

# **The Virginia Tech–USDA Forest Service Housing Commentary: Section II June 2020**



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Virginia Polytechnic Institute and State University

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# U.S. Economic Indicators



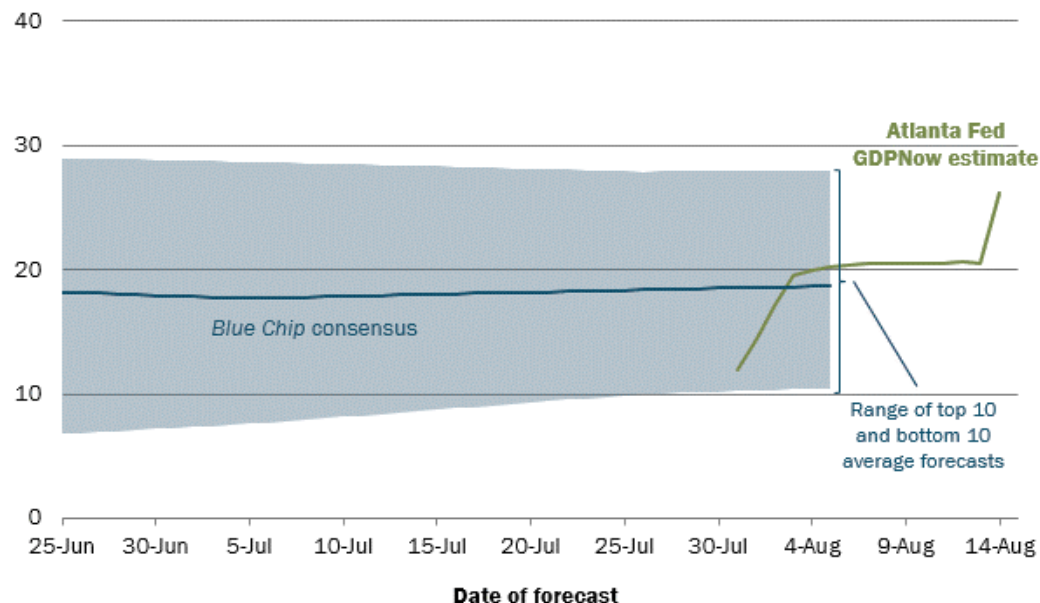
**GDPNow™**

**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 economic 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 and social mobility** beyond their impact on GDP source data and relevant economic reports that have already been released. It does not anticipate their impact on forthcoming economic reports beyond the standard internal dynamics of the model.

## Evolution of Atlanta Fed GDPNow real GDP estimate for 2020: Q3

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: 26.2 percent — August 14, 2020

“The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2020 is **26.2 percent** on August 14, up from 20.5 percent on August 7. After this week’s data releases by the U.S. Bureau of Labor Statistics, the U.S. Department of the Treasury’s Bureau of the Fiscal Service, the Federal Reserve Board of Governors, and the U.S. Census Bureau, the nowcasts of third-quarter real personal consumption expenditures growth and third-quarter real gross private domestic investment growth increased from 21.9 percent and 9.5 percent, respectively, to 27.8 percent and 19.7 percent, respectively, and the nowcast of third-quarter real government spending growth increased from 14.0 percent to 14.3 percent.” – Pat Higgins, Economist, Federal Reserve Bank of Atlanta



# **The Federal Reserve Bank of Chicago: Midwest Economy Index**

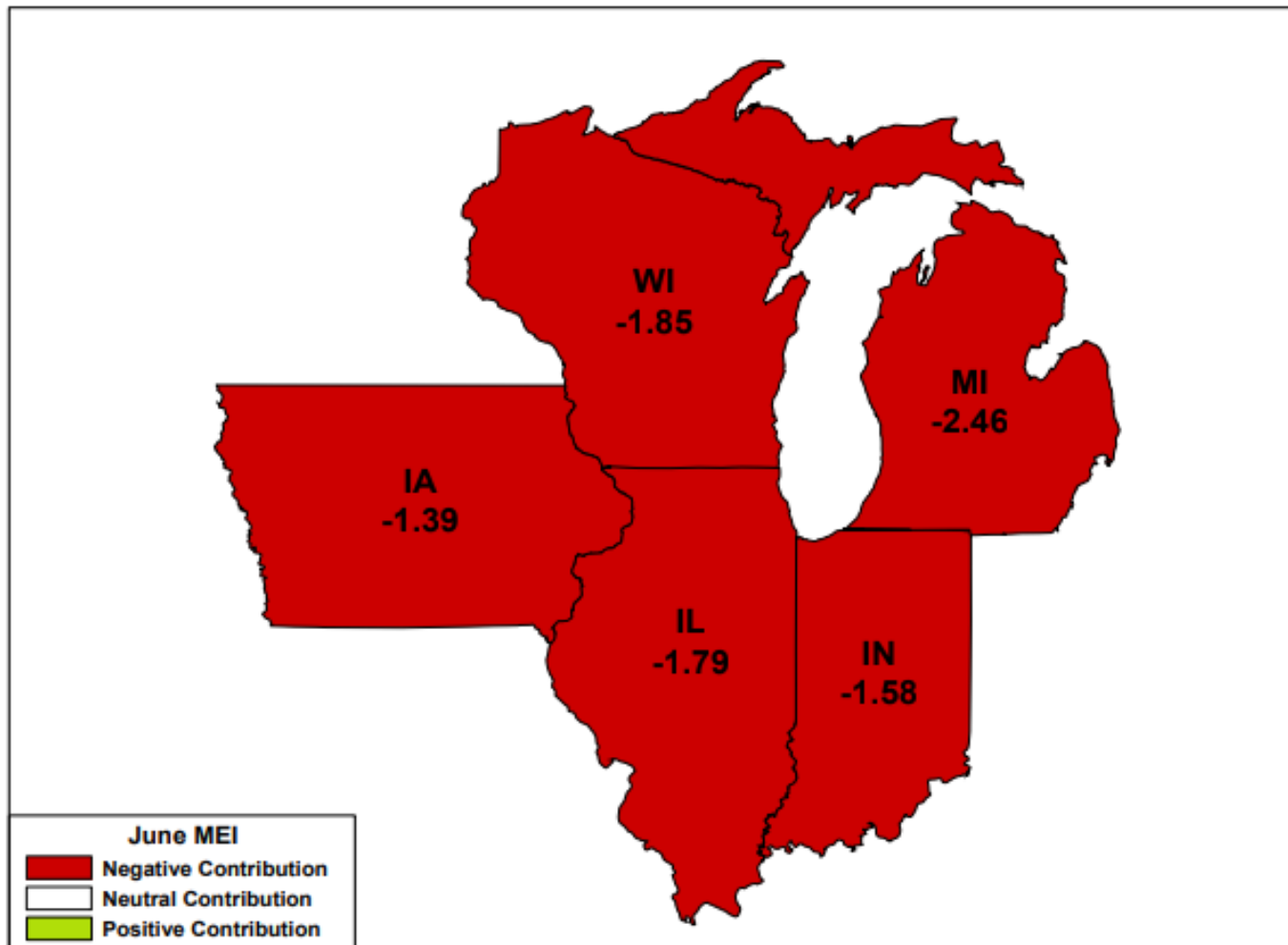
## **Index Suggests Midwest Growth Well Below Trend Through June**

“The Midwest Economy Index (MEI), which approximates quarterly growth at a monthly frequency, fell to –9.48 in June from –8.38 in May. Contributions to the June MEI from three of the four broad sectors of nonfarm business activity and all five Seventh Federal Reserve District states decreased from May. The relative MEI fell to –5.30 in June from +0.93 in May. Contributions to the June relative MEI from all four sectors and all five states decreased from May. The manufacturing sector’s contribution to the MEI moved down to –1.81 in June from –1.60 in May. The pace of manufacturing activity decreased in Illinois, Indiana, Michigan, and Wisconsin, but was steady in Iowa. Manufacturing’s contribution to the relative MEI fell to +1.48 in June from +3.44 in May. The construction and mining sector contributed –0.70 to the MEI in June, down from –0.56 in May. The pace of construction and mining activity was slower in all five states. Construction and mining’s contribution to the relative MEI decreased to –0.11 in June from +0.33 in May.

The service sector’s contribution to the MEI fell to –4.59 in June from –3.61 in May. The pace of service sector activity was down in all five states. The service sector’s contribution to the relative MEI decreased to –3.82 in June from –1.61 in May. Consumer spending indicators contributed –2.38 to the MEI in June, up from –2.60 in May. Consumer spending indicators were, on balance, up in all five states. Consumer spending’s contribution to the relative MEI moved down to –2.85 in June from –1.23 in May.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

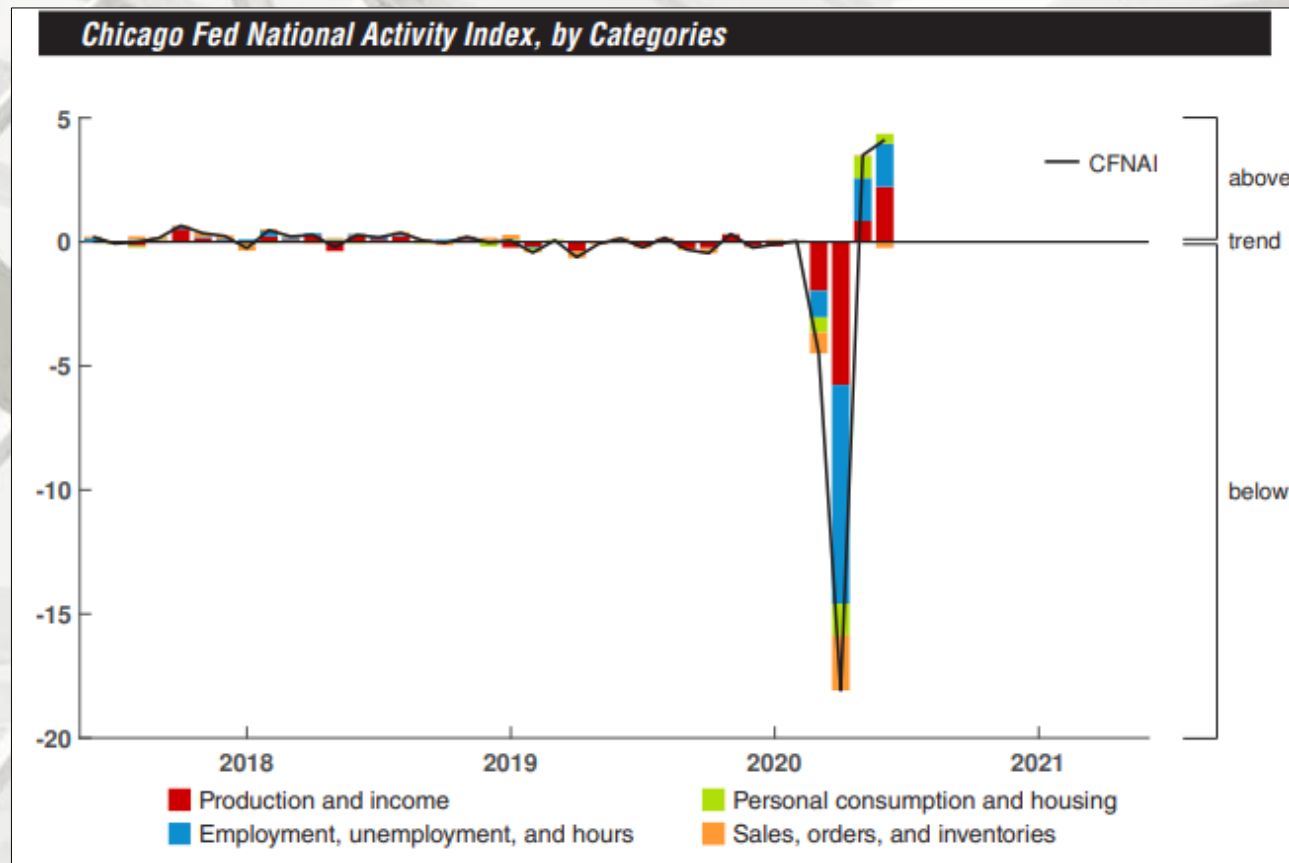
# The Federal Reserve Bank of Chicago: Midwest Economy Index

*MEI and the Seventh Federal Reserve District States*



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

# The Federal Reserve Bank of Chicago: National Activity Index



## Index suggests economic growth increased further in June

“Led by improvements in production- and employment-related indicators, the Chicago Fed National Activity Index (CFNAI) increased to +4.11 in June from +3.50 in May. Three of the four broad categories of indicators used to construct the index made positive contributions in June, and two of the four categories increased from May. The index’s three-month moving average, CFNAI-MA3, moved up to –3.49 in June from –6.36 in May.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

# **The Federal Reserve Bank of Chicago: National Activity Index**

## **Index suggests economic growth increased further in June**

“Production-related indicators contributed +2.22 to the CFNAI in June, up from +0.84 in May. Industrial production rose 5.4 percent in June after increasing 1.4 percent in May. The contribution of the sales, orders, and inventories category to the CFNAI moved down to – 0.24 in June from +0.04 in May.

Employment-related indicators contributed +1.74 to the CFNAI in June, up slightly from +1.73 in May. Nonfarm payrolls rose by 4.8 million in June after increasing by 2.7 million in May, and initial unemployment insurance claims declined by 849,000 in June after falling by 2.2 million in the previous month. The contribution of the personal consumption and housing category to the CFNAI decreased to +0.40 in June from +0.89 in May.

The CFNAI was constructed using data available as of July 20, 2020. At that time, June data for 50 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The May monthly index value was revised to +3.50 from an initial estimate of +2.61, and the April monthly index value was revised to –18.09 from last month’s estimate of –17.89. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The revisions to both the May and April monthly index values were primarily due to the latter.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago



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

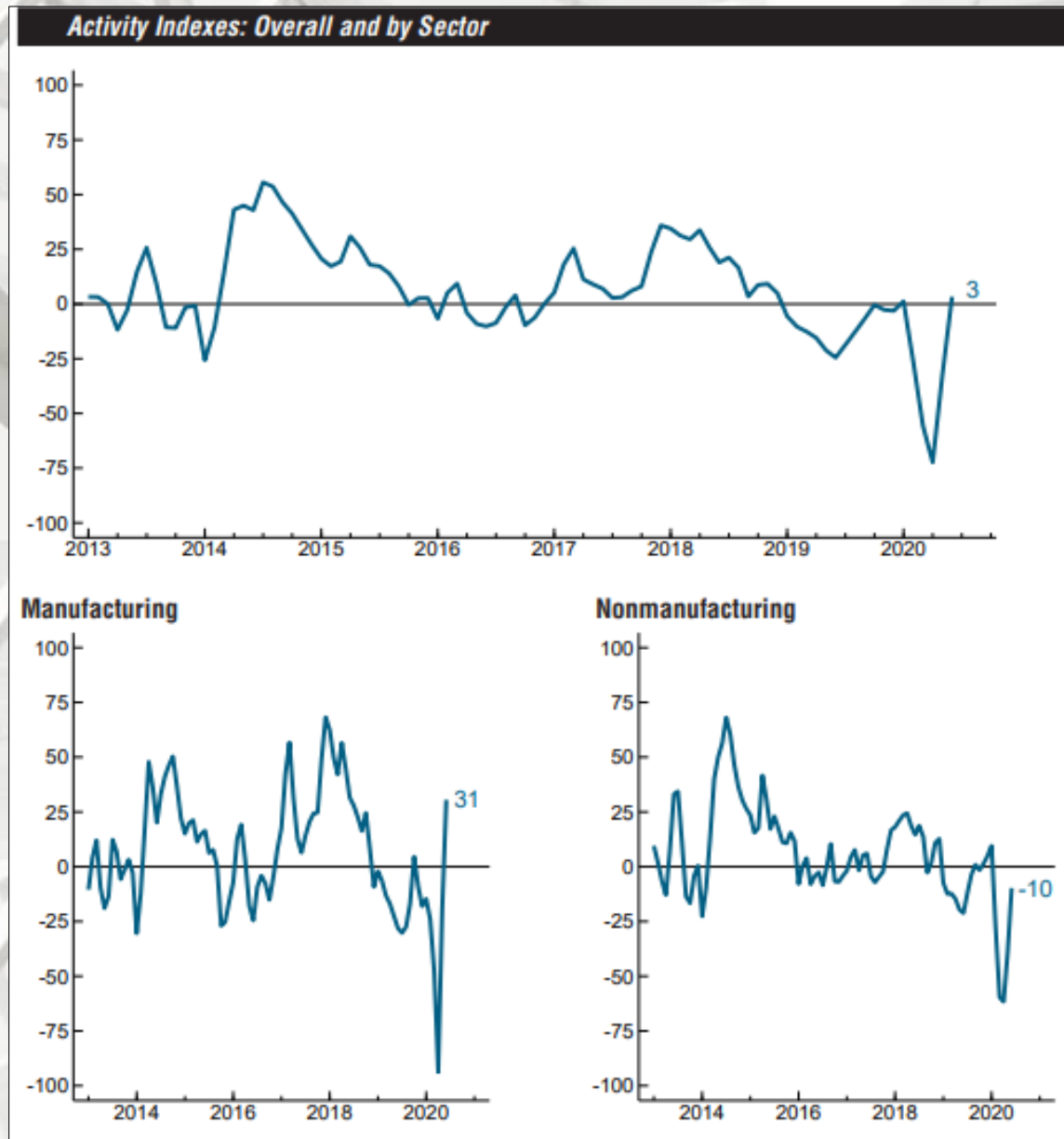
## Survey Suggests Growth Picked Up in June

“The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index increased to +3 in June from –32 in May, suggesting that economic growth was near trend. The CFSBC Manufacturing Activity Index moved up to +31 in June from –19 in May, and the CFSBC Nonmanufacturing Activity Index increased to –10 in June from –39 in the previous month.

- Respondents’ outlooks for the U.S. economy for the next 12 months improved and remained optimistic on balance. Forty-four percent of respondents expected an increase in economic activity over the next three months, and 48 percent expected activity to return to its level before the pandemic by the end of 2021.
- The pace of current hiring decreased slightly, as did respondents’ expectations for the pace of hiring over the next 12 months. But both hiring indexes remained negative.
- Respondents’ expectations for the pace of capital spending over the next 12 months decreased slightly, and the capital spending expectations index turned negative.
- The labor cost pressures index decreased, as did the nonlabor cost pressures index. 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 Recovery Continues

“Texas factory activity continued to expand in July following a record contraction in the spring, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, inched up from 13.6 to 16.1, suggesting a slight pickup in the pace of output growth.

Other measures of manufacturing activity also pointed to slightly accelerating growth this month. The new orders index advanced four points to 6.9. The growth rate of orders index turned positive in July, coming in at 1.3, after spending four months in negative territory. The capacity utilization and shipments indexes pushed up to 14.0 and 17.3, respectively, their highest readings in nearly a year.

Perceptions of broader business conditions were mixed in July. The general business activity index remained slightly negative, edging up from -6.1 to -3.0. The company outlook index registered a second consecutive positive reading, increasing three points to 5.9. The index measuring uncertainty regarding companies’ outlooks shot up from 9.1 to 20.9, with more than a third of manufacturing executives indicating increased uncertainty from June.

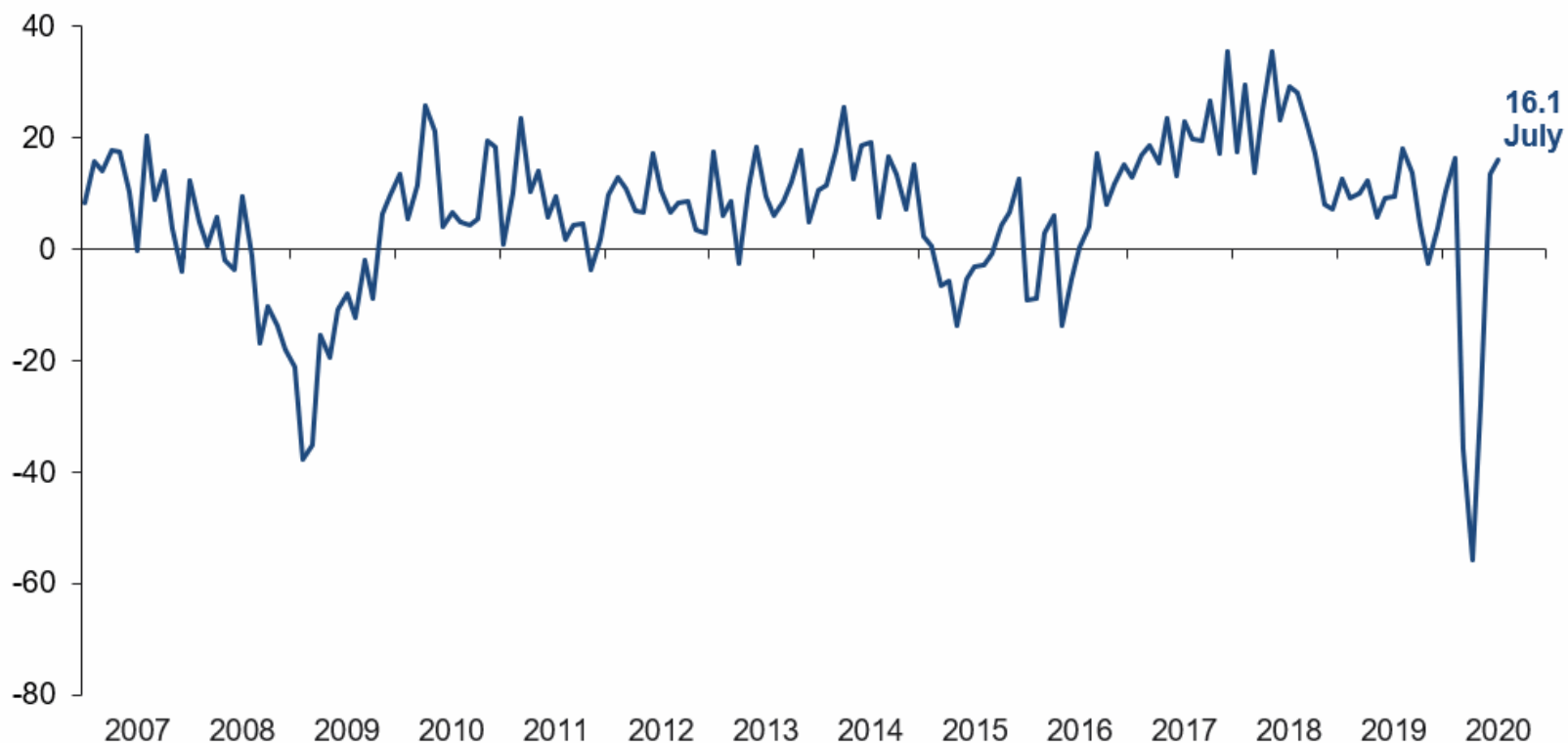
Labor market measures indicated modest growth in employment and workweek length. The employment index pushed up from -1.5 to 3.1, marking its first positive reading since January. Eighteen percent of firms noted net hiring, while 15 percent noted net layoffs. The hours worked index also turned positive, rising from -4.3 to 5.8.

Input and labor costs continued to increase, while selling prices were fairly flat in July. The raw materials prices index posted a third positive reading in a row but fell slightly from 12.3 to 9.7. The wages and benefits index was positive for a second consecutive month, rising from 6.8 to 9.0. The finished goods prices index, however, remained slightly negative, inching up three points to -1.5. This near-zero reading suggests little change in selling prices from June following four months of more-pronounced price declines.” – 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 Recovery Continues

“Expectations regarding future business activity remained universally positive in July, though some were less positive than last month. The future production index slipped to 37.2, while the future general business activity index dropped nine points to 10.6.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

# The Federal Reserve Bank of Dallas

## Texas Service Sector Outlook Survey

### Texas Service Sector Activity Declines

“Activity in the Texas service sector contracted in July after showing moderate growth in June, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, dropped to negative territory, falling from 5.7 in June to -8.5 in July.

Labor market indicators reflected a further deterioration in employment and shortening workweek length in July. The employment index fell five points to -6.8, suggesting an acceleration in job declines compared with June, while the hours worked index declined three-and-a-half points to -3.7.

Perceptions of broader business conditions turned negative in July. The general business activity index plunged nearly 29 points to -26.7, while the company outlook index fell from 2.2 to -15.8. One-third of respondents noted a worsening of their outlook, compared with 17 percent noting an improved outlook. The outlook uncertainty index surged to 29.4, its highest reading since April.

Wages flattened out in July, while price pressures were mixed. The wages and benefits index declined seven points to 0.4, a level indicating little net change in employee compensation. The selling prices index fell from -2.2 to -5.9, while the input prices index was roughly unchanged at 17.8, suggesting continued inflation in firms’ input costs.

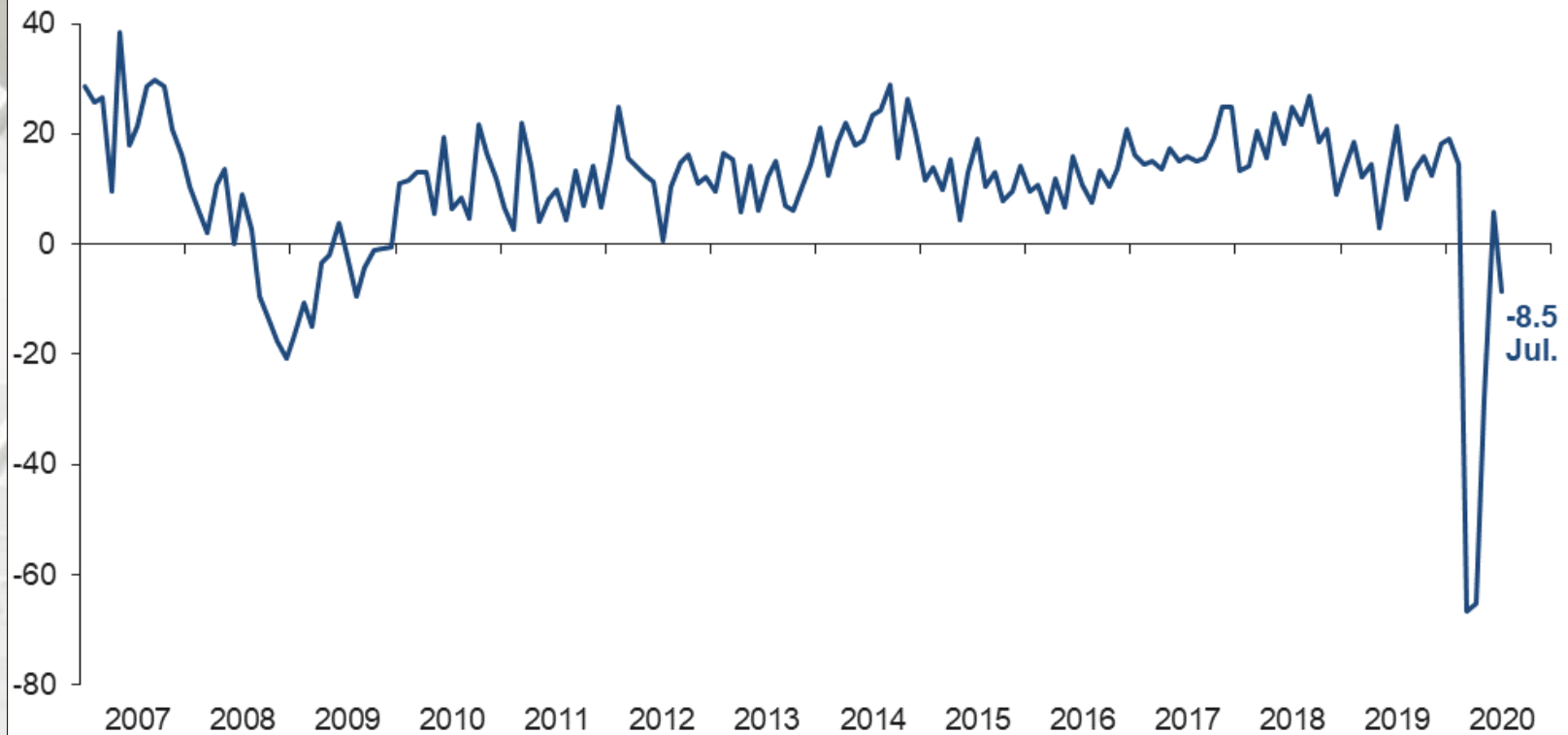
Respondents’ expectations regarding future business activity were mixed in July. The future general business activity index shed 16 points to -9.2, with 34 percent of respondents expecting worsening activity in six months. The future revenue index, though still positive, dropped from 34.1 to 17.9. Other indexes of future service sector activity such as employment were still positive but below their 12-month averages, suggesting expectations of slower improvement over the next six months.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas



# The Federal Reserve Bank of Dallas

## Texas Service Sector Outlook Survey Revenue Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

# The Federal Reserve Bank of Dallas

## Texas Retail Sales Rebound Sharply

“Retail sales activity declined sharply in July, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, plummeted nearly 60 points to -26.7, its weakest reading since April. Nearly half of respondents reported decreased sales compared with June, while just 21 percent reported increases. Inventories continued to fall at a rapid pace, with the inventories index increasing but remaining starkly negative at -21.3.

