The Virginia Tech–USDA Forest Service Housing Commentary: Section II
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2023 Virginia Polytechnic Institute and State University VCE-ANR

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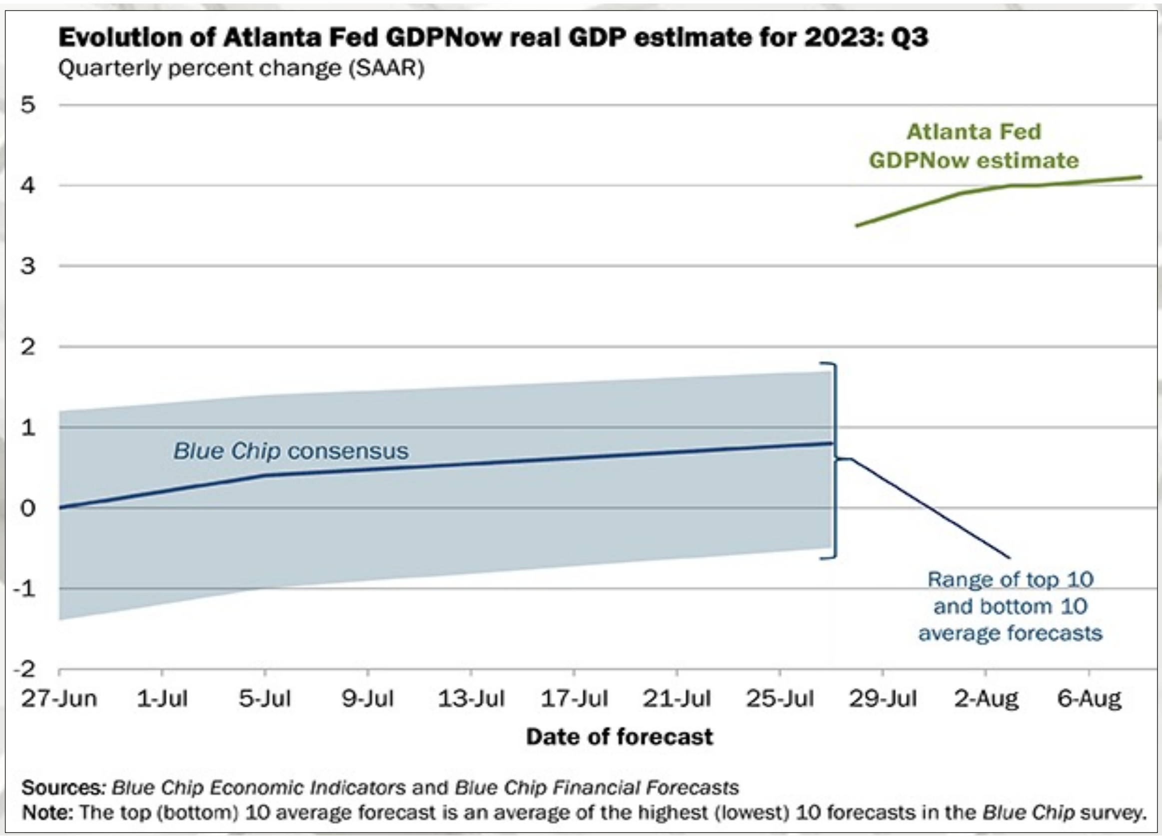
U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest estimate: 2.4 percent — August 8, 2023

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2023 is **4.1 percent** on August 8, up from 3.9 percent on August 1. After recent releases from the US Census Bureau, the Institute for Supply Management, the US Bureau of Economic Analysis, and the US Bureau of Labor Statistics, an increase in the nowcast of third-quarter real gross private domestic investment growth from 5.2 percent to 8.1 percent was slightly offset by decreases in the nowcasts of third-quarter real personal consumption expenditures growth and third-quarter real government spending growth from 3.5 percent and 2.9 percent, respectively, to 3.2 percent and 2.7 percent, while the nowcast of the contribution of the change in real net exports to second-quarter real GDP growth increased from 0.08 percentage points to 0.11 percentage points." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 8/8/23

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

Index Points to Little Change in Economic Growth in June

"*The Chicago Fed National Activity Index (CFNAI) edged down to –0.32 in June from –0.28 in May. Three of the four broad categories of indicators used to construct the index decreased from May, and three of the four categories made negative contributions in June. The index's three-month moving average, CFNAI-MA3, increased to –0.16 in June from –0.21 in May.*

The CFNAI Diffusion Index, which is also a three-month moving average, moved up to –0.12 in June from –0.17 in May. Thirty-one of the 85 individual indicators made positive contributions to the CFNAI in June, while 54 made negative contributions. Thirty-three indicators improved from May to June, while 51 indicators deteriorated and one was unchanged. Of the indicators that improved, 13 made negative contributions.

Production-related indicators contributed –0.27 to the CFNAI in June, down from –0.20 in May. Manufacturing production decreased 0.3 percent in June after moving down 0.2 percent in the previous month. The contribution of the sales, orders, and inventories category to the CFNAI edged down to –0.05 in June from –0.01 in May.

Employment-related indicators contributed +0.03 to the CFNAI in June, up from –0.06 in May. The unemployment rate decreased to 3.6 percent in June from 3.7 percent in the previous month. The contribution of the personal consumption and housing category to the CFNAI decreased to –0.02 in June from –0.01 in May." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 7/24/23

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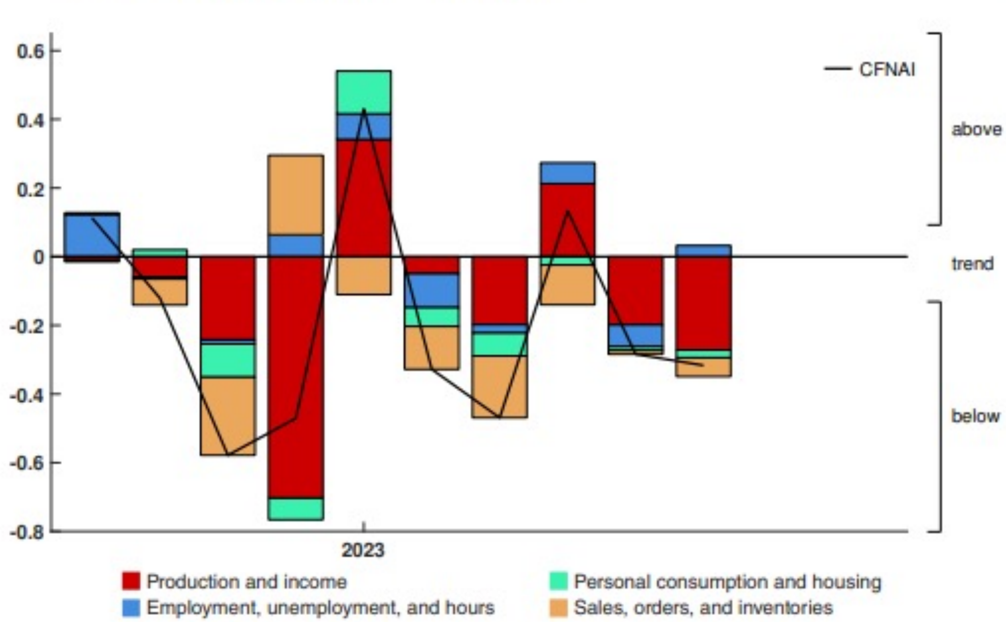
The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)

Chicago Fed National Activity Index, by Categories



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

	Jun '23	May '23	Apr '23	Mar '23	Feb '23	Jan '23	Jun '22
CFNAI							
Current	−0.32	−0.28	+0.13	−0.47	−0.33	+0.43	−0.24
Previous	N/A	−0.15	+0.14	−0.41	−0.33	+0.39	−0.23
CFNAI–MA3							
Current	−0.16	−0.21	−0.22	−0.12	−0.12	−0.21	−0.14
Previous	N/A	−0.14	−0.20	−0.12	−0.14	−0.22	−0.14
CFNAI Diffusion							
Current	−0.12	−0.17	−0.21	−0.10	0.00	−0.05	−0.19
Previous	N/A	−0.09	−0.14	−0.11	0.00	−0.06	−0.19

Current and Previous values reflect index values as of the July 24, 2023, release and June 22, 2023, release, respectively.
N/A indicates not applicable.

Source: https://www.chicagofed.org/publications/cfnai/index; 7/24/23

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

Survey Suggests Growth Picked Up in July

"The Chicago Fed Survey of Economic Conditions (CFSEC) Activity Index increased to –30 in July from –52 in June, suggesting that economic growth was well below trend. The CFSEC Manufacturing Activity Index increased to –48 in July from –50 in June, and the CFSEC Nonmanufacturing Activity Index increased to –18 in July from –52 in the previous month.

- Respondents' outlooks for the U.S. economy for the next 12 months improved, but remained pessimistic on balance. Forty-two percent of respondents expected a decrease in economic activity over the next 12 months.
- The pace of current hiring decreased, but respondents' expectations for the pace of hiring over the next 12 months increased. The hiring index moved into negative territory, and the hiring expectations index remained negative.
- Respondents' expectations for the pace of capital spending over the next 12 months increased, but the capital spending expectations index remained negative.
- The labor cost pressures index decreased, as did the nonlabor cost pressures index. Both cost pressures indexes remained negative." – Thomas Walstrum, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/research/data/cfsec/current-data; 7/24/23

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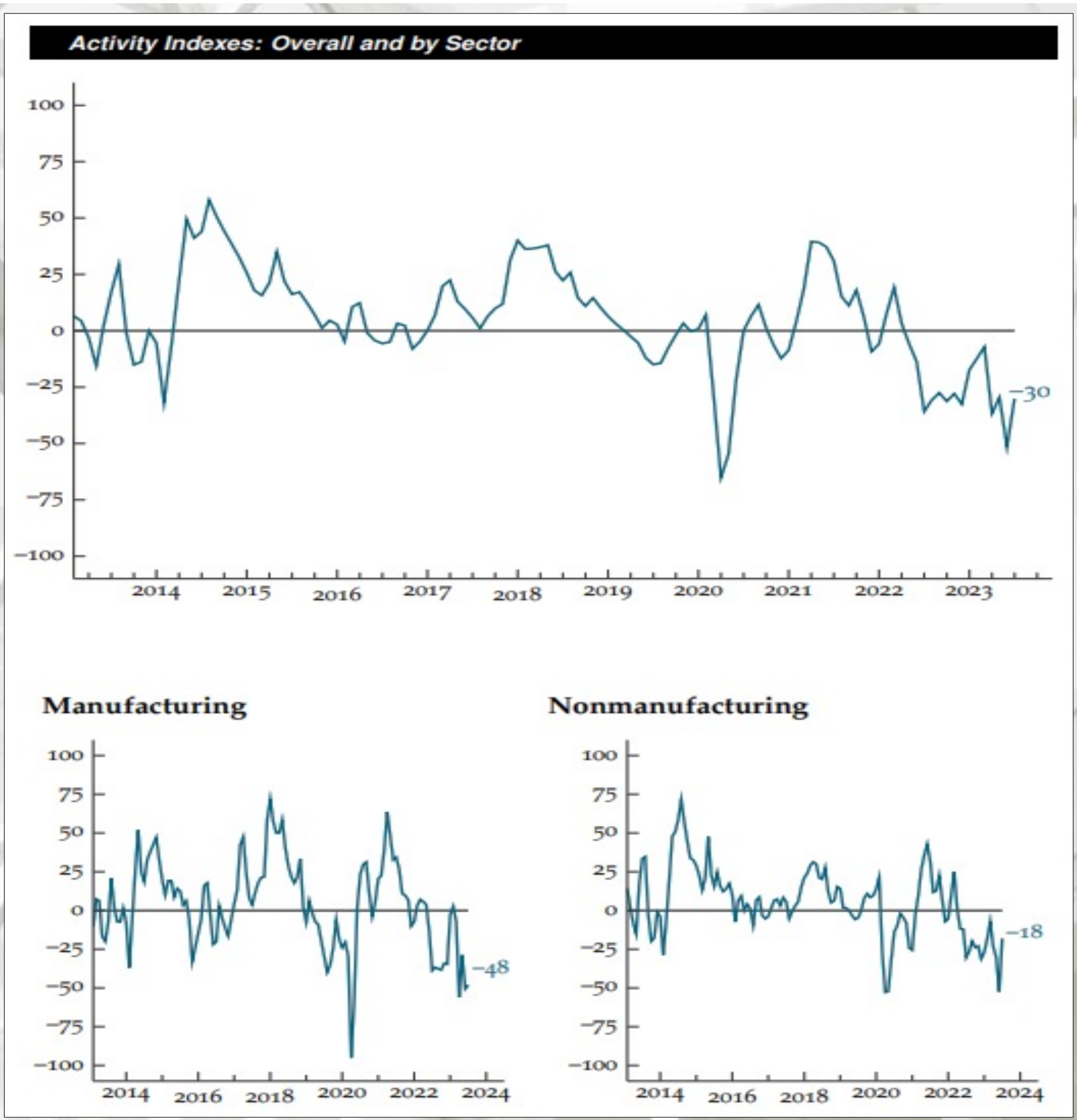
The Federal Reserve Bank of Chicago: Survey of Economic Conditions (CFSEC)



Source: https://www.chicagofed.org/research/data/cfsec/current-data; 7/24/23

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The Federal Reserve Bank of Dallas

Texas Manufacturing Outlook Survey

Texas manufacturing output contracts again

“Texas factory activity declined in July, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, held fairly steady at -4.8, a reading indicative of a modest contraction in output.

Other measures of manufacturing activity also indicated contraction in July. The new orders index has been in negative territory for more than a year and edged down to -18.1. The capacity utilization and shipments indexes remained negative but moved up to -2.4 and -2.2, respectively. The capital expenditures index continued to bounce around in the same low or slightly negative range since February; the July reading was -2.4.

Perceptions of broader business conditions continued to worsen in July. The general business activity index stayed negative but ticked up to -20.0, while the company outlook index pushed further negative to -16.9. The outlook uncertainty index moved up four points to 20.5.

Labor market measures suggest faster growth in employment and longer workweeks in July. The employment index rose eight points to 10.0, pushing back above its average reading of 7.9 after dipping below last month. Twenty-three percent of firms noted net hiring, while 13 percent noted net layoffs. The hours worked index returned to positive territory after three months, coming in at 3.9.

Price pressures increased in July but remained subdued, and wage growth moderated. The raw materials prices index rose nine points to 10.5, still well below its average reading of 27.6. The finished goods prices index moved up to 2.3, suggesting modest price growth this month. The wages and benefits index fell six points to 19.1, with the near-average reading indicative of a moderate increase in compensation costs.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 7/31/23

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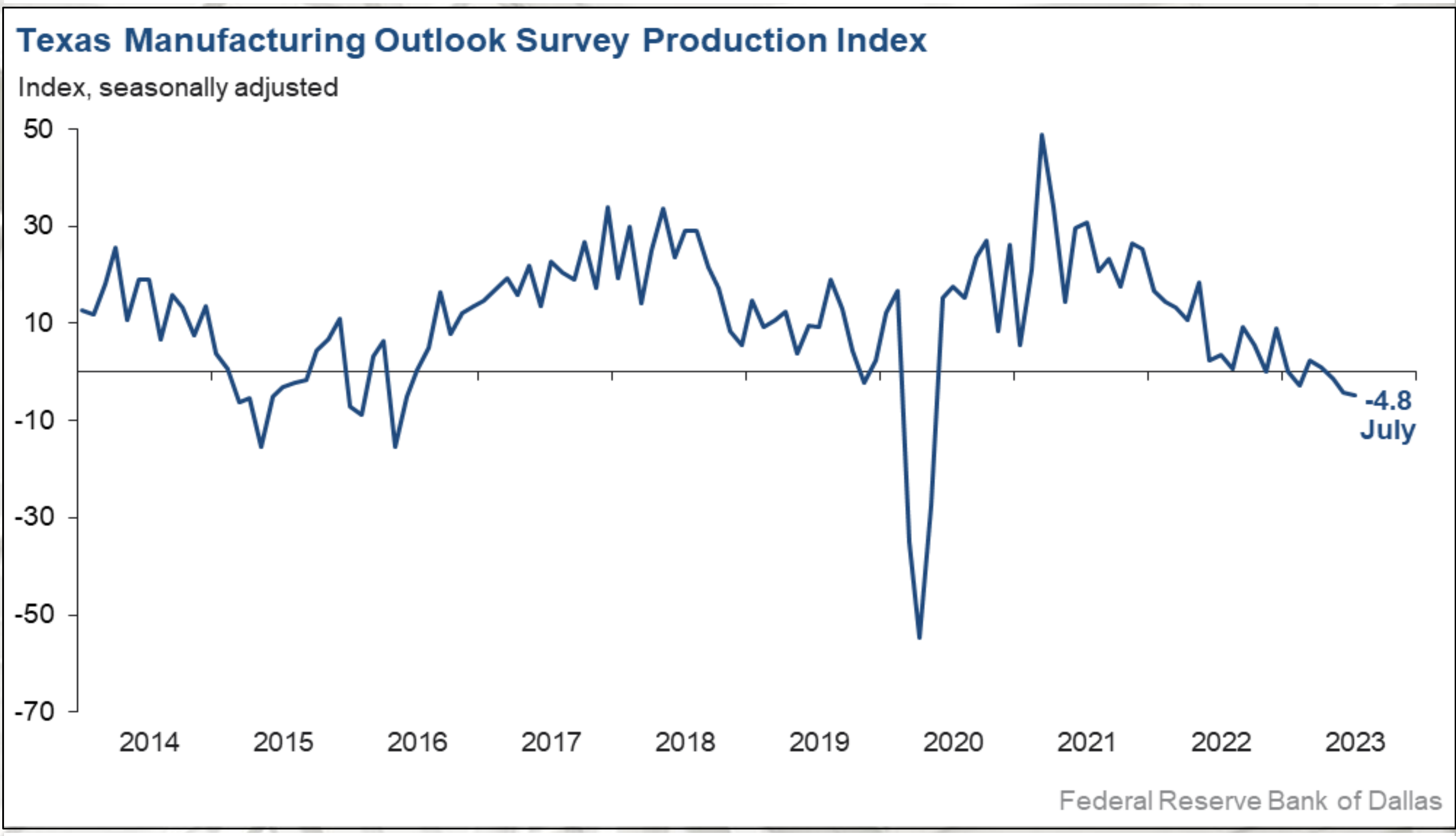
The Federal Reserve Bank of Dallas



"Expectations regarding future manufacturing activity improved in July. The future production index remained positive but slipped to 15.5. The future general business activity index rose from -4.5 to 4.6, entering positive territory for the first time in more than a year. Other measures of future manufacturing activity showed mixed movements this month but remained solidly in positive territory." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 7/31/23

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The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Texas service sector activity accelerates

“Growth in Texas service sector activity expanded at a faster pace in July, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, rose nine points to 12.9, the highest level in 16 months.

Labor market indicators pointed to steady employment growth and longer workweeks. The employment index remained at 9.2, indicating the same employment growth as the previous month. The part-time employment index fell three points to -0.6, while the hours worked index rose four points to 3.5.

Perceptions of broader business conditions were mixed in July. The general business activity index remained negative but increased four points to -4.2. The company outlook index increased to 0.5, with the near-zero figure indicating company outlooks were no longer worsening and held mostly steady in July. The outlook uncertainty index ticked down three points to 10.9 – below its series average of 13.5.

Price and wage pressures eased modestly in July. The input prices index ticked down from 35.0 to 31.7, and the selling prices index decreased three points to 9.9, though both indexes remained above their series averages. The wages and benefits index inched down two points to 16.7 – still slightly above its average reading of 15.7.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 8/1/23

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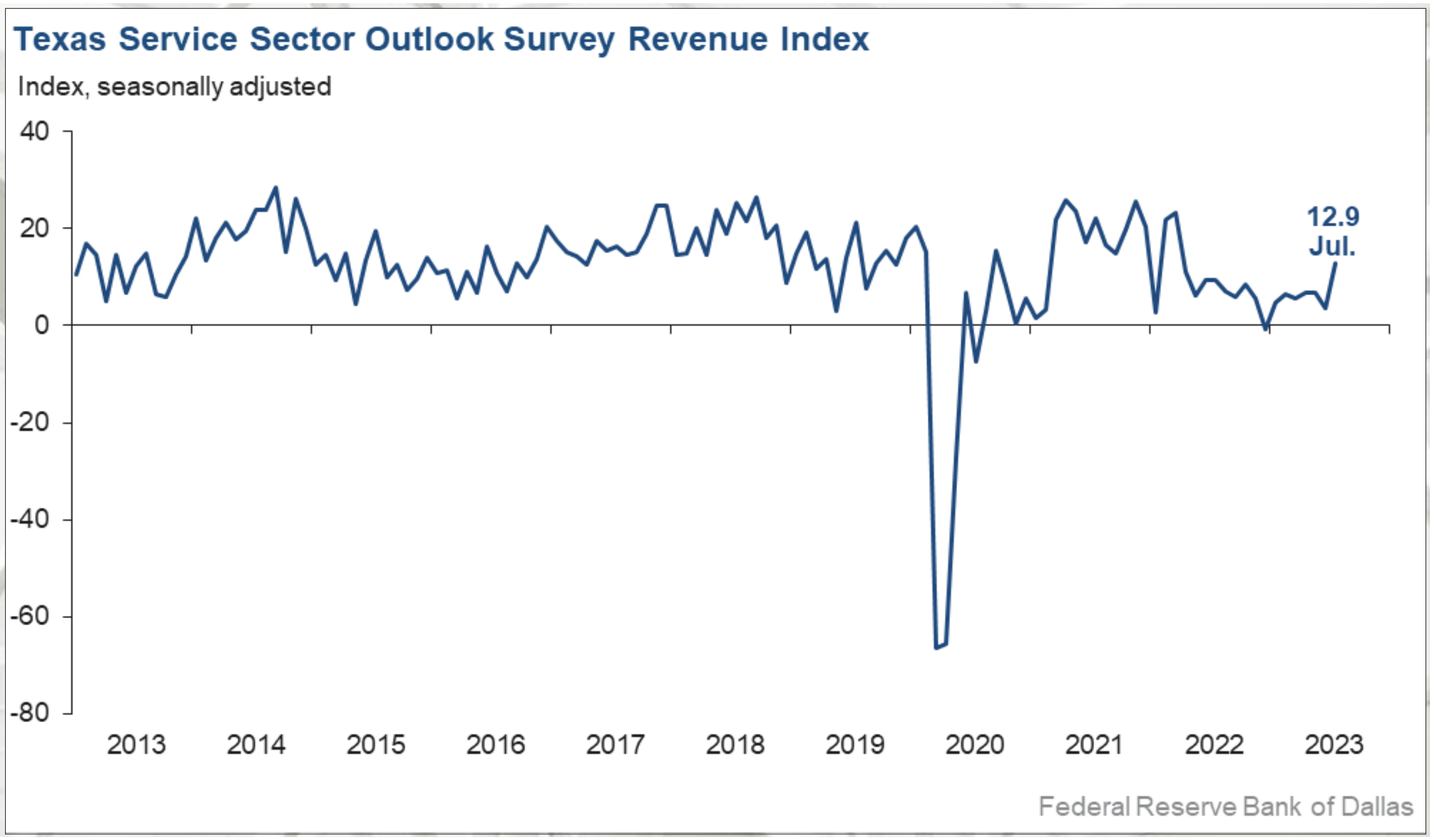
The Federal Reserve Bank of Dallas



Texas Service Sector Outlook Survey

"Respondents' expectations regarding future business activity improved in July. The future general business activity index moved into positive territory for the first time in 15 months, improving from -1.6 to 4.4. The future revenue index stayed positive and relatively unchanged at 35.6. Other future service sector activity indexes such as employment and capital expenditures displayed mixed movements but remained in positive territory – reflecting expectations for continued growth in the next six months." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 8/1/23

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The Federal Reserve Bank of Dallas

Texas Retail Outlook Survey

Texas Retail Sales Continue to Decline in July

“Retail sales declined in July, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, improved five points to -2.4 suggesting sales decreased at a slower rate than the previous month. Retailers’ inventories increased at a faster rate, with the index increasing from 5.3 to 12.0.

Retail labor market indicators reflected slower employment growth and continued shortening of workweeks in July. The employment index dropped nine points to 3.2, and the part-time employment index decreased three points to -1.3. The hours worked index fell from -2.3 to -7.6.

Retailers’ perceptions of broader business conditions worsened in July. The general business activity index plunged 18 points to -18.1, and the company outlook index fell 10 points to -10.4. The outlook uncertainty index jumped from 6.6 to 24.6.

Price and wage pressures eased in July. The selling prices index dropped seven points to 8.4, and the input prices index declined six points to 20.3. The wages and benefits index decreased from 17.9 to 10.5.

Expectations for future retail growth improved in July. The future sales index remained in positive territory at 15.1, and the future general business activity index rose five points to 5.0. Other indexes of future retail activity such as employment remained in positive territory, reflecting expectations for continued growth in retail activity later in the year.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 8/1/23

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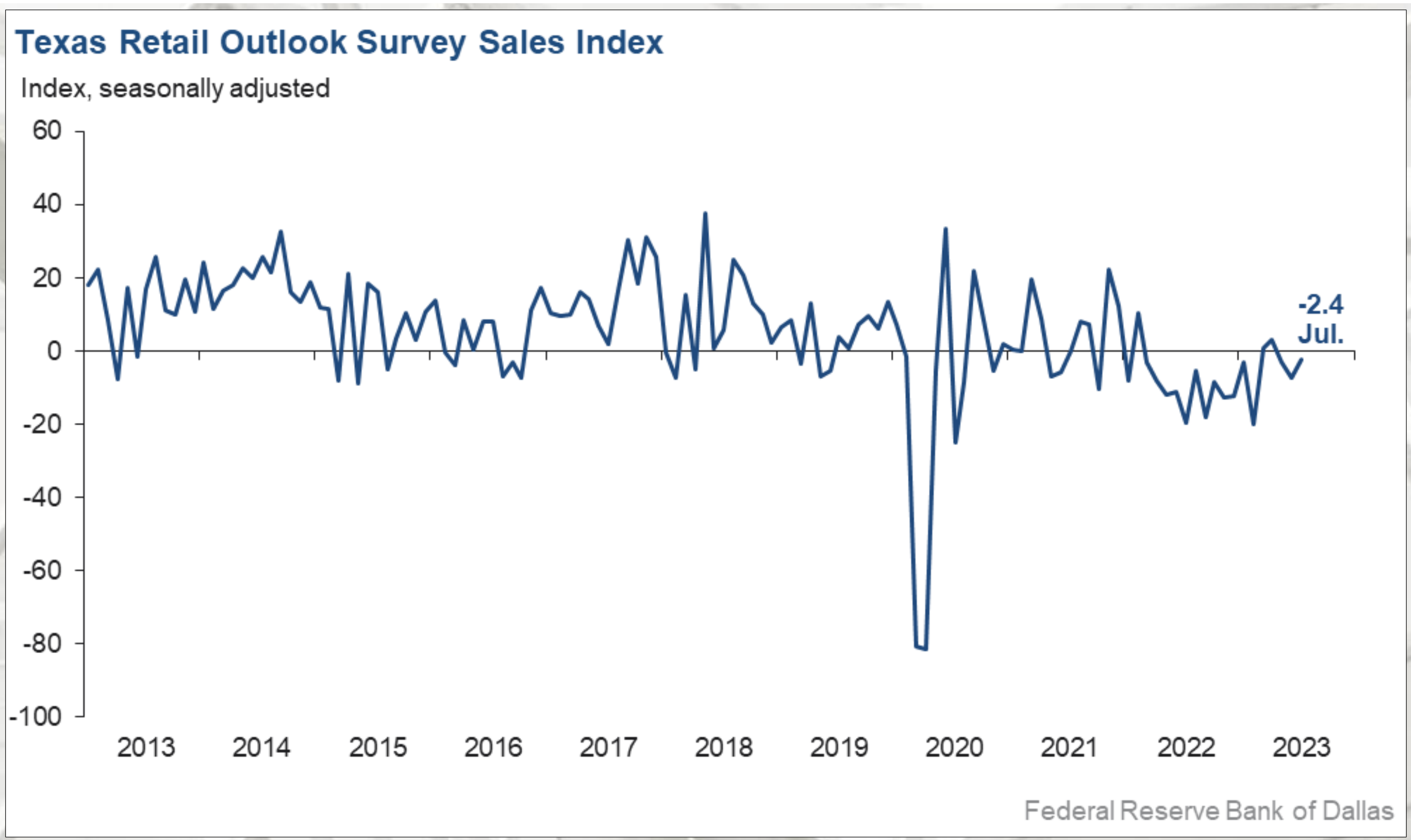
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys; 8/1/23

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Continued to Decline in July

Regional factory activity continued to decline in July. District production decreased moderately, while employment activity picked up slightly and is expected to increase further.

Factory Activity Continued to Decline

"Tenth District manufacturing activity continued to decline in July, and expectations for future activity stayed mostly flat (Chart 1). District firms' prices paid for raw materials increased on a monthly and yearly basis, while prices received for finished products declined moderately month-over-month. Heading forward, firms expect input prices to increase at a faster pace, and finished product prices to increase at a slower pace.

