The Virginia Tech–USDA Forest Service Housing Commentary: Section II October 2020

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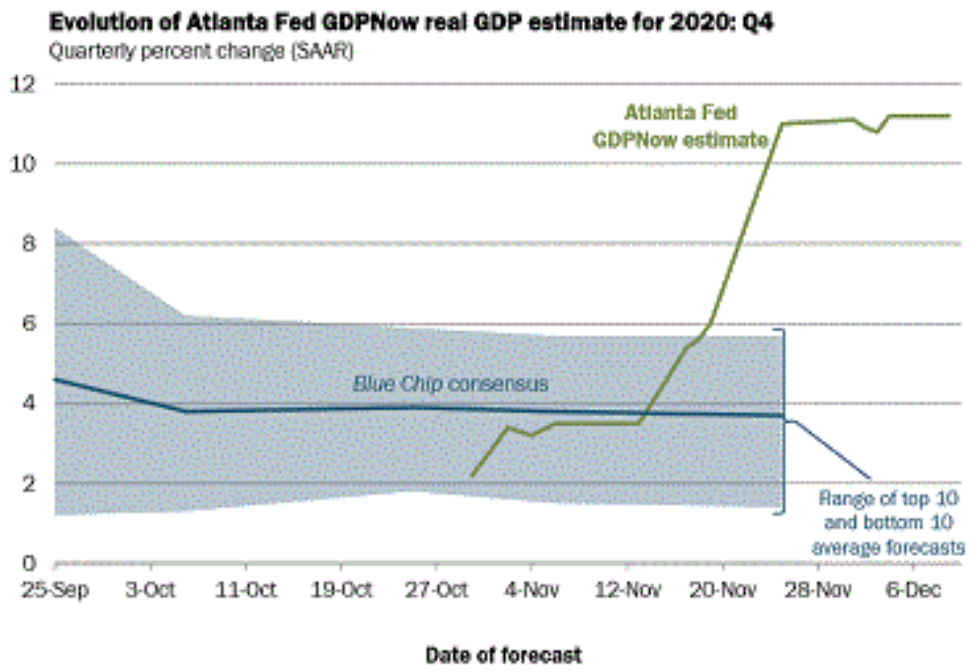
U.S. Economic Indicators

FEDERAL RESERVE BANK of ATLANTA | 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.



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 estimate: 11.2 percent — December 9, 2020

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2020 is **11.2 percent** on December 9, unchanged from December 4 after rounding. After this morning's wholesale trade report from the U.S. Census Bureau, the nowcast of the contribution of inventory investment to real GDP growth decreased from 4.80 percentage points to 4.79 percentage points." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 12/9/20

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The Federal Reserve Bank of Chicago: Midwest Economy Index

Index Suggests Slower, but Still Well-Above-Trend Midwest Growth Through October

"The Midwest Economy Index (MEI), which approximates quarterly growth at a monthly frequency, fell to +3.15 in October from +4.34 in September. Contributions to the October MEI from three of the four broad sectors of nonfarm business activity and all five Seventh Federal Reserve District states decreased from September. The relative MEI rose to +2.50 in October from +1.16 in September. Contributions to the October relative MEI from three of the four sectors and three of the five states increased from September.

The manufacturing sector's contribution to the MEI edged up to +0.43 in October from +0.40 in September. The pace of manufacturing activity increased in Iowa and Wisconsin, but decreased in Indiana and Michigan and was unchanged in Illinois. Manufacturing's contribution to the relative MEI rose to –0.08 in October from –1.29 in September.

The construction and mining sector contributed +0.20 to the MEI in October, down slightly from +0.25 in September. The pace of construction and mining activity was slower in Indiana and Michigan, but faster in Illinois and Wisconsin and unchanged in Iowa. Construction and mining's contribution to the relative MEI increased to –0.10 in October from –0.24 in September.

The service sector's contribution to the MEI fell to +1.42 in October from +2.14 in September. The pace of service sector activity was down in all five states. The service sector's contribution to the relative MEI edged down to +1.58 in October from +1.62 in September." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/mei/index; 11/30/20

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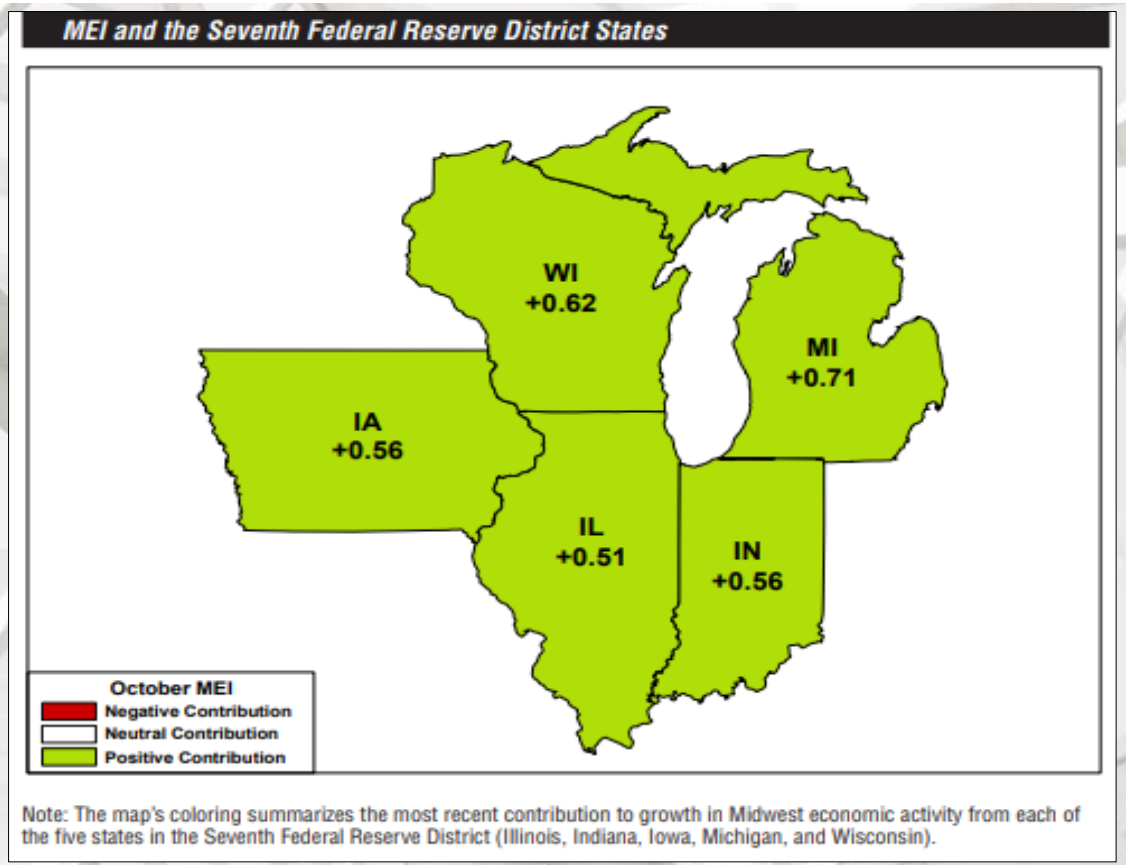
The Federal Reserve Bank of Chicago: Midwest Economy Index



Index Suggests Slower, but Still Well-Above-Trend Midwest Growth Through October

"Consumer spending indicators contributed +1.11 to the MEI in October, down from +1.55 in September. Consumer spending indicators were, on balance, down in all five states. Consumer spending's contribution to the relative MEI edged up to +1.10 in October from +1.08 in September." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/mei/index; 11/30/20

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The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)

Index Suggests Economic Growth Increased in October

"Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) increased to +0.83 in October from +0.32 in September. Three of the four broad categories of indicators used to construct the index made positive contributions in October, and three of the four categories increased from September. The index's three-month moving average, CFNAI-MA3, fell to +0.75 in October from +1.37 in September.

The CFNAI Diffusion Index, which is also a three-month moving average, edged down to +0.51 in October from +0.55 in September. Sixty-one of the 85 individual indicators made positive contributions to the CFNAI in October, while 24 made negative contributions. Fifty-four indicators improved from September to October, 30 indicators deteriorated, and one was unchanged. Of the indicators that improved, eight made negative contributions.

Production-related indicators contributed +0.36 to the CFNAI in October, up from –0.10 in September. Manufacturing production increased 1.0 percent in October after edging up 0.1 percent in September, and manufacturing capacity utilization increased by 0.7 percentage points in October after edging up by 0.1 percentage points in the previous month. The contribution of the sales, orders, and inventories category to the CFNAI increased to +0.08 in October from a neutral value in September.

Employment-related indicators contributed +0.39 to the CFNAI in October, up slightly from +0.30 in September. Nonfarm payrolls increased by 638,000 in October after rising by 672,000 in September, but the unemployment rate fell by 1 percentage point in October after decreasing by 0.5 percentage points in the previous month. The contribution of the personal consumption and housing category to the CFNAI moved down to –0.01 in October from +0.12 in September. …" – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 11/23/20

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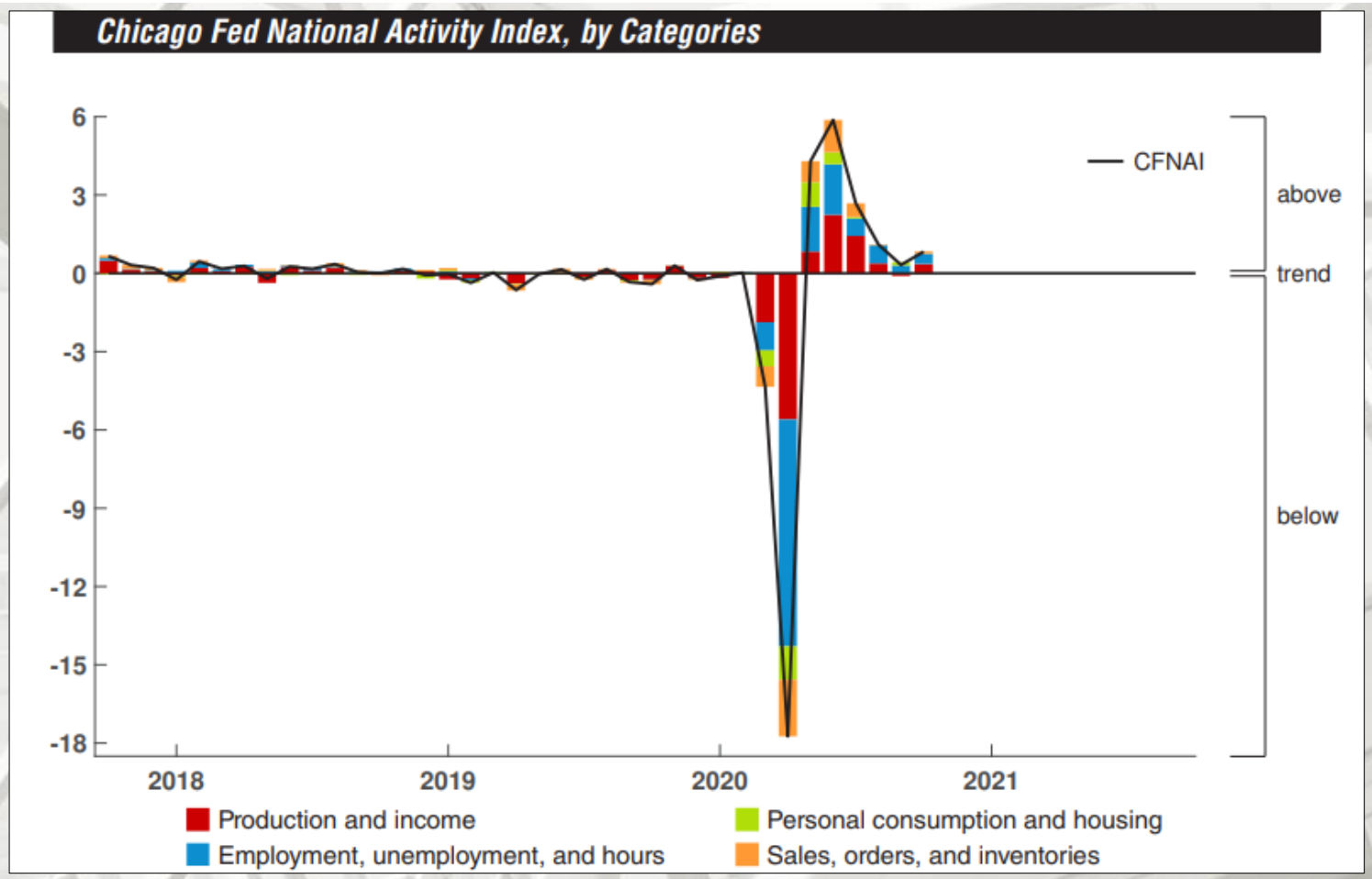
The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)



Source: https://www.chicagofed.org/publications/cfnai/index; 11/23/20

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The Federal Reserve Bank of Chicago: Survey of Business Conditions (CFSBC)

Survey Suggests Growth Picked Up in November

"The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index increased to –4 in November from –22 in October, suggesting that economic growth was near trend. The CFSBC Manufacturing Activity Index moved up to +13 in November from +4 in October, and the CFSBC Nonmanufacturing Activity Index increased to –10 in November from –31 in the previous month.

- Respondents' outlooks for the U.S. economy for the next 12 months improved, and remained optimistic on balance. Thirty-nine percent of respondents expected an increase in economic activity over the next three months, and 25 percent expected activity to return to its pre-pandemic level by the end of 2021.
- The pace of current hiring increased, as did respondents' expectations for the pace of hiring over the next 12 months. The hiring index remained negative, while the hiring expectations index remained positive.
- Respondents' expectations for the pace of capital spending over the next 12 months decreased, but the capital spending expectations index remained positive.
- The labor cost pressures index increased, as did the nonlabor cost pressures index. Both cost pressures indexes remained negative." – Thomas Walstrum, Senior Business Economist, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfsbc/index; 12/10/20

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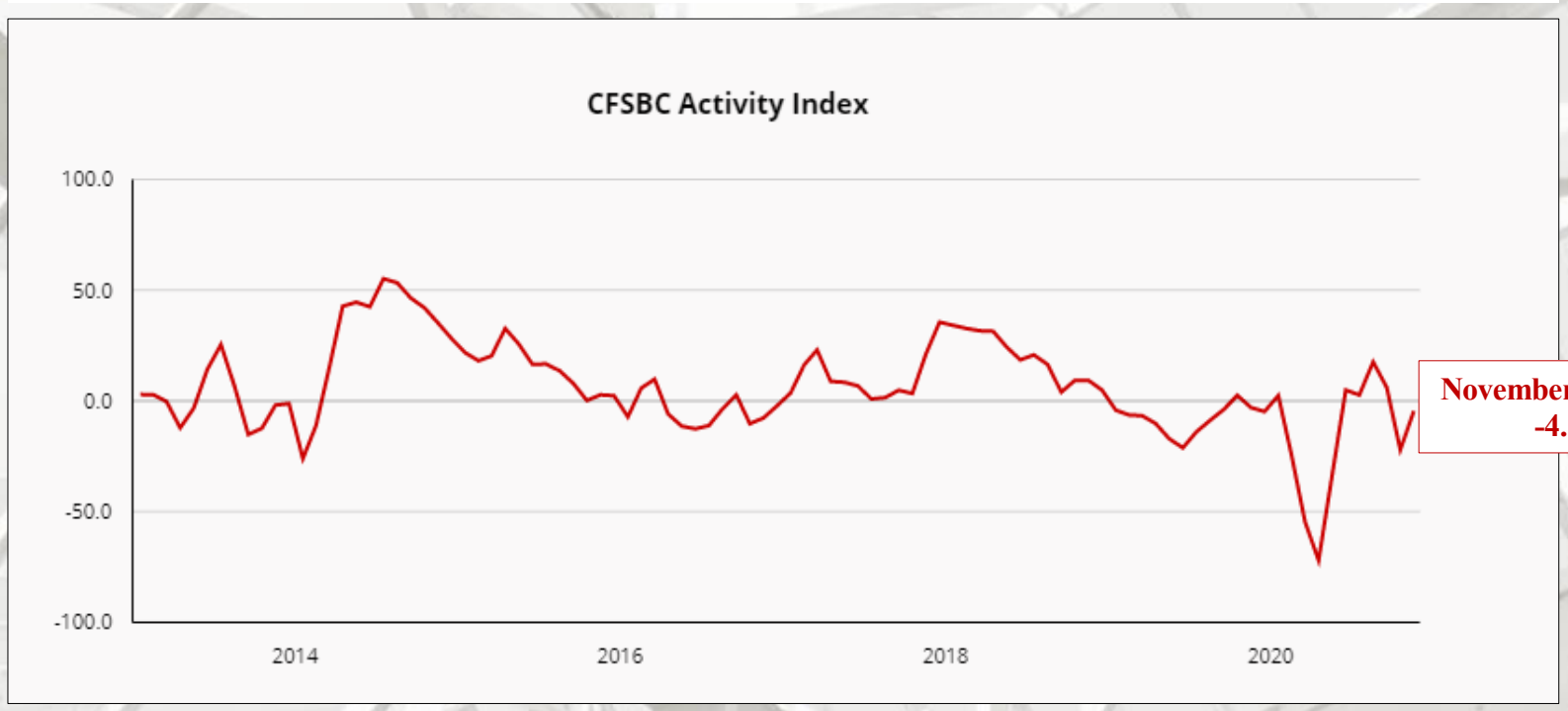
The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)



Source: https://www.chicagofed.org/publications/cfsbc/index; 12/10/20

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The Federal Reserve Bank of Dallas

Texas Manufacturing Expansion Moderates

"Texas factory activity expanded in November for the sixth consecutive month, though at a markedly slower pace, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, fell from 25.5 to 7.2, indicating a deceleration in output growth.

Other measures of manufacturing activity also point to slower growth this month, as the indexes remained positive but came in below last month's readings. The new orders index dropped 13 points to 7.2, and the growth rate of orders index fell five points to 9.7. The capacity utilization index dropped from 23.0 to 6.9, and the shipments index fell from 21.9 to 13.7.

Perceptions of broader business conditions continued to improve in November, though the indexes retreated from their October levels. The general business activity index remained positive but fell from 19.8 to 12.0. Similarly, the company outlook index fell from 17.8 to 11.0. Uncertainty regarding companies' outlooks continued to rise, though the index declined from 11.0 to 7.2.

Labor market measures indicated stronger growth in employment and work hours. The employment index ticked up three points to 11.7, suggesting a slight pickup in hiring. Twenty-five percent of firms noted net hiring, while 13 percent noted net layoffs. The hours worked index moved up from 3.7 to 9.7.

Prices and wages continued to increase in November. The raw materials prices index climbed nearly six points to 35.0, a reading well above the series average. The finished goods prices and wages and benefits indexes edged down to 4.7 and 13.6, respectively. Both readings are slightly below their respective average readings." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 11/30/20

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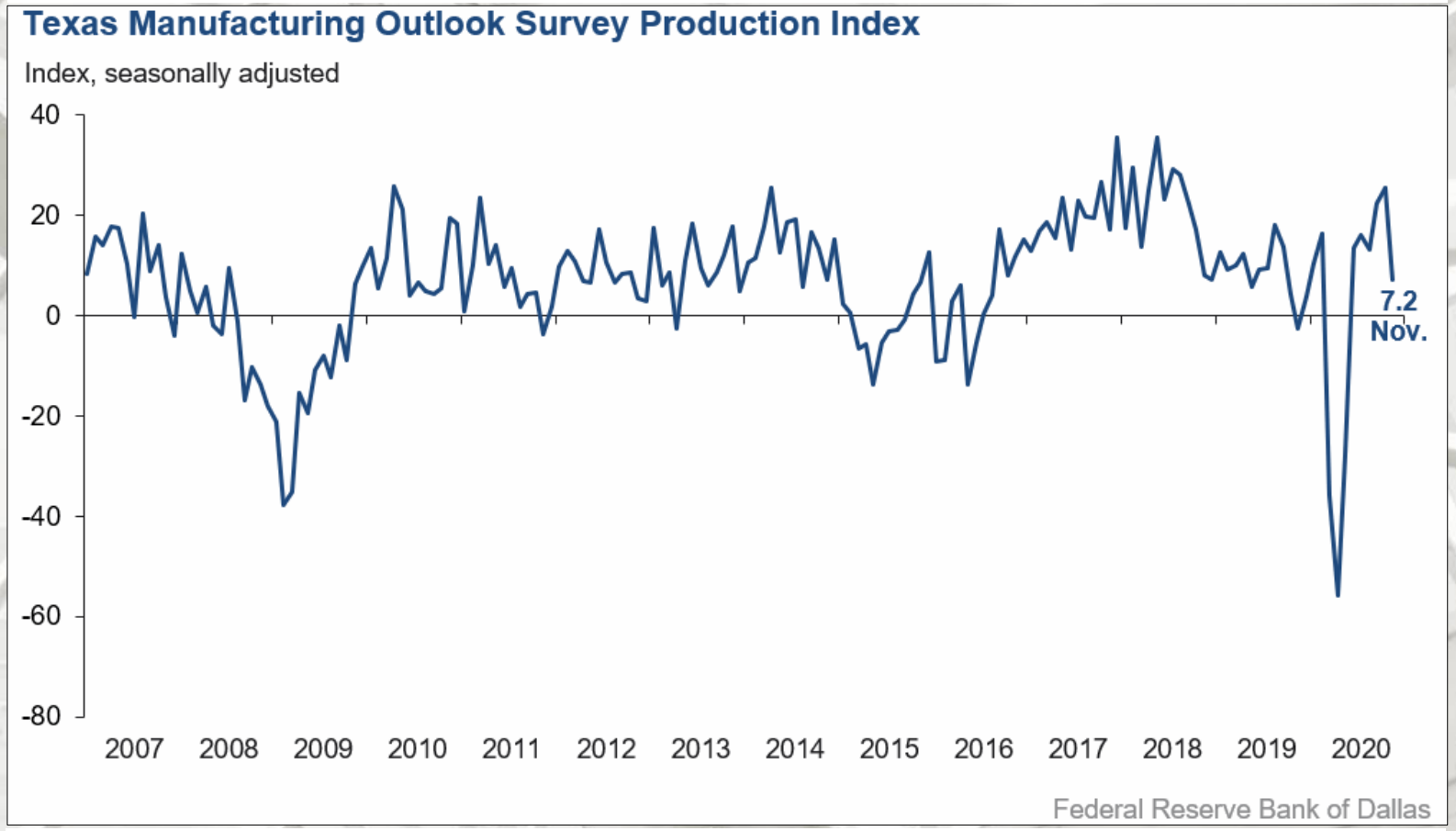
The Federal Reserve Bank of Dallas



Texas Manufacturing Expansion Moderates

"Expectations regarding future activity remained positive in November, though several key indexes moved down from their October readings. The future production index fell six points to 40.8, and the future general business activity index edged down three points to 25.8. Other measures of future manufacturing activity showed mixed movements but remained solidly in positive territory."
– Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 11/30/20

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The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Texas Service Sector Flattens Out

"Activity in the Texas service sector remained mostly flat in November, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, fell from 7.1 in October to -0.7 in November, indicating little net change in activity compared with last month.

Labor market indicators signaled a plateauing of employment and slower growth in hours worked. The employment index was mostly unchanged at 0.9, while the part-time employment index rose slightly to -0.4. Meanwhile, the hours worked index dipped from 5.5 to 2.6.

Perceptions of broader business conditions point to a reversal of the optimism seen in previous months. The general business activity index plunged nearly 16 points to -2.6, its first negative reading since July. The company outlook index declined from 7.8 to -0.8, with nearly 20 percent of respondents noting that their outlook worsened compared with last month. The outlook uncertainty index surged from 5.8 to 17.4.

Price pressures were mixed in November, while wage pressures increased. The wages and benefits index rose from 8.6 to 11.2—its highest value since February. The selling prices index was largely unchanged at 3.3, while the input prices index inched up from 18.4 to 20.7.

Respondents' expectations regarding future business activity were slightly less optimistic compared with last month. The future general business activity index dipped four points to 16.1, while the future revenue index fell about two points to 34.4. Other indexes of future service sector activity such as employment remained solidly positive, suggesting expectations of increased activity in early 2021." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 12/1/20

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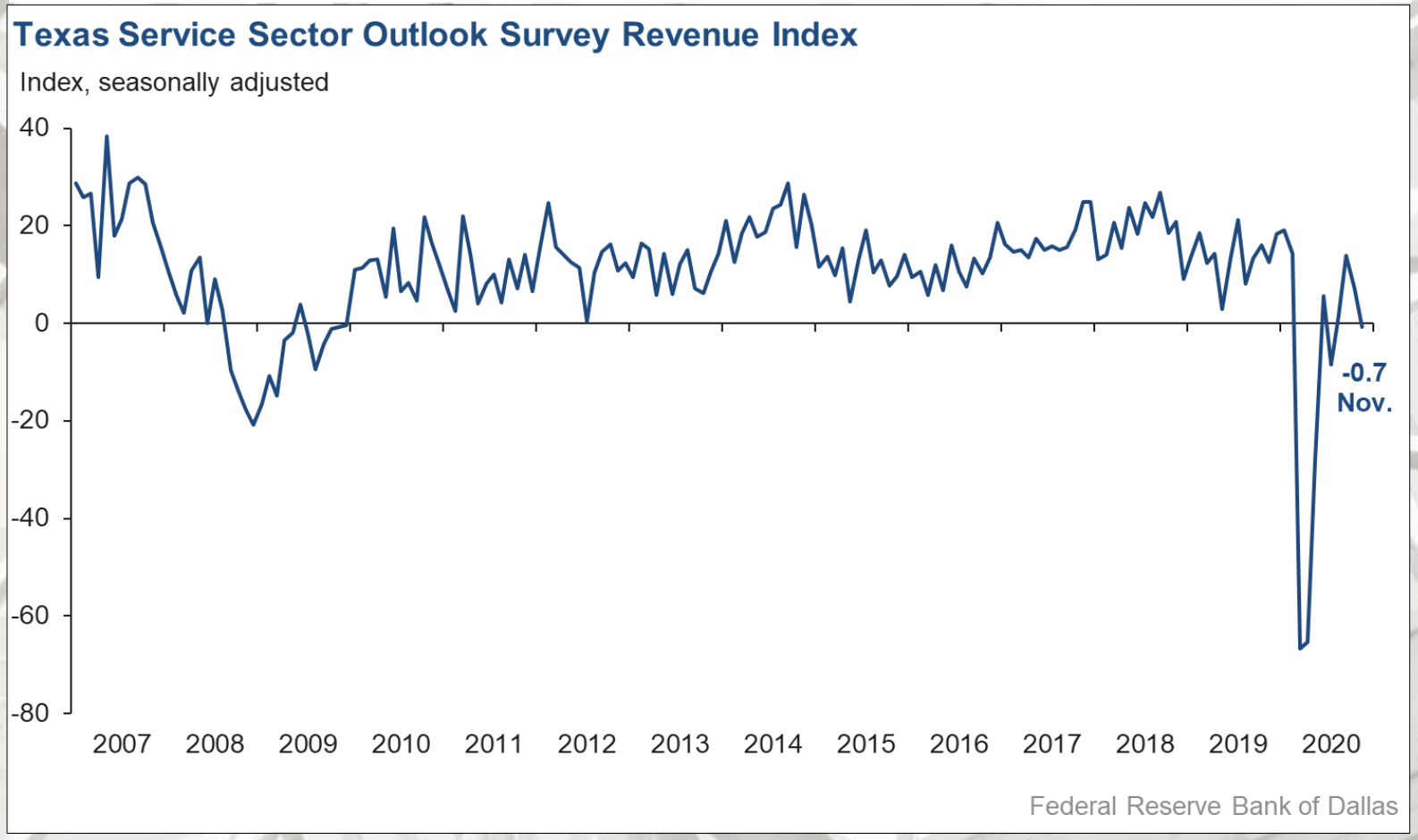
The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys; 12/1/20

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The Federal Reserve Bank of Dallas

Texas Retail Sales Decline

"Retail sales activity fell in November after posting two consecutive months of robust growth, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, fell from 5.2 to -6.5, with one-third of respondents noting declining sales compared with October. Inventories continued to increase, with the inventories index ticking up from 1.9 to 3.0.

Retail labor market indicators showed continued weakness in November, with continuing declines in employment and shortening of average workweek length. The employment index remained in negative territory, roughly unchanged at -2.4, and the part-time index added two points but remained contractionary at -2.0. The hours worked index increased but was also negative, rising from -4.8 to -2.1.

Retailers' perceptions of broader business conditions turned negative in November. The general business activity index slumped nearly 19 points to -4.2, while the company outlook index fell nearly 15 points to -0.1. The outlook uncertainty index surged from -2.0 to 18.4, its highest reading since April.

Retail wage pressures eased, while price pressures were mixed compared with last month. The wages and benefits index declined from 11.4 to 6.6, while the selling prices index shed over five points to 13.9. The input prices index moved up from 18.7 to 20.3, with nearly 30 percent of respondents reporting rising prices." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 12/1/20

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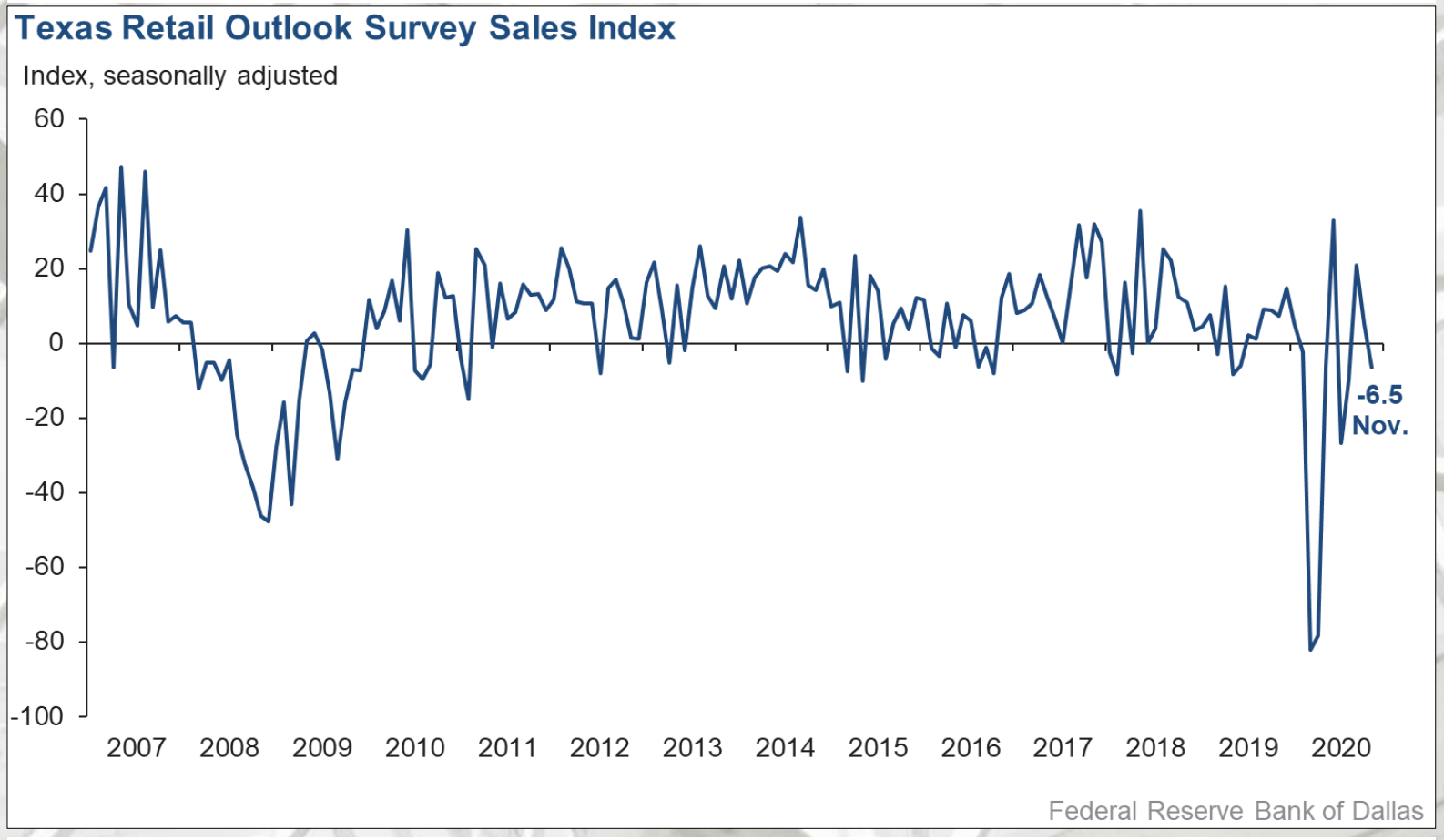
The Federal Reserve Bank of Dallas



Texas Retail Sales Decline

"Despite current weakness, retailers' perceptions of future activity continued to reflect optimism. The future general business activity index slipped from 21.4 in October to 19.0 in November, while the future sales index increased nearly three points to 29.0. Other indexes of future retail activity such as employment pushed further into positive territory, pointing to continued expectations of growth in 2021." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 12/1/20

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Continued to Grow Modestly

Manufacturing activity remained below year ago levels, but expectations for future activity remained solid.

