The Virginia Tech – U.S. Forest Service May 2019 Housing Commentary: Section II

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2018 Virginia Polytechnic Institute and State University VCE-CNRE 65NP

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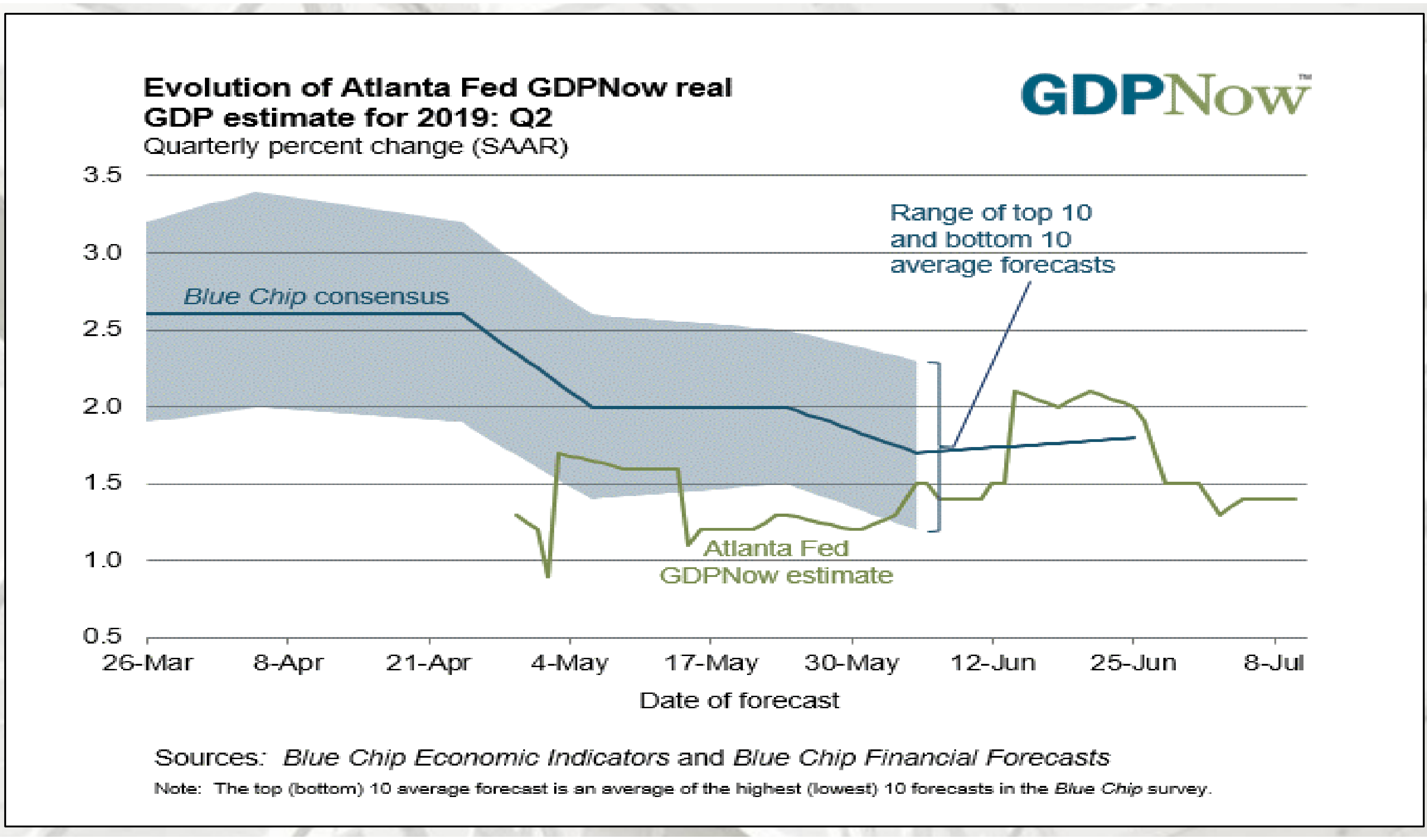

Atlanta Fed GDPNow™

Latest forecast: 1.4 percent — July 10, 2019

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2019 is **1.4 percent** on July 10, up from 1.3 percent on July 3. The nowcast of second-quarter real GDP growth increased 0.1 percentage points on July 5 after the release of the employment report by the U.S. Bureau of Labor Statistics." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 7/10/19

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The Federal Reserve Bank of Chicago: Midwest Economy Index

Index points to slower Midwest economic growth in May

“The Midwest Economy Index (MEI) fell to –0.28 in May from –0.02 in April, reaching its lowest level since February 2010. Contributions to the May MEI from two of the four broad sectors of nonfarm business activity and all five Seventh Federal Reserve District states decreased from April. The relative MEI moved down to +0.01 in May from +0.18 in April. Contributions to the May relative MEI from three of the four sectors and four of the five states decreased from April.

The manufacturing sector’s contribution to the MEI moved down to –0.07 in May from +0.08 in April. The pace of manufacturing activity decreased in Illinois, Iowa, Michigan, and Wisconsin, but was unchanged in Indiana. Manufacturing’s contribution to the relative MEI ticked down to +0.15 in May from +0.16 in April.

The construction and mining sector’s contribution to the MEI was unchanged at –0.07 in May. The pace of construction and mining activity was slower in Wisconsin, but faster in Illinois and Iowa and unchanged in Indiana and Michigan. The contribution from construction and mining to the relative MEI edged down to –0.02 in May from a neutral reading in April.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/~/media/publications/mei/2019/mei-may2019-pdf.pdf; 6/28/19

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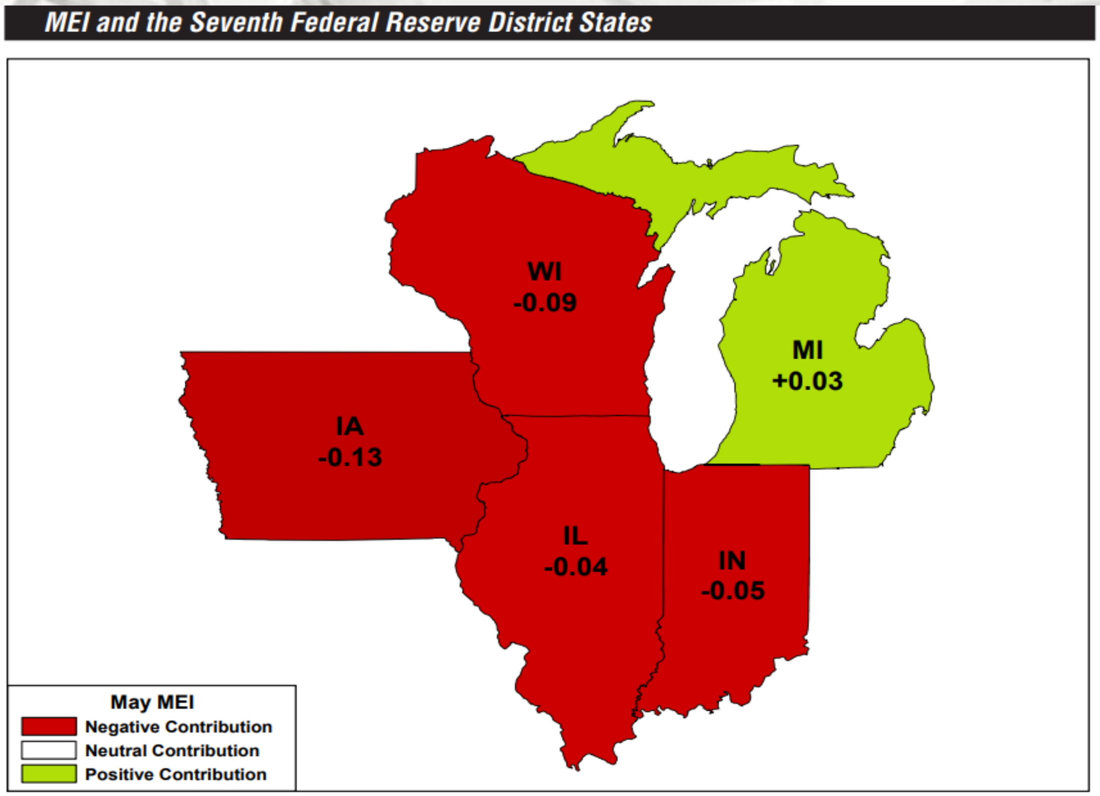
The Federal Reserve Bank of Chicago: Midwest Economy Index



Note: The map's shading summarizes the most recent contribution to growth in Midwest economic activity from each of the five states in the Seventh Federal Reserve District (Illinois, Indiana, Iowa, Michigan, and Wisconsin).

Index points to slower Midwest economic growth in May

"The service sector contributed –0.15 to the MEI in May, down from –0.04 in April. The pace of service sector activity was down in Illinois, Indiana, Michigan, and Wisconsin, but unchanged in Iowa. The service sector's contribution to the relative MEI decreased to –0.17 in May from –0.02 in April." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/~/media/publications/mei/2019/mei-may2019-pdf.pdf; 5/31/19

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The Federal Reserve Bank of Chicago: National Activity Index

Index Points to a pickup in growth in May

"The CFNAI Diffusion Index, which is also a three-month moving average, increased to –0.12 in May from –0.26 in April. Thirty-nine of the 85 individual indicators made positive contributions to the CFNAI in May, while 46 made negative contributions. Forty-nine indicators improved from April to May, while 36 indicators deteriorated. Of the indicators that improved, 20 made negative contributions.

The contribution from production-related indicators to the CFNAI rose to +0.07 in May from –0.44 in April. Industrial production increased 0.4 percent in May after decreasing 0.4 percent in April. The sales, orders, and inventories category made a neutral contribution to the CFNAI in May, up slightly from –0.02 in April.

Employment-related indicators contributed –0.06 to the CFNAI in May, down from +0.05 in April. Total nonfarm payrolls increased by 75,000 in May after rising by 224,000 in the previous month. The contribution of the personal consumption and housing category to the CFNAI edged up to –0.06 in May from –0.08 in April." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 6/24/19

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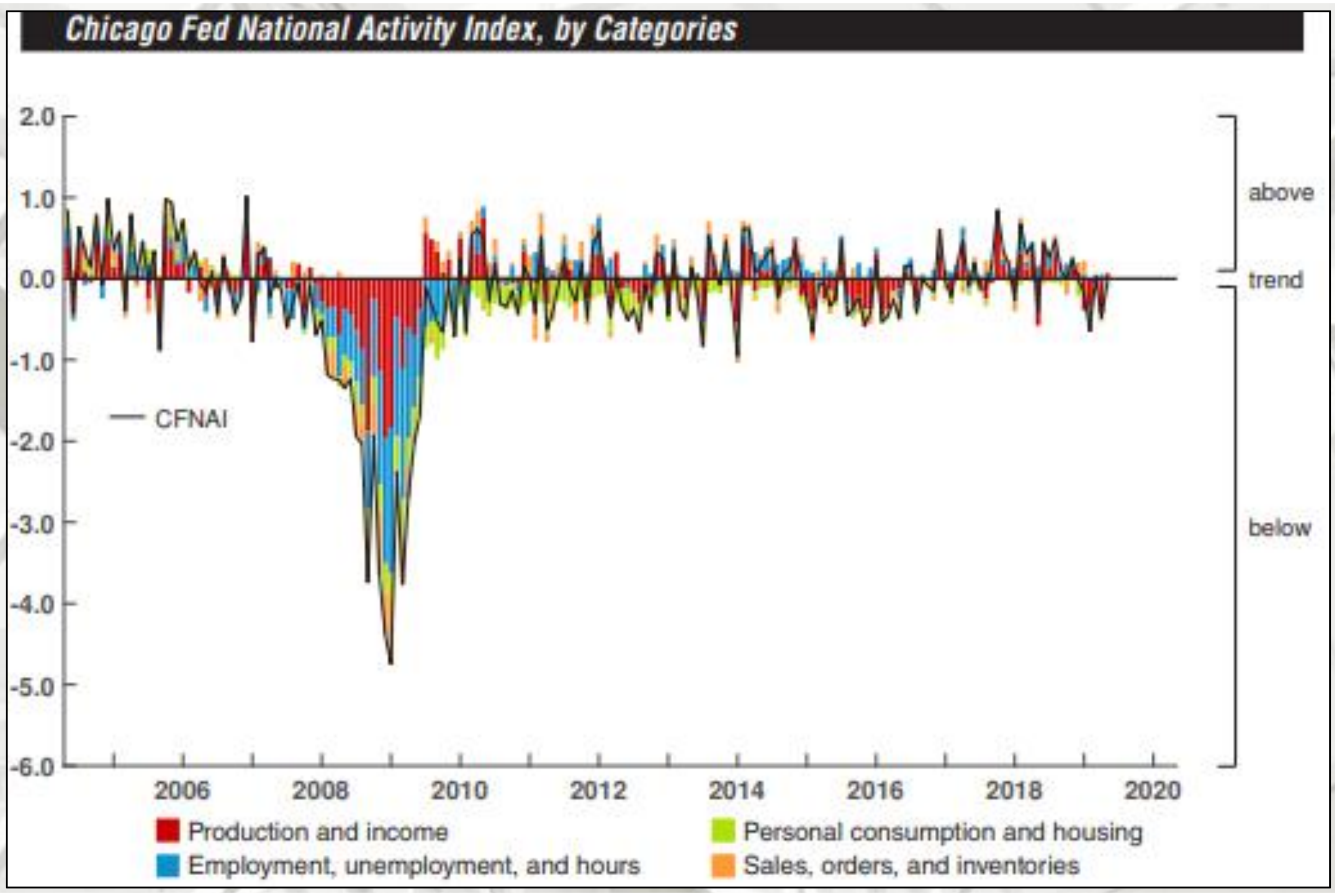
The Federal Reserve Bank of Chicago: National Activity Index



Index Points to a pickup in growth in May

"Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) rose to –0.05 in May from –0.48 in April. Three of the four broad categories of indicators that make up the index increased from April, but only one of the four categories made a positive contribution to the index in May. The index's three-month moving average, CFNAI-MA3, moved up to –0.17 in May from –0.37 in April" – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 6/21/19

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The Federal Reserve Bank of Dallas

Texas Manufacturing Expansion Continues but Pace Slows

"Texas factory activity continued to expand in June, according to business executives responding to the *Texas Manufacturing Outlook Survey*. The production index, a key measure of state manufacturing conditions, rose from 6.3 to 8.9, indicating output growth accelerated slightly from May.

Other measures of manufacturing activity exhibited mixed movements in June. The new orders index edged up to 3.7, a reading still below average. The growth rate of orders index fell eight points to -6.7, reaching its lowest reading in nearly three years. The capacity utilization index inched up to 9.6, while the shipments index retreated six points to 1.7, a two-year low. The capital expenditures index posted a double-digit decline, falling 11 points to 6.9, also a two-year low.

Perceptions of broader business conditions shifted down again in June. The general business activity index pushed further into negative territory as more firms noted worsened activity this month than last. The index declined from -5.3 to -12.1, hitting a three-year low. Similarly, the company outlook index fell from -1.7 to -5.5, also a three-year low. The index measuring uncertainty regarding companies' outlooks pushed up to 21.6, its highest reading since the question was added to the survey in January 2018. … " – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tmos/2019/1905.aspx; 6/24/19

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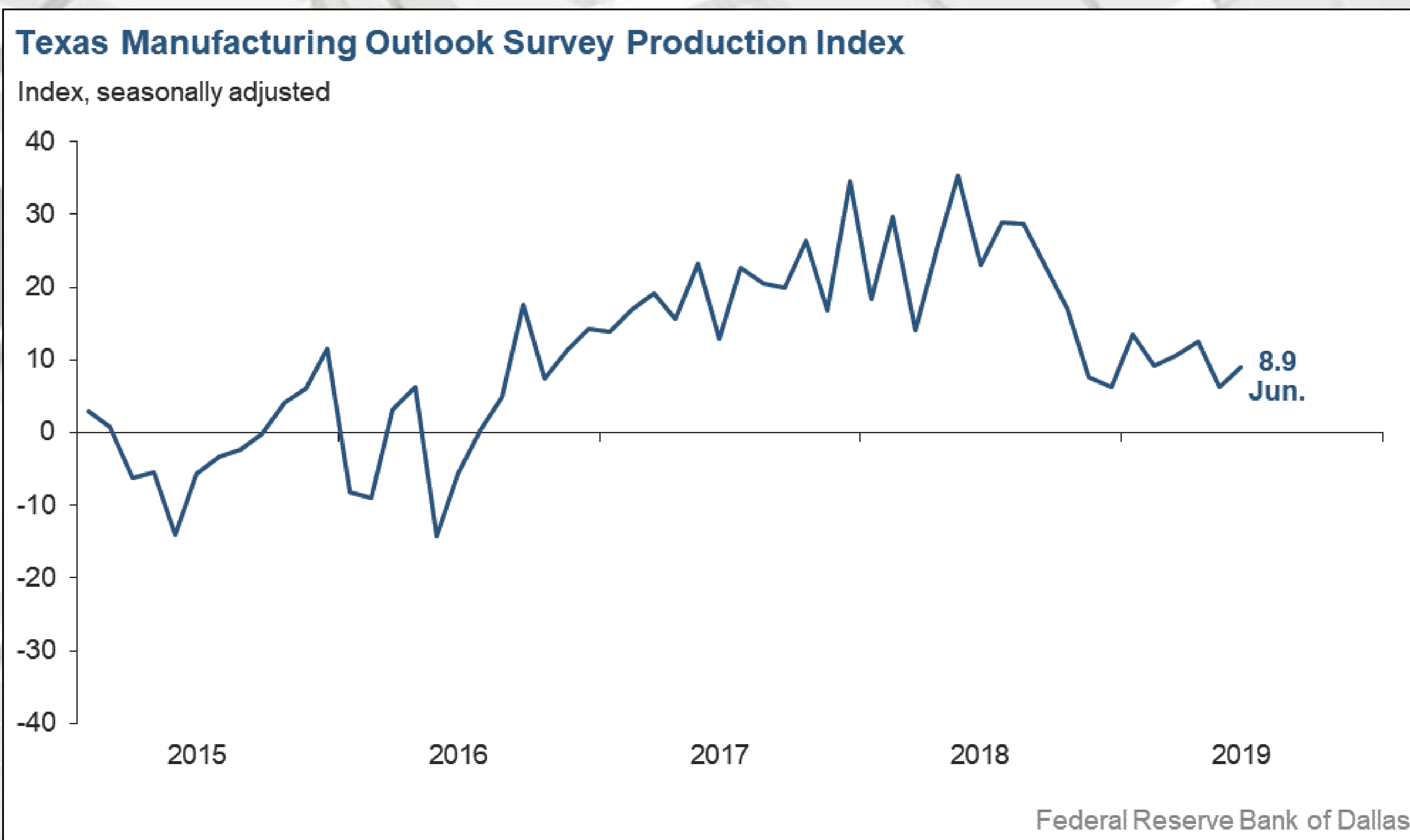
The Federal Reserve Bank of Dallas



Texas Manufacturing Expansion Continues to Grow but Pace Slows

"Expectations regarding future business conditions were mixed . The index of future general business activity dropped 12 points to -2.7, with more firms expecting worsened activity six months from now than improved. The index of future company outlook fell eight points but remained positive at 3.6. Other indexes of future manufacturing activity declined this month but stayed in positive territory." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tmos/2019/1905.aspx; 5/28/19

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The Federal Reserve Bank of Dallas

Texas Service Sector Growth Strengthens

"Activity in the Texas service sector grew at a faster pace in June, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, picked up from 2.7 in May to 13.6 in June.

Labor market indicators reflected steady employment growth and longer workweeks this month. The employment index was mostly unchanged at 6.9, while the hours worked index increased three points to 4.8 in June.

Perceptions of broader business conditions rebounded to positive territory, although uncertainty measures remained elevated. The general business activity index rose from -0.3 in May to 3.2 in June, while the company outlook index increased about seven points to 4.6. The capital expenditures index rose nearly five points to 16.6, slightly above its 12-month average, while the outlook uncertainty index was roughly unchanged at 19.0. … .

Respondents' expectations regarding future business conditions were more optimistic than in May. The future general business activity index jumped from 0.7 in May to 9.0 in June, while the future company outlook index increased nearly eight points to 11.9. Other indexes of future service sector activity, such as revenue and employment, improved compared with May and reflected expectations of faster growth over the next six months." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tssos/2019/1906.aspx#tab-report; 6/25/19

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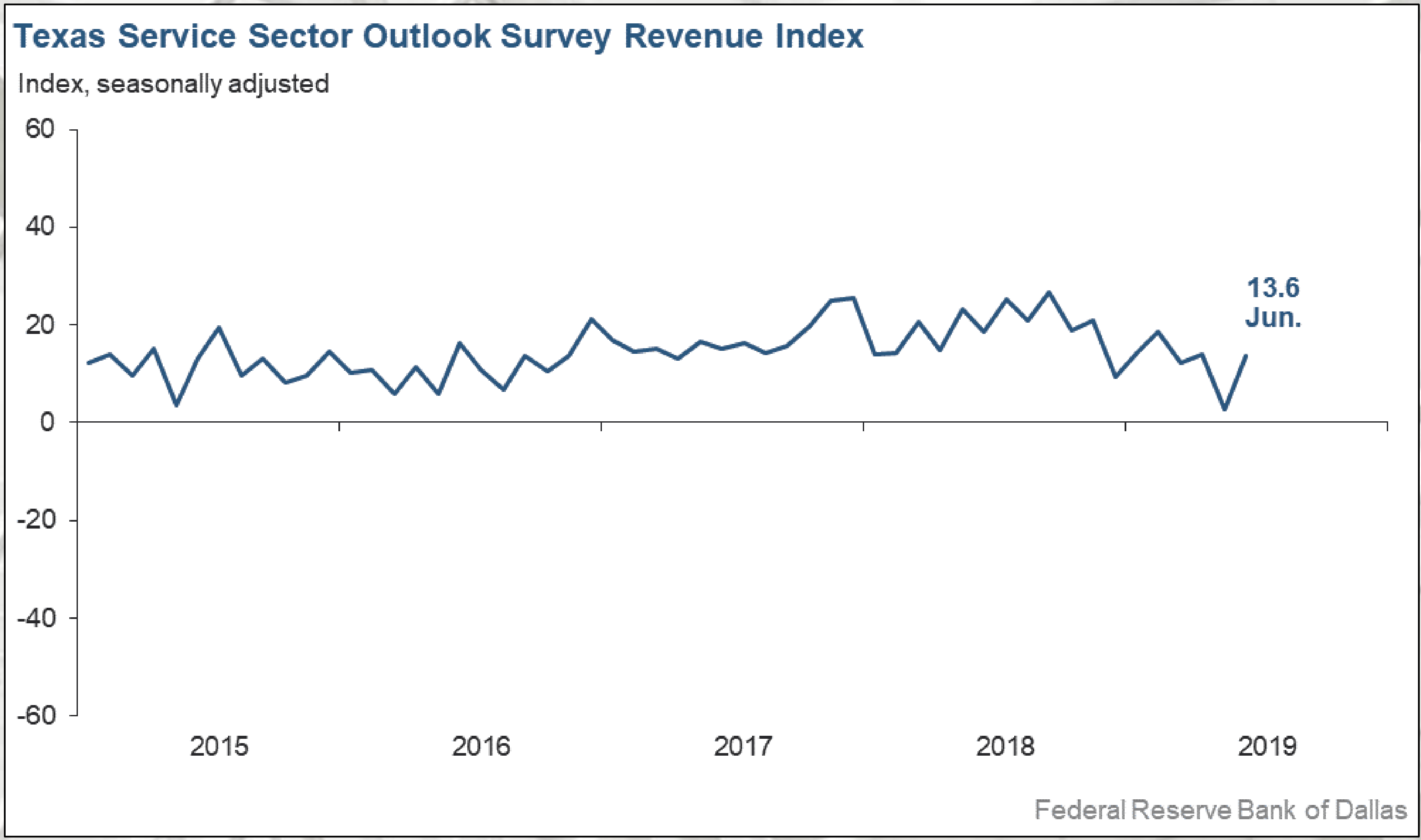
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys/tssos/2019/1906.aspx#tab-report; 6/25/19

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The Federal Reserve Bank of Dallas

Retail Sales Continue to Decline

"Retail sales fell in June, according to business executives responding to the Texas Retail Outlook Survey. The sales index improved but remained in negative territory, rising from -9.2 in May to -6.8 in June. Inventories picked up slightly, as the inventories index rose from -6.6 to 1.4.

Retail labor market indicators continued to deteriorate, as respondents indicated a drop in employment and a shorter workweek. The employment index fell over five points to -9.0, its lowest reading since early 2010. The hours worked index increased about four points but remained negative at -3.7.

Retailers' perceptions of broader business conditions continued to reflect pessimism, and uncertainty remained elevated in June. The general business activity index rose from -15.5 to -9.3, while the company outlook index increased nearly 10 points but also remained negative at -10.8. The outlook uncertainty index fell but was elevated at 26.0, with over one-third of respondents indicating heightened uncertainty compared with last month. … .

Retailers' perception of future business conditions remained negative this month. The future general business activity index climbed nearly 12 points but held negative at -3.8, while the future company outlook index increased nearly four points to -4.5. Other indexes of future retail sector activity were mixed, as the future sales index rebounded to positive territory, while the future employment index remained negative." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tssos/2019/1906.aspx#tab-report; 6/25/19

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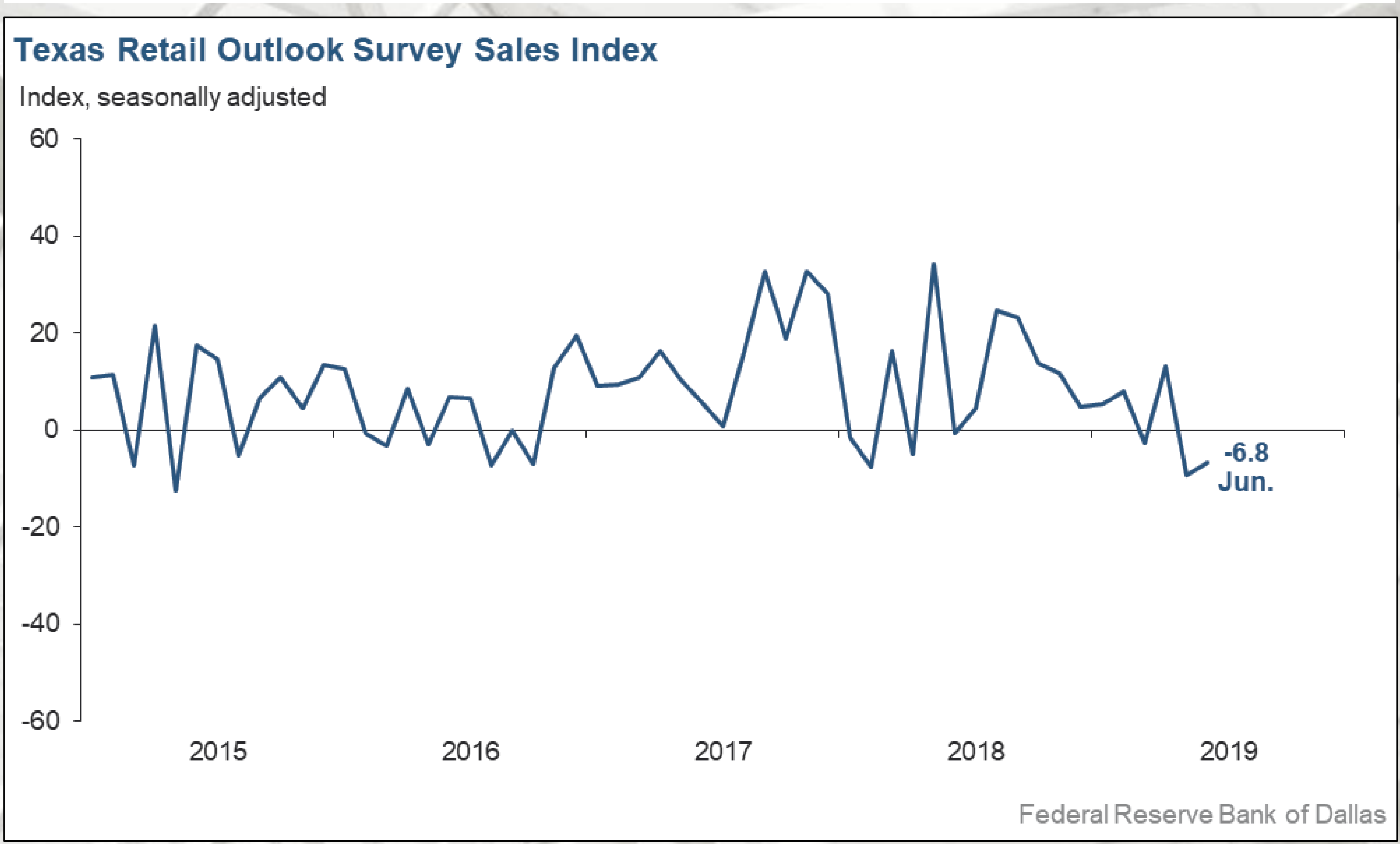
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys/tssos/2019/1906.aspx#tab-report; 6/25/19

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District manufacturing activity flat

Tenth District manufacturing activity was flat in June, while expectations for future activity remained solid.

