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

Delton Alderman
Acting Program Manager
Forest Products Business Unit
Forest Products Laboratory
USDA Forest Service
Madison, WI
608.259.6076
delton.r.alderman@usda.gov

Urs Buehlmann
Department of Sustainable Biomaterials
College of Natural Resources & Environment
Virginia Tech
Blacksburg, VA
540.231.9759
buehlmann@gmail.com

2022 Virginia Polytechnic Institute and State University VCE-ANR

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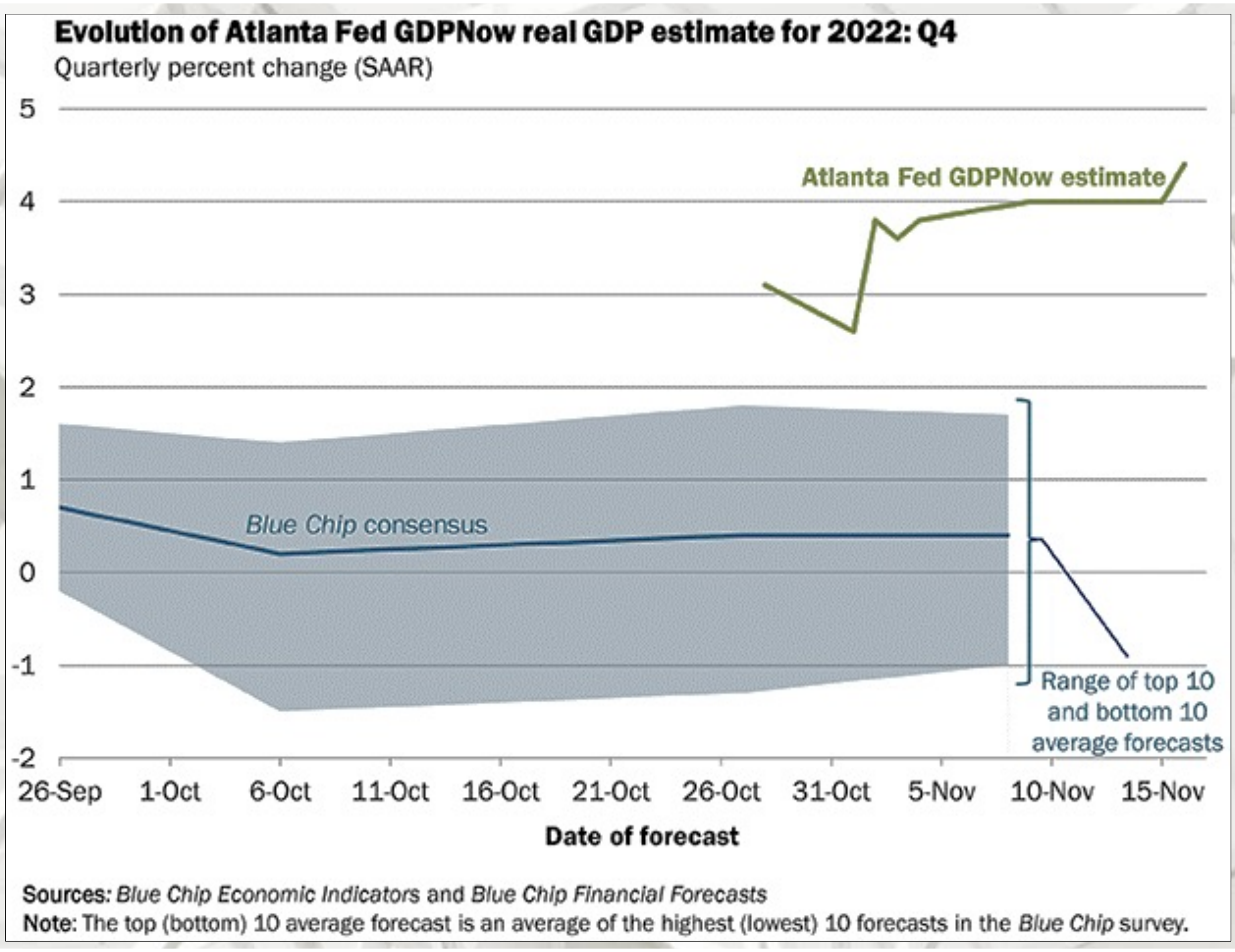
U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest estimate: 4.4 percent — November 16, 2022

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2022 is **4.4 percent** on November 16, up from 4.0 percent on November 9. After this morning's retail sales release from the US Census Bureau, the nowcast of fourth-quarter real personal consumption expenditures growth increased from 4.2 percent to 4.8 percent." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 11/16/22

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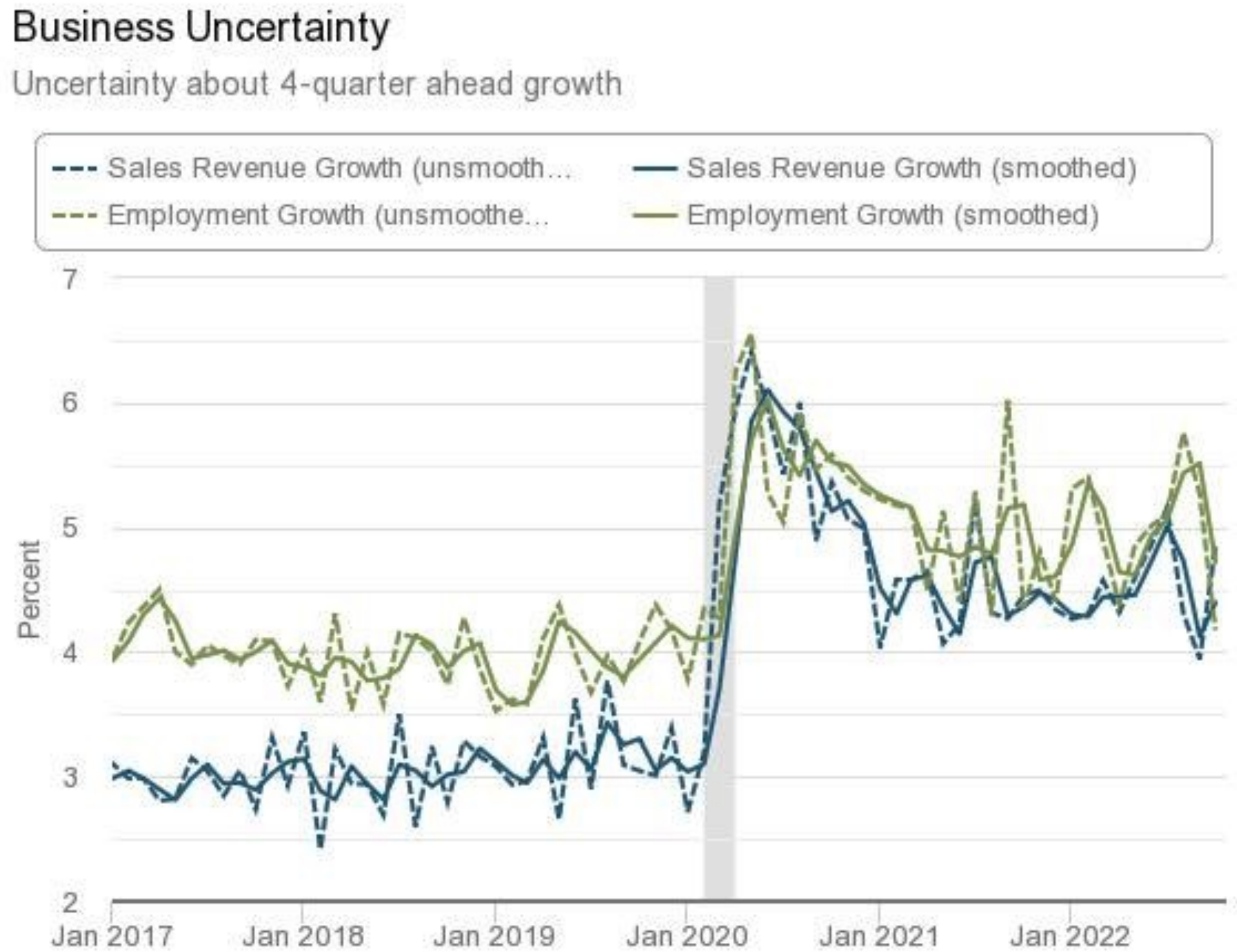
U.S. Economic Indicators

The Federal Reserve Bank of Atlanta



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: October 26, 2022

Source: https://www.atlantafed.org/research/surveys/business-uncertainty; 10/26/22

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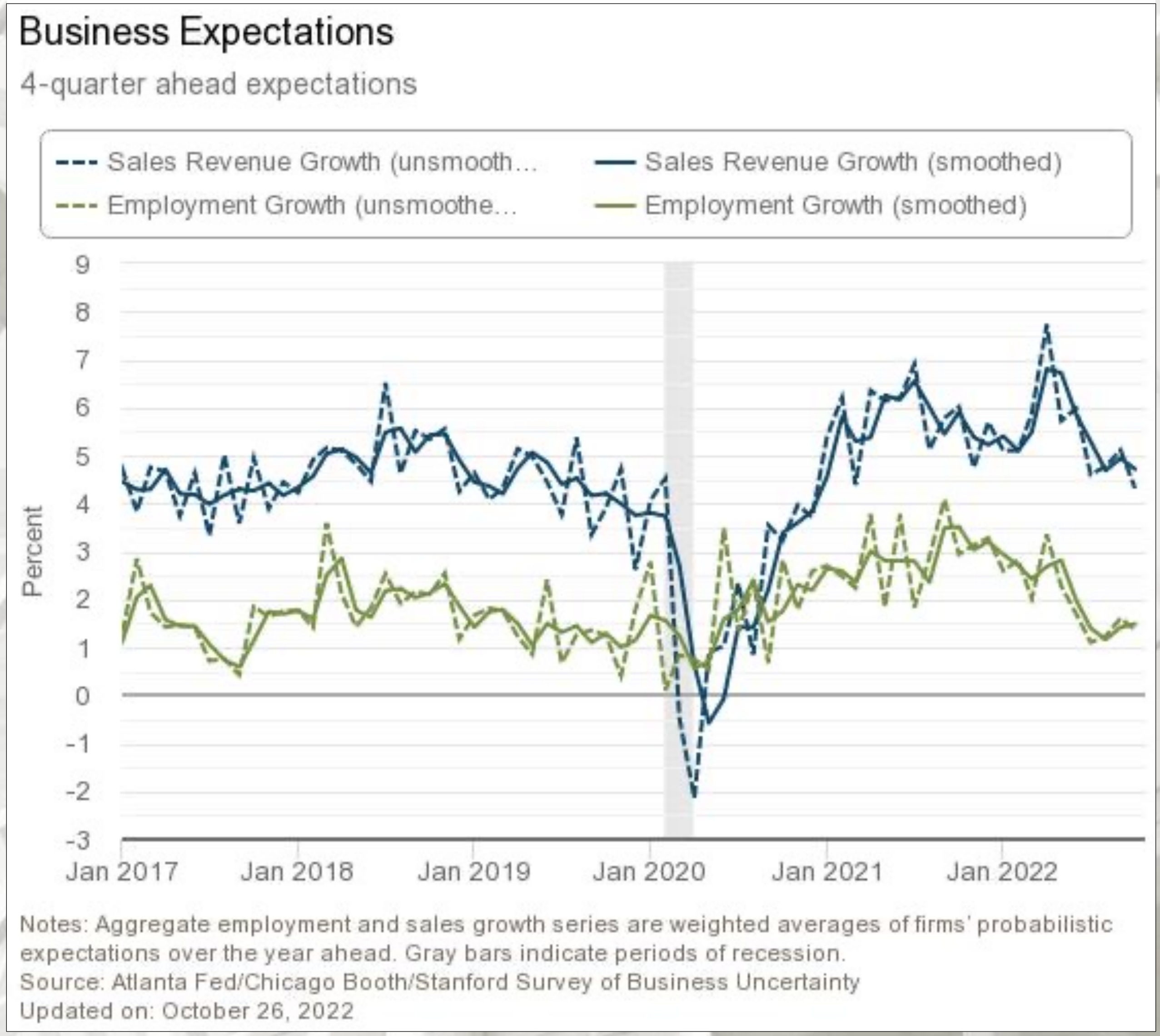
U.S. Economic Indicators

The Federal Reserve Bank of Atlanta



Source: https://www.atlantafed.org/research/surveys/business-uncertainty; 10/26/22

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

Index Points to Steady Economic Growth in September

"The Chicago Fed National Activity Index (CFNAI) was unchanged at +0.10 in September. Two of the four broad categories of indicators used to construct the index made positive contributions in September, but two categories deteriorated from August. The index's three-month moving average, CFNAI-MA3, moved up to +0.17 in September from +0.04 in August.

The CFNAI Diffusion Index, which is also a three-month moving average, increased to +0.35 in September from +0.16 in August. Forty-eight of the 85 individual indicators made positive contributions to the CFNAI in September, while 37 made negative contributions. Forty-four indicators improved from August to September, while 41 indicators deteriorated. Of the indicators that improved, eight made negative contributions.

Production-related indicators contributed +0.07 to the CFNAI in September, up from –0.02 in August. Industrial production increased 0.4 percent in September after decreasing 0.1 percent in August. The contribution of the sales, orders, and inventories category to the CFNAI decreased to –0.01 in September from +0.15 in the previous month.

Employment-related indicators contributed +0.06 to the CFNAI in September, up from –0.05 in August. The unemployment rate ticked down to 3.5 percent in September from 3.7 percent in August. The contribution of the personal consumption and housing category to the CFNAI edged down to –0.01 in September from +0.02 in August." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 10/24/22

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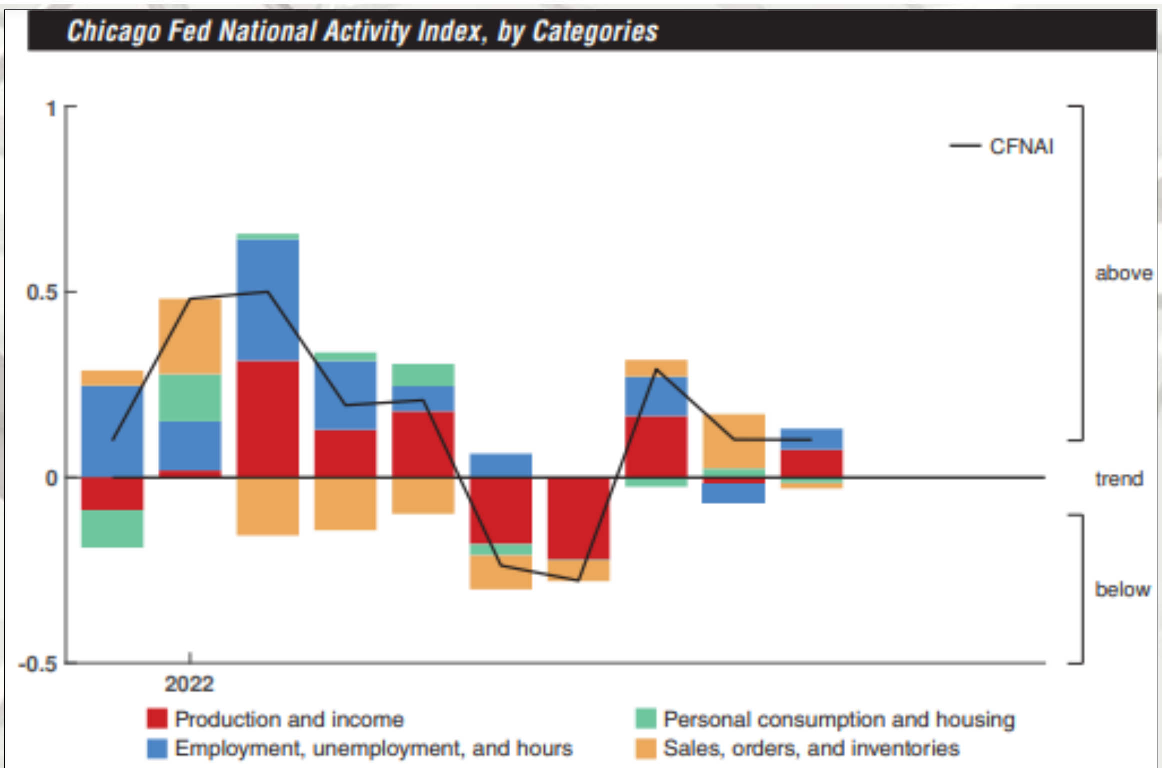
The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)



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

	Sep '22	Aug '22	Jul '22	Jun '22	May '22	Apr '22	Sep '21
CFNAI							
Current	+0.10	+0.10	+0.29	–0.28	–0.24	+0.21	–0.03
Previous	N/A	0.00	+0.29	–0.27	–0.25	+0.27	–0.04
CFNAI-MA3							
Current	+0.17	+0.04	–0.07	–0.10	+0.06	+0.30	+0.25
Previous	N/A	+0.01	–0.08	–0.08	+0.07	+0.32	+0.24
CFNAI Diffusion							
Current	+0.35	+0.16	+0.02	–0.12	+0.09	+0.30	+0.24
Previous	N/A	+0.11	+0.01	–0.08	+0.12	+0.34	+0.23

Current and Previous values reflect index values as of the October 24, 2022, release and September 26, 2022, release, respectively.
N/A indicates not applicable.

Source: https://www.chicagofed.org/publications/cfnai/index; 10/24/22

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

Survey Suggests Growth Picked Up in October

“The *Chicago Fed Survey of Economic Conditions* (CFSEC) Activity Index increased to –26 in October from –35 in September, suggesting that economic growth was well below trend. The CFSEC Manufacturing Activity Index was unchanged at –32 in October, and the CFSEC Nonmanufacturing Activity Index increased to –22 in October from –37 in the previous month.

- Respondents’ outlooks for the U.S. economy for the next 12 months improved slightly, but remained pessimistic on balance. Seventy-five percent of respondents expected a decrease in economic activity over the next 12 months.
- The pace of current hiring increased, but respondents’ expectations for the pace of hiring over the next 12 months decreased. Both hiring indexes remained negative.
- Respondents’ expectations for the pace of capital spending over the next 12 months decreased, and the capital spending expectations index turned negative.
- The labor cost pressures index decreased, but the nonlabor cost pressures index increased. Both cost pressures indexes remained negative.” – Thomas Walstrum, Senior Business Economist, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/research/data/cfsec/current-data; 11/10/22

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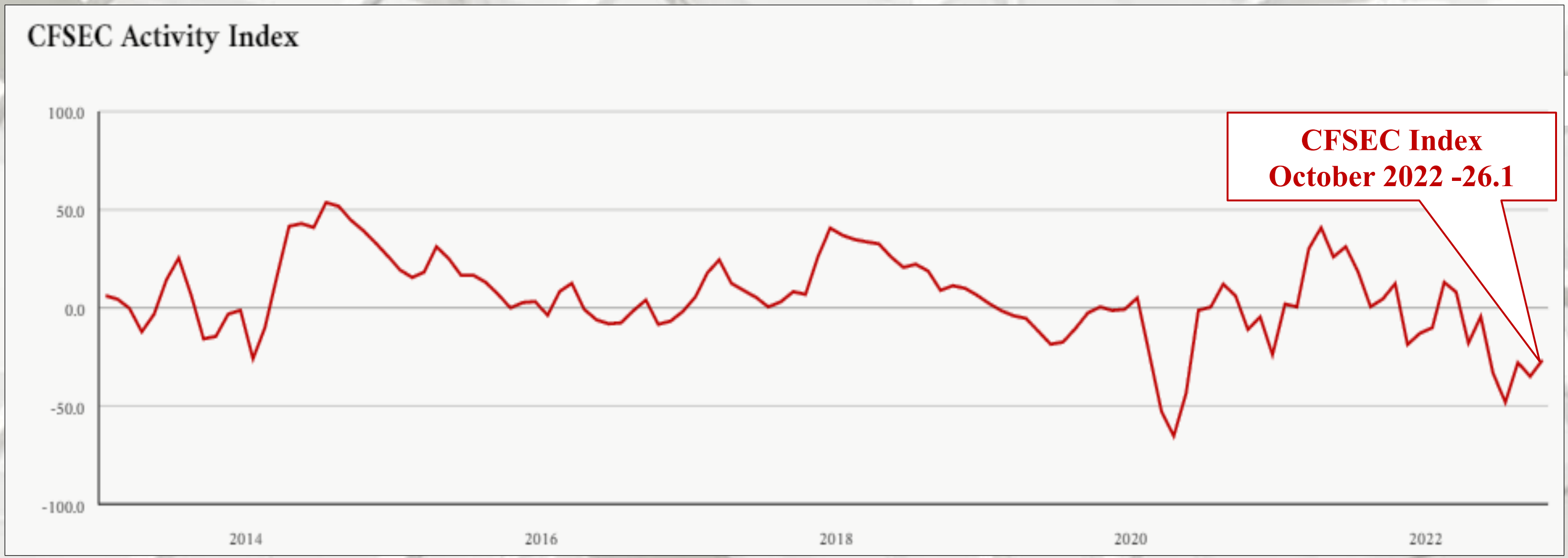
The Federal Reserve Bank of Chicago: Survey of Business Conditions (CFSEC)



Source: https://www.chicagofed.org/research/data/cfsec/current-data; 11/10/22

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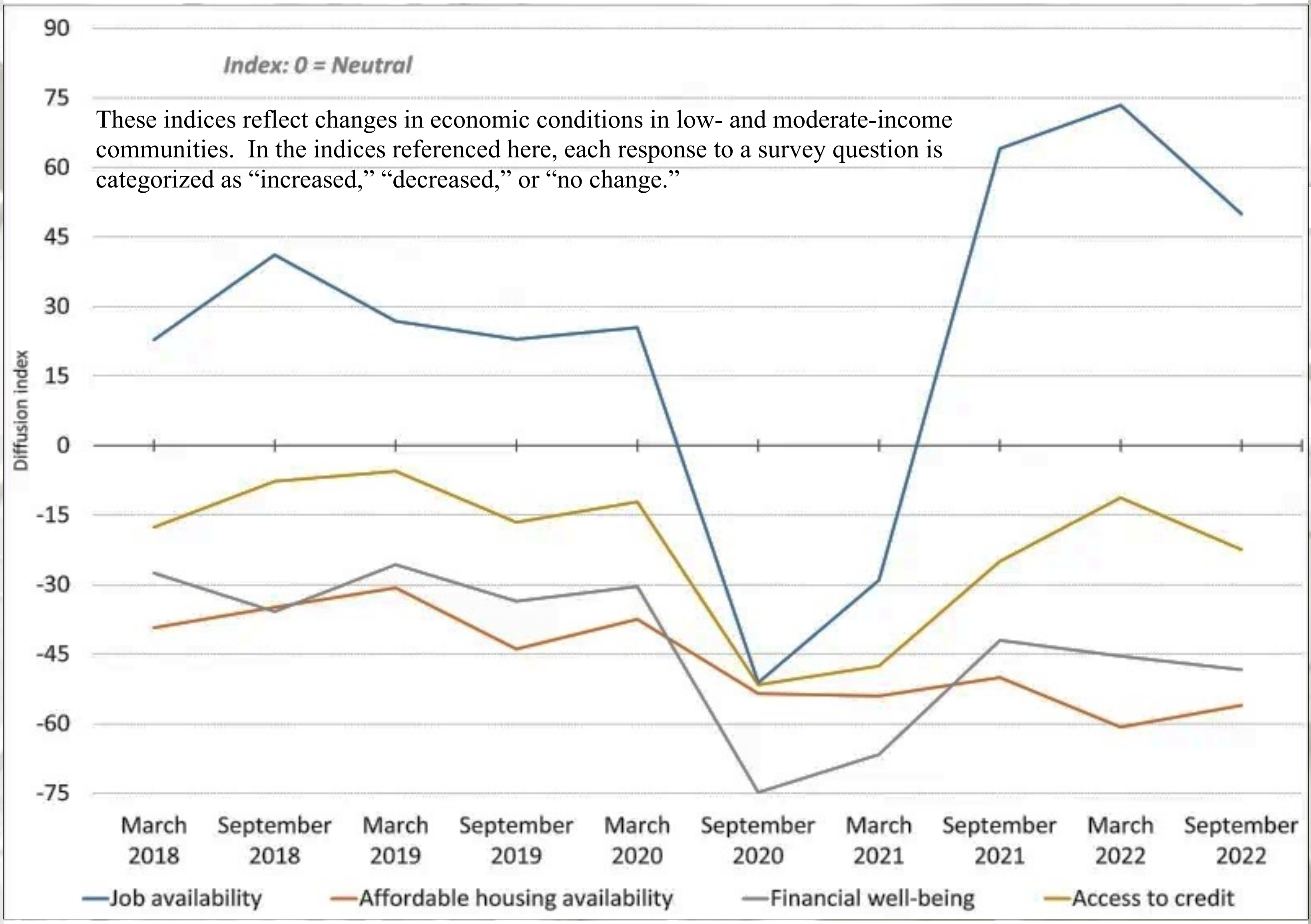
The Federal Reserve Bank of Cleveland: Low and Moderate Income (LMI) Indices



Source: Author's calculation from Community Issues Survey responses

Source: https://www.clevelandfed.org/publications/community-issues-and-insights; 11/15/22

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The Federal Reserve Bank of Cleveland

Low and Moderate Income (LMI) Indices

“In the September 2022 survey, respondents indicated a modest deterioration in the financial well-being and affordable housing conditions among low- and moderate-income households compared to March 2022.

Roughly one third of respondents said inflation contributed to the decline in financial wellbeing, with one respondent stating that higher prices “caused families to make different decisions regarding expenses, food and travel in particular.” Housing contacts cited rising rents, limited supply, and increased demand as contributing factors to the decrease in affordable housing. Job availability remained elevated: Even though a slightly higher share of survey respondents indicated a decline, the index remains well above prepandemic levels.” – Matt Klesta, Senior Community Development Analyst, The Federal Reserve Bank of Cleveland

Source: https://www.clevelandfed.org/publications/community-issues-and-insights; 11/15/22

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The Federal Reserve Bank of Dallas

Texas Manufacturing Outlook Survey

Texas Manufacturing Output Grows, but New Orders Decline and Outlooks Worsen

"Growth in Texas factory activity continued in October, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, edged down three points to 6.0, suggesting a slight deceleration in output growth.

Other measures of manufacturing activity also moved down this month. The new orders index slipped to -8.8 – its fifth month in a row in negative territory – suggesting a continued decrease in demand. The growth rate of orders index also remained negative and dropped 12 points to -13.2. The capacity utilization index was positive but moved down from 13.4 to 9.1, and the shipments index dipped into negative territory for the first time since May 2020, coming in at -1.6.

Perceptions of broader business conditions worsened in October. The general business activity index posted a sixth consecutive negative reading and edged down from -17.2 to -19.4. The company outlook index also remained negative and was largely unchanged at -9.1. The outlook uncertainty index pushed higher to 38.3.

Labor market measures continued to indicate robust employment growth, though workweeks are no longer lengthening. The employment index ticked up to 17.1, a reading significantly above its series average of 7.8. Twenty-six percent of firms noted net hiring, while 9 percent noted net layoffs. The hours worked index fell to a near-zero reading this month – indicating no change in workweek length – ending a two-year trend of increases.

