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

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2019 Virginia Polytechnic Institute and State University VCE-CNRE 92NP

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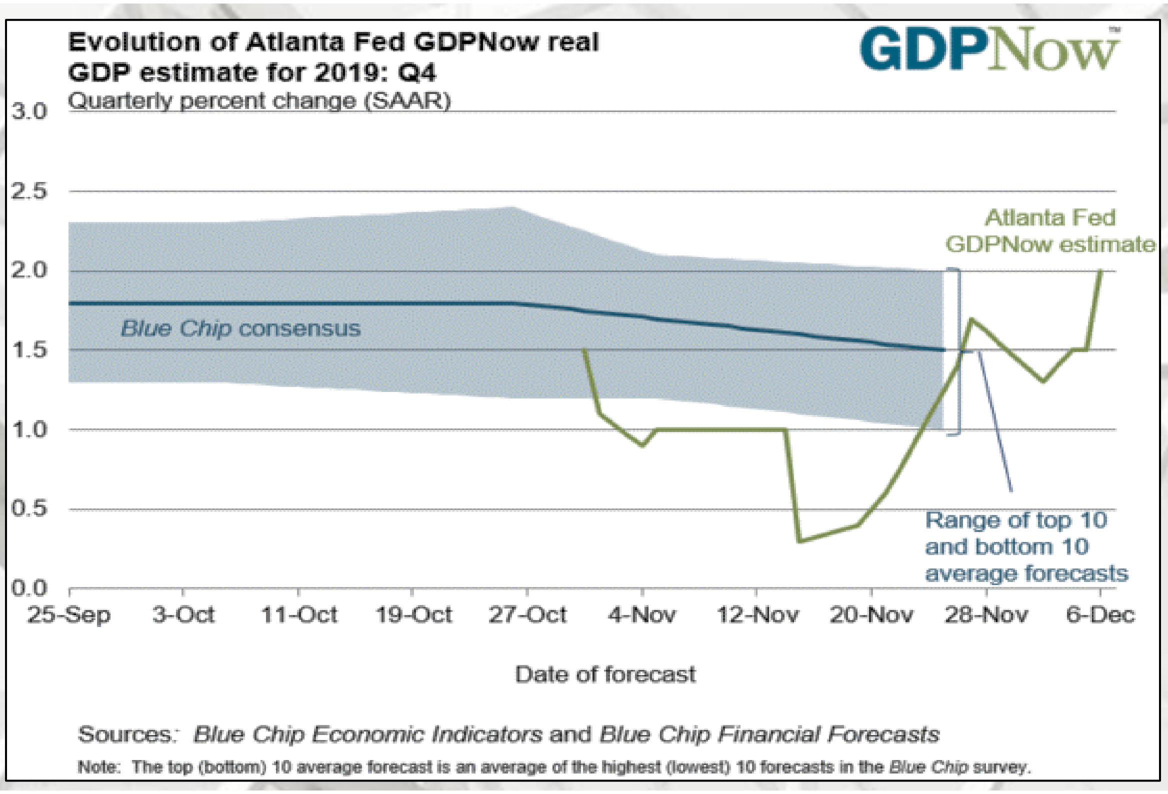
U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest forecast: 1.0 percent — December 6, 2019

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2019 is **2.0 percent** on December 6, up from 1.5 percent on December 5. After this morning's release of the employment report by the U.S. Bureau of Labor Statistics and this morning's wholesale trade report from the U.S. Census Bureau, the nowcasts of fourth-quarter real personal consumption expenditures growth and fourth-quarter real gross private domestic investment growth increased from 2.0 percent and -2.8 percent, respectively, to 2.3 percent and -0.8 percent, respectively, and the nowcast of the contribution of net exports to fourth-quarter real GDP growth decreased from 0.40 percentage points to 0.35 percentage points." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 12/6/19

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The Federal Reserve Bank of Chicago: Midwest Economy Index

Index Points to little change in Midwest economic growth in October

"The Midwest Economy Index (MEI) edged up to –0.41 in October from –0.45 in September. Contributions to the October MEI from three of the four broad sectors of nonfarm business activity and four of the five Seventh Federal Reserve District states increased from September. The relative MEI increased to –0.28 in October from –0.46 in September. Contributions to the October relative MEI from three of the four sectors and three of the five states increased from September.

The manufacturing sector's contribution to the MEI edged down to –0.32 in October from –0.29 in September. The pace of manufacturing activity decreased in Illinois, Michigan, and Wisconsin, but was unchanged in Indiana and Iowa. Manufacturing's contribution to the relative MEI ticked down to –0.19 in October from –0.18 in September.

The construction and mining sector made a neutral contribution to the MEI in October, up from –0.03 in September. The pace of construction and mining activity was faster in Illinois, Indiana, and Michigan, but unchanged in Iowa and Wisconsin. The contribution from construction and mining to the relative MEI increased to +0.08 in October from +0.01 in September.

The service sector contributed –0.09 to the MEI in October, up slightly from –0.10 in September. The pace of service sector activity was up in Indiana, Iowa, and Michigan, but down in Wisconsin and unchanged in Illinois. The service sector's contribution to the relative MEI increased to –0.18 in October from –0.28 in September." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/~/media/publications/mei/2019/mei-october2019-pdf.pdf; 12/2/19

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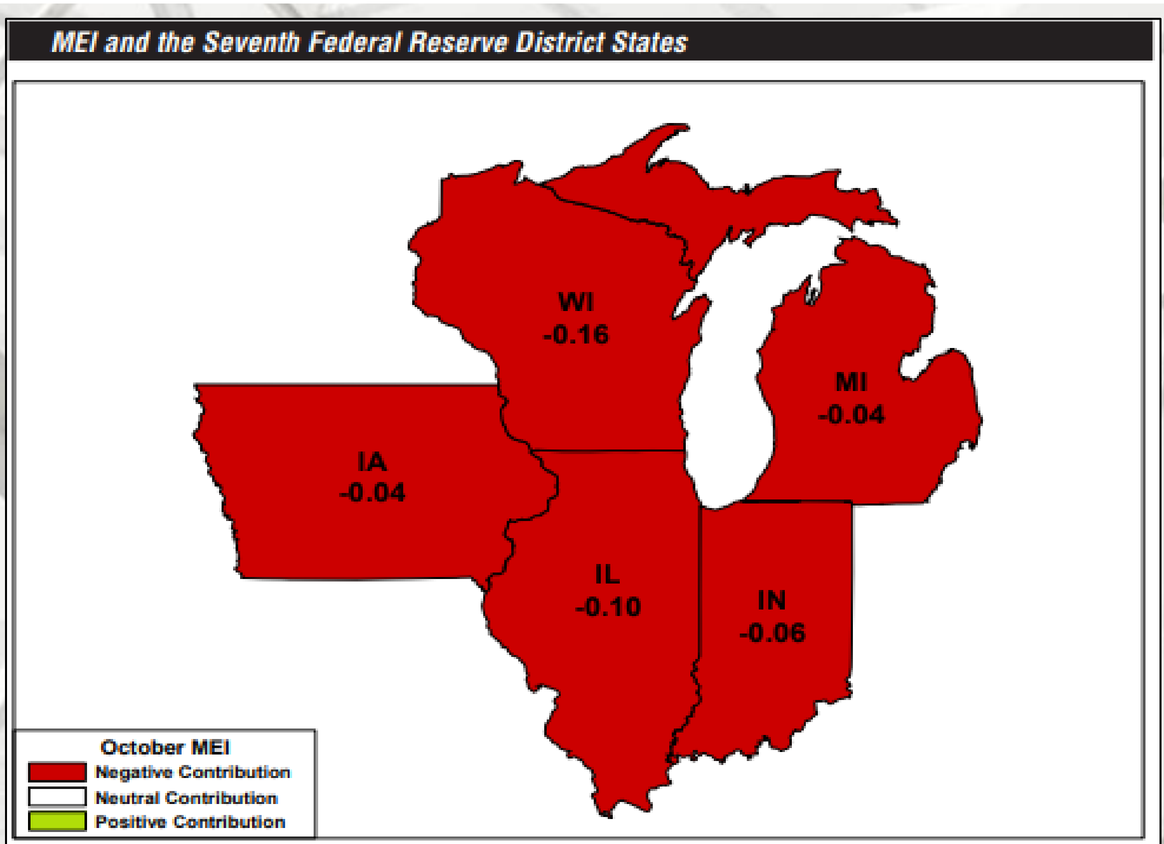
The Federal Reserve Bank of Chicago: Midwest Economy Index



Note: The map's coloring 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 October

"Consumer spending indicators made a neutral contribution to the MEI in October, up from –0.02 in September. Consumer spending indicators were, on balance, up in Indiana and Michigan, but steady in Illinois, Iowa, and Wisconsin. Consumer spending's contribution to the relative MEI edged up to +0.02 in October from –0.01 in September." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/~/media/publications/mei/2019/mei-october2019-pdf.pdf; 12/2/19

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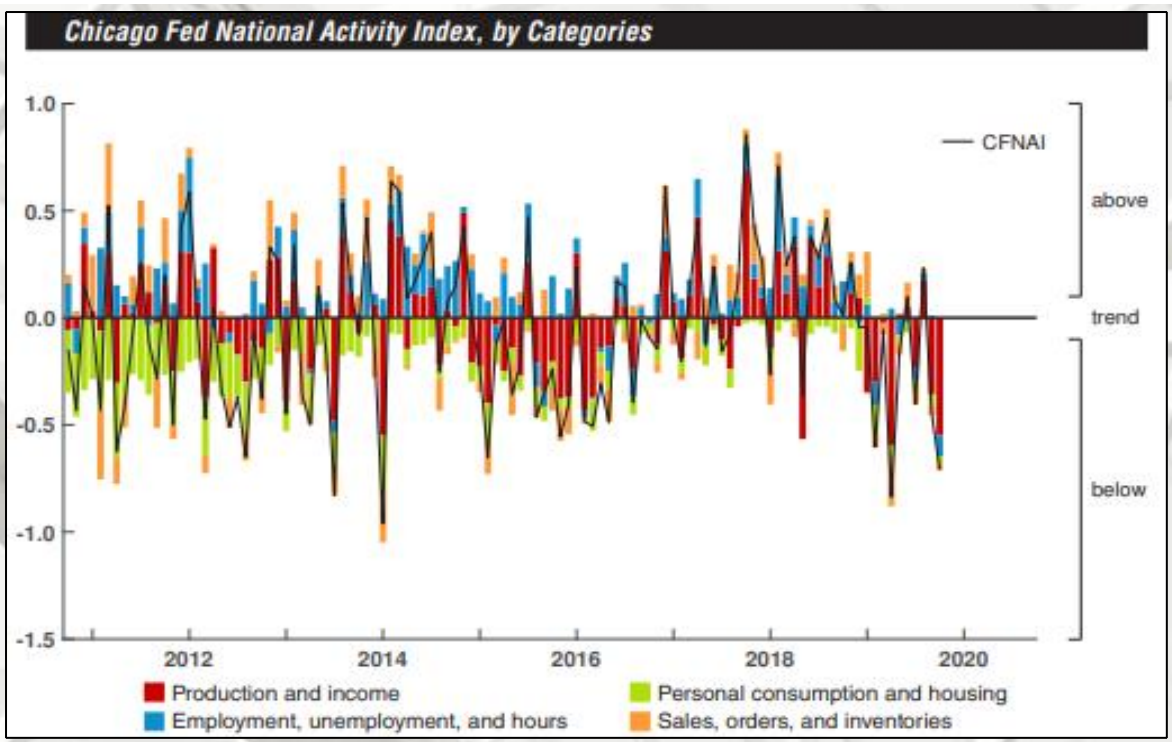
The Federal Reserve Bank of Chicago: National Activity Index



Index Suggests Economic Growth Slowed Further in October

"Led by declines in production-related indicators, the Chicago Fed National Activity Index (CFNAI) fell to –0.71 in October from –0.45 in September. Two of the four broad categories of indicators that make up the index decreased from September, and all four categories made negative contributions to the index in October. The index's three-month moving average, CFNAI-MA3, moved down to –0.31 in October from –0.21 in September.

The CFNAI Diffusion Index, which is also a three-month moving average, edged up to –0.22 in October from –0.24 in September. Twenty-seven of the 85 individual indicators made positive contributions to the CFNAI in October, while 58 made negative contributions. Thirty-four indicators improved from September to October, while 49 indicators deteriorated and two were unchanged. Of the indicators that improved, 20 made negative contributions." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/; 11/25/19

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The Federal Reserve Bank of Chicago: National Activity Index

Index Suggests Economic Growth Slowed Further in October

"Production-related indicators contributed –0.55 to the CFNAI in October, down from –0.36 in September. Total industrial production fell 0.8 percent in October after decreasing 0.3 percent in September. The contribution of the sales, orders, and inventories category to the CFNAI ticked up to –0.03 in October from –0.04 in September.

Employment-related indicators contributed –0.10 to the CFNAI in October, down from +0.01 in September. Total nonfarm payrolls increased by 128,000 in October after rising by 180,000 in September, and the unemployment rate ticked up to 3.6 percent in October from 3.5 percent in the previous month. The contribution of the personal consumption and housing category to the CFNAI edged up to –0.03 in October from –0.05 in September. Housing starts increased to 1,314,000 annualized units in October from 1,266,000 in September.

The CFNAI was constructed using data available as of November 21, 2019. At that time, October data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. There was no revision to the September monthly index value, but the August monthly index value was revised to +0.23 from last month's estimate of +0.15. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The revision to the August monthly index value was primarily due to the former." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/; 11/25/19

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The Federal Reserve Bank of Dallas

Texas Manufacturing Activity Weakens Slightly

"Texas factory activity contracted slightly in November, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, dipped into negative territory for the first time since mid-2016, falling seven points to -2.4.

Other measures of manufacturing activity were also negative in November, suggesting declines. The new orders index remained negative for a second month in a row, coming in at -3.0. The growth rate of orders index pushed further into negative territory, falling from -5.9 to -9.3. The capacity utilization and shipments indexes turned negative after three years in positive territory, falling to -5.3 and -4.5, respectively.

Perceptions of broader business conditions worsened slightly in November. The general business activity index remained negative but moved up from -5.1 to -1.3. The company outlook index fell 11 points to -2.1. Both indexes have oscillated between positive (expansionary) and negative (contractionary) territory this year, with the latest barely-negative readings suggesting modest contraction. The index measuring uncertainty regarding companies' outlooks moved up to 17.1, a reading well above average.

Labor market measures suggested stable employment levels and shorter workweeks this month. The employment index retreated from 11.0 to 0.9, with the near-zero reading suggesting little to no job growth on balance. Eighteen percent of firms noted net hiring, while 17 percent noted net layoffs. The hours worked index dipped from 4.7 to -4.3. Prices and wages continued to rise in November, although growth in selling prices was quite muted. Upward pressure on raw materials eased somewhat, with the index declining five points to 17.8. The finished goods prices index retreated to 1.9, with the vast majority of manufacturers noting no change in selling prices from October. The wages and benefits index held steady at 21.1." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tmos/2019/1911.aspx; 11/25/19

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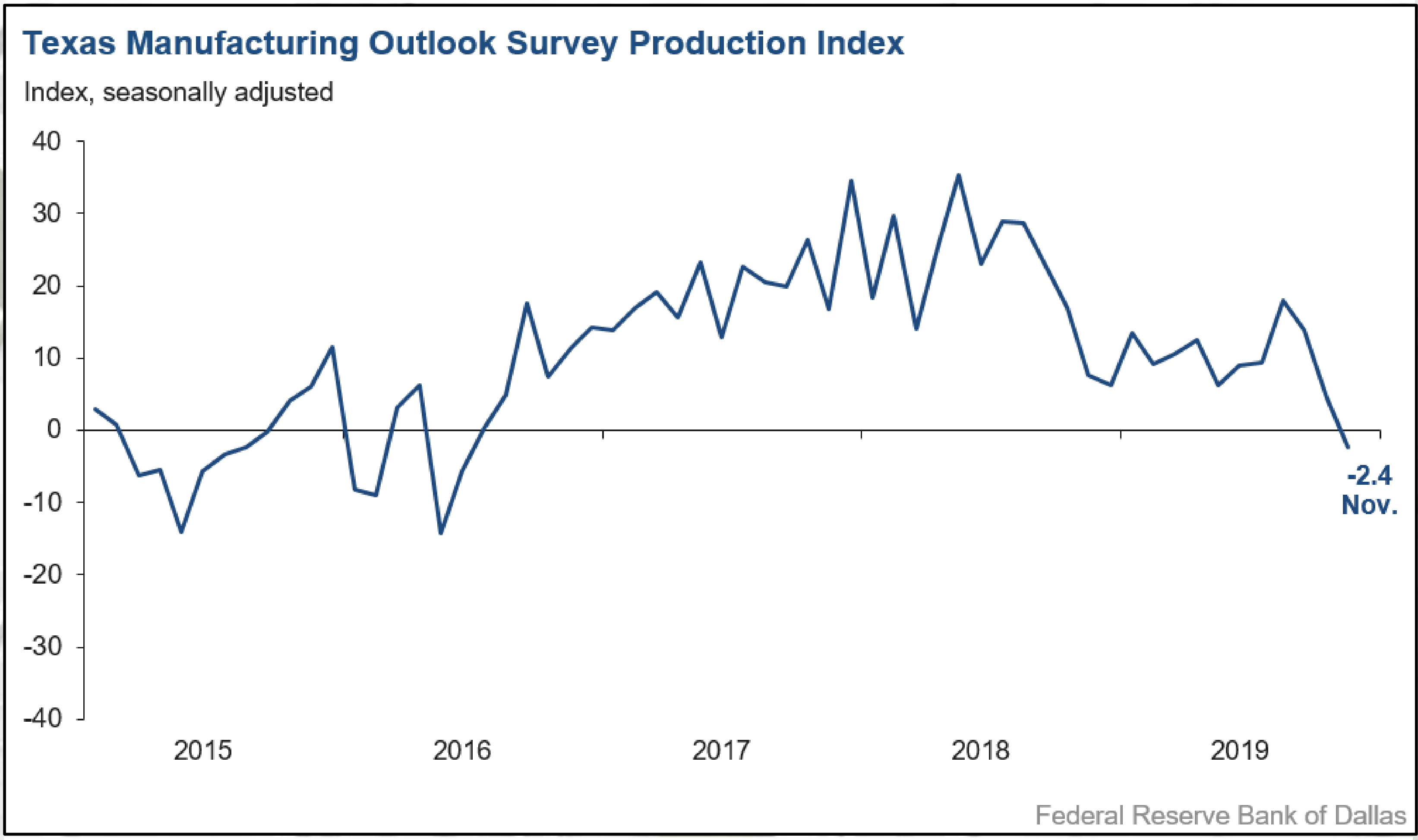
The Federal Reserve Bank of Dallas



Texas Manufacturing Activity Weakens Slightly

"Expectations regarding future business conditions remained optimistic in November. The index of future general business activity rose five points to 7.3, while the index of future company outlook edged up to 17.0. Other indexes for future manufacturing showed mixed movements but remained solidly in positive territory." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tmos/2019/1911.aspx; 11/25/19

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The Federal Reserve Bank of Dallas

Texas Service Sector Expands at Slightly Slower Pace

"The Texas service sector continued to grow in November, though at a slightly slower rate, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, decreased from 15.4 in October to 12.2 in November.

Labor market indicators reflected somewhat slower employment growth and slightly longer workweeks this month. The employment index decreased from 9.1 to 7.0, suggesting a slight deceleration in hiring, while the hours worked index ticked up to 2.9. Part-time employment decreased, however, with the index declining to -2.2 – its lowest reading since 2015.

Perceptions of broader business conditions continued to improve. The general business activity index increased nearly three points to 4.7, while the company outlook index was unchanged at 10.3. The outlook uncertainty index declined to a nine-month low of 11.2.

Wage pressures eased in November, while price pressures were mostly unchanged. The wages and benefits index slipped from 19.9 to 16.2. The selling prices index ticked up slightly from -1.0 to 0.7, suggesting no net change in prices compared with October; the input prices index was steady at 24.7." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tssos/2019/1911.aspx; 11/26/19

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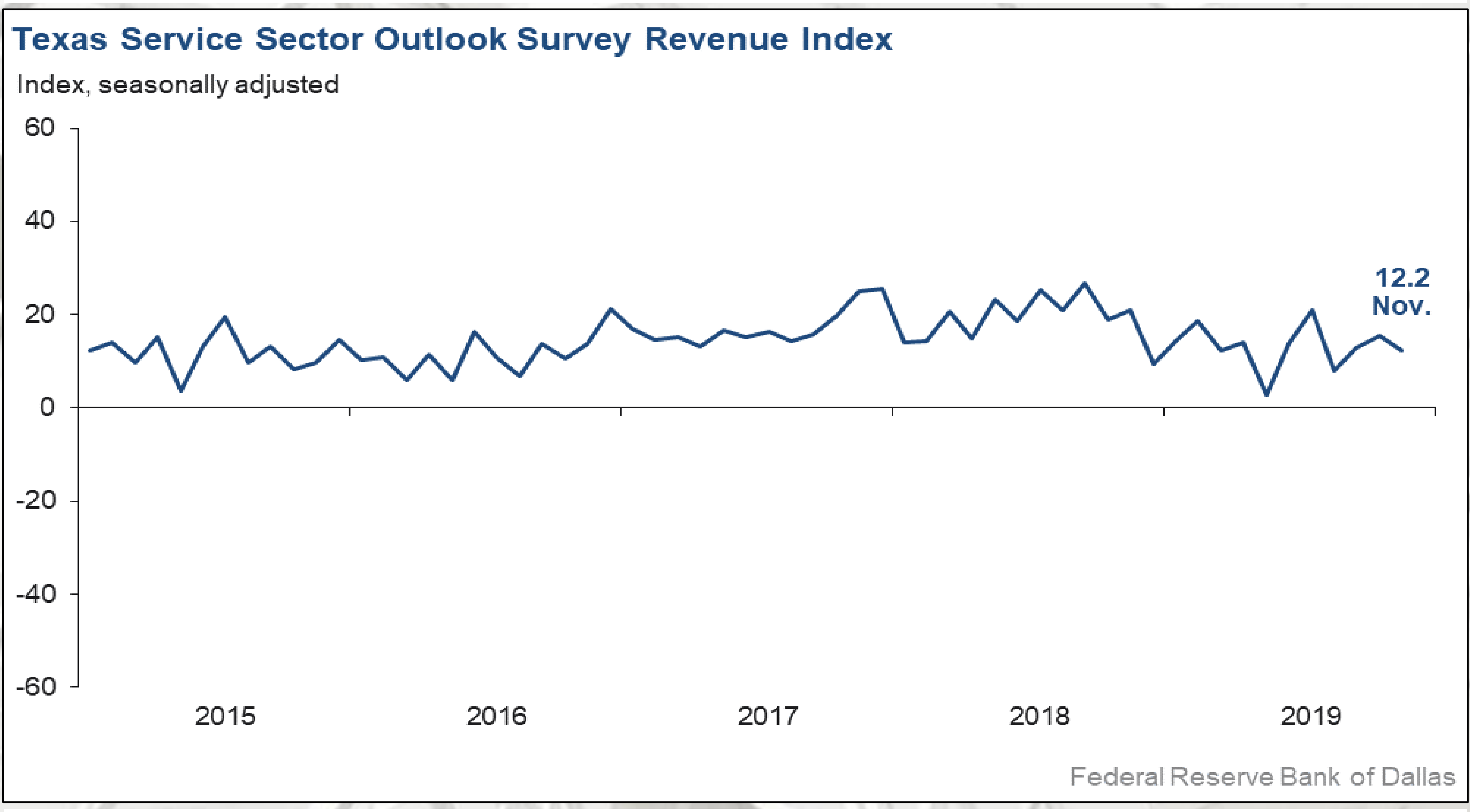

Texas Service Sector Expands at Slightly Slower Pace

"Respondents' expectations regarding future business conditions were significantly improved in November. The future company outlook index surged nearly seven points to 17.6, while the future general business activity index picked up over eight points to 8.5. Other indexes of future service sector activity, such as revenue and employment, remained in solidly positive territory, suggesting expectations of continued growth over the next six months." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tssos/2019/1911.aspx; 11/26/19

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The Federal Reserve Bank of Dallas

Retail Sales Continue to Grow

"Growth in retail sales remained solid but decelerated slightly in November, according to business executives responding to the Texas Retail Outlook Survey. The sales index fell slightly from 7.5 to 6.2. Inventories stabilized, with the inventories index increasing six points to -0.5.

Retail labor market indicators were somewhat mixed in November, as respondents indicated faster overall employment growth and similar workweek length compared with October. The employment index rose nearly three points to 7.6, while the part-time employment index fell nearly 10 points to -6.2 — its weakest reading since January. The hours worked index improved from -11.2 to -0.9, indicating no net change in average workweek length.

Retailers' perceptions of broader business conditions reflected optimism in November. The general business activity index spiked nearly 10 points to 9.6, its best reading this year. The company outlook index moderated from 11.1 to 5.4, while the outlook uncertainty index was mostly unchanged at 14.3.