Factory Activity Continued to Grow Modestly

"Tenth District manufacturing activity continued to grow modestly in November (Chart 1). Manufacturing activity remained below year ago levels, but expectations for future activity remained solid. Prices paid for raw materials and finished goods continued to expand compared to a month ago and a year ago. District firms expected prices for both raw materials and finished goods to increase further in the next six months.

The month-over-month composite index was 11 in November, slightly lower than 13 in October but the same as 11 in September. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Activity at non-durable and durable goods factories expanded at a similar pace. Production of primary metals and nonmetallic mineral products slowed, while transportation equipment manufacturing increased. Month-over-month indexes remained mostly positive, indicating continued expansion. Production, shipments, new orders, and employment rose at a slower pace. The new orders for exports index decreased while the index for supplier delivery expanded. Year-over-year factory indexes remained mostly negative in November, and the composite index was unchanged at -12. The future composite index remained solid at 21 in November, similar to expectations in October." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 11/19/20

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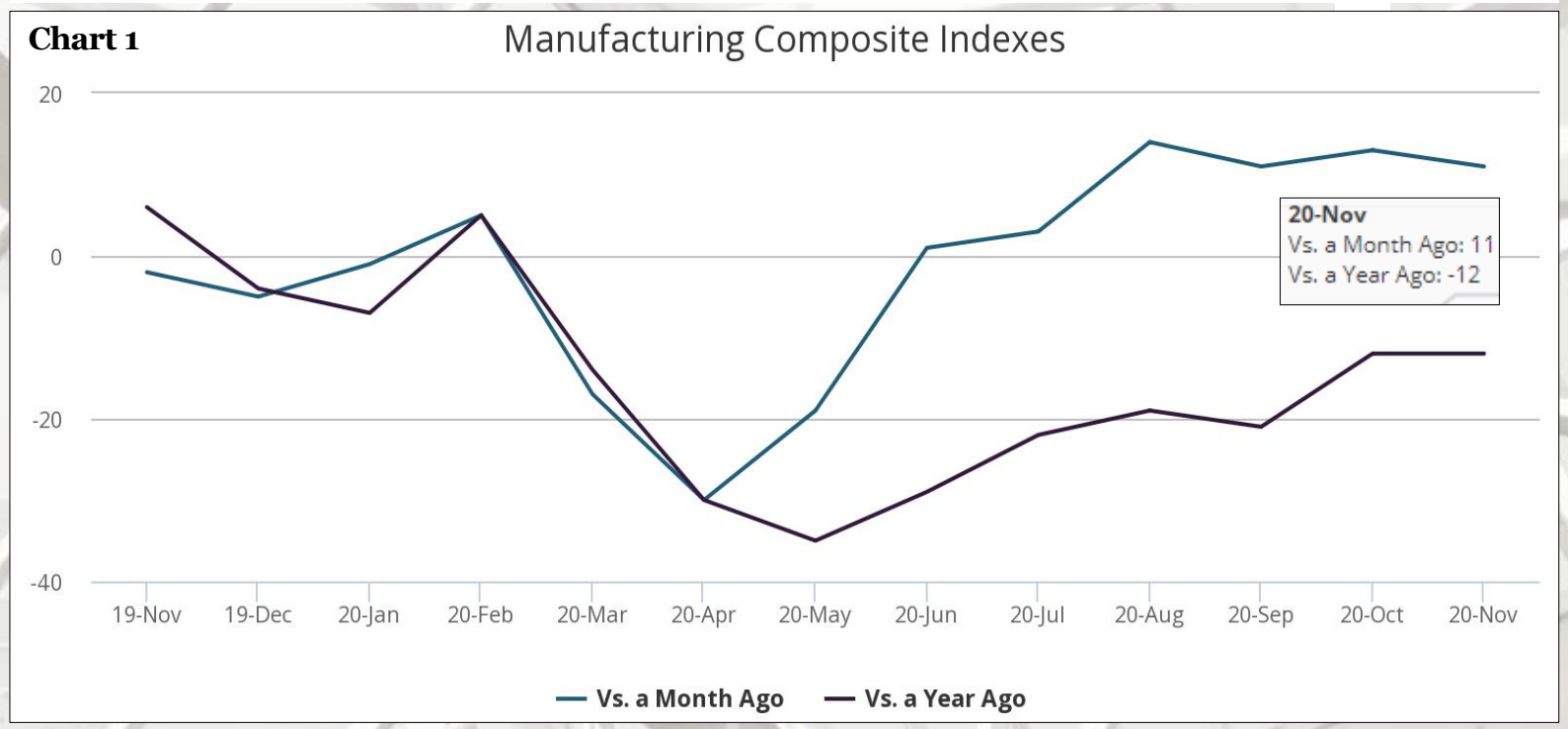
The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 11/19/20

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Activity Rose Slightly

Tenth District services activity rose slightly in November, but still lagged year-ago levels, while expectations for future activity increased.

Business Activity Expanded

"Tenth District services activity rose slightly in November but still lagged year-ago levels, while expectations for future activity increased (Chart 1). The indexes for input and selling prices continued to grow, but at a slower pace than a month ago. Firms expected input and selling prices to increase in the next six months.

The month-over-month services composite index was 10 in November, slightly lower than 12 in October, but up from -7 in September. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were somewhat mixed in November. The general revenue and sales index remained positive, driven by more wholesale, transportation, professional, technical, and health services activity. However, auto, tourism, and restaurant activity declined. The inventory and access to credit indexes dipped back into negative territory, while the indexes for employee hours and parttime employment were flat. On the other hand, the employment, wages and benefits, and capital expenditures indexes were positive, indicating expansion. Year-over-year indexes remained negative in November, but slightly less so, as the year-over-year composite moved from -19 to -16. Expectations for future services activity increased, and the composite index expanded from 7 in October to 13 in November." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 11/20/20

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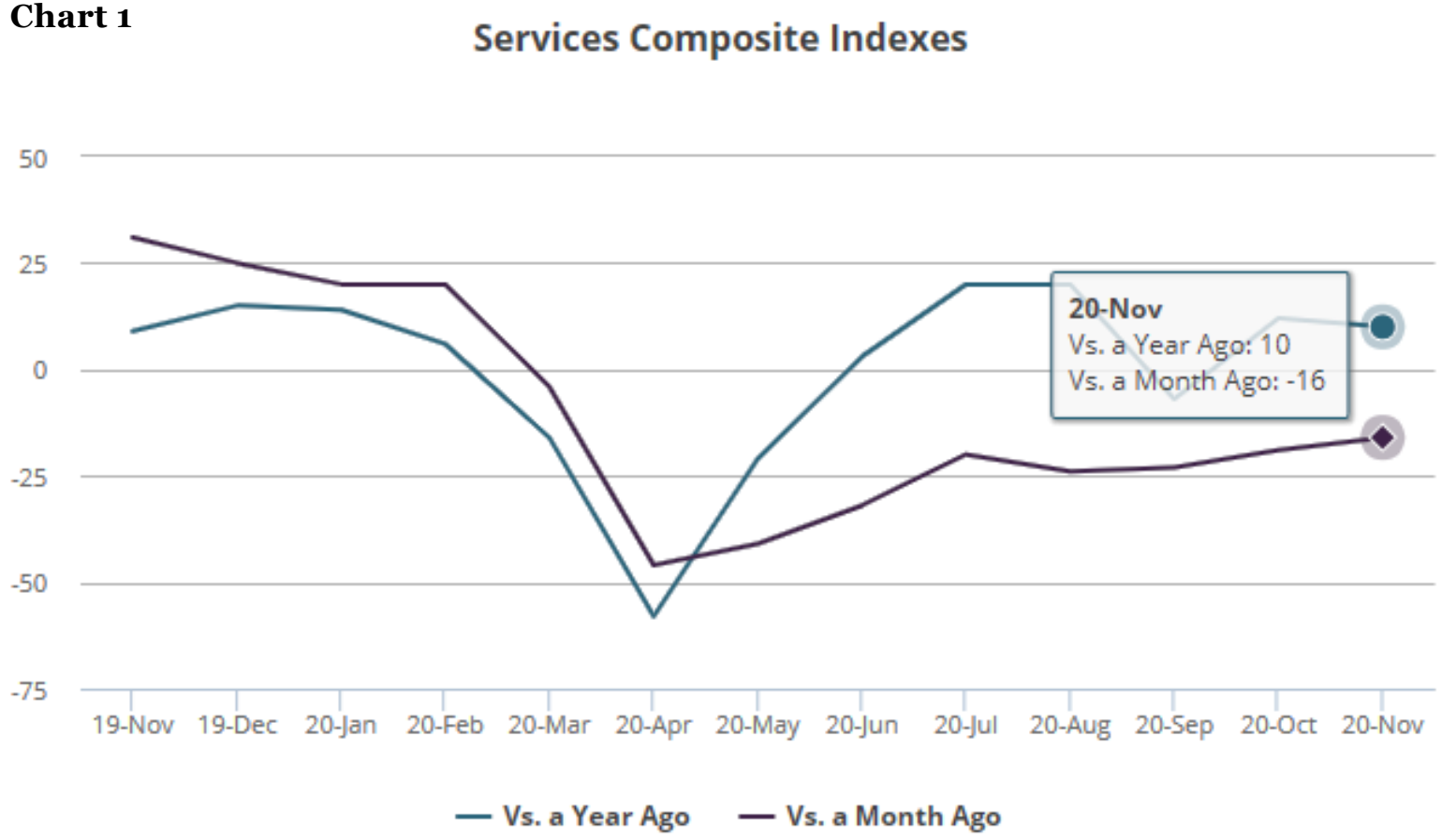
U.S. Economic Indicators

Chart 1



Source: https://www.kansascityfed.org; 11/20/20

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Growth Continues To Slow

"Business activity expanded in New York State, though only slightly, according to firms responding to the November 2020 *Empire State Manufacturing Survey*. The headline general business conditions index fell four points to 6.3, pointing to a slower pace of growth than in October. There was a small increase in new orders, and shipments were modestly higher. Inventories moved lower, and delivery times were steady. Employment levels and hours worked both rose. Input prices increased at about the same pace as last month, while selling price increases picked up. Looking ahead, firms remained optimistic that conditions would improve over the next six months.

Manufacturing activity in New York State expanded only to a small degree in November. After falling seven points last month, the general business conditions index fell four points to 6.3 this month, indicating that growth continued to slow. Thirty-one percent of respondents reported that conditions had improved over the month, while 24 percent reported that conditions had worsened. The new orders index fell nine points to 3.7, indicating a slight increase in orders, and the shipments index fell twelve points to 6.3. Delivery times were little changed, while unfilled orders and inventories continued to decline." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 11/16/20

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The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Ongoing Gains In Employment

"The index for number of employees rose two points to 9.4, its highest level in nearly a year, indicating a modest increase in employment levels. After rising sharply last month, the average workweek index fell eleven points to 4.8, its positive value signaling a small increase in hours worked. The prices paid index was little changed at 29.1, a sign that input prices rose at the same pace as last month. The prices received index moved up six points to 11.3, indicating a pickup in selling price increases.

Firms Remain Optimistic

The index for future business conditions held steady at 33.9, suggesting that firms remained optimistic about future conditions. The index for future new orders was positive but slightly lower than last month. Employment levels and the average workweek are expected to continue to increase in the months ahead. Indexes for future prices paid and prices received both picked up for a second consecutive month. The capital expenditures and technology spending indexes both climbed to 17.9, suggesting ongoing planned increases in spending on capital and technology." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 11/16/20

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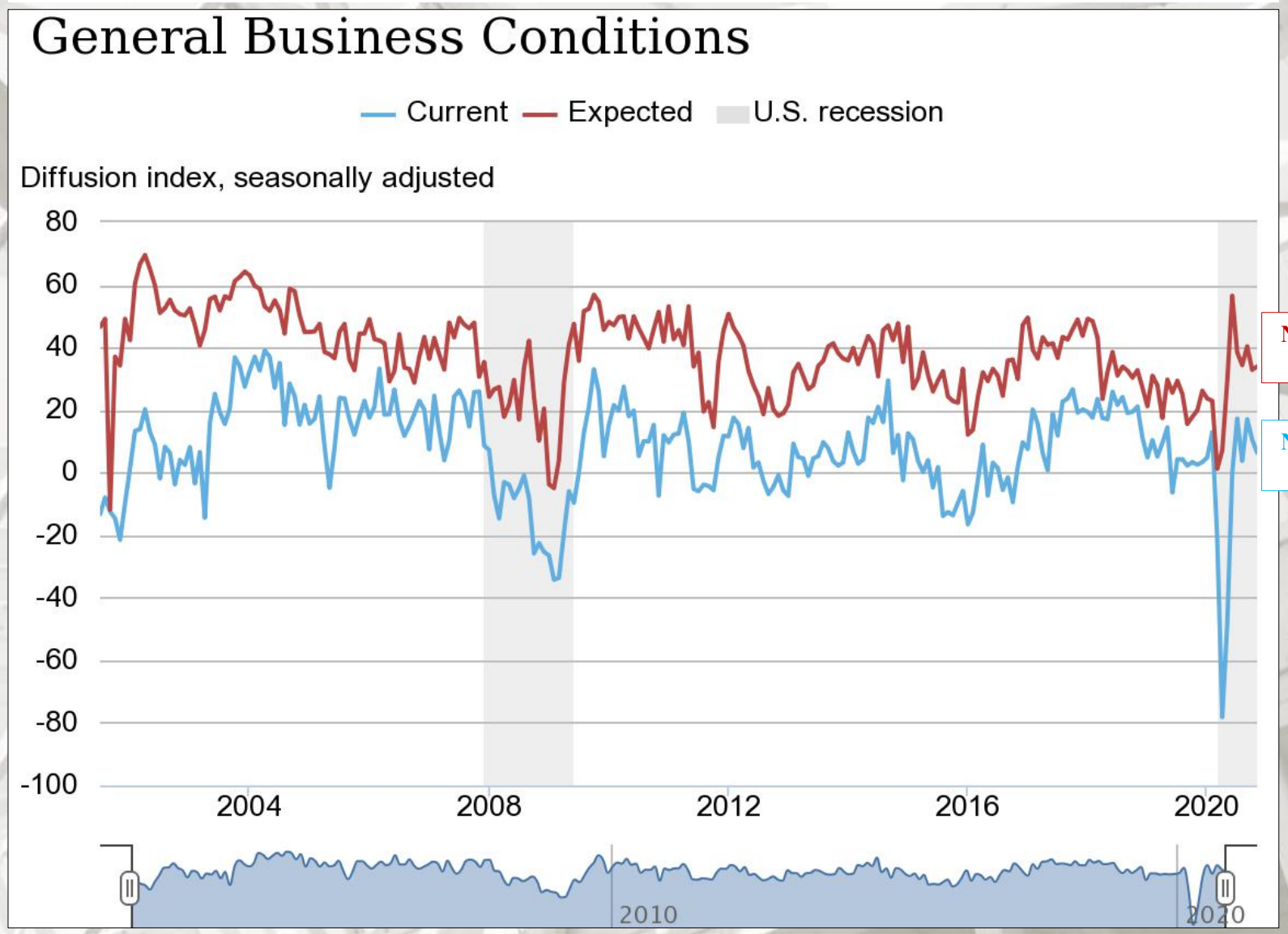
The Federal Reserve Bank of New York



Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 11/16/20

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Decline Accelerates

"Activity in the region's service sector declined at a faster pace than in recent months, according to firms responding to the Federal Reserve Bank of New York's November 2020 *Business Leaders Survey*. The survey's headline business activity index fell eleven points to -15.8, its lowest level since August. The business climate index was little changed at -63.1, indicating that the vast majority of firms continued to view the business climate as worse than normal. Employment levels were little changed, and wages increased. Input prices increased at about the same pace as last month, while selling prices held steady. Capital spending fell for an eighth consecutive month. Looking ahead, firms did not expect business conditions to improve, on net, over the next six months.

Business activity in the region's service sector declined for a ninth consecutive month. The headline business activity index fell eleven points to -15.8, its lowest level since August. Twenty-four percent of respondents reported that conditions improved over the month, and 39 percent said that conditions worsened. The business climate index was similar to last month's reading, at -63.1, with 73 percent of respondents viewing the business climate as worse than normal." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 11/17/20

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The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Employment Inches Lower As Wages Pick Up

"The employment index edged up three points to -3.6, its negative reading indicating that employment levels declined slightly, though the index reached its highest level since March. The wages index climbed ten points to 17.3, its highest level since the pandemic began, pointing to a noticeable increase in wages. The prices paid index held steady at 32.0, indicating that input prices increased at about the same pace as last month, while the prices received index held at around zero, a sign that selling prices were little changed. The capital spending index came in at -18.6, suggesting ongoing significant declines in capital spending.

Firms Still Not Expecting Improvement

The index for future business activity held at a level of around zero, and the future business climate index remained negative at -13.0, suggesting that firms still do not expect conditions to improve in the months ahead. Employment levels are expected to be about the same six months from now, on net, though wages are expected to increase." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 11/17/20

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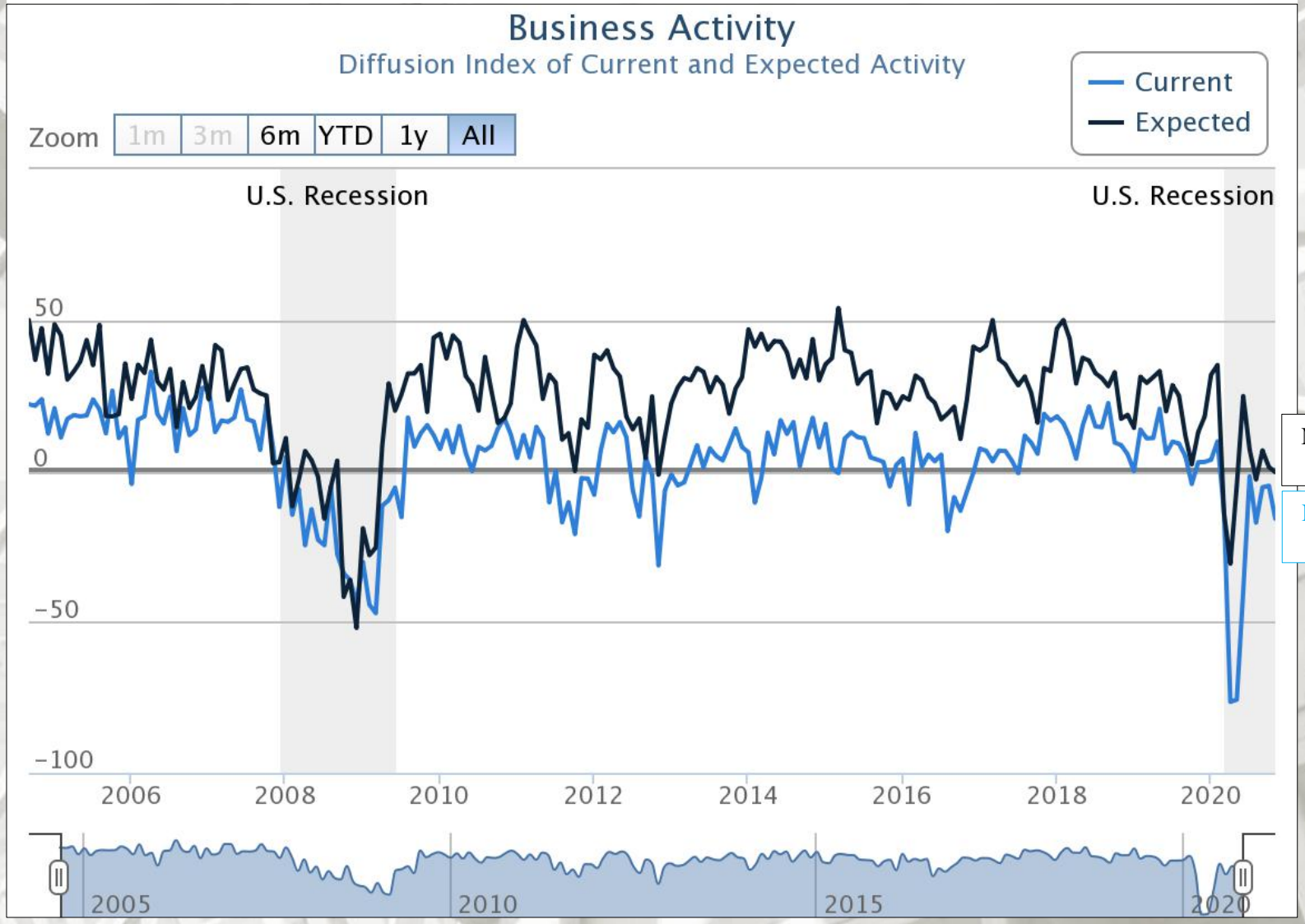
The Federal Reserve Bank of New York



November 2020
1.3

November 2020
-15.8

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 11/17/20

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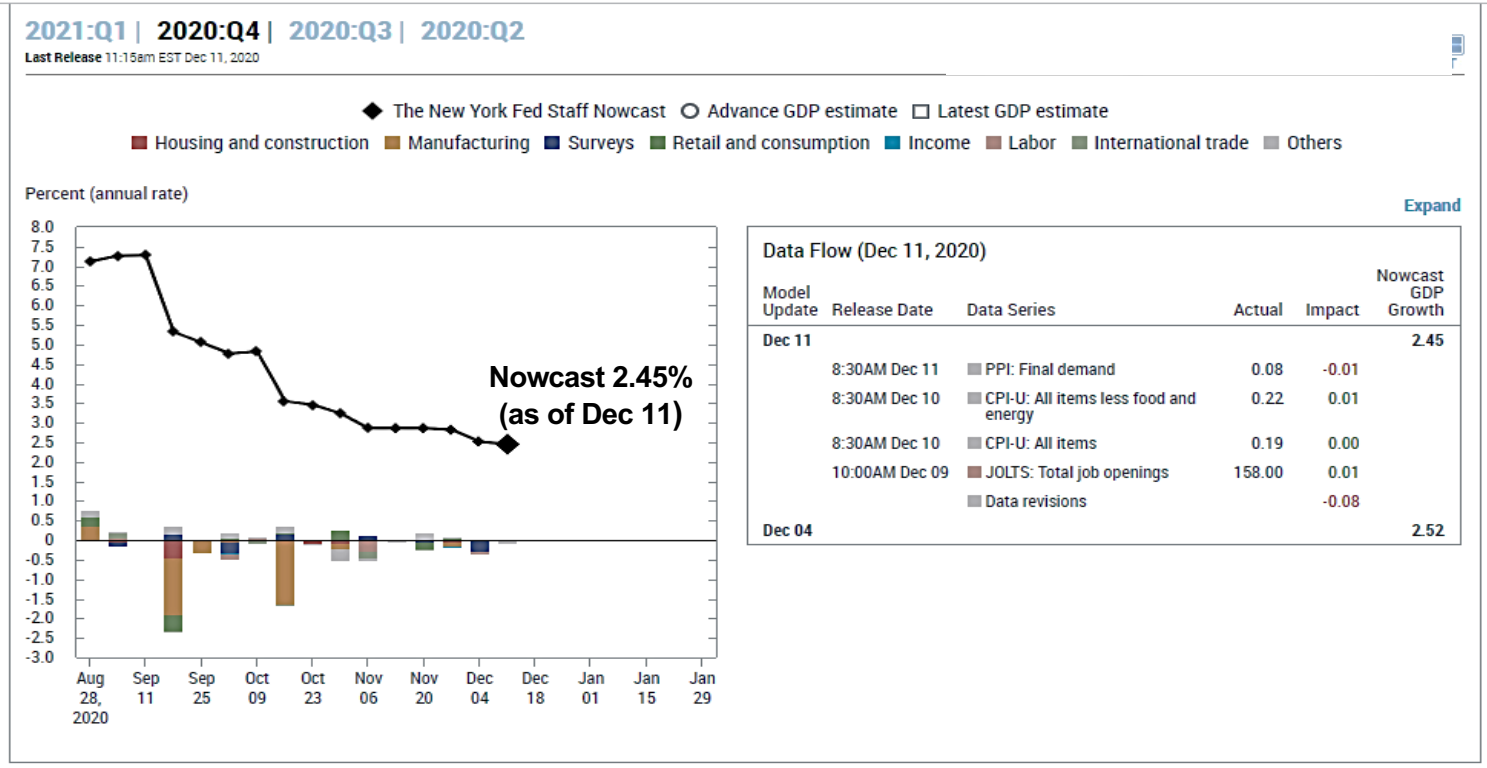
U.S. Economic Indicators

The Federal Reserve Bank of New York Nowcast



Model Update	Release Date	Data Series	Actual	Impact	Nowcast GDP Growth
Dec 11					2.45
	8:30AM Dec 11	PPI: Final demand	0.08	-0.01	
	8:30AM Dec 10	CPI-U: All items less food and energy	0.22	0.01	
	8:30AM Dec 10	CPI-U: All items	0.19	0.00	
	10:00AM Dec 09	JOLTS: Total job openings	158.00	0.01	
		Data revisions		-0.08	
Dec 04					2.52

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

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

December 11, 2020: Highlights

- "The New York Fed Staff Nowcast stands at 2.5% for 2020:Q4 and 5.9% for 2021:Q1.
- News from the JOLTS, PPI, and CPI releases were small, leaving the nowcast for both quarters broadly unchanged." – The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/research/policy/nowcast; 12/11/20

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U.S. Economic Indicators

The Federal Reserve Bank of Philadelphia

November 2020 Manufacturing Business Outlook Survey

"Manufacturing activity in the region continued to grow, according to firms responding to the November *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments remained positive for the sixth consecutive month but fell from their readings in October. However, employment increases were more widespread this month. Most future indexes also moderated this month but continue to indicate that firms expect growth over the next six months.

Current Indicators Reflect Continued Recovery

The diffusion index for current activity decreased 6 points to 26.3 in November, its sixth consecutive positive reading after reaching long-term lows in April and May (see Chart). The percentage of firms reporting increases this month (42 percent) exceeded the percentage reporting decreases (15 percent). The index for new orders decreased 5 points to a reading of 37.9. Nearly 49 percent of the firms reported increases in new orders this month, compared with 55 percent last month. The current shipments index fell 22 points to 24.9 in November. Nearly 41 percent of the firms reported higher shipments, compared with 57 percent last month.

On balance, the firms reported increases in manufacturing employment for the fifth consecutive month. The current employment index increased 15 points to 27.2. Employment increases were reported by 34 percent of the firms (up from 23 percent last month), while 7 percent reported decreases. The average workweek index was positive for the fifth consecutive month and was essentially unchanged at 25.7." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2020-11; 11/19/20

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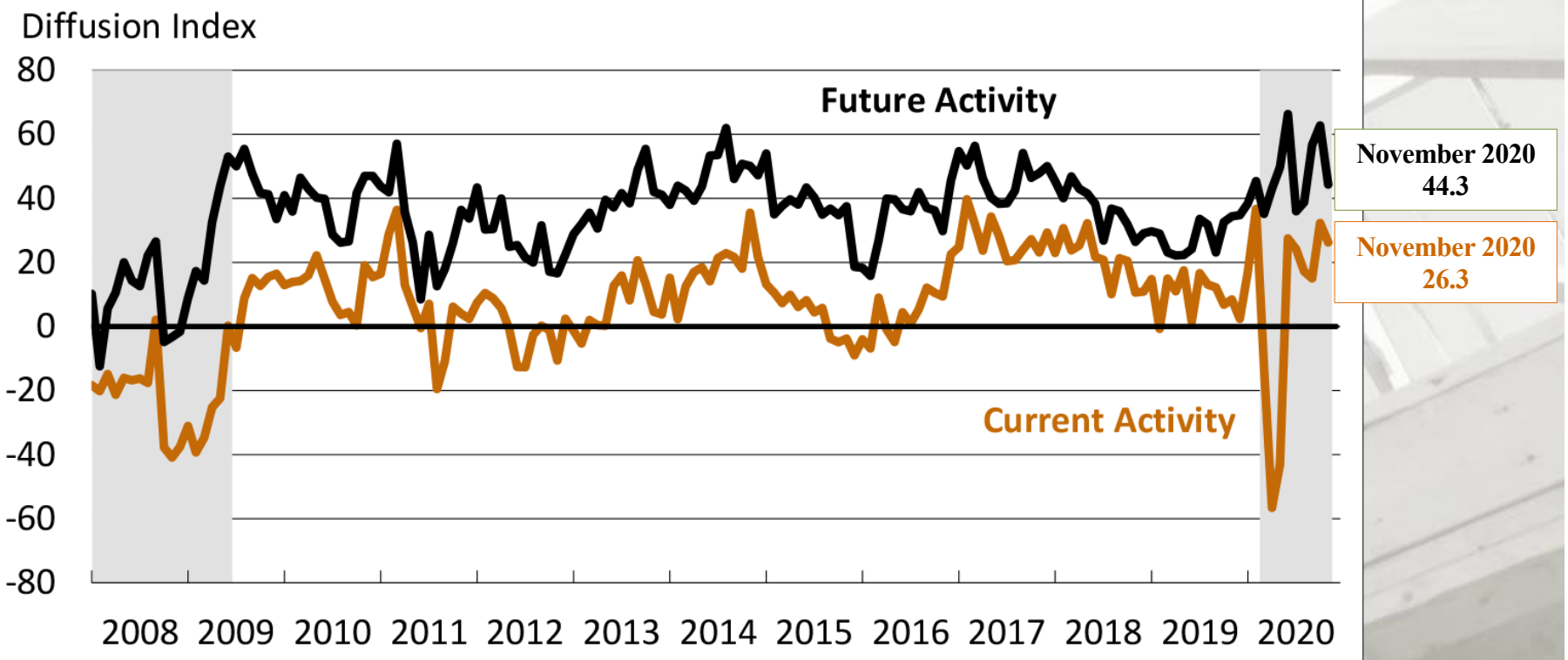
The Federal Reserve Bank of Philadelphia

Chart. Current and Future General Activity Indexes

January 2008 to November 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.

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2020-11; 11/19/20

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The Federal Reserve Bank of Philadelphia

Survey Price Indicators Move Higher

Price increases were more widespread this month. The prices paid diffusion index increased 10 points to 38.9. Nearly 39 percent of the firms reported increases in input prices, compared with 29 percent last month; most firms (59 percent) reported no change. The current prices received index, reflecting manufacturers' own prices, increased 11 points to 25.4. Over 26 percent of the firms reported increases in prices of their own manufactured goods, compared with 14 percent in October.

Firms Expect Own Prices to Match Rate of Inflation

In this month's special questions, the firms were asked to forecast the changes in the prices of their own products and for U.S. consumers over the next four quarters. Regarding their own prices, the firms' median forecast was for an increase of 2.0 percent, the same as reported when the question was asked in August. The firms' actual price change over the past year was 1.0 percent. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 3.0 percent over the next four quarters, the same as in August. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was unchanged at 2.0 percent. The firms' median forecast for the long-run (10-year average) inflation rate was 2.5 percent, a slight decrease from 2.8 percent in the previous quarter." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2020-11; 11/19/20

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The Federal Reserve Bank of Philadelphia

Firms' Outlook Softens but Continued Growth Is Expected

"The respondents recorded weaker expectations for growth compared with October. The diffusion index for future general activity decreased 18 points to 44.3 in November (see Chart). The percentage of firms expecting growth over the next six months (60 percent) remained significantly greater than the percentage expecting declines (16 percent). The future new orders index fell 4 points but remains at an elevated reading of 48.1, and the future shipments index decreased 9 points to 43.1 this month. The future employment index decreased 10 points to 36.2. Over 41 percent of the firms expect to increase employment in their manufacturing plants over the next six months, compared with 52 percent in October. The future capital spending index declined 11 points to 25.5.

Summary

Responses to the October *Manufacturing Business Outlook Survey* suggest continued recovery for the region's manufacturing sector. Although the indicators for current activity, new orders, and shipments all moderated from last month, the current employment index showed notable improvement. The survey's future indexes also moderated this month but suggest that growth is expected to continue over the next six months." – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2020-11; 11/19/20

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The Federal Reserve Bank of Philadelphia

November 2020 Nonmanufacturing Business Outlook Survey

"Firms responding to the November *Nonmanufacturing Business Outlook Survey* indicated a moderation in business activity. The indexes for general activity at the firm level, sales/revenues, and new orders all posted declines for the month, with the latter two indexes reaching negative territory. However, the survey's indexes for full-time and part-time employment remained positive. The respondents expect overall improvement in conditions over the next six months, as both future activity indexes remained positive but declined.

