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

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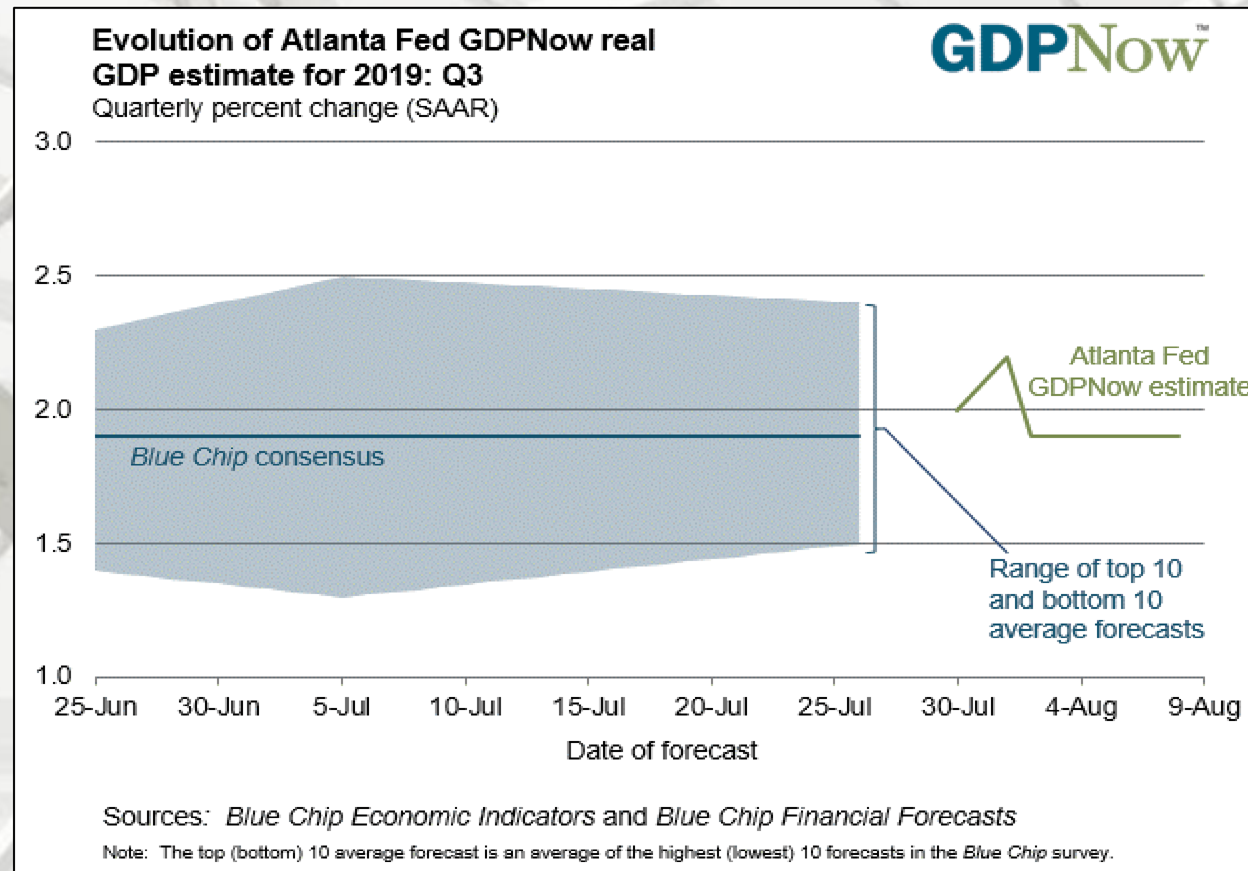
U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest forecast: 1.9 percent — August 8, 2019

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2019 is **1.9 percent** on August 8, unchanged from August 2. Slight declines in the nowcasts of the contributions of consumer spending and nonresidential equipment investment to third-quarter real GDP growth following last Friday's light vehicle sales release from the U.S. Bureau of Economic Analysis were offset by an increase in the contribution of inventory investment to third-quarter real GDP growth after that same release and this morning's wholesale trade report from the U.S. Census Bureau." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 8/8/19

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The Federal Reserve Bank of Chicago: Midwest Economy Index

Index points to slower Midwest economic growth in June

"The Midwest Economy Index (MEI) decreased to –0.31 in June from –0.22 in May. Contributions to the June 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 June from +0.08 in May. Contributions to the June 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 June 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 June from +0.15 in May. The construction and mining sector's contribution to the MEI moved up to –0.04 in June 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 June from –0.01 in May.

The service sector contributed –0.18 to the MEI in June, 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 June 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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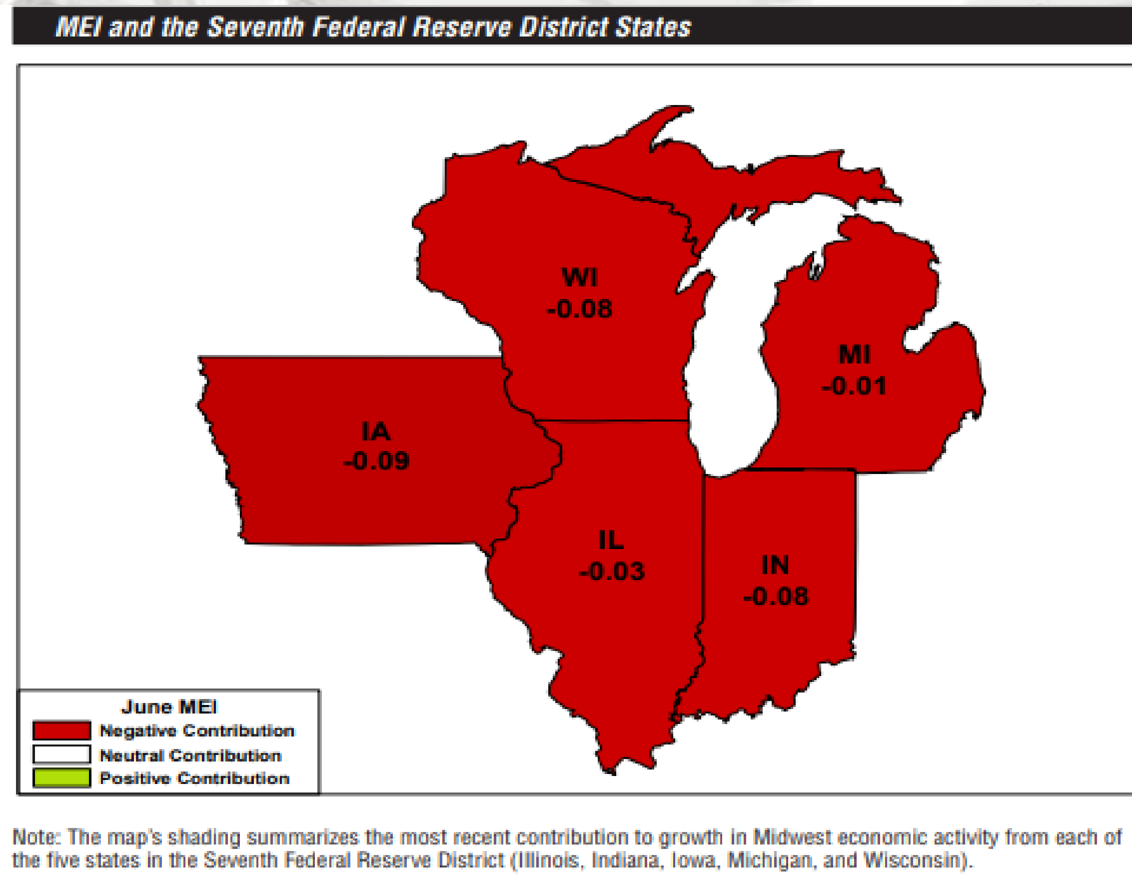
The Federal Reserve Bank of Chicago: Midwest Economy Index



Index points to slower Midwest economic growth in June

"Consumer spending indicators made a neutral contribution to the MEI in June, down from +0.01 in May. Consumer spending indicators were, on balance, steady in Indiana, Iowa, Michigan, and Wisconsin, but up in Illinois. Consumer spending's contribution to the relative MEI moved down to +0.02 in June from +0.06 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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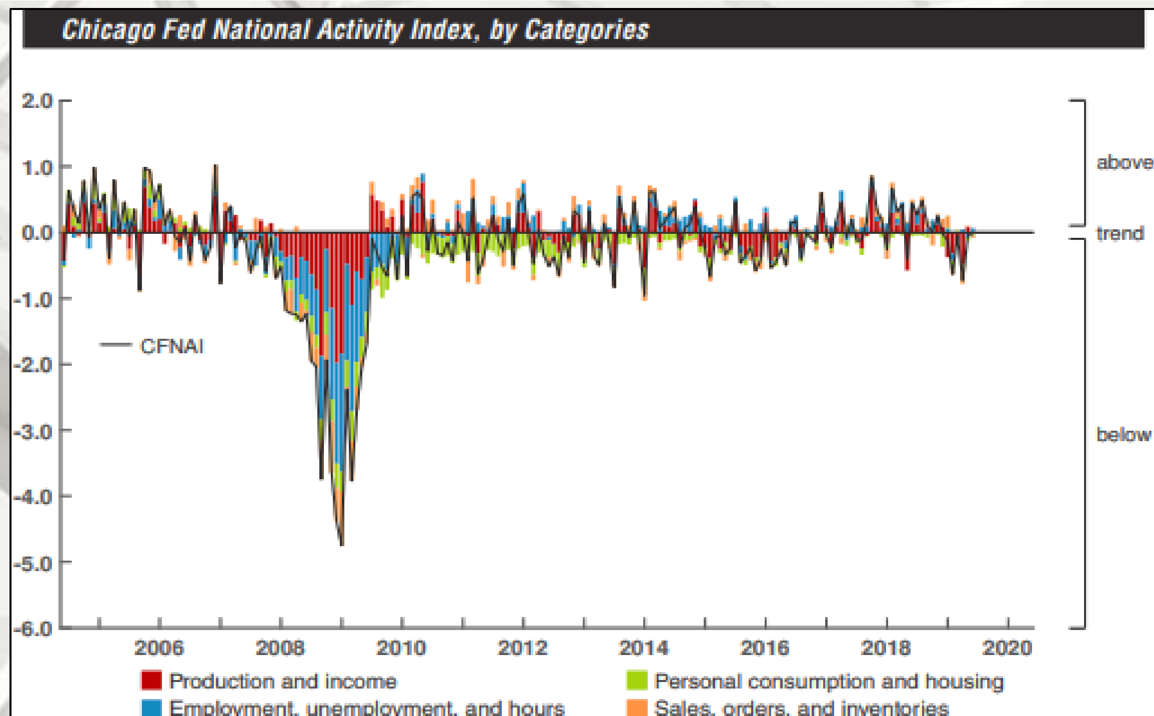
The Federal Reserve Bank of Chicago: National Activity Index



Index Points to Economic Growth near Historical Trend in June

"The Chicago Fed National Activity Index (CFNAI) ticked up to –0.02 in June from –0.03 in May. One of the four broad categories of indicators that make up the index increased from May, and two of the four categories made negative contributions to the index in June. The index's three-month moving average, CFNAI-MA3, ticked up to –0.26 in June from –0.27 in May.

The CFNAI Diffusion Index, which is also a three-month moving average, was unchanged at –0.11 in June. Forty of the 85 individual indicators made positive contributions to the CFNAI in June, while 45 made negative contributions. Thirty-six indicators improved from May to June, while 49 indicators deteriorated. Of the indicators that improved, nine made negative contributions." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 7/22/19

The Federal Reserve Bank of Chicago: National Activity Index

Index Points to economic growth near historical trend in June

"Production-related indicators made a neutral contribution to the CFNAI in June, down from +0.08 in May. Industrial production was unchanged in June after increasing 0.4 percent in the previous month. The contribution of the sales, orders, and inventories category to the CFNAI decreased to –0.03 in June from +0.02 in May.

Employment-related indicators contributed +0.06 to the CFNAI in June, up from –0.08 in May. Total nonfarm payrolls rose by 224,000 in June after increasing by 72,000 in the previous month. The contribution of the personal consumption and housing category to the CFNAI was unchanged at –0.05 in June.

The CFNAI was constructed using data available as of July 18, 2019 . At that time, June data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The May monthly index value was revised to –0.03 from an initial estimate of –0.05, and the April monthly index value was revised to –0.73 from last month's estimate of –0.48. " – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 7/22/19

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The Federal Reserve Bank of Dallas

Texas Manufacturing Continues Moderate Expansion

"Texas factory activity continued to expand in July, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, moved from 8.9 to 9.3, indicating output growth continued at roughly the same pace as in June.

Other measures of manufacturing activity suggested a slightly faster expansion in July. The new orders index edged up to 5.5, and the growth rate of orders index rebounded into positive territory, climbing nine points to 2.7. The capacity utilization index inched up to 11.2, and the shipments index jumped nine points to 10.2.

Perceptions of broader business conditions were less negative in July. The general business activity index rose six points but remained in negative territory for a third month in a row, coming in at -6.3. The company outlook index rose five points to -0.9, with the near-zero reading indicating that the share of firms noting a worsened outlook roughly equaled the share noting an improved outlook. The index measuring uncertainty regarding companies' outlooks retreated 12 points from its June peak, coming in at 9.7.

Labor market measures suggested robust growth in employment and work hours in July. The employment index rose seven points to 16.0, a reading well above average. Twenty-four percent of firms noted net hiring, while 8 percent noted net layoffs. The hours worked index pushed further above average as well with a reading of 6.6.

Input costs and wages continued to rise in July, while selling prices held mostly steady. The raw materials prices index was largely unchanged at 17.0, holding well below the readings seen last fall. The wages and benefits index inched down to 20.1, close to the long-run average for this measure. Meanwhile, the finished goods prices index hovered around zero for a third month in a row, suggesting no growth in selling prices again this month." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tmos/2019/1907; 7/29/19

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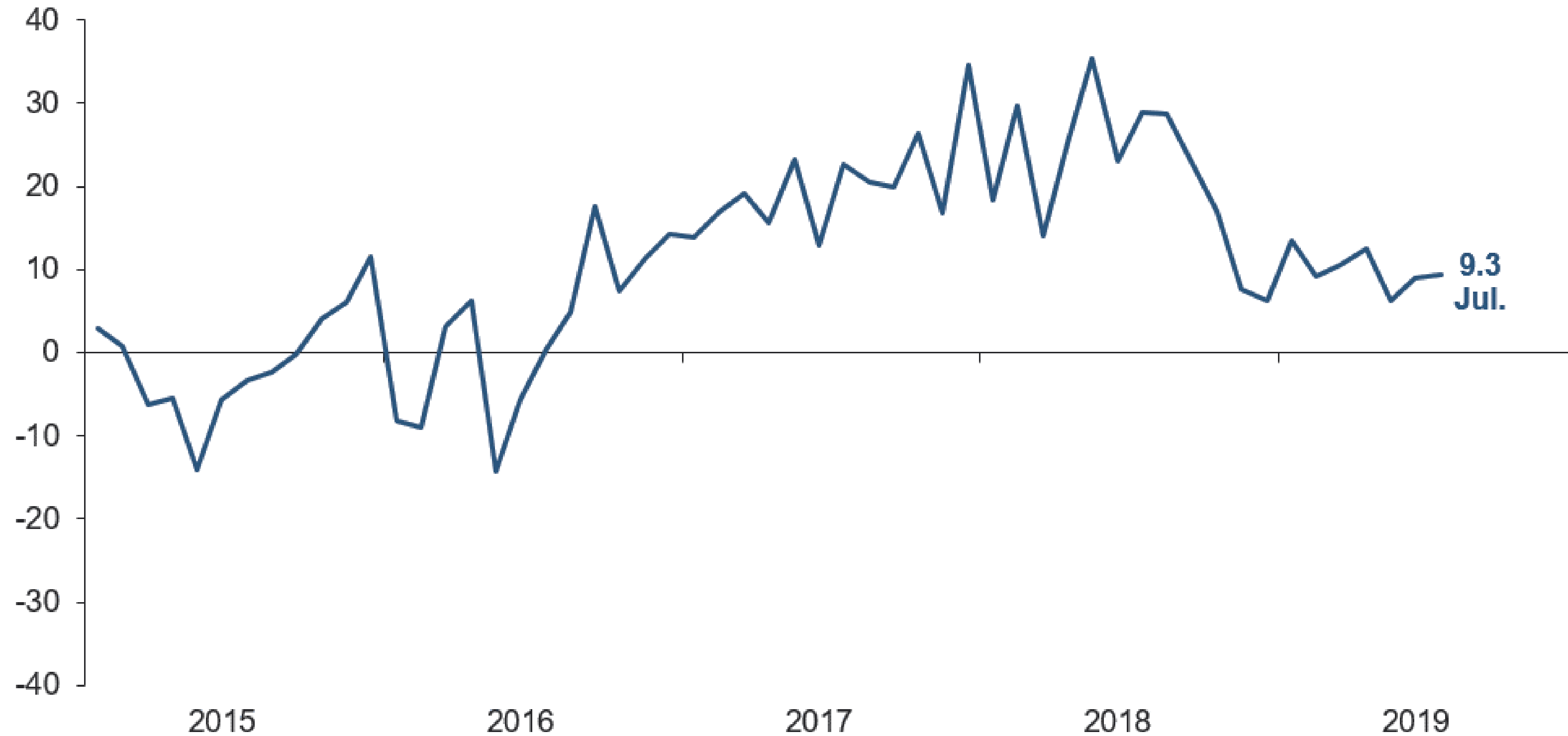
The Federal Reserve Bank of Dallas



Texas Manufacturing Expansion Continues to Grow but Pace Slows

"Expectations regarding future business conditions improved in July. The index of future general business activity returned to positive territory, rising nine points to 6.0. The index of future company outlook moved up six points to 9.1. Both readings, while positive, remain well below average. Other indexes for future manufacturing activity pushed further into positive territory." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tmos/2019/1907; 7/29/19

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The Federal Reserve Bank of Dallas

Texas Service Sector Growth Increases to 2019 High

"Activity in the Texas service sector grew at a faster pace in July, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, picked up from 13.6 in June to 20.9 in July, with over one-third of respondents noting an increase in revenues.

Labor market indicators reflected faster employment growth and longer workweeks this month. The employment index rose from 6.9 to 8.7, while the hours worked index increased nearly three points to 7.6 in July. Wage pressures increased in July, while price pressures eased modestly. The wages and benefits index rose from 16.9 to 19.2. The selling prices index fell slightly to 5.8, while the input prices index dropped three points to 22.5, a two-year low.

Perceptions of broader business conditions suggested modest improvement, and the index measuring uncertainty inched down but remained elevated. The general business activity index improved slightly from 3.2 in June to 4.7 in July, while the company outlook index dipped one point to 3.6. The capital expenditures index fell nearly nine points to 7.9, its lowest reading since 2016, while the outlook uncertainty index slipped three points to 16.3.

Respondents' expectations regarding future business conditions were somewhat more optimistic than in June. The future general business activity index increased from 9.0 to 10.7 in July, while the future company outlook index ticked up to 13.4. Other indexes of future service sector activity, such as revenue and employment, reflected expectations of faster growth over the next six months." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tssos/2019/1906.aspx#tab-report; 7/30/19

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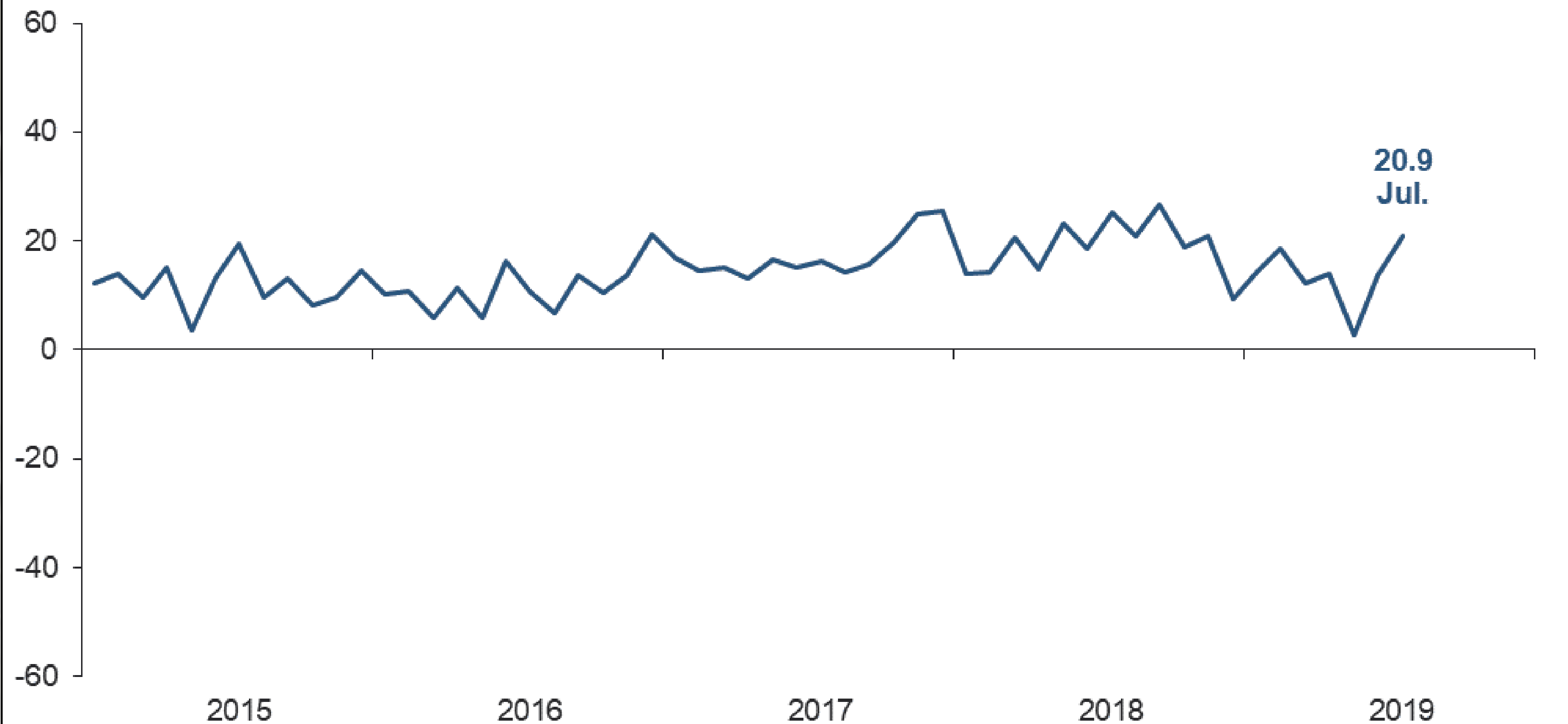
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys/tssos/2019/1906.aspx#tab-report; 7/30/19

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The Federal Reserve Bank of Dallas

Retail Sales Flatten Out

"Retail sales were flat in July, according to business executives responding to the Texas Retail Outlook Survey. The sales index rose over seven points to 0.6, indicating little net change compared with June. Inventories increased, as the inventories index rose from 1.4 to 7.3.

Retail labor market indicators held steady compared with June, as respondents indicated no change in employment and a slightly longer workweek. The employment index rose nearly 10 points to 0.7, while the hours worked index increased from -3.7 to 1.7 in July.

Retailers' perceptions of broader business conditions remained pessimistic in July. The general business activity index rose slightly from -9.3 in June to -7.7 in July, while the company outlook index increased about three points to -7.9. The increase in outlook uncertainty moderated this month, with the index remaining positive but retreating from 26.0 to 5.6. Seventeen percent of retailers saw a decrease in outlook uncertainty, while 23 percent noted an increase compared with June. …

Retailers' perception of future business conditions showed signs of improvement this month. The future general business activity index climbed nearly four points to 0.1, while the future company outlook index surged over 15 points to 10.9. Other indexes of future retail sector activity also reflected optimism, as the future sales index spiked and the future employment index rebounded into positive territory." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tssos/2019/1907.aspx#tab-report; 7/30/19

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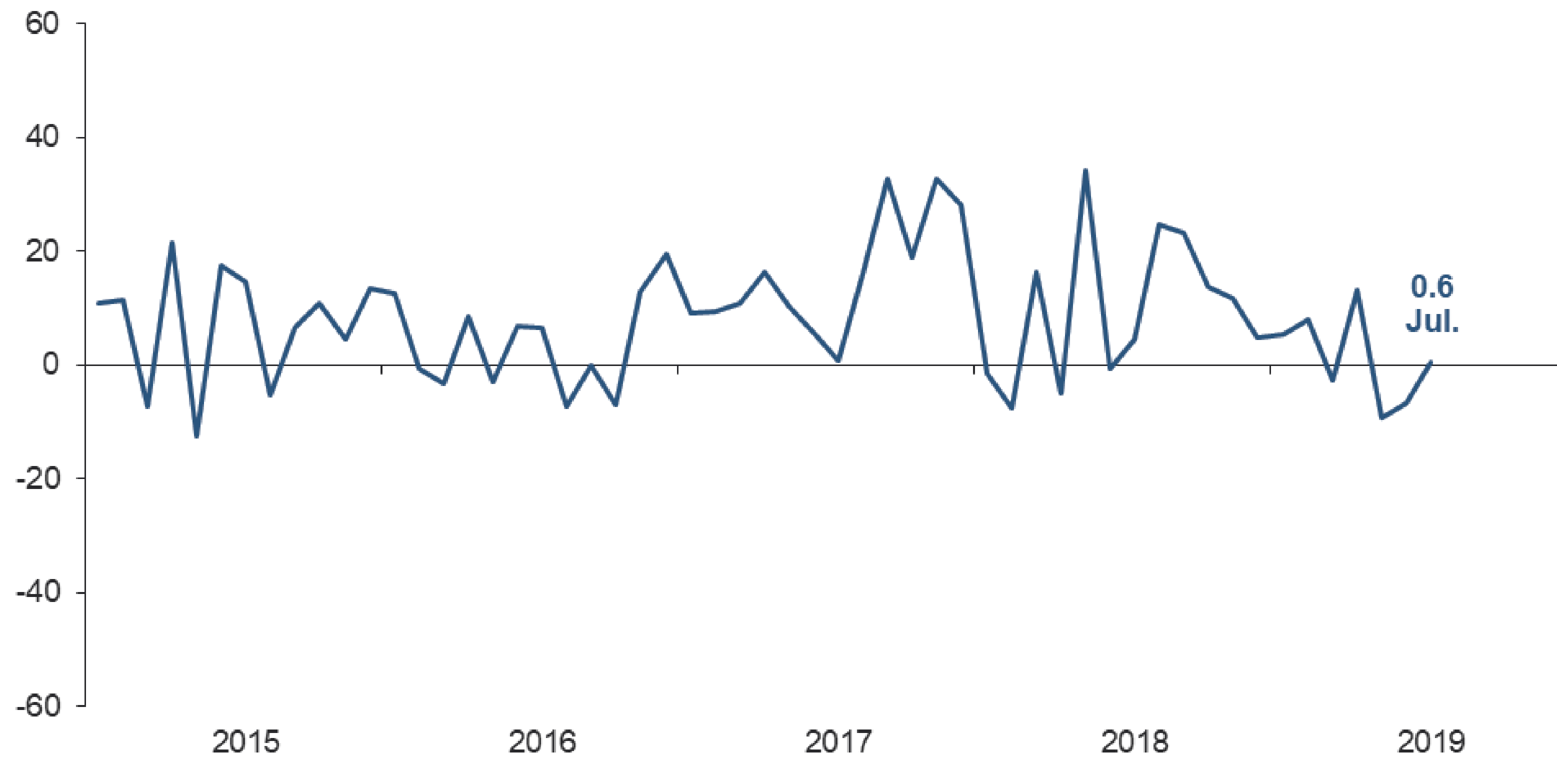
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys/tssos/2019/1907.aspx#tab-report; 7/30/19

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District manufacturing largely unchanged again in July

Tenth District manufacturing activity was largely unchanged in July, while expectations for future activity remained moderately positive.

