The Virginia Tech – U.S. Forest Service July 2019 Housing Commentary: Section II

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2018 Virginia Polytechnic Institute and State University CNRE-72NP

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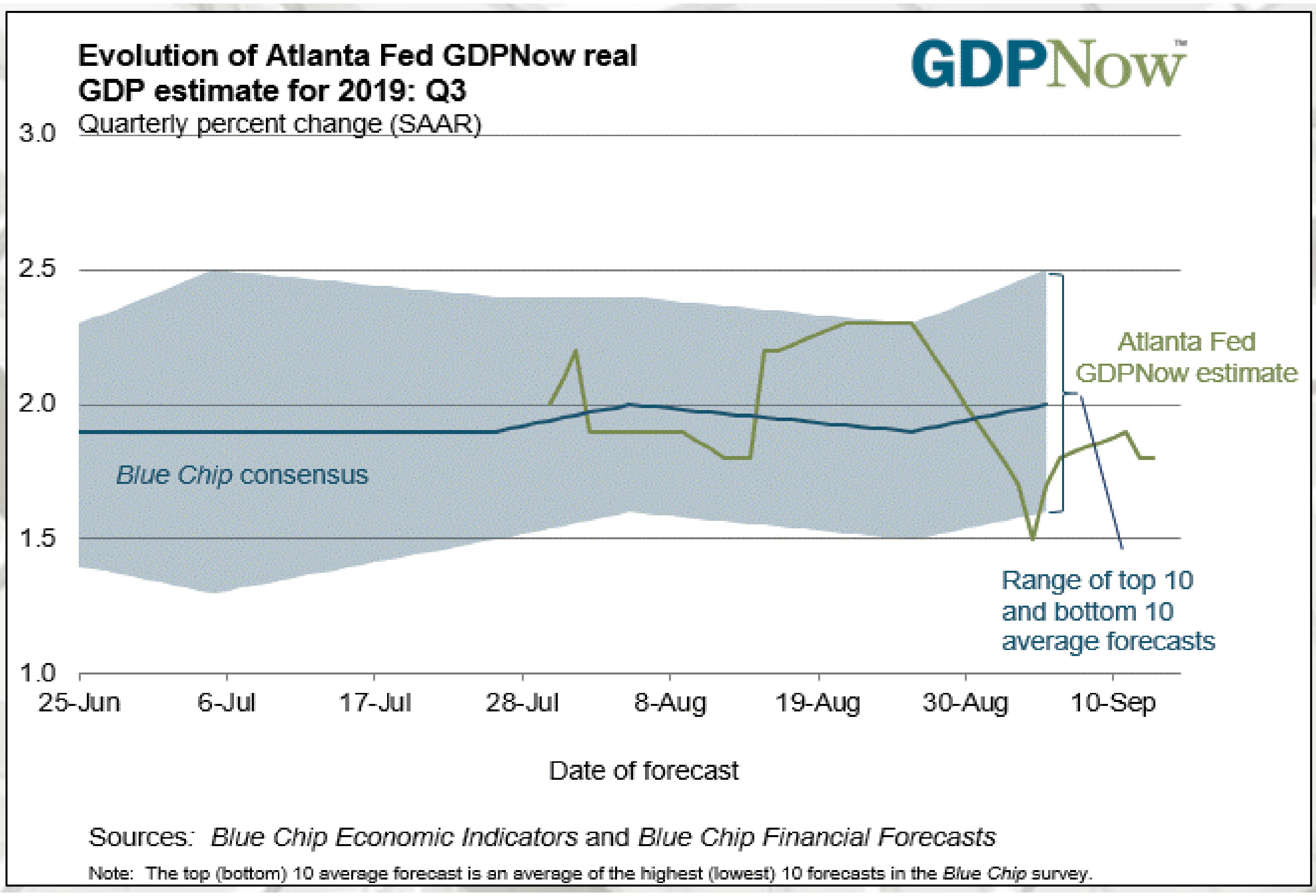
U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest forecast: 1.8 percent — September 13, 2019

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2019 is **1.8 percent** on September 13, down from 1.9 percent on September 11. After yesterday's and this morning's data releases from the U.S. Department of the Treasury's Bureau of the Fiscal Service, the U.S. Bureau of Labor Statistics, and the U.S Census Bureau, slight declines in the nowcasts of third-quarter real consumer spending and government spending growth and third-quarter real net exports were partially offset by a slight increase in the nowcast of third-quarter real gross private domestic investment growth." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 9/13/19

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The Federal Reserve Bank of Chicago: Midwest Economy Index

Index points to slower Midwest economic growth in July

“The Midwest Economy Index (MEI) decreased to –0.31 in July from –0.22 in May. Contributions to the July MEI from three of the four broad sectors of nonfarm business activity and three of the five Seventh Federal Reserve District states decreased from May. The relative MEI declined to –0.09 in July from +0.08 in May. Contributions to the July relative MEI from three of the four sectors and four of the five states decreased from May.

The manufacturing sector’s contribution to the MEI moved down to –0.09 in July from –0.01 in May. The pace of manufacturing activity decreased in Illinois, Indiana, Iowa, and Michigan, but increased in Wisconsin. Manufacturing’s contribution to the relative MEI decreased to +0.11 in July from +0.15 in May. The construction and mining sector’s contribution to the MEI moved up to –0.04 in July from –0.07 in May. The pace of construction and mining activity was faster in Illinois, Indiana, and Iowa, but unchanged in Michigan and Wisconsin. The contribution from construction and mining to the relative MEI edged up to +0.01 in July from –0.01 in May.

The service sector contributed –0.18 to the MEI in July, down from –0.14 in May. The pace of service sector activity was down in Indiana, Michigan, and Wisconsin, but up in Illinois and Iowa. The service sector’s contribution to the relative MEI decreased to –0.22 in July from –0.11 in May.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/~/media/publications/mei/2019/mei-Julye2019-pdf.pdf; 7/31/19

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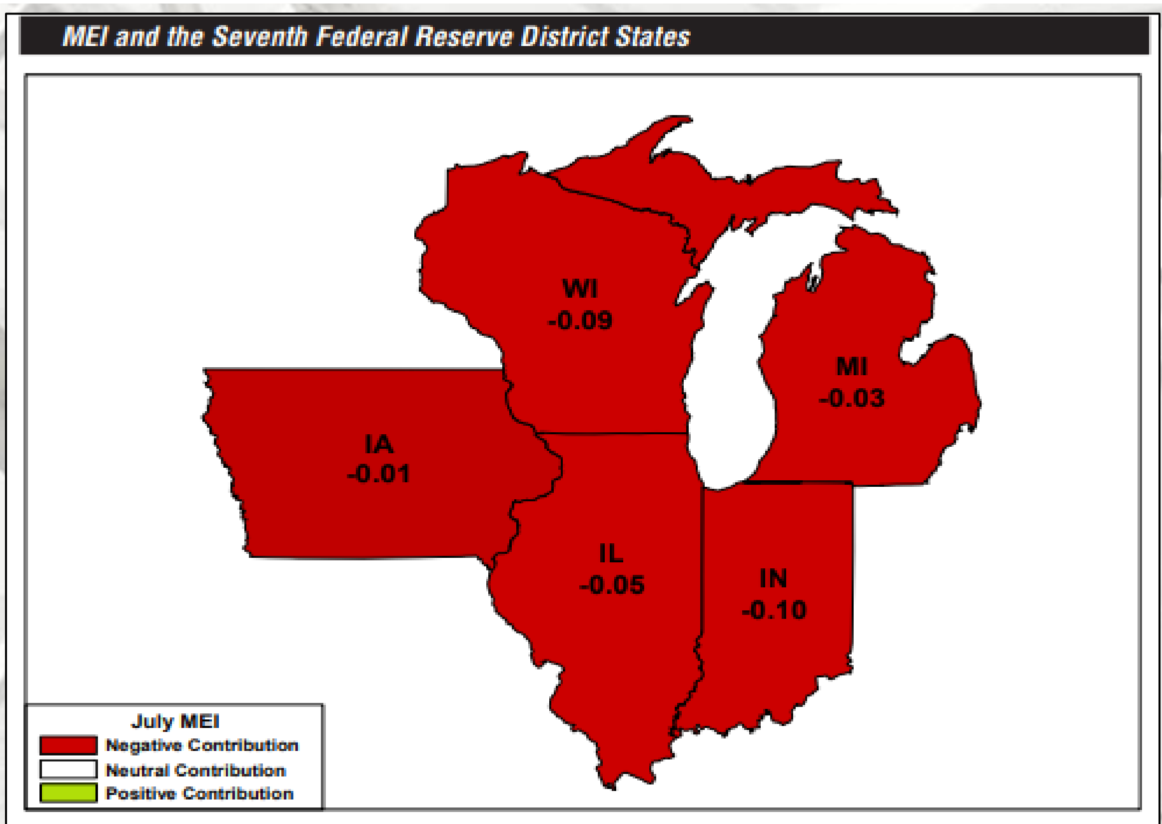
The Federal Reserve Bank of Chicago: Midwest Economy Index



Note: The map's coloring summarizes the most recent contribution to growth in Midwest economic activity from each of the five states in the Seventh Federal Reserve District (Illinois, Indiana, Iowa, Michigan, and Wisconsin).

Index Points to Little Change in Midwest Economic Growth in July

"The Midwest Economy Index (MEI) was –0.27 in July, up slightly from –0.30 in June. Contributions to the July MEI from three of the four broad sectors of nonfarm business activity and one of the five Seventh Federal Reserve District states increased from June. The relative MEI was unchanged at –0.06 in July. Contributions to the July relative MEI from two of the four sectors and two of the five states increased from June." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/~/media/publications/mei/2019/mei-Julye2019-pdf.pdf; 8/30/19

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The Federal Reserve Bank of Chicago: Midwest Economy Index

Index Points to Little Change in Midwest Economic Growth in July

"The manufacturing sector's contribution to the MEI ticked up to –0.08 in July from –0.09 in June. The pace of manufacturing activity increased in Iowa, but decreased in Illinois and Wisconsin and was unchanged in Indiana and Michigan. Manufacturing's contribution to the relative MEI decreased to +0.04 in July from +0.11 in June.

The construction and mining sector's contribution to the MEI ticked up to –0.02 in July from –0.03 in June. The pace of construction and mining activity was faster in Wisconsin, but slower in Illinois and Indiana and unchanged in Iowa and Michigan. The contribution from construction and mining to the relative MEI edged up to +0.04 in July from +0.01 in June.

The service sector contributed –0.15 to the MEI in July, up slightly from –0.18 in June. The pace of service sector activity was up in Illinois, Iowa, and Wisconsin, but down in Michigan and unchanged in Indiana. The service sector's contribution to the relative MEI increased to –0.15 in July from –0.21 in June.

Consumer spending indicators contributed –0.03 to the MEI in July, down from a neutral value in June. Consumer spending indicators were, on balance, down in Michigan and Wisconsin, but steady in Illinois, Indiana, and Iowa. Consumer spending's contribution to the relative MEI ticked down to +0.01 in July from +0.02 in June." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/~/media/publications/mei/2019/mei-Julye2019-pdf.pdf; 8/30/19

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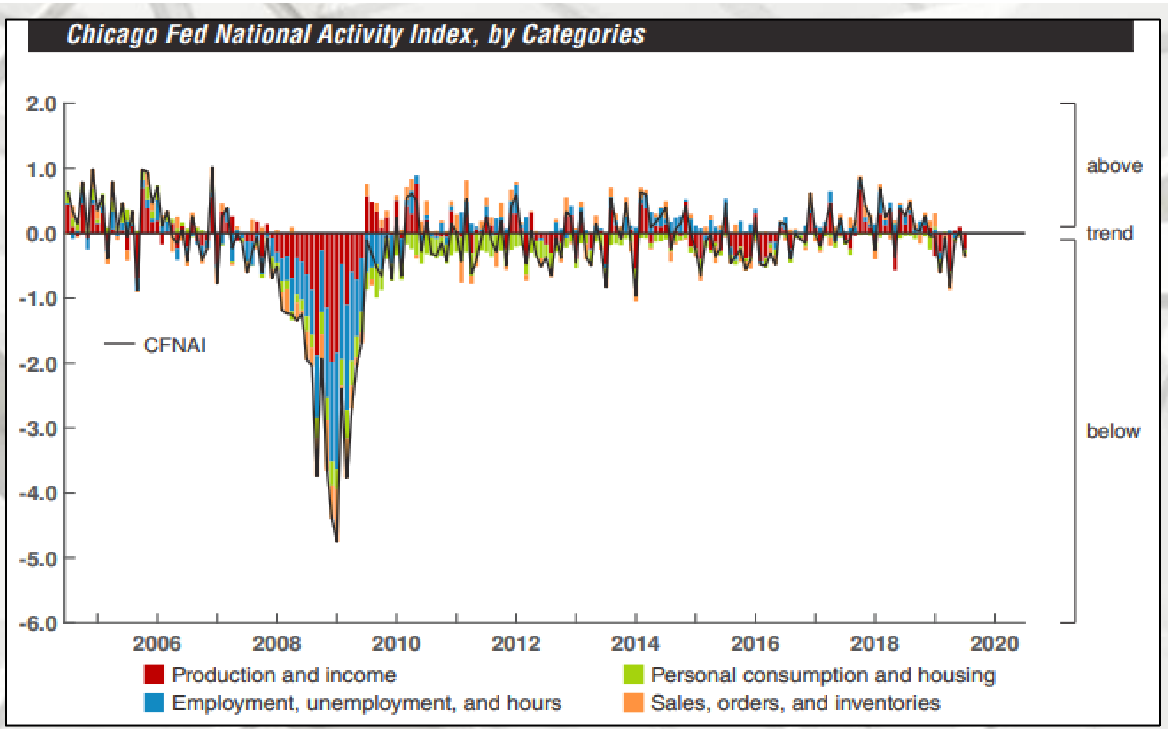
The Federal Reserve Bank of Chicago: National Activity Index



Index Points to slower economic growth in July

"Led by declines in production-related indicators, the Chicago Fed National Activity Index (CFNAI) fell to –0.36 in July from +0.03 in June. All four broad categories of indicators that make up the index decreased from June, and all four categories made negative contributions to the index in July. The index's three-month moving average, CFNAI-MA3, moved up to –0.14 in July from –0.30 in June.

The CFNAI Diffusion Index, which is also a three-month moving average, edged down to –0.19 in July from –0.15 in June. Twenty-six of the 85 individual indicators made positive contributions to the CFNAI in July, while 59 made negative contributions. Thirty indicators improved from June to July, while 54 indicators deteriorated and one was unchanged. Of the indicators that improved, 14 made negative contributions." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 8/26/19

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The Federal Reserve Bank of Chicago: National Activity Index

Index points to slower economic growth in July

"Production-related indicators contributed –0.25 to the CFNAI in July, down from +0.09 in June. Total industrial production decreased 0.2 percent in July after increasing 0.2 percent in June, and manufacturing production decreased 0.4 percent in July after rising 0.6 percent in the previous month. The contribution of the sales, orders, and inventories category to the CFNAI decreased to –0.05 in July from –0.01 in June.

Employment-related indicators contributed –0.01 to the CFNAI in July, down slightly from a neutral value in June. Total nonfarm payrolls increased by 164,000 in July after rising by 193,000 in the previous month. The contribution of the personal consumption and housing category to the CFNAI ticked down to –0.06 in July from –0.05 in June.

The CFNAI was constructed using data available as of August 22, 2019. At that time, July data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The June monthly index value was revised to +0.03 from an initial estimate of –0.02, and the May monthly index value was revised to –0.10 from last month's estimate of –0.03." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 8/26/19

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The Federal Reserve Bank of Dallas

Texas Manufacturing Expansion Picks Up Pace

“Texas factory activity expanded at a faster clip in August, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, shot up nine points to 17.9, its highest reading in nearly a year.

Other measures of manufacturing activity also suggested faster expansion in August. The shipments index rose seven points to 17.6, and the capacity utilization index rose five points to 15.7, both reaching 11-month highs. The new orders index moved up from 5.5 to 9.3, while the growth rate of orders index was largely unchanged at 1.8.

Perceptions of broader business conditions improved in August. The general business activity index pushed into positive territory for the first time in four months, rising nine points to 2.7. Similarly, the company outlook index rose to 5.0 following three months in negative territory. However, the index measuring uncertainty regarding companies’ outlooks jumped nine points to 18.6, a reading well above average.

Labor market measures suggested slower growth in employment and work hours in August. The employment index remained positive but retreated 11 points to 5.5, a level closer to average. Eighteen percent of firms noted net hiring, while 12 percent noted net layoffs. The hours worked index edged down to 4.0.

Input costs and wages continued to rise in August, while selling prices declined slightly. The raw materials prices index remained positive but fell from 17.0 to 9.8. The wages and benefits index rose seven points to 27.3, an elevated level. Meanwhile, the finished goods prices index posted a second slightly negative reading in a row, suggesting a modest decline in selling prices this month.”
– Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tmos/2019/1908.aspx; 8/26/19

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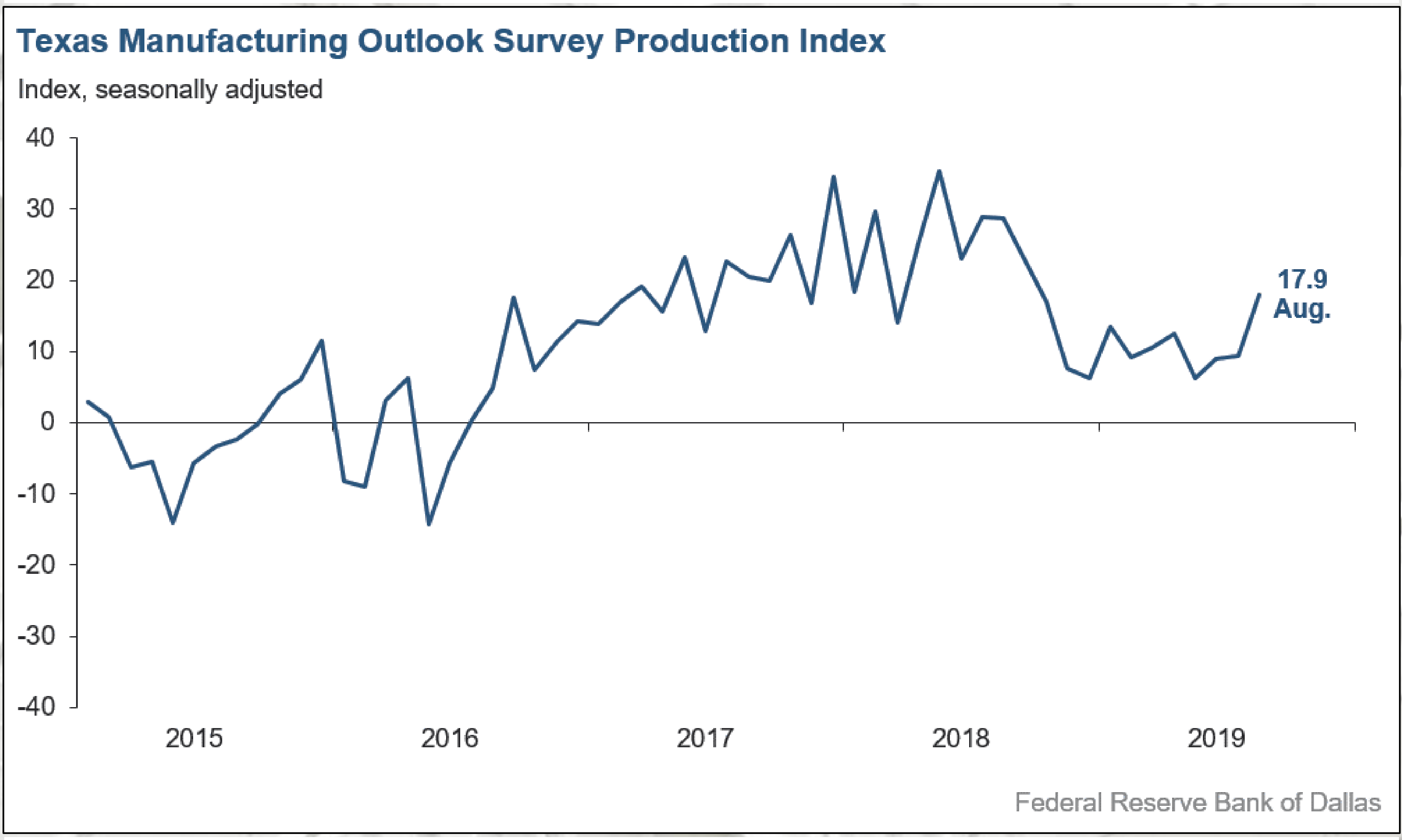
The Federal Reserve Bank of Dallas



Texas Manufacturing Expansion Picks Up Pace

“Expectations regarding future business conditions remained positive in August. The index of future general business activity posted a second consecutive positive reading but moved down five points to 1.4. The index of future company outlook was little changed at 10.4. Both readings, while positive, remain well below average. Other indexes of future manufacturing activity moved down but stayed solidly in positive territory.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tmos/2019/1908.aspx; 8/26/19

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The Federal Reserve Bank of Dallas

Texas Service Sector Growth Softens

"Activity in the Texas service sector grew at a weaker pace in August, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, fell from 20.9 in July to 7.8 in August.

Labor market indicators reflected faster employment growth and longer workweeks this month. The employment index rose from 8.7 to 10.2, while the hours worked index was mostly unchanged at 8.2 in August.

Perceptions of broader business conditions softened, and uncertainty increased compared with July. The general business activity index declined over four points to 0.2 in August, while the company outlook index fell over six points into negative territory at -2.5. The outlook uncertainty index rose to an all-time high of 19.6, with 30 percent of respondents noting greater uncertainty compared with July.

Wage pressures remained elevated in August, while price pressures were mixed. The wages and benefits index was mostly unchanged at 20.0. The selling prices index declined from 5.8 to 1.5 — its lowest reading since early 2016 — while the input prices index increased slightly to 23.8.

Respondents' expectations regarding future business conditions weakened compared with July. The future company outlook index dropped nearly nine points to 4.6 in August, while the future general business activity index plummeted from 10.7 to -4.0. Other indexes of future service sector activity, such as revenue and employment, fell below their 12-month averages but continued to reflected expectations of positive growth over the next six months." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tssos/2019/1908.aspx#tab-report; 8/27/19

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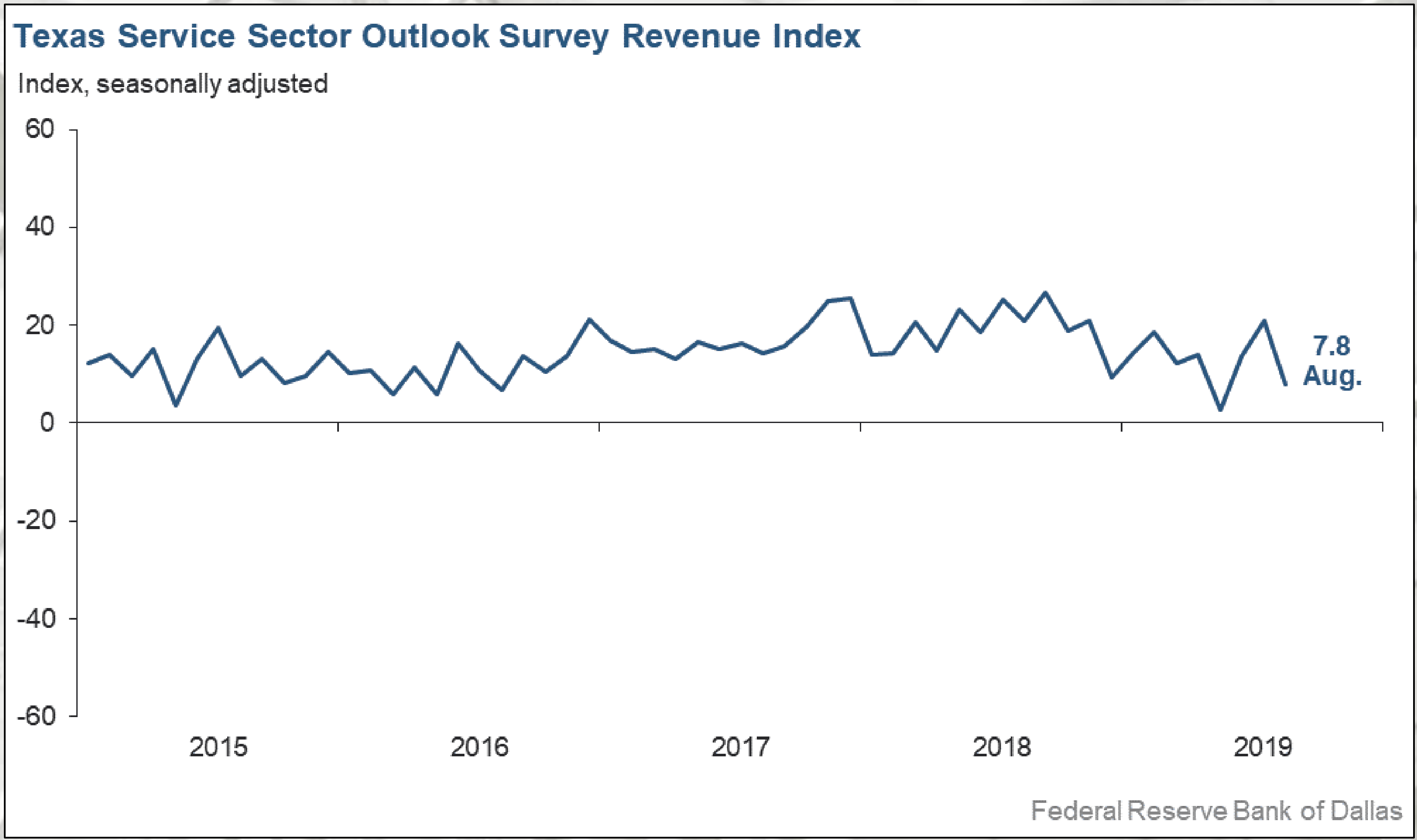
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys/tssos/2019/1908.aspx#tab-report; 8/27/19

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The Federal Reserve Bank of Dallas

Retail Sales Hold Flat

"Retail sales were flat in August, according to business executives responding to the Texas Retail Outlook Survey. The sales index held largely steady at -0.2, indicating little net change compared with July. Growth in inventories declined slightly, as the inventories index dipped from 7.3 to 5.5.