"Tenth District manufacturing activity was flat in June, while expectations for future activity remained solid (Chart 1). Price indexes were lower than a month ago, indicating that prices continue to rise but at a slower pace. The raw materials price index was lower than a year ago, and expectations for future price indexes also declined.

Factory activity mostly flat in June

The month-over-month composite index was 0 in June, slightly lower than 4 in May and 5 in April (Table 1). The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The change in manufacturing activity was mostly driven by a decline at durable production plants, especially for computers, electronic products, and transportation equipment. Most month-over-month indexes edged lower in June, with a number of indexes decreasing, including the materials inventory index. However, the new orders index inched higher. Nearly all of the year-over-year factory indexes decreased to their lowest levels since late 2016, and the composite index fell from 23 to 4. The future composite index remained solid, inching down from 12 to 11, while expectations for production and new orders moved higher." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/research/indicatorsdata/mfg/articles/2019/mfg-activity-flat-06; 6/27/19

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The Federal Reserve Bank of Kansas City

Chart 1. Manufacturing Composite Index vs. a Month Ago

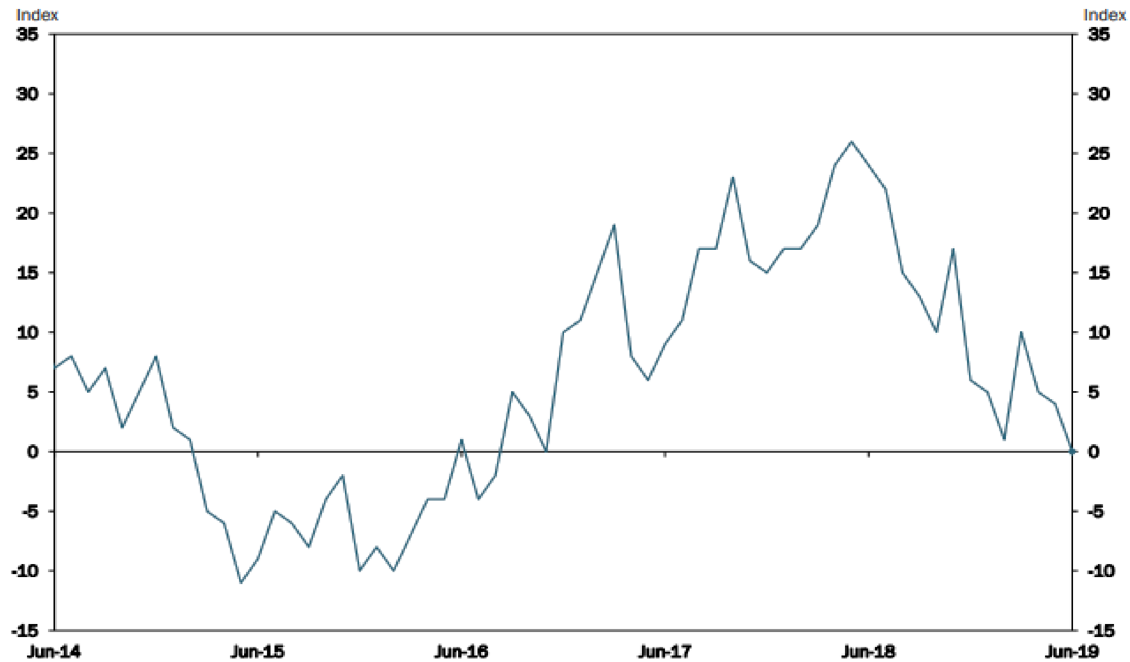

Table 1. Summary of Tenth District Manufacturing Conditions, June 2019

	June vs. May (percent)*					June vs. Year Ago (percent)*				Expected in Six Months (percent)*				
Plant Level Indicators	Increase	No Change	Decrease	Diff Index^	SA Index*^	Increase	No Change	Decrease	Diff Index^	Increase	No Change	Decrease	Diff Index^	SA Index*^
Composite Index				3	0				4				7	11
Production	30	43	27	3	-3	33	27	40	-7	36	46	18	18	22
Volume of shipments	31	40	29	1	-7	35	27	38	-3	36	43	20	16	23
Volume of new orders	29	45	25	4	5	28	31	41	-12	34	42	23	11	16
Backlog of orders	22	50	28	-6	-7	26	39	35	-8	28	52	20	8	11
Number of employees	27	56	17	9	5	42	36	22	20	29	52	19	10	11
Average employee workweek	19	68	13	5	0	18	64	19	-1	15	64	22	-7	-3
Prices received for finished product	15	72	13	1	3	62	29	10	52	36	54	9	27	31
Prices paid for raw materials	27	57	16	11	9	65	16	19	46	45	47	8	37	36
Capital expenditures						36	36	29	7	31	48	21	10	11
New orders for exports	13	72	15	-3	-4	21	66	14	7	17	71	13	4	4
Supplier delivery time	6	88	7	-1	-3	18	66	16	1	10	81	10	0	-1
Inventories: Materials	19	62	19	0	-3	35	48	17	17	24	51	25	-1	4
Inventories: Finished goods	25	56	19	6	6	37	44	19	18	24	47	29	-6	-2

*Percentage may not add to 100 due to rounding.
^Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.
*^Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The June survey was open for a five-day period from June 19-24, 2019 and included 75 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Source: https://www.kansascityfed.org/research/indicatorsdata/mfg/articles/2019/mfg-activity-flat-06; 6/27/19

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District services activity slowed to roughly flat levels

Tenth District services activity slowed to roughly flat levels in June, with positive expectations for future growth (Chart 1). Month-over-month input and selling price indexes edged lower, but remained positive, and expectations for future prices were largely unchanged.

Business slowed to roughly flat levels in June

"The month-over-month services composite index was 1 in June, down from 15 in May and 12 in April. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most month-over-month indexes eased somewhat in June, with several dropping into negative territory. In contrast, the wages and benefits index expanded slightly. The general revenue/sales index decreased, driven by declines in transportation activity, real estate, and health services. Year-over-year services indexes were also below levels from the previous month. Compared with a year ago, the services composite index dropped from 29 to 12, and the general revenue/sales index fell from 38 to 19. Expectations for the services composite index declined from 27 to 17, but most expected future services indexes remained largely positive overall." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/research/indicatorsdata/services/articles/2019/june-2019-release; 6/28/19

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Source: https://www.kansascityfed.org/research/indicatorsdata/services/articles/2019/june-2019-release; 6/28/19

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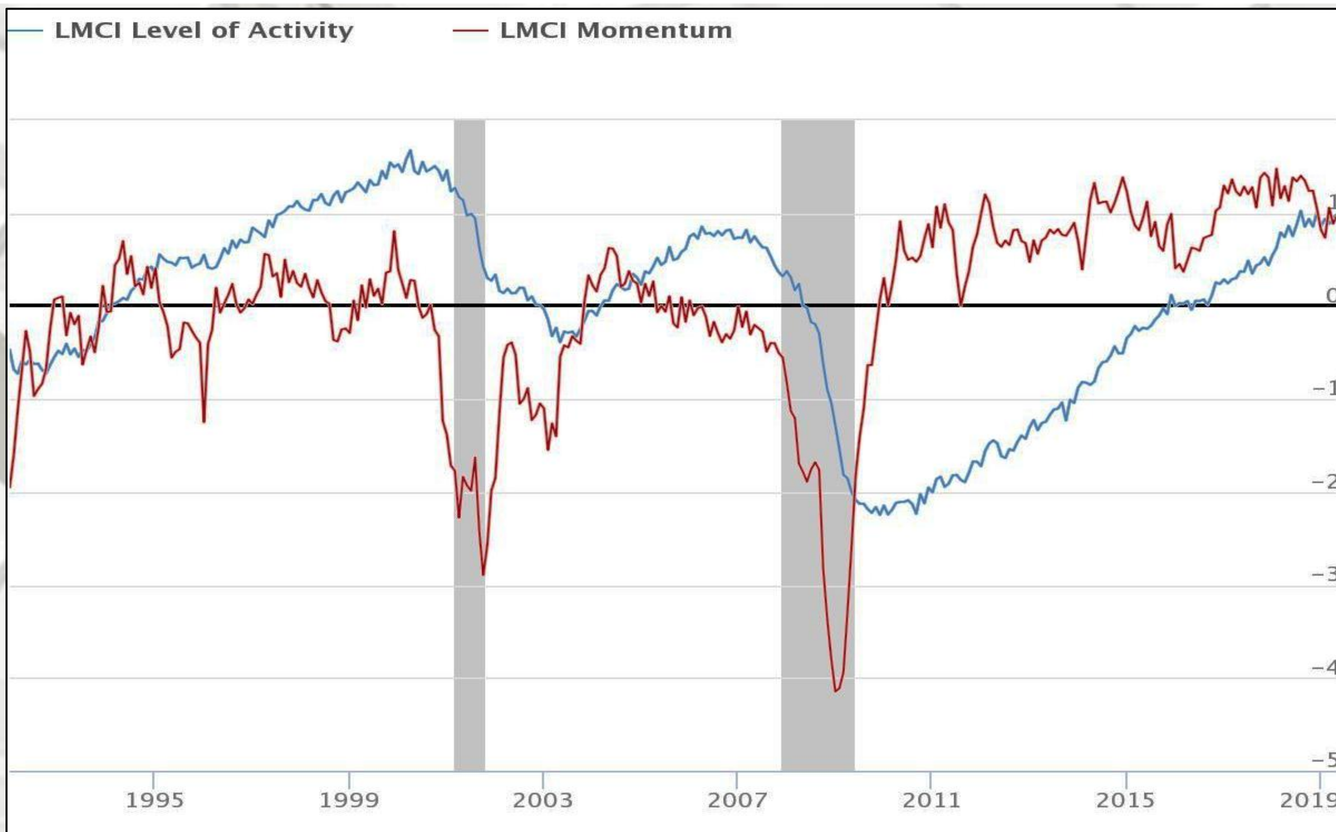

Source: Federal Reserve Bank of Kansas City. Chart data as of July 10, 2019

Note: Shaded area represents recession as determined by the National Bureau of Economic Research (NBER).

The Federal Reserve Bank of Kansas City
LMCI suggest the level of activity was little changed and momentum remained high in June.

"The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity was little changed and momentum remained high in June. The level of activity indicator was little changed in June at 0.96, while the momentum indicator was little changed at 0.92." – Bill Medley, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/research/indicatorsdata/lmci/articles/2019/labor-market-conditions-activity-increased-7; 7/10/19

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Growth Abruptly Reverses

"Business activity took a sharp turn downward in New York State, according to firms responding to the June 2019 *Empire State Manufacturing Survey*. The headline general business conditions index plummeted twenty-six points, its largest monthly decline on record, to -8.6. New orders receded, while shipments increased modestly. Unfilled orders fell, and delivery times and inventories moved slightly lower. Labor market indicators pointed to small declines in employment and hours worked. The pace of input price increases was little changed, while selling price increases slowed. Indexes assessing the six-month outlook indicated that firms were less optimistic about future conditions than they were last month.

Manufacturing firms in New York State reported that business activity declined. The general business conditions index fell by a record twenty-six points to -8.6, the first negative reading for the index in more than two years. Twenty-two percent of respondents reported that conditions had improved over the month, while 30 percent reported that conditions had worsened. The new orders index also posted a significant decline, falling twenty-two points to -12.0, indicating a decline in orders. The shipments index fell seven points to 9.7, pointing to a modest increase in shipments. Unfilled orders declined, delivery times were somewhat shorter, and inventories moved slightly lower." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 6/16/19

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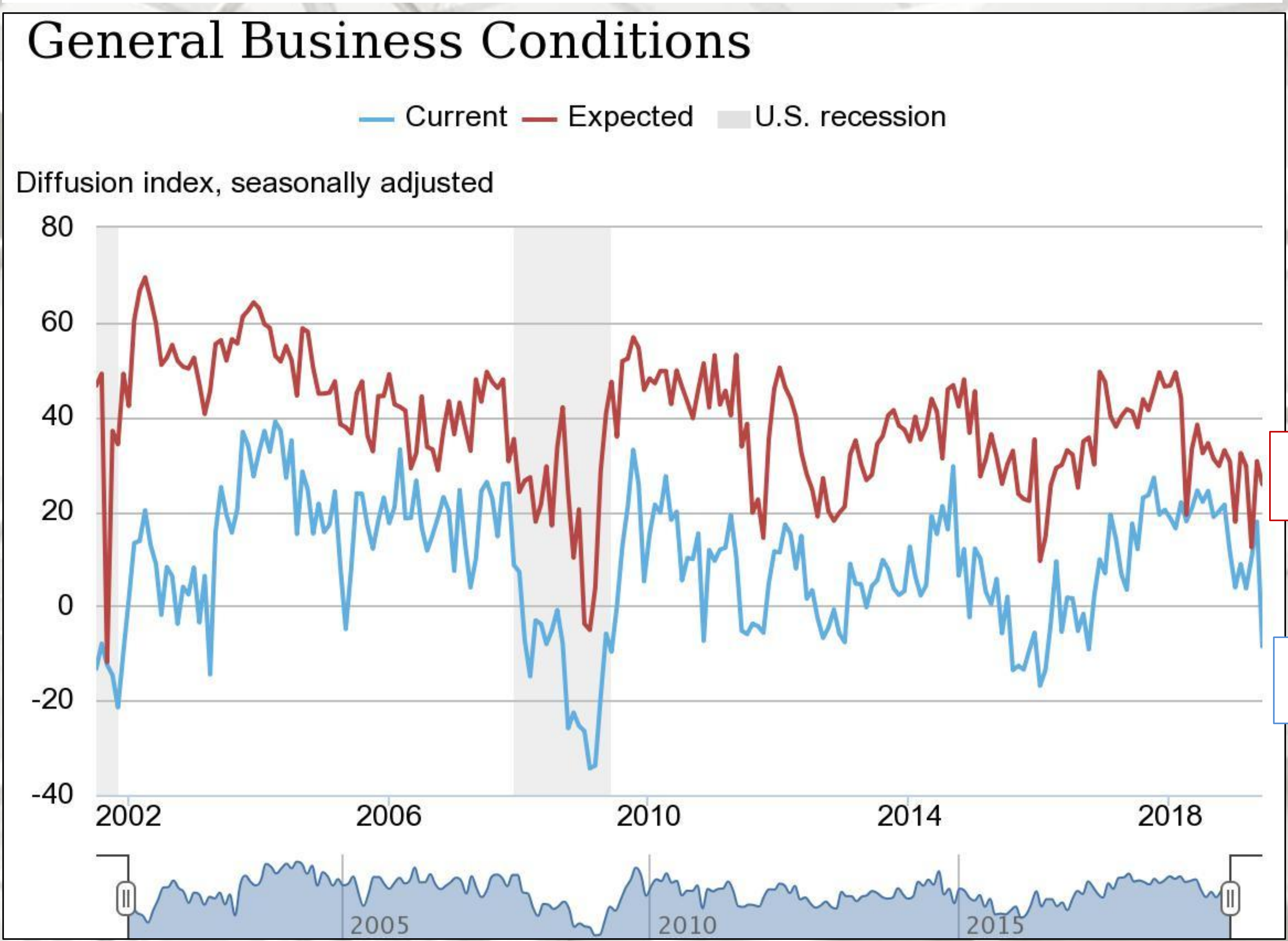
The Federal Reserve Bank of New York



June 2019

Expected: **25.7**

June 2019

Current: -8.**6**

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 6/16/19

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

A Small Increase In Employment

"The index for number of employees fell seven points to 4.7, a level indicating that employment increased only to a small degree. The average workweek index held steady at 4.4. Price increases were similar to those seen last month. The prices paid index was little changed at 26.2, as was the prices received index at 12.4.

Firms More Optimistic

Manufacturing firms were significantly more optimistic about the six-month outlook than they were last month. The index for future business conditions shot up 18 points to 30.6. The indexes for future new orders and shipments climbed to similar levels. Firms expected solid increases in employment but no change in the average workweek in the months ahead. The capital expenditures index was little changed at 26.2, and the technology spending index came in at 22.8, up slightly from May's reading." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 6/16/19

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Growth Picks Up

"Activity in the region's service sector grew strongly, according to firms responding to the Federal Reserve Bank of New York's May 2019 *Business Leaders Survey*. The survey's headline business activity index climbed ten points to 20.6, its highest level in several months. The business climate index rose nine points to 10.7, indicating that, on balance, firms regarded the business climate as better than normal. Employment levels increased moderately, and wage increases were less widespread than last month. Both the prices paid and prices received indexes moved higher, pointing to greater price increases than in May. Firms remained optimistic about the six-month outlook.

Business activity in the region's service sector expanded at a solid pace in May. The headline business activity index rose ten points to 20.6, its highest level since September of last year. Thirty-nine percent of respondents reported that conditions improved over the month, and 18 percent said that conditions worsened. The business climate index increased nine points to 10.7, signaling that, on balance, firms viewed the business climate as better than normal." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 5/16/19

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Wage Increases Slow

The employment index climbed seven points to 12.2, indicating that employment levels increased at a solid clip. The wages index fell six points to 37.1, its second consecutive monthly decline, suggesting that wage increases were less widespread than in May. The prices paid index edged up two points to 50.3, indicating that input prices increased at a slightly faster pace than last month. At 28.2, the prices received index was up nine points from May, a sign that selling price increases picked up. The capital spending index rose to 15.5, suggesting that capital spending grew at a respectable clip.

Firms Remain Fairly Optimistic

Indexes assessing the six-month outlook indicated that firms remained fairly optimistic about future conditions. The index for future business activity edged up two points to 33.1, and the index for future business climate increased five points to 9.0. The indexes for future employment and wages both moved higher, and the index for planned capital spending came in at 25.7." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 5/16/19

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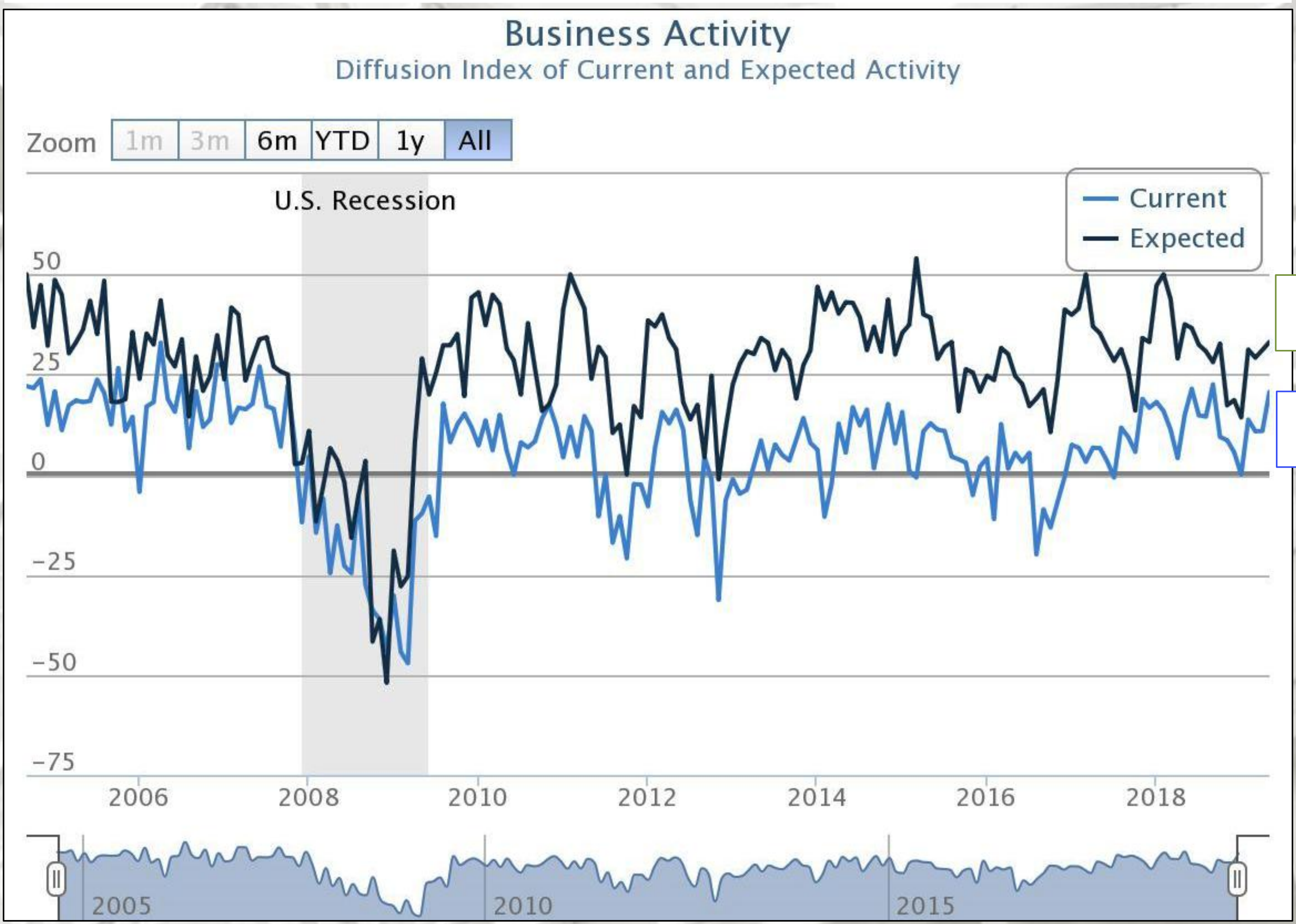
The Federal Reserve Bank of New York



May 2019
33.1

May2019
20.6

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 5/16/19

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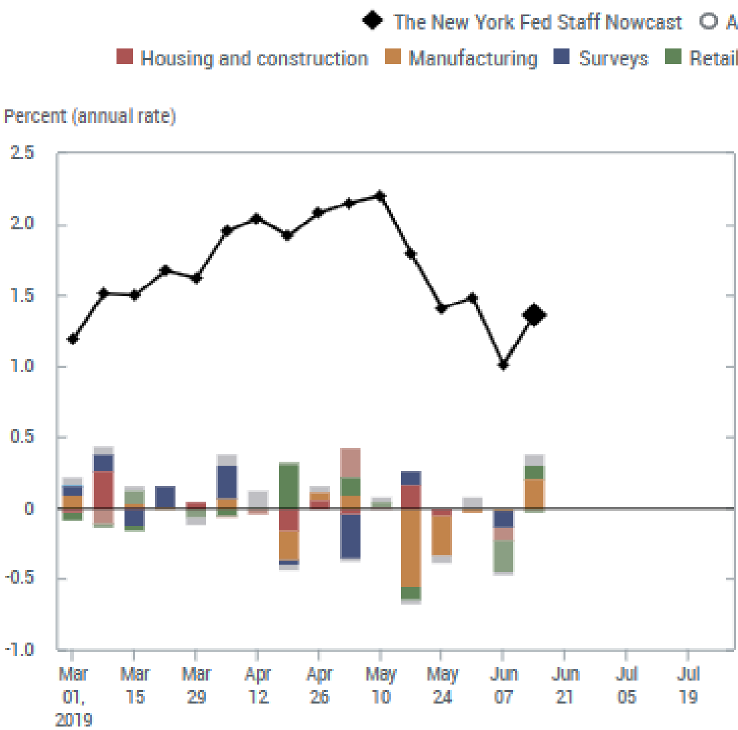
The Federal Reserve Bank of New York Nowcast

2019:Q3 | 2019:Q2 | 2019:Q1 | 2018:Q4

Last Release 11:15am EST Jun 14, 2019



Data Flow (Jun 14, 2019)

Model Update	Release Date	Data Series	Actual	Impact	Nowcast GDP Growth
Jun 14					1.36
	9:10AM Jun 14	Capacity utilization	0.15	0.09	
	9:10AM Jun 14	Industrial production index	0.37	0.12	
	8:30AM Jun 14	Retail sales and food services	0.55	0.10	
	8:30AM Jun 13	Export price index	-0.24	-0.01	
	8:30AM Jun 13	Import price index	-0.32	-0.01	
	8:30AM Jun 12	CPI-U: All items less food and energy	0.11	-0.00	
	8:30AM Jun 12	CPI-U: All items	0.08	-0.01	
	8:30AM Jun 11	PPI: Final demand	0.08	-0.00	
	10:00AM Jun 10	JOLTS: Total job openings	-25.00	0.00	
		Data revisions		0.08	
Jun 07					1.01

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.

June 14, 2019: Highlights

- "The New York Fed Staff Nowcast stands at 1.4% for 2019:Q2 and 1.7% for 2019:Q3." – The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/research/policy/nowcast; 6/14/19

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U.S. Economic Indicators

The New York Fed DSGE Model Forecast—June 2019

"This post presents an update of the economic forecasts generated by the Federal Reserve Bank of New York's dynamic stochastic general equilibrium (DSGE) model. We describe very briefly our forecast and its change since January 2019. As usual, we wish to remind our readers that the DSGE model forecast is not an official New York Fed forecast, but only an input to the Research staff's overall forecasting process.

The June model forecast for 2019-22 is summarized in the table below, alongside the January forecast, and in the following charts. The model uses quarterly macroeconomic data released through the first quarter of 2019, and financial data and staff forecasts available through May 31, 2019.

How do the latest forecasts compare with the January forecasts?

- The current 2019 Q4/Q4 GDP growth forecast is a bit stronger than the one from January (1.8 percent vs. 1.6 percent), as 2019:Q1 real GDP growth was higher than expected. The model attributes the faster growth relative to the January projection to a temporary bout of productivity. The output growth forecast is broadly similar to the January one for the remainder of the forecast horizon.
- Inflation is expected to be about 0.1 percentage point higher than in January through 2021. Still, the modal projection for inflation is below the Federal Open Market Committee's long-run target throughout the forecast horizon. The uncertainty surrounding both the output growth and the inflation projections is sizable.
- The estimates for the real natural rate of interest over the entire forecast horizon are broadly similar to those in January." – Sushant Acharya, Michael Cai, Marco Del Negro, Ethan Matlin, and Reca Sarfati, The Federal Reserve Bank of New York

Source: https://libertystreeteconomics.newyorkfed.org/2019/06/the-new-york-fed-dsge-model-forecastjune-2019.html; 6/21/19

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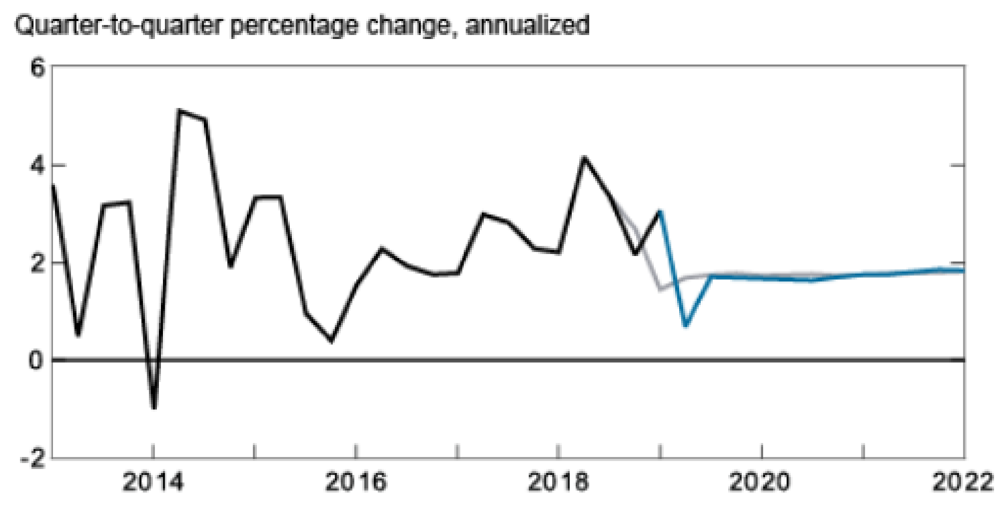
U.S. Economic Indicators

The New York Fed DSGE Model Forecast—June 2019

Forecast Comparison

	2019		2020		2021		2022	
	Jun	Jan	Jun	Jan	Jun	Jan	Jun	Jan
GDP growth (Q4/Q4)	1.8	1.6	1.6	1.7	1.8	1.8	1.8	1.8
Core PCE inflation (Q4/Q4)	1.4	1.3	1.4	1.3	1.5	1.4	1.6	1.6
Real natural rate of interest (Q4)	1.2	1.2	1.3	1.2	1.3	1.2	1.3	1.3



Source: Authors' calculations.