"Tenth District manufacturing activity was largely unchanged in July, while expectations for future activity remained moderately positive (Chart 1). The price index for raw materials increased from both last month and a year ago. Prices received for finished products were largely unchanged.

Factory activity decrease in July

The month-over-month composite index was -1 in July, similar to the reading of 0 in June and slightly lower than an index of 4 in May (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The small change in manufacturing activity was mostly driven by a decline at durable production plants, including computers, electronic products, appliances, and miscellaneous manufacturing. Most month-over-month indexes edged lower in July, and the new orders, employment, and finished goods inventory indexes turned negative. However, the volume of shipments was flat after last month's slowdown, and supplier delivery time increased. Nearly all of the year-over-year factory indexes increased, and the composite index rose from 4 to 11. The future composite index remained moderately positive, inching down from 11 to 9, while expectations for production, new orders, and capital expenditures edged higher." – 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-largely-unchanged-07; 7/25/19

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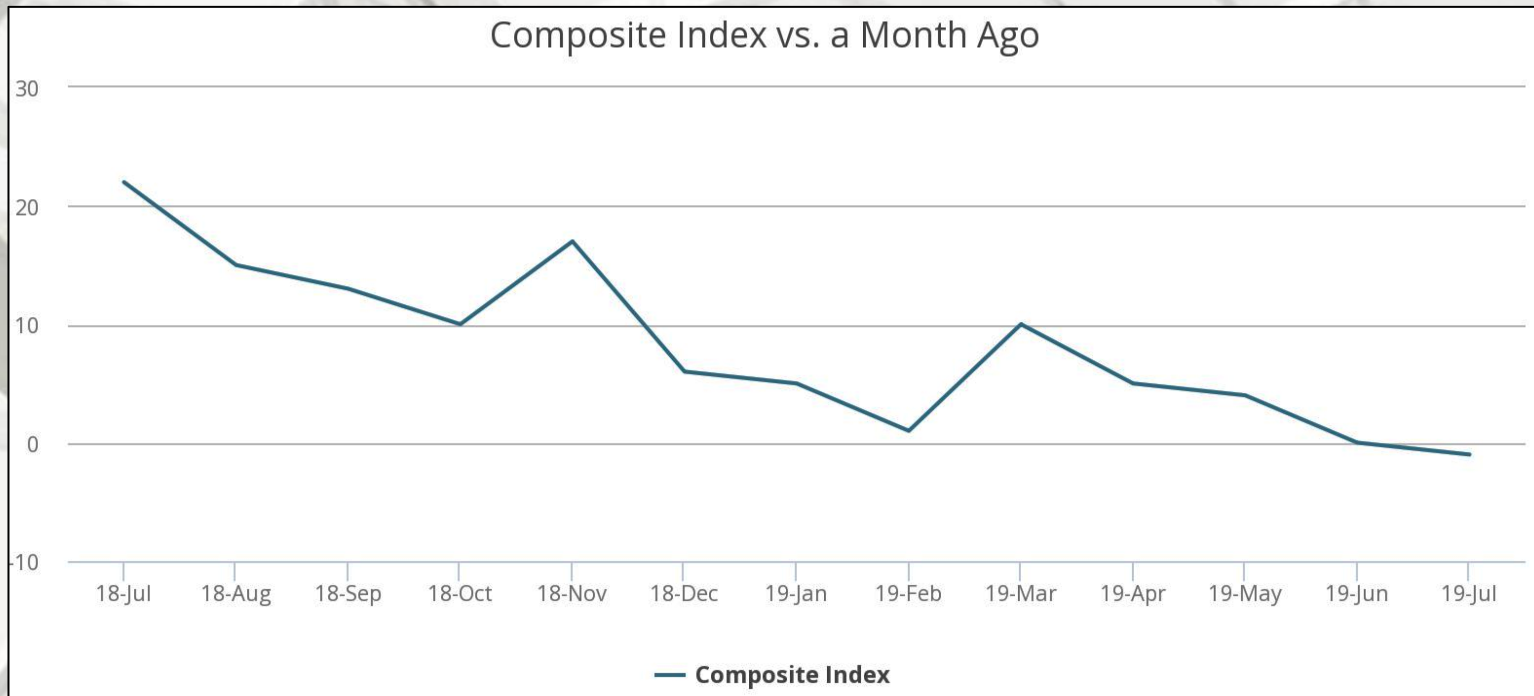
The Federal Reserve Bank of Kansas City



The Federal Reserve Bank of Kansas City
Special questions

"This month contacts were asked special questions about the availability of workers, wage conditions, and their current level of confidence in their local economy. Nearly 80 percent of manufacturing contacts noted that workers are in short supply, and over 60 percent said they are having to raise wages more than normal to attract or keep at least one type of worker. Skilled workers were mentioned as those in the shortest supply. Contacts who have had to raise wages report a typical salary increase of 5 to 10 percent. 61 percent of contacts said their firm's uncertainty about the economy has increased recently, citing trade concerns and weaker domestic demand as the causes. Still, nearly 80 percent of respondents reported they were confident in their local economy, and only 4 percent reported no confidence. …" – 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-largely-unchanged-07; 7/25/19

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The Federal Reserve Bank of Kansas City

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

	July vs. June (percent)*					July 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				-2	-1				11				8	9
Production	26	38	36	-11	-6	43	22	35	8	37	45	18	19	23
Volume of shipments	25	41	33	-8	0	40	25	35	5	32	47	20	12	17
Volume of new orders	29	36	35	-5	-2	41	19	40	1	36	42	22	15	17
Backlog of orders	18	47	35	-18	-13	28	36	35	-7	19	56	25	-6	-6
Number of employees	20	56	24	-4	-6	41	32	27	14	24	56	21	3	5
Average employee workweek	12	70	18	-5	-4	24	55	20	4	13	70	17	-4	-5
Prices received for finished product	16	68	16	0	2	68	20	12	56	34	51	15	19	18
Prices paid for raw materials	30	56	14	16	15	70	16	14	56	43	50	7	36	37
Capital expenditures						42	40	18	25	29	54	17	13	14
New orders for exports	6	80	14	-8	-6	15	66	18	-3	13	69	18	-4	-6
Supplier delivery time	15	77	8	7	6	27	63	10	18	15	75	10	6	4
Inventories: Materials	24	55	21	3	1	34	45	22	12	22	51	26	-4	-2
Inventories: Finished goods	21	60	19	1	-1	42	38	21	21	17	56	27	-10	-13

*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 July survey was open for a five-day period from July 17-22, 2019 and included 75 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-largely-unchanged-07; 7/25/19

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District services activity remains sluggish

Tenth District services activity remained sluggish in July, and expectations for future growth were not appositive as in previous months. Most input and selling price indexes expanded modestly, while expectations for future selling prices eased lower but remained positive.

Business slowed slightly in July

"The month-over-month services composite index was -1 in July, down slightly from 1 in June and 15 in May (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were somewhat mixed in July. While the general revenue/sales and inventory indexes continued to decline, the employment and employee hours work indexes bounced back into positive territory. The decrease in general revenue/sales index was driven mostly by declines in transportation activity, restaurants, and health services. Year-over-year services indexes picked up modestly compared to last month. Compared with a year ago, the services composite index rose from 12 to 17, while the general revenue/sales index inched down from 19 to 17. Expectations for the services composite index eased lower from 17 to 14 because of decreases in the part-time employment, inventory, and access to credit indexes."
– Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/en/research/indicatorsdata/services/articles/2019/july-2019-services-survey; 7/26/19

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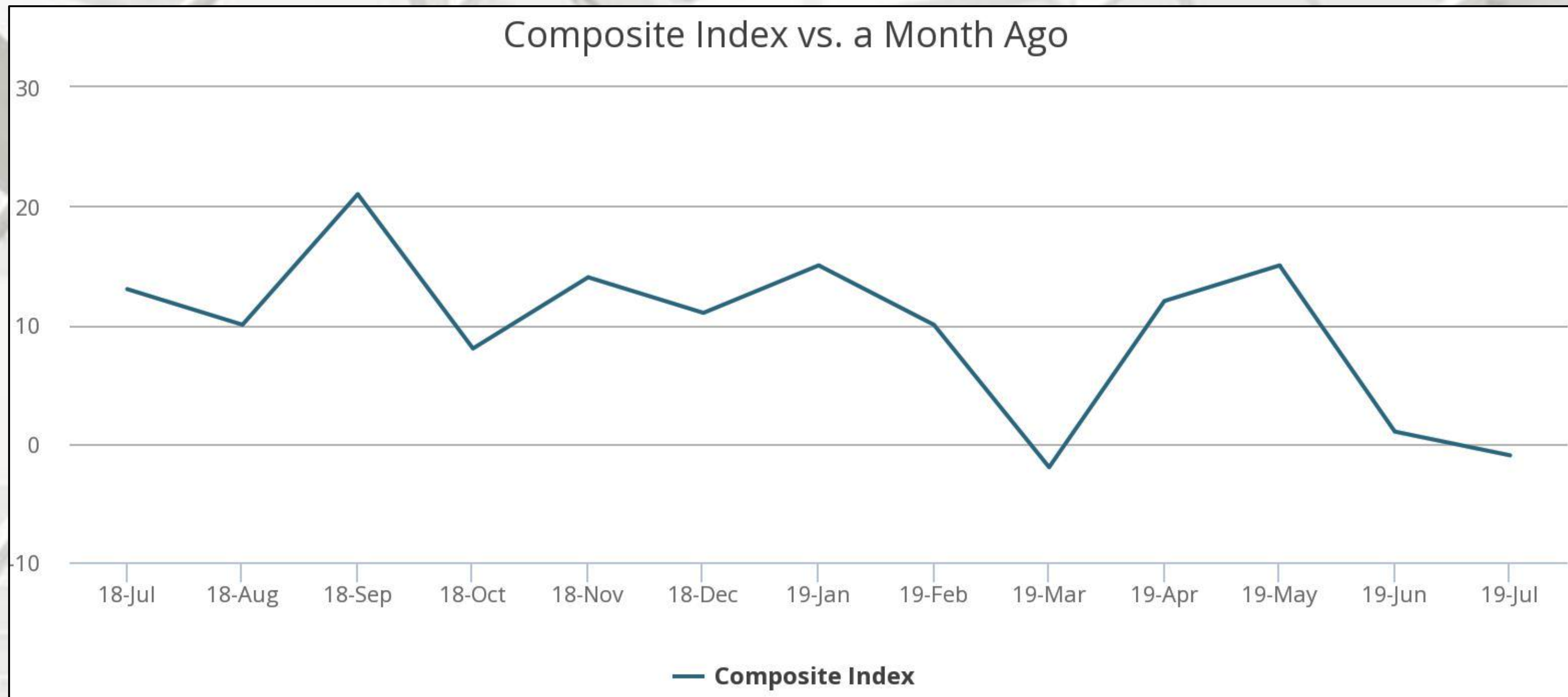
U.S. Economic Indicators



Source: https://www.kansascityfed.org/en/research/indicatorsdata/services/articles/2019/july-2019-services-survey; 7/26/19

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

LMCI suggest the level of activity increased and momentum remained high in July.

"The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity increased modestly and momentum remained high in July. The level of activity indicator increased modestly in July from 0.93 to 1.02, while the momentum indicator was little changed at 0.95." – Bill Medley, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/research/indicatorsdata/lmci/articles/2019/labor-market-conditions-activity-increased-5; 8/7/19

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Growth Resumes

"Business activity rebounded modestly in New York State, according to firms responding to the July 2019 *Empire State Manufacturing Survey*. The headline general business conditions index climbed out of negative territory, rising thirteen points to 4.3. New orders were little changed, and shipments increased. Unfilled orders and inventories continued to move lower, while delivery times were longer. The employment index remained negative, falling to its lowest level in nearly three years. Input price increases continued to moderate somewhat, while the pace of selling price increases remained modest. Indexes assessing the six-month outlook indicated that firms were fairly optimistic about future conditions.

Manufacturing firms in New York State reported that business activity grew modestly in July. After declining substantially last month, the general business conditions index returned to positive territory, rising thirteen points to 4.3. Thirty percent of respondents reported that conditions had improved over the month, while 26 percent reported that conditions had worsened. The new orders index rose, but it remained negative at -1.5. The shipments index moved slightly lower to 7.2, pointing to a small increase in shipments. Unfilled orders declined for a second consecutive month. Delivery times were somewhat longer, and inventories fell." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 7/15/19

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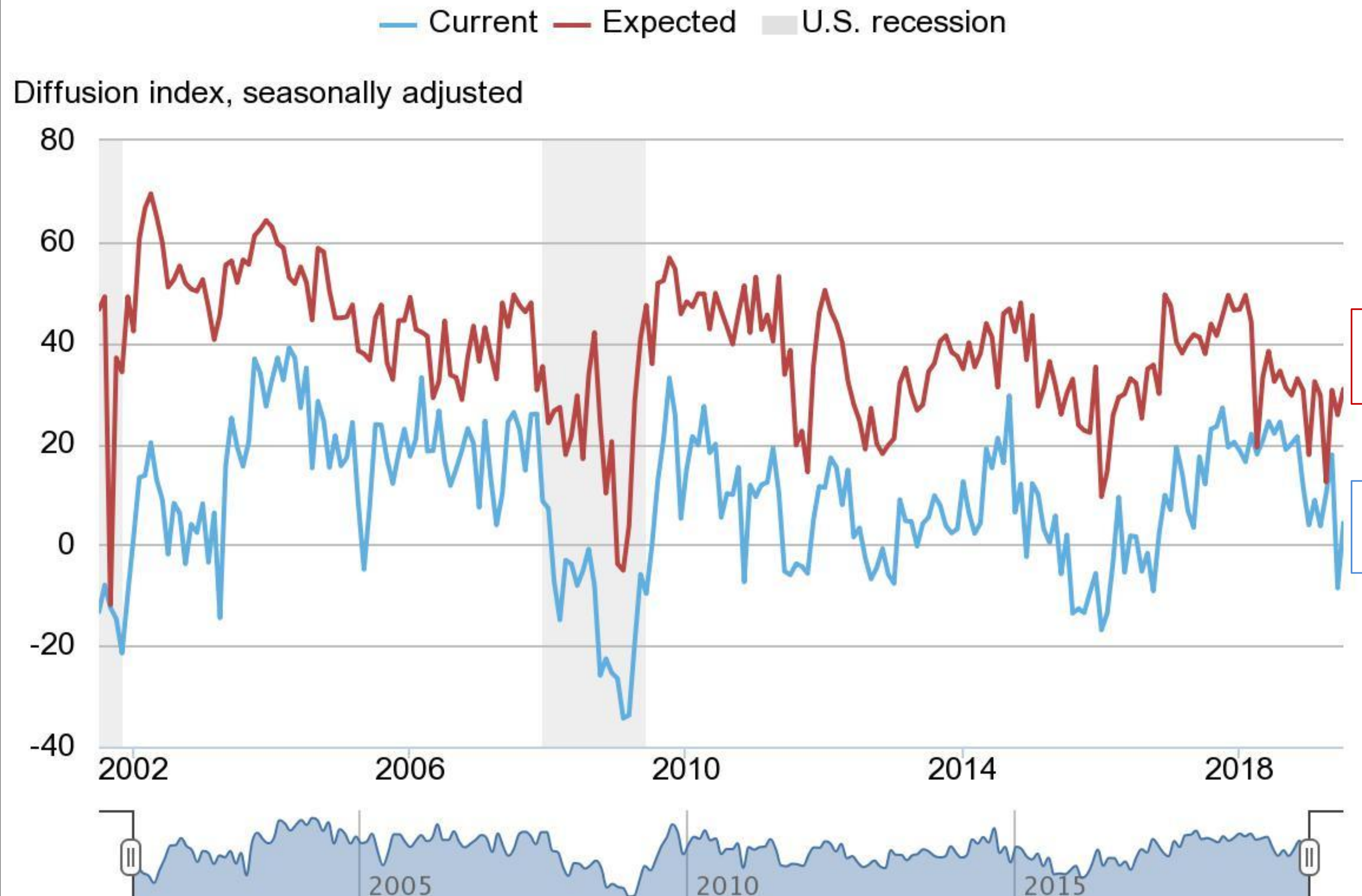
The Federal Reserve Bank of New York



Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 7/15/19

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Employment Falls For A Second Consecutive Month

"After falling below zero last month, the index for number of employees slid further, dropping six points to -9.6, pointing to a decline in employment levels. The average workweek index, at 3.8, signaled somewhat longer workweeks. The prices paid index edged down two points to 25.5, suggesting a slightly slower pace of input price increases than last month. The prices received index was little changed at 5.8, pointing to ongoing modest selling price increases.

Optimism Picks Up A Bit

Indexes assessing the six-month outlook were generally somewhat higher than they were last month. The index for future business conditions increased five points to 30.8, and the index for future new orders also moved higher. Firms expected increases in employment levels but no change in the average workweek in the months ahead. After posting a substantial decline last month, the capital expenditures index rose nine points to 19.0, and the technology spending index inched up to 14.6." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 7/15/19

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Growth Picks Up

"Activity in the region's service sector grew modestly, according to firms responding to the Federal Reserve Bank of New York's July 2019 *Business Leaders Survey*. The survey's headline business activity index rose four points to 9.7. The business climate index climbed to 4.7, indicating that, on balance, firms regarded the business climate as better than normal. Employment levels continued to increase modestly, and wage increases were less widespread than last month. Input prices increased at a slightly stronger pace than in June, while selling price increases were slightly lower. Optimism picked up, with the index for future business climate reading around zero.

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; 7/16/19

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Payrolls Continue To Increase

The employment index edged up two points to 9.7, indicating that employment levels increased. The wages index fell five points to 36.4, suggesting that wage increases were somewhat less widespread. The prices paid index edged up three points to 49.4, indicating that input prices increased at a slightly sharper pace than in June. The prices received index fell two points to 16.6, a sign that selling price increases slowed somewhat. The capital spending index rose six points to 16.5.

Firms More Optimistic

Indexes assessing the six-month outlook suggested that businesses were more optimistic than they were in June. The index for future business activity rose nine points to 28.4. The index for future business climate increased twelve points to a level of around zero, suggesting that firms expected the business climate to be normal. Employment and wages are both expected to increase in the months ahead. The index for planned capital spending rose to 22.1." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 7/16/19

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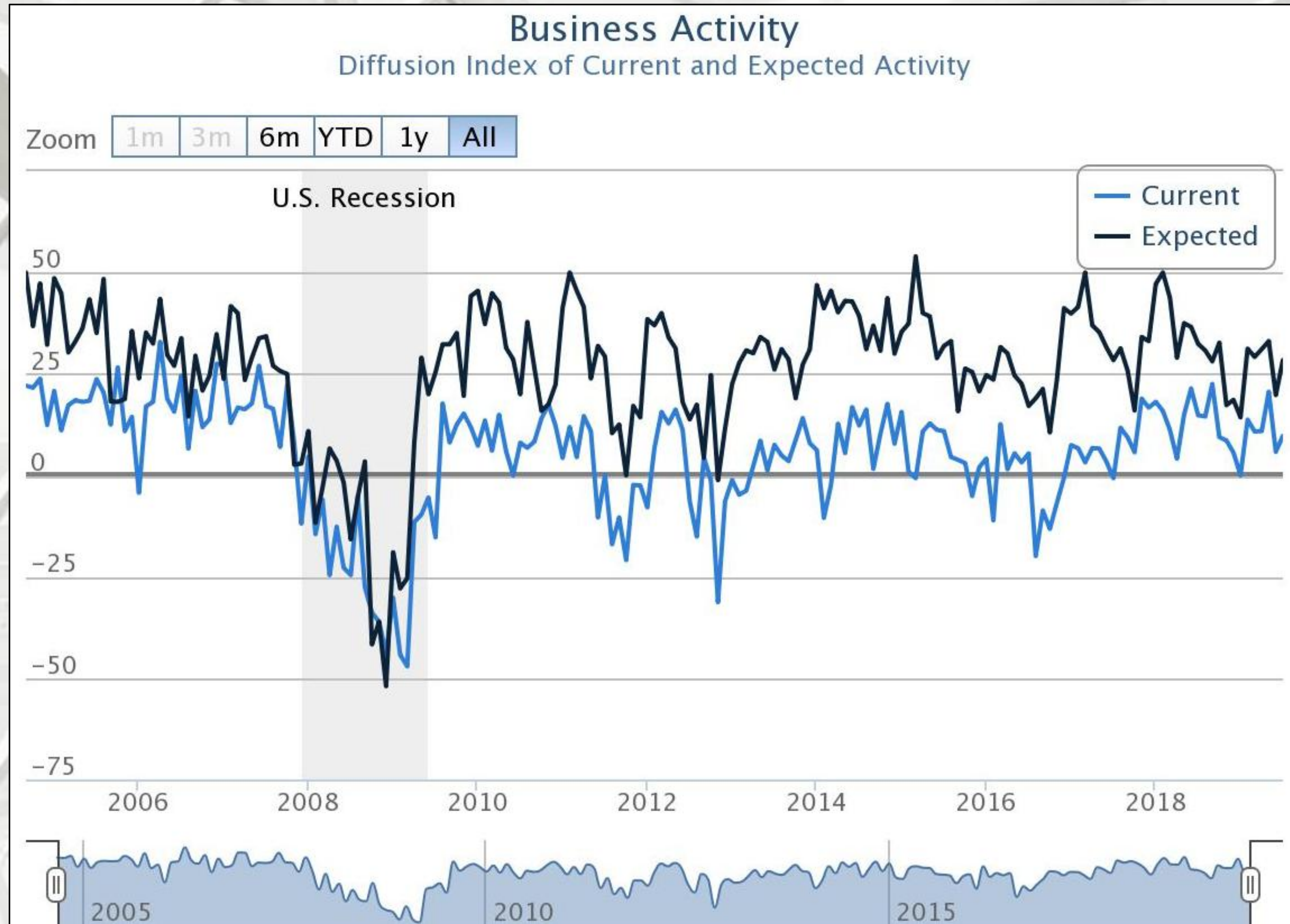
The Federal Reserve Bank of New York



July 2019
28.4

July2019
9.7

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 7/16/19

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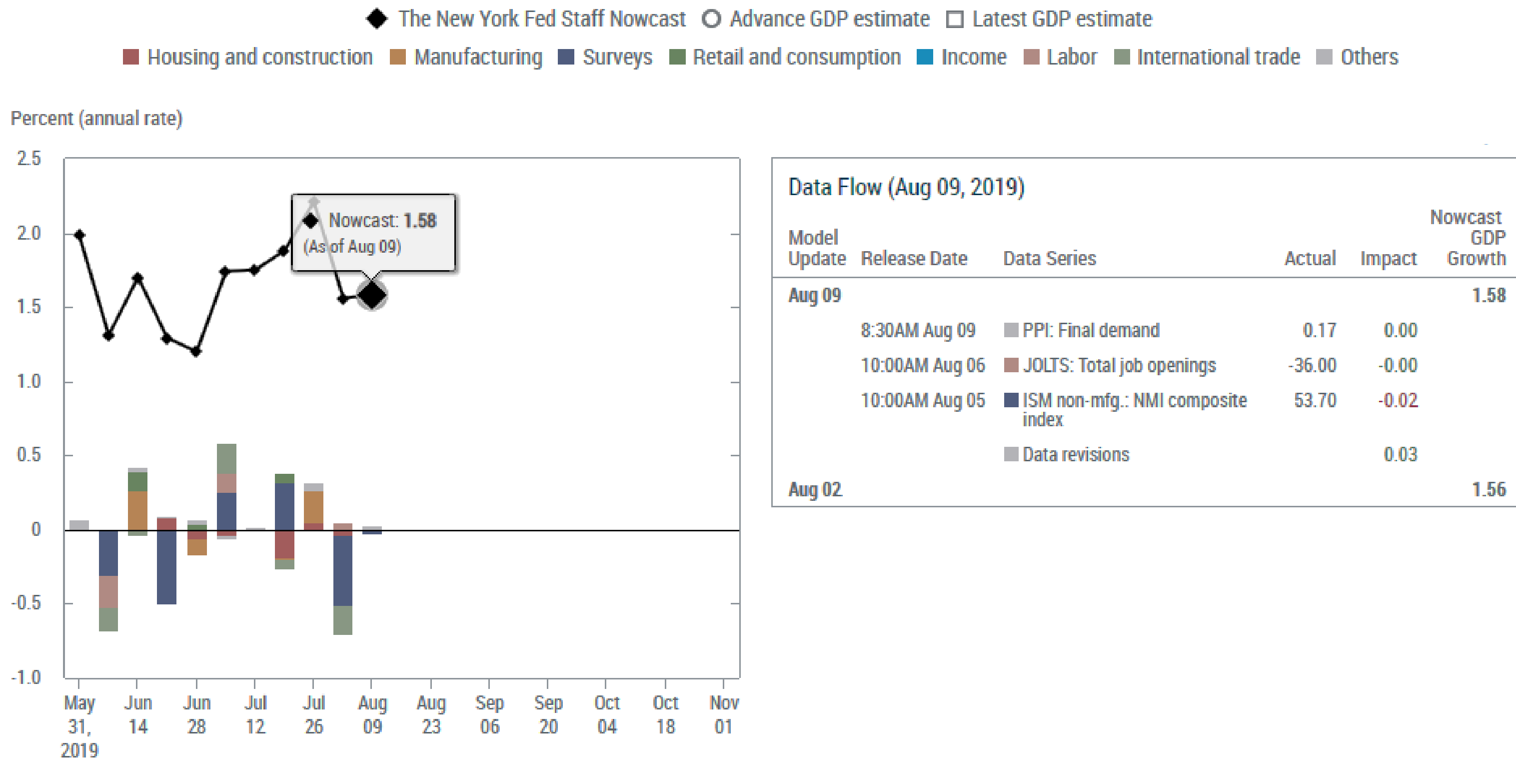
U.S. Economic Indicators

The Federal Reserve Bank of New York Nowcast



Model Update	Release Date	Data Series	Actual	Impact	Nowcast GDP Growth
Aug 09					1.58
	8:30AM Aug 09	PPI: Final demand	0.17	0.00	
	10:00AM Aug 06	JOLTS: Total job openings	-36.00	-0.00	
	10:00AM Aug 05	ISM non-mfg.: NMI composite index	53.70	-0.02	
		Data revisions		0.03	
Aug 02					1.56

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.