The month-over-month composite index was -11 in July, up from -12 in June and down from -1 in May. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The pace of decline eased slightly for durable goods, while it stayed steady for nondurable goods. All month-over-month indexes remained negative, expect for the number of employees and prices paid for raw materials. The production index decreased moderately, and the volume of shipments, volume of new orders, and backlog of orders indexes all fell significantly." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Chase Farha, and Jannety Mosley; Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 7/27/23

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Factory Activity Continued to Decline

"Year-over-year factory indexes were mixed. The composite index increased to -4 in July from -12 in June. However, year-over-year production and volume of shipments turned positive while capital expenditures grew further. The future composite index remained at -2 in July, as firms expect further declines in production and orders along with increases in employment.

Special Questions

"This month contacts were asked special questions about profit margins. A majority of firms reported that profit margins decreased significantly (11%) or decreased slightly (45%) since the beginning of the year, while 17% of firms reported no change in profit margins, 23% reported a slight increase, and 4% reported a significant increase. Firms were also asked how supply chain issues have changed from a year ago. About a quarter (26%) of contacts reported they were much better, while nearly half (49%) said they were slightly better. 10% of contacts reported no change, 10% reported they were slightly worse, 2% reported they were much worse, and 3% of contacts have not experienced supply chain issues over the last year." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Chase Farha, and Jannety Mosley; Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 7/27/23

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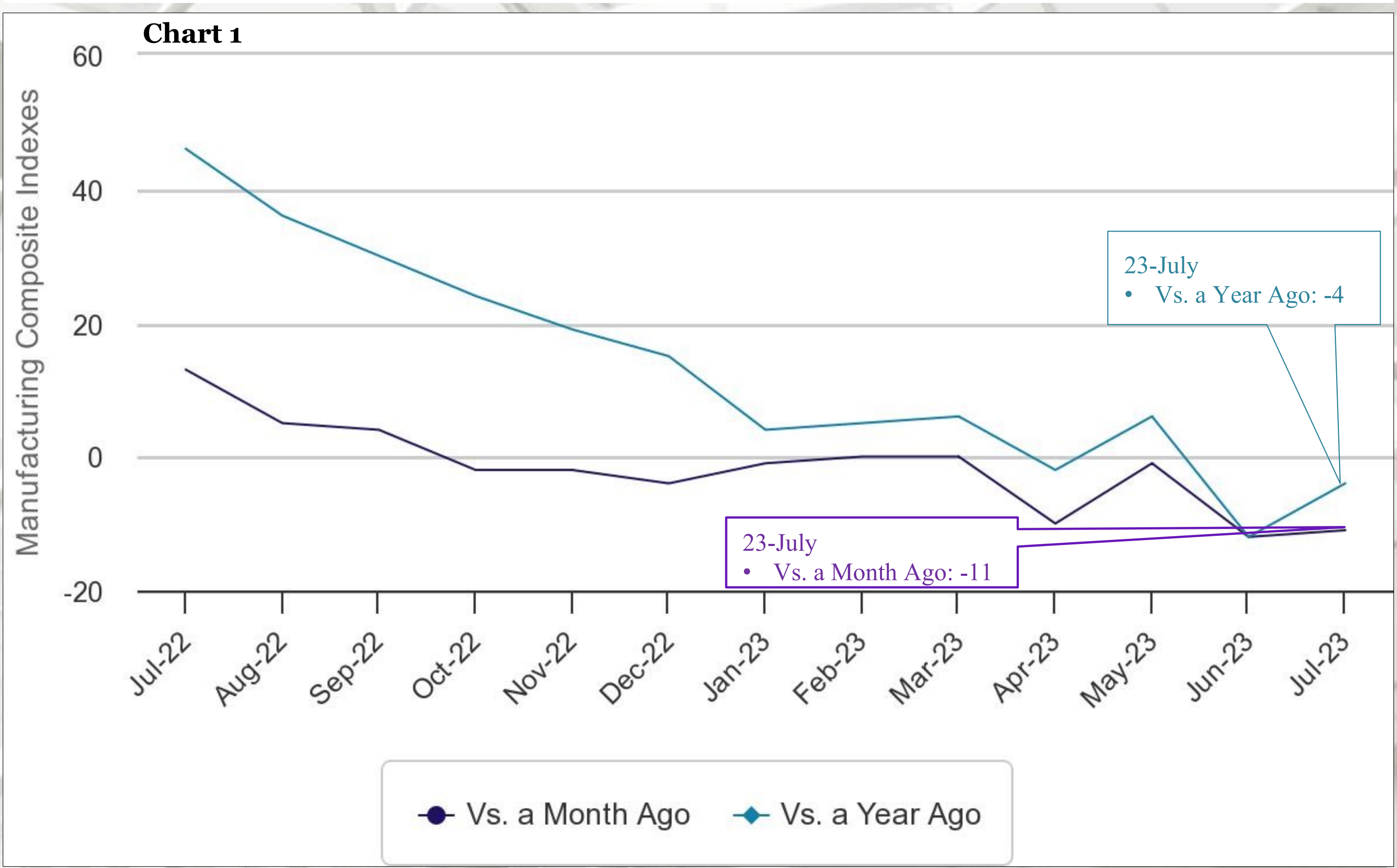
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 7/27/23

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Activity Stayed Steady in July

District services activity stayed steady in July. Firms expect revenues to grow and employment activity to moderate in the future.

Business Activity Stayed Steady

"Tenth District services activity stayed steady in July, while expectations for the next six months rose slightly (Chart 1). Contacts continued to report that both input and selling prices increased, but more reported increases in input compared to selling prices.

The month-over-month services composite index was -1 in July, down from 14 in June and 3 in May. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Tourism revenues increased substantially, while wholesale and real estate activity declined significantly. Growth in restaurants and retail cooled in July. All month-over-month indexes decreased from previous readings, except for part-time/temporary employment and input prices. The general revenues/sales index declined substantially from 20 to -1, and the number of employees and employee hours worked indexes also entered negative territory. Inventory levels slowed somewhat but continued to increase. The year-over-year composite index was unchanged at -11, as revenues, employment, and inventories continued to decrease. Expectations for services activity edged up as firms anticipate increases in revenue and steady employment, with the composite index increasing from -4 to 4." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Chase Farha, and Jannety Mosley; Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 7/28/23

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Business Activity Stayed Steady

Special Questions

"This month contacts were asked special questions about profit margins. A majority of firms reported that profit margins decreased significantly (17%) or decreased slightly (45%) since the beginning of the year, while 20% of firms reported no change in profit margins, 13% reported a slight increase, and 5% reported a significant increase. Firms were also asked how supply chain issues have changed from a year ago. About a quarter (27%) of contacts reported they were much better, while 37% said they were slightly better, 22% reported no change, 8% reported they were slightly worse, 0% reported they were much worse, and 6% of contacts have not experienced supply chain issues over the last year" – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Chase Farha, and Jannety Mosley; Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 7/28/23

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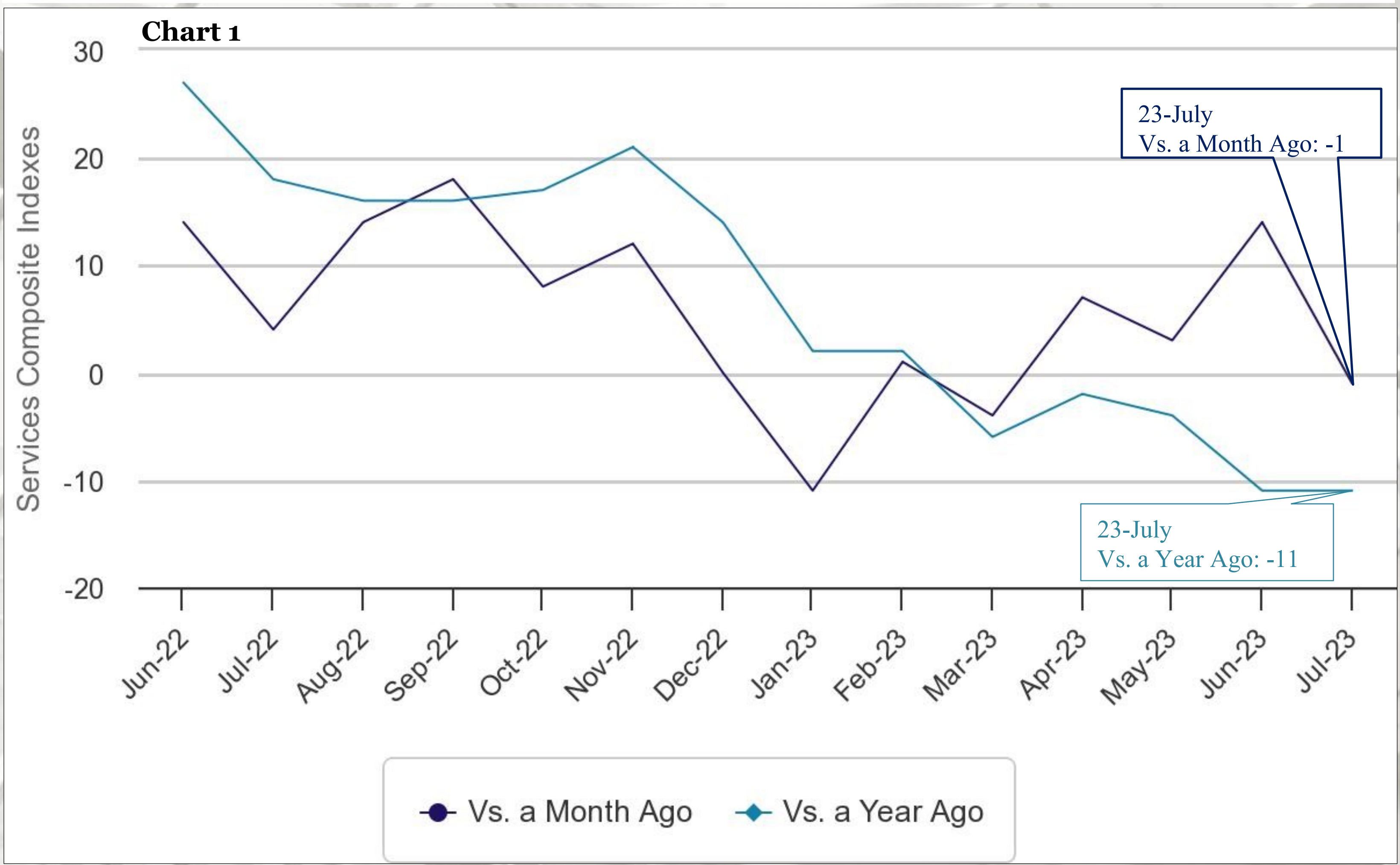
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 7/28/23

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The Federal Reserve Bank of New York

August Empire State Manufacturing Survey

Activity Falls

"Business activity declined in New York State, according to firms responding to the August 2023 *Empire State Manufacturing Survey*. The headline general business conditions index fell twenty points to -19.0. New orders and shipments fell significantly. Delivery times were steady, and inventories moved lower. Labor market indicators pointed to steady employment levels but a shorter average workweek. Input and selling price increases picked up, and capital spending plans firmed somewhat. Looking ahead, firms grew more optimistic about the six-month outlook.

Manufacturing activity declined in New York State, according to the August survey. The general business conditions index fell twenty points to -19.0, its first negative reading since May. Sixteen percent of respondents reported that conditions had improved over the month, while thirty-five percent reported that conditions had worsened. The new orders index fell twenty-three points to -19.9, and the shipments index dropped twenty-six points to -12.3, pointing to a moderate decline in orders and shipments. The unfilled orders index remained negative at -6.8, a sign that unfilled orders continued to decline. The inventories index also remained negative at -9.7, indicating that inventories moved lower. The delivery times index came in at 1.9, suggesting delivery times were steady." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 8/15/23

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The Federal Reserve Bank of New York

August Empire State Manufacturing Survey

Price Increases Pick Up, But From Low Levels

“The index for number of employees came in at -1.4, indicating little change in employment levels. The average workweek index fell to -10.7, indicating a decline in hours worked. Both the input and selling price indexes moved up several points, but from relatively low levels, pointing to a modest pickup in the pace of price increases.

Firms Becoming More Optimistic

The index for future business conditions rose six points to 19.9, its highest level in more than a year, suggesting firms have become more optimistic about future conditions. New orders and shipments are expected to increase significantly, and employment is expected to grow considerably. Input price increases are expected to pick up. The capital spending index climbed eleven points to 13.6, suggesting that capital spending plans firmed somewhat.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 8/15/23

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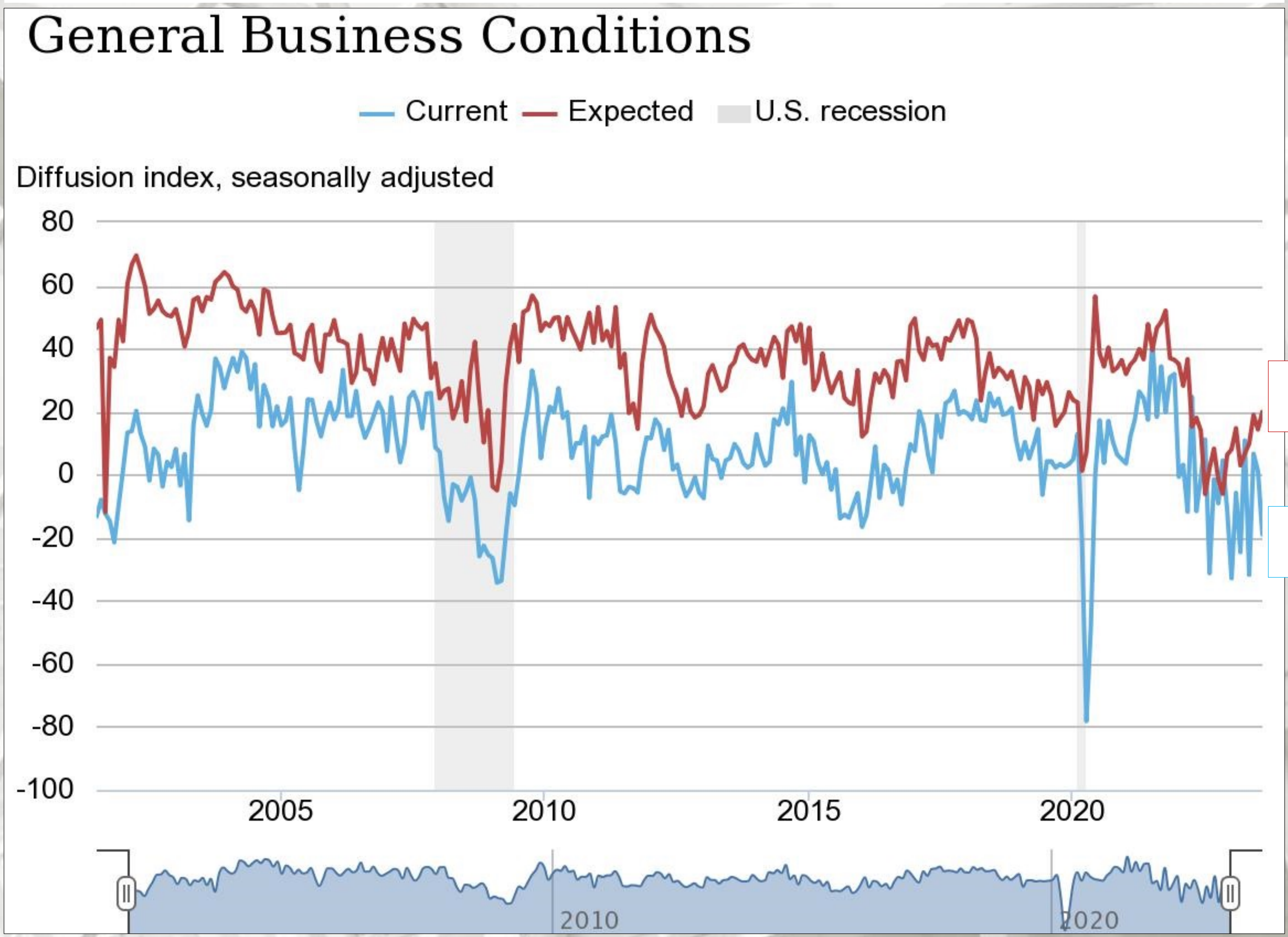
The Federal Reserve Bank of New York



August 2023
19.0

August 2023
-19.0

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 8/15/23

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The Federal Reserve Bank of New York

July 2023 Business Leaders Survey (Services)

Activity Holds Steady

“Activity held steady in the region’s service sector, according to firms responding to the Federal Reserve Bank of New York’s July 2023 *Business Leaders Survey*. The survey’s headline business activity index climbed five points to zero, its first non-negative reading in ten months. The business climate index rose eight points, but remained negative at -28.1, suggesting the business climate remains worse than normal. Employment continued to increase, and wage growth moderated somewhat. The pace of price increases was little changed. Looking ahead, firms became more optimistic that conditions will improve over the next six months.

Business activity was unchanged in the region’s service sector, according to the July survey. The headline business activity index rose five points to zero. Twenty-nine percent of respondents reported that conditions improved over the month and twenty-nine percent said that conditions worsened. The business climate index climbed eight points to -28.1, a sign that the business climate remains worse than normal, though less so than in recent months.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 7/18/23

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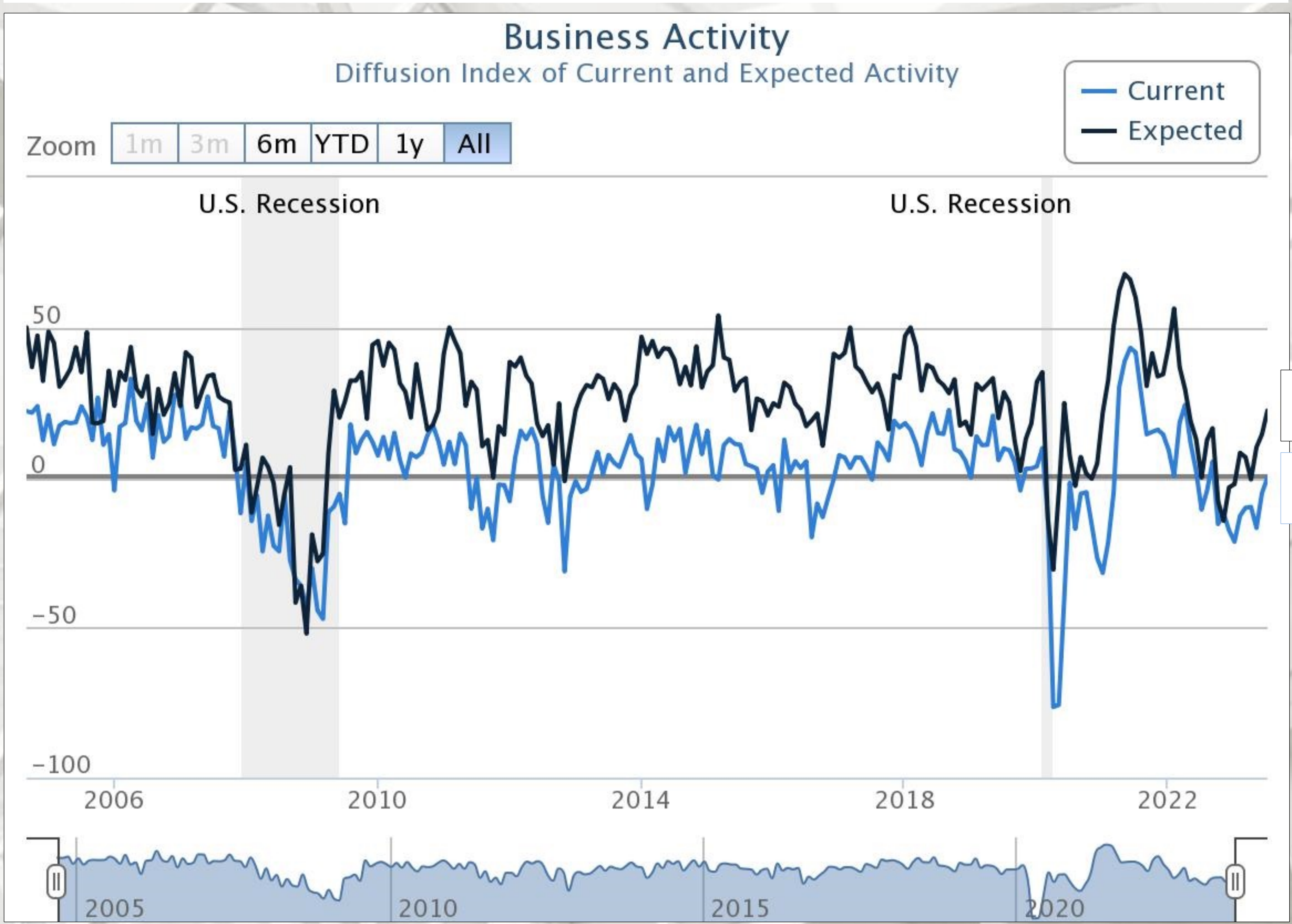
The Federal Reserve Bank of New York



July 2023
22.3

July 2023
0.0

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 7/18/23

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The Federal Reserve Bank of New York

July 2023 Business Leaders Survey (Services)

The Pace Of Price Increases Little Changed

"At -3.6, the index for number of employees remained negative for a fifth consecutive month, and the average workweek index also held below zero at -5.8, pointing to another monthly decline in employment and hours worked. Price increases moderated significantly: the prices paid index fell thirteen points to 22.0, and the prices received index fell fifteen points to 9.0. Both price indexes are now at levels not materially different than what prevailed just before the pandemic.

Firms Becoming More Optimistic

The index for future business activity rose eight points to 22.3, its highest level in more than a year, pointing to growing optimism about the six-month outlook. The index for the future business climate remained negative at -7.8. Employment is expected to grow modestly in the months ahead, and capital spending plans picked up." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 7/18/23

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The Federal Reserve Bank of Philadelphia

July 2023 Manufacturing Business Outlook Survey

Current Indicators Remain Weak

“Manufacturing activity in the region continued to decline overall, according to the firms responding to the July *Manufacturing Business Outlook Survey*. The survey’s indicators for general activity and new orders remained negative. Furthermore, the index for shipments declined and turned negative. The employment index suggests mostly steady employment overall. The prices paid index remained below its long-run average, while the prices received index rose. Most future indicators improved, suggesting more widespread expectations for overall growth over the next six months.

The diffusion index for current general was little changed at a reading of -13.5 this month (see Chart 1), its 11th consecutive negative reading. More than 30 percent of the firms reported decreases, exceeding the 17 percent reporting increases; 49 percent of the firms reported no change in current activity. The index for new orders declined 5 points to -15.9, the index’s 14th consecutive negative reading. The current shipments index dropped sharply from 9.9 last month to -12.5 this month. More than 29 percent of the firms reported decreases in shipments (up from 21 percent last month), compared with 17 percent that reported increases (down from 31 percent); 51 percent reported no change (up from 45 percent).

On balance, the firms reported mostly steady levels of employment. The employment index ticked down from a reading of -0.4 last month to -1.0 this month. Similar shares of the firms reported decreases (14 percent) and increases in employment (13 percent); most firms (72 percent) reported no change. The average workweek index rose from -8.2 to -3.0.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-07; 7/20/23

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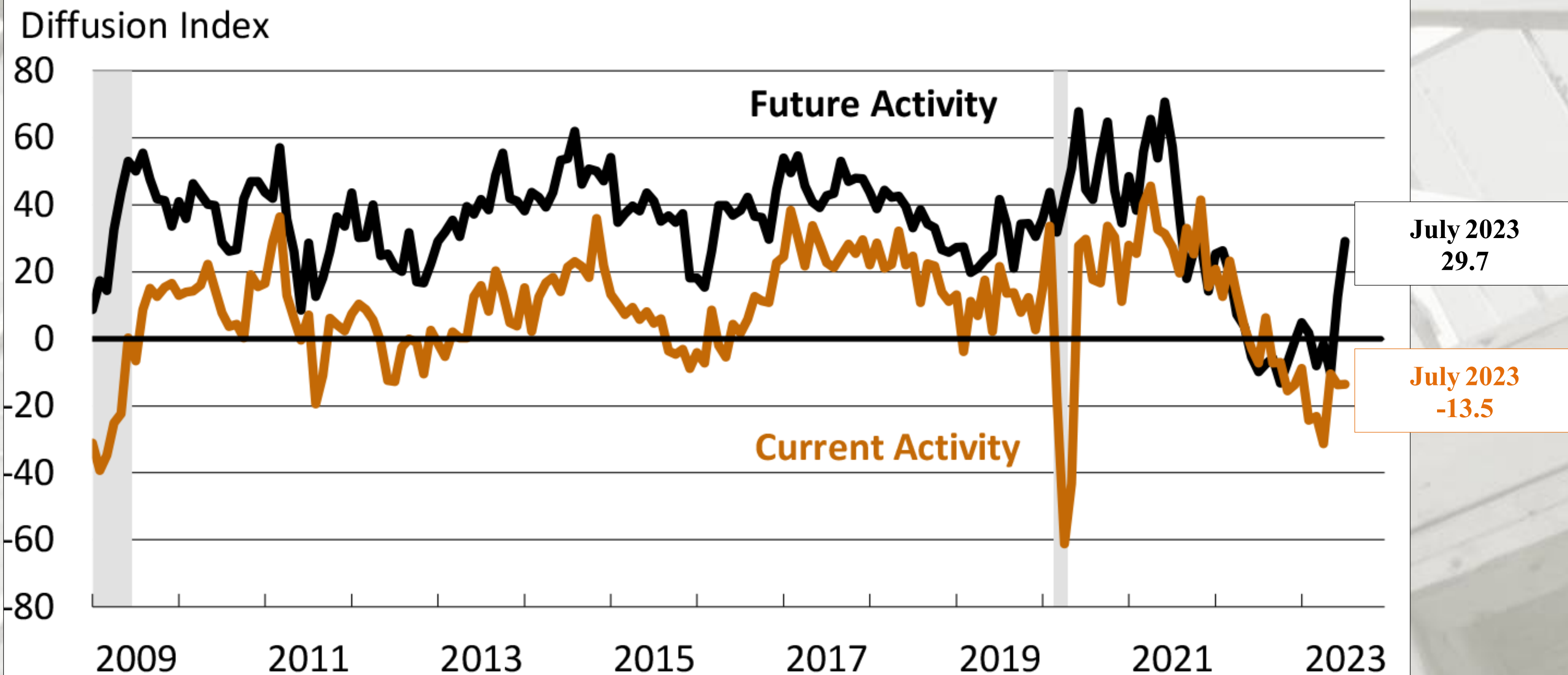
The Federal Reserve Bank of Philadelphia

July 2023 Manufacturing Business Outlook Survey

Chart 1. Current and Future General Activity Indexes

January 2009 to July 2023



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

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-07; 7/20/23

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The Federal Reserve Bank of Philadelphia

July 2023 Manufacturing Business Outlook Survey

Price Indexes Remain Below Long-Run Averages, Prices Received Index Rises

"The prices paid diffusion index declined 1 point to 9.5 in July. One-fifth of the firms reported increases in input prices, and 11 percent reported decreases; 68 percent reported no change . On balance, the firms reported increases in the prices of their own goods. The current prices received index climbed from a near-zero reading in June to 23.0 in July, the index's highest reading since January. Nearly 29 percent of the firms reported increases, 6 percent reported decreases, and 63 percent reported no change.

Future Indicators Rise to Long-Run Averages

The diffusion index for future general activity jumped from a reading of 12.7 in June to 29.1 in July, the index's highest reading since August 2021 (see Chart 1). Nearly 40 percent of the firms expect an increase in activity over the next six months (up from 33 percent last month), and 11 percent expect a decrease (down from 20 percent); 46 percent expect no change (up from 44 percent). The future new orders index climbed 24 points to 38.2, while the future shipments index rose 9 points to 37.3. On balance, the firms continued to expect increases in employment over the next six months, and the future employment index increased from a reading of 13.1 to 21.3. The future price indexes suggest that firms expect price increases over the next six months, but both indexes remained below their long-run averages. The future capital expenditures index ticked down from 9.9 to 8.6." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-07; 7/20/23

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The Federal Reserve Bank of Philadelphia

July 2023 Manufacturing Business Outlook Survey

Firms Continue to Expect Increases for Wages

"In this month's special questions, the firms were asked about changes in wages and compensation over the past three months, as well as their updated expectations for changes in various input and labor costs for the current year. Nearly 58 percent of the firms indicated wages and compensation costs had increased over the past three months, 43 percent reported no change, and none reported decreases. Most firms (60 percent) reported not needing to adjust their 2023 budgets for wages and compensation since the beginning of the year; however, 30 percent noted they are planning to increase wages and compensation by more than originally planned, and 15 percent noted they are planning to increase wages and compensation sooner than originally planned.

The firms still expect cost increases across all categories of expenses in 2023, and the median expected increases were in line with or slightly lower than expectations for most categories when this question was last asked in April. Responses indicate a median expected increase of 3 to 4 percent for wages and of 4 to 5 percent for total compensation (wages plus benefits), both unchanged from April.