Prices and wages continued to increase at an elevated pace. The raw materials prices index moved down five points to 32.0, converging toward its series average of 28.1. The finished goods prices index, however, rose four points to 22.2, pushing further above its series average of 9.0. The wages and benefits index remained elevated at 36.7, unchanged from September." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 10/31/22

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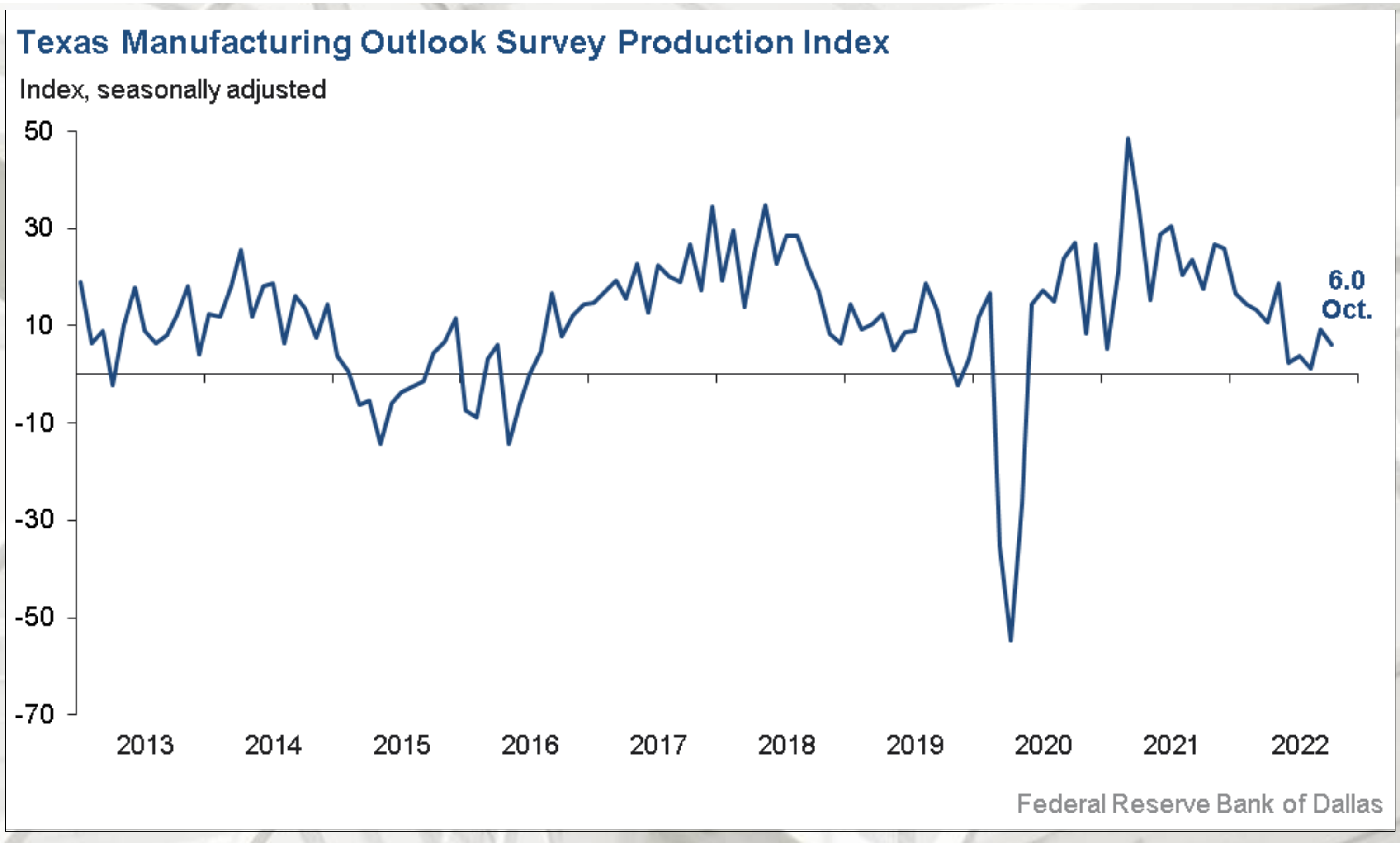
The Federal Reserve Bank of Dallas



"Expectations regarding future manufacturing activity were mixed in October. The future production index remained positive, though it plummeted 25 points to 3.1, its lowest reading since April 2020. The future general business activity index remained negative and largely unchanged at -21.2. Other measures of future manufacturing activity saw large declines in index values this month, though most remained in positive territory, with the exception of the future new orders index, which fell to -4.5." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 10/31/22

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The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Texas Service Sector Growth Improves in October

“Activity in the Texas service sector increased at a faster pace in October, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, improved from 5.9 in September to 8.5 in October, although the share of firms reporting increasing revenues remained around 30 percent.

Labor market indicators suggested continued employment growth and longer workweeks in October. The employment index fell one point to 9.0, while the part-time employment index improved from 1.5 in September to 2.9 in October. The hours worked index moved up two points to 5.1.

Perceptions of broader business conditions worsened further in October, and uncertainty continued to increase. The general business activity index fell sharply from -5.4 in September to -13.6 in October, its lowest level since July 2020. The company outlook index also fell from -1.4 to -9.1, while the outlook uncertainty index increased 13 points to 27.6.

Growth in selling prices and wage pressures continued to moderate in October, while input price growth picked up slightly. Nevertheless, the indexes remained well above historical averages. The selling prices index edged down from 21.1 to 19.7, while the input prices index increased three points to 51.4. The wages and benefits index slipped from 24.6 to 22.9.

Respondents’ expectations regarding future business activity were mixed in October. The future general business activity index worsened from -6.7 to -13.2, but the future revenue index remained positive despite dipping nearly three points to 32.2. Other indexes of future service sector activity such as employment and capital expenditures also remained positive, suggesting continued growth over the next six months.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 11/1/22

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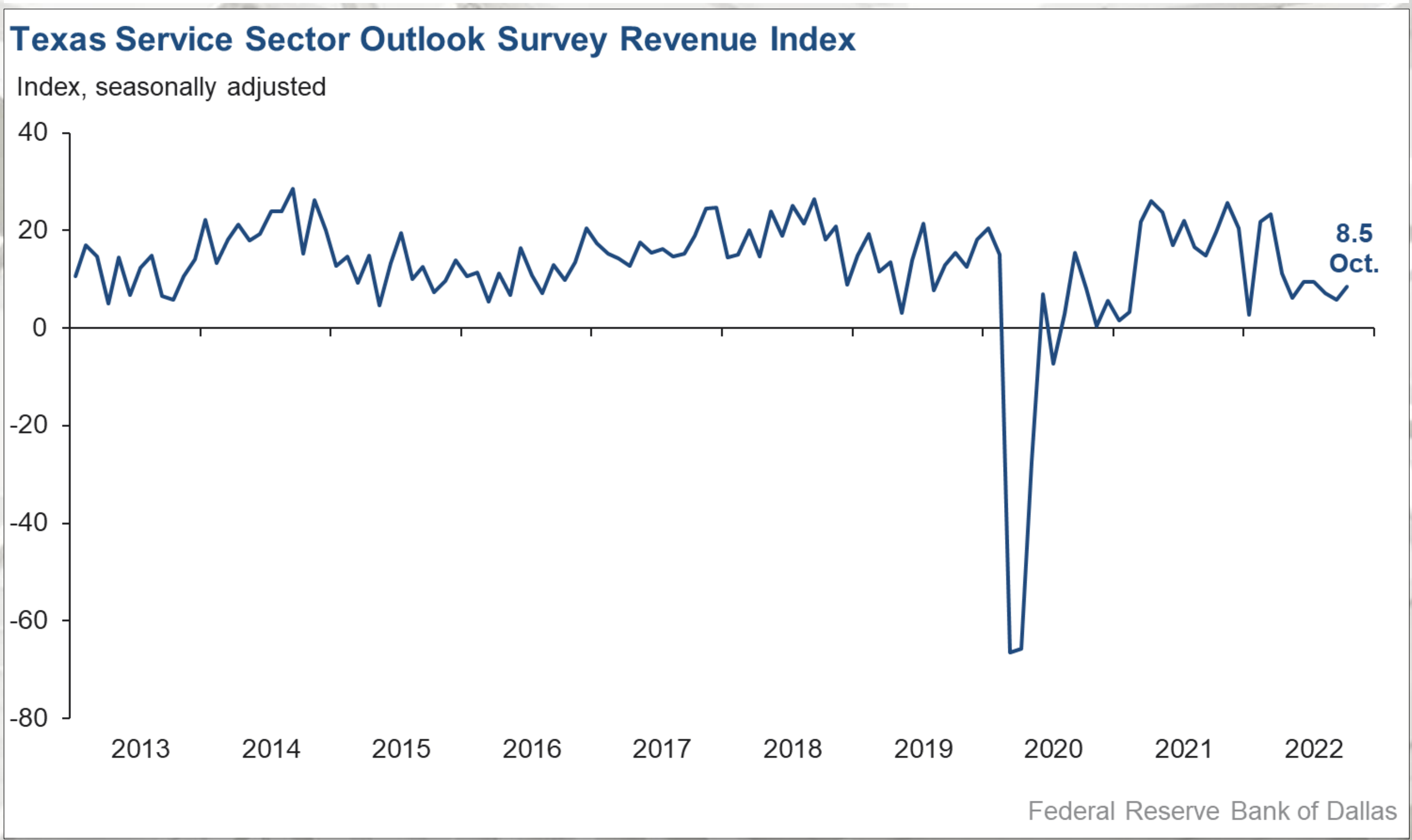
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys; 11/1/22

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The Federal Reserve Bank of Dallas

Texas Retail Outlook Survey

Texas Retail Sales Fall at Slower Pace in October

"October retail sales activity declined, though at a slower pace than in September, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, increased 10 points to -8.3. Retailers' inventories continued to increase on net, as the inventories index inched down from 10.1 to 8.9, suggesting inventories grew at a slightly slower pace than in September.

Retail labor market indicators reflected continued employment growth and steady workweeks in October. The employment index remained basically unchanged at 3.7. The part-time employment index remained in negative territory and fell from -0.5 to -1.9. The hours worked index increased from -7.3 to -0.9, with the share of firms reporting an increase in average hours worked among employees growing from 5.8 to 8.8 percent.

Retailers' perceptions of broader business conditions continued to worsen in October, as both the general business activity and company outlook indexes remained deeply in negative territory. The general business activity index was largely unchanged at -21.4, while the company outlook index remained flat at -13.9. The outlook uncertainty index increased notably from 8.2 to 20.6.

Retail wage and price pressures eased in October. The selling prices index dropped 11 points to 21.2, its lowest level since November 2020. The input prices index fell from 47.6 to 41.2, while the wages and benefits index decreased three points to 14.1.

Expectations for future retail growth were mixed in October. The future general business activity index fell from -19.1 to -22.0, while the future sales index increased two points to 8.2, reflecting continued growth expectations. Other indexes of future retail activity such as employment and capital expenditures also moved further into positive territory, suggesting expectations for continued growth over the next six months." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 11/1/22

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The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 11/1/22

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Declined Slightly

Regional factory activity declined slightly in October.
Indexes fell considerably for production, shipments, and new orders;
however, firms still reported slight gains in employment.

Factory Activity Declined Slightly

"declined slightly, and expectations for future activity also decreased (Chart 1). The monthly index of raw materials prices slowed in October and continued to decrease compared to a year ago. Finished goods price indexes decreased slightly from a month ago and compared to year-ago levels. Expectations for future raw materials and finished goods prices also slowed moderately.

The month-over-month composite index was -7 in October, the lowest composite reading since May 2020, and down from 1 in September and 3 in August. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The slower pace in factory growth in October was driven by decreased activity in computer and electronic, wood, primary metals, and plastics and rubber manufacturing. Most month-over-month indexes decreased in October, except for supplier delivery time and finished goods inventories.

Year-over-year factory indexes continued to decrease in October, and the composite index slowed from 30 to 24. The future composite index dropped from 9 to -1 in October, with the future production, new orders, order backlog, employee workweek, new orders for exports, supplier delivery time, and finished goods inventories indexes also moving into negative territory." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 10/27/22

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Declined Slightly

Special Questions

"This month contacts were asked special questions on changes in their workforce and investments compared to pre-pandemic. In October, 65% of firms reported devoting significantly or slightly more resources to training workers in order to meet skill requirements, while 33% reported no change. Due to labor shortages, 36% of firms reported investing or planning to invest in labor-saving automation strategies at a faster pace than in the past. On the same questions, 28% percent of firms invested or planned to invest similar to the past and about 25% of firms reported not investing in labor-saving technology." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 10/27/22

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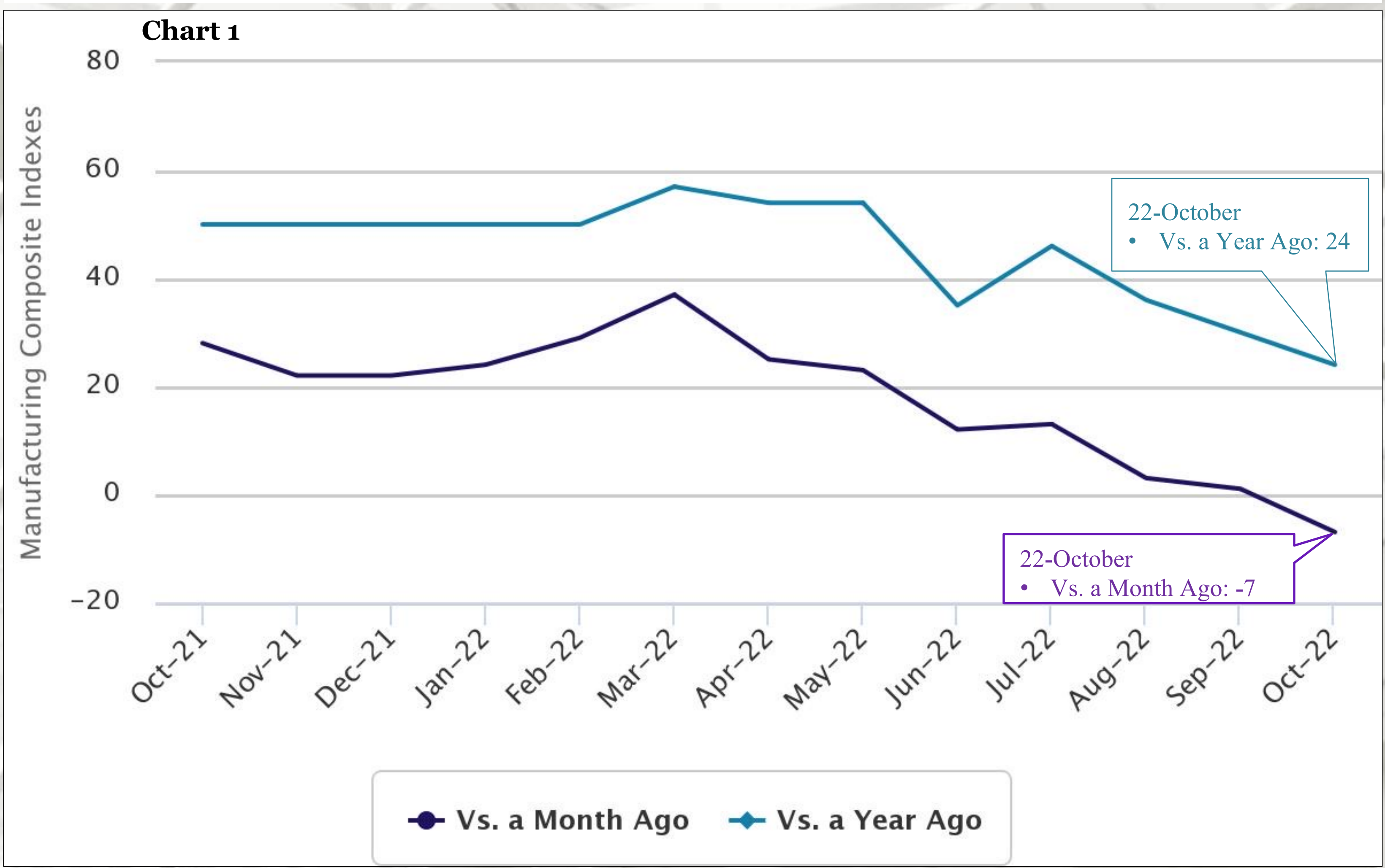
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 10/27/22

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Activity Grew at a Much Slower Pace

Overall, regional services firms saw growth in activity slow considerably in October. Indexes fell for revenue/sales, wages and benefits, expenditures, and selling prices; however, firms still reported slight gains in employment and expectations held steady.

Business Activity Slowed Considerably

"Tenth District services activity grew at a much slower pace October, and expectations for future activity remained steady (Chart 1). The monthly survey input prices index remained elevated, while the selling prices index saw a modest decline. Expectations for future prices remained high, but slightly below previous levels.

The month-over-month services composite index was 6 in October, down from 20 in September and from 14 in August. The composite index is a weighted average of the revenue/sales, employment, and inventories indexes. The decrease in growth was driven by a decline in activity in professional services, auto, health services, and retail trade. Most month-over-month indexes slowed in October, with a decrease in revenue/sales, hours worked, wages and benefits, credit conditions, and capital expenditures indexes. In contrast, the inventory levels index increased somewhat. The year-over-year composite index remained solid, however, the only indexes having higher readings than last month were employment and inventories. Expectations for services activity remained steady in October, and indexes for employment saw a slight increase." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 10/28/22

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Activity Grew at a Much Slower Pace

Special Questions

"This month contacts were asked special questions on changes in their workforce and investments compared to pre-pandemic. In October, 72% of firms reported devoting significantly or slightly more resources to training workers in order to meet skill requirements, while 28% reported no change. Due to labor shortages, 28% of firms reported investing or planning to invest in labor-saving automation strategies at a faster pace than in the past. On the same question, 23% of firms invested or planned to invest similar to the past and about 45% of firms reported not investing in labor-saving technology." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 10/27/22

The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 10/28/22

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The Federal Reserve Bank of New York

November Empire State Manufacturing Survey

Activity Edges Higher

"Business activity edged slightly higher in New York State, according to firms responding to the November 2022 *Empire State Manufacturing Survey*. The headline general business conditions climbed fourteen points to 4.5. New orders decreased slightly, while shipments expanded modestly. Delivery times were little changed, and inventories grew significantly. Labor market indicators pointed to a solid increase in employment and a longer average workweek. Input prices increased at about the same pace as last month, while selling price increases picked up. Looking ahead, firms expect business conditions to worsen over the next six months.

Manufacturing activity grew slightly in New York State, according to the November survey. The general business conditions index rose fourteen points to 4.5, its first positive reading since July. Thirty-three percent of respondents reported that conditions had improved over the month, and twenty-nine percent reported that conditions had worsened. The new orders index slipped seven points to -3.3, pointing to a small decline in orders, while the shipments index increased eight points to 8.0, indicating that shipments increased. The unfilled orders index moved down to -6.8, a sign that unfilled orders were slightly lower. The delivery times index came in at 2.9, indicating delivery times were little changed. The inventories index rose twelve points to 16.5, pointing to rising inventories." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 11/15/21

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The Federal Reserve Bank of New York

November Empire State Manufacturing Survey

Employment Continues to Increase

"The index for number of employees climbed five points to 12.2, pointing to an increase in employment levels. The average workweek index edged up to 6.9, signaling a small increase in hours worked. The prices paid index was little changed at 50.5, suggesting that input prices increased at about the same pace as last month, while the prices received index rose four points to 27.2, pointing to a small pickup in selling price increases.

Firms Pessimistic About Future Conditions

The index for future business conditions fell four points to -6.1, indicating that on net firms expect conditions to worsen over the next six months. The indexes for future new orders and shipments fell into negative territory, though employment is expected to continue to increase. Modest increases in capital spending 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; 11/15/21

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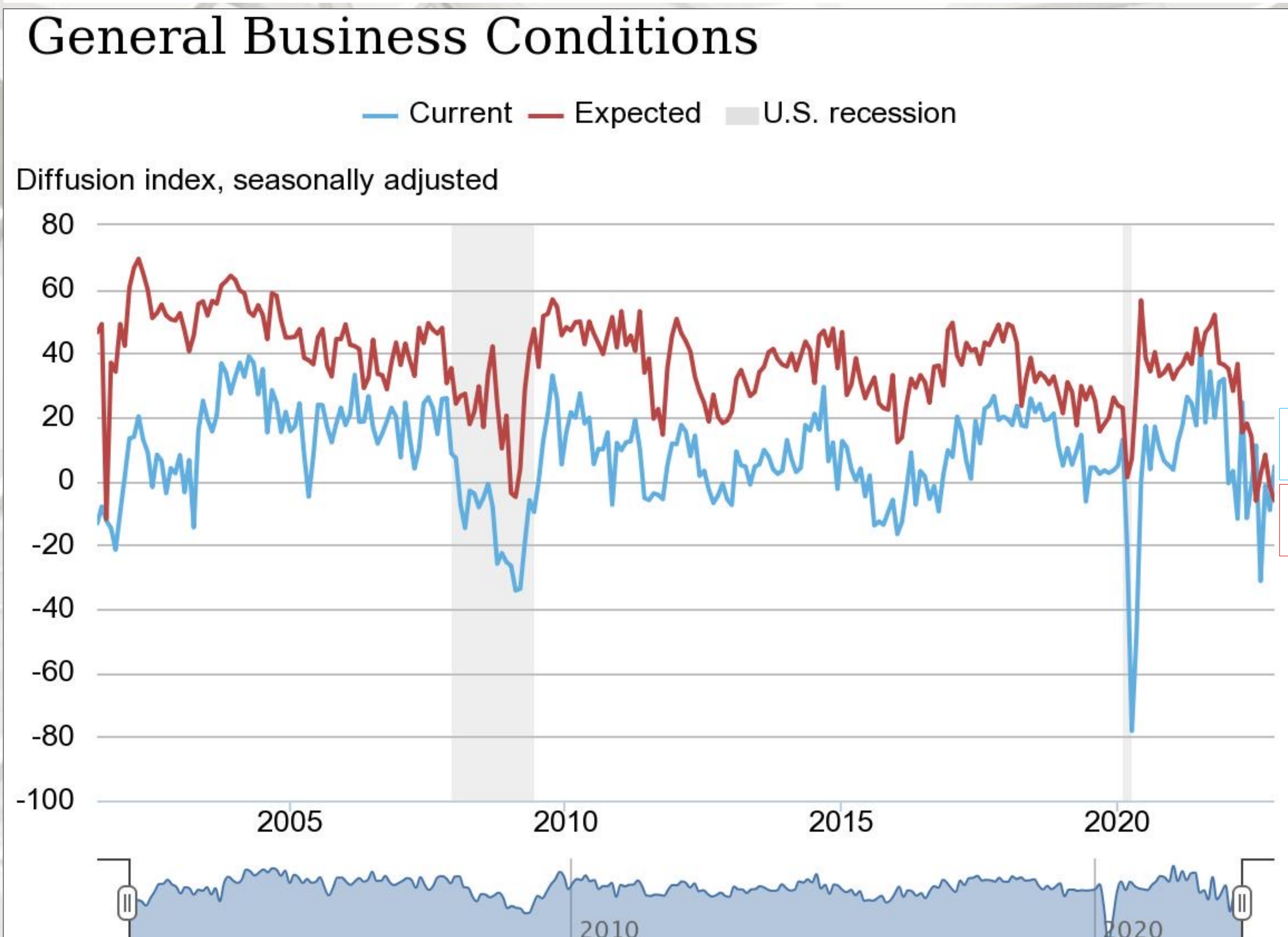
The Federal Reserve Bank of New York



November 2022
4.5

November 2022
-6.1

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 11/15/21

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The Federal Reserve Bank of New York

October Business Leaders Survey (Services)

Conditions Deteriorate

“Activity declined in the region’s service sector, according to firms responding to the Federal Reserve Bank of New York’s October 2022 *Business Leaders Survey*. The survey’s headline business activity index dropped twenty-one points to -15.5, its lowest level in nearly two years. The business climate index fell thirteen points to -41.6, also a multiyear low. Despite the decline in activity, employment grew at a faster pace than last month, and wage increases remained widespread. Price indexes were little changed and remained elevated. Looking ahead, firms turned pessimistic about the six-month outlook..

Business activity in the region’s service sector declined, according to the October survey. The headline business activity index dropped twenty-one points to -15.5, its lowest level since February 2021. Twenty-three percent of respondents reported that conditions improved over the month and 39 percent said that conditions worsened. The business climate index fell thirteen points to -41.6, its lowest level in more than a year, with a majority of firms now seeing the business climate as worse than normal.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 10/18/22

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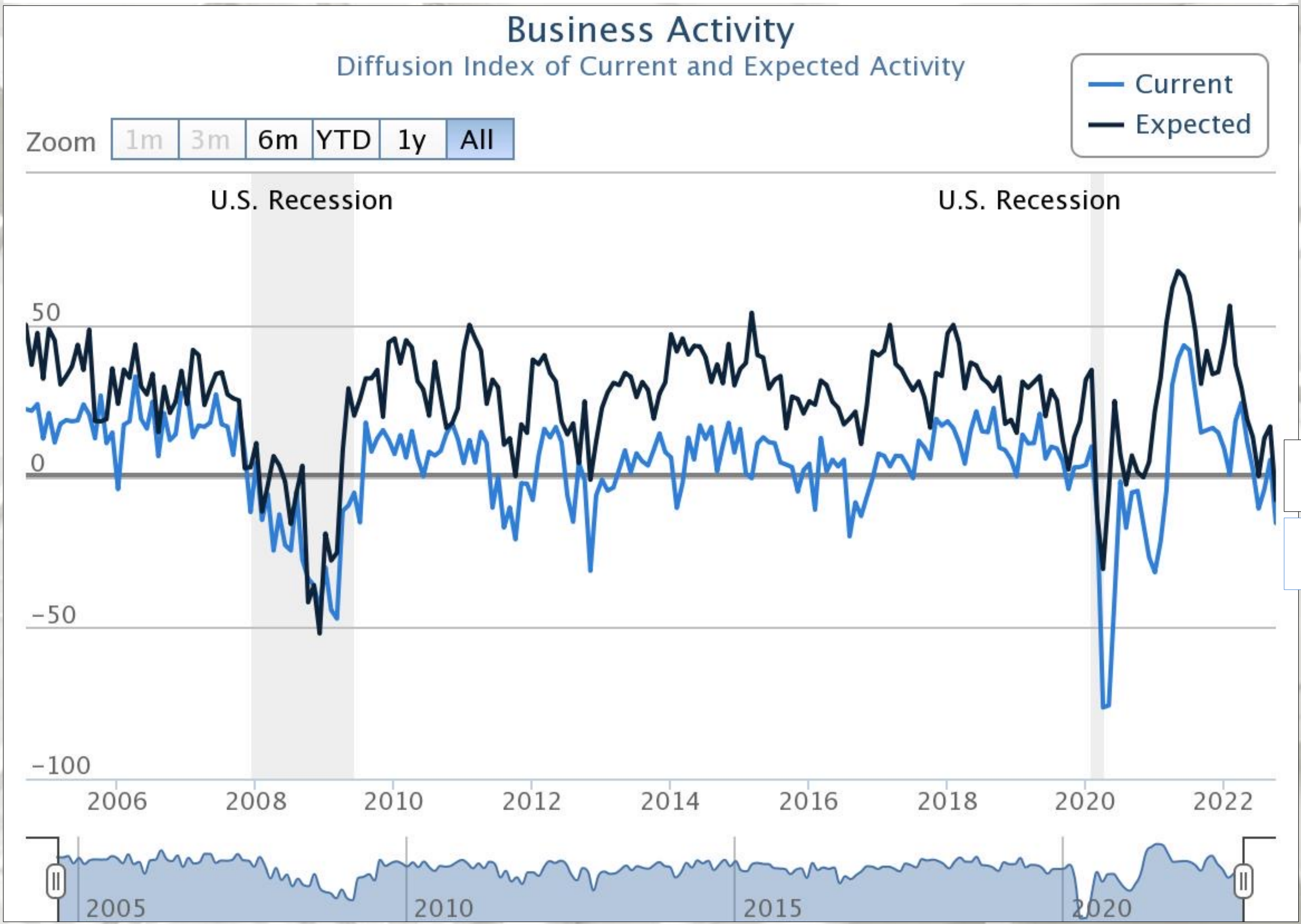
The Federal Reserve Bank of New York



October 2022
-7.9

October 2022
-15.5

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 10/18/22

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The Federal Reserve Bank of New York

October Business Leaders Survey (Services)

Employment Expands Despite Decline In Activity

"The employment index rose five points to 13.2, pointing to a pickup in employment growth despite the decline in overall activity. At 57.4, the wages index was little changed, indicating another month of strong wage growth. The prices paid index held steady at 79.5, pointing to ongoing significant input price increases, and the prices received index moved down three points to 39.2. The capital spending index fell to slightly below zero, a sign that capital spending edged lower.