August 9, 2019: Highlights

- "The New York Fed Staff Nowcast stands at 1.6% for 2019:Q3.
- News from the JOLTS, ISM nonmanufacturing, and PPI releases were small, leaving the nowcast broadly unchanged." – The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/research/policy/nowcast; 8/9/19

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U.S. Economic Indicators

The Federal Reserve Bank of Philadelphia

July 2019 Manufacturing Business Outlook Survey

Current Indicators Suggest Growth

"Manufacturing conditions in the region showed improvement this month, according to firms responding to the July *Manufacturing Business Outlook Survey*. The survey's indexes for general activity, new orders, shipments, and employment remained positive and increased from their June readings. Most of the survey's future activity indexes increased, suggesting improved optimism about growth for the next six months.

The diffusion index for current general activity more than recovered from its decline last month, increasing from 0.3 in June to 21.8 this month (see Chart 1). The indexes for current shipments and new orders also improved this month: The current new orders index increased 11 points, while the shipments index increased 8 points.

The firms reported increases in manufacturing employment and longer workweeks this month. Over 36 percent of the firms reported higher employment, compared with 25 percent last month. Only 6 percent reported decreases in employment this month. The current employment index increased 15 points to 30.0, its highest reading since October 2017 (see Chart 2). The average workweek index also increased 16 points, hitting its highest reading in 14 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/bos0719; 7/18/19

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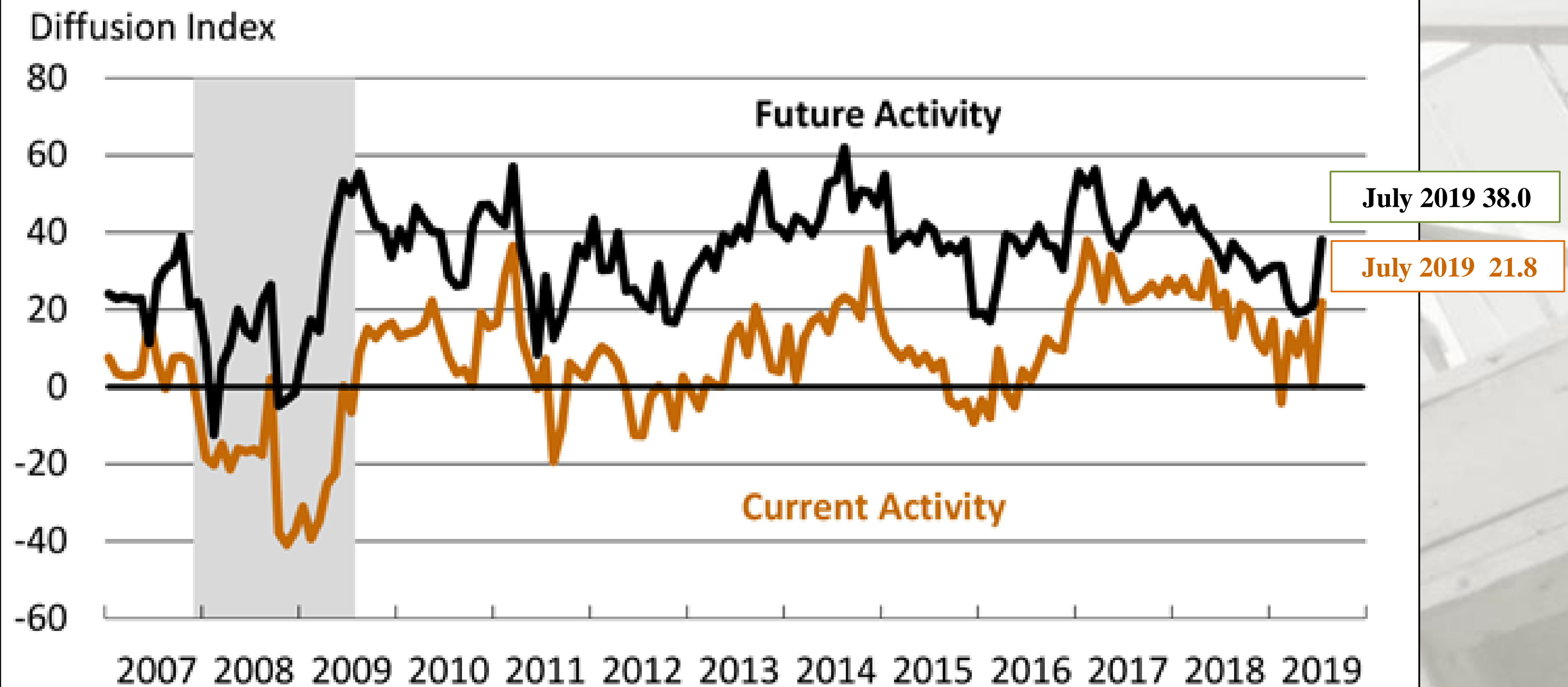
The Federal Reserve Bank of Philadelphia



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.

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0719; 7/18/19

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The Federal Reserve Bank of Philadelphia

More Firms Report Modest Increase in Recent Demand

"In this month's special questions, the firms were asked to characterize the underlying demand for their manufactured products over recent months (see Special Question). While 32 percent of the firms indicated recent decreases in underlying demand, 56 percent indicated that demand had increased. The largest share, 51 percent, characterized the increase in demand as modest.

Price Indexes Suggest Modest Price Pressures

The prices paid and prices received indexes both increased this month but remained well below their readings over the past few years. The current prices received index, reflecting the manufacturers' own prices, increased 9 points to a reading of 9.5. Price increases for manufacturers' own goods were reported by 16 percent of the firms this month, up from 10 percent last month. Price increases for purchased inputs were reported by 29 percent of the manufacturers this month, but 13 percent reported price decreases. The prices paid diffusion index increased 3 points to 16.1.

Most Future Indicators Increased

"The diffusion index for future general activity increased 17 points to its highest reading since May 2018 (see Chart 1). Nearly 53 percent of the firms expect increases in activity over the next six months, while 15 percent expect declines. The future new orders index increased 14 points, while the future shipments index was unchanged from an elevated reading. The firms remained optimistic overall about hiring over the next six months: Although the future employment index decreased 2 points, 34 percent of the firms expect higher employment over the next six months. The future capital spending index improved 9 points this month to a reading of 36.9, its highest reading in 17 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/bos0719; 7/18/19

The Federal Reserve Bank of Philadelphia

Summary

Responses to the July *Manufacturing Business Outlook Survey* suggest an improvement in regional manufacturing conditions compared with last month. The new orders index, which reflects demand for manufactured goods, showed improvement this month, and more firms added to their payrolls. 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 (July 2019)

Over the past several months, how would you characterize the underlying demand for your manufactured products? Exclude any purely seasonal effects.

	(%)	
Significantly increasing	5.3	% of firms reporting increasing demand: 56.1
Modestly increasing	50.8	
No change	12.3	
Modestly decreasing	26.3	% of firms reporting decreasing demand: 31.6
Significantly decreasing	5.3	

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0719; 7/18/19

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The Federal Reserve Bank of Philadelphia

July 2019 Nonmanufacturing Business Outlook Survey

"Responses to the July Nonmanufacturing *Business Outlook Survey* suggest an expansion of nonmanufacturing activity in the region. The index for general activity at the firm level and the index for sales/revenues both gained after two consecutive months of decline, while the new orders index increased for the second consecutive month. Full-time employment moderated slightly. The firms continued to report overall increases in the prices of both their own goods and their inputs. The respondents continued to anticipate growth over the next six months.

Current Indicators Rebound

The diffusion index for current general activity at the firm level climbed 12 points to 24.6 in July, after falling 16 points in June. Thirty-eight percent of the firms reported increases in activity (up from 31 percent last month), compared with 13 percent that reported decreases. The new orders index rose 11 points to 25.5. The share of firms reporting increases in new orders (33 percent) was higher than the share reporting decreases (7 percent). The sales/revenues index rose from 17.0 in June to 22.5 in July, after declining 10 points in June. Over 41 percent of the responding firms reported increases in sales/revenues, while 19 percent reported decreases. The regional activity index increased 13 points to 21.4, after a 9 point fall in June..

Employment Indicators Moderate

The firms continued to report overall increases in full-time and part-time employment. The full-time employment index fell 3 points to 21.1. Nearly 71 percent of the firms reported steady full-time employment levels, while the share of firms reporting increases (25 percent) was higher than the share reporting decreases (4 percent). The part-time employment index fell 9 points to 11.6, and the wages and benefits indicator fell 7 points to 37.0. The average workweek index was stable at 18.7." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey; 7/23/19

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The Federal Reserve Bank of Philadelphia

July 2019 Nonmanufacturing Business Outlook Survey

Firms Continue to Report Overall Price Increases

"Both price indicator readings suggest overall increases in prices for inputs and for the firms' own goods and services, but the price indexes moved in opposite directions this month. The prices paid index fell 10 points to 12.2. Although the majority of respondents (68 percent) reported stable input prices, 14 percent of the respondents reported increases, while only 2 percent reported decreases. Regarding prices for firms' own goods and services, the prices received index jumped 12 points from June to 20.5 in July. While 21 percent of the firms reported increases in prices received, none reported decreases. Nearly 67 percent of the firms reported no change in their own prices.

Expectations for Future Growth Recovers

The firms' expectations for growth over the next six months strengthened as both future activity indexes increased this month after falling sharply in June. The diffusion index for future activity at the firm level moved up from a reading of 26.4 in June to 36.0 this month. Fifty percent of the firms expect an increase in activity at their firms over the next six months (up from 45 percent last month), compared with 14 percent that expect decreases (down from 19 percent last month). Nearly 37 percent of the firms expect no change over the next six months. The future regional activity index strengthened 11 points to 21.8." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey; 7/23/19

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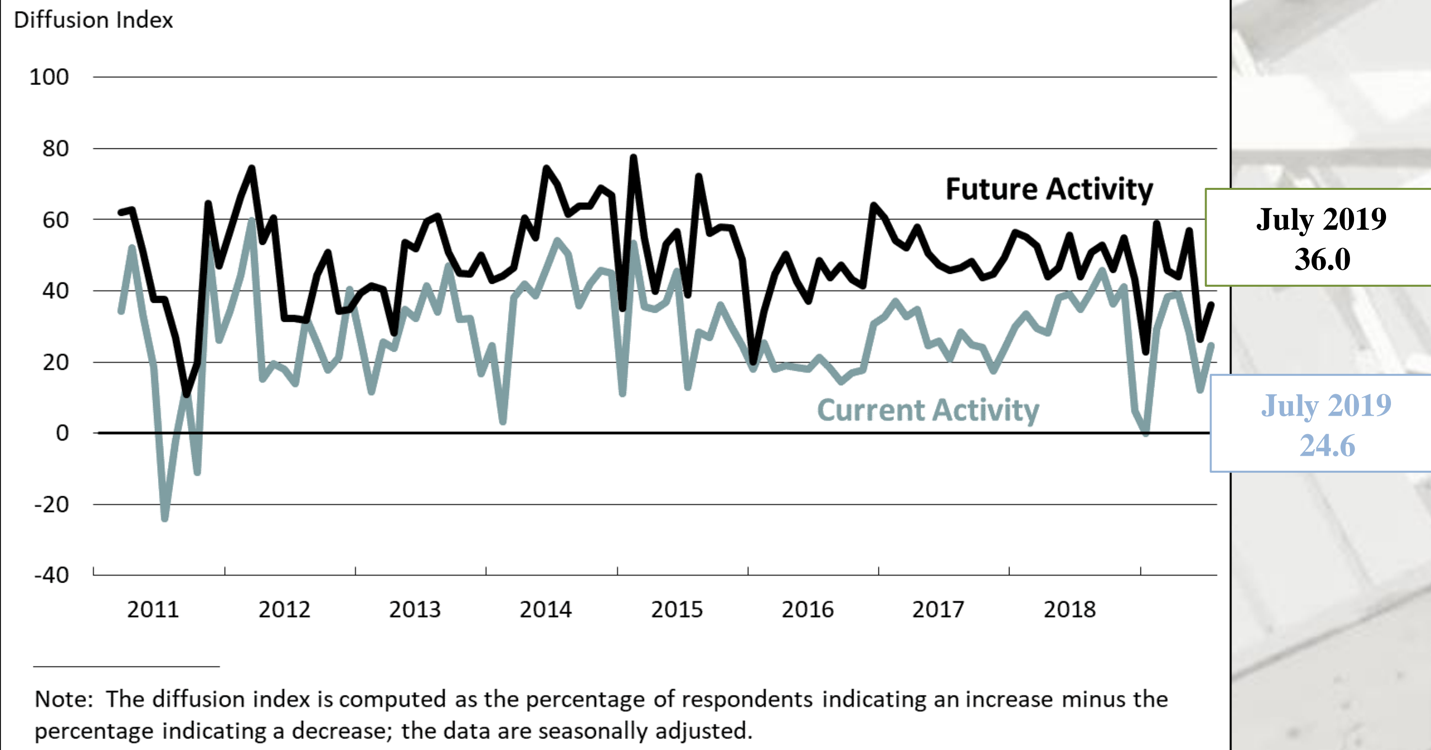

Summary

"Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest that nonmanufacturing activity expanded in the region, recovering from a broad decline in June. The indicators for firm-level general activity, sales/revenues, and new orders all rose, while the full-time employment index moderated slightly. Overall, the respondents continue to expect growth over the next six months at their own firms and in the region." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey; 7/23/19

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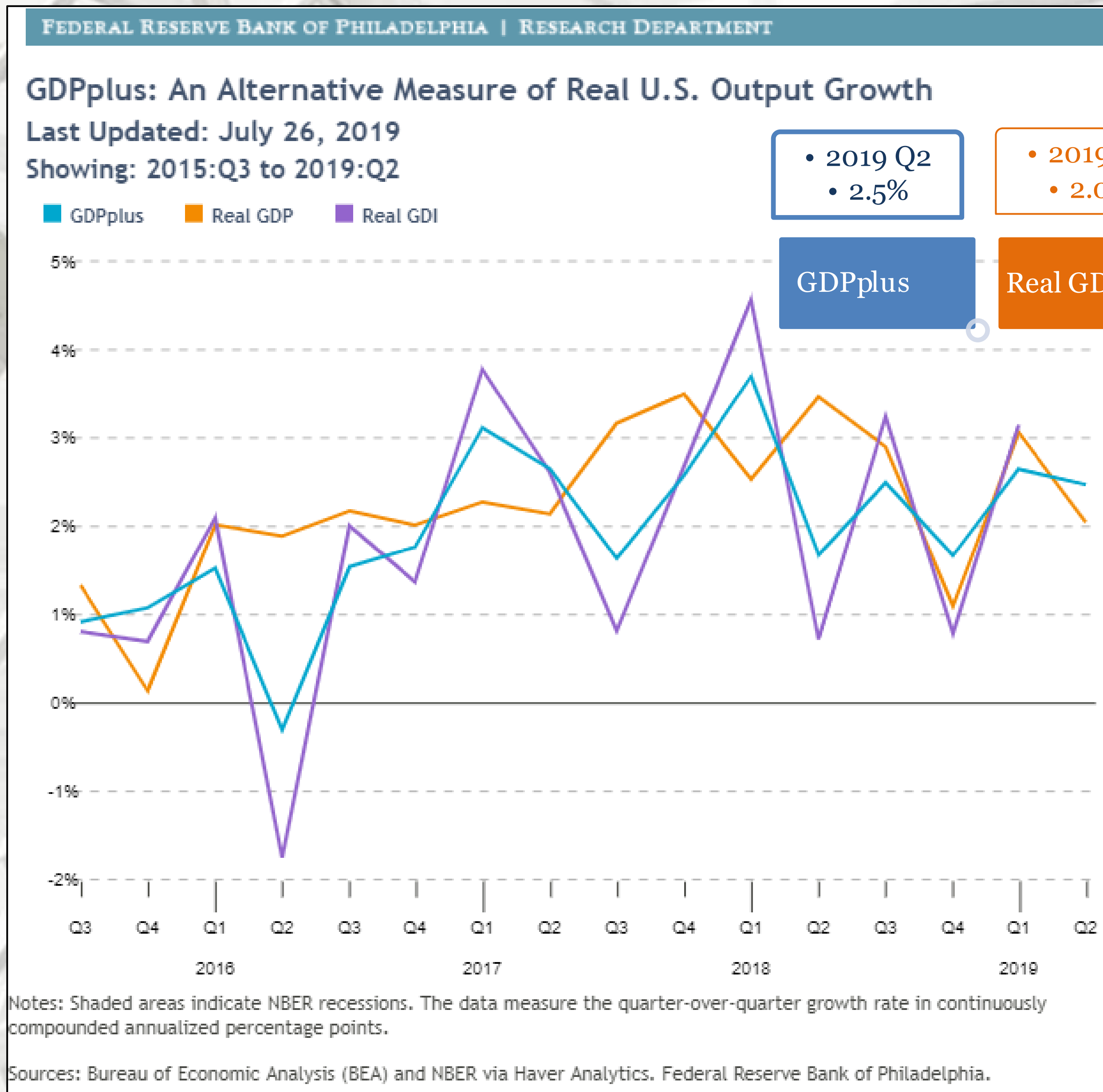
The Federal Reserve Bank of Philadelphia: GDPplus



- 2019 Q2
- 2.5%

- 2019 Q2
- 2.0%

- 2019 Q1
- 3.1%

GDPplus

Real GDP

Real GDI

Source: https://philadelphiafed.org/research-and-data/real-time-center/gdpplus/ 7/26/19

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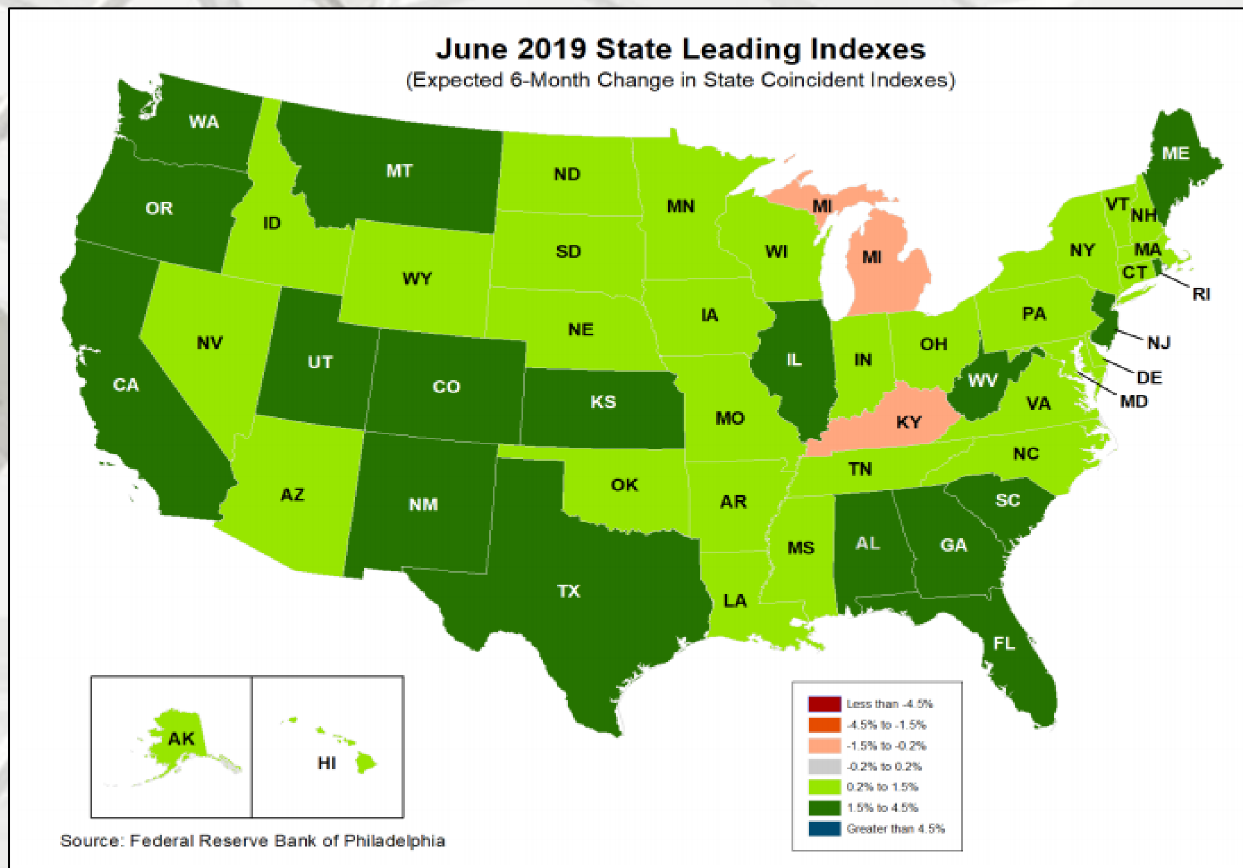

"The Federal Reserve Bank of Philadelphia has released the leading indexes for the 50 states for June 2019. The indexes are a six-month forecast of the state coincident indexes (also released by the Bank). Forty-eight state coincident indexes are projected to grow over the next six months, and two are 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 1.2 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/LeadingIndexes0619.pdf; 8/2/19

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Fifth District Manufacturing Activity Weakened in July

"Fifth District manufacturing activity weakened in July, according to the most recent survey from the Richmond Fed. The composite index fell from 2 in June to −12 in July, its lowest reading since January 2013, as all three components — shipments, new orders, and employment — registered declines. Backlogs of orders also fell, reaching a value of −26, its lowest reading since April 2009. Firms reported worsening local business conditions, as this index dropped from 7 to −18, its largest one-month drop on record. However, respondents were optimistic that conditions would improve in the coming months.

Survey results indicated that employment and the average workweek declined in July. However, wage growth continued among survey respondents. Firms continued to struggle to find workers with the necessary skills and expect that struggle to continue in the next six months.

The growth rates of both prices paid and prices received rose in July, as growth of prices paid outpaced that of prices received. Survey participants, on average, expected growth of both prices paid and prices received to slow 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_07_23_19; 7/23/19

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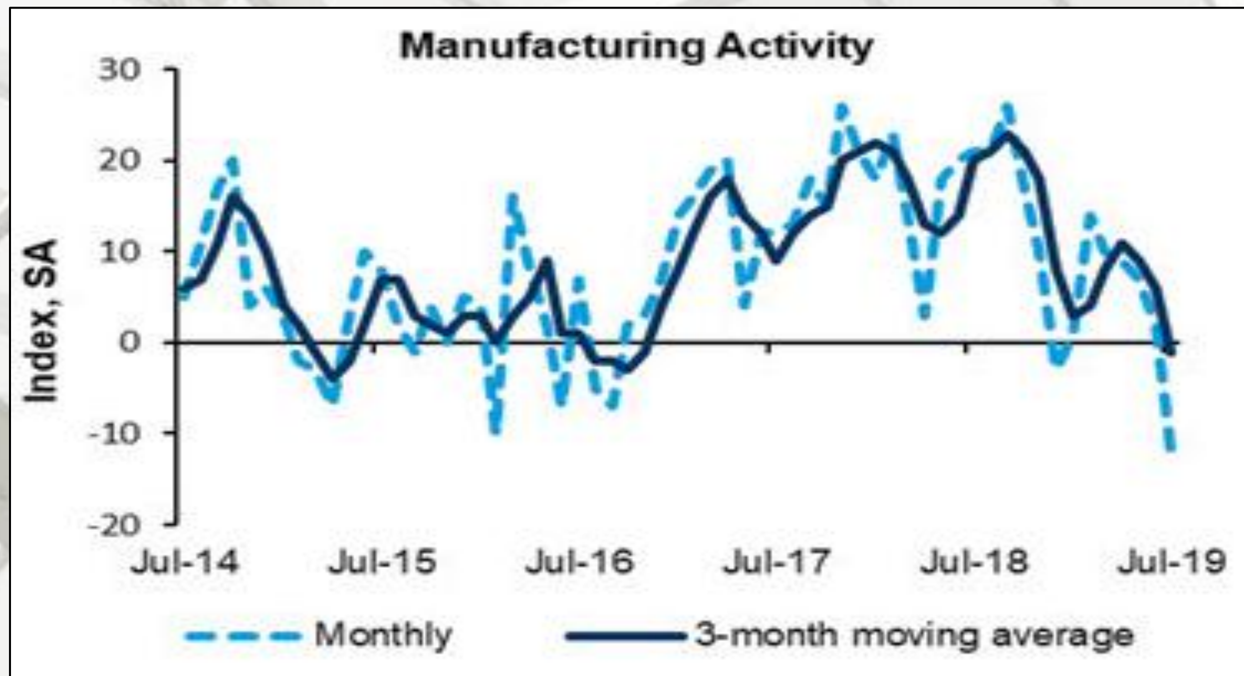
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_07_23_19; 7/23/19

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U.S. Economic Indicators

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_07_23_19; 7/23/19

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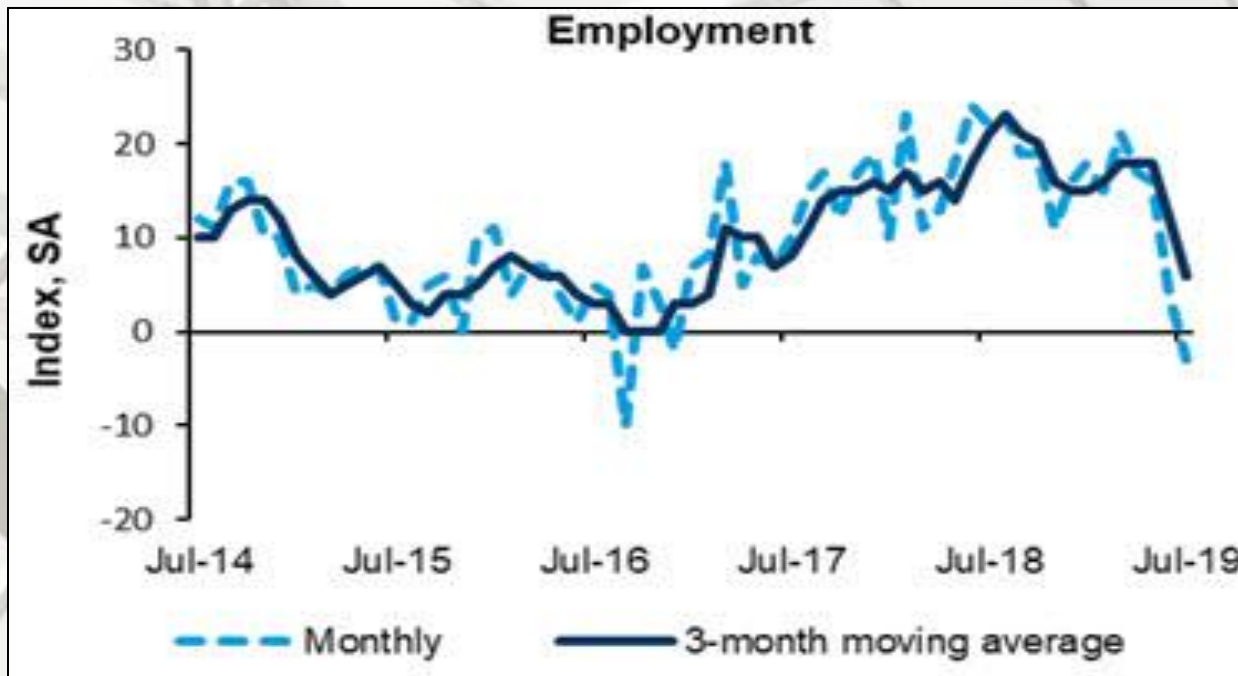
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_07_23_19; 6/23/19