Retail labor market indicators weakened compared with July, as respondents indicated a decline in employment and a slightly shortened workweek. The employment index dropped over six points to -5.6, while the hours worked index fell from 1.7 in July to -2.9 in August.

Retailers' perceptions of broader business conditions deteriorated further in August. The general business activity index weakened from -7.7 to -8.9, while the company outlook index dropped nearly six points to -13.8. The outlook uncertainty index increased this month, surging over 15 points to 21.1.

Retail price and wage pressures increased in August. The input prices index increased 11 points to 18.8, while the selling prices index surged from 5.8 to a 10-month high of 16.8. The wages and benefits index ticked up from 12.1 to 13.5.

Retailers' perception of future business conditions turned pessimistic this month. The future general business activity index fell nearly 15 points to -14.6, while the future company outlook index plummeted 23 points to -12.4. Most other indexes of future retail sector activity also fell, reflecting expectations for weaker growth over the next six months." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tssos/2019/1908.aspx#tab-report; 8/27/19

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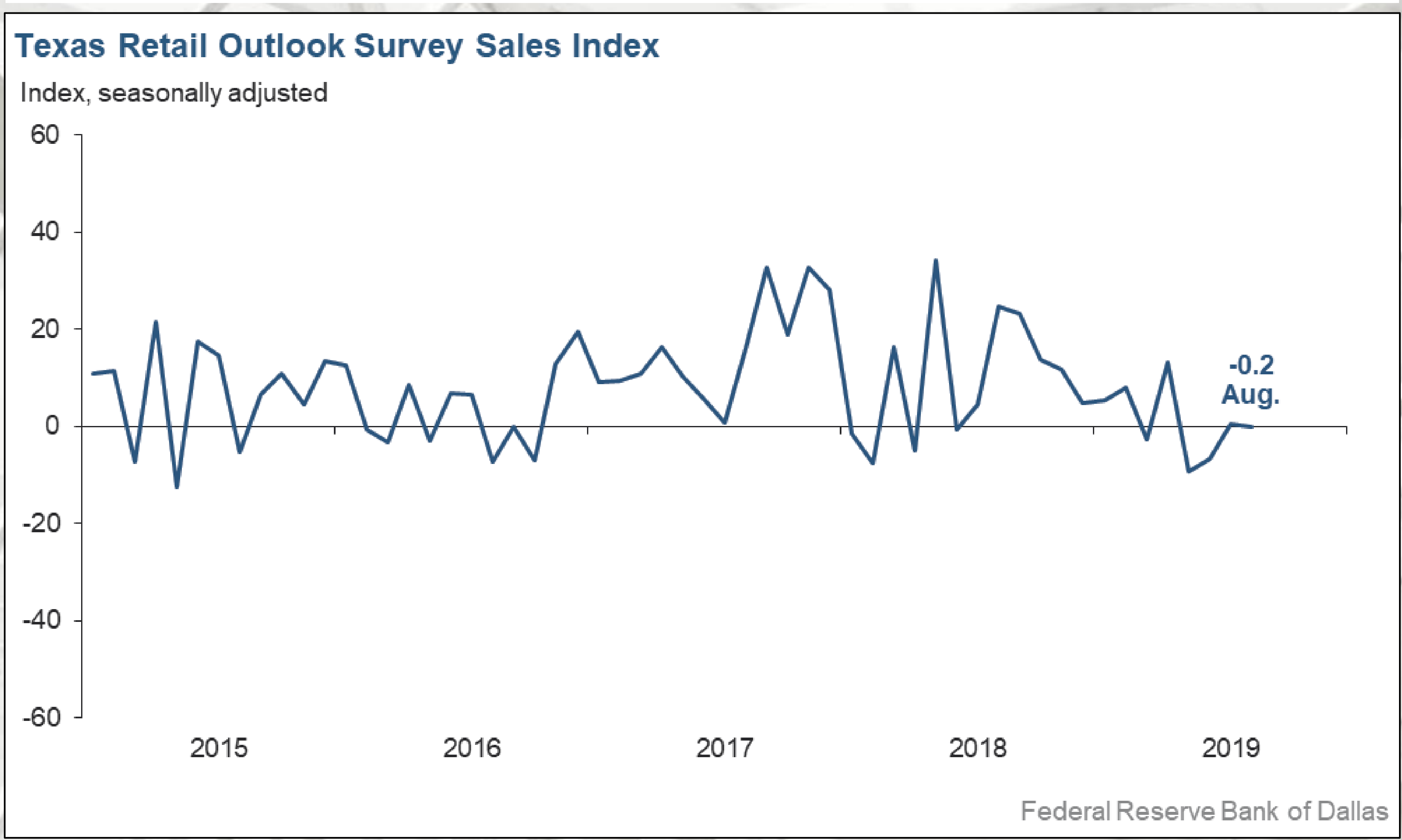
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys/tssos/2019/1908.aspx#tab-report; 8/27/19

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District manufacturing declined in August

Tenth District manufacturing activity declined in August, while expectations for future activity edged higher.

"Tenth District manufacturing activity declined in August, while expectations for future activity edged higher (Chart 1). The month-over-month price indexes for raw materials and finished products decreased, turning negative for the first time since 2016. Firms continued to expect prices to rise over the next 6 months, however.

Factory activity declined in August

The month-over-month composite index was -6 in August, down from -1 in July and 0 in June, and the lowest reading since March 2016 (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The drop in manufacturing activity was driven by declines at both durable and nondurable plants, but especially from decreases in primary metal, electrical equipment, appliances, paper, printing, and chemical manufacturing. Most month-over-month indexes decreased in August, and the shipments and supplier delivery time indexes also turned negative. All of the year-over-year factory indexes decreased in August, and the composite index fell from 11 to -1. On the other hand, the future composite index edged higher from 9 to 11, as expectations for shipments, order backlog, employment, and new orders for exports grew slightly." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/en/research/indicatorsdata/mfg/articles/2019/manufacturing-activity-declined-08; 8/22/19

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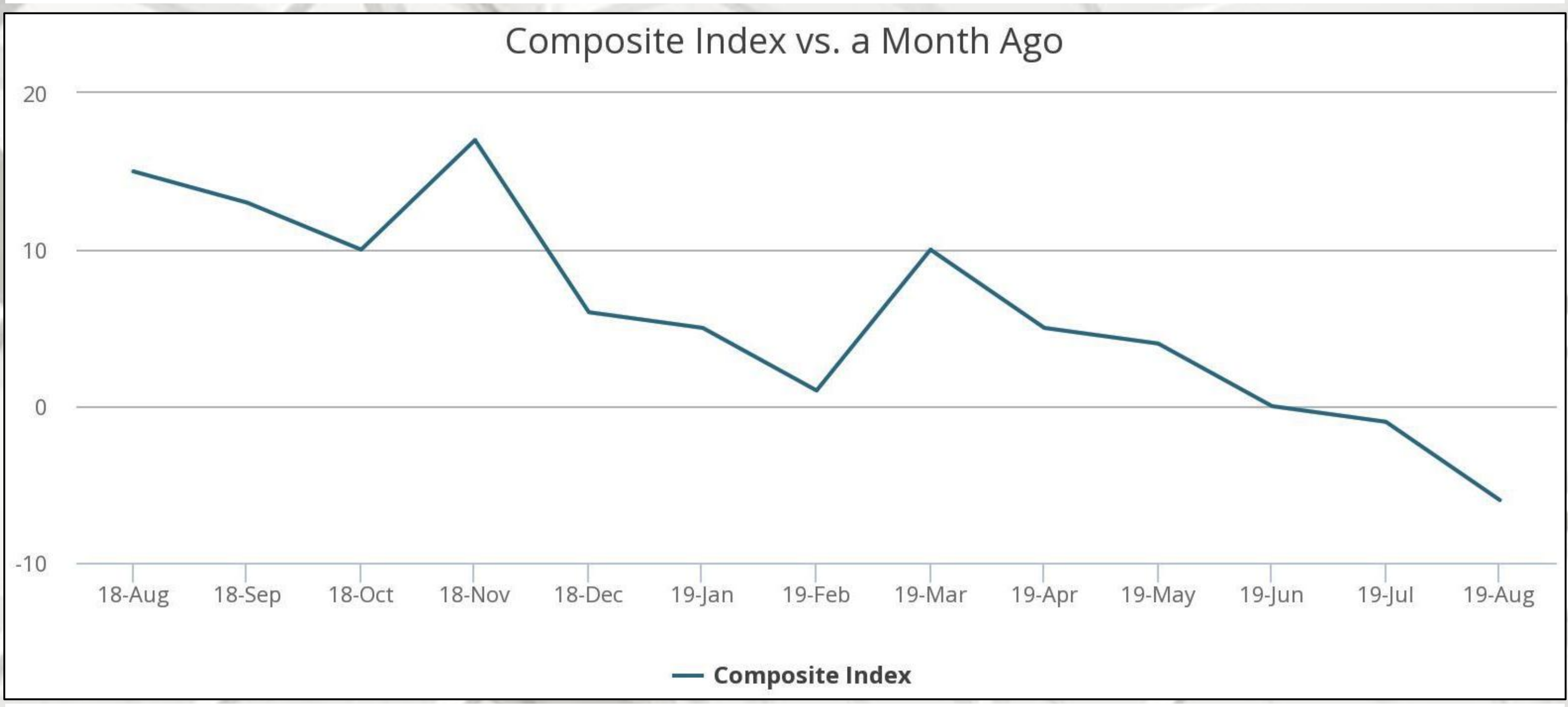
The Federal Reserve Bank of Kansas City



The Federal Reserve Bank of Kansas City

Special questions

"This month contacts were asked special questions about the impact of recent tariff announcements and their expectations regarding the duration of trade tensions. Over 55 percent of regional manufacturing contacts expect the most recent round of announcements of U.S. tariffs on Chinese goods to negatively impact their business, while less than 6 percent expect a positive impact. More than 37 percent of firms expect trade tensions to persist for 1-2 years, and 29 percent of firms expect trade tensions to last for 6-12 months. However, 13 percent of contacts expect trade tensions to subside within 6 months, while 20 percent expect trade tensions to last for more than 2 years." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/en/research/indicatorsdata/mfg/articles/2019/manufacturing-activity-declined-08; 8/22/19

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The Federal Reserve Bank of Kansas City

Table 1. Summary of Tenth District Manufacturing Conditions, August 2019

	August vs. July (percent)*					August vs. Year Ago (percent)*				Expected in Six Months (percent)*				
Plant Level Indicators	Increase	No Change	Decrease	Diff Index^	SA Index*^	Increase	No Change	Decrease	Diff Index^	Increase	No Change	Decrease	Diff Index^	SA Index*^
Composite Index				-8	-6				-1				8	11
Production	28	36	36	-8	-2	36	27	37	-1	45	28	28	17	23
Volume of shipments	29	32	39	-9	-7	39	25	36	3	41	32	28	13	20
Volume of new orders	19	40	41	-23	-16	29	25	45	-16	39	29	32	8	11
Backlog of orders	15	50	35	-19	-19	24	40	36	-12	30	38	32	-1	4
Number of employees	14	64	23	-9	-7	40	28	32	8	31	43	27	4	7
Average employee workweek	21	65	13	8	7	25	47	28	-3	25	52	23	3	4
Prices received for finished product	9	78	12	-3	-3	55	30	15	41	36	51	13	23	20
Prices paid for raw materials	16	65	19	-3	-2	56	21	23	33	47	40	13	33	35
Capital expenditures						39	41	20	19	28	50	22	7	12
New orders for exports	8	80	11	-3	0	13	72	15	-3	15	74	11	4	6
Supplier delivery time	3	89	8	-6	-6	17	68	15	3	16	75	9	7	4
Inventories: Materials	28	47	24	4	3	35	34	31	4	27	53	20	7	11
Inventories: Finished goods	24	47	29	-6	-6	31	40	29	1	27	51	23	4	4

*Percentage may not add to 100 due to rounding.

^Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

*^Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The August survey was open for a five-day period from August 14-19, 2019 and included 77 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Source: https://www.kansascityfed.org/en/research/indicatorsdata/mfg/articles/2019/manufacturing-activity-declined-08; 8/22/19

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District services activity increased

Tenth District services activity increased in August, and expectations for future growth expanded. Most input and selling price indexes eased down somewhat, with month-over-month selling prices turning negative for the first time since October 2016. However, expectations for future selling prices rose in August.

Business increased in August

"The month-over-month services composite index was 17 in August, up from -1 in July and 1 in June (Chart 1). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were somewhat mixed in August, but mostly positive. The general revenue/sales index rebounded substantially and the capital expenditures index expanded, while the employment and wages and benefits indexes edged lower. The jump in general revenue/sales index was driven by increases in transportation, restaurants, professional and business activity, and other services. Year-over-year services indexes dipped slightly compared to last month. Compared with a year ago, the services composite index inched down from 17 to 15. Expectations for the services composite index rose from 14 to 18 as the future revenue/sales, inventory, capital expenditures, and access to credit indexes increased." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/research/indicatorsdata/services/articles/2019/august-2019-services-survey; 8/23/19

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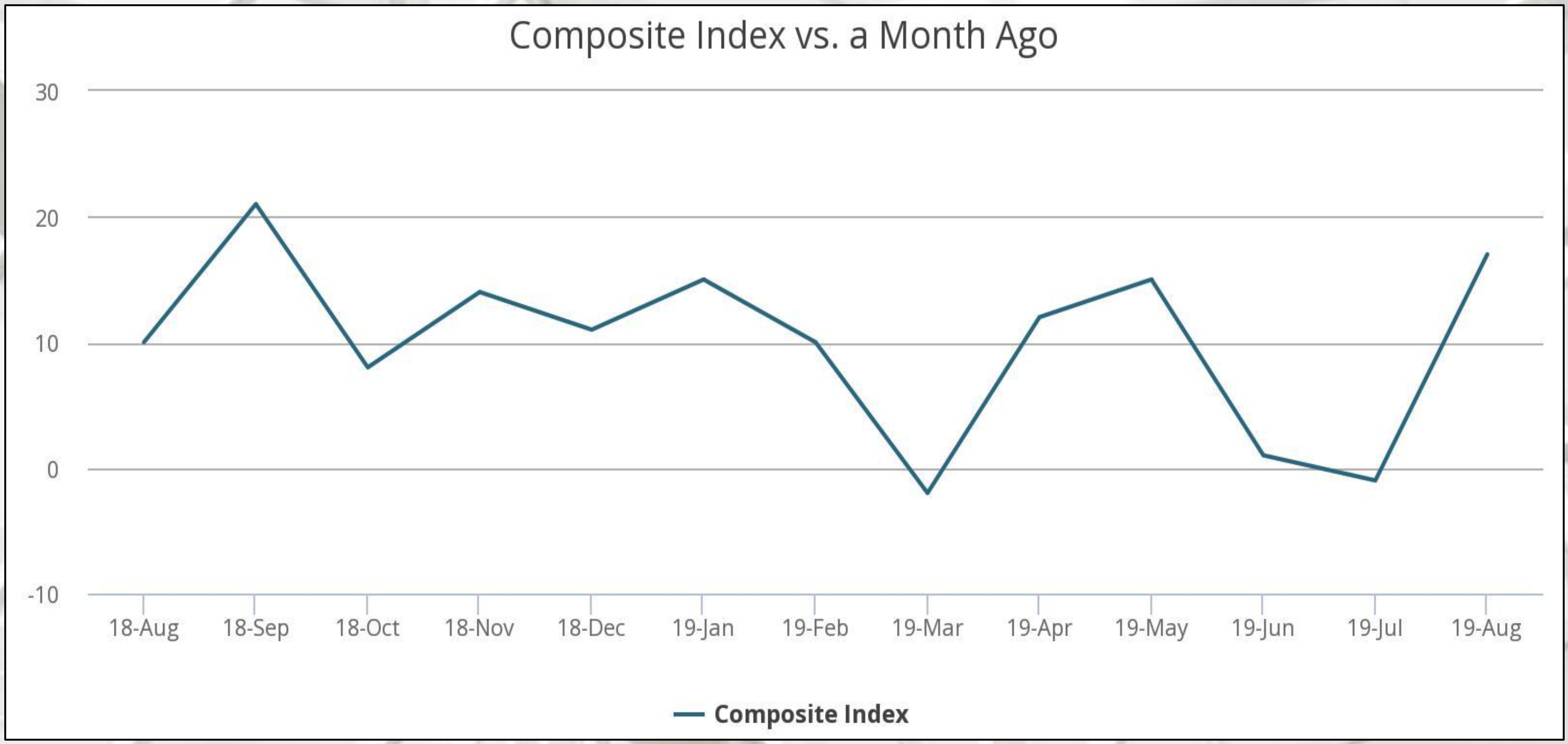
U.S. Economic Indicators



Source: https://www.kansascityfed.org/research/indicatorsdata/services/articles/2019/august-2019-services-survey; 8/23/19

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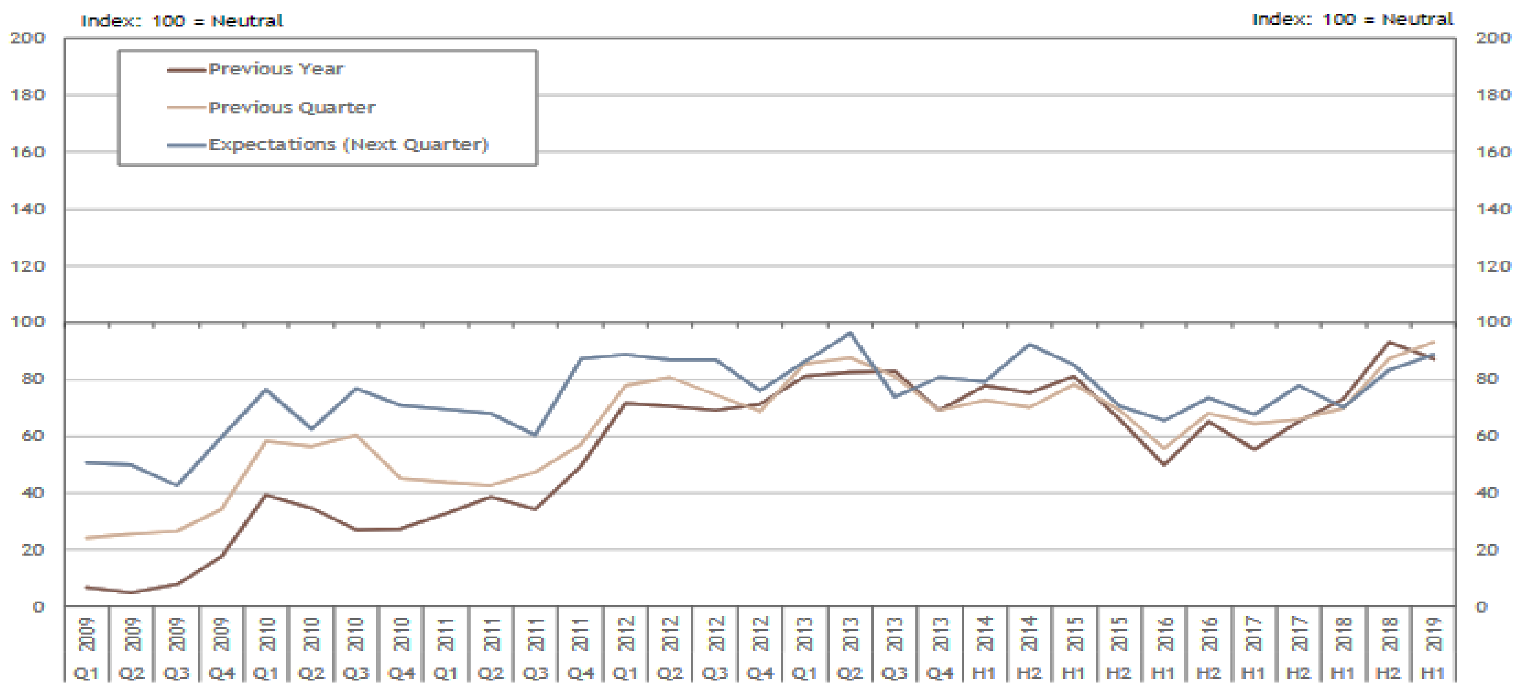
U.S. Economic Indicators



Source: Federal Reserve Bank of Kansas City LMI Survey; staff calculations.

Note: The survey asks respondents to assess conditions relative to the same period in the previous year, conditions relative to the previous quarter, and for their expectations for the following quarter relative to the current quarter.

The Federal Reserve Bank of Kansas City

Encouraging developments in LMI labor markets and access to credit tempered by increased affordable housing concerns.

"The most recent issue of LMI Economic Conditions reported a surge in the LMI Economic Conditions Index and suggested that a much higher value in the index could be a sign of economic activity stabilizing in LMI communities (all references to index values reflect assessments of conditions relative to one year ago unless stated otherwise). …" – Kelly Edmiston, Senior Economist, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/research/indicatorsdata/lmieconomicconditions/articles/2019/lmi-economic-conditions-sept-2019; 8/4/19

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

A Second Month Of Modest Growth

“Business activity increased modestly in New York State, according to firms responding to the August 2019 *Empire State Manufacturing Survey*. The headline general business conditions index was little changed at 4.8. New orders increased after declining for the prior two months, and shipments continued to expand. Unfilled orders fell, delivery times were steady, and inventories increased. The employment and average workweek indexes were both slightly below zero, pointing to sluggishness in labor market conditions. Input prices increased at a slightly slower pace than last month, and selling price increases were little changed. Indexes assessing the six-month outlook indicated that firms were somewhat less optimistic about future conditions than they were in July.

Manufacturing firms in New York State reported that business activity grew modestly in August. The general business conditions index was little changed at 4.8, pointing to two months of modest growth after a brief decline in activity in June. Twenty-seven percent of respondents reported that conditions had improved over the month, while 22 percent reported that conditions had worsened. The new orders index climbed above zero, and at 6.7, indicated that orders increased. The shipments index moved slightly higher to 9.3, pointing to an increase in shipments. Unfilled orders declined for a third consecutive month. Delivery times were steady, and inventories rose for the first time since April.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 8/15/19

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Employment Conditions Remain Weak

"The index for number of employees held below zero for a third consecutive month, coming in at -1.6, and the average workweek index was -1.3, pointing to ongoing sluggishness in employment levels and hours worked. The prices paid index edged down two points to 23.2, suggesting a slightly slower pace of input price increases than last month. The prices received index was little changed at 4.5, with selling price increases maintaining a modest pace.

Optimism Wanes

Indexes assessing the six-month outlook suggested that firms were somewhat less optimistic about future conditions than they were last month. The index for future business conditions fell five points to 25.7, and the index for future new orders also moved lower. Firms expected increases in employment levels but no change in the average workweek in the months ahead. The capital expenditures index rose four points to 23.2, and the technology spending index moved up to 17.4." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 8/15/19

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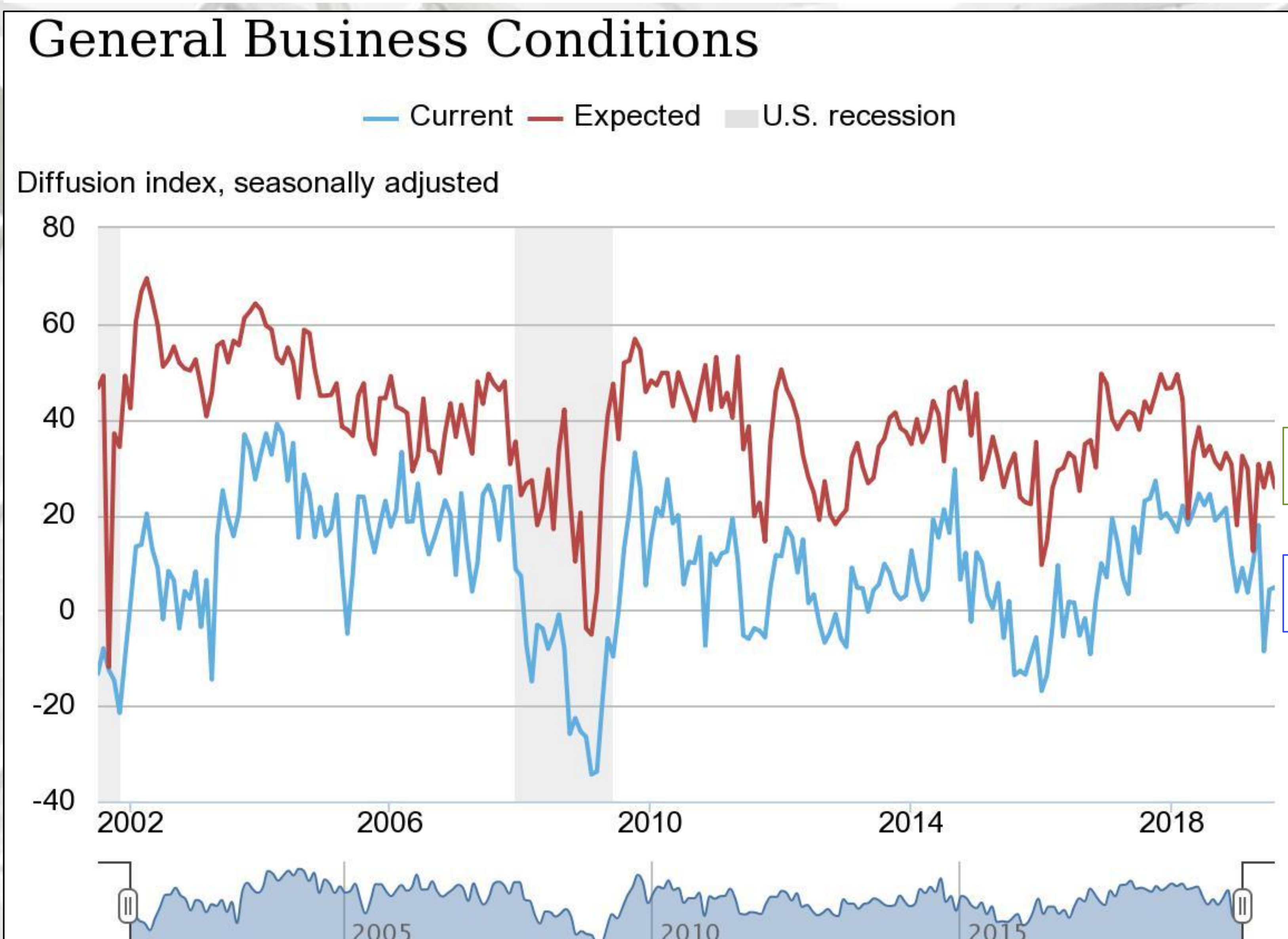
The Federal Reserve Bank of New York



August 2019
25.7

August 2019
4.8

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 8/15/19

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Modest Growth Continues

“Activity in the region’s service sector continued to expand, according to firms responding to the Federal Reserve Bank of New York’s August 2019 Business Leaders Survey. The survey’s headline business activity index was little changed at 9.1. The business climate index held slightly above zero, indicating that on balance, firms regarded the business climate as better than normal. Employment levels rose modestly, and wage increases picked up. The prices paid index moved down seven points to 42.0, its lowest level in nearly two years, while the prices received index increased five points to 21.7. Optimism was slightly lower than last month, with the index for future business climate remaining below zero for a third consecutive month.