Source: https://libertystreeteconomics.newyorkfed.org/2019/06/the-new-york-fed-dsge-model-forecastjune-2019.html; 6/21/19

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U.S. Economic Indicators

The Federal Reserve Bank of Philadelphia

June 2019 Manufacturing Business Outlook Survey

Current Indicators Suggest Moderating Growth

"Manufacturing conditions in the region weakened this month, according to firms responding to the June *Manufacturing Business Outlook Survey*. The current activity index declined to a reading just above zero this month. The survey's indexes for new orders, shipments, and employment remained positive but also declined from their May readings. Most of the survey's future activity indexes improved but continue to reflect muted optimism for the remainder of the year.

The diffusion index for current general activity decreased from 16.6 in May to 0.3 this month. This is the lowest reading since February, when the index fell below zero for one month (see Chart 1). The indexes for current shipments and new orders also declined this month: The current new orders index decreased 3 points, while the shipments index fell 11 points.

On balance, the firms continued to report increases in employment. Nearly 25 percent of the responding firms reported increases in employment, while 9 percent reported decreases this month. The employment diffusion index, however, decreased 3 points to 15.4. The average workweek index fell 4 points this month, to 7.3." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0619; 6/20/19

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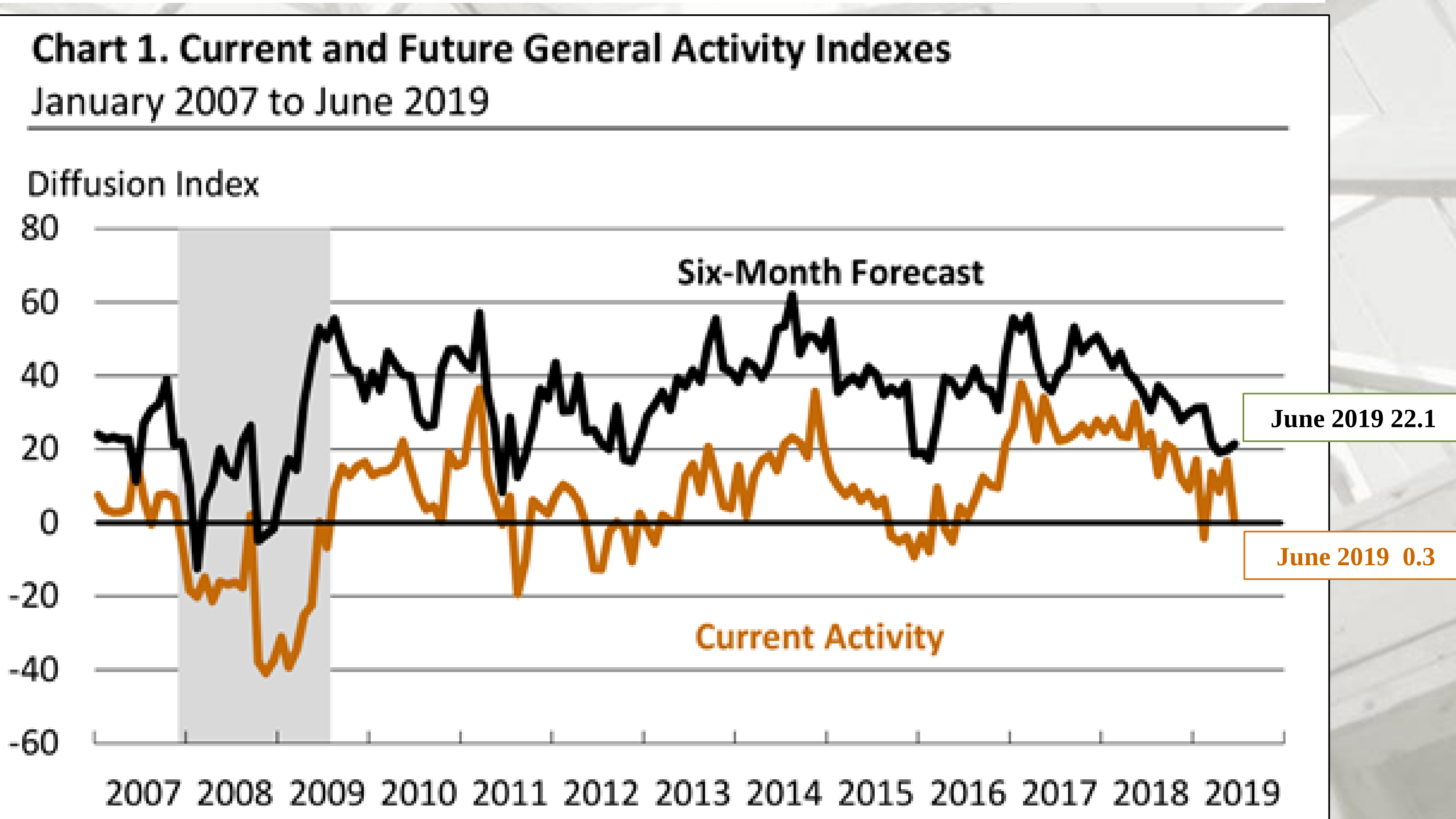
The Federal Reserve Bank of Philadelphia



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

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0619; 6/20/19

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The Federal Reserve Bank of Philadelphia

More Firms Reported Lower Prices

"The current prices received index, reflecting the manufacturers' own prices, declined nearly 17 points to a reading of 0.6, its lowest reading since October 2016. Price increases for manufacturers' own goods were reported by 10 percent of the firms this month, down from 23 percent last month. Price increases for purchased inputs were reported by 28 percent of the manufacturers this month, and the prices paid diffusion index decreased 10 points to 12.9, also its lowest reading since October 2016.

Most Future Indicators Remain at Relatively Low Readings

The diffusion index for future general activity increased 2 points from its May reading but remains well below readings of the last few years (see Chart 1). Nearly 40 percent of the firms expect increases in activity over the next six months, while 19 percent expect declines. The future shipments and new orders indexes also improved: The future shipments index increased 13 points, while the future new orders index increased 10 points. The firms remained optimistic overall about hiring over the next six months: The future employment index was virtually unchanged at 27.0, with over 35 percent of the firms expecting higher employment over the next six months. The future capital spending index improved 5 points to a reading of 28.0, near its average for this year." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0619; 6/20/19

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The Federal Reserve Bank of Philadelphia

Firms Expect Continued Production Expansion Next Quarter

"In this month's special questions (see Special Questions), firms were asked to estimate their total production growth for the second quarter ending this month along with expected growth for the third quarter. The share of firms reporting expected increases in second-quarter production (59 percent) was greater than the share reporting decreases (26 percent). Looking ahead to the third quarter, 49 percent of the firms expect an acceleration in the growth rate of production, while 26 percent of the firms expect a deceleration. For those firms expecting an increase in production, 35 percent expect to hire additional workers. The remaining firms indicated that they would increase the productivity of current workers (30 percent) or increase the work hours of current workers (27 percent) rather than increasing the number of workers.

Summary

Responses to the June *Manufacturing Business Outlook Survey* suggest weaker regional manufacturing conditions compared with last month. The indexes for current activity, new orders, shipments, and employment remained positive but decreased from their May readings. The survey's price indexes suggest a notable moderation in price pressures. The survey's future indexes indicate that respondents continue to expect growth over the remainder of the year." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/2019/bos0619; 6/20/19

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The Federal Reserve Bank of Philadelphia

June 2019 Nonmanufacturing Business Outlook Survey

"Responses to the June *Nonmanufacturing Business Outlook Survey* suggest a moderation of nonmanufacturing activity in the region. The index for general activity at the firm level fell for the second consecutive month and the index for sales/revenues fell for the third consecutive month, while the full-time employment and new orders indexes edged up. The firms continued to report overall increases in the prices of both their own goods and their inputs, but the price indexes moderated. The respondents continued to anticipate growth over the next six months, although the future indicators are at lower levels than in recent months.

Current Indicators Moderate

The diffusion index for current general activity at the firm level fell 16 points to 12.2 in June (see Chart 1). Thirty-one percent of the firms reported increases in activity (down from 43 percent last month), compared with 19 percent that reported decreases. The new orders index rose 4 points to 14.3 after falling 15 points in May. The share of firms reporting increases in new orders (30 percent) was higher than the share reporting decreases (16 percent). The sales/revenues index fell from 26.6 in May to 17.0 in June. Over 37 percent of the responding firms reported increases in sales/revenues, while 20 percent reported decreases. The regional activity index fell 9 points to 8.2.

Full-Time Employment Index Strengthens

The firms continued to report overall increases in full-time and part-time employment. The full-time employment index rose 3 points to 23.8. More than 61 percent of the reporting firms reported steady full-time employment levels, while the share of firms reporting increases (31 percent) was higher than the share reporting decreases (7 percent). The part-time employment index rose 9 points to 20.2, and the wages and benefits indicator rose 5 points to 43.6. The average workweek index fell 6 points to 18.9." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source:https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey; 6/25/19

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The Federal Reserve Bank of Philadelphia

June 2019 Nonmanufacturing Business Outlook Survey

Price Increases Were Less Widespread

"Both price indicators fell from last month's readings but still suggest overall increases in prices for inputs and for the firms' own goods and services. The prices paid index fell 4 points to 22.3. Although the majority of respondents (52 percent) reported stable input prices, 27 percent of the respondents reported increases, while only 4 percent reported decreases. Regarding prices for firms' own goods and services, the prices received index fell 11 points from May to 8.8 in June. While 18 percent of the firms reported increases in prices received, 9 percent reported decreases. Nearly 58 percent of the firms reported no change in their own prices.

Firms' Optimism for Growth Tempers

Both future activity indexes suggest that firms expect growth to continue over the next six months, but the indexes fell sharply to their lowest readings since January. The diffusion index for future activity at the firm level fell from a reading of 56.9 in May to 26.4 this month (see Chart 1). Forty-five percent of the firms expect an increase in activity at their firms over the next six months (down from 65 percent last month), compared with 19 percent that expect decreases (up from 8 percent last month). Nearly 35 percent of the firms expect no change over the next six months. The future regional activity index fell 27 points to 10.9." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source:https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey; 6/25/19

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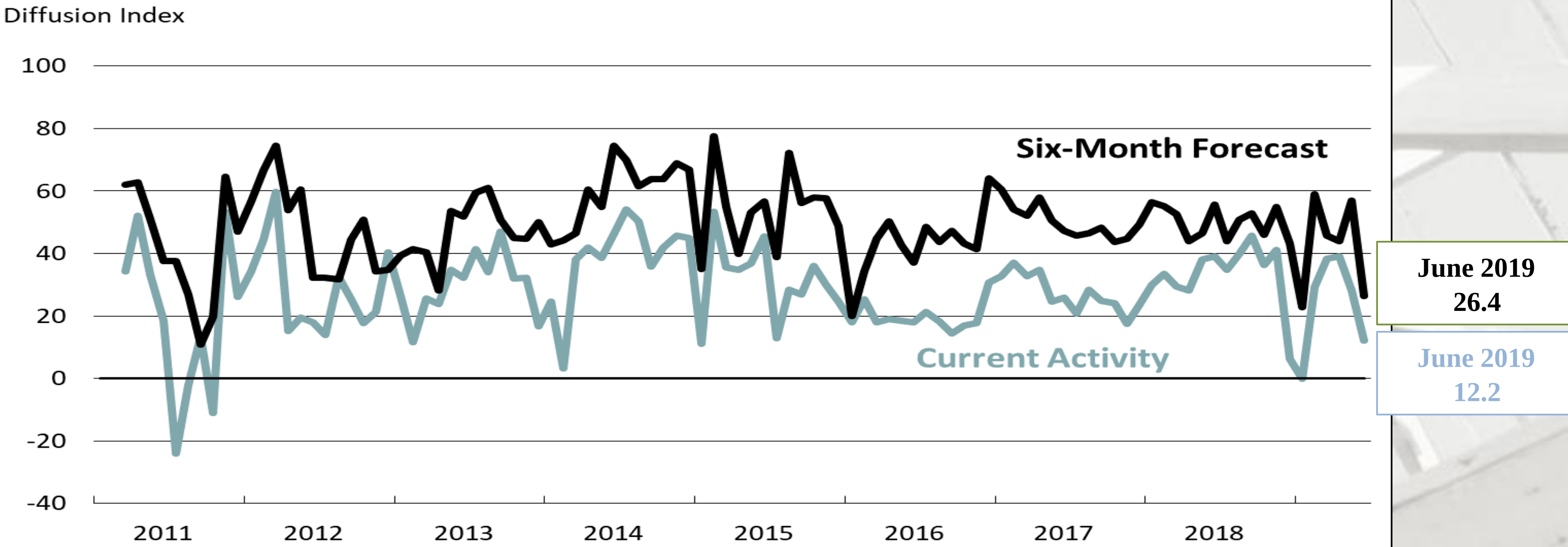
The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes for Firms
March 2011 to June 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.

Summary

"Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest that nonmanufacturing activity moderated in the region. The indicators for firm-level general activity and sales/revenues fell, while the indicators for new orders and full-time employment both rose. Overall, the respondents continue to expect growth over the next six months in their own firms and in the region, although the future indexes declined." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source:https://www.philadelphiafed.org/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey; 6/25/19

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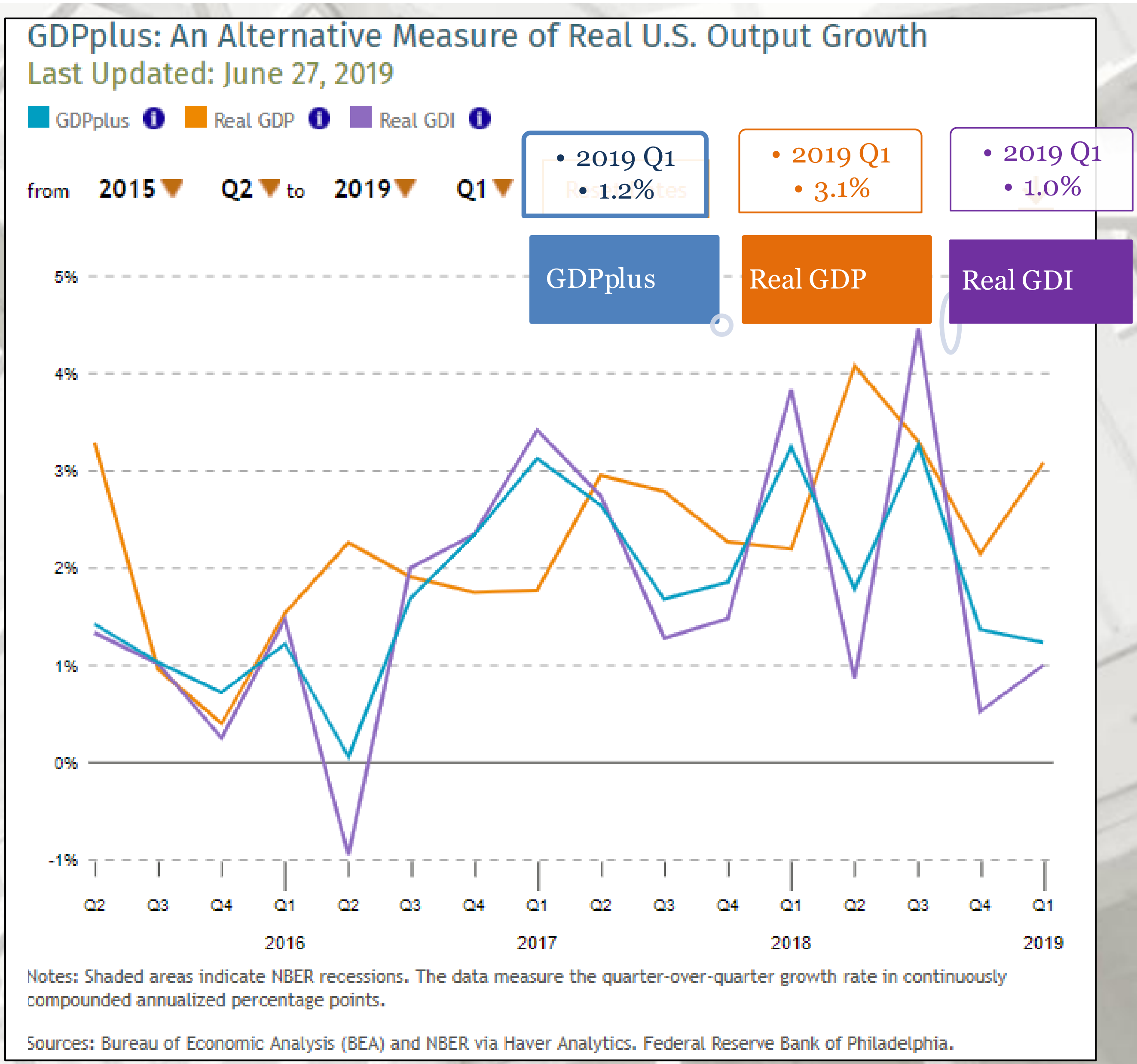
The Federal Reserve Bank of Philadelphia: GDPplus



Source: https://philadelphiafed.org/research-and-data/real-time-center/gdpplus/ 6/27/19

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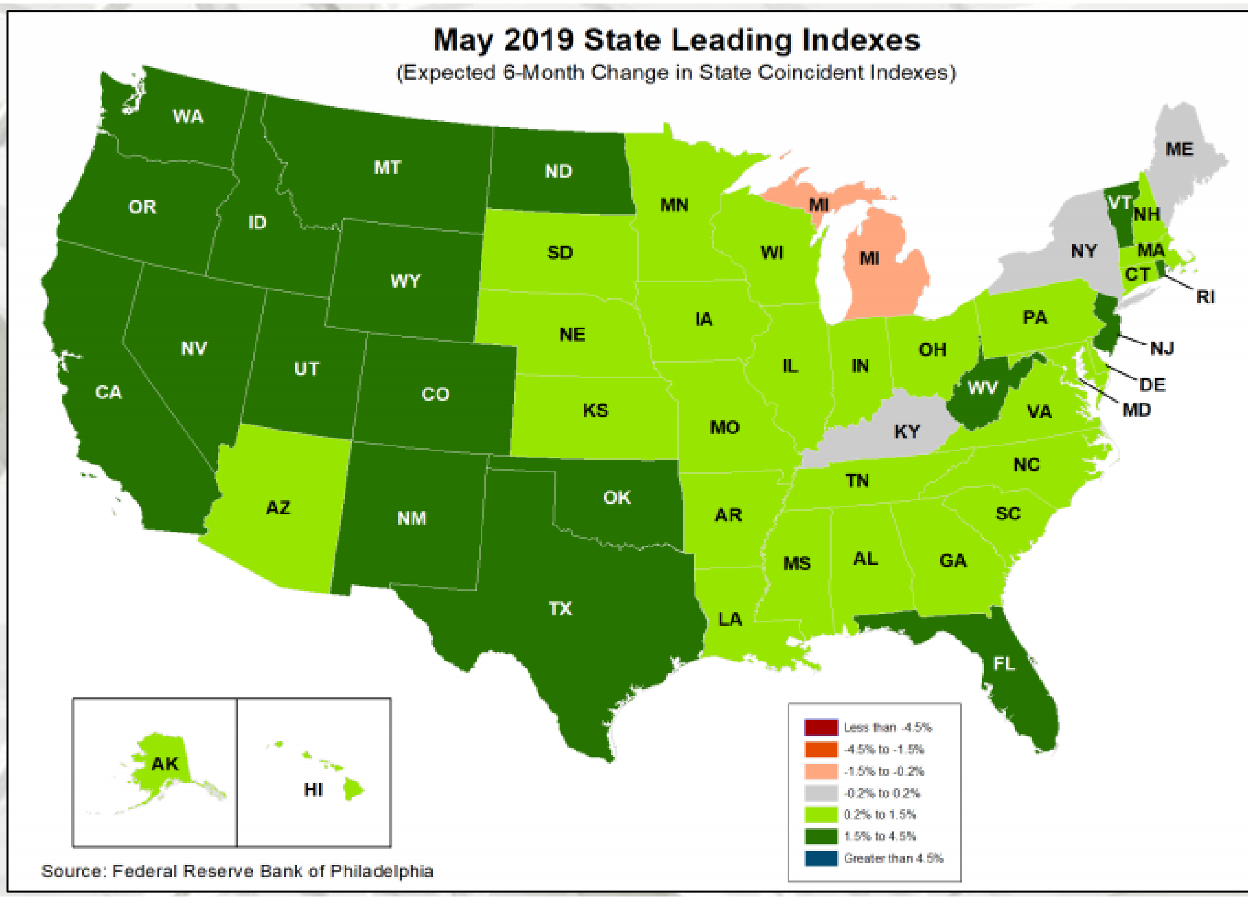
The Federal Reserve Bank of Philadelphia



"The Federal Reserve Bank of Philadelphia has released the leading indexes for the 50 states for May 2019. The indexes are a six-month forecast of the state coincident indexes (also released by the Bank). Forty-nine state coincident indexes are projected to grow over the next six months, and one is 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 1.3 percent over the next six months." – Daniel Mazone, Research Department, The Federal Reserve Bank of Philadelphia

Source:; https://www.philadelphiafed.org/-/media/research-and-data/regional-economy/indexes/leading/2019/LeadingIndexes0519.pdf; 7/2/19

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Fifth District Manufacturing Activity Was Moderate in May

"Fifth District manufacturing activity was moderate in May, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index inched up from 3 in May to 5 in May, as shipments and new orders had fairly flat reading and the third component, employment, remained positive. Firms reported growth in spending and positive overall business conditions and remained optimistic about growth in the coming months.

Survey results indicated that employment and wages grew in May, while the indicator for average workweek recovered from its negative May reading. However, firms continued to struggle to find workers with the necessary skills as this index dropped from −8 in May to −20 in May. Respondents expected this struggle to continue but to see further growth in employment and wages in the next six months.

The growth rates of both prices paid and prices received fell in May, as growth of prices paid continued to outpace growth of prices received. Firms expected a slight increase in both growth rates in the near future." – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_05_29_19; 5/29/19

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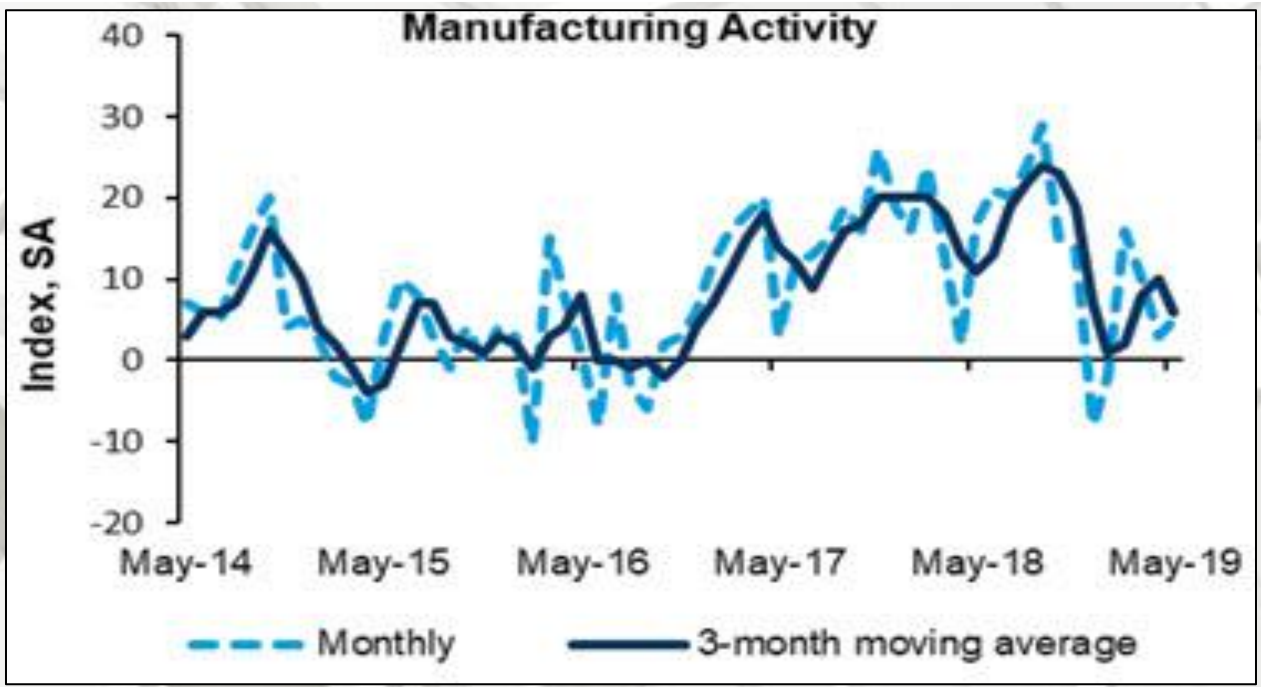
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_05_29_19; 5/29/19

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U.S. Economic Indicators

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_05_29_19; 5/29/19

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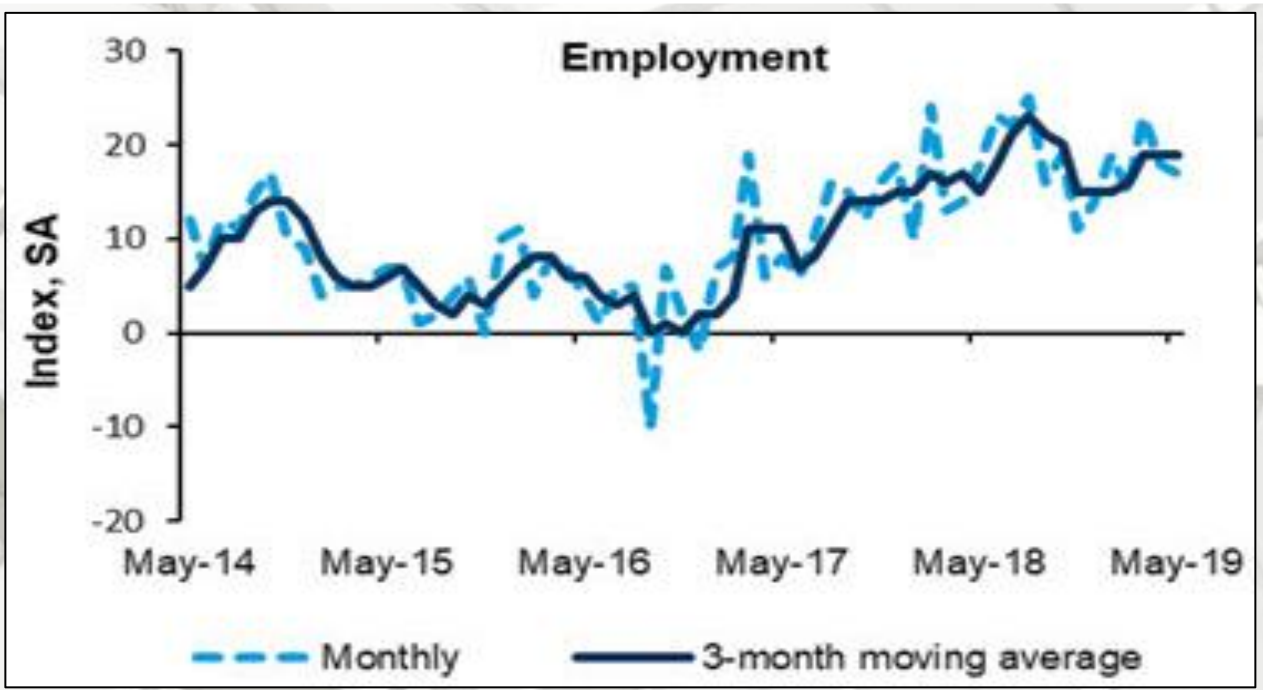
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_05_29_19; 5/29/19