Firms Report Declines in New Orders

The diffusion index for current general activity at the firm level was positive for the sixth consecutive month but fell from 25.3 in October to 5.3 this month, its lowest reading since June. Over 39 percent of the firms reported increases in activity (down from 45 percent last month), while 34 percent reported decreases (up from 20 percent). The new orders index fell 9 points to -3.7 in November, decreasing for the fourth consecutive month and reaching negative territory for the first time since June. Nearly 30 percent of the firms reported increases in new orders, while 34 percent reported decreases. The sales/revenues index declined from 14.2 to -0.5, as the share of firms reporting decreases narrowly exceeded the share of firms reporting increases. The current regional activity index declined 32 points to -15.9 in November." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2020-11; 11/24/20

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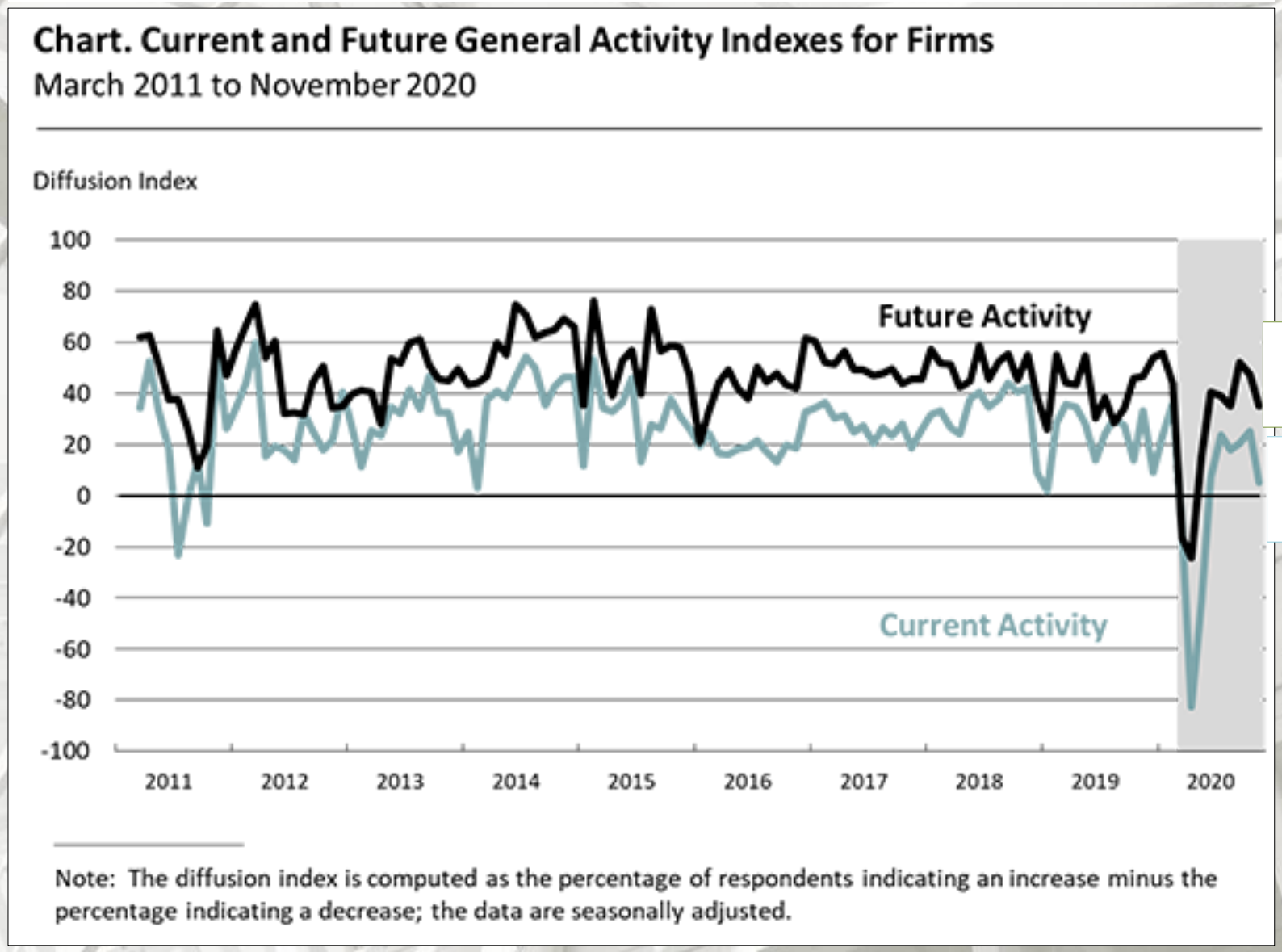
The Federal Reserve Bank of Philadelphia



Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2020-11; 11/24/20

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The Federal Reserve Bank of Philadelphia

November 2020 Nonmanufacturing Business Outlook Survey

Employment Indicators Remain Positive

"The firms reported, on balance, increases in full-time and part-time employment for the third consecutive month. The full-time employment index edged down 2 points to 13.9. The share of firms reporting increases in full-time employment (23 percent) exceeded the share reporting decreases (9 percent); the majority (64 percent) reported no change. The part-time employment index increased 4 points to 5.6. Most firms reported steady part-time employment (57 percent), while 19 percent of the firms reported increases and 14 percent reported decreases. The average workweek index fell 6 points to 15.3.

Firms Continue to Report Price Increases

Price indicator readings suggest overall increases in prices for inputs and the firms' own goods and services. The prices paid index rose 5 points to 22.7 in November. While most respondents (54 percent) reported stable input prices, 26 percent of the firms reported increases, and 4 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index edged down 1 point but remained in positive territory for the third consecutive month, at 3.9 in November." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2020-11; 11/24/20

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The Federal Reserve Bank of Philadelphia

November 2020 Nonmanufacturing Business Outlook Survey

Expect Own Prices to Rise Slower Than Inflation

"In this month's special questions, the firms were asked to forecast the changes in the prices of their own products and services and for U.S. consumers over the next four quarters (see Special Questions). Regarding their own prices, the firms' median forecast was for an increase of 2.0 percent, up from 1.0 percent when the question was asked in August. Regarding the firms' own price change over the previous year, the median response was 0.8 percent, up from 0.0 percent in August. The firms expect their employee compensation costs (wages plus benefits per employee) to rise 3.0 percent over the next four quarters, up from 2.0 percent in August. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 2.5 percent, up from 2.0 percent in August. The firms' forecast for the long-run (10-year) inflation rate was 4.0 percent, up from 3.0 percent in August.

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 declined 12 points, from a reading of 47.3 in October to 35.1 this month (see Chart). Nearly 56 percent of the firms expect an increase in activity (down from 61 percent last month) at their firms over the next six months, compared with 21 percent that expect decreases (up from 14 percent). The future regional activity index edged down 2 points to 31.2 in November." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2020-11; 11/24/20

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The Federal Reserve Bank of Philadelphia

November 2020 Nonmanufacturing Business Outlook Survey

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* reflected signs of moderation in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, and new orders all posted declines; however, the indexes for both full-time and part-time employment remained positive. 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

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2020-11; 11/24/20

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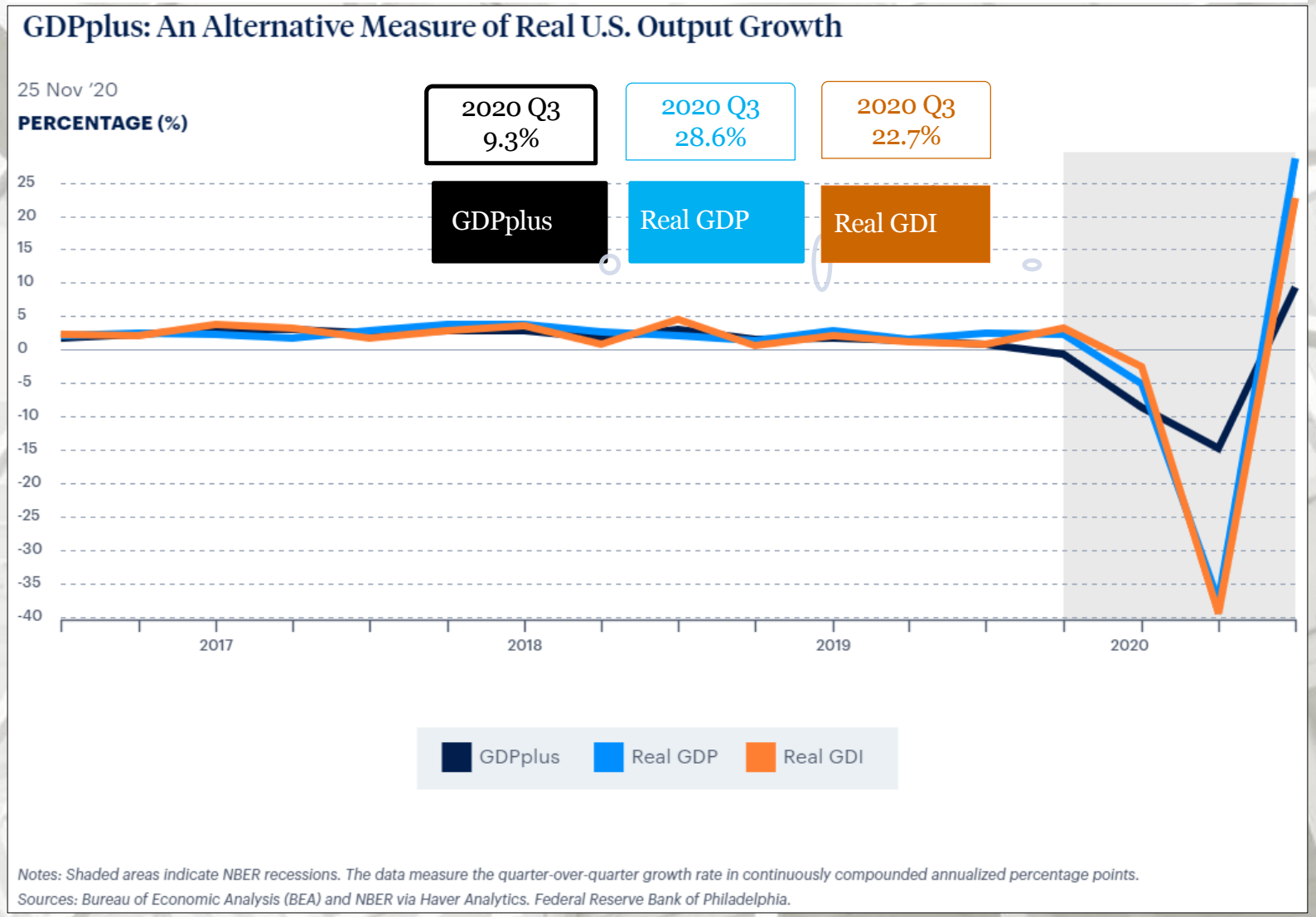
The Federal Reserve Bank of Philadelphia: GDPplus



Source: https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/gdpplus; 11/25/20

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Manufacturing Reports Were Broadly Positive in November

"Reports from Fifth District manufacturers were broadly positive in November, according to the most recent survey from the Richmond Fed. The composite fell from 29 in October to 15 in November, but remained firmly in expansionary territory, as all three component indexes – shipments, new orders, and employment – had positive readings. Manufacturers reported improvement in local business conditions, but the spending indexes softened somewhat. Survey participants were optimistic about the future, expecting growth to continue in the coming months.

Survey results suggested that employment and wages grew for many contacts in November, but businesses struggled to find workers with the necessary skills. Contacts expected this difficulty to continue, and for employment and wages to grow, in the next six months.

The average growth rates of both prices paid and prices received by survey respondents increased in November. Average growth of prices paid continued to outpace that of prices received, and firms expected price growth to continue in the near future." – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 11/24/20

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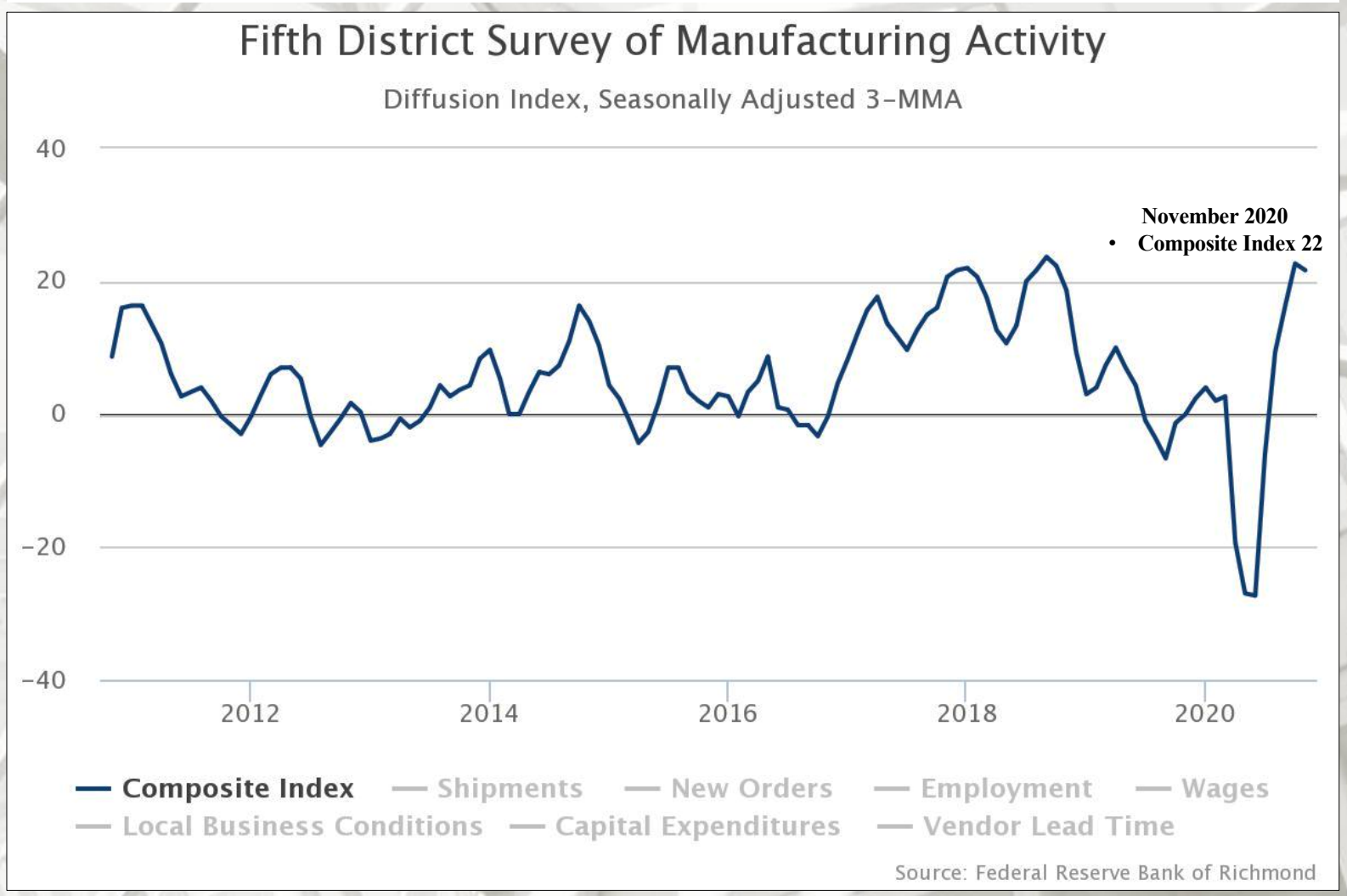
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 11/24/20

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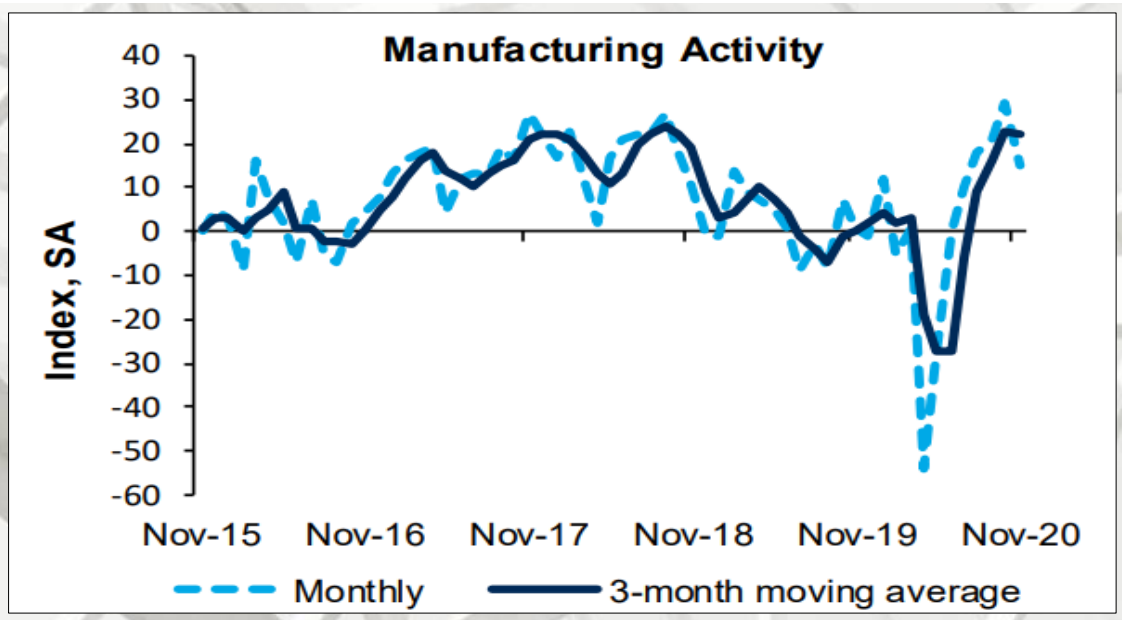
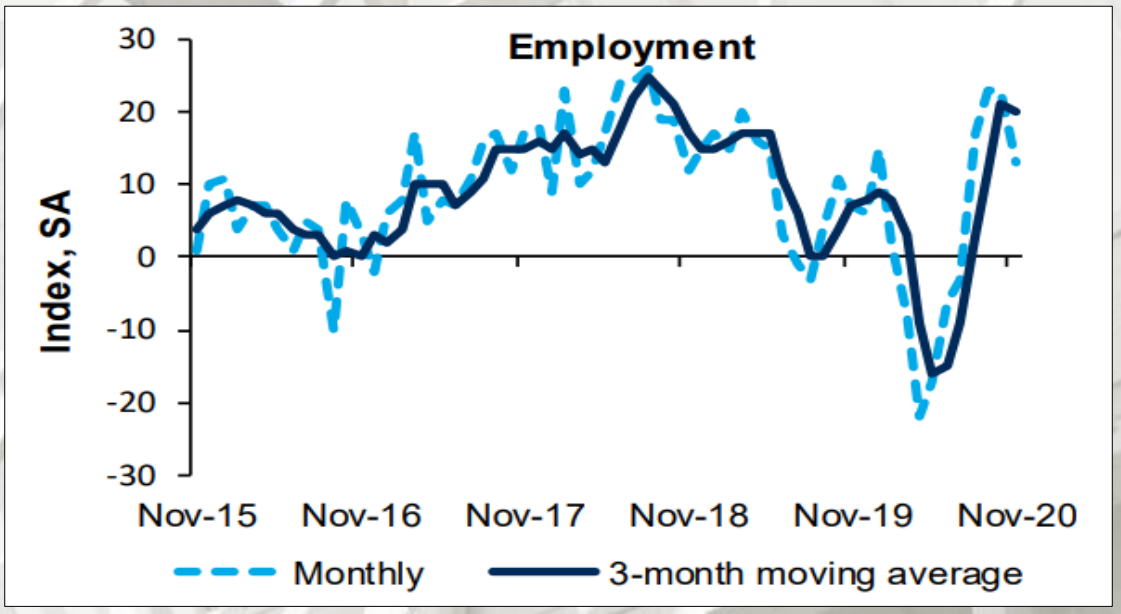
U.S. Economic Indicators





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 11/24/20

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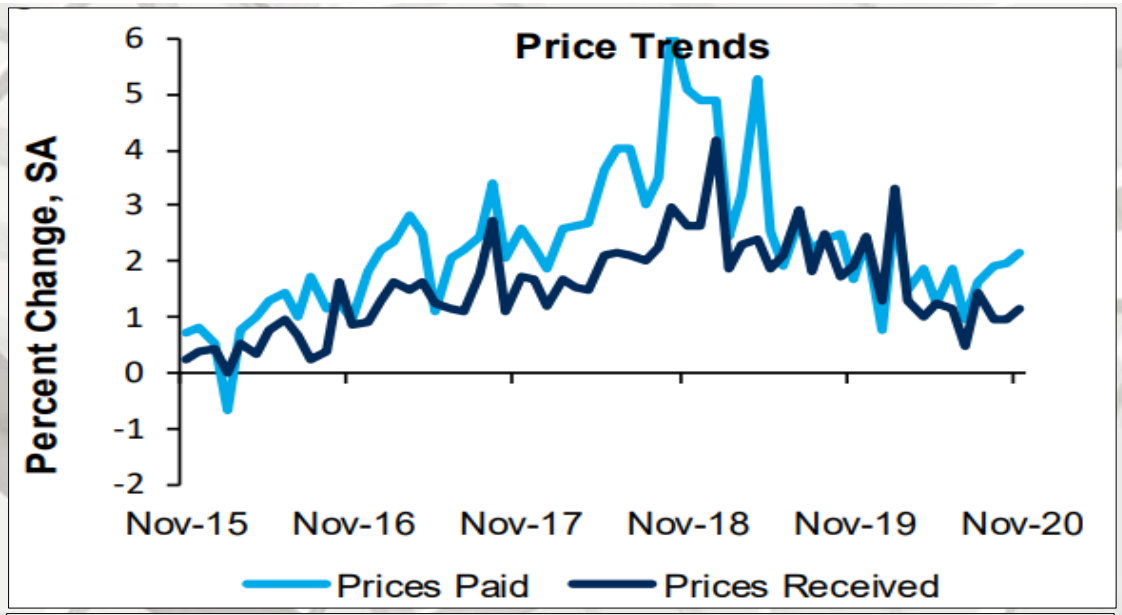
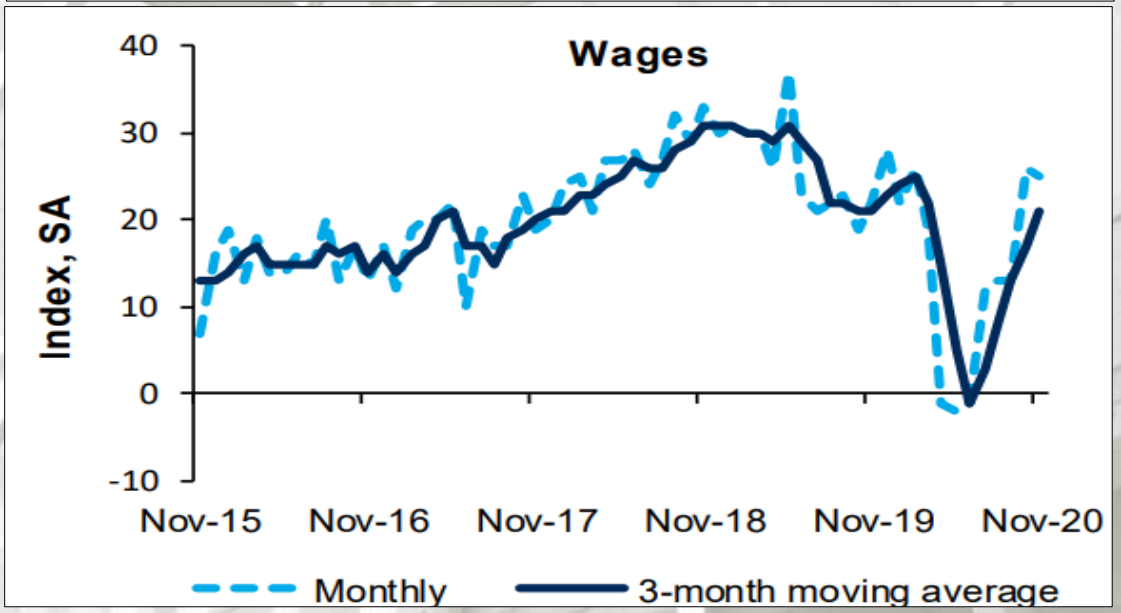
U.S. Economic Indicators





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 11/24/20

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U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Service Sector Respondents Were Generally Positive in November

"The Fifth District service sector respondents were generally positive in November, according to the most recent survey from the Federal Reserve Bank of Richmond. The index for demand rose from 8 in October to 15 in November, although the revenues index declined from 19 to 13. However, both indexes remained well above zero, indicating that more firms saw expansion than saw contraction. Firms also reported improving local business conditions and increased capital spending. Survey participants were generally optimistic that demand would continue to grow, but many also expressed concern that revenues may soften in the next six months.

Survey results suggest that employment and wages increased for many service sector firms in November, but firms struggled to find workers with the necessary skills. They expected these trends to continue in the coming months.

The average growth rates of both prices paid and prices received by survey contacts decreased in November. Growth of prices paid continued to outpace that of prices received, but firms expected that gap to narrow in the near future." – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 11/24/20

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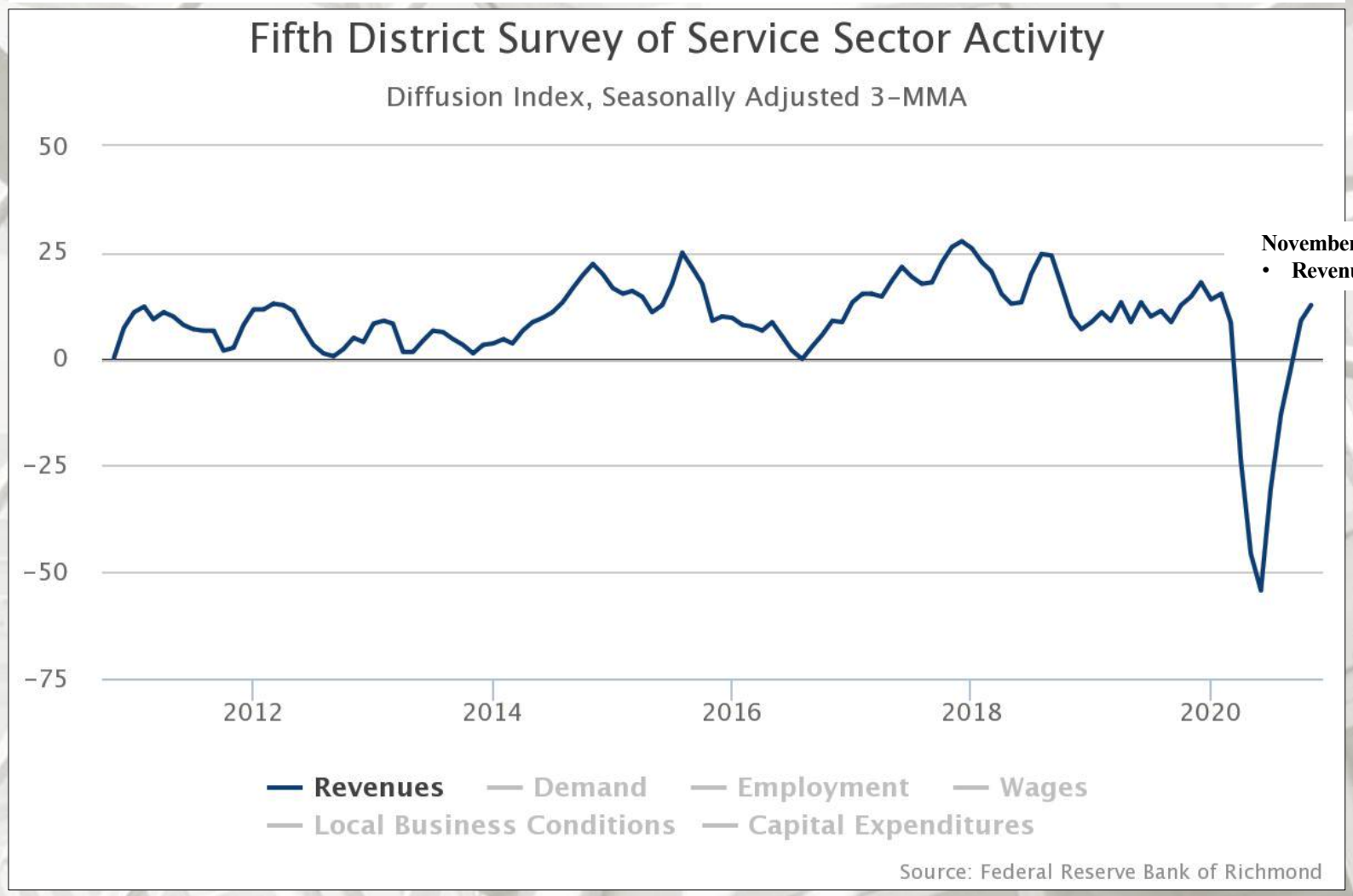
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 11/24/20

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U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

FedViews

- "The coronavirus (COVID-19) pandemic led to an unprecedented contraction in output last spring. Since then, the economy has staged a partial rebound – retracing a bit more than half of its earlier decline. The latest resurgence in the spread of the virus will be a substantial economic headwind this winter. By the middle of next year, the economic recovery should gain strength given prospects for a successful vaccine distribution and more fiscal stimulus. Still, the economy will be slow to return to its pre-virus trend.
- The labor market mirrors this pattern of partial economic recovery. The unemployment rate spiked in April to 14.7% but rapidly recovered to 6.9% by October. However, further gains are likely to occur at a much slower pace given the persistent scarring caused by the economic recession. This scarring includes reduced human capital from severed employment relationships and missed educational opportunities, less physical capital given the drop in business investment, and lost organizational capital as businesses go bankrupt.
- After a first wave of COVID-19 hospitalizations concentrated in the Northeast and a second wave centered in the Sun Belt, the United States is facing a dangerous third wave, most virulent in the Midwest but effectively national in scope. Seasonal holiday gatherings, physical distancing fatigue, and colder temperatures are boosting caseloads to levels that could overwhelm parts of the healthcare system. This viral relapse is particularly unfortunate because prospects for widespread vaccine distribution in the first half of next year have improved. …" – Glenn Rudebusch, Executive Vice President and Senior Policy Advisor, The Federal Reserve Bank of San Francisco

Source: https://www.frbsf.org/economic-research/publications/fedviews/2020/december/december-3-2020; 12/3/20

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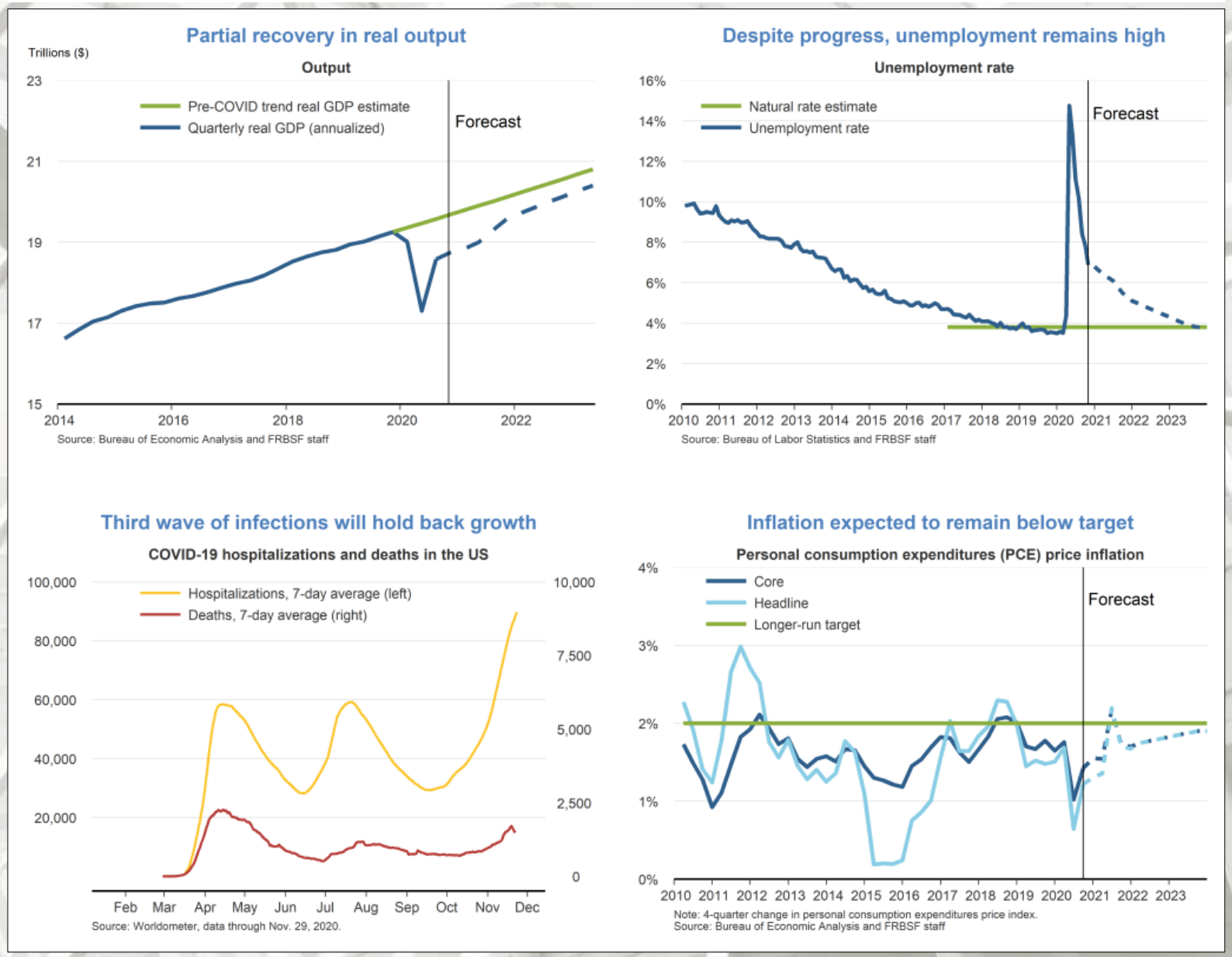
U.S. Economic Indicators



Source: https://www.frbsf.org/economic-research/publications/fedviews/2020/december/december-3-2020; 12/3/20

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U.S. Economic Indicators

The Federal Reserve Bank of Dallas

México Economic Update

Economic Activity Improves; México's Outlook Revised Up

"Economic activity has been up since June, according to México's global economic activity index. As a result, México's gross domestic product (GDP) growth forecast for 2020, compiled by the Banco de México, was revised up from -9.8 percent in September to -9.3 percent in October.

