

The Virginia Tech – U.S. Forest Service

January 2019

Housing Commentary: Section II



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2018

Virginia Polytechnic Institute and State University

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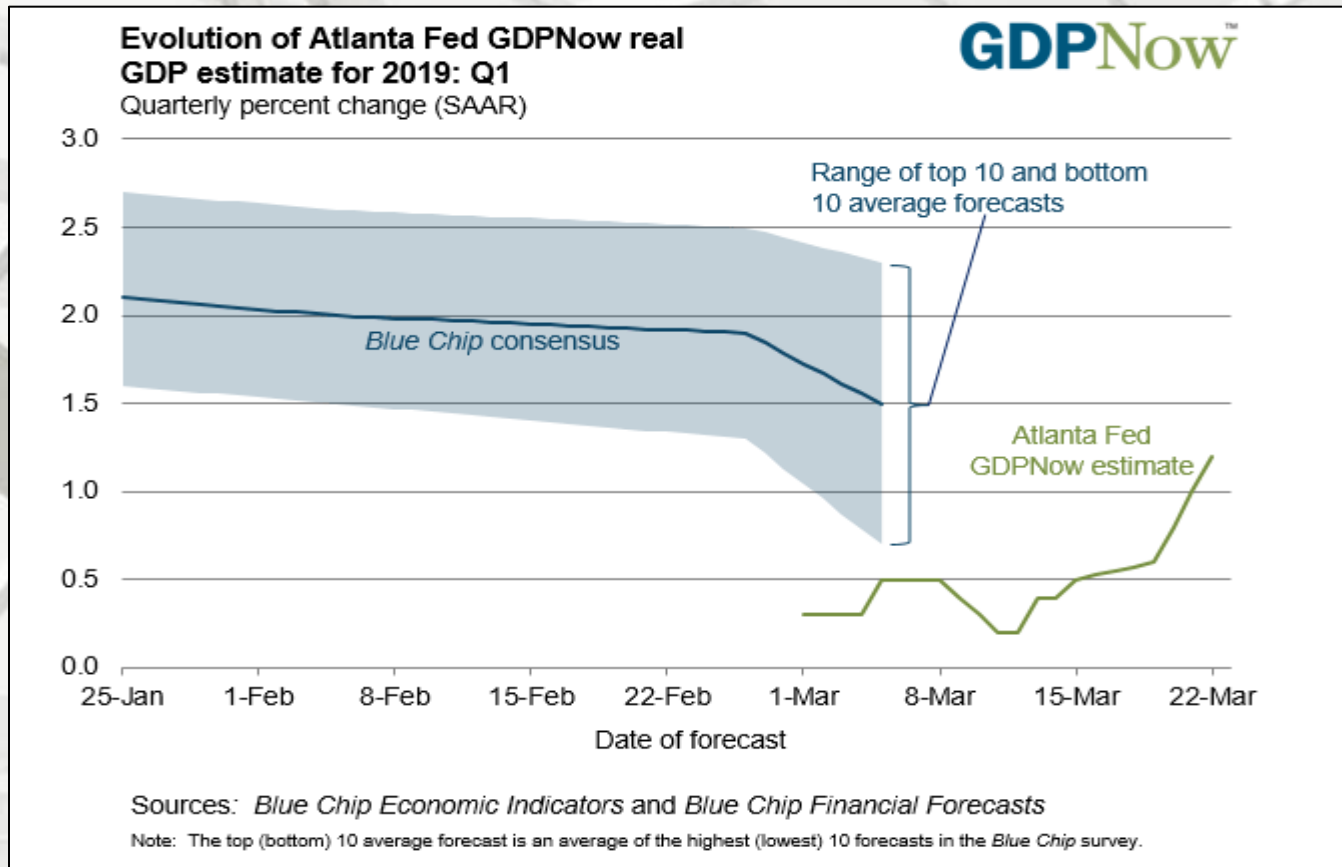
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U.S. Economic Indicators

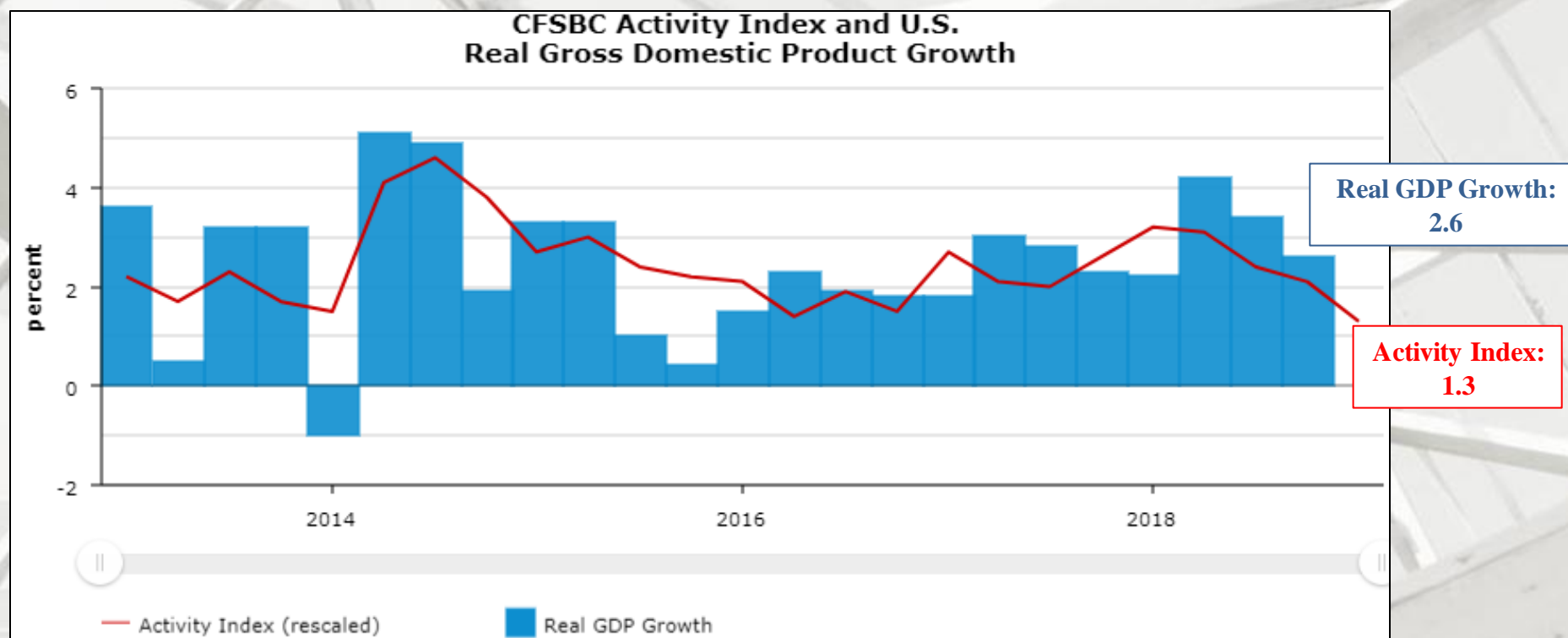


Atlanta Fed GDPNow™

Latest forecast: 1.2 percent — March 22, 2019

“The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2019 is **1.2 percent** on March 22, up from 0.4 percent on March 13. The nowcast of the contribution of inventory investment to first-quarter real GDP growth increased from -0.40 percentage points to -0.02 percentage points after this morning's wholesale trade release from the U.S. Census Bureau. After this morning's existing-home sales release from the National Association of Realtors, the nowcast of first-quarter real residential investment growth increased from -4.8 percent to 0.6 percent.” — Pat Higgins, Economist, Federal Reserve Bank of Atlanta

The Federal Reserve Bank of Chicago: Survey of Business Conditions

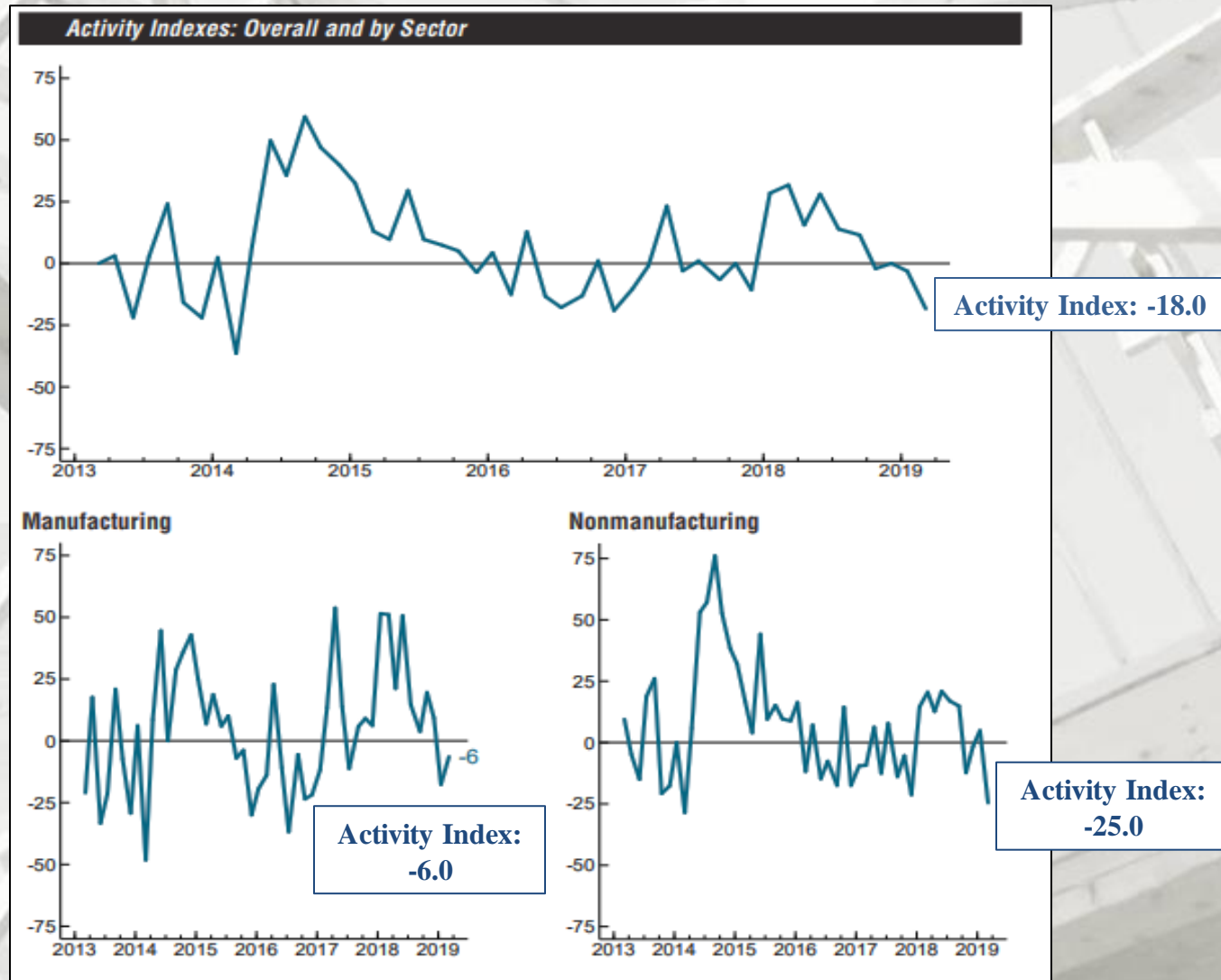


Notes: Real gross domestic product (GDP) growth is presented at an annualized quarterly rate. The CFSBC Activity Index is converted from a biquarterly to quarterly frequency by taking the quarterly average of the available data. After averaging, the CFSBC Activity Index values are rescaled by taking the fitted values from a regression of GDP growth on the CFSBC Activity Index.— The Federal Reserve Bank of Chicago

Survey Shows Growth Slowed in January and Early February

“The Chicago Fed Survey of Business Conditions (CFSBC) Activity Index decreased to –18 from –3, suggesting that growth in economic activity continued at a modest pace in January and early February.” – Laura LaBarbera, Media Relations, Federal Reserve Bank of Chicago

The Federal Reserve Bank of Chicago: Survey of Business Conditions



Notes: The CFSBC Activity Index is converted from a biquarterly to quarterly frequency by taking the quarterly average of the available data. After averaging, the CFSBC Activity Index values are rescaled by taking the fitted values from a regression of GDP growth on the CFSBC Activity Index.—The Federal Reserve Bank of Chicago

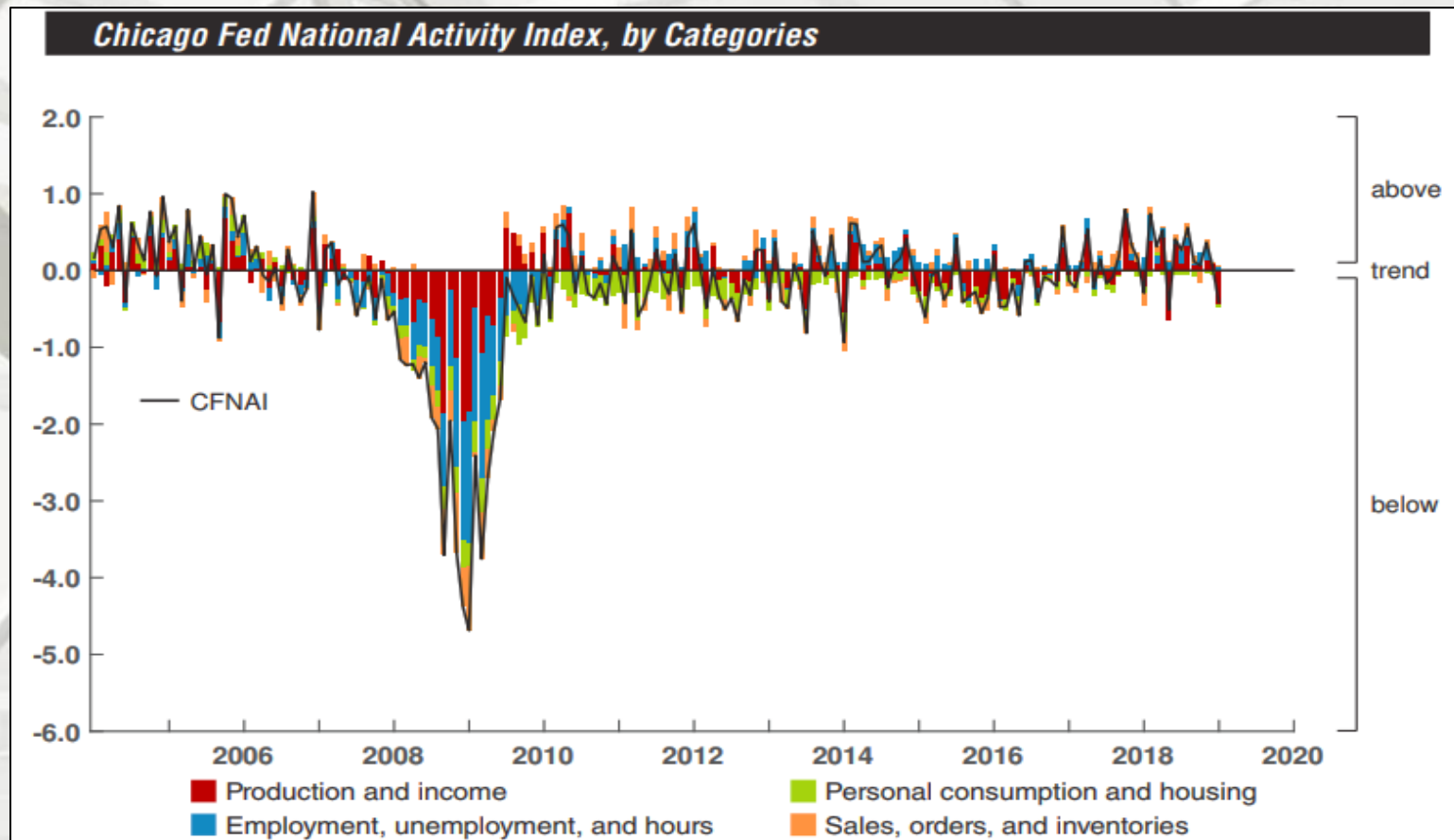
The Federal Reserve Bank of Chicago: Survey of Business Conditions

Survey Shows Growth Slowed in January and Early February

“The Chicago Fed Survey of Business Conditions (CFSBC) Activity Index decreased to -18 from -3 , suggesting that growth in economic activity continued at a modest pace in January and early February. The CFSBC Manufacturing Activity Index moved up to -6 from -18 , while the CFSBC Nonmanufacturing Activity Index fell to -25 from $+5$.

- Respondents’ outlooks for the U.S. economy for the next six to 12 months improved, but remained pessimistic on balance. Respondents with pessimistic outlooks highlighted elevated policy uncertainty under the current U.S. presidential administration, particularly in regard to trade policy, and slowing demand for their firms’ products. Respondents with optimistic outlooks highlighted good economic data and growing demand for their firms’ products.
- The pace of current hiring slowed, while respondents’ expectations for the pace of hiring over the next six to 12 months were unchanged. Both hiring indexes remained negative.
- The pace of current capital spending decreased, and respondents’ expectations for the pace of capital spending over the next six to 12 months edged down. Both capital spending indexes remained negative.
- The wage cost pressures index moved down, as did the nonwage cost pressures index. Both cost pressures indexes remained negative.” – Laura LaBarbera, Media Relations, The Federal Reserve Bank of Chicago

The Federal Reserve Bank of Chicago: National Activity Index



Index Points to slower economic growth in January

“Led by declines in production-related indicators, the Chicago Fed National Activity Index (CFNAI) fell to -0.43 in January from $+0.05$ in January. One of the four broad categories of indicators that make up the index decreased from January, and two of the four categories made negative contributions to the index in January. The index’s three-month moving average, CFNAI-MA3, decreased to a neutral reading in January from $+0.16$ in January.” – Graham Justice, Media Relations, The Federal Reserve Bank of Chicago

The Federal Reserve Bank of Chicago: National Activity Index

Index points to slower economic growth in January

“The CFNAI Diffusion Index, which is also a three-month moving average, decreased slightly to +0.09 in January from +0.18 in January. Thirty-five of the 85 individual indicators made positive contributions to the CFNAI in January, while 50 made negative contributions. Thirty-eight indicators improved from January to January, while 46 indicators deteriorated and one was unchanged. Of the indicators that improved, 11 made negative contributions.

The contribution from production-related indicators to the CFNAI decreased to -0.45 in January from +0.08 in January. Industrial production fell by 0.6 percent in January after edging up 0.1 percent in January. The sales, orders, and inventories category made a contribution of +0.02 to the CFNAI in January, up slightly from a neutral contribution in January. The Institute for Supply Management’s Manufacturing New Orders Index increased to 58.2 in January from 51.3 in January.

Employment-related indicators contributed +0.05 to the CFNAI in January, up slightly from +0.02 in January. Total nonfarm payrolls rose by 304,000 in January after increasing by 222,000 in the previous month. However, the unemployment rate increased to 4.0 percent in January from 3.9 percent in January. The contribution of the personal consumption and housing category to the CFNAI edged up to -0.04 in January from -0.06 in January.” – Graham Justice, Media Relations, The Federal Reserve Bank of Chicago

The Federal Reserve Bank of Dallas

Texas Manufacturing Expansion Continues

“Texas factory activity continued to expand in February, according to business executives responding to the *Texas Manufacturing Outlook Survey*. The production index, a key measure of state manufacturing conditions, slipped four points to 10.1, indicating a slight deceleration in output growth.

Most other measures of manufacturing activity also suggested continued but slower expansion in February. The new orders index fell five points to 6.9, its lowest reading in more than two years. Similarly, the capacity utilization index fell eight points to 7.1 and reached a two-year low. Meanwhile, the shipments index was largely unchanged at 10.7.

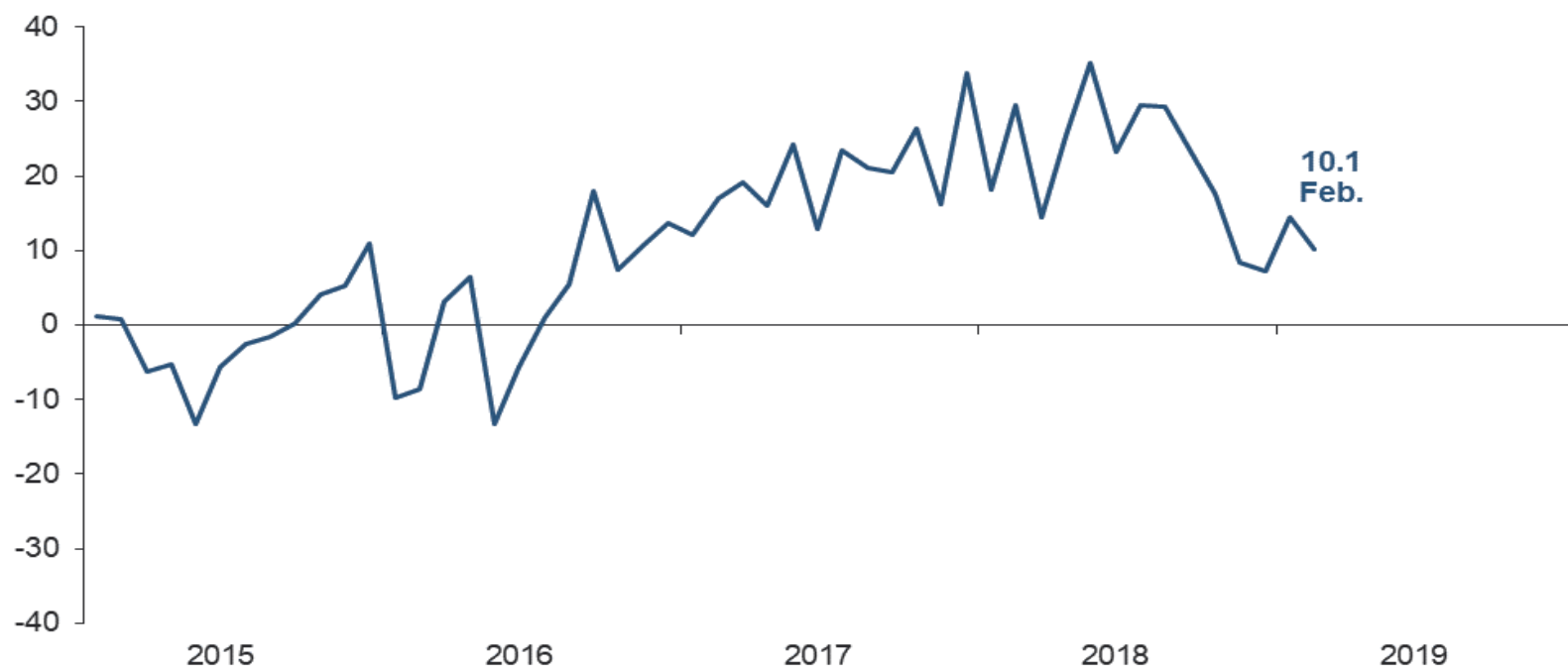
Perceptions of broader business conditions improved notably in February. The general business activity index rose 12 points to 13.1 after posting weak readings the prior two months. The company outlook index rose seven points to 14.2, a four-month high. The index measuring uncertainty regarding companies’ outlooks retreated 12 points to 4.1, its lowest reading in nine months.

Labor market measures suggested stronger employment growth and little change in workweek length in February. The employment index rebounded from 6.6 to 12.6. Twenty-two percent of firms noted net hiring, compared with 9 percent noting net layoffs. The hours worked index came in at 1.8.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas

Texas Manufacturing Outlook Survey Production Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

Texas Manufacturing Expansion Continues

“Upward pressure on prices and wages continued in February. The raw materials and finished goods prices indexes held steady at 21.8 and 5.2, respectively, roughly in line with average levels for these indexes. The wages and benefits index remained quite elevated at 28.9.

Expectations regarding future business conditions remained positive in February. The indexes of future general business activity and future company outlook rose to 17.7 and 26.7, respectively. Most other indexes for future manufacturing activity fell but remained solidly positive.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas

Texas Service Sector Activity Expands at Accelerated Pace

“Texas service sector activity accelerated in February, according to business executives responding to the *Texas Service Sector Outlook Survey*. The revenue index, a key measure of state service sector conditions, rose from 14.9 in January to 19.2 in February.

Labor market indicators reflected faster employment growth and longer workweeks this month. The employment index rose nearly three points to 9.7, while the hours worked index fell slightly from 6.6 in January to 5.0 in February.

Perceptions of broader business conditions strengthened, and measures of uncertainty eased this month. The general business activity index rebounded to positive territory at 2.0, while the company outlook index rose nearly five points to 6.1. The outlook uncertainty index fell to 8.7, its lowest value since last October.

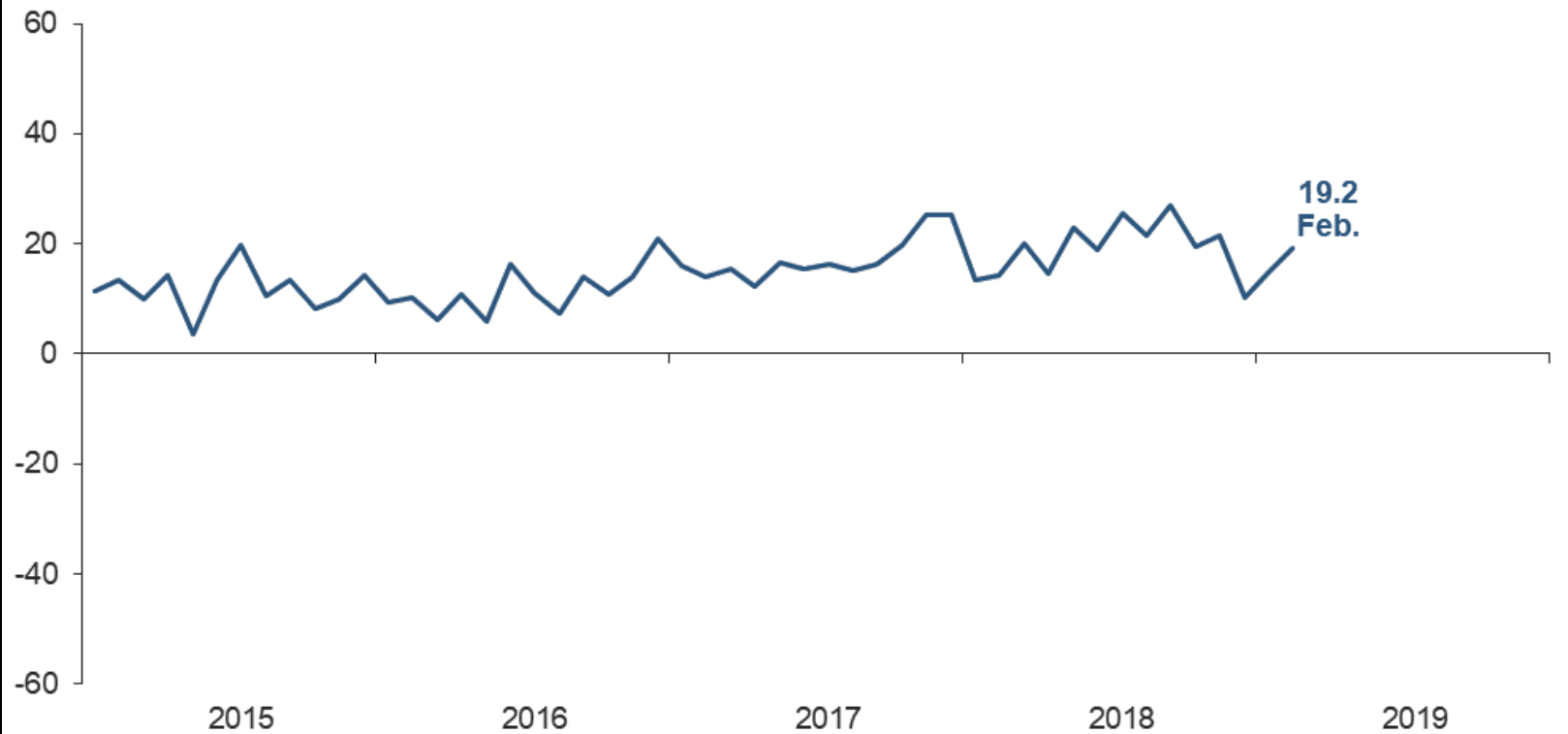
Price and wage pressures were largely unchanged this month. The wages and benefits index held steady at 19.1, while the selling prices and input prices indexes were mostly flat at 8.0 and 20.6, respectively.

Respondents’ expectations regarding future business conditions improved significantly compared with January. The future general business activity index surged nearly 12 points to 11.0, while the future company outlook index picked up almost 10 points to 17.4. Other indexes of future service sector activity, such as revenue and capital expenditures, also strengthened and suggested a more optimistic view of the next six months.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey Revenue Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas

Retail Sales Growth Holds Steady

“Retail sales accelerated in February, according to business executives responding to the *Texas Retail Outlook Survey*. The sales index increased from 6.5 in January to 9.2 in February. Inventory growth slowed but remained robust, with the inventories index declining from 19.0 to 13.6.