Business activity in the region’s service sector grew at a faster pace than last month. After posting a sharp decline last month, the headline business activity index climbed four points to 9.7. Thirty-four percent of respondents reported that conditions improved over the month, and 24 percent said that conditions worsened. The business climate index increased six points to 4.7, signaling that, on balance, firms viewed the business climate as better than normal.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 8/15/19

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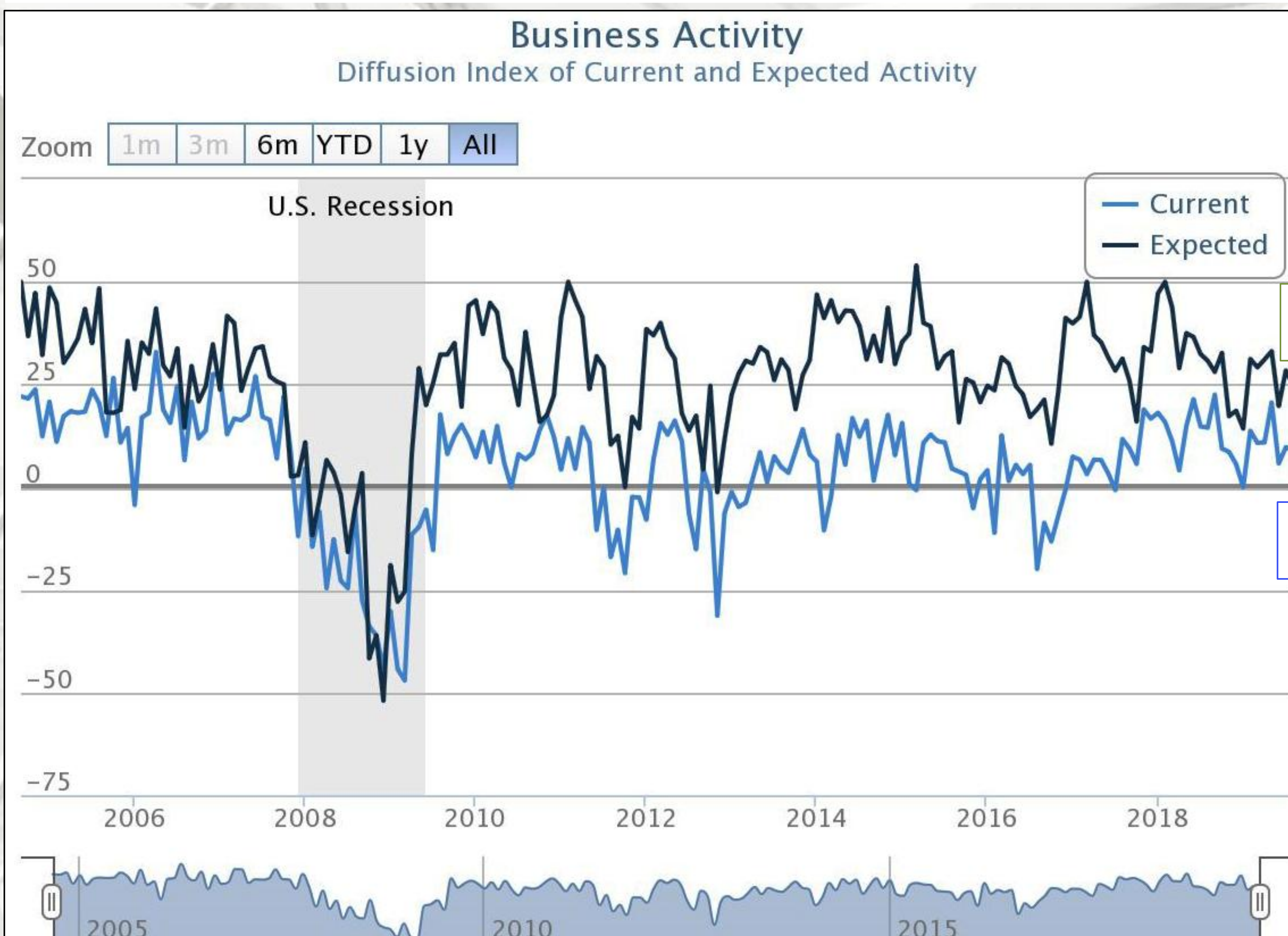
The Federal Reserve Bank of New York



August 2019
25.0

August 2019
9.1

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 8/15/19

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Input Price Increases Slow, While Selling Price Increases Pick Up

The employment index was little changed at 8.0, pointing to a modest increase in employment levels. The wages index climbed five points to 40.9, suggesting that wage gains picked up. The prices paid index fell seven points to 42.0, indicating a slower pace of input price increases than last month; with this month's decline, the index has fallen a cumulative 17 points since February. The prices received index moved up five points to 21.7, pointing to a pickup in selling price increases. The capital spending index was little changed at 17.8.

Optimism Slightly Less Widespread

Firms were somewhat less optimistic about the six-month outlook. The index for future business activity fell three points to 25.0, and the index for future business climate declined seven points to -8.0, its third consecutive reading below zero. The indexes for future wages and future employment both moved slightly lower, and the index for planned capital spending came in at 21.3." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 8/15/19

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U.S. Economic Indicators

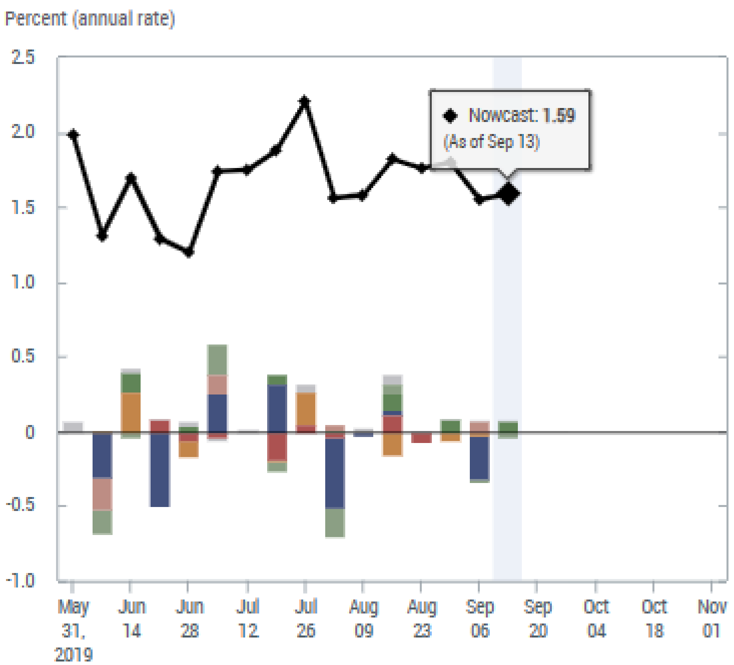
The Federal Reserve Bank of New York Nowcast

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

Last Release 11:15am EST Sep 13, 2019

◆ The New York Fed Staff Nowcast ○ Advance GDP estimate □ Latest GDP estimate

Housing and construction · Manufacturing · Surveys · Retail and consumption · Income · Labor · International trade · Others



Expand

Data Flow (Sep 13, 2019)

Model Update	Release Date	Data Series	Actual	Impact	Nowcast GDP Growth
Sep 13					1.59
	8:30AM Sep 13	Export price index	-0.63	-0.02	
	8:30AM Sep 13	Import price index	-0.48	-0.01	
	8:30AM Sep 13	Retail sales and food services	0.36	0.07	
	8:30AM Sep 12	CPI-U: All items less food and energy	0.26	0.01	
	8:30AM Sep 12	CPI-U: All items	0.05	-0.01	
	8:30AM Sep 11	PPI: Final demand	0.08	-0.00	
	10:00AM Sep 10	JOLTS: Total job openings	-31.00	-0.00	
		Data revisions		0.01	
Sep 06					1.55

Notes: We start reporting the Nowcast for a reference quarter about one month before the quarter begins; we stop updating it about one month after the quarter closes. Colored bars reflect the impact of each broad category of data on the Nowcast; the impact of specific data releases is shown in the accompanying table.
Source: Authors' calculations, based on data accessed through Haver Analytics.

September 13, 2019: Highlights

- "The New York Fed Staff Nowcast stands at 1.6% for 2019:Q3 and 1.1% for 2019:Q4.
- News from JOLTS, retail sales, CPI, PPI, and exports and imports prices releases were small, leaving the nowcast broadly unchanged." – The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/research/policy/nowcast; 9/13/19

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U.S. Economic Indicators

The Federal Reserve Bank of Philadelphia

August 2019 Manufacturing Business Outlook Survey

Current Indexes Indicate Growth

"Manufacturing activity in the region continued to grow, according to results from the August *Manufacturing Business Outlook Survey*. The survey's broad indicators remained positive, although their movements were mixed this month: The general activity, shipments, and employment indicators decreased from their readings last month, but the indicator for new orders increased. The survey's future activity indexes remained positive, suggesting continued optimism about growth for the next six months.

The diffusion index for current general activity fell 5 points this month to 16.8, after increasing 22 points in July (see Chart). Movements in the indexes for current shipments and new orders were mixed: The current new orders index increased 7 points, while the shipments index decreased 6 points. Both the unfilled orders and delivery times indexes remained positive this month, suggesting higher unfilled orders and slower delivery times.

The firms reported overall increases in manufacturing employment this month, but the current employment index decreased 26 points to 3.6, its lowest reading since November 2016. Nearly 25 percent of the firms reported higher employment, compared with 36 percent last month. Nearly 21 percent of the firms reported decreases in employment this month, up from 6 percent last month. The average workweek index also decreased but remained positive." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0819; 8/15/19

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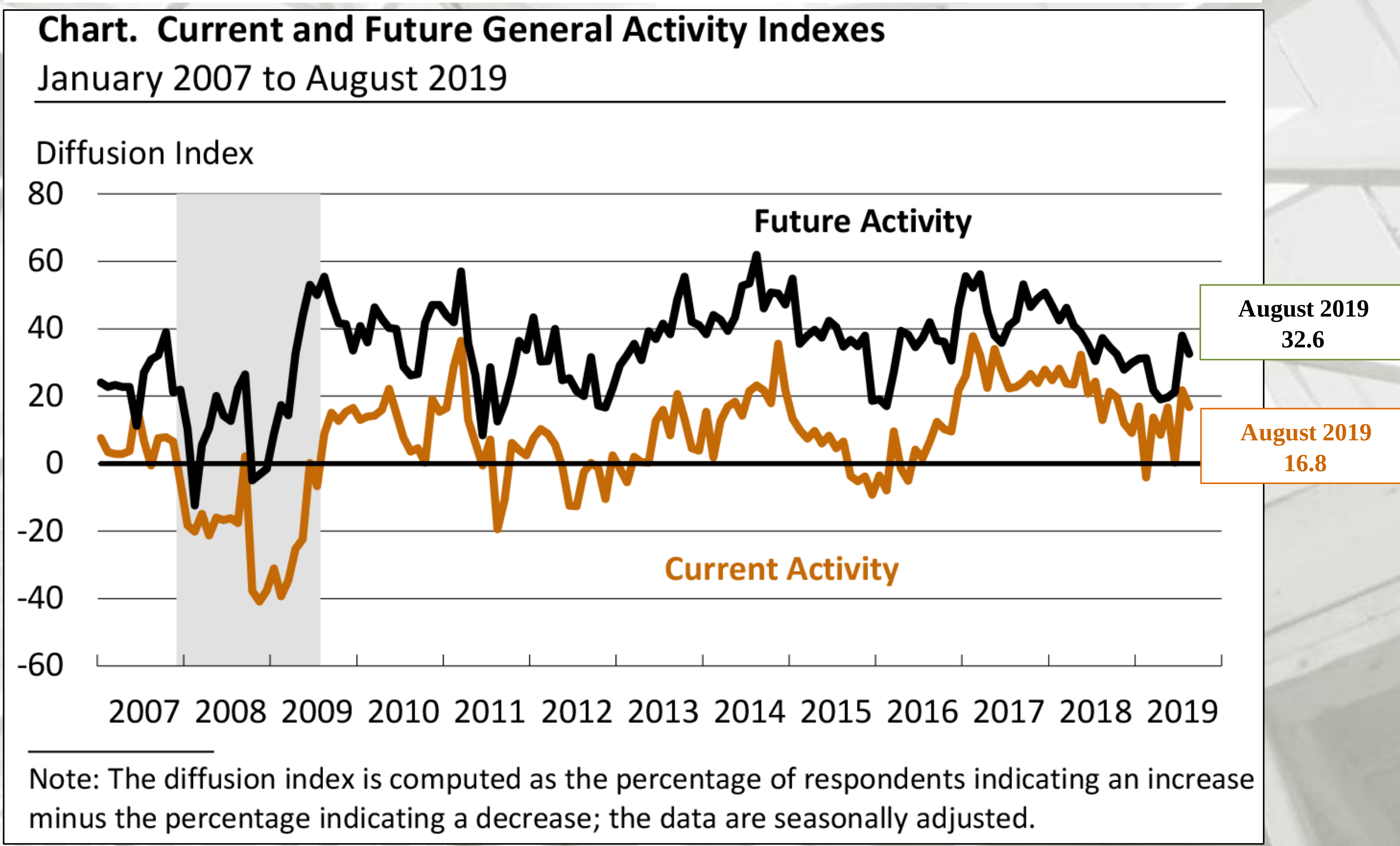
The Federal Reserve Bank of Philadelphia



Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0819; 8/15/19

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The Federal Reserve Bank of Philadelphia

Firms Expect Own Prices to Match the Rate of Inflation

"In this month's special questions, the firms were asked to forecast the changes in the prices of their own products and for U.S. consumers over the next four quarters. Regarding their own prices, the firms' median forecast was for an increase of 2.0 percent, lower than the 2.8 percent that was provided when the same question was last asked in May. The firms' actual price change over the past year was 2.5 percent. The firms expect their employee compensation costs (wages plus benefits per employee) to rise 3.0 percent over the next four quarters, the same as the previous forecast. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 2.0 percent, a decrease from 2.5 percent in the previous quarter. The firms' median forecast for the long-run (10-year average) inflation rate also decreased, from 2.5 percent to 2.2 percent.

Price Indexes Suggest Modest Price Pressures

The firms continued to report increases in the prices paid for inputs. The percentage of firms reporting increases in input prices (25 percent) remained higher than the percentage reporting decreases (12 percent). The prices paid diffusion index decreased 3 points and remains well below readings over the past two and a half years. The current prices received index, reflecting the manufacturers' own prices, increased 4 points to a reading of 13.0 but is also still well below readings of the past few years.

Firms Remain Generally Optimistic

The diffusion index for future general activity fell 5 points to 32.6, after increasing 17 points in July (see Chart). Over 46 percent of the firms expect increases in activity over the next six months, while 14 percent expect declines. The future new orders index decreased 2 points, while the future shipments index increased 2 points. The future employment index was essentially unchanged from the previous month, as firms remained optimistic about future hiring: Thirty-one percent of the firms expect higher employment over the next six months. The firms were less optimistic about future capital spending this month: The future capital spending index decreased 14 points to its lowest reading in five months." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0819; 8/15/19

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The Federal Reserve Bank of Philadelphia

Summary

"Responses to the August *Manufacturing Business Outlook Survey* suggest growth in manufacturing activity this month. The new orders index, which reflects demand for manufactured goods, showed some improvement this month, but the indicators for general activity, shipments, and employment decreased from last month's readings. 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

Special Question (August 2019)

Please list the annual percent change with respect to the following:

	Current	Previous (May 2019)
For your firm:		
Forecast for next year (2019Q3–2020Q3)		
1. Prices your firm will receive (for its own goods and services sold).	**2.0**	2.8
2. Compensation your firm will pay per employee (for wages and benefits).	**3.0**	3.0
Last year's price change (2018Q3–2019Q3)		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	**2.5**	-
For U.S. consumers:		
4. Prices consumers will pay for goods and services over the next year.	**2.0**	2.5
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2019–2028).	**2.2**	2.5

The numbers represent medians of the individual forecasts (percent changes). For question 5, the firms reported a 10-year annual-average change.

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0819; 8/15/19

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The Federal Reserve Bank of Philadelphia

August 2019 Nonmanufacturing Business Outlook Survey

“Responses to the August *Nonmanufacturing Business Outlook Survey* suggest continued expansion in nonmanufacturing activity in the region. The indexes for general activity at the firm level and sales/revenues both increased, while the new orders index fell. The index for full-time employment ticked upward. Survey responses indicated overall increases for both prices paid and prices received. The survey’s index for firm-level future activity moderated from last month and remains below levels from earlier in the year.

Firms Report Overall Growth

The survey’s indicators for current general activity suggest continued growth in the nonmanufacturing sector of the regional economy. The diffusion index for current general activity at the firm level increased 8 points in August to 32.5 (see Chart). Nearly 50 percent of the firms reported increases in activity (up from 38 percent last month), compared with 17 percent that reported decreases (up from 13 percent last month). The new orders index decreased 16 points to 9.4 in August. The share of firms reporting increases in new orders (24 percent) exceeded the share reporting decreases (15 percent). The sales/revenues index rose from 22.5 in July to 28.5 in August. Over 48 percent of the firms reported increases in sales/revenues, while 20 percent reported declines. The firms’ perception of regional activity was more subdued but remained positive, declining 14 points to 7.5.

Indicators Hold Mostly Steady

Responding firms reported overall increases in both full- and part-time employment. The full-time employment index ticked up 1 point to 22.1 in August. The share of firms reporting increases in full-time employment (28 percent) exceeded the share reporting decreases (6 percent); the majority (63 percent) reported no change. The part-time employment index edged up 2 points to 13.5, and the average workweek index ticked down 1 point to 17.4. The wages and benefits indicator rose 6 points to 43.2.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey/2019/nbos0819; 8/20/19

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The Federal Reserve Bank of Philadelphia

August 2019 Nonmanufacturing Business Outlook Survey

Firms Continue to Report Overall Price Increases

"The indexes for prices paid for inputs and prices received for the firms' own products and services both remained positive in August. The prices paid index rose 17 points to 29.2. Over 36 percent of the respondents reported increases in input prices, while 7 percent reported decreases. The prices received index fell from 20.5 in July to 14.0 in August. Nearly 22 percent of the firms reported increases in prices received, while 8 percent reported decreases. The majority of the firms (60 percent) reported no change in their own prices.

Firms' Optimism for Growth Moderates

The diffusion index for future activity at the firm level remained positive but decreased 9 points to 26.8, as a higher share of firms reported expected decreases this month. More than 48 percent of the firms expect an increase in activity at their firms over the next six months (down from 50 percent last month), compared with 22 percent that expect a decline (up from 14 percent last month). The future regional activity index fell more sharply, from 21.8 in July to -0.7 in August, suggesting less optimism about growth in the region than at individual firms over the next six months."

Firms' Forecasts for Prices Remain Stable

In this month's special questions, the firms were asked to forecast the changes in the prices of their own products and services and for U.S. consumers over the next four quarters. Regarding their own prices, the firms' median forecast was for an increase of 2.0 percent, the same as when the question was last asked in May. In a new question regarding the firms' historical own price change over the previous year, the median response was 2.0 percent. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 2.5 percent, up from the previous forecast of 2.2 percent. The firms expect their employee compensation costs (wages plus benefits per employee) to rise 3.0 percent over the next four quarters, the same as the previous forecast. The firms' forecast for the long-run (10-year) inflation rate remained at 3.0 percent." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey/2019/nbos0819; 8/20/19

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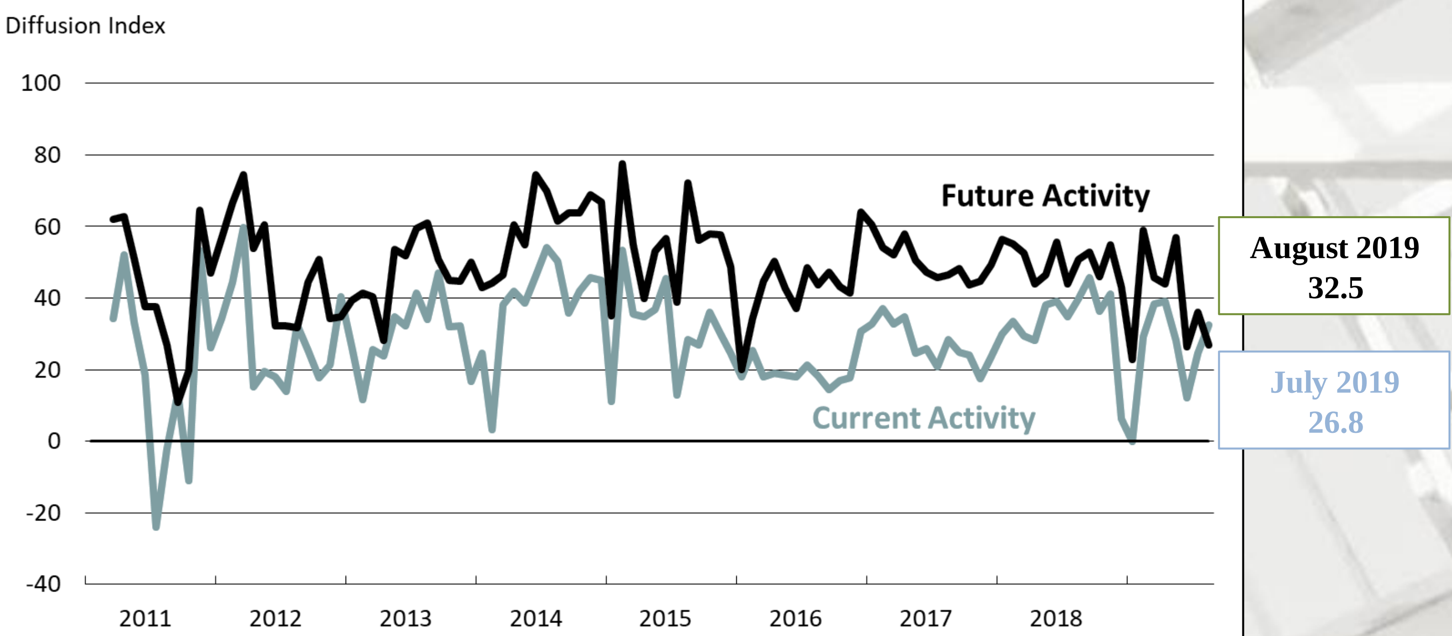
The Federal Reserve Bank of Philadelphia

Chart. Current and Future General Activity Indexes for Firms
March 2011 to August 2019



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.

