

# The Virginia Tech – U.S. Forest Service

## February 2020

### Housing Commentary: Section II



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Virginia Polytechnic Institute and State University

VCE-CNRE NP

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The effects of Covid 19 and information changes rapidly; one should access discrete websites periodically for up-to-date-news.

# Coronavirus (COVID-19) Construction & Forest Products Updates



## Woodworking Network

### 50-state guide to COVID-19 business resources

“As a service to the industry, Woodworking Network editors gathered basic information and key links to help steer businesses to the right places in their states to find help fast. Click on your state in the interactive map to go directly to the individual state resource information or scroll down in the copy to find your state. (If you are in Canada, there is a [separate article](#) detailing resources from the federal government and individual provinces.)” By William Sampson, Woodworking Network

<https://www.woodworkingnetwork.com/news/covid-19/50-state-guide-covid-19-business-resources>

# Coronavirus (COVID-19) Construction & Forest Products Updates

## Forest Resources Association Inc. (FRA)

### Impact of COVID-19 on the Forest Products Industry

“As FRA works to provide the latest information on the impact of COVID-19 on the forest products industry, we’ll be updating this information daily each weekday by noon (eastern). We are working to keep this as accurate as possible in a dynamic and evolving situation, and value your help as we work to keep this tool updated. If you see information that is incomplete, outdated or incorrect please send that – as well as any relevant links – to [jminor@forestresources.org](mailto:jminor@forestresources.org).

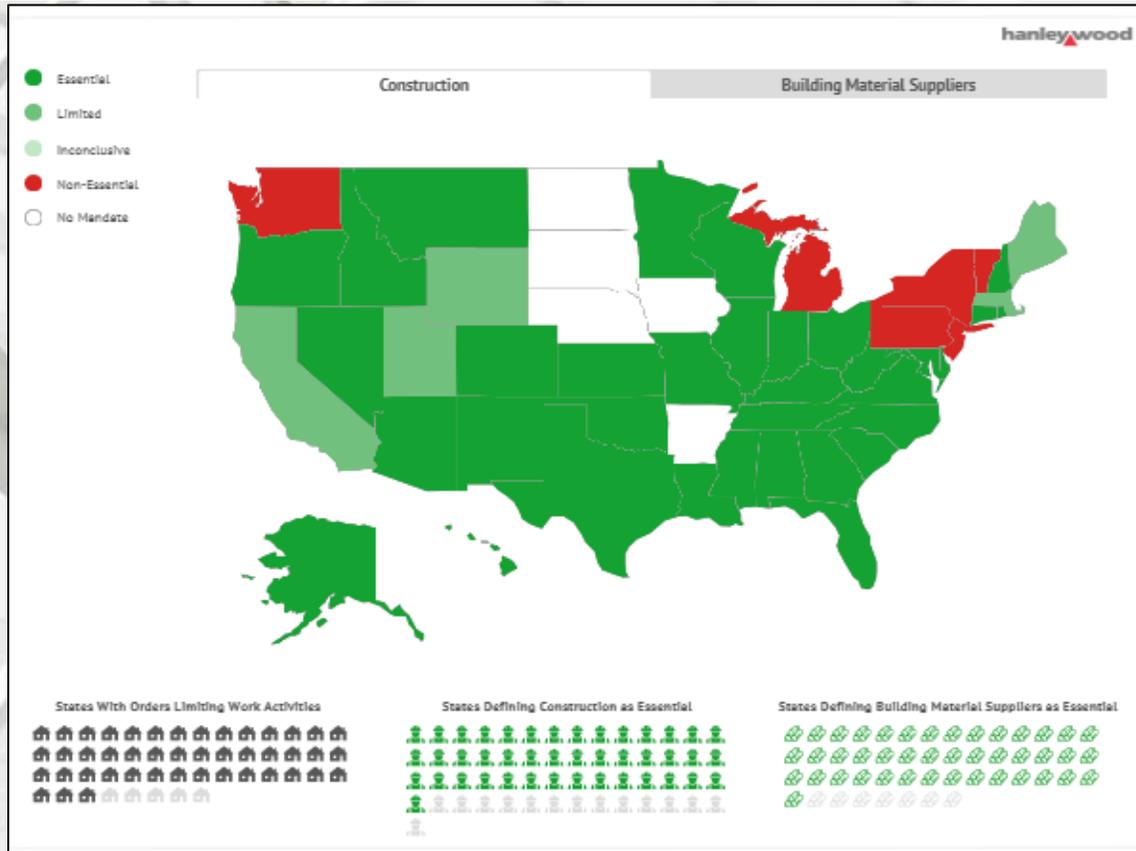
### Change to DHS CISA Essential Workforce Document Updated – Provides clarity for supply chain workers.

The Department of Homeland Security has updated the Cybersecurity & Infrastructure Security Agency (CISA Guidance) that identifies essential infrastructure and workers during COVID-19 response. The change provides additional clarity to the critical manufacturing section of the CISA guidance for workers supporting supply chains of essential businesses. Version 2.0 of CISA Guidance document can be found [here](#).

A number of state are issuing declarations on trucking and transportation. This resource can be found [here](#).” – Forest Resources Association Inc.

<https://forestresources.org/impact-of-covid-19-on-the-forest-products-industry>

# Coronavirus (COVID-19) Construction & Forest Products Updates



## Builder

### Coronavirus Construction Limits: State-by-state Tracker

“Currently, millions of Americans are required to stay at home to prevent the spread of the novel coronavirus that causes COVID-19. To ensure the safety and prosperity of their communities, governors and other authorities are allowing “essential” businesses to stay open. This dashboard tracks how states with a stay-at-home mandate classify Construction and Building Material Suppliers. Please check back frequently; we will provide additional details and resources as they become available.” – Builder

[https://www.builderonline.com/coronavirus-construction-limits-state-by-state-tracker\\_s](https://www.builderonline.com/coronavirus-construction-limits-state-by-state-tracker_s)



# U.S. Economic Indicators



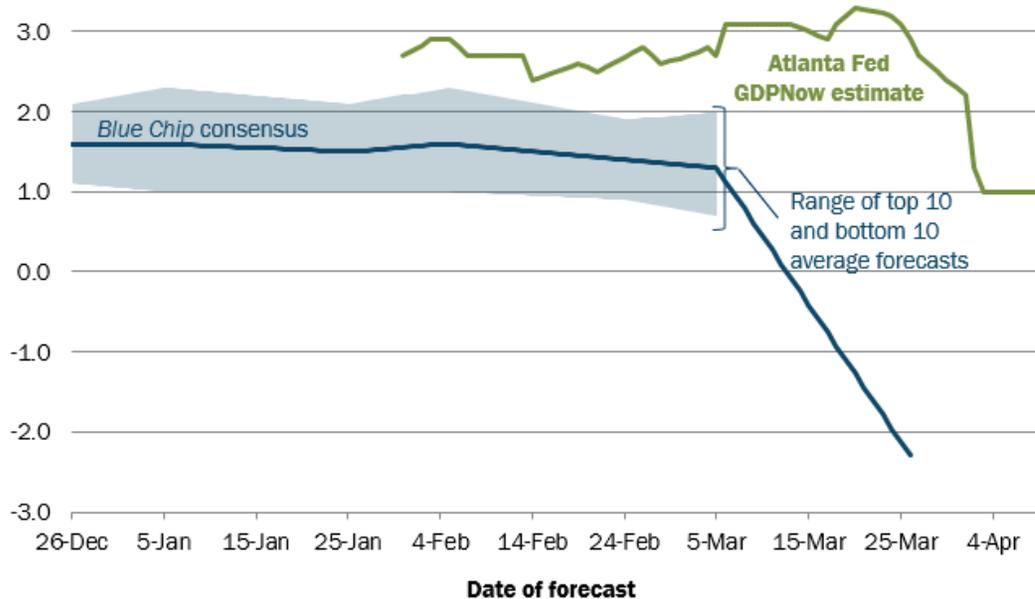
**GDPNow™**

**GDPNow is not an official forecast of the Atlanta Fed.** Rather, it is best viewed as a running estimate of real GDP growth based on available data for the current measured quarter. There are no subjective adjustments made to GDPNow—the estimate is based solely on the mathematical results of the model.

In particular, **it does not capture the impact of COVID-19** beyond its impact on GDP source data and relevant economic reports that have already been released. It does not anticipate the impact of COVID-19 on forthcoming economic reports beyond the standard internal dynamics of the model.

**Evolution of Atlanta Fed GDPNow real GDP estimate for 2020: Q1**

Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

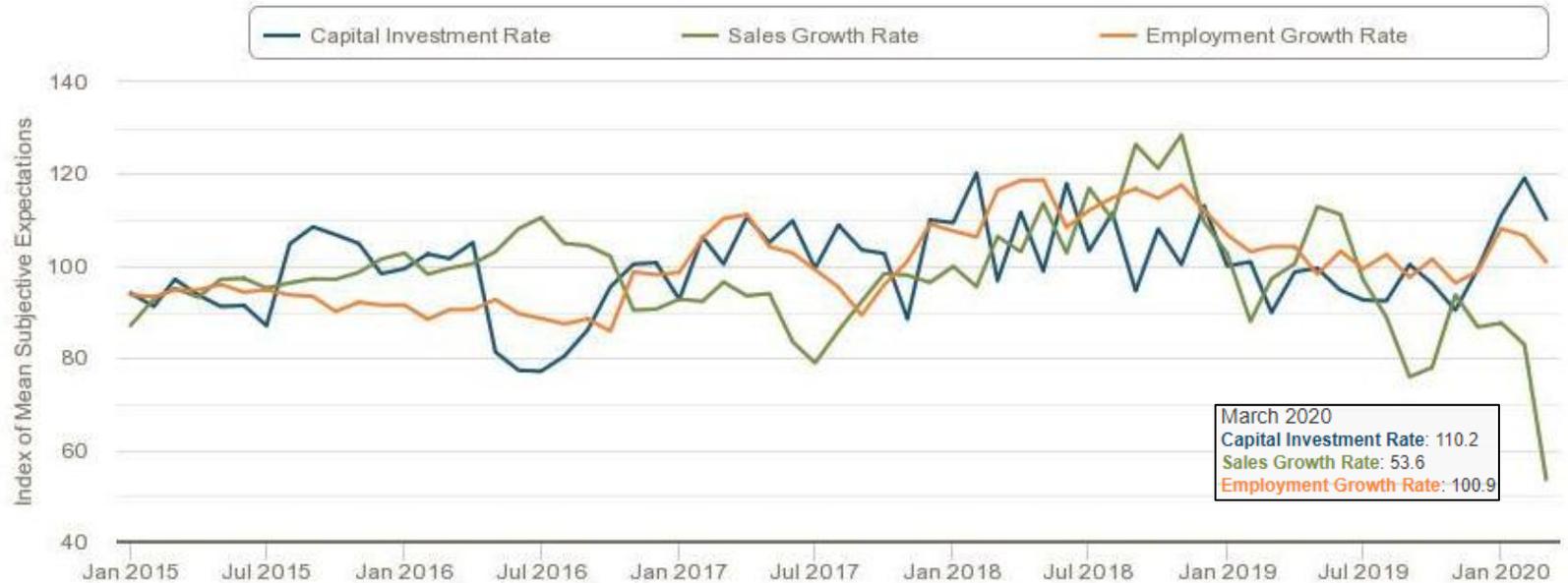
## Atlanta Fed GDPNow™

**Latest forecast: 1.0 percent — April 9, 2020**

“The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2020 is **1.0 percent** on April 9, down from 1.3 percent on April 2. After last week’s and this week’s data releases from the U.S. Bureau of Labor Statistics, the Institute for Supply Management, and the U.S. Census Bureau, the nowcasts of the first-quarter real personal consumption expenditures growth and first-quarter real gross private domestic investment growth decreased from 0.5 percent and 0.8 percent, respectively, to 0.3 percent and 0.0 percent, respectively.” – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

# U.S. Economic Indicators

## Business Expectations

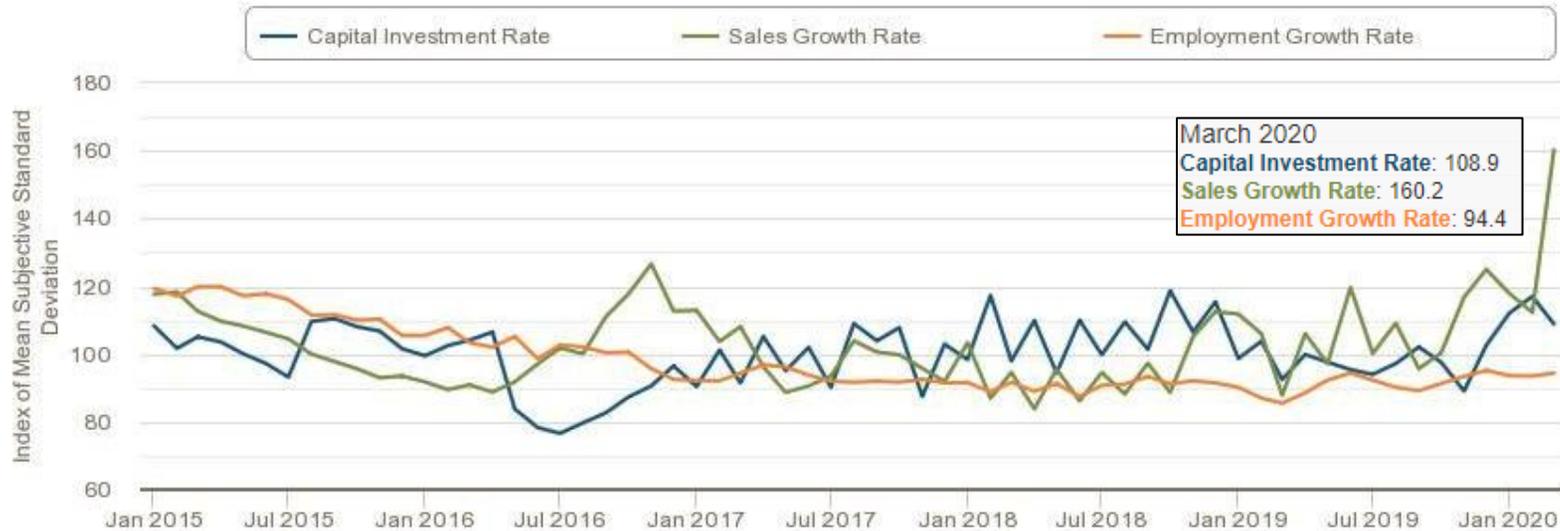


We compute these topic-specific expectations indexes by averaging across firms' expectations about their own sales growth rate over the next four quarters, employment growth rate over the next twelve months, and capital investment rates four quarters ahead. Each index captures both the direction and magnitude firms expect sales growth, employment growth, or investment to turn out in the future. Each index is standardized to have a mean of 100 from January 2015 to December 2018. A 10-point movement in an index represents a 1 standard deviation change.

Source: Atlanta Fed/Chicago Booth/Stanford Survey of Business Uncertainty

# U.S. Economic Indicators

## Business Uncertainty

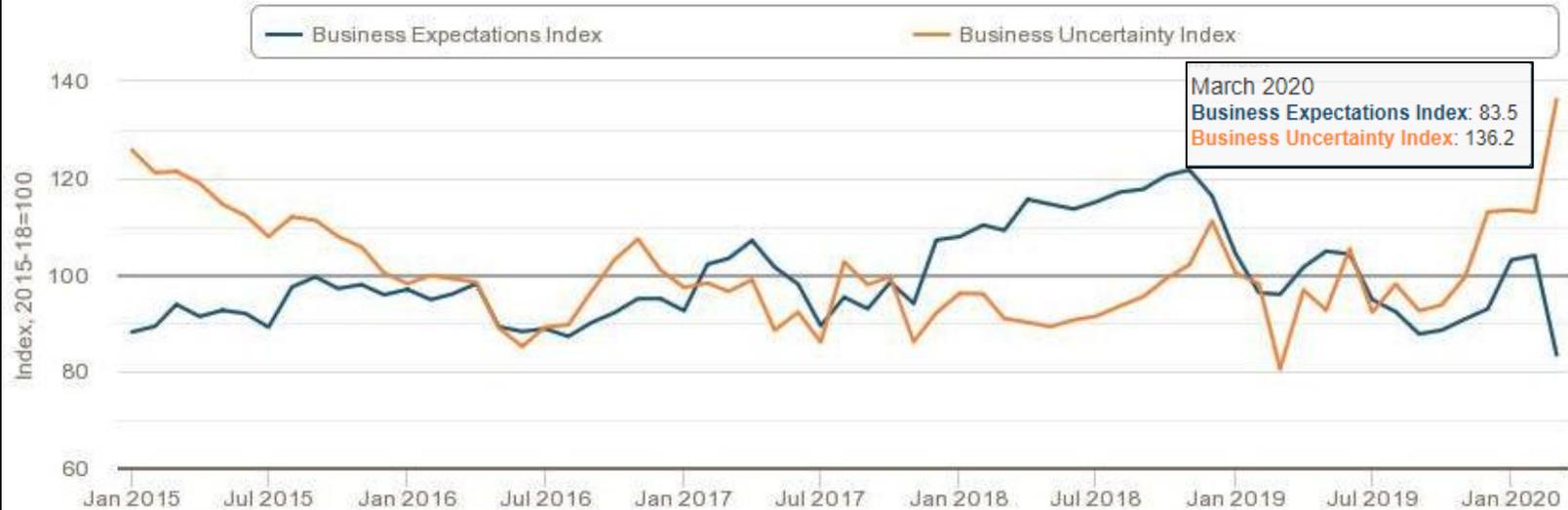


We compute these topic-specific uncertainty indexes by averaging across firms' uncertainty about their own sales growth rates over the next four quarters, employment growth rates over the next twelve months, and capital investment rates four quarters ahead. Higher levels of our uncertainty indexes occur when firms express less certainty about where they expect sales growth, employment growth, or investment to go in the future. For example, our sales growth uncertainty index rises when the gap between firms' "lowest" and "highest" sales growth scenarios widens, or when they assign a higher probability to their "lowest" and "highest" case scenarios. Each uncertainty index is standardized to have a mean of 100 from January 2015 to December 2018. A 10-point movement in an index represents a 1 standard deviation change in the series.

Source: Atlanta Fed/Chicago Booth/Stanford Survey of Business Uncertainty

# U.S. Economic Indicators

## Business Expectations and Uncertainty



The **Business Expectations Index** reflects firms' expectations about the growth of their own sales, employment, and capital expenditures over the next 12 months. The index can respond to news about the overall economy, changes in business sentiment, policy developments, stock market moves, interest rate changes, and changes in the outlook of firms in the sample.

The **Business Uncertainty Index** reflects firms' uncertainty about the growth of their own sales, employment, and capital expenditures over the next 12 months. It can respond to the same forces that move the Business Expectations Index.

The Business Uncertainty Index captures uncertainty about the outlook for sample firms, while the Business Expectations Index captures the expected direction and magnitude of change. Each index is standardized to have mean and variance of 100 during the period from January 2015 to December 2018.

Source: Atlanta Fed/Chicago Booth/Stanford Survey of Business Uncertainty

# The Federal Reserve Bank of Chicago: Midwest Economy Index

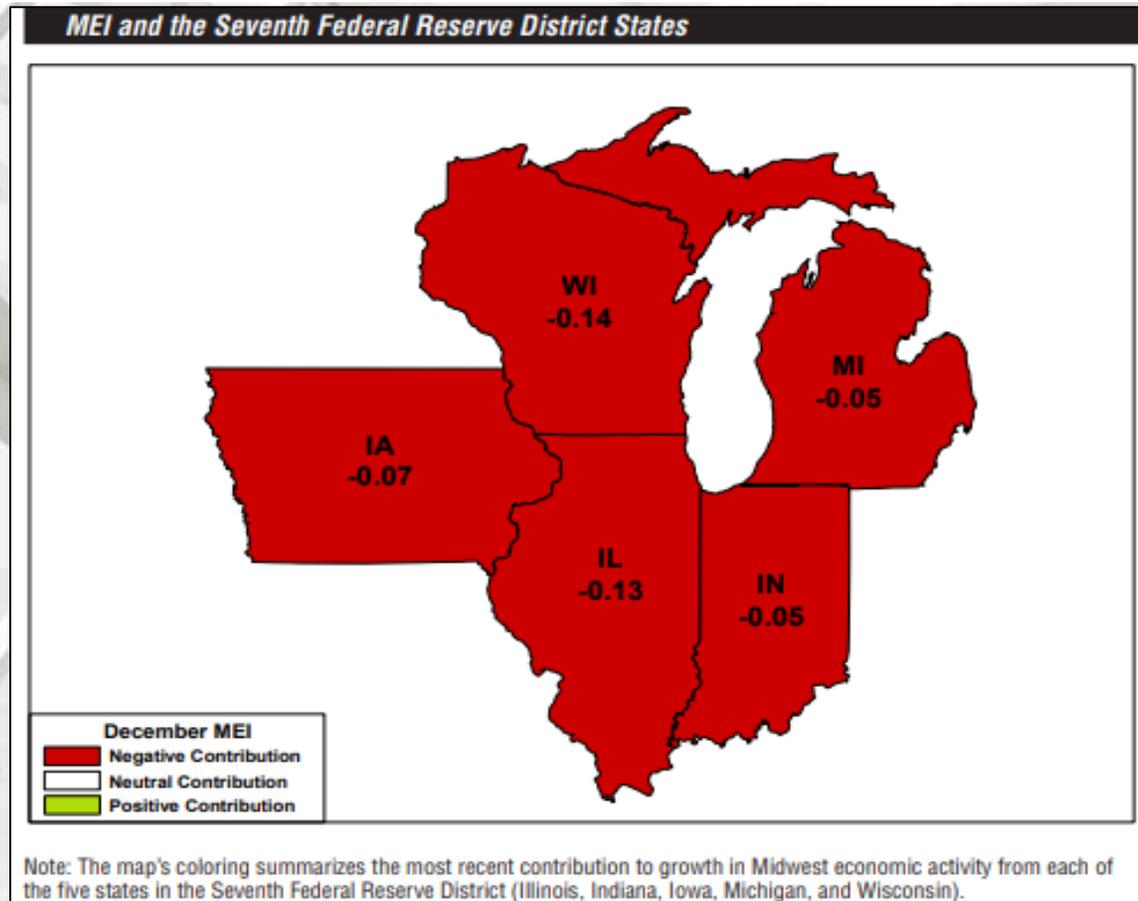
## Index Points to a Pickup in Midwest Growth in February

“The Midwest Economy Index (MEI) edged up to  $-0.44$  in December from  $-0.48$  in November. Contributions to the December MEI from three of the four broad sectors of nonfarm business activity and two of the five Seventh Federal Reserve District states increased from November. The relative MEI moved down to  $-0.13$  in December from  $-0.08$  in November. Contributions to the December relative MEI from three of the four sectors and three of the five states decreased from November.

The manufacturing sector’s contribution to the MEI edged up to  $-0.34$  in December from  $-0.37$  in November. The pace of manufacturing activity increased in Indiana and Wisconsin, but decreased in Illinois and was unchanged in Iowa and Michigan. Manufacturing’s contribution to the relative MEI edged down to  $-0.13$  in December from  $-0.11$  in November. The construction and mining sector made a neutral contribution to the MEI in December, up slightly from  $-0.01$  in November. The pace of construction and mining activity was faster in Illinois and Indiana, but slower in Iowa and unchanged in Michigan and Wisconsin. Construction and mining’s contribution to the relative MEI edged down to  $+0.07$  in December from  $+0.09$  in November.

The service sector’s contribution to the MEI ticked up to  $-0.08$  in December from  $-0.09$  in November. The pace of service sector activity was up in Indiana and Wisconsin, but down in Iowa and Michigan and unchanged in Illinois. The service sector’s contribution to the relative MEI was unchanged at  $-0.10$  in December.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

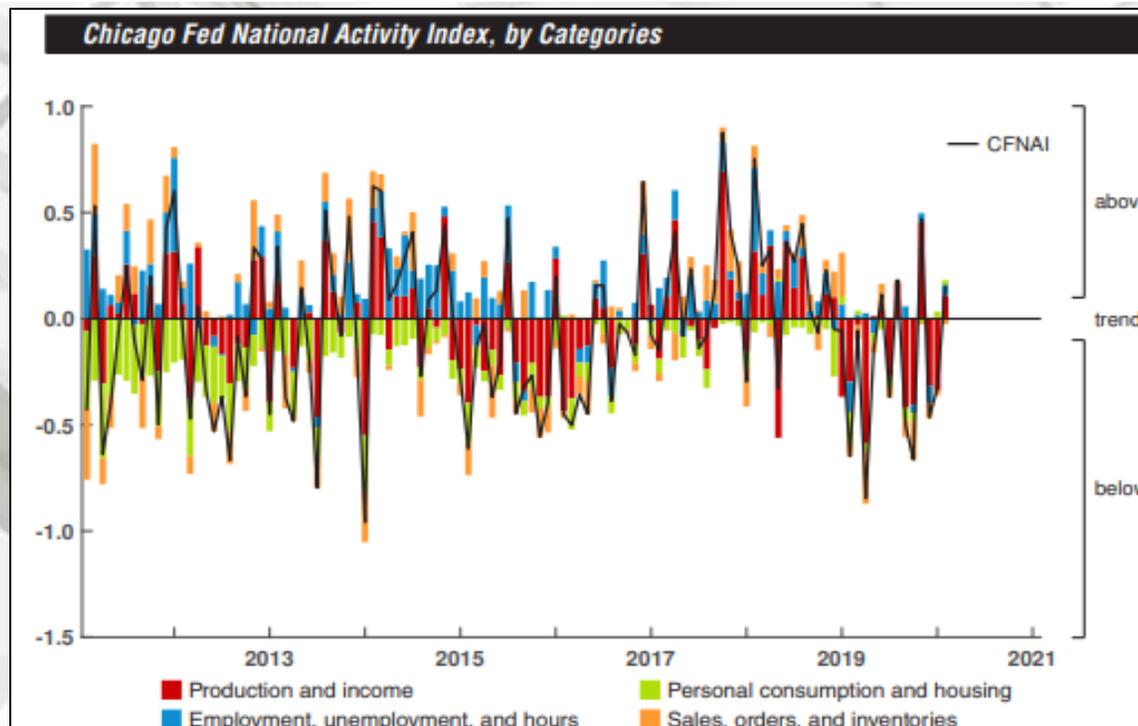
# The Federal Reserve Bank of Chicago: Midwest Economy Index



## Index Points to a Pickup in Midwest Growth in February

“Consumer spending indicators contributed  $-0.02$  to the MEI in December, down slightly from  $-0.01$  in November. Consumer spending indicators were, on balance, down in Illinois and Iowa, but steady in Indiana, Michigan, and Wisconsin. Consumer spending’s contribution to the relative MEI ticked down to  $+0.03$  in December from  $+0.04$  in November.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

# The Federal Reserve Bank of Chicago: National Activity Index



## Index Suggests Economic Growth Picked Up in February

“Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) rose to +0.16 in February from -0.33 in January. Two of the four broad categories of indicators that make up the index increased from January, and three of the four categories made positive contributions to the index in February. The index’s three-month moving average, CFNAI-MA3, decreased to -0.21 in February from -0.11 in January.

The CFNAI Diffusion Index, which is also a three-month moving average, moved down to -0.20 in February from -0.11 in January. Forty-four of the 85 individual indicators made positive contributions to the CFNAI in February, while 41 made negative contributions. Forty-four indicators improved from January to February, while 40 indicators deteriorated and one was unchanged. Of the indicators that improved, 12 made negative contributions.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

# The Federal Reserve Bank of Chicago: National Activity Index

## Index suggests economic growth picked up in February

“Production-related indicators contributed +0.11 to the CFNAI in February, up from -0.34 in January. Industrial production increased 0.6 percent in February after decreasing 0.5 percent in January. The contribution of the sales, orders, and inventories category to the CFNAI ticked down to -0.03 in February from -0.02 in January. The Institute for Supply Management’s Manufacturing New Orders Index moved down to 49.8 in February from 52.0 in the previous month.

Employment-related indicators contributed +0.05 to the CFNAI in February, up from +0.01 in January. The unemployment rate ticked down to 3.5 percent in February from 3.6 percent in the previous month. The contribution of the personal consumption and housing category to the CFNAI ticked down to +0.02 in February from +0.03 in January. Housing starts decreased to 1,599,000 annualized units in February from 1,624,000 in the previous month.

The CFNAI was constructed using data available as of March 19, 2020. At that time, February data for 51 of the 85 indicators had been published. The January monthly index value was revised to -0.33 from an initial estimate of -0.25, and the December monthly index value was revised to -0.46 from last month’s estimate of -0.51.

The data through February were unlikely to have been affected much by the COVID-19 outbreak. Economic data for March will be incorporated in the next CFNAI released on April 20, 2020.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

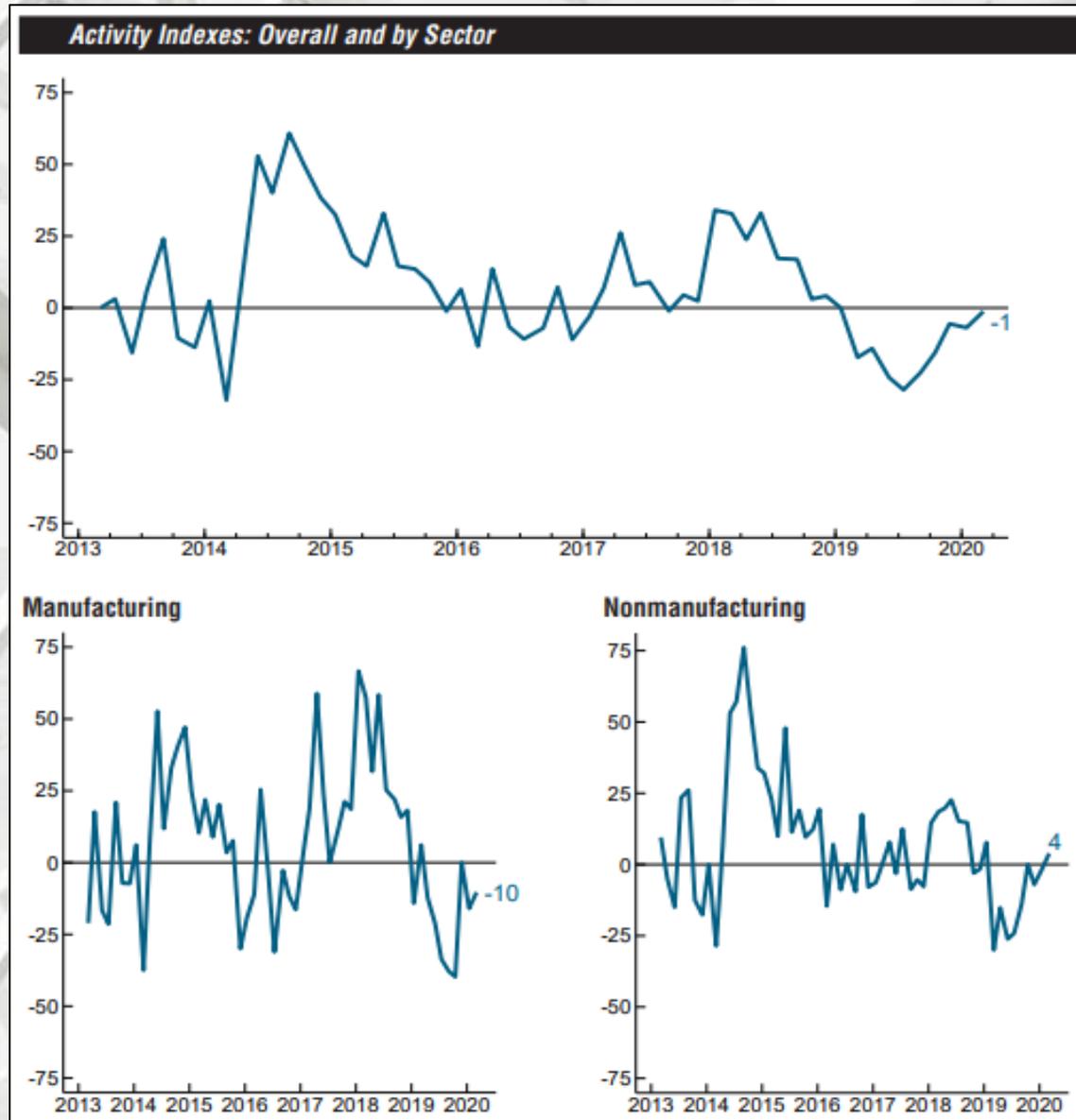
# The Federal Reserve Bank of Chicago: Survey of Business Conditions

## Survey shows growth increased in January and early February

“The Chicago Fed Survey of Business Conditions (CFSBC) Activity Index moved up to  $-1$  from  $-7$ , suggesting that growth in economic activity remained at a modest pace in January and early February. The CFSBC Manufacturing Activity Index increased to  $-10$  from  $-16$ , and the CFSBC Nonmanufacturing Activity Index moved up to  $+4$  from  $-2$ .

- Respondents’ outlooks for the U.S. economy for the next 12 months deteriorated, but remained optimistic on balance. Respondents with optimistic outlooks highlighted good economic data and growing demand for their firms’ products. Respondents with pessimistic outlooks highlighted the potential negative effect of the coronavirus outbreak on global economic growth and elevated policy uncertainty under the current U.S. presidential administration.
- The pace of current hiring increased, though respondents’ expectations for the pace of hiring over the next 12 months deteriorated. The hiring index remained negative, and the hiring expectations index moved into negative territory.
- Respondents’ expectations for the pace of capital spending over the next 12 months increased, but the capital spending expectations index remained negative.
- The labor cost pressures index edged down, but the nonlabor cost pressures index moved up. Both cost pressures indexes remained negative.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

# The Federal Reserve Bank of Chicago: Survey of Business Conditions



# The Federal Reserve Bank of Dallas

## Texas Manufacturing Activity Contracts Suddenly, Outlook Worsens

“Texas factory activity declined sharply in March, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, plummeted from 16.4 to -35.3, suggesting a notable contraction in output since last month.