Retail labor market indicators suggested stronger employment growth and steady workweek length. The employment index rose from 0.1 in January to 6.3 in February, while the hours worked index declined to 0.6, its lowest reading since mid-2017.

Retailers’ perceptions of broader business conditions remained soft in February. The general business activity index increased over six points but remained negative at -5.8, suggesting that respondents on net have a worsened view of current activity. The company outlook index rebounded into positive territory, rising from -8.3 to 0.5.

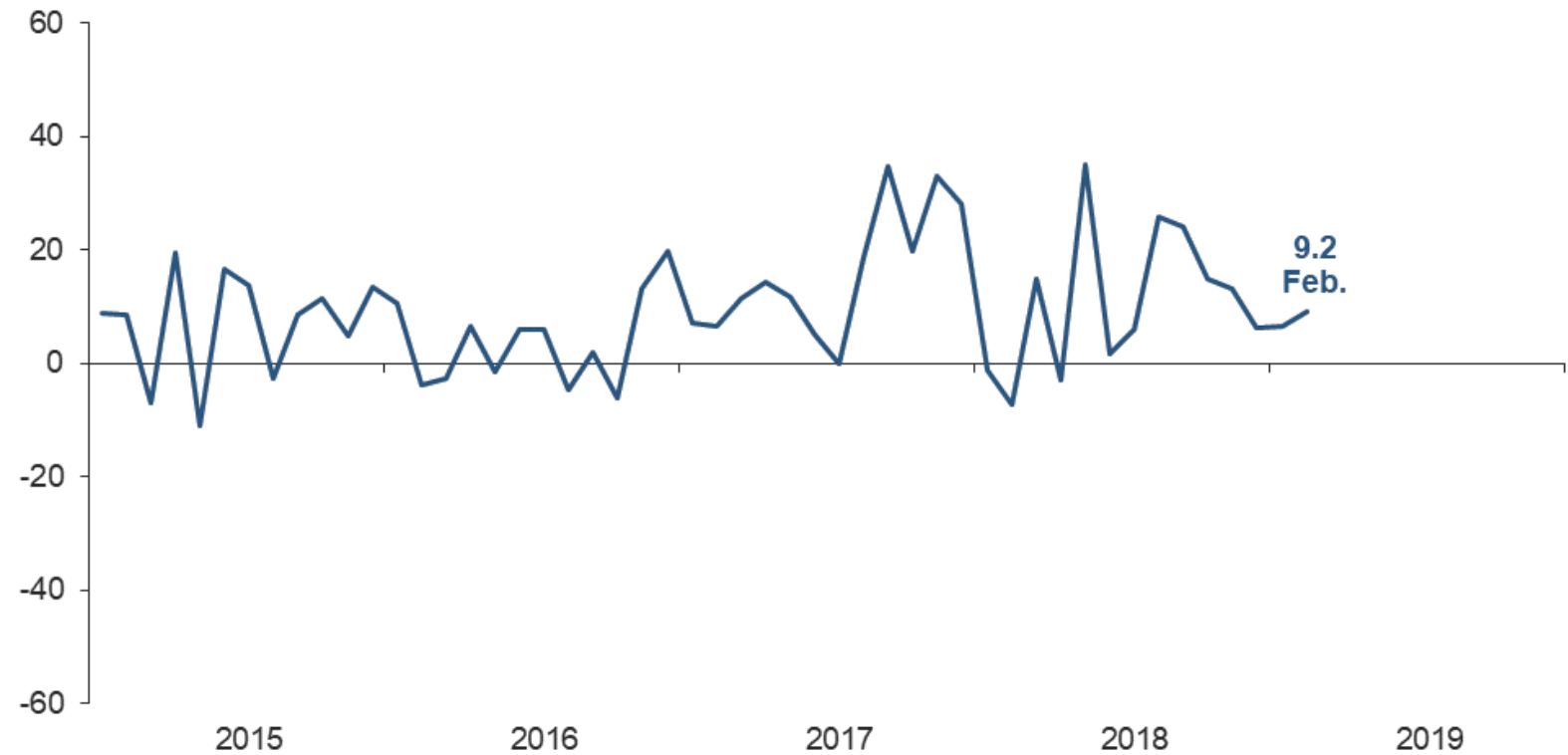
Retail price pressures eased, while wage pressures increased this month. The selling prices index fell from 14.7 in January to 11.0 in February, while the input prices index plummeted to a three-year low of 6.1. The wages and benefits index increased nearly three points to 11.1 in February.

Retailers’ perception of future business conditions improved notably this month. The future general business activity index spiked nearly 28 points to 7.5, while the future company outlook index jumped from -16.5 to 7.9, its highest reading since last October. Other indexes of future retail sector activity, such as sales and employment, also saw significant improvement and were in solidly positive territory.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas

Texas Retail Outlook Survey Sales Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Up Only Slightly

“Regional factories saw hardly any growth in February. More than three quarters of firms reported difficulties in finding workers, despite wage increases.

Tenth District manufacturing activity was up only slightly in February, while expectations for future activity remained positive but were slightly lower than in previous months (Chart 1). The month-over-month finished goods and raw materials price indexes both eased down in February. Price expectations for the next six months also edged lower.

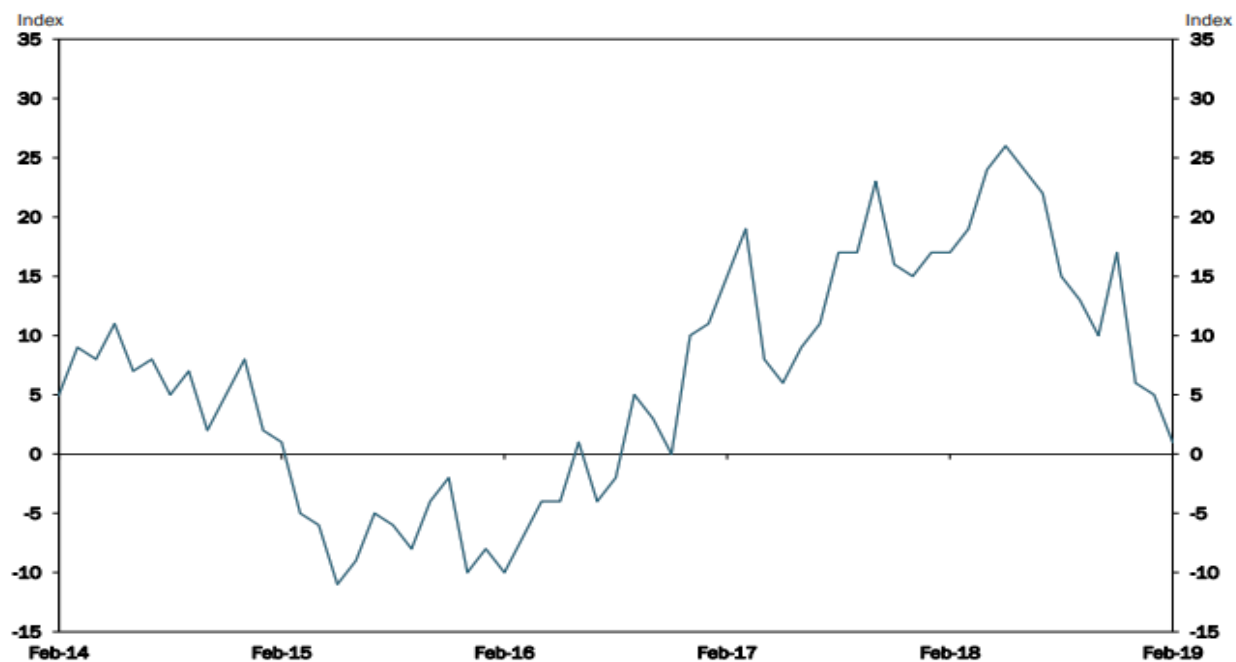
The month-over-month composite index was 1 in February, down from 5 in January and 6 in January (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Factories expanded durable goods production, particularly machinery and transportation equipment, while manufacturing of more non-durable goods, including food and beverage products, declined. Most month-over-month indexes decreased in February, with production, shipments, and new orders dropping into negative territory. However, the month-over-month employment index expanded moderately. Most year-over-year factory indexes declined from the previous month but remained positive, and the composite index dipped from 31 to 23. Future factory activity expectations continued to drift down, but also remained positive. The future composite index dipped from 18 to 13, the lowest future composite index since late 2016, but the future employment index expanded solidly.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

The Federal Reserve Bank of Kansas City

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

	February vs. January (percent)*					February vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	No			Diff	SA	No			Diff	SA	No			Diff	SA
	Increase	Change	Decrease			Increase	Change	Decrease			Increase	Change	Decrease		
Plant Level Indicators															
Composite Index				-1	1				23					12	13
Production	26	43	31	-6	-4	45	24	32	13	42	33	25	17	18	
Volume of shipments	22	41	37	-15	-14	40	29	31	10	43	32	25	18	15	
Volume of new orders	22	46	32	-9	-10	42	32	26	15	36	42	23	13	13	
Backlog of orders	16	52	32	-16	-18	38	41	22	16	28	47	25	3	4	
Number of employees	20	68	12	8	10	55	33	12	44	39	48	13	26	28	
Average employee workweek	17	63	20	-2	0	23	58	19	4	25	60	15	9	5	
Prices received for finished product	24	69	7	17	18	64	25	12	52	44	46	11	33	34	
Prices paid for raw materials	31	58	12	19	19	80	13	7	73	50	42	8	42	43	
Capital expenditures						35	40	24	11	29	55	16	13	12	
New orders for exports	7	81	11	-4	-2	9	76	15	-6	12	72	17	-5	-3	
Supplier delivery time	15	76	8	7	10	30	59	11	19	20	69	11	10	12	
Inventories: Materials	20	56	24	-4	-2	42	40	18	24	26	44	30	-4	-4	
Inventories: Finished goods	26	51	23	2	4	35	44	21	14	28	42	30	-1	2	

Chart 1. Manufacturing Composite Index vs. a Month Ago



U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District services activity rose moderately

“Tenth District services activity rose moderately in February, with further growth expected in coming months. Both the input price and selling price indexes increased over the past month, and price expectations also edged higher.

Business Rose Moderately in February

The month-over-month services composite index was 10 in February, down slightly from 15 in January and 11 in January. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were somewhat mixed. The general revenue/sales index declined in February due to slower wholesale and retail trade activity, while healthcare services activity expanded. The employment index dipped into negative territory for the first time since mid-2016, while the inventory index rose above zero. Most year-over-year services indexes edged lower.

Compared with a year ago, the services composite index dipped from 21 to 15. Expectations for future services activity grew moderately, with the future composite index increasing from 17 to 25.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

U.S. Economic Indicators



Special Questions

“This month contacts were asked special questions about tightening labor market conditions, specifically worker shortages and wage gains. More than 74 percent of services contacts reported workers were in short supply, and nearly 54 percent indicated they were having to raise wages more than normal to attract or retain employees. On average in 2018, 32 percent of firms reported 2 to 4 percent wage gains, while 38 percent of firms said wage gains were greater than 4 percent. In 2019, respondents overall expect their firms to increase wages at slightly slower rates than in 2018. Approximately 39 percent of firms expecting wage increases of 2 to 4 percent, while another 26 percent of firms expect wage gains of more than 4 percent in 2019.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

The Federal Reserve Bank of New York

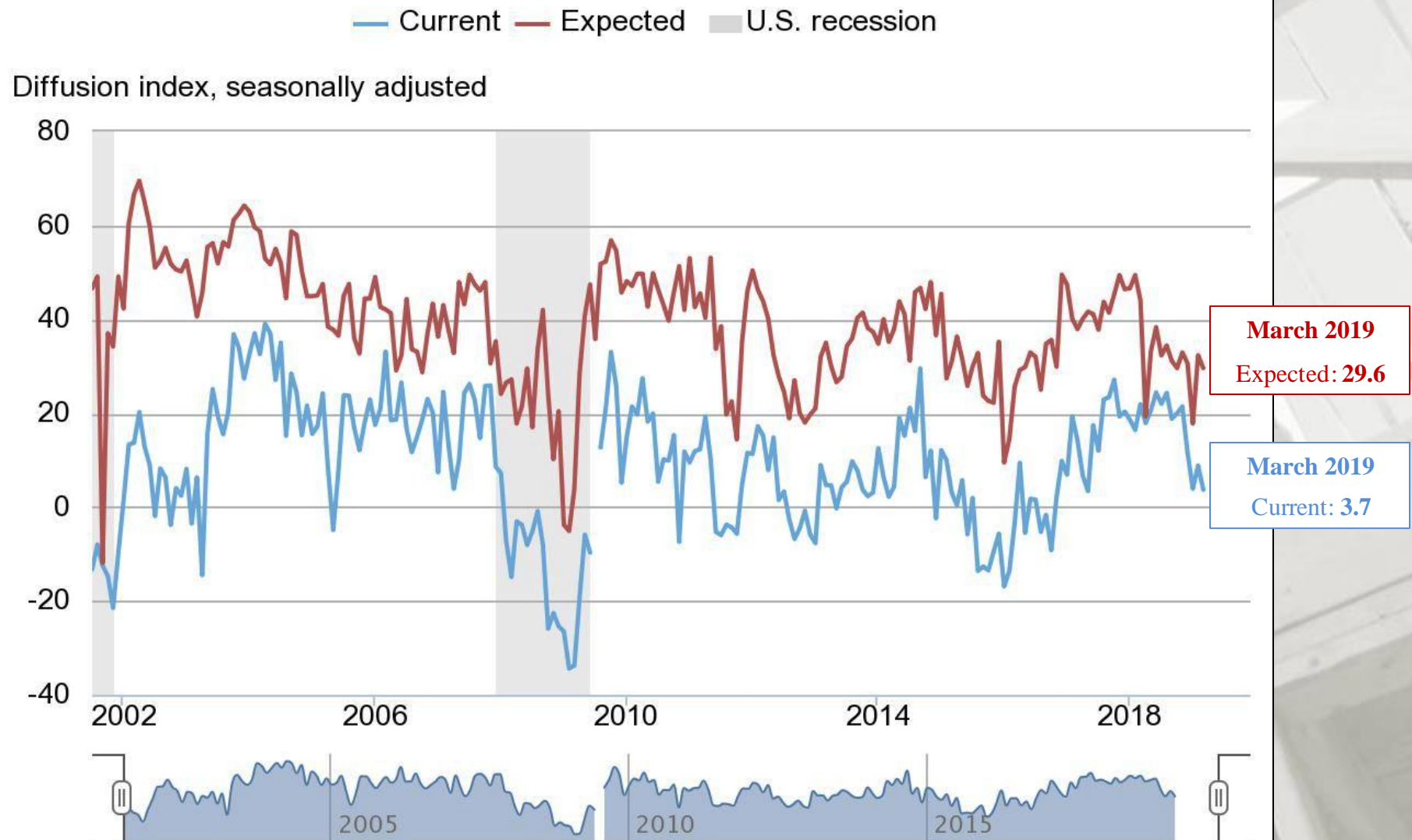
Empire State Manufacturing Survey

Sluggish Growth

“Business activity grew only slightly in New York State, according to firms responding to the March 2019 *Empire State Manufacturing Survey*. The headline general business conditions index fell five points to 3.7. New orders increased only marginally, while shipments grew modestly. Delivery times and inventories held steady. Labor market indicators pointed to an increase in employment, but a small decline in hours worked. The prices paid index moved higher for the first time in four months, pointing to a pickup in input price increases, while the prices received index moved lower, indicating a slowing in selling price increases. Indexes assessing the six-month outlook suggested that firms remained fairly optimistic about future conditions.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York

General Business Conditions



The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Employment Expands, But Workweek Falls

“The index for number of employees climbed ten points to 13.8, pointing to an increase in employment levels, though the average workweek index turned negative for the first time since 2016. The prices paid index moved higher, rising seven points to 34.1, indicating a pickup in input price increases. The prices received index fell five points to 18.1, suggesting that selling price increases slowed.

Firms Remain Fairly Optimistic

Optimism about the six-month outlook was slightly lower than last month. The index for future business conditions edged down three points to 29.6. The indexes for future new orders and shipments were also somewhat below last month’s levels. Firms expected solid increases in employment and hours worked in the months ahead. The capital expenditures index was little changed at 28.3, and the technology spending index came in at 20.3.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Growth Resumes

“Activity in the region’s service sector grew at a fairly solid clip, according to firms responding to the Federal Reserve Bank of New York’s February 2019 *Business Leaders Survey*. The survey’s headline business activity index climbed fourteen points to 13.7. The business climate index edged up three points to 3.2, indicating that on balance, firms regarded the business climate as better than normal. Employment levels rose modestly, and wage increases picked up noticeably. Both the prices paid and prices received indexes advanced several points, pointing to an acceleration in both input and selling price increases. Firms were more optimistic about the six-month outlook, with the index for future business activity rising seventeen points to its highest level in months.

After stalling in January, growth in business activity in the region’s service sector resumed in February. The headline business activity index climbed fourteen points to 13.7. Thirty-seven percent of respondents reported that conditions improved over the month, and 24 percent said that conditions worsened. The business climate index moved up three points to 3.2, signaling that, on balance, firms viewed the business climate as better than normal, though only to a small degree.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York

Business Leaders Survey (Services)

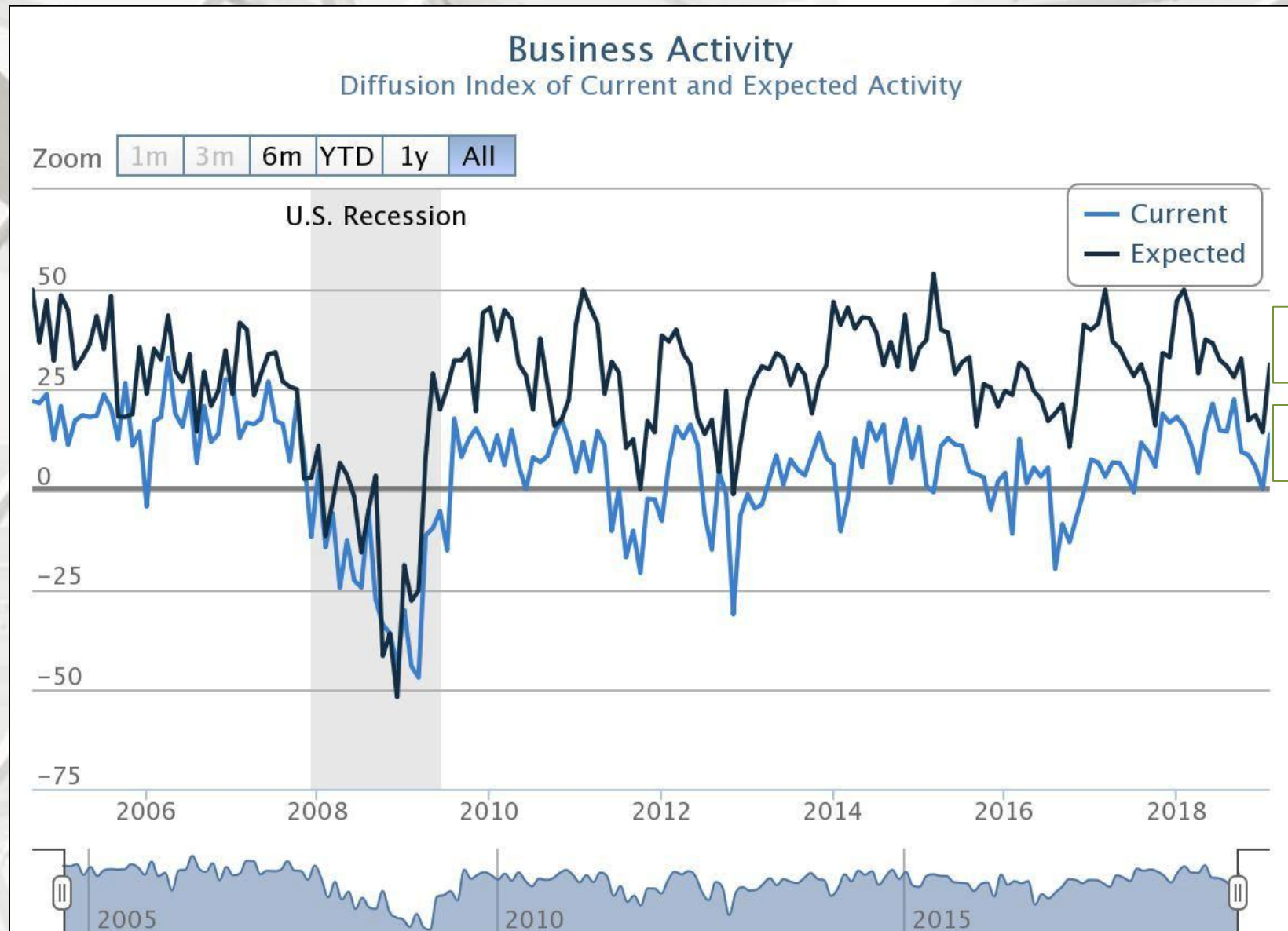
Price Increases Accelerate

The employment index was little changed at 7.3, indicating that employment levels increased modestly. The wages index rose eight points to 45.3, suggesting wage gains were more widespread this month. After declining for the prior three months, the prices paid index rose seven points to 58.8, pointing to steeper input price increases. The prices received index advanced eight points to 24.8, a sign that the pace of selling price increases picked up. The capital spending index moved up five points to 16.1, suggesting that capital spending increased at a respectable clip.

Optimism Recovers

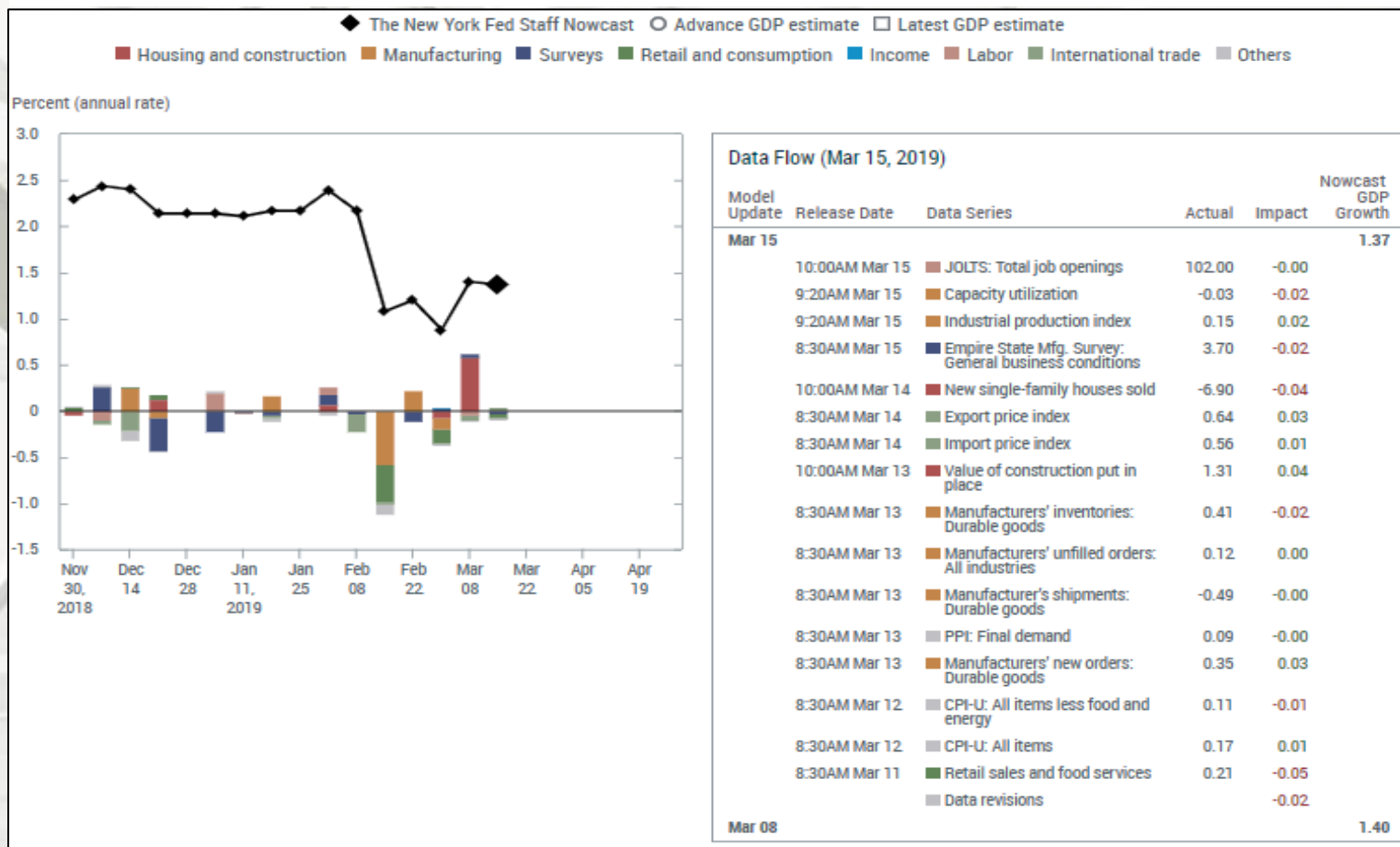
After three months of subdued readings, indexes assessing the six-month outlook were markedly higher in February. The index for future business activity shot up seventeen points to 31.2, and the index for future business climate rose twenty-two points to 5.9, its first positive reading since October of last year. The index for planned capital spending climbed ten points to 26.6.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York



U.S. Economic Indicators

The Federal Reserve Bank of New York Nowcast



Notes: We start reporting the Nowcast for a reference quarter about one month before the quarter begins; we stop updating it about one month after the quarter closes. Colored bars reflect the impact of each broad category of data on the Nowcast; the impact of specific data releases is shown in the accompanying table.

Source: Authors' calculations, based on data accessed through Haver Analytics.

March 15, 2019: Highlights

- “The New York Fed Staff Nowcast stands at 1.4% for 2019:Q1 and 1.5% for 2019:Q2.” – The Federal Reserve Bank of New York

U.S. Economic Indicators

The Federal Reserve Bank of Philadelphia

February 2019 Manufacturing Business Outlook Survey

Some Indicators Suggest Weaker Conditions

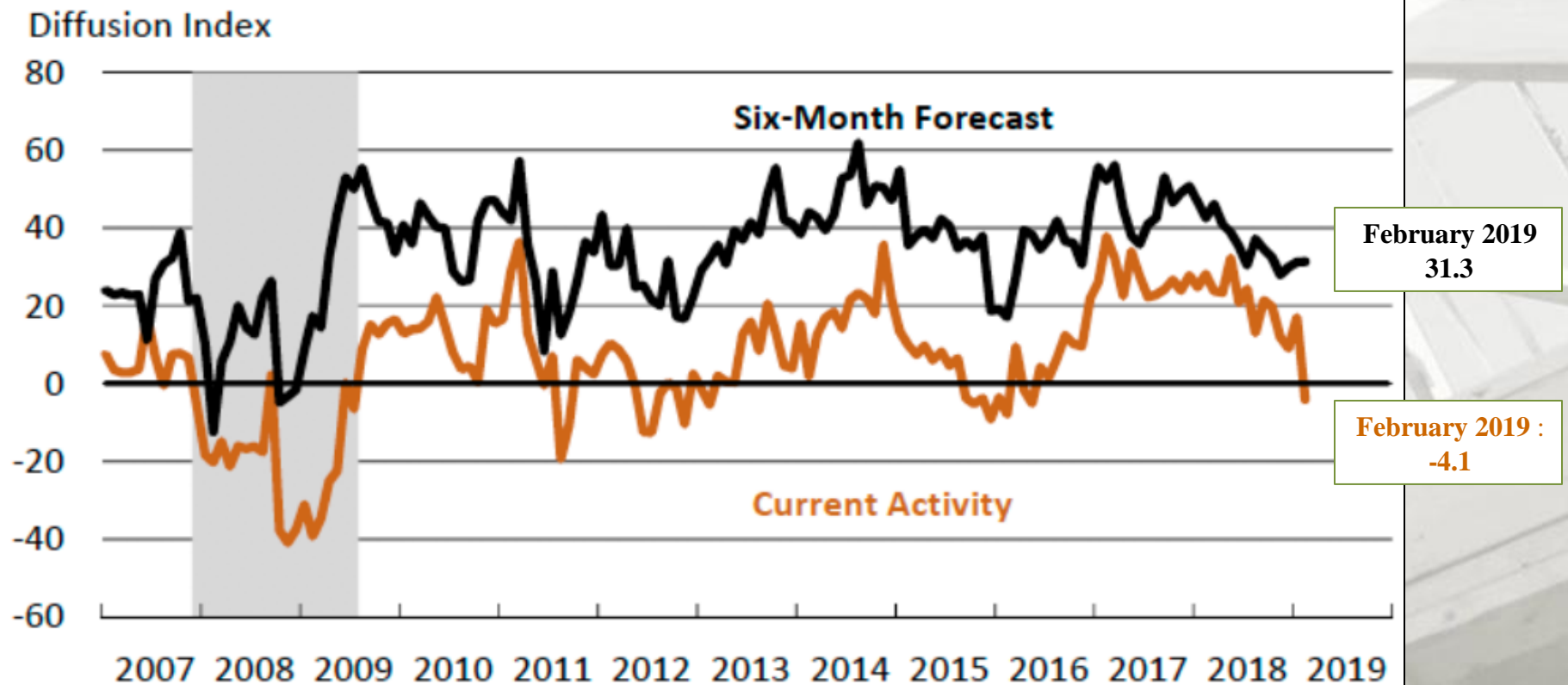
“Manufacturing conditions in the region weakened this month, according to firms responding to the February *Manufacturing Business Outlook Survey*. The indicators for general activity, new orders, and shipments fell into negative territory, but the indicator for employment remained positive. Input prices also moderated notably this month. The survey’s indexes for future conditions were mostly steady, with firms remaining generally optimistic about growth over the next six months.