The latest data available show industrial production, employment, exports and retail sales increased. The peso gained ground against the dollar in October, while inflation continued at a steady pace.

Economic Activity Rises

México's global economic activity index, the monthly proxy for GDP, increased 5.0 percent in August based on a three-month moving average (*Chart 1*). Service-related activities (including trade and transportation) were up 0.4 percent in August. Goods-producing industries (including manufacturing, construction and utilities) increased 3.3 percent. Agricultural output fell 5.9 percent in August.

Exports Continue to Recover

The three-month moving average of total exports grew 4.9 percent in September as oil exports increased 2.5 percent and manufacturing exports were up 5.4 percent (*Chart 2*). On a month-over-month basis, total exports grew 0.7 percent in September, and manufacturing exports increased 1.3 percent. This year through September, exports have fallen 15.7 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

Source: https://www.dallasfed.org/research/update/mex/2020/2011; 11/17/20

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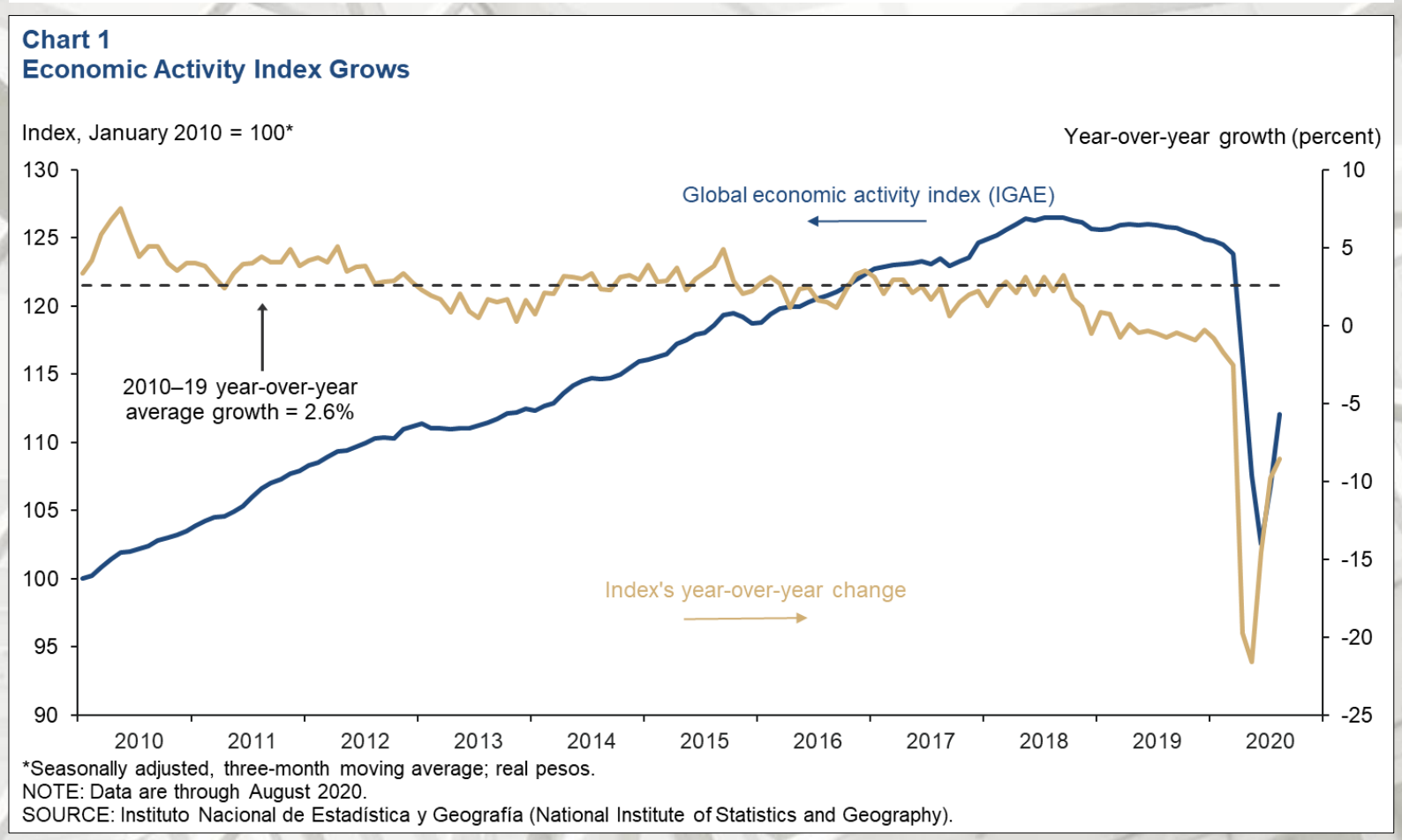
U.S. Economic Indicators



Source: https://www.dallasfed.org/research/update/mex/2020/2011; 11/17/20

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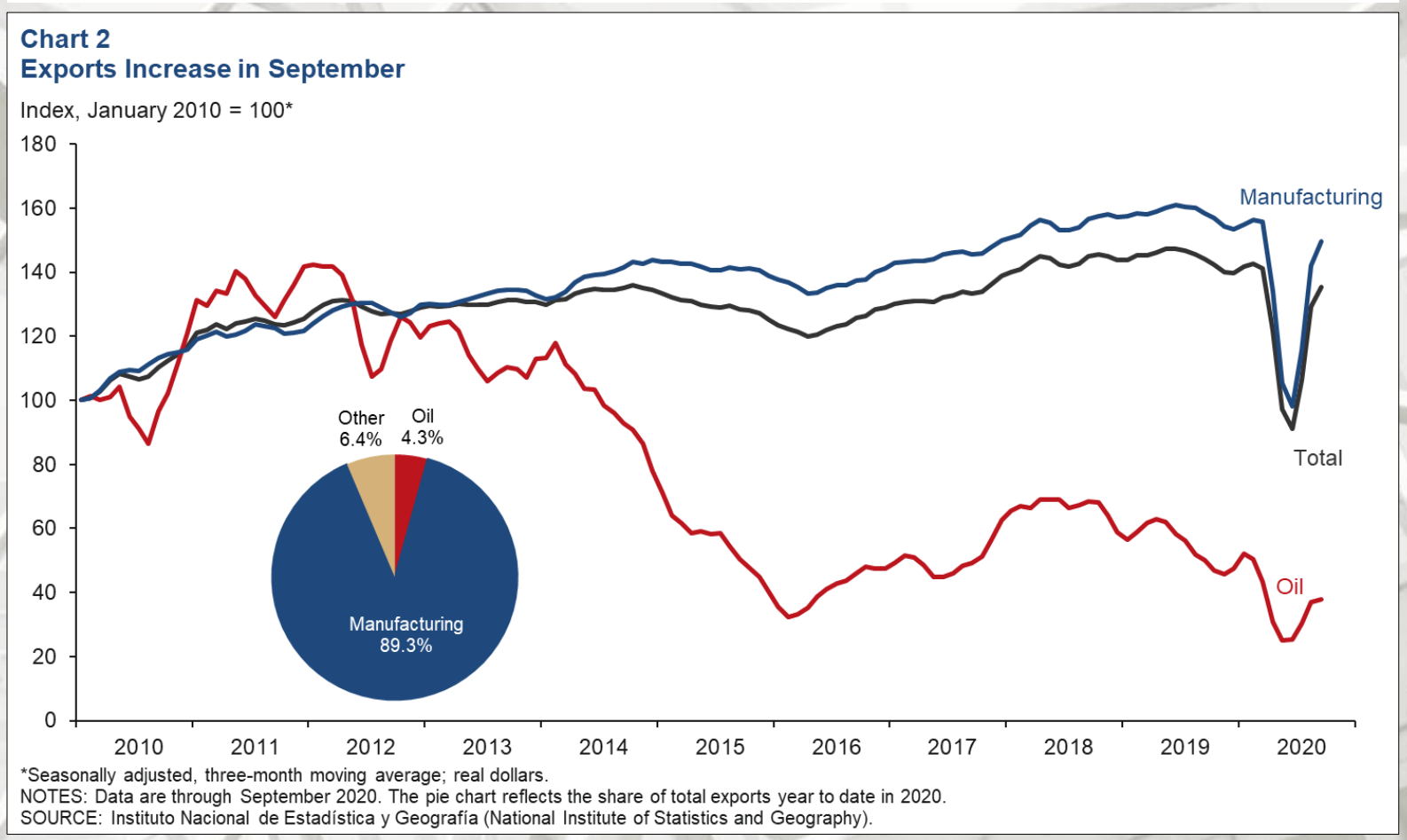
U.S. Economic Indicators



Source: https://www.dallasfed.org/research/update/mex/2020/2011; 11/17/20

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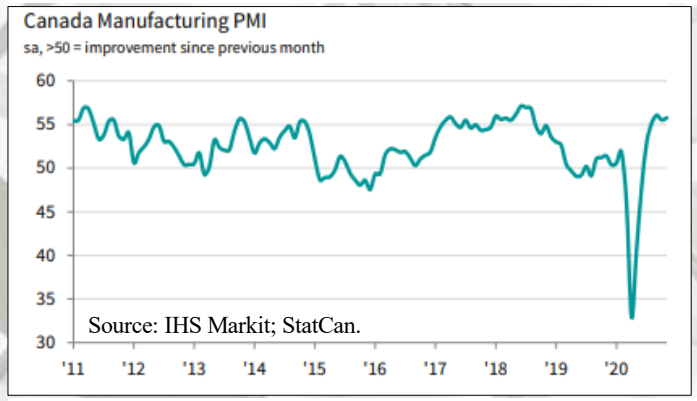
Private Indicators: Global



Markit Canada Manufacturing PMI™

"The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 55.8 in November, up slightly from 55.5 in October, signalling another robust expansion in business conditions. The headline index has now posted above the 50.0 no-change threshold in each month since July.

Sharp expansion in manufacturing output maintained in November

A robust expansion in new orders helped underpin another sharp improvement in business conditions across the Canadian manufacturing sector during November. Output and purchasing activity rose solidly, and firms added to workforces for the fifth straight month. Despite efforts to increase workforce numbers, backlogs rose again at manufacturers, signalling capacity pressures. Meanwhile, sentiment remained positive with firms expecting the passing of the coronavirus disease 2019 (COVID-19) in the year ahead. Output prices increased at the fastest pace since February 2019, as higher raw material and transportations costs were passed onto consumers. …

… sentiment improved in November, with hopes that domestic demand will improve in the year ahead. Panel comments suggest expectations that COVID-19 will pass, and spending habits will return to normal.

Latest survey data shows encouraging signs at the Canadian manufacturing sector as it continues to recover from the second quarter downturn. New orders, output and employment all continue to expand in November. At the same time, businesses foresee an improvement in production levels in the year ahead after a sustained period of growth was recorded in domestic demand. That said, supplier delivery times lengthened markedly with material shortages and travel restriction often mentioned.

Looking ahead, the increasing number of COVID-19 cases has led to tightening lockdown restriction in major manufacturing regions. With a resurgence in case numbers, and further lockdown measures announced, the sector could face softer growth prospects or a second dip in the coming months." – Tim Moore, Economics Associate Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/61026413f438470d8fb37e5ef0ae21a2; 12/3/20

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Private Indicators: Global

Caixin China General Manufacturing PMI™

PMI hits highest level for a decade in November

"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 – increased from 53.6 in October to 54.9 in November, to signal the sharpest improvement in conditions since November 2010. The health of the sector has now improved in each of the past seven months, to indicate a sustained and strong recovery from the coronavirus disease 2019 (COVID-19) outbreak earlier in the year.

Chinese manufacturers signalled the strongest improvement in operating conditions for a decade in November, as growth of both output and new orders accelerated to 10-year highs. The sustained and strong upturn in client demand led to the fastest increase in employment since May 2011. At the same time, firms raised their purchasing activity at the steepest rate since January 2011 and increased their inventories of both pre- and post-production goods. Greater market demand contributed to stronger inflationary pressures, however, with both input costs and output charges rising at sharper rates.

Manufacturing companies in China recorded a sharp and accelerated rise in production during November, with the rate of expansion the quickest for 10 years. Firms frequently attributed the increase to greater new order volumes, as well as a further recovery from the COVID-19 related disruptions seen earlier in the year. Overall sales likewise expanded at the quickest rate for a decade, which was often linked to a rebound in client demand. Underlying data suggested that the upturn continued to be led by firmer domestic demand, as growth in new export work was not as marked as that seen for total new orders. … .

Business confidence regarding the 12-month outlook for output remained strongly positive in November, despite easing slightly since October. Optimism was linked to planned company expansions, supportive state policies and hopes that global conditions will rebound once the pandemic ends. " – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/97a7429689ba4d94b649ec9ce93c04e5; 12/1/20

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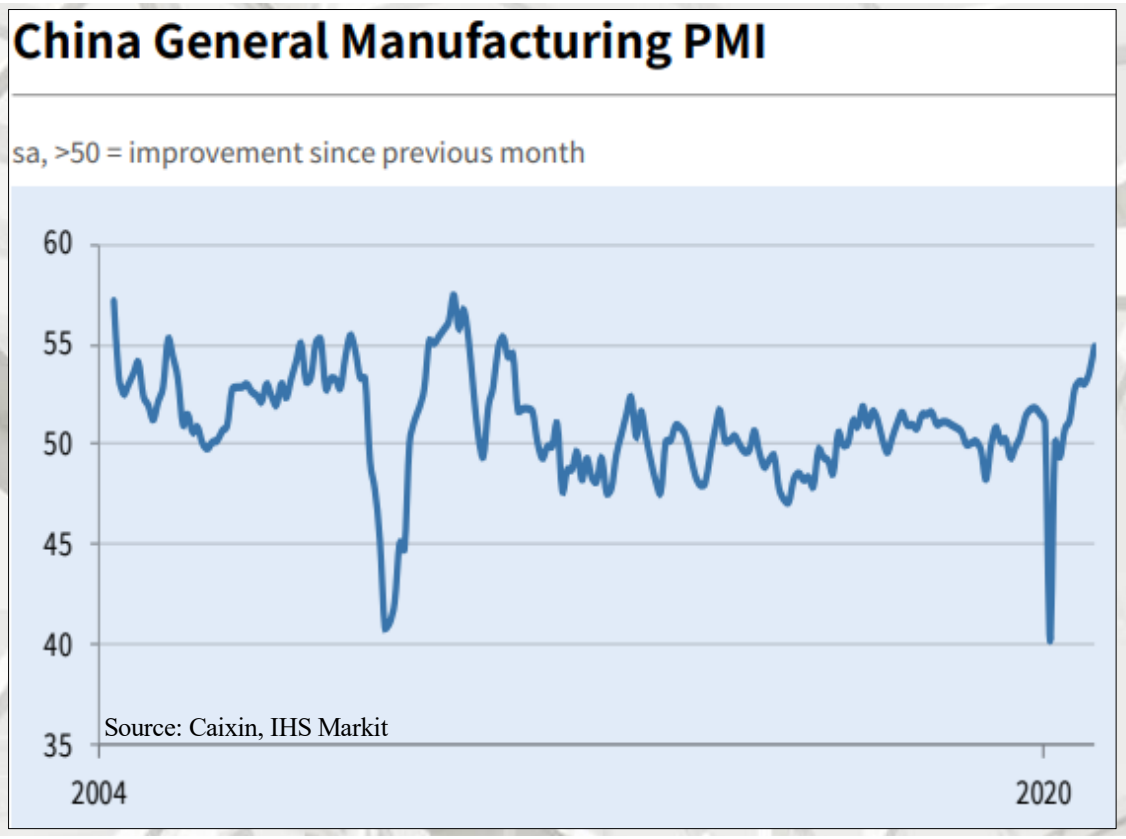
Private Indicators: Global



Caixin China General Manufacturing PMI™

"… We expect the economic recovery in the post-epidemic era to continue for several months. At the same time, deciding how to gradually withdraw the easing policies launched during the epidemic will require careful planning as uncertainties still exist inside and outside China." – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/97a7429689ba4d94b649ec9ce93c04e5; 12/1/20

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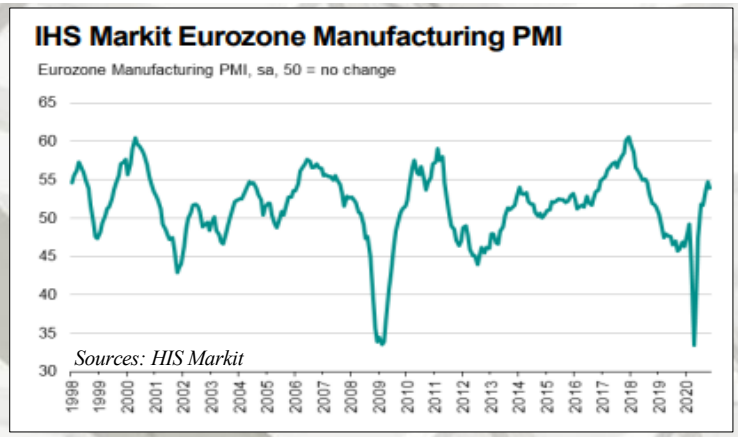
Private Indicators: Global



Markit Eurozone Manufacturing PMI®

"The seasonally adjusted IHS Markit Eurozone Manufacturing PMI® fell slightly during November but remained at a level indicative of strong growth. Although the headline index slipped to 53.8, from 54.8 in October, it was slightly better than the earlier flash reading and signalled an improvement in manufacturing operating conditions for the fifth successive month. Moreover, growth remained well above the long-run survey average.

Manufacturing growth remains strong in November

There was some notable divergence in performance across the broad market groups data during November. On the one hand, the capital and intermediate goods sectors continued to expand at marked monthly rates. However, in contrast, consumer goods producers registered a modest deterioration in operating conditions for the first time in six months. …

Eurozone manufacturing output continued to grow at a decent pace in November. Although the rate of expansion cooled from October's 32-month high amid new lockdown measures, the sustained expansion should help to soften the economic blow of COVID-19 restrictions, which have hit the service sector hard. The survey therefore adds to evidence that the region will avoid in the final quarter of the year a similar scale of downturn recorded in the second quarter. Shortages of inputs are meanwhile contributing to higher price pressures, with suppliers' increasingly able to raise prices amid a sellers' market for many key inputs. Such a restoration of pricing power bodes well for profits and helps ease broader deflationary concerns.

Encouragingly, a brighter outlook is indicated by the upturn in optimism for the year ahead, suggesting that the upturn should gather strength again in the coming months as lockdown measures ease and spending, especially investment, picks up in response to the recent news on vaccine development. The reliance on Germany may soon also diminish, as business expectations improved or remained buoyant in all countries with the notable exception of France, which looks set to continue to lag the region's recovery. " – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/fb7f953d3ec5410692fefa22dc24b597; 12/1/20

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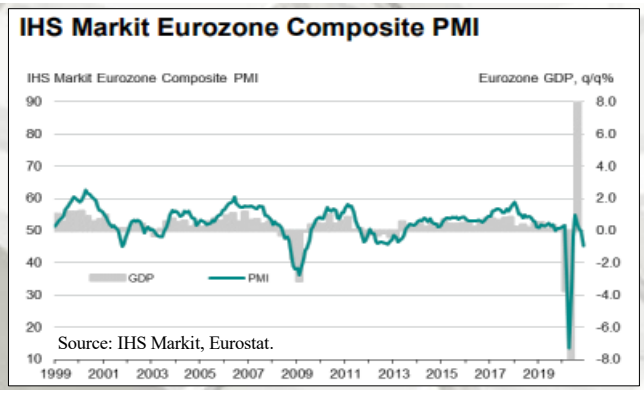
Private Indicators: Global



Markit Eurozone Composite PMI®

"Driven by sharply reduced services activity, the eurozone's private sector economy returned to contraction during November for the first time in five months. This was signalled by the **IHS Markit Eurozone PMI® Composite Output Index,** which recorded a level of 45.3, down from October's 50.0 but slightly better than the earlier flash reading.

Downturn in services drives fall in private sector output

The headline figure was driven lower by a downturn in service sector activity which fell to the greatest degree since May. In contrast, manufacturing output growth was sustained for the fifth month in a row, albeit at the slowest pace since July. Regional manufacturing gains were principally driven by Germany, which was subsequently the only nation to record an increase in overall private sector output during November. That said, growth was still the weakest in five months. …

The eurozone economy slipped back into a downturn in November as governments stepped up the fight against COVID-19, with business activity hit once again by new restrictions to fight off second waves of virus infections. However, this is a decline of far smaller magnitude than seen in the spring. Unlike earlier in the year, manufacturing has so far continued to expand, buoyed in part by recovering export demand, and the service sector is also seeing a much shallower downturn than during the first lockdowns.

The relative resilience of services in part reflects spill-over demand from the manufacturing sector for transport and other industrial support services, but also reflects the looser lockdown measures compared to those seen earlier in the year. The fourth quarter will nevertheless likely see the eurozone economy take another major step backwards, with especially steep downturns suffered in France, Spain and Italy.

Encouragingly, growth expectations have lifted higher, as vaccine developments fuel optimism that life can start to return to normal in 2021. It's anticipated that business and consumer spending will start to rise as the outlook brightens, though a high degree of caution is expected to persist for some time to come." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/27e303763fd94dae9b0be6a7e6f58157; 12/3/20

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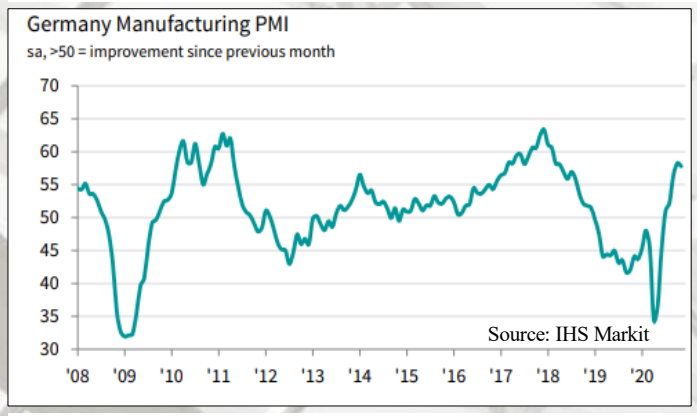
Private Indicators: Global



IHS Markit/BME Germany Manufacturing PMI®

"At 57.8, the headline IHS Markit/BME Germany Manufacturing PMI® – a weighted aggregate of measures of new orders, output, employment, suppliers' delivery times and stock of purchases – remained firmly inside growth territory in November. Notably, however, the latest reading was down slightly from October's two-and-a-half year high of 58.2, the first fall in the PMI for seven months.

Manufacturing recovery continues in November, albeit with slight loss of momentum

The health of Germany's manufacturing sector continued to improve in November, latest PMI® survey data showed. There was a slight loss of momentum in the pace of growth, however, with both output and new orders rising more slowly amid a second wave of coronavirus disease 2019 (COVID-19) cases and new lockdown measures at home and abroad. The slight drop in the headline PMI was in part driven by the new orders index which, after hitting a record high in October, pointed to the slowest rate of growth for three months (albeit one that was still sharp by historical standards). Detailed data showed renewed weakness in demand for consumer goods, which was in turn partly linked to the closure of the hospitality sector. Makers of intermediate and capital goods recorded further sharp increases in new orders, albeit with some reports of the second wave of virus infections causing hesitancy among clients.

November's PMI survey produced another set of positive results, showing the health of the German manufacturing sector firmly on the mend. Given the emergence of the second wave of COVID-19 infections and the fact that the survey's new orders index had reached a record high the month before, the loss of momentum in November doesn't come as a surprise. Moreover, the survey highlights that the goods-producing sector wasn't completely immune to the impact of November's new lockdown measures, with closures across hospitality having a knock-on effect on consumer goods production in particular. However, helped by a tailwind of rising export sales, the bulk of manufacturing showed resilience, seeing only a small impact from some increased hesitancy among clients. The extension of the lockdown poses some downside risk to the sector's immediate outlook, though the survey shows that manufacturers are highly optimistic about their prospects for 2021." – Phil Smith, Principal Economist, IHSMarkit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/fb455957578840c7bd335f7b711e9772; 12/1/20

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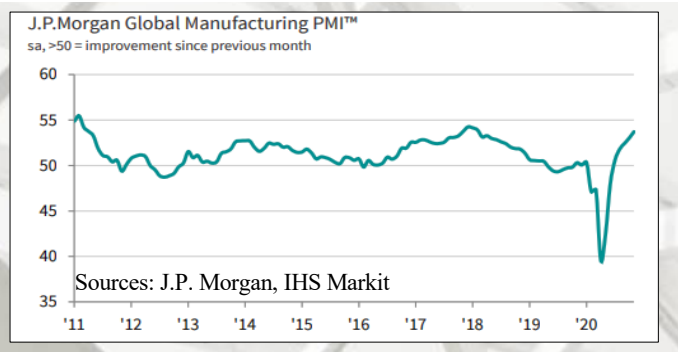

J.P. Morgan Global Manufacturing PMI™

"The J.P. Morgan Global Manufacturing PMI™ – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – posted a 33-month high of 53.7, up from 53.0 in October, remaining above the neutral 50.0 mark for the fifth successive month.

Global manufacturing expands at one of fastest rates in almost a decade during November

November saw global manufacturing output expand at the fastest pace since January 2018 and at one of the best growth rates over the past decade. Demand continued to revive following earlier COVID-19 lockdowns, including a further rebound in international trade flows. There was also a mild increase in employment, as capacity constraints rose and business optimism hit a near six-year high. Manufacturing output expanded for the fifth successive month in November, with growth registered across the three sub-industries covered by the survey. The steepest increase was at investment goods producers, where output rose to the greatest extent in almost a decade. Stronger growth was also registered in the consumer goods category (three-month high), while the rate of increase in the investment goods sector stayed close to October's 33-month record. …

Amid alarming virus developments in the US and across Europe, it is encouraging to see the global manufacturing PMI hold up in November. The seventh consecutive rise in the output index left the level at 55.2 in November. Internals of the survey were also positive. Regionally the PMIs highlight a split between strength in the US and Asia against weakness across Europe. This aligns with activity restrictions that have been put in place across Europe which are negatively impacting performance. By contrast, mobility data in the US show very little response to virus developments. Another encouraging aspect of today's PMI report is the broad-based jolt higher in the future output PMI in November which might be related to vaccine hopes." – Olya Borichevska, Global Economist, Global Economic Research, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/8b69fe1b43dc4595912567f3ec437ed0; 12/1/20

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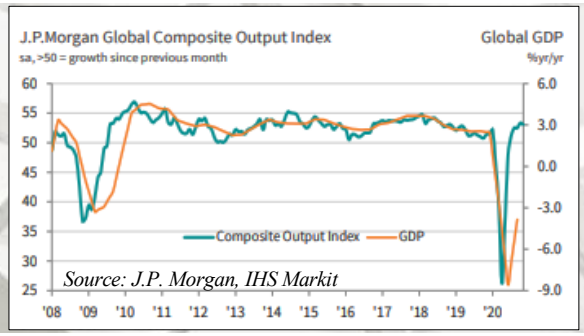

J.P. Morgan Global Composite PMI™

"The J.P. Morgan Global Composite Output Index – which is produced by J. P. Morgan and IHS Markit in association with ISM and IFPSM – posted 53.1 in November, slightly below October's 26-month high of 53.3. The headline index has signalled expansion for five successive months. .

Global economic growth remains solid in November despite slower expansion at service providers

The global economic upturn continued in November, as output, new orders and employment all rose again. Inflationary pressures were building, however, as rates of increase in input costs and output prices both accelerated. November saw the world manufacturing sector outperform its services counterpart to a wider margin. Manufacturing production rose at the fastest rate for 34 months, mainly driven by accelerated growth in China and the US. Meanwhile, global service sector business activity rose at a slightly slower rate than in the prior survey month.

Five of the six sub-sectors covered by the survey registered expansions of output during November. Growth accelerated in the consumer goods and investment goods categories, but slowed in intermediate goods, business services and financial services. Consumer services remained a negative spot, seeing output contract for the tenth month in a row. …

The level of incoming new business expanded for the fifth straight month, albeit at a slightly reduced pace. The trend in new export orders also improved, with the volume received rising for the third month in a row. The rebound in demand encouraged companies, leading to a more positive outlook for business activity over the coming year. Optimism rose to a six-and-a-half year high. November saw employment rise for the third month running and to the greatest extent since April 2019. Job creation was seen in the US, China, Germany, Brazil and Australia. The rate of increase was fastest in the US (series-record high) followed by China (quickest in over a decade). In contrast, there were further job losses in the euro area as a whole, Japan, the UK, India and Russia. " – Olya Borichevska, Global Economic Research, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/8dcd98a9887048cfb919897d60c5ba48; 12/3/20

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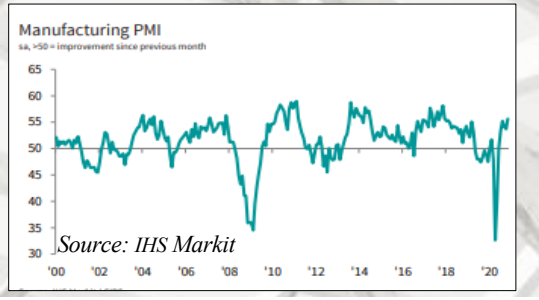

IHS Markit/CIPS UK Manufacturing PMI®

"The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) rose to a 35-month high of 55.6 in November, up from 53.7 in October. The PMI has now signalled expansion for six successive months.

Manufacturing sector growth improves but consumer goods industry remains in doldrums

The upturn in the UK manufacturing economy strengthened during November, as rates of growth in output and new business accelerated and the downturn in employment slowed. The upcoming end to the Brexit transition period meanwhile led to rising levels of input purchasing, stockpiling of raw materials and stronger gains in new export business as EU-based clients brought forward orders. Manufacturing production increased again in November. Although the rate of expansion was both solid and above that registered in the prior survey month, it was also weaker than those seen through the third quarter of the year. The upturn in production volumes was linked to companies reopening following COVID-19 closures earlier in the year and improving demand. …

Growth of the UK manufacturing sector picked up in November, temporarily boosted by 'Brexit-buying' among clients and the ongoing boost from economies re-opening following lockdowns earlier in the year. The effects were strongest felt among firms supplying inputs to other companies as warehouses were restocked, and among producers of investment goods such as machinery and equipment. The weak point was the consumer goods industry, which saw lower output and new order intakes amid depressed household sentiment caused by mounting job losses and the UK re-entering lockdown.

Whether the upturn of manufacturing production can be sustained into the new year is therefore highly uncertain, especially once the temporary boosts from Brexit purchasing and stock building wane. On this front some reassurance is provided by the survey's gauge of business optimism. Confidence has risen to a level not seen since late-2014, with over three fifths of manufacturers (61%) still expecting to raise output over the coming year. On the other hand, many manufacturers remain very concerned about the outlook and generally reluctant to expand capacity, hence employment fell for the tenth month in a row." – Rob Dobson, Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/4f36838def714452ad7f8b7906bbced7; 12/3/20

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Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Unchanged in October

"National nonresidential construction spending was virtually unchanged in October, 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 $792.4 billion for the month.

