The Virginia Tech–USDA Forest Service Housing Commentary: Section II December 2022

Delton Alderman
Acting Program Manager
Forest Products Business Unit
Forest Products Laboratory
USDA Forest Service
Madison, WI
608.259.6076
delton.r.alderman@usda.gov

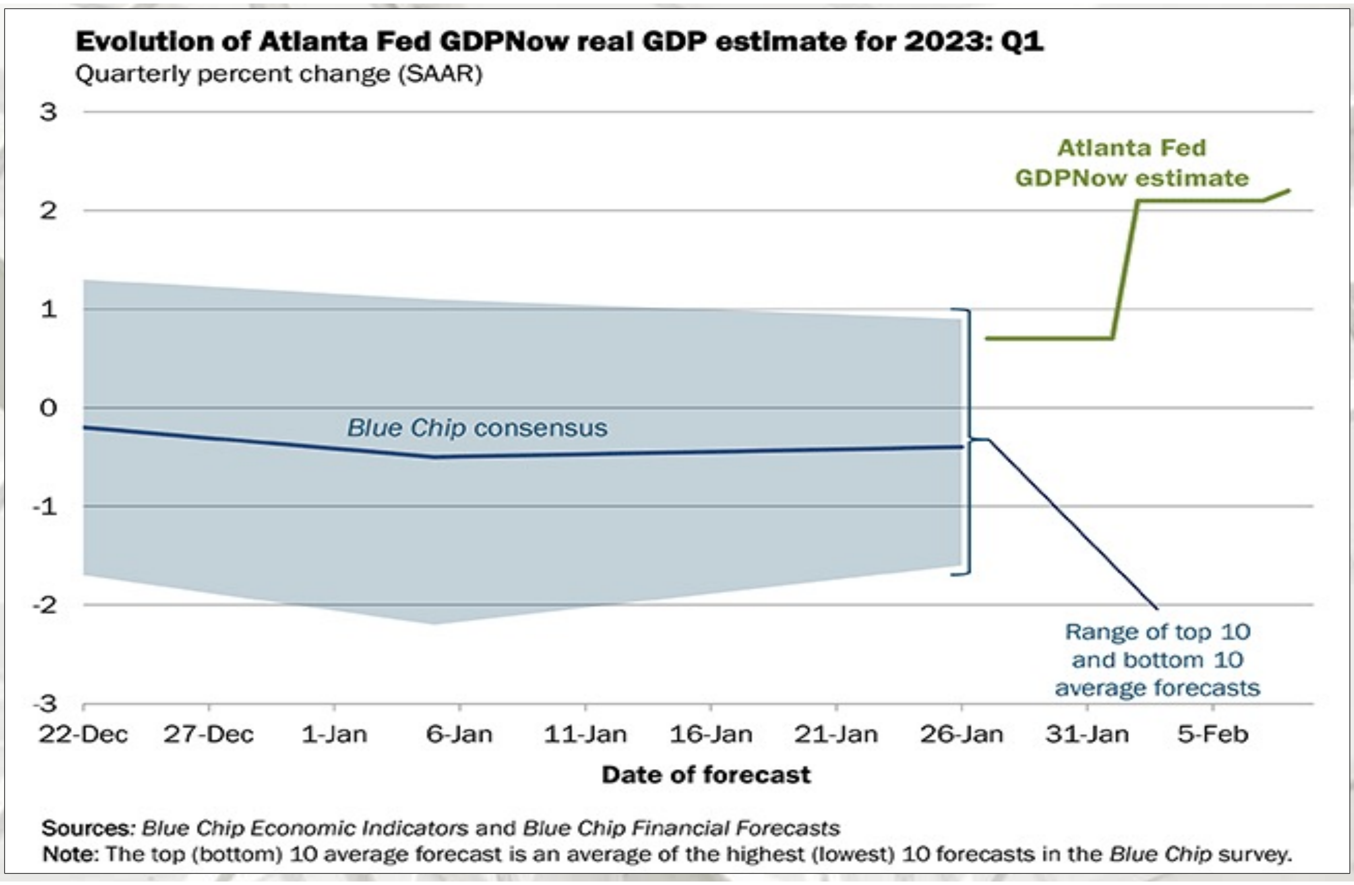
Urs Buehlmann
Department of Sustainable Biomaterials
College of Natural Resources & Environment
Virginia Tech
Blacksburg, VA
540.231.9759
buehlmann@gmail.com

2022 Virginia Polytechnic Institute and State University VCE-ANR

Table of Contents

Return to TOC

U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest estimate: 2.2 percent — February 8, 2023

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the first quarter of 2023 is **2.2 percent** on February 8, up from 2.1 percent on February 7. After this morning's wholesale trade release from the US Census Bureau, the nowcast of first-quarter gross private domestic investment growth increased from -6.2 percent to -5.6 percent." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 2/8/23

Return to TOC

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

Index points to little change in economic growth in December

"The Chicago Fed National Activity Index (CFNAI) edged up to –0.49 in December from –0.51 in November. Three of the four broad categories of indicators used to construct the index made negative contributions in December, but two categories improved from November. The index's three-month moving average, CFNAI-MA3, decreased to –0.33 in December from –0.14 in November.

The CFNAI Diffusion Index, which is also a three-month moving average, decreased to –0.13 in December from a neutral value in November. Forty of the 85 individual indicators made positive contributions to the CFNAI in December, while 45 made negative contributions. Forty-four indicators improved from November to December, while 40 indicators deteriorated and one was unchanged. Of the indicators that improved, 17 made negative contributions.

Production-related indicators contributed –0.43 to the CFNAI in December, down from –0.35 in November. Industrial production fell 0.7 percent in December after decreasing 0.6 percent in November. The contribution of the sales, orders, and inventories category to the CFNAI moved up to –0.01 in December from –0.07 in the previous month.

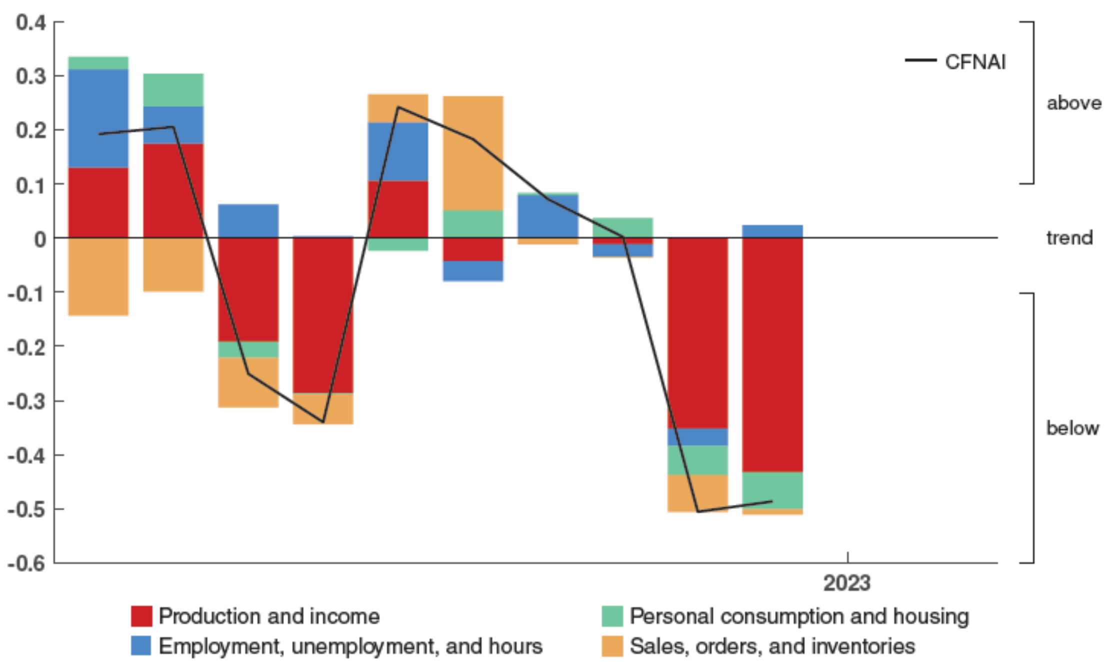
Employment-related indicators contributed +0.02 to the CFNAI in December, up from –0.03 in November. The unemployment rate ticked down to 3.5 percent in December from 3.6 percent in November. The contribution of the personal consumption and housing category to the CFNAI ticked down to –0.07 in December from –0.05 in November." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 1/26/23

Return to TOC

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

Chicago Fed National Activity Index, by Categories



CFNAI, CFNAI-MA3, and CFNAI Diffusion for the Latest Six Months and Year-Ago Month

	Dec '22	Nov '22	Oct '22	Sep '22	Aug '22	Jul '22	Dec '21
CFNAI							
Current	−0.49	−0.51	0.00	+0.07	+0.18	+0.24	+0.09
Previous	N/A	−0.36	−0.01	+0.10	+0.17	+0.24	+0.10
CFNAI-MA3							
Current	−0.33	−0.14	+0.09	+0.17	+0.03	−0.12	+0.48
Previous	N/A	−0.09	+0.09	+0.17	+0.02	−0.12	+0.48
CFNAI Diffusion							
Current	−0.13	0.00	+0.19	+0.31	+0.14	−0.02	+0.44
Previous	N/A	+0.01	+0.20	+0.31	+0.12	−0.03	+0.44

Current and Previous values reflect index values as of the January 26, 2023, release and the January 4, 2023, model run's results, respectively. Please see the technical report for further details on the early January 2023 model run, whose results were not formally published.
N/A indicates not applicable.

Source: https://www.chicagofed.org/publications/cfnai/index; 1/26/23

Return to TOC

The Federal Reserve Bank of Chicago: Survey of Economic Conditions (CFSEC)

Survey Suggests Growth Picked Up in January

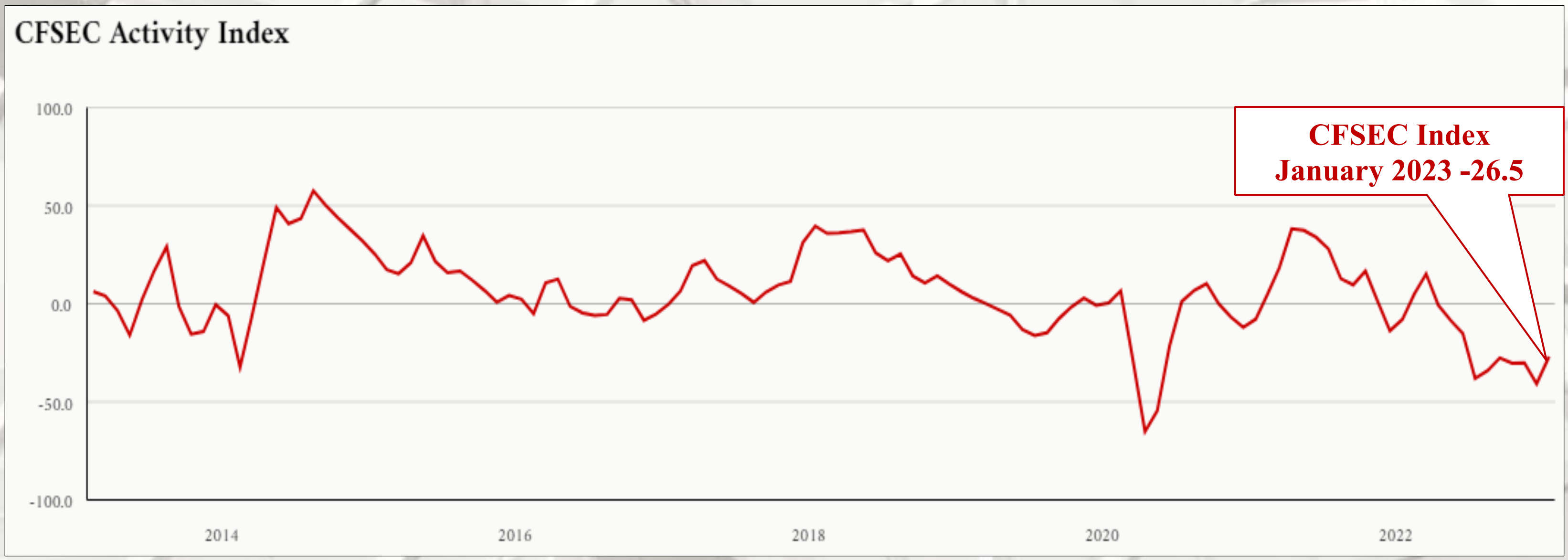
"The Chicago Fed Survey of Economic Conditions (CFSEC) increased to –27 in January from –40 in December, suggesting that economic growth was well below trend. The CFSEC Manufacturing Activity Index increased to –16 in January from –44 in December, and the CFSEC Nonmanufacturing Activity Index increased to –31 in January from –38 in the previous month.

- Respondents' outlooks for the U.S. economy for the next 12 months deteriorated slightly, and remained pessimistic on balance. Fifty-nine percent of respondents expected a decrease in economic activity over the next 12 months.
- The pace of current hiring decreased, as did respondents' expectations for the pace of hiring over the next 12 months. Both hiring indexes remained negative.
- Respondents' expectations for the pace of capital spending over the next 12 months increased, but the capital spending expectations index remained negative.
- The labor cost pressures index increased, as did the nonlabor cost pressures index. The labor cost pressures index moved into positive territory, while the nonlabor cost pressures index moved up to a neutral value." – Thomas Walstrum, Senior Business Economist, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/research/data/cfsec/current-data; 1/24/23

Return to TOC

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



Source: https://www.chicagofed.org/research/data/cfsec/current-data; 1/24/23

Return to TOC

The Federal Reserve Bank of Dallas

Texas Manufacturing Outlook Survey

Growth abates in Texas manufacturing sector

"Growth in Texas factory activity slowed in January, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, fell from 9.1 to 0.2, with the near-zero reading suggestive of flat output.

Other measures generally indicated weakened manufacturing activity this month. The new orders index was negative for an eighth month in a row — suggesting a continued decrease in demand — though it moved up from -11.0 to -4.0. The growth rate of orders index inched down to -12.3. The capacity utilization index was positive but dipped from 7.9 to 6.0, while the shipments index returned to negative territory at a reading of -6.3.

Perceptions of broader business conditions continued to worsen in January, though pessimism waned. The general business activity index remained negative but shot up 12 points to -8.4. Similarly, the company outlook index posted its 11th straight negative reading but moved up 11 points to -2.5. The outlook uncertainty index was largely unchanged at 16.8.

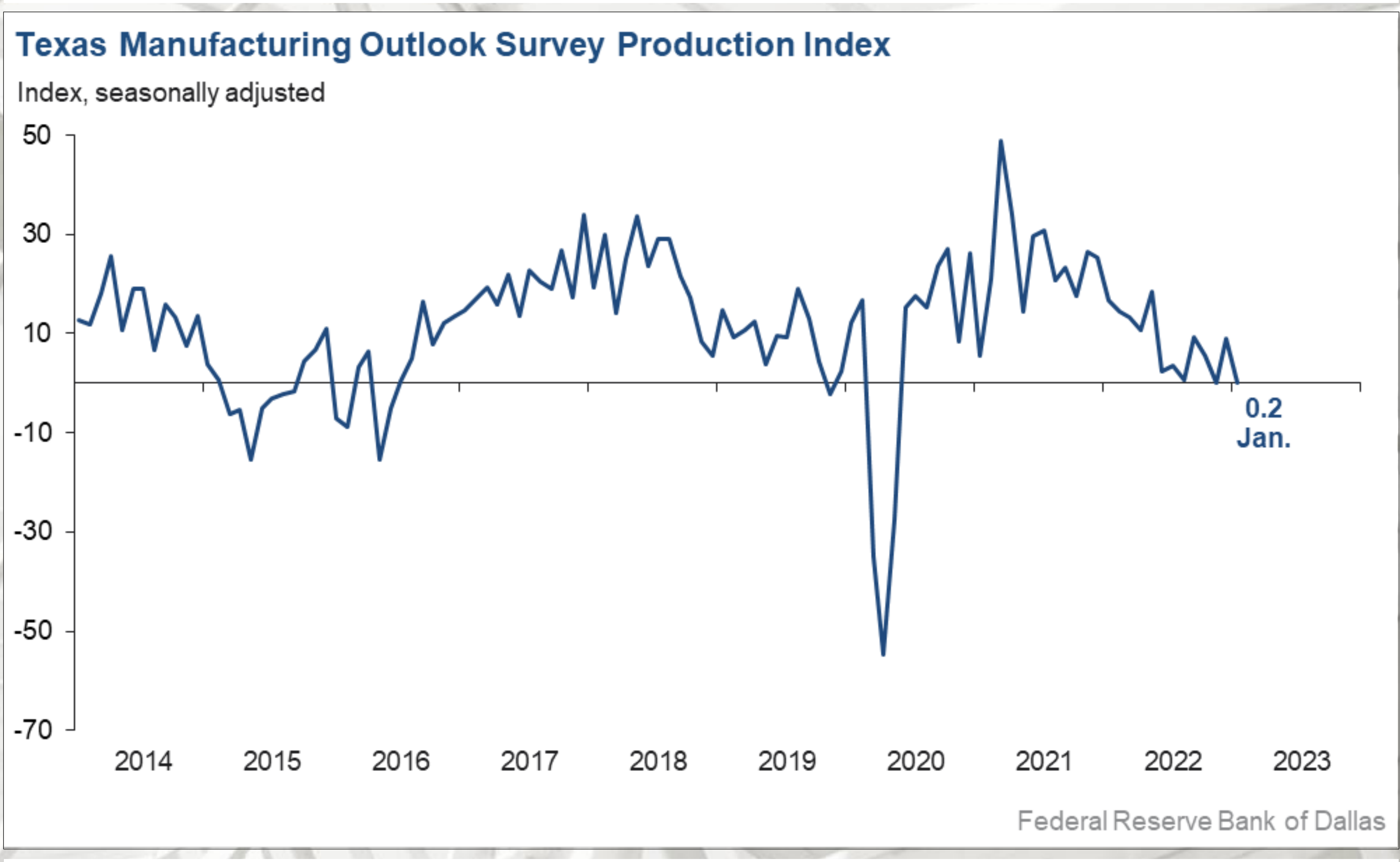
Labor market measures pointed to stronger employment growth and longer workweeks. The employment index climbed four points to 17.6, a reading significantly above its series average of 7.9. Thirty-one percent of firms noted net hiring, while 13 percent noted net layoffs. The hours worked index held fairly steady at 3.8.

Price pressures were generally steady and wage growth eased slightly in January. The raw materials prices index was largely stable at 20.5, remaining below its series average of 28.0 for the third month in a row. The finished goods prices index was little changed at 9.9, roughly in line with its series average of 9.0. The wages and benefits index ticked down from 34.2 to 30.5." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 1/30/23

Return to TOC

The Federal Reserve Bank of Dallas



"Expectations regarding future manufacturing activity were mixed in January. The future production index pushed further positive to 16.1, signaling that respondents expect output growth over the next six months. The future general business activity index remained negative, coming in at -9.1. Most other measures of future manufacturing activity were positive this month." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 1/30/23

Return to TOC

The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Texas service sector activity rebounds, but outlooks continue to worsen

“Growth in Texas service sector activity resumed in January, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, rose six points to 4.9, suggesting a pickup in activity growth.

Labor market indicators pointed to stronger employment growth and steady workweeks. The employment index climbed five points from 5.3 to 10.5, while the part-time employment index rose three points to 1.2. The hours worked index improved from -1.8 to 0.9.

Perceptions of broader business conditions continued to worsen in January, though pessimism waned. The general business activity index posted an eighth consecutive negative reading but moved up six points to -15.0. The company outlook index also improved from -11.0 to -8.3, while the outlook uncertainty index remained elevated at 20.0, above its series average of 13.4.

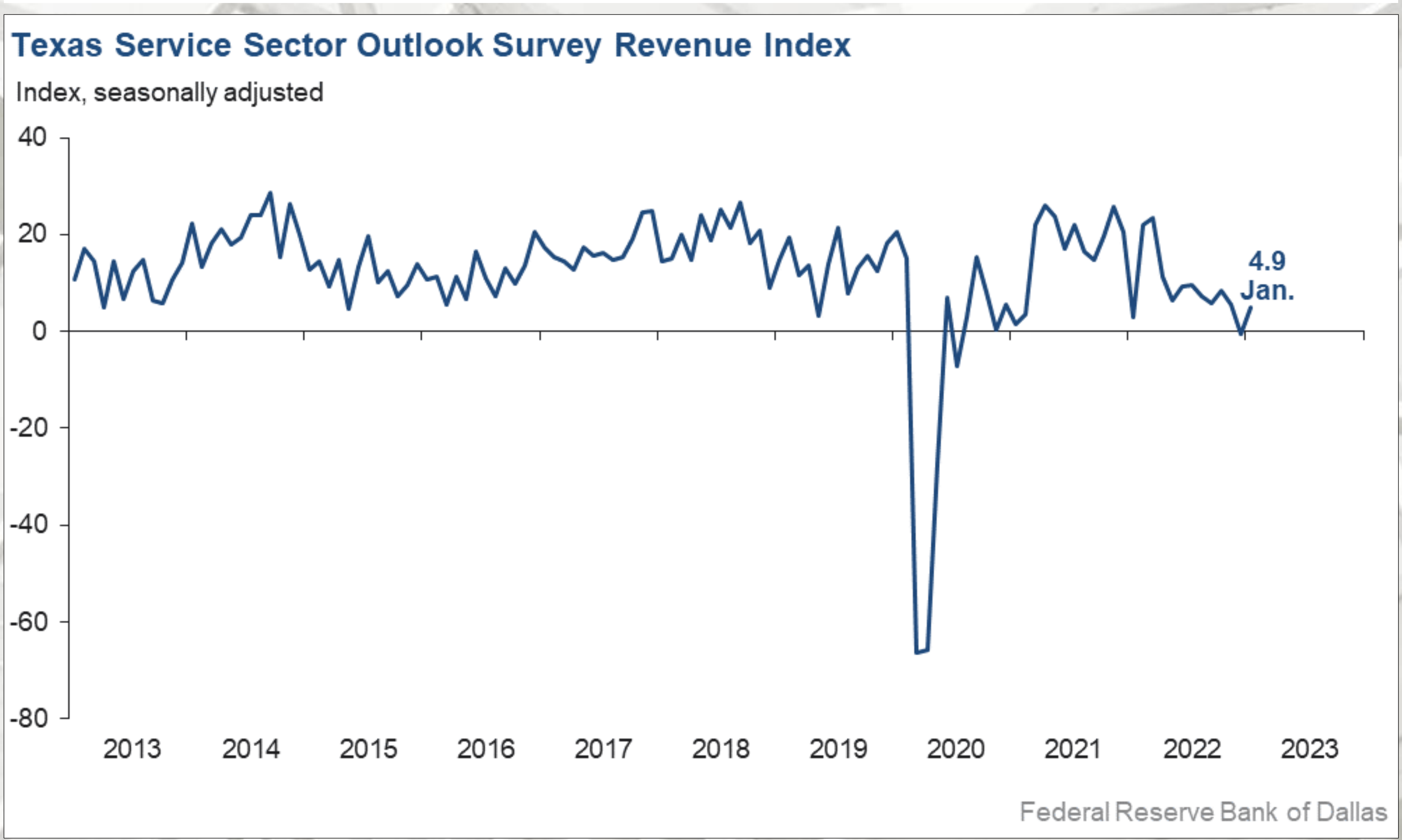
Price and wage pressures remained elevated, though there was some moderation in input price growth. The input prices index fell from 43.4 to 38.8, while the selling prices index remained flat at 18.9. The wages and benefits index moved up two points to 21.7, still elevated relative to its average reading of 15.7.

Respondents’ expectations regarding future business activity were mixed in January. The future general business activity index remained negative, though it improved nine points to -4.4. The future revenue index remained positive, pushing up seven points to 39.4. Other future service sector activity indexes such as employment and capital expenditures also improved, suggesting optimism for growth this year.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 1/31/23

Return to TOC

The Federal Reserve Bank of Dallas



Source: https://www.dallasfed.org/research/surveys; 1/31/23

Return to TOC

The Federal Reserve Bank of Dallas

Texas Retail Outlook Survey

Texas Retail Sales Continue To Decline

“Retail sales continued to weaken in January, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, improved from -12.0 to -3.0, suggesting sales fell at a much slower pace than in December. Retailers’ inventories continued to increase but at a slower pace than last month, with the index falling from 14.2 to 3.2.

Retail labor market indicators reflected higher employment and shorter workweeks in January. The employment index increased from -0.7 to 2.0, suggesting a slight pickup in employment growth. The part-time employment index improved from -5.2 to -1.1. The hours worked index moved up five points to -6.1.

Retailers’ perceptions of broader business conditions continued to worsen in January as both the general business activity and company outlook indexes remained deep in negative territory. The general business activity index rose 13 points to -19.6, while the company outlook index edged down to -14.5. The outlook uncertainty index fell 12 points from 17.6 to 5.7.

Price pressures were mixed, while wage growth picked up in January. The input prices index decreased two points to 33.3, but the selling prices index rose seven points to 23.4. The wages and benefits index jumped nine points from 18.1 to 26.8.

Expectations for future retail growth were mixed in January. The future general business activity index remained negative but improved from -30.0 to -17.0, while the future sales index fell five points but remained in positive territory at 1.8. Other indexes of future retail activity such as employment and capital expenditures pushed further positive, reflecting expectations for growth in retail activity later in the year.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 1/31/23

Return to TOC

The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 1/31/23

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Was Flat

Regional factory activity was basically flat in January. However, expectations for future activity were still positive, and many firms expected employment levels to increase over the next six months.

Factory Activity was Mostly Flat

"Tenth District manufacturing activity was mostly flat, and expectations for future activity moderated slightly (Chart 1). Monthly survey price indexes saw minimal growth in January. Price indexes remained above year-ago levels for most firms, and many firms expected some slowing in price gains over the next six months.

