The Virginia Tech–USDA Forest Service Housing Commentary: Section II
July 2022

VIRGINIA TECH

Virginia Cooperative Extension
Virginia Tech • Virginia State University

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2021 Virginia Polytechnic Institute and State University VCE-ANR

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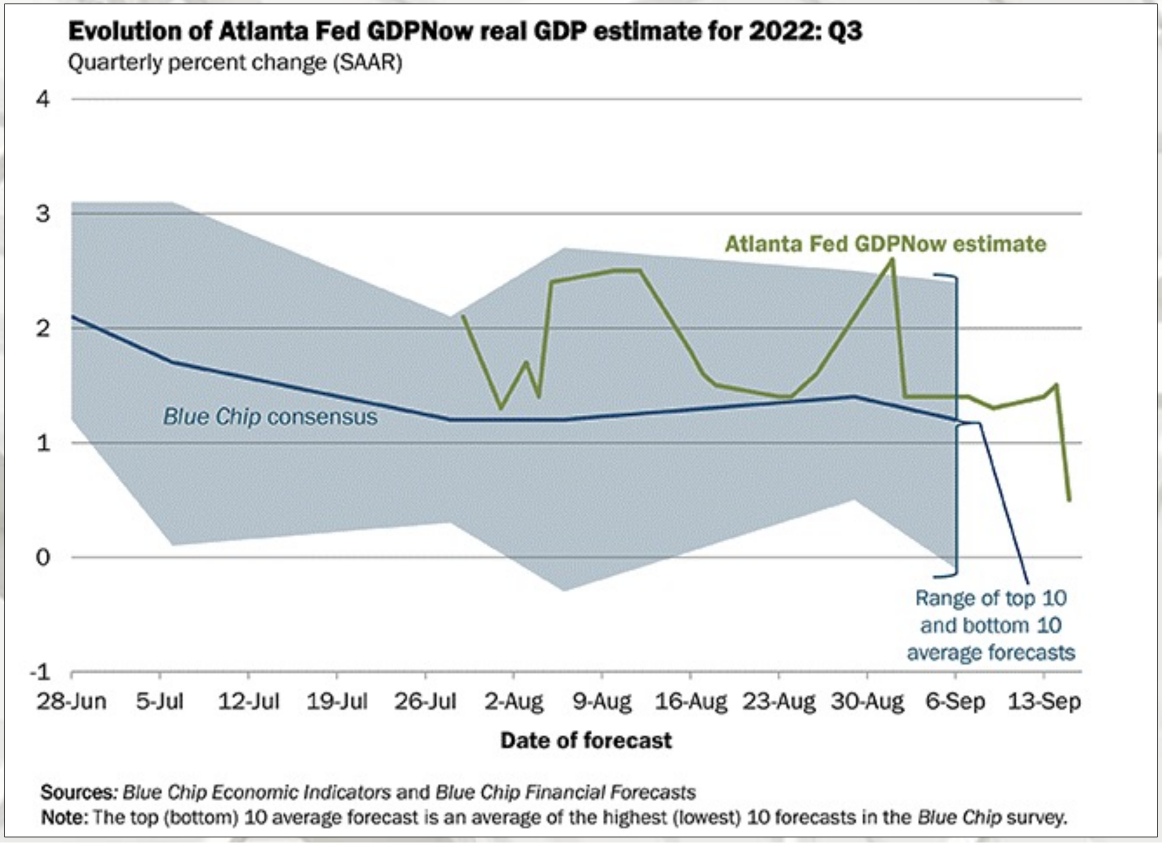
U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest estimate: 0.5 percent — September 15, 2022

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2022 is 0.5 percent on September 15, down from 1.3 percent on September 9. After this week's releases from the US Department of the Treasury's Bureau of the Fiscal Service, the US Bureau of Labor Statistics, the US Census Bureau, and the Federal Reserve Board of Governors, decreases in the nowcasts of third-quarter real personal consumption expenditures growth and third-quarter real gross private domestic investment growth from 1.7 percent and -6.1 percent, respectively, to 0.4 percent and -6.4 percent, respectively, was slightly offset by an increase in the nowcast of third-quarter real government spending growth from 1.3 percent to 2.0 percent." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 9/15/22

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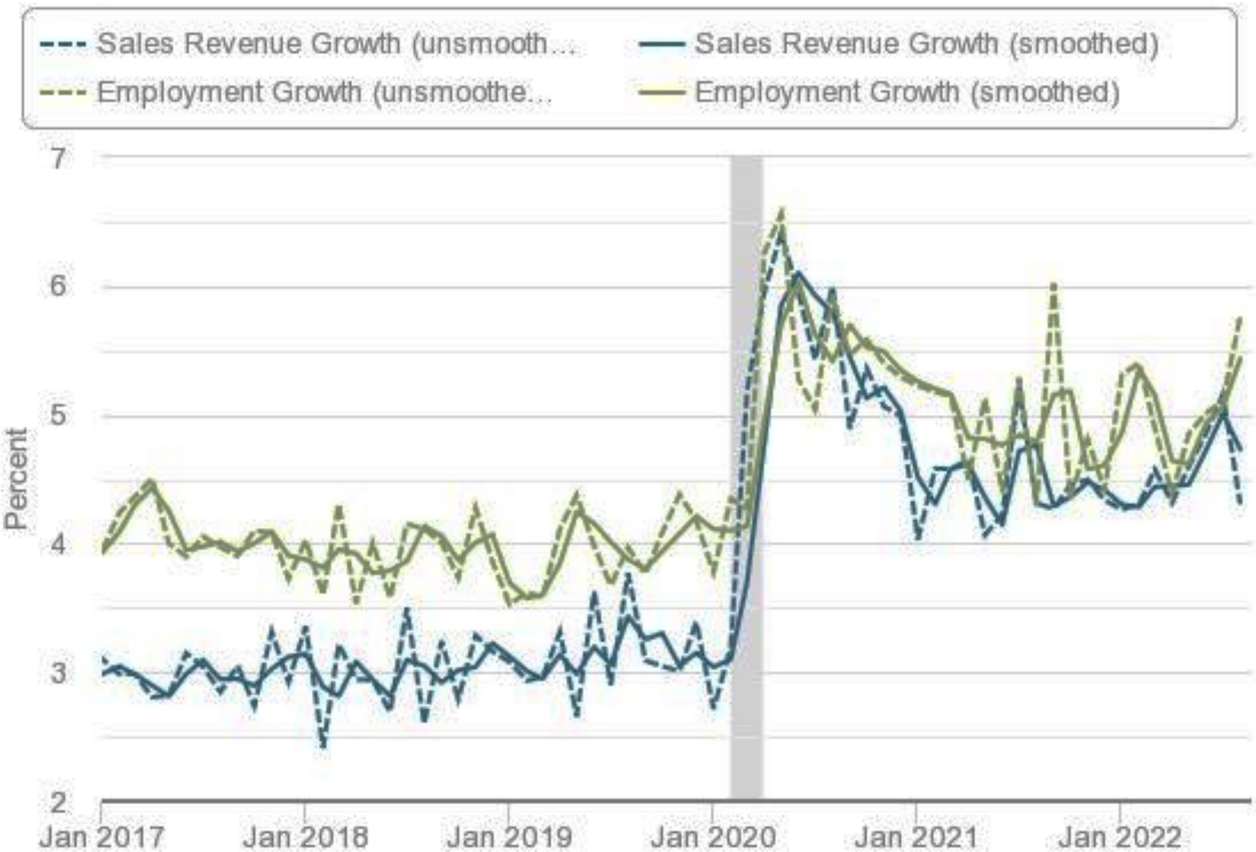
U.S. Economic Indicators

The Federal Reserve Bank of Atlanta

Business Uncertainty

Uncertainty about 4-quarter ahead growth



Notes: Aggregate employment and sales uncertainty series are constructed from firms' probabilistic expectations over the year ahead. Gray bars indicate periods of recession.
Source: Atlanta Fed/Chicago Booth/Stanford Survey of Business Uncertainty
Updated on: August 24, 2022

Source: https://www.atlantafed.org/research/surveys/business-uncertainty; 9/14/22

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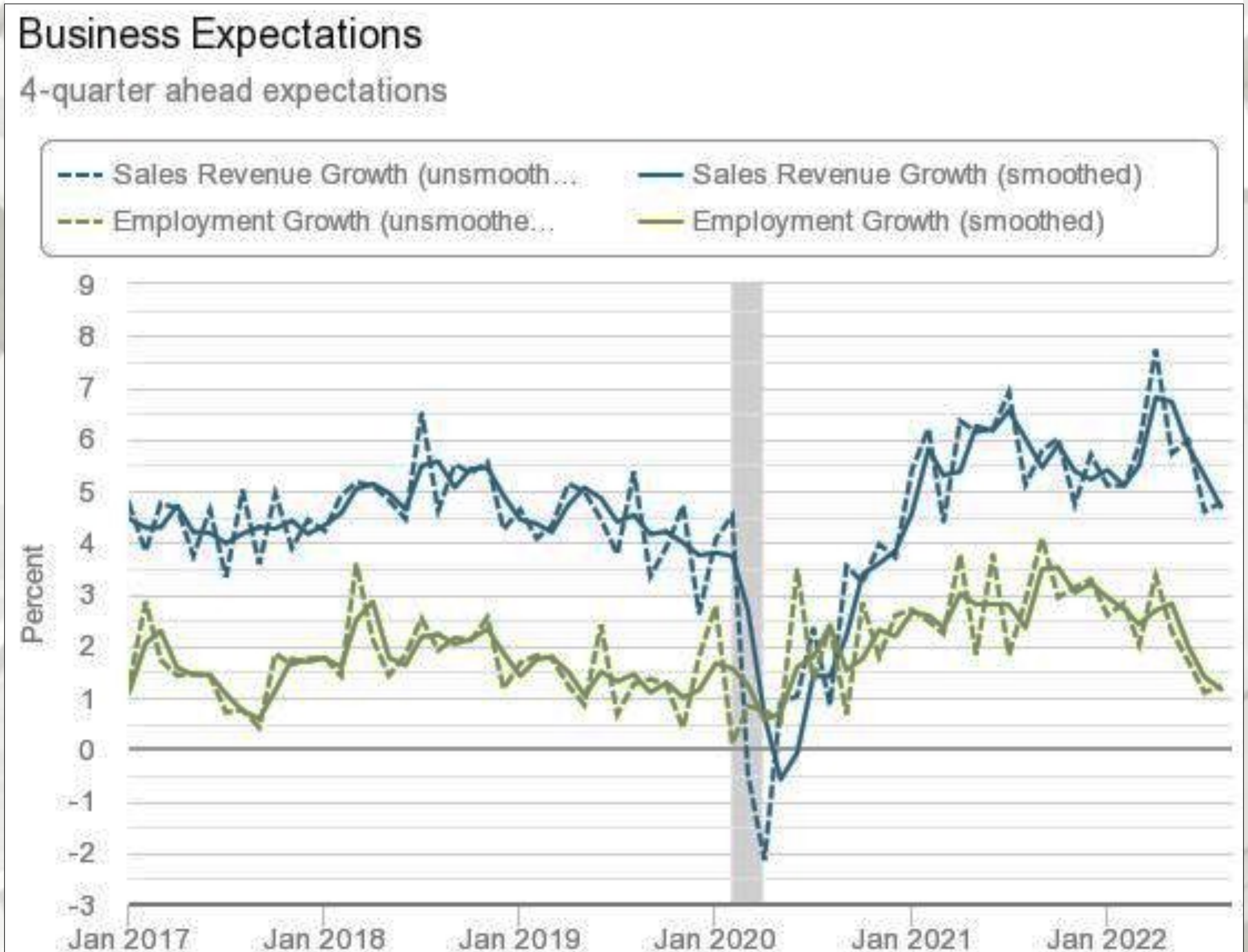
U.S. Economic Indicators

The Federal Reserve Bank of Atlanta



Notes: Aggregate employment and sales growth series are weighted averages of firms' probabilistic expectations over the year ahead. Gray bars indicate periods of recession.
Source: Atlanta Fed/Chicago Booth/Stanford Survey of Business Uncertainty
Updated on: August 24, 2022

Source: https://www.atlantafed.org/research/surveys/business-uncertainty; 9/14/22

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

Index Points to a Pickup in Economic Growth in July

"Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) rose to +0.27 in July from –0.25 in June. All four broad categories of indicators used to construct the index made positive contributions in July, and all four categories improved from June. The index's three-month moving average, CFNAI-MA3, was unchanged at –0.09 in July.

The CFNAI Diffusion Index, which is also a three-month moving average, edged up to –0.05 in July from –0.08 in June. Fifty-five of the 85 individual indicators made positive contributions to the CFNAI in July, while 30 made negative contributions. Fifty-five indicators improved from June to July, while 30 indicators deteriorated. Of the indicators that improved, 17 made negative contributions.

Production-related indicators contributed +0.16 to the CFNAI in July, up from –0.19 in June. Manufacturing industrial production increased 0.7 percent in July after decreasing 0.4 percent in June. The contribution of the sales, orders, and inventories category to the CFNAI moved up to +0.01 in July from –0.06 in the previous month.

Employment-related indicators contributed +0.09 to the CFNAI in July, up from a neutral value in June. The unemployment rate ticked down to 3.5 percent in July from 3.6 percent in June, and nonfarm payrolls rose by 528,000 in July after increasing by 398,000 in the previous month. The contribution of the personal consumption and housing category to the CFNAI ticked up to +0.01 in July from a neutral value in June." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 8/22/22

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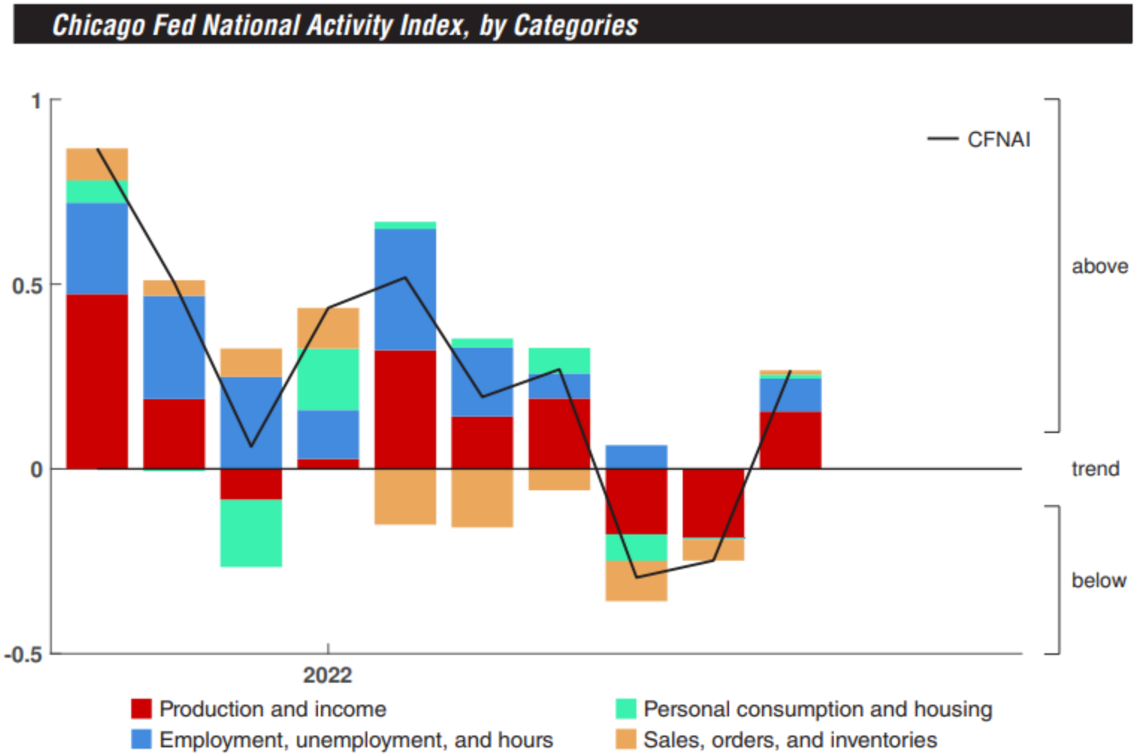
The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)



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

	Jul '22	Jun '22	May '22	Apr '22	Mar '22	Feb '22	Jul '21
CFNAI							
Current	+0.27	–0.25	–0.29	+0.27	+0.19	+0.52	+0.67
Previous	N/A	–0.19	–0.19	+0.26	+0.20	+0.55	+0.67
CFNAI-MA3							
Current	–0.09	–0.09	+0.06	+0.33	+0.38	+0.34	+0.32
Previous	N/A	–0.04	+0.09	+0.33	+0.39	+0.35	+0.32
CFNAI Diffusion							
Current	–0.05	–0.08	+0.12	+0.34	+0.35	+0.26	+0.39
Previous	N/A	–0.04	+0.11	+0.32	+0.35	+0.26	+0.39

Current and Previous values reflect index values as of the August 22, 2022, release and July 25, 2022, release, respectively.
N/A indicates not applicable.

Source: https://www.chicagofed.org/publications/cfnai/index; 8/22/22

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

Survey Suggests Growth Picked Up in August

"The *Chicago Fed Survey of Economic Conditions* (CFSEC) Activity Index increased to –30 in August from –51 in July, suggesting that economic growth was well below trend. The CFSEC Manufacturing Activity Index increased to –45 in August from –52 in July, and the CFSEC Nonmanufacturing Activity Index increased to –22 in August from –51 in the previous month.

- Respondents' outlooks for the U.S. economy for the next 12 months improved slightly, but remained pessimistic on balance. Fourteen percent of respondents expected an increase in economic activity over the next 12 months.
- The pace of current hiring decreased, as did respondents' expectations for the pace of hiring over the next 12 months. Both hiring indexes remained negative.
- Respondents' expectations for the pace of capital spending over the next 12 months increased, and the capital spending expectations index turned positive.
- The labor cost pressures index decreased, as did the nonlabor cost pressures index. The labor cost pressures index moved into negative territory, but the nonlabor cost pressures index remained positive." – Thomas Walstrum, Senior Business Economist, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/research/data/cfsec/current-data; 9/13/22

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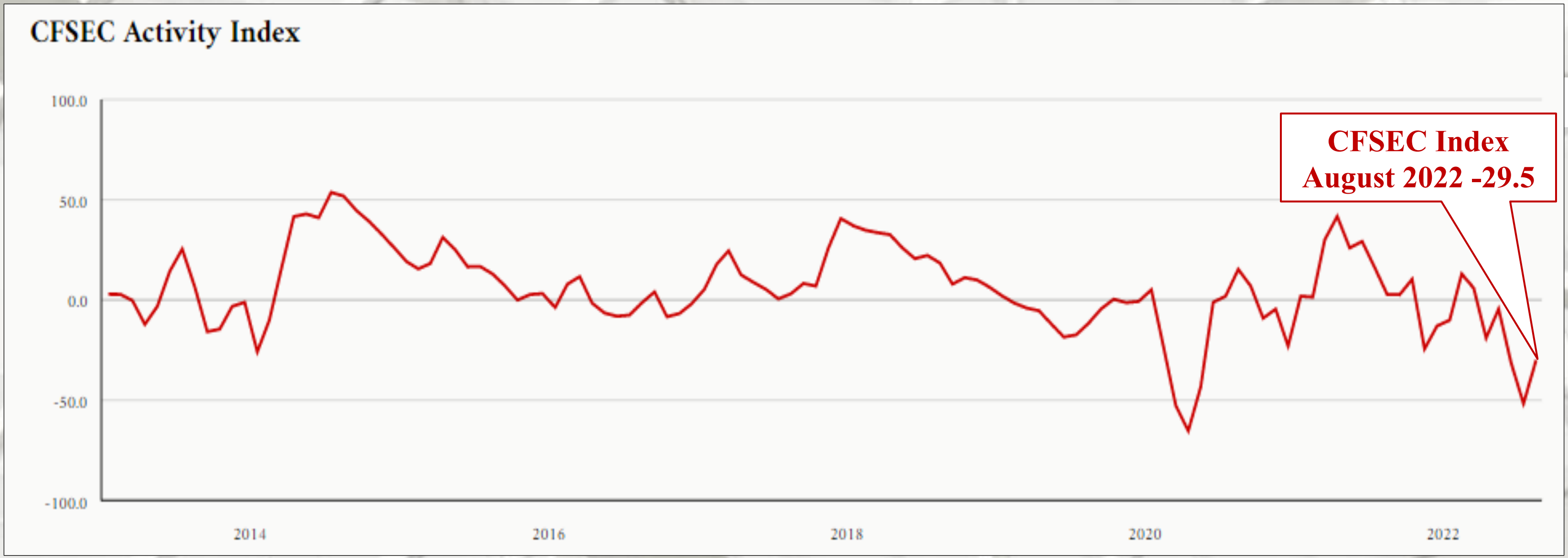
The Federal Reserve Bank of Chicago: Survey of Business Conditions (CFSEC)



Source: https://www.chicagofed.org/research/data/cfsec/current-data; 9/13/22

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The Federal Reserve Bank of Dallas

Texas Manufacturing Outlook Survey

Growth in Texas Manufacturing Activity Abates

"Growth in Texas factory activity abated in August, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, ticked down to 1.2, a reading suggestive of very little change in output.

Other measures of manufacturing activity signaled slower growth or declines this month. The new orders index was negative for a third month in a row — suggesting a continued decrease in demand — though it moved up from -9.2 to -4.4. The growth rate of orders index also remained negative but moved down from -12.0 to -14.7. The capacity utilization index fell slightly to -0.6, and the shipments index was largely unchanged at 3.4.

Perceptions of broader business conditions continued to worsen in August. The general business activity index remained negative but shot up 10 points to -12.9. The company outlook index posted a sixth consecutive negative reading and edged up to -7.6. The outlook uncertainty index remained elevated but retreated from 33.7 to 24.4.

Labor market measures continued to indicate robust employment growth and longer workweeks. The employment index ticked down two points to 15.6, a reading significantly above its series average of 7.8. Twenty-seven percent of firms noted net hiring, while 12 percent noted net layoffs. The hours worked index pushed up five points to 14.4.

Prices and wages continued to increase, though price pressures moderated. The raw materials prices index fell four points to 34.4, a reading still above its average of 28.1 but far below its high of 83.3 last November. The finished goods prices index also moved down, from 29.3 to 26.8. The wages and benefits index, however, pushed higher in August to 45.8." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 8/29/22

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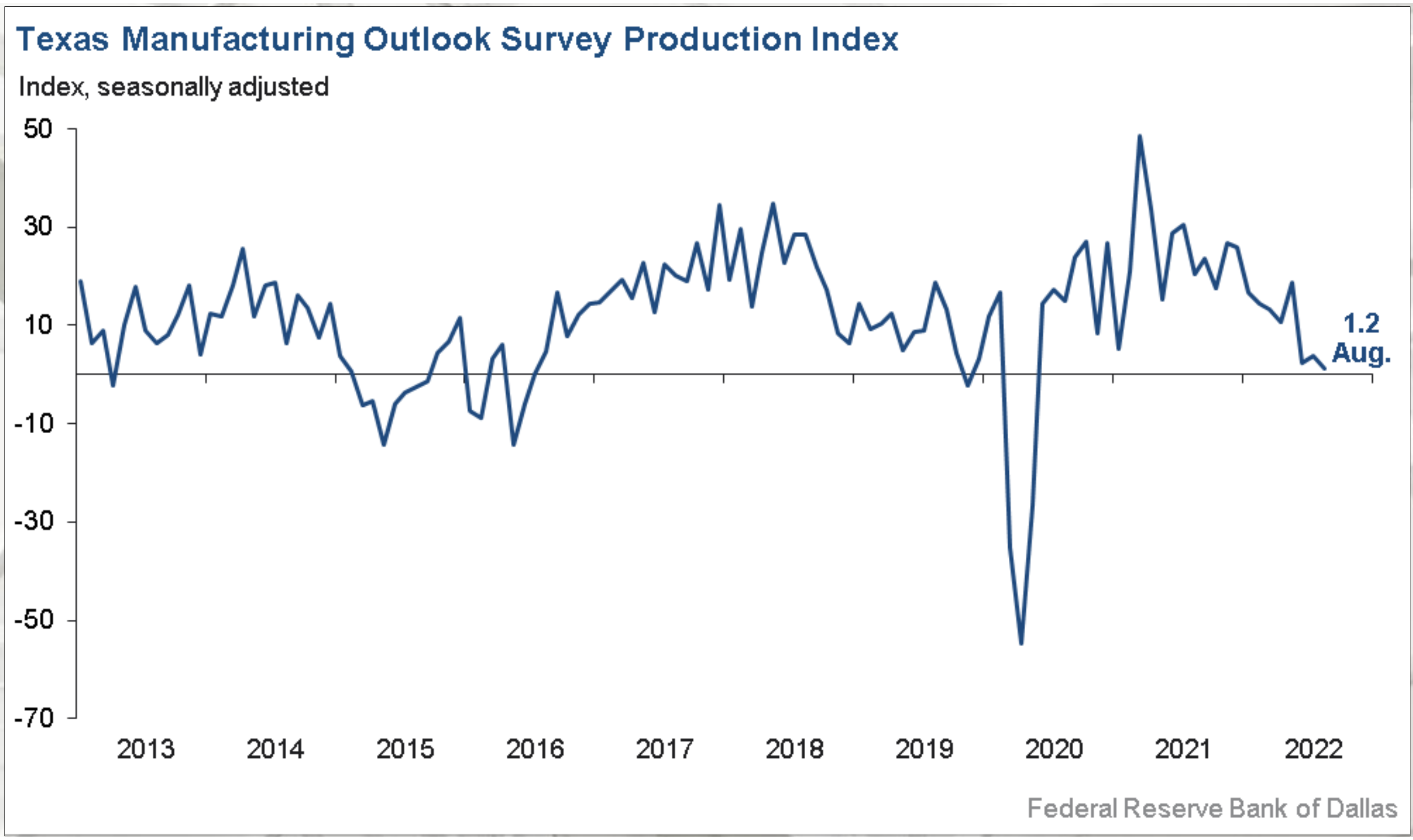
The Federal Reserve Bank of Dallas



"Expectations regarding future manufacturing activity were mixed in August. While the future production index pushed further into positive territory, coming in at 23.9, the future general business activity index remained negative, though it rose nine points to -8.8. Other measures of future manufacturing activity, like capacity utilization and new orders, pushed further positive in August." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 8/29/22

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The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Texas Service Sector Growth Weakens in August

“Activity in the Texas service sector increased at a slower pace in August, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, weakened slightly from 9.5 in July to 7.2 in August, although the share of firms reporting increasing revenues remained steady at 31 percent.

Labor market indicators suggested somewhat slower growth in employment and hours compared with July. The employment index fell six points to 8.5, while the part-time employment index was flat at 1.3. The hours worked index dipped from 5.0 to 3.1, its lowest reading since early 2021.

Perceptions of broader business conditions remained negative in August, although they were less pessimistic compared with July. The general business activity index rose from -10.9 to -5.7, with the share of firms that reported worsened activity falling from 27 percent to 20 percent. The company outlook index improved from -5.2 to -2.4, while the outlook uncertainty index fell two points to 20.1.

Price and wage pressures continued to moderate in August, though the relevant indexes remained well above historical averages. The selling prices index fell from 25.7 to 23.5, while the input prices index dropped five points to 44.9. The wages and benefits index slipped from 28.0 to 26.1.

