

The Virginia Tech – U.S. Forest Service

January 2017

Housing Commentary: Section II



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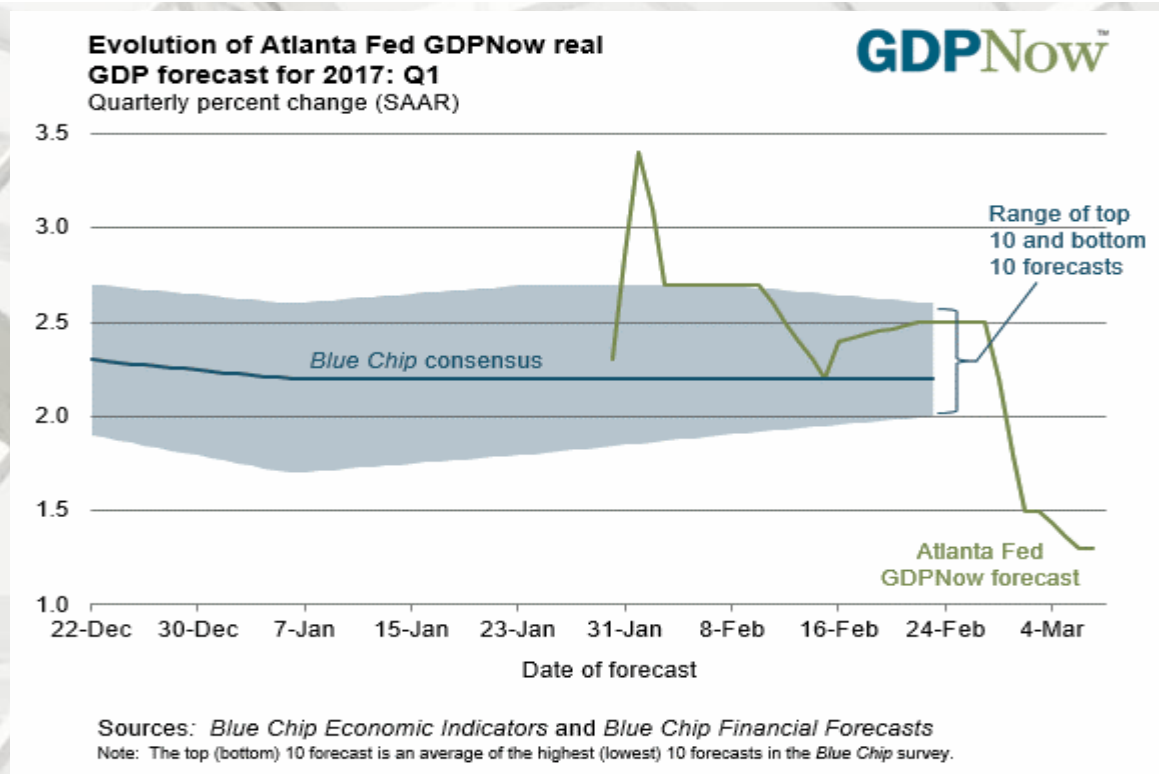
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Federal Reserve System and Private Indicators

U.S. Economic Indicators

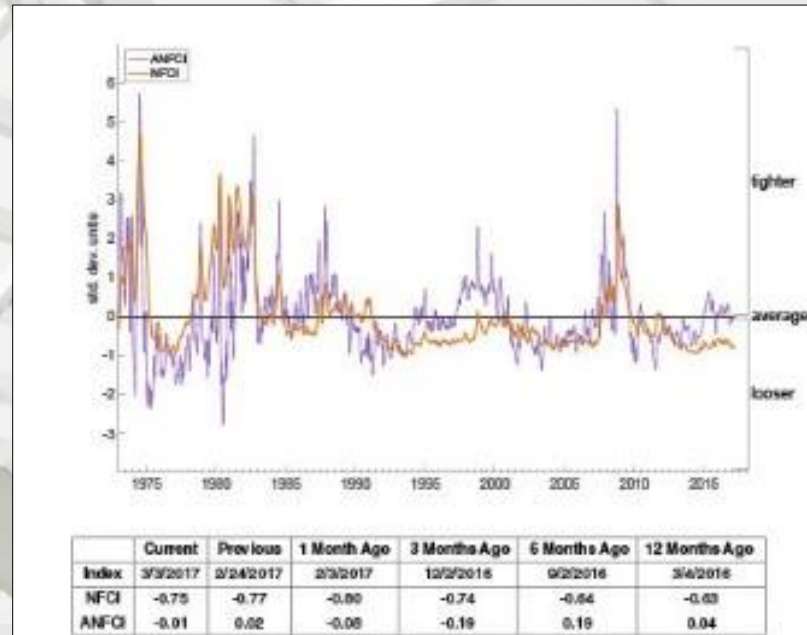


Atlanta Fed GDPNow™

Latest forecast: 1.2 percent — March 8, 2017

“The GDPNow model forecast for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2017 is **1.2 percent** on March 8, down from 1.3 percent on March 7. The forecast of the contribution of inventory investment to first-quarter growth fell from -0.72 percentage points to -0.79 percentage points after this morning's wholesale trade report from the U.S. Census Bureau.” – Pat Higgins, Economist, The Federal Reserve Bank of Atlanta

U.S. Economic Indicators



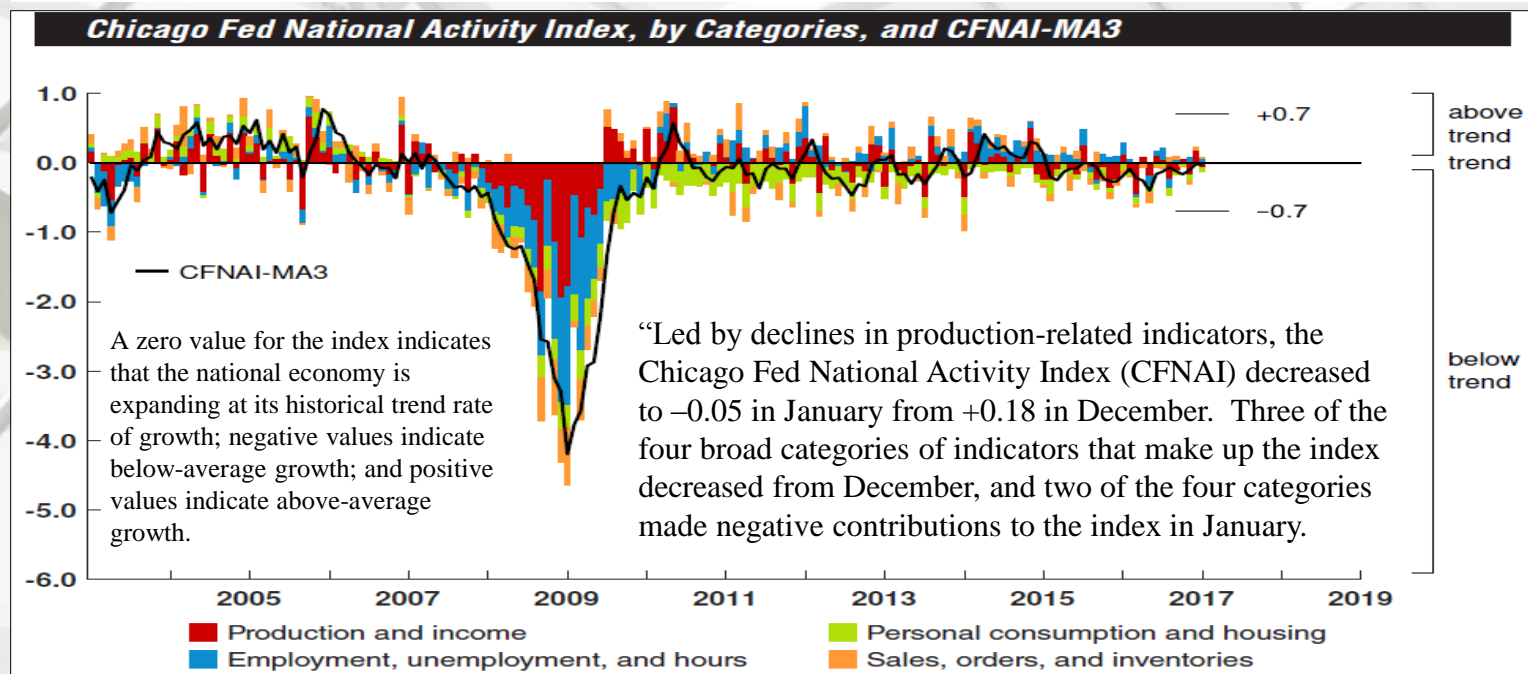
The Federal Reserve Bank of Chicago

Financial Conditions Little Changed in Week Ending Mar 3

“The NFCI edged up to -0.75 in the week ending March 3. The credit and leverage subindexes increased slightly from the previous week, while the risk and nonfinancial leverage subindexes were unchanged.

The ANFCI decreased slightly from the previous week, to -0.01 . The current level of the ANFCI indicates that financial conditions in the latest week were roughly consistent with what would typically be suggested by current economic conditions as captured by the three-month moving average of the Chicago Fed National Activity Index (CFNAI-MA3) and three-month total inflation according to the Price Index for Personal Consumption Expenditures (PCE).” – Scott Brave, Economic Research, The Federal Reserve Bank of Chicago

Chicago Fed: National Activity Index



Index shows economic growth decreased in January

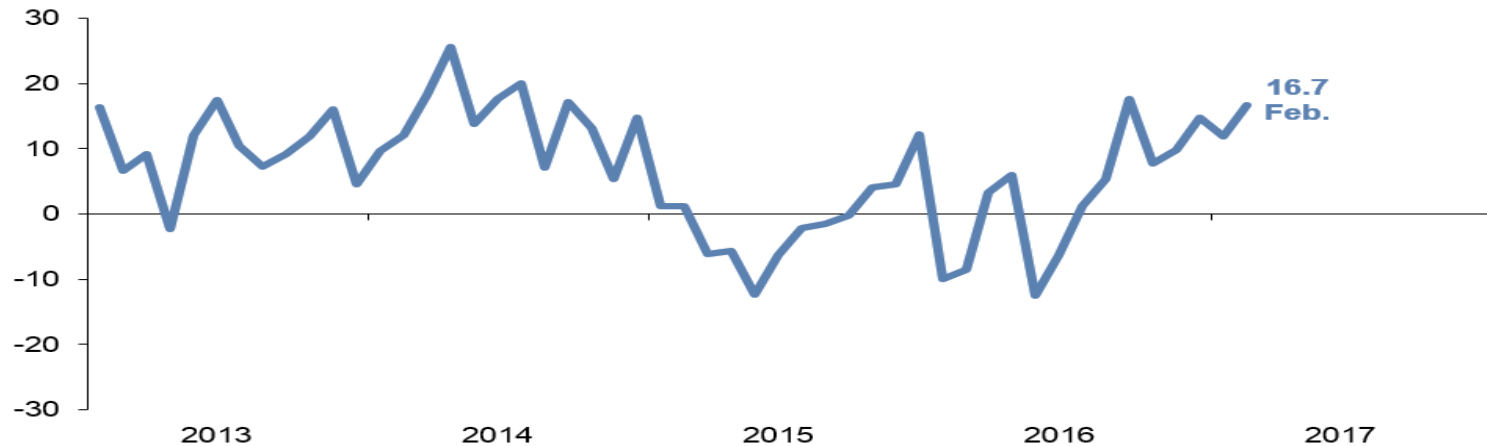
“The index’s three-month moving average, CFNAI-MA3, edged down to -0.03 in January from -0.02 in December. January’s CFNAI-MA3 suggests that growth in national economic activity was near its historical trend. The economic growth reflected in this level of the CFNAI-MA3 suggests limited inflationary pressure from economic activity over the coming year.

The CFNAI Diffusion Index, which is also a three-month moving average, ticked down to -0.04 in January from -0.03 in December. Thirty-six of the 85 individual indicators made positive contributions to the CFNAI in January, while 49 made negative contributions. Thirty-nine indicators improved from December to January, while 45 indicators deteriorated and one was unchanged. Of the indicators that improved, 14 made negative contributions.” – Laura LaBarbera, Media Relations, The Federal Reserve Bank of Chicago

U.S. Economic Indicators

Texas Manufacturing Outlook Survey Production Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

Growth in Texas Manufacturing Activity Continues

“Texas factory activity increased for the eighth consecutive month in February, according to business executives responding to the *Texas Manufacturing Outlook Survey*. The [production](#) index, a key measure of state manufacturing conditions, rose five points to 16.7, suggesting output growth picked up pace this month.

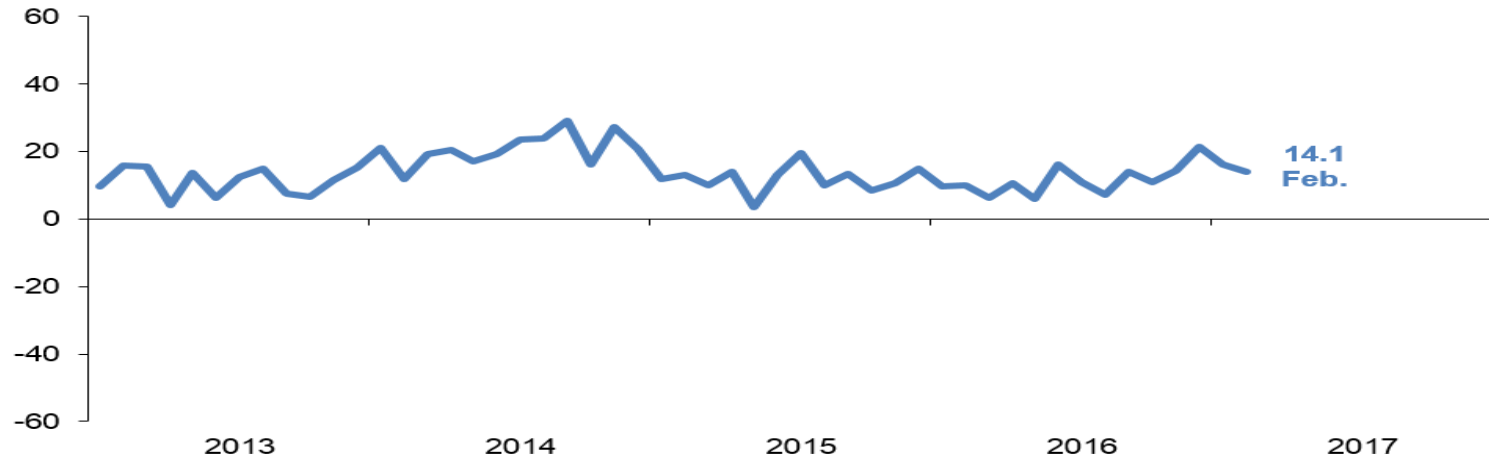
Other measures of current manufacturing activity also indicated expansion. The [new orders](#) and [growth rate of orders](#) indexes fell but remained positive, coming in at 11.6 and 2.0, respectively. The [shipments](#) index also moved down but stayed positive, posting a reading of 12.2 in February. The [capacity utilization](#) index rose from 9.1 to 14.7 this month.

Perceptions of broader business conditions improved again in February. The [general business activity](#) index returned to positive territory in October 2016 and has pushed further positive every month since, reaching 24.5 this month. The [company outlook](#) index posted a sixth consecutive reading above zero this month, but slipped slightly to 17.6.” – Emily Kerr, Business Economist, Federal Reserve Bank of Dallas

U.S. Economic Indicators

Texas Service Sector Outlook Survey Revenue Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

Texas Service Sector Activity Expands at a Slower Pace

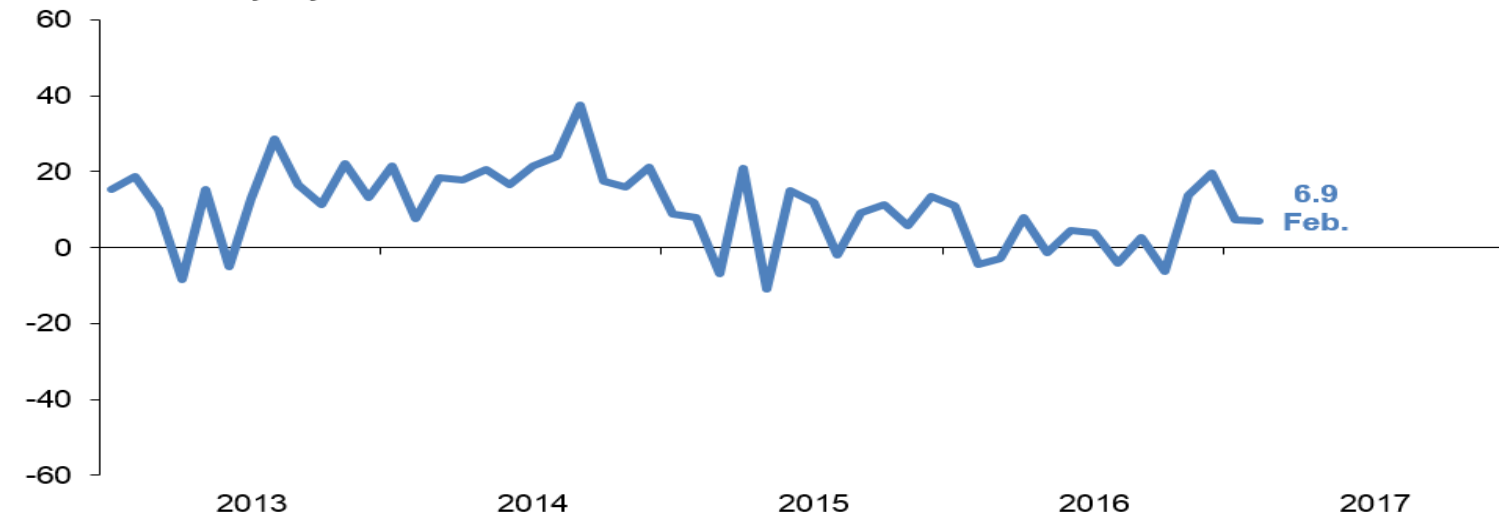
“Texas service sector activity continued to reflect expansion in February albeit at a slower pace, according to business executives responding to the Texas Service Sector Outlook Survey. Perceptions of broader economic conditions reflected less optimism in February. The [general business activity](#) index fell from 21.2 to 15.6. The [company outlook](#) index fell 6 points to 12.0, with 22 percent of respondents reporting that their outlook improved from last month and 10 percent noting it worsened.