Retail price and wages pressures picked up in November. The input prices index surged over nine points to 20.9, while the selling prices index rose over six points to 17.7. The wages and benefits index inched up one point to 13.8." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tssos/2019/1911.aspx; 11/26/19

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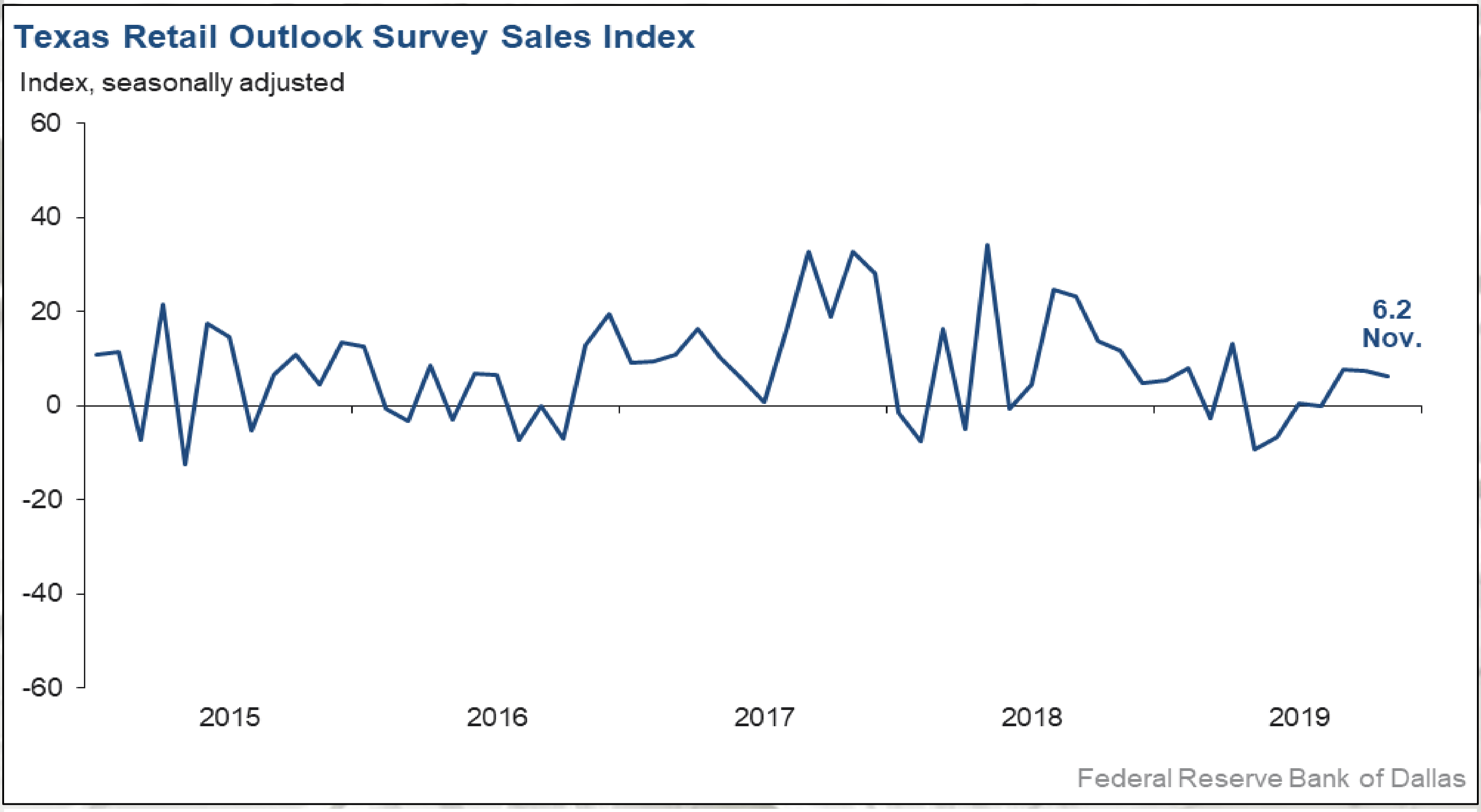
The Federal Reserve Bank of Dallas



Retail Sales Continue to Grow

"Retailers' perceptions of future business conditions were improved this month. The future general business activity index picked up from -7.2 to 1.4, while the future company outlook index was mostly unchanged at 4.6. However, other indexes of future retail activity such as sales and employment weakened notably, suggesting mixed expectations for continued growth over the next six months." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys/tssos/2019/1911.aspx; 11/26/19

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Continued to Decline Modestly in November

Tenth District manufacturing activity continued to decline modestly in November, however expectations for future activity rebounded moderately.

"Tenth District manufacturing activity continued to decline modestly in November, however expectations for future activity rebounded moderately (Chart 1). The month-over-month price indexes for raw materials and finished products both increased and District firms expected prices to increase over the next 6 months.

Factory activity continued to decline modestly in November

The month-over-month composite index was -3 in November, equal to -3 in October, and similar to -2 in September. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The decline in district manufacturing activity continued to be driven by slower activity at durable goods plants, especially from decreases in primary metal, fabricated metal products, machinery, and computer and electronic products manufacturing. Most month-over-month indexes were negative in November. The overall production index turned negative and the materials inventory index declined further. However, the shipments and supplier delivery time indexes expanded somewhat. Year-over-year factory indexes increased slightly in November, and the composite index rose from -1 to 6. The future composite index also grew, increasing from 2 to 15, the highest reading since March 2019." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/research/indicatorsdata/mfg/articles/2019/manufacturing-continued-to-decline-modestly-11; 11/22/19

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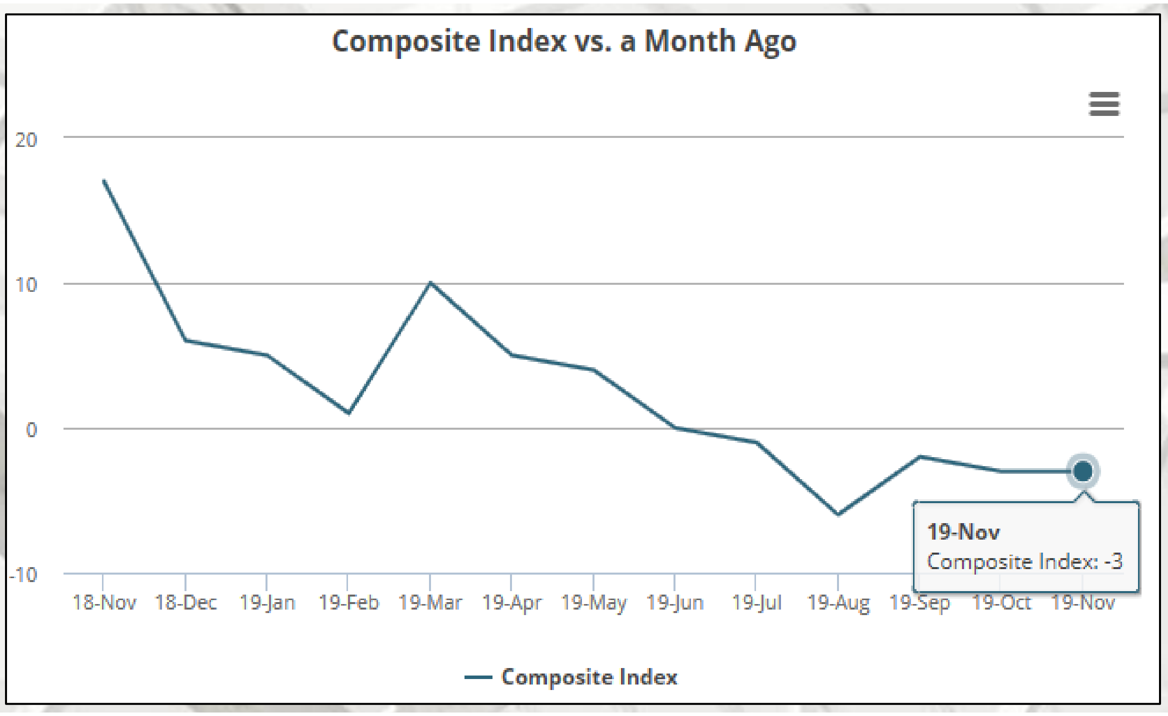
The Federal Reserve Bank of Kansas City



The Federal Reserve Bank of Kansas City
Special questions

"This month contacts were asked special questions about employment plans and changes in wages and salaries to attract or retain employees. While over 48 percent of District manufacturing contacts expected their firms to leave employment unchanged over the next 12 months, nearly 40 percent expected their firms to increase employment levels. Almost 40 percent of contacts indicated they were increasing wages and/or salaries for most job categories by more than in previous years to attract new hires, and 37 percent of contacts indicated they were increasing wages and salaries for most job categories in order to retain existing employees. Another 41 percent and 33 percent of firms reported increased wages and salaries for selected job categories by more than in the past few years in order to attract new hires or retain existing employees, respectively." – Chad Wilkerson, Vice President & Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org/research/indicatorsdata/mfg/articles/2019/manufacturing-continued-to-decline-modestly-11; 11/22/19

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Activity Expanded Moderately in November

Tenth District services expanded moderately in November and expectations for future growth also increased.

"Tenth District services activity expanded moderately in November and expectations for future growth also increased (Chart 1). Input and selling price indexes continued to increase, and at a faster pace compared with a month ago and a year ago. Expectations for future selling prices also rose.

Business expanded moderately in November

The month-over-month services composite index was 10 in November, up from -5 in October, but slightly lower than 16 in September (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Almost all of the month-over-month indexes increased in November. The indexes for employment, employee hours, and inventories all rebounded back into positive territory. The general revenue/sales index also jumped up, driven by increased retail, wholesale, real estate, and restaurant activity. Year-over-year services indexes also grew, as the composite index picked up from 21 to 31 compared to last month. Overall expectations for future services activity expanded from 20 to 29, the highest expected composite index in over a year." – 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/november-2019-services-survey; 11/22/19

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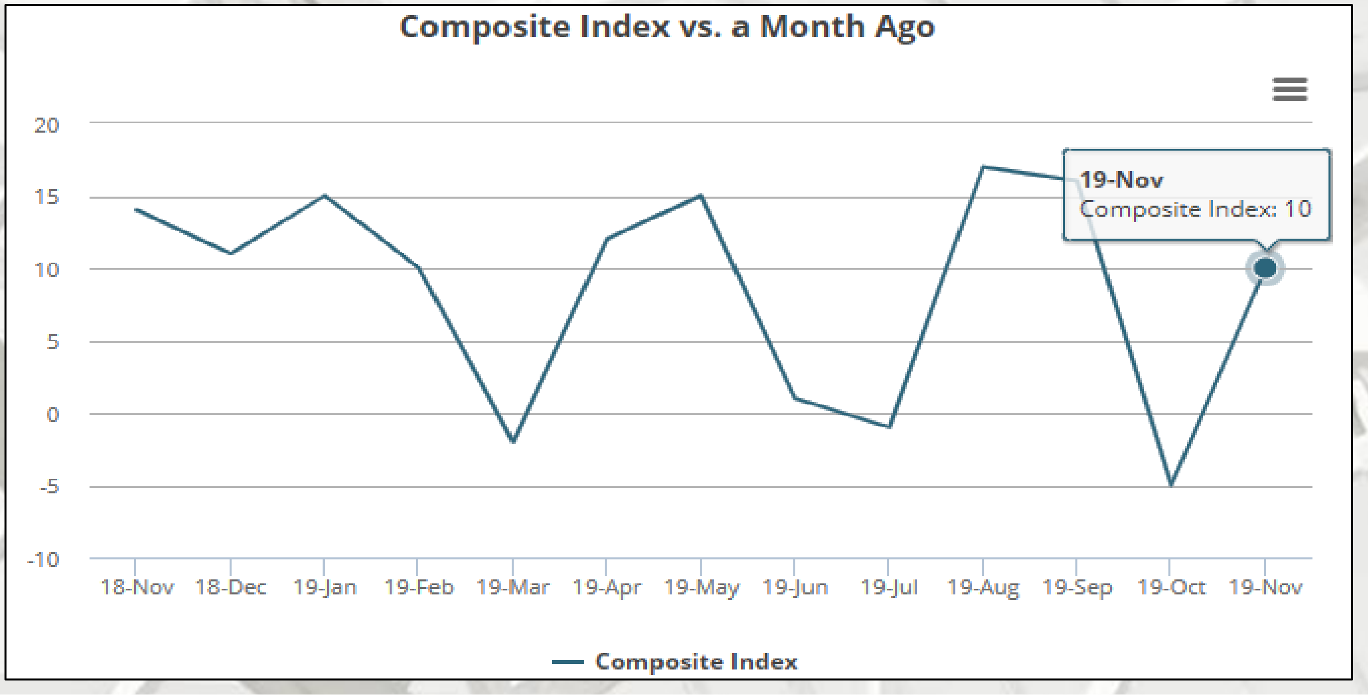

The Federal Reserve Bank of Kansas City
Special questions

"This month contacts were asked special questions about employment plans and changes in wages and salaries to attract or retain employees. Exactly 48 percent of District business contacts expected their firms to leave employment unchanged over the next 12 months, and another 48 percent expected their firms to increase employment levels. Over 34 percent of contacts indicated they were increasing wages and/or salaries for most job categories by more than in previous years to attract new hires, and 33 percent of contacts indicated they were increasing wages and salaries for most job categories in order to retain existing employees. Additionally, 38 percent and 36 percent of firms reported increased wages and salaries for selected job categories by more than in the past few years in order to attract new hires or retain existing employees, respectively." – 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/november-2019-services-survey; 11/22/19

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Growth Remains Sluggish

"Business activity was little changed in New York State, according to firms responding to the November 2019 *Empire State Manufacturing Survey*. The headline general business conditions index came in at 2.9, roughly in line with its level in October. New orders increased slightly, and shipments grew modestly. Delivery times were somewhat shorter and inventories declined. Employment continued to expand, and the average workweek was slightly longer. Input price increases continued to slow, while selling prices increased modestly. Optimism about the six-month outlook remained subdued, while capital spending plans picked up markedly.

Manufacturing firms in New York State reported that business activity was little changed from last month. The general business conditions index was sluggish for the sixth consecutive month, coming in at 2.9 in November. Twenty-eight percent of respondents reported that conditions had improved over the month, while 26 percent reported that conditions had worsened. The new orders index edged up two points to 5.5, pointing to a small increase in orders. The shipments index fell four points to 8.8, a level indicating that shipments grew more modestly than last month. The unfilled orders index remained negative for a sixth consecutive month, indicating that unfilled orders continued to decline. Delivery times shortened and inventories were modestly lower." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 11/14/19

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Ongoing Employment Growth

"The index for number of employees edged up to 10.4, indicating that employment expanded for the third consecutive month. The average workweek index came in at 2.3, indicating a slightly longer workweek. Input price increases continued to decelerate, with the prices paid index moving down three points to 20.5. The prices received index held steady at 6.2.

Optimism Restrained

Indexes assessing the six-month outlook suggested that optimism about future conditions remained subdued. The index for future business conditions came in at 19.4. The index for future unfilled orders turned positive for the first time in several months, and inventories were expected to increase. The capital expenditures index jumped ten points to 19.2, and the technology spending index increased to 15.1." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 11/14/19

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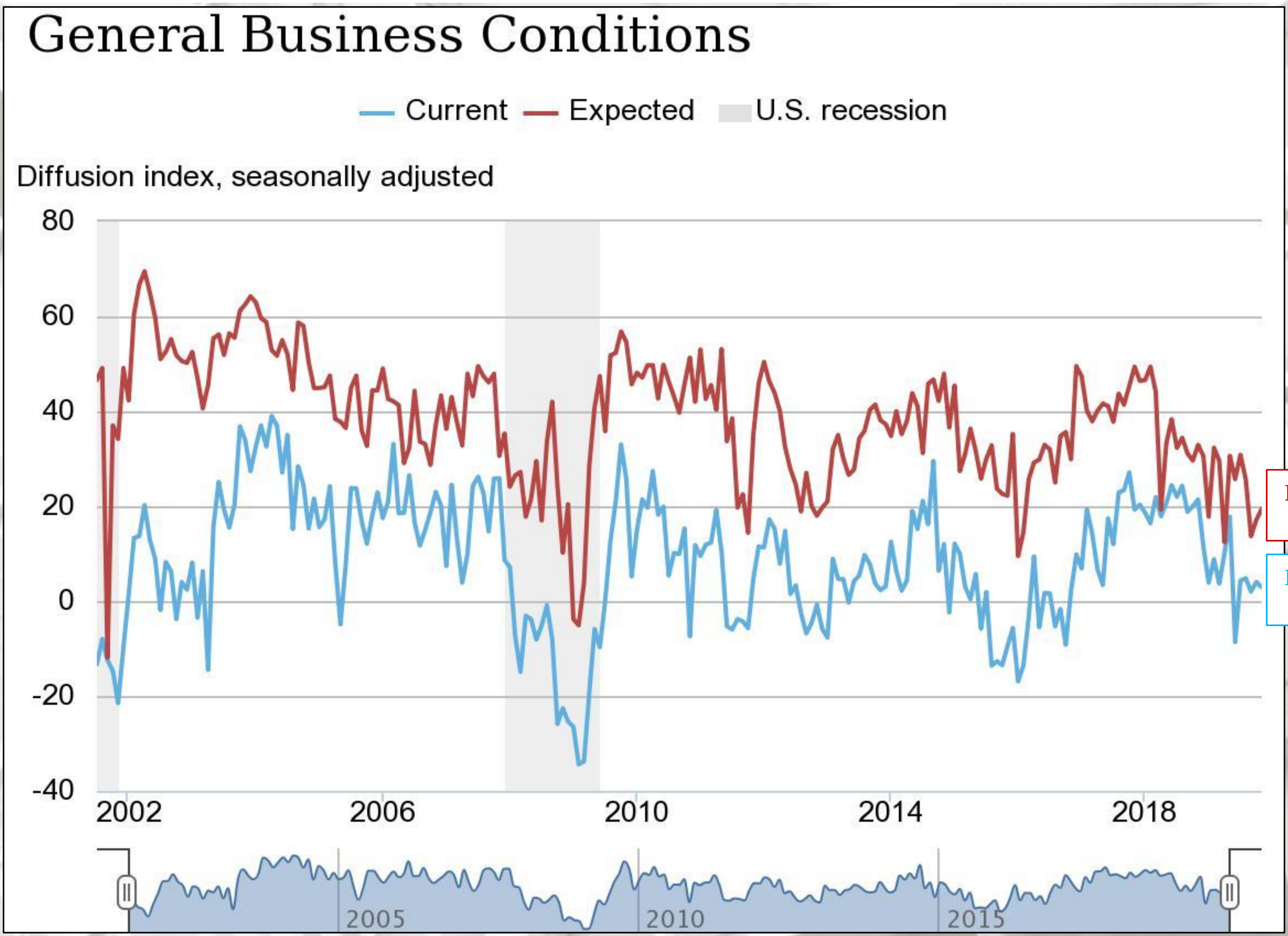
The Federal Reserve Bank of New York



November 2019
19.4

November 2019
2.9

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 11/14/19

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Conditions Remain Sluggish

"After declining last month, activity in the region's service sector grew slightly, according to firms responding to the Federal Reserve Bank of New York's November 2019 *Business Leaders Survey*. The survey's headline business activity index climbed seven points to 2.9. The business climate index remained negative for a third consecutive month, indicating that, on balance, firms regarded the business climate as worse than normal. Employment levels held steady, and wages increased at their slowest pace in nearly two years. Input prices and selling prices increased at a slower pace than last month. Optimism about future conditions improved from October, though firms continued to express pessimism about the future business climate.

Growth in business activity in the region's service sector remained sluggish in November. After dipping below zero last month, the headline business activity index increased seven points to 2.9. Twenty-nine percent of respondents reported that conditions improved over the month, and 26 percent said that conditions worsened. The business climate index increased somewhat, but at -10.5, it indicated that, on balance, firms viewed the business climate as worse than normal." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 11/18/19

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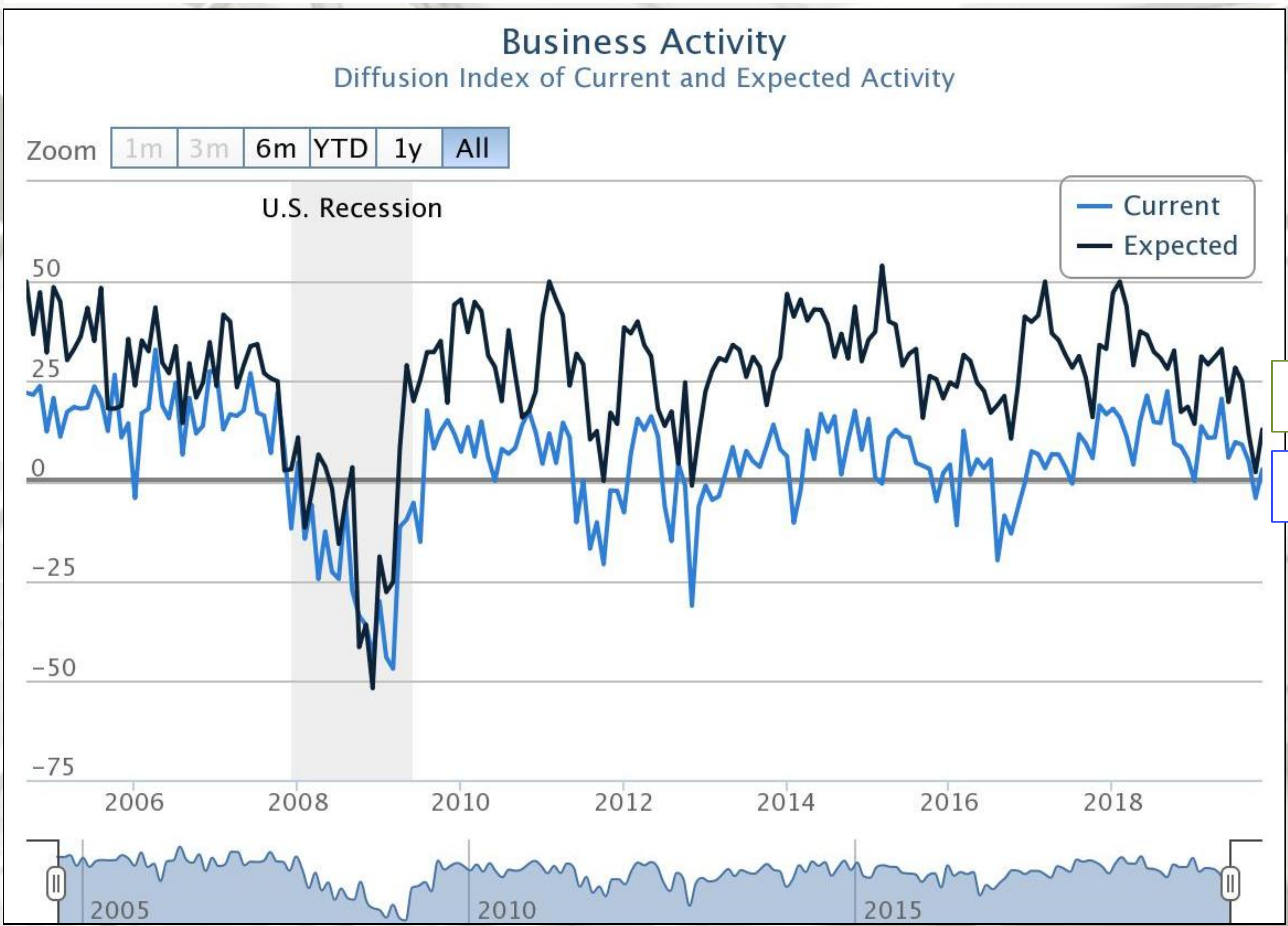
The Federal Reserve Bank of New York



November 2019
12.9

November 2019
2.9

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 11/18/19

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Employment Flat

"The employment index was little changed at 1.2, suggesting that employment levels were steady. The wages index moved down seven points to 31.7, its lowest level in nearly two years, pointing to a slowing in wage growth. The prices paid index fell ten points to 32.9, its lowest level in more than three years, signaling a slowing in input price increases. The prices received index edged down two points to 16.1. The capital spending index came in at 12.0.

Optimism Subdued

Optimism about the six-month outlook remained subdued. After hitting a multiyear low last month, the index for future business activity rose but remained at a relatively low level of 12.9. The index for future business climate held well below zero, indicating that firms continued to expect the business climate to worsen in the months ahead. The index for planned capital spending fell seven points to 11.3." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 11/18/19

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U.S. Economic Indicators

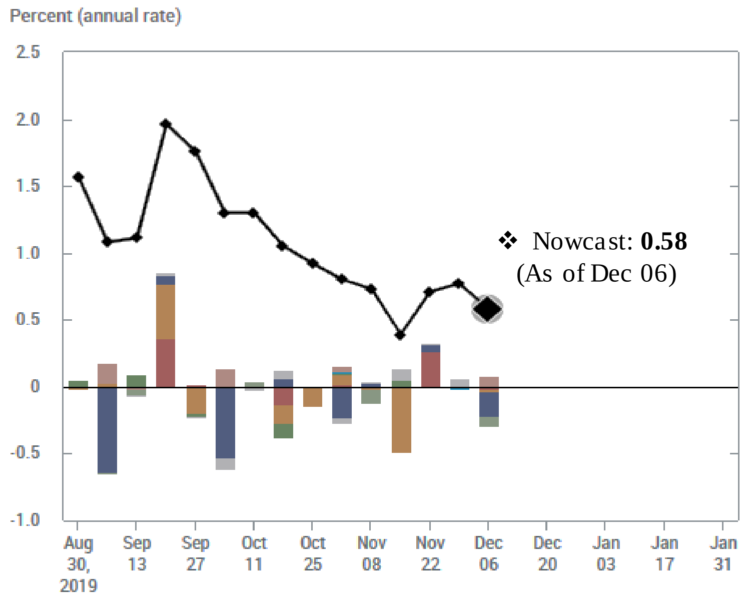
The Federal Reserve Bank of New York Nowcast

2020:Q1 | **2019:Q4** | 2019:Q3 | 2019:Q2

Last Release 11:15am EST Dec 06, 2019

◆ The New York Fed Staff Nowcast ○ Advance GDP estimate □ Latest GDP estimate

■ Housing and construction ■ Manufacturing ■ Surveys ■ Retail and consumption ■ Income ■ Labor ■ International trade ■ Others



Data Flow (Dec 06, 2019)

Model Update	Release Date	Data Series	Actual	Impact	Nowcast GDP Growth
Dec 06					0.58
	8:30AM Dec 06	Civilian unemployment rate	-0.10	0.03	
	8:30AM Dec 06	All Employees: Total nonfarm	266.00	0.06	
	10:00AM Dec 05	Total business inventories	0.21	-0.02	
	8:30AM Dec 05	Imports: Goods and services	-1.67	-0.07	
	8:30AM Dec 05	Exports: Goods and services	-0.21	0.00	
	10:00AM Dec 04	ISM non-mfg.: NMI composite index	53.90	0.00	
	8:10AM Dec 04	ADP nonfarm private payroll employment	67.00	-0.01	
	10:00AM Dec 02	ISM mfg.: Employment index	46.60	-0.07	
	10:00AM Dec 02	Value of construction put in place	-0.82	-0.01	
	10:00AM Dec 02	ISM mfg.: Prices index	46.70	-0.01	
	10:00AM Dec 02	ISM mfg.: PMI composite index	48.10	-0.11	
		Data revisions		0.00	
Nov 29					0.77

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.

December 6, 2019: Highlights

- "The New York Fed Staff Nowcast stands at 0.6% for 2019:Q4 and 0.7% for 2020:Q1.
- News from this week's data releases decreased the nowcast for 2019:Q4 by 0.2 percentage point and decreased the nowcast for 2020:Q1 by 0.3 percentage point.
- Negative surprises from the ISM manufacturing survey were only partially offset by positive surprises from employment data." – The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/research/policy/nowcast; 12/6/19

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U.S. Economic Indicators

The Federal Reserve Bank of Philadelphia

November 2019 Manufacturing Business Outlook Survey

Changes in Current Indicators Were Mixed This Month

"Manufacturing activity in the region continued to grow, according to results from the November *Manufacturing Business Outlook Survey*. The survey's broad indicators remained positive, although their movements were mixed this month: The indicator for general activity increased, but the new orders, shipments, and employment indicators decreased from their readings last month. The survey's future activity indexes remained positive, suggesting continued optimism about growth for the next six months.

Current Indexes Suggest Overall Growth

The diffusion index for current general activity rose 5 points this month to 10.4, after decreasing 6 points in October (see Chart). The percentage of firms reporting increases (30 percent) this month exceeded the percentage reporting decreases (20 percent). The indexes for current shipments and new orders both fell: The current new orders index decreased 18 points, while the shipments index decreased 9 points. Both the unfilled orders and delivery times indexes remained positive this month, suggesting higher unfilled orders and slower delivery times.