Respondents’ expectations regarding future business activity were mixed in August. The future general business activity index improved from -7.5 to -0.9 — suggesting little net change compared with July. The future revenue index increased from 35.3 to 40.4, its best reading since April 2022. Other future service sector activity indexes such as employment and capital expenditures remained positive, suggesting continued growth for the rest of the year.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 8/30/22

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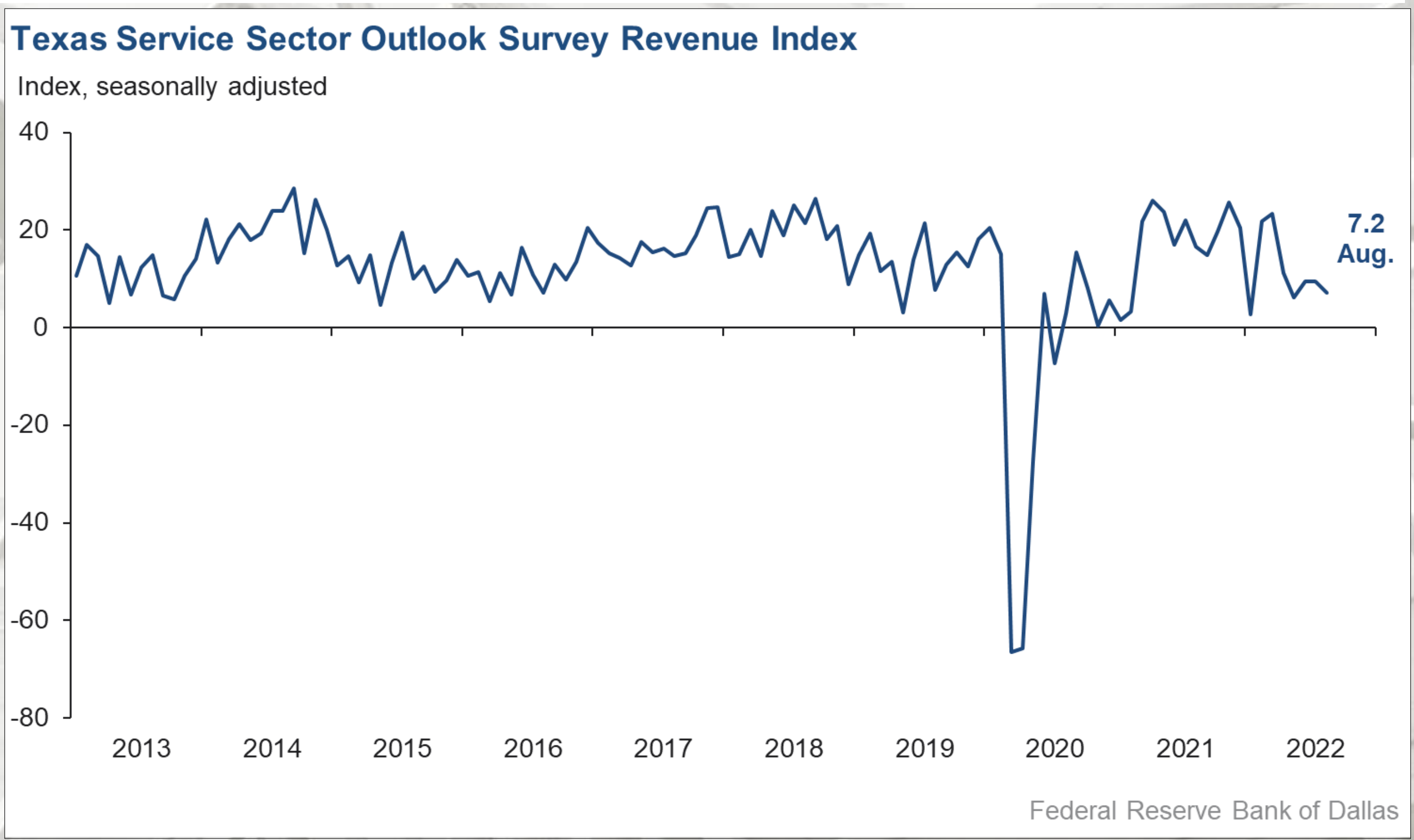
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys; 8/30/22

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The Federal Reserve Bank of Dallas

Texas Retail Outlook Survey

Texas Retail Sales Fall at Slower Pace in August

"August retail sales activity declined, though at a slower pace than in July, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, surged 14 points to -5.4. Though still indicative of declining net retail sales, this reading is the best since March 2022. Retailers' inventories continued to increase on net, although the inventories index's decline from 13.2 to 2.5 suggests a significantly reduced pace of increase.

Retail labor market indicators reflected somewhat slower employment growth and shorter workweeks in August. The employment index remained positive, though slipping from 5.4 to 4.1, while the part-time employment index fell further into negative territory from -1.1 to -4.4. The hours worked index declined from 0.3 to -3.9, with the share of firms reporting increasing average hours worked among employees falling from 10.6 percent to 7.3 percent.

Retailers' perceptions of broader business conditions remained negative in August but were slightly less pessimistic compared with July. The general business activity index increased four points to -18.6, while the company outlook index rose from -16.5 to -11.8. The outlook uncertainty index fell from 14.2 to 12.9.

Retail wage pressures eased in August, while price pressures were mixed. The selling prices index inched up one point to 32.9, while the input prices index fell from 39.7 to 38.1. The wages and benefits index softened from 19.2 to 17.7, with the lowest share of firms noting increasing wages since February 2021." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 8/30/22

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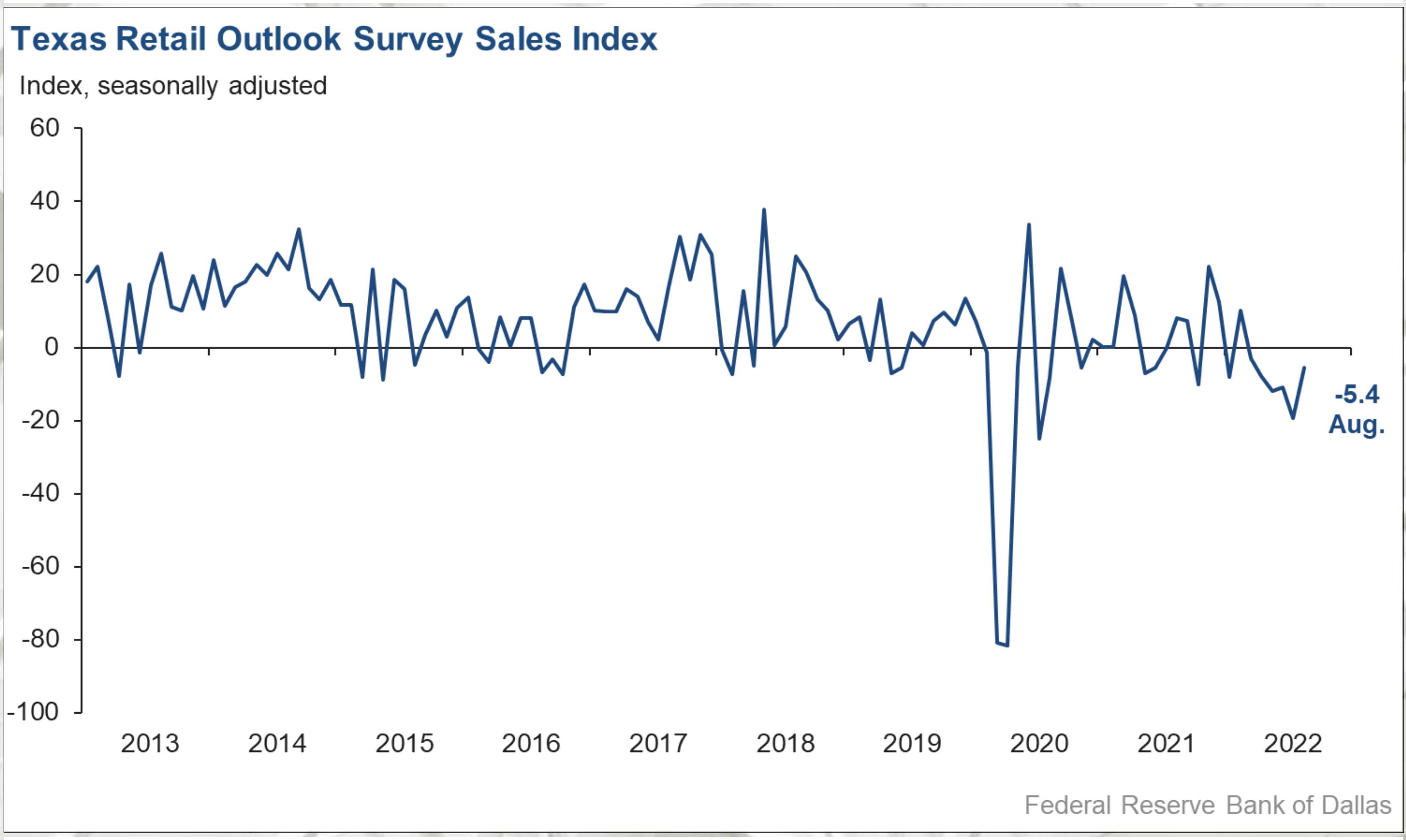
The Federal Reserve Bank of Dallas



Texas Retail Outlook Survey

Texas Retail Sales Fall at Slower Pace in August

"Expectations for future retail growth were mixed in August. The future general business activity index remained negative but rose three points to -13.3, while the future sales index increased to a four-month high of 22.1 Other indexes of future retail activity were positive but weakened, suggesting expectations of growth over the next six months softened compared with last month." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 8/30/22

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Growth in Tenth District Manufacturing Activity Slowed Considerably

Overall, activity slowed considerably from the past few months. However, expectations are still positive and price indexes reached their lowest level in over a year.

Factory Activity Pace of Growth Slowed Considerably

"Tenth District manufacturing activity growth slowed considerably in August but remained slightly positive. Expectations for future activity eased somewhat but were still solid overall (Chart 1). Monthly survey price indexes fell to their lowest levels in over a year. Both price indexes saw a significant easing in growth from a month and year ago. Expectations for future raw materials prices decreased further, while finished goods prices were expected to rise modestly.

The month-over-month composite index was 3 in August, down from 13 in July and 12 in June. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. In August, the slower pace in factory growth was driven by decreased in activity in wood products, machinery, computer products, and transportation equipment manufacturing.

Month-over-month indexes were mostly negative in August. The new orders index declined to its lowest level since May 2020, and indexes for production, shipments, order backlog, and inventory materials declined moderately. On the other hand, the employment index remained moderately positive, and the finished goods inventory index increased slightly. Year-over-year factory indexes decreased, with a composite index of 36. Production, shipments, and new orders indexes declined moderately compared to a year ago. The future composite index was 10 in August, a moderate decline from 26 in July. Nearly all future indexes decreased from the previous month, with order backlog and inventory indexes falling into negative territory." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 8/25/22

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Factory Activity Pace of Growth Slowed Considerably

Special Questions

“This month contacts were asked special questions on wages and hiring decisions. In August, 80% of firms reported adjusting employees’ compensation due to inflation during the year, mainly through wage increases but also through added benefits and more flexible hours. About 34% of firms reported no plans to change employees’ wages for the rest of the year. Of the firms that reported an increase, about 43% of firms reported a 1-5% increase, 21% reported a 5-10% increase, and 2.2% reported an increase of 10% or more (Chart 3).” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 8/25/22

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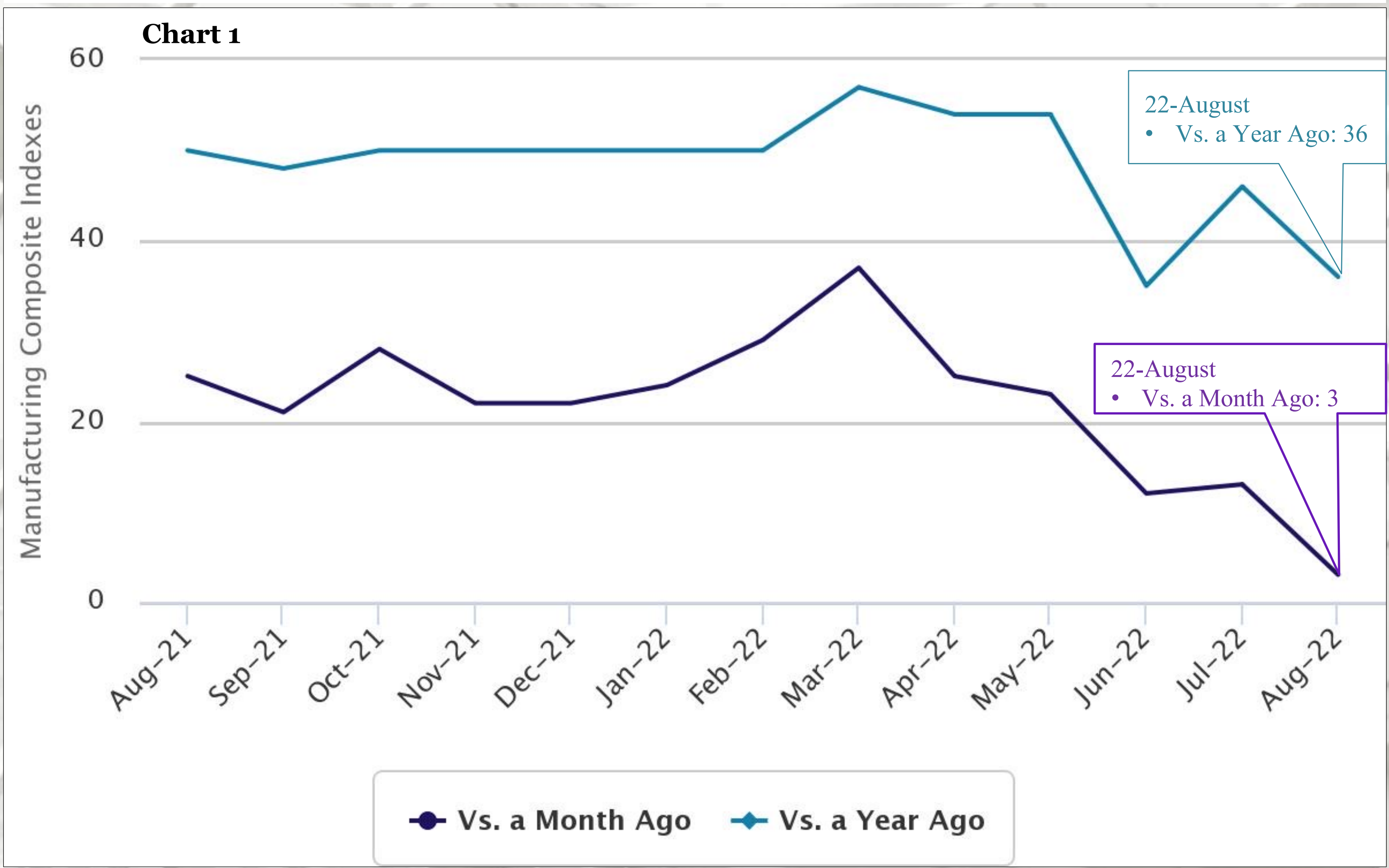
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 8/25/22

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Growth in Tenth District Services Increased Moderately

Overall, regional services activity grew moderately in August. However, firms' expectations for future activity fell to the lowest level in over a year.

Business Activity Increased Moderately

"Growth in Tenth District services activity increased moderately in August, and expectations for future activity eased slightly but remained positive (Chart 1). Compared to the previous month, input prices decreased somewhat while selling prices increased slightly. Expectations for future prices remained high, but slightly below previous levels.

The month-over-month services composite index was 14 in August, up from 2 in July, and equal to 14 in June. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The increase in growth was driven by higher activity in restaurants, wholesale trade, health services, professional services, and retail trade. Most month-over-month indexes rose in August, with an increase in revenue/sales, employment, inventory levels, and credit conditions indexes. In contrast, the hours worked and capital expenditures indexes eased somewhat. The year-over-year composite index decreased slightly from 18 to 16, but the general revenue/sales and credit conditions indexes had higher readings than last month. Expectations for services activity eased slightly in August, falling to its lowest level since November 2020, and indexes for revenue/sales, hours worked, employment, wages, and inventories indexes declined moderately." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 8/26/22

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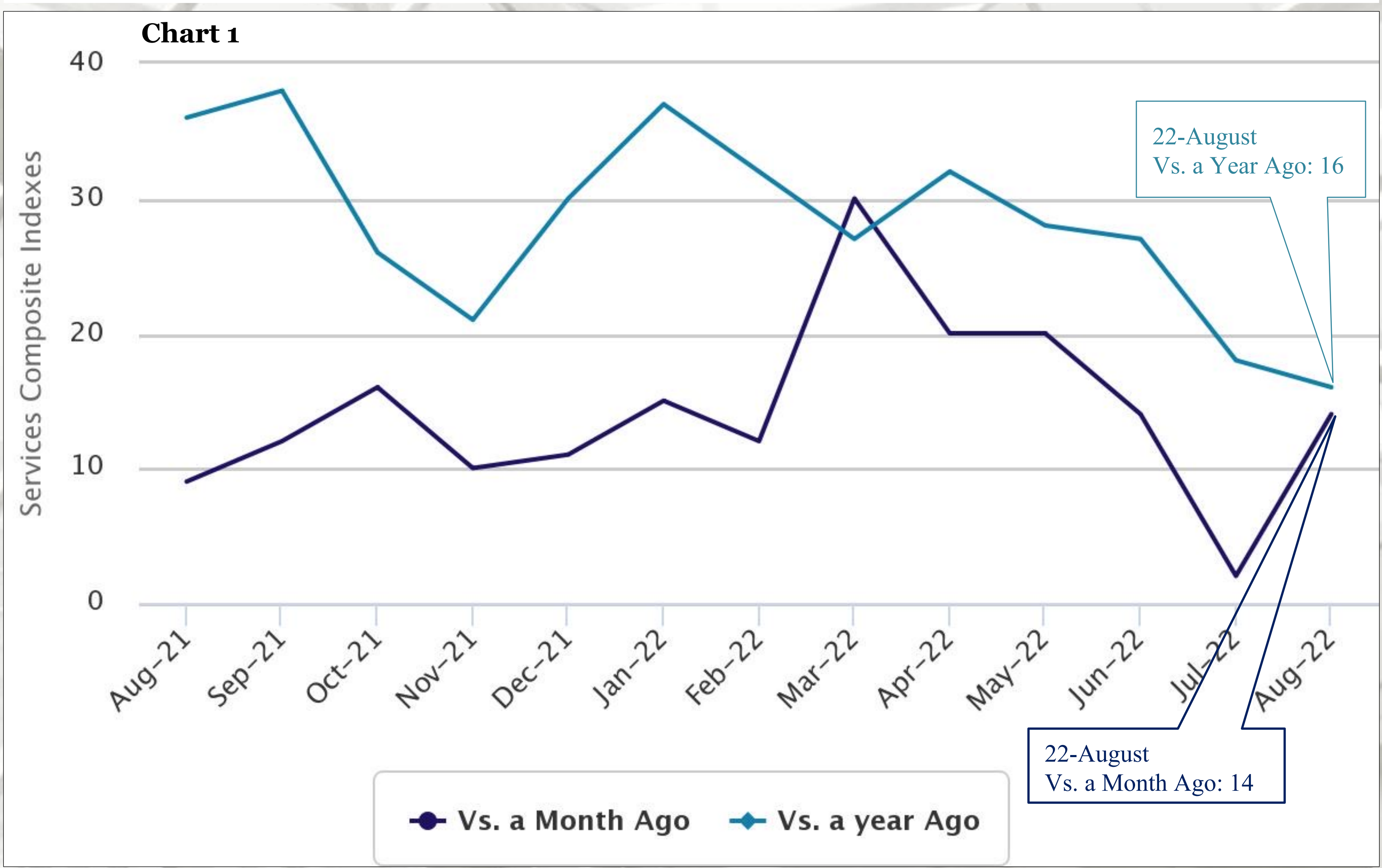
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 8/26/22

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The Federal Reserve Bank of New York

September Empire State Manufacturing Survey

Activity Levels Off After A Sharp Decline

“Business activity held steady in New York State, according to firms responding to the September 2022 *Empire State Manufacturing Survey*. The headline general business conditions index climbed thirty points to -1.5. New orders edged higher, and shipments increased sharply. Delivery times held steady, and inventories expanded. Labor market indicators pointed to a modest increase in employment and no change in the average workweek. Price indexes moved notably lower, pointing to a deceleration in price increases. Looking ahead, firms were not very optimistic that business conditions would improve over the next six months.

Manufacturing activity held steady in New York State on the heels of a sharp decline last month, according to the September survey. The general business conditions index climbed thirty points to -1.5. Thirty percent of respondents reported that conditions had improved over the month, and thirty-two percent reported that conditions had worsened. The new orders index climbed thirty-three points to 3.7, indicating a slight increase in orders, while the shipments index surged forty-four points to 19.6, pointing to a rebound in shipments after they declined significantly last month. The unfilled orders index came in at -7.5, indicating that unfilled orders shrank for a fourth consecutive month. The delivery times index hovered near zero for a second consecutive month, indicating that delivery times held steady. The inventories index edged up to 9.4, a sign that inventories increased modestly.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/15/21

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The Federal Reserve Bank of New York

September Empire State Manufacturing Survey

Price Increases Slow

“The index for number of employees was little changed at 9.7, pointing to a modest increase in employment levels, and the average workweek index climbed to around zero, indicating no change in hours worked. The prices paid index fell sixteen points to 39.6; this index has fallen a cumulative thirty-nine points over the past three months, pointing to a significant and ongoing deceleration in price increases. The prices received index fell nine points to 23.6, its lowest level since early 2021.

Firms Expect Little Improvement

The index for future business conditions rose six points to 8.2, suggesting little optimism about the six-month outlook. The index for future new orders remained depressed, though employment is expected to pick up. Delivery times are expected to shorten. Moderate increases in capital and technology spending are planned for the months ahead.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/15/21

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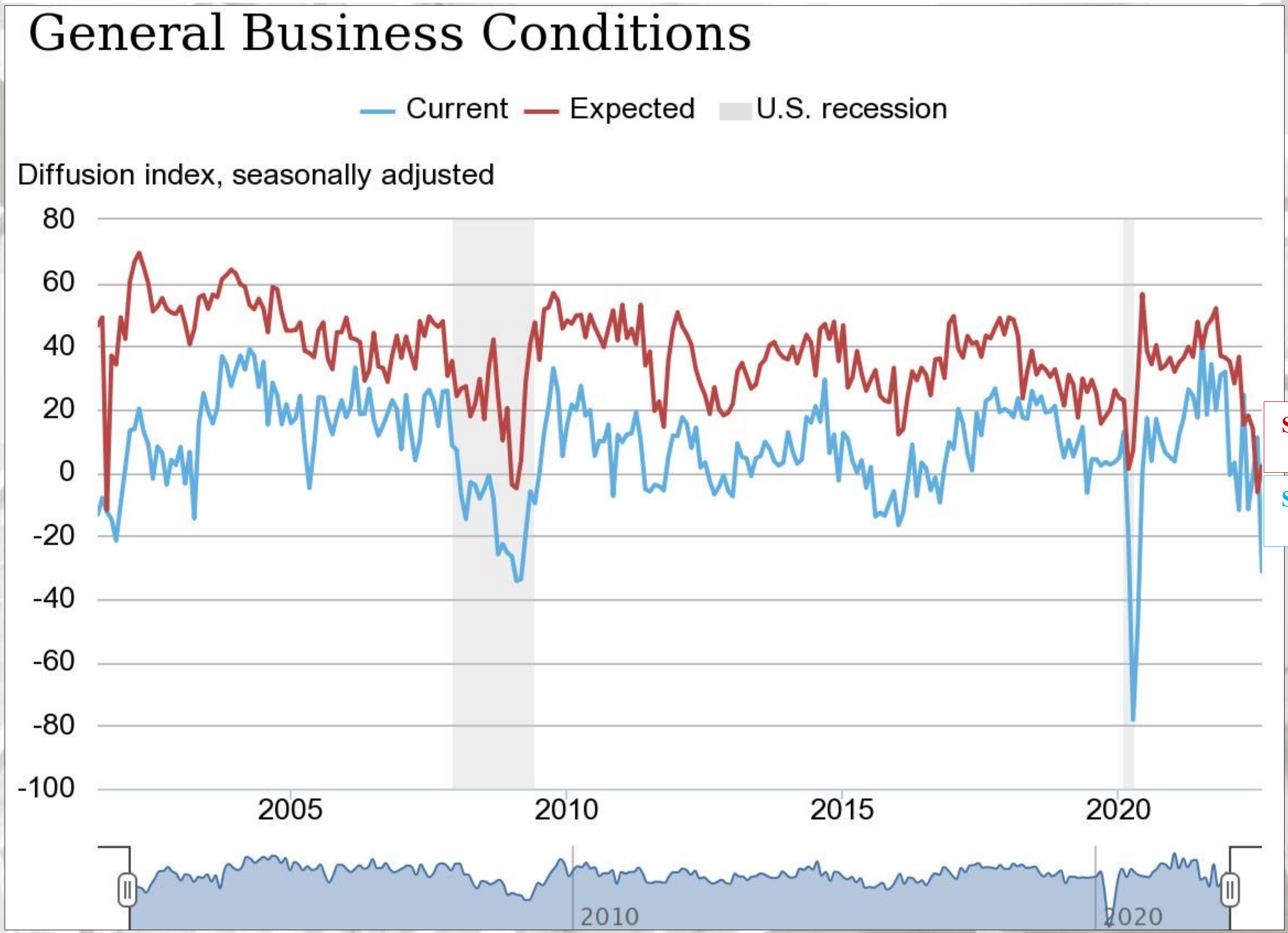
The Federal Reserve Bank of New York



September 2022
8.2

September 2022
-1.5

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/15/21

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The Federal Reserve Bank of New York

September Business Leaders Survey (Services)

Conditions Remain Weak

“Activity declined slightly in the region’s service sector, according to firms responding to the Federal Reserve Bank of New York’s September 2022 *Business Leaders Survey*. .

” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 9/16/22

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The Federal Reserve Bank of New York

September Business Leaders Survey (Services)

Employment Growth Again Modest

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Firms Not Particularly Optimistic

Conditions ” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 9/16/22

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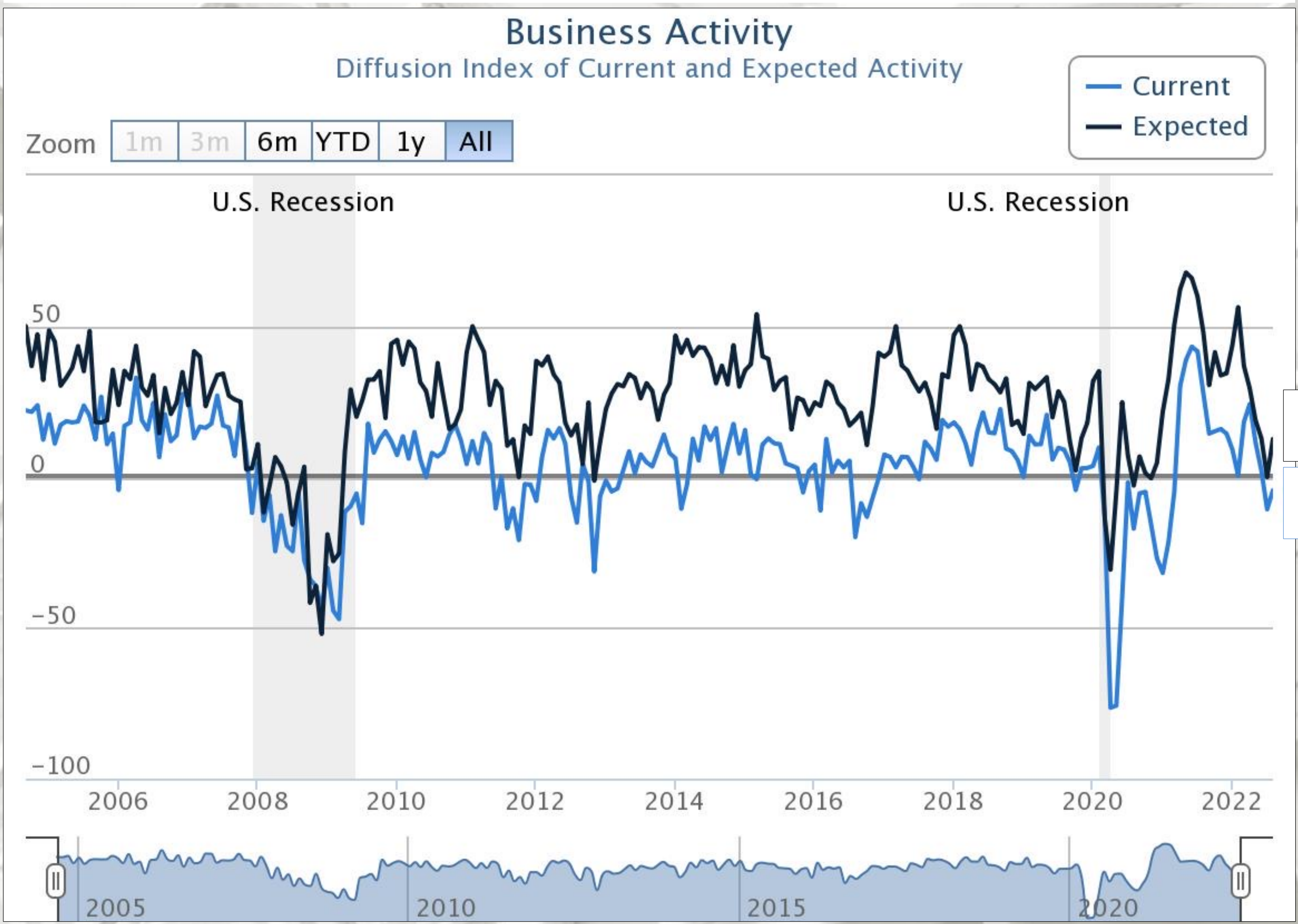
The Federal Reserve Bank of New York



September 2022
12.6

September 2022
-4.4

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 9/16/22

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The Federal Reserve Bank of Philadelphia

September 2022 Manufacturing Business Outlook Survey

"Manufacturing activity in the region declined overall in September, according to the firms responding to this month's *Manufacturing Business Outlook Survey*. The indicator for current activity returned to negative territory, the new orders index remained negative, and the shipments index also declined but remained positive. The firms reported continued increases in employment. The price indexes continue to indicate increases in prices overall. Expectations for growth over the next six months were subdued, as the future general activity index improved but remained negative.