Respondents’ expectations regarding future business conditions reflected slightly less optimism in February. The index of future [general business activity](#) moved down from 36.2 to 31.5. The index of future [company outlook](#) fell slightly from 33.0 to 29.6. Indexes of future service sector activity, such as future [revenue](#) and [employment](#), continued to reflect optimism this month.” – Amy Jordan, Assistant Economist, Federal Reserve Bank of Dallas

U.S. Economic Indicators

Texas Retail Outlook Survey Sales Index

Index, seasonally adjusted



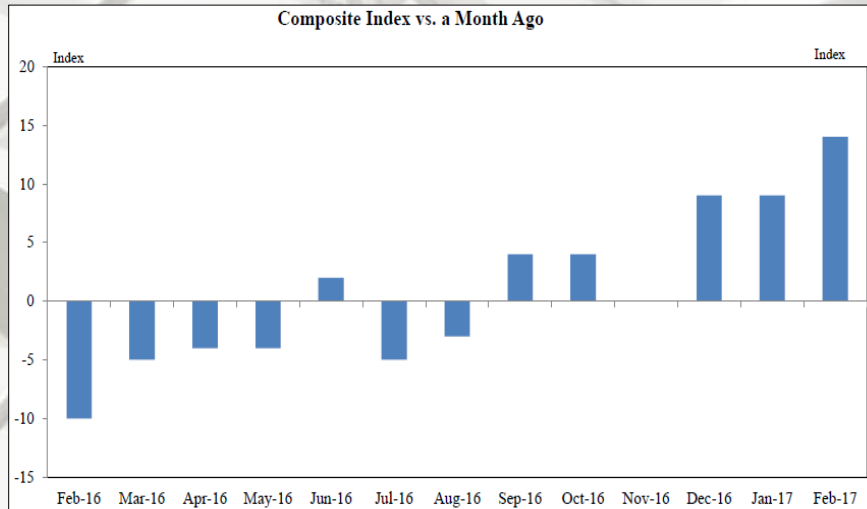
The Federal Reserve Bank of Dallas

Retail Sales Continue to Expand

“Retail sales grew in February, according to business executives responding to the Texas Retail Outlook Survey. The [sales](#) index came in at 6.9 in February, largely unchanged from January. [Inventories](#) increased at a faster pace this month. Retailers’ perceptions of broader economic conditions reflected less optimism in February. The [general business activity](#) index retreated from 21.8 to 8.4. The [company outlook](#) index fell 3 points to 13.1, with 22 percent of respondents reporting that their outlook improved from last month and 9 percent noting that it worsened.

Retailers’ perceptions of future broader economic conditions reflected less optimism in February. The index of future [general business activity](#) declined from 40.2 to 30.7. The index of future [company outlook](#) edged down from 29.9 to 28.5. Indexes of future retail sector activity continued to reflect optimism this month.” – Amy Jordan, Assistant Economist, Dallas Fed

U.S. Economic Indicators



Tenth District Manufacturing Summary

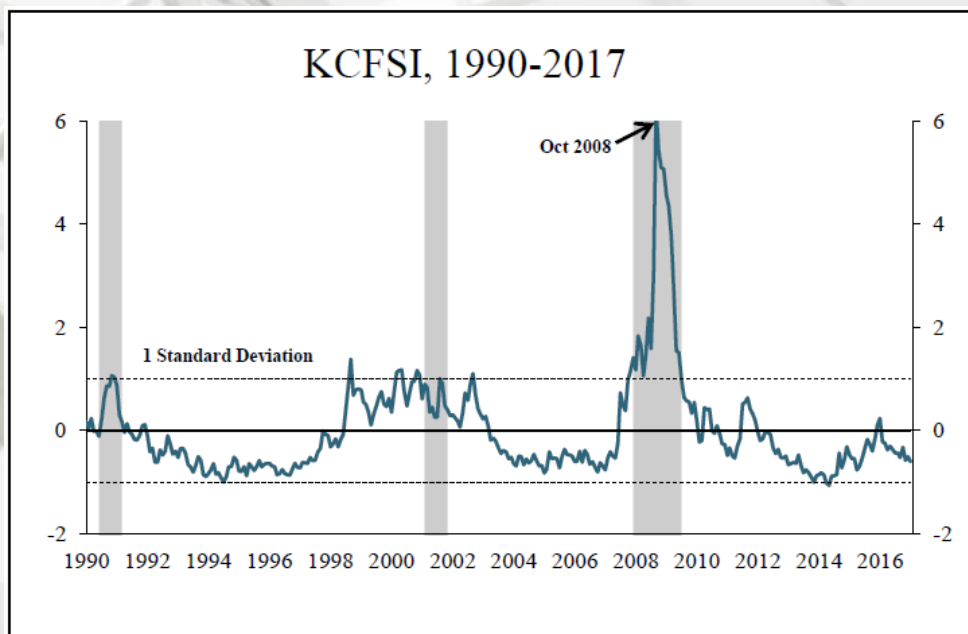
“Tenth District manufacturing activity expanded further in February to its highest composite reading since June 2011, and producers’ expectations for future activity remained very strong. Most price indexes recorded little change, with the exception of expected input prices which increased markedly.” – Pam Campbell, Federal Reserve Bank of Kansas City

The Federal Reserve Bank of Kansas City Tenth District Manufacturing Activity Expanded Further

“This was the highest reading for our month-over-month composite index since June 2011. In addition, the future composite index was the highest since our survey switched to a monthly frequency in 2001.” – Chad Wilkerson, Vice President and Economist, The Federal Reserve Bank of Kansas City

“The month-over-month composite index was 14 in February, its highest reading since June 2011, up from 9 in both January and December. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Activity in both durable and nondurable goods plants increased, particularly for metals, machinery, computer, and electronic products. Most month-over-month indexes improved moderately in February. The new orders, order backlog, and employment indexes all edged higher, and the new orders for exports index moved into positive territory for the first time in over a year. On the other hand, the production and shipments indexes eased slightly but remained at solid levels. The finished goods inventory index rose from -4 to 5, and the raw materials inventory index also moved into positive territory.” – Pam Campbell, The Federal Reserve Bank of Kansas City

U.S. Economic Indicators

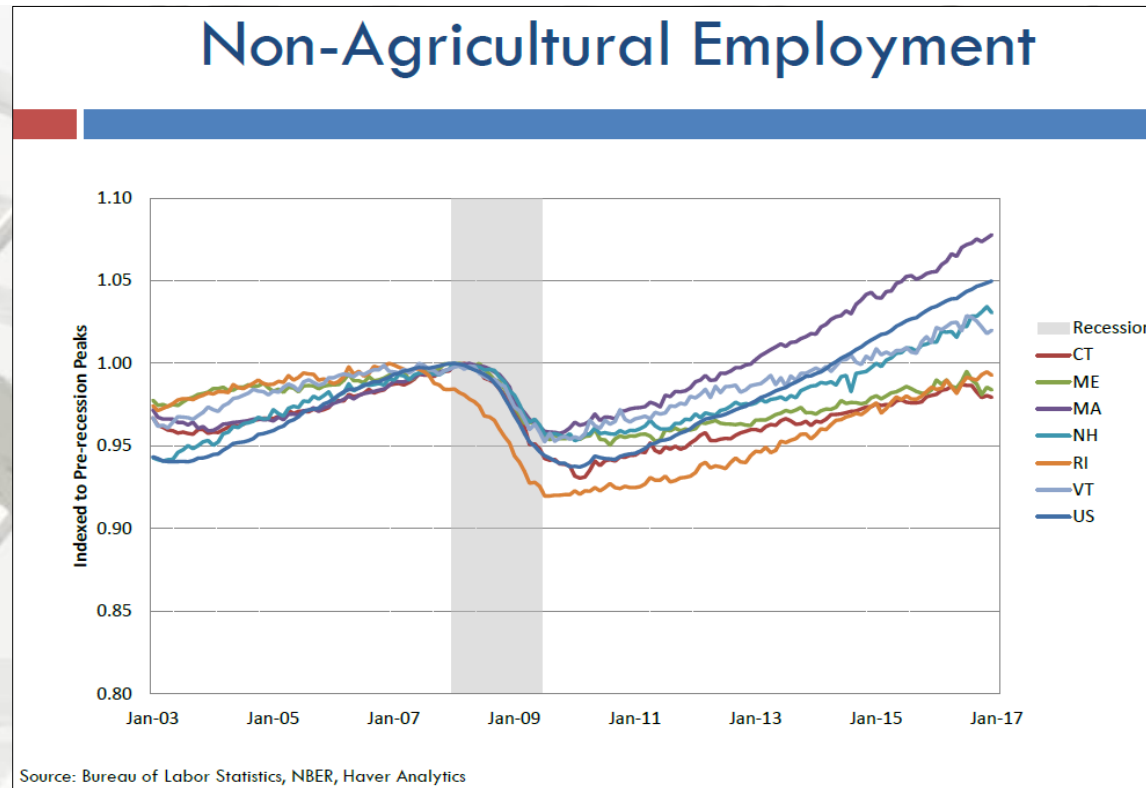


The Federal Reserve Bank of Kansas City The KCFSI suggests financial stress remains low

“The Kansas City Financial Stress Index (KCFSI) decreased from -0.51 in January to -0.61 in February.

The KCFSI is constructed to have a mean value of zero and a standard deviation of one. A positive value of the KCSFI indicates that financial stress is above the long-run average, while a negative value signifies that financial stress is below the long-run average. A useful way to assess the level of financial stress is to compare the index in the current month to the index during a previous episode of financial stress, such as October 2008.” – Bill Medley, Media Relations, The Federal Reserve Bank of Kansas City

U.S. Economic Indicators

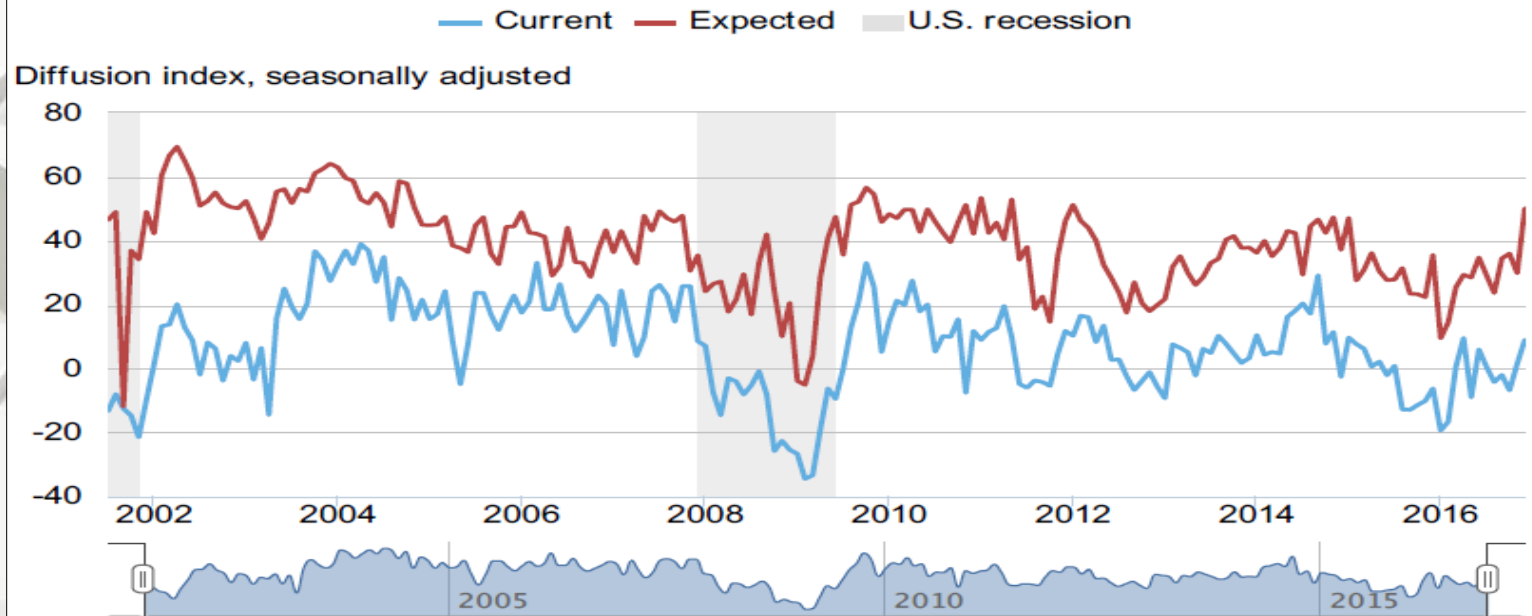


New England Economic Update

“The labor market in New England remains steady but with performance mixed across states and sectors. Inflation has risen, primarily due to shelter and energy costs. House prices have increased in the region compared to one year ago, approaching the national trend. Consumers appear less confident about the economic outlook. New England’s labor market still exhibits growth in employment and declines in unemployment. Continued rise in overall inflation. Housing price growth persists, with an increase in the growth rate. Consumer sentiment is fairly positive about the present economy but shows concern about the future.” – Osborne Jackson, Senior Economist, The Federal Reserve Bank of New England

U.S. Economic Indicators

General Business Conditions



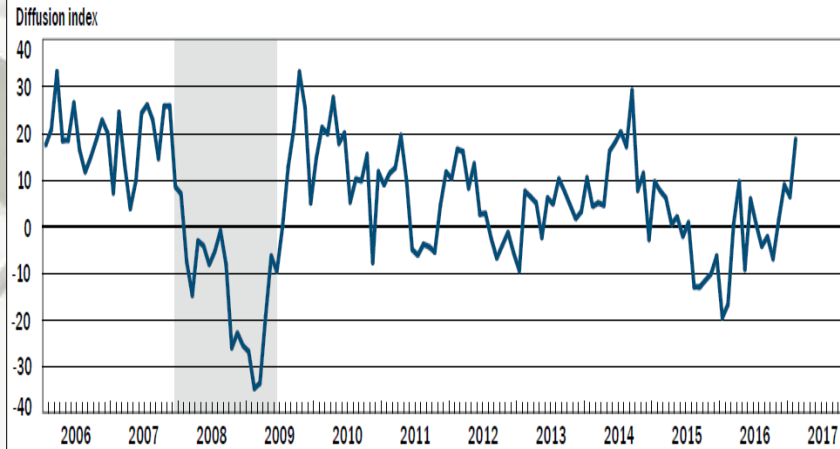
Empire State Manufacturing Survey

Business Activity Steadies

“Business activity grew modestly in New York State, according to firms responding to the January 2016 *Empire State Manufacturing Survey*. The headline general business conditions index climbed eight points to 9.0. The new orders index rose to 11.4, and the shipments index was unchanged at 8.5. Labor market conditions remained weak, with manufacturers reporting declines in employment and hours worked. Inventories continued to fall, and delivery times shortened. The prices paid index rose seven points, pointing to a pickup in input price increases, while the prices received index showed only a slight increase in selling prices. Indexes for the six-month outlook conveyed a high degree of optimism about future conditions, with the index for future business conditions rising to its highest level in nearly five years.” – The Federal Reserve Bank of New York

U.S. Economic Indicators

General Business Conditions
Seasonally Adjusted



Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Empire State Manufacturing Survey

“Manufacturing firms in New York State reported that business activity expanded at the fastest pace since 2014. The general business conditions index climbed twelve points to 18.7, its fourth consecutive positive reading. Thirty-three percent of respondents reported that conditions had improved over the month, while fourteen percent reported that conditions had worsened.” – The Federal Reserve Bank of New York

Business Growth Gains Momentum

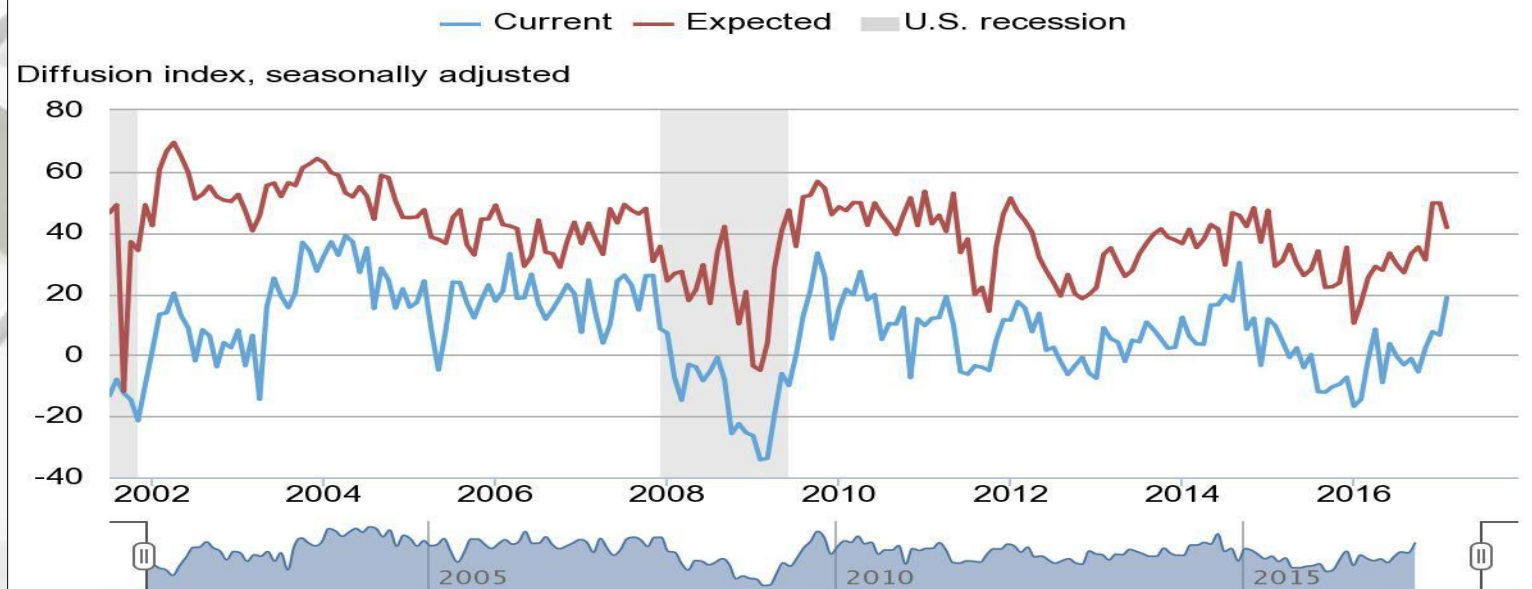
“The new orders index rose ten points to 13.5, and the shipments index climbed eleven points to 18.2, pointing to a solid increase in both orders and shipments. The unfilled orders index turned positive for the first time since 2011. The delivery time index rose to 7.1, a sign of longer delivery times, and the inventories index, at 3.1, suggested that inventory levels were slightly higher.”

Firms Remain Optimistic

“Indexes for the six-month outlook suggested that respondents remained highly optimistic about future conditions. The index for future business conditions dropped eight points, but at 41.7, remained high by historical standards. The indexes for future employment and the future average workweek indicated that firms expected strong growth in employment and hours worked in the months ahead. The capital expenditures index edged down to 22.4, and the technology spending index moved up modestly to 16.3.” – The Federal Reserve Bank of New York

U.S. Economic Indicators

General Business Conditions



Business Leaders Survey

“Business activity expanded at a solid clip in New York State, according to firms responding to the February 2017 *Empire State Manufacturing Survey*. The headline general business conditions index rose twelve points to 18.7, its highest level in more than two years. The new orders index climbed to 13.5, and the shipments index advanced to 18.2, pointing to substantial increases in both orders and shipments. The unfilled orders index rose above zero for the first time in more than five years. Delivery times were reported as longer, and inventories increased. Labor market conditions improved, with both employment and hours worked moving higher. After reaching multiyear highs last month, the prices paid and prices received indexes were little changed. Indexes assessing the six-month outlook continued to convey a high degree of optimism about future conditions.” – The Federal Reserve Bank of New York

U.S. Economic Indicators

The Regional Economy Is off to a Good Start in 2017

“The New York Fed’s latest [Beige Book](#) report, ..., shows the regional economy gathering steam in early 2017. The report, based on information collected through February 17, suggests the regional economy, which had been essentially flat for the second half of 2016, saw growth pick up to a modest pace at the start of the year.