Other measures of manufacturing activity also point to a sudden decline in March. The new orders index dropped to -41.3, its lowest reading since March 2009 during the Great Recession. Similarly, the growth rate of orders index fell to -44.9. The capacity utilization and shipments indexes fell to -33.4 and -33.8, respectively, also the lowest readings since the Great Recession. Capital expenditures declined sharply, with the index dropping from 6.9 to -34.3.

Perceptions of broader business conditions turned quite pessimistic in March. The general business activity index plunged from 1.2 to -70.0, and the company outlook index fell from 3.6 to -65.6. Both March readings are the lowest since the survey began in June 2004. The index measuring uncertainty regarding companies’ outlooks surged from 11.0 to 62.6.

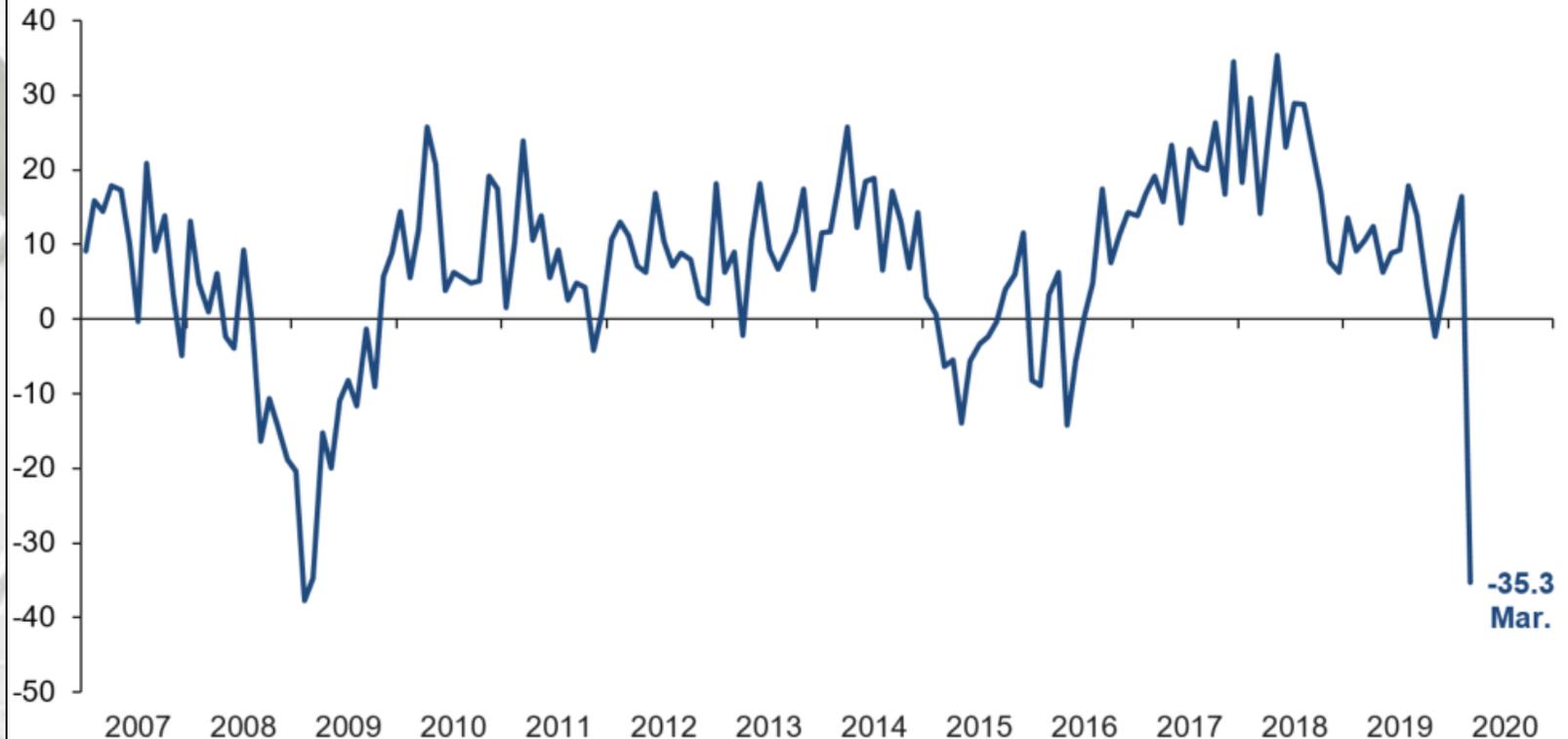
Labor market measures indicate employment declines and shorter workweeks this month. The employment index fell to -23.0 from its near-zero reading in February. Three percent of firms noted net hiring, while 26 percent noted net layoffs. The hours worked index dropped to -22.4.

Prices declined in March, and wage growth slowed. The raw materials prices index fell from 12.8 to -5.9. After hovering around zero for the past four months, the finished goods prices index dropped to -9.2. Meanwhile, the wages and benefits index remained positive but retreated 17 points to 5.5.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

# The Federal Reserve Bank of Dallas

## Texas Manufacturing Outlook Survey Production Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

### Texas Manufacturing Activity Contracts Suddenly, Outlook Worsens

“Expectations regarding future business conditions turned negative in March. The indexes of future general business activity and future company outlook dropped significantly to -39.5 and -37.7, respectively. Other indexes for future manufacturing activity also fell sharply into solidly negative territory.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

# The Federal Reserve Bank of Dallas

## Texas Service Sector Sees Unprecedented Decline in Activity

“The Texas service sector saw a dramatic decline in March amid the ongoing coronavirus (COVID-19) pandemic and related measures, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, plummeted from 14.0 in February to -67.0 in March, an all-time low reading for the survey.

Labor market indicators reflected a sharp contraction in employment and significantly shortened workweeks. The employment index fell from 6.1 to -23.8, its lowest reading on record. The hours worked index drastically dropped over 47 points to -43.0, with nearly half of respondents noting a cut in employee hours.

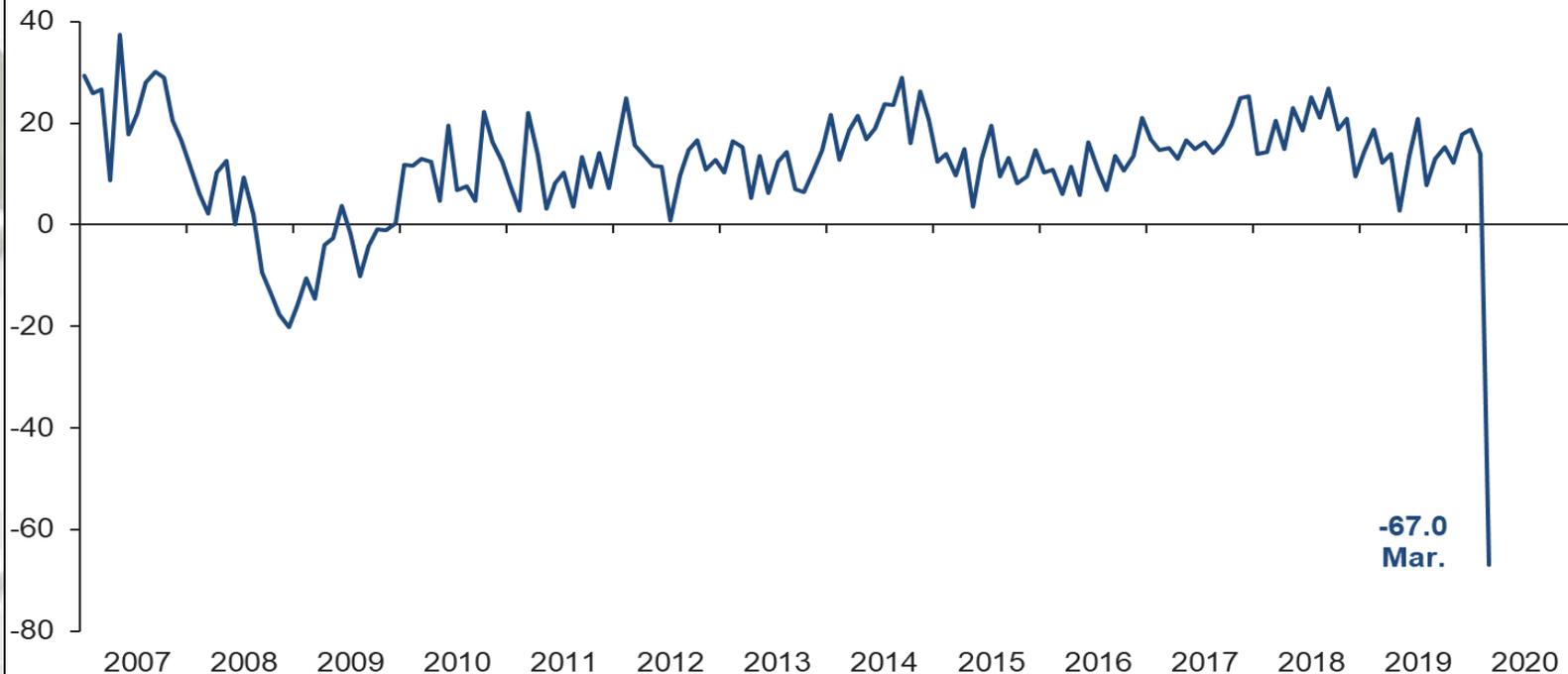
Perceptions of broader business conditions turned extremely pessimistic in March, while uncertainty surged. The general business activity index fell over 85 points to -78.8, while the company outlook index dove 80 points to a reading of -75.3, setting a new record low for both indexes. Tellingly, all respondents noted either no change or a decline in both of these measures compared with last month. Meanwhile, the outlook uncertainty index surged to 37.6, its highest reading since the question was added to the survey in 2018.

Wage and price pressures largely evaporated in March. The wages and benefits index declined 30 points to -12.4, its first negative reading since 2009. The input prices index fell from 26.6 to 0.1 suggesting no net price changes compared with February, while the selling prices index saw an unprecedented fall from 8.0 to -44.5.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

# The Federal Reserve Bank of Dallas

## Texas Service Sector Outlook Survey Revenue Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

## Texas Service Sector Sees Unprecedented Decline in Activity

“Respondents’ expectations regarding future business conditions deteriorated sharply compared with February. The future company outlook index decreased from 15.8 to -49.1, while the future general business activity index plummeted 62 points to a reading of -50.4. For both indexes, fewer than 15 percent of respondents noted an increase compared with last month. Other indexes of future service sector activity, such as revenue and employment, declined to all-time lows and suggest expectations of ongoing weakness over the next six months.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

# The Federal Reserve Bank of Dallas

## Texas Retail Sales Plummet

“Retail sales fell sharply in March, according to business executives responding to the Texas Retail Outlook Survey. The sales index dropped from -2.5 in February to an all-time low of -82.6 in March, with fewer than 1 percent of respondents noting an increase in sales. Inventories declined precipitously, with the inventories index weakening from -9.7 to -42.6.

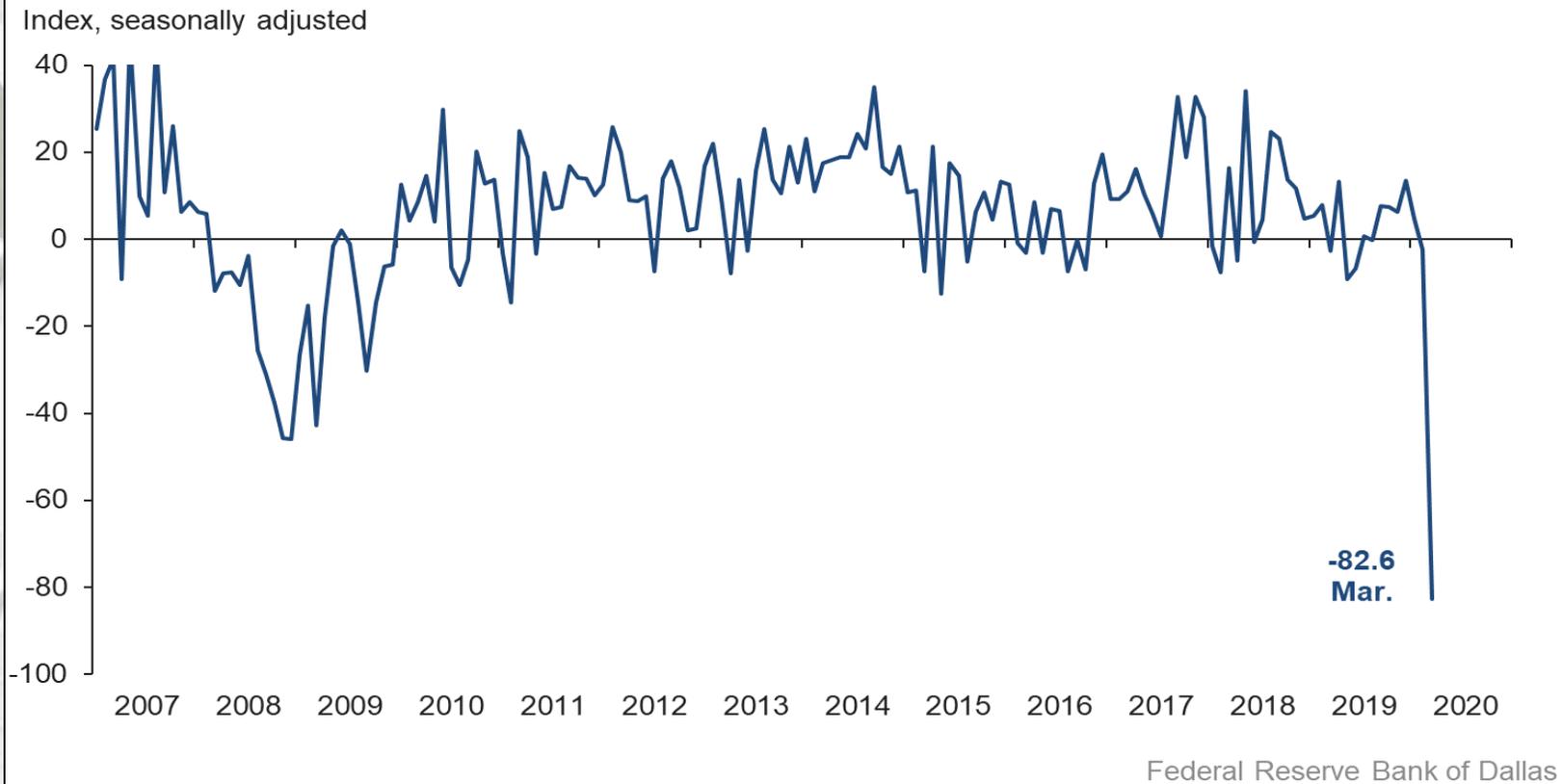
Retail labor market indicators pointed to sharp cuts in employment and workweek hours in March. The employment index fell from -1.0 to -28.4, a postrecession low, while the hours worked index plunged to a record low of -58.1, as all respondents noted no change or a decline in hours compared with February.

Retailers’ perceptions of broader business conditions deteriorated to all-time lows in March, while outlook uncertainty hit an all-time high. The general business activity index plunged from -5.0 to -84.2, while the company outlook index declined from -10.3 to -83.8 — both record lows.

Retail prices and wages declined in March. The input prices index fell from 19.9 to a postrecession low of -12.0, while the selling prices index collapsed 63 points to -35.5, near a record-low reading. The wages and benefits index fell from 14.7 to -20.6.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

# The Federal Reserve Bank of Dallas

## Texas Retail Outlook Survey Sales Index



## Texas Retail Sales Plummet

“Negative sentiment surrounding retailers’ perceptions of future conditions surged this month. The future general business activity index lost nearly 65 points and dropped to -66.0, while the future company outlook index similarly shed 65 points, plunging to -62.4. Other indexes of future retail activity, such as sales and employment, moved into deeply negative territory and point to expectations of further declines over the next six months.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

# U.S. Economic Indicators

## The Federal Reserve Bank of Kansas City

### Tenth District Manufacturing Activity Declined Sharply

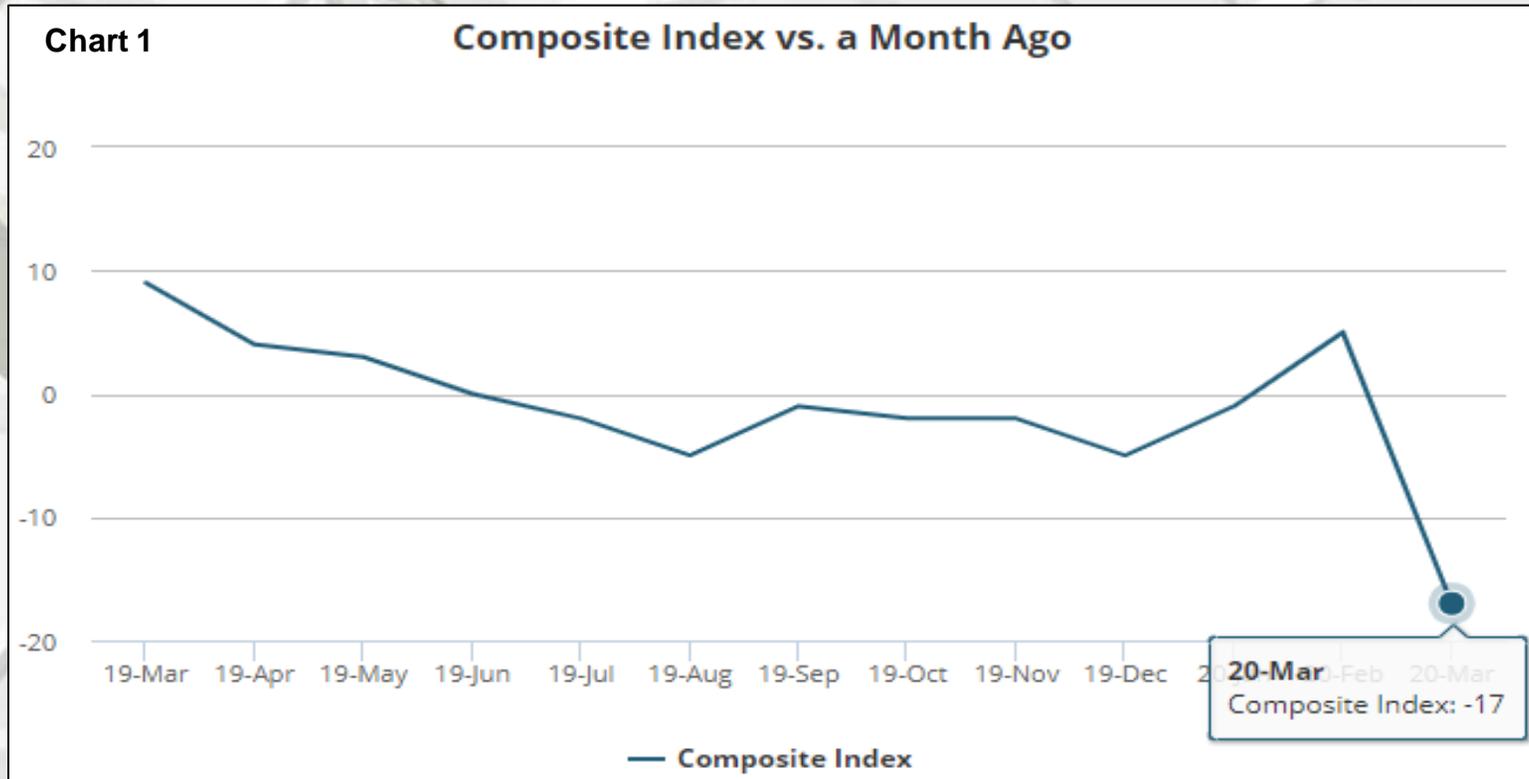
#### *Factory Activity Declined Sharply in March*

“Tenth District manufacturing activity declined sharply compared with a month ago, and expectations for future activity fell to levels last seen in early 2009 (Chart 1). Month-over-month price indexes decreased moderately, and District firms expected lower prices in the next 6 months. The month-over-month composite index was -17 in March, the lowest composite reading since April 2009, and down considerably from 5 in February and -1 in January. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The decrease in district manufacturing activity was across both durable and non-durable goods plants. All month-over-month indexes except for supplier delivery time were negative in March, and many indexes dropped to the lowest levels since 2015 or 2009. Year-over-year factory indexes also declined, and the composite index fell from 5 to -12. The future composite index dropped significantly from 16 to -19.

#### **Special questions**

This month contacts were asked special questions about the impact of Coronavirus (COVID-19) and recent market volatility. Approximately 73 percent of factory contacts reported decreased outlooks for business activity and demand for products or services due to the coronavirus outbreak and recent market volatility (Chart 2).” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

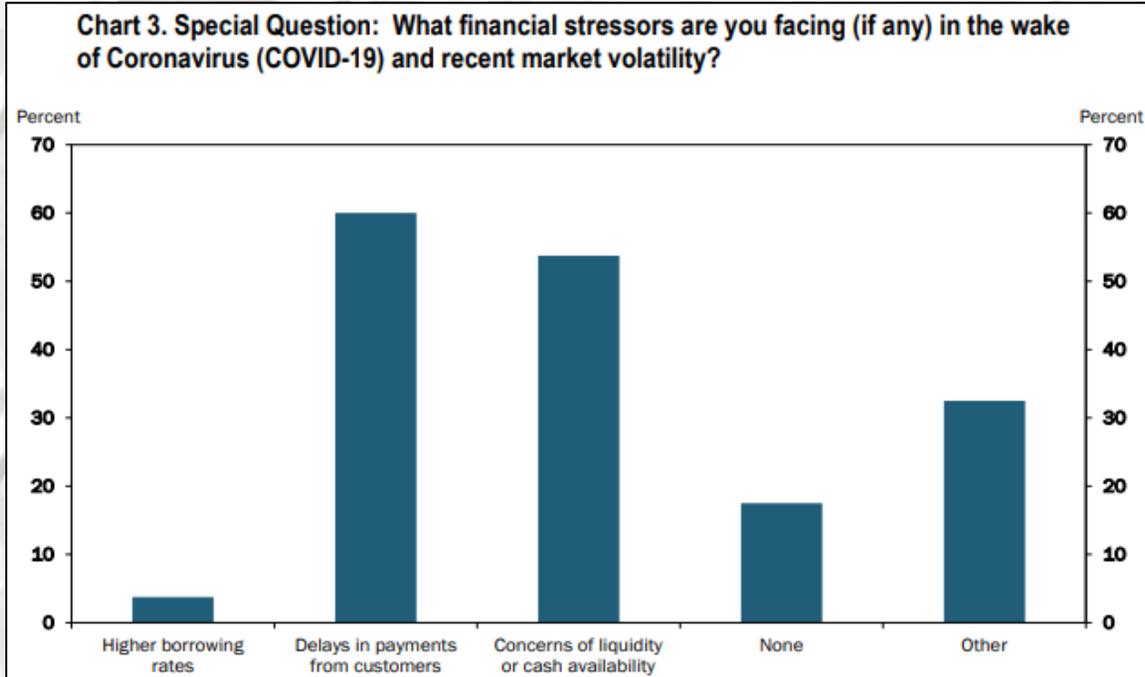
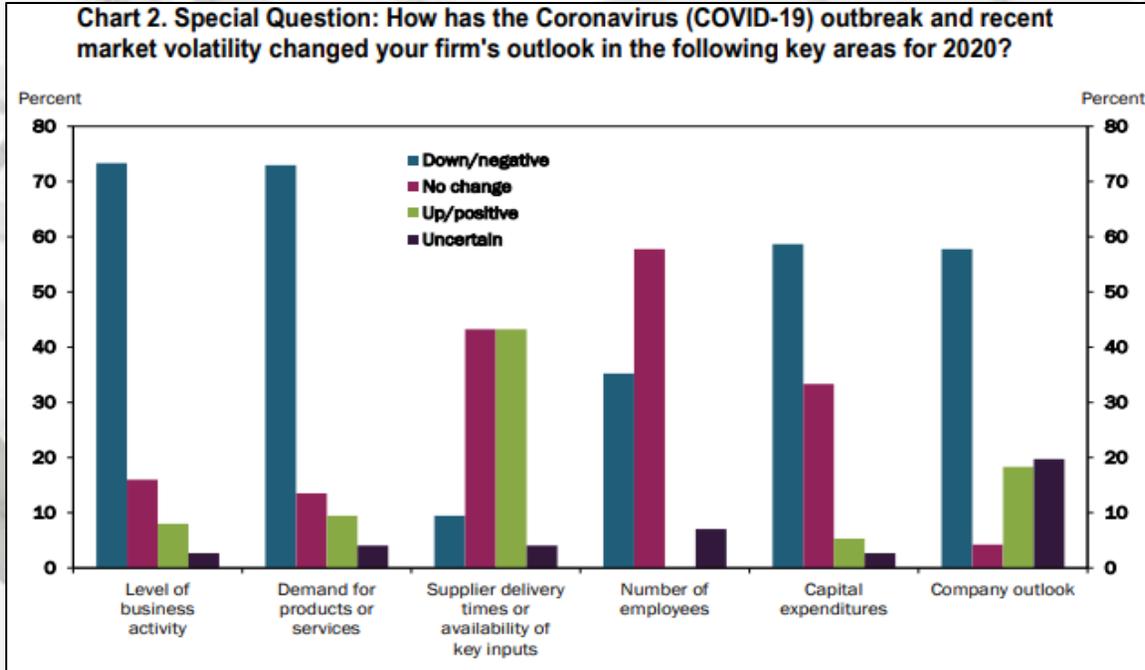
# The Federal Reserve Bank of Kansas City



## The Federal Reserve Bank of Kansas City Special questions

“More than 43 percent indicated increased/slower delivery times. Over 35 percent of firms either reported lower levels of employment or expected employment levels to decline, and nearly 59 percent reported their outlook for capital expenditures for 2020 had declined or spending plans had been put on hold. Around 60 percent of manufacturers faced delayed payments from customers and 54 percent had concerns about cash availability (Chart 3). In response to coronavirus, all firms reported instituting protective measures at their facilities (e.g. hand sanitizer, etc.), nearly 90 percent of firms reported restricting business travel, and 34 percent indicated they had altered healthcare policies due to the coronavirus outbreak.” – Chad Wilkerson, Vice President & Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

# The Federal Reserve Bank of Kansas City



# U.S. Economic Indicators

## The Federal Reserve Bank of Kansas City

### Tenth District Services Activity Decreased Significantly

*Tenth District services activity decreased significantly in March to the lowest level in survey history (since 2014), and firms expected business activity to drop further in the future.*

#### **Business activity decreased significantly in March**

“Tenth District services decreased significantly in March to the lowest level in survey history (since 2014), and firms expected business activity to drop further in the future (Chart 1). The input price index expanded at a slower pace and the selling price index declined compared with a month ago. Expectations for future input prices remained positive, while firms anticipated lower selling prices in six months.

The month-over-month services composite index was -16 in March, the lowest posting since the survey started in 2014, and down significantly from 6 in February and 14 in January. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Nearly all month-over-month indexes turned negative. The index for wages and benefits remained slightly positive, but was still the lowest level in survey history. The decrease in general revenue/sales index was broad across business sectors, driven especially by a steep decline in consumer spending activity. Most year-over-year services indexes also dropped into negative territory, and the year-over-year composite index fell from 20 to -4. Expectations for future services activity decreased sharply, and the expected composite index posted the worst change from a month ago in survey history, dropping from 23 to -30.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

# U.S. Economic Indicators



## The Federal Reserve Bank of Kansas City Special questions

“This month contacts were asked special questions about the effects of Coronavirus (COVID-19) and recent market volatility. Nearly 82 percent of businesses reported decreased outlooks for business activity and over 75 percent reported a lower demand outlook for products or services due to the coronavirus outbreak and recent market volatility (Chart 2). Around 43 percent indicated increased/slower delivery times. Over 54 percent of firms either reported lower levels of employment or expected employment levels to decline, and more than 57 percent reported their outlook for capital expenditures for 2020 had declined or spending plans had been put on hold. Nearly 39 percent of contacts faced delayed payments from customers and 63 percent had concerns about cash availability (Chart 3). In response to coronavirus, 94 percent of firms reported instituting protective measures at their facilities (e.g. hand sanitizer, etc.), approximately 74 percent of firms had restricted business travel, and 25 percent indicated they had altered healthcare policies due to the coronavirus outbreak.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

# The Federal Reserve Bank of New York

## Empire State Manufacturing Survey

### Activity Declines

“Business activity declined in New York State, according to firms responding to the March 2020 *Empire State Manufacturing Survey*. The headline general business conditions index fell thirty-four points to -21.5, its lowest level since 2009. The new orders index dropped to -9.3, pointing to a decline in orders, and the shipments index fell to -1.7. Delivery times lengthened slightly, and inventories increased. Employment levelled off, and the average workweek declined. Input price increases were little changed, while selling prices increased at a slower pace than last month. Optimism about the six-month outlook fell sharply, with firms less optimistic than they have been since 2009.

Manufacturing firms in New York State reported that business activity declined. The general business conditions index fell thirty-four points to -21.5, its largest point drop on record, and its lowest level since 2009. Twenty percent of respondents reported that conditions had improved over the month, while 42 percent reported that conditions had worsened. The new orders index turned negative, falling thirty-one points to -9.3, indicating that orders fell. The shipments index moved down to -1.7, indicating that shipments were little changed. Delivery times were slightly longer and inventories were somewhat higher.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

# **The Federal Reserve Bank of New York**

## **Empire State Manufacturing Survey**

### **Labor Market Indicators Weaken**

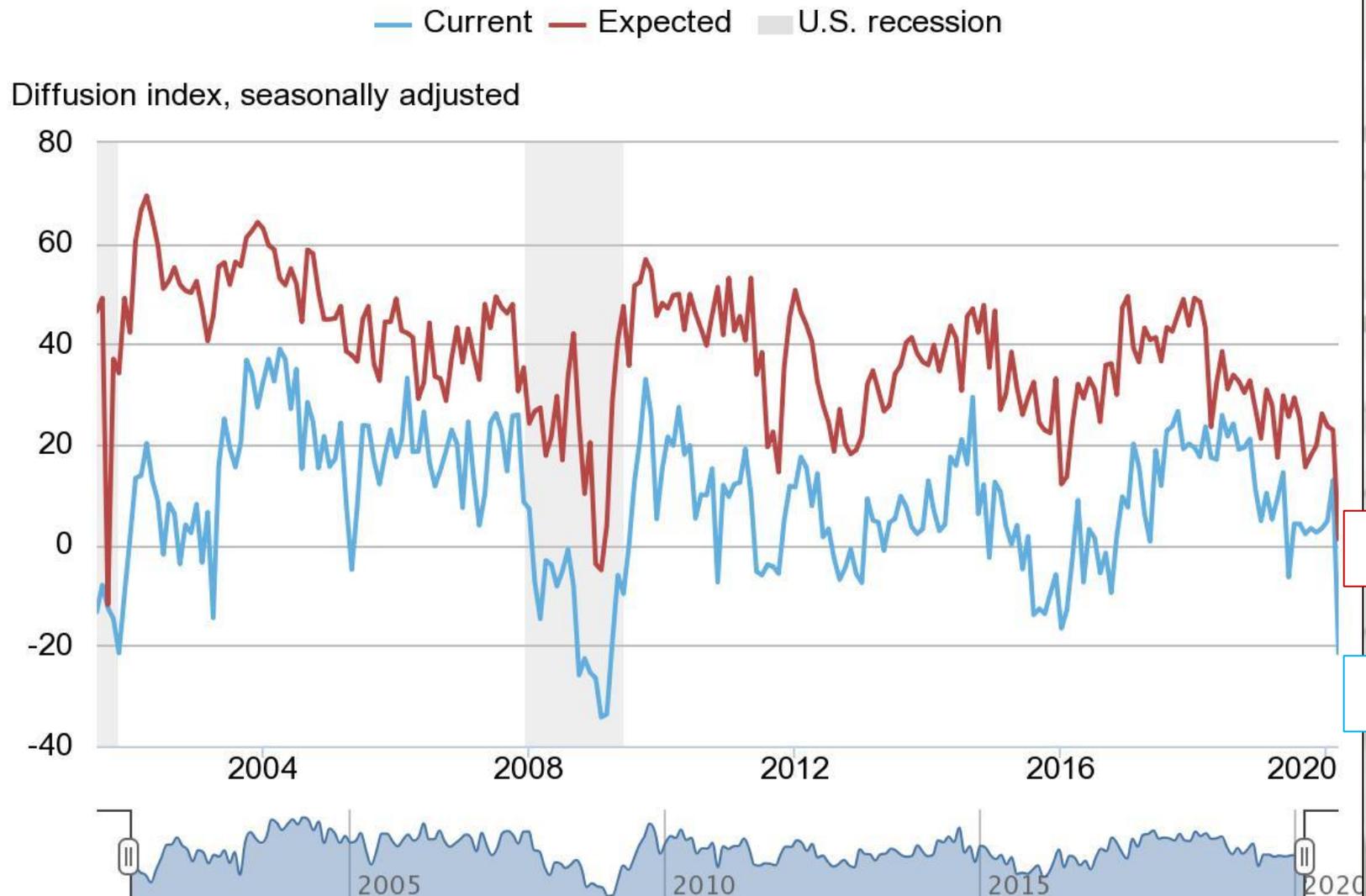
“The index for number of employees fell eight points to -1.5, indicating that employment levels were little changed over the month. The average workweek fell to -10.6, a sign that the average workweek was shorter. The prices paid index held steady at 24.5, suggesting that input prices increased at the same pace as last month, while the prices received index fell seven points to 10.1, pointing to a deceleration in selling price increases.