Current Indicators Weaken

The diffusion index for current general activity returned to negative territory, falling from 6.2 in August to -9.9 this month (see Chart 1). This is the index's third negative reading in the past four months. Although most firms reported no change in activity (69 percent), the share of firms reporting decreases (20 percent) exceeded the share reporting increases (10 percent). The indicators for new orders and shipments also declined: The new orders index fell 13 points to -17.6, and the shipments index fell 16 points to its lowest reading since May 2020 but remained positive at 8.8.

On balance, the firms continued to report increases in employment, but the employment index declined from 24.1 to 12.0. Nearly 15 percent of the firms reported increases in employment, compared with 3 percent that reported decreases; 83 percent reported no change. The average workweek index decreased 10 points to -3.8, its first negative reading since June 2020." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-09; 9/15/22

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The Federal Reserve Bank of Philadelphia

September 2022 Manufacturing Business Outlook Survey

Firms Continue to Report Overall Increases in Prices

"The indicators for prices paid and prices received remained positive but indicate less widespread increases in prices compared with previous months. The prices paid index declined for the fifth consecutive month, down 14 points to 29.8, its lowest reading since December 2020 and near its long-run nonrecession average. Almost 41 percent of the firms reported increases in input prices, while 11 percent reported decreases; 48 percent of the firms reported no change. The current prices received index moved up 6 points to 29.6. Nearly 34 percent of the firms reported increases in prices received for their own goods this month, 4 percent reported decreases, and 62 percent reported no change.

Report Higher Production, Steady Capacity Utilization

"In this month's special questions, the firms were asked to estimate their total production growth for the third quarter ending this month compared with the second quarter of 2022. The share of firms reporting expected increases in third-quarter production (56 percent) exceeded the share reporting decreases (22 percent). The firms were also asked about their current capacity utilization rate for the current quarter and one year ago as well as factors constraining capacity utilization in the current quarter. The median current capacity utilization rate reported among the responding firms was 70 to 80 percent, the same as what was reported for one year ago.

Regarding factors constraining capacity utilization in the current quarter, nearly all firms reported labor supply and supply chains as constraints to some degree, with comparable shares indicating each factor significantly constrained utilization (37 percent and 34 percent, respectively). Looking ahead over the next three months, 27 percent of the firms expect supply chain impacts to improve, 54 percent expect them to stay the same, and 20 percent expect them to worsen." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-09; 9/15/22

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The Federal Reserve Bank of Philadelphia

September 2022 Manufacturing Business Outlook Survey

Future Indicators Remain Low

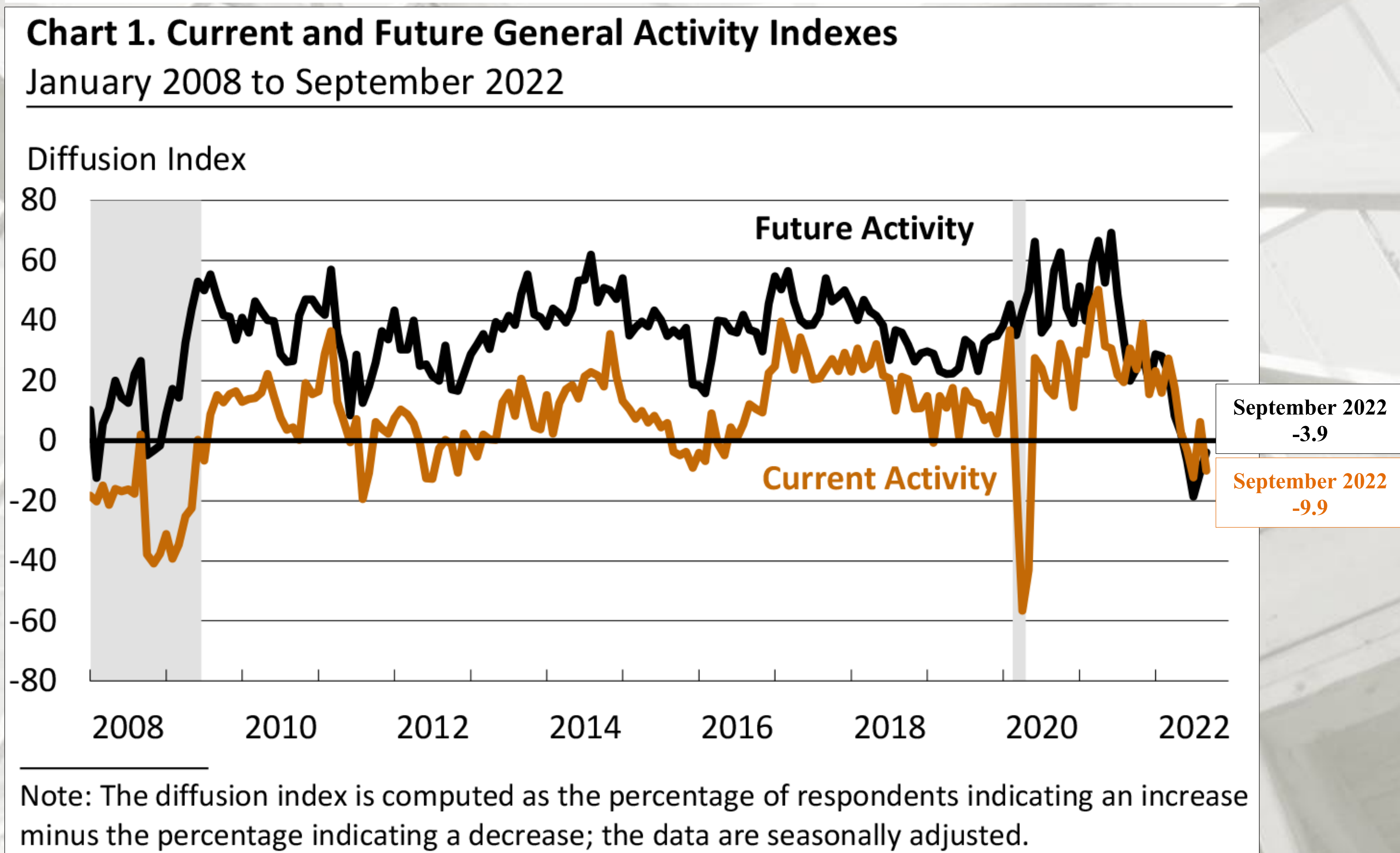
“The diffusion index for future general activity rose 7 points but remained negative at -3.9, its fourth consecutive negative reading (see Chart 1). The share of firms expecting decreases in activity (30 percent) slightly exceeded the share of firms expecting increases (26 percent); 37 percent expect no change. The future new orders index recorded its first positive reading since May, rising 14 points to 6.0, and the future shipments index increased from 12.0 to 20.6. The firms continued to expect overall increases in employment over the next six months, but the future employment index ticked down 3 points to 22.4. About one-third of the firms expect to increase employment in their manufacturing plants over the next six months; 11 percent anticipate employment declines. The future capital expenditures index fell from 18.0 to 4.6, offsetting its increase from last month.

Summary

“Responses to the September *Manufacturing Business Outlook* suggest overall declines for the region’s manufacturing sector. The survey’s indicators for general activity, new orders, and shipments all declined, with the former two registering negative readings. The indicator for employment declined but continues to suggest overall increases. The firms reported price increases overall; however, the price indexes suggest prices are less widespread than in the previous month. The survey’s broad indicators for future activity improved but indicate subdued expectations for overall growth over the next six months.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-09; 9/15/22

The Federal Reserve Bank of Philadelphia



Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-09; 9/15/22

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The Federal Reserve Bank of Philadelphia

August 2022 Nonmanufacturing Business Outlook Survey

"Nonmanufacturing business activity was mostly steady on balance this month, according to the firms responding to the August *Nonmanufacturing Business Outlook Survey.* The index for general activity at the firm level fell to zero, and the indexes for new orders and sales/revenues dipped into negative territory. The full-time employment indexes continue to suggest overall increases. The prices paid and prices received indexes both declined for the second consecutive month but remain above long-run averages. The respondents continue to expect growth over the next six months.

Current Indexes Weaken

The diffusion index for current general activity at the firm level fell 12 points to -0.1 (see Chart). The firms were evenly split between reporting increases and decreases (29 percent); 38 percent reported no change in activity. The new orders index fell 10 points to -5.9 this month. Almost 21 percent of the firms reported increases in new orders, while 27 percent reported decreases. The sales/revenues index decreased from 9.4 to -2.1. Almost 30 percent of the firms reported increases in sales/revenues (down from 34 percent last month), while 32 percent reported decreases (up from 24 percent). The current regional activity index declined and turned negative at -3.7, its first negative reading since January 2022.

Firms Report Overall Increases in Employment

The full-time employment index increased from 14.3 last month to 17.2 this month. The share of firms reporting increases in full-time employment (25 percent) exceeded the share reporting decreases (8 percent). Most firms (62 percent) reported steady employment. The part-time employment index decreased 7 points to 1.3. Most firms (57 percent) reported steady part-time employment, while 15 percent reported increases and 14 percent reported decreases. The average workweek index increased 11 points to 13.0." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-08; 8/23/22

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The Federal Reserve Bank of Philadelphia

August 2022 Nonmanufacturing Business Outlook Survey

Price Indexes Decline but Remain Elevated

"Price indicator readings suggest widespread increases despite declining further. The prices paid index fell 4 points to 59.6, its second consecutive decline since reaching an all-time high in June. Most respondents (62 percent) reported increases in input prices, while 3 percent reported decreases; 22 percent reported stable prices. Regarding prices for the firms' own goods and services, the prices received index fell 15 points to 17.8 this month, its lowest reading since April 2021. Almost 25 percent of the firms reported higher prices, 7 percent reported lower prices, and 52 percent reported no change.

Firms Report Higher Sales/Revenues and Constraints

In this month's special questions, the firms were asked to forecast the changes in prices of their own products and for U.S. consumers over the next four quarters. The firms' median forecast for the rate of inflation for U.S. consumers over the next year was 5.5 percent, up from 5.0 percent from when the question was last asked in May. Regarding their own prices over the next year, the firms' median forecast was for an increase of 3.0 percent, down from 4.0 percent in May and below the median reported own price change over the past year of 4.5 percent. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 5.0 percent over the next four quarters, same as in May. The firms' median forecast for the long-run (10-year average) inflation rate was 4.5 percent, down from 5.0 percent in May." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-08; 8/23/22

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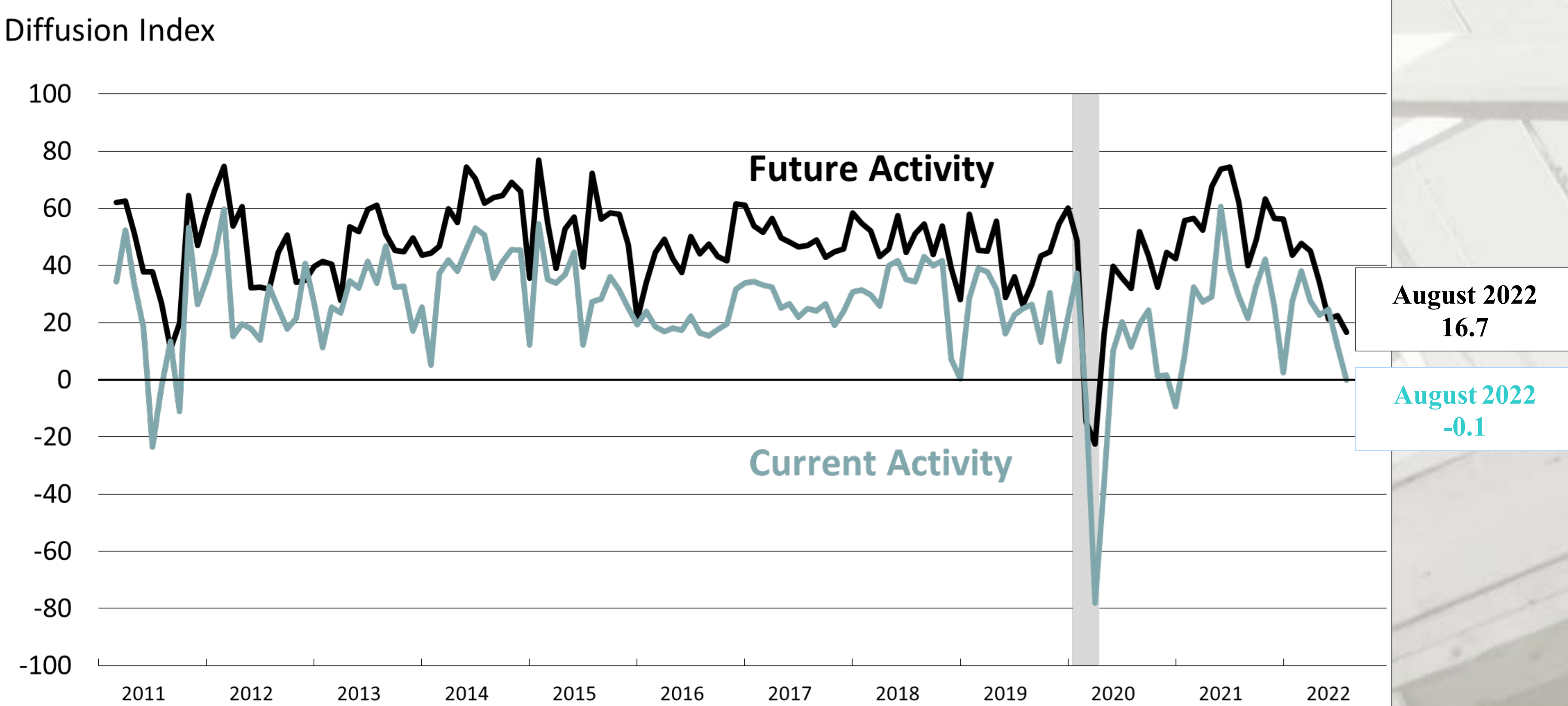
The Federal Reserve Bank of Philadelphia

Chart. Current and Future General Activity Indexes for Firms
March 2011 to August 2022



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

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-08; 8/23/22

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The Federal Reserve Bank of Philadelphia

August 2022 Nonmanufacturing Business Outlook Survey

Firms Continue to Anticipate Growth

"The diffusion index for future general activity declined 6 points to 16.7 but continues to suggest that the respondents expect overall growth in nonmanufacturing activity over the next six months (see Chart). The share of firms expecting increases (40 percent) exceeded the share expecting decreases (23 percent). The future regional activity index increased from -9.3 to 3.2 this month.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest stable nonmanufacturing activity in the region. The indicator for firm-level general activity fell to zero, while the indexes for sales/revenues and new orders both declined and turned negative. The firms continued to report overall increases in employment. The prices paid and prices received indexes declined but remained elevated. Overall, the respondents continue to expect growth over the next six months." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-08; 8/23/22

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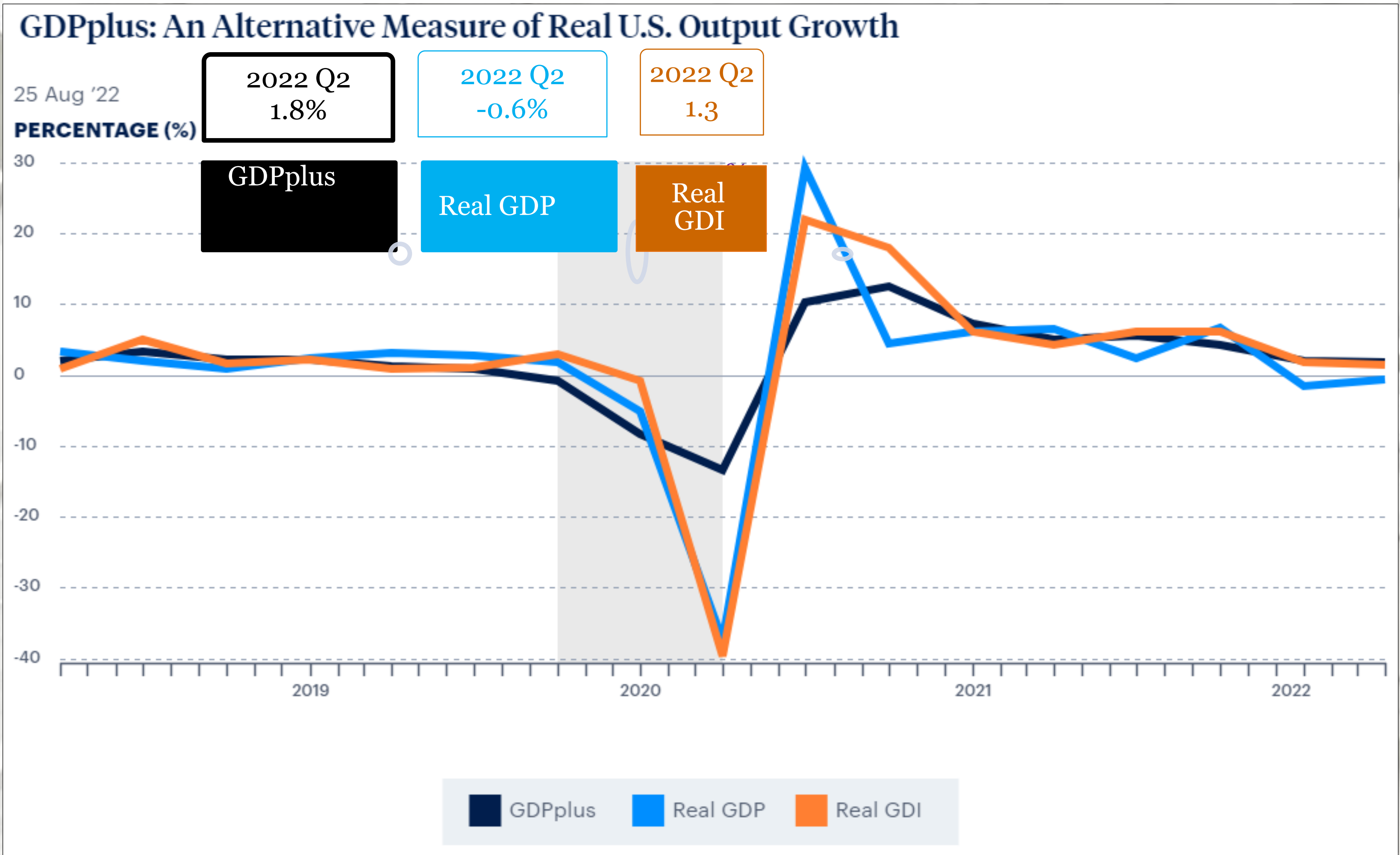
The Federal Reserve Bank of Philadelphia: GDPplus



Notes: Shaded areas indicate NBER recessions. The data measure the quarter-over-quarter growth rate in continuously compounded annualized percentage points.

Sources: Bureau of Economic Analysis (BEA) and NBER via Haver Analytics. Federal Reserve Bank of Philadelphia.

Source: https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/gdpplus; 8/25/22

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Manufacturing Activity Deteriorated in August

"Many Fifth District manufacturing firms reported slowdowns in August, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index fell from 0 in July to −8 in August, almost matching the June reading of −9. Two of its three component indexes tumbled: the indexes for shipments and volume of new orders slid from 7 and −10 in July to −8 and −20 in August, respectively. The third component, the employment index, rose to 11 from 8 in July.

The wage index remained elevated, despite a slight downward shift, indicating that a large but shrinking share of firms continues to report increasing wages. The local business conditions index edged downward slightly in August, moving from -13 to -14. Meanwhile, firms' expectations of conditions over the next six months stayed steady in August after marked improvement in July.

On the other hand, there was indication of further supply chain relief as the indexes for vendor lead time and backlog of orders decreased again in August, falling to −14 and −24.

The average growth rate of prices paid was virtually flat in August, while the average growth rate of prices received increased somewhat." – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 8/23/22

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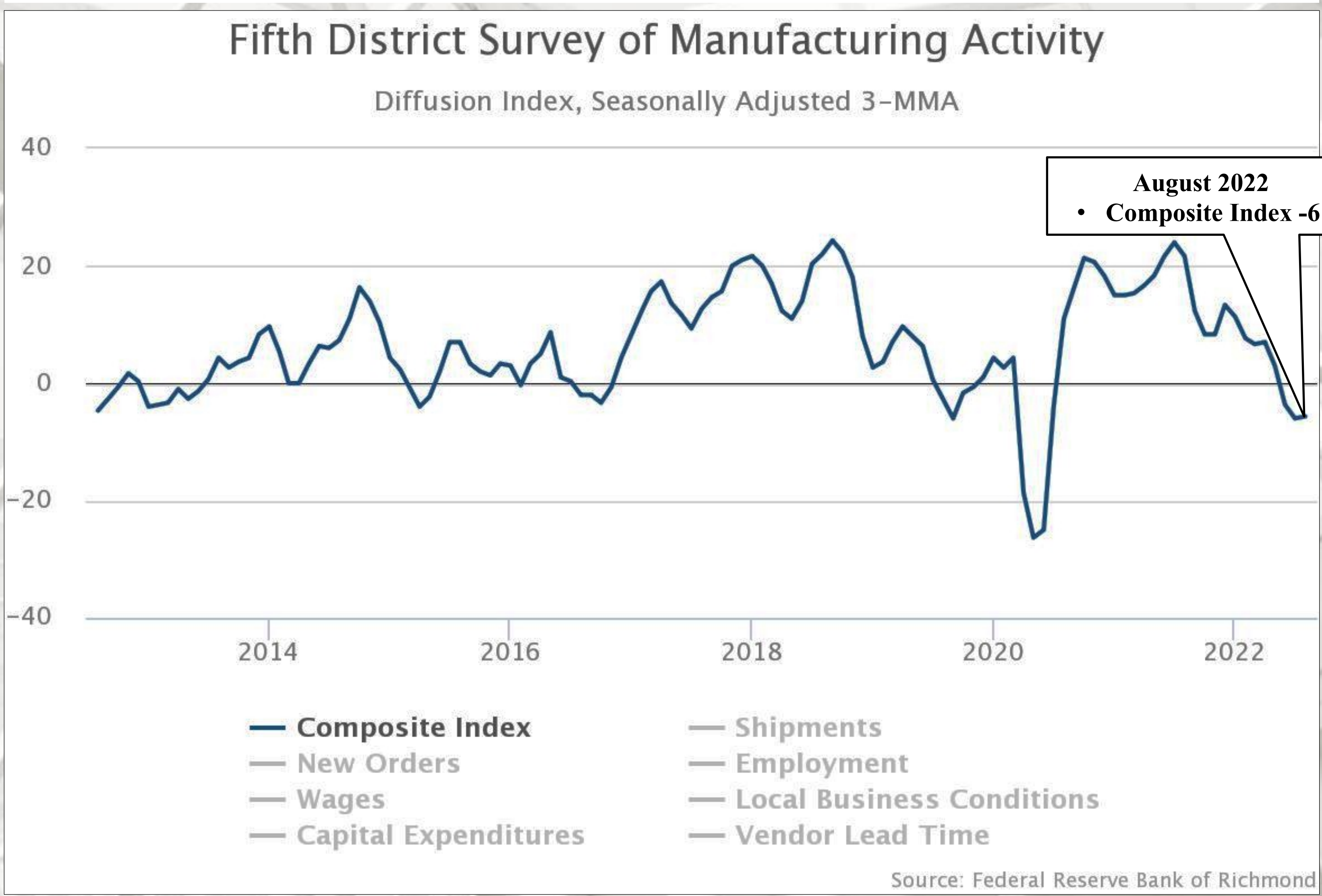
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 8/23/22

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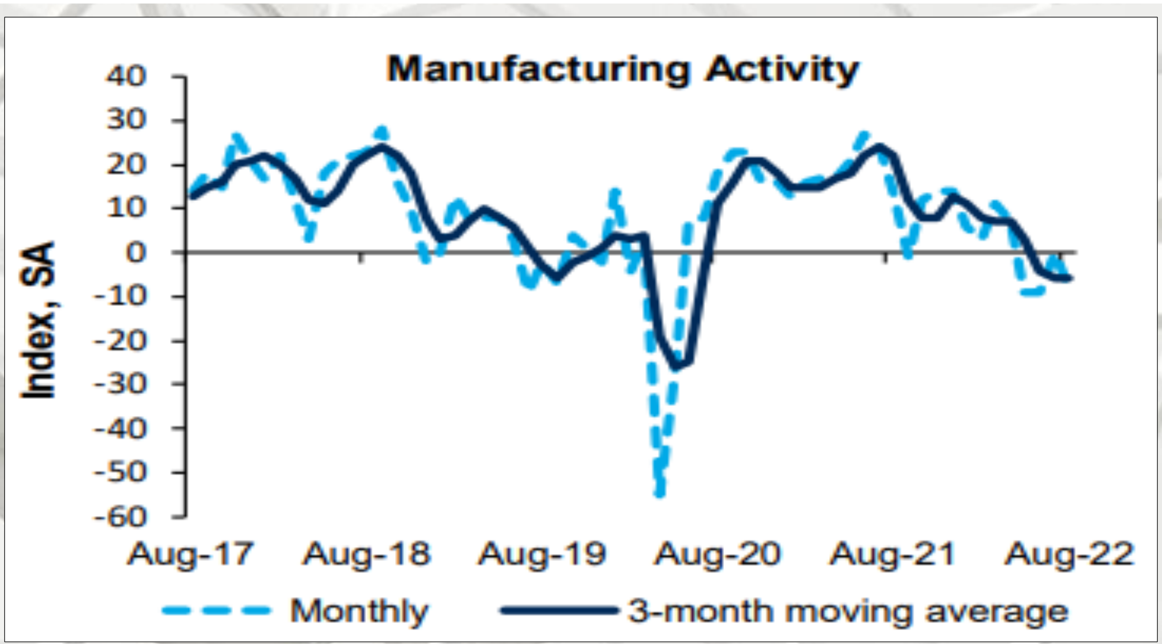
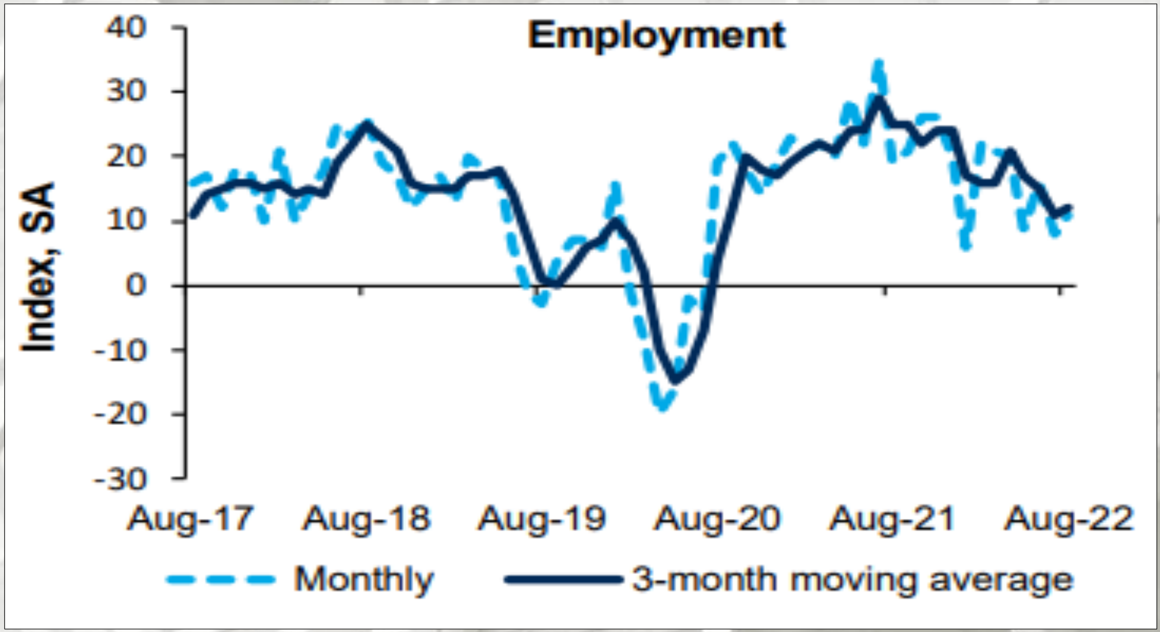
U.S. Economic Indicators