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U.S. Economic Indicators

The Federal Reserve of San Francisco

FedViews

- "Current economic growth is above trend, but is projected to slow over the coming year towards our estimated long-run potential pace of slightly below 2%. This expected slowdown was noted in the recent Congressional testimony by Chair Powell, who paid particular attention to cooling business investment, subdued inflation data, and crosscurrents associated with slow global growth and trade tensions.
- In contrast to the weakening investment picture, consumption appears to be picking up. Recent reports on automobile and retail sales have been strong, and measures of consumer sentiment remain quite elevated. Many of the other sources of strength in the first quarter, such as inventory adjustment and improvements in net exports, are expected to be transitory.
- The labor market continues to display strength. Payroll employment grew by 224,000 jobs in June; monthly gains over the past six months have averaged 172,000, far above the level estimated to be consistent with absorbing new entrants to the labor force. The strong job picture continues to draw more searchers into the labor market, resulting in the measured unemployment rate rising up a notch to 3.7%. However, unemployment still remains substantively lower than the estimated long-run natural rate of 4.2%." – Mark Spiegel, Vice President, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/july/july-11-2019/; 7/15/19

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U.S. Economic Indicators

The Federal Reserve of San Francisco

FedViews

- "Over the past ten years, inflation has been below the FOMC's symmetric 2% target far more often than it has met or exceeded that target. Recent inflation figures remain discouraging, with the personal consumption expenditures (PCE) price index in May only increasing at a 1.5% annualized pace over the previous 12 months. Core PCE inflation rose 1.6% over the same period. The slow increase in wages is one factor keeping inflation below its target level. Despite the continued strength of the labor market, upward pressure on wages remains rather tepid, increasing only 3.1% for the year ending in June.
- The federal funds rate, the monetary policy rate, is currently close to the level that we consider consistent with a neutral monetary policy stance.
- Treasury yields have increased modestly since the previous FOMC meeting, with the spread between 10-year and 3-month Treasury yields remaining "inverted," in the sense that the 3-month rate currently exceeds the 10-year rate. While such inversions have typically indicated recessions in the past, there is reason to believe that the very low long-term yields prevailing in current markets are partly attributable to special factors. These include the large holdings of long-term treasuries accumulated by the Federal Reserve through its past quantitative easing policy and elevated "safe haven" demand for long-term U.S. Treasuries due to heightened global uncertainty." – Mark Spiegel, Vice President, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/july/july-11-2019/; 7/15/19

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U.S. Economic Indicators

The Federal Reserve of San Francisco

FedViews

- "The ongoing trade disputes between the United States and its main trading partners, particularly China, represent a prominent source of global uncertainty. The United States currently is levying a 25% tariff on $250 billion in imports from China. Markets rallied following the recent G-20 meeting, after the United States and China agreed to postpone any future tariff increases. However, much uncertainty remains about the ultimate resolution of this conflict, and measures of uncertainty about trade policy remain quite elevated.
- A recent report from the Petersen Institute highlights the fact that China responded to U.S. trade restrictions by raising its tariffs on imports from the United States, while lowering them on imports from the rest of the world. These responses have left U.S. exporters at even worse competitive positions for the large Chinese market. While the United States and other exporters stood on equal footing at the start of 2018, by June of this year tariffs on U.S. products had risen to over 20%, while those on exports from other countries had fallen to 6.7% on average. The report also notes that China has been strategic in focusing its tariffs on U.S. goods that are either considered less vital or more easily sourced from other countries. For example, tariffs on agricultural products have been raised from 21% to 43%, while no tariffs are being levied on other more essential imported goods, such as pharmaceuticals." – Mark Spiegel, Vice President, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/july/july-11-2019/; 7/15/19

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U.S. Economic Indicators

The Federal Reserve of San Francisco

FedViews

- "Many goods, particularly manufactured products, cross country borders a number of times during the production process, leading to multiple exposures to tariff duties. This is particularly true for U.S.-Mexican trade, involving goods such as automobiles and appliances. Components are produced in one country and then can travel back and forth across the border at different stages of production. With a 25% tariff on goods transported from a country to the United States, the final price of the item reflects not only the value added during production but also the added tariffs each time the product crosses the border.
- Recent movements in China's exchange rate have been interpreted as reflecting efforts by China to offset the effects of U.S. tariffs on demand for its exports by lowering the price of its currency. However, although the renminbi depreciated significantly against the dollar in the late spring and summer of 2018, this currency change occurred at roughly the same time as the dollar was appreciating against other currencies, as measured by the narrow dollar index. Since that time, the renminbi has basically floated within a limited trading range of between 6.75 and 7.00 to the dollar, with little notable trend." – Mark Spiegel, Vice President, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/july/july-11-2019/; 7/15/19

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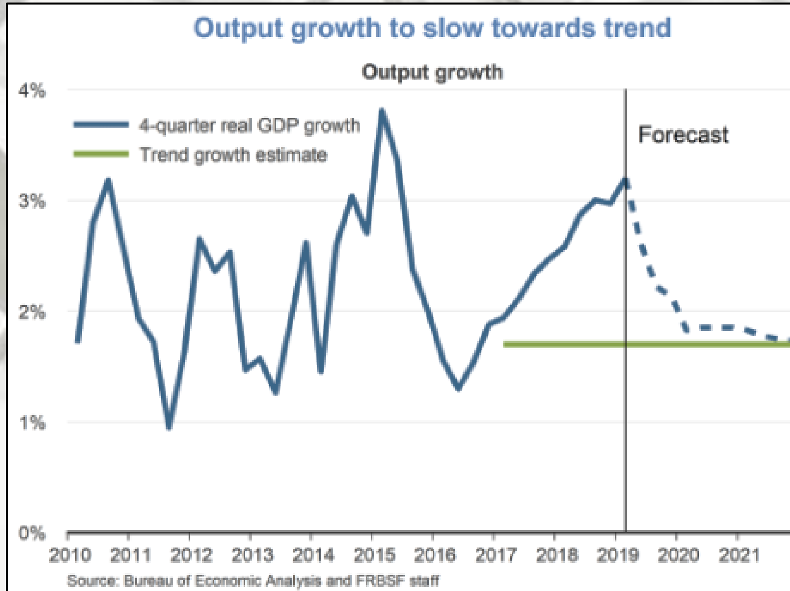
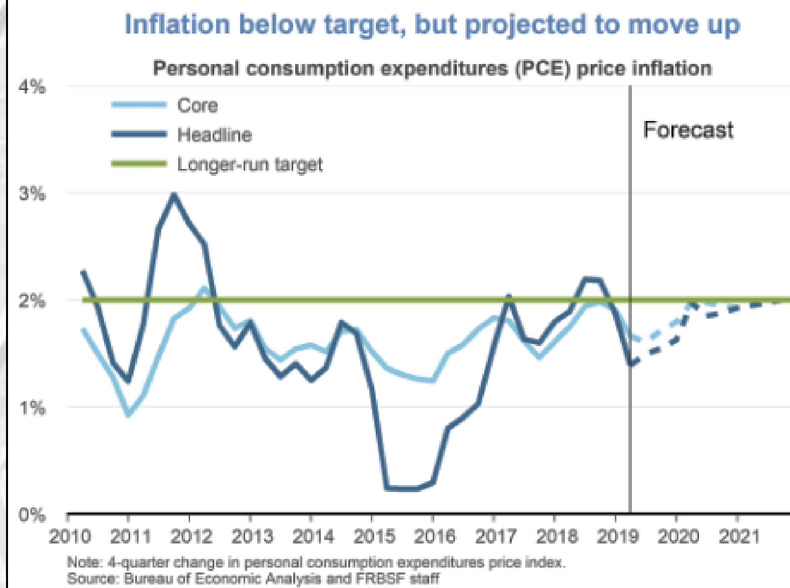
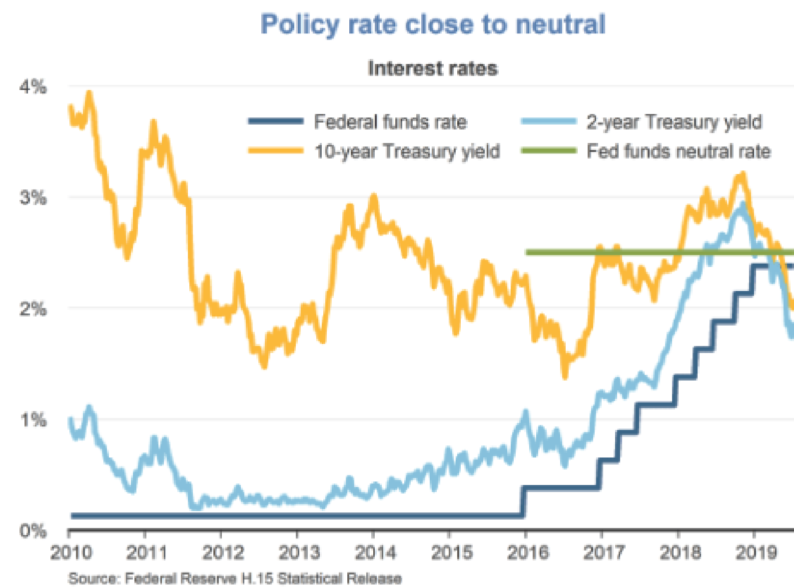
U.S. Economic Indicators







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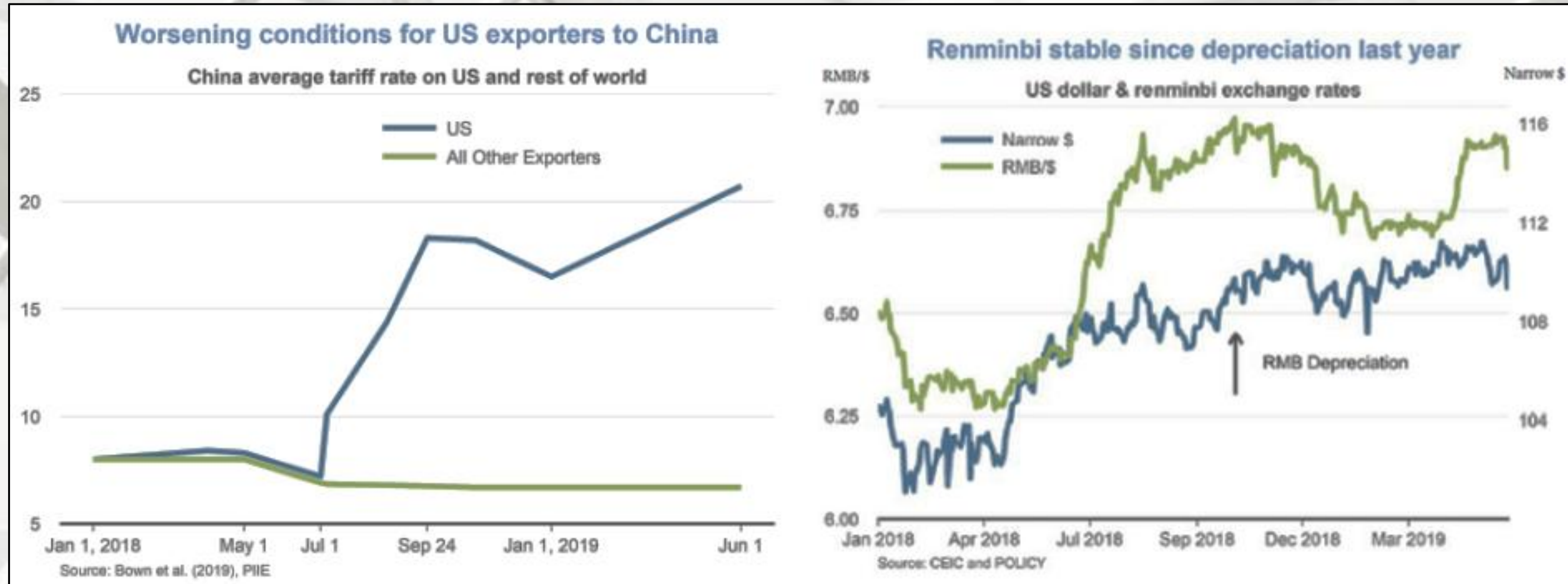

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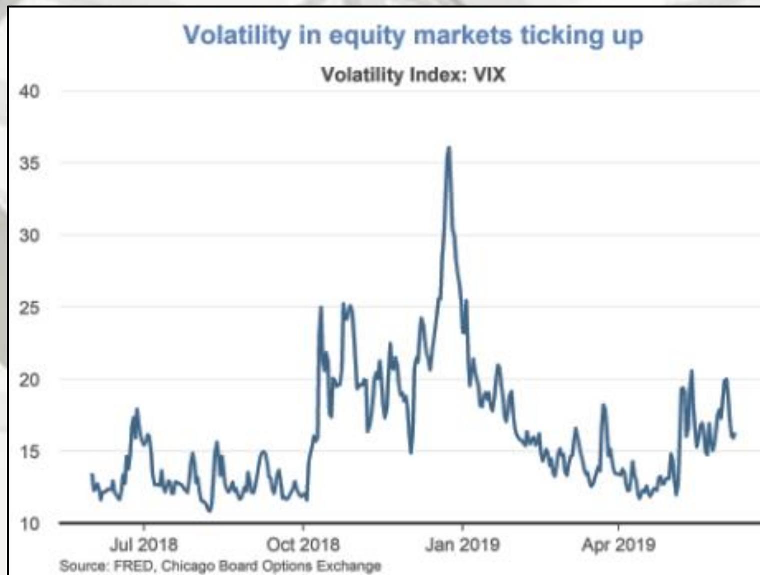

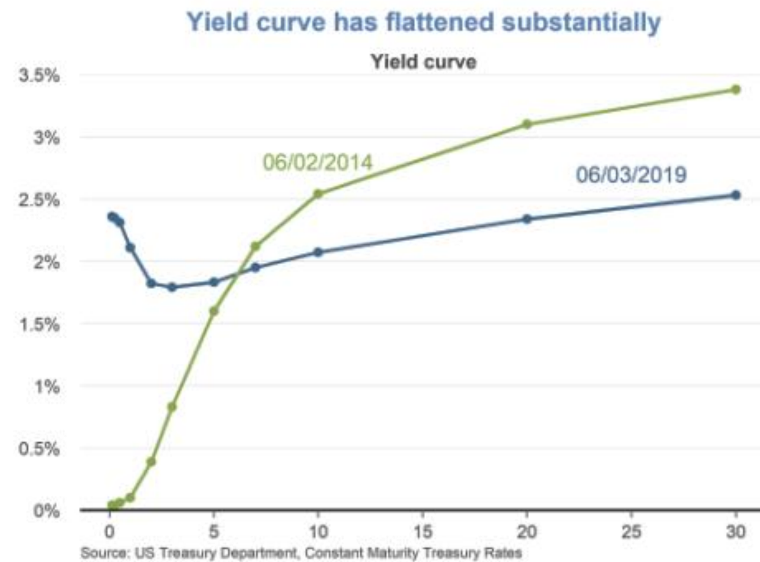

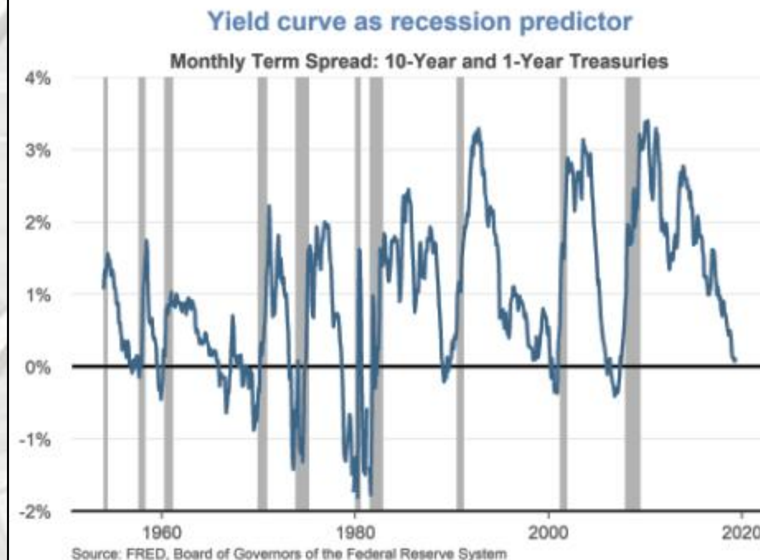

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/june/june-13-2019/; 6/13/19

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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/; 8/13/19

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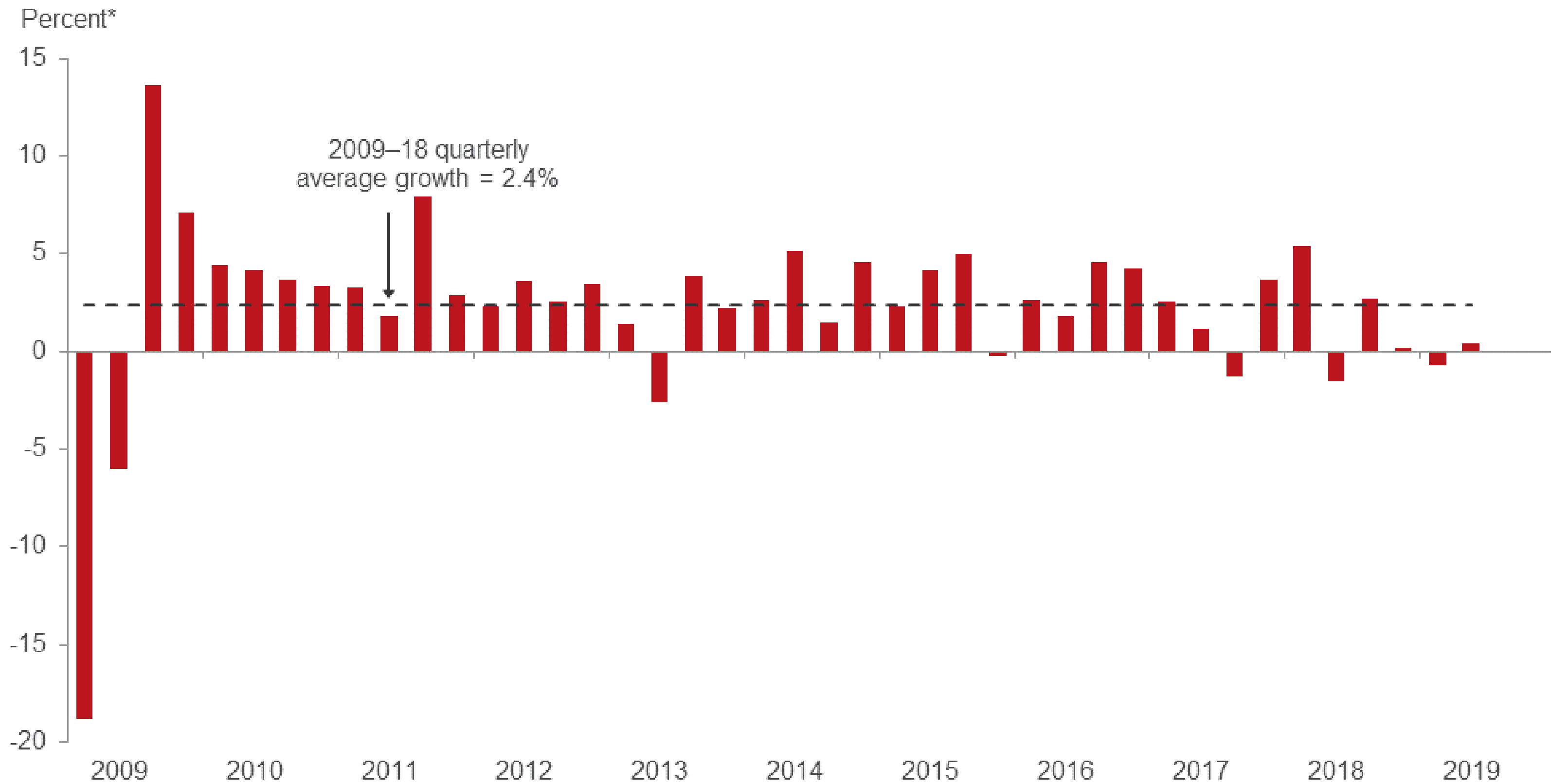
U.S. Economic Indicators



Source: https://www.dallasfed.org/research/update/mex/2019/1905.aspx/; 8/13/19

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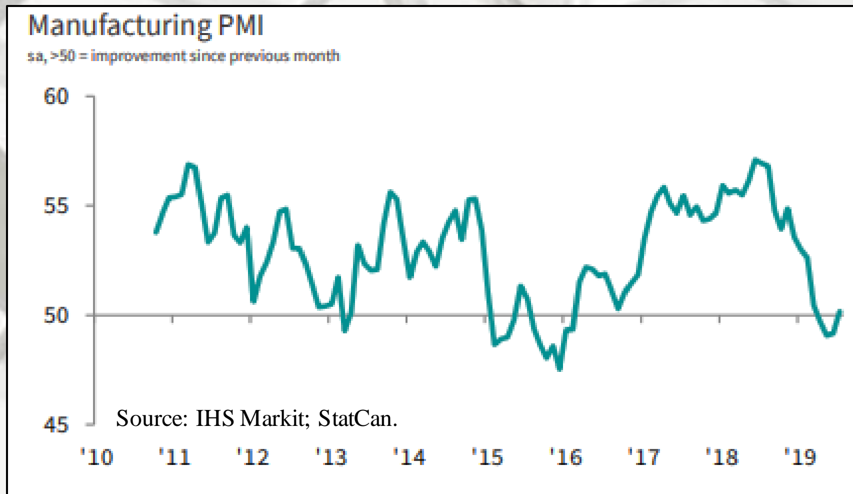
Private Indicators: Global



Markit Canada Manufacturing PMI™

"The seasonally adjusted **IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®)** registered 50.2 in July, up from 49.2 in June and above the 50.0 no-change value for the first time since March. A slower fall in output and a rise in pre-production inventories were the main factors pushing the headline PMI into positive territory in July.

Manufacturing PMI hits four-month high in July

Canadian manufacturers signalled another fall in production levels during July, largely reflecting a sustained decrease in new orders. However, the latest drop in output was the least marked since the downturn began in April. Moreover, manufacturers signalled a rebound in business optimism regarding the year ahead outlook and staffing levels picked up for the third month running. At the same time, input cost inflation eased to its weakest for just over six years, which a number of survey respondents linked to lower steel prices. …

July data provides some encouragement that the downturn in Canadian manufacturing production has started to lose intensity, with the latest survey pointing the slowest drop in output for four months. A rebound in business expectations and stronger jobs growth were also positive developments in July. At the same time, the slowdown in input price inflation to its lowest for over six years is a welcome relief and should help alleviate some of the pressure on operating margins. External demand conditions remain the main concern for the manufacturing sector, as highlighted by an accelerated reduction in new export orders in July. There were widespread reports that global trade frictions and softer economic growth in key markets had held back export sales." – Tim Moore, Economics Associate Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/b1d564d669a545898336da59ca0655de; 8/1/19

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Private Indicators: Global

Caixin China General Manufacturing PMI™

"At 49.9 in July, 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 – posted only fractionally below the neutral 50.0 level to signal broadly stable conditions across China's manufacturing sector. This followed a marginal deterioration in the health of the sector during June (PMI reading of 49.4).

Manufacturing conditions broadly stable in July

PMI data indicated that operating conditions across China's manufacturing sector were broadly stable at the start of the third quarter. Output was little-changed following a decline in June amid a slight increase in overall new orders. Subdued demand conditions nonetheless prompted firms to lower their workforce numbers again in July, and at a quicker pace, while inventories of both inputs and finished goods declined. Cost pressures weakened, with input prices rising only slightly while selling prices fell. Encouragingly, business confidence regarding the year ahead outlook for output picked up from June's record low, but remained subdued over lingering concerns regarding the China-US trade dispute and softer global economic conditions.

The improvement in the headline index was partly down to the broad stabilisation of output in July, following a marginal drop in June. Some firms commented that relatively firmer demand conditions had led them to leave production volumes unchanged. Total new orders rose at a fractional pace after a modest decline at the end of the second quarter. The upturn was likely driven by stronger domestic demand, as new export orders were little-changed in July. Some companies commented that the ongoing trade dispute with the US continued to weigh on export sales. …

After slipping to its lowest on record in June, business confidence regarding output for the year ahead improved to a three-month high in July. Optimism was often linked to forecasts of improving market conditions and new products. However, concerns over the outcome of ongoing trade negotiations with the US continued to weigh on overall sentiment." – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/c777ba6bdb9249529adea78034658761; 8/1/19

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Private Indicators: Global

Caixin China General Manufacturing PMI™

"The Caixin China General Manufacturing PMI rose to 49.9 in July, although it remained in contractionary territory. The subindices for new orders and output both returned to expansionary territory, and the gauge for new export orders rose slightly, though it remained in contractionary territory. This indicates that domestic demand recovered, and overseas demand was stable. The subindex for employment dipped further into negative territory, suggesting that the labor market didn't improve.

While the subindex for stocks of purchased items fell into contractionary territory, the measure for stocks of finished goods dropped further into decline, reflecting that increased orders consumed inventories to some extent. The measure for future output jumped in July, pointing to an increase in confidence among businesses. The gauge for output charges dropped into negative territory, while that for input costs remained in positive territory despite a mild fall. This was a sign of downward pressure on the profitability of downstream companies.

China's manufacturing economy showed signs of recovery in July. Business confidence rebounded, reflecting the strong resilience in the economy. Policies such as tax and fee reductions designed to underpin the economy had an effect. The situation may strengthen policymakers' insistence to regulate the property market and the finance industry" – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/c777ba6bdb9249529adea78034658761; 8/1/19

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Private Indicators: Global

Markit Eurozone Manufacturing PMI®

"The euro area's manufacturing sector continued to contract during July, and at an accelerated rate. The latest IHS Markit Eurozone Manufacturing PMI® posted below the 50.0 no-change mark that separates growth from contraction for a sixth successive month and, at 46.5, pointed to the sharpest deterioration in operating conditions since December 2012. The index was down from 47.6 in June, though slightly higher than the earlier July flash reading of 46.4.

Manufacturing sector contracts at fastest rate since end of 2012

Of the three market groups categories covered by the survey, ongoing contractions were seen in the intermediate and investment goods sectors. For the latter, the deterioration was the greatest since November 2012. In contrast, growth was sustained amongst producers of consumer goods. …

The downturn in the overall manufacturing economy was driven in the main by a sharp fall in new orders. Latest data showed that the decline was the second sharpest recorded by the survey in just over six years (surpassed only by a contraction in March) as ongoing trade tensions, difficulties in the automotive industry and political uncertainties continued to weigh on demand both in internal and external markets. Export* trade deteriorated to the greatest degree since November 2011, with German manufacturers recording the sharpest reduction (the fastest in over a decade).