### **Optimism About Future Activity Wanes**

Firms no longer expect general business conditions to be better over the next six months. The index for future business conditions declined twenty-two points to 1.2, its lowest level since 2009. The indexes for future new orders and future shipments declined, but remained firmly positive, suggesting that firms expect orders and shipments to be higher compared with this month’s levels. The capital expenditures index fell three points to 18.7, and the technology spending index fell seven points to 14.4.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

# The Federal Reserve Bank of New York

## General Business Conditions



# The Federal Reserve Bank of New York

## Business Leaders Survey (Services)

### Activity Declines

“Business activity in the region’s service sector declined in March. The headline business activity index dropped twenty-three points to -13.1, its lowest level since October 2016. Twenty-four percent of respondents reported that conditions improved over the month, while 37 percent said that conditions worsened. The business climate index fell a steep twenty-seven points to -29.0, also a three-year low, indicating that, on balance, firms viewed the business climate as worse than normal, and by a wide margin.

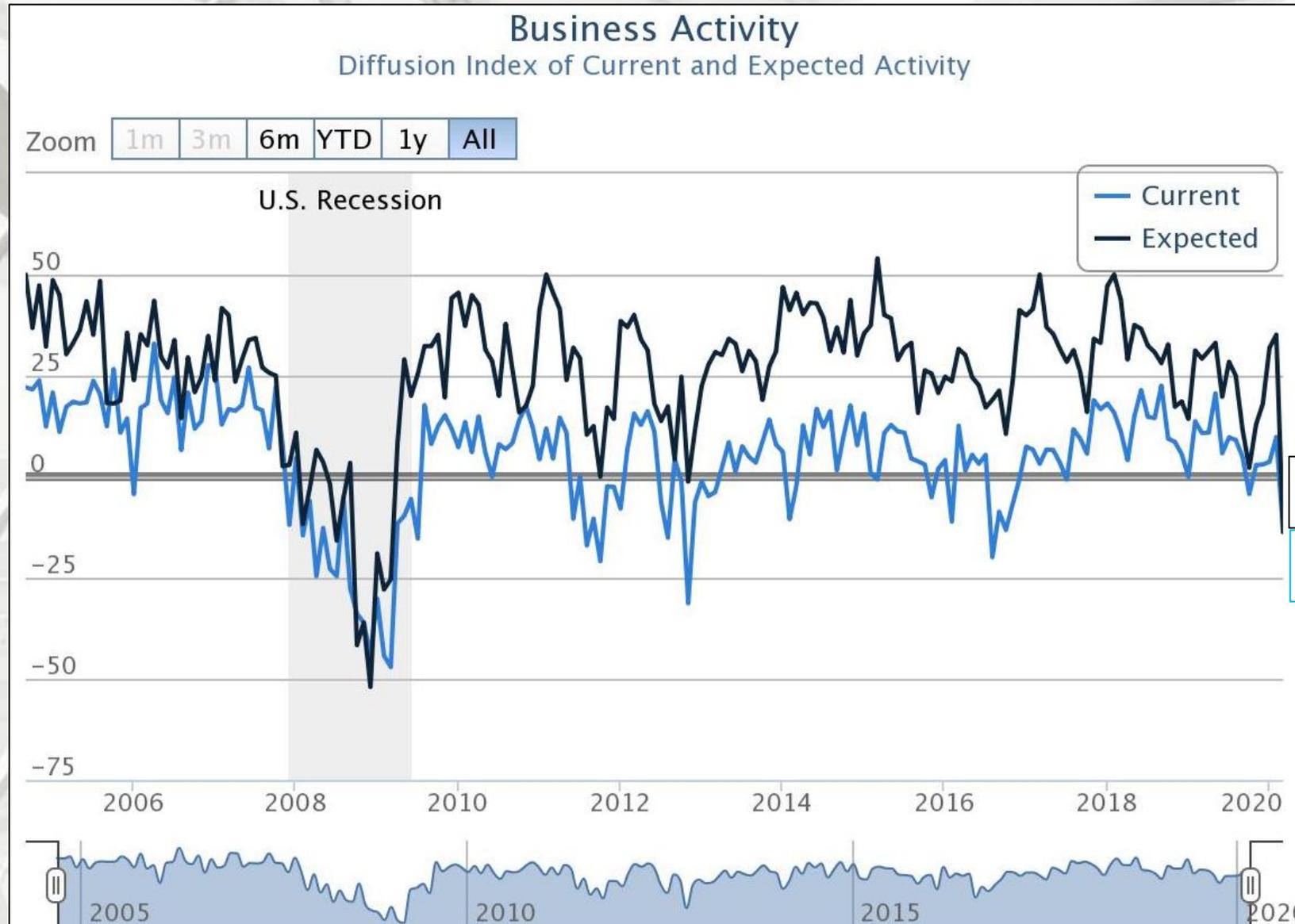
### Price Increases Slow

The employment index was little changed at 4.9, pointing to an ongoing small increase in employment levels. The wages index held steady at 46.5, indicating that the pace of wage hikes was little changed. At 36.9, the prices paid index was twelve points lower than last month, a sign that input price increases slowed. The prices received index also declined, falling six points to 20.6, signaling a deceleration in selling price increases. The capital spending index slid thirteen points to 5.0, pointing to a notable slowdown in capital spending.

### Optimism Plunges

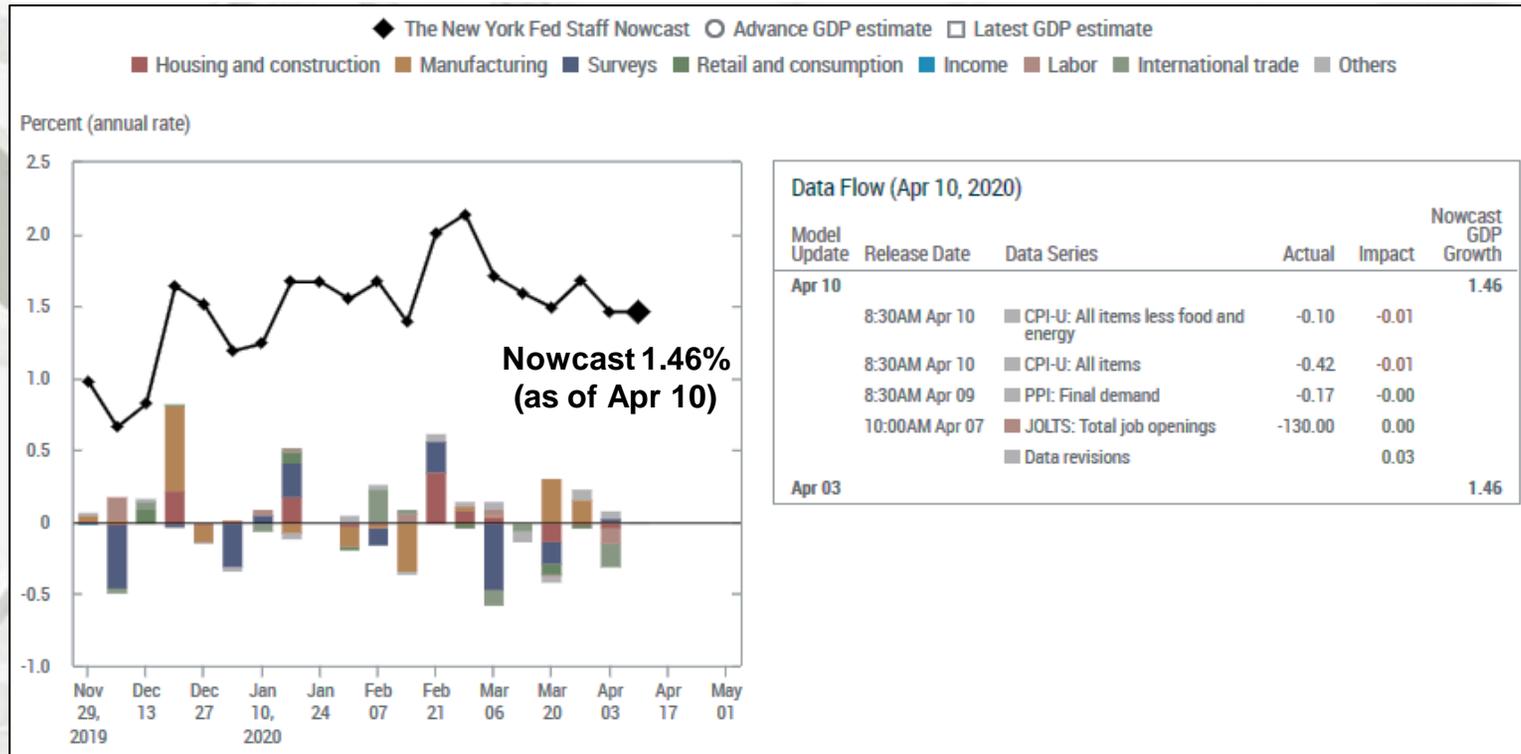
Firms turned pessimistic about the six-month outlook. The index for future business activity fell a whopping forty-nine points to -13.7, its lowest level since 2009, and the index for future business climate plunged forty-one points to -31.4, signaling that business activity and the business climate are expected to be worse in the months ahead. While still above zero, indexes for future employment, wages, prices, and capital spending all posted substantial declines.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

# The Federal Reserve Bank of New York



# U.S. Economic Indicators

## The Federal Reserve Bank of New York Nowcast



Notes: We start reporting the Nowcast for a reference quarter about one month before the quarter begins; we stop updating it about one month after the quarter closes. Colored bars reflect the impact of each broad category of data on the Nowcast; the impact of specific data releases is shown in the accompanying table. Our forecasts for GDP growth from 2002:Q1 through 2015:Q4 are historical reconstructions. Source: Authors' calculations, based on data accessed through Haver Analytics.

### April 10, 2020: Highlights

- “The New York Fed Staff Nowcast stands at 1.5% for 2020:Q1 and -0.4% for 2020:Q2.
- News from price data, the only release for March, was small and left the nowcast for both quarters broadly unchanged.
- Next week’s releases will provide more information for the nowcast, as many cover economic activity for the month of March.” – The Federal Reserve Bank of New York

# U.S. Economic Indicators

## The Federal Reserve Bank of Philadelphia

### March 2020 Manufacturing Business Outlook Survey

“Manufacturing firms reported a significant weakening in regional manufacturing activity this month, according to results from the *Manufacturing Business Outlook Survey*. The survey’s current indicators for general activity, new orders, and shipments fell precipitously this month, coinciding with developments related to the coronavirus. The firms reported a slight overall increase in employment, however, and a near-steady workweek. The broadest indicator of future activity weakened somewhat but remained elevated; however, firms still expect overall growth in new orders, shipments, and employment over the next six months.

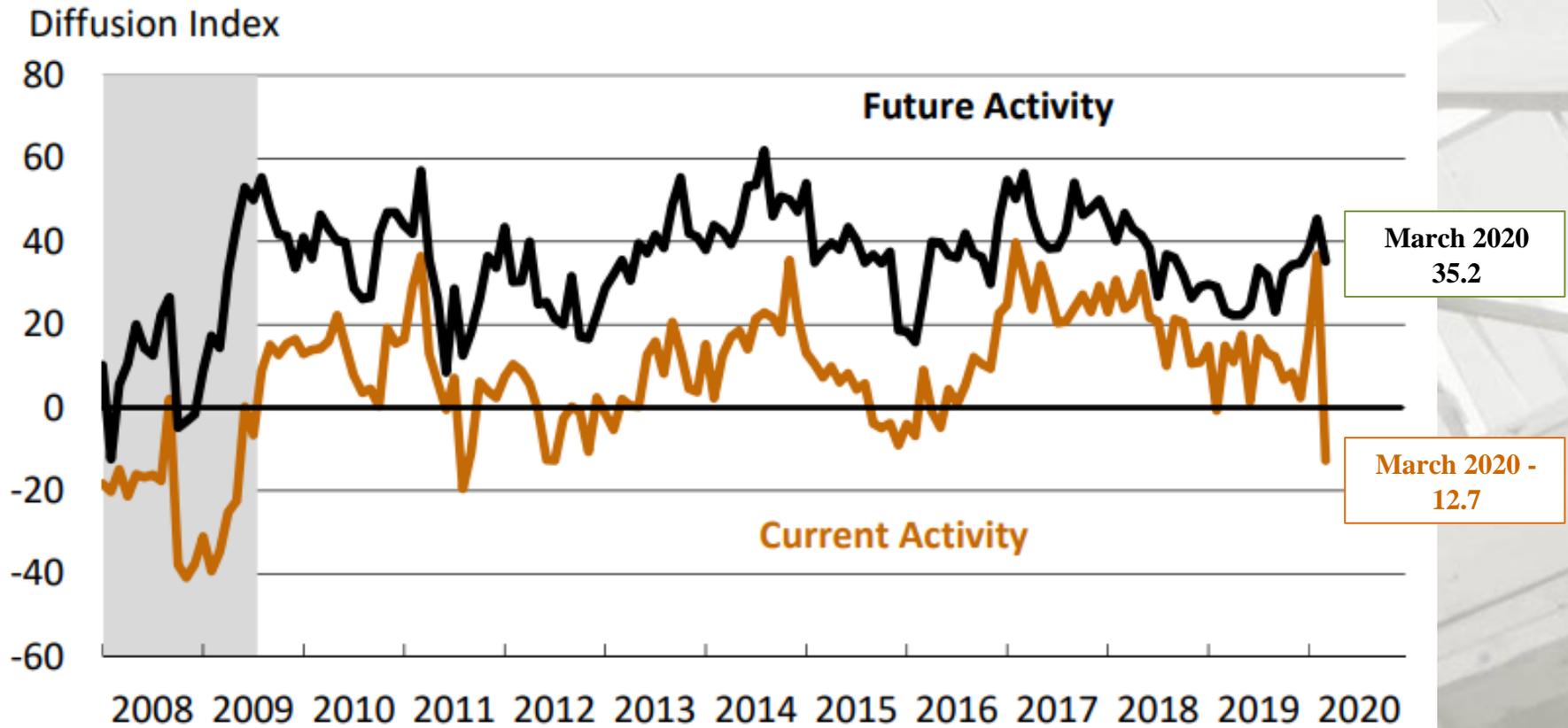
#### Firms Report Decreases in New Orders

The diffusion index for current activity declined markedly from a three-year high reading of 36.7 in February to -12.7 this month, its lowest reading since July 2012 (see Chart 1). The percentage of firms reporting decreases (30 percent) this month exceeded the percentage reporting increases (18 percent). The index for new orders also turned negative, falling from 33.6 to -15.5. The current shipments index fell 25 points but remained slightly positive, although its current reading near zero suggests overall shipments were unchanged from February. Both the unfilled orders and delivery times indexes moved into negative territory this month, falling 15 points and 12 points, respectively.

The firms reported an overall slight increase in manufacturing employment this month, but the current employment index decreased 6 points to 4.1, also its lowest reading since November 2016. The average workweek index fell 10 points but remained slightly positive at 0.5.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

# The Federal Reserve Bank of Philadelphia

**Chart 1. Current and Future General Activity Indexes**  
January 2008 to March 2020



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

# The Federal Reserve Bank of Philadelphia

## Firms Report Lower Price Pressures

“The firms reported moderating price pressures for inputs and for their own manufactured goods. The prices paid diffusion index decreased 12 points to 4.8. The percentage of firms reporting increases in input prices (18 percent) was only slightly higher than the percentage reporting decreases (14 percent). The current prices received index, reflecting the manufacturers’ own prices, declined 10 points to a reading of 6.8.

## Most Future Indicators Moderated

The diffusion index for future general activity fell 10 points to 35.2 but remained at a relatively high reading (see Chart 1). Nearly 51 percent of the firms expect increases in activity over the next six months, while 16 percent expect declines. The future new orders and shipments indexes also decreased this month, by 17 points and 10 points, respectively. The firms expect their inventories to rise over the next six months, as the future inventories index rose 7 points to a reading of 16.9. The firms’ expectations for future prices fell notably this month: The future prices paid index fell 14 points, and the future prices received index fell 16 points.”— Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

# The Federal Reserve Bank of Philadelphia

## Firms Employment Expectations

“The firms’ expectations for employment over the next six months strengthened somewhat with the future employment index increasing 6 points. Over 30 percent of the firms expected higher employment, about the same as in February. Only 1 percent expected lower employment, down from February. The firms’ plans for future capital spending showed notable weakening this month: The future capital spending index decreased nearly 18 points to a reading of 12.0, its lowest reading since September 2016.

### Summary

Responses to the March *Manufacturing Business Outlook Survey* indicated a notable weakening in manufacturing activity. The indicators for current activity, new orders, and shipments decreased markedly from their readings in February. The survey’s current employment and workweek indexes remained positive but also moderated. Both prices paid and prices received indexes reflected easing price pressures. The survey's future indexes suggest that respondents expect declines to be short-lived, inasmuch as they continue to expect growth in manufacturing activity over a horizon of six months.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

# The Federal Reserve Bank of Philadelphia

## March 2020 Nonmanufacturing Business Outlook Survey

### Firms Report Overall Declines

“Nonmanufacturing firms reported a significant weakening in regional nonmanufacturing activity this month, according to results from the *Nonmanufacturing Business Outlook Survey*. The survey’s indexes for general activity at the firm level, sales/revenues, new orders, and full-time employment all fell sharply and into negative territory this month, coinciding with developments related to the coronavirus. The firms continued to report overall increases in the prices of both their own goods and their inputs, but both price indexes fell notably from last month. The respondents expect overall declines over the next six months, as future activity indexes fell to negative readings.

The diffusion index for current general activity at the firm level fell sharply from 36.1 in February to -12.8 in March, its lowest reading since July 2011 (see Chart 1). More than 22 percent of the firms reported increases in activity (down from 53 percent last month), while 35 percent reported decreases (up from 16 percent last month). The new orders index fell 45 points to -16.4 in March, its lowest reading ever. The share of firms reporting decreases in new orders (33 percent) exceeded the share reporting increases (17 percent). The sales/revenues index fell from 39.8 to -4.9 in March. Nearly 27 percent of the responding firms reported increases in sales/revenues, while 32 percent reported decreases. The regional activity index plummeted to -35.1.

### Employment Indicators Contract

The firms reported overall decreases in full-time and part-time employment, as both indexes fell from their readings last month into negative territory. The full-time employment index fell 23 points to -1.7. While nearly 56 percent of the firms reported steady full-time employment levels, the share of firms reporting decreases (20 percent) narrowly exceeded the share reporting increases (19 percent). The part-time employment index decreased 22 points to -11.2. Over 59 percent of the firms reported steady part-time employment levels, while the share of firms reporting decreases (22 percent) exceeded the share reporting increases (11 percent). The wages and benefits indicator edged down 4 points to 26.6, and the average workweek index fell 22 points to -5.2.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

# The Federal Reserve Bank of Philadelphia

## March 2020 Nonmanufacturing Business Outlook Survey

### Price Indicators Moderate

“Price indicator readings moderated and suggest overall increases in prices for inputs and near-steady prices for the firms’ own goods and services. The prices paid index declined from 21.3 in February to 6.0 in March. Although the majority of respondents (58 percent) reported stable input prices, 15 percent of the respondents reported increases, while 9 percent reported decreases. Regarding prices for the firms’ own goods and services, the prices received index declined 14 points to 0.5 in March. The share of firms reporting increases in prices received (11 percent) narrowly exceeded the share of firms that reported decreases (10 percent). More than 57 percent of the firms reported no change in prices for their own goods and services.

### Firms’ Outlook for Future Growth Deteriorates

Both future activity indexes suggest that the firms’ expectations for nonmanufacturing activity over the next six months deteriorated, with both series reaching all-time low readings. The diffusion index for future activity at the firm level fell precipitously from a reading of 44.2 in February to -16.3 this month (see Chart 1). More than 28 percent of the firms expect an increase in activity at their firms over the next six months (down from 55 percent last month) compared with 45 percent that expect decreases (up from 10 percent last month). The future regional activity index fell sharply from 32.9 to -36.9.

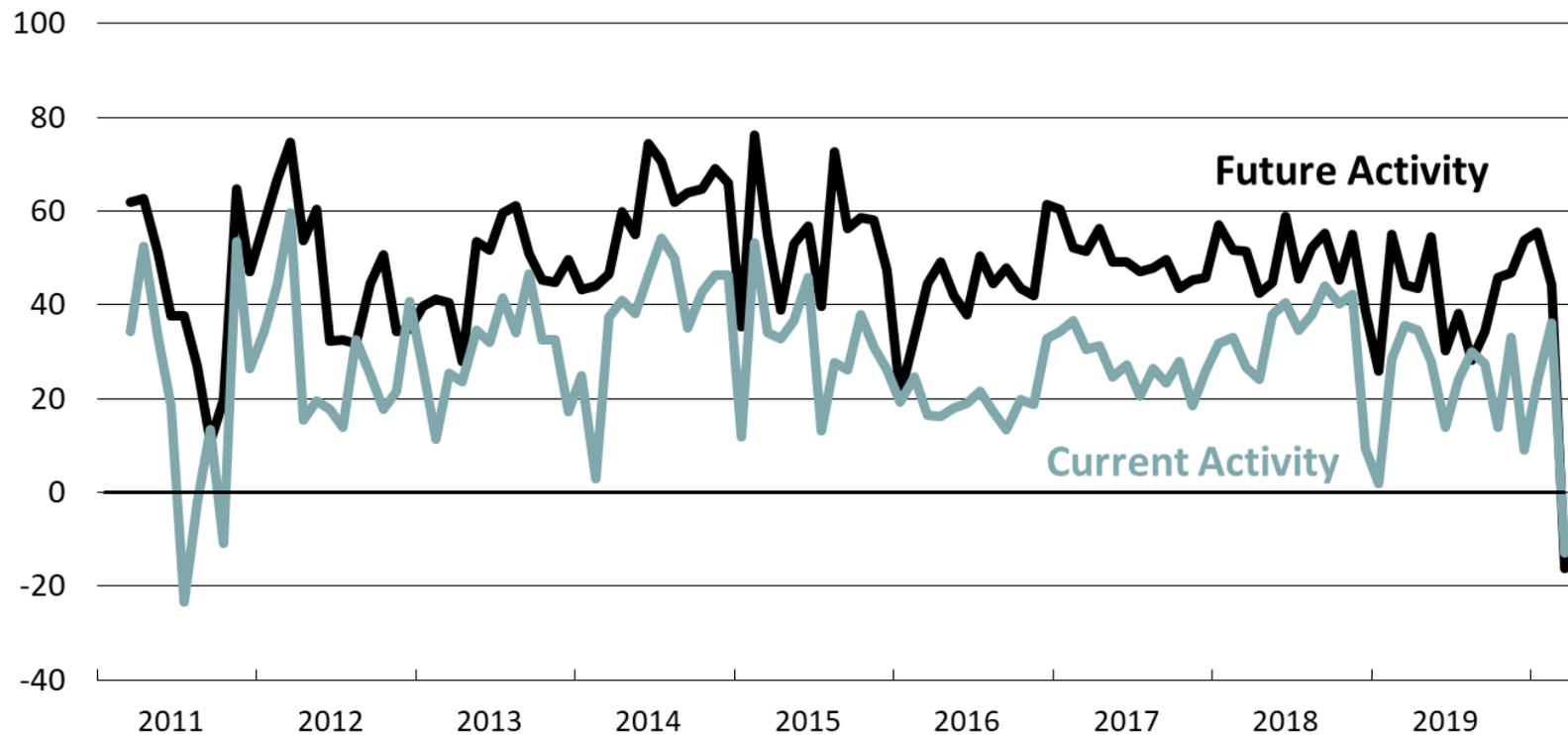
### Summary

Responses to this month’s *Nonmanufacturing Business Outlook Survey* suggest a notable weakening in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, new orders, and full-time employment all fell into negative territory. Price pressures moderated from recent months, but both price indexes remain positive. Future activity indexes fell to historical lows and suggest that respondents expect continued declines over the next six months.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

# The Federal Reserve Bank of Philadelphia

**Chart 1. Current and Future General Activity Indexes for Firms**  
March 2011 to March 2020

Diffusion Index

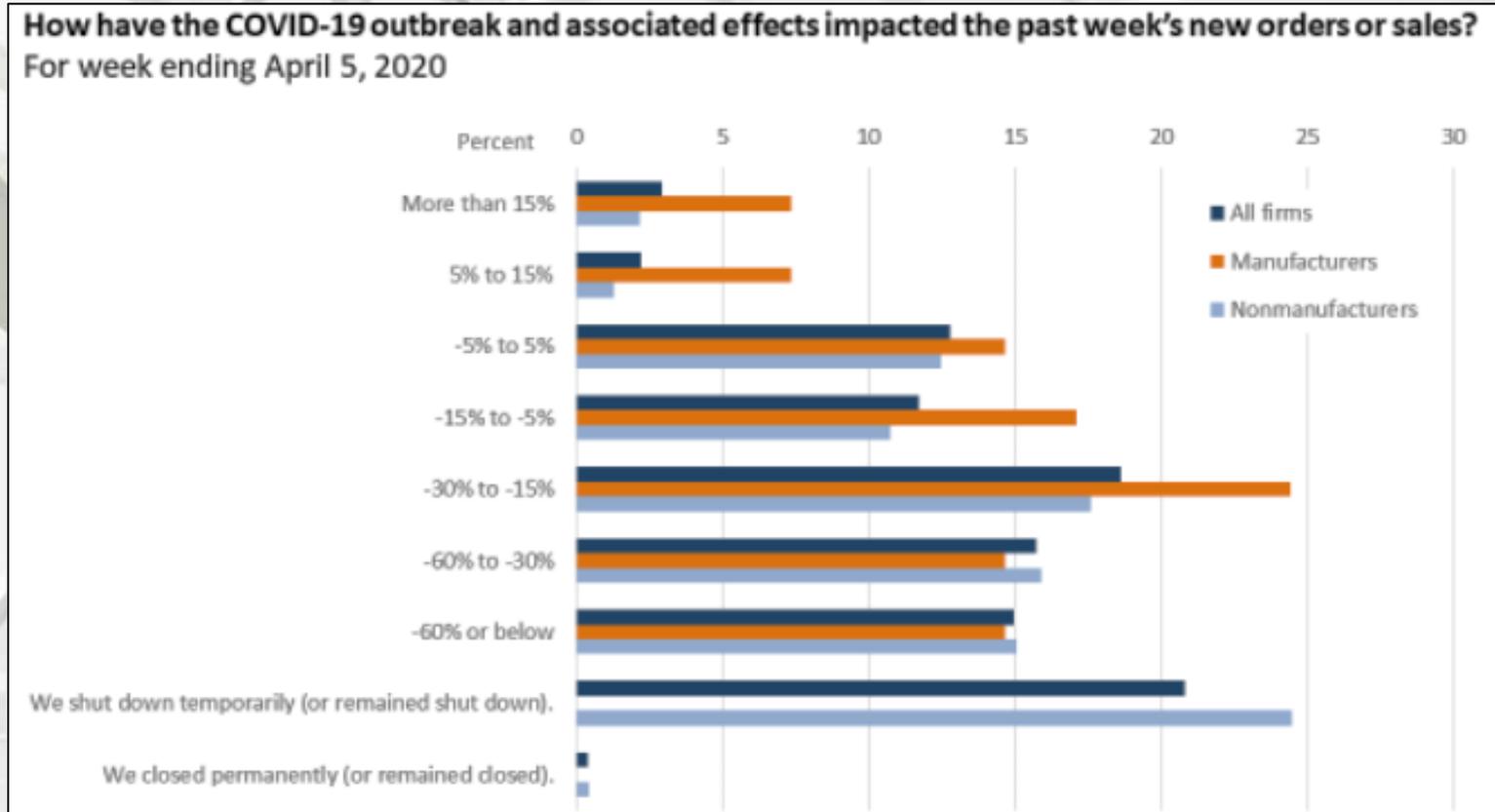


March 2020  
-12.8

March 2020  
-16.3

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

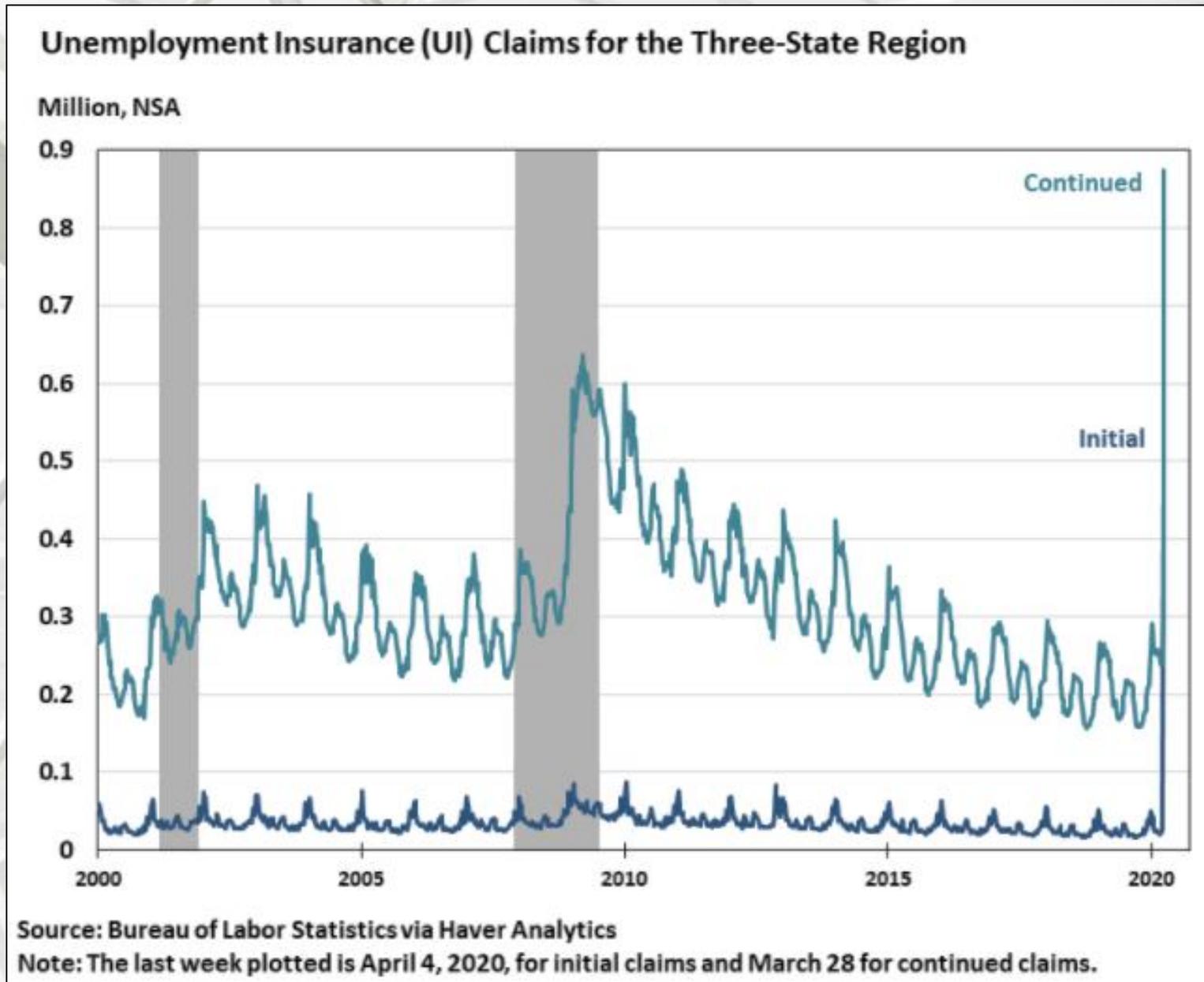
# The Federal Reserve Bank of Philadelphia



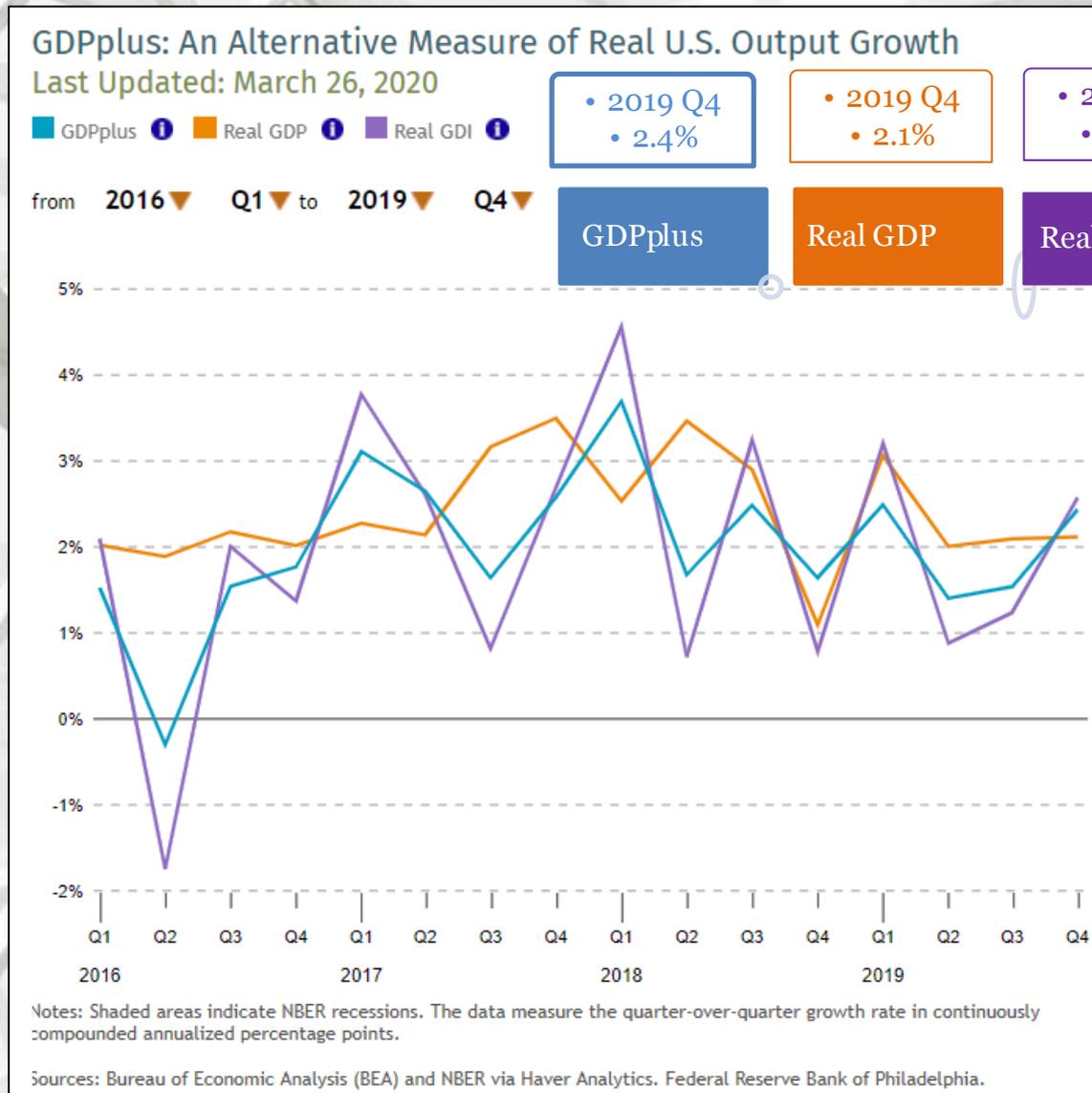
## Tracking Weekly Economic Impacts of the COVID-19 Outbreak