The firms reported overall increases in manufacturing employment this month, but the current employment index decreased 11 points to 21.5. Nearly 27 percent of the firms reported higher employment, compared with 34 percent last month. Over 5 percent of the firms reported decreases in employment this month, while 68 percent reported no change. The average workweek index also decreased but remained positive." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/-/media/research-and-data/regional-economy/business-outlook-survey/2019/bos1119.pdf; 11/21/19

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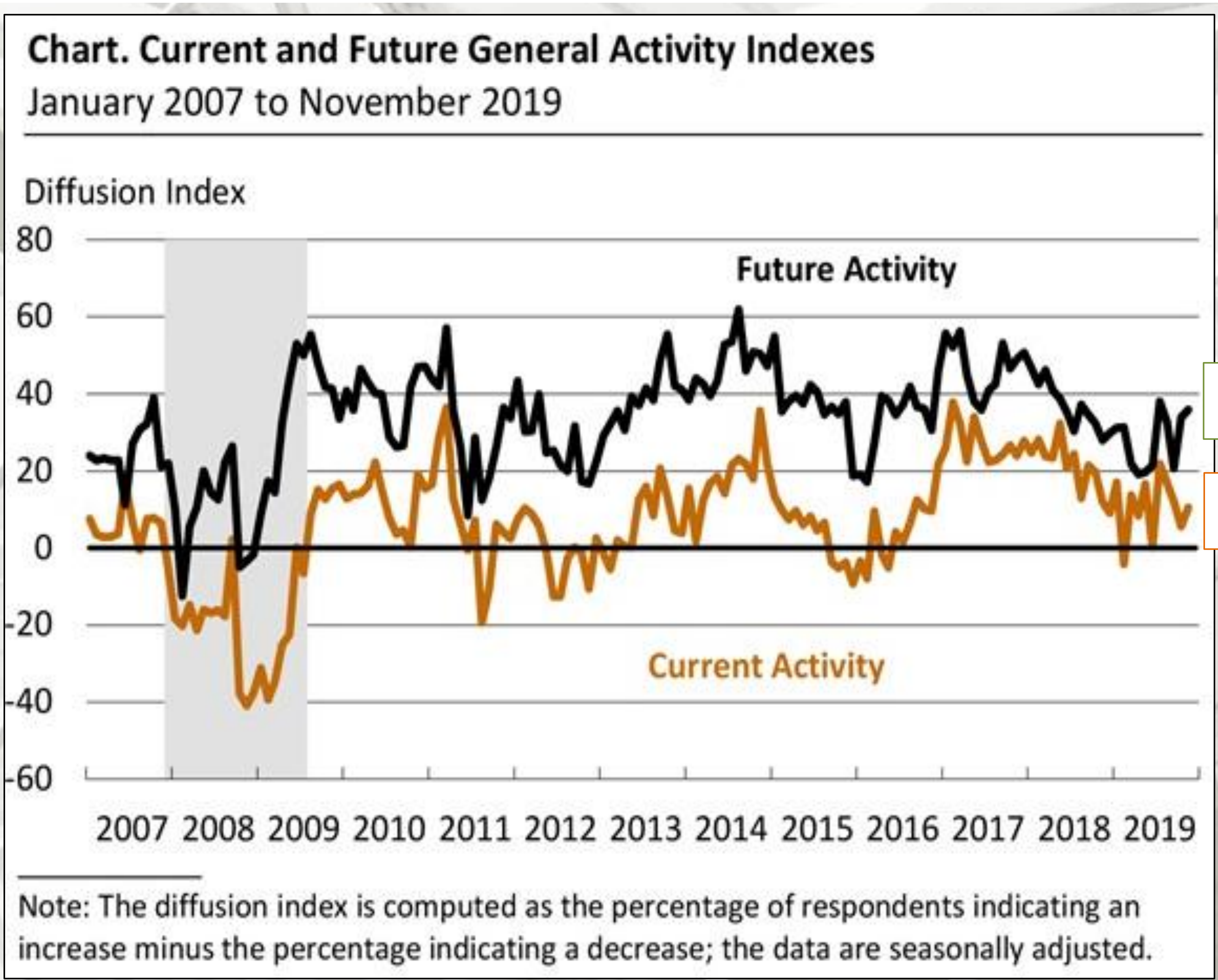
The Federal Reserve Bank of Philadelphia



November 2019
35.8

November 2019
10.4

Source: https://www.philadelphiafed.org/-/media/research-and-data/regional-economy/business-outlook-survey/2019/bos1119.pdf; 11/21/19

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The Federal Reserve Bank of Philadelphia

Price Indexes Suggest Softening in Prices

"The firms continued to report overall increases in prices paid for inputs and received for goods, but the indicators for both measures declined for the second consecutive month. The prices paid diffusion index decreased 9 points to 7.8, its lowest level since March 2016. The percentage of firms reporting increases in input prices (17 percent) remained higher than the percentage reporting decreases (9 percent). The current prices received index, reflecting the manufacturers' own prices, decreased 4 points to a reading of 12.2.

Firms Expect Own Prices to Rise Faster Than Inflation

In this month's special questions, the firms were asked to forecast the changes in the prices of their own products and for U.S. consumers over the next four quarters. Regarding their own prices, the firms' median forecast was for an increase of 2.5 percent, higher than the 2.0 percent that was forecast when the same question was last asked in August. The firms' actual price change over the past year was 2.0 percent, down from 2.5 percent in the prior quarter. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 3.0 percent over the next four quarters, the same as the previous forecast. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was unchanged at 2.0 percent. The firms' median forecast for the long-run (10-year average) inflation rate increased from 2.2 percent to 2.5 percent." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/-/media/research-and-data/regional-economy/business-outlook-survey/2019/bos1119.pdf; 11/21/19

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The Federal Reserve Bank of Philadelphia

Firms Remain Generally Optimistic

"The diffusion index for future general activity rose 2 points to 35.8 after increasing 13 points in October (see Chart). Nearly 52 percent of the firms expect increases in activity over the next six months, while 16 percent expect declines. The future new orders index held steady, while the future shipments index decreased 2 points. The future employment index rose 2 points from the previous month, as firms remained optimistic about future hiring: Thirty-seven percent of the firms expect higher employment over the next six months. The firms were less optimistic about future capital spending this month: The future capital spending index decreased 17 points to its lowest reading in three years.

Summary

Responses to the October *Manufacturing Business Outlook Survey* suggest growth in manufacturing activity this month. The general activity index showed improvement this month, but the indicators for new orders, shipments, and employment decreased from last month's readings. The survey's future indexes indicate that respondents continue to expect growth over the next six months." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/-/media/research-and-data/regional-economy/business-outlook-survey/2019/bos1119.pdf; 11/21/19

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The Federal Reserve Bank of Philadelphia

November 2019 Nonmanufacturing Business Outlook Survey

"Responses to the November *Nonmanufacturing Business Outlook Survey* suggest continued expansion of nonmanufacturing activity in the region. The indexes for general activity at the firm level and sales/revenues both increased, while the new orders index ticked downward. The index for full-time employment rose. The firms continued to report overall increases in prices of both their inputs and their own goods and services. The survey's index for firm-level future activity held steady, suggesting continued optimism about growth over the next six months.

Firms Report Overall Growth

The survey's indicators for current general activity suggest continued growth in the non-manufacturing sector of the regional economy. After falling sharply last month, the diffusion index for current general activity at the firm level more than recovered and increased 23 points in November to 31.7 (see Chart). Over 41 percent of the firms reported increases in activity (up from 33 percent last month), compared with 10 percent that reported decreases (down from 25 percent last month). The new orders index ticked down 1 point to 25.6 in November. The sales/revenues index increased for the second consecutive month, rising from 25.5 in October to 33.5 in November. Nearly 47 percent of the firms reported increases in sales/revenues, while 13 percent reported declines. The index measuring firms' perception of regional activity rose 8 points to 20.7.

Full-Time Employment Index Strengthens

Responding firms reported overall increases in both full- and part-time employment. The full-time employment index rose 5 points to 21.1 in November. The share of firms reporting increases in full-time employment (30 percent) exceeded the share reporting decreases (9 percent); the majority (62 percent) reported no change. The part-time employment index was little changed at 10.1, and the average workweek index ticked up 2 points to 12.3. The wages and benefits indicator fell 5 points to 36.7." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/-/media/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey/2019/nbos1119.pdf; 11/26/19

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The Federal Reserve Bank of Philadelphia

November 2019 Nonmanufacturing Business Outlook Survey

Firms continue to Report Overall Price Increases

"The indexes for prices paid for inputs and prices received for the firms' own products and services both increased in November. The prices paid index rose 8 points to 28.6. Over 32 percent of the respondents reported increases in input prices, while 4 percent reported decreases. The prices received index rose from 8.0 in October to 10.7 in November. Over 17 percent of the firms reported increases in prices received, while 6 percent reported decreases. The majority of the firms (61 percent) reported no change in their own prices.

Firms' Forecasts for Prices Remain Stable

In this month's special questions, the firms were asked to forecast the changes in the prices of their own products and services and for U.S. consumers over the next four quarters (see Special Questions). Regarding their own prices, the firms' median forecast was for an increase of 2.0 percent, the same as when the question was last asked in August. Regarding the firms' historical own price change over the previous year, the median response was 1.5 percent, down from the previous forecast of 2.0 percent. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 2.0 percent, down from the previous forecast of 2.5 percent. The firms expect their employee compensation costs (wages plus benefits per employee) to rise 3.0 percent over the next four quarters, the same as the previous forecast. The firms' forecast for the long-run (10-year) inflation rate remained at 3.0 percent." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/-/media/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey/2019/nbos1119.pdf; 11/26/19

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The Federal Reserve Bank of Philadelphia

November 2019 Nonmanufacturing Business Outlook Survey

Firms Anticipate Continued Growth

"The diffusion index for future activity at the firm level remained stable at 47.2 (see Chart). More than 56 percent of the firms expect an increase in activity at their firms over the next six months, compared with 9 percent that expect a decline. The future regional activity index rose from 15.5 in October to 21.1 in November, suggesting optimism about growth in the region over the next six months.

Summary

Results from this month's *Nonmanufacturing Business Outlook Survey* suggest continued expansion in regional nonmanufacturing activity. The indicators for firm-level general activity and full-time employment improved after decreasing last month, and the sales/revenues index strengthened further. The respondents continued to expect growth over the next six months." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/-/media/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey/2019/nbos1119.pdf; 11/26/19

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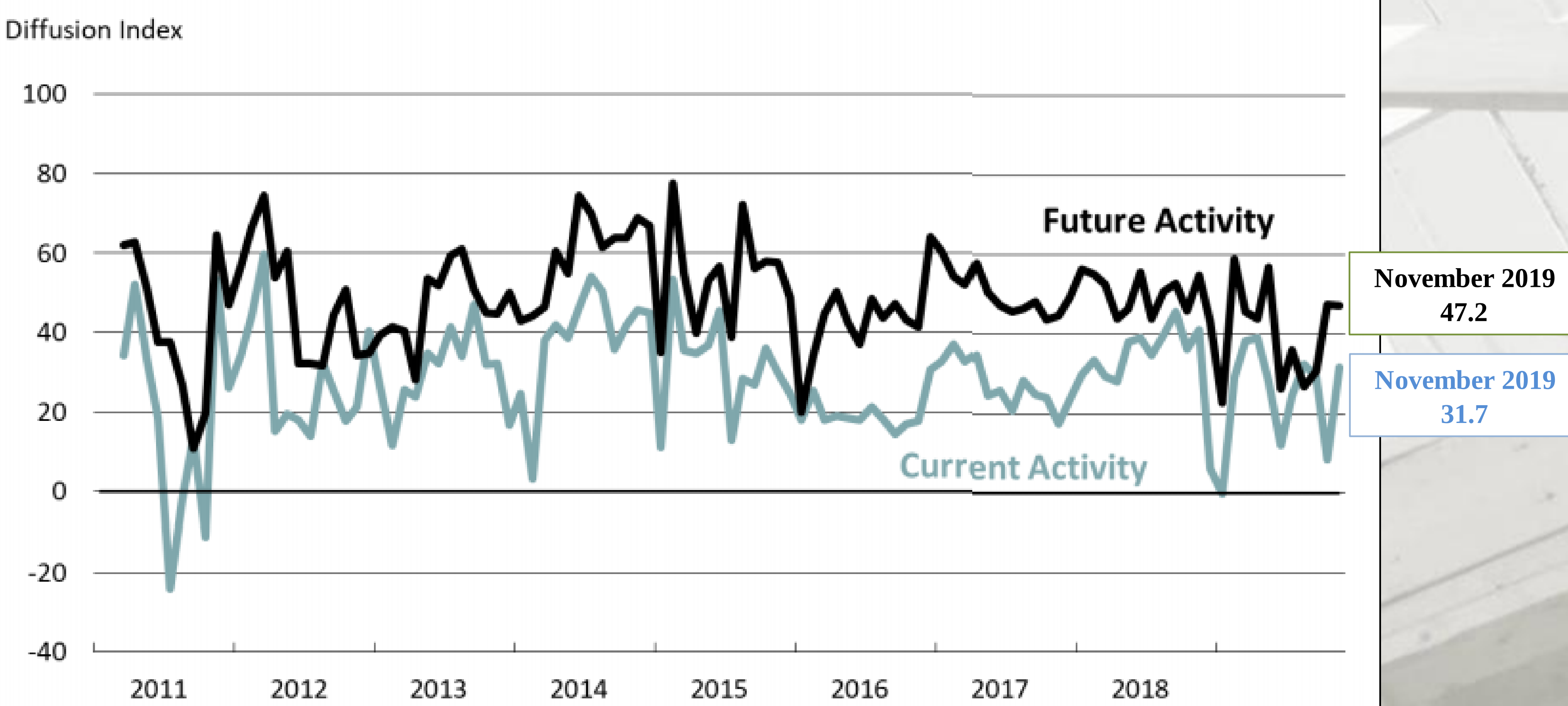
The Federal Reserve Bank of Philadelphia

Chart. Current and Future General Activity Indexes for Firms

March 2011 to November 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.

Source: https://www.philadelphiafed.org/-/media/research-and-data/regional-economy/nonmanufacturing-business-outlook-survey/2019/nbos1119.pdf; 11/26/19

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The Federal Reserve Bank of Philadelphia: GDPplus

- 2019 Q3
- 2.3%

- 2019 Q3
- 2.1%

- 2019 Q3
- 2.4%

GDPplus

Real GDP

Real GDI

Source: https://philadelphiafed.org/research-and-data/real-time-center/gdpplus/ 11/27/19

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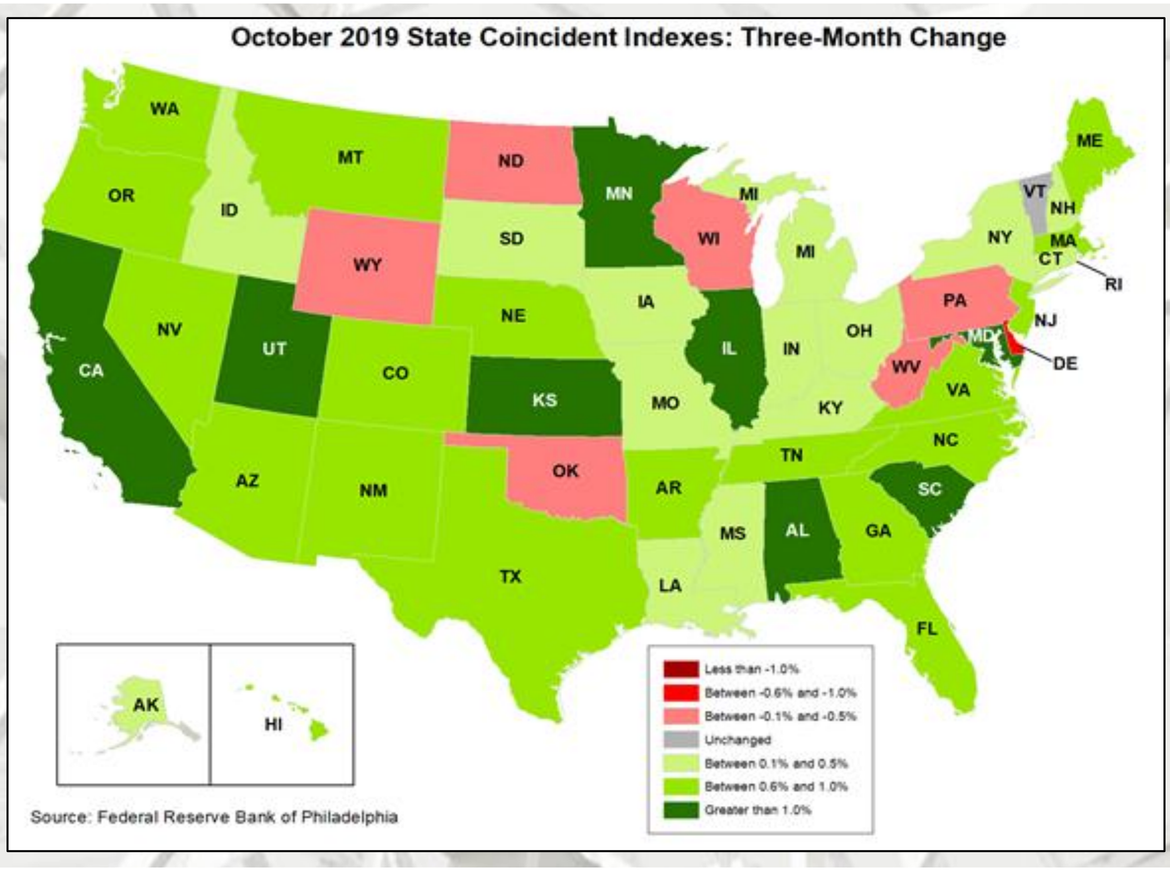
The Federal Reserve Bank of Philadelphia



"The Federal Reserve Bank of Philadelphia has released the coincident indexes for the 50 states for October 2019. Over the past three months, the indexes increased in 42 states, decreased in seven states, and remained stable in one, for a three-month diffusion index of 70. In the past month, the indexes increased in 33 states, decreased in 10 states, and remained stable in seven, for a one-month diffusion index of 46. For comparison purposes, the Philadelphia Fed has also developed a similar coincident index for the entire United States. The Philadelphia Fed's U.S. index increased 0.6 percent over the past three months and 0.1 percent in October." – Daniel Mazone, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/-/media/research-and-data/regional-economy/indexes/coincident/2019/coincidentindexes1019.pdf; 12/3/19

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The Federal Reserve Bank of Philadelphia

Fourth Quarter 2019 Survey of Professional Forecasters

Lower Near-Term Growth

"The U.S. economy for the next four quarters looks weaker now than it did three months ago, according to 39 forecasters responding to the Fourth Quarter Survey of Professional Forecasters. The panel predicts real GDP will grow at an annual rate of 1.7 percent this quarter, down from 2.0 percent in the last survey, 1.9 percent next quarter, and 1.7 percent in each of the two following quarters. On the employment front, the forecasters have marginally revised upward their estimates for job gains over the next two years.

A steady outlook for the unemployment rate accompanies the outlook for growth. The forecasters predict the unemployment rate will average 3.7 percent from 2019 to 2021 and 3.9 percent in 2022. Notably, the projections for 2021 and 2022 are below those of the last survey.

On the employment front, the forecasters have marginally revised upward their estimates for job gains over the next two years. The projections for the annual-average level of nonfarm payroll employment suggest job gains at a monthly rate of 191,700 in 2019 and 143,800 in 2020. (These annual-average estimates are computed as the year-to-year change in the annual-average level of nonfarm payroll employment, converted to a monthly rate.)" – Tom Stark, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/2019/survq419; 11/15/19

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The Federal Reserve Bank of Philadelphia

Median Forecasts for Selected Variables in the Current and Previous Surveys						
	Real GDP (%)		Unemployment Rate (%)		Payrolls (000s/month)	
	Previous	New	Previous	New	Previous	New
Quarterly data:						
2019:Q4	2.0	1.7	3.6	3.6	148.1	162.9
2020:Q1	1.9	1.9	3.6	3.6	137.6	133.1
2020:Q2	2.0	1.7	3.6	3.6	145.8	159.4
2020:Q3	2.0	1.7	3.7	3.7	108.3	122.5
2020:Q4	N.A.	1.9	N.A.	3.7	N.A.	127.3
Annual data (projections are based on annual-average levels):						
2019	2.3	2.3	3.7	3.7	190.6	191.7
2020	1.9	1.8	3.6	3.7	141.2	143.8
2021	2.0	2.0	3.9	3.7	N.A.	N.A.
2022	2.1	2.0	4.0	3.9	N.A.	N.A.

Source: https://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/2019/survq419; 11/15/19

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Manufacturing Activity Softened in November

"Fifth District manufacturing activity softened in November, according to the most recent survey from the Richmond Fed. The composite index fell from 8 in October to −1 in November, weighed down by negative readings for shipments and new orders, while the third component — employment — declined but remained positive. Manufacturing firms also reported a drop in backlog of orders, but the indicator for local business conditions held fairly steady. Survey respondents were optimistic that conditions would improve in the coming months.

Survey results suggested modest employment growth and rising wages in November. However, firms continued to struggle to find workers with the necessary skills. Respondents expected this struggle to persist and employment and wages to continue to grow in the near future.

The average growth rate of prices paid by manufacturing firms slowed in November, while that of prices received accelerated slightly, with the result that growth of prices received outpaced that of prices paid for the first time since September 2017. However, firms expected growth of prices paid to rise and prices received to fall in the next six months." – 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_11_26_19; 11/26/19

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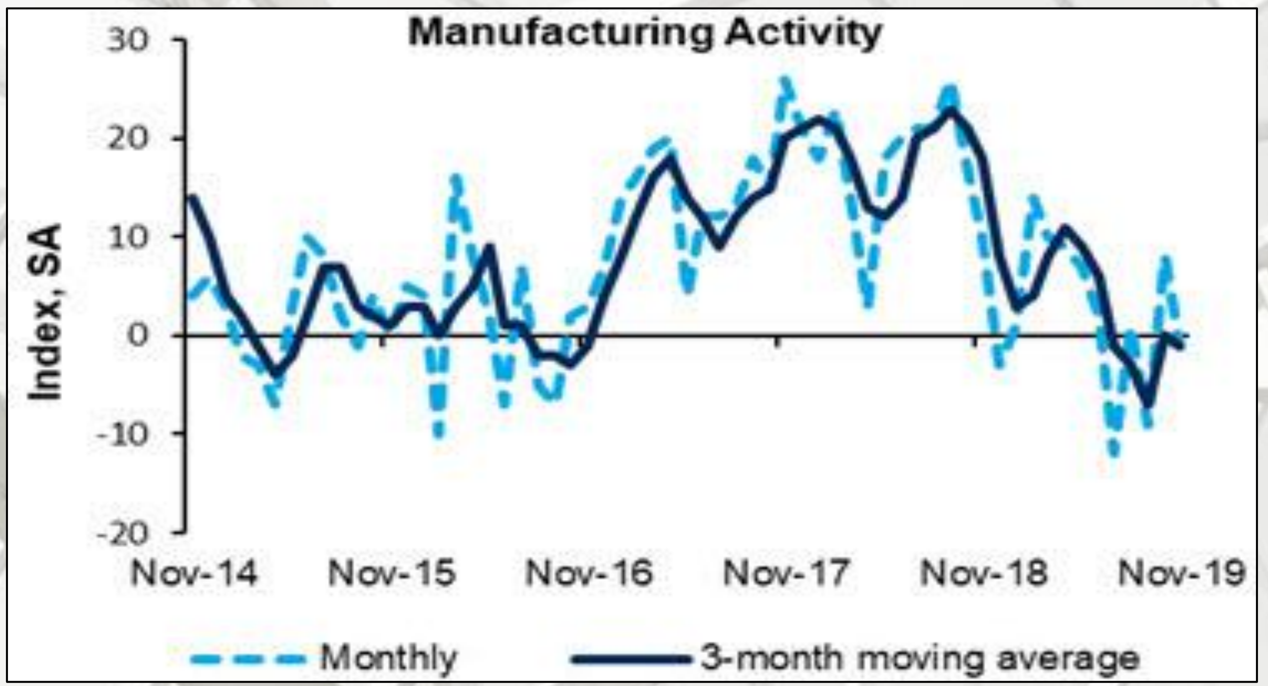
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_11_26_19; 11/26/19

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U.S. Economic Indicators

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_11_26_19; 11/26/19

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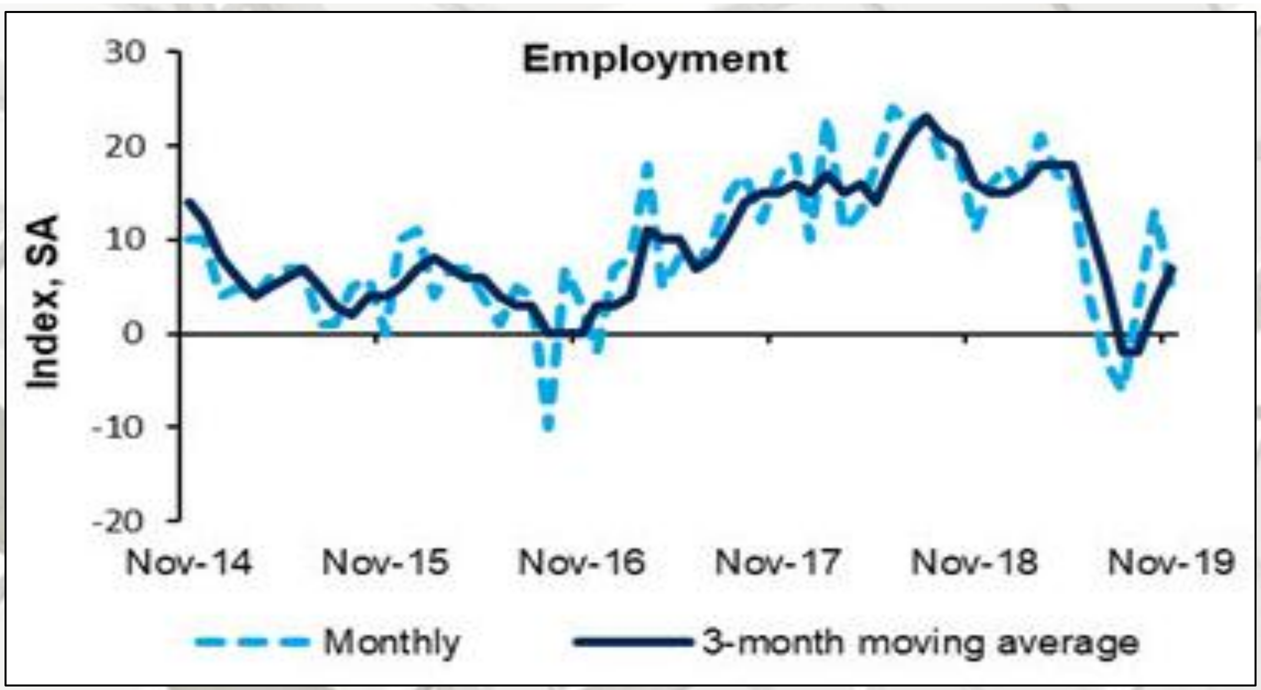
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing/2019/mfg_11_26_19; 11/26/19

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U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