The month-over-month composite index was -1 in January, up slightly from -4 in December and -2 in November. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Factory growth was driven more by activity at durable goods plants in January, especially wood product, machinery, and transportation equipment manufacturing. Month-over-month indexes remained mostly negative, but the pace of decline slowed compared to December. While employment and material inventory indexes were positive in January, and the new orders, backlog, and new orders for exports indexes continued to decline. Year-over-year factory indexes decreased further in January, and the composite index slowed from 15 to 4. The future composite index decreased from 6 to 3 in January with the new orders for exports and finished goods inventories indexes moving into negative territory this month." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 1/26/23

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Factory Activity Declined was Mostly Flat

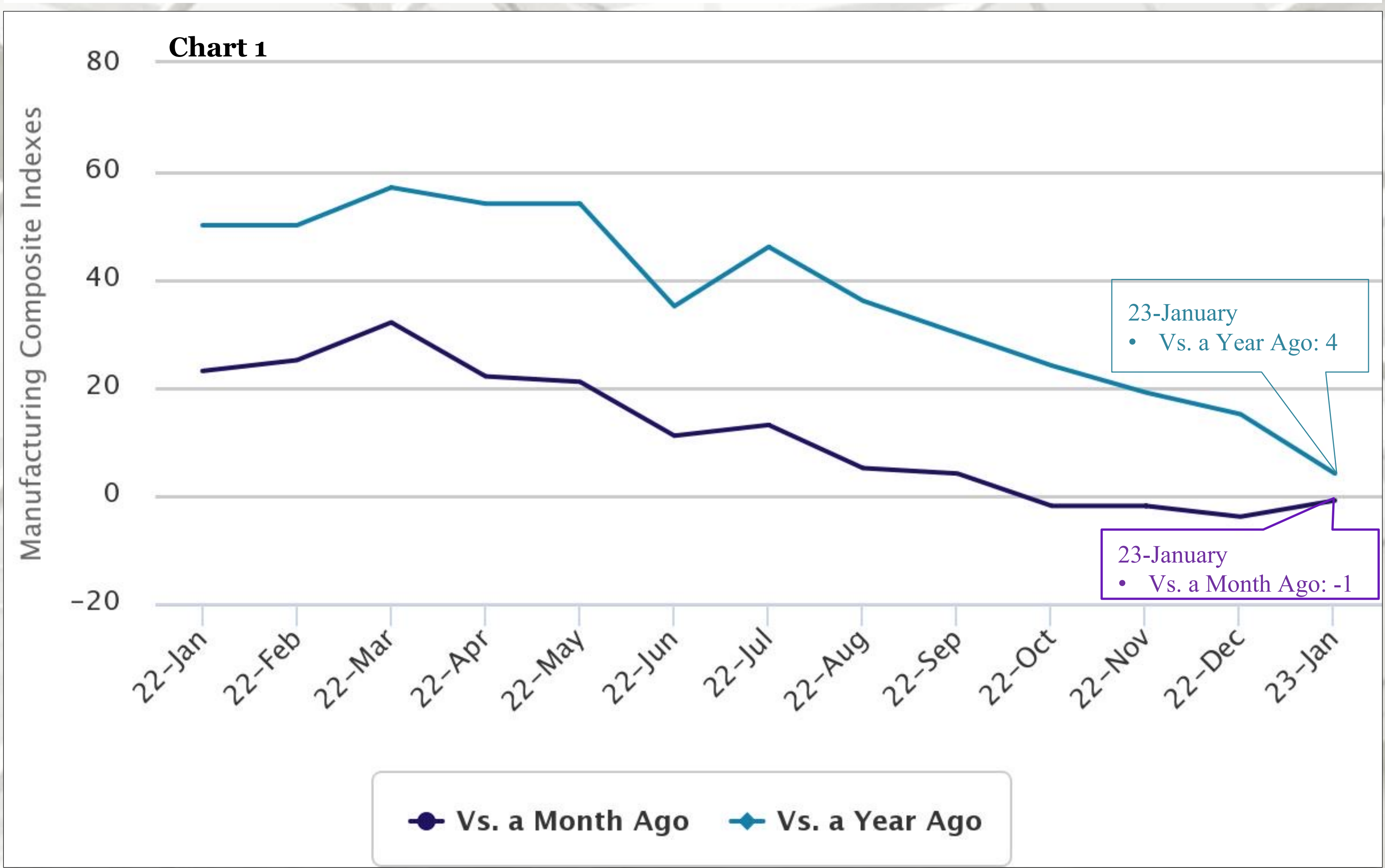
Special Questions

"This month contacts were asked special questions about demand for products, expectations for capital expenditures, impact of increases in long-term interest rates, and labor. In January, 52% of firms expected demand for their products to be higher in 2023 compared to last year, while 19% of firms expected no change in demand for their products, and 29% of firms expected demand for their products to be lower in 2023 compared to last year. About 38% of firms expected capital expenditures to be higher in 2023 compared to last year, while 30% of firms expected no change in in capital expenditures, and 32% of firms expected capital expenditures in 2023 to be lower compared to last year." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 1/26/23

Return to TOC

The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 1/26/23

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Growth in Tenth District Services Activity Declined in January

Regional services activity fell further in January. Firms also expected a slight decline in future activity, but hiring plans remained moderately positive.

Business Activity Fell Further in January

"Tenth District services activity declined in January with expectations for slightly decreased activity over the next six months as well (Chart 1). Indexes for input and selling prices grew at a slightly faster pace in January compared to a month ago, but prices remained well above year-ago levels for most firms. Moving forward, firms expected input prices to grow more slowly and selling prices to increase further over the next six months.

The month-over-month services composite index was -11 in January, down from 0 in December and 12 in November. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The decrease in revenue and sales was driven by a decline in auto, retail trade, real estate, and wholesale trade activity. On the other hand, transportation, tourism, and health services activity increased in January. Several month-over-month indexes decreased in January, with less sales, inventory, hours worked, and lower wages and benefits. The year-over-year composite index decreased from 14 to 2, but employment, wages and benefits, and credit conditions had higher readings than last month. Expectations for future services activity slowed in January, and the composite index decreased from 4 to -2." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 1/27/23

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Business Activity Declined Slightly

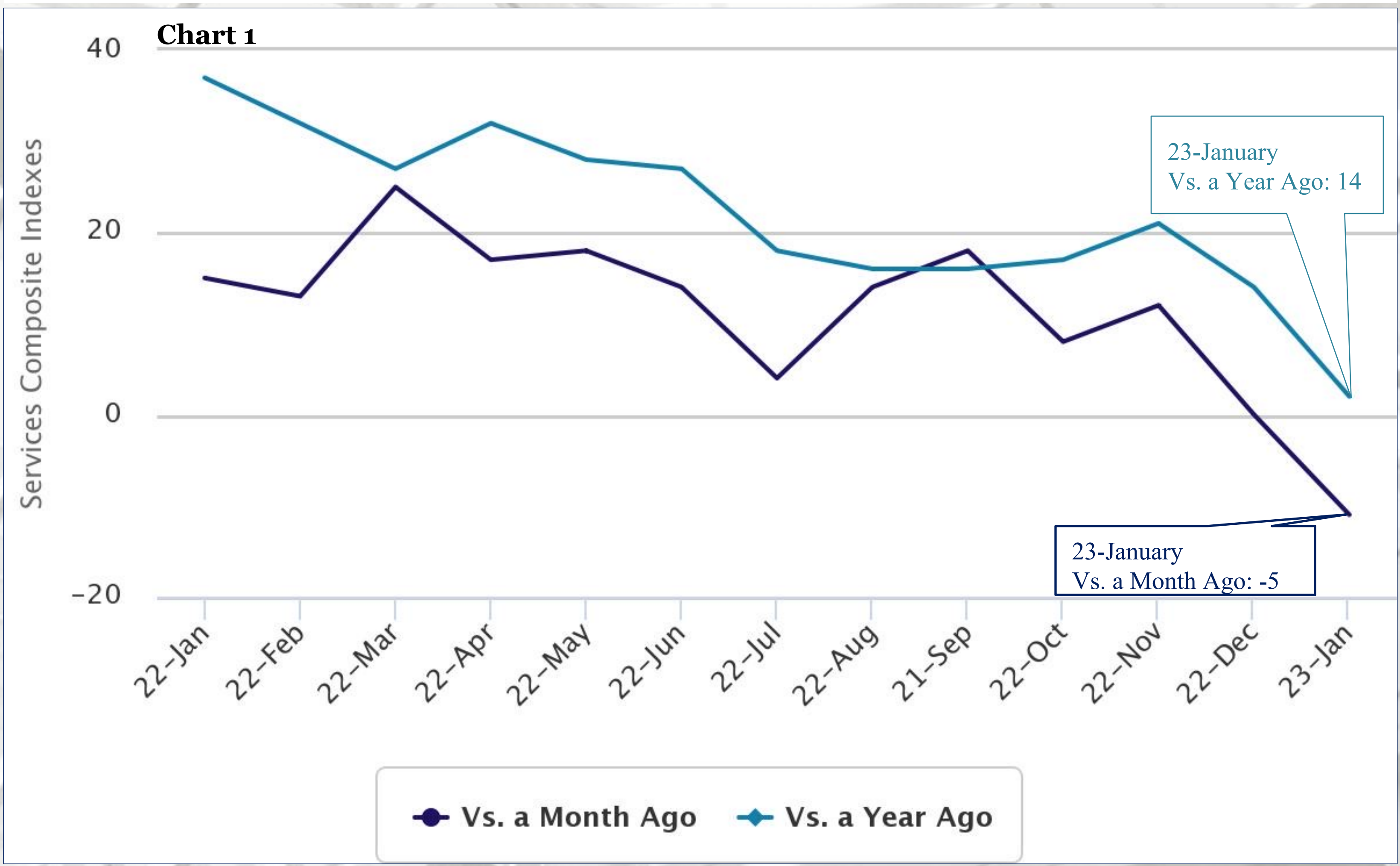
Special Questions

"This month contacts were asked special questions about demand for products and expectations for capital expenditures. In January, 42% of firms expected demand for their products to be higher in 2023 compared to last year, while 16% of firms expected no change in demand for their products, and 42% of firms expected demand for their products to be lower in 2023 compared to last year. About 38% of firms expected capital expenditures to be higher in 2023 compared to last year, while 36% of firms expected no change in in capital expenditures, and 26% of firms expected capital expenditures in 2023 to be lower compared to last year." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 1/27/23

Return to TOC

The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 1/27/23

Return to TOC

The Federal Reserve Bank of New York

January Empire State Manufacturing Survey

Activity Tumbles

"Business activity contracted sharply in New York State, according to firms responding to the *January* 2023 Empire State Manufacturing Survey. The headline general business conditions index fell twenty-two points to -32.9. New orders and shipments declined substantially. Delivery times held steady, and inventories edged higher. Employment growth stalled, and the average workweek shortened. Input price increases slowed considerably, and selling price increases also moderated. Looking ahead, firms expect little improvement in business conditions over the next six months.

Manufacturing activity fell steeply in New York State, according to the January survey. The general business conditions index fell twenty-two points to -32.9, its lowest level since mid-2020 and the fifth worst reading in the survey's history. Eleven percent of respondents reported that conditions had improved over the month, and forty-four percent reported that conditions had worsened. The new orders index dropped twenty-eight points to -31.1, and the shipments index also declined twenty-eight points to -22.4, pointing to a steep decline in both orders and shipments. The unfilled orders index edged down to -14.3, a sign that unfilled orders were lower. The delivery times index came in at 0.0, indicating that delivery times were unchanged. The inventories index held steady at 4.5, pointing to a small increase in inventories." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 1/17/23

Return to TOC

The Federal Reserve Bank of New York

January Empire State Manufacturing Survey

Employment Growth Stalls

“The index for number of employees fell eleven points to 2.8, its lowest level in more than two years, signaling that employment growth stalled. The average workweek index remained negative at -10.4, indicating a decline in hours worked. Input price increases slowed considerably, with the prices paid index dropping eighteen points to 33.0. Selling price increases also moderated, with the prices received index falling six points to 18.8.

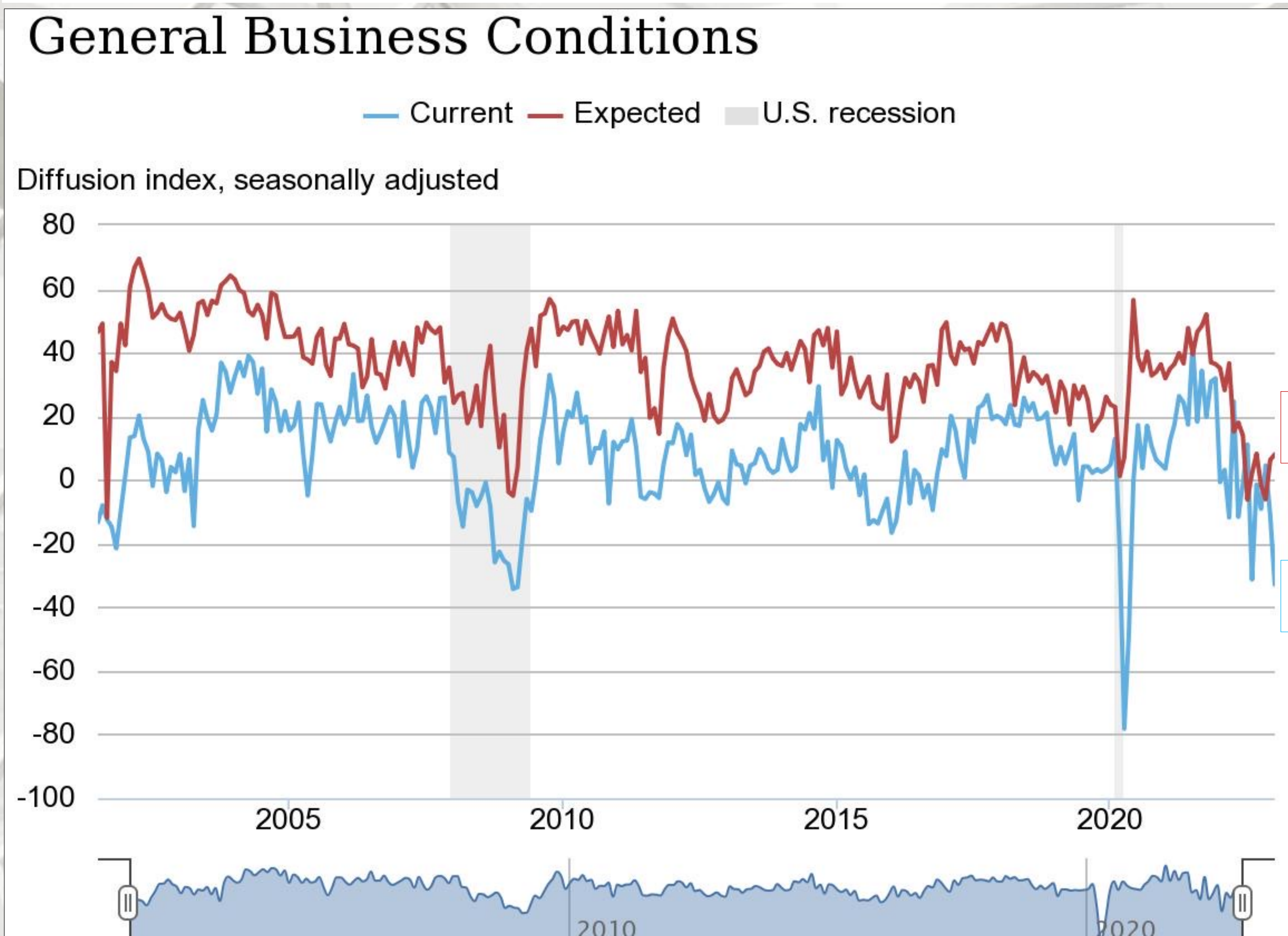
Firms Expect Conditions To Remain Weak

The index for future business conditions held steady at 8.0, suggesting that firms expect little improvement over the next six months. New orders and shipments are expected to rise somewhat, while employment is expected to increase only modestly. The capital spending index held steady at 22.3, and the technology spending index rose to 17.0.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 1/17/23

Return to TOC

The Federal Reserve Bank of New York



January 2023
8.0

January 2023
-32.9

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 1/17/23

Return to TOC

The Federal Reserve Bank of New York

January 2023 Business Leaders Survey (Services)

Activity Continues To Contract

“Activity continued to decline significantly in the region’s service sector, according to firms responding to the Federal Reserve Bank of New York’s January 2023 *Business Leaders Survey*. The survey’s headline business activity index fell four points -21.4, its lowest level in nearly two years. The business climate index came in at -41.8, suggesting the business climate remains much worse than normal. Employment growth slowed to a crawl, though wage increases remained widespread. The pace of input price increases continued to trend lower, while the pace of selling price increases moved slightly higher. Looking ahead, firms do not expect conditions to be better in six months.

Business activity declined in the region’s service sector, according to the January survey. The headline business activity index fell four points to -21.4, its fourth consecutive negative reading and its lowest level since February 2021. Nineteen percent of respondents reported that conditions improved over the month and 41 percent said that conditions worsened. The business climate index edged up but remained staunchly negative at -41.8, with more than half 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; 1/18/23

Return to TOC

The Federal Reserve Bank of New York

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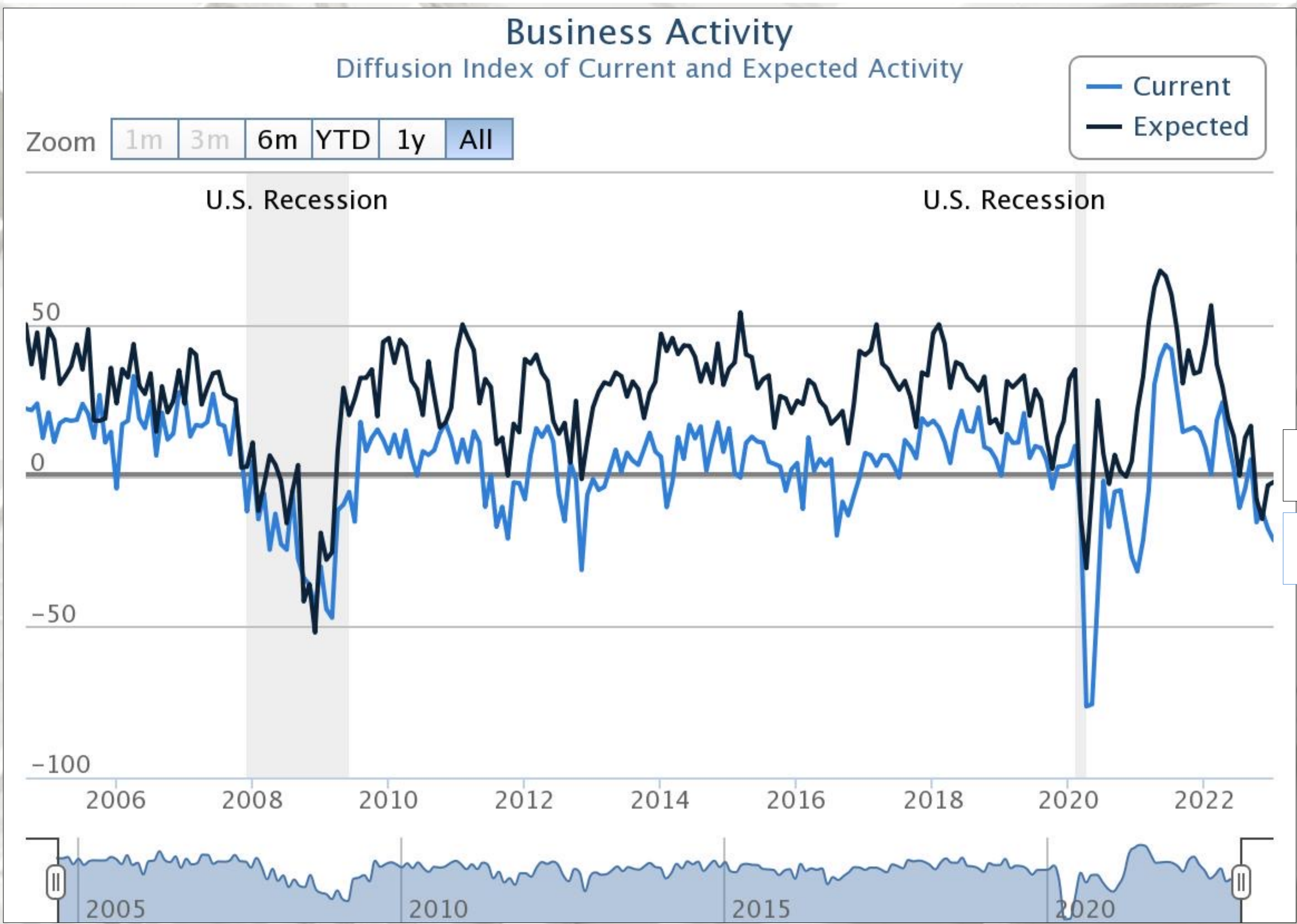
Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 1/18/23

Return to TOC

The Federal Reserve Bank of New York



January 2023
-2.2

January 2023
-21.4

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 1/18/23

Return to TOC

The Federal Reserve Bank of New York

January 2023 Business Leaders Survey (Services)

Employment Growth Slows To A Crawl

"The employment index inched down to 3.8, suggesting little employment growth. The wages index edged up to 47.0, with half of respondents reporting wage increases, suggesting wage growth in the region remained widespread. The prices paid index fell seven points to 65.6, its second consecutive monthly decline, pointing to a slowing of input price increases, while the prices received index edged up three points to 29.8. Capital spending grew just slightly.

Firms Remain Pessimistic

Conditions are not expected to improve over the next six months. The index for future business activity was little changed at -2.2, and the index for the future business climate held steady at -27.3. Employment is expected to grow in the months ahead, and wage and price increases are expected to remain widespread." – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 1/18/23

Return to TOC

The Federal Reserve Bank of Minneapolis

2022 Manufacturing Survey

District manufacturers expect a steady 2023 after a year of moderate growth

"Even amid surging input prices and continued supply chain disruptions, Ninth District manufacturers saw continued growth in 2022 and were generally expecting stable conditions in the year ahead, according to a survey conducted in November and December by the Federal Reserve Bank of Minneapolis and the Minnesota Department of Employment and Economic Development.

The survey results reflect responses from nearly 400 manufacturing operations of various sizes randomly sampled across district states. Most survey results can be summarized using an index representing changes in activity from 2021 to 2022, and activity in 2022 versus expectations for 2023 (Figure 1).

More than half of respondents reported that orders from customers increased in 2022, while production levels, capital investment, and productivity increased on balance as well. As expected given increased inflation, a strong majority indicated they increased the prices they charged for their products. Results for profits and exports indicated contraction from the previous year.

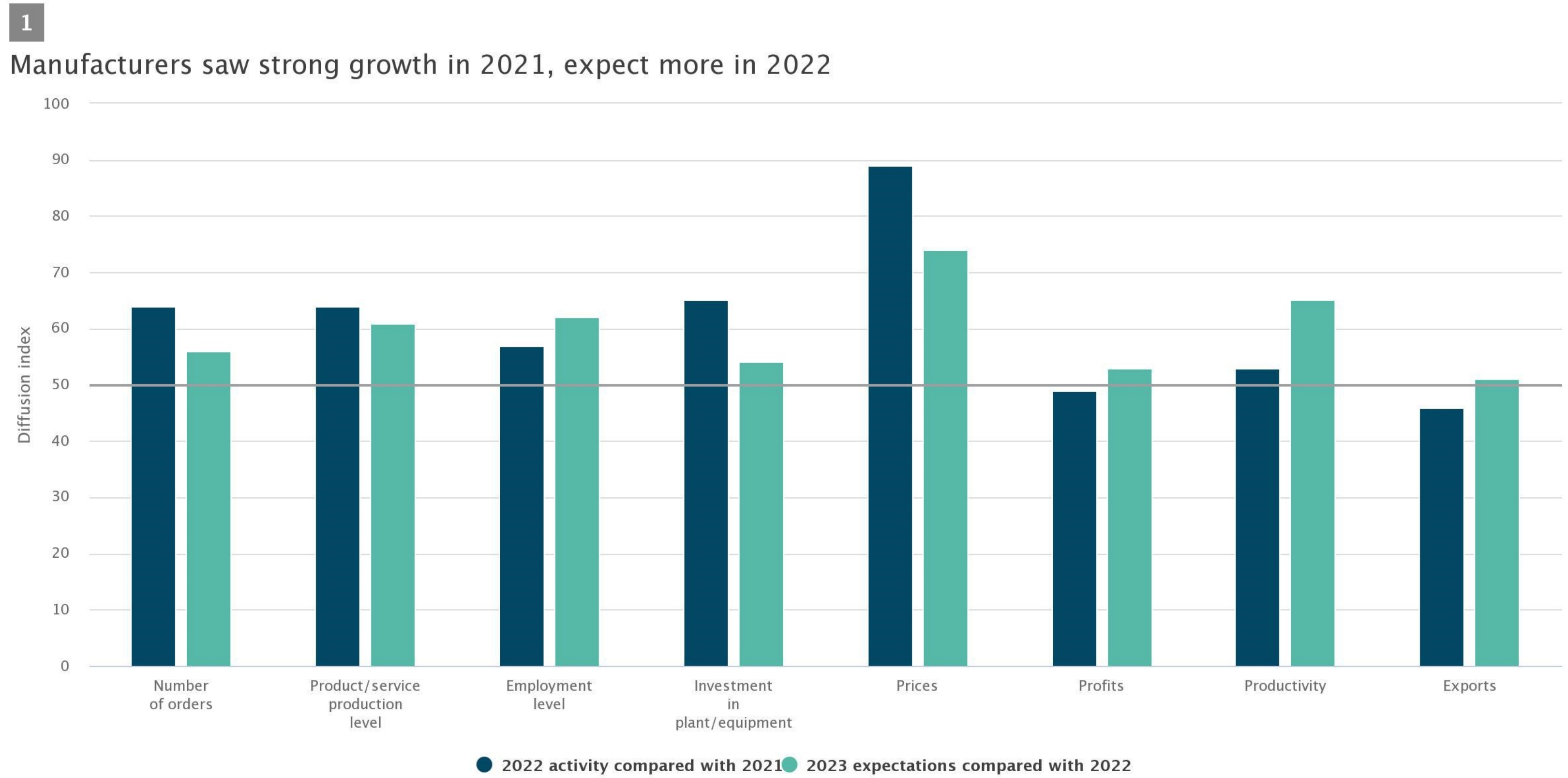
Employment increased at a third of operations, compared with about a quarter who cut employment. Payrolls may have grown faster if not for labor availability challenges expressed in many survey comments, such as one from a Montana respondent: "Cannot find labor! Increased pay and no workers out there." This sentiment was consistent with survey results for wages, as nearly half of respondents reported having increased wages by 6 percent or more." – Joe Mahon, Director, Regional Outreach, The Federal Reserve Bank of Minneapolis

Source: https://www.minneapolisfed.org/article/2023/district-manufacturers-expect-a-steady-2023-after-a-year-of-moderate-growth; 1/23/23

Return to TOC

The Federal Reserve Bank of Minneapolis

2022 Manufacturing Survey



Note: Values above 50 indicate expansion; values below 50 indicate contraction. The index is computed by taking the percentage of respondents that reported "up" and half the percentage of the respondents that reported "same."
Source: Federal Reserve Bank of Minneapolis and Minnesota Department of Employment and Economic Development

Source: https://www.minneapolisfed.org/article/2023/district-manufacturers-expect-a-steady-2023-after-a-year-of-moderate-growth; 1/23/23

Return to TOC

The Federal Reserve Bank of Minneapolis

2022 Manufacturing Survey

District manufacturers expect a steady 2023 after a year of moderate growth

"Looking ahead, respondents noted a generally stable outlook for 2023. While manufacturers on balance anticipated expansion across the board in the coming year, a larger share reported no expected change in activity.