“The Federal Reserve Bank of Philadelphia and our colleagues in Districts around the country continue to monitor the economy to better understand the scope of the economic damage this pandemic is causing. Given the speed with which the economy is changing, we are compiling weekly data for more timely, higher-frequency information for the regional and national economy. We believe this weekly information will be even more valuable for tracking the economy upward and restoring confidence – as businesses reopen and workers are called back.” – The Federal Reserve Bank of Philadelphia

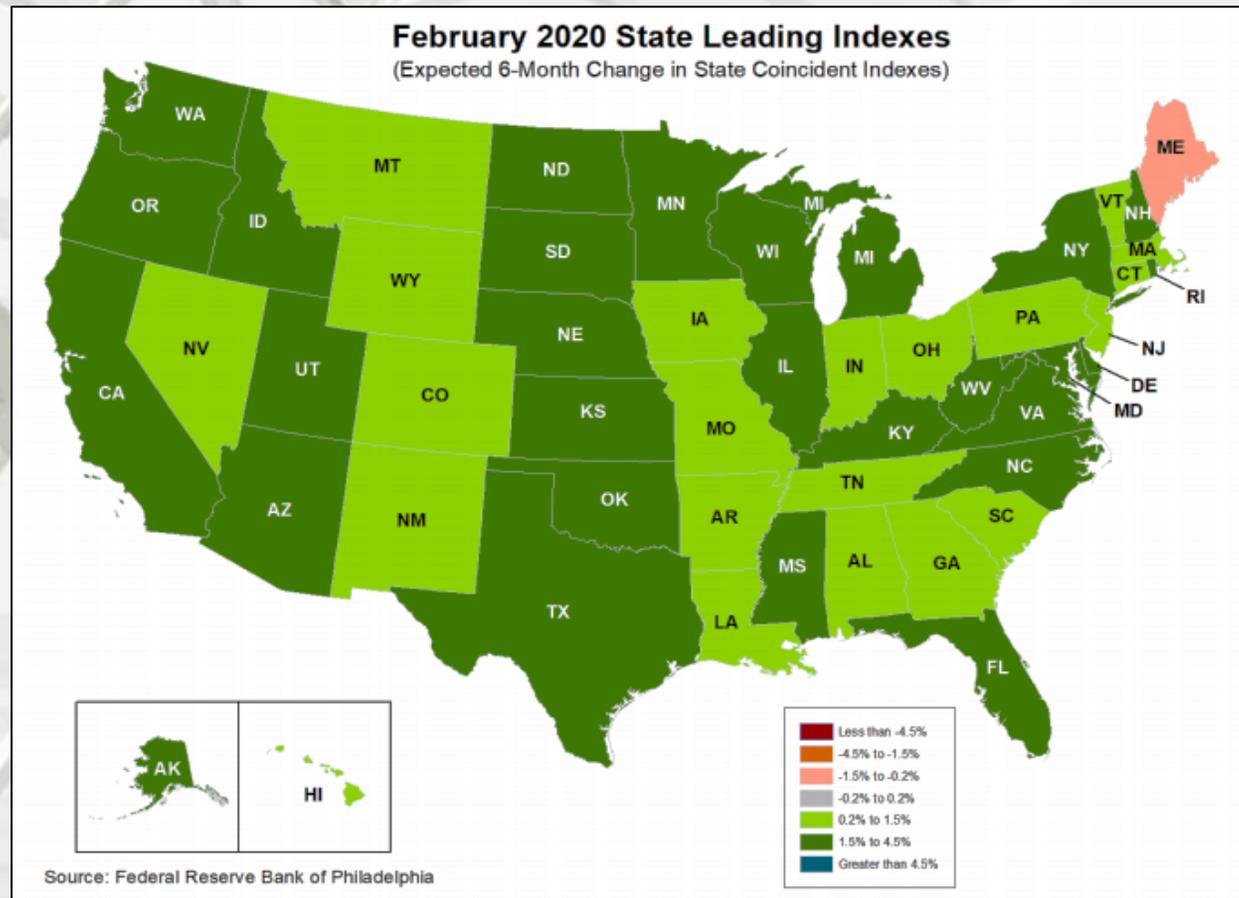
# The Federal Reserve Bank of Philadelphia



# The Federal Reserve Bank of Philadelphia: GDPplus



# The Federal Reserve Bank of Philadelphia



“The Federal Reserve Bank of Philadelphia has released the leading indexes for the 50 states for February 2020. The indexes are a six-month forecast of the state coincident indexes (also released by the Bank). Forty-nine state coincident indexes are projected to grow over the next six months, and one is expected to decrease. For comparison purposes, the Philadelphia Fed has also developed a similar leading index for its U.S. coincident index, which is projected to grow 1.7 percent over the next six months.” – Daniel Mazone, Research Department, The Federal Reserve Bank of Philadelphia

# **U.S. Economic Indicators**

## **The Federal Reserve Bank of Richmond**

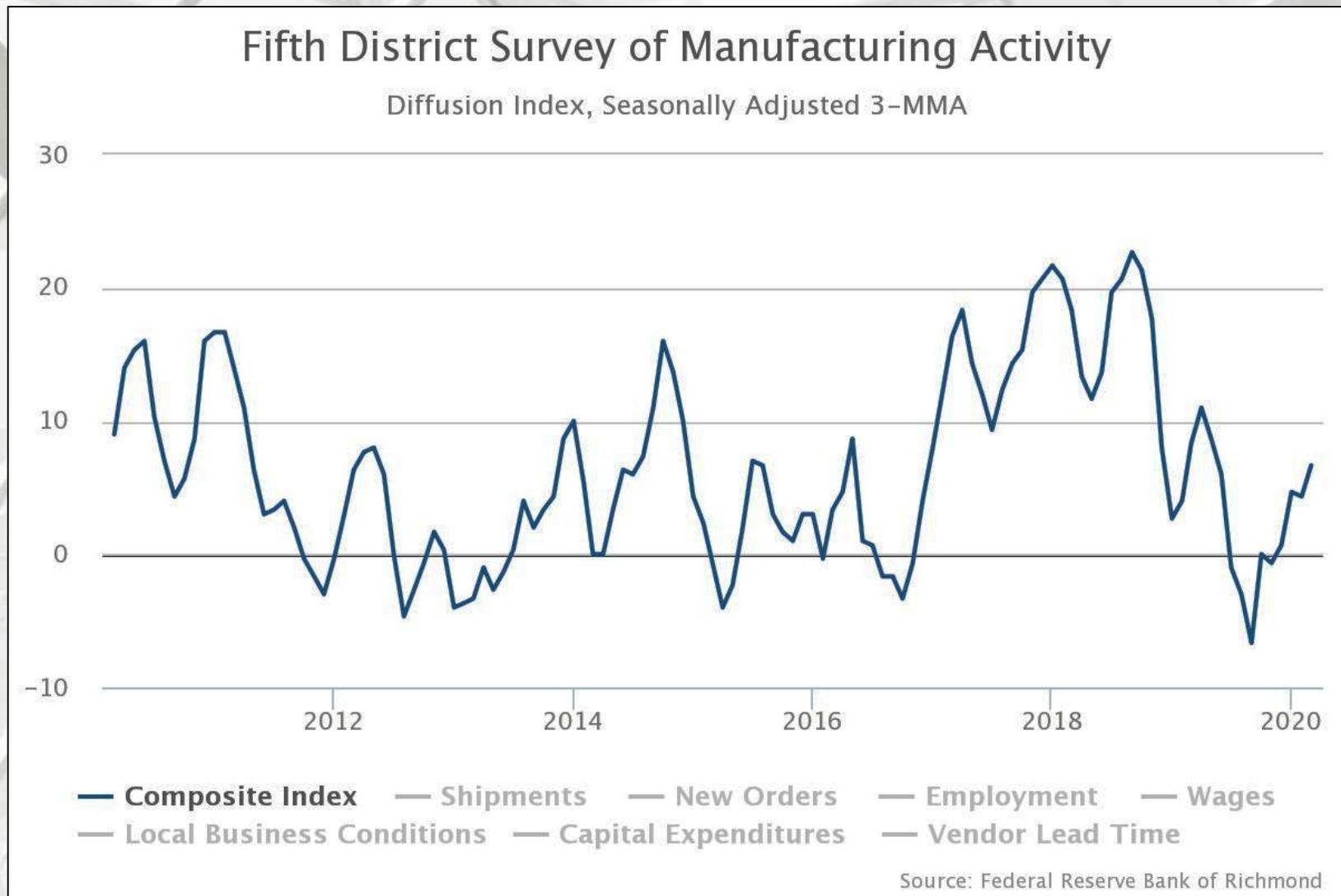
### **Manufacturers Reported Little Change in Activity Through the First Half of March**

“Fifth District manufacturing activity remained fairly flat in March, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index remained close to 0, rising from -2 in February to 2 in March. The indexes for shipments and new orders were above their February values, but the third component — employment — decreased. Manufacturers reported weakening local business conditions and a decrease in backlog of orders. Survey respondents were pessimistic, expecting weaker business conditions and a drop in shipments and new orders in the coming months.

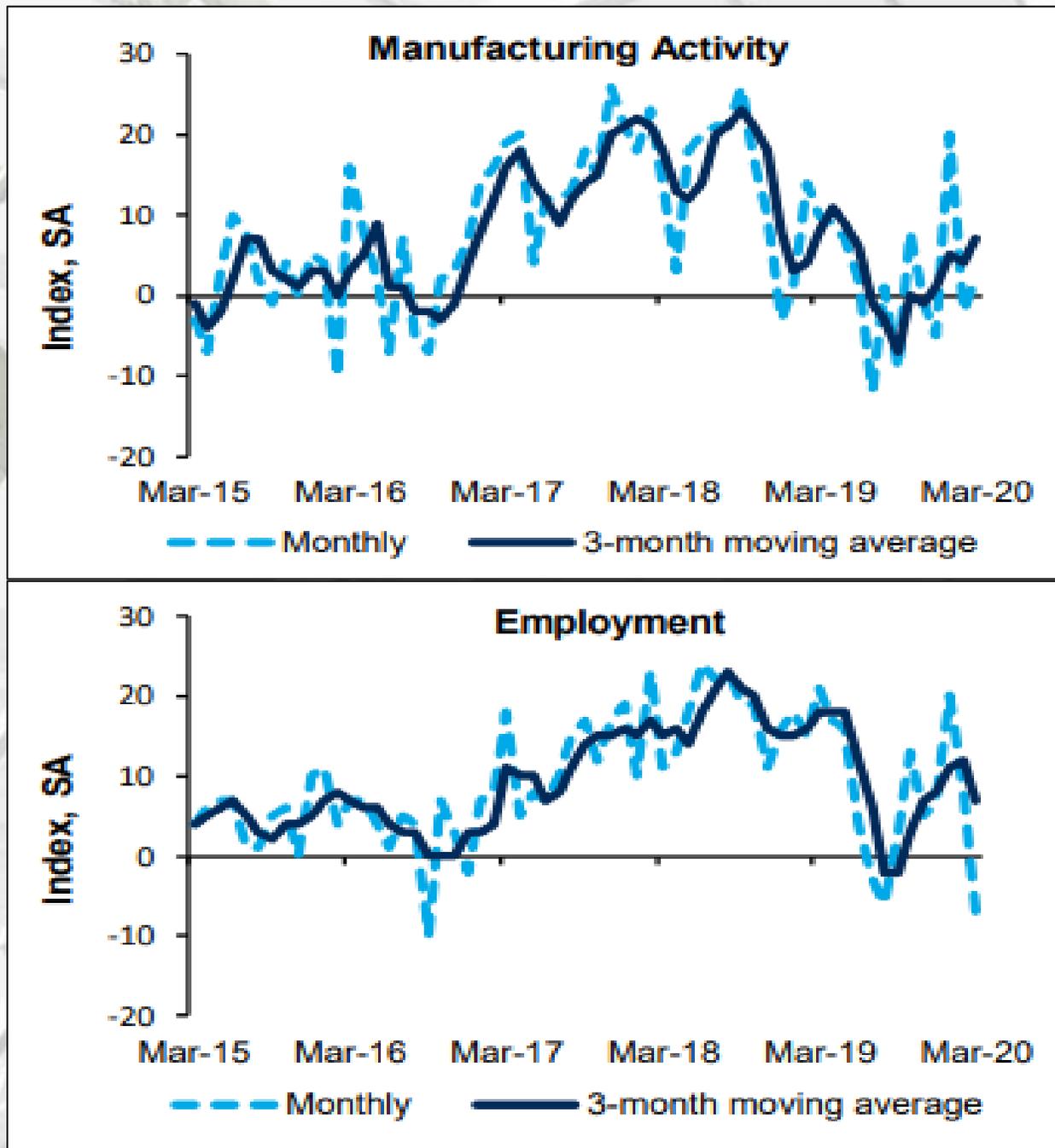
Survey results suggested a drop in employment but continued growth in wages in recent weeks. Employers continued to struggle to find workers with the necessary skills and expected this difficulty to persist in the next six months.

Manufacturers reported a drop in the growth rates of both prices paid and prices received, with growth of prices paid slightly outpacing that of prices received. Growth rates of both prices paid and prices received were expected to increase in the near future.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

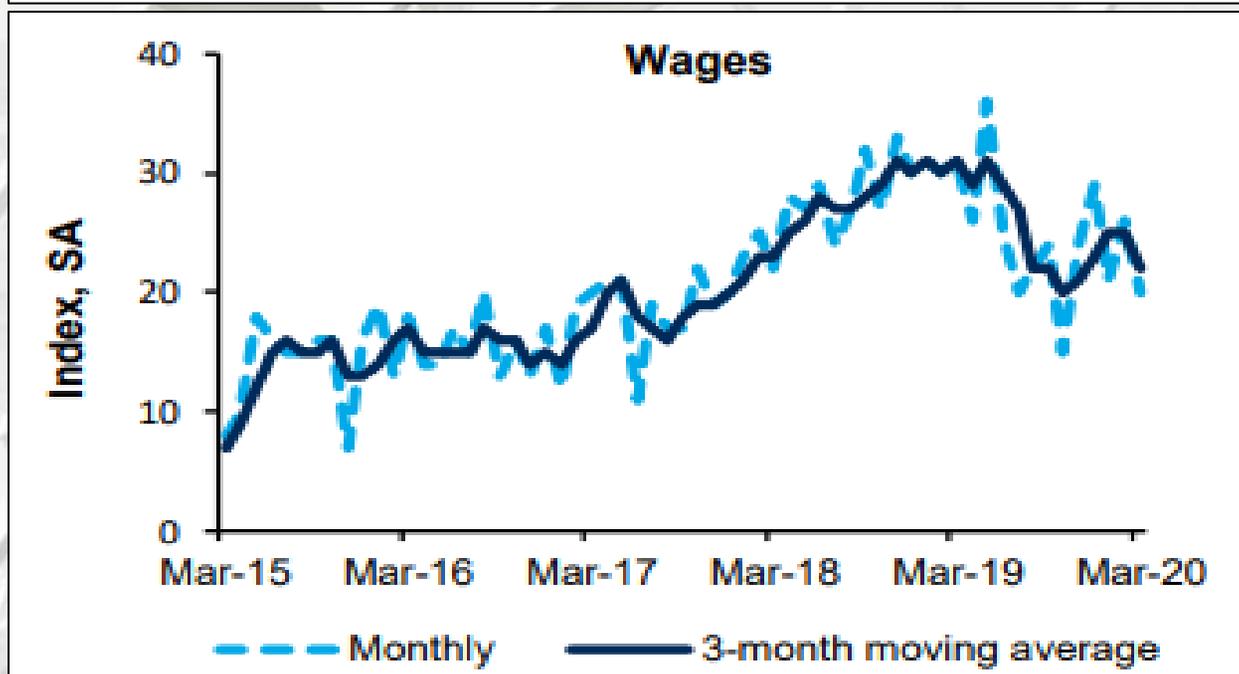
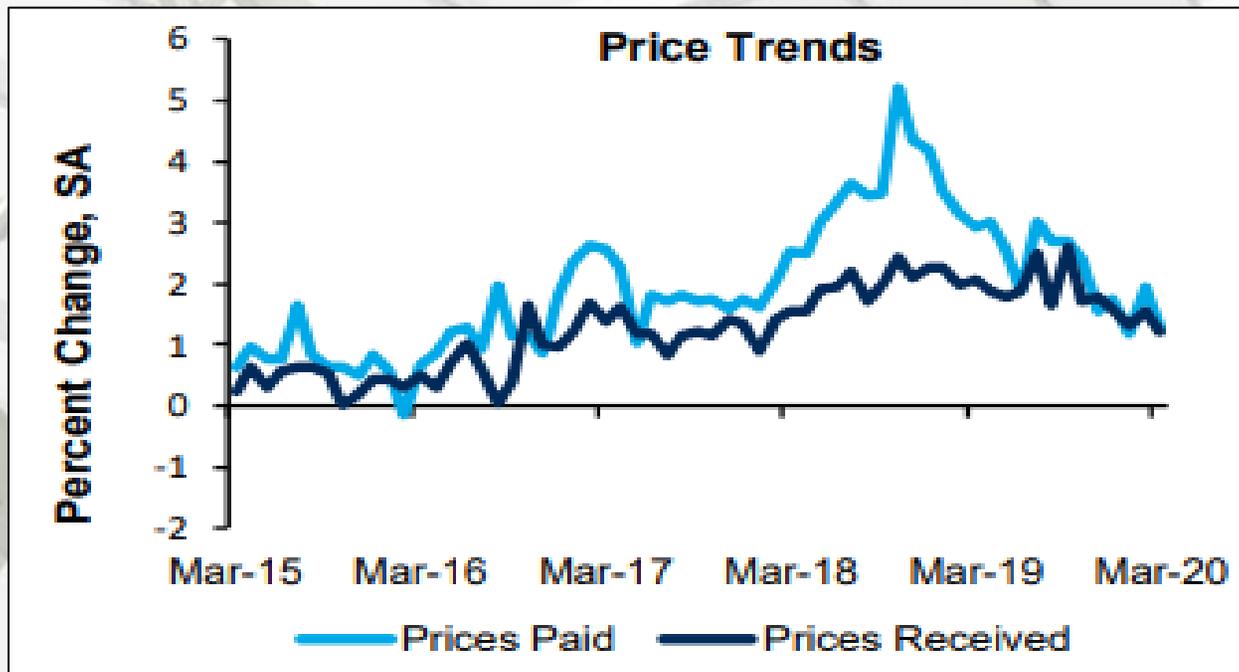
# U.S. Economic Indicators



# U.S. Economic Indicators



# U.S. Economic Indicators



# U.S. Economic Indicators

## The Federal Reserve Bank of San Francisco

### FedViews

- “The human toll from the coronavirus disease (COVID-19) pandemic continues to rise around the world. As authorities implement social distancing restrictions to mitigate the spread of the coronavirus, the associated economic costs are becoming more apparent. How the economy will fare over the next several quarters remains highly uncertain, however. Much hinges on how the virus spreads and evolves over time, as well as on the effectiveness of social distancing and shelter-in-place measures. This uncertainty necessarily clouds the economic outlook.
- The uncertainty about the coronavirus is spreading through financial markets as well. The Chicago Board Options Exchange Volatility Index, or VIX, is frequently used as a measure of uncertainty based on equity market volatility. This so-called fear index measures investors’ perceptions of the 30-day-ahead volatility of the S&P 500. The VIX shot up recently to a level even higher than that experienced at the height of the 2008 financial crisis. While the VIX has declined from its recent peak, it remains elevated by historical standards.
- This uncertainty has impeded the proper functioning of the financial system. Using its emergency powers, the Federal Reserve set up facilities to increase liquidity in several segments of the financial system, including money market mutual funds, the commercial paper market, and the corporate bonds markets, among others. The Fed also resumed buying Treasury securities and agency mortgage-backed securities and reduced the federal funds rate to near zero.
- Equity prices have fallen sharply since the end of February and the market has remained very volatile. Still, the passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act has helped the stock market recoup some of its losses. The \$2 trillion relief package, at roughly 9% of GDP, includes several measures targeted to alleviate the adverse economic impact on households, businesses, and workers. This assistance should provide some support to the economy in the months ahead.” – Sylvain Leduc, Executive Vice President and Director of Research, The Federal Reserve Bank of San Francisco

# U.S. Economic Indicators

## The Federal Reserve Bank of San Francisco

### FedViews

- “Spreads on riskier assets, such as low-grade corporate bonds, have remained high. Substantially higher borrowing costs might pose challenges to highly indebted corporations. Rollover risk is somewhat limited in the near term, as only 2% of speculative-grade corporate bonds are expected to mature during the second quarter. However, corporations currently in need of funding are facing much direr financial conditions.
- The current financial conditions are also extremely challenging for small- and medium-size businesses, particularly since roughly half of them only have enough cash on hand to cover operating expenses for about one month, according to a recent JP Morgan Chase Institute report. Payroll reductions at small and medium-size businesses could have a large impact on the labor market, as these businesses account for 47% of total employment.
- With social distancing measures and shelter-in-place orders, firms have had to rapidly shed workers on an extraordinary scale. Payrolls contracted by roughly 700,000 in March and the unemployment rate rose from 3.5% to 4.4%. However, this captures only part of the worsening of labor market conditions, since the labor market surveys use the middle of the month as a reference point to compile the data. Thus, this snapshot for March occurs before most social distancing measures were widely implemented. Indeed, jobless claims surged to unprecedented levels in the last half of March, with more than 10 million workers filing new claims. Hence, the unemployment rate is likely to rise much more in the following months.
- Consumer confidence also fell in March, as economic activity in several parts of the country stalled and the economic outlook darkened. Consumer confidence is likely to decline further in the months ahead as labor market conditions worsen.” – Sylvain Leduc, Executive Vice President and Director of Research , The Federal Reserve Bank of San Francisco

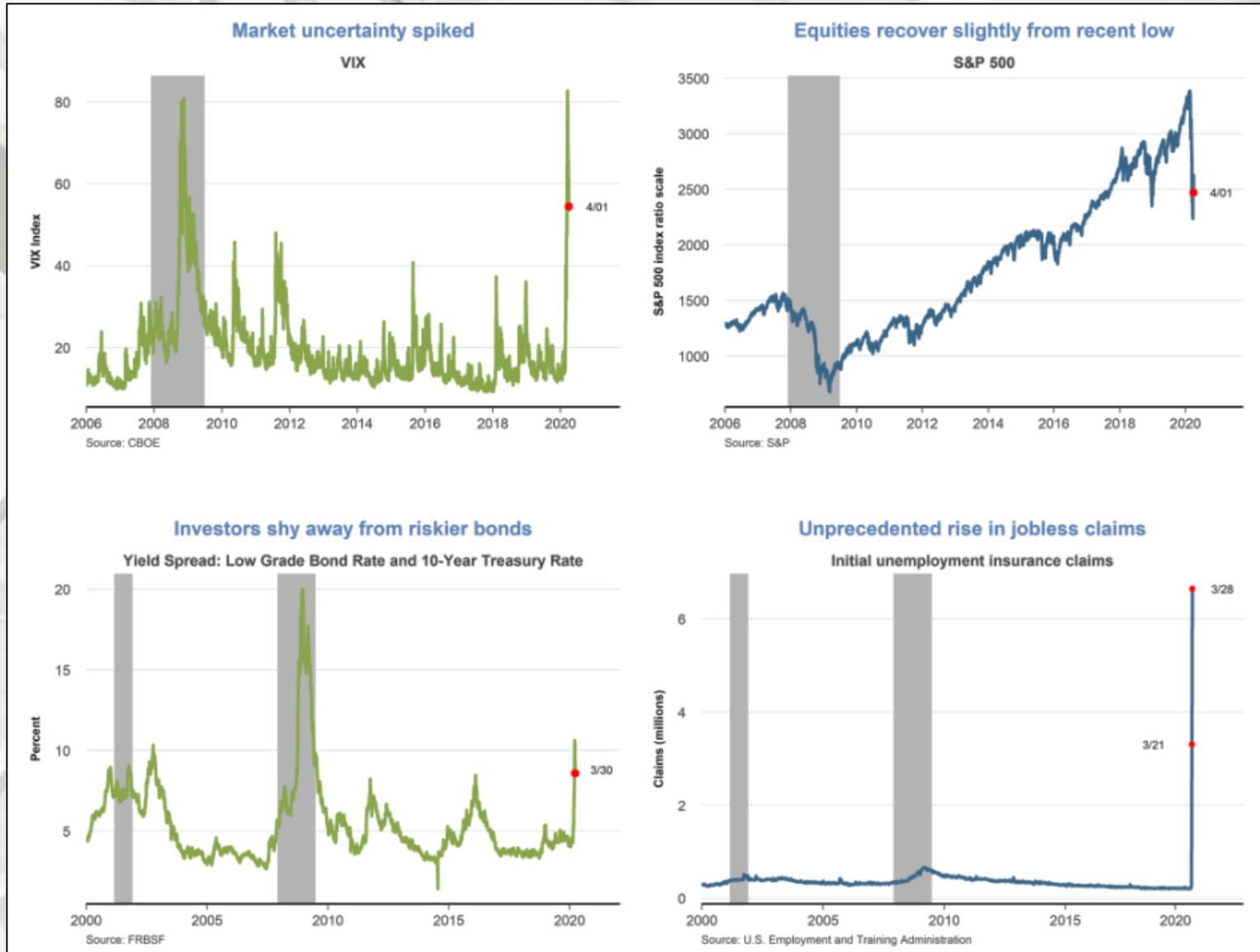
# U.S. Economic Indicators

## The Federal Reserve Bank of San Francisco

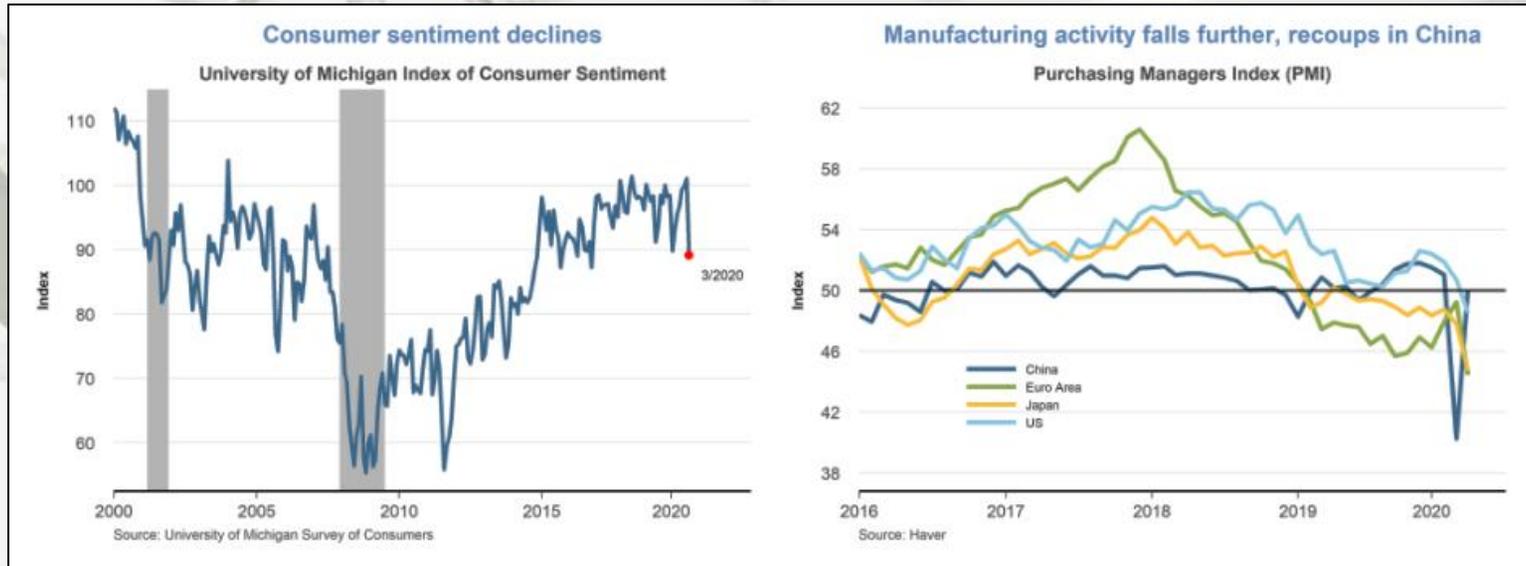
### FedViews

- “The pandemic is also adversely affecting manufacturing activity around the world. While China’s purchasing managers index (PMI) rebounded last month as the country’s social distancing measures were eased, the PMIs in the United States, Japan, and the euro area fell sharply.
- The uncertainty around the evolution of the pandemic heavily clouds the outlook. As a result of the necessary social distancing measures, the contraction in economic activity will be deep in the second quarter, accompanied by a steep rise in unemployment. How the economy evolves thereafter will largely depend on the effectiveness of social distancing measures and whether the virus weakens during the summertime or experiences a second burst in the fall. It will also depend on whether social interactions quickly resume once the virus abates. Given the rareness of similar events for comparison, our understanding of these issues is too imprecise to provide clear guidance about the evolution of the economy later this year and the next.
- In the best scenario, the virus is sufficiently contained by the end of the second quarter that activity can quickly resume in the second half of the year. The strength of the rebound will depend on the effectiveness of monetary policy accommodation and the fiscal relief package in providing sufficient support to households and firms to avoid typical recessionary dynamics.
- However, if the social measures last substantially longer, more firms may go out of business and more workers may remain or become unemployed, reducing aggregate demand further and lengthening the downturn. The rebound in activity would be more muted in this case, as relationships between workers, firms, and banks would need to be reestablished.
- All told, the steep decline in economic activity suggests that inflation is likely to decline this year and remain substantially below target in the near future.” – Sylvain Leduc, Executive Vice President and Director of Research , The Federal Reserve Bank of San Francisco

# U.S. Economic Indicators



# U.S. Economic Indicators



## The Federal Reserve Bank of San Francisco

### FedViews

The views expressed are those of the author, with input from the forecasting staff of the Federal Reserve Bank of San Francisco. They are not intended to represent the views of others within the Bank or within the Federal Reserve System. FedViews appears eight times a year, generally around the middle of the month. Please send editorial comments to [Research Library](#).

# U.S. Economic Indicators: Global

## The Federal Reserve Bank of Dallas

### México's Economy Contracts in 2019; Outlook Worsens

“México’s gross domestic product (GDP) fell 0.5 percent in 2019, the weakest showing since economic output fell 1.8 percent in 2009 following the global financial crisis. Moreover, the GDP growth forecast for 2020, compiled by Banco de México, was revised down from 1.0 percent in January to 0.9 percent in February. More recent private forecasts see Mexico’s economy shrinking by as much as 4.0 percent as concerns intensify over the impact of the coronavirus (COVID-19) on global growth. Other data were mixed. The latest data available show industrial production, exports and employment increased, while retail sales fell.

#### Output Falls as Year Closes

In addition to slowing from the previous year, Mexican GDP contracted an annualized 0.6 percent in the final quarter of 2019 (Chart 1). Output fell 4.6 percent among goods-producing industries (manufacturing, construction, utilities and mining), while it grew 0.8 percent among service-related activities (wholesale and retail trade, transportation and business services). Agricultural output fell 4.4 percent.