FedViews

- "After a strong first half, real GDP grew at an annual rate of 1.9% in the third quarter according to the advance estimate of the Bureau of Economic Analysis. We forecast that GDP will grow at an annual rate of 2.1% for 2019. As the effects from fiscal policy continue to wane, we expect growth to gradually fall back to our long-trend estimate of 1.7%.
- The labor market remains strong. The unemployment rate stood at 3.6% as of October, where we expect it to remain over the medium run. Over the longer run, as growth slows towards its trend level, we project the unemployment rate will gradually return to its natural rate of 4.0%.
- The strong labor market has translated into a high degree of confidence among households. The consumer confidence index remains at historically high levels, coinciding with solid consumer spending growth. Real personal consumption expenditures grew at a 12-month rate of 2.6% in September, slightly above its average growth rate since the end of the recession.
- Bolstering consumer spending is the ease with which consumers can purchase products online. While representing only 10% of retail sales, online purchases have made up the bulk of retail sales growth over the course of 2019. The sector is growing at a rapid rate, roughly doubling in size over the last five years.
- Owing to tariff increases, softening global growth, and a strong dollar, the manufacturing sector has been cooling. In September, shipments and new orders were down 1.3% and 3.5%, respectively, from a year ago. Although the manufacturing sector makes up a relatively small share of GDP, its connectedness to other sectors poses some risk that its weakness could spread." – Adam Shapiro, Research Advisor, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/november/november-14-2019/; 11/18/19

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U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

FedViews

- "Inflation remains below the FOMC's target of 2%. The personal consumption expenditure (PCE) price index and the core PCE index both rose 1.3% and 1.7%, respectively, over the last 12 months. As the unemployment rate remains below the natural rate, we expect inflation to gradually reach the 2% target by 2021.
- In 1977, Congress amended the Federal Reserve Act to incorporate what is commonly referred to as the "dual mandate" in that the FOMC "promote effectively the goals of maximum employment and stable prices." Inferring what stable prices means in practice is something the FOMC members have discussed and debated in public and in internal discussions.
- According to publicly released FOMC transcripts, the first instance in which price stability came up for discussion was in July 1996 when then Governor Janet Yellen suggested that price stability could be consistent with an inflation rate above zero under certain conditions. In particular, allowing for some inflation would be desirable because prices often increase due to improvements in product quality, which are not necessarily indicative of inflation. Other reasons for allowing for some positive inflation include allowing for a cushion against deflation and allowing for greater policy space given the effective zero lower bound. Nominal interest rates tend to be higher when inflation is higher, which leaves more room for the FOMC to cut the federal funds rate, the FOMC's primary monetary policy tool rate, in a downturn." – Adam Shapiro, Research Advisor, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/november/november-14-2019/; 11/18/19

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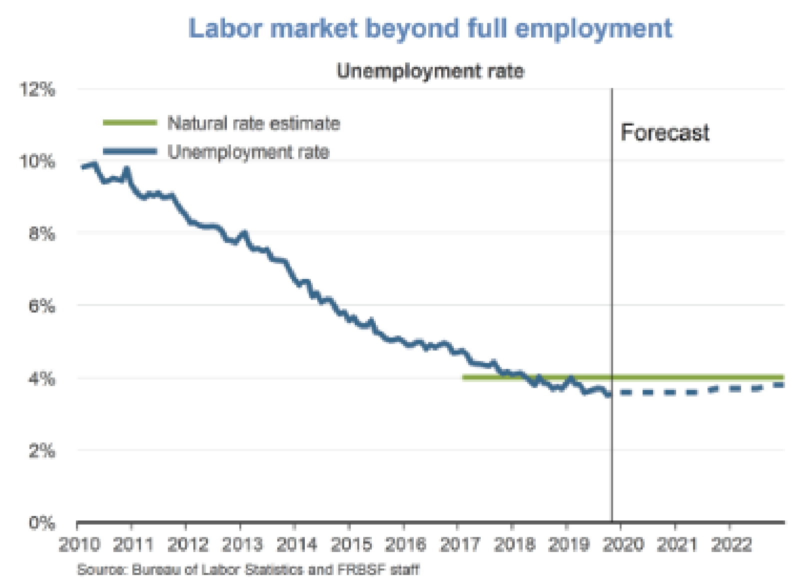
U.S. Economic Indicators



The Federal Reserve Bank of San Francisco

- "Over the last two decades, FOMC members have had differing views on the preferred level of inflation. On numerous occasions, members have stated their preferred inflation target at internal meetings. Before the Great Recession, the modal preference for the inflation target was 1.5%. Subsequently, as result of concerns about deflation as well as the risk of reaching the effective lower bound on the funds rate, FOMC members converged on a target rate of 2% in 2009. This ultimately led to the 2% target announcement in January 2012.
- The Federal Reserve is currently reviewing different strategies that could be effective in helping the Fed achieve its mandated goal of price stability. Two proposed strategies are price-level targeting and average inflation targeting. In contrast to the current inflation-targeting framework, price-level and average inflation targeting both embed so-called "makeup" properties whereby periods of below-target inflation must be made up in the future with above target inflation." – Adam Shapiro, Research Advisor, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/november/november-14-2019/; 11/18/19

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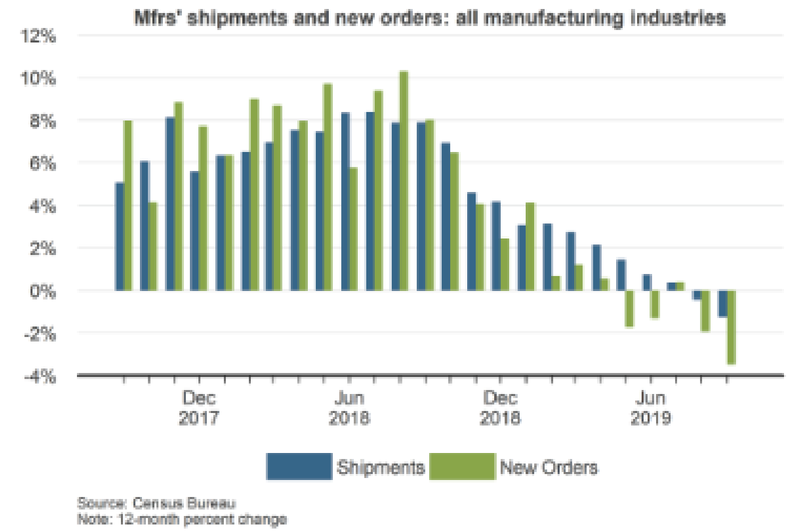
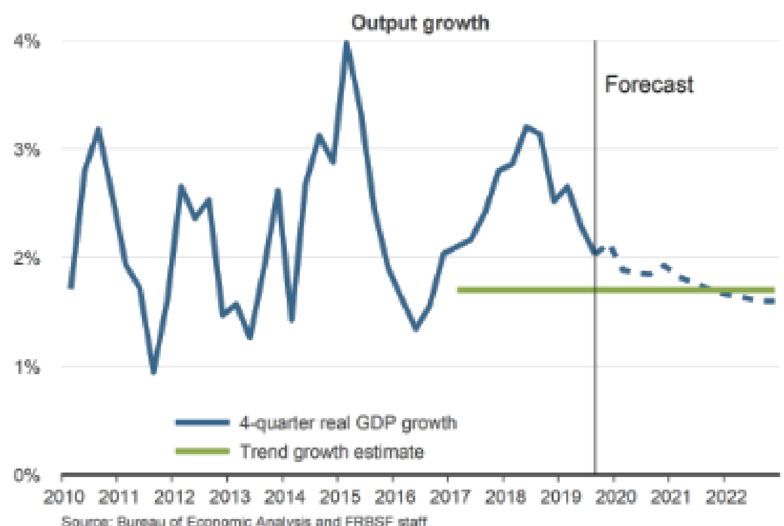
U.S. Economic Indicators

E-commerce is thriving

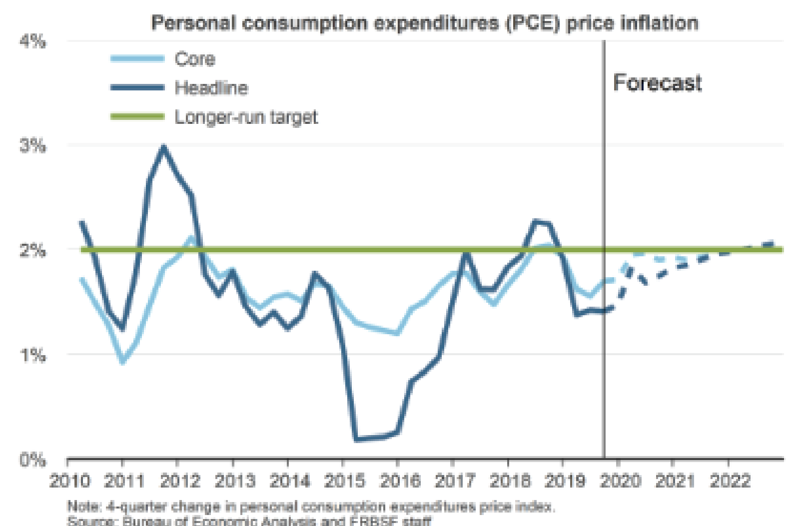
Manufacturing is cooling



Output growing above trend



Inflation new 2 percent



Source: https://www.frbsf.org/economic-research/publications/fedviews/2019/november/november-14-2019/; 11/18/19

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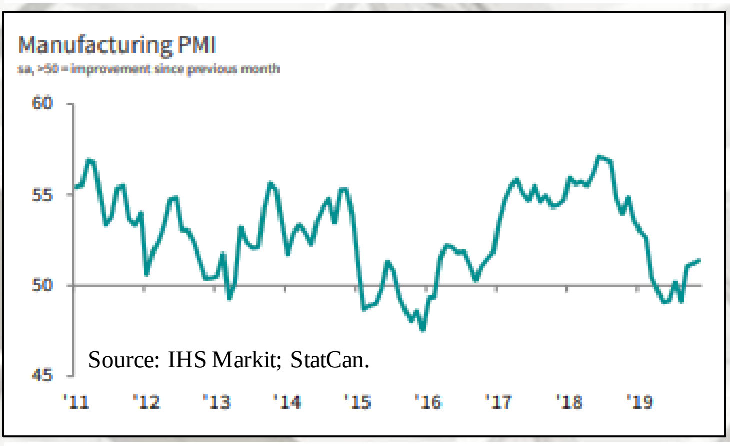
Private Indicators: Global



Markit Canada Manufacturing PMI™

"The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) posted 51.4 in November, up slightly from 51.2 in the previous month and the highest reading since February. The modest improvement in business conditions was underpinned by continued increases in output, new orders and employment.

Modest recovery in manufacturing performance continues in November

Canadian manufacturers signalled an improvement in their overall business conditions during November, which marked three months of sustained recovery. However, the degree of growth momentum remained relatively subdued. Falling export sales was a key factor acting as a headwind to manufacturing performance during the latest survey period. Business optimism regarding the year ahead outlook also dipped in November, with this index reaching its joint-lowest level since February 2016.

Mirroring the trend for overall manufacturing performance, growth in production was the fastest for nine months in November. Survey respondents often noted that rising domestic demand had led to greater output requirements. By sub-category, the strongest pace of expansion was reported by consumer goods producers, while investment goods once again signalled the weakest output trend.

November data pointed to a modest increase in new work received by manufacturers in Canada, although the pace of expansion eased slightly from the eight-month high seen in October. The loss of momentum largely reflected a weaker contribution from export sales, with new work from abroad dropping to the largest extent since July. Manufacturers cited intense competitive pressures and some firms commented on softer demand from clients in the US." – Tim Moore, Economics Associate Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/353a7614da3c4c9fb2f778a691f4b387; 12/2119

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Private Indicators: Global

Modest recovery in manufacturing performance continues in November

"There were signs that manufacturing capacity remained sufficient to meet both new and existing orders. This was signalled by a reduction in backlogs of work for the ninth month in a row during November. A lacklustre degree of job creation persisted across the manufacturing sector. Subdued optimism towards the year ahead business outlook also held back employment growth in November. The level of confidence was the joint-weakest since February 2016 (equalling the low point seen in August). …

The manufacturing sector has started to find its feet again after a soft patch during the third quarter of the year. November data reveals another modest recovery in manufacturing performance, led by faster growth among consumer goods producers.

New orders and production volumes have now risen in tandem for three months running. However, underlying growth momentum remains lacklustre in comparison to historic trends and this continues to hold back job creation as well as near-term business optimism.

Lower export sales were the main source of concern in November, especially within the investment goods category. That said, Canadian manufacturers often noted that they expect improving US demand and a reduction in global trade frictions to help deliver a turnaround in export demand." – Tim Moore, Economics Associate Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/353a7614da3c4c9fb2f778a691f4b387; 12/2119

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Private Indicators: Global

Caixin China General Manufacturing PMI™

Manufacturers signal further modest improvement in operating conditions

"PMI data signalled a further modest improvement in the health of China's manufacturing sector during November. New business rose strongly, which underpinned a further solid increase in production. Notably, new export orders saw the first back-to-back monthly rise for over a year-and-a-half. Staffing levels were broadly stable following a seven-month sequence of decline, but capacity pressures persisted, with backlogs of work expanding again. Average input costs meanwhile rose marginally, while factory gate charges fell slightly amid reports of a general drop in market prices.

Despite further increases in output and new orders, the level of positive sentiment towards the 12-month outlook for production slipped to a five-month low in November. Stricter environmental policies and market uncertainty were key factors weighing on confidence. 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 – edged up from 51.7 in October to 51.8 in November, to signal an improvement in overall operating conditions for the fourth successive month. Though modest, the pace of improvement was the strongest since December 2016. The latest upturn in the health of the sector was partly supported by a further rise in new business placed with Chinese manufacturers. Despite easing from October, the rate of new order growth remained solid overall, with a number of firms citing firmer underlying demand conditions. Demand from overseas also improved, with export sales picking up for the second month in a row. Though only marginal, it marked the first back-to-back increase in new orders from abroad since early 2018. …" – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/53393d49df4b446cb36c5ed86d9e5c0e; 12/2/19

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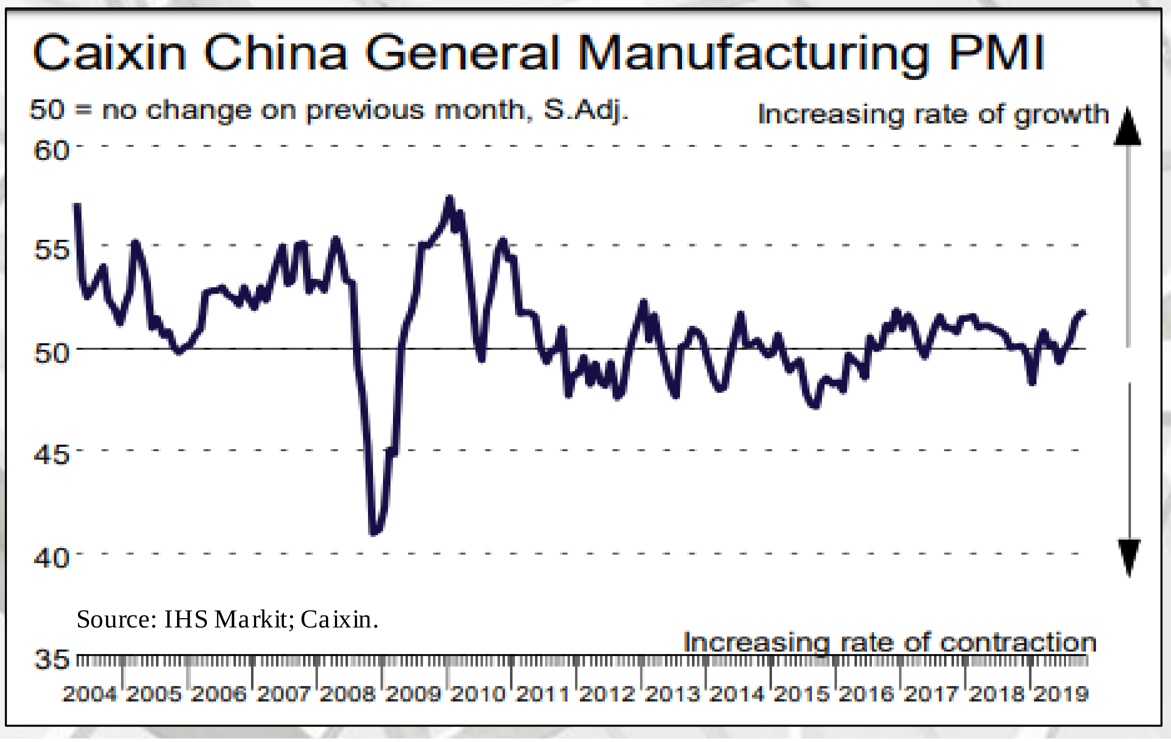
Private Indicators: Global



Caixin China General Manufacturing PMI™

"The Caixin China General Manufacturing PMI rose to 51.8 in November from 51.7 in the previous month, indicating that the manufacturing sector held up well.

1) The subindex for total new orders dropped slightly from the previous month's recent high, and the gauge for new export orders also edged down. Both stayed in expansionary territory, pointing to a continuous improvement in demand. Respondents cited a recovery in overall demand.
2) The output subindex fell marginally from a recent high in the month before. Production expanded in line with the expansion in new orders.
3) The employment subindex rebounded from the previous month's recent low into positive territory, marking its second expansion this year. " – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/53393d49df4b446cb36c5ed86d9e5c0e; 12/2/19

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Private Indicators: Global

Caixin China General Manufacturing PMI™

4. "Although the subindex for suppliers' delivery times edged up, it remained in contractionary territory and stayed in a downward trend that began earlier this year. Constraints on production capacity and stocks of finished goods were still noticeable. The subindex for stocks of purchased items remained slightly above the dividing line between expansion and contraction, suggesting a lackluster willingness to replenish inventories. The gauge for future output expectations dipped, with manufacturers indicating they were worried about uncertainties regarding policies and the market environment.
5. The gauge for output charges inched up. The measure for input costs was still relatively high, pointing to pressure on raw material costs. In general, prices of industrial products remained stable.

China's manufacturing sector continued to recover in November, with both domestic and overseas demand rising and the employment subindex returning to expansionary territory for the second time this year.

However, business confidence remained subdued, as concerns about policies and market conditions persisted, and their willingness to replenish stocks remained limited. This is a major constraint on economic recovery, which requires continuous policy support. Currently, manufacturing investment may be lingering near a recent bottom. A low inventory level has lasted for a long time. If trade negotiations between China and the U.S. can progress in the next phase and business confidence can be repaired effectively, manufacturing production and investment is likely to see a solid improvement" – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/53393d49df4b446cb36c5ed86d9e5c0e; 12/2/19

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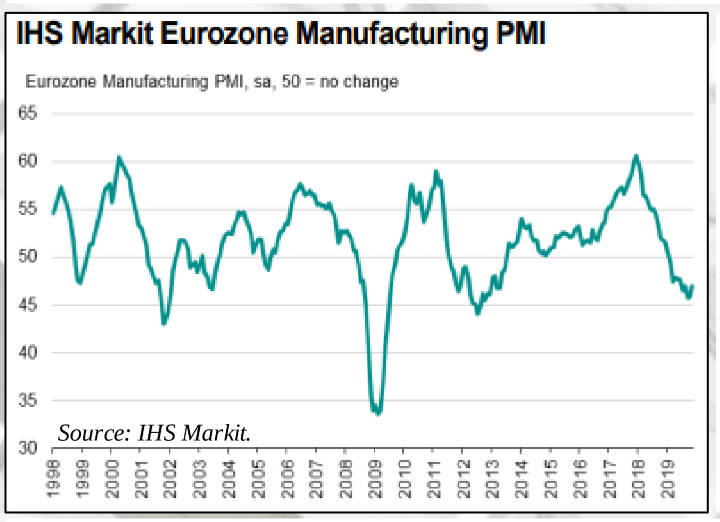
Private Indicators: Global



Markit Eurozone Manufacturing PMI®

"November saw the continued contraction of the euro area manufacturing economy, albeit at the slowest rate for three months. The IHS Markit Eurozone Manufacturing PMI® improved to 46.9 in November, compared to October's 45.9 and above the earlier flash reading (46.6). Whilst a relative improvement, the PMI nonetheless remained well below the crucial 50.0 no-change mark and extended the current period of contraction to ten months.

PMI improves to three-month high, but signals ongoing contraction

At the market groups level, both the intermediate and investment goods sectors remained inside contraction territory during November, although in each case rates of decline were weaker. Operating conditions for consumer goods producers were unchanged compared to October. …

A further steep drop in manufacturing output in November means the goods-producing sector is likely to have acted as a major drag on the eurozone economy again in the closing quarter of 2019. The survey data for the fourth quarter so far are indicating a quarterly rate of contraction in excess of 1% for manufacturing.

Although still signalling a steep rate of decline, the manufacturing PMI nonetheless brings some encouraging signals which will fuel speculation that the worst is over for euro area producers, barring any new set-backs (notably in relation to Brexit and trade wars). In particular, November saw the rate of loss of export sales easing further from July's recent record, helping pull other indicators such as output, employment, order books and purchasing off their recent lows.

Perhaps most promising is a marked upturn in business sentiment, particularly in Germany, with optimism about production in the year ahead hitting a five-month high in November. Producers' renewed optimism in part reflects reduced concerns over trade wars. We nevertheless still need to see a further notable easing in the rate of loss of orders before getting too excited about the prospect of an imminent return to growth for manufacturing." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/9c664d0a75e844989d68f4a649338e68 ; 12/2/19

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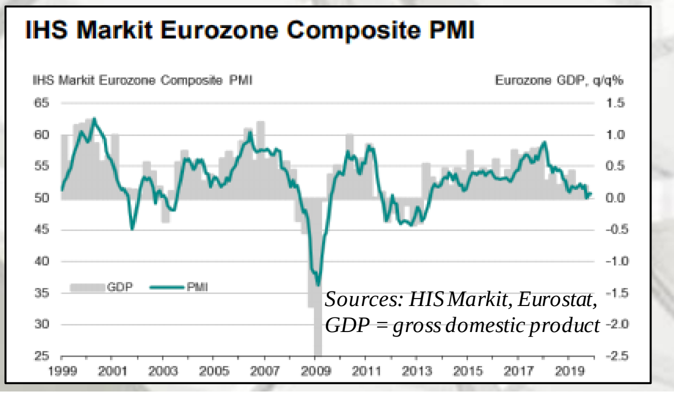
Private Indicators: Global



Markit Eurozone Composite PMI®

"November's final **IHS Markit Eurozone PMI® Composite Output Index** continued to signal marginal growth of the euro area's private sector. Posting 50.6, unchanged on October and slightly better than the earlier flash reading of 50.3, the index remained amongst the lowest levels in the past six-and-a-half years.

Stagnant new work limits private sector growth in November

The services economy again remained the primary driver of overall growth, despite its positive contribution waning slightly since October. In contrast, manufacturing output fell again, extending the current period of contraction to ten months. However, the drag on overall economic activity from manufacturing continued to ease as goods producers indicated their slowest fall in production since August. Levels of incoming new work to euro area private sector companies were unchanged during November, following two successive months of decline. Weakness again emanated from foreign demand sources, with latest data showing that new export business was down for a fourteenth successive month. Although the rate of contraction softened to its lowest since June, it nonetheless remained marked. With no change in overall new work enabled companies to again comfortably keep on top of existing workloads. Levels of work outstanding were reduced in November for a ninth successive month, albeit modestly. …

The final eurozone PMI for November came in slightly ahead of the earlier flash estimate but still indicates a near-stagnant economy. The survey data are indicating GDP growth of just 0.1% in the fourth quarter, with manufacturing continuing to act as a major drag. Worryingly, the service sector is also on course for its weakest quarterly expansion for five years, hinting strongly that the slowdown continues to spread. New orders have not shown any growth since August, underscoring the recent weakness of demand, with sharply declining orders for manufactured goods accompanied by substantially weaker gains of new business into the service sector. Expectations are also among the lowest since the tail end of the sovereign debt crisis in 2013, as firms worry about trade wars, Brexit and slowing economic growth both at home and globally. The near-stalling of the economy has been accompanied by some of the weakest price pressures we've seen in recent years, which threatens to keep inflation well below the ECB's target in coming months and adds to the likelihood of further policy stimulus early next year." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/137b904cd243418fa2f8d7faaa0cce2d; 12/4/19

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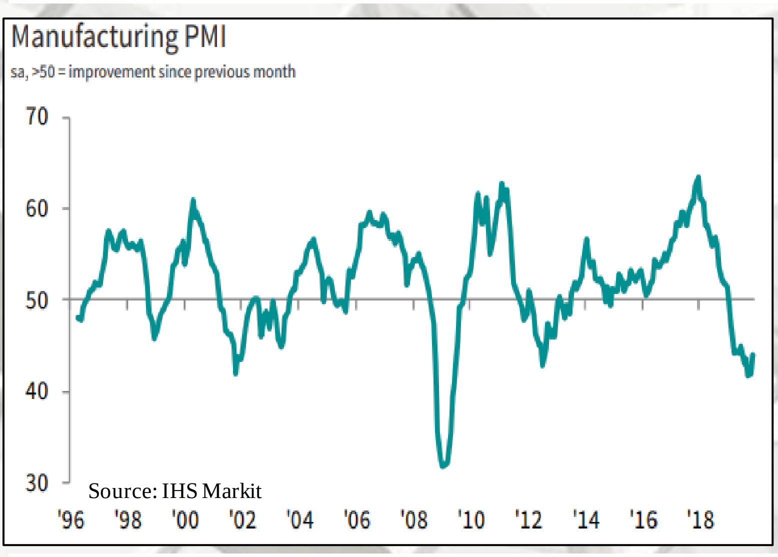
Private Indicators: Global



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 derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases – rose to 44.1 in November, up from 42.1 in October (and above the preliminary flash estimate of 43.8). The latest reading was the highest since June, but still comfortably inside contraction territory

Manufacturing PMI climbs to five-month high but remains firmly in contraction territory

The latest PMI® data from IHS Markit and BME showed a further contraction of Germany's manufacturing sector in November. However, though still marked, the latest declines in output, new orders and employment were shallower than in recent months, while manufacturers showed renewed optimism towards the year-ahead outlook for output. On the price front, the survey indicated sustained downward pressure on factory gate charges amid sharply falling input prices and reports of fierce competition for new work. …

The manufacturing sector has taken a small step in the right direction with the PMI moving to a five-month high in November, but remains some way even from stabilisation, let alone a resumption in growth. There are encouraging signs from the survey's more forwardlooking indicators, with new orders falling at the slowest rate since January and output expectations back in positive territory – albeit only just.