Manufacturers, in particular, note a sharp rise in activity, as do businesses in wholesale distribution and transportation. Consequently, the market for industrial and warehouse space was pretty robust in the opening weeks of 2017. Meanwhile, businesses in most service industries continue to report steady to moderately expanding activity. And even though consumer spending has remained fairly subdued, consumer confidence climbed to highs not seen in more than a decade. All in all, it appears the regional economy has gotten off to a good start in 2017.

As for prices, a growing number of businesses say their input costs have been rising. So far, however, these firms are mostly holding the line on the prices we all pay for goods and services.” – Jaison Abel and Jason Bram, research offices, Research and Statistics Group, The Federal Reserve Bank of New York

U.S. Economic Indicators

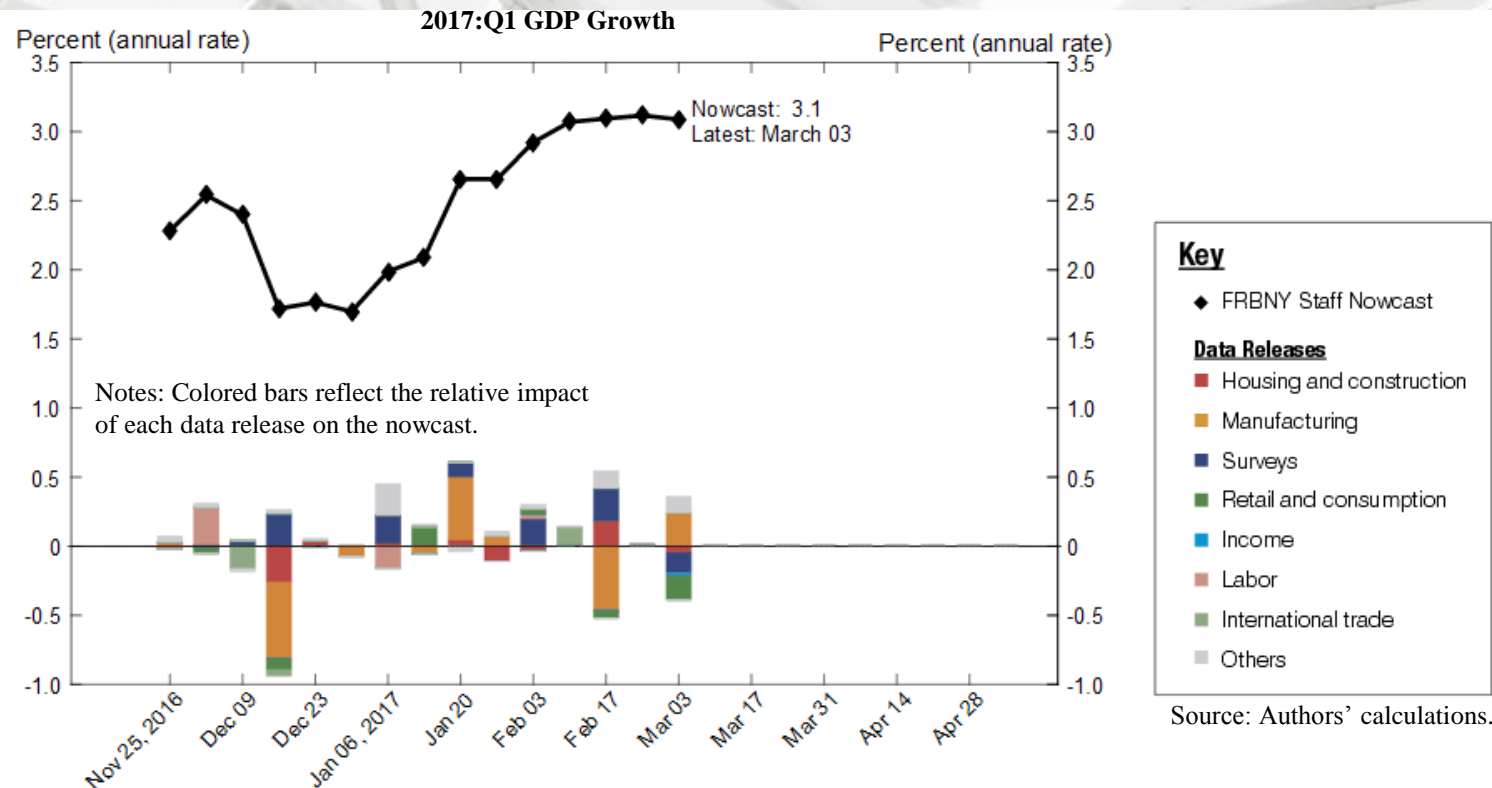
The Regional Economy Is off to a Good Start in 2017

“There have been some interesting crosscurrents in residential real estate. New York City’s housing market — one of the hottest in the nation in recent years — has cooled considerably, with both rents and selling prices of apartments slipping, especially at the high end. Meanwhile, housing markets in some of the city’s suburbs and parts of upstate New York have recently been the strongest in the region.

Overall, the latest Beige Book report indicates the regional economy has gotten off to a good start in 2017. And, for that matter, so has the [national economy](#). Whether this momentum can be sustained in the months ahead remains to be seen. The next Beige Book report, to be released on April 19, will provide additional information on the region’s economic performance.” – Jaison Abel and Jason Bram, research offices, Research and Statistics Group, The Federal Reserve Bank of New York

U.S. Economic Indicators

The Federal Reserve Bank of New York



- “The FRBNY Staff Nowcast stands at 3.1% for 2017:Q1.
- This week’s news had on balance a negligible impact on the nowcast.
- Negative contributions from personal consumption expenditures and ISM manufacturing were offset by the positive impact of lower than expected inventories of manufacturers and merchant wholesalers.”

U.S. Economic Indicators

The Federal Reserve Bank of New York The FRBNY DSGE Model Forecast — February 2017

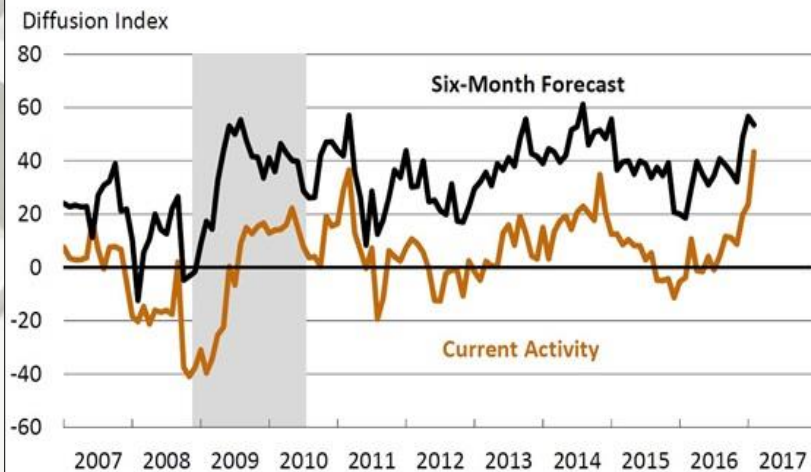
Model Forecast								
	2017		2018		2019		2020	
	Feb	Nov	Feb	Nov	Feb	Nov	Feb	Nov
GDP growth (Q4/Q4)	2.2	2.2	2.5	2.5	2.6	2.7	2.5	2.6
Core PCE inflation (Q4/Q4)	1.4	1.2	1.4	1.3	1.5	1.4	1.7	1.5
Real natural rate of interest (Q4)	0.5	0.4	0.9	0.7	1.1	1.0	1.3	1.2
Output gap (Q4)	-1.4	-1.3	-1.3	-1.9	-1.1	-1.8	-0.9	-1.2

How do the latest forecasts compare with the November forecasts?

- “The current GDP growth forecast is somewhat stronger than its November counterpart in the short run ... mainly because the financial market spread between Baa corporate and Treasury securities narrowed since the elections. Nevertheless, the growth forecast is roughly unchanged on a year-over-year basis for 2017, as well as in the medium and longer run.
- The current forecast for core PCE (personal consumption expenditures) inflation is slightly higher than in November in spite of the low core inflation numbers for the fourth quarter of 2016, as wages are expected to grow at a firmer pace than in November and the output gap is projected to narrow at a somewhat faster pace. The modal forecast for core PCE inflation remains below the 2 percent Federal Open Market Committee long-run inflation objective.” — Marco Del Negro (et al.), Vice President, Research and Statistics Group, The Federal Reserve Bank of New York

U.S. Economic Indicators

Current and Future General Activity Indexes
January 2007 to February 2017



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.

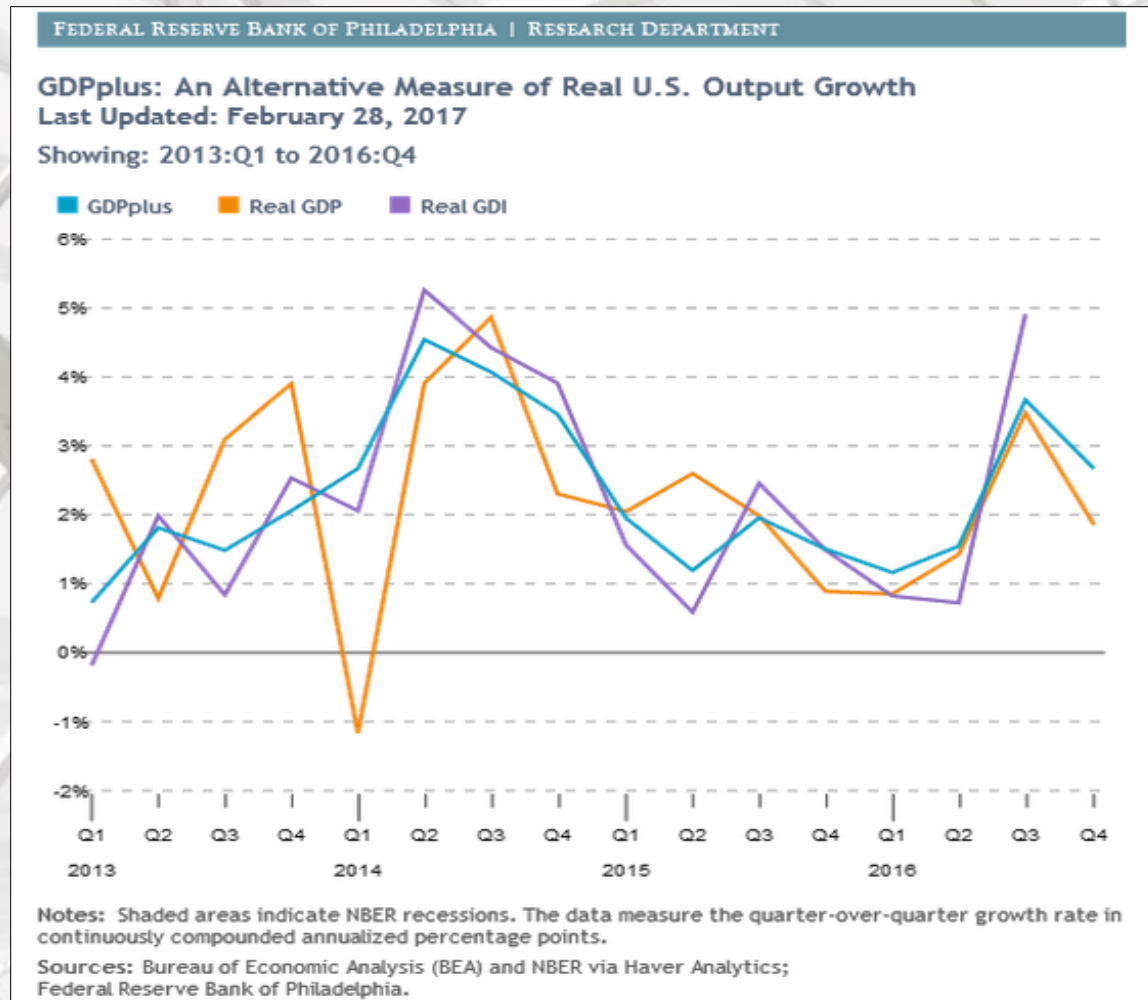
Introduction

“Results from the *February Manufacturing Business Outlook Survey* suggest that growth in regional manufacturing is broadening. The diffusion indexes for general activity, new orders, and shipments were all positive this month and increased notably from their readings last month. The surveyed firms continued to report growth in employment and work hours. Although they moderated from last month, the future indexes for growth over the next six months continued to reflect a high degree of optimism.” – Philadelphia Fed

February 2017 Manufacturing Business Outlook Survey Current Indicators Suggest Broadening Expansion

“The index for current manufacturing activity in the region increased from a reading of 23.6 in January to 43.3 this month and has remained positive for seven consecutive months (see Chart). The share of firms reporting growth continues to increase: More than 48 percent of the firms reported increases in activity this month compared with 40 percent last month. The index for current new orders increased 12 points this month (with 44 percent of the firms reporting increases and just 6 percent reporting decreases). The shipments index increased 8 points. Other broad indicators also corroborate growth. Both the delivery times and unfilled orders indexes were positive for the fourth consecutive month, suggesting longer delivery times and an increase in unfilled orders.” – Mike Trebing, Senior Economic Analyst, Federal Reserve Bank of Philadelphia

Philadelphia Fed: GDPplus



GDPplus is a measure of the quarter-over-quarter rate of growth of real GDP in annualized percentage points. It improves on the BEA's expenditure- and income-side measures, GDP_E and GDP_I, respectively. GDP_E is the “standard” GDP measure used routinely, whereas GDP_I is little used, but each contains useful information.

U.S. Economic Indicators

The Federal Reserve Bank of Richmond

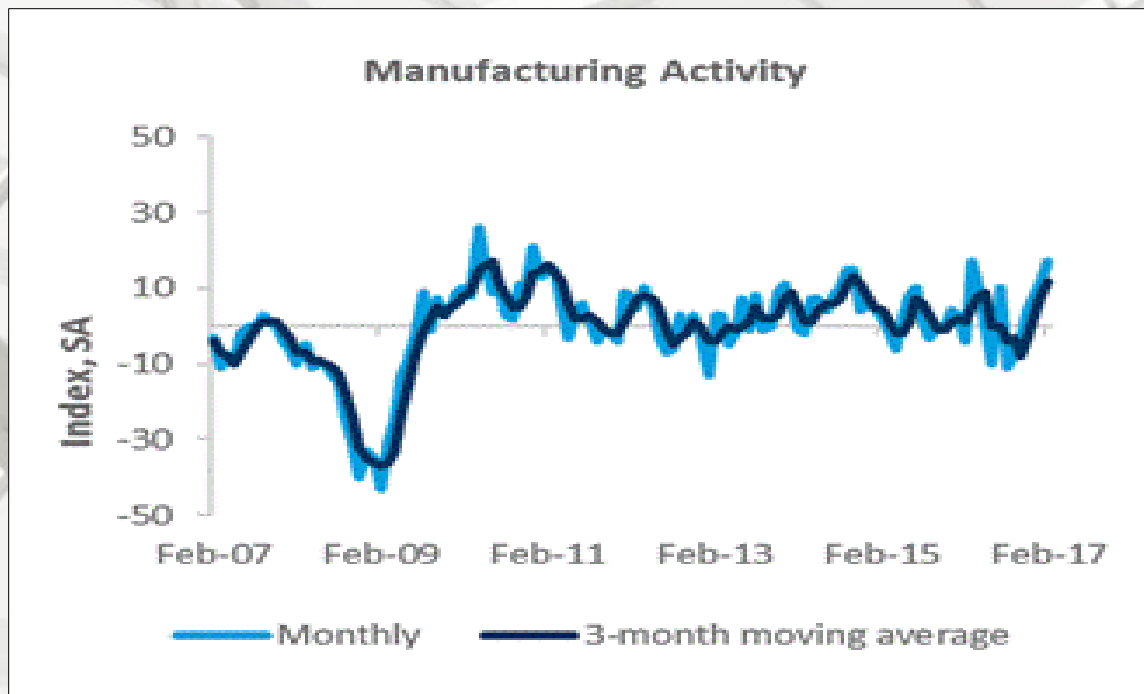
Manufacturing Activity Expanded; Capacity Utilization Rose Sharply

“Fifth District manufacturing activity expanded in February, as shipments increased and the volume of new orders rose broadly, according to the latest survey by the Federal Reserve Bank of Richmond. Employment gains were more common and longer workweeks prevailed. Wage increases were more widespread. Prices paid for inputs rose more rapidly than in January, and prices received also accelerated.

Looking to the six months ahead, manufacturing executives anticipated robust business conditions, with strong growth in shipments and new orders, along with higher capacity utilization. Expectations moderated for vendor lead times. Manufacturers' outlook on employment was similar to a month ago, with expectations for increased hiring and additional wage growth.