#### Gain Momentum Through January

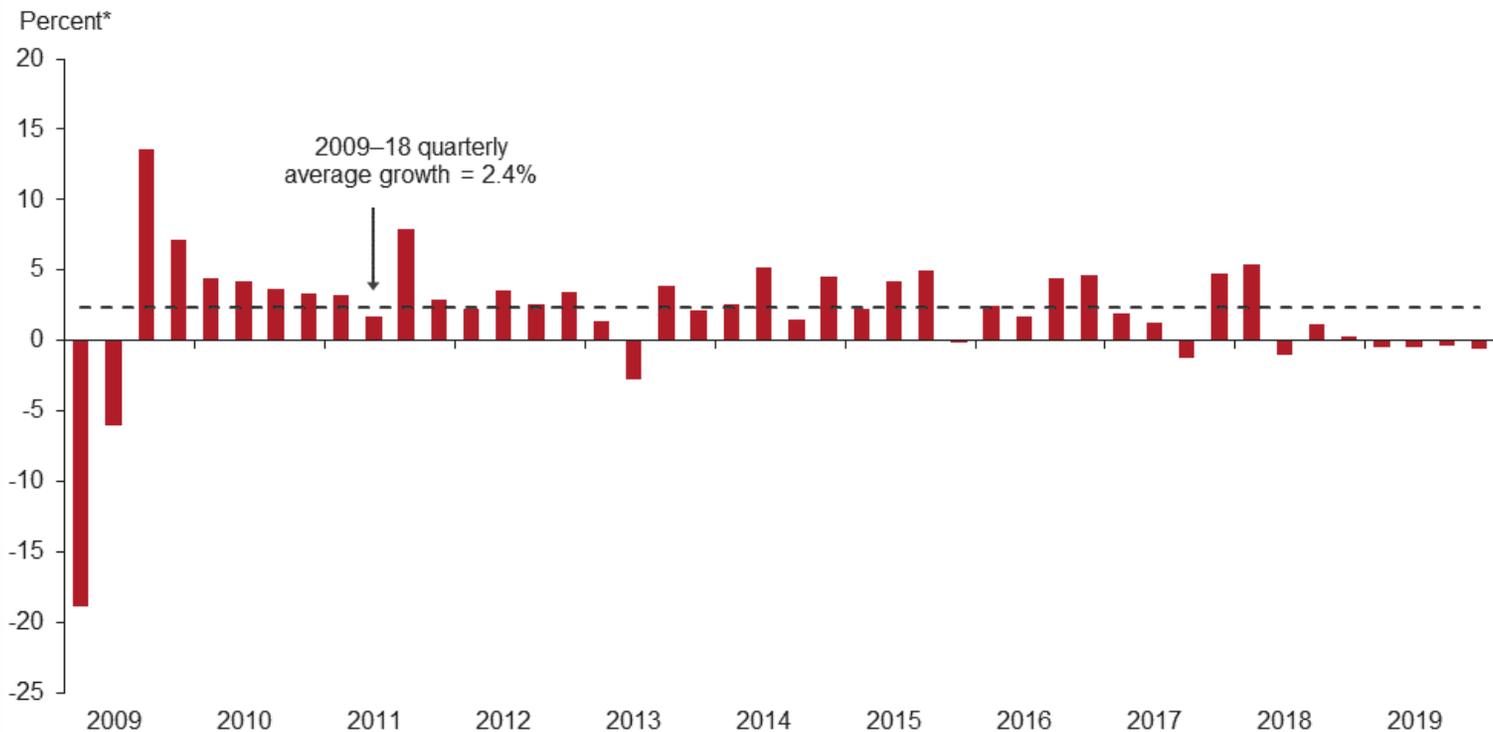
Total exports rose 3.6 percent in January after increasing 1.1 percent in December. Manufacturing exports grew 3.0 percent in January after rising 0.2 percent in December. Three-month moving averages in December and January show strong increases in oil exports after several months of steady declines, and an uptick in manufacturing and total exports (Chart 2). Total exports grew 0.5 percent in 2019 compared with 2018 as manufacturing exports rose 1.5 percent but oil exports fell 16.8 percent. ...” – Jesus Cañas, Senior Business Economist and Chloe Smith, Research Assistant; The Federal Reserve Bank of Dallas

# U.S. Economic Indicators: Global

## The Federal Reserve Bank of Dallas

Chart 1

Gross Domestic Product Contracts in 2019



\*Quarter/quarter, real pesos; seasonally adjusted, annualized rate.

NOTE: Data are through fourth quarter 2019.

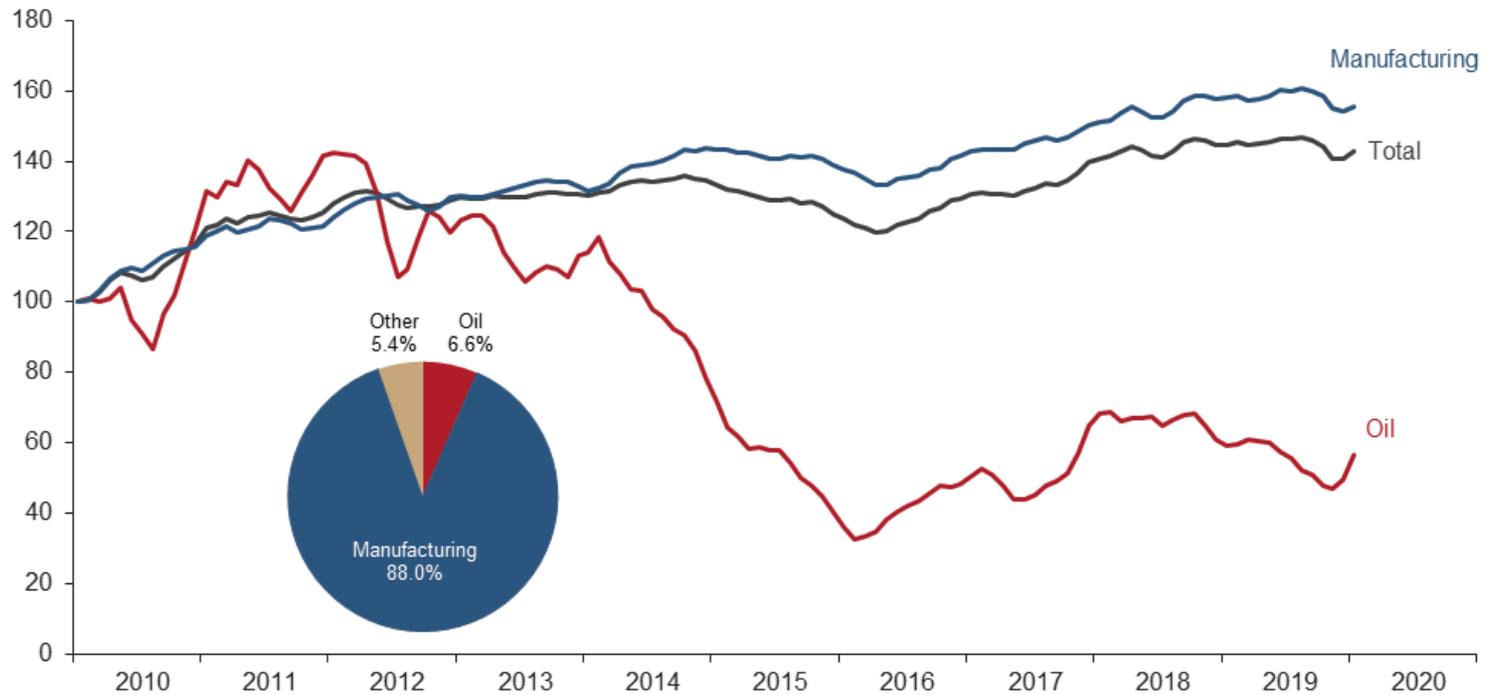
SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

# U.S. Economic Indicators: Global

## The Federal Reserve Bank of Dallas

**Chart 2**  
**Exports Increase in the New Year**

Index, January 2010 = 100\*

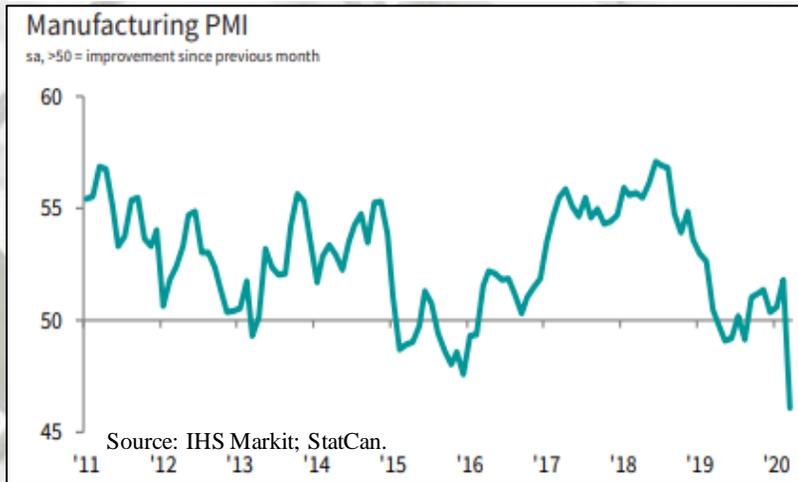


\*Seasonally adjusted, three-month moving average; real dollars.

NOTE: All data are through January 2020. The pie chart reflects the share of total exports year to date in 2020.

SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

# Private Indicators: Global



## Markit Canada Manufacturing PMI™

“The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers’ Index® (PMI®) dropped from 51.8 in February to 46.1 in March, to register below the 50.0 no-change threshold for the first time since August 2019. Moreover, the latest reading signalled the sharpest downturn in overall manufacturing conditions in nine-and-a-half years of data collection.

## Survey-record downturn in Canadian manufacturing output during March

Manufacturing production fell at the fastest pace for at least nine-and-a-half years in March, according to the latest data compiled by IHS Markit. Survey-record declines in output, new orders and employment reflected shrinking customer demand amid the global public health emergency. Measures to halt the spread of coronavirus disease 2019 (COVID-19) also resulted in shortages of manufacturing inputs and the steepest lengthening of suppliers' delivery times since the survey began in October 2010.

Production volumes fell rapidly in March (index at 41.2), which survey respondents overwhelmingly attributed to reduced operating capacity and shrinking demand amid emergency public health measures to slow the spread of COVID-19. Mirroring the trend for output levels, latest data also indicated the fastest reduction in new business volumes since the survey began in October 2010. ...

Canadian manufacturers reported the steepest downturns in production, new orders and employment for at least nine-and-a-half years in March. Shrinking customer demand was almost exclusively attributed to production stoppages at home and abroad amid emergency public health measures to halt the COVID-19 pandemic. Some manufacturing companies cited an additional fall in new business related to a sharp drop in spending by clients in the energy sector. The latest survey also highlighted by far the steepest lengthening of suppliers' delivery times since the survey began in October 2010, with manufacturers most commonly citing shortages of materials and severe supply chain disruptions across Asia and Europe.” – Tim Moore, Economics Associate Director, IHS Markit

# Private Indicators: Global

## Caixin China General Manufacturing PMI™

### Manufacturing sector operating conditions stabilise in March

“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 – rose from a record low of 40.3 in February to 50.1 in March, to signal a broad stabilisation of business conditions. This marked a strong improvement from the previous month when the nation imposed strict measures to stem the spread of COVID-19.

After deteriorating at the quickest pace on record in February, business conditions faced by Chinese manufacturers were broadly stable in March. Production rose slightly as more firms reopened following widespread company shutdowns and travel restrictions in February amid the Coronavirus diseases 2019 (COVID-19) outbreak. However, the pandemic continued to weigh on demand conditions and supply chains, with total new work falling for the second month running and delivery times lengthening sharply. Firms remained upbeat that production would increase over the next year, however, as a number of manufacturers expect demand to recover once the COVID-19 outbreak subsides.

After widespread company closures and travel restrictions led to a record drop in production in February, an easing of some measures led to a tentative rise in output at the end of the first quarter. However, demand conditions remained fragile, as highlighted by a second monthly fall in total new business. A number of panel members mentioned that firms had delayed or cancelled orders due to the ongoing COVID19 pandemic. Furthermore, new export work declined solidly during March as nations around the world grapple with containing the spread of the virus.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

# Private Indicators: Global

“The Caixin China General Manufacturing PMI rebounded to 50.1 in March from a record low the previous month, indicating limited improvement in manufacturing activity after widespread economic stagnation in February. The data in the survey, which was conducted from March 12 to March 23, reflected that manufacturers were still gradually getting back to work. The March expansion in the manufacturing sector returned to a level seen before the coronavirus epidemic.

- 1) Manufacturing output expanded, but orders declined. Since Feb. 21, the epidemic has worsened outside China, with the number of overseas infections amounting to 394,000 as of Wednesday. The U.S., Europe and Iran are among the worst-hit regions. On the contrary, the epidemic has been basically contained in China. The worsening situation overseas is another blow to manufacturing demand. The subindex for total new orders stayed in contractionary territory for the second straight month in March, while the gauge for new export orders was still way below levels seen before the epidemic.
- 2) Stocks of purchased items shrank in March, inventories of finished goods expanded, and backlogs of work continued to grow, reflecting insufficient business resumption. Constrained by the downturn in new orders and restrictions on logistics and the movement of people, manufacturers did not increase raw material inventories. The subindex for stocks of purchased items rebounded slightly from the previous month’s record low, remaining in negative territory and at a relatively low level in recent years. The measure for stocks of finished goods returned to positive territory due chiefly to disrupted transportation. The gauge for backlogs of work was still at a relatively high level despite dropping slightly.
- 3) Prices of industrial products continued to fall. The gauge for input costs was still higher than that for output prices, although both were in contractionary territory. As consumption and other types of demand did not fully recover, downstream manufacturers were under greater pressure than their upstream counterparts to cut prices. Declines in raw material prices were largely transmitted to the prices of finished goods.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group.

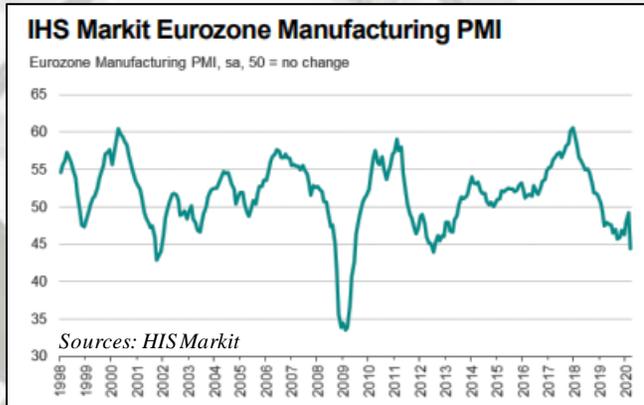
# Private Indicators: Global



4. “Manufacturers were still quite confident about the next 12 months, although the gauge for future output expectations fell slightly from the previous month. Employment was also relatively stable. The employment subindex returned to the normal level before the epidemic outbreak, despite staying in negative territory. The good news was that fundamental economic factors, such as business confidence and resident income, did not deteriorate substantially.

To sum up, the manufacturing sector was under double pressure in March: business resumption was insufficient; and worsening external demand and soft domestic consumer demand restricted production from expanding further. Whereas, business confidence was still high and the job market basically returned to the pre-epidemic level, laying a positive foundation for the economy’s rapid recovery after the epidemic.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group.

# Private Indicators: Global



## Markit Eurozone Manufacturing PMI®

“After accounting for seasonal factors, the IHS Markit Eurozone Manufacturing PMI® registered below the 50.0 no-change mark for a fourteenth successive month and fell considerably from February’s one-year high of 49.2 to 44.5 in March. That was below the earlier flash reading and the lowest reading for 92 months. Latest data indicated that all market groups registered a deterioration in operating conditions compared to the previous month, led by the investment goods category.

### Eurozone manufacturing economy contracts sharply in March

The global coronavirus disease (COVID-19) led to a notable deterioration in euro area manufacturing sector operating conditions during March. Output, new orders and purchasing all fell sharply, whilst jobs were cut markedly, and supply-side constraints intensified at a record pace. Confidence about the future sank to a historical low. All country level PMIs were lower compared to the previous month. Italy saw the sharpest deterioration in operating conditions, with the respective PMI the lowest in nearly 11 years. ...

Even the slide in the PMI to a seven-and-a-half-year low masks the severity of the slump in manufacturing as it includes a measure of supply chain delays, which boosted the index. Supply delays are normally seen as a sign of rising demand, but at the moment near-record delays are an indication of global supply chains being decimated by factory closures around the world. We need to look at the survey’s output and new orders gauges to get a better understanding of the scale of the likely hit to the economy that will come from the manufacturing sector’s collapse, and these indices hint at production falling at the sharpest rate since 2009, dropping an annualised rate approaching double digits.

The concern is that we are still some way off peak decline for manufacturing. Besides the hit to output from many factories simply closing their doors, the coming weeks will likely see both business and consumer spending on goods decline markedly as measures to contain the coronavirus result in dramatically reduced orders at those factories still operating. Company closures, lockdowns and rising unemployment are likely to have an unprecedented impact on expenditure around the world, crushing demand for a wide array of products. Exceptions will be food manufacturing and pharmaceuticals, but elsewhere large swathes of manufacturing could see downturns of the likes not seen before”” – Chris Williamson, Chief Business Economist, Markit®

# Private Indicators: Global

## IHS Markit Eurozone Composite PMI



## Markit Eurozone Composite PMI®

“The IHS Markit Eurozone PMI® Composite Output Index recorded its biggest ever single monthly fall in March to hit a survey record low of 29.7. Not only was the index down from February’s 51.6, it was also notably weaker than the earlier flash estimate of 31.4 as the coronavirus disease 2019 (COVID-19) pandemic impacted heavily on the euro area’s private sector economy.

## Eurozone economy suffers record fall in activity during March

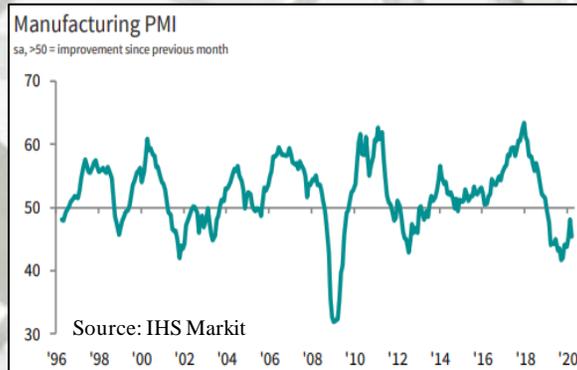
Both sectors covered by the survey recorded notable falls in output during March, with the greater decline seen in services where a series record fall in activity was registered. Goods producers saw production decline for a fourteenth successive month, and at the sharpest rate since April 2009. Country level data indicated that falls in activity were considerable and wide-reaching across the eurozone during March. The four largest nations covered by the survey all registered record declines in activity, with Italy and Spain experiencing the sharpest reductions. ...

With various countries stepping up their measures to contain the spread of the coronavirus, it’s no surprise to see the final PMI for March indicated an even steeper deterioration of business activity than the prior record decline signalled by the provisional ‘flash’ estimate. The data indicate that the eurozone economy is already contracting at an annualised rate approaching 10%, with worse inevitably to come in the near future. The service sector is currently seeing an especially severe impact from the COVID-19 outbreak, with travel, tourism, restaurants and other leisure activities all hit hard by virus containment measures.

No countries are escaping the severe downturn in business activity, but the especially steep decline in of Italy’s service sector PMI to just 17.4 likely gives a taste of things to come for other countries as closures and lockdowns become more prevalent and more strictly enforced in coming months. While employment is not yet falling as fast as seen during the financial crisis, the coming months will no doubt see jobless numbers rise sharply, even as governments across the eurozone seek to limit these. However, the ultimate economic cost of the COVID-19 outbreak cannot be accurately estimated until we get more clarity on the duration and scale of the pandemic.” – Chris Williamson, Chief Business Economist, Markit®

# Private Indicators: Global

## IHS Markit/BME Germany Manufacturing PMI®



“March saw the headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of the performance of the manufacturing economy – fall from February's 13-month high of 48.0 to 45.4. The decline in the headline index was softened by a marked increase in input lead times. While usually a sign of demand pressures, the lengthening of delivery times in March was instead a result of the severe supply-side disruption caused by COVID-19. At the same time, a slower fall in stocks of purchases also helped support the headline index, as some firms embarked on precautionary inventory building due to fears over the future availability of inputs.

## Output falls at fastest rate for nearly 11 years amid escalation of COVID-19 crisis

The progression of the coronavirus disease 2019 (COVID-19) outbreak into a pandemic saw the downturn in Germany's manufacturing sector deepen in March. Latest PMI® data from IHS Markit and BME showed steep and accelerated falls in both output and new orders, driven by growing weakness in international demand and increased supply-chain disruption. Employment capacity was meanwhile scaled back as business confidence posted a record fall, slumping to its lowest for at least eight years.

The decrease in production in March was the steepest since April 2009 and led by a sharp drop in output across the investment goods category – which includes automotives and machinery equipment. This sector was the worst performing during the month, amid reports of plant closures and heightened uncertainty hitting demand for capital goods.

Manufacturing production in Germany took a considerable hit in March, falling to the greatest extent for nearly 11 years. Furthermore, there's scope for the numbers to get even worse before they get better, as most containment measures and factory shutdowns happened either during or after the survey data were collected [12-24 March]. Investment goods producers were the biggest losers in terms of both output and new orders. While there can be no winners from the current situation, the data did show a relatively resilient performance across the consumer goods segment, where the survey found an increase in employment. ...” – Phil Smith, Principal Economist, IHSMarkit®

# 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 – rose slightly to 47.6 in March, up from 47.1 in February. This was almost entirely due to a stabilisation of the China PMI (50.1, from 40.3 in February). The Global Excluding Mainland China PMI reading was 46.6 in March, its lowest level since May 2009.

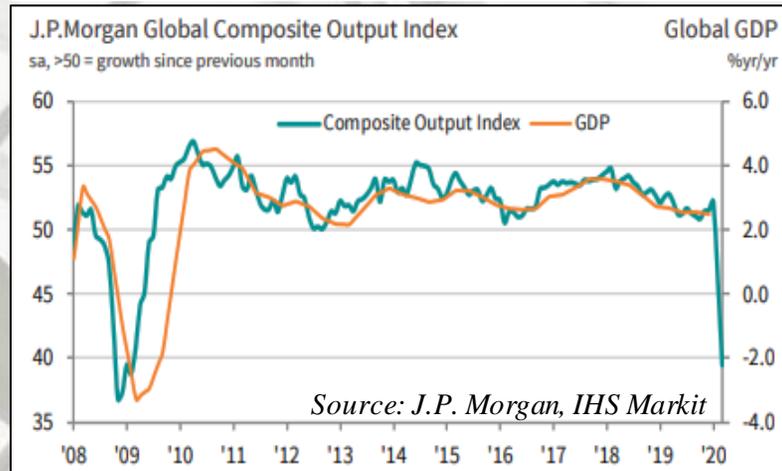
## Global Manufacturing downturn continues in March

The outbreak of coronavirus disease 2019 (COVID19) continued to cause disruption across the global manufacturing sector in March. Output fell sharply as intakes of new business contracted at the fastest pace since March 2009. The impact also reverberated through supply chains, with vendor lead times lengthening to a near-record extent, and in labour markets as companies cut staff headcounts. Business confidence slumped to a series-record low.

The downturn was widespread by sub-sector in March. Output, new orders and new export orders all contracted across the consumer, intermediate and investment goods industries. The steepest reductions in both production and new business intakes were registered at investment goods producers. The downturn at global manufacturers led to further job losses. Employment fell for the fourth successive month, with the rate of decline staying close to February’s ten-and-a-half year record. Among the nations covered by the survey, only Taiwan, Turkey, Malaysia and Colombia reported increases in employment. Staffing levels were lowered across the consumer, intermediate and investment goods sectors.

Manufacturing production continued to fall at a substantial pace in March. Only China among the nations covered by the survey reported an increase in output, and even here this only represented a stabilization from a severe downturn in February. New order intakes contracted at the steepest pace since early-2009, with none of the nations covered seeing an increase. The trend in international trade flows was also substantially impaired, with new export business falling at the quickest pace in almost 11 years.” – Olya Borichevska, Global Economist, J.P. Morgan

# Private Indicators: Global



## J.P. Morgan Global Composite PMI™

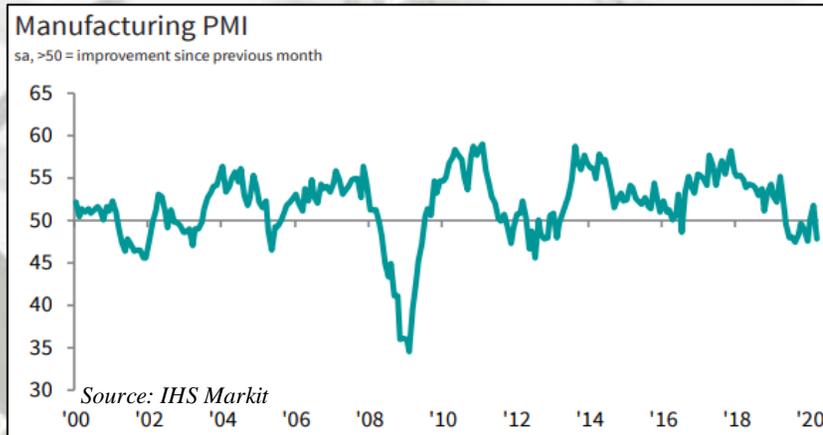
“The J.P. Morgan Global Manufacturing PMI – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – fell to a 133-month low of 39.4 in March. Furthermore, the month-on-month drop in the index level (6.7 points) was the second-steepest in the series history. The current record was set in October 2001.

### Global output contracts at fastest pace since '09 amid COVID-19 spread

The global outbreak of the coronavirus disease 2019 (COVID19) caused substantial disruption across the global economy during March. Output contracted at the sharpest rate in over 11 years, as the manufacturing downturn continued and services activity fell to the greatest extent in the survey history. The global service sector saw business activity, new business and new export business all contract at the steepest rates in the survey history. All the services PMI surveys signaled declines in output. The downturn in services was also much sharper than that signaled for manufacturing production. Only China recorded an increase in manufacturing output, although this merely represented a stabilization from a severe downturn in February. New manufacturing order intakes contracted at the steepest pace since early-2009, with new export orders falling at the quickest pace in almost 11 years. ...

Business activity, new orders and new export orders in the global services economy all contracted at survey-record rates in March. The J.P. Morgan Global Services Business Activity Index fell to 37.0, down from 47.1 in February, to stay below the neutral 50.0 mark for the second successive month. Employment fell at the fastest pace in over a decade. The substantial downturn was mainly due to disruption caused by the global COVID-19 outbreak. The severity of the impact was emphasized by series-record month-on-month declines in the levels of indices tracking output (down 10.1 points), new orders (down 9.4), outstanding business (7.3 lower), new export orders (down 10.4) and future activity (13.1 lower). Confidence regarding future output also dropped to a record low in March. Companies signalled that they expect output to contract (on average) over the coming year for the first time since future output data were first collected in October 2009.” – Olya Borichevska, Global Economic Research, J.P. Morgan

# Private Indicators: Global



## IHS Markit/CIPS UK Manufacturing PMI®

“The seasonally adjusted IHS Markit/CIPS Purchasing Managers’ Index® (PMI®) fell to a three-month low of 47.8 in March, down from 51.7 in February and the flash estimate of 48.0.

### UK manufacturing output and new orders fall at quickest rates since mid-2012

The outbreak of coronavirus disease 2019 (COVID-19) and subsequent mitigation efforts across the world led to a substantial contraction of UK manufacturing production during March. Output fell to the greatest extent since July 2012 following a similarly severe reduction in intakes of new business. The impact was also felt in the labour market and through supply chains. Transport delays and shortages of raw materials led to the steepest increase in vendor lead times in the 28-year survey history, further disrupting production. The downturns in output and new orders were widespread, with contractions seen across the consumer, intermediate and investment goods sub-industries. Manufacturers reported that disruption resulting from the COVID-19 outbreak, lower market confidence and company shutdowns had all contributed to the drops in production and new business. Business sentiment was also affected, falling to a series-record low.

The latest decrease in total new order intakes reflected reduced demand from both domestic and overseas markets. New export business declined to the greatest extent since July 2012, as the outbreak of COVID-19 led to lower demand from across the global economy. There were also reports of project delays, cancellations and transportation issues.

The latest survey numbers underscore how the global outbreak of COVID-19 is causing huge disruptions to production, demand and supply chains at UK manufacturers. Output and new orders fell at the fastest rates since mid-2012, while supplier delivery times lengthened to the greatest extent in the 28-year survey history as shortages grew more widespread. The resulting job losses took the rate of decline in employment to its highest since July 2009. The effects were felt across most of manufacturing, with output falling sharply in all major sectors except food production and pharmaceuticals. The transport sector, which includes already-beleaguered car-makers, suffered the steepest downturn. ...” – Rob Dobson, Director, IHS Markit

# **Private Indicators Associated Builders and Contractors**

## **ABC's Construction Backlog Indicator Rebounds in January**

“Associated Builders and Contractors reported that its Construction Backlog rose to 8.9 months in January 2020, a 5.9% increase from December’s reading. Backlog for firms with less than \$30 million in revenues expanded by nearly 20% after declining sharply in December.

“This represents yet another reminder that nonresidential construction and the broader economy entered 2020 with plentiful momentum,” said ABC Chief Economist Anirban Basu. “Given the current state of financial markets and the possibility that the broader economy is already in recession due to COVID-19, elevated backlog is especially important since it indicates that contractors will remain busy for months to come. For the time being, nonresidential construction will emerge as one of the broader economy’s bulwarks of stability.

“Backlog is especially elevated in the South and the West, which is also where job growth has increased the fastest,” said Basu. “From an industrial perspective, backlog has slumped in the heavy industrial category, and given the impact of the novel coronavirus on the global supply chain, it is likely that contractors operating in the heavy industrial segment will be among the most vulnerable to near-term reductions in their level of activity.

“Generally, nonresidential construction activity lags the broader economy by about 12-18 months, so there will come a time when backlog and construction spending will manifest signs of stress,” said Basu. “That said, average backlog currently stands at roughly nine months, implying that many contractors need to prepare for a significantly challenging 2021.”” – Rachel O’Grady, Media Relations Director, ABC

# Private Indicators

## Associated Builders and Contractors

Construction Backlog Indicator				
	January 2020	December 2019	Net Change	% Change
<b>Total</b>	<b>8.9</b>	<b>8.4</b>	<b>0.5</b>	<b>5.9%</b>
<b><i>Industry</i></b>				
Commercial & Institutional	9.2	8.5	0.7	8.3%
Heavy Industrial	5.9	6.9	-1.0	-14.8%
Infrastructure	7.6	8.4	-0.8	-9.4%
<b><i>Region</i></b>				
Middle States	7.1	7.0	0.1	1.1%
Northeast	8.4	7.0	1.4	19.8%
South	10.9	11.4	-1.3	-4.9%
West	9.6	7.3	3.8	31.4%
<b><i>Company Size</i></b>				
<\$30 Million	8.5	7.1	1.4	19.8%
\$30-\$50 Million	7.9	9.2	-1.3	-14.8%
\$50-\$100 Million	9.9	12.1	-2.2	-18.1%
>\$100 Million	12.1	14.3	-2.2	-15.4%
©Associated Builders and Contractors, Construction Backlog Indicator				

# Private Indicators Associated Builders and Contractors



# Private Indicators

## Associated Builders and Contractors

### ABC's Construction Confidence Index

#### Construction Contractor Confidence Robust to Start 2020

“Confidence among U.S. construction industry leaders generally improved in January, consistent with the burgeoning momentum of the U.S. economy during the early weeks of 2020, according to the Associated Builders and Contractors Construction Confidence Index released today. While the reading for sales expectations edged lower for the month, confidence pertaining to sales, profit margins and staffing levels remain well above the threshold of 50, signaling expected growth in those three metrics.

As of January 2020, nearly 72% of contractors expected to expand their staffing levels over the next six months, while more than 68% expect their sales levels to increase.

Approximately 51% expect their profit margins to increase, a reflection of skills shortages that have driven costs higher and stunted profit margin growth among many contractors. That said, fewer than 10% of contractors expected profit margin declines over the next two quarters.

- The CCI for sales expectations decreased from 68.8 to 68.3 in January.
- The CCI for profit margin expectations increased from 60 to 61.9.
- The CCI for staffing levels increased from 67.2 to 69.” – Rachel O’Grady, Media Relations Director, ABC

# Private Indicators

## Associated Builders and Contractors

### ABC's Construction Backlog Indicator

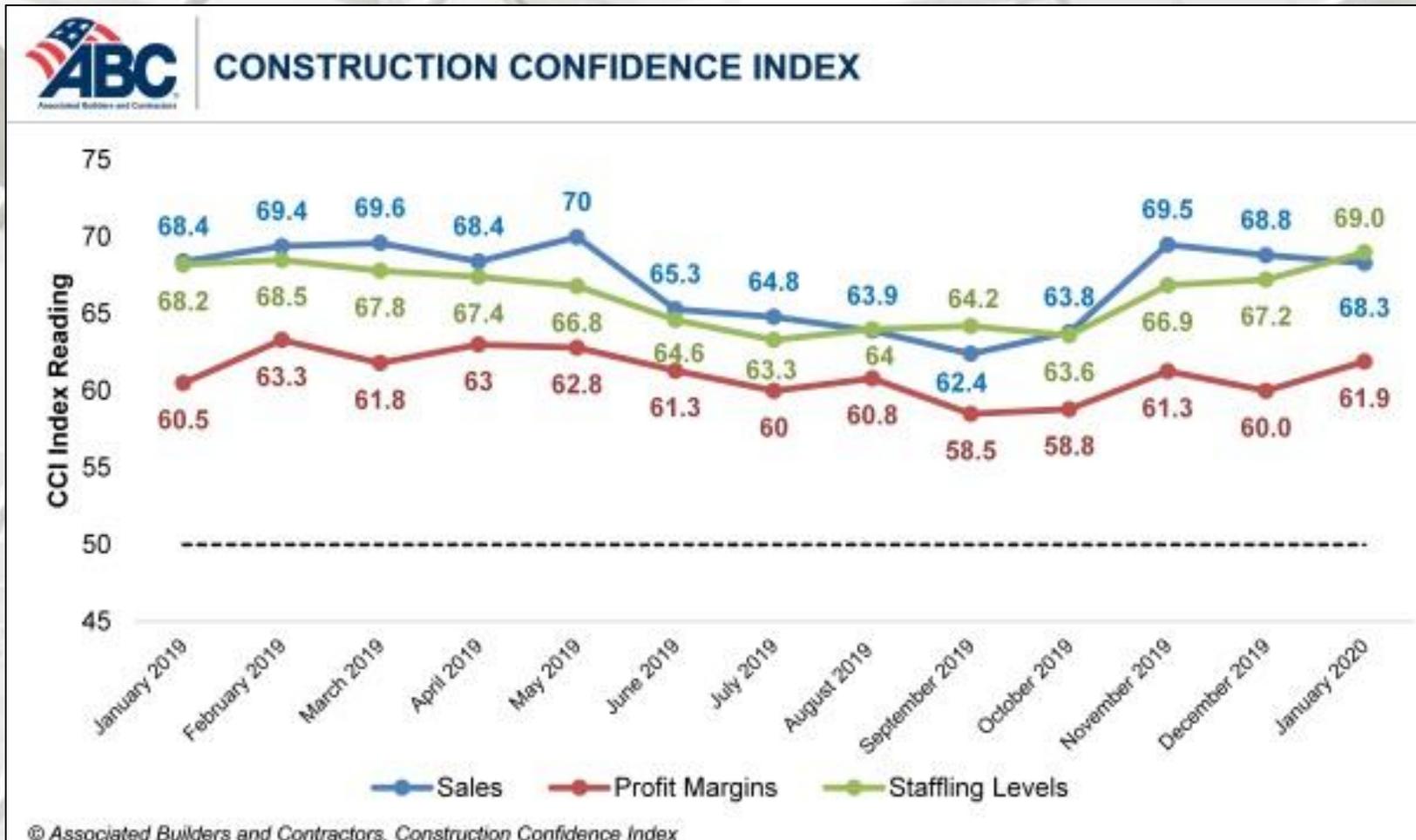
“It’s no secret that much has transpired since January,” said ABC Chief Economist Anirban Basu. “At this moment, business confidence in America is ratcheting lower as travel, hospitality, entertainment and other segments of the economy are rocked by COVID-19. Interruptions to the global supply chain, a crash in oil prices and other phenomena are also putting more pressure on significant parts of the economy, which is likely already in recession.