Though now less worried about the outlook, manufacturers remain in retrenchment mode as they report lower capacity utilisation and look to save costs. Manufacturing is course to make a negative contribution to economic growth in the fourth quarter and, through ongoing factory job losses, remains an indirect drag on the rest of the economy as well." – Phil Smith, Principal Economist, IHSMarkit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/28339e420eb944738d1c8ce1ad4c6a01; 12/2/19

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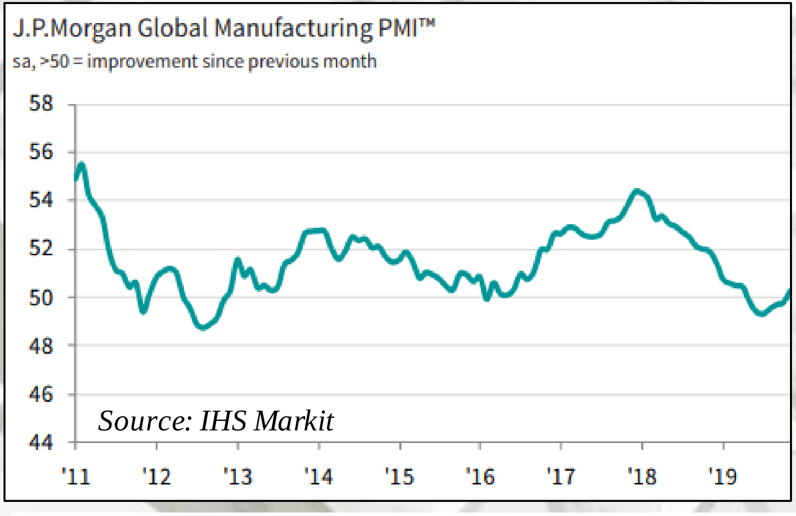
Private Indicators: Global



J.P. Morgan Global Manufacturing PMI™

"The J.P. Morgan Global Manufacturing PMI – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – posted a seven-month high of 50.3 in November, moving back above the 50.0 line dividing expansion from contraction for the first time since April. That said, the level of the PMI is consistent with only a slight improvement in overall operating performance

Global Manufacturing PMI edges back into expansion territory

Global manufacturing showed tentative signs of recovery in November. Output and new orders saw marginal gains, while the trend in employment stabilised after job cuts in the prior six months. International trade remained a drag on the sector, however, as new export business decreased for the fifteenth successive month. The recovery was centred on the consumed goods sector. The Consumer Goods PMI rose to a four-month high following accelerated growth of both output and new orders. In contrast, PMI readings for the intermediate and investment goods industries both signalled contraction. …

Business optimism stayed relatively subdued in November, continuing the recent trend of lacklustre confidence. The lowest readings for the Future Output Index (which was first compiled in July 2012) have all been recorded during the past seven months. The overall degree of optimism was (on average) higher across emerging markets than their developed nation counterparts. That said, the former saw the degree of positivity fall, in contrast to reaching a fivemonth high in the latter.

November saw further signs of recovery in the global manufacturing sector. The headline PMI moved back into expansion territory for the first time since April, as output growth picked up and new orders posted an additional increase. The Employment PMI bounced back suggesting possible stabilization in employment growth. The sector should hopefully build on this platform heading into the new year." – Olya Borichevska, Global Economic Research, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/9327bfd6ab96442a9c259b5a87f13adc; 10/1/19

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Private Indicators: Global

J.P. Morgan Global Composite PMI™

"The pace of global economic expansion improved to a four-month high in November, as rates of growth picked up in both the manufacturing and service sectors. 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 51.5, up from a 44-month low of 50.8 in October.

Global economic growth picks up in November

Five of the six sub-sectors covered by the survey saw output increase in November. Rates of expansion ranged from a marked rise at financial service providers to mild growth in both the intermediate goods and business services sectors. Capital goods was the only category to register contraction. Output growth was led by China, which saw its rate of expansion hit a 21-month record. Economic upturns were also seen in the US, euro area, India, Brazil and Russia. Within the eurozone, increased activity in France, Spain and Ireland offset downturns in Germany and Italy. Economic activity contracted in Japan, the UK and Australia.

The upturn in output encouraged firms to raise employment in November. The rate of job creation was marginal but sufficient to reverse the cuts observed in the prior survey month. Staffing levels increased in the US, the euro area, China, Japan, India, Brazil, Russia and Australia. The UK saw job losses for the third successive month. New business growth hit a four-month high, despite remaining among the weakest registered over the past three-and-a-half years. International trade remained a constraint on growth, as new export business decreased for the twelfth month running with declines at manufacturers and service providers alike.

Business optimism was unchanged from October's three-month high, but remained at one of its most subdued levels in the series history. Sentiment improved slightly at service providers, whereas confidence in manufacturing dipped from a four-month high. Emerging markets were (on average) more optimistic about the year ahead than their developed nation counterparts. Input price inflation remained relatively mild in November. Costs rose at an unchanged rate compared to October, to remain at one of its weakest levels over the past three years. Output charges meanwhile rose only marginally." – Olya Borichevska, Global Economist, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/70830dd316b945aca5a759c7b7b588b2; 12/4/19

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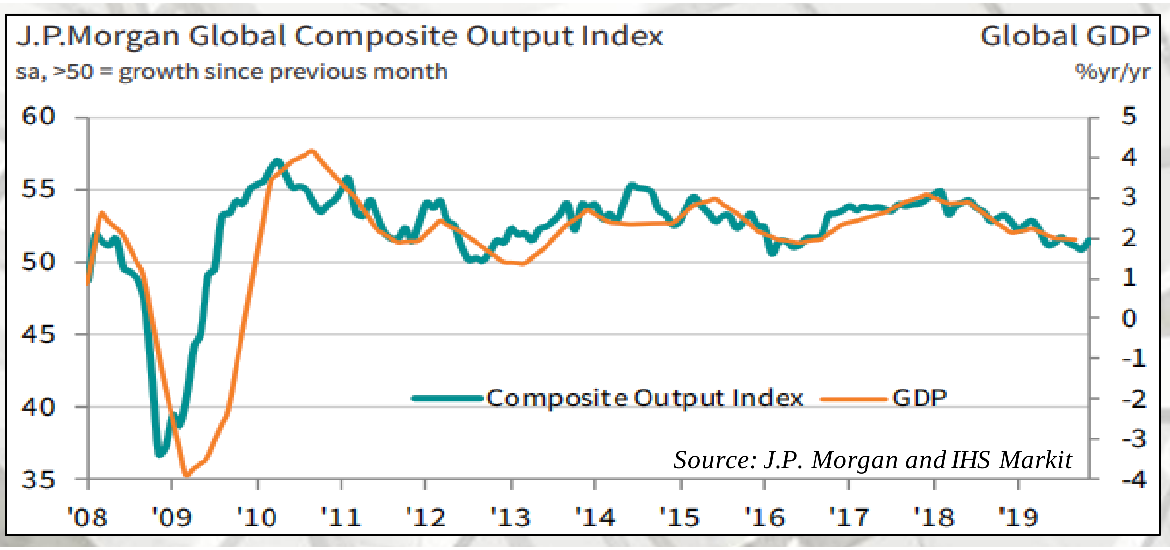
Private Indicators: Global



J.P. Morgan Global Composite PMI™

"The J.P. Morgan Global Services Business Activity Index rose to a three-month high of 51.6 in November, up from 51.0 in October. The latest increase in output was underpinned by improved intakes of new business, efforts to reduce backlogs of work and higher employment. Business confidence picked up to a four month high, but remained subdued overall. The sharpest rates of expansion in business activity were registered in Russia and China. Increases were also seen in the US, the euro area, Japan, India and Brazil. In contrast, the UK and Australia both registered contractions. Input price inflation in the global service sector remained close to October's three-month high. Companies offset cost increases through a further rise in selling prices, although the rate of output charge inflation remained weak overall.

The rate of global economic expansion improved in November, according to the latest PMI surveys. The more encouraging aspect of the November report is the continued increase in the manufacturing PMI. While the services activity PMI also increased last month, the trend in the series remains down. We take comfort in the large jump in the employment PMI following more than six months of sharp declines. While the early signs are that the economy is positioned to strengthen, the drags provided by international trade and low confidence suggest progress will remain slow overall." – Olya Borichevska, Global Economist, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/70830dd316b945aca5a759c7b7b588b2; 12/4/19

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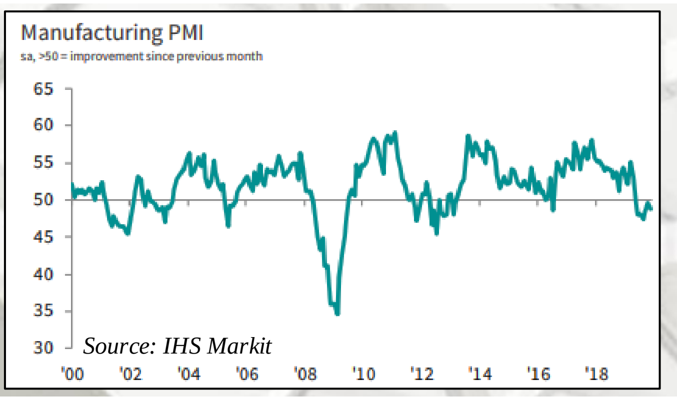
Private Indicators: Global



IHS Markit/CIPS UK Manufacturing PMI®

"The headline seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) slipped to 48.9 in November, down 49.6 in October but above the earlier flash estimate of 48.3. The PMI has remained below the neutral mark of 50.0 for seven successive months.

UK manufacturing contracts as political and economic uncertainty continues

The UK manufacturing downturn continued in November, as businesses responded to the delay to Brexit and a fresh injection of uncertainty from the forthcoming general election. Output, new orders and employment all fell, while destocking activity resumed as firms depleted buffers built-up in advance of the postponed exit date. November saw a reduction in manufacturing output, with the rate of decline accelerating slightly over the month. Companies reported scaling back production in response to lower new order intakes. Efforts to reverse high stock holdings also contributed to the contraction, as did settling backlogs of work directly from inventories (further reducing the need to maintain production volumes). …

November saw UK manufacturers squeezed between a rock and hard place, as the uncertainty created by a further delay to Brexit was accompanied by growing paralysis ahead of the forthcoming general election. Downturns in output and new orders continued amid a renewed contraction in exports. The pace of job losses also hit a seven-year high as firms sought to reduce overheads in the face of falling sales. Destocking at manufacturers and their clients following the latest Brexit delay was a major contributor to the weakness experienced by the sector. Inflationary pressures meanwhile showed signs of moderating further, with input costs falling slightly for the first time since March 2016.

Signs of a two-speed economy persisted, with intensifying business uncertainty leading to a further steep drop in demand for machinery and equipment as firms cut back on investment, but rising demand for consumer goods suggests that households continue to provide some support to the economy. Manufacturers across all sectors will be hoping that the New Year brings clarity on the political, trade and economic fronts, providing a more certain foundation to plan and rebuild as the next decade begins." – Rob Dobson, Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/f319bb580e7345ae9aa0a3ba40a06947 ; 12/2/19

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator

Construction Backlog Indicator Slips in September

"Associated Builders and Contractors reported today that its Construction Backlog Indicator fell to 8.9 months in September 2019, down 0.1 months or 0.8% from August 2019 when CBI stood at nine months.

Today's backlog reading indicates that pre-existing trends will remain in place. In recent months, public construction spending has fueled industry spending growth, while private construction spending has steadily faded. This mirrors ABC's backlog indicator segment data, as infrastructure contractors collectively reported a rising backlog while other segments declined compared to the Spring 2018 peak.

Backlog associated with the infrastructure segment rose massively in September to 11.8 months, a nearly 14% increase. State and local government finances continue to be buoyed by an economy producing plenty of jobs, higher incomes, a sturdy consumer sector, a booming stock market and rising property values in much of the nation. Among other things, this produces greater income, sales and property tax collections, which in turn increases funds available for publicly financed construction. Incredibly low interest rates help state and local governments leverage improved cash flow into support for substantial projects, including in categories such as water supply, transportation and public safety.

Predictably, the largest monthly decline was observed in the heavy industrial category. Many economists agree that the nation's manufacturing sector is weakening. Investment among energy suppliers has also been hampered recently by a combination of low and volatile energy prices, geopolitical events and uncertainty regarding the future regulatory environment. In addition, commercial construction has also been weakening, as many investors are concerned about a slowing economy, excess supply in certain commercial segments and rising costs of construction service delivery given the shortage of skilled workers." – Anirban Basu, Chief Economist, ABC

Source: https://abc.org/News-Media/News-Releases/entryid/16816/abc-s-construction-backlog-indicator-slips-in-september; 11/19/19

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Private Indicators
Associated Builders and Contractors

Construction Backlog Indicator

	September 2019	August 2019	Net Change	% Change
Total	**8.9**	**9.0**	**-0.1**	**-0.8%**
Industry				
Commercial & Institutional	8.9	9.0	-0.1	-1.3%
Heavy Industrial	6.8	7.7	-0.9	-10.8%
Infrastructure	11.8	10.4	1.4	13.9%
Region				
Middle States	7.2	8.8	-1.6	-18.2%
Northeast	9.8	7.6	2.2	28.5%
South	9.6	10.1	-0.5	-4.3%
West	8.8	9.4	-0.6	-6.6%
Company Size				
<$30 Million	8.5	8.0	0.5	6.8%
$30-$50 Million	7.9	9.7	-1.8	-18.7%
$50-$100 Million	8.7	10.0	-1.3	-12.5%
>$100 Million	12.7	14.1	-1.4	-9.9%

Source: https://abc.org/News-Media/News-Releases/entryid/16816/abc-s-construction-backlog-indicator-slips-in-september; 11/19/19

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Private Indicators
Associated Builders and Contractors

Source: https://abc.org/News-Media/News-Releases/entryid/16816/abc-s-construction-backlog-indicator-slips-in-september; 11/19/19

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Private Indicators
Associated Builders and Contractors

Construction Confidence Index

Response	July 2019 Expectations	June 2019 Expectations	Percentage Point Change
Sales Expectations			
Up Big	12.5%	10.5%	2.0
Up Small	50.1%	56.4%	-6.3
No Change	23.6%	18.5%	5.1
Down Small	11.4%	13.1%	-1.7
Down Big	2.3%	1.5%	0.8
Profit Margins			
Up Big	6.0%	4.1%	1.9
Up Small	46.7%	50.0%	-3.3
No Change	31.1%	34.1%	-3.0
Down Small	14.0%	10.8%	3.2
Down Big	2.3%	1.0%	1.3
Staffing Levels			
Up Big	6.6%	7.7%	-1.1
Up Small	49.6%	51.7%	-2.1
No Change	35.3%	32.6%	2.7
Down Small	7.7%	7.9%	-0.2
Down Big	0.9%	0.0%	0.9

Source: https://abc.org/News-Media/News-Releases/entryid/16816/abc-s-construction-backlog-indicator-slips-in-september; 11/19/19

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index October 2019

Business conditions at architecture firms rebound

“Business conditions showed signs of improvement at architecture firms in October, as the ABI score rebounded to 52.0, following flat or declining billings for most of the year so far (a score over 50 indicates billings growth). In general, architecture firms remain cautiously optimistic about the future, despite ongoing concerns about a potential economic downturn in the next year. Inquiries into new projects — and the value of new signed design contracts — were both also fairly strong this month, although slightly fewer firms reported growth in October than in September.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“Although ongoing uncertainty over the direction of economic growth persists, a strong stock market and growing payrolls at U.S. businesses continue to generate more construction projects. With most regional and sector billing scores at architecture firms improving from the previous month, we’re seeing a bit of a rebound from disappointing levels of design activity in recent months.” – Kermit Baker, Chief Economist, The American Institute of Architects

Source: https://www.aia.org/pages/6237610-abi-october-2019-business-conditions-at-ar; 11/20/19

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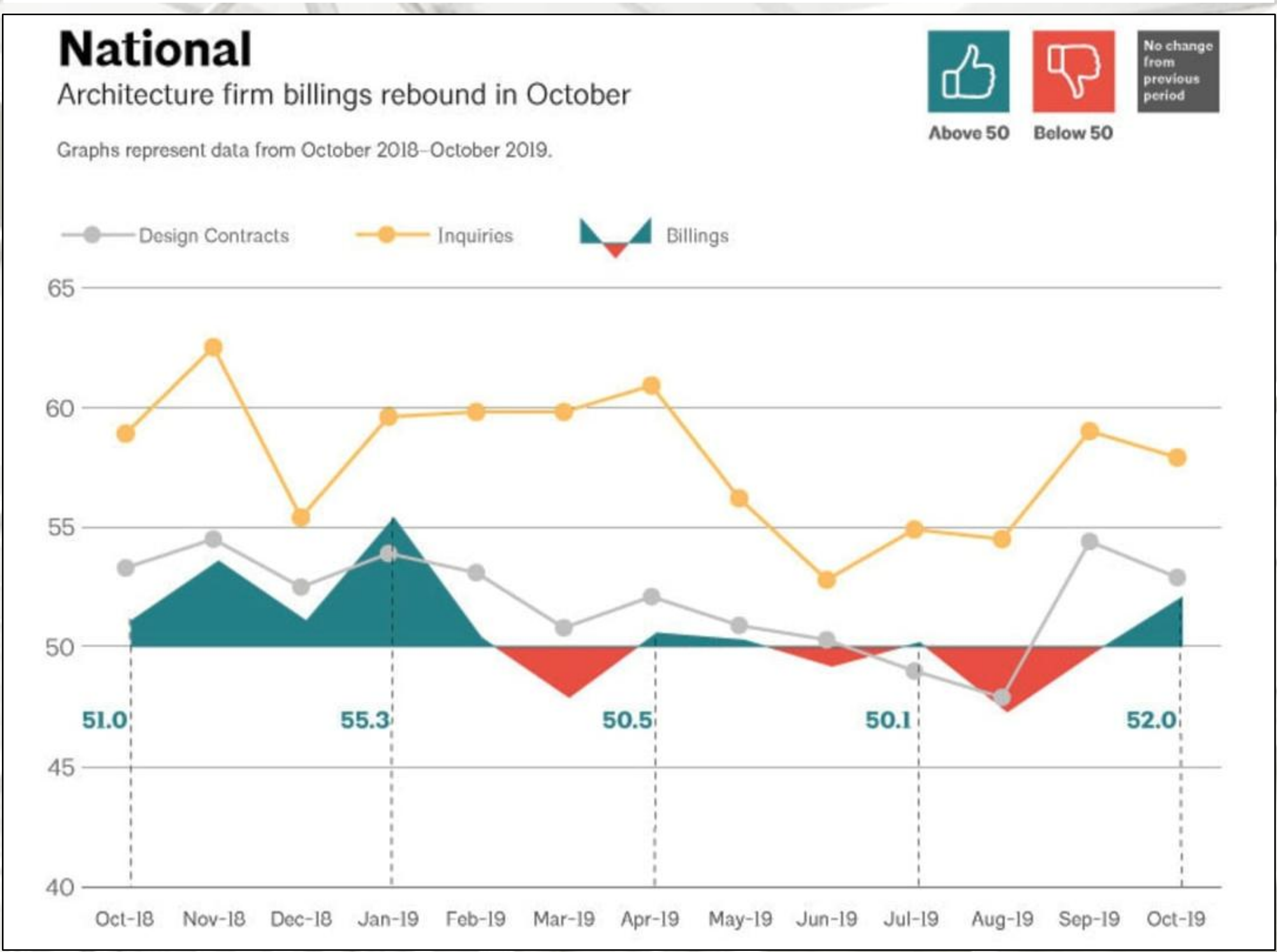
Private Indicators
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6237610-abi-october-2019-business-conditions-at-ar; 11/20/19

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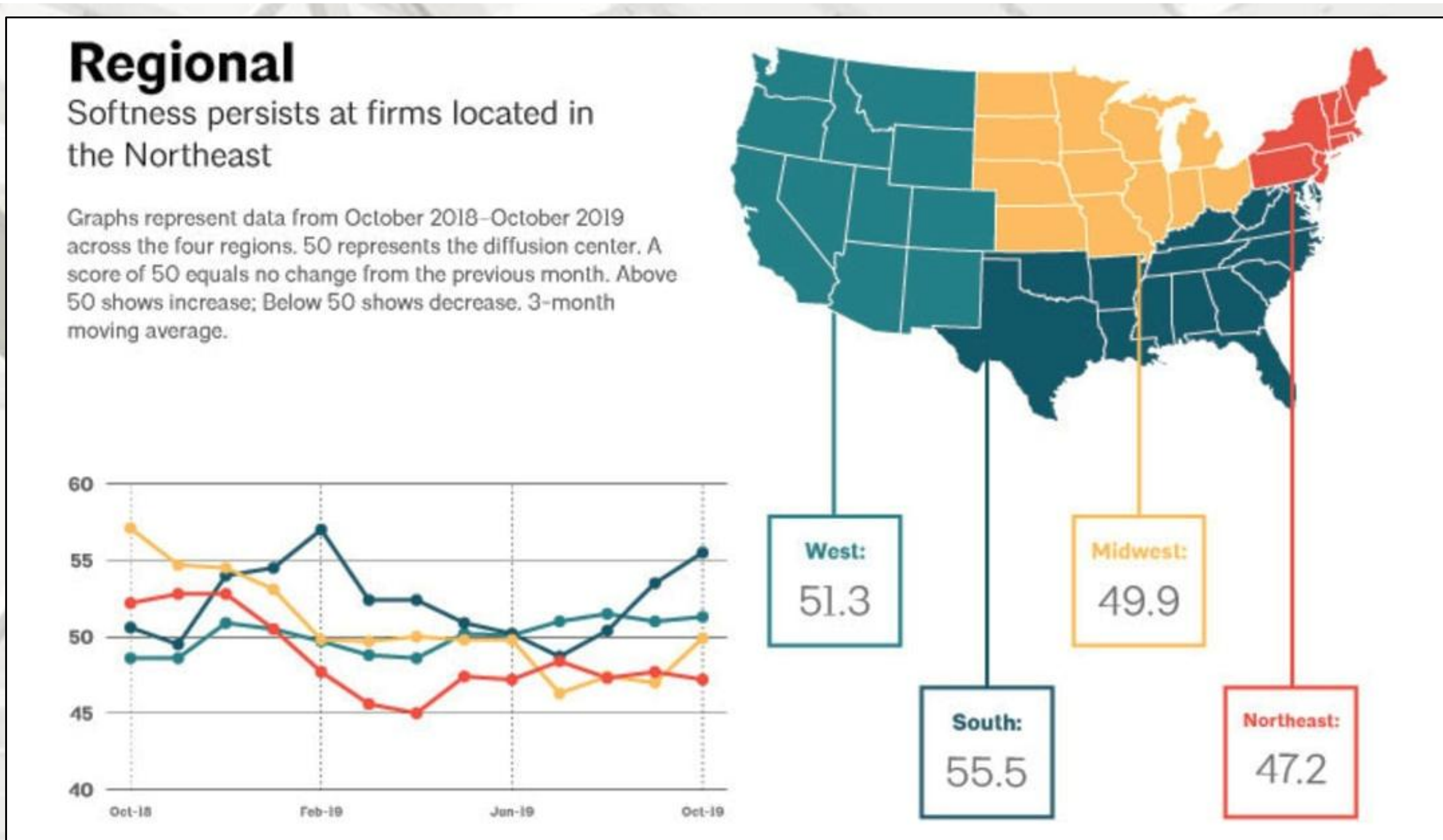
Private Indicators: AIA



Region

"Despite the overall encouraging numbers for the month, pockets of softness remain. Billings declined at firms in the Northeast for the ninth consecutive month in October and were flat at firms in the Midwest. Business conditions remained strongest at firms located in the South and continued to strengthen at firms located in the West, where they increased for the sixth month in a row." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6237610-abi-october-2019-business-conditions-at-ar; 11/20/19

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Private Indicators: AIA

Sector

"By specialization, firms with a multifamily residential specialization remained the only group to report increasing firm billings in October, while billings were essentially flat at firms with institutional and commercial/industrial specializations." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6237610-abi-october-2019-business-conditions-at-ar; 11/20/19

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Private Indicators

Dodge Data & Analytics

October Construction Starts Fall 11 Percent

“New construction starts declined 11% in October to a seasonally adjusted annual rate of $696.3 billion, according to Dodge Data & Analytics. This is the third consecutive monthly drop in construction starts activity. By major sector, nonresidential building starts fell 20% from September to October and nonbuilding starts dropped 14%, while residential starts moved 2% lower. The October statistics pushed the Dodge Index down to 147 (2000=100) compared to 166 in September.

Through the first ten months of the year, total construction starts were 4% lower than in the same period of 2018. Both residential and nonresidential construction starts were down through ten months, although nonbuilding starts remained on the plus side due to gains in electric utilities/gas plants and environmental public works.” – Nicole Sullivan, AFFECT Public Relations & Social Media

“Concern over the health of the U.S. economy continues to play a key role in the pullback in starts over the past few months. However, solid real estate fundamentals (such as vacancy rates) in addition to stable public funding will continue to support a modest level of construction activity across both public and private projects.” – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/october-construction-starts-fall-11-percent-2019; 11/18/19

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Private Indicators

Dodge Data & Analytics

Residential building dropped 2% in October to $311.3 billion at a seasonally adjusted annual rate. Single family housing starts were 7% lower, while multifamily starts increased 14% over the month. The largest multifamily construction project to get underway in September was the $278 million second tower of the Lakeshore East – Cascade Apartment Tower in Chicago IL. Also breaking ground during the month was the $253 million (apartment portion only) Azure Ala Mona Residential building in Honolulu HI and the $230 million (apartment portion only) 40 Trinity Place Residential Tower in Boston MA.

Through the first ten months of the year, residential construction starts were 6% lower than in the same period of 2018. **Single family starts** were down 3%, while multifamily declined 12% year-to-date.

Nonresidential building starts lost 20% over the month in October, falling to $225.8 billion (at a seasonally adjusted annual rate). This steep decline comes after a very strong September that saw two projects valued at nearly $1 billion break ground — a consolidated rental car facility in Los Angeles CA and a large manufacturing complex in Detroit MI. In October, commercial starts fell 3% with gains in the office and hotel sectors muting the downturn. Manufacturing starts peeled back 69% and institutional starts moved 20% lower.

The largest nonresidential building project to break ground in October was the $600 million Vision Northland Medical Campus in Duluth MN. Also starting in October was the $200 million Volpe Transportation Center in Cambridge MA and a $200 million dry dock in Groton CT that will serve the new Columbia class nuclear powered ballistic missile submarines.

On a year-to-date basis through October, nonresidential building starts were 7% lower than a year earlier. Commercial starts were up 3% due to gains in office buildings, warehouses and parking structures, while institutional construction was down 6% through October with all major categories posting declines. Manufacturing starts were 43% lower." – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/october-construction-starts-fall-11-percent-2019; 11/18/19

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Private Indicators

October 2019 Construction Starts

October 2019 Construction Starts

MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

	October 2019	September 2019	% Change
Nonresidential Building	$225,802	$281,575	-20
Residential Building	311,306	316,612	-2
Nonbuilding Construction	159,166	185,820	-14
Total Construction	$696,274	$784,007	-11

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	10 Mos. 2019	10 Mos. 2018	% Change
Nonresidential Building	$237,429	$255,736	-7
Residential Building	268,482	284,247	-6
Nonbuilding Construction	165,478	162,903	+2
Total Construction	$671,389	$702,886	-4

Source: Dodge Data & Analytics

Source: https://www.construction.com/news/october-construction-starts-fall-11-percent-2019; 11/18/19

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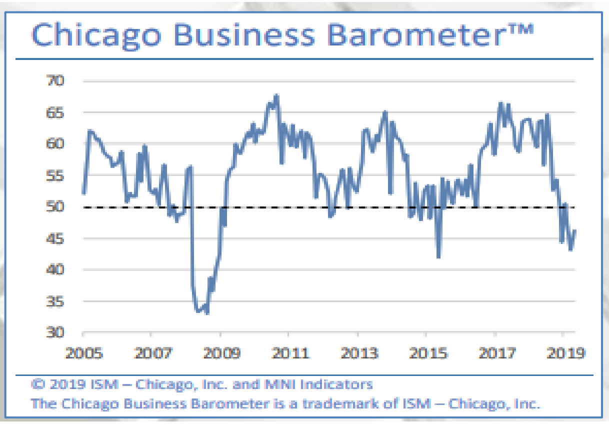
Private Indicators



MNI Chicago

"The Chicago Business Barometer™, produced with MNI, rose 3.1 points in November, hitting a two-month high 46.3. However, the index remains in contraction for the third month straight, resulting in a further fall of the 3-month average to 45.5.

