

The Virginia Tech – U.S. Forest Service

December 2019

Housing Commentary: Section II



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Virginia Polytechnic Institute and State University

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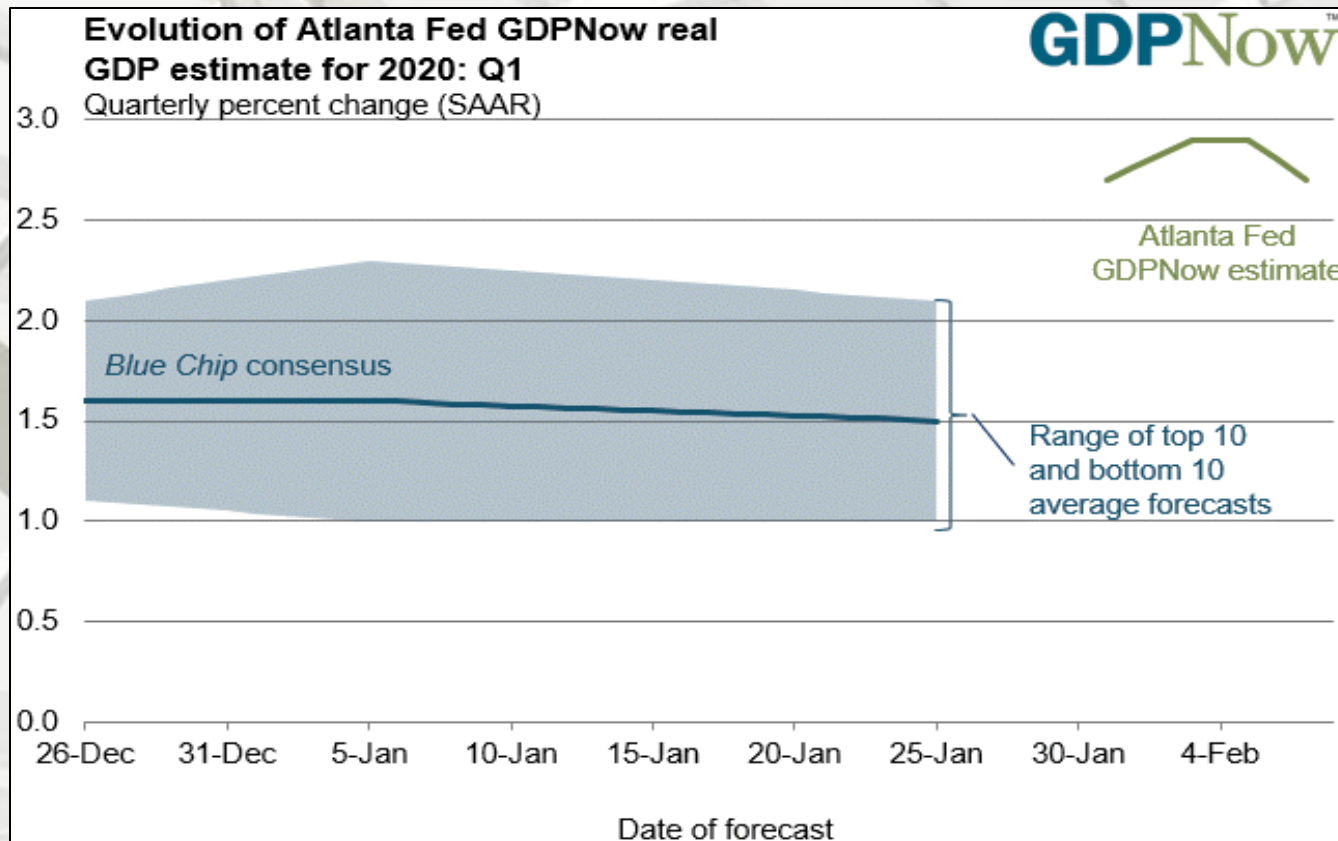
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U.S. Economic Indicators

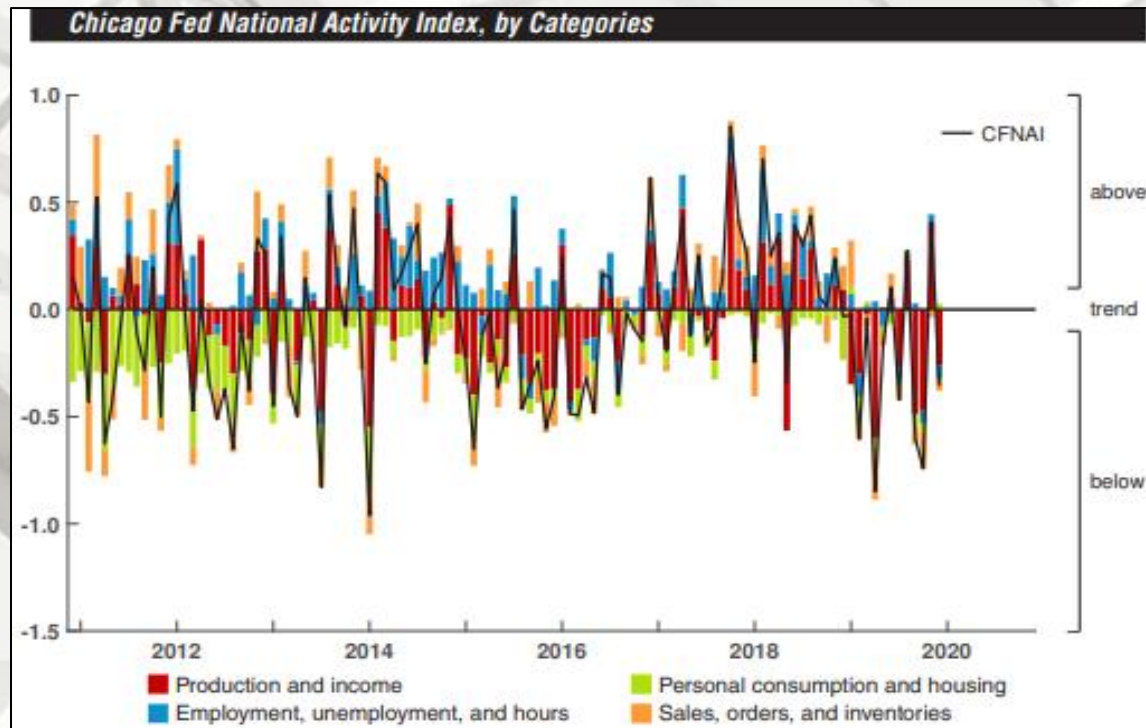


Atlanta Fed GDPNow™

Latest forecast: 2.7 percent — February 7, 2020

“The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2020 is **2.7 percent** on February 7, down from 2.9 percent on February 5. After this morning's release of the employment report by the U.S. Bureau of Labor Statistics and the wholesale trade report from the U.S. Census Bureau, the nowcasts of first-quarter real personal consumption expenditures growth and first-quarter real gross private domestic investment growth decreased from 3.0 percent and 5.9 percent, respectively, to 2.9 percent and 5.0 percent, respectively.” – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

The Federal Reserve Bank of Chicago: National Activity Index



Index points to slower economic growth in December

“Led by declines in production-related indicators, the Chicago Fed National Activity Index (CFNAI) fell to -0.35 in December from $+0.41$ in November. Three of the four broad categories of indicators that make up the index decreased from November, and three of the four categories made negative contributions to the index in December. The index’s three-month moving average, CFNAI-MA3, moved up to -0.23 in December from -0.31 in November.

The CFNAI Diffusion Index, which is also a three-month moving average, edged down to -0.27 in December from -0.25 in November. Twenty-five of the 85 individual indicators made positive contributions to the CFNAI in December, while 60 made negative contributions. Twenty-seven indicators improved from November to December, while 56 indicators deteriorated and two were unchanged. Of the indicators that improved, ten made negative contributions.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

The Federal Reserve Bank of Chicago: National Activity Index

Index points to slower economic growth in December

“Production-related indicators contributed -0.26 to the CFNAI in December, down from $+0.40$ in November. Industrial production decreased 0.3 percent in December after increasing 0.8 percent in November. The contribution of the sales, orders, and inventories category to the CFNAI edged down to -0.05 in December from -0.02 in November. The Institute for Supply Management’s Manufacturing New Orders Index moved down to 46.8 in December from 47.2 in the previous month.

Employment-related indicators contributed -0.06 to the CFNAI in December, down from $+0.04$ in November. Nonfarm payrolls increased by 145,000 in December after rising by 256,000 in November. The contribution of the personal consumption and housing category to the CFNAI edged up to $+0.03$ in December from -0.01 in November. Housing starts increased to 1,608,000 annualized units in December from 1,375,000 in November.

The CFNAI was constructed using data available as of January 17, 2020. At that time, December data for 49 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The November monthly index value was revised to $+0.41$ from an initial estimate of $+0.56$, and the October monthly index value was revised to -0.74 from last month’s estimate of -0.76 . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The revisions to both the November and October monthly index values were primarily due to the former.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

The Federal Reserve Bank of Dallas

Growth in Texas Manufacturing Activity Picks Up

“Growth in Texas factory activity accelerated in January, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, rose seven points to 10.5, suggesting stronger output growth than last month.

Other measures of manufacturing activity also pointed to an acceleration in January. The new orders index shot up 16 points to 17.6, its highest reading in 15 months. The growth rate of orders index returned to positive territory, rising from -5.0 to 6.1. The capacity utilization and shipments indexes pushed further positive, coming in at 11.5 and 8.6, respectively..

Labor market measures suggested slower employment growth and no change in workweek length this month. The employment index retreated from 6.2 to 1.9, indicative of an abatement in hiring. Sixteen percent of firms noted net hiring, while 14 percent noted net layoffs. The hours worked index came in at zero.

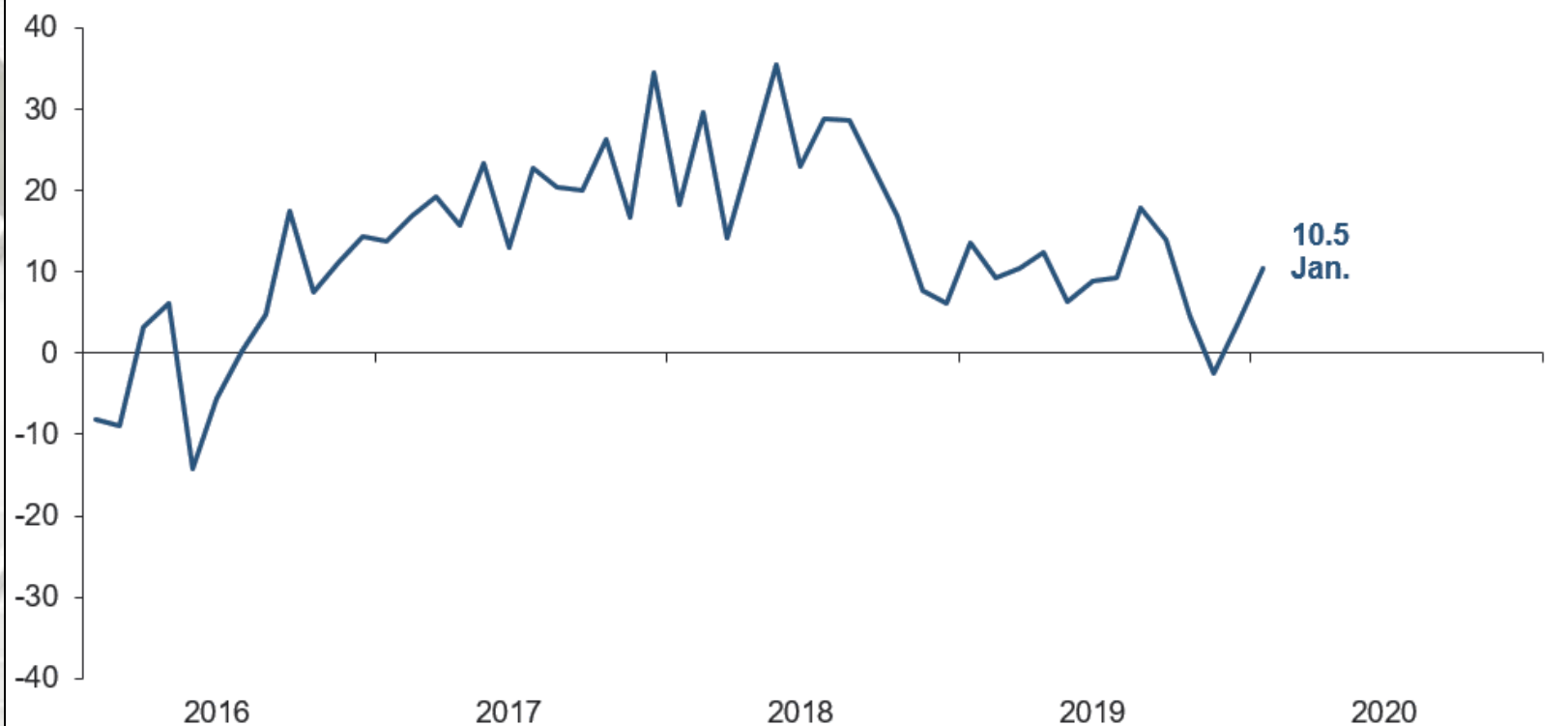
Price pressures eased in January, while wage pressures inched up. The raw materials prices index declined five points to 9.5, a reading well below average. The finished goods prices index slipped into negative territory at -1.9, though the near-zero reading suggests no meaningful change in selling prices. The wages and benefits index ticked up to 16.3.

Perceptions of broader business conditions were largely unchanged in January. The general business activity index came in at zero, with three-fourths of respondents noting no change this month and the rest split between improved and worsened activity. The January company outlook index reading was 1.9, with 78 percent of respondents noting no change in their outlooks. The index measuring uncertainty regarding companies’ outlooks edged down further to 2.7, a 20-month low.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas

Texas Manufacturing Outlook Survey Production Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

Texas Manufacturing Activity Expands Modestly

“Expectations regarding future business conditions were slightly more optimistic in January. The indexes of future general business activity and future company outlook edged up to 7.6 and 15.6, respectively. Most other indexes for future manufacturing activity also pushed a bit further into positive territory.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas

Growth in the Texas Service Sector Accelerates

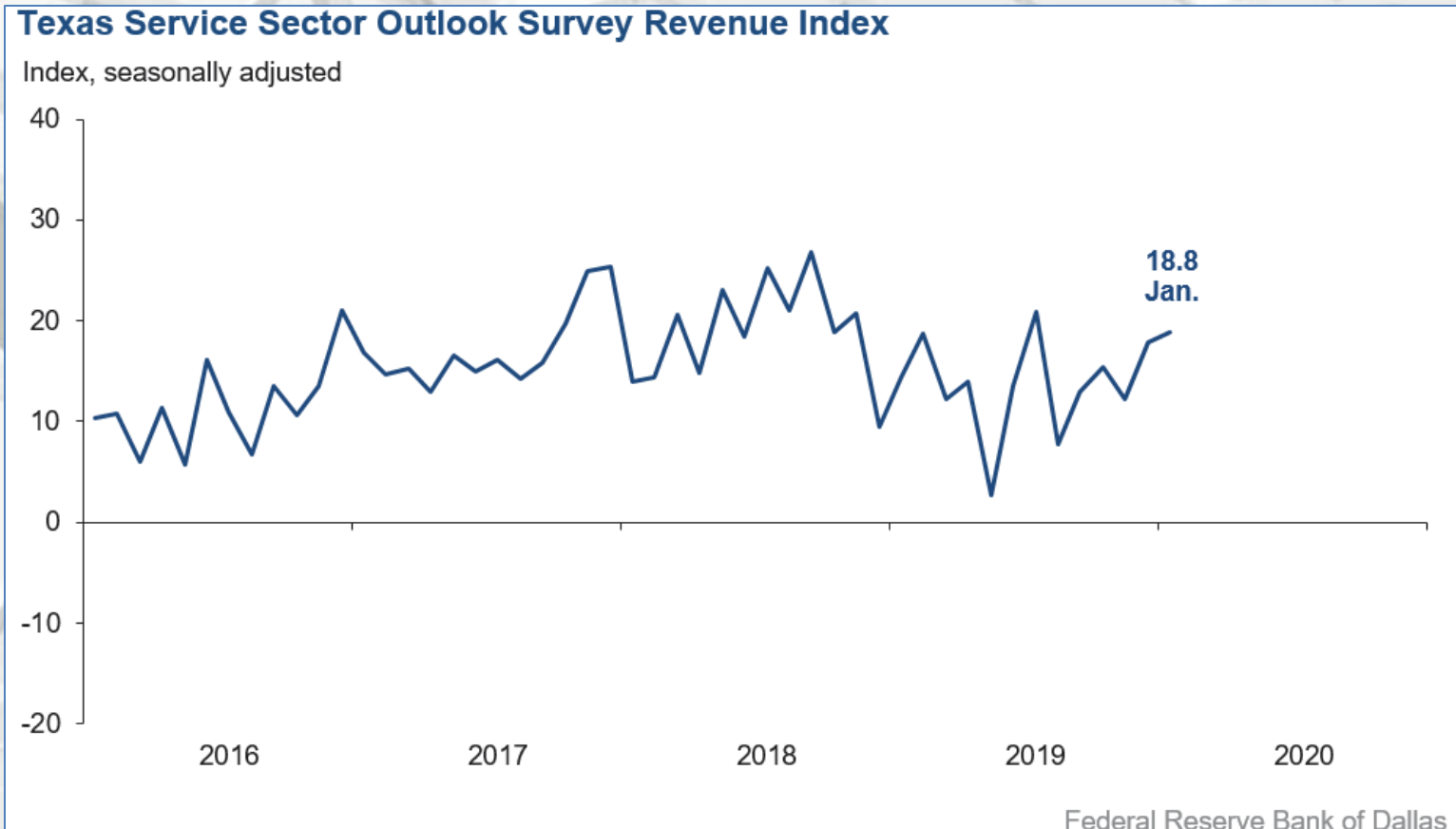
“The Texas service sector began 2020 growing at a similar pace as the end of 2019, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, was mostly unchanged at 18.8 in January, compared with 17.9 in December.

Labor market indicators reflected increased employment growth and slightly longer workweeks this month. The employment index ticked up from 5.5 to 8.4, suggesting a slight acceleration in hiring, although the part-time employment index fell to a near-zero reading. The hours worked index was generally unchanged at 3.3.

Perceptions of broader business conditions further improved in January. The general business activity index dipped from 13.5 to 11.1 but was still well above its 2019 average. The company outlook index increased from 11.3 to 12.5, its highest reading since 2018. The outlook uncertainty index increased over six points to 7.5, although it remains well below last year’s average.

Price pressures increased in January, while wage pressures flattened out. The wages and benefits index was unchanged at 19.4, while the input prices index ticked up from 25.7 to 27.0. The selling prices index surged 10 points to 16.9, its highest reading since May 2018.”
– Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas



Growth in the Texas Service Sector Accelerates

“Respondents’ expectations regarding future business conditions improved compared with December. The future company outlook index picked up over four points to 19.7, while the future general business activity index was unchanged at 17.6. Other indexes of future service sector activity, such as revenue and employment, increased notably and suggested expectations of further growth over the next six months.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas

Retail Sales Growth Moderates

“Growth in retail sales decelerated in January, according to business executives responding to the Texas Retail Outlook Survey. The sales index remained in positive territory but declined from 13.5 in December to 4.8 in January. Inventories increased, with the index dipping four points to 9.6.

Retail labor market indicators suggested a leveling off in employment and longer workweeks in January. The employment index dipped from 2.5 to 1.0, indicating very little change in net employment compared with December. The part-time employment index plunged over 18 points to -8.7, a 12-month low. The hours worked index fell six points to 4.7.

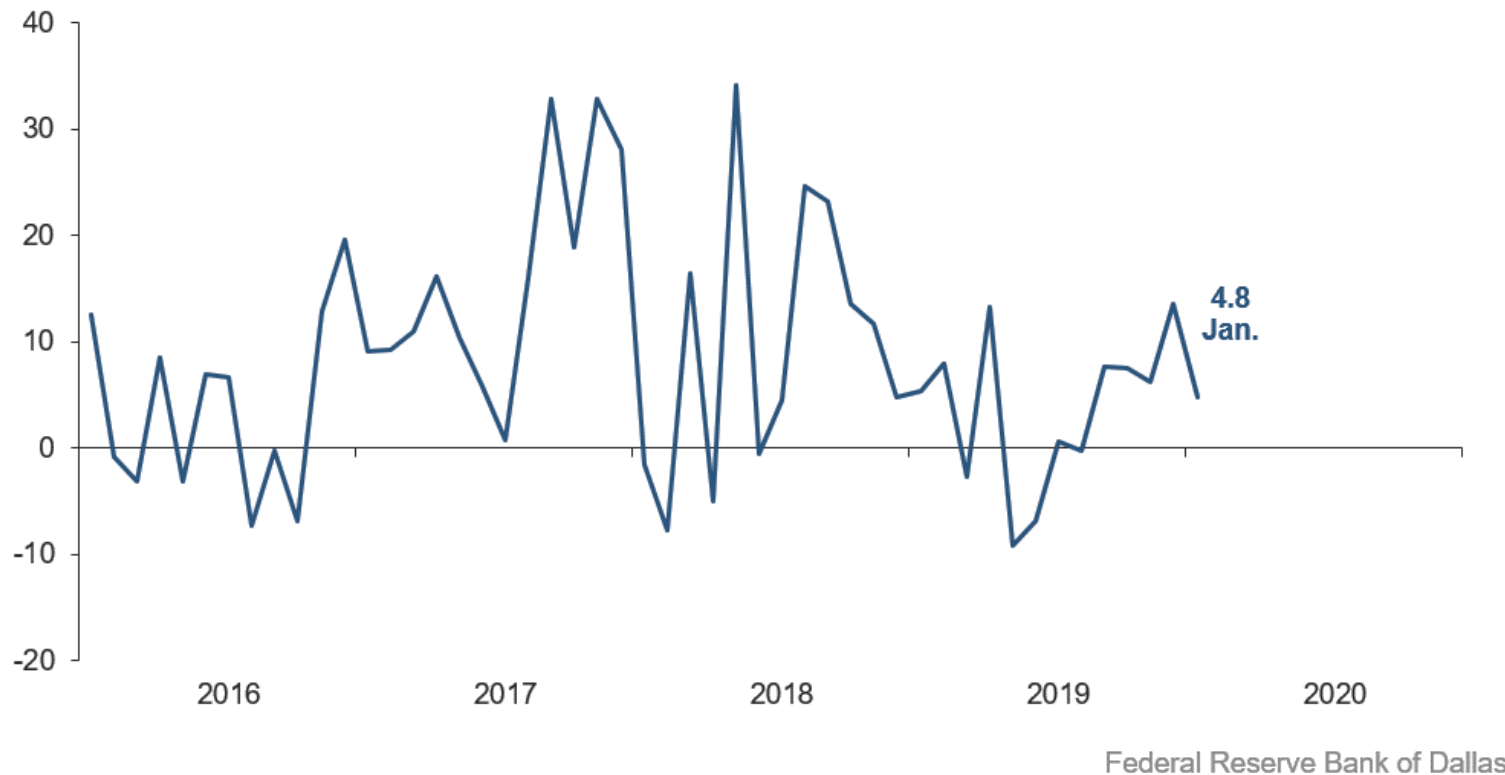
Retailers’ perceptions of broader business conditions tempered in January, and uncertainty increased. The general business activity index fell over 10 points to -2.1, indicating that a slightly larger share of businesses said current conditions were worsening than said they were improving. The company outlook index plunged from 15.0 to 0.2, while the outlook uncertainty index surged from -9.5 to 8.5.

Retail price pressures increased moderately, while wages pressures softened in January. The input prices index rose over four points to 25.0, while the selling prices index picked up nearly five points to 23.2 — its highest reading since late 2018. The wages and benefits index slumped nearly 13 points from 25.1 to 12.2.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas

Texas Retail Outlook Survey Sales Index

Index, seasonally adjusted



Retail Sales Growth Picks Up

“Retailers’ perceptions of future business conditions continued to indicate improvement this month. The future general business activity index fell from 14.0 to 8.9—still above the average for 2019 — and the future company outlook index was mostly unchanged at 14.8. Other indexes of future retail activity, such as sales and employment, moderated but were also around last year’s averages, suggesting expectations for continued growth over the next six months.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

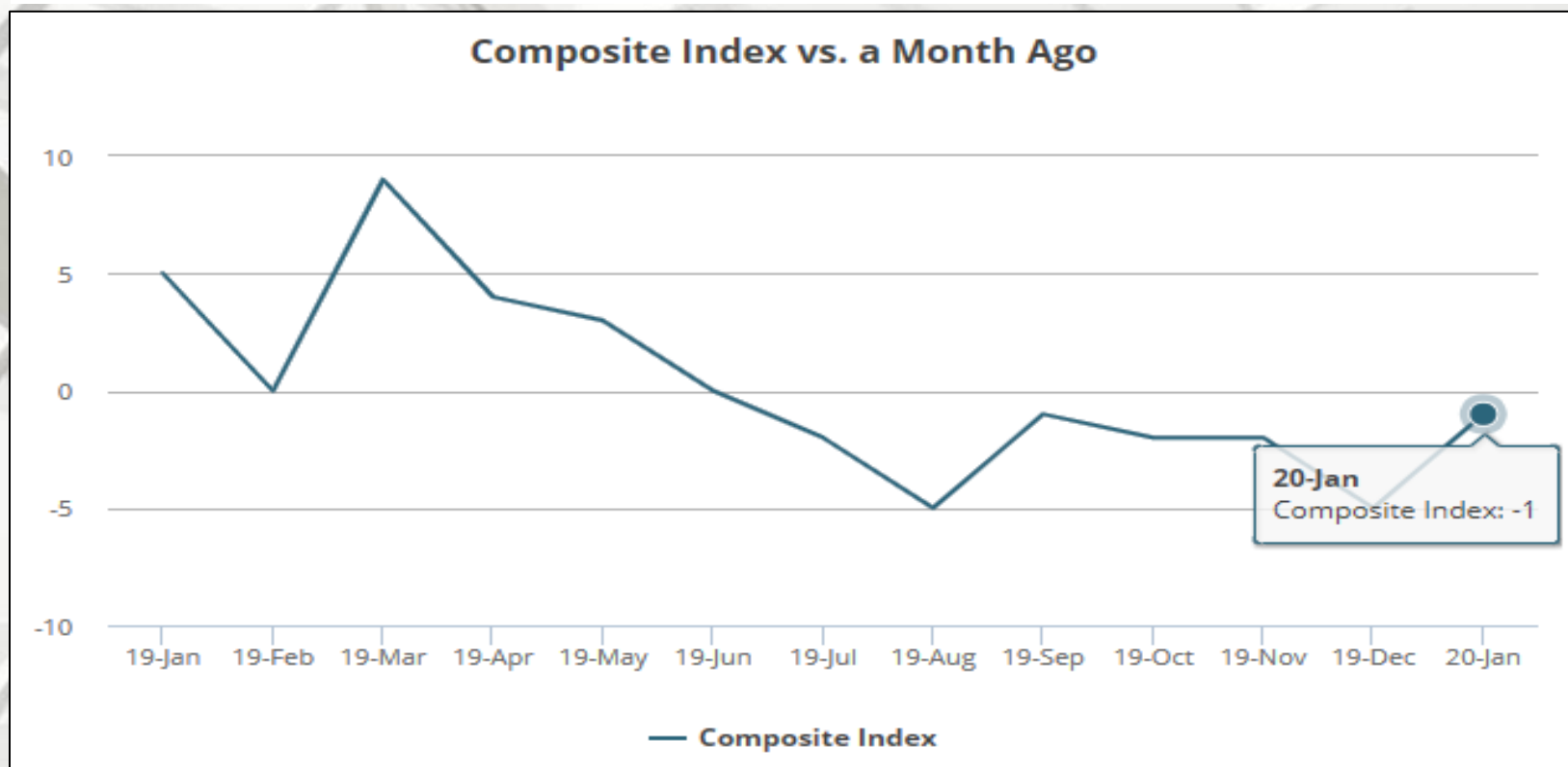
Tenth District Manufacturing Nearly Flat in January

Tenth District manufacturing activity was nearly flat in January while expectations for future activity expanded.

“Tenth District manufacturing activity was nearly flat in January while expectations for future activity expanded (Chart 1). The month-over-month prices for raw materials increased, while prices for finished products declined from a month ago. District firms continued to expect higher prices in the next 6 months.