The index for current manufacturing activity in the region decreased from a reading of 17.0 in January to -4.1 this month. This is the index’s first negative reading since May 2016 (see Chart 1). Both the new orders and shipments indexes also fell this month. The current new orders index decreased nearly 24 points to -2.4, and the current shipments index decreased 17 points to -5.3.

The firms continued to add to their payrolls this month. The current employment index improved from a reading of 9.6 in January to 14.5 this month. Nearly 24 percent of the responding firms reported increases in employment, while 9 percent of the firms reported decreases in employment. The current workweek index also remained positive but decreased 1 point to a reading of 4.7.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes
January 2007 to February 2019



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.

The Federal Reserve Bank of Philadelphia

February 2019 Manufacturing Business Outlook Survey

Inputs Price Pressures Continue to Moderate

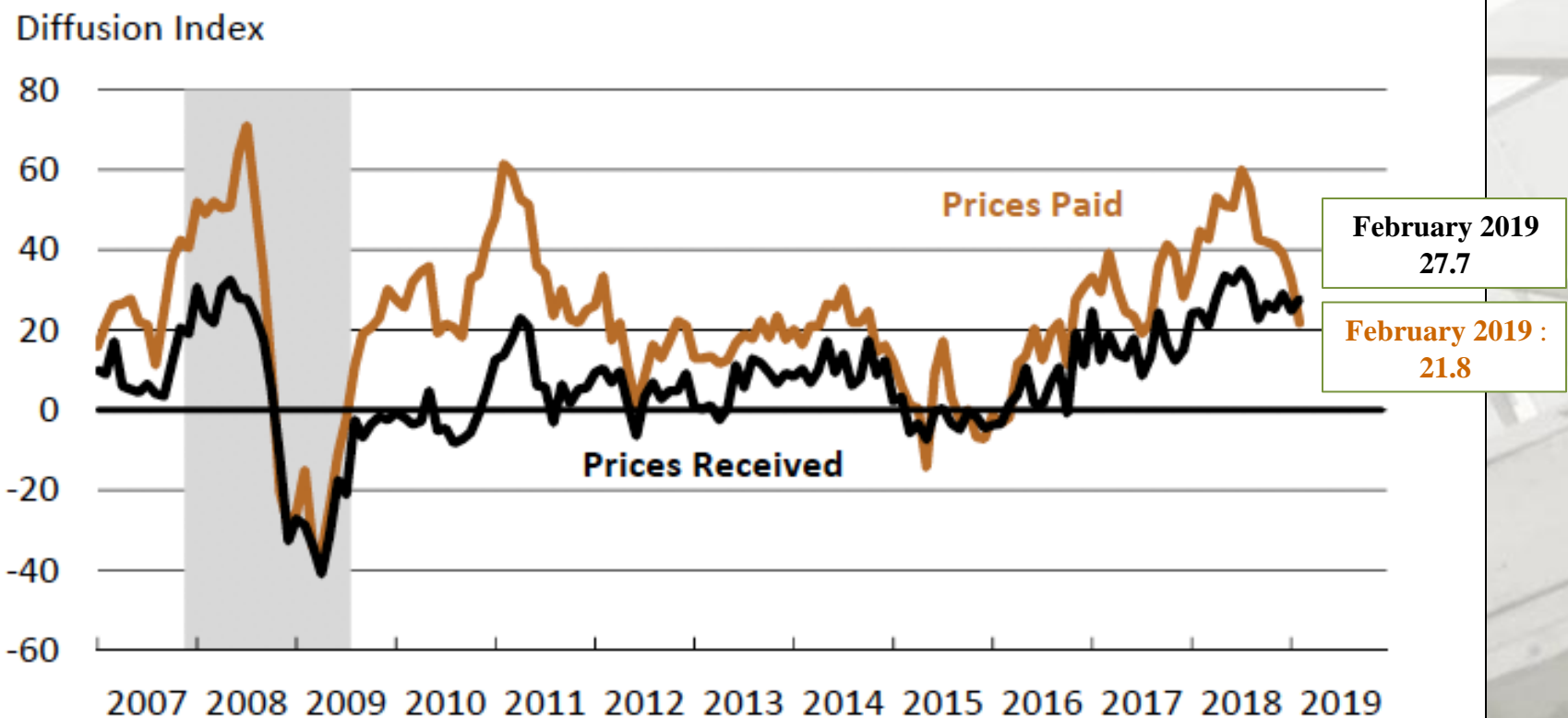
“Price pressures originating from purchased inputs continued to abate. The prices paid index decreased 11 points to 21.8. The index has been trending down since last July and is now at its lowest reading since July 2017 (see Chart 2). Over 28 percent of the firms reported higher input prices this month, down from 40 percent last month. With respect to prices received for firms’ own manufactured goods, almost 33 percent of the firms reported higher prices, and 5 percent reported lower prices. The prices received index increased 3 points to 27.7.

Expectations Hold Steady, but Employment Forecast Moderated

The diffusion index for future general activity held virtually steady this month, at 31.3 (see Chart 1). Over 46 percent of the firms expect increases in activity over the next six months, while 15 percent expect declines. The future new orders index decreased 3 points, but the future shipments index increased 4 points. The future employment index fell 11 points to 23.6, its lowest reading since November 2016. However, the percentage of firms expecting to increase employment over the next six months (31 percent) remained higher than the percentage expecting to decrease employment (7 percent).” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

Chart 2. Current Prices Paid and Prices Received Indexes
January 2007 to February 2019



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.

The Federal Reserve Bank of Philadelphia

February 2019 Manufacturing Business Outlook Survey

Firms Expect Own Prices to Rise Faster Than Inflation

“In this month’s special questions, the firms were asked to forecast the changes in the prices of their own products and for U.S. consumers over the next four quarters. Regarding their own prices, the firms’ median forecast was for an increase of 2.9 percent, about the same as when the question was last asked in November. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 3.0 percent over the next four quarters, the same as the previous forecast. When asked about the rate of inflation for U.S. consumers over the next year, the firms’ median forecast was 2.3 percent, a decrease from 3.0 percent in the previous quarter. The firms’ median forecast for the long-run (10-year average) inflation rate also decreased, from 3.0 percent to 2.5 percent.

Summary

The firms’ responses indicated weaker conditions in the region’s manufacturing sector this month. The survey’s broadest measures (for activity, new orders, and shipments) were negative, yet firms reported continued increases in employment this month. The survey’s future indexes indicate that respondents continue to expect growth over the next six months.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

February 2019 Nonmanufacturing Business Outlook Survey

Current Indicators Rebound

“The survey’s indicators for current activity suggest improvement in the nonmanufacturing sector of the regional economy. The diffusion index for current general activity at the firm level increased 29 points in February to 29.2, after registering two consecutive months well below its historical average (see Chart). Over 48 percent of the firms reported increases in activity (up from 31 percent last month), compared with 19 percent that reported decreases (down from 31 percent last month). The new orders index rebounded from its negative reading last month, rising 20 points to 16.5. The share of firms reporting increases in new orders (30 percent) exceeded the share reporting decreases (14 percent). The sales/revenues index rose from 3.9 in January to 19.4 in February. Over 36 percent of the firms reported increases in sales/revenues, while 17 percent reported declines.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

February 2019 Nonmanufacturing Business Outlook Survey

Employment Indicators Strengthen

“Responding firms reported overall increases in both full- and part-time employment. After falling for four consecutive months, the full-time employment index rose from 9.4 in January to 22.0 in February. The share of firms reporting increases in full-time employment (31 percent) exceeded the share reporting decreases (9 percent); the majority (58 percent) reported no change. The part-time employment index rose 14 points to 19.3, and the average workweek index increased to 18.5. The wages and benefits indicator rose 9 points to 38.5.

Price Indicators Moderate

The indexes for prices paid for inputs and prices received for the firms’ own products and services both fell in February. The prices paid index fell 10 points to 16.3. Over 22 percent of the respondents reported increases in input prices, while only 6 percent reported decreases. Most firms (56 percent) reported no change in input prices. The prices received index fell from 14.9 in January to 9.1 in February. Nearly 14 percent of the firms reported increases in prices received, while only 4 percent reported decreases. Almost 66 percent of the firms reported no change in their own prices.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

February 2019 Nonmanufacturing Business Outlook Survey

Firms' Forecasts for Prices Remain Stable

“In this month’s special questions, the firms were asked to forecast the changes in the prices of their own products and services and for U.S. consumers over the next four quarters. Regarding their own prices, the firms’ median forecast was for an increase of 2.0 percent, the same rate reported when the question was last asked in November. When asked about the rate of inflation for U.S. consumers over the next year, the firms’ median forecast was 2.7 percent, the same as the previous forecast. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 3.0 percent over the next four quarters, the same as the previous forecast. The firms’ forecast for the long-run (10-year) inflation rate remained at 3.0 percent.

Firms' Optimism for Growth Recovers

The respondents regained their optimism about growth in nonmanufacturing activity over the next six months. Following a 20-point decline in January, the diffusion index for future activity at the firm level increased 36 points to 58.9. Sixty-six percent of the firms expect an increase in activity at their firms over the next six months (up from 49 percent last month), compared with 7 percent that expect a decline (down from 26 percent). The future regional activity index more than recovered from its decline last month, rising 17 points to 27.4.

Summary

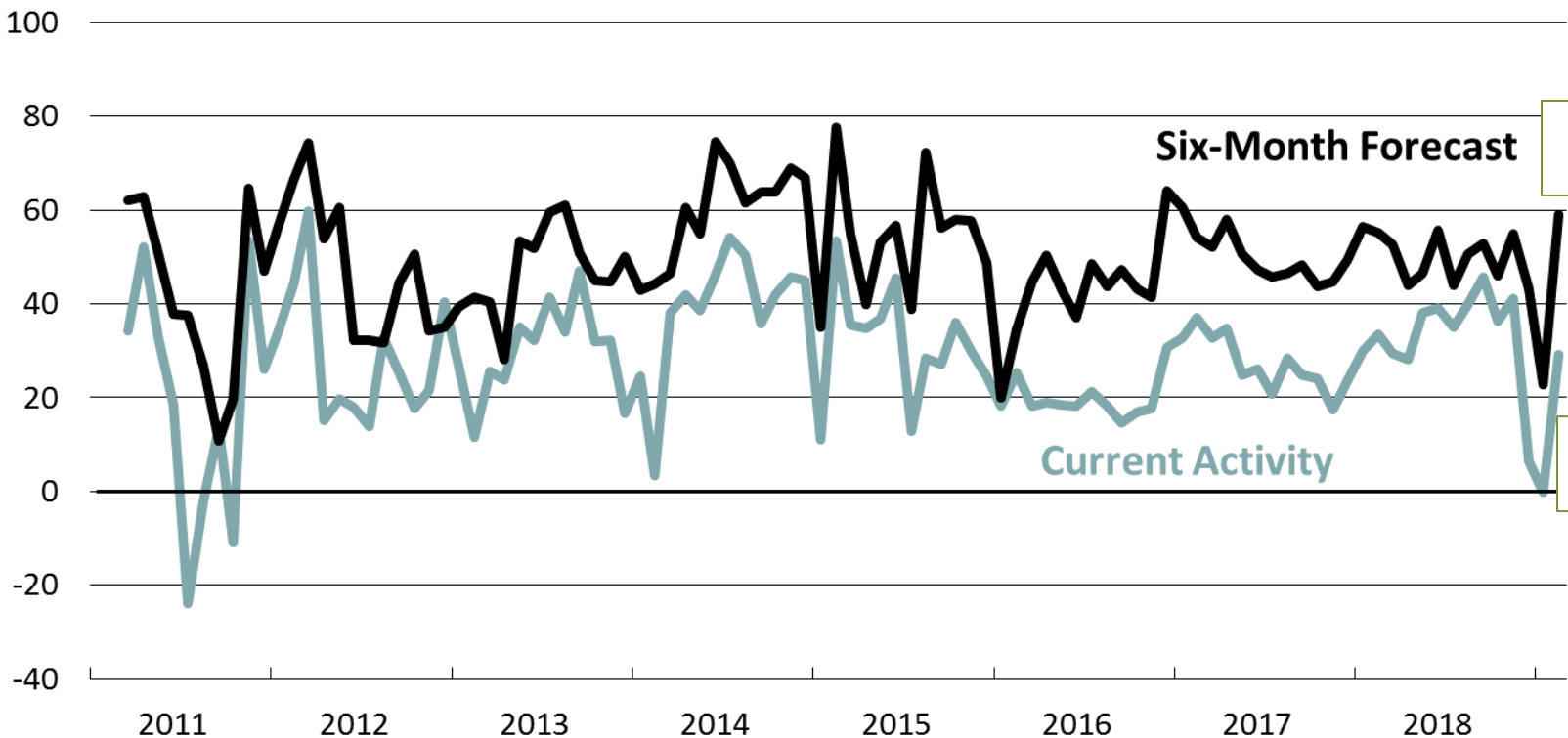
Results from this month’s *Nonmanufacturing Business Outlook Survey* suggest improvement in regional nonmanufacturing activity. The indicators for firm-level general activity, new orders, and sales/revenues all recovered from low January figures, while the firms reported overall increases in both full-time and part-time employment. The respondents continued to expect growth over the next six months.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

Chart. Current and Future General Activity Indexes for Firms

March 2011 to February 2019

Diffusion Index



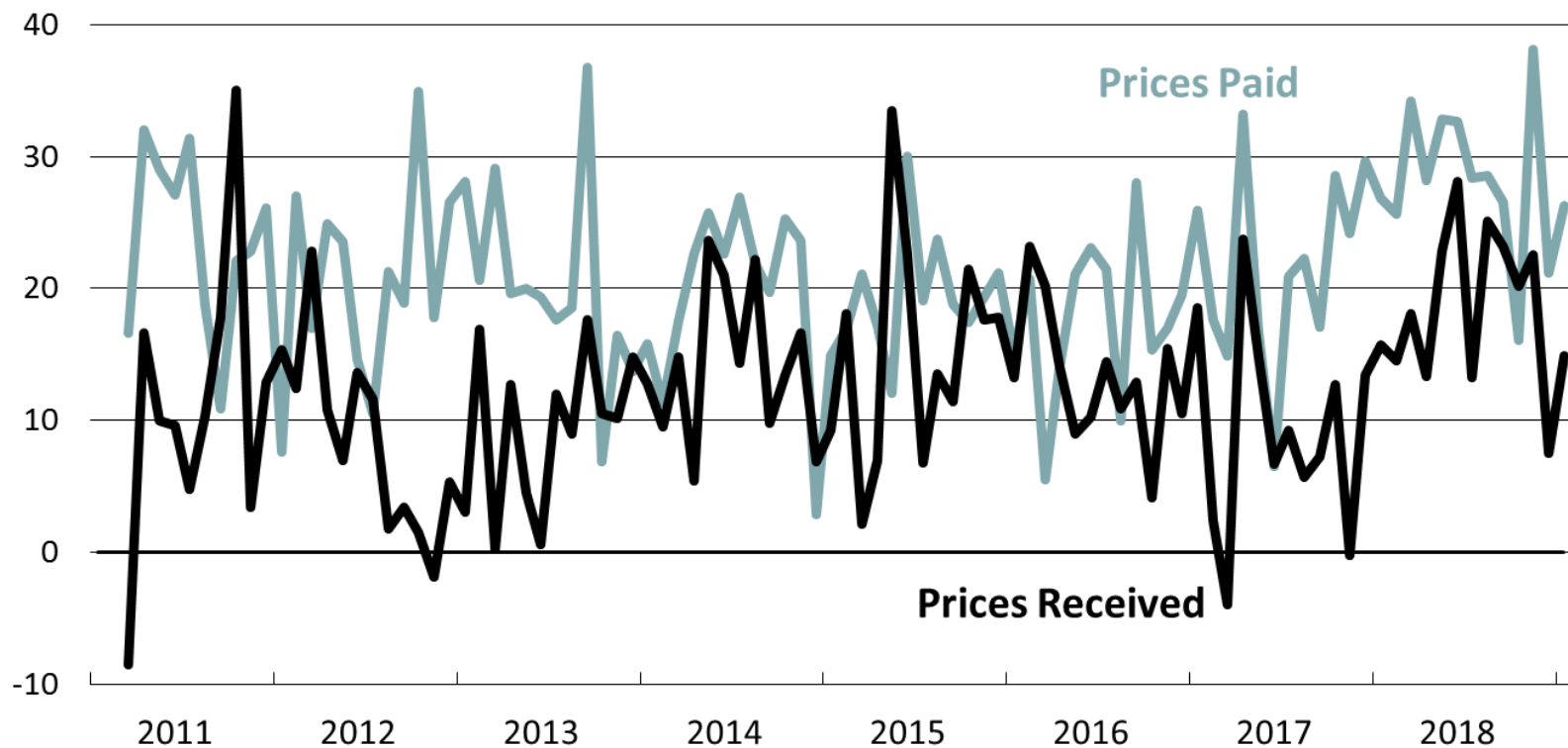
Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

The Federal Reserve Bank of Philadelphia

Chart 2. Prices Paid and Prices Received Indexes

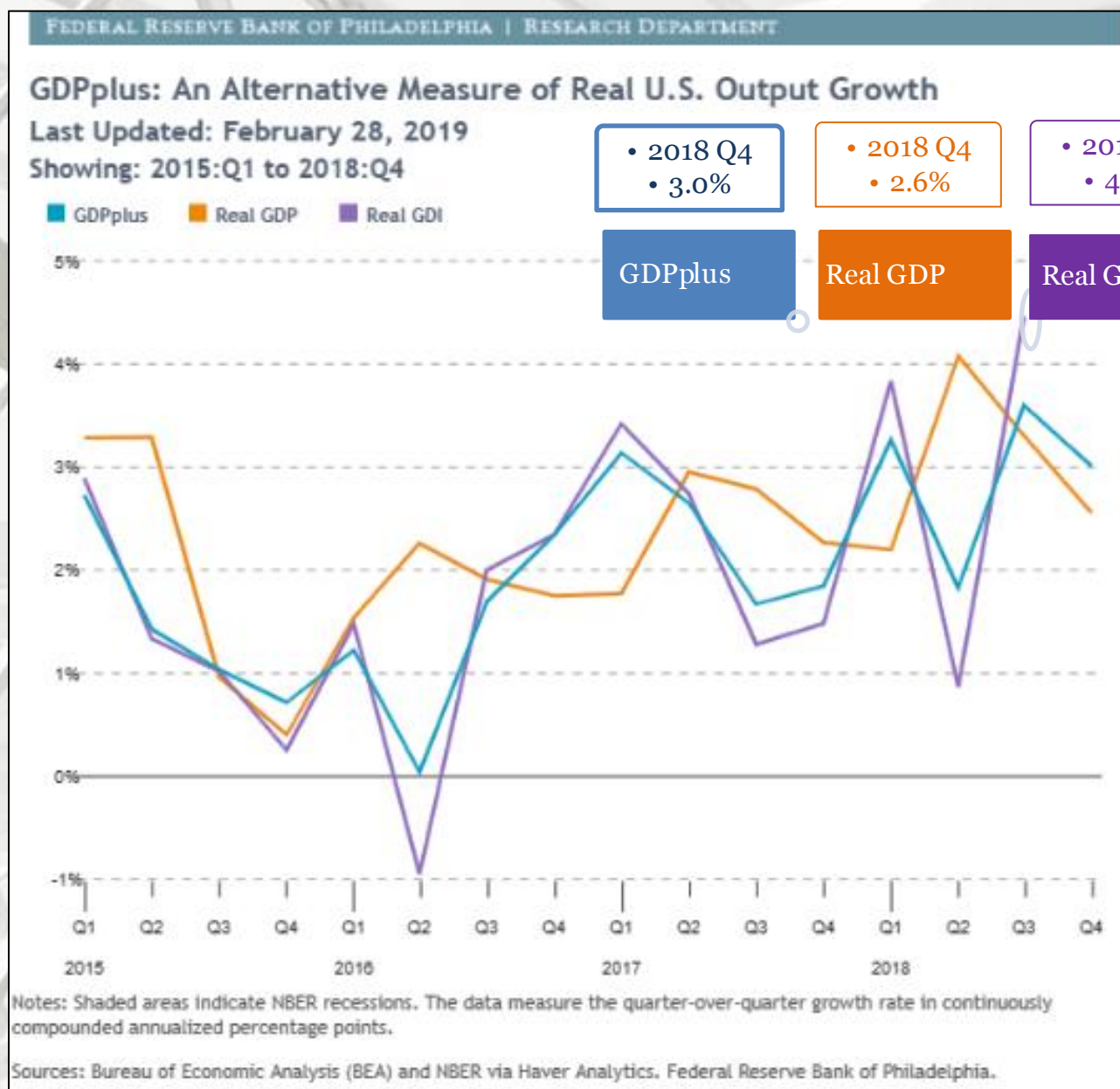
March 2011 to January 2019

Diffusion Index

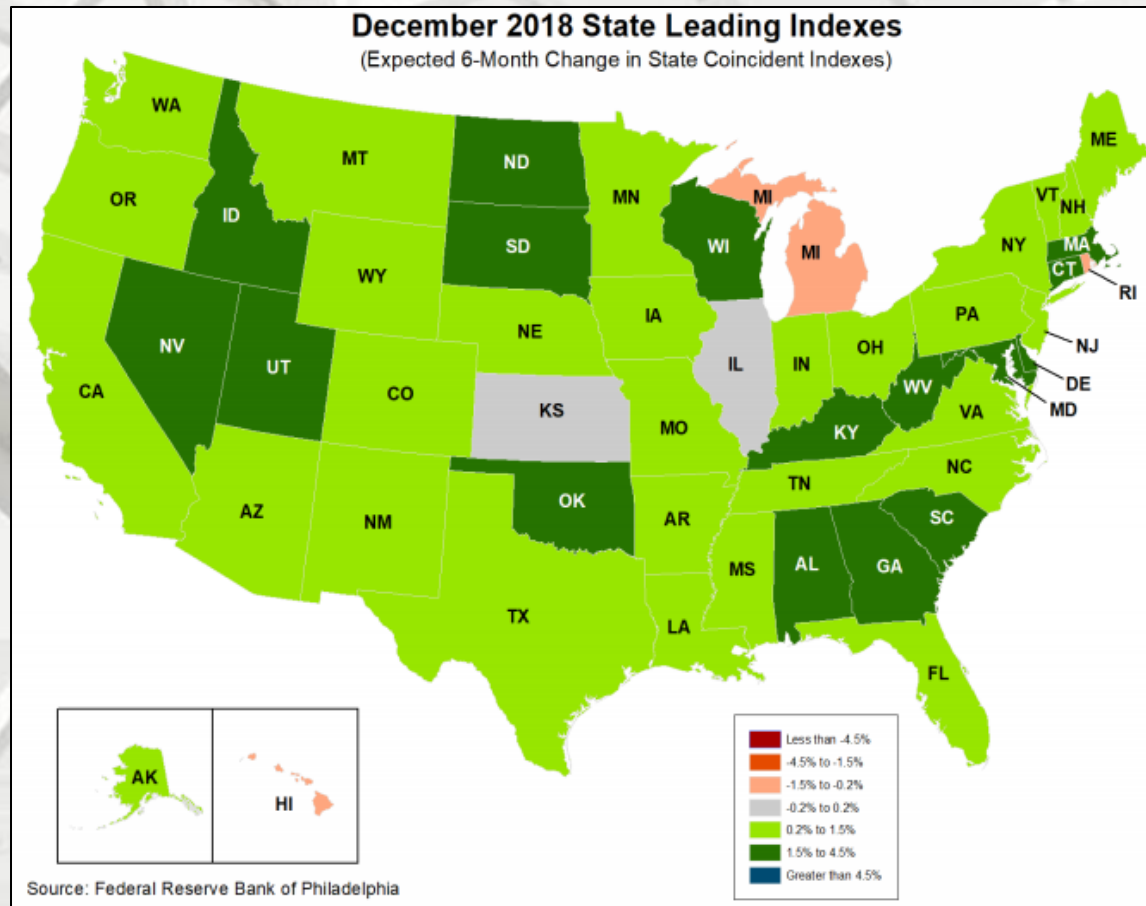


Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

The Federal Reserve Bank of Philadelphia: GDPplus



The Federal Reserve Bank of Philadelphia



“The Federal Reserve Bank of Philadelphia has released the leading indexes for the 50 states for December 2018. The indexes are a six-month forecast of the state coincident indexes (also released by the Bank). Forty-seven state coincident indexes are projected to grow over the next six months, and three are expected to decrease. For comparison purposes, the Philadelphia Fed has also developed a similar leading index for its U.S. coincident index, which is projected to grow 1.1 percent over the next six months.” – Daniel Mazone, Research Department, The Federal Reserve Bank of Philadelphia

U.S. Economic Indicators

The Federal Reserve Bank of Richmond

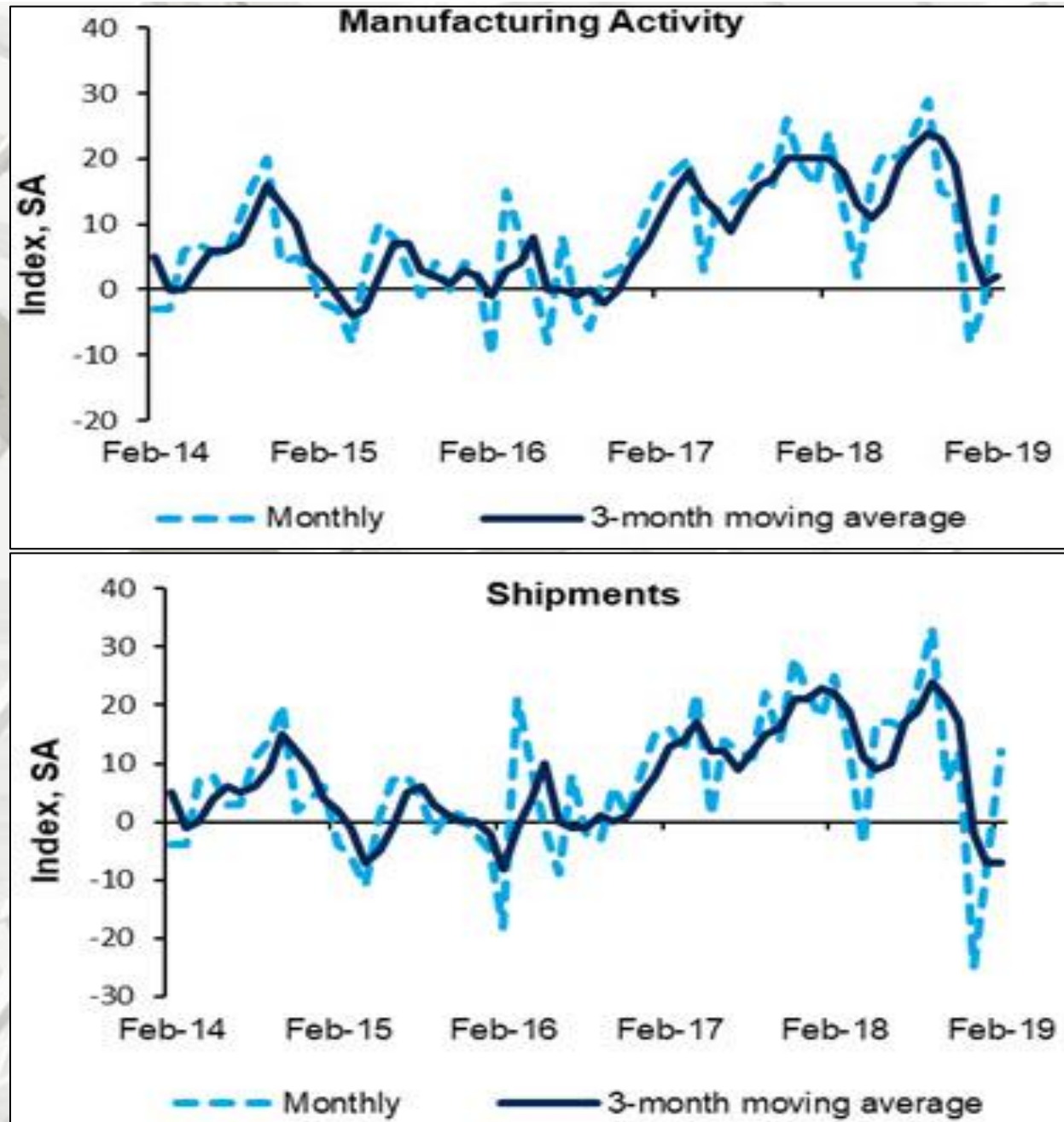
Fifth District Manufacturing Activity Strengthened in February

“Fifth District manufacturing activity strengthened in February, according to the latest survey from the Richmond Fed. The composite index rose from –2 in January to 16 in February, buoyed by increases in the indexes for shipments and new orders. The employment index fell slightly in February but remained in expansionary territory. Meanwhile, the index for local business conditions rose to 4, indicating improvement, after two months of negative readings. Firms remained optimistic that conditions would continue to improve in the next six months.