Of the sixteen nonresidential subcategories, nine were down on a monthly basis and nine were down on an annual basis. Private nonresidential spending fell 0.7%, while public nonresidential construction spending was up 1.0% in October.

"Excluding some of the emergency construction, such as temporary expansions to healthcare capacity, that transpired in October due to increasing cases of COVID-19, nonresidential construction spending actually declined for the month," said ABC Chief Economist Anirban Basu. "Spending weakness was broad-based but was especially apparent in private construction segments, such as lodging, office and power. Construction spending in the commercial segment has remained flat on a year-over-year basis, with spending on fulfillment center construction offsetting declining demand for the construction of stores. Commercial and institutional backlog is down 1.7 months since the beginning of the pandemic, according to ABC's Construction Backlog Indicator, suggesting that declining commercial activity will eventually become apparent within the spending data."

"The near-term outlook is tilted toward the negative as the economic momentum that has been apparent since May begins to wane," said Basu. "A near-term recession is possible, and perhaps even probable, as shutdown measures are renewed and the impact of previously implemented stimuli continues to fade. That will further delay the recovery of construction spending."" – Donna Reichle, Senior Director of Public Affairs, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/18322/nonresidential-construction-spending-unchanged-in-october-says-abc; 12/1/20

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Associated Builders and Contractors

Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate					
	October 2020	September 2020	October 2019	1-Month % Change	12-Month % Change
Nonresidential	$792,407	$792,191	$822,950	0.0%	-3.7%
Public safety	$16,221	$14,883	$11,624	9.0%	39.5%
Conservation and development	$7,889	$7,705	$9,064	2.4%	-13.0%
Highway and street	$92,881	$91,407	$88,235	1.6%	5.3%
Transportation	$56,782	$56,239	$56,461	1.0%	0.6%
Educational	$103,488	$102,563	$108,325	0.9%	-4.5%
Health care	$47,786	$47,562	$46,913	0.5%	1.9%
Communication	$22,593	$22,504	$21,959	0.4%	2.9%
Water supply	$18,735	$18,807	$17,240	-0.4%	8.7%
Power	$113,079	$113,789	$123,136	-0.6%	-8.2%
Office	$80,046	$80,620	$86,493	-0.7%	-7.5%
Commercial	$82,013	$82,710	$82,441	-0.8%	-0.5%
Manufacturing	$69,742	$70,385	$79,057	-0.9%	-11.8%
Amusement and recreation	$26,216	$26,491	$28,926	-1.0%	-9.4%
Religious	$3,044	$3,109	$3,512	-2.1%	-13.3%
Lodging	$26,063	$26,799	$34,032	-2.7%	-23.4%
Sewage and waste disposal	$25,828	$26,618	$25,534	-3.0%	1.2%
Private Nonresidential	$456,592	$459,854	$497,553	-0.7%	-8.2%
Public Nonresidential	$335,814	$332,338	$325,397	1.0%	3.2%
Source: U.S. Census Bureau					

Nonresidential Construction Spending Unchanged in October

““The longer-term outlook is decidedly more upbeat,” said Basu. “At some point, there will likely be a combination of additional stimuli (including money for infrastructure) and widespread vaccine availability. Recent announcements by Moderna, Pfizer, Astra Zeneca and others have rendered it clear that COVID-19 can be soundly defeated. It is also likely that, at some point in 2021, the economy will take off. As air travel, restaurants and theaters begin to rebound, the recovery to come may be more impressive than the recovery that has occurred over the past six months. That should set the stage for better nonresidential construction spending dynamics in 2022 and 2023.”” – Donna Reichle, Senior Director of Public Affairs, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/18322/nonresidential-construction-spending-unchanged-in-october-says-abc; 12/1/20

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Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Plunges in November; Contractor Optimism Falters

"Associated Builders and Contractors reported today that its Construction Backlog Indicator declined to 7.2 months in November, a decrease of 0.5 months from October's reading, according to an ABC member survey conducted from Nov. 20 to Dec. 2. Backlog is 1.7 months lower than in November 2019.

ABC's Construction Confidence Index readings for sales, profit margins and staffing levels decreased in November. The staffing levels index reading remained above the threshold of 50, indicating expectations of expansion over the next six months. The index reading for sales dipped below 50 in November, while the profit margin index reading remained beneath that threshold, indicating expectations of contraction.

"When the pandemic first struck down the economic expansion during the February-April timeframe, construction emerged as a relative bulwark of stability," said Basu. "The sector's essential industry status in most parts of the country, combined with significant pre-existing backlog, allowed much of industry's activity to persist even as restaurant, retail, hotel, transportation, tourism and other segments suffered massive setbacks. But the protective shields that helped sustain industry performance have begun to weaken." – Rachel O'Grady, Media Relations Director, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/18338/abc-s-construction-backlog-plunges-in-november-contractor-optimism-falters; 12/8/20

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Private Indicators
Associated Builders and Contractors

Construction Backlog Indicator

	Nov. 2020	Oct. 2020	Nov. 2019	1-Month Net Change	12-Month Net Change
Total	**7.2**	**7.7**	**8.9**	**-0.5**	**-1.7**
Industry					
Commercial & Institutional	7.2	7.5	9.1	-0.3	-1.9
Heavy Industrial	4.5	7.6	6.7	-3.1	-2.2
Infrastructure	8.7	9.1	9.6	-0.4	-0.9
Region					
Middle States	6.0	6.3	8.1	-0.3	-2.1
Northeast	7.1	8.4	8.6	-1.3	-1.5
South	8.4	8.4	11.3	0.0	-2.9
West	7.8	8.3	6.4	-0.5	1.4
Company Size					
<$30 Million	6.8	7.4	8.1	-0.6	-1.3
$30-$50 Million	7.5	7.6	10.3	-0.1	-2.8
$50-$100 Million	8.2	7.8	9.9	0.4	-1.7
>$100 Million	10.4	10.0	12.6	0.4	-2.2

Source: https://www.abc.org/News-Media/News-Releases/entryid/18338/abc-s-construction-backlog-plunges-in-november-contractor-optimism-falters; 12/8/20

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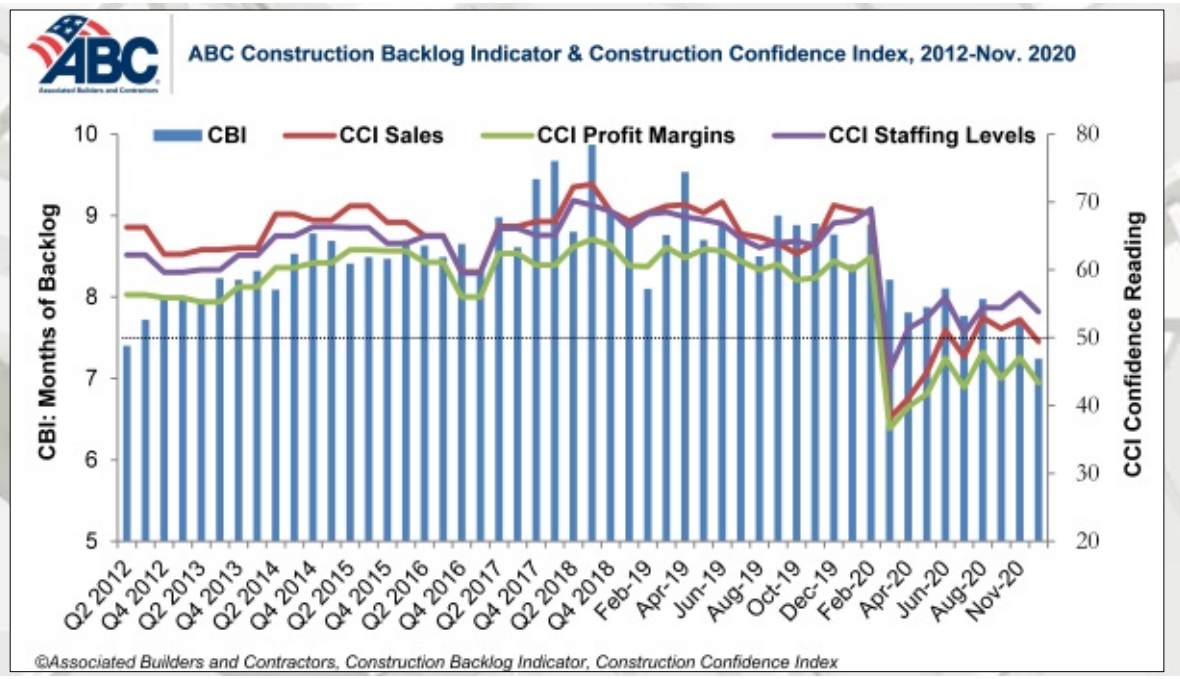
Private Indicators
Associated Builders and Contractors



ABC's Construction Backlog Indicator Plunges in November; Contractor Optimism Falters

""Many projects have been postponed, while others have been cancelled," said Basu. "New bidding opportunities have become rarer, helping to push backlog lower. The prospect of additional lockdowns hasn't helped, with many investors remaining too uncertain to bring the next generation of commercial projects to market. Lending conditions have tightened. Many segments have been battered financially, including healthcare, certain manufacturing sectors and lodging. A number of contractors also report project delivery interruptions as workers become infected. That has helped to dampen confidence, with contractors collectively indicating expectations for lower sales and profit margins over the next six months. At the same time, the emergence of vaccine candidates provides light at the end of the tunnel, but 2021 is shaping up to be a challenging year for many contractors."" – Rachel O'Grady, Media Relations Director, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/18338/abc-s-construction-backlog-plunges-in-november-contractor-optimism-falters; 12/8/20

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Private Indicators

American Society of Interior Designers (ASID) Interior Design Billings Index (IDBI)

ASID Billings and Future Work Indicators Continue to Improve

"Encouraging signs are evident for the interior design industry as reported in this month's survey. The October Interior Design Billings Index (IDBI), produced by ASID, moved up three index points to 55.4 and the inquiry index rose nearly five index points to 57.5 over September's scores (any score above 50 represents expansion and below 50 represents contraction). Reflecting this positive trend, the three-month moving average of the IDBI index was 53.5 and the three-month moving average of the new projects inquiry index recorded a 55.9. This positive momentum was also matched in the panelist's 6-month outlook ratcheting up the expectation index to 56.7.

Reported as three-month moving averages, two regions moved further into an expansionary mode while two remained in contractionary territory for September. Firms in the Midwest and the South indicate positive business conditions with index readings of 53.4 and 61.6, respectively, while firms in the Northeast (47.2) and West (46.1) remain in a contractionary environment.

ASID has been monitoring closely the industry developments with respect to the coronavirus (COVID-19) pandemic by asking panelists about their level of concern related to the impact of COVID-19 on their business and revenues. Similar to last month, nearly all panelists (91 percent) say they have at least some concern or anxiety about the impact of COVID-19 might have on their business with 17 percent of panelists indicating a high level of concern (1= no concern to 5= high concern). The percent of interior designers that believe COVID-19 will have a negative impact upon next month's billings held constant at 61 percent (62 percent in September) while 31 percent feel that COVID will have a positive impact (32 percent in September)." – American Society Of Interior Designers

Source: https://www.asid.org/news/asid-interior-design-billings-index-idbi-October-2020; 11/24/20

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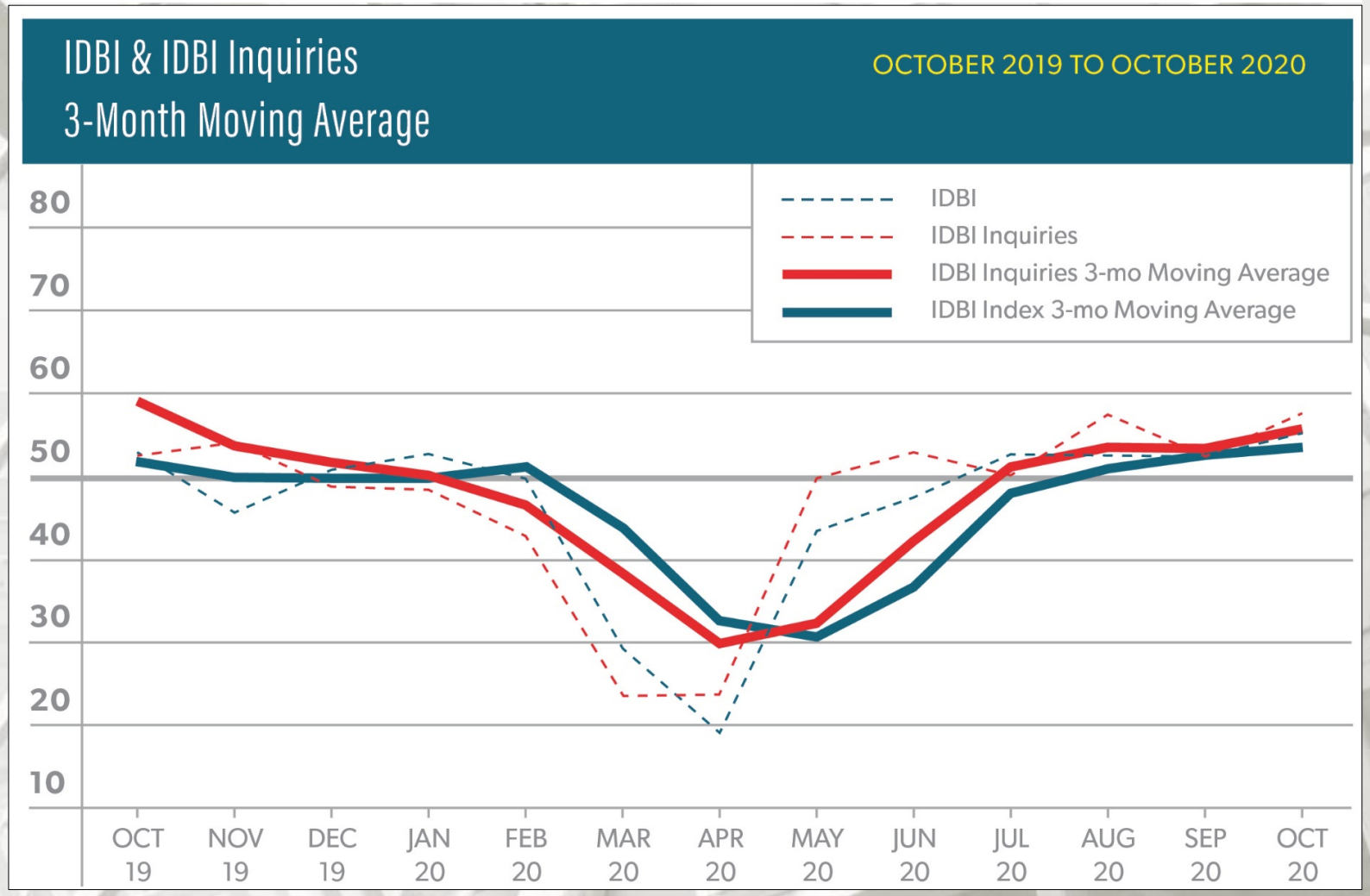
Private Indicators

ASID Interior Design Billings Index (IDBI)



Source: https://www.asid.org/news/asid-interior-design-billings-index-idbi-October-2020; 11/24/20

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Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index October 2020

As the decline in billings continues to slow, architecture firms report an increase in contracts signed for new work

60% of firms have seen higher prices/more limited availability of construction materials in the last six to 12 months

"Business conditions at architecture firms moved slowly towards recovery in October, as the pace of the decline in firm billings continued to slow. The ABI score rose slightly from September to a score of 47.5 in October, indicating that the share of firms seeing their billings decline shrank further (an ABI score below 50 indicates a billings decline). In addition, indicators of future work strengthened, with inquiries into new projects climbing to their highest level in nearly a year, and the value of new design contracts growing for the first time since February. This means that not only are clients talking to firms about potential projects; they're signing on the dotted line to start those projects. Both of these indicators are encouraging signs that business is slowly, but steadily, returning at many firms." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6349580-abi-october-2020-as-the-decline-in-billing; 11/22/20

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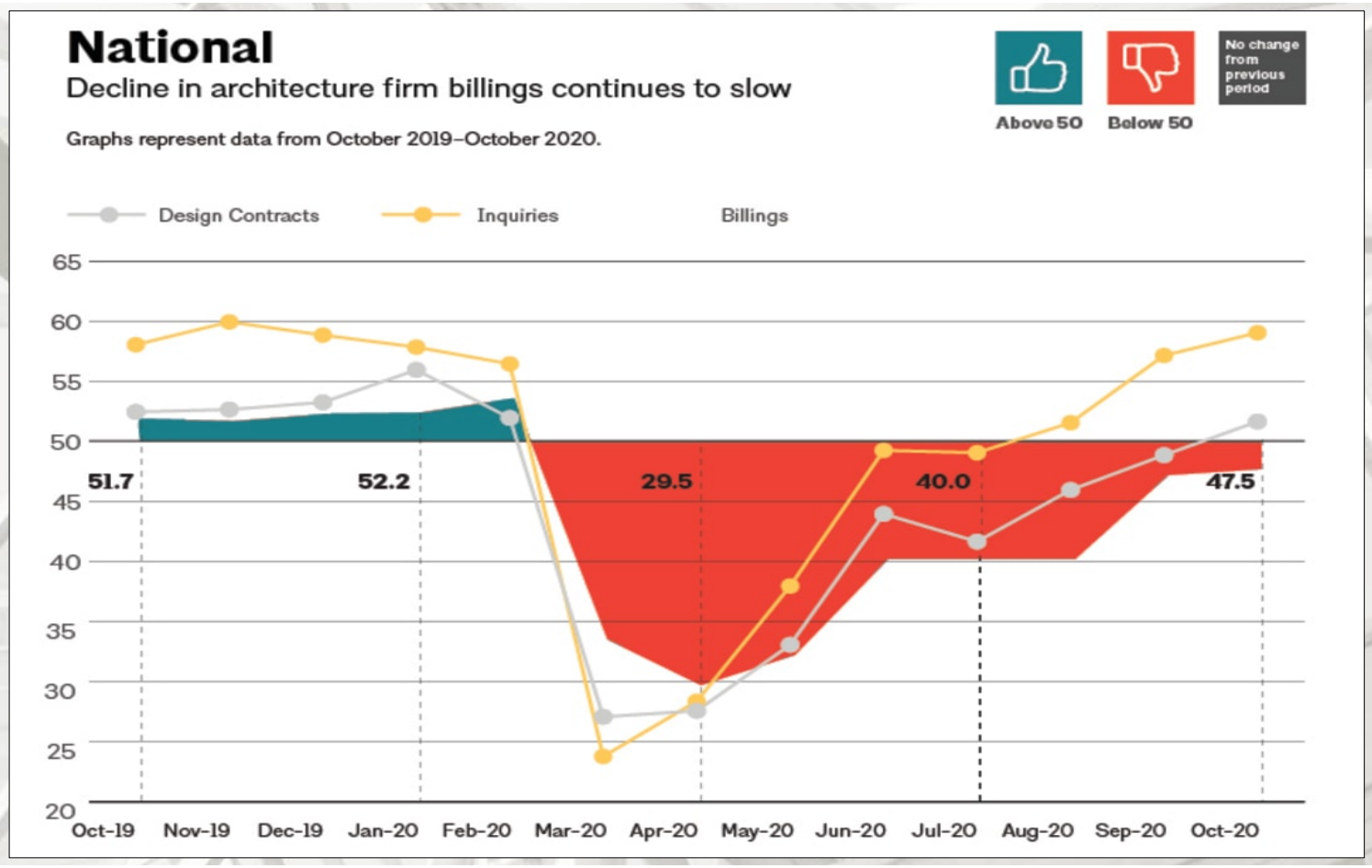
Private Indicators
American Institute of Architects (AIA)



Architecture Billings Index October 2020

"Despite encouraging numbers overall, firms in many areas of the country are still seeing relatively weak business conditions" – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6349580-abi-october-2020-as-the-decline-in-billing; 11/22/20

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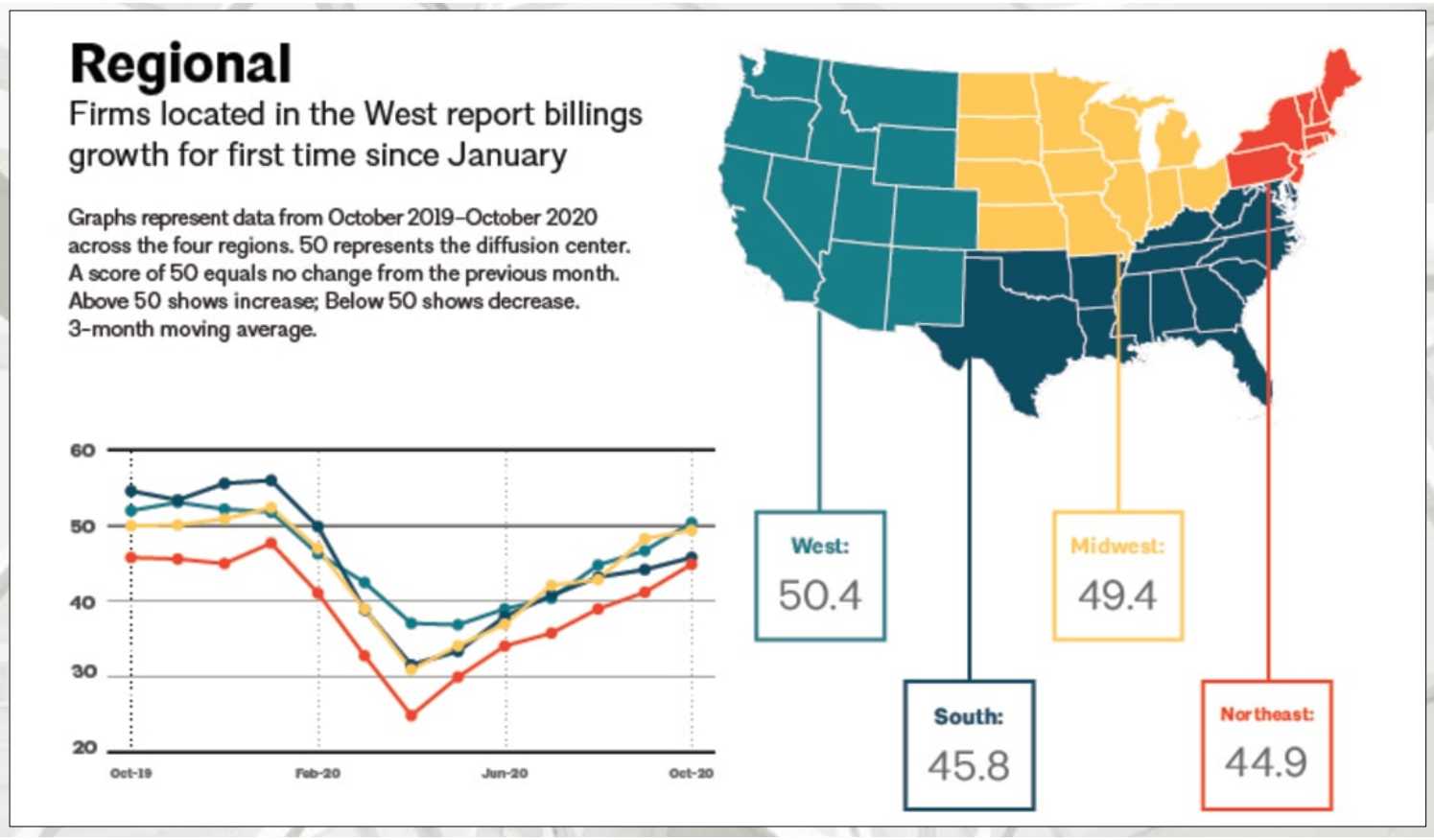

Region

"However, billings returned to the positive side at firms located in the West for the first time in nine months in October, and conditions approached growth at firms located in the Midwest." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6349580-abi-october-2020-as-the-decline-in-billing; 11/22/20

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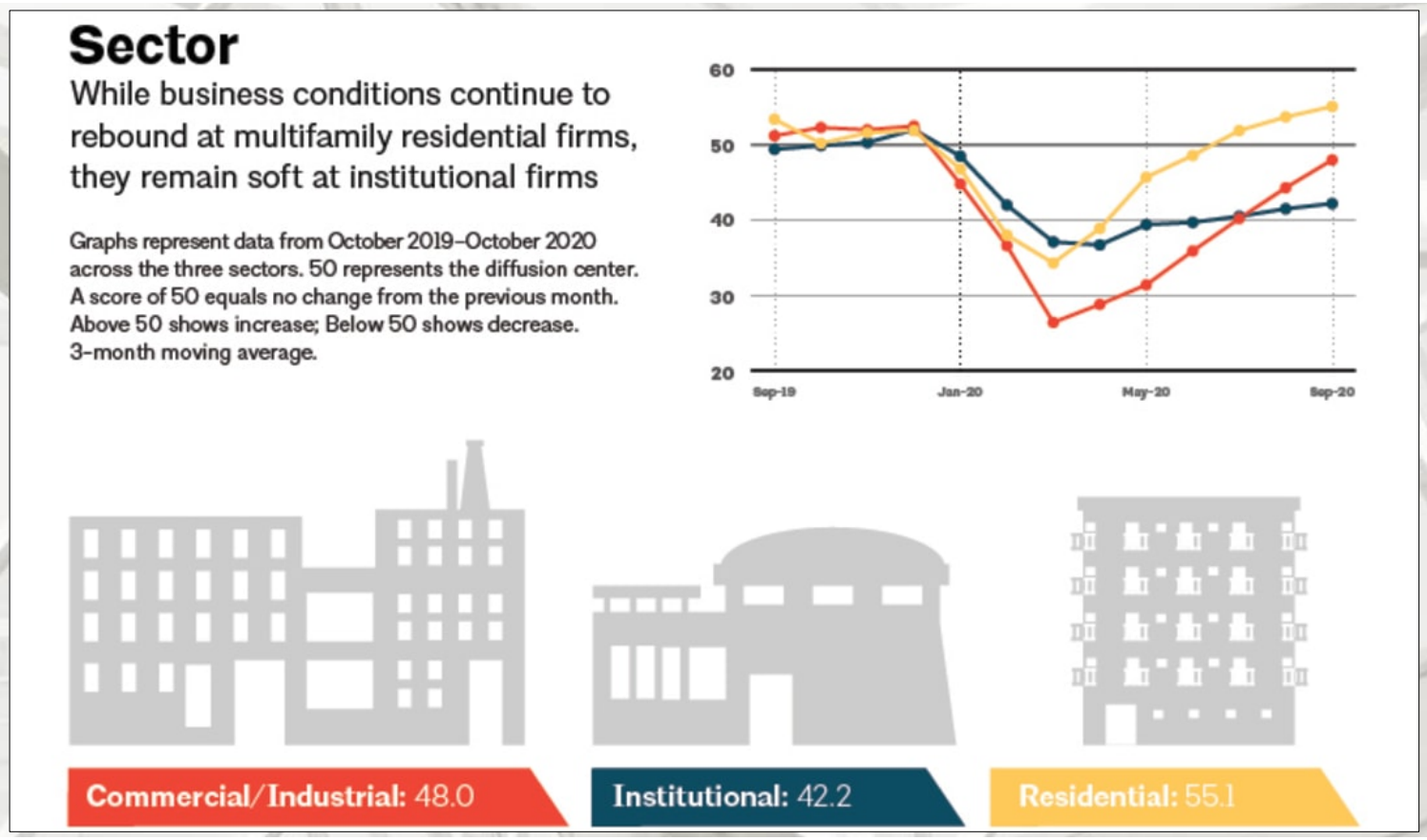
Private Indicators: AIA



Sector

"By firm specialization, business conditions continued to strengthen at firms with a multifamily residential specialization, reaching their highest level in more than two years. In addition, the pace of the decline in billings has slowed substantially at firms with a commercial/industrial specialization; now firms with an institutional specialization are experiencing the softest conditions." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6349580-abi-october-2020-as-the-decline-in-billing; 11/22/20

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Private Indicators

Dodge Data & Analytics

Construction Starts Rebound in October

Gains dominated all major sectors following large September declines

"Total construction starts rose 12% in October to a seasonally adjusted annual rate of $787.9 billon. While sizeable, the increase does not erase September's substantial pullback in starts. All three major categories moved higher over the month, nonbuilding starts rose 25%, nonresidential buildings increased 19%, while residential activity gained 2%. Four of the five regions saw construction starts move higher in October, with the only decline coming in the South Central region.

Through the first 10 months of 2020, total construction starts were 11% lower than the same period of 2019. Nonresidential starts were 24% lower and nonbuilding were down 14%. Residential starts, however, were 2% higher in the first 10 months of this year. For the 12 months ending October 2020, total construction starts were down 6% compared to the previous 12 months. Nonresidential building starts were 17% lower and nonbuilding starts were 7% lower, while residential building starts rose 4% over the 12 months ending October 2020. In October, the Dodge Index rose 12% to 167 (2000=100) from the reading of 149 in September. The Dodge Index was flat on a year-over-year basis, and 8% lower than its pre-pandemic level in February.

"October's gain was welcome news following the large step back in starts during the previous month," stated Richard Branch, Chief Economist for Dodge Data & Analytics. "The month's increase, however, does not mean all is well with the economy and construction sector. The economy lost traction as the stimulus provided by the CARES Act ended. With the next wave of COVID-19 infections looming, the economy will continue to lose steam until more fiscal stimulus is provided and a vaccine has been widely adopted. Until that has occurred, the construction sector will continue to be volatile."" – Nicole Sullivan, Public Relations & Social Media, AFFECT

Source: https://www.construction.com/news/construction-starts-rebound-October-2020; 11/16/20

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Private Indicators

Dodge Data & Analytics

"**Residential building** starts moved 2% higher in October to a seasonally adjusted annual rate of $356.5 billion. The increase in the multifamily sector was robust, with starts rising 62% following a 52% loss the previous month. Single family starts fell 9% in October.

The largest multifamily building to break ground in October was the $386 million Waterview at Greenpoint project in Brooklyn NY. Also starting were a $250 million mixed-use project on 47th Street in New York NY and a $200 million residential tower on High Street in Houston TX.

Through the first 10 months of 2020, residential construction starts were 2% higher than in the same time period of 2019. Single family starts were up 8%, but multifamily starts were down 11%. For the 12 months ending in October, total residential starts were 4% higher than in the 12 months ending October 2019. Single family starts were up 8%, while multifamily starts were down 5%..

Nonresidential building starts recovered slightly from the sharp September decline, gaining 19% in October to a seasonally adjusted annual rate of $209.0 billion. Several large office and warehouse projects got underway during the month pushing commercial starts up 23%. Manufacturing starts gained 26% during the month, while a large courthouse project helped institutional starts gain 15%. …

Total nonresidential building starts were down 24% through the first 10 months of 2020. Commercial starts were 27% lower and institutional starts were 16% lower, while manufacturing starts tumbled 54%. For the 12 months ending October 2020, total nonresidential building starts were down 17%. Institutional building starts fell 13%, commercial starts dropped 20%, and manufacturing starts declined 22% over the 12 months ending October 2020." – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/construction-starts-rebound-October-2020; 11/16/20

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Private Indicators

October 2020 Construction Starts

MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

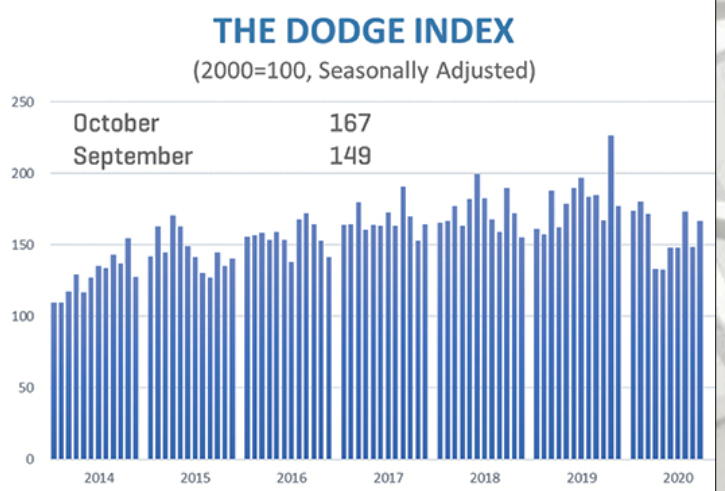
	October 2020	September 2020	% Change
Nonresidential Building	$208,955	$175,858	19
Residential Building	356,459	349,223	2
Nonbuilding Construction	222,443	178,041	25
Total Construction	$787,857	$703,122	12

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	10 Mos. 2020	10 Mos. 2019	% Change
Nonresidential Building	$196,293	$259,130	-24
Residential Building	284,116	277,652	2
Nonbuilding Construction	151,415	175,420	-14
Total Construction	$631,823	$712,202	-11

October 2020 Construction Starts



Source: Dodge Data & Analytics

Source: https://www.construction.com/news/construction-starts-rebound-October-2020; 11/16/20

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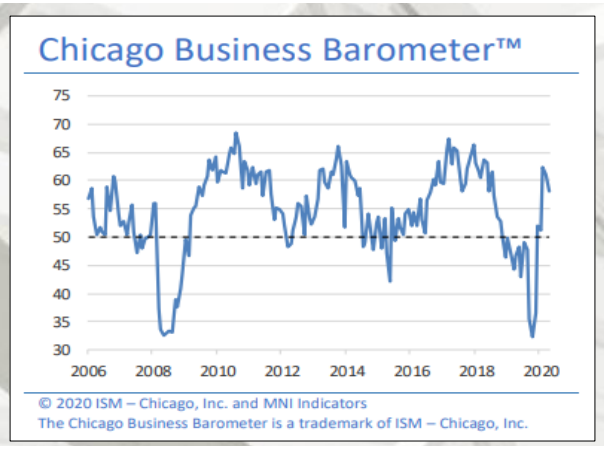
Private Indicators



MNI Chicago

"The Chicago Business Barometer™, produced with MNI, slipped to 58.2 in November. The index now stands at the lowest level since August but remains in expansion. Among the main five indicators, New Orders and Production posted the only declines, while Supplier Deliveries saw the largest gain..