The month-over-month composite index was -1 in January, slightly higher than -5 in December and -2 in November. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The slight decrease in district manufacturing activity was driven by declines in: nonmetallic mineral products, primary metal, fabricated metal products, computer and electronic products, beverage and tobacco products, and printing manufacturing, while several other industries improved. Most month-over-month indexes remained slightly negative in January, and inventories continued to decline. However, the month-over-month employment index rose back into positive territory for the first time in over six months and the supplier delivery time index was also slightly positive. Year-over-year factory indexes dropped further in January, and the composite decreased from -4 to -7. On the other hand, the future composite index grew from 9 to 14 in January.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

The Federal Reserve Bank of Kansas City



The Federal Reserve Bank of Kansas City Special questions

“This month contacts were asked special questions about the labor market. Over 62 percent of District manufacturing contacts reported workers were in short supply, down slightly from July 2019 when more than 77 percent of District firms reported workers were in short supply. Nearly 54 percent of firms reported they were raising wages more than normal to attract or keep workers in January 2020, compared to over 61 percent of firms that reported having to raise wages more than normal in July 2019.” – Chad Wilkerson, Vice President & Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Activity Continued to Expand in January

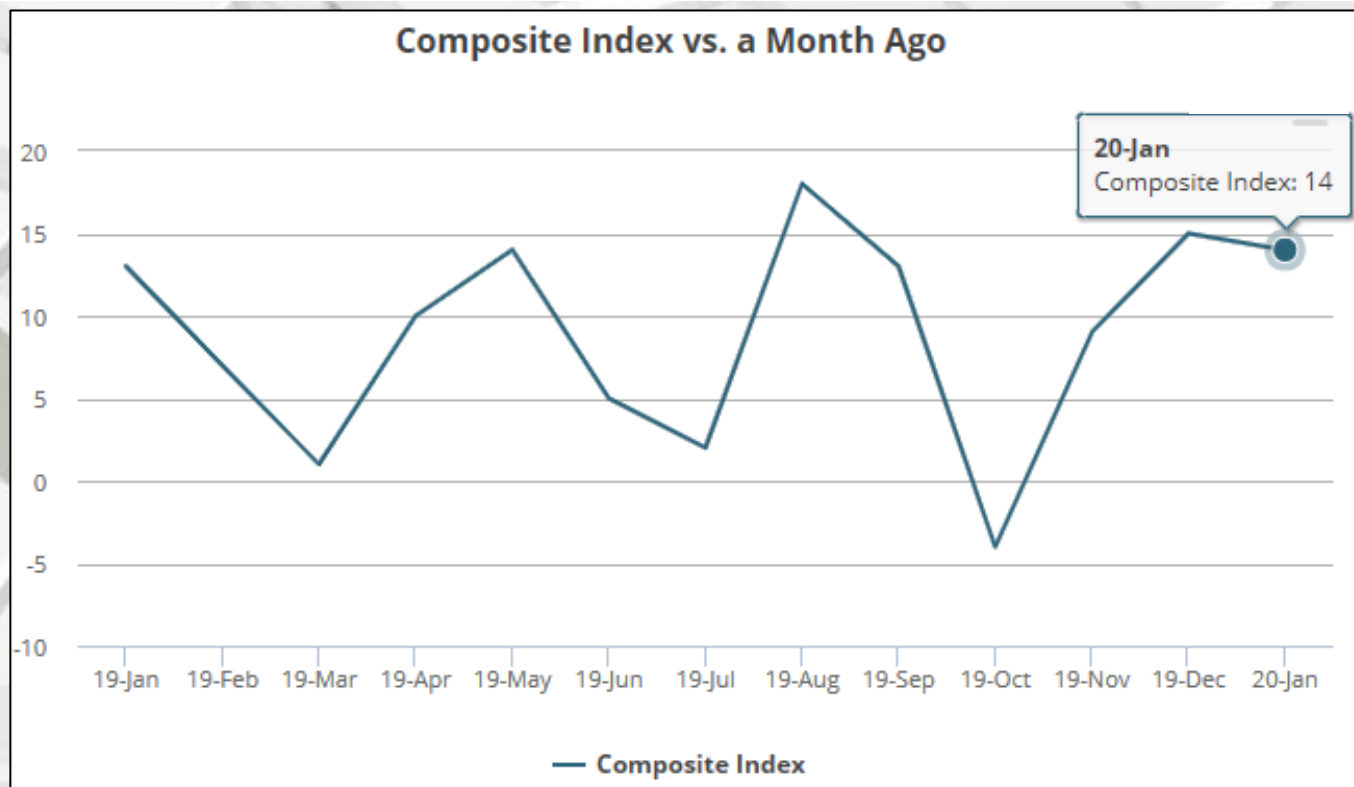
Tenth District services activity continued to expand in January and expectations for future activity also grew.

Business activity continued to expand in January

“Tenth District services activity continued to expand in January and expectations for future activity also grew (Chart 1). Input and selling price indexes rose at a faster pace compared with a month ago. Expectations for both future input and selling prices also increased further.

The month-over-month services composite index was 14 in January, slightly below 15 in December, but up from 9 in November. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most month-over-month indexes continued to increase in January. The indexes for wages and benefits and inventories grew more rapidly in January. The general revenue/sales index remained high, driven by increases in wholesale, real estate, retail, health services, transportation, and professional and business services activity while restaurants and tourism activity declined. Year-over-year services indexes also remained positive, but slightly lower than last month, as the year-over-year composite index moderated from 25 to 20. Expectations for future services activity grew and the composite index rose from 15 to 28.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

U.S. Economic Indicators



The Federal Reserve Bank of Kansas City

Special questions

“This month contacts were asked special questions about the labor market and wages. More than 67 percent of District business contacts reported workers were in short supply, similar to July 2019 when 68 percent of District firms reported workers were in short supply. Nearly 59 percent of firms reported they were raising wages more than normal to attract or keep workers in January 2020, compared with just 47 percent of firms having to raise wages more than normal in July 2019.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Activity Expands Modestly

“Business activity grew to a small degree in New York State, according to firms responding to the January 2020 *Empire State Manufacturing Survey*. The headline general business conditions index was little changed at 4.8. New orders and shipments edged higher. Delivery times were somewhat shorter, and inventories held steady. Employment continued to expand, though the average workweek was unchanged. Both input prices and selling prices increased at a significantly faster pace than in December. Optimism about the six-month outlook remained subdued, and capital spending plans remained firm.

Manufacturing firms in New York State reported that business activity edged somewhat higher. The general business conditions index was little changed at 4.8. Twenty-eight percent of respondents reported that conditions had improved over the month, while 23 percent reported that conditions had worsened. The new orders index moved up five points to 6.6, indicating that orders were higher, and at 8.6, the shipments index pointed to a modest increase in shipments. The unfilled orders index rose eleven points, but remained negative at -2.7, indicating that unfilled orders continued to decline. Delivery times shortened, and inventories held steady.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Price Increases Pick Up Markedly

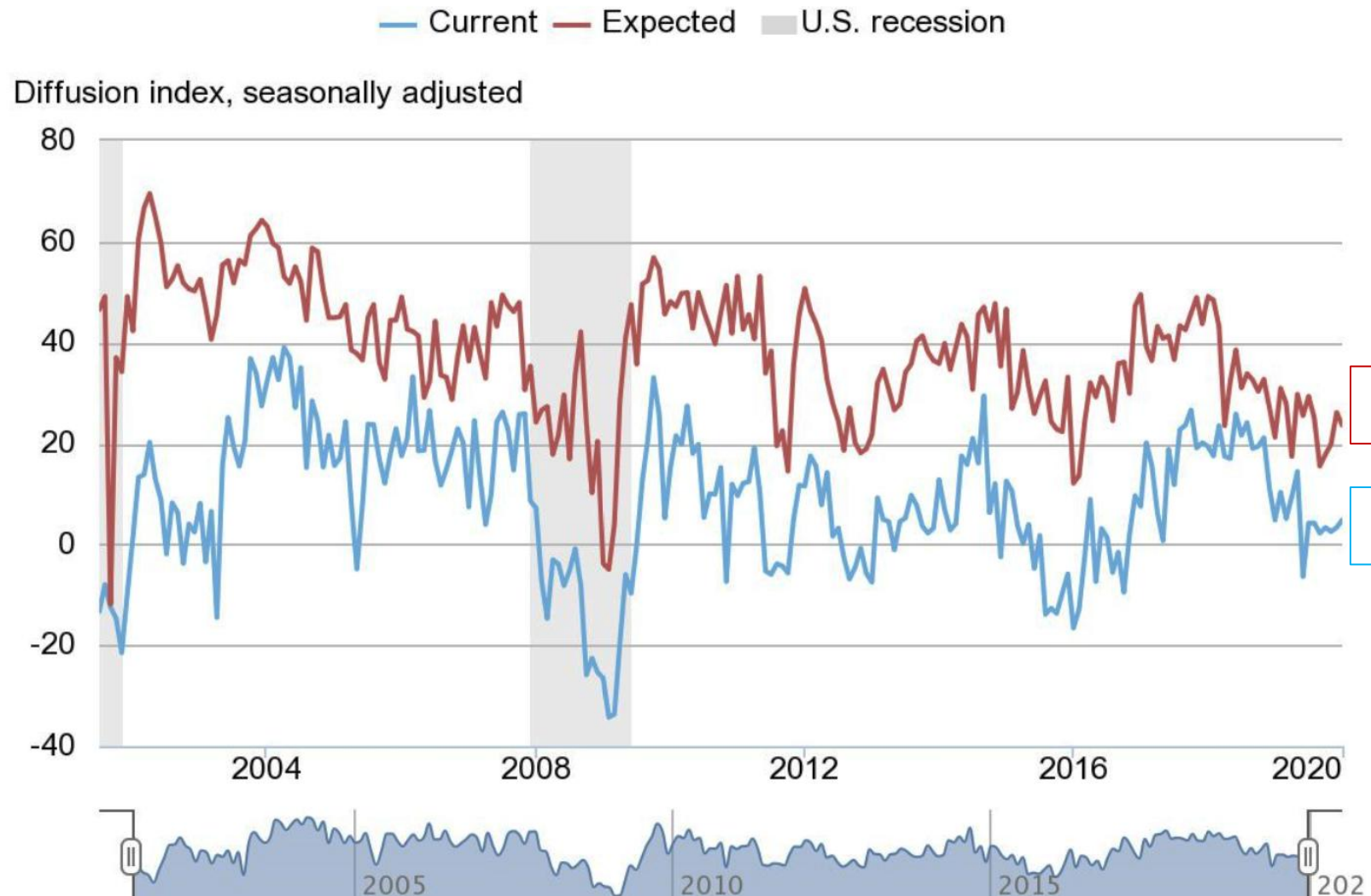
“The index for number of employees held steady at 9.0, indicating that employment expanded for the fifth consecutive month. The average workweek index came in at 1.3, a sign that the average workweek was essentially unchanged. Price increases picked up noticeably. After falling to a multi-year low last month, the prices paid index rose sixteen points to 31.5, and the prices received index climbed ten points to 14.4..

Optimism Remains Subdued

Indexes assessing the six-month outlook suggested that optimism about future conditions remained restrained. The index for future business conditions edged down three points to 23.6. The index for future shipments climbed five points to 32.7, indicating that firms expect shipments to increase in the months ahead, and employment and hours worked are expected to grow modestly. The capital expenditures index held steady at 25.3, and the technology spending index moved down five points to 22.6.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York

General Business Conditions



The Federal Reserve Bank of New York

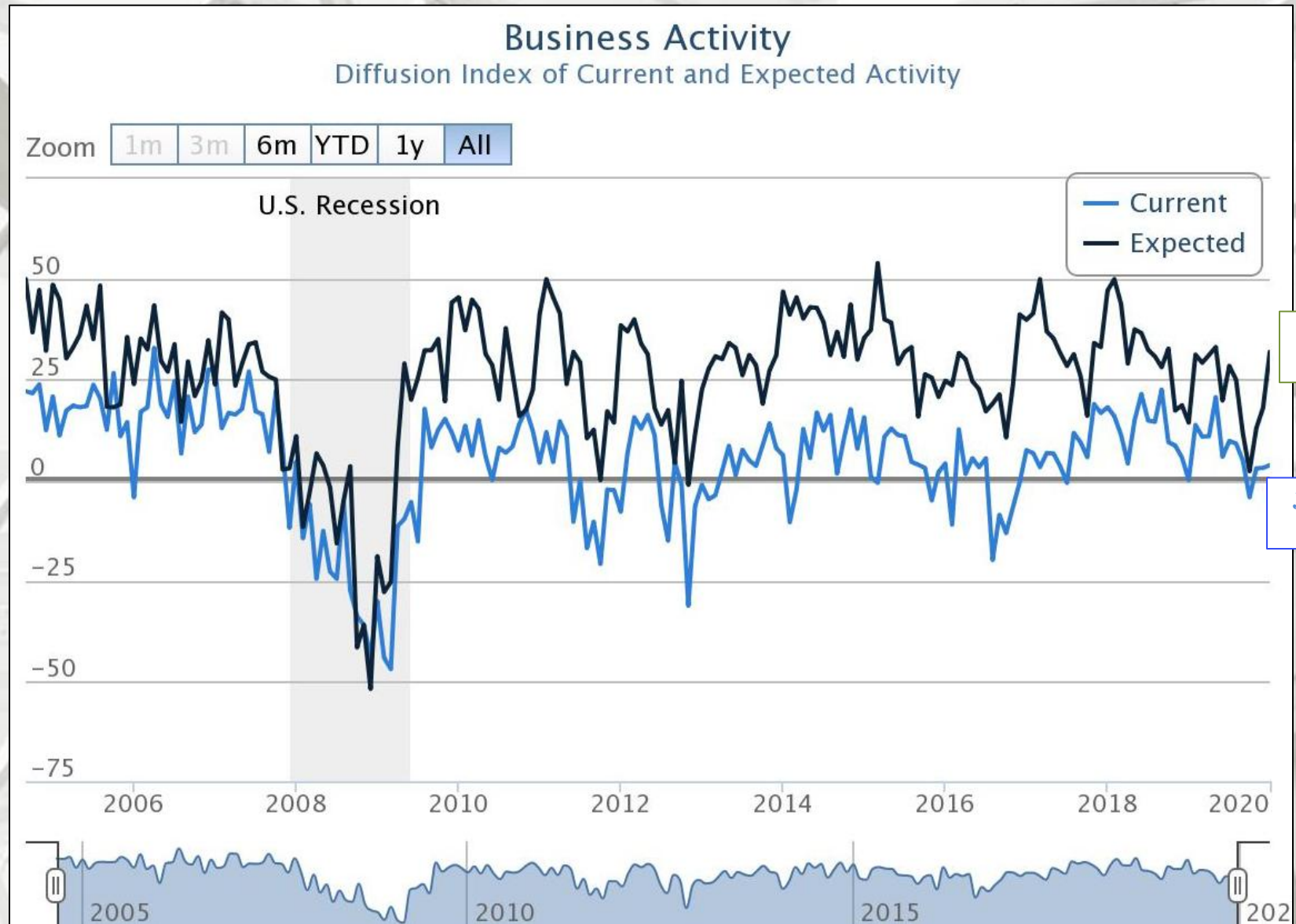
Business Leaders Survey (Services)

Growth Remain Sluggish

“Activity in the region’s service sector continued to grow only slightly, according to firms responding to the Federal Reserve Bank of New York’s January 2020 *Business Leaders Survey*. The survey’s headline business activity index held steady at 3.7. The business climate index turned positive, indicating that, on balance, firms regarded the business climate as better than normal. Employment levels increased somewhat, and wage increases remained fairly widespread. Input prices rose at the same pace as last month, while selling price increases picked up. Optimism about future conditions improved markedly.

Growth in business activity in the region’s service sector remained sluggish in January. The headline business activity index held steady at 3.7. Thirty percent of respondents reported that conditions improved over the month, while 26 percent said that conditions worsened. The business climate index turned positive for the first time in several months, climbing eleven points to 6.9, indicating that, on balance, firms viewed the business climate as better than normal.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York



The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Employment Increases Only Slightly

“The employment index edged down two points to 4.8, suggesting that employment grew just slightly. At 36.4, the wages index was little changed, indicating that wage growth remained fairly widespread. The prices paid index held steady at 47.3, signaling that input prices increased at the same pace as last month. The prices received index moved up seven points to 22.4, pointing to a pickup in selling price increases. The capital spending index fell four points to 17.9.

Business Climate Expected To Improve

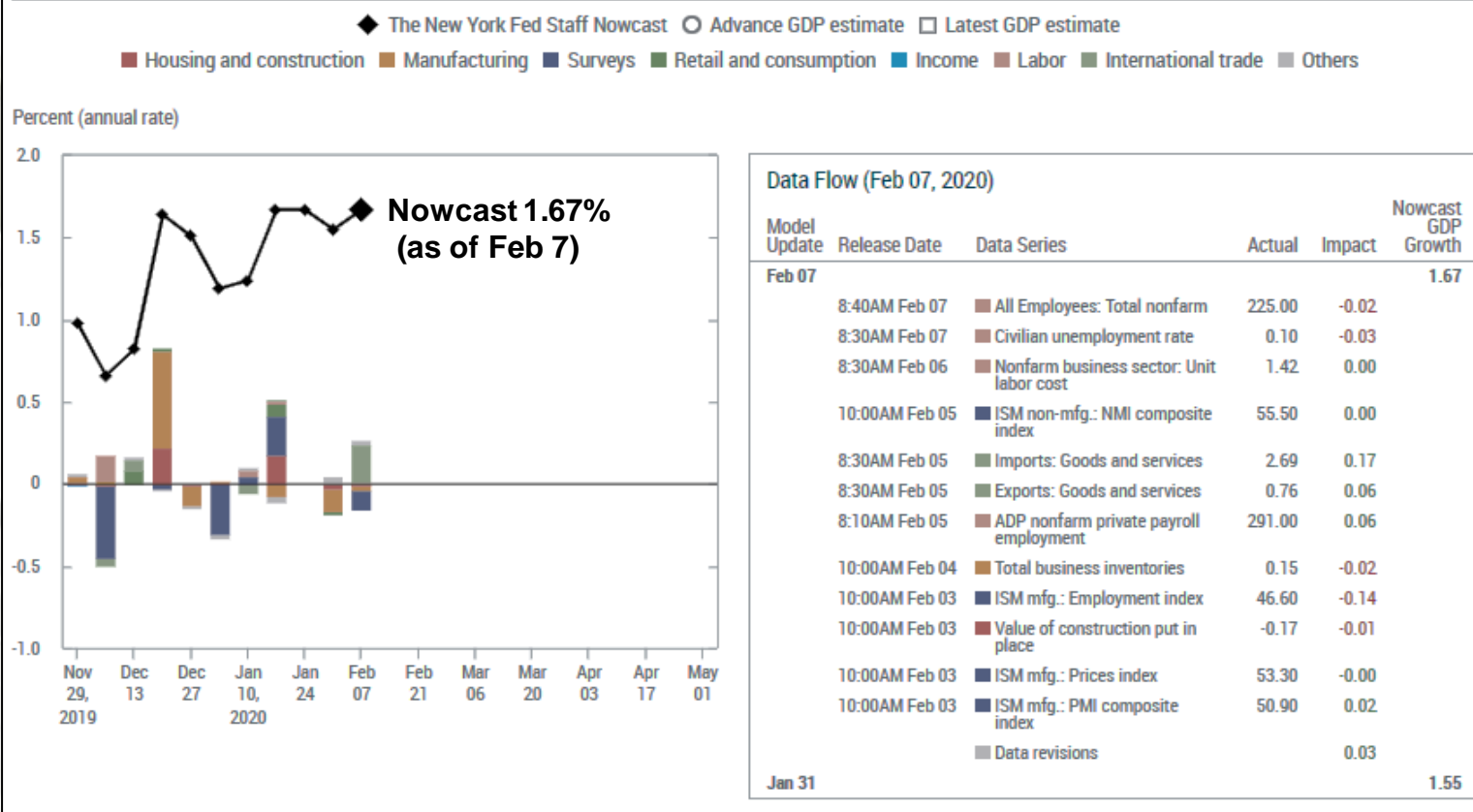
Firms were more optimistic about the six-month outlook than in recent months. The index for future business activity advanced fourteen points to 31.9, its highest level in several months. The index for future business climate climbed above zero, indicating that firms expect the business climate to be better than normal in the months ahead. The index for future selling prices increased, and the index for future capital spending rose seven points to 22.8.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

U.S. Economic Indicators

The Federal Reserve Bank of New York Nowcast

2020:Q1 | 2019:Q4 | 2019:Q3 | 2019:Q2

Last Release 11:15am EST Feb 07, 2020



February 14, 2020: Highlights

- “The New York Fed Staff Nowcast stands at 1.7% for 2020:Q1.
- News from this week’s data increased the nowcast for 2020:Q1 by 0.2 percentage point.
- Positive surprises from higher-than-expected exports and imports data were only partially offset by negative surprises from the ISM manufacturing survey.” – The Federal Reserve Bank of New York

U.S. Economic Indicators

The Federal Reserve Bank of Philadelphia

January 2019 Manufacturing Business Outlook Survey

“Manufacturing activity in the region increased this month, according to results from the December *Manufacturing Business Outlook Survey*. The survey’s indicators for current activity, new orders, shipments, and employment were all positive and increased from their readings in December. The survey’s future activity indexes remained at relatively high readings, suggesting continued optimism about growth for the next six months.

Current Indicators Improved This Month

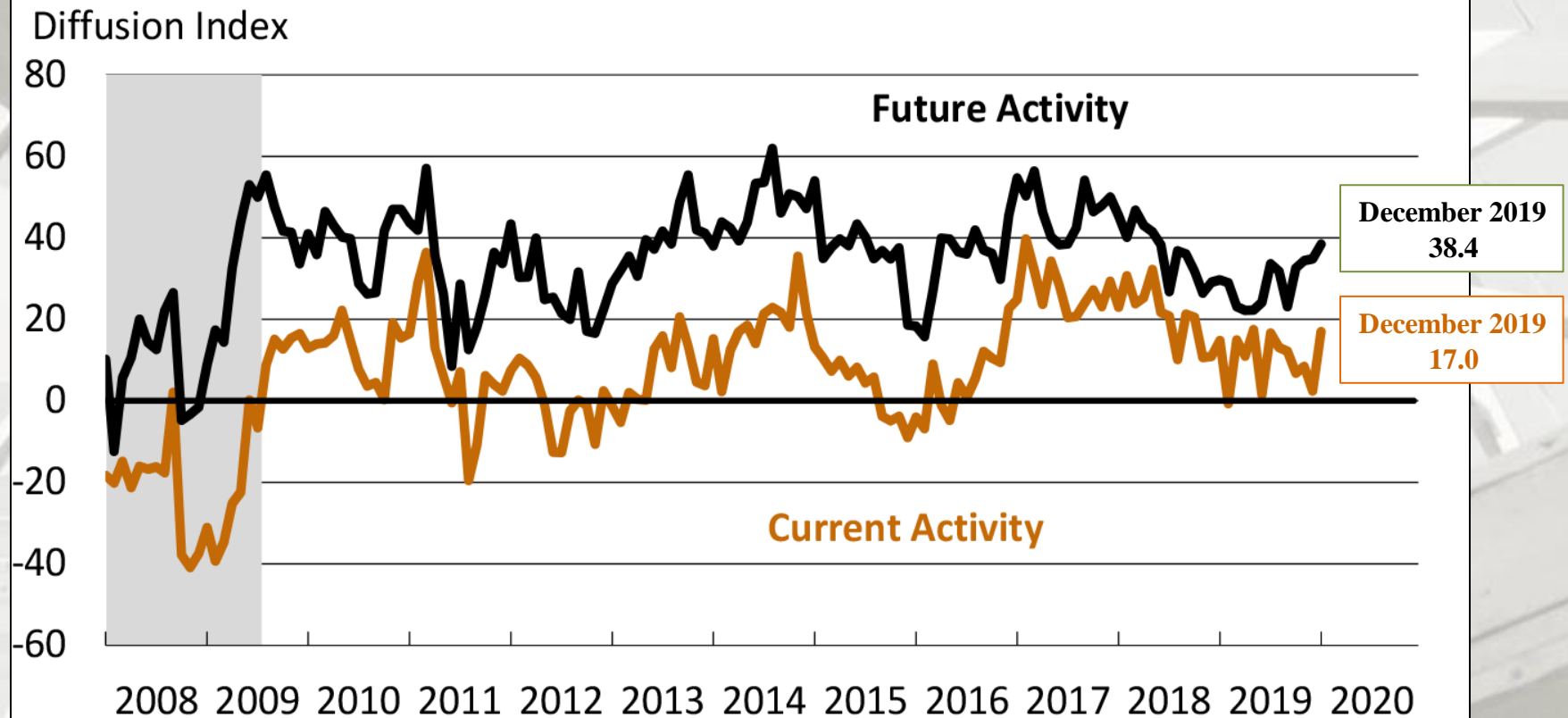
The diffusion index for current general activity increased nearly 15 points this month, from a revised reading of 2.4 in December to 17.0 (see Chart 1). The percentage of the firms reporting increases (39 percent) was greater than the percentage reporting decreases (22 percent). The indexes for current shipments and new orders also moved higher: The current new orders index increased 7 points, and the shipments index increased 8 points. The indexes for unfilled orders and delivery times changed from positive to negative readings this month, suggesting decreased unfilled orders and shorter delivery times. On balance, the firms also reported a slight decline in inventories.

Manufacturers continued to report expanding employment this month. The employment index increased 3 points to 19.3. Nearly 28 percent of the firms reported higher employment, while 9 percent reported lower employment. The average workweek index remained positive but edged down 3 points.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes

January 2008 to January 2020



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.

The Federal Reserve Bank of Philadelphia

Price Indexes Edge Higher

“The firms continued to report overall increases in the prices paid for inputs, with the index rising 6 points to 22.1. Nearly 27 percent of the respondents reported higher input prices; only 5 percent reported lower input prices. The largest percentage of the firms (68 percent) reported steady input prices. The current prices received index, reflecting the manufacturers’ own prices, increased 4 points to 14.7. More than 18 percent reported higher prices for their manufactured products, 3 percent reported lower prices, and over 78 percent reported no change in their prices.

Firms Expect to Increase Production in the Near Term

In the Special Questions this month, the firms were asked to characterize demand for their products over the past few months and to forecast their production for the first quarter of the year (see [Special Questions](#)). Most firms (44 percent) reported an increase in underlying demand, but 31 percent characterized underlying demand as decreasing in recent months. Over 62 percent of the firms anticipate increasing production in the first quarter, while 33 percent expect decreases. Among the firms expecting an increase in production, 25 percent indicated that this would be accomplished with additional workers. But most indicated higher production would be accomplished without additional hiring: Thirty-three percent would increase the hours of existing workers, while 36 percent indicated production could be increased with higher productivity of existing workers.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

Firms Remain Generally Optimistic

“The diffusion index for future general activity edged up 4 points, from a revised reading of 34.8 in December to 38.4 in January (see Chart 1). More than 49 percent of the firms expect increases in activity over the next six months, while 11 percent expect declines. The future new orders and shipments indexes also increased, by 8 points and 4 points, respectively. The future employment index decreased 3 points this month, but the firms remain optimistic about future hiring overall: One-third of the firms expect higher employment over the next six months. The firms were more optimistic about future capital spending: The future capital expenditures index increased 7 points, with 39 percent expecting higher capital spending over the next six months.

Summary

The December *Manufacturing Business Outlook Survey* indicated growth in the region’s manufacturing sector this month. All of the survey’s broad indicators remained positive and increased from their readings in December. The survey’s future indexes indicate that respondents continue to expect growth over the next six months.”— Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

January 2020 Nonmanufacturing Business Outlook Survey Firms Report Overall Growth

“Responses to the December *Nonmanufacturing Business Outlook Survey* suggest continued expansion in nonmanufacturing activity in the region. The indexes for general activity at the firm level, new orders, and sales/revenues all rose. However, the index for full-time employment decreased. The firms continued to report overall increases in the prices of both their own goods and their inputs. The respondents continued to anticipate growth over the next six months, as both future activity indexes increased.

The diffusion index for current general activity at the firm level rose 14 points, from a revised reading of 9.1 in December to 23.5 in January (see Chart 1).^{*} Forty-one percent of the firms reported increases in activity, and 18 percent reported decreases. The new orders index edged up 1 point to 16.6 in January. The share of firms reporting increases in new orders (33 percent) was higher than the share reporting decreases (17 percent). The sales/revenues index increased 18 points to 29.2 in January. Over 48 percent of the responding firms reported increases in sales/revenues, while 19 percent reported decreases. The regional activity index held steady at 13.4.

Employment Indicators Remain Positive

The firms continued to report overall increases in full-time and part-time employment, but both employment indicators declined. The full-time employment index fell 8 points to 12.5 in January. Almost 66 percent of the firms reported steady full-time employment levels, while the share of firms reporting increases (23 percent) was higher than the share reporting decreases (10 percent). The part-time employment index edged down 2 points to 7.5, and the wages and benefits indicator edged up to 49.9. The average workweek index increased 3 points to 19.4.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

December 2019 Nonmanufacturing Business Outlook Survey

Firms Continue to Report Overall Price Increases

“The price indicator readings suggest overall increases in prices for inputs and for the firms’ own goods and services. The prices paid index fell 10 points to 25.0 (see Chart 2). Fifty-four percent of the respondents reported stable input prices, while 29 percent of the respondents reported increases, and only 4 percent reported decreases. Regarding prices for firms’ own goods and services, the prices received index held steady at 16.3 in January. More than 23 percent of the firms reported increases in prices received, and only 7 percent reported decreases. More than 54 percent of the firms reported no change in prices for their own goods and services.

Firms’ Optimism for Future Growth Improves

Both future activity indexes suggest that firms anticipate continued growth over the next six months. The diffusion index for future activity at the firm level moved up slightly from a revised reading of 53.8 in December to 55.6 this month (see Chart 1). Nearly 67 percent of the firms expect an increase in activity at their firms over the next six months, compared with 11 percent that expect decreases and 22 percent that expect no change. The future regional activity index increased 8 points to 36.9.

