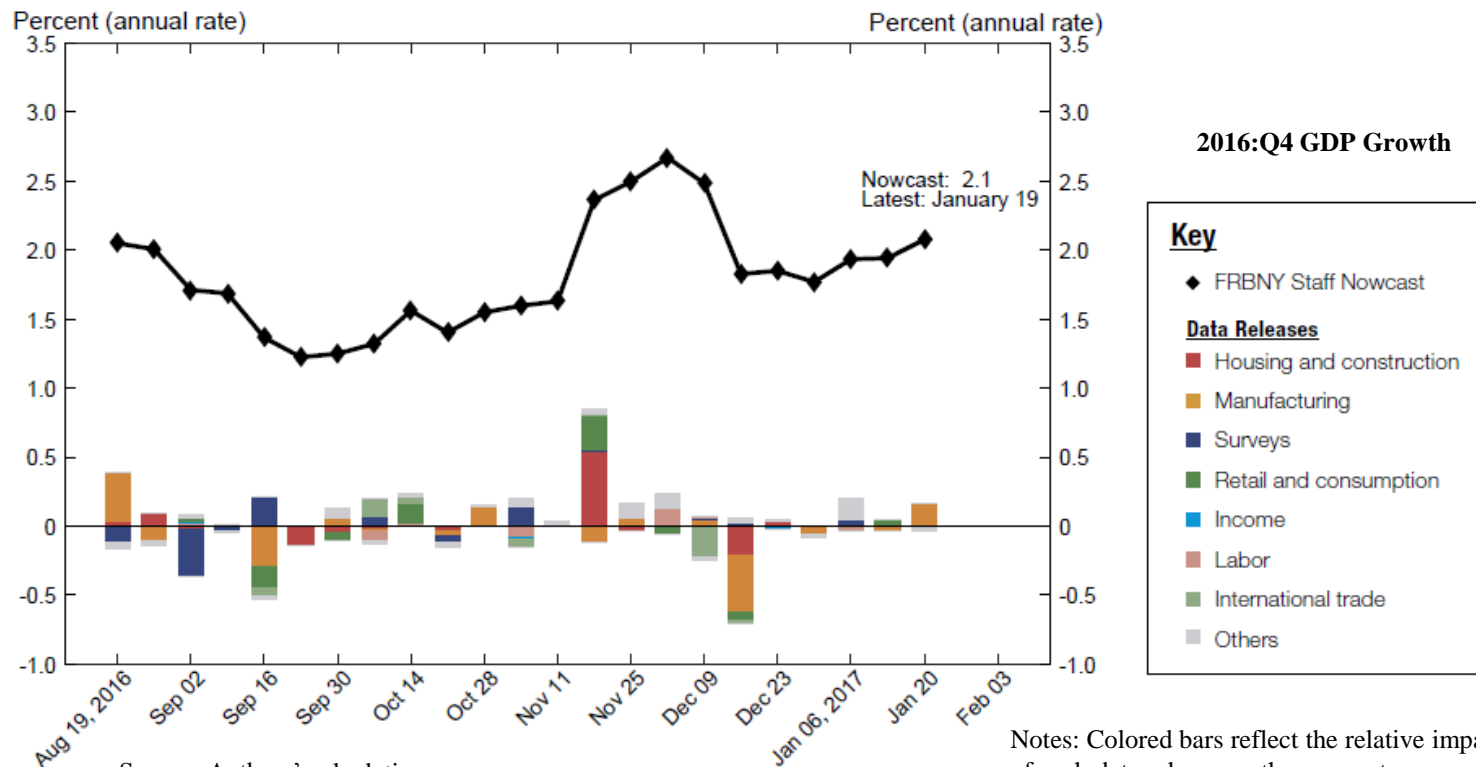


Business Leaders Survey

“Business activity continued to grow modestly in New York State, according to firms responding to the January 2017 Empire State Manufacturing Survey. The headline general business conditions index was little changed at 6.5. The new orders index fell to 3.1, pointing to a small increase in orders, and the shipments index held steady at 7.3. Inventories edged higher for the first time in more than a year. Labor market conditions remained weak, though less so than in recent months, with manufacturers reporting a slight decline in employment and somewhat shorter workweeks. Both input prices and selling prices increased more rapidly this month, with the prices paid index climbing to its highest level in nearly three years, and the prices received index also jumping to a multiyear high. Indexes for the six-month outlook continued to convey a high degree of optimism about future conditions, with the index for future business conditions matching last month’s nearly five-year high.” – The Federal Reserve Bank of New York

U.S. Economic Indicators

The Federal Reserve Bank of New York



- “The FRBNY Staff Nowcast stands at 2.1% for 2016:Q4 and at 2.7% for 2017:Q1.
 - This week’s news had positive impact, moving the 2016:Q4 nowcast up by 0.2 percentage point and the 2017:Q1 nowcast up by 0.6 percentage point.
 - The largest positive surprise came from industrial production and capacity utilization data.”
- The NY Fed does not mention the large contribution from new housing construction (orange bar).

U.S. Economic Indicators

Chart 1. Current and Future General Activity Indexes
January 2007 to January 2017



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

Introduction

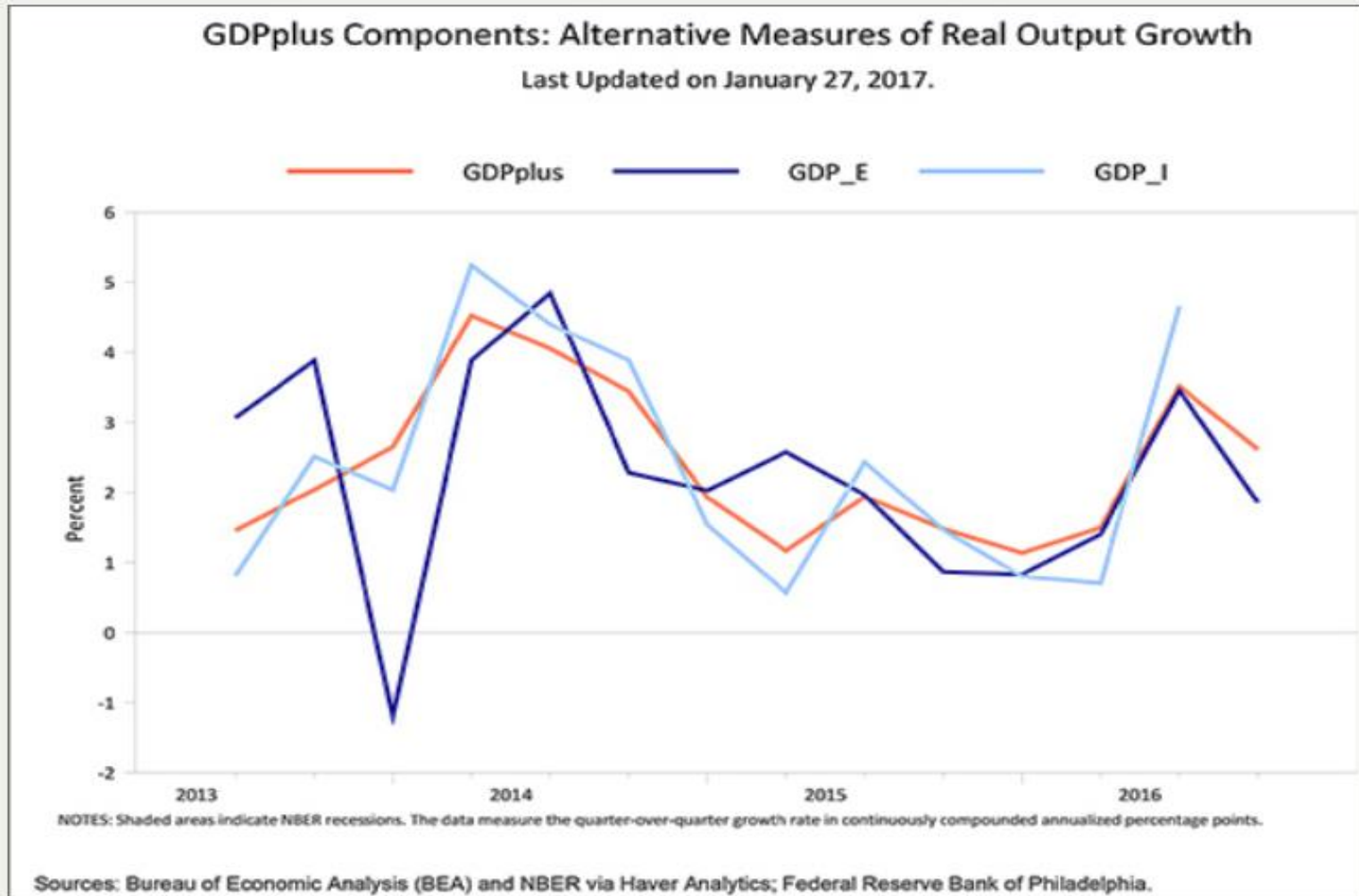
“Economic conditions continued to improve in January, according to the firms responding to this month’s *Manufacturing Business Outlook Survey*. The indexes for general activity, new orders, and employment were all positive this month and increased from their readings last month. Manufacturers have generally grown more optimistic in their forecasts over the past two months. The future indexes for growth over the next six months, including employment, continued to improve this month.” – Philadelphia Fed

January 2017 Manufacturing Business Outlook Survey

Most Current Indicators Show Broad Improvement

“The index for current manufacturing activity in the region increased from a revised reading of 19.7 in December to 23.6 this month. Forty percent of the firms reported increases in activity this month; 17 percent reported decreases. The general activity index has remained positive for six consecutive months, and the activity index reading was the highest since November 2014 (Chart 1). The other broad indicators suggest sustaining growth. The index for current new orders increased 11 points this month, with 41 percent of the firms reporting increases. The shipments index remained at a high reading but fell 1 point. Both the delivery times and unfilled orders indexes were positive for the third consecutive month, suggesting longer delivery times and an increase in unfilled orders.” – Mike Trebing, Senior Economic Analyst, Federal Reserve Bank of Philadelphia

Philadelphia Fed: GDPplus



GDPplus is a measure of the quarter-over-quarter rate of growth of real GDP in annualized percentage points. It improves on the BEA's expenditure- and income-side measures, GDP_E and GDP_I, respectively. GDP_E is the “standard” GDP measure used routinely, whereas GDP_I is little used, but each contains useful information.

U.S. Economic Indicators

The Federal Reserve Bank of Richmond

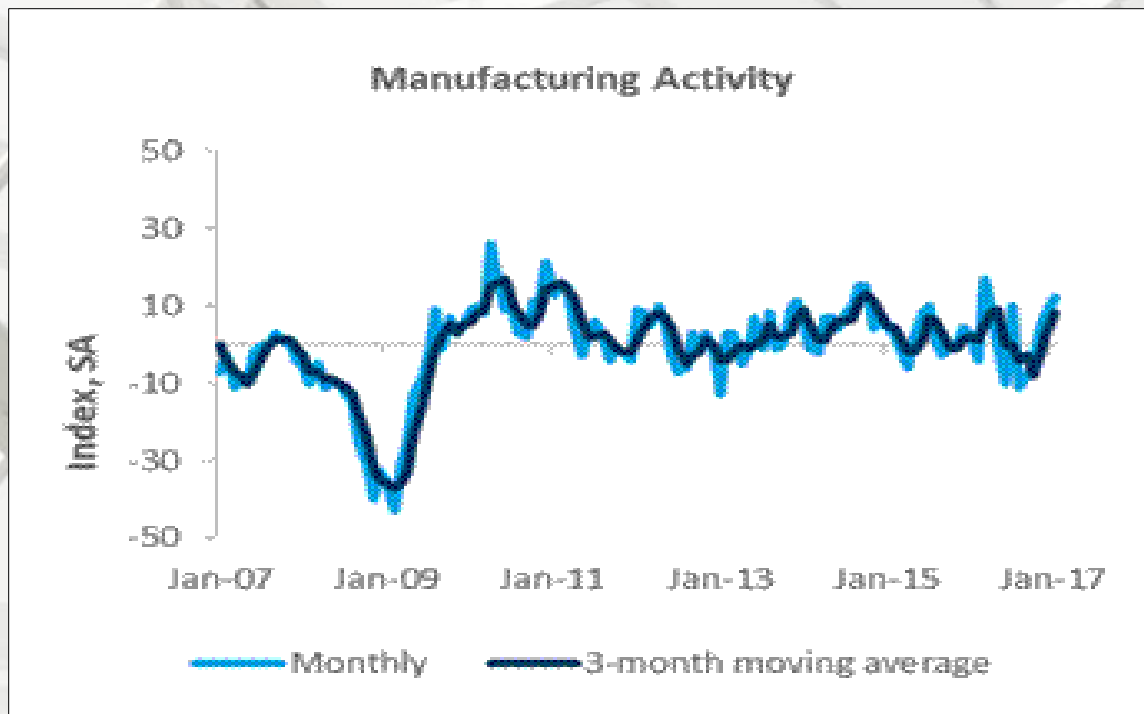
Manufacturing Sector Activity Strengthened; Producers' Outlook Optimistic

“Fifth District manufacturing activity strengthened in January, with continued growth in new shipments and the volume of new orders. Employment picked up, although increases in average manufacturing wages were less widespread than in December. The average workweek continued to grow, but increases were less prevalent in January than a month earlier. Growth in input prices moderated, while growth in prices of finished goods accelerated.

Expectations for shipments in the next six months were upbeat, and survey participants' outlook for the volume of new orders continued to be optimistic. Manufacturers anticipated longer lead times and increasingly planned for more hiring and higher wages. Despite a decline in the current month's average workweek index, producers continued to expect a longer workweek during the six months ahead.