Chicago Business Barometer™ Eased to 58.2 in November

Demand cooled in November with New Orders dropping by 5.0 points to its lowest level since August. New Orders fell for the first time since May, while Production dipped 1.2 points. Some companies reported an uptick in demand, although order levels remain below pre-crisis levels. Others noted stagnant demand and adjusted production due to Covid-19. The Backlog of work edged up marginally by 0.9 points in November, marking a third consecutive reading above the 50-mark.

Inventories eased further in November, slipping 2.0 points, hitting a three-month low. The demand for labour edged up 0.8 points following a decline in October. Nevertheless, employment remains in contraction since July 2019. Supplier Deliveries jumped to 4.9 points in November, after a slight fall in October. The index rose to the highest level since May as firms saw delivery delays. Prices at the factory gate surged 9.8 points in November, hitting the highest level in over two years.

This month's special question asked how employee productivity had been during the crisis period. The majority, at 55.4%, reported no change in productivity during the current crisis, while 32.1% saw productivity gain between 1-10%. The second special question asked: "Does the outcome of the general election have any effect on your forecast?" The majority, at 73.2%, noted that the election results do not influence their forecasts. On the other hand, 12.5% see their forecasts increase, while 14.3% reported a decrease." – Les Commons, Senior Economist and Irene Prihoda, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 11/30/20

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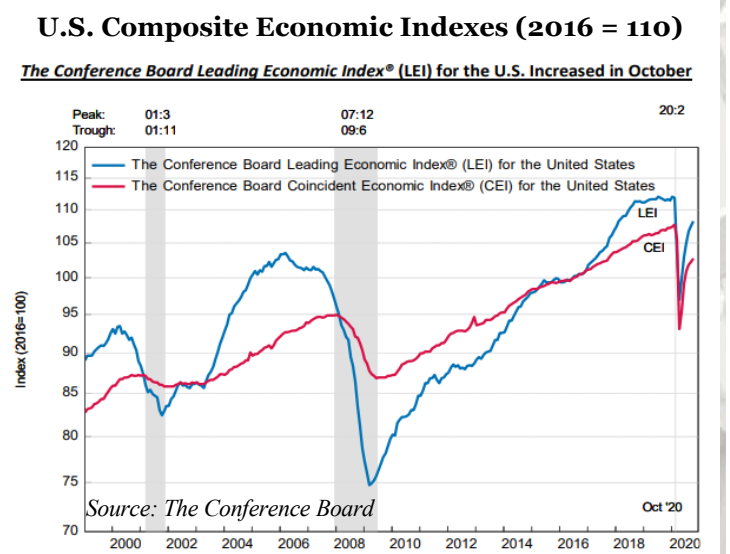
Private Indicators

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

Recovery to continue in Q4, but downside risk persists

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.7 percent in October to 108.2 (2016 = 110), following a 0.7 percent increase in September and a 2.0 percent increase in August.



"The US LEI rose again in October, with widespread improvements despite weakness from housing permits and consumers' outlook on economic conditions. However, the leading index has been decelerating in recent months, which suggests growth will moderate significantly in the final months of 2020, slowing down from the unusually rapid pace in Q3. Furthermore, downside risks to growth from a second wave of COVID-19 and high unemployment persist. While The Conference Board projects the US economy will expand in Q4, the pace of growth is unlikely to exceed 2.2 percent (annual rate)." – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

"**The Conference Board Coincident Economic Index®** (CEI) for the U.S. increased 0.5 percent in October to 102.7 (2016 = 100), following a 0.4 percent increase in September and a 0.9 percent increase in August.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.1 percent in October to 107.1 (2016 = 100), following a 0.3 percent decrease in September and a 0.2 percent decrease in August.

Source: https://www.conference-board.org/data/bcicountry.cfm; 11/19/20

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Private Indicators

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

October New Business Volume Down 9 Percent Year-over-year, Up 6 Percent Month-to-Month, and Down Almost 6 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 October was $9.2 billion, down 9 percent year-over-year from new business volume in October 2019. Volume was up 6 percent month-to-month from $8.7 billion in September. Year-to-date, cumulative new business volume was down almost 6 percent compared to 2019.

Receivables over 30 days were 2.20 percent, up from 2.00 percent the previous month and up from 2.00 percent the same period in 2019. Charge-offs were 0.60 percent, down from 0.82 percent the previous month and up from 0.46 percent in the year-earlier period. Credit approvals totaled 72.3 percent, down from 72.9 percent in September. Total headcount for equipment finance companies was down 4.9 percent year-over-year." – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

"To the extent that member companies responding to the October MLFI-25 survey are an indicator, the equipment finance industry shows resilience in the face of a worsening health pandemic and uneven economic performance in the U.S. The labor market continues to strengthen, except for workers and their employers in the restaurant, travel, leisure and hospitality sectors, who continue to struggle. Corporate earnings in many sectors are strong, the equity markets continue to defy gravity and business confidence seems to be on the rise. Hopefully, this struggle to get back to a sense of normalcy will not be overtaken by a double dip recession caused by worsening COVID-19 outbreaks reported in some states around the nation. At the end of the day, equipment finance companies continue to do their part to help the nation get back to business by helping finance billions of dollars in equipment investment by businesses both large and small." – Ralph Petta, President and CEO, ELFA

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2020/11/23/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 11/23/20

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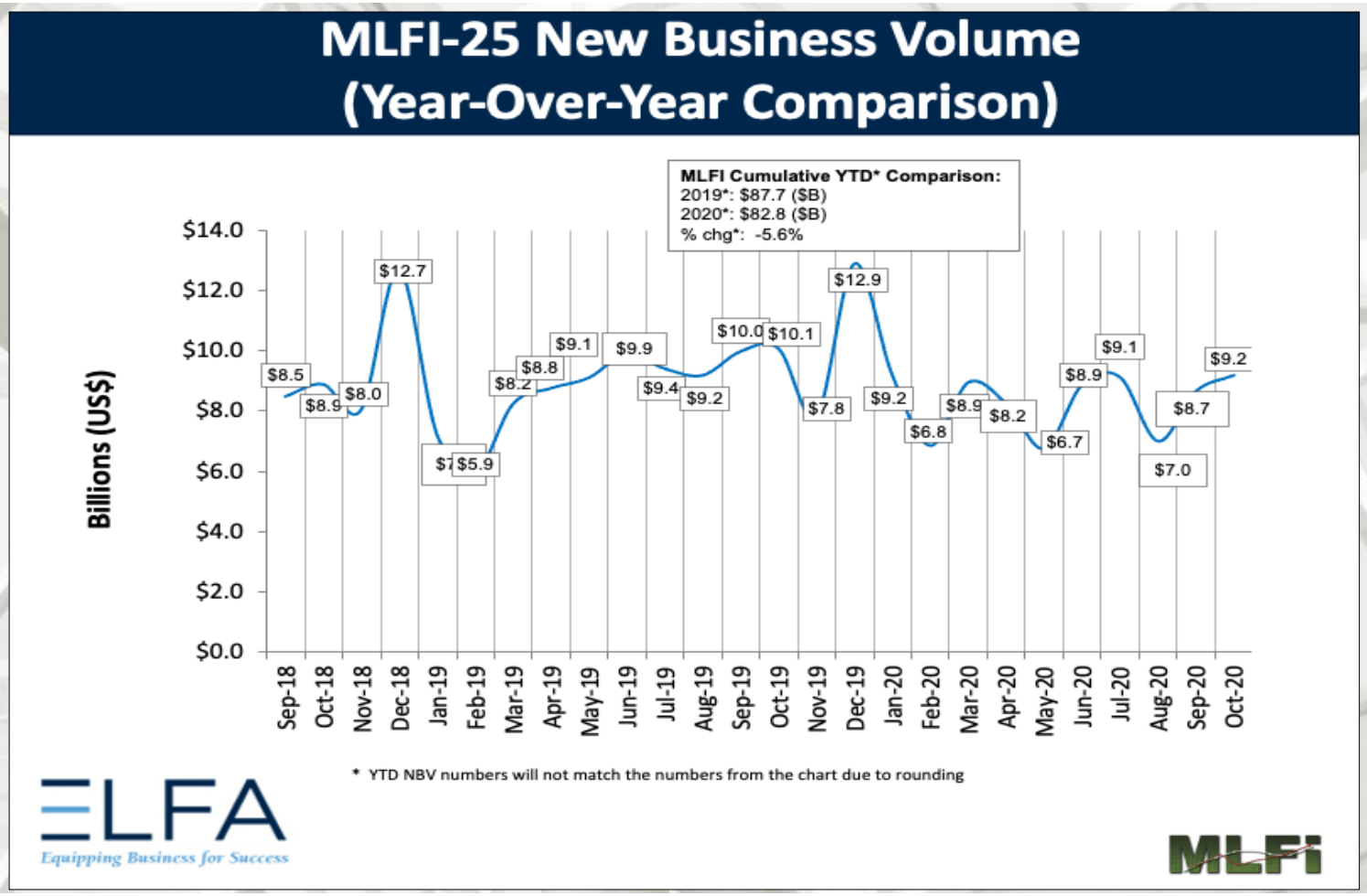

Monthly Leasing and Finance Index: October 2020

"We focus exclusively on transportation finance, and 2020 is shaping up to be an amazing year. Freight volume and trucking market spot rates are up and corresponding demand for new and used trucks is driving our new business to record levels. We expect this trend to continue into at least the first half of 2021 and for portfolio performance and used truck and trailer prices to stay strong."
– Howard Shiebler, President, Crossroads Equipment Lease & Finance LLC

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2020/11/23/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 11/23/20

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November 2020 Manufacturing ISM® *Report On Business*®

PMI® at 57.5%

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

"Economic activity in the **manufacturing sector grew in November, and the overall economy notching a seventh consecutive month of growth,** say the nation's supply executives in the latest **Manufacturing ISM® *Report On Business*®**. The November PMI® registered 57.5 percent, up 1.8 percentage points from the October reading of 59.3 percent. This figure indicates expansion in the overall economy for the seventh month in a row after a contraction in April, which ended a period of 131 consecutive months of growth.

The New Orders Index registered 65.1 percent, down 2.8 percentage points from the October reading of 67.9 percent.

The Production Index registered 60.8 percent, a decrease of 2.2 percentage points compared to the October reading of 63 percent.

The Backlog of Orders Index registered 56.9 percent, 1.2 percentage points higher compared to the October reading of 55.7 percent.

The Employment Index returned to contraction territory at 48.4 percent, 4.8 percentage points down from the October reading of 53.2 percent.

The Supplier Deliveries Index registered 61.7 percent, up 1.2 percentage points from the October figure of 60.5 percent.

The Inventories Index registered 51.2 percent, 0.7 percentage point lower than the October reading of 51.9 percent." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/novrmber/; 12/1/20

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October 2020 Manufacturing ISM® *Report On Business®*

"The Prices Index registered 65.4 percent, down 0.1 percentage point compared to the October reading of 65.5 percent.

The New Export Orders Index registered 57.8 percent, an increase of 2.1 percentage points compared to the October reading of 55.7 percent.

The Imports Index registered 55.1 percent, a 3-percentage point decrease from the October reading of 58.1 percent.

The manufacturing economy continued its recovery in November. Survey Committee members reported that their companies and suppliers continue to operate in reconfigured factories, but absenteeism, short-term shutdowns to sanitize facilities and difficulties in returning and hiring workers are causing strains that will likely limit future manufacturing growth potential. Panel sentiment, however, is optimistic (2.5 positive comments for every cautious comment), an improvement compared to October. **Demand** expanded, with the (1) New Orders Index growing at strong levels, supported by the New Export Orders Index expanding strongly, (2) Customers' Inventories Index at its lowest figure since June 2010 (35.8 percent), a level considered a positive for future production, and the (3) Backlog of Orders Index expanding at a slightly faster rate compared to the previous three months. **Consumption** (measured by the Production and Employment indexes) contributed negatively (a combined 7-percentage point decrease) to the Manufacturing PMI® calculation, with five of the top six industries continuing with moderate to strong output expansion. The Employment Index contracted after a single month of growth, primarily due to the inability to attract and retain direct labor. **Inputs** – expressed as supplier deliveries, inventories and imports – continued to indicate input-driven constraints to production expansion, at higher rates compared to October, as indicated by minimal gains in inventory levels and a softening of imports. Input improvement stalled compared to October and contributed marginally to the Manufacturing PMI® calculation. (The Supplier Deliveries and Inventories indexes directly factor into the Manufacturing PMI®; the Imports Index does not.) Prices continued to expand at higher rates, reflecting a clear shift to seller pricing power." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/novrmber/; 12/1/20

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November 2020 Manufacturing ISM® *Report On Business®*

"Among the six biggest manufacturing industries, five (Fabricated Metal Products; Chemical Products; Computer & Electronic Products; Transportation Equipment; and Food, Beverage & Tobacco Products) registered solid growth in November.

Manufacturing performed well for the sixth straight month, with demand, consumption and inputs registering growth, but at slower rates compared to October. Labor market difficulties, both current and anticipated, at panelists' companies and their suppliers will continue to dampen the manufacturing economy until the coronavirus (COVID-19) crisis ends.

Of the 18 manufacturing industries, 16 reported growth in November, in the following order: Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Textile Mills; Wood Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Plastics & Rubber Products; Primary Metals; Chemical Products; Machinery; Computer & Electronic Products; Paper Products; Miscellaneous Manufacturing; Transportation Equipment; Furniture & Related Products; and Food, Beverage & Tobacco Products. The two industries reporting contraction in November are: Printing & Related Support Activities; and Petroleum & Coal Products." – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

Source: https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/novrmber/; 12/1/20

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Private Indicators

November 2020 Services PMI™ Report On Business®

NMI® at 55.9%

Business Activity Index at 58.0%;
New Orders Index at 57.2%
Employment Index at 51.5%;
Supplier Deliveries Index at 57.0%

"Economic activity in the **non-manufacturing sector** grew in November for the sixth month in a row, say the nation's purchasing and supply executives in the latest **Services PMI™ Report On Business®**. The Services PMI™ registered 55.9 percent, 0.7 percentage point lower than the October reading of 56.6 percent. This reading represents a sixth straight month of growth for the services sector, which has expanded for all but two of the last 130 months.

The Supplier Deliveries Index registered 57 percent, up 0.8 percentage point from October's reading of 56.2 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 Prices Index figure of 66.1 percent is 2.2 percentage points higher than the October reading of 63.9 percent, indicating that prices increased in November, and at a faster rate. According to the Services PMI™, 14 services industries reported growth. The composite index indicated growth for the sixth consecutive month after a two-month contraction in April and May. In November, there continued to be a slight pullback in the rate of growth in the services sector. Respondents' comments are mixed about business conditions and the economy. Restaurants continue to struggle with capacity constraints and logistics. Most companies are cautious as they navigate operations amid the pandemic and the aftermath of the U.S. presidential election" – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Source: https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/services/november; 12/3/20

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Private Indicators

November 2020

Index	Services PMI™						Manufacturing PMI®		
	Series Index Nov	Series Index Oct	Percent Point Change	Direction	Rate of Change	Trend** (Months)	Series Index Nov	Series Index Oct	Percent Point Change
Services PMI™	55.9	56.6	-0.7	Growing	Slower	6	57.5	59.3	-1.8
Business Activity/ Production	58.0	61.2	-3.2	Growing	Slower	6	60.8	63.0	-2.2
New Orders	57.2	58.8	-1.6	Growing	Slower	6	65.1	67.9	-2.8
Employment	51.5	50.1	+1.4	Growing	Faster	3	48.4	53.2	-4.8
Supplier Deliveries	57.0	56.2	+0.8	Slowing	Faster	18	61.7	60.5	+1.2
Inventories	49.3	53.1	-3.8	Contracting	From Growing	1	51.2	51.9	-0.7
Prices	66.1	63.9	+2.2	Increasing	Faster	8	65.4	65.5	-0.1
Backlog of Orders	50.7	54.4	-3.7	Growing	Slower	6	56.9	55.7	+1.2
New Export Orders	50.4	53.7	-3.3	Growing	Slower	4	57.8	55.7	+2.1
Imports	55.0	52.5	+2.5	Growing	Faster	2	55.1	58.1	-3.0
Inventory Sentiment	49.9	51.1	-1.2	Too Low	From Too High	1	N/A	N/A	N/A
Customers' Inventories	N/A	N/A	N/A	N/A	N/A	N/A	36.3	36.7	-0.4
Overall Economy				Growing	Slower	6			
Services Sector				Growing	Slower	6			

Services ISM® *Report On Business®* data is seasonally adjusted for the Business Activity, New Orders, Prices and Employment indexes. Manufacturing ISM® *Report On Business®* data is seasonally adjusted for New Orders, Production, Employment and Inventories indexes.
**Number of months moving in current direction.

Industry Performance

"The 14 services industries reporting growth in November — listed in order — are: Transportation & Warehousing; Management of Companies & Support Services; Health Care & Social Assistance; Utilities; Accommodation & Food Services; Construction; Retail Trade; Wholesale Trade; Professional, Scientific & Technical Services; Finance & Insurance; Agriculture, Forestry, Fishing & Hunting; Mining; Public Administration; and Information. The four industries reporting contraction in November are: Arts, Entertainment & Recreation; Other Services; Real Estate, Rental & Leasing; and Educational Services." – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Source: https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/services/november; 12/3/20

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Private Indicators

Markit U.S. Manufacturing PMI™

Steepest improvement in operating conditions Since September 2014

"The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 56.7 in November, up notably from 53.4 in October and matching the earlier released 'flash' estimate. The improvement in operating conditions was the sharpest since September 2014, as the headline PMI rose for the seventh successive month.

November PMI™ data from IHS Markit signalled a notable improvement in the health of the U.S. manufacturing sector. Overall growth was supported by faster upturns in output and new orders amid stronger domestic and foreign client demand. Employment rose only marginally, however, and pressure on capacity was exacerbated by near-survey record supply chain delays and input shortages. Despite short-term uncertainty reflected in slower hiring, firms were the most confident regarding the outlook for output over the coming year in almost six years.

On the price front, input prices increased markedly and output charges rose at the fastest pace for over two years as firms sought to pass these higher costs on to customers. Contributing to the uptick in the headline index was a substantial increase in output at manufacturing firms in November. The rise in production was the steepest in over six years, amid stronger new order inflows.

Goods producers registered a steep rise in new orders midway through the fourth quarter. The upturn was the quickest since May 2018, as growth of demand gained momentum. Anecdotal evidence stated that greater sales were due to more robust demand conditions, with some firms noting that clients were less hesitant to place orders. Meanwhile, foreign client demand picked up, as goods producers indicated a renewed rise in new export orders, albeit only marginal." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/d6ef8b7f966a4ee48705755a49561216; 12/1/20

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Private Indicators

Markit U.S. Manufacturing PMI™

PMI improves to highest since January 2019

"Supply chain disruptions led to a sharper and marked rise in input costs during November, as raw material shortages and COVID-19 restrictions pushed prices higher. The rate of cost inflation was the fastest since October 2018. Stronger demand conditions allowed firms to partially pass-through greater cost burdens on to clients, as selling prices rose at the steepest pace for over two years

Despite a faster upturn in new orders, manufacturers registered a softer increase in employment. The rate of job creation was only marginal overall, with some firms stating that short-term uncertainty over demand and efforts to rein in spending weighed on workforce numbers. Nonetheless, supply delays led to the strongest rise in backlogs of work for over six years. In fact, vendor performance deteriorated to the greatest extent since May. As a result of longer wait times for inputs, stocks were depleted in November. Post-production inventories saw a renewed decrease, after a slight rise in October, while the rate of decline in stocks of purchases quickened despite a rise in purchasing activity.

The manufacturing recovery kicked up a gear in November, with production growth accelerating to the highest for over six years. Most encouraging was the breakdown of the rise in new orders which underpinned the expansion. Although demand for consumer goods remained somewhat subdued, mainly reflecting rising virus infection rates, demand for investment goods such as business equipment and machinery rose especially sharply. The rise in investment spending sends a welcome signal that companies have become more optimistic about longer term prospects, something that was reinforced by a surge in firms' expectations about production in the year ahead – even in consumer-facing sectors – to the highest since early-2015. Confidence was boosted by encouraging vaccine news during the month, auguring well for life returning to normal at some point in the coming year, as well as hopes of increased stimulus spending and infrastructure investment following the election." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/d6ef8b7f966a4ee48705755a49561216; 12/1/20

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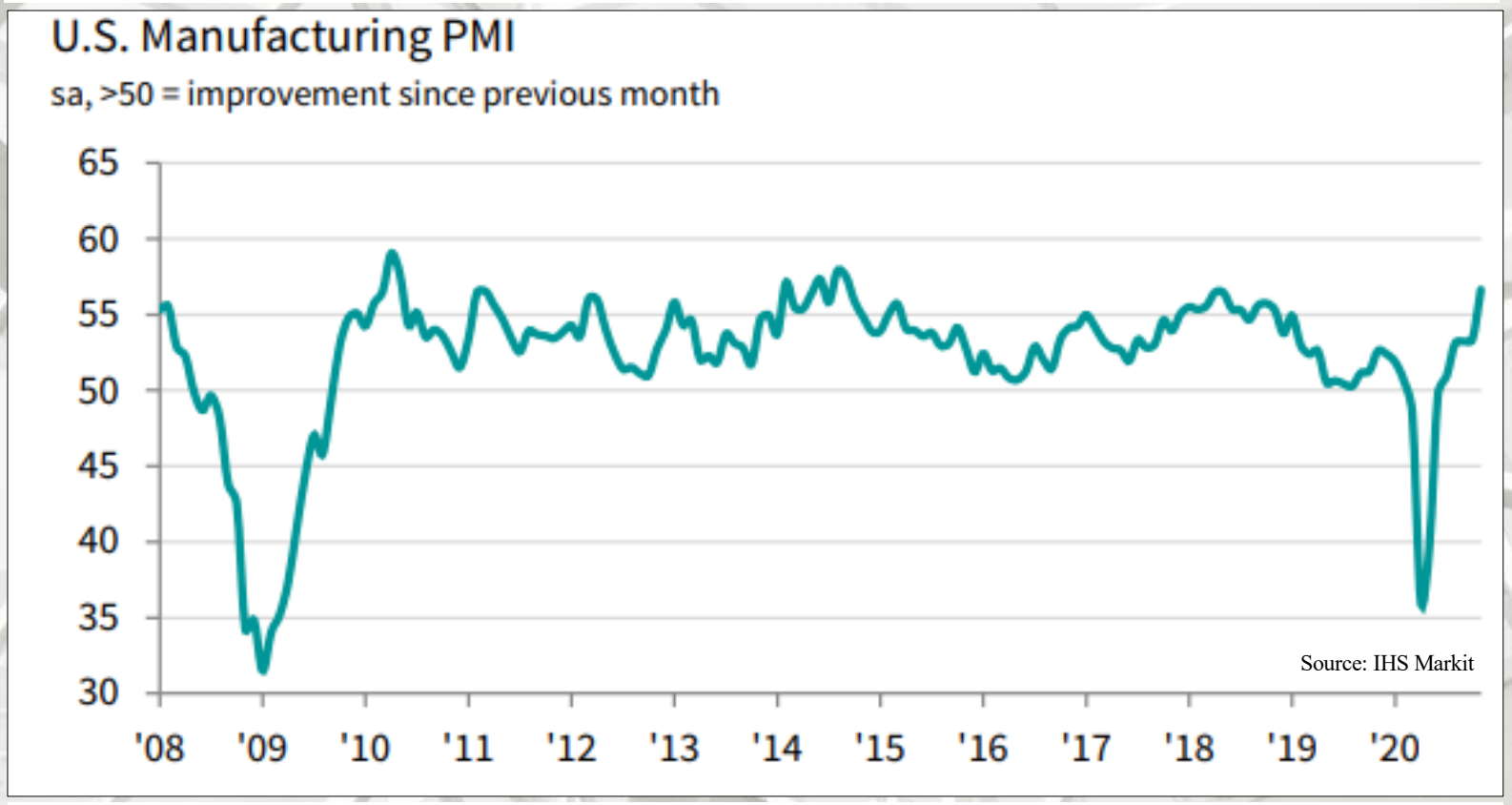

Markit U.S. Manufacturing PMI™

PMI improves to highest since January 2019

"Finally, expectations regarding output over the coming year improved to the strongest since February 2015. Hopes of a vaccine and sustained increases in client demand reportedly drove optimism." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/d6ef8b7f966a4ee48705755a49561216; 12/1/20

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Private Indicators

IHS Markit U.S. Services PMI™

Sharpest increase in activity since March 2015

"The seasonally adjusted final IHS Markit US Services PMI™ Business Activity Index registered 58.4 in November, up from 56.9 in October. The latest reading was higher than the earlier 'flash' estimate (57.7) and signalled the sharpest expansion for over five-and-a-half years. Growth of business activity was often linked to greater new order inflows and the release of pent-up demand, as clients became less hesitant to make purchases.

November PMI™ data signalled a marked increase in business activity across the U.S. service sector. The upturns in output and new business accelerated substantially to the fastest since March 2015 and April 2018, respectively. As a result, firms took on extra staff at the steepest rate on record, as pressure on capacity accumulated. Business expectations also strengthened to the most buoyant since January 2014. Meanwhile, input prices rose at the quickest pace since data collection began in October 2009, while firms also raised their output charges at the fastest rate for more than a decade in an effort to pass on steeper cost burdens to customers.

Contributing to the marked upturn in output was an accelerated rise in new business at service providers in November. The rate of growth was the fastest since April 2018. Anecdotal evidence commonly stated that the rise was due to greater demand from new and existing customers. That said, new export orders increased at only a marginal pace. The latest expansion in foreign demand was the slowest since July and eased once again from August's survey-record high. A number of panellists suggested that ongoing travel restrictions due to the coronavirus disease 2019 (COVID-19) pandemic made international business challenging. …

The recent improvement in demand and the brightening outlook encouraged firms to take on extra staff at a rate not previously seen since the survey began in 2009, underscoring how increased optimism is fuelling investment and expansion. Pricing power is also being regained, with firms pushing up average charges for goods and services at a rate not seen for at least a decade, boding well for stronger profits growth." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/1b9b3825aad54688ac94cfc7cf0c9a66; 12/3/20

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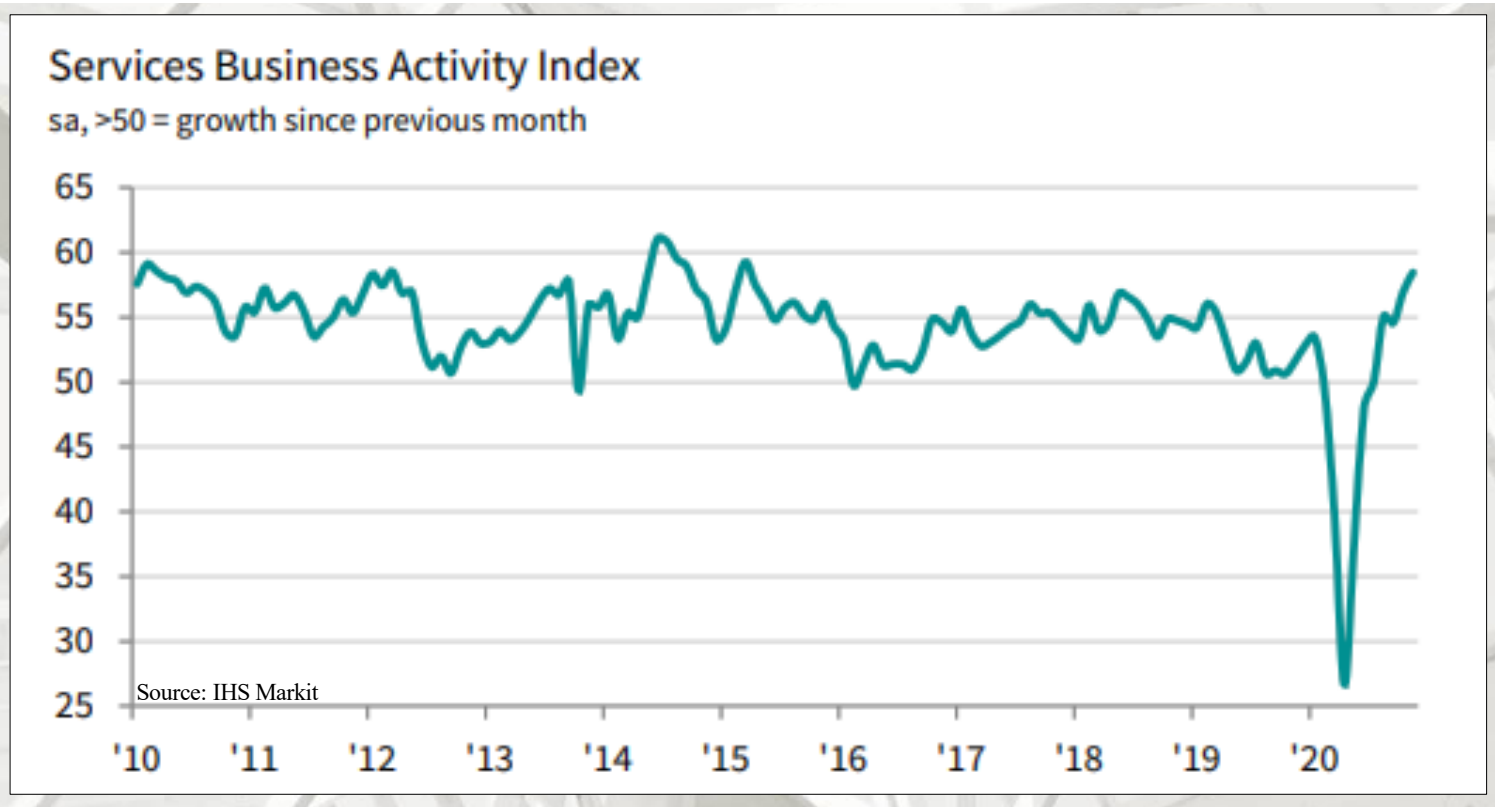

IHS Markit U.S. Services PMI™

"November saw US business activity surge higher at a rate not seen since early-2015 as companies enjoyed sharply rising demand for goods and services. Confidence has picked up considerably, with encouraging news on vaccines coinciding with reduced political uncertainty following the presidential election, hopes of greater stimulus spending and fresh stock market highs. Optimism about the future is running at its highest since early-2014." – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/1b9b3825aad54688ac94cfc7cf0c9a66; 12/3/20

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Private Indicators

National Association of Credit Management – Credit Managers' Index

October Combined Sectors

"Given that we have not witnessed much that could be considered normal for a while, it is hard to determine when there might be an outbreak of "normal" circumstances, but the data this month appears to be as close as we have gotten in the last several months. The favorable numbers have fallen a little from the extraordinary highs seen last month while the unfavorable data seems to have stabilized a bit. This settling down in the data comes against a very unsettled background, however. The second or third wave of the pandemic has been ravaging communities all over the U.S. and has reintroduced restrictions and lockdowns at precisely the worst time imaginable for industries that had just started to see some progress. The retailers had hoped to see a decent holiday season, and now that is in doubt while the service sector is set to crash again. "The optimism that seems to be manifesting in this month's CMI is an indication that credit managers are looking ahead – as they always do," said NACM Economist Chris Kuehl, Ph.D. "The expectation is that real progress on reversing the virus impact is now only a month or two away as vaccines are rolling out rapidly."