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U.S. Economic Indicators

The Federal Reserve of San Francisco

FedViews

- "Despite some softness in recent employment data, fundamentals for the U.S. economy remain solid. Economic growth is expected to continue at a moderate pace. The labor market is beyond full employment, and inflation has been running below the Federal Reserve's target rate of 2%.
- The rebound from the Great Recession of 2007–2009 will likely become the longest period of continual economic growth recorded in U.S. history. At the end of this month, it will tie the 120-month record set by the 1991–2001 expansion. The first figure shows a bar plot of postwar economic expansions ordered by their duration. The current expansion, highlighted in green, is in second place through May. … .
- This overall positive economic outlook is clouded somewhat by uncertainties and risks. One measure of risk in financial markets, the option-implied volatility index (VIX), ticked up from a level of 12 to about 16 over the previous two months. During the Great Recession, the VIX rose to just above 80; more recently, it peaked at 36 in December of 2018. Despite this recent increase, the current level of the index suggests only moderate concerns by investors. While there are both upside and downside risks to the outlook, I next take a deeper dive into one specific measure of downside risks.… ." – Thomas Mertens, Senior Research Advisor, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/june/june-13-2019/; 6/13/19

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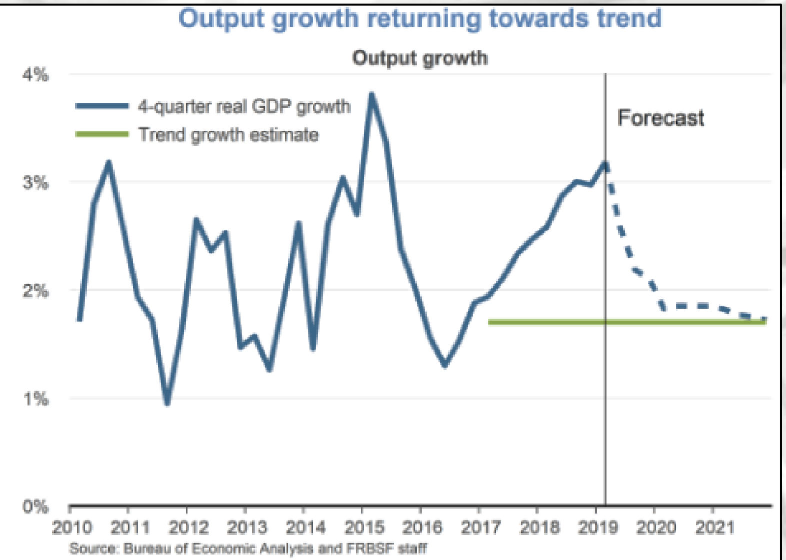
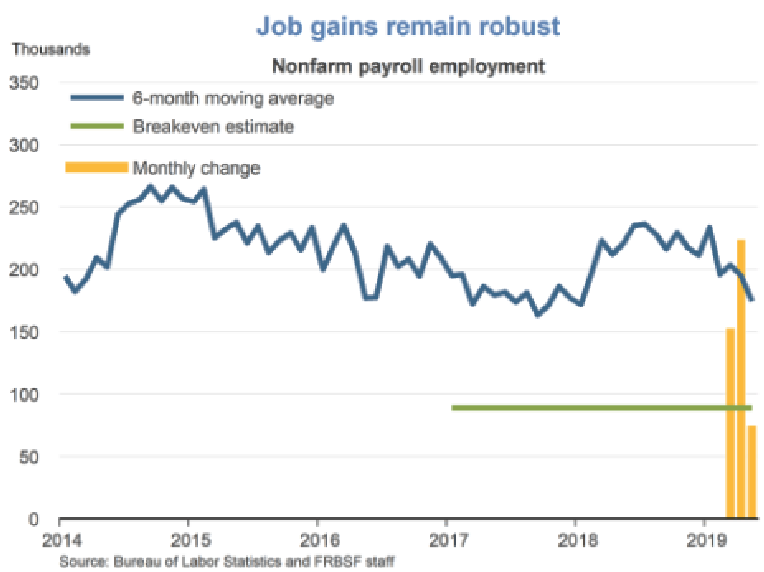
U.S. Economic Indicators





Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/june/june-13-2019/; 6/13/19

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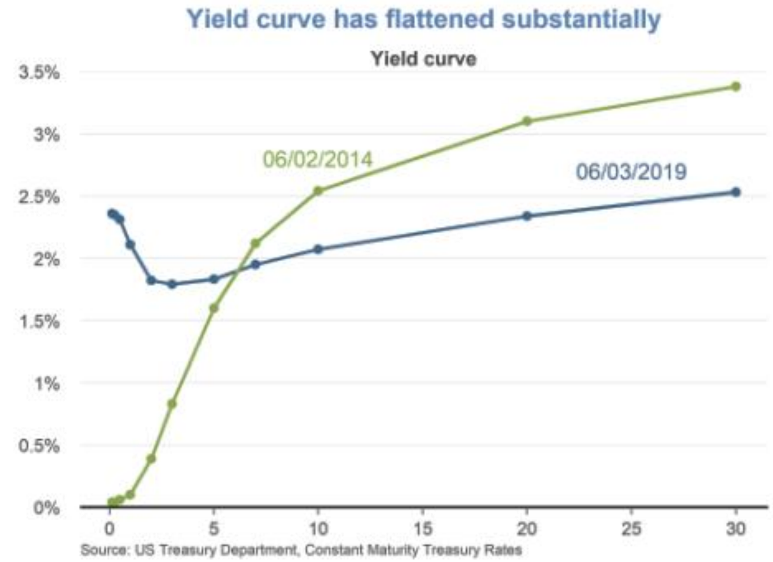

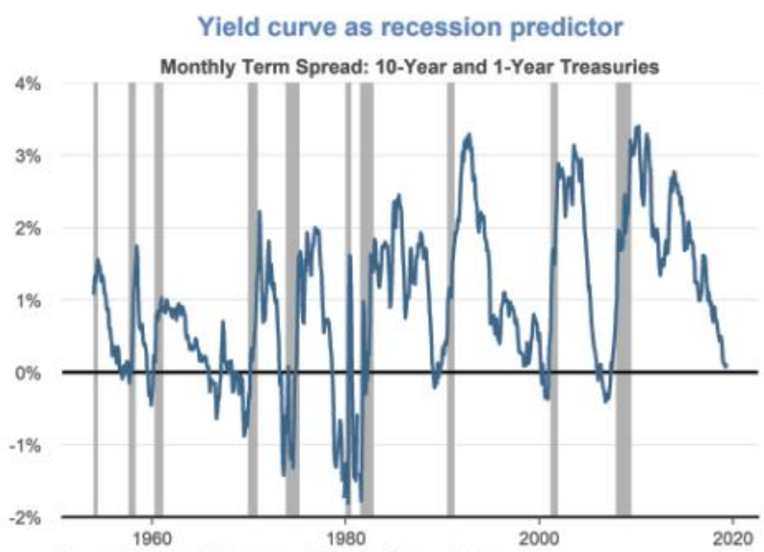

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/june/june-13-2019/; 6/13/19

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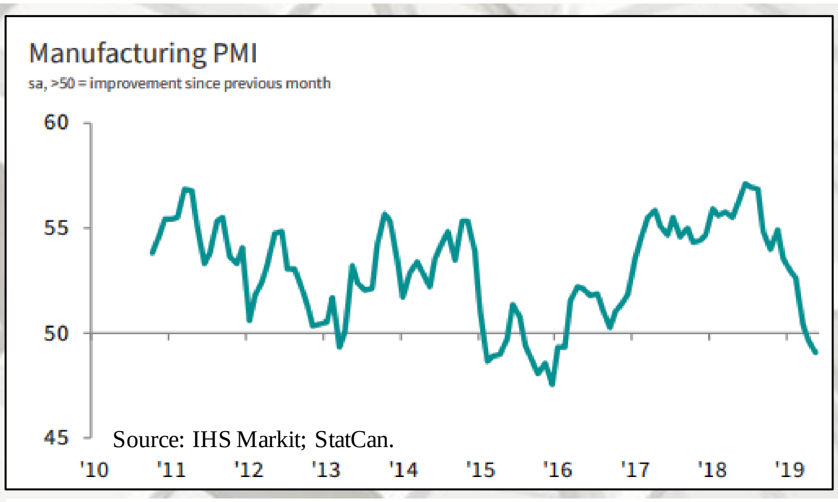
Private Indicators: Global



Markit Canada Manufacturing PMI™

"The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) dropped from 49.7 in May to 49.1 in May, signalling a second successive monthly deterioration in business conditions. The latest PMI reading was the lowest in nearly three-and-a-half years, albeit still indicating only a slight downturn.

Manufacturing downturn sustained in May

Canada's manufacturing sector saw operating conditions worsen again in May. Production continued to contract amid the sharpest drop in new orders since December 2015. More positively, employment saw a fractional increase after a slight dip in May, whilst input price inflation eased to its slowest rate in over four years. All components of the headline index, bar employment, had a downward impact on the figure. Output contracted at the most marked rate since the end of 2015. Panellists linked this to falling new orders and subdued global trade conditions. … .

The latest survey points to the weakest overall manufacturing sector performance since December 2015, mainly driven by sustained declines in both production levels and new order intakes. Manufacturers commented on softer underlying demand from domestic and export clients in May, which was often linked to subdued global trade volumes.

On a more positive note, employment numbers increased slightly during the latest survey period and manufacturers indicated a rebound in their business expectations to a 13-month high. The improvement in manufacturing sector optimism reflected greater optimism in relation to domestic economic conditions, as well as planned business investment in new production capacity and hopes of a recovery in international trade conditions during the year ahead." – Christian Buhagiar, President and CEO, SCMA

Source: https://www.markiteconomics.com/Public/Home/PressRelease/f21c15cb199145d7a48b665468792625; 6/3/19

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Private Indicators: Global

Caixin China General Manufacturing PMI™

"Falling from 50.2 in May to 49.4 in June, 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 – was below the critical 50.0 threshold for the first time in four months. The latest figure was, however, indicative of only a marginal deterioration in operating conditions.

Modest fall in new work drags production into contraction in June

June data highlighted a challenging month for Chinese manufacturers, with trade tensions reportedly causing renewed declines in total sales, export orders and production. Companies responded by reducing headcounts further and making fewer purchases of raw materials and semi-finished items. At the same time, selling prices were raised following another increase in input costs, though rates of inflation were negligible. Business sentiment was broadly neutral at the end of the second quarter, with firms mainly concerned about the US-China trade dispute.

Amid reports of trade tensions, total new business and international sales declined at the end of the second quarter. The former contracted for the second time in 2019 so far, albeit moderately. Concurrently, the fall in exports followed from a renewed increase in May. Goods producers lowered output in June, thereby ending a four-month sequence of expansion. That said, the pace of contraction was only slight. Sub-sector data indicated that consumer goods bucked the trend and was the only category to record production growth in June.

As has been the case since April, Chinese manufacturers shed jobs during June. The pace of contraction was broadly similar to those seen in the remainder of the second quarter. Anecdotal evidence suggested that voluntary leavers had not been replaced. Ongoing job shedding added pressure on the capacity of manufacturers' operations, with outstanding business up again in June. The rate of backlog accumulation was slight, however, and broadly similar to those seen earlier in the second quarter.

Overall sentiment towards the 12-month outlook for production among Chinese manufacturers was broadly neutral in June. Some companies expected the launch of new products and expansion plans to boost output in the year ahead, while others were concerned about the US-China trade tensions." – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/7081cdf2121749cb9b12e78b9c28edf1; 7/1/19

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Private Indicators: Global

Caixin China General Manufacturing PMI™

"The Caixin China General Manufacturing Purchasing Managers' Index was 49.4 in June, the second lowest since June 2016, indicating a clear contraction in the manufacturing sector.

1) The subindex for new orders slid into contractionary territory, pointing to notably shrinking domestic demand. The gauge for new export orders returned to contractionary territory, but was better than the levels seen from last April to last December. Front-loading by exporters was likely to support this gauge as the China-U.S. trade relationship was under great uncertainty.

2) The output subindex fell into contractionary territory. The employment subindex remained relatively stable in negative territory, likely due to government policies to stabilize the job market. The State Council set up a leading group on employment in late May.

3) While the subindex for stocks of purchased items remained slightly higher than the 50 mark that divides expansion from contraction, the measure for stocks of finished goods stayed in contractionary territory, indicating that manufacturers were reluctant to replenish them. The subindex of suppliers' delivery times stayed in contractionary territory, pointing to delayed delivery and also suggesting relatively low inventory levels and willingness to restock.

4) The gauges for input costs and output prices both edged up into expansionary territory. Due to supply-side structural reform, prices of industrial products remained stable.

5) The subindex measuring sentiment toward future output plunged further, albeit staying in expansionary territory, a reflection of continuously weakening business confidence amid the Sino-U.S. trade conflict. Overall, China's economy came under further pressure in June. Domestic demand shrank notably, foreign demand was still underpinned by front-loading exports, and business confidence fell sharply. It's crucial for policymakers to step up countercyclical policies. New types of infrastructure, high-tech manufacturing and consumption are likely to be the main policy focuses." – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/7081cdf2121749cb9b12e78b9c28edf1; 7/1/19

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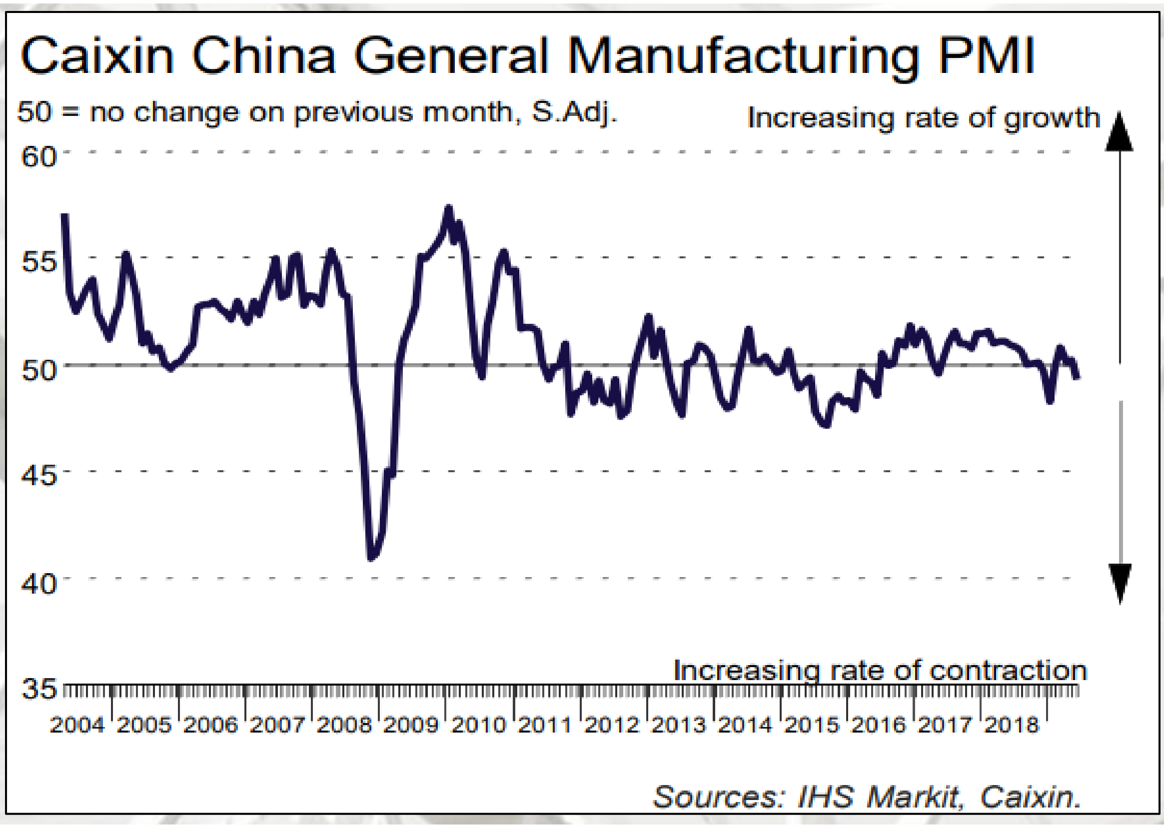
Private Indicators: Global



Caixin China General Manufacturing PMI™

"Amid reports of a lack of new work and lower production needs, quantities of purchases decreased in June. The fall reversed the upturn noted in the prior survey period, but was only slight. Despite reaching a seven-month high in June, the rate of input cost inflation remained mild in the context of historical survey data. Similarly, there was a slight rise in factory gate charges, following no change in May. Inventory trends diverged in June, with holdings of inputs rising and that of finished goods decreasing. The fall in the latter was associated with lower production and the delivery of products to clients." – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/7081cdf2121749cb9b12e78b9c28edf1; 7/1/19

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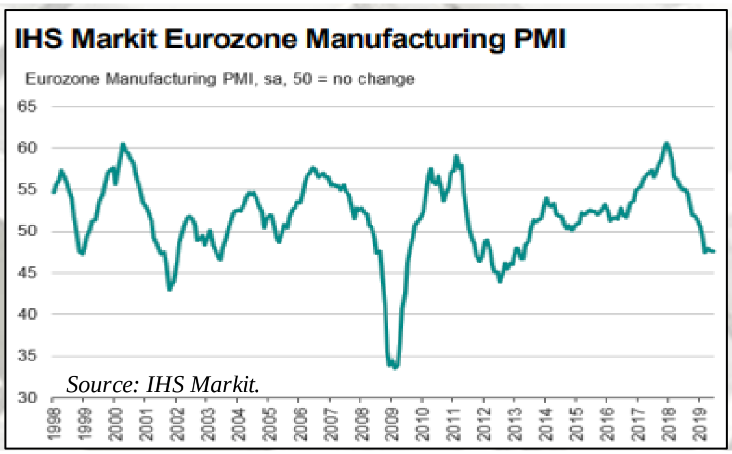
Private Indicators: Global



Markit Eurozone Manufacturing PMI®

"Manufacturing operating conditions in the euro area deteriorated for a fifth successive month during June. After accounting for seasonal factors, the IHS Markit Eurozone Manufacturing PMI® remained below the crucial 50.0 no-change mark, falling to a three-month low of 47.6, from 47.7 in May. Moreover, the PMI was slightly weaker than the earlier flash reading of 47.8.

Eurozone manufacturing sector remains in contraction during June

There remained notable performance divergences by market group during June. Operating conditions for consumer goods companies improved to the greatest degree since January. In contrast, intermediate and investment goods producers recorded marked contractions. For intermediate goods, the deterioration was the sharpest recorded since April 2013. Operating conditions were generally weak across the single currency area, according to the latest country data. …

Eurozone manufacturing remained stuck firmly in a steep downturn in June, continuing to contract at one of the steepest rates seen for over six years. The disappointing survey rounds off a second quarter in which the average PMI reading was the lowest since the opening months of 2013, consistent with the official measure of output falling at a quarterly rate of approximately 0.7% and acting as a major drag on GDP. Deteriorating inflows of new work meanwhile meant manufacturers increasingly focused on keeping costs down, notably by cutting staff numbers and warehouse stocks. The downturn is also increasingly feeding through to lower inflationary pressures, as producers and their suppliers compete on price to retain customers and generate sales.

In stark contrast to the steep rise in producers' costs and charges seen at the start of the year, raw material prices are now falling for the first time in three years and selling prices are barely rising. The downturn is also showing no signs of any imminent end. The survey's forward-looking indicators remained worryingly subdued in June, adding to concerns about the economy in the second half of the year." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/52c623205f25490ab65c895834f78408; 7/1/19

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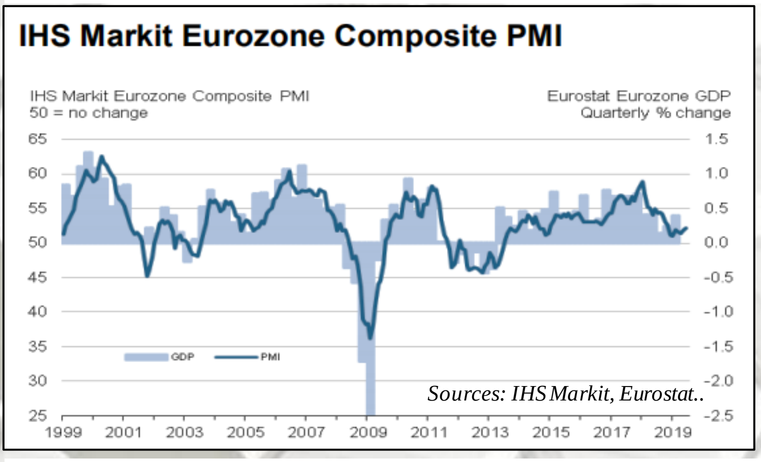
Private Indicators: Global



Sources: IHS Markit, Eurostat..

Markit Eurozone Composite PMI®

"After accounting for seasonal factors, the **HIS Markit Eurozone PMI® Composite Output Index** strengthened to 52.2, up from 51.8 in May (and slightly better than the earlier flash reading of 52.1). June's PMI reading was also the highest recorded since November 2018, signalling a pick-up in economic growth of the single currency area.

Solid growth of euro area signalled in June

However, the headline index masked notable divergences in sector performance during June. Whereas the services economy enjoyed a solid rise in activity that was the best in eight months, the recent downturn in manufacturing continued. Production amongst goods producers was reported to have fallen for a fifth successive month, and at a rate that was amongst the sharpest seen in the past six years. …

Solid growth of the eurozone economy was underpinned by a further rise in volumes of new work, the fourth in as many months. Despite being the best recorded since last November, growth in new work was modest overall. As with activity, overall gains in new work were Restricted by another month of deteriorating manufacturing order books. …

The June PMI surveys indicate that the pace of eurozone economic growth picked up at the end of the second quarter, though it would be wrong to get overly excited by the upturn. The survey is indicative of GDP merely rising by just over 0.2% in the second quarter, and a deterioration of business expectations for the year ahead to one of the lowest seen for over four years suggests the business mood remains sombre. Downside risks to the outlook prevail amid trade war worries, rising geopolitical uncertainty and slowing global economic growth. … Growth is being fuelled by the service sector which is helping offset the deep manufacturing downturn. However, a major concern is that, the longer the manufacturing slump persists, the greater the likelihood of the weakness spilling over to services, where the resilience in the face of the factory sector's downturn so far this year is looking increasingly unusual. …" – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/006e6688b50348e88796968e77580bf5; 7/3/19

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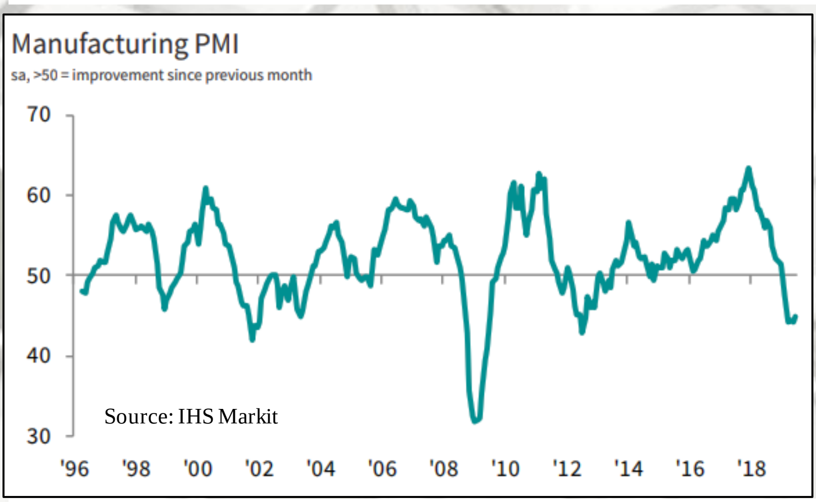
Private Indicators: Global



IHS Markit/BME Germany Manufacturing PMI®

"The headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy – showed a deterioration in overall business conditions for the sixth month in a row in June. At 45.0, up from 44.3 in May, the index was at a four-month high, but still well below the neutral 50.0 mark and close to its lowest since 2012.

German manufacturing sector remains in contraction in June

Germany's manufacturing sector contracted further in June, according to the latest PMI® data from IHS Markit and BME. Weaker external demand and a slowdown in the auto industry continued to weigh on order books, which in turn led to declines in both output and employment. Sub-sector performances continued to vary, however, with growth in consumer goods contrasting with downturns in the intermediate and investment goods categories. …

Although inching up in June, Germany's manufacturing PMI remains well inside contraction territory as the sector continues to suffer in the face of global trade tensions, an autos slowdown and lingering uncertainty. That said, some encouragement can be taken from the fact that the rate of decline in new orders eased for a third month running and future expectations returned – albeit only just – to positive territory. Intermediate goods manufacturers have replaced makers of capital goods as the worst performers. This partly reflects the current destocking trend, where firms are keeping fewer parts and components due to not only lower output requirements, but also improving input lead times and availability. The more domestically orientated consumer goods sector remains the only bright spot, seeing stronger growth in both output and new orders in June. Prices for these goods continue to rise, but elsewhere we're seeing more discounting. The survey's overall price gauges are now at their lowest for around three years." – Phil Smith, Principal Economist, IHS Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/e5f91c7b711840b0970ae2208909066c; 7/3/19

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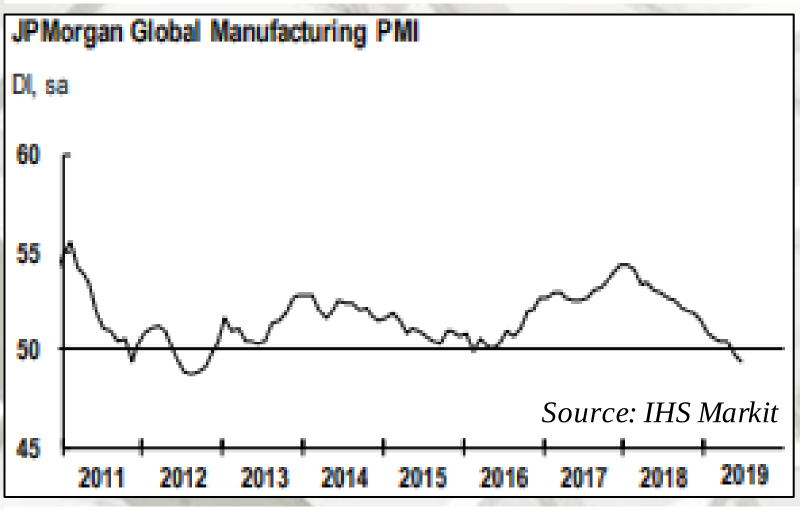
Private Indicators: Global



J.P. Morgan Global Manufacturing PMI™

"At 49.4 in June, the J.P. Morgan Global Manufacturing PMI™ – a composite index1 produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – fell to its lowest level for over six-and-a-half years and posted back-to-back sub-50.0 readings for the first time since the second half of 2012.