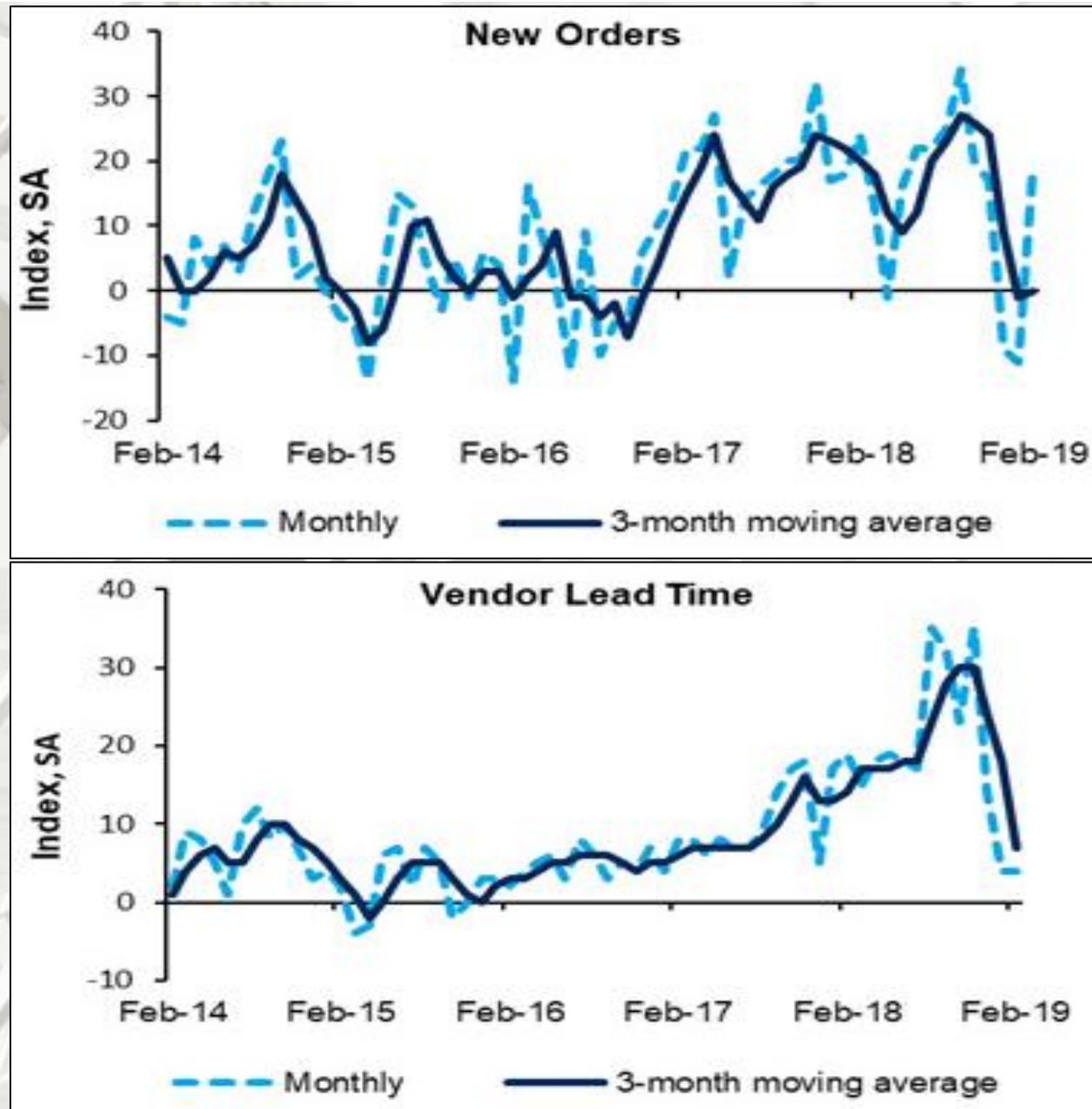
Survey results suggested that both employment and wages remained strong in February, but firms continued to struggle to find workers with the skills they needed. Respondents expected this challenge to continue in the coming months.

Survey participants indicated that growth rates of both prices paid and prices received fell in February, as growth of prices paid continued to outpace that of prices received. Firms expected price growth to slow further in the near future.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

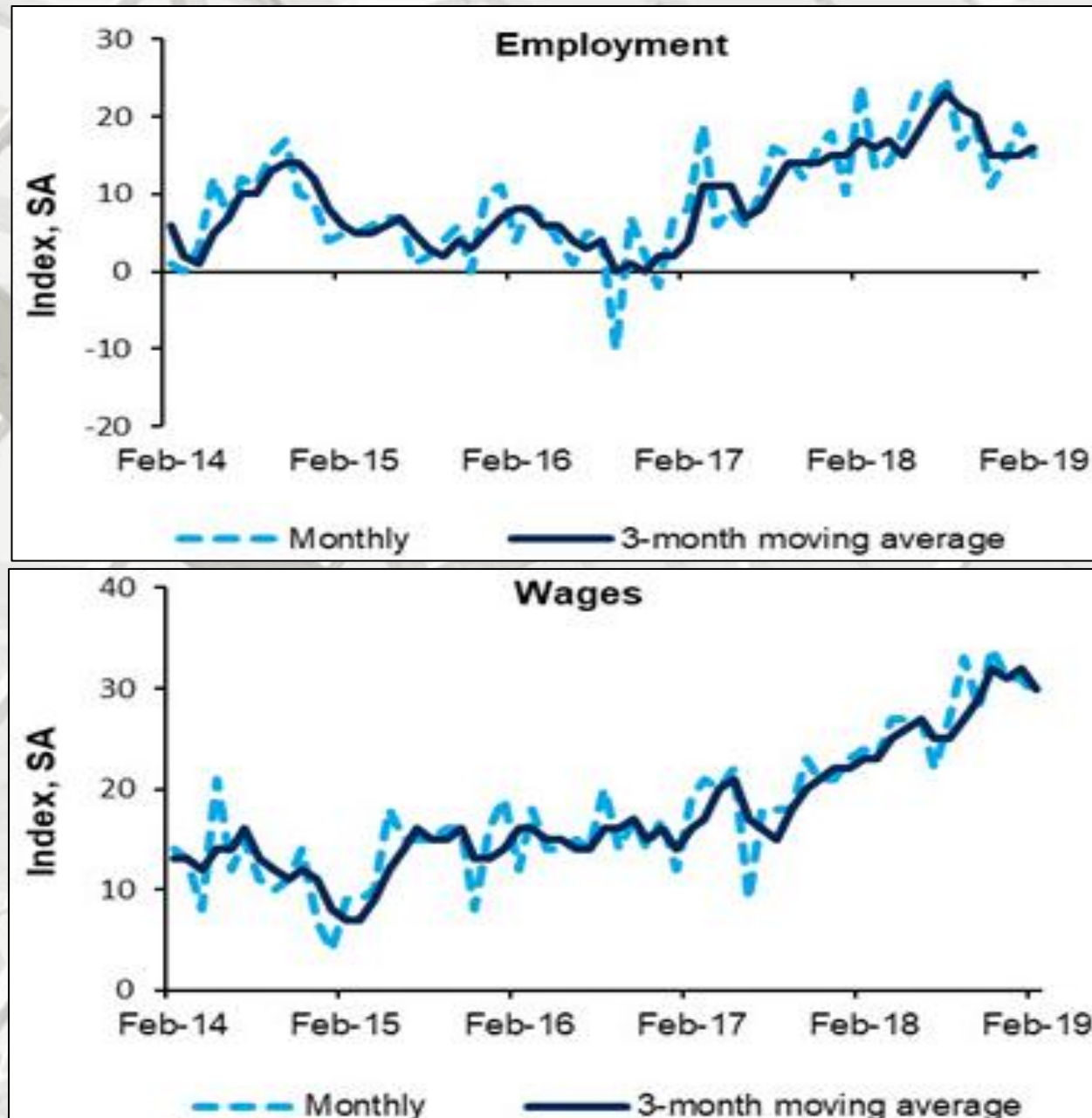
U.S. Economic Indicators



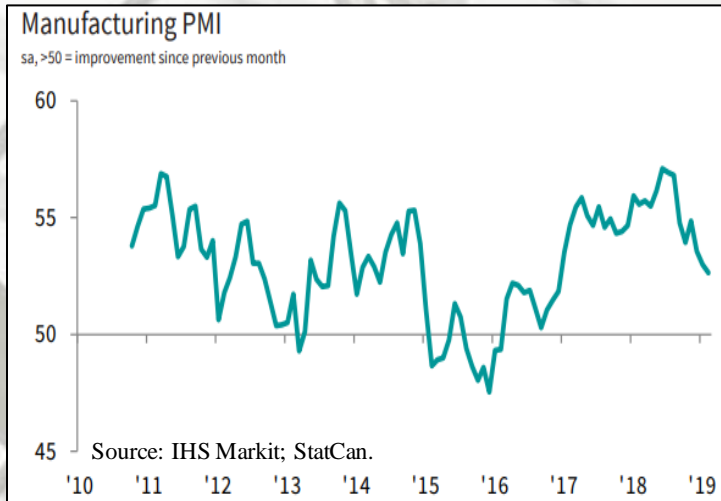
U.S. Economic Indicators



U.S. Economic Indicators



Private Indicators: Global



Markit Canada Manufacturing PMI™

“The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers’ Index® (PMI®) dropped from 53.0 in January to 52.6 in February, which signalled the slowest overall improvement in business conditions since January 2016. A softer rate of job creation and stagnating pre-production inventories were the key factors holding back the Manufacturing PMI in February. A slight rebound in new order growth was the main positive contribution to the headline index.

Manufacturing PMI slips to 26-month low amid sharp slowdown in employment growth

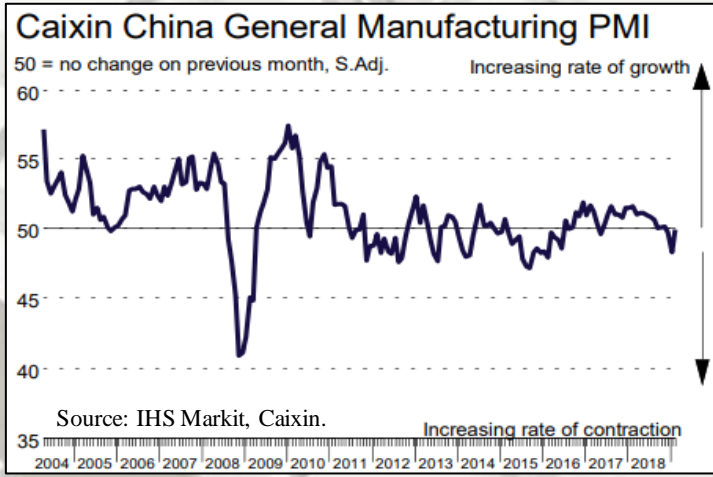
Subdued business conditions persisted across the Canadian manufacturing sector in February, with the latest survey data pointing to the slowest rise in employment numbers since the start of 2017. At the same time, growth of production volumes and incoming new work remained among the weakest seen over the past two years, although the latter accelerated since January.

February data signalled only a modest increase in production volumes, with the rate of expansion only fractionally stronger than January's 25-month low. New business volumes increased at a slightly faster pace than at the start of the year, but the latest rise was still one of the weakest seen since the second half of 2016.

Canadian manufacturers experienced a slowdown in overall business conditions during February, with weaker employment growth the main factor weighing on the headline PMI reading. Production growth was relatively subdued, reflecting a sustained soft patch for incoming new work so far this year. Survey respondents noted that trade frictions and heightened global economic uncertainty had led to delayed decision-making among clients on new orders.

The main positive developments were signs of reduced pressure on supply chains and a fall in input cost inflation to its lowest since September 2016. The latest deterioration in vendor performance was the least marked for almost two years, despite reports that adverse weather conditions had caused some disruption to supply chains in February.” – Christian Buhagiar, President and CEO, SCMA

Private Indicators: Global



Caixin China General Manufacturing PMI™

“The headline seasonally adjusted Purchasing Managers’ Index™ (PMI™) – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – registered only fractionally below the neutral 50.0 mark at 49.9 in February, to signal broadly stable operating conditions. Notably, the reading was up from January’s recent low of 48.3, to mark its highest level in three months.

Production expands slightly in February

Operating conditions faced by Chinese manufacturers were broadly stable in February. Encouragingly, both output and total new orders expanded slightly, despite export sales slipping back into contraction. At the same time, capacity pressures continued to build, with backlogs of work rising further. However, efforts to contain costs contributed to a further decline in employment and inventories. At the same time, a relatively subdued demand outlook weighed on purchasing activity, while confidence towards the year-ahead edged down slightly. Prices data meanwhile showed that average input costs fell for the third month in a row, but prices charged rose slightly.

The Caixin China General Manufacturing PMI picked up to 49.9 in February from a recent low of 48.3 in the previous month, pointing to an easing of the economic downturn. The subindex for new orders returned to expansionary territory in February after staying in contraction for two months. Despite slipping back into contractionary territory following a rise the month before, the gauge for new export orders hit its second highest level since March 2018. Domestic manufacturing demand improved significantly, and foreign demand was not deteriorating as quickly as last year. ...

Overall, with the early issuances of local governments’ special-purpose bonds and targeted adjustments to monetary policy, the situation in the manufacturing sector recovered markedly in February due to the effect of increased infrastructure investment. Prices of industrial products also picked up due to improving demand and the rebound in international commodity prices. However, the pressure on manufacturers’ capital turnover became obvious again, which may reflect that the financing environment was not easing as expected, and the effect of credit expansion is not yet significant.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Private Indicators: Global

IHS Markit Eurozone Manufacturing PMI



Markit Eurozone Manufacturing PMI®

“There was a deterioration in eurozone manufacturing operating conditions during February as signalled by the IHS Markit Eurozone Manufacturing PMI® slipping below 50.0 for the first time since June 2013. After accounting for seasonality, the PMI recorded 49.3, down from 50.5 in January. Although slight, the contraction signalled in February ended a run of growth in the manufacturing economy that had stretched to over five-and-a-half years.

Eurozone manufacturing sector contracts in February

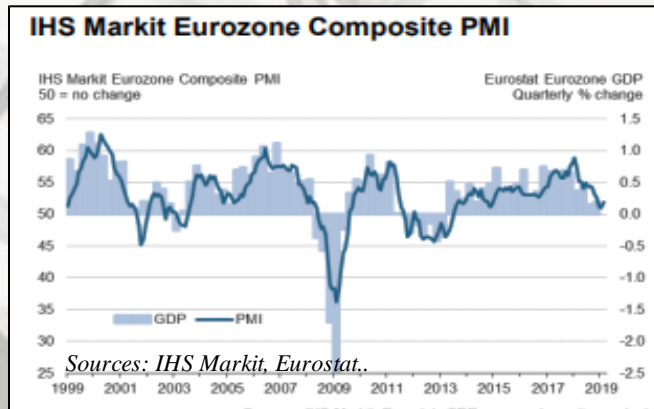
By market group, weakness was again most apparent in the intermediate and investment goods sectors. Both recorded deteriorations in operating conditions compared to the previous month. In contrast, consumer goods continued to expand, albeit at a modest pace that was the weakest seen since July 2016.

Euro area manufacturing is in its deepest downturn for almost six years, with forward-looking indicators suggesting risks are tilted further to the downside as we move into spring. Most worrying is the downward trend in new orders. Orders are falling at a faster rate than output to a degree not seen for seven years, meaning production is likely to be pared back further in coming months unless demand revives. The new orders to inventory ratio has also fallen to its lowest since 2012, with many companies reporting excess warehouse stocks.

Spare capacity is consequently developing, which means companies are likely to take a more cautious approach to hiring and investment, and instead focus on cost control. The weakening demand environment has meanwhile been accompanied by a marked easing of inflationary pressures to the lowest since late 2016. Cost inflation has eased, but companies also report a lack of pricing power.

The downturn is being led by Germany and Italy, but Spain has also now fallen into contraction and only modest expansions are being seen in France, Austria and the Netherlands. In addition to widespread trade war worries, often linked to US tariffs, and concerns regarding the outlook for the global economy, companies report that heightened political uncertainty, including Brexit, is hitting demand and driving increased risk aversion.” – Chris Williamson, Chief Business Economist, Markit®

Private Indicators: Global



Markit Eurozone Composite PMI®

“February’s **IHS Markit Eurozone PMI® Composite Output Index** indicated firmer growth of the euro zone’s private sector economy when compared to January. The seasonally adjusted index strengthened to 51.9, up from 51.0 and a three-month high. Moreover, the index improved on the earlier February flash reading of 51.4.

Eurozone records modest improvement in growth

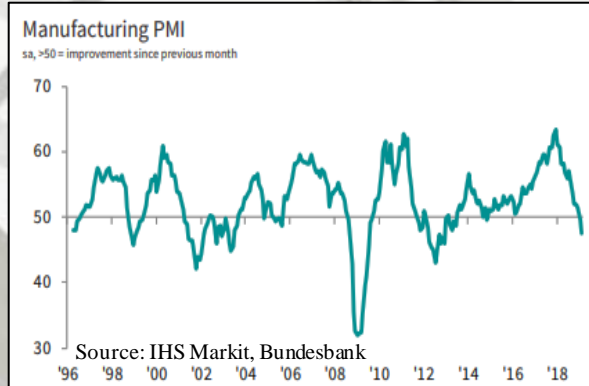
Underlying trends in activity generally strengthened across the region during February with the exception of Spain, where growth softened slightly compared to January. Disparate trends also persisted, with Ireland expanding markedly compared to continued contraction in Italy. France saw a return to marginal growth, whilst output in Germany rose at a solid and strengthened rate. There remained a notable divergence between the performances of the manufacturing and service sectors during February.

The final PMI for February indicated a slightly improved performance compared to the flash estimate, lifted higher than January in part due to the further easing of one-off dampening factors such as the yellow vest protests in France and new auto sector emissions rules. However, the survey remained subdued as other headwinds continued to increasingly constrain business activity. These include slowing global economic growth, rising geopolitical concerns, trade wars, Brexit and tightening financial conditions.

Measured overall, the survey shows the quarterly rate of GDP growth picking up to 0.2% in February from 0.1% in January, meaning the first quarter could see the eurozone economy struggle to beat the 0.2% expansion seen in the fourth quarter of last year. Manufacturing remains especially fragile, with an increased rate of decline of new orders and signs of excess capacity relative to sales boding ill for future production. While the service sector is showing greater resilience, inflows of new business remained worryingly weak, providing little hope for any noticeable improvement in performance in the coming months.

Price pressures have meanwhile cooled to the lowest for a year-and-a-half amid a stagnation of demand, thereby adding to the suggestion that policymaking will turn increasingly dovish.” – Chris Williamson, Chief Business Economist, Markit®

Private Indicators: Global



IHS Markit/BME Germany Manufacturing PMI®

“February saw the headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy – sink further into contraction territory in February, to 47.6, after having registered below the 50.0 'no-change' mark in January (49.7) for the first time in more than four years. The latest reading was the lowest since January 2012, with all subcomponents of the index imparting a negative directional influence, except employment.

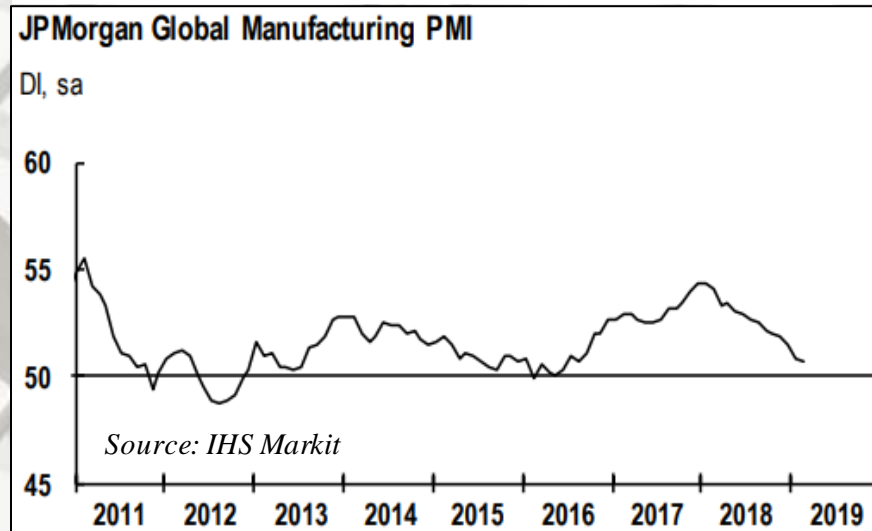
Manufacturing PMI sinks deeper into contraction territory in February

Germany's manufacturing sector contracted at a faster rate in February, with latest PMI® survey data from IHS Markit and BME showing a deepening downturn in new orders and the first drop in output in almost six years. The easing of supply chain pressures meanwhile saw input price inflation dip to a 28-month low and lead times on inputs shorten for the first time in almost three years. Latest data also showed the recent downturn in new orders gathering pace, led by a sharp and accelerated decline in export sales. The level of new business from abroad fell the most since October 2012, with surveyed businesses blaming falling car sales, weaker demand from Asia (particularly China), Brexit anxiety among clients and growing competition.

February saw Germany's Manufacturing PMI sink deeper into contraction territory, as output fell for the first time in almost six years and new orders retreated further from the highs in 2018, weighed down by a sustained slump in exports. Following the sector's boom in 2017 and early-2018, capacity has seemingly finally caught up with demand. Supplier delivery times have started to improve for the first time in almost three years and surveyed businesses are reporting growing competition within Europe linked to high capacity.

It's fast becoming a buyers' market in many areas, most notably for capital goods, which is evident in the disinflationary trends in input and output prices. Although manufacturers are expecting a tough 2019 – given the uncertainty around Brexit, the threat of trade wars and the concerns around a slowdown not only in the car industry but the broader global economy as well, strategic planning for further ahead has seen the rate of employment growth in the goods-producing sector remain strong.” – Phil Smith, Principal Economist, IHSMarkit®

Private Indicators: Global



JP Morgan Global Manufacturing PMI™

“At 50.6 in February, the J.P. Morgan Global Manufacturing PMI™ – a composite index 1 produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – fell to its lowest level since June 2016. Operating conditions improved in the consumer and investment goods sectors, but deteriorated in the intermediate goods category.

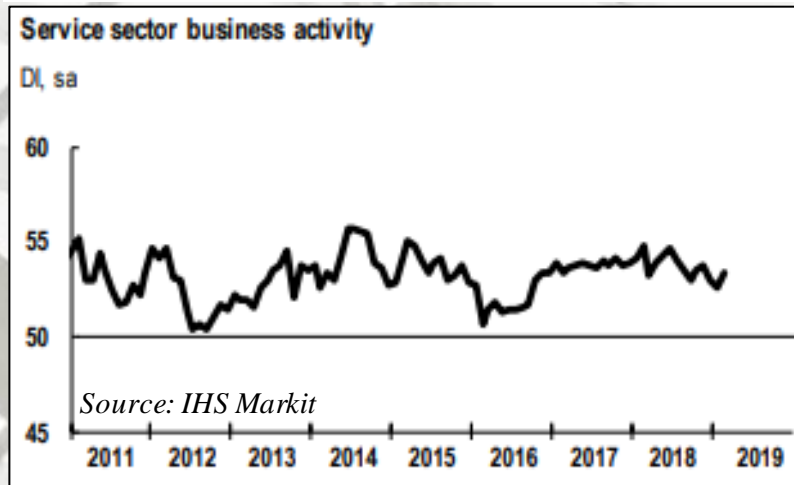
Global Manufacturing PMI at 32-month low in February

PMI readings signalled expansion in 18 out of the 29 nations for which February data were available. Among the largest countries covered by the survey, above global average growth was signalled in the US, the UK, India, Brazil, Mexico, Canada and Australia. The Japan PMI fell below 50.0 for the first time since August 2016, while the China PMI recovered to 49.9 (up from 48.3 in January).

Growth of global manufacturing production eased to a 32-month low in February, as the rate of expansion in new orders stayed close to the stagnation mark. Scratching beneath the surface of the trend in production highlighted noticeable national divergences. The US saw output increase at the slowest pace in 17 months, the euro area reported a contraction for the first time since June 2013 and the rate of decline in Japan was the fastest since May 2016. However, this was partly offset by a recovery in China, where output rose marginally after its weakest performance in two-and-a-half years in January. Broadly similar trends were also seen for new orders.

The rates of expansion in global manufacturing output and orders held broadly steady in February. Slower growth in the US and contractions in Japan and the euro area were offset by a stabilisation in China. The outlook remains lacklustre, as stagnant new order growth, declining international trade volumes and weak business confidence rein in the prospects of output growth staging a meaningful revival in the coming months.” – David Hensley, Global Economist, J.P. Morgan

Private Indicators: Global



JP Morgan Global Services PMI™

“February saw the rate of expansion in global service sector business activity improve for the first time in three months. At 53.3, up from January’s 28-month low of 52.6, the J.P. Morgan Global Services Business Activity Index – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – has signalled growth for 115 successive months.

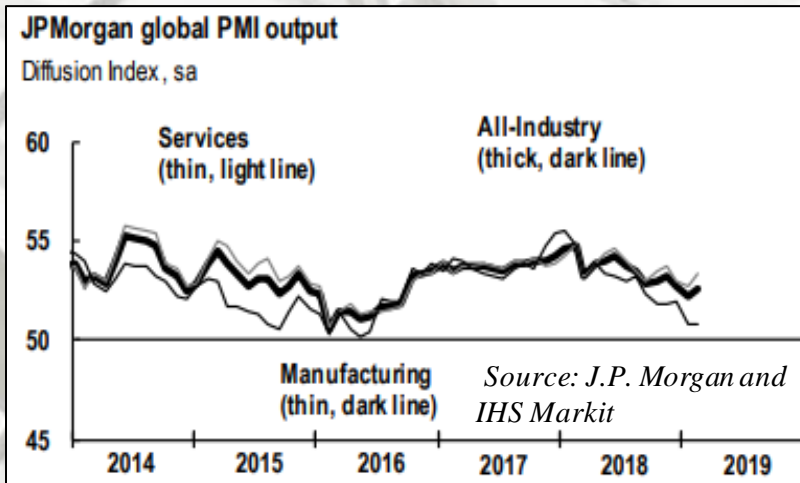
Growth of activity and employment strengthens in February

Output increased across the business, consumer and financial services categories. The strongest rate of growth was registered at financial service providers (seven-month high), followed by business services (two-month low). The modest expansion in the consumer services sector was an improvement on the contraction seen in the prior survey month.

The US was the main driver of the acceleration, seeing its rate of output growth hit a seven-month high. Upturns also strengthened in the euro area (three-month high), Japan (three-month high), the UK (four-month high) and India (two-month high). China saw business activity increase at the second-weakest pace in almost one-and-a-half years. Australia fell into contraction for the first time since the (Australian) survey history began in May 2016. The level of new business rose at the fastest pace in three months during February. New order intakes improved across the business, consumer and financial services sectors. Inflows of new export business also strengthened globally, increasing to the greatest degree since June 2018. Job creation accelerated to a five-month high in February. Employment rose in almost all the nations covered by the survey, the sole exception being the UK. Above global average increases were seen in the US, Germany, Spain, Russia, Ireland and India. ...

Growth of the global service sector looked to have turned a corner in February, with rates of expansion in output, new orders and employment all accelerating following recent slowdowns. Improved intakes of new work, alongside companies continued positive outlook, should hopefully see further growth headway made in the coming months.” – David Hensley, Global Economist, J.P. Morgan

Private Indicators: Global



JP Morgan Global Composite PMI™

“February saw a mild acceleration in the rate of global economic expansion. The J.P. Morgan Global Composite Output Index – which is produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – rose to 52.6, up from January’s 28-month low of 52.1, as a slightly slower rate of expansion at manufacturers was offset by stronger growth at service providers

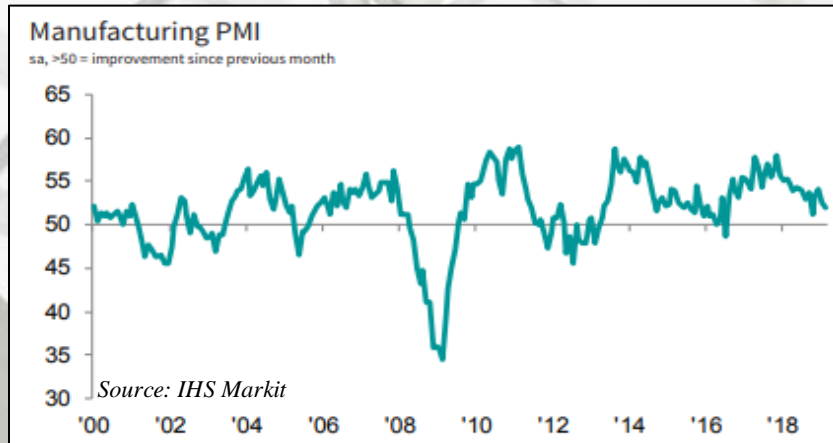
Global economic growth picks up in February

Economic activity rose in four of the six sub-sectors covered by the survey. Solid expansions were seen in the financial services, business services and consumer goods categories, while consumer service providers registered a modest increase. Contractions were seen in the intermediate and investment goods industries.