A deteriorating trend in order books led to a retrenchment in both production and purchasing activity amongst euro area manufacturers. Output was cut to the greatest degree since April 2013, whilst the reduction in purchasing activity was the sharpest seen since the end of 2012. Manufacturers indicated a preference for utilising inventories in production instead, with latest data indicating the greatest monthly fall in stocks of purchases for nearly six years. Warehouse inventories were also cut for only the second time in the past ten months." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/5ea690f5df6b47c2b4789aa9d34e5e3e; 8/1/19

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Private Indicators: Global

Markit Eurozone Manufacturing PMI®

Manufacturing sector contracts at fastest rate since end of 2012

"As purchasing activity fell, average lead times for the delivery of inputs shortened at a rate only slightly slower than June's decade high. With reports of excess supply for some raw materials, input costs faced by manufacturers deteriorated to the greatest degree since April 2016. With costs falling, and market demand deteriorating, euro area manufacturers chose to discount their own charges for the first time in just under three years. Signs of excess capacity in the manufacturing sector was provided by latest data on backlogs of work which fell in July for an eleventh successive month and at a rate not seen for seven years. This led to a notable reduction in employment, the third in successive months and the sharpest recorded by the survey since May 2013. Job losses were especially marked in Germany. …

The Eurozone PMI dashboard is a sea of red, with all lights warning on the deteriorating health of the region's manufacturers. July saw production and jobs being cut as the fastest rates for over six years as order books continued to decline sharply. Prices fell at the sharpest rate for over three years as firms increasingly competed via discounting to help limit the scale of sales losses. Forward indicators also deteriorated. Input buying fell to an extent not seen since 2012 as firms prepared for weaker production in the short term, and expectations for the year ahead likewise fell to the lowest in over six-and-a-half years.

The downturn is being led by Germany, reflective of a further worsening conditions in the auto sector and falling global demand for business equipment. However, output is also falling in Italy, France, Spain, Ireland and Austria and is close to stalling in the Netherlands. Greece notably bucked the deteriorating trend.

Rising geopolitical concerns, including trade wars and Brexit, and worries about slower economic growth both domestically and internationally were all widely reported as having subdued current demand and hit confidence in the outlook. The concern is that, while policymakers have become increasingly alarmed at the deteriorating conditions, there may be little that monetary policy can do to address these headwinds."
– Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/5ea690f5df6b47c2b4789aa9d34e5e3e; 8/1/19

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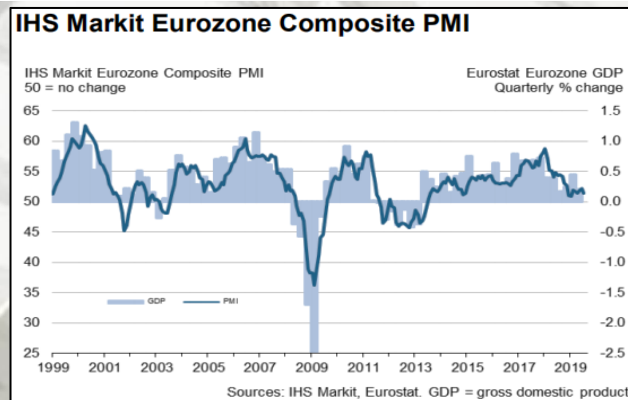
Private Indicators: Global



Markit Eurozone Composite PMI®

"The **HIS Markit Eurozone *PMI*® Composite Output Index** slipped closer to the 50.0 no-change mark during July. Unchanged on the earlier flash reading, the index posted 51.5, a level indicative of only modest growth and down from June's seven month high of 52.2.

Eurozone growth softens as manufacturing downturn deepens

The headline index continue to mask notable differing performances between the manufacturing and services economies. Whilst service sector activity rose at a solid, albeit slightly slower pace, there was a notable and accelerated fall in manufacturing production during July. Latest data showed that goods output fell for a sixth successive month and to the greatest recorded degree since April 2013.

The most prominent encapsulation of these trends was seen in Germany, where a rapidly deteriorating manufacturing economy almost entirely offset ongoing robust growth of the service sector. Latest composite data showed Germany expanding at its slowest rate for over six years.

The service sector continued to sustain the expansion of the overall eurozone economy at the start of the third quarter, but there are signs that the scale of the manufacturing downturn is starting to overwhelm. Trade war worries, slower economic growth, falling demand for business equipment, slumping auto sales and geopolitical concerns such as Brexit led the list of business woes, dragging manufacturing production lower at its fastest rate for over six years.

While the service sector has helped offset the manufacturing downturn, growth also edged lower among service providers in July, meaning the overall pace of expansion of GDP signalled by the PMI has slipped closer to 0.1%. The main source of expansion currently appears to be the consumer, in turn buoyed by the relative strength of the labour market. However, with the July survey indicating the weakest jobs gains in over three years, there are signs that this growth engine is also losing impetus, and adding another headwind to the economy for the coming months." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/43fd7b59e09d433692a3bd82945deb98; 8/5/19

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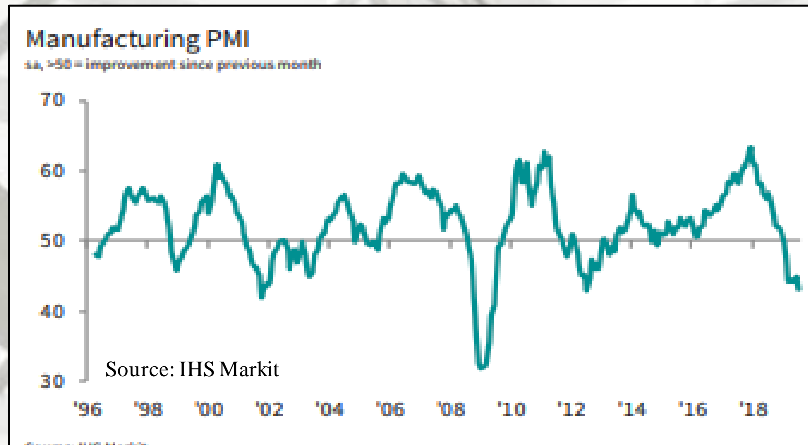

IHS Markit/BME Germany Manufacturing PMI®

"The headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy – sank deeper into contraction territory in July. At 43.2, down from 45.0 in June, the latest reading signalled the steepest decline in overall manufacturing conditions since mid-2012.

German manufacturing PMI at seven-year low as downturn gathers pace

Conditions in Germany's manufacturing sector showed the greatest deterioration for seven years in July, according to the latest PMI® data from IHS Markit and BME, led by the steepest drop in new export orders since 2009. Output also fell at a faster pace, with manufacturers making more aggressive cuts to employment and purchasing activity. Easing supply chain pressures remained a prominent feature of the survey, as lower demand from manufacturers for materials and parts resulted in improving lead times and a third straight monthly fall in input costs. The weakness of the manufacturing sector was underlined by the first fall in factory gate charges for almost three years.

After displaying a broadly sideways tendency throughout the second quarter, the PMI tumbled in July to signal a level of weakness in the Germany manufacturing sector not seen for seven years. The strong growth recorded early last year now feels like a distant memory. Over the past year-and-a-half, the combination of trade tensions, the Brexit saga, upheaval in the car industry, and a slowing Chinese economy has been a toxic mix for manufacturers globally, but particularly for those in Germany. Export orders fell in July at a rate unseen in the euro area's largest economy for over a decade, which underlines the extent to which the recent global headwinds have taken a toll on the country.

With no end in sight to the current malaise, Germany's manufacturers have gone into full retrenchment mode, making more aggressive cuts to both employment and their buying levels, whilst also slashing prices in an attempt to stimulate demand." – Phil Smith, Principal Economist, IHSMarkit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/dc3da4267f934d05902a9db2535b5185 ; 8/1/19

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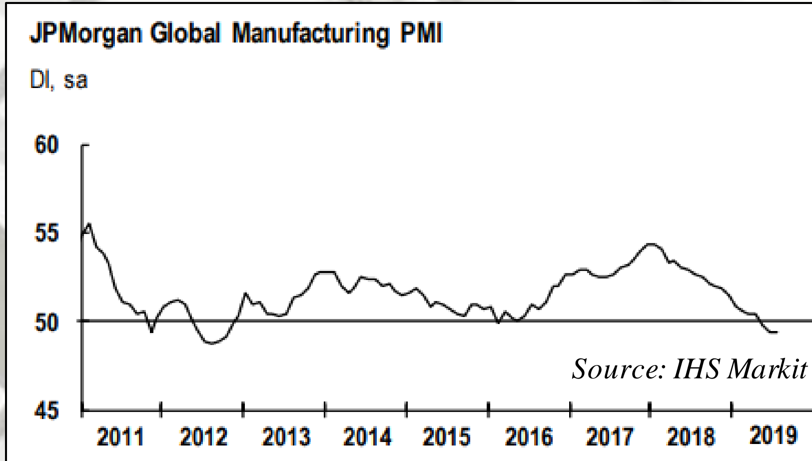

J.P. Morgan Global Manufacturing PMI™

"At 49.3 in July, a tick below June's reading of 49.4, the J.P. Morgan Global Manufacturing PMI™ – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – signalled contraction for the third straight month and fell to its lowest level since October 2012.

Global Manufacturing makes weak start to third quarter

The downturn in the global manufacturing sector extended into its third consecutive month in July. Production and new order intakes declined further, as conditions in many domestic markets remained soft and international trade volumes continued to contract. These negative trends filtered through to the labour market, resulting in another round of job losses.

Of the 30 nations for which July data were available, 19 had Manufacturing PMIs signalling downturns. China, Japan, Germany, South Korea, Taiwan, France, the UK, Italy, and Brazil were among the countries seeing contractions. Although the US and Canada saw expansions, their respective PMI levels (50.4 and 50.2) were only marginally above the neutral 50.0 mark.

Sector data indicated that the downturn was again focused on the intermediate and investment goods industries. In contrast, the consumer goods category not only continued to register expansion, but also saw a mild improvement in its rate of growth to a three-month high.

Global manufacturing production decreased for the second month running, reflecting a further reduction in new order intakes. International trade volumes contracted for the eleventh month in a row and to the greatest extent since October 2012. Among the largest regions covered by the survey, new export business decreased in China, the US, the euro area, Japan, Taiwan, South Korea, the UK, Canada, Russia and Brazil. … " – Olya Borichevska, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/9d620765293e451ea22660d03776deb0; 8/1/19

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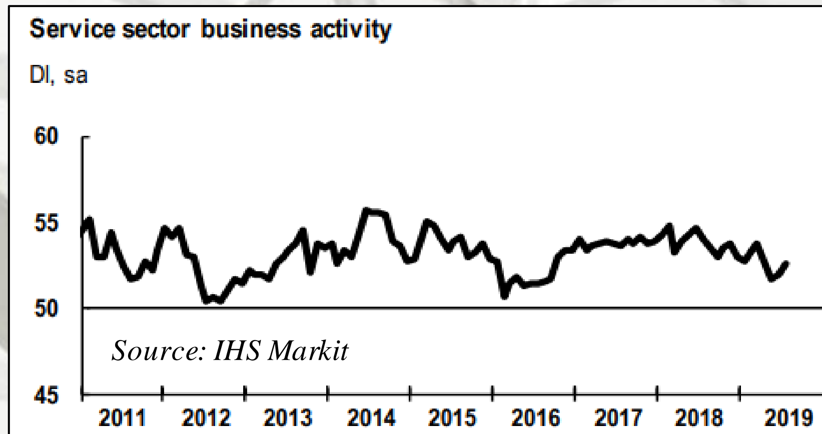

J.P. Morgan Global Services PMI™

"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 – posted 52.5 in July, up from 51.9 in June. The headline index remained below its long-run average of 54.2..

Global service sector growth edges higher in July

The start of the third quarter saw a modest improvement in the rate of expansion in global services business activity. Output rose at the fastest pace in three months, as growth strengthened in the US, the UK and Italy and returned to expansion in India, Brazil and Russia. The outlook for the sector became less positive, however, as business optimism slumped to a survey-record low. Business activity also increased in China, Japan, Germany, France, Spain and Australia. However, rates of expansion eased in all cases. The only nations to register a rate of output growth above the global average were the US, Germany, France, Spain and India.

Sector PMI data signalled that output rose across the business, consumer and financial services categories. Business and financial service providers saw their respective rates of expansion strengthen, with the fastest increase in the latter. The consumer services sector saw growth slow to a five-month low, the weakest expansion of the three categories covered.

Incoming new business rose at the quickest pace in four months during July, partly reflecting a modest uptick in new export work. The current level of demand was sufficient to test capacity, leading to a further rise in backlogs of work. Stronger new order intakes and rising volumes of work-in-hand also encouraged firms to take on more staff. Russia, Brazil and Australia were the only nations covered by the survey to see lower staffing levels. …" – David Hensley, Global Economist, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/adff127619b743bf9bc8ef36aa929100; 8/5/19

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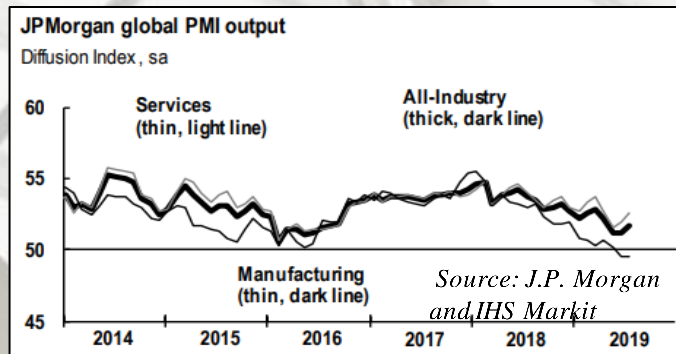

J.P. Morgan Global Composite PMI™

"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 51.7 in July, up from 51.2 in June, but below its long-run average of 53.7 for the twelfth consecutive month

Global economic growth edges higher despite business optimism dropping to series-record low

July saw a mild uptick in the rate of global economic expansion. Output growth accelerated to a three-month high, mainly due to a stronger expansion in the service sector. The downturn in manufacturing continued, with production volumes falling for the second straight month. All 12 of the nations for which composite PMI data are available saw economic activity rise during July. Only four (the US, China, India and Italy) registered stronger rates of increase, while the UK, Brazil and Russia returned to expansion following contractions in June. The US, France, India and Australia were the only nations to see growth above the global average.

Underpinning the improved rate of global output growth was a slightly faster increase in new work intakes. International trade flows remained a drag, as highlighted by the Composite New Export Orders Index falling to its lowest level since it was first compiled in September 2014. This mainly reflected the steepest drop in intakes of new export work at manufacturers since October 2012, as the trend at services providers staged a modest recovery. Despite the mild upticks in output and new order growth, the outlook became less positive in July. The Future Output Index – which monitors companies' optimism regarding the year ahead – dropped to a fresh survey low. Levels of confidence were also at their lowest ebbs recorded at manufacturers and service providers alike.

The July PMI data tell a story of two diverging sectors. Although the pace of expansion in global economic output and new orders rose to three-month highs, this was mainly driven by improved growth at service providers. In contrast, manufacturers continued to struggle, hit hard by the weakening trend in international trade flows. The outlook also became less positive, with the Future Output Index falling to its lowest level in the series history." – Olya Borichevska, Global Economist, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/b80f0526728e464588c914eb698267df ; 8/5/19

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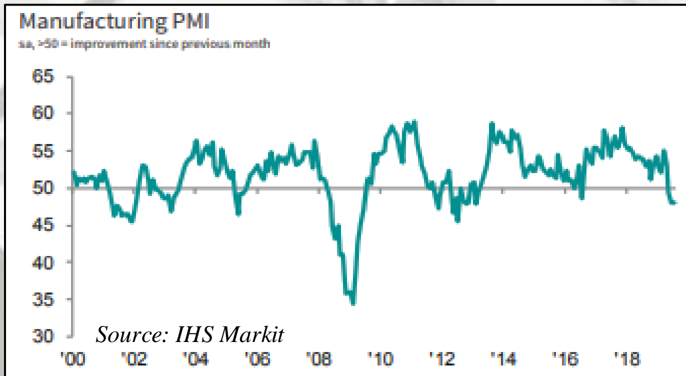

IHS Markit / CIPS UK Manufacturing PMI®

"At 48.0 in July, unchanged from June, the headline seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) stayed below the neutral 50.0 mark for the third straight month. The last time that the PMI was below its current level was almost six-and-a-half years ago (February 2013).

UK Manufacturing PMI remains stuck at six-and-a-half year low in July

The downturn in the UK manufacturing sector continued at the start of the third quarter. Production and new orders shrank as manufacturers faced the ongoing headwinds of political uncertainty, a global economic slowdown and the unwinding of stocks built prior to the original Brexit date.

Manufacturing production fell to the greatest extent in seven years, as companies scaled back output in response to a further solid decrease in new order intakes. Demand was weaker from domestic and overseas markets. The decline in new export business mainly reflected lower intakes from the EU and China. Manufacturers linked lower order intakes and production to ongoing uncertainties (political, global trade tensions and Brexit) and slower world economic growth. Companies also noted that some clients were routing supply chains away from the UK in advance of Brexit. …

July saw the UK manufacturing sector suffocating under the choke-hold of slower global economic growth, political uncertainty and the unwinding of earlier Brexit stockpiling activity. Production volumes fell at the fastest pace in seven years as clients delayed, cancelled or re-routed orders away from the UK, leading to a further decline in new work intakes from both domestic and overseas markets.

The weak, highly competitive environment makes a sustained revival highly unlikely in the coming months. However, a short-lived bounce leading up to October should not be ruled out, as some manufacturers are already gearing up to re-start Brexit preparations. If so, expect a case of déjà-vu during quarter four, as another correction in inventory holdings hits growth in the lead-up to year-end. On a more positive note, there may still be brighter times over the horizon. Over two-fifths of companies expect to see higher output a year from now, assuming political uncertainties and global trade tensions ease as expected." – Rob Dobson, Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/bea8330e4ec940f29fe8ea2e2f4c8490; 8/1/19

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index June 2019

Architecture firms report another setback in billings

In the past year, nearly four in ten firms have seen a direct impact on their projects from tariff-related concerns.

"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, Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6175201--architecture-firms-report-another-setback; 7/24/19

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Private Indicators
American Institute of Architects (AIA)

National

Architecture firm billings decline in June, as indicators of future work weaken

No change from previous period

Graphs represent data from June 2018–June 2019.

Design Contracts — Inquiries — Billings

65
60
55
50
45
40

51.7 51.3 51.0 47.8 49.1

Jun-18 Jul-18 Aug-18 Sep-18 Oct-18 Nov-18 Dec-18 Jan-19 Feb-19 Mar-19 Apr-19 May-19 Jun-19

Source: https://www.aia.org/pages/6175201--architecture-firms-report-another-setback; 7/24/19

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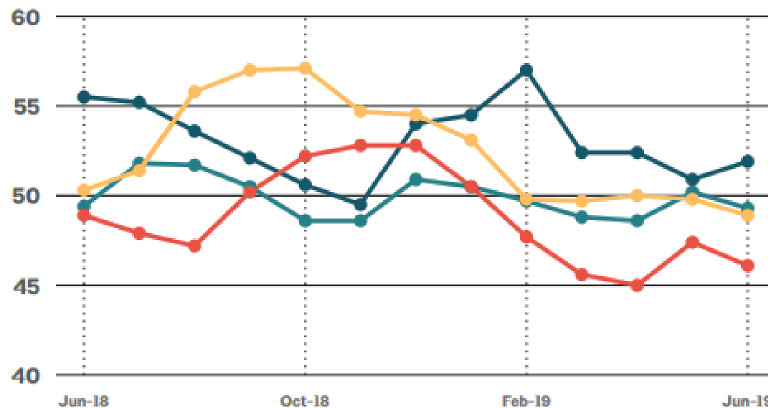
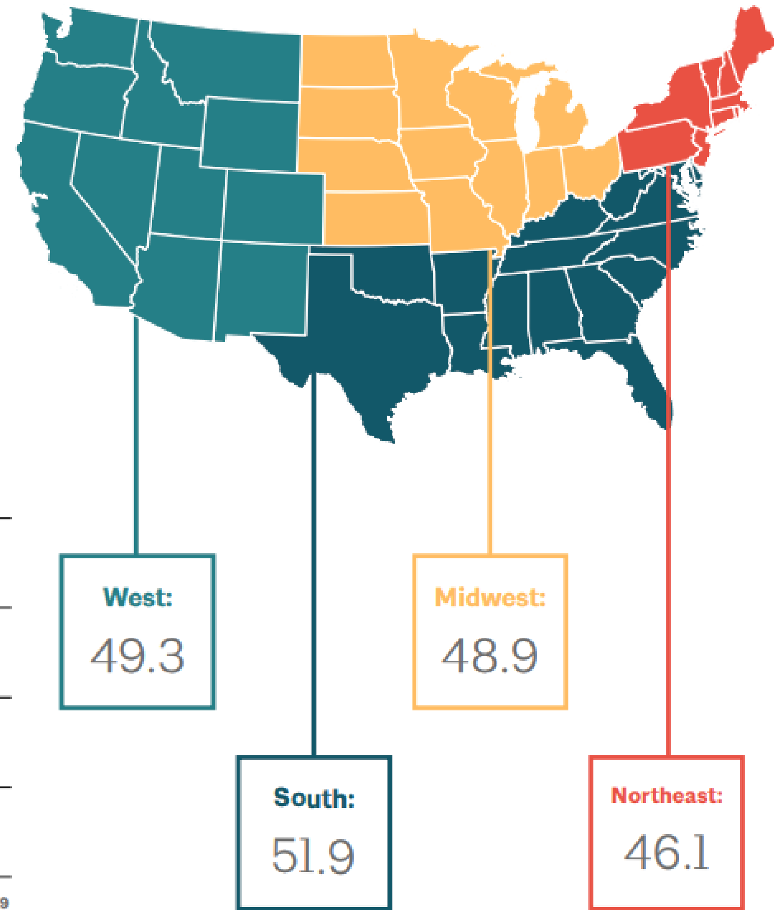
Private Indicators: AIA

Regional

Billings soften further in all regions except South

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





Billings decline across the country

"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, Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6175201--architecture-firms-report-another-setback; 7/24/19

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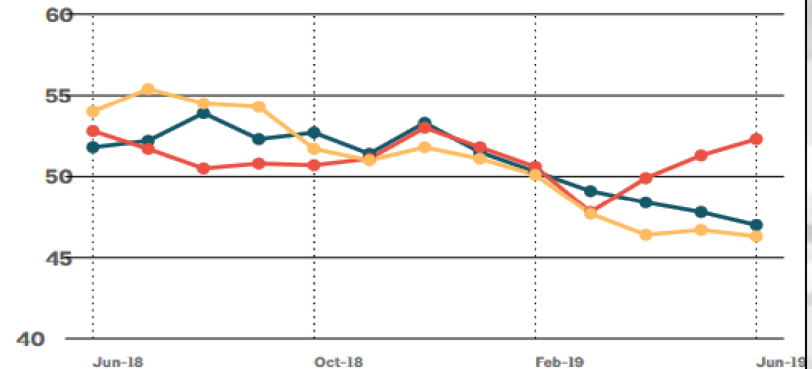
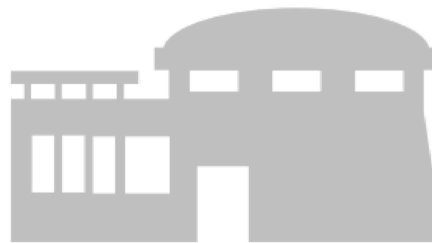
Private Indicators: AIA

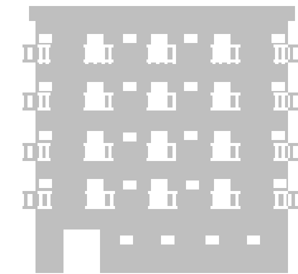
Sector

Business conditions improve modestly at firms with a Commercial/Industrial specialization

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







Commercial/Industrial: 52.3 **Institutional:** 47.0 **Residential:** 46.3

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, Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6175201--architecture-firms-report-another-setback; 7/24/19

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Private Indicators

Dodge Data & Analytics

June Construction Starts Climb 9 Percent

Nonresidential Building Strengthens for the Second Straight Month

"New construction starts in June advanced 9% from the previous month to a seasonally adjusted annual rate of $832.7 billion, according to Dodge Data & Analytics. The increase followed the 10% gain reported for May, as total construction starts continued to strengthen following April's subdued performance. By major sector, much of the lift in June came from a 16% jump for nonresidential building, which reflected the start of the $1.1 billion expansion to Terminal 5 at Chicago's O'Hare International Airport, as well as sharp gains for office buildings, public buildings (detention facilities and courthouses), healthcare facilities, and warehouses. The other two major sectors registered moderate growth in June, with nonbuilding construction up 6% and **residential** building up 5%. Through the first six months of 2019, total construction starts on an unadjusted basis were $378.8 billion, down 8% from the same period a year ago. On a twelve-month moving total basis, total construction starts for the twelve months ending June 2019 were 4% below the amount for the twelve months ending June 2018.

June's data raised the Dodge Index to 176 (2000=100), compared to an upwardly revised 161 for May. June's reading was the highest so far for the Dodge Index during 2019, topping the 175 for March, and coming in slightly above the full year 2018 average for the Dodge Index at 172. On a quarterly basis (which helps to lessen the volatility present in the monthly data), the Dodge Index edged up 1% during the second quarter of 2019, helped by the improved activity in May and June after a weak April. This followed a 7% decline during this year's first quarter compared to the final three months of 2018." – Nicole Sullivan, AFFECT Public Relations & Social Media

Source: https://www.construction.com/news/june-construction-starts-climb-9-percent-july-2019; 7/24/19

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Private Indicators

Dodge Data & Analytics

"On balance, the pace of construction starts has been sluggish so far in 2019, as activity has been generally lower than the healthy amount reported during the first half of 2018. The improved activity during May and June suggests that the gap relative to last year should narrow in coming months.