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 8/23/22

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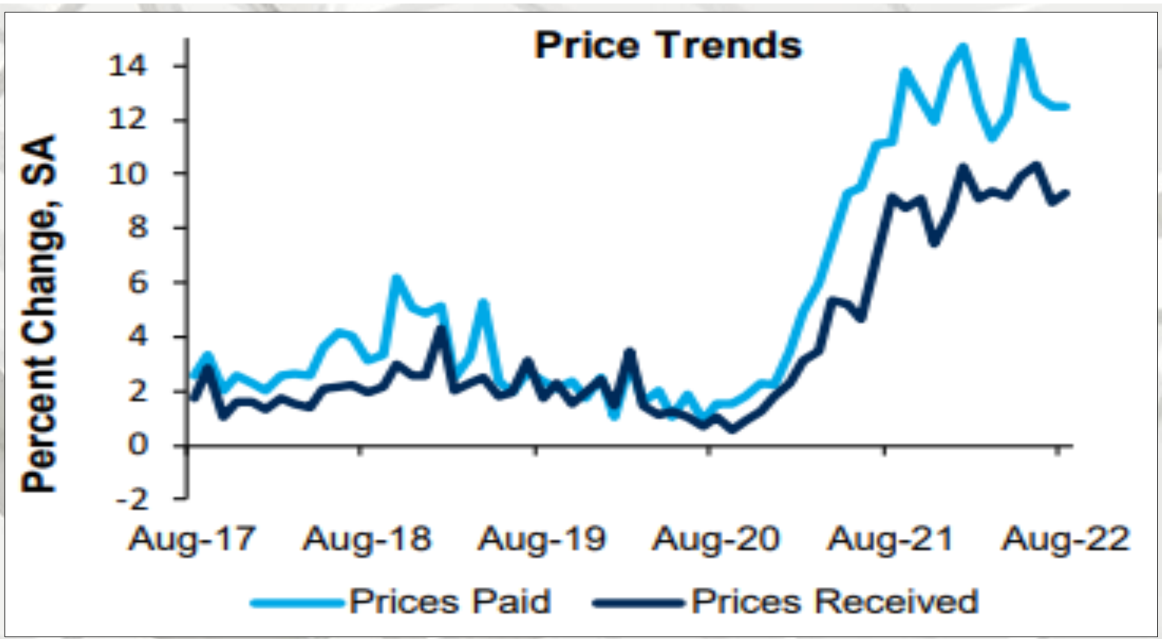
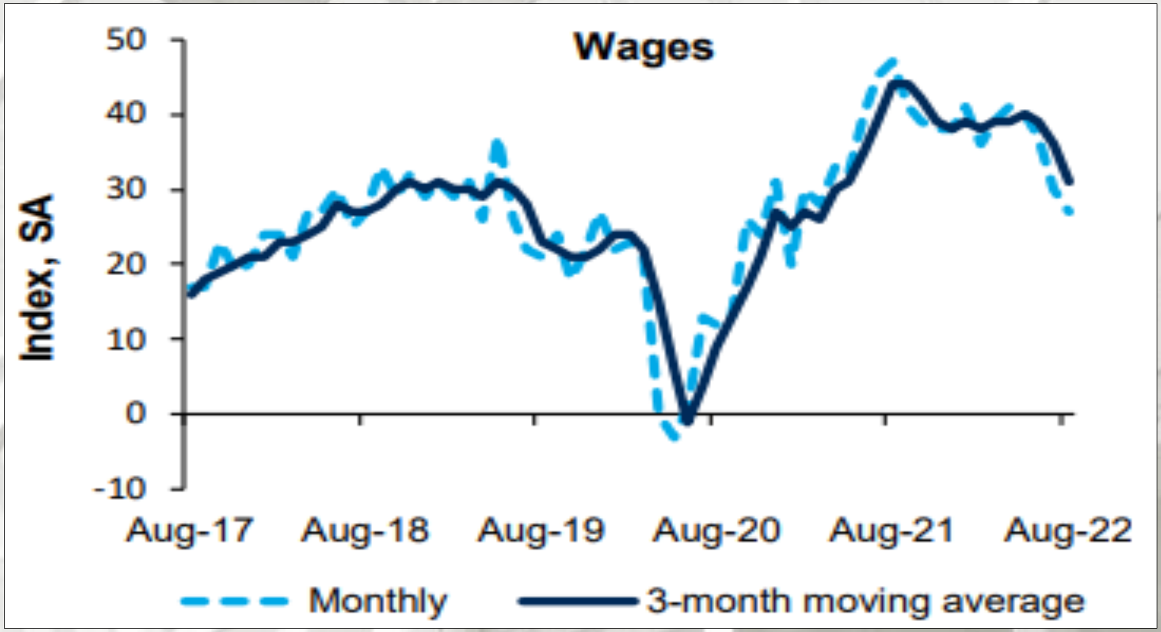
U.S. Economic Indicators





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 8/23/22

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Service Sector Activity Remained Sluggish in August

“Fifth District service sector activity remained sluggish in August, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues index increased slightly to −12 but remained well below 0, while the demand index decreased from −6 to −11. However, optimism that revenues and demand might improve over the next six months rebounded in August, with both expectations indexes returning to positive territory. The indexes for capital and service expenditures increased from July, while the index for equipment & software spending remained unchanged.

Firms' assessments of local business conditions improved from July, but remained well below 0 with a reading of -18 in August. Moreover, firms were considerably less pessimistic about future business conditions, as the expected business conditions index rose to −18 from −31.

A slightly larger share of firms reported increased hiring in August and their ability to find workers with the necessary skills continued to improve from its June level. Firms expect further improvement in skills availability in the next six months, but they also expect wages to remain elevated. In addition to increasing wage pressures, growth in prices paid and prices received increased in August.” – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 8/23/22

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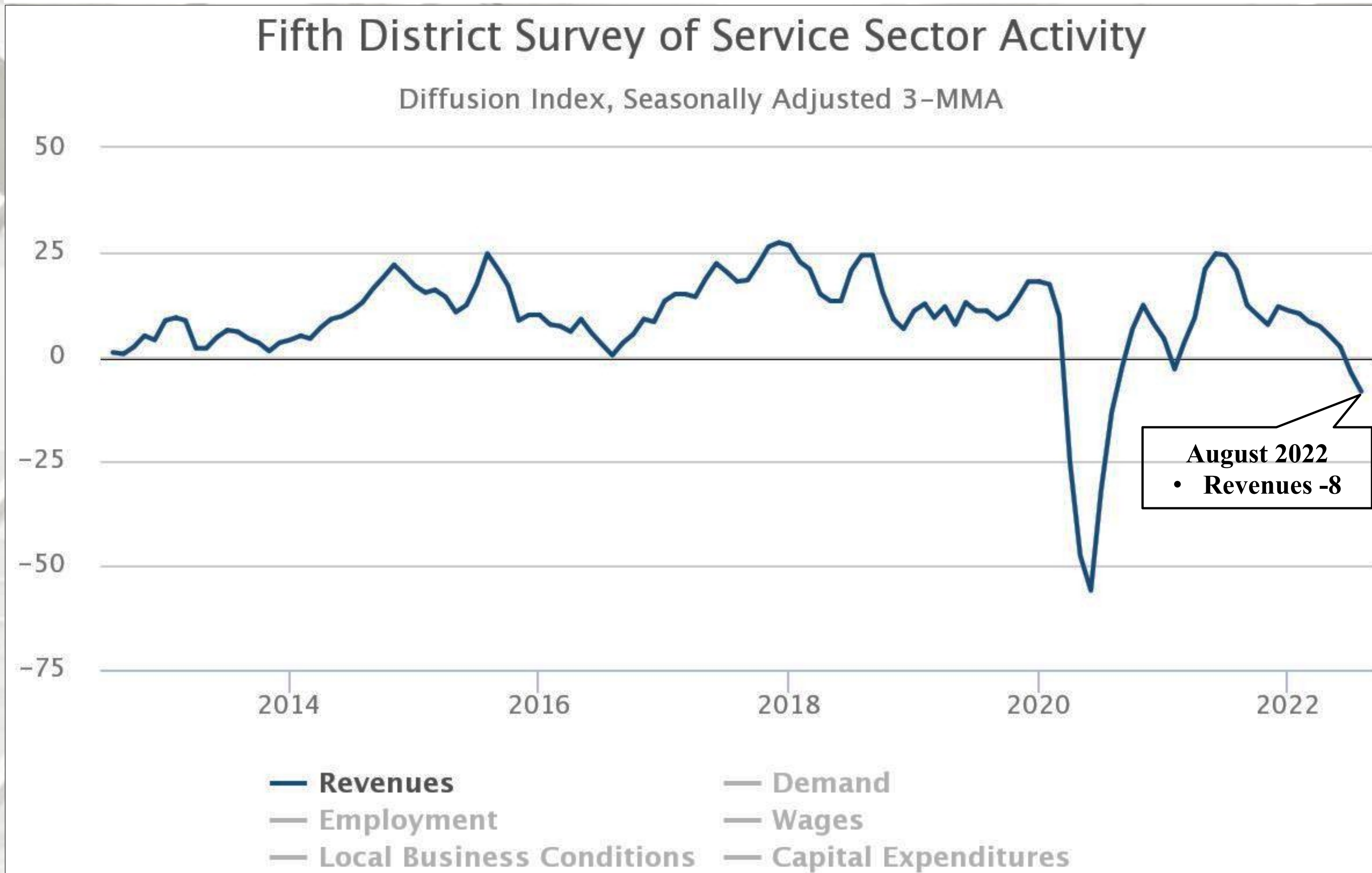
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 8/23/22

U.S. Global Economic Indicators

The Federal Reserve Bank of Dallas

México Economic Update

México's Economy Grows for Third Straight Quarter; Outlook Improves

"México's real GDP grew an annualized 4.1 percent in second quarter 2022, identical to the first quarter's revised 4.1 percent growth and above analysts' expectations of 3.2 percent. The service sector was the most dynamic as tourism continued to fuel the recovery, according to analysts. However, deceleration in global economic growth, particularly in the U.S., ongoing supply-chain bottlenecks, higher inflation and tighter monetary policy remain headwinds for the México an economy. Despite these challenges, the consensus forecast for 2022 GDP growth (fourth quarter/fourth quarter), compiled by Banco de México, remained unchanged in July (*Table 1*). The latest data available show industrial production, exports, retail sales, remittances and employment grew. In July, the peso lost value against the dollar, and inflation increased further.

Output Grows in Second Quarter 2022

According to preliminary estimates, México's second-quarter GDP grew an annualized 4.1 percent (*Chart 1*). The service-providing sector (wholesale and retail trade, transportation and business services) grew 4.0 percent, while output in both the goods-producing sector (manufacturing, construction, utilities and mining) and agriculture increased 3.6 percent.

Industrial Production Ticks Up

The three-month moving average of México's industrial production (IP) index – which includes manufacturing, construction, oil and gas extraction, and utilities – increased in May from April (*Chart 2*). On a month-over-month and unsmoothed basis, IP was up 0.1 percent in May while manufacturing IP increased 0.2 percent. North of the border, U.S. IP fell 0.2 percent in June after rising 0.1 percent in May. The correlation between IP in Mexico and the U.S. has increased considerably with the rise of intra-industry trade between the two countries since the early 1990s. Mexico's manufacturing sector could experience some slowdown in the second quarter, particularly if U.S. consumer demand decelerates as a result of rising prices and higher interest rates." – Jesus Cañas, Senior Business Economist, and Juliette Coia, Research Analyst; Research Department, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2022/2205.aspx; 8/22/22

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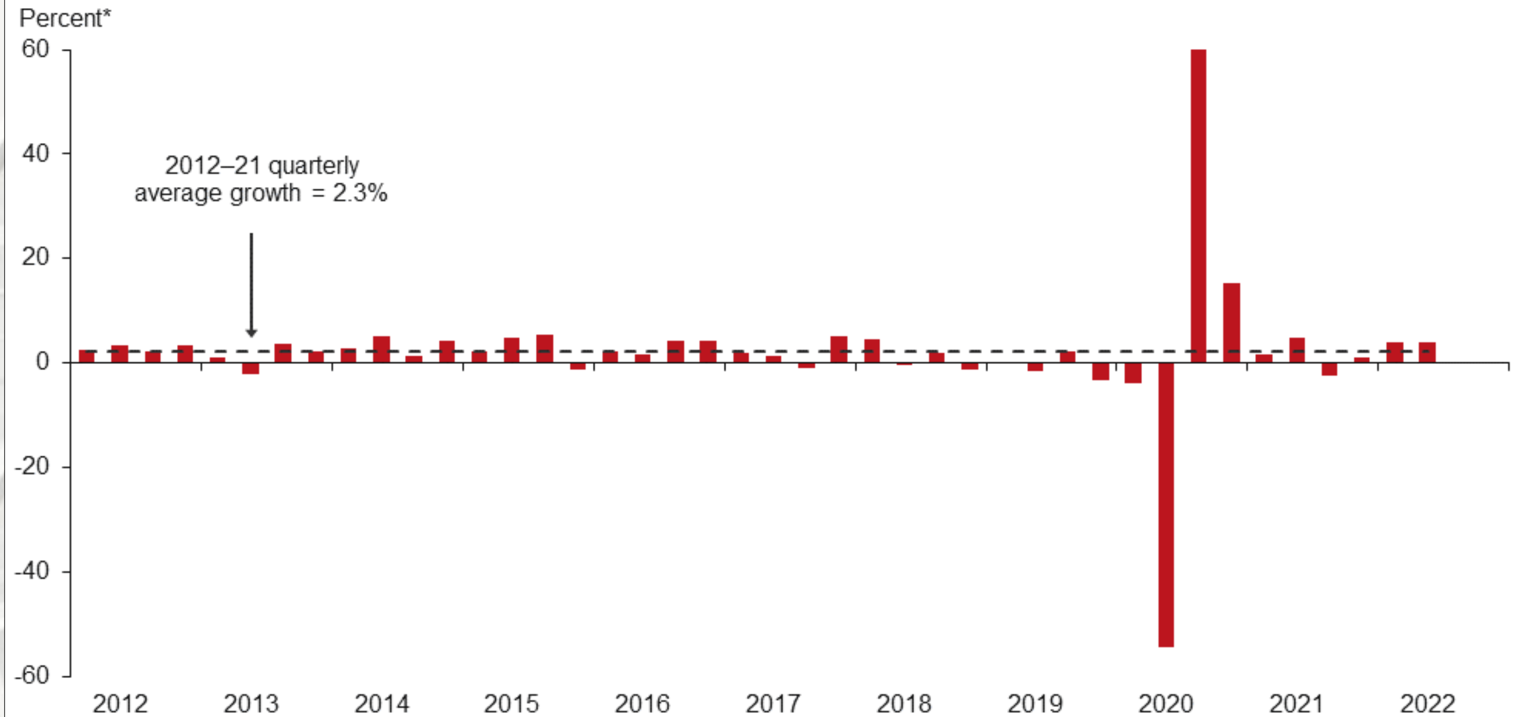
U.S. Global Economic Indicators

Table 1: Consensus Forecasts for 2022 Mexico Growth, Inflation and Exchange Rate

	July	June
Real GDP growth (Q4/Q4)	2.3	2.0
Real GDP (average year/year)	1.8	1.8
CPI (Dec. '22/Dec. '21)	7.8	7.5
Exchange rate—pesos/dollar (end of year)	20.8	20.8

NOTE: CPI refers to consumer price index. The survey period was July 21–28.
SOURCES: Encuesta sobre las Expectativas de los Especialistas en Economía del Sector Privado: Julio de 2022 (communiqué on economic expectations, Banco de México, July 2022).

Chart 1
Second-Quarter GDP Growth Holds Steady



*Quarter/quarter, real pesos; seasonally adjusted, annualized rate.
NOTES: Shown is GDP growth in Mexico. Data are through second quarter 2022.
SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Source: https://www.dallasfed.org/research/update/mex/2022/2205.aspx; 8/22/22

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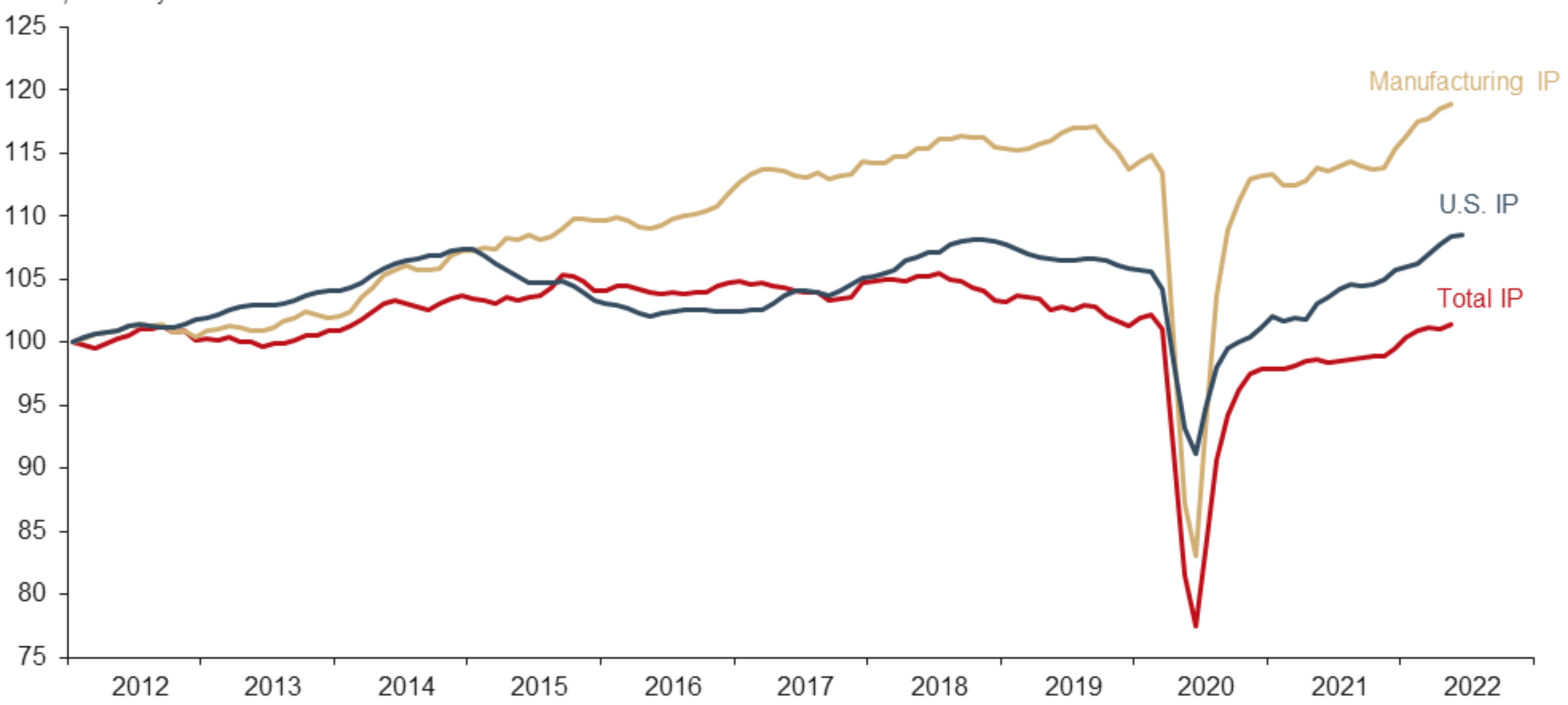
U.S. Global Economic Indicators

Chart 2
Industrial Production and Manufacturing Output Inch Up



*Seasonally adjusted, three-month moving average.
NOTES: Total and manufacturing IP refer to Mexico. U.S. IP refers to total industrial production in the United States. Mexico data are through May 2022. U.S. data are through June 2022.
SOURCES: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography); Federal Reserve Board.

Source: https://www.dallasfed.org/research/update/mex/2022/2205.aspx; 8/22/22

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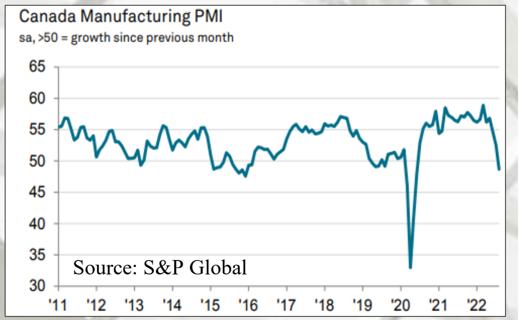
Private Indicators: Global



S&P Global Canada Manufacturing PMI®

"The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 48.7 in August, down from 52.5 in July, thus indicating a deterioration in manufacturing performance. The latest fall was only modest but ended a 25-month sequence of growth. Weak order books contributed to reduced pressure on operating capacity in July. This was highlighted by a renewed decline in backlogs of work. The rate of decline was modest, but the first for two years.

Manufacturing conditions deteriorate for first time in over two years

August data revealed the first downturn in operating conditions across the Canadian manufacturing sector since the COVID-19 pandemic began in the first half of 2020. The deterioration in performance reflected sharp and accelerated contractions in output and new orders and the first fall in employment in over two years. At the same time, renewed declines were recorded in buying activity, backlogs and pre-production inventories. Subsequently, optimism towards output in the year ahead moderated with concerns over the macroeconomy weighing slightly on sentiment. Meanwhile, manufacturing production declined for the second month in succession. The rate of decline was sharp and the quickest since June 2020 amid weak inflows of new work. Firms also indicated that supply-chain difficulties persisted to impact production. …

A key reason for the latest decline was a marked and accelerated fall in new orders. Firms indicated that client hesitancy, growing uncertainty and a general lull in domestic demand conditions were behind the latest reduction in new orders. Similarly, international demand for Canadian manufactured goods weakened in August. In fact, exports fell sharply and at the quickest rate since June 2020. …

Latest PMI data highlighted further concern for Canada's manufacturing sector midway through Q3 as high inflation and concerns over the long-term outlook hit demand hard. Both output and new orders fell at quicker rates while employment levels declined for the first time since the start of the pandemic over two years' ago. Firms and consumers alike have adopted a cautious approach to their purchasing habits over the last few months. Growing uncertainty, interest rate hikes, high inflation and persistent supply-chain pressures are no doubt the drivers of the latest drop.

While on the whole data looks bleak, positives could also be drawn, particularly on the price front where rates of inflation eased significantly in August. Firms will hope this trend continues. One thing for certain is testing times are sure to follow. Canadians will only hope that pressures ease sooner rather than later." – Shreeya Patel, Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/3214b26eb89a4da98d6aabce46c71f1c; 9/1/22

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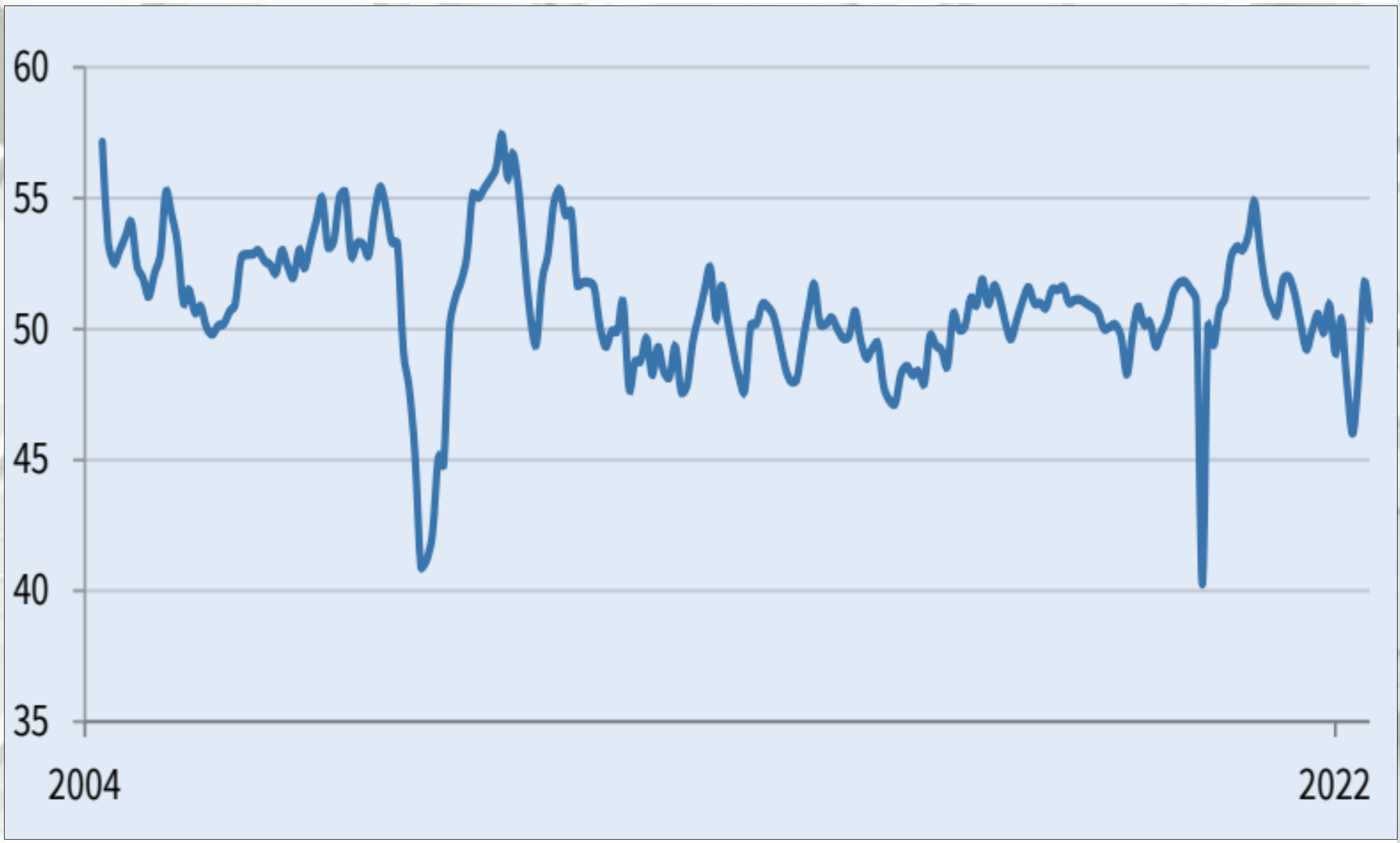
Private Indicators: Global

China General Manufacturing PMI



sa, > 50 = improvement since previous month
Sources: Caixin, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/5a27fb55bf944aa5a34e3de362006f9e; 8/1/22

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Private Indicators: Global

S&P Global Eurozone Manufacturing PMI®

"The S&P Global Eurozone Manufacturing PMI® fell to 49.6 in August, down from 49.8 and further beneath the 50.0 mark that separates growth from contraction. Overall, this was the lowest reading since June 2020 and signalled a second successive deterioration in manufacturing operating conditions. Meanwhile, there were further signs of price pressures coming further down from their peak as rates of input cost and output charge inflation slowed to 19- and 16-month lows respectively.

Eurozone manufacturing sector contracts again in August but inflationary pressures continue to subside

The eurozone manufacturing continued to contract midway through the third quarter. Output fell at a similar pace to that seen in July, which was the strongest since May 2020, while new orders declined sharply once again. Weak demand conditions were a major drag on goods producers in August, reflecting deteriorating purchasing power across Europe amid high inflation. Manufacturers subsequently cut their buying activity back further in response to the darkening economic outlook, although the reduced need for inputs helped lower the strain on suppliers. …

Eurozone manufacturing output fell, marking a third successive monthly decline. The reduction was solid overall and broadly similar to that seen in July, which was the quickest since May 2020. According to survey respondents, production volumes fell due to lower incoming new orders, although some continued to report material shortages. Demand for euro area goods* fell sharply again in August and marked a fourth consecutive reduction. High prices, overstocked customers and reports of order postponements due to economic uncertainty were mentioned by manufacturers. New export sales* also fell, with the decline accelerating to the fastest since June 2020. …

The euro area's beleaguered manufacturers reported a further steep drop in production in August, meaning output has now fallen for three successive months to add to the likelihood of GDP falling in the third quarter. Forward looking indicators suggest that the downturn is likely to intensify – potentially markedly – in coming months, meaning recession risks have risen. Falling sales have not only led increasing numbers of factories to cut production, but have also meant warehouses are filling with unsold stock to a degree unprecedented in the survey's 25-year history. Similarly, raw material inventories are accumulating due to the sudden and unexpected drop in production volumes.