More than half of operations expected no change in production levels or in productivity in 2023. Prospects were more subdued for demand — just over a third of manufacturers were expecting increased new orders this year, compared with more than a quarter who expected them to decrease. The outlook for prices remained elevated, with a slight majority of respondents expecting to raise their selling prices further.

More than a third of manufacturers expected employment to increase at their operations in 2023, while 19 percent anticipated layoffs. On average, wages and benefits were expected to increase less than last year.

For the second year in a row, an additional question on the survey asked about the impact of supply chain disruptions on operations. Despite some easing, challenges generally persisted, though the picture varied depending on the source of the disruption (Figure 2). Labor issues and transportation and logistics remained significant challenges and generally got worse for most respondents, as did raw materials availability. However, production process issues improved and COVID-19 issues became less of a hurdle.

In contrast to the steady outlook among manufacturers for their own operations, expectations for state economies in 2023 were pessimistic. On balance, respondents expected state employment, business investment, consumer spending, and corporate profits to contract over the next 12 months. Inflation remained the largest concern, with 70 percent predicting an increase in the coming year. … " – Joe Mahon, Director, Regional Outreach, The Federal Reserve Bank of Minneapolis

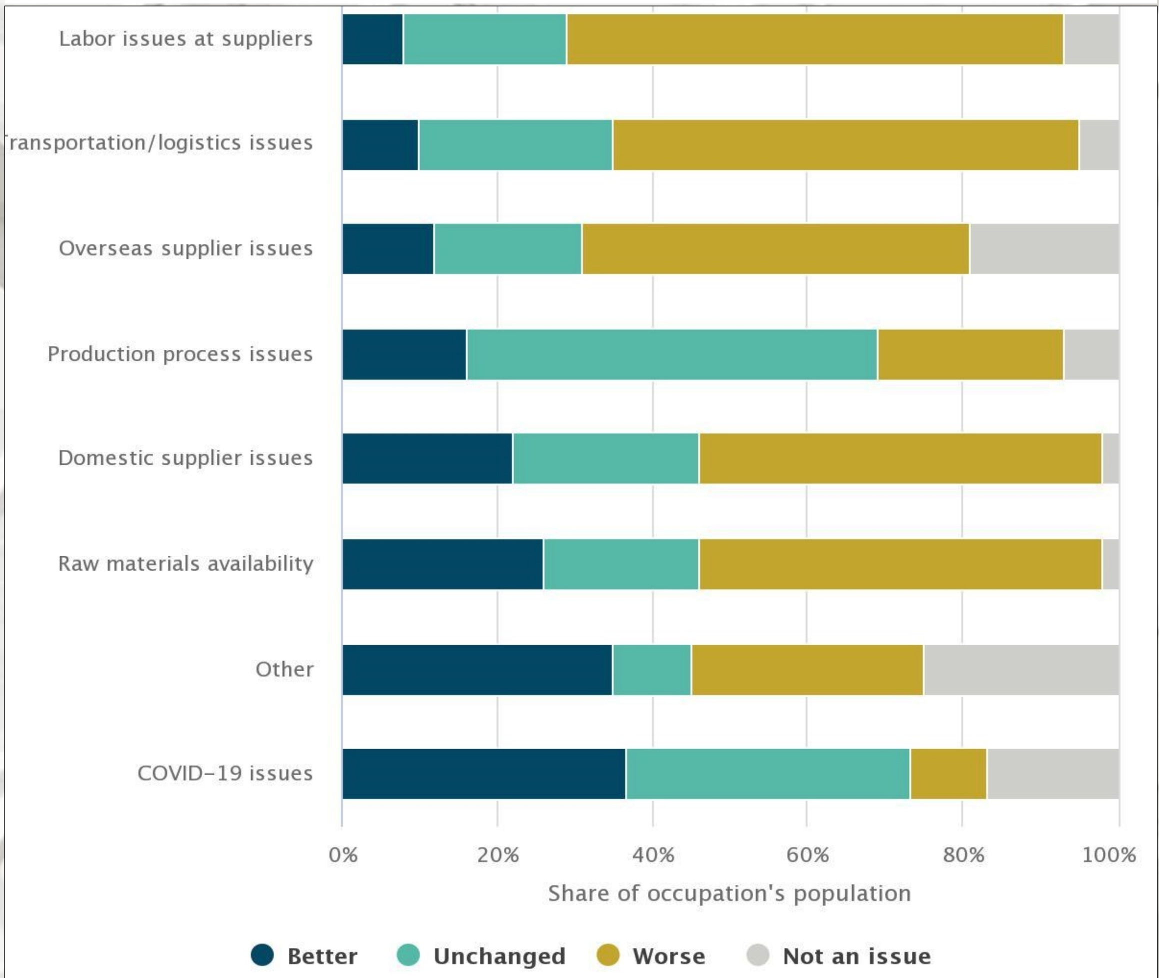
Source: https://www.minneapolisfed.org/article/2023/district-manufacturers-expect-a-steady-2023-after-a-year-of-moderate-growth; 1/23/23

Return to TOC

The Federal Reserve Bank of Minneapolis

2022 Manufacturing Survey

Supply chain disruptions remained a challenge through 2022



Source: Federal Reserve Bank of Minneapolis and Minnesota Department of Employment and Economic Development

Source: https://www.minneapolisfed.org/article/2023/district-manufacturers-expect-a-steady-2023-after-a-year-of-moderate-growth; 1/23/23

Return to TOC

The Federal Reserve Bank of Philadelphia

January 2023 Manufacturing Business Outlook Survey

Current Indicators Remain Weak

"Manufacturing activity in the region continued to decline overall, according to the firms responding to the January *Manufacturing Business Outlook Survey*. The survey's indicators for general activity, new orders, and shipments rose from last month, but the former two remained negative. The employment index rebounded. The firms reported overall increases in prices: The prices received index remained elevated, while the prices paid index returned to average readings. Most future indicators were positive, but expectations for growth over the next six months were not widespread.

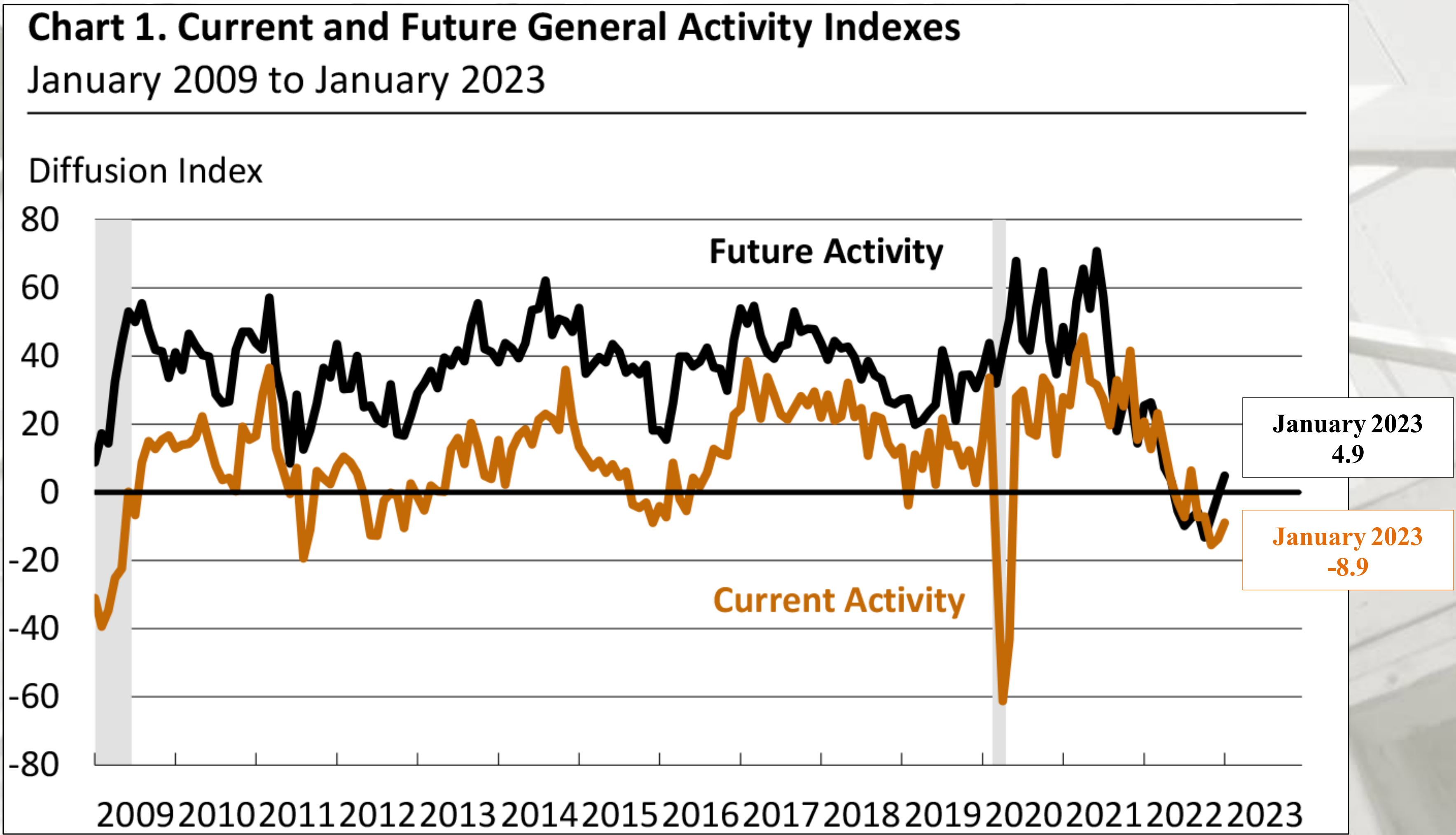
The diffusion index for current general activity rose from a revised reading of -13.7 in December to -8.9 in January (see Chart 1), its fifth consecutive negative reading and seventh negative reading in the past eight months. More than 33 percent of the firms reported declines in activity, exceeding the 24 percent that reported increases. The current new orders index rose 11 points but remained negative at -10.9, and the current shipments index climbed 12 points to 11.1 after turning negative in December. Nearly 30 percent of the firms indicated increases in shipments compared with 19 percent that indicated decreases.

On balance, the firms reported increases in employment, and the employment index improved from -0.9 in December to 10.9 this month. The majority of responding firms (65 percent) reported steady employment levels, and the share reporting increases (22 percent) exceeded the share reporting decreases (11 percent). The average workweek index also turned positive, rising from -6.6 to 4.0." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-01; 1/19/23

The Federal Reserve Bank of Philadelphia

January 2023 Manufacturing Business Outlook Survey



Note: The diffusion index is computed s 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-2023-01; 1/19/23

Return to TOC

The Federal Reserve Bank of Philadelphia

January 2023 Manufacturing Business Outlook Survey

Price Paid Index Near Long-Run Average, Prices Received Index Remains Elevated

“The indexes for prices paid and prices received continue to indicate overall price increases for inputs and firms’ own goods. The prices paid index declined 12 points to 24.5, its lowest reading since August 2020 and slightly below its long-run average. Nearly 40 percent of the firms reported increases in input prices, while 15 percent reported decreases; 45 percent of the firms reported no change. The current prices received index edged up 2 points to 29.9. Almost 39 percent of the firms reported increases in their own prices, 9 percent reported decreases, and 51 percent reported no change.

Firms Expect Smaller Cost Increases for 2023

In this month’s special questions, the firms were asked about changes in their various input and labor costs over the past year and their expectations for changes in costs for the coming year. For all categories, the average percent change in costs expected for 2023 was smaller than the average percent change in costs reported for 2022. The respondents were also asked to rank the importance of various factors in setting prices. Demand for their own goods/services was the most important factor, followed by maintaining steady profit, wage and labor costs, and nonlabor costs.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2023-01; 1/19/23

Return to TOC

The Federal Reserve Bank of Philadelphia

January 2023 Manufacturing Business Outlook Survey

Future Indicators Remain Lowe

"The diffusion index for future general activity rose from a revised reading of -0.9 in December to 4.9 this month (see Chart 1). Almost 38 percent of the firms expect increases in future activity, 33 percent expect decreases, and 26 percent expect no change. The future new orders and future shipments indexes remained positive but declined 6 points and 11 points, respectively. The future price indexes suggest that firms expect price increases over the next six months, but both indexes declined to their lowest readings since May 2020. The future employment index fell 21 points to -1.9, its first negative reading since February 2016. The share of firms expecting declines in employment (15 percent) narrowly exceeded the share expecting increases (14 percent); most firms (67 percent) expect no changes.

Summary

Responses to the *January* Manufacturing Business Outlook Survey suggest continued overall declines in the region's manufacturing sector this month. The indicators for current activity and new orders improved from their December readings but remained negative. The firms continued to report overall increases in prices, and the prices received index remained elevated. The survey's future indexes suggest tempered expectations for growth 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/mbos-2023-01; 1/19/23

Return to TOC

The Federal Reserve Bank of Philadelphia

January 2023 Nonmanufacturing Business Outlook Survey

Current Indicators Improve

"Nonmanufacturing activity in the region expanded this month, according to the firms responding to the January *Nonmanufacturing Business Outlook Survey*. The indexes for general activity at the firm level, sales/revenues, new orders, and full-time employment all rose this month. The firms continued to report overall increases in both prices paid and received; however, increases in prices paid were less widespread than in recent months. The respondents continue to anticipate growth over the next six months.

The diffusion index for current general activity at the firm level increased from a revised reading of 8.0 in December to 12.7 this month (see Chart 1). Almost 38 percent of the firms reported increases in activity, while 25 percent reported decreases. The new orders index increased 13 points to 10.8, its first positive reading since July. Almost 31 percent of the respondents reported an increase in new orders, while 20 percent reported decreases. The sales/revenues index jumped 23 points to 20.3 in January. The share of firms reporting increases in sales/revenues (44 percent) exceeded the share of firms reporting decreases (24 percent). The regional general activity index increased 6 points but remained negative at -6.5." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

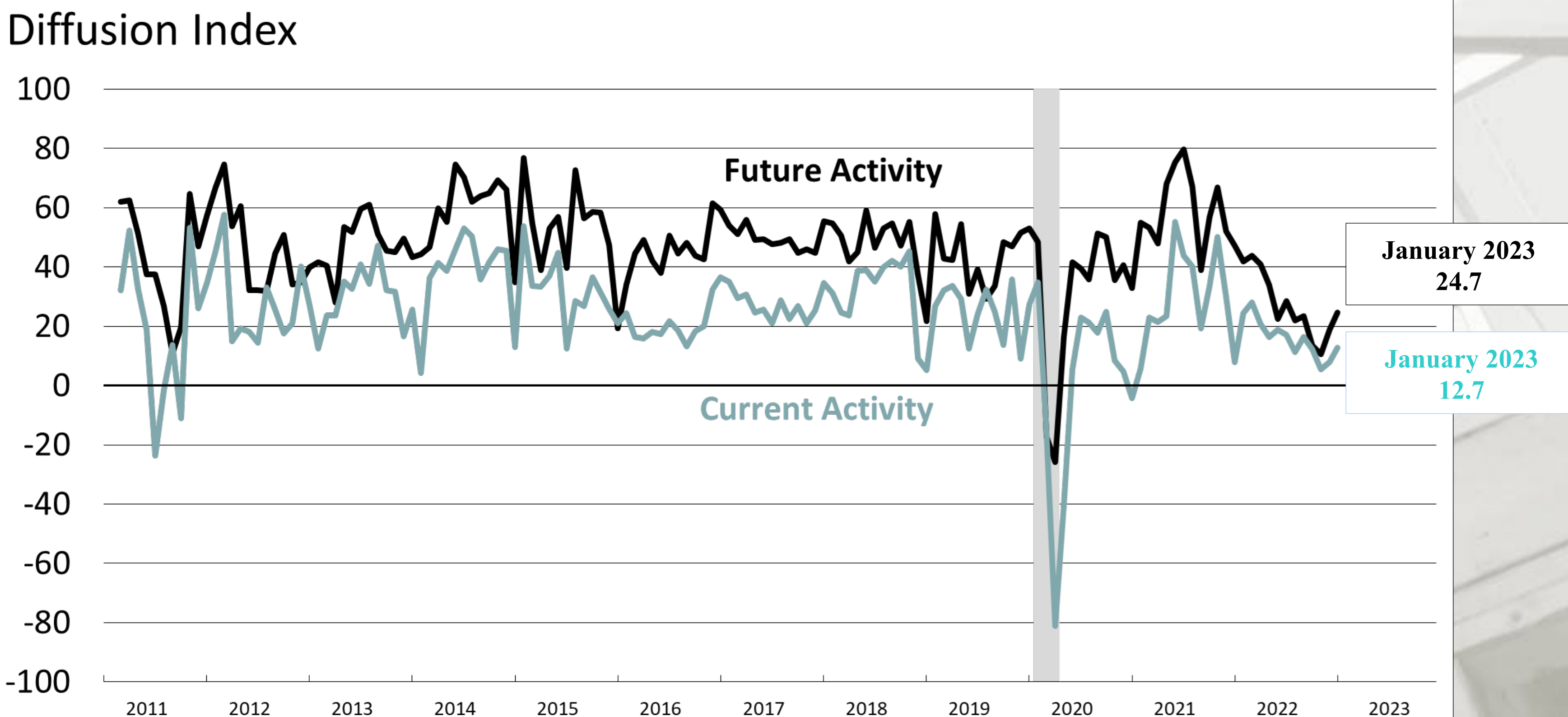
Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2023-01; 1/24/23

Return to TOC

The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes for Firms

March 2011 to January 2023



Note: The diffusion index is computed s 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/nbos-2023-01; 1/24/23

Return to TOC

The Federal Reserve Bank of Philadelphia

January 2023 Nonmanufacturing Business Outlook Survey

Employment Indicators Strengthen

The firms reported overall increases in full- and part-time employment. The full-time employment index increased 11 points to a reading of 16.5 in January. The share of firms reporting increases (23 percent) was higher than the share reporting decreases (6 percent). More than 70 percent of the firms reported steady full-time employment levels. The part-time employment index increased 7 points, to 5.3.

Firms Continue to Report Overall Increases in Prices

The prices paid index declined 6 points to 46.1, its lowest reading since June 2021. More than 47 percent of the respondents reported increases in input prices, while 40 percent reported steady input prices and 1 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index moved up from 19.5 to 24.1. The share of firms reporting increases in prices received (28 percent) exceeded the share reporting decreases (4 percent). More than 54 percent of the firms reported no change in prices for their own goods and services.

Firms Expect Lower Cost Increases This Year

In this month's special questions, the firms were asked about changes in their various input and labor costs over the past year and their expectations for changes in costs for the coming year. For nearly all categories, the average percent change in costs expected for 2023 was smaller than the average percent change in costs reported for 2022. The respondents were also asked to rank the importance of various factors in setting prices. Demand for their own goods/services was the most important factor, followed by wages and labor costs, the overall rate of inflation, and maintaining steady profit." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2023-01; 1/24/23

Return to TOC

The Federal Reserve Bank of Philadelphia

January 2023 Nonmanufacturing Business Outlook Survey

Firms Continue to Anticipate Growth

“Both future activity indexes suggest that firms continue to anticipate growth over the next six months. The diffusion index for future activity at the firm level improved from a reading of 18.8 last month to 24.7 this month (see Chart 1). Over 42 percent of the firms expect an increase in activity at their firms over the next six months, compared with 17 percent that expect decreases and 38 percent that expect no change. The future regional activity index declined 4 points but remained positive at 2.4 this month.

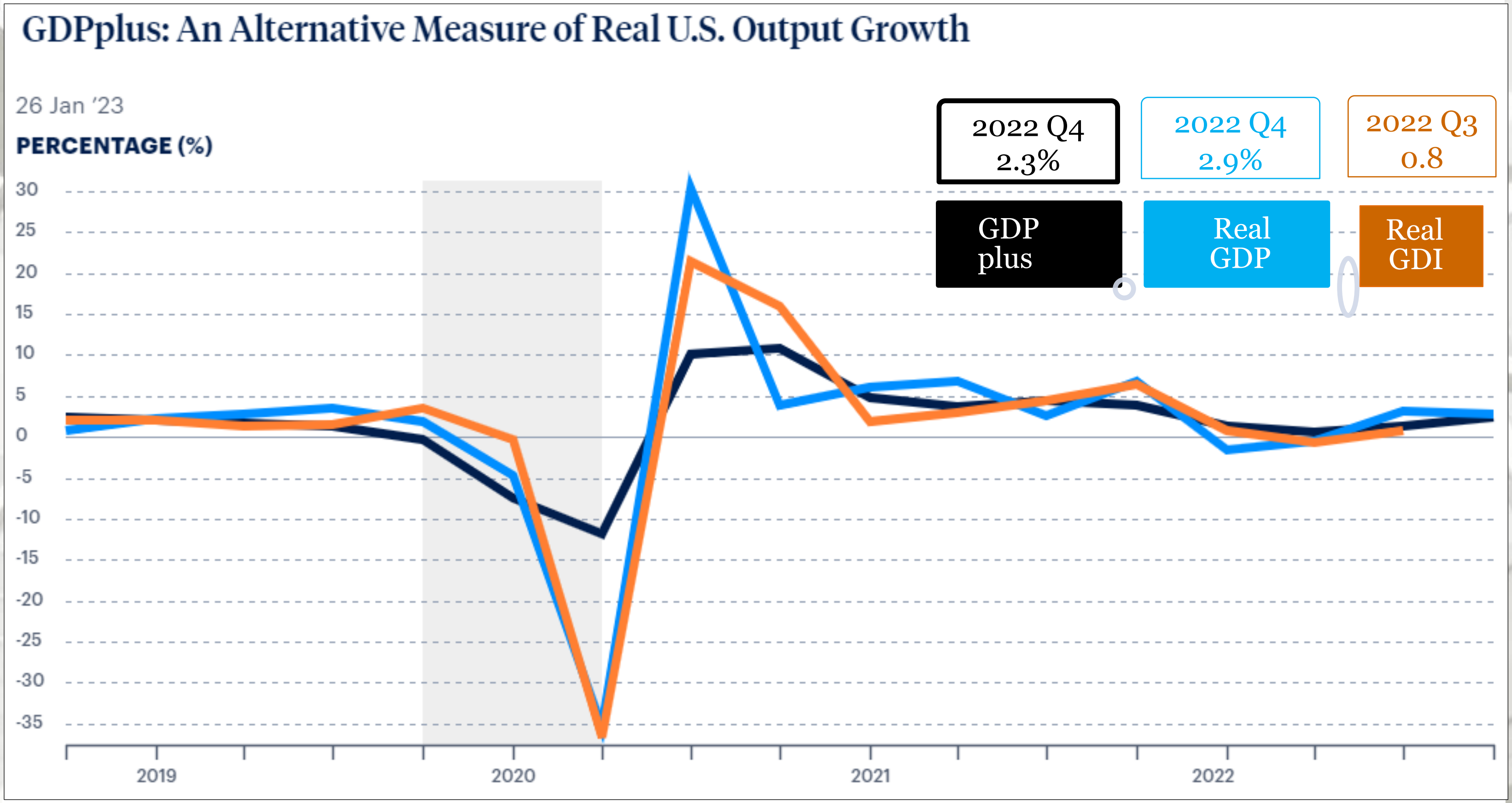
Summary

Responses to this month’s *Nonmanufacturing Business Outlook Survey* suggest improved nonmanufacturing activity in the region. The indicators for firm-level general activity, new orders, and sales/revenues all increased. The indexes for full- and part-time employment improved. Both price indexes remained elevated, although the prices paid index declined from last month. Overall, the responding firms expect growth 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-2023-01; 1/24/23

Return to TOC

The Federal Reserve Bank of Philadelphia: GDPplus



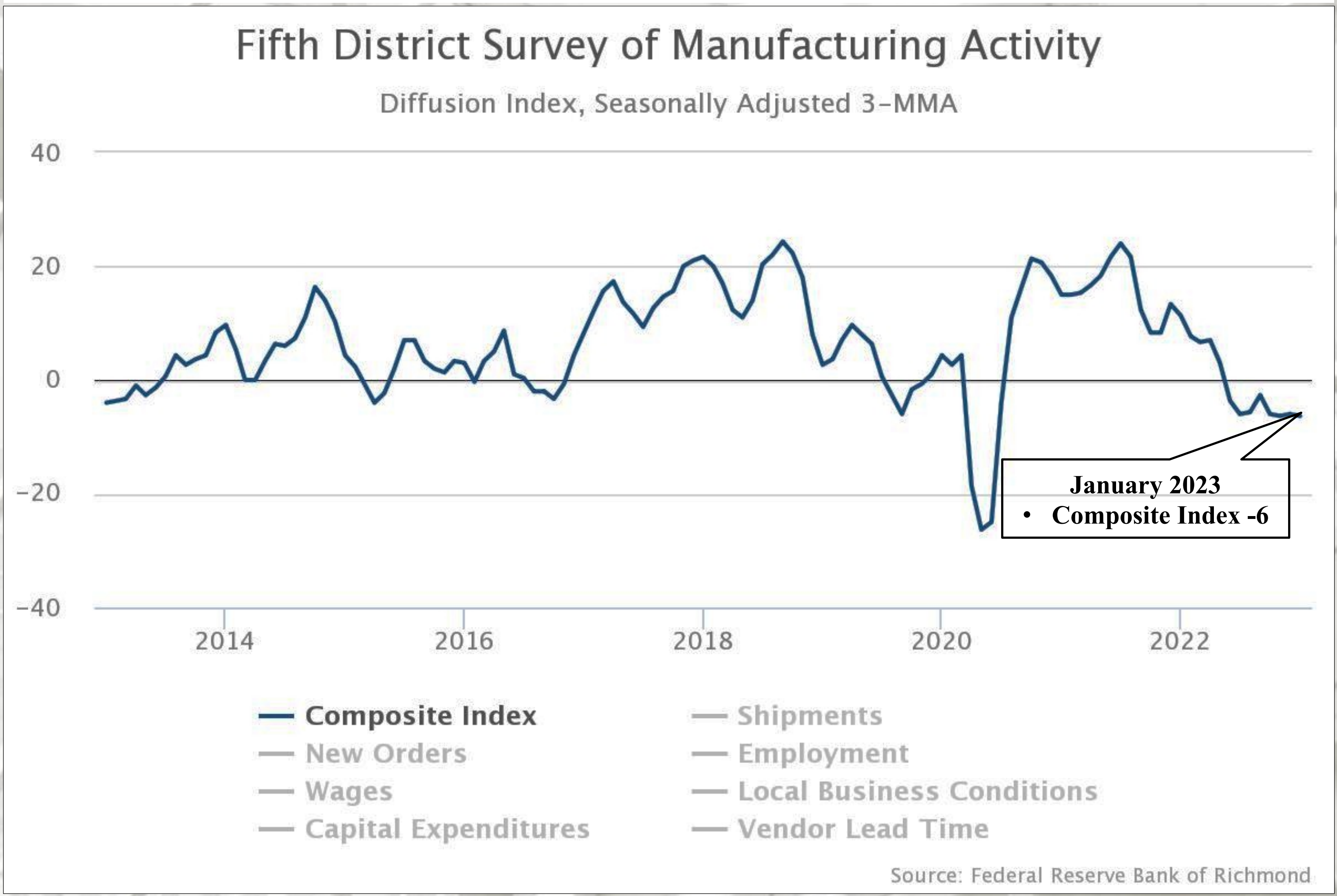
Notes: Shaded areas indicate NBER recessions. The data measure the quarter-over-quarter growth rate in continuously compounded annualized percentage points.