Several features of the first half of 2019 stand out, as shown by the construction start statistics. For nonresidential building, the commercial and institutional building segments have stayed close to their 2018 amounts, but manufacturing plant construction has not seen the same number of very large projects that were reported last year. For nonbuilding construction, electric utility starts have witnessed renewed growth after several years of decline, but public works construction was generally lackluster in early 2019 and the dollar amount of new pipeline projects is down considerably from last year. For **residential** building, single family housing remains generally flat, adversely affected by affordability constraints. In addition, multifamily housing has lost momentum following its 2018 rebound, yet the occasional strong month like June suggests that this year's multifamily pullback is likely to stay moderate." –Robert A. Murray, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/june-construction-starts-climb-9-percent-july-2019; 7/24/19

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Private Indicators

Dodge Data & Analytics

"**Residential building** in June was $318.2 billion (annual rate), up 5% which followed a 2% gain in May. Multifamily housing registered its strongest amount since last November, advancing 26% in June. The pace for multifamily housing in June was 3% above its average monthly pace during 2018. There were 14 multifamily projects valued each at $100 million or more that reached groundbreaking in June, compared to 8 such projects in May. The largest multifamily projects in June were the following – a $640 million multifamily building in Brooklyn NY that's part of the Pacific Park development, a $364 million multifamily building in Jersey City NJ, and a $200 million multifamily building in Houston TX. Through the first half of 2019, the top five metropolitan areas ranked by the dollar amount of multifamily starts were – New York NY, Washington DC, Los Angeles CA, Miami FL, and Chicago IL. Metropolitan areas ranked 6 through 10 were – Boston MA, San Francisco CA, Dallas-Ft. Worth TX, Atlanta GA, and Austin TX. **Single family housing** in June slipped 3%, receding after a 2% gain in May, as this project type has yet to see any sustained growth during the first half of 2019. The pace for single family housing in June was 6% below its average monthly pace during 2018. By region, the first half of 2019 showed this performance for single family housing compared to last year – the South Atlantic, down 5%; the South Central, down 6%; the West, down 8%; the Midwest, down 11%; and the Northeast, down 12%." – Robert A. Murray, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/june-construction-starts-climb-9-percent-july-2019; 7/24/19

Private Indicators

Dodge Data & Analytics

"The 8% slide for total construction starts on an unadjusted basis during the first six months of 2019 was due to reduced activity by each of the three main construction sectors. Nonresidential building fell 10% year-to-date, with this pattern by segment – commercial building down 1%, institutional building down 7%, and manufacturing building down 49%. The steep drop for manufacturing building is the result of the comparison to a very strong first half of 2018, that included such projects as a $6.5 billion uranium processing facility in Oak Ridge TN. If the manufacturing building category is excluded, nonresidential building year-to-date would be down 4%. **Residential building** year-to-date dropped 9%, with **single family** housing down 7% and **multifamily** housing down 14%. Nonbuilding construction year-to-date decreased 5%, reflecting a 138% jump for electric utilities/gas plants combined with a 20% decline for public works. The miscellaneous public works category plunged 47% year-to-date, due to a sharply lower volume of new pipeline starts. If the miscellaneous public works category is excluded, public works construction during the first half of 2019 would have fallen a more moderate 6% and nonbuilding construction would be up 13%. By major region, total construction starts during the first six months of 2019 showed this behavior – the Midwest, down 5%; the Northeast, down 7%; the South Central, down 8%; and the West and South Atlantic, each down 10%." – Robert A. Murray, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/june-construction-starts-climb-9-percent-july-2019; 7/24/19

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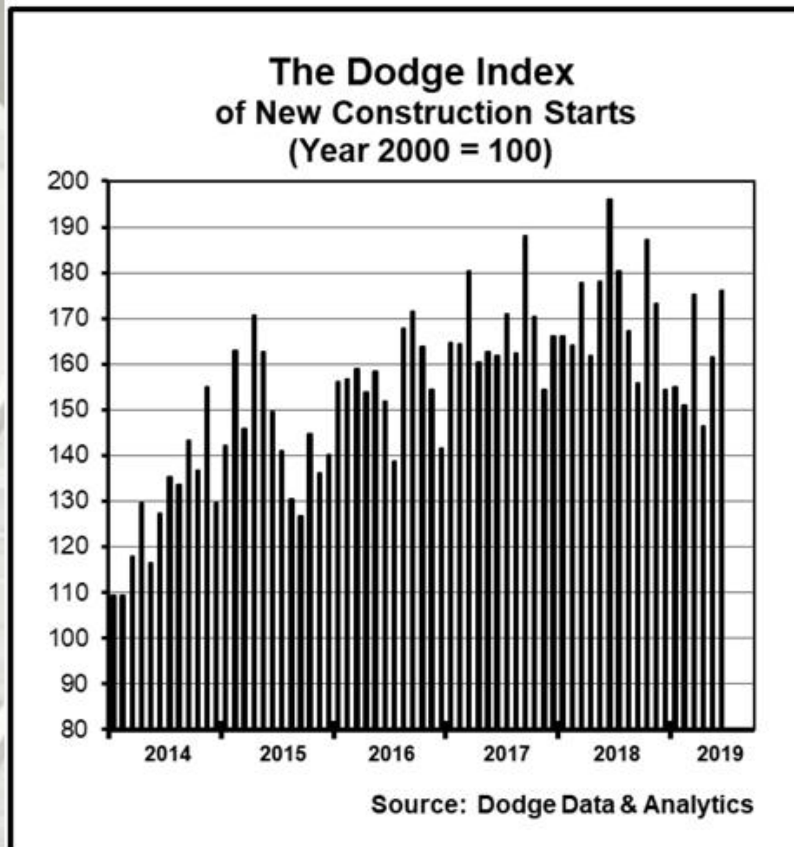
Private Indicators



June 2019 Construction Starts

Monthly Summary of Construction Starts
Prepared by Dodge Data & Analytics

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

	June 2019	May 2019	% Change
Nonresidential Building	$308,335	$265,135	+16
Residential Building	318,184	303,058	+5
Nonbuilding Construction	206,168	194,765	+6
Total Construction	$832,687	$762,958	+9

The Dodge Index
Year 2000=100, Seasonally Adjusted

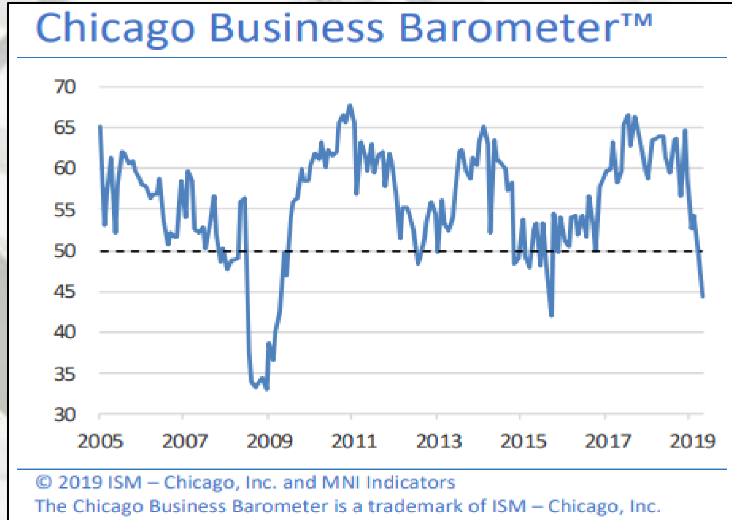
June 2019……176
May 2019…….161

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

	6 Mos. 2019	6 Mos. 2018	% Change
Nonresidential Building	$132,112	$146,336	-10
Residential Building	153,955	169,270	-9
Nonbuilding Construction	92,767	97,963	-5
Total Construction	$378,834	$413,569	-8

Source: https://www.construction.com/news/june-construction-starts-climb-9-percent-july-2019; 7/24/19

Private Indicators



MNI Chicago

"The Chicago Business Barometer™, produced with MNI, eased further to 44.4 in July from 49.7 last month, the second sub-50 reading in 30 months. Four of the five components were in contraction territory this month, with only Supplier Deliveries above 50. The weakness in the Barometer observed in Q2 continued into the current quarter, with the latest outturn making it the weakest start to Q3 since 2009.

Chicago Business Barometer™ – Softens to 44.4 in July

The Production indicator fell 22% on the month to hit a 10-year low. Demand remained muted, highlighted by the New Orders indicator that subsided further into contraction. Order Backlogs remained below 50 for the third consecutive month, although it rose slightly on June's reading. Firms continued to accumulate inventories amid longer lead times and economic uncertainty.

Weaker demand and production led firms to adjust their workforce. The Employment indicator fell into contraction for the first time since October 2017 and hit the lowest level since October 2009.

This month's special question asked firms about their views on the US economy's growth in the second half of the year. Two in five firms expected the economy to see slower growth than currently, with some holding tariffs responsible for the slowdown. The majority, at 46%, did not expect any change while only 14% expected the economy pick up.

Sentiment faded further with firms facing weakness across the board. Global risks, trade tensions, slowdown in demand and somber growth expectations, all jeopardize business conditions. Firms are not panicking yet, but the latest report isn't adding to the cheer. The above risks lend weight to a monetary easing approach by the Fed, albeit a gradual one." – 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-2019-07.pdf; 7/31/19

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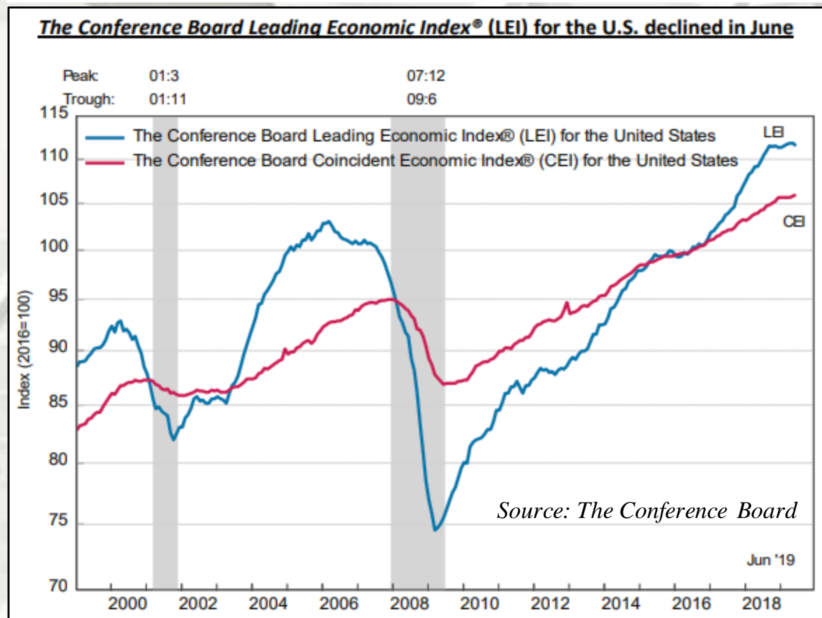
Private Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. Remained Unchanged in June

Index Points to Moderation in Growth in Second Half

The Conference Board Leading Economic Index® (LEI) for the U.S. declined 0.3 percent in June to 111.5 (2016 = 100), following no change in May, and a 0.1 percent increase in April.

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



Source: The Conference Board

"The US LEI fell in June, the first decline since last December, primarily driven by weaknesses in new orders for manufacturing, housing permits, and unemployment insurance claims. For the first time since late 2007, the yield spread made a small negative contribution. As the US economy enters its eleventh year of expansion, the longest in US history, the LEI suggests growth is likely to remain slow in the second half of the year." – Ataman Ozyildirim, Director of Economic Research, The Conference Board

"**The Conference Board Coincident Economic Index®** (CEI) for the U.S. increased 0.1 percent in June to 105.9 (2016 = 100), following a 0.2 percent increase in May, and no change in April.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.6 percent in June to 107.7 (2016 = 100), following a 0.2 percent decline in May and no change in April."

Source: https://www.conference-board.org/data/bcicountry.cfm; 7/18/19

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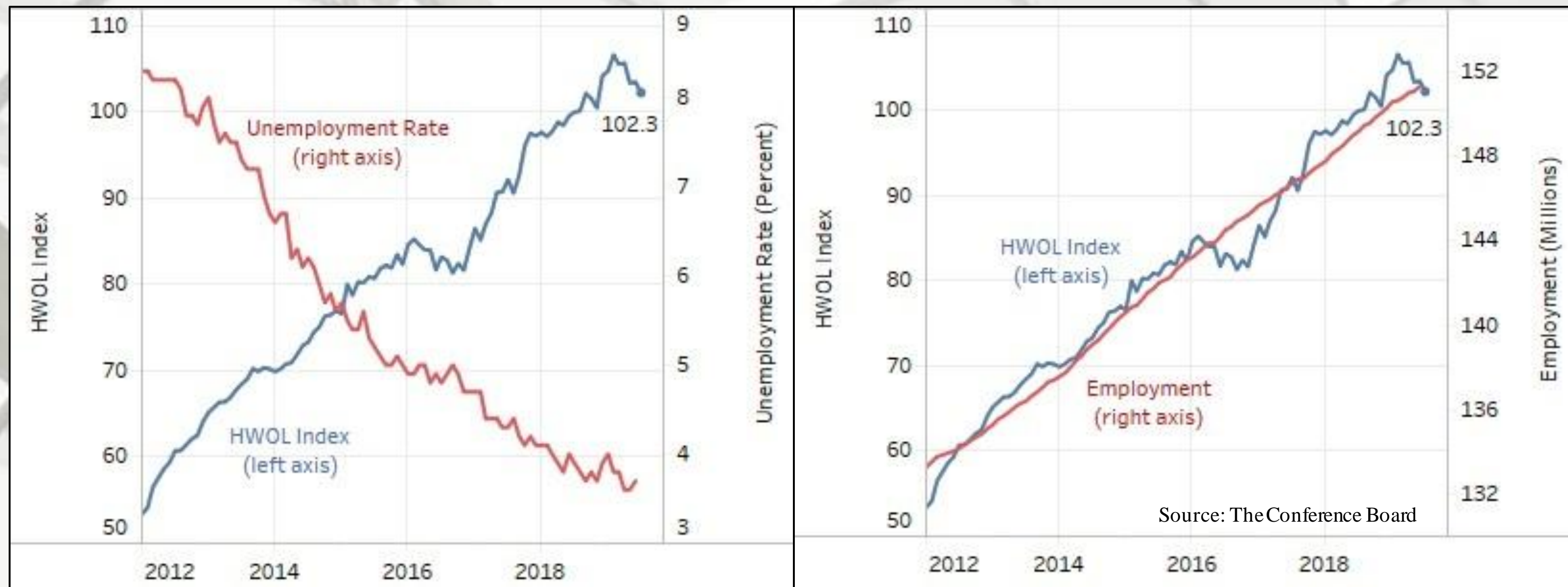
Private Indicators



The Conference Board Help Wanted OnLine® (HWOL)
Online Labor Demand Declined in July

- "HWOL Index declined slightly in July, after remaining virtually flat in June
- Most occupations experienced small declines over the month

The Conference Board Help Wanted OnLine® (HWOL) Index declined in July and now stands at 102.3 (July 2018=100), down from 103.5 in June. The Index declined 0.1 percent from the prior month but is up 2.3 percent from a year ago.

In the Midwest, Minnesota declined 1.6 percent and Ohio increased 1.2 percent. In the Northeast, Pennsylvania fell 2.5 percent and New York declined 2.0 percent. In the South, Texas fell 2.2 percent and South Carolina declined 2.1 percent. In the West, Montana declined 2.7 percent and Oregon fell 2.1 percent.

The Professional occupational category experienced declines in Business and Financial Operations (-2.4 percent) and Legal (-1.3 percent). The Services/Production occupational category experienced declines in Protective Services (-4.7 percent), Personal Care and Services (-1.8 percent), and Production (-1.3 percent). – Gad Levanon, Chief Economist, North America, at The Conference Board

Source: https://www.conference-board.org/data/helpwantedonline.cfm; 8/5/19

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Equipment Leasing and Finance Association:

June New Business Volume Up 9 Percent Year-over-year, 9 Percent Month-over-month and 1 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 June was $9.9 billion, up 9 percent year-over-year from new business volume in June 2018. Volume was up 9 percent month-to-month from $9.1 billion in May. Year to date, cumulative new business volume was up 1 percent compared to 2018.

Receivables over 30 days were 1.70 percent, unchanged from the previous month and up from 1.40 percent the same period in 2018. Charge-offs were 0.33 percent, down from 0.46 percent the previous month, and unchanged from the year-earlier period.

Credit approvals totaled 77.0 percent, up from 75.9 percent in May. Total headcount for equipment finance companies was down 2.2 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in July is 57.9, up from the June index of 52.8." – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

"After a sluggish beginning to the year, Q2 new business volume in the equipment finance sector, as measured by responding organizations to the MLFI-25, shows a healthy gain. As we head into the summer months, the economy and credit markets continue to perform well. Demand for financed equipment is strong." – Ralph Petta, CEO, President, ELFA

"The MLFI-25 positive year-over-year growth is a key market indicator. The Equipment Leasing & Finance Foundation Q3 2019 Industry Snapshot data show similar optimism. Despite the headwinds associated with continued trade tensions, the U.S. economy realized an improved annualized growth rate of 3.1 percent in Q1 aided by tailwinds associated with strength in the oil sector and more temperate Federal Reserve actions on interest rates. Such results increase confidence in potential full year results." – Deborah Baker, Head of Worldwide Leasing & Financing, HP, Inc.

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/07/24/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 7/24/19

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

June New Business Volume Up 9 Percent Year-over-year, 9 Percent Month-over-month and 1 Percent Year-to-date

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Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/07/24/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 7/24/19

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Private Indicators

Equipment Leasing and Finance Association

Monthly Leasing & Finance Index

“After a sluggish beginning to the year, Q2 new business volume in the equipment finance sector, as measured by responding organizations to the MLFI-25, shows a healthy gain. As we head into the summer months, the economy and credit markets continue to perform well. Demand for financed equipment is strong.” – Ralph Petta, President and CEO, ELFA

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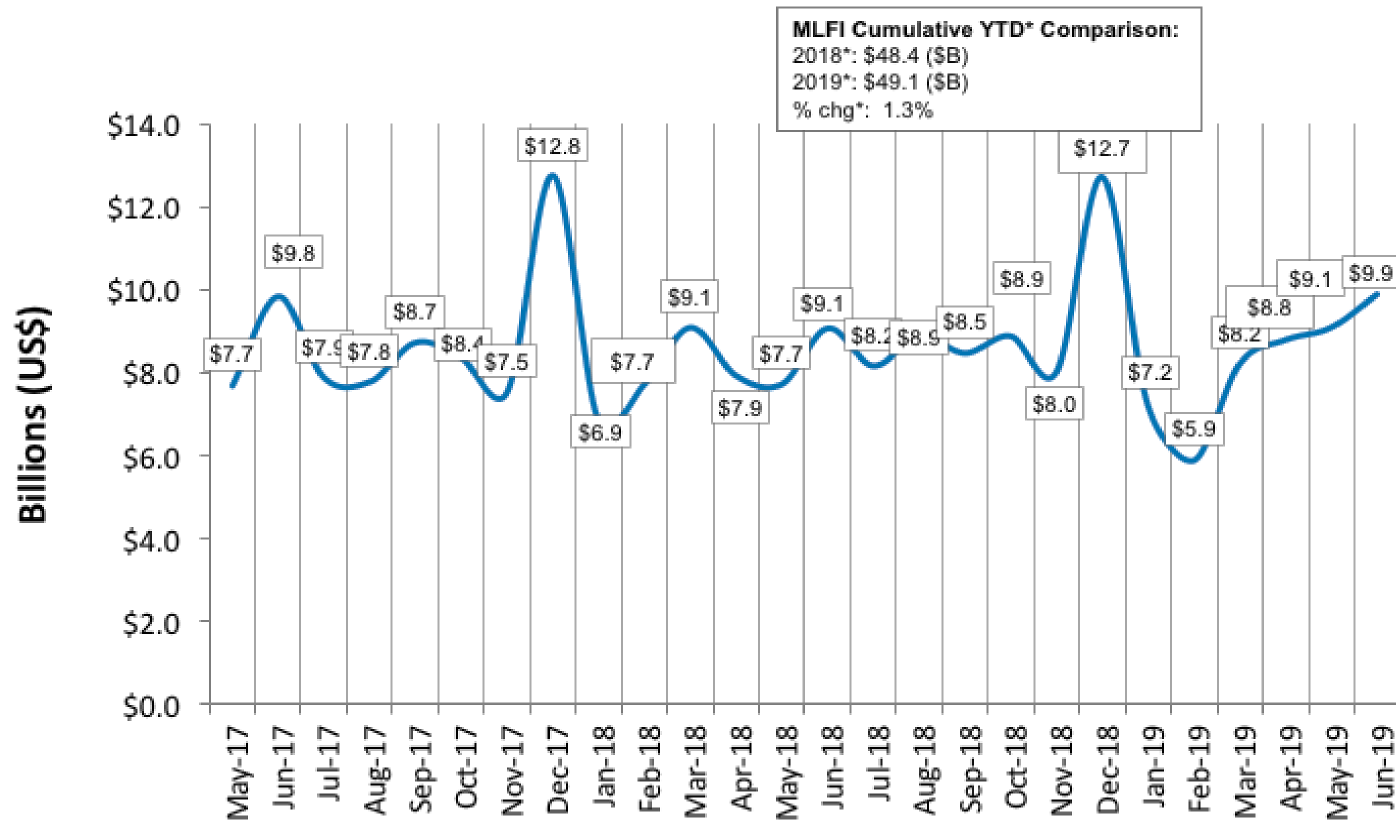
Equipment Leasing and Finance Association



Source: https://www.elfaonline.org/news/industry-news/read/2019/06/25/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 7/24/19

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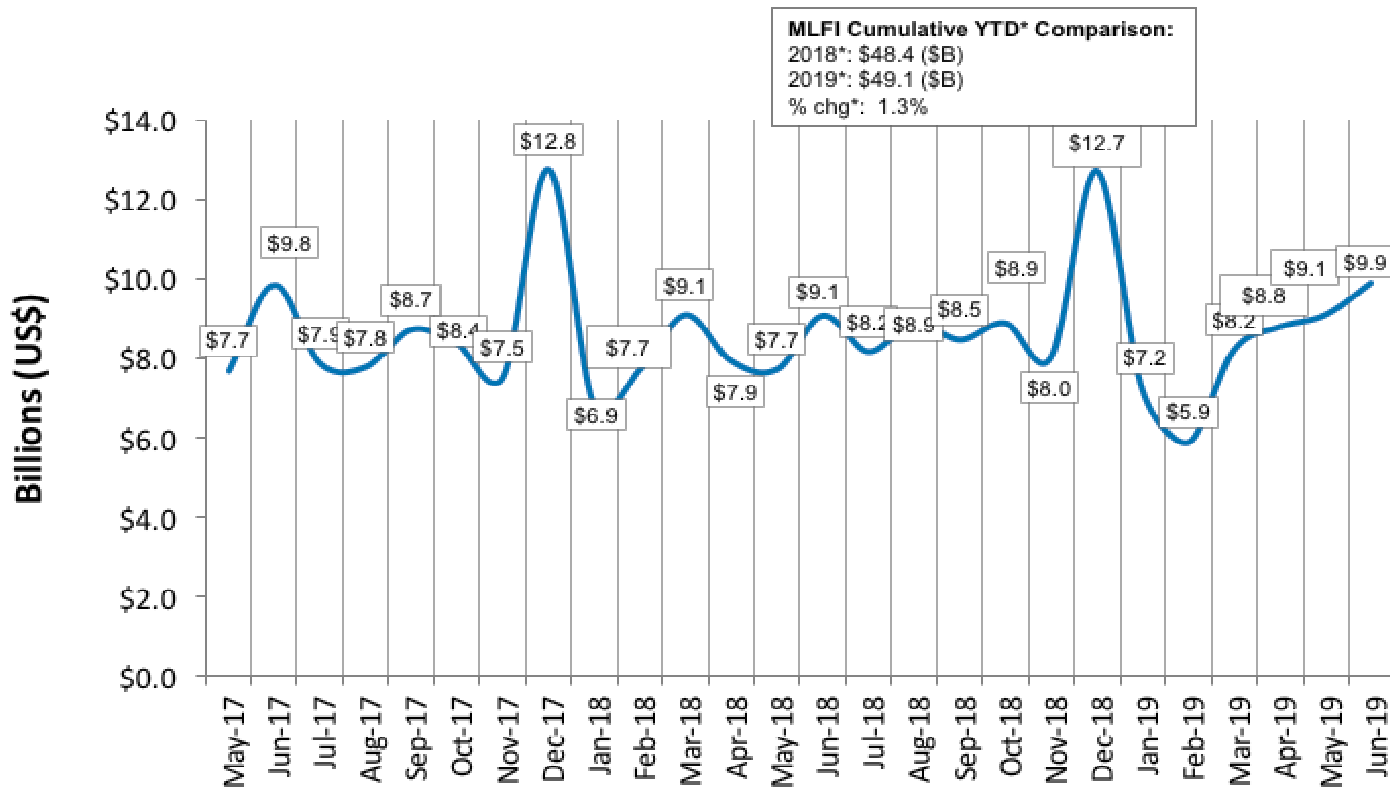
Equipment Leasing and Finance Association



Source: https://www.elfaonline.org/news/industry-news/read/2019/06/25/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 7/24/19

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Private Indicators

Equipment Leasing and Finance Association:
Monthly Confidence Index for the Equipment Finance Industry

"The **Equipment Leasing & Finance Foundation**(the Foundation) releases the July 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 was 57.9, an increase from the June index of 52.8." – Anneliese DeDiemar, Author; Equipment Leasing & Finance Association

"The metrics remain solid for the U.S. economy and specifically small business lending. Our application volume continues to grow and conversion rates are strong. The inherent risk in the portfolio continues to be good and performance continues as it has been, with extremely low defaults. My concerns continue to be overly aggressive credit quality and pricing in the overall market. These historically are the indicators of challenges to come, and therefore we remain focused on these metrics in our business." – David Normandin, CLFP, President and CEO, Wintrust Specialty Finance

Source: https://www.elfaonline.org/news/industry-news/read/2019/07/18/equipment-leasing-and-finance-industry-confidence-higher-in-july; 7/18/19

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Private Indicators

Equipment Leasing and Finance Association:
Monthly Confidence Index for the Equipment Finance Industry

"**July 2019 Survey Results**:

The overall MCI-EFI is 57.9, an increase from 52.8 in June.

- When asked to assess their business conditions over the next four months, 10% of executives responding said they believe business conditions will improve over the next four months, up from 3.3% in June. 83.3% of respondents believe business conditions will remain the same over the next four months, an increase from 80% the previous month. 6.7% believe business conditions will worsen, a decrease from 16.7% in June.
- 10% 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 none who believed so in June. 86.7% believe demand will "remain the same" during the same four-month time period, an increase from 83.3% the previous month. 3.3% believe demand will decline, down from 16.7% who believed so in June.
- 10% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, down from 13.3% in June. 90% of executives indicate they expect the "same" access to capital to fund business, an increase from 86.7% last month. None expect "less" access to capital, unchanged from last month." – Anneliese DeDiemar, Author; Equipment Leasing & Finance Association

Source: https://www.elfaonline.org/news/industry-news/read/2019/07/18/equipment-leasing-and-finance-industry-confidence-higher-in-july; 7/18/19

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Private Indicators

Equipment Leasing and Finance Association:
Monthly Confidence Index for the Equipment Finance Industry

"**<u>July 2019 Survey Results</u>**:

When asked, 33.3% of the executives report they expect to hire more employees over the next four months, an increase from 30% in June. 63.3% expect no change in headcount over the next four months, unchanged from last month. 3.3% expect to hire fewer employees, down from 6.7% last month.

41.4% of the leadership evaluate the current U.S. economy as "excellent," up from 40% in June. 58.6% of the leadership evaluate the current U.S. economy as "fair," an increase from 56.7% the previous month. None evaluate it as "poor," down from 3.3% in June.