Summary

Responses to the July *Manufacturing Business Outlook Survey* suggest continued overall declines in the region's manufacturing sector this month. The indicators for current activity and new orders remained negative, while the index for shipments turned negative. The firms reported overall increases in prices received and prices paid. The survey's future indexes improved and suggest that respondents expect growth over the next six months." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-07; 7/20/23

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The Federal Reserve Bank of Philadelphia

July 2023 Nonmanufacturing Business Outlook Survey

Current Indicators Are Mixed

"Responses to the July *Nonmanufacturing Business Outlook Survey* suggest mostly steady nonmanufacturing activity in the region. The indexes for general activity at the firm level and sales/revenues increased and returned to positive but low readings, while the index for new orders remained negative. Both price indexes increased this month. Expectations for growth over the next six months were more widespread.

The diffusion index for current general activity at the firm level increased from a reading of -7.5 in June to 2.0 this month (see Chart 1), its first positive reading since February. More than 38 percent of the responding firms reported no change in general activity, while 32 percent of the firms reported increases and 30 percent reported decreases. The index for sales/revenues – which has vacillated between positive and negative readings since March – rose 15 points to 4.0 this month. The new orders index edged up 3 points but remained negative at -13.3. More than 10 percent of the firms reported increases in new orders, 36 percent reported no change, and 23 percent reported decreases. The regional activity index increased 18 points to 1.4." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-08; 7/25/23

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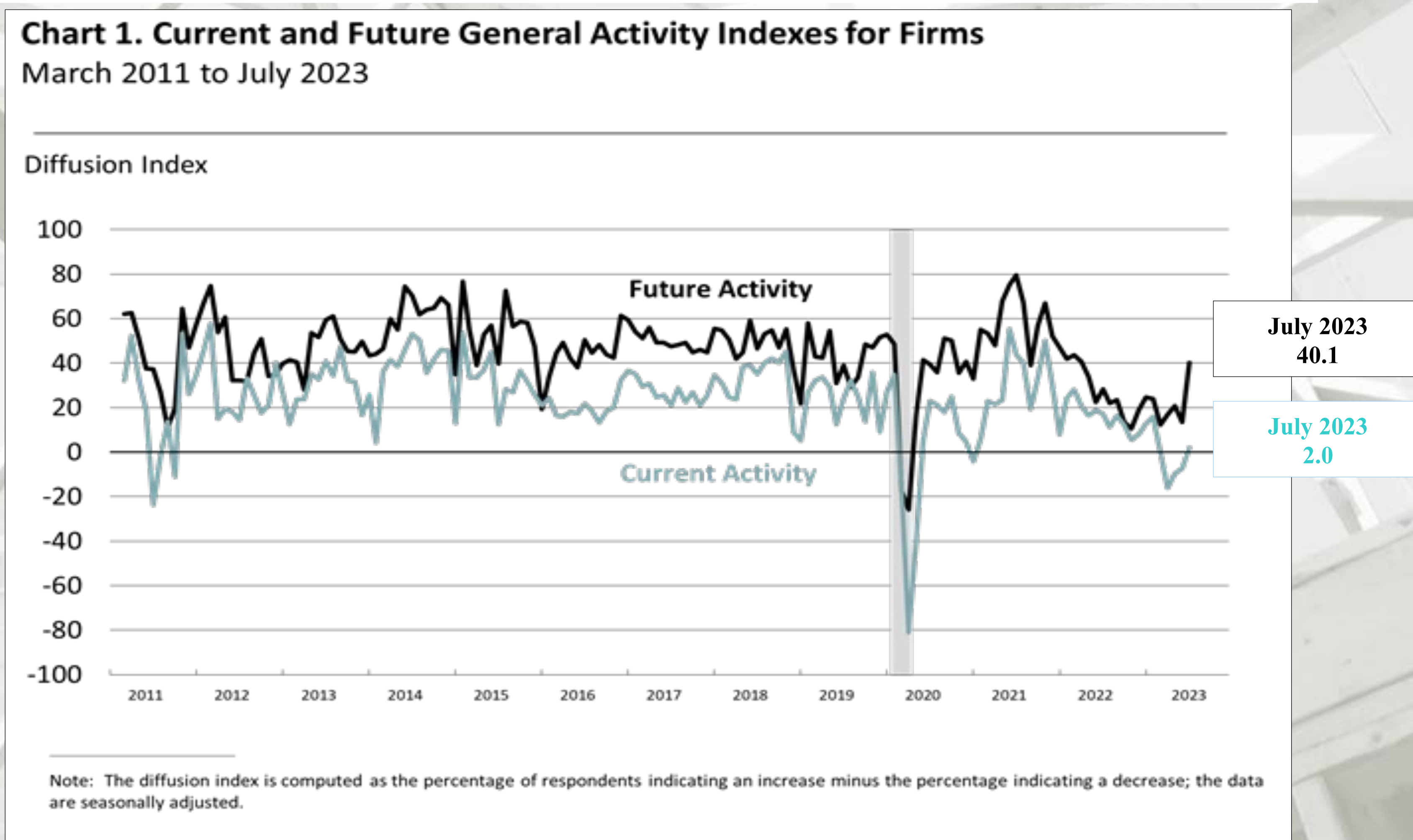
The Federal Reserve Bank of Philadelphia



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-2023-08; 7/25/23

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The Federal Reserve Bank of Philadelphia

July 2023 Nonmanufacturing Business Outlook Survey

Firms Report Overall Increases in Full-Time Employment

"The full-time employment index increased 26 points to 11.9, mostly recovering from its decline last month. More than 56 percent of the firms reported steady full-time employment levels (up slightly from 55 percent last month), 25 percent of the responding firms reported increases this month (up from 12 percent last month), and 13 percent of the firms reported decreases (down from 26 percent last month). The part-time employment index increased 13 points to 3.9, and the average workweek index improved from -20.4 to 3.4.

Respondents Report Overall Price Increases

The prices paid index jumped 19 points to 39.6, after falling 20 points last month. More than 47 percent of the respondents reported increases in their input prices, while 8 percent reported decreases; 34 percent of the respondents reported stable input prices. Regarding prices for the firms' own goods and services, the prices received index increased from a reading of -5.8 to 7.8. The share of firms reporting increases in prices received (22 percent) exceeded the share reporting decreases (14 percent). More than 52 percent of the firms reported steady prices for their own goods and services.

Firms Anticipate Growth

The future activity index increased, indicating that expectations for growth over the next six months were more widespread. The diffusion index for future activity at the firm level increased from a reading of 13.6 in June to 40.1 this month (see Chart 1), its highest reading since April 2022. Almost 56 percent of the respondents expect an increase in activity at their firms over the next six months, compared with 15 percent that expect decreases and 25 percent that expect no change. The future regional activity index increased 17 points to 20.5." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-08; 7/25/23

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The Federal Reserve Bank of Philadelphia

July 2023 Nonmanufacturing Business Outlook Survey

Firms Expect Cost Increases in All Categories

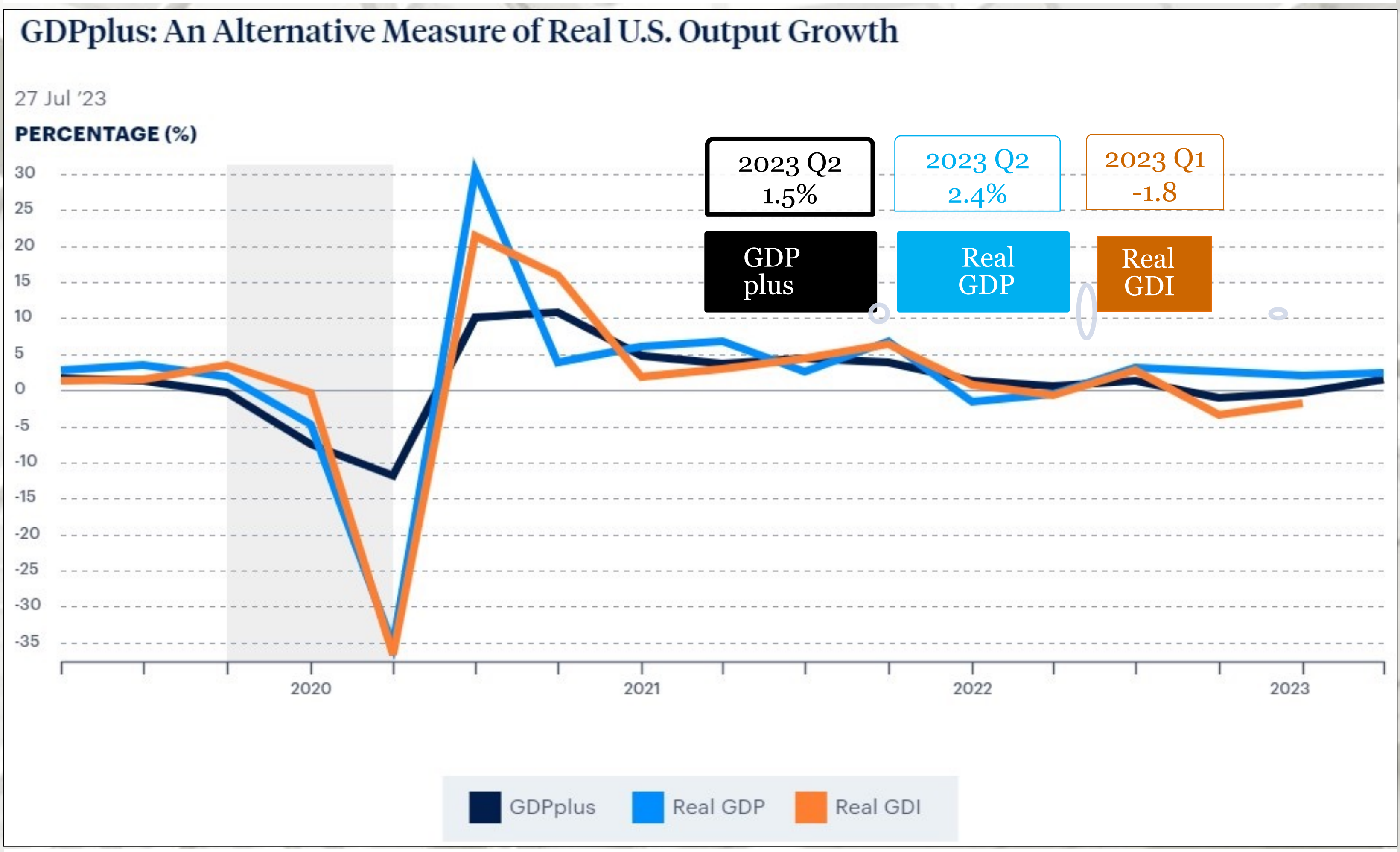
"In special questions this month, the firms were asked about changes in wages and compensation over the past three months, as well as their expected changes to various input and labor costs for 2023. Almost 48 percent of the firms indicated wages and compensation costs had increased over the past three months, 50 percent reported no change, and 3 percent reported decreases. Most of the firms (41 percent) reported not needing to adjust their 2023 budgets for wages and compensation since the beginning of the year; however, 38 percent of the firms indicated they are planning to increase wages and compensation by more than originally planned, and 26 percent of the firms indicated they are planning to increase wages and compensation sooner than originally planned, up from 9 percent when this question was last asked in April. The firms still expect higher costs across most categories of expenses in 2023, and the median expected increases were in line with or slightly higher for most categories from April. Although the firms now expect somewhat higher increases in costs for health and nonhealth benefits than in April, their expectations for increases in total compensation (wages plus benefits) costs remained unchanged at a median response of 4 to 5 percent.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest mostly steady nonmanufacturing activity in the region. The indicators for firm-level general activity and sales/revenues returned to positive but low territory, while the index for new orders remained negative. The firms continued to report overall increases in prices and full-time employment. Expectations for future growth were more widespread, and both future activity indexes improved."
– Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-08; 7/25/23

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; 7/27/23

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The Federal Reserve Bank of Richmond

June 2023 Fifth District Survey of Manufacturing Activity

Manufacturing Activity Remained Sluggish in July

“Fifth District manufacturing activity remained sluggish in July, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index edged down from −8 in June to −9 in July. Two of its three component indexes — shipments and new orders – also fell slightly. The shipments index edged down from −5 in June to −6 in July, while the new orders index fell from −16 to −20. The employment index, however, rose from −1 in June to 5 in July.

Firms remained somewhat pessimistic about local business conditions, as the index registered −9 in July. The index for future local business conditions edged downward but remained positive.

Many firms continued to report reductions in orders backlogs and vendor lead time as these indexes remained negative. Meanwhile, two of the three spending indexes increased slightly.

The average growth rates of prices paid and prices received decreased somewhat in July. Firms expect both growth rates to moderate over the next 12 months.” – Jason Kosakow, Research Department, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 7/25/23

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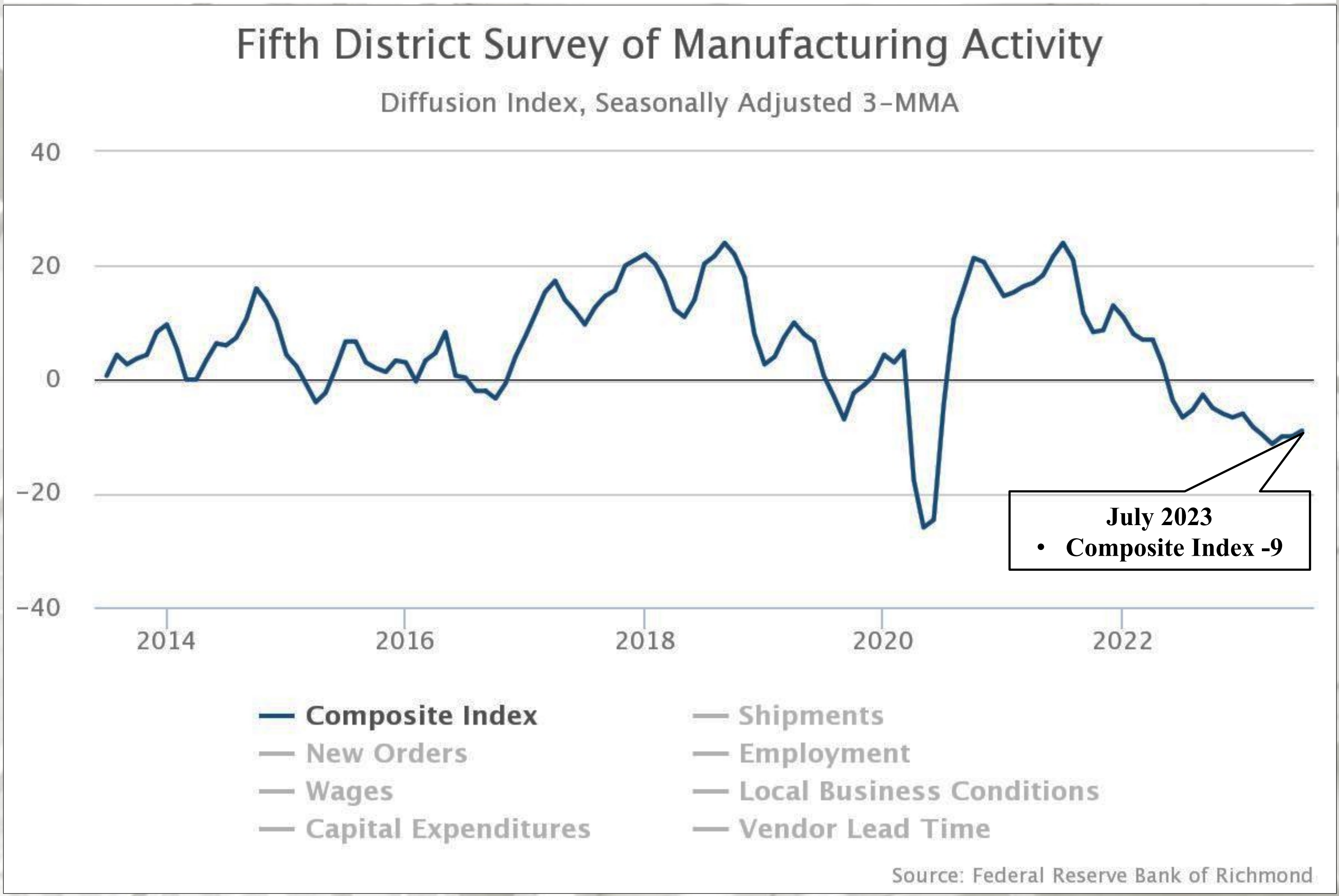
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 7/25/23

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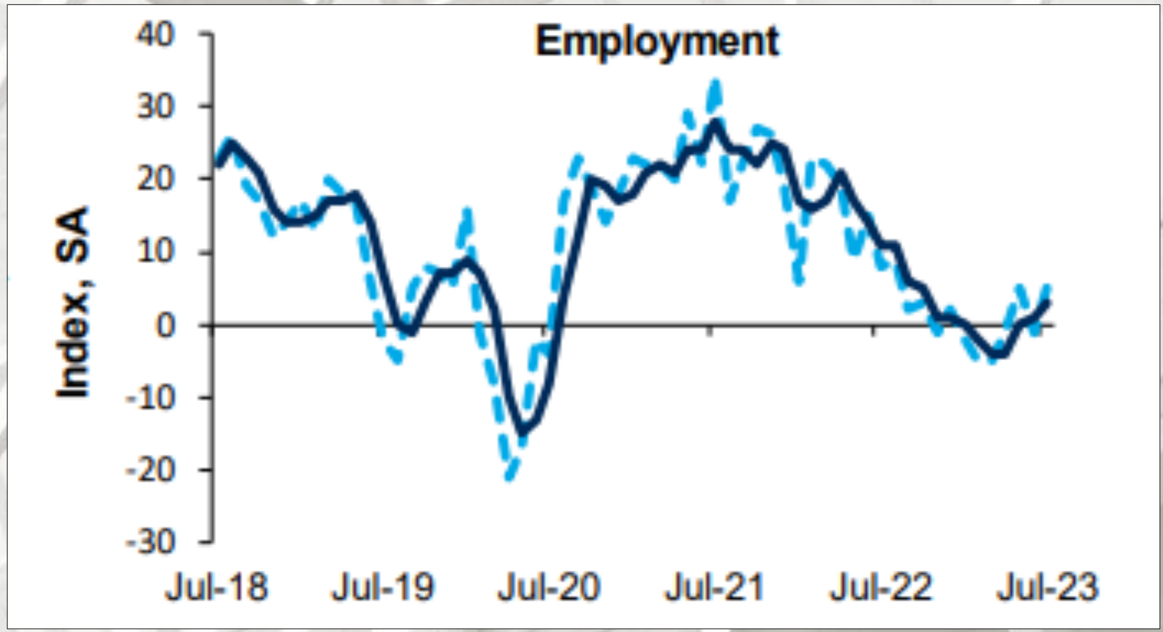
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 7/25/23

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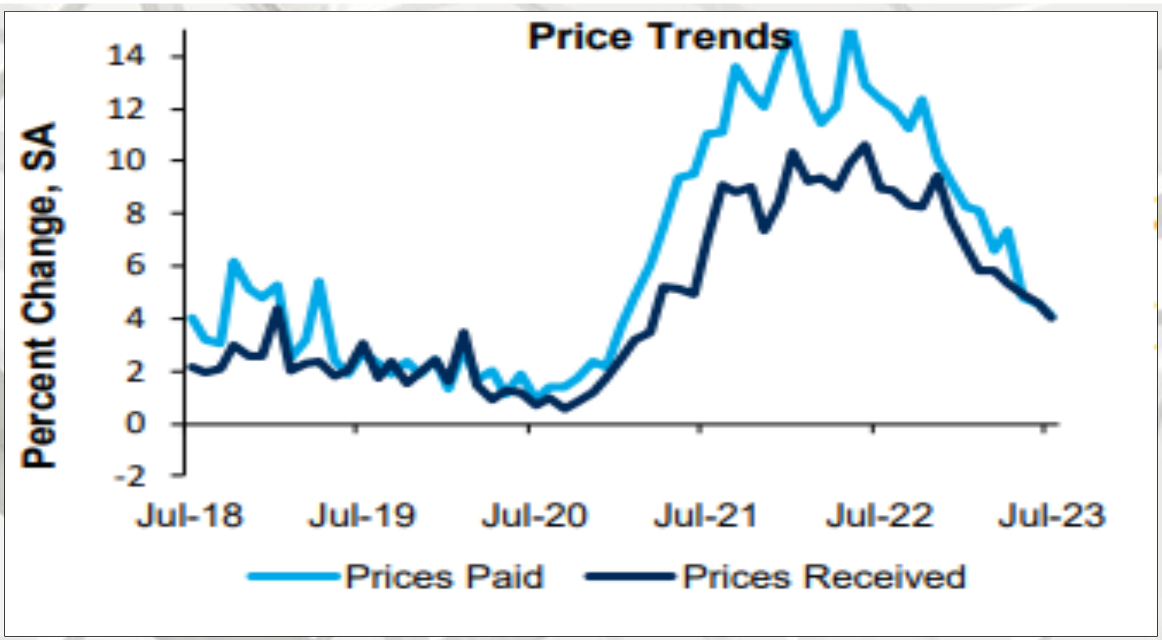
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 7/25/23

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The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Service Sector Activity Improved Slightly in July

“Fifth District service sector activity improved slightly in July, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues and demand indexes increased to −2 and 6, respectively. Expectations for future revenue and demand also improved, increasing to 16 and 14, respectively. Firms grew somewhat less pessimistic about local business conditions as that index rose from −14 in June to −8 in July. Firms expected continued improvement, with the index for expected local business conditions increasing to 3 in July.

Two of the three spending indexes increased slightly, with the services expenditures index increasing the most, from 0 in June to 5 in July. All three spending expectations indexes were positive in July, suggesting that many firms expect to increase spending over the next six months.

The employment index rose slightly to 7 in July and firms continued to report wage increases, while the availability of skills index decreased to 1. Over the next six months, many firms expect to continue hiring and anticipate some improvement in their ability to find workers with the necessary skills. Most firms plan to continue wage increases.

The average growth in prices paid decreased moderately in July, while the growth rate of prices received decreased slightly. Firms expect both growth rates to moderate over the coming year.” – Jason Kosakow, Research Department, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 7/25/23

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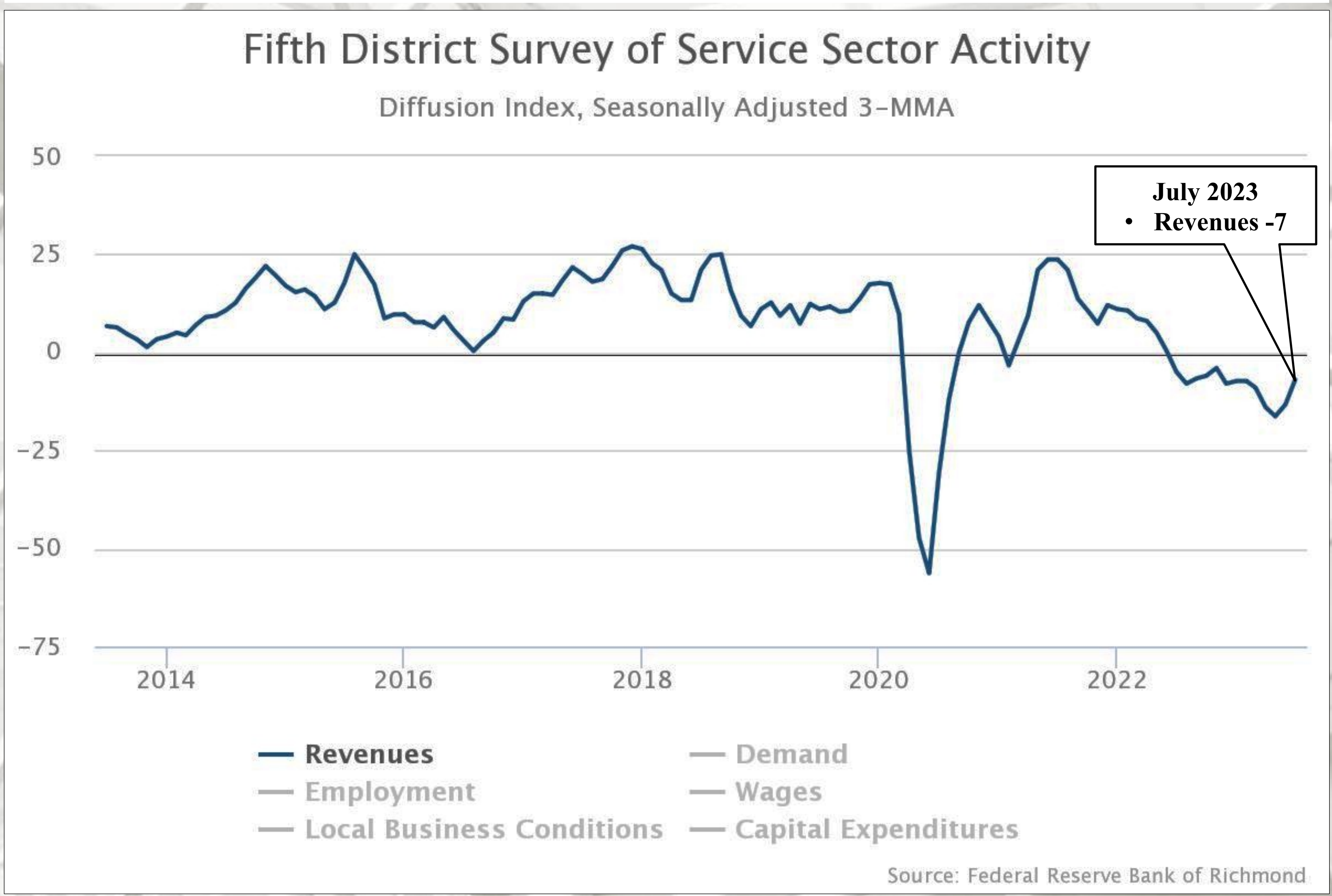
The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 7/25/23

Global Economic Indicators

The Federal Reserve Bank of Dallas

México Economic Update

México's economic momentum continues in second quarter

"México's GDP grew an annualized 3.6 percent in the second quarter, a slight deceleration from the previous quarter's growth of 4.1 percent, but above analysts' expectations of 3.4 percent. This is the seventh consecutive quarter the Méxicoan economy has grown. The slower pace was led by a deceleration in services. However, growth in both manufacturing and agriculture picked up. Given stronger-than-expected growth so far this year, the consensus forecast for 2023 GDP growth (fourth quarter, year over year) compiled by Banco de México, rose in June to 1.1 percent (*Table 1*). Recent data are mixed for the Méxican economy. Exports, industrial production and employment grew, but retail sales declined. Inflation eased, and the peso strengthened further against the dollar.

Output grows in second quarter

According to the most recent estimate, México's second-quarter GDP rose an annualized 3.6 percent (*Chart 1*). On a nonannualized basis, the goods-producing sectors (manufacturing, construction, utilities and mining) grew 0.8 percent, up from the previous quarter's growth of 0.7 percent, while activity in the services-providing sectors (wholesale and retail trade, transportation and business services) grew 1.0 percent after rising 1.5 percent in the first quarter. Agricultural output expanded 0.8 percent.

Industrial Production rises in May

The three-month moving average of México's industrial production (IP) index, which includes manufacturing, construction, oil and gas extraction and utilities, rose 0.2 percent in May, while the smoothed manufacturing IP index ticked down 0.1 percent (*Chart 2*). North of the border, the smoothed U.S. IP index dropped 0.2 percent in June after rising 0.1 percent in May. U.S. and Méxican IP have become more correlated with the rise of intra-industry trade between the two countries since the early 1990s. If U.S. consumer demand decelerates further this year in an environment of elevated inflation and higher credit costs, México's manufacturing sector could slow." – Jesus Cañas, Senior Business Economist, Diego Morales-Burnett, Research Analyst, and Ana Pranger, Research Analyst; Research Department, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2023/2305; 8/923

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Global Economic Indicators

Table 1: Consensus Forecasts for 2023 México Growth, Inflation, and Exchange Rate

Table 1
Consensus forecasts for 2023 Mexico growth, inflation and exchange rate

	June	July
Real GDP growth in Q4, year over year	1.4	1.7
Real GDP growth in 2023	2.3	2.5
CPI December 2023, year over year	4.7	4.6
Peso/dollar exchange rate at end of year	18.3	17.9

NOTE: CPI refers to the consumer price index. The survey period was July 20–28.
SOURCE: Encuesta sobre las Expectativas de los Especialistas en Economía del Sector Privado: Julio de 2023 (communiqué on economic expectations, Banco de México, July 2023.