Firms Turn Pessimistic

Conditions are expected to worsen over the next six months. The index for future business activity fell twenty-four points to -7.9, and the index for the future business climate dropped twenty-seven points to -30.2; this marks the first time in nearly two years that both indexes were negative. Employment is expected to grow in the months ahead, and wage and price increases are expected to remain widespread." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 10/18/22

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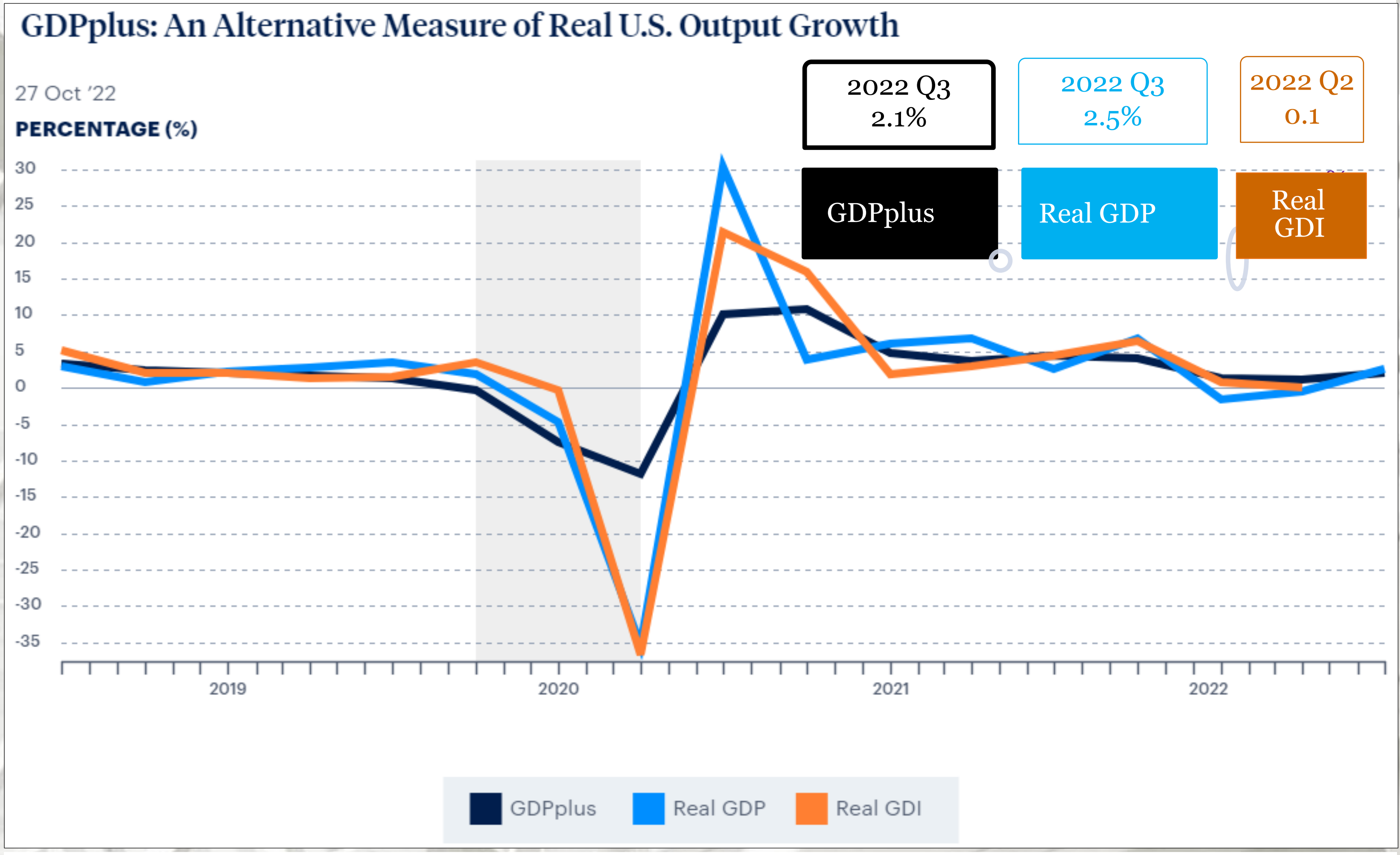
The Federal Reserve Bank of Philadelphia: GDPplus



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; 11/27/22

The Federal Reserve Bank of Philadelphia

October 2022 Manufacturing Business Outlook Survey

Current Indicators Remain Weak

"Manufacturing activity in the region continued to decline overall this month, according to the firms responding to the October *Manufacturing Business Outlook Survey*. The survey's indicators for general activity and new orders remained negative, and the shipments index was little changed at a low but positive reading. The firms continued to report higher employment on balance, and both price indexes indicate overall increases in prices. The survey's future general activity indexes suggest that the surveyed firms expect declines overall over the next six months.

The diffusion index for current general activity edged up 1 point but remained negative at -8.7 this month (see Chart 1). This is the index's fourth negative reading in the past five months. Nearly 24 percent of the firms reported decreases in general activity this month, while 15 percent reported increases; most firms (55 percent) reported no change. The index for new orders ticked up 2 points to -15.9, and the current shipments index was essentially unchanged at 8.6 in October, its lowest reading since May 2020.

The firms continued to report increases in employment on balance. The employment index rose from 12.0 to 28.5 this month, more than offsetting its decline from last month. Just over 29 percent of the firms reported increases in employment (up from 15 percent last month), while 1 percent reported decreases (down from 3 percent); 63 percent reported steady employment levels (down from 83 percent). The average workweek index returned to positive territory, rising 14 points to 10.4." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-10; 10/20/22

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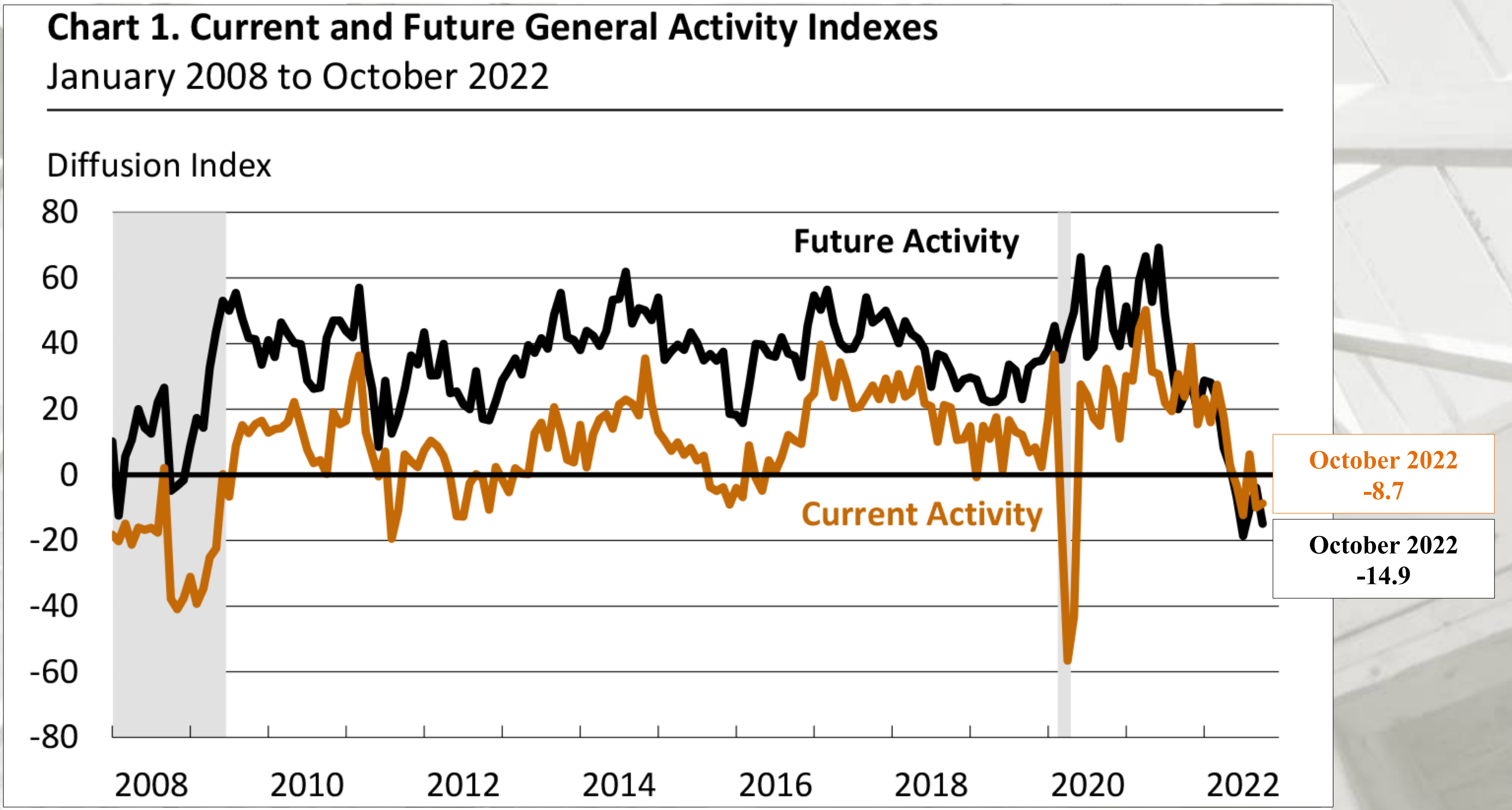
The Federal Reserve Bank of Philadelphia

October 2022 Manufacturing Business Outlook Survey



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-2022-10; 10/20/22

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The Federal Reserve Bank of Philadelphia

October 2022 Manufacturing Business Outlook Survey

Firms Continue to Report Price Increases

"The indicators for prices paid and prices received rose modestly this month following steady declines through the summer. The prices paid index – which had fallen 55 points between April and September of this year – rose 7 points to 36.3). The percentage of firms reporting increases in input prices (46 percent) exceeded the percentage reporting decreases (10 percent); 43 percent of the firms reported no change. The current prices received index edged up 1 point to 30.8. Nearly 41 percent of the firms reported increases in prices received for their own goods this month, 10 percent reported decreases, and 44 percent reported no change.

Firms Anticipate Higher Capital Expenditures Next Year

For this month's special question, manufacturers were asked about their plans for different categories of capital expenditures next year. Although a higher share of firms expects to increase total capital spending rather than decrease total spending (37 percent versus 24 percent), the share of firms expecting to decrease spending exceeded the share of firms expecting to increase spending in four out of six categories (software, structure, computer and related hardware, and other)." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-10; 10/20/22

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The Federal Reserve Bank of Philadelphia

October 2022 Manufacturing Business Outlook Survey

Future Indicators Deteriorate

"The diffusion index for future general activity fell from -3.9 to -14.9, its fifth consecutive negative reading (see Chart 1). The share of firms expecting decreases in activity over the next six months (37 percent) exceeded the share expecting increases (22 percent); roughly one-third of the firms expect no change. The future new orders index fell 23 points to -16.7, its fourth negative reading in the past five months, while the future shipments index fell 16 points but remained positive at 4.7. The firms continued to expect overall increases in employment over the next six months, but the future employment index declined 10 points to 12.2. The future capital expenditures index was essentially unchanged at 4.4.

Summary

Responses to the October *Manufacturing Business Outlook Survey* suggest continued overall declines in regional manufacturing conditions this month. The indicators for current activity and new orders remained negative, while the shipments index remained stable but low. The firms continued to indicate overall increases in employment, and the current price indexes continue to suggest increases in prices on balance. The survey's broad indicators for future activity deteriorated, suggesting that firms expect overall declines 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-2022-10; 10/20/22

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The Federal Reserve Bank of Philadelphia

October 2022 Nonmanufacturing Business Outlook Survey

Current Indexes Are Mixed

"Nonmanufacturing activity in the region continued to expand overall, according to the firms responding to the October *Nonmanufacturing Business Outlook Survey*. The survey's current indicator for general activity at the firm level decreased but remained positive, and the index for sales/revenues increased. However, the index for new orders remained negative. The survey's indexes for prices paid and prices received both increased this month. Overall, the respondents expect growth over the next six months at their own firms, but optimism was less widespread this month.

The diffusion index for current general activity at the firm level fell 8 points to 11.2 in October, after a 20 point increase last month (see Chart 1). More than 40 percent of the firms reported increases (down from 43 percent last month), while 29 percent reported decreases (up from 23 percent). The sales/revenues index rose for the second consecutive month, up 3 points to 20.8 in October. Nearly 49 percent of the firms reported increases in sales/revenues, while 28 percent reported decreases. The new orders index declined 4 points this month to -5.5, its third consecutive negative reading. More than 26 percent of the firms reported increases in new orders, less than the 32 percent that reported decreases. The regional activity index declined 17 points to -14.9 this month." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-10; 10/25/22

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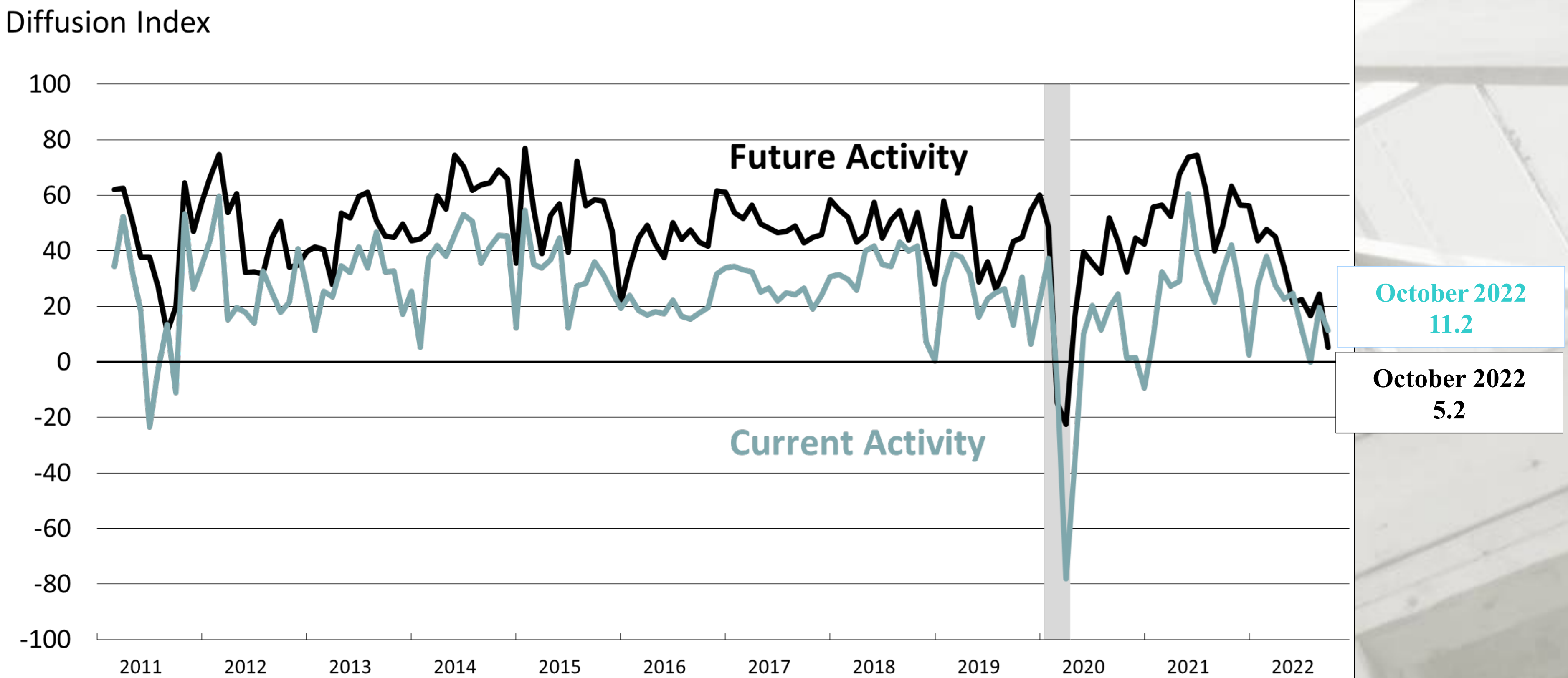
The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes for Firms
March 2011 to October 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-2022-10; 10/25/22

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The Federal Reserve Bank of Philadelphia

October 2022 Nonmanufacturing Business Outlook Survey

Employment Indicators Remain Positive

The firms reported overall increases in full- and part-time employment this month. The full-time employment index was positive at 13.3 in October, up from 12.6 last month. The share of firms reporting increases in full-time employment (27 percent) exceeded the share reporting decreases (14 percent); most firms (58 percent) reported no change. The part-time employment index edged up from 1.0 to 1.6 this month. Most firms reported steady part-time employment (59 percent), while 15 percent of the firms reported increases and 14 percent reported decreases. The average workweek index rose 16 points to 30.2.

Firms Continue to Report Overall Price Increases

Price indicator readings suggest widespread increases in prices for inputs and prices for the firms' own goods and services. The prices paid index increased 3 points to 74.2 in October. Almost 78 percent of the firms reported increases in prices paid, 13 percent reported steady input prices, and only 3 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index edged up 1 point to 33.1. The share of firms reporting increases in prices received (41 percent) outweighed the share reporting decreases (8 percent). Over 40 percent of the firms reported no change in prices received.

Firms Continue to Anticipate Growth

The future activity indexes suggest firms expect growth at their own companies and in the region over the next six months. The diffusion index for future activity at the firm level increased from a reading of 16.7 in August to 24.5 this month (see Chart 1). Over 49 percent of the firms expect an increase in activity at their firms over the next six months, compared with 25 percent that expect decreases and 23 percent that expect no change. The future regional activity index remained positive but edged down 1 point to 2.0." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-10; 10/25/22

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The Federal Reserve Bank of Philadelphia

October 2022 Nonmanufacturing Business Outlook Survey

Firms Anticipate Higher Capital Expenditures Next Year

"For this month's special question, nonmanufacturers were asked about their plans for different categories of capital spending for the upcoming year. On balance, a larger share of firms expects an increase in capital expenditures in 2023 than a decrease. More than 32 percent of the respondents expect to increase total capital spending, while 23 percent expect lower capital expenditure spending. Most respondents (almost 45 percent) expect the same level of capital expenditure over the next year. Overall, the firms expect higher capital spending in the following categories: software, energy-saving investments, computer and related hardware, and structure.

Future Indicators Weaken

The future activity indexes suggest firms expect growth at their own companies over the next six months, but optimism was less widespread compared with last month. The diffusion index for future activity at the firm level declined from a reading of 24.5 in September to 5.2 this month (see Chart 1). Nearly 37 percent of the respondents expect an increase in activity at their firms over the next six months (down from 49 percent), compared with 32 percent that expect decreases (up from 25 percent) and 30 percent that expect no change (up from 23 percent). However, the future regional activity index fell 31 points to -29.4.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest continued expansion in nonmanufacturing activity in the region. The indicator for firm-level general activity decreased but remained positive, the sales/revenues index increased, but the new orders index remained negative. Both the prices paid and prices received indexes increased this month. The future firm-level activity index suggests less widespread optimism for 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-2022-10; 10/25/22

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The Federal Reserve Bank of Richmond

Fifth District Manufacturing Sector Activity

Manufacturing Activity Weakened in October

“Many Fifth District manufacturing firms reported weaker conditions in October, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index fell from 0 in September to −10 in October, dipping below its August level. Two of its three component indexes deteriorated notably: the indexes for shipments and volume of new orders fell from 14 and −11 in September to −3 and −22 in October, respectively. The third component, the employment index, remained unchanged at 0 in October, as hiring challenges persisted.

The wage index decreased slightly but remained elevated. The local business conditions index slid from -5 in September to -16 in October, with considerably more firms pessimistic about conditions over the next six months.

There was little indication of supply chain relief since August, as the indexes for vendor lead time and backlog of orders remained steady, although both have improved dramatically since earlier this year.

The average growth rate of prices paid and prices received both increased again in October, after moderating in September. Expectations for both over the next 12 months also increased slightly from September.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 10/25/22

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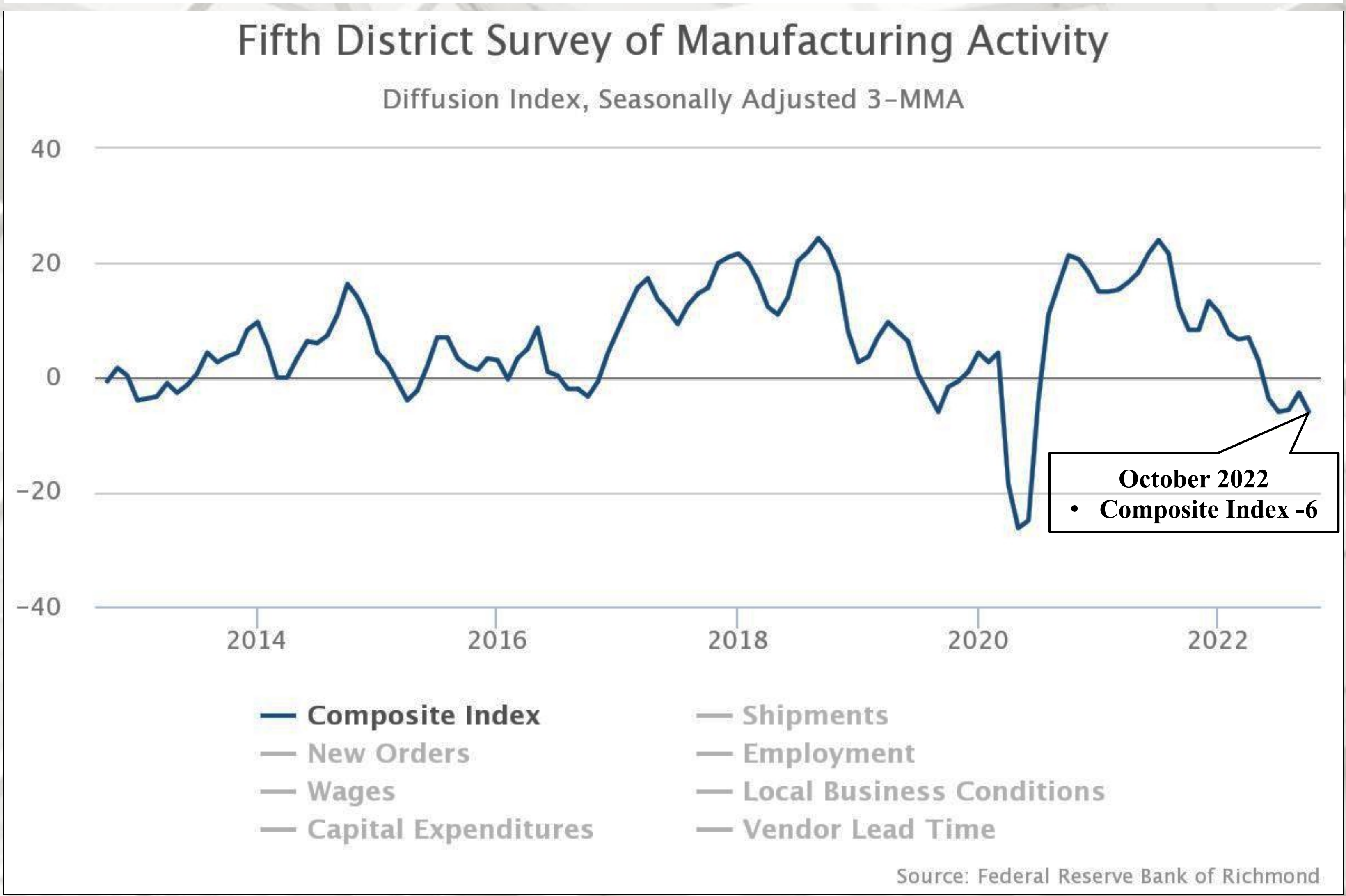
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 10/25/22

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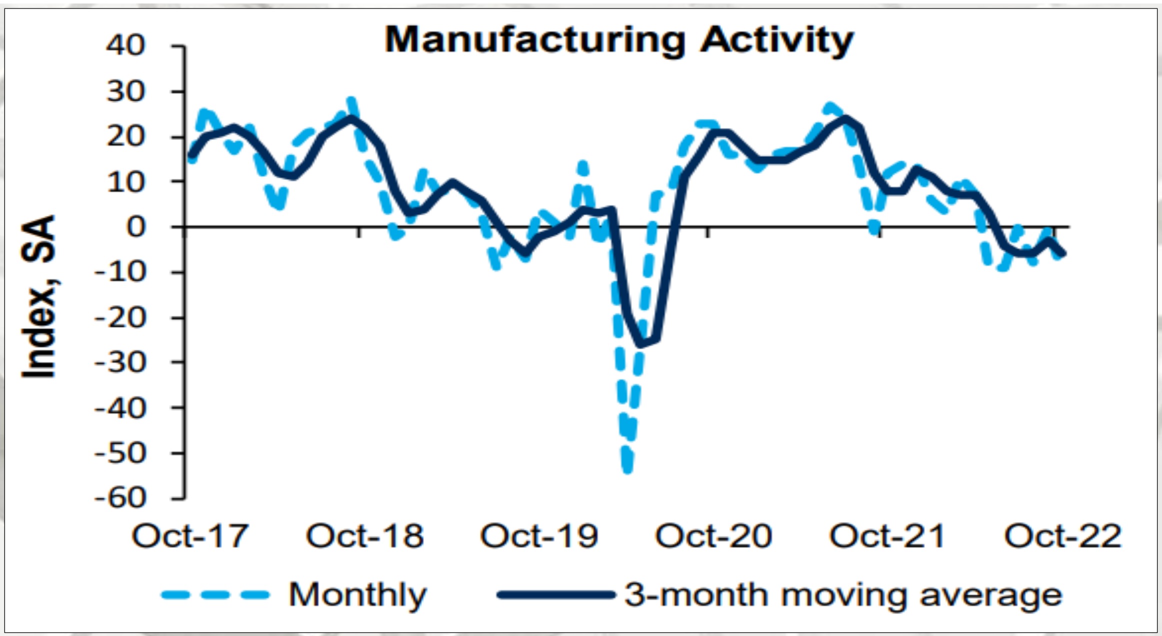
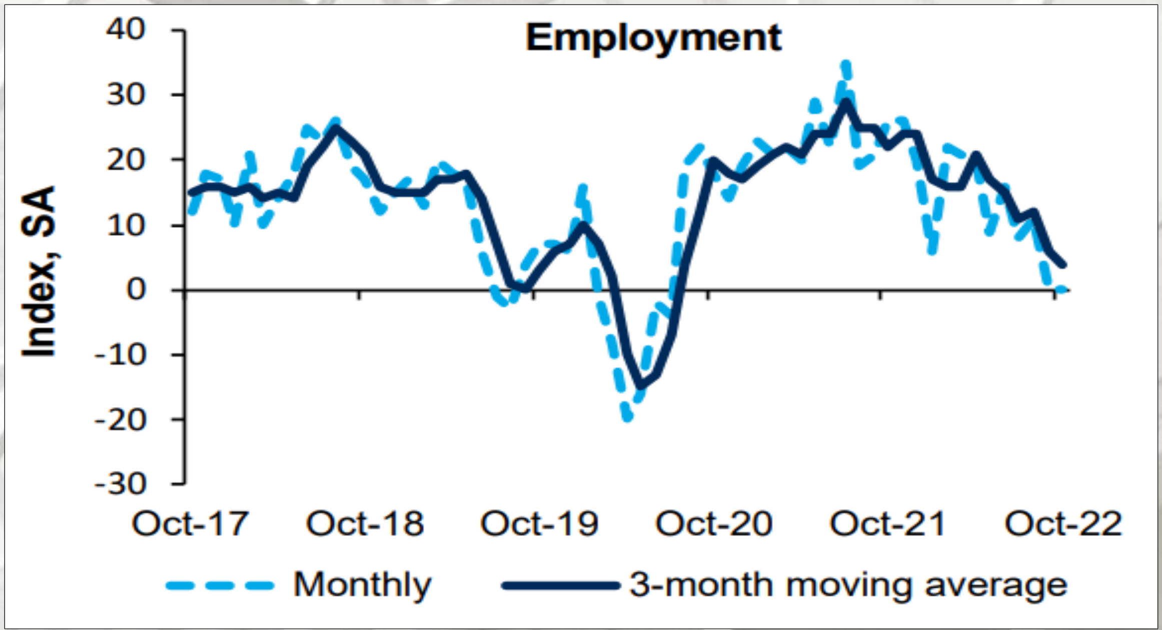
The Federal Reserve Bank of Richmond





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 10/25/22

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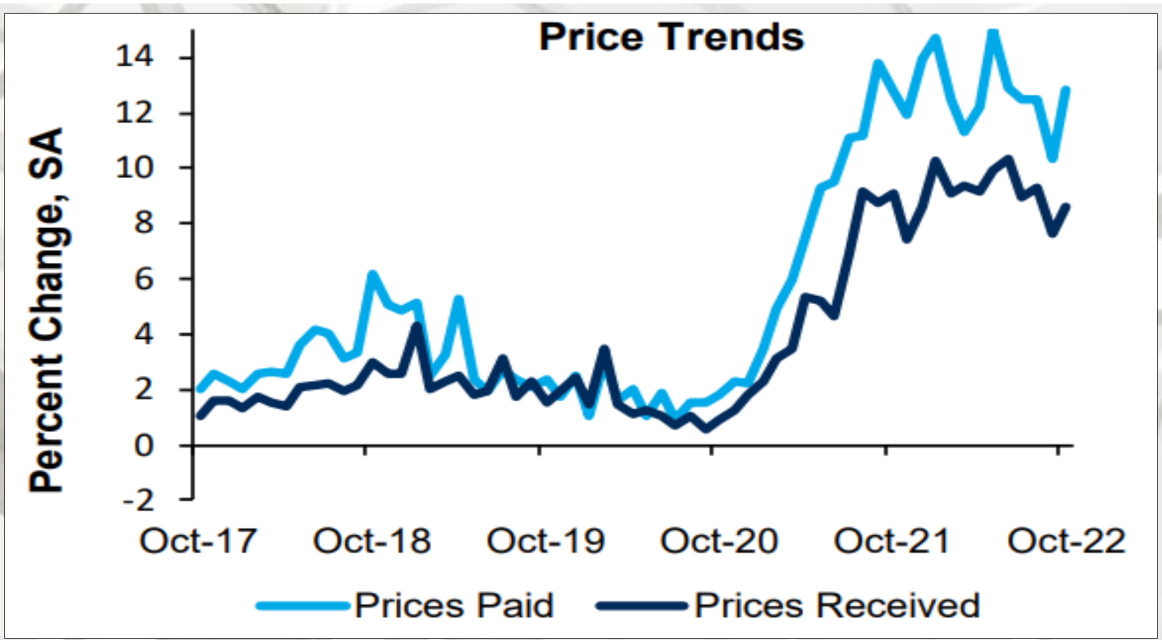
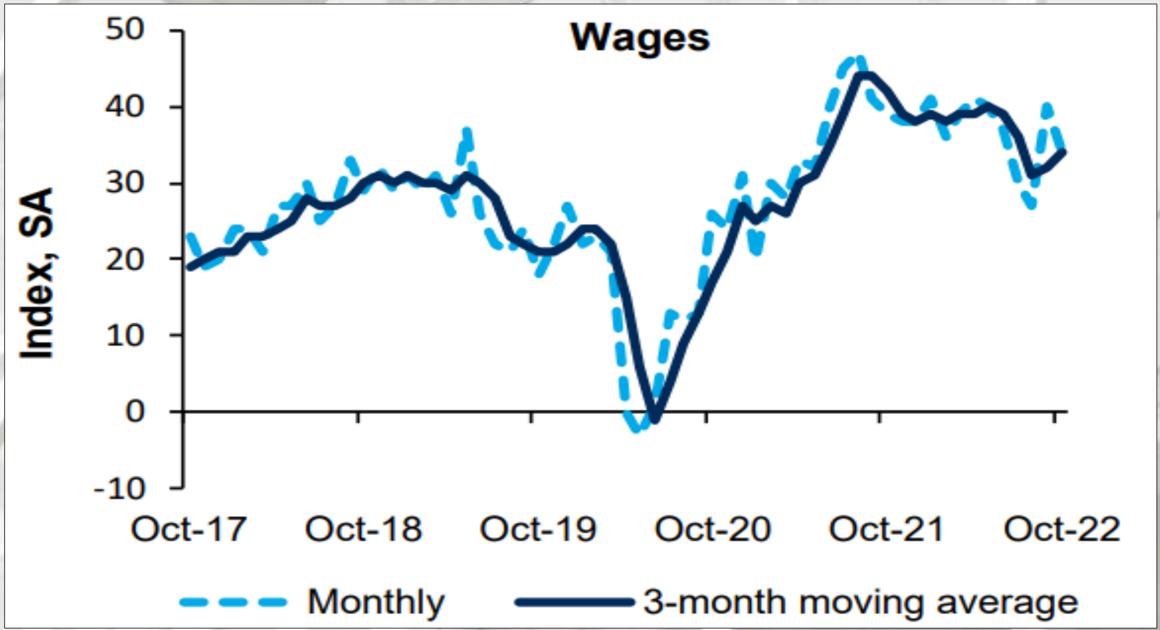
The Federal Reserve Bank of Richmond





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 10/25/22

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The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Service Sector Activity Saw Modest Improvements in September

“Fifth District service sector activity deteriorated in October, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues and demand indexes fell notably to −8 and −7, nearly returning to their August levels. Furthermore, optimism that revenues and demand will improve over the next six months tumbled in October, with both indexes turning negative. The indexes for capital, equipment & software, and services expenditures edged down slightly.