Chicago Business Barometer™ – Rose to 46.3 in November

The New Orders and Order Backlogs indices saw the largest monthly improvements in November, while Supplier Deliveries revealed the largest fall. Production slipped to 42.3 in November after October's uptick. However, demand improved significantly, indicated by New Orders which rose by 12.5 points to 49.4, just a touch below the 50-mark. There was, though, anecdotal evidence of firms being concerned about the outlook due to wider economic issues.

Order Backlogs recovered to 45.0 in November after October's sharp decline to 33.1. Never the less, the indicator is below 50 for a third straight month. Inventories fell by 8.7% to 43.0, indicating that firms continue to run down their stocks. The indicator revealed a fourth sub-50 reading in November.

Employment demand ticked down by 0.2 points to 49.6, leaving the three-month average at 48.3. Supplier delivery times saw the largest monthly decline to 50.2, hitting the lowest level since June 2016. However, the index is the only one among the main five components which remains above the 50-mark. …
November's special question asked, "Are you passing the costs of tariffs on or absorbing the costs?" The majority of 57% said they are not passing on the costs of tariffs in contrast to 43% who said they are passing on the costs." – Les Commons, Senior Economist and Irene Prihoda, Economist, MNI Indicators

Source: https://s3.amazonaws.com/images.chaptermanager.com/chapters/b742ccc3-ff70-8eca-4cf5-ab93a6c8ab97/files/mni-chicago-press-release-2019-11-1574866416579.pdf; 11/27/19

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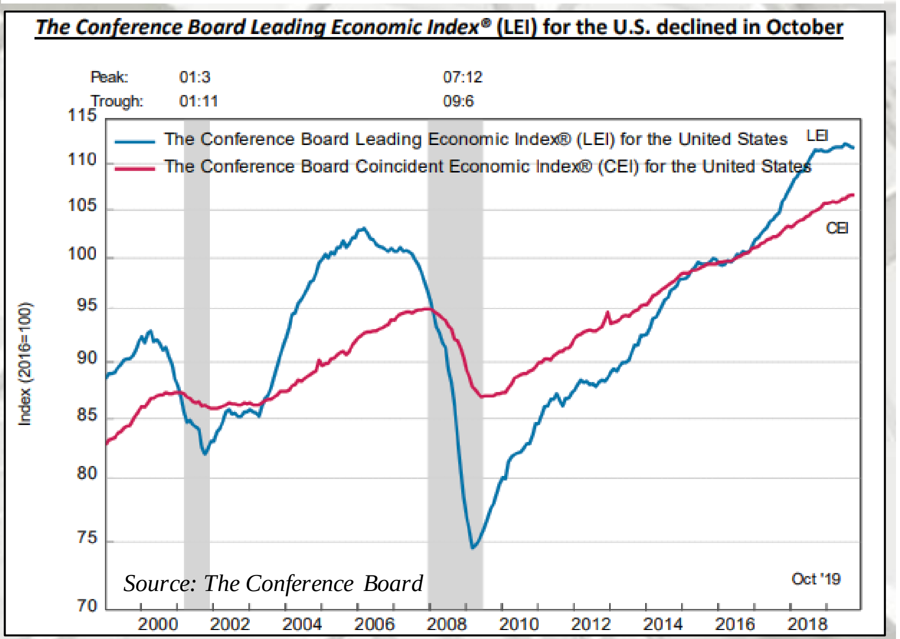
Private Indicators

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

The Conference Board Leading Economic Index® (LEI) for the U.S. declined 0.1 percent in October to 111.7 (2016 = 100), following a 0.2 percent decline in September and August.

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



"The US LEI declined for a third consecutive month, and its six-month growth rate turned negative for the first time since May 2016. The decline was driven by weaknesses in new orders for manufacturing, average weekly hours, and unemployment insurance claims. The major difference this month is the softening in the labor market, whereas conditions in manufacturing remain weak and show no signs of improvement yet. Taken together, the LEI suggests that the economy will end the year on a weak note, at just below 2 percent growth." – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

"**The Conference Board Coincident Economic Index®** (CEI) for the U.S. was unchanged in October, remaining at 106.5 (2016 = 100), following a 0.1 percent increase in September, and a 0.3 percent increase in August.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.1 percent in October 108.1 (2016 = 100), following a 0.1 percent increase in September, and a 0.6 percent decline in August."

Source: https://www.conference-board.org/data/bcicountry.cfm; 11/21/19

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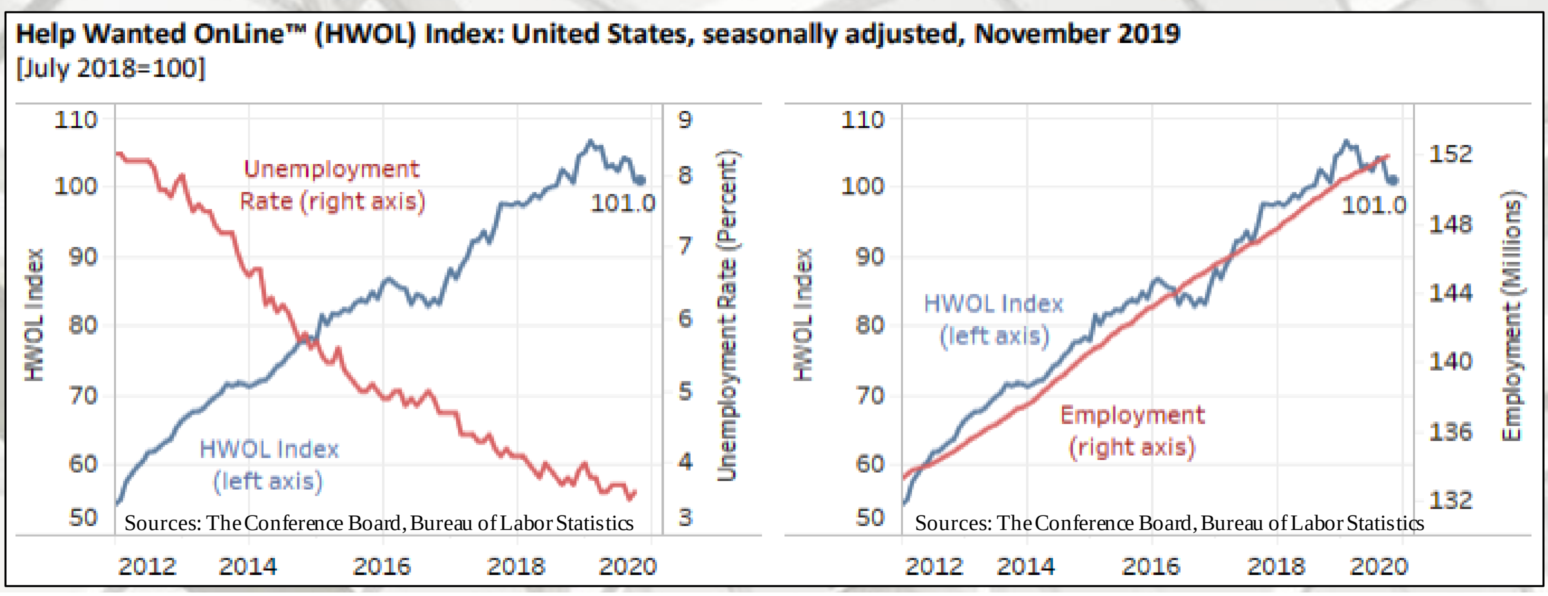
Private Indicators



The Conference Board Help Wanted OnLine® (HWOL) Online Labor Demand Rose in November

- "HWOL Index edged up in November, following a decline in October
- Most States and Occupations experienced a small increase

The Conference Board Help Wanted OnLine® (HWOL) Index edged up in November and now stands at 101.0 (July 2018=100), up from 100.9 in October. The Index declined 2.9 percent from the prior month (Sept-Oct) and is up 0.3 percent from a year ago.

In the Midwest, Wisconsin increased 2.2 percent and Nebraska grew 1.8 percent. In the Northeast, New Jersey grew 3.1 percent and Rhode Island increased 2.5 percent. In the South, Oklahoma increased 3.2 percent and Louisiana increased 2.0 percent. In the West, Hawaii grew 3.5 percent and Nevada increased 2.5 percent.

The Professional occupational category experienced increases in Legal (4.7 percent), Arts, design, entertainment, sports, and media (1.5 percent), Computer and math (0.7 percent), and Education (0.7). The Services/ Production occupational category experienced declines in Farming, fishing, and forestry (-5.2 percent), and increases in Protective Services (1.8), Building and grounds (1.5) and Sales (1.3)." – Gad Levanon, Chief Economist, North America, at The Conference Board

Source: https://www.conference-board.org/data/helpwantedonline.cfm; 12/11/19

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Equipment Leasing and Finance Association:

Confidence Up in November

"The **Equipment Leasing & Finance Foundation** (the Foundation) releases the October 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 is 54.9, an increase from the October index of 51.4." – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

"It appears we have absorbed the headwind of the trade wars. Consumers still seem to be pulling the economy forward." – Quentin Cote, CLFP, President, Mintaka Financial, LLC

"We do not expect significant investment in the agriculture vertical until trade policy issues are resolved." – Michael Romanowski, President, Farm Credit Leasing

"Wintrust Specialty Finance is optimistic about the continued volume and credit quality we are experiencing." – David Normandin, CLFP, President and CEO, Wintrust Specialty Finance

Source: https://www.leasefoundation.org/industry-resources/monthly-confidence-index/; 11/14/19

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Equipment Leasing and Finance Association: Confidence Up in November

"November 2019 Survey Results: The overall MCI-EFI is 51.4, an increase from 51.4 in October.

- When asked to assess their business conditions over the next four months, 13.3% of executives responding said they believe business conditions will improve over the next four months, up from 9.7% in October. 73.3% of respondents believe business conditions will remain the same over the next four months, an increase from 71% the previous month. 13.3% believe business conditions will worsen, down from 19.4% in October.
- 13.3% of the survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, unchanged from October. 63.3% believe demand will "remain the same" during the same four-month time period, a decrease from 73.3% the previous month. 23.3% believe demand will decline, down from 13.3% in October.
- 20% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, up from 16.7% in October. 80% of executives indicate they expect the "same" access to capital to fund business, unchanged from last month. None expect "less" access to capital, a decrease from 3.3% in October.
- When asked, 26.7% of the executives report they expect to hire more employees over the next four months, an increase from 16.1% in October. 73.3% expect no change in headcount over the next four months, an increase from 71% last month. None expect to hire fewer employees, down from 12.9% the previous month." – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Source: https://www.leasefoundation.org/industry-resources/monthly-confidence-index/; 11/14/19

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Equipment Leasing and Finance Association:

Confidence Eases Again in October

- "When asked, 26.7% of the executives report they expect to hire more employees over the next four months, an increase from 16.1% in October. 73.3% expect no change in headcount over the next four months, an increase from 71% last month. None expect to hire fewer employees, down from 12.9% the previous month.
- 16.7% of the leadership evaluate the current U.S. economy as "excellent," down from 19.4% the previous month. 83.3% of the leadership evaluate the current U.S. economy as "fair," up from 80.7% in October. None evaluate it as "poor," unchanged from last month.
- 10% of the survey respondents believe that U.S. economic conditions will get "better" over the next six months, up from 3.2% in October. 76.7% of survey respondents indicate they believe the U.S. economy will "stay the same" over the next six months, an increase from 58.1% the previous month. 13.3% believe economic conditions in the U.S. will worsen over the next six months, a decrease from 38.7% in October.
- In November, 30% of respondents indicate they believe their company will increase spending on business development activities during the next six months, an increase from 25.8% last month. 63.3% believe there will be "no change" in business development spending, a decrease from 71% in October. 6.7% believe there will be a decrease in spending, an increase from 3.2% last month." – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Source: https://www.leasefoundation.org/industry-resources/monthly-confidence-index/; 11/14/19

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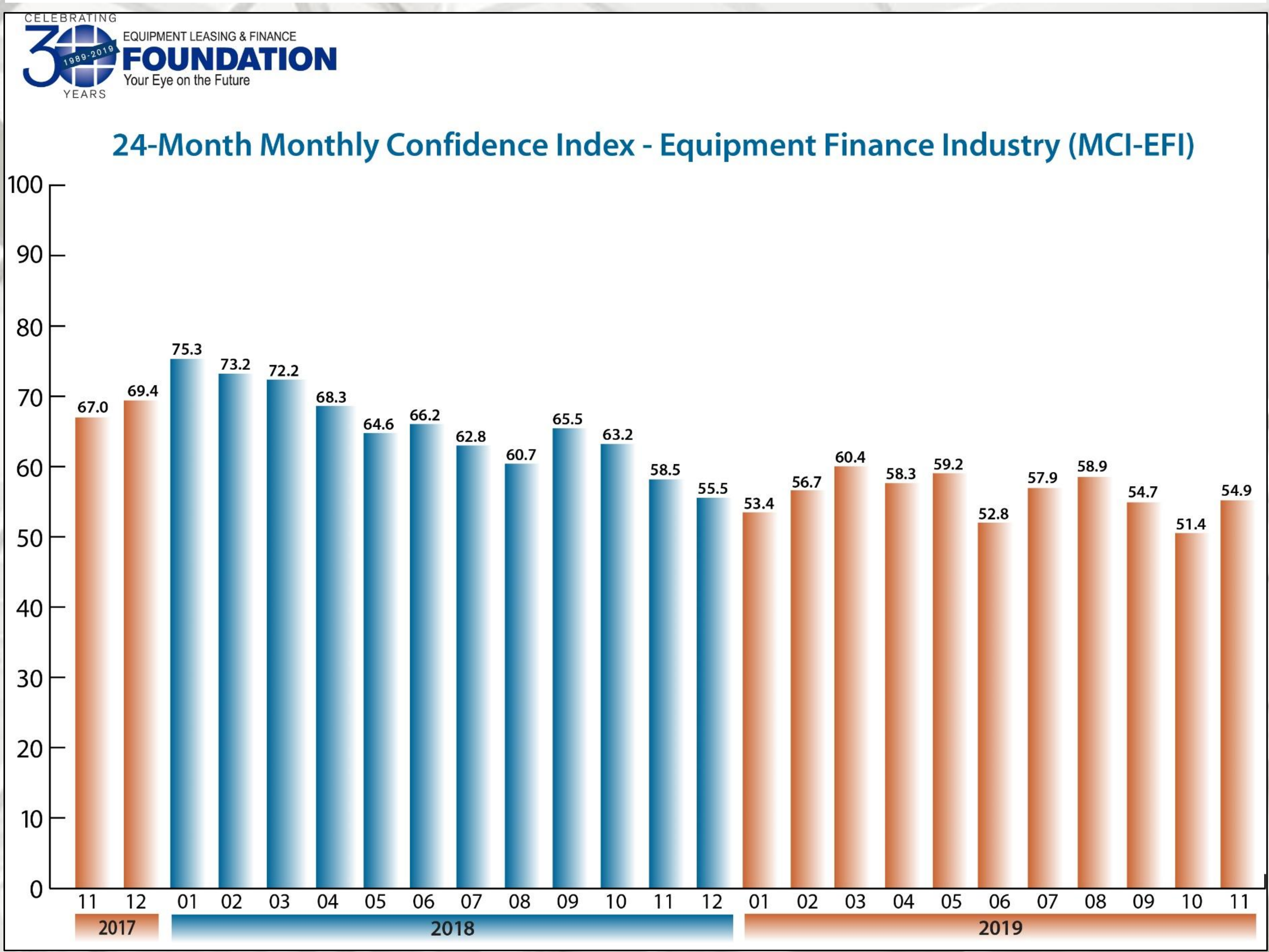
Equipment Leasing and Finance Association



Source: https://www.leasefoundation.org/industry-resources/monthly-confidence-index/; 11/14/19

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Private Indicators

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

Monthly Leasing and Finance Index: October 2019

"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 October was $10.1 billion, up 14 percent year-over-year from new business volume in October 2018. Volume was up 1 percent month-to-month from $10.0 billion in September. Year to date, cumulative new business volume was up 6 percent compared to 2018.

Receivables over 30 days were 2.0 percent, up from 1.70 percent the previous month and up from 1.70 percent the same period in 2018. Charge-offs were 0.46 percent, up from 0.40 percent the previous month, and up from 0.37 percent in the year-earlier period.

Credit approvals totaled 76.3 percent, unchanged from September. Total headcount for equipment finance companies was down 3.0 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in November is 54.9, an increase from the October index of 51.4." – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

Source: https://www.elfaonline.org/data/mlfi-25-monthly-leasing-and-finance-index/view-mlfi/monthly-leasing-and-finance-index-October-2019; 11/22/19

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Private Indicators

Equipment Leasing and Finance Association

Monthly Leasing & Finance Index

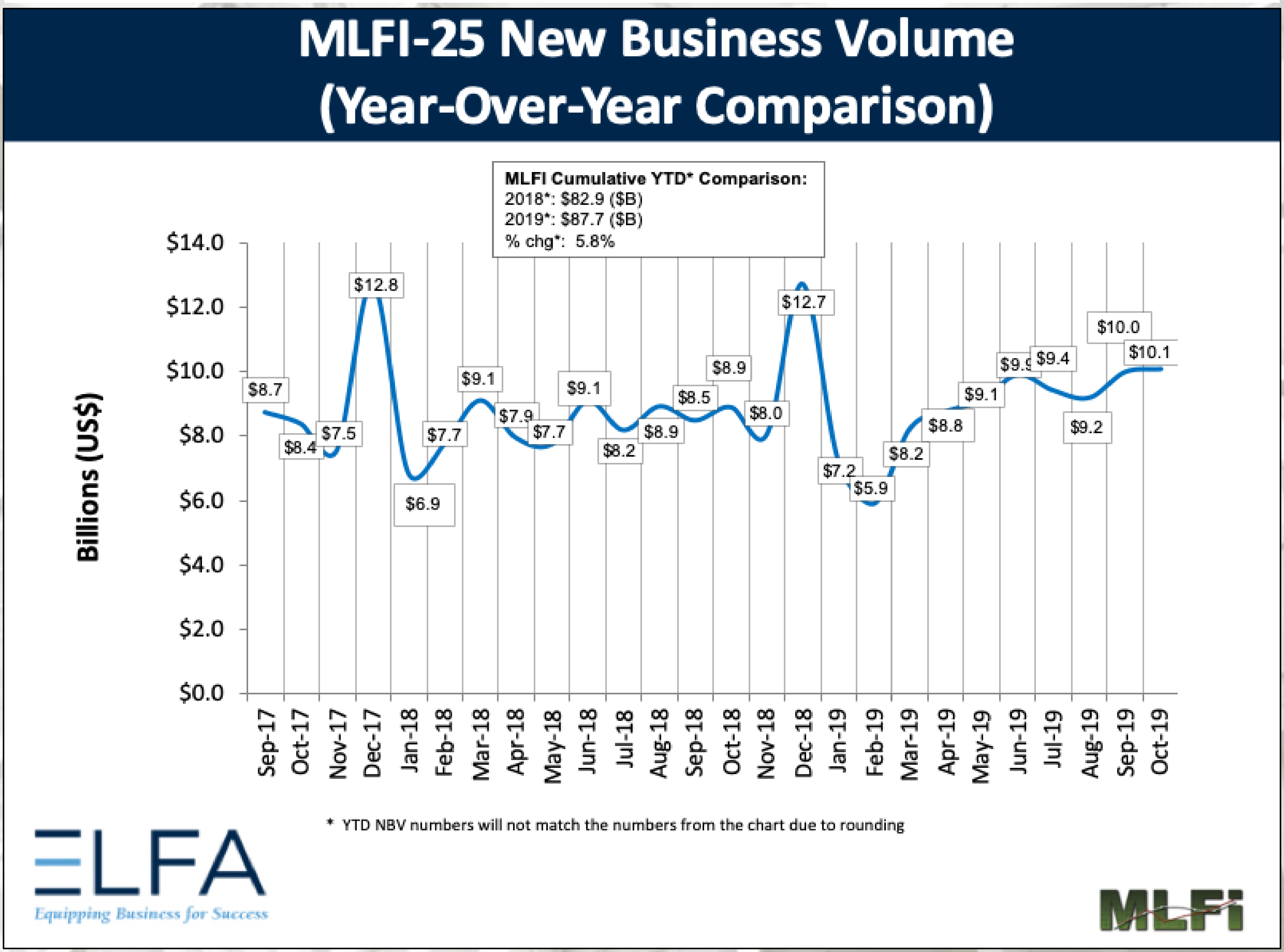
"Buoyed by solid fundamentals in the U.S. economy, new business volume reported in the October MLFI-25 survey increased yet again. These data, coupled with anecdotal information gathered from members across multiple industry sectors at ELFA's Annual Convention later in the month, reflect the broader equipment finance industry continuing to fire on most, if not all, cylinders. Of some concern is slightly elevated charge-off and delinquency data. This bears monitoring as the year comes to a close." – Ralph Petta, President and CEO, ELFA

"The upward trend in new business volume continued with an increase of 14 percent in October year-over-year growth, and an increase of 6 percent year-to-date compared to last year. With predictions that economic growth will hold up through year-end, and an uptick in the Foundation's Monthly Confidence Index, we should expect business sentiment and investment to continue to spur positive trends for the industry." – Robert Neagle, President, Merchant Finance, Ascentium Capital LLC

Source: https://www.elfaonline.org/data/mlfi-25-monthly-leasing-and-finance-index/view-mlfi/monthly-leasing-and-finance-index-October-2019; 11/22/19

Private Indicators

Equipment Leasing and Finance Association



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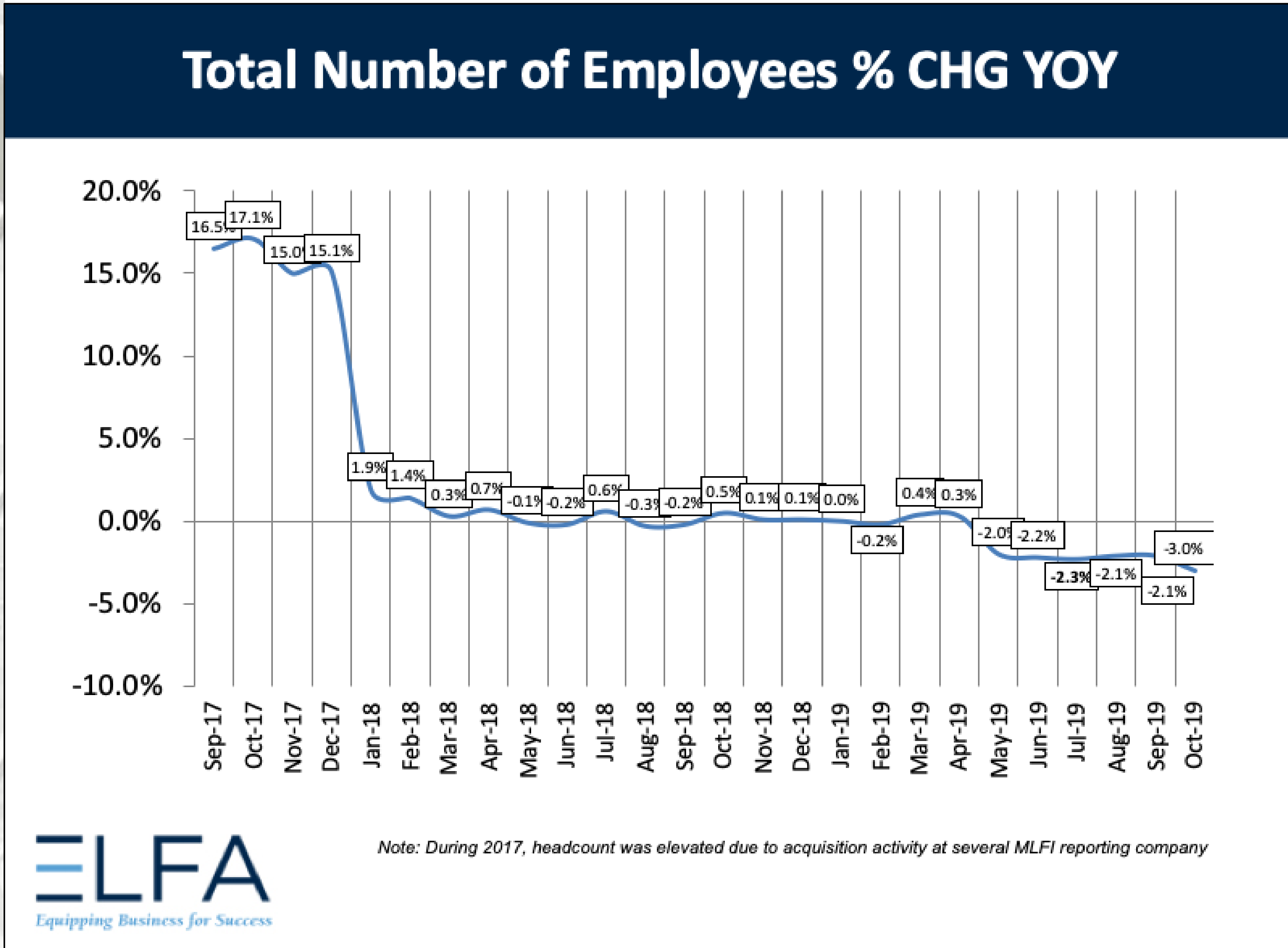
Equipment Leasing and Finance Association



Source: https://www.elfaonline.org/data/mlfi-25-monthly-leasing-and-finance-index/view-mlfi/monthly-leasing-and-finance-index-October-2019; 11/22/19

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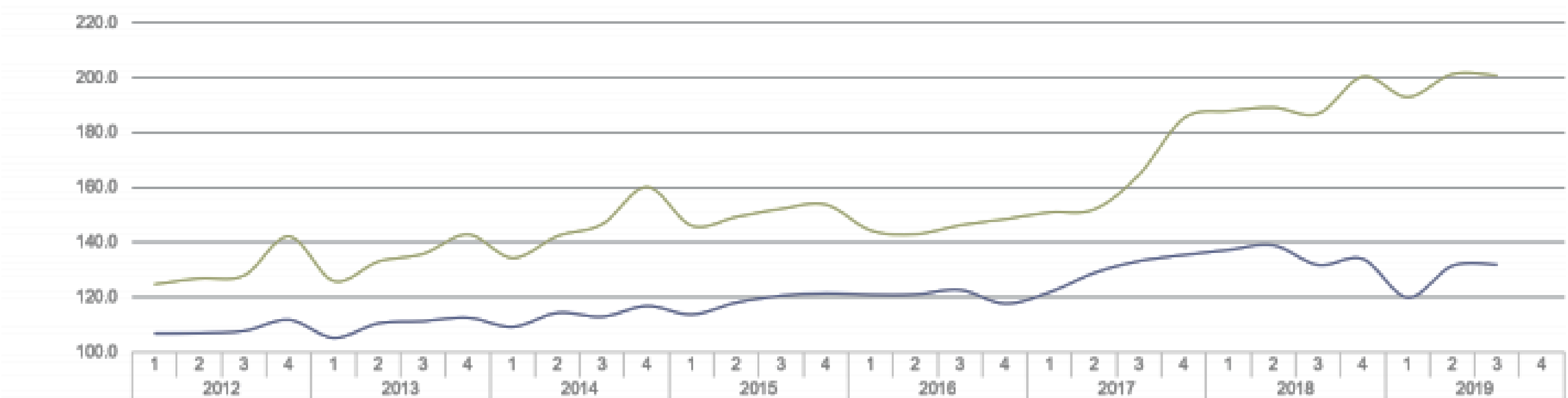
Private Indicators

U.S. Bank Freight Payment Index®

Q3 2019 National Freight Market Overview



	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Shipments	106.8	106.9	107.7	111.7	105.2	110.4	111.2	112.5	109.1	114.3	112.8	116.7	113.6	118.0	120.5	121.3
Spend	124.8	126.9	128.0	142.1	125.9	133.0	135.8	142.9	134.3	142.3	146.6	160.2	146.1	149.3	152.2	153.8

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4
Shipments	120.8	120.9	122.5	117.6	121.7	128.7	133.0	135.2	137.1	138.7	131.6	133.8	119.8	131.3	131.7	
Spend	144.3	143.0	146.2	148.4	150.9	152.0	164.7	185.2	187.8	189.1	186.8	200.3	192.9	201.3	200.7	

Shipments	
Index Value	131.7
Quarterly % Change	0.3% ▲
Yearly % Change	0.1% ▲

Spend	
Index Value	200.7
Quarterly % Change	-0.3% ▼
Yearly % Change	7.4% ▲

Q3 Insights from U.S. Bank

"After a solid Q2, the U.S. Bank National Shipment and Spend Indexes flattened sequentially this quarter. Shipments were up slightly while spending was down moderately, and overall Q3 results were not indicative of an anticipated economic recession. Retail sales were off pace from 2018 but remained at high levels while new-home construction stayed steady and factory output decelerated." – Bob Costello, Chief Economist and Senior Vice President, American Trucking Associations (ATA)

Source: https://freight.usbank.com/download/USB_FreightIndex_2019_Q3_Final.pdf; 11/23/19

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Private Indicators

U.S. Bank Freight Payment Index®
Q3 2019 National Freight Market Overview

"After a solid second quarter, the U.S. Bank National Shipment and Spend Indexes flattened sequentially during the third quarter, with shipments up slightly and spending moderately down. Both results are within expectations, as the overall economy was forecast to grow at roughly the same pace in the third quarter as in the second quarter. The third quarter results are not consistent with predictions that an economic recession is around the corner.