Survey respondents looked for prices of inputs to rise more rapidly over the first half of 2017, while they anticipated slower increases in prices received for their goods.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

U.S. Economic Indicators



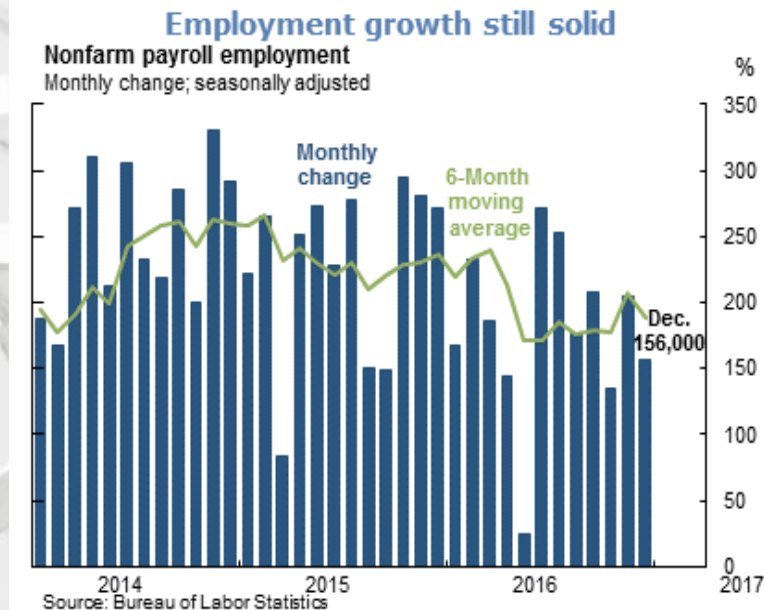
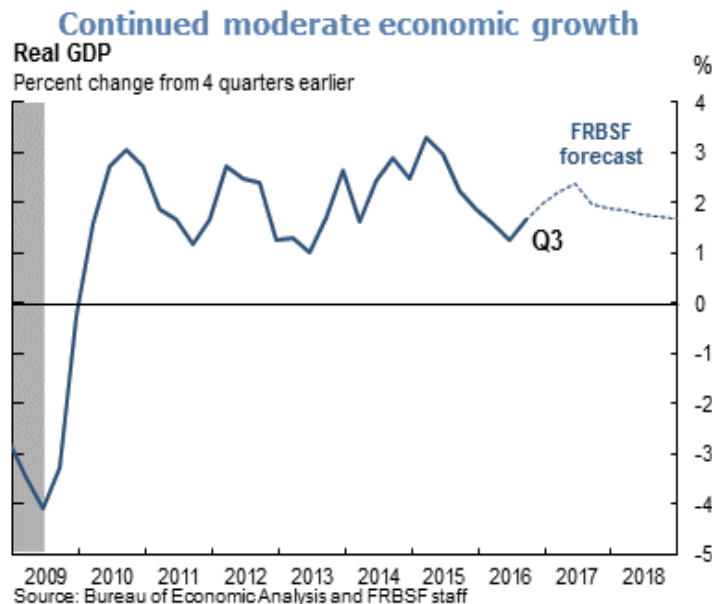
Current Activity

“Manufacturing activity expanded in January, with the composite index adding four points to last month's gauge to end the survey period at a reading of 12. The index for shipments gained a point, finishing at 13, and the volume of new orders index rose to 15 from 11. Increased vendor lead times were less likely to rise this month, with the indicator moderating by five points to a reading of 5.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

U.S. Economic Indicators



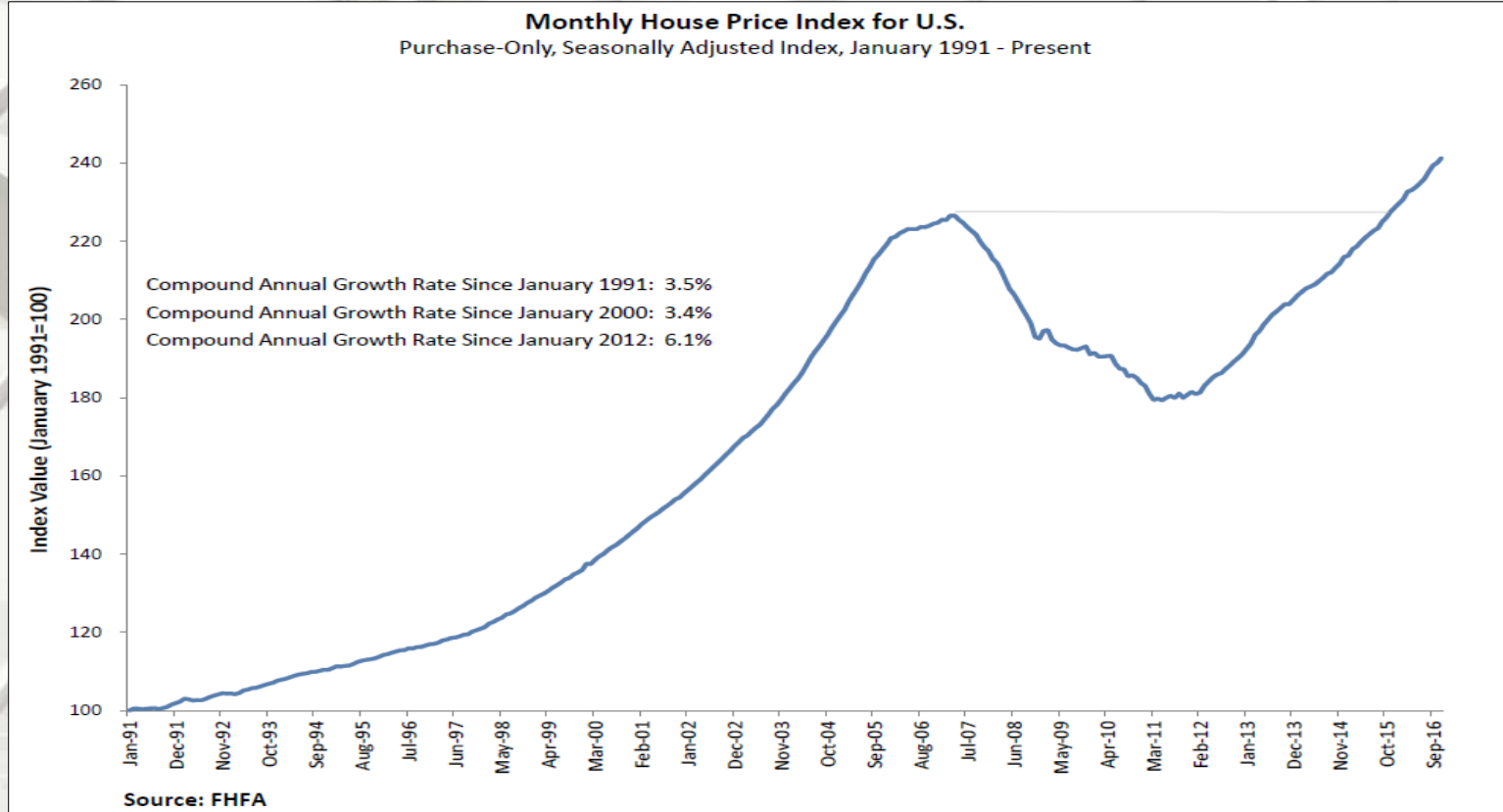
U.S. Economic Indicators



The Federal Reserve Bank of San Francisco

“Recent data confirm that the economy has picked up from its modest pace of the first half of 2016. Indeed, in the third quarter of 2016 GDP growth was revised up from an annualized rate of 3.2% to 3.5%. This rapid pace in part reflected transitory factors such as inventory accumulation and agricultural exports. Going forward, GDP growth is likely to remain for some time a bit above its long-run trend of 1½% to 1¾%. The fundamentals of consumer spending remain healthy, including solid income growth and strong household balance sheets. And business capital spending is poised to rebound from its weak pace of the past several years.” – John Fernald, Senior Research Advisor, The Federal Reserve Bank of San Francisco

U.S. Economic Indicators

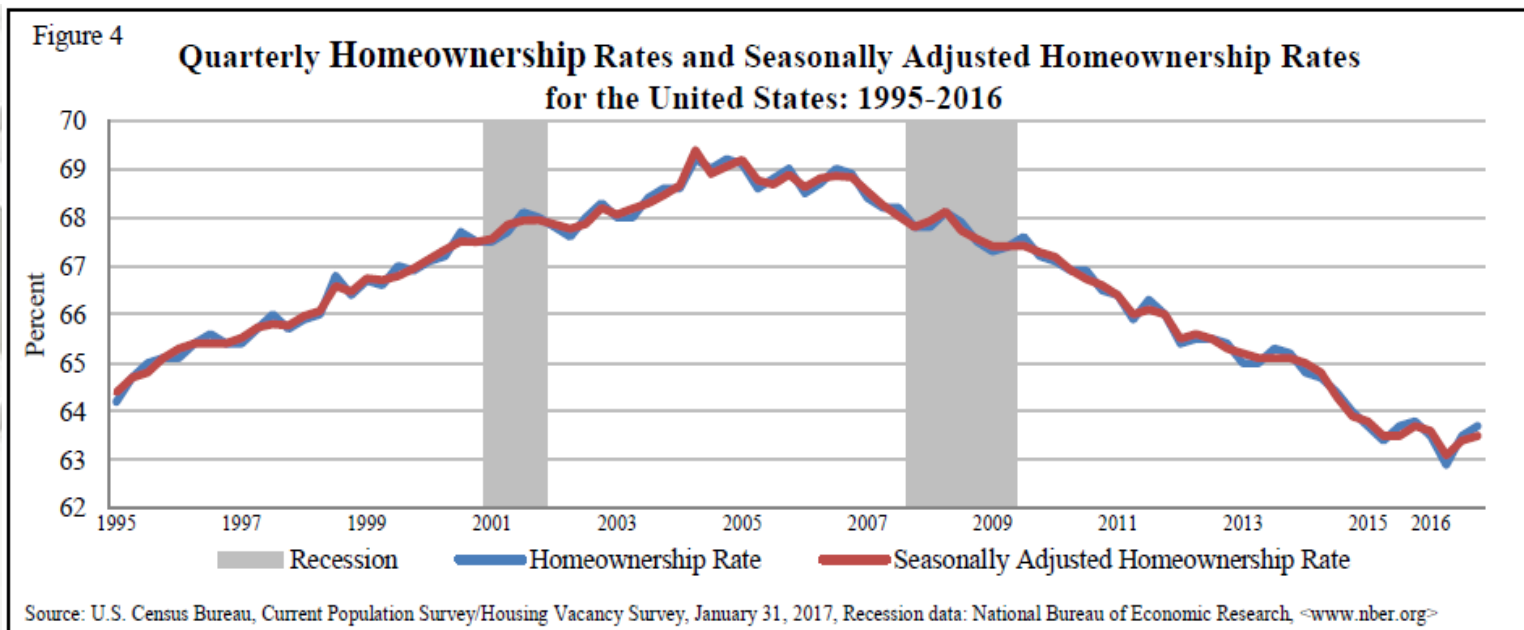


FHFA House Price Index

U.S. House Price Index Up 0.5 Percent in November

“U.S. house prices rose in November, up 0.5 percent on a seasonally adjusted basis from the previous month, according to the Federal Housing Finance Agency (FHFA) monthly House Price Index (HPI). The previously reported 0.4 percent increase in October was revised downward to a 0.3 percent increase.” – Stefanie Johnson and Corinne Russell, FHFA

U.S. Economic Indicators



Quarterly Residential Vacancies and Homeownership, 4th Quarter 2016

“The homeownership rate of 63.7 percent was not statistically different from the rate in the fourth quarter 2015 (63.8 percent) or the rate in the third quarter 2016 (63.5 percent). National vacancy rates in the fourth quarter 2016 were 6.9 percent for rental housing and 1.8 percent for homeowner housing. The rental vacancy rate of 6.9 percent was not statistically different from the rate in the fourth quarter 2015 (7.0 percent) or the rate in the third quarter 2016 (6.8 percent). The homeowner vacancy rate of 1.8 percent was not statistically different from the rate in the fourth quarter 2015 (1.9 percent) or the rate in the third quarter 2016 (1.8 percent).” – Robert Callis and Melissa Kresin, Social, Economic & Housing Statistics Division, Financial & Market Characteristics Branch

Using the Current Population Survey/Housing Vacancy Survey, household formations increased by 805,000. Renter formations were 434,000 (54%) and owner formations were 370,000 (46%). Note that the CPS/HVS data are for estimating houses and not the household formations.

U.S. Economic Indicators

Table 3. Estimates of the Total Housing Inventory for the United States: Fourth Quarter 2015 and 2016^a

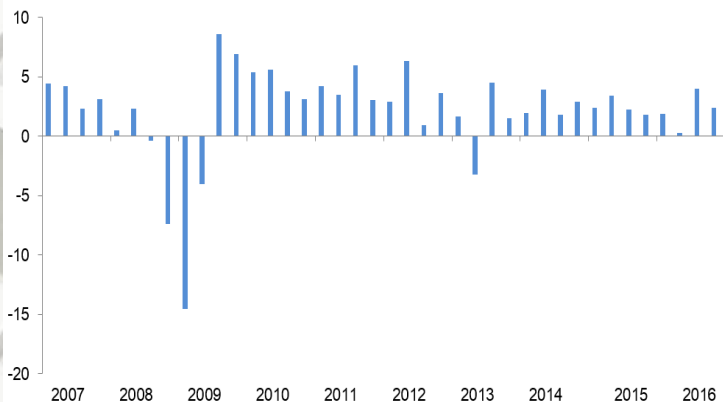
(Estimates are in thousands, percent distribution may not add to total due to rounding)

Type	Fourth Quarter 2015 (r)	Fourth Quarter 2016	Difference Between Estimates	Margins of Error ^b		Percent of total (2016)
				of 2016 estimate	of difference	
All housing units.....	135,064	135,884	820	X	X	100.0
Occupied.....	117,838	118,643	805	172	162	87.3
Owner.....	75,234	75,604	370	628	429	55.6
Renter.....	42,604	43,038	434	570	440	31.7
Vacant.....	17,225	17,242	17	365	325	12.7
Year-round.....	13,021	12,940	-81	357	309	9.5
For rent.....	3,235	3,215	-20	159	179	2.4
For sale only.....	1,447	1,400	-47	90	114	1.0
Rented or Sold.....	1,015	993	-22	69	98	0.7
Held off Market.....	7,325	7,332	7	275	239	5.4
For Occ'l Use.....	2,026	2,170	144	153	131	1.6
Temp Occ by URE...	1,417	1,472	55	127	109	1.1
Other ^c	3,882	3,690	-192	199	175	2.7
Seasonal.....	4,203	4,302	99	238	207	3.2

Federal Reserve Indicators: Global

Chart 1
Mexico Economic Growth Decelerates in Fourth Quarter

Quarterly percent change, annualized



NOTE: Gross domestic product (GDP) for fourth quarter 2016 is the advance estimate and it is subject to revision. Final GDP figures for the fourth quarter will be available on Feb. 22.

SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Mexico Economy Hangs Tough, with Solid but Slower Growth

“Mexico’s economy posted solid growth in the fourth quarter. Gross domestic product (GDP) growth dipped from 4 percent annualized in the third quarter to 2.4 percent in the fourth quarter, according to the government’s advance estimate. Recent data on employment, retail sales and exports showed continued expansion, but industrial production was flat. Inflation held steady in December, while the peso depreciated further. The consensus 2017 GDP growth forecast is 1.6 percent.” – Jesus Cañas, Business Economist, Federal Reserve Bank of Dallas

“Mexico’s GDP grew 2.4 percent annualized in the fourth quarter, although at a slower pace than the third, with higher activity mostly driven by growth in the service sector (*Chart 1*). Service-related activities (including trade, transportation and business services) rose 2.8 percent, while goods-producing industries (including manufacturing, construction, utilities and mining) were flat. Agricultural output grew 1.6 percent in the fourth quarter.

Exports rose 3.8 percent in December after growing 4.5 percent in November. Three-month moving averages of total and manufacturing exports show consistent growth since mid-2016. For the year as a whole, total exports and manufacturing exports were 3.1 and 2.5 percent below 2015 levels, respectively. Oil exports turned around earlier in 2016 after a long decline, but the reversal was driven by rising oil prices, not higher volume. Despite the turnaround, 2016 oil exports were still 21 percent below 2015 totals. Mexico’s industrial production (IP) was flat in November after growing 0.2 percent in October; however, manufacturing production ticked up and has been rising since early 2016. U.S. IP grew 0.9 percent in December after falling 0.7 percent in November. Based on the three-month moving average, Mexico’s manufacturing IP has accelerated while total IP shows signs of deceleration. Total IP, which includes manufacturing, construction, oil and gas extraction, and utilities, has been growing more slowly than manufacturing IP since 2014.” – Jesus Cañas, Business Economist, The Federal Reserve Bank of Dallas

Federal Reserve Indicators: Global

Global Growth Remains Restrained, Policy Uncertainty Heightens Straddling the Fence

“Global growth remains tame amid shifting policy priorities and related policy uncertainty. Downward risks to the outlook center on: The policy shift expected under the new U.S. administration, the possibility of a less-gradual normalization of U.S. monetary policy, China’s fiscal space (and credit deepening) to continue providing stimulus to its economy and global spillovers from these developments. Protectionist pressures in some advanced economies are also cited as a key concern.