Firms' assessments of local business conditions plummeted from September, with a reading of −19 in October. Moreover, a burgeoning share of firms were pessimistic about future business conditions, as the expected business conditions index slid to −28 from −9, nearly matching the −31 reading in July.

A smaller share of firms reported increased hiring in October, but their ability to find workers with the necessary skills improved. Firms were split on the issue of labor availability over the next six months and expect wage increases to persist. Growth in prices paid decreased very slightly in October, while prices received increased somewhat.” – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 10/25/22

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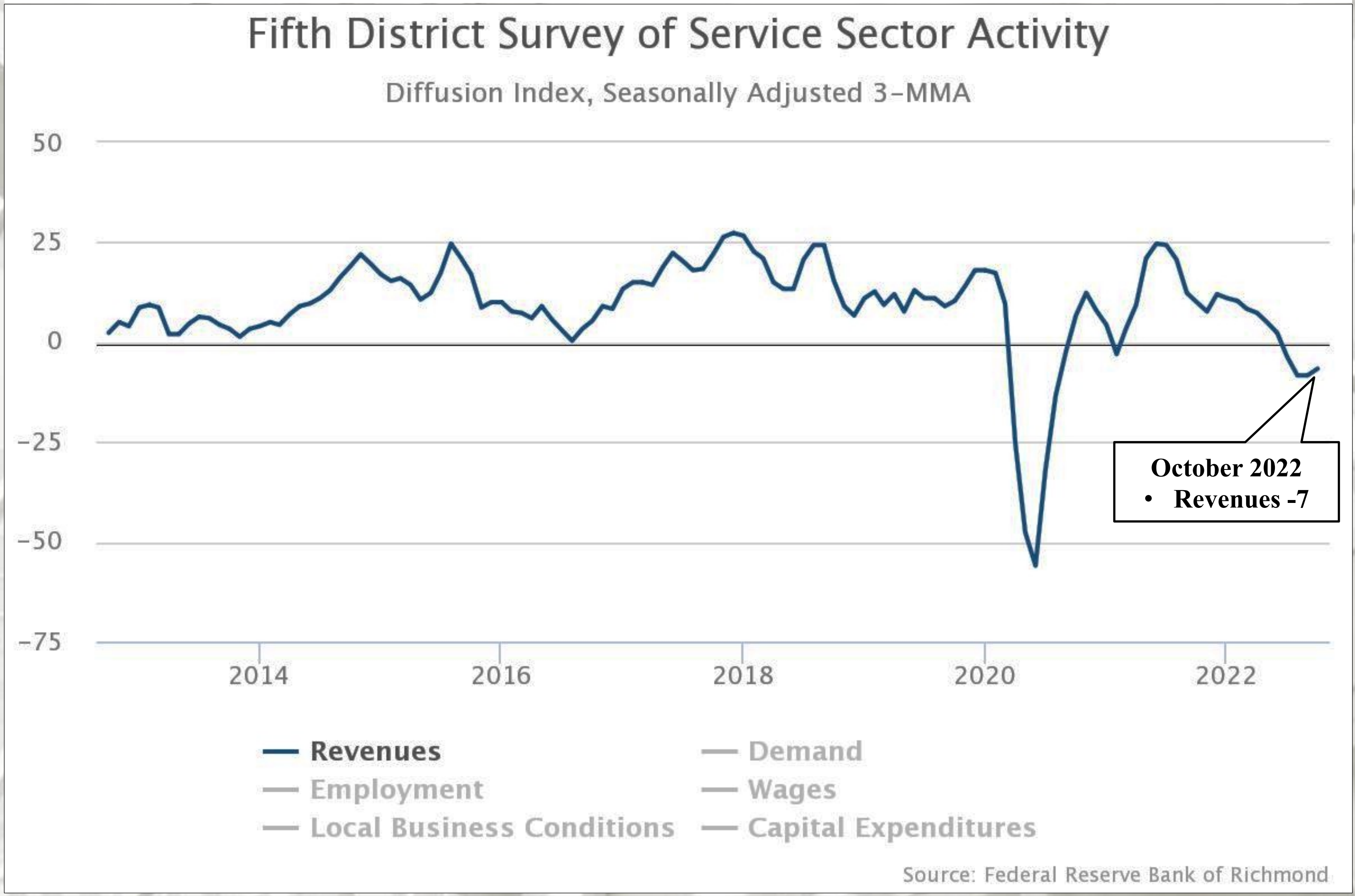
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 10/25/22

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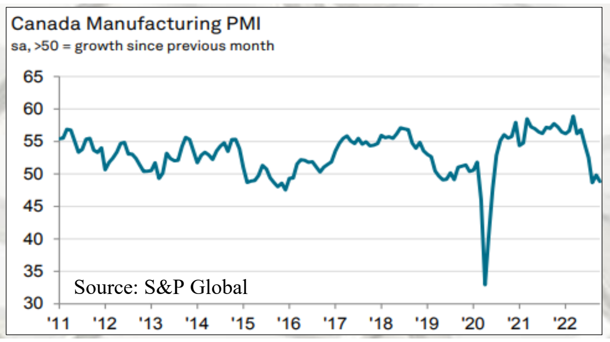
Private Indicators: Global



S&P Global Canada Manufacturing PMI®

"The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 48.8 in October, down from 49.8 in September. The latest result pointed to a quicker deterioration in operating conditions, and one that was the second-strongest since the tail-end of the first wave of the COVID-19 pandemic in June 2020.

Canadian manufacturing PMI sinks deeper into contraction territory

The start of the fourth quarter of 2022 indicated a third consecutive monthly deterioration in manufacturing business conditions in Canada. The rates of decline in both output and new orders quickened while firms continued to indicate a further shortage of skilled staff. Panel comments alluded to weak demand, while sentiment moderated to the weakest since May 2020 amid growing concerns of a recession and macro-economic troubles in the months ahead. Prices data meanwhile revealed a fourth successive slowdown in input cost inflation. However, recent currency weakness led Canadian firms to protect profits by hiking their selling prices.

Weak demand conditions were apparent in October's survey data with firms often mentioning that high prices deterred demand. New orders fell solidly and at one of the quickest rates in the survey's history. Export conditions were also subdued with international demand for Canadian goods contracting for the fifth month in succession.

October PMI data for Canada alluded to a weaker manufacturing performance as output and new orders fell concurrently and for the fourth month in a row. The rates of decline also quickened from those seen in September and were among the strongest in the survey's 12-year history. Concerns also came on the employment front with headcounts falling for the third month in succession, and panellists continuing to mention a lack of availability of skilled staff.

Manufacturing businesses in Canada are continuing to consider their plans for the future, especially as the economic environment becomes increasingly difficult to navigate. Panel comments indicated higher interest rates and growing concerns of a recession weighed on output projections for the year ahead which slumped to a 29-month low.

Positives can however be drawn from prices data which signalled another moderation in input cost inflation. Firms have also reacted quickly to the recent weakness in the Canadian dollar – which they hope is a temporary blip – by hiking their selling charges to protect profits." – Shreeya Patel, Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/54f2a524c8c34b788fb83ab2793d89d4; 11/1/22

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Private Indicators: Global

S&P Global Eurozone Manufacturing PMI®

"The S&P Global Eurozone Manufacturing PMI® recorded in sub-50.0 territory for a fourth month in a row in October, signalling a sustained downturn in manufacturing sector conditions. At 46.4, the headline index fell from 48.4 in September to its lowest level since May 2020.

Eurozone manufacturing output falls at sharpest pace since initial COVID19 wave as demand for goods plummets

The eurozone manufacturing sector slid further into contraction territory at the start of the fourth quarter as output and new orders fell at rates rarely surpassed across the 25 years of PMI data collection. Export demand also sank sharply as geopolitical uncertainty, high inflation and weaker economic conditions around the world weighed on foreign client spending.

With output requirements rapidly diminishing, eurozone manufacturers reduced their purchases of inputs to the quickest extent since May 2020. A further easing of supply chain pressures was also recorded as more capacity was freed up at suppliers. Meanwhile, having accelerated slightly in September, price pressures subsided at the start of the fourth quarter. Nevertheless, output charge and input cost inflation rates remained historically elevated. …

The eurozone goods-producing sector moved into a deeper decline at the start of the fourth quarter. The PMI surveys are now clearly signalling that the manufacturing economy is in a recession. In October, new orders fell at a rate we've rarely seen during 25 years of data collection – only during the worst months of the pandemic and in the height of the global financial crisis between 2008 and 2009 have decreases been stronger.

Factors that are likely to aggravate the downturn include inflation, which remains stubbornly elevated despite continued evidence that supply-chain pressures are receding. Sentiment among manufacturing firms remained rooted in negative territory once again in October, suggesting that firms foresee these challenging conditions to stretch out long into 2023.

Developments in the energy markets will remain a key focus for euro area manufacturers through the winter. The spate of mild weather across Europe so far bodes well and has helped bring wholesale gas prices down. However, we remain mindful of the risk that atypical cold weather could ramp up the need for energy rationing, causing widespread disruption to manufacturing production." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/7b5b97f63e024d348d8cf899776aa64f; 11/2/22

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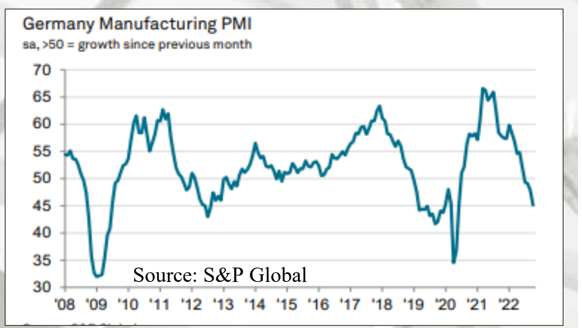
Private Indicators: Global



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 – moved further below the 50.0 no-change mark that separates growth from contraction in October. At 45.1, down from September's 47.8, the latest reading was the lowest since the initial COVID-19 wave in early-2020.

Downturn in German manufacturing sector deepens in October

Latest PMI® survey data showed the downturn in Germany's manufacturing sector gather pace at the start of the fourth quarter. Goods producers reported the steepest drop in output since May 2020, whilst also noting a deepening decline in new orders, as conditions across the sector worsened amid growing concerns about the economic outlook and high energy costs. There was some alleviation of overall costs pressures, however, with falling demand for materials and an associated easing of supply-chain constraints contributing to a slowdown in input price inflation to a 21-month low. Factory employment meanwhile continued to defy the broader downturn in conditions, as firms reported filling vacancies amid efforts to clear backlogs of work. …

October's PMI showed business conditions across the manufacturing sector becoming more and more difficult, with no quick turnaround in sight. There was further downward pressure on output levels at the start of the fourth quarter, with firms noting the influence of high energy costs and a deepening downturn in demand. Manufacturers are gravely concerned about the outlook for the next 12 months, with expectations having fallen to their lowest since the initial COVID wave.

Despite the gloomy outlook, factory employment continued to show resilience. The gap between the survey's employment and business expectations indexes is by far the widest since the latter's inception ten years ago. Given the scarcity of available skilled staff, it seems goods producers are keen to retain what talent they already have despite worsening business conditions.

Inflationary pressures in the manufacturing showed signs of easing in October but remained historically elevated. Falling demand for inputs and an associated easing of supply-chain constraints helped the rate of input cost inflation resume its recent decline following the brief energy-driven upturn in September. Input costs rose at the slowest rate since January 2021, but nevertheless one that has rarely been exceeded prior to this. High energy costs have prevented producer price inflation from falling more quickly." " – Phil Smith, Principal Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/16d6b88628bb4586b8c080b38dae43eb; 11/2/22

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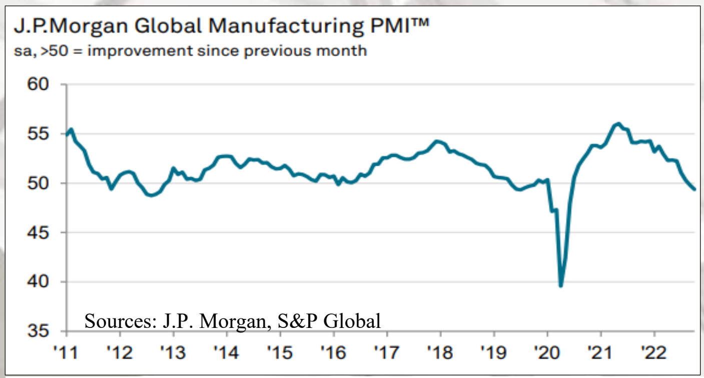
Private Indicators: Global



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 28-month low of 49.4 in October and remained below the neutral 50.0 mark for the second successive month.

Global manufacturing production falls again as new orders contract at quickest pace in 28 months

The October PMI surveys signalled a third successive monthly contraction in global manufacturing production. The latest decline in output was driven by weaker intakes of new business, deteriorating international trade flows and lower business confidence. Two of the five PMI components – new orders and output – had greater negative effects on its level. Although indices tracking trends in employment and supplier lead times had a positive influence overall, these were to lesser extents than in the prior survey month.

Output data broken down by sector indicated that the downturn was concentrated in the intermediate goods category. Excluding the early months of the global pandemic, the latest contraction in intermediate goods production was the steepest in close to 11 years. In contrast, output rose in both the consumer and investment goods sub-industries.

The outlook for production also deteriorated in October. Manufacturing business optimism about the year ahead and the cyclically sensitive new orders-to-finished goods inventory ratio both dropped to near two-and-a-half year lows. … The level of incoming new work contracted for the fourth successive month, with the rate of decline accelerating to a 28-month record. …

The global manufacturing output PMI remained in contraction territory in October. The output index ticked down by 0.1pt to 48.6, its lowest level for 28 months. The index for new orders also lost ground, falling to its lowest level for close to 11 years (excluding the pandemic months). With business optimism and the orders-to-inventory ratio also both dipping to their lowest levels in two-and-a-half years, the outlook for production remains downbeat." – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/f63159279add46ddb43eff04efcae3f9; 11/2/22

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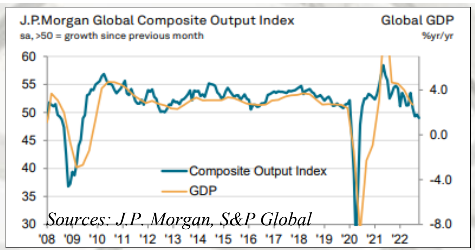
Private Indicators: Global



Sources: J.P. Morgan, S&P 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 49.0 in October, from 49.6 in September, its lowest reading since June 2020.

Global output and business confidence fall as new business intakes contract for third month running

October PMI surveys signalled that the downturn in global economic activity extended into its third successive month, with the service sector rejoining manufacturing in contraction territory. Business optimism dipped to a 28-month low, as new order intakes and international trade flows continued to dwindle in the face of heightened economic, inflationary and political pressures.

Three out of the six sub-industries covered by the survey – business services, financial services and intermediate goods – saw output decrease, with rates of contraction especially sharp in the latter two. Activity levels rose in the consumer goods, consumer services and investment goods categories, although growth was only marginal in all three. …

The level of incoming new business contracted for the third straight month in October. Although the pace of decline remained only mild it was nonetheless the steepest since June 2020. Among the six sub-industries covered by the survey, only business services saw an increase in new work received. International trade flows deteriorated again, as new export business fell to the greatest extent in 28 months. The downturns in economic activity and new orders contributed to a further dip in business optimism during October. Positive sentiment dropped to its lowest since June 2020, with confidence levels falling at manufacturers and service providers alike. All six of the sub-sectors covered by the survey registered reduced optimism. …

The October PMI surveys point to a further downturn in global economic activity, with output falling in both the manufacturing and services sectors. The composite output and new orders indices fell by 0.6 pts and 0.7 pts, respectively, to new lows since June 2020. With demand weak, geopolitical and market volatility high, and inflationary pressures still elevated, the growth outlook remains downbeat for the remainder of the year. The labor market remains resilient, however, with job creation weathering these headwinds relatively well." – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/63cee2ed73df4a359c526338f2195068; 11/4/22

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Private Indicators
Associated Builders and Contractors

Nonresidential Construction Increases Slightly in September

"National nonresidential construction spending was up by 0.5% in September, 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 $883.9 billion for the month.

Spending was down on a monthly basis in 11 of the 16 nonresidential subcategories. Private nonresidential spending was up 1.0%, while public nonresidential construction spending was down 0.3% in September.

"The disconnect between contractor confidence, which remains elevated according to ABC's Construction Confidence Index, and nonresidential construction spending continues," said ABC Chief Economist Anirban Basu. "While nonresidential construction spending is below February 2020 levels, many contractors report operating at capacity. This has much to do with worker and equipment shortages.

"Many projects under construction in America began prior to the rapid increase in borrowing costs that started earlier this year," said Basu. "With interest rates on the rise and the economy expected to slow, nonresidential spending will likely decline further, at least in segments vulnerable to economic downturns. Contractors that focus on public construction work stand to be in far better shape given recent federal legislation and excess pandemic relief funds waiting to be spent by many state and local governments."'" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19679/nonresidential-construction-spending-increases-slightly-in-september-says-abc; 11/1/22

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Private Indicators
Associated Builders and Contractors

Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate	September 2022	August 2022	September 2021	1-Month % Change	12-Month % Change
Total Construction	$1,811,136	$1,807,011	$1,632,860	0.2%	10.9%
Residential	$927,254	$927,320	$823,155	0.0%	12.6%
Nonresidential	$883,882	$879,691	$809,705	0.5%	9.2%
Manufacturing	$113,399	$105,420	$79,159	7.6%	43.3%
Highway and street	$109,175	$107,550	$100,129	1.5%	9.0%
Religious	$3,122	$3,089	$2,729	1.1%	14.4%
Lodging	$18,377	$18,231	$15,826	0.8%	16.1%
Office	$86,091	$85,943	$85,454	0.2%	0.7%
Communication	$24,490	$24,524	$24,889	-0.1%	-1.6%
Educational	$96,713	$96,920	$95,397	-0.2%	1.4%
Power	$107,865	$108,203	$121,800	-0.3%	-11.4%
Amusement and recreation	$26,169	$26,304	$22,997	-0.5%	13.8%
Commercial	$115,283	$116,130	$94,152	-0.7%	22.4%
Transportation	$55,363	$56,045	$54,048	-1.2%	2.4%
Water supply	$24,693	$25,053	$19,584	-1.4%	26.1%
Sewage and waste disposal	$32,354	$32,840	$27,921	-1.5%	15.9%
Health care	$51,364	$52,714	$47,951	-2.6%	7.1%
Public safety	$11,158	$11,533	$10,437	-3.3%	6.9%
Conservation and development	$8,265	$9,192	$7,231	-10.1%	14.3%
Private Nonresidential	$532,297	$526,910	$481,689	1.0%	10.5%
Public Nonresidential	$351,586	$352,781	$328,016	-0.3%	7.2%

Source: U.S. Census Bureau

Source: https://www.abc.org/News-Media/News-Releases/entryid/19679/nonresidential-construction-spending-increases-slightly-in-september-says-abc; 11/1/22

Private Indicators
Associated Builders and Contractors

Source: https://www.abc.org/News-Media/News-Releases/entryid/19679/nonresidential-construction-spending-increases-slightly-in-september-says-abc; 11/1/22

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Private Indicators
Associated Builders and Contractors

Investment in Structures Falls Again in Third Quarter Even as US Economy Expands

"The U.S. economy expanded at a 2.6% annualized rate in the third quarter of 2022, according to an Associated Builders and Contractors analysis of data released by the U.S. Bureau of Economic Analysis. Investment in nonresidential structures decreased at an annual rate of 15.3% for the quarter and has now contracted in 10 of the past 12 quarters.

"Today's GDP report could be considered the calm before the storm," said ABC Chief Economist Anirban Basu. "Growth is likely to slow significantly going forward, but for now, the U.S. economy continues to expand as consumers keep spending on travel and goods, even in the face of significantly elevated inflation.

"The major increase in borrowing costs in 2022 has yet to make its statistical mark on much of the economy, but real nonresidential investment in structures posted its steepest contraction since the second quarter of 2020 and has now declined in all but two quarters since the start of the pandemic," said Basu. "For now, however, contractors remain somewhat upbeat about the outlook, and more than 47% of contractors expect their sales to rise over the next six months, according to ABC's Construction Confidence Index." – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19675/investment-in-structures-falls-again-in-third-quarter-even-as-us-economy-expands-says-abc; 10/27/22

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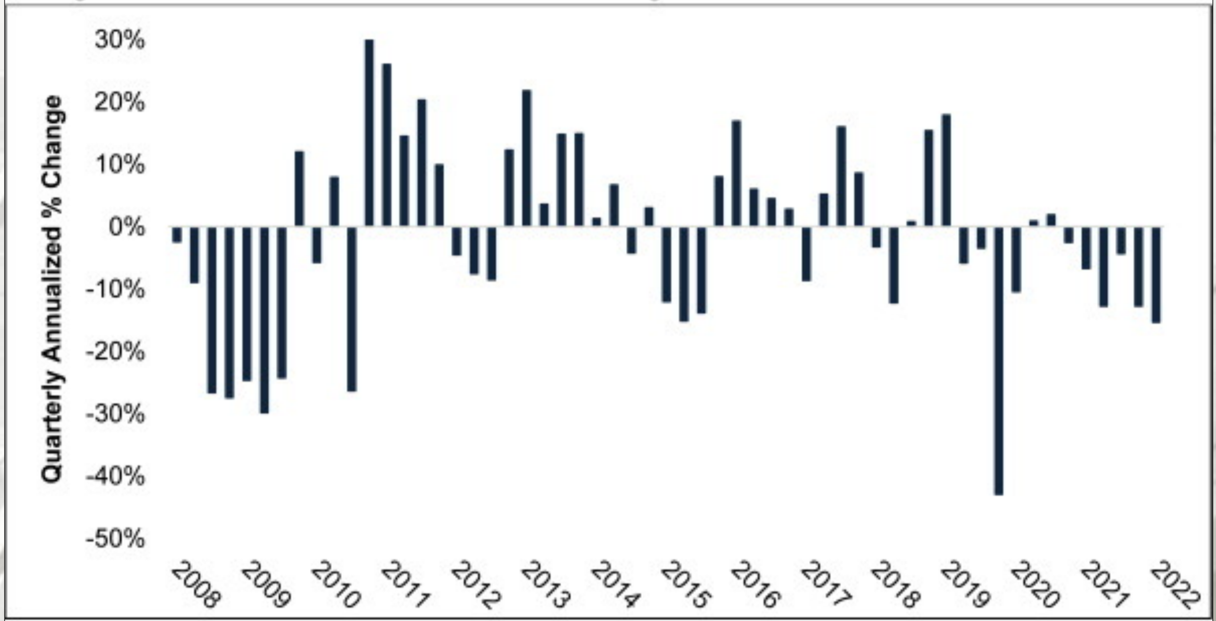
Private Indicators
Associated Builders and Contractors

Percent Change from Preceding Period, Seasonally Adjusted at Annual Rates

	2019	2020	2021	2021 QIV	2022 QI	2022 QII	2022 QIII
Gross Domestic Product	**2.3%**	**-2.8%**	**5.9%**	**7.0%**	**-1.6%**	**-0.6%**	**2.6%**
Gross Private Domestic Investment	**2.8%**	**-5.3%**	**9.0%**	**32.0%**	**5.4%**	**-14.1%**	**-8.5%**
Fixed Investment	2.5%	-2.3%	7.4%	0.6%	4.8%	-5.0%	-4.9%
Nonresidential	3.6%	-4.9%	6.4%	1.1%	7.9%	0.1%	3.7%
Structures	**2.3%**	**-10.1%**	**-6.4%**	**-12.7%**	**-4.3%**	**-12.7%**	**-15.3%**
Equipment	1.3%	-10.5%	10.3%	1.6%	11.4%	-2.0%	10.8%
Intellectual Property Products	7.3%	4.8%	9.7%	8.1%	10.8%	8.9%	6.9%
Residential	-1.0%	7.2%	10.7%	-1.1%	-3.1%	-17.8%	-26.4%

Source: Bureau of Economic Analysis

Change in Investment in Structures, 2008Q3 Through 2022Q3



Source: Bureau of Economic Analysis

Source: https://www.abc.org/News-Media/News-Releases/entryid/19675/investment-in-structures-falls-again-in-third-quarter-even-as-us-economy-expands-says-abc; 10/27/22

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator and Contractor Confidence Waver in October

"Associated Builders and Contractors reports that its Construction Backlog Indicator declined to 8.8 months in October, according to an ABC member survey conducted Oct. 20 to Nov. 4. The reading is 0.7 months higher than in October 2021.

After surpassing its pre-pandemic level in September, backlog is now back below the reading observed in February 2020. Backlog in the commercial and institutional category posted its largest monthly decline since July 2020 and is now 0.4 months below pre-pandemic levels.

ABC's Construction Confidence Index reading for sales increased in October, while the readings for profit margins and staffing fell. All three readings remain above the threshold of 50, indicating expectations of growth over the next six months.

"October's survey data hinted at some emerging weakness in the nation's nonresidential construction sector," said ABC Chief Economist Anirban Basu. "While the industry continues to gain strength from significant funding for public work, pandemic-induced behavioral shifts – including remote work and online business meetings as well as surging borrowing costs – are translating into meaningful declines in backlog in commercial and institutional segments.