Survey respondents expected prices of inputs to moderate compared to the current month and prices received to rise slightly faster in the six months ahead.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

U.S. Economic Indicators



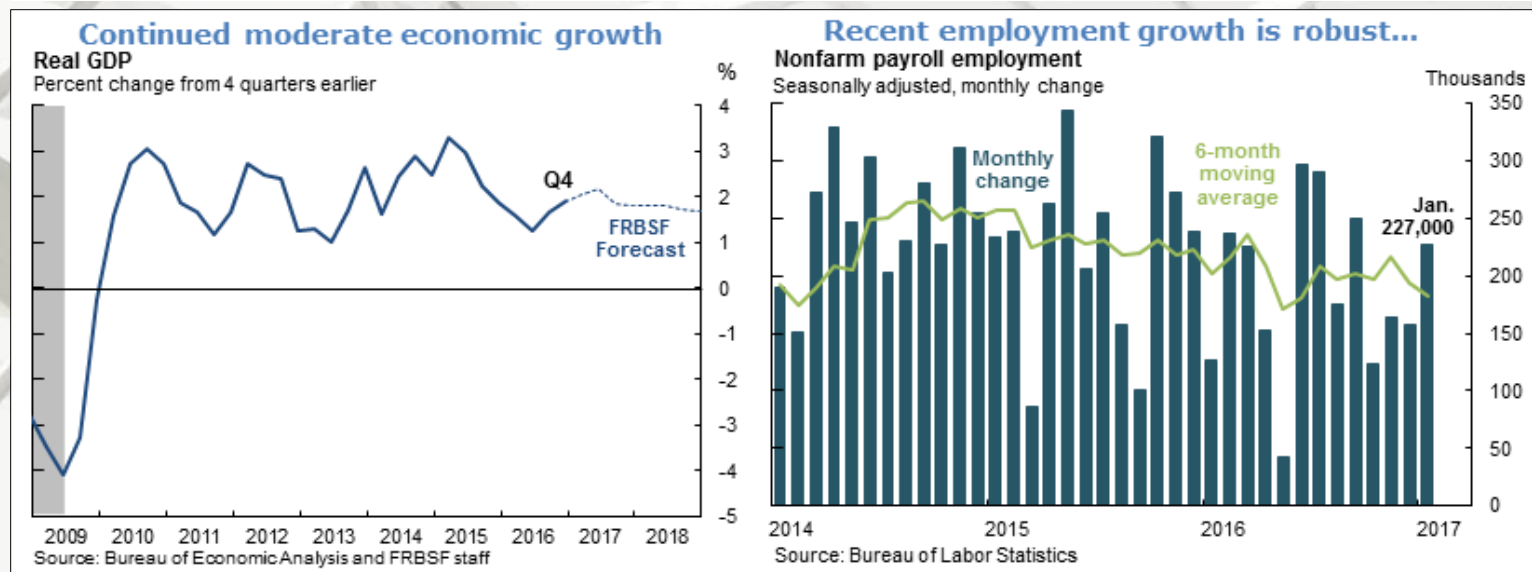
Current Activity

“Manufacturing activity strengthened in February, pushing the composite index to 17 from the previous reading of 12. The shipments gauge moved three points higher, to settle at a reading of 16, and the index for the volume of new orders jumped to 24 from 15. The backlog of orders also picked up, with that index moving to 8 from 4. Vendor lead times lengthened, with the indicator rising to 9 from January's reading of 5. Finally, the index for capacity utilization nearly doubled from the previous reading, finishing the survey period at 15.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

U.S. Economic Indicators



U.S. Economic Indicators

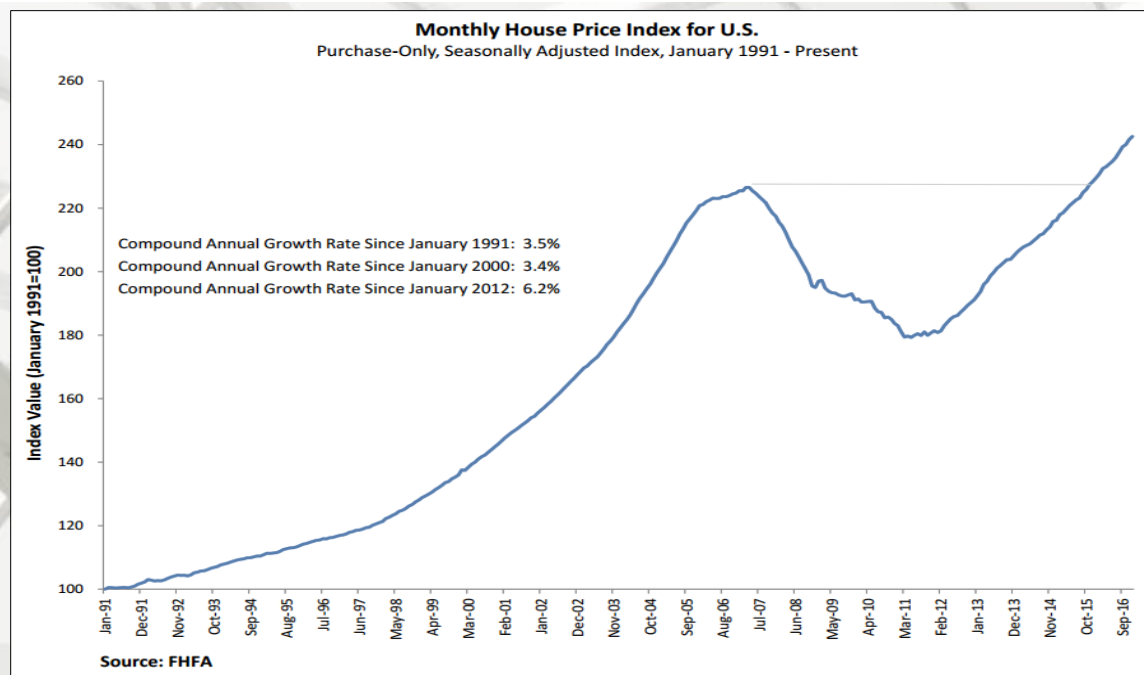


The Federal Reserve Bank of San Francisco

“Real GDP ended 2016 growing at an annual pace of just under 2%, consistent with an ongoing moderate expansion. Looking ahead, we expect GDP growth to continue at a similar or slightly lower rate, between 1½% and 2% over the next couple of years.

There is a great deal of uncertainty about whether a tax reform package will be enacted and about its size, timing, and details. That said, our baseline expectation is that a tax reform plan aimed at base broadening and rate reductions will be enacted later this year. We have penciled in a modest boost from tax reform of 0.1% to 0.2% per year to real GDP growth through boosts to consumer spending and corporate investment over the next few years.” – Daniel Wilson, Research Advisor, The Federal Reserve Bank of San Francisco

U.S. Economic Indicators



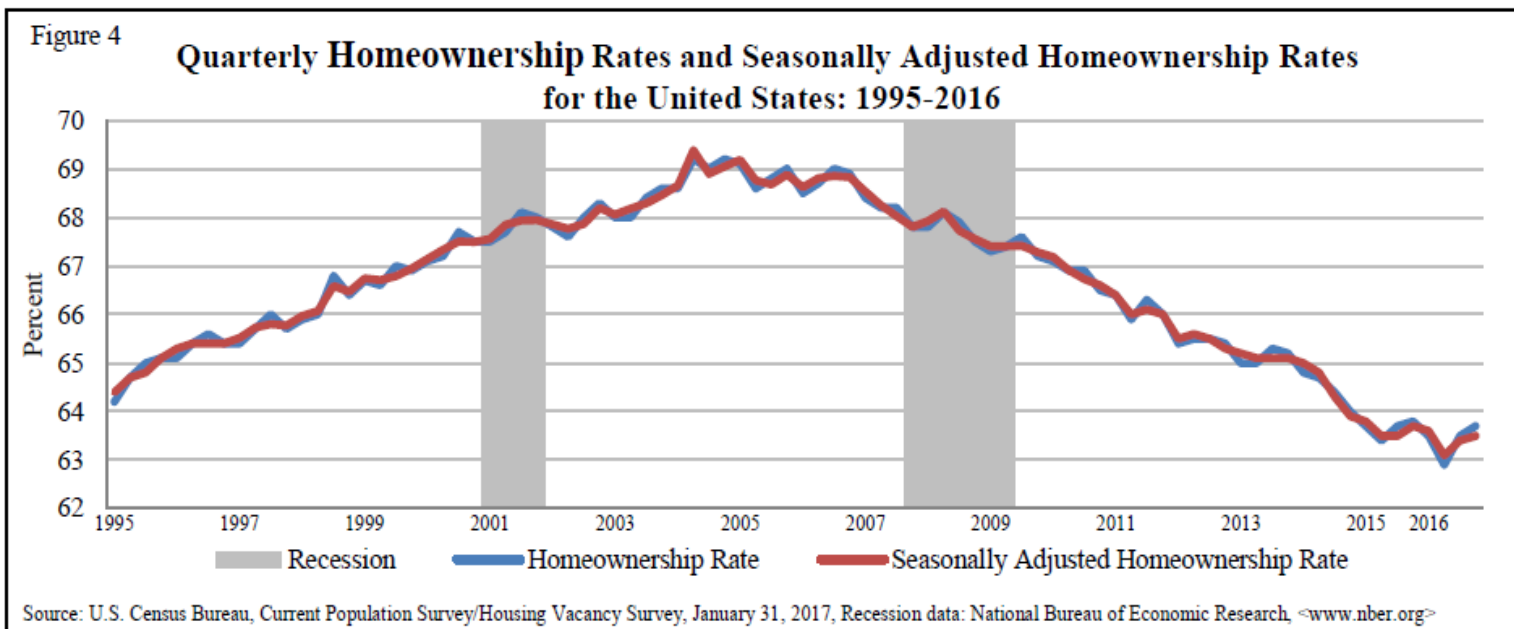
FHFA House Price Index

U.S. House Prices Rise 1.5 Percent in Fourth Quarter

“U.S. house prices rose **1.5 percent** in the fourth quarter of 2016 according to the Federal Housing Finance Agency (FHFA) House Price Index (HPI). House prices rose 6.2 percent from the fourth quarter of 2015 to the fourth quarter of 2016. FHFA’s seasonally adjusted monthly index for December was up **0.4 percent** from November.” – Stefanie Johnson and Corinne Russell, FHFA

Although interest rates rose sharply during the fourth quarter, our data show no signs of a home price slowdown. Although it will certainly take more time for the full effects of the elevated interest rates to be felt, there is no evidence of a normalization in the unusually low inventories of homes available for sale, which has been the primary force behind the extraordinary price gains.” – Andrew Leventis, Deputy Chief Economist, FHFA

U.S. Economic Indicators



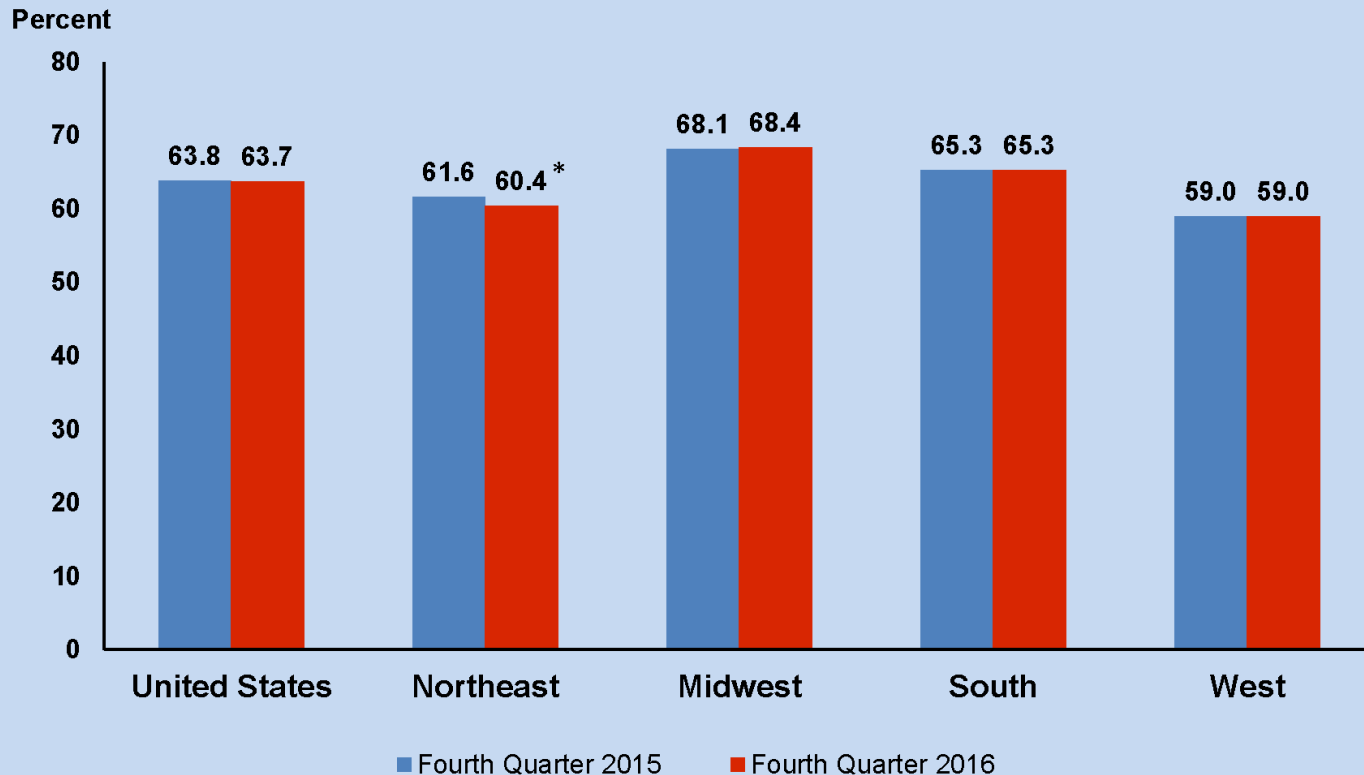
Quarterly Residential Vacancies and Homeownership, 4th Quarter 2016

“The homeownership rate of 63.7 percent was not statistically different from the rate in the fourth quarter 2015 (63.8 percent) or the rate in the third quarter 2016 (63.5 percent). National vacancy rates in the fourth quarter 2016 were 6.9 percent for rental housing and 1.8 percent for homeowner housing. The rental vacancy rate of 6.9 percent was not statistically different from the rate in the fourth quarter 2015 (7.0 percent) or the rate in the third quarter 2016 (6.8 percent). The homeowner vacancy rate of 1.8 percent was not statistically different from the rate in the fourth quarter 2015 (1.9 percent) or the rate in the third quarter 2016 (1.8 percent).” – Robert Callis and Melissa Kresin, Social, Economic & Housing Statistics Division, Financial & Market Characteristics Branch

Using the Current Population Survey/Housing Vacancy Survey, household formations increased by 805,000. Renter formations were 434,000 (54%) and owner formations were 370,000 (46%). Note that the CPS/HVS data are for estimating houses and not household formations.

U.S. Economic Indicators

Homeownership Rates by Region



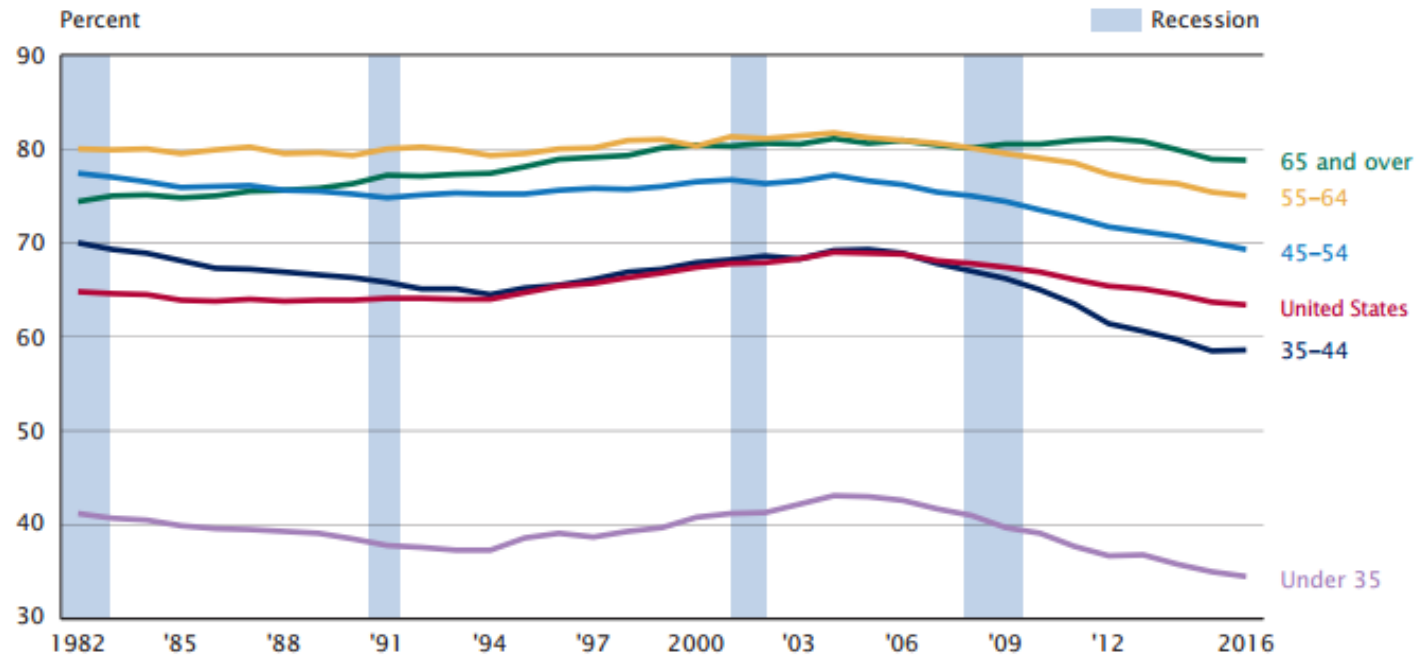
* Denotes a statistically significant change from the rate last year

Source: Current Population Survey/Housing Vacancy Survey, Series H-111, U.S. Census Bureau, Washington, DC 20233

U.S. Economic Indicators

Figure 7.

Annual Homeownership Rates for the United States by Age Group: 1982–2016



Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, February 21, 2017; recession data from the National Bureau of Economic Research, <www.nber.org>.

U.S. Economic Indicators

Table 3. Estimates of the Total Housing Inventory for the United States: Fourth Quarter 2015 and 2016^a

(Estimates are in thousands, percent distribution may not add to total due to rounding)

Type	Fourth Quarter 2015 (r)	Fourth Quarter 2016	Difference Between Estimates	Margins of Error ^b		Percent of total (2016)
				of 2016 estimate	of difference	
All housing units.....	135,064	135,884	820	X	X	100.0
Occupied.....	117,838	118,643	805	172	162	87.3
Owner.....	75,234	75,604	370	628	429	55.6
Renter.....	42,604	43,038	434	570	440	31.7
Vacant.....	17,225	17,242	17	365	325	12.7
Year-round.....	13,021	12,940	-81	357	309	9.5
For rent.....	3,235	3,215	-20	159	179	2.4
For sale only.....	1,447	1,400	-47	90	114	1.0
Rented or Sold.....	1,015	993	-22	69	98	0.7
Held off Market.....	7,325	7,332	7	275	239	5.4
For Occ'l Use.....	2,026	2,170	144	153	131	1.6
Temp Occ by URE...	1,417	1,472	55	127	109	1.1
Other ^c	3,882	3,690	-192	199	175	2.7
Seasonal.....	4,203	4,302	99	238	207	3.2

U.S. Economic Indicators: Global

What is an open economy?

A country with an open economy typically has many trading partners and trade is a large percentage of its **GDP**.

Mexico GDP is heavily dependent on trade

Mexico is one of the world's most open economies with trade agreements with **46** countries



World trade* isn't growing as rapidly as before ...



Why?

- Weak economic growth
- Reduced demand for imports
- Lower commodity prices
- Rise of anti-trade sentiment

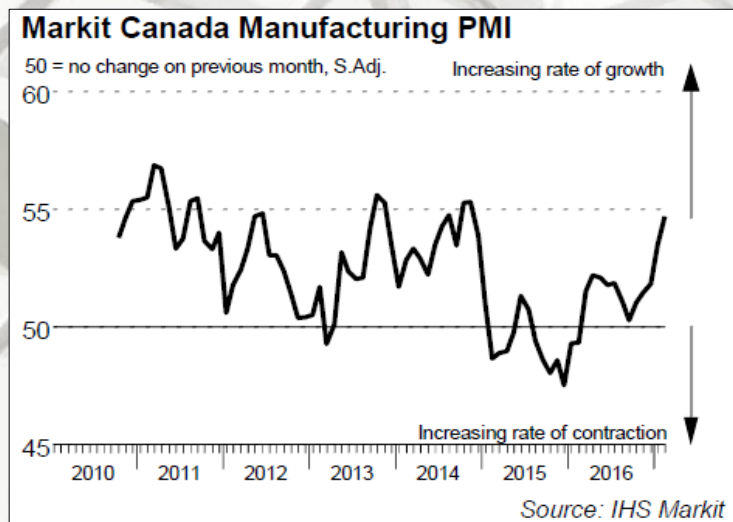
... That's particularly bad for open economies

The Mexican peso falls furthest against the dollar in 2015–16.