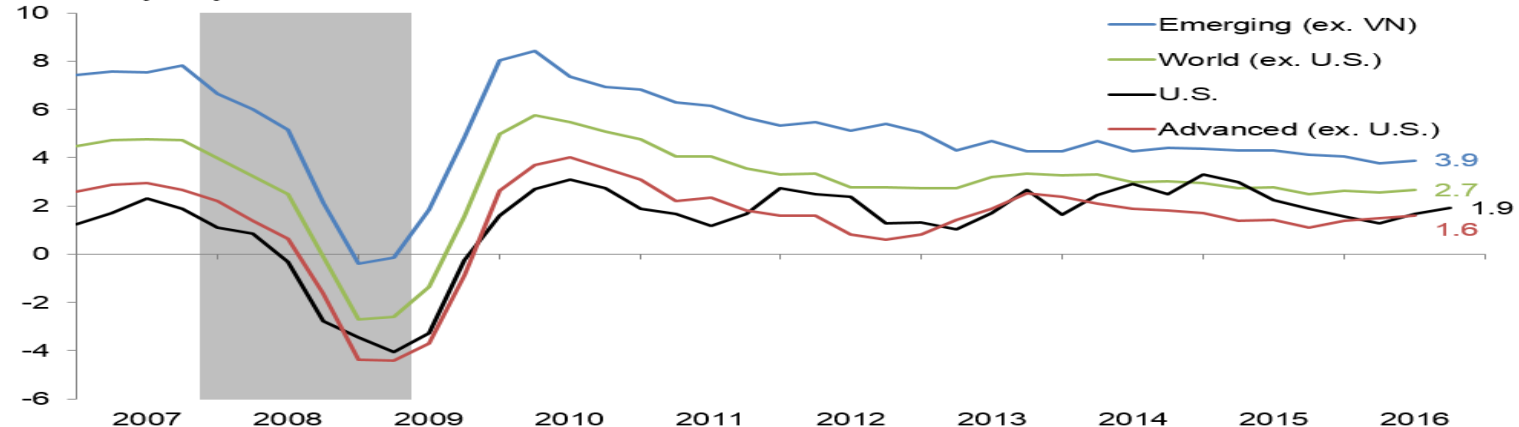
World (ex. U.S.) gross domestic product (GDP) growth for the third quarter was slightly revised up to 2.7 percent year over year (Chart 1). Fourth-quarter data for China came in at 6.8 percent year over year, higher than the 6.7 percent posted in the third quarter. Headline Consumer Price Index inflation among advanced economies (ex. U.S.) has ticked up to 1.3 percent year over year in December 2016 from 1.0 percent in November (Chart 2). Headline inflation among emerging economies (ex. Venezuela) was 3.3 percent, down from 3.4 percent.” – Enrique Martínez-García, Senior Research Economist and Kelvinder Virdi, Research Analyst, The Federal Reserve Bank of Dallas

Federal Reserve Indicators: Global

Chart 1

Global Growth Remains Relatively Unchanged in Third Quarter 2016

Percent, year/year



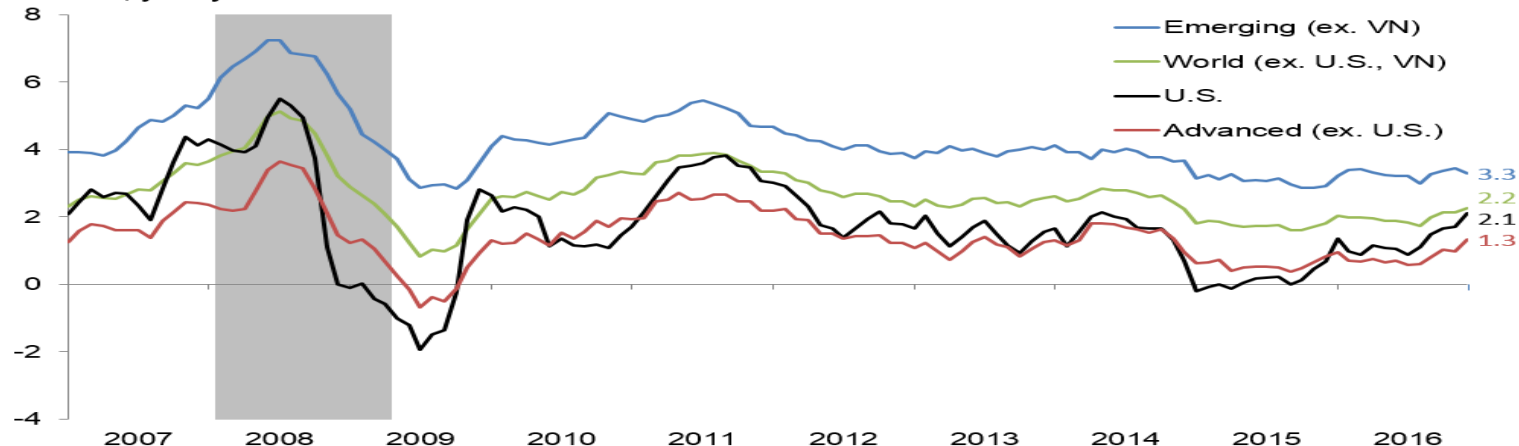
NOTES: VN stands for Venezuela. Most recent data for the U.S. is for fourth quarter 2016 and third quarter 2016 for all others. Calculations are based on a representative sample of 40 countries aggregated using U.S. trade weights. Shaded bars indicate global recessions.

SOURCES: Database of Global Economic Indicators; Haver Analytics; authors' calculations.

Chart 2

Headline Inflation Picks Up in Advanced Economies in December 2016

Percent, year/year



NOTES: VN stands for Venezuela. Calculations are based on a representative sample of 40 countries aggregated using U.S. trade weights. Venezuela is excluded for lack of data. Shaded bars indicate global recessions.

SOURCES: Database of Global Economic Indicators; Haver Analytics; authors' calculations.

Federal Reserve Indicators: Global

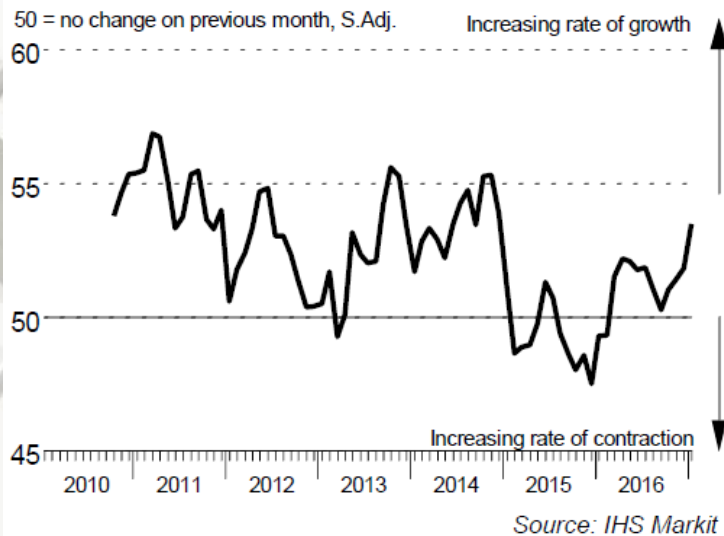
Policy Shift Looms Large Over the Outlook

“Destabilizing financial volatility and capital outflows among vulnerable emerging economies, triggered by rising borrowing costs during the ongoing U.S. tightening cycle, have yet to materialize. Well-anchored long-term inflation expectations have reduced the perceived risks of low inflation over the medium term among advanced economies. However, risks to the global outlook are tilted downward.

There is growing uncertainty about policy in China and the U.S. — particularly from the expected shift in fiscal policy stance and trade relationships under the new U.S. administration. Monetary policy divergence between the U.S. and other advanced economies is expected to further strengthen the U.S. dollar. Protectionism and populism in some advanced economies, the “competitiveness” gap within the European Union and the perception that political strife may slow necessary structural reforms further cast a dim light over the global outlook.” – Enrique Martínez-García, Senior Research Economist and Kelvinder Viridi, Research Analyst, The Federal Reserve Bank of Dallas

Private Indicators: Global

Markit Canada Manufacturing PMI



Markit Canada Manufacturing PMI™

Manufacturing PMI signals fastest growth since December 2014

“Canadian manufacturers reported a strong start to 2017, with business conditions improving at the fastest pace for just over two years. The upturn reflected robust rates of output and new order growth in January, alongside a sustained rise in staffing levels. Looking ahead, around 41% of the survey panel anticipate an increase in production volumes over the next 12 months, while only 6% forecast a reduction. As a result, this signalled one of the most upbeat expectations for output growth since early-2014.”

“The seasonally adjusted **Markit Canada Manufacturing Purchasing Managers’ Index™ (PMI™)** registered 53.5 in January, up from 51.8 in December and above the neutral 50.0 threshold for the eleventh consecutive month. Moreover, the headline PMI pointed to the strongest upturn in operating conditions for just over two years.”

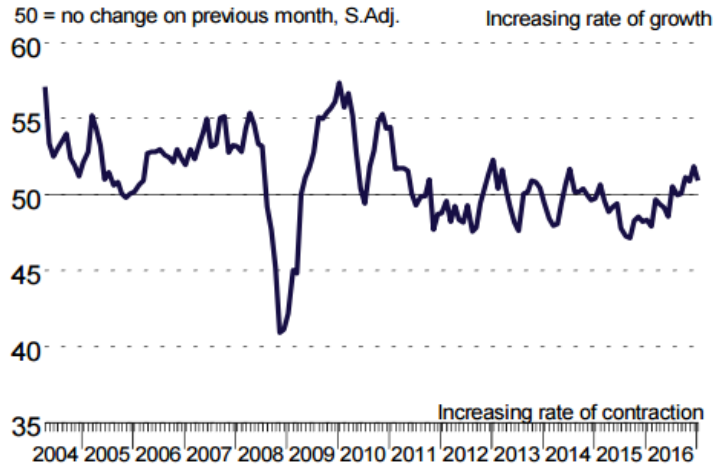
“January’s survey data highlights an impressive rebound in manufacturing output growth to its strongest since the end of 2014. Alberta & BC led the way at the start of the year, with manufacturers reporting the fastest upturn in production for just over three years and another robust improvement in new order books.” – Tim Moore, Senior Economist, IHS Markit

“Canada’s manufacturing sector has started 2017 on a strong footing, with business conditions improving at the fastest pace for just over two years. The turnaround in manufacturing growth has been fuelled by stronger domestic demand and a rebound in sales in the energy sector. However, a surge in input costs has placed pressure on margins, which resulted in one of the fastest rate of factory gate price inflation for almost three years in January.” – Chris Williamson, Chief Business Economist, Markit®

Source: <https://www.markiteconomics.com/Survey/PressRelease.mvc/277574d658144e30b5ff86e272064f75; 2/1/17>

Private Indicators: Global

Caixin China General Manufacturing PMI



Sources: IHS Markit, Caixin.

Caixin China General Manufacturing PMI™

Operating conditions improve at slower pace in January

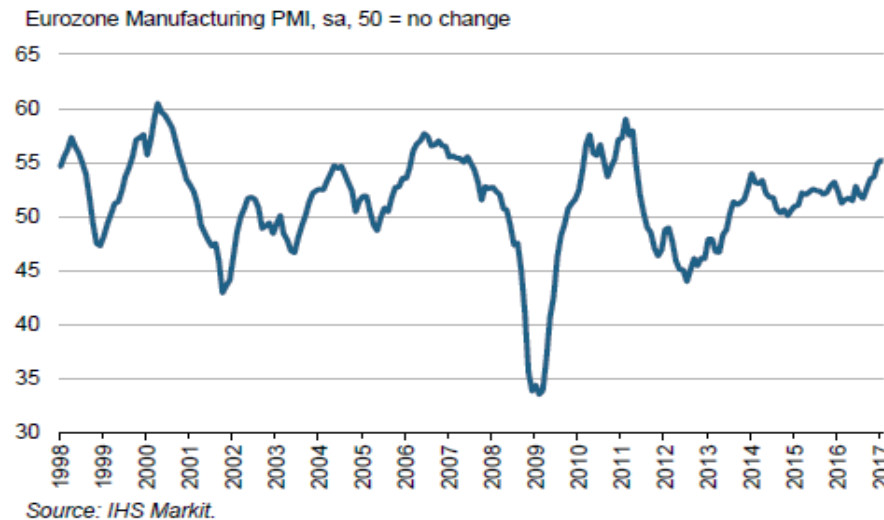
“The seasonally adjusted **Purchasing Managers’ Index™ (PMI™)** – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – posted 51.0 in January to signal a further improvement in the health of the sector. However, the reading was down from December’s 47-month record of 51.9, and was consistent with only a marginal rate of improvement.”

“Latest data signalled a further improvement in the health of China’s manufacturing sector at the start of 2017. However, the rate of improvement slowed since December, as output and new orders increased at weaker rates amid a further reduction in employment. In contrast, new export work rose at the fastest pace since September 2014. At the same time, inflationary pressures remained sharp, with both input costs and output charges increasing at rates scarcely seen throughout the past five years. Nonetheless, companies remained optimistic towards future growth prospects, and expressed the highest degree of optimism towards the 12-month business outlook since July 2016.

The Caixin China General Manufacturing PMI was 51.0 in January, down 0.9 points from the previous month and lower than the average level in the fourth quarter last year. The sub-indices for output and new orders both weakened sharply from those in the preceding month, while stocks of purchases and finished goods both slid into contraction territory. Manufacturers appear to have become rather reluctant to restock. Input prices and output charges continued to rise rapidly, but at slower rates than in the previous month. The Chinese economy maintained stable growth in January. But the sub-indices showed that the current growth momentum may be hard to sustain. We must remain wary of downward pressures on the economy this year.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Private Indicators: Global

Markit Eurozone Manufacturing PMI



Markit Eurozone Manufacturing PMI® Eurozone Manufacturing PMI hits 69-month high at start of 2017

“At 55.2 in January, up from 54.9 in December, the final Markit Eurozone Manufacturing PMI® rose to a 69-month high and was above its earlier flash estimate of 55.1. The headline PMI has signaled expansion in each month since July 2013.”

“The start of 2017 saw a marked improvement in business conditions at eurozone manufacturers. Output growth held steady at December’s 32-month record, underpinned by the strongest inflows of new business and the fastest job creation since the first half of 2011. Price pressures continued to intensify, however, with rates of inflation in input costs and output charges both gathering pace.

Eurozone manufacturing is off to a strong start to the year, enjoying the fastest rate of expansion for almost six years in January. Rates of growth of new orders, exports and employment have all hit multi-year highs, with the depreciation of the euro playing a key role in helping drive new sales in export markets.