"With borrowing costs likely to increase during the coming months and materials prices set to remain elevated, industry momentum could easily downshift further in 2023," said Basu. "But it is also conceivable that certain economists are overly pessimistic. There is still underlying momentum in the U.S. economy, and some believe that near-term recession is not inevitable. Contractor survey data indicate that while backlog declined in October, it remains reasonably healthy. Moreover, the average contractor continues to expect sales, staffing and margins to grow over the next six months. Time will tell whether this lingering optimism is justified."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19696/abc-construction-backlog-and-contractor-confidence-waver-in-october; 11/15/22

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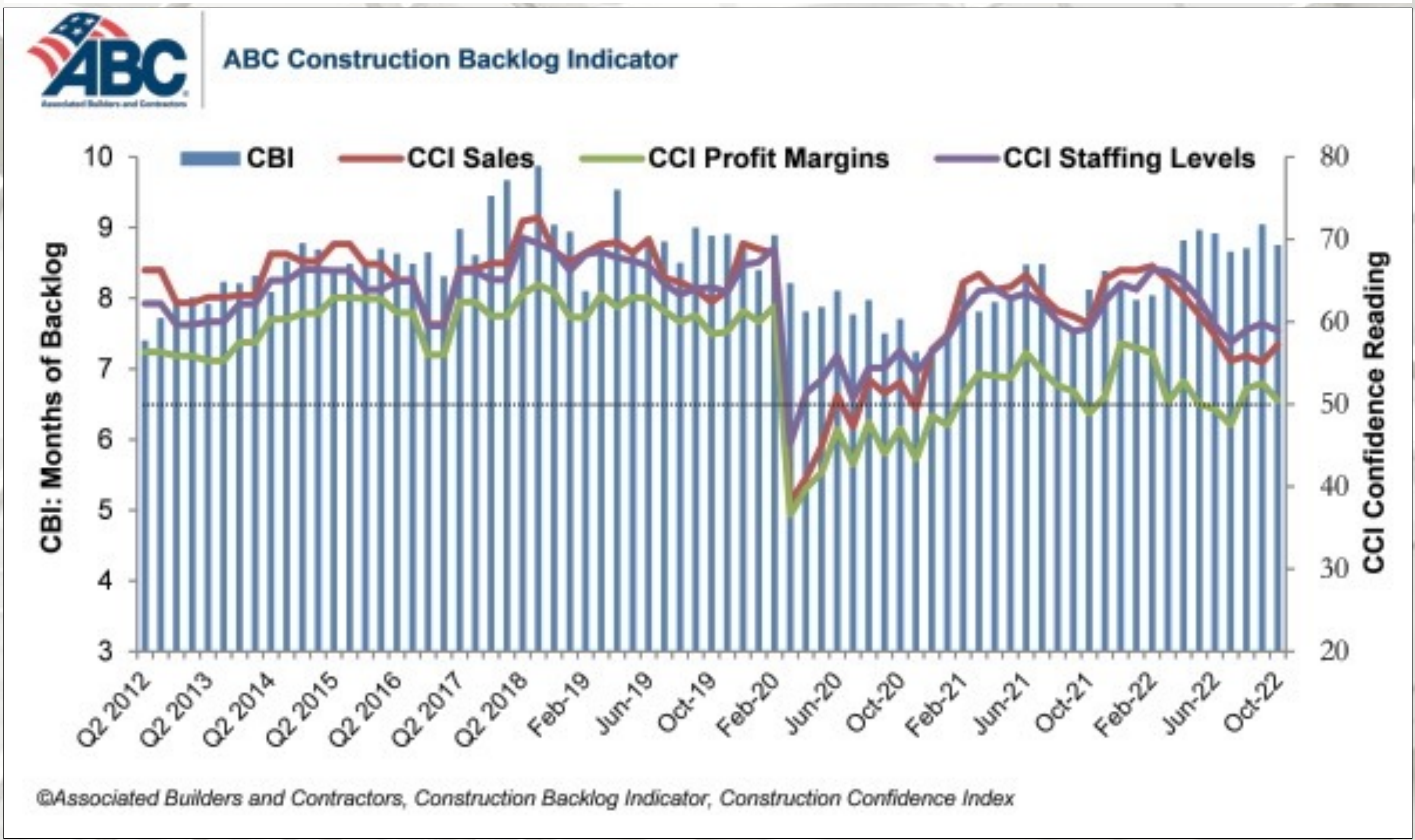
Private Indicators
Associated Builders and Contractors



Source: https://www.abc.org/News-Media/News-Releases/entryid/19696/abc-construction-backlog-and-contractor-confidence-waver-in-october; 11/15/22

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Private Indicators
Associated Builders and Contractors

Construction Confidence Index

Response	October 2022	September 2022	October 2021
CCI Reading			
Sales	57.2	55.1	59.7
Profit Margins	50.4	52.5	48.9
Staffing	58.9	59.8	59.2
Sales Expectations			
Up Big	7.7%	6.6%	9.0%
Up Small	41.4%	40.5%	44.7%
No Change	25.4%	25.6%	27.0%
Down Small	23.1%	21.1%	14.8%
Down Big	2.4%	6.2%	4.5%
Profit Margin Expectations			
Up Big	2.4%	4.4%	3.7%
Up Small	29.0%	30.8%	30.3%
No Change	41.4%	38.8%	32.0%
Down Small	22.5%	22.5%	25.8%
Down Big	4.7%	3.5%	8.2%
Staffing Level Expectations			
Up Big	4.7%	4.8%	4.9%
Up Small	41.4%	44.9%	44.7%
No Change	40.8%	36.6%	34.8%
Down Small	10.7%	11.9%	13.5%
Down Big	2.4%	1.8%	2.0%

Source: https://www.abc.org/News-Media/News-Releases/entryid/19696/abc-construction-backlog-and-contractor-confidence-waver-in-october; 11/15/22

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Private Indicators
Associated Builders and Contractors

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Source: https://www.abc.org/News-Media/News-Releases/entryid/19696/abc-construction-backlog-and-contractor-confidence-waver-in-october; 11/15/22

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index October 2022

Despite slowing billings growth, firm backlogs remain robust

After strong revenue growth in 2022, firms are less optimistic for 2023

“Architecture firm billings grew at a modest pace in September. While the Architecture Billings Index (ABI) score of 51.7 for the month means that slightly fewer firms reported increasing billings this month than in August when the score was 53.3, growth continued at most firms for the 20th consecutive month. However, there are some areas worth monitoring in the coming months. Two indicators of future work, client inquiries into new projects and the value of new design contracts, recorded their lowest post-pandemic growth rates in September as fewer clients are expressing interest in new projects now than in the last year and a half. However, backlogs at firms remained at a robust 7.0 months as of the end of September, still near record-high levels since we began collecting this data regularly more than a decade ago.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“While billings in the Northeast region and the institutional sector reached their highest pace of growth in several years, there appears to be emerging weakness in the previously healthy multifamily residential and commercial/industrial sectors, both of which saw a decline in billings for the first time since the post-pandemic recovery began. Economic headwinds have been steadily mounting, and finally led to weakening demand for new projects. Across the broader architecture sector, backlogs at firms remained at a robust seven months as of the end of September, still near record-high levels since we began collecting this data regularly more than a decade ago. Firm backlogs are healthy and will hopefully provide healthy levels of design activity against fewer new projects entering the pipeline should this weakness persist.” – Kermit Baker, Chief Economist, AIA

Source: https://www.aia.org/pages/6556503-abi-october-2022-despite-slowing-billings-; 10/28/22

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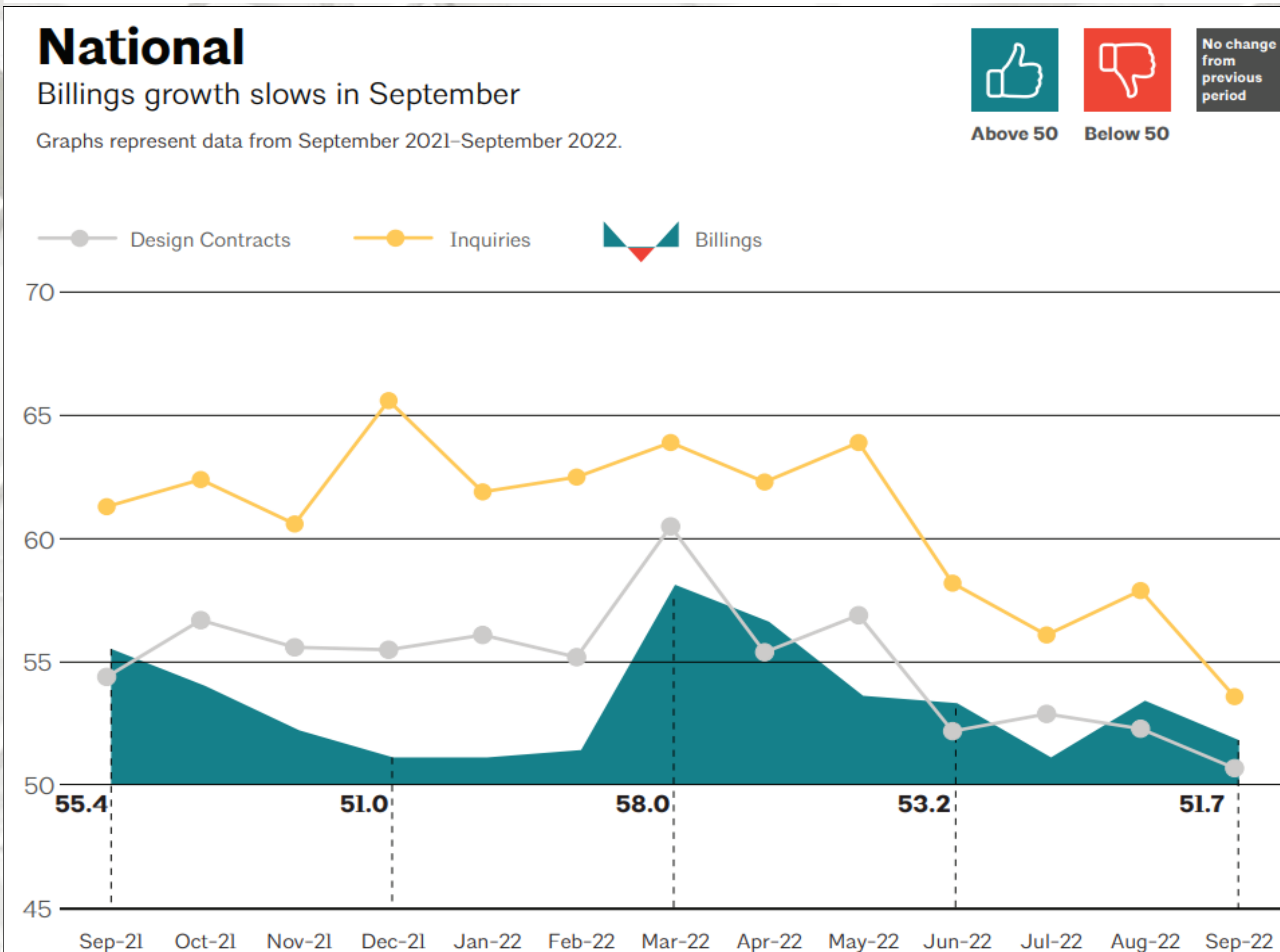
Private Indicators
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6556503-abi-october-2022-despite-slowing-billings-; 10/28/22

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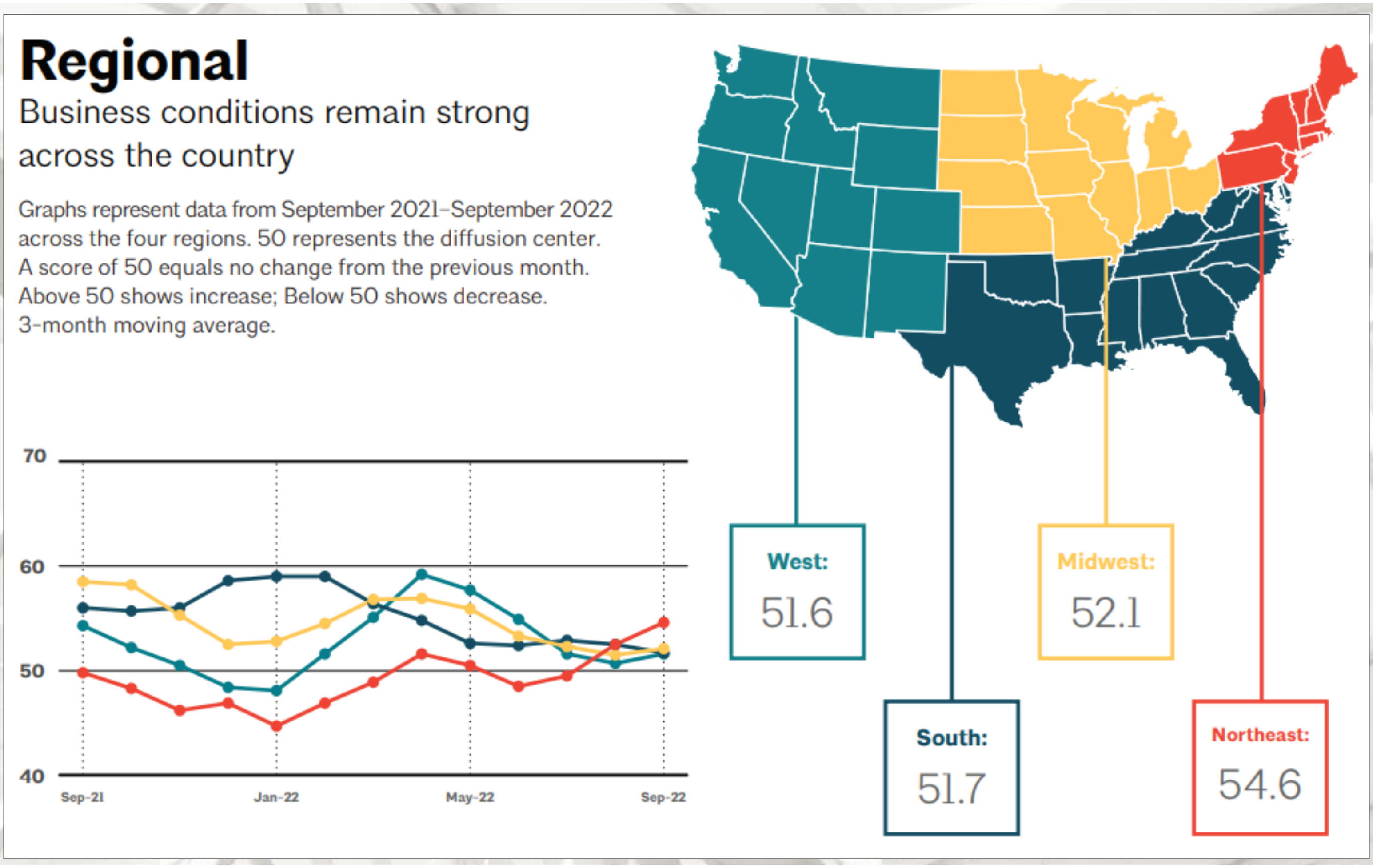
Private Indicators: AIA



Region

"Firms in all regions of the country reported billings growth for the second month in a row in September, with the strongest conditions reported by firms located in the Northeast and Midwest. However, there was more volatility by firm specialization this month. " – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6556503-abi-october-2022-despite-slowing-billings-; 10/28/22

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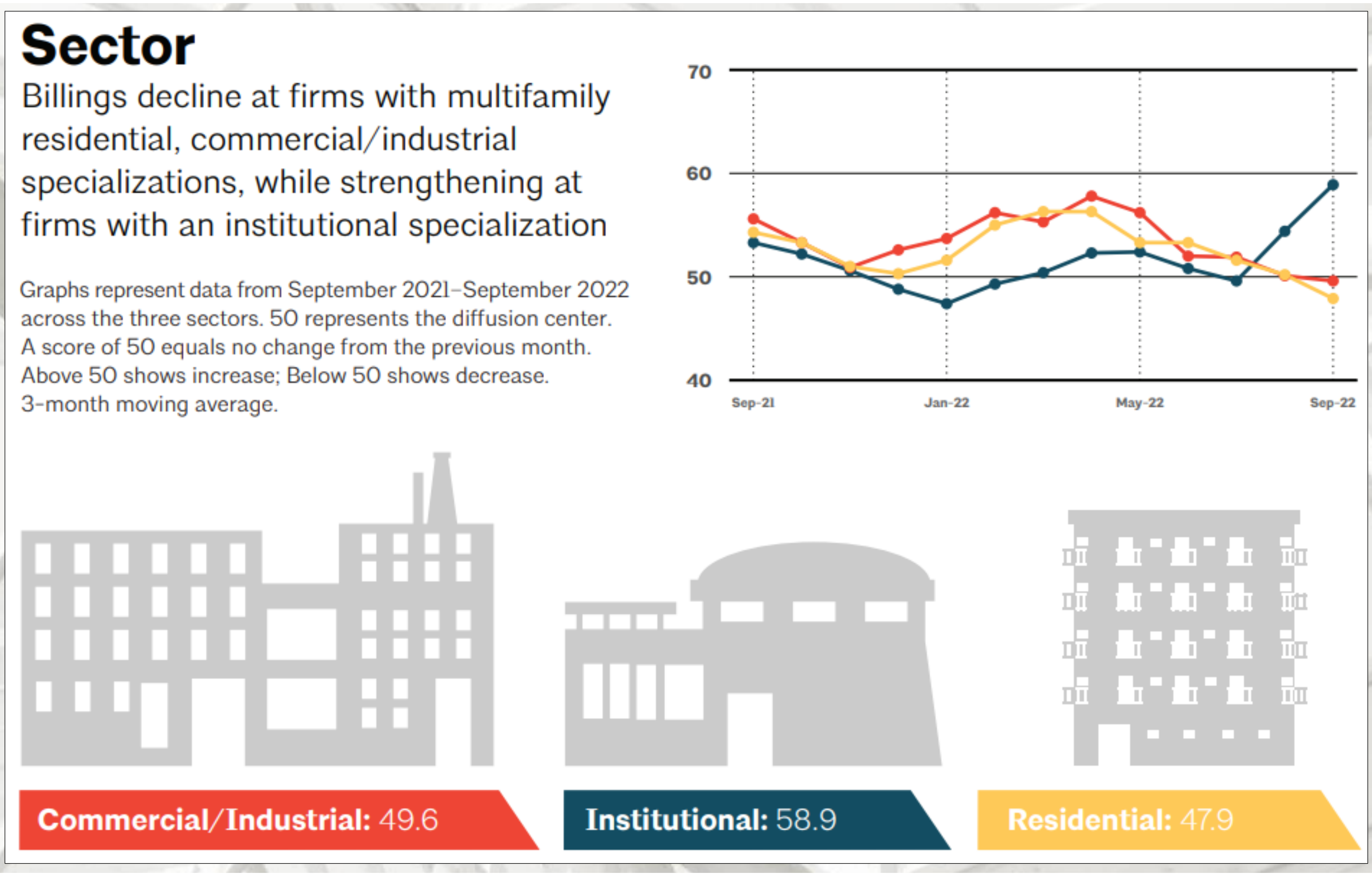
Private Indicators: AIA



Sector

"Both firms with a multifamily residential specialization, as well as those with a commercial/industrial specialization, saw their billings decline in September, for the first time since the post-pandemic recovery began. On the other hand, firms with an institutional specialization reported very strong business conditions this month, with billings reaching their highest level in several years." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6556503-abi-october-2022-despite-slowing-billings-; 10/28/22

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Private Indicators

Dodge Data & Analytics

Total Construction Starts Tumble in September

Starts experiences widespread decline following two months of robust activity

"Total construction starts decreased 19% in September to a seasonally adjusted annual rate of $1.02 trillion, according to Dodge Construction Network. In September, nonresidential building starts dropped 23%, residential starts fell 11%, and nonbuilding starts declined by 25%.

Year-to-date, total construction was 16% higher in the first nine months of 2022 compared to the same period of 2021. Nonresidential building starts rose 37% over the year, residential starts were flat, and nonbuilding starts were up 20%.

For the 12 months ending September 2022, total construction starts were 15% above the 12 months ending September 2021. Nonresidential starts were 34% higher, residential starts gained 2%, and nonbuilding starts were up 17%.

"September's decline in construction starts should not be seen as a precursor to a cyclical pullback in the industry," said Richard Branch, chief economist for Dodge Construction Network. "The previous two months saw the start of several megaprojects, and the decline in September returns starts activity to its trend level. It is likely, however, that as interest rates move higher in the coming months, marginal construction projects may not get underway and construction activity will begin to settle back."" – Cailey Henderson, Account Manager, 104 West Partners

Source: https://www.construction.com/news/September-2022-Starts; 10/19/22

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Private Indicators

Dodge Data & Analytics

"**Residential building starts** fell 11% in September to a seasonally adjusted annual rate of $369.5 billion. Single family starts lost 7%, while multi-family starts dropped 16%. Through the first nine months of 2022, residential starts were flat when compared to the same timeframe in 2021. Multi-family starts were up 25%, while single family housing slipped 9%.

For the 12 months ending September 2022, residential starts improved 2% from the same period ending September 2021. Single family starts were 7% lower, while multi-family starts were 27% stronger on a 12-month rolling sum basis.

The largest multi-family structures to break ground in September were the $1 billion AEG Nashville Yards mixed-use project in Nashville, TN, the $300 million Sterling Okan building in Miami, FL, and the $230 million Majestic mixed-use project in Gowanus, NY.

Regionally, total construction starts in September fell in all five regions.

Nonresidential building dropped 23% in September to a seasonally adjusted annual rate of $438.8 billion. In September, commercial starts inched 2% higher led by office and warehouse starts, while institutional starts lost 39% despite solid growth in the education category. Manufacturing starts were 22% lower in September. Through the first nine months of 2022, nonresidential building starts were 37% higher than the first nine months of 2021. Commercial starts grew 19%, and institutional starts rose 19%. Manufacturing starts were 240% higher on a year-to-date basis.

For the 12 months ending September 2022, nonresidential building starts were 34% higher than in the 12 months ending September 2021. Commercial starts grew 16%, institutional starts rose 18%, and manufacturing starts rose 240% on a 12-month rolling sum basis.

The largest nonresidential building projects to break ground in September were the $5.7 billion oil platforms in the Gulf of Mexico, the $2.9 billion Metro-North Penn Station Project in New York, NY, and the $800 million Meta data center in Kuna, ID." – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/September-2022-Starts; 10/19/22

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Private Indicators

September 2022 CONSTRUCTION STARTS

MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

	Sep 2022	Aug 2022	% Change
Nonresidential Building	$438,755	$571,254	-23
Residential Building	369,543	414,216	-11
Nonbuilding Construction	213,311	283,041	-25
Total Construction	$1,021,610	$1,268,511	-19

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	9 Mos. 2022	9 Mos. 2021	% Change
Nonresidential Building	$300,160	$218,641	37
Residential Building	325,169	324,197	0
Nonbuilding Construction	183,553	152,520	20
Total Construction	$808,881	$695,357	16

Source: Dodge Data & Analytics

Source: https://www.construction.com/news/September-2022-Starts; 10/19/22

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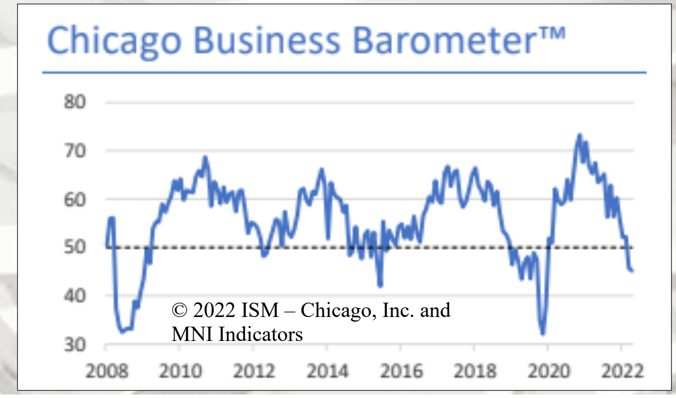
Private Indicators

MNI Chicago

"The Chicago Business Barometer™, produced with MNI, dipped a further half-point to 45.2 in October, contracting for a second consecutive month.



Chicago Business Barometer™ – Weakens to 45.2 in October

October Chicago Report™ Remains in Contraction at June 2020 Low

- After the across-the-board September plunge, most indicators saw marginal improvements in October, whilst New Orders and Supplier Deliveries slipped further. Order Backlogs and Employment recorded stronger upticks (albeit remaining in contraction).
- Production saw a marginal 0.6-point improvement to 45.1 in October yet remained a substantial 10 points below the 12-month average. Over one-third of respondents noted lower production compared to September, with continued issues over labor and material shortages cited.
- New Orders contracted for the fifth consecutive month, declining by a further 3.0 points to 39.2. Weak economic outlooks are dragging on demand. The indicator last fell below 40 in the initial pandemic shock of 2020.
- Order Backlogs recovered almost half of the September slide, increasing by 5.4 points to 47.3 in October. Responses were varied, with some seeing robust demand and others experiencing falling new orders to allow capacity to manage current backlogs." – Les Commons, Senior Economist and Lucy Hager, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 10/31/22

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Private Indicators

MNI Chicago

Chicago Business Barometer™ – Weakens to 45.2 in October

- Employment also rose, up 5.4 points to 45.6 after recording a stark September decline. The indicator was the weakest in six months barring the September fall.
- Supplier Deliveries moderated by 0.5 points to 59.3 to near pre-pandemic levels as supply pressures continue easing.
- Inventories grew by 3.9 points to 56.9. Despite remaining high, firms are moving towards normalising levels of stock.
- Prices Paid saw a small 0.7-point uptick to 74.8 in October. This is 9.6 points below the 12-month average, implying a slower pace of trend price growth. Half of firms experienced increased prices in October, compared to around 80% in the first half of the year. Falling container costs and the strong US dollar are contributing to lower logistical costs..

This month we asked firms how they are looking to move excess inventory.

Cutting back on orders from suppliers was the most heavily implemented strategy (33.3%), whilst 36.7% were not experiencing inventory level issues. Strategies involving repurposing, reselling, reducing prices and waiting saw relatively even usage by around 13-17% of firms." – Les Commons, Senior Economist and Lucy Hager, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 10/31/22

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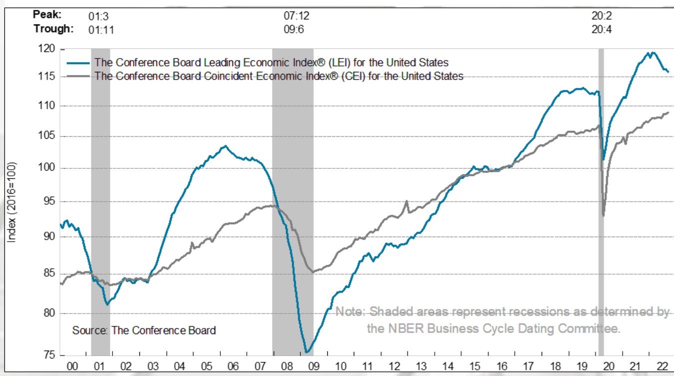
Private Indicators

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

"**The Conference Board Leading Economic Index®** (LEI) for the U.S. decreased by 0.4 percent in September 2022 to 115.9 (2016=100), after remaining unchanged in August. The LEI is down 2.8 percent over the six-month period between March and September 2022, a reversal from its 1.4 percent growth over the previous six months."

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



"The US LEI fell again in September and its persistent downward trajectory in recent months suggests a recession is increasingly likely before year end. The six-month growth rate of the LEI fell deeper into negative territory in September, and weaknesses among the leading indicators were widespread. Amid high inflation, slowing labor markets, rising interest rates, and tighter credit conditions, The Conference Board forecasts real GDP growth will be 1.5 percent year-over-year in 2022, before slowing further in the first half of next year." – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

"**The Conference Board Coincident Economic Index®** (CEI) for the U.S. increased by 0.2 percent in September 2022 to 108.9 (2016=100), after increasing by 0.1 percent in August. The CEI rose by 0.9 percent over the six-month period from March to September 2022, slower than its growth of 1.4 percent over the previous six-month period.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased by 0.6 percent in September 2022 to 116.2 (2016 = 100), following a 0.8 percent increase in August. The LAG is up 4.1 percent over the six-month period from March to September 2022, faster than its growth of 2.7 percent over the previous six-month period."