NOTE: *Volume of merchandise world trade
SOURCES: CPB World Trade Monitor, International Monetary Fund and national sources.

Private Indicators: Global



Markit Canada Manufacturing PMI™

Strongest manufacturing performance for more than two years

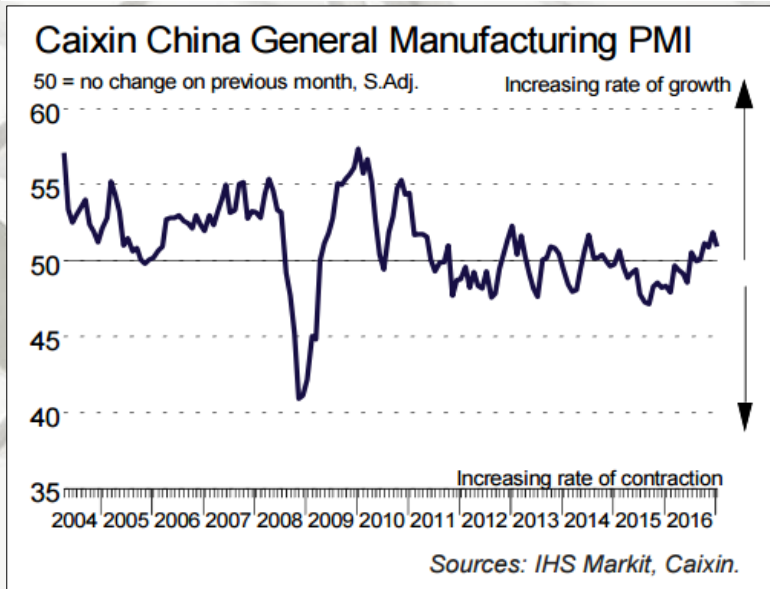
“At 54.7 in February, up from 53.5 in January, the seasonally adjusted Markit Canada Manufacturing Purchasing Managers’ Index™ (PMI™) signalled the strongest improvement in business conditions since November 2014. The average reading for Q1 2017 so far (54.1) is up from 51.5 in Q4 2016 and the highest quarterly figure for over two years.”

“Canada’s manufacturing sector remained on track to record its fastest quarterly upturn in business conditions since Q4 2014. February data revealed robust and accelerated growth in new order intakes, input buying and production levels. This contributed to a sustained recovery in job creation and business confidence across the manufacturing sector..

“Across the Canadian manufacturing sector as a whole, business optimism about the 12-month outlook reached its highest level since early-2014. This contributed to renewed inventory building and the steepest rise in payroll numbers for over two years in February.” – Tim Moore, Senior Economist, IHS Markit

“A robust and accelerated rise in domestic demand helped the manufacturing sector to post its strongest upturn in business conditions since late- 2014. Purchasing managers cited an improving economy and greater investment spending in the energy sector. Manufacturers also expect the good news to continue in 2017, with business confidence reaching a three-year high in February.” – Christian Buhagiar, President and CEO, SCMA

Private Indicators: Global



Caixin China General Manufacturing PMI™

Manufacturing production growth picks up in February

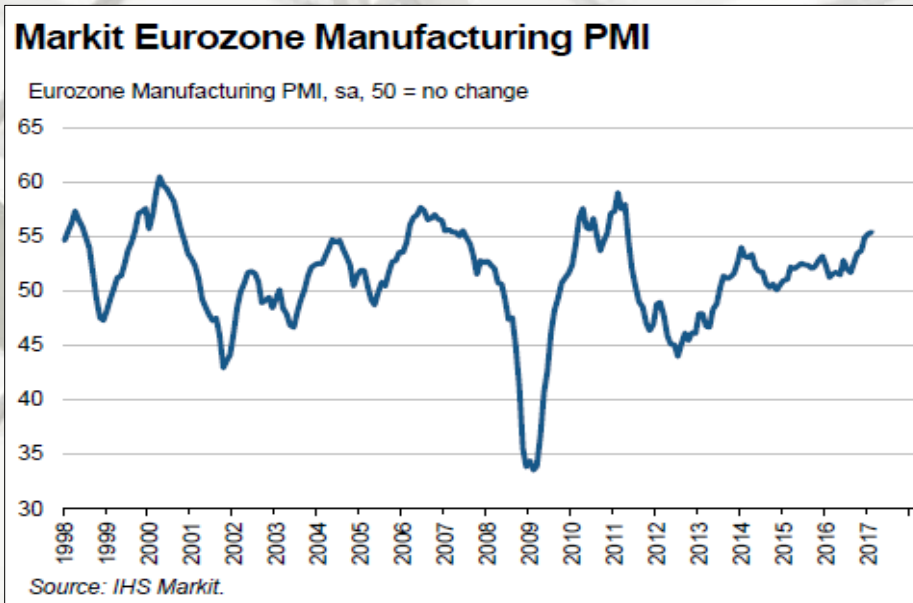
New business increases at faster pace amid solid upturn in new export sales

“At 51.7, the seasonally adjusted *Purchasing Managers’ Index*™ (PMI™) – ... – picked up from 51.0 in January and signalled an improvement in overall business conditions for the sixth month in a row. Though modest overall, the latest improvement was the joint-second strongest for just over four years.”

“Chinese manufacturing companies saw a stronger improvement in overall business conditions in February, with output and total new orders both rising at faster rates than at the start of the year. The latest upturn in new work was supported by the fastest increase in new export business since September 2014. At the same time, employment declined at only a marginal pace that was the slowest seen in two years. Despite easing since January, the rate of input price inflation remained sharp which prompted firms to raise their prices charged. Looking ahead, manufacturers signalled the strongest degree of optimism towards future output growth since May 2015.

The Caixin China General Manufacturing PMI was 51.7 in February, up 0.7 points from the previous month and the joint-second highest in four years. The output and new orders sub-indices rebounded from a month ago. Stocks of purchases returned to expansion, but stocks of finished goods continued to decline. It remains to be seen whether the restocking by manufacturers can be sustained. Input and output prices continued to rise rapidly, but at slower rates compared with the previous month. The Chinese manufacturing economy continued to recover in February. But it is premature to jump to the conclusion that the recovery is entrenched. The second quarter is likely a key period to look at for future trends.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Private Indicators: Global



Markit Eurozone Manufacturing PMI®

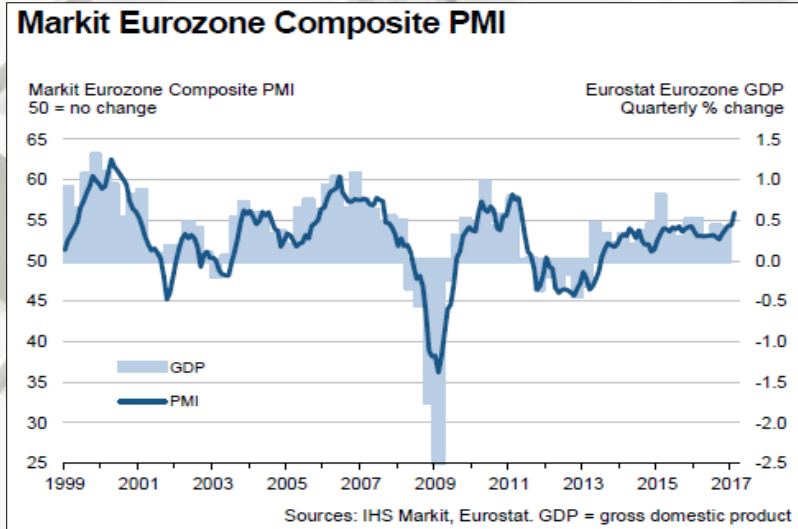
- “Final Eurozone Manufacturing PMI at 55.4 in February (Flash: 55.5, January Final: 55.2)
- Manufacturing production, new orders and employment rise in all nations except Greece
- Price pressures intensify.”

Eurozone Manufacturing PMI rises to 70-month high as growth accelerates in Germany, the Netherlands and Italy

“February saw the rate of improvement in eurozone manufacturing operating conditions gather further momentum. At 55.4, up from 55.2 in January, the final Markit Eurozone Manufacturing PMI® rose to its highest level since April 2011 despite posting slightly below its earlier flash estimate of 55.5.

Euro area manufacturers are reporting the strongest production and order book growth for almost six years, in what’s looking like an increasingly robust upturn. Companies clearly expect the good times to persist. This year has seen firms more optimistic about the future than at any time since the region’s debt crisis. Companies are reporting stronger demand in both home and export markets, with the weakened euro providing an accompanying tailwind to help drive sales.” – Chris Williamson, Chief Business Economist, Markit®

Private Indicators: Global



Markit Eurozone Composite PMI®

Eurozone economic growth near six-year high as rates of expansion accelerate across ‘big-four’ nations

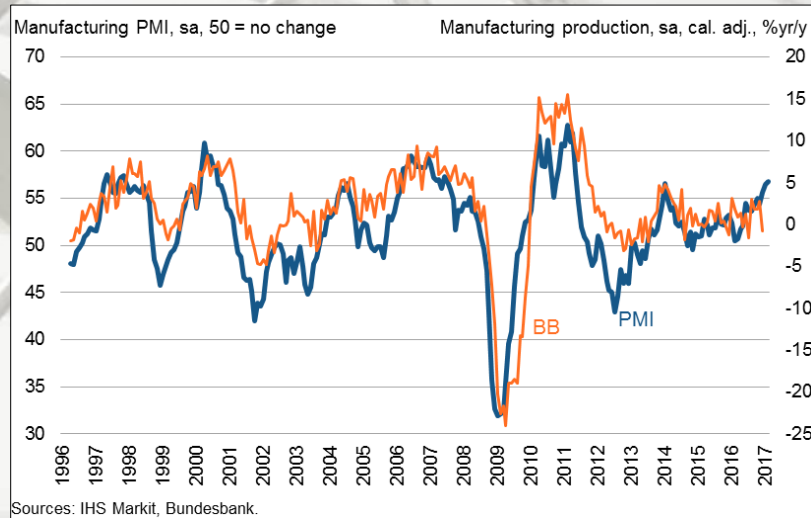
“Growth of eurozone economic output accelerated to a near six-year record in February. At 56.0, up from 54.4 in January, the final Markit Eurozone PMI® Composite Output Index rose to a 70-month high and was unchanged from the earlier flash estimate.”

“Output growth was led by the manufacturing sector. Improved inflows of total new orders and new export business drove the rate of expansion in manufacturing production to its highest since April 2011. Growth momentum also strengthened in the service sector, with business activity rising to the greatest extent for over five-and-a-half years.

The final PMI numbers paint a bright picture of a eurozone economy starting to fire on all cylinders. Growth accelerated in all of the four largest member states in February to suggest an increasingly sustainable and robust-looking upturn. Both France and Germany look to be on course to grow by 0.6% in the first quarter, with Spain set for at least a 0.7% expansion. Italy is lagging behind but is nevertheless enjoying its best growth for over a year, likely to see GDP rise by 0.4% in the first quarter.

The broad-based improvement has pushed the eurozone PMI into territory consistent with 0.6% GDP growth in the first quarter. The labour market is also starting to boom, with jobs being created at the fastest rate for nearly a decade.” – Chris Williamson, Chief Business Economist, Markit®

Private Indicators: Global



Markit/BME Germany Manufacturing PMI®

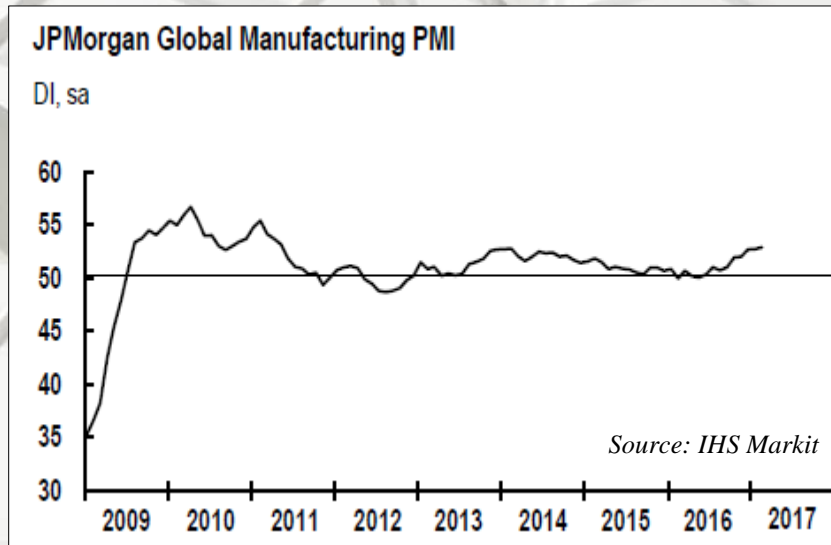
German manufacturing PMI at highest level in nearly six yea

“The PMI rose from 56.4 in January to 56.8 in February, the highest since May 2011. The increase in the headline figure reflected the output, new orders and suppliers’ delivery times components, while employment and stocks of purchases also made positive overall contributions. The current 27-month sequence of improving manufacturing conditions is the longest observed in over eight-and-a-half years.”

“German manufacturing posted a strong performance in February with the best overall improvement in operating conditions since May 2011, according to the latest *PMI*® survey data from IHS Markit and BME. Growth rates for output, new orders, exports and purchasing all accelerated since January, and employment rose sharply. The latest findings also revealed the strongest increase in input prices since May 2011, linked to metals and oil-based materials.

The final manufacturing PMI for February was only a fraction lower than the flash estimate, confirming that the German goods-producing sector powered ahead in February with its strongest performance in nearly six years. Growth rates for output, new orders, exports and purchasing all improved, while capacity pressures were evident as backlogs were accumulated at a faster pace and suppliers’ delivery times lengthened markedly.” – Trevor Balchin, Senior Economist, IHSMarkit®

Private Indicators: Global



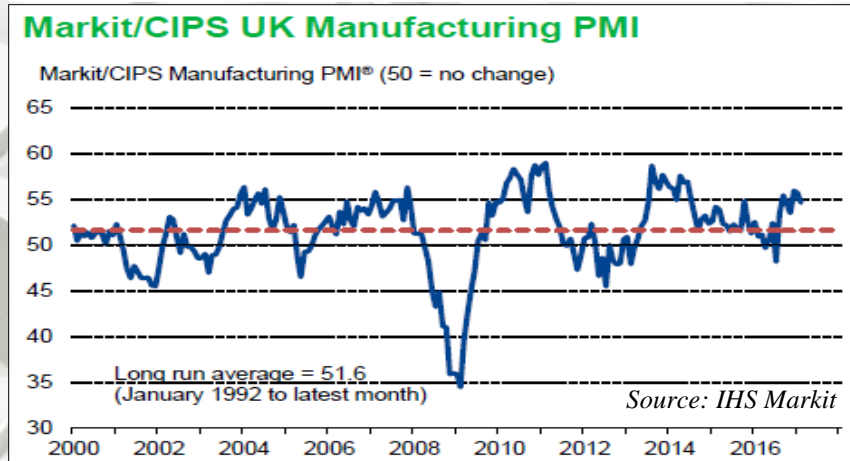
JP Morgan Global Manufacturing PMI™ **Global Manufacturing PMI at 69-month high in February**

“The rate of expansion in global manufacturing production accelerated to a three-year high in February, underpinned by stronger growth of total new orders and rising levels of international trade. Business confidence also improved, encouraging faster job creation.”

“The headline J.P. Morgan Global Manufacturing PMI™ – a composite index¹ produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – rose to a 69-month record of 52.9 in February, up from 52.7 in January. The PMI, which provides a single-figure summary of manufacturing performance, has remained above the neutral 50.0 mark for 12 successive months. National data suggested that developed nations tended to fare better than emerging markets during February. PMI levels edged higher in the euro area (70-month high) and Japan (35-month high) to offset mild decelerations in the rates of expansion in the US and the UK.

Although the rate of improvement across emerging markets remained weaker than that for developed nations, it was nonetheless slightly faster than in January. This stronger upturn mainly reflected growth accelerations in China, India, Vietnam and the Czech Republic.” – Joanna Vickers, Corporate Communications, IHS Markit Press Office

Private Indicators: Global



Markit/CIPS UK Manufacturing PMI™

“The seasonally adjusted Markit/CIPS Purchasing Managers’ Index® (PMI®) posted 54.6 in February, a three-month low and down further from December’s two-and-a-half year high. However, the PMI was firmly above its long-run average of 51.6 and nonetheless signalled expansion for the seventh successive month.”

UK manufacturing records further solid growth of output and new orders in February

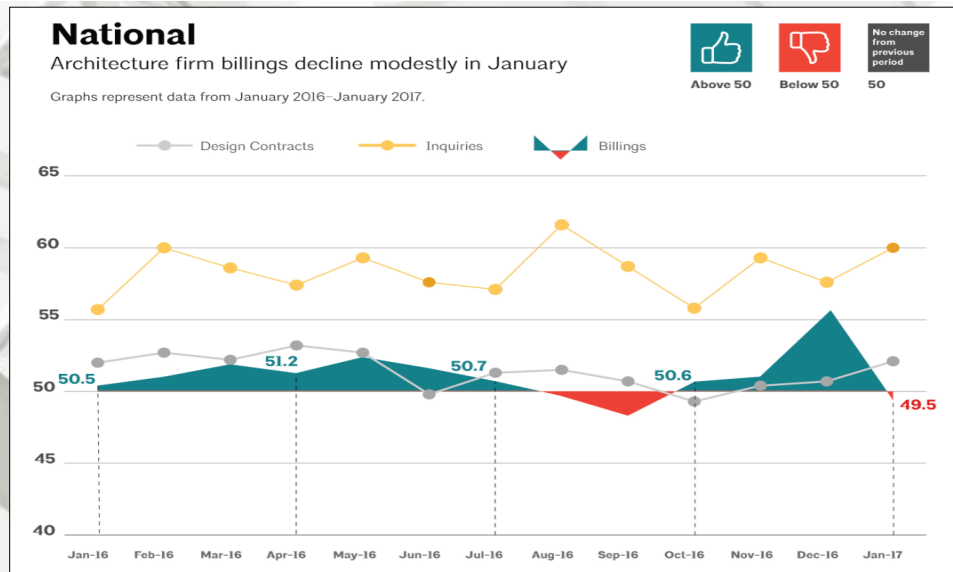
“The UK manufacturing sector experienced further solid growth of production and new orders during February. Although rates of expansion slowed, they remained well above the respective long-run averages. Increased new business inflows were underpinned by improved domestic and overseas demand, the latter aided by the continued weakness of the sterling exchange rate.

The latest PMI signals that the UK manufacturing sector continued its solid start to the year. Although rates of expansion in output and new business lost impetus in February, growth remained comfortably above the long-run averages. The survey is signalling quarterly manufacturing output growth close to the 1.5% mark so far in the opening quarter which, if achieved, would be one of the best performances over the past seven years.