Retail labor market indicators worsened in July, pointing toward an acceleration in job losses and shortening workweek lengths. The employment index fell from -5.0 to -10.7, while the part-time employment index shed over 11 points, falling to -15.4. The hours worked index slipped slightly from -6.2 in June to -7.8 in July.

Retailers’ perceptions of broader business conditions turned sharply negative compared with June’s optimism. The general business activity index lost over 53 points, dropping to -23.7, while the company outlook index declined from 16.5 in June to -6.8 in July. The outlook uncertainty index also spiked from -9.6 to 13.7, pointing to heightened uncertainty compared with June.

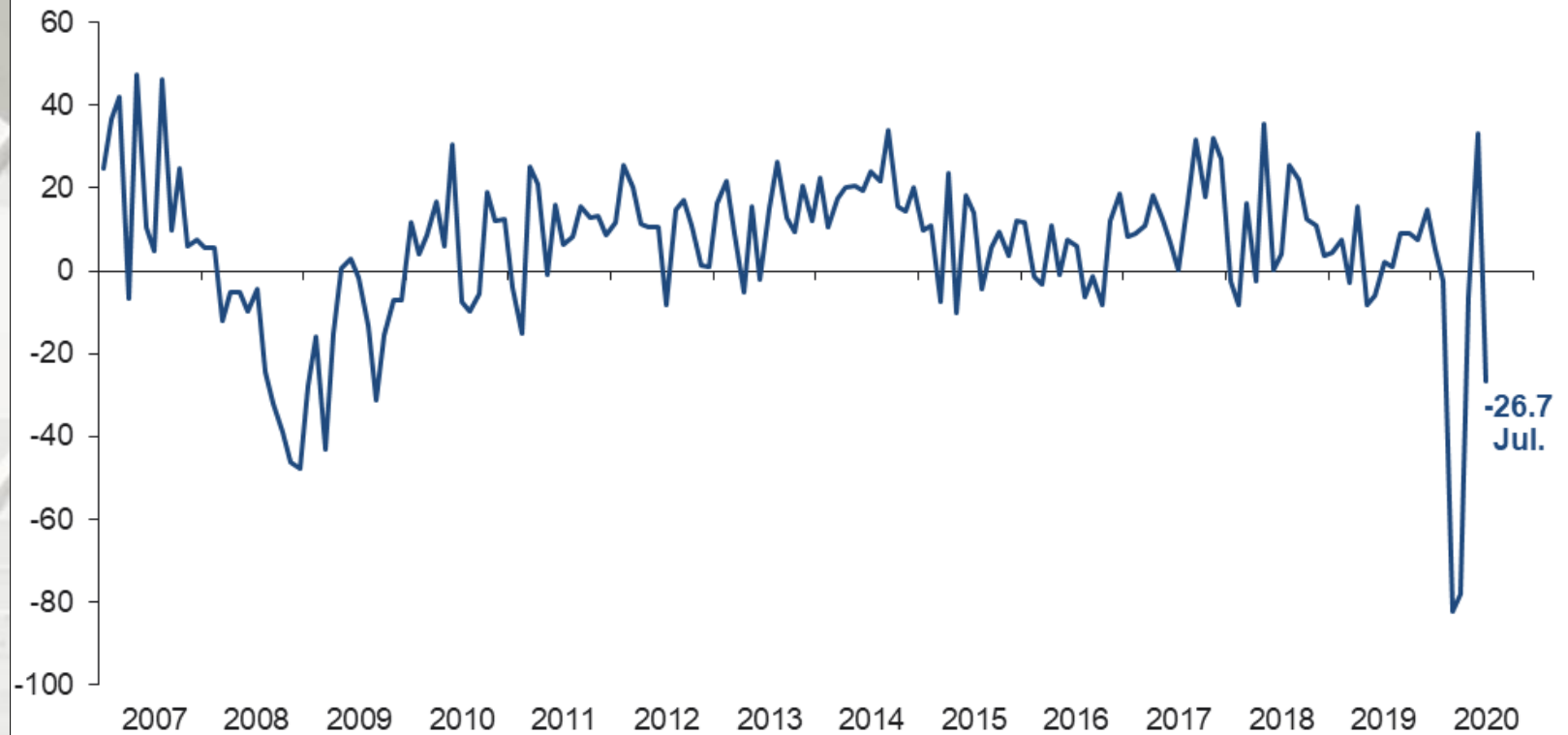
Retail wages declined in July, while price pressures eased notably. The wages and benefits index fell into negative territory, dipping from 2.8 in June to -5.3 in July. The selling prices index decreased over 15 points to 2.0, suggesting mild inflation pressures, while the input prices index dropped about 11 points to 17.1.

Retailers’ perceptions of future activity were subdued in July compared with June. The future general business activity index fell from 12.7 to -3.4. Meanwhile, the future sales index declined over seven points, though at 32.3 it still suggests expectations of sales growth six months ahead. Other indexes of future retail activity such as employment remained positive but fell, pointing to overall expectations of a weaker increase in future activity.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

# The Federal Reserve Bank of Dallas

## Texas Retail Outlook Survey Sales Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

# **U.S. Economic Indicators**

## **The Federal Reserve Bank of Kansas City**

### **Tenth District Manufacturing Activity Continued to Grow Slightly**

#### *Factory Activity Continued to Grow Slightly in July*

“Tenth District manufacturing activity continued to grow slightly after decreasing sharply in the spring, but still remained well below year-ago levels (Chart 1). Expectations for future activity continued to improve slightly. District firms continued to expect prices for both finished goods and raw materials to expand in the next six months.

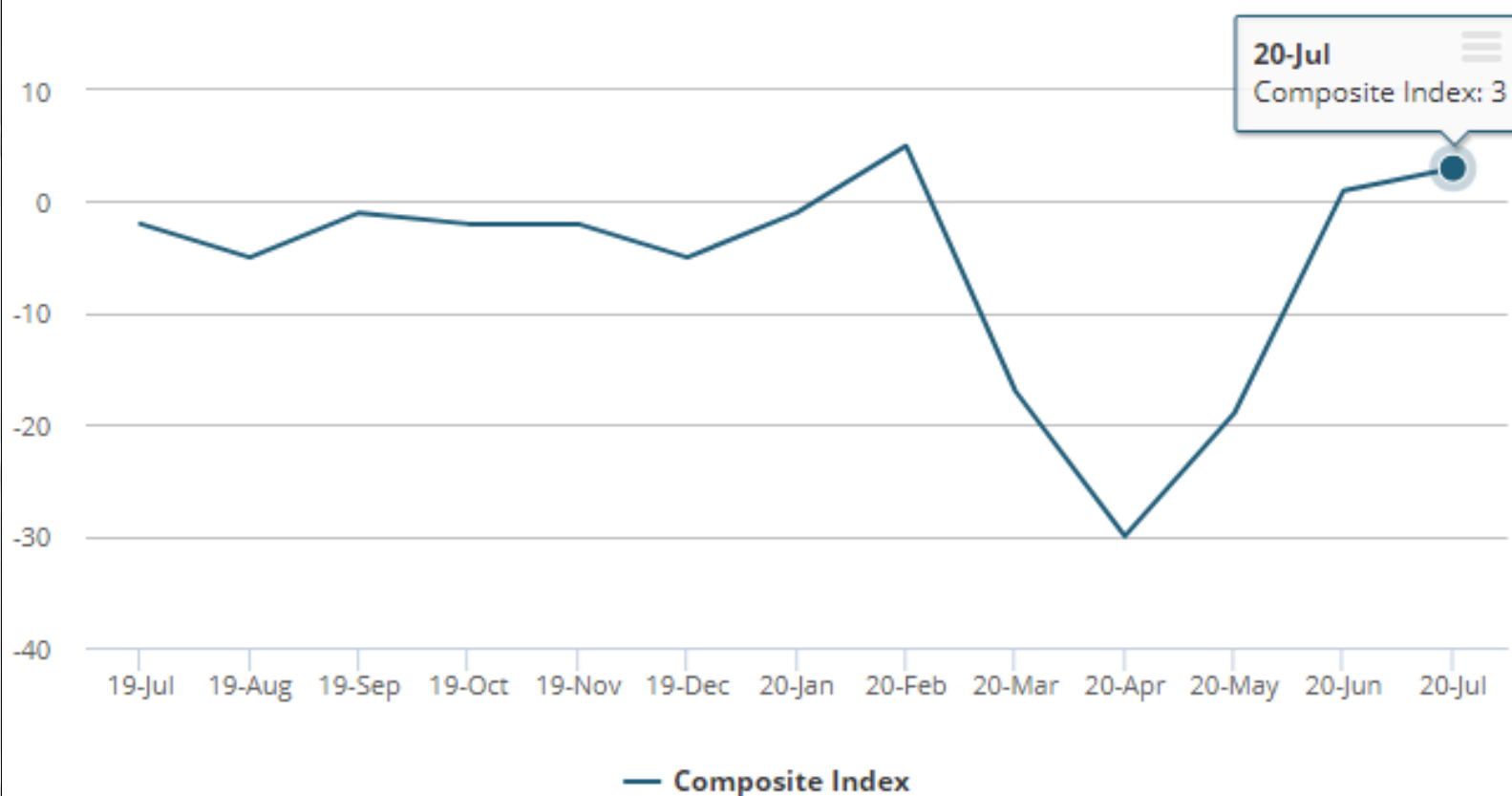
The month-over-month composite index was 3 in July, up slightly from 1 in June and up considerably from -19 in May. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The improvement in activity was still driven by non-durable goods plants. However, activity in most durable goods factories also improved except for continued decreases in fabricated metals and computer and electronics plants. Most month-over-month indexes were positive. Production, shipments, new orders, and supplier delivery time indexes remained positive, and indexes for order backlog and employment recovered to positive levels. Only new orders for exports and inventories indexes remained negative. Most year-over-year factory indexes increased but remained negative in July. The future composite index continued to rise in July, increasing slightly from 9 to 14.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City



# The Federal Reserve Bank of Kansas City

Chart 1

Composite Index vs. a Month Ago



# U.S. Economic Indicators

## The Federal Reserve Bank of Kansas City

### Tenth District Services Activity Increased Considerably

*Tenth District services activity increased considerably in July, but remained lower than a year ago while expectations for future activity declined slightly.*

#### **Business Activity Increased Considerably in July**

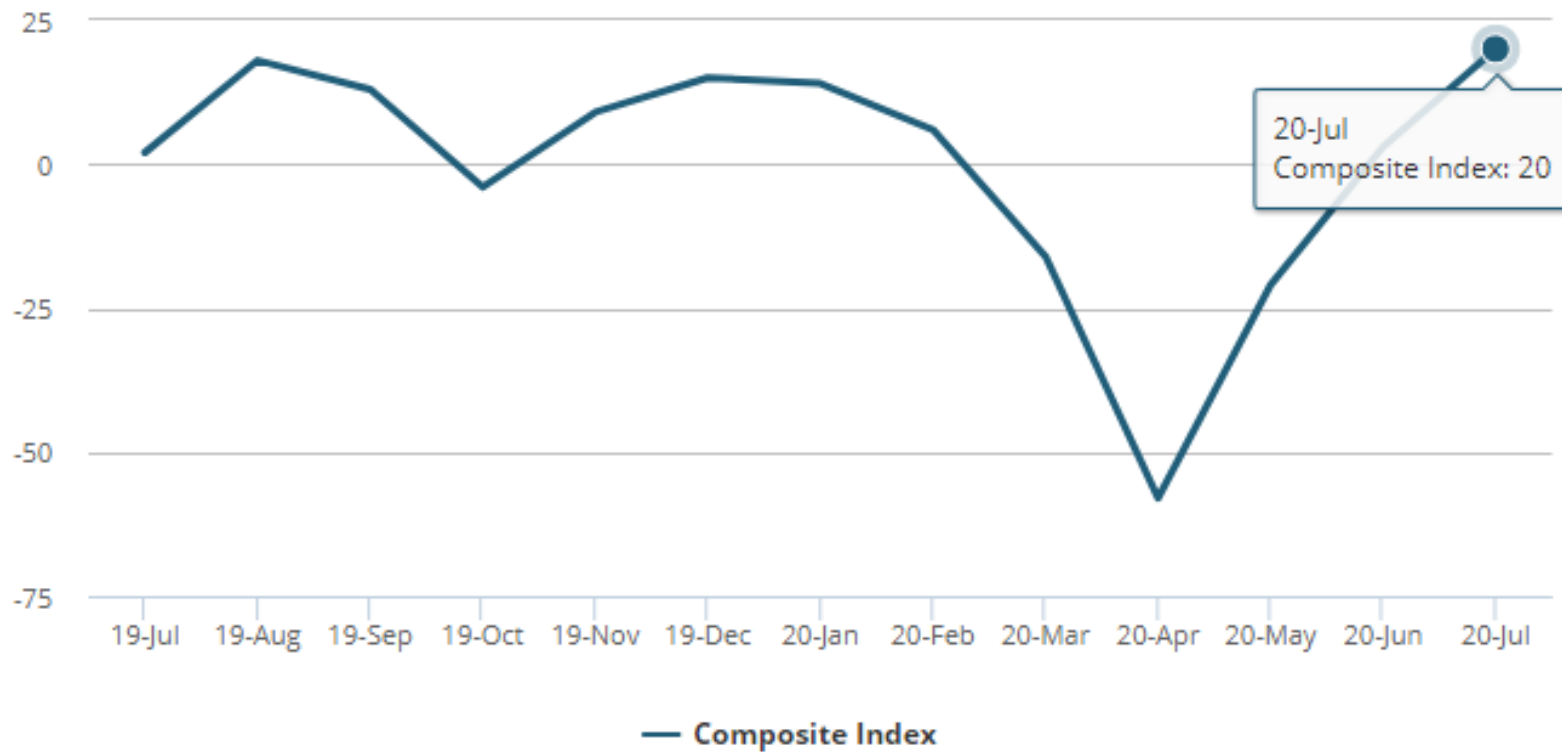
“Tenth District services activity increased considerably in July, but remained lower than a year ago while expectations from a year ago declined slightly (Chart 1). The indexes for input and selling prices continued to expand in July. Firms expected both input and selling prices to increase over the next six months.

The month-over-month services composite index was 20 in July, up significantly from 3 in June and -21 in May. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were largely higher in July. General revenue and sales jumped, and the indexes for employment, employee hours, and wages and benefits indexes expanded further. The part-time employment and capital expenditures indexes rose into positive territory in July after declining in previous months. However, the month-over-month indexes for inventory and access to credit continued to decline. The increase in the general revenue/sales index was driven by more activity for retail, travel and tourism, transportation, health services, and real estate, while restaurant activity declined. On the other hand, most year-over-year indexes remained negative in July, though the year-over-year composite index rose from -32 to -20. Expectations for future services activity dipped, slowing from 9 in June to -2 in July.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

# U.S. Economic Indicators

Chart 1

Composite Index vs. a Month Ago



# The Federal Reserve Bank of New York

## Empire State Manufacturing Survey

### Conditions Improve

“Business activity increased in New York State for the first time in several months, according to firms responding to the July 2020 *Empire State Manufacturing Survey*. The headline general business conditions index rose to 17.2, its first positive reading since February. New orders and shipments also increased, and unfilled orders were steady. Delivery times were somewhat longer, and inventories declined. Employment levels and the average workweek were little changed. Input price increases were not much different than last month, while selling prices edged lower. Firms remained optimistic about the six-month outlook, though less so than in June.

Manufacturing firms in New York State reported that business activity increased in July, marking the first such pickup since the pandemic began. The general business conditions index rose above zero, climbing seventeen points to 17.2, its third consecutive monthly increase. Forty-one percent of respondents reported that conditions had improved over the month, while 24 percent reported that conditions had worsened. The new orders index rose fifteen points to 13.9, indicating that orders increased, and the shipments index climbed fifteen points to 18.5, pointing to a solid increase in shipments. Unfilled orders were unchanged. Delivery times were slightly longer, and inventories declined.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York



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

## **Empire State Manufacturing Survey**

### **Employment Holds Steady**

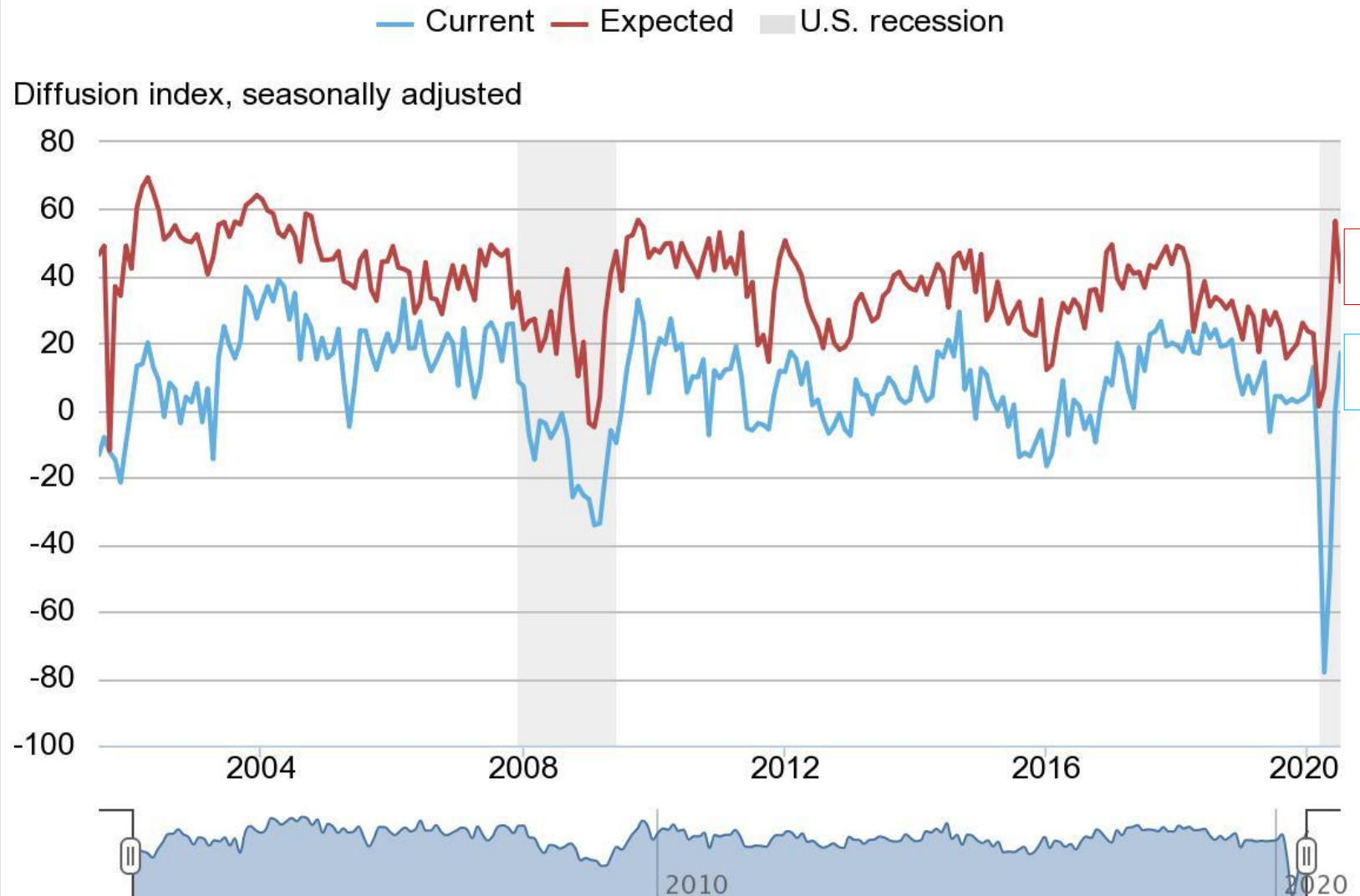
“The index for number of employees edged up to 0.4, signaling that employment levels were steady. Notably, 22 percent of firms said that employment levels increased in July, the same proportion that reported a decrease. The average workweek index increased nine points to -2.6, pointing to a small decline in hours worked. The prices paid index was little changed at 14.9, indicating that input prices increased at about the same pace as last month. The prices received index moved down to -4.5, indicating that selling prices declined.

### **Optimism Dips**

After rising sharply last month to a multi-year high, the index for future business conditions fell eighteen points to 38.4, suggesting that firms remained optimistic about future conditions, though less so than in June. The indexes for future new orders and future shipments fell somewhat, but remained near 40. The index for future employment rose to 21.1, suggesting firms expect to increase employment in the months ahead. The capital expenditures index rose to 9.1, a sign that firms, on net, planned to increase capital spending.” – 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 Stabilizes

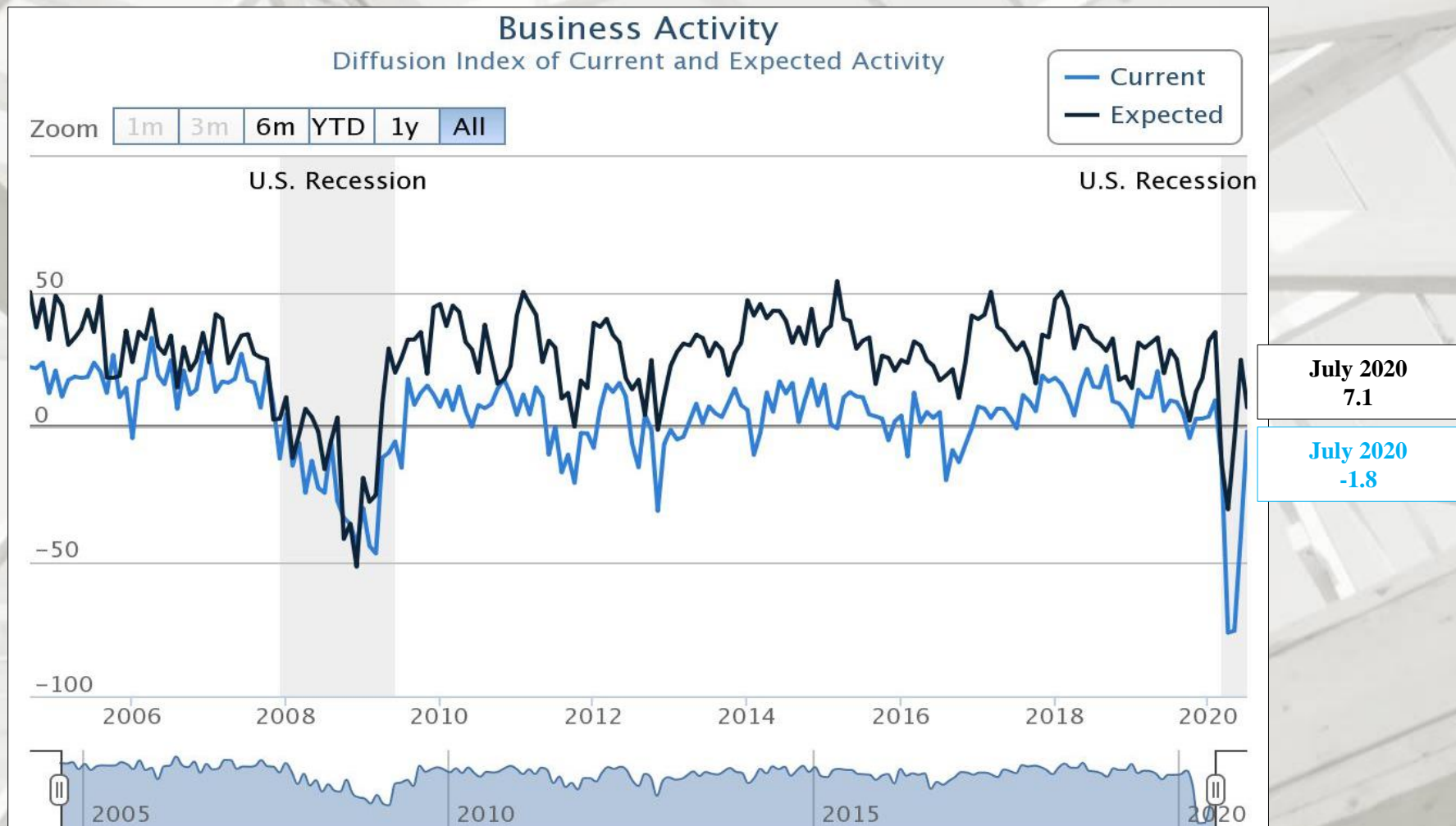
“Activity in the region’s service sector held fairly steady, according to firms responding to the Federal Reserve Bank of New York’s July 2020 *Business Leaders Survey*. The survey’s headline business activity index climbed thirty-eight points to -1.8. The business climate index rose seven points, but at -75.4, it indicated that the vast majority of firms still viewed the business climate as worse than normal. Employment levels continued to decline, though at a significantly slower pace than last month, and wages held steady. Input prices increased at the same pace as in June, while selling prices continued to fall. Capital spending declined. Firms were less optimistic about the six-month outlook than in June, and the business climate is expected to be worse than normal in the months ahead.