Source: https://www.dallasfed.org/research/update/mex/2023/2305; 8/923

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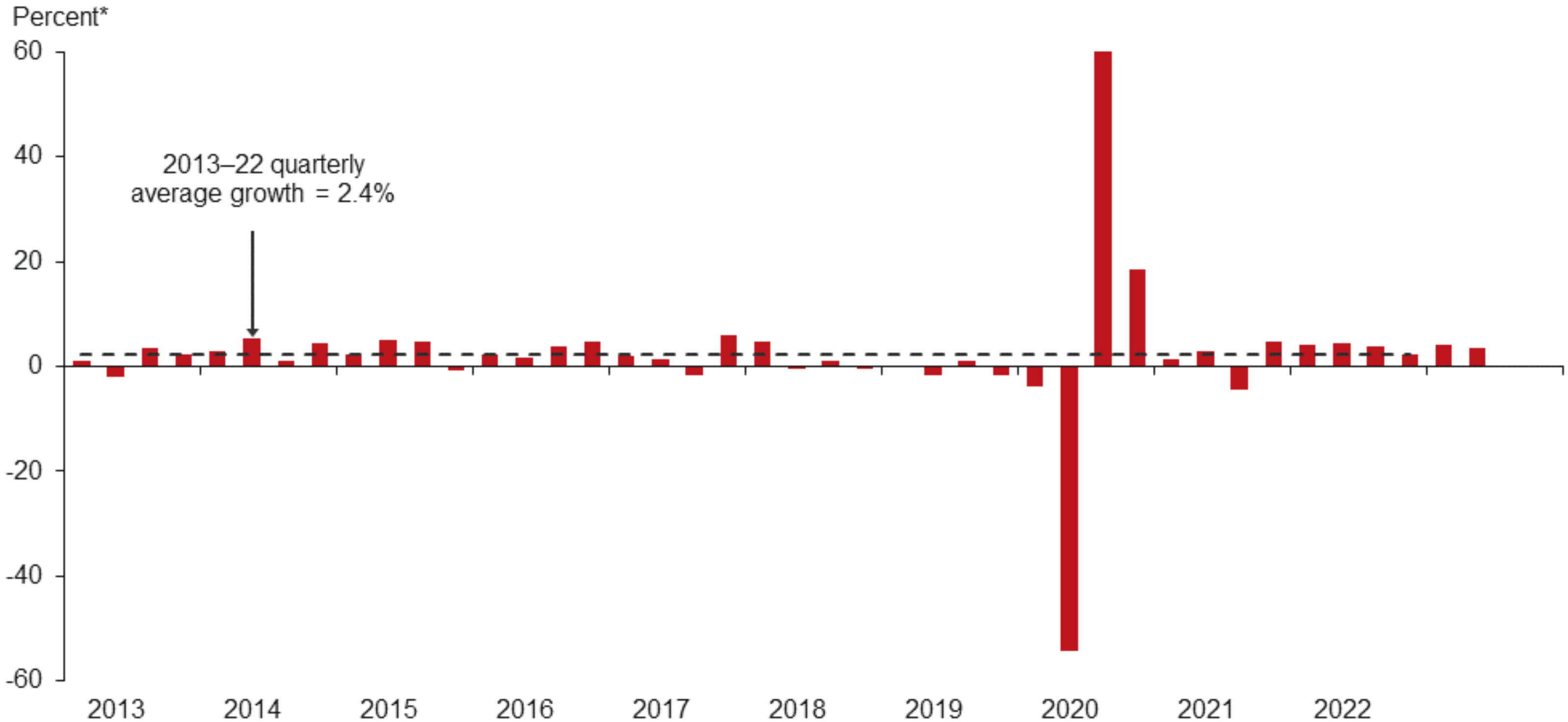
Global Economic Indicators

Chart 1
Second-quarter GDP growth slows



*Quarter-on-quarter, seasonally adjusted, annualized rate in real pesos.
NOTES: Chart shows GDP growth in Mexico. Data are through second quarter 2023.
SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Source: https://www.dallasfed.org/research/update/mex/2023/2305; 8/923

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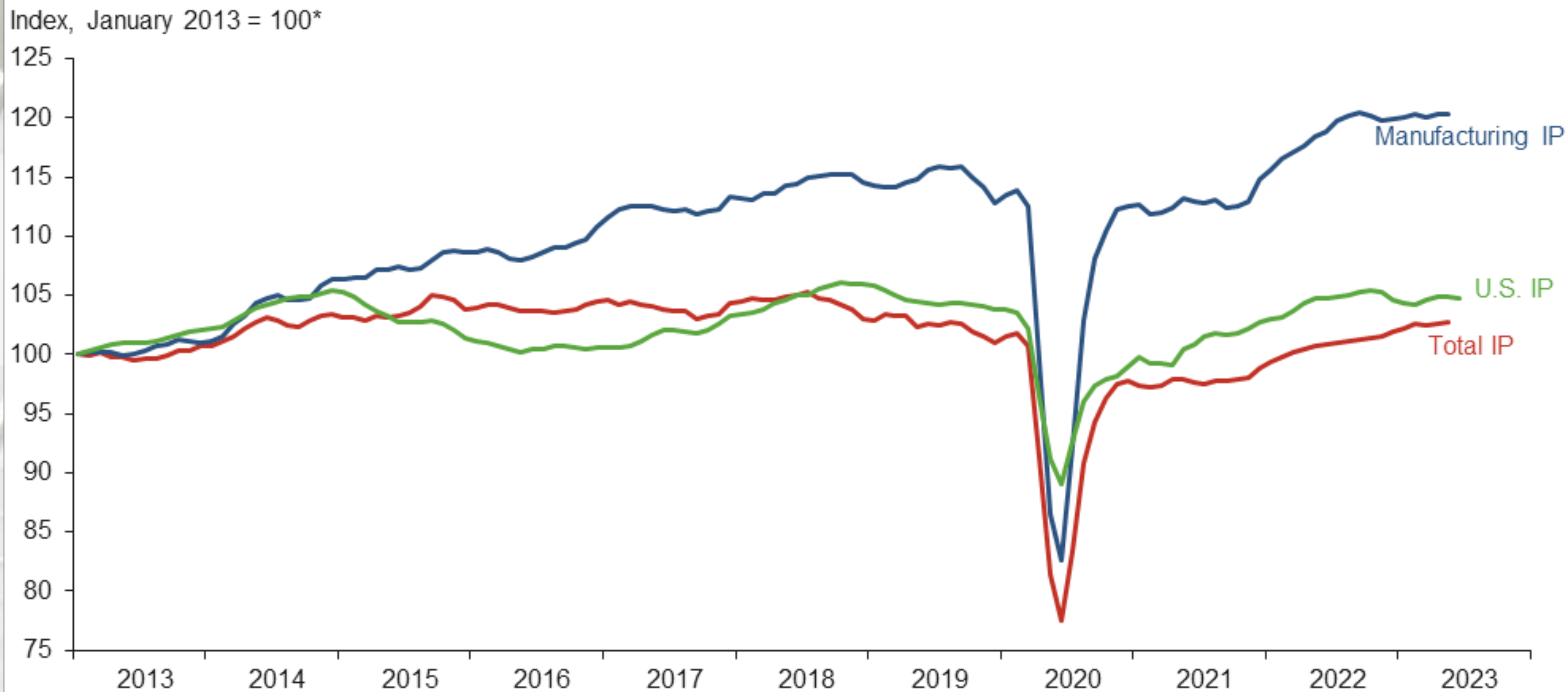
Global Economic Indicators

Chart 2
Industrial production ticks up in May



*Seasonally adjusted, three-month moving average.
NOTES: Total and manufacturing industrial production figures refer to Mexico. U.S. IP refers to total industrial production in the United States. Mexican data are through May 2023; U.S. data are through June 2023.
SOURCES: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography); Federal Reserve Board.

Source: https://www.dallasfed.org/research/update/mex/2023/2305; 8/923

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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®) posted below the 50.0 no-change mark for a third month running in July. However, rising to 49.6, from 48.8 in June, the headline index pointed to the slowest deterioration in operating conditions in the current contractionary sequence.

Rise in production fails to prevent further deterioration of operating conditions in July

Canada's manufacturing sector remained in contraction territory during July, but only just as a marginal rise in output and a weaker fall in new orders were registered. Job cuts were, however, more prominent, whilst there were accelerations in both input and output price inflation. Firms retained some confidence for the future, with sentiment picking up to a four-month high. …

An uncertain business climate meant firms continued to adopt cautious purchasing and employment strategies. Buying of inputs fell again, extending the current sequence of contraction to 12 months, with firms signalling a preference wherever possible to utilise existing inventories in production. Similarly, employment levels were cut for a third month in a row, with firms tending not to replace leavers at a time of insufficient new orders. There were also reports of difficulties in finding suitable staff to fill existing vacancies.

July's PMI results offered a rather mixed bag on the performance of the Canadian manufacturing sector. On the one hand, there was a welcome return to output growth, following two successive months of contraction. However, concurrently there was another, admittedly small, drop in new orders as firms continued to signal a high degree of market uncertainty and reluctance amongst clients to commit to new work. …

Moreover, there was an intensification of price pressures as firms reported a myriad of inflationary factors in July. However, amid reports of growing market competition and with vendors seemingly having sufficient capacity to easily cope with demand, inflation rates remain broadly under control and well down on levels seen around the turn of the year." – Paul Smith, Economics Director, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/03bb112b7db046dbb995f05fa29588d8; 8/1/23

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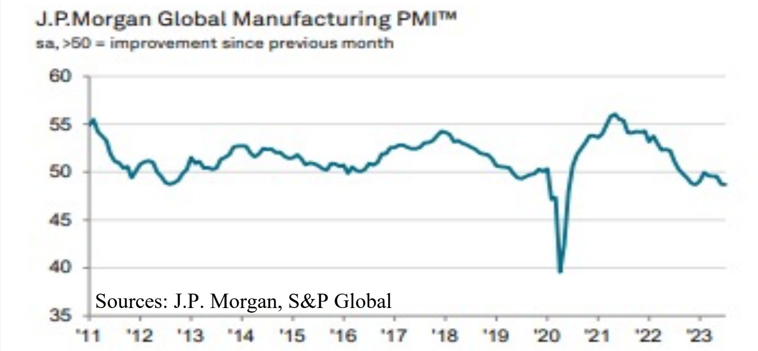
Private Indicators: Global



Sources: J.P. Morgan, S&P 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 – held steady at 48.7 in July, to stay below the critical 50.0 no-change mark for the eleventh month in a row.

Global manufacturing downturn continues in July as output and new order fall at faster rates

The global manufacturing sector remained mired in contraction at the start of the second half of the year. July saw output decline further as the downturn in new order intakes was extended to a thirteenth consecutive month. Manufacturing production decreased for the second month in a row in July, with the rate of contraction gathering pace. The main drag on output was a severe downturn in activity in the euro area, where production contracted to the greatest extent since the height of the global pandemic in spring 2020. The performances of Austria, Germany and Italy were especially weak. …

The downturn at global manufacturers was driven by several factors, including weak new order intakes, deteriorating international trade flows and a correction in stock levels in response to the weak demand environment. The level of new work placed has fallen in each month since July 2022, with the latest rate of decline the steepest for six months. Among the major industrial regions covered by the survey, lower new order inflows were seen in the US, the euro area, Japan and China. The downturn in the eurozone was especially steep, being the second-fastest since May 2020. New export business fell for the seventeenth successive month, with the rate of contraction the fastest in the year so far. …

The July PMIs signal continued momentum loss in global manufacturing. Output and new orders moved lower again last month, dragged down by acute weakness in the Euro area and signs of a slowdown in China. Near-term forward-looking indicators also headed lower, most notably the finished goods orders-to-inventory ratio, which fell further below 1.0 from an already contractionary reading. The weak environment is softening inflationary pressures, however, with input and output prices remaining below the 50 mark."– Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4c472ee8100142509dabf9b27df5074c; 8/1/23

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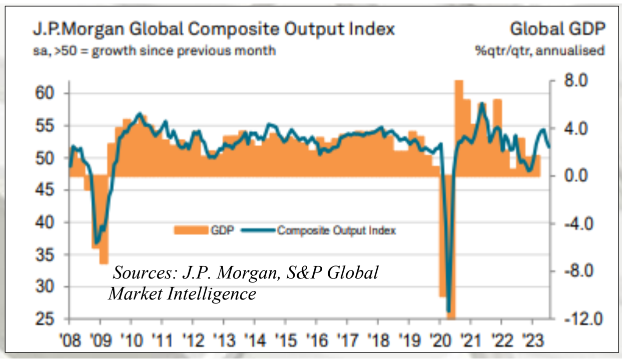
Private Indicators: Global



J.P. Morgan Global Composite PMI™

"The J.P. Morgan Global Composite Output Index – produced by J.P. Morgan and S&P Global in association with ISM and IFPSM – fell to 51.7 in July, down from 52.7 in June, to register its lowest reading since January. The headline index nonetheless stayed above the 50.0 line dividing expansion from contraction for the sixth month in a row.

Global economic growth eases at start of third quarter as slowdown in new orders continues

"The global economy lost further growth momentum at the start of the third quarter. Rates of expansion in output and new orders weakened, as the ongoing downturn at manufacturers was accompanied by a further slowdown at service providers. There was also a pull-back in hiring activity, as jobs growth eased to a six-month low.

The euro area was the main source of the underlying weakness shown during July, with eurozone economic output decreasing for the second month in a row. Contractions were seen in Germany, France and Italy. Growth meanwhile slowed in the US, mainland China, UK, Spain and Russia. Japan and India bucked the general trend, both registering faster rates of expansion. Incoming new business rose only marginally in July and at the slowest pace during the current six-month growth sequence. The trend in international trade also remained weak, with new export orders falling at the quickest pace since January. …

The global economy lost further growth momentum in July, as the downturn in manufacturing and slowdown in services both continued. The Euro area stands out as particularly weak, although slower growth momentum was seen in the US and China as well. The near-term outlook is also weaker, as new orders growth slowed and business optimism dipped to a seven-month low. The subdued demand backdrop is having a positive influence on the pricing PMIs, with input prices rising at the slowest pace since late-2020." – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/3271b887e7634ea9bd6845578aa62a3b; 8/3/23

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Private Indicators
Construction Executive

CE's Mid-Year Economic Forecast: It Will Get Worse Before It Gets Better

"According to ABC Chief Economist Anirban Basu, the economic outlook for both the construction industry and the overall national economy – while showing improvement – is overtly pessimistic. While certain challenges resulting from the pandemic have either lessened or shifted, Basu noted during "*Construction Executive*'s Mid-Year 2023 Construction Economic Update and Forecast" on July 26, other challenges have increased or presented themselves anew.

Responding to a live poll, webinar attendees ranked the leading challenges for construction companies for the remainder of 2023 in this order:

1. Skilled-worker shortage
2. Project financing availability
3. Supply chain and materials

Good News First

Basu began with good news: National economic levels are nearing or surpassing pre-pandemic levels across most sectors; construction materials prices are down 4.9% year-over-year from June 2022; energy prices are also down – crude energy -50.9%, crude petroleum -42.6%, natural gas -76.89%, lumber -20.8% and steel -18%; America hasn't lost jobs since December 2020, adding 209,000 jobs in June 2023; and unemployment has remained stagnant at an incredibly low 3.6%.

But Basu warned against taking this performance for granted, predicting that there will be a recession within the next 12 months. Warning signs that he identified include the weakening global and national economies, rising borrowing costs and inflation – plus the fact that the Fed hiked interest rates again that very afternoon. Even if this were to be the last rate hike, Basu noted, rate cuts won't occur until at least 2024; in the meantime, the previously imposed hikes will still be affecting the economy." – Grace Arnold, Construction Executive

Source: https://www.abc.org/News-Media/News-Releases/entryid/20010/nonresidential-construction-spending-decreases-in-June-first-time-in-nearly-a-year-says-abc; 7/3/23

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Private Indicators
Construction Executive

CE's Mid-Year Economic Forecast: It Will Get Worse Before It Gets Better

The Three Challenges

"Considering the impending recession, Basu said he doesn't expect the challenges plaguing the construction sector to ease anytime soon.

Skilled-worker shortage: The pandemic shook up the way of life for the average working American – in every industry. People began working remotely and enjoying it. Today, Basu said, more people are continuing to work remotely or seek remote work, which much of the construction sector doesn't offer or support. Meanwhile, the Baby Boomer generation is retiring, taking with them not only laborers but their skillsets, experience, expertise and wisdom. With much of the younger generations seeking remote work, it's hard to fill those now-empty spots.

But, approximately one-third of the American construction workforce is made up foreign-born workers. While not a short-term solution, Basu said, if the construction industry can attract more workers from abroad, that will open up the worker pool. Of course, it also takes time to rebuild the skillsets that are being lost with the older generation. But if those spots are never filled, that skillset can never be rebuilt.

Project financing availability: In 2020, the overnight bank lending rate was 0.25%. A year after the pandemic hit, Basu said, the Fed had done nothing to address its effects, but people, companies and employees noticed them. As inflation settled in, corporate and company expenses were passed along to consumers . Over the last two years, inflation and interest rates have increased, banks have failed and the lending rate – as of July 26 – stands at 5.5%.

Not only are everyday rates and borrowing rates more expensive, Basu said, but borrowing is a greater risk to take considering the state of the banking industry, which has seen several high-profile failures this year.

Supply chain and materials: Slowly, the supply chain is coming back to life and materials costs are coming down, Basu said. As mentioned, energy, lumber and steel prices are all down from a year ago, meaning their supply chains and accessibility to them have improved – but they're still not ideal by any degree." – Grace Arnold, Construction Executive

Source: https://www.abc.org/News-Media/News-Releases/entryid/20010/nonresidential-construction-spending-decreases-in-June-first-time-in-nearly-a-year-says-abc; 7/3/23

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Private Indicators
Construction Executive

CE's Mid-Year Economic Forecast: It Will Get Worse Before It Gets Better

Ending On A Positive Note

"While construction companies remain mindful of these continuing challenges and aware of a looming recession, Basu said they can be comforted by some positive indicators.

First, in another live poll conducted during the webinar, while 31% of attendees reported that their overall profit margins have remained relatively stagnant over the last year, 37% reported slight improvement and 7% reported substantial improvement.

Second, ABC's Backlog Indicator reports a strong, stationary backlog of projects for the past year, with 30% of companies reporting their backlog has remained the same, 25% reporting a slight increase and 17% reporting a considerable increase.

And third, ABC's Construction Confidence Index levels are predicted to continue to climb for the next six months, reaching or surpassing pre-pandemic levels of February 2019.

With positives and negatives forecasted for the rest of 2023 and into 2024, the U.S. construction industry can plan to remain relatively strong with slight improvement in the near future, Basu said – but must prepare for recessionary challenges for the long term." – Grace Arnold, Construction Executive

Source: https://www.abc.org/News-Media/News-Releases/entryid/20010/nonresidential-construction-spending-decreases-in-June-first-time-in-nearly-a-year-says-abc; 7/3/23

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Private Indicators
Associated Builders and Contractors

ABC’s Construction Backlog Indicator Up in July, Contractors Remain Confident

“Associated Builders and Contractors reported today that its Construction Backlog Indicator increased to 9.3 months in July, according to an ABC member survey conducted July 20 to Aug. 4. The reading is up by 0.6 months since July 2022.

The South remains the region with the highest level of backlog, despite being the only region with lower backlog on a year-ago basis. Backlog gains in July were concentrated in the commercial and institutional category.

ABC’s Construction Confidence Index reading for profit margins and staffing levels moved higher in July, while the reading for sales fell slightly. All three readings remain above the threshold of 50, indicating expectations of growth over the next six months.

“Nonresidential construction backlog continues to expand, which is precisely what contractors had predicted six months ago,” said ABC Chief Economist Anirban Basu. “For many months, contractors have been signaling an expectation that demand for their services would continue to expand despite high and rising interest rates and a spate of regional bank failures.

“That said, there are some surprises in the data,” said Basu. “Backlog declined in both the infrastructure and heavy industry categories, possibly because the current administration is striving to reserve many large-scale projects for unionized firms. ABC members are largely nonunion, and therefore may be locked out of a meaningful proportion of significant opportunities. Diminished competition for such projects would tend to drive up construction service delivery charges, much of which are financed by American taxpayers.”” – Donna Reichle, Senior Director Of Communcations and Marketing, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/20065/abcs-construction-backlog-indicator-up-in-july-contractors-remain-confident; 8/15/23

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Up in July, Contractors Remain Confident

Construction Backlog Indicator

	July 2023	June 2023	July 2022	1-Month Net Change	12-Month Net Change
Total	**9.3**	**8.9**	**8.7**	**0.4**	**0.6**
Industry					
Commercial & Institutional	9.8	9.0	8.9	0.8	0.9
Heavy Industrial	5.2	6.4	6.6	-1.2	-1.4
Infrastructure	8.2	11.2	9.3	-3.0	-1.1
Region					
Middle States	8.1	8.9	7.5	-0.8	0.6
Northeast	9.6	8.7	8.6	0.9	1.0
South	10.6	9.5	11.6	1.1	-1.0
West	8.9	8.4	6.9	0.5	2.0
Company Size					
<$30 Million	8.7	8.2	7.4	0.5	1.3
$30-$50 Million	11.0	8.2	10.8	2.8	0.2
$50-$100 Million	12.9	10.7	12.9	2.2	0.0
>$100 Million	10.6	13.5	13.2	-2.9	-2.6

Source: https://www.abc.org/News-Media/News-Releases/entryid/20065/abcs-construction-backlog-indicator-up-in-july-contractors-remain-confident; 8/15/23

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Up in July, Contractors Remain Confident

Construction Confidence Index

Response	July 2023	June 2023	July 2022
CCI Reading			
Sales	57.9	58.7	55.2
Profit Margins	55.0	53.2	47.5
Staffing	60.4	60.2	57.5
Sales Expectations			
Up Big	4.7%	7.1%	8.3%
Up Small	45.9%	46.2%	38.7%
No Change	30.0%	26.2%	23.2%
Down Small	15.3%	15.2%	25.4%
Down Big	4.1%	5.2%	4.4%
Profit Margin Expectations			
Up Big	2.4%	2.9%	1.7%
Up Small	38.2%	32.4%	29.3%
No Change	38.8%	42.4%	32.0%
Down Small	18.2%	19.5%	31.5%
Down Big	2.4%	2.9%	5.5%
Staffing Level Expectations			
Up Big	1.8%	4.3%	4.4%
Up Small	50.6%	46.2%	37.6%
No Change	36.5%	38.1%	43.6%
Down Small	10.0%	9.0%	12.2%
Down Big	1.2%	2.4%	2.2%

Source: https://www.abc.org/News-Media/News-Releases/entryid/20065/abcs-construction-backlog-indicator-up-in-july-contractors-remain-confident; 8/15/23

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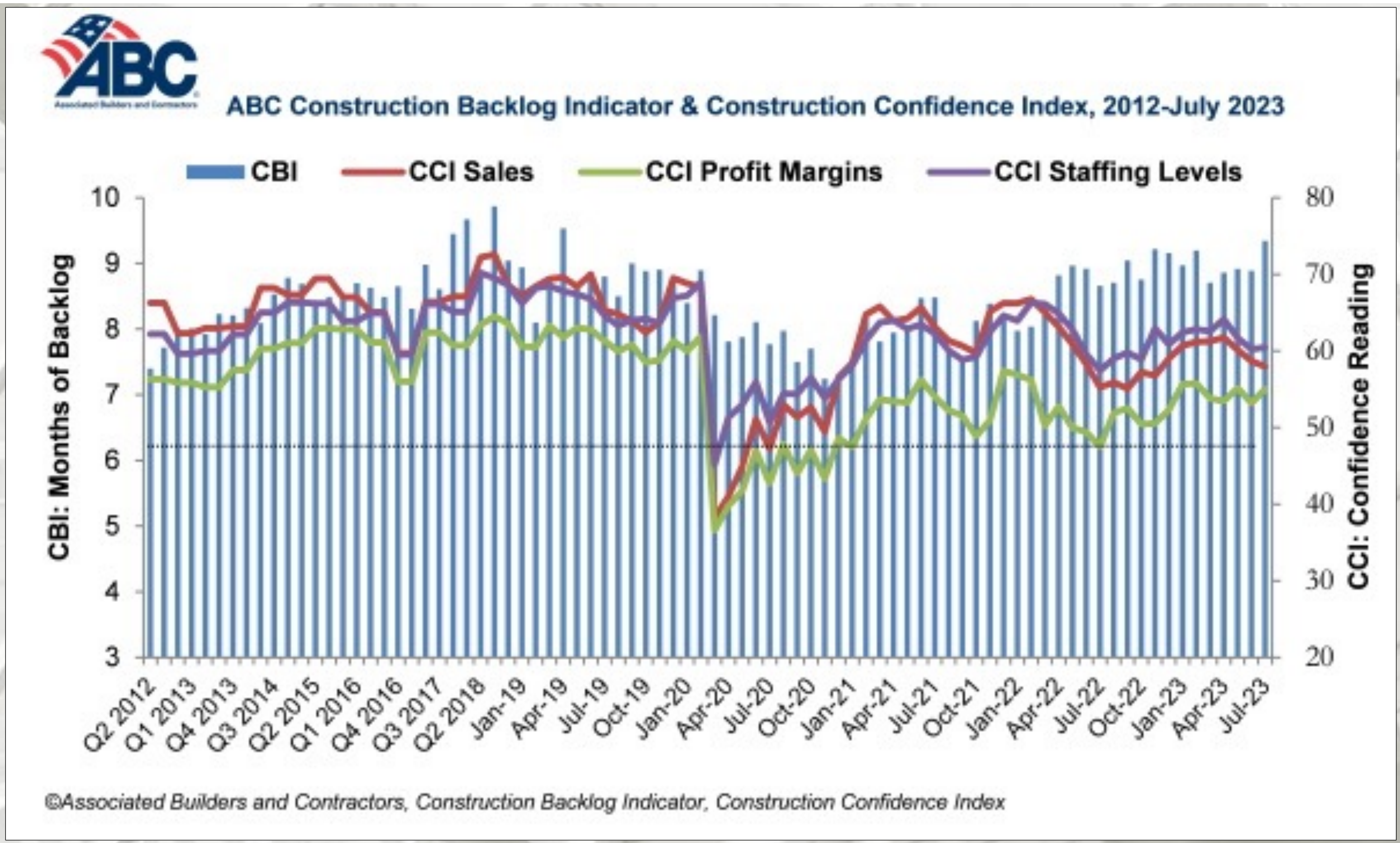
Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Up in July, Contractors Remain Confident



Source: https://www.abc.org/News-Media/News-Releases/entryid/20065/abcs-construction-backlog-indicator-up-in-july-contractors-remain-confident; 8/15/23

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Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Increases Slightly in June

"National nonresidential construction spending increased 0.1% in June, according to an Associated Builders and Contractors analysis of data published by the U.S. Census Bureau. Spending is up 18% over the past 12 months. On a seasonally adjusted annualized basis, nonresidential spending totaled $1.07 trillion in June.

Spending increased on a monthly basis in 12 of the 16 nonresidential subcategories. Private nonresidential spending was virtually unchanged, while public nonresidential construction spending rose 0.3% in June.

"Nonresidential construction spending growth downshifted over the past two months," said ABC Chief Economist Anirban Basu. "While stakeholders can expect ongoing spending growth in public nonresidential construction segments as more Infrastructure Investment and Jobs Act monies flow into the economy, private developer-driven activity appears to be drying up in the context of higher costs of capital and tighter credit conditions.