If current growth of manufacturing activity and the associated rise in prices is sustained, rhetoric at the ECB is likely to become more hawkish, albeit tempered with caution over the potential for political developments to cloud the outlook.” – Chris Williamson, Chief Business Economist, Markit®

Private Indicators: Global

Markit Eurozone Composite PMI



Markit Eurozone Composite PMI®

Eurozone job creation at nine-year high as business confidence strengthens

“The final **Markit Eurozone PMI® Composite Output Index** posted 54.4 in January, unchanged from December and a tick above the earlier flash estimate of 54.3. The headline index has signalled expansion in each of the past 43 months.”

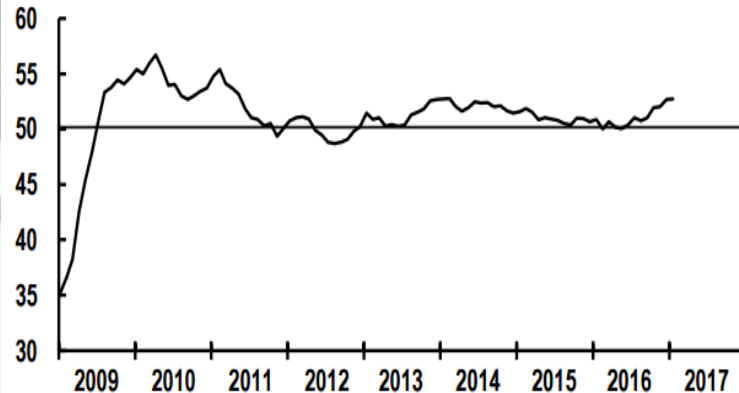
“The eurozone economy made a strong start to 2017, with output growth maintained at December’s five-and-a-half year high and job creation accelerating to a near-nine year record. Growth of manufacturing production and service sector business activity both steadied at the solid rates achieved at the end of last year. This meant that the expansion in manufacturing outpaced that in services for the eighth month in a row.

The final PMI indicated marginally stronger business activity growth than the earlier flash estimate, and suggests the eurozone economy is growing at the fastest rate since mid-2011. The latest reading is comparable to GDP rising at a quarterly rate of 0.4%, indicating that the economy is starting 2017 on a solid footing. Meanwhile, faster growth of new business and an upturn in confidence about the year ahead to the highest since the region’s debt crisis bodes well for the robust pace of growth to be sustained in coming months. The impressive pace of employment growth should also help drive consumer spending higher in coming months, further boosting the economy.” – Chris Williamson, Chief Business Economist, Markit®

Private Indicators: Global

JPMorgan Global Manufacturing PMI

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JP Morgan Global Manufacturing PMI™ Global Manufacturing PMI signals solid start to 2017

“At 52.7 in January, the headline **J.P. Morgan Global Manufacturing PMI™** – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – steadied at December’s 34-month high and was above its long-run average of 51.4. Manufacturing production increased for the fifty-first successive month in January.”

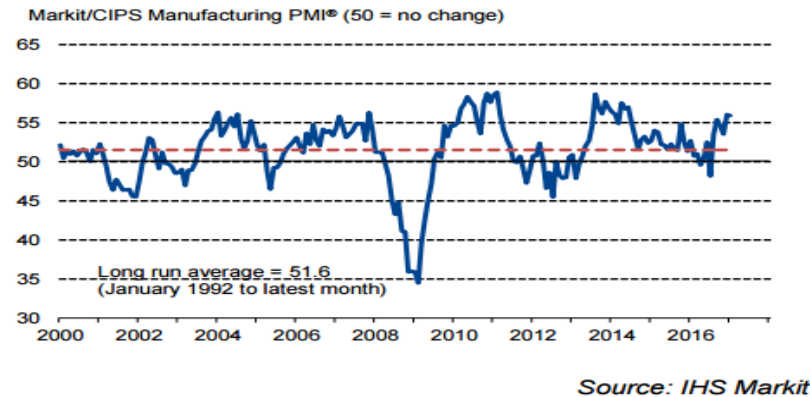
“The improvement in business conditions was led by the investment goods sector, where the PMI rose to its highest level in over five-and-a-half years. The improvement at consumer goods producers was slightly better than that seen in December, while growth in the intermediate goods category lost some momentum.

Underlying the latest expansion of output was a further increase in new order volumes. Moreover, the rate of growth in new business intakes accelerated to a two-and-a-half year high. Part of the increase in demand reflected stronger international trade flows, as new export orders rose at the quickest pace since September 2014.

Business conditions in the global manufacturing sector improved at a solid pace in January, with output, new orders and employment all expanding at similar rates to December. With backlogs of work rising further and business confidence increasing, the sector looks firmly set to build on this solid start to the new year during the coming months.” – David Hensley, Director of Global Economic Coordination, J.P. Morgan

Private Indicators: Global

Markit/CIPS UK Manufacturing PMI



Markit/CIPS UK Manufacturing PMI™

“The seasonally adjusted **Markit/CIPS Purchasing Managers’ Index® (PMI®)** posted 55.9 in January, only a couple of ticks below December’s two-and-a-half year high of 56.1. The headline PMI has remained above the neutral mark of 50.0 for six straight months”

Manufacturing makes strong start to 2017 despite survey record increase in input costs

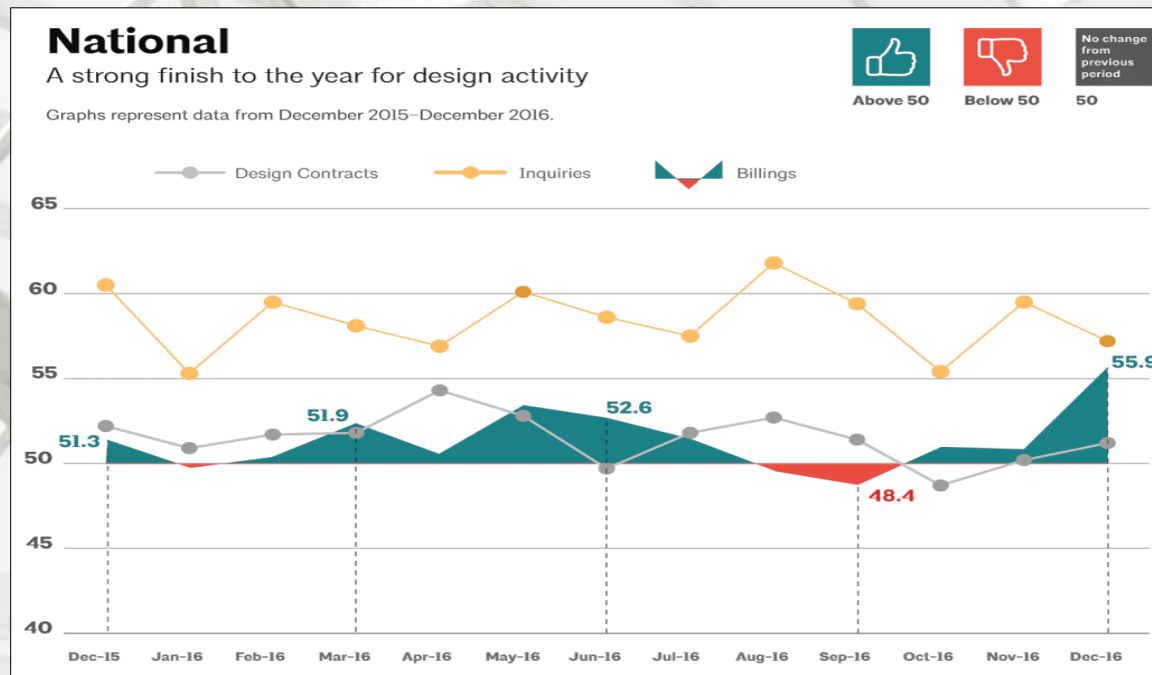
“The UK manufacturing sector made a strong start to 2017. Output rose at the fastest rate since May 2014, as new order intakes expanded at a robust pace. Price pressures intensified, however, as input cost inflation surged to a survey record high and output charges also increased at one of the steepest rates in the series history.

The latest expansion of manufacturing production was underpinned by a solid increase in new order intakes. The rate of growth in new business moderated following the prior month’s high, but remained well above the long-run survey average.

UK manufacturers have reported a bumper start to 2017, but are also seeing prices rise at an unprecedented rate. Factory output growth accelerated to a 32-month high in January, as solid domestic demand continued to drive production volumes higher. There were signs that the boost to export orders from the weak exchange rate was waning, as growth of new business from abroad slowed sharply.” – Rob Dobson, Director & Senior Economist, IHS Markit

Private Indicators

American Institute of Architects (AIA)

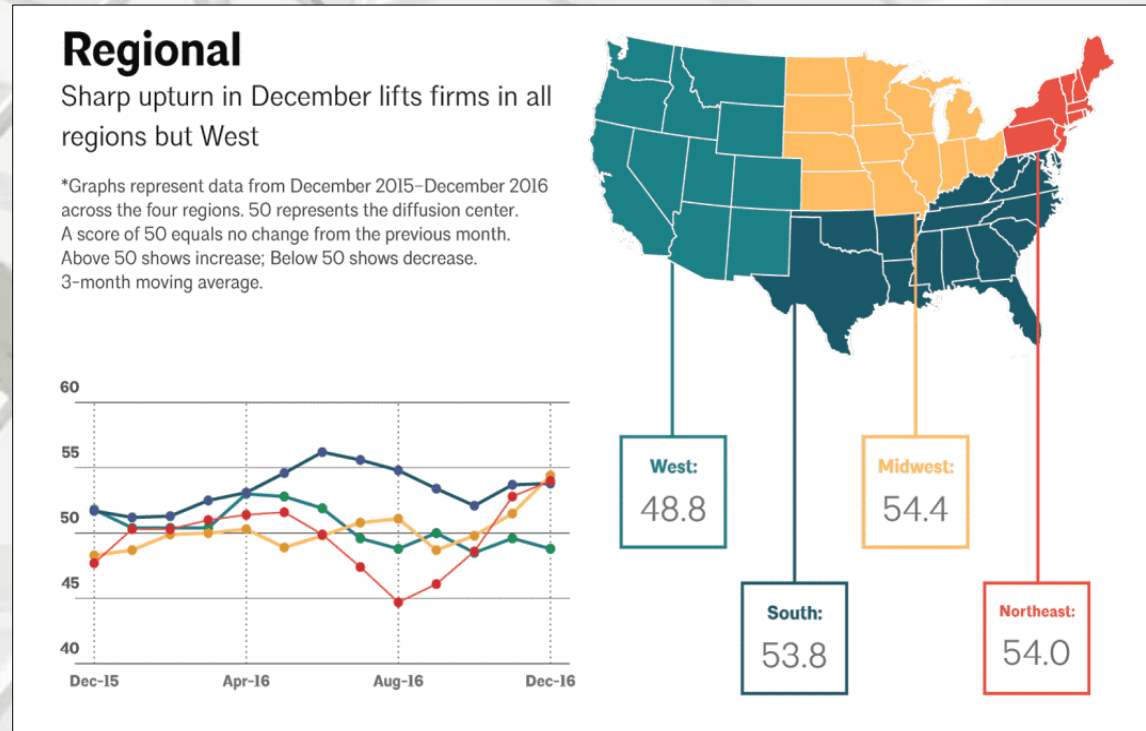


December Architecture Billings Index

The ups and downs of business conditions listed as the top challenge to firm profitability

“Architecture firm billings saw an unexpected surge in December, generating an ABI score of 55.9 for the month. This was far and away the highest monthly growth of the year and brought the average monthly reading for 2016 up to 51.3, almost equaling the 2015 average monthly score of 51.6. Project inquiries and new design contracts both had positive readings but didn’t rise at nearly the same pace as billings. That would suggest that firm billings are likely to see more moderate growth moving into 2017.” – Kermit Baker, Hon. AIA, Chief Economist, AIA

Private Indicators: AIA



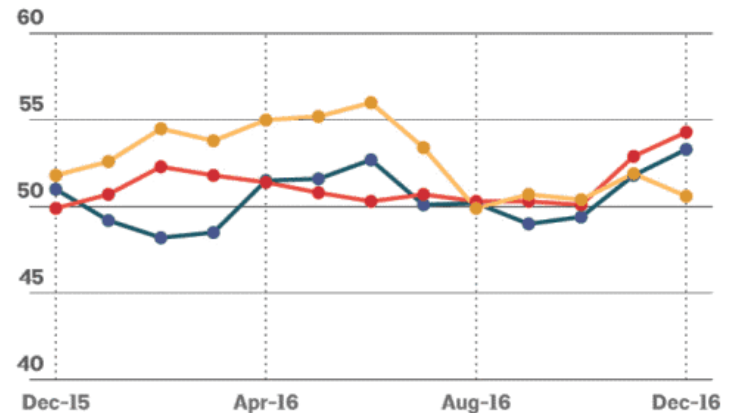
“The December upturn pushed up billings in three of the four regions of the country. Firms in the Northeast and Midwest reported their strongest monthly growth of the year, while firms in the South saw a continuation of healthy billings gains. That leaves firms in the West as the only region with declines in business conditions, a trend that now extends to five of the past six months.” – Kermit Baker, Hon. AIA, Chief Economist, AIA

Private Indicators: AIA

Sector

Billings growth pushes up scores at commercial/industrial and institutional firms

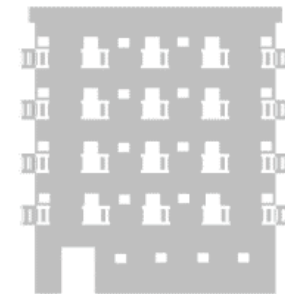
*Graphs represent data from December 2015–December 2016 across the three sectors. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