The big question remains as to whether robust growth can be sustained or whether it will continue to wane in the coming months. The slowdown in new order growth and a drop in backlogs of work suggest output growth may slow further. However, elevated business optimism, continued job creation, a recovery in export orders and rising levels of purchasing all suggest that any easing will be only mild. Indeed, almost 50% of companies expect production to be higher in one year’s time.” – Rob Dobson, Director & Senior Economist, IHS Markit

Private Indicators

American Institute of Architects (AIA)



January Architecture Billings Index

Billings flat to start the year

“The Architecture Billings Index (ABI) dipped slightly into negative territory in January, after a very strong showing in December. As a leading economic indicator of construction activity, the ABI reflects the approximate nine to twelve month lead time between architecture billings and construction spending. The American Institute of Architects (AIA) reported the January ABI score was 49.5, down from a score of 55.6 in the previous month. This score reflects a minor decrease in design services (any score above 50 indicates an increase in billings). The new projects inquiry index was 60.0, up from a reading of 57.6 the previous month.

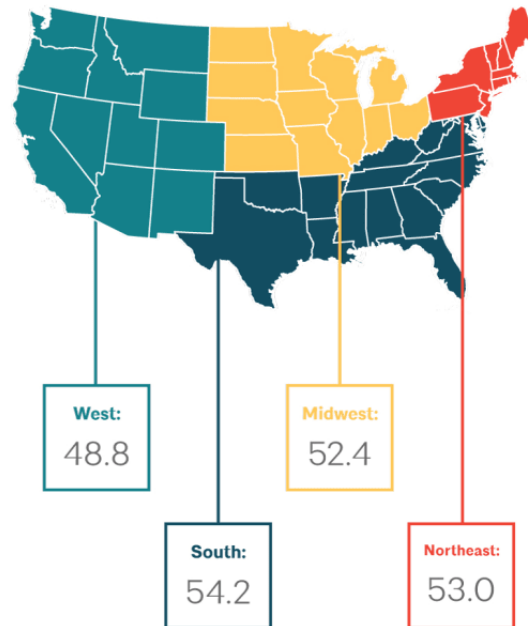
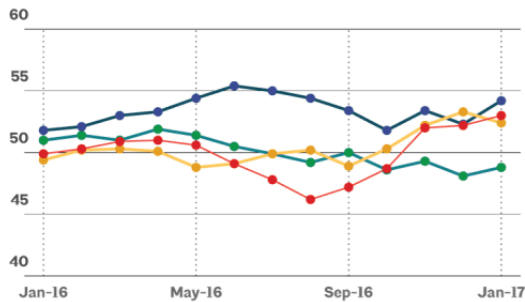
“This small decrease in activity, taking into consideration strong readings in project inquiries and new design contracts, isn’t exactly a cause for concern. The fundamentals of a sound nonresidential design and construction market persist.” – Kermit Baker, Hon. AIA, Chief Economist, AIA

Private Indicators: AIA

Regional

Business conditions remain soft in the west, strengthen in other regions

*Graphs represent data from January 2016–January 2017 across the four regions. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



“With the exception of firms located in the west, which saw their seventh consecutive month of flat or declining billings after two years of growth, business conditions improved at architecture firms in all regions of the country in January.” – Kermit Baker, Hon. AIA, Chief Economist, AIA

Private Indicators: AIA



“...firms with a residential specialization also saw softening billings for the second consecutive month in January, after experiencing steady growth for the first 11 months of 2016. On the other hand, business conditions continued to improve at firms with a commercial/industrial specialization, as well as those with an institutional specialization.” – Kermit Baker, Hon. AIA, Chief Economist, AIA

Private Indicators

Dodge Data & Analytics January Construction Starts Jump 12 Percent

“The value of new construction starts in January climbed 12% to a seasonally adjusted annual rate of \$690.2 billion, according to Dodge Data & Analytics. The January statistics raised the Dodge Index to 146 (2000=100), compared to 130 in December. The Dodge Index reached its 2016 peak in August at 156, and held close to that level in September at 153. The next three months showed the Dodge Index retreating 5% to 6% each month, culminating in December’s 130. For the full year 2016, the Dodge Index averaged 144. The 12% gain for total construction starts in January gets 2017 off to a healthy beginning, following the declines reported toward the end of 2016.

What’s noteworthy about January’s rebound is that the institutional side of the nonresidential building market, led by airport terminal work, has assumed a more substantial role in keeping the expansion going. The institutional side of nonresidential building has typically lagged the pattern shown by commercial building, and its continued growth is needed for overall nonresidential building to advance further in 2017. While commercial building is also expected to see growth in 2017, its rate of increase will be restrained as vacancy rates level off and banks in the near term maintain a cautious stance towards commercial real estate loans pending any changes to the Dodd-Frank regulations. The public works sector is also anticipated to strengthen in 2017, with help coming from more pipeline work, although Congress needs to finalize fiscal 2017 appropriations which at the moment are set at essentially status quo levels under a continuing resolution that expires at the end of April. The proposal for greater infrastructure spending by the Trump Administration, assuming it gets passed in some form by Congress during this year’s first half, may not have a discernible impact on public works construction starts until the end of 2017 and into 2018.” – Robert Murray, Chief Economist, McGraw Hill Construction

Private Indicators

“**Residential building** in January increased 1% to \$307.6 billion (annual rate), basically maintaining the improved level achieved in December with an 8% gain. Single family housing in January grew 1%, due to this pattern by major region – the Midwest, up 13%; the Northeast, up 7%; the South Atlantic and South Central, each up 2%; and the West, down 10%. Multifamily housing in January held steady with its December amount. There were 13 multifamily projects valued at \$100 million or more that reached groundbreaking in January, similar to the 14 such projects in December... .

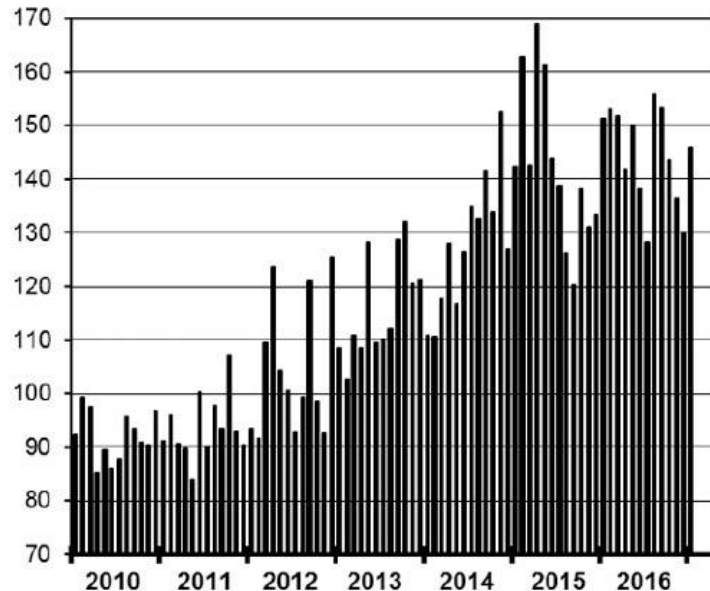
The 3% decline for total construction starts on an unadjusted basis for January 2017 relative to January 2016 was the result of a varied performance by major sector. Nonresidential building advanced 27%, with institutional building up 74%, commercial building, up 14%, and manufacturing building down 72%. **Residential building rose 1%, with single family housing up 7% and multifamily housing down 10%.** Nonbuilding construction fell 37%, with public works down 14% and electric utilities/gas plants down 77%. By geography, total construction starts for January 2017 relative to January 2016 revealed this pattern – the Northeast, up 22%; the West, up 21%; the South Atlantic, down 8%; the Midwest, down 14%; and the South Central, down 24%.

Useful perspective is made possible by looking at twelve-month moving totals, in this case the twelve months ending January 2017 versus the twelve months ending January 2016, which lessens the volatility present in one-month comparisons. For the twelve months ending January 2017, total construction starts were up 1%. By major sector, nonresidential building grew 5%, with commercial building up 12%, institutional building up 10%, and manufacturing building down 36%. **Residential building also grew 5%, with single family housing up 8% and multifamily housing down 1%.** Nonbuilding construction dropped 12%, with public works down 6% and electric utilities/gas plants down 26%.” – Robert Murray, Chief Economist, McGraw Hill Construction

Private Indicators

January 2017 Construction Starts

**The Dodge Index
of New Construction Starts
(Year 2000 = 100)**



Source: Dodge Data & Analytics

Monthly Summary of Construction Starts

Prepared by Dodge Data & Analytics

Monthly Construction Starts

Seasonally Adjusted Annual Rates, in Millions of Dollars

	<u>January 2017</u>	<u>December 2016</u>	<u>% Change</u>
Nonresidential Building	\$261,465	\$225,933	+16
Residential Building	307,619	304,757	+1
Nonbuilding Construction	<u>121,112</u>	<u>84,215</u>	<u>+44</u>
Total Construction	\$690,196	\$614,905	+12

The Dodge Index

Year 2000=100, Seasonally Adjusted

January 2017146

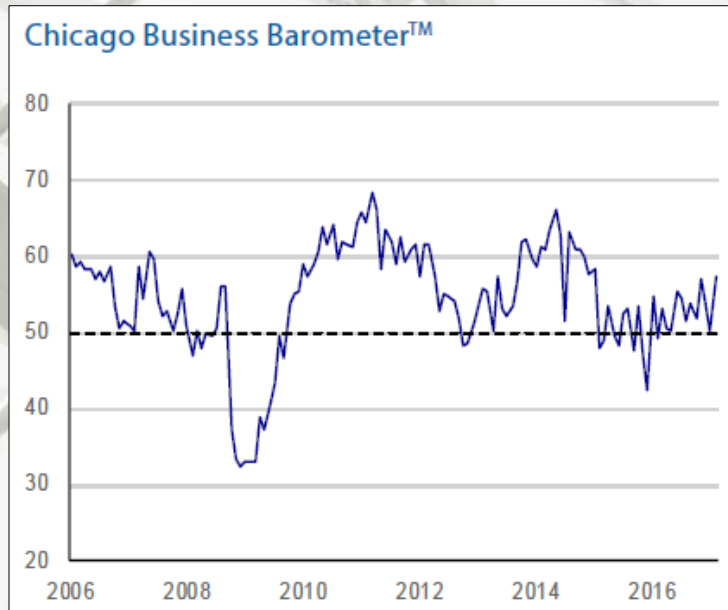
December 2016130

Year-to-Date Construction Starts

Unadjusted Totals, in Millions of Dollars

	<u>1 Mo. 2017</u>	<u>1 Mo. 2016</u>	<u>% Change</u>
Nonresidential Building	\$18,927	\$14,891	+27
Residential Building	20,235	20,043	+1
Nonbuilding Construction	<u>9,299</u>	<u>14,838</u>	<u>-37</u>
Total Construction	\$48,461	\$49,772	-3
Total Construction, excluding manufacturing buildings and electric utilities/gas plants	\$46,649	\$42,288	+10

Private Indicators



February Chicago Business Barometer

“The MNI Chicago Business Barometer rose by 7.1 points to 57.4 in February from 50.3 in January, the highest reading since January 2015.

Following a slow start to the year, firms have become more optimistic this month. February’s gain was the largest monthly increase since January 2016 when the barometer rose by 12.5 points. This month’s increase was led by four of the five components of the Barometer, with only Supplier Deliveries receding.” – Shaily Mittal, Senior Economist, MNI Indicators

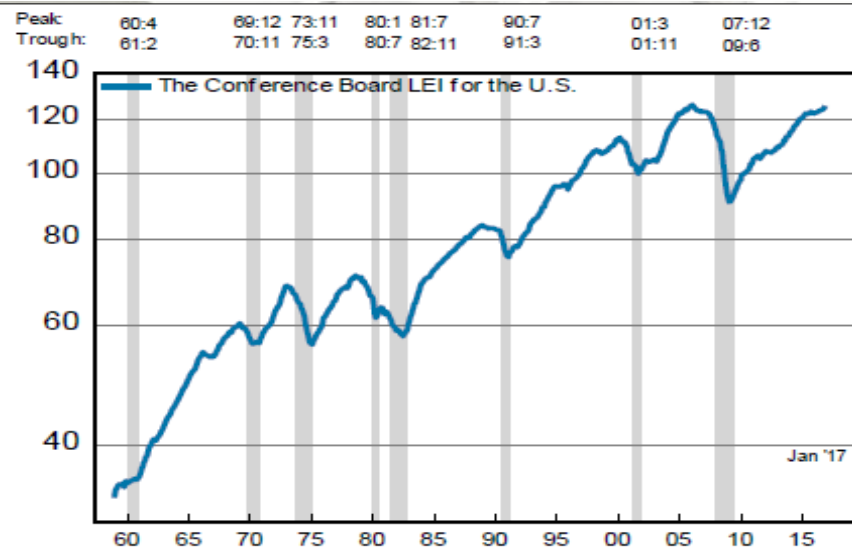
February Chicago Business Barometer Up 7.1 Points to 57.4

“The acceleration in demand contributed the most to the Barometer’s rise. New orders rose by 10.1 points, moving into expansion territory again, after slipping briefly below 50 in January. Production was up 4.3 points to a 13-month high of 60.3 in February. Order Backlogs rose for the second consecutive month, but remained below the breakeven level, where it has sat for three consecutive months. Employment moved into expansion for the first time in four months hitting the highest level since October 2014. Supplier Deliveries fell to the lowest level since last October. The sharp bounce back in optimism to a level not seen in over two years and growth in output at the highest level for over a year offers an upbeat picture of the US economy. The latest survey shows a continuance of price increases, with Prices Paid at the highest level since September 2014. With inflationary pressures on the rise and the job market having improved, the next rate hike could come soon, possibly in the coming quarter.” – Shaily Mittal, Senior Economist, MNI Indicators

Private Indicators

The Conference Board Leading Economic Index® for the U.S. increased 0.6 percent in January to 125.5 (2010 = 100), following a 0.5 percent increase in December, and a 0.2 percent increase in November.

U.S. Composite Economic Indexes (2010 = 100)



Index Points to Continued Economic Growth in First Half of 2017

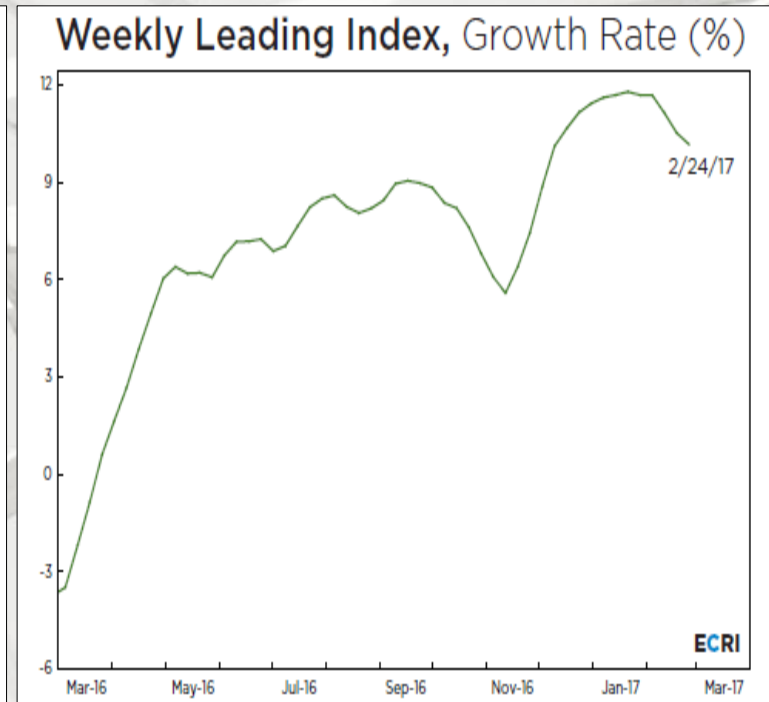
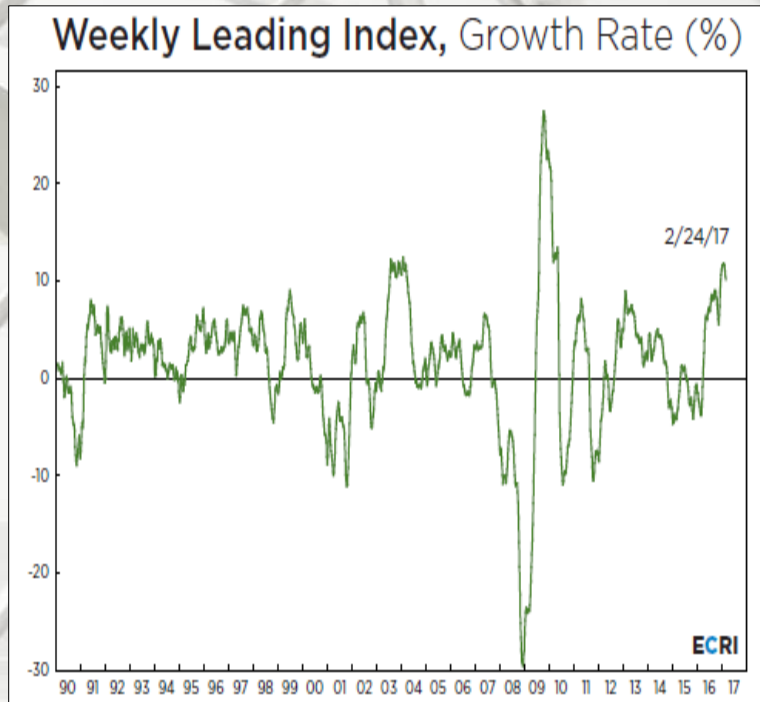
“The U.S. Leading Economic Index increased sharply again in January, pointing to a positive economic outlook in the first half of this year. The January gain was broad based among the leading indicators. If this trend continues, the U.S. economy may even accelerate in the near term.” – Ataman Ozyildirim, Director of Business Cycles and Growth Research, The Conference Board

“The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.6 percent in January to 125.5 (2010 = 100), following a 0.5 percent increase in December, and a 0.2 percent increase in November.

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.1 percent in January to 114.4 (2010 = 100), following a 0.3 percent increase in December, and no change in November.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.3 percent in January to 123.7 (2010 = 100), following a 0.5 percent increase in December, and a 0.2 percent increase in November.

Private Indicators



U.S. WLI Increased

The U.S. Weekly Leading Index (WLI) increased to 145.4 from 144.7.

The growth rate ticked down to 10.2% from 10.5%.

Private Indicators

U.S. Gallup Good Jobs Rate, Monthly Trend

January 2010-February 2017

■ Gallup Good Jobs rate %



Rates shown are for February of each year

GALLUP DAILY

GALLUP DAILY

REAL UNEMPLOYMENT
Department of Labor (U-6)

9.4% +0.2

GALLUP GOOD JOBS
Percent of Adult Population

44.4% -

ENGAGED AT WORK

32.2% -1.5

ECONOMIC CONFIDENCE

10 +1

CONSUMER SPENDING

\$101 +3

US Gallup Good Jobs Rate 44.4% in February

- “GGJ shows year-over-year decrease for second time in three months
- Unemployment down to 5.6%
- Workforce participation is steady at 67.4%

The Gallup Good Jobs (GGJ) rate in the U.S. was 44.4% in February, down slightly from 44.8% in January. This is also down a bit from February 2016, when the U.S. GGJ rate was 44.6%. ” – Ben Ryan, Consultant Specialist, Gallup

Private Indicators

February 2017 Manufacturing ISM® Report On Business®

February PMI® at 57.7%

**New Orders, Production and Employment Growing,
Supplier Deliveries Slowing, Inventories Growing**

“Economic activity in the **manufacturing sector** expanded in February, and the overall economy grew for the 93rd consecutive month, say the nation’s supply executives in the latest **Manufacturing ISM® Report On Business®**.