Weak demand and efforts to reduce high inventory levels are therefore combining to drive production lower in the months ahead. The orders-to-inventory ratio – an important indicator of future production – is in fact now signalling a downturn of an intensity not seen since 2009, barring the initial pandemic lockdown months." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/53d89ce78e8e46fba5a8aa9e9d253f73; 9/1/22

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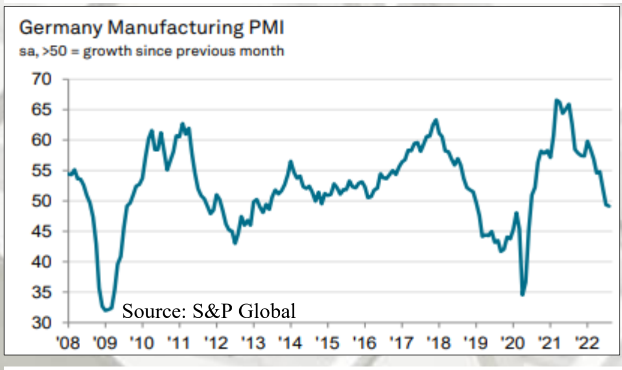
Private Indicators: Global



Source: S&P Global

S&P Global/BME Germany Manufacturing PMI®

"The headline the seasonally adjusted S&P Global/BME Germany Manufacturing PMI® – a single-figure measure of sector performance derived from measures of new orders, output, employment, suppliers' delivery times and stocks of purchases – registered 49.1 in August. Down slightly from 49.3 in July, this was the second successive reading in sub-50 contraction territory following a two-year period of growth.

German manufacturing sector remains in contraction in August

Germany's manufacturing sector remained in contraction in August, latest PMI® survey data showed, with a sustained downturn in new orders serving to weigh on production levels and slow the rate of job creation at factories. Rising stock levels remained a prominent feature of the survey. Amid signs of a further easing of supply-side constraints, the rate of cost inflation retreated further from its recent historic highs, although it was still elevated due to pressure from increased energy costs in particular. Firms were less pessimistic about the outlook than the month before.

A sharp decline in new orders continued to be seen across the German manufacturing sector in August. The rate of contraction eased only slightly since July, when it was the quickest since May 2020. Panel member reports pointed to greater hesitancy among clients due to high prices and an uncertain outlook. A number of firms also mentioned that high stocks levels among clients had weighed on demand. Lower international sales were reported once again, and here the rate of decline accelerated to the quickest since June 2020. …

The Germany Manufacturing PMI remained in contraction territory in August, with the sector under pressure from a notable moderation in demand. New orders continued to show a steep decline, albeit from historically high levels, with economic uncertainty and strong inflation both acting to suppress sales volumes. Material shortages are still a constraint on output in some cases. However, many manufacturers are accumulating stocks of finished goods as sales disappoint, which is a downside risk to the sector's performance in the coming months as these firms look to bring output more into line with demand and scale back their purchasing activity accordingly.

Amid an easing of imbalances across supply chains, cost inflation has retreated further from its recent historic highs. However, owing to the energy supply shock, cost pressures remain stubbornly high and have fresh upside risks in the coming months. Manufacturers are bearish about the outlook, but while we've seen the pace of job creation slow, there are no signs yet of the goods-producing sector going into retrenchment mode on the employment front" – Phil Smith, Principal Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/c4b014915a44408db1e27416aa8ac54e; 9/1/22

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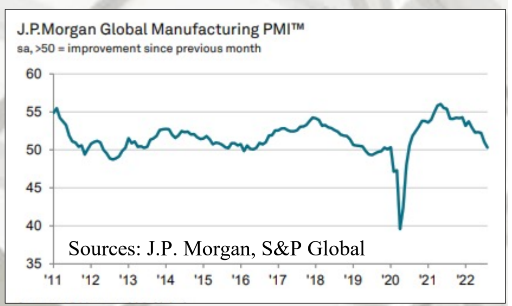
Private Indicators: Global



J.P. Morgan Global Manufacturing PMI™

"The J.P. Morgan Global Manufacturing PMI™ – a composite index produced by J.P. Morgan and S&P Global in association with ISM and IFPSM – fell to a 26-month low of 50.3 in August, down from 51.1 in July and only slightly above the 50.0 no change mark. Only ten out of the 30 nations for which August data were available registered increases in production, the majority of which only saw marginal growth (including China, Brazil Spain and Australia). The US, the euro area, Japan and the UK were among the larger economies to see contractions.

Downturn in global manufacturing as output, new orders and international trade all contract

Global manufacturing output fell back into contraction in August, amid signs that conditions may deteriorate further in coming months. New order intakes declined for the second successive month, while a reduction in backlogs of work combined with rising stocks of finished goods point to a possible build-up of excess capacity at factories. Global manufacturing production contracted in August. Apart from the China lockdown-related falls earlier in the year, this is the first downturn since June 2020 (during the early stages of the COVID pandemic). Output declined across the consumer, intermediate and investment goods industries. …

There were signs that excess capacity may be building in the global manufacturing sector. August saw the second successive month where stocks of finished goods rose and backlogs of work contracted. Subsequently, the rate of jobs growth remained only marginal, matching July's one-and-a-half year low. Staffing levels were raised in the US, the euro area and Japan (among others), while China was one of the 11 nations to see a decrease. …

Business optimism edged upwards during August, rising to a three-month high and recovering from July's 26-month low. Confidence strengthened to a six-month high in emerging markets (on average) and hit a three-month peak among developed nations. However, despite firms' positive outlook for the year ahead, the near-term horizon remained negative. The cyclically sensitive new orders to inventories of finished goods ratio fell to 0.95 – its lowest level since May 2020 (during the early stages of the COVID pandemic).

The manufacturing output PMI fell below 50 in August, suggesting an outright contraction in global factory output in early 2H22. The outlook is also increasingly weak. The orders: inventory ratio in August fell to its lowest level since May 2020, and the further deterioration in orders points to additional excess capacity building at factories. The good news from the latest surveys was a sizeable easing in the pricing PMIs, providing some respite from inflationary pressures" – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/7a915dd6e1274fc199abcf9f7545bbf8; 9/1/22

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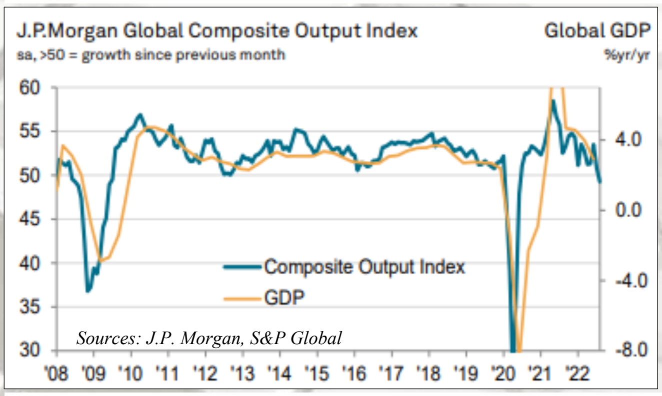
Private Indicators: Global



J.P. Morgan Global Composite PMI™

"The J.P. Morgan Global Composite Output Index – produced by J.P. Morgan and S&P Global in association with ISM and IFPSM – fell to 49.3 in August, from 50.8 in July. Output contracted in both the manufacturing and service sectors, the first time both categories have been in concurrent downturns since June 2020.

Global economy contracts for first time since June 2020 despite further easing in cost inflation

August saw global economic activity contract for the first time since June 2020, as new order inflows declined, international trade volumes fell and signs of excess capacity grew. There was better news on the price front, however, with rates of input cost and output charge inflation both easing. August data signalled that weaknesses in the global economy were becoming more widespread. Five out of the six subindustries covered saw downturns – business services, consumer goods, consumer services, intermediate goods and investment goods. In contrast, the financial services sector saw a mild upturn following July's contraction.

The downturn was centred on developed markets (DM), with output contracting across both the DM manufacturing and service sectors. … There were signs of excess capacity building in parts of the global economy. Backlogs of work declined at manufacturers and service providers, while stocks of finished products at manufacturers also rose. Subsequently, the rate of job creation eased to a seven-month low. Staffing levels rose in almost all of the nations covered – the exceptions being China and Russia – although rates of increase generally eased. …

The composite PMI fell 1.5-pts in August to its lowest level since June 2020. The headline index, at 49.3, is now at a level rarely seen outside of global recession. Another decline in the new orders PMI is particularly concerning and suggests that multi-decade high inflation is weighing considerably on global demand. In more positive news for the outlook, the pricing PMIs continued to ease and the future output PMI bounced back from a June-July slide." – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/24767335468f47069d99bd64a037a9ad; 9/6/22

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Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Increases by a Modest 0.8% in July

"National nonresidential construction spending increased 0.8% in July, according to an Associated Builders and Contractors analysis of data published by the U.S. Census Bureau. On a seasonally adjusted annualized basis, nonresidential spending totaled $847.6 billion for the month.

Spending was up on a monthly basis in 13 of the 16 nonresidential subcategories. Private nonresidential spending was up 0.4%, while public nonresidential construction spending was up 1.5% in July.

"The nonresidential sector continues to grapple with rising borrowing costs, elevated materials and labor costs and pervasive economic pessimism," said ABC Chief Economist Anirban Basu. "Despite a modest increase in July, nonresidential construction spending remains below its pre-pandemic level. There is, however, at least one bright spot for the industry: publicly financed construction. State and local governments are flush with cash, and considerable funding is slated for various forms of infrastructure. In July, spending in the highway and street category increased 4.4%, while spending in the public safety category rose 2.3%.

"For privately financed construction, circumstances could get worse before they get better," said Basu. "The Federal Reserve recently recommitted to further tightening monetary policy. Market sentiment quickly turned negative. Rather than disappear, supply chain challenges are proliferating in much of the world, including in Europe and China, and the risk of recession is elevated. This is simply not a set of circumstances conducive to rapid nonresidential construction spending growth, and according to the most recent Construction Confidence Index, just 31% of contractors expect their profit margins to grow over the next six months."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19579/abc-nonresidential-construction-spending-increases-by-a-modest-08-in-july; 9/1/22

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Private Indicators
Associated Builders and Contractors

Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate	July 2022	June 2022	July 2021	1-Month % Change	12-Month % Change
Total Construction	$1,777,296	$1,784,299	$1,637,329	-0.4%	8.5%
Residential	$929,667	$943,612	$815,483	-1.5%	14.0%
Nonresidential	$847,630	$840,687	$821,846	0.8%	3.1%
Highway and street	$103,411	$99,089	$98,904	4.4%	4.6%
Public safety	$11,428	$11,175	$11,987	2.3%	-4.7%
Conservation and development	$9,009	$8,847	$8,576	1.8%	5.0%
Religious	$2,851	$2,815	$2,825	1.3%	0.9%
Transportation	$55,490	$54,919	$56,295	1.0%	-1.4%
Communication	$24,343	$24,133	$25,139	0.9%	-3.2%
Amusement and recreation	$26,502	$26,298	$24,567	0.8%	7.9%
Commercial	$107,702	$106,972	$95,054	0.7%	13.3%
Manufacturing	$94,752	$94,155	$79,429	0.6%	19.3%
Lodging	$17,182	$17,088	$17,510	0.6%	-1.9%
Office	$85,832	$85,380	$86,617	0.5%	-0.9%
Educational	$95,432	$95,329	$94,506	0.1%	1.0%
Power	$109,196	$109,132	$124,657	0.1%	-12.4%
Sewage and waste disposal	$30,952	$31,035	$28,735	-0.3%	7.7%
Water supply	$22,571	$22,689	$18,846	-0.5%	19.8%
Health care	$50,978	$51,631	$48,200	-1.3%	5.8%
Private Nonresidential	$503,879	$502,070	$488,965	0.4%	3.1%
Public Nonresidential	$343,751	$338,617	$332,881	1.5%	3.3%

Source: U.S. Census Bureau

Source: https://www.abc.org/News-Media/News-Releases/entryid/19579/abc-nonresidential-construction-spending-increases-by-a-modest-08-in-july; 9/1/22

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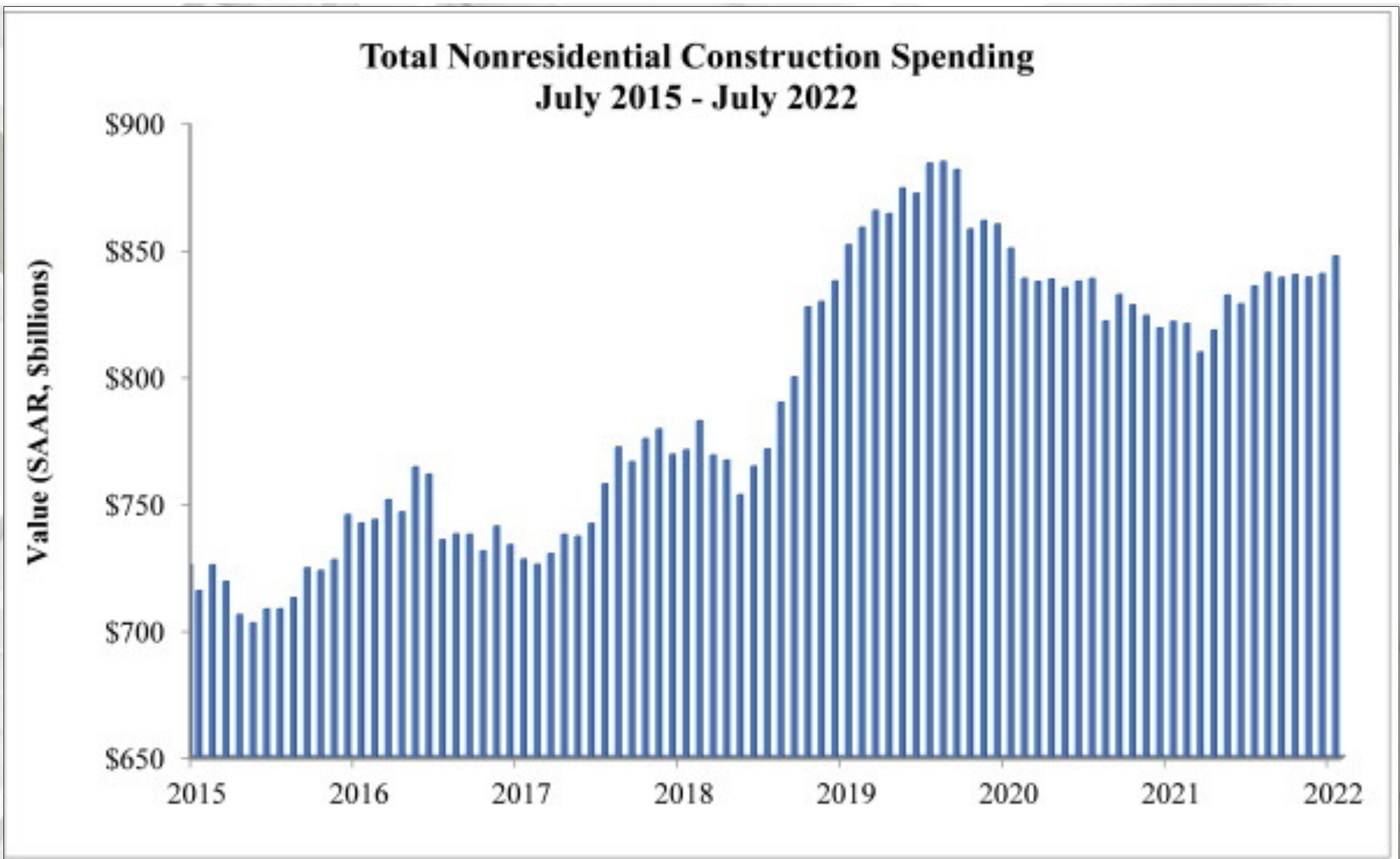
Associated Builders and Contractors



Source: U.S. Census Bureau

Source: https://www.abc.org/News-Media/News-Releases/entryid/19579/abc-nonresidential-construction-spending-increases-by-a-modest-08-in-july; 9/1/22

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Private Indicators
Associated Builders and Contractors

ABC's Contractor Confidence Rebounds; Construction Backlog Indicator Flat in August

"Associated Builders and Contractors reports today that its Construction Backlog Indicator remained unchanged at 8.7 months in August, according to an ABC member survey conducted Aug. 22 to Sept. 7. The reading is a full month higher than in August 2021.

Backlog is down from the levels of the second quarter of 2022 but remains higher than at any point from March 2020 to March 2022. While the CBI reading fell for contractors in the South in August, it remains the U.S. region with the lengthiest backlog.

ABC's Construction Confidence Index readings for sales, profit margins and staffing levels increased in August. The index for profit margins bounced back into positive territory while the sales and staffing level indices remained above 50, indicating expectations of growth over the next six months.

"Despite the high risk of recession, contractors collectively expect sales, employment and profit margins to grow over the next six months," said ABC Chief Economist Anirban Basu. "Backlog is down from the cyclical peak in early 2022 and has been roughly flat in recent months.

"The buoyancy of the nation's nonresidential construction marketplace is really quite remarkable," said Basu. "Rising interest rates have already driven the single-family home building market into recession, but brisk nonresidential activity continues. Many nonresidential contractors are operating at capacity, and their principal frustrations relate to supply-side issues like worker shortages, equipment delivery delays and elevated materials prices, as opposed to demand for their services."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19590/abcs-contractor-confidence-rebounds-construction-backlog-indicator-flat-in-august; 9/13/22

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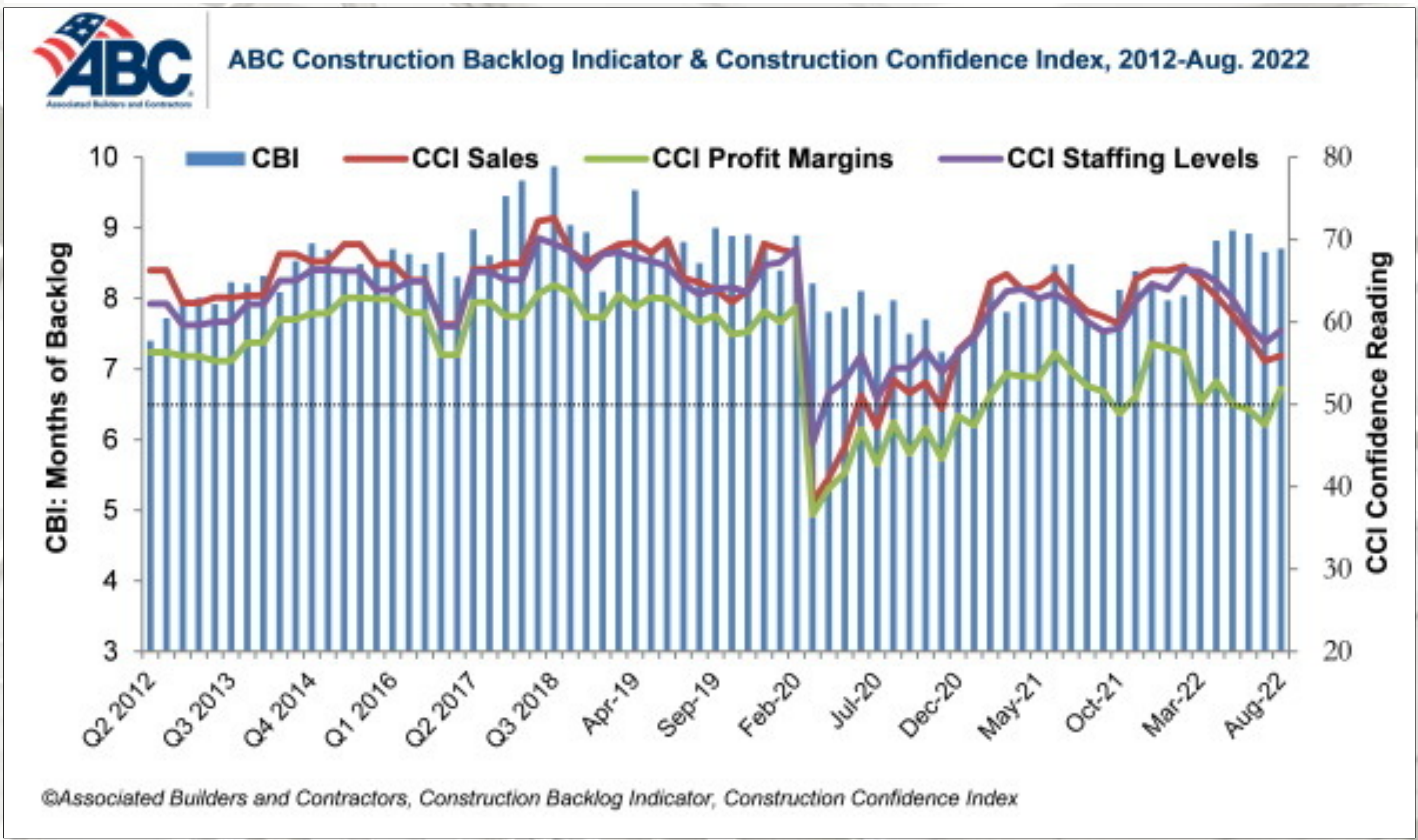
Associated Builders and Contractors



Source: https://www.abc.org/News-Media/News-Releases/entryid/19590/abcs-contractor-confidence-rebounds-construction-backlog-indicator-flat-in-august; 9/13/22

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Private Indicators
Associated Builders and Contractors

Construction Backlog Indicator

	Aug. 2022	July 2022	Aug. 2021	1-Month Net Change	12-Month Net Change
Total	**8.7**	**8.7**	**7.7**	**0.0**	**1.0**
Industry					
Commercial & Institutional	9.1	8.9	7.8	0.2	1.3
Heavy Industrial	7.4	6.6	5.4	0.8	2.0
Infrastructure	8.2	9.3	7.7	-1.1	0.5
Region					
Middle States	7.2	7.5	7.4	-0.3	-0.2
Northeast	8.0	8.6	7.4	-0.6	0.6
South	10.9	11.6	8.9	-0.7	2.0
West	9.1	6.9	7.4	2.2	1.7
Company Size					
<$30 Million	7.8	7.4	7.4	0.4	0.4
$30-$50 Million	10.0	10.8	7.5	-0.8	2.5
$50-$100 Million	13.1	12.9	10.9	0.2	2.2
>$100 Million	13.9	13.2	10.4	0.7	3.5

Source: https://www.abc.org/News-Media/News-Releases/entryid/19590/abcs-contractor-confidence-rebounds-construction-backlog-indicator-flat-in-august; 9/13/22

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Private Indicators
Associated Builders and Contractors

Construction Confidence Index

Response	August 2022	July 2022	August 2021
CCI Reading			
Sales	55.9	55.2	61.3
Profit Margins	51.9	47.5	52.2
Staffing	59.0	57.5	60.1
Sales Expectations			
Up Big	3.8%	8.3%	8.9%
Up Small	47.3%	38.7%	46.6%
No Change	23.7%	23.2%	27.5%
Down Small	19.4%	25.4%	14.8%
Down Big	5.9%	4.4%	2.1%
Profit Margin Expectations			
Up Big	2.7%	1.7%	3.8%
Up Small	34.9%	29.3%	30.5%
No Change	34.9%	32.0%	39.8%
Down Small	22.0%	31.5%	22.5%
Down Big	5.4%	5.5%	3.4%
Staffing Level Expectations			
Up Big	5.9%	4.4%	4.2%
Up Small	39.8%	37.6%	42.4%
No Change	40.3%	43.6%	44.9%
Down Small	12.4%	12.2%	6.4%
Down Big	1.6%	2.2%	2.1%

Source: https://www.abc.org/News-Media/News-Releases/entryid/19590/abcs-contractor-confidence-rebounds-construction-backlog-indicator-flat-in-august; 9/13/22

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index July 2022

Architecture firm billings grow at a slower pace

42% of firms consider stalled, delayed,
or cancelled projects to be at least a somewhat serious issue

“While architecture firm billings grew for the 18th consecutive month in July, the pace of growth continued to slow. The Architecture Billings Index (ABI) score of 51.0 for the month is the lowest since January, and marks the fourth straight month with a lower score than the previous month. With a variety of economic storm clouds continuing to gather, we are likely looking at a period of slower growth going forward. In addition, inquiries into new projects also continued to slow this month, although the value of new design contracts rose slightly from June to July. While both of these indicators remain below their mid-2021 peaks, they show that there remains interest in new projects going forward.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“Ongoing project activity at architecture firms as well as new work coming online remains strong, pushing project backlogs up to seven months on average nationally. In spite of heavy workloads, employment at architecture firms has stabilized, suggesting that adding new employees is becoming even more challenging as the building construction sector continues to recover.” – Kermit Baker, Chief Economist, AIA

Source: https://www.aia.org/pages/6526839-abi-July-2022-architecture-firms-continue-; 8/20/22

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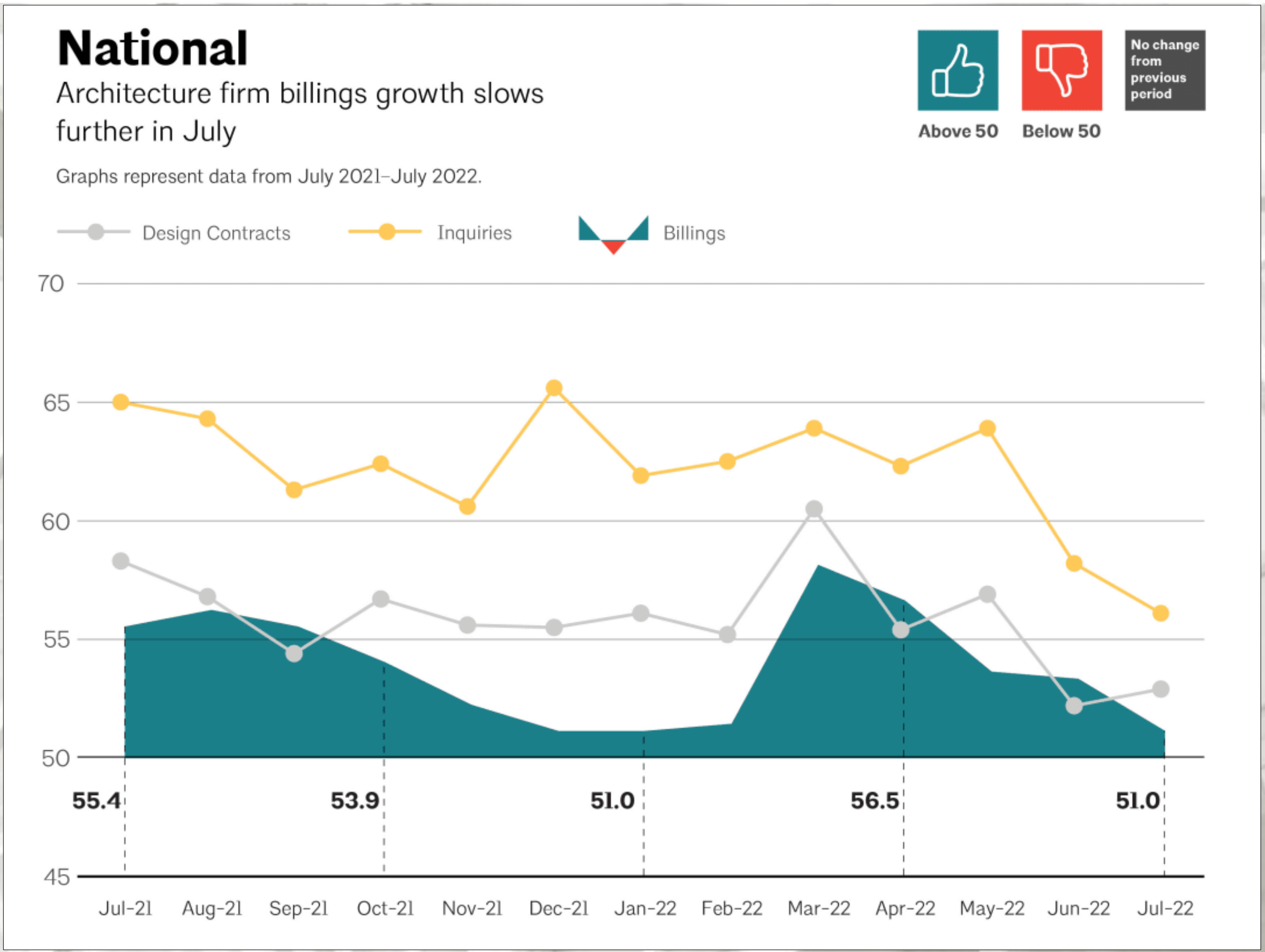
Private Indicators
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6526839-abi-July-2022-architecture-firms-continue-; 8/20/22