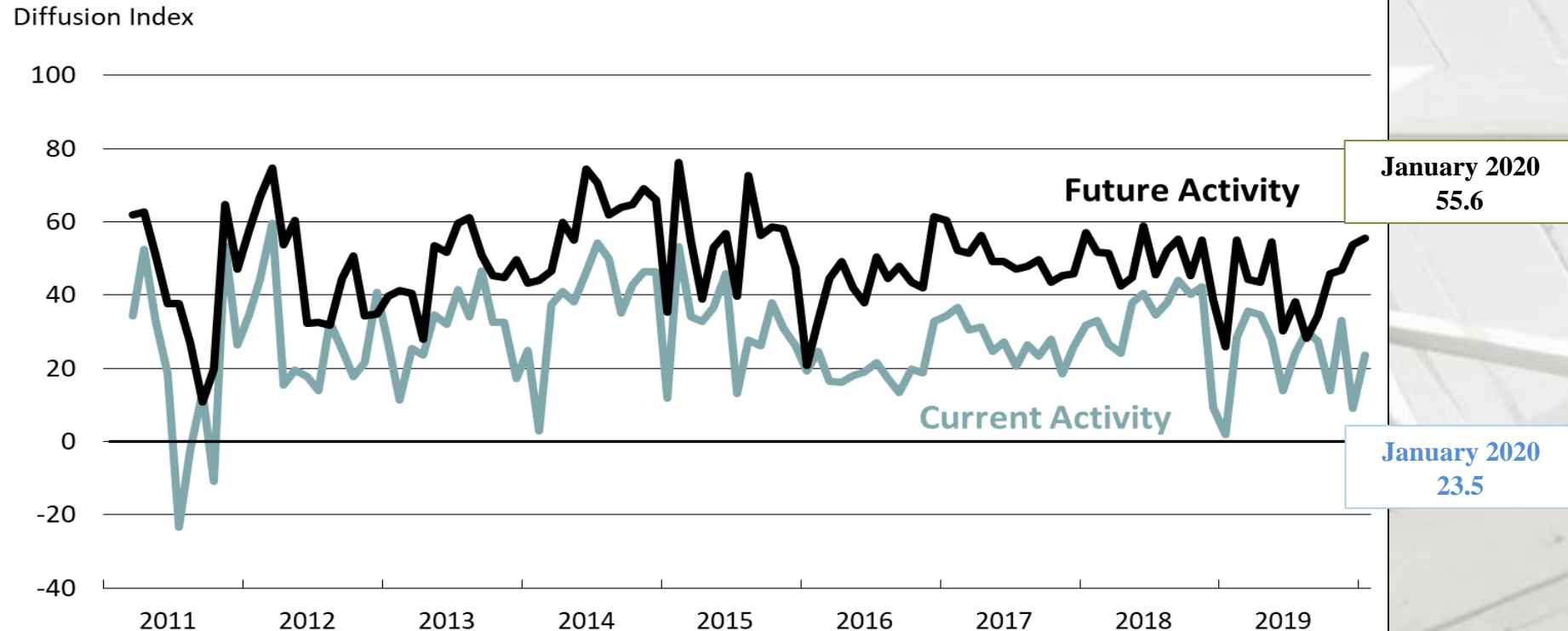
Summary

Responses to this month’s *Nonmanufacturing Business Outlook Survey* suggest continued expansion in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, and new orders all rose, while the full-time employment index fell. Overall, the respondents continue to expect growth over the next six months in their own firms and in the region.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes for Firms

March 2011 to January 2020

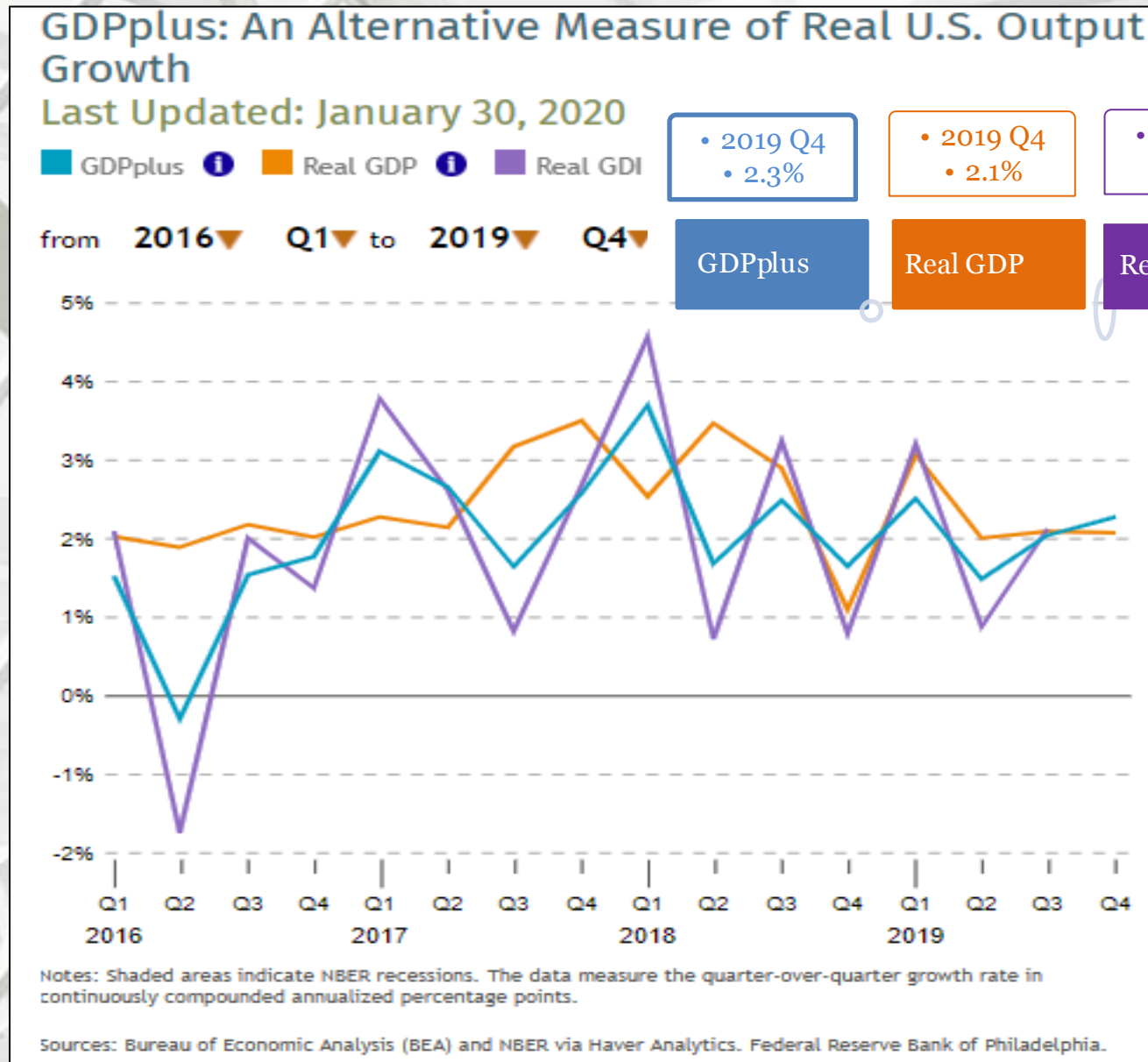


Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

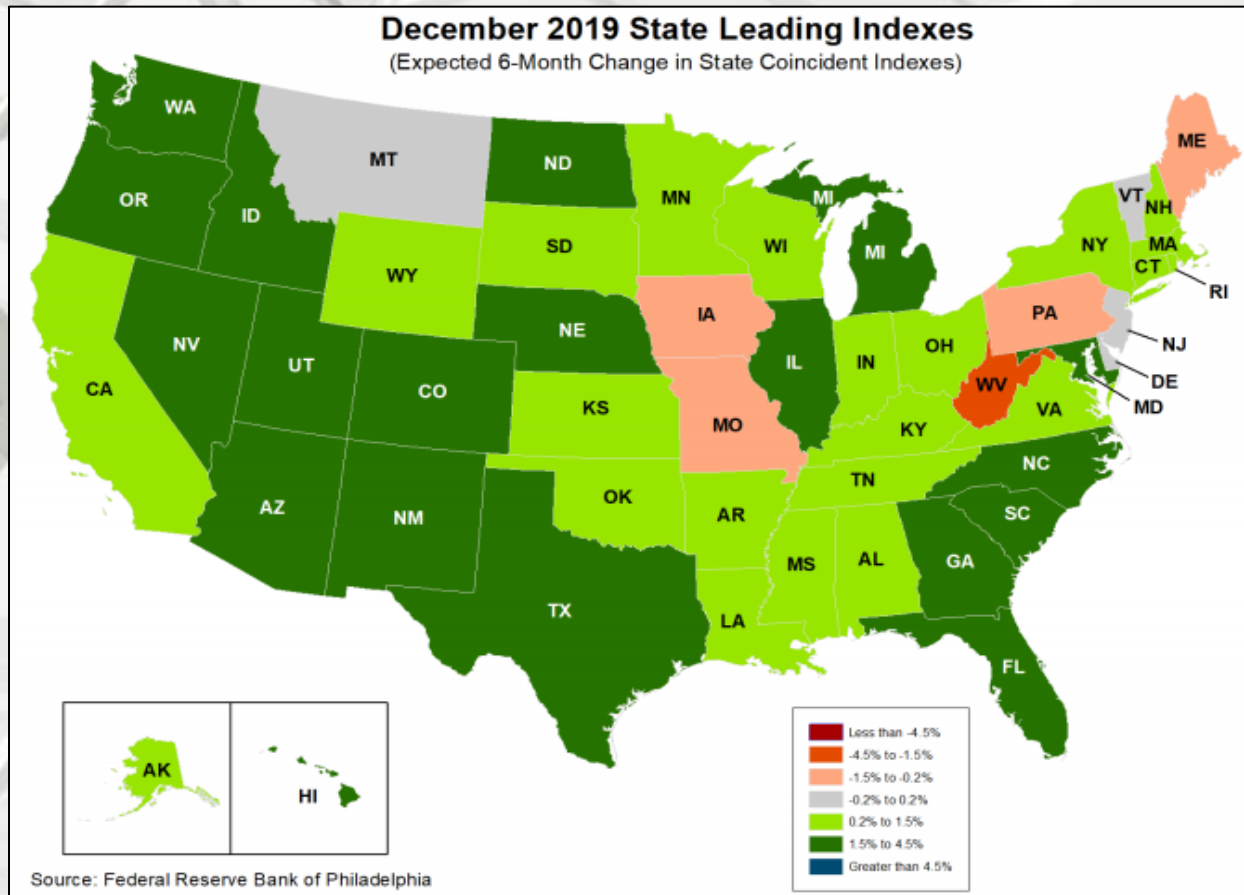
December 2019 Nonmanufacturing Business Outlook Survey

“* The survey’s annual historical revisions, which incorporate new seasonal adjustment factors, were released on January 14, 2020. See the [impact of revisions for 2019](#) or the full set of revised [historical data](#) on the Bank’s website.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia: GDPplus



The Federal Reserve Bank of Philadelphia



“The Federal Reserve Bank of Philadelphia has released the leading indexes for the 50 states for December 2019. The indexes are a six-month forecast of the state coincident indexes (also released by the Bank). Forty-four state coincident indexes are projected to grow over the next six months, and six are expected to decrease. For comparison purposes, the Philadelphia Fed has also developed a similar leading index for its U.S. coincident index, which is projected to grow 1.4 percent over the next six months.” – Daniel Mazone, Research Department, The Federal Reserve Bank of Philadelphia

U.S. Economic Indicators

The Federal Reserve Bank of Richmond

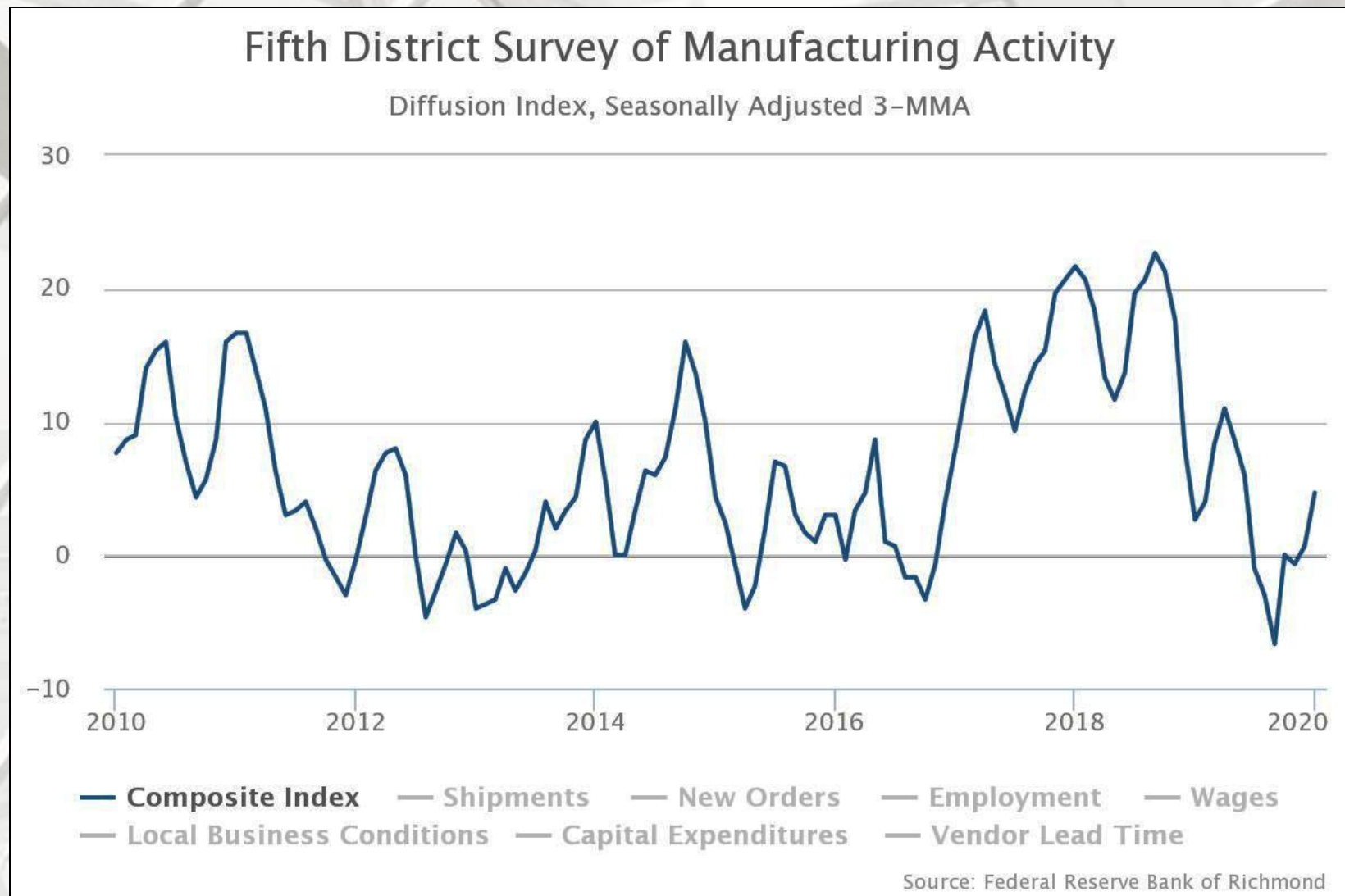
Manufacturing Activity Rebounded in January

“Fifth District manufacturing activity rebounded in January, according to the most recent survey from the Richmond Fed. The composite index rose from –5 in December to 20 in January, as all three components — shipments, new orders, and employment — increased. Local business conditions also improved as this index saw its largest increase since February 2013. Manufacturers were optimistic that conditions would continue to strengthen in the coming months.

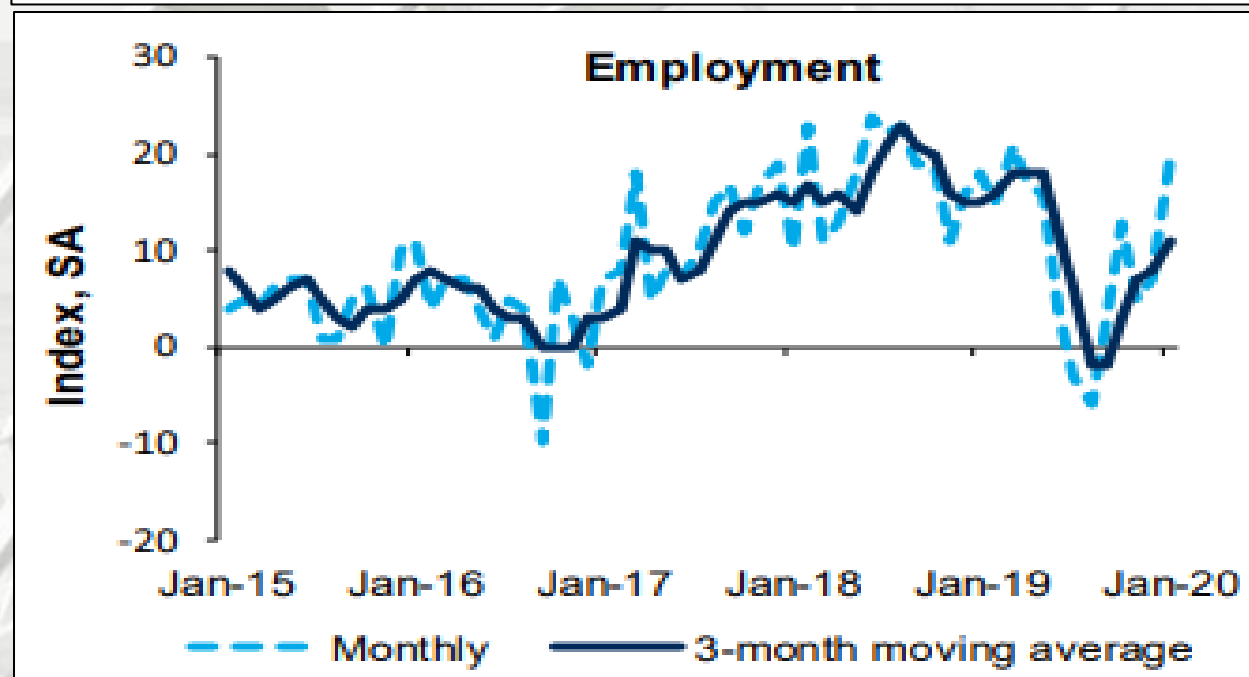
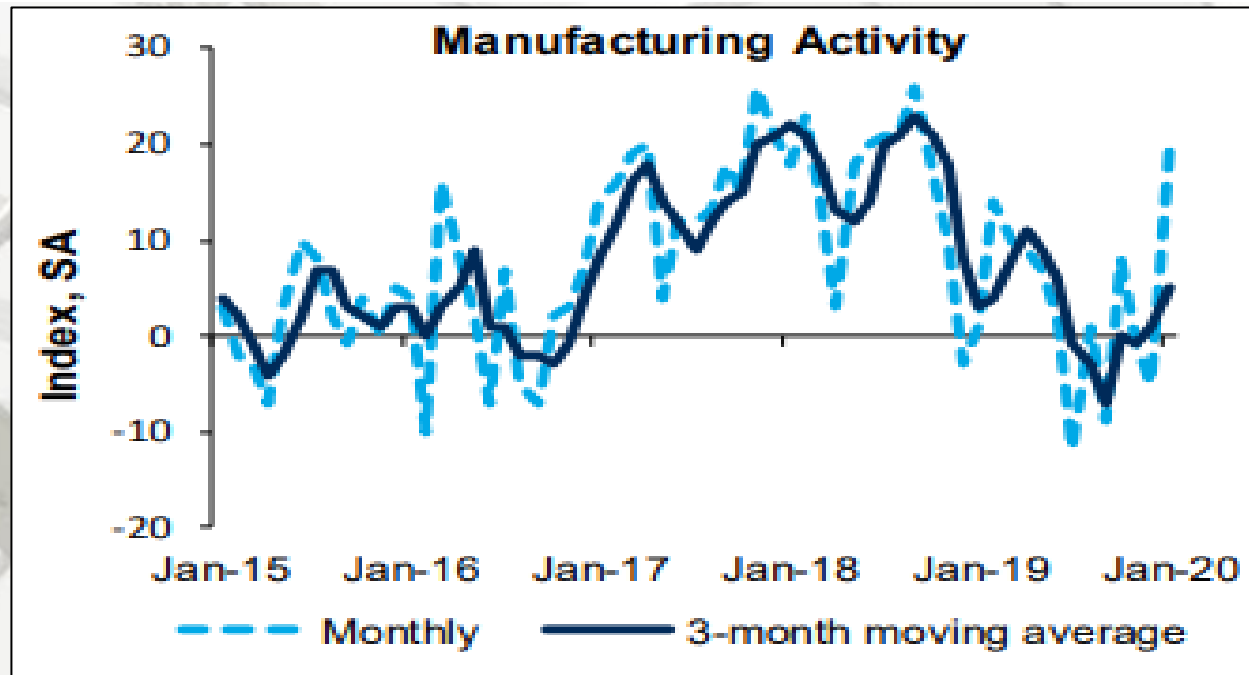
Survey results indicate that both employment and wages rose for survey participants in January. However, firms continued to struggle to find workers with the necessary skills. They expected this difficulty to persist but wages and employment to continue to grow in the next six months.

The average growth rates of both price paid and prices received by survey respondents fell in January. Growth of prices received outpaced that of prices paid, but firms expect the growth rate of prices paid to rise and that of prices received to fall in the near future. ” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

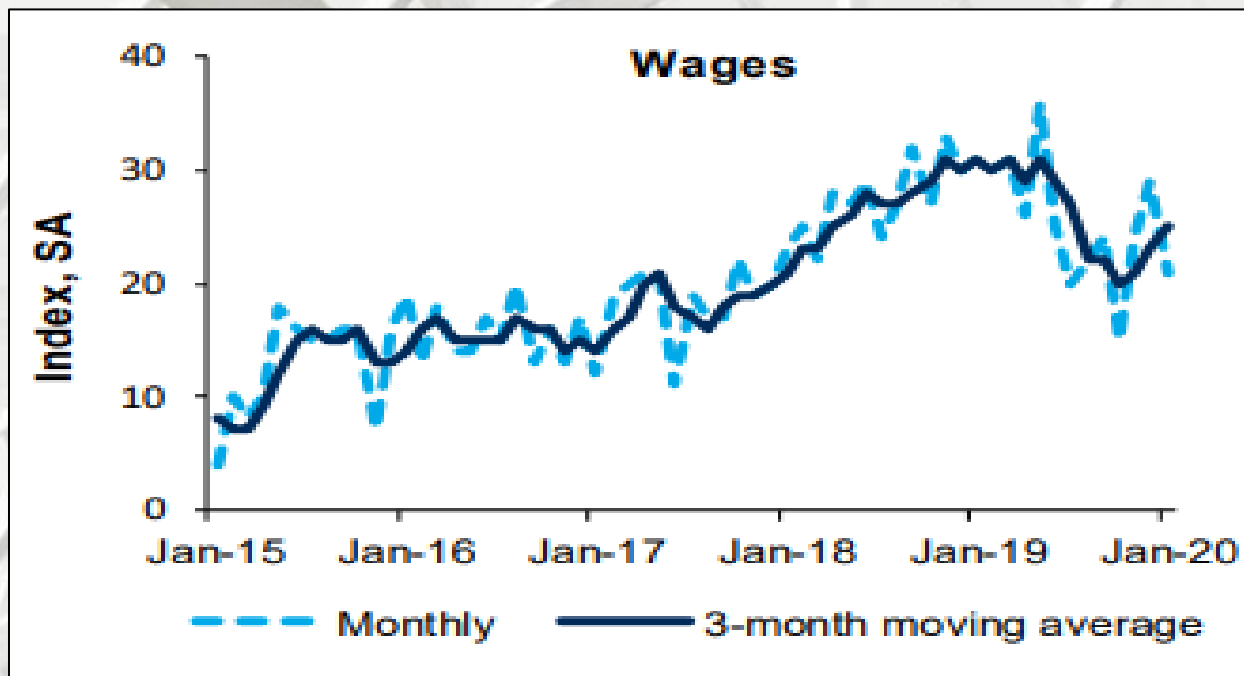
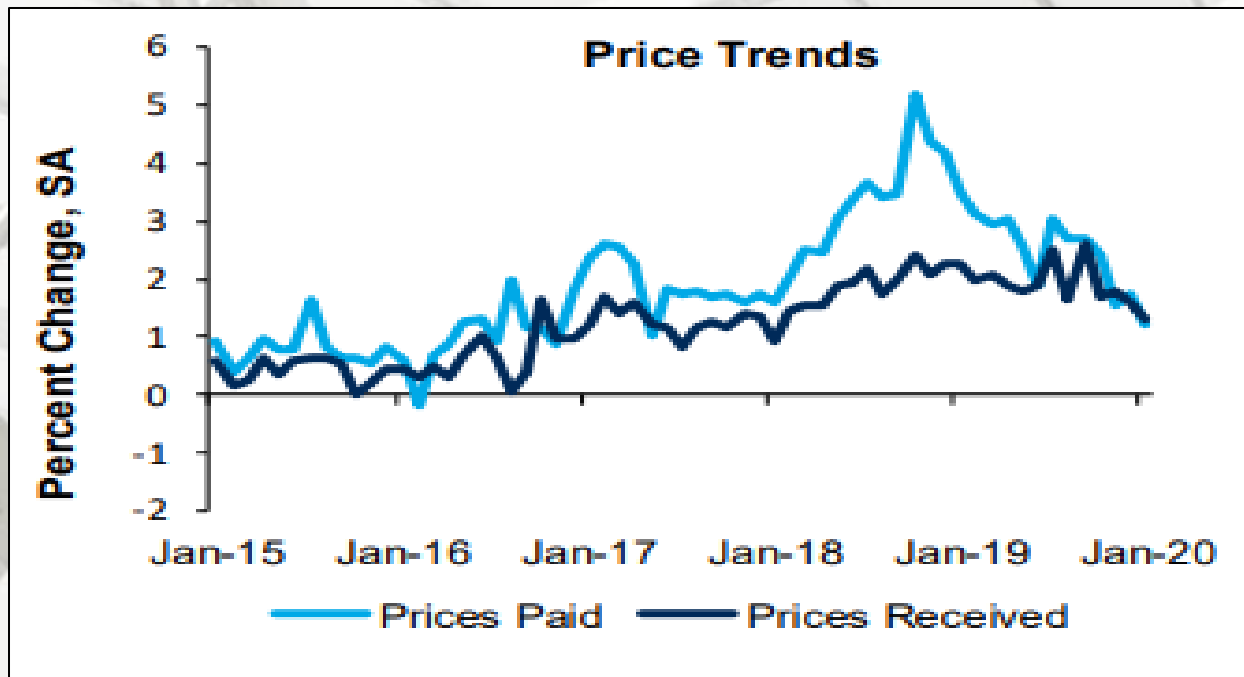
U.S. Economic Indicators



U.S. Economic Indicators



U.S. Economic Indicators



U.S. Economic Indicators: Global

The Federal Reserve Bank of Dallas México's Economic Activity Flat in 2019; Modest Growth Expected in 2020

“Mexico’s gross domestic product (GDP) declined 0.2 percent through third quarter 2019. The consensus GDP growth forecast for 2019, compiled by Banco de México, remained at 0.0 percent in December.[1] Growth for 2020 is forecast to be 1.1 percent. Other data were mixed. Latest data available show the monthly economic activity index and industrial production increased, while exports and retail sales fell. Employment growth strengthened but remained below average. Inflation declined as the peso gained ground against the dollar in December.

Economic Activity Up in November, Year-Over-Year Growth Weak

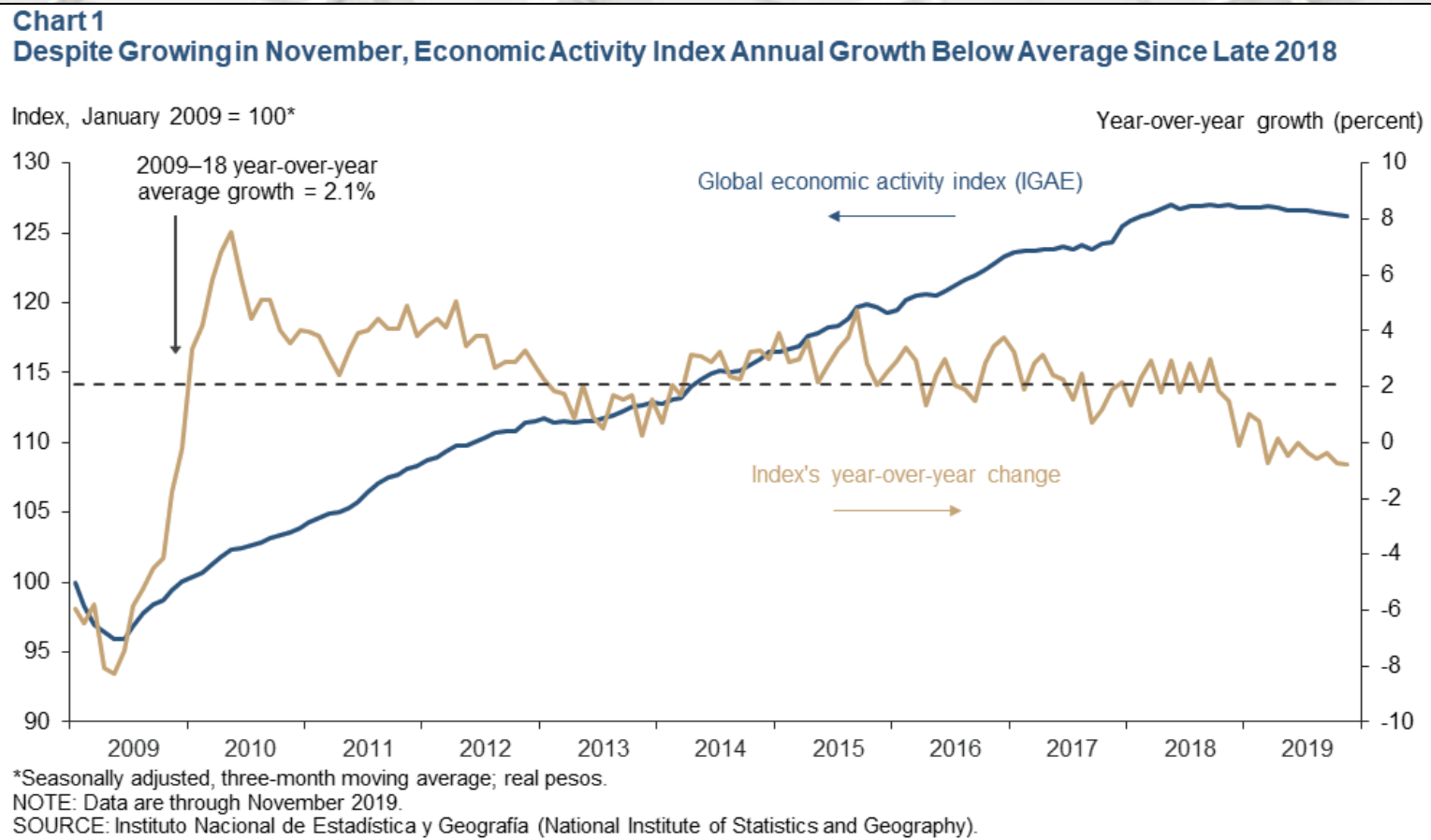
Mexico’s global economic activity index, the monthly proxy for GDP, rose 0.1 percent in November after falling 0.4 percent in October. The index’s three-month moving average declined 0.1 percent (Chart 1). Service-related activities (including trade and transportation) were flat in November. Goods-producing industries (including manufacturing, construction and utilities) increased 0.8 percent. Agricultural output fell 2.0 percent. The index was down 0.8 percent year-over-year in November.