6.7% of the survey respondents believe that U.S. economic conditions will get "better" over the next six months, up from 3.3% in June. 80% of survey respondents indicate they believe the U.S. economy will "stay the same" over the next six months, an increase from 70% the previous month. 13.3% believe economic conditions in the U.S. will worsen over the next six months, a decrease from 26.7% in June.

In July, 30% of respondents indicate they believe their company will increase spending on business development activities during the next six months, an increase from 26.7% last month. 70% believe there will be "no change" in business development spending, a decrease from 73.3% 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/industry-news/read/2019/07/18/equipment-leasing-and-finance-industry-confidence-higher-in-july; 7/18/19

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Private Indicators

Equipment Leasing and Finance Association: Monthly Confidence Index for the Equipment Finance Industry

“I'm optimistic because low unemployment should be leading to increased wages and consumer spending, which should continue to drive the economy. I’m concerned about delayed impacts of trade wars negatively affecting product prices and stanching demand for capital and consumer goods.” – Quentin Cote, CLFP, President, Mintaka Financial, LLC

“Demand is stable but the types of transactions we are seeing are not for business expansions; they are more replacement equipment deals. The mood I sense is a concern that the economy may be at its peak and a decline may commence in the second half of this year. This type of sentiment usually means a weakening in demand for finance.” – Valerie Hayes Jester, President, Brandywine Capital Associates

“Our customers continue to be challenged by low commodity prices and uncertainty over tariffs. This is impacting decisions regarding large capital investments, which is muting our growth opportunities.” – Michael Romanowski, President, Farm Credit Leasing

“Easing of trade tensions with Mexico and China should continue to boost confidence.” – Adam Warner, President, Key Equipment Finance

Source: https://www.elfaonline.org/news/industry-news/read/2019/07/18/equipment-leasing-and-finance-industry-confidence-higher-in-july; 7/18/19

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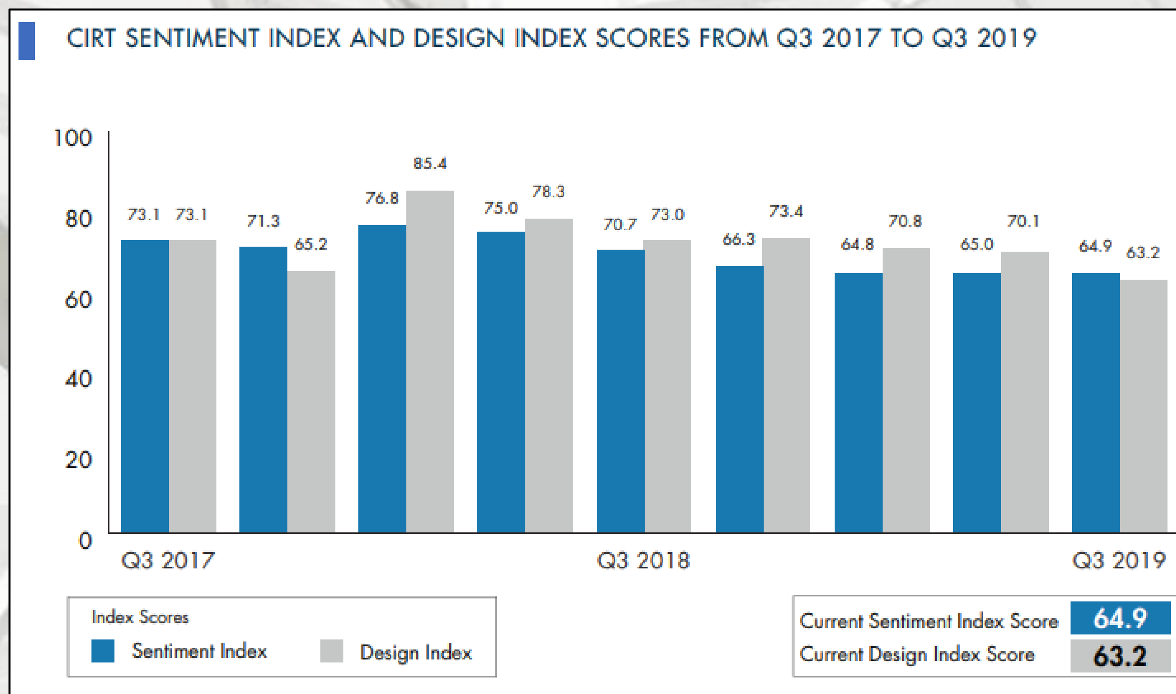
Private Indicators

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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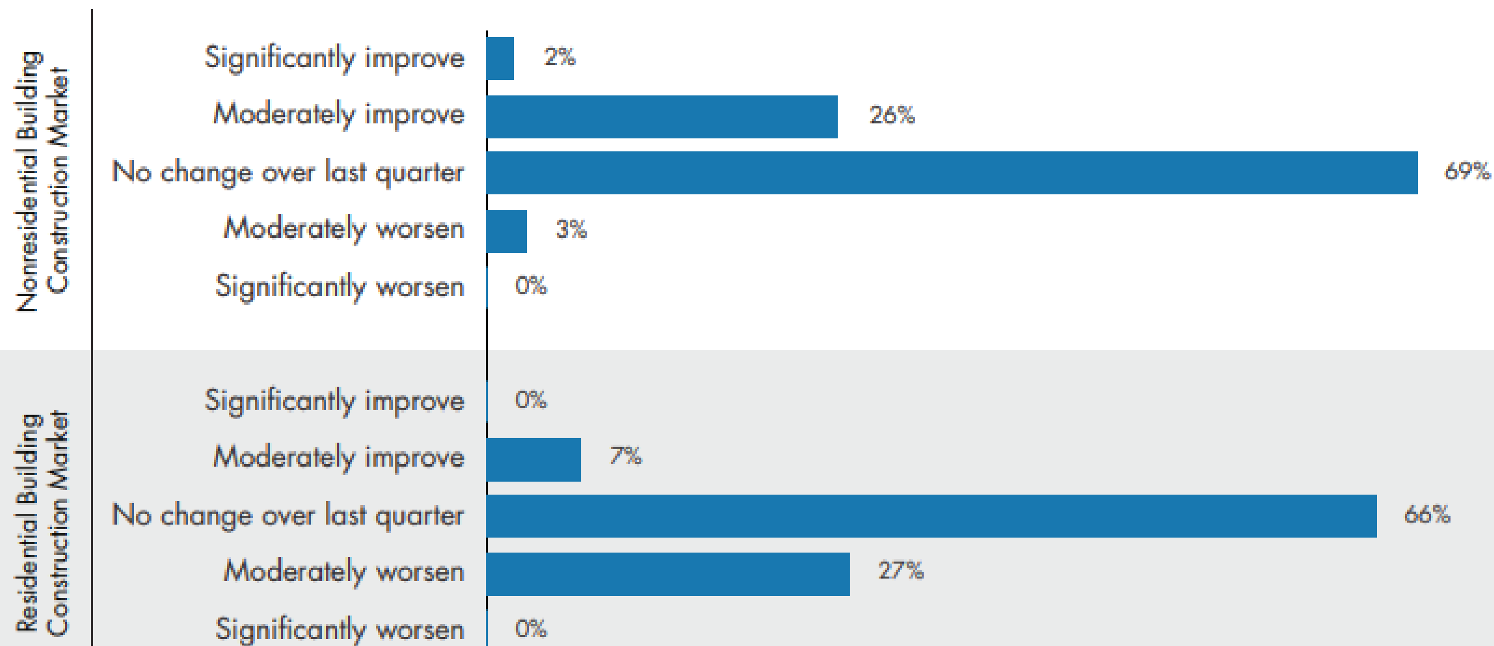
FMI CIRT Sentiment Index

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®

What's Coming: The State of the Freight Market

"**Freight Economy**: Growth in the goods economy was nearly twice as fast as GDP last year; Continued deceleration of growth in the first half; Retail is holding up well, but every other aspect is struggling.

Trucking Hires: Nearly 45K jobs added in the trucking industry in 2018; Good proxy for drivers added to address capacity; Job growth has slowed thus far in 2019 and may turn negative.

Trucking Rates: Rate growth hit multi-year highs in 2018, particularly for long-distance trucking; Rate growth has tumbled; 2-2.5% growth is average historically, but PPI data is likely to continue to trend downward.

Manufacturing Activity: Manufacturing activity has improved over the last 2-months but remains down YTD; Yearly growth is now hovering around zero after multi-year highs in 2018; Tariff uncertainty, stronger dollar, slowing global growth affecting the sector.

Manufacturing Activity: Manufacturing orders and shipments are tightly correlated and Orders have stalled after trade conflicts began in mid-2018" – Ibrahiim Bayaan, Chief Economist and Dean Croke, Chief Insight Officer, FreightWaves®

Source: https://pages.spireon.com/hubfs/FleetLocate/Collateral/Whats%20Coming%20-%20The%20State%20of%20the%20Freight%20Market%20Webinar%2072519%20Slide%20Handout.pdf; 7/25/19

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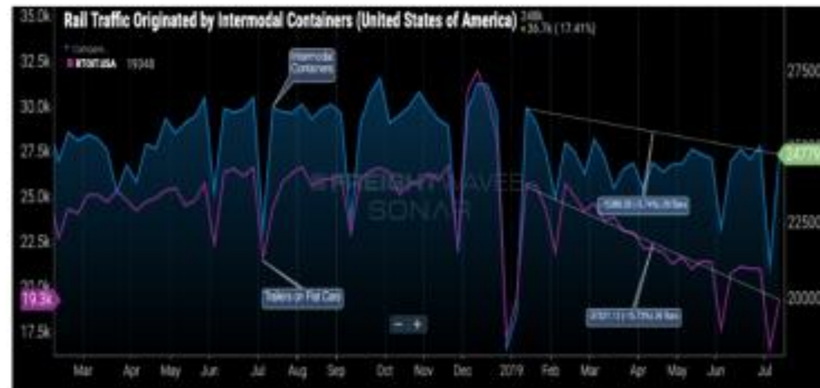
Private Indicators

Railcars, Intermodal and Trailers on Flat Cars



- Railroad railcar volumes are down 4.2% year-over-year (YoY)
- Intermodal containers volumes down 4.4% YoY
- Trailers on Flat Cars have dropped 18.2% YoY under pressure from road over-capacity
- Import container volumes on both coasts are down around 10% in July - longer term impact for intermodal thru H219

FREIGHTWAVES FleetLocate 11

Truckload Freight Volumes

FREIGHTWAVES FleetLocate

Source: https://pages.spireon.com/hubfs/FleetLocate/Collateral/Whats%20Coming%20-%20The%20State%20of%20the%20Freight%20Market%20Webinar%2072519%20Slide%20Handout.pdf; 7/25/19

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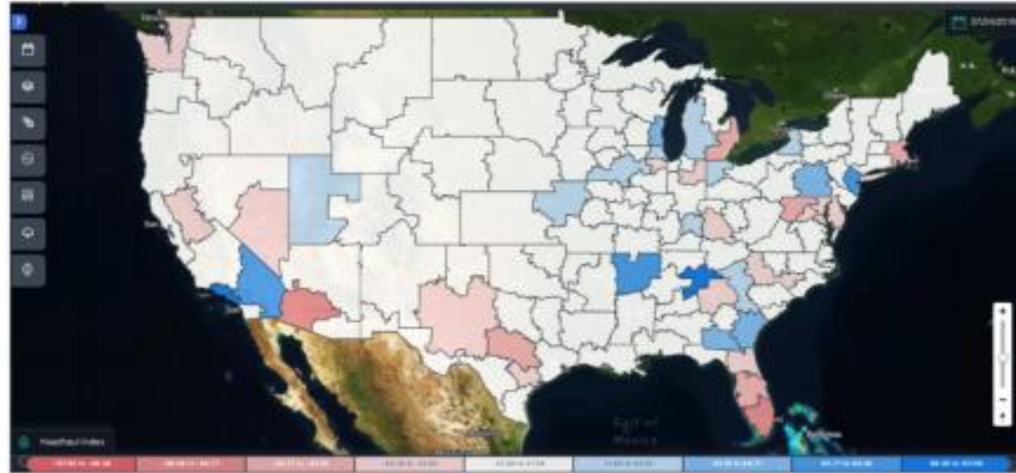
Private Indicators

Freight Market Imbalance



FREIGHTWAVES FleetLocate BY SPIREON

New Truck Orders

FREIGHTWAVES FleetLocate BY SPIREON

Source: https://pages.spireon.com/hubfs/FleetLocate/Collateral/Whats%20Coming%20-%20The%20State%20of%20the%20Freight%20Market%20Webinar%20072519%20Slide%20Handout.pdf; 7/25/19

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July 2019 Manufacturing ISM® *Report On Business*®

PMI® at 51.2%

New Orders, Production, and Employment Growing;

Supplier Deliveries Slowing at Faster Rate; Backlog Contracting

Raw Materials Inventories Contracting; Customers' Inventories Too Low

Prices Decreasing; Exports Growing, Imports Contracting

"Economic activity in the **manufacturing sector** expanded in July, and the **overall economy** grew for the 123rd consecutive month, say the nation's supply executives in the latest **Manufacturing ISM®** ***Report On Business®***. The July PMI® registered 51.2 percent, a decrease of 0.5 percentage points from the June reading of 51.7 percent.

The New Orders Index registered 50.8 percent, an increase of 0.8 percentage point from the June reading of 50 percent.

The Production Index registered 50.8 percent, a 3.3-percentage point decrease compared to the June reading of 54.1 percent.

The Employment Index registered 51.7 percent, a decrease of 2.8 percentage points from the June reading of 54.5 percent.

The Supplier Deliveries Index registered 53.3 percent, a 2.6-percentage point increase from the June reading of 50.7 percent.

The Inventories Index registered 49.5 percent, an increase of 0.4 percentage point from the June reading of 49.1 percent.

The Prices Index registered 45.1 percent, a 2.8-percentage point decrease from the June reading of 47.9 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; 8/1/19

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July 2019 Manufacturing ISM® *Report On Business*®

PMI® at 51.2%

"Comments from the panel reflect continued expanding business strength, but at soft levels. July was the fourth straight month of slowing PMI® expansion. **Demand** expansion resumed, with the New Orders Index recording marginal growth, the Customers' Inventories Index entering "about right" territory, and the Backlog of Orders Index contracting for the third straight month, at stronger levels compared to prior months. New export orders also contracted. **Consumption** (measured by the Production and Employment indexes) continued to expand, but at lower levels. This resulted in a combined decrease of 6.1 percentage points to the PMI® calculation due to minimal new-order growth, backlog contraction and customer-inventory gains. **Inputs** — expressed as supplier deliveries, inventories and imports — were lower this month, due to inventory tightening for the second straight month and continued slower supplier deliveries, resulting in a combined 3.0-percentage point improvement in the Supplier Deliveries and Inventories indexes. Imports and new export orders contracted. Overall, inputs indicate (1) supply chains are responding marginally slower and (2) supply managers are closely matching inventories to new orders. Prices contracted for the second consecutive month, indicating lower overall systemic demand.

Respondents expressed less concern about U.S.-China trade turbulence, but trade remains a significant issue. More respondents noted supply chain adjustments as a result of moving manufacturing from China. Overall, sentiment this month is evenly mixed.

Of the 18 manufacturing industries, nine reported growth in July, in the following order: Wood Products; Printing & Related Support Activities; Furniture & Related Products; Food, Beverage & Tobacco Products; Plastics & Rubber Products; Computer & Electronic Products; Textile Mills; Petroleum & Coal Products; and Chemical Products. The nine industries reporting contraction in July — in the following order — are: Apparel, Leather & Allied Products; Fabricated Metal Products; Primary Metals; Nonmetallic Mineral Products; Transportation Equipment; Paper Products; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; and Machinery." – 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; 8/1/19

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July 2019 Non-Manufacturing ISM®
Report On Business®

PMI® at 53.7%

Business Activity Index at 53.1%; New Orders Index at 54.1%; Employment Index at 56.2%

"Economic activity in the **non-manufacturing sector** grew in July for the 114th consecutive month, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM® Report On Business®**.

The NMI® registered 55.1 percent, which is 1.8 percentage points lower than the July reading of 53.7 percent, which is 1.4 percentage points lower than the June reading of 55.1 percent. This represents continued growth in the non-manufacturing sector, at a slower rate. This is the index's lowest reading since August 2016, when it registered 51.8 percent. .

The Non-Manufacturing Business Activity Index decreased to 53.1 percent, 5.1 percentage points lower than the June reading of 58.2 percent, reflecting growth for the 120th consecutive month.

The New Orders Index registered 54.1 percent; 1.7 percentage points lower than the reading of 55.8 percent in June.

The Employment Index increased 1.2 percentage points in July to 56.2 percent from the June reading of 55 percent.

The Prices Index decreased 2.4 percentage points from the June reading of 58.9 percent to 56.5 percent, indicating that prices increased in July for the 26th consecutive month.

According to the NMI®, 13 non-manufacturing industries reported growth. The non-manufacturing sector's rate of growth continued to cool off. Respondents indicated ongoing concerns related to tariffs and employment resources. Comments remained mixed about business conditions and the overall economy." – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Source: https://www.instituteforsupplymanagement.org/ISMReport/NonMfgROB.cfm; 8/3/19

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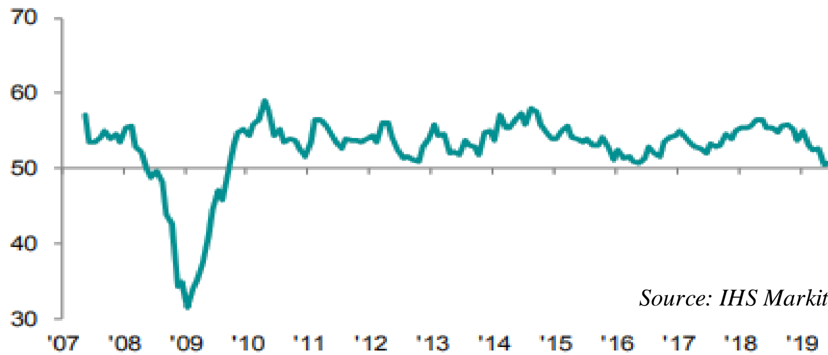

Markit U.S. Manufacturing PMI™

"The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 50.4 in July, broadly in line with 50.6 in June. The latest reading signalled a fractional improvement in the health of the manufacturing sector, but also indicated the slowest overall expansion since the height of the financial crisis in September 2009.

PMI falls to lowest since September 2009

U.S. manufacturing firms signalled only a fractional improvement in business conditions in July, with the headline PMI dropping to its lowest since September 2009. Driving less robust overall growth was a slower increase in production and muted client demand. Although the rate of expansion in new business quickened, it remained historically subdued, with export orders contracting for the second time in the last three months. In line with less robust demand, optimism among manufacturers dipped to a series low. Firms were also more cautious towards hiring, with employment falling for the first time since mid-2013. Meanwhile, firms raised their factory gate charges at an increased rate despite input cost inflation sliding to the lowest for over two years.

Manufacturers reported only a marginal rise in production during July, with the rate of growth easing to the slowest since June 2016. The sustained slowdown was linked by panellists to softer demand conditions compared to earlier in 2019, notably for goods supplied as inputs to other companies.

The rate of new business growth remained muted overall, despite picking up to a three-month high. Less robust demand from domestic and foreign clients was attributed to issues in the automotive sector, the ongoing impact of tariffs and hestiancy in placing orders. The decrease in new export business was the second in the last three months. Muted client demand was reportedly a driving force behind subdued business confidence in July. Output expectations slipped further to a series low (since July 2012) as business conditions are predicted to remain challenging over the coming 12 months, especially for smaller firms." – 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. 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 June 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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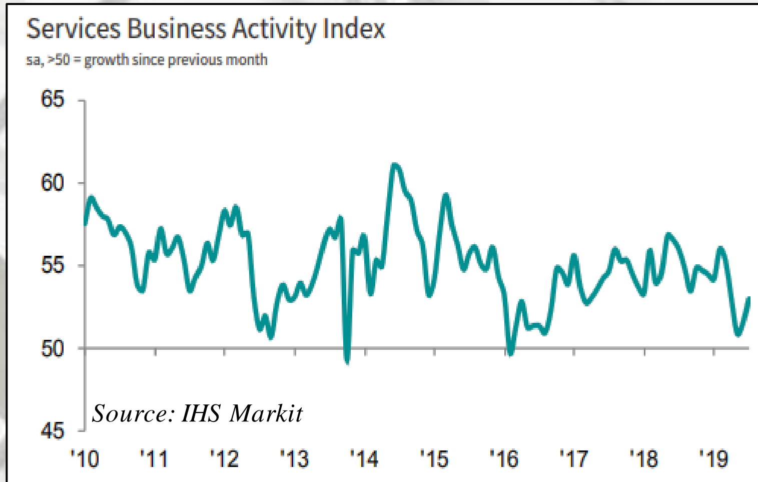

Markit U.S. Services PMI™

"The seasonally adjusted final IHS Markit U.S. Services Business Activity Index registered 53.0 in July, up from 51.5 in June and accelerating further from May's recent low. The upturn in business activity was solid overall and the fastest for three months. Service providers attributed the rise to greater new business and improved client demand. That said, the pace of expansion was slower than that seen at the start of the year and below the series average (55.1).

New business growth accelerates to four-month high in July

U.S service providers signalled a solid start to the second half of 2019. July data indicated a faster rise in business activity, supported by more robust domestic and foreign client demand. New orders increased at the quickest rate since March and new business from abroad grew at the strongest pace for five months. Nonetheless, positive sentiment towards output slipped to a new series record low. At the same time, the rate of job creation was only moderate overall. Meanwhile, inflationary pressures were historically subdued in July, with rates of both input price and output charge inflation easing.

An improvement in the overall rate of business growth signalled by the services PMI for July is welcome news, but the overall weak pace of expansion remains a concern. The PMIs for manufacturing and services collectively point to GDP expanding at an annualized rate of under 2% in July, below that seen in the second quarter and among the weakest seen over the past three years. A sharp drop in future expectations meanwhile suggests downside risks have increased in the near-term at least, hinting that the upturn in growth seen in July could prove short-lived and that GDP growth could remain disappointingly modest in the third quarter.

Optimism is at its lowest ebb since comparable data were first available in 2012 as companies have grown increasingly concerned about the year ahead, fueled by trade war worries and wider geopolitical jitters, as well as growing worries that the economic cycle has peaked." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/a610f304a4604718b5384566e770e053; 8/5/19

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Private Indicators

National Association of Credit Management – Credit Managers' Index

July CMI Hurts Vision of Positive Trend

"This has been a year that tests the mettle of an economist and illustrates why the meteorologist remains such a kindred spirit. The expectation at the start of the year was that economic decline was both inevitable and imminent. The impact of the 2018 tax cuts had faded, consumers were losing confidence and headwinds from trade wars and slower segments of the economy (such as housing) would have an impact on everything from employment to the stock market. Yet, "here we are at the mid-point of the year and the data still points to a decent growth rate for the U.S. economy," said NACM Economist Chris Kuehl, Ph.D. "The worrisome part is that some of the more reliable future indicators, including the CMI, are starting to falter."

The combined index dropped this month as it fell from 55 to 53.4. This is still not as drastic a decline as has been experienced by the Purchasing Managers' Index which tumbled to an even 50, but it is still the lowest reading since January. January's 53.4 had previously held the record as the lowest reading seen since 2017. In the last year, the combined index has only been lower than 54 a total of three times. The index of favorable factors took the biggest hit by dropping from 61.4 to 58.6. This measure has only been under 60 a total of four times in the last year; this month's reading was the lowest of them all. The index of unfavorable factors stayed close to what it had been the month before with a reading of 50, down from 50.7 in June.." – Andrew Michaels, Editorial Associate, NACM

Source: http://web.nacm.org/CMI/PDF/CMIcurrent.pdf; 7/31/19

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National Association of Credit Management – Credit Managers' Index

"Breaking down the factors that go into the favorable and unfavorable categories illustrates the problems affecting the credit sector. Sales slipped from 60.4 to 58.4, nearly as low as it was in March of this year. It seems a long way from the 65.9 notched in May. The new credit application numbers fell a little from 62.4 to 60.8, but this category remains respectable. The real concern is with the dollar collection numbers as they have tumbled from 60.3 to 56.6, back to the readings last seen in March. The amount of credit extended also fell quite a bit and hit 58.7 after having been at 62.5 the month before. This marks the first time this category has been under the 60 line in over a year. "There is simply not as much credit on offer these days," Kuehl said.

The breakdown of the unfavorable factors also provides some insights. The rejections of credit applications stayed almost the same as it had been in June (up from 52.4 to 52.6). Kuehl noted, "That is good news given the decline in the number of applications. It means those applying are generally qualified." The accounts placed for collection is not such a good news indicator as it has plunged out of the expansion zone (a reading above 50) deep into contraction territory. The reading now is 46.2 from the previous month's 50. This would be more alarming if this category had not generally been in the mid-40s for most of the year. The disputes category actually improved and left the contraction zone with a reading of 50.5 down from 48.6 the month before. The dollar amount beyond terms got mired even deeper in contraction with a reading of 46.1 after being at 49.8. The dollar amount of customer deductions gained a little ground and moved further into expansion territory with a reading of 51.2 compared to 50 in June. The filings for bankruptcy numbers remained almost exactly where they had been with a reading of 53.2 compared to last month's 53.5. "The issues that have contributed to more accounts out for collection and reduced dollar collection have not become serious enough to boost the bankruptcy numbers," he said. "What is of some concern is many of the bankruptcies are taking place with larger companies and they have tended to come in the retail sector as well as in industries that rely heavily on global trade — import side or export side."" – Andrew Michaels, Editorial Associate, NACM

Source: http://web.nacm.org/CMI/PDF/CMIcurrent.pdf; 7/31/19

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National Association of Credit Management – Credit Managers' Index

Manufacturing Sector

"Kuehl suggests that much of the manufacturing data of late has been contradictory. There have been gains in categories such as durable goods orders (once one separates out the aerospace data), but factory orders have been weak. The level of capacity utilization remains close to the preferred range between 80% and 85%, but the numbers slipped a bit. The data from the Purchasing Managers' Index has been teetering on the edge of contraction and now there is a substantial tumble in the Credit Managers' Index. There are really no simple answers here, but the most often cited is volatility. There are too many unknowns at the moment — everything from the potential impact of an expanded trade and tariff war to the travails of the Boeing 737 Max. Add in labor shortages and the looming reality of a truly nasty election year, and businesses in general are uneasy.

In July, the combined score for the manufacturing sector dropped to the lowest level since January. It now sits at 53.2. At the start of the year it was 53.1. This is certainly lower than it has been in recent months but not all that much lower as the high point was reached in May with a score of 55.4. The index of favorable factors dropped precipitously from 60.4 to 56., the lowest reading in several years. It is worth noting that in January the reading fell to 57.7 and subsequently recovered to 60 the next month. The index of unfavorable factors fell only slightly from the month before and most importantly managed to avoid sinking back into contraction territory. It is sitting at 50.8 after June's 51.3. The current reading is about where it has been for the year (49.9 in January, 51.4 in February, 50.7 in March, 50.2 in April, 50.3 in May)." – Andrew Michaels, Editorial Associate, NACM

Source: http://web.nacm.org/CMI/PDF/CMIcurrent.pdf; 7/31/19

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National Association of Credit Management – Credit Managers' Index

Service Sector

"For the service sector, Kuehl notes that the summer months can be vexing for those that depend on retail. It is too early for the holiday season to influence, although the back-to-school activity starts to gear up by the first of August. It is too late in the year to be dragged down by bad weather and the impact of tax time. Consumers are still spending, but their focus is on services as opposed to goods — they are traveling and vacationing so money goes to lodging, meals and entertainment. Retailers feel the pinch, but anything connected to leisure time gets a boost. The data this month shows decline in some areas, but not as dramatically as was demonstrated in the manufacturing sector.