"Among other things, these dynamics will translate into larger spreads in performance among contractors," said Basu. "While those that focus on public work stand to remain busy for years to come, those who specialize in meeting the needs of developers of office buildings, hotels and shopping centers are likely to struggle to support backlog going forward. The good news is that there remain private construction segments associated with rosier prospects, including manufacturing, data centers and health care."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/20046/abc-nonresidential-construction-spending-increases-slightly-in-june; 8/1/23

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Private Indicators
Associated Builders and Contractors

Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate					
	June 2023	May 2023	June 2022	1-Month % Change	12-Month % Change
Total Construction	$1,938,357	$1,929,610	$1,873,184	0.5%	3.5%
Residential	$866,408	$858,746	$965,400	0.9%	-10.3%
Nonresidential	$1,071,949	$1,070,864	$907,784	0.1%	18.1%
Religious	$3,123	$3,011	$3,082	3.7%	1.3%
Conservation and development	$11,823	$11,556	$9,107	2.3%	29.8%
Sewage and waste disposal	$39,912	$39,414	$32,148	1.3%	24.2%
Amusement and recreation	$31,687	$31,328	$29,969	1.1%	5.7%
Water supply	$26,369	$26,104	$24,791	1.0%	6.4%
Office	$97,227	$96,517	$90,089	0.7%	7.9%
Lodging	$23,121	$22,961	$19,269	0.7%	20.0%
Transportation	$63,408	$63,187	$58,184	0.3%	9.0%
Manufacturing	$195,898	$195,306	$108,866	0.3%	79.9%
Public safety	$12,697	$12,669	$11,812	0.2%	7.5%
Educational	$111,020	$110,926	$102,917	0.1%	7.9%
Commercial	$126,007	$125,941	$121,192	0.1%	4.0%
Highway and street	$129,260	$129,367	$107,441	-0.1%	20.3%
Communication	$24,369	$24,451	$24,194	-0.3%	0.7%
Health care	$60,499	$61,030	$54,636	-0.9%	10.7%
Power	$115,529	$117,097	$110,088	-1.3%	4.9%
Private Nonresidential	$660,607	$660,826	$546,267	0.0%	20.9%
Public Nonresidential	$411,342	$410,038	$361,518	0.3%	13.8%
Source: U.S. Census Bureau					

Source: https://www.abc.org/News-Media/News-Releases/entryid/20046/abc-nonresidential-construction-spending-increases-slightly-in-june; 8/1/23

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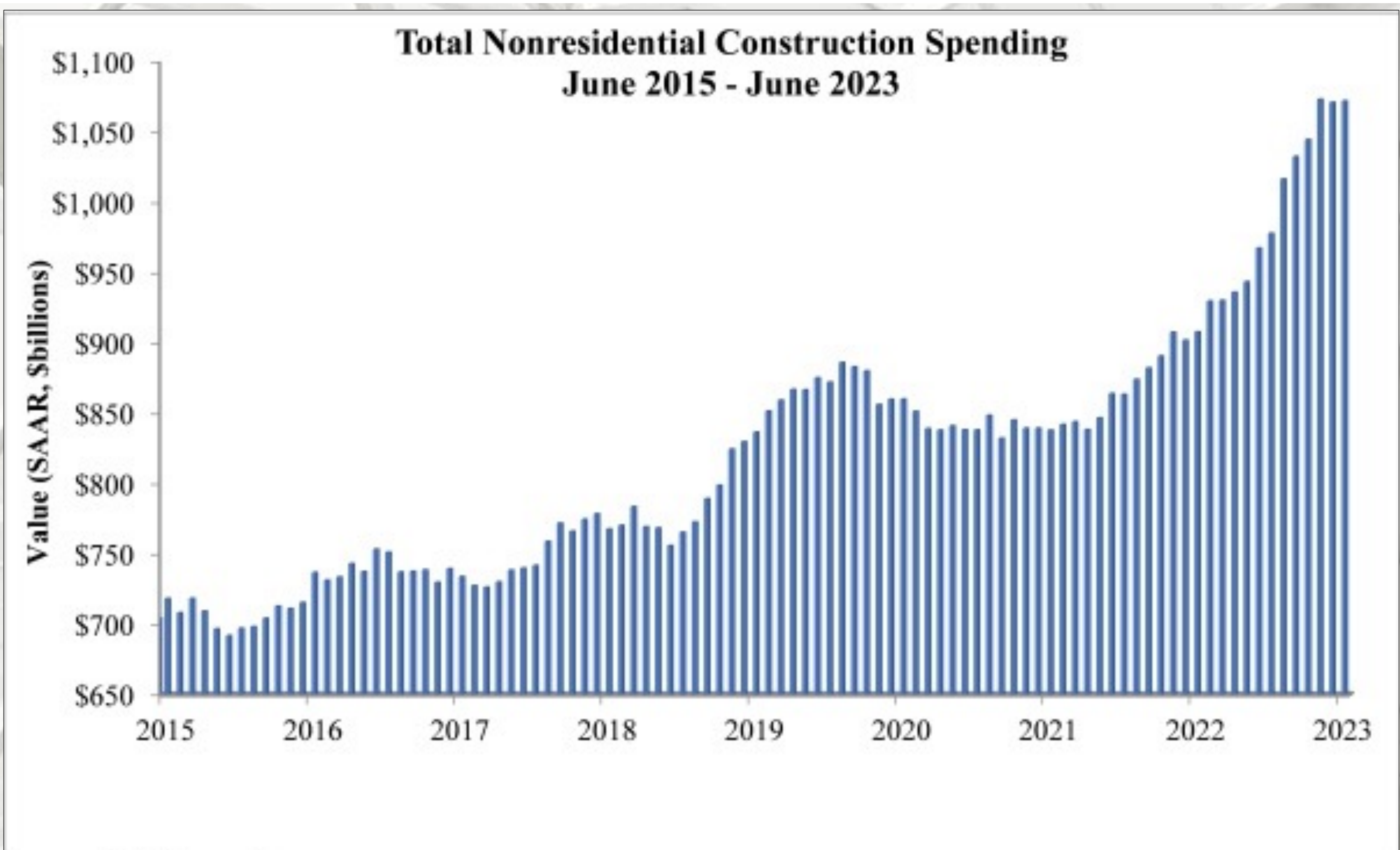
Private Indicators
Associated Builders and Contractors



Source: U.S. Census Bureau

Source: https://www.abc.org/News-Media/News-Releases/entryid/20046/abc-nonresidential-construction-spending-increases-slightly-in-june; 8/1/23

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index June 2023

Firm billings remain essentially flat

While few firm leaders report using AI currently, 90% expect to increase usage at their firm over the next three years

"Business conditions generally held steady at architecture firms in June, as the AIA/Deltek Architecture Billings Index (ABI) score of 50.1 continued to indicate slight billings growth at firms. This also marked the first time since last fall that there have been two consecutive months of increasing billings at architecture firms, although growth in June was weaker than in May. Inquiries into new work remained fairly strong as well, as did the value of new signed design contracts, which saw their strongest growth since January. And while firm backlogs have decreased somewhat from their record-high levels in 2022, they remain robust, averaging 6.8 months." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

"It is encouraging to see two consecutive months of stability in billings after a couple quarters of weakness due to high inflation, rising interest rates, and increased construction costs. We are still facing some headwinds in the broader economy, but this respite suggests that market conditions may be finding firmer ground." – Kermit Baker, Chief Economist, AIA

Source: https://www.aia.org/pages/6648983-abi-june-2023-firm-billings-remain-essenti; 7/19/23

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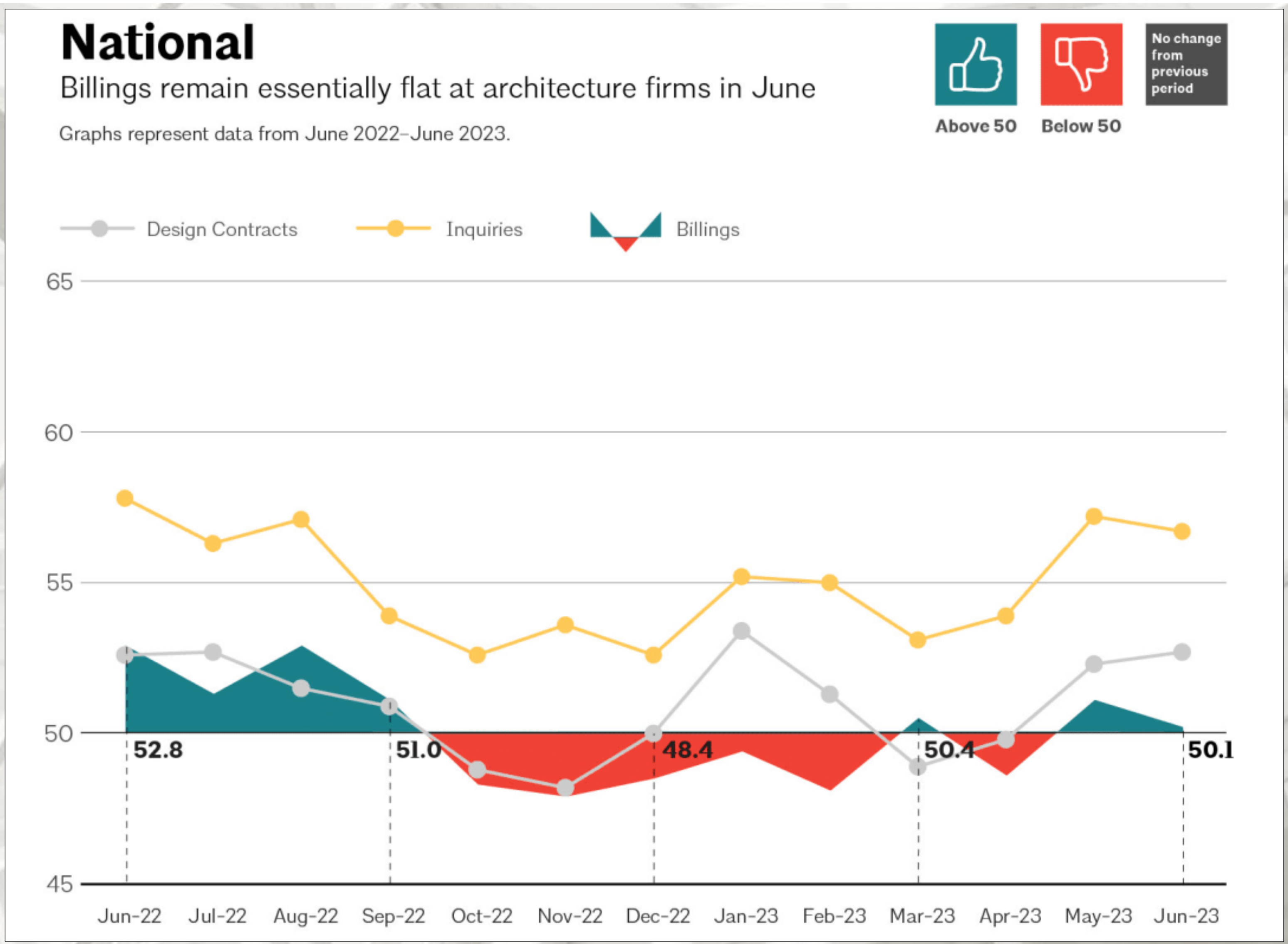
Private Indicators
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6648983-abi-june-2023-firm-billings-remain-essenti; 7/19/23

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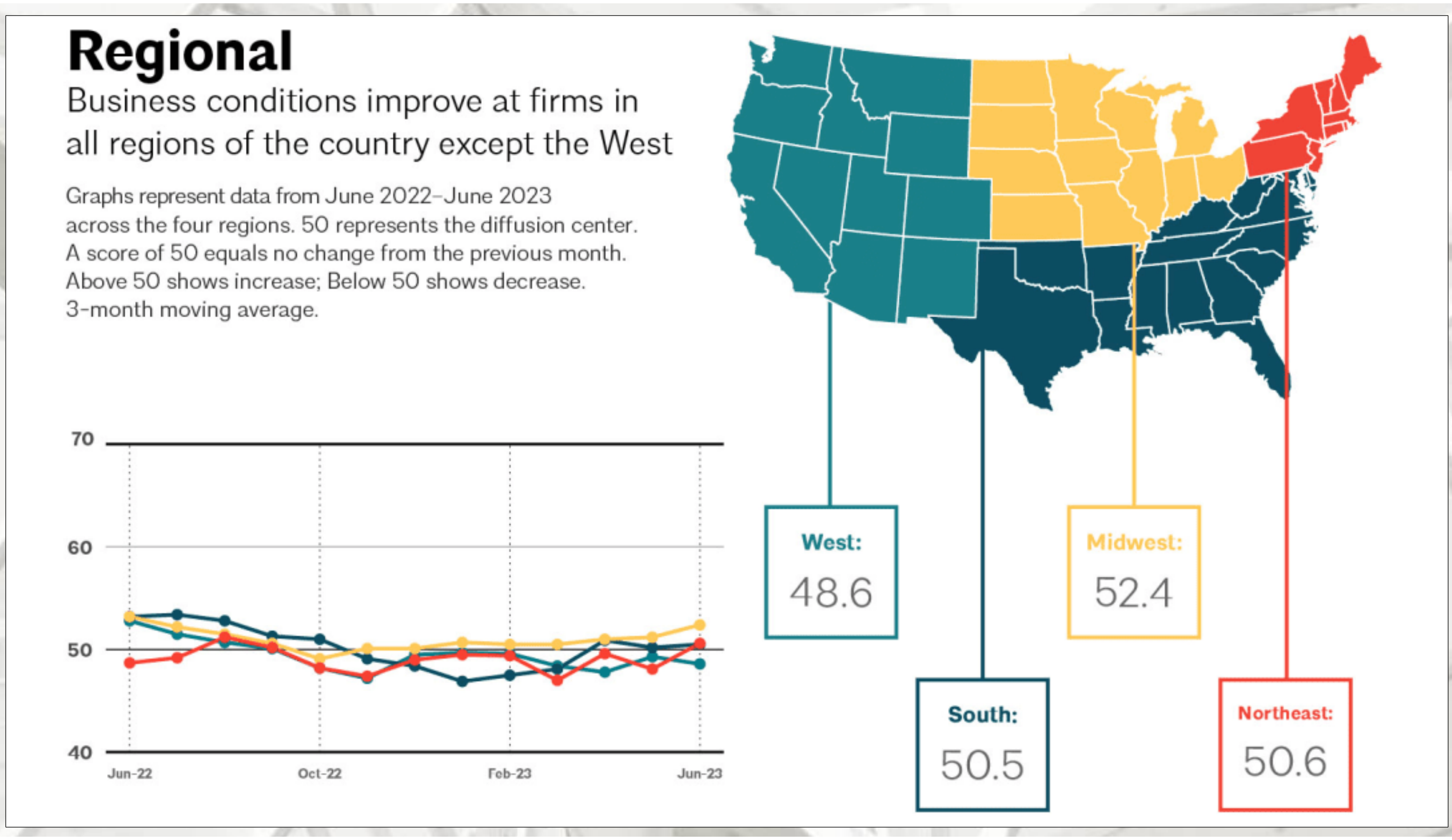
Private Indicators: AIA



Region

"Firms in nearly all regions of the country also reported improving business conditions in June, with firms located in the Midwest continuing to see the strongest billings for the eighth consecutive month. Billings growth also resumed at firms located in the Northeast, following monthly declines since last October." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6648983-abi-june-2023-firm-billings-remain-essenti; 7/19/23

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Private Indicators: AIA

Sector

"Conditions remained more mixed by firm specialization, however, as firms with multifamily residential and commercial/industrial specializations continued to report softness. However, billings continued to grow at firms with an institutional specialization this month, reaching their highest level since the immediate post-pandemic recovery period." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6648983-abi-june-2023-firm-billings-remain-essenti; 7/19/23

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Private Indicators

Dodge Data & Analytics

Total Construction Starts Dip in June

Most construction categories lower in the month; single family starts are a bright spot

"Total construction starts fell 9% in June to a seasonally adjusted annual rate of $1 trillion, according to Dodge Construction Network. Nonresidential starts led the downturn, falling 14%. Nonbuilding starts fell 9%, and residential starts lost 4%

Year-to-date through June 2023, total construction starts were 5% below that of 2022. While residential and nonresidential starts were down 24% and 2%, respectively, nonbuilding starts gained 29%. For the 12 months ending June 2023, total construction starts were 9% higher than that of 2022. Nonbuilding starts were 34% higher, and nonresidential building starts gained 25%. However, on a 12-month rolling basis, residential starts posted a 17% decline overall.

"Construction starts are oscillating – up one month and down the next," said Richard Branch, chief economist for Dodge Construction Network. "The presence, or absence, of mega-projects is a key influencer in this trend. Nevertheless, high interest rates and tightening lending standards are leading to uncertainty among owners and developers, also creating hesitation among stakeholders, leading them to carefully assess whether projects will break ground. These conditions will persist through the remainder of the year — meaning little forward motion in construction starts.'"" – Cailey Henderson, Account Manager, 104 West Partners

Source: https://www.construction.com/total-construction-starts/total-construction-starts-dip-in-june//; 7/21/23

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Private Indicators

Dodge Data & Analytics

“**Nonresidential building** starts shrank 14% in June to a seasonally adjusted annual rate of $348 billion following an aggressive growth in manufacturing starts in May. Commercial starts fell 6% with gains in office and hotel offset by a pullback in warehousing and parking structures, while manufacturing starts lost 67%. Institutional starts gained 15% in June due to healthcare and airport terminal work. On a year-to-date basis through June, total nonresidential starts were 2% lower than that of 2022. Institutional starts gained 9%, while manufacturing and commercial starts fell 6% and 11%, respectively.

For the 12 months ending June 2023, total nonresidential building starts were 25% higher than that ending June 2022. Manufacturing starts were 76% higher, institutional starts improved 21%, and commercial starts gained 9%.

The largest nonresidential building projects to break ground in June were the $2.6 billion JetBlue Terminal 6 at JFK airport in Jamacia, New York, the $625 million first phase of the GlobiTech Semiconductor plant in Sherman, Texas, and a $558 million hospital tower at Strong Memorial Hospital in Rochester, New York.

Residential

Residential building starts fell 4% in June to a seasonally adjusted annual rate of $344 billion. Single family starts gained 8%. Multifamily starts lost 23%. On a year-to-date basis through June 2023, total residential starts were down 24%. Single family starts were 27% lower, and multifamily starts were down 17%.

For the 12 months ending in June 2023, residential starts were 17% lower than that of 2022. Single family starts were 26% lower, while multifamily starts were up 2% on a rolling 12-month basis.

The largest multifamily structures to break ground in June were the $500 million 1072 W Peachtree building in Atlanta, Georgia, the $450 million Pendry-One Ashley condo tower in Tampa, Florida, and the $345 million Merchant Building in Columbus, Ohio.

Regionally, total construction starts in June fell in all regions except the West and Northeast.” – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/total-construction-starts/total-construction-starts-dip-in-june//; 7/21/23

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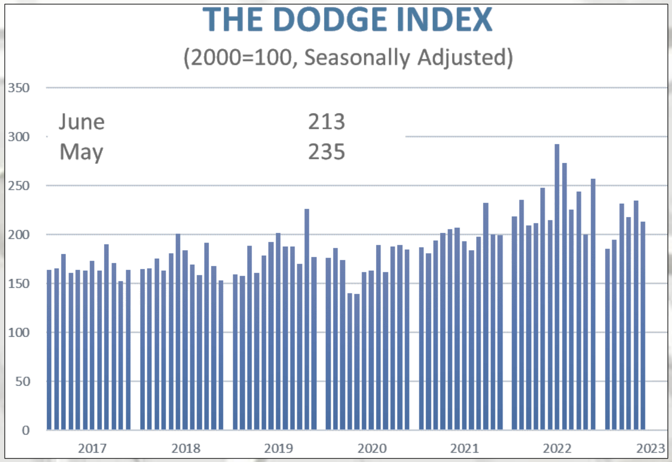
Private Indicators

MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

	Jun 2023	May 2023	% Change
Nonresidential Building	$348,087	$405,209	-14
Residential Building	344,019	356,728	-4
Nonbuilding Construction	317,077	346,805	-9
Total Construction	$1,009,184	$1,108,742	-9



YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	6 Mos. 2023	6 Mos. 2022	% Change
Nonresidential Building	$188,936	$192,138	-2
Residential Building	173,246	228,757	-24
Nonbuilding Construction	140,702	108,898	29
Total Construction	$502,885	$529,793	-5

Source: Dodge Data & Analytics

Source: https://www.construction.com/total-construction-starts/total-construction-starts-dip-in-june//; 7/21/23

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Private Indicators

MNI Chicago

Chicago Business Barometer™ – Rises To 42.8 in July

July Chicago Report™ Driven Higher as New Orders Stabilize

"**The Chicago Business Barometer™, produced with MNI,** ticked up by 1.3 points to 42.8 in July, the second consecutive monthly increase. However, with the exception of Prices Paid, all of the sub-indices remain in contractive territory (sub-50).

- New Orders, Production and Order Backlogs all moved higher in July while Employment and Supplier Deliveries deteriorated further in contractive territory.
- The biggest contributor to the increase in the headline index was New Orders, which rose 3.4 points. However, this masked the fact that the proportion of respondents reporting an increase in new orders in June was actually the lowest of the year." – Tim Davis, Head of Fixed Income Research, and Tim Cooper, Chief Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 7/31/23

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Private Indicators

MNI Chicago

Chicago Business Barometer™ – Rises To 42.8 in July

July Chicago Report™ Driven Higher as New Orders Stabilize

- "Production advanced 2.5 points to 45.1. There was a similar story to New Orders, with the proportion of respondents citing higher production the same level as in June, but fewer noting reduced production.
- Order Backlogs picked up 2.7 points. This was despite only 4% of respondents reporting an increase – joint-lowest (with June 1980) in the history of the series (which goes back to 1946).
- Employment dropped -5.9 points. It recorded just the second reading below 40 this year.
- Supplier Deliveries were a further -4.0 points lower, the lowest level since June 2009. This generally reflected further easing in supply chains, but also points to general weakness in the economy.
- Prices Paid increased 8.6 points to 62.1, with broadly the same proportion reporting higher prices in July as in June, but only 4% of respondents seeing lower prices – the smallest proportion since July 2022.
- Inventories fell -4.0 points, with the reading only subceded once since October 2009 (in March 2020)." – Tim Davis, Head of Fixed Income Research, and Tim Cooper, Chief Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 7/31/23

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Private Indicators

The Conference Board Leading Economic Index® (LEI)

LEI for the U.S. Fell Further in June

"**The Conference Board Leading Economic Index®** (LEI) for the U.S. declined by 0.7 percent in June 2023 to 106.1 (2016=100), following a decline of 0.6 percent in May. The LEI is down 4.2 percent over the six-month period between December 2022 and June 2023 – a steeper rate of decline than its 3.8 percent contraction over the previous six months (June to December 2022).

The US LEI fell again in June, fueled by gloomier consumer expectations, weaker new orders, an increased number of initial claims for unemployment, and a reduction in housing construction. The Leading Index has been in decline for fifteen months – the longest streak of consecutive decreases since 2007-08, during the runup to the Great Recession. Taken together, June's data suggests economic activity will continue to decelerate in the months ahead. We forecast that the US economy is likely to be in recession from Q3 2023 to Q1 2024. Elevated prices, tighter monetary policy, harder-to-get credit, and reduced government spending are poised to dampen economic growth further.

The Conference Board Coincident Economic Index® (CEI) for the U.S. remain unchanged in June 2023 at 110.0 (2016=100), after rising by 0.2 percent in May. The CEI is now up 0.6 percent over the six-month period between December 2022 and June 2023 – down from the 1.1 percent growth it recorded over the previous six months. The CEI's component indicators – payroll employment, personal income less transfer payments, manufacturing trade and sales, and industrial production – are included among the data used to determine recessions in the US. For the past two months, industrial production has contributed negatively to the coincident index, offsetting gains from employment, sales, and income growth components.

The Conference Board Lagging Economic Index® (LAG) for the U.S. was also unchanged in June 2023, at 118.4 (2016 = 100), after improving 0.1 percent in May. The LAG is up slightly by 0.1 percent over the six-month period from December 2022 to June 2023, down dramatically from its 3.0 percent growth over the previous six months." – Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board

Source: https://www.conference-board.org/data/bcicountry.cfm; 7/20/23

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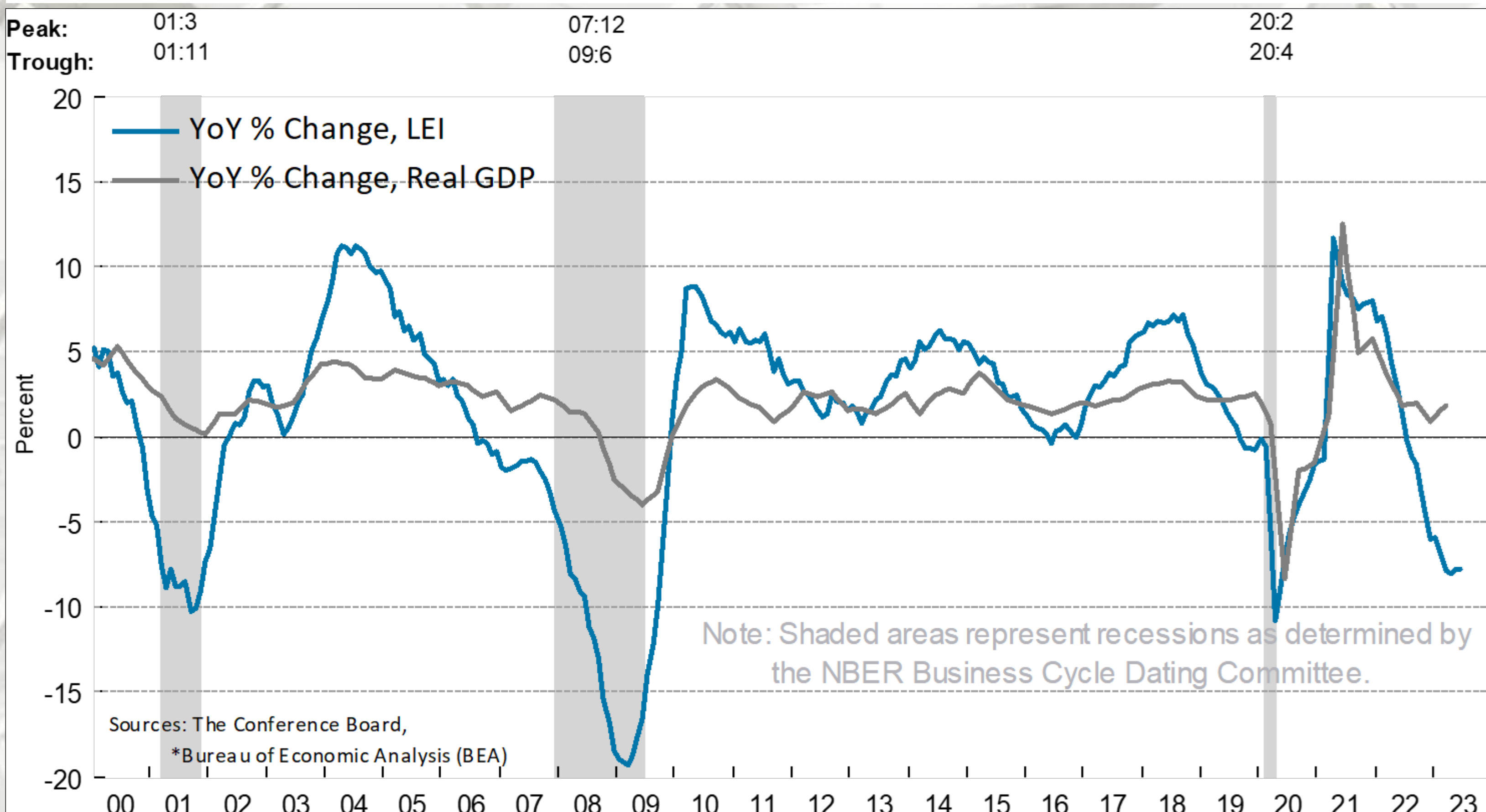
Private Indicators

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

LEI for the U.S. Fell Further in June

The annual growth rate of the LEI remained negative, signaling continued slowing in economic activity



Source: https://www.conference-board.org/data/bcicountry.cfm; 7/20/23

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Private Indicators

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

June New Business Volume Up 6 Percent Year-over-year, 15 Percent Month-to-month and 1.9 Percent Year-to-date

"The **Equipment Leasing and Finance Association's** (ELFA) **Monthly Leasing and Finance Index (MLFI-25)**, which reports economic activity from 25 companies representing a cross section of the $1 trillion equipment finance sector, showed their overall new business volume for June was $10.9 billion, up 6 percent year-over-year from new business volume in June 2022. Volume was up 15 percent from $9.5 billion in May. Year-to-date, cumulative new business volume was up 1.9 percent compared to 2022.

Receivables over 30 days were 1.8 percent, down from 2.0 percent the previous month and up from 1.5 percent in the same period in 2022. Charge-offs were 0.37 percent, up from 0.33 percent the previous month and up from 0.15 percent in the year-earlier period.