The February PMI® registered 57.7 percent, an increase of 1.7 percentage points from the January reading of 56 percent.

The New Orders Index registered 65.1 percent, an increase of 4.7 percentage points from the January reading of 60.4 percent.

The Production Index registered 62.9 percent, 1.5 percentage points higher than the January reading of 61.4 percent.

The Employment Index registered 54.2 percent, a decrease of 1.9 percentage points from the January reading of 56.1 percent.

Inventories of raw materials registered 51.5 percent, an increase of 3 percentage points from the January reading of 48.5 percent.

The Prices Index registered 68 percent in February, a decrease of 1 percentage point from the January reading of 69 percent, indicating higher raw materials prices for the 12th consecutive month.

Comments from the panel largely indicate strong sales and demand, and reflect a positive view of business conditions with a watchful eye on commodities and the potential for inflation.” – Bradley Holcomb, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Private Indicators

February 2017 Non-Manufacturing ISM® Report On Business®

February NMI® at 57.6%

**Business Activity Index at 63.6%, New Orders Index at 61.2%,
Employment Index at 55.2%**

“Economic activity in the **non-manufacturing sector** grew in February for the 86th consecutive month, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM® Report On Business®**.

“The NMI® registered 57.6 %, which is 1.1 percentage points higher than the January reading of 56.5%. This is the highest reading since October 2015 and represents continued growth in the non-manufacturing sector at a slightly faster rate.

The Non-Manufacturing Business Activity Index increased to 63.6 %, 3.3 percentage points higher than the January reading of 60.3 %, which is the highest reading since February 2011, when the index registered 63.8 %, reflecting growth for the 91st consecutive month, at a faster rate in February.

The New Orders Index registered 61.2 %, 2.6 percentage points higher than the reading of 58.6 % in January. This is the highest reading since August 2015, when the index registered 62.7 %.

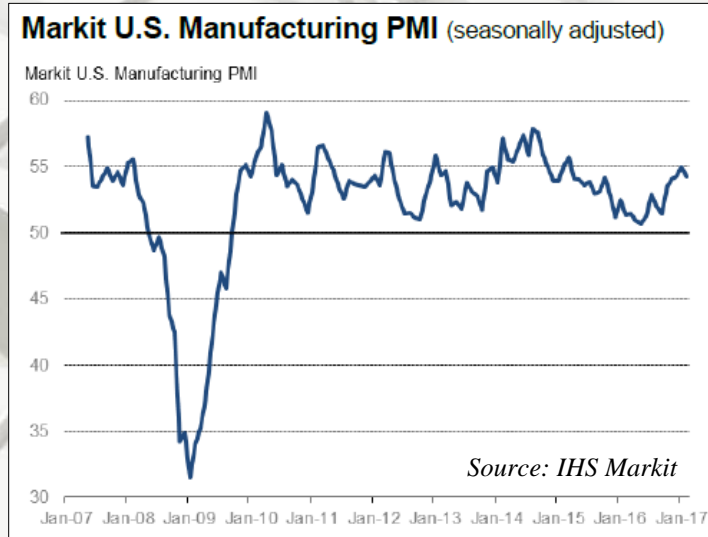
The Employment Index increased 0.5 percentage point in February to 55.2 % from the January reading of 54.7 %.

The Prices Index decreased 1.3 percentage points from the January reading of 59 percent to 57.7 %, indicating prices increased for the 11th consecutive month, at a slower rate in February.

According to the NMI®, 16 non-manufacturing industries reported growth in February. The non-manufacturing sector reflected strong growth in February after cooling off in January.

Respondents' comments continue to be mixed, with some uncertainty; however, the majority indicate a positive outlook on business conditions and the overall economy.” – Anthony Nieves, CPSM, C.P.M., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Private Indicators



Markit U.S. Manufacturing PMI™

Manufacturing PMI signals robust upturn in business conditions during February

“The seasonally adjusted **Markit final US Manufacturing Purchasing Managers’ Index™ (PMI™)** posted 54.2 in February, down only slightly from January’s 22-month peak of 55.0. As a result, the average reading for Q1 to date indicates that the manufacturing sector is on course to register its strongest quarterly improvement in business conditions for two years.”

“February data revealed that the U.S. manufacturing sector continued to expand at a robust pace, although the latest upturn was slightly weaker than seen at the beginning of 2017. This largely reflected a moderation in new order growth from January’s 28-month peak, alongside a slightly softer increase in output volumes. Meanwhile, manufacturers reported a sustained rise in inventory levels, which was linked to greater production schedules and expected improvements in client demand.

The February survey points to a modest cooling in the rate of expansion of the manufacturing sector, but it remains too early to tell if this is the start of a more prolonged slowdown. Even with the latest slowing, the goods-producing sector is still on course for its best quarter for two years, representing a markedly improved picture compared to this time last year.

Growth is being driven by robust domestic demand, stemming in turn from buoyant consumers and increased investment spending by the energy sector in particular. Manufacturing is far from booming, however, as the strong dollar means near-stagnant exports continue to act as a drag on growth.” – Chris Williamson, Chief Economist, Markit®

Private Indicators

Service sector business activity (seasonally adjusted)

Markit US Services PMI Business Activity Index



Markit U.S. Services PMI™

Growth of service sector output dips to five-month low

- “Rates of expansion in activity and new work ease from January peaks
- Outstanding business falls for first time in three months
- Relatively muted price pressures signalled.”

“The seasonally adjusted Markit U.S. Services Business Activity Index dropped from January’s 14-month high of 55.6 to 53.8 in February. Though still signalling a solid expansion of service sector output, the latest reading was the lowest in five months and below the long-run series average (55.3). Panellists nevertheless indicated that activity had been bolstered by new contract wins and the launch of new products.

Taken together, the PMI survey readings for the first two months of the year suggest the economy is growing in the first quarter at a respectable annualised rate approaching 2.5%. The burning question is whether the February slowdown merely represents some pay-back after a strong start to the year for US businesses, or whether it’s the start of a more entrenched slowdown.

A warning clue rests with the business expectations index, which indicates that business optimism has mellowed back to its post-election level, suggesting that companies are becoming more cautious with regard to spending and hiring. However, companies continue to report buoyant domestic demand, especially from consumers, and continue to take on staff in reasonable numbers, the rate of hiring having slowed only modestly. ...” – Chris Williamson, Chief Economist, Markit®

Private Indicators

National Association of Credit Management – Credit Managers' Index

Credit Managers' Index Saw Continued Strength in February, though Unfavorable Factors Could Remain Stubbornly in Place

“Business overall is good and growth reflected in a variety of economic news lately has reached levels not seen since before the recession that started in 2008, according to the latest NACM Credit Managers' Index (CMI)... . The combined score in February's CMI track in tandem with positive growth trends seen in economic indicators like the Purchasing Managers Index (PMI), as manufacturers continue upward momentum seen in the past two months, collect more dollars and extend more credit. Data also show a rebound in a service sector that is leading the way for the CMI in February, backed by stronger demand from consumers.” – Nicholas Stern, Senior Editor, NACM

"When manufacturers start to get their accounts caught up, this is a good signal that they are planning to start asking for more credit in the near future. Not all is well in the manufacturing sector, though, and unfavorable factors in the CMI improved slightly, though at a much less favorable rate, as some firms struggled to catch up with the broader recovery. Retail has been having a surprisingly good quarter and construction has been up along with the medical economy.” – Chris Kuehl, Ph.D., Economist, NACM

Private Indicators

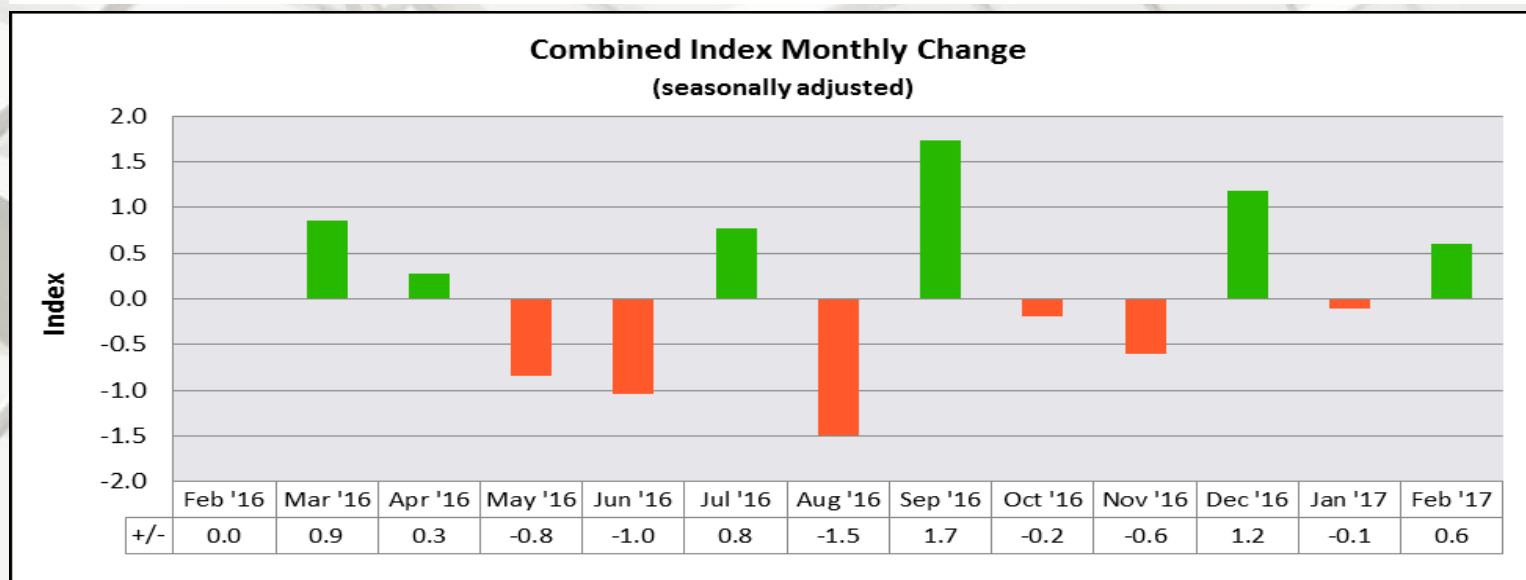
National Association of Credit Management – Credit Managers' Index

“The rebound in the data this month was expected to a degree. There has been a nice run of good economic news to start the year – a reaction to several factors that have served to boost confidence in the business community as well as with the consumer. The trends of 2016 have carried forward into 2017 to an extent and many of these have been encouraging for business. There was the release of “animal spirits” due to the Trump victory, although it has been hard to identify what has changed thus far.

The combined score for the CMI hit a level that has not been seen since before the recession started in 2008–2009. It is now at 55.4, up from 54. This is nearly the same reading as has been registered by the latest PMI (now at 56). The jump in the index of favorable factors is even higher – 63.6. This index has crested above 60 a few times last year (March, July and November) and has been above 60 in both January and February of this year, but this is the biggest leap yet.” – Nicholas Stern, Senior Editor, NACM

“The sense is that there has to be an improvement in the coming year if there is investment in infrastructure, tax reform and changes in the regulatory system. The challenge for the year is that these changes will take time. Nobody is sure what the patience level for consumer or business will be. One would have to go back to 2007 to see a period when all four of these subcategories were all above 60.” – Chris Kuehl, Ph.D., Economist, NACM

Private Indicators

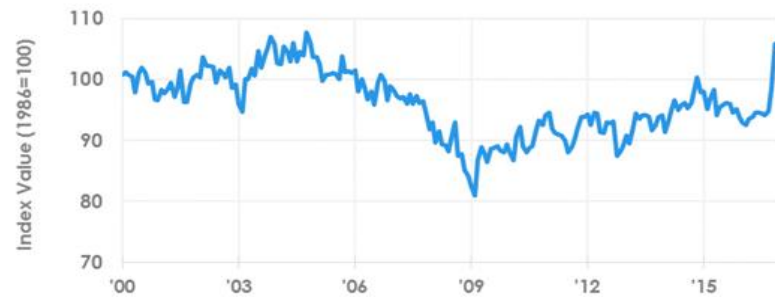


Combined Manufacturing and Service Sectors (seasonally adjusted)	Feb '16	Mar '16	Apr '16	May '16	Jun '16	Jul '16	Aug '16	Sep '16	Oct '16	Nov '16	Dec '16	Jan '17	Feb '17
Sales	56.8	59.2	59.8	56.7	56.9	60.0	53.7	57.9	56.9	61.8	58.6	60.1	62.6
New credit applications	58.2	59.8	58.5	56.6	56.6	57.8	56.7	58.6	58.0	54.5	57.0	60.8	62.0
Dollar collections	58.3	59.6	57.5	57.4	57.1	59.5	55.5	59.5	57.0	63.5	59.5	58.2	63.0
Amount of credit extended	61.2	61.7	60.9	61.0	57.6	62.8	59.7	61.9	61.5	61.4	61.4	64.1	66.8
Index of favorable factors	58.6	60.0	59.2	57.9	57.0	60.0	56.4	59.5	58.4	60.3	59.1	60.8	63.6
Rejections of credit applications	52.2	51.2	52.2	51.9	51.2	50.7	51.6	51.3	51.8	48.9	51.3	50.6	51.4
Accounts placed for collection	49.0	48.5	50.9	50.5	48.8	48.2	47.7	47.9	48.1	45.8	49.7	49.4	48.2
Disputes	49.7	50.8	50.8	50.8	49.5	47.6	47.8	48.8	49.9	47.7	49.8	46.0	48.7
Dollar amount beyond terms	47.5	50.8	51.2	49.2	49.0	48.8	46.3	48.2	49.0	44.9	49.3	48.4	51.0
Dollar amount of customer deductions	49.5	49.8	50.7	50.7	49.6	49.0	48.1	50.4	49.5	47.9	49.8	48.7	47.6
Filings for bankruptcies	52.6	52.2	53.8	53.0	51.1	50.7	52.8	52.7	53.8	53.0	55.0	53.9	53.2
Index of unfavorable factors	50.1	50.6	51.6	51.0	49.9	49.2	49.1	49.9	50.3	48.0	50.8	49.5	50.0
NACM Combined CMI	53.5	54.3	54.6	53.8	52.7	53.5	52.0	53.7	53.5	52.9	54.1	54.0	55.4

Private Indicators

Small Business Optimism Index Decrease 0.6 to 105.3

Based on 10 survey indicators, seasonally adjusted, Jan. '00 – Feb. '17



NFIB.com/sboi

March 2017 Report: Small Business Economic Trends

“Small business optimism remained at one of its highest readings in 43 years, as small business awaits a new healthcare law, tax reform, and regulatory relief from Washington, according to the February National Federation of Independent Business (NFIB) Small Business Optimism Index,”

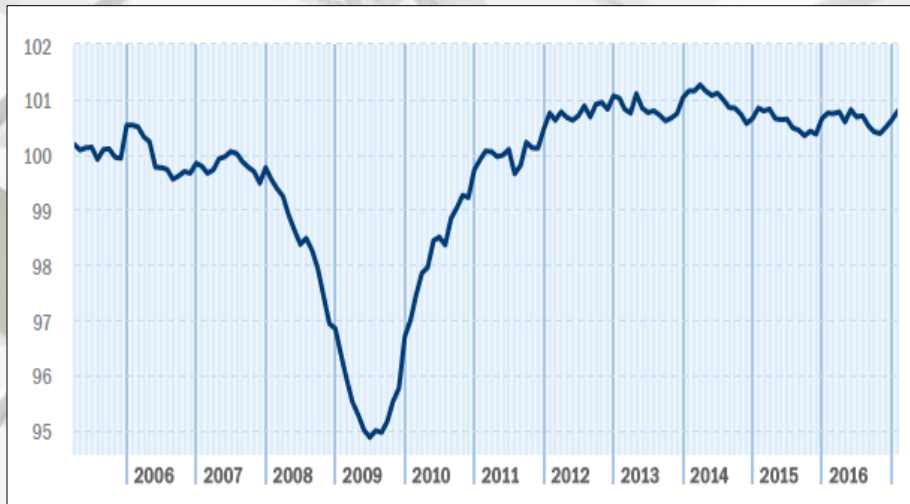
Small Business Optimism Remains Near Record High

“The Index fell 0.6 points in February to 105.3 yet remains a very high reading. The slight decline follows the largest month-over-month increase in the survey’s history in December and another uptick in January. Three of the ten components increased, six declined modestly, and one was unchanged. Despite a small decrease, nearly half of owners expect better business conditions in the coming months.”

“It is encouraging that the Index has persisted at 105 for three months in a row. Although optimism remains high, growth is still a problem because of restrictive government policies. Many small business owners are being squeezed by this historically tight labor market. They are not confident enough to raise prices on consumers, which limits how much they can increase compensation and makes them less competitive in attracting qualified applicants.” – William Dunkelberg, Chief Economist, National Federation of Independent Business

“It is clear from our data that optimism skyrocketed after the election because small business owners anticipated a change in policy. The sustainability of this surge and whether it will lead to actual economic growth depends on Washington’s ability to deliver on the agenda that small business voted for in November. If the health care and tax policy discussions continue without action, optimism will fade.” – Juanita Duggan, President and CEO, National Federation of Independent Business

Private Indicators



0.39% 3-Month National Trend

“Not only has the national index increased for three consecutive months, but the rate of growth has increased each month as well.”



The Paychex | IHS Small Business Jobs Index

“Month-to-month changes for the national index have been trending in a positive direction for the past six months, since September. The national index improved 0.39 percent from December to February, the best quarter since early 2014. Currently at 100.78, the national index is signaling positive employment growth, 0.03 percent faster this year versus last.

At 103.41, East South Central continues to lead small business growth among regions, improving its pace 1.83 percent year over year. In contrast, neighboring West South Central is the only region below 100 and is down 1.51 percent from last February. Ranked second among regions, the South Atlantic increased 0.37 percent in February to 102.17, its strongest one-month gain in more than four years. East North Central had the best one-month growth, 0.58 percent, aided by strong movement in the Trade, Transportation, and Utilities industry. Dropping to 100.19, Pacific fell for the seventh time in the past eight months as its index is ranked second to last for the first time since February 2012.