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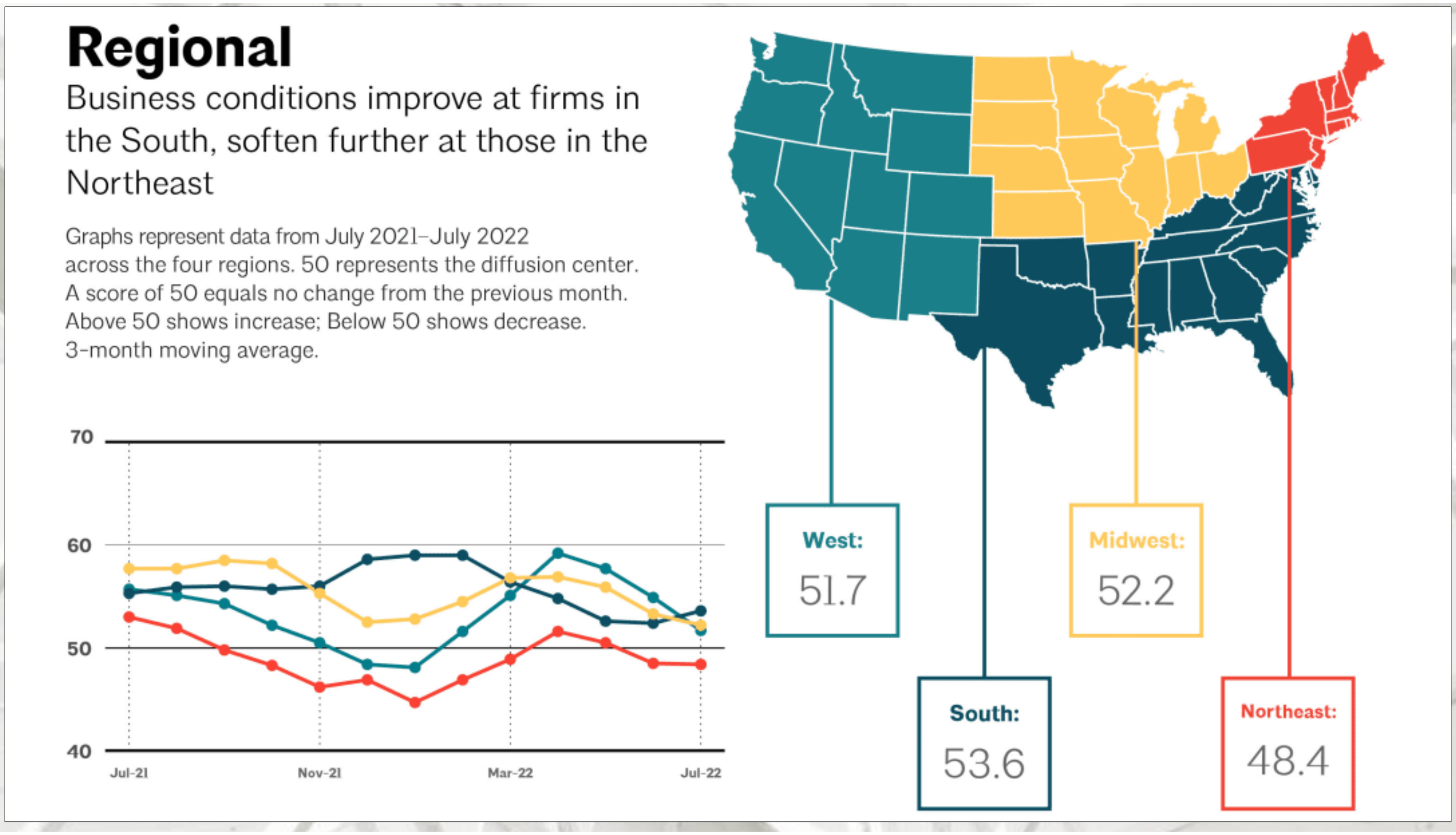
Private Indicators: AIA



Region

"However, business conditions softened for the second consecutive month at firms located in the Northeast in July, and billings have now declined at firms in that region for a total of nine out of the last 12 months. Billings continued to grow at a modest pace at firms in other regions, and growth actually picked up at firms located in the South." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6526839-abi-July-2022-architecture-firms-continue-; 8/20/22

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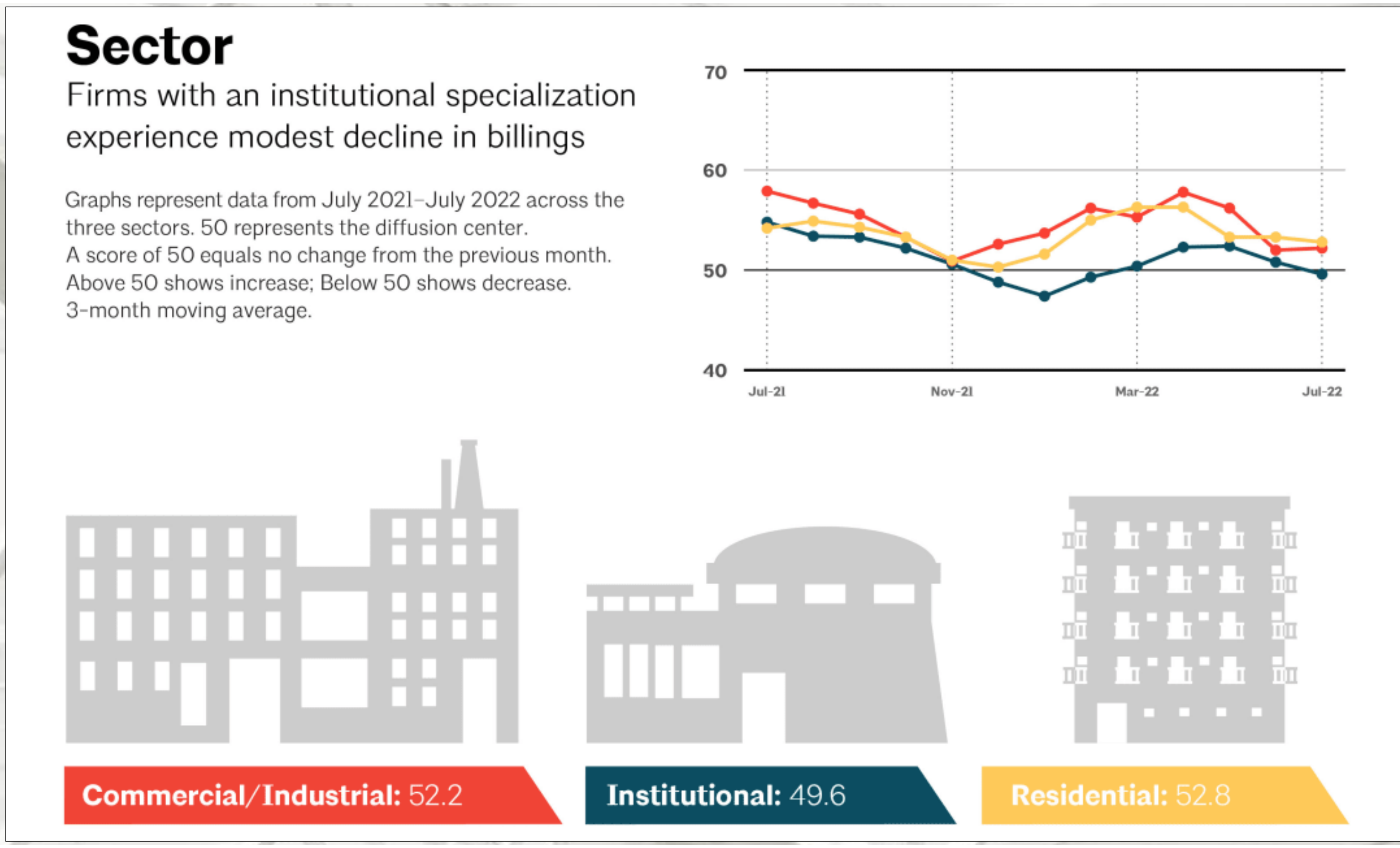
Private Indicators: AIA



Sector

"By firm specialization, business conditions remained positive at firms with multifamily residential and commercial/industrial specializations, while firms with an institutional specialization saw a very small decline in billings. Firms with an institutional specialization have generally seen slower growth than firms of other specializations during this recovery period, and that looks to continue."
– Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6526839-abi-July-2022-architecture-firms-continue-; 8/20/22

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Private Indicators

Dodge Data & Analytics

Total Construction Starts Surge in July

Mega projects led gains, but details show broad-based construction expansion

"Total construction starts rose 48% in July to a seasonally adjusted annual rate of $1.36 trillion, according to Dodge Construction Network. This gain results from the start of three large manufacturing plants and two LNG export facilities. However, even without these projects, total construction starts would still have increased 7%. Nonresidential building starts rose 79% in July, and nonbuilding starts jumped 120%, conversely residential starts decreased 8%.

Year-to-date, total construction was 11% higher in the first seven months of 2022 compared to the same period of 2021. Nonresidential building starts rose 22% over the year, residential starts were 1% higher, and nonbuilding starts were up 16%.

For the 12 months ending July 2022, total construction starts were 10% above the 12 months ending July 2021. Nonresidential starts were 21% higher, residential starts gained 4%, and nonbuilding starts were up 10%.

"Mega-projects aside, construction continues to improve despite the pressure created by higher interest rates and labor scarcity," said Richard Branch, chief economist for Dodge Construction Network. "Combined with the strong labor market, this is another indicator that the U.S. is not currently in a recession. However, the Federal Reserve will continue to aggressively raise interest rates until they feel that inflation is under control. This will create mounting pressure on building activity and potentially lead to a slowdown in construction starts by year-end.'"" – Nicole Sullivan, Public Relations & Social Media, AFFECT

Source: https://www.construction.com/news/July-2022-Starts; 8/16/22

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Private Indicators

Dodge Data & Analytics

“**Residential building starts** fell in July to a seasonally adjusted annual rate of $391.9 billion. Single family starts lost 9%, and multifamily starts were 5% lower. Through the first seven months of 2022, residential starts were 1% higher than that of the same timeframe in 2021. Multifamily starts were up 24%, while single family housing slipped 7%.

For the 12 months ending July 2022, residential starts improved 4% from the same period ending July 2021. Single family starts were 4% lower, and multifamily starts were 26% stronger on a 12-month rolling sum basis.

The largest multifamily structures to break ground in July were the $680 million first phase of the OneJournal Square building in Jersey City, NY, the $380 million 90Ninety mixed-use building in Jamaica, NY, and the $325 million Domino Sugar Factory redevelopment in Brooklyn, NY.

Regionally, total construction starts in July rose in all regions except for the West..

Nonresidential building starts rose an astonishing 79% in July to a seasonally adjusted annual rate of $530.5 billion. Manufacturing was the main driver of growth due to four projects breaking ground that together total $17.9 billion. Without these projects, nonresidential building starts would still have risen by 16%. Institutional starts rose 28% during the month due to a solid gain for healthcare starts, while commercial starts lost 11%. Through the first seven months of 2022, nonresidential building starts were 22% higher than during the first seven months of 2021. Commercial starts advanced 13% and institutional starts rose 2%, while manufacturing starts were 185% higher on a year-to-date basis.

For the 12 months ending July 2022, nonresidential building starts were 21% higher than in the 12 months ending July 2021. Commercial starts grew 13%, institutional starts rose 6%, and manufacturing starts swelled 170% on a 12-month rolling sum basis.

The largest nonresidential building projects to break ground in July were the $10 billion Intel Semiconductor plant in Jersey Township, OH, the $2.9 billion BlueOval SK Battery Park Ford plant in Glendale, KY, and the $2.8 billion BlueOval City manufacturing campus in Stanton, TN.”
– Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/July-2022-Starts; 8/16/22

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Private Indicators

July 2022 CONSTRUCTION STARTS

MONTHLY CONSTRUCTION STARTS

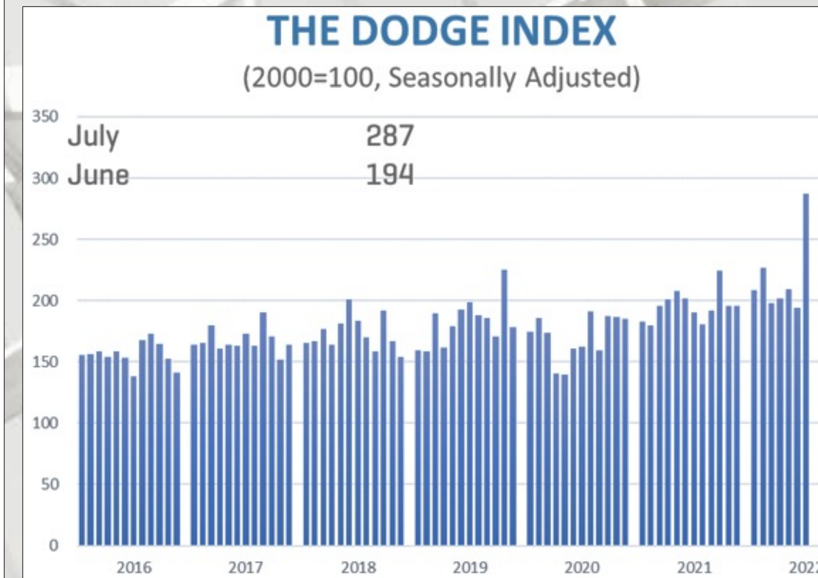
(Millions of Dollars, Seasonally Adjusted Annual Rate)

	Jul 2022	Jun 2022	% Change
Nonresidential Building	$530,476	$296,346	79
Residential Building	391,864	425,478	-8
Nonbuilding Construction	433,506	196,674	120
Total Construction	$1,355,846	$918,498	48

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	7 Mos. 2022	7 Mos. 2021	% Change
Nonresidential Building	$208,010	$170,328	22
Residential Building	256,558	253,090	1
Nonbuilding Construction	138,688	119,845	16
Total Construction	$603,256	$543,263	11



Source: Dodge Data & Analytics

Source: https://www.construction.com/news/July-2022-Starts; 8/16/22

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Private Indicators

MNI Chicago

"The Chicago Business Barometer™, produced with MNI, all but stood still in August. The indicator inched up 0.1 points to 52.2, following the June/July slide which saw the Chicago Report™ fall to the lowest level since August 2020.

Chicago Business Barometer™ – Stabilizes at 52.2 in August

- The only sub-indicators to fall were employment and supplier deliveries, while prices paid was unchanged from the previous month. Supplier deliveries eased to the lowest level since July 2020 with just over a quarter of firms seeing deliveries slow.
- Production strengthened by 6.7 points to 54.9 in August, close to recovering July's 7.0-point.
- Underpinned by more shipping days in August, orders saw robust production over the month.
- New Orders followed a similar trajectory, improving by 4.4 points to 48.9. Fourth quarter outlooks appeared positive. Long-time lead businesses continued to struggle and cited cancellations.
- Order Backlogs grew by 6.1 points to 54.5 in August.
- Employment edged down 1.5 points to 54.6, implying little change in the tightness of the labor market.
- Supplier Deliveries declined 5.0 points to 62.1. Stockpiling in the first quarter of the year likely
- exasperated delivery issues.
- Inventories saw the largest rebound this month, bouncing back 13.9 points, reversing the July plunge. The index remains 7.5 points below May's near 50-year high.
- Prices Paid held firm in August, all but unchanged at 81.8, with price pressures remaining acute.

This month we asked firms "Do you see the prospect of slowing global / U.S. growth impacting demand for your product?"

Responses were significantly varied, over a third (34.9%) expected a downturn, the same as expecting unchanged demand. Meanwhile, 16.3% of respondents were already seeing a notable downturn." – Les Commons, Senior Economist and Lucy Hager, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 8/31/22

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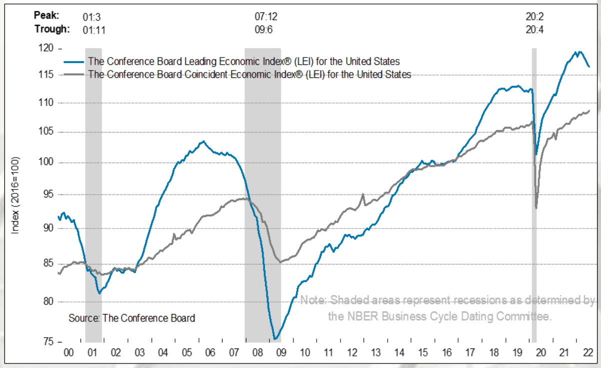
Private Indicators

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

US LEI continues to point to a decline in near-term economic activity

"**The Conference Board Leading Economic Index®** (LEI) for the U.S. decreased by 0.4 percent in July 2022 to 116.6 (2016=100), after declining by 0.7 percent in June. The LEI was down by 1.6 percent over the six-month period from January to July 2022, a reversal from its 1.6 percent growth over the previous six months."

U.S. Composite Economic Indexes (2016 = 110)



"The US LEI declined for a fifth consecutive month in July, suggesting recession risks are rising in the near term. Consumer pessimism and equity market volatility as well as slowing labor markets, housing construction, and manufacturing new orders suggest that economic weakness will intensify and spread more broadly throughout the US economy. The Conference Board projects the US economy will not expand in the third quarter and could tip into a short but mild recession by the end of the year or early 2023." – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

"**The Conference Board Coincident Economic Index®** (CEI) for the U.S. increased by 0.3 percent in July 2022 to 108.6 (2016=100), after increasing by 0.1 percent in June. The CEI rose by 0.8 percent over the six-month period from January to July 2022, slower than its growth of 1.2 percent over the previous six-month period.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased by 0.4 percent in July 2022 to 114.4 (2016 = 100), following a 0.7 percent increase in June. The LAG is up 3.7 percent over the six-month period from January to July 2022, faster than its growth of 2.0 percent over the previous six-month period."

Source: https://www.conference-board.org/data/bcicountry.cfm; 8/18/22

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Private Indicators

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

July New Business Volume Up 2 Percent Year-over-year, Down 2 Percent Month-to-month, Up 5 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 $900 billion equipment finance sector, showed their overall new business volume for July was $10.1 billion, up 2 percent year-over-year from new business volume in July 2021. Volume was down 2 percent from $10.3 billion in June. Year-to-date, cumulative new business volume was up 5 percent compared to 2021.

Receivables over 30 days were 1.6 percent, up from 1.5 percent the previous month and down from 1.9 percent in the same period in 2021. Charge-offs were 0.18 percent, up from 0.15 percent the previous month and unchanged from the year-earlier period.

Credit approvals totaled 78.0 percent, down from 78.1 percent in June. Total headcount for equipment finance companies was down 2.8 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in August is 50, an increase from 46.1 in July." – Amy Vogt, Vice President, Communications and Marketing, ELFA

"Industry performance continues to show solid growth. Despite higher interest rates, continued supply chain disruptions, and higher inflation, the equipment finance industry continues to deliver value to businesses who rely on it to acquire necessary capital equipment to run their operations. Equipment finance providers leverage a positive credit environment and abundant liquidity to help these businesses grow and prosper." – Ralph Petta, President and CEO, ELFA

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2022/08/23/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 8/23/22

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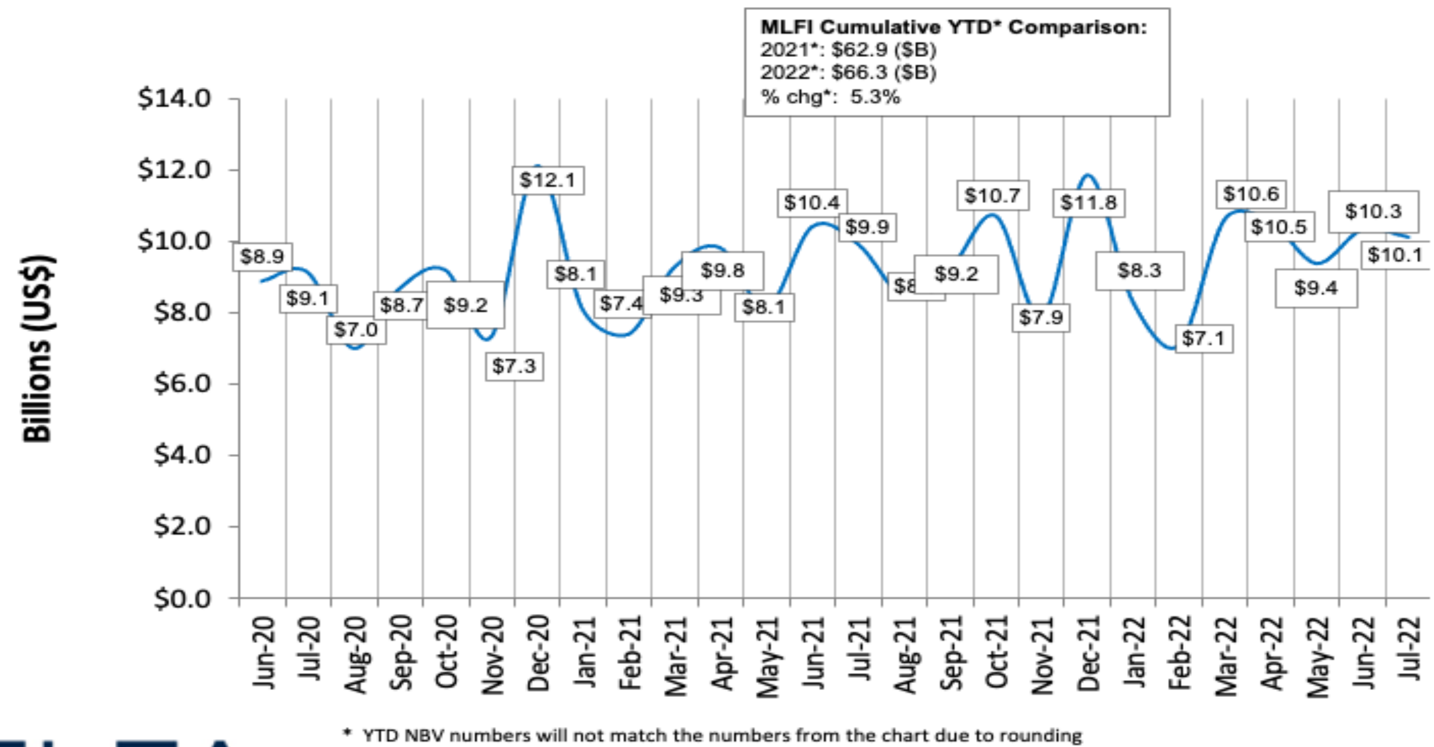
Private Indicators

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



ELFA
Equipping Business for Success

MLFI

Equipment Leasing and Finance Association's Survey of Economic Activity

"We continue to see robust interest from agribusinesses and producers as they look to expand operations and lock in low long-term rates. Demand is outstripping supply as we continue to experience equipment delivery delays due to continued supply chain challenges. Solar leasing remains attractive, and we expect continued interest with the passing of the Inflation Reduction Act." – Michael Romanowski, President, Farm Credit Leasing

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2022/08/23/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 8/23/22

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Private Indicators

S&P Global U.S. Manufacturing PMI™

PMI drops to lowest since July 2020 amid further loss of new orders

“The seasonally adjusted S&P Global US Manufacturing Purchasing Managers’ Index™ (PMI™) posted 51.5 in August, broadly in line with the earlier released ‘flash’ estimate of 51.3, but down from 52.2 in July. The headline index reading was the lowest since July 2020, with latest data indicating subdued overall health conditions across the US manufacturing sector.

The US manufacturing sector experienced relatively muted operating conditions in August, according to latest PMITM data from S&P Global. Output contracted for a second straight month as new orders fell for a third month in a row amid weak client demand, in turn linked to the impact of inflation and economic uncertainty on customer spending. Although employment rose further, it did so at the slowest pace since January, with backlogs of work rising only marginally. Output expectations strengthened from July's recent low, but stayed below the series trend.

Supply chain disruptions meanwhile remained historically marked, but the extent to which lead times lengthened was the least severe since October 2020. As a result, pressure on costs moderated, with input prices increasing at the slowest pace since the start of 2021. In an effort to drive sales and pass on some of the moderation in cost burdens, selling prices rose at the weakest rate for a year-and-a-half.

Contributing to weak operating conditions was a third successive monthly fall in new orders in August. Manufacturers registered a modest decline in new sales, often linking this to muted client demand following greater economic uncertainty and hikes in prices. The rate of decrease was broadly in line with those seen in June and July. External demand remained weak, as new export orders fell at the second-sharpest pace in 27 months.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4a630bc3c76342e1b104ad2a125051e9; 9/1/22

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Private Indicators

S&P Global U.S. Manufacturing PMI™

"In line with weak demand conditions, goods producers indicated a back-to-back decline in production. The pace of contraction quickened from July to the fastest since June 2020. Some companies also noted that ongoing supply chain disruption hampered output amid raw material delivery delays.

On the price front, average cost burdens increased at a further marked rate in August. Hikes in transportation, fuel and metals prices reportedly drove inflation. That said, a number of firms noted reduced costs for some materials, which contributed to the softest overall rise in operating expenses since January 2021.

In response to softer increases in costs, firms raised their selling prices at a weaker rate in August. The pace of charge inflation was the slowest in 18 months, as some companies passed through savings to their customers in an effort to remain competitive.

Vendor performance deteriorated again, but at the slowest rate since October 2020. Nonetheless, transportation and logistics issues remained evident.

Input buying was broadly unchanged on the month in August. Weak client demand and deliveries of materials led to a quicker rise in pre-production inventories. Stocks of finished goods meanwhile fell, as orders were shipped in a timely manner and stock building was not prioritised.

Meanwhile, employment rose at the second-slowest rate in over two years. Backlogs of work also grew at a subdued pace, as weak new order inflows led some firms to delay replacing leavers despite some reports of ongoing challenges finding suitable candidates.

Lastly, output expectations picked up in August, with the degree of confidence in the year-ahead outlook reaching a three-month high. Despite hopes of an uptick in demand, the level of optimism was weaker than the series average." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4a630bc3c76342e1b104ad2a125051e9; 9/1/22

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Comment

"US factory production was down for a second month running in August, with demand for goods having now fallen for three straight months amid the ongoing impact of soaring inflation, supply constraints, rising interest rates and growing economic uncertainty about the economic outlook.

Barring the initial pandemic lockdowns months, this is the steepest downturn in US manufacturing seen since the global financial crisis in 2009.

Worryingly, the sharpest drop in demand was recorded for business equipment and machinery, which points to falling investment spending and heightened risk aversion. Similarly, payroll growth slowed close to stalling, reflecting a growing reticence to expand workforce numbers in the face of a deteriorating demand environment.

Falling demand for raw materials has, however, taken pressure off supply chains and helped shift some of the pricing power away from sellers towards buyers. Likewise, we are seeing more manufacturers reduce their selling prices to drive sales. Although still elevated by historical standards, the survey's inflation gauges are now at their lowest for one and a half years, which should help to bring consumer price inflation down in the coming months." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4a630bc3c76342e1b104ad2a125051e9; 9/1/22

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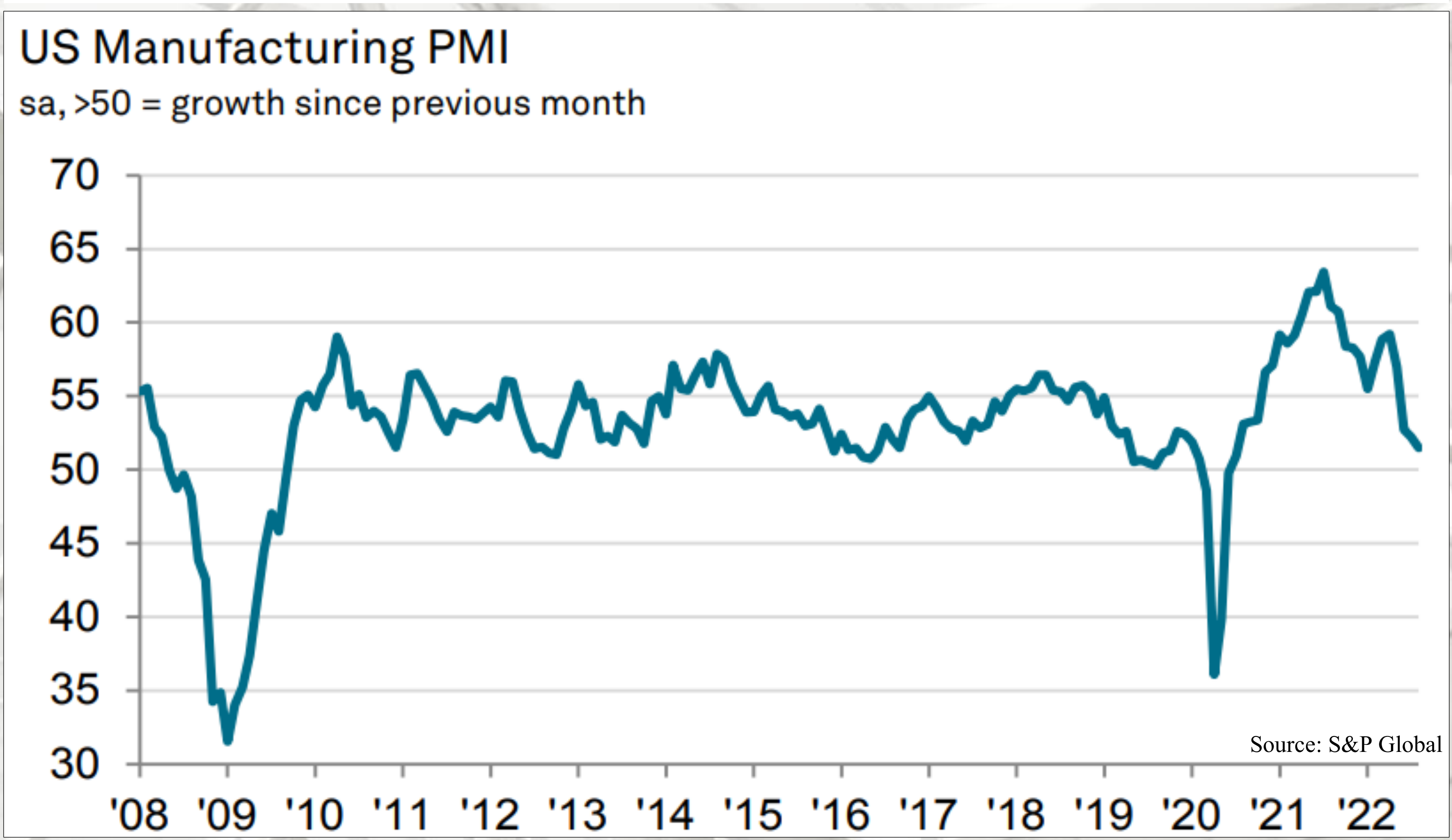
Private Indicators



Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4a630bc3c76342e1b104ad2a125051e9; 9/1/22

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Private Indicators

S&P Global U.S. Services PMI™

Business activity contracts at sharpest pace since May 2020 amid solid fall in new orders

"The seasonally adjusted final S&P Global US Services PMI Business Activity Index registered 43.7 in August, down from 47.3 in July and lower than the earlier released 'flash' estimate of 44.1. The latest data signalled a steep fall in output across the US service sector, and the fastest fall in activity since May 2020. The further loss of growth momentum among service providers was linked to weak client demand and greater client hesitancy in placing new orders.