### Employment Declines Continue

The employment index increased for a second consecutive month, but the index remained well below zero at -21.1, pointing to ongoing employment declines. The wages index climbed to 0.4, signaling that wages stabilized after declining for the prior three months. The prices paid index held steady at 20.4, indicating that input prices increased at the same pace as last month. The prices received index moved up seven points, but at -7.9, pointed to ongoing selling price declines. The capital spending index came in at -26.1, suggesting ongoing significant declines in capital spending.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York



# The Federal Reserve Bank of New York



## Optimism Wanes

“Firms expected business activity to be higher over the next six months, but expect the business climate to be worse than normal. The index for future business activity fell eighteen points to 7.1, and future business climate fell twenty-two points to -8.3. Firms expected some gains in employment and wages in the months ahead, though capital spending is expected to continue to decline.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

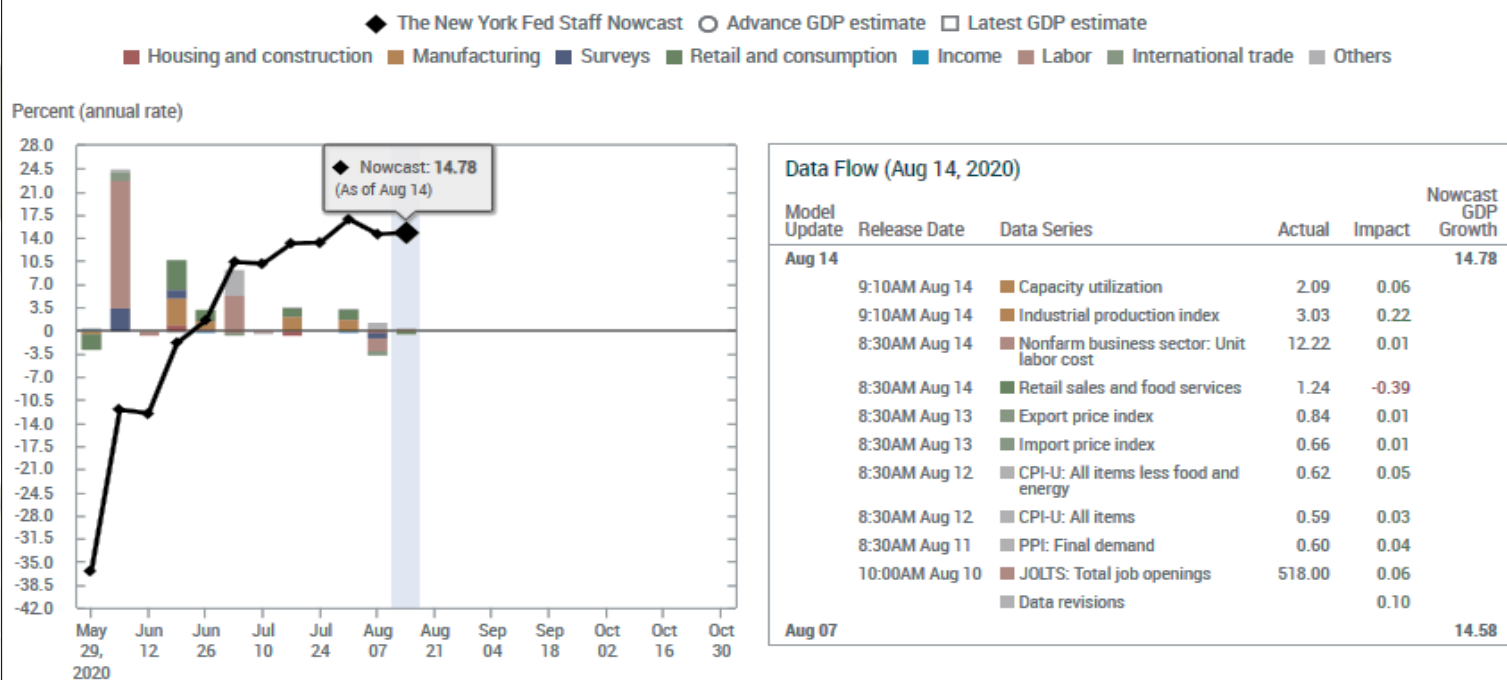


# U.S. Economic Indicators

## The Federal Reserve Bank of New York Nowcast

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

Last Release 11:15am EST Aug 14, 2020



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

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

### August 14, 2020: Highlights

- “The New York Fed Staff Nowcast stands at 14.8% for 2020:Q3.
- News from this week’s data releases increased the nowcast for 2020:Q3 by 0.2 percentage point.
- Positive surprises from industrial production, capacity utilization, and prices data were partially offset by a negative surprise from retail sales data.” – The Federal Reserve Bank of New York

# U.S. Economic Indicators

## The Federal Reserve Bank of Philadelphia

### July 2020 Manufacturing Business Outlook Survey

“Manufacturing activity in the region continued to expand this month, according to firms responding to the July *Manufacturing Business Outlook Survey*. The survey’s current indicators for general activity, new orders, and shipments showed positive readings for the second consecutive month, coinciding with the phased reopening of the economy in our region. The employment index reached positive territory for the first time since March. Although future indicators for general activity, new orders, and shipments declined from last month’s readings, the indexes remained elevated, suggesting that the firms expect overall growth over the next six months.

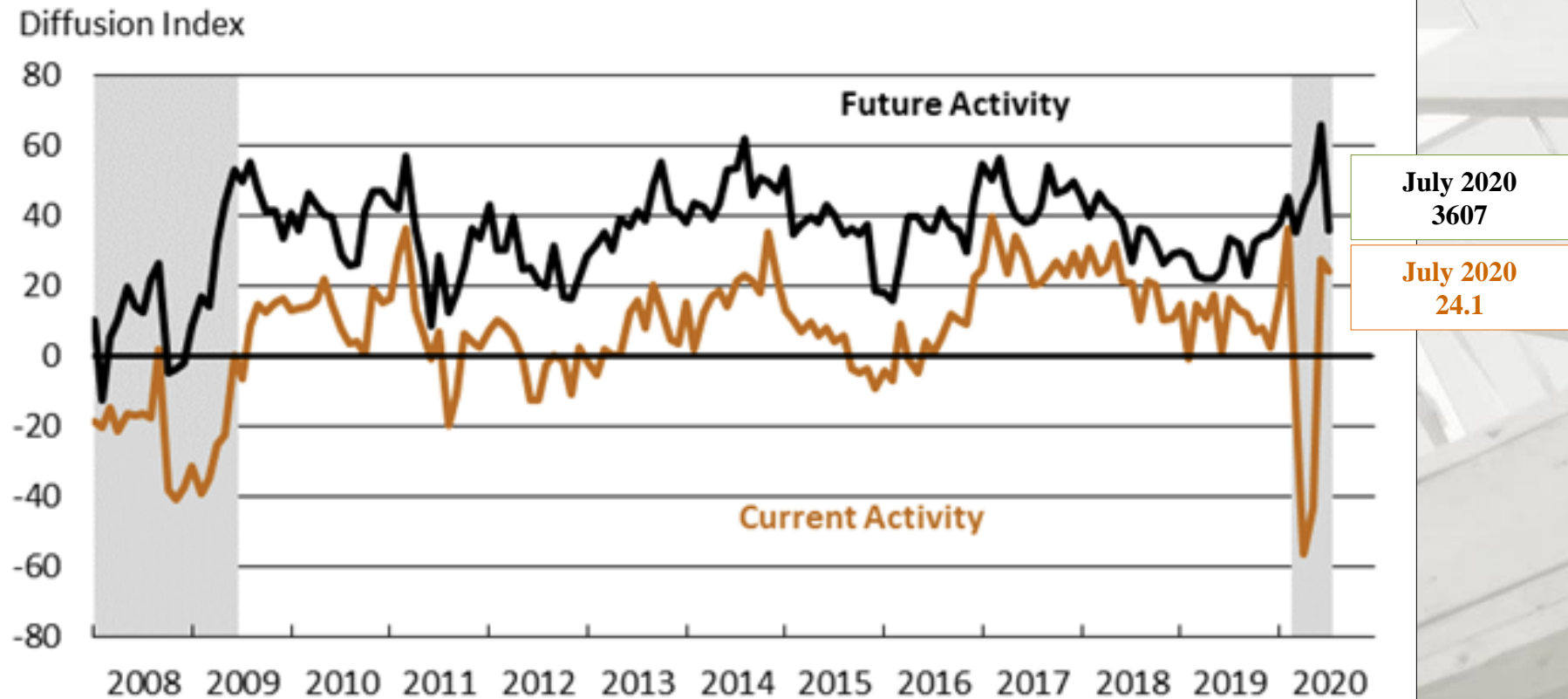
#### Most Current Indicators Are Positive

The diffusion index for current activity edged down 3 points to 24.1 in July, its second consecutive positive reading after reaching long-term lows in the spring (see Chart 1). The percentage of firms reporting increases (45 percent) this month exceeded the percentage reporting decreases (21 percent). The index for new orders rose from 16.7 to 23.0. Nearly 47 percent of the firms reported increases this month, while 24 percent reported decreases. The current shipments index fell 10 points to 15.3 in July. Unfilled orders rose 4 points to 3.9, while delivery times fell 7 points to -6.4, suggesting shorter delivery times.

The firms reported increases in manufacturing employment overall for the first time since March, as the current employment index rose 24 points to 20.1 this month, its highest reading since October. More than 29 percent of the firms reported increases (up from 12 percent last month), while 9 percent reported decreases (down from 16 percent). The average workweek index rose 24 points to 17.2, also reaching its first positive reading since March.” – 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 July 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 Overall Increases in Prices**

“The prices paid diffusion index increased 5 points to 15.7. Nearly 16 percent of the firms reported increases in input prices, and none reported decreases; most firms (84 percent) reported no change. The current prices received index, reflecting manufacturers’ own prices, held steady at 11.5.

## **All Future Indicators Remain Positive**

The respondents remained optimistic about growth over the next six months. The diffusion index for future general activity fell 30 points to 36.0 in July (see Chart 1). Roughly half of the firms reported increases this month (down from 75 percent last month), while 13 percent reported decreases (up from 9 percent). The future new orders index fell 12 points to 55.6, while the future shipments index decreased 14 points to 51.3 this month. The future inventories index rose 6 points to a reading of 8.9.

The firms’ expectations for future prices remained positive this month: The future prices paid index edged down 1 point to 43.0, and the future prices received index fell 4 points to 24.7.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia



# The Federal Reserve Bank of Philadelphia

“The firms continued to expect increases in employment over the next six months, with the future employment index edging up 3 points. Nearly 37 percent of the firms expected higher employment, while 4 percent expected lower employment. The firms’ expectations for future capital spending held steady this month.

## Summary

Responses to the July *Manufacturing Business Outlook Survey* indicated continued improvement in manufacturing activity. The indicators for current activity, new orders, and shipments remained positive for the second consecutive month, and the employment index reached positive territory for the first time since March. Both prices paid and prices received indexes remained positive. The survey’s future indexes suggest that respondents continue to expect growth in manufacturing activity over the next six months.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

# The Federal Reserve Bank of Philadelphia

## July 2020 Nonmanufacturing Business Outlook Survey

### Current Indicators Reach Positive Territory

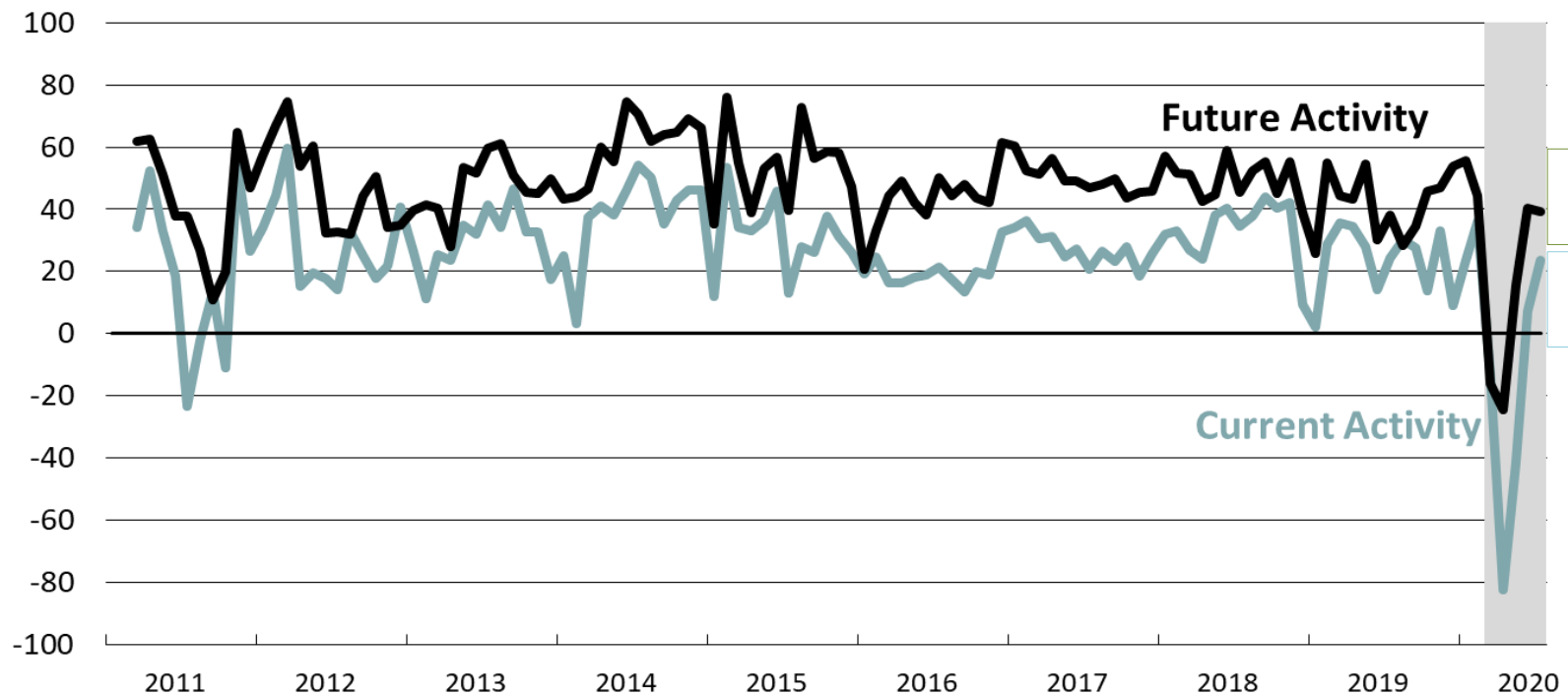
“Nonmanufacturing firms reported continued weakness in regional nonmanufacturing activity this month, according to results from the *Nonmanufacturing Business Outlook Survey*. The indexes for general activity at the firm level and sales/revenues showed positive readings for the second consecutive month after a string of negative readings in the spring, coinciding with the phased reopening of the service economy in the region. Additionally, the new orders index showed a positive reading for the first time since February. However, the full-time employment index remained negative. The respondents expect overall improvement in conditions over the next six months, as both future activity indexes remain positive.

The diffusion index for current general activity at the firm level rose for the third consecutive month from 7.3 in June to 23.7 in July, after reaching historic lows in the spring (see Chart 1). Over 49 percent of the firms reported increases (up from 45 percent last month), while 25 percent reported decreases (down from 38 percent last month). The new orders index rose 26 points to 13.8 in July, its third consecutive month with a double-digit increase and its first positive reading since February. Forty percent of the firms reported increases in new orders, while 26 percent reported decreases. The sales/revenues index rose from 0.3 in June to 11.1 in July. The regional activity index increased 4 points to 0.7, its first positive reading since February.” – 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 July 2020

Diffusion Index



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

# **The Federal Reserve Bank of Philadelphia**

## **June 2020 Nonmanufacturing Business Outlook Survey**

### **Employment Indicators Remain Negative**

“The firms reported overall decreases in full-time and part-time employment for the fifth consecutive month. The full-time employment index rose 5 points to -8.1, rising for the third consecutive month after reaching an all-time low in April. The share of firms reporting decreases in full-time employment (22 percent) exceeded the share reporting increases (14 percent); the majority (59 percent) reported no change. The part-time employment index increased 4 points to -20.7. The majority of firms reported steady part-time employment (56 percent), while 29 percent of the firms reported decreases and 9 percent reported increases. The wages and benefits indicator rose 6 points to 2.3, its first positive reading since March, and the average workweek index fell 5 points to 1.6.

### **Firms Continue to Report Declines in Prices of Own Goods**

Price indicator readings suggest overall increases in prices for inputs and declines in prices for the firms’ own goods and services. The prices paid index increased from 2.0 in June to 9.9 in July. While most respondents (60 percent) reported stable input prices, 18 percent of the firms reported increases, and 8 percent reported decreases. Regarding prices for the firms’ own goods and services, the prices received index held steady at -13.8 in July. Twenty-three percent of the firms reported decreases in prices received, and 9 percent reported increases. Fifty-seven percent of the firms reported no change in prices for their own goods and services.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia



# The Federal Reserve Bank of Philadelphia

## June 2020 Nonmanufacturing Business Outlook Survey

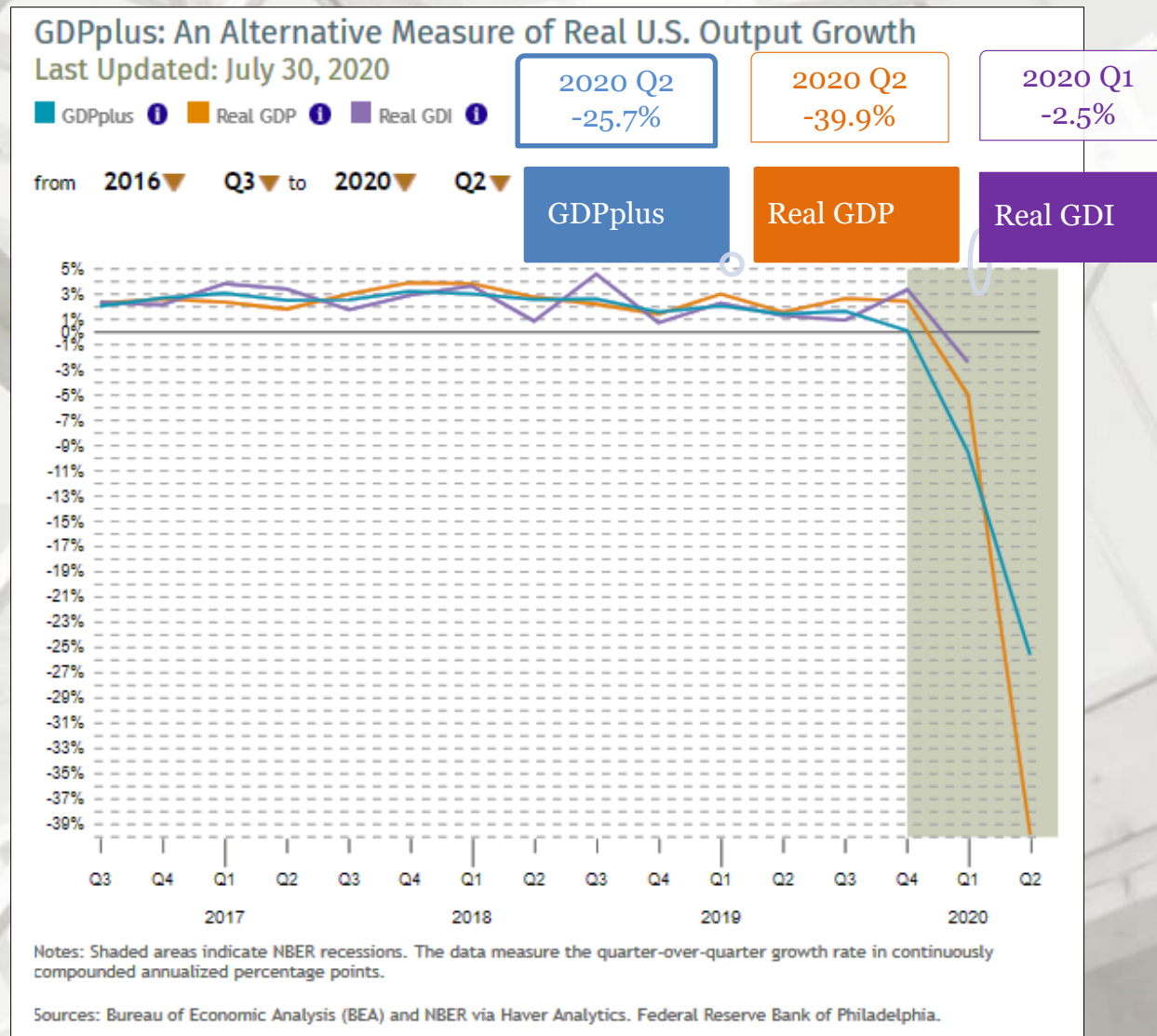
### Future Indicators Remain Positive

“Both future activity indexes suggest that the respondents expect overall improvement in nonmanufacturing activity over the next six months. The diffusion index for future activity at the firm level edged down from a reading of 40.5 in June to 39.1 this month (see Chart 1). Nearly 60 percent of the firms expect an increase in activity at their firms over the next six months, compared with 21 percent that expect decreases. The future regional activity index fell from 37.1 in June to 23.9 in July.

### Summary

Responses to this month’s *Nonmanufacturing Business Outlook Survey* suggest signs of improvement in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, and new orders are now all in positive territory after reaching all-time lows in the spring; however, the index for full-time employment remained negative. The future activity indexes suggest that respondents expect improvement at their firms and in the region over the next six months.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

# The Federal Reserve Bank of Philadelphia: GDPplus



# **U.S. Economic Indicators**

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

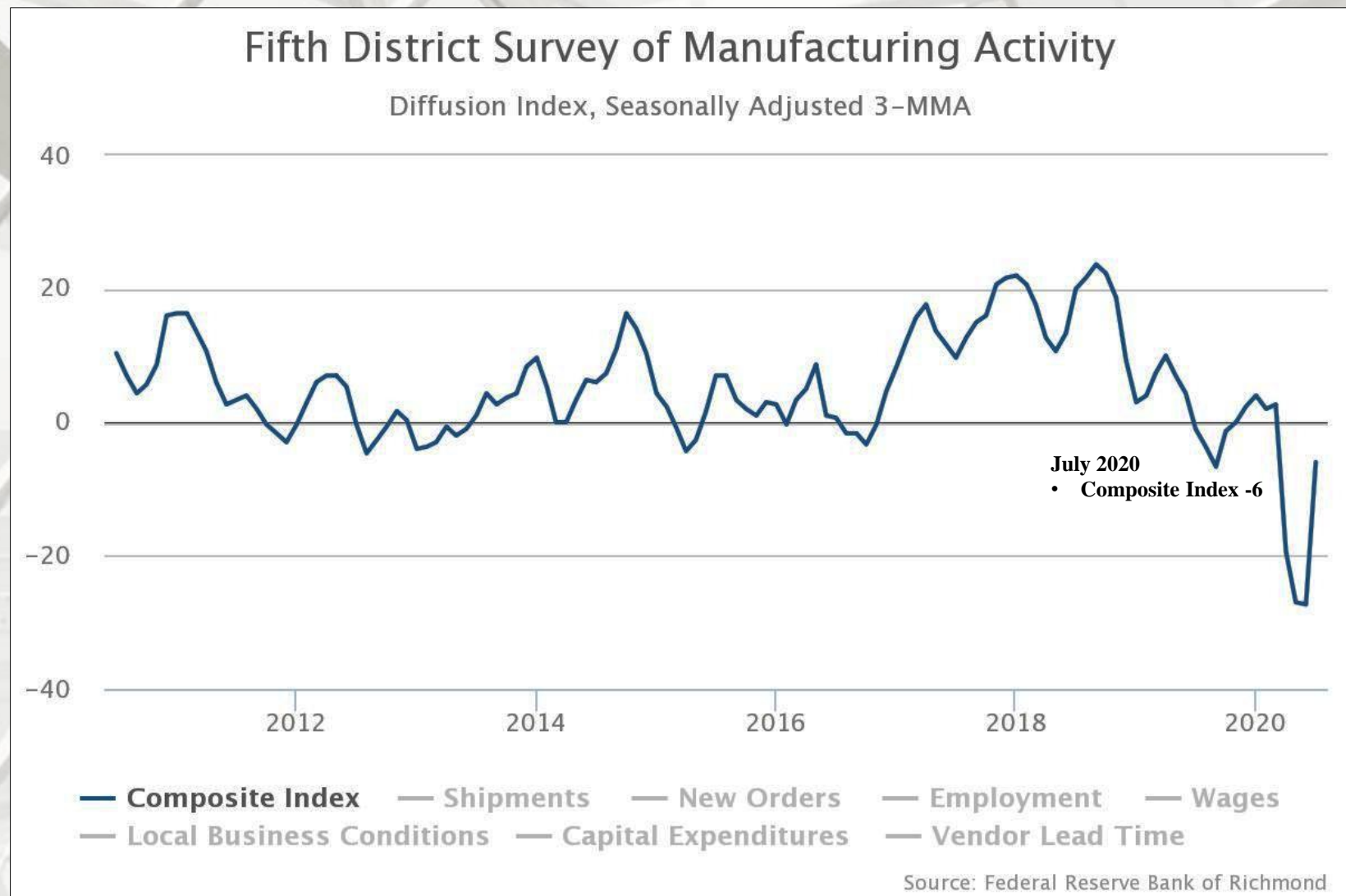
### **Manufacturing Showed Signs of Recovery in July**

“Manufacturing in the Fifth District showed signs of recovery in July, according to the most recent survey from the Richmond Fed. The composite index rose from 0 in June to 10 in July, its first positive reading since March, buoyed by increases in all three components. The indexes for shipments and new orders suggested expansion, while the third component index – employment – remained slightly negative. The local business conditions index rose further, suggesting some improvement in sentiment. Survey respondents were optimistic that conditions would improve in the next six months.

Survey results suggest that some firms saw continued decreases in employment in July, as this index remained negative, despite reaching its highest value since February. Many firms also reported increased wages. Respondents expected employment and wages to rise in the coming months.