Summary

"Results from this month's *Nonmanufacturing Business Outlook Survey* suggest continued expansion in regional nonmanufacturing activity. The indicators for firm-level general activity and sales/revenues increased, and the firms reported overall increases in both full- and part-time employment. The respondents continued to expect growth over the next six months, although future indicators declined." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey/2019/nbos0819; 8/20/19

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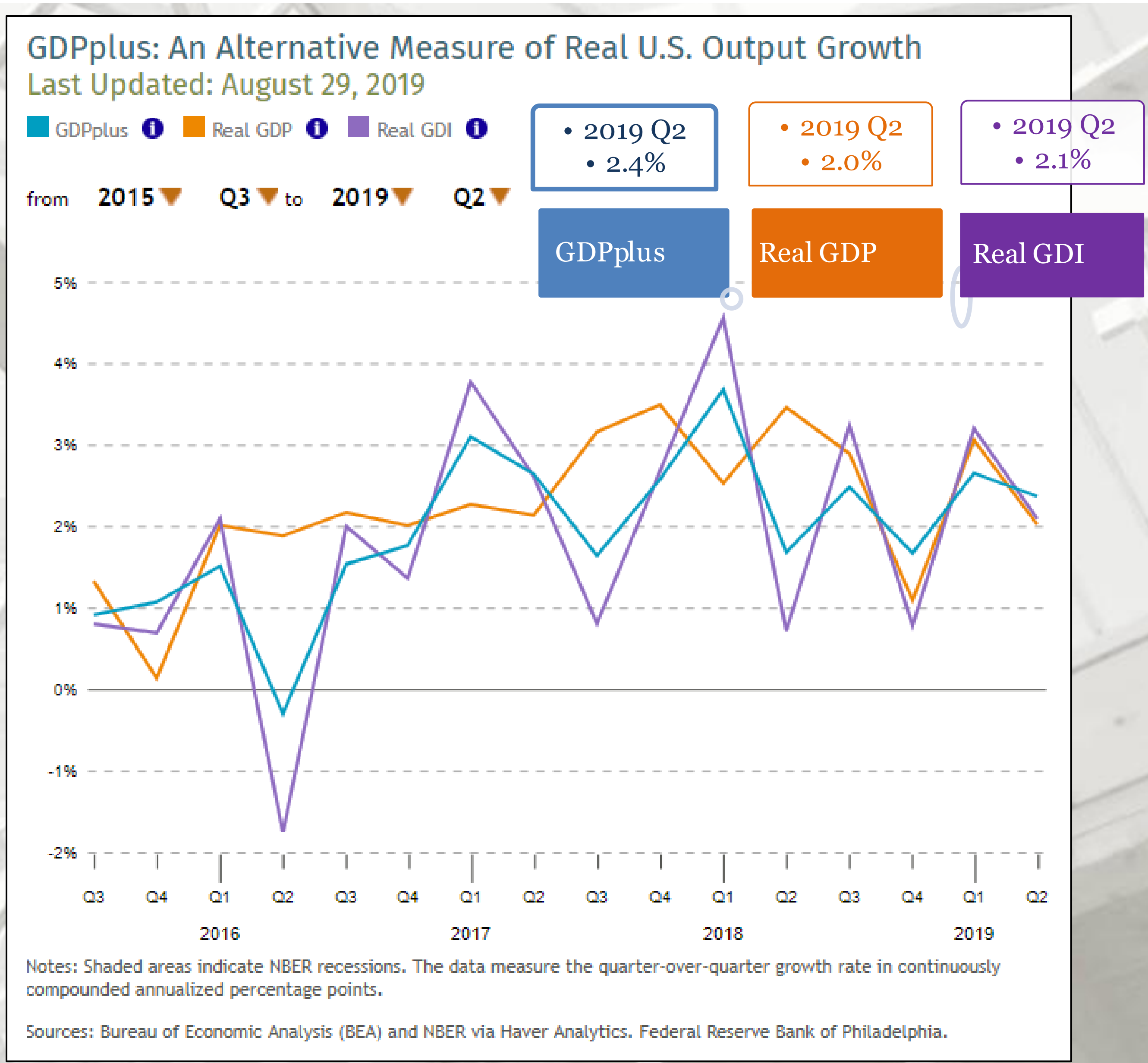
The Federal Reserve Bank of Philadelphia: GDPplus



Source: https://philadelphiafed.org/research-and-data/real-time-center/gdpplus/ 8/29/19

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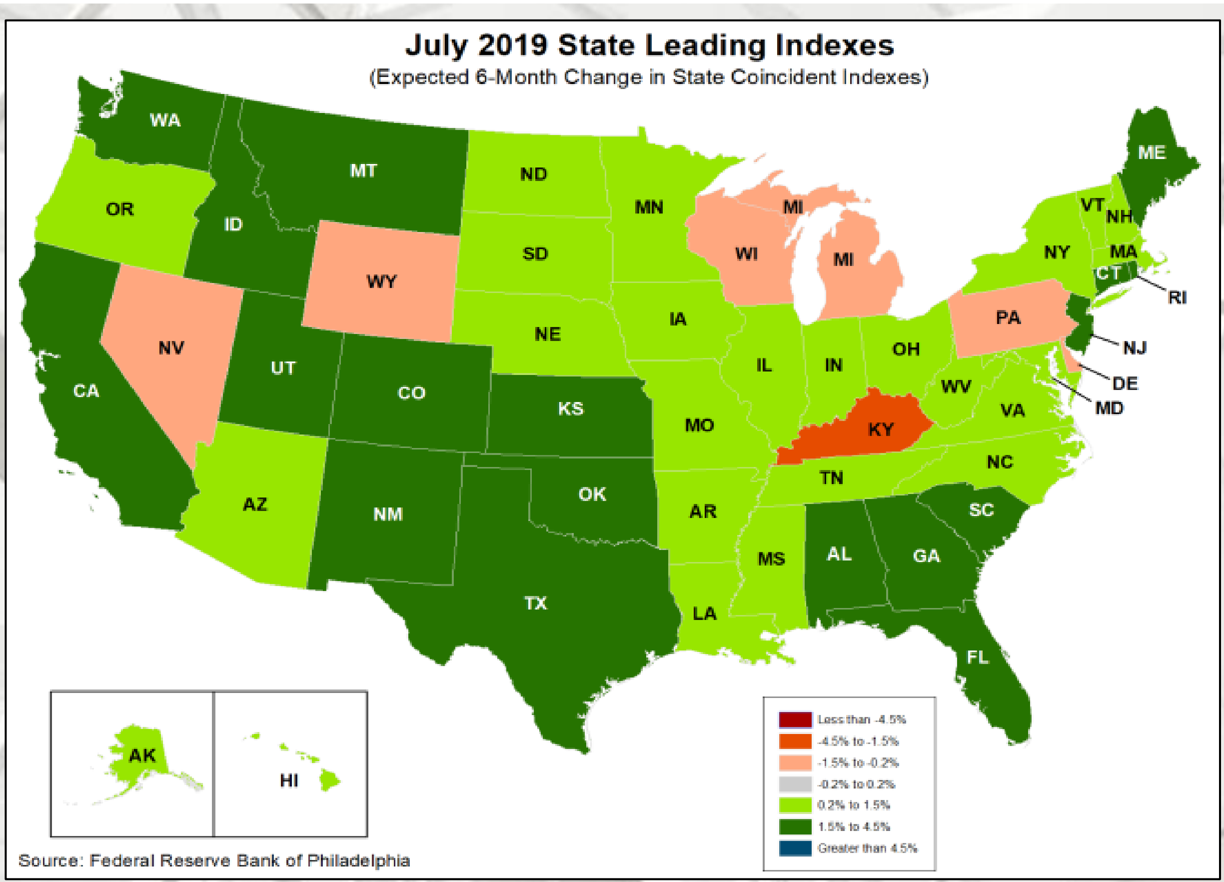
The Federal Reserve Bank of Philadelphia



"The Federal Reserve Bank of Philadelphia has released the leading indexes for the 50 states for July 2019. The indexes are a six-month forecast of the state coincident indexes (also released by the Bank). Forty-three state coincident indexes are projected to grow over the next six months, and seven 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 1.1 percent over the next six months." – Daniel Mazone, Research Department, The Federal Reserve Bank of Philadelphia

Source:; https://www.philadelphiafed.org/-/media/research-and-data/regional-economy/indexes/leading/2019/LeadingIndexes0719.pdf; 8/30/19

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Manufacturing Activity Was Moderate in August

"Fifth District manufacturing activity was moderate in August, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index rose from −12 in July to 1 in August, buoyed by increases in the indexes for shipments and new orders. However, the third component, employment, fell. Firms reported increasing capital expenditures and inventories, but the measure of local business conditions was slightly negative. Manufacturers were, however, optimistic that conditions would improve in the next six months.

Survey results suggested that many firms saw employment decline while the average workweek increased in August. Respondents reported persistent wage growth but still struggled to find workers with the necessary skills. They expected this struggle to continue, along with wage growth, in the coming months.

The growth rates of both prices paid and prices received by survey participants fell in August. Prices paid continued to outpace prices received, a pattern firms expected to continue in the near future." – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_08_27_19; 8/27/19

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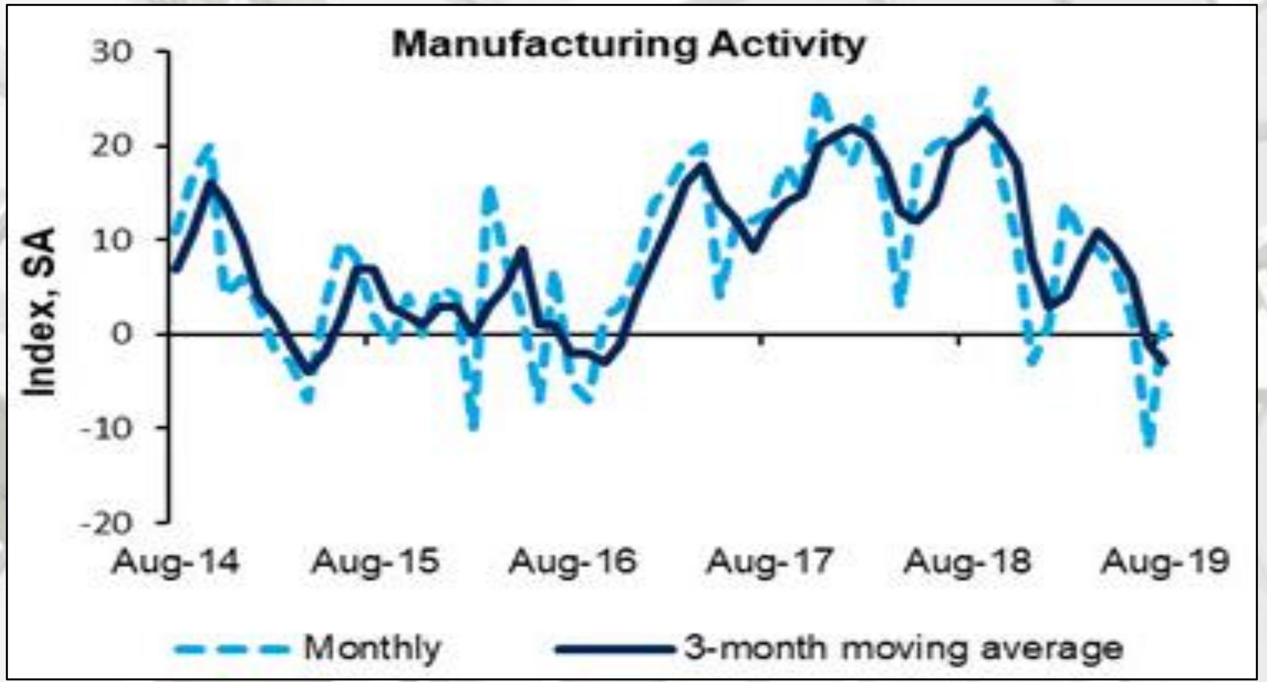
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_08_27_19; 8/27/19

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U.S. Economic Indicators

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_08_27_19; 8/27/19

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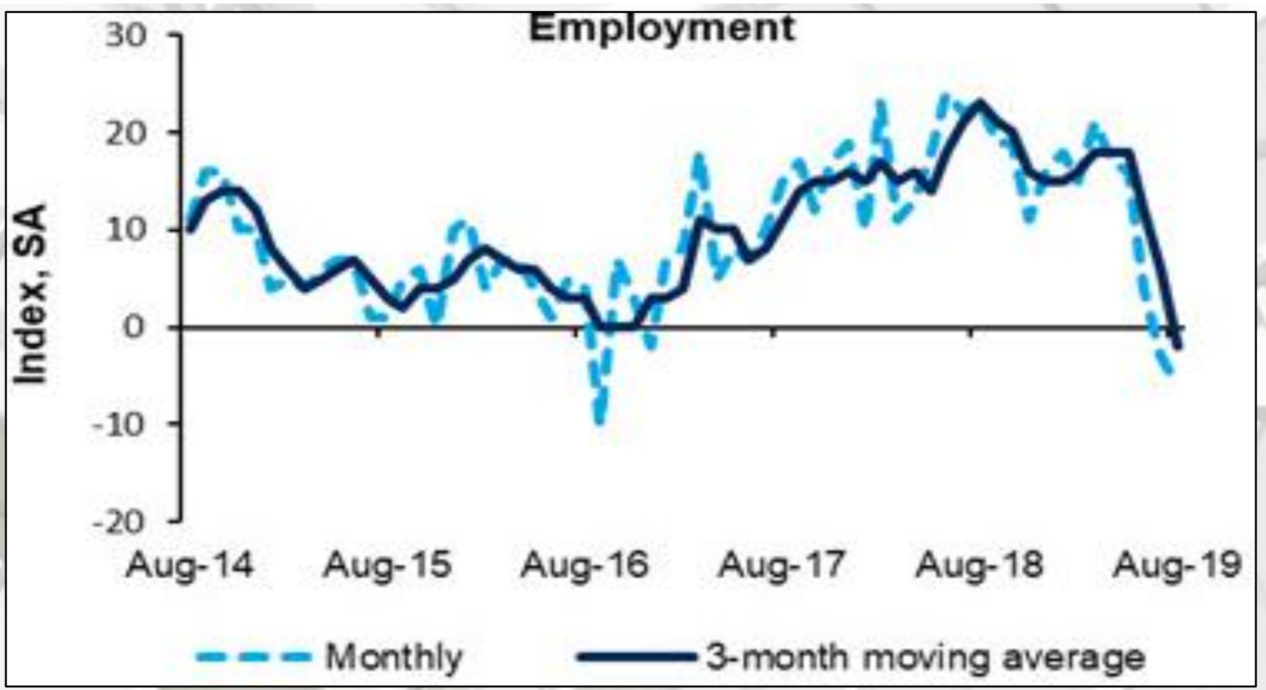
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_08_27_19; 8/27/19

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U.S. Economic Indicators

The Federal Reserve Bank of Dallas

Mexico Economic Update

Mexico's Growth Picks Up Slightly in Second Quarter

"Mexico's gross domestic product (GDP) expanded 0.4 percent in the second quarter after contracting 0.7 percent in the first quarter. GDP grew 1.7 percent in 2018. Prior to the release of the latest GDP estimates, Mexico's consensus growth forecast for 2019 had worsened from 1.3 percent in May to 1.1 percent in June.

Other recent data are mixed. Retail sales grew, but exports and industrial production fell month over month, and employment growth remained below trend. The peso gained some ground against the dollar, while inflation declined.

Economic Activity Up in Second Quarter

Mexico GDP expanded at a 0.4 percent annualized rate in the second quarter, the third consecutive quarter of near-zero growth (*Chart* 1). Activity was flat in the goods-producing industries (manufacturing, construction, utilities and mining). Service-related activities (wholesale and retail trade, transportation and business services) grew 0.8 percent. Agricultural output contracted 13.6 percent." – Jesus Cañas, Senior Business Economist, and Chloe Smith, Research Assistant; Research Department; The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2019/1905.aspx/; 8/12/19

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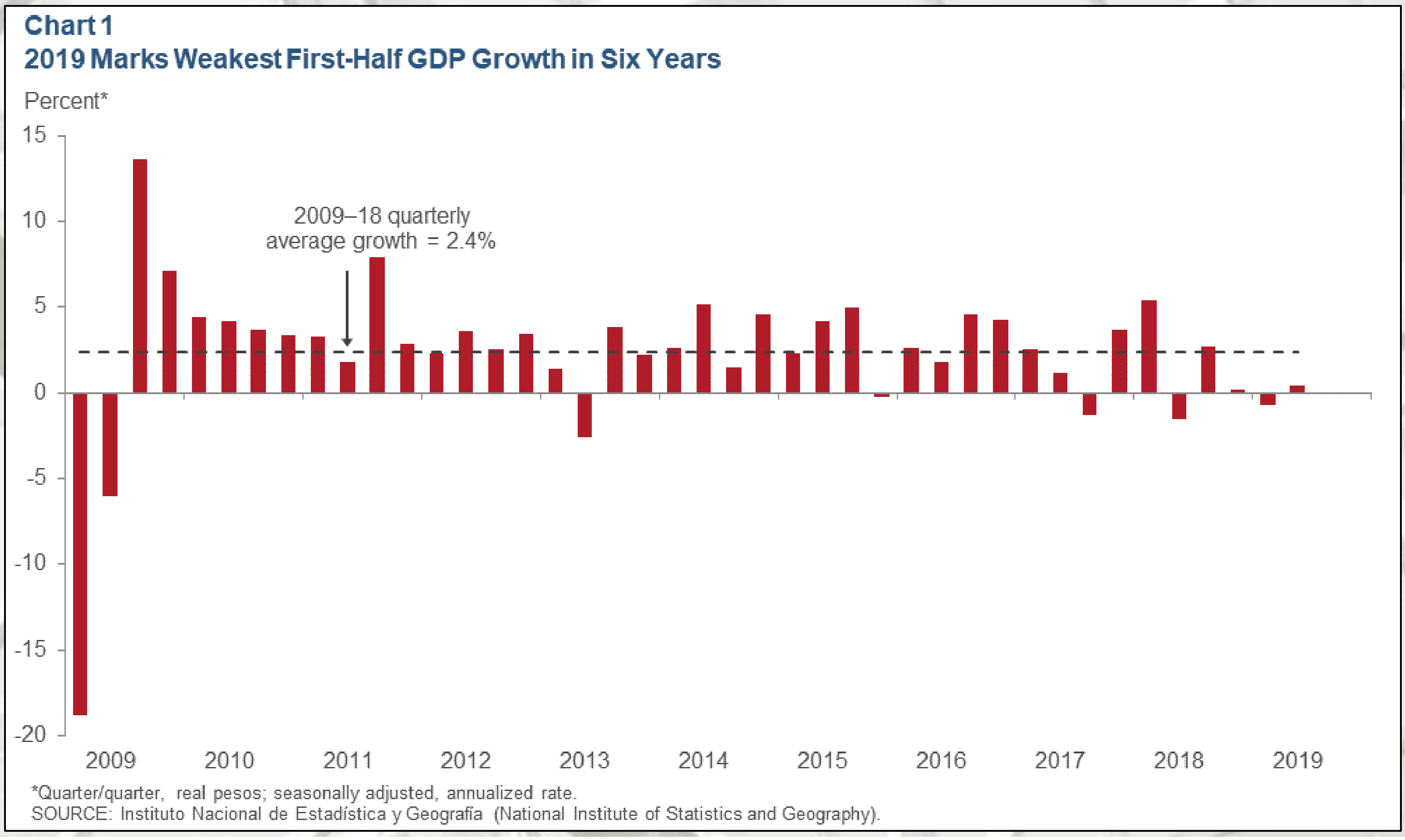
U.S. Economic Indicators



Exports Growth Weak

"Total exports fell 3.8 percent in June after increasing 3.9 percent in May. Manufactured-goods exports decreased 3.0 percent in June after growing 3.7 percent in May. Three-month moving averages show continued increases in total and manufacturing exports but a decrease in oil exports. Despite the recent declines, total exports this year were up 2.4 percent through June compared with the same period in 2018, with manufacturing exports growing 3.7 percent and oil exports falling 11.3 percent." – Jesus Cañas, Senior Business Economist, and Chloe Smith, Research Assistant; Research Department; The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2019/1905.aspx/; 8/12/19

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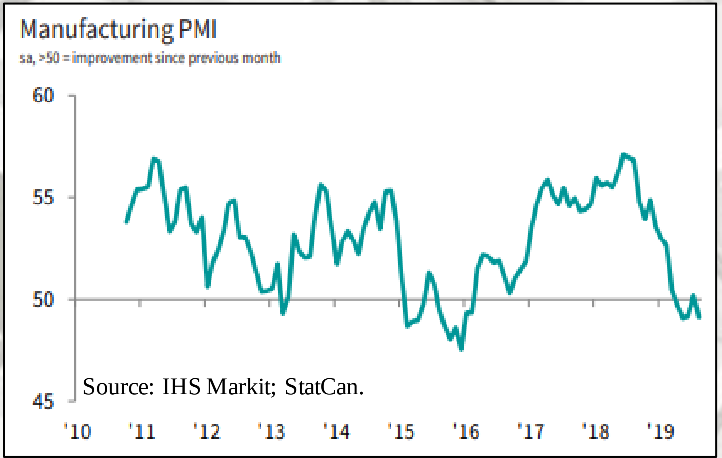
Private Indicators: Global



Markit Canada Manufacturing PMI™

"August data revealed a renewed deterioration in business conditions across the Canadian manufacturing sector, following a slight improvement during the previous month. This was highlighted by a fall in the seasonally adjusted **IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®)** to 49.1 in August, from 50.2 in July. The latest PMI reading was the lowest for three months and signalled a modest downturn in overall manufacturing performance.

Sharpest fall in new orders since December 2015

A sharper reduction in new order intakes was a key factor weighing on the headline index in August. New work has now declined for six months running, and the latest fall was the fastest since December 2015. Survey respondents noted that US-China trade tensions, subdued energy sector spending and greater global economic uncertainty had all acted as a brake on client demand. Moreover, export sales declined again in August, which manufacturers often linked to softer US economic growth and worsening automotive sector business conditions. A decline in new work led to another reduction in production volumes during August. Lower output has been recorded in each month since April, although the latest drop was only marginal. There were also signs of reduced capacity pressure in August, as suggested by a sharp drop in backlogs of work at manufacturing companies. …

Canadian manufacturers reported a setback for business conditions in August, following the slight improvement seen during the previous month. New orders declined at the fastest pace for more than three-and-a-half years amid lower export sales, weakness in the automotive sector and reports citing softer demand from energy sector clients. August data also signalled a slide in growth projections across the manufacturing sector, with business optimism falling to its lowest level since early-2016. Concerns about the US-China trade war and rising global economic uncertainty were often cited by survey respondents."
– Tim Moore, Economics Associate Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/4ea3ddffa6a2444aad671d496e2df6ee; 9/3/19

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Private Indicators: Global

Caixin China General Manufacturing PMI™

"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 – rose from 49.9 in July to 50.4 in August, signalling a renewed improvement in the overall health of the sector. Though only marginal, it was the strongest improvement recorded since March. Supporting the higher headline index reading was the quickest increase in production for five months. Though only slight overall, the expansion contrasted with broadly unchanged output in July and a reduction in June. This contributed to the first rise in stocks of finished goods in 2019 to date.

Operating conditions improve slightly in August

Operating conditions faced by Chinese manufacturers improved slightly in August, with firms registering the quickest increase in production for five months. New order intakes were meanwhile broadly stable, despite a faster decline in export sales. The improved production trend led firms to expand their purchasing activity further, while stocks of finished goods rose for the first time this year to date. Prices data showed a renewed fall in input costs contributed to a stronger decline in output charges. At the same time, sentiment regarding the 12-month outlook for output softened to a level that was among the lowest in the series history, with optimism dampened by worries over the future trading relationship of China and the US, as well as signs of weaker global conditions.

The Caixin China General Manufacturing PMI stood at 50.4 in August, up from 49.9 in the previous month, showing an improvement in the manufacturing sector. The subindex for new orders stayed in expansionary territory, but it inched down, suggesting flat demand for manufactured products. The gauge for new export orders remained in contractionary territory and fell to the lowest level this year in August, reflecting declining foreign demand amid an intensifying trade dispute between China and the U.S. The output subindex stayed in positive territory and rose further, pointing to increased production activity." – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/9dfddef276024a08b0e3cb49e1a5c529; 9/2/19

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Private Indicators: Global

Caixin China General Manufacturing PMI™

"The employment subindex jumped to a level only marginally lower than the 50-point mark that divides expansion from contraction, showing a relative improvement in labor market conditions. The subindex for stocks of purchased items fell further into negative territory, reflecting manufacturers' growing reluctance to replenish inventories. The subindex for suppliers' delivery times dropped further into decline, indicating that they have delayed deliveries even longer. The measure for stocks of finished goods rebounded into positive territory, suggesting growing inventories amid the improved production environment. However, it remains to be seen whether production will continue to improve.

Although it remained in positive territory, the gauge for future output dropped, reflecting subdued confidence among manufacturers. We don't expect they will soon become more willing to invest. Both the measures for input costs and output charges dropped, implying that industrial prices were on a downward trend. China's manufacturing sector showed a recovery in August, mainly due to improved production activity. However, overall demand didn't improve, and foreign demand declined notably, leading product inventories to grow. There was no sign of an improvement in companies' willingness to replenish inventories of inputs or in their confidence. Industrial prices trended down. China's economy showed signs of a short-term recovery, but downward pressure remains a long-term problem. Amid unstable Sino-American relations, China needs to step up countercyclical policies." – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/9dfddef276024a08b0e3cb49e1a5c529; 9/2/19

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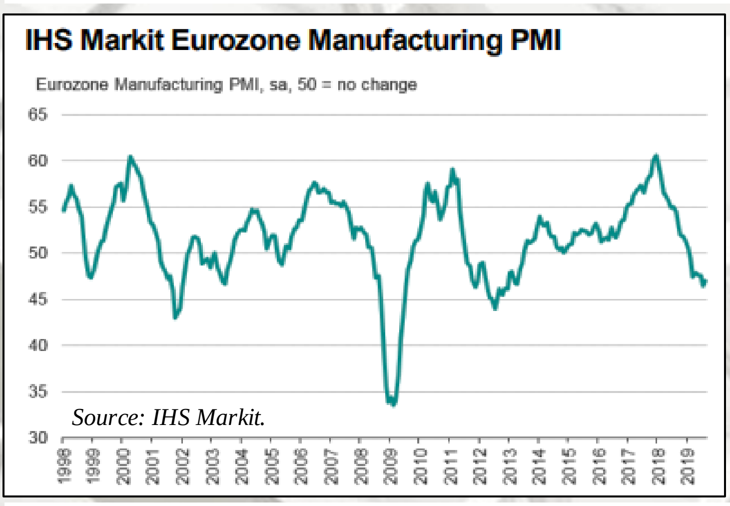
Private Indicators: Global



Markit Eurozone Manufacturing PMI®

"The IHS Markit Eurozone Manufacturing PMI® improved on July's six-and-a-half year low during August, but nonetheless remained well inside contraction territory. Rising from 46.5 in July to a level of 47.0, the index registered its second-lowest reading since April 2013 to indicate another notable deterioration in operating conditions. The PMI has now recorded below the 50.0 no-change mark for seven successive months.

Eurozone manufacturing slump continues in August

The downturn in the manufacturing sector remained centred on the intermediate and investment goods categories during August, with notable contractions recorded across both sectors. In contrast, consumer goods continued to buck the wider trend, expanding at a solid rate and extending the current period of growth to nearly six years.

Eurozone producers are suffering as the summer slump in factory production persisted into August. Although up on July, August's manufacturing PMI was the second-lowest since early 2013, and a marked deterioration in optimism about the year ahead suggests companies are expecting worse to come. The deteriorating manufacturing conditions mean the goods-producing sector is likely to act as an increased drag on eurozone economic growth in the third quarter. At current levels, the survey is consistent with goods production declining at a quarterly rate of 1%. Prices are falling as companies offer discounts in the face of disappointingly weak demand, and payroll numbers are being culled at one of the steepest rates seen over the past six years as companies increasingly seek to cut costs in the uncertain trading environment.

Trade wars and tariffs remain the biggest concerns among producers, and the escalation of global trade war tensions in August encouraged further risk aversion. Germany is suffering the steepest decline, in part reflecting slumping global demand for autos and business machinery. While France bucked a wider downturn trend, even here growth was only very modest." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/b1d84b588d1648559f86c40a9a413778; 9/2/19

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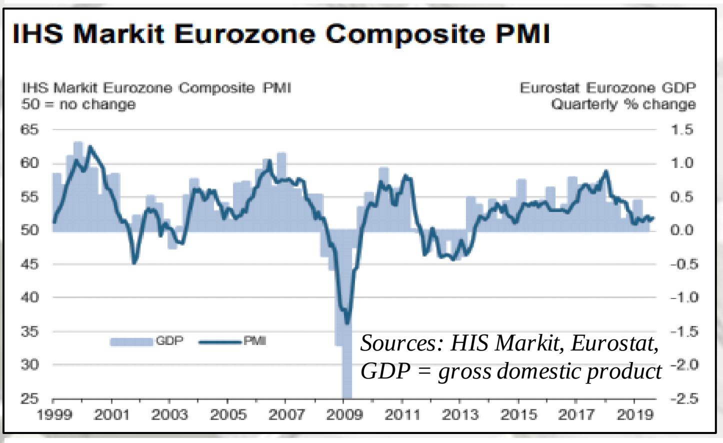
Private Indicators: Global



Markit Eurozone Composite PMI®

"The **HIS Markit Eurozone *PMI*® Composite Output Index** signalled the continued expansion of the euro area private sector during August. Growth nonetheless remained modest, despite improving slightly since July. After accounting for seasonal factors, the index posted 51.9, compared to 51.5 in the previous month..