Source: https://www.conference-board.org/data/bcicountry.cfm; 10/20/22

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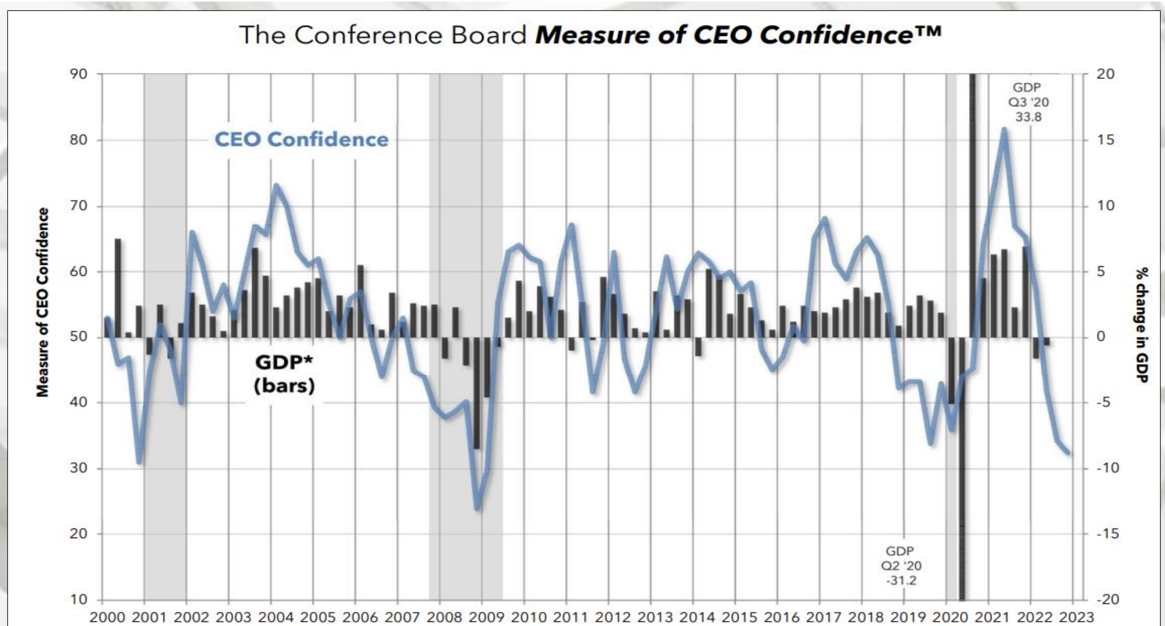
Private Indicators



*Quarterly changes in real Gross Domestic Product at annual rates, based on chain-type 2005 weighted measures.
Note: Shaded areas indicate periods of recession.
Sources: The Conference Board; The Business Council; U.S. Department of Commerce; NBER

The Conference Board Measure of CEO Confidence™

"**The Conference Board Measure of CEO Confidence™** in collaboration with The Business Council stands at 32 to start Q4 2022, down from 34 in Q3. The Measure fell deeper into negative territory, to lows not seen since the depths of the Great Recession. (A reading below 50 points reflects more negative than positive responses.) A total of 136 CEOs participated in the Q4 survey, which was fielded between September 19 and October 3.

The recent survey asked CEOs to describe the economic conditions they are preparing to face over the next 12-18 months. An overwhelming majority – 98 percent – say they are preparing for a US recession. Moreover, 99 percent of CEOs say they are preparing for an EU recession. At the same time, CEOs continue to experience inflationary pressures, with 59 percent reporting that input costs over the past three months remained the same or rose, with no easing expected by year-end. Moreover, at the start of Q4, only 19 percent reported an increase in demand over the past three months – down from 38 percent in Q3. However, despite expectations of slower growth, tight labor market conditions and wage pressures persist, while hiring plans remain robust. "

Source: https://www.conference-board.org/topics/recession/CEO-confidence-falls-deeper-into-negative-territory-in-Q4-2022; 10/20/22

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Private Indicators

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

September New Business Volume Up 11 Percent Year-over-year, 16 Percent Month-to-month and Nearly 6 Percent Year-to-date

"The **Equipment Leasing and Finance Association's** (ELFA) **Monthly Leasing and Finance Index (MLFI-25)**, which reports economic activity from 25 companies representing a cross section of the $1 trillion equipment finance sector, showed their overall new business volume for September was $10.2 billion, up 11 percent year-over-year from new business volume in September 2021. Volume was up 16 percent from $8.8 billion in August. Year-to-date, cumulative new business volume was up nearly 6 percent compared to 2021.

Receivables over 30 days were 1.5 percent, unchanged from the previous month and down from 1.6 percent in the same period in 2021. Charge-offs were 0.17 percent, unchanged from the previous month and down from 0.35 percent in the year-earlier period.

Credit approvals totaled 77.3 percent, up from 75.2 percent in August. Total headcount for equipment finance companies was down 2.4 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in October is 45, a decrease from the September index of 48.7." – Amy Vogt, Vice President, Communications and Marketing, ELFA

"Third quarter new business volume in the over-$1 trillion equipment finance industry is exceptionally strong, providing fresh evidence that the economic contraction projected by many economists has not yet arrived. Another data point supporting this relatively benign economic scenario is extremely low delinquencies, indicating that end users of commercial equipment continue to make on-time payments to their finance providers." – Ralph Petta, President and CEO, ELFA

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2022/09/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 10/26/22

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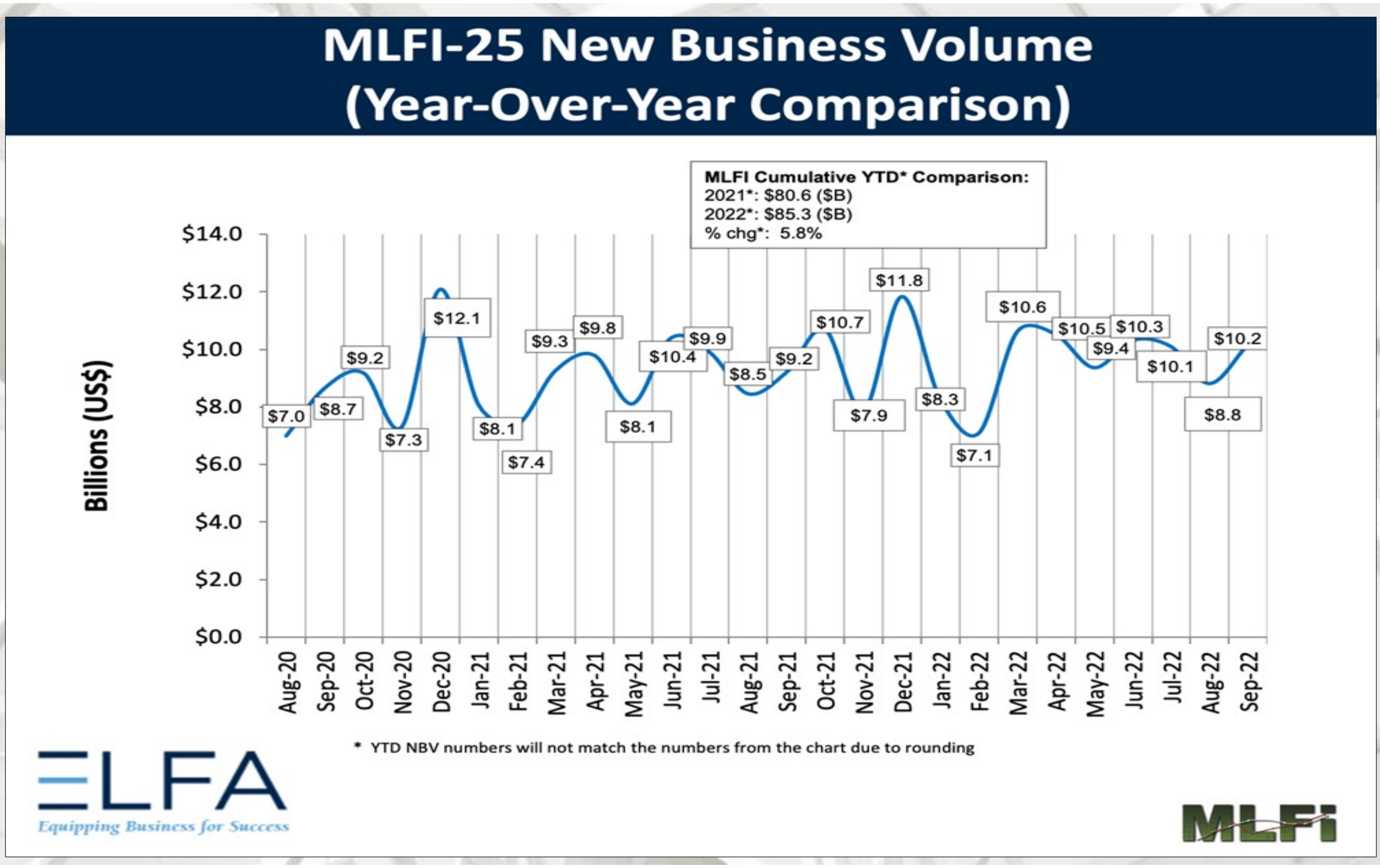
Private Indicators



Equipment Leasing and Finance Association's Survey of Economic Activity

"Despite continued challenges in the supply chain, inflationary pressures and rising interest rates, the industry and our finance company continue to grow. Like our peers, we have continued expectations for the balance of 2022, as end-users plan for year-end capital acquisitions. Charge-offs and delinquencies remain at historic lows. The probability of continued Fed interest rate increases on the horizon creates some uncertainty, but we are seeing increased demand for fixed rate leases and loans to support our clients' capital expenditures. With an eye on global economic disruptions, I am cautiously optimistic." – Hollis Bufferd, CEO, Star Hill Financial LLC

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2022/09/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 10/26/22

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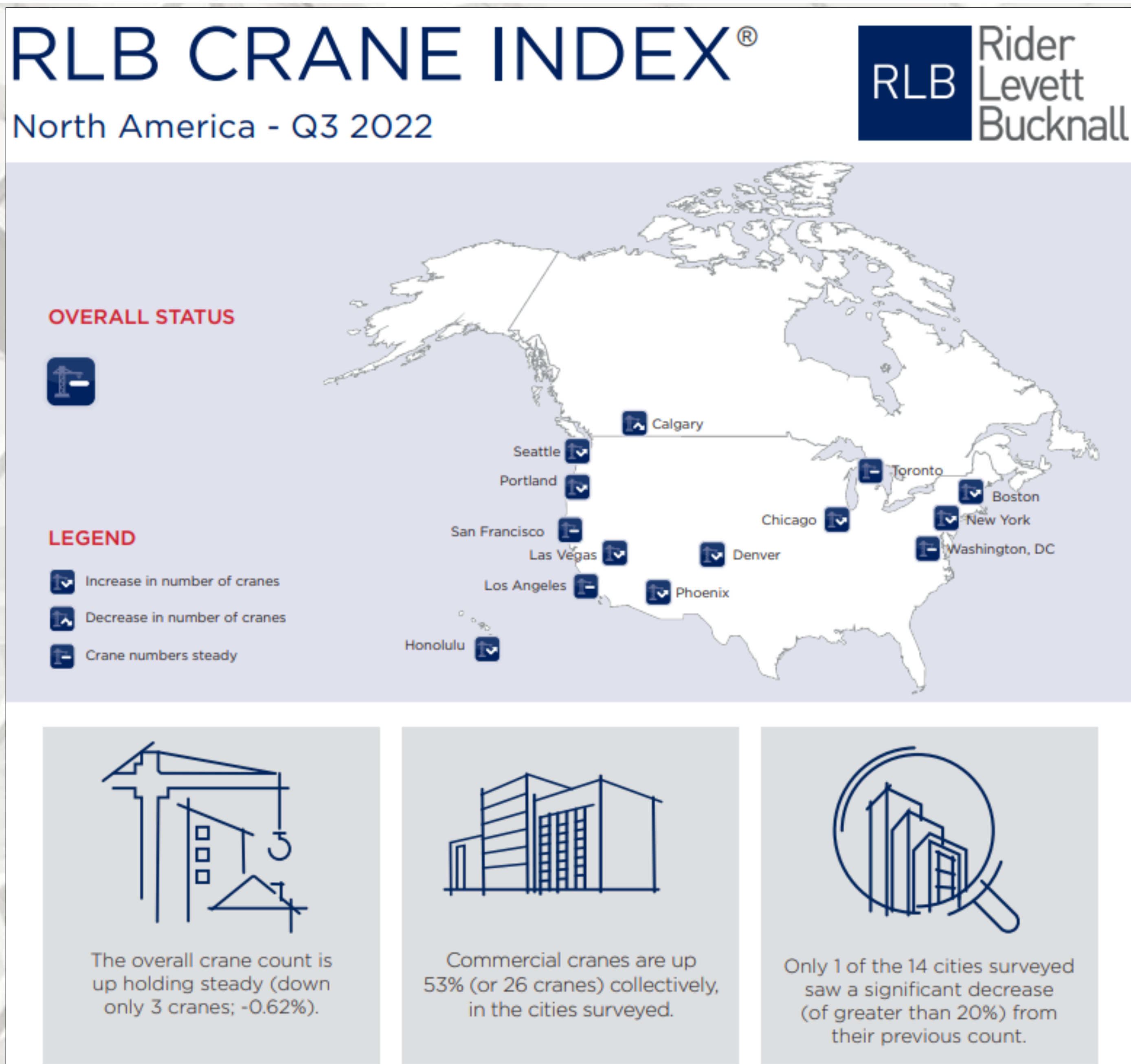
Private Indicators



Source: https://s31756.pcdn.co/americas/wp-content/uploads/sites/4/2022/10/Q3-2022-Crane-Index.pdf; 11/1/22

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Private Indicators

The overall crane count is up holding steady (down only 3 cranes; -0.62%).

Commercial cranes are up 53% (or 26 cranes) collectively, in the cities surveyed.

Only 1 of the 14 cities surveyed saw a significant decrease (of greater than 20%) from their previous count.

WHAT IS THE RLB CRANE INDEX®?

Rider Levett Bucknall's Crane Index® for North America is published biannually. It tracks the number of operating tower cranes in 14 major cities across the U.S. and Canada.

Our index was the first of its kind, and unlike other industry barometers that track cost and other financial data, the Crane Index® tracks the number of fixed cranes on construction sites and gives a simplified measure of the current state of the construction industry's workload in each location.

Q3 2022 SUMMARY:

This survey reports a nominal decrease 0.62% (3 cranes) from our Q1 2022 edition of the RLB Crane Index®. Of the fourteen cities surveyed: nine experienced an increase; four are holding steady; and one has decreased.

Key market indicators are returning to pre-pandemic levels, demonstrating that the industry appears to be recovering from the impacts of COVID-19. However, drivers in the market - including inflation, labor shortage, and supply chain issues - continue to impact construction, whether it be through cost or schedule.

We anticipate the number of cranes to increase going into 2023. Despite volatile market conditions, construction projects will continue to break ground, only at a cost.

Source: https://s31756.pcdn.co/americas/wp-content/uploads/sites/4/2022/10/Q3-2022-Crane-Index.pdf; 11/1/22

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Manufacturing output continues to rise, but weak demand conditions dampen growth

"The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 50.4 in October, down from 52.0 in September, but up from the earlier released 'flash' estimate of 49.9. Nonetheless, the latest index reading indicated the least marked improvement in the health of the US manufacturing sector in the current 28-month sequence of growth.

US manufacturing firms signalled only a slight improvement in operating conditions during October, according to latest PMI™ data from S&P Global. Despite a further expansion in production, firms recorded a renewed decline in new orders amid greater client hesitancy. Easing supply chain disruption led to the first decrease in backlogs of work since July 2020, and supported a further marginal gain in output. Nevertheless, weaker client demand and more subdued expectations for the year-ahead resulted in one of the slowest upticks in employment in over two years.

Meanwhile, rates of input price and output charge inflation softened again. There were reports that lower demand for inputs had dampened cost pressures, and efforts to stimulate sales had contributed to the softer rise in selling prices.

Supporting the headline figure was a further rise in output in October. The increase was the second in successive months and reportedly stemmed from easing supplier bottlenecks, which allowed firms to work through backlogs. Although the fastest since May, the rate of production growth was only marginal and slower than the series trend." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/ef250a87673145b5ad32a148ba1d88e7; 11/1/22

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Private Indicators

S&P Global U.S. Manufacturing PMI™

"Weighing on the upturn in output was a fresh decline in new orders at the start of the final quarter of 2022. Subdued demand conditions were linked by panellists to greater client hesitancy amid marked inflation. The decrease in new orders was solid overall and the quickest in almost twoand-a-half years. Alongside muted domestic demand, new export orders fell sharply as dollar strength and challenging economic conditions across key export markets dampened foreign demand.

On the price front, average cost burdens continued to rise at a historically elevated rate in October. Hikes in material and transportation costs were often cited as factors driving inflation. That said, less marked disruption across supply chains and reduced demand for inputs led to the slowest uptick in input costs since November 2020.

In an effort to drive sales, firms reportedly passed on cost savings to clients where possible, which resulted in the slowest rise in selling prices since February 2021.

Vendor performance continued to deteriorate in October, but to the least marked extent since August 2020 as supplier capacity improved in some cases. Nonetheless, weak client demand reduced manufacturer's requirements for inputs. As such, input buying fell sharply and at the quickest rate since May 2020.

Firms instead chose to work through their stocks of purchases and finished goods to supplement production and sales, with both pre- and post-production inventories contracting.

At the same time, the delivery of delayed materials allowed firms to reduce their backlogs of work for the first time since July 2020. The fall in the level of work-in-hand (but not yet completed) was solid overall. Cost-cutting measures, uncertainty regarding future demand, and lower production requirements led to only a modest rise in employment. Firms noted that the non-replacement of voluntary leavers weighed on job creation."– Chris Williamson, Chief Business Economist, Markit®

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/ef250a87673145b5ad32a148ba1d88e7; 11/1/22

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Private Indicators

S&P Global U.S. Manufacturing PMI™

"Finally, output expectations for the coming 12 months weakened in October. Although still generally upbeat, the degree of confidence was the lowest since May 2020 as firms expressed concerns regarding inflation and overall demand conditions.

Comment

"October PMI data signalled a subdued start to the final quarter of 2022, as US manufacturers recorded a renewed and solid drop in new orders. Domestic and foreign demand weakened due to greater hesitancy among clients as prices rose further and amid dollar strength. As such, efforts to clear backlogs of work, rather than new order inflows, drove the latest upturn in production.

Confidence in the outlook waned as underlying data also highlighted efforts to cut costs and adjust to more subdued demand conditions in the coming months. Input buying fell sharply and resilience in employment stumbled, as the pace of job creation eased to only a marginal rate.

On a more positive note, input costs rose at the slowest pace in almost two years amid signs of reduced disruption in supply chains. Lower demand for inputs was a contributing factor to this, however. Nevertheless, softer hikes in costs were reflected in a slower uptick in output charges, as firms sought to pass on cost savings where possible to try and boost sales."" – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/ef250a87673145b5ad32a148ba1d88e7; 11/1/22

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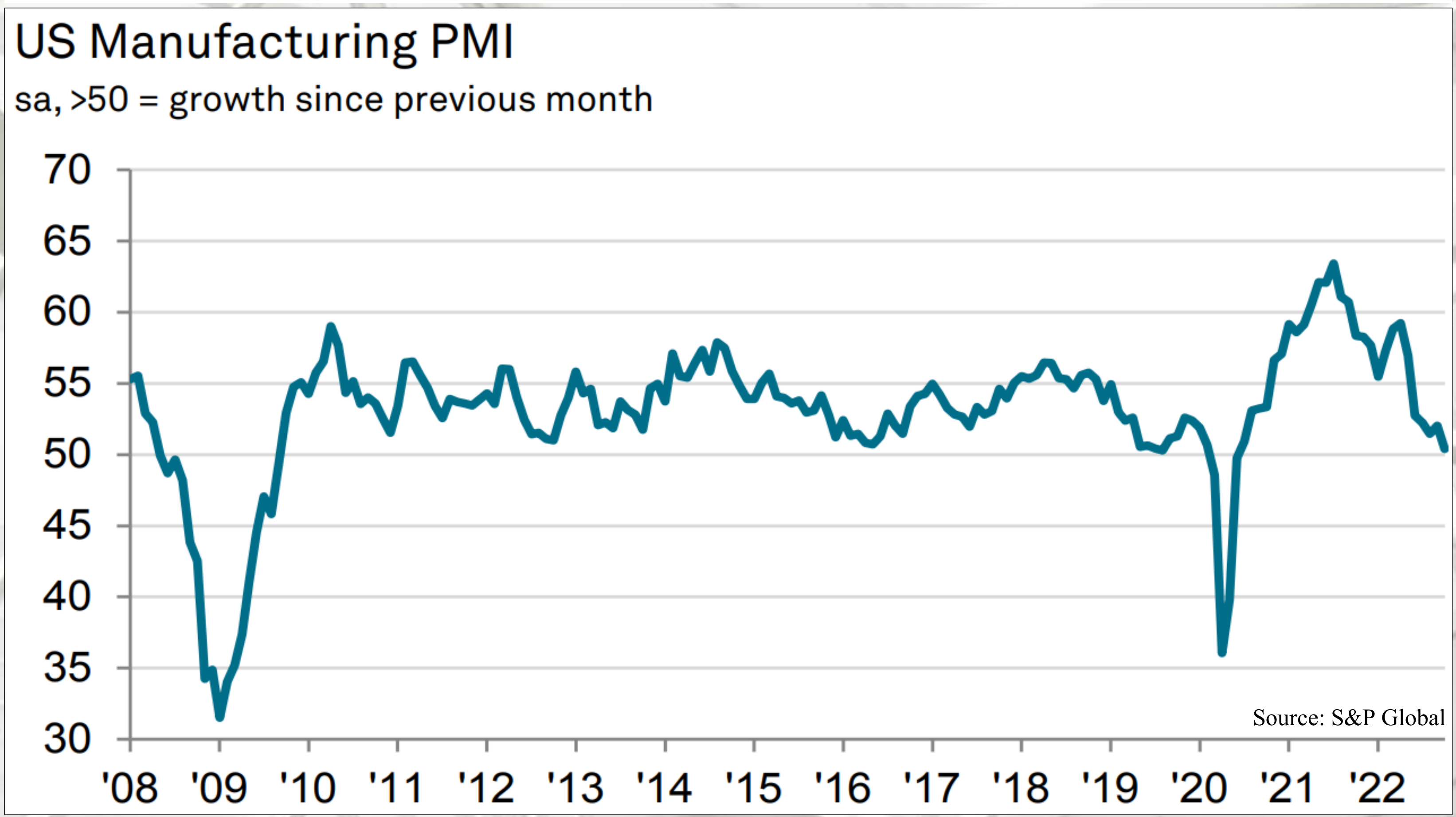

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/ef250a87673145b5ad32a148ba1d88e7; 11/1/22

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Private Indicators

S&P Global U.S. Services PMI™

Service sector output decline gathers pace amid renewed drop in new business

"The seasonally adjusted final S&P Global US Services PMI Business Activity Index registered 47.8 in October, down from 49.3 in September but higher than the earlier released 'flash' estimate of 46.6. The latest data signalled a modest contraction in business activity across the service sector. The decrease in output was commonly linked to lower new orders, with panellists attributing weak client demand to the impact of inflation and interest rates on increased client hesitancy and more frequent order postponements.

Service sector firms in the US registered a sharper contraction in business activity at the start of the fourth quarter, according to the latest PMI™ data. The fall in output quickened amid a renewed decrease in new orders and weaker client demand. The impact of inflation and dollar strength also dampened foreign demand conditions further. Companies saw a solid fall in backlogs of work amid a reduction in new business, which in turn drove cost cutting efforts and the near-stagnation of employment at service providers. Weak demand conditions also weighed on business expectations which slumped to the lowest for over two years.

Amid reports of some input costs falling and in an effort to drive new orders, the rate of charge inflation eased to the slowest since December 2020.

New business fell back into contraction during October, thereby signalling the third decline in new orders over the last five months. The drop in client demand was only marginal, but was often attributed to postponements or delays in order placement as customers were impacted by higher interest rates and inflation." – Siân Jones, Senior Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/f5353cb773ee403280d729591b0e9fa3; 11/3/22

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Private Indicators

S&P Global U.S. Services PMI™

"With regard to exports, service sector firms recorded a fifth successive decline in new business from abroad. The rate of contraction accelerated to the second-fastest since May 2020 amid weak global demand conditions.

In line with lower new orders and reduced business requirements, service providers indicated broadly unchanged employment levels at the start of the fourth quarter. A near-stagnation in workforce numbers brought to an end a 27-month sequence of expansion in staffing levels. Although some firms noted efforts to fill previously held vacancies, others stated that voluntary leavers were not replaced.

Despite little change in employment, lower new business inflows and sufficient capacity allowed firms to work through their backlogs during October. The level of outstanding business fell for the fourth time in five months, and at a solid pace.

Meanwhile, cost pressures softened slightly in October. The rate of input price inflation was faster than the series trend, but eased to the slowest since January 2021. Hikes in fuel, supplier and wage costs were linked to the further uptick in expenses, but reports of lower prices for some inputs were behind the slower rise.

In turn, and in an effort to drive new orders, service providers recorded a softer increase in output charges. Although firms continued to note the pass-through of higher costs to clients, some mentioned concessions made to customers. The pace of charge inflation eased for the sixth month running to the slowest since December 2020.

Business confidence across the service sector weakened in October. The outlook for output over the coming year was dampened by concerns regarding inflation and greater customer hesitancy. The degree of optimism remained below the series average and was the lowest since September 2020." – Siân Jones, Senior Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/f5353cb773ee403280d729591b0e9fa3; 11/3/22

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Private Indicators

S&P Global U.S. Services PMI™

Comment

"Service sector firms faced a challenging start to the final quarter of 2022, as a renewed contraction in new business dragged output down further. Demand conditions were hampered by tighter financial conditions and elevated rates of inflation, leading to reports of postponements and the delayed placement of orders as customers assess their spending.

Subdued demand and weaker confidence in the outlook for output led to a near-stagnation in employment. Reports of the non-replacement of voluntary leavers brought signs that firms were evaluating costs and future demand more closely before advertising vacancies and expanding staffing levels.

Nonetheless, momentum in previously soaring inflation slowed again. Hikes in costs softened, as service providers and manufacturers saw slower upticks in supplier and input prices. Meanwhile, private sector firms sought to boost demand through a slower increase in selling prices. Although softening, further elevated rises in prices paid by consumers present obstacles to firms in an already challenging demand environment and paint a concerning picture as we head towards the end of the year." – Siân Jones, Senior Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/f5353cb773ee403280d729591b0e9fa3; 11/3/22

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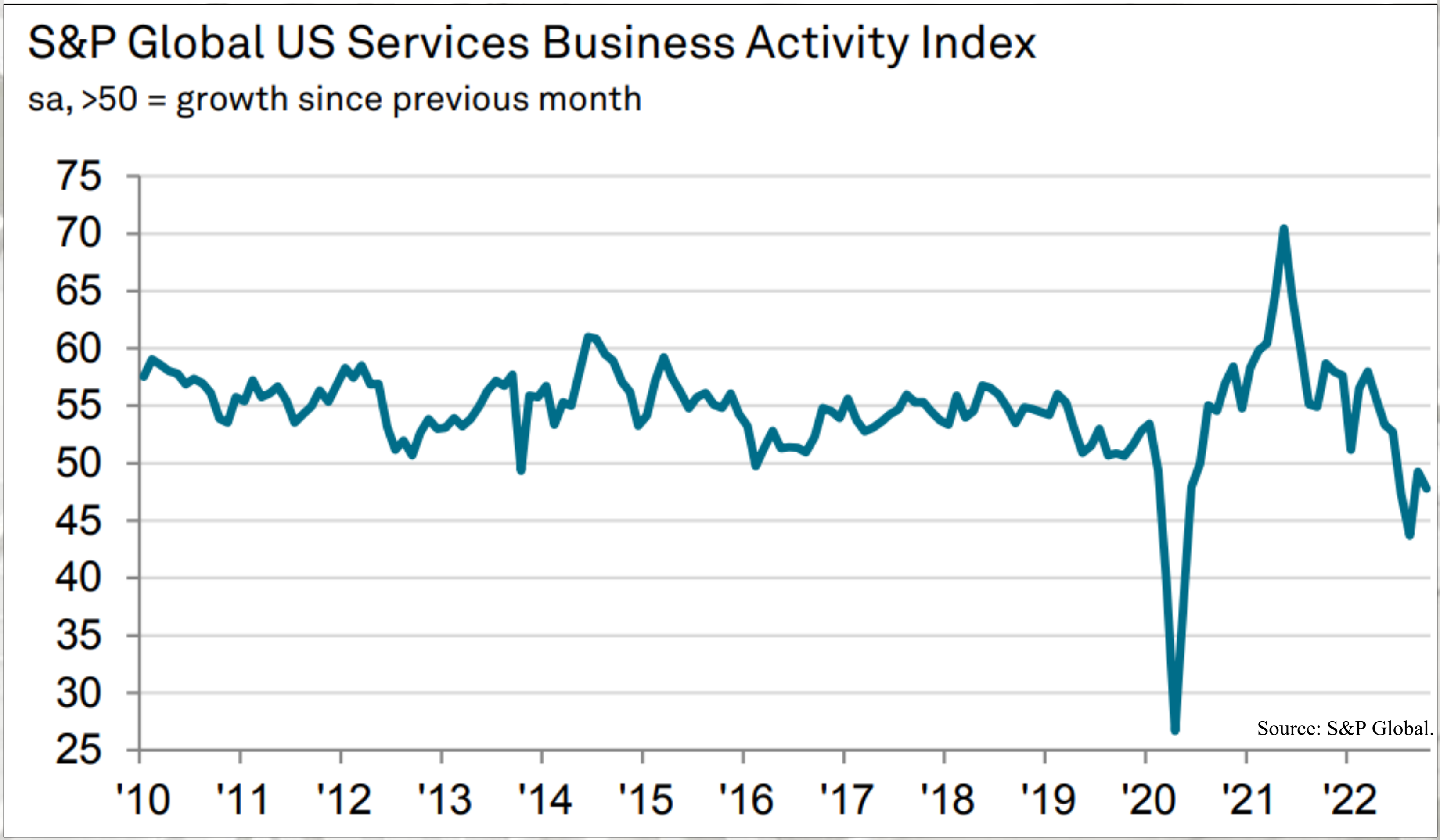

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/f5353cb773ee403280d729591b0e9fa3; 11/3/22

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for October 2022: Combined Sectors

"The National Association of Credit Management's seasonally adjusted Credit Managers' Index (CMI) for October 2022 came in at 53.2 points, with deterioration in favorable factor indexes offsetting improvements in unfavorable factor indexes. Respondents repeatedly cited ongoing supply constraints and logistics issues as negatively affecting their businesses, and many stressed that they are experiencing payment delays or sense that conditions are turning negatively with high inflation and interest rates, said NACM Economist Amy Crews Cutts, Ph.D., CBE®.