Exports Continue to Fall

Total exports fell 1.4 percent in November after decreasing 0.1 percent in October. Manufacturing exports decreased 1.8 percent in November after falling 0.2 percent in October. Three-month moving averages have shown a steady decline in oil exports since May and flat-to-down activity in manufacturing and total exports (Chart 2). Consistent with the recent weakness, total exports were up only 0.9 percent through November, compared with the same period in 2018, as manufacturing exports grew 2.1 percent but oil exports fell 18.0 percent.” – Jesus Cañas, Senior Business Economist and Chloe Smith, Research Assistant; The Federal Reserve Bank of Dallas

U.S. Economic Indicators: Global

The Federal Reserve Bank of Dallas

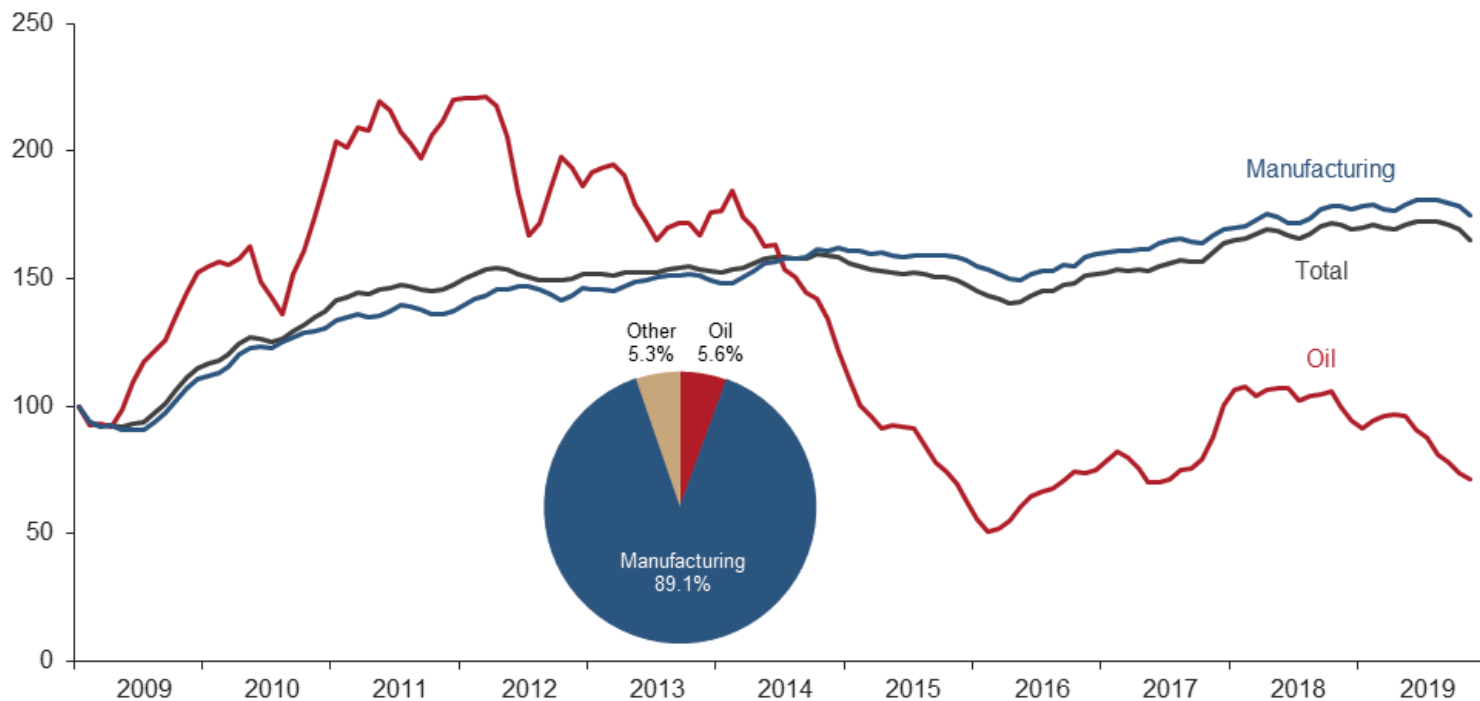


U.S. Economic Indicators: Global

The Federal Reserve Bank of Dallas

Chart 2
Exports Decline in November

Index, January 2009 = 100*

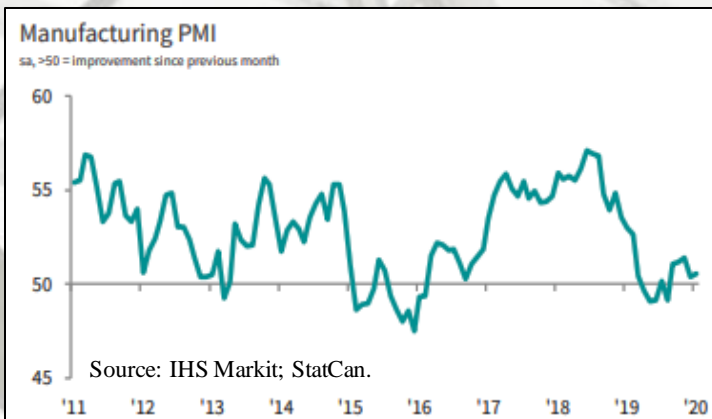


*Seasonally adjusted, three-month moving average; real dollars.

NOTE: All data are through November 2019. Pie chart reflects the share of total exports year to date in 2019.

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

Private Indicators: Global



Markit Canada Manufacturing PMI™

“The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers’ Index® (PMI®) registered 50.6 in January, up slightly from December's four month low of 50.4. Improving business conditions have been recorded in each month since September 2019, but the pace of recovery remained only marginal at the start of the year.

Subdued manufacturing conditions persist in January

Business conditions improved only slightly across the Canadian manufacturing sector in January, with subdued customer demand continuing to hold back production volumes and staff hiring. Moreover, manufacturers sought to reduce their inventory volumes in response to weak order books. Stocks of purchases dropped for the second month running, while post-production inventories were cut to the greatest extent since March 2019. On a more positive note, latest data pointed to a solid rebound in confidence towards the year ahead business outlook, which survey respondents partly attributed to hopes of an improvement in global trade conditions. The degree of business optimism was the highest since last July. ...

Canada's manufacturing sector continued to experience subdued business conditions at the start of 2020, with production volumes rising only marginally amid subdued customer demand. Incoming new work did return to growth in January, but falling export sales constrained the overall rebound in order books. At the same time, manufacturers reported a drop in employment numbers for the first time since April 2019 and input buying was cut back at the fastest pace for just over four years.

The main source of positivity in January was the outperforming consumer goods category, which remained on a robust growth trajectory and helped to offset some of the weakness from intermediate and investment goods. Manufacturers of consumer products are also the most optimistic about their prospects for the year ahead, with stronger growth expectations in January the main reason for a rise in overall manufacturing confidence to its highest since July 2019.” – Tim Moore, Economics Associate Director, IHS Markit

Private Indicators: Global

Caixin China General Manufacturing PMI™

PMI slips to five-month low in January

“The headline seasonally adjusted Purchasing Managers’ Index™ (PMI™) – a composite indicator designed to provide a single figure snapshot of operating conditions in the manufacturing economy – edged down from 51.5 in December to 51.1 in January. Although remaining above the neutral 50.0 mark, the figure indicated only a marginal improvement in the health of the sector. Notably, the rate of improvement was the slowest recorded since the current upturn began in August 2019.

Latest PMI data signalled the softest improvement in operating conditions across China's manufacturing sector for five months in January. Companies signalled slower increases in new orders and output, while payrolls fell for the first time since last October. The latter was partly linked to attempts to reduce costs, as firms saw a solid increase in overall operating expenses at the start of the year. More cautious approaches were also taken in terms of purchasing activity and stocks of inputs and finished items, which all fell slightly in January. Factory gate prices rose only modestly, however, due to competitive market pressures.

On a more positive note, an easing of China-US trade tensions helped to boost business confidence regarding the 12-month outlook for output. Notably, optimism about the year ahead rose to its highest level for 22 months.

Weighing on the headline PMI was a softer rise in new orders received by Chinese goods producers. The latest increase in new work was modest overall, with the rate of growth having eased for a third successive month. Data indicated that this was partly due to weaker external demand, as new export business fell for the first time in four months, albeit only slightly.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Private Indicators: Global

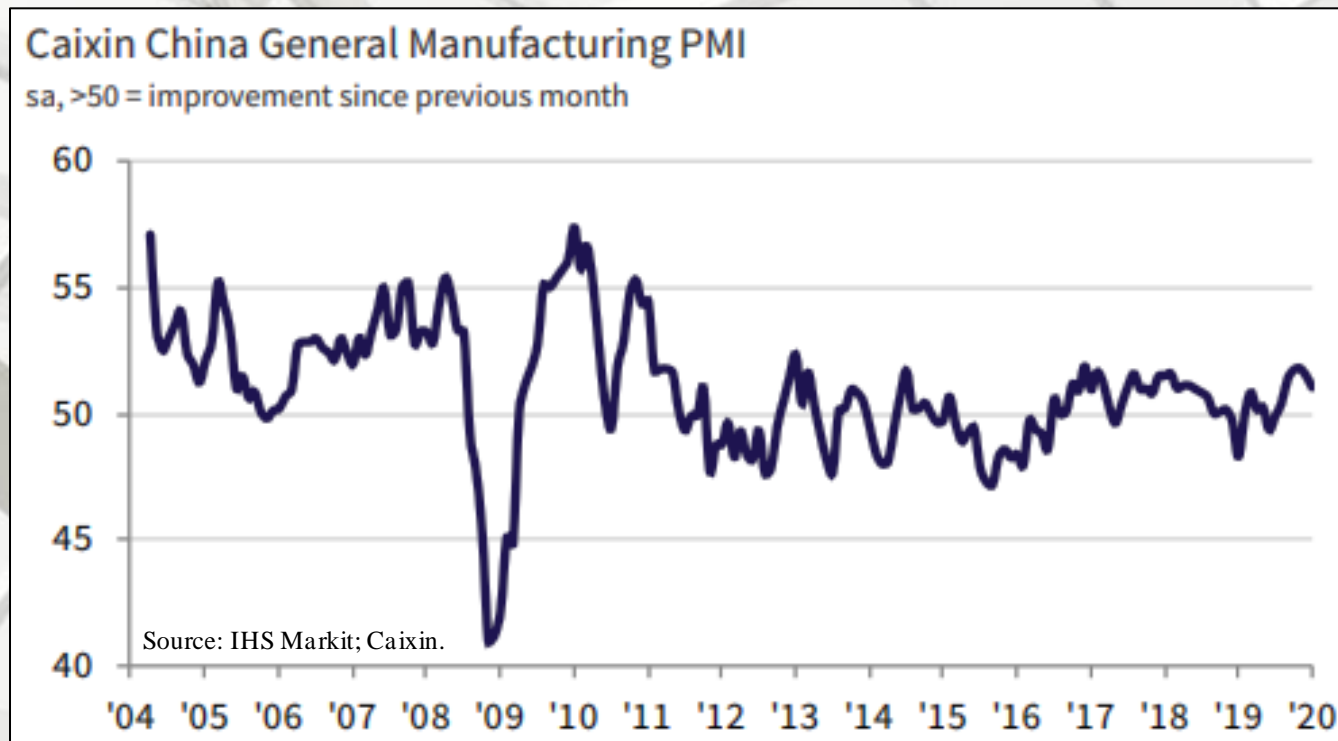
Reflective of the trend for new orders, output growth eased to a moderate pace in January. Moreover, the latest upturn in production was the softest seen for five months. At the same time, some firms implemented down-sizing policies as part of attempts to reduce costs, which contributed to a renewed fall in employment.

Concurrently, January data indicated an easing of capacity pressures, with backlogs of work broadly stable at the start of the year following a 46-month sequence of accumulation. A cautious approach was taken in terms of buying activity. Following a six-month sequence of growth, purchasing activity fell slightly in January. As a result, companies reported a slight dip in their inventories of pre-production stocks for the first time since last August. Inventories of finished items also fell marginally.

The Caixin China General Manufacturing PMI stood at 51.1 in January, down from 51.5 in the previous month. The manufacturing sector expanded at the slowest pace since August, despite growing for six consecutive months, indicating a mild economic recovery.

- 1) Manufacturing demand continued to grow at a slower rate, while overseas demand was subdued. The subindex for total new orders continued to weaken and dropped to a level not seen since last September. The gauge for new export orders fell into contractionary territory, ending three straight months of expansion.
- 2) Production growth slowed, with the output subindex posting its lowest reading since last August. The employment subindex returned to negative territory.
- 3) As slowing demand growth impacted production, suppliers' delivery times lengthened, both stocks of purchased items and finished goods declined, and the gauge for backlogs of work dipped to a level just marginally above the dividing line between expansion and contraction, while staying in positive territory for nearly four years. These phenomena suggested that not every manufacturer replenished inventories despite an earlier recovery in production.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group.

Private Indicators: Global



4) That said, business confidence continued to improve, with the gauge for future output expectations on the rise and tending to recover after two years of depression, due chiefly to the phase one trade deal between China and the U.S.

5) Industrial product prices continued to rise. As input costs grew at a faster pace than output prices, we need to pay attention to pressure on costs of raw materials.

China's manufacturing economy recovered at a slower pace at the start of the year. Although corporate confidence was boosted by the trade deal, some manufacturers did not replenish stocks despite the pickup in production, due to limited improvement in domestic and foreign demand. Pressure from rising raw material costs is worth attention. In the near term, China's economy will also be impacted by the new pneumonia epidemic, and therefore need to gain support from proper countercyclical policies." – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group.

Private Indicators: Global



Markit Eurozone Manufacturing PMI®

“Operating conditions in the euro area manufacturing economy continued to weaken at the start of the year, but at a noticeably slower rate. After accounting for seasonal factors, the IHS Markit Eurozone Manufacturing PMI® registered 47.9, slightly better than the earlier flash reading and above December’s 46.3. Although the index has now recorded below the crucial 50.0 no-change mark for 12 months in succession, the latest reading was the highest since April 2019.

Manufacturing sector contracts, but at slowest rate since April 2019

Market groups data signalled that the consumer goods category remained the strongest-performing during January, registering marginal growth for a second successive month. In contrast, the intermediate and investment goods sectors both continued to contract, although rates of decline weakened in each instance.

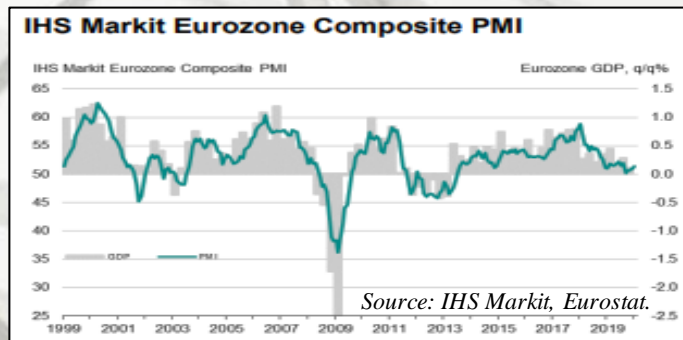
...

Eurozone manufacturing started 2020 with green shoots of recovery in sight. Most encouragingly, order books moved closer towards stabilisation, falling to the smallest extent since late 2018. With the survey indicating the steepest fall in warehouse stocks since September 2016, the new orders-to-inventory ratio, a key forward-looking indicator for factory production, surged to its highest for nearly one-and-a-half years.

Expectations for output growth also leaped to the highest since August 2018 amid a broad-based improvement of sentiment across the region, with an especially important upturn in confidence seen in Germany.

The improvement adds to our view that the eurozone economy could see growth strengthen in the coming months, meaning the ECB will hold off with any policy changes and instead focus on its strategic review. However, key risks which could alter the brightening outlook include the threat of US tariffs and trade war escalation, Brexit-related disruptions to trade as well as uncertainty surrounding the impact of the Wuhan coronavirus.” – Chris Williamson, Chief Business Economist, Markit®

Private Indicators: Global



Markit Eurozone Composite PMI®

“The IHS Markit Eurozone PMI® Composite Output Index strengthened for a second successive month at the start of 2020. Rising to 51.3, from 50.9 in December and above the earlier flash reading, the index indicated a modest rate of growth, but nonetheless the highest recorded by the survey since last August.

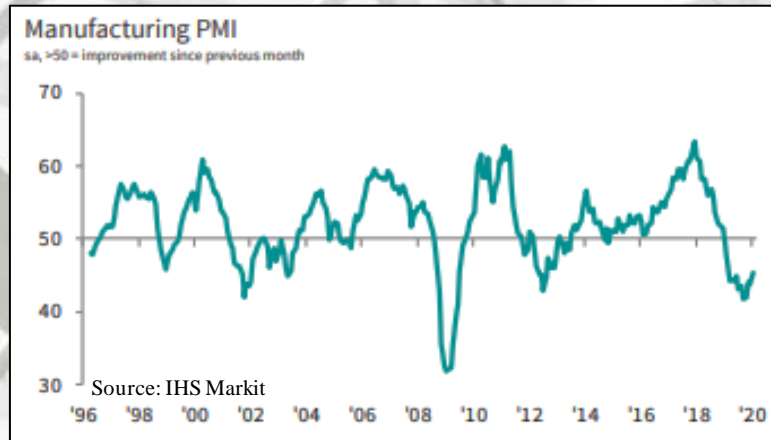
Eurozone economy registers stronger growth at start of 2020

Expansion of the private sector was again driven by the services economy during January, although growth here was softer than in the previous month. Manufacturing output continued to fall, extending the current sequence of contraction to a full year. However, the rate of decline was the weakest recorded by the survey since last June. All nations covered by composite PMI data recorded an expansion in private sector output during January. Ireland led the way, expanding at its fastest pace in just under a year. Growth tended to be only modest elsewhere, although notably Germany enjoyed its strongest performance for five months. ...

A further rise in the headline PMI to the highest since last August adds to evidence that the tide may be turning for the eurozone economy. Although growth remains subdued, with the survey signalling a quarterly GDP growth rate of just under 0.2%, manufacturing is showing welcome signs of stabilising after the heavy downturn seen last year and services growth remains encouragingly resilient, thanks largely to the improving labour market. Business confidence about the outlook has also improved markedly since late last year, now running at a 16-month high.

Fears of a manufacturing downturn spreading to services have therefore eased, in turn helping assuage the risk of recession. We expect to see growth gaining momentum steadily as 2020 proceeds, as low inflation, a healthy job market and easing financial conditions support consumer spending, while improving global trade helps manufacturers. However, the pace of output growth is still subdued, and firms remain concerned by existing headwinds as well as fresh risks. Although US-China trade war tensions have cooled, US trade rhetoric has now turned to Europe, with the auto sector looking especially vulnerable to tariff threats. Similarly, while the UK has formally left the EU, trade discussions will no doubt cause an air of uncertainty to hang over the continent. The Wuhan coronavirus meanwhile represents a new potential disruptor to business and trade. We consequently expect the eurozone to avoid recession in 2020 but to struggle to muster growth of 1.0%.” – Chris Williamson, Chief Business Economist, Markit®

Private Indicators: Global



IHS Markit/BME Germany Manufacturing PMI®

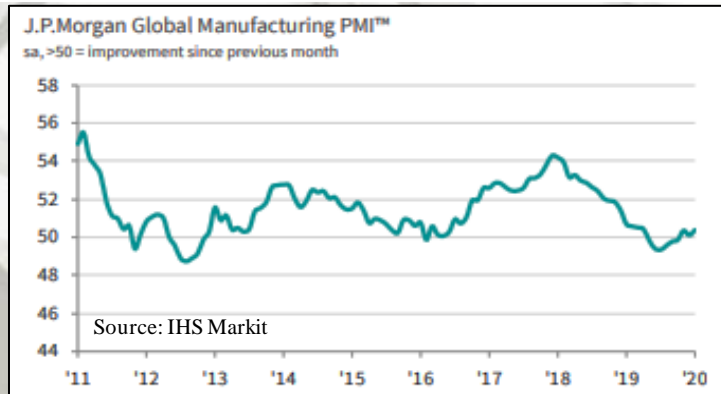
“January saw the headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases – climb to an 11-month high of 45.3, from December's 43.7. The Index has now risen in three of the past four months from a ten-year low last September, though the latest reading was still firmly inside contraction territory.

Slower fall in new orders lifts PMI to 11-month high in January

The pace of contraction of Germany's manufacturing sector eased at the start of 2020, helped in part by order book volumes recording the smallest decline for 15 months, latest PMI® data from IHS Markit and BME showed. Output also fell more slowly, though the pace of staff cuts remained among the fastest seen over the past ten years. Competitive pressures continued to weigh on factory gate prices, but manufacturers nevertheless expressed greater optimism towards the outlook for output. ...

Germany's manufacturing sector showed more signs of being on the way to recovery in January, with the PMI climbing further from last September's nadir to its highest for 11 months. The most encouraging findings are those around new orders and export sales, which continue to edge closer to stabilisation. That said, output, stocks, and employment in particular remain firmly in contraction, to show that the sector is not out of the woods yet. The recent improvement in manufacturers' expectations extended into January, with firms noting the influence of easing trade tensions and the prospect of a revival in exports. However, the picture has change somewhat in the short space of time since the survey was conducted [13-24 January], with the disruption to business in China from the coronavirus bound to have an impact on German manufacturers' exports and sentiment in the coming months” – Phil Smith, Principal Economist, IHSMarkit®

Private Indicators: Global



J.P. Morgan Global Manufacturing PMI™

“The J.P. Morgan Global Manufacturing PMI – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – rose to a nine-month high of 50.4 in January, a reading only slightly above the stagnation mark of 50.0. The PMI posted 50.1 in December.

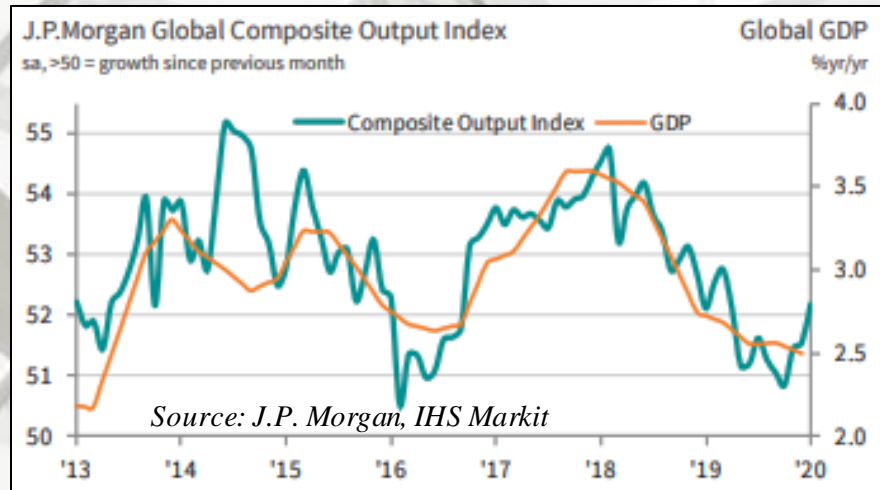
Global Manufacturing PMI at nine-month high in January

The performance of the global manufacturing sector showed a further incremental improvement at the start of 2020. Rates of expansion in output and new orders accelerated, but remained consistent with only modest increases in both cases. The trends in employment and international trade volumes also moved closer to stabilising. Sector PMI data indicated that the upturn was confined to the consumer and intermediate goods industries. Business conditions at consumer goods producers improved at the fastest pace for nine months, while the Intermediate Goods PMI signalled growth for the first time since December 2018. The downturn at investment goods producers continued, as output and new order inflows contracted further.

National PMIs signalled expansions for 14 out of the 30 countries for which January data were available. The strongest expansions were seen in India and Greece, while the US was just outside of the top -five. China also saw growth, while downturns were indicated for the euro area and Japan. The UK saw a stabilisation in manufacturing conditions. ...

The global manufacturing PMI resumed its upward trajectory in January. Overall this suggests that the global economy is well positioned for a recovery in the goods sector. However, this will be interrupted by the outbreak of the nCoV in China. As for the PMI, the output index reached a high since January 2019 suggesting global IP growth at a 1% ar pace. Actual output contracted last quarter as idiosyncratic factors in Japan related to the consumption tax hike and the US related to the auto-sector strike played a role. With output, new orders and business confidence all rising the PMI in January send a positive message for the global industry.” – Olya Borichevska, Global Economist, J.P. Morgan

Private Indicators: Global



J.P. Morgan Global Composite PMI™

“The J.P. Morgan Global Manufacturing PMI – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – rose to 52.2 in January, up from 51.6 in December and reaching its highest reading since March 2019. It should be noted that the majority of the January PMI survey data were collected before the nCoV outbreak.

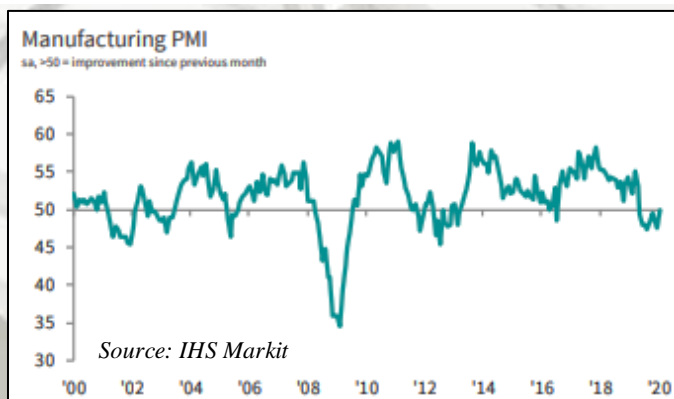
Global economy makes solid start to 2020 as output, new orders and employment rise at faster rates

The rate of global economic expansion accelerated to a ten-month high in January, as growth strengthened in both the manufacturing and service sectors. With new order intakes and business optimism also improving, companies were sufficiently encouraged to raise employment for the third straight month. Although the trend in international trade flows remained a constraint on economic growth, new export business moved closer to stabilising.

Output rose in five out of the six sub-sectors covered by the survey, the only exception being the ongoing downturn at investment goods producers. Faster growth was signalled at business services, consumer goods and consumer services companies. Intermediate goods production rose following a negligible decrease in December. ...

The global economy started 2020 on a stronger footing, with output growth rising for the third straight month to its highest since March of last year suggesting global growth at an above potential pace. However, we brace ourselves for a much weaker outcome this quarter as the outbreak of the nCoV virus disrupts activity in China and potentially around the world. Encouragingly, the gains in the PMI were not just confined to the Output Index, with trends in new orders, business sentiment and employment also firming.” – Olya Borichevska, Global Economic Research, J.P. Morgan

Private Indicators: Global



IHS Markit/CIPS UK Manufacturing PMI®

“The seasonally adjusted IHS Markit/CIPS Purchasing Managers’ Index® (PMI®) rose to a nine-month high of 50.0 in January, identical to its no-change mark and above December's reading of 47.5. The PMI last posted a reading above its neutral 50.0 level in April 2019.

UK manufacturing sector stabilises as political uncertainty subsides

The start of 2020 saw the performance of the UK manufacturing sector steady following the downturn experienced through much of last year. Reduced levels of political uncertainty following the general election led to mild recoveries in new orders and business confidence and a stabilisation of production volumes. Overseas demand remained a constraint, however, as new export orders fell for the third straight month.

Output rose in the consumer and intermediate goods sectors, as manufacturers in these industries scaled up production in response to improved inflows of new business. In contrast, the downturn in the investment goods sector continued, with output and new work intakes declining sharply (albeit to lesser extents than before the turn of the year). ...

The start of 2020 saw the performance of the UK manufacturing sector stabilise, as receding levels of political uncertainty following the general election aided mild recoveries in new order intakes, employment and business confidence. A strengthened domestic market was the main source of new business. Overseas demand remained disappointing, however, as new export business fell for the third straight month in response to weak economic growth in key markets, notably European.

Improvements were mostly seen via rising consumer demand and renewed input buying by businesses, suggesting that the reduction in uncertainty following the election has encouraged households and businesses to step up spending. In contrast, an ongoing downturn at investment goods producers suggests that the economic certainty required to achieve a full revival in capital spending may still be some way off, likely reflecting lingering uncertainty about the Brexit road-map in the coming year.” – Rob Dobson, Director, IHS Markit

Private Indicators Associated Builders and Contractors

ABC's Construction Backlog Indicator Indicator Dips in November

“Nonresidential construction backlog has generally been trending lower since the spring of 2019, but as a practical matter, this represents little cause for concern. There are at least two reasons for this. First, backlog reached a record high of 9.5 months in March 2019, buoyed by seasonal factors and an economy that had yet to feel the full effects of ongoing trade disputes. Second, for much of 2019, those who consume construction services, including developers, were faced with elevated levels of uncertainty due to America’s trade disputes with China, a rapidly softening global economy, a stock market that had suffered losses and exhibited substantial volatility in late 2018, an inverted yield curve and a weakening manufacturing sector.

As 2020 begins, many of these concerns have lessened or abated completely. The yield curve is no longer inverted, the U.S. economy has been adding jobs at a surprisingly rapid clip, a first phase trade agreement with China is in place, stocks have boomed and the global economy has firmed. What’s more, the Federal Reserve trimmed short-term interest rates last year, helping to reduce the cost of capital for developers and governments investing in public works projects. The expectation is that the recent pattern of declining backlog may soon be reversed.