Growth of euro area private sector remains modest in August

In line with the recent trend, there remained a historically marked divergence between the performance of the manufacturing and services economies. Whereas the latter expanded at a solid, and slightly faster pace, goods producers endured another period of falling output (the seventh in successive months).

The eurozone remained mired in a fragile state of weak and unbalanced growth in August, although up on July, the latest reading indicates that GDP will rise by just 0.2% in the third quarter, assuming no substantial change in September. Official data available so far for the quarter suggest growth could be even weaker. The picture remains very mixed both by sector and country, highlighting how downside risks persist. A fierce manufacturing downturn, fuelled by deteriorating exports and most intensely felt in Germany, continues to be offset by resilient growth in the service sector, in turn propped up to a large extent by solid consumer spending in domestic markets.

The big question is how long this divergence can persist before the weakness of the manufacturing sector spreads to services and households. With jobs growth waning to the slowest since early-2016 a deteriorating labour market looks set to be a key transmission mechanism by which the trade-led downturn infects the wider economy. A sharp drop in business optimism about the coming year in the service sector, down to the joint-lowest for six years, suggests that companies are already braced for tougher times ahead.

We therefore expect to see renewed stimulus from the ECB in September as the central bank seeks to revive demand and stem the spreading malaise." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/553fa68434c44dcab43d87362886f14b; 9/4/19

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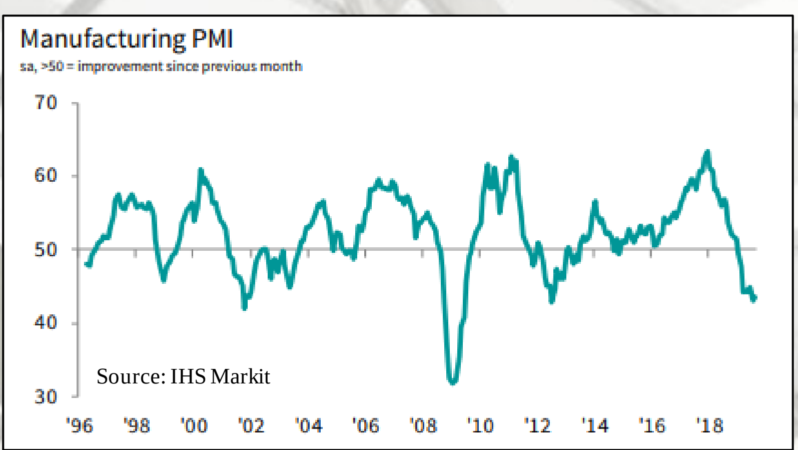
Private Indicators: Global



IHS Markit/BME Germany Manufacturing PMI®

"At 43.5 in August, 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 – remained close to July's seven-year low of 43.2, thereby signalling another sharp monthly contraction of the goods-producing sector.

August sees further sharp manufacturing contraction as outlook darkens

Germany's manufacturing sector remained firmly in contraction in August, latest PMI® data from IHS Markit and BME showed. Faced with sharply falling inflows of new work, goods producers scaled back output and cut jobs more steeply during the month. Moreover, output expectations hit a record low. Deflationary forces meanwhile continued to build across the manufacturing sector, with the survey showing faster decreases in both input costs and output charges.

Principal weakness continued to stem from lower demand, particularly for intermediate and capital goods. Total new orders fell in August at a rate surpassed only twice (in March and April 2019) in over a decade. Behind this was a further steep decline in new export orders, albeit with the rate of decline easing from July's ten-year record. The report highlighted uncertainty among clients leading to a reluctance to commit to new orders. Lower demand from the car industry was also frequently cited. …

Germany's manufacturing PMI held close to a seven-year low in August as new orders continued to fall sharply and the production of goods was scaled back once again. Furthermore, a marked drop in firms' output expectations to a record low suggests that things could even get worse before they get better. The slump in Germany's manufacturing sector goes on and, with no light at the end of the tunnel just yet, the number of goods producers cutting staff numbers continues to rise, boding ill for domestic demand. Manufacturing is now not only in recession, but the PMI data also point to deflationary forces building with regard to producer prices as supply outstrips demand." – Phil Smith, Principal Economist, IHSMarkit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/915b5392fc37412bb5fbd02aaa7430d5; 9/2/19

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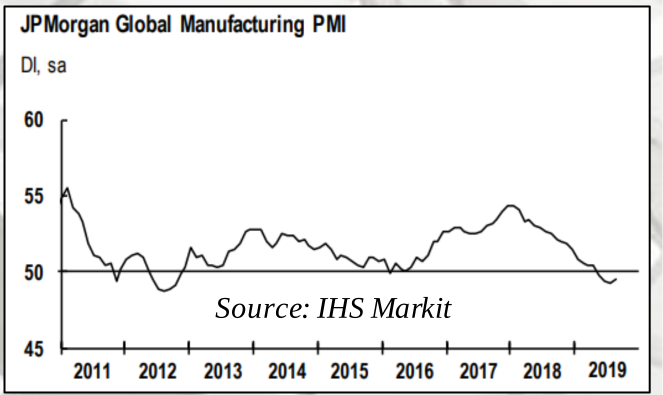
Private Indicators: Global



J.P. Morgan Global Manufacturing PMI™

"At 49.5 in August, up slightly from July's 81-month low of 49.3, the J.P. Morgan Global Manufacturing PMI™ – a composite index1 produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – remained below the neutral 50.0 mark for the fourth month running, its longest sequence in contraction territory since 2012.

Global Manufacturing remains lacklustre in August

The current downturn in the global manufacturing sector was extended to a fourth month in August. New orders contracted at the joint-fastest rate in nearly seven years, led by the steepest reduction in international trade volumes since late-2012. The outlook also darkened, with business optimism dropping to its lowest level since it was first tracked by the survey in July 2012. Over half of the nations covered by the survey had a PMI reading below the 50.0 mark. The steepest rates of decline were signalled for Germany and the Czech Republic. Among the largest industrial countries, growth was registered in the USA and China, whereas downturns were seen in the eurozone and Japan. Manufacturing production rose slightly in August, following back-to-back contractions in the prior two months. The trend in new orders continued to weaken, however, with inflows decreasing at the joint-quickest pace since September 2012. Sector data indicated that output and new business increased at consumer goods producers, in contrast to contractions in both the intermediate and investment goods industries. New export order intakes fell across all three sub-sectors. …

While the global manufacturing output PMI increased in August, its level remained low signaling very modest growth in manufacturing output. Away from the output index, detail of the PMI report points to weakening in activity. New order intakes fell at the joint-fastest pace in nearly seven years, business optimism dropped to a series record low, international trade flows weakened and the cyclically sensitive orders-to-inventory ratio hit its joint-lowest level since late 2012. Geopolitical uncertainty weighing on business capital investment remains the main drag on global industry. Developments on this front need to improve for industry to lift." – Olya Borichevska, Global Economic Research, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/2490067923764e919331f511e7a4ba64; 9/3/19

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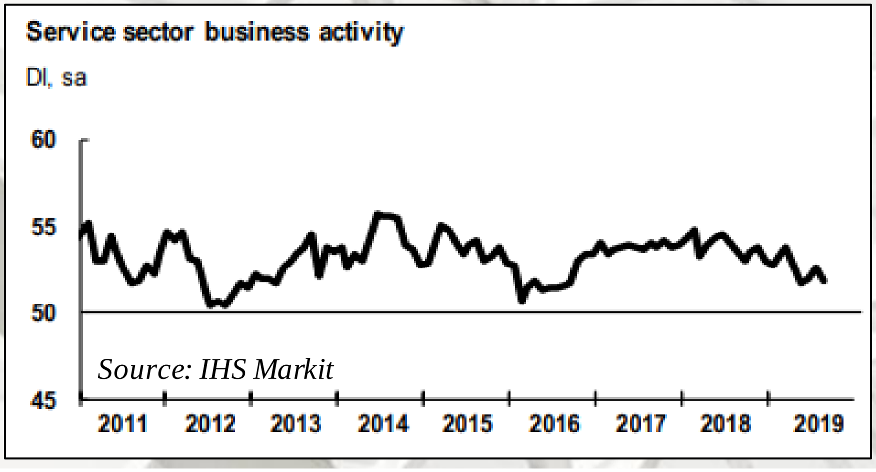

J.P. Morgan Global Services PMI™

"The J.P. Morgan Global Services Business Activity Index – a composite index produced by J.P. Morgan and HIS Markit in association with ISM and IFPSM – fell to a three-month low of 51.8 in August, down from 52.5 in July, one of the worst readings posted over the past three years.

Service sector growth slows as business confidence slides further

August saw the rate of global service sector expansion ease to a three-month low, as intakes of new work rose at the weakest pace since June 2016. Business optimism fell to its lowest level in the series history. The slowdown in output growth was most evident in the US, which saw its rate of expansion ease to the weakest during the current 42-month sequence of increases. The UK, India and Brazil also saw growth slow, while Australia was the only nation to register a contraction. Stronger expansions were seen in the euro area, China, Japan and Russia

Incoming new business rose at the weakest pace in over three years during August. This partly reflected a mild decrease in the level of new export work received, including contractions in the US, euro area and Brazil. The business, consumer and financial services sectors all registered slower rates of expansion in output and new business during August. The slowdowns in activity and new work were especially marked in financial services. …

PMI data signal that rates of expansion in global service sector output and new orders slowed in August. This follows a period of resiliency in this sector that has helped cushion the slowdown in overall growth. Market conditions remain difficult and will need to improve substantially if service sector growth is to strengthen in the near future." – David Hensley, Global Economist, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/73498281b72b4b40801320383070d030 ; 9/5/19

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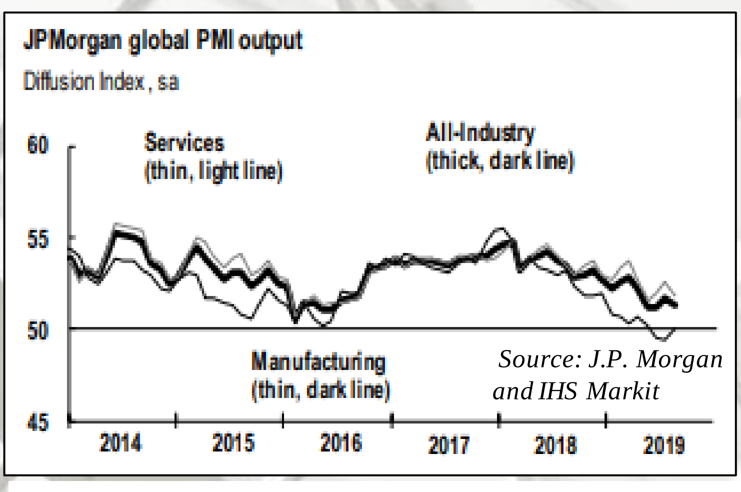

J.P. Morgan Global Composite PMI™

"The J.P. Morgan Global Composite Output Index – which is produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – posted 51.3 in August, down from 51.6 in July. The only times that the headline index has been lower over the past three years were in May and June of this year (51.2 in both months). Australia was the only nation for which composite PMI output data are compiled to see contraction. Growth slowed in the US, the UK, India and Italy.

Global economic growth slows in August amid signs of further weakness to come

Global economic growth remained lacklustre in August, with signs that more weakness may be on the cards. Output rose at one of the slowest rates over the past three years, as new order intakes expanded at the joint-weakest pace since late-2012. Business optimism about the year ahead dropped to its lowest since future activity data were first tracked in July 2012. The slowdown was mainly centred on the global service sector. Although continuing to outperform the trend in manufacturing production, service sector output growth eased to its second-weakest pace since late-2016. Activity rose at reduced rates across the business, consumer and financial services categories.

Global manufacturing output stabilised in August, despite further declines in both total order books and new export business. The consumer goods sector was a relative bright spot, seeing production and new orders rise, contrasting with the ongoing downturns in the intermediate and investment goods industries. The outlook for the global economy showed signs of further potential weakness to come. New orders fell at the joint-fastest rate in almost seven years in August, while business optimism sank to a fresh series-record low. …

The August PMI points to growth at the slowest pace over the past three years. Signs of further potential weakness are also gathering, with growth of new order inflows losing impetus, job creation slowing and business confidence sliding to a fresh series-record low. With market conditions tight and global trade tensions heightened, a sustained revival in global GDP growth still looks to be some way off in the distance" – Olya Borichevska, Global Economist, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/e70fbc98955f439ea0301fa83ce02d11; 9/5/19

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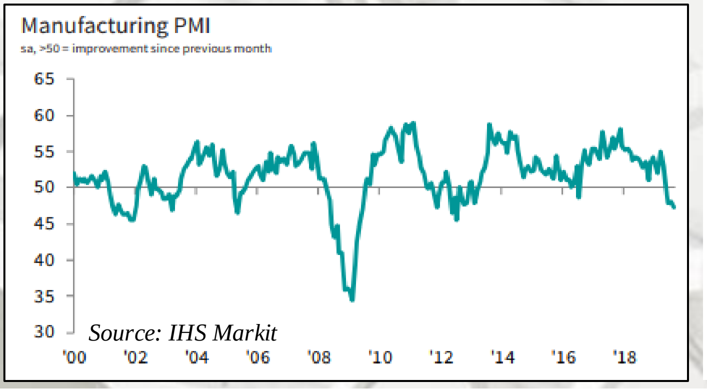

IHS Markit/CIPS UK Manufacturing PMI®

"At 47.4 in August, down from 48.0 in July, the headline seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) fell to its lowest level since July 2012. The downward movement in the headline index was centred on an accelerated contraction in new work, which decreased to the greatest extent in 85 months. Survey data were collected between 12-27 August.

UK Manufacturing PMI at seven-year low as uncertainty stifles domestic and export markets

The high levels of economic and political uncertainty pervasive across domestic and global markets continued to weigh heavily on the performance of UK manufacturing during August. Output volumes fell as intakes of new work contracted at the fastest pace for over seven years, while business optimism dropped to a series-record low.

High levels of economic and political uncertainty alongside ongoing global trade tensions stifled the performance of UK manufacturers in August. Business conditions deteriorated to the greatest extent in seven years, as companies scaled back production in response to the steepest drop in new order intakes since mid2012. Based on its historical relationship against official ONS data, the latest PMI Output Index is consistent with a quarterly pace of contraction close to 2%. The outlook also weakened as the multiple headwinds buffeting the sector saw business optimism slump to a series-record low. Demand from domestic and export markets both weakened in August, with new export business suffering the sharpest fall in seven years. The global economic slowdown was the main factor weighing on new work received from Europe, the USA and Asia. There was also a further impact from some EU-based clients routing supply chains away from the UK due to Brexit.

The further downturn in export orders occurred despite a weakening in the sterling exchange at the start of the month. This was felt on the costs front though, with 80% of companies providing a reason for higher purchase prices making at least some reference to the exchange rate. The current high degree of market uncertainty, both at home and abroad, and currency volatility will need to reduce significantly if UK manufacturing is to make any positive strides towards recovery in the coming months." – Rob Dobson, Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/a683a7987184497cba5e01b52a7f99ab; 9/2/19

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Inches Lower in June

Associated Builders and Contractors reported today that its Construction Backlog Indicator fell to 8.8 months in June 2019, down 0.1 months or 1.3% from May 2019, when CBI stood at 8.9 months.

"Though still elevated by historical standards, nonresidential construction backlog has generally been trending lower in recent months. In June, backlog fell significantly in the Middle States, perhaps a reflection of a weakening industrial sector impacted by ongoing trade disputes, a strong U.S. dollar, and a weakening global economy. Industrial contractors reported especially large declines in backlog.

However, construction backlog continued to rise in the South, home to many of the nation's most rapidly growing populations and employment bases, including burgeoning metropolitan areas like Atlanta; Dallas; Nashville, Tennessee; and Orlando, Florida. Contractor backlog in that region averages more than 10 months, easily the highest level of any major region. Backlog also expanded in the Northeast, largely due to ongoing construction cycles in New York and Boston. Despite that, overall backlog in the nation's commercial/institutional segment declined modestly in June.

At the heart of the ongoing nonresidential construction cycle is spending on infrastructure. While many stakeholders continue to wait for a full-fledged national infrastructure plan or at least a plan to address the Highway Trust Fund's pending insolvency, state and local governments continue to collectively expend more on public works. Correspondingly, backlog in the infrastructure category expanded by more than 4% in June, according to ABC's survey, and now stands at more than 9 months." – Anirban Basu, Chief Economist, ABC

Source: https://abc.org/News-Media/News-Releases/entryid/16650/abc-s-construction-backlog-indicator-inches-lower-in-june; 8/20/19

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Associated Builders and Contractors

Source: https://abc.org/News-Media/News-Releases/entryid/16650/abc-s-construction-backlog-indicator-inches-lower-in-june; 8/20/19

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index July 2019

Architecture firms report another setback in billings

Decline in new design contracts suggests volatility in design activity to persist

"Business conditions at architecture firms softened in June, following two months where growth was essentially flat. The ABI score of 49.1 for the month indicates that more firms reported that billings declined than increased from the previous month. Architecture firm billings have either declined or been flat since February, the longest period of such softness since 2012. In addition, while inquiries into new work and the value of new design contracts remained positive in June, the pace of that growth continued to slow, with inquiries in particular falling to its lowest score in a decade. However, firms are still reporting strong backlogs of work in the pipeline, six and a half months on average, which continues to be the most robust that backlogs have been since we began collecting this data on a quarterly basis in 2010." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

"The data is not the same as what we saw leading up to the last economic downturn but the continued, slowing across the board will undoubtedly impact architecture firms and the broader construction industry in the coming months. A growing number of architecture firms are reporting that the ongoing volatility in the trade situation, the stock market, and interest rates are causing some of their clients to proceed more cautiously on current projects." – Kermit Baker, Hon. AIA, Chief Economist, AIA

Source: https://www.aia.org/pages/6175201-abi-june-2019-architecture-firms-report-an; 8/21/19

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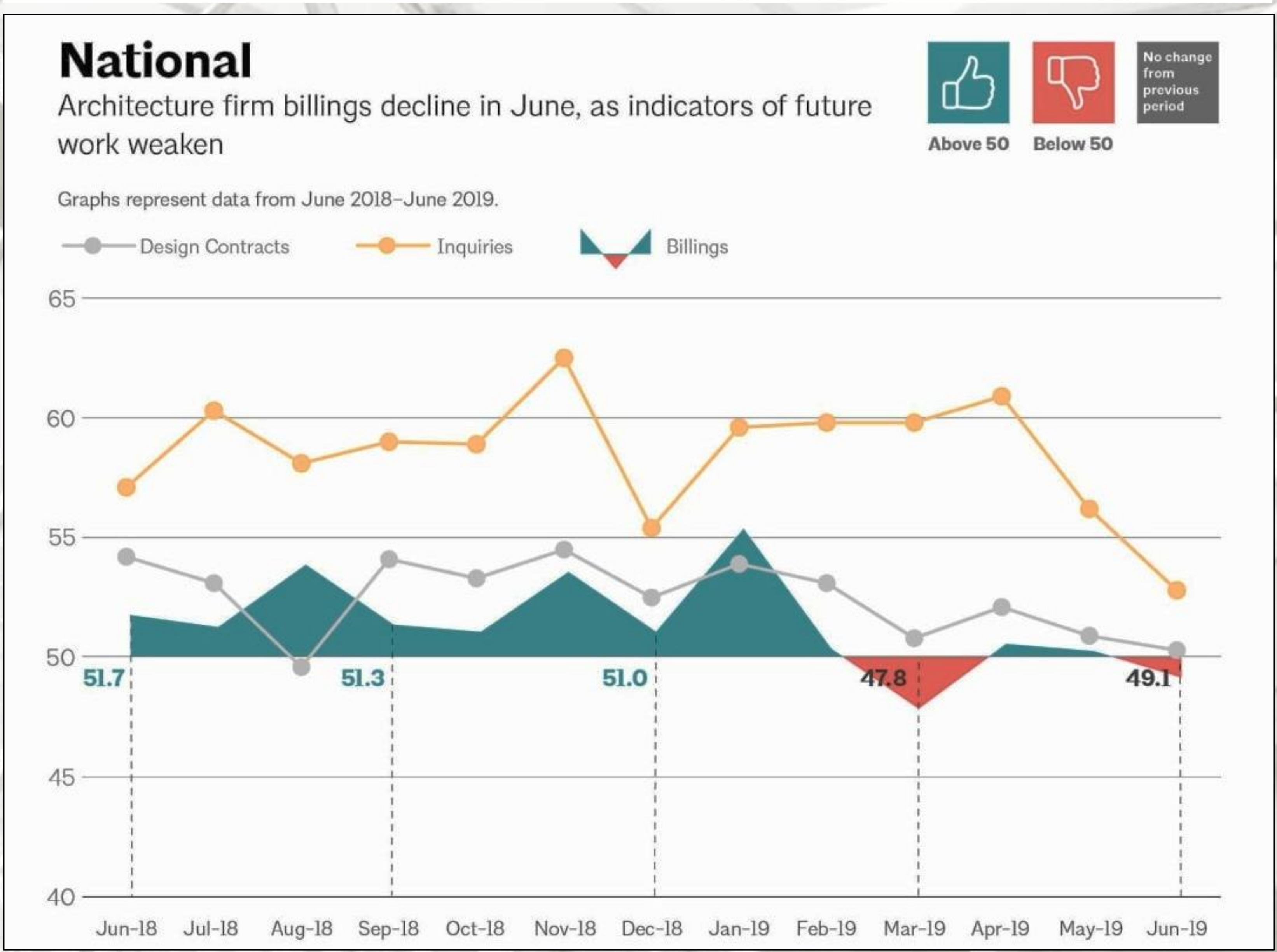
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6175201-abi-june-2019-architecture-firms-report-an; 8/21/19

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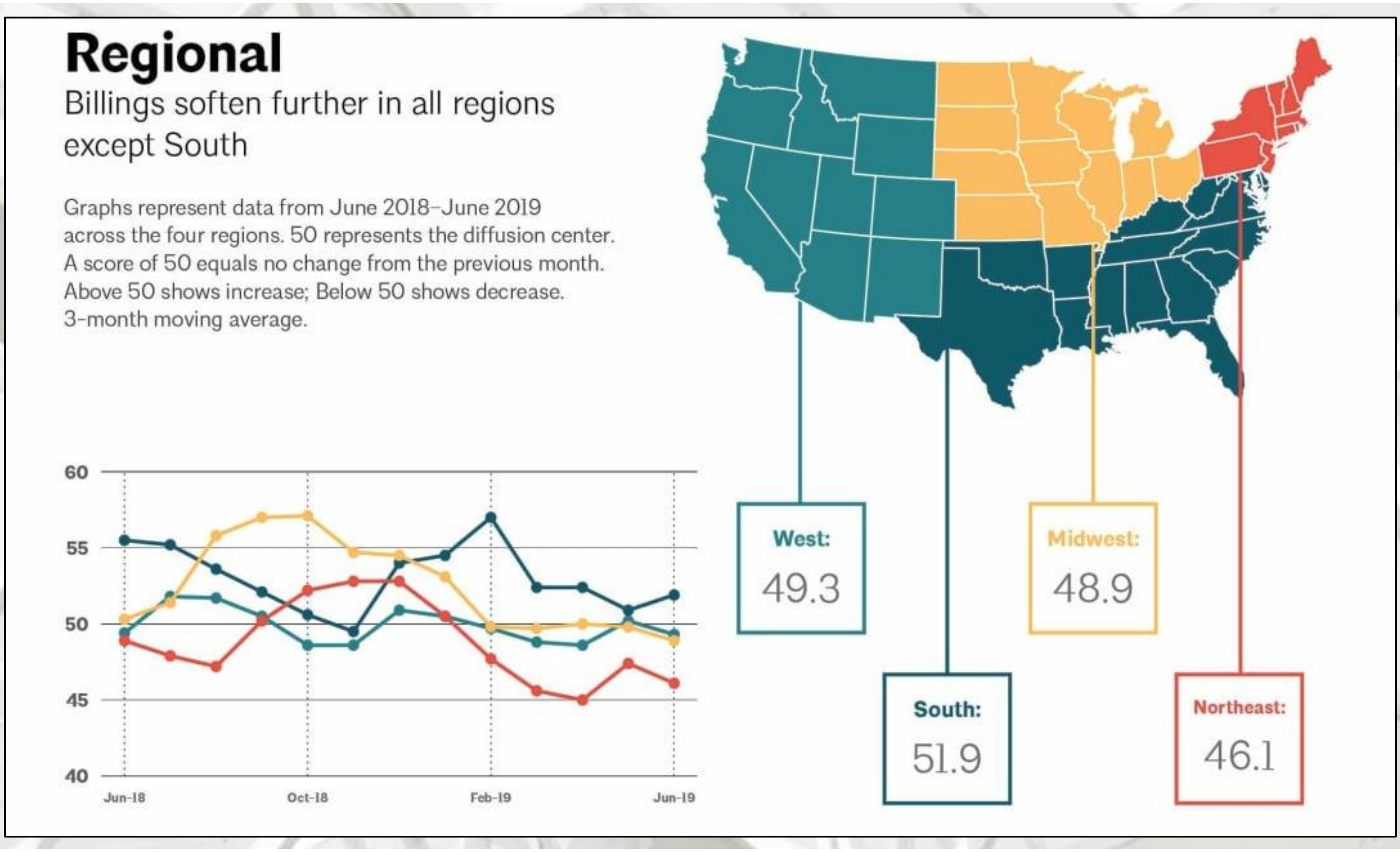

Region

"Billings also declined at firms in all regions of the country in June, with the exception of firms located in the South, who reported modest growth. Billings remained softest at firms located in the Northeast, as has been the case since February." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6175201-abi-june-2019-architecture-firms-report-an; 8/21/19