Credit approvals totaled 76.1 percent, down from 76.4 percent in May. Total headcount for equipment finance companies was down 1.5 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in July is 46.4, an increase from the June index of 44.1." – Amy Vogt, Vice President, Communications and Marketing, ELFA

"The second quarter concludes on an optimistic note, as MLFI respondents reported strong business performance coupled with a positive outlook for the short-term future of the industry. As inflation continues to decelerate and the Fed appears to be on the verge of achieving an economic soft landing, the equipment finance market enters the second half of the year in fine shape." – Ralph Petta, President and CEO, ELFA

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2023/07/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 7/26/23

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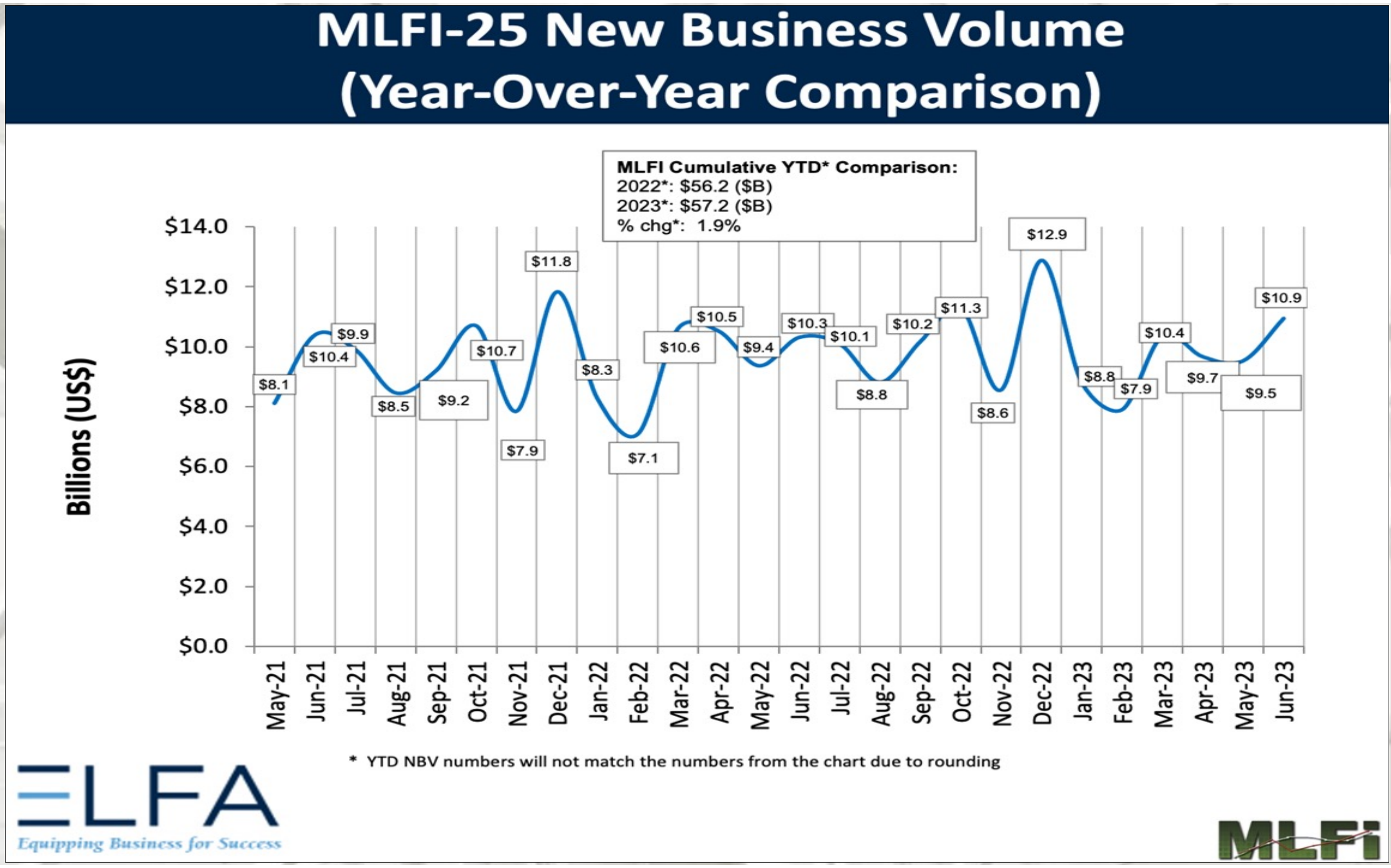
Private Indicators



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

"The equipment finance industry has remained resilient through one of the most turbulent periods in recent economic history. Despite economic headwinds, like high interest rates, the equipment finance sector continues to see opportunities for growth and innovation. In fact, the year-over-year increase on overall new business volume reflected in the ELFA data is consistent with our experience here at TDEF, as customers across many sectors continue to look for financing solutions to help them acquire equipment in order to keep up with demand." – Anthony Sasso, Head, TD Equipment Finance

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2023/07/26/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 7/26/23

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Decline in manufacturing performance softens in July

“The seasonally adjusted S&P Global US Manufacturing Purchasing Managers’ Index™ (PMI™) posted 49.0 in July, up from 46.3 in June, to signal a further but slower downturn in operating conditions at US goods producers. The deterioration was the third in as many months, albeit the weakest in this period of decline.

US manufacturers signalled a further decline in the health of the sector during July, according to the latest PMI™ survey from S&P Global. The downturn stemmed from another monthly contraction in new orders, as domestic and external demand conditions remained muted. A challenging sales environment led firms to scale back their input buying, causing inventory holdings to be depleted strongly. Despite a sharp fall in backlogs of work as new orders dropped, companies expanded employment at a faster rate amid greater confidence in the outlook for output.

Meanwhile, firms reported a renewed rise in raw material costs, albeit only marginal overall. Selling prices, however, were broadly stable for a second month running as manufacturers sought to remain competitive and drive sales.

Driving the downturn was a further fall in new order inflows at manufacturers in July. Firms reported that the dearth in new sales stemmed from client hesitancy and reduced impetus to spend among customers amid difficult demand conditions. The rate of decline softened, however, to the slowest in the current three-month sequence of contraction.

Alongside evidence of subdued domestic demand, new export orders fell for the fourteenth month running. Challenging economic conditions across key export markets, especially in Europe, were often linked by panellists to the decrease.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/f228fb3309884ca2a2f2c6adab5b18a7; 8/1/23

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Decline in manufacturing performance softens in July

"Output levels were broadly unchanged in July, however, following a solid contraction in June. Although firms noted that weak demand weighed on production, others stated that working through backlogs helped support increases in output, in turn aided by improved supply conditions.

At the same time, input prices faced by manufacturers increased for the first time in three months. The rate of input cost inflation was only marginal and much slower than the rises seen over the last three years, but companies attributed the rise to greater supplier charges. Some suggested that vendors were passing on higher wage bills to clients.

In an effort to remain competitive, firms left their selling prices broadly unchanged during July. Although some sought to pass on higher costs to customers, inflation was dampened by those offering discounts to boost new orders.

Despite a sharp fall in backlogs of work and reduced new order inflows, firms reported a stronger rise in employment at the start of the third quarter. Staffing numbers increased at a solid pace that was among the fastest in a year. Manufacturers mentioned that challenges finding suitable workers encouraged staff retention, with some firms continuing to fill long-held vacancies.

In some instances, job creation stemmed from projections of greater client demand over the coming months. Business optimism strengthened in July, with the degree of confidence reaching the highest since May 2022. Upbeat expectations were also supported by planned investment in expanding capacity, and spending on marketing to bring in new customers.

Goods producers continued to run down their stock levels, as weak demand and a further solid improvement in lead times led to greater material availability. Subsequently, a sharp contraction in input buying was recorded as firms reined in spending in line with lower new orders." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/f228fb3309884ca2a2f2c6adab5b18a7; 8/1/23

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Private Indicators

S&P Global U.S. Manufacturing PMI™

Decline in manufacturing performance softens in July

Comment

"Manufacturing continues to act as a drag on the US economy, the recent spell of malaise persisting at the start of the third quarter. However, producers are clearly shrugging off recession fears and planning for better times ahead.

The sector continued to suffer from lower demand, as a post-pandemic shift in spending from goods to services, and an ongoing trend of cost-focused inventory reduction, led to a further drop in orders. The overall rate of order book decline nevertheless moderated during the month, helped by a slower decline in exports, to help stabilize production.

There were several other encouraging bright spots in the survey, most notably including a marked improvement in business expectations for output in the year ahead. Firms are therefore anticipating the current soft patch to soon pass, and importantly are hiring more staff as a result.

There was also good news on the inflation front. The combination of weak demand and improved supply led to a further "buyers' market" for many goods. Prices charged for goods consequently barely rose for a third straight month, which should help subdue consumer price inflation in the near term" – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/f228fb3309884ca2a2f2c6adab5b18a7; 8/1/23

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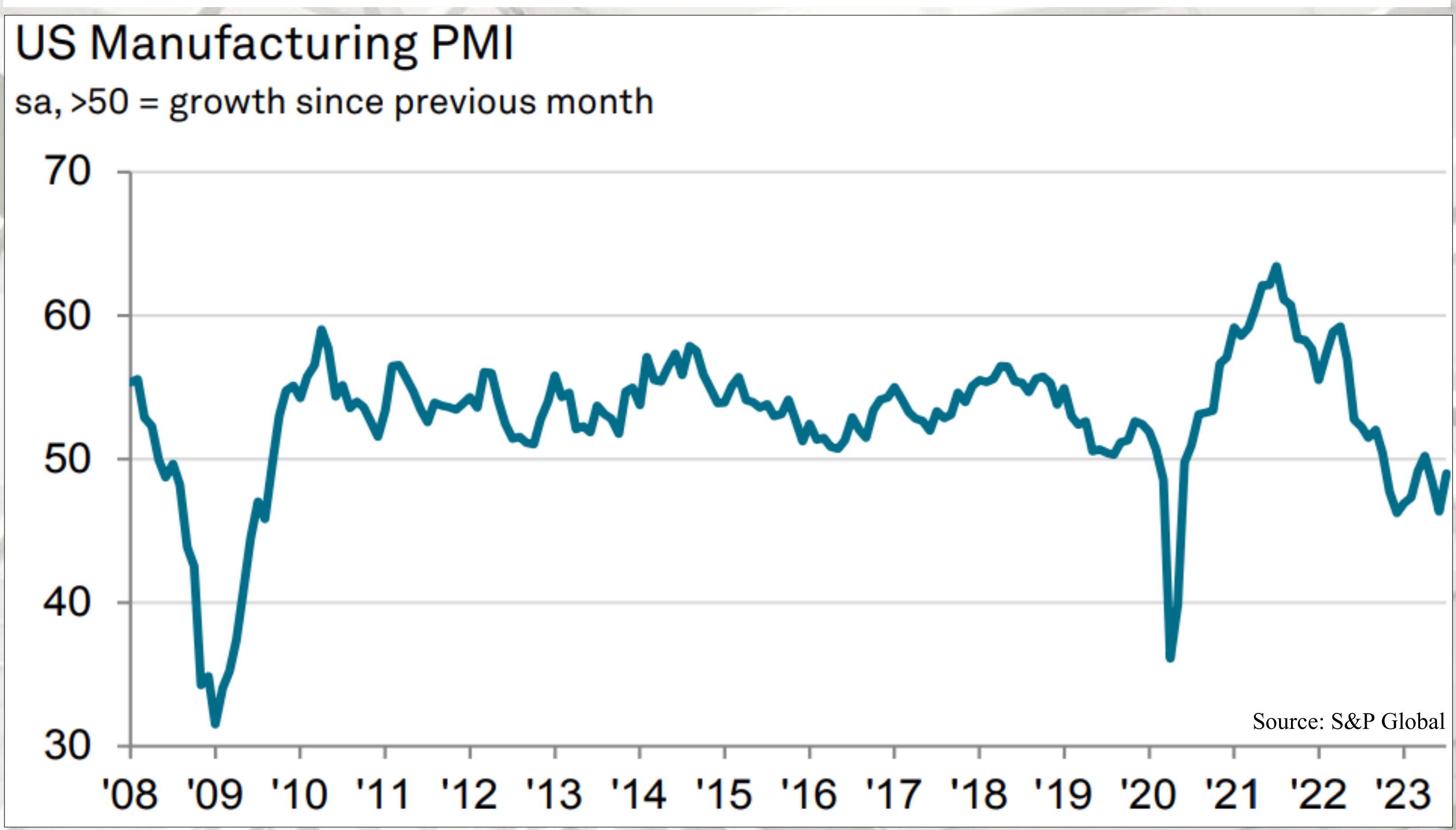
Private Indicators



Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/f228fb3309884ca2a2f2c6adab5b18a7; 8/1/23

Private Indicators

S&P Global U.S. Services PMI™

Business activity growth eases as demand conditions soften in July

"The seasonally adjusted final S&P Global US Services PMI Business Activity Index posted 52.3 at the start of the third quarter, down from 54.4 in June. The latest data signalled a modest and slower expansion in business activity at service providers. The rate of growth was the softest since February and weaker than the long-run series average. Nonetheless, greater output was attributed to a sustained increase in new orders and continued demand from existing customers.

US service providers reported a further expansion across the sector at the start of the third quarter, according to the latest PMI™ data from S&P Global. Business activity and new orders increased again, albeit at slower rates, as high interest rates in particular reportedly weighed on domestic customer spending. Nonetheless, new export business rose at a sharper pace, supporting a sustained upturn in total new sales. In line with a softer rise in new orders, firms increased employment only marginally amid a renewed contraction in backlogs of work. At the same time, services firms expressed the least upbeat expectations for output over the next year in 2023 so far.

Meanwhile, cost pressures softened. Input prices rose at the slowest pace since December 2022, but firms hiked output charges at a faster pace.

New business at service sector firms grew for the fifth month running in July, and at a marginal pace. The expansion was linked to a larger customer base and accommodative demand conditions. That said, the pace of increase slowed notably from that seen in June and was well below the series trend rate. Firms often stated that high interest rates dragged on domestic customer spending." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4e9e65108c4f4224ab943be6b3f82e97; 8/3/23

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Private Indicators

S&P Global U.S. Services PMI™

Business activity growth eases as demand conditions soften in July

“New export orders rose at a sharper pace, however. New business from abroad increased for the third successive month and at a solid pace amid reports of stronger demand from foreign customers.

On the price front, input costs at service providers increased at a further marked pace during July. The rise was historically elevated and driven by higher wage bills and supplier prices. Although substantial, the rate of increase was weaker than seen in June and much slower than those seen through 2021 and 2022. Following a brief acceleration in pace during June, the rate of increase eased to the second-slowest since October 2020.

Similarly, selling prices continued to rise at a pace that was faster than the series trend in July. That said, the rate of selling price inflation accelerated from that seen in June and was marked overall. Companies often noted that higher charges stemmed from the pass-through of higher costs to customers, notably relating to wages.

Pressure from rising wages and challenges finding suitable candidates dampened employment growth during July. Service sector firms recorded a further rise in staffing numbers, but the rate of job creation was the slowest since January. Workforce numbers have increased in successive months for three years, however, with companies attributing hiring to greater new orders.

Despite a slower uptick in employment, service providers were able to manage their workloads, as backlogs fell in July. The decrease in outstanding business was only marginal but was the second decline in the last three months.

The outlook for activity over the coming year at service providers was upbeat overall in July. Planned increases in marketing spending, alongside hopes of greater client demand and stabilization in interest rates, reportedly underpinned optimism. The degree of confidence slipped sharply to the lowest since December 2022, however, amid concerns regarding future demand conditions.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4e9e65108c4f4224ab943be6b3f82e97; 8/3/23

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Private Indicators

S&P Global U.S. Services PMI™

Business activity growth eases as demand conditions soften in July

Comment

“The service sector remains the main engine of growth in the US economy, though there are signs of the motor spluttering amid rising headwinds. Business activity rose in July at the slowest rate since February, with the rate of expansion sliding further from May’s recent peak in response to sharply reduced growth of new business. Although spending from foreigners in the US continues to grow strongly as the post-pandemic travel surge shows signs of persisting, demand growth waned from domestic customers, often linked to the rising cost of living and higher interest rates.

Reflecting concerns that the upturn is faltering, companies have become much less optimistic about the outlook and reined-in their hiring as a result.

An additional concern is that prices charged for services rose at an accelerated rate in July, often linked to higher staff costs. Such a wage-led stickiness of inflation in the vast service sector will naturally worry policymakers.

With the weakening service sector expansion accompanied by a near-stalled manufacturing sector, the overall message from the surveys is that economic growth weakened at the start of the third quarter, cooling to an annualized rate of around 1.5%. The survey's price gauges, however, continue to signal a stubbornness of inflation around the 3% mark.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4e9e65108c4f4224ab943be6b3f82e97; 8/3/23

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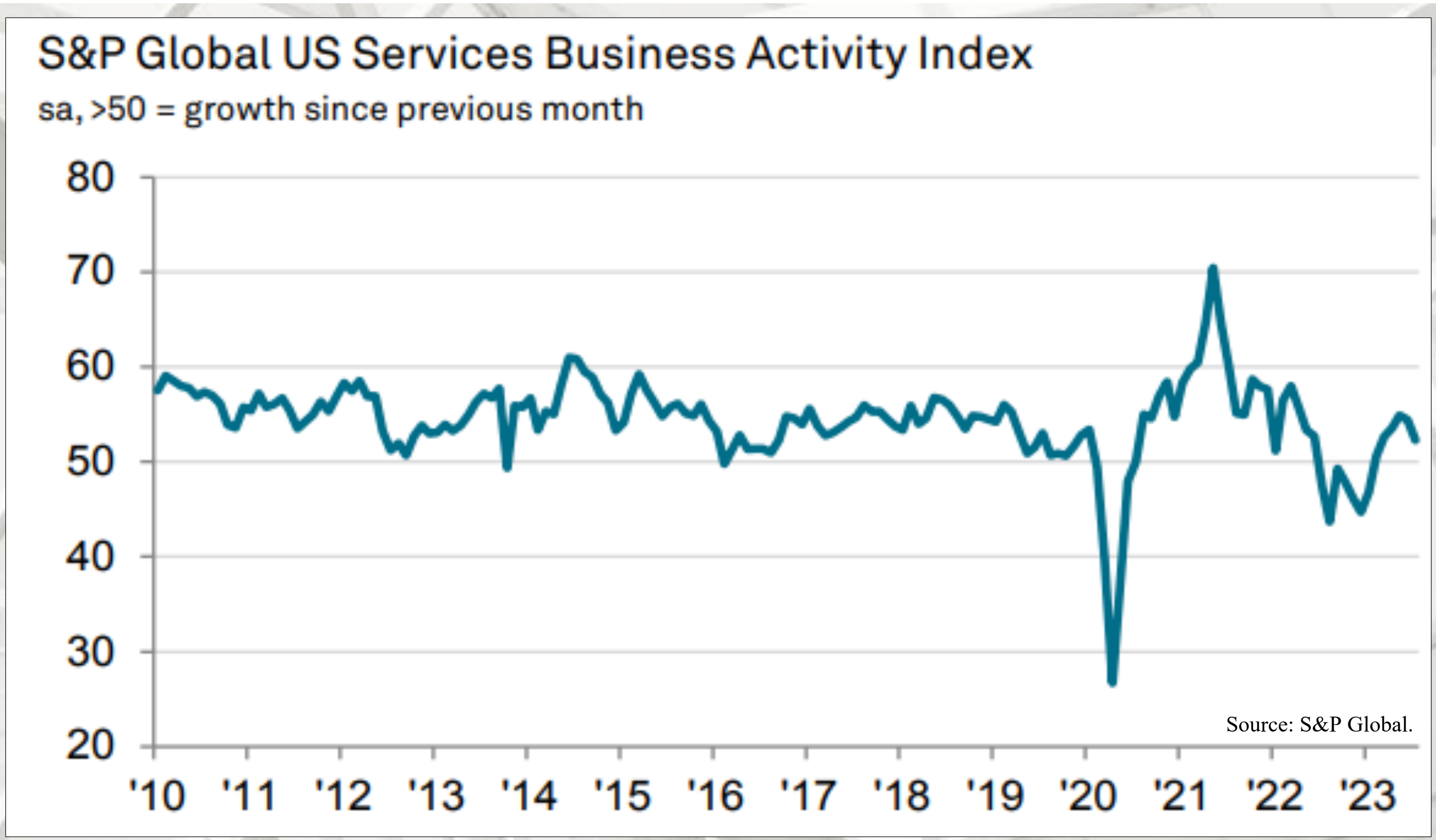
Private Indicators



Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/4e9e65108c4f4224ab943be6b3f82e97; 8/3/23

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for July 2023: Combined Sectors

"The National Association of Credit Management's seasonally adjusted combined Credit Managers' Index (CMI) for July 2023 came in at 52.4 points, deteriorating 2.6 points from June. "The deterioration in this month's index was across the board, but three factors saw notably large declines," said NACM Economist Amy Crews Cutts, Ph.D., CBE®.

"Taken together, the weakening in sales, dollar collections and the dollar amount beyond terms, paint a somewhat bleak picture of companies trying to manage cash flow and protect margins," Cutts said. "While the CMI continues to be volatile month to month, the overall has been a slow rise from the post-pandemic recession low point set at the start of the year. Volatility generally is bad for the economy, and credit managers are seeing that in how their customers are trying to manage their invoices, asking for extended terms, or going beyond terms until they get collection notices before paying up. Other economic indicators are quite strong, but the CMI indicates that businesses are still under significant stress."

"The Credit Managers' Index year has been see-sawing between 'recession is about to start' and 'business is good' levels since the start of this year," said Cutts. "But whereas earlier in the year there were contradictions in the directions of the factor indexes, we are now seeing alignment. For the last thirteen months, the index for accounts placed for collections has been in the contraction range below 50 points, meaning credit managers are referring more accounts to collections each month. Now we are seeing the number of accounts going beyond terms finally matching this trend, with a large increase in delinquent accounts in July. From February through June, the factor index indicated that fewer accounts were going beyond terms."" – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 7/31/23

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Private Indicators

National Association of Credit Management – Credit Managers' Index

"“Sales are slowing, but remain healthy. However, the share of respondents seeing falling sales has moved from 22.4% in March 2021 to 44.4% in July. New credit applications are slowing, so new and existing businesses are not seeking to grow as quickly as they had been but the applications that are received are being approved at roughly the same rate as before the banking crisis," said Cutts

Key Findings:

- Although all the favorable factor indexes remain on the expansionary side, they are near the lowest levels seen since the end of the pandemic recession.
- The index for favorable factors dropped 4.1 points to 56.4, led by a 6.3-point deterioration in the sales factor index to 55.6 points, down 9.9 points from a year ago, and a 5.4-point fall in the dollar collections index to 56.2, a decrease of 4.7 points from a year ago. The amount of credit extended factor index lost 3.4 points to 56.8, marking a decline of 10.3 points from a year ago.
- The index for unfavorable factors deteriorated by 1.5 points to 49.8. This index has stayed in a tight range of around 50, showing neither a steady improvement nor declining trend over the past year and a half.
- Three of the unfavorable factor indexes deteriorated in the July survey; the index for dollar amount beyond terms led the decline, falling by 5.7 points to 46.1, putting it well into contraction territory. This is the lowest value for the index since August 2022.
- The remaining three unfavorable factor indexes were essentially unchanged from the June survey." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 7/31/23

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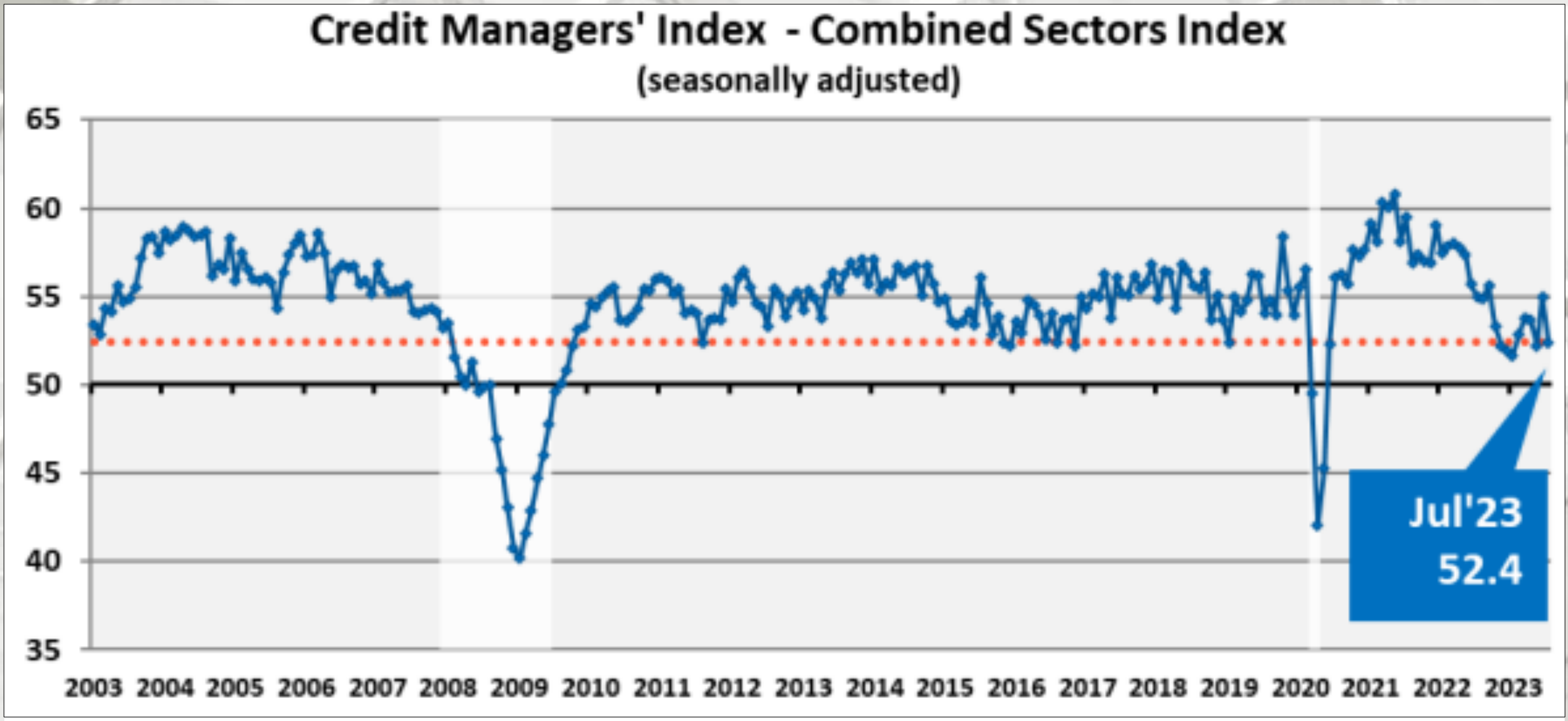
Private Indicators

National Association of Credit Management – Credit Managers' Index



The CMI is centered on a value of 50, with values greater indicating expansion and values lower indicating economic contraction. All charts contain seasonally adjusted data. Please note that the vertical axes are not scaled identically, and the dotted line represents the most recent value.

Source: https://nacm.org/cmi.html; 7/31/23

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Private Indicators

National Association of Credit Management – Credit Managers' Index

Combined Manufacturing and Service Sectors (seasonally adjusted)	Jul '22	Aug '22	Sep '22	Oct '22	Nov '22	Dec '22	Jan '23	Feb '23	Mar '23	Apr '23	May '23	Jun '23	Jul '23
Sales	65.5	62.9	63.7	56.0	55.3	55.9	51.2	57.6	57.0	59.0	54.1	62.0	55.6
New credit applications	60.0	63.1	61.3	59.0	57.2	55.6	56.9	58.5	58.9	58.5	57.7	58.3	56.8
Dollar collections	60.9	58.2	63.9	55.5	56.2	58.3	57.7	59.7	60.0	61.4	57.1	61.6	56.2
Amount of credit extended	67.1	64.5	65.6	59.0	57.6	56.1	57.9	58.6	58.2	58.6	56.5	60.2	56.8
Index of favorable factors	63.4	62.2	63.6	57.4	56.6	56.5	55.9	58.6	58.5	59.4	56.4	60.5	56.4
Rejections of credit applications	51.1	49.5	52.0	51.9	51.0	50.9	50.4	50.4	50.8	47.7	48.7	53.3	50.7
Accounts placed for collection	47.2	49.5	49.4	47.6	46.7	46.4	45.2	45.5	46.6	46.7	45.9	48.2	48.2
Disputes	48.6	49.2	48.4	50.3	48.4	49.0	48.9	48.4	50.6	49.6	48.4	51.1	50.3
Dollar amount beyond terms	47.0	45.7	49.4	49.3	48.2	46.5	47.9	51.4	53.0	53.8	51.4	51.8	46.1
Dollar amount of customer deductions	49.2	49.6	49.4	51.3	49.3	49.3	50.0	48.5	50.5	49.8	52.9	51.0	51.0
Filings for bankruptcies	53.5	57.1	53.3	53.5	52.3	51.0	50.8	50.1	51.8	51.4	49.7	52.4	52.3
Index of unfavorable factors	49.4	50.1	50.3	50.6	49.3	48.9	48.9	49.1	50.5	49.8	49.5	51.3	49.8
NACM Combined CMI	55.0	54.9	55.6	53.3	52.2	51.9	51.7	52.9	53.7	53.7	52.2	55.0	52.4

Source: https://nacm.org/cmi.html; 7/31/23

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Private Indicators

National Federation of Independent Business (NFIB) July 2023 Report

Small Business Owners Continue to Manage Challenging Economic Environment in July

“The **NFIB Small Business Optimism Index** increased 0.9 of a point in July to 91.9, marking the 19th consecutive month below the 49-year average of 98. Twenty-one percent of owners reported that inflation was their single most important problem in operating their business, down three points from June.” – Holly Wade, NFIB

“With small business owners’ views about future sales growth and business conditions dismal, owners want to hire and make money now from solid consumer spending. Inflation has eased slightly on Main Street, but difficulty hiring remains a top business concern.” – Bill Dunkelberg, Chief Economist, NFIB

Key findings include:

- “Owners expecting better business conditions over the next six months improved 10 points from June to a net negative 30%, 31 percentage points better than last June’s reading of a net negative 61%. This is the highest reading since August 2021 but historically very negative.
- Forty-two percent of owners reported job openings that were hard to fill, unchanged from June but remaining historically very high.
- The net percent of owners raising average selling prices decreased four points to a net 25% seasonally adjusted, still a very inflationary level but trending down. This is the lowest reading since January 2021.
- The net percent of owners who expect real sales to be higher improved two points from June to a net negative 12%, a very pessimistic perspective.” – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 8/8/23

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Private Indicators

National Federation of Independent Business (NFIB) July 2023 Report

"As reported in NFIB's monthly jobs report, 61% of owners reported hiring or trying to hire in July, up two points from June. Of those hiring or trying to hire, 92% of owners reported few or no qualified applicants for the positions they were trying to fill. Thirty-three percent of owners reported few qualified applicants for their open positions and 23% reported none.

Fifty-five percent of owners reported capital outlays in the last six months, up two points from June. Of those making expenditures, 38% reported spending on new equipment, 22% acquired vehicles, and 15% improved or expanded facilities. Eleven percent spent money on new fixtures and furniture and 6% acquired new buildings or land for expansion. Twenty-seven percent of owners plan capital outlays in the next few months.