Commercial/Industrial: 54.3

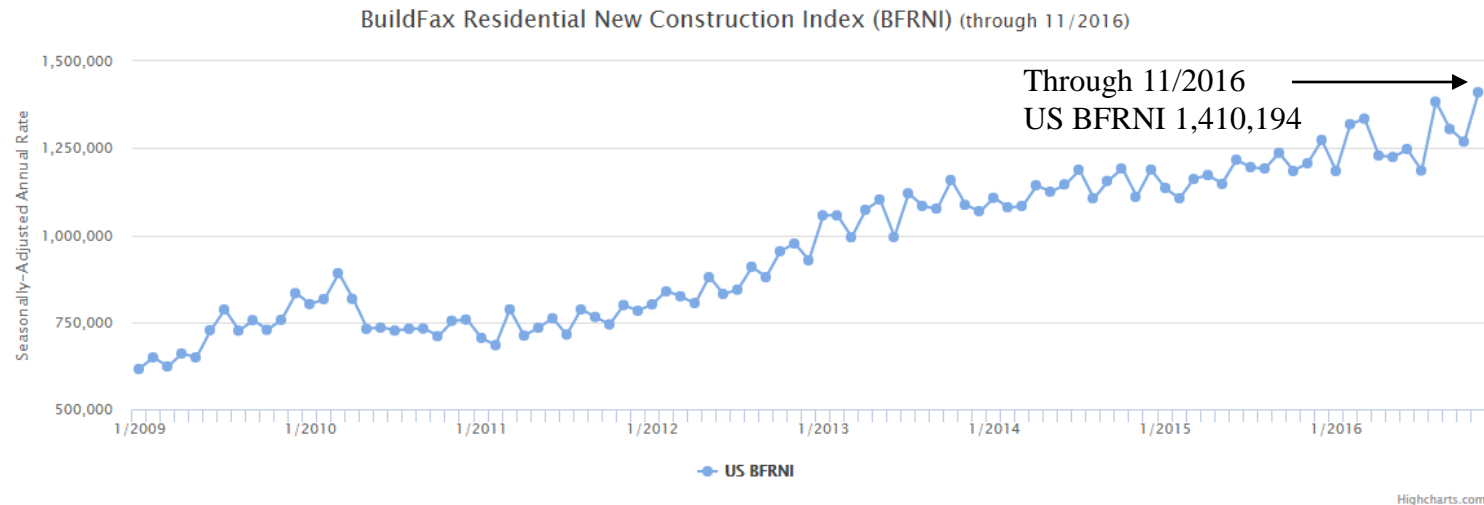


Institutional: 53.3



Residential: 50.6

Private Indicators



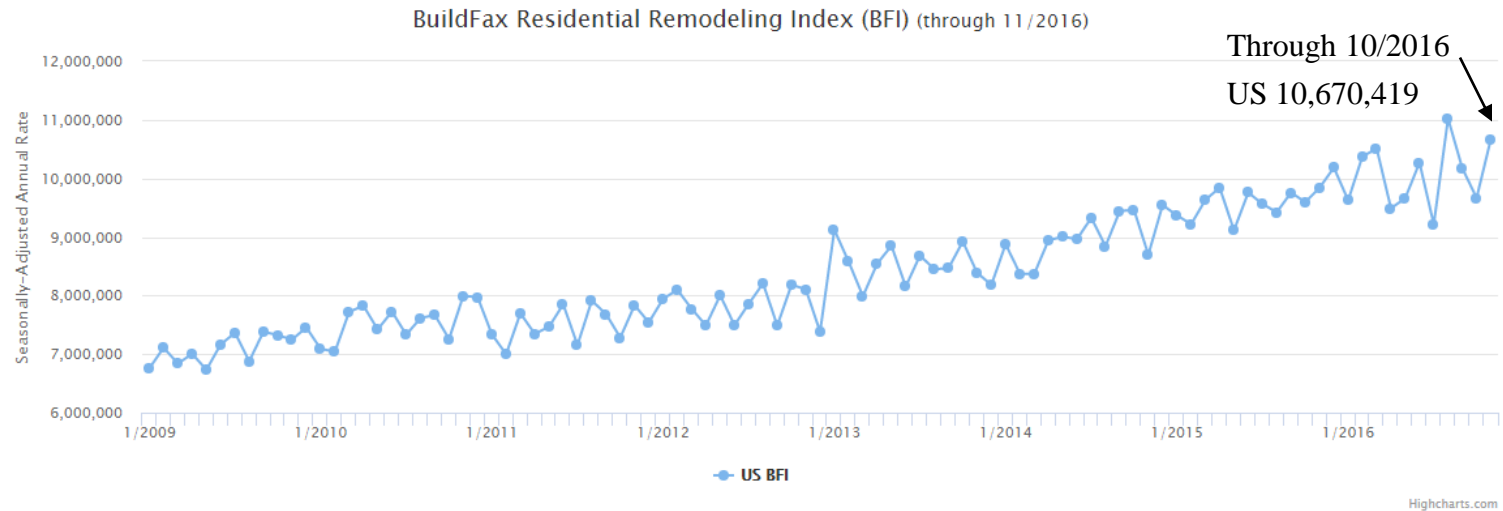
BuildFax Residential New Construction Index

“Residential new construction authorized by building permits in the United States in November were at a seasonally-adjusted annual rate of 1,410,194. This is 11% above the revised October rate of 1,268,434 and is 17% above the revised November 2015 estimate of 1,206,206. BuildFax reports on total new residential projects, this is unlike the U.S. Census that reports total number of housing units.”

Regional Residential New Construction

“Seasonally-adjusted annual rates of residential new construction across the country in November 2016 are estimated as follows: Northeast, 63,987 (up 11% from October and up 84% from November 2015); South, 803,113 (up 9% from October and up 16% from November 2015); Midwest, 226,647 (up 13% from October and up 1% from November 2015); West, 324,825 (up 20% from October and up 24% from November 2015).”

Private Indicators



BuildFax Residential Remodeling Index

“Residential remodels authorized by building permits in the United States in November were at a seasonally-adjusted annual rate of 10,670,419. This is 10% above the revised October rate of 9,664,862 and is 8% above the revised November 2015 estimate of 9,840,957.”

Regional Residential Remodeling

“Seasonally-adjusted annual rates of residential remodelling across the country in November 2016 are estimated as follows: Northeast, 811,878 (down 5% from October and up 8% from November 2015); South, 5,398,534 (up 15% from October and up 15% from November 2015); Midwest, 1,916,431 (up 7% from October and down 0% from November 2015); West, 2,487,351 (up 7% from October and up 4% from November 2015).”

Private Indicators

New Construction Starts in December Slide 5 Percent; Annual Total for 2016 Edges Up 1 Percent to \$676.5 Billion

“New construction starts in December slipped 5% to a seasonally adjusted annual rate of \$613.0 billion, according to Dodge Data & Analytics. The latest month’s decline for total construction was due to sharply reduced activity for the nonbuilding construction sector, reflecting further erosion by public works as well as a steep plunge by the electric utility/gas plant category. At the same time, nonresidential building in December held steady with its November pace, and residential building was able to register moderate growth. For all of 2016, total construction starts advanced 1% to \$676.5 billion, a considerably smaller gain than the 11% increase reported for 2015. If the volatile manufacturing plant and electric utility/gas plant categories are excluded, total construction starts in 2016 would be up 4%, depicting a more gradual deceleration relative to the corresponding 9% increase in 2015.

The construction start statistics over the course of 2016 revealed a varied pattern, with the end result being a slight gain for the year as a whole. On a quarterly basis, growth was reported during the first and third quarters, while activity settled back during the second and fourth quarters. On the plus side for 2016, commercial building continued to rise, and institutional building provided evidence that it was beginning to regain upward momentum after pausing in 2015. **Single family housing** showed moderate improvement, while multifamily housing witnessed growth in numerous markets with the notable exception of New York NY, which retreated after the robust activity reported in 2015. On the negative side, public works settled back in 2016, and steep declines were reported for manufacturing plants and the gas plant portion of the electric utility/gas plant category. In a broad sense, construction activity shifted to a more mature stage of expansion in 2016, characterized by a slower rate of growth for total construction compared to the 10% to 12% gains of the previous four years. For 2017, more growth at a moderate pace is expected for total construction.” – Robert Murray, Chief Economist, McGraw Hill Construction

Private Indicators

“**Residential building** in December climbed 9% to \$306.9 billion (annual rate). Multifamily housing finished the year on a strong note, rising 26% after retreating 12% in November. Single family housing in 2016 grew 8% in dollar terms, a more measured pace compared to its 14% gain in 2015. By geography, single family housing in 2016 showed this pattern for the five major regions – the Midwest, up 10%; the South Atlantic, up 9%; the West, up 8%; the Northeast, up 5%; and the South Central, up 4%.

December featured groundbreaking for 14 **multifamily projects** valued each at \$100 million or more, Single family housing in December increased 4%, maintaining the modest if at times hesitant upward trend that was present during 2016. The 2016 amount for residential building was \$287.0 billion, up 6% and a smaller gain than the 16% hike reported for 2015. Much of the deceleration was due to a considerably slower increase for multifamily housing, which grew just 3% as opposed to the 22% jump in 2015. The nation’s leading multifamily market by dollar volume, New York NY, dropped 28% in 2016 after surging 53% in 2015. Multifamily construction in New York City had been supported by the 421-a program, which provided tax incentives to developers who included affordable housing in their projects. During 2015, the pending expiration of the 421-a program contributed to developers moving up the start date for projects, while the expiration of the program in January 2016 removed the incentives. If the New York NY metropolitan area is excluded, multifamily housing for the nation in 2016 would be up 13% in dollar terms, essentially the same as the corresponding 14% increase in 2015. After New York NY, the next metropolitan areas for multifamily housing in the top 10 by dollar volume all registered double-digit increases in 2016. Rounding out the top five markets, with their percent change from 2015, were the following – Los Angeles CA, up 50%; Miami FL, up 14%; Chicago IL, up 82%; and Washington DC, up 20%. Metropolitan areas ranked 6 through 10 were the following – Boston MA, up 45%; Dallas-Ft. Worth TX, up 22%; San Francisco CA, up 63%; Atlanta GA, up 52%; and Denver CO, up 29%. ” – Robert Murray, Chief Economist, McGraw Hill Construction

Private Indicators

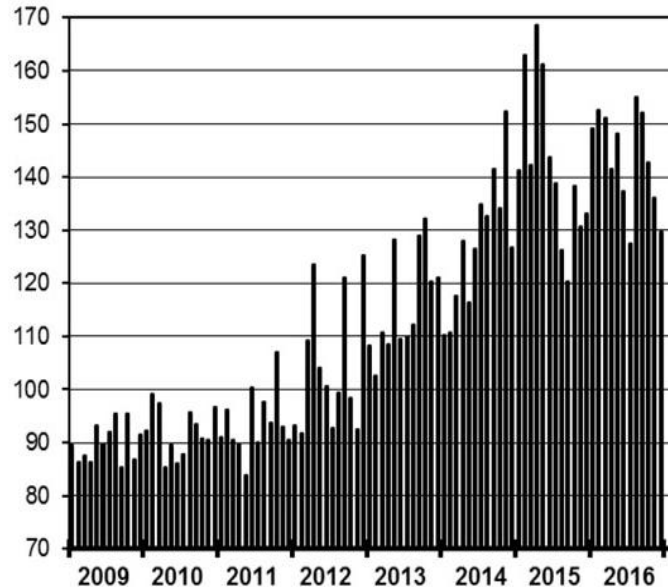
“**Nonresidential building** in December was reported at \$224.0 billion (annual rate), basically unchanged from November. The manufacturing plant category jumped 124%, bouncing back from a weak November with the lift coming from the start of a \$1.2 billion pharmaceutical plant in Clayton NC. The commercial categories as a group advanced 11% in December, making a partial rebound after falling 20% in the previous month. Hotel construction climbed 74%, reflecting the start of the \$164 million hotel portion of the \$500 million Skyplex Entertainment Complex in Orlando FL and a \$138 million hotel at New York’s JFK International Airport (as part of the conversion of the historic TWA Flight Center building). Office construction in December increased 25%, boosted by the start of two large data centers in Aurora IL (\$255 million) and Ashburn VA (\$160 million), as well as by the start of a \$117 million renovation project at Rockefeller Center in New York NY. Smaller gains in December were reported for commercial garages, up 13%; and stores, up 8%. Warehouse construction was the one commercial project type to retreat in December, falling 35%.

For 2016 as a whole, nonresidential building advanced 4% to \$227.7 billion, regaining upward momentum after slipping 2% in 2015. Over the past two years the percent change for nonresidential building has been dampened by substantial declines for the manufacturing plant category, which plunged 32% in 2015 and then another 27% in 2016. The weaker performance by manufacturing plants reflected in particular a pullback for new petrochemical plant starts after the exceptional amount that was reported back in 2014. If the manufacturing plant category is excluded, nonresidential building in 2016 would show a 7% increase, slightly stronger than the corresponding 4% gain in 2015.” – Robert Murray, Chief Economist, McGraw Hill Construction

Private Indicators

December 2016 Construction Starts

**The Dodge Index
of New Construction Starts
(Year 2000 = 100)**



Source: Dodge Data & Analytics

Monthly Summary of Construction Starts

Prepared by Dodge Data & Analytics

Monthly Construction Starts

Seasonally Adjusted Annual Rates, in Millions of Dollars

	<u>December 2016</u>	<u>November 2016</u>	<u>% Change</u>
Nonresidential Building	\$224,040	\$224,577	-0-
Residential Building	306,905	280,625	+9
Nonbuilding Construction	<u>82,047</u>	<u>137,992</u>	-41
Total Construction	\$612,992	\$643,194	-5

The Dodge Index

Year 2000=100, Seasonally Adjusted

December 2016.....130

November 2016136

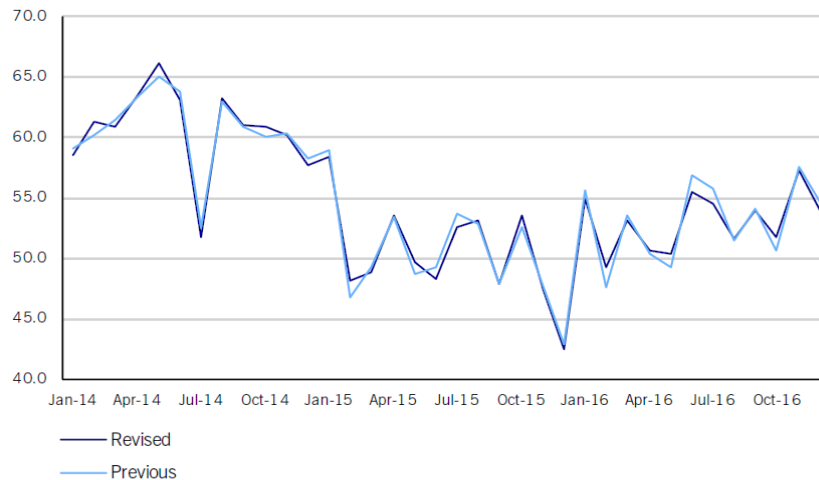
Year-to-Date Construction Starts

Unadjusted Totals, in Millions of Dollars

	<u>12 Mos. 2016</u>	<u>12 Mos. 2015</u>	<u>% Change</u>
Nonresidential Building	\$227,675	\$219,658	+4
Residential Building	287,019	270,646	+6
Nonbuilding Construction	<u>161,803</u>	<u>181,930</u>	-11
Total Construction	\$676,497	\$672,234	+1
Total Construction, excluding manufacturing buildings and electric utilities/gas plants	\$615,949	\$591,182	+4

Private Indicators

Chicago Business Barometer™
Previous and Revised Values



December Chicago Business Barometer

“The December Chicago Business Barometer was revised down to 53.9 from 54.6 previously, as a result of the annual seasonal adjustment recalculation. After a disappointing start to the fourth quarter, the latest results suggest economic conditions have improved somewhat, with the Barometer averaging 54.3 in Q4, the highest in two years.” – Shaily Mittal, Senior Economist, MNI Indicators

New Orders Retreats from December High

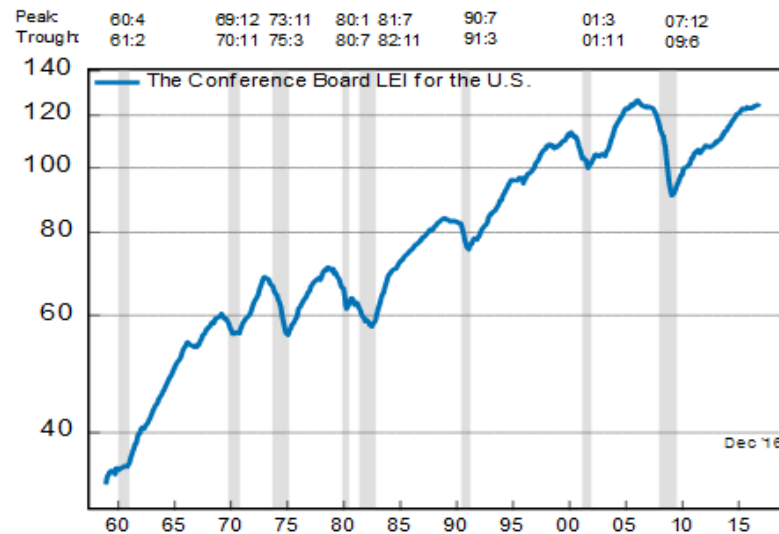
“In aggregate, the Barometer was revised lower by 0.6 points in 2016. It was down by 1.2 points over H2 2016 with the majority of that revision coming in Q3. Activity during the first half of the year was revised higher. The most significant downward revision in the Barometer came in June, with the sharp spike in activity revised lower. The second largest revision came in July. The revisions suggest that activity was softer during the second half of the year, in contrast to the previous data which had showed greater strengthening.