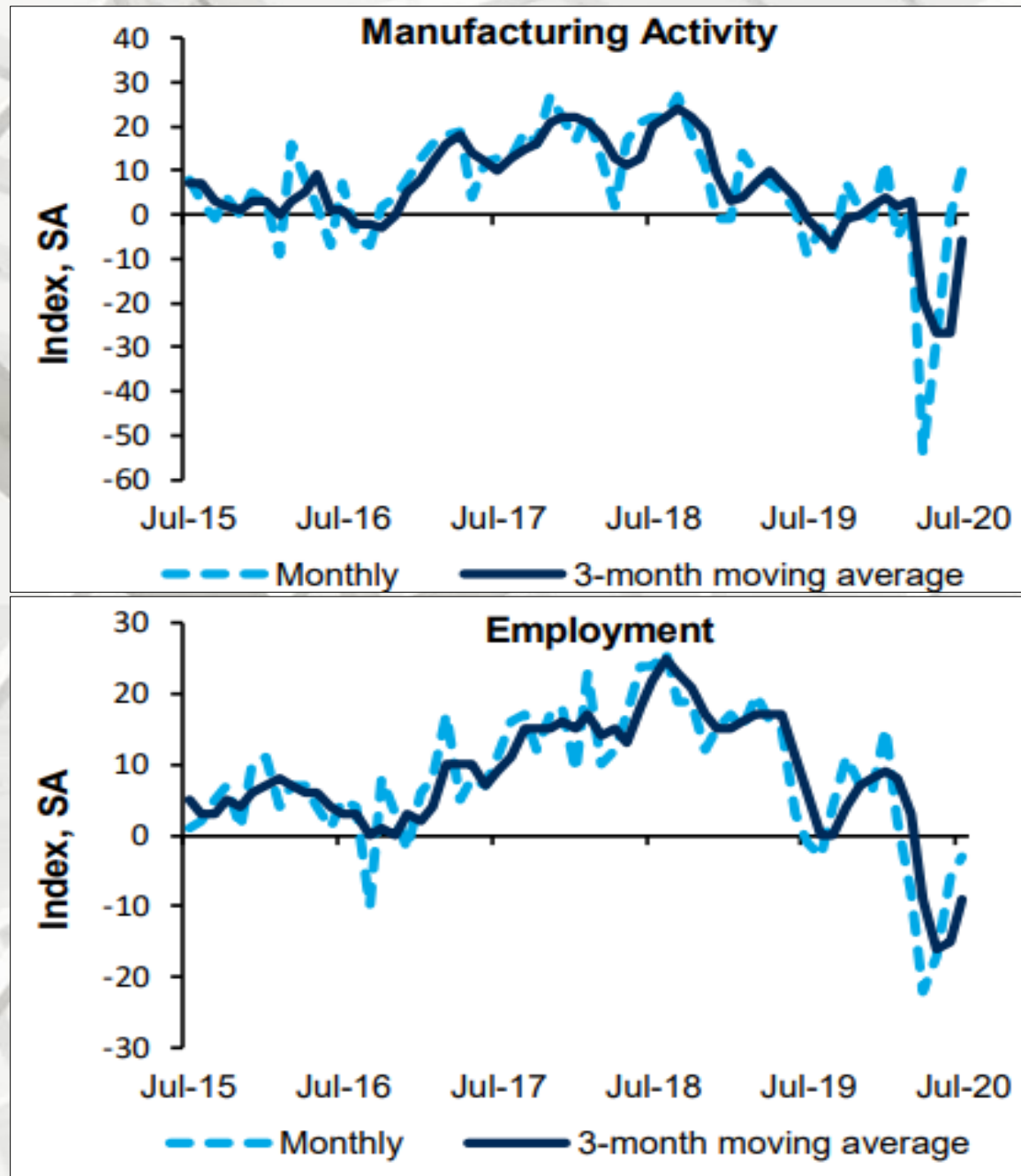
On average, survey respondents saw decreases in the growth rates of both prices paid and prices received but expected growth to rise in the near future.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

# U.S. Economic Indicators

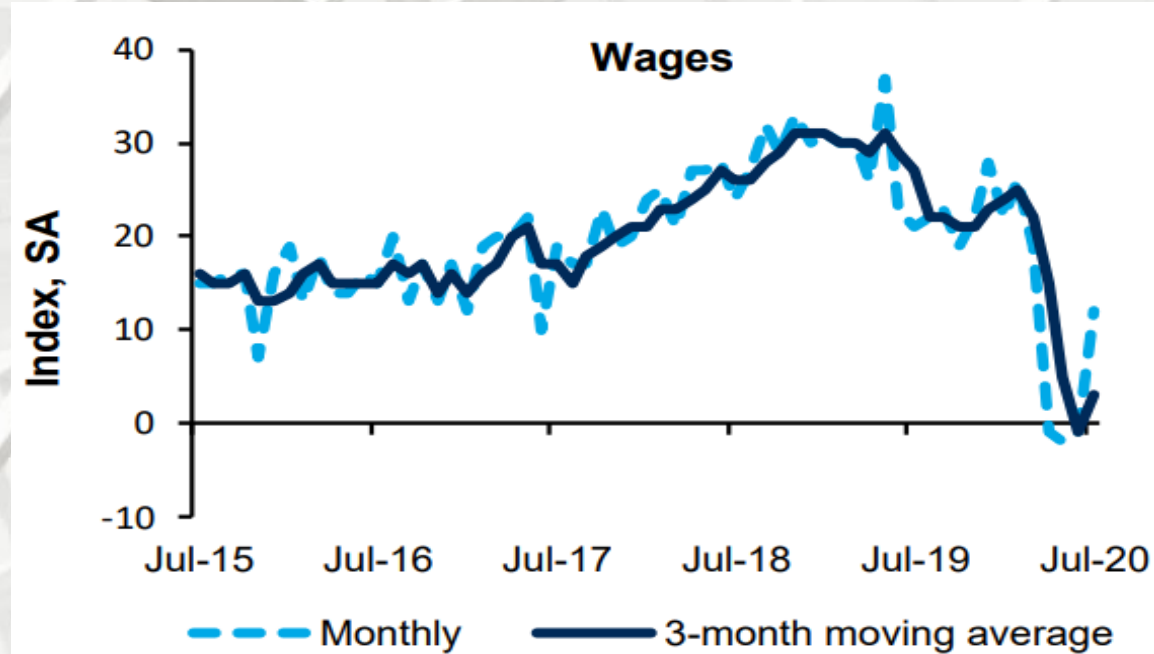
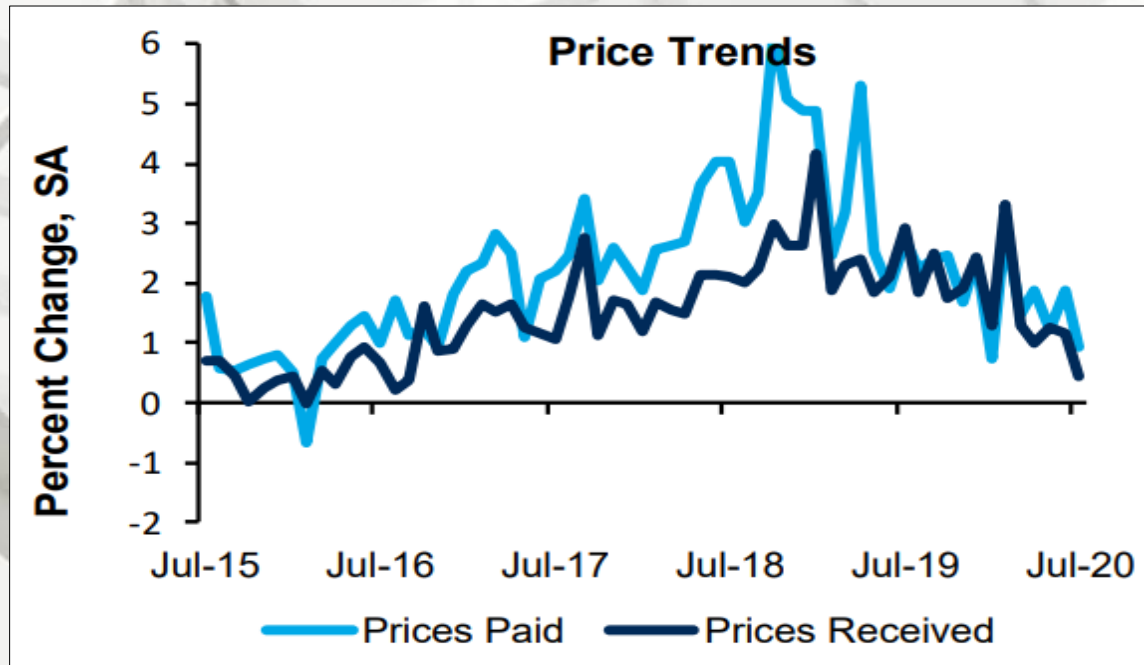




# U.S. Economic Indicators



# U.S. Economic Indicators



# **U.S. Economic Indicators**

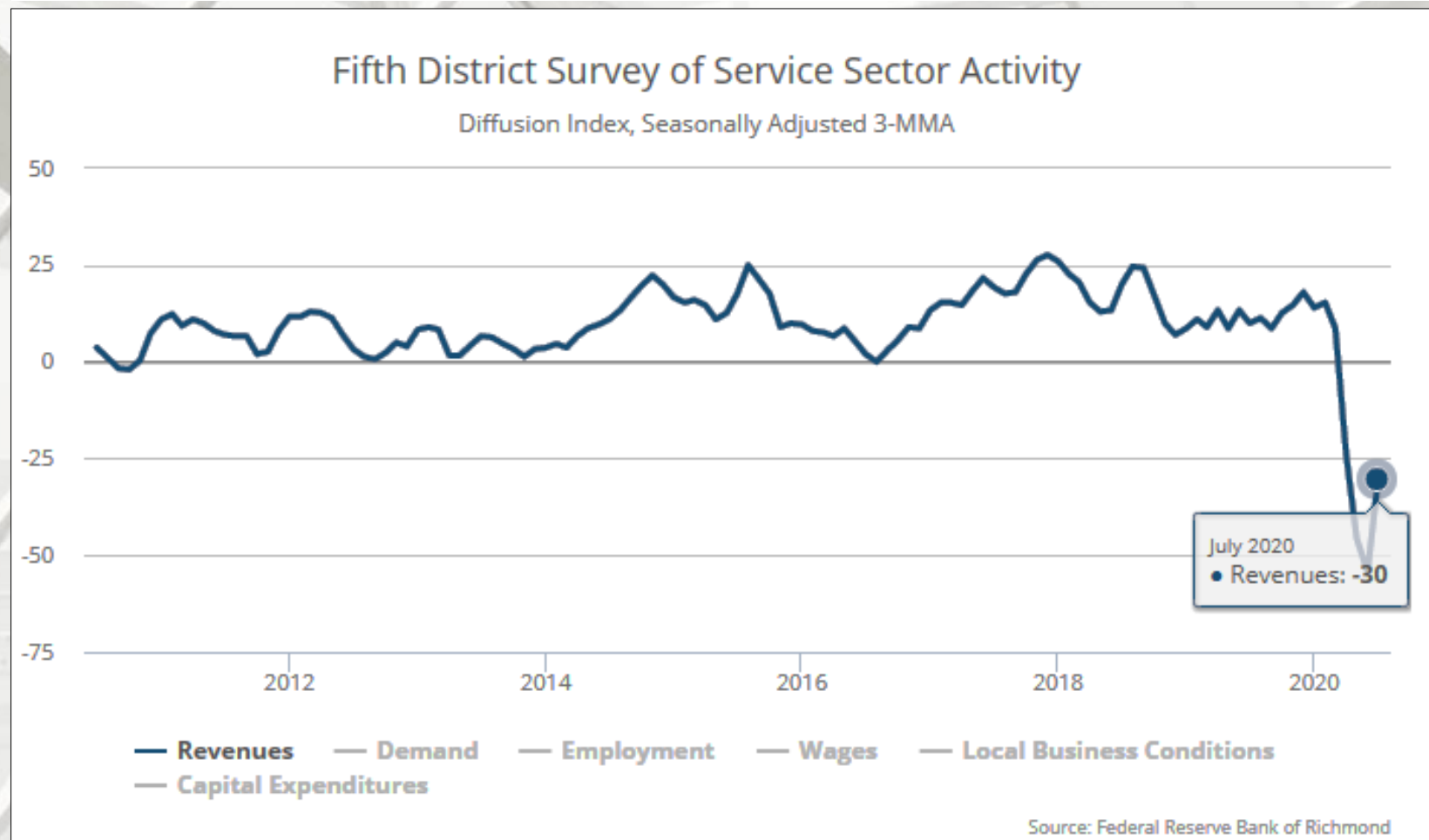
## **The Federal Reserve Bank of Richmond Fifth District Survey of Service Sector Activity Service Sector Activity Remained Tepid in July**

“Activity in the Fifth District service sector remained tepid in July, according to the most recent survey by the Federal Reserve Bank of Richmond. The indexes for both revenues and demand increased in July, but remained negative, suggesting continued contraction. However, the index for local business conditions, while close to zero, was positive for the first time since February, and businesses were optimistic that conditions would improve in the coming months.

Survey results suggested that employment fell at many firms in July, as this index remained negative and slightly below its June reading. Firms also reported some decreases in wages and hours worked and little change in ability to find workers with the necessary skills. Respondents expected employment, wages, and hours to increase and workers to be easier to find in the next six months.

Average growth of both prices paid and prices received by survey participants slowed in July, as growth of prices paid continued to outpace that of prices received. Firms expected this gap to narrow in the near future.” – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond

# U.S. Economic Indicators





# U.S. Economic Indicators

## The Federal Reserve Bank of Dallas México Economic Update

### **México Sees Historic Drop in Economic Growth in Second Quarter; Outlook Worsens**

“México’s gross domestic product (GDP) contracted an annualized 53.2 percent in second quarter 2020 – its largest quarterly drop on record – due to the COVID-19 pandemic. The steep decline will likely result in further downward revisions to the 2020 growth outlook, which currently stands at -8.8 percent.

The latest data available show that exports, industrial production and employment fell. Inflation increased, and the peso was stable against the dollar in July.

#### **Output Nosedives**

México’s GDP plunged from an already negative reading the previous quarter (Chart 1). Output from goods-producing industries (manufacturing, construction, utilities and mining) sank an annualized 65.9 percent, while service-related activities (wholesale and retail trade, transportation and business services) fell 46.6 percent. Agricultural output dropped 9.6 percent.

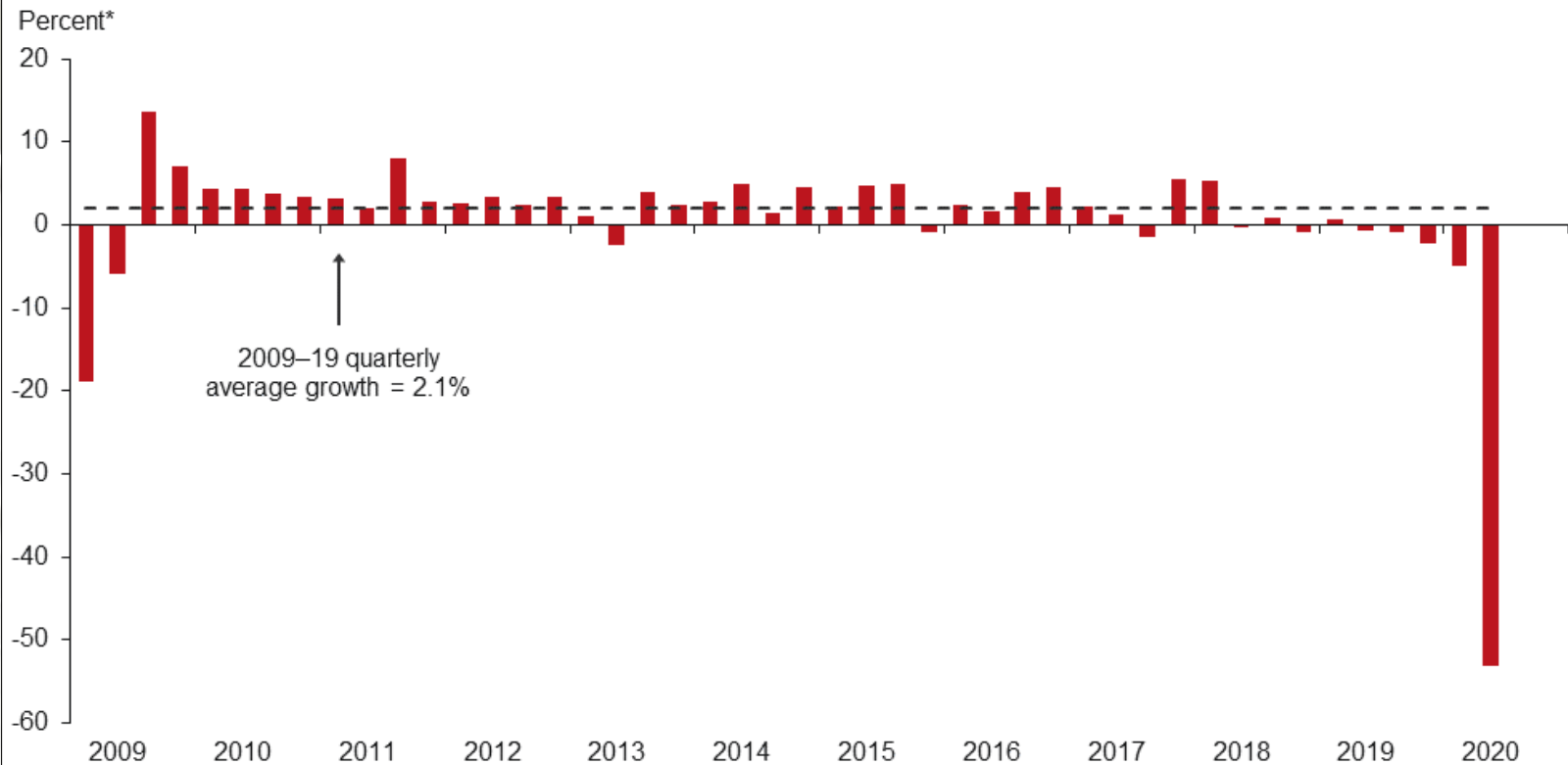
#### **Exports Slide Further**

The three-month moving average of total exports dropped 20.2 percent in May as oil exports fell 16.9 percent and manufacturing exports contracted 21.5 percent. On a month-over-month basis, total exports fell 20.6 percent in May and manufacturing exports declined 23.1 percent. This year through May, exports have fallen 21.1 percent compared with the same period in 2019. ...” – Jesus Cañas, Senior Business Economist and Chloe Smith, Research Analyst; Research Department, The Federal Reserve Bank of Dallas

# U.S. Economic Indicators

**Chart 1**

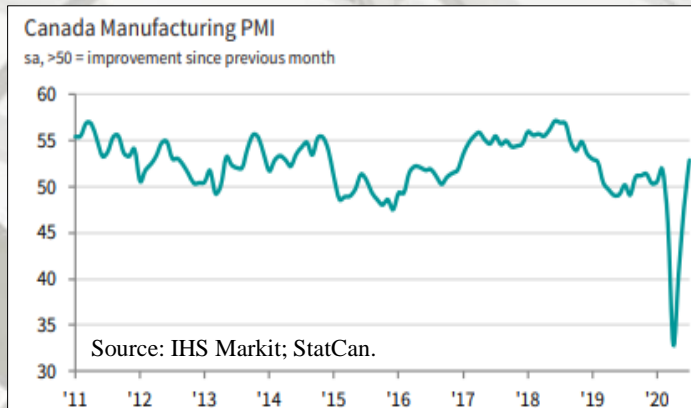
## Gross Domestic Product Drops Sharply



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

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

# Private Indicators: Global



## Markit Canada Manufacturing PMI™

“At 52.9 in July, up from 47.8 in June, the headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers’ Index® (PMI®) registered above the 50.0 no-change threshold for the first time in five months. The latest PMI reading was the highest since January 2019 and signalled a partial rebound in business conditions from the low point seen during April (index at 33.0).

### Manufacturing recovery gains momentum in July

Canadian manufacturers signalled a rebound in production volumes and new work in July, led by improving customer demand as more parts of the economy reopen after stoppages during the coronavirus 2019 (COVID-19) pandemic. July data indicated the fastest increase in output levels since September 2018. Anecdotal evidence attributed the expansion to a phased restart of production schedules and a return to growth for incoming new business. Total new orders increased for the first time since February, but the pace of expansion was only modest. Survey respondents commented on a tentative recovery in sales as customers returned to work and restarted purchasing. However, underlying demand remained weak, especially in overseas markets. Latest data indicated a downturn in new export orders, which continued the trend seen since March. ...

July data highlights a partial rebound in the Canadian manufacturing sector after the steep downturn seen during the second quarter of 2020. Production volumes expanded at the fastest pace for nearly two years, helped by a tentative recovery in manufacturing sales as customers restarted spending amid an easing of COVID-19 restrictions. A slight increase in employment numbers was also a positive signal that manufacturing companies expect to continue expanding their production schedules in the coming months. It was not all good news in July, however, as export sales continued to slide and business expectations slipped back from June's four-month high. Reports from survey respondents suggested that concerns about the global economic outlook and a second wave of the pandemic had curtailed growth projections for some manufacturers in the latest survey period.” – Tim Moore, Economics Associate Director, IHS Markit

# Private Indicators: Global

## Caixin China General Manufacturing PMI™

### Operating conditions improve at quickest rate since January 2011

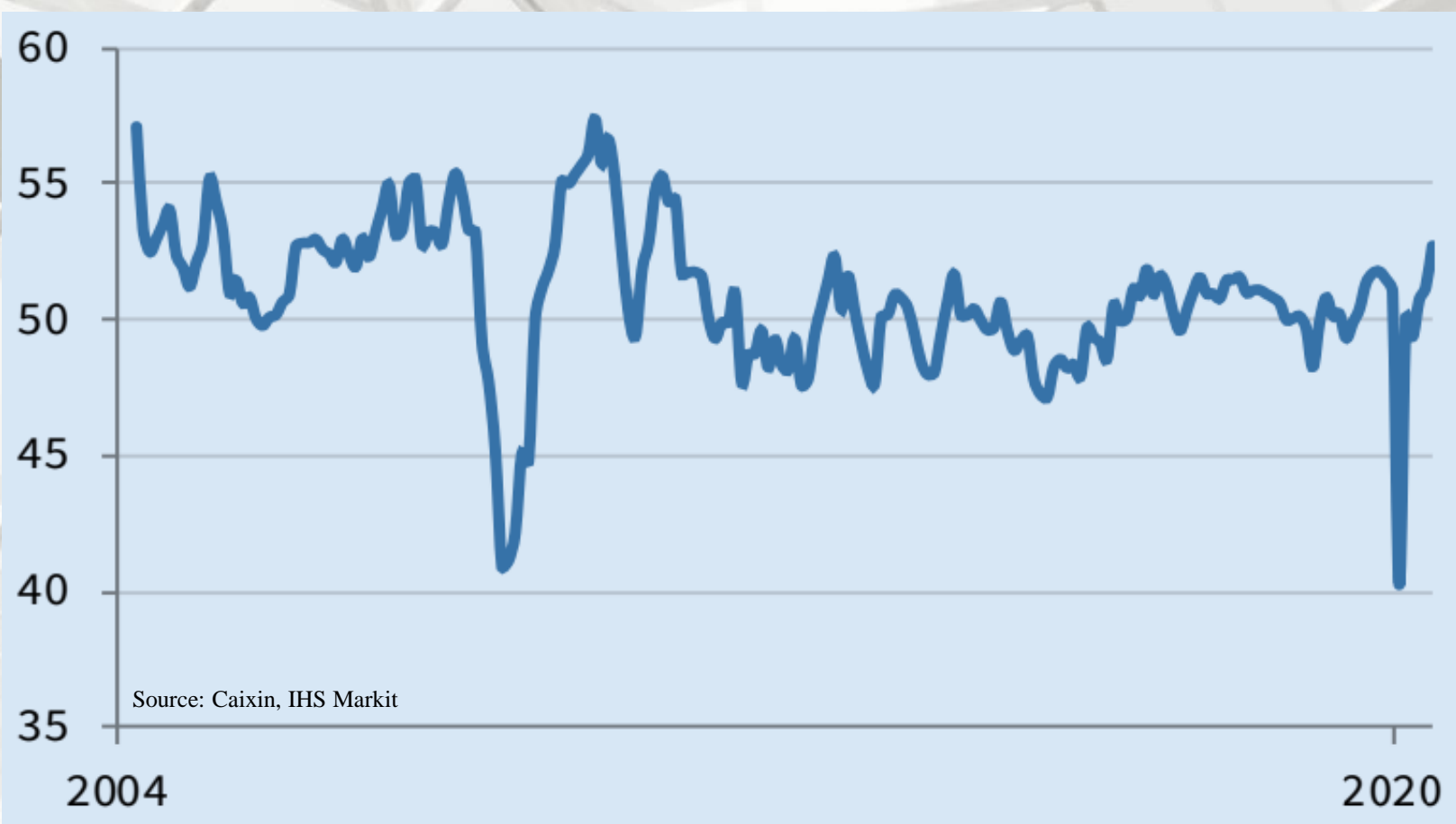
“Latest PMI data signalled a solid improvement in the health of China's manufacturing sector in July, as market conditions continued to recover from the coronavirus disease 2019 (COVID-19) outbreak. Companies registered the quickest expansions of output and new orders since January 2011 amid reports of firmer customer demand. New business from overseas meanwhile fell at the slowest rate for six months. Increased production led to the strongest rise in purchasing activity since January 2013. However, firms maintained a cautious approach to hiring, with staff numbers falling modestly despite an increase in backlogs of work. Inflationary pressures picked up, with firms reporting steeper increases in both input prices and output charges.

At 52.8 in July, 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 51.2 in June to signal a further improvement in the health of China's manufacturing economy. Operating conditions have now improved in each of the past three months, with the latest upturn the strongest since January 2011.

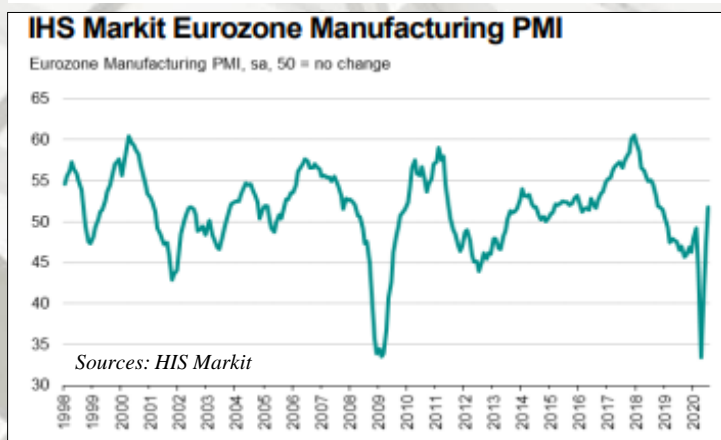
Supporting the higher PMI figure was a steeper increase in production across Chinese manufacturing firms. Output expanded for the fifth month in a row, and at the fastest rate for nine-and-a-half years, with many companies citing greater client demand amid a further recovery in market conditions following the COVID-19 outbreak. Moreover, new business expanded at a solid pace that was the steepest since the start of 2011. ...” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group



# Private Indicators: Global



# Private Indicators: Global



## Markit Eurozone Manufacturing PMI®

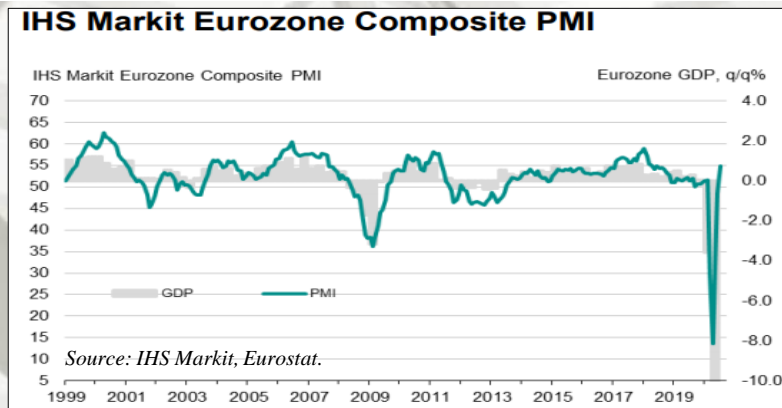
“The euro area’s manufacturing economy recorded its first growth in a year-and-a-half during July as output and demand continued to recover in line with the further easing of restrictions on activity related to the global coronavirus disease (COVID-19). After accounting for seasonality, the IHS Markit Eurozone Manufacturing PMI® registered 51.8, up from 47.4 in the previous month and an improvement on the earlier flash reading.