A net negative 13% of all owners (seasonally adjusted) reported higher nominal sales in the past three months, down three points from June and the lowest reading since August 2020. The net percent of owners expecting higher real sales volumes improved two points to a net negative 12%.

The net percent of owners reporting inventory gains was unchanged at a net negative 3%. Not seasonally adjusted, 14% reported increases in stocks and 14% reported reductions. A net negative 4% of owners viewed current inventory stocks as "too low" in July. By industry, shortages are reported most frequently in retail (15%), transportation (14%), manufacturing (11%), and services (9%). Shortages in construction (6%) have been reduced. A net negative 2% of owners plan inventory investment in the coming months, up one point." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 8/8/23

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Private Indicators

National Federation of Independent Business (NFIB) July 2023 Report

"Falling four points from June, the net percent of owners raising average selling prices dropped to a net 25% (seasonally adjusted), the lowest since January 2021. Twenty-one percent of owners reported that inflation was their single most important problem in operating their business. Unadjusted, 14% reported lower average selling prices and 40% reported higher average prices. Price hikes were the most frequent in finance (53% higher, 13% lower), retail (52% higher, 10% lower), wholesale (44% higher, 15% lower), and construction (43% higher, 6% lower). Seasonally adjusted, a net 27% plan price hikes.

Seasonally adjusted, a net 38% reported raising compensation. A net 21% plan to raise compensation in the next three months, down one point from June. Ten percent of owners cited labor costs as their top business problem, up two points. Twenty-three percent of owners said that labor quality was their top business problem.

The frequency of reports of positive profit trends was a net negative 30%, down six points from June. Among owners reporting lower profits, 30% blamed weaker sales, 19% blamed the rise in the cost of materials, 18% cited labor costs, 9% cited lower prices, 5% cited usual seasonal change, and 4% cited higher taxes or regulatory costs. For owners reporting higher profits, 44% credited sales volumes, 34% cited usual seasonal change, and 9% cited higher selling prices.

Three percent of owners reported that all their borrowing needs were not satisfied. Twenty-five percent reported all credit needs were 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. Four percent reported that financing was their top business problem. A net 23% of owners reported paying a higher rate on their most recent loan. To date, Fed policies raising interest rates and reducing their portfolio have not had a significant impact on small firms.

The **NFIB Research Center** has collected Small Business Economic Trends data with quarterly surveys since the fourth quarter of 1973 and monthly surveys since 1986. Survey respondents are randomly drawn from NFIB's membership. The report is released on the second Tuesday of each month. This survey was conducted in July 2023." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 8/8/23

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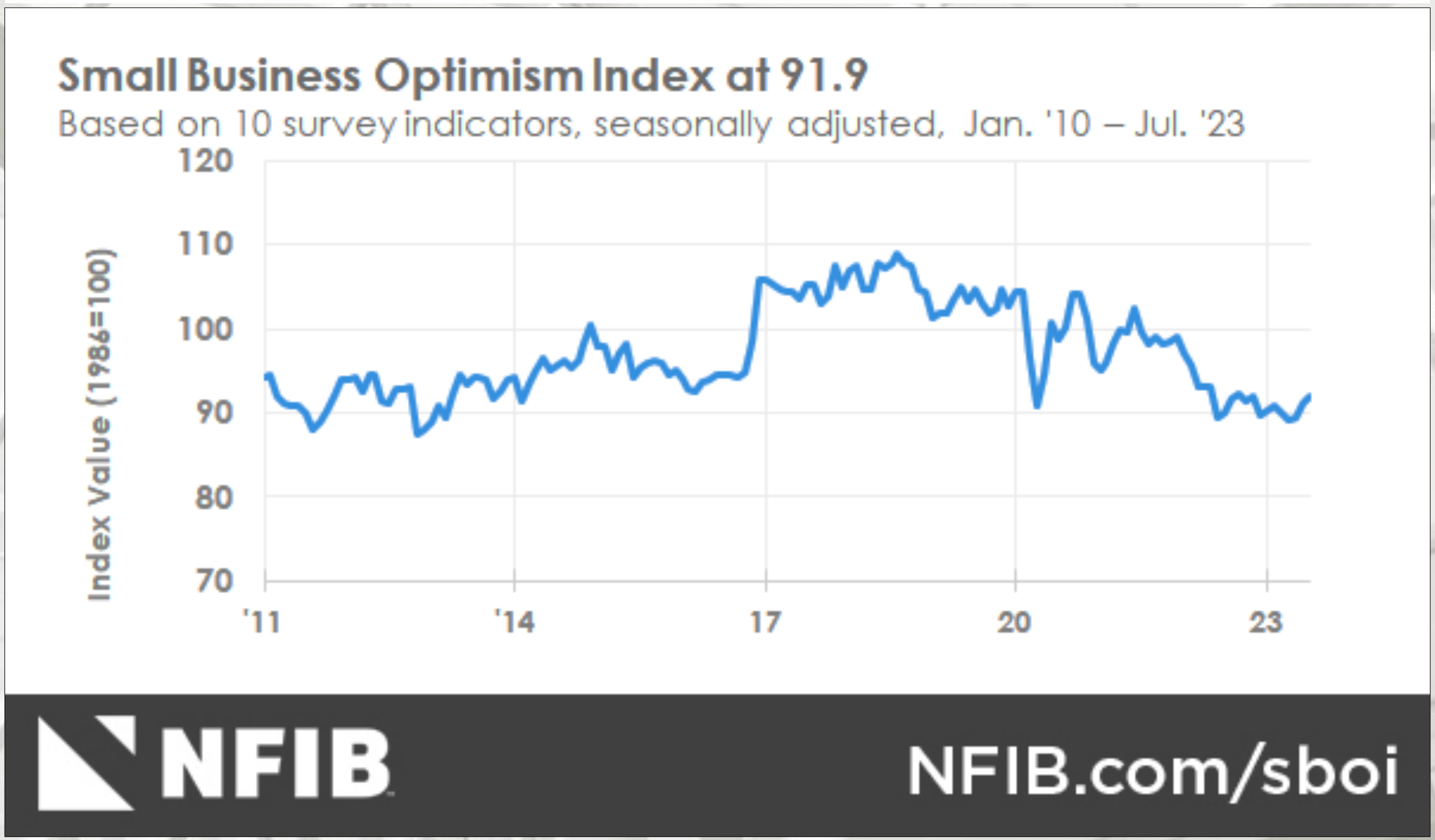
Private Indicators

National Federation of Independent Business (NFIB)
July 2023 Report



Source: http://www.nfib.com/surveys/small-business-economic-trends; 8/8/23

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Private Indicators

National Federation of Independent Business (NFIB)
July 2023 Report

Small Business Optimism

Index Component	Net %	From Last Month
Plans to Increase Employment	17%	▲ 2
Plans to Make Capital Outlays	27%	▲ 2
Plans to Increase Inventories	-2%	▼ 1
Expect Economy to Improve	-30%	▲ 10
Expect Real Sales Higher	-12%	▲ 2
Current Inventory	-4%	— 0
Current Job Openings	42%	— 0
Expected Credit Conditions	-8%	— 0
Now a Good Time to Expand	6%	— 0
Earnings Trends	-30%	▼ -6

NFIB NFIB.com/sboi

Source: http://www.nfib.com/surveys/small-business-economic-trends; 8/8/23

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

Job Market Remains Stable, Wage Growth Drops Below Four Percent

"According to the Paychex | IHS Markit Small Business Employment Watch, hourly earnings growth (3.95%) has dipped below four percent for the first time since 2021, and one-month annualized growth in hourly earnings remains below four percent for the fourth consecutive month. Small business job growth is essentially unchanged in July from June. Currently at 99.14, the national Small Business Jobs Index – which measures the rate of small business job growth in the U.S. – has remained between 99 and 100 for the past year, representing moderate job growth for the year." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

"Job growth remains relatively flat while wage growth is moderating after its inflation-fueled acceleration last year. Both of these factors signal a stable economy not heading toward a significant downturn." – James Diffley, Chief Regional Economist, S&P Global Market Intelligence

"Our latest jobs data shows a resilient labor market for small businesses. Wage inflation continues to decline, while the labor market remains tight for small businesses and their employees." – John Gibson, President and CEO, Paychex'

Source: https://www.paychex.com/employment-watch; 8/1/23

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

"In further detail, the July report showed:

- Hourly earnings growth moderated, dropping 0.07% (to 3.95%) and falling below four percent for the first time in more than two years.
- Weekly earnings growth slowed to 3.71% in July, its fifth consecutive month in decline. One-month annualized growth has been below three percent for the past four months
- The South continues to lead small business employment growth among regions for the 16th consecutive month, but the West was the only region to see small business jobs growth increase in July.
- Job growth in leisure and hospitality slowed by 0.39% to 99.24, yet its hourly earnings growth (5.15%) ranks first among sectors.
- Texas leads states in both small business job growth and hourly earnings growth with a July jobs index of 100.87 and hourly earnings growth standing at 4.80%." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 8/1/23

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

July Job Index	July Wage Data
Index	Hourly Earnings
99.14	$31.75
12-Month Change	12-Month Growth
-1.00%	3.95%

Source: Paychex | IHS Markit Small Business Employment Watch

- “At 99.14, the national Small Business Jobs Index slowed slightly for the fourth consecutive month and is down 1.00% from last year.
- Small business job growth moderated 0.07% from last month as its modest gains held relatively steady in July.
- The average pace of small business growth for the year leading up to the pandemic (March 2019 – February 2020) was 98.33, nearly a full point lower than the current pace.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 8/1/23

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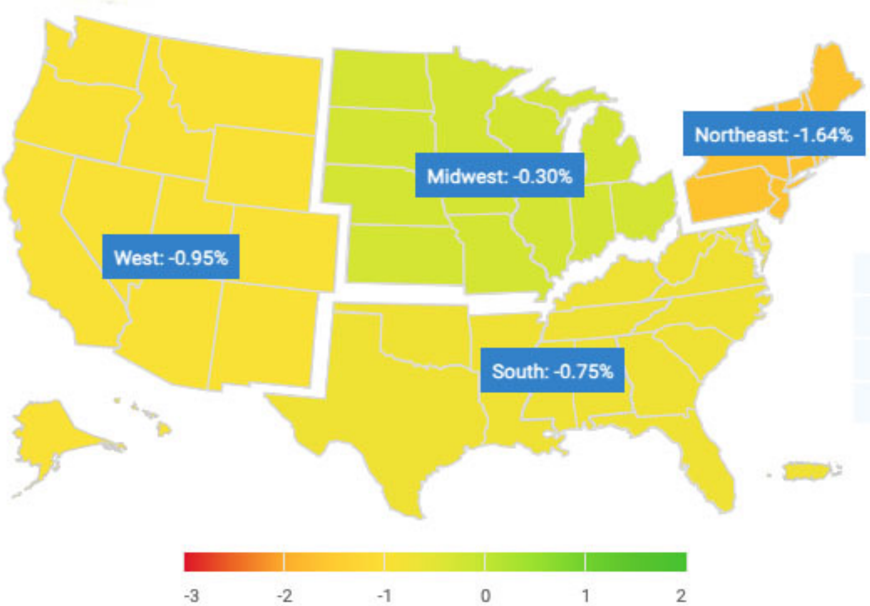
Private Indicators

The Paychex | IHS Markit Regional Jobs Index

Regional Performance



Region	Index	Change
Midwest	99.37	-0.30%
Northeast	98.53	-1.64%
South	99.91	-0.75%
West	98.89	-0.95%

Change 12-Month

Source: Paychex | IHS Markit Small Business Employment Watch

- "At 4.20%, the West leads regional hourly earnings growth in July. The West also has the strongest weekly earnings growth (3.98%) among regions.
- For the fifth consecutive month, the Midwest leads regions in weekly hours worked growth (-0.11%). However, the Midwest has the weakest earnings growth rates among regions." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 8/1/23

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Demographics

Calculated Risk

The Long-Term Housing and Population Shift

"Something different … Here is a look at the last 50 to 60 years, and **some predictions about the next 50+ years.**

First, here is a graph [next slide] from the Census Bureau showing the **Median Center of Population for the United States: 1880 to 2020**

From 1880 to 1950, the median center of the US population bounced around the border between Ohio and Indiana. And then the median center started moving southwest.

A key driver of the westward movement was the availability of water, and this boosted population growth in California, and in several other states like Arizona, and Nevada. The population California increased 150% from 1960 to 2020, and Arizona's population increased more than five-fold. **Nevada's population increased more than ten-fold!** (For comparison, the US population increased 85% from 1960 to 2020).

The key driver of the southward movement was Air Conditioning! AC has made the Southern States and D.C. **more habitable** year-round (Arizona and Nevada benefited from both additional water supply and AC).

From the Census Bureau Population Shift to the West and South (emphasis added).

> "The 100th meridian generally defines the boundary between the humid eastern and arid western parts of the United States. Historically, living west of the 100th meridian has meant a reliance on irrigation for successful agriculture and substantial settlements were limited in size. The 38th parallel divides the country based on average July temperature, with most of the country below the parallel experiencing average July temperatures of over 80 degrees. The completion of large-scale dam projects in the early 20th century generated water and electricity that made it possible for large cities to develop in the West. **The widespread use of air conditioning after the 1970s helped make living in hotter parts of the country more tolerable**."" – Bill McBride, Author, Calculated Risk

Source: https://think.ing.com/articles/banks-put-the-squeeze-on-us-economy-as-lending-conditions-tighten-further; 8/0/23

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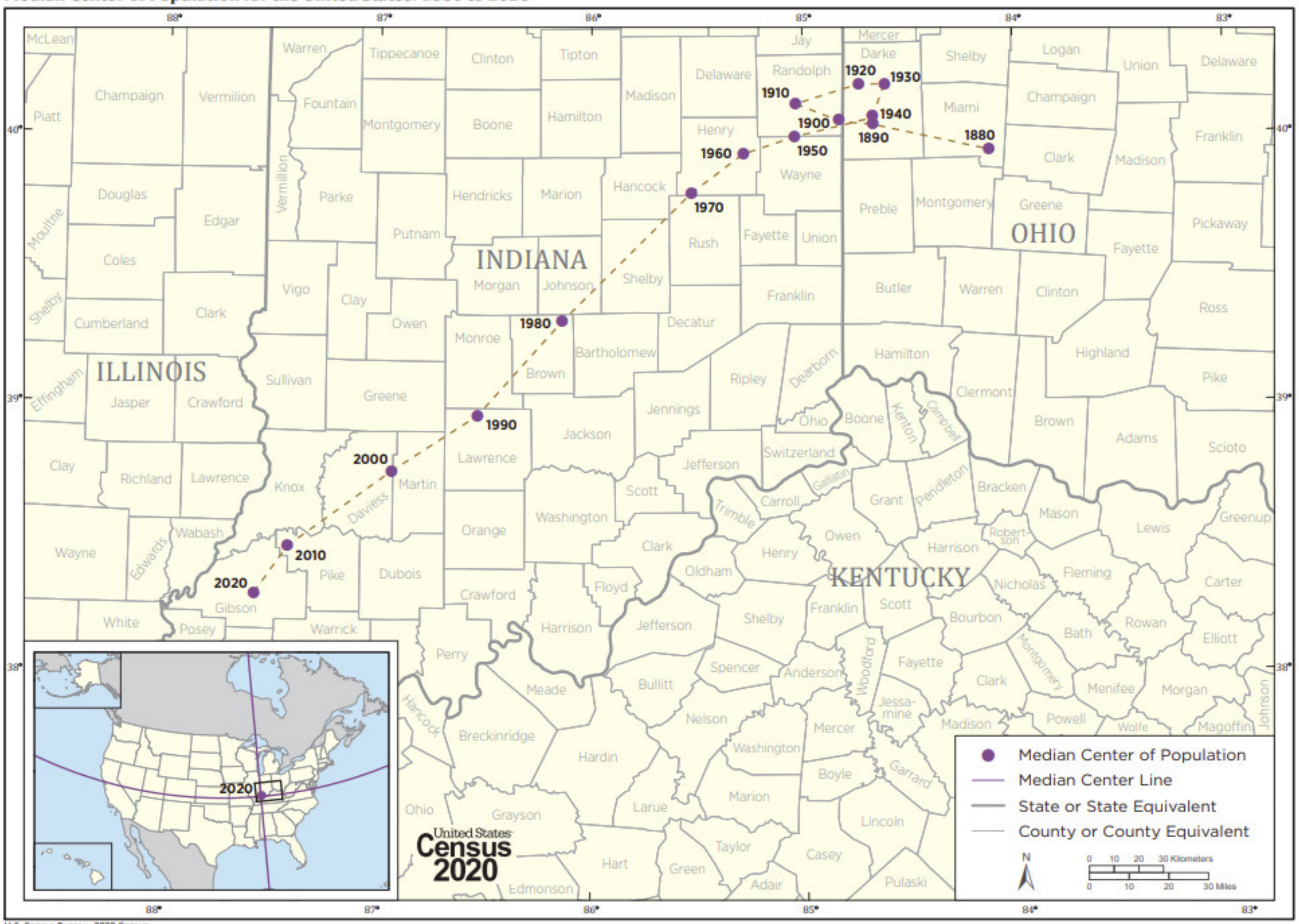
Demographics

Calculated Risk

The Long-Term Housing and Population Shift

Median Center of Population for the United States: 1880 to 2020



U.S. Census Bureau, 2020 Census

Source: https://think.ing.com/articles/banks-put-the-squeeze-on-us-economy-as-lending-conditions-tighten-further; 8/0/23

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Demographics

Calculated Risk

The Long-Term Housing and Population Shift

"The Census Bureau also has a great interactive chart showing the shift in population from 1790 to 2020.

AC: From Luxury Item to Must Have

The following graph [next slide] shows single-family homes completed with Air Conditioning since 1973 by region. The South has been close to 100% for several decades, and the rest of the country is catching up. According to the 2021 American Housing Survey (AHS), 92% of all US homes now have AC (either primary or room AC).

If you were a home builder 50 years ago, you'd start concentrating on building in the West and all across the South to take advantage of this shift.

But what about the next 50 years?" – Bill McBride, Author, Calculated Risk

Source: https://think.ing.com/articles/banks-put-the-squeeze-on-us-economy-as-lending-conditions-tighten-further; 8/0/23

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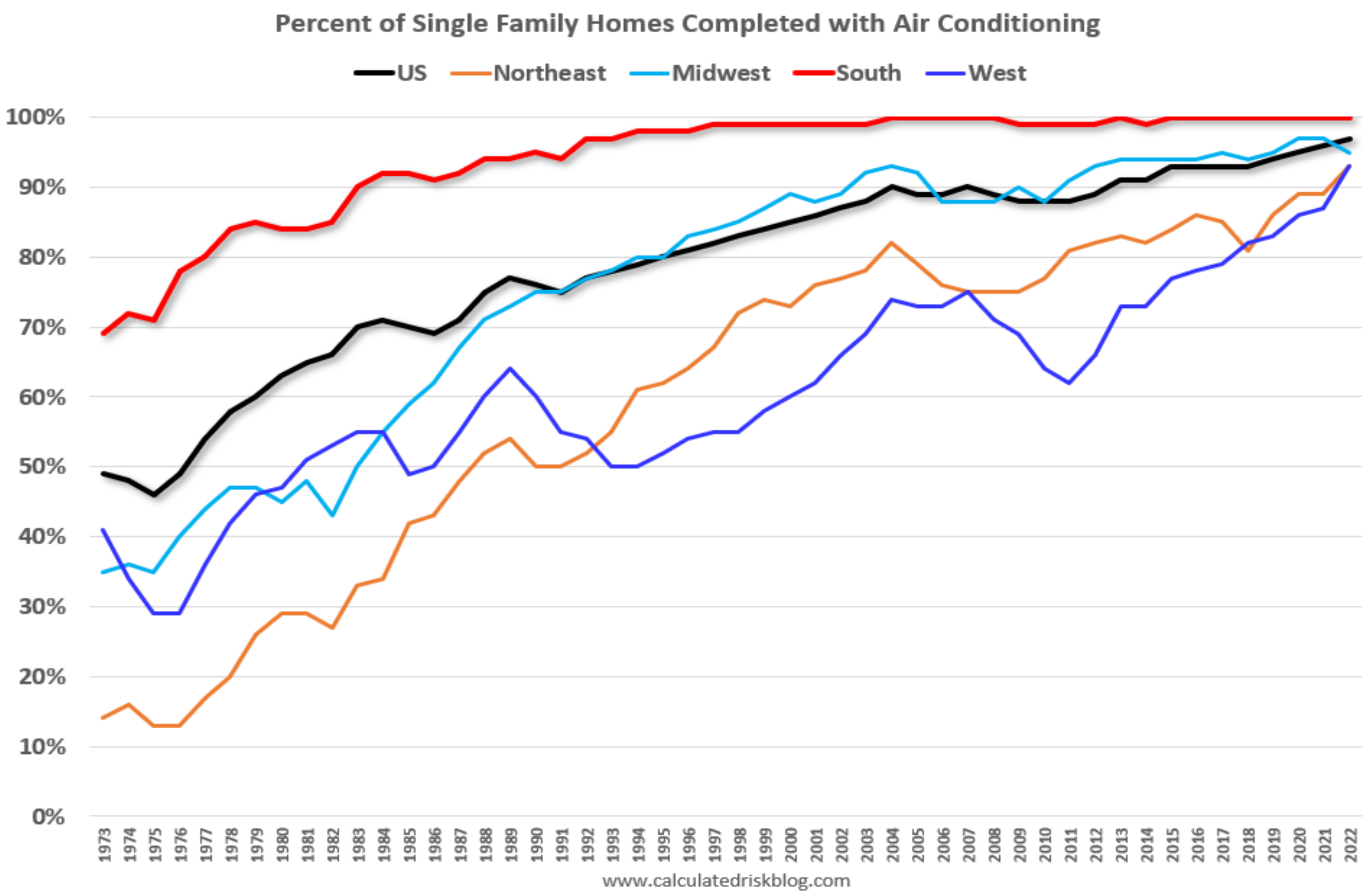
Demographics

Calculated Risk

The Long-Term Housing and Population Shift



Source: https://think.ing.com/articles/banks-put-the-squeeze-on-us-economy-as-lending-conditions-tighten-further; 8/0/23

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Economics

ING Economics

Banks put the squeeze on US economy as lending conditions tighten further

The Federal Reserve's Senior Loan Officer Opinion Survey shows banks are being increasingly restrictive in their lending practices while households and businesses are wary of taking on additional borrowing. Given how important credit flow is to the US economy it boosts the chances of a slowdown that will bring inflation back to target

Banks tighten lending conditions across the board

"The Federal Reserve's efforts to bring inflation under control appear to be bearing fruit based on recent core inflation prints coming in at 0.2% month-on-month, although the US remains some way off from the 2% year-on-year target. The Fed has hiked the policy interest rate 525bp and embarked on quantitative tightening, but access to credit is just as important as the cost of credit in taking heat out of the economy. The Federal Reserve Senior Loan Officer Opinion Survey (SLOOS) underscores how the tightening of lending conditions will continue to put the brakes on activity and contribute to inflation sustainably returning to target. The concern is that it will also heighten the chances of recession.

Demand for loans falls further

Lending conditions started tightening sharply in the third quarter of 2022 and that continued in subsequent quarters as concern about potential loan losses in a weaker economic environment led banks to become more wary about who they lend to, how much they lend and the terms on what they lend. This then accelerated in the wake of the failures at Signature Bank, Silicon Valley Bank and Credit Suisse's enforced sale to UBS. The report shows banks have tightened lending conditions even further for all forms of borrowing through the second quarter and into the third while demand for loans have deteriorated as well." – James Knightley, Chief International Economist, ING Economics

Source: https://think.ing.com/articles/banks-put-the-squeeze-on-us-economy-as-lending-conditions-tighten-further; 7/31/23

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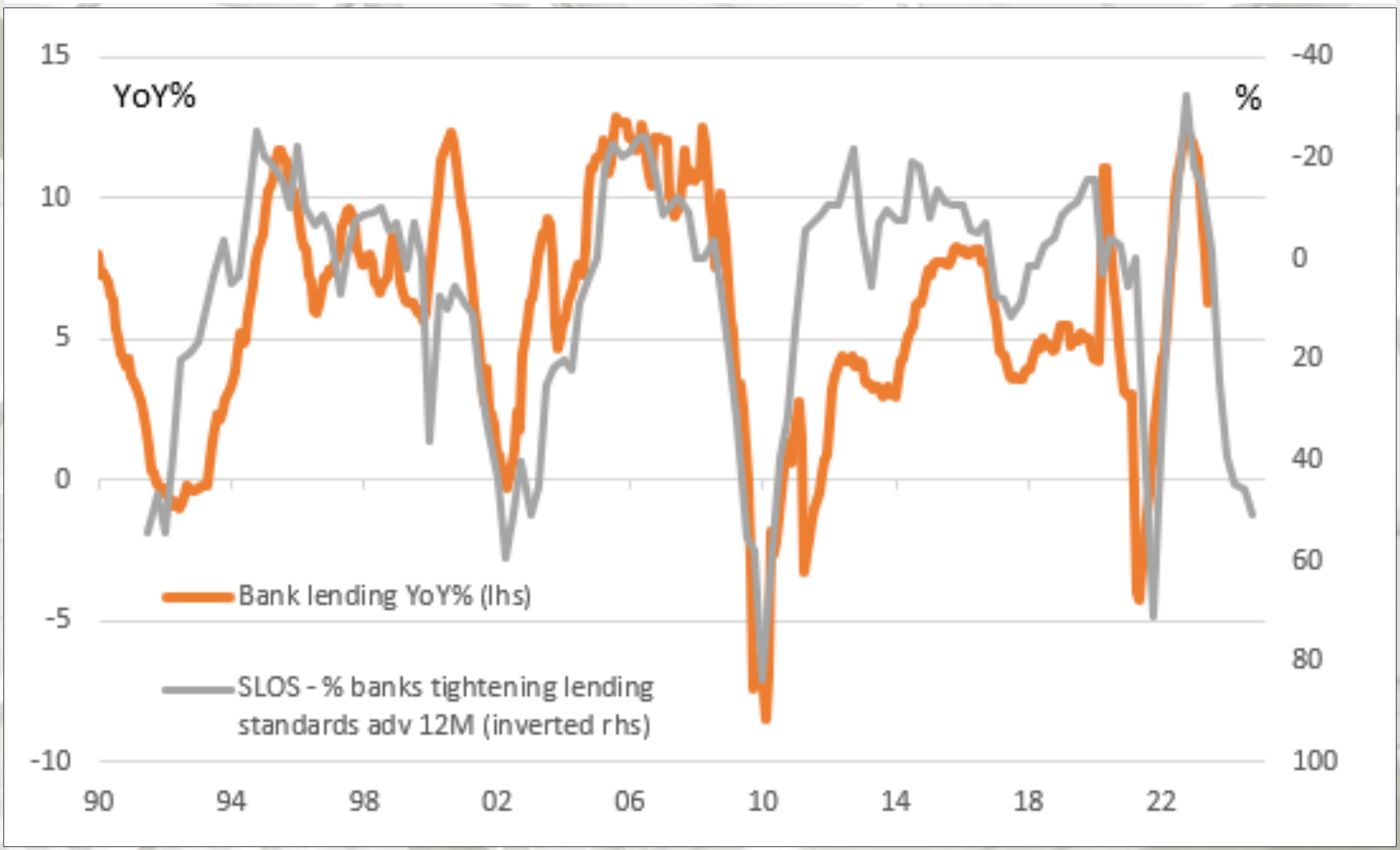
Economics

ING Economics



Source: https://think.ing.com/articles/banks-put-the-squeeze-on-us-economy-as-lending-conditions-tighten-further; 7/31/23

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Economics

ING Economics

Outstanding bank lending is already dropping

“With banks remaining risk averse in their lending and business and households reluctant to borrow, the risk is that credit contracts in coming quarters as our first charts suggests. Given the importance of credit flow to the US economy, this means we cannot dismiss the possibility of a US recession despite the market’s relaxed mindset right now.

The Federal Reserve’s high frequency weekly data shows lending has fallen in six out of the past 18 weeks since the small banking stresses came to the fore in March. Those down weeks have been larger in volume than the up weeks with outstanding lending at $10.09tn as of last week versus $10.13tn the week of 13 March.

The chart below shows the composition of the outstanding lending with commercial real estate out in front, but plateauing at $2.92tn with residential real estate lending topping out at $2.56tn while even consumer credit is seemingly stalling at just under $1.9tn. The concern is that commercial and industrial lending has been trending downwards, which suggests a declining appetite to put money to work and invest in business growth.