Overall, the U.S. Bank Freight Payment Index was essentially unchanged last quarter. However, there is significant divergence among freight types and freight markets in the industry. For example, for-hire truckload contract freight volumes outperform less-than-truckload (LTL) volumes. Furthermore, within the truckload market, contract freight performs better than the spot volumes. It appears that spot volumes have reached a bottom.

As for the macroeconomic drivers for freight last quarter, consumer spending continues to be the pillar. Retail sales are off the pace set in 2018, but the level of freight in this sector remains high. Conversely, new home construction activity is essentially moving laterally, albeit at high levels. Meanwhile, factory output decelerated as economic growth around the world slows and businesses moderate capital investment. A soft factory sector has impacted the LTL market, with large portions of LTL freight coming from manufacturers. Inventory levels throughout the supply chain remain elevated, but there is evidence that the trends are improving. In summary, the U.S. Bank National Shipment and Spend Indexes were flat in the third quarter, as compared to the previous quarter. … " – Bob Costello, Chief Economist and Senior Vice President, American Trucking Associations (ATA)

Source: https://freight.usbank.com/download/USB_FreightIndex_2019_Q3_Final.pdf; 11/23/19

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Private Indicators

U.S. Bank Freight Payment Index®

Q3 2019 National Freight Market Overview

"The U.S. Bank National Shipment Index edged up 0.3% in the third quarter, which was preceded by a 9.7% surge in the second quarter. Compared with a year earlier, the National Shipment Index increased 0.1%. As a result, the index remains at historically good levels. One of the factors that kept the shipment index up last quarter was solid consumer spending. Retail sales accelerated from the second quarter, helping support shipments from July through September.

Accounting for a large portion of truck freight, retail sales are supported by a near 50-year low in the unemployment rate, elevated consumer confidence and record levels of inflation-adjusted personal disposable income. Retail sales are also particularly good for the dry van truckload segment. The National Spend Index was more mixed last quarter, with a decline of 0.3% from the second quarter, but a robust 7.4% rise from the same three-month period in 2018. Sequentially, spending fell in two of the last three quarters. However, the fact that the index is up 7.4% with shipments only increasing 0.1% from a year earlier is impressive and suggests capacity is coming more into balance. Related, in the first half of 2019, the industry saw a large number of motor carriers close their doors — more than all of 2018 — which is a trend that could continue." – Bob Costello, Chief Economist and Senior Vice President, American Trucking Associations (ATA)

Source: https://freight.usbank.com/download/USB_FreightIndex_2019_Q3_Final.pdf; 11/23/19

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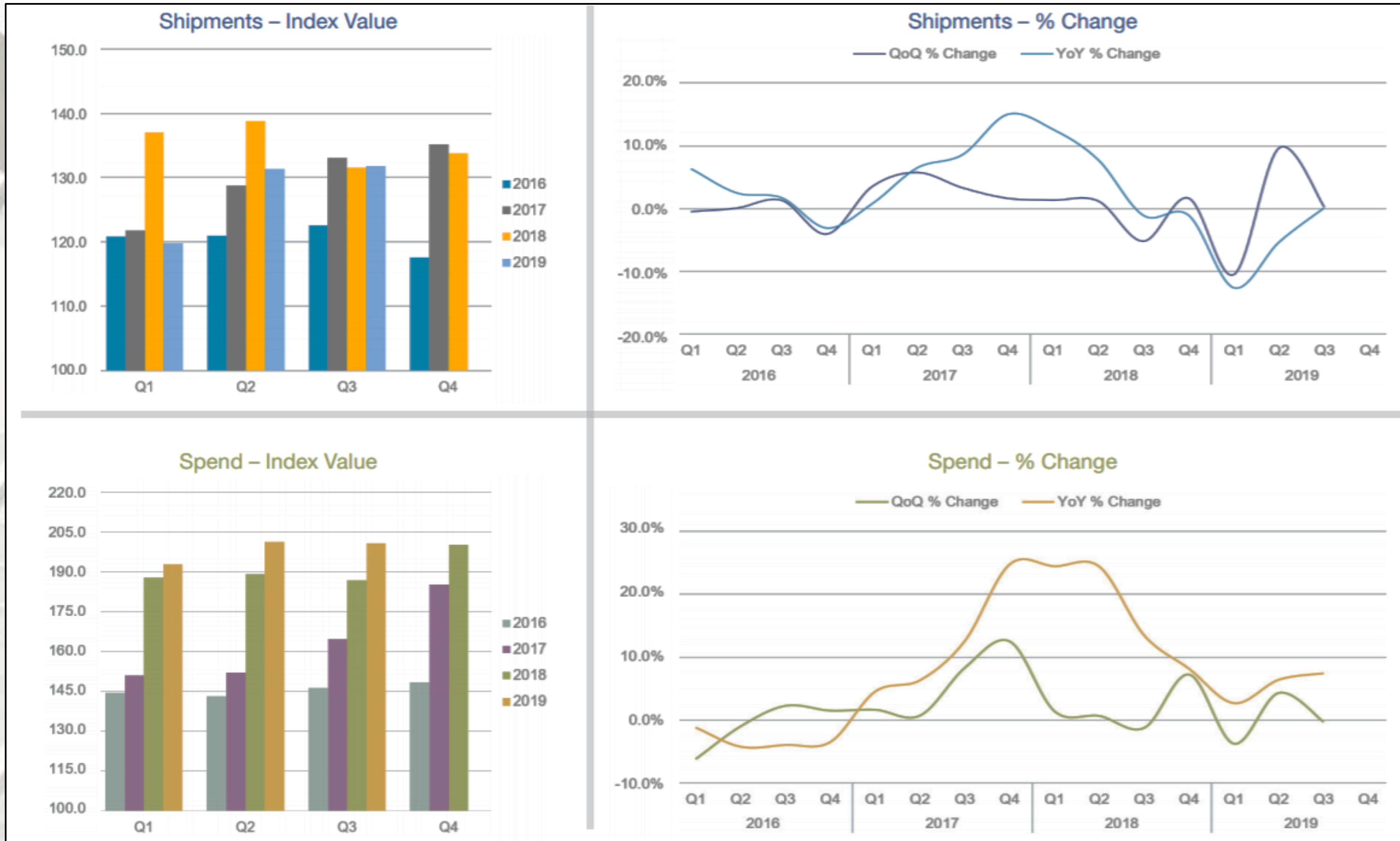
Private Indicators

U.S. Bank Freight Payment Index®



Source: https://freight.usbank.com/download/USB_FreightIndex_2019_Q3_Final.pdf; 11/23/19

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November 2019 Manufacturing ISM® *Report On Business*®

PMI® at 48.1%

New Orders, Production, and Employment Contracting

Supplier Deliveries Faster from Slower; Backlog Contracting

Raw Materials Inventories Contracting; Customers' Inventories Too Low

Prices Decreasing; Exports Growing, but Imports Contracting

"Economic activity in the **manufacturing sector** contracted in November, and the **overall economy** grew for the 127th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM®** ***Report On Business®***. The November PMI® registered 48.3 percent, an increase of 0.2 percentage points from the October reading of 48.3 percent.

The New Orders Index registered 47.2 percent, a decrease of 1.9 percentage points from the October reading of 49.1 percent.

The Production Index registered 49.1 percent, up 2.9 percentage points compared to the October reading of 46.2 percent.

The Backlog of Orders Index registered 43 percent, down 1.1 percentage points compared to the October reading of 44.1 percent.

The Employment Index registered 46.6 percent, a 1.1-percentage point decrease from the October reading of 47.7 percent.

The Supplier Deliveries Index registered 52 percent, a 2.5-percentage point increase from the October reading of 49.5 percent.

The Inventories Index registered 45.5 percent, a decrease of 3.4 percentage points from the October reading of 48.9 percent.

The Prices Index registered 46.7 percent, a 1.2-percentage point increase from the October reading of 45.5 percent.

The New Export Orders Index registered 47.9 percent, a 2.5-percentage point decrease from the October reading of 50.4 percent.

The Imports Index registered 48.3 percent, a 3-percentage point increase from the October reading of 45.3 percent." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.instituteforsupplymanagement.org/ISMReport/MfgROB.cfm; 12/2/19

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November 2019 Manufacturing ISM® *Report On Business*®

"Comments from the panel were consistent with the previous month, with sentiment improving compared to October. November was the fourth consecutive month of PMI® contraction, at a faster rate compared to the prior month.

Demand contracted, with the New Orders Index contracting faster, the Customers' Inventories Index remaining at 'too low' levels and the Backlog of Orders Index contracting for the seventh straight month (and at a faster rate). The New Export Orders Index returned to contraction territory, likely contributing to the faster contraction of the New Orders Index.

Consumption (measured by the Production and Employment indexes) contracted, due primarily to lack of demand, but contributed positively (a combined 1.8-percentage point increase) to the PMI® calculation.

Inputs — expressed as supplier deliveries, inventories and imports — were again lower in November, due primarily to contraction in inventories that was partially offset by supplier deliveries returning to 'slowing.' This resulted in a combined 0.9-percentage point decrease in the Supplier Deliveries and Inventories indexes. Imports contraction softened. Overall, inputs indicate (1) supply chains are meeting demand and (2) companies are less confident that materials received will be consumed in a reasonable time period. Prices decreased for the sixth consecutive month, at a slower rate.

Global trade remains the most significant cross-industry issue. Among the six big industry sectors, Food, Beverage & Tobacco Products remains the strongest, while Fabricated Metal Products is the weakest. Overall, sentiment this month is neutral regarding near-term growth.

Of the 18 manufacturing industries, five reported growth in November: Apparel, Leather & Allied Products; Food, Beverage & Tobacco Products; Paper Products; Miscellaneous Manufacturing; and Computer & Electronic Products. The 13 industries reporting contraction in November — listed in order — are: Wood Products; Printing & Related Support Activities; Furniture & Related Products; Textile Mills; Fabricated Metal Products; Transportation Equipment; Primary Metals; Plastics & Rubber Products; Petroleum & Coal Products; Nonmetallic Mineral Products; Machinery; Chemical Products; and Electrical Equipment, Appliances & Components." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.instituteforsupplymanagement.org/ISMReport/MfgROB.cfm; 12/2/19

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Private Indicators

November 2019 Non-Manufacturing ISM® Report On Business®

NMI® at 53.9%; GDP Growing at 1.9%

Business Activity Index at 51.6%, New Orders Index at 57.1% Employment Index at 55.5%

"Economic activity in the **non-manufacturing sector** grew in November for the 118th consecutive month, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM®Report On Business®**.

The NMI® registered 53.9 percent, which is 0.8 percentage points lower than the October reading of 54.7 percent. This represents continued growth in the non-manufacturing sector, at a slightly slower rate.

The Non-Manufacturing Business Activity Index decreased to 51.6 percent, 5.4 percentage points lower than the October reading of 57 percent, reflecting growth for the 124th consecutive month.

The New Orders Index registered 57.1 percent; 1.5 percentage points higher than the reading of 55.6 percent in October.

The Employment Index increased 1.8 percentage points in November to 55.5 percent from the October reading of 53.7 percent.

The Prices Index increased 1.9 percentage points from the October reading of 56.6 percent to 58.5 percent, indicating that prices increased in November for the 30th consecutive month." – 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 ; 12/4/19

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Private Indicators

November 2019 Non-Manufacturing ISM® Report On Business®

NMI® at 53.9%; GDP Growing at 1.9%

"According to the NMI®, 12 non-manufacturing industries reported growth. The non-manufacturing sector had a slight pullback in November. The respondents hope for a resolution on tariffs and continue to be hampered by constraints in labor resources.

The 12 non-manufacturing industries reporting growth in November — listed in order — are: Real Estate, Rental & Leasing; Health Care & Social Assistance; Arts, Entertainment & Recreation; Accommodation & Food Services; Retail Trade; Finance & Insurance; Transportation & Warehousing; Management of Companies & Support Services; Information; Utilities; Professional, Scientific & Technical Services; and Public Administration.

The five industries reporting a decrease are: Agriculture, Forestry, Fishing & Hunting; Mining; Wholesale Trade; Construction; and Other Services." – 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 ; 12/4/19

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Private Indicators

Markit U.S. Manufacturing PMI™

November PMI at seven-month high amid stronger upturn in new orders

"The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 52.6 in November, up from 51.3 in October, to signal the strongest improvement in the health of the manufacturing sector since April. The reading was above the earlier 'flash' figure of 52.2, but remained below the long-run series trend and indicative of only a modest upturn overall.

November data indicated a faster rate of improvement in operating conditions across the U.S. manufacturing sector. Overall growth was supported by quicker expansions in production and new orders, with both domestic and foreign client demand strengthening. Manufacturers also increased their workforce numbers at a quicker pace amid reports of greater operational requirements. Business confidence remained historically muted, however, as global economic uncertainty continued to weigh on expectations. Meanwhile, rates of input price and output charge inflation picked up due to supplier shortages, tariffs and higher raw material costs.

The rate of output growth accelerated further from July's recent low in November, with the pace of expansion reaching a ten-month high. Companies commonly linked the upturn in production to stronger client demand. New order volumes also increased at the fastest pace since January, reportedly buoyed by greater marketing activity and a reduction in hesitancy among customers in placing orders. Foreign client demand also picked up midway through the final quarter, with new export orders increasing at the quickest rate since June. The upturn was often attributed by firms to greater interest from key export partners. In line with stronger client demand, manufacturers expanded their workforce numbers, and at the fastest pace since March." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/f3393ea3f8e44ad2b6320c7af89de3e8; 12/2/19

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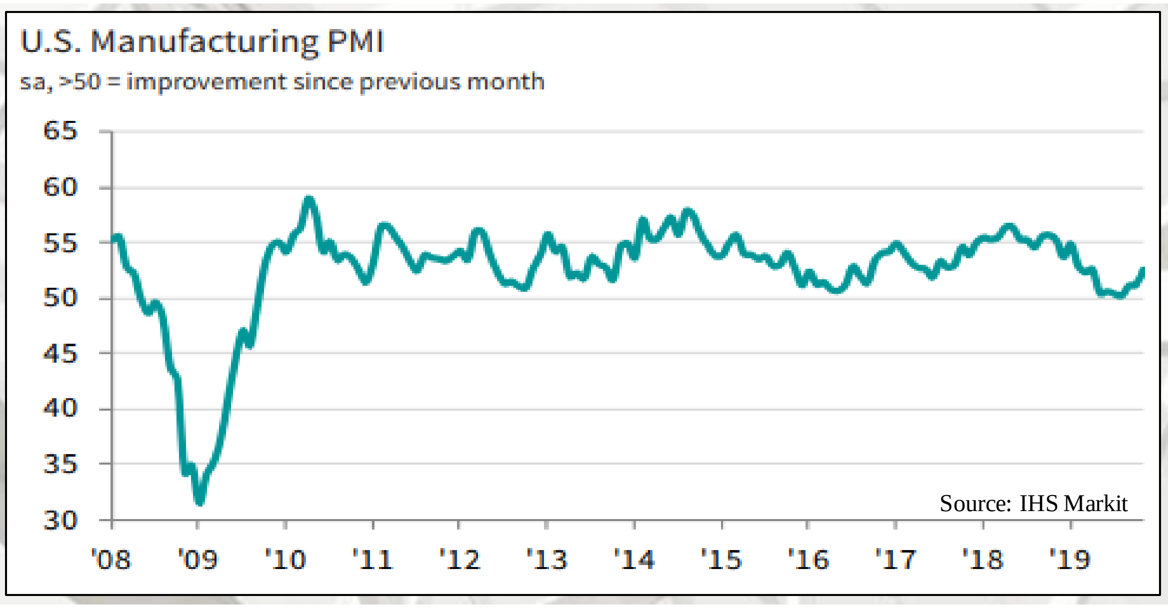

Markit U.S. Manufacturing PMI™

"A third consecutive monthly rise in the PMI indicates that US manufacturing continues to pull out of its soft patch. New orders and production are rising at the fastest rates since January, encouraging increasing numbers of firms to take on more workers. Exports are also back on a rising trend, firms are buying more inputs and re-building inventories, adding to the signs of improvement. Some caution is needed, as these improved survey numbers merely translate into very subdued growth in comparable official gauges of manufacturing production and factory payrolls. Business sentiment also remains worryingly subdued, with expectations about future output growth well down on earlier in the year and running at one of the lowest levels seen since comparable data were first available in 2012. Firms remain very concerned about the disruptive effects of tariffs and trade wars in particular, both in terms of rising prices and weakened demand, though the survey also saw further worries among manufacturers that the economy could slow in the upcoming presidential election year as customers delay spending and investment decisions." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/f3393ea3f8e44ad2b6320c7af89de3e8; 12/2/19

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Private Indicators

Markit U.S. Manufacturing PMI™

Business activity growth strengthens in November

“The seasonally adjusted final IHS Markit US Services Business Activity Index registered 51.6 in November, up from 50.6 in October and in line with the 'flash' figure, indicating a further upturn in output across the U.S. service sector. The expansion was only marginal and well below the long-run series trend. .Nonetheless, the rate of growth accelerated to a four-month high which companies attributed to an uptick in client demand..

U.S. service sector firms signalled a quicker expansion in business activity in November. Although only marginal, the increase in output was supported by a renewed upturn in new orders. Foreign client demand remained lacklustre, however, with new business from abroad continuing to fall. Greater new order inflows and a subsequent rise in backlogs of work led to a return to growth in employment, albeit only fractional overall. That said, business confidence remained muted and close to historical lows. Meanwhile, inflationary pressures were relatively subdued, with selling prices increasing only fractionally. …

With both services and manufacturing reporting stronger rates of expansion, the November PMI surveys indicate the fastest pace of economic growth for four months. The improvement is coming from a low base, however, and even at these higher levels the survey is merely indicative of annualised GDP growth in the region of 1.5%. Similarly, while reviving order book growth has encouraging more companies to take on extra staff after two months of net job losses being reported, the survey’s employment index continued to run at a level consistent with monthly jobs growth of only around 100,000.” – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/742a7acf2bbc418699e19482ce3e0670 ; 12/4/19

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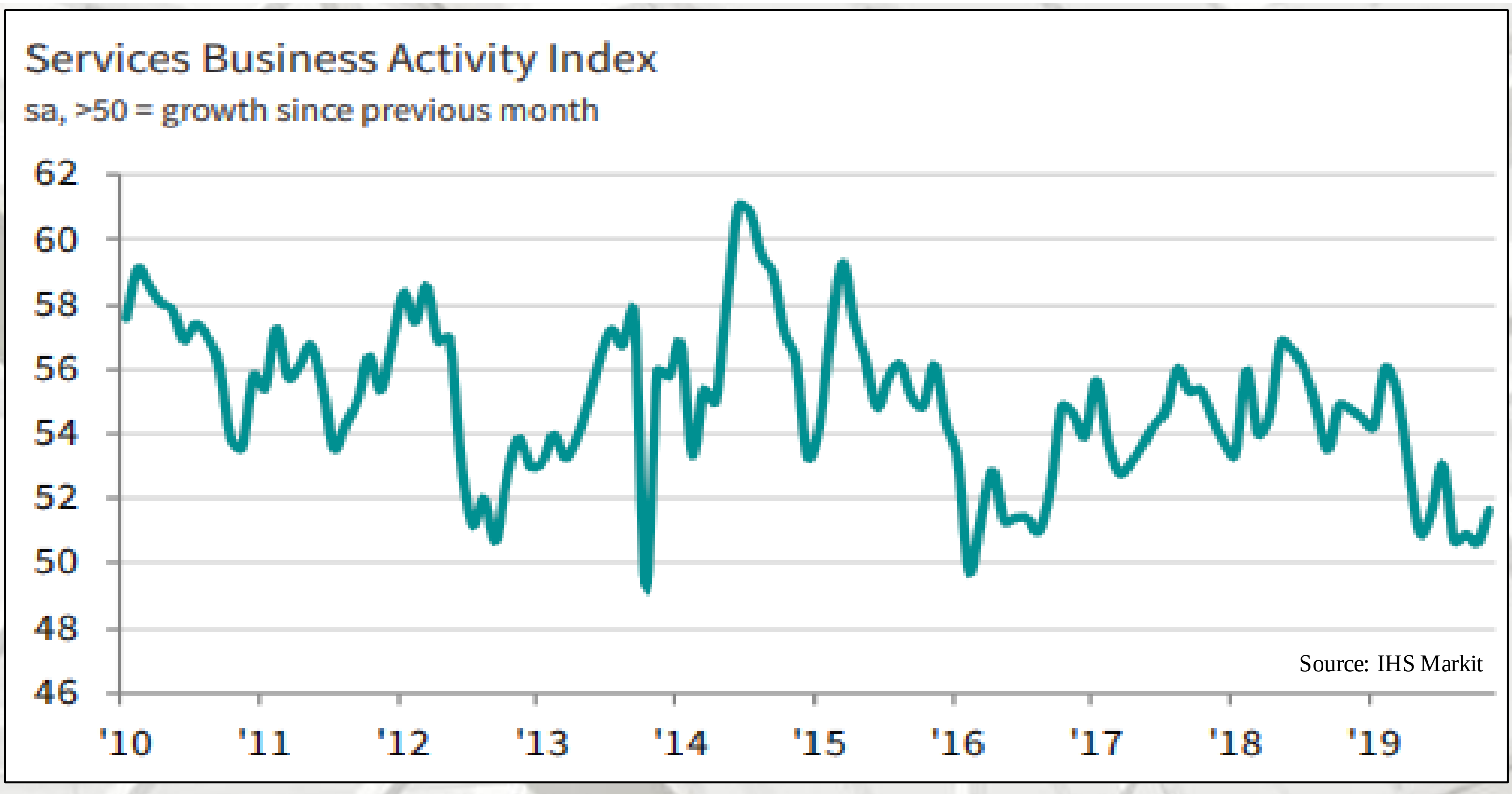

Markit U.S. Manufacturing PMI™

Business activity growth strengthens in November

"Weakened business activity and jobs growth compared to earlier in the year also led to widespread caution with respect to pushing up selling prices in the face of an uncertain outlook. Business expectations for the year ahead continue to run at one of the lowest levels recorded by the survey since 2012 with firms worried about trade wars, slowing economic growth at home and abroad, as well as the possibility of next year's election cycle causing customers to postpone spending decisions." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/742a7acf2bbc418699e19482ce3e0670; 12/4/19

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Private Indicators

National Association of Credit Management – Credit Managers' Index

November Credit Managers' Index

"The overall score improved from 54.6 to 55.5, marking the highest point reached since May of this year when it stood at 55.7. The index of favorable factors rose from 60.1 to 61.6, taking the numbers back to levels seen in August. The index of unfavorable factors improved as well (50.9 to 51.5). That is higher than it has been in well over two years — in February it hit 51. The breakdown of the categories suggests some interesting trends.

The data this month is more than a little interesting and encouraging. It is the second month in a row for a positive trend in the overall Credit Managers' Index (CMI); there have been gains in both manufacturing and service. This gain is more impressive given the fact that many of the other economic indicators have been trending in a negative direction. "The Purchasing Managers' Index has been in contraction territory for the past three months, however, the latest new orders index started to come back towards expansion territory," said NACM Economist Chris Kuehl, Ph.D. "Most of the recent indicators have shown increased caution among those in the business community. That seems to be the watchword of late. The Fed has seen a decline in business borrowing and capital expenditures have been trending down along with capacity utilization numbers." He explained that the CMI is the current ray of economic sunshine. "This is important given the tendency for the CMI to predict the future a little more accurately than many other surveys."" – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 11/29/19

Private Indicators

National Association of Credit Management

"The sales score ramped up very nicely from 57.9 to 61.6. It was not quite as robust as the 64.4 notched in August, but headed in the right direction and back above 60. The new credit applications numbers also returned to the 60s with a score of 61.2 compared to 59 in October. The dollar collections numbers fell from 62.1 to 59.2 — a little unexpected. "There has been some evidence that companies are trying to work their credit numbers down a little in anticipation of a tougher year in 2020," said Kuehl. "Dollar collections would be expected to be up more than they are." The reading for amount of credit extended improved significantly from 61.6 to 64.3, the highest point reached since May of this year. He added, "There are obviously those still buying and still accessing credit in order to do so." …

"This month marks the first time that five of the six unfavorable readings have been in expansion territory in nearly three years," said Kuehl. "The only category in contraction now is accounts placed for collection. It is unlikely this signals a new period of rapid growth for the economy, but it does reduce the potential for a serious recession."