### Eurozone manufacturing economy returns to growth in July

Whilst modest, the overall improvement in operating conditions signalled by the PMI was the first such occurrence recorded by the survey since February 2019. Moreover, growth was widespread, with all market groups registering PMI readings above 50.0 during July. Consumer goods was the bestperforming, registering its strongest expansion for over a year-and-a-half. ... Driving the overall upturn in the euro area manufacturing economy during July were returns to growth in both production and new orders. For output, the marked expansion was the first registered by the survey since the start of 2019 whilst the gain seen for new orders was the first in nearly two years and the strongest since early-2018. ...

Eurozone factories reported a very positive start to the third quarter, with production growing at the fastest rate for over two years, fuelled by an encouraging surge in demand. Growth of new orders in fact outpaced production, hinting strongly that August should see further output gains. The order book improvement has also helped restore business confidence about the outlook in July to January’s pre-pandemic peak. The job numbers remain a major concern, however, especially as the labour market is likely to be key to determining the economy’s recovery path. Although the rate of job losses eased to the lowest since March, it remained greater than at any time since 2009, reflecting widespread cost-cutting in many firms where profits have been hit hard by the virus outbreak. Increased unemployment, job insecurity, second waves of virus infections and ongoing social distancing measures will inevitably restrain the recovery. The next few months numbers will therefore be all-important in assessing whether the recent uplift in demand can be sustained, helping firms recover lost production and alleviating some of the need for further cost cutting going forward.” – Chris Williamson, Chief Business Economist, Markit®

# Private Indicators: Global



## Markit Eurozone Composite PMI®

“The IHS Markit Eurozone PMI® Composite Output Index maintained its recent upward trend during July, rising by over six points on the month to reach a level of 54.9. That compared to June’s 48.5 and slightly higher than the earlier flash reading (54.8).”

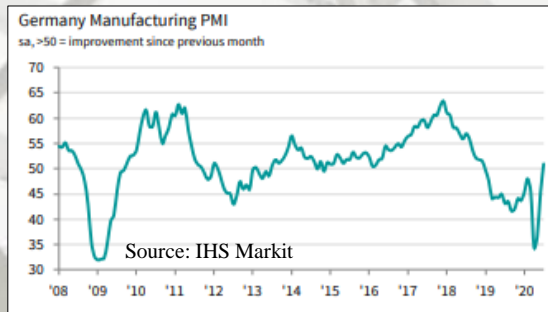
## Eurozone PMI improves markedly to reach four-month high in June

Moreover, it was the first time that the index has posted above the 50.0 no-change mark since February and represented the fastest rate of growth since June 2018. Both the goods-producing and service sectors recorded marked rates of growth during July, with manufacturing registering the slightly stronger pace of expansion. Whilst the increase in service sector activity was the first in five months, July data represented the first increase in manufacturing production since the start of 2019. ...

Eurozone service sector business activity rebounded in July to grow at a rate not exceeded for over two years. France and Germany enjoyed especially strong gains though renewed growth was also recorded in Spain and Italy as COVID-19 containment measures continued to be relaxed. Combined with a surge in manufacturing production, the renewed expansion of the service sector bodes well for the economy to rebound in the third quarter after the unprecedented slump seen in the second quarter.

Whether the recovery can be sustained will be determined first and foremost by virus case numbers, and the recent signs of a resurgence pose a particular risk to many parts of the service sector, such as travel, tourism and hospitality. However, even without a significant increase in infections, social distancing measures will need to be in place until an effective treatment or vaccine is available, dampening the ability of many firms to operate at anything like pre-pandemic capacity, and representing a major constraint on longer-run economic recovery prospects.” – Chris Williamson, Chief Business Economist, Markit®

# Private Indicators: Global



## IHS Markit/BME Germany Manufacturing PMI®

“The headline IHS Markit/BME Germany Manufacturing PMI® – a single-figure snapshot of overall business conditions – registered 51.0 in July, up from 45.2 in June. This was the first reading above the 50.0 no-change mark since December 2018 and represented a further recovery from April's recent low of 34.5, recorded at the height of lockdown measures related to the COVID-19 outbreak.

### PMI at 51.0 in July as new orders rebound sharply

July saw business conditions start to improve across the Source: IHS Markit. German manufacturing sector following the severe disruption caused by the coronavirus disease 2019 (COVID-19) pandemic, led by a steep rebound in new orders. Production was ramped up accordingly, however sector employment continued to fall sharply. Underpinning the return to growth in July was a steep rise in new orders, which panellists linked to the release of pent-up demand and a wider recovery in activity, both domestically and abroad. Indeed, firms reported a solid rise in export sales, commenting on higher demand from Asia (especially China) and across parts of Europe. The rise in total order book volumes was the sharpest since January 2018, while exports increased more moderately by comparison. ...

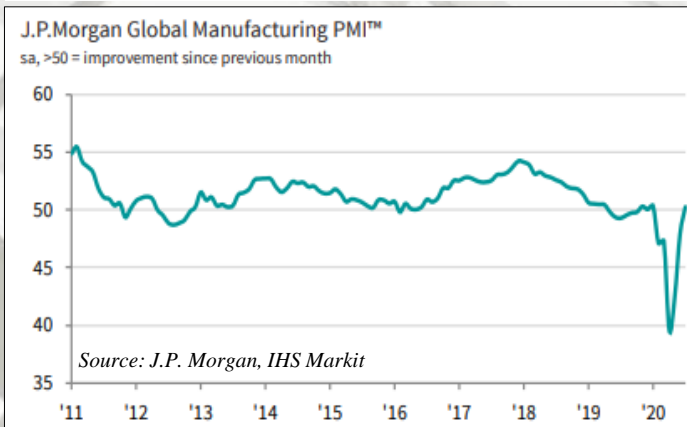
Looking ahead, manufacturers reported increased optimism towards the 12-month outlook for output. Growth expectations reached the highest in almost two years, as more firms reported hopes of a sustained recovery in activity and demand. That said, several of those anticipating an upturn reported that activity was coming off of a low base and would remain below preCOVID levels over the next 12 months.

The recovery of the German manufacturing sector remains on track, with the PMI improving further from April's low and now finally in growth territory. The headline reading of 51.0 is the highest since December 2018, although it actually understates the strength of the rebounds in the underlying measures of output and new orders, with the PMI dampened by steep falls in both employment and stocks. The deep cuts to factory job numbers are a sign that activity and demand are still comfortably down on pre-crisis levels, and represent a key headwind to any recovery. Nevertheless, with new orders up sharply in July the immediate outlook for production looks positive, and the manufacturing sector remains on course to make a strong contribution to an expected technical rebound in the economy in the third quarter.” – Phil Smith, Principal Economist, IHSMarkit®

Source: <https://www.markiteconomics.com/Public/Home/PressRelease/ea7a58f61c3475fb16135b6b834bd0b>; 8/3/20



# 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 to a six-month high of 50.3 in July, up from 47.9 in June and back above the neutral 50.0 mark for the first time since January. Of the 27 nations for which July data were available, 13 had PMI readings above the neutral 50.0 mark.

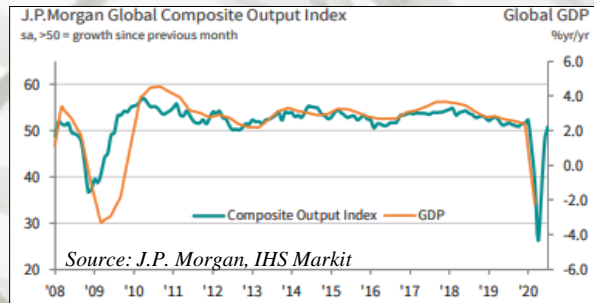
### Global manufacturing sees expansion for first time since January, as output and new orders edge higher

The global manufacturing sector moved back into expansion territory in July, as output and new orders started to revive following the slump caused by the coronavirus disease 2019 (COVID-19) outbreak. Business sentiment also started to recover, hitting a five-month high, but the labour market downturn continued with job losses registered for the eighth straight month. Manufacturing production rose for the first time in six months during July. Although the rate of expansion was only mild it was nonetheless the sharpest since the end of 2018. Growth was registered in the US, China, the euro area, the UK, Brazil and Australia among others. Due to their relative size, contractions in Japan, India and South Korea were the main drags on the nascent global manufacturing recovery.

July also saw incoming new orders increase for the first time in six months. However, with the restrictions in place to combat the spread of COVID-19 only being loosened, not removed entirely, the trend in international trade volumes continued to weaken. This also had an impact of supply chains, with average vendor delivery times lengthening for the twelfth successive month. ...

The July PMI indicates that the recovery which began in May continued into mid-summer. Many of the PMI components reached their pre-pandemic levels for the first time in July including output and new orders. The employment PMI has not recovered suggesting labor markets will take longer to improve. Still, to fully recoup the losses sustained in the first half of the year will still take some time, especially if the recovery is knocked off course by any future re-tightening of restrictions” – Olya Borichevskaya, Global Economic Research, J.P. Morgan

# Private Indicators: Global



## J.P. Morgan Global Composite PMI™

“The J. P. Morgan Global Composite Output Index – which is produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – rose to a six-month high of 50.8 in July, up from 47.8 in June. This was the first time since January that the headline figure has posted above the neutral 50.0 mark.

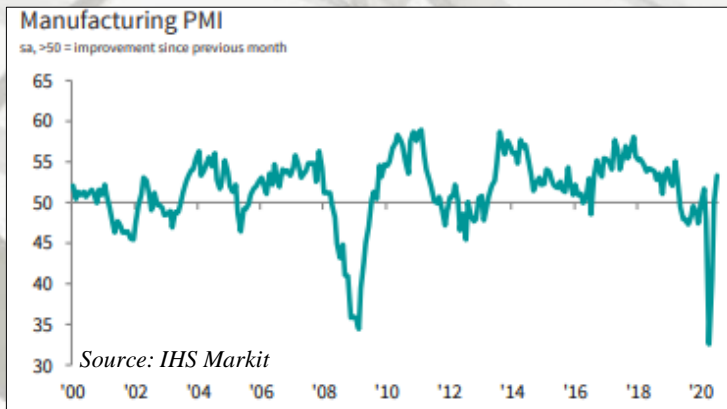
### Global economic output and new orders show signs of recovery at start of third quarter

The start of the third quarter saw the global economy edge back into growth territory, as output and new orders both rose slightly during July. The first steps towards recovery following the downturn caused by the coronavirus disease 2019 (COVID-19) pandemic were taken at manufacturers and service providers alike, with both sectors seeing expansions of economic activity and new business.

Five out of the six sub-sectors covered by the survey registered output growth during July, with the fastest rate of expansion seen at consumer goods producers. Business services, financial services, intermediate goods and investment goods also saw increases. Although consumer services was the only category to see a decline, the pace of contraction eased to the weakest during the current six-month downturn. ... July saw a further reduction in employment. Staffing levels were reduced for the sixth month running, with further cuts in both the manufacturing and service sectors. That said, the overall rate of decline eased to its weakest since February. Of the nations covered by the survey, only the US recorded an increase in employment. Business optimism recovered to its joint-highest in the past 15 months during July, moving back to its pre-pandemic level. Output charges rose for the first time in five months, reflecting higher selling prices at manufacturers and service providers. Input cost inflation accelerated to its fastest since January.

The global economy continued to recovery in July, with the latest PMI data signaling further gains in the indices tracking output and new orders. Global labor markets remain grim suggesting weakness will persist. The employment PMI reflects this with a modest gain in the July employment PMI leaving the level at 47.9. To fully recoup the losses experienced earlier in the year will still take some time, particularly if COVID-19 restrictions are reintroduced in key pockets of the global economy and supply chains during the coming weeks and months.” – 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®) rose to a 16-month high of 53.3 in July, up from 50.1 in June and below the earlier flash estimate of 53.6. The headline PMI – calculated as a weighted-average of five sub-indices – has posted above the neutral 50.0 mark separating improvement from deterioration in each of the past two months..

### **Output growth at 32-month high as reopening of manufacturers and clients gathers pace**

July saw a solid improvement in the operating conditions faced by UK manufacturers, as output growth hit a 32-month high supported by the sharpest rise in new order volumes since the end of 2018. Business sentiment also recovered to its highest level in 28 months. Manufacturers linked the expansion to a further loosening of the lockdown conditions in place due to the coronavirus disease 2019 (COVID-19). This allowed manufacturers to restart, or raise, production in response to clients reopening. It should be noted that, while a positive start to the recovery, it will take several months of growth to fully recoup the output lost since the start of the pandemic. ...

The UK manufacturing sector started the third quarter on a much firmer footing, with output growth hitting a near three-year high and new orders rising for the first time in five months. The recovery strengthened as a loosening of lockdown restrictions allowed manufacturers to restart or raise production. July also saw signs of furloughed employees returning to work and customers resuming spending. Business optimism also rose to its highest for over two years as companies grew more hopeful that the future has brightened.

Despite the solid start to the recovery, the road left to travel remains long and precarious. An extended period of growth is still needed to fully recoup the ground lost in recent months. This is also the case for the labour market, where job losses are continuing despite businesses reopening. There is a significant risk of further redundancies and of furloughed workers not returning unless demand and confidence stage more substantial and long-lasting rebounds in the months ahead.” – Rob Dobson, Director, IHS Markit

# **Private Indicators**

## **Associated Builders and Contractors**

### **Nonresidential Construction Spending Falls Slightly in June**

“National nonresidential construction spending declined 0.2% in June, according to an Associated Builders and Contractors analysis of data published today by the U.S. Census Bureau. On a seasonally adjusted, annualized basis, spending totaled \$812.9 billion for the month.

Among the 16 subcategories, six were down compared to May 2020 data. Private nonresidential construction spending increased by 0.2% in June while public nonresidential spending fell 0.8%. Nonresidential construction spending is up 0.4% since June 2019, led by the public safety, water supply and power categories.

“The stability of nonresidential construction is remarkable,” said ABC Chief Economist Anirban Basu. “While gross domestic product crumbled during the second quarter, nonresidential construction spending held its own, partially due to its status as an essential industry in most cities and states. And while many contractors reported that they sustained project interruptions during the second quarter – the worst economic quarter on record – the nation’s nonresidential construction sector was still able to put roughly as much construction in place as in June 2019.

“The industry’s future remains perilous, however,” said Basu. “Economic fundamentals in many private construction segments have been damaged by the ongoing pandemic, including emerging office and retail vacancies. Construction spending in the lodging category is down nearly 15% year over year. Backlog remains healthy, according to ABC’s Construction Backlog Indicator, but many project owners are reporting greater difficulty lining up financing, which will contribute to fewer private construction starts going forward. Public finances have also been damaged. Despite the prevalence of ultra-low borrowing costs, many state and local governments may choose not to add leverage to their capital budgets going forward.” – Rachel O’Grady, Media Relations Director, ABC

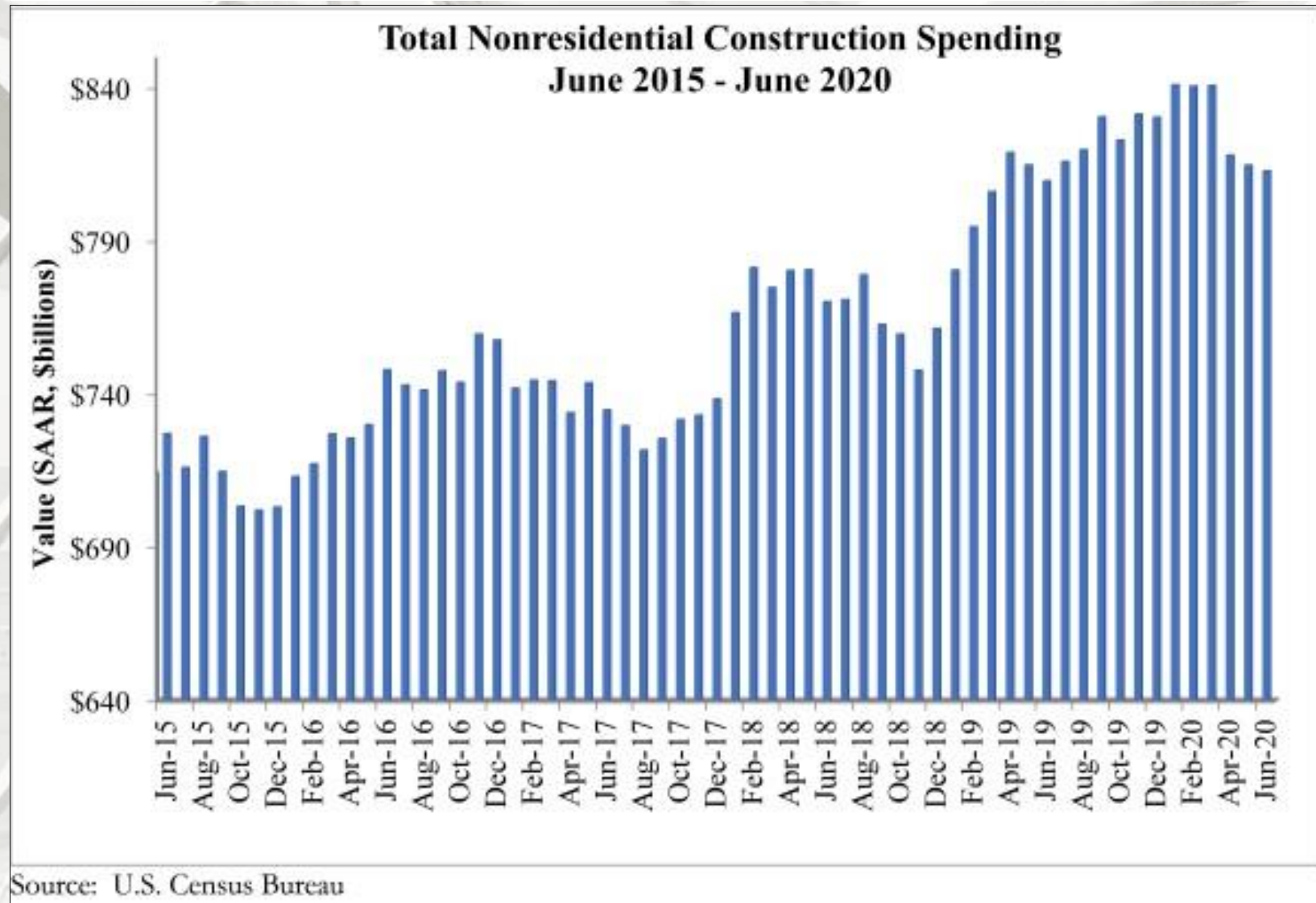


# Associated Builders and Contractors

Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate					
	June 2020	May 2020	June 2019	1-Month % Change	12-Month % Change
Nonresidential	\$812,882	\$814,761	\$809,642	-0.2%	0.4%
Sewage and waste disposal	\$26,635	\$25,712	\$26,555	3.6%	0.3%
Conservation and development	\$8,797	\$8,512	\$9,184	3.3%	-4.2%
Health care	\$45,383	\$44,624	\$44,618	1.7%	1.7%
Manufacturing	\$72,433	\$71,232	\$79,704	1.7%	-9.1%
Water supply	\$18,308	\$18,020	\$15,467	1.6%	18.4%
Lodging	\$29,353	\$29,005	\$34,357	1.2%	-14.6%
Public safety	\$14,295	\$14,161	\$10,270	0.9%	39.2%
Power	\$119,423	\$118,653	\$112,059	0.6%	6.6%
Office	\$81,183	\$81,038	\$82,988	0.2%	-2.2%
Religious	\$2,924	\$2,921	\$3,706	0.1%	-21.1%
Transportation	\$57,360	\$57,693	\$57,597	-0.6%	-0.4%
Communication	\$22,642	\$22,927	\$21,881	-1.2%	3.5%
Commercial	\$83,051	\$84,156	\$81,404	-1.3%	2.0%
Highway and street	\$102,998	\$104,790	\$99,403	-1.7%	3.6%
Educational	\$101,489	\$103,823	\$102,041	-2.2%	-0.5%
Amusement and recreation	\$26,609	\$27,495	\$28,407	-3.2%	-6.3%
Private Nonresidential	\$467,719	\$466,936	\$482,940	0.2%	-3.2%
Public Nonresidential	\$345,163	\$347,825	\$326,701	-0.8%	5.7%
Source: U.S. Census Bureau					

““The implication is that construction stakeholders should be heavily invested in current negotiations regarding the next round of economic stimulus,” said Basu. “In particular, contractors would benefit from additional financial support for state and local governments and businesses. Contractors will also benefit from efforts to induce workers to return to the job market expeditiously as the nascent economic expansion persists.”” – Rachel O’Grady, Media Relations Director, ABC

# Associated Builders and Contractors



# **Private Indicators**

## **Associated Builders and Contractors**

### **ABC's Construction Backlog Indicator Down in July; Contractor Optimism Falls**

“Associated Builders and Contractors reported today that its Construction Backlog Indicator declined to 7.8 months in July, a decrease of 0.3 months from the June reading, according to an ABC member survey conducted from July 20 to Aug. 5. Backlog is a full month lower than in July 2019.

Additionally, confidence among U.S. construction industry leaders declined in July regarding sales, staffing levels and profit margins, according to ABC's Construction Confidence Index. Sales and profit margin expectations are below the threshold of 50, indicating ongoing expectations of contraction. Less than 29% of contractors expect their profit margins to increase over the next six months, while greater than 47% expect shrinking profit margins over that period.

- The CCI for sales expectations decreased from 51.1 to 47.2 in July.
- The CCI for profit margin expectations decreased from 47 to 42.7.
- The CCI for staffing level expectations decreased from 56 to 50.6.

“Many contractors are quickly working through existing backlog,” said ABC Chief Economist Anirban Basu. “Because the virus remains deeply problematic and many communities are rolling back reopening plans, the partial economic rebound observed in May and June is set to flatten. The implication is that while many contractors will continue to work through backlog for the balance of 2020, it may be difficult to secure work for 2021, as fewer projects are bid out and project starts become increasingly rare.” – Rachel O’Grady, Media Relations Director, ABC



# Private Indicators

## Associated Builders and Contractors

### Construction Confidence Index

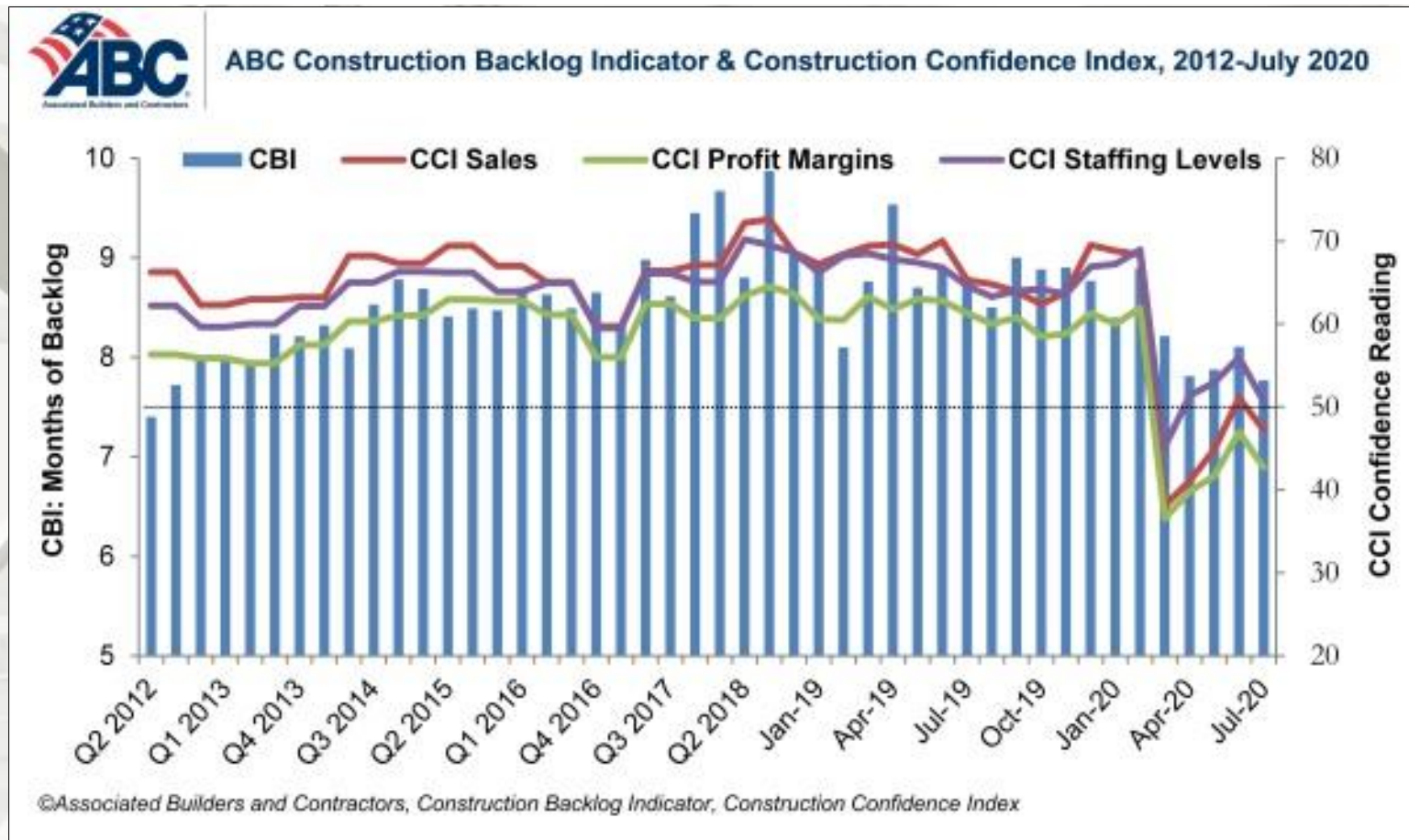
Response	July 2020 Expectations	June 2020 Expectations	July 2019 Expectations
<b>Sales</b>			
Up Big	6.3%	7.8%	10.5%
Up Small	32.8%	39.4%	56.4%
No Change	18.5%	13.4%	18.5%
Down Small	28.4%	28.1%	13.1%
Down Big	14.0%	11.3%	1.5%
<b>Profit Margins</b>			
Up Big	2.6%	4.3%	4.1%
Up Small	25.8%	27.3%	50.0%
No Change	24.4%	29.0%	34.1%
Down Small	34.3%	30.7%	10.8%
Down Big	12.9%	8.7%	1.0%
<b>Staffing Levels</b>			
Up Big	1.8%	4.8%	7.7%
Up Small	32.8%	38.5%	51.7%
No Change	38.7%	35.1%	32.6%
Down Small	19.2%	19.0%	7.9%
Down Big	7.4%	2.6%	0.0%

© Associated Builders and Contractors, Construction Confidence Index



# Private Indicators

## Associated Builders and Contractors



““There are exceptions, of course,” said Basu. “Backlog in the heavy industrial category has increased and many contractors are reporting more activity in fulfillment and data center construction as the e-commerce boom persists. But with project financing becoming increasingly challenging and with state and local governments in rough fiscal shape, the nonresidential construction environment is not shaping up to be a positive one, absent a meaningful infrastructure package.”” – Rachel O’Grady, Media Relations Director, ABC

# **Private Indicators**

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

### **Architecture Billings Index June 2020**

**Business conditions at architecture firms begin to stabilize, fewer firms report declining billings this month**

**38% of firms predict a decrease in architecture staff at their firm by the end of the year, while 17% expect an increase**

“Business conditions at architecture firms continued to stabilize in June, following their peak declines in April. While the ABI score of 40.0 for the month means that the majority of architecture firms still saw their billings decline from May to June, the pace of that decline slowed significantly. Inquiries into new work nearly returned to the positive in June, as clients began trying to restart projects. However, the value of new design contracts still lags behind, as many potential clients are price shopping to multiple firms but will ultimately only select one to work with. Firm backlogs also began to tick back up, rising from an average of 5.0 months in March to 5.3 months in June. However, concerns remain about whether the momentum will continue on its current trajectory, or if the gains reported in the last two months will be reversed as COVID-19 cases rise across the country once again.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“While business conditions remained soft at firms across the country, those with a multifamily residential specialization saw the most positive signs. Unfortunately, conditions at firms with a commercial/industrial specialization are likely to remain weak for an extended period of time, until hospitality, office and retail facilities can fully reopen, and design demand for this space begins to increase.” – Kermit Baker, Chief Economist, The American Institute of Architects

# Private Indicators

## American Institute of Architects (AIA)

### National

Pace of decline in architecture firm billings begins to moderate

Graphs represent data from June 2019–June 2020.