Global Manufacturing PMI at lowest level since October 2012

The performance of the global manufacturing sector continued to weaken at the end of the second quarter. Production fell for the first time since October 2012, as new order contracted at the fastest pace for almost seven years. Business optimism slumped to a series-record low. Sub-sector data indicated that operating conditions deteriorated again in the intermediate and investment goods industries. The consumer goods category fared better in comparison, despite seeing growth ease to a three-year low.

The trend in international trade flows continued to weaken at the end of the second quarter. June saw new export business decline for the tenth straight month and at the joint-fastest pace for six years. Among the largest industrial economies covered, declines were registered in the euro area, China and Japan. Increases were seen in the US and India. …

The global manufacturing sector downshifted again at the end of the second quarter. The PMI surveys signalled that output stopped growing, as inflows of new business shrank at the fastest pace since September 2012. This impacted hiring and business optimism, with the latter at a series-record low. Conditions will need to stage a marked recovery if manufacturing is to revive later in the year." – Olya Borichevska, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/f83452ee0ff14466acab4184f5c3b705; 7/1/19

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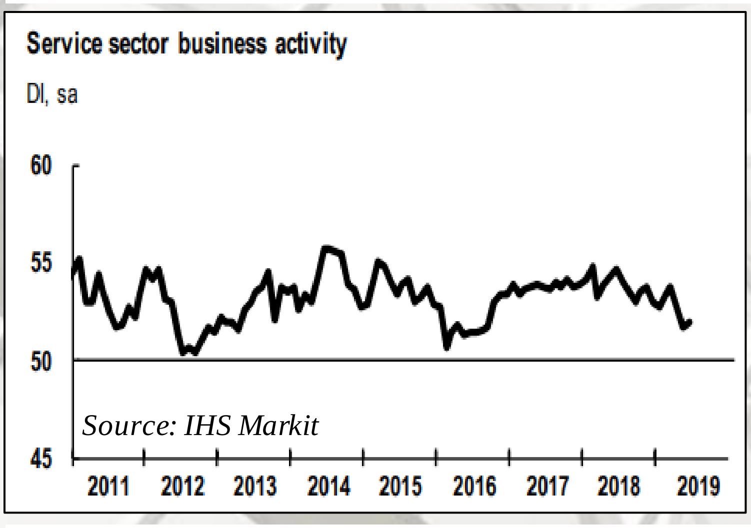

J.P. Morgan Global Services PMI™

"The J.P. Morgan Global Services Business Activity Index – a composite index produced by J.P. Morgan and HIS Markit in association with ISM and IFPSM – was at 51.9 in June, up slightly from May's 33-month low of 51.6. Ten of the 13 nations for which June services PMI data were available recorded an increase in output. The exceptions were Brazil, India and Russia. Brazil saw its rate of decline ease, whereas India and Russia both fell into contraction following periods of growth.

Global service sector remains lacklustre in June

The performance of the global service sector remained sluggish in June. Despite uplifts in the rates of expansion of business activity and new orders, growth of both was among the weakest since late-2016. Business optimism was also relatively downbeat, falling to a three-year low and its second-lowest level in the series history. The strongest rate of output expansion was registered in the financial services sector, followed closely by consumer services, with both seeing mild growth accelerations. The increase in activity at business service providers was comparatively subdued, matching May's 32-month low growth rate. …

June saw a further increase in global service sector employment. However, the rate of job growth eased to a five-month low and remained below its long-run survey average. Staffing levels rose in almost all of the nations covered by the survey. The only exceptions were further job cuts in Brazil and Russia. Capacity remained an issue in several nations, as indicated by another increase in backlogs of work. …

The June report came in soft with limited signal of renewed sharp weakness taking hold at midyear. Any sustained revival needs business confidence to improve solidly during the coming months. On this front, the drop in optimism to a near record low in June is a poor first step." – David Hensley, Global Economist, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/02a2a3b4b3ce480c9f0cd51894b374cd; 7/3/19

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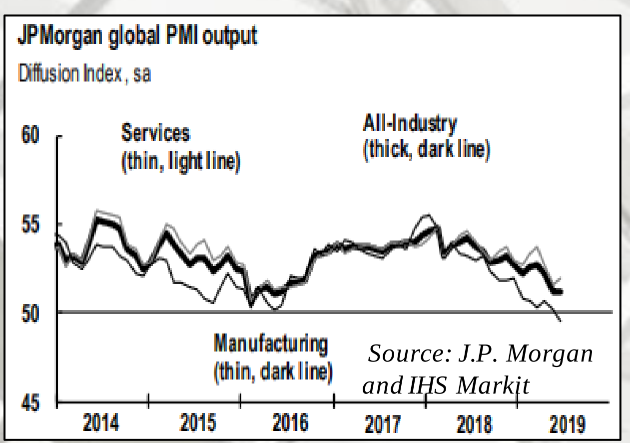

J.P. Morgan Global Composite PMI™

"The pace of global economic expansion stayed lacklustre in June, as growth steadied at May's three-year low. A slight uplift in the pace of increase in service sector activity was offset by the first contraction in manufacturing output since October 2012. Business optimism suffered as a result, sinking to a fresh series-record low. The J.P. Morgan Global Composite Output Index – which is produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – posted 51.2 in June, unchanged from May and above the neutral mark of 50.0 for the eighty-first consecutive month.

Global economic growth steadies as downturn in manufacturing offsets service sector expansion

The service sector saw widespread output growth during June, with the business, consumer and financial services categories all registering expansions. The performances of the manufacturing sub-sectors were more mixed in comparison. Intermediate and investment goods output decreased, while consumer goods production rose at the slowest pace in over three years. The contrast in the performances of the manufacturing and service sectors was further emphasised by the national PMI data. The headline Manufacturing PMI signalled contraction in 18 out of 30 countries, whereas the Services Business Activity Index highlighted downturns in only three of the nations covered (13). …

The US, the euro area and Australia all saw above global average increases in all-industry output, whereas growth was below this benchmark in China, Japan and India. The UK, Brazil and Russia all saw contractions. The rate of increase in global all-industry new orders also remained lacklustre in June. The ongoing downturn in international trade flows continued to weigh on the trend for total new business, with new export orders for goods and services declining for the seventh straight month. …

The rate of global economic expansion steadied at a low and below-trend pace at the end of the second quarter. Although service sector growth remains subdued overall, it is manufacturing that is showing the greater degree of weakness. Market conditions and international trade flows will need to stage a revival if the current lacklustre picture is to brighten up in the second half of the year." – David Hensley, Global Economist, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/427980377b69465db0736cace59ef969; 7/3/19

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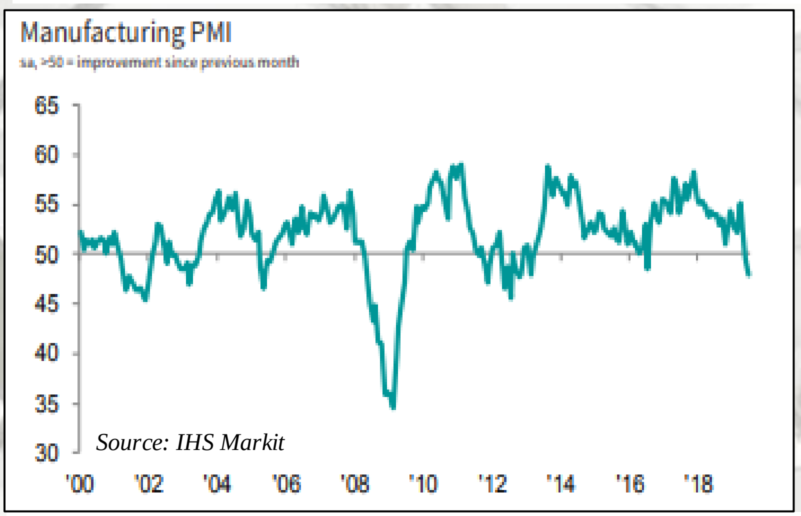

IHS Markit / CIPS UK Manufacturing PMI®

"At 48.0 in June, down from 49.4 in May, the headline seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) fell for the third consecutive month to its lowest level since February 2013. The PMI has posted below the no-change mark for two months in a row, the first back-to-back declines since early-2013.

Manufacturing downturn deepens as UK PMI falls to lowest level since February 2013

The UK manufacturing sector continued to feel the reverberations of the unwinding of earlier pre-Brexit stockpiling activity during June. The already high stock levels at both manufacturers and their clients led to a scaling back of output and new order intakes, with demand from both domestic and export markets weakening. Manufacturing production contracted at the fastest pace since October 2012. Output was lowered in response to reduced intakes of new business, which fell to the greatest extent for almost seven years. There were reports that high stock levels, ongoing Brexit uncertainty, the economic slowdown and rising competition all contributed to the decreases in new orders and production.

The downturn in UK manufacturing deepened during June, as the impact of firms unwinding stockpiles built before the original Brexit date continued to reverberate through the sector and exacerbate weak demand. This led to solid decreases in both production and new orders, which sank the headline PMI to its lowest in almost six-and-a-half years. … There will need to be a substantial improvement in economic conditions at home and overseas, alongside reductions in both Brexit and domestic political uncertainties, if manufacturing is to see a sustained revival in the coming quarters." – Rob Dobson, Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/afba065ed17f42b7abab1dfabf37c33b; 7/1/19

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Surges in March

Associated Builders and Contractors reports that its monthly Construction Backlog Indicator expanded to 9.5 months in March 2019, up 0.7 months or 8.8% since February 2019 when CBI stood at 8.8 months.

"The U.S. economy has been humming and construction backlog is correspondingly elevated. While there was a period of weakness in backlog in January, those dynamics, which may very well be seasonal, are no longer affecting the market. The U.S. economy's strong first quarter appears to have greenlighted more construction projects, translating into ongoing and meaningful increases in construction backlog.

As a forward-looking indicator of economic activity, CBI stands in stark contrast to a number of other indicators. Many business surveys suggest eroding confidence across the United States, even before the trade dispute between China and the United States heated up in recent weeks. But nonresidential contractors have demonstrated little — if any — loss in confidence, with ABC's February Construction Confidence Indicator remaining robust. The most glaring exception is industrial contracting, for which CBI declined sharply in March."
– Anirban Basu, Chief Economist, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/16312/abc-s-construction-backlog-indicator-surges-in-march; 5/21/19

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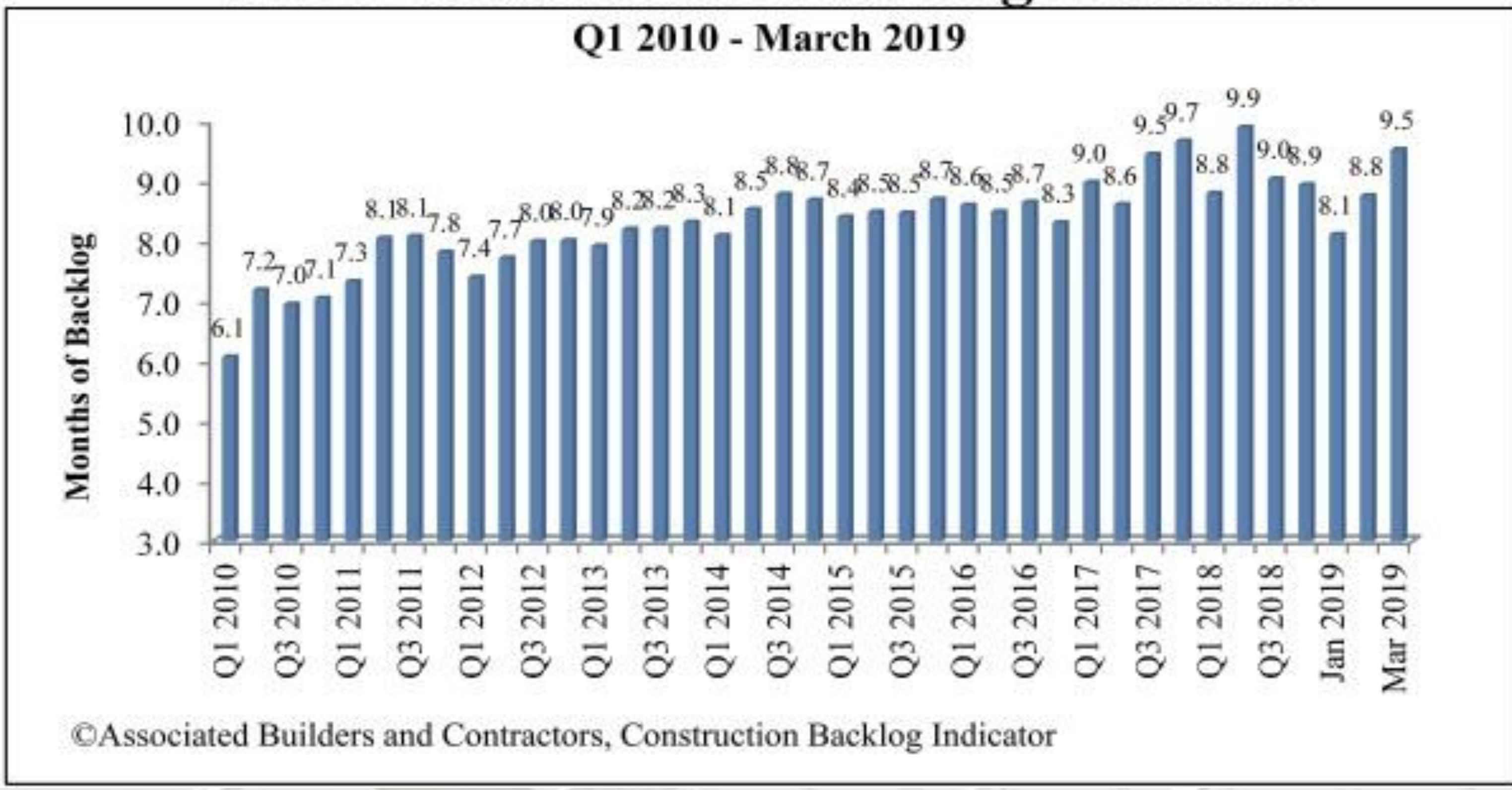
ABC Construction Backlog Indicator



ABC's Construction Backlog Indicator Surges in March

"The general optimism of nonresidential construction firms may have something to do with the timing of construction cycles. Nonresidential construction spending activity lags the overall performance of the U.S. economy by 12-18 months. Accordingly, the typical nonresidential contractor has little reason for concern until 2020. Other businesses, including retailers, are more likely to be immediately impacted by macroeconomic performance.

In any case, nonresidential construction backlog has seldom been higher in the history of the series. The implication is that those looking for employment in construction, especially in the skilled trades, will continue to find considerable demand for their services." – Anirban Basu, Chief Economist, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/16312/abc-s-construction-backlog-indicator-surges-in-march; 5/21/19

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index May 2019

Billings growth remains modest at architecture firms

Additions and remodels to existing buildings account for nearly half of firm billings.

“Although the Architecture Billings Index (ABI) score for May remained above the 50-point threshold indicative of expanding billings, the score of 50.2 for the month means that billings at architecture firms were essentially flat. In fact, for the last four consecutive months, firm billings have either decreased or been flat, the longest period of that level of sustained softness since 2012. In addition, while both inquiries into new projects and the value of new design contracts remained positive, they both softened in May as well, another sign that there the amount of pending work in the pipeline at firms may be starting to shrink.” – Katharine Keane, Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6166095-abi-may-2019-billings-growth-remains-modes; 6/21/19

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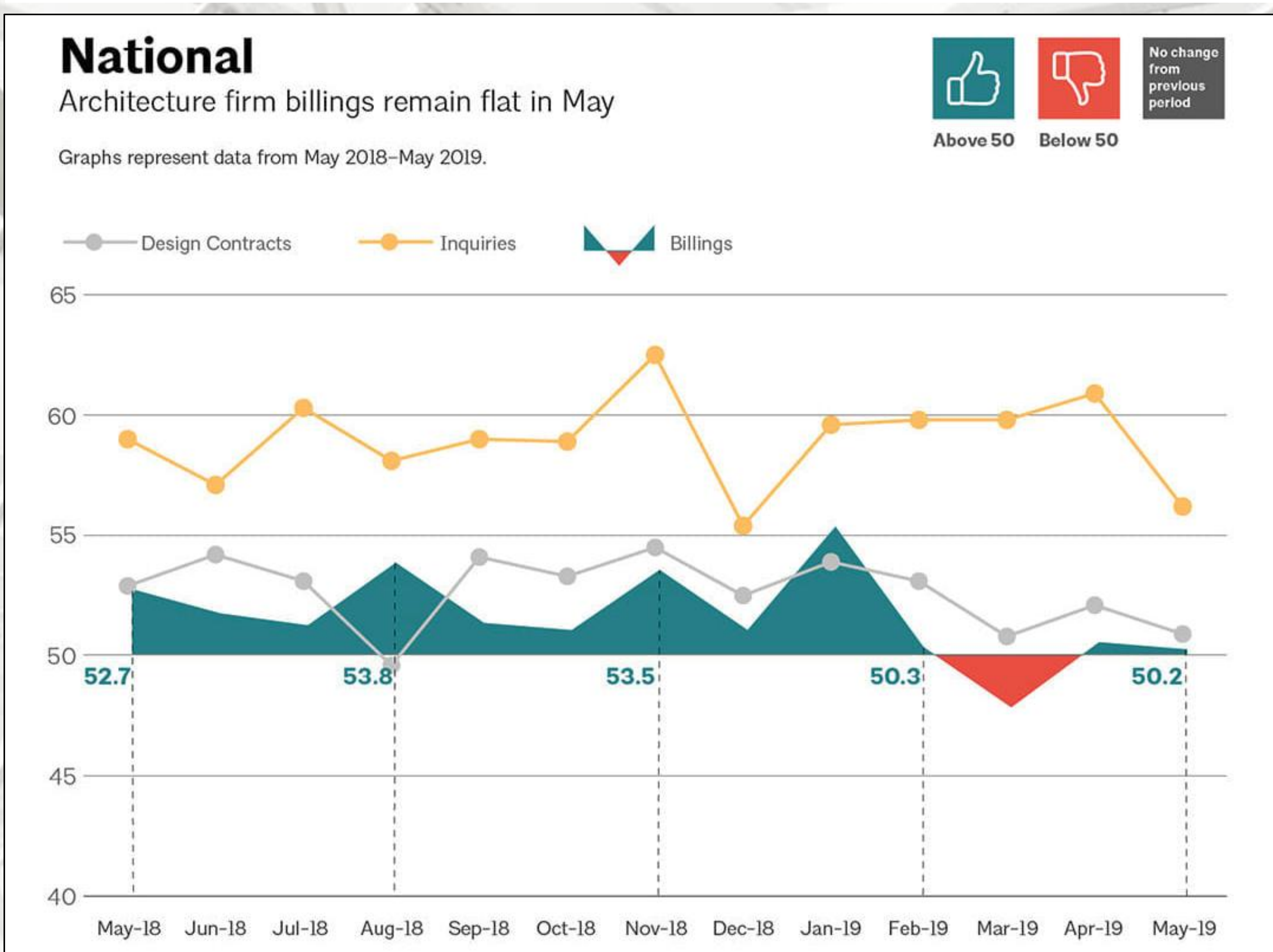
Private Indicators
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6166095-abi-may-2019-billings-growth-remains-modes; 6/21/19

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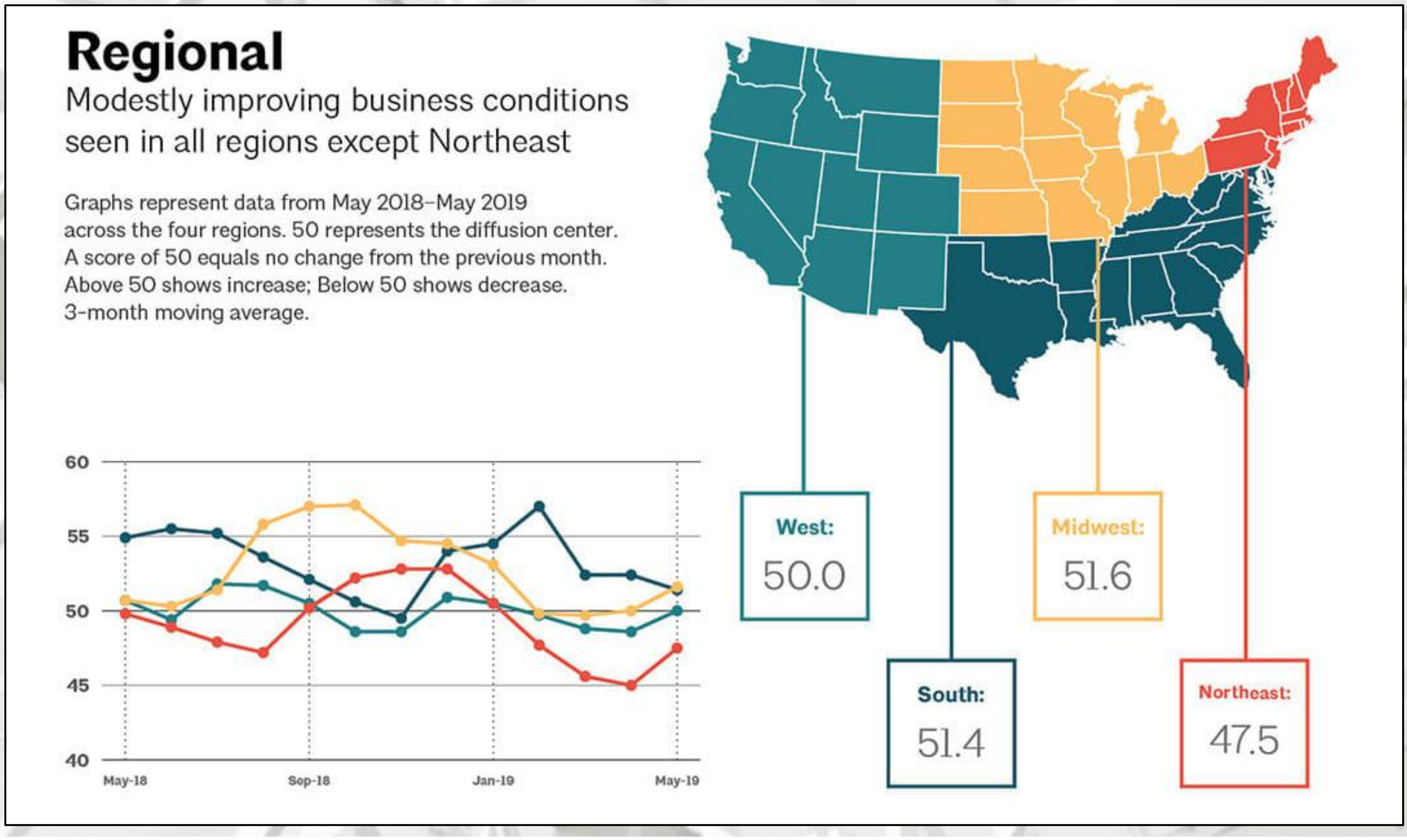
Private Indicators: AIA



Region

“Regionally, conditions improved modestly in May, with firms located in the Midwest and South reporting billings growth, and firms located in the West reporting that conditions were flat. On the other hand, billings declined for the fourth consecutive month at firms located in the Northeast.” – Katharine Keane, Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6166095-abi-may-2019-billings-growth-remains-modes; 6/21/19

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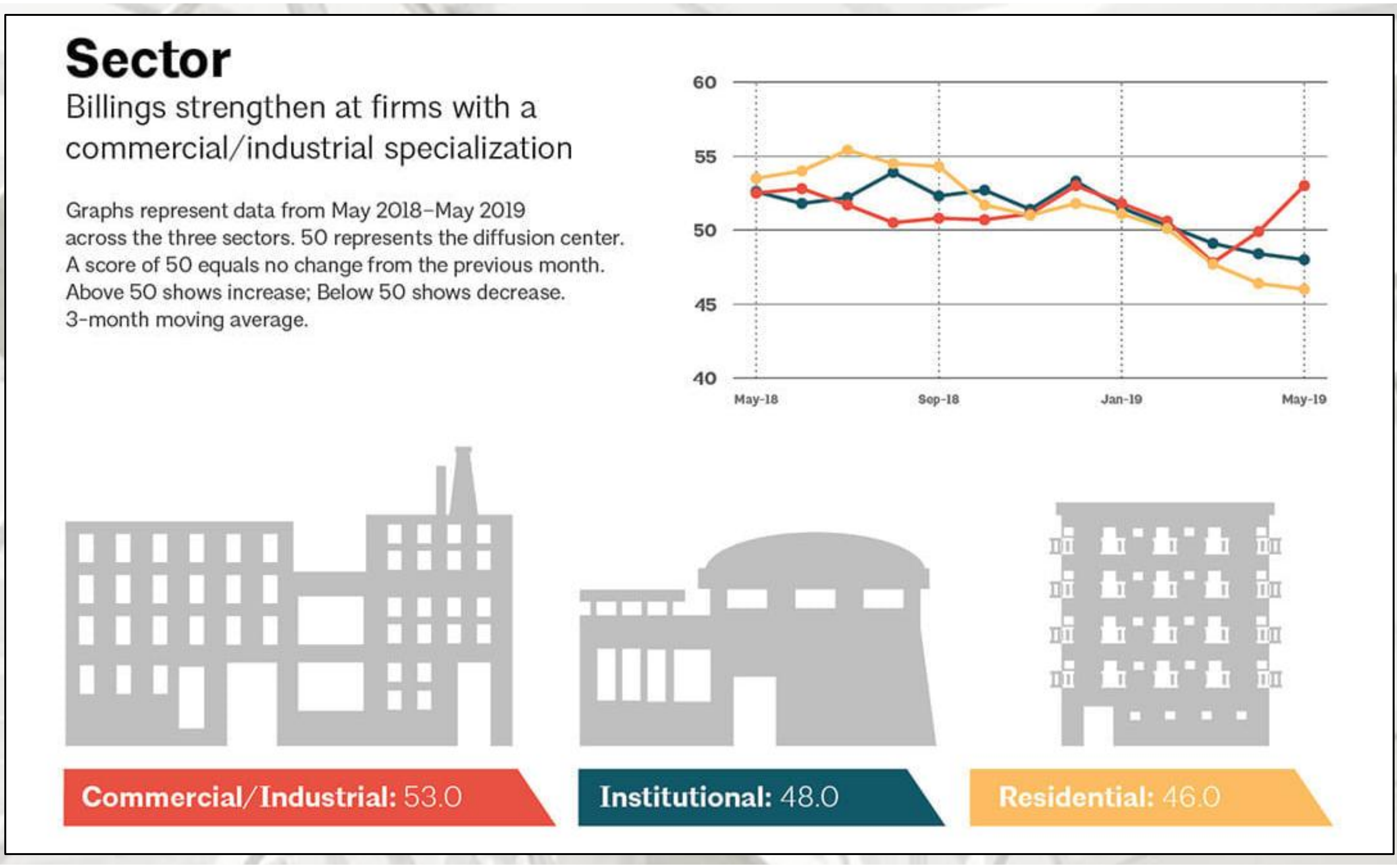

Sector

"And by firm type, firms with a commercial/industrial specialization reported fairly strong growth in May, while billings softened further at firms with multifamily residential and institutional specializations." – Katharine Keane, Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6166095-abi-may-2019-billings-growth-remains-modes; 6/21/19

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Private Indicators: AIA

What's happening with renovations?

"This month's special practice questions asked responding firms about their work on additions to and/or renovations, rehabilitations, or retrofits to existing buildings. Firms reported that on average, 48 percent of their firm's gross billings over the past year were from these types of projects, which is a slightly higher share than what was reported in the AIA's 2018 Firm Survey report, which indicated that 43 percent of firm billings were from these projects. Firms located in the Northeast reported a much higher share of billings from additions and renovations (58 percent), while firms located in the West reported that just 41 percent of their billings were from these projects. In addition, firms with a residential specialization reported that just 36 percent of their billings were from these projects.