Sources: Bureau of Economic Analysis (BEA) and NBER via Haver Analytics. Federal Reserve Bank of Philadelphia.

Source: https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/gdpplus; 1/26/23

Return to TOC

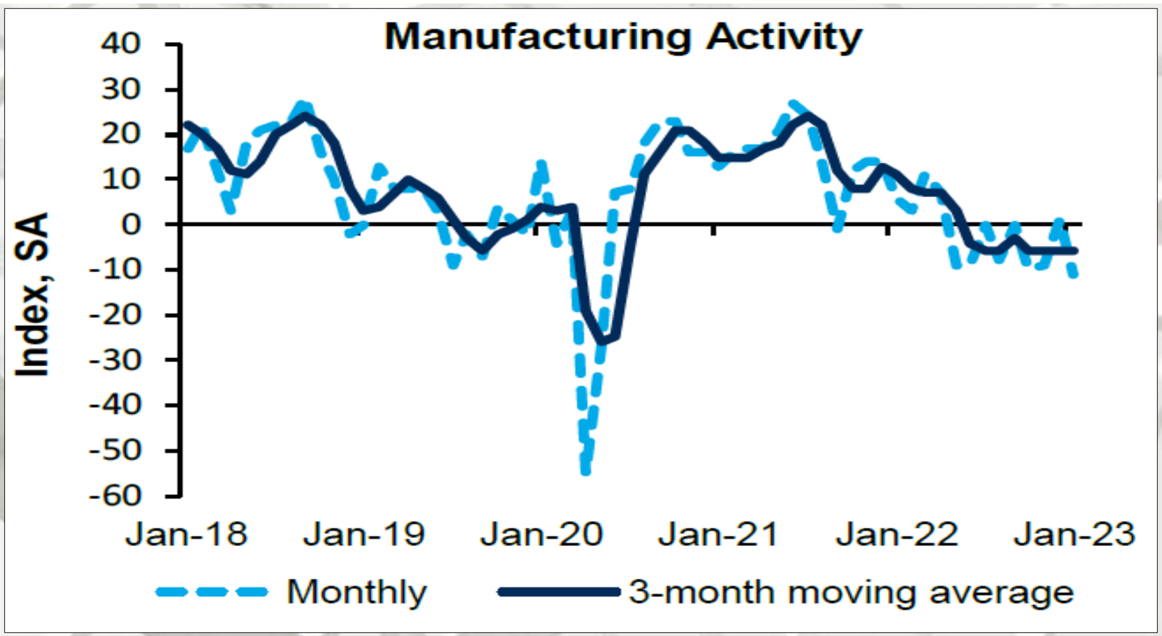
The Federal Reserve Bank of Richmond

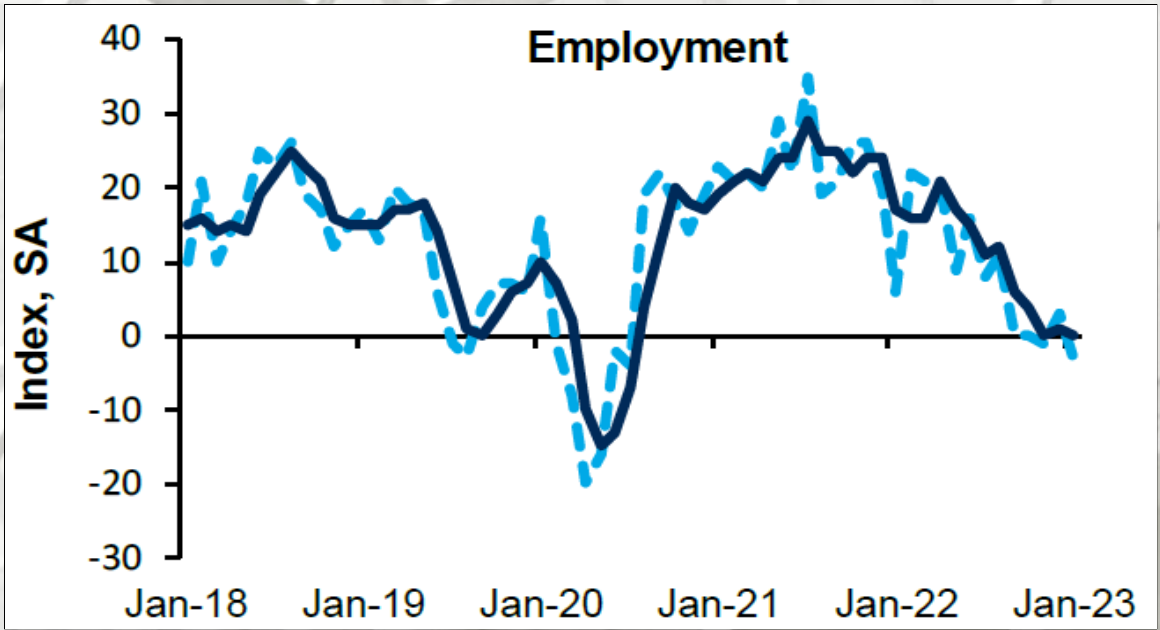


Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 1/24/23

Return to TOC

The Federal Reserve Bank of Richmond

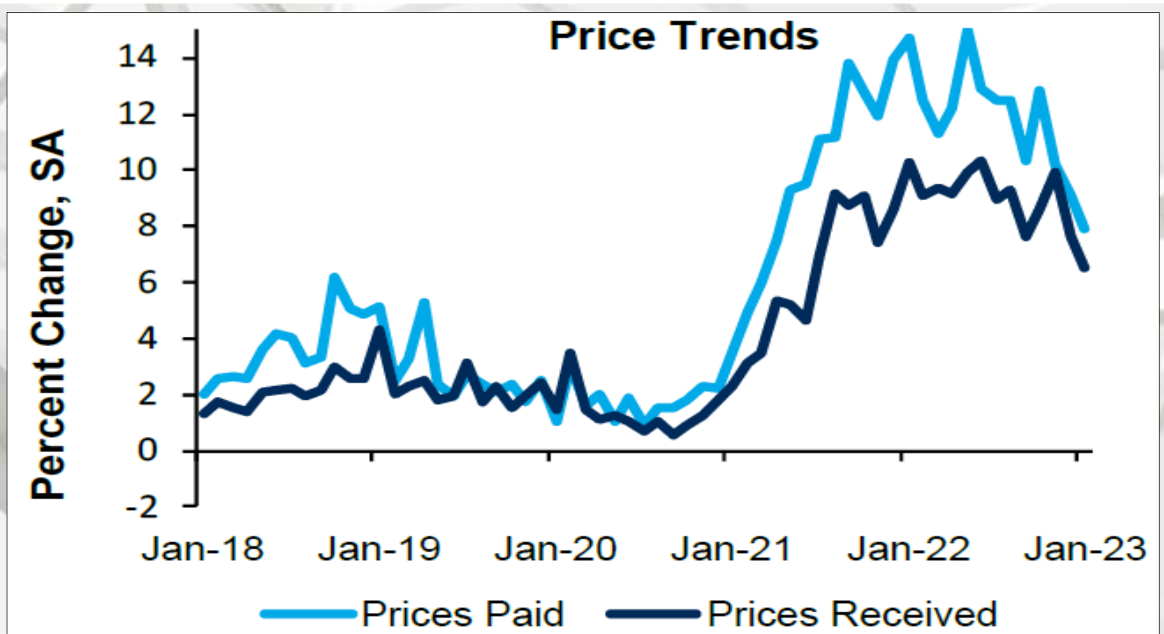


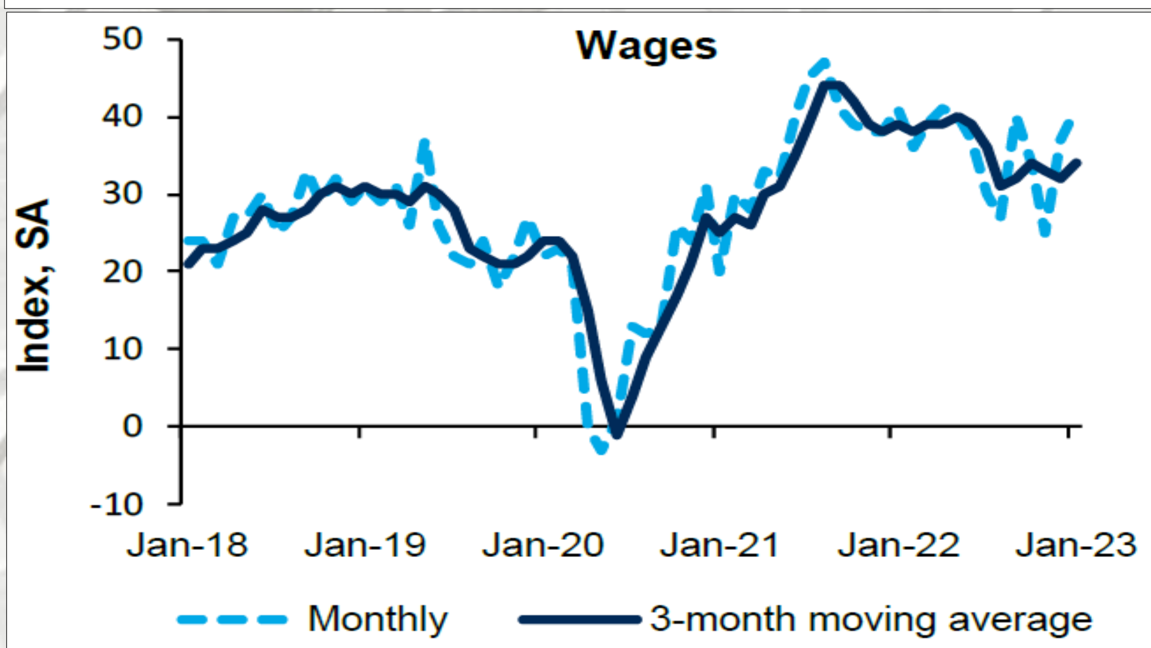


Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 1/24/23

Return to TOC

The Federal Reserve Bank of Richmond





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 1/24/23

Return to TOC

The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Service Sector Activity Softened Further in December

“Fifth District service sector activity improved slightly but remained soft in January, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues and demand indexes both rose to −6 from −12 and −8, respectively, in December. Firms' expectations for revenues and demand over the next six months also improved somewhat in January. Similarly, firms' assessments of current and anticipated local business conditions improved slightly but remained low. Most firms reported continued spending in capital, equipment/ software, and services, but the share of firms increasing capital and equipment/software spending decreased from last month.

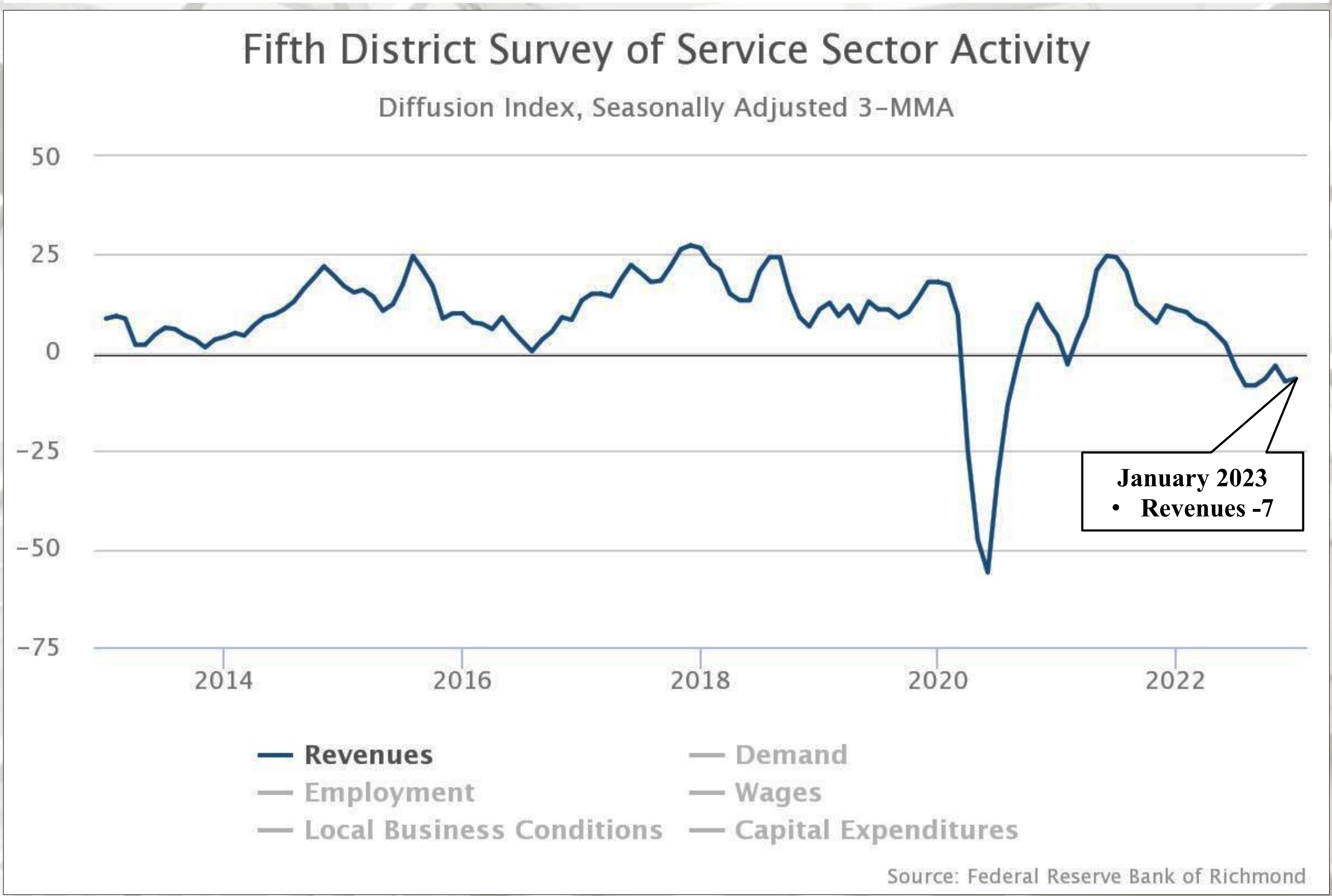
A larger share of firms reported increased hiring in January, with the employment index rising from −2 to 9. Nonetheless, firms' ability to find workers with the necessary skills saw little improvement as the index remained unchanged at −10 in January. Firms continued to increase wages and expect further wage increases in the near term.

Average growth in prices paid increased slightly in January, while growth in prices received decreased somewhat. Firms expect both to moderate over the coming yea.” – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 1/24/23

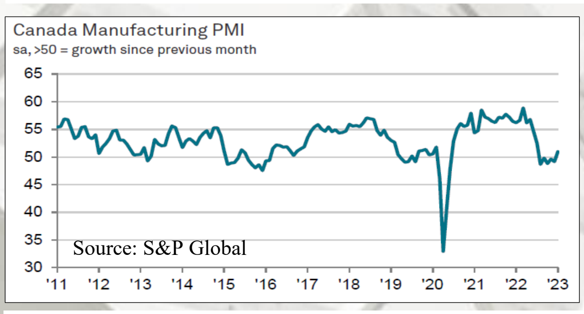
Return to TOC

The Federal Reserve Bank of Richmond



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 1/24/23

Private Indicators: Global



S&P Global Canada Manufacturing PMI®

"The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index® (PMI®) recorded 51.0 in January, up from 49.2 at the end of 2022. Latest data marked the first time that the index has recorded above the 50.0 no-change mark that separates growth from contraction since last July.

Return to modest growth of Canadian manufacturing economy

Canada's manufacturing economy registered a return to modest growth during January, underpinned by gains in both production and new orders. Jobs were also added, whilst there were some reports that input goods and labour availability was stabilising after a prolonged period of shortages. Inflationary pressures also continued to soften over the month, although worries over recession persist. Confidence about the future remained positive but slipped to a three-month low at the start of 2023.

There were concurrent increases in both manufacturing output and new orders during January. Companies reported that market demand was improving, and that the marginal increase in sales seen at the start of the year had encouraged firms to raise their output. However, any growth primarily emanated from the domestic market as new export orders fell for an eighth month in a row. Underlying global demand was reported to have remained soft, according to panellists. …

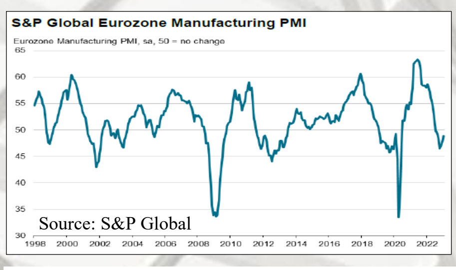
The Canadian manufacturing economy began 2023 on a firmer footing than at the end of last year, registering some welcome, albeit modest, growth in both output and new orders. Anecdotal evidence also pointed to some stabilisation in input and staff supply. The emerging dissipation of these factors are heartening given the way they have hobbled manufacturing sector performance at various points since the start of the pandemic.

Also welcome is the reduction in inflationary pressures and gives additional hope of firmer sector recovery in the months ahead. However, we must remember that growth is modest, and fears of the negative impacts on output of recession persist. For these reasons, confidence overall remains below par and firms retain a cautionary approach to their purchasing activities." – Paul Smith, Economics Director, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/3815c2d407e64199851d0af01c917752; 2/1/23

Return to TOC

Private Indicators: Global



S&P Global Eurozone Manufacturing PMI®

"The S&P Global Eurozone Manufacturing PMI® rose for a third successive month to 48.8 in January, up from 47.8 in December. Albeit still below the 50.0 mark, and therefore indicative of a worsening in the health of the euro area manufacturing sector, it was the highest reading since last August.

Eurozone manufacturing downturn eases further in January and cost pressures fade

The eurozone manufacturing sector downturn continued into the new year, with production volumes and new factory orders falling further. However, slower rates of contraction in both cases tentatively suggested that the worst of the sector's slump has passed. Indeed, some parts of the euro area even recorded an expansion in output in January. Meanwhile, stocks of finished goods declined for the first time since May last year, while pre-production holdings were unchanged, reflecting manufacturers' efforts to align inventories with the prevailing economic environment. Indeed, purchasing activity continued to decline, while suppliers' delivery times were broadly stable. These two factors helped reduce cost pressures across the euro area, with input price inflation slowing to a 26-month low. That said, output charges increased at a faster pace. …

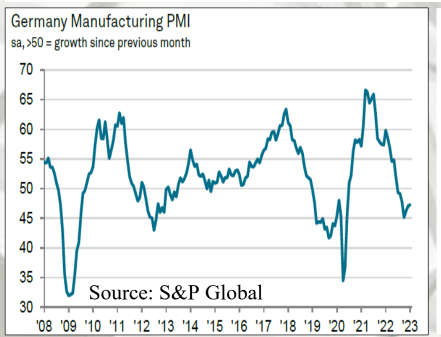
Although euro area manufacturers continued to report falling output and deteriorating order books in January, sustaining the sector's downturn for an eighth successive month, the picture is considerably brighter than the lows seen back in last October heading into the winter. Not only has the rate of output decline moderated now for three consecutive months, but business optimism about the year ahead has also surged higher over the past three months.

Worries over gas supply constraints and soaring gas costs have given way to a much more stable looking energy market in Europe, albeit thanks in part to state subsidies and mild weather. At the same time, broader supply chain constraints have eased considerably, helping many companies reduce their backlogs of work and ramp up production. The lifting of COVID-19 restrictions in mainland China has meanwhile added to the sense that the global drag from the pandemic has passed. All of which has helped bring down broader inflation pressures and lifted confidence that the worst of the cost-of-living squeeze is over. However, demand remains lacklustre with few signs of any serious growth drivers on the horizon. The economy has also yet to feel the full impact of higher interest rates, which look set to rise further in the coming months, presenting a potentially challenging outlook for economic growth." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/dae57ad463d84cf4b0fdbc300299ac5d; 2/1/23

Return to TOC

Private Indicators: Global



S&P Global/BME Germany Manufacturing PMI®

"The headline the seasonally adjusted S&P Global/BME Germany Manufacturing PMI® – a single-figure measure of sector performance derived from measures of new orders, output, employment, suppliers' delivery times and stocks of purchases – registered 47.3 in January, up from December's 47.1. The index has now risen in each of the past three months, although its latest reading was still below the 50.0 threshold that separates growth from contraction.

Demand conditions remain challenging, but confidence grows as cost pressures subside

Declining inflows of new orders continued weigh on the performance of Germany's manufacturing sector in January, resulting in sustained – albeit only modest – downward pressure on production, latest PMI® survey data showed. However, there was renewed optimism among goods producers towards the year-ahead outlook, amid a rapid slowdown in input cost inflation and the alleviation of supply-chain pressures. The main drag on the headline index once again came from the new orders sub-component. …

The survey's new orders index has recovered somewhat from last October's low, but it nevertheless remains far enough below the neutral 50.0 level to continue to raise concerns about the current picture of demand across the manufacturing sector. There was sustained downward pressure on output levels at start of the year, particularly across the intermediate goods sector, which has felt the effects of a sharp reduction in demand for inputs. Still, production levels continued to be supported by the completion of backlogs of work, which has in turn been helped by the easing of supply bottlenecks.

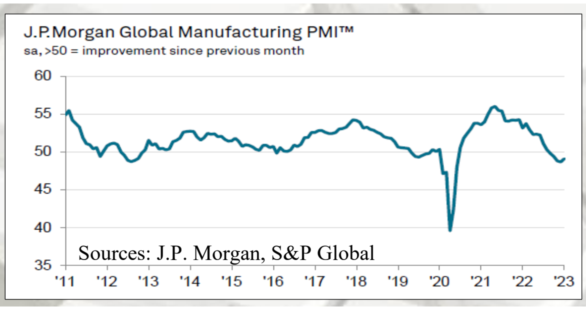
The reduction in supply-chain constraints, as evidenced by improving leads times on materials and components in recent months, is such that firms no longer feel the need to keep building up safety stocks of inputs, which were broadly unchanged in January after 15 months of growth. At the same time, we're seeing a welcome sharp cooling of the rate of manufacturing cost inflation, down to a 27-month low in January, as the imbalances between supply and demand continue to ease.

After showing serious concern about the outlook only a few months ago, German manufacturers are now cautiously optimistic towards growth prospects over the coming year, with more firms expecting a rise in output than a decline for the first time since before Russia's invasion of Ukraine. Expectations nevertheless remain historically subdued, amid a backdrop of still-high inflation and economic uncertainty." – Phil Smith, Principal Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/c852539c065e452489b8766a1cfa0480; 2/1/23

Return to TOC

Private Indicators: Global



J.P. Morgan Global Manufacturing PMI™

"The J.P. Morgan Global Manufacturing PMI™ – a composite index produced by J.P. Morgan and S&P Global in association with ISM and IFPSM – remained below the 50.0 mark that separates contraction from expansion, but rose from 48.7 to signal a slower rate of decrease.

Contraction in global manufacturing output shows signs of easing at start of 2023

The global manufacturing downturn showed signs of easing at the start of 2023, according to the latest PMI™ surveys. Rates of contraction in output and new orders both slowed, while employment posted a slight increase. The survey's Output Index, which acts as an advance indicator of worldwide factory production trends, signalled a second successive month of slower decline. That index rose to its highest since last August, adding to signs that the global manufacturing downturn reached its nadir in November. …

The level of incoming new business fell for the seventh consecutive month in January, albeit to the least marked extent since last August. A similar trend was signalled for new export business, where the pace of contraction was a six-month low. The continued downturn in new order intakes nonetheless meant that spare capacity remained in global industry, as highlighted by a solid decrease in backlogs of work at factories. …

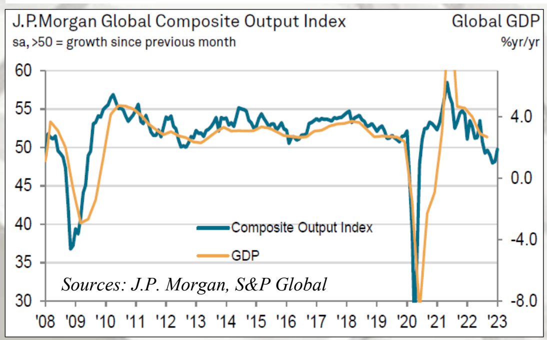
January data pointed to mild upticks in the rates of both input price and output charge inflation, halting recent sequences of moderation. Supply chain pressures continued to ease, with average vendor lead times lengthening to the lowest extent in three years.