The combined score for the CMI is 57.9 this month, and while that is not as robust as it was the previous month, it is a respectable number – the second highest reading for the year. The combined score for the favorable numbers also dipped a little, but that decline was from the stunning reading of 68 notched in October. This month the reading is 64.4, again the second highest reading of the year. The index of unfavorable factors improved a little this month, hitting 53.5, notching the best position seen this year– up from the 51.9 registered in October." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 11/30/20

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Private Indicators

National Association of Credit Management – Credit Managers' Index

October Combined Sectors

"Over the last few months, it has been the favorable numbers that have made the strongest comeback, and that has reflected the fact certain segments of the economy bounced back quickly after the spring shutdown. There has been a surge in sectors as diverse as housing, transportation, and retail as people have adapted and shifted with the pandemic restrictions. Meanwhile, the service sector has been crushed. The sales numbers last month hit record levels with a 74.2 reading, and this month there was a return to earth with a reading of 66.5, which is obviously still quite high. The new credit applications slipped a bit but still stayed firmly in the mid-60s with a score of 63.9. The dollar collections data did a similar readjustment and went from 64.6 to 62.6. The amount of credit extended followed the same pattern as it dropped from 68 to 64.8. "The bottom line is that all these favorable numbers are still firmly in the 60s and that constitutes rapid growth," noted Kuehl.

Stability is the name of the game when looking at the unfavorable factors. The rejections of credit applications barely shifted at all as the reading went from 51.4 to 51.5. Given that there was a slight reduction in the number of new applications this is a solid number. The accounts placed for collection improved dramatically, and this is perhaps the best news in this data. A month ago, the reading was at 49.5, and it's now sitting at 56.2. There are fewer accounts in trouble, and that is very encouraging news. The disputes reading slipped a little but remained in the expansion zone with a reading of 50.6 as compared to 51 in October. The dollar amount beyond terms data remained very stable with a very solid reading of 58.1 as compared to 58 the month prior. "The desire is to stay current with credit, and that companies are working hard to maintain that relationship is another signal that businesses are growing more confident about the future," said Kuehl. The dollar amount of customer deductions also stayed stable but with a slight improvement from 51 to 51.7. There was a solid improvement for the filings for bankruptcy readings as it climbed from 50.7 to 53. The entire collection of unfavorable readings stayed above the 50 line and comfortably in the expansion zone this month, and that is the first time this has happened since February of this year." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 11/30/20

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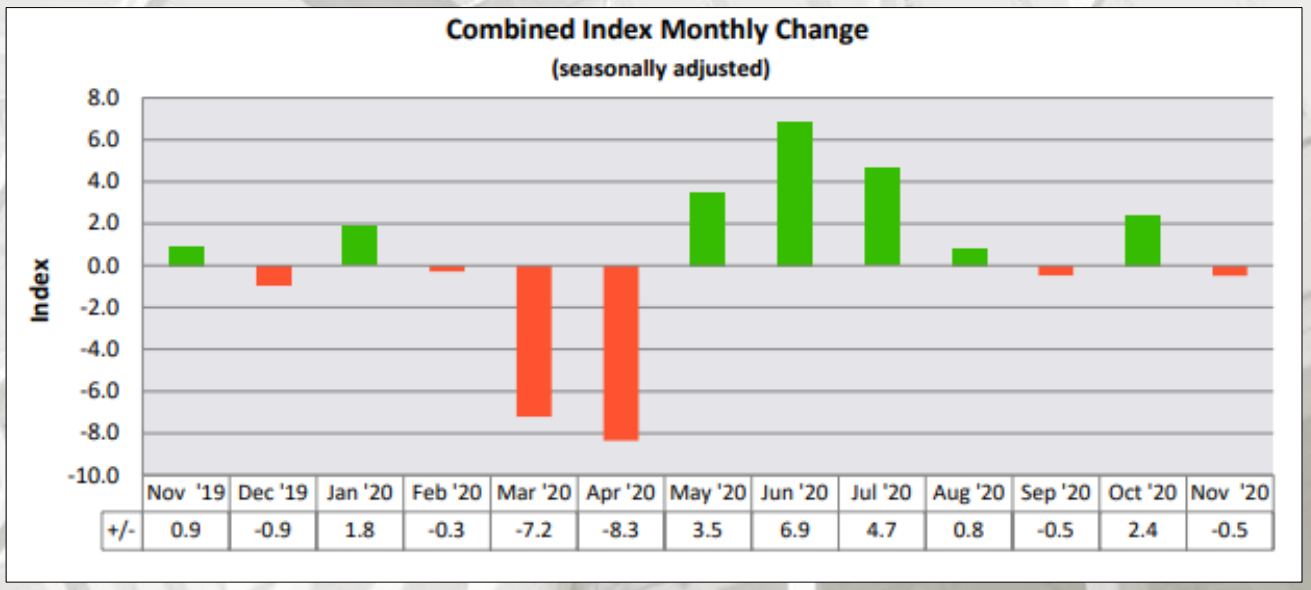
Private Indicators

Combined Manufacturing and Service Sectors (seasonally adjusted)	Nov '19	Dec '19	Jan '20	Feb '20	Mar '20	Apr '20	May '20	Jun '20	Jul '20	Aug '20	Sep '20	Oct '20	Nov '20
Sales	61.6	58.8	63.0	64.0	39.5	20.0	28.6	54.1	64.3	65.8	65.5	74.2	66.5
New credit applications	61.2	59.4	61.1	62.2	44.0	31.1	43.3	57.9	62.4	63.4	63.6	65.2	63.9
Dollar collections	59.2	57.9	61.7	58.8	49.3	35.5	43.2	53.9	62.5	61.2	63.3	64.6	62.6
Amount of credit extended	64.3	61.1	62.9	63.6	53.2	41.6	42.8	55.2	57.3	61.3	60.8	68.0	64.8
Index of favorable factors	61.6	59.3	62.2	62.2	46.5	32.0	39.5	55.3	61.6	62.9	63.3	68.0	64.4
Rejections of credit applications	51.3	52.0	52.0	53.8	53.5	52.7	51.9	49.8	50.0	51.5	51.6	51.4	51.5
Accounts placed for collection	49.8	50.3	50.6	50.6	50.6	47.4	49.1	46.7	50.8	51.6	49.4	49.5	56.2
Disputes	50.3	50.8	52.4	50.3	52.1	50.8	51.5	49.6	50.7	51.8	48.7	51.0	50.6
Dollar amount beyond terms	52.6	51.0	54.2	53.5	43.9	27.6	32.4	44.4	57.3	58.2	54.6	58.0	58.1
Dollar amount of customer deductions	51.4	51.3	52.2	51.5	50.4	49.4	50.9	50.6	52.4	52.2	51.1	51.0	51.7
Filings for bankruptcies	53.5	53.4	54.4	53.3	53.2	50.2	47.3	47.7	48.8	47.7	51.3	50.7	53.0
Index of unfavorable factors	51.5	51.5	52.6	52.2	50.6	46.3	47.2	48.1	51.7	52.2	51.1	51.9	53.5
NACM Combined CMI	55.5	54.6	56.4	56.2	49.0	40.6	44.1	51.0	55.6	56.5	56.0	58.4	57.9



Source: https://nacm.org/cmi.html; 11/30/20

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Private Indicators

National Federation of Independent Business (NFIB) November 2020 Report

Small Business Owners Remain Uncertain After Election

"The NFIB Small Business Optimism Index declined 2.6 points in November to 101.4 but remains well above the 47-year historical average reading of 98. Six of the 10 Index components declined and four increased. The NFIB Uncertainty Index decreased 8 points to 90, still a historically high reading. Owners expecting better business conditions over the next 6 months declined 19 points to a net 8%.

Key findings include:

Earnings trends over the past 3 months declined 4 points to a net negative 7% reporting higher earnings quarter over quarter. Inventory investment plans for the next 3 to 6 months decreased 7 points from a 48-year record high of a net 12% in October to a net 5% in November.

As reported in NFIB's November jobs report, finding qualified employees remains a problem for small business owners with 89% of those hiring or trying to hire reporting few or no "qualified" applicants for the positions they were trying to fill. Twenty-seven percent of owners reported few qualified applicants for their open positions and 20% reported none.

Six percent of owners cited labor costs as their top business problem (down 2 points), but 24% said that labor quality was their top business problem (up 2 points), exceeding the percentages that selected taxes, regulations, and weak sales as their top problem. …" – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 12/8/20

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Private Indicators

National Federation of Independent Business (NFIB) November 2020 Report

"Small business owners are still facing major uncertainties, including the COVID-19 crisis and the upcoming Georgia runoff election, which is shaping how they're viewing future business conditions. The recovery will remain uneven as long as we see state and local mandates that target business conditions and disproportionately affect small businesses." – Bill Dunkelberg, Chief Economist, NFIB

"After the 2016 election, the NFIB Optimism Index rose from 95 in October 2016 to 106 in December 2016, a clear statement on the election results. The dramatic improvement in expectations led to a record high of 108.8 in August 2018 as promised policies took place. This time around, the Index was 104 in October, after a plunge to 94 in April, and now stands at 101.4, a decline of 2.6 points (in contrast to the 11-point gain over the same period in 2016). The Uncertainty Index hit a record high of 100 in November 2016. The Index reached 98 in October this year, but fell 8 points to 90 in November. There are still major uncertainties to be resolved, most important the Covid-19 crisis and the Georgia election which will shape political control in the Senate. …" – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 12/8/20

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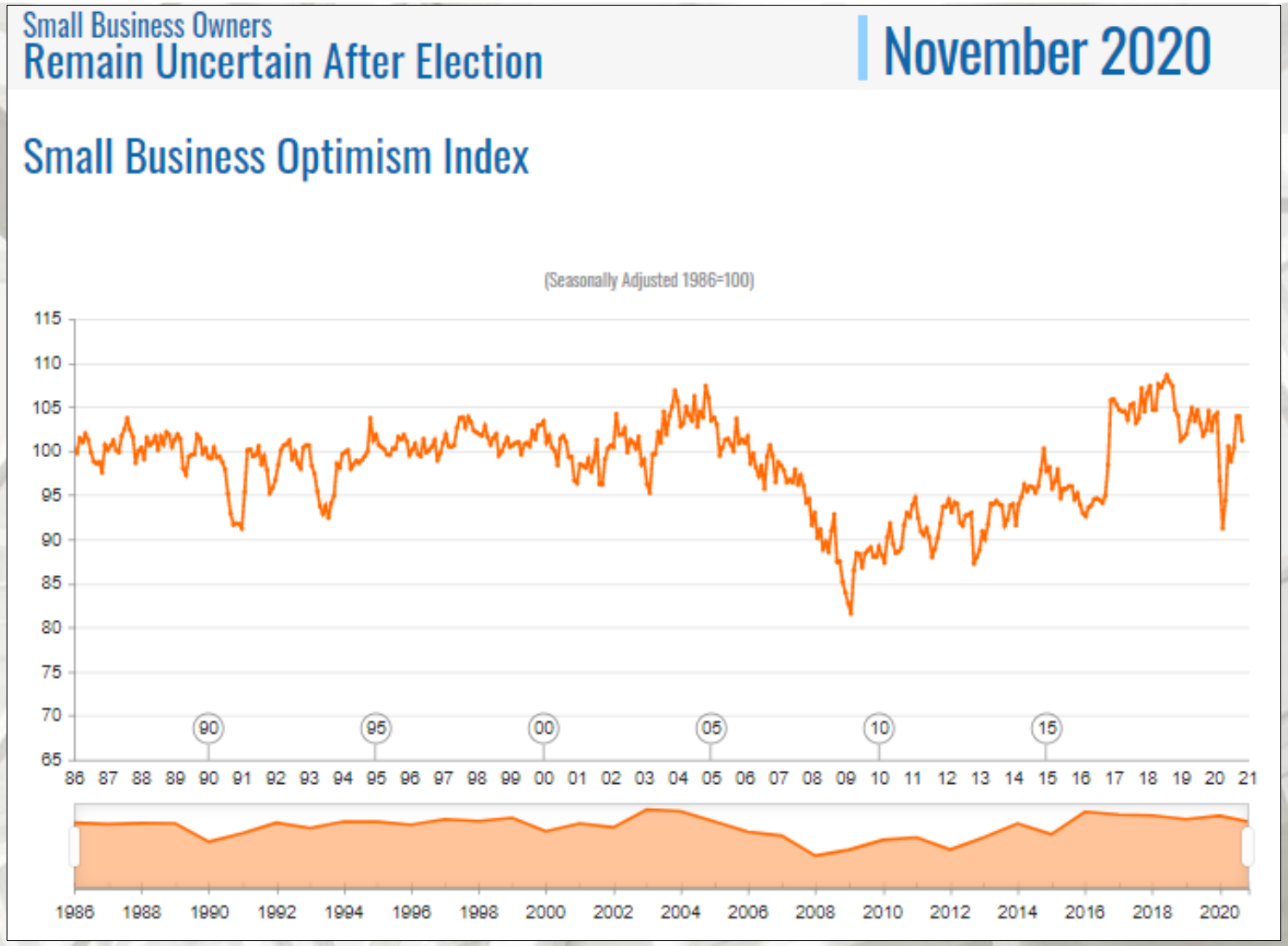
Private Indicators



Source: http://www.nfib.com/surveys/small-business-economic-trends/; 12/8/20

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Private Indicators

Small Business Optimism

Index Component	Net %	Change From Nov.
Plans to Increase Employment	21%	▲ 3
Plans to Make Capital Outlays	26%	▼ -1
Plans to Increase Inventories	5%	▼ -7
Expect Economy to Improve	8%	▼ -19
Expect Real Sales Higher	10%	▼ -1
Current Inventory	5%	▲ 1
Current Job Openings	34%	▲ 1
Expected Credit Conditions	-3%	▲ 1
Now a Good Time to Expand	12%	▼ -1
Earnings Trends	-7%	▼ -4

NFIB

NFIB.com/sboi

Source: http://www.nfib.com/surveys/small-business-economic-trends/; 12/8/20

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

Key Indicators of Small Business Employment Show Stability Amid Recent Surge in COVID-19 Cases Across the U.S.

The report by Paychex and IHS Markit shows slight moderations in national job growth, weekly hours worked, and percentage of annual wage growth

"The latest Paychex | IHS Markit Small Business Employment Watch shows that small business hiring remained largely consistent with the prior month, moderating slightly, down 0.03 percent nationally to 94.29. In November, hourly earnings growth stood at 2.76 percent, while weekly hours worked showed a decrease of 0.04 percent year over year." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

"The Index has been essentially flat since August, showing no signs of immediate recovery," said James Diffley, chief regional economist at IHS Markit.

"As the pandemic reaches yet another peak in the U.S., both employment and wage growth have remained relatively steady over the past quarter. Despite the recent surge, small businesses across the U.S. continue to show resiliency, validating other key metrics we monitor that have been showing similar trends." – Martin Mucci, President and CEO, Paychex

Source: https://www.paychex.com/employment-watch; 12/1/20

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Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

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

- The South remains the top-ranked region for employment growth, a full one point above the next highest region.
- The Northeast is the only region with weekly earnings growth above three percent.
- Texas has climbed one spot in the rankings each month for the past quarter, now ranking first among states in job growth.
- Construction leads all industries in job growth for the seventh consecutive month.
- Leisure and Hospitality lags with the weakest index for the past eight months." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 12/1/20

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Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

November Jobs Index	November Wage Data
Index 94.29	Hourly Earnings $28.26
12-Month Change -3.89%	12-Month Growth +2.76% (+$0.76)

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 12/1/20

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Demographics

RENTCafé

Renters vs Owners: Renting Dips Over the Decade, But Claims Majority in 23 Cities, Including Seattle & Pittsburgh

- The U.S. renter population sank to 107 million in 2019, after a mid-decade peak of 111 million.
- Despite the national decline, renting rose in the nation's largest urban areas, gaining majority in 23 cities in the past decade.
- 45 million Gen Z's will be of prime renting age (20-29 years old) by 2025, a majority of whom are likely to be renters.

"The housing crisis of 2008 and the great recession caused many Americans to lose their homes to foreclosure or postpone their homebuying plans altogether. This led to a massive boost in renting in the early years of the 2010-2019 decade – with the number of renters peaking at 111 million – as well as a drop in homeownership, which bottomed out at 200 million. The direction reversed in the second half of the decade and, as the economy recovered, rentership entered a downward trend, hitting 107 million renters in 2019. Meanwhile, homeownership rebounded to almost 213 million at the close of the decade, according to U.S. Census data released in September 2020.

Furthermore, as the main trendsetters of the decade, Millennials introduced a new concept in renting that defined the 2010s – the "renter by choice," which is a renter who prefers a flexible, higher-quality, urban lifestyle. As many Millennials show a preference for the big city life, renting made significant gains in the nation's large and mid-sized cities (with populations greater than 100,000). Nationally, 23 such cities gained a renter-majority last decade, despite the recent national decline. By comparison, owners became the majority in only 12 of the cities analyzed in the same time-frame." – Irina Lupa, Creative Writer, RENTCafé

Source: https://www.rentcafe.com/blog/rental-market/market-snapshots/renting-dips-claims-majority-23-cities//; 11/12/20

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Demographics

RENTCafé

Renters vs Owners: Renting Dips Over the Decade, But Claims Majority in 23 Cities, Including Seattle & Pittsburgh

"Looking forward, an estimated 45 million Gen Z-ers will have entered the housing market by 2025, most of whom will likely rent. And, if the current behavior patterns of young Millennials and adult Gen Z-ers continue, the renting lifestyle is poised to regain some ground in the next decade and maintain a solid footing in urban areas.

Renting made significant gains in the past ten years but dipped in the latter half of the decade

The renter population grew by 8 million in the last decade, and is now 107 million strong. Specifically, renters currently make up 33.6% of the U.S. population – up from 33% in 2010. However, the latest numbers are far from the 2015 peak in renting, when 111 million Americans rented their homes for a 35.5% share. In fact, the number of renters reached a seven-year low at the end of the decade.

Meanwhile, the owner population grew by almost 11 million in the past 10 years. After a three-year dip early in the decade, the number of homeowners rose to an all-time high of 212.7 million, or 66.4% of all Americans. Still, the share of homeowners is smaller than it was at the beginning of the decade, when they made up 67% of the population." – Irina Lupa, Creative Writer, RENTCafé

Source: https://www.rentcafe.com/blog/rental-market/market-snapshots/renting-dips-claims-majority-23-cities//; 11/12/20

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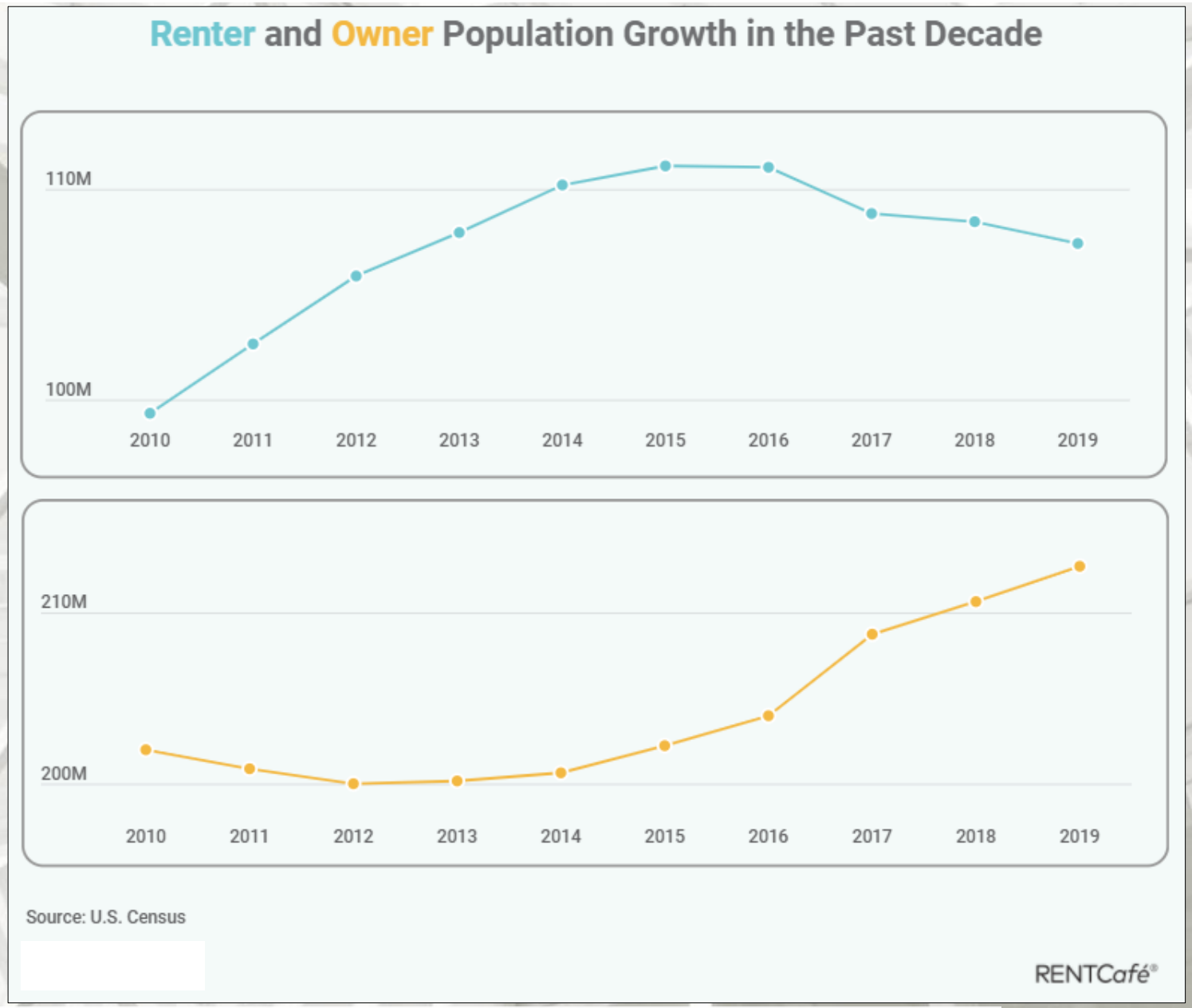

Source: https://www.rentcafe.com/blog/rental-market/market-snapshots/renting-dips-claims-majority-23-cities//; 11/12/20

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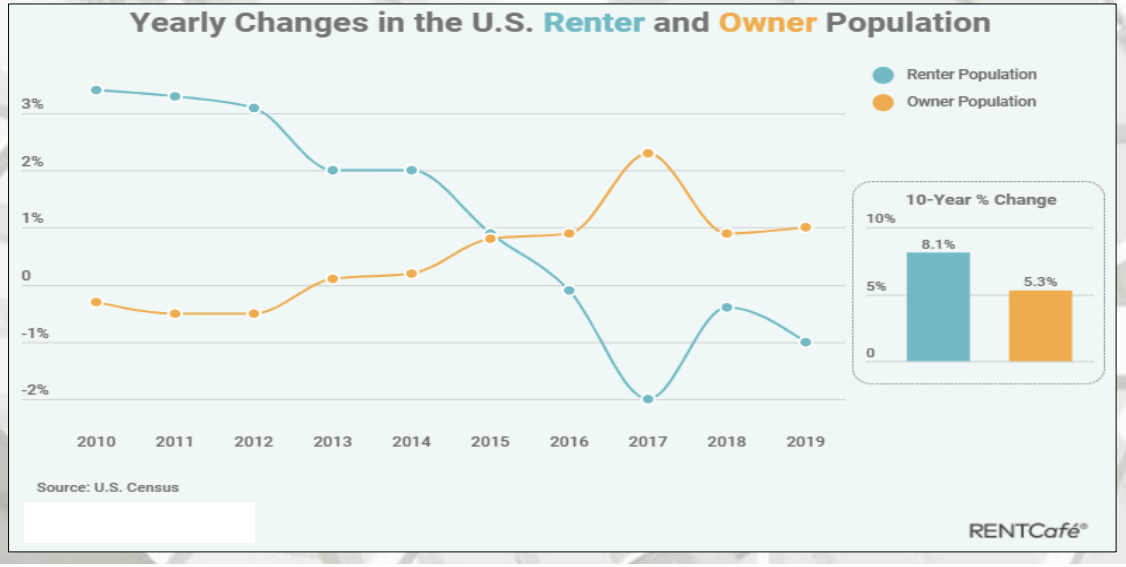

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The number of renters entered a downward trend while ownership has been slowly rebounding

"The start of the decade saw a sharp rise in the number of renters, which climbed by **a whopping 3.4% in 2010** and continued to increase by more than 3% until 2012. However, by the time renting peaked in 2015, the growth rate had **slowed to 0.9%**. 2016 marked the first year since 2004 that the number of renters dipped – by a slight 0.1%. Since then, the renter population has been on a downward trend, decreasing by 1% in 2019.

At the same time, the number of owners declined in the first three years of the decade, but has been steadily rising since then. Since 2013 (when the owner population expanded by a modest 0.1%), the number of home owners has been on an upward trend, reaching a 1% growth rate in 2019. In 2017, the number of home owners registered an unusual spike, increasing by 2.3%. Notably, the number of renters decreased by 2% that same year, as higher consumer confidence, a robust economy and low mortgage rates gave more Americans the opportunity to become home owners."
– Irina Lupa, Creative Writer, RENTCafé

Source: https://www.rentcafe.com/blog/rental-market/market-snapshots/renting-dips-claims-majority-23-cities//; 11/12/20

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Demographics

RENTCafé

Renters took over 23 cities in the past decade, including Seattle and Pittsburgh

"However, renting was still the decade's winner among the nation's large and mid-sized cities. Despite the recent downward trend, **23 cities with more than 100,000 residents** transitioned from an owner to a renter majority in the last 10 years – from established job hubs such as Seattle to up-and-comers like Boulder, CO.

Waterbury, CT, saw the most dramatic change in the structure of its population. Renters here now make up 60.9% of the brass city's residents, compared to 48.8% at the beginning of the decade. Similarly, with a 59.2% share of renters, Springfield, MO, also reached a substantial renter majority, up from 48.4% in 2010. Fayetteville, NC, earned the third-highest renter share in the ranking at 56.5%.

Chicago, Sacramento and Reno are among the 12 new owner-majority cities

In the past decade, the share of homeowners surpassed that of renters in 12 cities we analyzed — about half the amount where renters are the majority. And, in a surprising turn, some of them are major job hubs, whereas ownership usually has a strong presence in suburban areas and smaller cities. Specifically, Baltimore, Chicago and Sacramento, CA, have transitioned to an owner majority since 2010.

Notably, Kent, WA, reached the highest ownership share of the 12 cities with 57.9%, following an 8.2% surge in its homeowner segment. Likewise, Sandy Springs, GA now has an impressive 54.6% share of owners, while Oxnard, CA, comes in third with a 53.3% home owner share." – Irina Lupa, Creative Writer, RENTCafé

Source: https://www.rentcafe.com/blog/rental-market/market-snapshots/renting-dips-claims-majority-23-cities//; 11/12/20

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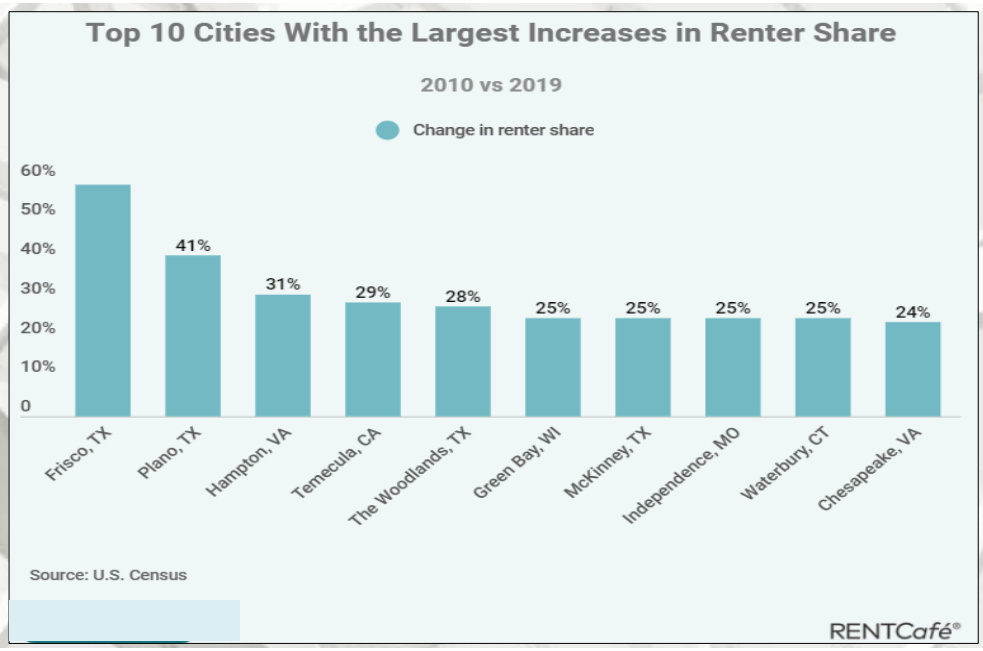

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Almost half of the cities with the fastest growing share of renters are from Texas

"The South and Southwest take the lead when it comes to the cities that saw the greatest increases in their renter shares. In fact, four of the top 10 cities with the highest renter share changes are Texas cities that exploded in the past decade: Dallas-area stars Frisco, Plano and McKinney, along with Houston's fastest-growing planned community, The Woodlands.

In the last 10 years, the share of renters increased the fastest in Frisco, Texas, by a massive 59%. Its neighbor to the south Plano came in next after a 41% surge in its share of renters, while Hampton, VA, took the third spot in the ranking with a 31% increase." – Irina Lupa, Creative Writer, RENTCafé

Source: https://www.rentcafe.com/blog/rental-market/market-snapshots/renting-dips-claims-majority-23-cities//; 11/12/20

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Demographics

RENTCafé

The fastest ownership gains pale in comparison to renting increases

"The share of renters skyrocketed by up to 59% and mostly in cities with a renter minority. However, when it comes to ownership, the gains were much smaller and more often in cities that already had a home owner majority. The fastest rise in the share of owners, 27%, is only slightly higher than the 10th-largest renter share increase, 24%. The prevalence of ownership in smaller areas tends to explain the trend, as ownership made most of its gains by consolidating its presence in these types of cities.

Hartford, CT, took the lead with a 27% increase in its owner share. Not far behind, Rhode Island capital, Providence, registered the second-fastest increase, 17%, while Kent, WA – which transitioned to an owner majority this decade – came in third (16%).

45 million Gen Z-ers will enter the housing market by 2025

As to future of the rental market, Gen Z-ers will certainly make a splash in the coming years – both in numbers and new preferences. While many are still minors, a large share of the generation is now entering adulthood, and the oldest are already finishing college and joining the workforce. As of 2019, 21.5 million were in the 20-24 age group (the oldest of this generation being 24). By 2025, a projected total of 45 million Gen Z-ers will be of peak renting age (20-29) – doubling in number. Although many may still live with their parents if economic conditions are unfavorable, a large share of this cohort will be the renters of the next decade." – Irina Lupa, Creative Writer, RENTCafé

Source: https://www.rentcafe.com/blog/rental-market/market-snapshots/renting-dips-claims-majority-23-cities//; 11/12/20

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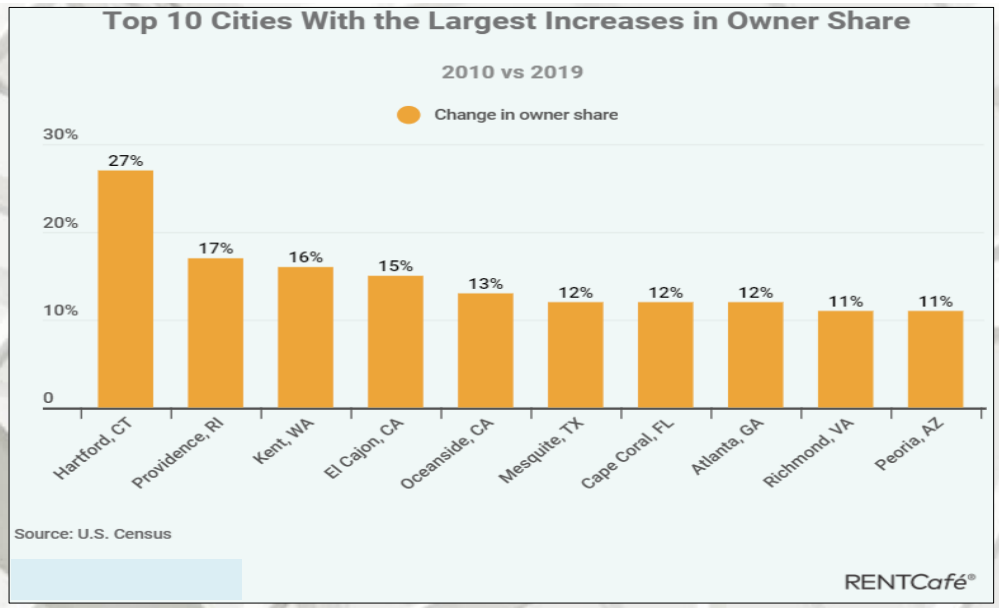

RENTCafé

45 million Gen Z-ers will enter the housing market by 2025

Just as Millennials spearheaded the rise of the renter-by-choice, Generation Z will likely alter renting trends with their approach to technology. For instance, **62% find technology very or extremely important** – more than any other generation – according to a recent renting preferences survey. Plus, as the first digital natives, Gen Z-ers also consider smart home technology and high-speed internet as basic amenities. Gen Z is also the most research-focused generation and more careful than their counterparts when it comes to the quality of apartments and property reviews.