“The good news is that preexisting backlog, as indicated by ABC’s Construction Backlog Indicator, insulates many contractors from near-term dislocations,” said Basu. “Work on existing projects is ongoing, and that will help support many contractors in terms of keeping staff in place and generating cashflow. However, when Boston halted construction on major projects this week, that created a new dynamic — one in which backlog is no longer a source of protection during the early stages of a downturn for impacted construction firms.

“Beyond that, the weakness pervading the broader economy will aggressively seep into nonresidential construction, translating into fewer construction starts, particularly in private construction segments,” said Basu. “Public construction volume is also vulnerable since state and local government finances are already deteriorating due to a dearth of retail sales, hotel and other tax collections. But a federal stimulus package is in the works, and the hope is that this will generate a new set of opportunities for U.S. nonresidential construction firms.”

CCI is a diffusion index. Readings above 50 indicate growth, while readings below 50 are unfavorable.” – Rachel O’Grady, Media Relations Director, ABC

# Private Indicators Associated Builders and Contractors



# **Private Indicators American Institute of Architects (AIA)**

## **Architecture Billings Index February 2020**

### **A solid business performance heading into a period of economic upheaval**

“February marked the sixth straight of month of revenue growth for architecture firms. The Architecture Billings Index (ABI) score of 53.4 for the month reflected the strongest growth in billings at firms over this six-month period, demonstrating a healthy start to the year through the first two months. Project inquiries and new design contracts also showed healthy gains, although both grew at a slower pace than in January. The score for project inquiries was 56.5, somewhat below the average of recent months. The new design contracts score was 52.0, again a solid figure, but suggesting slower growth in new project work coming into architecture firms as compared to recent months.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“Like most other businesses, U.S. architecture firms are heading into uncharted waters regarding what the economy holds in store for them as the COVID-19 pandemic plays out globally. Different businesses are feeling the impact of the slowdown differently.” – Kermit Baker, Chief Economist, The American Institute of Architects

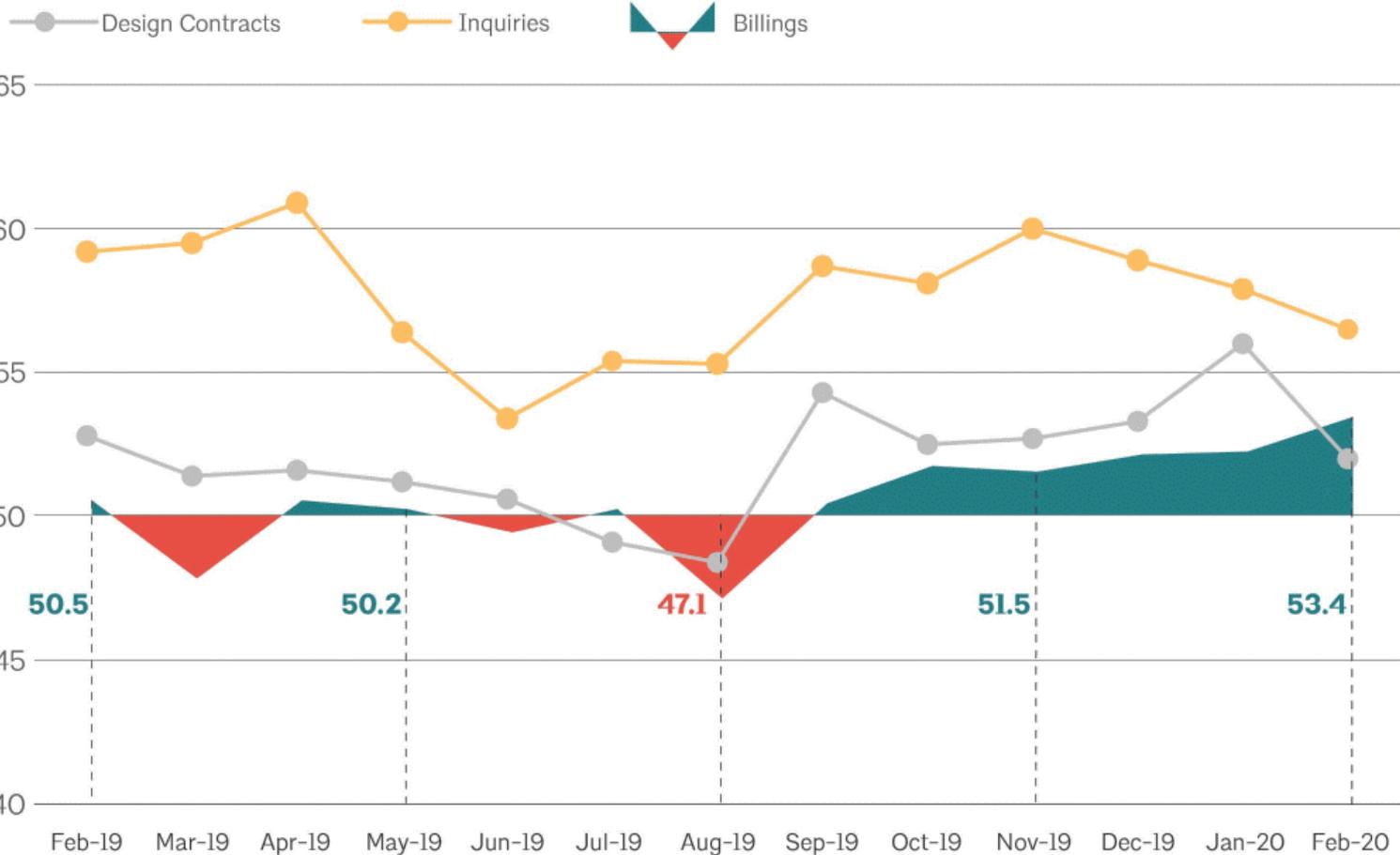
# Private Indicators

## American Institute of Architects (AIA)

### National

Early 2020 strength in billings continues at architecture firms

Graphs represent data from February 2019–February 2020.

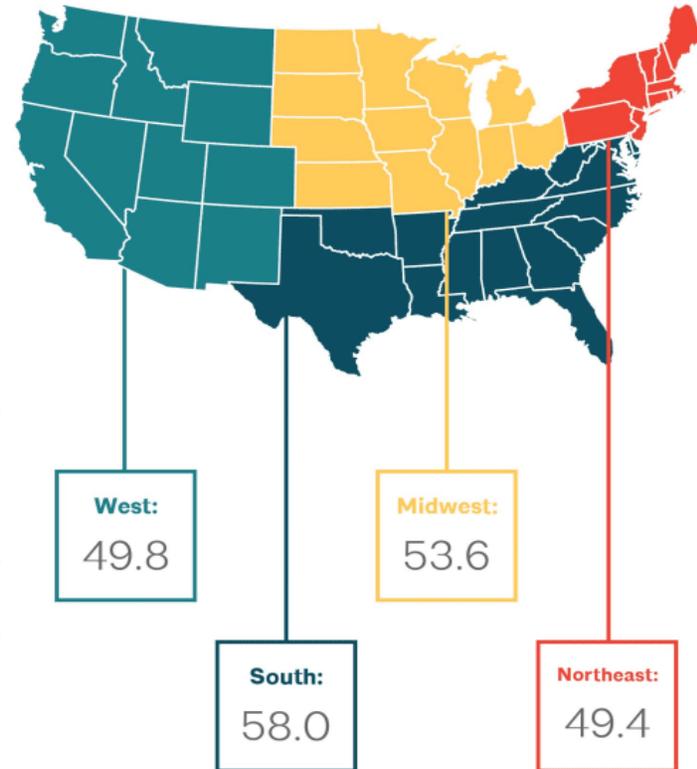
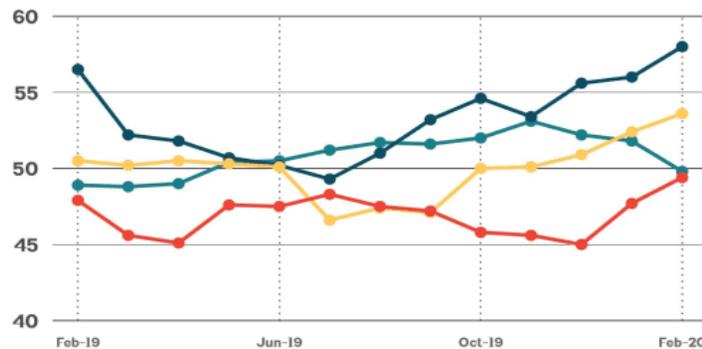


# Private Indicators: AIA

## Regional

Billings downturn at firms in Northeast moderates, continues to surge in the South

Graphs represent data from February 2019–February 2020 across the four regions. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



## Region

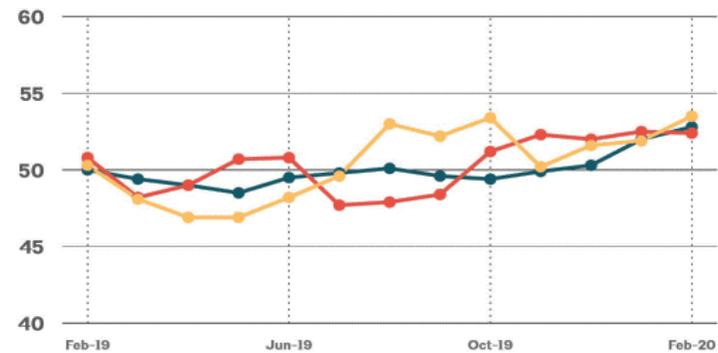
“Regionally, billings scores at firms in the Northeast and West were essentially flat from their January readings. Even though firms in the Northeast recorded a very modest decline for the month, it was the strongest reading in over a year. Conversely, firms in the West also saw a very modest drop in billings, but this was the first hint of softness in this region in nine months. Firms in the Midwest and South were seeing uniformly healthy business conditions in February. Growth in billings at Midwestern firms was at its strongest level in over a year, while Southern firms reported their highest reading in several years.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

# Private Indicators: AIA

## Sector

Billings growth unusually balanced across construction sectors

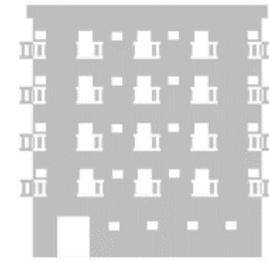
Graphs represent data from February 2019–February 2020 across the three sectors. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



**Commercial/Industrial: 52.4**



**Institutional: 52.8**



**Residential: 53.5**

## Sector

“By sector, firms of all specializations were seeing healthy conditions in February. Multifamily residential firms extended their string of growth to seven straight months with a billings score of 53.5. Institutional firms and commercial/industrial firms were doing almost as well, with billings scores for the month of 52.8 and 52.4 respectively. February was the third straight monthly gain for institutional firms, and the fifth straight month for those specializing in the commercial / industrial sector.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

# Private Indicators

## Dodge Data & Analytics

### **Construction Starts Dip Slightly in February Pullback in residential and nonbuilding starts offset by gain for nonresidential buildings**

“Total construction starts lost 1% from January to February dropping to a seasonally adjusted annual rate of \$767.5 billion. Large projects in the office and healthcare sectors provided a boost for overall nonresidential building, while residential and nonbuilding construction starts moved lower.

With only two months of data available for 2020, it is difficult to ascribe a 2020 trend. However, some perspective can be gleaned by examining a 12-month moving total. For the twelve months ending February 2020 total construction starts were 3% higher than the previous twelve-month period. By major category, nonresidential building starts were 3% higher, while residential starts were up 1%, with nonbuilding starts increasing 7%. In February, the Dodge Index moved lower to 162 (2000=100) compared to the 165 posted in January.” – Nicole Sullivan, Public Relations & Social Media, AFFECT

“The good news is that heading into the coronavirus pandemic, construction starts were stable. The economy was healthy fueled by continued steady job growth. Of course, the pandemic’s effect on future starts is as yet unknown. Construction firms will need to deal with multiple issues including supply chain disruptions, workforce constrictions due to the outbreak, and an economy that has moved from a pace near its long-term potential to a virtual stall within the space of a week. Over the next few months, many construction projects could see delays in start or longer times to completion based on shortages of supplies from China or a reduction in available labor due to spread of the virus. Still others may begin to see projects cancelled outright due to a sudden circumstantial change in demand. Planning data as reported to Dodge Data & Analytics will be watched closely to see if fissures are developing in the construction sector.” – Richard Branch, Chief Economist, Dodge Data & Analytics

# Private Indicators

## Dodge Data & Analytics

**Residential building** starts moved 4% lower in February to a seasonally adjusted annual rate of \$332.8 billion. During the month, single family starts dropped 7%, while multifamily starts increased 3%.

The largest multifamily structures to break ground during in February were the \$150 million Cambridge Crossing in Cambridge MA and the \$150 million 44 East Condo Tower in Austin TX. The \$140 million Armature Works mixed-use project in Washington DC was also one of the largest residential projects to break ground during the month.

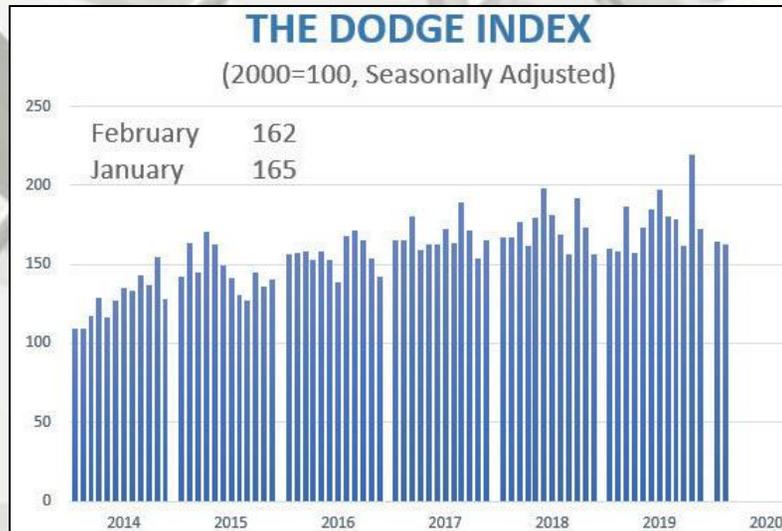
For the twelve months ending in February, total residential starts were 1% higher than in the twelve months ending in February 2019. Single family starts were up 3%, while multifamily building starts were 2% lower.

**Nonresidential building** gained 7% in the month of February to \$285.9 billion on the back of several large projects getting underway in the office and healthcare sectors. February's commercial construction starts rose 7%, while institutional starts moved 13% higher. Manufacturing starts by contrast fell 27% in response to several large projects that broke ground in January.

The largest nonresidential building project to break ground in February was the \$1.3 billion Two Manhattan West Office Building in New York NY. Also breaking ground during the month was the \$800 million New Valley Hospital in Paramus NJ and the \$760 million Disney/ABC Headquarters complex in New York NY.

On a twelve-month basis, nonresidential building starts were 3% higher in the most recent twelve months than during the twelve months ending in February 2019. Commercial starts were up 7% in the past twelve months, while institutional starts were less than one percent lower. Manufacturing starts were down 2%.” – Richard Branch, Chief Economist, Dodge Data & Analytics

# Private Indicators



## MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

	February 2020	January 2020	% Change
Nonresidential Building	\$285,912	\$266,328	7
Residential Building	332,785	348,224	-4
Nonbuilding Construction	148,834	163,693	-9
<b>Total Construction</b>	<b>\$767,531</b>	<b>\$778,245</b>	<b>-1</b>

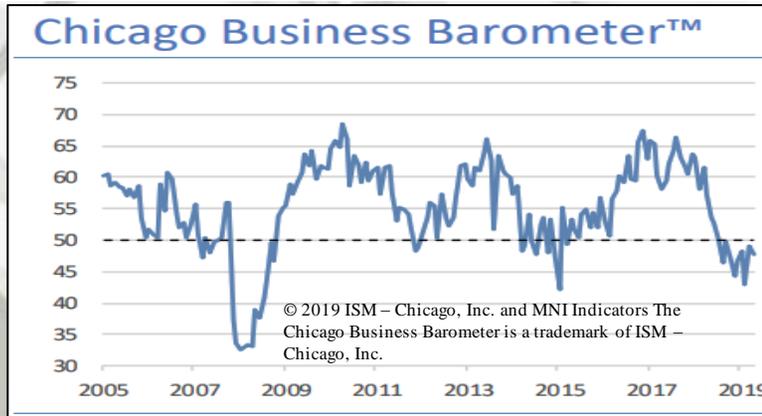
## YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	2 Mos. 2020	2 Mos. 2019	% Change
Nonresidential Building	\$40,170	\$37,806	6
Residential Building	50,477	46,600	8
Nonbuilding Construction	22,874	24,592	-7
<b>Total Construction</b>	<b>\$113,522</b>	<b>\$108,997</b>	<b>4</b>

Source: Dodge Data & Analytics

# Private Indicators



## MNI Chicago

“The Chicago Business Barometer™, produced with MNI, declined by 1.1 points in March, marking a ninth consecutive sub-50 reading. However, business sentiment rose marginally by 0.2 points to 46.6 in Q1.

## Chicago Business Barometer™ – Drops to 47.8 in March

Among the main five indicators, Production and New Orders saw the only monthly declines, while Supplier Deliveries recorded the largest gain. Production shifted back into contraction in March after February’s rise above the 50-mark and demand for New Orders dropped by 7.9%. While some firms reported a rise in orders due to stockpiling by US customers, others noted a fall in new business COVID-19. Order Backlogs increased further in March, rising its highest level since December 2019. However, the index dropped to the lowest quarterly level since Q3 2009, down by 9.9% compared to the previous month. Inventories shifted deeper into contraction, slipping to the lowest level since October 2009. The index showed the largest monthly as well as quarterly decline, recording the lowest quarterly reading since Q4 2009.

Employment ticked up only marginally by 0.3 points in March, after February’s drop. Supplier Delivers surged up to the highest level since November 2018. Firms continued to mention delivery delays from China and other countries. Prices at the factory gate hit their highest level since December 2019, rising by 7.2%.

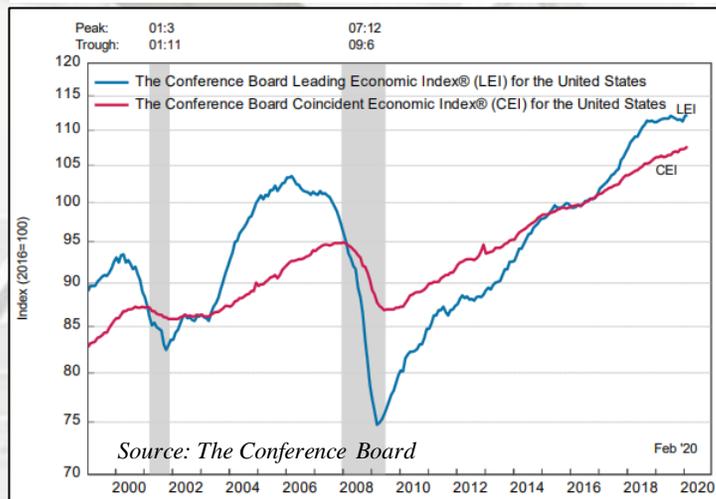
March’s special question asked “Compared with the first quarter, how do you think your level of New Orders in three months’ time (Q2) will be?” The majority, at 40.5%, stated that the level of New Orders will be the same in three months’ time, while 31% said it will be lower. Meanwhile, 28.6% of firms expect a higher level of New Orders in Q2. When the same question was asked a year earlier, the majority (46.8%) projected a higher level of New Orders in Q2 compared to Q1.” – Les Commons, Senior Economist and Irene Prihoda, Economist, MNI Indicators

# Private Indicators

## ***The Conference Board Leading Economic Index® (LEI) for the U.S. Increased Slightly in February***

**The Conference Board Leading Economic Index® (LEI) for the U.S. edged up 0.1 percent in February to 112.1 (2016 = 100), following a 0.7 percent increase in January, and a 0.3 percent decline in December.**

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



### **Improvement in Index Will Not Continue into March**

“The U.S. LEI rose slightly in February, but it doesn’t reflect the impact of the COVID-19 pandemic which began to hit the U.S. economy in full by early March. The slight gain in February came only from half of the LEI components. In particular, the recovery in manufacturing, which looked promising until February, will now be short-lived because of the disruption in global supply chains and falling demand. Declines in stock prices, consumers’ outlook on economic conditions, manufacturing new orders, average workweek in manufacturing, and rising unemployment claims will begin to negatively impact the economy. As a result, the economy may already be entering into a period of contraction.” – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

**The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.3 percent in February to 107.6 (2016 = 100), following a 0.1 percent increase in January, and no change in December.**

**The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.4 percent in February to 109.1 (2016 = 100), following no change in January, and a 0.1 percent decline in December.**

## **Equipment Leasing and Finance Association:**

### **Equipment Leasing and Finance Industry Confidence Dips in March Amid Uncertainty Around Coronavirus**

“The [Equipment Leasing & Finance Foundation](#) (the Foundation) releases the March 2020 [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 \$900 billion equipment finance sector. Overall, confidence in the equipment finance market in March is 46.0, a decrease from the February index of 58.7.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

When asked about the outlook for the future. . . :

“The fundamentals of our economy continue to be strong. The current events in the worldwide markets and the impact of COVID-19 are impacting the very near term. Business demand for equipment finance is always based on the long-term perspectives of the commercial sectors, and I do not believe that pessimism is the predominant emotion in our customer base. 2019 was a strong year and I have no reason to believe that demand will not continue to increase in the future. I did not agree with the Federal Reserve’s action of lowering rates, and I don’t believe that the decrease will have any impact on the equipment acquisition decisions of small businesses.” – Valerie Hayes Jester, President, Brandywine Capital Associates

“I am optimistic about the near future simply based upon the metrics in the business that demonstrate increased application flow, strong approval rates, and consistent pull through.” – David Normandin, CLFP, President and CEO, Wintrust Specialty Finance

“Banks and finance companies need to understand the impact that the coronavirus outbreak may have on their portfolios and new business. Manufacturing, shipping, travel, and healthcare are just a few examples of potential affected sectors.” – Adam Warner, President, Key Equipment Finance

“We expect moderate growth this year as agribusinesses and producers have curtailed capital investment over the past few years. In many cases, investment needs to be made to replace aging equipment. It is still too early to predict the impacts of coronavirus on our customer base and if it will have an impact on capital investment. Presently, we believe coronavirus will have minimal impact on planned capital investment activities.” – Michael Romanowski, President, Farm Credit Leasing

## Equipment Leasing and Finance Association:

### Equipment Leasing and Finance Industry Confidence Dips in March Amid Uncertainty Around Coronavirus

**“March 2020 Survey Results”:** The overall MCI-EFI is 46.0, a decrease from 58.7 in February.

- When asked to assess their business conditions over the next four months, 3.7% of executives responding said they believe business conditions will improve over the next four months, down from 11.5% in February. 48.2% of respondents believe business conditions will remain the same over the next four months, a decrease from 84.6% the previous month. 48.2% believe business conditions will worsen, an increase from 3.9% in February.
- 3.7% of the survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, a decrease from 7.7% in February. 59.3% believe demand will “remain the same” during the same four-month time period, a decrease from 88.5% the previous month. 37% believe demand will decline, an increase from 3.9% in February.
- 14.8% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, a decrease from 19.2% in February. 77.8% of executives indicate they expect the “same” access to capital to fund business, an increase from 76.9% last month. 7.4% expect “less” access to capital, an increase from 3.9% the previous month.
- When asked, 29.6% of the executives report they expect to hire more employees over the next four months, a decrease from 30.8% in February. 66.7% expect no change in headcount over the next four months, an increase from 61.5% last month. 3.7% expect to hire fewer employees, down from 7.7% the previous month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

## Equipment Leasing and Finance Association:

### Equipment Leasing and Finance Industry Confidence Dips in March Amid Uncertainty Around Coronavirus

**“March 2020 Survey Results”:** The overall MCI-EFI is 46.0, a decrease from 58.7 in February.

- 18.5% of the leadership evaluate the current U.S. economy as “excellent,” down from 38.5% the previous month. 77.8% of the leadership evaluate the current U.S. economy as “fair,” up from 61.5% in February. 3.7% evaluate it as “poor,” up from none last month.
- 14.8% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, an increase from 4% in February. 37% indicate they believe the U.S. economy will “stay the same” over the next six months, a decrease from 88% last month. 48.2% believe economic conditions in the U.S. will worsen over the next six months, up from 8% the previous month.
- In March, 22.2% of respondents indicate they believe their company will increase spending on business development activities during the next six months, a decrease from 50% last month. 70.4% believe there will be “no change” in business development spending, up from 42.3% in February. 7.4% believe there will be a decrease in spending, relatively unchanged from 7.7% last month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

## **Equipment Leasing and Finance Association: Equipment Leasing and Finance Industry Confidence Dips in March Amid Uncertainty Around Coronavirus**

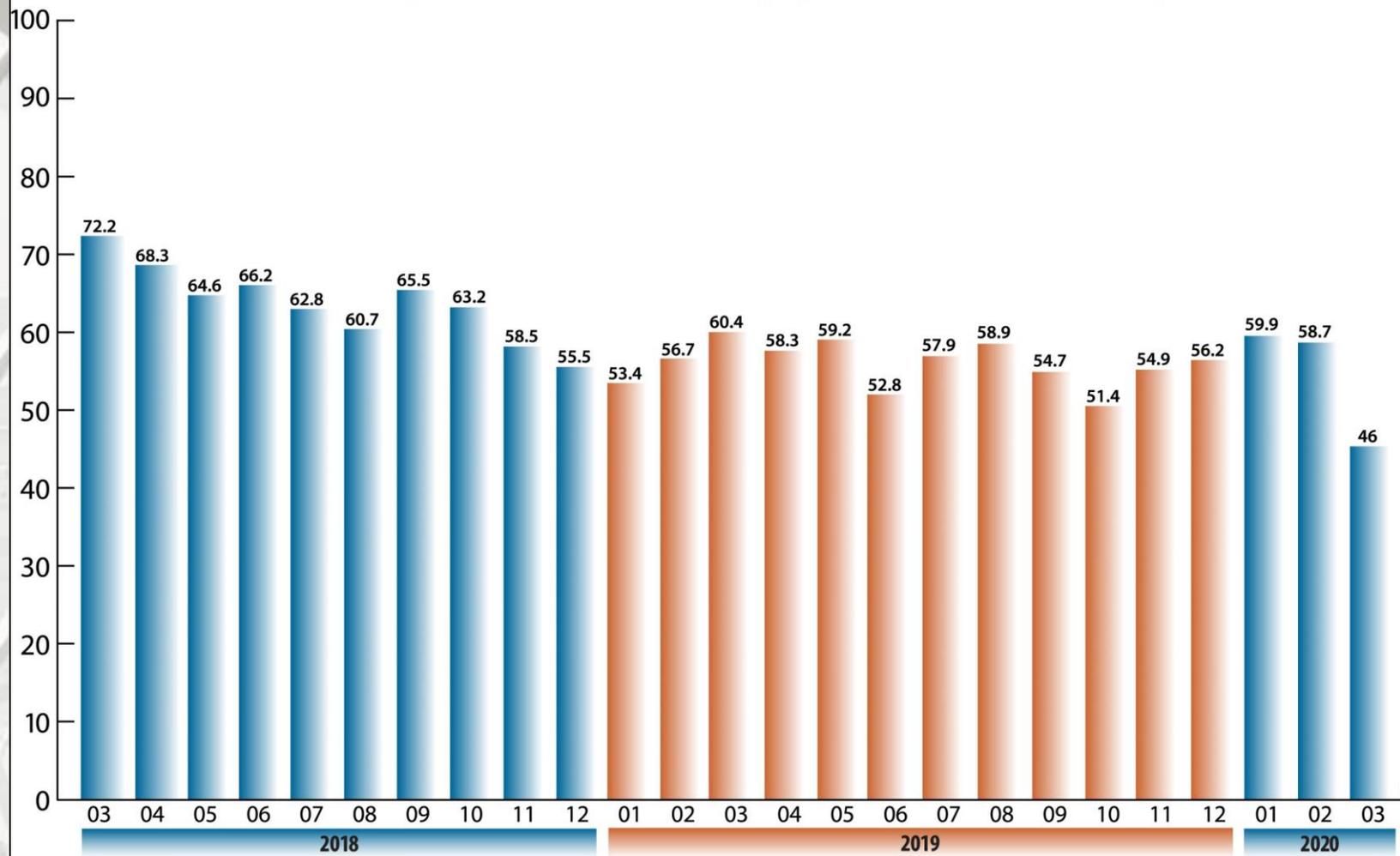
**“March 2020 Survey Results”:** The overall MCI-EFI is 46.0, a decrease from 58.7 in February.

- 37% of the leadership evaluate the current U.S. economy as “excellent,” up from 23.3% the previous month. 63% of the leadership evaluate the current U.S. economy as “fair,” down from 76.7% in December. None evaluate it as “poor,” unchanged from last month.
- 13.3% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, 80% indicate they believe the U.S. economy will “stay the same” over the next six months, and 6.7% believe economic conditions in the U.S. will worsen over the next six months, all unchanged from December.
- In February, 48.2% of respondents indicate they believe their company will increase spending on business development activities during the next six months, an increase from 23.3% last month. 48.2% believe there will be “no change” in business development spending, a decrease from 73.3% in December. 3.7% believe there will be a decrease in spending, relatively unchanged from 3.3% last month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

# Equipment Leasing and Finance Association: Equipment Leasing and Finance Industry Confidence Dips in March Amid Uncertainty Around Coronavirus



### 24-Month Monthly Confidence Index - Equipment Finance Industry (MCI-EFI)



# Private Indicators

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

### Monthly Leasing and Finance Index: March 2020

#### February New Business Volume Up 15 Percent Year-over-year, Down 26 Percent Month-to-Month, Up 22 Percent Year-to-date

“The [Equipment Leasing and Finance Association's](#) (ELFA) [Monthly Leasing and Finance Index \(MLFI-25\)](#), which reports economic activity from 25 companies representing a cross section of the \$900 billion equipment finance sector, showed their overall new business volume for February was \$6.8 billion, up 15 percent year-over-year from new business volume in February 2019. Volume was down 26 percent month-to-month from \$9.2 billion in January. Year-to-date, cumulative new business volume was up 22 percent compared to 2019.

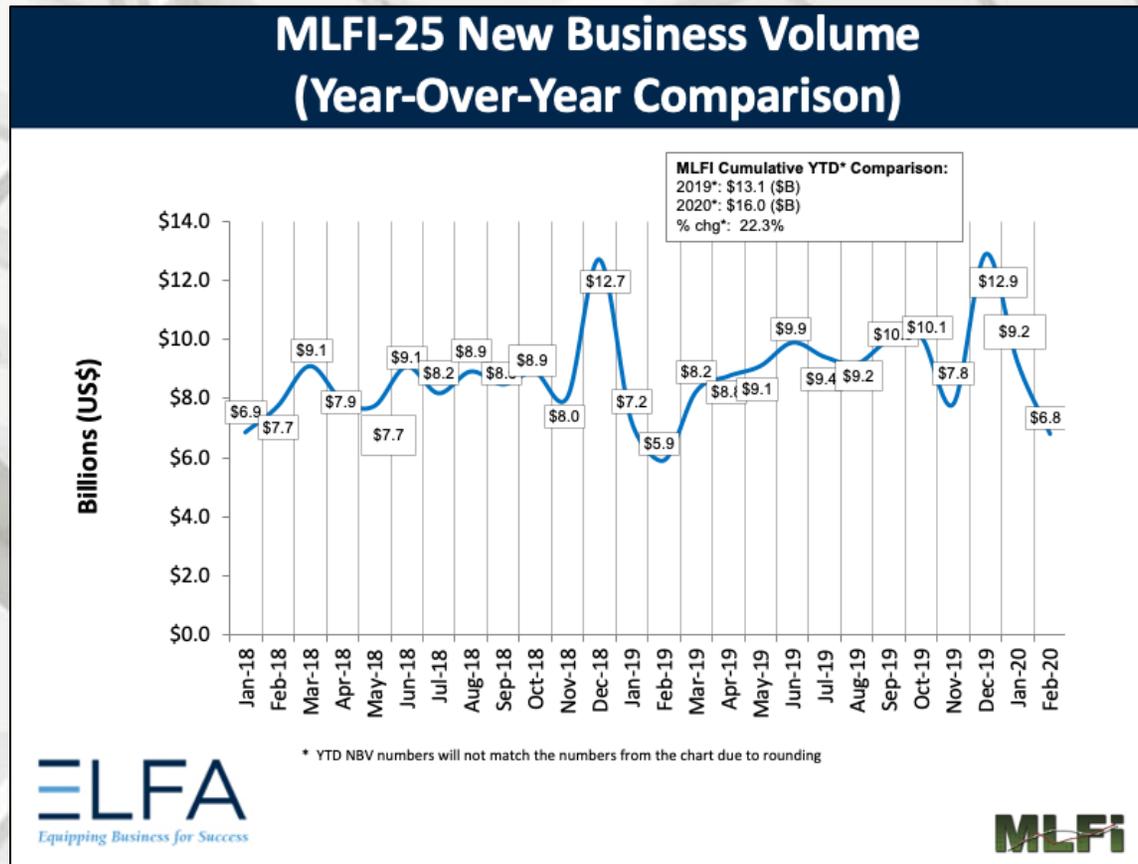
Receivables over 30 days were 2.00 percent, unchanged from the previous month and up from 1.80 percent the same period in 2019. Charge-offs were 0.51 percent, up from 0.47 percent the previous month, and up from 0.35 percent in the year-earlier period.