"The Combined CMI has been deteriorating since March and this month it recorded its lowest value since June of 2020. On net, conditions are still expansionary, but clearly the trend is weakening. This month more respondents added comments and nearly all were indicating worsening conditions, even if for the moment they were still doing well," Cutts said. "Of particular note, even when respondents indicated that their payments or collections were coming in as expected, the work they are doing to ensure they get paid has gotten significantly harder.

"The Treasury yield curve, which compares rates on Treasury bonds at different maturity terms, is not only inverted, meaning yields on shorter term bonds are higher than on those with longer terms, but the inversion is happening through more of the curve. Only the rates on 3-month Treasury bills and shorter terms are below the rate on the 10-year Treasury bond. This is often taken as a sign of imminent recession, and over the past few weeks the inversion has gotten deeper."

The CMI is centered on a value of 50, with values greater indicating expansion and values lower indicating economic contraction. The combined October CMI fell by 2.4 points to 53.2. The index of favorable factors deteriorated by 6.9 points to 56.9, a level that is 7.7 points lower than a year ago. The index of unfavorable factors improved by 0.5 points to hit 50.7 points; 0.6 points lower than a year ago." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 10/31/22

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for October 2022: Combined Sectors

"All of the categories in the favorable factors list fell markedly in the October survey. The sales index leads the decline, losing 9.0 points in this month's survey and now sits at 55.2. The index for dollar collections dropped 8.6 points to 54.7, the index for the amount of credit extended contracted 7.6 points to 58.7 and index for new credit applications lost 2.4 points to hit 59.0. All of the favorable factor indexes are at the lowest levels recorded by the CMI survey outside of a recession period.

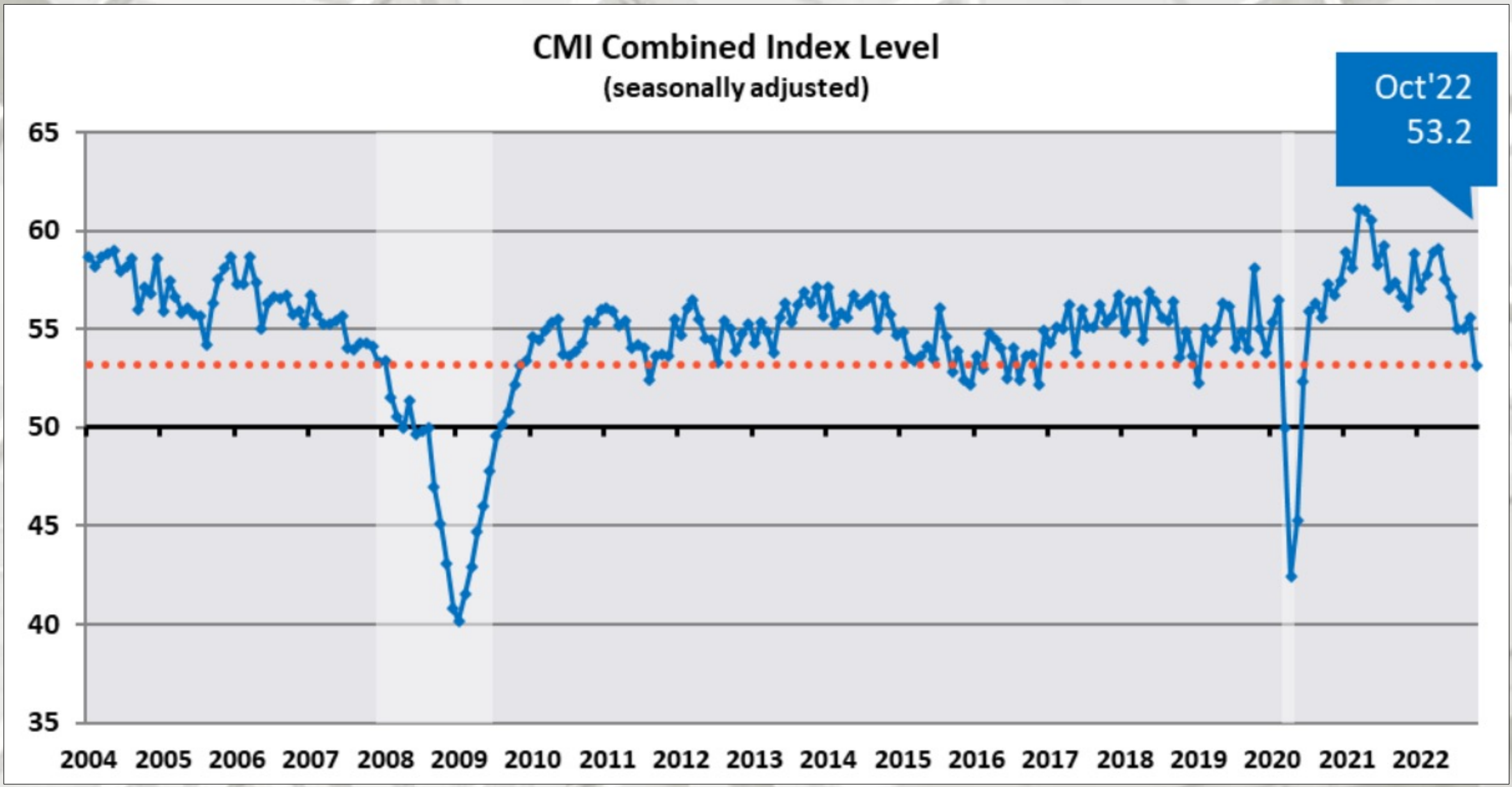
Only one of the unfavorable factor indexes for the combined CMI deteriorated in the October survey. The index for accounts placed for collection fell 1.8 points to 47.6, which being below 50 still indicates that more respondents are having less success with collections than last month. Two factor indexes tied for the strongest improvement over the month: the disputes index (at 50.4) and the dollar amount of customer deductions index (at 51.3), which both gained 2.2 points. Two other indexes also recorded the same gain of 0.3 points: the index for dollar amount beyond terms (at 49.0) and the index for filings for bankruptcies (at 53.8). The index for rejections of credit applications was unchanged with a reading of 52.2 points.

"Although the unfavorable factor indexes posted a gain for the month, there was a notable change in the tone of respondents that indicated this is not as good as it might seem," Cutts said. "For example, more respondents are noting that they are seeing more disputes that appear correlated with inability to pay rather unhappiness with a delay in shipments. The numbers may look the same in the survey, but the interpretation seems to be shifting."" – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 10/31/22

Private Indicators

National Association of Credit Management – Credit Managers' Index



Source: https://nacm.org/cmi.html; 10/31/22

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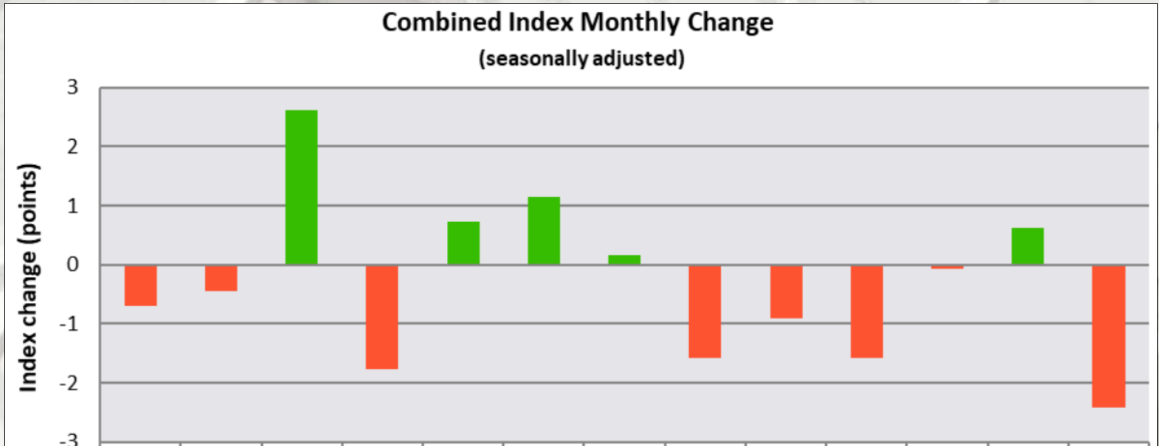
Private Indicators

National Association of Credit Management – Credit Managers' Index

Combined Manufacturing and Service Sectors (seasonally adjusted)	Oct '21	Nov '21	Dec '21	Jan '22	Feb '22	Mar '22	Apr '22	May '22	Jun '22	Jul '22	Aug '22	Sep '22	Oct '22
Sales	67.4	67.4	75.1	71.2	71.3	77.1	74.7	71.6	66.6	65.8	63.0	64.2	55.2
New credit applications	62.1	62.9	67.6	60.6	64.0	68.8	67.1	64.7	64.1	59.7	62.4	61.4	59.0
Dollar collections	61.3	59.2	63.5	62.5	63.2	67.0	65.9	65.5	60.9	61.2	57.7	63.3	54.7
Amount of credit extended	67.6	67.7	71.7	67.2	68.7	69.2	72.1	70.4	67.7	67.6	65.3	66.3	58.7
Index of favorable factors	**64.6**	**64.3**	**69.5**	**65.4**	**66.8**	**70.5**	**69.9**	**68.1**	**64.8**	**63.6**	**62.1**	**63.8**	**56.9**
Rejections of credit applications	52.3	53.2	51.7	51.5	52.3	51.9	51.3	50.7	50.2	50.8	49.4	52.2	52.2
Accounts placed for collection	52.1	52.0	52.1	51.1	52.7	51.5	50.6	51.0	49.7	47.4	49.6	49.4	47.6
Disputes	48.3	48.6	48.2	48.4	48.6	48.0	49.1	49.1	49.4	48.3	49.2	48.2	50.4
Dollar amount beyond terms	49.5	47.1	53.3	53.5	50.9	51.2	54.2	47.2	51.1	46.7	46.4	48.7	49.0
Dollar amount of customer deductions	49.4	48.2	49.3	49.5	49.9	49.0	50.5	48.7	50.7	49.3	49.2	49.1	51.3
Filings for bankruptcies	56.4	55.9	55.7	55.2	56.4	55.8	55.7	56.4	55.8	53.7	57.6	53.5	53.8
Index of unfavorable factors	**51.3**	**50.8**	**51.7**	**51.5**	**51.8**	**51.2**	**51.9**	**50.5**	**51.1**	**49.4**	**50.2**	**50.2**	**50.7**
NACM Combined CMI	**56.6**	**56.2**	**58.8**	**57.1**	**57.8**	**58.9**	**59.1**	**57.5**	**56.6**	**55.0**	**55.0**	**55.6**	**53.2**



	Oct '21	Nov '21	Dec '21	Jan '22	Feb '22	Mar '22	Apr '22	May '22	Jun '22	Jul '22	Aug '22	Sep '22	Oct '22
+/-	-0.7	-0.4	2.6	-1.8	0.7	1.1	0.2	-1.6	-0.9	-1.6	-0.1	0.6	-2.4

Source: https://nacm.org/cmi.html; 10/31/22

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Private Indicators

National Federation of Independent Business (NFIB) October 2022 Report

Small Businesses Struggle with Inflation, Labor Shortages

"NFIB's Small Business Optimism Index declined 0.8 points in October to 91.3, which is the 10th consecutive month below the 49-year average of 98. Thirty-three percent of owners reported that inflation was their single most important problem in operating their business, three points higher than September's reading and four points lower than July's highest reading since the fourth quarter of 1979." – Holly Wade, NFIB

"Owners continue to show a dismal view about future sales growth and business conditions, but are still looking to hire new workers. Inflation, supply chain disruptions, and labor shortages continue to limit the ability of many small businesses to meet the demand for their products and services." – Bill Dunkelberg, Chief Economist, NFIB

Key findings include:

- "Of the 10 Index components, two increased, seven declined, and one was unchanged.
- Owners expecting better business conditions over the next six months deteriorated two points from September to a net negative 46%.
- The net percent of owners raising average selling prices decreased one point to a net 50% (seasonally adjusted). Half of all firms are raising prices, that's inflation.
- The net percent of owners who expect real sales to be higher decreased three points from September to a net negative 13%." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 11/8/22

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Private Indicators

National Federation of Independent Business (NFIB) October 2022 Report

"As reported in NFIB's monthly jobs report, 46% of owners reported job openings that were hard to fill, unchanged from September. Of those hiring or trying to hire, 90% of owners reported few or no qualified applicants for the positions they were trying to fill.

Fifty-four percent of owners reported capital outlays in the last six months, down two points from September. Of those making expenditures, 37% reported spending on new equipment, 22% acquired vehicles, and 17% improved or expanded facilities. Eleven percent spent money on new fixtures and furniture and 6% acquired new buildings or land for expansion. Twenty-three percent plan capital outlays in the next few months.

A net negative 8% of all owners (seasonally adjusted) reported higher nominal sales in the past three months, three points worse than from September. The net percent of owners expecting higher real sales volumes declined three points to a net negative 13%.

The net percent of owners reporting inventory increases improved one point to a net negative 1%. Sixteen percent of owners reported increases in stocks and 16% reported reductions as solid sales reduced inventories at many firms and owners cautiously reduced inventory purchases.

Thirty-one percent of owners recently reported that supply chain disruptions have had a significant impact on their business. Another 31% report a moderate impact and 27% report a mild impact. Only 10% of owners report no impact from recent supply chain disruptions. A net zero percent of owners viewed current inventory stocks as "too low" in October, down one point from September. By industry, shortages are the most frequent in finance (18%), retail (15%), transportation (13%), services (11%), and manufacturing (11%). A net 2% of owners plan inventory investment in the coming months." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 11/8/22

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Private Indicators

National Federation of Independent Business (NFIB) October 2022 Report

"The net percent of owners raising average selling prices decreased one point from September to a net 50% (seasonally adjusted). Unadjusted, 8% of owners reported lower average selling prices and 56% reported higher average selling prices. Price hikes were the most frequent in retail (69% higher, 6% lower), wholesale (64% higher, 12% lower), construction (61% higher, 5% lower), and services (54% higher, 5% lower). Seasonally adjusted, a net 34% of owners plan price hikes.

Seasonally adjusted, a net 44% of owners reported raising compensation, down one point from September. A net 32% plan to raise compensation in the next three months, up nine points from September and the highest since October 2021. Ten percent of owners cited labor costs as their top business problem and 23% cited labor quality as their top business problem.

The frequency of reports of positive profit trends was a net negative 30%, up one point from September. Among owners reporting lower profits, 34% blamed the rise in the cost of materials, 22% blamed weaker sales, 12% cited labor costs, 12% cited lower prices, 7% cited the usual seasonal change, and 2% cited higher taxes or regulatory costs. For owners reporting higher profits, 47% credited sales volumes, 20% cited usual seasonal change, and 16% cited higher prices.

Two percent of owners reported that all their borrowing needs were not satisfied. Twenty-six percent reported all credit needs met and 62% said they were not interested in a loan. A net 6% reported their last loan was harder to get than in previous attempts." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 11/8/22

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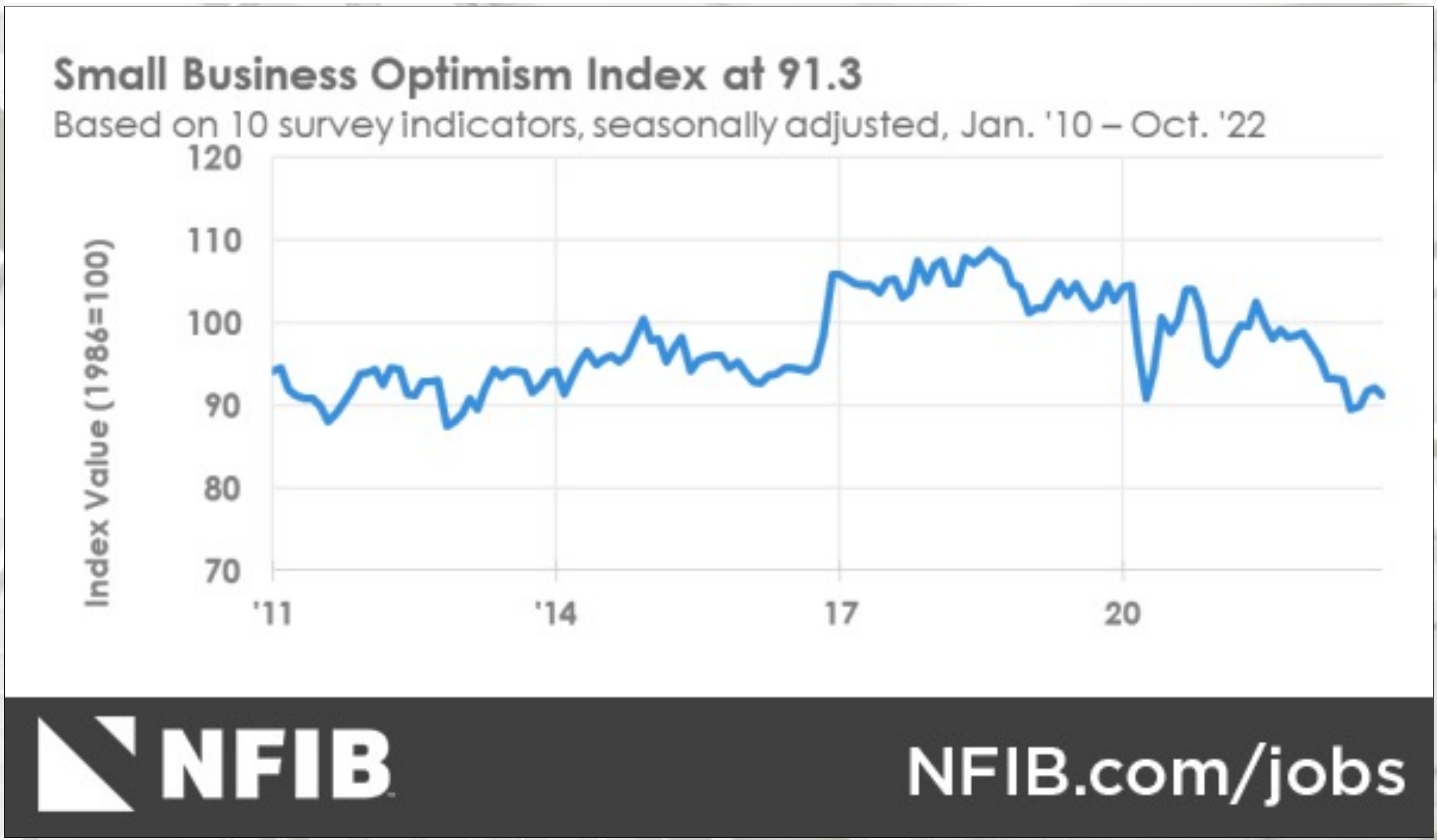

Source: http://www.nfib.com/surveys/small-business-economic-trends; 11/8/22

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Private Indicators

Small Business Optimism

Index Component	Net %	From Last Month
Plans to Increase Employment	20%	▼ -3
Plans to Make Capital Outlays	23%	▼ -1
Plans to Increase Inventories	2%	▲ 2
Expect Economy to Improve	-46%	▼ -2
Expect Real Sales Higher	-13%	▼ -3
Current Inventory	0%	▼ -1
Current Job Openings	46%	▬ 0
Expected Credit Conditions	-8%	▼ -2
Now a Good Time to Expand	5%	▼ -1
Earnings Trends	-30%	▲ 1

NFIB NFIB.com/jobs

Source: http://www.nfib.com/surveys/small-business-economic-trends; 11/8/22

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

Hourly Earnings Growth Continues to Moderate

"The pace of hourly earnings growth for U.S. small business workers moderated for the second consecutive month to 5.01 percent, according to the latest Paychex | IHS Markit Small Business Employment Watch. One-month annualized hourly earnings growth stands below four percent. The Small Business Jobs Index, which measures the rate of small business job growth, slowed 0.32 percent in October to 99.43." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

"Hourly earnings growth for workers of U.S. small businesses may be cooling, with growth slowing from 5.15 percent in May to 5.01 percent in October. Small business job conditions slid, notably in the Northeast, down 0.66 percent for the month." – James Diffley, Chief Regional Economist, IHS Markit

"The compensation landscape is shifting. Hourly earnings growth remains at five percent, but is slowing. At the same time, we've seen a significant increase in hours-worked in recent months, possibly a sign that small businesses are adapting to labor market pressures and looking to leverage existing staff. The growth in hours worked is having a positive impact on weekly earnings growth, which increased to 4.88 percent in October." – John Gibson, President and CEO, Paychex

Source: https://www.paychex.com/employment-watch; 11/1/22

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

"In further detail, the October report showed:

- One-month weekly hours worked growth increased to 1.49 percent in October, nearing its highest level in more than two years.
- Weekly earnings growth increased for the eighth consecutive month to 4.88 percent.
- Small business employment growth slowed in the Northeast, falling 0.66 percent in October.
- Despite impacts from Hurricane Ian on Florida, the South continues to lead small business employment growth and was the only region to improve in October.
- North Carolina remained the top state for small business job growth; Florida was once again the top state for worker hourly earnings growth.
- Dallas continues to lead U.S. metros in small business job growth and hourly earnings growth for workers.
- Other services (except public administration) remained the top sector for job growth in October at 102.15.

Analysis on the impact of Hurricane Ian reveals:

- Weekly hours-worked growth fell sharply in Florida, with one-month annualized weekly hours-worked falling to -5.46 percent, pushing its ranking last among states.
- Due to the drop in hours-worked, one-month annualized weekly earnings growth in Florida turned negative (-1.36 percent).
- In Tampa, the closest metro to the impact zone, one-month annualized weekly hours-worked growth declined to -6.22 percent." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 11/1/22

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

October Job Index	October Wage Data
Index	Hourly Earnings
99.43	$30.88
12-Month Change	12-Month Growth
-1.01%	+5.01% (+$1.47)

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 11/1/22

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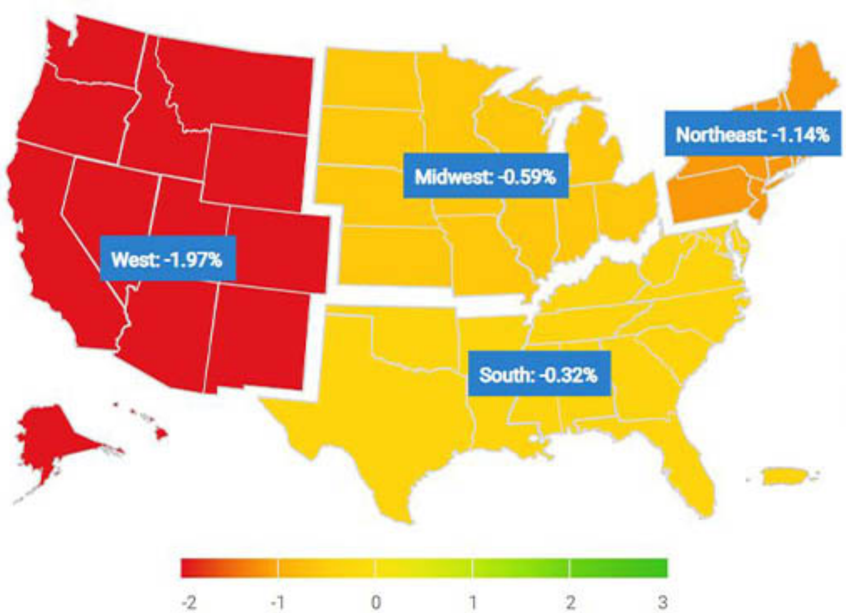
Private Indicators

The Paychex | IHS Markit Regional Jobs Index

Regional Performance



Region	Index	Change
Midwest	99.14	-0.59%
Northeast	98.93	-1.14%
South	100.59	-0.32%
West	98.99	-1.97%

Change 12-Month

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 11/1/22

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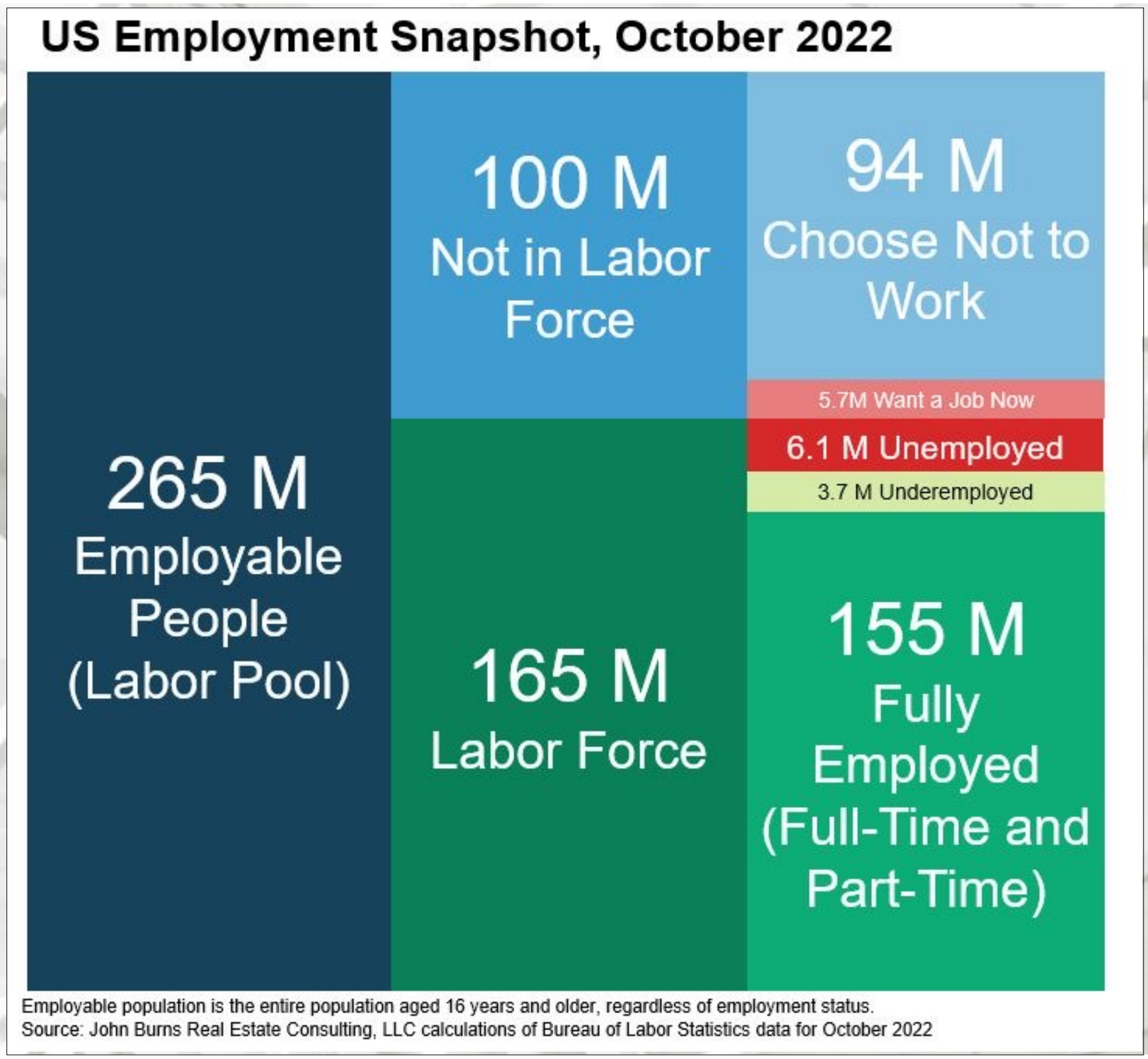
Demographics



John Burns Real Estate Consulting LLC

"Great graphic to understand American labor force. 100 million of 265 million adults of working age not earning an income. 6 million of them looking for work. I would love to see a breakdown of the 94 mil who are in school, taking care of family, institutionalized, homeless, etc." – John Burns, President & CEO, John Burns Real Estate Consulting LLC

Source: https://twitter.com/johnburnsjbrec/status/1588905322001076224; 11/5/22

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Economics

Mish Talk

The Entry-Level House Has Become a Myth, Few Can Afford Them

With vanishing inventory, soaring mortgage rates, and stubbornly high prices, there's little left of the starter home idea.