Overall, the housing trends of the past decade suggest that renting is maintaining its popularity in the nation's large and mid-sized cities, while home ownership has and will continue to rebound. But, with Gen Z entering adulthood and Millennials settling down, the coming decade will likely see more shifts in the housing landscape." – Irina Lupa, Creative Writer, RENTCafé

Source: https://www.rentcafe.com/blog/rental-market/market-snapshots/renting-dips-claims-majority-23-cities//; 11/12/20

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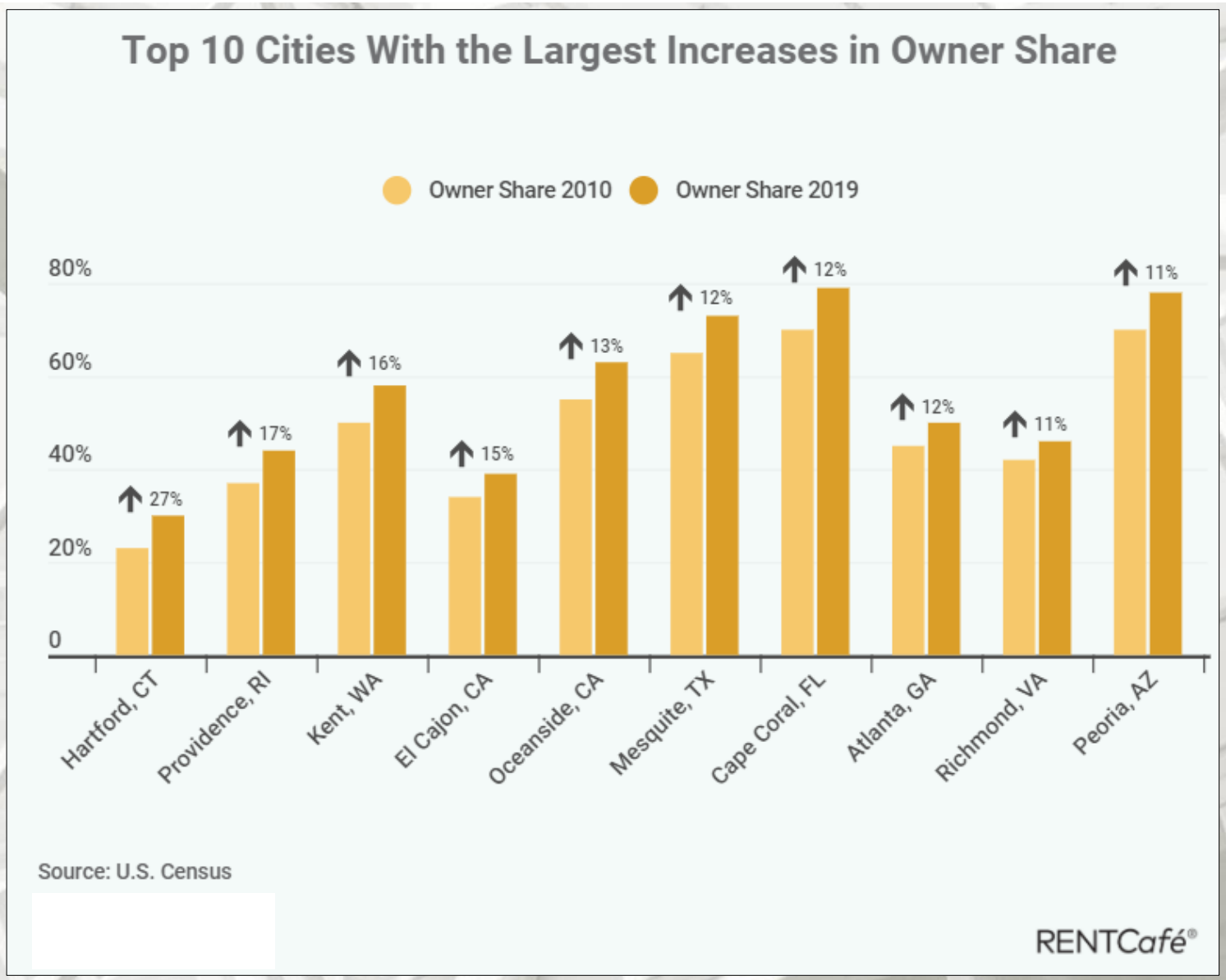

Source: https://www.rentcafe.com/blog/rental-market/market-snapshots/renting-dips-claims-majority-23-cities//; 11/12/20

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Demographics

John Burns Real Estate Consulting, LLC

Who Is Your Renter?

"The national apartment market has fared better than many in the real estate industry expected. Suburban markets are outperforming urban. The pandemic convinced many to look for larger spaces in more value-oriented locations as they embraced working from home. In the market-rate sector, many Class A suburban apartments are holding up particularly well as renters "trade up" for better deals in newer communities. Affordable apartment owners are also maintaining high occupancy as fiscal stimulus, eviction moratoriums, and a general reluctance to move unless necessary (due to COVID and job loss) keeps current tenants in place.

The apartment industry clearly has some roadblocks ahead. We expect massive amounts of new supply in markets like Dallas, Houston, Austin, Denver, and Seattle that will result in more competition and likely increased concessions. And while the US has now recovered about half of the jobs lost since February, the rate of improvement is starting to slow – 25 million people in the US are receiving unemployment benefits, and a second round of stimulus has yet to be approved.

Given current market conditions, now is the time to analyze *who your renters are* and *who they will be* in the future. We analyze these trends for our clients across the country, and the results provide insight into market-appropriate unit sizes and configurations, new amenity trends, and the appropriate rent levels necessary for successful apartment lease-up and tenant retention.

Here are some insights about the renters in the US today:" – Lesley Deutch and Ken Perlman; John Burns Real Estate Consulting, LLC

Source: https://www.realestateconsulting.com/the-light-who-is-your-renter/; 11/13/20

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Demographics

John Burns Real Estate Consulting, LLC

Who Is Your Renter?

"**They are young, but not that young**. While 26% of renter households in the US are between the ages of 25 and 34 today, the next largest segment of the market is between the ages of 35 and 44 (families), and beyond that, between the ages of 45 and 54 (empty nesters). These older renters will continue to seek more space in a suburban environment with good work-from-home amenities.

More than half of renters in the US can only afford rents less than $1,200. John Burns Real Estate Consulting's national apartment demand model is based on income levels across the US and indicates about 60% of renter households earn less than $50,000 per year, which translates to a maximum rent of about $1,200 per month. While construction activity is increasing for luxury apartments (due largely to increasing costs associated with new building), the affordable sector continues to be hampered by the limited availability of tax credits and capital financing. The opportunity here is not just to provide affordable housing, but creative use of space in market-rate product, including more roommate-friendly units and smaller spaces to keep overall rents lower.

The apartment market offers many opportunities, even in the era of COVID and a recovering job market. Understanding renter profiles to design the appropriate product will be key in the years ahead as the US economy recovers from the recession." – Lesley Deutch and Ken Perlman; John Burns Real Estate Consulting, LLC

Source: https://www.realestateconsulting.com/the-light-who-is-your-renter/; 11/13/20

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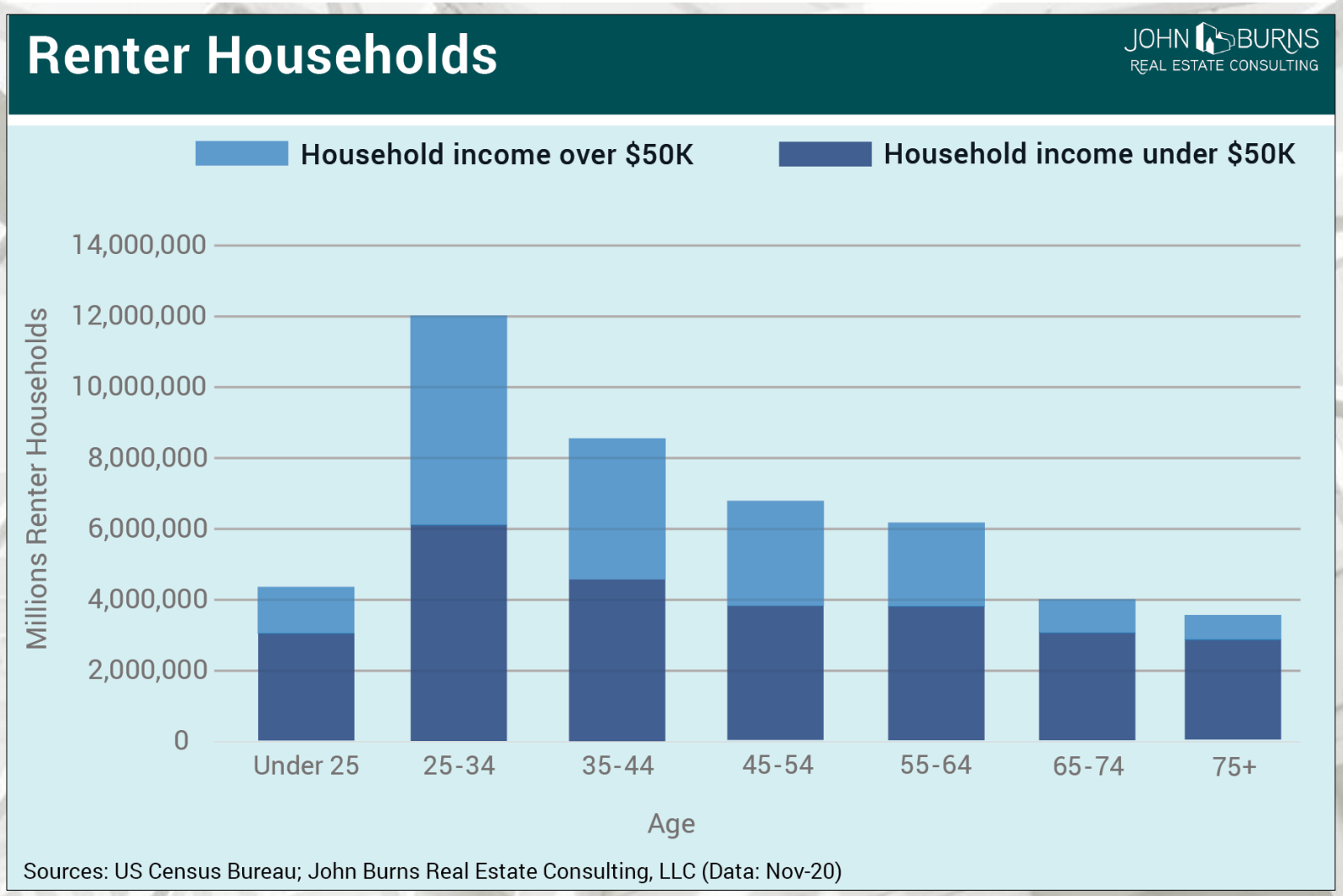

Source: https://www.realestateconsulting.com/the-light-who-is-your-renter/; 11/13/20

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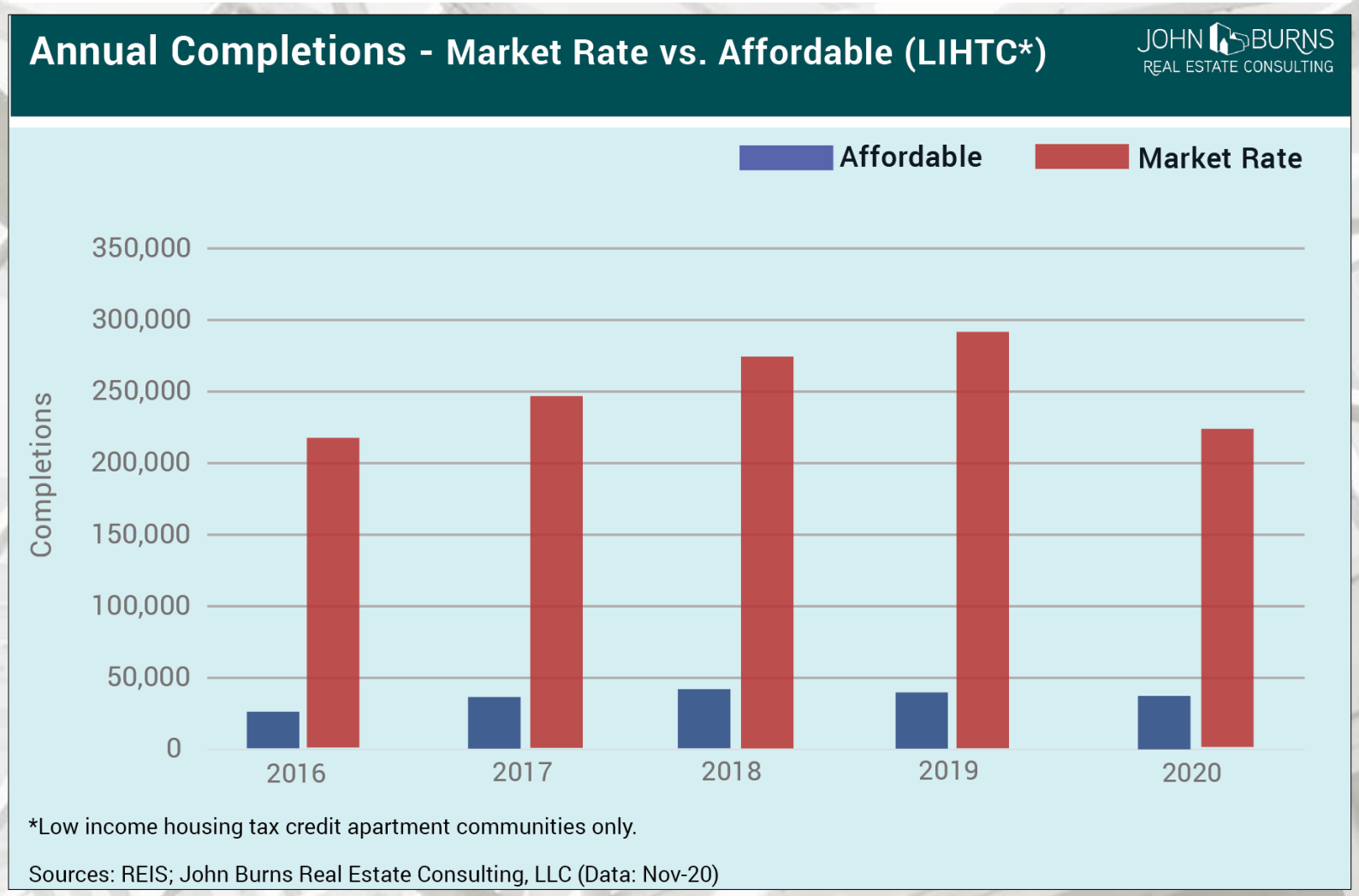

Source: https://www.realestateconsulting.com/the-light-who-is-your-renter/; 11/13/20

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Builder

Baby Chasers: The Migration Trend That Is Not Going Away

Here's why the Zonda Baby Chaser Index marks Charlotte as the No. 1 destination for millennials and their baby boomer parents.

"Today's top home buyers, millennials, play an important role in where the second top buyers, baby boomers, choose to live. Retirement often comes with a complete change in lifestyle, and many baby boomers are using their children and grandchildren to determine where they next put down roots. In fact, a Zonda survey shows roughly 25% of baby boomers plan to retire in a location near their grandchildren, a decision that earns them the name "baby chasers." Migration trends are important to understand as they fuel housing demand, and our third annual Zonda Baby Chaser Index captures just that.

The Zonda Baby Chaser Index considers longer-term migration patterns as well as current trends for both demographic cohorts. While the latest migration data used in the index captures trends pre-COVID-19, we believe the virus will only exaggerate these patterns.

The index shows:

- Charlotte, North Carolina, regained its position as the top baby chaser market after falling to No. 2 last year
- Phoenix, the No. 3 baby chaser market in 2020, didn't make the list in 2018 and moved up from No. 5 last year
- This year's index brings three new markets to the top 10: Indianapolis, San Antonio, and Atlanta." – Ali Wolf, Chief Economist, Meyers Research

Source: https://www.builderonline.com/data-analysis/baby-chasers-the-migration-trend-that-is-not-going-away_o; 11/9/20

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Demographics

Zonda Baby Chaser Index

Rank	2018	2019	2020
1	Charlotte	Austin	Charlotte
2	Austin	Orlando	Austin
3	Raleigh	Charlotte	Phoenix
4	Nashville	Raleigh	Orlando
5	Dallas	Phoenix	Raleigh
6	Denver	Nashville	Indianapolis
7	Columbus	Dallas	Jacksonville
8	Orlando	Jacksonville	San Antonio
9	Las Vegas	Seattle	Denver
10	Seattle	Denver	Atlanta

Source: U.S. Census Bureau; Zonda

Share

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Builder

Baby Chasers: The Migration Trend That Is Not Going Away

"I'm not surprised to see Charlotte, Austin, and Phoenix top the list as all three are great relocation markets for millennials," says Tim Sullivan, Zonda's senior managing principal of advisory, who travels across the country working on new-home projects. "These markets also allow many baby boomers to live a classic retirement consisting of downsizing their home, saving some money, being near their family, and, in some cases, having a better quality of life." – Ali Wolf, Chief Economist, Meyers Research

Source: https://www.builderonline.com/data-analysis/baby-chasers-the-migration-trend-that-is-not-going-away_o; 11/9/20

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Builder

Baby Chasers: The Migration Trend That Is Not Going Away

Charlotte Checks All the Boxes

"Similar to prior years, the Southeast and Southwest continue to be the most desirable locations for baby chasers. Many of the top markets have commonalities including diversified economies, either an established or growing tech presence, desirable weather, and relatively affordable new housing. This year's top-ranking metro, Charlotte, checks all those boxes.

Charlotte offers job opportunities across industries and is home to Bank of America, Truist, Belk, Lowe's, and Honeywell, among others. Furthermore, a favorable tax environment, increasing entertainment opportunities, and being geographically close to both the mountains and the beaches makes Charlotte a magnet for new growth.

Shaun McCutcheon, Zonda's vice president of advisory in the Southeast, says: "Charlotte is a hot spot for baby chasers because of all the aforementioned reasons plus the diversity of the housing stock." He explains that Charlotte offers low-end and high-end standard homes as well as low-end and high-end active adult communities, which enables those moving from the Midwest and California alike to be happy with their choices. "There are housing options that range from starter homes in the $200,000s to lakefront properties that can be found for around $1 million, the latter of which would be five times that price in other markets."

McCutcheon himself is a real-life example of this index. He relocated to Charlotte from San Diego in the middle of 2016, and just one year later his parents left their home of 40 years and moved across the country to North Carolina, primarily because they wanted to be near their only granddaughter. When asked why he moved, McCutcheon explains that after visiting all different major metros in the country, he felt Charlotte provided the highest quality of life for the lowest price." – Ali Wolf, Chief Economist, Meyers Research

Source: https://www.builderonline.com/data-analysis/baby-chasers-the-migration-trend-that-is-not-going-away_o; 11/9/20

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Demographics

Builder

Baby Chasers: The Migration Trend That Is Not Going Away

Tech, Climate, and Some Character Drive Austin

"Austin, the runner-up for the Baby Chaser Index, boasts one of the fastest-growing tech economies in the nation, home to a variety of startups as well as significant employment centers for Amazon, Apple, Google, Facebook, and soon Tesla's Gigafactory Texas. Tech employment underpins a diverse market that attracts younger employees from across the country. For fun, Austin's good weather and hilly terrain sets the stage for residents to enjoy hiking and biking as well as water activities downtown and at nearby Lake Travis. Live music, though temporarily impacted by COVID-19, and diverse dining options add to the appeal.

Given the strong migration patterns, it is no surprise that Austin's housing market continues to impress, even amid a nationwide housing boom. The Zonda New Home Pending Sales Index shows a 54.9% year-over-year increase in contract sales in September for Austin. Vaike O'Grady, Zonda's regional director in Austin, says she does not see demand slowing down anytime soon. "Parents and grandparents want to follow their kids and grandkids, and the combination of a temperate climate and lifestyle make it an easy decision to move here." she says. "Within the metro, shoppers can find a variety of single-family detached homes, active adult communities, and condos for all income levels. There's an attention to neighborhood-level design, and that adds character and charm."

As mentioned, we believe the COVID-19 pandemic has only exaggerated moving trends. Zonda's top baby chaser markets have gained steam since the start of the pandemic as the work-from-anywhere shift allows some freedom to where people live. Moving forward, the biggest concern will be how builders can keep pace on supply with how quickly demand is shifting." – Ali Wolf, Chief Economist, Meyers Research

Source: https://www.builderonline.com/data-analysis/baby-chasers-the-migration-trend-that-is-not-going-away_o; 11/9/20

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John Burns Real Estate Consulting, LLC

The Light: Real Estate's Big Winner: Build-for-Rent

"The purpose of the Light is to highlight bright spots in the real estate market in the wake of a historic pandemic. Perhaps no other real estate asset class performed as well or garnered as much interest since COVID hit than the single-family rental (SFR) space. We define SFR as a single-family detached or attached home available for rent. Walls can be shared, but the homes cannot be stacked. The build-for-rent (BFR) space is a subset of SFR, and we define BFR as a dedicated neighborhood of homes constructed expressly for the purpose of renting. We at John Burns Real Estate Consulting are fully immersed in the SFR and BFR world and have analyzed market attractiveness for the product. We recommend product and rents for hundreds of open and planned BFR communities around the country. Below is some of what we have found.

- The pandemic did not create the SFR/BFR trend, but it accelerated it. Rental housing has long been an important component of the nation's housing stock, accounting for more than 50% of occupied homes from the early 1900s up to the 1940s, when the introduction of the GI Bill kicked off a surge in home ownership. Foreclosures of single-family homes following the Great Recession helped reverse the trend, and renting a single-family home has become a popular choice. We estimate approximately 16.4M single-family rental homes nationally, meaning there are about the same number of rental homes as apartment communities (with 10 or more units)." – Don Walker, Ken Perlman, and Lesley Deutch; John Burns Real Estate Consulting, LLC

Source: https://www.realestateconsulting.com/the-light-real-estates-big-winner-build-for-rent; 11/6/20

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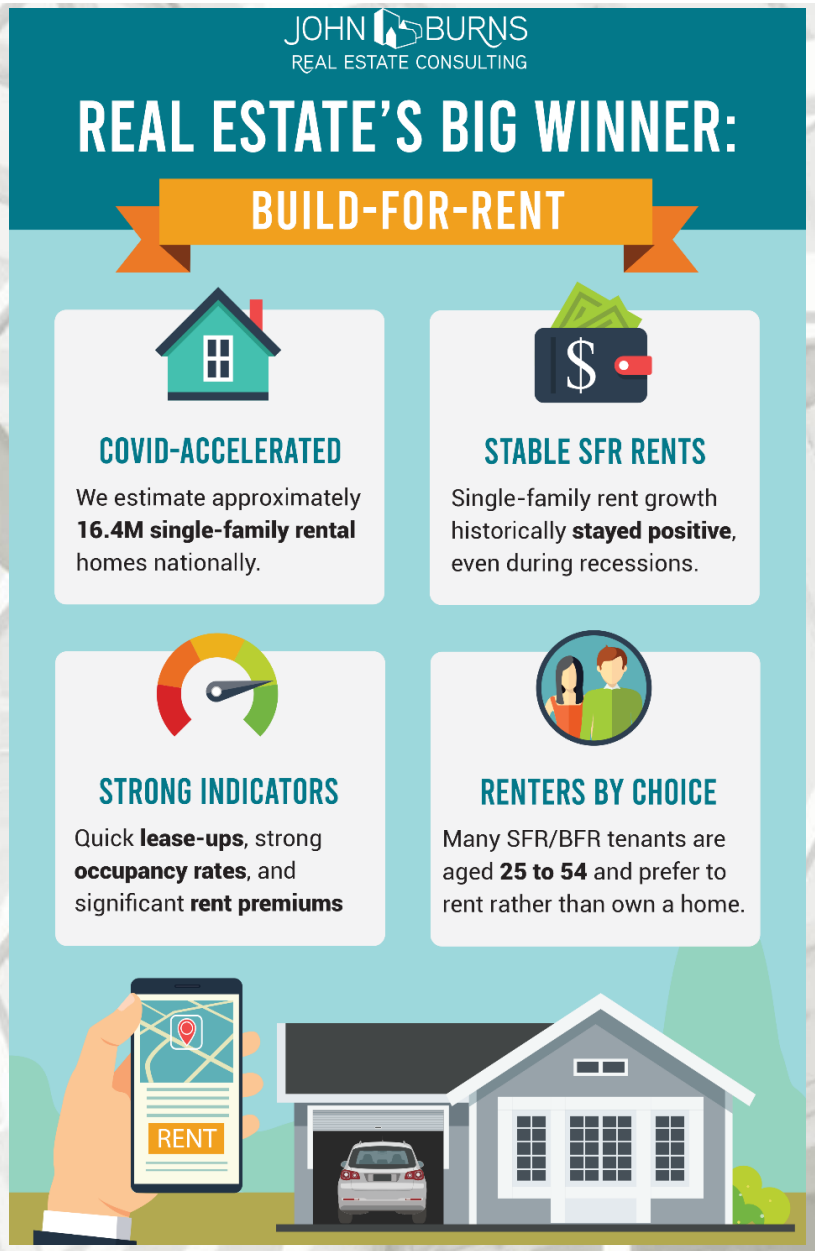

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- "Single-family rents are more stable than apartments or home prices. On a national basis, single-family rent growth has historically stayed positive, even during recessions. We recently published our Burns Single-Family Rent Index report, which showed US single-family rents up 3.9% YOY in August, exceeding the 3.4% YOY historical average dating back to 1985 (more analysis here). Not one of the 63 markets we track nationally experienced YOY rent declines. Sector fundamentals remain solid. John Burns Real Estate Consulting is currently forecasting annual SFR rent growth in 2020 and 2021. We expect those Sunbelt markets with diversified economies that were outperforming pre-COVID will continue post-pandemic. We anticipate high-growth markets like Phoenix, Salt Lake City, Tampa, Dallas, and Charlotte will outperform the nation overall.
- BFR homes typically lease up quickly, maintain strong occupancy rates, and achieve significant rent premiums. Clearly the performance of a BFR community will depend on a multitude of factors, including its location (rated as the top factor influencing rents in a John Burns poll), product and amenity offering. We analyzed more than 250 active BFR neighborhoods in our database (must be dedicated rental communities of 25 homes or more). We determined that dedicated BFR communities can garner premiums ranging from 10% to 40% above equivalent-sized apartments or "one-off" stand-alone existing SFR homes located in traditional for-sale neighborhoods. These BFR neighborhoods often boast strong lease-up rates (most ranging from 5 to 20 nationally depending on the product and leasing execution), and historically those homes experience lower turnover (28% to 35%) than apartments. Strong demand is also reflected in high occupancy rates. As of the third quarter, the reporting BFR communities in our database reported a stabilized occupancy of 97%." – Don Walker, Ken Perlman, and Lesley Deutch; John Burns Real Estate Consulting, LLC

Source: https://www.realestateconsulting.com/the-light-real-estates-big-winner-build-for-rent; 11/6/20

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The Light: Real Estate's Big Winner: Build-for-Rent

- "A portion of tenants of SFR homes and BFR communities are renters by choice. Our research has shown that the bulk of households living in BFR communities are aged from 25 to 54, have relatively high incomes, and currently prefer to rent a home rather than owning one. Aging millennials, the oldest of whom will turn 40 in 2020, are now moving into family formation years. And while many of these older millennials are purchasing homes, others are choosing to remain renters and are selecting dedicated, BFR neighborhoods. These neighborhoods often include on-site leasing and maintenance and their own amenities as an alternative to more densely populated apartments with common hallways and elevators. While the demographic and shifting consumer preferences that helped drive demand for SFR/BFR homes were already underway, COVID fueled the need for extra space that consumers demanded, it accelerated the shift to less dense cities and homes, and it was buoyed by a higher-income renter who was less susceptible to job losses than apartment renters.

We continue to remain bullish on the SFR/BFR sector and are helping our clients evaluate existing SFR homes and new BFR communities every day – in markets you would expect (Phoenix, Austin, Denver) and many you might not. In 2020 alone we have assessed more than 110 BFR neighborhoods located throughout 21 states and 41 MSAs. … ." – Don Walker, Ken Perlman, and Lesley Deutch; John Burns Real Estate Consulting, LLC

Source: https://www.realestateconsulting.com/the-light-real-estates-big-winner-build-for-rent; 11/6/20

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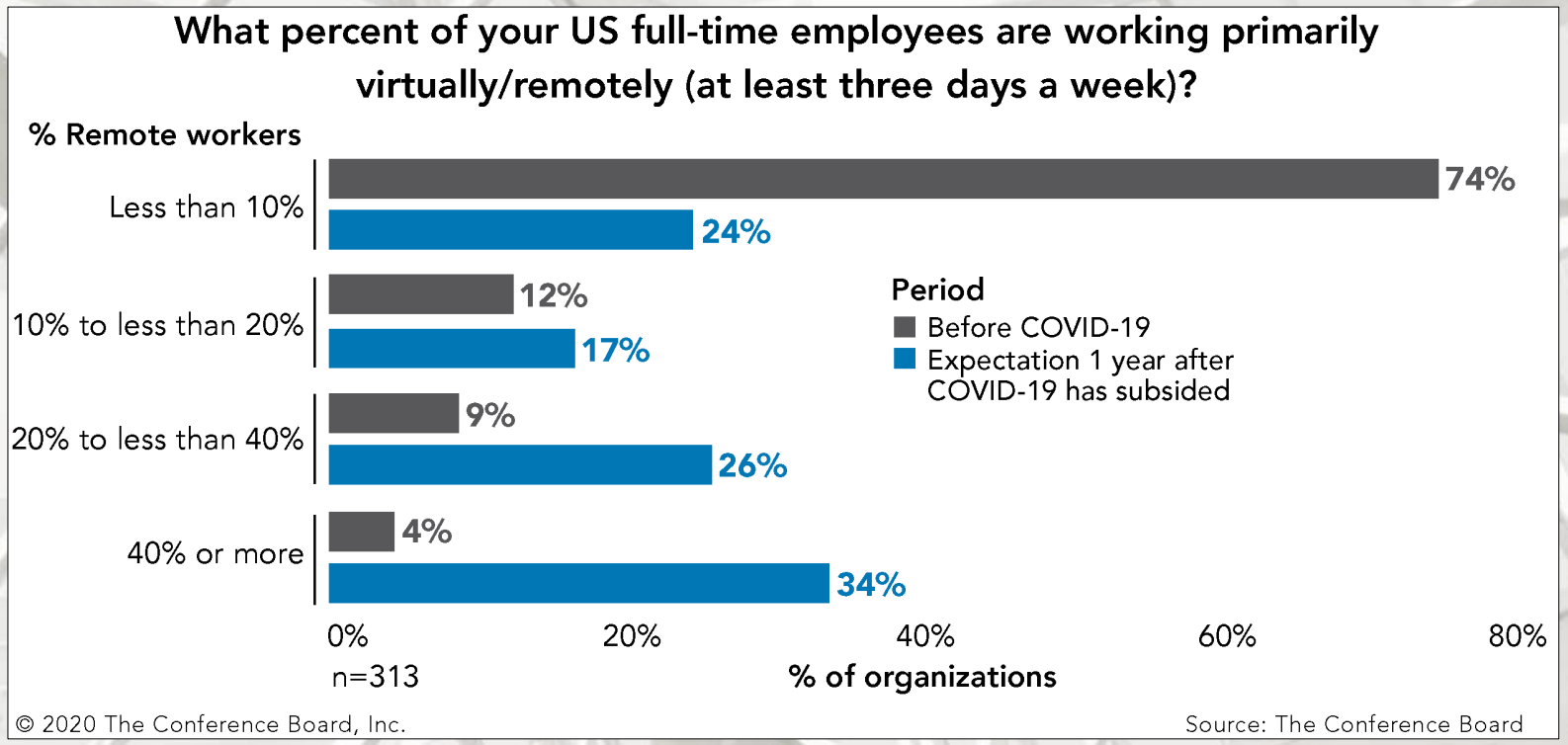

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