Causes for concern remain. Backlog is limited in part by the capacity of contractors to deliver additional work given [worsening skilled worker shortages](#). Recent geopolitical turmoil such as heightened tensions in the Middle East could produce sharp increases in materials prices. A resurgence of inflation could cause the Federal Reserve to respond by raising short-term rates, which would dampen current momentum. But for now, the nonresidential construction spending cycle remains in place, and spending growth could accelerate in the months ahead.” – Anirban Basu, Chief Economist, ABC

Private Indicators

Associated Builders and Contractors

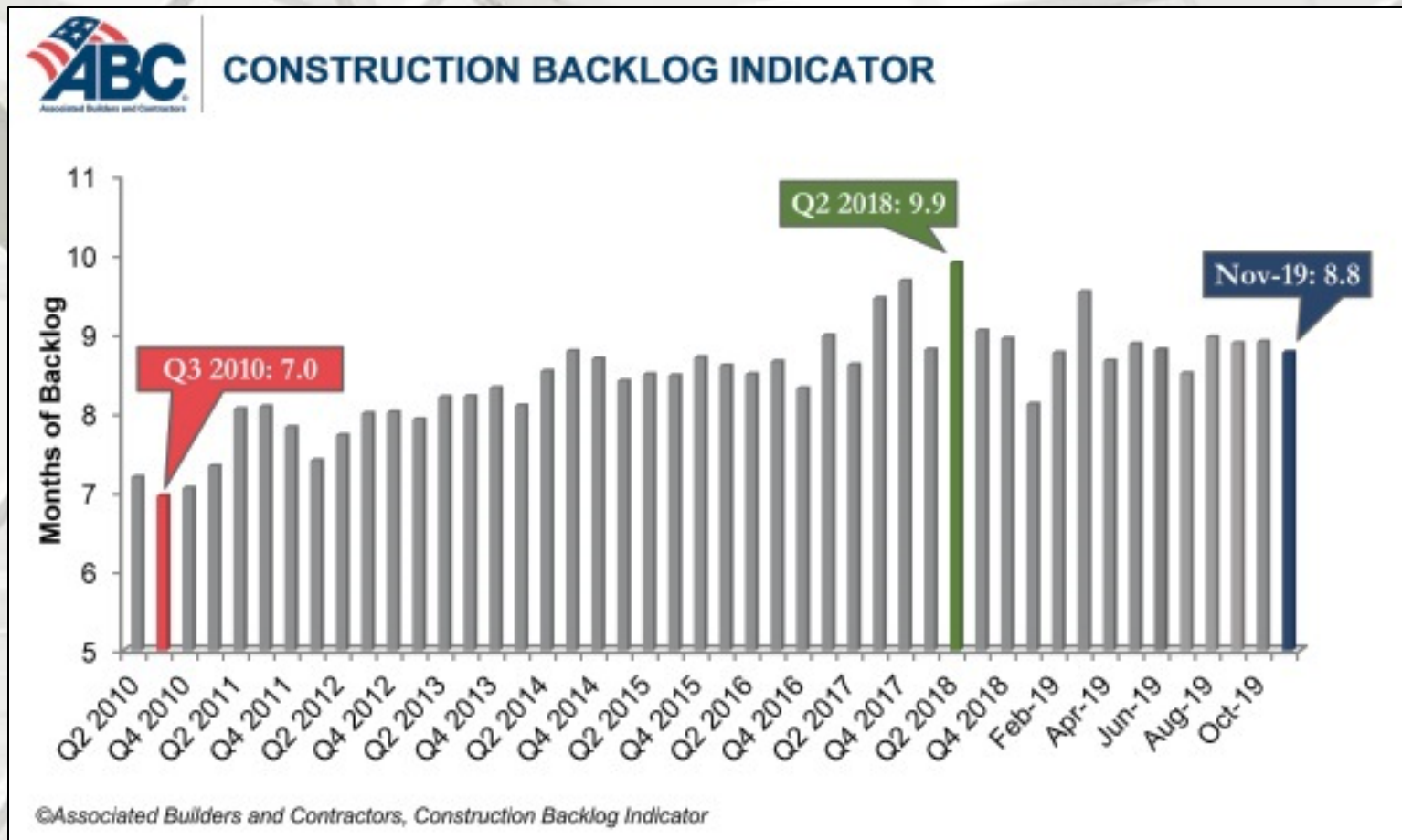
Construction Backlog Indicator

	November 2019	October 2019	Net Change	% Change
Total	8.8	8.9	-0.1	-1.5%
<i>Industry</i>				
Commercial & Institutional	8.9	9.1	-0.2	-2.4%
Heavy Industrial	7.1	6.7	0.4	6.4%
Infrastructure	9.6	9.6	0.0	-0.4%
<i>Region</i>				
Middle States	7.5	8.1	-0.6	-7.0%
Northeast	8.5	8.6	-0.1	-0.5%
South	10.2	11.3	-1.1	-9.9%
West	8.8	6.4	2.4	38.4%
<i>Company Size</i>				
<\$30 Million	8.1	8.1	0.0	-0.3%
\$30-\$50 Million	8.3	10.3	-2.0	-19.5%
\$50-\$100 Million	9.8	9.9	-0.1	-1.2%
>\$100 Million	13.0	12.6	0.4	3.2%

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Associated Builders and Contractors



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ABC's Construction Backlog Indicator

Construction Contractor Confidence Surges into 2020

“Confidence among U.S. construction industry leaders increased in November 2019 with respect to sales, profit margins and staffing, according to the Associated Builders and Contractors Construction Confidence Index released today. Sales and profit margin expectations reached their highest levels since [May 2019](#), while staffing expectations reached their highest level since [April 2019](#).

Three-quarters of contractors expect sales to rise over the next six months and, as a result, nearly 65% expect to increase their staffing levels, indicating that the average contractor will face even greater challenges recruiting and retaining talent through the first half of 2020.

More than 50% of contractors expect their profit margins to increase over the next six months for the first time since August 2019. Fewer than 12% expect margins to decline, strongly suggesting that demand for construction services remains elevated and purchasers are willing to pay enough to offset rising compensation costs.

- The CCI for sales expectations increased from 63.8 to 69.5 in November.
- The CCI for profit margin expectations increased from 58.8 to 61.3.
- The CCI for staffing levels increased from 63.6 to 66.9.” – Rachel O’Grady, Media Relations Director, ABC

Private Indicators Associated Builders and Contractors



ABC's Construction Backlog Indicator

“The U.S. economy retains significant momentum entering 2020. Accordingly, the nonresidential construction outlook remains stable. The duration of the economic expansion — already record-shattering — has more room to run. ABC’s Construction Backlog Indicator remained virtually unchanged at 8.8 months in November, and with job growth still apparent, demand for office and other forms of commercial construction will persist. Improved state and local government finances working in conjunction with ultra-low interest rates are helping to fuel additional spending in a variety of infrastructure-related categories, including water systems, flood control and public safety. Though there will always be reasons for concern, including those related to geopolitics, the achievement of a first phase trade deal with China and the new United States-Mexico-Canada trade agreement, which replaced NAFTA, should provide much-needed certainty regarding near-term economic prospects.” – Anirban Basu, Chief Economist, ABC

Private Indicators American Institute of Architects (AIA)

Architecture Billings Index December 2019

Billings End Year on Positive Note

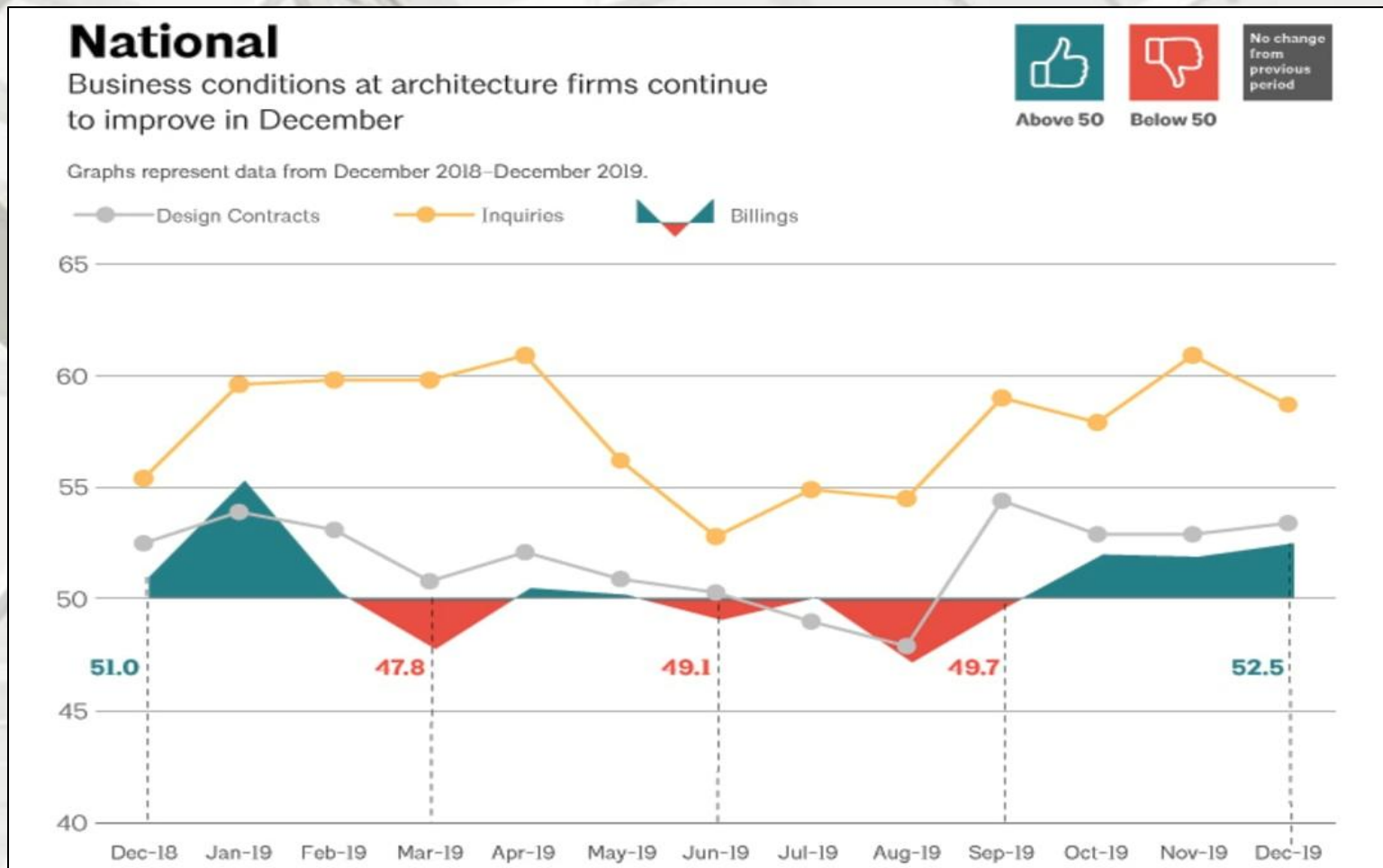
Demand for design services increased for the third straight month in December.

“AIA’s Architecture Billings Index (ABI) score of 52.5 for December reflects an increase in design services provided by U.S. architecture firms (any score above 50 indicates an increase in billings), as business conditions continued to rebound from a period of softness throughout much of the spring and summer. Inquiries into new work remained strong as well, and the value of new design contracts also showed solid growth for the fourth consecutive month. During December, both the new project inquiries and design contracts scores were positive, posting scores of 58.7 and 53.4 respectively

The year 2019 ended with architecture firms reporting modest growth in their firm billings. Although the period of declining and flat billings earlier in the year was one of the most protracted since the end of the Great Recession, firms remain cautiously optimistic about business in the coming months. In addition, backlogs at architecture firms remained strong in December, with firms reporting an average backlog of 6.3 months. Backlogs have extended beyond six months since the spring of 2018.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Private Indicators

American Institute of Architects (AIA)



Architecture Billings Index December 2019

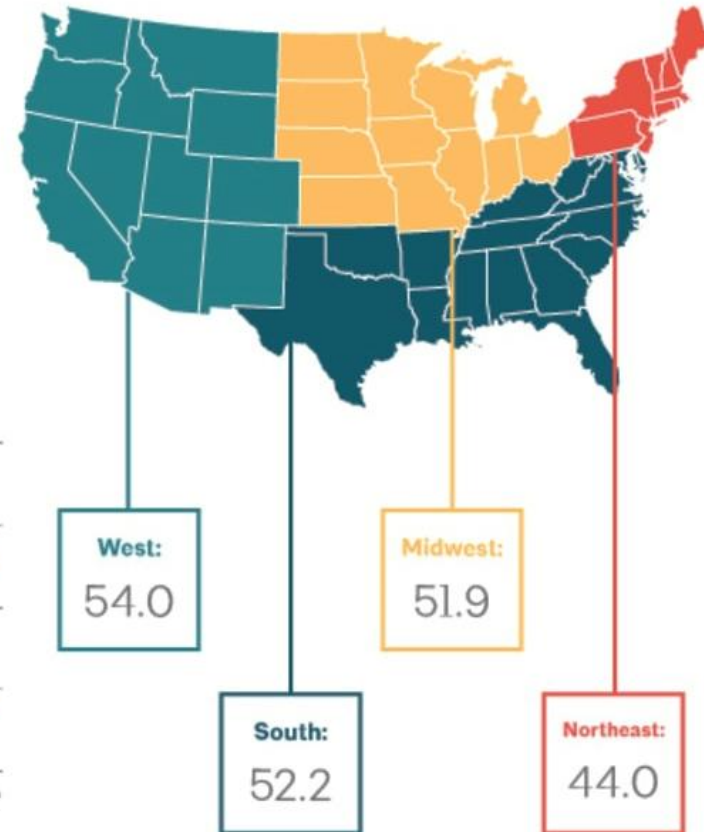
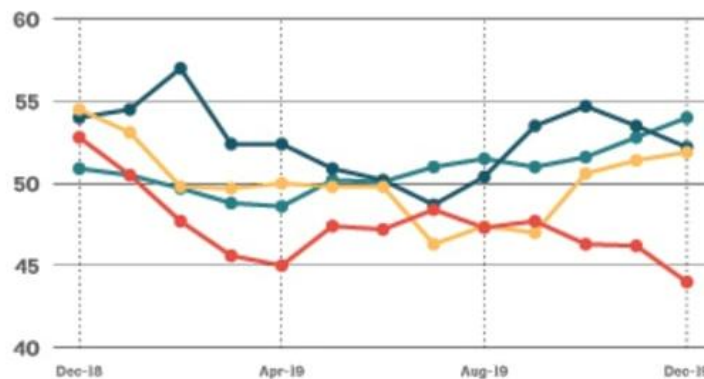
“Despite the ongoing slowdown in billings in the Northeast, balanced growth across sectors and regions looks more positive for the coming year. Factors outside of the construction sector, such as trade policy and international events, could still impact demand for design services, however recent fears about a downturn in construction activity have largely subsided.” – Kermit Baker, Chief Economist, The American Institute of Architects

Private Indicators: AIA

Regional

Billings soften further at firms in the Northeast, strengthen elsewhere

Graphs represent data from December 2018–December 2019 across the four regions. 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.



Region

Three out of four regions see growth

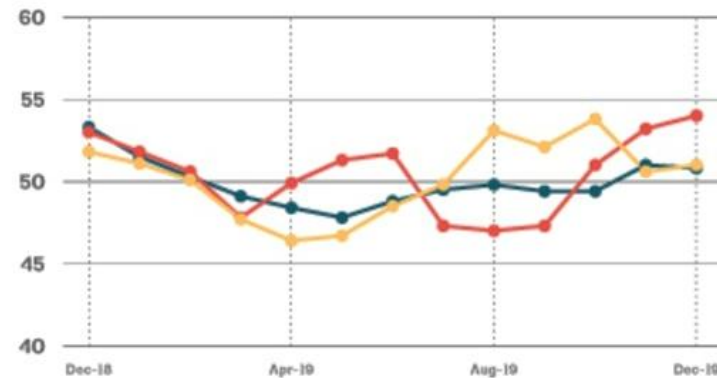
“Business conditions also continued to improve at firms in all regions of the country in December, with the exception of firms located in the Northeast, where billings softened further. Billings declined or were flat every month of 2019 at firms in the Northeast, while firms in the other regions generally saw billings strengthen in the latter part of the year.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Private Indicators: AIA

Sector

Firms of all specializations end 2019 on a strong note

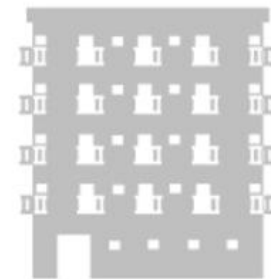
Graphs represent data from December 2018–December 2019 across the three sectors. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



Commercial/Industrial: 54.0



Institutional: 50.8



Residential: 51.0

Sector

“Business conditions were also generally strong at firms of all specializations, particularly at firms with a commercial/industrial specialization.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Private Indicators

Dodge Data & Analytics

Construction Starts Fall 21% in December

Construction starts end 2019 essentially even with the previous year

“Total construction starts in the final month of 2019 dropped 21% from the previous month to a seasonally adjusted annual rate of \$800.4 billion. The sharp decline was largely a response to hefty gains posted in November’s utility and manufacturing sectors. When removing the influence of these two very volatile sectors, total construction starts only fell 3% in December. By major sector, nonresidential building starts fell 20% in December, while nonbuilding starts dropped 41%, and residential starts lost 4% over the month.

The pullback in December pushed the Dodge Index down to 169 (2000=100) compared to the 213 posted in November, and just below the 12-month average of 174.

For the full year, total construction starts were essentially flat when compared to 2018 at \$817.6 billion. In 2019, nonbuilding starts gained 7% due to large gains in utility starts, while nonresidential starts fell 1% and residential starts declined 3%. Removing the massive 112% gain in utility starts from the total would result in total construction declining 3% from the previous year.” – Nicole Sullivan, Public Relations & Social Media, AFFECT

“Last year (2019) will go down as one of the most volatile years for monthly construction starts due the lumpy nature of large projects. Looking beyond the influence of these massive projects, it is evident that the uncertainty surrounding trade policy weighed on construction activity last year.” – Richard Branch, Chief Economist, Dodge Data & Analytics

Private Indicators

Dodge Data & Analytics

Residential building starts fell 4% in December to a seasonally adjusted annual rate of \$339.5 billion. During the month single family starts lost 7%, while multifamily posted a tepid 1% gain from November.

The largest multifamily structure to break ground during the month was the \$470 million 1000 Michigan South Loop Condo Tower in Chicago IL. Also starting in December was the \$215 million Koula Mixed-Use Tower in Honolulu HI and the \$170 million Alta Xmbly Block 23 facility in Somerville MA.

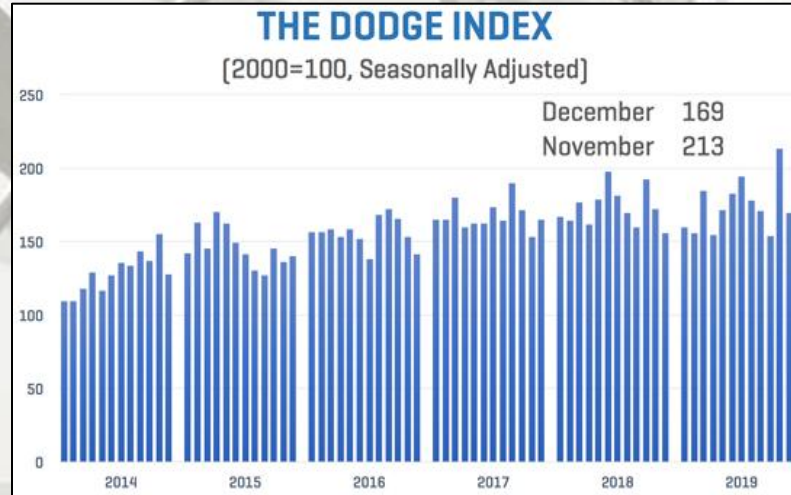
For the full year, residential starts were 3% lower than in 2018. Single family starts ended 2019 down 1%, while multifamily starts lost 7% for the year.

Nonresidential building dropped 20% from November to December to a seasonally adjusted annual rate of \$289.5 billion. The main reason for the decline in December was a 93% decline in manufacturing after a large petrochemical plant broke ground in November. Institutional starts rose 6% over the month fueled by gains in healthcare and recreation. Commercial starts rose 5% in December due to solid gains in warehouses and parking structures.

The largest nonresidential building project to break ground in December was the \$712 million National Geospatial Agency Headquarters in Saint Louis MO. Also breaking ground in December was a \$570 million medical center renovation in Bethesda MD and a \$400 million consolidated rental car facility at Newark International Airport.

For the full year, nonresidential building starts fell 1%. Commercial building starts rose 6% last year due to gains in warehouses and offices, while institutional starts fell 5% with activity in all major categories seeing a pull back. Manufacturing starts fell 15% in 2019.” – Richard Branch, Chief Economist, Dodge Data & Analytics

Private Indicators



MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

	December 2019	November 2019	% Change
Nonresidential Building	\$289,521	\$363,775	-20
Residential Building	339,547	354,697	-4
Nonbuilding Construction	171,365	289,246	-41
Total Construction	\$800,434	\$1,007,718	-21

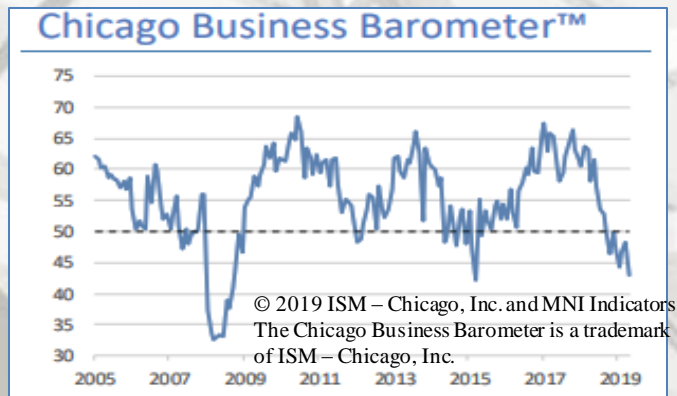
YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	12 Mos. 2019	12 Mos. 2018	% Change
Nonresidential Building	\$293,680	\$298,093	-1
Residential Building	321,987	330,333	-3
Nonbuilding Construction	202,006	188,925	7
Total Construction	\$817,673	\$817,351	0

Source: Dodge Data & Analytics

Private Indicators



MNI Chicago

“The Chicago Business Barometer™, produced with MNI, slipped to 42.9 in January, the lowest level since December 2015. After two straight months of gains, the index fell further into contraction, with the three-month average falling to 45.9.

Chicago Business Barometer™ – Drops to 42.9 in January

All five major components of the headline index saw a monthly decline, with Order Backlogs leading the way lower, followed by New Orders. Demand weakened in January, highlighted by New Orders falling 6.1 points to 41.5. Production cooled by 3.8 points to 42.7, the lowest level since July 2019. Order Backlogs slipped to a four-year low in January, showing the largest monthly fall in both points and percentage terms, leaving the index 10.1* points lower at 34.6.

Since March 2019, the indicator has only recorded one reading above the 50-mark. After December’s uptick, Inventories eased by 5.8* points to 40.2, marking the lowest level since May 2016 and the sixth consecutive sub-50 reading.

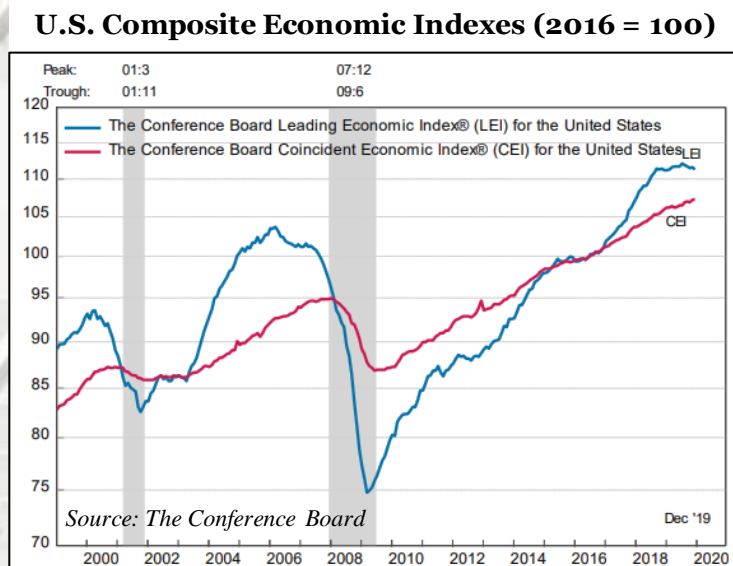
Employment remained broadly unchanged with the index decreasing by only 0.2 points to 47.0. Supplier Deliveries edged down to 53.3 in January and it is the only one among the five major components which remains above the 50-mark. Prices at the factory gate ticked down by 2.1* points to 56.1, registering a two-month low.

January’s special question asked, “Will the signing of the USMCA agreement improve your supplier lines?”. The majority (60%) anticipate no improvement at all, while 40% expect little changes. The second question asked, “What is your planned business activity forecast for 2020?”. The majority (50%) expect average growth to be below 5%, while 43.2% see growth between 5% and 10%. Only 6.8% project growth to be above 10%.” – Les Commons, Senior Economist and Irene Prihoda, Economist, MNI Indicators

Private Indicators

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

The Conference Board Leading Economic Index® (LEI) for the U.S. declined 0.3 percent in December to 111.2 (2016 = 100), following a 0.1 percent increase in November, and a 0.2 percent decline in October.



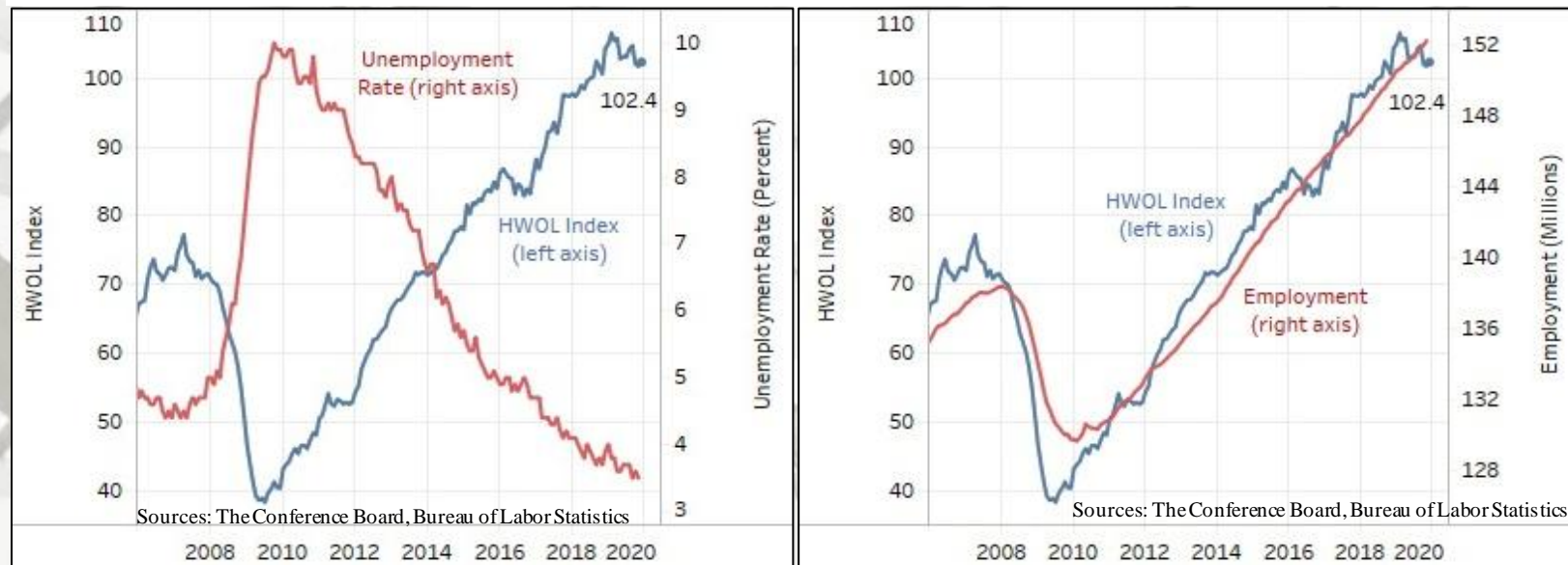
Economic Growth Likely to Continue at Around 2 Percent in Early 2020

“The US LEI declined slightly in December, driven by large negative contributions from rising unemployment insurance claims and a drop in housing permits. The LEI has now declined in four out of the last five months. Its six-month growth rate turned slightly more negative in the final quarter of 2019, with the manufacturing indicators pointing to continued weakness in the sector. However, financial conditions and consumers’ outlook for the economy remain positive, which should support growth of about 2 percent through early 2020.” – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

“The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.1 percent in December to 107.2 (2016 = 100), following a 0.3 percent increase in November, and a 0.1 percent decline in October.

The Conference Board Lagging Economic Index® (LAG) for the U.S. declined 0.1 percent in December to 108.8 (2016 = 100), following a 0.4 percent increase in November, and a 0.2 percent increase in October.”

Private Indicators



The Conference Board Help Wanted OnLine® (HWOL) Online Labor Demand Rose in December

- “HWOL Index edged up in December, following a small decline in November
- Most States and Occupations experienced a small increase

The Conference Board Help Wanted OnLine® (HWOL) Index rose in December and now stands at 102.4 (July 2018=100), up from 101.7 in November. The Index declined 0.3 percent from the prior month and is down 2.0 percent from a year ago.

In the Midwest, Kansas increased 2.7 percent and Nebraska grew 2.3 percent. In the Northeast, Rhode Island grew 2.6 percent and Maine fell 1.5 percent. In the South, Virginia increased 2.1 percent and Arkansas increased 1.3 percent. In the West, Oregon declined 2.5 percent and New Mexico grew 1.7 percent.

The Professional occupational category experienced increases in Community and social services (2.0 percent), Healthcare practitioners (1.8 percent), Architecture and engineering (1.0 percent), and Computer and mathematical science (0.7). The Services/Production occupational category experienced increases in Farming, fishing, and forestry (3.9 percent), Building and grounds (3.6 percent), Healthcare Support (2.5 percent), Personal care and service (1.4 percent).” – Gad Levanon, Chief Economist, North America, at The Conference Board

Equipment Leasing and Finance Association: Confidence Up for Third Consecutive Month in January

“The [Equipment Leasing & Finance Foundation](#) (the Foundation) releases the December 2019 [Monthly Confidence Index for the Equipment Finance Industry](#) (MCI-EFI).

Designed to collect leadership data, the index reports a qualitative assessment of both the prevailing business conditions and expectations for the future as reported by key executives from the \$900 billion equipment finance sector. Overall, confidence in the equipment finance market rose for the third consecutive month to 59.9, an increase from the December index of 56.2.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

When asked about the outlook for the future...:

“Demand for leasing in the segments we are involved in has remained strong with huge demand in Q4 2019. Credit quality has remained solid, and pull through has been good. Unemployment remains low and we see small business customers remaining optimistic.” – David Normandin, CLFP, President and CEO, Wintrust Specialty Finance

“A strong economy, low interest rates, full employment, and tax and regulatory reform give us optimism in the near term for the equipment finance industry.” – Dave Fate, President and CEO, Stonebriar Commercial Finance

“If the trade deal progresses as proclaimed, we may see some thawing in capital expenditures by farmers and agribusiness. Otherwise, the belt-tightening will remain.” – Michael Romanowski, President, Farm Credit Leasing

Equipment Leasing and Finance Association:

Confidence Up for Third Consecutive Month in January

“January 2020 Survey Results: The overall MCI-EFI is 59.9, an increase from 56.2 in December.