As such, firms were much more likely to report that the share of their firm's billings from additions to and/or renovations, rehabilitations, or retrofits to existing buildings has increased over the past five years for healthcare and education projects, than for multifamily residential and retail projects. And of firms that reported an increase in this type of work for at least one project type over the past five years, by far the largest share (58 percent) indicated that the most important reason for the increase was because work on existing buildings is a more cost-effective strategy for their clients. Just 4 percent said that it was because zoning regulations in areas they work favor improvements to existing buildings, and just 2 percent because work on existing buildings is a greener or more sustainable strategy."
– Katharine Keane, Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6166095-abi-may-2019-billings-growth-remains-modes; 6/21/19

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Private Indicators

Dodge Data & Analytics

May Construction Starts Advance 10 Percent

Nonbuilding Construction and Nonresidential Building Rebound After a Weak April

"At a seasonally adjusted annual rate of $757.0 billion, new construction starts in May climbed 10% from April, according to Dodge Data & Analytics. The increase continues the double-digit swings that were reported during the previous two months, when a 16% hike for total construction starts in March was followed by a 15% decline in April. Each of the three main construction sectors contributed to May's 10% gain. Nonbuilding construction rebounded 32% after depressed activity in April, lifted by an especially strong amount of new power plant starts and an $800 million light rail project in the Minneapolis MN area. Nonresidential building improved 7%, supported by groundbreaking for two very large manufacturing plant projects. **Residential building** edged up 2%, with modest gains for both single family housing and multifamily housing. Through the first five months of 2019, total construction starts on an unadjusted basis were $295.0 billion, down 9% from the same period a year ago. On a twelve-month moving total basis, total construction starts for the twelve months ending May 2019 were 2% below the amount reported for the twelve months ending May 2018.

The May statistics raised the Dodge Index to 160 (2000=100), up from April's 145. May's reading was still less than the 172 reported in March, as well as the full year 2018 average for the Dodge Index at 171." – Nicole Sullivan, AFFECT Public Relations & Social Media

Source: https://www.construction.com/news/may-construction-starts-advance-10-percent-june-2019; 6/20/19

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Private Indicators

Dodge Data & Analytics

“The presence of very large projects frequently causes volatility in the month-to-month pattern of construction starts, and that’s certainly been the case during March, April, and now May. Amidst the volatility, the pace of construction starts has on balance been sluggish so far in 2019, as activity has been generally lower than the healthy volume witnessed during the first half of last year. For public works, there was some dampening in early 2019 arising from the partial government shutdown, although highway and bridge construction has shown improvement in recent months. For nonresidential building, the boost coming from very large projects so far this year has not been of the same magnitude as what took place last year. **For residential building, multifamily housing** has pulled back from last year’s strength, while single family housing has been essentially flat. At the same time, there are still positive factors in the current environment affecting construction. Federal appropriations for fiscal 2019 are in place, and funding support is coming from the state and local bond measures passed in recent years. Market fundamentals for commercial building and multifamily housing strengthened during 2018 and early 2019, while interest rates remain low. As 2019 proceeds, it’s expected that the shortfall between this year’s level of construction starts compared to last year will narrow.” –Robert A. Murray, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/may-construction-starts-advance-10-percent-june-2019; 6/20/19

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Private Indicators

Dodge Data & Analytics

"**Residential building** in May was $295.9 billion (annual rate), a 2% gain that marked the first increase after three straight months of decline. Single family housing improved 2%, showing some growth after the sluggish performance reported earlier in 2019. By geography, single family housing registered this pattern during May – the South Atlantic, up 4%; the Midwest, up 2%; the Northeast, up 1%; and the South Central and West, each unchanged from the previous month. The pace for single family housing in May was still 7% below the average monthly pace during 2018.

Multifamily housing in May also grew 2%, edging up for the second month in a row after a 12% decline back in March. There were eight multifamily projects valued each at $100 million or more that reached groundbreaking in May, led by the $653 million multifamily portion of the $850 million One Chicago Square Apartment Towers in Chicago IL, the $266 million multifamily portion of the $360 million Four Seasons mixed-use hotel/condominium project in Nashville TN, and a $160 million multifamily high-rise in Jersey City NJ. The top five metropolitan areas in May, ranked by the dollar amount of multifamily starts that reached groundbreaking, were – New York NY, Chicago IL, Nashville TN, Washington DC, and San Francisco CA. The pace for multifamily housing in May was still 17% below the average monthly pace during 2018." – Robert A. Murray, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/may-construction-starts-advance-10-percent-june-2019; 6/20/19

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Private Indicators

Dodge Data & Analytics

"The 9% decline for total construction starts on an unadjusted basis during the first five months of 2018 was the result of decreased activity for each of the three main sectors. Nonresidential building settled back 3% year-to-date, with 8% declines for both institutional building and manufacturing building that were partially offset by a 3% gain for commercial building. Nonbuilding construction dropped 11% year-to-date, as a 24% plunge for public works was countered by a 128% jump by electric utilities/gas plants. The miscellaneous public works category plummeted 54% year-to-date given the comparison to a strong first five months of 2018 that included several large pipeline projects. If the miscellaneous public works category is excluded, public works during the first five months of 2019 would be down a more moderate 7%. **Residential building** year-to-date dropped 12%, with single family housing down 9% and multifamily housing down 19%. By geography, total construction starts during the January-May period of 2019 showed this behavior compared to last year – the South Central, down 1%; the Northeast, down 5%; the Midwest, down 8%; the South Atlantic, down 12%; and the West, down 15%.

Additional insight is made possible by looking at twelve-month moving totals, in this case the twelve months ending May 2019 versus the twelve months ending May 2018. On this basis, total construction starts were down 2% from the previous period. By major sector, nonresidential building increased 4%, with manufacturing building up 21%, commercial building up 8%, and institutional building down 3%. **Residential building** dropped 2%, with single family housing down 2% and multifamily housing down 1%. Nonbuilding construction fell 10%, with public works down 14% while electric utilities/gas plants increased 16%." – Robert A. Murray, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/may-construction-starts-advance-10-percent-june-2019; 6/20/19

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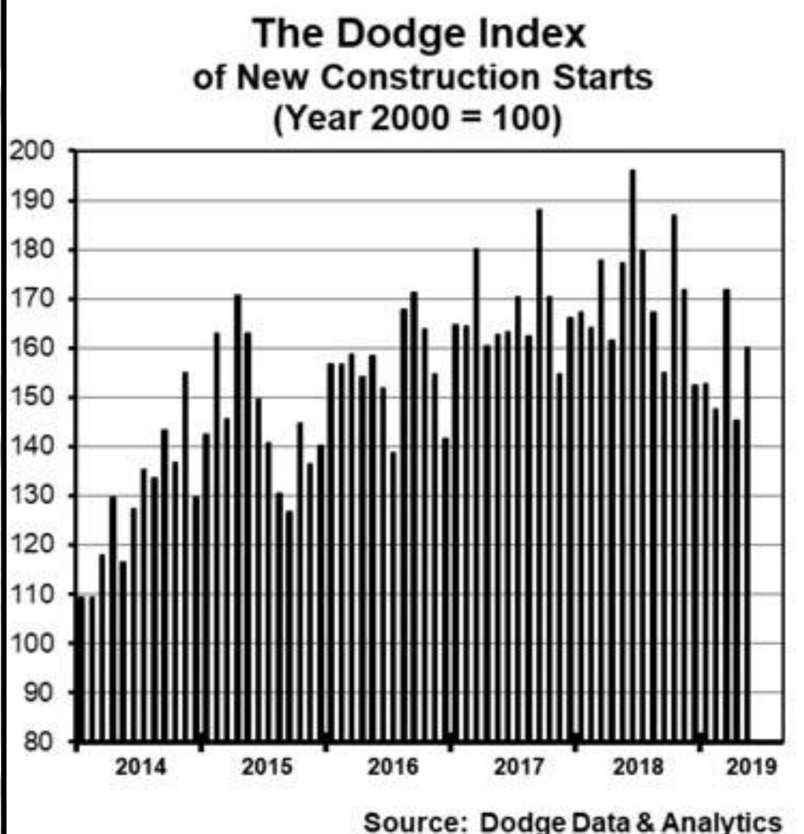
Private Indicators

May 2019 Construction Starts



May 2019 Construction Starts

Monthly Summary of Construction Starts
Prepared by Dodge Data & Analytics

Monthly Construction Starts
Seasonally Adjusted Annual Rates, in Millions of Dollars

	May 2019	April 2019	% Change
Nonresidential Building	$266,635	$248,818	+7
Residential Building	295,901	290,887	+2
Nonbuilding Construction	194,415	146,810	+32
Total Construction	$756,951	$686,515	+10

The Dodge Index
Year 2000=100, Seasonally Adjusted

May 2019……..160
April 2019…….145

Year-to-Date Construction Starts
Unadjusted Totals, in Millions of Dollars

	5 Mos. 2019	5 Mos. 2018	% Change
Nonresidential Building	$101,128	$104,734	-3
Residential Building	121,532	137,916	-12
Nonbuilding Construction	72,316	81,182	-11
Total Construction	$294,976	$323,832	-9

Source: https://www.construction.com/news/may-construction-starts-advance-10-percent-june-2019; 6/20/19

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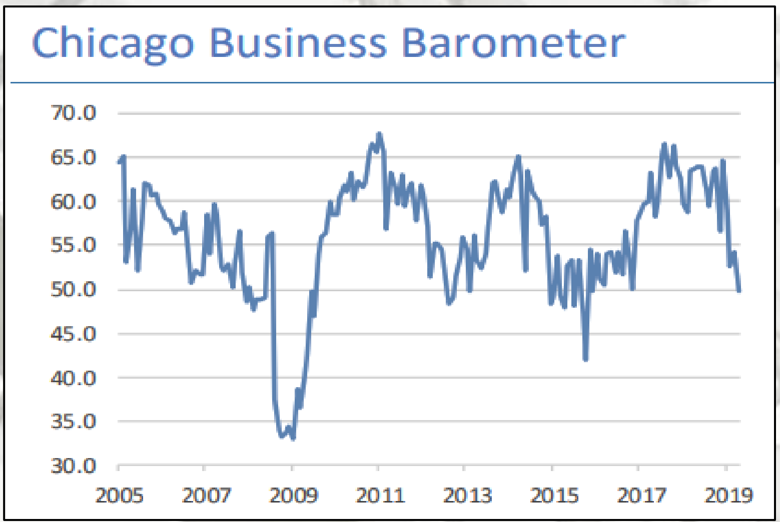

MNI Chicago

"The MNI Chicago Business Barometer decreased by 4.5 points to 49.7 in June from 54.2 in May, marking the first sub-50 reading since January 2017. Business confidence dipped significantly in Q2, with the Barometer averaging 52.2, down 13% on the previous quarter and almost 16% lower than Q2 2018.

Chicago Business Barometer – Declines to 49.7 in June

Demand eased for the fourth time this year, helping push the indicator into the contraction territory for the first time since January 2017. Amid weak demand, firms also slowed production levels. The Production indicator fell 15.5% on the quarter to hit a three-year low. Order Backlogs remained in contraction for the second consecutive month. It was the only indicator that fell below 50 on the quarter as well. Firms continued to accumulate inventories amid longer offshore lead times. Having contracted in Q1, inventories were on a rise in the three months to June. …

There were some reports of hiring new staff and summer interns, replacing retirees. The indicator averaged 50.8 in Q2, the lowest since Q4 2016. Factory gate prices picked up for the second consecutive month. There was anecdotal evidence of tariffs leading to higher prices, with some firms looking for cheaper alternate sources.

The Barometer entered contraction territory, having remained above 50 for over two years. With customers rethinking their purchases, demand tumbled, and consequently firms pulled back production, weakening overall business sentiment. In coming months, our survey will provide further evidence as to whether the diminished business confidence is temporary amid tariffs woes or more structural calling for some counter measures." – Shaily Mittal, Senior Economist, MNI Indicators

Source: https://s3.amazonaws.com/images.chaptermanager.com/chapters/b742ccc3-ff70-8eca-4cf5-ab93a6c8ab97/files/mni-chicago-press-release-june.pdf; 6/28/19

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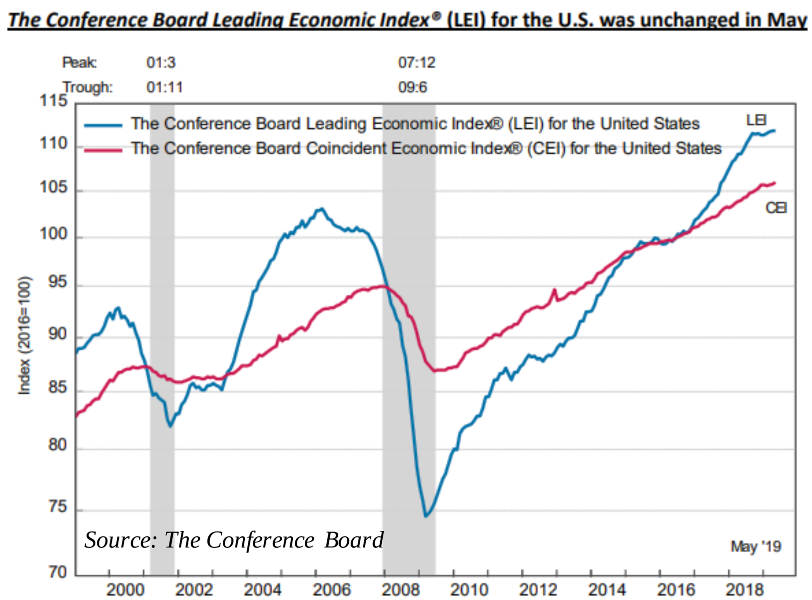
Private Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. Remained Unchanged in May

Index Points to Moderation in Growth Toward Year End

The Conference Board Leading Economic Index® (LEI) for the U.S. was unchanged in May remaining at 112.1 (2016 = 100), following 0.1 percent increase in April, and a 0.2 percent in March.

U.S. Composite Economic Indexes (2016 = 100)



"The US LEI was unchanged in May, following three consecutive increases. Positive contributions from financial conditions and consumers' outlook offset the weakness in stock prices and the manufacturing sector. The yield spread's contribution to the LEI was neither positive nor negative. While the economic expansion is now entering its eleventh year, the longest in US history, the LEI clearly points to a moderation in growth towards 2 percent by year end." – Ataman Ozyildirim, Director of Economic Research, The Conference Board

"**The Conference Board Coincident Economic Index®** (CEI) for the U.S. increased 0.2 percent in May to 105.9 (2016 = 100), following a 0.1 percent increase in April, and a 0.1 percent increase in March.

The Conference Board Lagging Economic Index® (LAG) for the U.S. declined 0.2 percent in May to 107.0 (2016 = 100), following a 0.1 percent decline in April and a 0.2 percent increase in March."

Source: https://www.conference-board.org/data/bcicountry.cfm; 6/21/19

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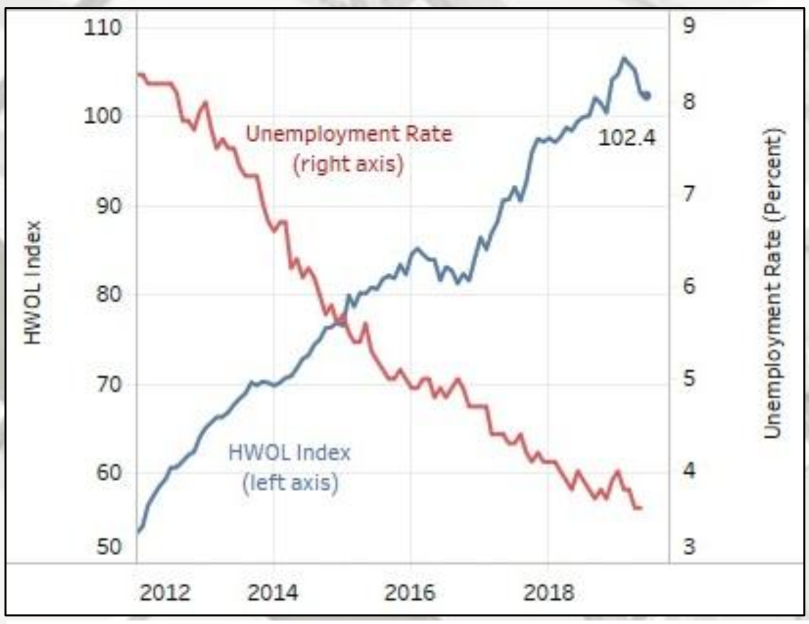

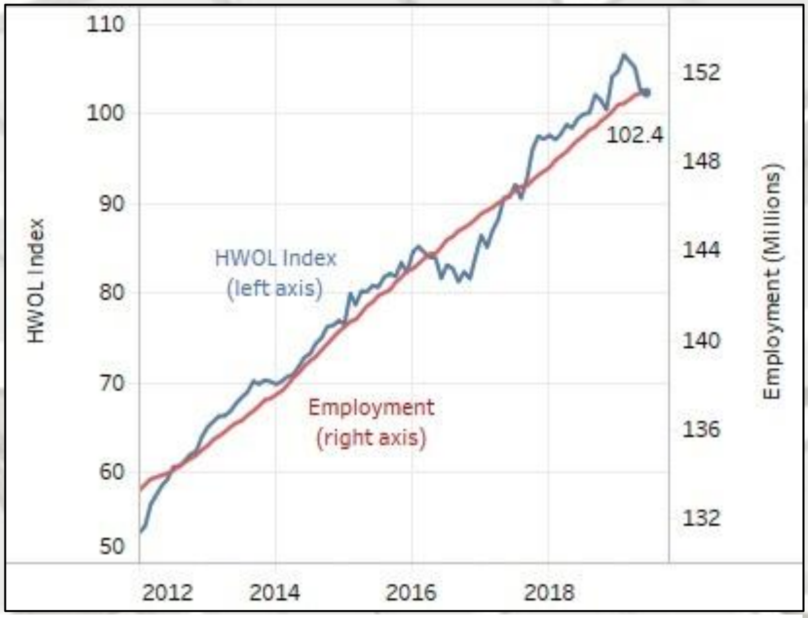

The Conference Board Help Wanted OnLine® (HWOL)
Online Labor Demand Declined in June

- “HWOL Index was essentially unchanged in June, following a decline in May
- Most occupations experienced small declines over the month, with some occupations experiencing small increases

The Conference Board Help Wanted OnLine® (HWOL) Index declined in June. and now stands at 102.4 (July 2018=100), down from 102.6 in May. The Index declined 0.2 percent from the prior month, but is up 2.9 percent from a year ago.

In the Midwest, Kansas declined 2.7 percent and Missouri fell 1.5 percent. In the Northeast, New Jersey fell 2.0 percent and New York declined 0.2 percent. In the South, Delaware fell 3.4 percent and Kentucky declined 3.2 percent. In the West, Colorado and Nevada rose 1.9 percent.

The Professional occupational category experienced declines in Legal (-2.3 percent) and Business and Financial Operations (-1.3 percent). The Services/Production occupational category experienced declines in Protective Services (-4.0 percent), and increases in Farming, Fishing, and Forestry (3.6 percent), and Sales (1.9 percent).Gad Levanon, Chief Economist, North America, at The Conference Board

Source: https://www.conference-board.org/data/helpwantedonline.cfm; 7/10/19

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Equipment Leasing and Finance Association:

Confidence Eases in June

"The **Equipment Leasing & Finance Foundation** (the Foundation) releases the June 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 was 52.8, easing from the May index of 59.2." – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

"As unemployment is at record lows and employees are hard to come by, companies will rely more on capital equipment to support business growth and productivity growth from the employees they have. My concern is primarily the trade wars, and their impact on the prices of goods. This will eventually weaken the purchasing power of consumers and small businesses." – Quentin Cote, CLFP, President, Mintaka Financial, LLC

"Lack of progress on trade tariffs is beginning to spook the market. Customers are only buying what they need to replace and are hesitant to expand." – Michael Romanowski, President, Farm Credit Leasing Services Corporation

"We are optimistic about earning share of wallet in this very competitive environment while we project that the economy will remain strong and capital investment will continue at solid levels. The polarized political climate will continue and we believe will not have a material effect on the economy." – David Normandin, CLFP, President and CEO, Wintrust Specialty Finance

"Increased economic tensions caused by an uncertain political climate are concerns." – Frank Campagna, Business Line Manager, M&T Commercial Equipment Finance

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/06/20/equipment-leasing-and-finance-industry-confidence-eases-in-june; 6/20/19

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Private Indicators

Equipment Leasing and Finance Association

Confidence Eases in June

<u>June 2019 Survey Results:</u>

"The overall MCI-EFI is 52.8, a decrease from 59.2 in May.

When asked to assess their business conditions over the next four months, 3.3% of executives responding said they believe business conditions will improve over the next four months, down from 16.1% in May. 80% of respondents believe business conditions will remain the same over the next four months, an increase from 67.7% the previous month. 16.7% believe business conditions will worsen, an increase from 16.1% in May.

None of the survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, a decrease from 16.1% in May. 83.3% believe demand will "remain the same" during the same four-month time period, an increase from 77.4% the previous month. 16.7% believe demand will decline, up from 6.5% who believed so in May.

13.3% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, up from 12.9% in May. 86.7% of executives indicate they expect the "same" access to capital to fund business, a decrease from 87.1% last month. None expect "less" access to capital, unchanged from last month." – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/06/20/equipment-leasing-and-finance-industry-confidence-eases-in-june; 6/20/19

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Equipment Leasing and Finance Association

Confidence Eases in June

<u>May 2019 Survey Results:</u>

- "When asked, 30% of the executives report they expect to hire more employees over the next four months, a decrease from 41.9% in May. 63.3% expect no change in headcount over the next four months, an increase from 45.2% last month. 6.7% expect to hire fewer employees, down from 12.9% last month.
- 40% of the leadership evaluate the current U.S. economy as "excellent," down from 51.6% in May. 56.7% of the leadership evaluate the current U.S. economy as "fair," an increase from 48.4% the previous month. 3.3% evaluate it as "poor," up from none in May.
- 3.3% of the survey respondents believe that U.S. economic conditions will get "better" over the next six months, down from 9.7% in May. 70% of survey respondents indicate they believe the U.S. economy will "stay the same" over the next six months, a decrease from 77.4% the previous month. 26.7% believe economic conditions in the U.S. will worsen over the next six months, an increase from 12.9% in May.
- In June, 26.7% of respondents indicate they believe their company will increase spending on business development activities during the next six months, a decrease from 35.5% last month. 73.3% believe there will be "no change" in business development spending, an increase from 64.5% in May. None believe there will be a decrease in spending, unchanged from last month." – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/06/20/equipment-leasing-and-finance-industry-confidence-eases-in-june; 6/20/19

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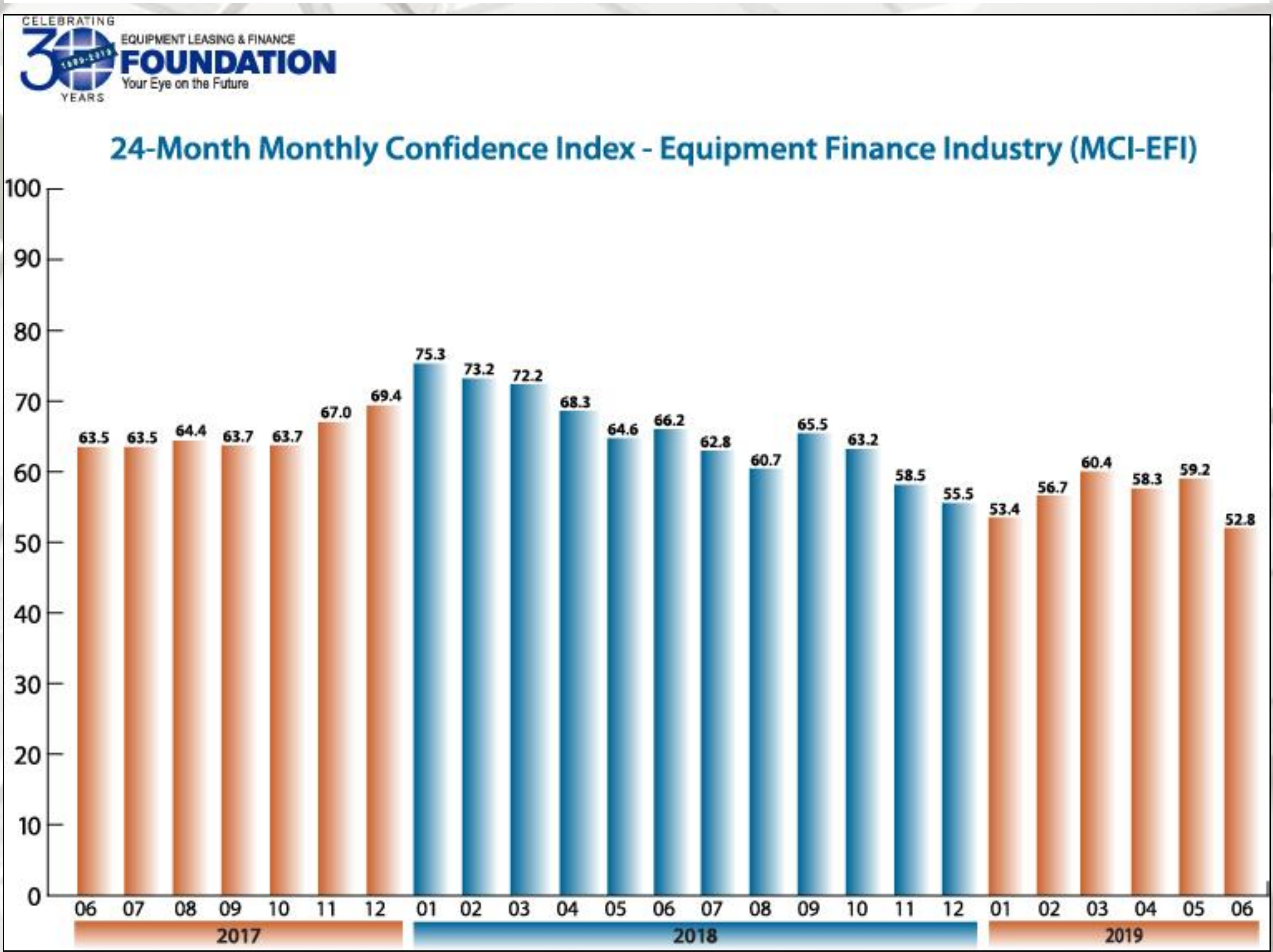

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/06/20/equipment-leasing-and-finance-industry-confidence-eases-in-june; 6/20/19

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Private Indicators

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

May New Business Volume Up 11 Percent Year-over-year, Up 7 Percent Month-over-month and Down 5 Percent Year-to-date

"The **Equipment Leasing and Finance Association's** (ELFA) **Monthly Leasing and Finance Index (MLFI-25)**, which reports economic activity from 25 companies representing a cross section of the $1 trillion equipment finance sector, showed their overall new business volume for May was $8.8 billion, up 11 percent year-over-year from new business volume in May 2018. Volume was up 7 percent month-to-month from $8.2 billion in March. Year to date, cumulative new business volume was down 5 percent compared to 2018.

Receivables over 30 days were 1.50 percent, down from 1.90 percent the previous month and down from 2.40 percent the same period in 2018. Charge-offs were 0.32 percent, down from 0.37 percent the previous month, and up slightly from 0.30 percent in the year-earlier period.

Credit approvals totaled 76.8 percent, up from 75.3 percent from March. Total headcount for equipment finance companies was up 0.3 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in May is 59.2, up from the May index of 58.3." – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2019/06/20/equipment-leasing-and-finance-industry-confidence-eases-in-june; 6/20/19

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Equipment Leasing and Finance Association

Monthly Leasing & Finance Index

"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 May was $9.1 billion, up 18 percent year-over-year from new business volume in May 2018. Volume was up 3 percent month-to-month from $8.8 billion in April. Year to date, cumulative new business volume was flat compared to 2018.

Receivables over 30 days were 1.70 percent, up from 1.50 percent the previous month and up from 1.60 percent the same period in 2018. Charge-offs were 0.46 percent, up from 0.32 percent the previous month, and up from 0.31 percent in the year-earlier period.