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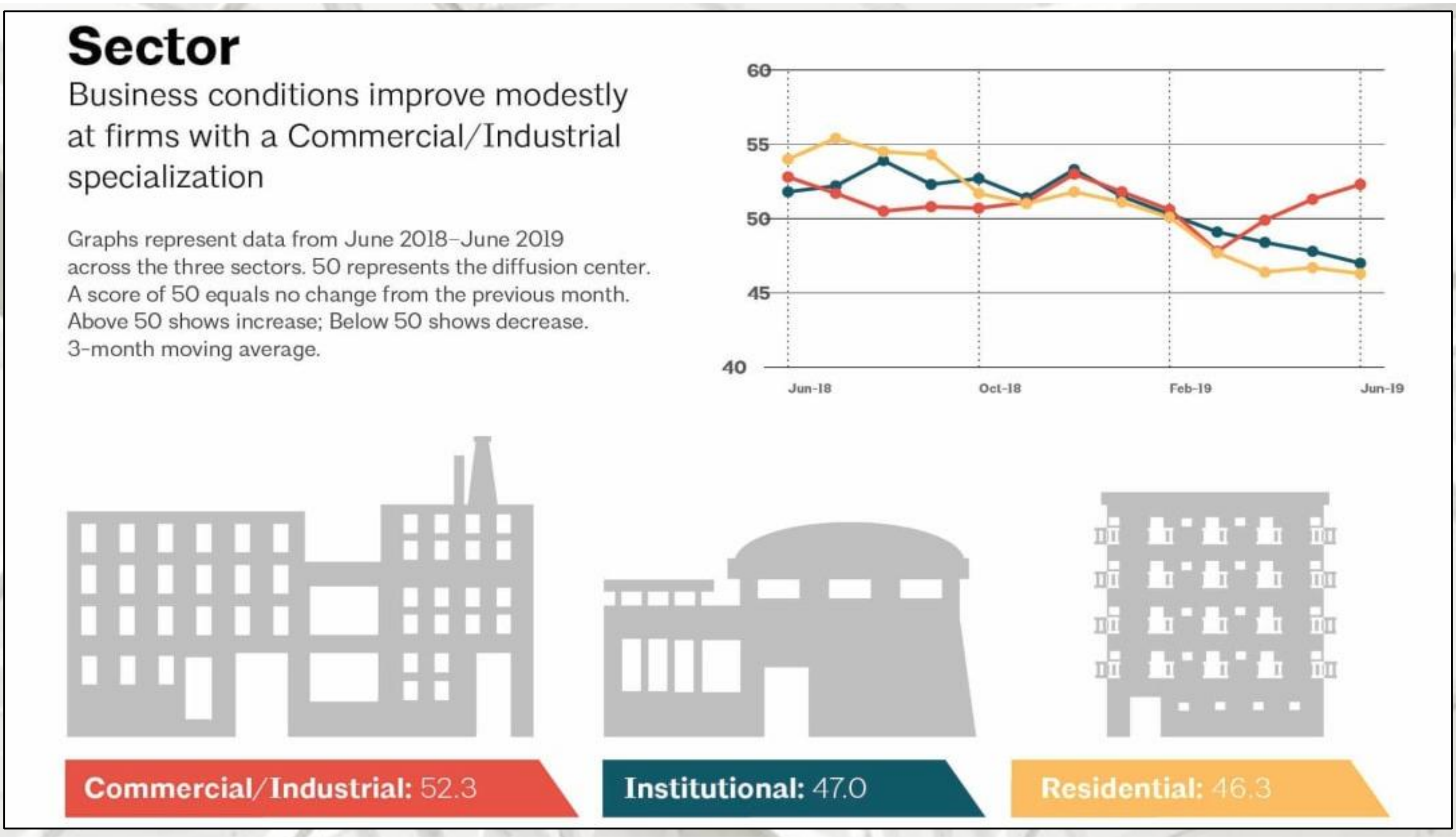

Sector

"Business conditions also weakened at firms with multifamily residential and institutional specializations this month, with both reporting declines for the fourth consecutive month. On the other hand, billings have strengthened at firms with a commercial/industrial specialization over the last two months, following a brief downturn in March and April." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6175201-abi-june-2019-architecture-firms-report-an; 8/21/19

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Private Indicators

Dodge Data & Analytics

July Construction Starts Increase 2 Percent

Strong Volume of Public Works Lifts Total Construction to Third Straight Gain

"At a seasonally adjusted annual rate of $849.6 billion, new construction starts in July advanced 2% from the previous month, according to Dodge Data & Analytics. This marked the third consecutive monthly increase for total construction starts, following gains of 10% in May and 9% in June. By major sector, nonbuilding construction led the way in July with a 24% hike, boosted by several large public works and electric utility/gas plant projects. These included the $2.7 billion automated people mover system that's part of the Landside Access Modernization Program at Los Angeles International Airport, a $2.5 billion segment of the Sabine Pass Liquefaction Project in Louisiana, a $1.8 billion natural gas liquids pipeline in Texas, and a $934 million water purification plant expansion in Texas. Nonresidential building in July settled back 4%, following a 16% jump in June that included the start of the $1.1 billion Terminal 5 expansion at Chicago's O'Hare International Airport. Residential building in July slipped 6%, as multifamily housing retreated from its elevated June amount. Through the first seven months of 2019, total construction starts on an unadjusted basis were $459.3 billion, down 6% from the same period a year ago.

The July statistics raised the Dodge Index to 180 (2000=100), compared to 176 in June, and marked the highest level for the Dodge Index so far during 2019. The latest two months have seen the Dodge Index move above its 2018 monthly average at 172." – Nicole Sullivan, AFFECT Public Relations & Social Media

Source: https://www.construction.com/news/july-construction-starts-increase-2-percent-august-2019; 8/22/19

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Private Indicators

Dodge Data & Analytics

“The strengthening volume of construction starts in recent months indicates that activity is moving closer to the levels reported in 2018, following a sluggish performance at the outset of 2019. Recent support has come from those construction sectors that are partially influenced by public funding, namely institutional building with its June gain and now public works with its July gain. This is typically what takes place during the latter stages of a construction expansion, which also helps to keep the initial stage of a broad-based slowdown to stay moderate. The current year has already seen a pullback for multifamily housing after a robust 2018, and single family housing has not yet provided evidence that it can move beyond its extended plateau any time soon. The commercial building segment so far in 2019 has been mixed – office construction remains on track for a modest gain, but there’s also been generally depressed activity for store construction and some slippage for hotel and warehouse starts.

Residential building in July was $300.1 billion (annual rate), down 6% from June. After climbing 28% in June, multifamily housing retreated 16% in July as the current year’s moderate pullback resumed. The July pace for multifamily housing was down 15% from its average monthly rate during 2018. There were 8 multifamily projects valued each at $100 million or more that reached groundbreaking in July, compared to 14 such projects in June. The large July multifamily projects were led by the $240 million ArtHaus multifamily high-rise in Philadelphia PA, a $235 million multifamily high-rise in the Hudson Yards district of New York NY, and a $190 million multifamily high-rise in New Rochelle NY. During July the top five metropolitan areas ranked by the dollar amount of multifamily starts were – New York NY, Miami FL, Philadelphia PA, Washington DC, and Austin TX. **Single family housing** in July receded 2%, slipping for the second month in a row after June’s 3% decline. The July pace for single family housing was down 6% from its average monthly rate during 2018, as affordability constraints resulting from high home prices continue to outweigh the benefits of low mortgage rates. By major region, single family housing showed this performance during July versus June – the Northeast, up 4%; the South Atlantic, up 1%; the South Central, unchanged; the Midwest, down 4%; and the West, down 5%,” –Robert A. Murray, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/july-construction-starts-increase-2-percent-august-2019; 8/22/19

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Private Indicators

Dodge Data & Analytics

“The 6% decline for total construction starts on an unadjusted basis during the January-July period of 2019 was due to reduced activity for two of the three main construction sectors. Nonresidential building fell 9% year-to-date, with this pattern by segment – commercial building down 1%, institutional building down 7%, and manufacturing building down 46%. The steep drop for manufacturing building reflected the comparison to a very strong volume during the first seven months of 2018, that included such projects as a $6.5 billion uranium processing facility in Oak Ridge TN and a $2.4 billion petrochemical plant in Channelview TX. If the manufacturing building category is excluded, nonresidential building year-to-date would be down 4%. **Residential building** year-to-date also fell 9%, with single family housing down 7% and **multifamily housing** down 14%. Nonbuilding construction was the one major sector that was able to post a year-to-date gain, rising 2%, as a 132% increase for electric utilities/gas plants outweighed a 12% decline for public works. The public works year-to-date amount was restrained by a sharp 29% decline for the miscellaneous public works category (the result of a substantially lower dollar amount of new pipeline starts). If the miscellaneous public works category is excluded, public works during the first seven months of 2019 would be down only 4% and nonbuilding construction would be up 14%. By major region, total construction starts during the first seven months of 2019 revealed this pattern – the Midwest, down 4%; the South Central, down 5%; the South Atlantic, down 6%; the Northeast, down 8%; and the West, down 9%.” – Robert A. Murray, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/july-construction-starts-increase-2-percent-august-2019; 8/22/19

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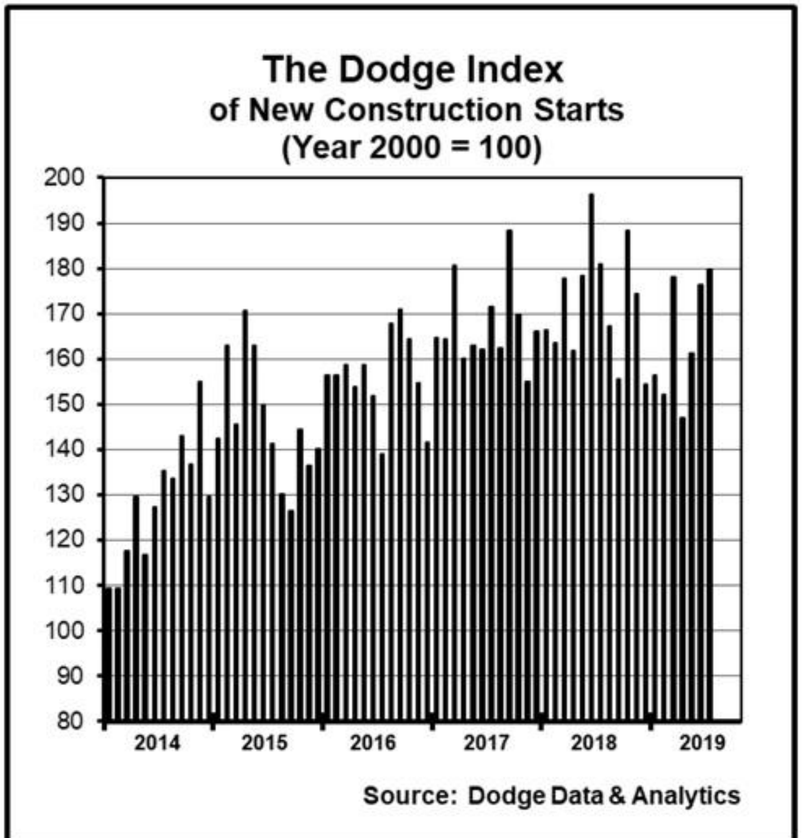
Private Indicators

July 2019 Construction Starts



July 2019 Construction Starts

Monthly Summary of Construction Starts
Prepared by Dodge Data & Analytics

Monthly Construction Starts
Seasonally Adjusted Annual Rates, in Millions of Dollars

	July 2019	June 2019	% Change
Nonresidential Building	$293,367	$306,774	-4
Residential Building	300,108	319,964	-6
Nonbuilding Construction	256,102	206,767	+24
Total Construction	$849,577	$833,505	+2

The Dodge Index
Year 2000=100, Seasonally Adjusted

July 2019…...180
June 2019….176

Year-to-Date Construction Starts
Unadjusted Totals, in Millions of Dollars

	7 Mos. 2019	7 Mos. 2018	% Change
Nonresidential Building	$161,101	$177,913	-9
Residential Building	181,495	198,893	-9
Nonbuilding Construction	116,744	114,295	+2
Total Construction	$459,340	$491,101	-6

Source: https://www.construction.com/news/july-construction-starts-increase-2-percent-august-2019; 8/22/19

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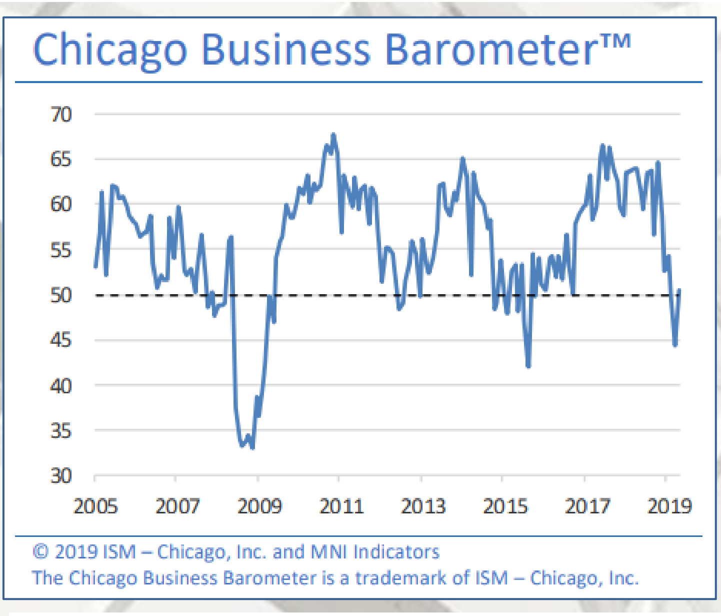

MNI Chicago

"The Chicago Business Barometer™, produced with MNI, rose 6.0 points to 50.4 in August, up from 44.4 in July. The index had been in contractionary territory for two months before this month's gain. Only two of the Business Activity components saw a monthly decline, as Supplier Deliveries saw a sharp fall, dropping to 50.3 from July's 55.6. The survey still suggests a softer overall tone in business activity despite the August pick-up in sentiment, as the three-month average fell again, dipping to 48.2.

Chicago Business Barometer™ – – Lifted to 50.4 in August

Production remains muted, despite a pickup of 6.7 points. Demand recovered slightly, highlighted by an increase in New Orders, which saw the largest single component monthly gain and shifted back into expansion. Order Backlogs recovered to 51.3 in August after three straight months below 50. The index stood at 43.5 in July. Inventories witnessed the largest monthly percentage decline, falling by 11.2% to 47.9, indicating that firms started to run down inventories in August. Labor demand improved in August, with the Employment indicator rising slightly to 43.7, however the component has remained in contraction since July. Prices Paid at the factory gate ticked up 3.7 points, reaching a five-month high of 59.8 – still a long way shy of the 12-month high 79.8.

This month's special question asked firms about their business investment plans for the remainder of 2019. The majority, at 63%, intend to leave their current plans unchanged, with firms noting global uncertainties as their main concern. While 27% are planning to increase their investments, the balance of 10% intend to reduce theirs." – Shaily Mittal, Senior Economist, MNI Indicators

Source: https://s3.amazonaws.com/images.chaptermanager.com/chapters/b742ccc3-ff70-8eca-4cf5-ab93a6c8ab97/files/mni-chicago-press-release-2019-08.pdf; 8/30/19

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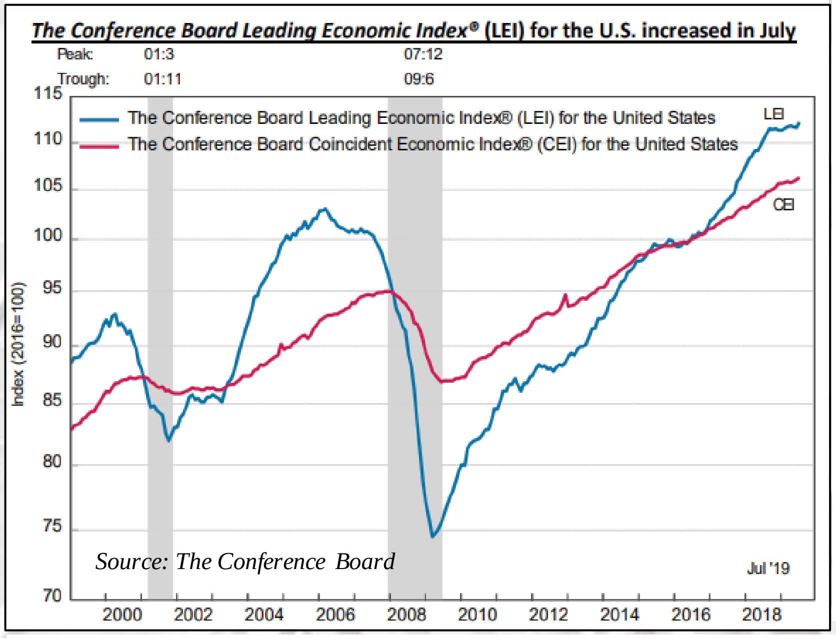
Private Indicators

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

Index Points to Moderate Growth in Second Half

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.5 percent in July to 112.2 (2016 = 100), following a 0.1 percent decline in June, and a 0.1 percent decline in May.

U.S. Composite Economic Indexes (2016 = 100)



"The US LEI increased in July, following back-to-back modest declines. Housing permits, unemployment insurance claims, stock prices and the Leading Credit Index were the major drivers of the improvement. However, the manufacturing sector continues exhibiting signs of weakness and the yield spread was negative for a second consecutive month. While the LEI suggests the US economy will continue to expand in the second half of 2019, it is likely to do so at a moderate pace." – Ataman Ozyildirim, Director of Economic Research, The Conference Board

"**The Conference Board Coincident Economic Index® (**CEI) for the U.S. increased 0.2 percent in July to 106.2 (2016 = 100), following a 0.2 percent increase in June, and a 0.1 percent increase in May.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.6 percent in July to 108.5 (2016 = 100), following a 0.5 percent increase in June, and a 0.1 percent decline in May."

Source: https://www.conference-board.org/data/bcicountry.cfm; 8/22/19

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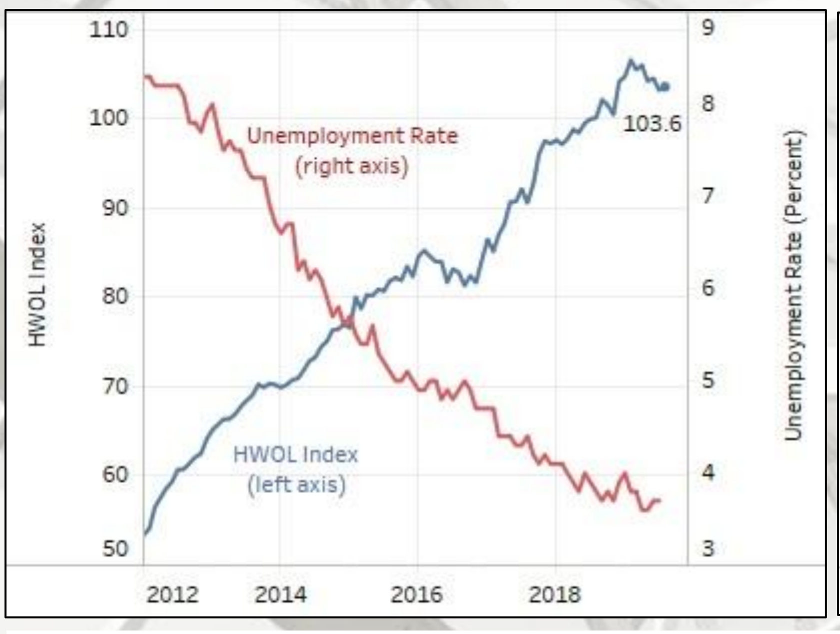

The Conference Board Help Wanted OnLine® (HWOL) Online Labor Demand Rose in August

- "HWOL Index rose slightly in August, following a slight decline in July
- Regions and States show little change

The Conference Board Help Wanted OnLine® (HWOL) Index rose in August and now stands at 103.6 (July 2018=100), up from 103.2 in July. The Index declined 1.2 percent from the prior month but is up 3.5 percent from a year ago. In the Midwest, Iowa increased 2.9 percent and Ohio increased 2.5 percent. In the Northeast, Maine grew 3.3 percent and Connecticut increased 2.3 percent. In the South, Kentucky grew 3.0 percent and Texas increased 1.1 percent. In the West, Wyoming grew 2.6 percent and Nevada increased 2.0 percent.

The Professional occupational category experienced declines in Legal (-3.1 percent) and Education (-1.1 percent). The Services/Production occupational category showed increases in Protective Services (4.9 percent), Personal Care and Services (2.5 percent), and Sales (2.5 percent)." – Gad Levanon, Chief Economist, North America, at The Conference Board

Source: https://www.conference-board.org/data/helpwantedonline.cfm; 9/11/19

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Equipment Leasing and Finance Association:

Confidence Increases Again in August

"The **Equipment Leasing & Finance Foundation** (the Foundation) releases the August 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 $1 trillion equipment finance sector. Overall, confidence in the equipment finance market is 58.9, an increase from the July index of 57.9." – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

"All indicators point to the continued strength of the economy in spite of trade and tariff wars. The recent drop in the fed funds rate continues to put the spotlight on rates and historically low margins. As certain sectors of the economy are affected by policy changes, we could experience changes in equipment finance demand." – Valerie Hayes Jester, President, Brandywine Capital Associates

"I'm optimistic that it seems neither businesses nor consumers are over-leveraged. I'm concerned that talk of recession is making businesses pull back, creating a self-fulfilling prophecy." –Quentin Cote, CLFP, President, Mintaka Financial, LLC

"Business demand remains strong with month-over-month growth even into the summer. Credit quality remains solid and portfolio performance continues well." – David Normandin, CLFP, President and CEO, Wintrust Specialty Finance

"We do not expect significant new investment by our customers until trade issues are resolved. Customers are being extremely cautious with new investment opportunities." – Michael Romanowski, President, Farm Credit Leasing

"Business optimism and capital investment remain strong in the markets we serve." – Alan Sikora, CEO, First American Equipment Finance

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/08/15/equipment-leasing-and-finance-industry-confidence-increases-again-in-august; 8/15/19

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Equipment Leasing and Finance Association: Confidence Increases Again in August

"August 2019 Survey Results: The overall MCI-EFI is 58.9, an increase from 57.9 in July.

- When asked to assess their business conditions over the next four months, 16.7% of executives responding said they believe business conditions will improve over the next four months, up from 10% in July. 76.7% of respondents believe business conditions will remain the same over the next four months, a decrease from 83.3% the previous month. 6.7% believe business conditions will worsen, unchanged from July.
- 16.7% 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% who believed so in July. 80% believe demand will "remain the same" during the same four-month time period, a decrease from 86.7% the previous month. 3.3% believe demand will decline, unchanged from July.
- 16.7% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, up from 10% in July. 83.3% of executives indicate they expect the "same" access to capital to fund business, a decrease from 90% last month. None expect "less" access to capital, unchanged from last month.
- When asked, 31% of the executives report they expect to hire more employees over the next four months, a decrease from 33.3% in July. 62.1% expect no change in headcount over the next four months, a decrease from 63.3% last month. 6.9% expect to hire fewer employees, up from 3.3% last month." – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/08/15/equipment-leasing-and-finance-industry-confidence-increases-again-in-august; 8/15/19

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Equipment Leasing and Finance Association: Confidence Increases Again in August

"August 2019 Survey Results: The overall MCI-EFI is 58.9, an increase from 57.9 in July.

- 36.7% of the leadership evaluate the current U.S. economy as "excellent," down from 41.4% in July. 60% of the leadership evaluate the current U.S. economy as "fair," an increase from 58.6% the previous month. 3.3% evaluate it as "poor," up from none in July.
- 6.7% of the survey respondents believe that U.S. economic conditions will get "better" over the next six months, unchanged from July. 73.3% of survey respondents indicate they believe the U.S. economy will "stay the same" over the next six months, a decrease from 80% the previous month. 20% believe economic conditions in the U.S. will worsen over the next six months, an increase from 13.3% in July.
- In August, 36.7% of respondents indicate they believe their company will increase spending on business development activities during the next six months, an increase from 30% last month. 63.3% believe there will be "no change" in business development spending, a decrease from 70% in June. None believe there will be a decrease in spending, unchanged from last month." – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/08/15/equipment-leasing-and-finance-industry-confidence-increases-again-in-august; 8/15/19

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Private Indicators

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

July New Business Volume Up 15 Percent Year-over-year, Down 5 Percent Month-over-month and Up 3 Percent Year-to-date

"The **Equipment Leasing and Finance Association's** (ELFA) **Monthly Leasing and Finance Index (MLFI-25)**, which reports economic activity from 25 companies representing a cross section of the $1 trillion equipment finance sector, showed their overall new business volume for July was $9.4 billion, up 15 percent year-over-year from new business volume in July 2018.

Volume was down 5 percent month-to-month from $9.9 billion in June. Year to date, cumulative new business volume was up 3 percent compared to 2018.

Receivables over 30 days were 2.0 percent, up from 1.70 percent the previous month and up from 1.90 percent the same period in 2018. Charge-offs were 0.37 percent, up from 0.33 percent the previous month, and up from 0.31 in the year-earlier period.