- When asked to assess their business conditions over the next four months, 14.8% of executives responding said they believe business conditions will improve over the next four months, up from 10.3% in December. 81.5% of respondents believe business conditions will remain the same over the next four months, a decrease from 82.8% the previous month. 3.7% believe business conditions will worsen, down from 6.9% in December.
- 11.1% of the survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, an increase from 10% in December. 85.2% believe demand will “remain the same” during the same four-month time period, an increase from 76.7% the previous month. 3.7% believe demand will decline, down from 13.3% in December.
- 11.1% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, a decrease from 20% in December. 85.2% of executives indicate they expect the “same” access to capital to fund business, an increase from 80% last month. 3.7% expect “less” access to capital, up from none the previous month.
- When asked, 33.3% of the executives report they expect to hire more employees over the next four months, an increase from 30% in December. 63% expect no change in headcount over the next four months, relatively unchanged from 63.3% last month. 3.7% expect to hire fewer employees, down from 6.7% the previous month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Equipment Leasing and Finance Association: Confidence Up for Third Consecutive Month in January

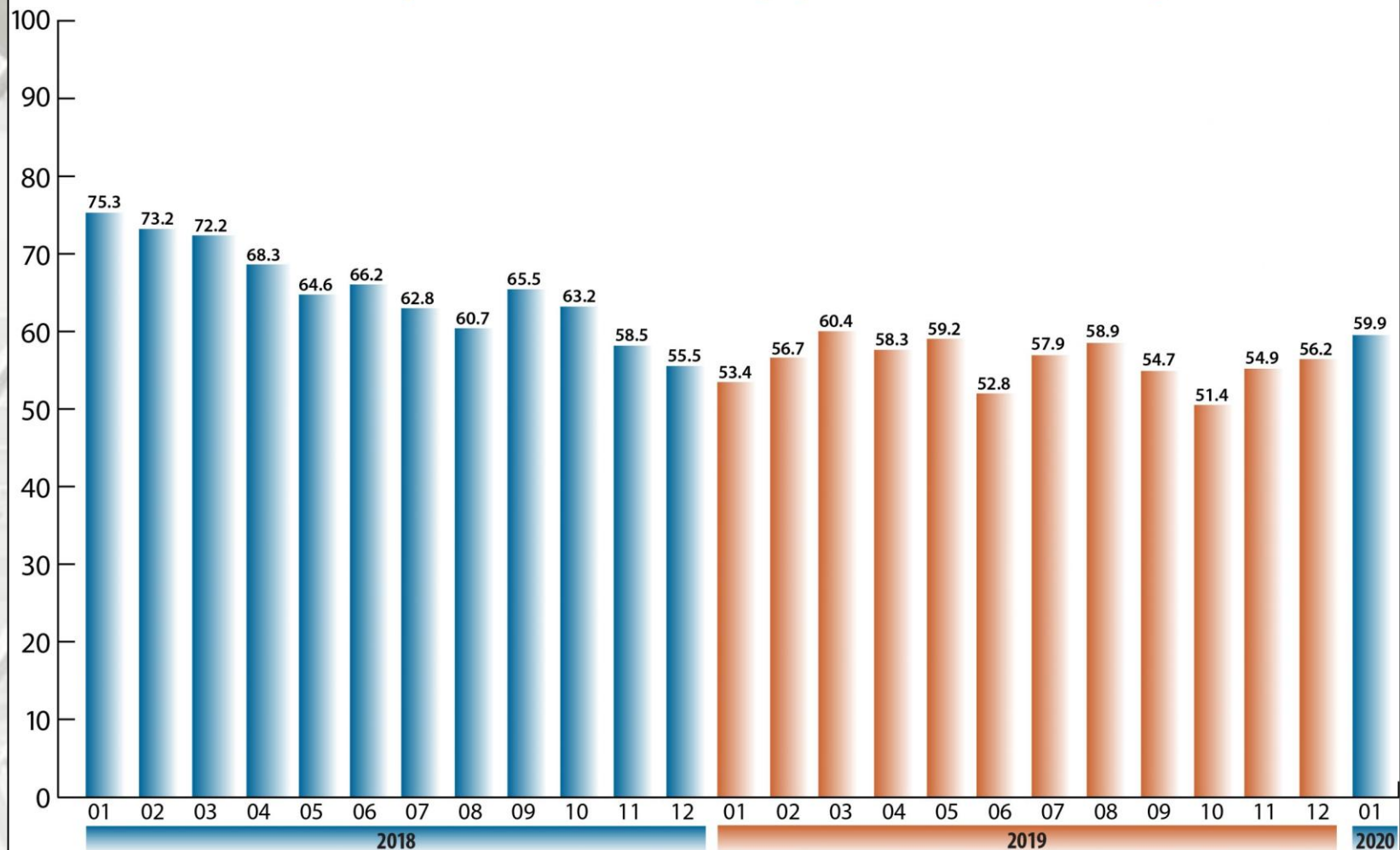
“January 2020 Survey Results: The overall MCI-EFI is 59.9, an increase from 56.2 in December.

- 37% of the leadership evaluate the current U.S. economy as “excellent,” up from 23.3% the previous month. 63% of the leadership evaluate the current U.S. economy as “fair,” down from 76.7% in December. None evaluate it as “poor,” unchanged from last month.
- 13.3% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, 80% indicate they believe the U.S. economy will “stay the same” over the next six months, and 6.7% believe economic conditions in the U.S. will worsen over the next six months, all unchanged from December.
- In January, 48.2% of respondents indicate they believe their company will increase spending on business development activities during the next six months, an increase from 23.3% last month. 48.2% believe there will be “no change” in business development spending, a decrease from 73.3% in December. 3.7% believe there will be a decrease in spending, relatively unchanged from 3.3% last month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Equipment Leasing and Finance Association: Confidence Up for Third Consecutive Month in January



24-Month Monthly Confidence Index - Equipment Finance Industry (MCI-EFI)



Private Indicators

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

Monthly Leasing and Finance Index: January 2020

December New Business Volume Up 2 Percent Year-over-year, 65 Percent Month-over-month, and 5 Percent at Year-end

“The [Equipment Leasing and Finance Association's](#) (ELFA) [Monthly Leasing and Finance Index \(MLFI-25\)](#), which reports economic activity from 25 companies representing a cross section of the \$900 billion equipment finance sector, showed their overall new business volume for December was \$12.9 billion, up 2 percent year-over-year from new business volume in December 2018. Volume was up 65 percent month-to-month from \$7.8 billion in November in a typical end-of-year spike. Cumulative new business volume for 2019 was up 5 percent from 2018.

Receivables over 30 days were 2.20 percent, up from 1.80 percent the previous month and up from 1.70 percent the same period in 2018. Charge-offs were 0.51 percent, up from 0.43 percent the previous month, and down from 0.55 percent in the year-earlier period.

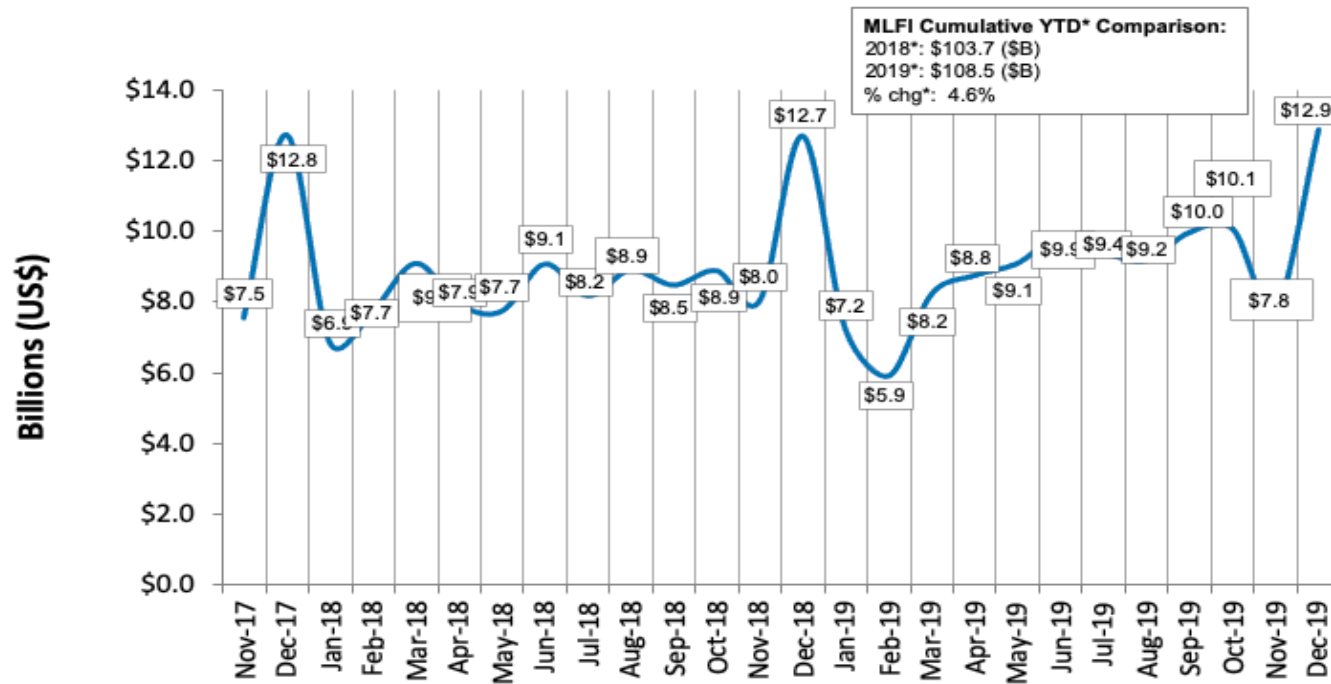
Credit approvals totaled 77.1 percent, up from 75.7 percent in November. Total headcount for equipment finance companies was down 3.3 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in January is 59.9, an increase from the December index of 56.2.” – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

“Equipment finance companies ended the year with steady 5 percent cumulative new business growth. However, some ELFA member organizations are seeing slightly elevated levels of stress in their portfolios, corroborating evidence that soft patches can be found in some sectors of the U.S. economy. Whether recent relaxation of nagging trade tensions between the U.S. and several of its trading partners improves conditions in the industrial and ag sectors of the U.S. economy remains to be seen as we move deeper into the new year.” – Ralph Petta, President and CEO, ELFA

Private Indicators

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



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




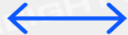



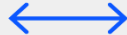

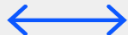









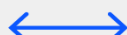

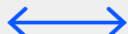

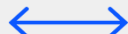








Monthly Leasing and Finance Index: January 2020

“We have done well for the past 12 months. While our new business volume has increased a modest 6 percent, our spreads have shown a nice improvement and the quality of our business is quite satisfactory. There has been a slight uptick in our credit losses, yet they continue to be substantially below ‘normal’ levels. We are optimistic about calendar year 2020, foreseeing modest growth of quality and profitable volume as we work hard to help our customers be even more successful.” – Tony Golobic, Chairman and Chief Executive Officer, GreatAmerica Financial Services

Private Indicators

FreightWaves®

This Week's Forecast February 10th, 2020

INDICATOR OUTLOOK	INDICATOR OUTLOOK	INDICATOR OUTLOOK
CRUDE OIL PRICE  	DIESEL PRICES  	USED TRUCK PRICES  
AUTOMOTIVE PRODUCTION  	MANUFACTURING  	CONSTRUCTION  
GLOBAL TRADE  	RETAIL  	EMPLOYMENT  
TENDER REJECTIONS  	MARKET VOLUME  	TENDER LEAD TIME  
CONTAINER PRICES CHINA TO N. AMERICA  	DHL PRICING POWER INDEX  	INTERMODAL VOLUME  
<p>FREIGHTWAVES.COM / SONAR</p> <p>WANT MORE? SONAR USERS GET EXCLUSIVE ACCESS TO DETAILED BREAKDOWNS AND INSIGHTS.</p>		

January 2020 Manufacturing ISM® *Report On Business*®

PMI® at 50.9%

**New Orders and Production Growing; Employment Contracting
Supplier Deliveries Slowing at Slower Rate; Backlog Contracting
Raw Materials Inventories Contracting; Customers' Inventories Too Low
Prices Increasing; Exports and Imports Growing**

“Economic activity in the **manufacturing sector** contracted in January, and the **overall economy** grew for the 129th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM® *Report On Business*®**. The January PMI® registered 50.9 percent, an increase of 3.1 percentage points from the December reading of 47.8 percent.

The New Orders Index registered 52 percent, an increase of 4.4 percentage points from the seasonally adjusted December reading of 47.6 percent.

The Production Index registered 54.3 percent, up 9.5 percentage points compared to the seasonally adjusted December reading of 44.8 percent.

The Backlog of Orders Index registered 45.7 percent, up 2.4 percentage points compared to the December reading of 43.3 percent.

The Employment Index registered 46.6 percent, a 1.4-percentage point increase from the seasonally adjusted December reading of 45.2 percent.

The Supplier Deliveries Index registered 52.9 percent, a 1.7-percentage point decrease from the December reading of 54.6 percent.

The Inventories Index registered 48.8 percent, a decrease of 0.4 percentage point from the seasonally adjusted December reading of 49.2 percent.

The Prices Index registered 53.3 percent, a 1.6-percentage point increase from the December reading of 51.7 percent.

The New Export Orders Index registered 53.3 percent, a 6-percentage point increase from the December reading of 47.3 percent.

The Imports Index registered 51.3 percent, a 2.5-percentage point increase from the December reading of 48.8 percent.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

January 2020 Manufacturing ISM® Report On Business®

“Comments from the panel were positive, with sentiment improving compared to December. The PMI® returned to expansion territory for the first time since July 2019. **Demand** expanded, with (1) the New Orders Index growing at a moderate rate supported by new export order expansion, (2) the Customers' Inventories Index remaining at ‘too low’ status and (3) the Backlog of Orders Index contracting for the ninth month, but at a slower rate. **Consumption** (measured by the Production and Employment Indexes) expanded to respond to new order intake, contributing positively (a combined 10.9-percentage point increase) to the PMI® calculation. **Inputs** — expressed as supplier deliveries, inventories and imports — weakened in January, due primarily to increasing contraction in inventories while supplier deliveries remained in expansion territory, but at a modest rate. Imports expansion returned, but also at a moderate rate. Inputs contributed negatively to the PMI® calculation, a reversal from the previous month. Prices increased for the second month, a positive for 2020.

Global trade remains a cross-industry issue, but many respondents were positive for the first time in several months. Among the six big industry sectors, Food, Beverage & Tobacco Products remains the strongest, followed closely by Computer & Electronic Products. Petroleum & Coal Products is the weakest. Overall, sentiment this month is moderately positive regarding near-term growth.

Of the 18 manufacturing industries, eight reported growth in January — listed in order — are: Furniture & Related Products; Wood Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; Miscellaneous Manufacturing; Nonmetallic Mineral Products; Chemical Products; and Fabricated Metal Products. The eight industries reporting contraction in January — listed in order — are: Printing & Related Support Activities; Apparel, Leather & Allied Products; Electrical Equipment, Appliances & Components; Petroleum & Coal Products; Textile Mills; Transportation Equipment; Primary Metals; and Machinery.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Private Indicators

January 2020 Non-Manufacturing ISM® Report On Business®

NMI® at 55.5%; GDP Growing at 2.4%

**Business Activity Index at 60.9%, New Orders Index at 56.2%
Employment Index at 53.1%**

“Economic activity in the **non-manufacturing sector** grew in January for the 120th consecutive month, say the nation’s purchasing and supply executives in the latest **Non-Manufacturing ISM® Report On Business®**.

The NMI® registered 55.5 percent, which is 0.6 percentage point higher than the seasonally adjusted December reading of 54.9 percent. This represents continued growth in the non-manufacturing sector, at a slightly faster rate. The Non-Manufacturing Business Activity Index increased to 60.9 percent, 3.9 percentage points higher than the seasonally adjusted December reading of 57.0 percent, reflecting growth for the 126th consecutive month.

The New Orders Index registered 56.2 percent; 0.9 percentage point higher than the seasonally adjusted reading of 55.3 percent in December.

The Employment Index decreased 1.7 percentage points in January to 53.1 percent from the seasonally adjusted December reading of 54.8 percent.

The Prices Index of 55.5 is 3.8 percentage points lower than the seasonally adjusted December reading of 59.3 percent, indicating that prices increased in January for the 32nd consecutive month. According to the NMI®, 12 non-manufacturing industries reported growth. The non-manufacturing sector exhibited continued growth in January. The respondents remain mostly positive about business conditions and the overall economy. Respondents continue to have difficulty with labor resources.” – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Private Indicators

January 2020 Non-Manufacturing ISM® Report On Business®

NMI® at 55.5%; GDP Growing at 2.4%

“The 12 non-manufacturing industries reporting growth in January — listed in order — are: Agriculture, Forestry, Fishing & Hunting; Management of Companies & Support Services; Health Care & Social Assistance; Educational Services; Utilities; Accommodation & Food Services; Finance & Insurance; Retail Trade; Construction; Public Administration; Information; and Professional, Scientific & Technical Services.

The six industries reporting a decrease in January — listed in order — are: Transportation & Warehousing; Wholesale Trade; Other Services; Arts, Entertainment & Recreation; Mining; and Real Estate, Rental & Leasing.” – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Private Indicators

Markit U.S. Manufacturing PMI™

Manufacturing growth slows at start of 2020 as exports fall

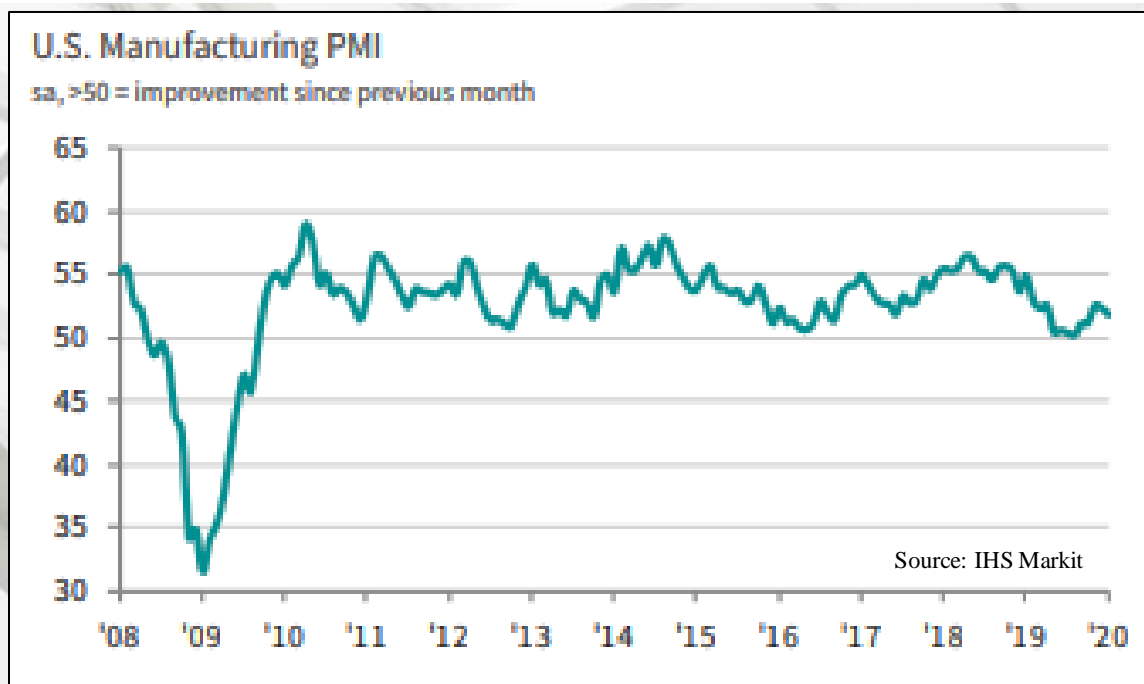
“The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers’ Index™ (PMI™) posted 51.9 in January, up slightly from the flash figure of 51.7, but down from 52.4 in December. The latest headline reading signalled a modest improvement in operating conditions across the U.S. manufacturing sector at the start of 2020.

U.S. manufacturing firms indicated a slower overall improvement in operating conditions in January, in part stemming from a renewed drop in export orders. Firms also increased their workforce numbers at a slower pace amid less robust demand conditions. Nevertheless, manufacturers were more confident of a rise in production over the coming year as output expectations strengthened. Meanwhile, inflationary pressures softened and were historically subdued. In an effort to attract new clients, firms raised their output charges at only a fractional rate despite some upward pressure on costs from tariffs.

The rate of output growth matched that seen in December and was moderate overall. The pace of expansion was below the long-run series trend. At the same time, manufacturers registered a slower and only mild increase in new orders at the start of 2020. Although firms stated that the upturn stemmed from greater client requests, the pace of growth was the softest for three months. While domestic demand continued to rise, new export orders fell for the first time since last September to act as the principal drag on overall order books.

As a result, firms signalled greater hesitancy in relation to hiring additional staff, with workforce numbers rising only slightly and at the least marked pace for four months. A number of firms noted that they had not replaced voluntary leavers following slower new business growth. Companies also indicated spare capacity as backlogs of work fell for the first time since last September, hinting that jobs could come under pressure in coming months unless order book growth accelerates. ...” – Chris Williamson, Chief Economist, Markit®

Private Indicators



Markit U.S. Manufacturing PMI™

“US manufacturing limped into 2020, with falling exports dampening output growth and causing a pull-back in hiring. The survey data are consistent with factory production falling moderately, meaning the manufacturing sector looks set to act as a drag on the overall economy once again in the first quarter. Weakness looks broad-based. Rising demand from households has helped support production in recent months, but January saw a marked slowing in new orders for consumer goods. Production of capital goods such as business equipment, plant and machinery meanwhile fell for the first time in almost four years, hinting at weakened business investment.

More encouragingly, business expectations for the year ahead perked up, coinciding with an easing of trade tensions and the signing of new North American and Chinese trade deals. Companies are therefore expecting the soft patch to be short-lived, though fears surrounding the Wuhan coronavirus and any further potential escalation of trade tensions could erode this optimism.” – Chris Williamson, Chief Economist, Markit®

Private Indicators

IHS Markit U.S. Services PMI™

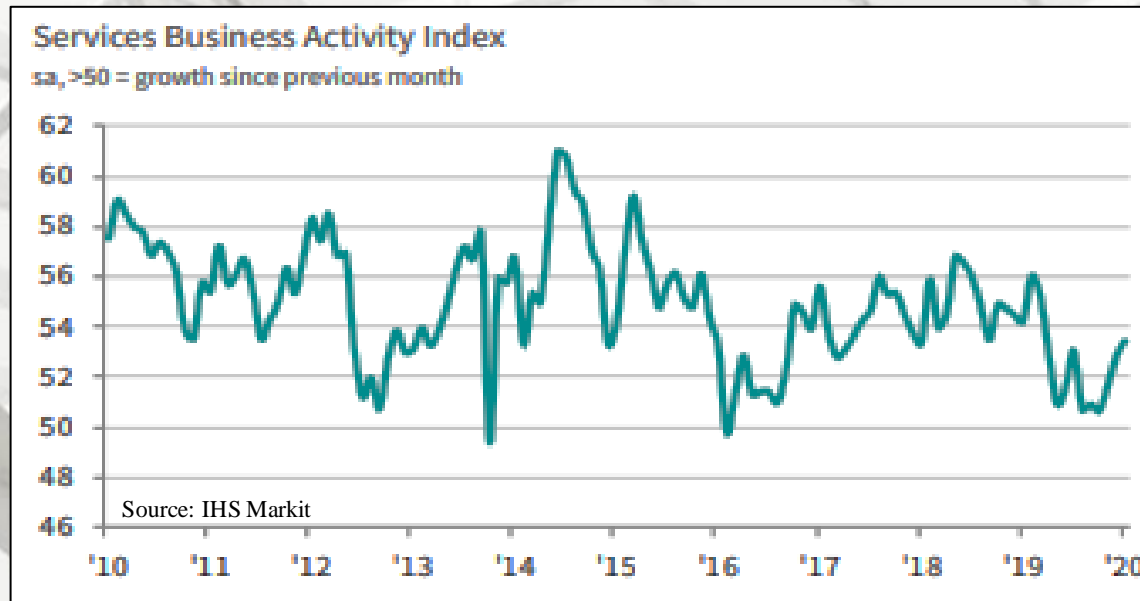
Business activity growth accelerates to 10-month high at start of 2020

“The seasonally adjusted final IHS Markit US Services Business Activity Index registered 53.4 in January, up from 52.8 in December and revised up slightly from the flash figure of 53.2. The latest index reading signalled a solid expansion in output at the start of 2020 and was reportedly supported by greater marketing activity and a sustained increase in new business. Moreover, the rate of expansion quickened to a ten-month high, albeit still running below the long-run series trend.

The opening month of 2020 signalled a solid expansion in business activity across the U.S. service sector. Output growth was supported by another modest increase in client demand, albeit historically soft and weighed on by a renewed contraction in new export sales. Nonetheless, the rate of job creation quickened in an effort to alleviate pressure on capacity. Firms were not, however, more confident about an increase in business activity over the coming year, as optimism remained historically muted and eased since December. On the price front, cost pressures strengthened amid supplier price hikes, but output charges rose only marginally as firms sought to attract new clients.

New business growth was broadly in line with that seen in December and only moderate overall. Client demand has now risen for three months running, with companies also linking the upturn to the acquisition of new customers. Foreign demand conditions, however, were challenging and weighed on the overall expansion in new orders, as new business from abroad fell for the fifth time in six months. Meanwhile, the sustained rise in new business led firms to increase their workforce numbers at a marginal pace in January. Moreover, the rate of job creation quickened slightly to the fastest since last July. ...” – Chris Williamson, Chief Economist, Markit®

Private Indicators



IHS Markit U.S. Services PMI™

“The PMI data indicate that the US economy is ticking along at a steady but unspectacular annualized rate of growth of approximately 2% at the start of 2020. Growth has gained some momentum from the lows seen in the fall as the service sector enjoys stronger growth and manufacturing has also shown signs of the trade-led downturn easing. However, factory activity remains worryingly remains subdued, and optimism about future growth across the business community as a whole continues to run at one of the lowest levels seen over the past decade.

Business are concerned by the prospect of weaker economic growth at home and abroad in the coming year, especially with spending potentially being dampened in an election year. Fresh worries are also likely to appear. With the vast majority of the survey data having been collected prior to the 24th January, we’ve yet to see any impact from the Wuhan coronavirus outbreak, but the potential disruption to business and the associated financial market jitters pose additional downside risks to both the global and US economies in coming months.” – Chris Williamson, Chief Economist, Markit®

Private Indicators

National Association of Credit Management – Credit Managers' Index

CMI Begins 2020 with a Bang Combined Sectors

“It is hard to decide what the latest lesson from the Credit Managers' Index (CMI) would be. Is it that 2019 ended on a more promising note than was expected or is it that 2020 is starting out to be a better year than had been anticipated? “Given that credit managers tend to think in the future, this month's good data may be seen as a harbinger of things to come,” said NACM Economist Chris Kuehl, Ph.D. “Not that everything is likely to come up roses in the next several months, but for the time being the threats seem a little more distant than expected.”

The numbers this month are up quite substantially. This tends to contrast with the numbers released by the Institute for Supply Management and Markit in their purchasing managers' indices. The overall score for the CMI moved up from 54.6 to 56.4, the highest reading seen in almost three years. The good news was reflected in both the favorable and unfavorable categories. The favorable readings returned to the 60s with a reading of 62.2 compared to last month's 59.3. The numbers for the favorables have not been this good since May of last year. The combined unfavorable numbers also jumped as they went from 51.5 to 52.6. This is another three-year high.

The details in the subcategories were also showing real progress. The sales numbers reached 63 — nearly as high as the levels reached last August when the reading was 64.4. Kuehl noted this is one of the real surprises given that the first of the year is not generally seen as an active time for consumers or business. The new credit applications reading is at 61.1 and last month it was at 59.4. This takes the category back to where it was in November when it hit 61.2. The dollar collections data also moved into the 60s with a reading of 61.7 compared to 57.9 in December. The amount of credit extended kept pace with a reading of 62.9, while last month it stood at 61.1. “All four of the categories were in the 60s,” he added. “This had not been the case since last August.”” – Andrew Michaels, Editorial Associate, NACM

Private Indicators

National Association of Credit Management

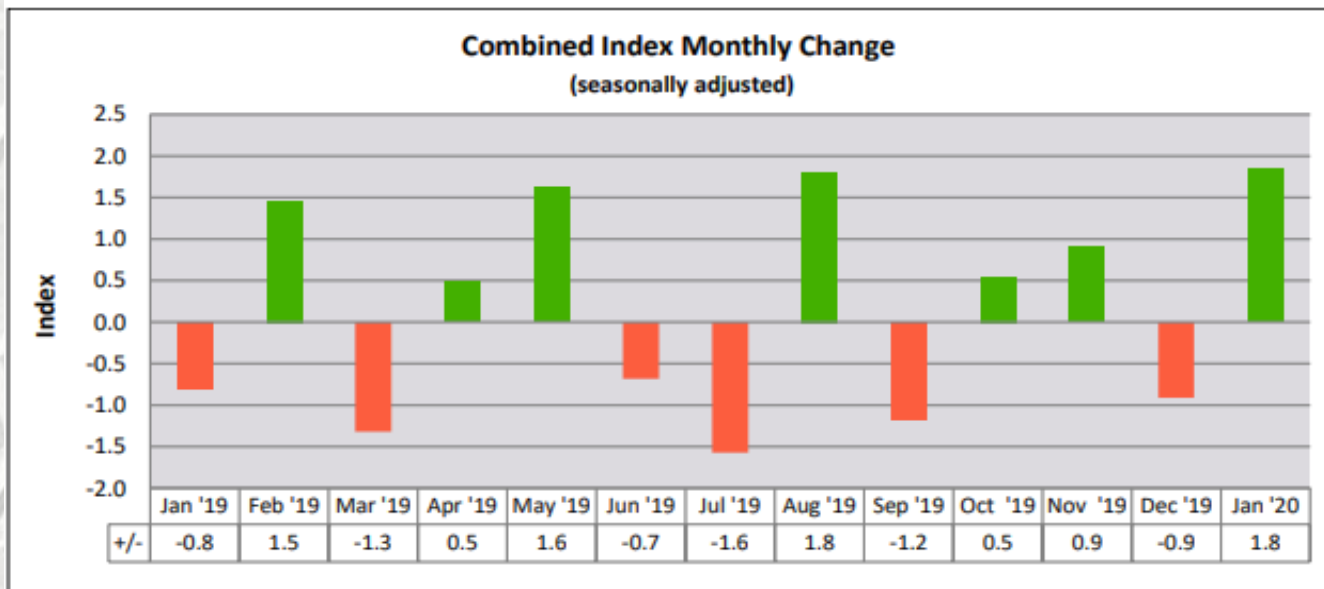
“There was similar good news as far as the unfavorable categories are concerned. The data for rejections of credit applications stayed the same as the month prior, not a bad thing given that the numbers stand at 52. “This is positive news as it comes at the same time that applications are up,” Kuehl said. “This means there are good applications coming in.” The accounts placed for collection improved a little as well. Most importantly, they stayed above the 50 line, indicating expansion, with a reading of 50.6 compared to 50.3 in December. The disputes number also jumped up by quite a bit as it went from 50.8 to 52.4. The data for dollar amount beyond terms made the biggest gain, however. It now stands at 54.2 after being at 51. He thinks this is perhaps the most significant reading of them all. “There has been a desire on the part of many companies to go into 2020 with a reduced set of credit obligations in order to be better protected should there be some kind of slowdown. This is showing up in the credit data with reduced slow pays and improved dollar collections.” There was also improvement as far as the category of dollar amount of customer deductions. It moved from 51.3 to 52.2, which took the reading back to what it was in September. There was a nice rise in the filings for bankruptcies data with a new reading of 54.4 compared to 53.4 in December. “For the second month in a row the numbers for this index were all in the expansion zone and by a substantial margin,” he said. “There has not been a two-month period like this in over three years.”