The manufacturing PMI output and new orders indices both moved higher in January, raising hopes that the downturn in global industry reached its nadir before the turn of the year. Rising business optimism, an improved orders-to-inventory ratio and a boost to growth as China re-opens should also provide a boost in the months ahead. The slight upticks in the price indices are of limited concern in the near term, staying well below earlier peaks and are likely to resume their easing trends as supply chain constraints ease." – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/5584ccb27653494684d64507a3c5a677; 2/1/23

Return to TOC

Private Indicators: Global



J.P. Morgan Global Composite PMI™

"The J.P. Morgan Global Composite Output Index – produced by J.P. Morgan and S&P Global in association with ISM and IFPSM – posted 49.8 in January, up from 48.2 in December, a level only a few pips below the no-change mark of 50.0. The downturn in manufacturing production eased, while service sector activity ticked higher following a three-month sequence of contraction.

Global economic activity and new orders show signs of stabilising at start of 2023

Global economic activity fell again in January. However, the start of the year also provided signs that the downturn may have passed its nadir. Declines in output and new orders were the weakest during their respective six-month sequences of contraction and moved closer to stabilisation. Business optimism meanwhile rose to an eight-month high, as companies' forecast growth (on average) for the coming year. Two out of the six sub-sectors covered by the survey registered expansions of output during January – business services and consumer goods. Activity contracted in the consumer services, financial services, intermediate goods and investment goods categories, among which the steepest rate of decline was seen in financial services. …

After easing in the prior eight months, January saw average input prices rise at a faster pace. Rates of increase picked up in both the manufacturing and service sectors, with the steeper inflation again signalled in the latter. Output prices meanwhile rose to the least marked extent in almost two years. Business optimism continued to revive in January. The overall degree of confidence hit an eight-month, following a seven-month sequence below its long-run average. Positive sentiment improved in both the manufacturing and service sectors.

The global composite PMI climbed to a six-month high of 49.8 in January, raising hopes that the global economy is taking a turn for the better at the start of 2023. Important sectoral and regional dynamics should keep the global expansion resilient this quarter. The service sector PMI was a bright spot, jumping 2-pt to 50.1. China's reopening is gathering steam, as evidenced by the 4.9-pt jump its services PMI on the month. A large rise in the future output PMI adds to the positive message from the surveys." – Bennett Parrish, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/37b9d23fc09c4daab8116b6b52d8be97; 2/3/23

Return to TOC

Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Dips 0.5% in December

"National nonresidential construction spending decreased by 0.5% in December, according to an Associated Builders and Contractors analysis of data published by the U.S. Census Bureau. On a seasonally adjusted annualized basis, nonresidential spending totaled $943.5 billion for the month.

Spending fell on a monthly basis in 10 of the 16 nonresidential subcategories. Private nonresidential spending was down 0.5%, while public nonresidential construction spending was down 0.4% in December.

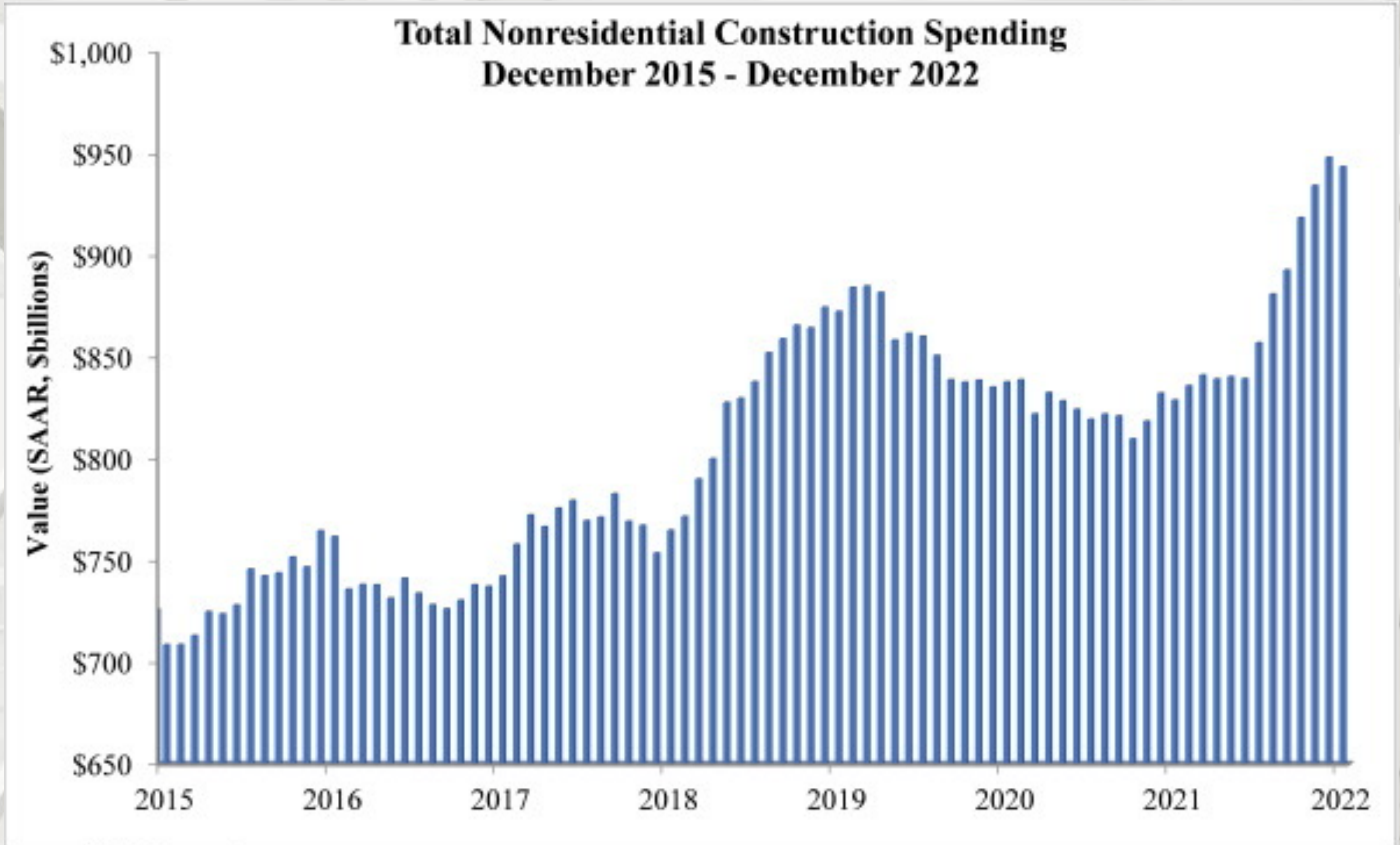
"Nonresidential construction spending fell in December, ending a streak of six straight monthly increases," said ABC Chief Economist Anirban Basu. "Despite the decline, nonresidential spending is up 13.8% year over year, an increase outpacing both overall inflation (6.4%) and materials prices inflation (+7.6%). More than half of the increase in nonresidential construction over the past year is due to heightened activity in two segments: manufacturing, as megaprojects begin across the nation, and commercial, a category that includes warehouse- and distribution-related construction.

"While contractors remain reasonably confident, according to ABC's Construction Confidence Index, there is reason for caution," said Basu. "Worker shortages remain a challenge for contractor, and elevated interest rates have increased borrowing costs, making certain projects unfeasible at the margins while also driving the economy toward a potential recession this year."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19768/abc-nonresidential-construction-spending-dips-05-in-december; 2/1/23

Return to TOC

Private Indicators
Associated Builders and Contractors



Source: U.S. Census Bureau

Source: https://www.abc.org/News-Media/News-Releases/entryid/19768/abc-nonresidential-construction-spending-dips-05-in-december; 2/1/23

Return to TOC

Private Indicators
Associated Builders and Contractors

Nonresidential Spending Growth, Millions of Dollars, Seasonally Adjusted Annual Rate

	December 2022	November 2022	December 2021	1-Month % Change	12-Month % Change
Total Construction	$1,809,785	$1,817,287	$1,681,044	-0.4%	7.7%
Residential	$866,300	$869,189	$852,307	-0.3%	1.6%
Nonresidential	$943,485	$948,098	$828,737	-0.5%	13.8%
Highway and street	$118,175	$116,941	$103,460	1.1%	14.2%
Communication	$24,959	$24,795	$24,361	0.7%	2.5%
Commercial	$126,654	$126,070	$103,251	0.5%	22.7%
Sewage and waste disposal	$34,107	$33,972	$27,025	0.4%	26.2%
Transportation	$60,165	$59,963	$55,007	0.3%	9.4%
Power	$107,557	$107,214	$116,289	0.3%	-7.5%
Lodging	$21,526	$21,582	$15,808	-0.3%	36.2%
Amusement and recreation	$28,701	$28,785	$25,832	-0.3%	11.1%
Office	$92,039	$92,469	$84,467	-0.5%	9.0%
Educational	$104,094	$104,808	$98,187	-0.7%	6.0%
Health care	$54,823	$55,600	$49,691	-1.4%	10.3%
Manufacturing	$122,656	$125,473	$86,027	-2.2%	42.6%
Water supply	$24,121	$24,693	$18,781	-2.3%	28.4%
Public safety	$11,468	$11,827	$9,755	-3.0%	17.6%
Religious	$2,665	$2,817	$2,855	-5.4%	-6.7%
Conservation and development	$9,776	$11,090	$7,941	-11.8%	23.1%
Private Nonresidential	$569,978	$572,928	$495,533	-0.5%	15.0%
Public Nonresidential	$373,508	$375,170	$333,205	-0.4%	12.1%

Source: U.S. Census Bureau

Source: https://www.abc.org/News-Media/News-Releases/entryid/19768/abc-nonresidential-construction-spending-dips-05-in-december; 2/1/23

Return to TOC

Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Indicator Down to Start 2023; Contractor Confidence Rises

"Associated Builders and Contractors reports today that its Construction Backlog Indicator declined 0.2 months to 9.0 in January, according to an ABC member survey conducted Jan. 20 to Feb. 3. The reading is 1.0 month higher than in January 2022.

Despite the decline in January, backlog remains elevated by historical standards and is 0.1 months higher than in February 2020, the month before the COVID-19 pandemic began to impact the economy.

ABC's Construction Confidence Index reading for sales, profit margins and staffing levels increased in January. All three readings remain above the threshold of 50, indicating expectations of growth over the next six months.

"Despite extremely elevated borrowing costs, worker shortages and a generally downcast economic outlook, contractor confidence rebounded in January to a level not seen since the first half of 2022," said ABC Chief Economist Anirban Basu. "Given the recent employment report, the U.S. economy continues to fend off recession. Some economists have concluded that rather than a hard or soft landing, the U.S. economy is headed for 'no landing,' meaning that economic growth will continue despite rising interest rates.

"However, the incredibly strong January jobs report makes it more likely that the Federal Reserve will maintain higher borrowing costs for a longer period," said Basu. "Eventually, that could cause the economic expansion to unravel, perhaps later this year. That could set the stage for diminished backlog and less confidence for contractors that specialize in privately financed projects as 2024 approaches."" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19787/abcs-construction-backlog-indicator-down-to-start-2023-contractor-confidence-rises; 2/14/23

Return to TOC

Private Indicators
Associated Builders and Contractors

Construction Backlog Indicator

	Jan. 2023	Dec. 2022	Jan. 2022	1-Month Net Change	12-Month Net Change
Total	**9.0**	**9.2**	**8.0**	**-0.2**	**1.0**
Industry					
Commercial & Institutional	9.2	9.4	8.2	-0.2	1.0
Heavy Industrial	8.4	8.2	7.6	0.2	0.8
Infrastructure	8.6	10.0	8.7	-1.4	-0.1
Region					
Middle States	8.1	8.1	7.4	0.0	0.7
Northeast	8.4	8.9	7.1	-0.5	1.3
South	10.5	11.5	9.8	-1.0	0.7
West	9.0	7.2	7.4	1.8	1.6
Company Size					
<$30 Million	8.2	7.9	7.4	0.3	0.8
$30-$50 Million	9.9	13.1	7.7	-3.2	2.2
$50-$100 Million	12.0	11.1	12.4	0.9	-0.4
>$100 Million	12.0	14.2	11.9	-2.2	0.1

Source: https://www.abc.org/News-Media/News-Releases/entryid/19787/abcs-construction-backlog-indicator-down-to-start-2023-contractor-confidence-rises; 2/14/23

Private Indicators
Associated Builders and Contractors

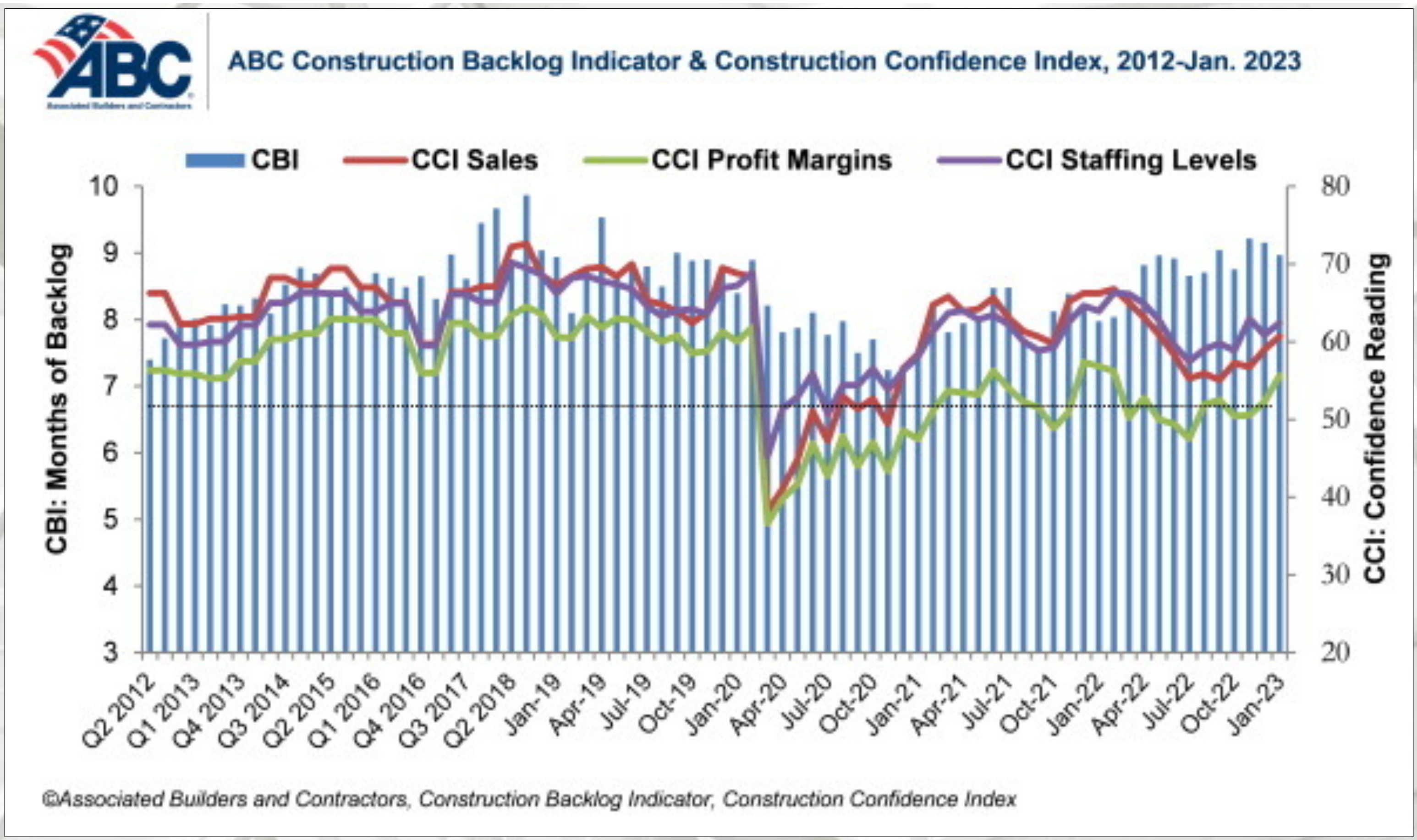
Construction Confidence Index

Response	January 2023	December 2022	January 2022
CCI Reading			
Sales	60.7	59.0	66.2
Profit Margins	55.6	52.3	56.9
Staffing	62.4	60.9	63.9
Sales Expectations			
Up Big	6.9%	9.1%	11.1%
Up Small	49.7%	44.6%	55.3%
No Change	24.9%	24.6%	21.2%
Down Small	16.2%	16.6%	12.5%
Down Big	2.3%	5.1%	0.0%
Profit Margin Expectations			
Up Big	2.3%	2.9%	2.9%
Up Small	41.6%	36.0%	45.7%
No Change	34.1%	35.4%	30.8%
Down Small	20.2%	18.9%	17.3%
Down Big	1.7%	6.9%	3.4%
Staffing Level Expectations			
Up Big	3.5%	4.6%	7.7%
Up Small	49.1%	50.9%	51.9%
No Change	41.0%	31.4%	30.8%
Down Small	6.4%	9.7%	7.7%
Down Big	0.0%	3.4%	1.9%

Source: https://www.abc.org/News-Media/News-Releases/entryid/19787/abcs-construction-backlog-indicator-down-to-start-2023-contractor-confidence-rises; 2/14/23

Return to TOC

Private Indicators
Associated Builders and Contractors



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Return to TOC

Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index December 2022

Business conditions at architecture firms end the year on a strong note

Recruiting architecture staff to meet workloads is a concern at most firms

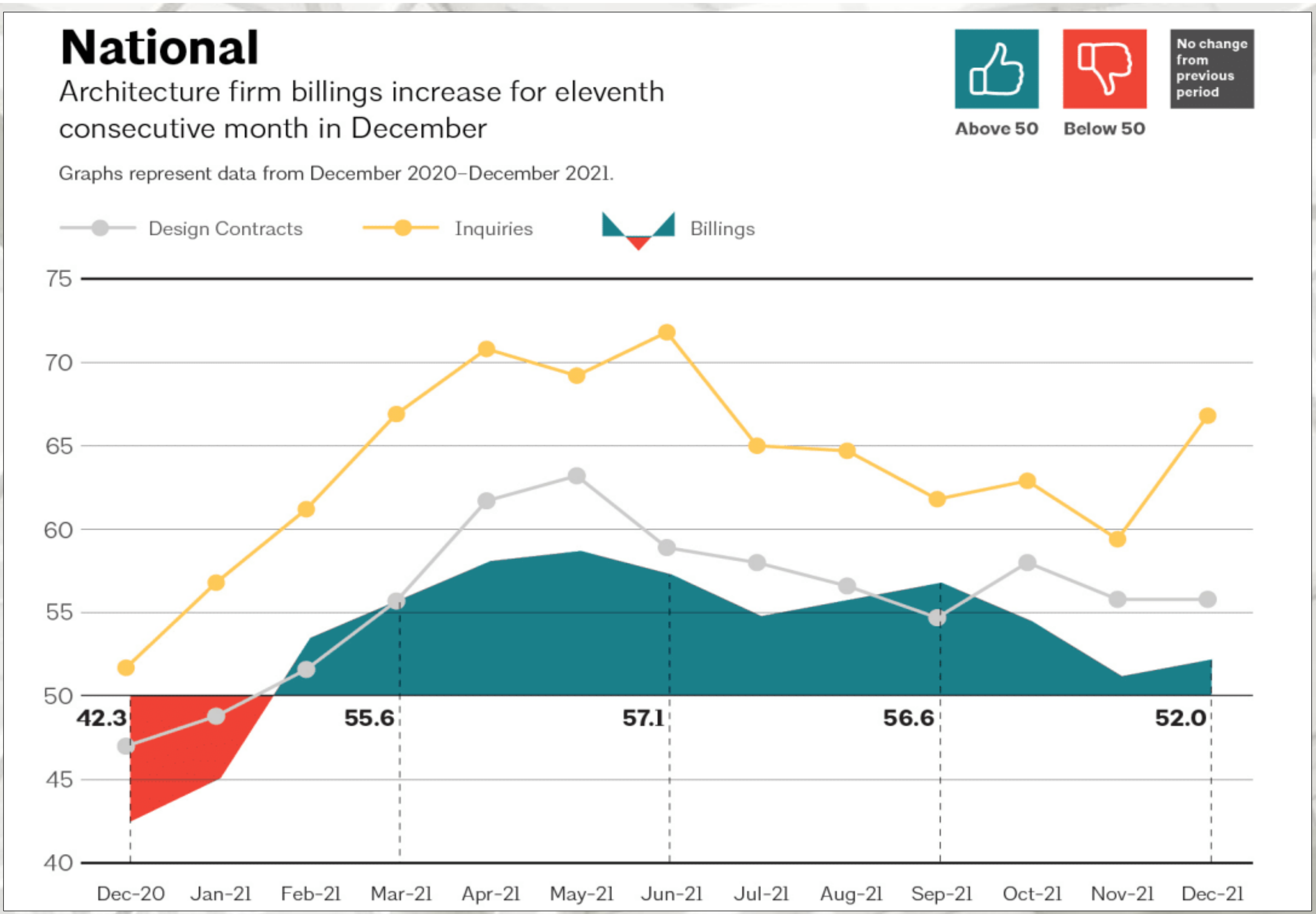
"Business conditions at architecture firms ended 2021 on a high note, with an Architecture Billings Index (ABI) score of 52.0 in December (any score over 50 indicates billings growth). Firm billings increased every month of the year except for January, as most firms experienced a strong rebound from the 2020 downturn. And despite a variety of concerns related to the omicron variant; prices/availability of construction materials; and labor shortages, firms also continued to report a robust supply of work in the pipeline, with inquiries into new work and the value of new design contracts both remaining strong, and backlogs remaining near the highest levels ever reported since we started collecting this data in 2010, at an average of 6.5 months." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

"Despite strong revenue growth last year, architecture firms have modest expectations regarding business conditions this coming year. With ABI scores for the entire fourth quarter of 2022 in negative territory, a slowdown in construction activity is expected later this year, though the depth of the downturn remains unclear." – Kermit Baker, Chief Economist, AIA

Source: https://www.aia.org/pages/6469775-abi-december-2021-business-conditions-at-a; 1/25/23

Return to TOC

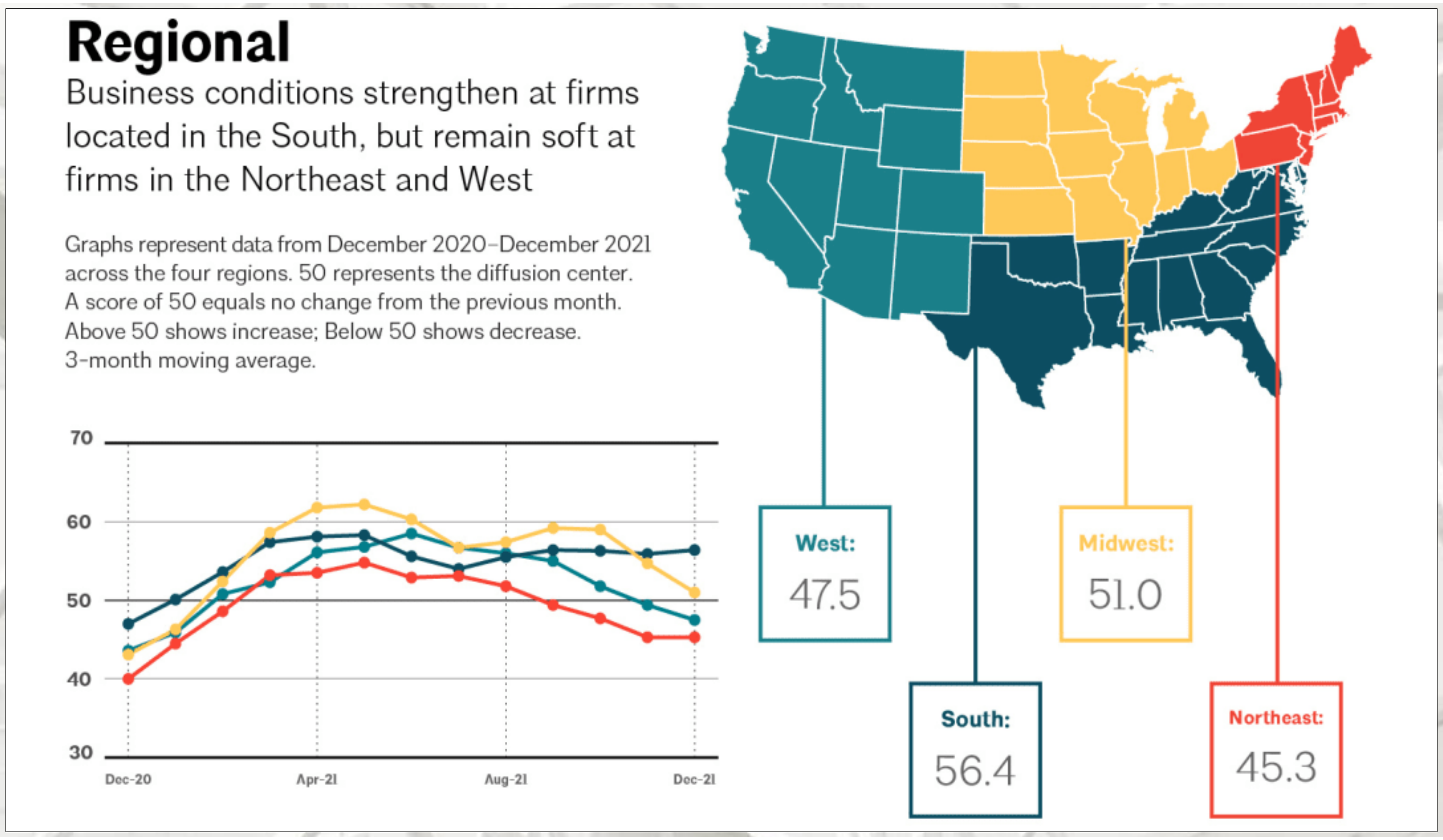
Private Indicators
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6469775-abi-december-2021-business-conditions-at-a; 1/25/23