Growth of new orders picked up in February, after hitting a 28-month low in January. This was despite a marginal decrease in new export business, as an increase in services was offset by a contraction in manufacturing. Inflows of new work were sufficient to test capacity, however, as highlighted by a slight increase in backlogs of work for the first time in three months. Price inflation accelerated in February, with stronger rises signalled for input costs and output charges. Increases in both price measures remained (on average) greater in developed nations compared to emerging markets. Companies maintained a positive outlook for economic growth over the coming year, although the degree of optimism dipped slightly. Ongoing output expansion combined with expectations of further growth led to stronger job creation, with the rate of expansion in employment at a four-month high. Staffing levels were raised in all nations covered except China and the UK.

February saw the rate of global expansion accelerate for the first time in three months, led by stronger growth in the service sector. Improved intakes of new work and relatively stable business optimism should help support growth of output and employment during the months ahead, offsetting the continued weakness of international trade flows.” – David Hensley, Global Economist, J.P. Morgan

Private Indicators: Global



Markit/CIPS UK Manufacturing PMI™

“The headline seasonally adjusted IHS Markit/CIPS Purchasing Managers’ Index® (PMI®) fell to a four-month low of 52.0 in February, down from a revised reading of 52.6 in January (originally reported as 52.8). The PMI is currently at its second-lowest level since July 2016 – the month following the EU referendum.

UK manufacturers report further survey-record stockpiling of inputs in February

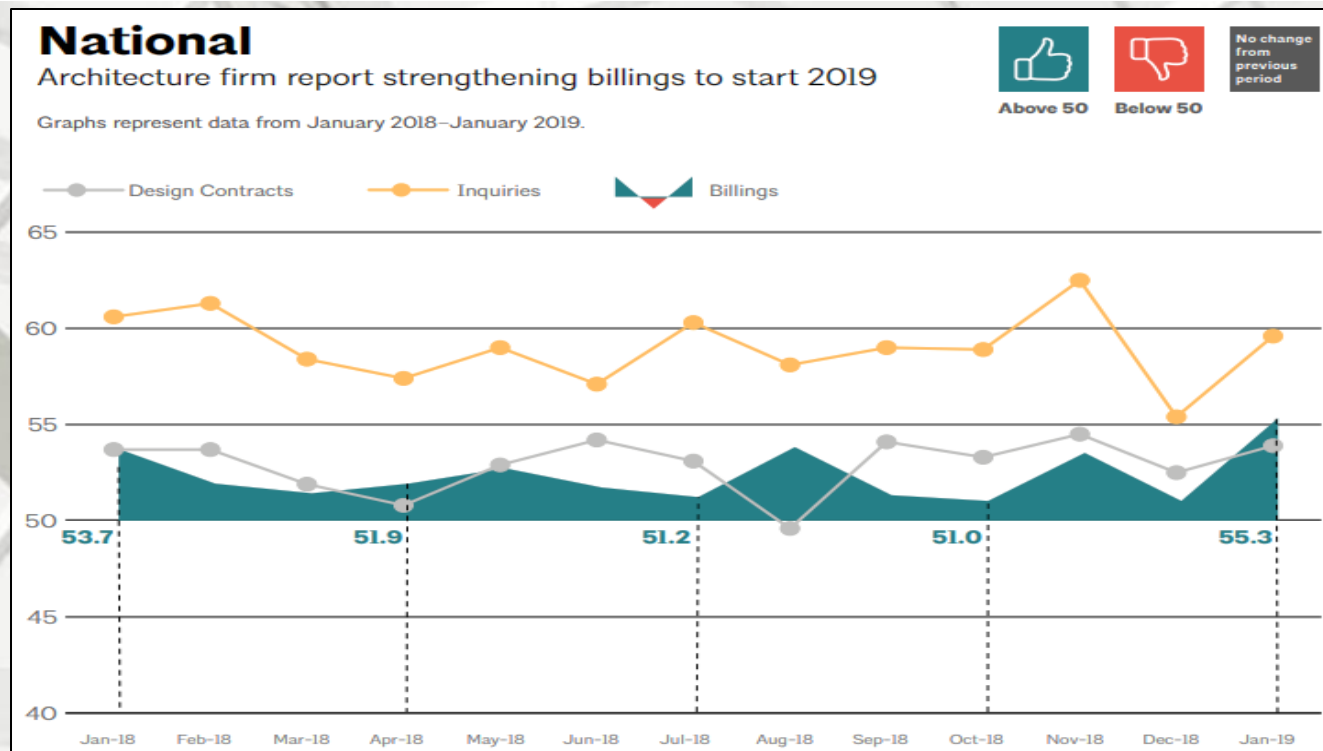
February saw manufacturers continue to implement plans to mitigate potential Brexit-related disruptions. Purchasing activity was scaled-up to stockpile raw materials, leading to a survey-record expansion in input inventories. The uncertain outlook also impacted on business optimism and employment, with confidence at a series-record low and the rate of job losses hitting a six-year high.

Although the trend in manufacturing output improved slightly in February, this mainly reflected efforts to reduce backlogs of work and build stocks of finished products in advance of Brexit. Growth of new order inflows eased to near-stagnation, amid signs of a slowing domestic market and a further drop in new export orders. Companies linked lower overseas demand to weaker global economic growth, especially in Europe. With Brexit day looming, UK manufacturers continued to implement plans to mitigate potential disruptions. Stockpiling of both inputs and finished products remained the order of the day, with growth in the former hitting a fresh record high. The current elevated degree of uncertainty is also having knock-on effects for business confidence and employment, with optimism at its lowest ebb in the survey’s history and the rate of job losses accelerating to a six-year high. ...

Official data confirm that manufacturing is already in recession, and the February PMI offers little evidence that any short-lived boost to output from stock-building is sufficient to claw the sector back into growth territory. Apart from the uncertain outlook, manufacturers also face a darkening backdrop of a domestic market slowdown and weakening inflows of new export business, as global growth decelerates and trade tensions bite. Manufacturing and the broader UK economy therefore face a difficult 2019, with the slowdown being exacerbated later in the year as inventory positions are unwound and Brexit-related headwinds likely to linger.” – Rob Dobson, Director & Senior Economist, IHS Markit

Private Indicators

American Institute of Architects (AIA)

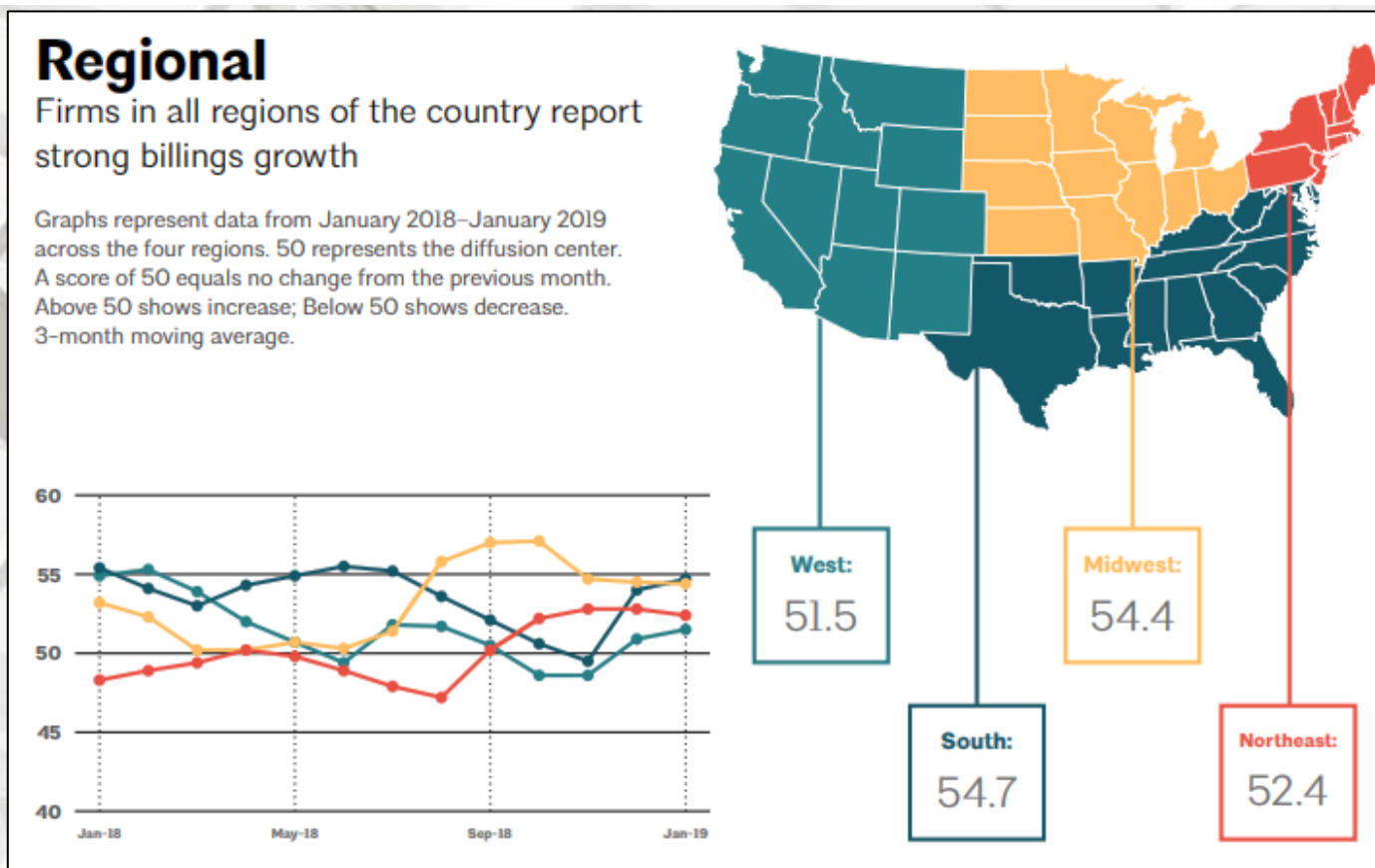


January Architecture Billings Index

ABI January 2019: Firms start the year strong

“Despite concerns about the longest government shutdown in history that lingered well into January, architecture firms reported very strong firm billings to start 2019. The AIA’s Architecture Billings Index (ABI) score climbed to 55.3 in January, the highest score in more than two years and substantially higher than the modest growth seen throughout 2018. Indicators of work in the pipeline, including inquiries into new projects and the value of new design contracts, also strengthened in January. The government shutdown affected architecture firms but doesn’t appear to have created a slowdown in the profession. While AIA did hear from a few firms that were experiencing significant cash flow issues due to the shutdown, the data suggests that the majority of firms had no long-term impact.” – Kermit Baker, Chief Economist, The American Institute of Architects

Private Indicators: AIA



One in 10 firms reported that the government shutdown had a direct impact on at least one project.

Region

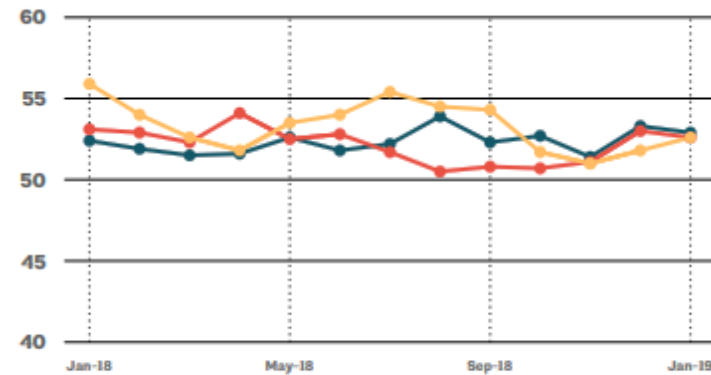
“Firms in both the South and West regions reported stronger firm billings, following some softness near the end of 2018, while firms in the Northeast reported steady growth for the fifth consecutive month, following a period of declining billings during the first half of 2018.” – The American Institute of Architects

Private Indicators: AIA

Sector

Business conditions continue to improve at firms of all specializations

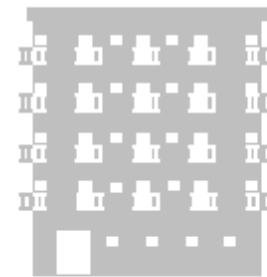
Graphs represent data from January 2018–January 2019 across the three sectors. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



Commercial/Industrial: 52.6



Institutional: 52.9



Residential: 52.6

Sector

“Billings growth was also reported by architecture firms of all specializations in January. And firms of all specializations also reported improving business conditions in January, although the pace of growth slowed modestly at firms with commercial/industrial and institutional specializations.” – The American Institute of Architects

Private Indicators

Dodge Data & Analytics

January Construction Starts Rise 2 Percent

Modest Improvement Follows Two Months of Decline

“The January statistics produced a reading of 153 for the Dodge Index (2000=100), compared to January’s 150. During 2018, the pattern of construction starts featured especially strong activity in June and October, which was then followed by declines in the months immediately following. This led to January’s reading of 150 for the Dodge Index, which was at the low end of last year’s range of activity.

The value of new construction starts in January advanced 2% compared to January, reaching a seasonally adjusted annual rate of \$722.5 billion, according to Dodge Data & Analytics. The slight gain followed the loss of momentum that was reported towards the end of 2018, with total construction declines of 7% in November and 10% in January. Each of the three main construction sectors in January registered modest growth. **Residential building climbed 4%**, lifted by a rebound for multifamily housing.

Nonresidential building edged up 1%, reflecting a stronger pace for its commercial building segment including large office projects in Reston VA, Houston TX, Boston MA, Austin TX, and Seattle WA. Nonbuilding construction also edged up 1%, helped by the start of a \$1.0 billion natural gas pipeline in Oklahoma and several large electric utility projects.

On an unadjusted basis, total construction starts in January were \$51.5 billion, down 12% from the same month a year ago. On a twelve-month moving total basis, total construction starts for the twelve months ending January 2019 held steady with the corresponding amount for the twelve months ending January 2018.” – Nicole Sullivan, AFFECT Public Relations & Social Media

Private Indicators

Dodge Data & Analytics

“January’s slight increase suggests that construction starts are beginning to stabilize after the diminished activity reported at the end of last year. This is consistent with the belief that total construction starts for 2019 will be able to stay close to last year’s volume. It’s true that the rate of growth for total construction starts has subsided from the 7% annual gain reported back in 2017, but it’s still too early to say that construction activity has made the transition from deceleration to decline.

In early 2019, there are several near-term positives for construction. Interest rates have settled back from levels reached during last year’s fourth quarter, material prices appear to be rising more slowly, and the partial government shutdown was brought to a close. The federal budget deal signed into law on February 15 included a 2% increase to \$45.3 billion for the federal-aid highway obligation ceiling, as called for by the 2015 Fixing America’s Surface Transportation Act. However, the benefits of tax reform on economic growth are expected to wane this year. Furthermore, the most recent survey of bank lending officers conducted by the Federal Reserve suggests that a more cautious lending stance emerged during the latter half of 2018, especially with regard to loans for multifamily projects.” – Robert A. Murray, Chief Economist, Dodge Data & Analytics

Private Indicators

Dodge Data & Analytics

“Residential building in January was \$309.8 billion (annual rate), up 4% and rebounding from its 9% slide in January. Multifamily housing bounced back 14% following its 15% January decline, and was up 1% compared to its average monthly pace during 2018. There were five multifamily projects valued at \$100 million or more that reached groundbreaking in January, compared to four such projects in January. The large January multifamily projects were led by the \$150 million Watermark at Brooklyn Heights senior apartments in Brooklyn NY, the \$146 million multifamily portion of a \$250 million mixed-use complex in Washington DC, and a \$128 million multifamily complex in Oakland CA. The top five metropolitan areas ranked by the dollar amount of new multifamily starts in January were – New York NY, Washington DC, Boston MA, San Francisco CA, and Charlotte NC.

Single family housing in January was unchanged from the reduced dollar amount reported for January, which itself was down 6% from November. January’s rate of activity for single family housing was down 7% from the average monthly pace reported during 2018. By major region, single family housing performed as follows in January compared to January – the West, up 3%; the South Central, up 2%; the South Atlantic, unchanged; the Northeast, down 3%; and the Midwest, down 9%.” – Robert A. Murray, Chief Economist, Dodge Data & Analytics

Private Indicators

Dodge Data & Analytics

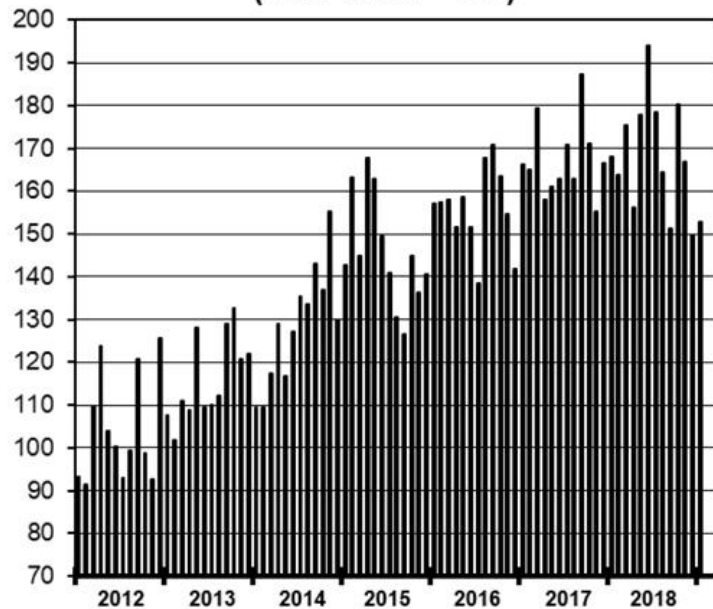
“**Nonresidential building** in January was \$245.2 billion (annual rate), up 1% following a 13% slide in January. The commercial building categories as a group rose 4% in January. Office construction picked up the pace, climbing 18%, Hotel construction in January rose 10%, ..., while the commercial garage category advanced 21%. Limiting the January increase for the commercial building group were declines for warehouses, down 13%; and store construction, down 24%. Despite its January decline, the warehouse category did include the start of several large projects,

The institutional side of nonresidential building slipped 2% in January. Educational facilities, the largest nonresidential building category by dollar volume, retreated 10% after surging 26% in January. The healthcare facilities category in January dropped 11%, falling for the third month in a row, Church construction, which experienced a 17% hike in January, fell back 34% in January. On the plus side for institutional building, the public buildings category jumped 46% in January, The transportation terminal category, which includes service facilities, climbed 39% in January Amusement-related construction improved 1% in January,” – Robert A. Murray, Chief Economist, Dodge Data & Analytics

Private Indicators

January 2019 Construction Starts

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



Source: Dodge Data & Analytics

January 2019 Construction Starts

Monthly Summary of Construction Starts

Prepared by Dodge Data & Analytics

Monthly Construction Starts

Seasonally Adjusted Annual Rates, in Millions of Dollars

	<u>January 2019</u>	<u>December 2018</u>	<u>% Change</u>
Nonresidential Building	\$245,177	\$242,521	+1
Residential Building	309,780	299,046	+4
Nonbuilding Construction	<u>167,545</u>	<u>166,477</u>	<u>+1</u>
Total Construction	\$722,502	\$708,044	+2

The Dodge Index

Year 2000=100, Seasonally Adjusted

January 2019.....153

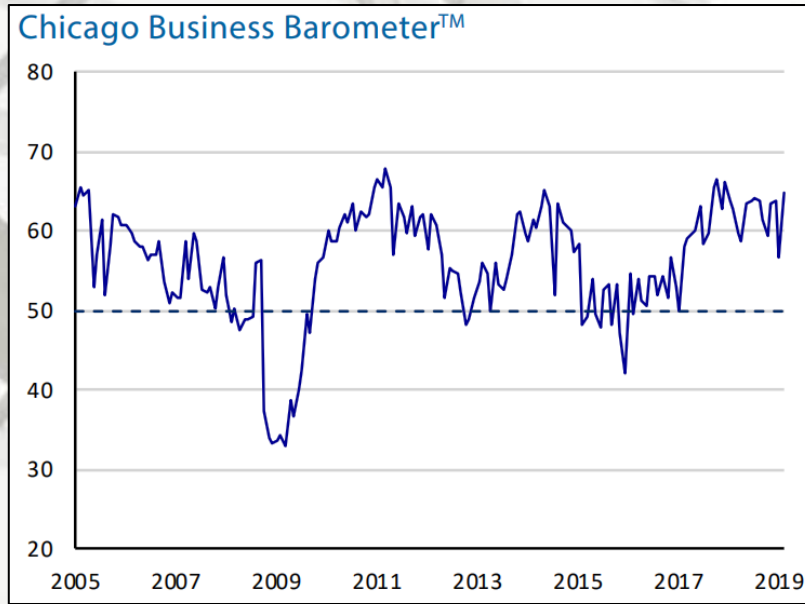
December 2018.....150

Year-to-Date Construction Starts

Unadjusted Totals, in Millions of Dollars

	<u>1 Mo. 2019</u>	<u>1 Mo. 2018</u>	<u>% Change</u>
Nonresidential Building	\$17,408	\$19,813	-12
Residential Building	21,770	24,954	-13
Nonbuilding Construction	<u>12,368</u>	<u>13,783</u>	<u>-10</u>
Total Construction	\$51,546	\$58,550	-12

Private Indicators



MNI Chicago Chicago Business Barometer Accelerates To 64.7 In February

“The MNI Chicago Business Barometer rose by 8 points to 64.7 in February, to the highest since January 2017. This month’s gain was last matched in February 2017 and surpassed only by the 12.5 points hike recorded in January 2016.

Double Digit Rise In New Orders; Inventories Contract

Optimism returned, with most Barometer components back at January 2018’s level after last month’s dip, indicating temporary factors at play in January. February’s increase was led by four of the five Barometer components, with only Supplier Deliveries receding. The pick-up in demand contributed the most to the Barometer’s rise. New orders rose by 15.2 points, the largest monthly rise since January 2016 when it jumped 17.4 points. Production was up 8.5 points to a fresh six-month high. Order Backlogs were up by 5.6 points, offsetting January’s decline. ...

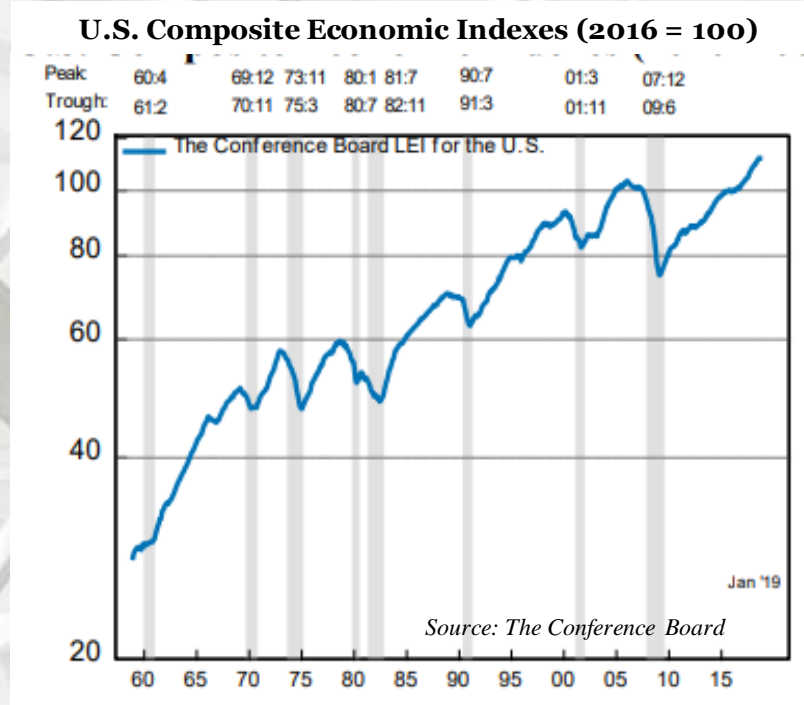
This month’s special question asked firms how another interest rate hike would impact their business. 48.9% of firms believed a rate hike would adversely impact their business, while 46.7% didn’t expect any impact, leaving only a minority of firms expecting to benefit from a rate hike.

The sharp pick-up in the Barometer to a level not seen in over a year, underpinned by the growth in demand and production, showcases a healthy image of the US economy. With the Fed’s cautious approach towards monetary tightening along with soft inflation, firms remain optimistic about their business activity.” – Shaily Mittal, Senior Economist, MNI Indicators

Private Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. was unchanged in January

The Conference Board Leading Economic Index® (LEI) for the U.S. was unchanged in January (according to new estimates), remaining at 111.3 (2016 = 100), following a 0.1 percent decline in December, and a 0.1 percent increase in November.



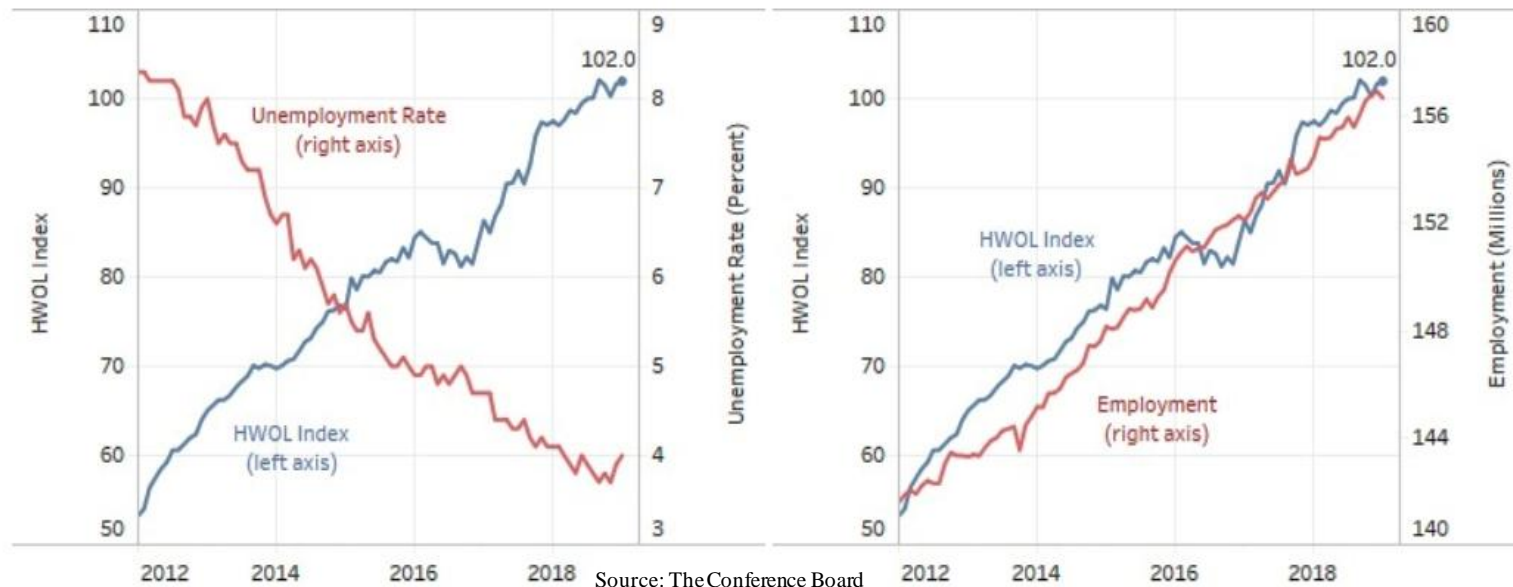
“The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.1 percent in January to 105.7 (2016 = 100), following a 0.4 percent increase in December, and a 0.2 percent increase in November.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.4 percent in January to 106.8 (2016 = 100), following a 0.4 percent increase in December and a 0.4 percent increase in November.” – The Conference Board

Private Indicators

Help Wanted OnLine® (HWOL) Index: United States, seasonally adjusted, January 2019

[July 2018=100]



The Conference Board Help Wanted OnLine® (HWOL) Online Labor Demand Increased Slightly in February

- “In February, most states and MSAs experienced an increase in the number of online job ads
- In recent months, as oil prices declined, the growth in online job ads in most oil states was weaker than average.