Kuehl says it is the sworn duty of a dismal scientist to point out that good news months can easily be followed by bad news months — there have already been several of these shifts. May of last year was even stronger in some respects than this one; however, by mid-summer the numbers had fallen precipitously. For now, we can enjoy the data and hope for a third-straight month of these gains.” – Andrew Michaels, Editorial Associate, NACM

Private Indicators

National Association of Credit Management

Combined Manufacturing and Service Sectors (seasonally adjusted)	Jan '19	Feb '19	Mar '19	Apr '19	May '19	Jun '19	Jul '19	Aug '19	Sep '19	Oct '19	Nov '19	Dec '19	Jan '20
Sales	59.7	62.6	58.2	61.0	65.9	60.4	58.4	64.4	58.7	57.9	61.6	58.8	63.0
New credit applications	58.2	58.9	57.8	59.7	64.2	62.4	60.8	60.9	59.7	59.0	61.2	59.4	61.1
Dollar collections	59.0	59.1	56.6	59.1	59.8	60.3	56.6	60.0	58.5	62.1	59.2	57.9	61.7
Amount of credit extended	61.2	62.3	63.5	60.6	65.4	62.5	58.7	61.7	59.7	61.6	64.3	61.1	62.9
Index of favorable factors	59.5	60.7	59.0	60.1	63.8	61.4	58.6	61.8	59.1	60.1	61.6	59.3	62.2
Rejections of credit applications	51.8	52.1	51.2	52.0	51.8	52.4	52.6	52.1	51.4	52.1	51.3	52.0	52.0
Accounts placed for collection	48.2	49.0	46.4	48.5	47.0	50.0	46.2	48.6	48.4	49.1	49.8	50.3	50.6
Disputes	47.1	48.5	49.5	48.5	48.6	48.6	50.5	49.4	50.0	48.1	50.3	50.8	52.4
Dollar amount beyond terms	47.4	51.3	50.0	47.6	51.3	49.8	46.1	53.6	50.2	52.0	52.6	51.0	54.2
Dollar amount of customer deductions	48.0	50.0	48.8	49.7	49.3	50.0	51.2	50.0	52.1	50.9	51.4	51.3	52.2
Filings for bankruptcies	53.8	54.9	53.7	53.9	53.3	53.5	53.2	51.6	52.1	53.4	53.5	53.4	54.4
Index of unfavorable factors	49.4	51.0	49.9	50.0	50.2	50.7	50.0	50.9	50.7	50.9	51.5	51.5	52.6
NACM Combined CMI	53.4	54.9	53.6	54.0	55.7	55.0	53.4	55.2	54.1	54.6	55.5	54.6	56.4



Private Indicators

National Federation of Independent Business (NFIB) January 2020 Report

Small Business Optimism Starts New Year as Solid as Ever

“The small business Optimism Index started the New Year in the top 10% of all readings in the 46-year history of the survey, rising 1.6 points to 104.3 in the month of January. Six of the 10 Index components improved, two declined, and two were unchanged, with the Uncertainty Index edging up slightly. Owners expecting better business conditions dipped slightly, but sales expectations and earnings trends improved significantly. As was reported last week, actual job creation surged in January.

The net percent of owners expecting higher real sales volumes increased 7 points to 23 percent with owners a bit more certain of future sales growth prospects. A net 7% of all owners (seasonally adjusted) reported higher nominal sales in the past three months, down 2 points from December.

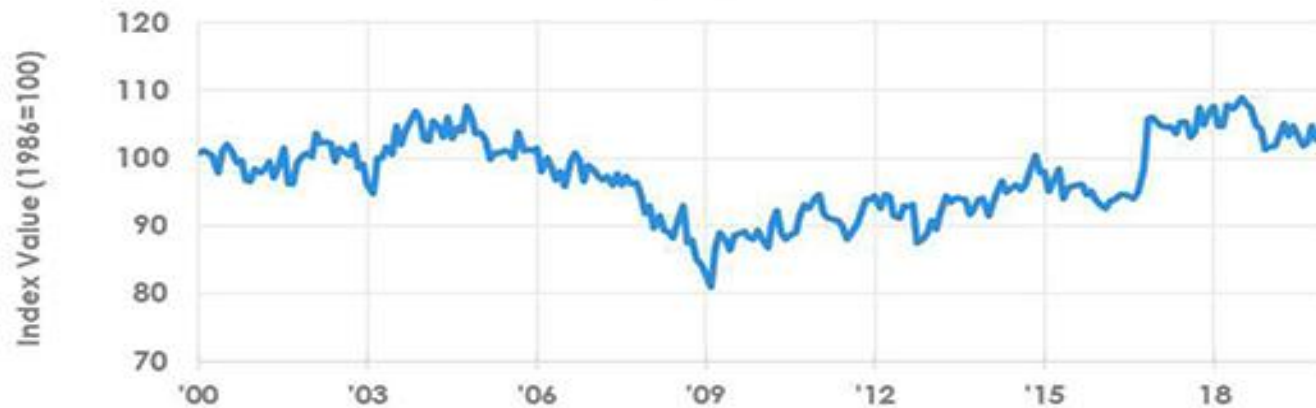
The NFIB Uncertainty Index moved up 1 point from December to 81, but well below the spike to 86 seen in last January’s Index, following the government shutdown. A net 14% of owners expect better business conditions.

The frequency of reports of positive profit trends reversed half of December’s decline, increasing 5 points in January. Thirty-three percent of those reporting weaker profits blamed weak sales, 27 percent blamed usual seasonal change, and 8 percent cited labor costs, 6 percent cited materials costs, and 4 percent cited price changes. For those reporting higher profits, 61 percent credited sales volumes. 17 percent credited usual seasonal change.” – Holly Wade, NFIB

Private Indicators

Small Business Optimism Index at 104.3

Based on 10 survey indicators, seasonally adjusted, Jan. '00 – Jan. '20



NFIB.com/sboi

NFIB January 2020 Report

“As reported in last week’s [NFIB’s monthly jobs report](#), new job creation jumped in January, with an average addition of 0.49 workers per firm, the highest level since March 2019. Twenty-six percent of owners reported finding qualified workers as their number one problem, 1 point below August’s record high. Fifty-six percent reported hiring or trying to hire (up 3 points), but 49 percent reported few or no “qualified” applicants for the positions they were trying to fill.” – Holly Wade, NFIB

Private Indicators

NFIB Small Business Optimism Index

“2020 is off to an explosive start for the small business economy, with owners expecting increased sales, earnings, and higher wages for employees. Small businesses continue to build on the solid foundation of supportive federal tax policies and a deregulatory environment that allows owners to put an increased focus on operating and growing their businesses.

Finding qualified labor continues to eclipse taxes or regulations as a top business problem. Small business owners will likely continue offering improved compensation to attract and retain qualified workers in this highly competitive labor market. Compensation levels will hold firm unless the economy weakens substantially as owners do not want to lose the workers that they already have.” – Bill Dunkelberg, Chief Economist, NFIB

“Historically high percentages of owners plan to raise worker compensation, as they seek to fill open positions. Seasonally adjusted, a net 36 percent reported raising compensation (up 7 points) and a net 24 percent plan to do so in the coming months, unchanged from December. Eight percent cited labor costs as their top problem.

The net percent of owners raising average selling prices rose 1 point to a net 15 percent, seasonally adjusted, continuing a measured upward trend since September. Price hikes were most frequent in retail (24 percent higher, 6 percent lower) and wholesale (20 percent higher, 8 percent lower). Seasonally adjusted, a net 24 percent plan price hikes (up 4 points).” – Holly Wade, NFIB

Private Indicators

NFIB Small Business Optimism Index

Small Business Optimism

Small Business Optimism Starts New Year as Solid as Ever

Index Component	Net %	Change From Dec.
Plans to Increase Employment	19%	— 0
Plans to Make Capital Outlays	28%	— 0
Plans to Increase Inventories	4%	▲ 1
Expect Economy to Improve	14%	▼ -2
Expect Real Sales Higher	23%	▲ 7
Current Inventory	-3%	▲ 1
Current Job Openings	37%	▲ 4
Expected Credit Conditions	-4%	▼ -1
Now a Good Time to Expand	28%	▲ 3
Earnings Trends	-3%	▲ 5



NFIB.com/sboi

Private Indicators

The Paychex | IHS Markit Small Business Employment Watch Weekly Earnings Growth Continues to Increase as Jobs Growth Holds Steady

The Paychex | IHS Markit Small Business Employment Watch shows renewed stability in employment growth and continuous increases in weekly earnings growth over the past quarter

“The latest Paychex | IHS Markit Small Business Employment Watch reflects a continuation of the tight labor market to start 2020. Weekly earnings growth improved for the 13th consecutive month, reaching 3.59 percent in January. Weekly hours worked were up 0.83 percent from last year, contributing to the growth in weekly earnings. The pace of small business employment growth remains consistent, with the national jobs index increasing slightly (0.01 percent) in January to 98.18.

“The national index has been flat since mid-year 2019, signaling a continued tight labor market for small businesses,” said James Diffley, chief regional economist at IHS Markit.

“With election season heating up and the economy top of mind for business owners, this month’s Small Business Employment Watch demonstrates the continuing stability of jobs growth recently, as well as weekly earnings improvement,” said Martin Mucci, Paychex president and CEO. “The data shows consistent employment growth and yet another month of encouraging wage growth, two key indicators that the economy is off to a solid start in 2020.”” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

Weekly Earnings Growth Continues to Increase as Jobs Growth Holds Steady

“Broken down further, the January report showed:

- The South continues to top regions for small business employment growth; the West remains the leading region for hourly earnings growth.
- Tennessee ranks first among states in small business job growth; New York leads in hourly earnings growth.
- Phoenix became the top metro for small business job growth; San Francisco leads metros in hourly earnings growth.
- At 5.12 percent, Leisure and Hospitality leads hourly earnings growth among industry sectors.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

January Jobs Index

Index
98.18

12-Month Change
-0.76%

January Wage Data

Hourly Earnings
\$27.59

12-Month Growth
+2.89% (+\$0.77)

Source: Paychex | IHS Markit Small Business Employment Watch

Private Indicators

The Paychex | IHS Markit Small Business Employment Watch National Jobs Index

- “The decline seen in small business employment growth during the first half of 2019 has given way to hiring stability over the past two quarters.
- Up a modest 0.01 percent in January, the national index continues to show very little change in job gains.
- At 98.18, the Paychex | IHS Markit Small Business Jobs Index is up 0.04 percent during the past quarter, but down 0.76% from last year.” – Lisa Fleming, Kate Smith, & Tess Flynn, Paychex, Inc.

Historical View



Source: Paychex | IHS Markit Small Business Employment Watch

Private Indicators

U.S. Bank Freight Payment Index™: Q4 2019

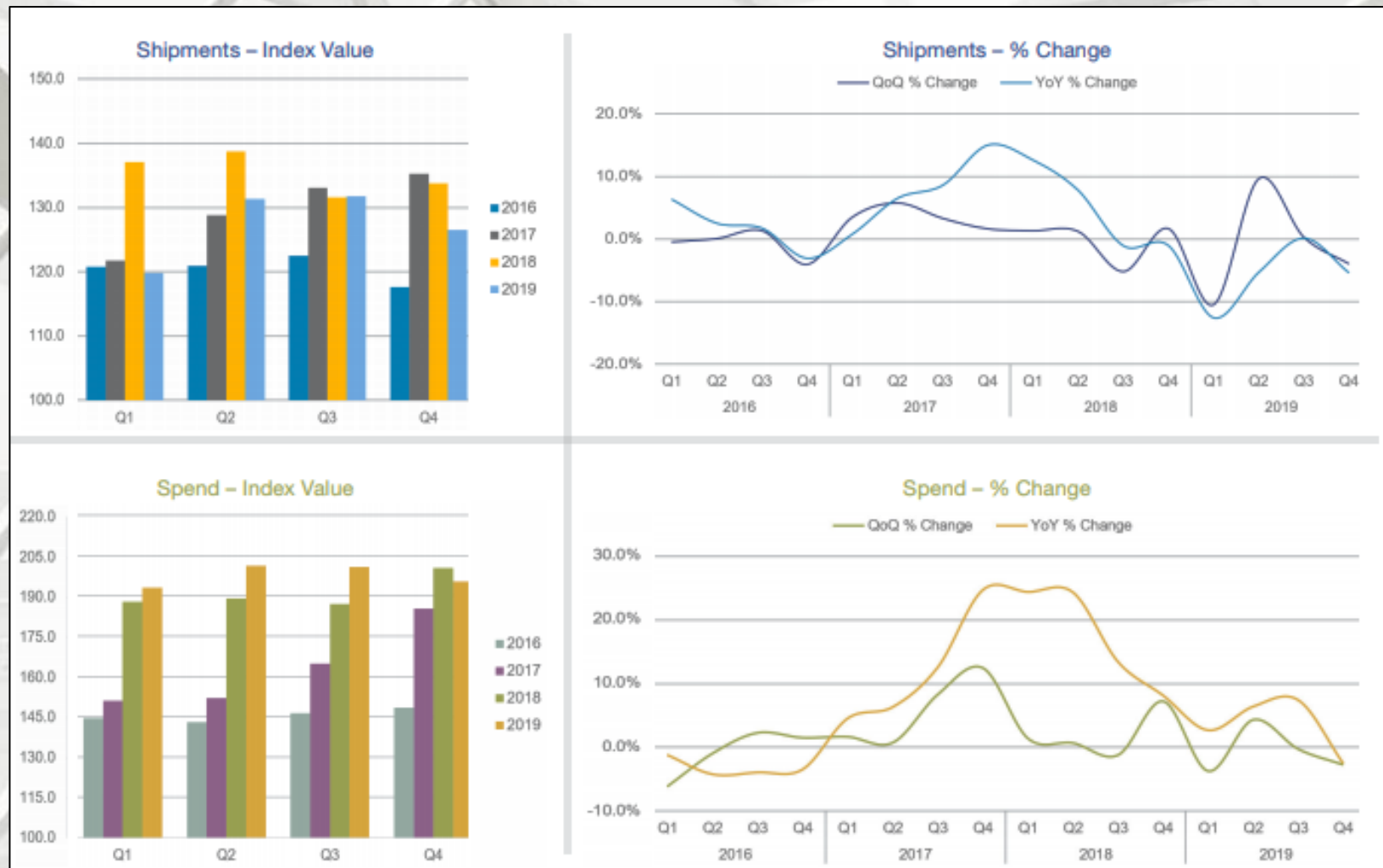
Q4 Insights from U.S. Bank

“The U.S. Bank National Shipment and Spend Indexes ended 2019 with both metrics falling sequentially and on a year-over-year basis. The tough quarter was due to weaker economic activity and difficult comparisons from a strong fourth quarter in 2018. The indexes reflect that at least parts of the economy, like manufacturing activity, are currently under pressure.

There is no doubt that 2019 overall was a tough year for motor carriers. In fact, shipments contracted 5.9%¹ from 2018, marking the largest annual drop calculated back to 2011. Spending was up 3.4%² from 2018, which is remarkable considering that volumes were off significantly. Still, it was the smallest gain calculated since 2016.

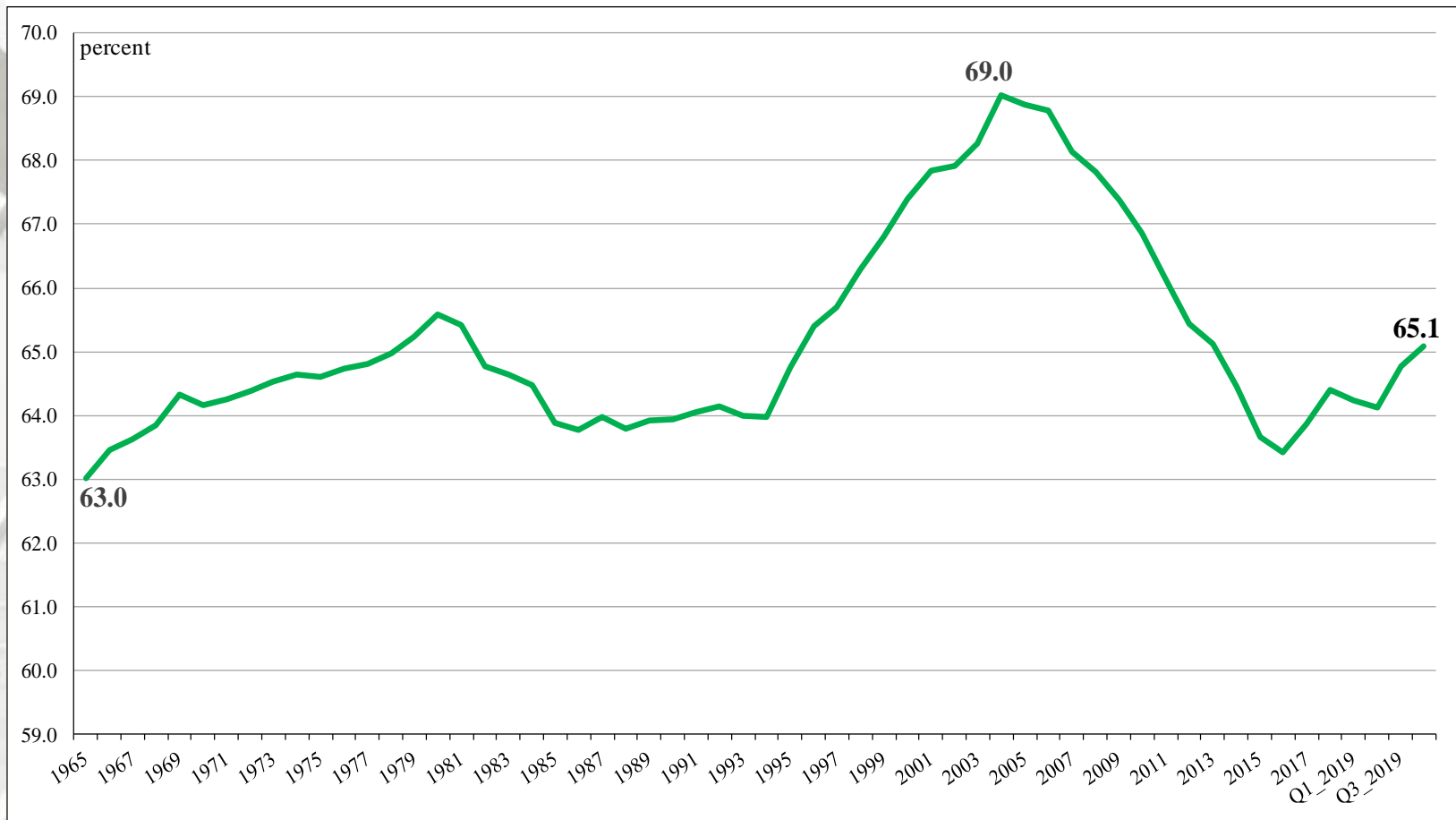
Economic forecasts would fall under 2% gross domestic product growth in the final quarter of 2019. For trucking, the falling factory sector is having a significant impact on shipments and spend. Truck sales have exceeded the demand for the added capacity. Freight levels will likely remain sluggish into the second quarter; however, shipments could start to improve as capacity starts falling with fewer truck purchases as well as carrier closures.” – Bob Costello, Chief Economist and Senior Vice President for the American Trucking Associations (ATA)

Private Indicators



Demographics

U.S. House Ownership

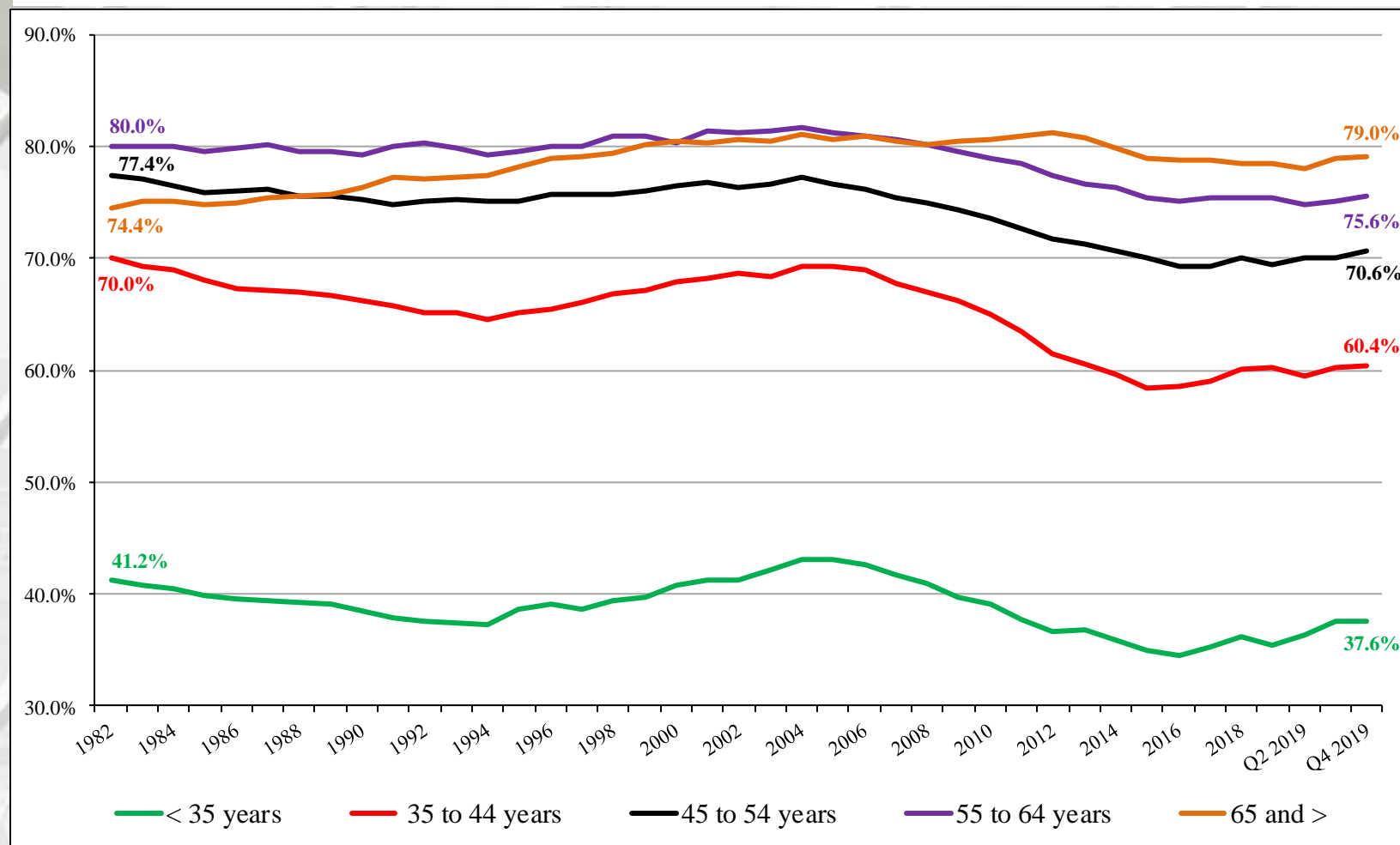


Home Ownership Rate: 1965 to Q4 2019

The U.S. home ownership rate for the fourth quarter of 2019 was 65.1%, an increase of 0.3% from Q3 and a 0.3% increase from Q4 2019.