"The once-ubiquitous entry-level home is now mostly a myth. Point2Homes comments on Starter Homes & Where to Find Them.

"Once upon a time, nearly 70% of all new builds were starter homes – single-family houses with 1,400 square feet or less that started at $6,990. But that was in the 1940s. Fast forward to 1980 and that share fell to 40%. Then, in 2019, the U.S. Census Bureau reported that a mere 7% of all new homes were represented by the small, entry-level homes that are affordable for first-time buyers – and the prices aren't even remotely similar.

Due to the increasing cost of land, as well as zoning restrictions and skyrocketing costs for building materials, the modest, bare-bones homes of yesteryear have become the stuff of myths and legends – the actual unicorns of the real estate market. More elusive than ever, this type of home seems almost extinct. Based on the latest renter income figures, starter home prices and mortgage rates, in October, renters in Los Angeles and New York only earned 30% and 34%, respectively, of the income they would need to buy a starter home.

When Is a Starter Home Not a Starter Home? When It Costs $1 Million.

The median starter home in San Francisco costs as much as the median starter homes in the top 10 most affordable cities combined.

The average renter household made $100,715, but the amount a first-time buyer would need to comfortably cover mortgage payments was $251,190. This means that San Francisco renters are $150,475 (or 60%) short of making their homeownership dreams come true. Moreover, in three other cities (San Jose, CA; Los Angeles; and New York), renters were more than $100,000 short of the amount they would need to cover their mortgage on a starter home. In fact, Los Angeles renters had it the worst: They're making 70% less than the amount they would need to comfortably cover their monthly mortgage."" – Mish Shedlock, Mish Talk

Source: https://mishtalk.com/economics/the-entry-level-house-has-become-a-myth-few-can-afford-them; 10/28/22

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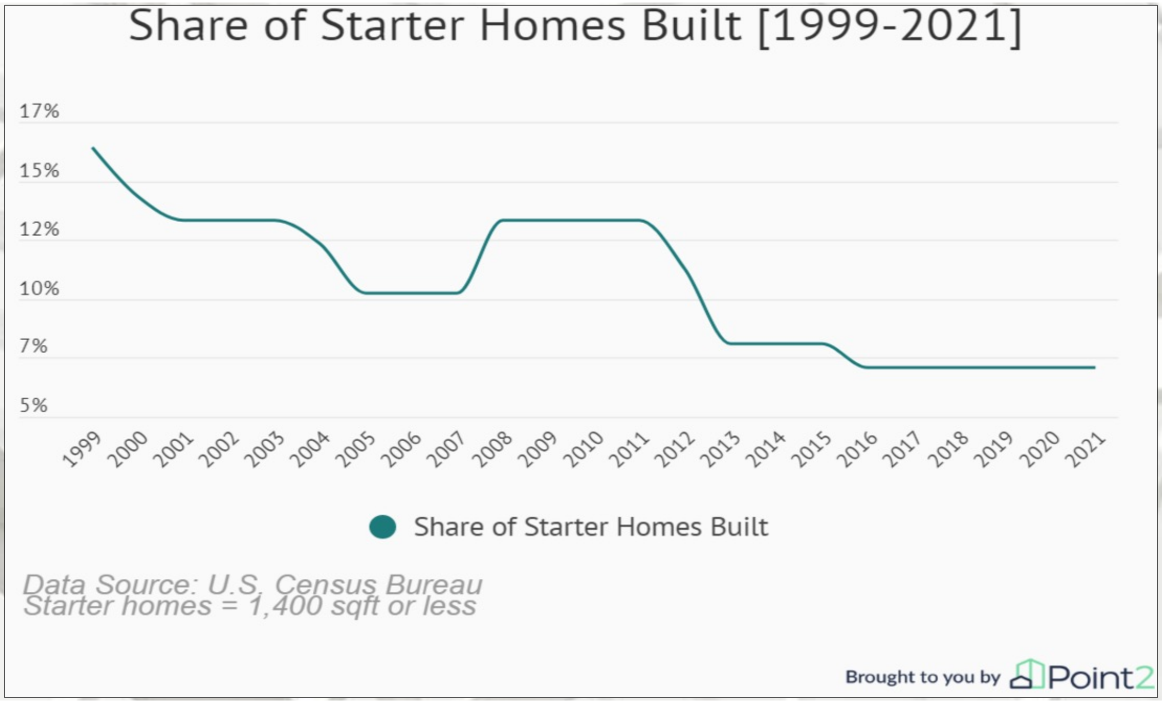

Mish Talk

“Key Points

- In 13 more of the 50 largest U.S. cities, renters earned less than half the income they would need to make the move from renters to homeowners.
- Renters in only 4 large U.S. cities (Detroit; Tulsa, OK; Memphis, TN; Oklahoma City) earned 100% or more than what they needed to afford an entry-level home.
- This very short list was all the more shocking because just one month prior, in September, it also included Kansas City, MO. And, one month before that, in August, Baltimore was also affordable for renters who wanted to make the move to homeownership.
- In only 15 of the 50 largest U.S. cities, the price of a starter home still fits the “old” definition of the term: Entry-level houses here were $200,000 or less.
- But even the definition needs to change. It’s now the lower third of homes available. There are no livable $200,000 homes for sale in San Francisco.” – Mish Shedlock, Mish Talk

Source: https://mishtalk.com/economics/the-entry-level-house-has-become-a-myth-few-can-afford-them; 10/28/22

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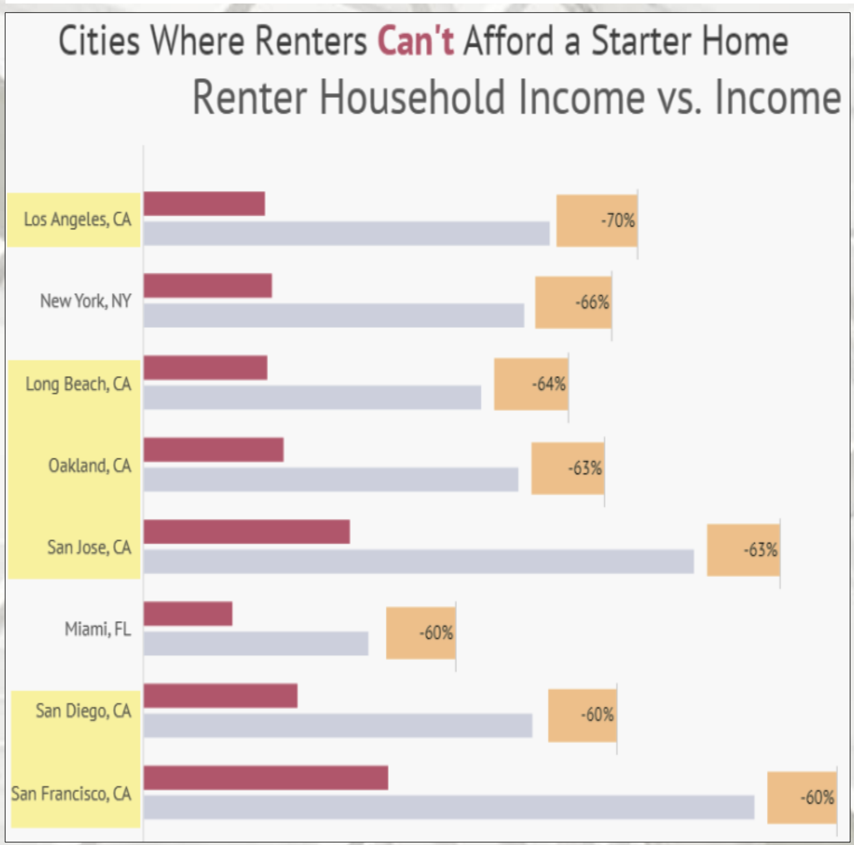

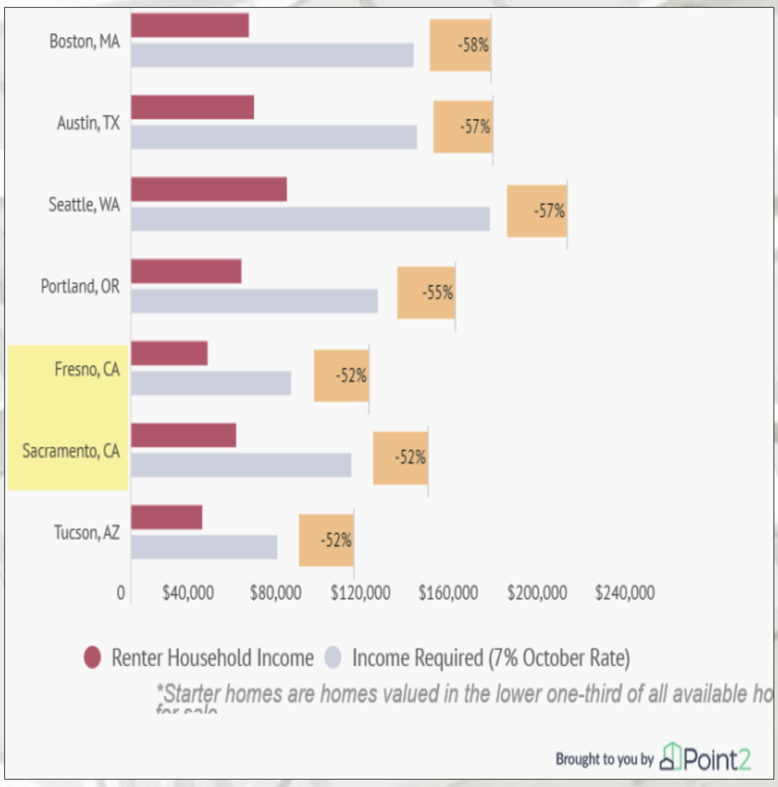

Source: https://mishtalk.com/economics/the-entry-level-house-has-become-a-myth-few-can-afford-them; 10/28/22

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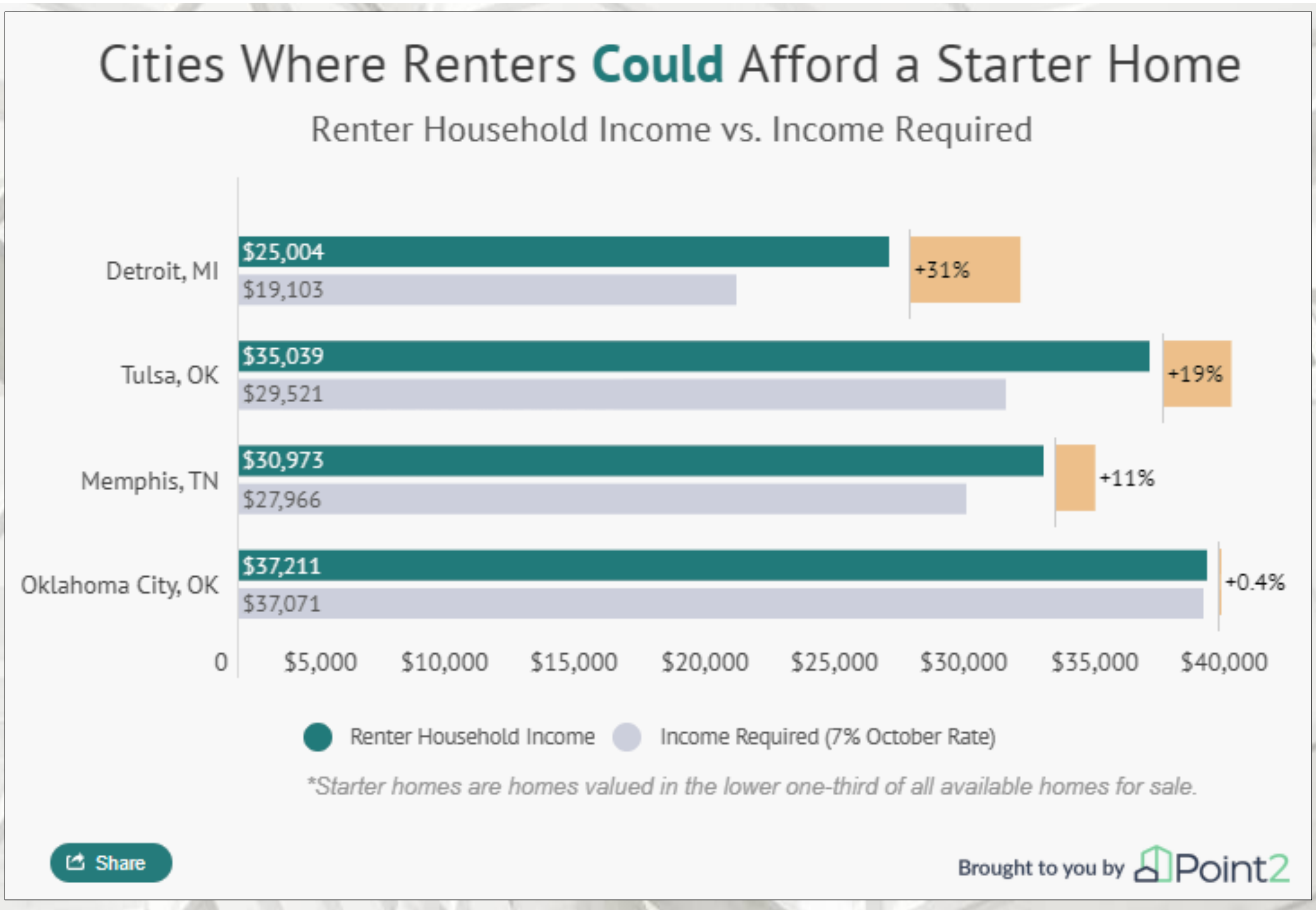

Mish Talk

"Affordable Starter Homes

Point2Homes located four cities where renters can afford a starter home. They are Detroit, MI; Tulsa, OK; Memphis, TN; and Oklahoma City, OK.

In Detroit, Tulsa, and Memphis, renters made $5,901, $5,515 and $3,007, respectively, more than the income needed to cover their first home mortgage expenses." – Mish Shedlock, Mish Talk

Source: https://mishtalk.com/economics/the-entry-level-house-has-become-a-myth-few-can-afford-them; 10/28/22

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Mish Talk

"In Oklahoma City, renters made $140 above the amount required.

The starter home's new and simplified definition is "the most affordable home in town." However, this simplified definition does nothing to simplify matters for first-time buyers. The change in definition can't mask the painful reality: Even starter homes – which should represent the epitome of affordability – are increasingly becoming anything but.

Can You Work From Anywhere?

If you really want a home in a good neighborhood, perhaps to start a family, you may need to think outside California.

If you are one of those who can work from anywhere, then you might also have a skilled job that pays more than the average renter.

This will open up your horizons a bit more than the above four cities.

Existing Home Sales Decline 8th Consecutive Month, Down 1.5% Says NAR

Meanwhile, please note Existing Home Sales Decline 8th Consecutive Month, Down 1.5% Says NAR

Mortgage rates are around 7 percent. Few can afford them." – Mish Shedlock, Mish Talk

Source: https://mishtalk.com/economics/the-entry-level-house-has-become-a-myth-few-can-afford-them; 10/28/22

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Redfin

Homebuyers Need $107,000 Annually to Afford the Typical U.S. Home – Up 46% From a Year Ago

Homebuyers across the country need to earn substantially more money than they did a year ago to buy a home, due to high mortgage rates and persistently high home prices. The increases are especially big in Florida.

"A homebuyer must earn $107,281 to afford the $2,682 monthly mortgage payment on the typical U.S. home, up 45.6% from $73,668 a year ago. That's due to mortgage rates that have more than doubled over the last 12 months, combined with persistently high home prices.

The average U.S. hourly wage grew by about 5% over that same period, and inflation is also cutting into would-be buyers' budgets.

After remaining mostly unchanged for several years, the annual household income necessary to afford a monthly mortgage payment began climbing at the beginning of last year due to the pandemic home buying boom and rapid rise in prices. Scroll to the end of this report for details on our methodology.

The income required to buy a home then skyrocketed in 2022 as mortgage rates rose at their fastest pace in history, reaching 7% by the end of October (though rates posted their biggest single-day decline on record on Thursday upon news that inflation cooled). Home prices also continued to increase for much of the year, though they've now started declining from their peak and year-over-year growth has now slowed to around 3%.

From February 2020 (just before the pandemic started) to October 2022, the monthly payment for an American family buying the median-priced home increased by roughly 70%. Affordability challenges are a major reason why home sales have slowed so dramatically over the last few months.

High rates are making buyers rethink their priorities, as many of them can no longer afford the home they want in the location they want," said Washington, D.C. Redfin agent Chelsea Traylor. "If you had a $900,000 budget a few months ago, rising rates mean it's now around $700,000 – and sellers aren't dropping their prices enough to make up for the change. So buyers are searching further away from the city in more affordable areas or waiting for prices and/or rates to come down before making a move."" – Dana Anderson, Data Journalist, Redfin

Source: https://www.redfin.com/news/homebuyer-income-increase-october-2022/; 11/15/22

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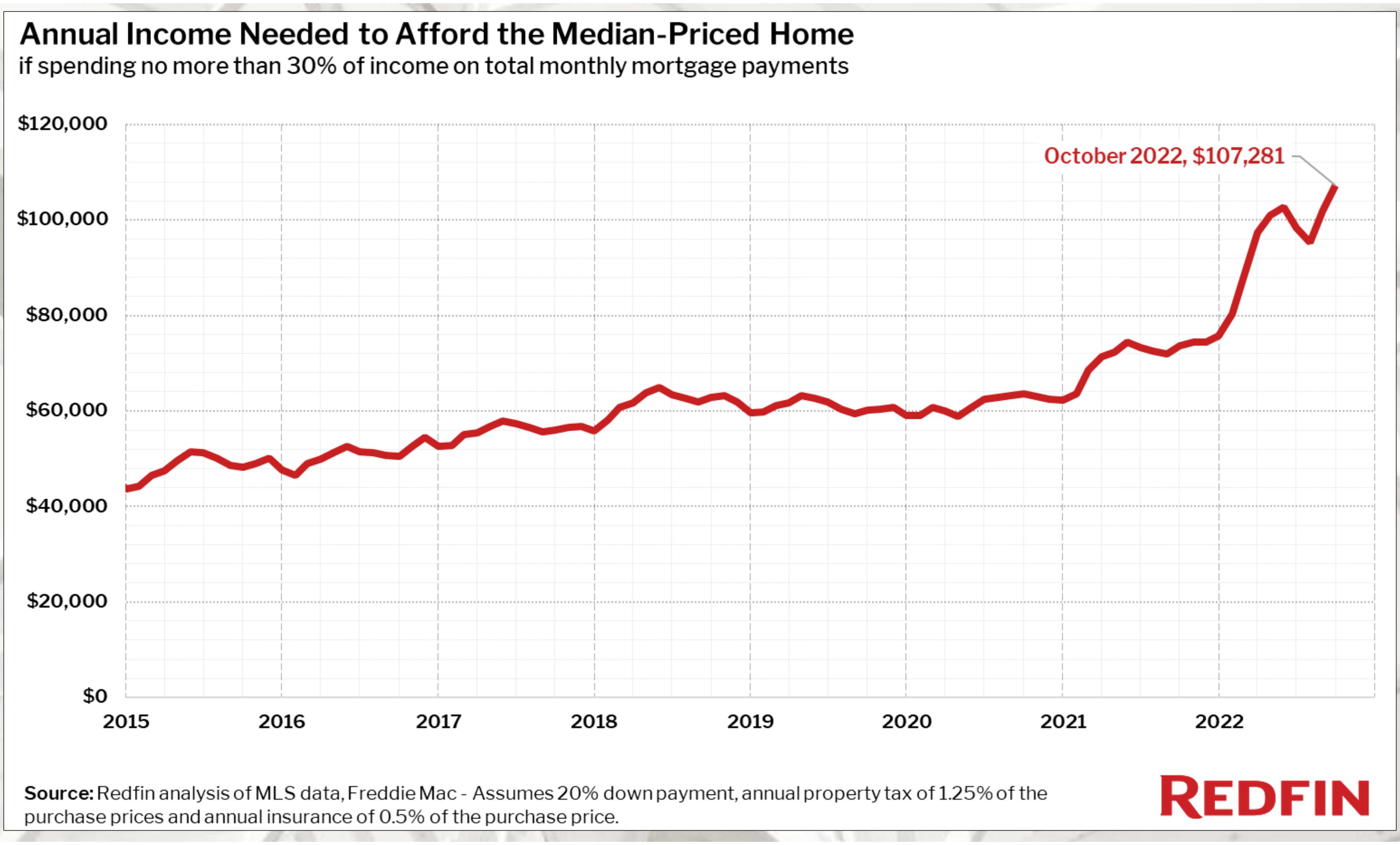

Redfin

""I'm encouraging buyers to think long term," Traylor continued. "Prices are unlikely to fall drastically in the long run, so buying a home now–if you can afford the monthly payment – will still help you build wealth over time, especially if you plan to live in it for several years. Even though rates are high, another advantage of buying now is the lack of competition and opportunity to negotiate with sellers." …" – Dana Anderson, Data Journalist, Redfin

Source: https://www.redfin.com/news/homebuyer-income-increase-october-2022/; 11/15/22

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U.S. Census Bureau

NEW Business Formation Statistics

October 2022

Business Applications

"Business Applications for October 2022, adjusted for seasonal variation, were 432,834, an increase of 1.2 percent compared to September 2022.

Business Formations

Projected Business Formations (within 4 quarters) for October 2022, adjusted for seasonal variation, were 31,889, an increase of 1.6 percent compared to September 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 31,889 new business startups with payroll tax liabilities will form within 4 quarters of application from all the business applications filed during October 2022. The 1.6 percent increase indicates that for October 2022 there will be 1.6 percent more businesses projected to form within 4 quarters of application, compared to the analogous projections for September 2022." – Census Bureau, Economic Indicators Division, Business Formation Statistics

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 11/10/22

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U.S. Census Bureau

NEW Business Formation Statistics

October 2022

BUSINESS FORMATIONS

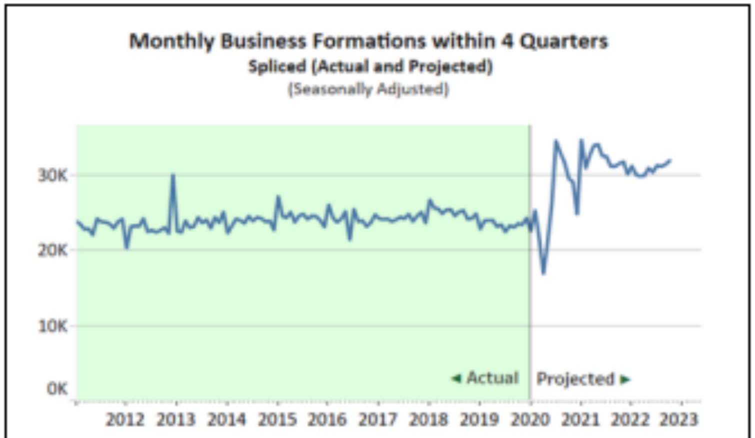
U.S. Total Projected Business Formations:	OCT 2022	OCT 2022 / SEP 2022
Within 4 Quarters	31,889	1.6%*
Within 8 Quarters	40,287	1.7%*

Next release: December 14, 2022

(*) Statistical significance is not applicable or not measurable.

Spliced - Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, November 10, 2022



Source: U.S. Census Bureau, Business Formation Statistics, November 10, 2022

Projected Business Formations - At a Glance

		US	Northeast	Midwest	South	West
Within 4 Quarters	OCT 2022	31,889	5,008	5,115	12,774	8,992
	OCT 2022 / SEP 2022	+1.6%	-1.6%	+2.2%	+2.5%	+2.0%
Within 8 Quarters	OCT 2022	40,287	6,268	6,525	16,084	11,410
	OCT 2022 / SEP 2022	+1.7%	-2.0%	+3.7%	+1.8%	+2.7%

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; 11/10/22

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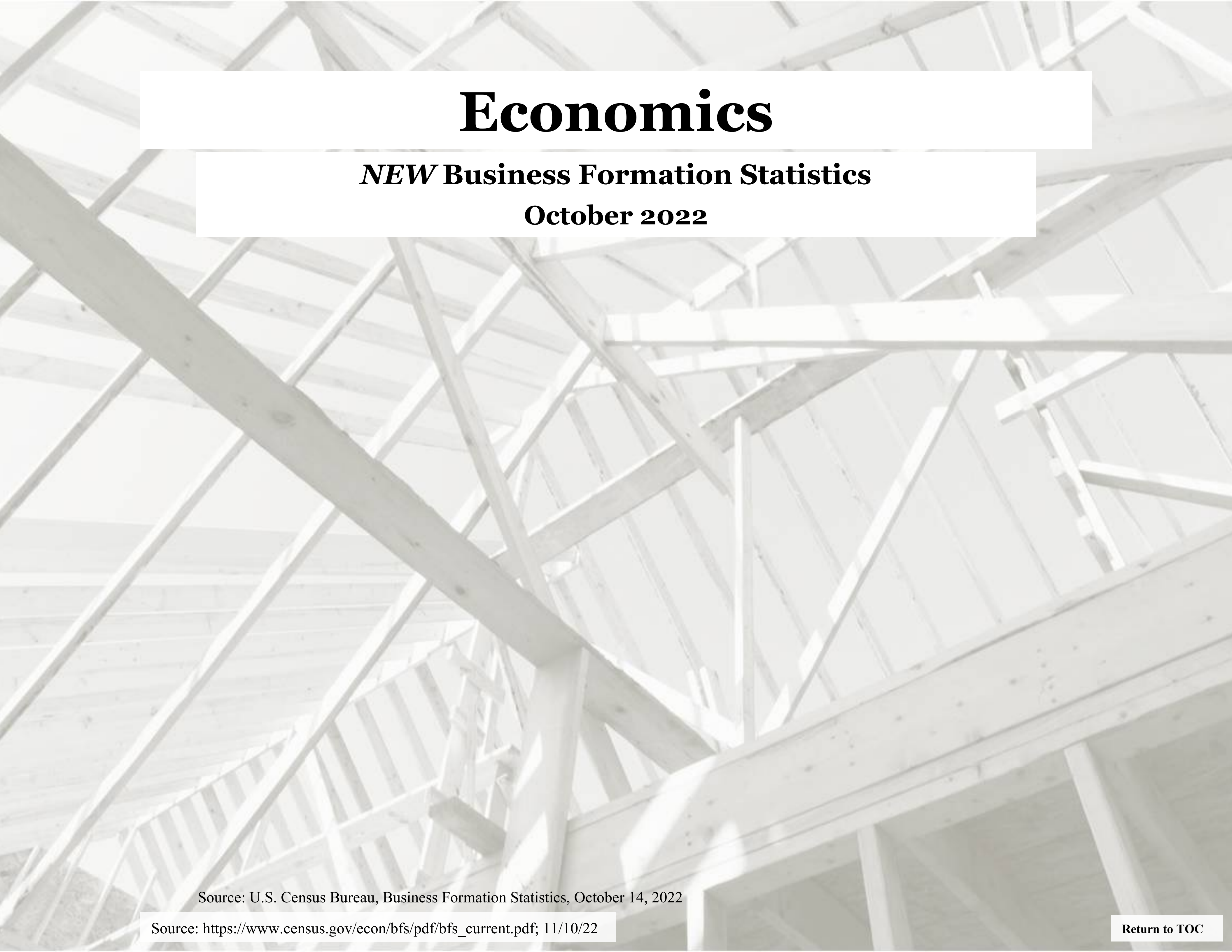

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NEW Business Formation Statistics

October 2022

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

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 11/10/22

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