Manufacturing Sector

As for manufacturing in the U.S., Kuehl noted that by most accounts the sector has been struggling, and for a variety of reasons. The most pressing of late has been the impact of the trade war with China. There has been a challenge getting the parts and materials needed from China. The slowdown in the Chinese economy has also affected those nations that traditionally sell to the Chinese — they now can't buy as much from the U.S. as they once did. The worker shortage has also played a major role and most of the manufacturing data has been troubled — everything from three months of the Purchasing Managers' Index in contraction territory to the reduction in industrial production numbers, durable goods orders, capacity utilization numbers and so on. The fact the CMI is trending in a positive direction is a welcome surprise. The combined score for the manufacturing sector went from 53.9 to 54.5. That takes the numbers back to the levels seen in August. The readings have been at this level most of the year, but had slipped a bit in October. …"
– Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 11/29/19

Private Indicators

National Association of Credit Management

Service Sector

“Kuehl notes that the retail season is in full swing; the numbers have been better than expected. Retail sales have been up in general although there has been somewhat less interest in the high-dollar items that drove holiday sales in past years. The level of consumer confidence remains high as long as the jobless rate stays down and there have been few signs of impending layoffs. The CMI data on the service sector tends to be weighted towards the retail community as well as health care and construction. The data seems to be mirroring what the retailers are reporting.

The combined score for the service sector improved from 55.3 to 56.5, the highest reading in over two years. Last November (2018) the reading was at 56, but it has rarely been higher than 55 since. The index of favorable factors improved quite dramatically with a reading of 63.4 compared to October’s 61.2. This reading is as high as it has been since May of this year. The index of unfavorable factors also noted an improvement with this month’s reading of 51.8, but in this case the jump was small — moving from 51.4 in October.

The sales numbers are as good as would be expected this time of year. The reading in October was 59.1 and now it’s back in the 60s with a reading of 62.5. That is comparable to the August number of 63.4. The new credit applications data also tracked back into the 60s with a reading of 62.5 from 58.7 last month. The dollar collections number also registered in the 60s, but the reading was down from the month before. It was sitting at 65.5 and is now 61.7. The amount of credit extended also jumped dramatically and stayed in the high 60s (from 61.6 to 66.9). This marks the first time since August that all the sub-categories have been in the 60s. “The good news is that all of the readings are now in the 50s for the first time in three years, a development that promises decent numbers in the months to come,” said Kuehl. “There will likely be some slowdown once the holiday season is over, but the decline may not create as much angst as last year.”” – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 11/29/19

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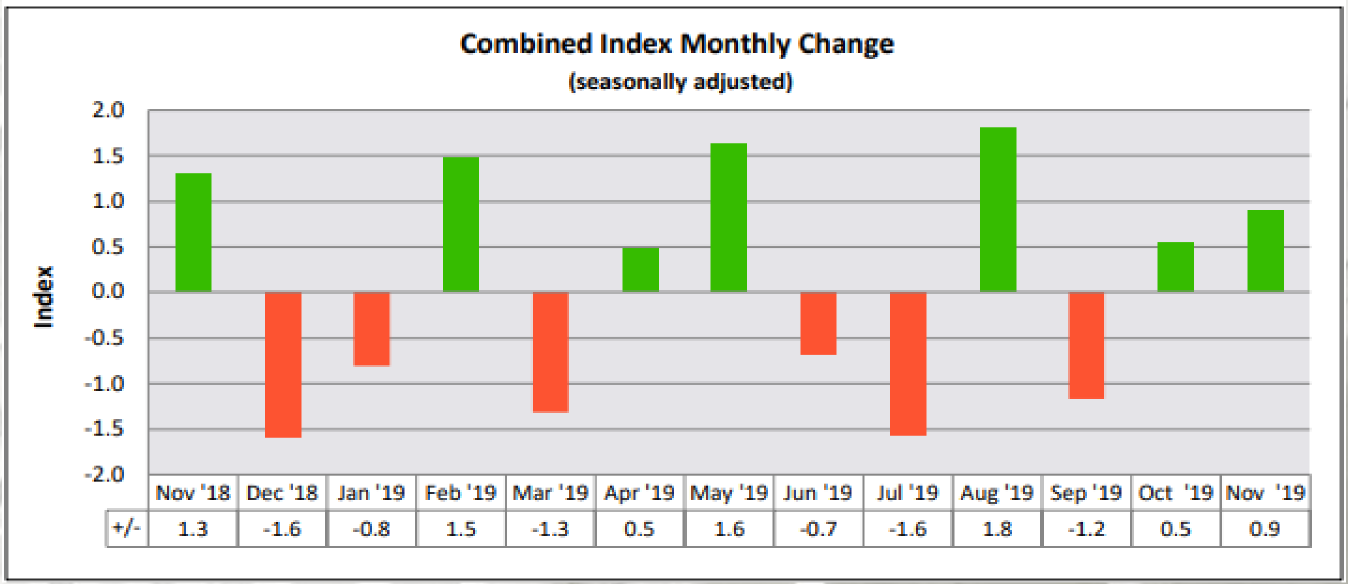
National Association of Credit Management

Combined Manufacturing and Service Sectors (seasonally adjusted)	Nov '18	Dec '18	Jan '19	Feb '19	Mar '19	Apr '19	May '19	Jun '19	Jul '19	Aug '19	Sep '19	Oct '19	Nov '19
Sales	64.5	59.0	59.7	62.6	58.2	61.0	65.9	60.4	58.4	64.4	58.7	57.9	61.6
New credit applications	62.2	57.5	58.2	58.9	57.8	59.7	64.2	62.4	60.8	60.9	59.7	59.0	61.2
Dollar collections	60.9	59.3	59.0	59.1	56.6	59.1	59.8	60.3	56.6	60.0	58.5	62.1	59.2
Amount of credit extended	65.3	61.9	61.2	62.3	63.5	60.6	65.4	62.5	58.7	61.7	59.7	61.6	64.3
Index of favorable factors	63.2	59.4	59.5	60.7	59.0	60.1	63.8	61.4	58.6	61.8	59.1	60.1	61.6
Rejections of credit applications	51.4	51.4	51.8	52.1	51.2	52.0	51.8	52.4	52.6	52.1	51.4	52.1	51.3
Accounts placed for collection	48.2	49.7	48.2	49.0	46.4	48.5	47.0	50.0	46.2	48.6	48.4	49.1	49.8
Disputes	50.1	49.6	47.1	48.5	49.5	48.5	48.6	48.6	50.5	49.4	50.0	48.1	50.3
Dollar amount beyond terms	52.3	49.3	47.4	51.3	50.0	47.6	51.3	49.8	46.1	53.6	50.2	52.0	52.6
Dollar amount of customer deductions	49.6	49.7	48.0	50.0	48.8	49.7	49.3	50.0	51.2	50.0	52.1	50.9	51.4
Filings for bankruptcies	53.6	55.0	53.8	54.9	53.7	53.9	53.3	53.5	53.2	51.6	52.1	53.4	53.5
Index of unfavorable factors	50.9	50.8	49.4	51.0	49.9	50.0	50.2	50.7	50.0	50.9	50.7	50.9	51.5
NACM Combined CMI	55.8	54.2	53.4	54.9	53.6	54.0	55.7	55.0	53.4	55.2	54.1	54.6	55.5



Source: https://nacm.org/cmi.html; 11/29/19

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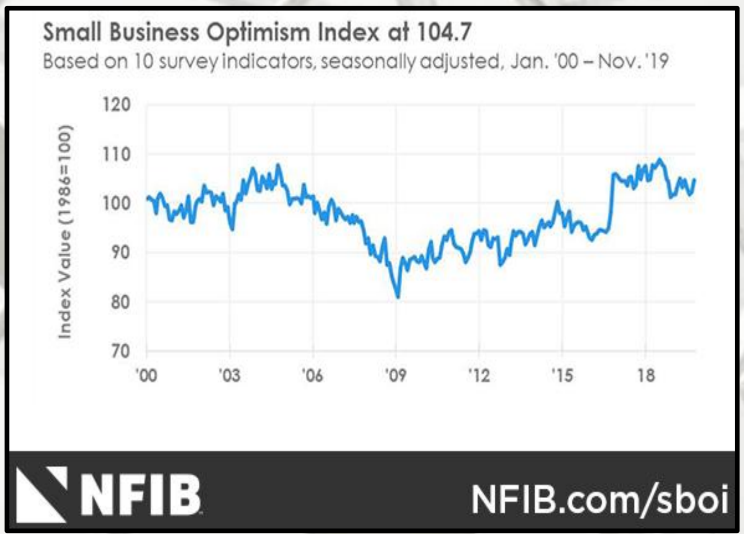

November 2019 Report:

"Small business optimism posted the largest month-over-month gain since May 2018, rising 2.3 points to 104.7 in November. The exceptional Optimism Index reading was bolstered by seven of the 10 Index components advancing, led by a 10-point improvement in earnings. Owners reporting it is a good time to expand increased by 6 points and those expecting better business conditions increased by 3 points. The NFIB Uncertainty Index fell 6 points in November to 72, adding to the 4-point drop in October and the lowest reading since May 2018.

Small Businesses Optimism Sees Major Spike in November

Earnings, or the frequency that owners report positive profit trends, rose 10 points, 1 point below the record set in May 2018, to a net 2 percent reporting quarter on quarter profit improvements. Stronger profits negated some cost pressures (especially labor) limiting the need to raise prices. A net 12 percent of all owners (seasonally adjusted) reported higher nominal sales in the past three months, up 8 points and the highest level since May 2018.

As reported last week in NFIB's monthly jobs report, a net 30 percent of small business owners, seasonally adjusted, reported raising compensation (unchanged) and 26 percent plan to do so in the coming months, up 4 points and the highest level since December 1989. Job creation jumped in November, with an average addition of 0.29 workers per firm, the highest level since May. Finding qualified workers though remains the top issue for 26 percent reporting this as their number one problem, 1 point below August's record high." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 12/10/19

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Private Indicators

NFIB Small Business Optimism Index

“This historic run may defy the expectations of many, but it comes as no surprise to small business owners who understand what a supportive tax and regulatory environment can do for their companies. As the two-year anniversary of the Tax Cuts and Jobs Act’s passage approaches this month, small businesses, the world’s third largest economy, are using those savings to power the American economy.

Owners are aggressively moving forward with their business plans, proving that when they’re given relief from the government, they put their money where their mouth is, and they invest, hire, and increase wages. Owners are most closely focused on issues that directly impact their business, including the real, significant tax relief they were given two years ago, and they’re anxious to see that relief made permanent.” – Bill Dunkelberg, Chief Economist, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 12/10/19

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Private Indicators

NFIB Small Business Optimism Index

Small Business Optimism

Small Business Optimism Sees Major Spike in November

Index Component	Net %	Change From Oct.
Plans to Increase Employment	21%	▲ 3
Plans to Make Capital Outlays	30%	▲ 1
Plans to Increase Inventories	3%	▼ -2
Expect Economy to Improve	13%	▲ 3
Expect Real Sales Higher	13%	▼ -4
Current Inventory	1%	▲ 5
Current Job Openings	38%	▲ 4
Expected Credit Conditions	-3%	▬ 0
Now a Good Time to Expand	29%	▲ 6
Earnings Trends	2%	▲ 10

NFIB NFIB.com/sboi

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 12/10/19

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NFIB Small Business Optimism Index

"Owners raising average selling prices rose 2 points to a net 12 percent, seasonally adjusted. Price hikes were most frequent in the retail trades (7 percent lower, 24 higher) and construction (6 percent lower, 23 higher). On balance, inflationary pressures are weak on Main Street as confirmed by government inflation reports.

November reflects a stark departure from previous months of clatter months about a possible recession that dampened owners' economic outlook. But the current focus and noise in Washington, D.C. around impeachment is proving to have little, if any, impact on small business owners, no different than during the impeachment proceedings of President Bill Clinton.

The small business economy continues to defy expectations in its historic run of strong optimism. This historic run is no surprise though to small business owners who understand it is due to a supportive environment from which to operate. As we near the two-year anniversary of the Tax Cuts and Jobs Act, which includes the Small Business Deduction, owners continue to hire, raise wages, and invest in their business. …

What really matters to small business owners are the issues that directly impact their business. And right now, the biggest problem is finding qualified labor to fill open positions for 26 percent of owners, far more than those citing taxes or regulations. Two years ago, Congress and the President provided real, significant tax relief to small business owners. Now owners are anxious to have their tax cuts made permanent, so Congress needs to get back to work." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 12/10/19

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

Small Business Wage Growth Hits New High, Job Growth Consistent in November

"The tight labor market continues to positively impact wage growth, according to the latest Paychex | IHS Markit Small Business Employment Watch. Hourly earnings grew 3.11 percent among employees of small businesses, the highest level since reporting began in 2011. Weekly earnings continue to grow, accelerating 3.75 percent in November. Essentially unchanged from the previous month, the national jobs index moderated 0.03 percent, remaining above 98..

"Wage increases are finally beginning to reflect the tight labor market for small businesses," said James Diffley, chief regional economist at IHS Markit.

""Employers are responding to the challenges of the tight labor market," said Martin Mucci, Paychex president and CEO. "We've seen a steady climb in hourly earnings growth, now reaching the highest levels in nearly a decade."" – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 12/3/19

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

Small Business Wage Growth Hits New High, Job Growth Consistent in November

“Broken down further, the November report showed:

- The South continues to lead regional small business employment growth; the West retained its lead among regions in wage growth.
- Tennessee remains the leader among states in small business job growth; New York leads states for wage growth.
- Dallas is again the top metro for small business job growth; three California metros, Los Angeles, San Francisco, and San Diego, lead the nation in hourly earnings growth.
- Leisure and Hospitality leads all other sectors in hourly earnings growth.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 12/3/19

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The Paychex | IHS Markit
Small Business Employment Watch

November Jobs Index	November Wage Data
Index 98.11	Hourly Earnings $27.59
12-Month Change -0.92%	12-Month Growth +3.11% (+$0.83)

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 12/3/19

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

National Jobs Index

- "Essentially unchanged in November, the Paychex | IHS Markit Small Business Jobs Index moderated 0.03 percent as the index continues to trend just above 98.
- Up 0.10 percent during the past quarter, the national index has a positive three-month growth rate for the first time since March 2017.' – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 12/3/19

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Demographics

Demo Memo

Women's Median Age at First Marriage Rises to 28.0

"The median age at which women marry for the first time reached a new high of 28.0 in 2019, according to the Census Bureau's Current Population Survey. The median age at which men marry held steady at its all-time high of 29.8. Here is the trend since 2000...

Women: median age at first marriage

2019: 28.0
2018: 27.8
2015: 27.1
2010: 26.1
2005: 25.3
2000: 25.1

Men: median age at first marriage

2019: 29.8
2018: 29.8
2015: 29.2
2010: 28.2
2005: 27.1
2000: 26.8

The lowest median age at first marriage was recorded in 1956, when women married for the first time at 20.1 and men at 22.5." – Cheryl Russell, Demographer, Demo Memo

Source: https://demomemo.blogspot.com/2019/11/womens-median-age-at-first-marriage.html; 11/21/19

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Demographics

Wall Street Journal

Boomers Want to Stay Home.
Senior Housing Now Faces Budding Glut.

Aging-in-place technology trend poses challenge to builders of living facilities for elderly

"The rise of technologies that help the elderly stay in their homes threatens to upend one of commercial real estate's biggest bets: Aging baby boomers will leave their residences in droves for senior housing.

Developers and senior-housing companies have spent billions of dollars over the past five years to build facilities that provide housing, food, medical care and assistance for the elderly.

While these properties have been filling up with people born during the Depression or World War II era, real-estate investors are eagerly eyeing the massive baby-boomer generation: 72 million people born between 1946 and 1964, or about one in five Americans. Their needs would require hundreds of thousands of new units, if previous demand patterns persist.

But this wager on elderly care is falling short of expectations, and there are concerns that it could become one of the biggest real-estate miscalculations in recent memory, some analysts suggest.

That is in part because venture capital and other companies are expected to invest about $1 billion this year in these and other "aging-in-place" technologies that are starting to enable seniors to enjoy similar living standards and access to care in their own homes. That is about double the amount investors spent three years ago, according to 4Gen Ventures, a new venture-capital company focusing on such startups." – Peter Grant, Reporter, *Wall Street Journal*

Source: https://www.wsj.com/articles/boomers-want-to-stay-home-senior-housing-now-faces-a-budding-glut-11573554601; 11/12/19

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Demographics

Wall Street Journal

Boomers Want to Stay Home. Senior Housing Now Faces Budding Glut.

"New products and services include sensors that respond to a range of medical conditions, facial recognition for identifying visitors and houses with malleable fixtures that can be adjusted as residents age.

Driving these efforts is the belief that seniors would prefer to remain at home near their families and friends than live among others their own age or older. "People don't want to go to a place where there's only a bunch of other old people," said James Crispino, head of health and wellness at design firm Gensler.

Senior-housing developers added 21,332 new units in 2018 — more than double the number added in 2014, according to the National Investment Center for Seniors Housing and Care, or NIC, an industry organization. That has made senior housing one of the fastest-growing commercial real-estate sectors, ahead of office, retail, hotels and apartments, according to Green Street Advisors, a real-estate research firm.

Development is expected to accelerate because in about one decade, boomers will start reaching their mid-80s, the typical move-in age for senior housing. New senior housing is expected to hit 3.5% in 2023 of the total supply, compared with 3.2% this year and 2.5% in 2015, Green Street said in a report.

Occupancy is still strong but has been ebbing and could fall further as more facilities come to market. Senior-housing occupancy rates dropped in the third quarter of 2019 to 88% compared with 90.2% in the fourth quarter of 2014, according to NIC." – Peter Grant, Reporter, *Wall Street Journal*

Source: https://www.wsj.com/articles/boomers-want-to-stay-home-senior-housing-now-faces-a-budding-glut-11573554601; 11/12/19

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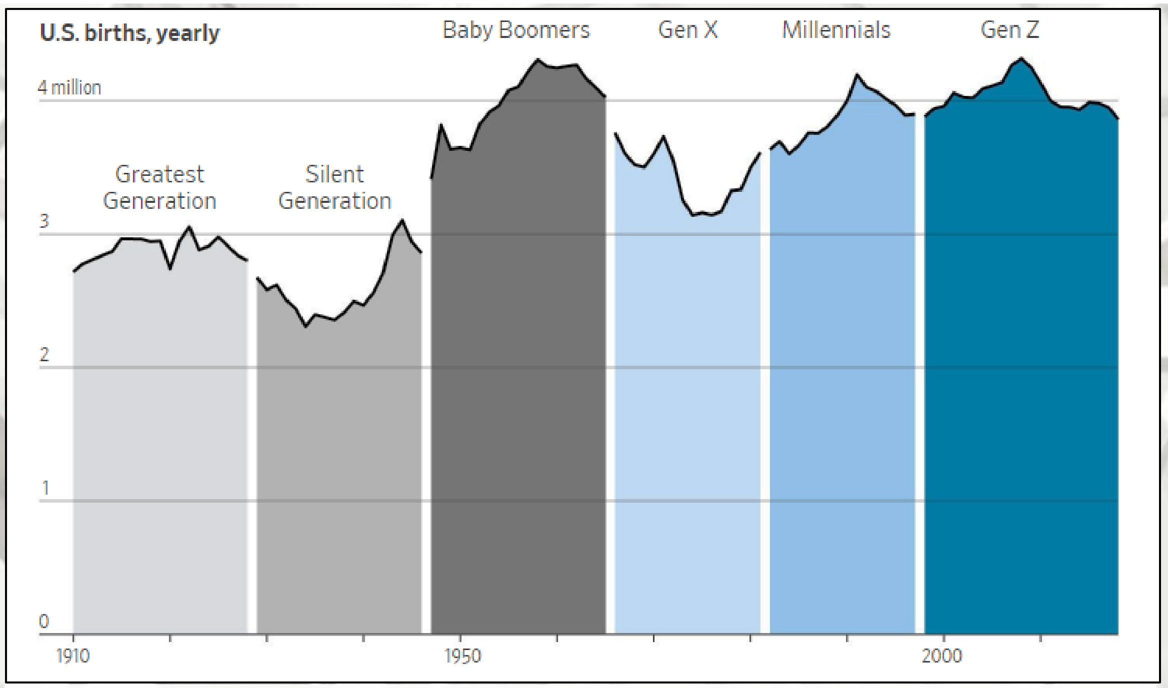

Source: Census Bureau via National Investment Center

Wall Street Journal

Boomers Want to Stay Home.
Senior Housing Now Faces Budding Glut.

"Some companies specializing in senior housing are suffering. Shares of Ventas Inc., a big health-care real-estate investment trust, fell close to 9% one day last month after it said the occupancy rate of its senior-housing communities declined for the 17th straight quarter, on a year-to-year comparison basis.

Moreover, the average age that people enter senior housing has been rising, partly because of improving health. It is about 84 to 85 years today, compared with 82 one decade ago, according to Green Street analyst Lukas Hartwich." – Peter Grant, Reporter, *Wall Street Journal*

Source: https://www.wsj.com/articles/boomers-want-to-stay-home-senior-housing-now-faces-a-budding-glut-11573554601; 11/12/19

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Demographics

Wall Street Journal

Boomers Want to Stay Home.
Senior Housing Now Faces Budding Glut.

"Senior housing isn't about to go away. It remains a compelling option for people with medical problems, loneliness and the need for assistance in eating, shopping and other daily activities. But the new aging-in-place movement could undercut demand further. If seniors are able to stay at home later in life, "that could drain away the younger new customers for senior living," said Dominic Endicott, co-founder of 4Gen Ventures. "Then your base population is older and you're even less attractive to younger seniors."

Aging-in-place advocates think innovations will make it easier for seniors living at home to be less dependent on others. One startup, LifePod Solutions Inc., is launching this month a new voice-recognition service that initiates conversations with seniors about their health or their plans for the day, makes suggestions and then sends caregivers alerts depending on their responses.

Design firm Gensler is looking at ways to create homes with features like height-adjustable bathroom sinks and living rooms that can easily convert into bedrooms and cabinets that enable people to see what is inside of them with the touch of a hand.

U.K. developer Tolent Construction Ltd. is planning to break ground early next year on South Seaham Garden Village, a 1,500 home and mixed-use development south of Sunderland, in the Newcastle region. The homes will include cutting-edge sensors and other technology so that seniors can live next to families and younger single people." – Peter Grant, Reporter, *Wall Street Journal*

Source: https://www.wsj.com/articles/boomers-want-to-stay-home-senior-housing-now-faces-a-budding-glut-11573554601; 11/12/19

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Demographics

Wall Street Journal

Boomers Want to Stay Home. Senior Housing Now Faces Budding Glut

"Three hundred of the homes will be for people over 55 years old. South Seaham Garden will also have a village square, health center and 20,000 square feet of office space for startups and others studying new technology to help seniors age in place.

"You're discouraging social isolation because you've designed the development in a way that brings people together," said Hugh Daglish, associate urban designer at IDPartnership, the architecture firm working on the South Seaham Garden development.

Senior-housing companies said their facilities have a lot to offer that technology can't match. "Loneliness has a negative impact that can't be solved by technology," said Cindy Baier, chief executive of Brookdale Senior Living Inc., which owns and manages about 800 senior-housing communities.

Other senior-housing developers are trying to modernize their services. PGIM Real Estate, which has $1.6 billion invested in the senior-housing sector, has been buying and developing properties that include new amenities like pools, gyms and cafes. "We're seeing rapid evolution of the product," said Steve Blazejewski, managing director of PGIM Real Estate." – Peter Grant, Reporter, *Wall Street Journal*

Source: https://www.wsj.com/articles/boomers-want-to-stay-home-senior-housing-now-faces-a-budding-glut-11573554601; 11/12/19

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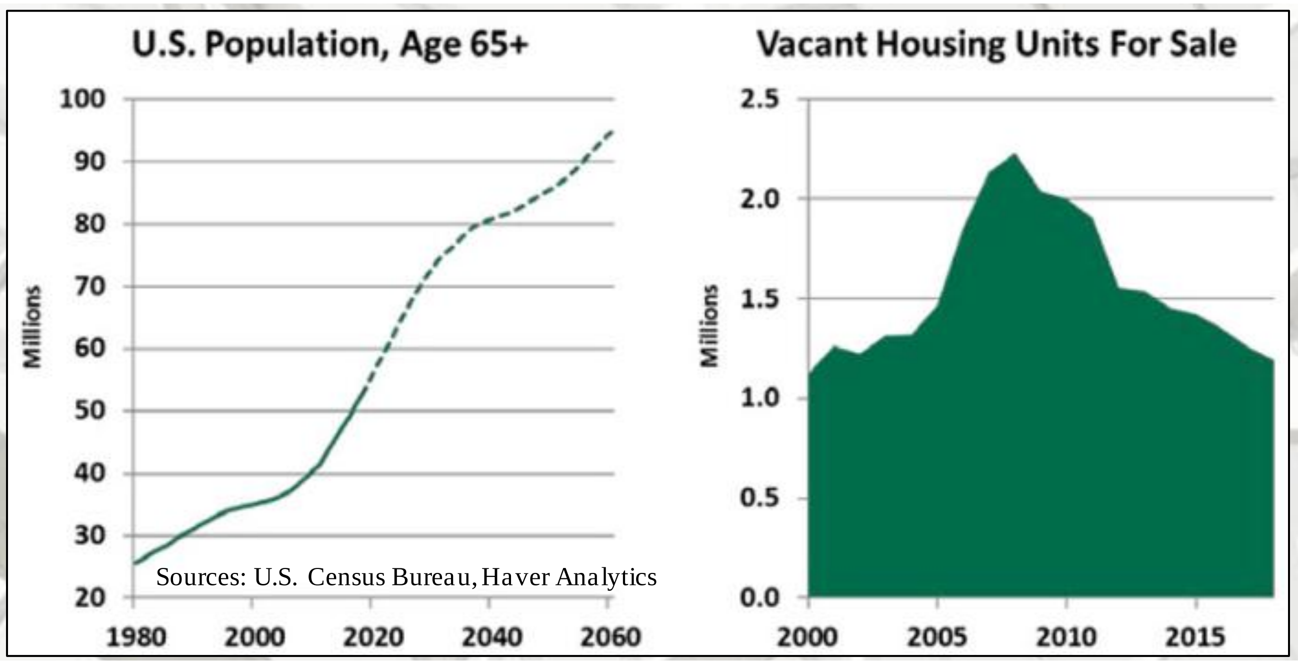

Sources: U.S. Census Bureau, Haver Analytics

Northern Trust

Appeal of Aging in Place

"The United States is facing what some would term a good problem to have: More people are living longer. But the housing market is struggling to adapt to elderly Americans' desire to stay in their homes as they grow older.

The appeal of aging in place is clear: Our homes are familiar and provide independence. To keep things comfortable, the elderly are investing in remodeling. This helps the home evolve with them as they age.

Economically, more people staying in their homes means fewer homes are being sold. The homes where seniors are staying are typically older stock and single-story residences that would make good starter homes. The lower supply of housing is supporting prices but excluding potential buyers. This is another area where demographics are increasingly impacting the economy." – Carl Tannenbaum, Executive Vice President and Chief Economist, Ryan James Boyle, Vice President, Senior Economist, and Vaibhav Tandon, Second Vice President, Economist; Northern Trust

Source: https://www.northerntrust.com/united-states/insights-research/2019/market-economic-commentary/wec/november-27; 11/27/19

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