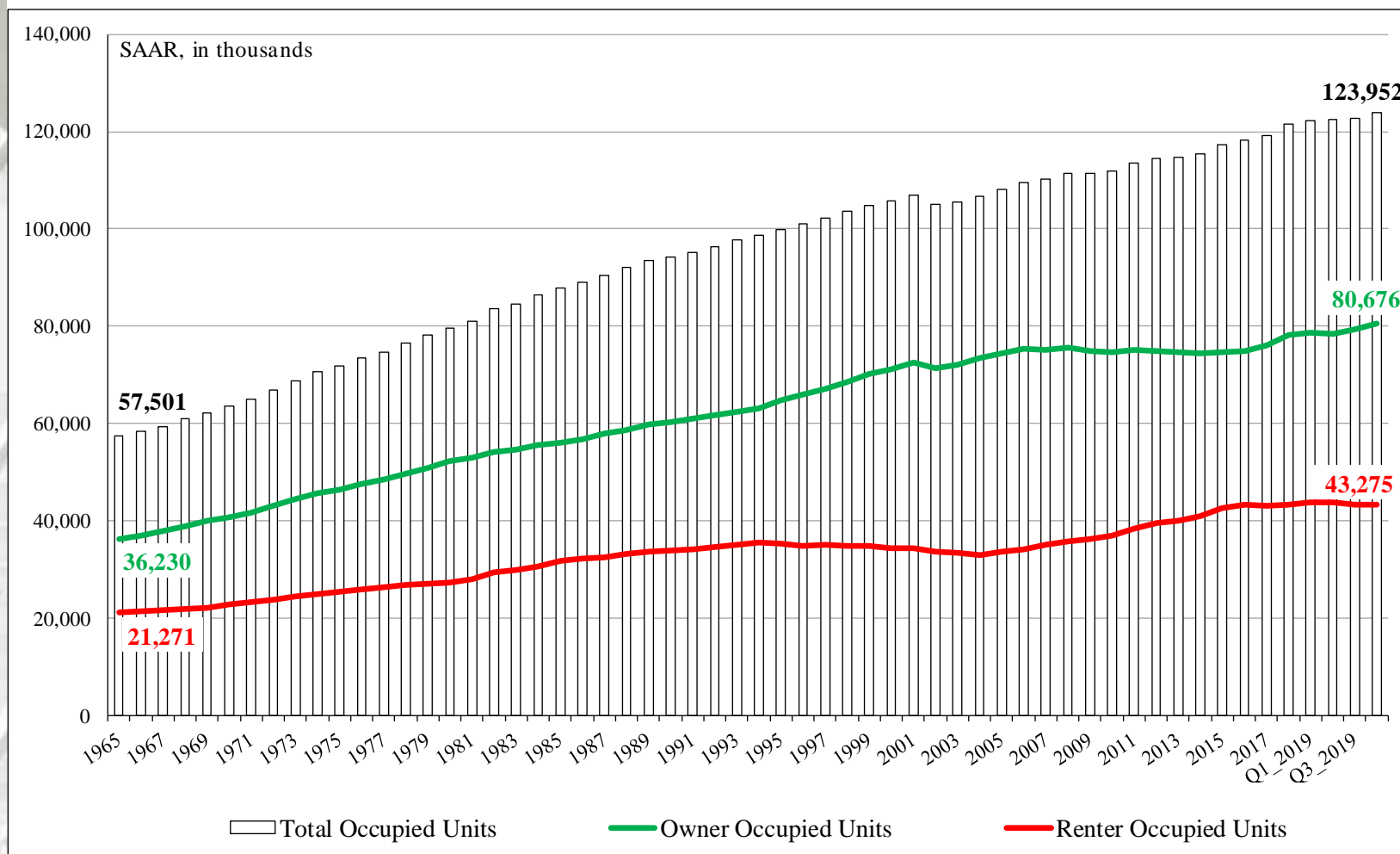
Demographics

House Ownership Rates by Age of Householder: 1994 to Q4 2019



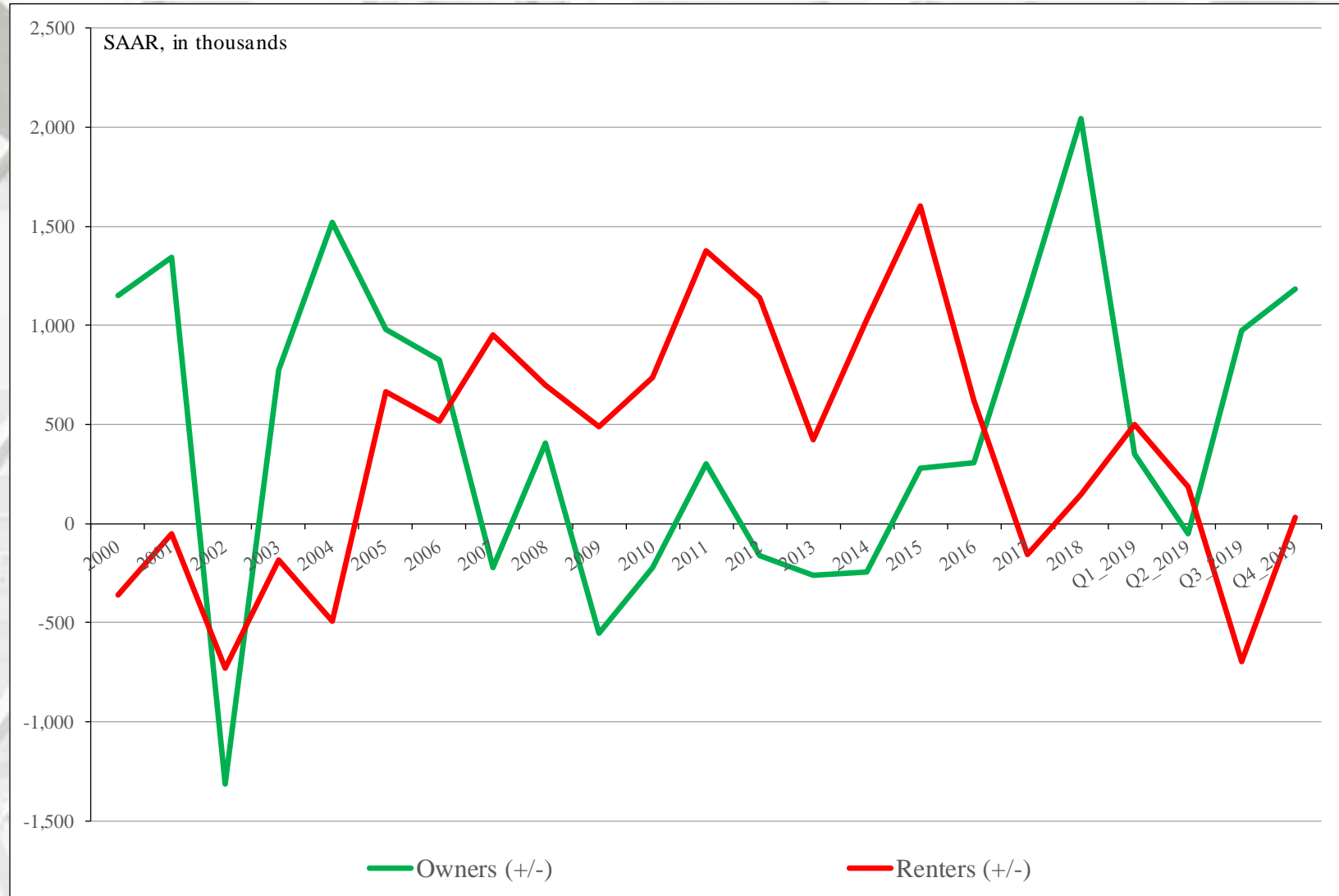
Demographics

Total-Occupied, Owner-Occupied, & Renter Occupied Housing: 1965 to Q4 2019



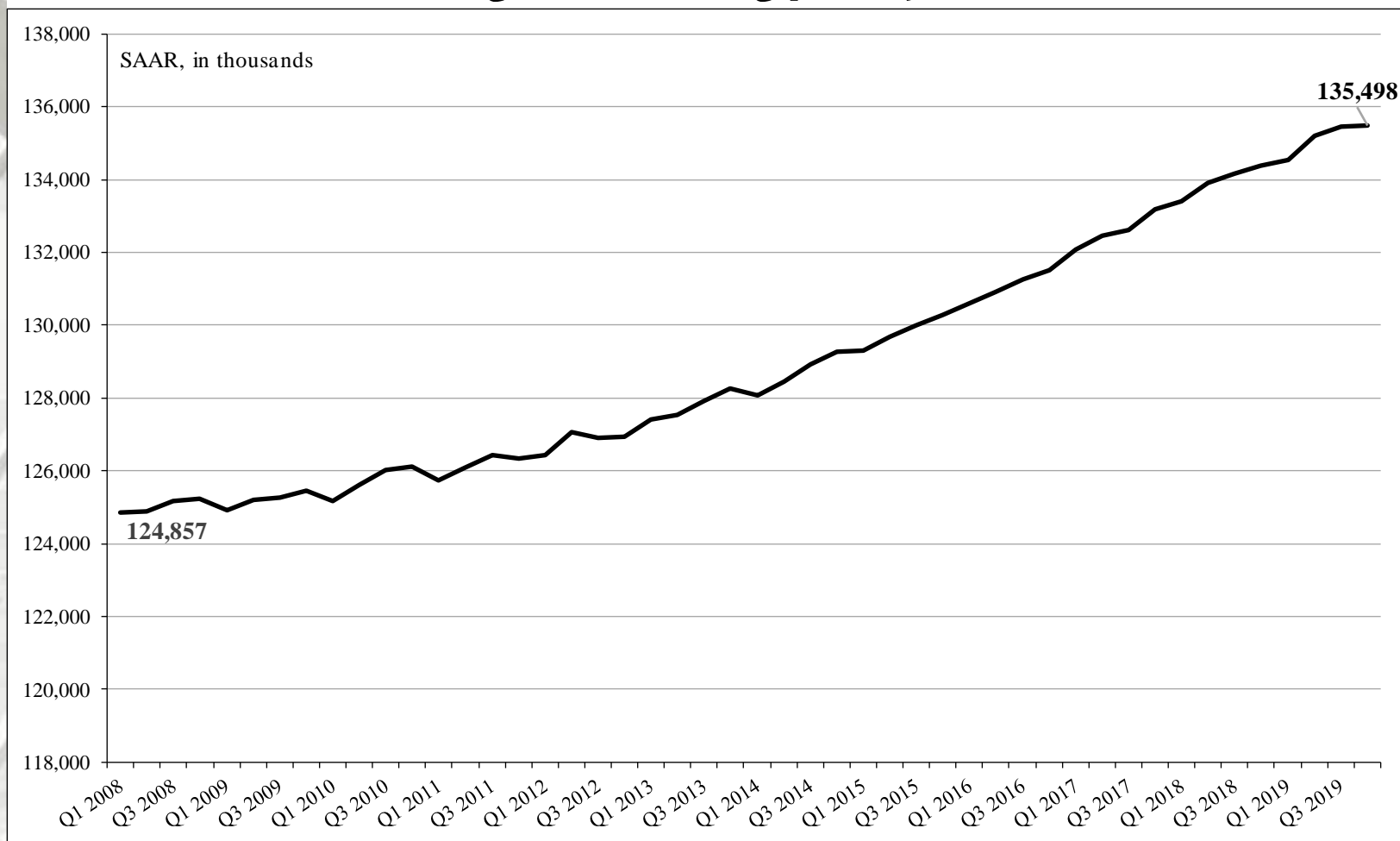
Demographics

**Net Change: Owner Occupied vs. Renter Occupied housing –
2000 to Q4 2019**



Demographics

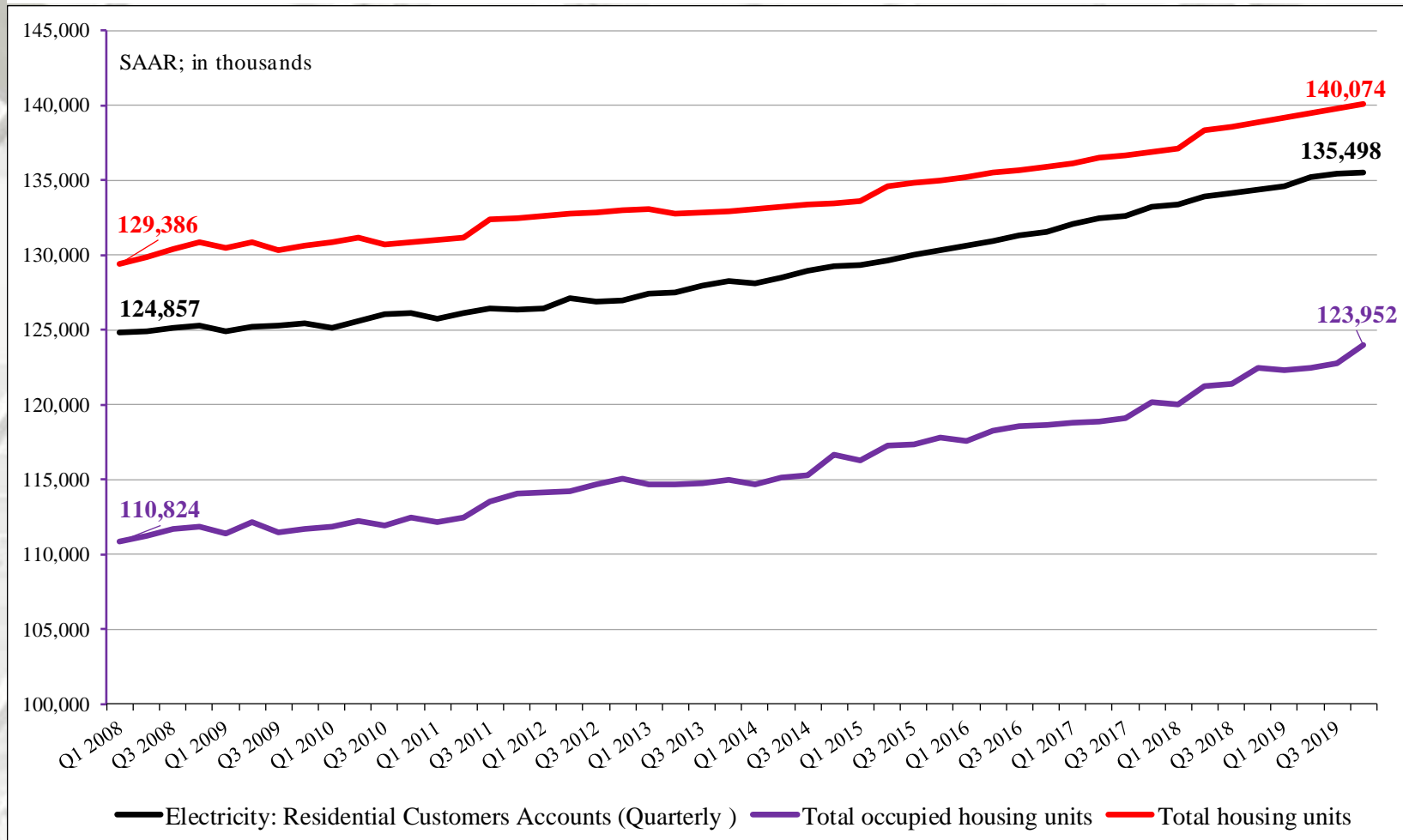
Residential Electricity Customer Accounts: Q1 2008 to Q4 2019*



* Q4 2019: estimate based on extrapolation of Q1, Q2, Q3, & Q4 2019 electricity customer accounts data.

Demographics

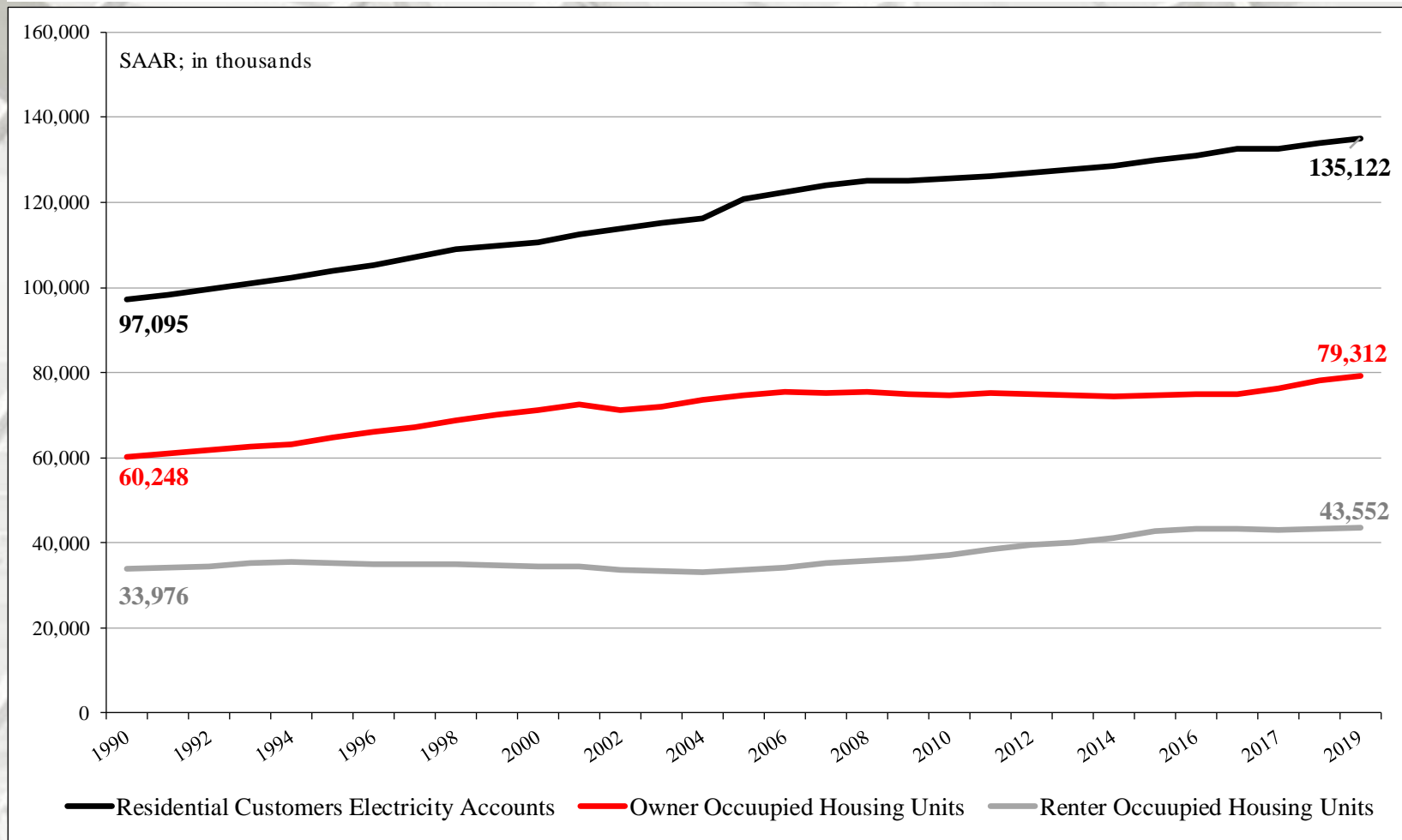
Residential Electricity Customer Accounts, Total Housing & Total Occupied Units: Q1 2008 to Q4 2019*



* Q4 2019: estimate based on extrapolation of Q1, Q2, Q3, & Q4 2019 electricity customer accounts data.

Demographics

Residential Electricity Customer Accounts, Owner Occupied and Renter Occupied Housing: Q1 2008 to Q4 2019*



* Q4 2019: estimate based on extrapolation of Q1, Q2, Q3, & Q4 2019 electricity customer accounts data.

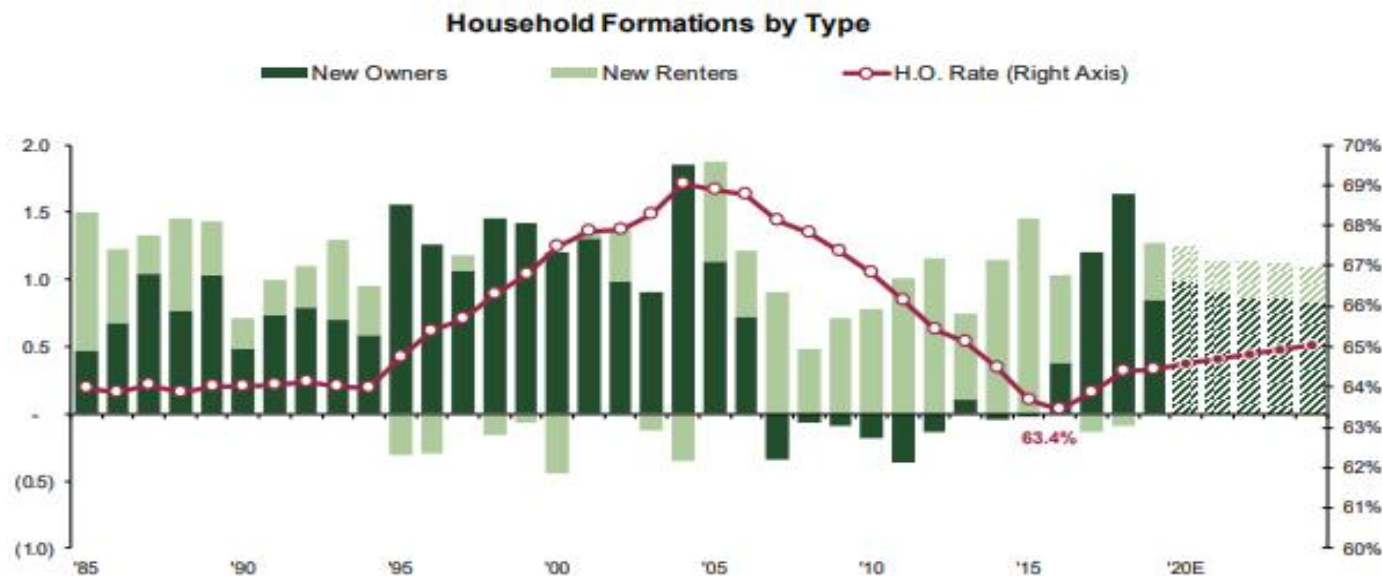
Demographics

Green Street Advisors, LLC

What's in Store for Apartments in 2020 and Beyond?

I. Demand: Renter & Owner Household Formations

- Green Street's homeownership rate forecast is largely unchanged versus the forecast set a year ago.
- The U.S. homeownership rate is expected to trend sideways over the next 5 years.



Source: U.S. Census Bureau and Green Street Advisors. Forecasts by Green Street Advisors.

Demographics

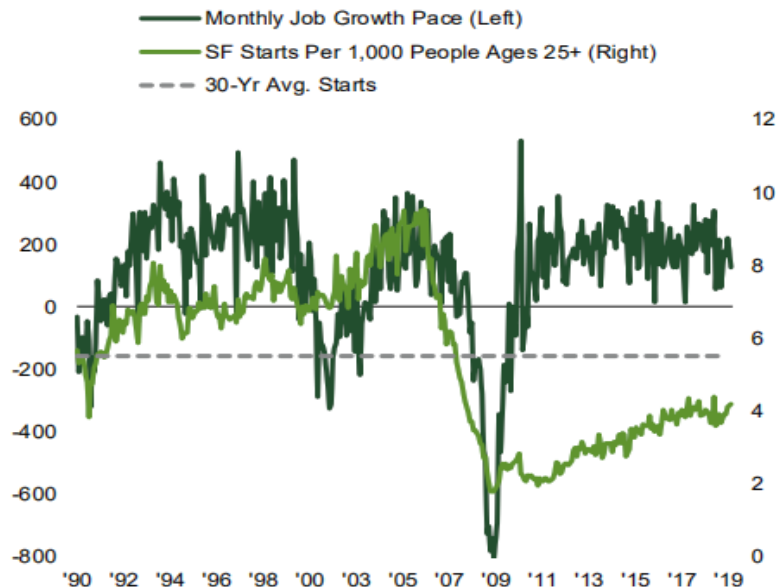
Green Street Advisors, LLC

What's in Store for Apartments in 2020 and Beyond?

I. Demand: Demographics

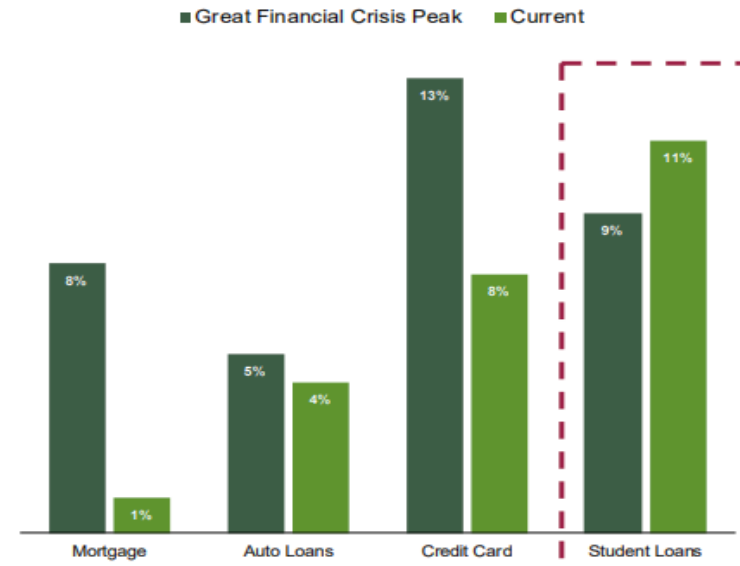
- The relationship between job growth and single-family home sales has weakened this cycle. Poorly positioned renter balance sheets will likely continue to be an anchor on homebuying activity.

Single-Family Starts vs. Nat'l Job Growth



Source: Bureau of Labor Statistics, U.S. Census, and Federal Reserve Bank of NY.

Delinquency Rates (90+ Days Late) by Loan Type



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This presentation excerpt is from Green Street Advisors' Apartment Webinar, February 5, 2020

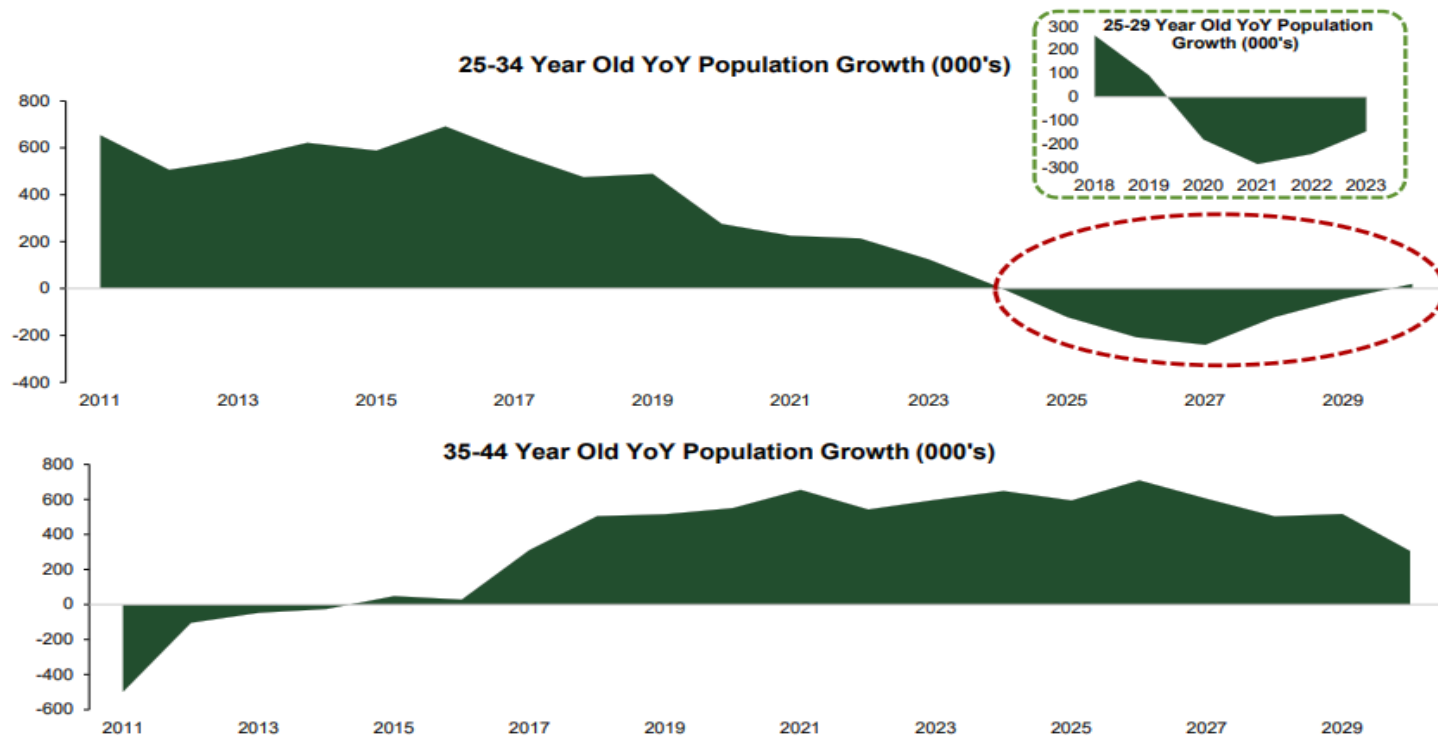
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Demographics

Green Street Advisors, LLC

What's in Store for Apartments in 2020 and Beyond?

I. Demand: Demographics (cont'd)



Source: U.S. Census Bureau.

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This presentation excerpt is from Green Street Advisors' Apartment Webinar, February 5, 2020

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Demographics

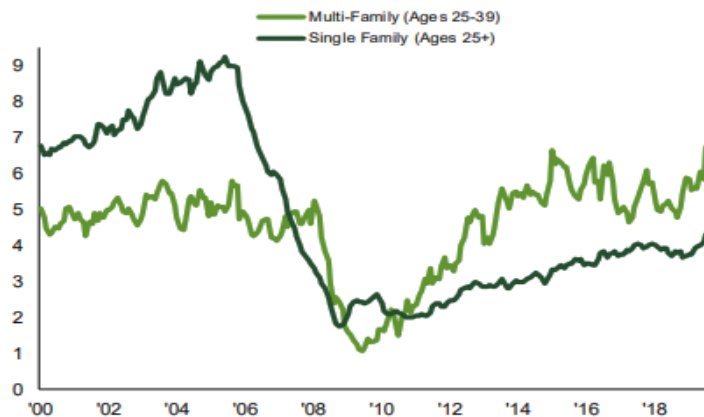
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What's in Store for Apartments in 2020 and Beyond?

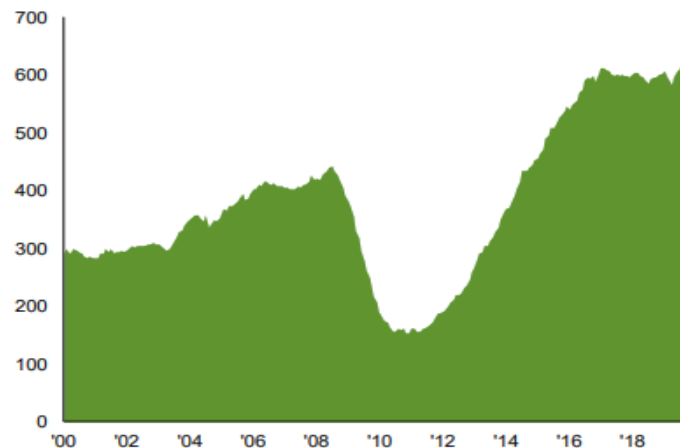
II. Supply

- Multifamily starts accelerated in '19 and now sit ~25% above levels seen in the early-2000's on a per-capita basis.
- Still-attractive development margins and ample capital should keep a floor under starts.

Multifamily and Single-Family Construction Per Capita
(Starts per 1,000 People)



Apartments (5+ Units) Under Construction (000s)



Source: Census Bureau, Green Street Advisors.

Economics

Sentier Research LLC

Median Household Income for December 2020

“New data from the monthly Current Population Survey (CPS) indicate that median annual household income was \$65,666 for December 2019, down by 0.8 percent from November 2019 but 1.1 percent above the median in December 2018 (Chart 1).

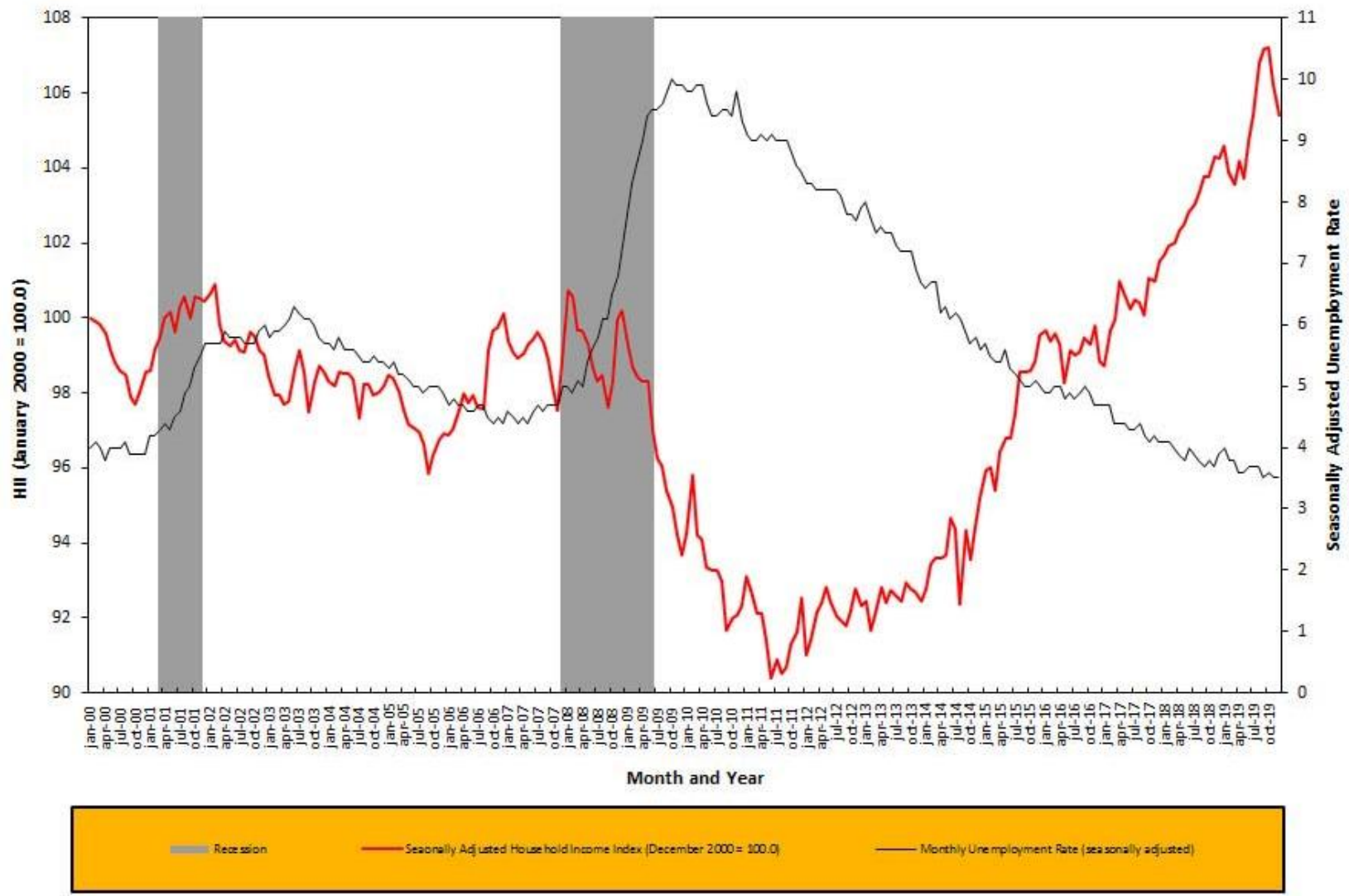
Following the “great recession” defined as lasting from December 2007 to June 2009, median household income fell to its low point in June 2011 (\$56,308). The December 2019 median of \$65,666 is 16.6 percent higher than the June 2011 median. The December 2019 median is 1.1 percent higher than that for December 2018 (\$64,945).

Median household income for December 2019 was 6.7 percent higher than the median of \$61,571 for December 2007, the official start of the Great Recession and 16.6 percent above the post-recession low point of \$56,308 in June 2011.

Despite numerous monthly increases following the June 2011 post-recession low for median household income, the December 2019 median was just 5.4 percent above the January 2000 level of \$62,303 (first year in this monthly series) after adjusting for changes in prices.” – Gordon Green and John Coder, Sentier Research LLC

Economics

Chart 1. Median Household Income Index (HII) by Monthly Unemployment Rate (URATE), January 2000 to December 2019



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