Return to TOC

Private Indicators: AIA



Region

"However, conditions were more variable by both region of the country and firm specialization in December. Firms located in the Northeast experienced their fourth consecutive month of declining billings, while firms located in the West saw billings decrease for the second month in a row. Firms located in the Midwest and South continued to report an increase in billings, but the pace of growth has slowed substantially at firms in the Midwest in recent months. Only firms located in the South have continued to report a consistently high level of billings recently." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6469775-abi-december-2021-business-conditions-at-a; 1/25/23

Return to TOC

Private Indicators: AIA

Sector

"However, firms of all specialization reported a decline in firm billings in December, with only those with a mixed specialization (defined as those firms not having at least 50% of their billings in one of the other three categories: multifamily residential, commercial/industrial, or institutional) experiencing growth. Even firms with a multifamily residential specialization experienced a decline in billings for the first time in nearly a year, while firms with an institutional specialization reported their second straight month of softness. There is always some softness in firm billings at the end of the year, due to the holiday season and colder weather, but seasonal adjustment of the data typically smooths much of that out. But because of that, it is too early to say whether this is just a seasonal blip, or the start of a more concerning trend." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6469775-abi-december-2021-business-conditions-at-a; 1/25/23

Return to TOC

Private Indicators
American Institute of Architects (AIA)

For Firms, Another Downturn to Manage in 2023

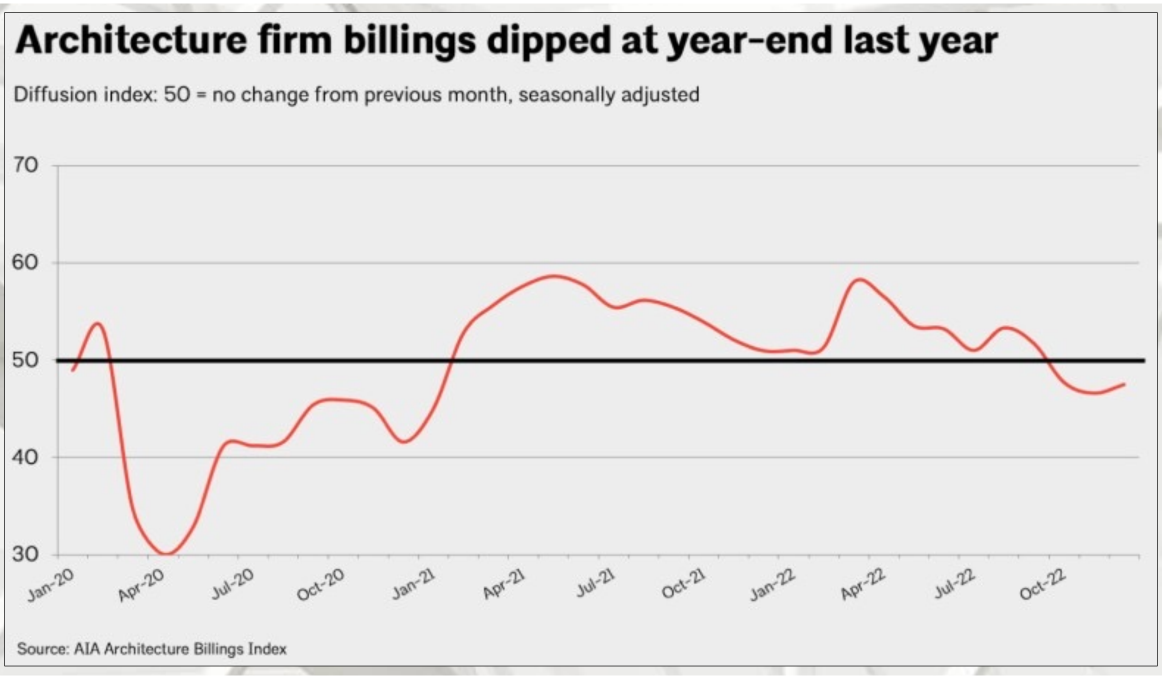
"Another design recession appears to be developing at architecture firms. Design billings declined in the fourth quarter of last year, according to AIA's Architecture Billings Index (ABI), and on average firms are expecting no gains in revenue this year. However, large design backlogs matched by equally large backlogs at construction companies should help provide a bridge to the next design expansion. In the meantime, firm leaders are expressing concerns in three main areas in navigating this unexpected downturn: tightening project management given all the uncertainty, maintaining firm profitability, and coping with staffing issues.

Architecture firms enjoyed less than three years of healthy business conditions between the onset of the pandemic in the United States in March 2020 and the emerging downturn at the end of last year. However, over this period, firms experienced some of the strongest growth that they had seen in decades, leading to a growing shortage of staff across the profession. It was also a period of chronic supply chain disruptions for key construction commodities; the highest rate of inflation in the economy in four decades; and rapidly rising interest rates. These trends put pressure on firms to develop affordable designs in an environment of rapidly rising costs, help clients navigate the construction process that was constantly under pressure from cost escalation and scheduling delays, and potentially offer materials substitutions or design solutions when preferred items were unavailable or unaffordable." – Kermit Baker, Chief Economist, AIA

Source: https://www.architectmagazine.com/aia-architect/aiafeature/for-firms-another-downturn-to-manage-in-2023_o; 2/1/23

Return to TOC

Private Indicators
American Institute of Architects (AIA)



For Firms, Another Downturn to Manage in 2023

“Construction Follows Suit

The nonresidential building construction market traditionally follows a similar pattern to design activity, just with a considerable lag. Spending on the construction of nonresidential buildings didn’t begin to recover from the pandemic-induced downturn until the latter part of 2021, but in 2022, as much of the rest of the economy was reeling under the pressure of high prices and supply problems, spending on the construction of buildings increased at close to a double-digit pace. The fact that nonresidential construction payrolls increased by almost 4% that year points to significant growth in construction activity beyond just higher input costs, as reflected by the ABI numbers from that time period.” – Kermit Baker, Chief Economist, AIA

Source: https://www.architectmagazine.com/aia-architect/aiafeature/for-firms-another-downturn-to-manage-in-2023_o; 2/1/23

Return to TOC

Private Indicators
American Institute of Architects (AIA)

For Firms, Another Downturn to Manage in 2023

Construction Follows Suit

"However, the healthy pace of growth in construction spending in 2022 masks the unevenness of those gains. While the commercial/industrial sector increased by more than 15%, according to the ABI, spending on institutional facilities hardly saw any improvement.

And even while the robust commercial/industrial sector saw increases, including in manufacturing and distribution facilities, offices and lodging facilities saw virtually no growth.

This uneven nature of the growth in nonresidential building activity has accelerated with economic developments that evolved during the pandemic. For example, spending on the construction of manufacturing facilities almost doubled between February 2020 and the end of last year, per U.S. Department of Commerce construction spending data. Manufacturing gains have resulted in large part from reshoring efforts by U.S. companies to limit their exposure to supply disruptions. The Reshoring Institute estimates that reshoring and other foreign direct investment in the U.S. produced 350,000 manufacturing positions in 2022, almost three times the annual average of the prior decade.

Likewise, due to explosive growth in e-commerce activity during the pandemic, the distribution component of the retail category has seen strong gains in construction. The pandemic also has been a boon for data centers, due to the adoption of cloud computing with remote work. The largest end users of data centers — financial services, IT and telecom, government, and energy and utilities — have been some of the fastest growing sectors in our economy over this period." – Kermit Baker, Chief Economist, AIA

Source: https://www.architectmagazine.com/aia-architect/aiafeature/for-firms-another-downturn-to-manage-in-2023_o; 2/1/23

Return to TOC

Private Indicators
American Institute of Architects (AIA)

For Firms, Another Downturn to Manage in 2023

Construction Follows Suit

"At the other extreme, the pandemic significantly curtailed business and personal travel. By the end of 2022, U.S. Department of Commerce data tells us that spending on lodging declined almost 40% compared to pre-pandemic levels. Also, remote work became much more common during the pandemic, reducing the need for office space. Spending on office construction over this period declined 10% relative to pre-pandemic levels.

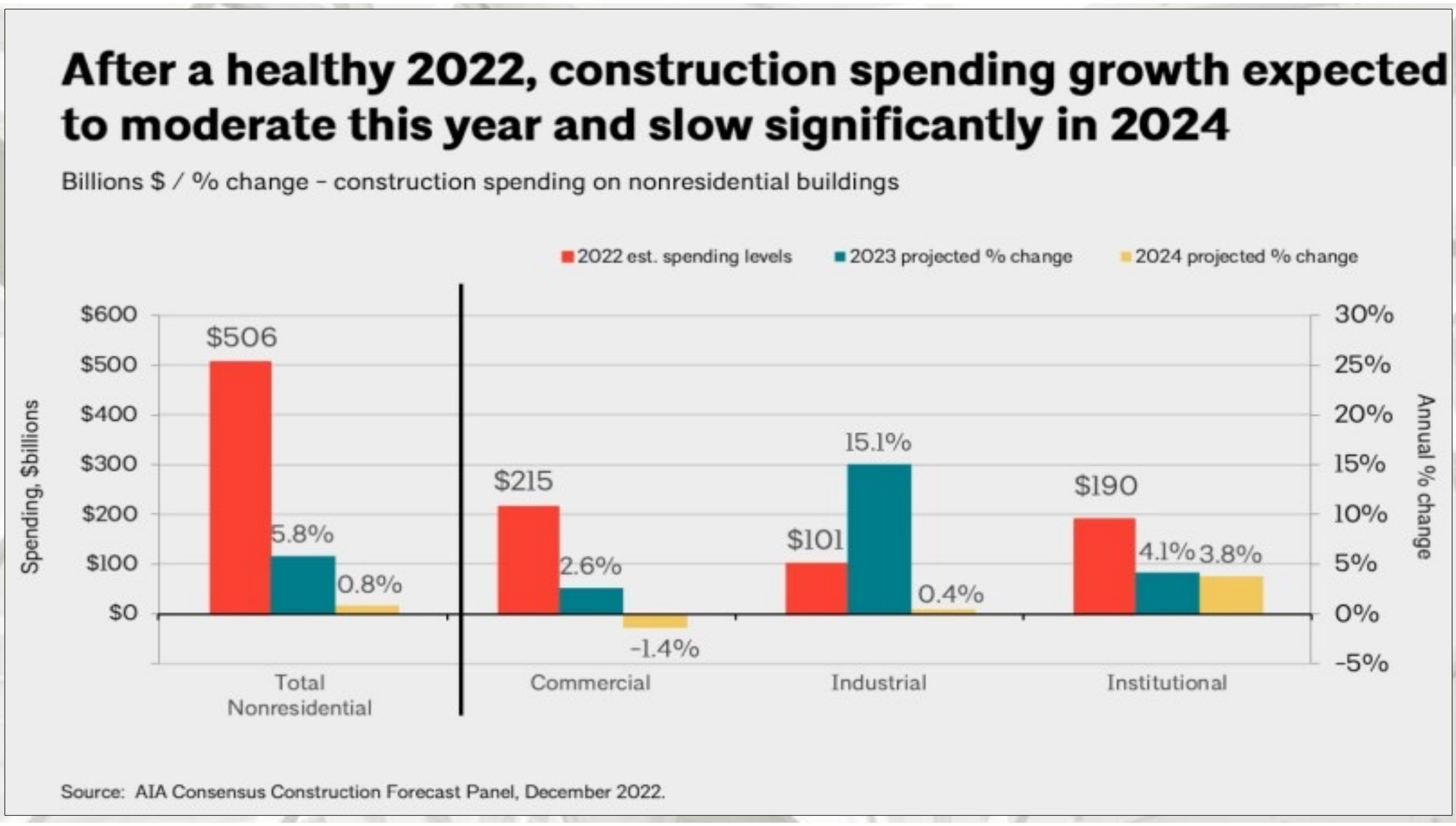
A key question that construction forecasters are grappling with is the extent to which sectors seeing strong growth in recent years have overshot market demand, and those seeing declines have undershot longer-term potential. The real estate market offers insights in this regard. For example, office vacancy rates nationally are in excess of 17%, while they have averaged 14.5% over the past two decades, according to the Urban Land Institute, indicating an excess supply of office space. In contrast, industrial availability rates are averaging under 5%, having averaged almost 10% over the past two decades.

Factoring in all these trends, the AIA Consensus Construction Forecast Panel is projecting spending on nonresidential buildings to increase almost 6% in 2023, down from the almost 10% growth in 2022. Next year, growth is projected to slow to under 1%. Much of the anticipated growth this year will come from the industrial sector, while next year the institutional sector will provide most of the meager growth that is expected." – Kermit Baker, Chief Economist, AIA

Source: https://www.architectmagazine.com/aia-architect/aiafeature/for-firms-another-downturn-to-manage-in-2023_o; 2/1/23

Return to TOC

Private Indicators
American Institute of Architects (AIA)



For Firms, Another Downturn to Manage in 2023

Different Strokes Required for This Down Cycle

"If the current weakness in design activity continues, architecture firms will confront their second design downturn in less than three years. While managing business through a downturn may be fresh in firm owners' minds, this cycle needs to be treated very differently than the pandemic downturn in early 2020." – Kermit Baker, Chief Economist, AIA

Source: https://www.architectmagazine.com/aia-architect/aiafeature/for-firms-another-downturn-to-manage-in-2023_o; 2/1/23

Return to TOC

Private Indicators
American Institute of Architects (AIA)

For Firms, Another Downturn to Manage in 2023

Different Strokes Required for This Down Cycle

“As the pandemic hit the economy in the U.S., much activity stopped suddenly. Many architecture firms were forced to temporarily cease operations, as were many construction job sites. The underlying health of the economy was generally not a concern; rather, it was a question of when public health conditions would permit a reopening of activity. As a result, revenue at architecture firms immediately plummeted to levels not seen in any prior economic cycle in decades, according to AIA research.

The driving forces of this cycle have been supply chain disruptions causing spiking prices and availability issues for construction commodities, elevated rates of inflation for many construction inputs, rising interest rates and more restrictive financing terms for construction projects, and a labor shortage both for architects and construction workers. With supply chains beginning to get back to normal, inflation rates beginning to ease, and long-term interest rates stabilizing, many feel that this downturn will be relatively mild and short-lived.

This optimism is supported by two other factors. Architecture firms have seen growing backlogs over the past decade. In large part this was the result of a surge in demand for facilities, coupled with labor shortages that forced design and construction schedules to be extended. Many firms feel that their current project backlogs — averaging almost seven months entering 2023 — will serve as bridge to a recovery in the demand for design services.” – Kermit Baker, Chief Economist, AIA

Source: https://www.architectmagazine.com/aia-architect/aiafeature/for-firms-another-downturn-to-manage-in-2023_o; 2/1/23

Return to TOC

Private Indicators
American Institute of Architects (AIA)

For Firms, Another Downturn to Manage in 2023

Different Strokes Required for This Down Cycle

“Additionally, smaller reconstruction projects (perceived as more stable by firm owners) have come to dominate the design portfolio at many firms. The AIA recently reported that more than 60% of revenue at both commercial/industrial firms and institutional firms is derived from reconstruction projects. These projects have become more popular in recent years because of their favorable sustainability potential, as well as the ways that the pandemic has reshaped consumer demand. Architecture firms recently reported that adaptive reuse is the most common goal of their portfolio of reconstruction projects.

As a result of the often-unique characteristics of this current economic cycle, architecture firms are finding that many of their priorities are shifting as they attempt to manage through this current period of economic weakness. When recently asked to rank their top business-related concerns heading into 2023 via AIA’s Work-on-the-Boards survey, they largely fell into three categories:

- **Tighter project management**: Given the uncertainty surrounding materials costs and availability, architecture firms often have had a difficult time designing projects within the client’s budget. Per AIA’s Work-on-the-Boards survey, more than a quarter of architecture firms ranked coping with volatile construction/building materials costs and availability as one of their top concerns (out of three) entering 2023. While this issue seems to be resolving itself as the economy cools, firms have been largely helpless in dealing with this problem over the past two years, and therefore are wary that it may re-emerge in the future.” – Kermit Baker, Chief Economist, AIA

Source: https://www.architectmagazine.com/aia-architect/aiafeature/for-firms-another-downturn-to-manage-in-2023_o; 2/1/23

Return to TOC

Private Indicators
American Institute of Architects (AIA)

For Firms, Another Downturn to Manage in 2023

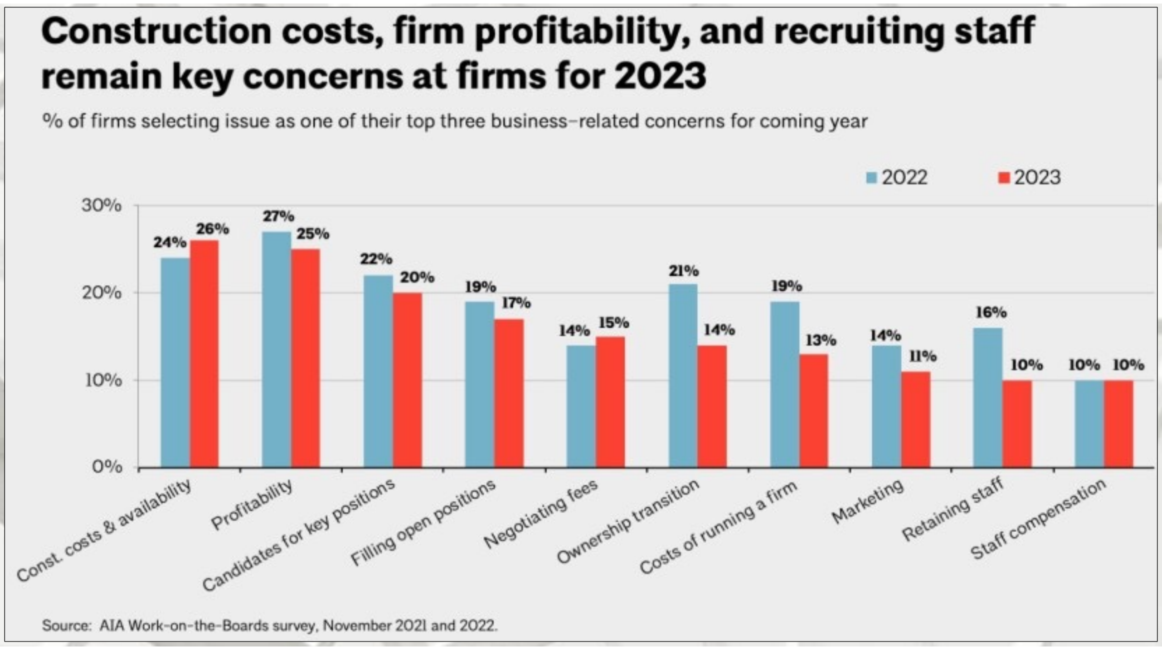
Different Strokes Required for This Down Cycle

- "**Firm profitability**: Profitability chronically makes the list of top concerns at firms, but there is a slightly different twist this time. Firms have seen operating costs increase dramatically over the past year with the costs of healthcare, technology, and employee benefits all on the rise. The key area, however, is staff compensation given the extremely tight labor market. There are two broad strategies for firms to deal with this situation: increasing revenue or cutting costs. Increasing revenue given the currently overstretched staff resources at many firms is difficult, if not impossible. Likewise, cutting costs is even less feasible in this economic environment given that, far and away, the largest expense category is staff compensation. Most firms have had to raise compensation to attract new staff and retain their current employees. As a result, profitability has suffered, which is why a quarter of firms name this issue as one of their top three concerns for 2023, per the Work-on-the-Boards survey.
- **Staffing**: Half of the top 10 concerns of architecture firms entering 2023 are related to staffing, labor, and firm leadership issues, per the Work-on-the-Boards survey. These were also five of the top 10 concerns for 2022, so staffing is becoming a chronic issue in architecture. However, there are several dimensions to the staffing and labor issue. The first deals with firm leadership and filling key positions. Ownership transition has become a major issue with the ongoing retirement of members of the large baby-boom generation. A related issue is filling key positions within the firm. As firms have grown in recent years, their ability to staff critical positions by promoting from within is often limited, per AIA's Work-on-the-Boards survey, and recruiting senior staff from outside the firm can be very challenging in this economic environment." – Kermit Baker, Chief Economist, AIA

Source: https://www.architectmagazine.com/aia-architect/aiafeature/for-firms-another-downturn-to-manage-in-2023_o; 2/1/23

Return to TOC

Private Indicators
American Institute of Architects (AIA)



For Firms, Another Downturn to Manage in 2023

Different Strokes Required for This Down Cycle

"A related issue is the general problem of filling open positions and retaining current staff. Even in the face of a severe staffing shortage, firms added only 1,300 payroll positions nationally over the last three months of 2022, which accounted for only .5% of all payroll positions at architecture firms, according to the U.S. Department of Labor.

Finally, and clearly related to the other two staffing challenges, is the issue of staff compensation. In a period characterized by high inflation, pressure on firm profitability, and labor shortages, compensation levels are a critical concern. However, increasing compensation does not help to resolve profession-wide staffing shortages, at least in the short run. When asked to evaluate their level of concern with almost 50 potential business issues, firms cited staffing among the top 10 most pressing." – Kermit Baker, Chief Economist, AIA

Source: https://www.architectmagazine.com/aia-architect/aiafeature/for-firms-another-downturn-to-manage-in-2023_o; 2/1/23

Return to TOC

Private Indicators

Dodge Data & Analytics

Total Construction Starts Increase in December

Manufacturing and infrastructure projects lead large gains during the month

“Total construction starts jumped 27% in December to a seasonally adjusted annual rate of $1.185 trillion, according to Dodge Construction Network. During the month, nonresidential building starts increased 51%, nonbuilding starts increased 30%, and residential starts rose less than one percent.

Across 2022, total construction starts were 15% higher than in 2021. Nonresidential building starts rose 38% over the year, nonbuilding starts were up 19%, and residential starts were down 3%.

“December starts revealed where the current strength in the construction lies: manufacturing and infrastructure,” said Richard Branch, chief economist for Dodge Construction Network. “It is those segments that will provide insulation for the sector as the economy softens in 2023. Recession or not, higher interest rates will weigh on the economy and restrain construction starts in 2023. However, it’s encouraging to know that the new year is starting with a great deal of positive momentum.”” – Cailey Henderson, Account Manager, 104 West Partners

Source: https://www.construction.com/news/December-Starts; 1/24/23

Return to TOC

Private Indicators

Dodge Data & Analytics

"**Nonresidential building** rose 30% in December to a seasonally adjusted annual rate of $281.4 billion. The utility/gas category was the main driver of the growth due to the start of a transmission line project. Miscellaneous nonbuilding starts rose 19% and highway and bridge starts were up 10%. However, environmental public works fell 4%. For the full year, total nonbuilding starts were up 19% from 2021. Starts activity in all sectors gained in 2022, led by utility/gas plants, which rose 26%. Highway and bridge starts were up 25% in the year, environmental public works increased by 15%, and miscellaneous nonbuilding starts rose by less than one percent..

The largest nonresidential building projects to break ground in December were the $2.2 billion Champlain Hudson Power Express transmission line across several counties in New York state, the $1.2 billion New Fortress Energy Louisiana LNG terminal in Grande Isle, LA, and the $535 million Black Diamond solar project in Morgan and Sangamon counties, IL. …

Residential building starts remained flat in December at a seasonally adjusted annual rate of $353.8 billion. Single family starts lost 5%, while multifamily starts gained 8%. Residential starts were 3% lower in 2022 when compared to 2021. Multifamily starts were up 25%, while single family housing slipped 13%.

The largest multifamily structures to break ground in December were the $350 million first phase of the Hamilton Green complex in White Plains, NY, a $240 million mixed-use project on Dekalb Ave in Brooklyn, NY, and the $230 million 54 Crown Street building in Crown Heights, NY.