Credit approvals totaled 75.9 percent, down from 76.8 percent in April. Total headcount for equipment finance companies was down 2.0 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in June is 52.8, down from the May index of 59.2." – Amy Vogt, Vice President, Communications and Marketing, ELFA

Source: https://www.elfaonline.org/news/industry-news/read/2019/06/25/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 6/25/19

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Equipment Leasing and Finance Association

Monthly Leasing & Finance Index

"Responding ELFA members enjoyed a strong May, with new business volume growth trending upward. The continued low interest rate environment coupled with solid fundamentals in the U.S. economy provide incentive for U.S. businesses to expand and grow their operations. As they do so, productive equipment becomes a critical component in serving their customers and enabling them to achieve success in the marketplace. However, at the same time, we notice a slight deterioration in credit quality, which bears monitoring. Recently, the Fed and other analysts raised concerns over potential storm clouds on the economic horizon. These warnings also bear close attention in the weeks and months ahead." – Ralph Petta, President and CEO, ELFA

"Overall growth in new business volume demonstrates continued forward momentum in the economy. Advancement in technologies across most industry verticals will likely influence a positive trend in equipment investment in the coming months. The decline in credit quality, however, is a factor worth monitoring. This could be an early indicator of a hardening market, which may force funding sources to be more selective with their credit profiling. The increase in receivables and charge-offs coupled with the decline in employee headcount is also interesting to note. Companies may be protecting current capital reserves ahead of potential effects from the recent tariffs imposed on U.S. goods." – Daniel Krajewski, President and CEO, Sertant Capital, LLC.

Source: https://www.elfaonline.org/news/industry-news/read/2019/06/25/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 6/25/19

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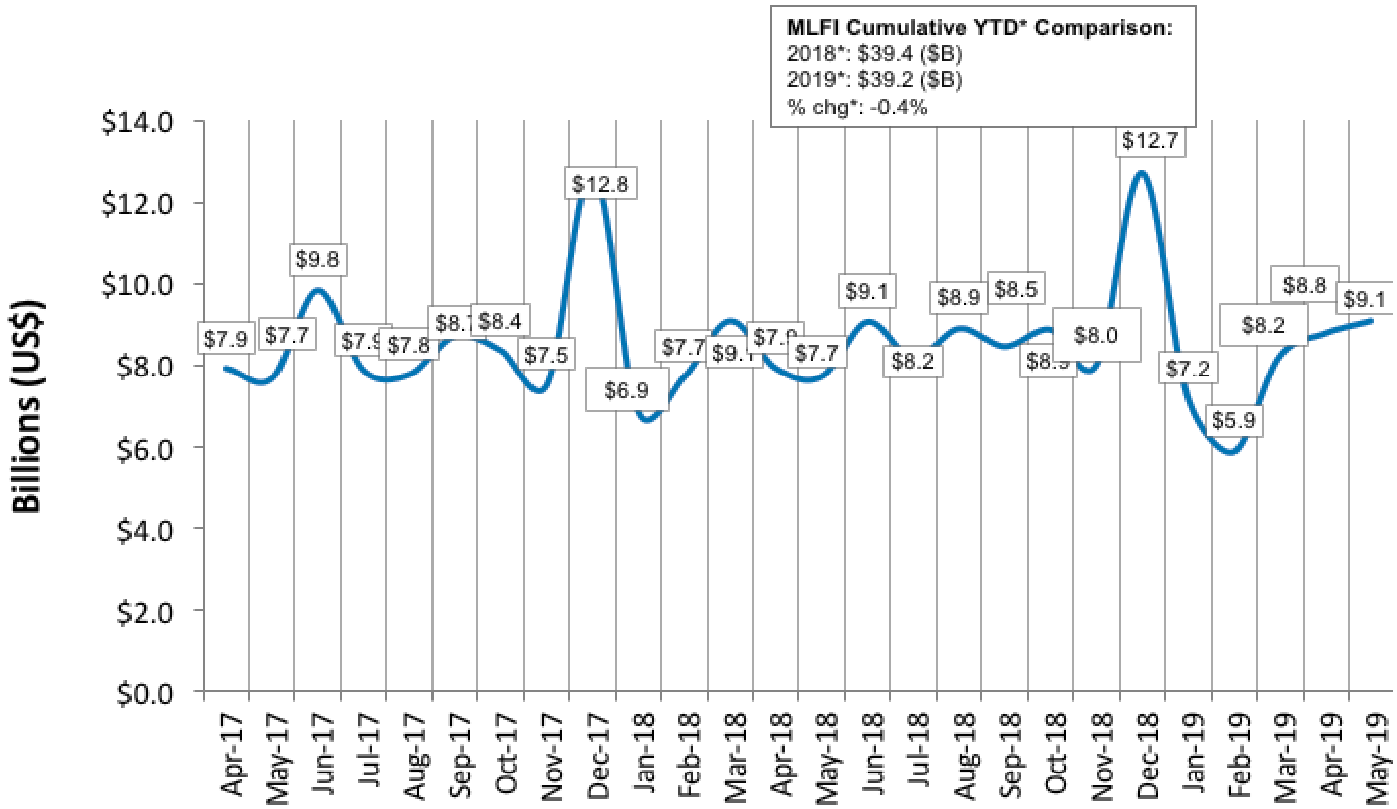
Equipment Leasing and Finance Association

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



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

ELFA
Equipping Business for Success

MLFI

Source: https://www.elfaonline.org/news/industry-news/read/2019/06/25/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 6/25/19

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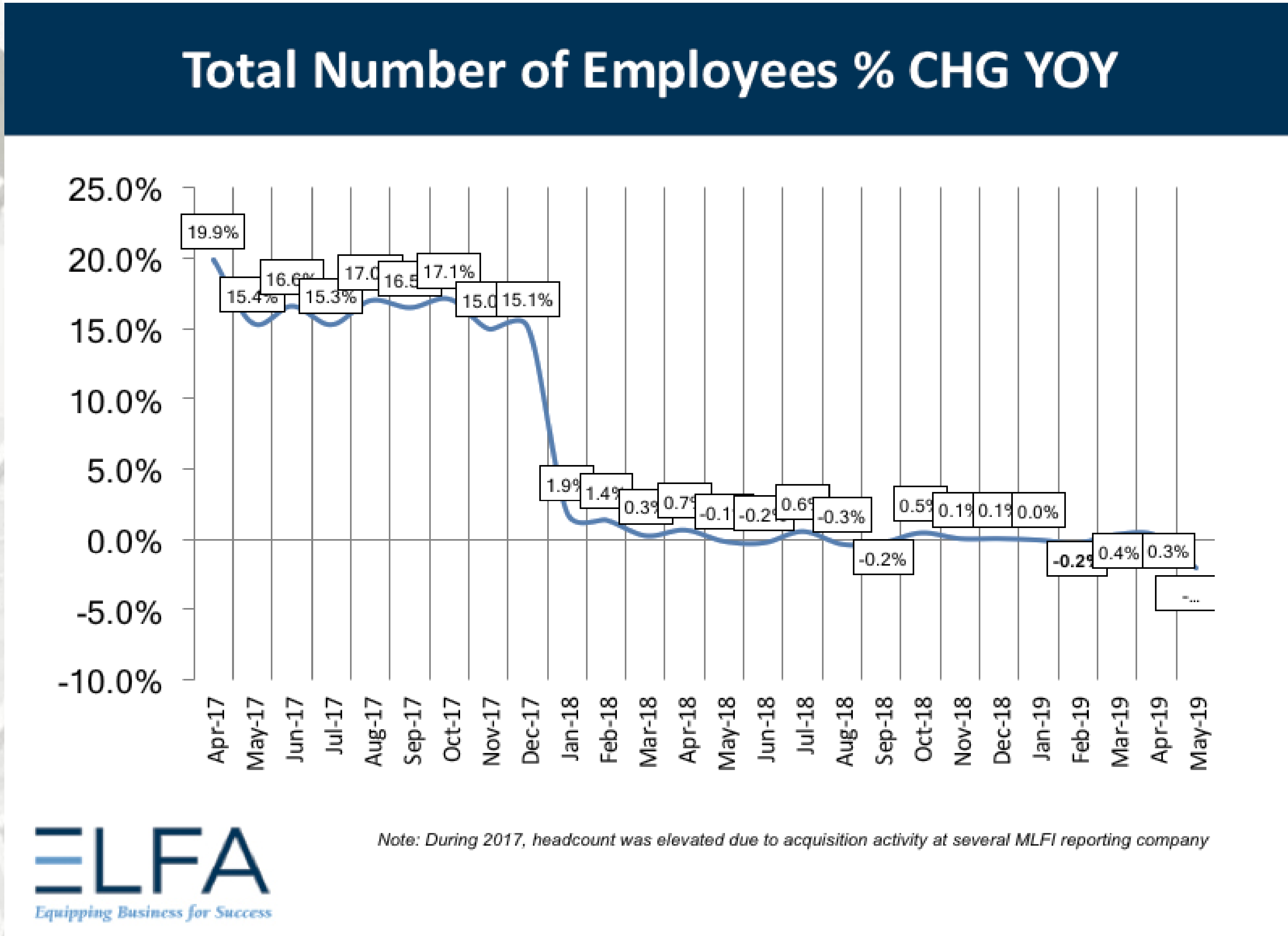

Source: https://www.elfaonline.org/news/industry-news/read/2019/06/25/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 6/25/19

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FreightWaves®

Trucking rates have fallen back to 2017 levels, but costs have not

"The longest freight market bull-run in over a decade is over as spot rates have fallen back to where they were two years ago. The problem presented to many carriers is that many of their costs have not. In this week's chart, comparing wage and maintenance costs to average daily national spot rate over the last two years, spot rates have fallen back to under June 2017 levels while costs have continued to grow on a more even keel.

Spot rates are not a one to one relationship with carrier revenues, but they do offer insight into general direction. The longer spot rates remain elevated the likelihood carrier revenues will follow increases and vice versa. The reason this happens is market pressure. If carriers can consistently get a higher price for performing the same job, they will increase contract rates to where the market will support them.

In many other industries, a steady increase of price is the norm, or stable inflation. There are instances, specifically in technology where the cost of an item falls as technology improves. Purchasing a top of the line plasma television set in 2004 could cost as much as $10,000, whereas a much higher quality ultra HD 4K TV of similar dimensions can be had for under $1,000 today. The price fell, due to decreasing costs. Rarely do prices drop without costs falling first. The highly fragmented trucking market does not follow this rule.

Most people involved in transportation over the past five to ten years would agree that 2018 was a bit of an anomaly in terms of volumes and increasing rates. Looking at the Cass Shipments Index and DAT national van freight rate index, this is apparent." – Zach Strickland, Market Expert & Market Analyst, FreightWaves®

Source: https://www.freightwaves.com/news/trucking-rates-have-fallen-back-to-2017-but-costs-have-not; 6/28/19

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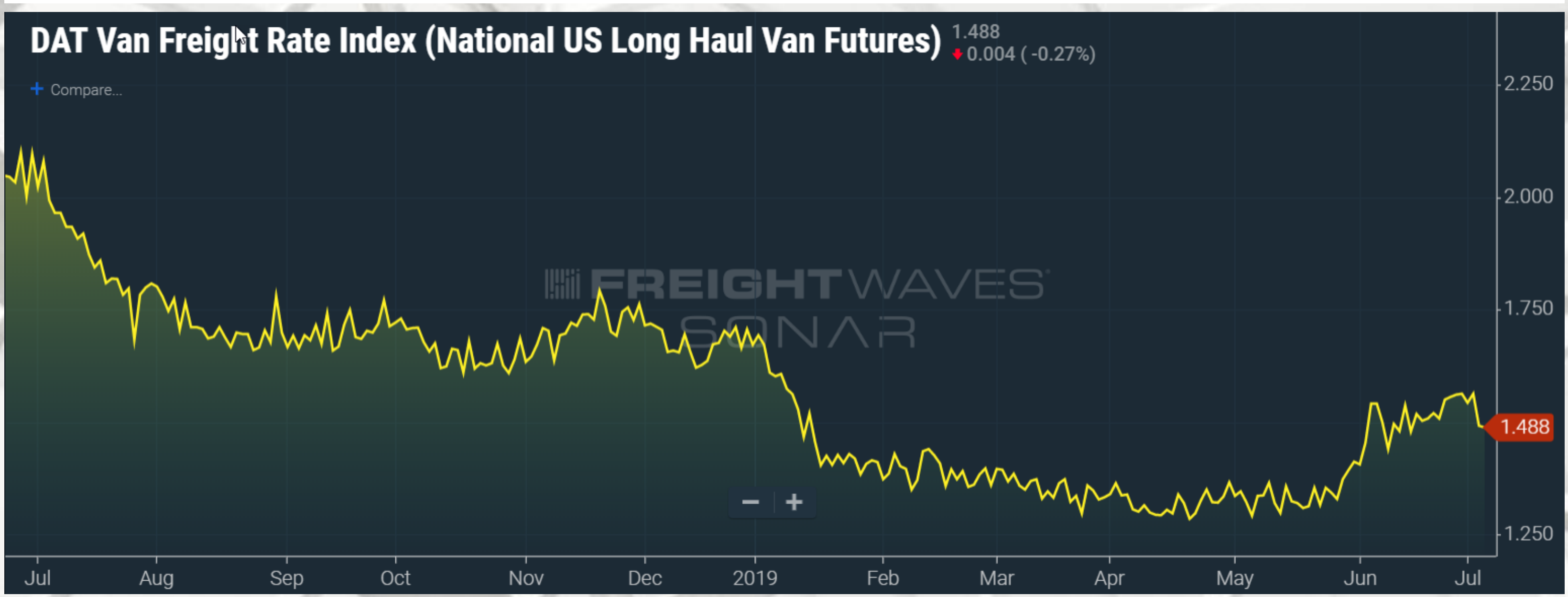

Trucking apocalypse continues: California truckload carrier latest victim. Regulations blamed.

Market conditions and CARB cited for failure reason

"The trucking apocalypse is upon us and it has taken its latest victim. This time, it's a 40-year-old carrier out of California. Timmerman Starlite Trucking, Inc. of Ceres, California announced that it would be shutting down, placing 30 employees into the unemployment line effective immediately. Ceres is a suburb of Modesto, California, a mid-sized city 100 miles east of San Francisco. Starlite had a fleet of 30 trucks, 150 trailers and 28 drivers, according to Federal Motor Carrier Safety Administration data. … Long haul trucking spot rates are at their lowest levels in the past few years, off by over 30 percent since last year's peak." – Craig Fuller, CEO, FreightWaves®

Source: https://www.freightwaves.com/news/trucking-apocalypse-continues-california-truckload-carrier-latest-victim-regulations-blamed; 7/15/19

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"Even more challenging, trucking volumes have been running between 2 percent and 7 percent in equivalent days in 2018, starting with a large drop in mid-May. While rates and load volumes reflect the demand side of the freight market and paint a picture of the revenue conditions for carriers, the profit story is much worse. In the past two years, carriers have seen significant cost inflation and operational pressure in almost every aspect of their businesses.

Wage increases for drivers have increased double digits, insurance renewal rates have gone up and equipment is more expensive to maintain. Carriers have been forced to buy electronic logging devices, running their trucks with an inflexible clock

Fuel expenses, particularly in a tax- and regulation-loving state like California have also been way up in the past three years. Since Feb 2016, retail diesel prices in the state have increased from $2.29/gallon to $3.95/gallon, roughly equivalent to $.25 per mile. At $1.49 per mile, this will cost a carrier 17% of their operating profits if they aren't on a fuel-surcharge program. Larger carriers are able to recover most, if not all of this in the form of a fuel surcharge. Unfortunately, Starlite was likely too small to have much leverage of their shipper relationships to do so.

Retail average diesel fuel prices in California have shot up 75 percent since Feb 2016, while only jumping 58 percent on a national basis during the same period. California has added two fuel and excise taxes during the period, first with a 20-cent per gallon increase in 2017 and another 20-cent increase initiated this July." – Craig Fuller, CEO, FreightWaves®

Source: https://www.freightwaves.com/news/trucking-apocalypse-continues-california-truckload-carrier-latest-victim-regulations-blamed; 7/15/19

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"If taxes weren't enough of a burden for California's operators, the company's environment czar, the California's Air Resources Board (CARB), creates its own set of challenges. For the past decade, CARB has required carriers to buy and operate trucks that operate under a more stringent set of emissions regulations. …

Few would deny that California has benefited from cleaner air, but tax increases, inflexible labor laws and a litigious court system have all made the operating environment for California-based trucking companies extremely difficult.

Last year, we wrote a commentary about California's hostile environment for the trucking industry labeled "California's Hostile Environment for the Trucking Industry." California, perhaps more than any other large state, is incredibly dependent on the trucking industry to keep the economy humming along. With a large agriculture industry, a sizable industrial sector and being home to the biggest port in North America, a third of all jobs in the state are in logistics-dependent industries and trucking is still the largest logistics mode by far.

While it is too late for Starline and Bell, chief executive officer of the California Trucking Association Shawn Yardon issued a statement about the closure, "I am saddened to learn of Starlite's closure and this is further proof that California must take a very hard look at its business environment."

If you are keeping score, this is the sixth major trucking company failure of 2019. LME, a Midwest LTL carrier also shut it's doors last week." – Craig Fuller, CEO, FreightWaves®

Source: https://www.freightwaves.com/news/trucking-apocalypse-continues-california-truckload-carrier-latest-victim-regulations-blamed; 7/15/19

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June 2019 Manufacturing ISM® *Report On Business*®

PMI® at 51.7%

New Orders Unchanged, Production, and Employment Growing;

Supplier Deliveries Slowing at Slower Rate; Backlog Growing

Raw Materials Inventories Contracting; Customers' Inventories Too Low

Prices Decreasing; Exports Growing, Imports Unchanged

"Economic activity in the **manufacturing sector** expanded in June, and the **overall economy** grew for the 122nd consecutive month, say the nation's supply executives in the latest **Manufacturing ISM® *Report On Business*®**. The June PMI® registered 51.7 percent, a decrease of 0.4 percentage points from the May reading of 52.1 percent.

The New Orders Index registered 50 percent, a decrease of 2.7 percentage points from the May reading of 52.7 percent.

The Production Index registered 54.1 percent, a 2.8-percentage point increase compared to the May reading of 51.3 percent.

The Employment Index registered 54.5 percent, an increase of 0.8 percentage point from the May reading of 53.7 percent.

The Supplier Deliveries Index registered 50.7 percent, a 1.3-percentage point decrease from the May reading of 52 percent.

The Inventories Index registered 49.1 percent, a decrease of 1.8 percentage points from the May reading of 50.9 percent.

The Prices Index registered 47.9 percent, a 5.3-percentage point decrease from the May reading of 53.2 percent." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.instituteforsupplymanagement.org/ISMReport/MfgROB.cfm?navItemNumber=12942&SSO=1; 7/1/19

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June 2019 Manufacturing ISM® *Report On Business*®

PMI® at 51.7%

"Comments from the panel reflect continued expanding business strength, but at soft levels; June was the third straight month with slowing PMI® expansion. **Demand** expansion ended, with the New Orders Index recording zero expansion, the Customers' Inventories Index remaining at a too-low level, and the Backlog of Orders Index contracting for the second straight month. New export orders remain weak. **Consumption** (measured by the Production and Employment indexes) continued to expand, resulting in a combined increase of 3.6 percentage points. Inputs — expressed as supplier deliveries, inventories and imports — were lower this month, due to inventory contraction and suppliers continuing to deliver faster, resulting in a combined 3.1-percentage point reduction in the Supplier Deliveries and Inventories indexes. Imports registered zero expansion. Overall, inputs indicate (1) supply chains are responding faster and (2) supply managers are again closely watching inventories. Prices contracted for the first time since February.

Respondents expressed concern about U.S.-China trade turbulence, potential Mexico trade actions and the global economy. Overall, sentiment this month is evenly mixed. Of the 18 manufacturing industries, 12 reported growth in June, in the following order: Furniture & Related Products; Printing & Related Support Activities; Textile Mills; Nonmetallic Mineral Products; Food, Beverage & Tobacco Products; Petroleum & Coal Products; Chemical Products; Computer & Electronic Products; Paper Products; Miscellaneous Manufacturing; Electrical Equipment, Appliances & Components; and Machinery. The five industries reporting contraction in June are: Apparel, Leather & Allied Products; Primary Metals; Wood Products; Transportation Equipment; and Fabricated Metal Products." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.instituteforsupplymanagement.org/ISMReport/MfgROB.cfm?navItemNumber=12942&SSO=1; 7/1/19

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June 2019 Non-Manufacturing ISM®
Report On Business®

PMI® at 55.1%

Business Activity Index at 58.2%; New Orders Index at 55.8%; Employment Index at 55.0%

"Economic activity in the **non-manufacturing sector** grew in June for the 113th consecutive month, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM® Report On Business®**.

The NMI® registered 55.1 percent, which is 1.8 percentage points lower than the May reading of 56.9 percent. This represents continued growth in the non-manufacturing sector, at a slower rate. This is the index's lowest reading since July 2017, when it registered 55.1 percent.

The Non-Manufacturing Business Activity Index decreased to 58.2 percent, 3 percentage points lower than the May reading of 61.2 percent, reflecting growth for the 119th consecutive month.

The New Orders Index registered 55.8 percent; 2.8 percentage points lower than the reading of 58.6 percent in May.

The Employment Index decreased 3.1 percentage points in June to 55 percent from the May reading of 58.1 percent.

The Prices Index increased 3.5 percentage points from the May reading of 55.4 percent to 58.9 percent, indicating that prices increased in June for the 25th consecutive month.

According to the NMI®, 16 non-manufacturing industries reported growth. Although the non-manufacturing sector's growth rate dipped in June, the sector continues to reflect strength. The comments from the respondents reflect mixed sentiment about business conditions and the overall economy. A degree of uncertainty exists due to trade and tariffs." – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Source: https://www.instituteforsupplymanagement.org/ISMReport/NonMfgROB.cfm; 7/3/19

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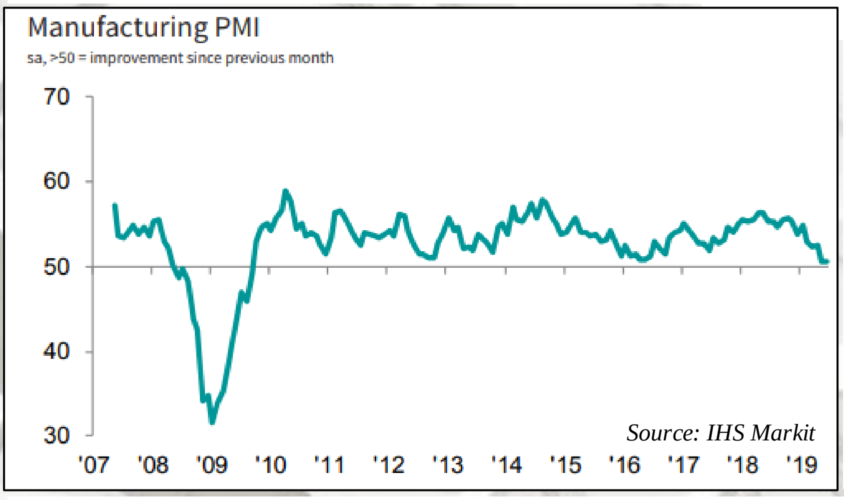

Markit U.S. Manufacturing PMI™

"The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 50.6 in June, broadly in line with 50.5 in May, to signal only a marginal improvement in the health of the US manufacturing sector. The latest headline reading picked up from the recently released June 'flash' PMI figure (50.1), but was nonetheless the second-lowest figure since September 2009.

New orders return to growth in June

June data signalled a further near-stagnation of operating conditions across the U.S manufacturing sector. The rate of overall growth held close to May's near-decade low. On a positive note, the rate of output growth quickened slightly amid a renewed rise in new orders. However, in line with muted increases in output, firms reined in staff hiring, expanding workforce numbers at the slowest pace for almost three years. Subsequently, output expectations remained subdued. …

US manufacturers reported business conditions to have remained the toughest for nearly a decade in June. The past two months have seen the lowest readings since the height of the global financial crisis in 2009. The survey provides accurate advance indicators of comparable official data, and paints a worrying picture of marked declines in both output and jobs. The June survey sub-index readings are consistent with manufacturing output contracting at a quarterly rate of 0.7% and factory payrolls falling by 18,000. A major development in recent months has been the deteriorating performance of larger companies, where the last two months have seen the lowest PMI readings for a decade. After inventories rose sharply earlier in the year, large companies have moved to destocking in May and June amid a sharp slowing in new order inflows.

Although business optimism about the future lifted slightly higher, it remained close to survey lows to indicate persistent low morale. Worries centred on signs of slowing demand both at home and internationally, weaker sales, and geopolitical uncertainty. Tariffs meanwhile continued to push up prices, but weak demand often limited the ability of firms to pass higher prices onto customers, suggesting overall inflationary pressures have weakened compared to earlier in the year" – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/53d67f8f09fc416791d73ca523b3c5e7; 7/1/19

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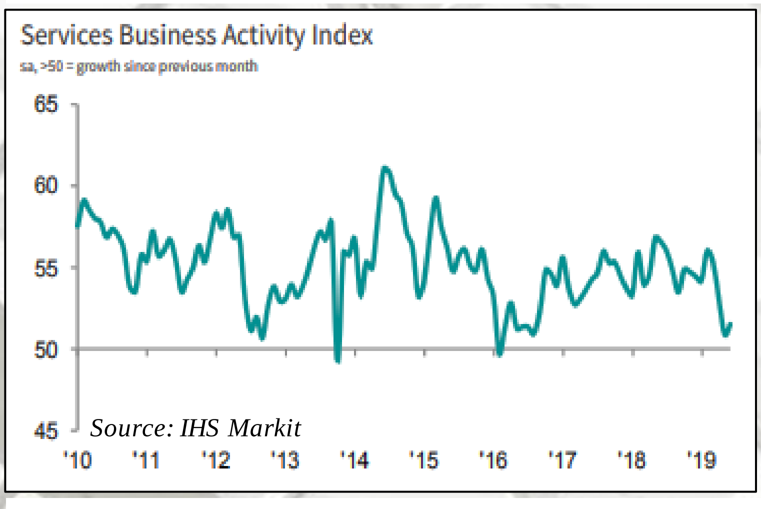

Markit U.S. Services PMI™

"The seasonally adjusted final IHS Markit U.S. Services Business Activity Index registered 51.5 in June, up slightly from 50.9 in May. The latest index figure signalled a stronger expansion than the earlier 'flash' reading (50.7). That said, June data indicated only a marginal increase in output that was the second-slowest since August 2016 (behind May). Where a rise was reported, service providers linked this to a faster upturn in new business.

Subdued growth of business activity continues in June

June survey data indicated a marginal increase in business activity across the U.S service sector. Although the upturn was among the weakest over the last three years, the rate of growth quickened from May's recent low. The faster expansion was supported by an acceleration in the rate of increase in new business. The slight pick up in client demand also led to a renewed rise in backlogs of work, with employment increasing moderately to accommodate greater pressure on capacity. Uncertainty regarding future new order growth dampened business confidence further as expectations hit a three-year low. Inflationary pressures meanwhile quickened slightly, but remained muted overall.

An improvement in service sector growth provides little cause for cheer, as the survey data still indicate a sharp slowing in the pace of economic growth in the second quarter. The PMI data for manufacturing and services collectively point to GDP expanding at an annualised rate of 1.5%. A major change since the first quarter has been a broadening-out of the slowdown beyond manufacturing, with the service sector growth now also reporting much weaker business activity and orders trends than earlier in the year.

Hiring was hit as firms scaled back their expansion plans in the face of weaker than expected order inflows and gloomier prospects for the year ahead. Jobs growth was the weakest for over two years and future expectations across both services and manufacturing has slipped to the lowest seen since comparable data were first available in 2012. Trade wars and geopolitical concerns topped the list of companies' worries about the year ahead, alongside forecasts of slower economic growth. Progress in US-China trade talks could therefore be key to helping lift confidence in coming months.""' – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/7b46f55c910c47218941660e4b932e9f; 7/3/19

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National Association of Credit Management – Credit Managers' Index

"This month's CMI is trending in a positive direction for the second month in a row. This has not happened since August and September of last year. May's reading for the combined score was 55.7, up from 54 last month. The last time this reading was this high was in November of last year when it hit 55.8. The index of favorable factors rose pretty dramatically from 60.1 in May to 63.8 in May. Again, the last time numbers were this good was November 2018. There was not a dramatic improvement as far as the unfavorable factors, but they still had a small rise from 50 to 50.2.