Credit approvals totaled 74.7 percent, down from 76.3 percent in January. Total headcount for equipment finance companies was down 3.1 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in March is 46.0, a decrease from the February index of 58.7.” – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

“The robust volume data captured in the February MLFI-25 will no doubt take a turn in succeeding months as the coronavirus pandemic puts a damper on business growth and expansion and equipment acquisition plans. In addition, portfolio quality – rising delinquencies and write-offs – will suffer as economic activity slows resulting in some lessees/obligors experiencing challenges meeting their payment obligations. The association is closely monitoring these marketplace developments, gauging the effect of changes in overall economic activity in the U.S. and, specifically, the impact to the equipment leasing and finance industry.” – Ralph Petta, President and CEO, ELFA

# Private Indicators



## Monthly Leasing and Finance Index: March 2020

“The shock of the economic fallout arising from the COVID-19 pandemic is now the most important issue facing our office and clients each day. While optimism was high just one month ago, and portfolio performance outstanding, the devastation to client finances is quickly becoming apparent to all. Many new equipment financing opportunities have been put on hold, and our attention is focused on managing our portfolio to ensure customers get the support and attention needed in these unprecedented times. While it’s too early to measure the final consequences, and without the knowledge of when and how governmental support might help, we know this is a time where balance sheet strength matters. Following trends from past cycles, those entities with lightly capitalized businesses will be the first to fail, even with the support of government and lenders, and we believe those with the strongest balance sheets will ultimately prosper.” – Bruce J. Winter, President, FSG Capital, Inc

# Private Indicators

## FreightWaves®

### Volumes plunge, peak volumes becoming a distant memory

“National outbound freight volumes have gone faster than they came. The coronavirus giveth a freight frenzy, and the coronavirus taketh said frenzy. The outbound tender volume index (OTVI) is now below where we would expect it to be during “normal times.” The index is below its March 2018 starting point of 10,000, currently sitting at 9,417.07. Since the peak of the freight frenzy 17 days ago, OTVI has fallen 26%. It took 31 days for national freight volumes to rise from normal levels to their peak on March 24th.

National truckload freight volumes are now at the same point they were on February 17th. There is no end to the volume deceleration in sight. At the time of writing, 94% of Americans are still under shelter-in-place orders. Even if consumers weren't under orders to stay home, the businesses in their communities are still shut down. The U.S. Chamber of Commerce released a survey of small businesses that stated within two weeks more than 50% of small businesses would be completely shut down. Small businesses move a significant amount of truckload freight. National freight volumes will continue to underperform as long as small businesses are not open. Carriers need to prepare for a time when trucks are sitting idle.

Just one of the 15 major freight markets FreightWaves tracks was positive on a week-over-week basis. The ratio of positive markets has plummeted compared to recent weeks and the absolute weekly percentage decreases are accelerating. The market with a gain in OTVI.USA was Laredo, Texas (3.57%). On the downside, this week saw a decline in Indianapolis (-21.86%), Miami (-21.35%) and Savannah, Georgia (-21.25%).” – Seth Holm, Senior Research Analyst, Freight Intel Group, Freightwaves

# Private Indicators



## FreightWaves®

### Tender rejections plunge this week

“Much like OTVI, the outbound tender rejection index (OTRI) has also fallen back to “normal levels.” In the 11 days since peak tender rejections, OTRI has fallen 65% – from 19.25% to 6.84%. Just as with volumes, capacity is loosening faster than it tightened. In the 11 days prior to peak OTRI, the index increased 43%. This was a drastic but short-lived tightening of capacity. Due to the steep decline in volumes, capacity has now returned to what we would expect in a normal spring environment.

Capacity will continue to loosen as freight dries up throughout April. With a vast majority of the country on lockdown and many industries at near cancellation, there simply isn't enough freight to keep capacity tight.” – Seth Holm, Senior Research Analyst, Freight Intel Group, Freightwaves

# March 2020 Manufacturing ISM® Report On Business®

PMI® at 49.1%

**Production, New Orders, and Employment Contracting**

**Supplier Deliveries Slowing at Faster Rate; Backlog Contracting**

**Raw Materials Inventories Contracting; Customers' Inventories Too Low**

**Prices Decreasing; Exports and Imports Contracting**

“Economic activity in the **manufacturing sector** contracted in March, and the **overall economy** grew for the 131st consecutive month, say the nation's supply executives in the latest **Manufacturing ISM® Report On Business®**. The March PMI® registered 49.1 percent, down 1 percentage points from the February reading of 50.1 percent.

The New Orders Index registered 42.2 percent, a decrease of 7.6 percentage points from the February reading of 49.8 percent.

The Production Index registered 47.7 percent, down 2.6 percentage points compared to the February reading of 50.3 percent.

The Backlog of Orders Index registered 45.9 percent, a decrease of 4.4 percentage points compared to the February reading of 50.3 percent.

The Employment Index registered 43.8 percent, a decrease of 3.1 percentage points from the February reading of 46.9 percent.

The Supplier Deliveries Index registered 65 percent, up 7.7 percentage points from the February reading of 57.3 percent, and limited the decrease in the composite PMI®. The Supplier Deliveries Index is one of five equally weighted subindexes that directly factor into the PMI®, along with New Orders, Production, Employment and Inventories. Supplier Deliveries is the only ISM® Report On Business® index that is inversed – a reading of above 50 percent indicates slower deliveries, which is typical as the economy improves and customer demand increases. However, the high index reading in March was primarily a product of coronavirus-related supply problems.

The Inventories Index registered 46.9 percent, 0.4 percentage point higher than the February reading of 46.5 percent. The Prices Index registered 37.4 percent, down 8.5 percentage points compared to the February reading of 45.9 percent. The New Export Orders Index registered 46.6 percent, a decrease of 4.6 percentage points compared to the February reading of 51.2 percent. The Imports Index registered 42.1 percent, a 0.5-percentage point decrease from the February reading of 42.6 percent.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

## March 2020 Manufacturing ISM® Report On Business®

“Comments from the panel were negative regarding the near-term outlook, with sentiment clearly impacted by the coronavirus (COVID-19) pandemic and energy market volatility. The PMI® returned to contraction territory, and with a negative trajectory. Demand slumped, with (1) the New Orders Index contracting at a strong level, in part pushed by new export order contraction, (2) the Customers’ Inventories Index remaining at ‘too low’ status, but increasing at a level considered a negative for future production, (3) the Backlog of Orders Index contracting again, at a moderate rate. **Consumption** (measured by the Production and Employment indexes) contributed negatively (a combined 5.7-percentage point decrease) to the PMI® calculation, with activity contracting at a faster rate. **Inputs** – expressed as supplier deliveries, inventories and imports – strengthened in March, due primarily to supplier delivery difficulties; inventory contraction stabilized. Despite imports contracting at strong rates due primarily to coronavirus impacts, inputs contributed positively to the PMI® calculation (the Imports Index does not directly factor into the PMI®). Prices continued to contract (and at a faster rate in March), supporting a negative outlook.

“The coronavirus pandemic and shocks in global energy markets have impacted all manufacturing sectors. Among the six big industry sectors, Food, Beverage & Tobacco Products remains strongest, followed by Chemical Products, which in addition to the pharmaceutical component, is a significant contributor to the Food, Beverage & Tobacco Products Industry and beneficiary of low energy and feedstock prices. Transportation Equipment and Petroleum & Coal Products are the weakest sectors. Sentiment regarding near-term growth this month is strongly negative, by a 2-to-1 ratio,” says Fiore.

Of the 18 manufacturing industries, the 10 that reported growth in March – listed in order – are: Printing & Related Support Activities; Food, Beverage & Tobacco Products; Apparel, Leather & Allied Products; Wood Products; Paper Products; Chemical Products; Computer & Electronic Products; Primary Metals; Miscellaneous Manufacturing; and Plastics & Rubber Products. The six industries reporting contraction in March, in order, are: Petroleum & Coal Products; Textile Mills; Transportation Equipment; Furniture & Related Products; Fabricated Metal Products; and Machinery.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

# Private Indicators

## March 2020 Non-Manufacturing ISM® Report On Business®

**NMI® at 52.5%**

**Business Activity Index at 48.0%;**

**New Orders Index at 52.9%**

**Employment Index at 47.0%;**

**Supplier Deliveries Index at 62.1%**

“Economic activity in the **non-manufacturing sector** grew in March for the 122nd consecutive month, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM® Report On Business.**®

The NMI® registered 52.5 percent, 4.8 percentage points lower than the February reading of 57.3 percent. This represents continued growth in the non-manufacturing sector, at a slower rate.

The Non-Manufacturing Business Activity Index decreased to 48 percent, 9.8 percentage points lower than the February reading of 57.8 percent, reflecting contraction for the first time since July 2009, when the index registered 47.2 percent.

The New Orders Index registered 52.9 percent, 10.2 percentage points below the reading of 63.1 percent in February.

The Employment Index decreased 8.6 percentage points to 47 percent from the February reading of 55.6 percent.” – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

# Private Indicators

## March 2020 Non-Manufacturing ISM® Report On Business®

“The Supplier Deliveries Index registered 62.1 percent, up 9.7 percentage points from the February reading of 52.4 percent, and limited the decrease in the composite NMI®. The Supplier Deliveries Index is one of four equally weighted subindexes that directly factor into the NMI®, along with Business Activity, New Orders and Employment. Supplier Deliveries is the only ISM® Report On Business® index that is inversed; a reading of above 50 percent indicates slower deliveries, which is typical as the economy improves and customer demand increases. However, the high percentage-point increase in March – the largest monthly change since an 18.5-point decrease in September 1997 – was primarily a product of supply problems related to the coronavirus (COVID-19).

The Prices Index of 50 percent is 0.8 percentage point lower than the February reading of 50.8 percent, indicating that prices were unchanged in March. According to the NMI®, nine non-manufacturing industries reported growth. The non-manufacturing sector composite index indicates growth in March; however, the extreme slowing of supplier deliveries weighted heavily in the calculation. The other three subindexes that contribute to the NMI® contracted strongly in March. Respondents are concerned about the coronavirus impact on the supply chain, operational capacity, human resources and finances, as well as the ramifications for the overall economy.

### Industry Performance

The nine non-manufacturing industries reporting growth in March – listed in order – are: Health Care & Social Assistance; Real Estate, Rental & Leasing; Public Administration; Utilities; Finance & Insurance; Construction; Management of Companies & Support Services; Wholesale Trade; and Information. The seven industries reporting a decrease in March – listed in order – are: Arts, Entertainment & Recreation; Transportation & Warehousing; Professional, Scientific & Technical Services; Mining; Other Services; Retail Trade; and Educational Services.” – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

# Private Indicators

## Markit U.S. Manufacturing PMI™

### Output declines at fastest pace since August 2009 amid COVID-19 outbreak

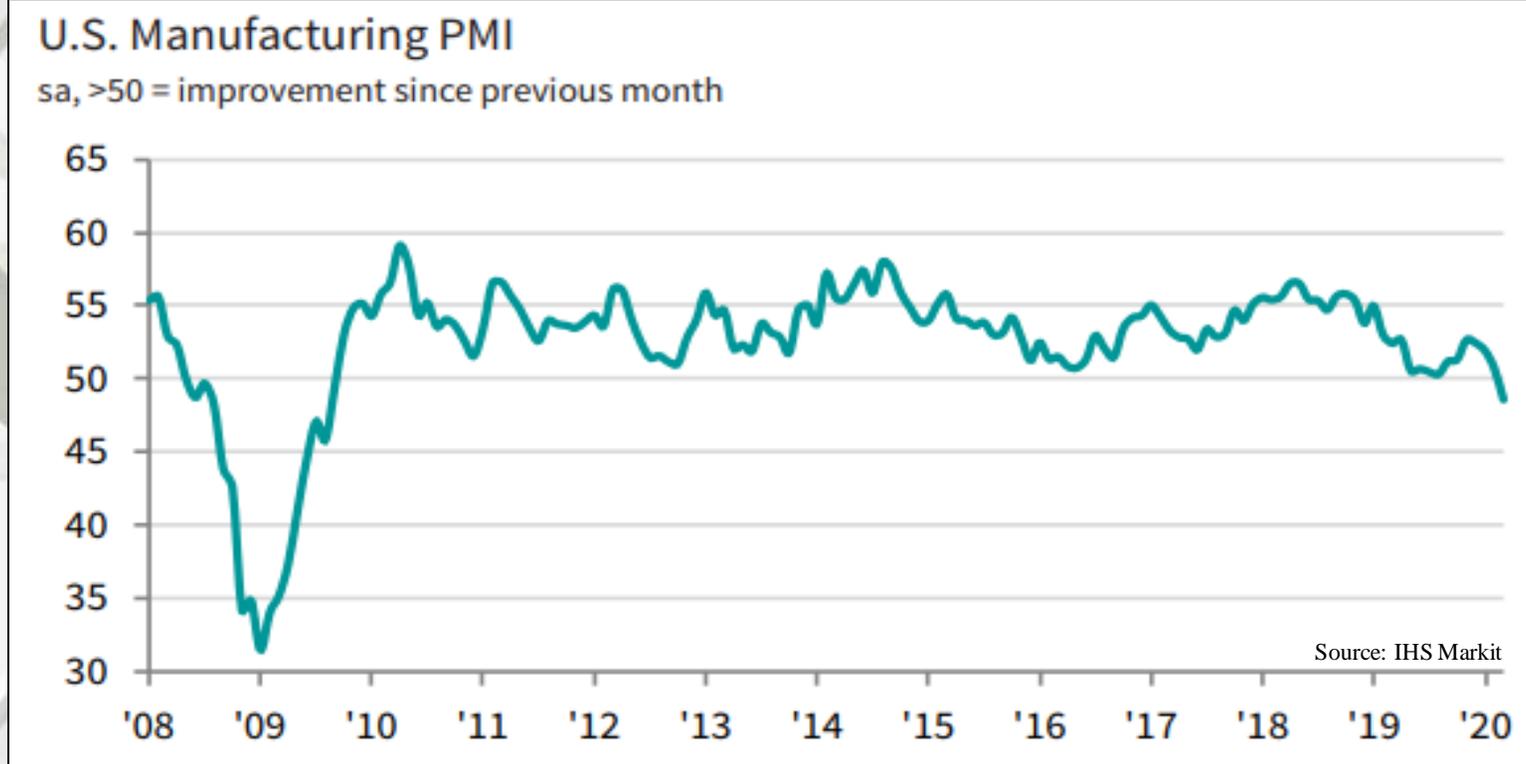
“The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers’ Index™ (PMI™) posted 48.5 in March, revised down from the 'flash' figure of 49.2, and lower than 50.7 registered in February. The overall deterioration in the health of the manufacturing sector was the fastest since August 2009, but was buoyed by a marked decline in vendor performance (usually a sign of strengthening demand conditions but currently reflecting widespread supply shortages linked to the COVID-19 pandemic).

March data indicated a moderate deterioration in operating conditions across the U.S. manufacturing sector. Driving the overall decline were the sharpest downturns in output and new orders since the financial crisis in 2009 amid weak domestic and foreign demand conditions following the outbreak of coronavirus disease 2019 (COVID-19). Emergency measures to tackle the spread of the virus also led to a solid fall in workforce numbers and business confidence, as factories shutdown and laid off staff. Average selling prices meanwhile fell at the steepest rate for just over four years as firms increasingly offered discounts to retain clients, helped in part by lower input cost inflation, the latter linked to falling demand for raw materials.

Output contracted solidly in March, dropping at the sharpest pace for over a decade as factories shutdown and client demand dropped sharply as a result of the COVID-19 outbreak. Concurrently, new orders fell at the joint-fastest pace since June 2009, commonly linked to demand slumping due to the virus, with firms also registering a solid downturn in new export orders. A number of companies stated that lower demand from key export partners following the outbreak of COVID-19 had dented total new orders.

Subsequently, manufacturers cut their workforce numbers at the sharpest rate since October 2009, reporting an increase in redundancies and the need for lower operating capacity. Spare capacity was also mirrored in a strong fall in backlogs of work. Weak demand allowed firms to process work-in-hand at the fastest pace since 2009.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators



## Markit U.S. Manufacturing PMI™

“The outbreak of COVID-19 also weighed on output expectations across the sector. Fears surrounding the longevity of shutdowns and the slow recovery thereafter led to the lowest degree of confidence since data collection for the series began in July 2012. Meanwhile, input prices rose only slightly and at the slowest rate since June 2017 in March, as weak demand for raw materials led some suppliers to offer discounts. That said, shortages of key inputs drove the rise. In an effort to retain clients, firms reduced their selling prices at the fastest pace for just over four years.

Despite a fall in purchasing activity, shocks to the global supply chain caused by the escalation of the outbreak of COVID-19 led to the greatest deterioration in vendor performance since July 2018. Raw material shortages were partly linked to the further fall in pre-production inventory levels. Stocks of finished goods, meanwhile, were depleted at a faster pace amid weak demand conditions.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators

## IHS Markit U.S. Services PMI™

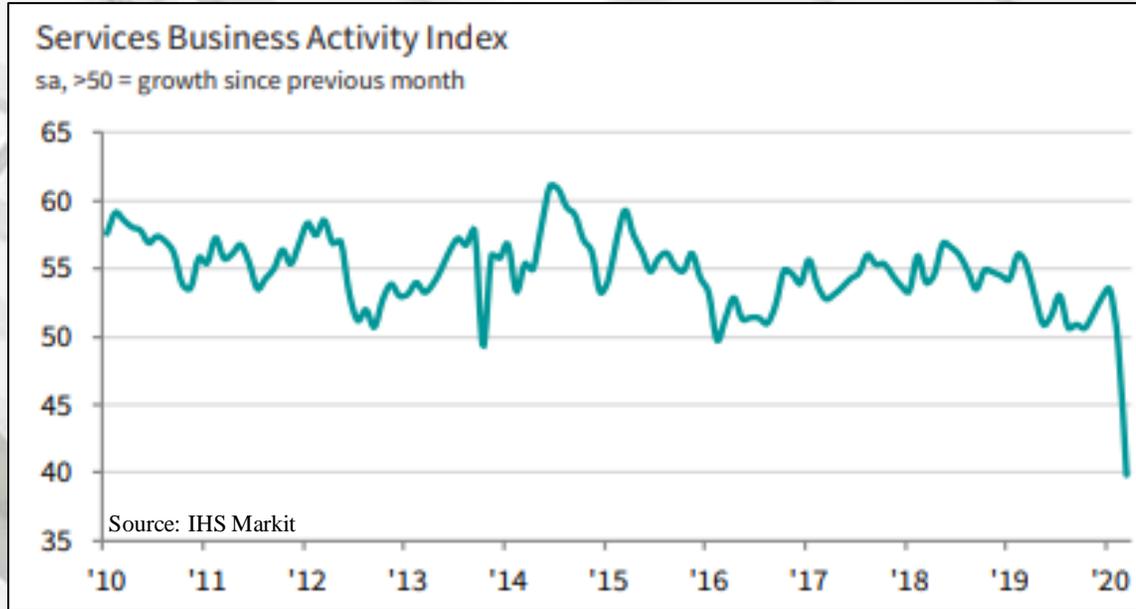
### **Business activity declines steeply amid COVID-19 pandemic**

“The seasonally adjusted final IHS Markit US Services Business Activity Index registered 39.8 at the end of the first quarter, which, although revised up from the 'flash' figure of 39.1, was down sharply from 49.4 in February. The latest data, collected between 12th and 27th March, indicated the quickest decline in output since data collection began in October 2009. Business activity fell markedly following a sharp reduction in new orders, largely stemming from the outbreak of COVID-19.

U.S. service providers registered the steepest decline in business activity since data collection began ten-and-a-half years ago in March as the coronavirus disease 2019 (COVID-19) pandemic led to business closures and sharply reduced client demand for services from both businesses and households. Similarly, public health measures to tackle the spread of the virus across key export destinations caused a marked fall in new export orders. Consequently, firms were reportedly forced to implement hiring freezes and make redundancies, with business expectations over the coming 12 months slumping to a record low due to uncertainty surrounding the longevity of the COVID-19 outbreak. Meanwhile, lower demand for inputs and efforts to retain clients led to decreases in input costs and selling prices, respectively.

Concurrently, new orders received by service providers contracted at the sharpest rate since the survey began, as customer and business closures led to client cancellations. The marked downturn in total sales was mirrored in the trend for new export orders, which fell at a substantial pace as foreign client demand faded amid emergency lockdowns. March data also indicated a decrease in employment, as firms stated that lower new business inflows resulted in redundancies and enforced hiring freezes. The pace of job shedding was the joint-fastest since December 2009. ...” – Chris Williamson, Chief Economist, Markit®

# Private Indicators



## IHS Markit U.S. Services PMI™

“Business activity slumped to the greatest extent for more than a decade in March as efforts to contain the spread of the COVID-19 pandemic intensified. The survey indicates that the economy contracted an annualised rate approaching 5% in March, but with more measures to fight the virus outbreak being taken this decline will likely be eclipsed by what we see in the second quarter. More nonessential businesses are being forced to close, some are going bust, and lockdowns are leading to vastly reduced consumer spending,

Employment and prices charged for goods and services are already being slashed at rates not seen since 2009 as companies seek to aggressively cut costs and discount charges in the face of collapsing revenues. Given that the survey does not include the self-employed, the jobless numbers are likely to rise at a much faster rate than even the slide in the PMI indicates. The policy response to the economic damage from the virus has already been unprecedented, but the collapse in business expectations for the year ahead tells us that companies are expecting far worse to come. IHS Markit is now forecasting an around 5.5% contraction of US GDP in 2020.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators

## National Association of Credit Management – Credit Managers' Index

### March CMI Plummets as Outbreak Continues Combined Sectors

“NACM Economist Chris Kuehl, Ph.D., discusses the effect of the coronavirus (COVID-19) on credit managers in the March Credit Managers' Index (CMI). Needless to say, the world today is a far cry from the world that existed a month ago; it is not clear the world of tomorrow will be recognizable, at least for a while. The credit manager has truly become a crucial player in this environment – more than during other recessions. The companies critical to the success of their own companies are suddenly faced with a shutdown that could last months. That has crippled their ability to pay their bills or even hang on to their employees. They will all become highly dependent on the relationships developed over past years. Credit managers will be faced with many challenges. The data this month is as bad as has been seen since the financial sector collapse in 2008, but the numbers have not crashed into the 30s yet. This still remains a possibility in months to come.

The combined score for the CMI dropped to 49. This measure has not been below the 50 line (contraction) for years. This will be the story throughout this month's assessment – record-setting declines that will match the recession numbers in 2008 and 2009. The index of favorable factors has tumbled out of the sixties in drastic fashion as it is now reading 46.5 after sitting at 62.2 in February. The index of unfavorable factors likewise fell, but not to the levels of the favorables. The full impact of the crisis has not yet hit many companies, so for the moment, the damage has been somewhat limited – falling from 52.2 to 50.6. This reading is not expected to remain above 50 in subsequent months, however.

The real damage can be seen in looking at the specific readings. The sales numbers plummeted from a high of 64 to 39.5; the reading has not been this low in years. The new credit applications also cratered from 62.2 to 44. The dollar collections numbers followed suit with a reading of 49.3 after a reading of 58.8 the month prior. The only sector that did not fall into the forties was the amount of credit extended as it went from 63.6 to 53.2. In short, there was very little to find favorable in the favorable data.” – Andrew Michaels, Editorial Associate, NACM

# Private Indicators

## National Association of Credit Management

“That trend continues with the unfavorable readings, but not quite as dramatically. “The full impact of the business shutdown has not been felt,” Kuehl said, “although it will likely start to manifest in the weeks to come and in the next iteration of the CMI.” The rejections of credit applications stayed almost where they had been with a reading of 53.5 compared to 53.8 in February. The accounts placed for collection numbers were exactly the same as last month at 50.6. He added that there has not yet been time for the crash in business activity to trigger actions as far as collection is concerned, but most expect this to develop soon enough. The disputes numbers actually improved from 50.3 to 52.1. There was a substantial decline as far as dollar amount beyond terms (53.5 to 43.9). “As companies are shut down, they are hoarding their cash reserves as aggressively as they can,” he said, “and they will be reluctant to keep on top of their credit.” The dollar amount of customer deductions did not alter much. The reading this month was 50.4 and last month it was 51.5. The filings for bankruptcies also remained stable at 53.2 from 53.3 last month. He noted that this will likely be the last of the indicators to move.

## Manufacturing Sector

Here, Kuehl notes that the impact of the COVID-19 outbreak was felt by the manufacturing sector before it hit the country as a whole. This started out as a supply chain crisis for U.S. manufacturers as the heavy industrial manufacturing area of China was essentially shut down as early as January. It has since become a bigger concern with widespread business shutdowns across most of the U.S. The combined score for the manufacturing sector fell from 55.9 to 49.8. These numbers have not been this low for several years. The combined favorable factors fell from 62 to 48.2, also the lowest point reached in several years and as low as was seen during the recession of 2008-2009. The combined unfavorable reading didn't alter appreciably. It was at 51.8 and is now at 50.8. As discussed above, Kuehl says there has not been enough time for most business to react. “The interruptions in business activity have developed in just the last two to three weeks; ” – Andrew Michaels, Editorial Associate, NACM

# Private Indicators

## National Association of Credit Management

### Manufacturing Sector

“this is showing up in immediate data such as sales and credit applications.” Sales dropped drastically from 65.7 to 40.3 – nearing levels not seen since the recession in 2008. The new credit applications also fell like a stone as February’s numbers were at 61.4 and are now sitting at 45. The dollar collections numbers didn’t fall as dramatically, but they are expected to in coming weeks as companies struggle with the shutdown and supply chain issues. The reading was at 58.3 and is now at 53.4 – still temporarily in positive territory. The amount of credit extended fell from 62.8 to 54 – also still in positive territory, but down considerably from where it had been. ...

### Service Sector

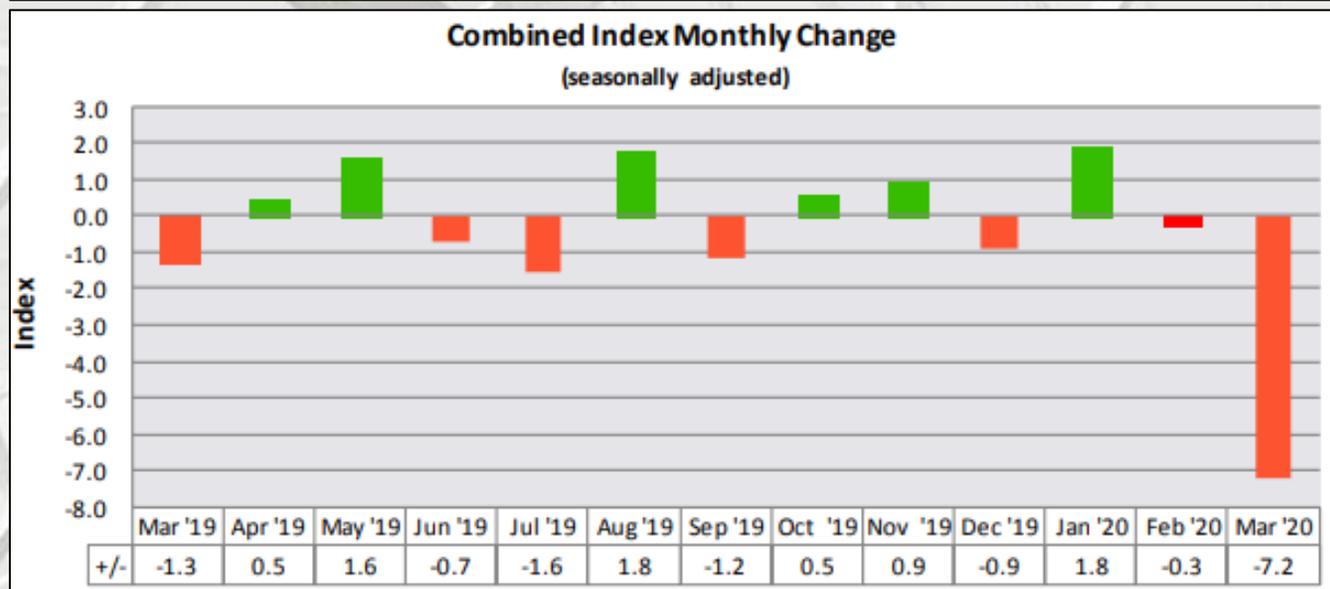
Kuehl notes that in the coming months, the service sector will be taking the brunt of the shutdown impact given that the distancing restrictions have been aimed at restaurants, events, retail outlets and the like. The service side of the U.S. economy is by far the largest percentage of the GDP. It accounts for millions of jobs and billions in consumer spending. The CMI is weighted pretty heavily towards the retail community; the data will reflect that orientation.

The combined score for the service CMI is 48.1, down considerably from the reading in February when it was 56.5. The current reading is as low as it has been in years. The combined score for the favorable factors is down dramatically as was the case with manufacturing. It was at 62.3 and has collapsed all the way to 44.8. The extent of the decline is obvious as one looks at the specific sectors. The combined score for the unfavorable factors remained close to what it had been with only one area showing the strain thus far. The combined score was 52.6 and is now 50.4 – still in positive territory. The sales numbers cratered and are now in the thirties with a reading of 38.7 from 62.3 – as bad as has been seen since the recession in 2008. The same collapse has been noted in the new credit applications as the numbers have fallen from 63.1 to 43. The dollar collection data was not even a bright spot as it was with the manufacturing categories. It was at 59.3 and now stands at 45.1 – as low as this has been in several years. The amount of credit extended remained in positive territory although the decline was significant – from 64.5 to 52.4. ...” – Andrew Michaels, Editorial Associate, NACM

# Private Indicators

## National Association of Credit Management

<b>Combined Manufacturing and Service Sectors (seasonally adjusted)</b>	Mar '19	Apr '19	May '19	Jun '19	Jul '19	Aug '19	Sep '19	Oct '19	Nov '19	Dec '19	Jan '20	Feb '20	Mar '20
Sales	58.2	61.0	65.9	60.4	58.4	64.4	58.7	57.9	61.6	58.8	63.0	64.0	39.5
New credit applications	57.8	59.7	64.2	62.4	60.8	60.9	59.7	59.0	61.2	59.4	61.1	62.2	44.0
Dollar collections	56.6	59.1	59.8	60.3	56.6	60.0	58.5	62.1	59.2	57.9	61.7	58.8	49.3
Amount of credit extended	63.5	60.6	65.4	62.5	58.7	61.7	59.7	61.6	64.3	61.1	62.9	63.6	53.2
<b>Index of favorable factors</b>	<b>59.0</b>	<b>60.1</b>	<b>63.8</b>	<b>61.4</b>	<b>58.6</b>	<b>61.8</b>	<b>59.1</b>	<b>60.1</b>	<b>61.6</b>	<b>59.3</b>	<b>62.2</b>	<b>62.2</b>	<b>46.5</b>
Rejections of credit applications	51.2	52.0	51.8	52.4	52.6	52.1	51.4	52.1	51.3	52.0	52.0	53.8	53.5
Accounts placed for collection	46.4	48.5	47.0	50.0	46.2	48.6	48.4	49.1	49.8	50.3	50.6	50.6	50.6
Disputes	49.5	48.5	48.6	48.6	50.5	49.4	50.0	48.1	50.3	50.8	52.4	50.3	52.1
Dollar amount beyond terms	50.0	47.6	51.3	49.8	46.1	53.6	50.2	52.0	52.6	51.0	54.2	53.5	43.9
Dollar amount of customer deductions	48.8	49.7	49.3	50.0	51.2	50.0	52.1	50.9	51.4	51.3	52.2	51.5	50.4
Filings for bankruptcies	53.7	53.9	53.3	53.5	53.2	51.6	52.1	53.4	53.5	53.4	54.4	53.3	53.2
<b>Index of unfavorable factors</b>	<b>49.9</b>	<b>50.0</b>	<b>50.2</b>	<b>50.7</b>	<b>50.0</b>	<b>50.9</b>	<b>50.7</b>	<b>50.9</b>	<b>51.5</b>	<b>51.5</b>	<b>52.6</b>	<b>52.2</b>	<b>50.6</b>
<b>NACM Combined CMI</b>	<b>53.6</b>	<b>54.0</b>	<b>55.7</b>	<b>55.0</b>	<b>53.4</b>	<b>55.2</b>	<b>54.1</b>	<b>54.6</b>	<b>55.5</b>	<b>54.6</b>	<b>56.4</b>	<b>56.2</b>	<b>49.0</b>



# Private Indicators

## National Federation of Independent Business (NFIB) March 2020 Report

### Abrupt Turn in Small Business Optimism Ends 39-Month Historic Run

“The NFIB Small Business Optimism Index fell 8.1 points in March to 96.4, the largest monthly decline in the survey’s history. Nine of the 10 Index components declined, which is evidence that economic disruptions are escalating on Main Street as small businesses struggle to keep their doors open. The small business sector is anticipating and bracing for continued economic disruptions going forward.

The financial markets saw substantial change in March, with the stock market indices losing 22% of their value and jobless claims rising to a record 10 million in the last two weeks of the month. The NFIB survey collected the majority of responses in the first half of the month, so the sharp decline in employment is not reflected in the March survey data.