Regionally, total construction starts in December rose in all five regions." – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/December-Starts; 1/24/23

Return to TOC

Private Indicators

December 2022 CONSTRUCTION STARTS

MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

	Dec 2022	Nov 2022	% Change
Nonresidential Building	$549,595	$364,668	51
Residential Building	353,807	352,763	0
Nonbuilding Construction	281,355	215,604	30
Total Construction	$1,184,758	$933,035	27

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	12 Mos. 2022	12 Mos. 2021	% Change
Nonresidential Building	$414,896	$299,756	38
Residential Building	414,499	425,397	-3
Nonbuilding Construction	245,923	206,858	19
Total Construction	$1,075,318	$932,011	15

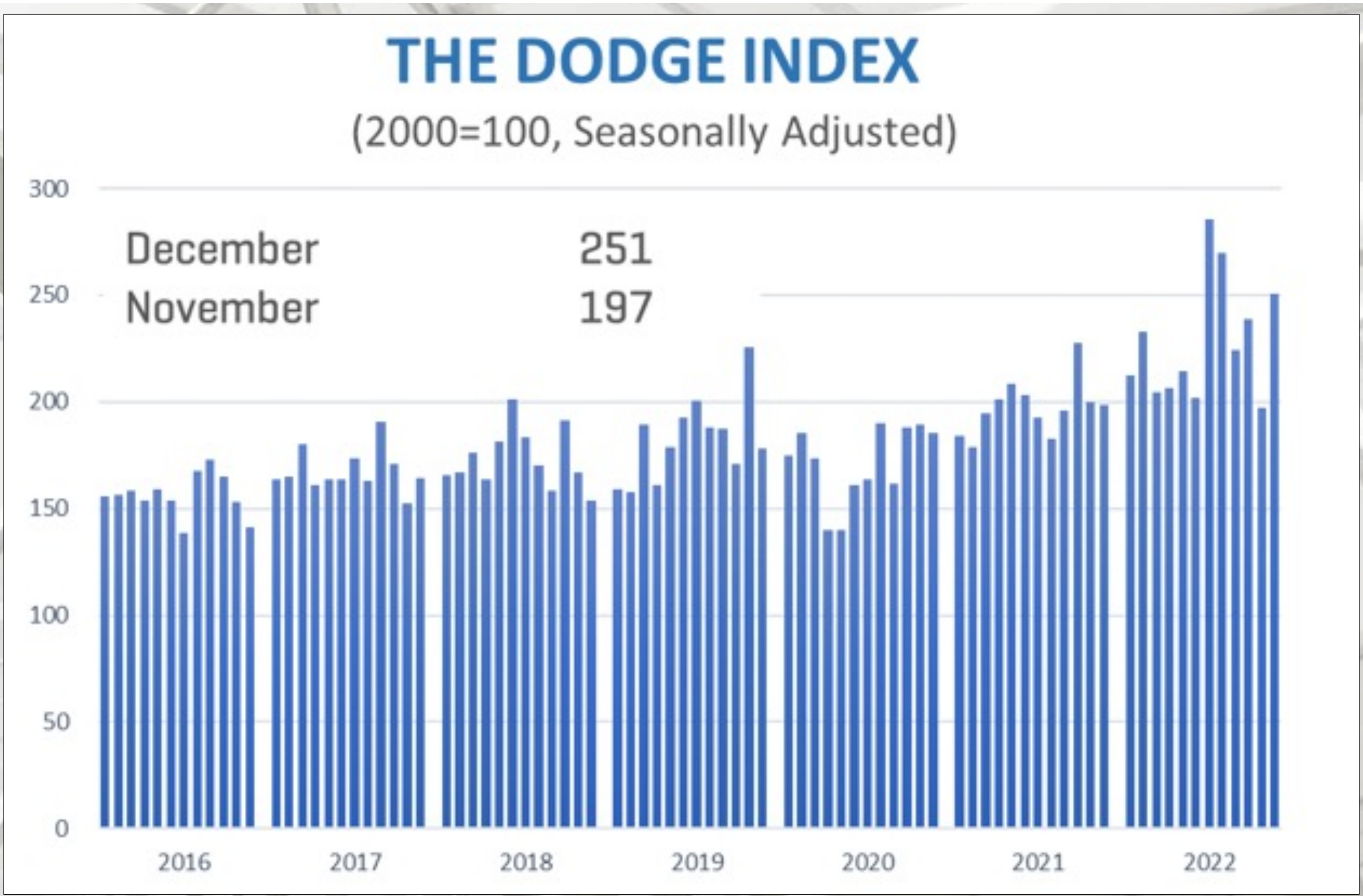
Source: Dodge Construction Network

Source: Dodge Data & Analytics

Source: https://www.construction.com/news/December-Starts; 1/24/23

Return to TOC

Private Indicators



Source: Dodge Data & Analytics

Source: https://www.construction.com/news/December-Starts; 1/24/23

Return to TOC

Private Indicators

MNI Chicago

"The Chicago Business Barometer™, produced with MNI, tumbled a further eight points to 37.2 in November, contracting for a third consecutive month. Excluding the 2020 pandemic shock, this was the lowest reading since the 2008/09 Global Financial Crisis.

Chicago Business Barometer™ – Tumbled to 37.2

December Chicago Report™ Signals a Softer Downturn

After marginal improvements in October, only Employment and Inventories recorded November upticks. All other indexes saw marked declines. Production, New Orders and Order Backlogs fell further to June 2020 lows. Only Inventories and Prices Paid remained expansionary.

- Production plunged by 9.2 points to 35.9, contracting for the third month running to 17 points below the 12-month average. Low order levels dampened production. Close to 90% of respondents recorded the same or lower production.
- New Orders recorded the lowest sub-index level at 30.7, 8.5 points below the October level. Weak demand conditions saw 46% of firms experience falling orders. Inflation concerns, higher inventories and the slowing housing market were cited as key contributors.
- Order Backlogs experienced the largest decline, receding 11.2 points to 36.1. As new orders weaken further, firms are quickly working through outstanding customer orders.
- Employment ticked up 1.5 points to 47.1, improving for a second month from the brief September dip." – Les Commons, Senior Economist and Lucy Hager, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 1/31/23

Return to TOC

Private Indicators

MNI Chicago

Chicago Business Barometer™

- Inventories grew 2.9 points to 59.8. Anecdotal evidence showed firms were actively looking to normalize levels of stock as orders weaken. Nonetheless, weak demand conditions made it difficult to bring down inventory levels.
- Supplier deliveries declined by 9.4 points to 49.9 in November, nearing pre-pandemic levels as supply pressures eased. Overall lead times remain historically long and transparency issues persist.
- Prices Paid moderated by 8.6 points in November. This is 15.9 points below the 12-month average and signals a continued slowing in prices. Falling freight costs contributed to lower prices paid and further easing is expected in Q1 2023.

We asked firms whether they were passing the higher cost of doing business onto customers. 30% of respondents were able to pass on higher costs, whilst the vast majority (60%) were able to do so only partly. 10% of firms were unable to charge higher prices to account for rising costs." – Les Commons, Senior Economist and Lucy Hager, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 1/31/23

Return to TOC

Private Indicators

The Conference Board Leading Economic Index® (LEI)

LEI for the U.S. Declined Sharply Again in December

"**The Conference Board Leading Economic Index®** (LEI) for the U.S. decreased 1.0 percent in December 2022 to 110.5 (2016=100), following a decline of 1.1 percent in November. The LEI is now down 4.2 percent over the six-month period between June and December 2022 – a much steeper rate of decline than its 1.9 percent contraction over the previous six-month period (December 2021–June 2022).

The US LEI fell sharply again in December – continuing to signal recession for the US economy in the near term. There was widespread weakness among leading indicators in December, indicating deteriorating conditions for labor markets, manufacturing, housing construction, and financial markets in the months ahead. Meanwhile, the coincident economic index (CEI) has not weakened in the same fashion as the LEI because labor market related indicators (employment and personal income) remain robust. Nonetheless, industrial production – also a component of the CEI – fell for the third straight month. Overall economic activity is likely to turn negative in the coming quarters before picking up again in the final quarter of 2023.

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased by 0.1 percent in December 2022 to 109.6 (2016=100), after no change in November. The CEI rose by 1.4 percent over the six-month period from June to December 2022, faster than its growth of 0.4 percent over the previous six months. The CEI's component indicators – payroll employment, personal income less transfer payments, manufacturing trade and sales, and industrial production – are included among the data used to determine recessions in the US. Only the industrial production index contributed negatively to the CEI in December – the same as in November.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased by 0.3 percent in December 2022 to 117.6 (2016 = 100), following an increase of 0.2 percent in November. The LAG is up 2.3 percent over the six-month period from June to December 2022, much slower than its growth of 4.5 percent over the previous six months." – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

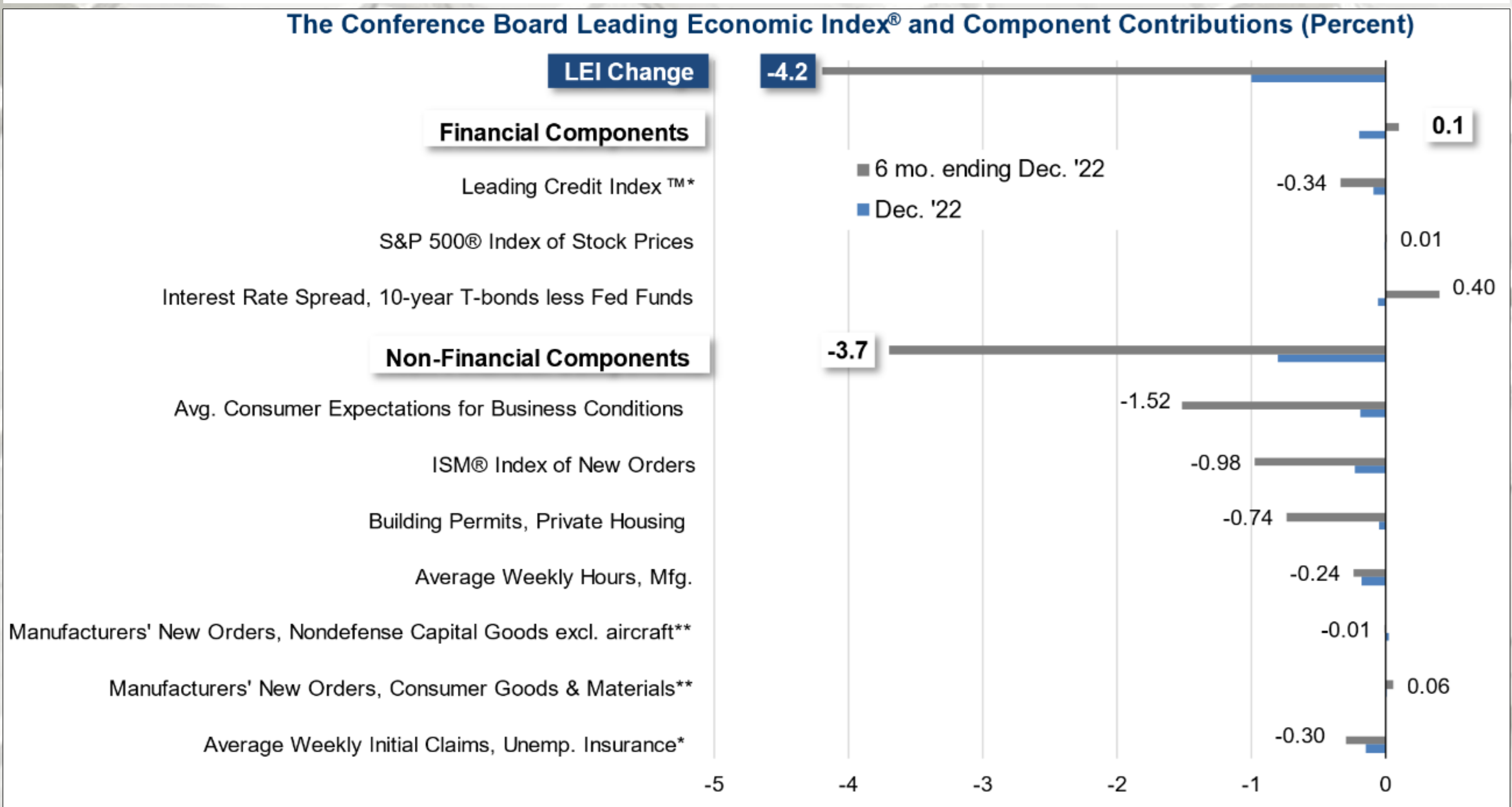
Source: https://www.conference-board.org/data/bcicountry.cfm; 1/23/23

Return to TOC

Private Indicators

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

LEI for the U.S. Declined Sharply Again in December



Source: The Conference Board
* Inverted series; a negative change in this component makes a positive contribution.
** Statistical Imputation
LEI change might not equal sum of its contributions due to application of trend adjustment factor

Source: https://www.conference-board.org/data/bcicountry.cfm; 1/23/23

Return to TOC

Private Indicators

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

December New Business Volume Up 9 Percent Year-over-year, 50 Percent Month-to-month, 6 Percent at Year-end

"The **Equipment Leasing and Finance Association's** (ELFA) **Monthly Leasing and Finance Index (MLFI-25)**, which reports economic activity from 25 companies representing a cross section of the $1 trillion equipment finance sector, showed their overall new business volume for December was $12.9 billion, up 9 percent year-over-year from new business volume in December 2021. Volume was up 50 percent from $8.6 billion in November in a typical end-of-quarter, end-of-year spike. Cumulative new business volume for 2022 was up 6 percent compared to 2021.

Receivables over 30 days were 1.8 percent, up from 1.7 percent the previous month and down from 2.0 percent in the same period in 2021. Charge-offs were 0.26 percent, down from 0.27 percent the previous month and up from 0.25 percent in the year-earlier period.

Credit approvals totaled 76.6 percent, down from 77.7 percent in November. Total headcount for equipment finance companies was down 7.6 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in January is 48.5, an increase from the December index of 45.9." – Amy Vogt, Vice President, Communications and Marketing, ELFA

"In one of the stronger December and Q4 end-of-year showings, new business volume in the association's monthly index is another example of businesses across the United States relying on equipment financing to enable their operations to grow and expand. This performance is especially impressive given the steady increase in short-term interest rates brought on by the Fed's determination to bring down inflation and stabilize labor markets." – Ralph Petta, President and CEO, ELFA

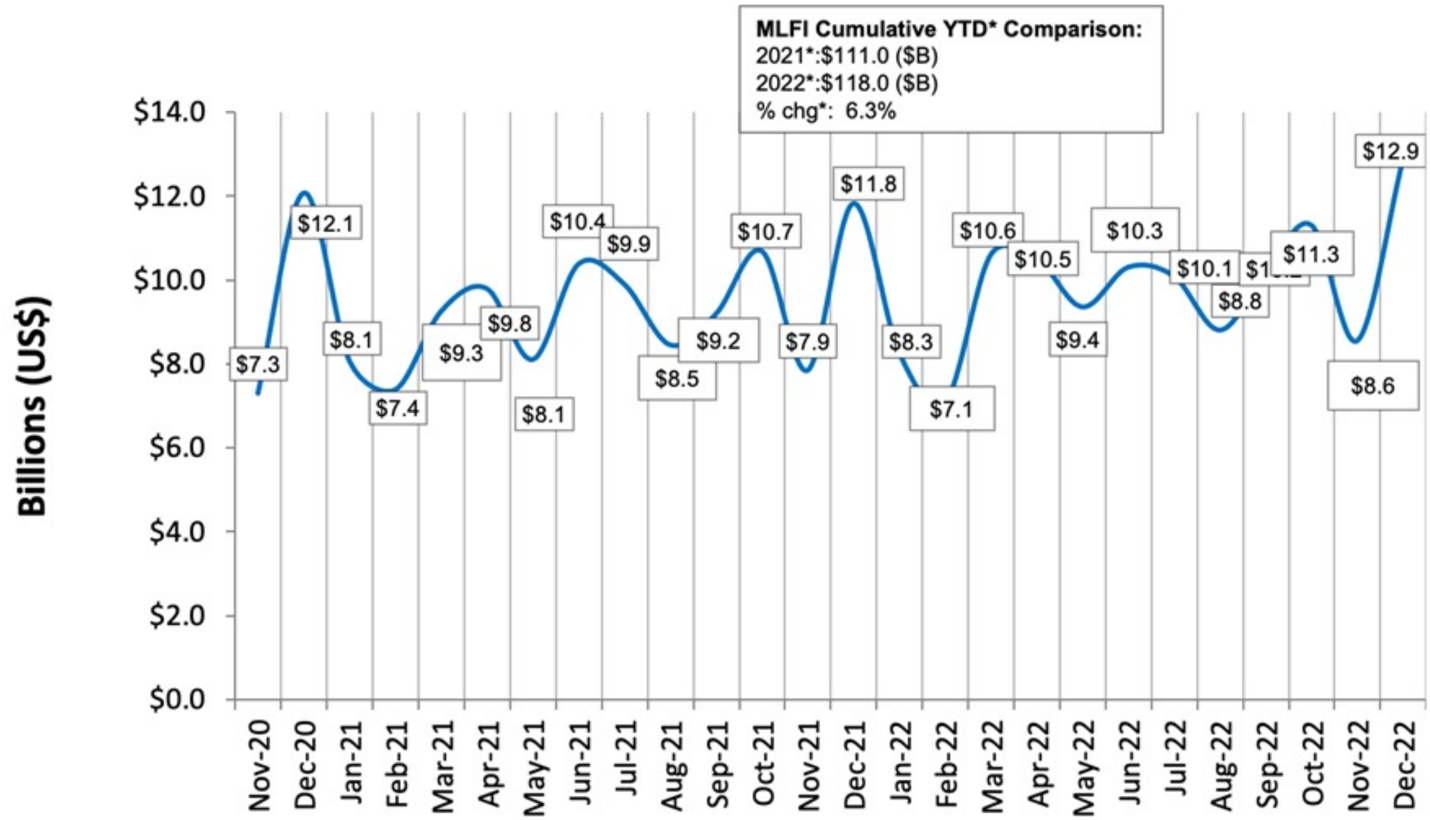
"It was certainly a challenging year for lenders as they navigated through a rapidly rising rate environment, supply chain constraints, higher equipment costs and talk of an expected slowdown. Despite these challenges our industry as a whole fared well with healthy year-over-year increases in originations and stellar portfolio performance, but remains a bit cautious heading into 2023. Not knowing yet the full impact of the Fed's series of rapid rate increases on the economy, I believe many companies will start the year with more focus on credit quality and spreads versus origination volume." – Chris Lerma, President, AP Equipment Financing

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2023/1/25/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 1/25/23

Return to TOC

Private Indicators

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



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

ELFA
Equipping Business for Success

MLFI

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2023/1/25/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 1/25/23

Return to TOC

Private Indicators

S&P Global U.S. Manufacturing PMI™

Further solid decline in manufacturing performance at start of the year

"The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 46.9 in January, up slightly from 46.2 in December and broadly in line with the earlier released 'flash' estimate of 46.8. The latest data signalled a solid deterioration in operating conditions across the US manufacturing sector, and one that was the second fastest since May 2020.

The health of the US manufacturing sector continued to decline at the start of 2023, according to the latest PMI™ data from S&P Global, albeit deteriorating at a reduced rate compared to December. The overall downturn in January was driven by a sharp contraction in new orders, a further drop in output and ongoing efforts to reduce inventories. Weak demand conditions stemmed from subdued sales across both domestic and export markets. Meanwhile, input costs and output charges rose at increased rates as price pressures strengthened again, despite suppliers' delivery times broadly stabilising and a marked contraction in input buying.

Lower new order inflows and a strong decline in backlogs of work caused the rate of job creation to slow further, with employment rising only fractionally. Nonetheless, business confidence ticked higher amid hopes of stronger demand in the months ahead, greater supply chain stability and investment in new products.

Demand conditions across the sector remained muted at the start of the year, as new orders fell at a steep rate. The decrease in new sales softened from that seen in December, but was nevertheless the second-sharpest in just over two-and-a-half years. Client hesitancy and order postponements following the impact of inflation and economic uncertainty on customer spending reportedly drove the downturn. New export orders also declined further in January, down for an eight straight month, albeit with the pace of contraction easing." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/065bcb34ca03491889e869481da229f5; 2/1/23

Return to TOC

Private Indicators

S&P Global U.S. Manufacturing PMI™

Further solid decline in manufacturing performance at start of the year

"Production levels at goods producers also decreased at a solid pace. The rate of contraction was among the fastest since the global financial crisis, despite slowing slightly from December.

Reversing the downwards trend seen since last June, the rate of cost inflation ticked higher in January. Greater input prices were attributed to hikes in material and transportation costs. The pace of increase was slower than the series average, however, and was the second-softest since October 2020.

Similarly, output charges rose at a quicker rate at the start of 2023. Efforts to pass higher costs through to customers pushed selling prices up, according to panellists. The pace of charge inflation was historically elevated despite being slower than seen throughout the last two years.

January data indicated only a fractional rise in workforce numbers at manufacturers. The rate of job creation eased for the fourth month running amid challenges hiring suitable staff and retaining skilled workers.

Meanwhile, suppliers' delivery times were broadly stable in January amid some reports of easing logistics delays. Partially contributing to stable vendor performance was a drop in demand for inputs among manufacturers. Input buying fell at one of the steepest rates on record as firms sought to run down stocks following weak demand and cost reduction efforts. Both pre- and post-production inventories contracted at the start of the year, often reflecting deliberate cost-driven inventory reduction policies.

Finally, US manufacturers were strongly confident of an uptick in output over the coming 12 months in January. The degree of optimism picked up to an eight-month high amid hopes of a soft landing for the economy, further supply chain stability, greater demand and additional investment in new products and marketing." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/065bcb34ca03491889e869481da229f5; 2/1/23

Return to TOC

Private Indicators

S&P Global U.S. Manufacturing PMI™

Comment

"Despite rising in January, the PMI remains at one of the lowest levels recorded since the global financial crisis, indicating a worryingly steep rate of decline in the health of the goods producing sector. Production has now fallen for three successive months, signalling a sharp fall in output which is now becoming increasingly evident in the official statistics and suggesting that the manufacturing sector has become a major drag on GDP.

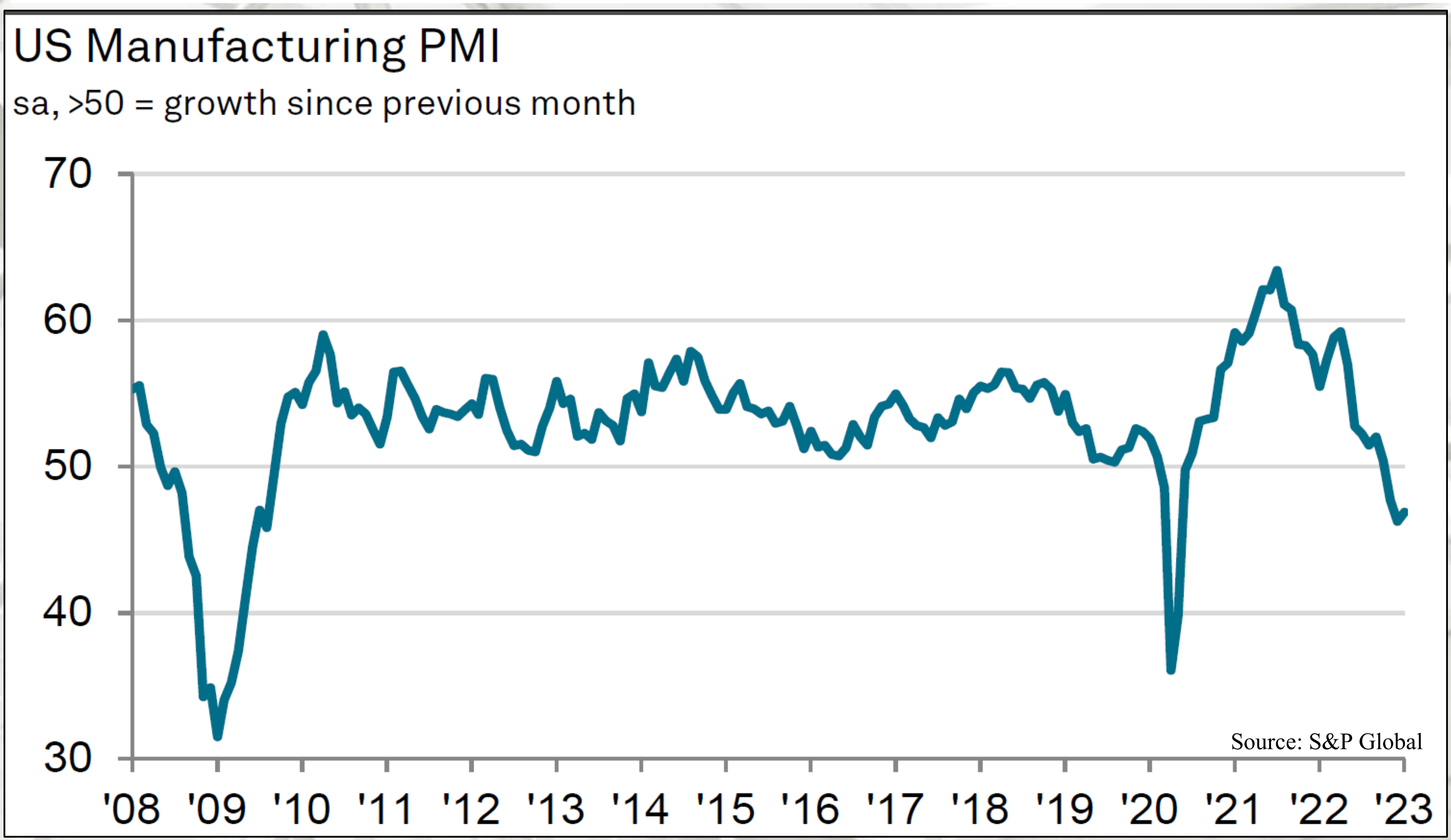
New orders are also slumping as demand from both domestic and export customers comes under increasing pressure from a mix of inflation and slower economic growth. The drop in orders also means that excess capacity is developing, which has in turn meant companies have scaled back their hiring and purchasing, and are also increasingly focusing on reducing their inventory levels.

"Improved supply chains and weaker demand should meanwhile help keep a lid on manufacturing price pressures in the months ahead, though a slight uptick in the survey's input cost and selling price gauges in January suggests that the road to lower inflation could be bumpier than previously anticipated, reflecting still elevated prices for many raw materials relative to prepandemic levels and sustained upward wage pressures." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/065bcb34ca03491889e869481da229f5; 2/1/23

Return to TOC

Private Indicators



Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/065bcb34ca03491889e869481da229f5; 2/1/23

Return to TOC

Private Indicators

S&P Global U.S. Services PMI™

Business activity contraction eases at start of 2023, but cost pressures strengthen once again

“The seasonally adjusted final S&P Global US Services PMI Business Activity Index registered 46.8 in January, up from 44.7 in December and broadly in line with the earlier released ‘flash’ estimate of 46.6. Weak client demand hampered business activity, as output fell at a solid pace. Firms noted that inflation and high interest rates weighed on customer spending, with further reports of hesitancy in placing new orders. The rate of contraction softened to the slowest in three months, however.

January data signalled a solid contraction in business activity across the US service sector at the start of 2023, according to the latest PMI™ data. Although easing, the fall in output stemmed from further weak domestic and external demand conditions, as new business and new export orders declined. Firms continued to expand their workforce numbers despite another fall in backlogs of work, but the pace of employment growth slowed further amid reports of cost-cutting efforts. Nonetheless, business confidence strengthened and was buoyed by increased spending on marketing and investment in cost efficiency.

At the same time, cost inflation picked up for the first time in eight months. A sharper rise in input prices was not reflected in a quicker increase in output charges, however, as selling prices rose at the slowest pace since October 2020.

New business fell for the sixth time in the last eight months, albeit at only a marginal pace. The decline in new orders was linked to lower purchasing power among customers amid strong inflationary pressures.

Alongside subdued domestic sales, new export orders also decreased in January. The rate of contraction in new business from abroad quickened and was among the sharpest since May 2020. Service sector firms stated that global economic uncertainty and high inflation in key export markets weighed on export sales.” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/ac2546efee054343915abda6169b2717; 2/3/23

Return to TOC

Private Indicators

S&P Global U.S. Services PMI™

"Cost pressures intensified in the opening month of 2023, thereby bringing an end to a seven-month sequence of easing input price inflation. Higher cost burdens were often linked to increased material prices, but service providers also commonly mentioned upticks in wage bills. The rate of cost inflation was historically elevated, but the second slowest since November 2020.

Efforts to boost sales and remain competitive reportedly hampered firms' ability to hike output charges in January, despite a marked rise in input prices. The rate of charge inflation was broadly in line with the long-run series average, and the slowest since October 2020. The pace of increase in selling prices moderated for the ninth successive month.