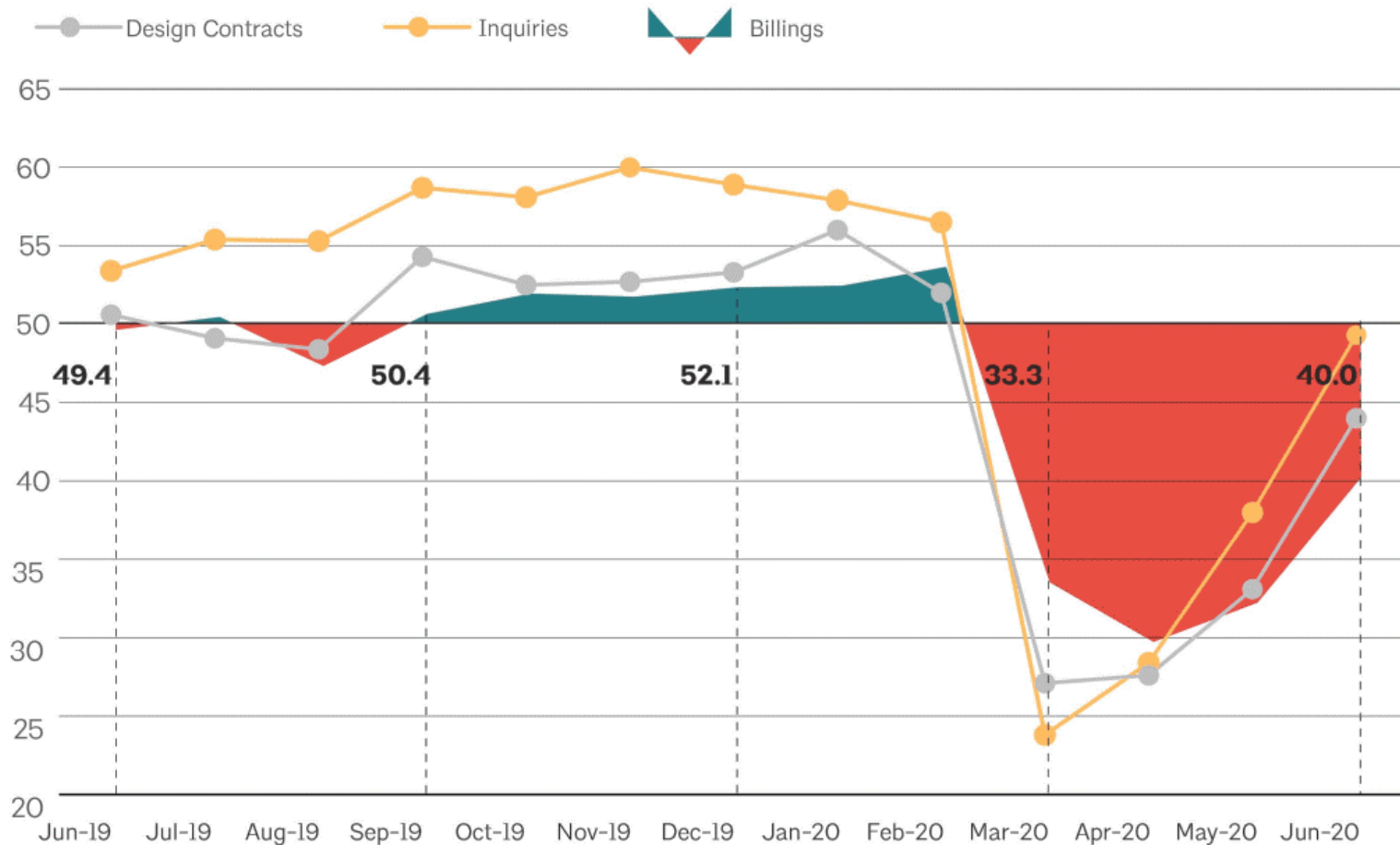
Above 50



Below 50



No change from previous period



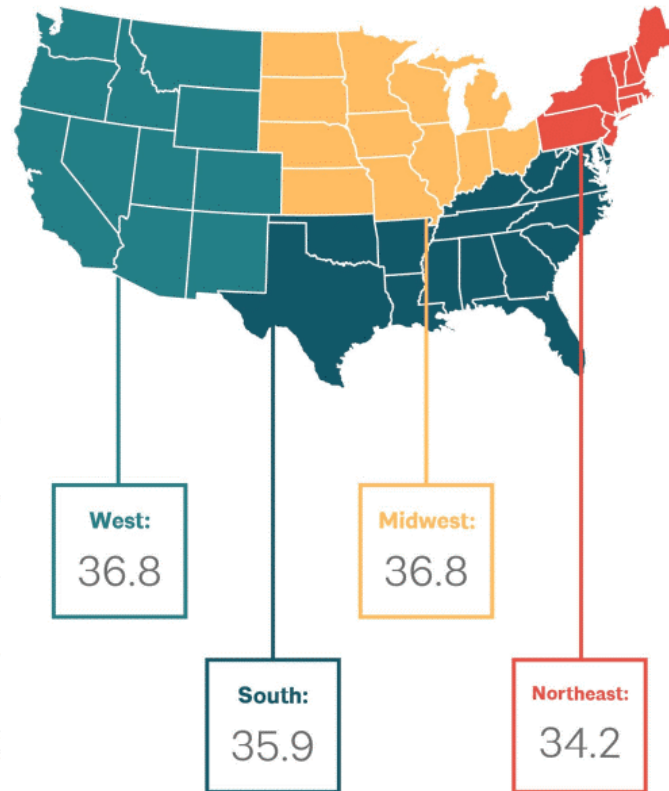
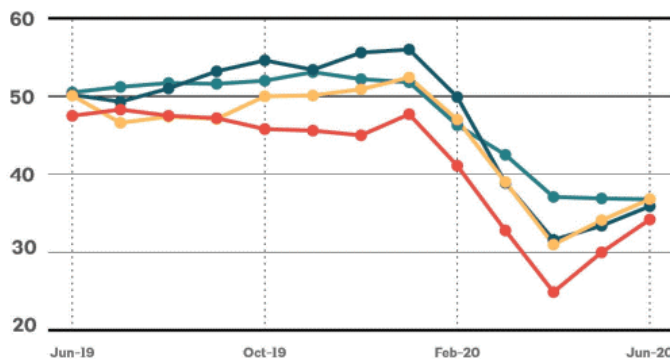


# Private Indicators: AIA

## Regional

Business conditions remain weak across the country, but most regions have begun to stabilize from low point

Graphs represent data from June 2019–June 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

“While business conditions remained fairly soft at firms across the country, the pace of the decline in billings slowed at firms in all regions except the West, where billings declined at about the same pace as in May.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

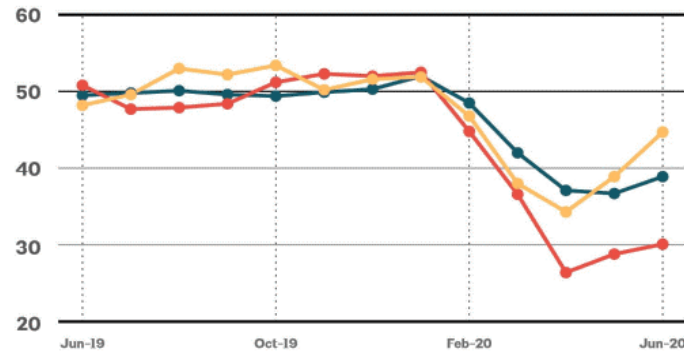


# Private Indicators: AIA

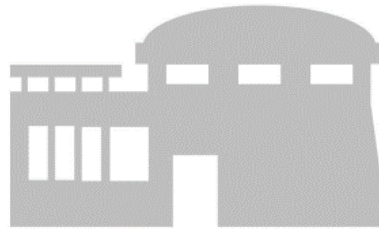
## Sector

Billings remain extremely soft at firms with a commercial/industrial specialization

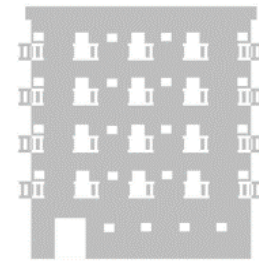
Graphs represent data from June 2019–June 2020 across the three sectors. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



**Commercial/Industrial: 30.1**



**Institutional: 38.9**



**Residential: 44.7**

## Sector

“By firm specialization, there was more of a disparity though, as firms with a commercial-industrial specialization continued to report very soft conditions, while firms with a multifamily residential specialization saw encouraging conditions, and came closer to seeing growth for the first time since January. Unfortunately, conditions at firms with a commercial-industrial specialization are likely to remain weak for an extended period of time, until restaurant and retail facilities can fully reopen and resume business.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

# Private Indicators

## Dodge Data & Analytics

### **Construction Starts Show Additional Gains in June Improvement in nonresidential and nonbuilding activity push starts higher**

“Total construction starts increased 6% in June to a seasonally adjusted annual rate of \$641.4 billion. This marks the second consecutive monthly gain in construction starts following the COVID-19 induced declines in March and April. In June nonresidential building starts gained 6% and starts in the nonbuilding sector moved 27% higher. Residential starts, by contrast, fell 6% during the month.

Through the first six months of the year, starts were down 14% from the same period in 2019. Nonresidential starts fell 22%, nonbuilding starts were down 14%, and residential starts dropped 5%. For the 12 months ending in June 2020, total construction starts were down 2% from the previous 12 months. Nonresidential building starts were down 7% and residential building starts were flat, but nonbuilding starts were 3% higher in the past 12 months. In June, the Dodge Index moved 6% higher to 136 (2000=100) from the 128 reading in May. Compared to a year earlier, the Dodge Index was down 28%

“Construction starts activity remains significantly weaker than year-ago levels, even though it has been slowly increasing since its nadir in April,” stated Richard Branch Chief Economist for Dodge Data & Analytics. “May’s gain in starts was fueled by a handful of very large projects, but June’s gain appears to be much more organic in nature. Construction starts should continue to post modest gains in the months to come as the economy continues to recover from the shortest and steepest recession in U.S. history. However, the recent acceleration in new COVID-19 cases in states such as Texas, Florida, and California is a significant downside risk to the economy and the construction industry’s growth trajectory.”” – Nicole Sullivan, Public Relations & Social Media, AFFECT

# Private Indicators

## Dodge Data & Analytics

“**Residential building** starts fell 6% in June to a seasonally adjusted annual rate of \$251.8 billion. Both multifamily and single family starts were lower during the month, with single family falling 7% and multifamily dropping 4%.

The largest multifamily structure to break ground in June was a \$170 million mixed-use project in Jersey City NJ. Also starting during the month were the \$113 million Flower Mart Apartments in Mountain View CA and the \$100 million 509 4th Avenue project in New York NY.

Through the first six months of 2020, residential construction starts were down 5% versus the same time period in 2019. Single family starts were 1% lower, while multifamily starts were down 16% year-to-date. For the 12 months ending in June, total residential starts were flat when compared to the prior 12 months. Single family starts were up 3%, while multifamily starts were off 6%.

**Nonresidential building** starts moved 6% higher in June to a seasonally adjusted annual rate of \$198.5 billion. Institutional building starts rose 15% during the month, while commercial building starts moved 4% higher. Manufacturing starts, however, fell 32% following the start of a \$950 million steel plant in May. ...

On a year-to-date basis, total nonresidential building starts were 22% lower than the first six months of 2019. Institutional building starts were down 15%, while commercial starts were 27% lower. Manufacturing starts dropped 38% on a year-to-date basis. On a 12-month total basis, total nonresidential building starts were 7% lower than the 12 months ending June 2019. Commercial starts have dropped 8%, while institutional starts were down 9%. Manufacturing starts are 9% higher on a rolling 12-month basis.” – Richard Branch, Chief Economist, Dodge Data & Analytics



# Private Indicators

## MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

	June 2020	May 2020	% Change
Nonresidential Building	\$198,527	\$186,751	6
Residential Building	251,760	267,886	-6
Nonbuilding Construction	191,065	150,805	27
Total Construction	\$641,352	\$605,442	6

## YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

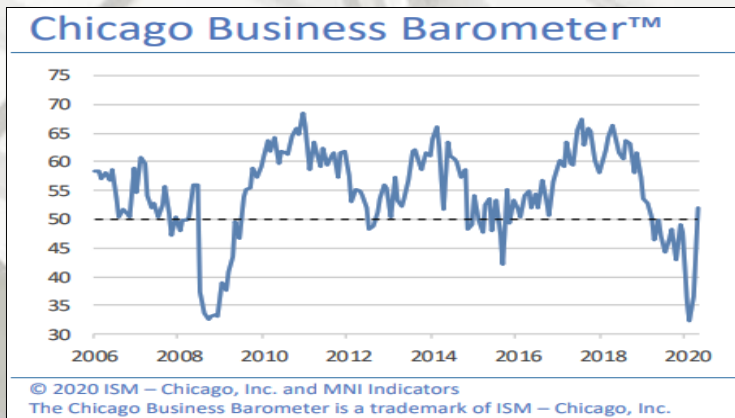
	6 Mos. 2020	6 Mos. 2019	% Change
Nonresidential Building	\$114,998	\$147,763	-22
Residential Building	152,372	160,824	-5
Nonbuilding Construction	83,864	98,024	-14
Total Construction	\$351,233	\$406,611	-14

Source: Dodge Data & Analytics

Source: Dodge Data & Analytics



# Private Indicators



## MNI Chicago

“The Chicago Business Barometer™, produced with MNI, rose to 51.9 in July, the highest level since May 2019. Business activity recovered following twelve consecutive months of readings below 50. Nevertheless, companies noted continued uncertainty amid the ongoing Covid-19 crisis.

## Chicago Business Barometer™ Snaps Back to 51.9 in July

Among the main five main indicators, New Orders and Production saw the largest monthly gains, while Supplier Deliveries eased. Demand increased in July, recovering from the sharp pandemic hit. New Orders jumped 23.8 points to the highest level since August 2019. Production strengthened, rising 49.5%, putting the index back into expansion. While some companies noted recovering orders, others reported continued difficulties due to the Covid-19 effects. Order Backlogs grew 15.3 points in July, marking a near one-year high. However, the index remains in contraction, where it's been since September 2019. Inventories gained 6.9 points in July after falling sharply in the previous month.

Even though Employment ticked up 26.0%, there was anecdotal evidence that firms had to lay off staff as a result of the current health crisis. However, others mentioned difficulties in finding new staff. Supplier Deliveries cooled in July, falling 6.4 points to the lowest reading since January 2020. Prices paid at the factory gate edged higher, gaining 1.7 points, posting a seven-month high.

This month's special question asked: “Have you updated your contingency plans to control a potential second wave in the future?” The majority, at 51.3%, have planned ahead, while 30.2% have no contingency plans in place. The second question asked: “What is your planned business activity forecast for balance of 2020, by percent?” The majority of 65% of respondents expect growth to be below 5% in 2020.” – Les Commons, Senior Economist and Irene Prihoda, Economist, MNI Indicators

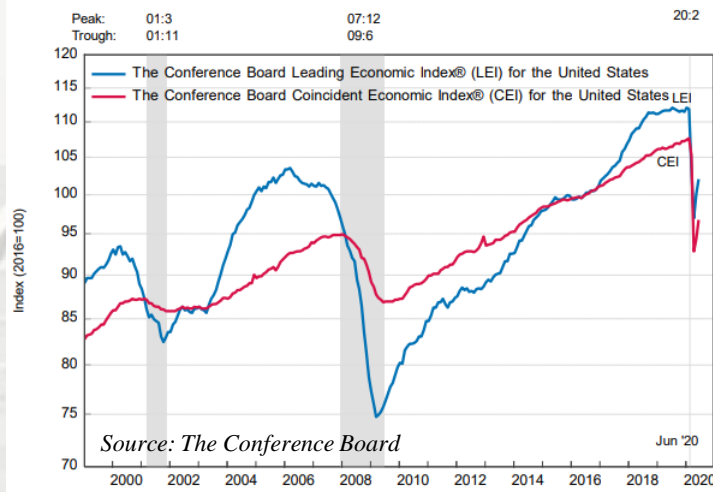
# Private Indicators

## *The Conference Board Leading Economic Index® (LEI) for the U.S. Improved in July*

**The Conference Board Leading Economic Index® (LEI)** for the U.S. increased 2.0 percent in June to 102.0 (2016=100), following a 3.2 percent increase in May and a 6.3 percent decrease in April.

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

The Conference Board Leading Economic Index® (LEI) for the U.S. Improved in June



“The June increase in the LEI reflects improvements brought about by the incremental reopening of the economy, with labor market conditions and stock prices in particular contributing positively. However, broader financial conditions and the consumers’ outlook on business conditions still point to a weak economic outlook. Together with a resurgence of new COVID-19 cases across much of the nation, the LEI suggests that the US economy will remain in recession territory in the near term.” – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

**“The Conference Board Coincident Economic Index® (CEI)** for the U.S. increased 2.5 percent in June to 96.7 (2016=100), following a 1.6 percent increase in May and an 11.8 percent decrease in April.

**The Conference Board Lagging Economic Index® (LAG)** for the U.S. decreased 2.5 percent in June to 110.8 (2016=100), following a 1.2 percent decrease in May and a 3.1 percent increase in April.

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

### **Equipment Leasing and Finance Industry Confidence Steady in July, COVID-19 Impact Survey Data Reveal Deferral Rates & Default Expectations**

“The [Equipment Leasing & Finance Foundation](#) (the Foundation) releases the June 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 is 45.3, steady with the June index of 45.8.”– Anneliese DeDietmar, Author, Equipment Leasing & Finance Association

The Foundation also releases highlights of the [COVID-19 Impact Survey of the Equipment Finance Industry](#), a monthly survey of industry leaders designed to track the impact of the coronavirus pandemic on the equipment finance industry. From 77 survey responses collected from July 1-11, results show that 95% of equipment finance companies have offered payment deferrals. 77% of companies expect that the default rate will be greater in 2020 than in 2019. A majority (83%) of companies have not furloughed or laid off employees. Comments from survey respondents follow MCI-EFI survey comments below, and additional survey results are available at <https://www.leasefoundation.org/industry-resources/covid-impact-survey/>.

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

“We continue to find solutions for our customers as they traverse through the COVID crisis. In some cases, we are providing leasing solutions to customers who have not considered leasing in the past. We expect these new relationships to continue to grow even after the pandemic has moved on.” – Michael Romanowski, President, Farm Credit Leasing

## Equipment Leasing and Finance Association:

**“July 2020 Survey Results:** The overall MCI-EFI is 45.3, steady with the June index of 45.8.

- When asked to assess their business conditions over the next four months, 21.4 of executives responding said they believe business conditions will improve over the next four months, down from 37% in June. 50% believe business conditions will remain the same over the next four months, an increase from 18.5% the previous month. 28.6% believe business conditions will worsen, a decrease from 44.4% in June.
- 14.3% of the survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, down from 18.5% in June. 64.3% believe demand will “remain the same” during the same four-month time period, an increase from 44.4% the previous month. 21.4% believe demand will decline, a decrease from 37% in June.
- 10.7% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, up from 7.4 in June. 78.6% of executives indicate they expect the “same” access to capital to fund business, a decrease from 85.2% last month. 10.7% expect “less” access to capital, an increase from 7.4% the previous month.
- When asked, 7.1% of the executives report they expect to hire more employees over the next four months, relatively unchanged from 7.4% in June. 75% expect no change in headcount over the next four months, a decrease from 85.2% last month. 17.9% expect to hire fewer employees, up from 7.4% the previous month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association



## Equipment Leasing and Finance Association:

**“July 2020 Survey Results:** The overall MCI-EFI is 45.3, steady with the June index of 45.8.

- None of the leadership evaluate the current U.S. economy as “excellent,” unchanged from the previous month. 39.3% of the leadership evaluate the current U.S. economy as “fair,” up from 22.2% in June. 60.7% evaluate it as “poor,” down from 77.8% last month.
- 25.9% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, a decrease from 55.6% in June. 55.6% indicate they believe the U.S. economy will “stay the same” over the next six months, an increase from 25.9% last month. 18.5% believe economic conditions in the U.S. will worsen over the next six months, unchanged from the previous month.
- In July, 21.4% of respondents indicate they believe their company will increase spending on business development activities during the next six months, an increase from 14.8% last month. 57.1% believe there will be “no change” in business development spending, down from 74.1% in June. 21.4% believe there will be a decrease in spending, an increase from 11.1% last month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

“Business volume is strong and we are maintaining portfolio performance. Yields are better and COVID affected accounts continue to fall.” – David Normandin, CLFP, President and CEO, Wintrust Specialty Finance

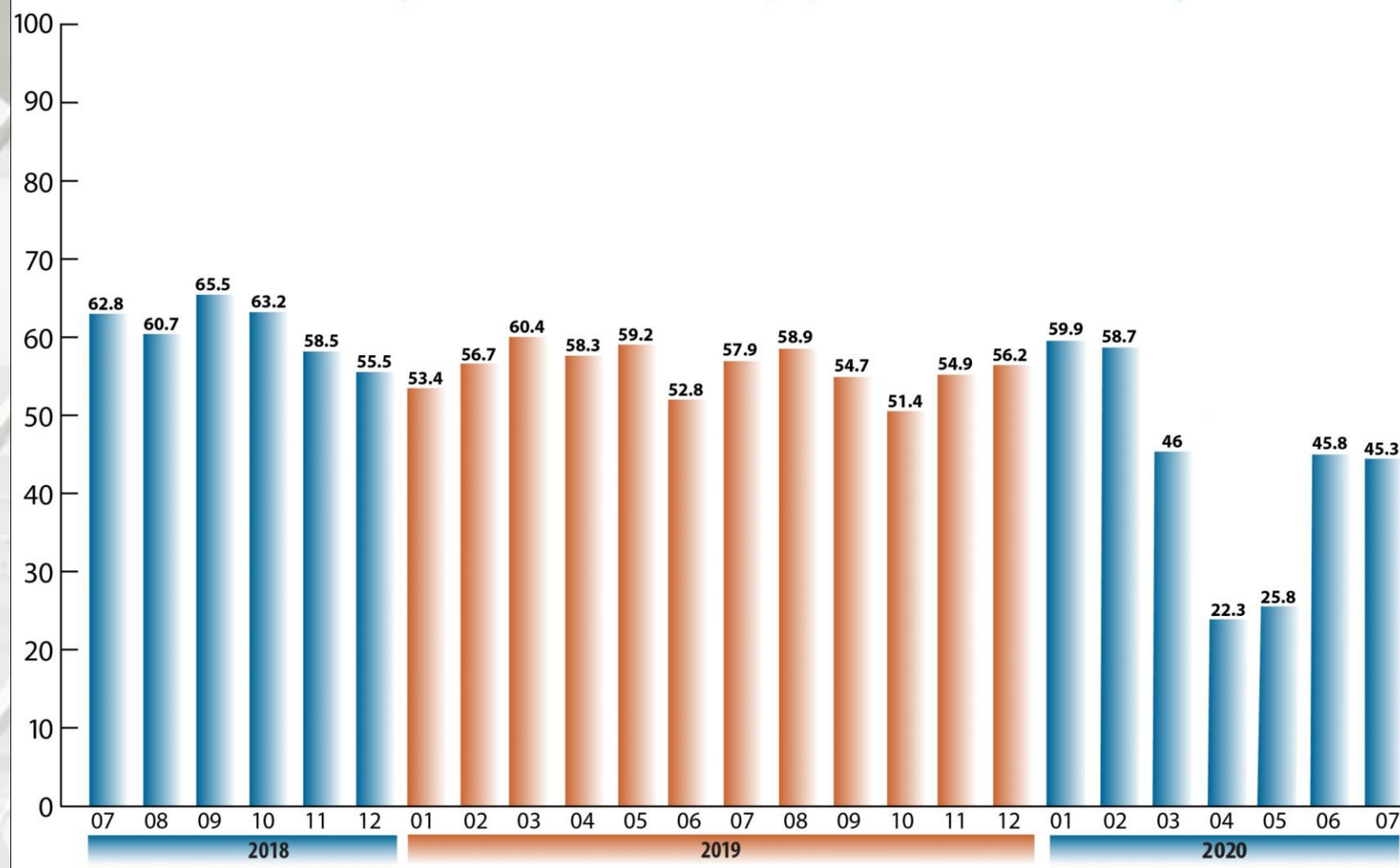
“There’s little cause for optimism. I’m very concerned that continued coronavirus infections will cause rolling closures across the country.” – Quentin Cote, CLFP, President, Mintaka Financial, LLC

“We are starting to see some spending, possibly pent-up demand, with businesses that had put acquisitions on hold at the onset of COVID-19. Stronger borrowers are looking to take advantage of the situation and tuck in, or otherwise acquire weaker competitors.” – Bruce J. Winter, President, FSG Capital, Inc.

# Equipment Leasing and Finance Association



## 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

**June New Business Volume Down 10 Percent Year-over-year,  
Up 33 Percent Month-to-Month, Down 0.5 Percent Year-to-date**

“The [Equipment Leasing and Finance Association's](#) (ELFA) [Monthly Leasing and Finance Index \(MLFI-25\)](#), which reports economic activity from 25 companies representing a cross section of the \$900 billion equipment finance sector, showed their overall new business volume for for June was \$8.9 billion, down 10 percent year-over-year from new business volume in June 2019. Volume was up 33 percent month-to-month from \$6.7 billion in May. Year-to-date, cumulative new business volume was down 0.5 percent compared to 2019.