Inventories were revised down by a total of 5.1 points in H2 2016 and by 0.6 points in aggregate in the entire year. Production was revised lower by a total of 4.1 points in H2 and by an aggregate of 0.4 points in 2016. New Orders was the only component of the Chicago Business Barometer which was revised higher during H2. It went up by an aggregate of 0.6 points in the second half of the year.” – Jamie Satchithanantham, Economist, MNI Indicators.

Private Indicators

The Conference Board Leading Economic Index® for the U.S. increased 0.5 percent in December to 124.6 (2010 = 100), following a 0.1 percent increase in November, and a 0.2 percent increase in October.

U.S. Composite Economic Indexes (2010 = 100)



“The U.S. Leading Economic Index increased in December, suggesting the economy will continue growing at a moderate pace, perhaps even accelerating slightly in the early months of this year. December’s large gain was mainly driven by improving sentiment about the outlook and suggests the business cycle still showed strong momentum in the final months of 2016.”
– Ataman Ozyildirim, Director of Business Cycles and Growth Research, The Conference Board

Economy to Continue Expanding at Moderate Pace through Early 2017

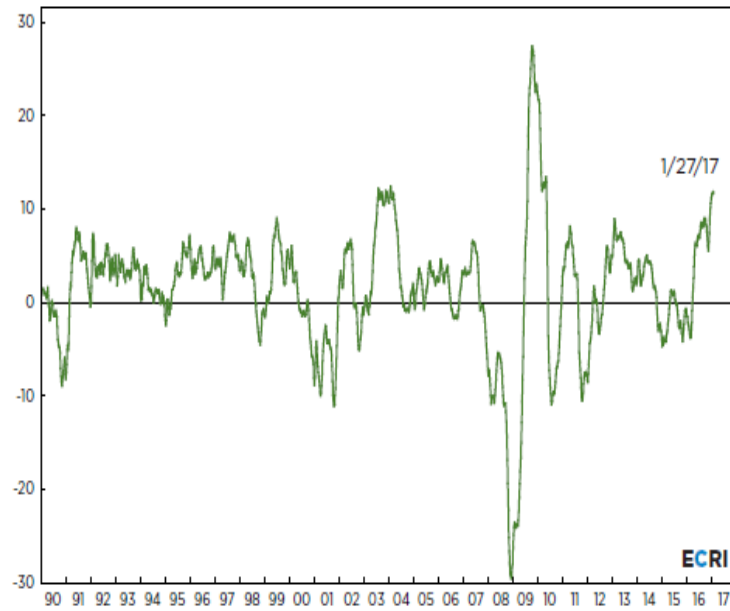
“The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.5 percent in December to 124.6 (2010 = 100), following a 0.1 percent increase in November, and a 0.2 percent increase in October.

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.3 percent in December to 114.3 (2010=100), following no change in November, and a 0.2 percent increase in October.

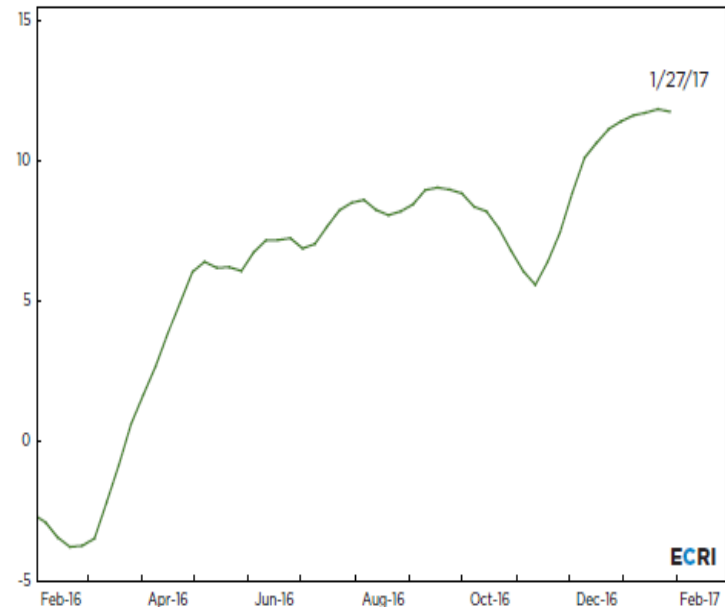
The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.3 percent in December to 123.4 (2010 = 100), following a 0.4 percent increase in November, and a 0.2 percent increase in October.

Private Indicators

Weekly Leading Index, Growth Rate (%)



Weekly Leading Index, Growth Rate (%)



The U.S. Weekly Leading Index (WLI) unchanged at 145.1.

The growth rate ticked down to 11.8% from 11.9%.

Private Indicators

U.S. Gallup Good Jobs Rate, Monthly Trend

January 2010–January 2017

■ Gallup Good Jobs Rate



Rates shown are for January of each year

GALLUP DAILY TRACKING

GALLUP DAILY

REAL UNEMPLOYMENT
Department of Labor (U-6)

9.4% +0.2

GALLUP GOOD JOBS
Percent of Adult Population

44.5% -

ENGAGED AT WORK

35.5% +0.5

ECONOMIC CONFIDENCE

8 +4

CONSUMER SPENDING

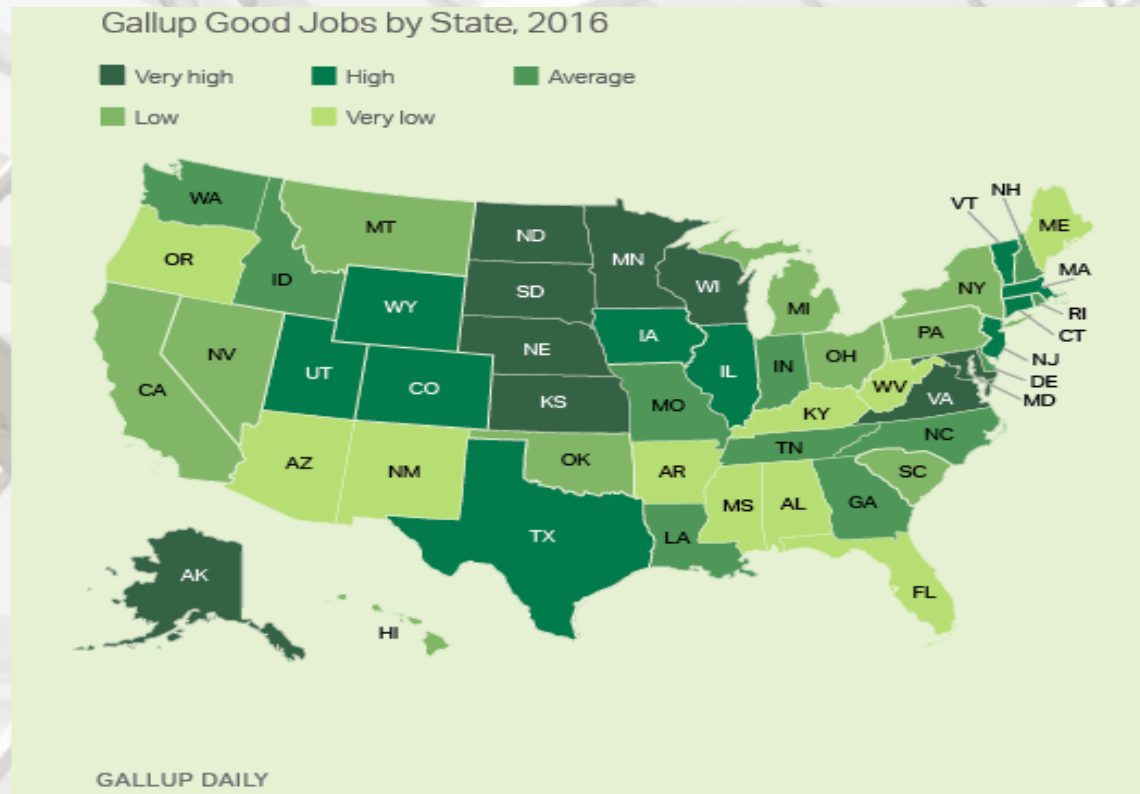
\$100 -14

US Gallup Good Jobs Rate 44.8% in January

- “GGJ at highest rate for any January since 2010
- Unemployment up to 5.8%, in line with seasonal patterns
- Workforce participation rebounds to 67.4% from the December low

The Gallup Good Jobs (GGJ) rate in the U.S. was 44.8% in January, up one-tenth of a point from 44.7% in December. While this is not a statistically significant increase, the current rate is the highest for any January since Gallup began tracking the measure in 2010. One year ago this month, the U.S. GGJ rate was 44.7%.” – Ben Ryan, Consultant Specialist, Gallup

Private Indicators



Gallup Good Jobs Rate Exceeds 50% in Five States

- “South Dakota shows the most improvement in GGJ rate
- West Virginia remains the state with the lowest GGJ rate
- Minnesota had the lowest underemployment rate

Five U.S. states -- South Dakota, Maryland, Nebraska, North Dakota and Minnesota -- had Gallup Good Jobs (GGJ) rates above 50% in 2016. West Virginia, at 36.6%, had the lowest rate for the third consecutive year.” – Ben Ryan, Consultant Specialist, Gallup

Private Indicators

January 2017 Manufacturing ISM® Report On Business®

January PMI® at 56.0%

**New Orders, Production and Employment Growing
Inventories Contracting, Supplier Deliveries Slowing**

“Economic activity in the **manufacturing sector** expanded in January, and the overall economy grew for the 92nd consecutive month, say the nation’s supply executives in the latest **Manufacturing ISM® Report On Business®**.

The January PMI® registered 56.0 percent, an increase of 1.5 percentage points from the December reading of 54.5 percent.

The New Orders Index registered 60.4 percent, an increase of 0.1 percentage point from the seasonally adjusted December reading of 60.3 percent.

The Production Index registered 61.4 percent, 2 percentage points higher than the seasonally adjusted December reading of 59.4 percent.

The Employment Index registered 56.1 percent, an increase of 3.3 percentage points from the seasonally adjusted December reading of 52.8 percent.

Inventories of raw materials registered 48.5 percent, an increase of 1.5 percentage points from the December reading of 47 percent.

The Prices Index registered 69 percent in January, an increase of 3.5 percentage points from the December reading of 65.5 percent, indicating higher raw materials prices for the 11th consecutive month.

The PMI®, New Orders, and Production Indexes all registered their highest levels since November of 2014, and comments from the panel are generally positive regarding demand levels and business conditions.” – Bradley Holcomb, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee Source: <https://www.instituteforsupplymanagement.org/ismreport/mfgrob.cfm>; 2/1/17

Private Indicators

December 2016 Non-Manufacturing ISM® Report On Business®

December NMI® at 57.2%

**Business Activity Index at 61.4%, New Orders Index at 61.6%,
Employment Index at 53.8%**

“Economic activity in the **non-manufacturing sector** grew in December for the 83rd consecutive month, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM® Report On Business®**.

The NMI® registered 57.2 percent in December, matching the December figure. This represents continued growth in the non-manufacturing sector at the same rate.

The Non-Manufacturing Business Activity Index decreased to 61.4 percent, 0.3 percentage point lower than the December reading of 61.7 percent, reflecting growth for the 89th consecutive month, at a slightly slower rate in December.

The New Orders Index registered 61.6 percent, 4.6 percentage points higher than the reading of 57 percent in December.

The Employment Index decreased 4.4 percentage points in December to 53.8 percent from the December reading of 58.2 percent.

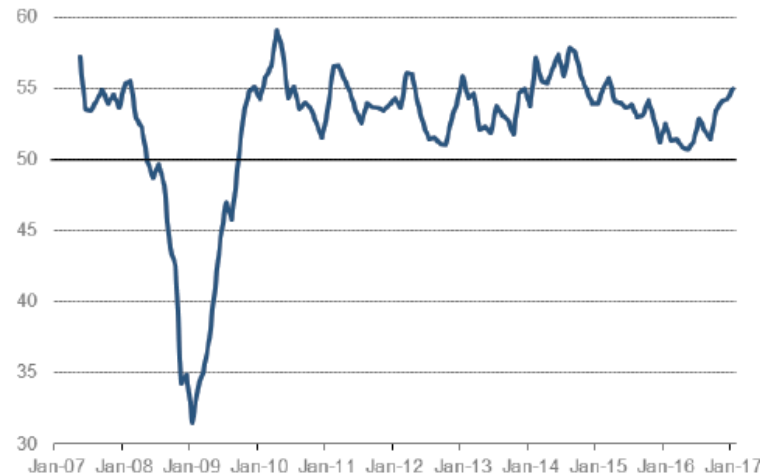
The Prices Index increased 0.7 percentage point from the December reading of 56.3 percent to 57 percent, indicating prices increased in December for the ninth consecutive month at a slightly faster rate.

According to the NMI®, 12 non-manufacturing industries reported growth in December. The non-manufacturing sector closed out the year strong maintaining its rate of growth month-over-month. Respondents' comments are mostly positive about business conditions and the overall economy.” – Anthony Nieves, CPSM, C.P.M., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Private Indicators

Markit U.S. Manufacturing PMI (seasonally adjusted)

Markit U.S. Manufacturing PMI



Source: IHS Markit.

Markit U.S. Manufacturing PMI™

Strongest manufacturing production growth for almost two years

“At 55.0 in January, up from 54.3 in December, the seasonally adjusted Markit final **US Manufacturing Purchasing Managers’ Index™ (PMI™)** signalled a robust and accelerated improvement in overall business conditions across the manufacturing sector. ... All five index components exerted a positive influence in the headline PMI in January, led by the sharpest expansion of incoming new work for over two years.”

“US manufacturers signalled a strong start to 2017, with both output and new order growth accelerating since the end of last year. Improving business conditions were also reflecting in a sustained upturn in payroll numbers and the steepest rise in stocks of finished goods since the index began in 2007. Meanwhile, manufacturers reported that confidence regarding the year-ahead business outlook was the strongest since March 2016, which was mainly linked to hopes of a continued upturn in domestic economic conditions.

The US manufacturing sector has started 2017 with strong momentum. Despite exports being subdued by the strong dollar, order books are growing at the fastest pace for over two years on the back of improved domestic demand. With optimism about the year ahead at the highest since last March, the outlook has also brightened.

With input costs also rising at the steepest rate for over two years, and hiring sustained at an encouragingly solid pace as firms expand capacity, all of the survey indicators point to the Fed hiking interest rates again soon.” – Chris Williamson, Chief Economist, Markit®

Private Indicators

Data collected January 12-26

Service sector business activity (seasonally adjusted)

Markit US Services PMI Business Activity Index



Source: IHS Markit.