Credit squeeze heightens the chances of a sharper slowdown

When asked about what banks will be doing to their lending standards and what they expect in terms of loan demand the SLOOS survey concluded “Regarding banks' outlook for the second half of 2023, banks reported expecting to further tighten standards on all loan categories. Banks most frequently cited a less favorable or more uncertain economic outlook and expected deterioration in collateral values and the credit quality of loans as reasons for expecting to tighten lending standards further over the remainder of 2023.”” – James Knightley, Chief International Economist, ING Economics

Source: https://think.ing.com/articles/banks-put-the-squeeze-on-us-economy-as-lending-conditions-tighten-further; 7/31/23

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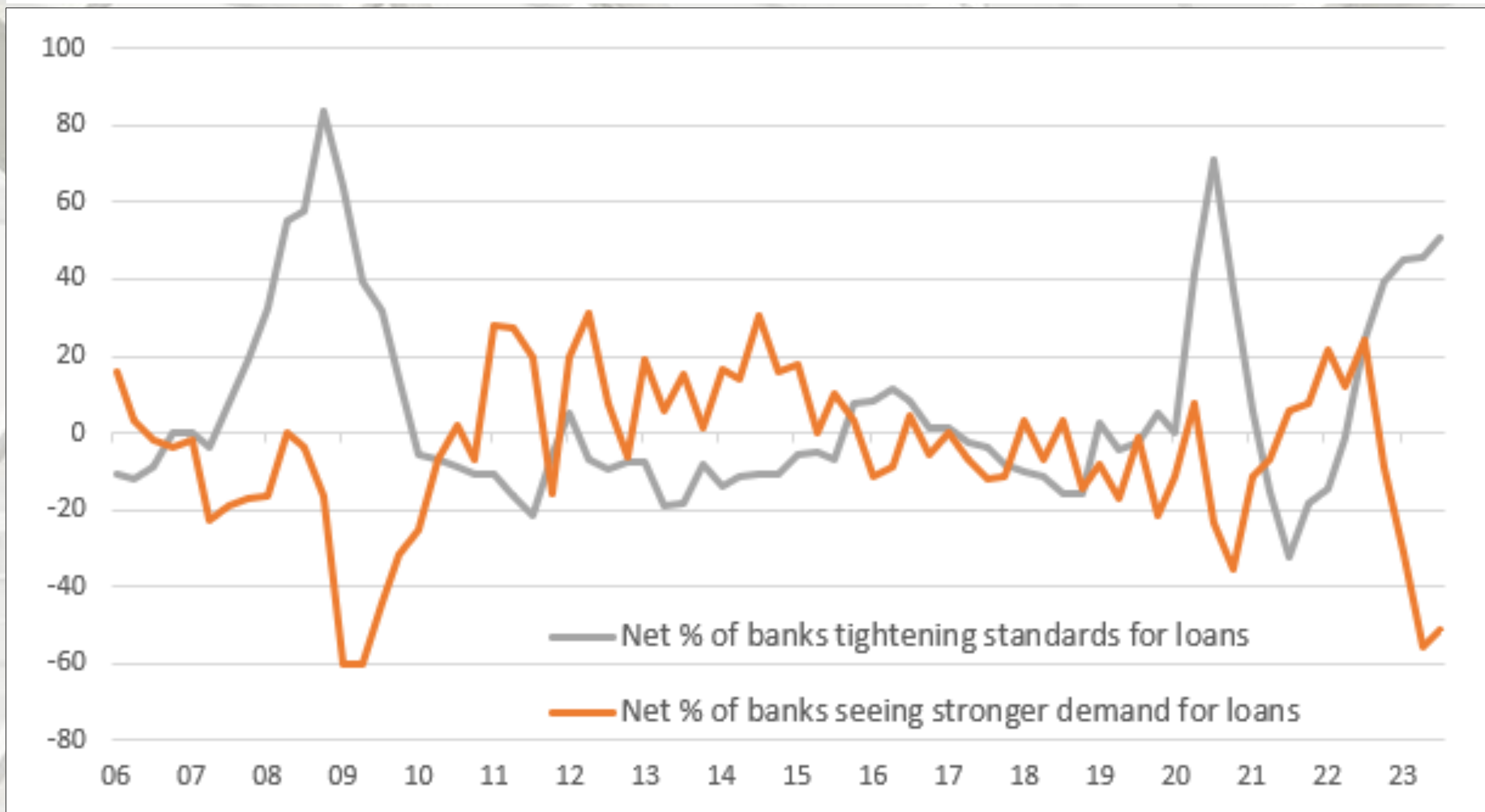
ING Economics



Source: https://think.ing.com/articles/banks-put-the-squeeze-on-us-economy-as-lending-conditions-tighten-further; 7/31/23

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Credit squeeze heightens the chances of a sharper slowdown

"As such, we are somewhat sceptical of the markets current viewpoint that the US economy can avoid recession via a 'soft landing'. Although borrowing costs are relatively high, it isn't the last 25bp rate hike that turns struggling businesses into failing businesses. It's when a company has a couple of orders cancel on them and the business goes to its local bank and asks for a line of credit to see them through, but the bank says "no". We run a much higher risk of this happening when lending conditions are as tight as signaled by the SLOOS report.

Big businesses have little issue given the competition amongst global banks with strong balance sheets who are still keen to lend to robust companies. It is the small and medium sized firms where pain is more likely to be felt. Small and regional banks do the bulk of this lending and in the wake of Silicon Valley Bank/Signature etc. they have had to cope with deposit flight, the prospect of greater regulatory oversight and higher capital commitments and a fear factor in boardrooms that naturally comes when competitors collapse.

But it will also dampen inflation and offer the Fed room to cuts rates in 2024

This report makes it all the more likely that the Fed will not need to hike interest rates further since tighter lending conditions and reduced loan demand point to further credit contraction will naturally take heat out of the economy. Markets are currently pricing around 5bp of tightening for the September FOMC meeting and a cumulative 9bp by the November FOMC meeting, so less than a 40% chance of any further rate hikes from the Federal Reserve. This looks sensible to us while we continue to see a strong chance the Fed will reverse course and start cutting interest rates from March next year." – James Knightley, Chief International Economist, ING Economics

Source: https://think.ing.com/articles/banks-put-the-squeeze-on-us-economy-as-lending-conditions-tighten-further; 7/31/23

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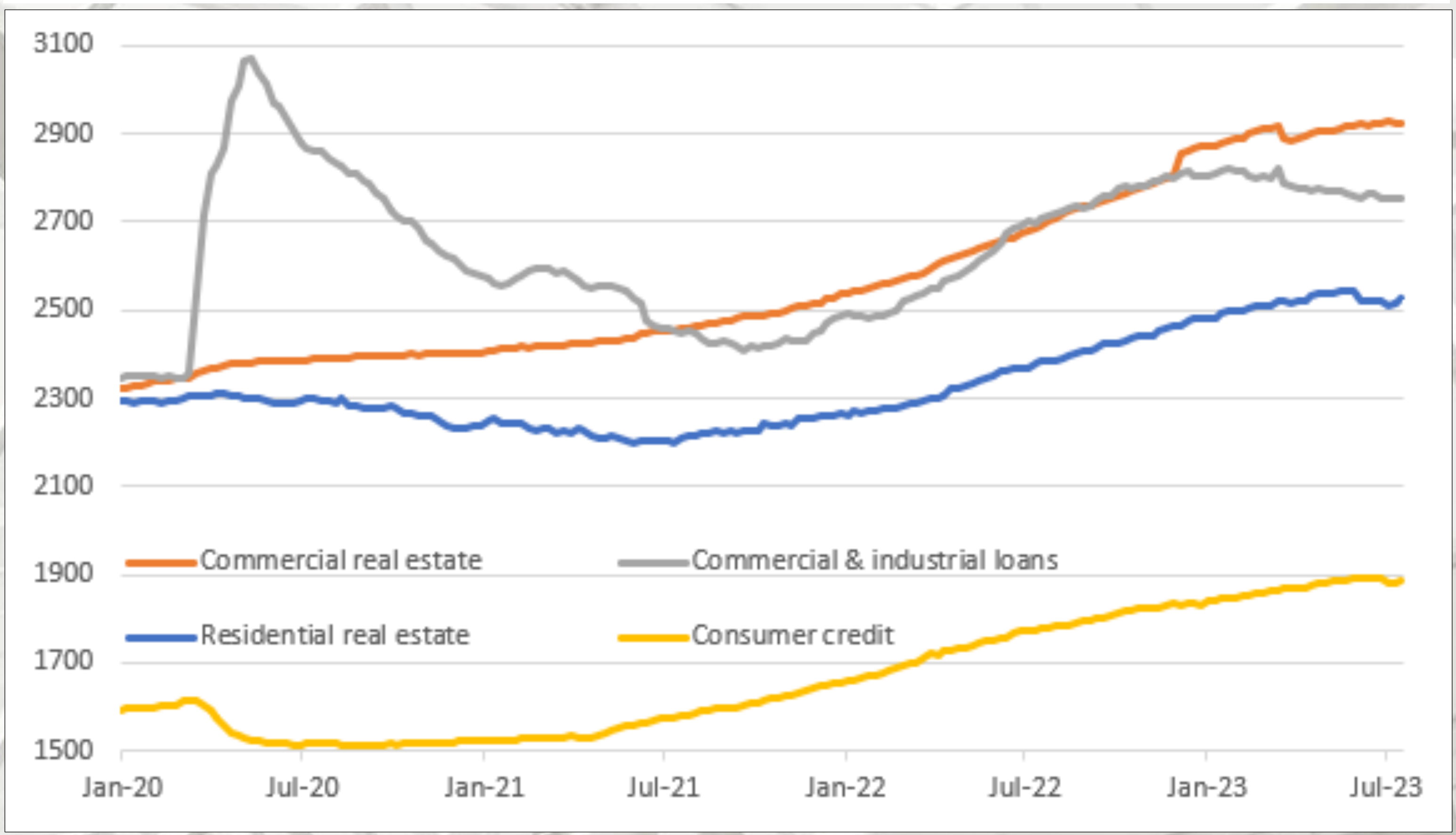

Source: https://think.ing.com/articles/banks-put-the-squeeze-on-us-economy-as-lending-conditions-tighten-further; 7/31/23

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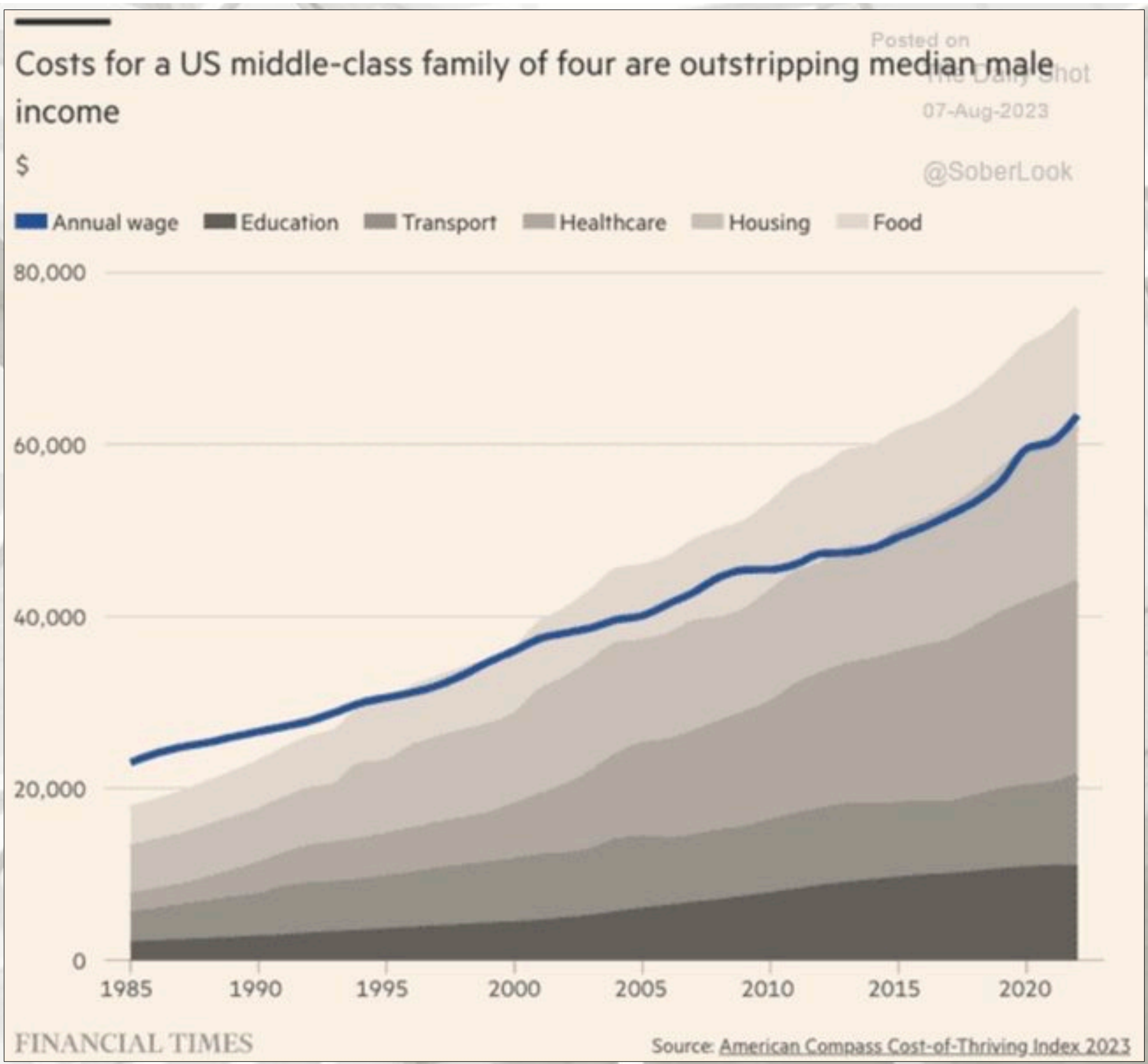
Charles Schwab & Co., Inc

“Financial demands of supporting a family of 4 have surpassed what a single salary can adequately provide.” – Liz Ann Sonders, Chief Investment Strategist, Charles Schwab & Co., Inc.



Source: https://twitter.com/LizAnnSonders/status/1688495912471924736; 8/7/23

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Economics

Mortgage Bankers Association (MBA)

Chart of the Week

"Yesterday, MBA released the latest results from its National Delinquency Survey (NDS). Earlier in the week, the Federal Reserve Bank of New York's Center for Microeconomic Data issued its latest Quarterly Report on Household Debt and Credit.

According to the NDS, the overall delinquency rate for mortgage loans on one-to-four-unit residential properties fell to its lowest level since MBA's survey began in 1979, reaching 3.37 percent in the second quarter of 2023. The delinquency rate was down 19 basis points from the first quarter of 2023 and down 27 basis points from one year ago. Buoyed by a resilient job market, homeowners are continuing to make their mortgage payments.

This week's Chart of the Week shows that while mortgage delinquencies are at historic lows, data from New York Fed shows that early-stage delinquencies are rising for other forms of credit, specifically credit cards and car loans. The share of credit card balances moving into delinquency rose from 6.51 percent in the first quarter to 7.20 percent in the second quarter of 2023, the highest level since 2012. At the same time, the share of auto loan balances moving into delinquency rose from 6.88 percent in the first quarter to 7.28 percent in the second quarter of 2023, the highest level since 2018. The early-stage delinquencies for credit cards and car loans were well above the 30-day delinquency rate for mortgages and more than double the overall delinquency rate for mortgages, potentially an early sign that some weakness is starting to show in the broader economy." – Anh Doan, Senior Financial Analyst and Marina Walsh, CMB, Vice President of Industry Analysis; Research and Economics Department, MBA

Source: https://s3141176.t.en25.com/e/es; 8/11/23

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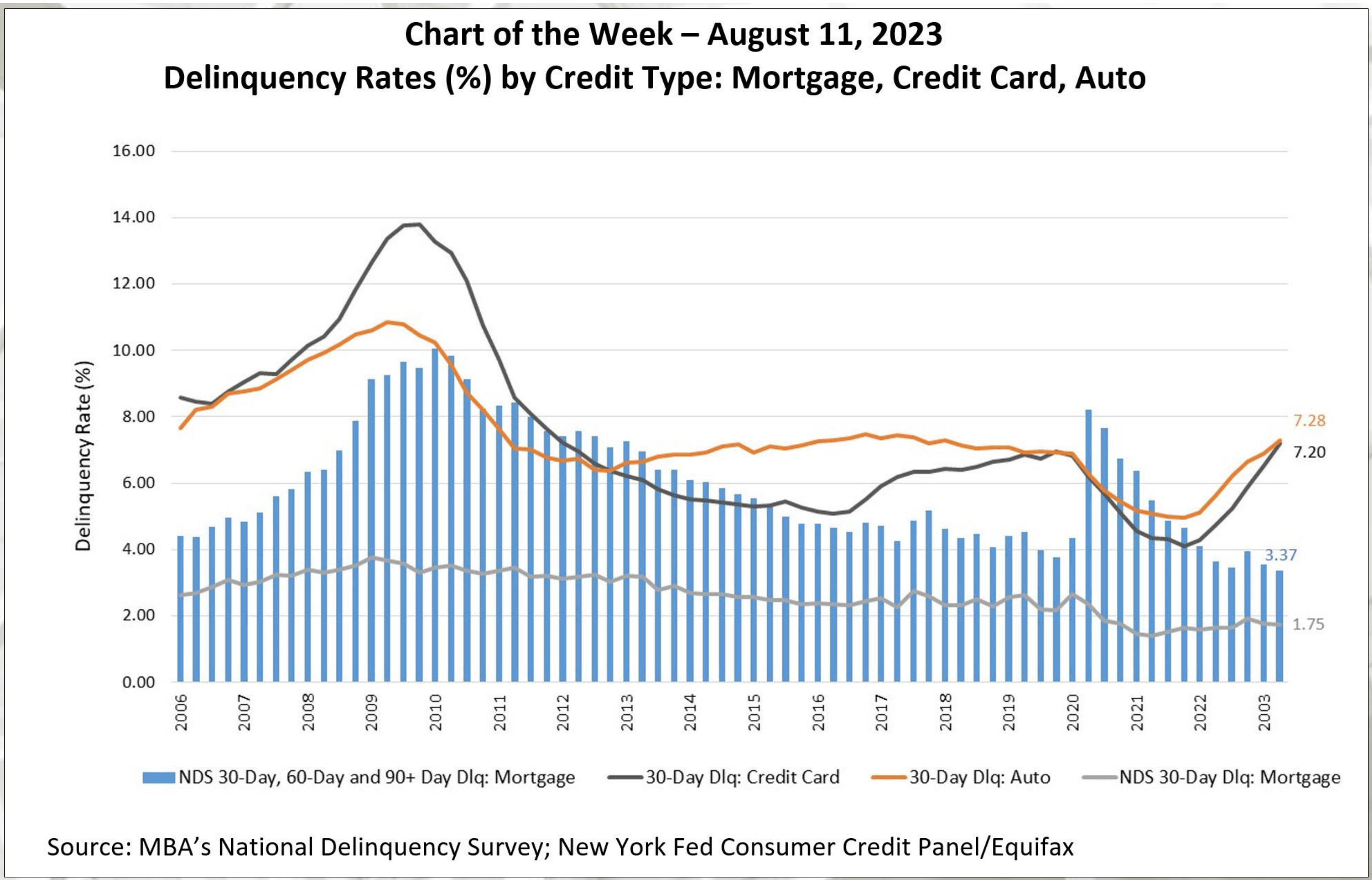
Mortgage Bankers Association (MBA)

Chart of the Week



Source: https://s3141176.t.en25.com/e/es; 8/11/23

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Mortgage Bankers Association (MBA)

Chart of the Week

"While rising delinquencies for credit cards and auto loans may signal possible consumer stress, mortgage loan performance has stayed remarkably resilient. Nonetheless, the NDS does reveal that overall delinquencies for FHA borrowers rose 10 basis points from the same quarter a year ago, and earliest-stage FHA delinquencies rose 53 basis points year-over-year. This suggests some additional distress among FHA borrowers compared to the prior year.

Notes on Definitions:

- MBA's overall delinquency rate tracks the number of loans that are contractually 30 days, 60 days, and 90+ days delinquent as of the end of the quarterly reporting period, and excludes loans in foreclosure. It is based on loan count.
- MBA's 30-day delinquency rate tracks the number of loans that are contractually 30 days delinquent as of the end of the quarterly reporting period. It is based on loan count.
- The NYFED Consumer Credit Panel / Equifax delinquency rate tracks the quarterly flow of debt balances transitioning into early delinquency (30+ days) by credit type." – Anh Doan, Senior Financial Analyst and Marina Walsh, CMB, Vice President of Industry Analysis; Research and Economics Department, MBA

Source: https://s3141176.t.en25.com/e/es; 8/11/23

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U.S. Census Bureau

NEW Business Formation Statistics

July 2023

Business Applications

"Business Applications for July 2023, adjusted for seasonal variation, were 469,557, an increase of 0.5 percent compared to June 2023.

Business Formations

Projected Business Formations (within 4 quarters) for July 2023, adjusted for seasonal variation, were 32,115, a decrease of 0.2 percent compared to June 2023. 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 32,115 new business startups with payroll tax liabilities will form within 4-quarters of application from all the business applications filed during July 2023. The 0.2 percent decrease indicates that for July 2023 there will be 0.2 percent fewer businesses projected to form within 4 quarters of application, compared to the analogous projections for June 2023." – U.S. Census Bureau

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 8/11/23

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Economics

U.S. Census Bureau

NEW Business Formation Statistics

July 2023

BUSINESS APPLICATIONS

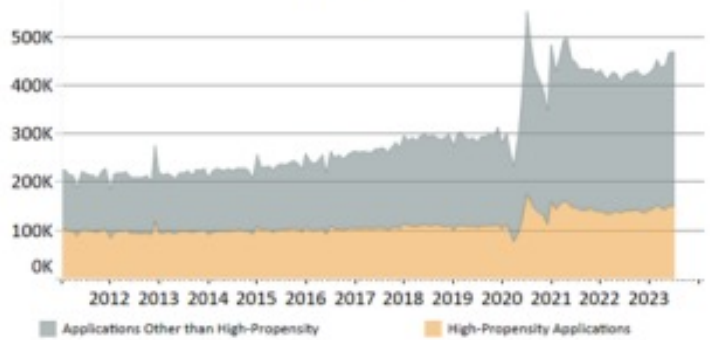
U.S. Business Applications:	JUL 2023	JUL 2023 / JUN 2023
Total	469,557	0.5%*
High-Propensity	149,734	-0.1%*
With Planned Wages	47,973	-0.8%*
From Corporations	49,093	1.8%*

Next release: September 18, 2023

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

Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, August 11, 2023



Source: U.S. Census Bureau, Business Formation Statistics, August 11, 2023

Business Applications - At a Glance

		US	Northeast	Midwest	South	West
Total	JUL 2023	469,557	68,673	76,856	210,459	113,569
	JUL 2023 / JUN 2023	+0.5%	+0.3%	+0.8%	-0.2%	+1.7%
High-Propensity	JUL 2023	149,734	24,053	23,420	64,114	38,147
	JUL 2023 / JUN 2023	-0.1%	+0.6%	-1.1%	-0.8%	+1.2%
With Planned Wages	JUL 2023	47,973	6,342	8,481	20,610	12,540
	JUL 2023 / JUN 2023	-0.8%	-0.6%	-3.2%	-1.1%	+1.5%
From Corporations	JUL 2023	49,093	11,241	6,182	17,274	14,396
	JUL 2023 / JUN 2023	+1.8%	+0.9%	-0.4%	+3.7%	+1.3%

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; 8/11/23

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Economics

U.S. Census Bureau

July 2023

BUSINESS FORMATIONS

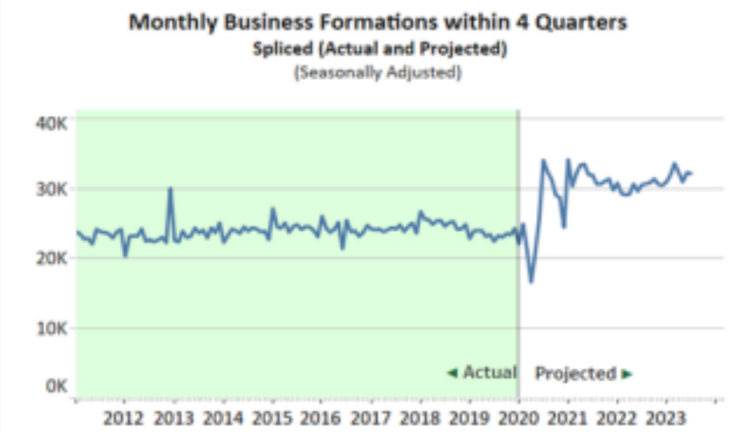
U.S. Total Projected Business Formations:	JUL 2023	JUL 2023 / JUN 2023
Within 4 Quarters	32,115	-0.2%*
Within 8 Quarters	41,826	0.2%*

Next release: September 18, 2023

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

Spliced - Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, August 11, 2023



Source: U.S. Census Bureau, Business Formation Statistics, August 11, 2023

Projected Business Formations - At a Glance

		US	Northeast	Midwest	South	West
Within 4 Quarters	JUL 2023	32,115	5,103	5,156	12,524	9,332
	JUL 2023 / JUN 2023	-0.2%	+0.1%	-1.2%	-1.1%	+1.3%
Within 8 Quarters	JUL 2023	41,826	6,674	6,635	16,520	11,997
	JUL 2023 / JUN 2023	+0.2%	+0.3%	-0.6%	-0.8%	+2.1%

Details may not equal totals due to rounding. Regions defined by Census Bureau Geography Program. Statistical significance is not applicable or not measurable.

Data adjusted for seasonality. Green Percentage changes are greater than zero (+). Red Percentage changes are less than zero (-). Z = absolute value < 0.05.

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 8/11/23

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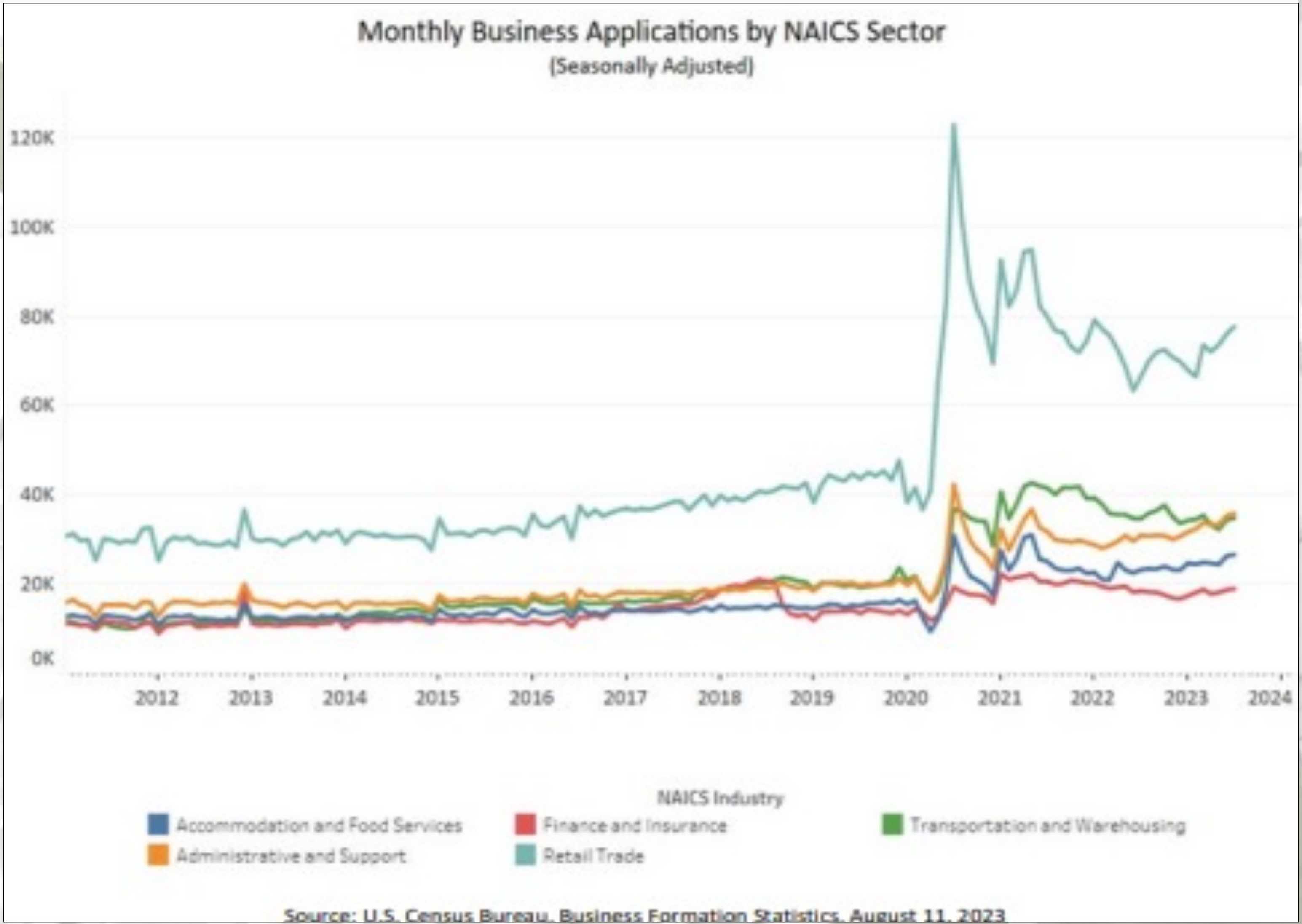
NEW Business Formation Statistics

July 2023



Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 8/11/23

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