Since November, small business job conditions have shown broad-based improvement as all industries and regions have positive three-month growth rates.” – James Diffley, Chief Regional Economist, IHS Markit

Private Indicators

The S&P CoreLogic Case-Shiller National Index Sets 30-month Annual Return High

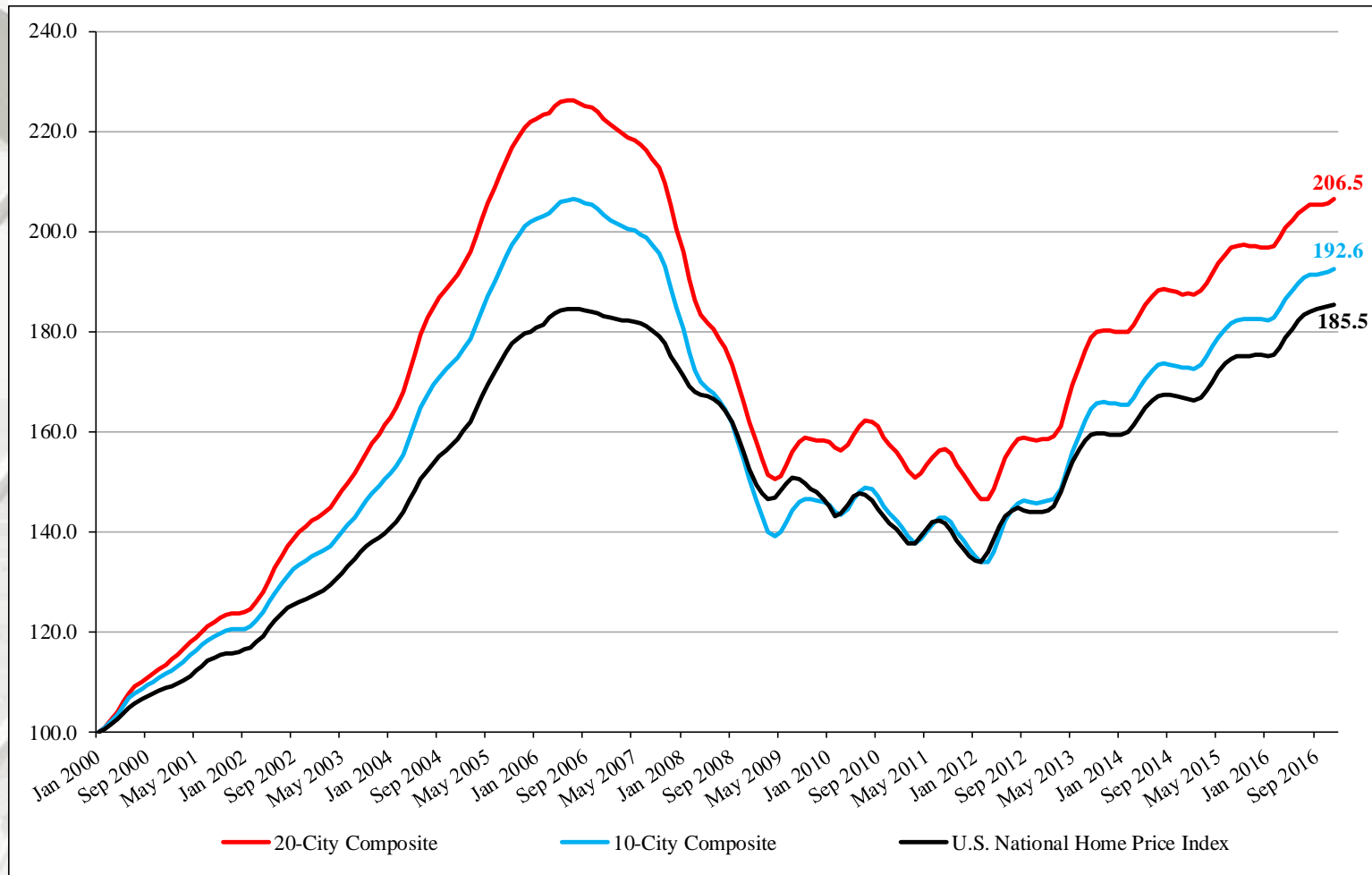
The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index, covering all nine U.S. census divisions, reported a 5.8% annual gain in December, up from 5.6% last month and setting a 30-month high. The 10-City Composite posted a 4.9% annual increase, up from 4.4% the previous month. The 20-City Composite reported a year-over-year gain of 5.6%, up from 5.2% in November.

“Home prices continue to advance, with the national average rising faster than at any time in the last two-and-a-half years. With all 20 cities seeing prices rise over the last year, questions about whether this is a normal housing market or if prices could be heading for a fall are natural. In comparing current home price movements to history, it is necessary to adjust for inflation. Consumer prices are higher today than 20 or 30 years ago, while the inflation rate is lower. Looking at real or inflation-adjusted home prices based on the S&P CoreLogic Case-Shiller National Index and the Consumer Price Index, the annual increase in home prices is currently 3.8%. Since 1975, the average pace is 1.3%; about two-thirds of the time, the rate is between -4% and +7%. Home prices are rising, but the speed is not alarming.

One factor behind rising home prices is low inventory. While sales of existing single family homes passed five million units at annual rates in January, the highest since 2007, the inventory of homes for sales remains quite low with a 3.6 month supply. New home sales at 555,000 in 2016 are up from recent years but remain below the average pace of 700,000 per year since 1990. Another factor supporting rising home prices is mortgage rates. A 30-year fixed rate mortgage today is 4.2% compared to the 6.4% average since 1990. Another indicator that home price levels are normal can be seen in the charts of Seattle and Portland OR. In the boom-bust of 2005-2009, prices of low, medium, and high-tier homes moved together, while in other periods, including now, the tiers experienced different patterns.” – David Blitzer, Managing Director and Chairman of the Index Committee, S&P Dow Jones

Private Indicators

S&P/Case-Shiller Home Price Indices



Demographics

Millennials Buying in the Suburbs

As the millennial generation ages into adulthood, they are choosing the suburbs over urban neighborhoods, skipping the traditional starter home and staying in the same city when they move.

“Almost half of millennial homeowners live in the suburbs, and the majority stay in the same city when they buy a home, revealing their home-buying preferences now that they are the largest generational group in the housing market. ... millennials made up 42 percent of home buyers last year, more than any other generation, with most of them buying for the first time.

Millennials, those ages 18-34, associate homeownership with the American Dream and believe that buying a home is a good financial investment, even more so than Generation X and baby boomers. But until recently, they were delaying homeownership, and it was difficult to know where they would actually purchase homes when they started buying. The median age of a first-time home buyer is 33 years old, compared to 29 a generation ago.

Millennials have delayed home buying more than earlier generations, but don't underestimate their impact on the housing market now that they're buying. As members of this huge generation start moving into the next stage of life, expect the homeownership rate to tick up and suburbs to change to suit their urban tastes. We're constantly learning about this young group of home buyers -- we're finding that they are more similar to older generations than many thought. Their views on community and homeownership are pretty traditional, and they don't all fit the urban stereotype you might have in your head.— Jeremy Wacksman, Chief Marketing Officer, Zillow Group

Demographics

Millennials Buying in the Suburbs

“Millennials make up almost 30 percent of the population in San Diego and Austin, Texas. Los Angeles, San Antonio and Columbus, Ohio also have large millennial populations, over 25 percent.”

- “Almost 50 percent of millennial homeowners live in the suburbs, while 33 percent live in an urban neighborhood and just 20 percent live in a rural area.
- Of the millennial buyers who moved in the past year, 64 percent stayed in the same city and just 7 percent moved to a different state.
- When millennials become homeowners, they skip the traditional starter home by choosing larger properties with higher prices: They pay a median price of \$217,000 for a home that is about 1,800 square feet, similar in size to what older generations buy.
- Millennial home buyers share many preferences with their grandparents’ generation, both choosing homes with shared community amenities and considering townhouses at higher rates than other generations.” – Jeremy Wacksman, Chief Marketing Officer, Zillow Group

Demographics

The Continued Growth of Multigenerational Living

“A substantial number and share of older Americans are living in “multigenerational” households, according to our analysis of recently released 2015 American Community Survey (ACS) one-year population estimates. In total, 20.3 percent of all non-institutionalized adults aged 65 and over – about 9.4 million people – live in multigenerational households that include at least two generations of adults (individuals over the age of 25). The ACS data also show large differences in the prevalence and composition of multigenerational homes by age, race, and ethnicity.

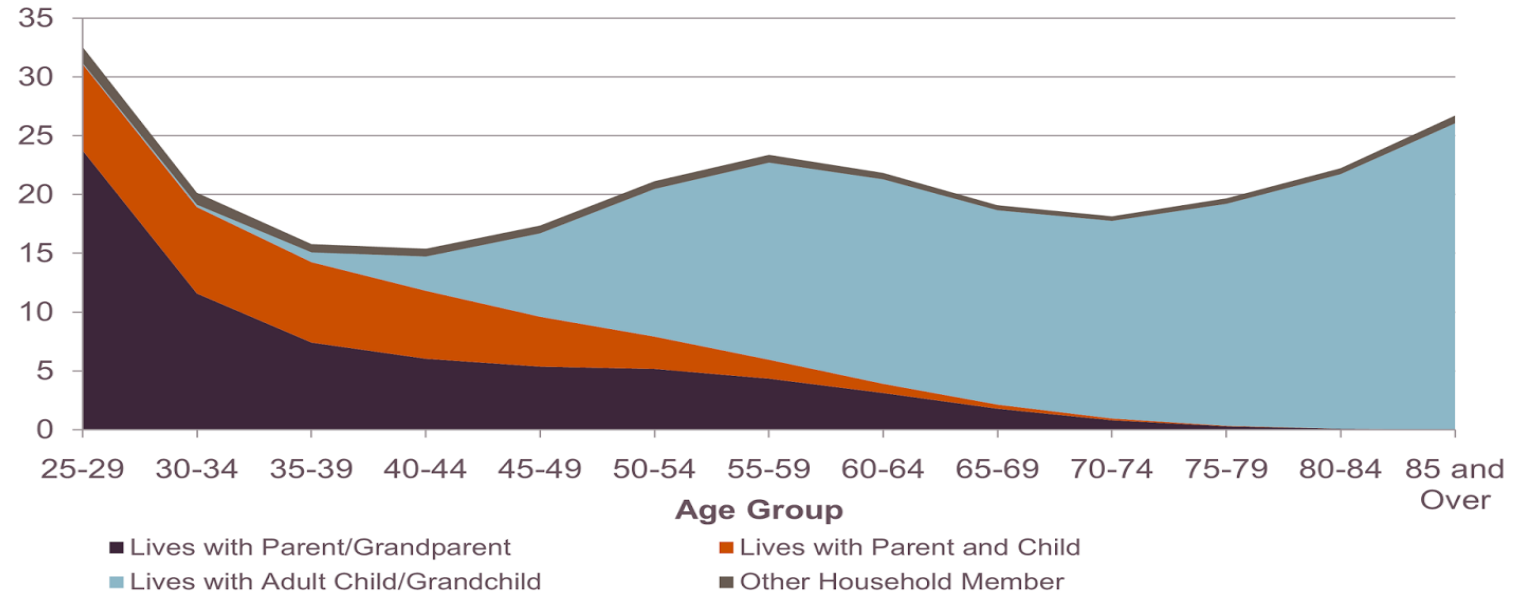
The new data not only reflect the fact that there are a growing number of older Americans, but also that the share of older Americans living in multigenerational homes has been growing steadily since the 1980s. These trends are likely to continue as baby boomers age. Importantly, multigenerational living might allow some older Americans to enjoy a higher quality of life while aging in place, as an overwhelming majority of people want to do. At the same time, for some families of limited means, multigenerational living may be a financial necessity rather than a desirable living situation. Regardless of why they are choosing multigenerational living arrangements, providing families with education and support to suitably modify their homes could help these arrangements be as safe, effective, and beneficial as possible.

About two-thirds of the 9.4 million older adults living in multigenerational homes live in households that have exactly two adult generations (usually parents and adult children aged 25 or older). The rest are in three-or-more-generation households that typically include grandparents, adult children, and grandchildren.” – Shannon Rieger, Research Assistant, JCHS

Demographics

Figure 1: The Oldest and Youngest Adults are Most Likely to Live in Multigenerational Settings

Share of Population in Multigenerational Households (Percent)



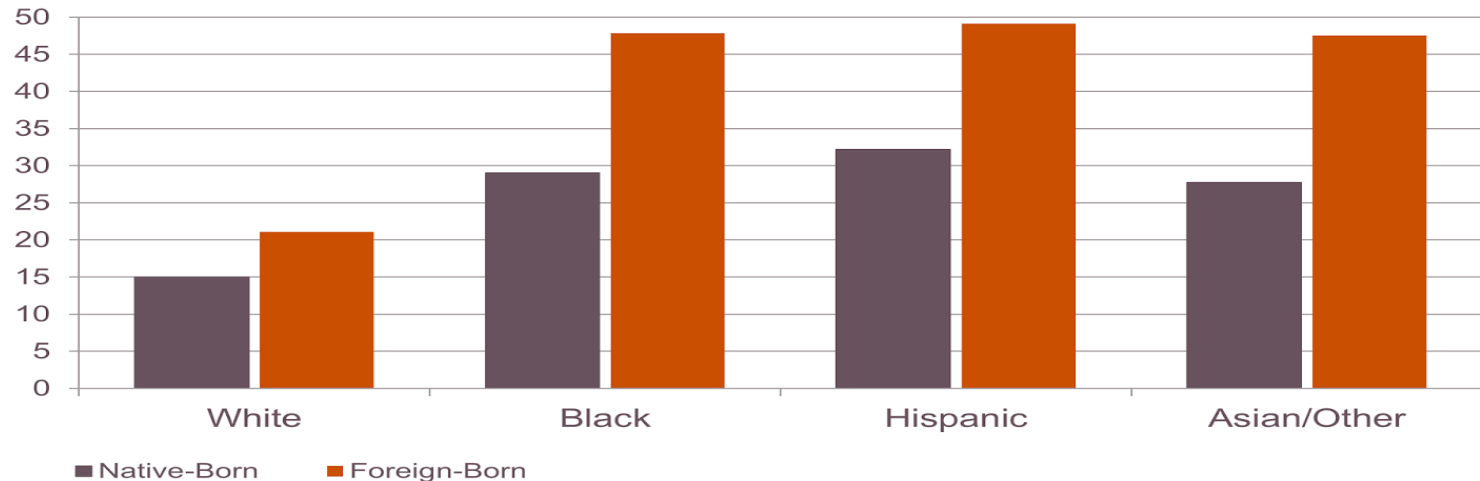
Who Lives in Multigenerational Homes?

“Trends in multigenerational living also change with age (Figure 1). The share of people living in multigenerational settings is highest for individuals in their late 20s (mostly due to adult children still living at home), then drops for those in their 30s as young adults move out and form their own households. The share rises again for people in their early 40s until peaking at about 23 percent for people in their late 50s. This “sandwich” age group includes people who are living with their adult children, those who are living with their aging parents, who often need daily support and care, and those living with both their children and aging parents.” – Shannon Rieger, Research Assistant, JCHS

Demographics

Figure 2: Multigenerational Living is Most Common Among Foreign-Born Older Adults and Minority Racial/Ethnic Groups

Share of Population Aged 65 and Over in Multigenerational Households (Percent)



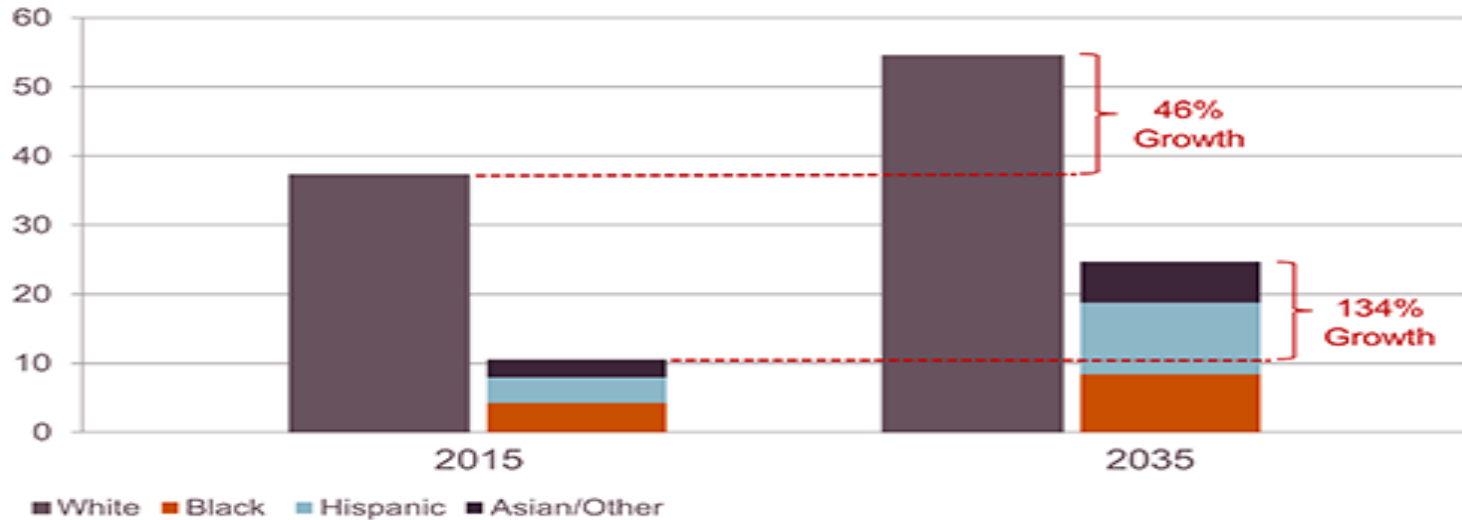
Who Lives in Multigenerational Homes?

“Because adult children move out and elderly parents pass away, the share of people living in multigenerational households declines for people who are in their 60s and early 70s. However, the share rises steadily for older adults in their mid-70s, who often are starting to face more daunting health and financial challenges. Among the oldest age groups (aged 85 and over), 27 percent – about 1.5 million people – lived in multigenerational households in 2015. In addition to differences in age, people of color and foreign-born individuals are far more likely to live in multigenerational settings than non-Hispanic whites and people born in the U.S. (Figure 2). More than 25 percent of native-born blacks, Hispanics, and Asians / others aged 65 and over live in multigenerational homes, as do more than 45 percent of foreign-born in all three of these groups. In contrast, 15 percent of native-born non-Hispanic whites of the same age, and just over 20 percent of foreign-born non-Hispanic whites, live in multigenerational households.” – Shannon Rieger, Research Assistant, JCHS

Demographics

Figure 3: Population Growth Will Accelerate Among Older Minorities, Potentially Increasing Demand for Multigenerational Living

Projected Population Aged 65 and Over (Millions)



Looking forward

“The racial and ethnic composition of the older population will also shift markedly over the next several decades. The non-Hispanic white share of the 65-and-over population is projected to drop nearly ten percentage points to 69 percent by 2035, while the black, Hispanic, and Asian shares will rise, respectively, by 20 percent, 67 percent, and 39 percent (Figure 3). Census Bureau projections estimate that the foreign-born share of the 65 and over population will also continue to increase, growing from 13 percent in 2015 to 19 percent in 2035. Though the direction of future residential preferences among the older population is uncertain, the sheer magnitude of growth in the older population and the fact that much of the growth will be among the very old, people of color, and the foreign born suggests there will be substantial growth in multigenerational households in the coming years.” – Shannon Rieger, Research Assistant, JCHS

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