Markit U.S. Services PMI™ Service sector growth reaches 14-month high in January

- “Fastest rise in business activity since November 2015
- New work expands at strongest pace for a year and a half
- Business confidence highest since May 2015.”

“The seasonally adjusted final **Markit U.S. Services Business Activity Index** rebounded to 55.6 in January, up from December’s three-month low of 53.9. Moreover, the latest reading was comfortably above the average for Q4 2016 (54.4) and signalled the fastest rate of business activity growth since November 2015. Higher levels of business activity were mainly linked to improved sales growth and a more supportive economic backdrop.

U.S. service providers started the year with the fastest rise in business activity since late-2015, driven by another robust increase in incoming new work. Greater willingness to spend among clients and signs of an upturn in domestic economic conditions also contributed to stronger business optimism across the service sector. January data signalled that services companies are more confident about their growth prospects than at any time since May 2015.

The US economy has started 2017 on the front foot. Business activity across the economy is growing at the fastest rate for over a year and optimism about the business outlook has risen to the highest for a year and a half.” – Chris Williamson, Chief Economist, Markit®

Private Indicators

National Association of Credit Management – Credit Managers’ Index

“The combined score for the Credit Managers’ Index was 54. It was 54.1 last month. One would have to go back to March and April of 2016 to get numbers in this range. The combined scores for the favorable factors at 60.8 was an improvement over the 59.1 registered last month. The news was not quite as good for the combined unfavorable numbers, however, as they sipped from 50.8 to 49.5, back into the contraction zone.

The breakdown of the favorable factors shows improvement in a variety of categories. The sales data improved from 58.6 to 60.1, nearly as good as the numbers were in November. The new credit applications reading also jumped up into the 60s as it moved from 57 to 60.8, the highest level seen in well over a year. The dollar collections numbers slipped a little from 59.5 to 58.2. This is consistent with the overall decline in the unfavorable categories. The amount of credit extended shifted up as well and hit levels not seen in two years by moving from 61.4 to 64.1.

This kind of movement suggests that bigger customers and clients are asking for more substantial credit allocations. That means more machinery orders and inventory orders. There has been improvement in the nation’s capacity utilization numbers of late and this credit data is consistent with these gains. The bad news is found in the unfavorable factors.”

– Chris Kuehl, Ph.D., Economist, NACM

Private Indicators

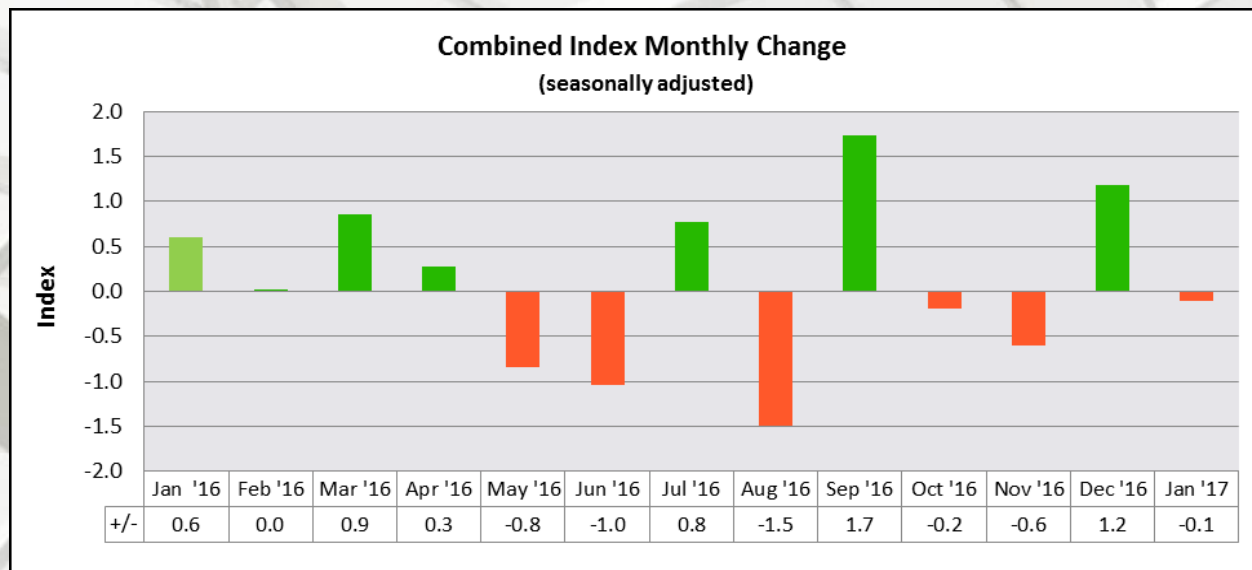
National Association of Credit Management – Credit Managers’ Index

“The contrast between the two suggests there is a shakeout of sorts taking place in the economy. There was a slight decline in the reading for rejections of credit applications which takes a little of the wind out of the sails of the positive new application numbers, as there is a suggestion that some of these new applicants are not all that creditworthy and are hoping that somebody isn’t paying enough attention.

The manufacturing sector has been fighting some pretty serious headwinds of late, but they have not resulted in the expected slowdown — at least not yet. The biggest concern towards the end of the year was the gain in strength of the dollar and the expected impact on exports. The fact the Fed finally got around to hiking the rates means that the dollar will gain even more — and quickly. In short, there was a nice rebound as far as manufacturing was concerned. That seems related to both the better mood of the consumer and the fact that construction season was extended a little by the unseasonable weather.

This has been the pattern thus far this year, as far as the economy is concerned. The momentum that was building through 2016 started to pick up steam with the election of Donald Trump and the promise of more business-friendly policies. It is not yet clear whether these will come to fruition, but there remains some feeling of optimism. It is safe to assert that about half the companies out there are starting to see some real improvement in their prospects while others are in real trouble and can’t find a way to dig out of all this.” – Chris Kuehl, Ph.D., Economist, NACM

Private Indicators

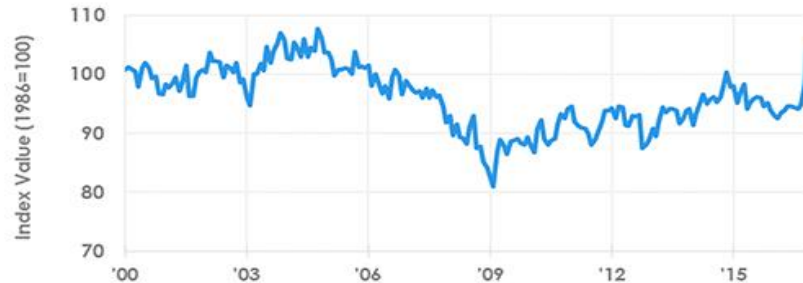


Combined Manufacturing and Service Sectors (seasonally adjusted)	Jan '16	Feb '16	Mar '16	Apr '16	May '16	Jun '16	Jul '16	Aug '16	Sep '16	Oct '16	Nov '16	Dec '16	Jan '17
Sales	55.8	56.8	59.2	59.8	56.7	56.9	60.0	53.7	57.9	56.9	61.8	58.6	60.1
New credit applications	58.1	58.2	59.8	58.5	56.6	56.6	57.8	56.7	58.6	58.0	54.5	57.0	60.8
Dollar collections	57.8	58.3	59.6	57.5	57.4	57.1	59.5	55.5	59.5	57.0	63.5	59.5	58.2
Amount of credit extended	61.0	61.2	61.7	60.9	61.0	57.6	62.8	59.7	61.9	61.5	61.4	61.4	64.1
Index of favorable factors	58.2	58.6	60.0	59.2	57.9	57.0	60.0	56.4	59.5	58.4	60.3	59.1	60.8
Rejections of credit applications	52.2	52.2	51.2	52.2	51.9	51.2	50.7	51.6	51.3	51.8	48.9	51.3	50.6
Accounts placed for collection	49.4	49.0	48.5	50.9	50.5	48.8	48.2	47.7	47.9	48.1	45.8	49.7	49.4
Disputes	48.6	49.7	50.8	50.8	50.8	49.5	47.6	47.8	48.8	49.9	47.7	49.8	46.0
Dollar amount beyond terms	48.6	47.5	50.8	51.2	49.2	49.0	48.8	46.3	48.2	49.0	44.9	49.3	48.4
Dollar amount of customer deductions	49.5	49.5	49.8	50.7	50.7	49.6	49.0	48.1	50.4	49.5	47.9	49.8	48.7
Filings for bankruptcies	53.8	52.6	52.2	53.8	53.0	51.1	50.7	52.8	52.7	53.8	53.0	55.0	53.9
Index of unfavorable factors	50.3	50.1	50.6	51.6	51.0	49.9	49.2	49.1	49.9	50.3	48.0	50.8	49.5
NACM Combined CMI	53.5	53.5	54.3	54.6	53.8	52.7	53.5	52.0	53.7	53.5	52.9	54.1	54.0

Private Indicators

Small Business Optimism Index Increases 0.1 to 105.9

Based on 10 survey indicators, seasonally adjusted, Jan. '00 – Jan. '17



NFIB.com/sboi

December 2016 Report: Small Business Economic Trends

“Small business optimism rose again in January to its highest level since December 2004, according to the monthly National Federation of Independent Business (NFIB) Index of Small Business Optimism,”

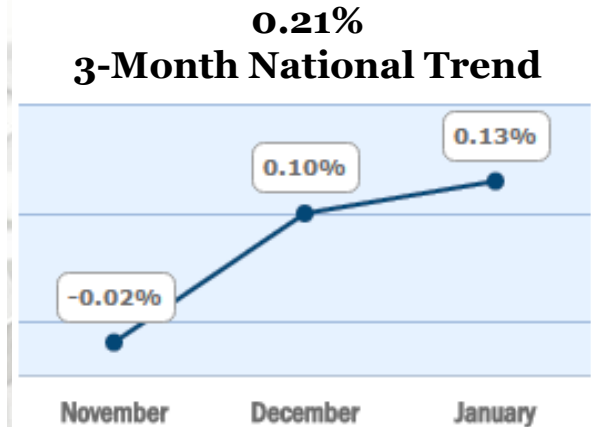
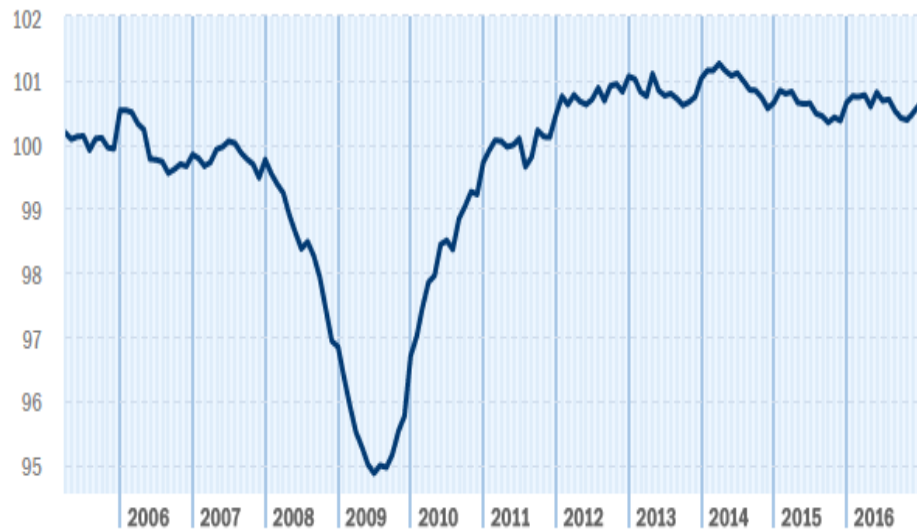
Post-election Small Business Optimism Sustained in January

“The Index reached 105.9 in January, an increase of 0.1 points. The uptick follows the largest month-over-month increase in the survey’s history. Five of the Index components increased and five decreased, but many held near their record high.”

“The continued surge in optimism is a welcome sign that economic growth is coming. The very positive expectations that we see in our data have already begun translating into hiring and spending in the small business sector. The data reflects the expectation among small business owners that things are about to change for the better. Now it’s up to the President and Congress to follow through — our data will quickly reveal whether small business loses faith.” – William Dunkelberg, Chief Economist, National Federation of Independent Business

“The stunning climb in optimism after the election was significantly improved in December and confirmed in January. Small business owners like what they see so far from Washington. We’ve had very low growth for years, mainly because small businesses have been tied down by regulations, taxes, and spiraling health insurance costs. Now they can see relief on the horizon, and they are much more optimistic about the future.” – Juanita Duggan, President and CEO, National Federation of Independent Business

Private Indicators



The Paychex | IHS Small Business Jobs Index

Small business jobs conditions improved 0.21 percent during the past quarter. While the index was essentially flat in November, December and January brought consecutive increases

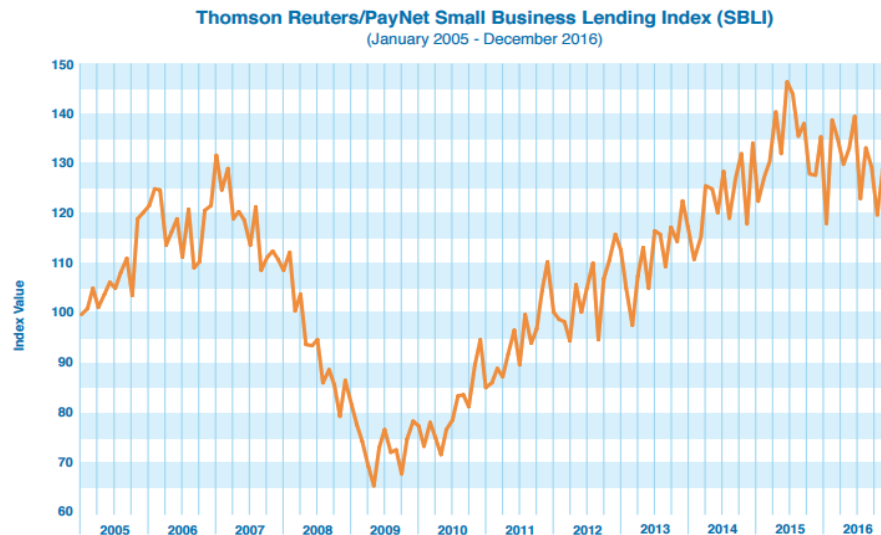
“At 100.62, the Paychex | IHS Small Business Jobs Index starts 2017 at the same pace it averaged throughout 2016. Up 0.13 percent in January and 0.10 percent in December, the national index increased two months in a row for the first time since last February. Though growth rates continue to fluctuate modestly, small businesses have experienced strong job gains for more than 60 consecutive months dating back to 2011.”

“The Paychex | IHS Small Business Jobs Index indicates small business employment conditions are beginning 2017 on firm footing, recovering from a slowdown of gains during the fall months.” – James Diffley, Chief Regional Economist, HIS Markit

Private Indicators

Thomson Reuters/PayNet Small Business Lending Index

U.S. small business borrowing rose slightly in December: PayNet



Small Business Lending Index: 129.7

“The Thomson Reuters/PayNet Small Business Lending Index rose to 129.7 in December from a downwardly revised 129.1 in November. Measured from a year earlier, when the index registered 135.6, it was the sixth decline in seven months. Movements in the index typically correspond with movements in gross domestic product growth a quarter or two ahead.”