The HWOL index has been stable in recent months, despite the volatility in financial markets and business confidence. This is consistent with solid employment growth in the coming months. With the partial government shutdown ending, US-China trade tensions diminishing, and the recovery in stock prices, the US economy is much less likely to experience a major slowdown in the first half of 2019. We expect a gradual moderation in economic employment growth during 2019. Recruitment activity is likely to remain high as labor turnover will further increase in a tightening labor market.” – Gad Levanon, Chief Economist, North America, at The Conference Board

Equipment Leasing and Finance Association: Industry Confidence Increases in February

“The [Equipment Leasing & Finance Foundation](#) (the Foundation) releases the February 2019 [Monthly Confidence Index for the Equipment Finance Industry](#) (MCI-EFI). Designed to collect leadership data, the index reports a qualitative assessment of both the prevailing business conditions and expectations for the future as reported by key executives from the \$1 trillion equipment finance sector. Overall, confidence in the equipment finance market increased in February to 56.7, an increase from the January index of 53.4.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

“Our optimism in the economy requires putting a blind eye to the current political climate with the hope that sensible minds will prevail; we are seeing a demand in most industry sectors and geographic regions that we serve. Clients, especially in the transportation sector, are turning over equipment more frequently and are returning to using tax lease structures more than in the recent past. Clients are also more interested in discussing financing alternatives and engaging in the planning process with us early, which indicates a willingness and need to spend on capex.” – Frank Campagna, Business Line Manager, M&T Commercial Equipment Finance

“We are seeing demand increase as the year progresses and the shutdown is temporarily off the table and not constantly in the news. Excess liquidity continues to keep margins compressed. Portfolio performance remained strong at the end of 2018 and we expect this trend to continue this year.” – Valerie Hayes Jester, President, Brandywine Capital Associates

“Economic fundamentals are good and the financial condition of the banking industry is as sound as it has ever been. Biggest concerns are the absence of strong political leadership and how it might result in a Black Swan event.” – Paul Menzel, CLFP, President and CEO, Financial Pacific Leasing, Inc., Umpqua Bank Company

“Within the U.S. the positive trends continue. GDP and workforce growth along with a reasonably low cost of money are just some of the positive indicators.” – Harry Kaplun, President, Specialty Finance, Frost Bank

“We continue to face the head winds of low agriculture commodity prices and tariffs that persisted in 2018. Until there is a light at the end of the tunnel with tariffs and agriculture commodity prices improve, we expect capital expenditures by producers to be muted.” – Michael Romanowski, President, Farm Credit Leasing Services Corporation

Private Indicators

Equipment Leasing and Finance Association

Equipment Leasing and Finance Industry Confidence increases in February

February 2019 Survey Results:

“The overall MCI-EFI is 56.7, an increase from 53.4 in January.

- When asked to assess their business conditions over the next four months, 10% of executives responding said they believe business conditions will improve over the next four months, unchanged from January. 83.3% of respondents believe business conditions will remain the same over the next four months, an increase from 70% the previous month. 6.7% believe business conditions will worsen, down from 20% who believed so the previous month.
- 13.3% of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, an increase from 3.3% in January. 83.3% believe demand will “remain the same” during the same four-month time period, an increase from 80% the previous month. 3.3% believe demand will decline, down from 16.7% who believed so in January.
- 20.7% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, down from 21.4% in January. 79.3% of executives indicate they expect the “same” access to capital to fund business, an increase from 78.6% last month. None expect “less” access to capital, unchanged from last month.
- When asked, 26.7% of the executives report they expect to hire more employees over the next four months, a decrease from 33.3% in January. 56.7% expect no change in headcount over the next four months, an increase from 53.3% last month. 16.7% expect to hire fewer employees, up from 13.3% last month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Private Indicators

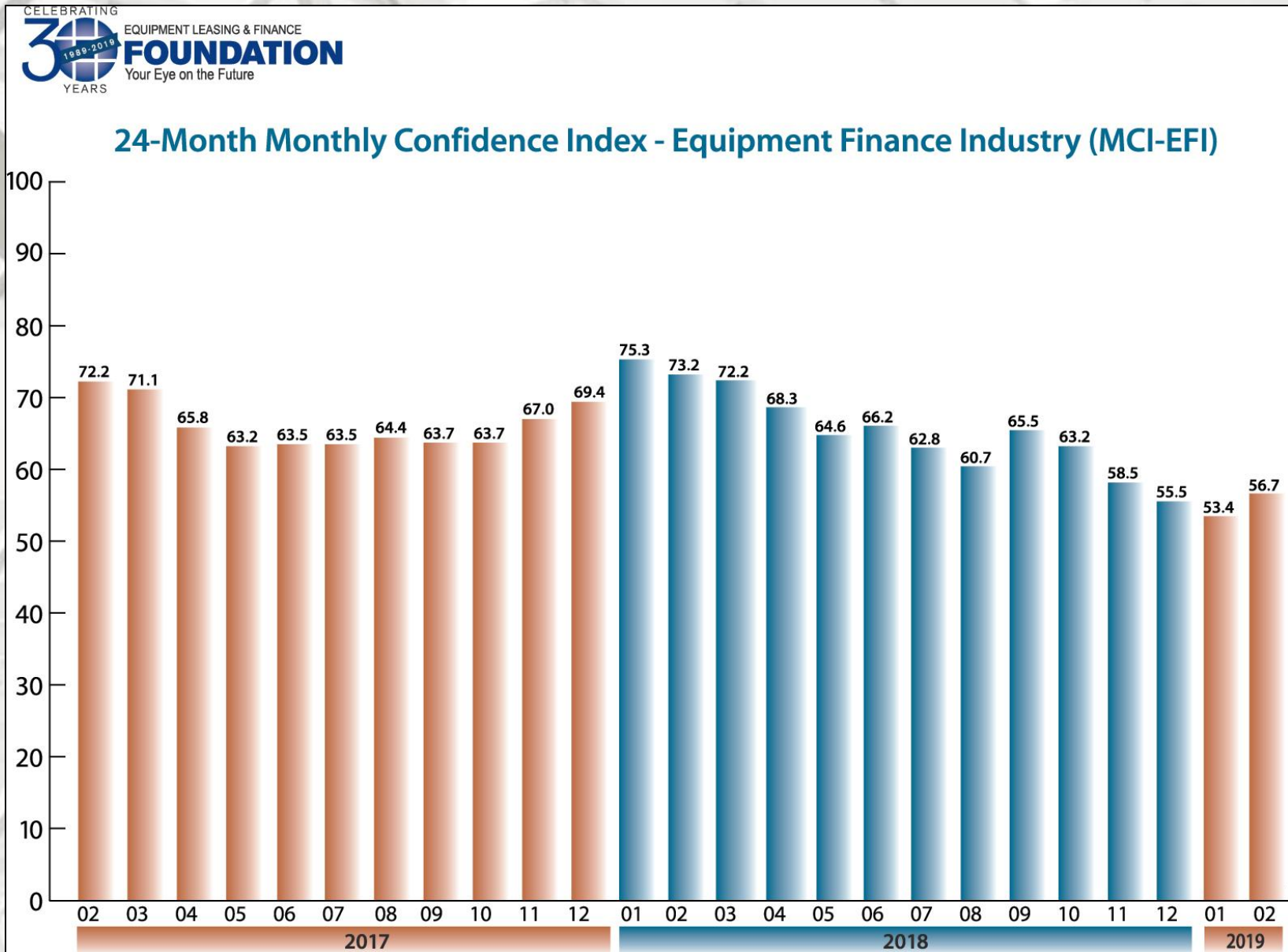
Equipment Leasing and Finance Association

Equipment Leasing and Finance Industry Confidence increases in February

February 2019 Survey Results:

- “36.7% of the leadership evaluate the current U.S. economy as “excellent,” 63.3% of the leadership evaluate the current U.S. economy as “fair,” and none evaluate it as “poor,” all unchanged from last month.
- 3.3% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, up from 10% in January. 70% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, an increase from 50% the previous month. 16.7% believe economic conditions in the U.S. will worsen over the next six months, a decrease from 40% in January.
- In February, 20% of respondents indicate they believe their company will increase spending on business development activities during the next six months, a decrease from 26.7% last month. 80% believe there will be “no change” in business development spending, an increase from 73.3% in January. None believe there will be a decrease in spending, unchanged from last month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Private Indicators



Private Indicators

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

January New Business Volume Up 4 Percent Year-over-year

“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 January was \$7.2 billion, up 4 percent year-over-year from new business volume in January 2018. Volume was down 43 percent month-to-month from \$12.7 billion in January, following the typical end-of-quarter, end-of-year spike in new business activity.

Receivables over 30 days were 1.70 percent, unchanged from the previous month and down from 1.90 percent the same period in 2018. Charge-offs were 0.35 percent, down from 0.55 percent the previous month, and virtually unchanged from the year-earlier period.

Credit approvals totaled 76.1 percent in January, down from 77.9 percent in January. Total headcount for equipment finance companies was flat year over year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in February is 56.7, up from the January index of 53.4.” – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

Private Indicators

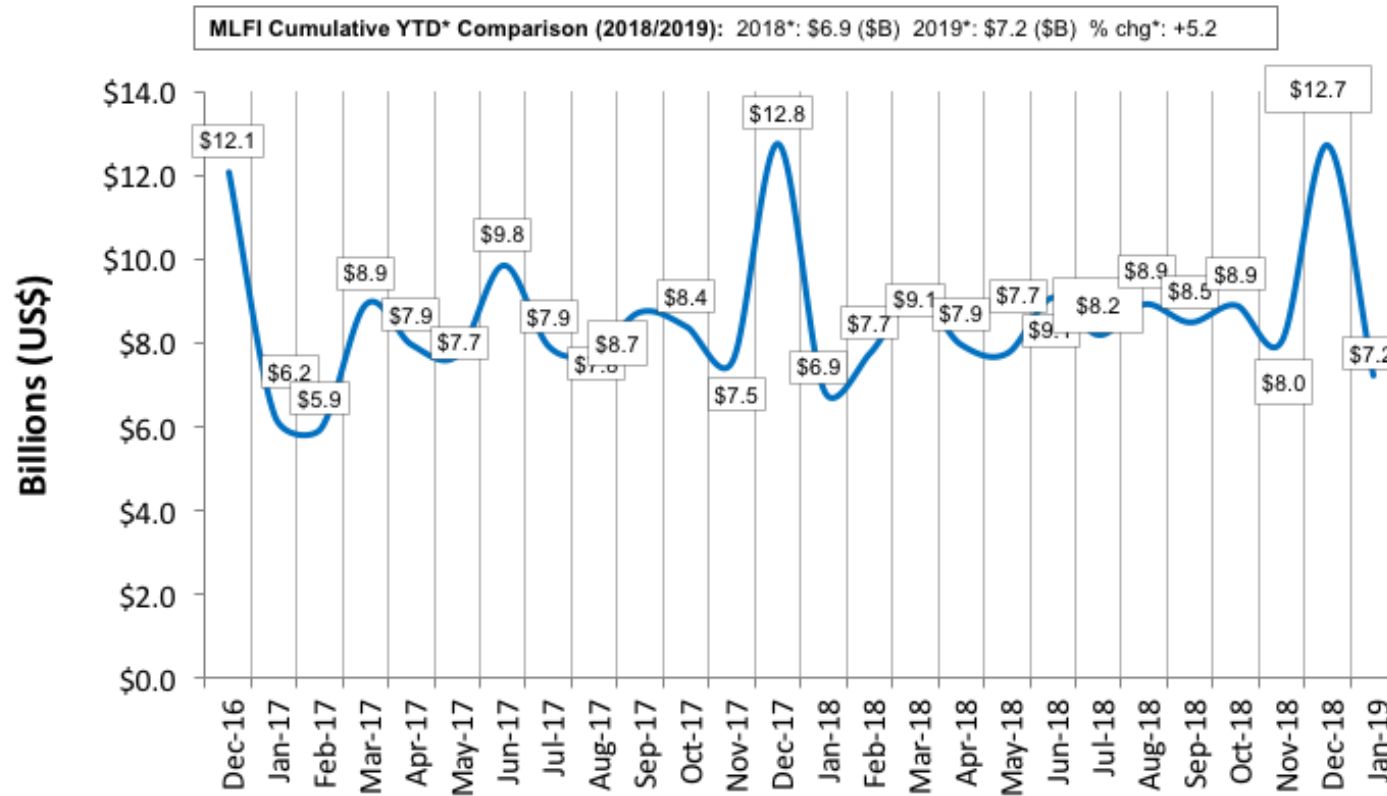
Equipment Leasing and Finance Association Monthly Leasing & Finance Index: January 2018

“2019 gets off to a strong start in the equipment finance industry, with new business volume increasing 4 percent over the same period last year. Credit quality is stable. Business owners continue to expand their operations and acquire productive assets, even as interest rates edge up ever so slightly, with the Fed signaling a cautious wait-and-see posture for additional interest rate hikes this year.” – Ralph Petta, CEO, Equipment Leasing & Finance Association

“The equipment finance industry remains robust with steady to improving metrics as we start the new year. Multiple factors contributed to an overall positive impact in the markets, including continued strong reported corporate earnings, record low unemployment, strong retail sales, trade talks moving forward in a positive fashion and the Federal Reserve’s significant change in tone. Stonebriar Commercial Finance had its fourth consecutive year since inception of record earnings, originations and no delinquency or credit losses. We enter 2019 with over \$1 billion of new business volume in various stages in our pipeline. We remain bullish about the prospects in our industry for 2019.” – Dave B. Fate, President and CEO, Stonebriar Commercial Finance

Private Indicators

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

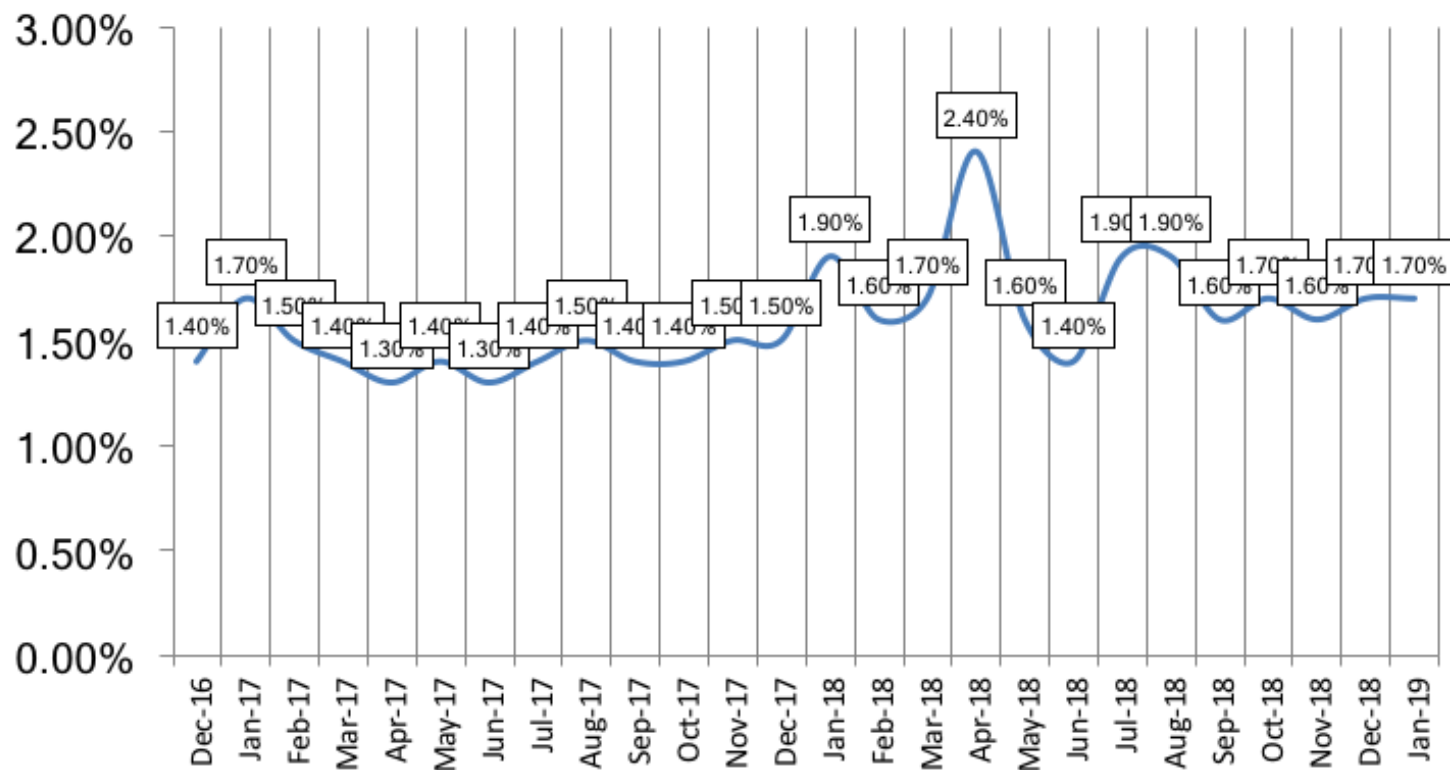


* YTD NBV numbers will not match the numbers from the chart due to rounding



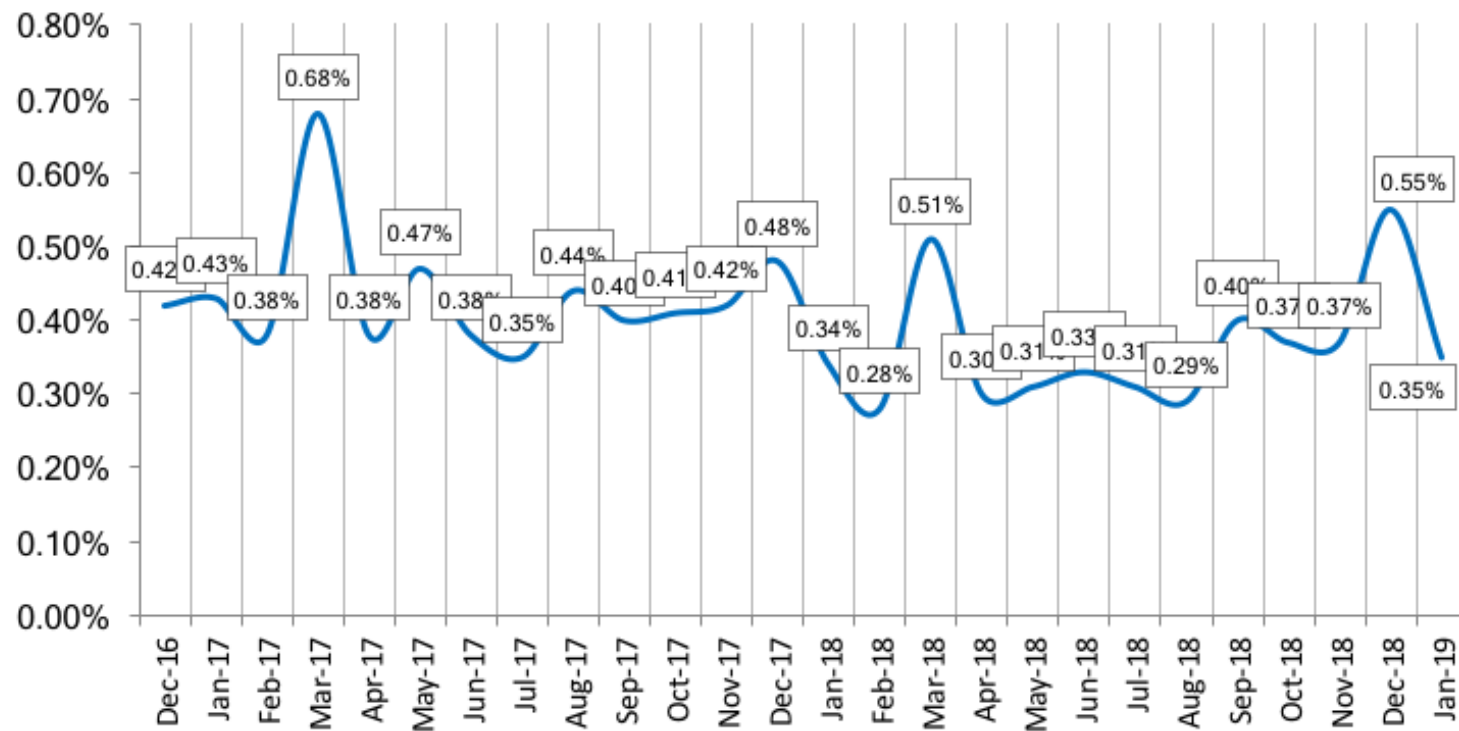
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Aging of Receivables Over 30 Days



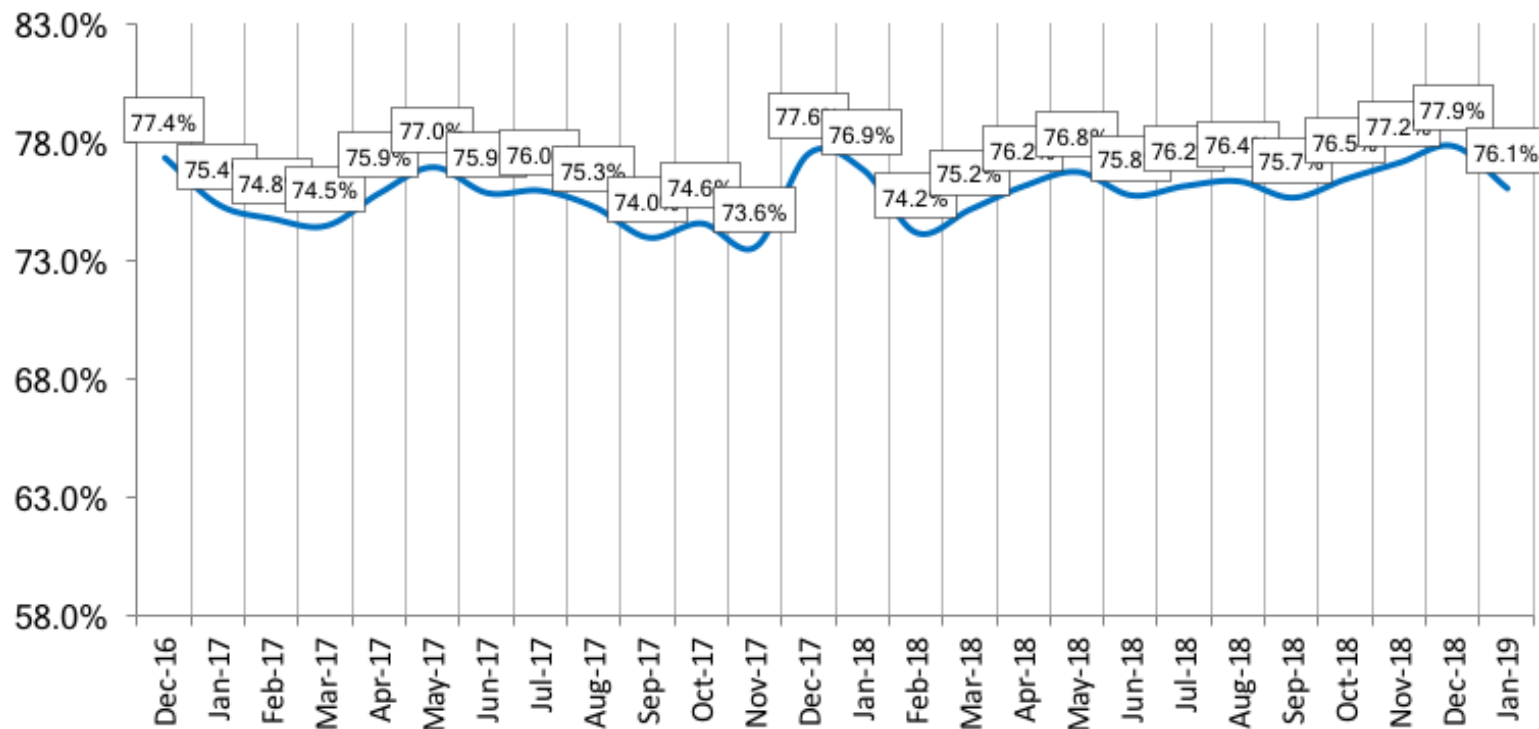
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Average Losses (Charge-offs) as a % of Net Receivables



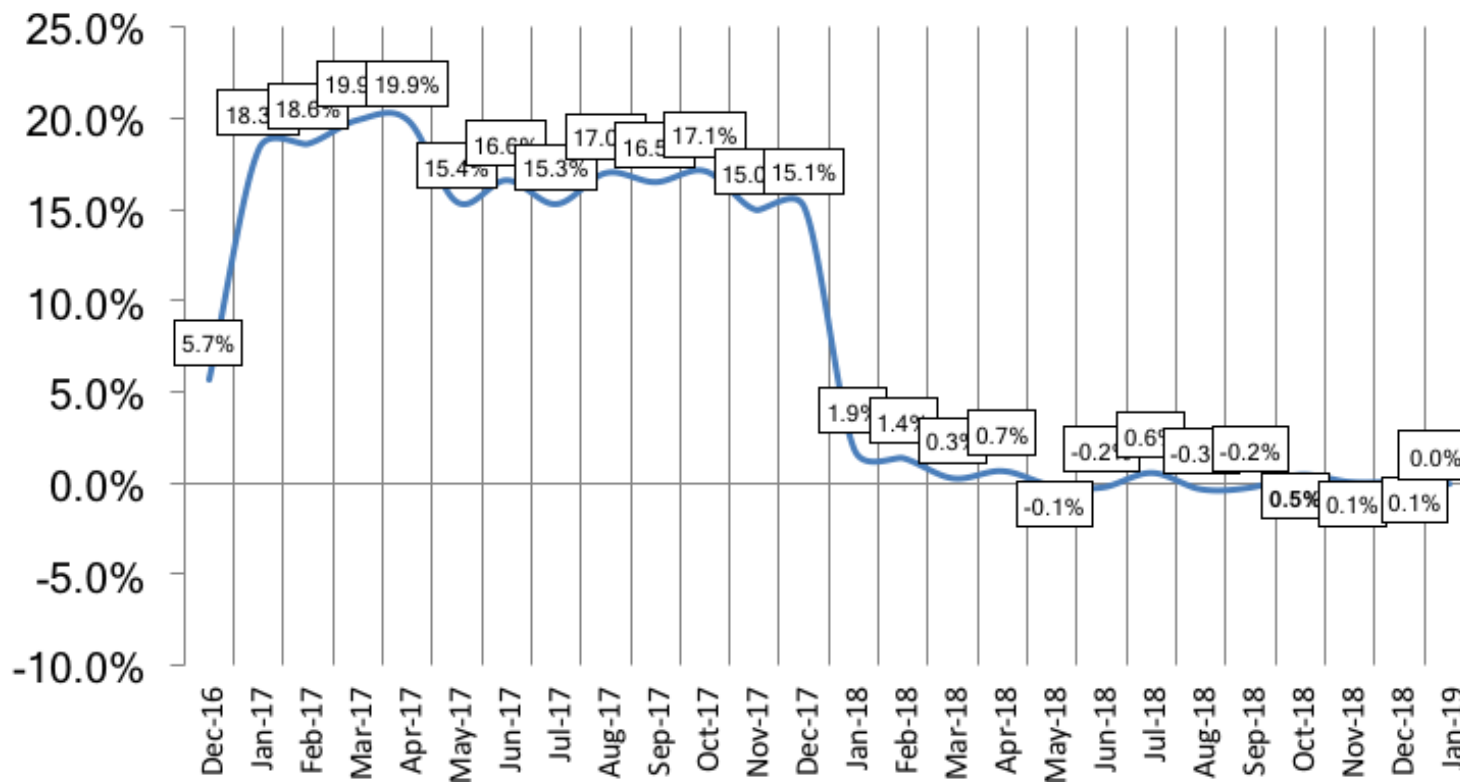
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Credit Approvals As % of All Decisions Submitted



Private Indicators

Total Number of Employees % CHG YOY



Note: During 2017, headcount was elevated due to acquisition activity at several MLFI reporting company



Private Indicators

Freight Waves

National freight volumes almost even year-over-year, capacity remains loose

“The national Outbound Tender Volume Index (OTVI) turned one year old on March 1, and it is telling us something quite unexpected – national trucking volumes are almost exactly the same as early March of 2018. For those of us watching the freight market regularly, this may come as a surprise. Spot rates are down 10-15% YoY and tender rejection rates have dropped from over 24% a year ago to 7.26% as of March 1, indicating carriers are accepting contracted loads at the highest rates since the Tender rejection Index’s (TRI) inception in early 2018. So why is there such a discrepancy between volume and capacity?

The availability of trucking capacity is not simply correlated to freight volume. There are several other factors that influence capacity and therefore rates. Volume has a definitive impact on capacity, but the rate at which it enters the market and distribution are also important factors. Volume entering the market rapidly from multiple origins is more disruptive to capacity than large volume coming from one area slowly, over a long period of time. This is basically the difference between 2018 and 2019.

It is the age-old economics 201 discussion about supply and demand. When demand (load volumes) exceeds supply (trucks) this puts upward pressure on rates. Conversely, when supply exceeds demand, rates will decline eventually.