Credit approvals totaled 75.7 percent, down from 77.0 percent in June. Total headcount for equipment finance companies was down 2.3 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in August is 58.9, up from the July index of 57.9." – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/08/23/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 8/23/19

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Private Indicators

Equipment Leasing and Finance Association

Monthly Leasing & Finance Index

“Despite early warning signs of a much-discussed economic downturn, a representative sample of companies in the equipment leasing and finance industry report strong mid-summer origination activity. While credit quality in these portfolios is something to monitor carefully, business owners continue to invest in productive assets to grow their businesses and increase operational efficiency.” – Ralph Petta, President and CEO, ELFA

“MLFI data illustrates that following a slow Q1, the market appears to have stabilized with a strong Q2 and July continued that result. While there was a slight seasonal volume decrease in July from June, it was significantly less than the last two years for the same period. At the same time, the market is experiencing a slight uptick in delinquency but charge-offs remain low. Credit quality is an increasing focus of risk professionals. In spite of relentless political rhetoric, stock market volatility and trade war concerns, the U.S. economy remains solid and demand for equipment finance is strong.” – David Normandin, President and CEO, Wintrust Specialty Finance

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/08/23/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 8/23/19

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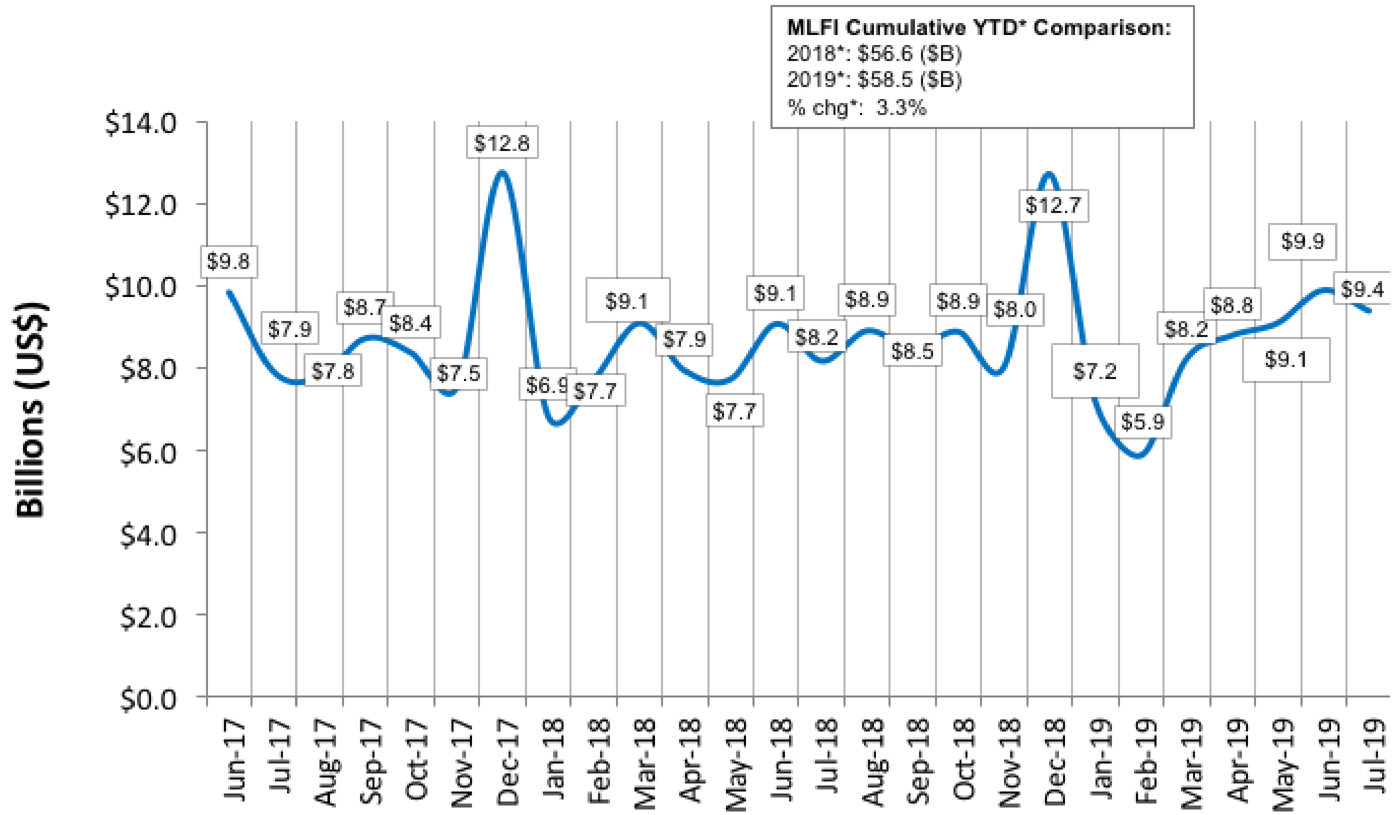
Private Indicators

Equipment Leasing and Finance Association

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



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

ELFA
Equipping Business for Success

MLFI

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/08/23/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 8/23/19

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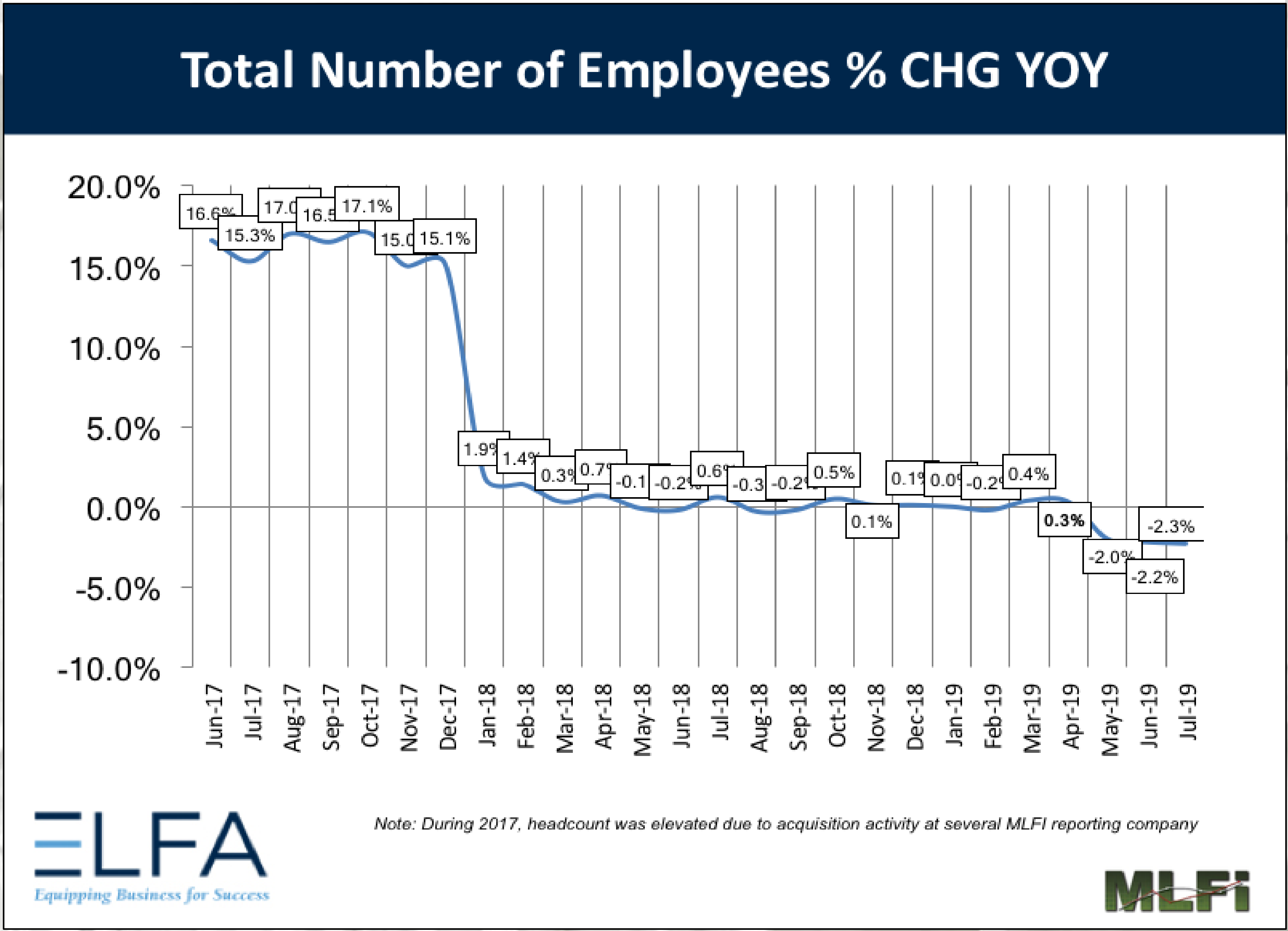
Equipment Leasing and Finance Association



Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/08/23/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 8/23/19

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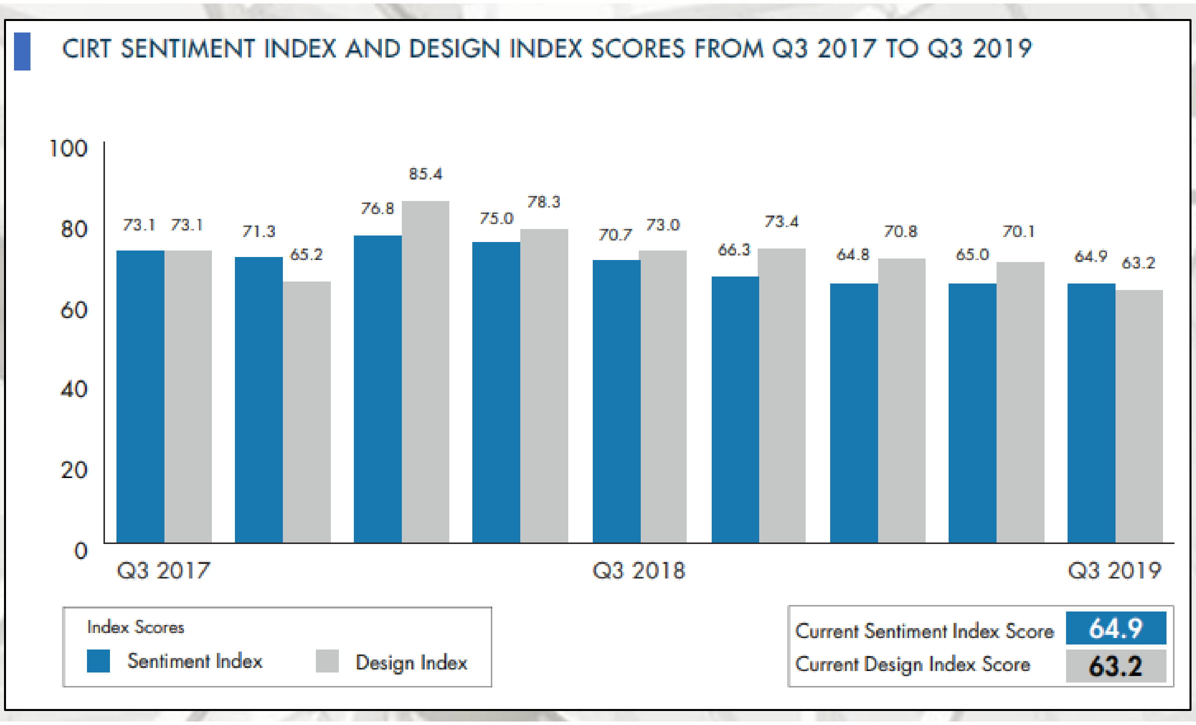
Private Indicators

FMI CIRT Sentiment Index
Third Quarter Report



Executive Summary

"The third quarter 2019 CIRT Sentiment Index indicated a slight decrease versus a more significant downturn in the Design Index when compared with the second quarter. The CIRT Sentiment Index declined from 65.0 to 64.9, compared to the Design Index which fell from 70.1 to 63.2. This downward movement may be reflective of the ambiguity surrounding the uncertain economic environment. Offsetting the potential impact of a slowing economy/market is early evidence that the upward pressure on labor and material costs may be easing or at least flattening." – Fminet.com

Source: https://www.fminet.com/wp-content/uploads/2019/07/FMI_2019_CIRT_Third_Quarter_Report.pdf; 7/28/19

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Private Indicators

FMI CIRT Sentiment Index
Third Quarter Report

INDEX MOVEMENT

		Q2 2019	Q3 2019
Overall U.S. Economy	↓	57.27	55.56
Economy Where We Do Business	↓	61.82	61.11
Our Construction Business	↓	78.85	74.24
Nonresidential Sector	↓	61.82	60.66
Backlog	↑	72.42	73.02
Cost of Labor	↓	92.73	89.68
Cost of Materials	↓	81.82	79.37
Productivity	↑	42.73	50.00

Source: https://www.fminet.com/wp-content/uploads/2019/07/FMI_2019_CIRT_Third_Quarter_Report.pdf; 7/28/19

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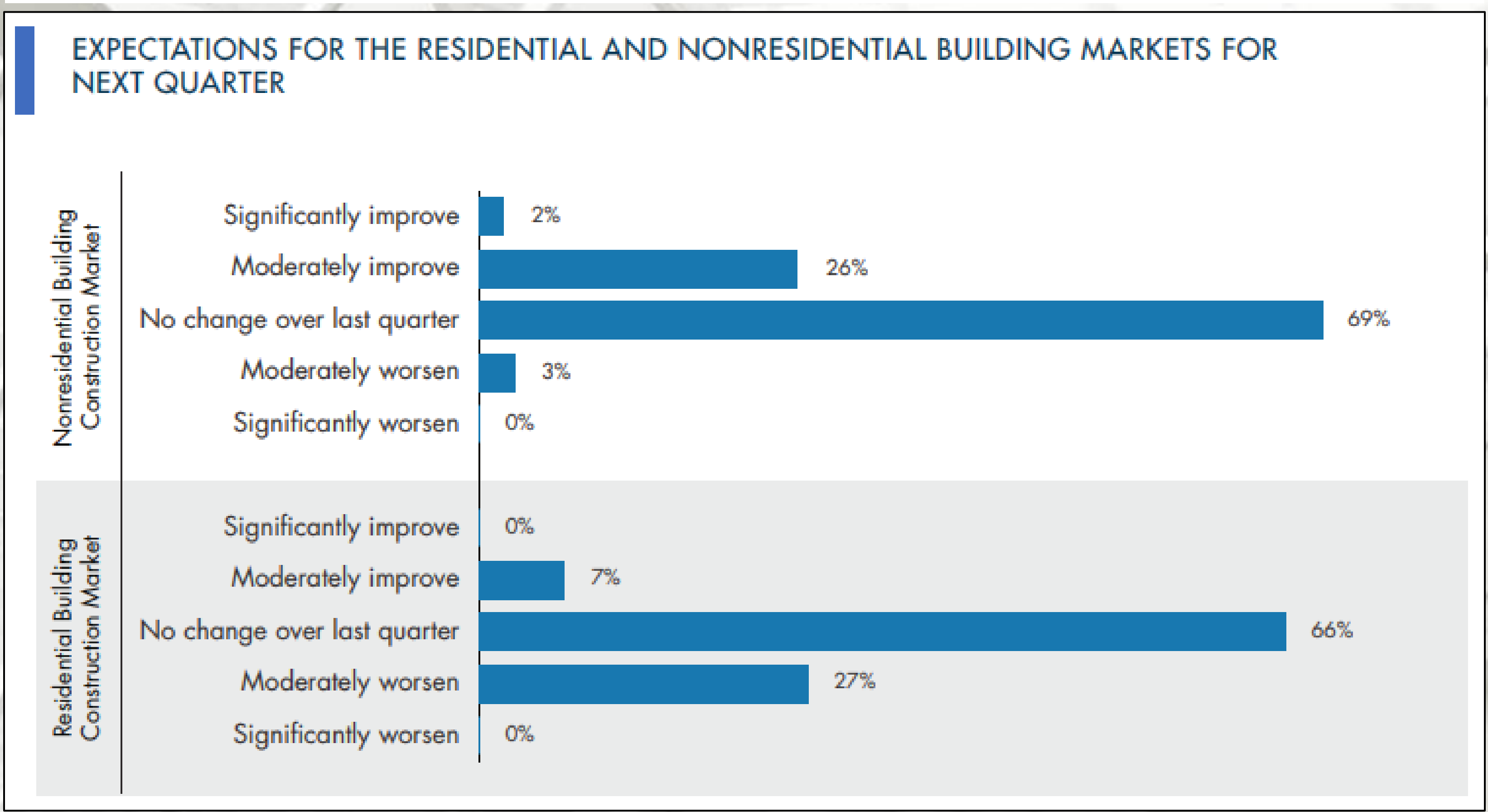
Private Indicators

FMI CIRT Sentiment Index
Third Quarter Report



Source: https://www.fminet.com/wp-content/uploads/2019/07/FMI_2019_CIRT_Third_Quarter_Report.pdf; 7/28/19

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Private Indicators

FreightWaves®

Has the Freight Recession ended?

"After approximately nine months of flat or contracting volumes and rates, the freight market has started to change course. The national Outbound Tender Volume Index (OTVI) just had its longest stretch of positive growth this year at 31 days of year-over-year growth (see Chart). During this stretch, which started on July 24, volumes averaged 2.9% higher than the same period in 2018. Prior to this, the longest consecutive period of positive YoY comps was an 11-day period preceding the May 10 Chinese tariff implementation, where volumes averaged a marginal 0.7% higher.

Up to that point, it was unclear whether or not 2018 was just an over-heated year that produced tougher comps or the freight markets were really in a substantial downturn. From March 1 till May 9, volumes were averaging 1.3% under 2018. From May 10 till July 23, volumes averaged over 4% under the previous year. In other words, the spring was like rolling down a grassy hill, where the summer season was like falling off a cliff.

The period from March through July is generally considered the peak of construction and manufacturing in the economy. Agriculture and beverages are also major contributors to surging freight volumes during this time. The agricultural sector kept things interesting with above average rains in California making harvests difficult, but this segment of the transportation market (non-grain produce) is small in comparison to the durable goods that drive most of the freight market's volumes.

Many macroeconomic figures have supported an industrial slumping over the past several months. A weakening manufacturing sector, where annual growth has been mostly negative since February, and a lackluster new housing market has kept construction underwhelming." – Zach Strickland, FW Market Expert & Market Analyst, FreightWaves®

Source: https://www.freightwaves.com/news/has-the-freight-recession-ended; 8/26/19

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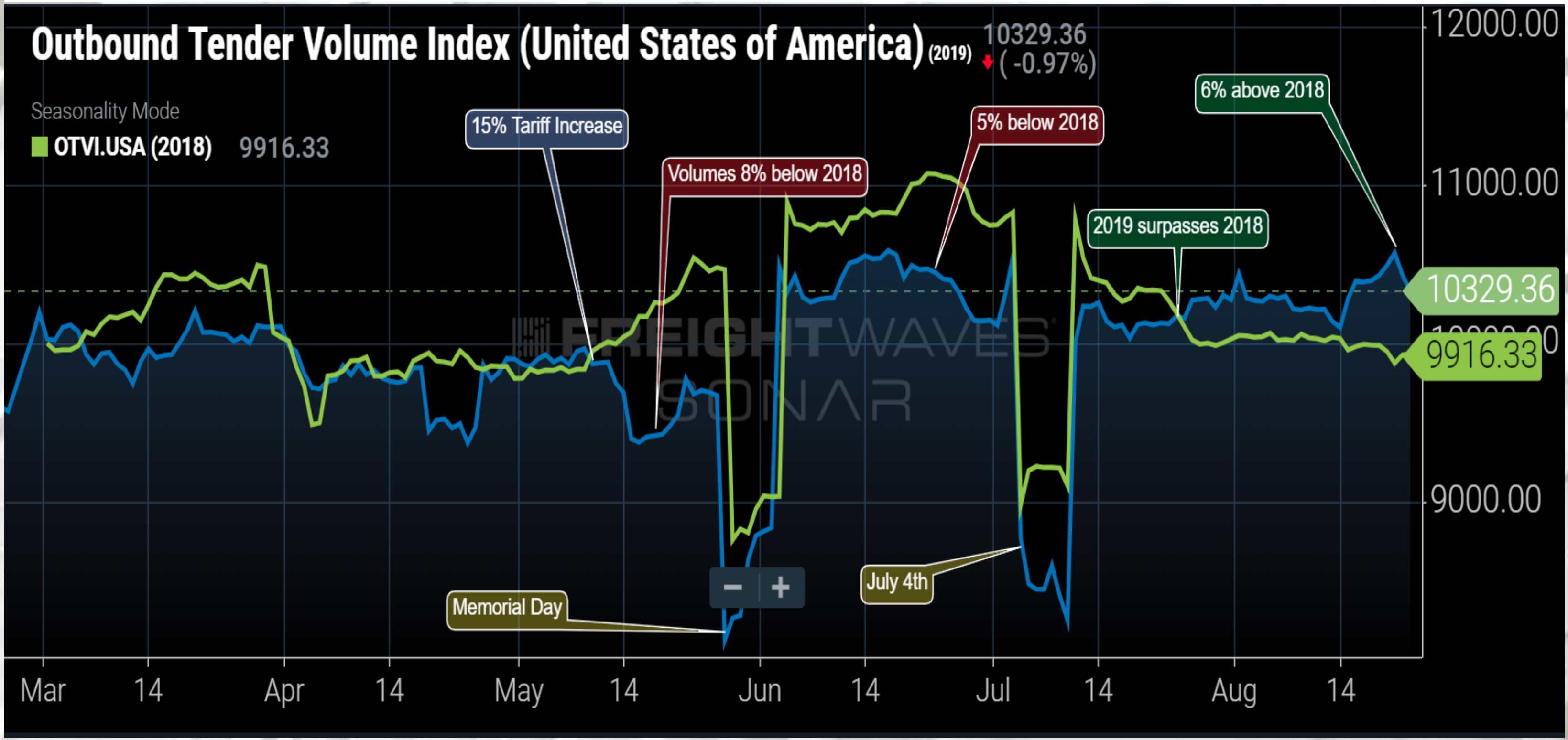
Private Indicators

FreightWaves®

Chart of the Week: Outbound Tender Volume Index — USA (SONAR: OTVI.USA)



Source: https://www.freightwaves.com/news/has-the-freight-recession-ended; 8/26/19

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August 2019 Manufacturing ISM® *Report On Business®*

PMI® at 49.1%

New Orders, Production, and Employment Contracting

Supplier Deliveries Slowing at a Slower Rate; Backlog Contracting

Raw Materials Inventories Contracting; Customers' Inventories Too Low

Prices Decreasing; Exports and Imports Contracting

"Economic activity in the **manufacturing sector** expanded in August, and the **overall economy** grew for the 124th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM®** ***Report On Business®***. The August PMI® registered 49.1 percent, a decrease of 2.1 percentage points from the July reading of 51.2 percent.

The New Orders Index registered 47.2 percent, a decrease of 3.6 percentage points from the July reading of 50.8 percent.

The Production Index registered 49.5 percent, a 1.3-percentage point decrease compared to the July reading of 50.8 percent.

The Employment Index registered 47.4 percent, a decrease of 4.3 percentage points from the July reading of 51.7 percent.

The Supplier Deliveries Index registered 51.4 percent, a 1.9-percentage point decrease from the July reading of 53.3 percent.

The Inventories Index registered 49.9 percent, an increase of 0.4 percentage point from the July reading of 49.5 percent.

The Prices Index registered 46 percent, a 0.9-percentage point increase from the July reading of 45.1 percent." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.instituteforsupplymanagement.org/ISMReport/MfgROB.cfm?navItemNumber=12942&SSO=1; 9/3/19

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August 2019 Manufacturing ISM® *Report On Business®*

PMI® at 49.1%

"Comments from the panel reflect a notable decrease in business confidence. August saw the end of the PMI® expansion that spanned 35 months, with steady expansion softening over the last four months. Demand contracted, with the New Orders Index contracting, the Customers' Inventories Index recovering slightly from prior months and the Backlog of Orders Index contracting for the fourth straight month. The New Export Orders Index contracted strongly and experienced the biggest loss among the subindexes. Consumption (measured by the Production and Employment Indexes) contracted at higher levels, contributing the strongest negative numbers (a combined 5.6-percentage point decrease) to the PMI®, driven by a lack of demand. Inputs – expressed as supplier deliveries, inventories and imports – were again lower in August, due to inventory tightening for the third straight month and continued slower supplier deliveries. This resulted in a combined 1.5-percentage point decline in the Supplier Deliveries and Inventories indexes. Imports and new export orders contracted to new lows. Overall, inputs indicate (1) supply chains are responding better and (2) companies are continuing to closely match inventories to new orders, a positive sign for future expansion. Prices contracted for the third consecutive month, indicating lower overall systemic demand.

Respondents expressed slightly more concern about U.S.-China trade turbulence, but trade remains the most significant issue, indicated by the strong contraction in new export orders. Respondents continued to note supply chain adjustments as a result of moving manufacturing from China. Overall, sentiment this month declined and reached its lowest level in 2019,

Of the 18 manufacturing industries, nine reported growth in August, in the following order: Textile Mills; Furniture & Related Products; Food, Beverage & Tobacco Products; Wood Products; Petroleum & Coal Products; Nonmetallic Mineral Products; Machinery; Miscellaneous Manufacturing; and Chemical Products. The seven industries reporting contraction in August — in the following order — are: Apparel, Leather & Allied Products; Fabricated Metal Products; Transportation Equipment; Primary Metals; Plastics & Rubber Products; Paper Products; and Electrical Equipment, Appliances & Components." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.instituteforsupplymanagement.org/ISMReport/MfgROB.cfm?navItemNumber=12942&SSO=1; 9/3/19

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August 2019 Non-Manufacturing ISM® Report On Business®

PMI® at 56.4%

Business Activity Index at 61.5%; New Orders Index at 60.3%; Employment Index at 53.1%

“Economic activity in the **non-manufacturing sector** grew in August for the 115th consecutive month, say the nation’s purchasing and supply executives in the latest **Non-Manufacturing ISM® Report On Business®**.

The NMI® registered 56.4 percent, which is 2.7 percentage points higher than the July reading of 53.7 percent. This represents continued growth in the non-manufacturing sector, at a faster rate.

The Non-Manufacturing Business Activity Index increased to 61.5 percent, 8.4 percentage points higher than the July reading of 53.1 percent, reflecting growth for the 121st consecutive month.

The New Orders Index registered 60.3 percent; 6.2 percentage points higher than the reading of 54.1 percent in July.

The Employment Index decreased 3.1 percentage points in August to 53.1 percent from the July reading of 56.2 percent.

The Prices Index increased 1.7 percentage points from the July reading of 56.5 percent to 58.2 percent, indicating that prices increased in August for the 27th consecutive month.

According to the NMI®, 16 non-manufacturing industries reported growth. The non-manufacturing sector’s rate of growth rebounded after two consecutive months of cooling off. The respondents remain concerned about tariffs and geopolitical uncertainty; however, they are mostly positive about business conditions.” – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Sourcehttps://www.instituteforsupplymanagement.org/ISMReport/NonMfgROB.cfm?navItemNumber=12943&SSO=1; 8/5/19

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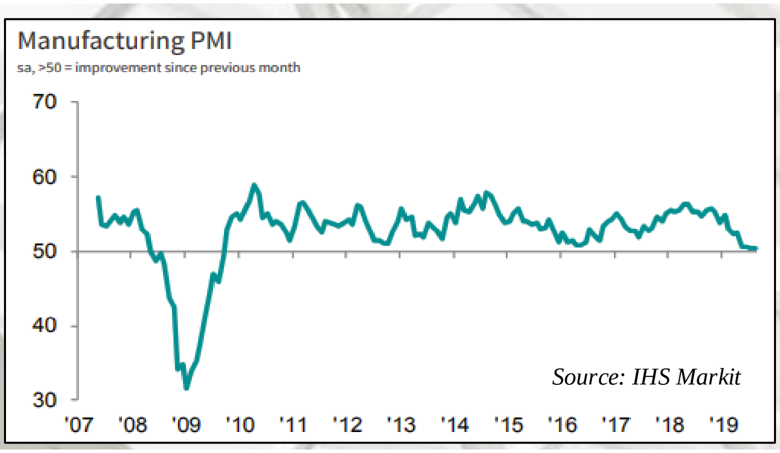

Markit U.S. Manufacturing PMI™

"The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 50.3 in August, up from the flash reading of 49.9 but still down slightly from 50.4 in July. As such, the latest reading signalled the least marked improvement in the health of the U.S manufacturing sector since the depths of the financial crisis in September 2009.