There was even better news in the breakdown for each sector. The sales category jumped from 61 to 65.9, a reading as good as those seen last year when numbers averaged in the high 60s (May at 69.6, June at 69.6, July at 63.9, August at 65, September at 68.8). The reading for new credit applications shifted up as well from 59.7 to 64.2 (the highest point in a year). The data on dollar collections moved from 59.1 to 59.8 – not a big improvement, but very solidly in the expansion zone (a reading above 50). The amount of credit extended also saw a tidy gain (60.6 to 65.4) – as high as that nice set of readings in November of last year.

There was generally good news for the nonfavorables, but the changes were not quite as dramatic. The rejections of credit applications reading fell a little but remained in the expansion zone. It was at 52 and slipped slightly to 51.8. The accounts placed for collection also fell a bit – from 48.5 to 47, which could become a bit of a concern. "This is essentially the last stage for credit and signals that something more drastic may be coming, such as bankruptcy," Dr. Chris Kuehl, Economist, NACM." – Andrew Michaels, Editorial Associate, NACM

Source: http://web.nacm.org/CMI/PDF/CMIcurrent.pdf; 5/31/19

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Private Indicators

National Association of Credit Management – Credit Managers' Index

"The last month has been a bit ragged as far as national data is concerned. Some of that concern has started to appear in the latest Credit Managers' Index (CMI). In addition, the Purchasing Managers' Index (PMI) for this month shows the lowest reading seen in over 10 years – barely above the threshold for contraction at 50.1. This is just for the manufacturing index as the service version has not yet been released. There have been other warning signs – durable goods orders are down and so is capacity utilization. The index of favorable factors stayed comfortably in the 60s, but there was a slight decline in the numbers from last month's 63.8; it is now at 61.4. The index of unfavorable factors improved by a bit moving from 50.2 to 50.7." – Andrew Michaels, Editorial Associate, NACM

"The dip in the overall CMI looks pretty positive in comparison to other economic trends as it slipped only slightly from 55.7 to 55. The bad news is the two-month positive trend has ended, but the good news is there has not been the dramatic decline seen in some of the other indicators." – Dr. Chris Kuehl, Economist, NACM

Manufacturing Sector

"According to Kuehl: For the last several months, the manufacturing sector has been credited with fueling the economy in the U.S. and the world as a whole. At the same time, the biggest threats to the global economy have also impacted the manufacturing industry. Most of the concerns have revolved around the effect of the trade and tariff wars. Manufacturers were initially hit by the steel and aluminum tariffs, but then came the attacks on China, Europe and Mexico (among others). These are markets that the U.S. manufacturer needs, so the U.S. is affected indirectly. The Chinese slowdown has meant China buys less from other nations, which are often the markets for U.S. exports. This angst is starting to show up in measures like the Purchasing Managers' Index and this month's CMI. " – Andrew Michaels, Editorial Associate, NACM

Source: http://web.nacm.org/CMI/PDF/CMIcurrent.pdf; 6/28/19

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Private Indicators

National Association of Credit Management – Credit Managers' Index

"The overall index for service increased from 54.4 to 55.9, the highest point since November of last year (a VERY good month). The index of favorable factors jumped from 61.3 to 64.6 and the index for nonfavorable factors escaped the contraction zone by moving from 49.8 to 50.1. The favorable categories generally improved as sales moved from 63.4 to 68.5.

The sales data fell quite a bit from the previous month's reading as it dropped from 63.3 to 58.5, but this was more in line with the data seen over the last several months. Last month looks like the anomaly. The new credit applications shifted slightly downward with a reading of 62.5 compared to 63.9 in May. The dollar collections data slipped out of the 60s, but only by a hair, going from 60.5 to 59.2. The amount of credit extended also downshifted a little (64.6 to 61.3). "The good news for this set of readings is that all are very comfortably in the expansion zone – two are in the 60s still," Kuehl said.

There was a bit more variety with the unfavorable categories. The rejections of credit applications ticked upward a little with a reading of 53.8 after 52.5 last month. "This is always a positive sign as it suggests that more of the applicants are qualified and successfully getting the credit they have requested," he said. Accounts placed for collection saw a nice jump back into the expansion zone with a reading of 53.5 up from 49 in May. The disputes category stayed roughly the same with a reading of 48.3; May's reading was 48.2. It is close to leaving contraction, but has a way to go yet. The dollar amount beyond terms fell a little from the 51.8 noted last month, but it is still in expansion territory with a reading of 50.2. The dollar amount of customer deductions rose a bit, but still sits in contraction territory with a reading 49.8, up from 48.4. The filings for bankruptcies stayed right where it was last month with a reading of 52." – Andrew Michaels, Editorial Associate, NACM

Source: http://web.nacm.org/CMI/PDF/CMIcurrent.pdf; 6/28/19

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Private Indicators

National Association of Credit Management – Credit Managers' Index

"Thus far, the worries that have affected the industrial community have not sent the manufacturing economy into a tailspin. The threats posed by the trade and tariff wars have been put off a number of times as there have been exemptions granted to major steel exporters to the U.S. (Brazil, South Korea)," Kuehl said. "It is expected that both Canada and Mexico will be next. The European tariffs have been delayed and the threats to Mexican business have not materialized. Even the most draconian of the restrictions on China have been put off for the time being." – Andrew Michaels, Editorial Associate, NACM

Service Sector

"The changes were minor as far as the service data is concerned — almost no change in the overall score from last month as it dropped from 55.9 to 55.1. "This is consistent with much of the other national data that has been produced of late," Kuehl explained. "There has been relatively little movement in the big service areas such as retail and construction, although there are signals of a decline on the horizon with new home starts down and consumer confidence waning. " The index of favorable factors slipped a little, but stayed in the 60s with a reading of 62.4 after one of 64.6 in May. The index of unfavorable factors also remained about the same with a reading this month of 50.2 compared to 50.1 the month before.

When one looks at the breakdown within each category, there is more variety. The sales data was very high last month with a reading of 68.5. It fell back to more normal levels with a reading of 62.3. The new credit applications shifted down a little as well with a reading of 62.4 compared to the 64.6 seen in May. The dollar collections data improved though — good news for the credit managers. It was just shy of the 60 mark in May with a reading of 59.1 and is now standing at 61.4. The amount of credit extended slid a bit as it went from 66.3 to 63.7. "All in all, this month was weaker than in May, but the numbers have remained solidly in the 60s, which is certainly growth," Kuehl said." – Andrew Michaels, Editorial Associate, NACM

Source: http://web.nacm.org/CMI/PDF/CMIcurrent.pdf; 6/28/19

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National Association of Credit Management – Credit Managers' Index

Service Sector

"The shifts as far as the unfavorables were not quite as dramatic. The rejections of credit applications remained very close to 50, the line separating expansion from contraction. It was 51.2 last month and 51 this month. Kuehl noted that given the slowdown in applications, it is good news that rejection levels have not worsened. The accounts placed for collection reading remained in the contraction zone, but improved a little as it went from 45.1 to 46.6. The reading of 46.6 was the lowest in two years. "It is encouraging to see it start to recover a little," he said. The disputes category slipped a bit as it moved from 49 to 48.8. "This is often an early sign of some trouble down the road." The dollar amount beyond terms reading fell back into contraction territory with a reading of 49.3 as opposed to the 50.9 that was registered last month. "This is another of those early warning readings that often signals bigger issues down the road," he added. "Those slow pays become collections far too often and some slide as far as bankruptcy." The dollar amount of customer deductions improved a little, certainly encouraging as it went from 50.1 to 50.3. There was also some additional good news coming from the filings for bankruptcy category as it moved from 54.5 to 55. "Even with all the trepidation, there are not as many companies throwing in the towel," Kuehl said. "That is something that usually happens in retail right after the conclusion of the holiday season as companies soon know if the business they did during that period was enough to keep them afloat."

Kuehl believes that the test for the service sector will come this summer as many of the major categories are going into their peak seasons. Retail and entertainment as well as travel all wait for the summer months. This is also a peak time for much of the construction sector." – Andrew Michaels, Editorial Associate, NACM

Source: http://web.nacm.org/CMI/PDF/CMIcurrent.pdf; 6/28/19

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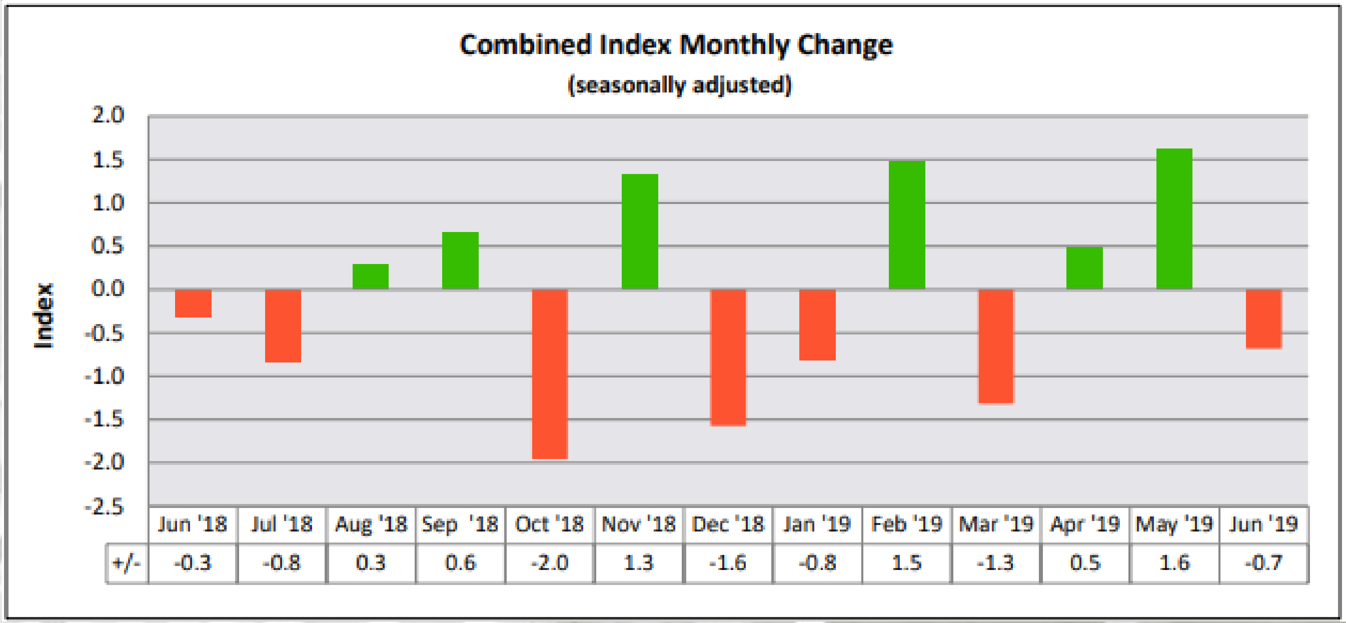
Private Indicators

Combined Manufacturing and Service Sectors (seasonally adjusted)	Jun '18	Jul '18	Aug '18	Sep '18	Oct '18	Nov '18	Dec '18	Jan '19	Feb '19	Mar '19	Apr '19	May '19	Jun '19
Sales	69.6	63.9	65.0	68.8	62.7	64.5	59.0	59.7	62.6	58.2	61.0	65.9	60.4
New credit applications	60.5	61.2	62.5	61.9	61.7	62.2	57.5	58.2	58.9	57.8	59.7	64.2	62.4
Dollar collections	63.2	61.0	62.6	62.8	57.5	60.9	59.3	59.0	59.1	56.6	59.1	59.8	60.3
Amount of credit extended	66.2	66.1	66.9	67.1	64.5	65.3	61.9	61.2	62.3	63.5	60.6	65.4	62.5
Filings Index of favorable factors	64.9	63.1	64.3	65.2	61.6	63.2	59.4	59.5	60.7	59.0	60.1	63.8	61.4
Rejections of credit applications	51.2	52.5	52.2	51.8	51.4	51.4	51.4	51.8	52.1	51.2	52.0	51.8	52.4
Accounts placed for collection	51.3	49.9	49.0	50.2	48.8	48.2	49.7	48.2	49.0	46.4	48.5	47.0	50.0
Disputes	48.3	47.7	46.4	47.6	48.9	50.1	49.6	47.1	48.5	49.5	48.5	48.6	48.6
Dollar amount beyond terms	49.2	47.4	48.5	49.9	47.7	52.3	49.3	47.4	51.3	50.0	47.6	51.3	49.8
Dollar amount of customer deductions	48.1	47.9	48.7	48.6	49.5	49.6	49.7	48.0	50.0	48.8	49.7	49.3	50.0
Filings for bankruptcies	55.7	57.4	55.9	55.6	52.1	53.6	55.0	53.8	54.9	53.7	53.9	53.3	53.5
Index of unfavorable factors	50.6	50.5	50.1	50.6	49.7	50.9	50.8	49.4	51.0	49.9	50.0	50.2	50.7
NACM Combined CMI	56.3	55.5	55.8	56.4	54.5	55.8	54.2	53.4	54.9	53.6	54.0	55.7	55.0



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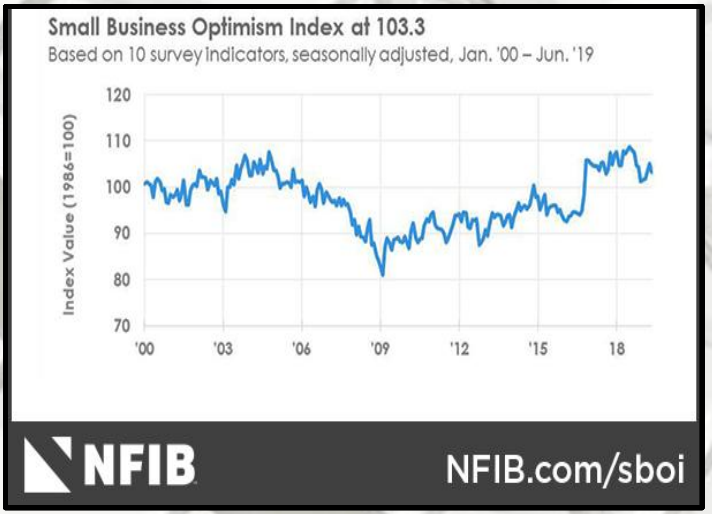

June 2019 Report:

"America's small business owners' optimism took a modest downturn in June, according to the NFIB Small Business Optimism Index, slipping 1.7 points to 103.3. While optimism remains at historically high levels, the June figure reverses the gain posted in May, with six components falling, three improving, and one unchanged. The Uncertainty Index rose substantially, increasing seven points to the highest level since March 2017.

Small Business Optimism Reverses Last Month's Gain as Uncertainty Rises

"Both capital spending plans and reports of actual spending fell in June, reversing last month's gains. The inventory component strengthened in June with owners saying existing inventory stocks were lean and planning to add to them. Sales and earnings trends softened, while expected credit conditions remained favorable. More owners expect credit conditions to tighten rather than ease by a two-to-one margin, with most expecting no change.

Twenty-six percent of owners plan capital outlays in the next few months, down four points, and an indication there is more reluctance to make major spending commitments when the future becomes less certain. Fifty-four percent reported capital outlays, down 10 points. Of those making expenditures, 40 percent reported spending on new equipment (down four points), 22 percent acquired vehicles (down seven points), and 12 percent improved or expanded facilities (down seven points)." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 7/9/19

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Small Business Optimism Reverses Last Month's Gain as Uncertainty Rises

"Last month, small business owners curbed spending, sales expectations and profits both fell, and the outlook for expansion dampened. When you add difficulty finding qualified workers and harmful state level laws and regulations, you're left with a volatile mix where uncertainty has increased to levels not seen in more than two years" – Juanita D. Duggan, President and CEO, NFIB

"As expectations for sales gains and the general business environment faded, uncertainty levels increased. Still, job openings and plans to create jobs remain historically very strong, and while it's not as 'hot' as May, Main Street is still running strong.

Contextually, owners expecting higher real sales volumes averaged a net negative three percent in the 12 months leading up to November 2016, making the current reading look relatively good, but not as good as the 31 percent reading in May of last year. The economy is still advancing at a solid pace, but it is expected to be a slower pace than the first quarter." – Bill Dunkelberg, Chief Economist, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 7/9/19

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Small Business Optimism June

“The net percent of owners reporting inventory increases fell two points to a net zero percent, indicating no further building in inventory stocks in June. The net percent of owners viewing current inventory stocks as “too low” rose four points to a net zero percent, overall balance. Major imbalances reported in May have been resolved in most industries with the exception of manufacturing (18 percent too large, five percent too low) and agriculture (eight percent too large, 14 percent too low). The net percent of owners planning to expand inventory holdings did increase one point to a net three percent, a solid number.

A net seven percent of all owners (seasonally adjusted) reported higher nominal sales in the past three months, down two percentage points but a very solid reading. The net percent of owners expecting higher real sales volumes fell six points to a net 17 percent of owners. Excluding the government shutdown earlier this year, this is the weakest reading since September 2017.

The frequency of reports of positive profit trends slipped six points to a net negative seven percent reporting quarter on quarter profit improvements. Twenty-seven percent of those reporting weaker profits blamed sales (down three points), 12 percent blamed labor costs (up five points), 11 percent cited materials costs, and nine percent cited lower selling prices (down two points).” – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 7/9/19

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Small Business Optimism June

"Three percent of owners reported that all their borrowing needs were not satisfied, unchanged and historically very low. Twenty-nine percent reported all credit needs met (down five points) and 55 percent said they were not interested in a loan, up one point. A record low two percent reported their last loan was harder to get than the previous one. Two percent reported that financing was their top business problem (unchanged) compared to 21 percent citing the availability of qualified labor, 18 percent citing taxes, 13 percent regulations and red tape.

As reported in the June NFIB Jobs Report, small business owners added a net addition of 0.21 workers per firm, with 21 percent citing the difficulty of finding qualified workers as their *Single Most Important Business Problem*. Fifty-eight percent of owners reported hiring or trying to hire employees, down four points from last month, but 50 percent reported few or no qualified applicants for the positions they were trying to fill." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 7/9/19

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Demographics

Escaping the Housing Shortage

Despite the continuing economic expansion, home construction remains extremely low by historical benchmarks, constrained by the scarcity of undeveloped land in desired locations and land use regulations. Escaping the resulting housing shortage will take many years and likely require a shift toward multifamily construction, the freeing up of single-family homes by downsizing baby boomers, and the faster relative growth of medium-sized metropolitan areas.

"… Multifamily construction also appears to be constrained by supply-side factors in the face of strong underlying demand. For example, the current vacancy rate of apartments is very low by historical benchmarks (notwithstanding some saturation in the market for luxury units near metropolitan downtowns), suggesting the supply of apartments is low relative to demand. Consistent with this interpretation, apartment rents have been continually increasing at a close to 4 percent annual rate since late 2014 (Chart 3). In contrast, growth in other consumer prices, as measured by the core Consumer Price Index excluding shelter, has stayed close to 1 percent.

High home prices and rents are significantly dampening household formation, especially for adults in their twenties and thirties. Chart 4 shows that the share of adults age 25–39 living with their parents increased steadily from 2001 to 2017. This increase was especially strong for adults age 25–29, rising from 15 percent in 2004 to 27 percent in 2017. In addition, many more adults in this age group are living with housemates. For example, the share of adults age 25–29 living with a non-romantic housemate increased by one-third from 2004 to 2017. As a result, the headship rate for people in their twenties and thirties – the number of households headed by someone in this age range per 100 persons in this age range – has been moving steadily down." – Jordan Rappaport, Senior Economist, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/en/publications/research/eb/articles/2019/escaping-housing-shortage; 6/5/19

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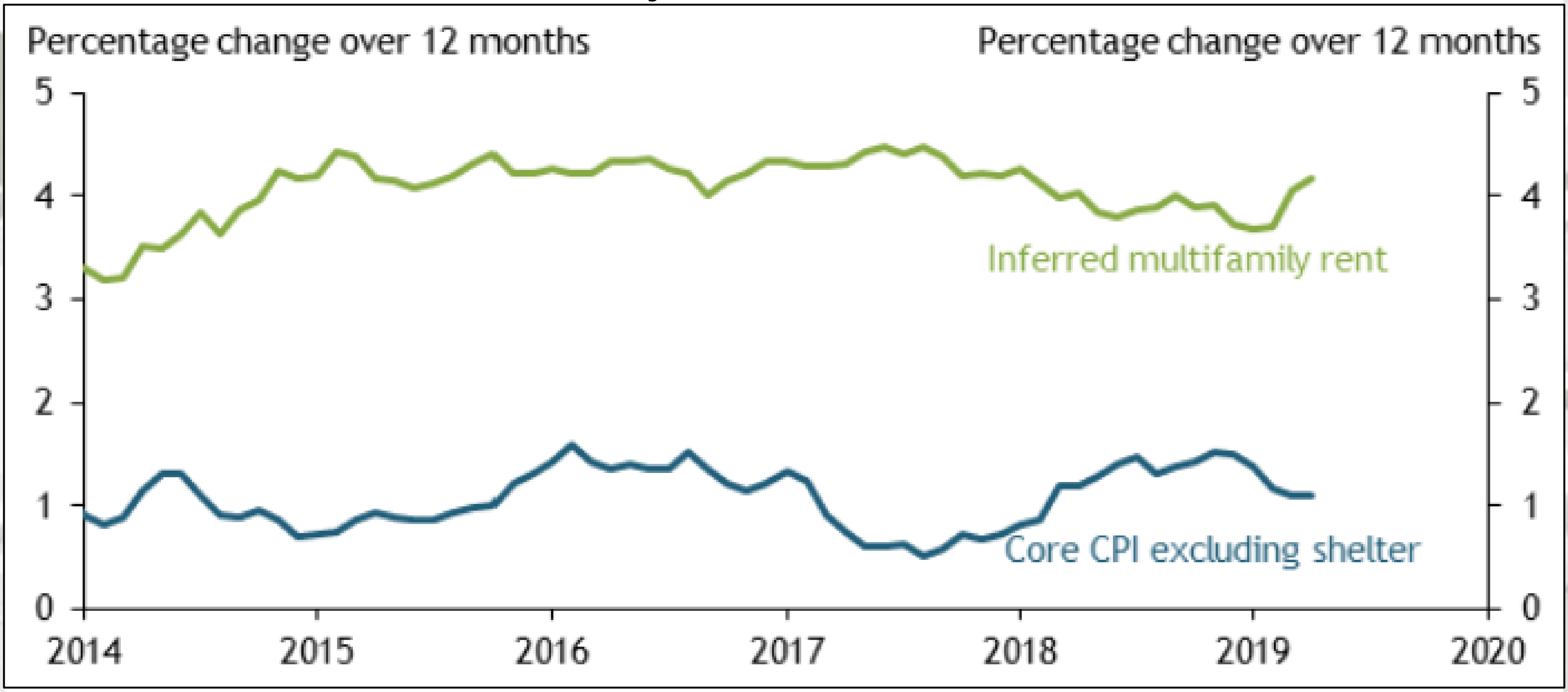
Demographics

Chart 3: Growth in Multifamily Home Rents

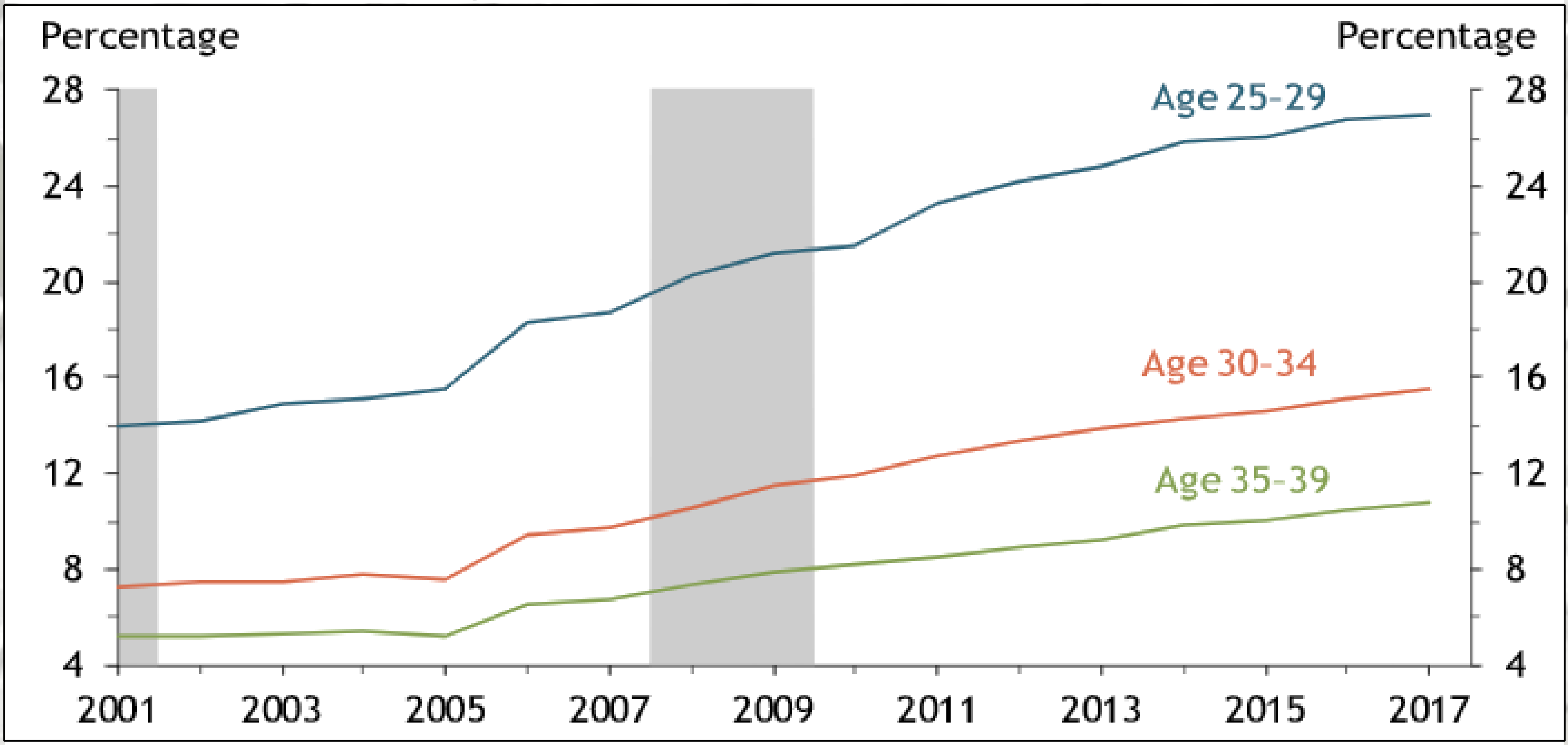


Source: Bureau of Labor Statistics (Haver Analytics).

Source: https://www.kansascityfed.org/en/publications/research/eb/articles/2019/escaping-housing-shortage; 6/5/19

Demographics

Chart 4: Adults Living with Parents



Note: Gray bars denote NBER-defined recessions.
Sources: Census Bureau (Haver Analytics), NBER (Haver Analytics), and author's calculations.

Escaping the Housing Shortage

"Reversing the trend of rising rents and declining household formation may require an uptick in home construction in the face of several obstacles. For multifamily construction, land use regulations appear to be the main constraint. In urban areas, builders face maximum density restrictions, caps on permits, and lengthy approval processes. And in suburban areas, minimum lot size and maximum floor space requirements — along with opposition from single-family homeowners — tightly restrict multifamily construction." – Jordan Rappaport, Senior Economist, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/en/publications/research/eb/articles/2019/escaping-housing-shortage; 6/5/19

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