Last week’s chart discussed how it takes a long-lasting disruption to capacity to have an impact on contracted freight rates. Capacity must be limited or oversupplied for longer than a week or two to cause any significant impact to long-term trucking rates. In recent months, almost expectedly, there have been trucks available where they are needed. This has pulled spot market prices down rapidly.” – Zach Strickland, FreightWaves

Private Indicators

Freight Waves

National freight volumes almost even year-over-year, capacity remains loose

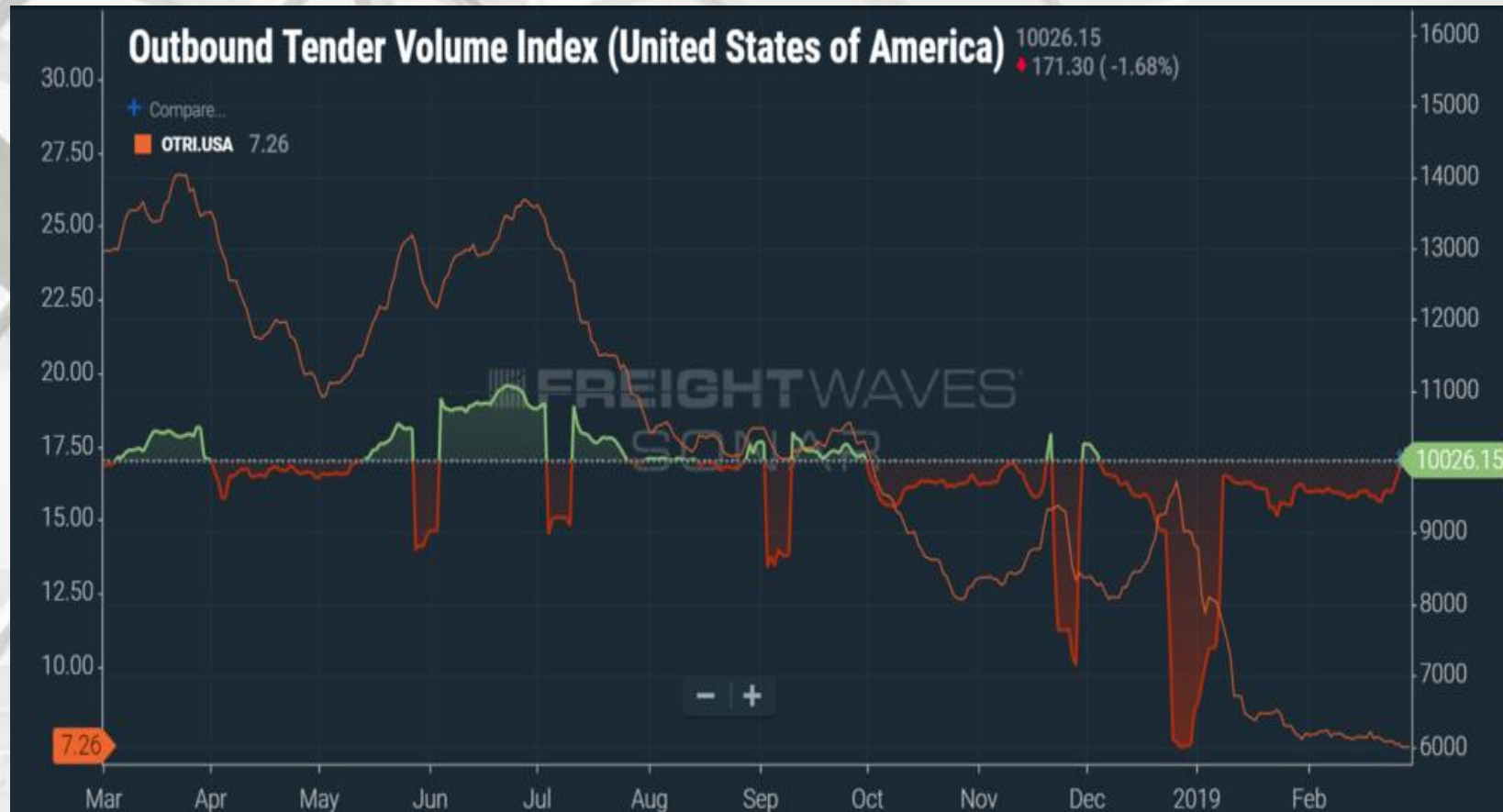
“The end of 2017 had multiple events that injected large amounts of freight into the national market in short periods of time. The two major hurricanes and massive amounts of retail freight flooded the market in the fall of 2017. Trucks were needed in and around Houston, Florida, and then all over the U.S. in a matter of weeks.

The end of 2018 was characterized by steadily increasing freight volumes originating from the ports, most notably the largest ports in the U.S., Los Angeles and Long Beach. Record inbound international volumes flooded the port cities from China amid the trade war concerns. The ports acted like a regulator in the way they could not offload the freight fast enough to create significant disruption. The lead time to get freight into the country helped carriers position their trucks effectively, as shippers gave them plenty of notice.

As it stands today, the southern California markets of L.A. and Ontario account for 8.15% of the total outbound volume of the contracted freight market. To put it in perspective the markets had 5.41% in early March of 2018. This volume did not come all at once like the 2017 hurricane and retail freight did in 2017. It has grown slowly over the course of the past 9-10 months and the rest of the U.S. has been relatively stable.

One of the big questions heading into spring is how well the freight market will be able to maintain this stability as volumes begin to increase in other areas of the country. This past week, 91 of the 135 markets all showed increases in volume over last month and 82 of them show week over week increases. With more freight originating from more widely dispersed markets and capacity concentrated on the West Coast, we’re waiting to see how the the market will react.” – Zach Strickland, FreightWaves

Private Indicators



“National Freight Volume Is Flat YOY, While Tender Rejection Rates Plummet. (SONAR: OTVI.USA, OTRI.USA)” – Zach Strickland, FreightWaves

February 2019 Manufacturing ISM® *Report On Business*®

February 2019 PMI® at 54.2%

New Orders, Production, and Employment Growing

Supplier Deliveries Slowing at Slower Rate; Backlog Growing

Raw Materials Inventories Growing; Customers' Inventories Too Low

Prices Decreasing; Exports and Imports Growing

“Economic activity in the **manufacturing sector** expanded in February, and the **overall economy** grew for the 118th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM® *Report On Business*®**. The February PMI® registered 54.2 percent, an decrease of 2.4 percentage points from the January reading of 56.6 percent.

The New Orders Index registered 55.5 percent, a decrease of 2.7 percentage points from the January reading of 58.2 percent.

The Production Index registered 54.8 percent, 5.7-percentage point decrease compared to the January reading of 60.5 percent.

The Employment Index registered 52.3 percent, a decrease of 3.2 percentage points from the January reading of 55.5 percent.

The Supplier Deliveries Index registered 54.9 percent, a 1.3 percentage point decrease from the January reading of 56.2 percent.

The Inventories Index registered 53.4 percent, an increase of 0.6 percentage point from the January reading of 52.8 percent.

The Prices Index registered 49.4 percent, a 0.2-percentage point decrease from the January reading of 49.6 percent, indicating lower raw materials prices for the second straight month after nearly three years of increases.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

February 2019 Manufacturing ISM® *Report On Business*®

February 2019 PMI® at 54.2%

“Comments from the panel reflect continued expanding business strength, supported by notable demand and output, although both were softer than the prior month. **Demand** expansion continued, with the New Orders Index reaching the mid-50s, the Customers’ Inventories Index scoring lower and remaining too low, and the Backlog of Orders returning to a low-50s expansion level. **Consumption** (production and employment) continued to expand but fell a combined 8.9 points from the previous month’s levels. **Inputs** — expressed as supplier deliveries, inventories and imports — stabilized at a mid-50s level and had a slight negative impact on the PMI®. Inputs continue to reflect an easing business environment, confirmed by Prices Index contraction.

Exports continue to expand, at slightly stronger rates compared to January. The manufacturing sector continues to expand, but inputs and prices indicate easing of supply chain constraints.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

February 2019 Non-Manufacturing ISM® Report On Business®

February PMI® at 59.7%

**Business Activity Index at 64.7%; New Orders Index at 65.2%;
Employment Index at 55.2%**

“Economic activity in the **non-manufacturing sector** grew in February for the 109th consecutive month, say the nation’s purchasing and supply executives in the latest **Non-Manufacturing ISM® Report On Business®**.

The NMI® registered 59.7 percent, which is 3 percentage points higher than the January reading of 56.7 percent. This represents continued growth in the non-manufacturing sector, at a faster rate.

The Non-Manufacturing Business Activity Index increased to 64.7 percent, 5 percentage points higher than the January reading of 59.7 percent, reflecting growth for the 115th consecutive month, at a faster rate in February.

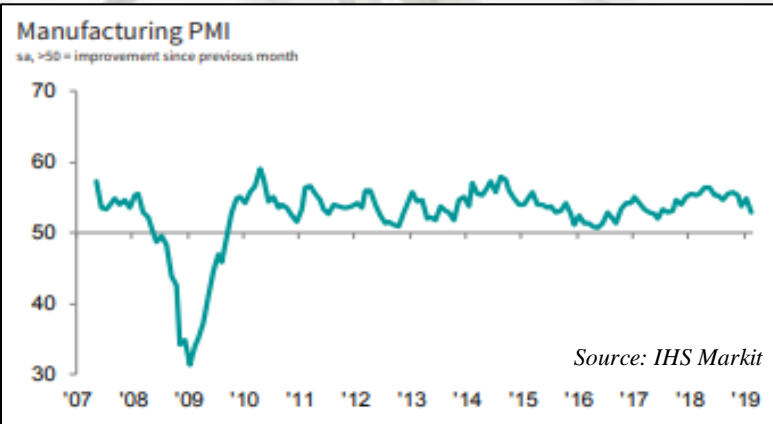
The New Orders Index registered 65.2 percent, 7.5 percentage points higher than the reading of 57.7 percent in January.

The Employment Index decreased 2.6 percentage points in February to 55.2 percent from the January reading of 57.8 percent.

The Prices Index decreased 5 percentage points from the January reading of 59.4 percent to 54.4 percent, indicating that prices increased in February for the 21st consecutive month.

According to the NMI®, all 18 non-manufacturing industries reported growth. The non-manufacturing sector’s growth rate rebounded in February after cooling off in January. Respondents are concerned about the uncertainty of tariffs, capacity constraints and employment resources; however, they remain mostly optimistic about overall business conditions and the economy.” – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Private Indicators



Markit U.S. Manufacturing PMI™

“The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers’ Index™ (PMI™) posted 53.0 in February, down from 54.9 at the start of the year. Midway through the first quarter of 2019, manufacturing firms indicated a solid, albeit softer, improvement in the health of the sector, with the index registering its lowest level for 18 months

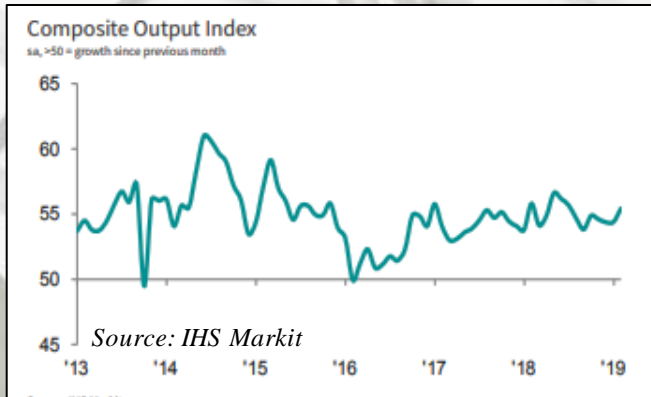
PMI dips to 18-month low in February

February data signalled a softer, but still solid, improvement in operating conditions across the U.S. manufacturing sector. The headline PMI slipped to its lowest since August 2017 amid slower expansions in output and new orders. Notably, the increases were slower than their respective long-run trends, with growth rates dipping to 17- and 20-month lows, respectively. Meanwhile, foreign client demand continued to rise marginally. A sustained upturn in new orders led to a further rise in employment, with backlogs also increasing.

The PMI indicates the US manufacturing sector is growing at its weakest rate for one and a half years, with firms reporting a marked easing in production growth in February, linked to a similar slowdown in order book growth. The survey exhibits a strong advance correlation with comparable official data, and suggests that factory production and orders growth rates are close to stalling mid-way through the first quarter, albeit in part representing some pay-back after a strong January. Export markets remained the principal drag on order books.

Having seen demand grow faster than production through much of 2018, order book and output trends have come back into line in recent months, hinting at an alleviation of capacity constraints as demand cools. Backlogs of works barely rose as a result, and price pressures have likewise moderated, though tariffs were again reported to have pushed costs higher. Hiring has consequently also slowed. Worries regarding the impact of tariffs and trade wars, alongside wider political uncertainty, undermined business confidence, with expectations of future growth running at one of the most subdued levels seen for over two years and suggesting downside risks prevail for coming months.” – Chris Williamson, Chief Economist, Markit®

Private Indicators



Markit U.S. Services PMI™

“The seasonally adjusted final IHS Markit U.S. Services Business Activity Index registered 56.0 in February, up from 54.2 in January and broadly in line with the earlier released 'flash' figure of 56.2. The rise in business activity was the quickest since last July and above the long-run series trend. Panellists reported that greater client demand and favourable economic conditions were key driving factors behind the upturn.

Composite output growth reaches seven month high in February

Business activity across the U.S. service sector continued to improve in February, with the rate of expansion quickening to the fastest since July 2018. The rise in output was supported by a sharp increase in new business and a return to growth in new export orders. Moreover, foreign demand rose at the strongest rate since last May. Subsequently, pressure was placed on capacity and led to the fastest rise in outstanding business for nine months. In expectation of further new order growth and in an effort to clear backlogs, the pace of job creation reached a five-month high and was strong overall. That said, service providers were less upbeat towards the year-ahead outlook for business activity.

The US PMI surveys tell a tale of two economies in February, with any slowdown story confined to the goods-producing sector. While manufacturing struggled, with the surveys consistent with a near stalling of factory output and order books, the service sector remained encouragingly resilient, enjoying its strongest burst of activity for seven months. With the size of the vast service sector overshadowing the manufacturing sector, the two surveys suggest the overall pace of economic growth accelerated in February. Having correctly indicated that the economy grew at a slower but still solid pace in the fourth quarter (our model from the survey indicated 2.5% growth against an initial official estimate of 2.6%), the data for the first two months of 2019 point to a similar 2.6% annualised rate of expansion.

In addition to signalling stronger economic growth, the surveys suggest hiring also remained encouragingly solid in February with a 250,000 non-farm payroll rise indicated, albeit predominantly driven by the service sector. The worry is that the manufacturing slowdown will spill over to the service sector, damping economic growth in coming months. Companies themselves certainly appear to have become more circumspect, with business optimism cooling in February amid worries over the impact of tariffs, trade wars, higher prices and rising interest rates.” – Chris Williamson, Chief Business Economist, Markit®

Source: <https://www.markiteconomics.com/Public/Home/PressRelease/2f9f39b8d73f4df5b4ee0d6efc3dff7f>; 3/5/19

Private Indicators

MetLife & U.S. Chamber of Commerce Small Business Index

Small Business Index

The Voices Of Small Business Owners | Q1 2019

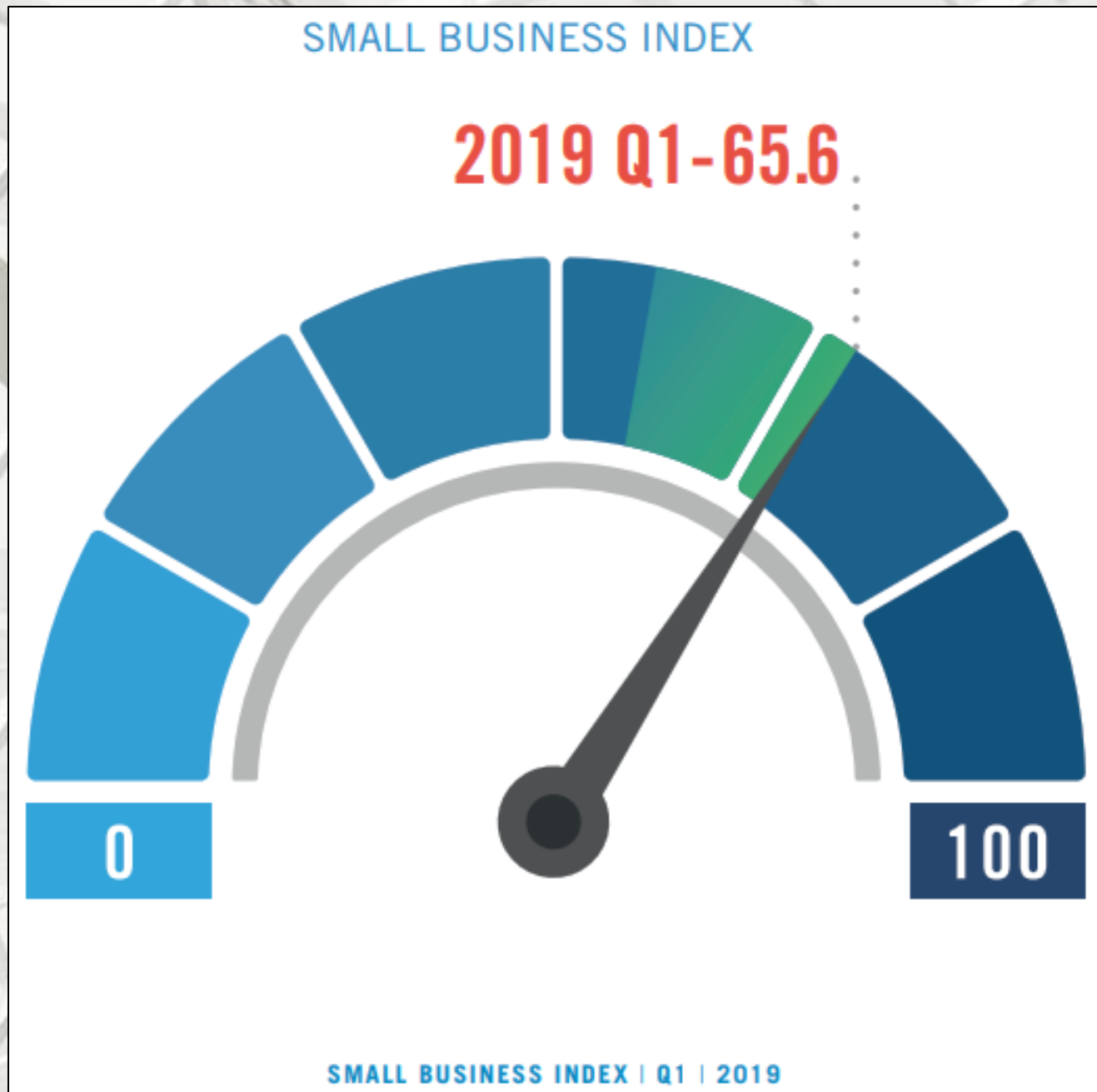
Small Business Expectations Down, But Fundamentals Remain Strong

“This quarter, the MetLife & U.S. Chamber of Commerce Small Business Index recorded the first significant drop since the survey began in 2017. Conducted in the midst of the longest federal government shutdown in history, the survey score dropped from 69.3 in Q4 of 2018 to 65.6 in Q1 2019.

The change is largely due to a decline in economic outlook and expectations (both national and local), but small business owners report their fundamental business operations remain strong:

- More than half of small business owners (56%) expect increased revenue in 2019, down only slightly from last quarter (60%).
- More than one in four small business owners (27%) plan to increase investment over the next year, almost unchanged from Q4 (29%).
- A similar number of small businesses report plans to increase staff over the next year (29%), compared to last quarter (30%).” – J.D. Harrison, U.S. Chamber of Commerce and David Hammarstrom, MetLife

Private Indicators



Private Indicators

MetLife & U.S. Chamber of Commerce Small Business Index

“Expectations for national economy decline.

Optimism about the health of the U.S. economy declined this quarter. While a majority of small businesses (53%) report a belief that the national economy is in good health, this number dropped five percentage points from last quarter (58%).

View of local economy dips, too.

Small business owners' views on their local economy are on par with the national economic outlook (53% rate it in good health). This reflects a slight downward shift from the Q4 2018 rating of 56%.

Small businesses anticipate steady staff levels, investment.

Twenty seven percent of business owners plan to increase investment over the next year, almost unchanged from Q4 (29%). Similarly, (29%) report plans to increase staff, unchanged from last quarter (30%).

Veteran, minority, Gen X, and Millennial- owned businesses look to hire.

Plans to increase headcount over the next year are primarily driven by businesses with 20 or more employees (44%), veteran-owned businesses (44%), minority-owned businesses (42%), and Millennial or Gen X-owned businesses (39%).” – J.D. Harrison, U.S. Chamber of Commerce and David Hammarstrom, MetLife

Private Indicators

MetLife & U.S. Chamber of Commerce Small Business Index

“Views of national economy decline across most of country.

Views on the national economy have consistently softened across the Northeast, Midwest, and West regions.

Northeast most pessimistic on local economy.

Businesses in the Northeast marked the biggest decline in optimism: just 38% say their local economy is in good health, down 10 percentage points from Q4 2018.

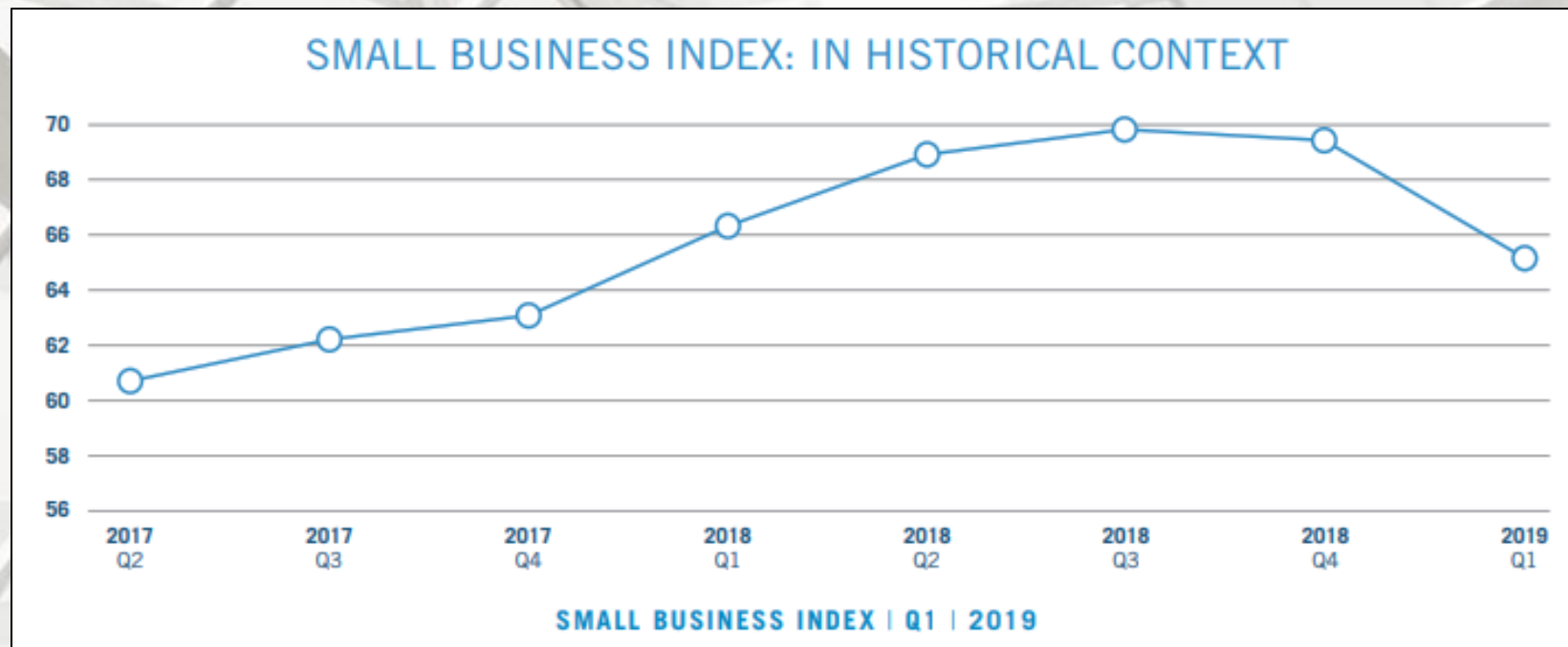
Revenue expectations down slightly.

Fewer small businesses expect revenue to increase (56%), compared to the end of 2018 (60%).

Potential shutdown effect?

The survey was conducted from Jan. 3-Jan. 31, mostly overlapping with the federal government shutdown from Dec. 22, 2018-Jan. 25, 2019. While it's not clear if this affected small businesses' views, a number of respondents mentioned the shutdown, without prompting.”– J.D. Harrison, U.S. Chamber of Commerce and David Hammarstrom, MetLife

Private Indicators



Private Indicators

National Association of Credit Management – Credit Managers' Index

Positive Turnaround Lifts the February Credit Managers' Index Combined Sectors (Manufacturing and Services)

“Credit managers were pleasantly surprised in NACM’s February Credit Managers’ Index (CMI), where the manufacturing and service sectors showed subtle signs of recovery after two months of decline. Improvements to each of the sector’s unfavorable factors brought the combined CMI score to 54.9.

CMI readings haven’t fared well since November 2018, ending the year with one of its lowest scores only to plummet further in the new year. However, the combined manufacturing and service sector readings brought a glimpse of hope to February’s results, with the combined unfavorables climbing out of contraction territory (a score below 50). Dollar amount beyond terms and dollar amount of customer deductions moved out of contraction and into the low 50s, while credit application rejections and bankruptcy filings maintained scores in the low- to mid-50s. Disputes decreased but continued to plague the unfavorables at 48.5, joined in contraction territory by accounts placed for collection at 49.

Meanwhile, combined favorables thrived with an increase to 60.7, the highest reading since November 2018. Sales and the amount of credit extended saw the most success with readings in the low 60s, followed by minor increases in new credit applications and dollar collections.” – Andrew Michaels, Editorial Associate, NACM

National Association of Credit Management – Credit Managers' Index

“After a somewhat rocky beginning, the economic data for the Credit Managers' Index (CMI) for February has been a welcome correction. Now the question is which of these trends will really take hold through the remainder of 2019? “There is some evidence to support both optimism and pessimism,” said NACM Economist Chris Kuehl, Ph.D. “As a matter of fact, these contradictory indications have become quite the topic among economists. The Purchasing Managers' Index tumbled dramatically at the end of the year but then bounced back in February. There were similar performances seen in everything from capacity utilization to capital expenditures, durable goods orders and other markers of the economy. The worrisome part shows up with higher commodity prices and the impact of a global economic slowdown. This month's CMI follows some of that same pattern.”

Manufacturing Sector

The overall index rose from 53.1 to 54.8. That takes the readings back to levels last seen in November 2018. The index of favorable factors moved back into the 60s after having dipped into the 50s in January 2018 and January. The index of unfavorable factors moved out of the contraction zone with a nice jump to 51.4 – marking the highest reading since May of last year. “This data is consistent with the various manufacturing readings that have come from the Purchasing Managers' Index as well as data on industrial production, durable goods orders and factory orders,” Kuehl said. “As is often the case, there are some unusual factors at work that may not extend that far into 2019. Some could even reverse by year's end.”

The sales numbers improved and are back in the 60s again with a reading of 61.7 – still a far cry from the 68.2 that was notched in September of last year. The new credit applications reading also improved, but it fell a little short of the 60s at 58.6 as compared to the 53.3 from the month before. The dollar collections data jumped back into the 60s with a reading of 60.5 after hitting 58.4 in January. There was a little dip in the amount of credit extended category as it went from 60.3 to 59.2. Kuehl suggests there seems to be a little more frugality showing up in terms of what kind of credit is asked for and for what kind of purchasing.” – Andrew Michaels, Editorial Associate, NACM

Private Indicators

National Association of Credit Management – Credit Managers' Index

“The rejections of credit applications stayed almost the same as it was the month before – moving from 53.3 to 53.5. That is good news when combined with the numbers of new credit applications. The accounts placed for collection category slipped back into expansion territory by the narrowest of margins – hitting 50.5 after last month’s 49.7. The category of disputes improved a bit, but they stayed in the contraction zone at 48.7. Still, this was an improvement over the 46.8 that was noted the month prior. The dollar amount beyond terms also jumped into the expansion zone with a reading of 52.8 following the 49.1 in January. The dollar amount of customer deductions stayed in contraction territory, but it improved over the month before (46.7 to 49.3). The reading last month had been the lowest number seen since June of last year, and now it is back to semi-respectability. The filings for bankruptcies numbers slipped slightly, but they remained in expansion with a reading of 53.3 compared to 54 last month.

Concerning manufacturing he explains there was an improvement these last few months, but there are some factors that may have led to this expansion. The threatened tariffs and the impending trade war has pushed a lot of advance buying and stockpiling on the assumption that everything from commodities to intermediate parts and finished goods will be unavailable. Inventory levels are as high as they have been in some time. If the trade deal works out in some fashion, it may be very hard to reduce the size of that inventory overhang.” – Andrew Michaels, Editorial Associate, NACM

National Association of Credit Management – Credit Managers' Index Service Sector

“Kuehl said as with manufacturing, there was an improvement in the service sector as well. This set of gains has been a little harder to pin down as there seem to be several factors at work. There are also major differences between service sectors with more concern expressed over the pace of retail and less concern expressed toward health care and construction.

The overall reading for the service sector was 55 – up from 53.8. This marks the highest level reached since November of last year. The combined index of favorable factors stayed roughly the same as it had been with a reading of 61.5 compared to 61.3. The combined index for the unfavorable factors was 50.6, marking the return to expansion after falling to 48.8 the prior month. The data was solid enough and the sub-readings reinforced this notion.