August survey data signalled a sharp and quicker decline in business activity across the US service sector, according to the latest PMI™ data. The decrease in output stemmed from weak domestic and foreign client demand, as new orders returned to contraction territory. At the same time, weak inflows of new business led firms to moderate their hiring activity. Employment rose at the softest rate since January as backlogs of work contracted at the fastest pace in over two years. Although the degree of optimism picked up to a three-month high, it was below the series average as concerns regarding the impact of price rises on demand weighed on expectations.

On the price front, rates of input cost and output charge inflation eased to the slowest in a year-and-a-half. Concessions were reportedly made to clients amid decreases in some material costs and efforts to drive sales.

Service providers recorded a solid decline in new business in August, with new orders falling for the second time in three months. The rate of contraction was the sharpest for over two years and among the fastest on record. With the exception of the initial pandemic period, the fall was the quickest on record (since October 2009). The impact of high inflation and increased interest rates on client demand reportedly weighed on total sales. " – Chris Williamson, Chief Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/c99346fb0f424ff291acbf2598a1bda0; 9/6/22

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Private Indicators

S&P Global U.S. Services PMI™

"The decrease in total new business coincided with a third successive monthly decline in new export orders midway through the third quarter. The downturn in new business from abroad was linked to strains on client incomes in external markets.

Meanwhile, average cost burdens continued to rise at an historically marked pace during August. The increase in operating expenses was often attributed to higher transportation, wage and material prices, alongside hikes in interest rates. Nonetheless, amid reports of decreasing costs for some items, the rate of input price inflation moderated to the slowest since February 2021.

Subsequently, output charges at service providers increased at a substantial, but softer pace, in August. Firms continued to note the pass-through of higher costs to clients, but some companies stated that concessions were made to customers in an effort to drive new sales. The rate of charge inflation was the softest for a year-and-a-half.

Weak client demand led to a slower rise in employment during August, with the rate of job creation slipping to the softest since January. Pressure on capacity fell for the third successive month as backlogs of work were reduced at a strong rate. The decrease in the level of incomplete business was the steepest since May 2020.

Finally, business expectations regarding the outlook for output at service sector firms picked up to the highest for three months in August. Although optimism was buoyed by hopes of greater client demand and the diversification of business lines, the level of positive sentiment was below the series average amid concerns regarding inflation and interest rate hikes." – Chris Williamson, Chief Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/c99346fb0f424ff291acbf2598a1bda0; 9/6/22

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Private Indicators

S&P Global U.S. Services PMI™

Comment

"August saw the US economy slide into a steepening downturn, underscoring the rising risk of a deepening recession as households and business grapple with the rising cost of living and tightening financial conditions.

Businesses are reporting a deterioration in output and order books of a degree exceeded since the global financial crisis only by that seen during the initial pandemic lockdowns.

While orders are being lost across the board as a result of rising prices and the cost-of-living squeeze, the steepest downturn is being recorded in the financial services sector, reflecting the additional impact of higher interest rates and worsening financial conditions.

Jobs growth has meanwhile cooled as companies grow increasingly reluctant to expand in the face of falling demand and an uncertain outlook, which will serve to further dampen growth in the coming months.

One positive form the survey was a substantial fall in the rate of input cost inflation, which should help to moderate consumer price growth in the months ahead, albeit with the rate of increase remaining stubbornly elevated." – Chris Williamson, Chief Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/c99346fb0f424ff291acbf2598a1bda0; 9/6/22

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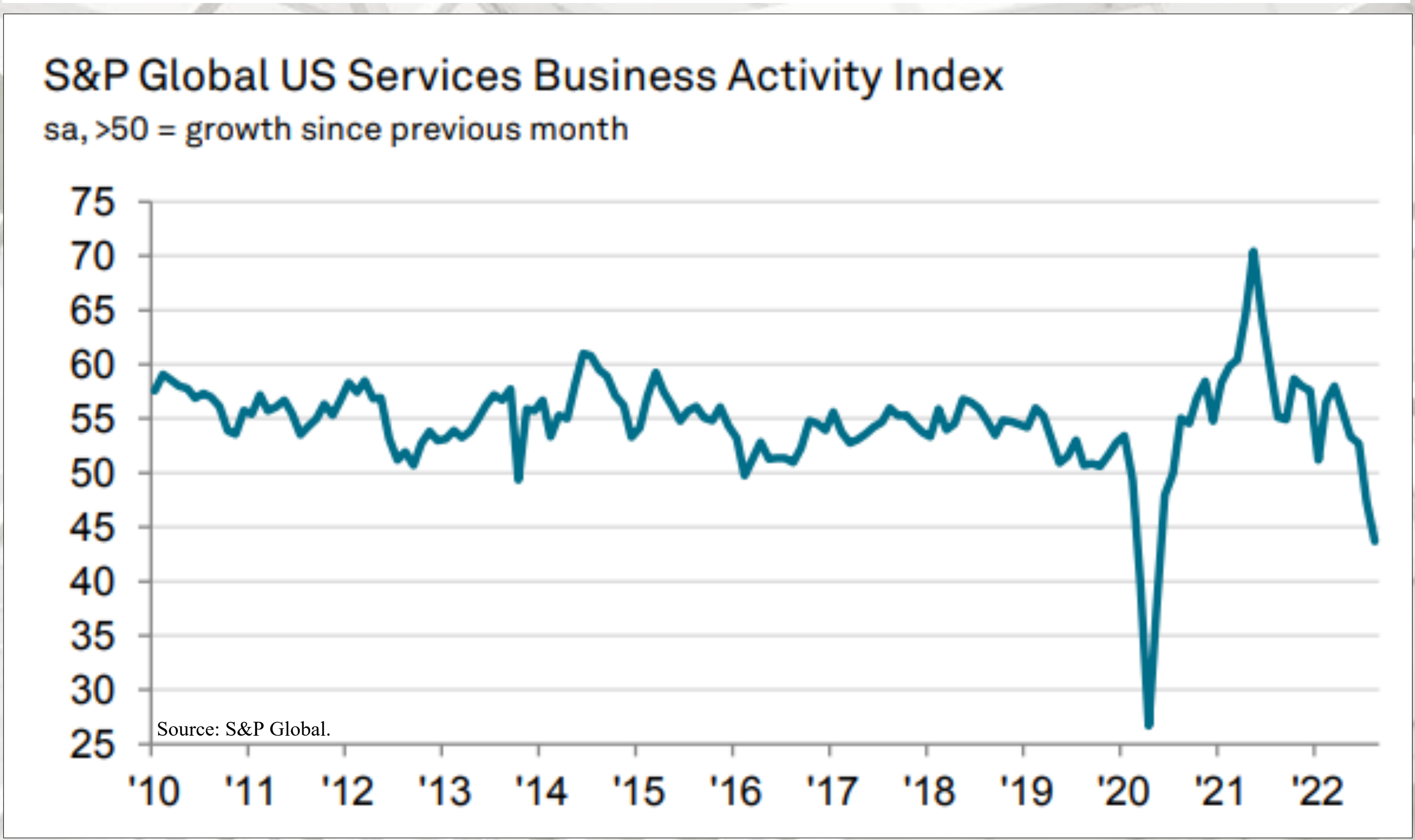

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/c99346fb0f424ff291acbf2598a1bda0; 9/6/22

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for August 2022: Combined Sectors

"The National Association of Credit Management's seasonally adjusted Credit Managers' Index (CMI) for August remained level at 55.0 points, with improvements in unfavorable factor indexes offsetting deterioration in favorable factor indexes. Several respondents noted this month that supply constraints are still problematic, and many also indicated that receivables are slow coming in either due to customer staffing issues or inability to meet terms, said NACM Economist Amy Crews Cutts, Ph.D., CBE®.

"The CMI is still indicating solid economic growth, but there is more to the story than just value of the current level of 55 points," Cutts said. "While the CMI remains five points above the contraction threshold, the favorable factor index is at its lowest level since June of 2020, and the unfavorable factors index is at the second lowest reading since that time, with last month's value being the lowest. The broader economic conditions, like inflation, labor shortages and demand shifts, are becoming more evident in the CMI

"Price increases are leading the day. Respondents indicated that sales in terms of dollars continue to grow, but units of sales are stagnant or down. Buyers are sensitive to prices, but we may also be seeing some companies with too much inventory pausing purchases. Slowing payment speeds and lower collections amounts are also appearing in the CMI responses, consistent with some payors having difficulties now, perhaps an early indicator of the coming broader economic stress."

The CMI is centered on a value of 50, with values greater indicating expansion and values lower indicating economic contraction. The combined August CMI fell by 0.1 points to 55.0, which with rounding, matches the July reading. The index of favorable factors slid 1.5 points in August to 62.1, a level that is 2.6 points lower than a year ago. The index of unfavorable factors improved by 0.8 points to 50.2 points, 1.7 points lower than a year ago." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 8/31/22

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for August 2022: Combined Sectors

"Three of the four categories in the favorable factors list dropped in the August survey. The dollar collections index led the decline with a sharp 3.5-point drop to 57.7, its lowest level since June 2020. The sales index fell for the fifth month in a row, losing another 2.8 points to 63.0, and the amount of credit extended index dropped 2.3 points to 65.3. The index for new credit applications improved by 2.7 points to 62.4. The declines in the favorable factor indexes over the past several months are notable but the levels of the indexes continue to indicate strong expansionary conditions.

Half of the unfavorable factor indexes for the combined CMI improved in the August survey. Consistent with data on federal court filings for bankruptcies, member respondents noted that the share of customers that were filing for bankruptcy in the most recent CMI survey was down, with the index showing a 3.9-point improvement over the July level. The filings for bankruptcies index, at 57.6 points is at its best level since June 2021. On a related note, the accounts placed for collections index improved by 2.2 points to 49.6, but this index remained in contraction territory. The disputes index showed the least improvement but gained 0.9 points to hit 49.2. Among the unfavorable factors that showed deterioration in August, the rejections of credit applications index saw the largest loss at 1.4 points dipping into the contraction zone with reading of 49.4, the lowest value of the index since November 2016. The dollar amount beyond terms index lost 0.3 points to come in at 46.4, its lowest reading since May of 2020. Lastly, the dollar amount of customer deductions index slipped 0.1 points to 49.2.

"The Credit Managers Index is reflecting so much of the news we're reading about the economy in general," Cutts said. "The CMI is showing the impact of inflation in the sales index, the effects of the Fed's policy tightening on rejections of credit applications and applications for new credit indexes, and supply chain issues in the disputes index. But at the same time, the combination of all these factor indexes is pointing to a pretty good situation currently despite possible storm clouds forming."" – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 8/31/22

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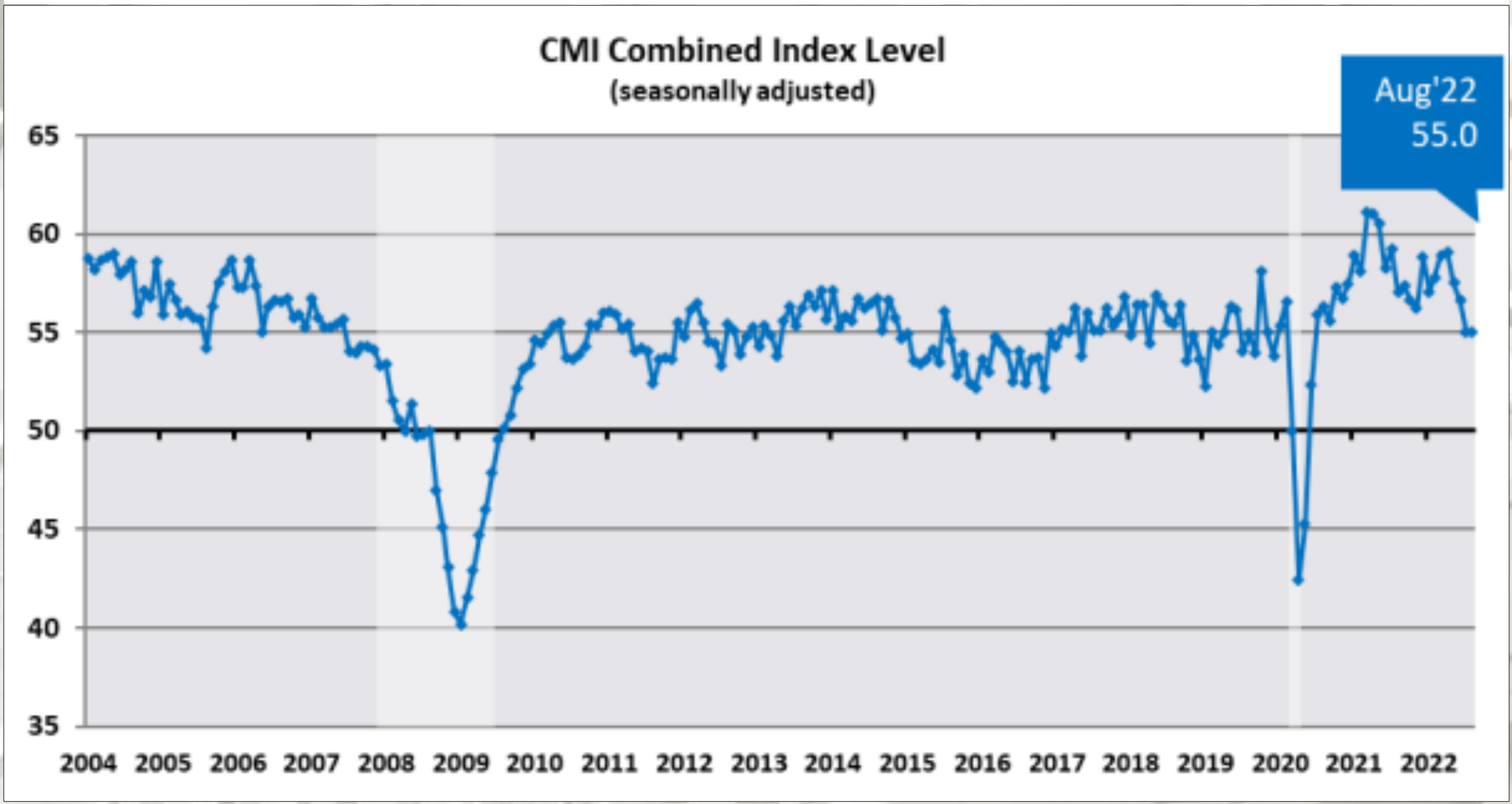
Private Indicators

National Association of Credit Management – Credit Managers' Index



Source: https://nacm.org/cmi.html; 8/31/22

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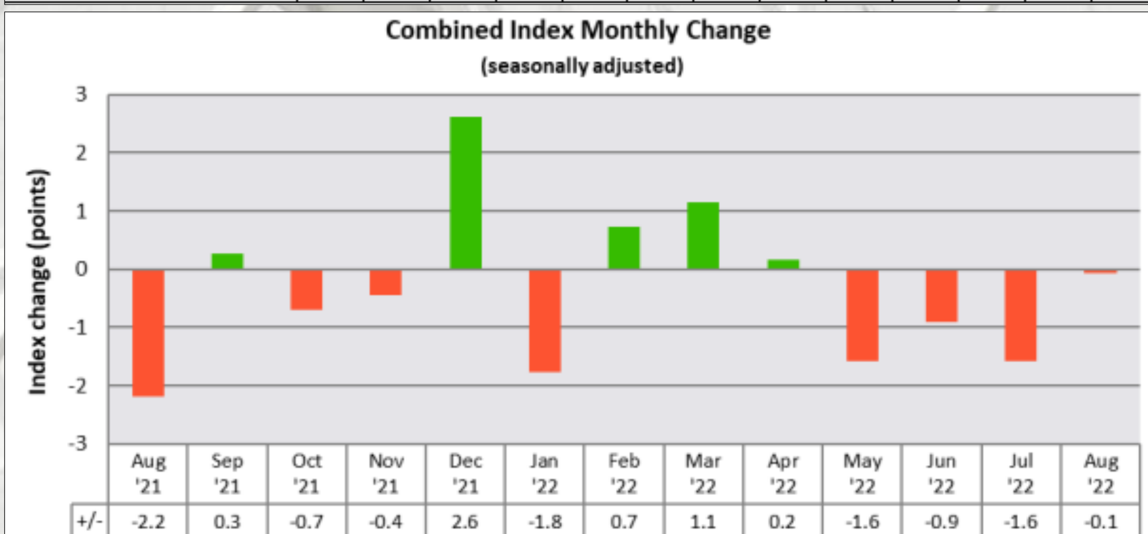
Private Indicators

National Association of Credit Management – Credit Managers’ Index

Combined Manufacturing and Service Sectors (seasonally adjusted)	Aug '21	Sep '21	Oct '21	Nov '21	Dec '21	Jan '22	Feb '22	Mar '22	Apr '22	May '22	Jun '22	Jul '22	Aug '22
Sales	66.0	67.8	67.4	67.4	75.1	71.2	71.3	77.1	74.7	71.6	66.6	65.8	63.0
New credit applications	63.0	63.5	62.1	62.9	67.6	60.6	64.0	68.8	67.1	64.7	64.1	59.7	62.4
Dollar collections	61.5	60.4	61.3	59.2	63.5	62.5	63.2	67.0	65.9	65.5	60.9	61.2	57.7
Amount of credit extended	68.6	67.2	67.6	67.7	71.7	67.2	68.7	69.2	72.1	70.4	67.7	67.6	65.3
Index of favorable factors	64.8	64.7	64.6	64.3	69.5	65.4	66.8	70.5	69.9	68.1	64.8	63.6	62.1
Rejections of credit applications	52.2	52.1	52.3	53.2	51.7	51.5	52.3	51.9	51.3	50.7	50.2	50.8	49.4
Accounts placed for collection	51.4	51.4	52.1	52.0	52.1	51.1	52.7	51.5	50.6	51.0	49.7	47.4	49.6
Disputes	49.6	51.2	48.3	48.6	48.2	48.4	48.6	48.0	49.1	49.1	49.4	48.3	49.2
Dollar amount beyond terms	51.4	50.6	49.5	47.1	53.3	53.5	50.9	51.2	54.2	47.2	51.1	46.7	46.4
Dollar amount of customer deductions	49.9	51.9	49.4	48.2	49.3	49.5	49.9	49.0	50.5	48.7	50.7	49.3	49.2
Filings for bankruptcies	57.3	57.1	56.4	55.9	55.7	55.2	56.4	55.8	55.7	56.4	55.8	53.7	57.6
Index of unfavorable factors	51.9	52.4	51.3	50.8	51.7	51.5	51.8	51.2	51.9	50.5	51.1	49.4	50.2
NACM Combined CMI	57.1	57.3	56.6	56.2	58.8	57.1	57.8	58.9	59.1	57.5	56.6	55.0	55.0



Source: https://nacm.org/cmi.html; 8/31/22

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Private Indicators

National Federation of Independent Business (NFIB) August 2022 Report

Inflation Eases For Some Small Businesses But Remains A Serious Problem

"The NFIB Small Business Optimism Index rose 1.9 points in August to 91.8, marking the eighth consecutive month below the 48-year average of 98 but reversing some of the declines in the first half of the year. Twenty-nine percent of owners reported that inflation was their single most important problem in operating their business, a decrease of eight points from July's highest reading since the fourth quarter of 1979." – Holly Wade, NFIB

"The small business economy is still recovering from the pandemic while inflation continues to be a serious problem for owners across the nation. Owners are managing the rising costs of utilities, fuel, labor, supplies, materials, rent, and inventory to protect their earnings. The worker shortage is impacting small business productivity as owners raise compensation to attract better workers." – Bill Dunkelberg, Chief Economist, NFIB

Key findings include:

- "Small business owners expecting better business conditions over the next six months improved 10 points from July to a net negative 42%, the highest level since February 2022, but a dismal outlook.
- The net percent of owners raising average selling prices decreased three points to a net 53% (seasonally adjusted), still a very inflationary outcome.
- The net percent of owners who expect real sales to be higher increased 10 points from July to a net negative 19%, but owners still want to hire.
- The Uncertainty Index increased seven points to 74." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 9/13/22

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Private Indicators

National Federation of Independent Business (NFIB) August 2022 Report

"As reported in NFIB's monthly jobs report, 49% of owners reported job openings that were hard to fill, unchanged from July and remaining historically high. Owners' plans to fill open positions remain elevated, with a seasonally adjusted net 21% planning to create new jobs in the next three months.

Fifty-two percent of owners reported capital outlays in the last six months, up one point from July. Of those making expenditures, 36% reported spending on new equipment, 18% acquired vehicles, and 14% improved or expanded facilities. Thirteen percent spent money for new fixtures and furniture and 6% acquired new buildings or land for expansion. Twenty-five percent of owners plan capital outlays in the next few months, up three points from July. Overall, spending and plans to spend are still historically weak.

A net negative 8% of all owners (seasonally adjusted) reported higher nominal sales in the past three months, down three points from July. The net percent of owners expecting higher real sales volumes improved by 10 points to a net negative 19%.

The net percent of owners reporting inventory increases fell seven points to a net negative 6%. Fifteen percent of owners reported increases in stocks and 19% reported reductions as solid sales reduced inventories at many firms.

Thirty-two percent of owners reported that supply chain disruptions have had a significant impact on their business. Another 33% report a moderate impact and 23% report a mild impact. Only 11% report no impact from recent supply chain disruptions." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 9/13/22

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Private Indicators

National Federation of Independent Business (NFIB) August 2022 Report

"A net 3% of owners viewed current inventory stocks as "too low" in August. Shortages are reported most frequently in the manufacturing (24%), transportation (23%), retail (19%), agriculture (14%), and construction (11%) industries. A net 4% of owners plan inventory investment in the coming months, up three points from July. Auto dealers and other durable goods merchants are still low on inventory.

The net percent of owners raising average selling prices decreased three points from July to a net 53% (seasonally adjusted). Unadjusted, 8% reported lower average selling prices and 60% reported higher average prices. Price hikes were the most frequent in construction (71% higher, 3% lower), retail (67% higher, 7% lower), transportation (62% higher, 0% lower), and manufacturing (61% higher, 3% lower). Seasonally adjusted, a net 32% of owners plan price hikes, down five points.

Seasonally adjusted, a net 46% of owners reported raising compensation, down two points from July. A net 26% plan to raise compensation in the next three months, up one point from July and historically very high. Ten percent of owners cited labor costs as their top business problem and 26% said that labor quality was their top business problem. Labor quality remains in second place behind "inflation" by three points." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 9/13/22

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Private Indicators

National Federation of Independent Business (NFIB) August 2022 Report

"The frequency of reports of positive profit trends was a net negative 33%, down seven points from July. Among the owners reporting lower profits, 36% blamed the rise in the cost of materials, 23% blamed weaker sales, 12% cited labor costs, 7% cited lower prices, 6% cited the usual seasonal change, and 4% cited higher taxes or regulatory costs. For owners reporting higher profits, 38% credited sales volumes, 35% cited usual seasonal change, and 13% cited higher prices.

Four percent of owners reported that all their borrowing needs were not satisfied. Twenty-three percent reported all credit needs were met and 60% said they were not interested in a loan. A net 6% reported their last loan was harder to get than in previous attempts. One percent reported that financing was their top business problem. A net 21% of owners reported paying a higher rate on their most recent loan.

The **NFIB Research Center** has collected Small Business Economic Trends data with quarterly surveys since the 4th quarter of 1973 and monthly surveys since 1986. Survey respondents are randomly drawn from NFIB's membership. The report is released on the second Tuesday of each month. This survey was conducted in August 2022." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 9/13/22

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Private Indicators

Source: http://www.nfib.com/surveys/small-business-economic-trends; 9/13/22

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Private Indicators

Small Business Optimism

Index Component	Net %		From Last Month
Plans to Increase Employment	21%	▲	1
Plans to Make Capital Outlays	25%	▲	3
Plans to Increase Inventories	4%	▲	3
Expect Economy to Improve	-42%	▲	10
Expect Real Sales Higher	-19%	▲	10
Current Inventory	3%	▲	1
Current Job Openings	49%	—	0
Expected Credit Conditions	-8%	▲	-1
Now a Good Time to Expand	5%	▲	1
Earnings Trends	-33%	▼	-7

Source: http://www.nfib.com/surveys/small-business-economic-trends; 9/13/22

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

Worker Hourly Earnings Growth Increases to a Record Level in August; Pace of Small Business Hiring Moderates

"Workers of U.S. small businesses continue to benefit from higher wages, according to the latest Paychex | IHS Markit Small Business Employment Watch. Average hourly earnings growth increased to 5.18 percent, matching a record set in May 2022. Meanwhile, the pace of job growth at small businesses moderated from the previous month, slowing -0.20 percent. The Small Business Jobs Index stands at 99.94." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

"Small business job growth continued to slow in August as the Fed fought inflation with higher interest rates." – James Diffley, Chief Regional Economist, IHS Markit

"Our August jobs index results reveal a continuation of last month's trend: the demand for workers at U.S. small businesses is high and the supply is low, making it more difficult for small businesses to fill many open positions." – Martin Mucci, President and CEO, Paychex

Source: https://www.paychex.com/employment-watch; 8/30/22

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

"In further detail, the August report showed:

- At $30.71 per hour, hourly earnings increased by $1.51 in the last 12 months.
- At 99.94, the national jobs index fell below 100 for the first time since September 2021.
- The South's Job Index lead continued as it was the only region to top 100 (100.55). The South also led in hourly earnings growth, at 5.53 percent, and weekly earnings growth, at 5.00 percent.
- Small business employment growth in the West slowed 0.30 percent in August and ranked last among regions for the first time since 2020, with West Coast metros San Francisco, San Diego, Riverside, and Seattle all dropping more than two percent during the past quarter.
- North Carolina remained the top state for small business job growth; Florida was once again the top state for worker hourly earnings growth (6.45 percent).
- Dallas continues to lead U.S. metros in small business job growth and hourly earnings growth for workers.
- At 102.89, other services (except public administration) remained the top sector for job growth for the third consecutive month." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 8/30/22

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

August Job Index	August Wage Data
Index	Hourly Earnings
99.94	$30.71
12-Month Change	12-Month Growth
+0.14%	+5.18% (+$1.51)

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 8/30/22

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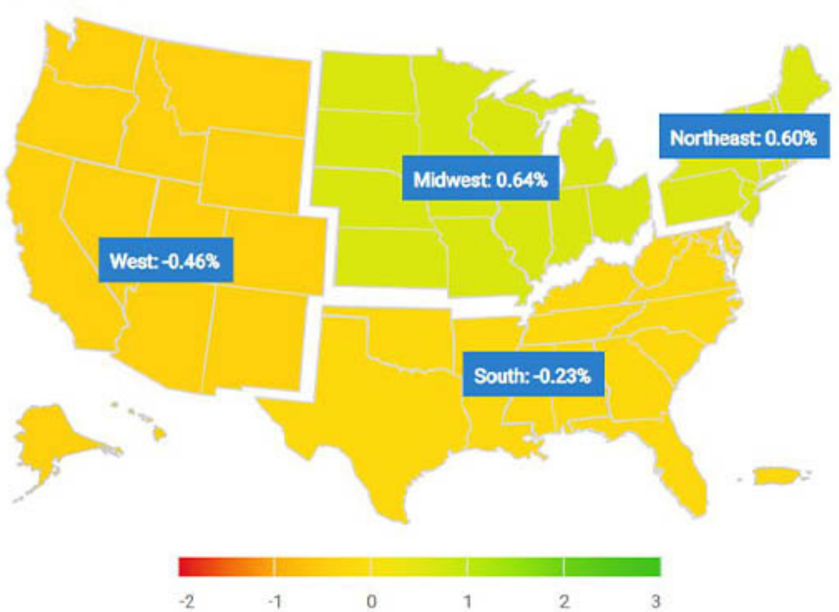
Private Indicators

The Paychex | IHS Markit Regional Jobs Index

Regional Performance



Region	Index	Change
Midwest	99.59	0.64%
Northeast	99.89	0.60%
South	100.55	-0.23%
West	99.54	-0.46%

Change 12-Month

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 8/30/22

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Demographics

LendingTree

Two-Thirds of Millennials and Gen Zers Who Moved Back Home During the Pandemic Still Live There

"**Key findings**

- **Nearly a third (32%) of millennials and Gen Zers moved back home with their parents during the pandemic, and most still live there.** Two-thirds of young adults who moved back home remain with their parents. Slightly more than half (51%) of those who moved home say it was out of necessity.
- **Young adults who moved in with their parents during the pandemic are focusing on paying down debt and saving for a home.** Of those who moved back home, 39% say they've been able to pay down debt, while 31% are focusing on saving for a down payment. And of those who've since moved out, nearly 3 in 10 purchased a home. But whether they bought or rented, 71% would only return home if they had no other option.
- **Living at home isn't a dating deal breaker.** 45% of millennials and Gen Zers say they'd date someone living with their parents, and an additional 38% would consider it. Only 17% flat-out refuse.
- **85% of parents would let their children move back in as adults or have previously done so, and most (73%) wouldn't charge them rent.** However, more than half say their kids would need to get a job, help pay for groceries and other household bills and assist with chores like cooking and cleaning.
- **The percentage of adults ages 24 to 40 who live with their parents is above 20% in three states: Hawaii (21.6%), New Jersey (20.7%) and Florida (20.1%).** Meanwhile, in North Dakota, just 5.3% of these adults live with their parents." – Denny Ceizyk, Senior Writer, LendingTree

Source: https://www.lendingtree.com/home/mortgage/living-with-parents-survey/#ofyoungadultsmovedbackhomeduringthepan; 8/30/22

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Demographics

LendingTree

32% of young adults moved back home during the pandemic — two-thirds of which are still there

"The pandemic turned back time for many empty nesters, as their homes were suddenly filled with the pitter-patter of their young adult children's feet returning to the relative safety and financial security of their parents' homes. But in the two-plus years since the pandemic's onset, only a third of those who returned home during the pandemic have spread their wings and flown their parents' coop again.