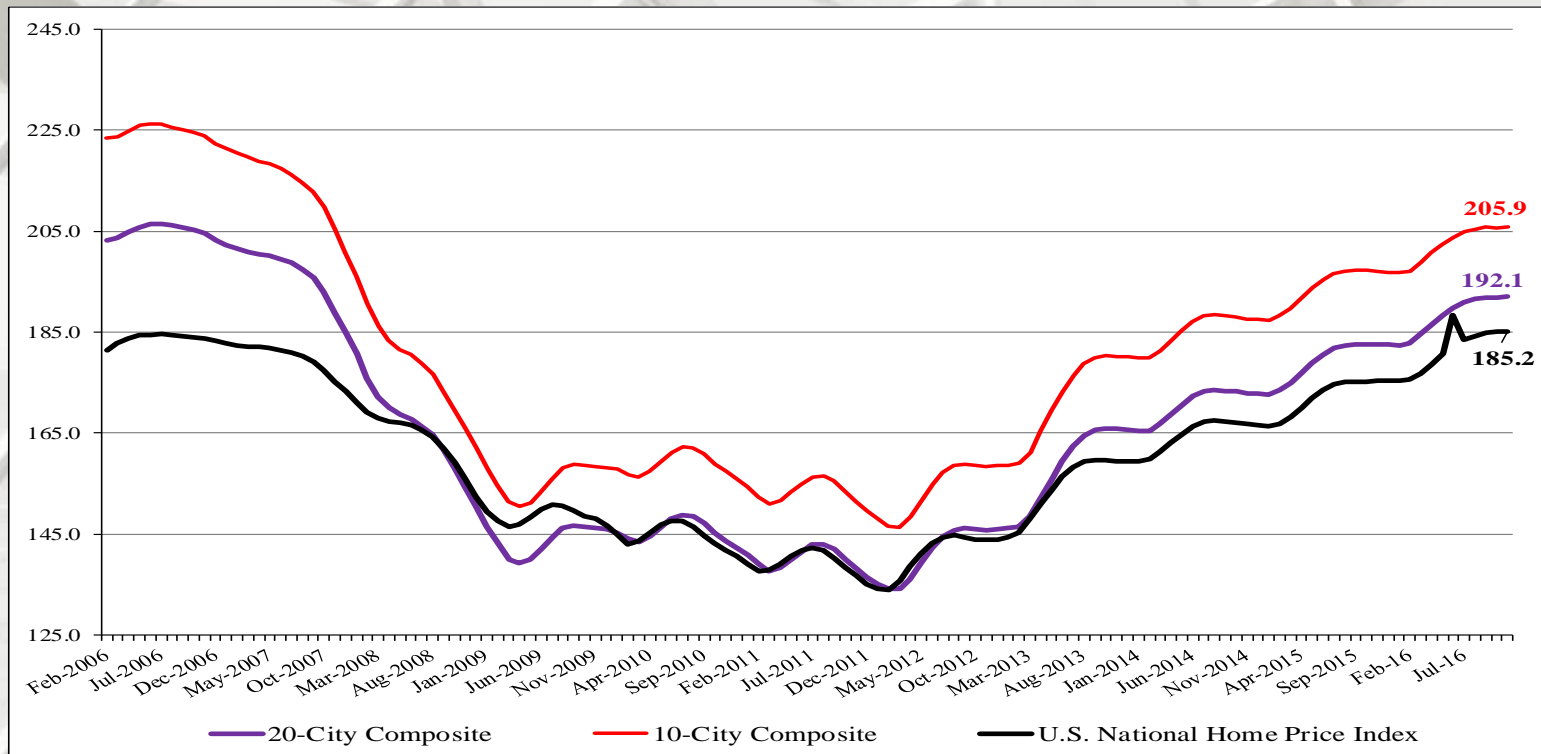
“Small U.S. firms borrowed slightly more in December than in the prior month, data released on Wednesday showed, but more were repaying existing loans late, suggesting that default rates may rise this year.

Companies also having a harder time paying back existing debts, PayNet data showed. The share of loans more than 30 days past due rose in December to 1.69 percent, the highest in four years.”

“It’s an improved mood, but the questions are still out there on the policies and how they are going to play out. Small businesses are show-me kind of companies, and then they will get more active if they like the direction it’s going.” – Bill Phelan, President, PayNet

Private Indicators

S&P/Case-Shiller Home Price Indices



Private Indicators

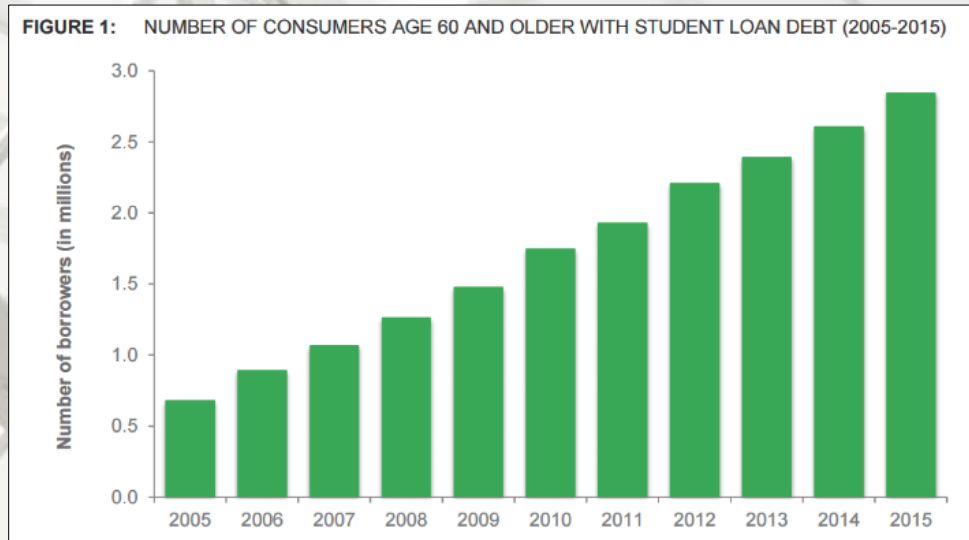
S&P/Case-Shiller Home Price Indices

The S&P CoreLogic Case-Shiller National Index Hits New Peak As Home Price Gains Continue

“With the S&P CoreLogic Case-Shiller National Home Price Index rising at about 5.5% annual rate over the last two-and-a-half years and having reached a new all-time high recently, one can argue that housing has recovered from the boom-bust cycle that began a dozen years ago. The recovery has been supported by a few economic factors: low interest rates, falling unemployment, and consistent gains in per-capita disposable personal income. Thirty-year fixed rate mortgages dropped under 4.5% in 2011 and have only recently shown hints of rising above that level. The unemployment rate at 4.7% is close to the Fed’s full employment target. Inflation adjusted per capita personal disposable income has risen at about a 2.5% annual rate for 30 months.

The home prices and economic data are from late 2016. The new Administration in Washington is seeking faster economic growth, increased investment in infrastructure, and changes in tax policy which could affect housing and home prices. Mortgage rates have increased since the election and stronger economic growth could push them higher. Further gains in personal income and employment may increase the demand for housing and add to price pressures when home prices are already rising about twice as fast as inflation.” – David Blitzer, Managing Director and Chairman of the Index Committee, S&P Dow Jones

Demographics



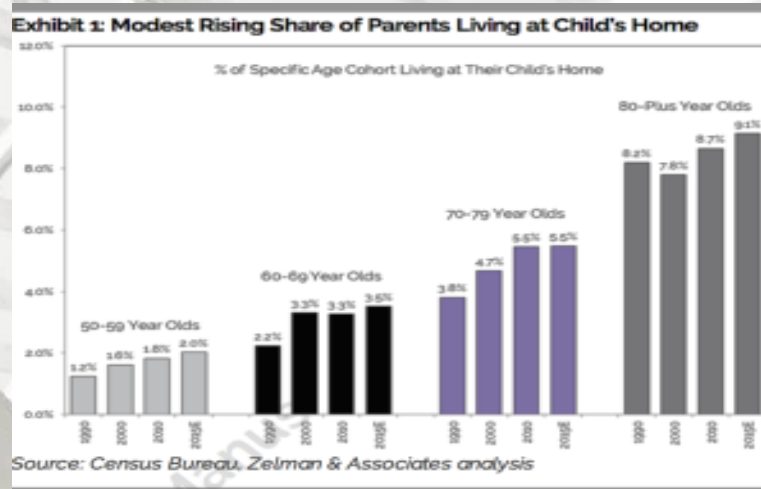
Baby boomers and student debt — the problem no one is talking about

The number of borrowers over age 65 losing out on a portion of their Social Security check to pay off student loans is up 540%

“The number of borrowers over the age of 60 with student loan debt grew from 700,000 in 2005 to 2.8 million in 2015, according to data from the Federal Reserve Bank of New York cited by the CFPB. The number of older Americans with student debt is growing faster than any other age group, according to the CFPB, and it appears they’re struggling. Nearly 40% of federal student loan borrowers over age 65 are in default, the report noted.”

– Jillian Berman, Reporter, CBS MarketWatch

Demographics

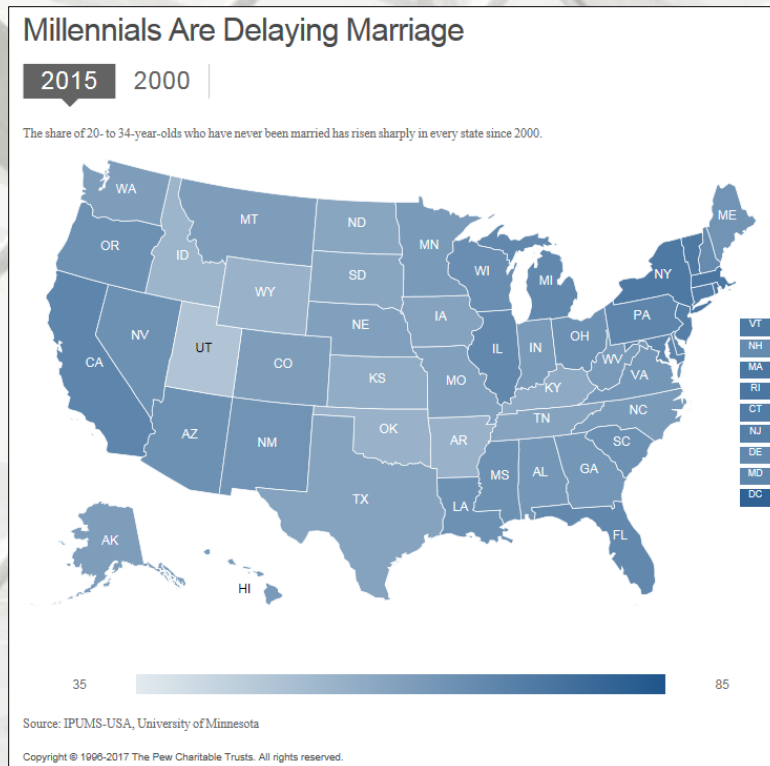


Zelman's Look at MultiGen

A data dive that explores how households where 55+ adults living with their adult children are trending vs. broader household formation patterns.

“In 1990, 2.7% of 50-plus year olds lived in their child's home, ranging from 1.2% for 50-59 year olds to 8.2% for 80-plus year olds. Fast forwarding to 2010, those figures stood at 3.6%, 1.8% and 8.7% respectively, and further moderate increases have been evident thus far in the current decade.” – Ivy Zelman, Zelman & Associates, *The Z Report*

Demographics



For Many Millennials, Marriage Can Wait

“Marriage is becoming less feasible for young people because of economic uncertainty. It’s become more and more difficult for young adults to make a living, especially for less-educated men. This makes marriage a risky proposition. Instead, people see staying single as a “survival strategy” that makes it easier to switch to a partner with better job prospects, said Gary Lee, professor emeritus of sociology at Bowling Green State University.” – Tim Henderson, Reporter, *Stateline*, Pew Research

Demographics

A Secret of Many Urban 20-Somethings: Their Parents Help With the Rent

“Almost half of people in their early 20s have a secret, one they don’t usually share even with friends: Their parents help them pay the rent.

Moving into adulthood has never been easy, but America’s rapidly changing labor market is making it harder to find economic security at a young age. Skilled work is increasingly concentrated in high-rent metropolitan areas, so more young people are tapping into their parents’ bank accounts.

According to surveys that track young people through their first decade of adulthood, about 40 percent of 22-, 23- and 24-year-olds receive some financial assistance from their parents for living expenses. Among those who get help, the average amount is about \$3,000 a year.

The amount of help that parents provide varies by career and geography. Among young people who aspire to have a career in art and design, 53 percent get rent money from their parents. Young people who live in urban centers are more likely to have their parents help pay the rent.

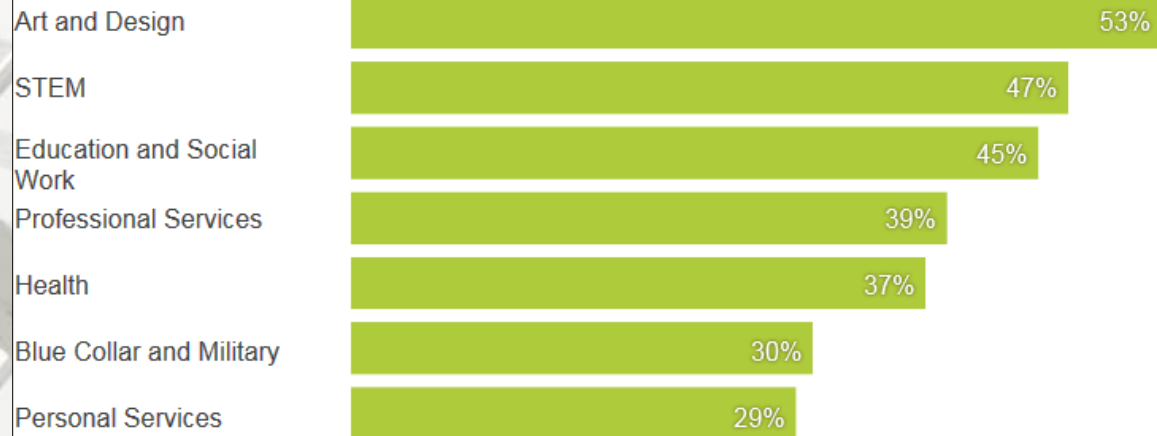
The average amount of parental help for the 20-somethings — roughly \$250 a month — covers 29 percent of the median monthly housing costs in America’s metro areas.

The choice of career path matters. Those in the art and design fields get the most help, an average of \$3,600 a year. People who work in farming, construction, retail and personal services get the least.” – Quoc Trung Bui, Reporter, *The New York Times*

Demographics

Who Gets Money From Their Parents?

Percent of people in their early 20s who receive parental support, by desired field



How Much Do They Receive?

Average annual amount of parental support, by desired field



Among 22- to 24-year-olds who receive some kind of support for living expenses. "Blue collar" includes jobs in construction, manufacturing and agriculture. "Personal services" includes jobs in food, personal care and office support. "Professional services" includes jobs in management, finance and law.

Source: PSID Transition to Adulthood Supplement

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