The sales numbers hit 63.5, back to numbers seen last November. The new credit applications data slipped, however, and fell out of the 60s with a reading of 59.2. This is still healthy, but just last month it was at 63. The dollar collections numbers also fell a bit (59.6 to 57.7). This remains solidly in the expansion zone, but the trend is not quite what would be desired. The category of amount of credit extended improved, however, and jumped further into the expansion zone with a reading of 65.5 as compared to the 62.1 from last month. Kuehl notes much of the down data has been coming from retail and much of the positive data is coming from construction and health care.

The rejections of credit applications improved a little as it went from 50.3 to 50.8. This is good news given the fact that applications have been in decline to some degree. The accounts placed for collection improved from 46.7 to 47.5, but this is still contraction territory. The category of disputes also improved, but it stayed in the contraction zone with a reading of 48.3 after 47.3 in January. The dollar amount beyond terms staged yet another improvement that fell just short of entering expansion territory. It was at 45.7, the lowest level in well over a year, and has now rebounded to 49.8. The dollar amount of customer deductions did expand enough (49.2 to 50.6) to leave the contraction zone. The filings for bankruptcies category improved further on the 53.6 reading last month and now stands at 56.5. This very good news as this the time of year that often features retail sector bankruptcies.” – Andrew Michaels, Editorial Associate, NACM

Private Indicators

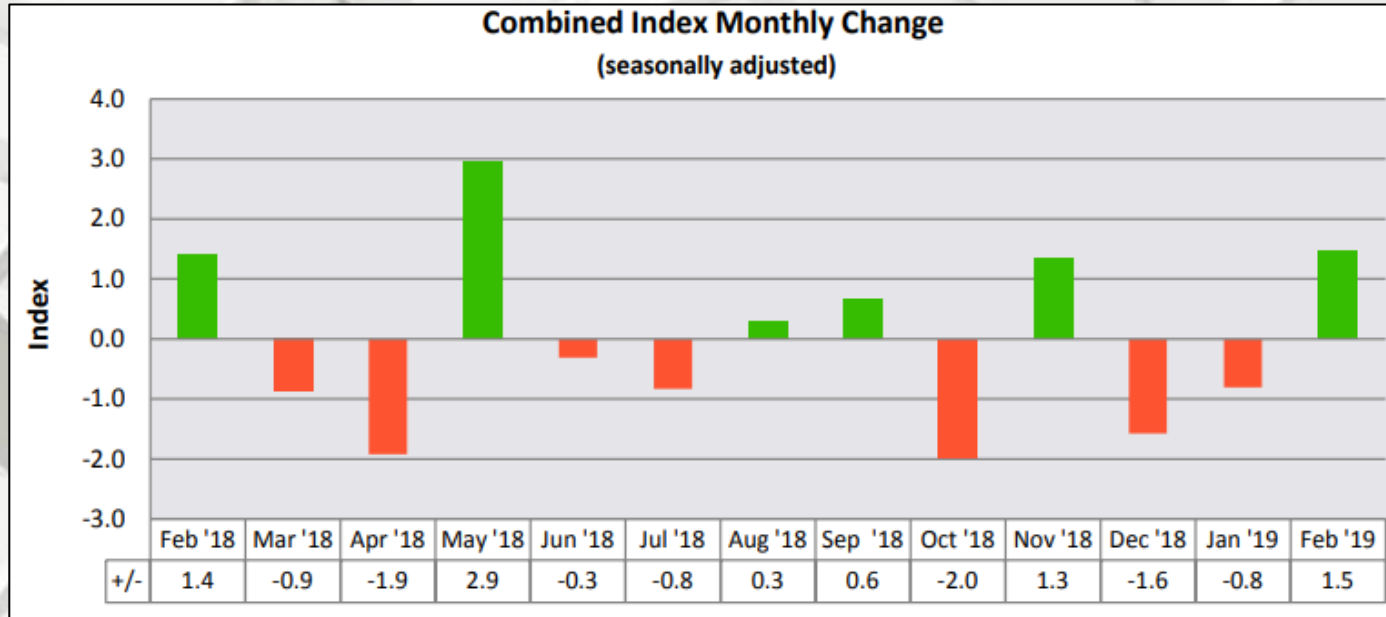
National Association of Credit Management – Credit Managers' Index

“The combination of improved performance in the favorable factors and a real recovery in the unfavorable index casts a different light on the start of 2019. It is not that the concerns voiced at the start of the year are not valid – there is plenty to worry about as far as inflation is concerned and the issues of a trade and tariff war will be biting sooner than later. What this does seem to show is continued resilience in many businesses, which suggests they could survive a bit of downturn this year.

Last month was more than a little worrying. The data showed some deep slumps and there was concern that a trend was deepening, but along comes February and the trend seems to have reversed to a significant degree.

The rest of the year promises to be a challenge for the retail sector as the levels of consumer confidence are dropping steadily. And there will likely be additional inflation pressure as the trade wars and tariff battles continue to heat up.” – Dr. Chris Kuehl, Economist, NACM

Private Indicators

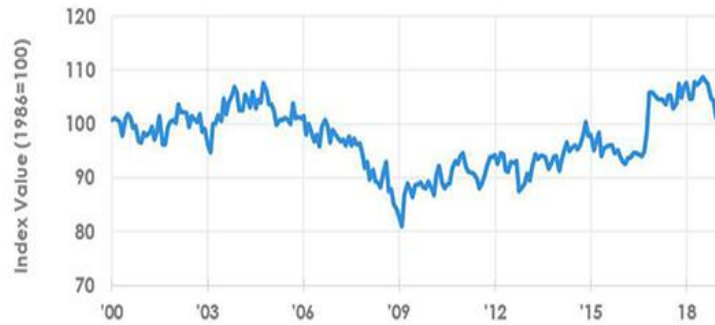


Combined Manufacturing and Service Sectors (seasonally adjusted)	Feb '18	Mar '18	Apr '18	May '18	Jun '18	Jul '18	Aug '18	Sep '18	Oct '18	Nov '18	Dec '18	Jan '19	Feb '19
Sales	66.8	64.1	65.8	69.6	69.6	63.9	65.0	68.8	62.7	64.5	59.0	59.7	62.6
New credit applications	63.3	62.7	62.2	63.8	60.5	61.2	62.5	61.9	61.7	62.2	57.5	58.2	58.9
Dollar collections	62.9	59.6	46.7	62.5	63.2	61.0	62.6	62.8	57.5	60.9	59.3	59.0	59.1
Amount of credit extended	66.4	66.2	66.1	66.8	66.2	66.1	66.9	67.1	64.5	65.3	61.9	61.2	62.3
Index of favorable factors	64.9	63.2	60.2	65.7	64.9	63.1	64.3	65.2	61.6	63.2	59.4	59.5	60.7
Rejections of credit applications	51.5	53.3	51.0	51.3	51.2	52.5	52.2	51.8	51.4	51.4	51.4	51.8	52.1
Accounts placed for collection	49.8	50.4	48.7	49.0	51.3	49.9	49.0	50.2	48.8	48.2	49.7	48.2	49.0
Disputes	49.6	47.7	48.0	48.1	48.3	47.7	46.4	47.6	48.9	50.1	49.6	47.1	48.5
Dollar amount beyond terms	49.9	47.2	46.4	49.4	49.2	47.4	48.5	49.9	47.7	52.3	49.3	47.4	51.3
Dollar amount of customer deductions	49.1	49.8	48.4	49.7	48.1	47.9	48.7	48.6	49.5	49.6	49.7	48.0	50.0
Filings for bankruptcies	55.4	55.2	53.8	56.4	55.7	57.4	55.9	55.6	52.1	53.6	55.0	53.8	54.9
Index of unfavorable factors	50.9	50.6	49.4	50.6	50.6	50.5	50.1	50.6	49.7	50.9	50.8	49.4	51.0
NACM Combined CMI	56.5	55.6	53.7	56.6	56.3	55.5	55.8	56.4	54.5	55.8	54.2	53.4	54.9

Private Indicators

Small Business Optimism Index at 101.7

Based on 10 survey indicators, seasonally adjusted, Jan. '00 – Feb. '19



NFIB.com/sboi

February 2019 Report:

“Small business owners who expect better business conditions improved five percentage points and those viewing the current period as a good time to expand increased two points in February. Twenty-seven percent plan capital outlays in the next few months, up one point. Plans to invest were most frequent in wholesale trades (43 percent), manufacturing (39 percent), construction (32 percent), and agriculture (31 percent).

Optimism Stabilizes Among Small Business Owners

“The NFIB Small Business Optimism Index improved modestly in February, increasing 0.5 points to 101.7. Views about future business conditions and the current period as a good time to expand improved as did plans to make capital outlays. Earnings trends weakened, as a million laid off workers and others affected by the shutdown cut back on spending. The loss of sales falls right to the bottom line. Worker compensation and selling prices were lower in February than they were in January, but job openings rebounded remaining at historically high levels. The Uncertainty Index fell 1 point to 85, a small decline but still showing a lot of residual uncertainty from the government shutdown.

The frequency of reports of positive profit trends fell four points to a net negative nine percent reporting quarter on quarter profit improvements, the weakest reading since 2017. Forty-one percent of those reporting weaker profits blamed sales, 22 percent cited lower selling prices, and nine percent blamed labor costs. For those reporting higher profits, 50 percent credited sales volumes. Thirty-three percent credited higher prices for the results. The cost of materials was not an issue.” – Holly Wade, NFIB

Private Indicators

Optimism Stabilizes Among Small Business Owners

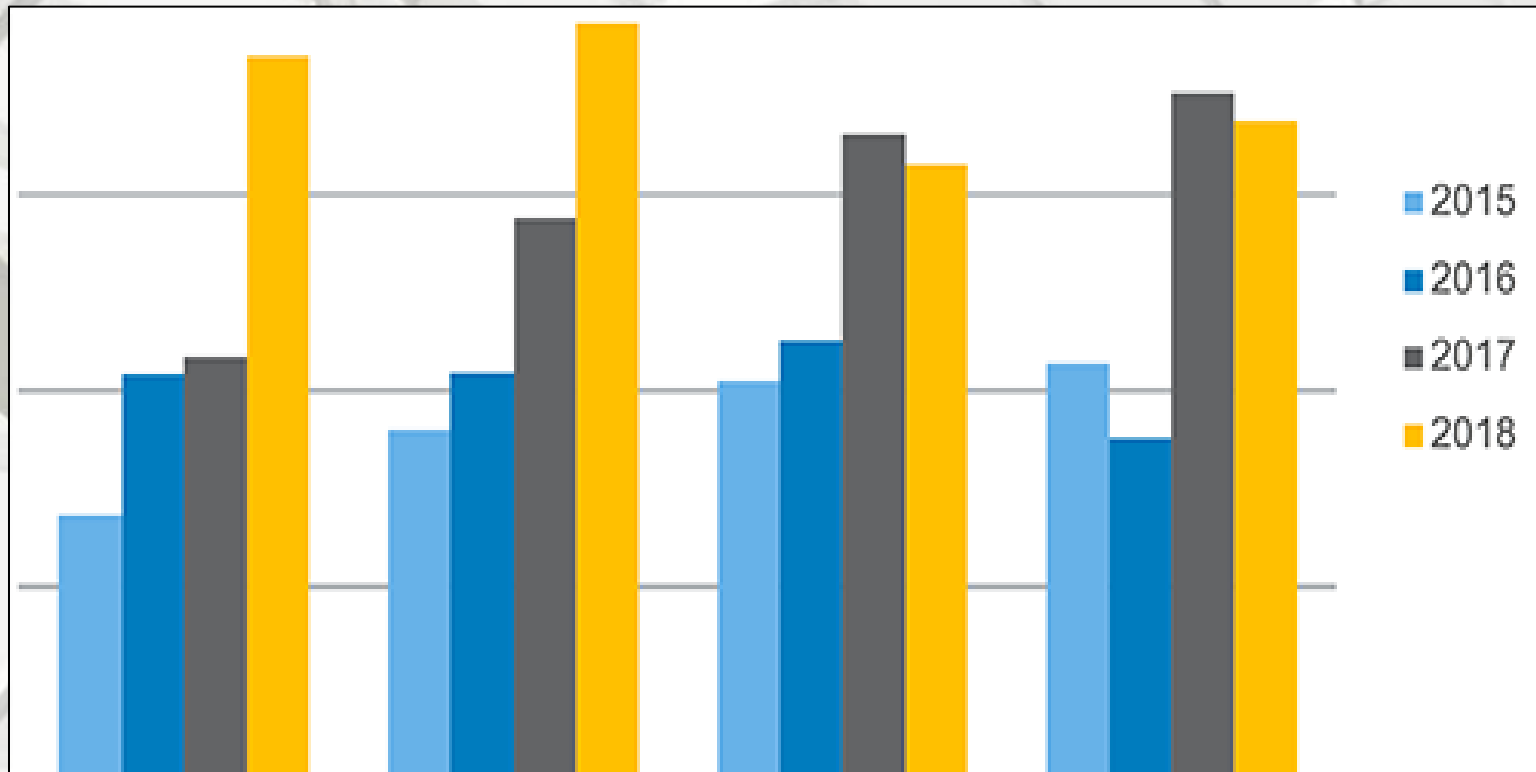
“Small business owners are thankful to have the government shutdown in the rear view mirror but need more certainty about the future. Small businesses put their money where their expectations are as we’ve seen when they get tax and regulatory relief. The best thing Washington can do for the small business half of the economy is to continue the policies – tax cuts and deregulation – that leave them with more resources to invest and find qualified workers.” – Juanita D. Duggan, , President and CEO, NFIB

“Owners still want to grow and expect they could sell more if they could hire employees to produce more. Small businesses want to expand in this growing economy but only if they can find qualified applicants for their open positions. On the positive side, now that the government is funded, owners should be getting back to business with the rebound in consumer sentiment.” – Bill Dunkelberg, Chief Economist, NFIB

“The net percent of owners raising average selling prices fell two points to a net 13 percent, seasonally adjusted. Unadjusted, ten percent (unchanged) reported lower average selling prices and 23 percent (down one point) reported higher average prices. Seasonally adjusted, a net 26 percent plan price hikes (down one point). With some sales weakness and concerns about the economy, likely fewer than half will actually post price hikes.

As reported in [February’s NFIB Jobs Report](#), job creation among small businesses broke the 45-year record in February with a net addition of 0.52 workers per firm. The previous record was in May 1998 at 0.51 workers per firm. The percent of owners citing labor costs as their most important problem also hit an all-time high, with 10 percent of owners reporting labor costs as their biggest problem. Reports of higher worker compensation fell five points to a net 31 percent of all firms. Uncertainty is not conducive to making permanent compensation commitments.” – Holly Wade, NFIB

Private Indicators



US Bank Freight Payment Index

“The final index of 2018 as well as other data suggests the economic expansion won’t be ending soon. Real gross domestic product is poised to register above trend growth, employment surged, holiday sales were strong and West Coast ports experienced higher than normal volumes.” – Bob Costello, Chief Economist and Senior Vice President, American Trucking Associations (ATA)

Demographics

Majority of older adults prefer to age in place

- “Of people 55 years and older who relocated in the last seven years, eight in 10 moved within their county or state, according [a CNBC analysis](#) of data from real-estate information company CoStar Group.
- Those among that group making more than \$75,000 per year trended toward markets in warmer climates with tax rules favorable to retirees. One such city is Myrtle Beach, SC, which saw the group’s headcount increase 83% in the last decade.
- Still, nine in 10 people 55 years and older prefer to age in place, while eight in 10 expect to live out their lives in their existing homes.

Fewer than half (47%) of Americans would consider moving following their departure from the work force, according to [a March report](#) from Bankrate, with relocation most dependent on cost of living, healthcare quality and the area's crime rate.

Older adults already living in the Midwest and areas of the South may be at an advantage, according to [a recent report](#) from LPL Financial, which noted the strong financial health among those states as well as social factors that contribute to an overall good quality of life. Meanwhile, New England states scored high in access to and cost of healthcare services, a concern for older adults, in particular.” – Mary Tyler March, Associate Editor, Construction Dive

Demographics

Majority of older adults prefer to age in place

“The U.S. population aged 65 and older is [expected to double](#) by 2050, and more than 825,000 older-adult households [are expected to transition](#) into new, owned homes by 2035.

In response, builders are turning their attention to the active-adult housing segment, which features smaller, accessible units in communities that prioritize walkability and access to social activities. One recent example is a [Jimmy Buffett-themed line of active-adult housing](#) that launched in Florida earlier this year.

Meanwhile, home-improvement professionals are gearing up for growth in aging-in-place remodeling. Eighty percent of remodeling firms [reported work in the category](#) in Q4 2016 — up 12 percentage points from 2013. That number is only expected to grow as baby boomers are projected to [drive 56% of all residential remodeling spending](#) by 2025, according to the Joint Center for Housing Studies of Harvard University. Still, [a report last year from HomeAdvisor](#) found that while 86% of homeowners are aware of aging-in-place renovations, less than one-quarter have undertaken any such work.” — Mary Tyler March, Associate Editor, Construction Dive

Demographics

Urban Institute

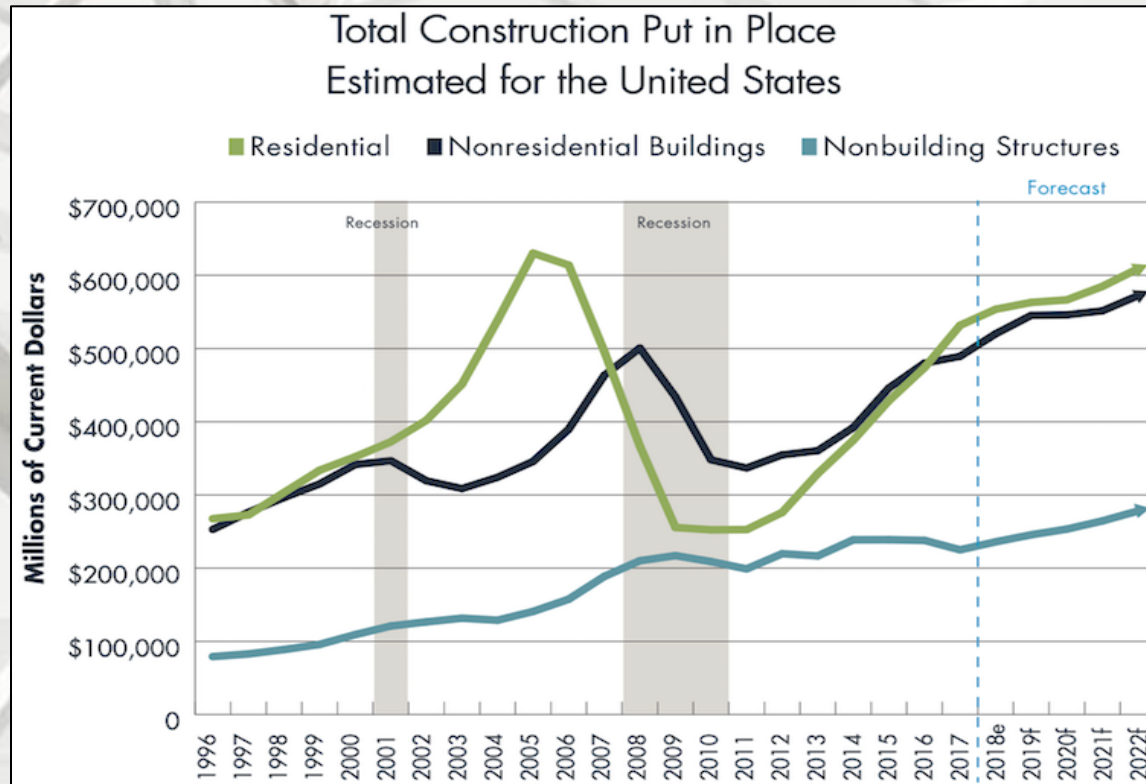
Young Adults Living in Parents' Basements

Causes and Consequences

“Executive Summary

The share of young adults ages 25 to 34 living with their parents increased from 11.9 percent in 2000 to 22.0 percent in 2017. This translates to more than 5.6 million additional young adults under their parents' roofs between the two years. This trend matches the decline in young adults' marital rate (from 55.3 percent to 40.0 percent) during this period. Increases in rents and student debt play an important role in young adults' decisions to stay with their parents. Metropolitan statistical areas with higher unemployment rates experienced a greater increase in the share of young adults living under their parents' roofs. This early life choice could have long-term consequences. Young adults who stayed with their parents between ages 25 and 34 were less likely to form independent households and become homeowners 10 years later than those who made an earlier departure. Even if they did ultimately buy a home, young adults who stayed with their parents longer did not buy more expensive homes or have lower mortgage debts than did young adults who moved out earlier, suggesting that living with parents does not better position young adults for homeownership, a critical source of future wealth, and may have negative long-term consequences for independent household formation.” – Jung Hyun Choi, Jun Zhu, and Laurie Goodman; Urban Institute

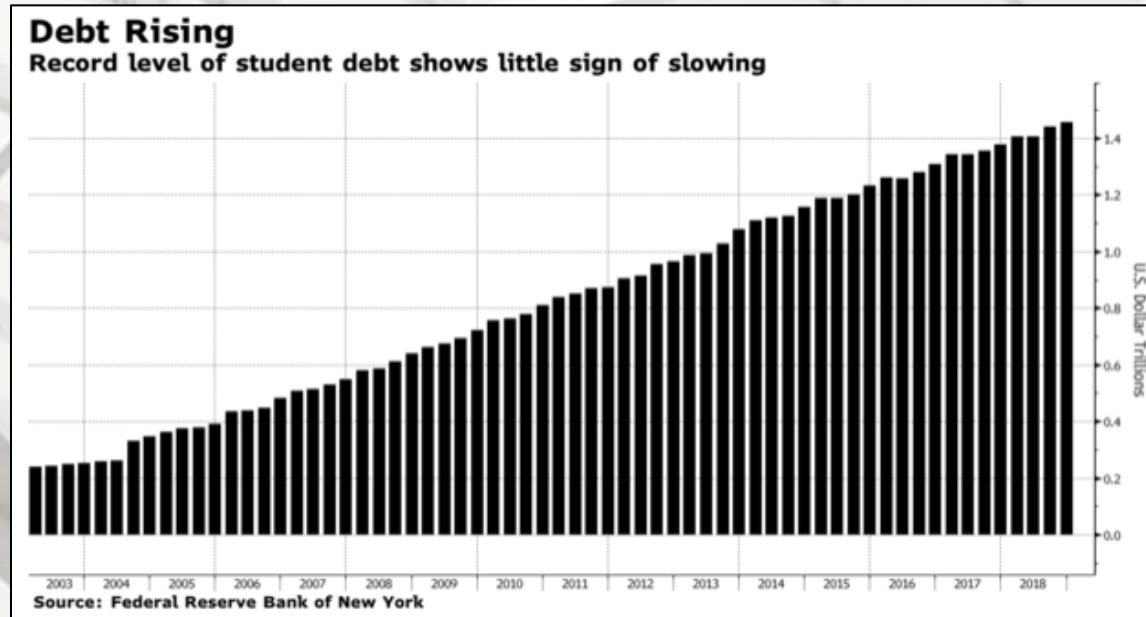
Economics



Construction spending is projected to increase by more than 11% through 2022

“... FMI’s report also provides sector breakdowns for non-building structures and residential. It notes, for example, that multifamily construction in the U.S., which for much of the past decade drove the housing industry, plateaued toward the end of 2018. Declining investment is expected through 2019 and 2020, although this trend should vary regionally. Going into 2019, as an increasing number of markets recognize oversupply, rents are expected to decline and starts will taper.” – John Caulfield, Senior Editor, Building Design + Construction

Economics



U.S. Student Debt in ‘Serious Delinquency’ Tops \$166 Billion

- “Amount in arrears reaches a record high as college costs rise
- If the loans aren’t repaid, federal deficits also will rise

Student-loan delinquencies surged last year, hitting consecutive records of \$166.3 billion in the third quarter and \$166.4 billion in the fourth. Bloomberg calculated the dollar amounts from the Federal Reserve Bank of New York’s quarterly household-debt report, which includes only the total owed and the percentage delinquent at least 90 days or in default.

That percentage has remained around 11 percent since mid-2012, but the total increased to a record \$1.46 trillion by December 2018, and unpaid student debt also rose to the highest ever.

Delinquencies continued to climb even as the unemployment rate fell below 4 percent, suggesting the strong U.S. job market hasn’t generated enough wage growth to help some people manage their outstanding obligations.” – Alexandre Tanzi, Author, Bloomberg

Economics

First American What is the Impact of Student Loan Debt on House-Buying Power?

“Contrary to many reports, student loan debt is not an insurmountable barrier to homeownership for millennials. [Student loan debt is more likely to delay the timing of homeownership](#), but it does not necessarily prevent homeownership. But, this begs the questions, how does student loan debt impact house-buying power? And, is higher education a worthwhile investment?

“Student-debt adds up, but higher education leads to higher income, and the increase in income attributable to higher education far outweighs the impact of student loan debt.”

Student Loans and House-Buying Power

To examine the impact of student loan debt on house-buying power, we first look at the median household income of a prospective first-time home buyer, who is, by definition, a renter. When breaking down the most recent median income data available (2017) by educational attainment, we find that renter household income increases as educational attainment increases: no high school degree (\$22,146), high school degree (\$33,870), bachelor's degree (\$60,373), and graduate level education (\$73,710).” – Odetta Kushi, Economist, First American

Economics

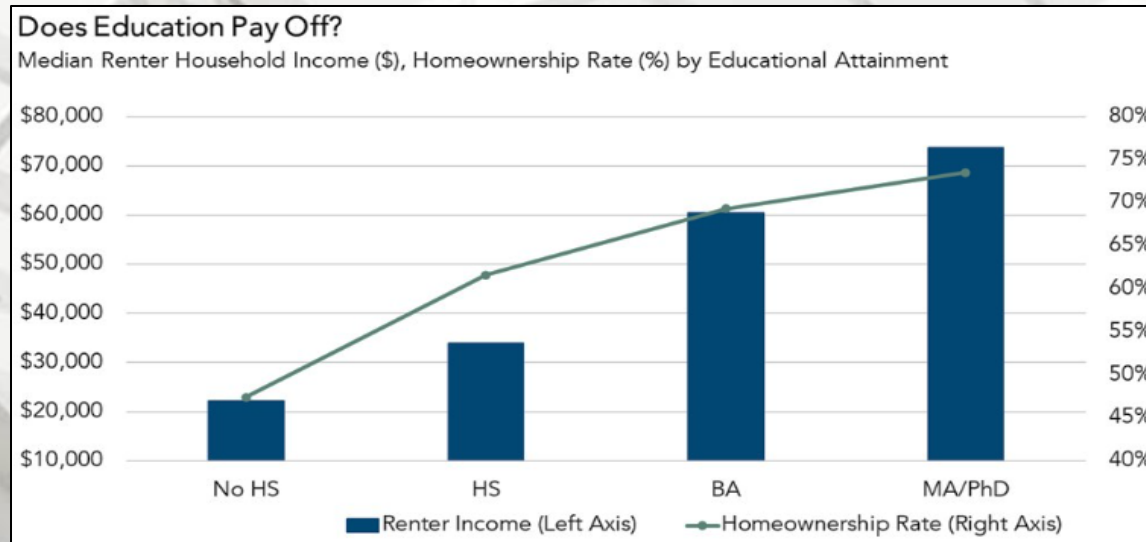
First American What is the Impact of Student Loan Debt on House-Buying Power?

“Using this median income data, we can calculate how much home one can afford to buy at each level of educational attainment. A renter’s house-buying power is based on the prevailing 30-year, fixed mortgage rate (4.64 percent in January), and assumes a 5 percent down payment and that one-third of pre-tax income is used for the mortgage. Using this calculation, renter house-buying power at each education level is:

- No high school education: \$127,123
- High school education: \$194,415
- Bachelor’s degree: \$346,540
- Graduate level (MA and/or PhD): \$423,096

The [average student loan debt](#) for those that complete their bachelor’s degree is approximately \$30,000. Assuming a 6 percent Federal direct student loan interest rate means the average monthly payment is just above \$300 per month, or nearly \$4,000 per year. This reduces median household income for those that complete their bachelor’s degree and, therefore, reduces house-buying power by \$23,000 to \$323,603. While the reduction in house-buying power is not ideal, renter house-buying power for those with a bachelor’s degree is still more than \$120,000 greater than renters with just a high school education. So, can student loans ever repay you? It looks like they can, in the form of greater income and higher house-buying power.” – Odeta Kushi, Economist, First American

Economics



What is the Impact of Student Loan Debt on House-Buying Power?

“Home Ownership is Higher Too

While higher education leads to higher house-buying power, does this positively influence home buying? Based on the latest available household census data in 2017, homeownership rates for those with a bachelor’s degree are nearly 8 percent higher than those with a high school degree. This difference becomes more exaggerated when comparing those with a college degree to those who do not complete high school, nearly a 25 percent difference in homeownership rates.

Education Pays Off

It is no secret why millennials are waiting to buy homes until after they have attained their educational goals, because education pays off. Overall, [9 out of 10 millennials say their college education was worthwhile and have already paid off their debt or will in the future](#). Student-debt adds up, but higher education leads to higher income, and the increase in income attributable to higher education far outweighs the impact of student loan debt. Although the price of college may seem intimidating, the cost of not going to college — in the long run — may be worse.” – Odeta Kushi, Economist, First American

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