LendingTree surveyed more than 1,300 U.S. parents and/or Generation Zers or millennials to get their thoughts on post-pandemic parent-living arrangements. LendingTree researchers also analyzed U.S. Census Bureau data to create a national and state-by-state snapshot of the number of younger adults living at home.

Nearly 3 in 10 Gen Zers (ages 18 to 25) are camping out with their folks to save a buck during the pandemic, followed by 18% of younger millennials (ages 26 to 34) and 17% of older millennials (ages 35 to 41).

The younger age groups are more likely to have already moved back out. Those ages 26 to 34 lead the flight away from the nest (14%), followed by 13% of 18- to 25-year-olds. Only 8% of 35- to 41-year-olds who moved to their parents' homes during the pandemic are back on their own.

Going further, 1 in 10 Gen Zers and millennials are still considering trading freedom to save dollars. The 35- to 41-year-old group is the most adamant about avoiding a move back under their parents' roof (67%), followed by those ages 26 to 34 (56%) and those 18 to 25 (49%).

Gen Zers and millennials are almost even on whether they moved home out of necessity (51%) or to save money (49%). But for those considering leaving again, inflation may hamper their ability to do so." – Denny Ceizyk, Senior Writer, LendingTree

Source: https://www.lendingtree.com/home/mortgage/living-with-parents-survey/#ofyoungadultsmovedbackhomeduringthepan; 8/30/22

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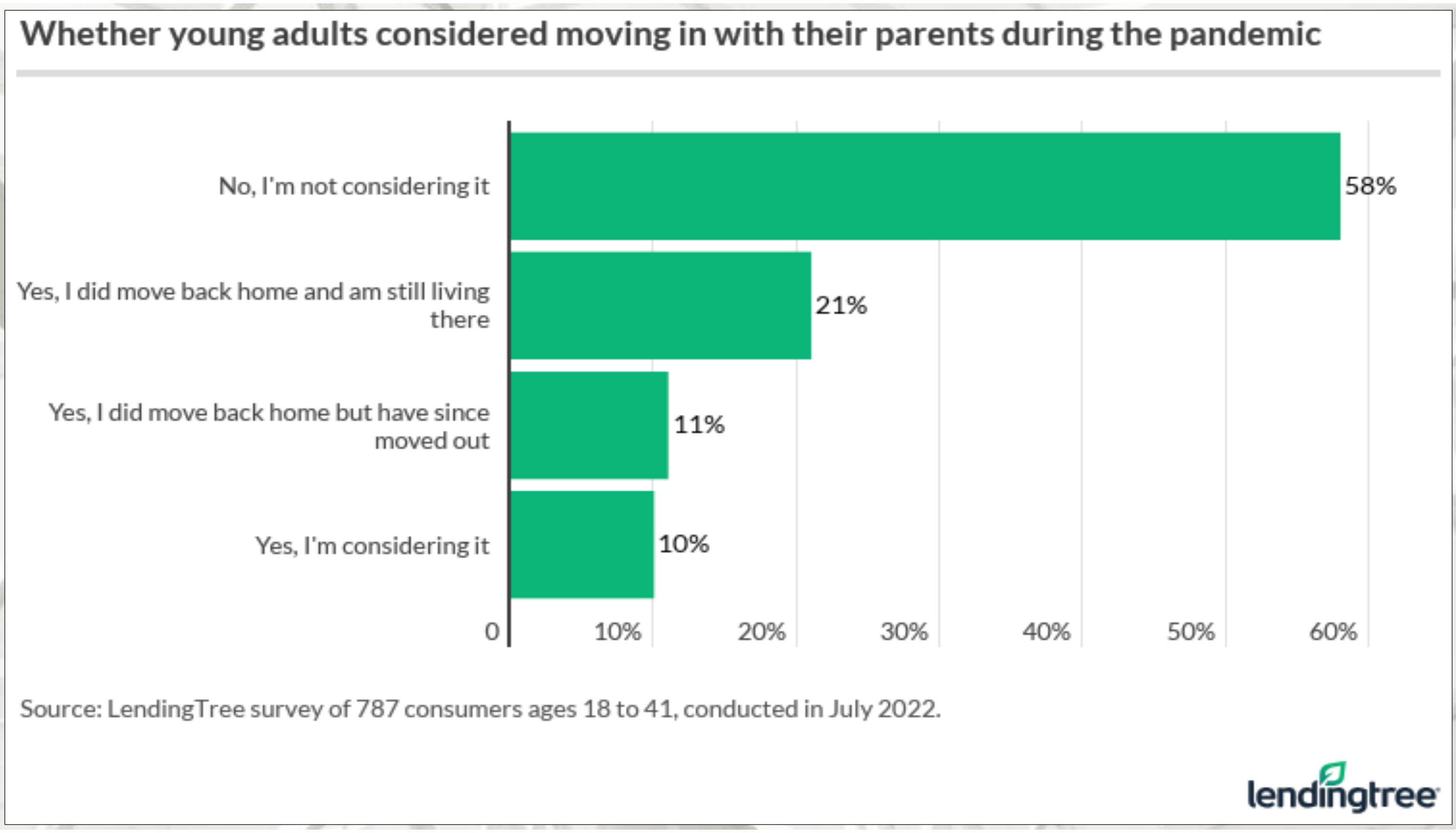
Demographics



LendingTree

32% of young adults moved back home during the pandemic — two-thirds of which are still there

"“With inflation as high as it is and with rates rising, it can be difficult for anyone to make ends meet in today’s economy,” says Jacob Channel, LendingTree senior economist.

Younger people still working in entry-level positions may not have the cash resources to overcome the financial stressors of inflation, according to Channel.” – Denny Ceizyk, Senior Writer, LendingTree

Source: https://www.lendingtree.com/home/mortgage/living-with-parents-survey/#ofyoungadultsmovedbackhomeduringthepan; 8/30/22

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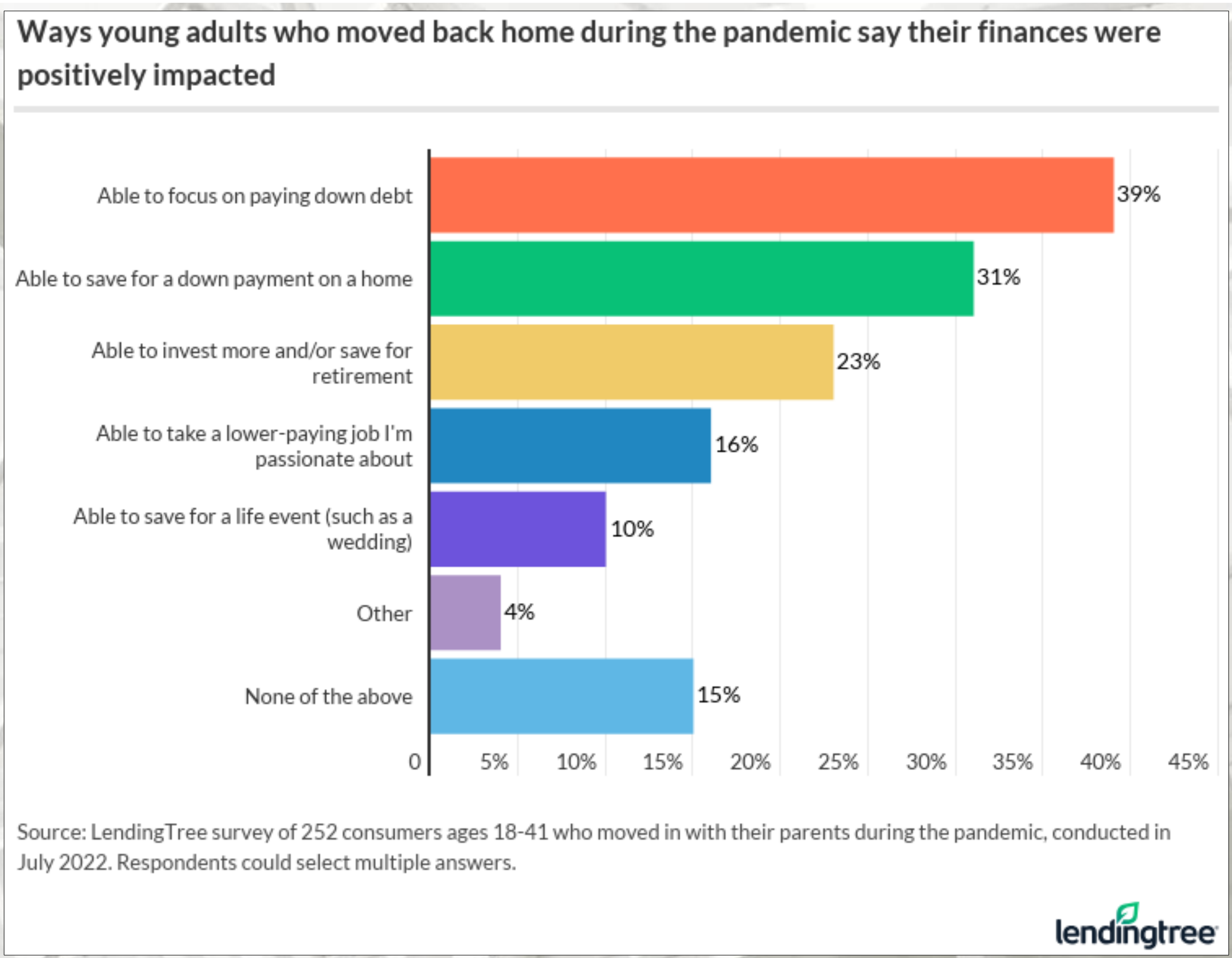
Demographics



Source: https://www.lendingtree.com/home/mortgage/living-with-parents-survey/#ofyoungadultsmovedbackhomeduringthepan; 8/30/22

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Demographics

LendingTree

While back home, Gen Zers and millennials focus on paying down debt, saving for a down payment

"Most young adults who moved back with their parents during the pandemic focused on clearing debt (39%) – saving up for a home down payment, however, was a close second (31%). But no matter the generation, a 2021 LendingTree study shows that credit card debt is the most common nonmortgage debt burden that people carry. Channel also suggests focusing on reducing your student loan or auto loan debt before heading back out on your own.

About 1 in 4 young adults opted to invest more or save for retirement (23%). Pursuing a lower-wage job more aligned with their passions appealed to 16% of young adults, while being home stirred up baby or wedding fever for 10%.

Once Gen Zers and millennials flew the coop again, they were more likely to rent (73%) than buy a home (27%). However, that doesn't mean they should avoid homebuying altogether.

"If you've got enough money to afford to buy a house and pay for a mortgage each month, now can be a good time to buy a home, even if prices and rates are high," Channel says.

Still, desperate times may call for desperate homebound measures in the future – in fact, 70% of young adults would head back home again only if they had no other option. … " – Denny Ceizyk, Senior Writer, LendingTree

Source: https://www.lendingtree.com/home/mortgage/living-with-parents-survey/#ofyoungadultsmovedbackhomeduringthepan; 8/30/22

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Demographics

LendingTree

Adults living with parents most common in Hawaii, New Jersey and Florida

"Adult children are most likely to reside at home in Hawaii (21.6%), New Jersey (20.7%) and Florida (20.1%). The cost of living is a likely reason for many stay-at-home adult children living in Hawaii and New Jersey, considering how expensive day-to-day expenses are in both states.

Adult children living at home in Florida, a state where the cost of living is lower, may be at home to care for an older parent. As of 2019, Florida had the second-highest population of residents 65 or older, with more than 1 in 5 (20.9%) in that age demographic statewide.

North Dakota (5.3%), Nebraska (8.0%) and South Dakota (8.3%) had the lowest percentage of adult children living with parents. The low unemployment rates in these states may be part of the reason. As of July 2022, Nebraska's unemployment rate is 2.0%, while both Dakotas come in at 2.3%. That's significantly less than the unemployment rate of the top-ranking stay-at-home kid states of Hawaii (4.1%) and New Jersey (3.7%)." – Denny Ceizyk, Senior Writer, LendingTree

Source: https://www.lendingtree.com/home/mortgage/living-with-parents-survey/#ofyoungadultsmovedbackhomeduringthepan; 8/30/22

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Economics

FreightWaves

U.S. Bank Q3 Shipper Rate Report

Executive Summary and Forecast

"For the truckload market, the second quarter of 2022 was characterized by rising fuel costs, continued congestion at the ports and the bullwhip effect. This latter influence occurs when temporary surges in retail demand – especially for durable goods such as furniture and consumer appliances, which are bulky and thus devour warehouses' capacity if not moved quickly – are grossly magnified by upstream manufacturers. When consumer demand slows, as it currently has, retailers are burdened with a glut of costly inventory. This inventory is costly because warehousing space is presently at a premium, but also because the velocity of containers moving out of their ports has slowed dramatically, increasing dwell times and worsening congestion.

The bullwhip effect thus strikes the trucking industry by igniting a decline in freight volume, which in turn drives down rates. Increasingly desperate to secure volume amid a deserted spot market, carriers begin to comply along their contracted lanes. Rejection rates for Q2 averaged 9.23% – a striking drop, to say the least, from last quarter's average of 19.43% and Q2 2021's average of 24.65%.

Contract rates, bid cycles for which have been shortening in length from annual to quarterly, maintained strength in the quarter. Contract rates are exclusive of fuel like linehaul spot rates, yet outpaced linehaul spot rates by an average of 81 cents per mile throughout Q2. According to a survey FreightWaves conducted in June (https://www.freightwaves.com/news/when-and-by-how-much-will-shippers-shift-to-the-spot-market), large plurality of shippers are prepared to move up to one fifth of their freight to the spot market if spot rates remain 11% to 20% below contract rates for one to three months. This readiness is a striking reversal of the trend over the past two years in which carriers were the ones turning to the spot market for better deals. At the time of this writing, contract rates were 2.12% higher than all-in (i.e., fuel-inclusive) spot rates." – Michael Rudolph, Research Analyst, FreightWaves

Source: https://www.freightwaves.com/wp-content/uploads/2022/08/Q3-2022-Shipper-Rate-Report.pdf; 8/31/22

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Economics

FreightWaves

U.S. Bank Q3 Shipper Rate Report

Executive Summary and Forecast

"Taking a step back, what current factors could worsen the downturn in the spot market for truckload? On the supply side, besides the bullwhip effect, a flood of drivers have recently entered the industry. As order fulfillment for new trucking equipment has continually been constrained by the semiconductor crisis, prices of used trucks have soared. Assuming that these new entrants are not purchasing the equipment outright, these prices have severely raised payments to service their debt. Coupled with rising diesel prices, increased maintenance costs on aging equipment and the deterioration of spot rates, many of these new carriers have very thin (if not outright negative) operating margins.

A large majority of these novice drivers are also playing mostly in the spot market, and are thus unprotected by a buffer of contract rates.

Demand-side factors are also at play. Most obviously, inflation has drained the wallets of consumers. Since inflationary pressures are especially potent for necessities like groceries, shelter and gasoline, discretionary budgets are being redirected towards these ends. A worrisome trend is taking form wherein the total amount of revolving credit (e.g., credit card debt) outstanding has not only skyrocketed at a blistering rate, but has exceeded its pre-pandemic high. This data implies that consumers are putting more of their day-to-day expenses on credit, diminishing their appetite for retail goods even further." – Michael Rudolph, Research Analyst, FreightWaves

Source: https://www.freightwaves.com/wp-content/uploads/2022/08/Q3-2022-Shipper-Rate-Report.pdf; 8/31/22

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Economics

Freight market key metrics from previous seven quarters

DAILY AVERAGES							
METRIC	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Tendered Load Volumes Index **(OTVI.USA)**	**14,787.47**	**14,344.48**	**15,316.58**	**15,815.70**	**14,599.08**	**14,296.19**	**12,671.64**
Tender Rejection Rate **(OTRI.USA)**	**26.33%**	**24.62%**	**24.66%**	**22.46%**	**20.43%**	**18.98%**	**9.23%**
Inbound Ocean TEUs Index **(IOTI.USA)**	**175.32**	**182.61**	**217.22**	**198.48**	**179.19**	**191.27**	**174.24**
National Truckload Index **(NTI.USA)***	**$2.70**	**$2.88**	**$3.07**	**$3.21**	**$3.33**	**$3.42**	**$2.95**

*INCLUSIVE OF FUEL

DAILY AVERAGES							
METRIC	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Tendered Load Volumes Index **(OTVI.USA)**	**5.0%**	**-3.0%**	**6.8%**	**3.3%**	**-7.7%**	**-2.1%**	**-11.4%**
Tender Rejection Rate (OTRI.USA)	**21.1%**	**-6.5%**	**0.2%**	**-8.9%**	**-9.0%**	**-7.1%**	**-51.4%**
Inbound Ocean TEUs Index **(IOTI.USA)**	**2.9%**	**4.2%**	**19.0%**	**-8.6%**	**-9.7%**	**6.7%**	**-8.9%**
National Truckload Index **(NTI.USA)***	**12.5%**	**6.7%**	**6.6%**	**4.6%**	**3.7%**	**2.7%**	**-13.7%**

*INCLUSIVE OF FUEL

Source: https://www.freightwaves.com/wp-content/uploads/2022/08/Q3-2022-Shipper-Rate-Report.pdf; 8/31/22

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Economics

FreightWaves

U.S. Bank Q3 Shipper Rate Report

Executive Summary and Forecast

"Despite a string of impressive reports in Q2, the labor market is potentially in a more dire spot than it might first appear. June data from the Bureau of Labor Statistics' household survey reported both negative full-time job growth and a rise in multiple jobholders, while the establishment survey has shown a steep decline in the number of labor force participants. Further support for an ailing labor market can be seen in weekly data for initial jobless claims, which could finally stir the unemployment rate in the first jobs release of Q3. It goes without saying that a rise in unemployment would also contribute to demand destruction for retail, weakening truckload volumes.

In light of these market conditions, we believe that spot rates will continue to decline in Q3 by low-single-digit percentages. Given the necessary costs of diesel fuel and the rampant effects of inflation, spot rates have only a little room to fall. Contract rates, on the other hand, should prove to have a more interesting performance in Q3. Per the aforementioned June survey, shippers are prepared to negotiate lower rates with their contracted carriers. While it is still too early to see whether shippers have succeeded, since only two weeks' worth of contract rate data was available at the time of writing, preliminary figures suggest that contract rates are indeed lowering. … " – Michael Rudolph, Research Analyst, FreightWaves

Source: https://www.freightwaves.com/wp-content/uploads/2022/08/Q3-2022-Shipper-Rate-Report.pdf; 8/31/22

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Economics

U.S. Census Bureau

NEW Business Formation Statistics

August 2022

Business Applications

“Business Applications for August 2022, adjusted for seasonal variation, were 421,503, a decrease of 1.0 percent compared to July 2022.

Business Formations

Projected Business Formations (within 4 quarters) for August 2022, adjusted for seasonal variation, were 30,623, a decrease of 0.4 percent compared to July 2022. The projected business formations are forward looking, providing an estimate of the number of new business startups that will appear from the cohort of business applications in a given month. It does not provide an estimate of the total number of business startups that appeared within a specific month. In other words, the Census Bureau is projecting that 30,623 new business startups with payroll tax liabilities will form within 4 quarters of application from all the business applications filed during August 2022. The 0.4 percent decrease indicates that for August 2022 there will be 0.4 percent fewer businesses projected to form within 4 quarters of application, compared to the analogous projections for July 2022.” – Census Bureau, Economic Indicators Division, Business Formation Statistics

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 9/14/22

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Economics

U.S. Census Bureau

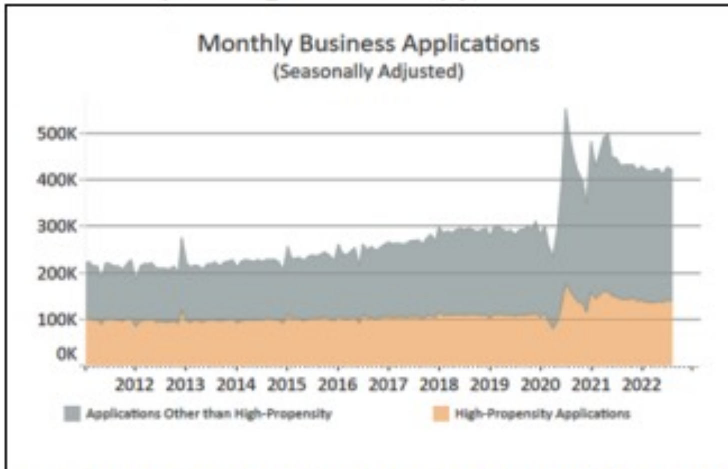
NEW Business Formation Statistics

August 2022

BUSINESS APPLICATIONS

U.S. Business Applications:	AUG 2022	AUG 2022 / JUL 2022
Total	421,503	-1.0%*
High-Propensity	138,533	-1.7%*
With Planned Wages	48,138	-0.5%*
From Corporations	48,699	-3.5%*

Next release: October 13, 2022
(*) Statistical significance is not applicable or not measurable.
Data adjusted for seasonality.
Source: U.S. Census Bureau, Business Formation Statistics, September 14, 2022



Source: U.S. Census Bureau, Business Formation Statistics, September 14, 2022

Business Applications - At a Glance

		US	Northeast	Midwest	South	West
Total	AUG 2022	421,503	61,991	69,143	195,277	95,092
	AUG 2022 / JUL 2022	-1.0%	-2.0%	-2.2%	-1.1%	+0.9%
High-Propensity	AUG 2022	138,533	22,317	21,826	60,314	34,076
	AUG 2022 / JUL 2022	-1.7%	-4.1%	-1.1%	-1.8%	-0.3%
With Planned Wages	AUG 2022	48,138	6,545	8,495	20,908	12,190
	AUG 2022 / JUL 2022	-0.5%	-2.2%	-0.6%	+0.1%	-0.5%
From Corporations	AUG 2022	48,699	10,375	5,977	17,643	14,704
	AUG 2022 / JUL 2022	-3.5%	-6.3%	-0.1%	-3.3%	-3.1%

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

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 9/14/22

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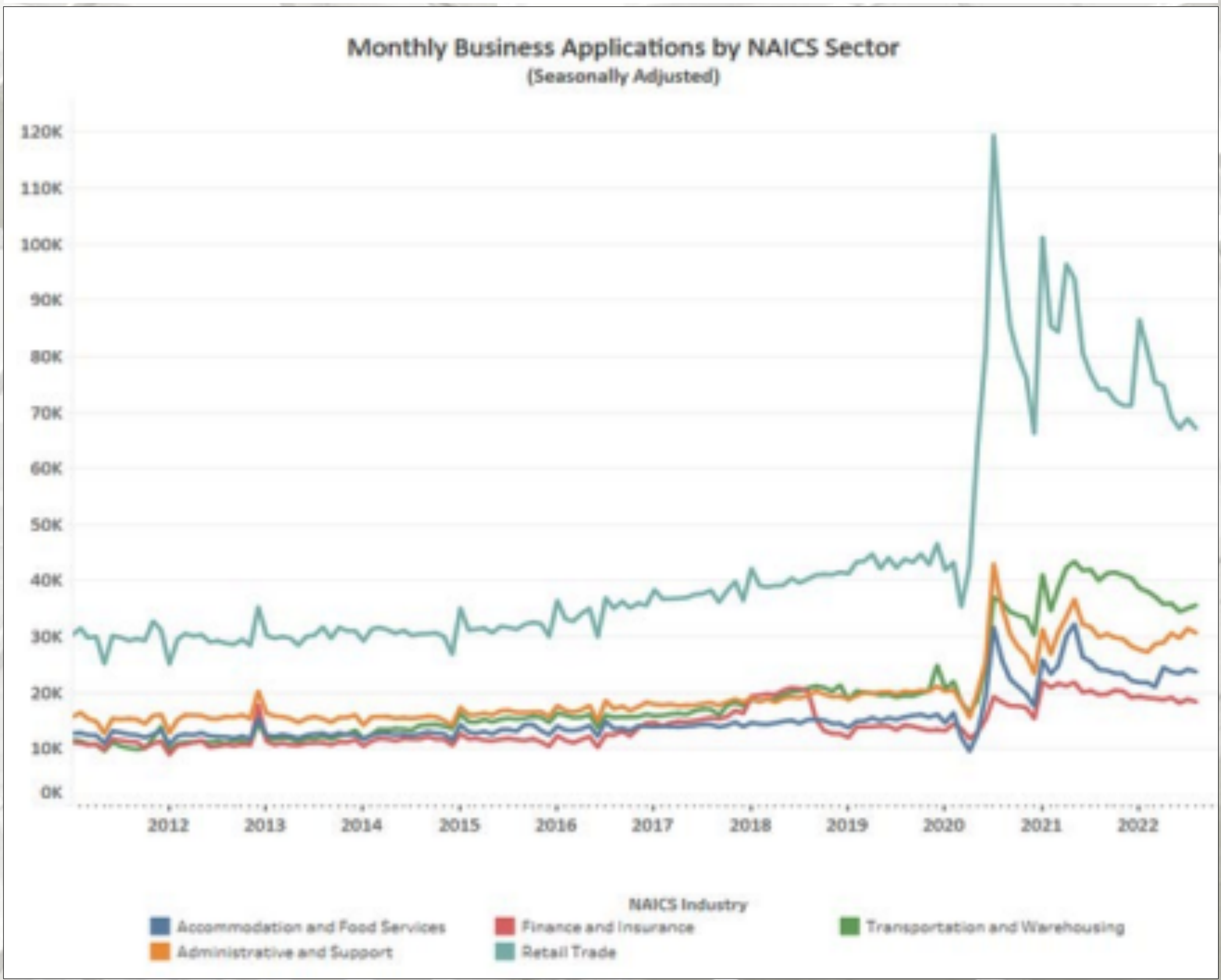
Economics

NEW Business Formation Statistics

August 2022



Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 9/14/22

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