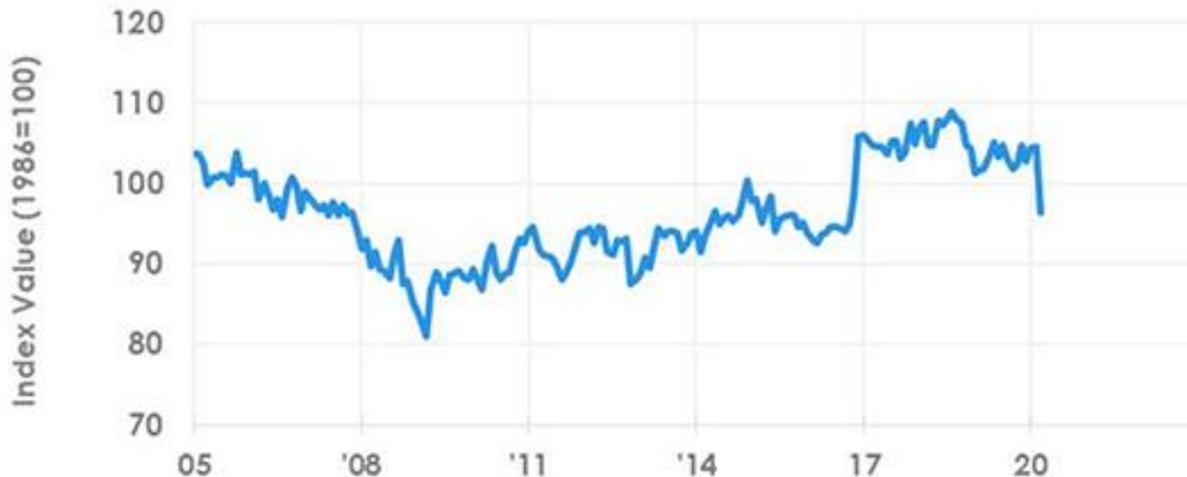
The main takeaways from the March survey include:

- The NFIB Uncertainty Index rose 12 points in March to 92, the highest level since March 2017.
- Reports of better business conditions in the next six months declined 17 points to a net 5%, which is the largest monthly decline since November 2012.
- Real sales expectations in the next six months declined 31 points to a net negative 12%, the largest monthly decline in the survey’s history.
- Thirteen percent of firms thought it was a good time to expand, a decline of 13 points from last month.
- Job openings fell three points to 35%.” – Holly Wade, NFIB

# Private Indicators

## Small Business Optimism Index at 96.4

Based on 10 survey indicators, seasonally adjusted, Jan. '05 – Mar. '20



NFIB.com/sboi

## NFIB March 2020 Report

“As reported in [NFIB’s monthly jobs report](#), prior to the COVID-19 outbreak, the small business labor market reported strong hiring, elevated levels of open positions, and historically high employee compensation. However, hiring plans experienced a significant drop from February yet finding qualified workers remains the top issue for 24% of small employers who reported this as their No. 1 problem.” – Holly Wade, NFIB

# Private Indicators

## NFIB Small Business Optimism Index

“Small businesses are living through the coronavirus pandemic right now and it’s hard to say what the severity of the disruption will be, but we do know they’re feeling the urgency. It is vital that these businesses have access to federal funds that are made available through the CARES Act to keep the doors open on Main Street.” – Bill Dunkelberg, Chief Economist, NFIB

“Sales held strong in March, with a seasonally adjusted net 8% of all owners reporting higher nominal sales in the past three months. As actual sales volumes remained strong, expectations of the future of sales growth deteriorated significantly. It is clear owners felt the pending economic shift as state officials began to shut down non-essential businesses and issue stay-at-home orders in response to coronavirus.

A net negative three percent of owners are planning to expand inventory holdings. Small business owners are bracing themselves for a significant reduction in consumer spending and future orders.

The frequency of reports of positive profit trends fell two points to a net negative 6% reporting quarter-on-quarter profits. Among the owners reporting weaker profits, 32% blamed weaker sales, 26% blamed usual seasonal change, 9% cited price changes, 7% cited labor costs, and 7% cited material costs. For those reporting higher profits, 53% credited sales volumes and 22% credited usual seasonal change.

NFIB released [surveys](#) in March on how COVID-19 is impacting small businesses. The latest survey showed 92% of small employers are negatively impacted by the outbreak and about half of small employers said they can survive for no more than two months under the current business conditions.” – Holly Wade, NFIB

# Private Indicators

## NFIB Small Business Optimism Index

### Small Business Optimism

*Abrupt Turn in Small Business Optimism Ends 39-Month Historic Run*

Index Component	Net %	Change From Feb.
Plans to Increase Employment	9%	▼ -12
Plans to Make Capital Outlays	21%	▼ -5
Plans to Increase Inventories	-3%	▼ -5
Expect Economy to Improve	5%	▼ -17
Expect Real Sales Higher	-12%	▼ -31
Current Inventory	-2%	▲ 2
Current Job Openings	35%	▼ -3
Expected Credit Conditions	-4%	▼ -3
Now a Good Time to Expand	13%	▼ -13
Earnings Trends	-6%	▼ -2



[NFIB.com/sboi](http://NFIB.com/sboi)

# Private Indicators

## The Paychex | IHS Markit Small Business Employment Watch

### Small Business Hiring and Wage Growth Slow as Impacts of the Coronavirus Pandemic Begin to Take Effect

“The latest Paychex | IHS Markit Small Business Employment Watch shows a slight decrease in both small business employment and wage growth in March. The report is based on data through March 19, a time when many businesses began to modify operations as a result of the COVID-19 outbreak. At 98.21, the jobs index slowed 0.11 percent from February and 0.57 percent year-over-year. Hourly earnings growth dipped to 2.68 percent (\$0.72), while weekly earnings growth also decelerated to 3.08 percent.

“With the reporting window closing on March 19, the Small Business Jobs Index was little changed in March, our last look before the full impact of coronavirus disruption,” said James Diffley, chief regional economist at IHS Markit.

“While limited at this reading, we’re beginning to see the effects of the COVID-19 crisis impacting hours worked, hiring, and numbers of workers,” said Martin Mucci, Paychex president and CEO. We’ve been impressed with the speed of the federal government in approving a number of measures to offer relief for small businesses and their employees through the Families First Coronavirus Relief Act, as well as the just-passed Coronavirus Aid, Relief, and Economic Security (CARES) Act.”” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

# Private Indicators

## The Paychex | IHS Markit Small Business Employment Watch

### Small Business Hiring and Wage Growth Slow as Impacts of the Coronavirus Pandemic Begin to Take Effect

“The March report shows several employment and wage growth factors that may be attributed to the COVID-19 pandemic:

- At 97.45, the West had the steepest employment growth decline in March, down 0.19 percent.
- Weekly hours worked growth in the West declined considerably in March as the one-month annualized growth rate fell 2.47 percent.
- Weekly hours worked growth fell sharply in Leisure and Hospitality in March, with the one-month annualized growth rate declining 6.58 percent.
- Down 0.39 percent, small business job growth in Leisure and Hospitality slowed most among industry sectors during the first quarter of 2020.
- Positive earnings growth momentum toward the end of 2019 has reversed during the first quarter of 2020.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

# Private Indicators

## The Paychex | IHS Markit Small Business Employment Watch

### March Jobs Index

Index  
**98.21**

12-Month Change  
**-0.57%**

### March Wage Data

Hourly Earnings  
**\$27.67**

12-Month Growth  
**+2.68% (+\$0.72)**

Source: Paychex | IHS Markit Small Business Employment Watch

# Private Indicators

## The Paychex | IHS Markit Small Business Employment Watch National Jobs Index

- “The Paychex | IHS Small Business Jobs Index slowed 0.11 percent from the previous month and 0.57 percent year-over-year.
- At 98.21, the national index has remained in a narrow range during the last ten months, dating back to the summer of 2019.” – Lisa Fleming, Kate Smith, & Tess Flynn, Paychex, Inc.

### Historical View



Source: Paychex | IHS Markit Small Business Employment Watch

# Economics

## McKinsey & Company

### **Lives and livelihoods: Assessing the near-term impact of COVID-19 on US workers**

#### **Up to one-third of US jobs may be vulnerable – and more than 80 percent are held by low-income workers**

“As the United States takes action to contain COVID-19 transmissions and “flatten the curve,” physical distancing measures are the first line of defense – and they have profoundly altered the rhythms of everyday life. Countless neighborhood businesses have been shuttered, trips to the grocery store have to be carefully planned, and many parents are working remotely from home with their kids in the background.

As of March 30, three-quarters of Americans were living under state or local stay-at-home mandates or advisories – and the economic fallout has been swift and dramatic. Discretionary spending has taken a hit, consumer confidence has been shaken, and small businesses are struggling. While there is great uncertainty about the depth and duration of this downturn, recent McKinsey research outlined multiple [scenarios](#) that vary depending on the spread of the virus and the public-health response as well as the effectiveness of policy in mitigating economic damage. These factors will determine whether the downturn follows a U-shape with a prolonged trough, or a V-shape with a strong upward rebound. In most scenarios, the depth of the recession appears likely to exceed that of any experienced in the United States since World War II.

American workers are already feeling the pain. Initial unemployment claims for the week ending March 21 soared to 3,307,000, nearly 15 times higher than the 211,000 claims filed just two weeks before and shattering the previous high of 692,000, reached in 1982. Just a week later, the number for the week ending March 28 more than doubled again, to 6,648,000. Our own analysis finds that the first phase of the battle to contain COVID-19 could leave 42 million to 54 million net jobs vulnerable to reductions in hours or pay, temporary furloughs, or permanent layoffs. Many Americans are simply unable to go to work for an uncertain period of time. (However, this is not a forecast of the unemployment rate; see the sidebar for more on methodology.)” – Susan Lund *et al.*; McKinsey & Company

# Economics

## McKinsey & Company

“Looking beneath the aggregate number, where will the impact be felt? This article builds on the McKinsey Global Institute’s (MGI) 2019 research on the [US labor market](#) and aims to identify the people and places most vulnerable to the first-wave effects of the pandemic. Our analysis finds that lockdowns disproportionately affect low-income workers. People who were living paycheck to paycheck do not have the financial cushion to absorb a shock of this magnitude. They need immediate assistance to pay the rent, keep the lights on, and put food on the table. In addition, many of the lowest-paid Americans who *are* still working may be risking exposure to the virus as they perform vital services in the economy.

### **Up to one-third of US jobs are vulnerable**

To estimate the employment impact of the initial shutdown phase, we analyzed the vulnerability of more than 800 occupations based on whether or not they are typically deemed “essential” and whether they require close proximity to others. We then analyzed the sector-level effects of changes in demand related to physical distancing, such as the shift from restaurants to groceries, or from brick-and-mortar retail to e-commerce.

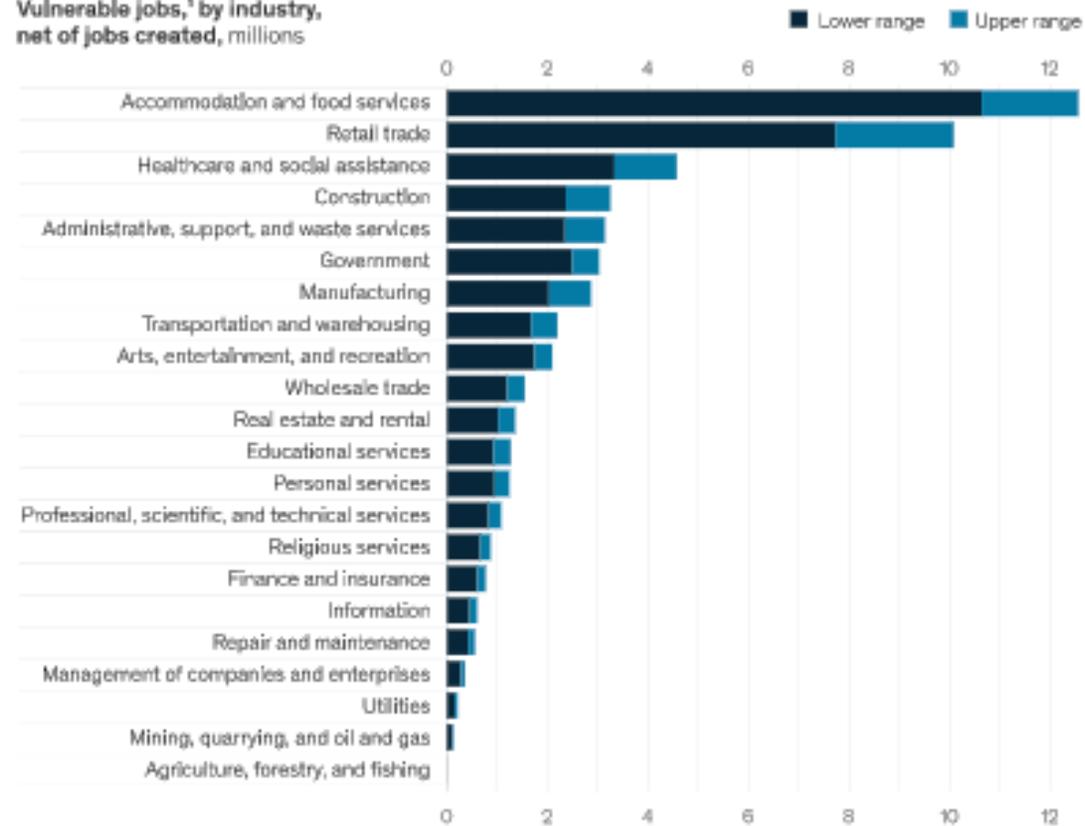
The findings are sobering. A nationwide shutdown could leave 44 million to 57 million jobs vulnerable to inactivity that could lead to reduced income, furloughs, or even layoffs, potentially affecting up to one-third of the entire US workforce (Exhibit 2). To be clear, that number does not translate into an unemployment rate above 30 percent, however. A small portion is offset as some industries facing surging demand, such as groceries, pharmacies, and delivery services, hire two million to three million workers. In addition, “vulnerable jobs” covers a range of outcomes. When nonessential employers shutter their businesses during stay-at-home mandates, some are continuing to pay furloughed employees; others are not. Many businesses will reopen and rehire, but others may not be able to stay afloat. Some workers have already been let go permanently. Many businesses that are staying open are cutting back hours in response to falling demand or redeploying workers to other tasks. It is impossible to gauge how many of these losses will be permanent. But millions of people are suddenly scrambling to pay their bills in the immediate term.” – Susan Lund *et al.*; McKinsey & Company

# Economics

Exhibit 2

Forty-four million to 57 million jobs are vulnerable in the short term, offset slightly by two to three million new jobs.

Vulnerable jobs,<sup>1</sup> by industry, net of jobs created, millions



<sup>1</sup>"Vulnerable" jobs are subject to furloughs, layoffs, or being rendered unproductive (for example, workers kept on payroll but not working) during periods of high physical distancing.  
Source: LaborDatab; McKinsey Global Institute analysis

# Economics

## McKinsey & Company

“Some parts of the economy are particularly hard hit. Just two service industries – accommodation and food services, plus retail – account for 42 percent of vulnerable jobs. Although many restaurants are using takeout and delivery, they may need fewer people to do so, and some will struggle to pay rent in the coming months. Stores deemed “nonessential” have been closed in much of the country. Travel has also ground to a halt, canceling many flights and emptying out hotels and tourist attractions. By contrast, losses could be much more contained in primary sectors such as utilities, agriculture, and mining. White-collar industries like professional services, finance, insurance, information, and management account for only 5 percent of cuts in this first wave of impact.

The knock-on effects of the shutdown that may be felt later in the year are beyond the scope of our analysis. But consumer spending drives some 70 percent of GDP growth in the US economy, and a plunge in consumption could have cascading effects. If self-reinforcing recessionary dynamics take hold, further job losses may be in store. Much is riding on how quickly the virus can be contained, when lockdowns can be safely lifted, and the extent to which policymakers can help the individuals and businesses cope.

### **Which occupations are at risk, and where are they located?**

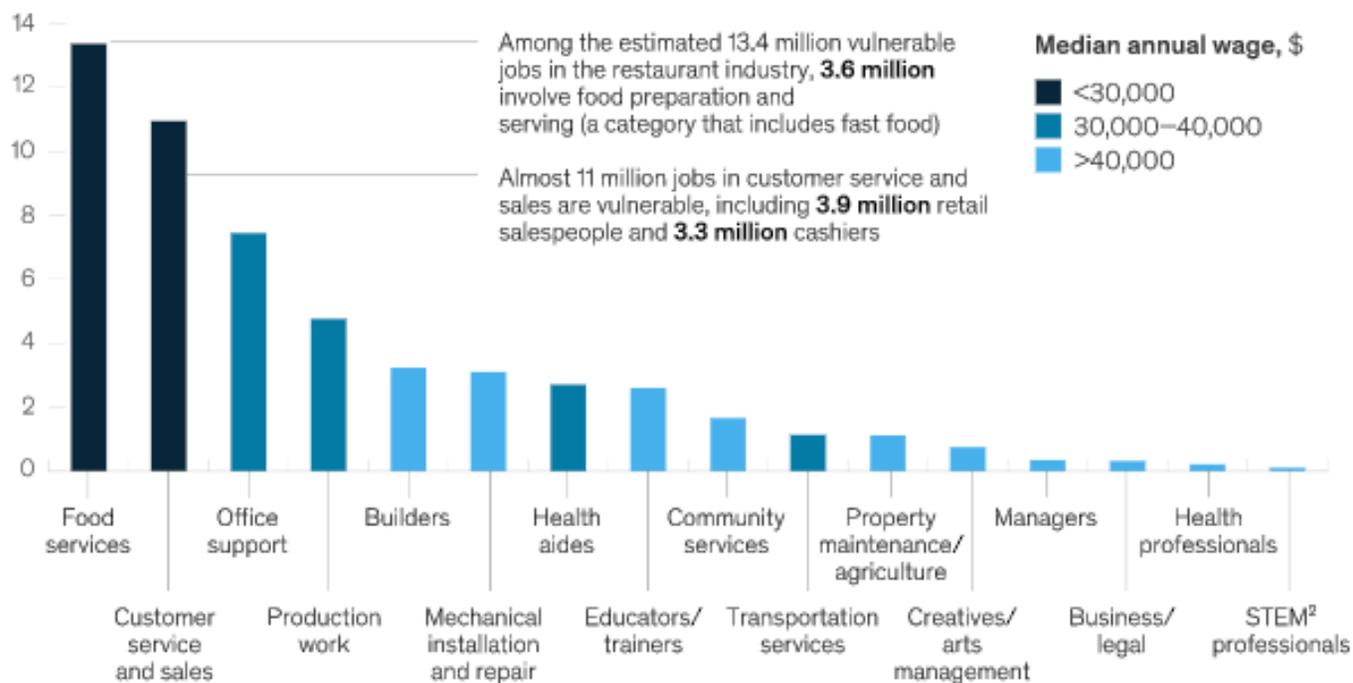
Among the estimated 13.4 million jobs that could be affected in the restaurant industry, 3.6 million involve food preparation and serving (a category that includes fast food). Another 2.6 million restaurant servers and 1.3 million restaurant cooks are vulnerable (Exhibit 3). Almost 11 million jobs in customer service and sales could be affected, including 3.9 million retail salespeople and 3.3 million cashiers. The majority of these occupations employ people on a less than full-time basis. In some cases, people who were juggling multiple part-time jobs may retain some income; others could see their hours cut back. In all cases, their finances would take a hit.” – Susan Lund *et al.*; McKinsey & Company

# Economics

Exhibit 3

**Forty-six percent of vulnerable jobs are in food service, customer service, and sales.**

**Vulnerable jobs,<sup>1</sup> by occupation, millions**

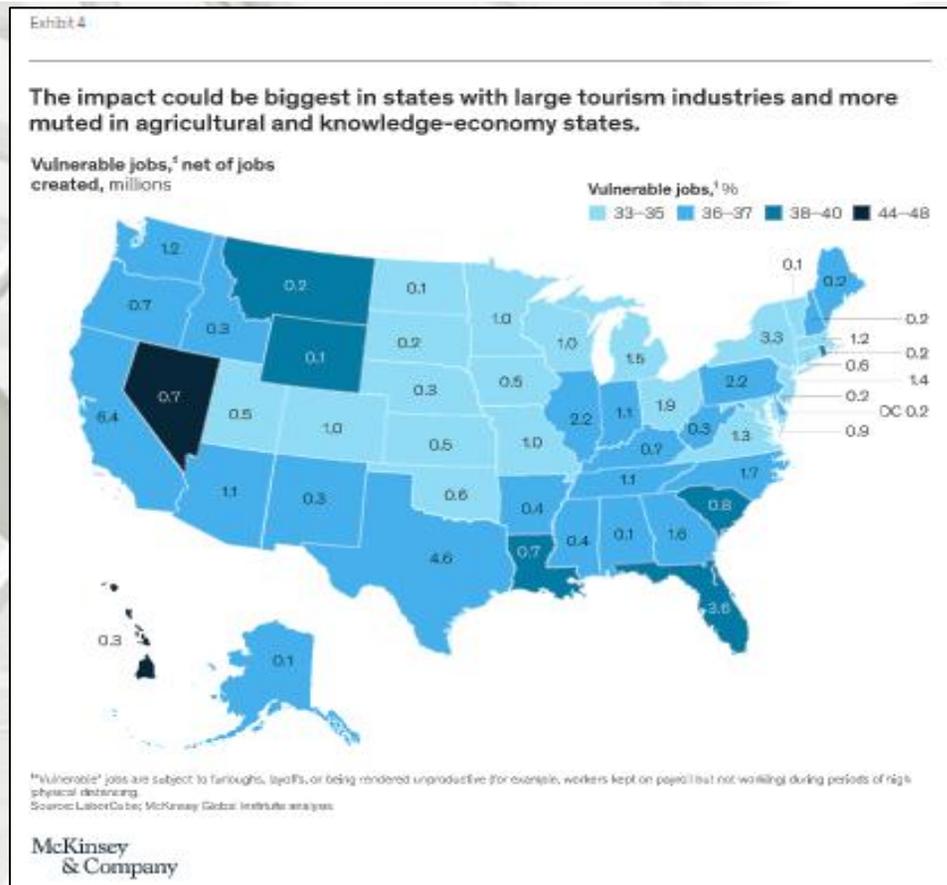


<sup>1</sup>Vulnerable<sup>®</sup> jobs are subject to furloughs, layoffs, or being rendered unproductive (for example, workers kept on payroll but not working) during periods of high physical distancing.

<sup>2</sup>Science, technology, engineering, and mathematics.

Source: LaborCube; McKinsey Global Institute analysis

# Economics



## McKinsey & Company

“Looking at the impact across geographies, tourism-reliant states like Nevada, Hawaii, Montana, Florida, Wyoming, South Carolina, and Louisiana are likely to be the hardest hit in percentage terms (Exhibit 4). In Clark County (Las Vegas), more than half of jobs are vulnerable. The Strip has gone dark, sidelining the workers employed by its casino hotels, restaurants, bars, and shows. In the two-week period ending March 28, almost 164,000 Nevadans filed initial unemployment claims – roughly 11 percent of the state’s employed workforce.” – Susan Lund *et al.*; McKinsey & Company

# Economics

## McKinsey & Company

“California has far and away the highest total number of affected jobs given its size of workforce. Some 6.4 million of the state’s workers may be vulnerable, including 1.7 million in Los Angeles County alone. Piling onto losses in the service sector, L.A.’s entertainment industry has also put production on hold. New York and Texas each stand to lose more than 3 million jobs, at least temporarily. In New York City, the current epicenter of the crisis, the impact could exceed 1.5 million jobs.

### **Low-income workers and small businesses are the most vulnerable**

The workers bearing the brunt of the initial shock are the very people least equipped to weather it. Up to 86 percent of the initial impact affects jobs that were paying less than \$40,000 per year (Exhibit 5). Almost all (98 percent) of the affected jobs paid less than the national living wage of \$68,808 for a family of four. Even before the pandemic, some 40 percent of Americans reported that they could not cover an unexpected \$400 expense without borrowing or selling assets. Finances were already precarious for many of the people who are now without work.

Looking across industries, those experiencing the biggest negative impact typically pay low wages and employ workforces with low educational attainment (Exhibit 6). Previous [research](#) from MGI found that these jobs have disproportionate concentrations of African-Americans, Hispanics, and people with a high-school education or less.

More than half of the vulnerable jobs in the private sector were in firms with fewer than 500 employees – and almost 40 percent from businesses with fewer than 100 people (Exhibit 7). Small businesses have less of a capital cushion to continue paying furloughed employees, and they may have fewer opportunities to redeploy workers to other functions. In addition, 16 million self-employed workers are not captured in our analysis due to lack of available data. But many of them are either unable to do business as usual or facing a sudden drop in demand.” – Susan Lund *et al.*; McKinsey & Company

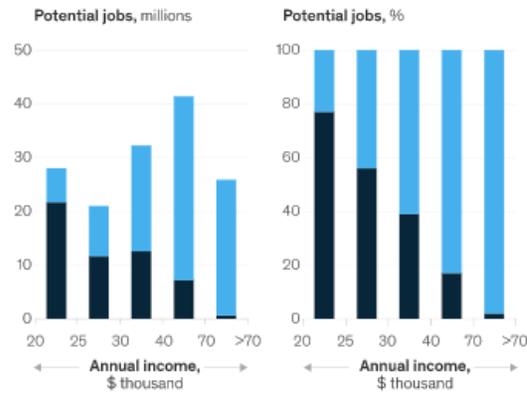
# Economics

Exhibit 5

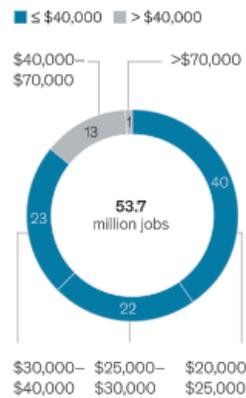
Eighty-six percent of vulnerable jobs paid less than \$40,000 a year.

Level of job vulnerability,<sup>1</sup> by income band

■ Vulnerable jobs ■ Stable jobs



Vulnerable jobs by annual income band<sup>1</sup> %

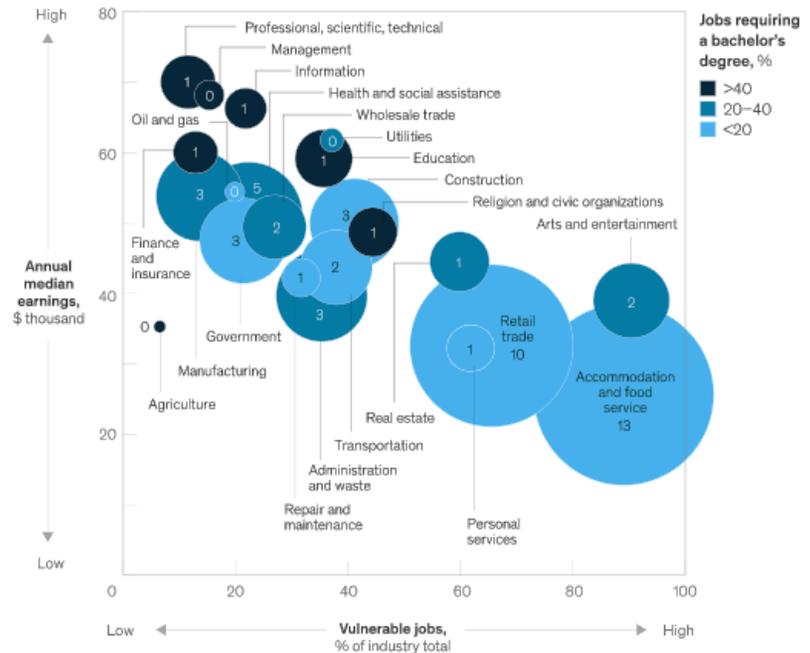


Note: Data may not sum to 100, because of rounding.  
<sup>1</sup>Vulnerable jobs are subject to furloughs, layoffs, or being rendered unproductive (for example, workers kept on payroll but not working) during periods of high physical distancing.  
 Source: LaborCubes; McKinsey Global Institute analysis

Exhibit 6

Industries with the lowest wages and the lowest educational attainment are being hit hardest.

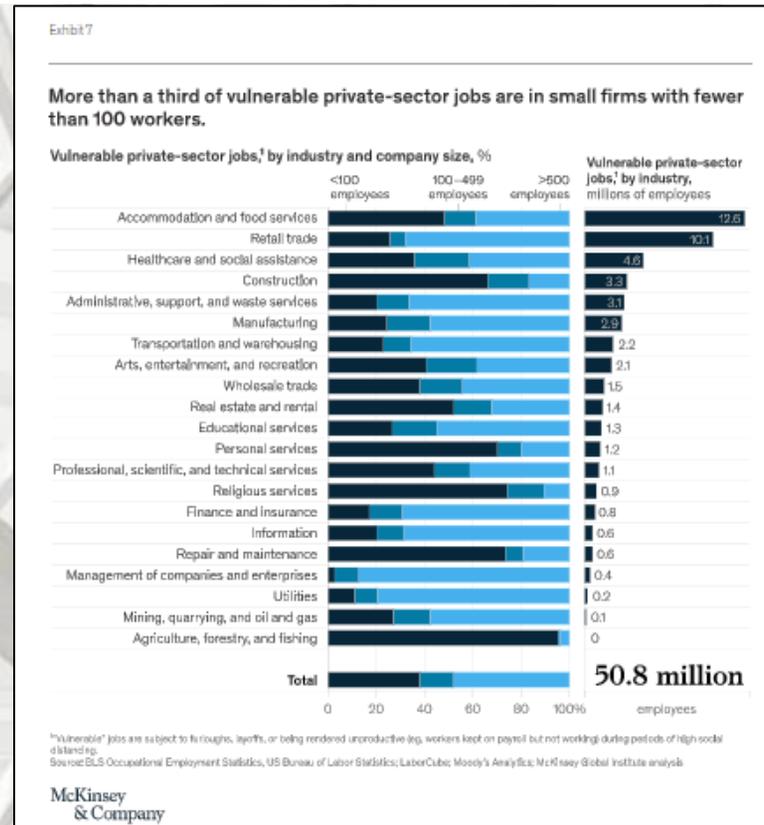
Vulnerable jobs,<sup>1</sup> by industry, earnings, and education, millions of people (circle size)



<sup>1</sup>Vulnerable jobs are subject to furloughs, layoffs, or being rendered unproductive (eg, kept on payroll but not working) during periods of high physical distancing.

McKinsey & Company

# Economics



## McKinsey & Company

### At the same time, America has work that urgently needs to be done

“While physical distancing and shutdowns are freezing some businesses, others are seeing spikes in demand. Some of the nation’s largest retailers are hiring tens of thousands of workers to meet demand for groceries and other necessities. Grocery stores, pharmacies, convenience stores, and pizza chains are all ramping up hiring. Hospitals and health providers are putting medical students immediately to work, and healthcare professionals who are retired or out of the workforce are streaming back.” – Susan Lund *et al.*; McKinsey & Company

# Economics

## McKinsey & Company

“We estimate that up to 3 million workers could find short-term employment as community health workers, warehouse staff, delivery drivers, and other critical roles. This number can be augmented if the private sector finds additional ways to keep workers productive. Even when large-scale repurposing is not possible, business can creatively redeploy staff who would otherwise be idle (shifting waiters into delivery-driver roles, for example) or offer voluntary reductions in hours to avoid layoffs. They can also partner with or participate in job platforms to help furloughed or laid-off workers immediately connect with temporary opportunities in other parts of the economy where demand is spiking.

The nation has an acute need for medical supplies and protective equipment to fight the pandemic, presenting an opportunity for manufacturers to repurpose factories to keep workers employed. Some are shifting production to turn out hand sanitizer; others are making protective masks, gowns, and scrubs. Multiple companies specializing in advanced manufacturing are gearing up to produce ventilators. This requires public–private coordination to ensure that technical standards are being followed and supplies get to the regions and facilities with the greatest need.

Many white-collar professionals are able to work from home during shutdowns. But in addition to the healthcare workers and first responders on the front lines of the pandemic, many blue-collar workers have to be physically present to do their work. They are stocking grocery shelves, cleaning hospitals, caring for the elderly, filling prescriptions, making and delivering food, delivering mail and packages, staffing warehouses and production lines, driving trucks, and collecting trash. These roles are often taken for granted in good times, but it is now apparent just how much society depends on them. The workers who are keeping these essential services going are doing so at the risk of exposing themselves to the virus – and they deserve equitable pay, sick leave, and adequate safety protections.” – Susan Lund *et al.*;  
McKinsey & Company; McKinsey & Company

# Economics

## McKinsey & Company

### Vulnerable workers need a lifeline

“The public and private sectors will need to respond decisively to help families meet their basic needs, create liquidity for businesses, and mitigate the potential long-term damage to the US economy. The \$2.2 trillion federal CARES Act passed in late March is a good start, but it will need to be operationalized quickly to get cash payments into the hands of individuals in need. Getting Small Business Administration loans to struggling small enterprises can help them bounce back, preventing millions of temporary layoffs from becoming permanent.

When the emphasis eventually shifts from fighting the virus to reopening the economy, many of the jobs on pause today will come back. But others will not. Companies that have laid off workers may wait to see how the recovery takes hold before rehiring. Past crises have led to structural shifts in the economy and new ways of working; this one could do the same. Some trends already under way, such as the shift to independent work and the gig economy, or adoption of automation and artificial intelligence, may accelerate as companies seek to make their operations more resilient to future pandemics.

Now the “future of work” may have arrived even sooner than anyone anticipated. The need to create better opportunities for all Americans once seemed like a long-term project, but the crisis puts that imperative into the present tense. The United States has been through many challenges in the past, from wars and the Great Depression to the influenza pandemic of 1918 – and it has always emerged stronger. The current crisis may similarly turn out to be a moment in history that forces us to build a more inclusive and resilient future.” – Susan Lund *et al.*; McKinsey & Company; McKinsey & Company

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