Receivables over 30 days were 2.60 percent, down from 4.30 percent the previous month and up from 1.70 percent the same period in 2019. Charge-offs were 0.71 percent, up from 0.61 percent the previous month, and up from 0.33 percent in the year-earlier period.

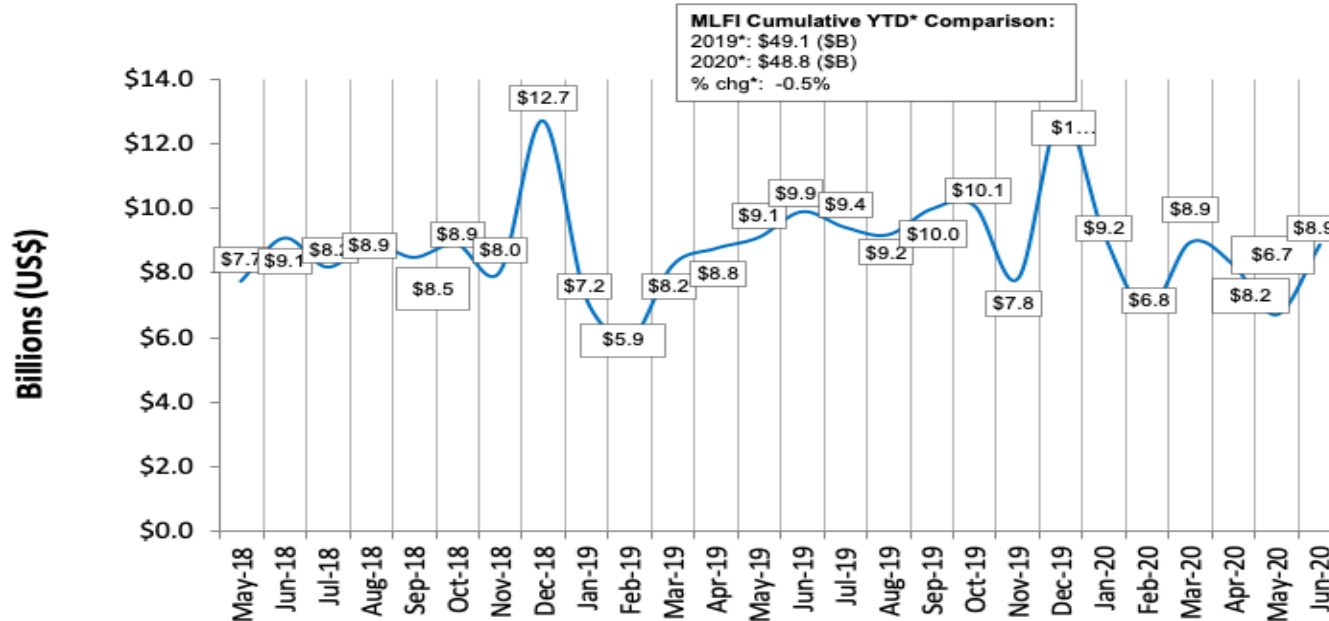
Credit approvals totaled 71.5 percent, up from 71.0 percent in May. Total headcount for equipment finance companies was down 1.9 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in July is 45.3, steady with the May index of 45.8. ” – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

“The month of June's pickup in new business volume is welcome news, but it remains to be seen whether this trend continues as the summer progresses. The economy is soft, too many employees are out of work as a result, and many states are struggling with the decision to re-open their economies. Depending on the specific sectors they support, some ELFA member companies report robust originations, while others are challenged putting new deals on their books” – Ralph Petta, President and CEO, ELFA

# Private Indicators

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



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



## Monthly Leasing and Finance Index: July 2020

“The month-to-month results provide some evidence that activity picked up, but the pandemic is still creating significant uncertainty for the equipment finance market. As confirmed virus cases sharply rise, the economy is facing re-opening delays, increased social distancing disruptions, and possibly even more lockdown measures. There is still reason for optimism, but these threaten to weigh heavily on the pace of recovery and may present additional challenges for the industry, including reduced capital expenditures and credit deterioration.” – Justin Tabone, SVP Originations, Vendor Equipment Finance at TIAA Bank



# Private Indicators

## Equipment Leasing and Finance Association's Survey Equipment Finance Activity Reports New Business Volume Grew 10.5% in 2019

“New business volume grew 10.5% in the equipment finance industry in 2019, according to the [2020 Survey of Equipment Finance Activity](#) (SEFA) released today by the Equipment Leasing and Finance Association (ELFA). The rise in new business volume marked the 10th consecutive year that businesses increased their spending on capital equipment. The 2020 SEFA covers key statistical, financial and operations information for the \$900 billion equipment finance industry, based on a comprehensive survey of 100 ELFA member companies. While the report does not reveal the impact of the COVID-19 pandemic on the equipment finance industry – as it focuses on data from fiscal year 2019 – it provides insight into multiple aspects of the industry, as well as the state of the industry preceding the pandemic.

### Survey Highlights

Key findings for 2019 as reported in the 2020 SEFA include:

- **New business volume grew 10.5% in 2019.** The rise was stronger than the 4.4% increase achieved in 2018, and considerably stronger than the growth of the nation's GDP, reported at 2.3% for 2019 by the U.S. Department of Commerce.
- **By organization type**, banks saw a 12.8% increase in new business volume, independents saw an 8.4% increase and captives saw a 6.9% increase.
- **By market segment**, new business volume grew 20.0% in the large ticket segment, 9.0% in middle ticket and 8.1% in small ticket.” – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

# Private Indicators

## Equipment Leasing and Finance Association's Survey Equipment Finance Activity Reports New Business Volume Grew 10.5% in 2019

### “Survey Highlights

Key findings for 2019 as reported in the 2020 SEFA include:

- **From an asset perspective**, the top-five most-financed equipment types were transportation, IT and related technology services, construction, agricultural and industrial/manufacturing. The top five end-user industries representing the largest share of new business volume were services, agriculture, wholesale/retail, industrial and manufacturing, and transportation.
- **Delinquencies** edged up in 2019 to 2.1%, from 1.8% in 2018. Delinquencies have been on the rise since 2013 when only 1.2% of receivables were over 31 day past due.
- **Charge-offs** increased marginally overall to 0.3% of average receivables in 2019.
- **Credit approvals** remained steady year-over-year, as did the percentage of those approved applications being booked.
- **Employment** levels grew slightly by 1.2%.” – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

“We are pleased to share the results of the 2020 Survey of Equipment Finance Activity. The world is a very different place today in the midst of the COVID-19 pandemic than it was in 2019. However, the 2019 statistics included in this report provide valuable industry benchmark data. The 2020 SEFA, the Interactive SEFA Dashboard and the personalized MySEFA data visualization tool are all designed to help users make more informed, data-driven decisions. We thank all the ELFA member respondents, without whom this leading industry data source would not be possible.”  
Ralph Petta, President and CEO, ELFA

# FreightWaves

## Freight volumes could go higher in August

“The Outbound Tender Volume Index (OTVI) continued to expand last week, indicating shippers are requesting more capacity than ever. The index shows volume 30% higher than the previous year. With numerous carriers reporting much stronger-than-expected earnings, there is a noted level of cautious optimism about the rest of the third quarter. There are signs that we have yet to see the strongest freight market of the year.

Total imports for the U.S. have been increasing steadily since mid-June, measuring 3% lower than 2019 levels last week. In June total import shipments were 17% lower than the same period last year.

Many industrial figures, such as durable goods, have started coming in at much higher-than-expected values. The Purchasing Managers Index, which measures manufacturing activity, climbed to its highest value since April 2019 after having two of the worst months in recent history in April and May.

Considering the fact the freight market has been recovering without the aid of the industrial sector and with lower import volumes over the past few months, continued expansion of imports and industrial growth may provide another injection of freight into an already crowded environment.

Many economic and market experts, including me, found it difficult to believe that freight volumes would reach such levels this year and certainly not at the rate that they did. Some still resist the notion that this simply could not be happening because it is such a divergent pattern from what most of us have known. But there are just too many data sources that support a stronger-than-anticipated recovery.

UPS reported a more than 20% increase in volumes in the second quarter, blowing earnings estimates out of the water. While UPS is not a traditional truckload operation, the company commands an enormous amount of freight in the form of LTL and parcel shipments worldwide. Most of these parcel shipments spend some amount of time as part of a full truckload as they are consolidated and transported across the country.” – Zach Strickland, FW Market Expert & Market Analyst, FreightWaves

# FreightWaves

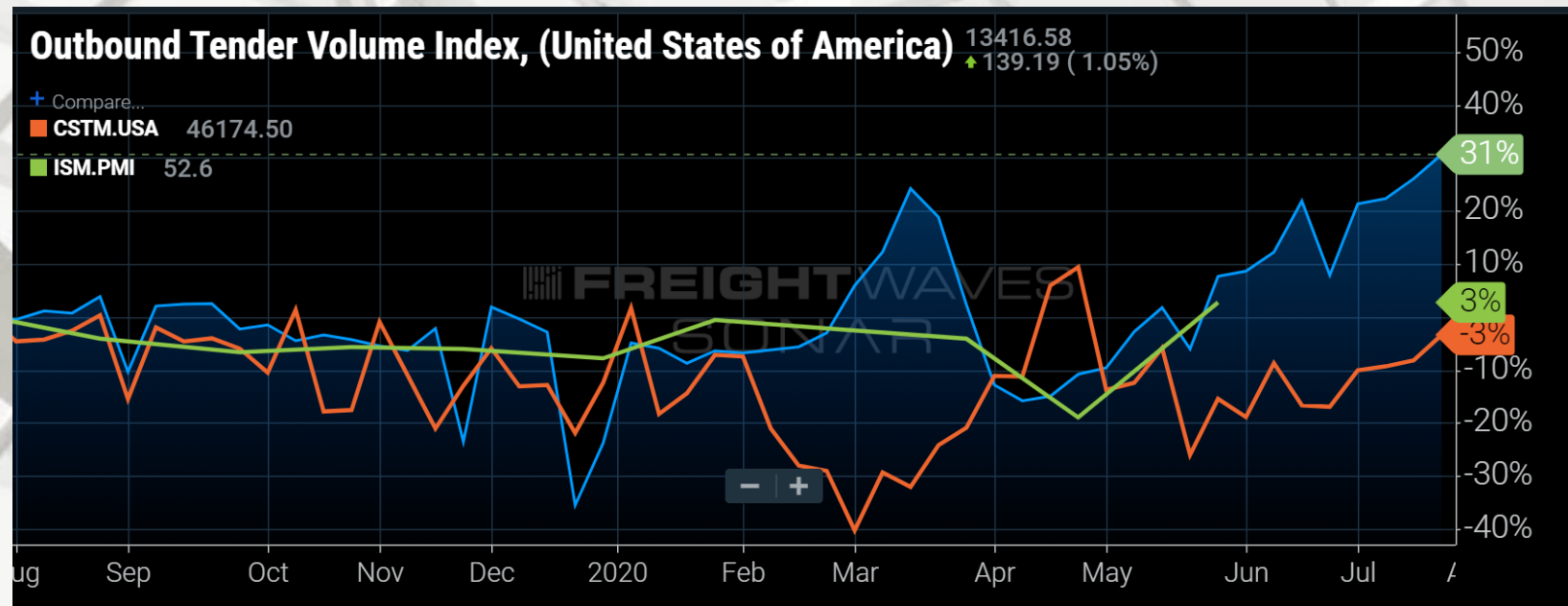


Chart of the Week: Outbound Tender Volume Index, Customs Import Shipments, Purchasing Managers Index – USA SONAR: OTVI.USA, CSTM.USA, ISM.PMI

“J.B. Hunt’s truckload division reported an [8% increase](#) in revenue on lower margins this past quarter, while Knight-Swift and Werner both posted improvements in profitability during what was supposed to be a disastrous quarter. Not all of these mean they experienced higher volumes, but they do suggest that the market vastly improved throughout the quarter as nearly all were revising Q2 expectations much lower in April.

A lot of the freight moving over the past three months has been driven by food and beverage and CPG. The Logistics Managers Index also suggests there was an [inventory management](#) component as inventory levels rose alongside transportation utilization, a trend that suggests consumption or demand is not the main driver for transporting goods.

Import volumes suggest there will still be plenty of freight to position in the near term, while the industrial numbers suggest there is still room to grow. The steady rate of expansion also gives a lot more strength to the sustainability of the OTVI, meaning a large drop-off is unlikely to occur soon. If the third quarter does not have another economic shutdown month like April, it could be one of the best in recent history for trucking.” – Zach Strickland, FW Market Expert & Market Analyst, FreightWaves



# **July 2020 Manufacturing ISM® *Report On Business*®**

**PMI® at 54.2%**

**New Orders and Production Growing, and Employment Contracting  
Supplier Deliveries Slowing at Slower Rate; Backlog Growing  
Raw Materials Inventories Contracting; Customers' Inventories Too Low  
Prices Increasing; Exports and Imports Growing**

“Economic activity in the **manufacturing sector grew in July, and the overall economy notching a a third consecutive month of growth**, say the nation's supply executives in the latest **Manufacturing ISM® *Report On Business*®**. The July PMI® registered 54.2 percent, up 1.6 percentage points from the June reading of 52.6 percent. This figure indicates expansion in the **overall economy** for the third month in a row after a contraction in April, which ended a period of 131 consecutive months of growth.

The New Orders Index registered 61.5 percent, an increase of 5.1 percentage points from the June reading of 56.4 percent.

The Production Index registered 62.1 percent, up 4.8 percentage points compared to the June reading of 57.3 percent.

The Backlog of Orders Index registered 51.8 percent, an increase of 6.5 percentage points compared to the June reading of 45.3 percent.

The Employment Index registered 44.3 percent, an increase of 2.2 percentage points from the June reading of 42.1 percent.

The Supplier Deliveries Index registered 55.8 percent, down 1.1 percentage points from the June figure of 56.9 percent.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

## July 2020 Manufacturing ISM® Report On Business®

“The Inventories Index registered 47 percent, 3.5 percentage points lower than the June reading of 50.5 percent.

The Prices Index registered 53.2 percent, up 1.9 percentage points compared to the June reading of 51.3 percent.

The New Export Orders Index registered 50.4 percent, an increase of 2.8 percentage points compared to the June reading of 47.6 percent.

The Imports Index registered 53.1 percent, a 4.3-percentage point increase from the June reading of 48.8 percent.

In July, manufacturing continued its recovery after the disruption caused by the coronavirus (COVID-19) pandemic. Panel sentiment was generally optimistic (two positive comments for every one cautious comment), continuing a trend from June. **Demand** expanded, with the (1) New Orders Index growing at a strong level, supported by the New Export Orders Index re-entering expansion; (2) Customers' Inventories Index remaining at a level considered a positive for future production, and (3) Backlog of Orders Index returning to expansion for the first time in five months. Consumption (measured by the Production and Employment indexes) contributed positively (a combined 7-percentage point increase) to the PMI® calculation, with industries continuing to expand output after May's return-to-work actions. **Inputs** – expressed as supplier deliveries, inventories and imports – weakened for the third straight month, due to supplier delivery issues abating and import levels re-entering expansion. Inventory levels contracted due to strong production output, supplier delivery difficulties and inventory minimization. Inputs contributed negatively (a combined 4.6-percentage point decrease) to the PMI® calculation but were more than offset by the demand and consumption improvement, as was the case in June. (The Supplier Deliveries and Inventories indexes directly factor into the PMI®; the Imports Index does not.) Prices remained in expansion, supporting a positive outlook.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

## **July 2020 Manufacturing ISM® Report On Business®**

**PMI® at 54.2%**

“The growth cycle continues for the second straight month after three prior months of COVID-19 disruptions. Demand and consumption continued to drive expansion growth, with inputs remaining at parity with supply and demand. Among the six biggest industry sectors, Food, Beverage & Tobacco Products remains the best-performing industry sector, with Chemical Products, Computer & Electronic Products and Petroleum & Coal Products growing respectably. Transportation Equipment and Fabricated Metal Products continue to contract, but at soft levels.

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

# Private Indicators

## July 2020 Services PMI™ Report On Business®

**NMI® at 58.1%**

**Business Activity Index at 67.2%;**

**New Orders Index at 67.7%**

**Employment Index at 42.1%;**

**Supplier Deliveries Index at 55.2%**

“Economic activity in the **non-manufacturing sector** grew in July for the second month in a row, say the nation's purchasing and supply executives in the latest **Services PMI™ Report On Business®**.

The Services PMI™ registered 58.1 percent, 1 percentage point higher than the June reading of 57.1 percent. This reading represents growth in the services sector for the second straight month after contraction in April and May, preceded by a 122-month period of expansion. The Supplier Deliveries Index registered 55.2 percent, down 2.3 percentage points from June's reading of 57.5 percent. 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. The higher readings for supplier deliveries in the three months prior to June were primarily a product of supply problems related to the coronavirus (COVID-19) pandemic. Supplier deliveries are now more closely correlating to the current supply and demand.”  
– 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

ISM® SERVICES SURVEY RESULTS AT A GLANCE									
COMPARISON OF ISM® SERVICES AND ISM® MANUFACTURING SURVEYS*									
July 2020									
	Services PMI™						Manufacturing PMI™		
	Series Index	Series Index	Percent Point		Rate of Change	Trend** (Months)	Series Index	Series Index	Percent Point
Index	Jul	Jun	Change	Direction			Jul	Jun	Change
<b>Services PMI™</b>	<b>58.1</b>	<b>57.1</b>	<b>+1.0</b>	<b>Growing</b>	<b>Faster</b>	<b>2</b>	<b>54.2</b>	<b>52.6</b>	<b>+1.6</b>
<b>Business Activity/ Production</b>	<b>67.2</b>	<b>66.0</b>	<b>+1.2</b>	<b>Growing</b>	<b>Faster</b>	<b>2</b>	<b>62.1</b>	<b>57.3</b>	<b>+4.8</b>
<b>New Orders</b>	<b>67.7</b>	<b>61.6</b>	<b>+6.1</b>	<b>Growing</b>	<b>Faster</b>	<b>2</b>	<b>61.5</b>	<b>56.4</b>	<b>+5.1</b>
<b>Employment</b>	<b>42.1</b>	<b>43.1</b>	<b>-1.0</b>	<b>Contracting</b>	<b>Faster</b>	<b>5</b>	<b>44.3</b>	<b>42.1</b>	<b>+2.2</b>
<b>Supplier Deliveries</b>	<b>55.2</b>	<b>57.5</b>	<b>-2.3</b>	<b>Slowing</b>	<b>Slower</b>	<b>14</b>	<b>55.8</b>	<b>56.9</b>	<b>-1.1</b>
<b>Inventories</b>	<b>52.0</b>	<b>60.7</b>	<b>-8.7</b>	<b>Growing</b>	<b>Slower</b>	<b>2</b>	<b>47.0</b>	<b>50.5</b>	<b>-3.5</b>
<b>Prices</b>	<b>57.6</b>	<b>62.4</b>	<b>-4.8</b>	<b>Increasing</b>	<b>Slower</b>	<b>4</b>	<b>53.2</b>	<b>51.3</b>	<b>+1.9</b>
<b>Backlog of Orders</b>	<b>55.9</b>	<b>51.9</b>	<b>+4.0</b>	<b>Growing</b>	<b>Faster</b>	<b>2</b>	<b>51.8</b>	<b>45.3</b>	<b>+6.5</b>
<b>New Export Orders</b>	<b>49.3</b>	<b>58.9</b>	<b>-9.6</b>	<b>Contracting</b>	<b>From Growing</b>	<b>1</b>	<b>50.4</b>	<b>47.6</b>	<b>+2.8</b>
<b>Imports</b>	<b>46.3</b>	<b>52.9</b>	<b>-6.6</b>	<b>Contracting</b>	<b>From Growing</b>	<b>1</b>	<b>53.1</b>	<b>48.8</b>	<b>+4.3</b>
<b>Inventory Sentiment</b>	<b>50.0</b>	<b>55.9</b>	<b>-5.9</b>	<b>Unchanged</b>	<b>From Too High</b>	<b>1</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Customers' Inventories</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>41.6</b>	<b>44.6</b>	<b>-3.0</b>
<b>Overall Economy</b>				<b>Growing</b>	<b>Faster</b>	<b>2</b>			
<b>Services Sector</b>				<b>Growing</b>	<b>Faster</b>	<b>2</b>			

## July 2020 Non-Manufacturing ISM® Report On Business® Industry Performance

“The 15 services industries reporting growth in July – listed in order – are: Arts, Entertainment & Recreation; Health Care & Social Assistance; Retail Trade; Transportation & Warehousing; Wholesale Trade; Educational Services; Construction; Utilities; Public Administration; Finance & Insurance; Management of Companies & Support Services; Real Estate, Rental & Leasing; Agriculture, Forestry, Fishing & Hunting; Accommodation & Food Services; and Information. The three industries reporting a decrease in July are: Other Services; Mining; and Professional, Scientific & Technical 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™

### **U.S. manufacturing operating conditions improve for the first time since February**

“July PMI™ data signalled a further upward movement in the headline index, as manufacturers registered the first improvement in operating conditions since February following the outbreak of the coronavirus disease 2019 (COVID-19). Overall growth was marginal but stemmed from the first upturns in output and new orders for five months, as client demand picked up. The contraction in employment softened despite further evidence of spare capacity as new sales rose. Greater optimism in the outlook was also reflected in an improvement in business confidence.

At the same time, input prices rose solidly amid increased demand for inputs, whilst firms partially passed on higher costs to clients through an uptick in charges.

The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers’ Index™ (PMI™) posted 50.9 at the start of the third quarter, up from 49.8 in June but slightly lower than the previously released ‘flash’ estimate of 51.3. The latest figure signalled a marginal improvement in the performance of the U.S. manufacturing sector, the first since February.

Output rose only modestly in July, albeit the first expansion in production since February. Where an increase was reported, firms linked this to the resumption of operations at manufacturers and their clients. Some also noted that demand also began to pick up.

Reflecting the reopening of many customers, new orders increased for the first time since February in July. The rate of growth was modest, despite signalling a stark contrast to the marked decline seen in April. Although total sales expanded, new export orders fell fractionally as foreign client demand struggled to gain momentum amid the gradual reopening of global economies following the COVID-19 pandemic.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators

## Markit U.S. Manufacturing PMI™

“The resumption of operations at manufacturers globally pushed demand for inputs up, with firms highlighting that supplier shortages had driven cost burdens higher. The rate of input price inflation was solid overall and the fastest for five months. Nonetheless, the pace of increase in output charges was only marginal overall as firms sought to remain competitive and attract new clients.

Despite historically subdued demand conditions, companies were more upbeat regarding the outlook for output over the coming year. Confidence among manufacturers reportedly stemmed from hopes of an upturn in new orders and a return to pre-pandemic output levels, and an end to the COVID-19 crisis. Optimism was solid, but some firms noted concerns for the near-term future as virus cases rise again. Meanwhile, goods producers signalled a fractional contraction in employment in July, as firms noted redundancies due to subdued new order inflows. That said, the rate of job shedding was the softest in the current five-month sequence of decline as the reduction in backlogs of work eased further from April's low.

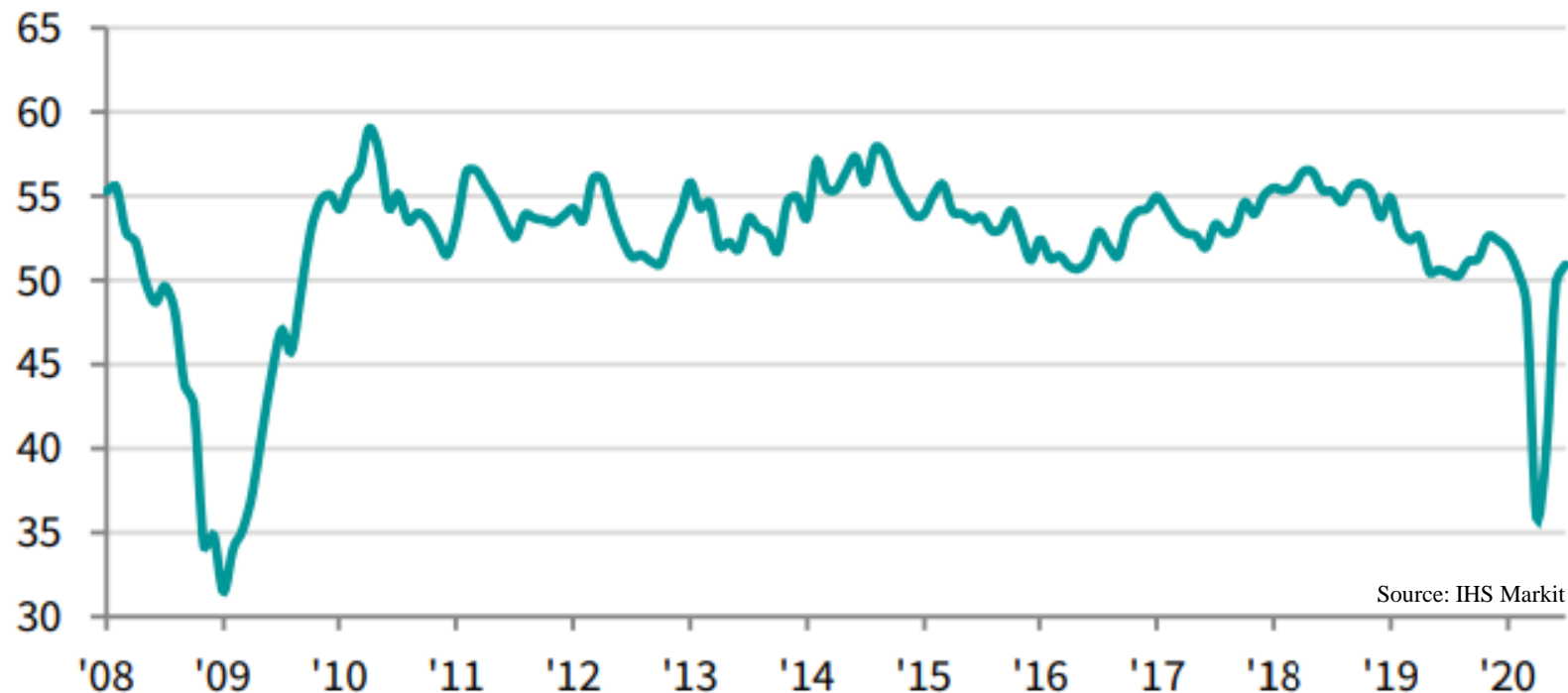
Finally, in an effort to control cost burdens, firms continued to reduce their input buying at the start of the third quarter. Some also stated that supplier shortages, the use of stocks in production and further delays led to a modest fall in preproduction inventories. Manufacturers also noted that selling from stock had depleted post-production inventories further.