Manufacturing PMI lowest for almost a decade as export decline intensifies

U.S manufacturers signalled a further slowdown in overall growth in August, with the PMI dropping to its lowest for almost a decade. The headline figure was weighed on by a subdued rise in production and lacklustre client demand. Falling orders among foreign clients dragged on overall new business growth and producer confidence. The degree of optimism about the year ahead hit a fresh seven-year series low amid growing business uncertainty. As such, employment was broadly unchanged and spare capacity was used to clear backlogs of work. Meanwhile, inflationary pressures eased further, with rates of input price and output charge inflation among the slowest for almost three years. The rate of production growth was among the slowest seen for over three years in August, as lacklustre client demand led increasing numbers of firms to curb output. Although the pace of increase picked up slightly, some firms attributed the rise to efforts to clear backlogs of work rather than reflecting any new inflows of orders.

The August PMI indicates that US manufacturers are enduring a torrid summer, with the main survey gauge down to its lowest since the depths of the financial crisis in 2009. Output and order book indices are both among the lowest seen for a decade, indicating that manufacturing is likely to have again acted as a significant drag on the economy in the third quarter, dampening GDP growth. At current levels, the survey indicates that manufacturing production is falling at an annualised rate of approximately 3%. Deteriorating exports are the key to the downturn, with new orders from foreign markets dropping at the fastest rate since 2009. Many companies blame slower global economic growth for weakened order books, but also point the finger at rising trade war tensions and tariffs. Hiring has stalled as companies worry about the outlook: optimism about the year ahead is at its lowest since comparable data were first available in 2012. Similarly, price pressures are close to a three-year low, as crumbling demand has removed firms' pricing power." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/2413628f38c94d27bdaed3277c759b41; 9/3/19

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Private Indicators

Markit U.S. Manufacturing PMI™

PMI falls to lowest since September 2009

"A reduction in the level of positive sentiment towards the year ahead was also reflected in the first fall in employment since July 2013. A number of firms registered stable workforce numbers during July, with difficulties finding replacement staff weighing on overall workforce numbers. At the same time, backlogs of work were reduced at a modest pace.

On the prices front, firms signalled the slowest rate of input cost inflation for just over two years. Nonetheless, firms continued to increase factory gate charges, with output prices rising at a solid rate that was above the series average despite challenging demand conditions. Finally, purchasing activity fell for the first time since April 2016 as subdued demand drove further stock depletion. Inventories of inputs and finished goods declined in July.

US manufacturing has entered into its sharpest downturn since 2009, suggesting the goods-producing sector is on course to act as a significant drag on the economy in the third quarter. The deterioration in the survey's output index is indicative of manufacturing production declining at an annualised rate in excess of 3%. Falling business spending at home and declining exports are the main drivers of the downturn, with firms also cutting back on input buying as the outlook grows gloomier. US manufacturers' expectations of output in the year ahead has sunk to its lowest since comparable data were first available in 2012, with worries focused on the detrimental impact of escalating trade wars, fears of slower economic growth and rising geopolitical worries.

Employment is now also falling for only the second time in almost ten years as factories pull back on hiring amid the growing uncertainty. More positively, new order inflows picked up for a second successive month. Although remaining worryingly subdued compared to the strong growth seen earlier in the year, the modest improvement will fuel hope that production growth could tick higher in August." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/5d26dd60063444448aaa1dec7831b182 ; 8/1/19

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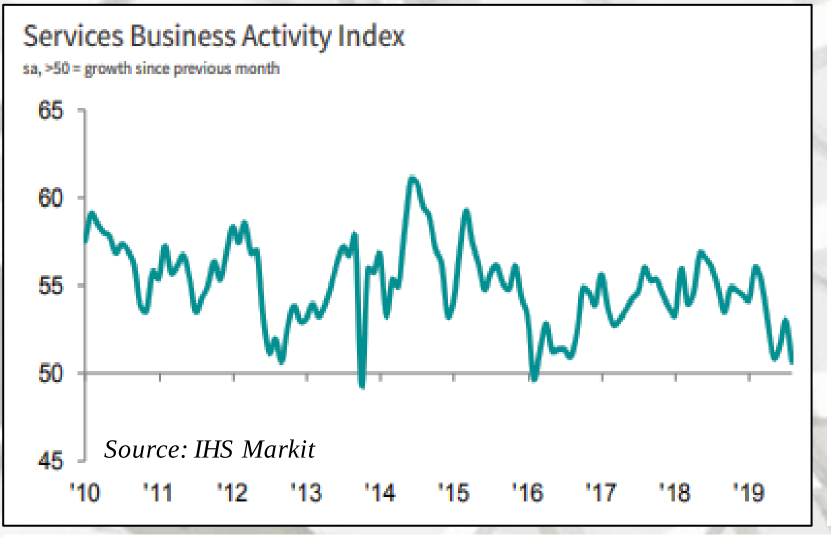
Private Indicators



Markit U.S. Services PMI™

"The seasonally adjusted final IHS Markit U.S. Services Business Activity Index registered 50.7 in August, down from 53.0 in July and slightly lower than the earlier 'flash' figure of 50.9. Although still signalling a marginal expansion in business activity, the rate of increase was the slowest in the current sequence of growth (beginning in early-2016) and well below the long-run series trend. A number of panellists suggested that a slower rise in new orders held back business activity growth.

Slowest increase in new business since March 2016

August data signalled a loss of momentum across the U.S service sector, with business activity rising at the softest pace since the current sequence of expansion began in March 2016. The slowdown in output was driven by only a marginal upturn in new business, the least marked since early-2016. Moreover, foreign client demand decreased. Subsequently, firms expanded workforce numbers only fractionally and the level of business optimism sank to a fresh series low. On the price front, input costs and output charges fell in August, with cost burdens decreasing for the first time since data collection began in October 2009.

US businesses reported one of the toughest months since the global financial crisis in August, with growth of output, order books and hiring all slowing amid steep falls in both export and business confidence. …

At current levels, the August PMIs are indicating annualized GDP growth of 1.0%, putting the economy on course for growth of just below 1.5% in the third quarter. Such weak readings hint at downside risks to current third quarter growth projections, which generally point to an expansion of just over 2%. A major factor behind the deterioration was the spreading of the manufacturing downturn to the service sector, via weakened household and business confidence. Jobs growth is also increasingly being affected by worries regarding the outlook. Overall jobs growth in August was the weakest since early-2012, commensurate with non-farm payrolls rising at a monthly rate of under 100,000." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/0cd4e660c1294096b7aeda466513620a; 8/5/19

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Private Indicators

National Association of Credit Management – Credit Managers' Index

August CMI Turnaround Shows Positivity

"Just when it seemed safe to settle into a good funk, the Credit Managers' Index (CMI) tracked in a very positive direction. "The CMI was not the only indicator that experienced a reversal of fortune, but while that trend seemed to be on the upswing for some, there were those readings that showed further decline," said NACM Economist Chris Kuehl, Ph.D. "The economy appears to be in a transition phase again. It is not entirely clear, however, what it is transitioning from or what it might be transitioning to." He added that the latest durable goods data shows an improvement, but most of that is due to the changes in the more volatile aerospace sector. The data from Markit's PMI (Purchasing Managers' Index) was showing numbers that are in the contraction zone (a reading below 50). There has been better news as far as capital spending but bad news as far as capacity utilization. "In short, there is a little something for both the glass-half-full and the glass-half-empty crowds."

The combined score for the CMI this month was a very solid 55.2. That puts the index right back where it was in June when it was at an even 55. It is not quite at the level reached in May when it hit 55.7, but it is far better than last month's 53.4. The combined score for the favorable factors jumped back into the 60s with a reading of 61.8 compared to the 58.6 notched in July. Again, the readings are not as robust as in May when they hit 63.8, but the trend is pointing in a more positive direction. The combined score for the unfavorable factors also improved, but by the narrowest of margins. It was 50 the month prior when it appeared likely to fall into contraction territory, but this month the pattern reversed and it climbed up slightly to 50.9." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 8/30/19

Private Indicators

National Association of Credit Management – Credit Managers' Index

August CMI Turnaround Shows Positivity

"As usual, the details are the most informative. There was a nice recovery in the sales data from 58.4 in July to 64.4 this month. This is not the highest point reached this year, but it is in the top five. In May, it was standing at 65.9, the second-highest level reached in the last 12 months. The new credit applications number remained very close to what it had been the month prior, moving from 60.8 to 60.9. This is still a bit lower than the reading in the last several months and seems to indicate a little more caution manifesting. The dollar collections numbers improved quite a bit; always good news. Last month, the reading was 56.6 — down from 60.3 in June, but this month the numbers are back to 60. The amount of credit extended also returned to the 60s with a reading of 61.7, just shy of the 62.5 number from June. Kuehl suggests that all in all, it appears July was something of an aberration, or simply a traditionally slower month.

Manufacturing Sector

For this sector, Kuehl says that as concerns about the economy begin to mount, the focus of most of the concern has been manufacturing. There have been distinct indications that factors such as the on-again, off-again trade war has been having an impact as well as more long-term threats, such as labor shortages and declining demand in such key areas as agriculture and aerospace. Even with these challenges, there were some decent numbers in important sectors." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 8/30/19

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Private Indicators

National Association of Credit Management – Credit Managers' Index

August CMI Turnaround Shows Positivity

Manufacturing Sector

"The combined index reading of 55.7 was back to the levels seen in May of this year (55.4) after being at 53.2 in July. The index of favorable factors jumped back into the 60s with a reading of 61.6 from 56.7 the month before. This category has been above 60 in all but four of the last 12 months. The unfavorable index extended further into expansion territory with a reading of 51.7 compared to last month's 50.8. "All in all, it showed a better set of indicators than some of the other manufacturing indices," he said.

The sales category surged to a level not seen in many months. It is sitting at 65.3, the highest point since September of last year. "This has been despite the travails of Boeing and the sharp drop in demand for farm equipment," Kuehl noted. "Even the dip in exports did not seem to affect the sector this month. It seems there has been a solid demand for vehicles and machinery — especially in the energy sector and in the general category of robotics." The new credit applications remained almost exactly where they were last month (60.1 as compared to 60). The dollar collections data also improved significantly as it moved from 54.7 to 59.6. The amount of credit extended broke back into the 60s with a reading of 61.4 from 54.7 in July. "The good news may have been flowing only from select sectors, but these have been strong enough to carry the whole sector," he added. … " – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 8/30/19

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Private Indicators

National Association of Credit Management – Credit Managers' Index

August CMI Turnaround Shows Positivity

Service Sector

"As for the service sector, Kuehl said it is both immensely important and almost impossible to accurately assess. It is by far the dominant sector in the U.S., both in terms of its impact on GDP (it accounts for approximately 80% of the total) and employment (again, over 80%). Nearly all of the hiring in the last 12 months has been in the service sector (close to 95%). The challenge is the sector is vast — everything from health care to retail to construction and transportation. Tracking the changes requires some attempt at isolating what is being measured. The bulk of the CMI service sector is retail, but there are also significant contributions from transportation, construction and finance.

"This is the time of year, retail comes into sharp contrast," Kuehl said. "For the next several months, all eyes will be on the consumer and their behavior during the holiday period. Thus far, it seems to be off to a decent start, but the retailers are still approaching the season with an 'inventory light' attitude." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 8/30/19

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Private Indicators

National Association of Credit Management – Credit Managers' Index

August CMI Turnaround Shows Positivity

Service Sector

"The combined score for the service index recovered some lost ground from July, but is still off from the month previous. The current reading is 54.8, better than July's 53.7, but not as robust as the 55.1 in June or the 55.9 in May. The combined score for the favorable factors remained in the 60s and was a little stronger than July's 60.5 with a reading of 61.9. The index of unfavorable factors returned to expansion territory but by the narrowest of margins (49.1 to an even 50). The sales numbers will be very closely watched from this point. Right now, the reading stands at 63.4. It was previously at 59.3. "It is expected these numbers will steadily improve as the holiday season gets into full swing," Kuehl noted. The new credit applications data stayed almost the same as the prior month, but these are very good numbers — 61.6 in July and 61.7 in August. The dollar collections readings improved and returned to the 60s with a reading of 60.4 compared to 58.4 in July. The amount of credit extended stayed nearly static with a reading of 62.1 after 62.6 last month." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 8/30/19

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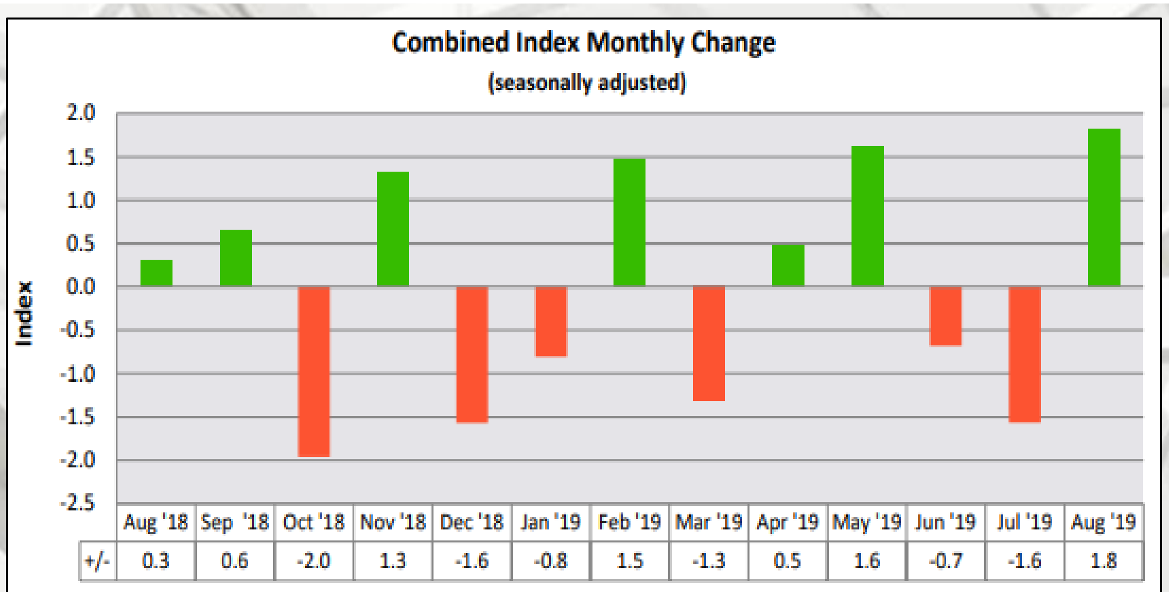
Private Indicators



Combined Manufacturing and Service Sectors (seasonally adjusted)	Aug '18	Sep '18	Oct '18	Nov '18	Dec '18	Jan '19	Feb '19	Mar '19	Apr '19	May '19	Jun '19	Jul '19	Aug '19
Sales	65.0	68.8	62.7	64.5	59.0	59.7	62.6	58.2	61.0	65.9	60.4	58.4	64.4
New credit applications	62.5	61.9	61.7	62.2	57.5	58.2	58.9	57.8	59.7	64.2	62.4	60.8	60.9
Dollar collections	62.6	62.8	57.5	60.9	59.3	59.0	59.1	56.6	59.1	59.8	60.3	56.6	60.0
Amount of credit extended	66.9	67.1	64.5	65.3	61.9	61.2	62.3	63.5	60.6	65.4	62.5	58.7	61.7
Index of favorable factors	64.3	65.2	61.6	63.2	59.4	59.5	60.7	59.0	60.1	63.8	61.4	58.6	61.8
Rejections of credit applications	52.2	51.8	51.4	51.4	51.4	51.8	52.1	51.2	52.0	51.8	52.4	52.6	52.1
Accounts placed for collection	49.0	50.2	48.8	48.2	49.7	48.2	49.0	46.4	48.5	47.0	50.0	46.2	48.6
Disputes	46.4	47.6	48.9	50.1	49.6	47.1	48.5	49.5	48.5	48.6	48.6	50.5	49.4
Dollar amount beyond terms	48.5	49.9	47.7	52.3	49.3	47.4	51.3	50.0	47.6	51.3	49.8	46.1	53.6
Dollar amount of customer deductions	48.7	48.6	49.5	49.6	49.7	48.0	50.0	48.8	49.7	49.3	50.0	51.2	50.0
Filings for bankruptcies	55.9	55.6	52.1	53.6	55.0	53.8	54.9	53.7	53.9	53.3	53.5	53.2	51.6
Index of unfavorable factors	50.1	50.6	49.7	50.9	50.8	49.4	51.0	49.9	50.0	50.2	50.7	50.0	50.9
NACM Combined CMI	55.8	56.4	54.5	55.8	54.2	53.4	54.9	53.6	54.0	55.7	55.0	53.4	55.2

Source: https://nacm.org/cmi.html; 8/30/19

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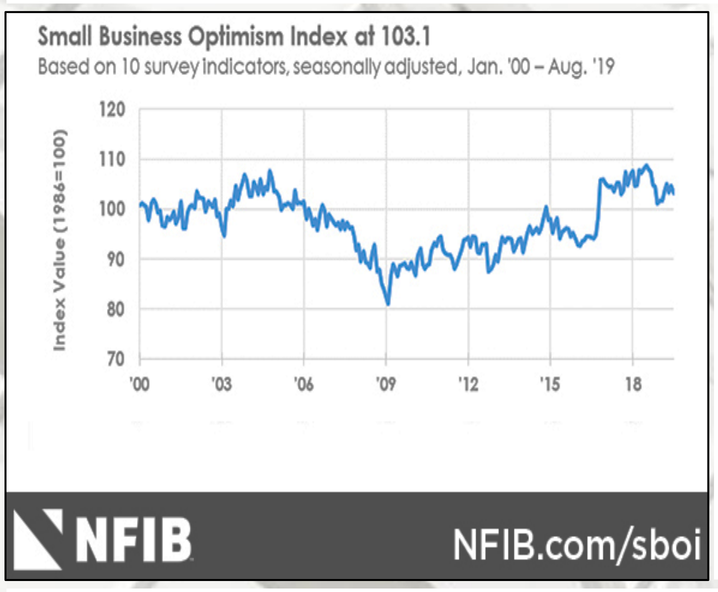

August 2019 Report:

"The NFIB Small Business Optimism Index fell 1.6 points to 103.1, remaining within the top 15 percent of readings. Overall, August was a good month for small business. However, optimism slipped because fewer owners said they expect better business conditions and real sales volumes in the coming months. Job creation accelerated, positive earnings trends improved, and quarter-on-quarter sales gains remained strong.

Small Business Economy Remains Steady, Despite Doom and Gloom Narrative That's Hampering Expectations

The Uncertainty Index rose four points in August, suggesting that small business owners are reluctant to make major spending commitments. In fact, the main impediment to more growth is the record level of no qualified workers.

Capital spending posted strong improvements in August with 59 percent of owners reporting capital outlays, up two points from the month before. Of those making expenditures, 42 percent reported spending on new equipment, 24 percent acquired vehicles, and 18 percent improved or expanded facilities. Four percent acquired new buildings or land for expansion, while 15 percent spent money for new fixtures and furniture.

Twenty-eight percent are planning capital outlays in the next few months. Plans to invest were the strongest in manufacturing (35 percent), agriculture (30 percent), and wholesale trades (30 percent)." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 9/10/19

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Private Indicators

NFIB Small Business Optimism Index

"In spite of the success we continue to see on Main Street, the manic predictions of recession are having a psychological effect and creating uncertainty for small business owners throughout the country. Small business owners continue to invest, grow, and hire at historically high levels, and we see no indication of a coming recession." – Juanita D. Duggan, President and CEO, NFIB

"The August report does not show a sign of inflation or reflect what the Fed has noted. The pessimism we're seeing is contagious, even though the actual economy is thriving. Expectations can be infected and, as a result, could turn sour. All the talk about an impending recession can create a false reality, but it doesn't make it right. Main Street is continuing to produce and remains strong in spite of the headlines." – Bill Dunkelberg, Chief Economist, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 9/10/19

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Private Indicators

NFIB Small Business Optimism Index

Small Business Optimism

Small Business Optimism Remains Steady

Index Component	Net %	Change From July
Plans to Increase Employment	20%	▼ -1
Plans to Make Capital Outlays	28%	▲ 1
Plans to Increase Inventories	2%	▼ -1
Expect Economy to Improve	12%	▼ -8
Expect Real Sales Higher	17%	▼ -5
Current Inventory	-6%	▼ -3
Current Job Openings	35%	▼ -4
Expected Credit Conditions	-2%	▲ 2
Now a Good Time to Expand	26%	▬ 0
Earnings Trends	-1%	▲ 3

NFIB

NFIB.com/sboi

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 9/10/19

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NFIB Small Business Optimism Index

“Owners planning price hikes fell five points to a seasonally adjusted net 17 percent. Eleven percent reported cutting selling prices in recent months, and only two percent plan to do so. That suggests most price cutting is an unplanned response to market conditions, which is a healthy process. The frequency of reports of positive profit trends improved three points (after three points in July) to a net negative one percent reporting quarter on quarter profit improvements, the third highest reading in the survey’s history.

A seasonally adjusted six percent of all owners reported higher nominal sales in the past three months. Consumer spending remains exceptionally strong and consistent with small business owners’ reports of positive sales trends.

Falling one point from last month, a net one percent of owners reported inventory increases, indicating that inventory rebuilding is still underway although at a slower pace. The net percent of owners viewing current inventory stocks as “too low” fell three points to a net negative six percent. The net percent of owners planning to expand inventory holdings fell one point to a net two percent.

Owners reporting higher compensation fell three points to a net 29 percent of all firms. Plans to raise compensation rose two points to a net 19 percent.

As seen in NFIB’s August Jobs Report, a record 27 percent of owners reported finding qualified workers is their No. 1 business problem. Two percent reported that financing was their top business problem compared to 14 percent citing taxes, and 14 percent citing regulations and red tape.” – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 9/10/19

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

Weekly Hours Worked Increase as Small Business Hiring Challenges Persist

"The Paychex | IHS Markit Small Business Employment Watch shows job growth declined again in August while wage growth stabilized. At 98.01, the national jobs index fell 0.17 percent from last month and 0.76 percent over the past quarter, contributing to a 1.22 percent year-over-year drop in the rate of small business job growth. Hourly earnings growth settled at 2.61 percent ($0.69) in August, and weekly hours worked showed positive growth for the first time in 2019.

Broken down further by geography and industry, the August report showed:

- Segmenting hourly earnings growth results by employee type shows employees at 2.75 percent, while owners are much lower at 0.86 percent.
- The South remains first among regions in employment growth; the West leads regions in hourly earnings growth.
- Dallas is again the top metro for job growth; San Diego maintains its lead among metros in wage growth.
- Stable at 4.54 percent in August, Leisure and Hospitality leads industries in hourly earnings growth." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/newsroom/news-releases/weekly-hours-worked-increase-as-small-business-hiring-challenges-persist; 8/3/19

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

August Jobs Index	August Wage Data
Index	Hourly Earnings
98.01	$27.30
12-Month Change	12-Month Growth
-1.22%	+2.61% (+$0.69)

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/newsroom/news-releases/weekly-hours-worked-increase-as-small-business-hiring-challenges-persist; 8/3/19

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Demographics

Green Street Advisors

The Dichotomy of Millennial Housing

Millennials are driving demand of shared co-living spaces on one end of the spectrum and high-end apartment living on the other.

"""Millennials are moving to the extremes when it comes to multifamily housing preferences, and developers should begin to take note," Gary Bechtel, president of tech-enabled commercial real estate lender Money360, tells GlobeSt.com. Bechtel has seen shifting housing demand in the market among millennial and gen-Z renters, with shared co-living spaces rising in demand on one end of the spectrum and luxury apartment living on the other. These changes in housing demand should be informing investment strategy in the multifamily sector.

"Over just the past couple of years, millennial demand created a new multifamily asset class called co-living spaces, which function more like dorm living than apartment living where an individual rents his or her own private bedroom but shares common spaces like the kitchen and living room with other renters," says Bechtel.

Shared co-living spaces are relatively new to the market, but several operators have sprung up quickly to bring new assets to the market. These spaces are largely an effect of the rising cost of rent. However, they work for younger millennials and gen-Z renters that don't mind shared living and want an operator to take care of essentials. For investors, however, these spaces come with more intense property management requirements. "The benefit of this living style for developers and investors is the ability to create more revenue producing rooms, out of similar fixed square footage," says Bechtel. "However, there are tradeoffs: rents tend to be less and these properties often require more active building maintenance for the shared spaces."" – Kelsi Maree Borland, Green Street Advisors

Source: https://www.globest.com/2019/08/16/the-dichotomy-of-millennial-housing/; 8/16/19

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Demographics

Green Street Advisors

The Dichotomy of Millennial Housing

Millennials are driving demand of shared co-living spaces on one end of the spectrum and high-end apartment living on the other.

"Millennials are also driving demand for high-end and tech-infused living spaces that come with onsite amenities. "On the other end of the spectrum, millennials, especially those that are established in their careers, have shown greater appetite for luxury buildings than generations before them," says Bechtel. "No longer do fitness centers and pools constitute upgraded amenities; millennials are demanding high tech offerings like keyless entry and uninterrupted high-speed wi-fi, and hotel-style services like concierges and tenant programming."

These properties attract renters, but at a high cost of rent. During a downturn, these properties could see higher occupancy rates. "Luxury buildings demand luxury lease rates and attract a more established clientele base," says Bechtel. "However, developers and investors should take steps now to protect themselves against a potential economic downturn, which typically affects upper-end real estate more and earlier than more affordable properties.'"" – Kelsi Maree Borland, Green Street Advisors

Source: https://www.globest.com/2019/08/16/the-dichotomy-of-millennial-housing/; 8/16/19

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