The combined score slipped a bit from last month's 55.1 to 53.7 this month, but in March that reading had fallen to 52.6, so this month looks solid enough. The index of favorable factors stayed in the 60s with a reading of 60.5 after hitting 62.4 in June. Again, this is far superior to the readings last March when the numbers fell to 57.7. The index of unfavorable factors slipped into the contraction zone with a reading of 49.1 (same as last March) and a bit lower than it was in June when it hit 50.2. The sense is there was more stability in the retail sector." – Andrew Michaels, Editorial Associate, NACM

Source: http://web.nacm.org/CMI/PDF/CMIcurrent.pdf; 7/31/19

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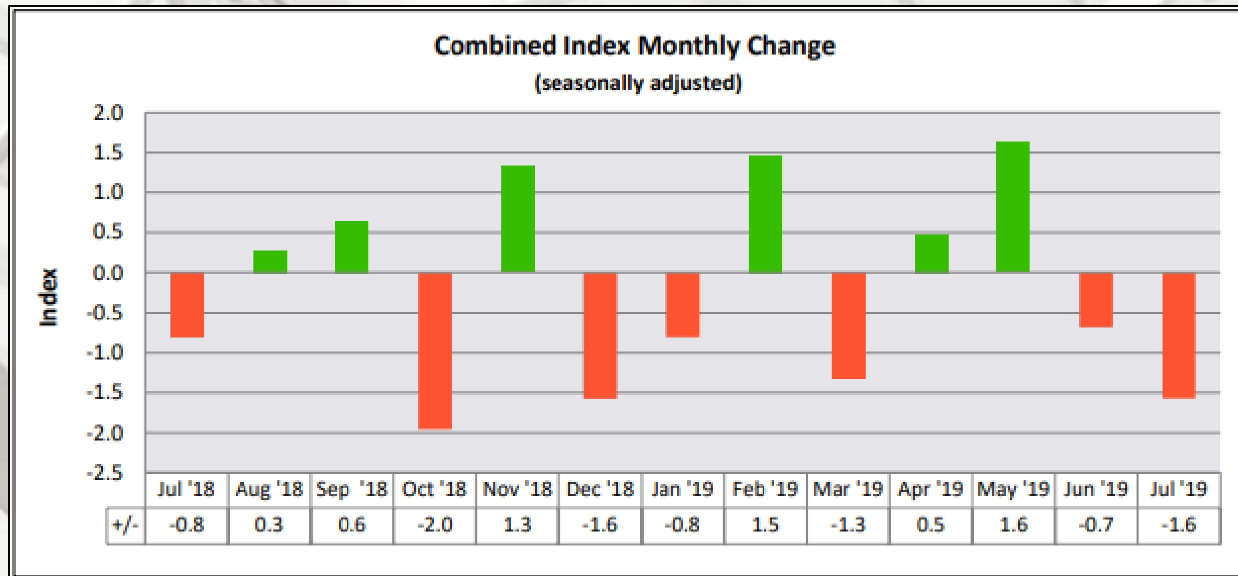

Combined Manufacturing and Service Sectors (seasonally adjusted)	Jul '18	Aug '18	Sep '18	Oct '18	Nov '18	Dec '18	Jan '19	Feb '19	Mar '19	Apr '19	May '19	Jun '19	Jul '19
Sales	63.9	65.0	68.8	62.7	64.5	59.0	59.7	62.6	58.2	61.0	65.9	60.4	58.4
New credit applications	61.2	62.5	61.9	61.7	62.2	57.5	58.2	58.9	57.8	59.7	64.2	62.4	60.8
Dollar collections	61.0	62.6	62.8	57.5	60.9	59.3	59.0	59.1	56.6	59.1	59.8	60.3	56.6
Amount of credit extended	66.1	66.9	67.1	64.5	65.3	61.9	61.2	62.3	63.5	60.6	65.4	62.5	58.7
Index of favorable factors	63.1	64.3	65.2	61.6	63.2	59.4	59.5	60.7	59.0	60.1	63.8	61.4	58.6
Rejections of credit applications	52.5	52.2	51.8	51.4	51.4	51.4	51.8	52.1	51.2	52.0	51.8	52.4	52.6
Accounts placed for collection	49.9	49.0	50.2	48.8	48.2	49.7	48.2	49.0	46.4	48.5	47.0	50.0	46.2
Disputes	47.7	46.4	47.6	48.9	50.1	49.6	47.1	48.5	49.5	48.5	48.6	48.6	50.5
Dollar amount beyond terms	47.4	48.5	49.9	47.7	52.3	49.3	47.4	51.3	50.0	47.6	51.3	49.8	46.1
Dollar amount of customer deductions	47.9	48.7	48.6	49.5	49.6	49.7	48.0	50.0	48.8	49.7	49.3	50.0	51.2
Filings for bankruptcies	57.4	55.9	55.6	52.1	53.6	55.0	53.8	54.9	53.7	53.9	53.3	53.5	53.2
Index of unfavorable factors	50.5	50.1	50.6	49.7	50.9	50.8	49.4	51.0	49.9	50.0	50.2	50.7	50.0
NACM Combined CMI	55.5	55.8	56.4	54.5	55.8	54.2	53.4	54.9	53.6	54.0	55.7	55.0	53.4

Source: http://web.nacm.org/CMI/PDF/CMIcurrent.pdf; 7/31/19

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Private Indicators

NFIB.com/sboi

July 2019 Report:

"Optimism among small business owners bounced back in July as expectations for business conditions, real sales, and expansion made solid gains. The NFIB Small Business Optimism Index rose 1.4 points to 104.7, with seven of 10 components advancing, two falling, and one remaining unchanged. The Uncertainty Index fell 10 points, reversing a surge in June that reached the highest level since March 2017.

Small Business Optimism Continues to Defy Expectations

In addition to improvement in expectations for business conditions, real sales, and expansion, key findings from the July index include:

- Small business owners' plans to create new jobs and make capital outlays advanced and earnings trends improved, supported by a solid improvement in sales trends.
- Plans to order new inventories posted a solid gain.
- After surging last month, reports of higher average selling prices stabilized, with no evidence of a pickup in inflation.
- Credit conditions remain very supportive, interest rates on loans are historically low, and there are few complaints about credit availability." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 8/13/19

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Small Business Optimism Continues to Defy Expectations

“While many are talking about a slowing economy and possible signs of a recession, the 3rd largest economy in the world continues to defy expectations, generating output, creating value, and expanding the economy. Small business owners want to grow their operations, and the only thing stopping them is finding qualified workers.” – Juanita D. Duggan, President and CEO, NFIB

“Contrary to the narrative about impending economic doom, the small business sector remains exceptional. This month’s index is a confirmation that small business owners remain very optimistic about the economy but are being hamstrung by not finding the workers they need.” – Bill Dunkelberg, Chief Economist, NFIB

“Expectations for better business conditions increased five points while those reporting the current period as a good time to expand advanced two points. The net percent of owners expecting higher real sales volumes rose five points to a net 22 percent of owners.

Up three points from last month, 57 percent of owners reported capital outlays. Of those making expenditures, 41 percent reported spending on new equipment (up one point), 25 percent acquired vehicles (up three points), and 16 percent improved or expanded facilities (up four points). Six percent acquired new buildings or land for expansion, and 12 percent spent money for new fixtures and furniture.” – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 8/13/19

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Small Business Optimism Continues to Defy Expectations

"The frequency of reports of positive profit trends improved three points to a net negative four percent reporting quarter on quarter profit improvements, historically strong. Thirty-one percent of those reporting weaker profits blamed sales (up four points), 14 percent blamed labor costs (up two points), and 10 percent cited lower selling prices (up one point). For those owners reporting higher profits, 57 percent credited sales volumes (down 10 points from last month), and seven percent credited higher selling prices.

Unchanged from June, a net seven percent of all owners (seasonally adjusted) reported higher nominal sales in the past three months, which is a very solid reading. Consumer sentiment has improved in recent months, and revised government data confirm what small business owners have been reporting. Consumer spending is solid.

The net percent of owners raising average selling prices fell one point to a net 16 percent (seasonally adjusted), following a seven-point surge in June. Eight percent (unadjusted) reported lower average selling prices, and 25 percent reported higher average prices. Price hikes were the most frequent in wholesale trades (13 percent lower, 25 percent higher), retail trades (eight percent lower, 31 percent higher), agriculture (17 percent lower, 27 percent higher), and construction (seven percent lower, 32 percent higher). These segments of the economy are likely to be feeling the impact of tariffs." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 8/13/19

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Small Business Optimism Continues to Defy Expectations

"Small business owners were asked in the July survey if a 100-basis point reduction in borrowing costs would change their capital spending plans over the next 12 months. Twelve percent said "yes", and 21 percent said "no". Twenty-four percent were not sure, and 43 percent were not planning on borrowing money.

As reported in the **NFIB Jobs Report**, business job creation slowed in July, falling to an average addition of 0.12 workers per firm. A record 26 percent of small business owners surveyed cited the difficulty of finding qualified workers as their single most important business problem." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 8/13/19

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

Hourly Earnings and Weekly Hours Worked Increase at Small Businesses in July

"The Paychex | IHS Markit Small Business Employment Watch for July shows a slight decline in job growth and a fourth consecutive month of accelerated wage growth. The national jobs index stands at 98.18, down 0.15 percent from last month and 1.18 percent below its pace in July 2018. The deceleration in job growth follows a 0.45 percent decrease in June. Hourly earnings growth reached its strongest rate in more than a year at 2.70 percent in July, and weekly earnings growth improved to 2.57 percent. Additionally, one-month annualized growth for weekly hours worked, up 1.19 percent, is the highest it's been since 2017. " – Holly Wade, NFIB

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

- The South remains the top region for employment growth; the West leads regions in hourly earnings growth.
- Texas maintains the lead among states in small business job growth; Illinois remains the top state for wage growth.
- Dallas is again the top metro for job growth; San Diego maintains its lead among metros in wage growth.
- Financial Activities was the only industry sector to increase the pace of job growth in July." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch/#!/news-release; 7/30/19

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July Jobs Index	July Wage Data
Index 98.18	Hourly Earnings $27.27
12-Month Change -1.18%	12-Month Growth +2.70% (+$0.72)

Source: Paychex | IHS Markit Small Business Employment Watch

The Paychex | IHS Markit
Small Business Employment Watch

"The further decline of the jobs index to 98.18 in July validates the sharp fall in small business employment growth seen in June." – James Diffley, Chief Regional Economist, IHS Markit

"It's not surprising to see continued lower job growth and wage increases in this tight labor market. While finding good candidates continues to present hiring challenges for small employers, the data shows that employees are seeing steady increases in hourly earnings." – James Diffley, Chief Regional Economist, IHS Markit

Source: https://www.paychex.com/employment-watch/#!/news-release; 7/30/19

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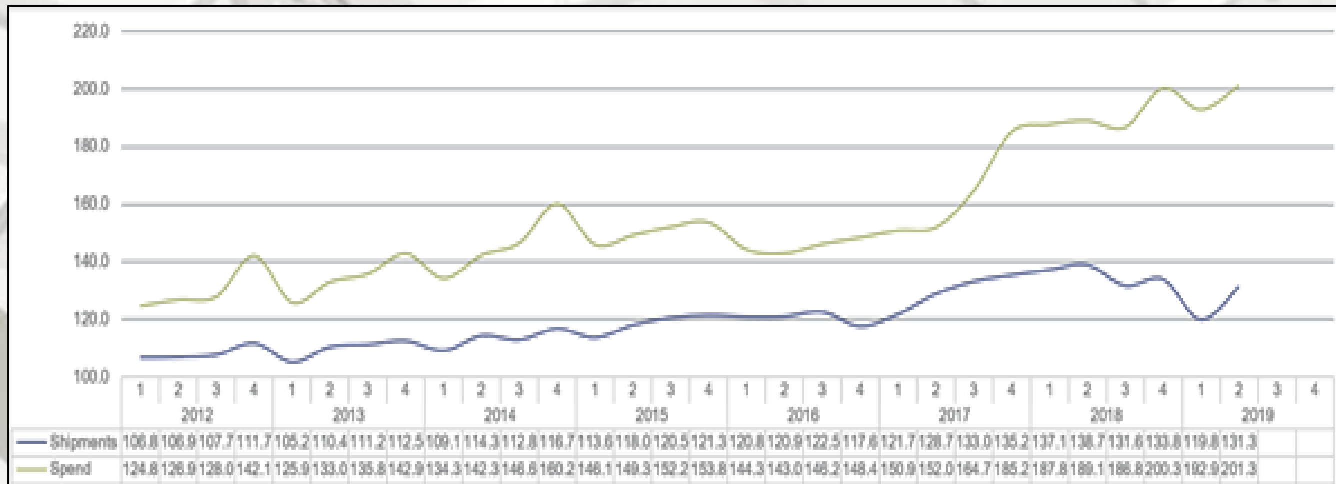

	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Shipments	106.8	106.9	107.7	111.7	105.2	110.4	111.2	112.5	109.1	114.3	112.8	116.7	113.6	118.0	120.5	121.3
Spend	124.8	126.9	128.0	142.1	125.9	133.0	135.8	142.9	134.3	142.3	146.8	160.2	146.1	149.3	152.2	153.8

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4
Shipments	120.8	120.9	122.5	117.8	121.7	128.7	133.0	135.2	137.1	138.7	131.6	133.8	119.8	131.3		
Spend	144.3	143.0	146.2	148.4	150.9	152.0	164.7	185.2	187.8	189.1	186.8	200.3	192.9	201.3		

U.S. Bank

Q2 2019 U.S. Bank Freight Payment Index

Q2 freight data signals a rebalancing after a slow Q1

"The U.S. Bank Freight Payment Index revealed better-than-expected spending and growth for the second quarter of 2019. Despite these gains, the underlying economic conditions and freight market suggest this was a rebalancing from the softer first quarter influenced by weather, trade tensions and the government shutdown.

However, the gain in shipments did not completely offset the first quarter decline and they continued to slow on a year-over-year basis. Major components of freight, including retail sales, factory output and construction activity, moderated through the second quarter – an indication of market uncertainty regarding the trade outlook and the economic impact of increased tariffs." – Bob Costello, Chief Economist and Senior Vice President, American Trucking Associations (ATA)

Source: http://www.cvent.com/api/email/dispatch/v1/email/view/p2-q4pwjq989ktl5l-w46l9846-avv-tnxn/; 7/24/19

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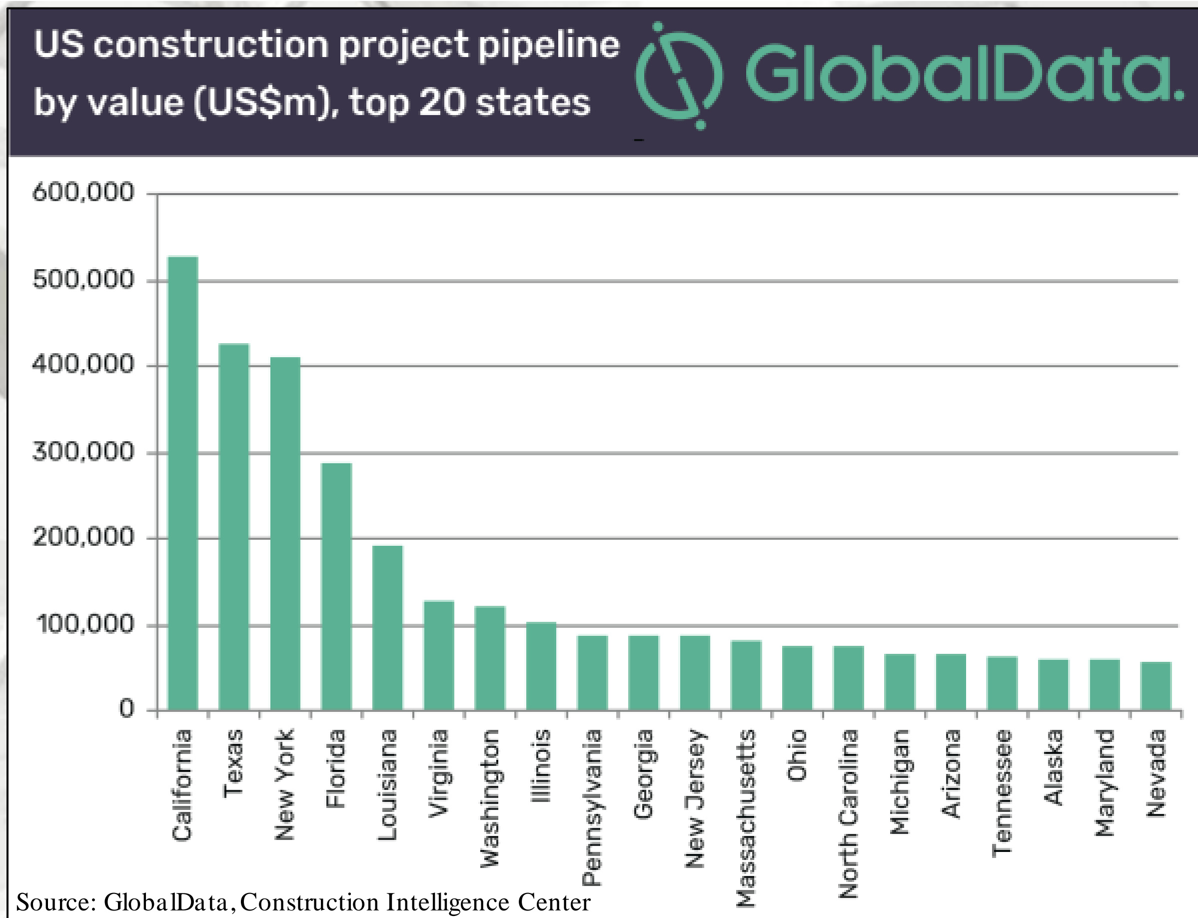
Economics

Almost 60% of the U.S. Construction Project Pipeline Value Is Concentrated in 10 Major States



Source: GlobalData, Construction Intelligence Center

"Based on data from more than 11,000 tracked large-scale country wide construction projects, GlobalData, a leading data and analytics company, finds 10 major U.S. states account for nearly 60% of the total U.S. construction project pipeline value ($3.7 trillion)." – GlobalData

Source: http://constructionexec.com/article/almost-60-of-the-us-construction-project-pipeline-value-is-concentrated-in-10-major-states-says-globaldata; 7/24/19

Economics

Almost 60% of the U.S. Construction Project Pipeline Value Is Concentrated in 10 Major States

"GlobalData's latest report, "Project Insight - Construction in Key US States," reveals California, Texas and New York are among the states with the highest value of construction projects in the pipeline. With a total of 1,302 projects worth $524.6 billion, California, for example, has the largest number and value of projects in the U.S. construction project pipeline, with infrastructure projects and mixed-use developments, representing a combined 56% of California's total pipeline value.

Dariana Tani, economist at GlobalData explains: "The construction of mixed-use developments is booming across many U.S. states, with the building of American city centers and suburbs coming to resemble one another due to changing demands from consumers and homebuyers. This is particularly the case for states such as Florida, California and New York. In Florida, the construction of mixed-use properties is growing faster than any other U.S. state, with five of the top 10 largest construction projects in Florida being mixed-use construction projects, according to GlobalData.

The desire to live, work, shop and play within walkable distances is not only unique to millennials and baby boomers, but also older generations who want to live in well-connected urban communities.

Tani adds: "The tech industry is also creating new demand to build more residential and commercial buildings, as well as transport infrastructure to accommodate the influx of workers. Big tech companies such as Google, Apple, Facebook, Microsoft and Amazon are encouraging significant investment. Among the most notable projects in the pipeline are Facebook's $850 million Willow Campus Mixed-Use Development in San Francisco, Google's $800 million residential development in Mountain View and Microsoft's $1 billion Redmond headquarters redevelopment." – GlobalData

Source: http://constructionexec.com/article/almost-60-of-the-us-construction-project-pipeline-value-is-concentrated-in-10-major-states-says-globaldata; 7/24/19

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Economics

MReport.com

The Impact of Student Debt on Housing

"J.P. Morgan Chase reports that student debt has doubled in the past 10 years to $1.5 trillion in 2018 — second only to mortgage debt — and impacts 45 million borrowers.

"Although the financial returns from a higher education degree over a lifetime typically exceed the costs, roughly 22% of student loan borrowers are in default," the report said. "As a result, some have framed the 'student loan crisis' as a crisis of student loan repayment rather than student loan debt."

Among the findings by J.P. Morgan Chase was that the average family pays a median of $179 per month in loans of take-home income in months with positive payments. Nearly a quarter of families spend more than 11% of their income on student loans. While noting younger borrowers, those between 18 and 24-years-old, collectively have the most student debt, it is those within lower-income families that have the most trouble making consistent payments.

The study revealed that 44% of homebuyers who earn less than $50,000 annually make positive payments to their loan. That number increases to 52% for those earning between $50,000-$1000, and 63% for borrowers who make more than $100,000.

Also, families with multiple loans pay their student loan bill more inconsistently than they do their mortgage or auto loan. The report states that families who pay their loans between 90-100% of the time, make payments on their student loan debt 54% of the time, compared to 64% for their mortgage. Those borrowers also pay their auto loan 62% of the time, and just 56% pay their student loan bill consistently. " – Mike Albanese, Reporter, MReport

Source: https://themreport.com/daily-dose/08-12-2019/the-impact-of-student-debt-on-housing; 8/12/19

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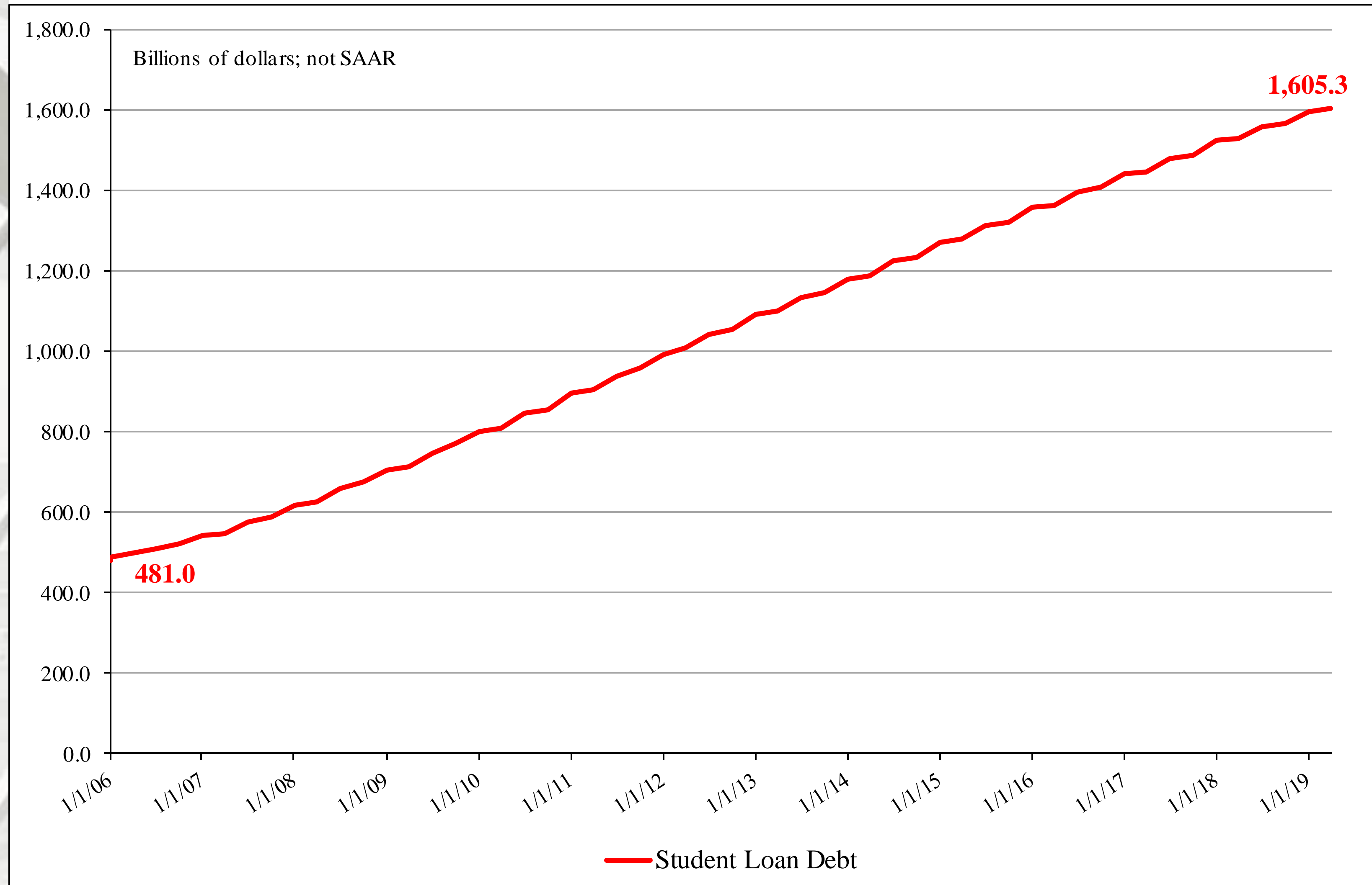
Student Loan Debt



Source: https://fred.stlouisfed.org/series/SLOAS; 8/8/19

Economics

MIT AgeLab

TIAA-MIT AgeLab Study Finds Student Loan Debt Significantly Impacts Retirement Savings, Longevity Planning and Family Relationships

"A large majority of American adults (84%) report that student loans are negatively impacting the amount they are able to save for retirement, according to new research sponsored by TIAA and conducted by the MIT AgeLab. Nearly three out of four (73%) borrowers report they are putting off maximizing their retirement savings, saying they expect to begin or increase their contributions once their student loans are paid off. Among those who are not saving for retirement at all, more than one quarter (26%) point to the need to pay off student loan debt as the reason.

The year-long study, which explores the intersection of student loan debt, longevity planning and family dynamics, shows that life stage — and who the loans are being taken out for — plays a key role in the balancing act of paying off student debt and saving for retirement.

Borrowers of all ages, including parents and grandparents, are making financial sacrifices to repay student loans

Among 25- to 35-year-olds who are not saving for retirement, 39% say they are prioritizing student loan payments. Of the parents and grandparents taking out loans for children and grandchildren, 43% say they will increase retirement savings once the student loan is paid off. In focus groups, women, in particular, described the struggle of sacrificing their own financial security in retirement in order to put their children's education and wellbeing first. …" – TIAA and MIT AgeLab

Source: https://tiaa.new-media-release.com/mit-agelab/pages/fullrelease.html; 7/30/19

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