Although indicating the strongest expansion of the manufacturing sector since January, the IHS Markit PMI remains worryingly weak. Much of the recent improvement in output appears to be driven merely by factories restarting work rather than reflecting an upswing in demand. Growth of new orders remains lacklustre and backlogs of work continue to fall, hinting strongly at the build-up of excess capacity. Many firms and their customers remain cautious in relation to spending in the face of re-imposed lockdowns in some states and worries about further disruptions from the pandemic.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators

## U.S. Manufacturing PMI

sa, >50 = improvement since previous month



## Markit U.S. Manufacturing PMI™

“Encouragingly, business optimism about the year ahead has revived to levels last seen in February, but many see the next few months being a struggle amid the ongoing pandemic, with a more solid-looking recovery not starting in earnest towards the end of the year or even into 2021. Further infection waves could of course derail the recovery, and many firms also cited the presidential elections as a further potential for any recovery to be dampened by heightened political uncertainty.” – Chris Williamson, Chief Economist, Markit®



# Private Indicators

## IHS Markit U.S. Services PMI™

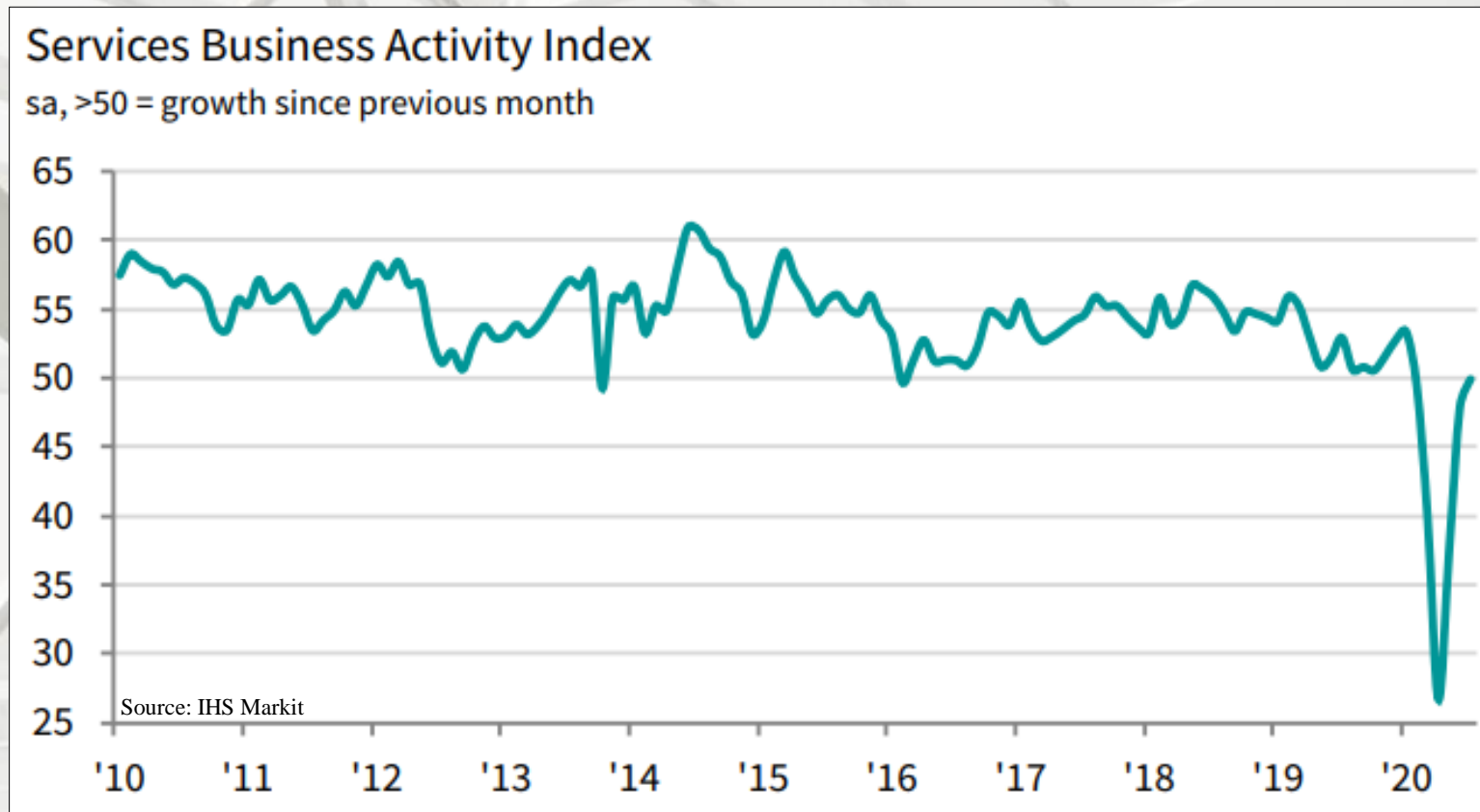
### **Business activity stabilizes but demand conditions deteriorate**

“July PMI™ data signalled a stabilization in business activity across the U.S. service sector as businesses continued to reopen following coronavirus disease 2019 (COVID-19) lockdowns in prior months. New orders declined at a slightly quicker rate, however, as domestic and foreign client demand remained muted, which was often attributed to ongoing virus-related restrictions. Nonetheless, operational restrictions led to constraints on capacity, with firms increasing their workforce numbers to process unfinished business. At the same time, output expectations improved to the strongest since March 2019 amid hopes of an end to lockdown measures over the longer term. ...

The service sector is showing welcome signs of stabilizing after the unprecedented downturn seen during the second quarter, but many companies continue to struggle with virus-related constraints, especially in states where social distancing restrictions have been tightened again. The US was the only major economy to see COVID-19 containment measures tighten again in July , and this is reflected in the data, with new business inflows falling at an increased rate to hint at the possible start of a double dip in business activity.

More encouragingly, businesses have on balance become more optimistic about recovery in the year ahead, and took on extra staff to ensure capacity is sufficient to meet future growth. However, whether this optimism can be sustained and result in faster growth will of course depend on infection rates falling.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators



## IHS Markit U.S. Services PMI™

“The seasonally adjusted final IHS Markit US Services PMI Business Activity Index registered 50.0 at the start of the third quarter, up from 47.9 in June and improving on the 'flash' estimate of 49.6, to signal a stabilization in service sector business activity. The latest data brought to an end a five-month sequence of contraction, with the Business Activity index rising for a third successive month from April's record low (26.7). Although some firms remained closed or noted weak client demand and disrupted working practices due to the pandemic, others stated that the resumption of business had boosted output.” – Chris Williamson, Chief Economist, Markit®

# Private Indicators

## **National Association of Credit Management – Credit Managers' Index July Combined Sectors**

“We seem to have a trend on our hands, and it is one that is more encouraging than would be expected given all the economic turmoil that has dominated the world since March. The pandemic continues to threaten and baffle as very little of the containment strategy has worked as intended. The lockdown of the global economy was intended to last only a few weeks as the viral infection was supposed to reach its peak in April, allowing the much anticipated May rebound. “We are now in summer, but the virus is nowhere near a peak,” said Chris Kuehl, Ph.D., NACM economist. “The lockdown lift has halted, and many states are considering a reimposition of restrictions. In the midst of all this, the credit managers are responding with significant enthusiasm regarding the future. This matters as the Credit Managers' Index is very often prescient due to the tendency for credit managers to think more about the future than what is happening right now.”

The months of March and April were flat disastrous with numbers lower than the index has seen since its inception – far lower than were recorded in 2008/2009. The recovery started in May with numbers that got within shouting distance of expansion, but by June, the combined index was above 50 and in the growth territory again. Now comes July, and the numbers are even a bit stronger than they were the month before. The combined score jumped to 55.6 from June's 51, and the gains in the favorable categories were even more impressive as the index returned to the 60s with a 61.6 reading compared to the 55.3 in June and the truly miserable reading of 32 in April. The latest reading takes the index back to where it was in February before the pandemic restrictions set in. “There was some expectation that there would be a decline in the unfavorable numbers by this point, but that has not yet been the case as this month's reading is 51.7 as compared to last month at 48.1,” Kuehl said. This latest number takes the index back to February as well.” – Andrew Michaels, Editorial Associate, NACM

# Private Indicators

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

“As is usually the case, there is interesting activity in the sub-index readings. The most significant and encouraging sign was the return to the 60s in terms of sales. In April, sales had fallen all the way to 20, and that was a level that had never been reached. In February, the level had been at 64, and this month it stands at 64.3. Only once in the last twelve months has the level of sales activity been higher and that was in August 2019. Sales was not the only measure that returned to the 60s as new credit applications went from 57.9 to 62.4, which is higher than it has been in the last year. The reading in February was 62.2. The dollar collections data also jumped back to these high levels with a reading of 62.5 as compared 53.9. This makes yet another category that has not been more robust this year, the closest being 62.1 last October. Finally, there is the amount of credit extended, and it just missed hitting that 60 level with a reading of 57.3. This is the only one of the four that languished a bit compared to the previous year but is still higher than it has been since February.

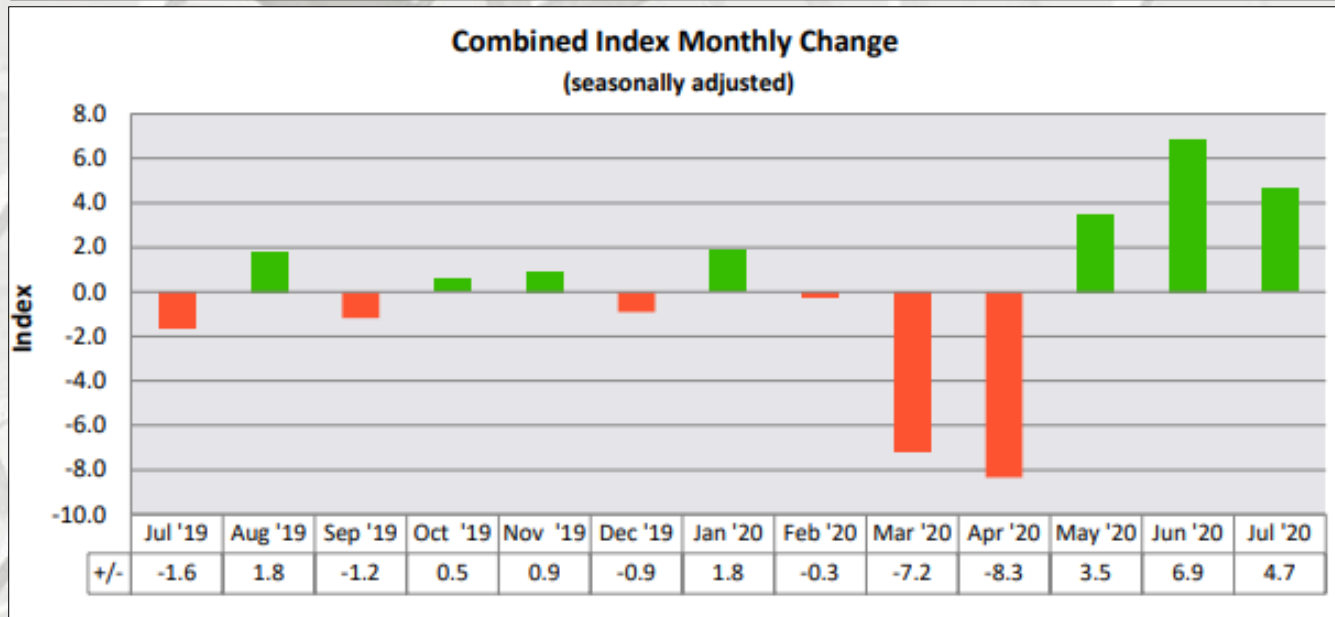
“There has been some expectation that the unfavorable factors would start to show some weakness by now given the blows the economy has taken in the last several months, but there has been some good news showing up in these categories as well,” Kuehl noted. The rejections of credit applications reading improved from 49.8 to 50, and thus, escaped the contraction zone by a hair. “This is better news than it seems given the sharp rise in credit applications as it suggests that the applicants have been credit worthy.” Accounts placed for collection also moved out of the contraction zone with a reading of 50.8 as compared to the 46.7 that had been notched in June. The disputes category became the third of these readings to move into expansion territory with a reading of 50.7 after registering a 49.6 the prior month. Dollar amount beyond terms made a major jump as it went from 44.4 to 57.3, and this has as much significance as any of the readings. “There had been an assumption that companies would start falling seriously behind in paying their debts by this time, but there has been little evidence of this so far as companies are showing the ability to keep current on their obligations.” Dollar amount of customer deductions had moved into expansion territory the month before, but that position has solidified a bit this month with a reading of 52.4 compared to the 50.6 in June. Filings for bankruptcies continued to falter a little and didn’t quite escape contraction with a reading of 48.8 compared to 47.7 in June.” – Andrew Michaels, Editorial Associate, NACM



# Private Indicators

## National Association of Credit Management

Combined Manufacturing and Service Sectors (seasonally adjusted)	Jul '19	Aug '19	Sep '19	Oct '19	Nov '19	Dec '19	Jan '20	Feb '20	Mar '20	Apr '20	May '20	Jun '20	Jul '20
Sales	58.4	64.4	58.7	57.9	61.6	58.8	63.0	64.0	39.5	20.0	28.6	54.1	64.3
New credit applications	60.8	60.9	59.7	59.0	61.2	59.4	61.1	62.2	44.0	31.1	43.3	57.9	62.4
Dollar collections	56.6	60.0	58.5	62.1	59.2	57.9	61.7	58.8	49.3	35.5	43.2	53.9	62.5
Amount of credit extended	58.7	61.7	59.7	61.6	64.3	61.1	62.9	63.6	53.2	41.6	42.8	55.2	57.3
Index of favorable factors	58.6	61.8	59.1	60.1	61.6	59.3	62.2	62.2	46.5	32.0	39.5	55.3	61.6
Rejections of credit applications	52.6	52.1	51.4	52.1	51.3	52.0	52.0	53.8	53.5	52.7	51.9	49.8	50.0
Accounts placed for collection	46.2	48.6	48.4	49.1	49.8	50.3	50.6	50.6	50.6	47.4	49.1	46.7	50.8
Disputes	50.5	49.4	50.0	48.1	50.3	50.8	52.4	50.3	52.1	50.8	51.5	49.6	50.7
Dollar amount beyond terms	46.1	53.6	50.2	52.0	52.6	51.0	54.2	53.5	43.9	27.6	32.4	44.4	57.3
Dollar amount of customer deductions	51.2	50.0	52.1	50.9	51.4	51.3	52.2	51.5	50.4	49.4	50.9	50.6	52.4
Filings for bankruptcies	53.2	51.6	52.1	53.4	53.5	53.4	54.4	53.3	53.2	50.2	47.3	47.7	48.8
Index of unfavorable factors	50.0	50.9	50.7	50.9	51.5	51.5	52.6	52.2	50.6	46.3	47.2	48.1	51.7
NACM Combined CMI	53.4	55.2	54.1	54.6	55.5	54.6	56.4	56.2	49.0	40.6	44.1	51.0	55.6



# Private Indicators

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

### Improves in Anticipation of Better Economic Outlook

“The Small Business Optimism Index increased 6.2 points in June to 100.6 with eight of the 10 components improving and two declining. Owners anticipate improving sales as the economy continues to re-open with sales expectations rebounding to a net 13% after April’s lowest reading in survey history (a net negative 42%). Small business owners continue to be optimistic about future business conditions and indicate they expect the recession to be short-lived.

Other key findings from the survey include:

- The NFIB Uncertainty Index decreased one point in June to 81.
- Earnings trends over the past 3 months declined to a net negative 35%, the lowest reading since March 2010.
- The percent of owners who think now is a good time to expand improved 8 points to 13% of owners.
- Job creation plans increased 8 points to a net 16%.” – Holly Wade, NFIB

# Private Indicators

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

“Small businesses are navigating the various federal and state policies in order to reopen their business and they are doing their best to adjust their business decisions accordingly. We’re starting to see positive signs of increased consumer spending, but there is still much work to be done to get back to pre-crisis levels.” – Bill Dunkelberg, Chief Economist, NFIB

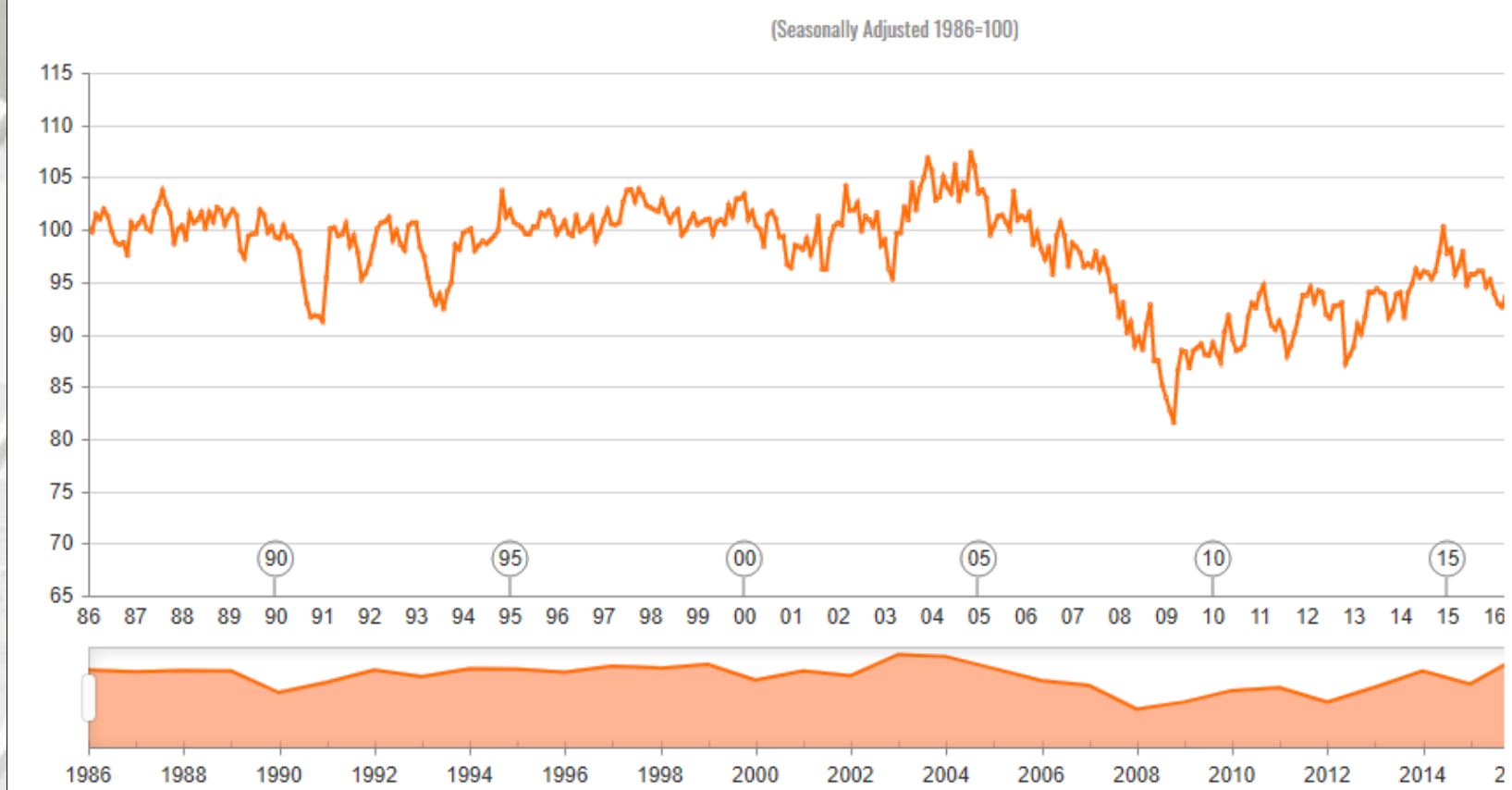
“Down from May, 48% of owners reported capital outlays in the next 6 months, the lowest level since December 2010. Of those making expenditures, 32% reported spending on new equipment (down 3 points), 18% acquired vehicles (down 2 points), and 14% improved or expanded facilities. Five percent acquired new buildings or land for expansion and 9% spent money for new fixtures and furniture. Twenty-two percent plan capital outlays in the next few months, up 2 points from May. Plans are trending up but remain at recession levels.

A net negative 31% of all owners (seasonally adjusted) reported higher nominal sales in the past three months, down 12 points from May. Re-opening the economy has been slow, especially in the services sector including travel, entertainment, salons, and other more public-facing businesses.

The net percent of owners expecting higher real sales volumes improved 37 points to a net 13% of owners. The historic 61-point drop over March and April has been followed by a 55-point increase over the past 2 months as owners are expecting higher sales with business re-openings. ...” – Holly Wade, NFIB

# Private Indicators

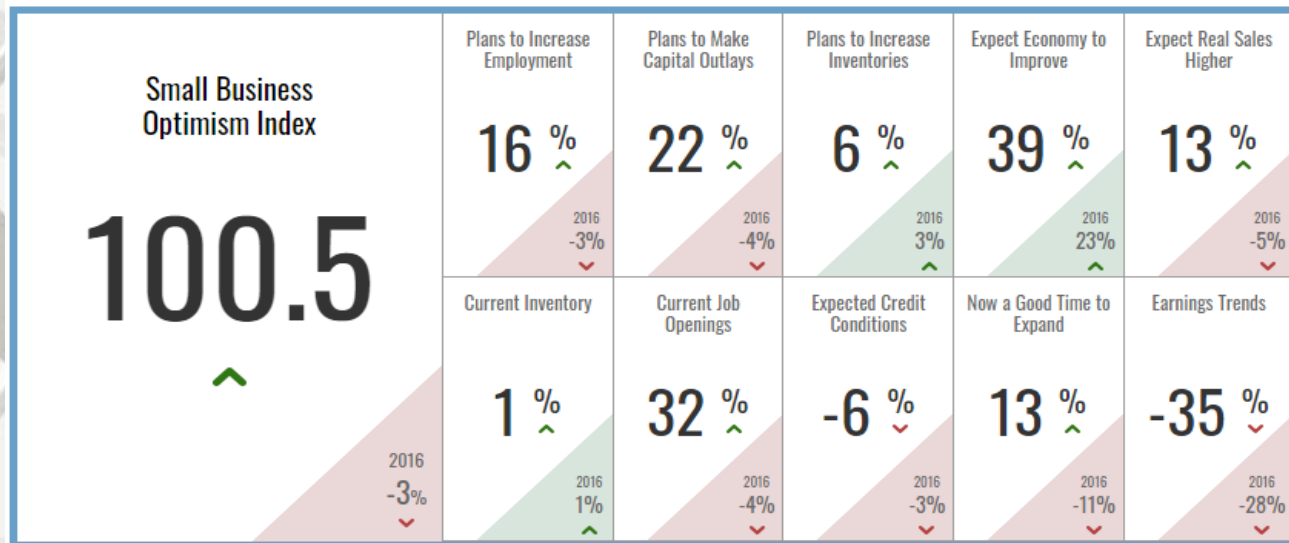
## Small Business Optimism Index



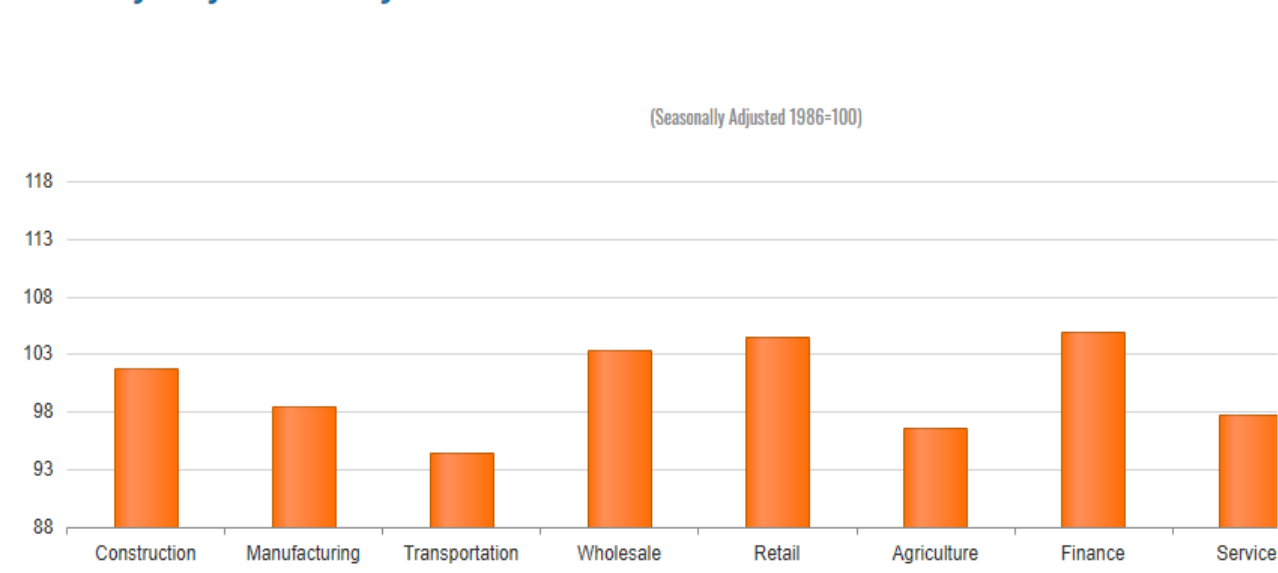


# Private Indicators

## Index Component Levels and Percentage Change from Prior Year



## Index by Major Industry



# Private Indicators

## **The Paychex | IHS Markit Small Business Employment Watch**

### **Small Business Employment Rebound Moderates in July**

The South and West post the largest declines as COVID-19 cases surge; the Northeast continues to lag; and the Midwest demonstrates the greatest stability

“The latest Paychex | IHS Markit Small Business Employment Watch shows that employment growth moderated as new COVID-19 hot spots emerged in the South and West regions of the U.S. The national jobs index slipped 0.24 percent in July to 94.59. Hourly earnings growth also slowed slightly to 3.29 percent last month, but increasing hours worked, spurred by the shifting workforce composition, drove weekly earnings growth up to 4.14 percent, with one-month and three-month annualized growth rates topping five percent. The jobs index fell slightly in July as a number of states were forced to backtrack on early reopenings.” – James Diffley, Chief Regional Economist, IHS Markit

“The rebound in small business job growth has slowed mostly in regions where there has been a recent surge in cases. We’re closely monitoring the status of the next expected stimulus bill for additional relief measures that may be necessary for many small businesses in the months ahead.” Martin Mucci, President and CEO, Paychex

# Private Indicators

## **The Paychex | IHS Markit Small Business Employment Watch**

“The report also includes regional, state, metro, and industry level analysis, showing:

- The South and West reported the largest declines in employment growth, -0.31 percent and -0.33 percent, respectively.
- Despite slowing 0.44 percent in July, Florida continues as the top state for small business employment growth.
- Small business jobs growth in Seattle declined 1.89 percent in July as its index fell to 91.05, lowest among all U.S. metros.
- The Financial Activities industry sector, which includes financial services, insurance, and real estate, was the only sector to experience improved rates of small business employment growth in July and is ranked second behind Construction.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

# Private Indicators

## The Paychex | IHS Markit Small Business Employment Watch

### July Jobs Index

Index  
**94.59**

12-Month Change  
**-3.65%**

### July Wage Data

Hourly Earnings  
**\$28.08**

12-Month Growth  
**+3.29% (+\$0.89)**

Source: Paychex | IHS Markit Small Business Employment Watch



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