Employment across the service sector increased further during January, thereby extending the current sequence of job creation that began in July 2020. That said, the pace of growth slowed to only a slight pace. Efforts to rein in costs and challenges retaining staff at the current salary level reportedly hampered workforce numbers.

Meanwhile, service providers registered another monthly decline in backlogs of work in January. The rate of contraction was modest overall and matched that seen in December.

Finally, business optimism improved at the start of the year. Service sector firms recorded stronger expectations regarding the outlook for output over the coming year. Hopes of greater new orders, investment in cost-saving methods and increased spending on marketing were often linked to positive sentiment." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/ac2546efee054343915abda6169b2717; 2/3/23

Return to TOC

Private Indicators

S&P Global U.S. Services PMI™

Comment

“Business activity in the vast US services economy contracted in January as companies reported a further deterioration in new business inflows. Hiring has almost ground to halt as firms reassess their payroll needs in the light of the weaker demand environment.

The downturn is being led by a slump in financial services activity, linked in turn to higher borrowing costs, with consumer-facing service providers also reporting especially tough business conditions amid the ongoing squeeze in spending due to the rising cost of living.

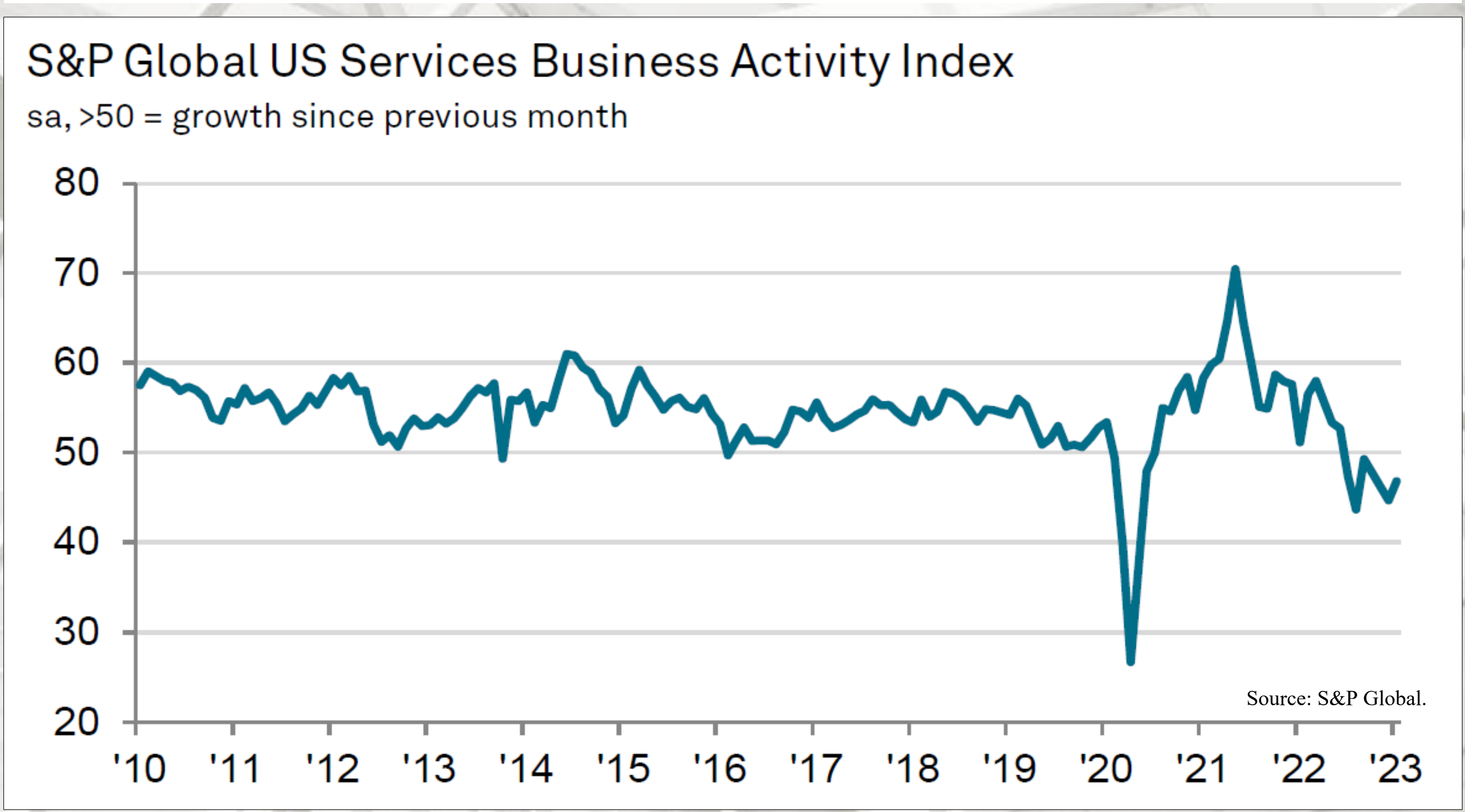
Combined with the fall in manufacturing output recorded during the month, the service sector’s downturn at the start of the year adds to the risk that the US economy could contract in the first quarter.

The January survey meanwhile brought mixed messages on inflation. While costs were boosted in part by rising wage pressures, reflecting the tight labor market, tough competition once again limited scope to pass on these higher costs to customers in the form of higher prices."” – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/ac2546efee054343915abda6169b2717; 2/3/23

Return to TOC

Private Indicators



Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/ac2546efee054343915abda6169b2717; 2/3/23

Return to TOC

Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for January 2023: Combined Sectors

"The National Association of Credit Management's Credit Managers' Index (CMI) deteriorated in January for the fourth consecutive month, falling 0.3 of a point to 51.3. Respondents in the CMI survey expressed concern regarding collecting payments due to turnover in accounts payable departments and financial stress among clients, said NACM Economist Amy Crews Cutts, Ph.D., CBE®.

"The combined CMI has lost 9.3 points since it peaked in April of 2021 and continues to record its lowest value since May of 2020," Cutts said. "More importantly, the index is at its lowest value recorded outside of a recession or, in the case of the pandemic recession, its immediate aftermath. While the index technically remains on the expansionary side above the 50-point threshold, the weakness in the index indicates to me that a recession is on the horizon from the perspective of business activity.

"The first estimate of fourth quarter 2022 real Gross Domestic Product showed a slight slowing of economic growth but at a 2.9% annualized rate, the economy is doing well in aggregate. Looking deeper into the report, domestic private investment, also known as business investment, rose at an annualized rate of 1.4% during the quarter but is down 5.0% year-over-year. The GDP report confirms what credit professionals are reporting — there is considerable weakness on the business side. Economists surveyed by the *Wall Street Journal* put a 61% probability that the U.S. will enter a recession in 2023, but the consensus is that it would be both relatively short and mild."

The CMI is centered on a value of 50, with values greater indicating expansion and values lower indicating economic contraction. For this month's report, the seasonal adjustment factors have been re-estimated, which affects prior published values of the CMI indexes." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 1/31/23

Return to TOC

Private Indicators

National Association of Credit Management – Credit Managers' Index

"""The continued decline in the favorable factor index, and especially the decline in its component factor index for sales, is worrying," Cutts said. "When the rest of the economic data is suggesting the economy is just fine yet we have witnessed a 25-point drop in sales, which bodes poorly for the coming months."

"Both sector CMI indexes have declined markedly since spring of last year," Cutts said. "The manufacturing index has deteriorating more consistantly, while services had a later start in its deterioration. Both indexes remain above the 50-point threshold, meaning there is still growth overall, but it's anemic.

"NACM survey respondents cited declining sales and worries about getting payment from overseas customers. The experiences of NACM members is corroborated by the U.S. Bureau of Economic Analysis report on Gross Domestic Product. Real (inflation adjusted) exports of goods fell 1.8% (not annualized) in the fourth quarter, while fixed investment in structures, equipment and intellectual property declined 1.7%. Consumer expenditures were strong in the fourth quarter, but not on consumption of durable goods, which rose only one-tenth of a percent."

"The increase in amount of credit extended and the rise in new applications for credit have been cited by respondents as a concern rather than a positive," Cutts said. "Inflation is driving prices higher, which means customers are asking for more credit to cover regular purchases rather than because business is booming. Sales are actually declining now, so the demand for more credit is perhaps out of sync with the business activity it supports.

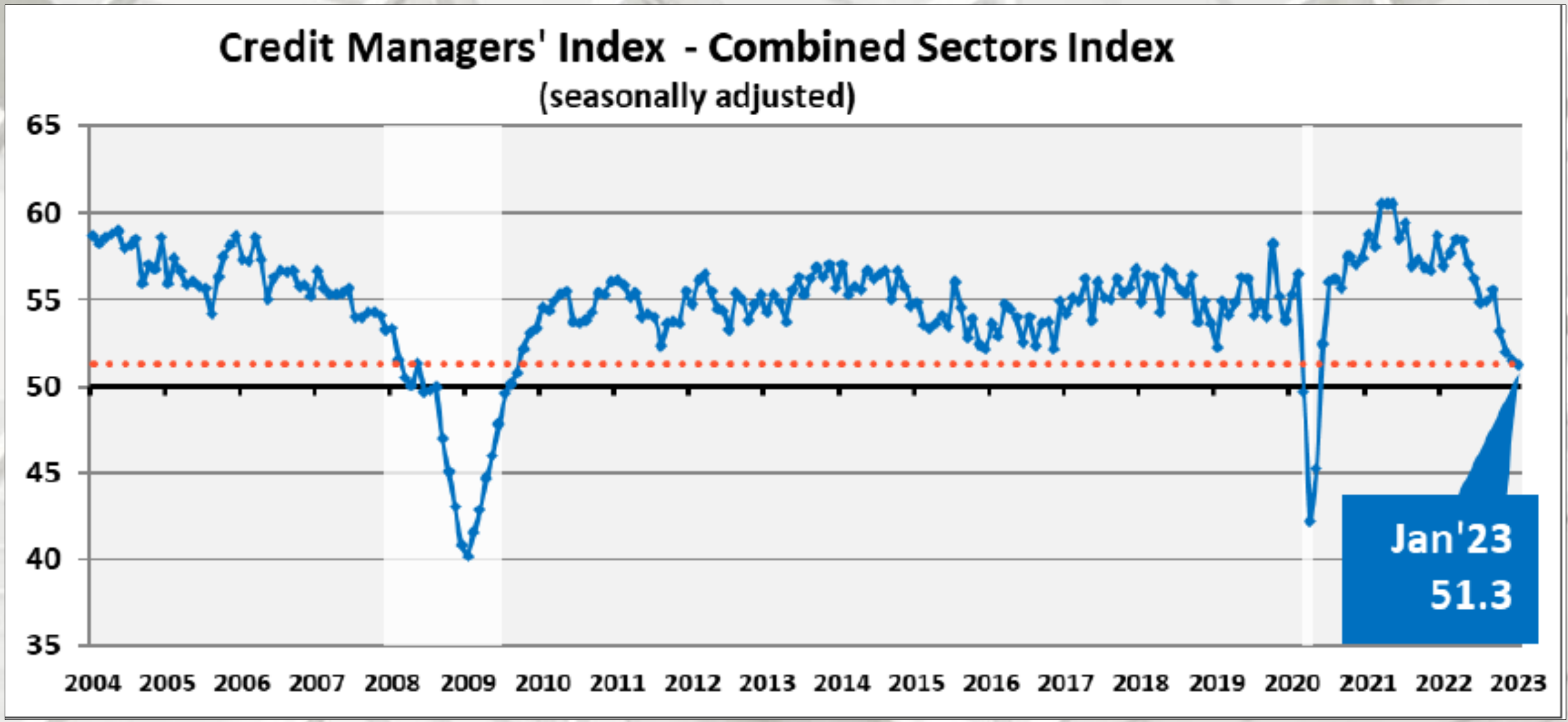
"The full implications of the CMI manufacturing factor indexes' levels are astounding. We have rising demand for credit and more credit approvals at a time when sales are declining. More respondents are reporting placing accounts for collection and more of their accounts are going beyond terms. The only bright side is that they are still having success at collecting on those past due accounts, but the accounts receivables managers are having to work hard to get those in. Regardless of whether an actual recession is declared soon, U.S. businesses are experiencing an economic contraction now." … " – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 1/31/23

Return to TOC

Private Indicators

National Association of Credit Management – Credit Managers' Index



Source: https://nacm.org/cmi.html; 1/31/23

Return to TOC

Private Indicators

National Association of Credit Management – Credit Managers' Index

Combined Manufacturing and Service Sectors (seasonally adjusted)	Jan '22	Feb '22	Mar '22	Apr '22	May '22	Jun '22	Jul '22	Aug '22	Sep '22	Oct '22	Nov '22	Dec '22	Jan '23
Sales	71.1	70.6	75.6	72.6	70.1	65.8	65.5	63.0	63.6	55.5	54.5	54.8	49.8
New credit applications	60.3	64.3	68.0	65.9	64.2	63.5	60.0	62.6	61.2	58.7	56.7	55.5	56.3
Dollar collections	62.3	62.9	66.3	64.6	64.2	60.5	60.3	58.0	63.4	54.9	56.2	57.8	57.3
Amount of credit extended	66.5	69.3	69.2	71.4	69.5	67.0	67.2	64.8	65.9	58.7	57.1	55.4	56.8
Index of favorable factors	**65.0**	**66.8**	**69.8**	**68.6**	**67.0**	**64.2**	**63.2**	**62.1**	**63.5**	**56.9**	**56.1**	**55.9**	**55.1**
Rejections of credit applications	51.6	52.2	51.6	51.2	50.5	50.4	51.0	49.5	52.1	52.0	51.1	51.0	50.5
Accounts placed for collection	51.4	52.3	50.9	50.3	50.7	49.6	47.3	49.5	49.3	47.6	46.5	46.2	45.0
Disputes	48.5	48.6	47.9	49.0	49.0	49.1	48.4	49.2	48.4	50.3	48.4	49.0	48.8
Dollar amount beyond terms	52.9	50.8	50.8	53.3	47.2	51.0	46.6	46.1	49.0	49.0	47.6	45.7	47.4
Dollar amount of customer deductions	49.7	49.9	49.0	50.7	48.6	50.4	49.2	49.4	49.4	51.3	49.3	49.3	50.2
Filings for bankruptcies	55.6	56.5	55.6	55.5	56.4	55.4	53.4	57.2	53.4	53.5	52.2	50.9	50.5
Index of unfavorable factors	**51.6**	**51.7**	**51.0**	**51.7**	**50.4**	**51.0**	**49.3**	**50.2**	**50.3**	**50.6**	**49.2**	**48.7**	**48.7**
NACM Combined CMI	**57.0**	**57.7**	**58.5**	**58.5**	**57.0**	**56.3**	**54.9**	**54.9**	**55.6**	**53.2**	**52.0**	**51.6**	**51.3**

Note: Seasonal adjustment factors were updated for the January 2023 report and which may affect previously published values.

Source: https://nacm.org/cmi.html; 1/31/23

Return to TOC

Private Indicators

National Federation of Independent Business (NFIB) January 2023 Report

Inflation Eases Slightly on Main Street but Remains Top Business Problem

"The **NFIB Small Business Optimism Index** increased 0.5 points in January to 90.3, remaining below the 49-year average of 98. Down six points from last month, 26% of owners reported inflation was their single most important problem in operating their business. Owners expecting better business conditions over the next six months improved six points from December to a net negative 45%." – Holly Wade, NFIB

"While inflation is starting to ease for small businesses, owners remain cynical about future business conditions. Owners have a negative outlook on the small business economy but continue to try to fill open positions and return to a full staff to improve productivity." – Bill Dunkelberg, Chief Economist, NFIB

Key findings include:

- "Forty-five percent of owners reported job openings that were hard to fill, up four points from December, remaining historically very high.
- The net percent of owners raising average selling prices decreased one point to a net 42% seasonally adjusted, too high for 2% target.
- The net percent of owners who expect real sales to be higher worsened four points from December to a net negative 14%." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 2/14/23

Return to TOC

Private Indicators

National Federation of Independent Business (NFIB) January 2023 Report

"As reported in NFIB's monthly jobs report, 57% of owners reported hiring or trying to hire in January. Of those hiring or trying to hire, 91% of owners reported few or no qualified applicants for the positions they were trying to fill.

Fifty-nine percent of owners reported capital outlays in the last six months, up four points from December, a positive development. Of those making expenditures, 42% reported spending on new equipment, 24% acquired vehicles, and 11% spent money for new fixtures and furniture. Fourteen percent improved or expanded facilities and 8% acquired new buildings or land for expansion. Twenty-one percent of owners plan capital outlays in the next few months.

A net negative 4% of all owners (seasonally adjusted) reported higher nominal sales in the past three months, four points better than December but still negative. The net percent of owners expecting higher real sales volumes deteriorated four points to a net negative 14%. Overall, a weak set of sales conditions.

The net percent of owners reporting inventory increases rose six points to a net 6%. Accumulation is starting now that supply problems are being resolved and consumer spending has eased. Not seasonally adjusted, 17% reported increases in stocks and 17% reported reductions. Twenty-five percent of owners recently reported that supply chain disruptions have had a significant impact on their business.

A net negative 1% of owners viewed current inventory stocks as "too low" in January, down two points from December. By industry, shortages are reported most frequently in wholesale (14%), retail (13%), manufacturing (11%), and finance (10%). A net negative 8% of owners plan inventory investment in the coming months, four points weaker than December, foreshadowing a reduction in orders for new stocks." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 2/14/23

Return to TOC

Private Indicators

National Federation of Independent Business (NFIB) January 2023 Report

"The net percent of owners raising average selling prices decreased one point from December to a net 42% seasonally adjusted, the lowest since May 2021 but far too high to be consistent with 2% inflation, the Fed's goal. Unadjusted, 10% reported lower average selling prices and 51% reported higher average prices. Price hikes were the most frequent in construction (62% higher, 4% lower), retail (60% higher, 9% lower), wholesale (58% higher, 8% lower), and transportation (53% higher, 10% lower). Seasonally adjusted, a net 29% plan price hikes.

Seasonally adjusted, a net 46% of owners reported raising compensation. While other input costs are falling labor costs are resisting. A net 22% plan to raise compensation in the next three months, down five points from December. Ten percent of owners cited labor costs as their top business problem and 24% said that labor quality was their top business problem.

The frequency of reports of positive profit trends was a net negative 26%, four points better than December. Among owners reporting lower profits, 27% blamed weaker sales, 26% blamed the rise in the cost of materials, 15% cited the usual seasonal change, 11% cited labor costs, 10% cited lower profits, and 2% cited higher taxes or regulatory costs. For owners reporting higher profits, 53% credited sales volumes, 23% cited usual seasonal change, 11% cited higher prices.

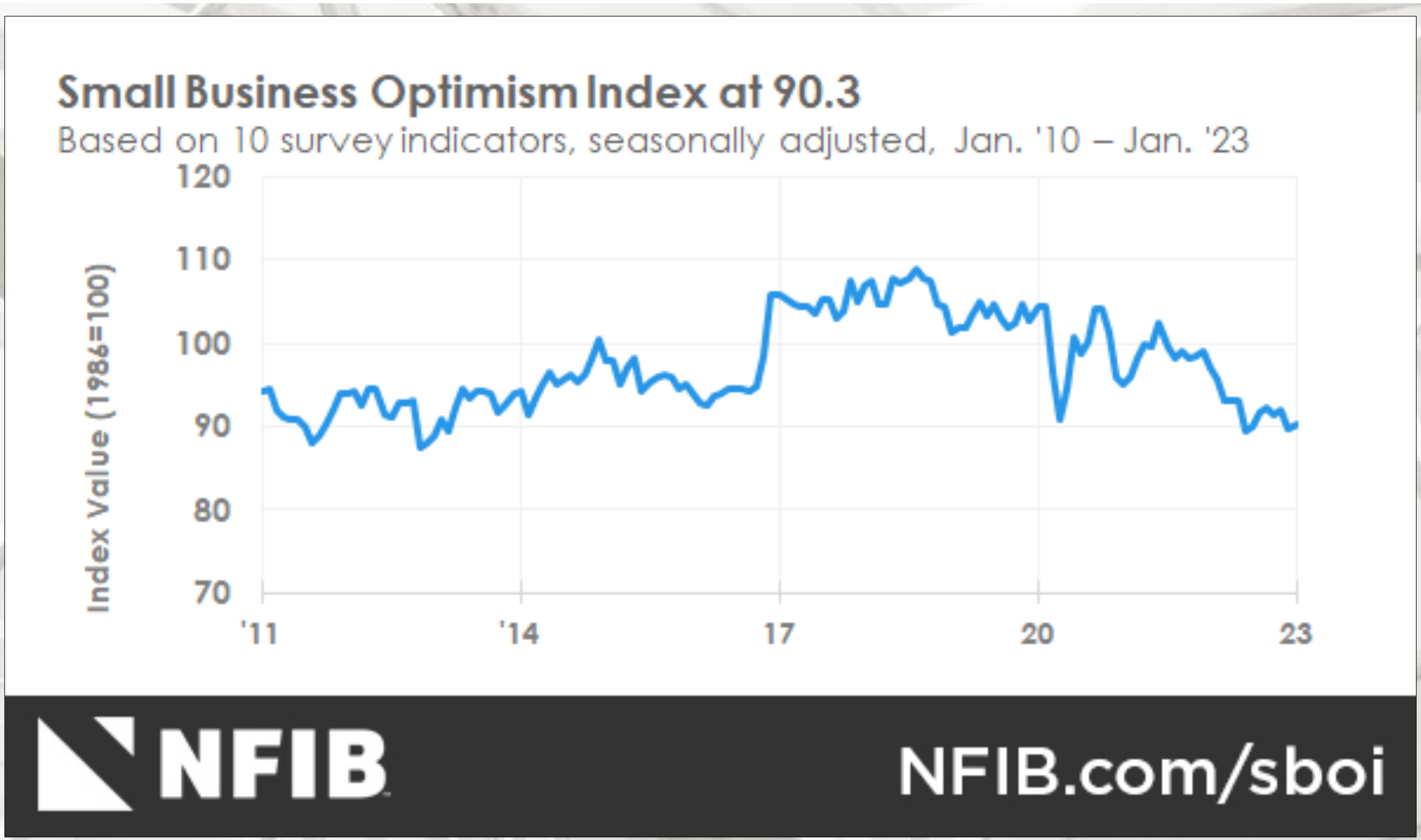
Two percent of owners reported that all their borrowing needs were not satisfied. Twenty-six percent reported all credit needs met and 60% percent said they were not interested in a loan. Loan interest rates have started to rise sharply in response to Fed policy changes.

The NFIB Research Center has collected Small Business Economic Trends data with quarterly surveys since the 4th quarter of 1973 and monthly surveys since 1986. Survey respondents are randomly drawn from NFIB's membership. The report is released on the second Tuesday of each month. This survey was conducted in January 2023." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 2/14/23

Return to TOC

Private Indicators



Source: http://www.nfib.com/surveys/small-business-economic-trends; 2/14/23

Return to TOC

Private Indicators

Small Business Optimism

Index Component	Net %	From Last Month
Plans to Increase Employment	19%	▲ 2
Plans to Make Capital Outlays	21%	▼ -2
Plans to Increase Inventories	-8%	▼ -4
Expect Economy to Improve	-45%	▲ 6
Expect Real Sales Higher	-14%	▼ -4
Current Inventory	-1%	▼ -2
Current Job Openings	45%	▲ 4
Expected Credit Conditions	-8%	▲ 1
Now a Good Time to Expand	7%	▲ 2
Earnings Trends	-26%	▲ 4

NFIB NFIB.com/sboi

Source: http://www.nfib.com/surveys/small-business-economic-trends; 2/14/23

Return to TOC

Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

Wage Inflation for U.S. Small Business Continues to Decline;
Rate of Small Business Hiring Remains Strong

Paychex data also shows the January one-month annualized hourly earnings growth for employees of small businesses falls to its lowest level since 2020

"The rate of hourly wage growth for U.S. small businesses continued to decline to 4.66 percent year-over-year in January according to the latest Paychex | IHS Markit Small Business Employment Watch. Additionally, the one-month annualized earnings growth fell to 2.88 percent in January, the lowest level since December of 2020. The Small Business Jobs Index, which measures national employment growth for businesses with fewer than 50 workers, rose by 0.18 percent to 99.56." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

"Our small business wage data indicates that wage gains are moderating, as has been the aim of monetary policy by the Fed." – James Diffley, Chief Regional Economist, IHS Markit

"Although small businesses have struggled in attracting and retaining employees over the past two years, the job index shows they continue to make gains in hiring with the easing of wage increases. The wage index also shows that employees of small businesses are increasing their hours worked to increase their earnings." – John Gibson, President and CEO, Paychex

Source: https://www.paychex.com/employment-watch; 1/31/23

Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

"In further detail, the January report showed:

- The national jobs index (99.56) gained 0.18 percent in January, its first increase since January 2022.
- At 2.88 percent, one-month annualized hourly earnings growth fell below three percent for the first time since 2020.
- Hourly earnings growth slowed to 4.66 percent in January, marking its lowest level since January 2022.
- One-month annualized weekly hours worked growth (1.56 percent) is at its highest level since mid-2020 and was positive for the fifth consecutive month.
- Weekly hours worked growth turned positive (0.02 percent) for the first time since April 2021.
- All four regions reported job gains in January and 15 of 20 states analyzed saw increases.
- The South gained 0.10 percent in January to 100.82, marking its fourth consecutive increase and tenth consecutive month as the top-ranked region for small business employment growth.
- North Carolina (102.19) moderated 0.07 percent in January, but remains the top state for small business employment growth for the seventh straight month.
- At a jobs index of 103.00, Houston leads metros by a wide margin in January as previously second-ranked metro Dallas fell 1.23 percent to 100.82 and fifth among metros.
- Improving to 98.94, construction gained 0.54 percent on the jobs index in January marking the strongest one-month change rate in nearly two years.
- While hourly earnings growth slowed in all other sectors, leisure and hospitality accelerated to 6.82 percent in January." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 1/31/23

Return to TOC

Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

January Job Index	January Wage Data
Index	Hourly Earnings
99.56	$31.14
12-Month Change	12-Month Growth
-1.75%	+4.66% (+$1.39)

Source: Paychex | IHS Markit Small Business Employment Watch

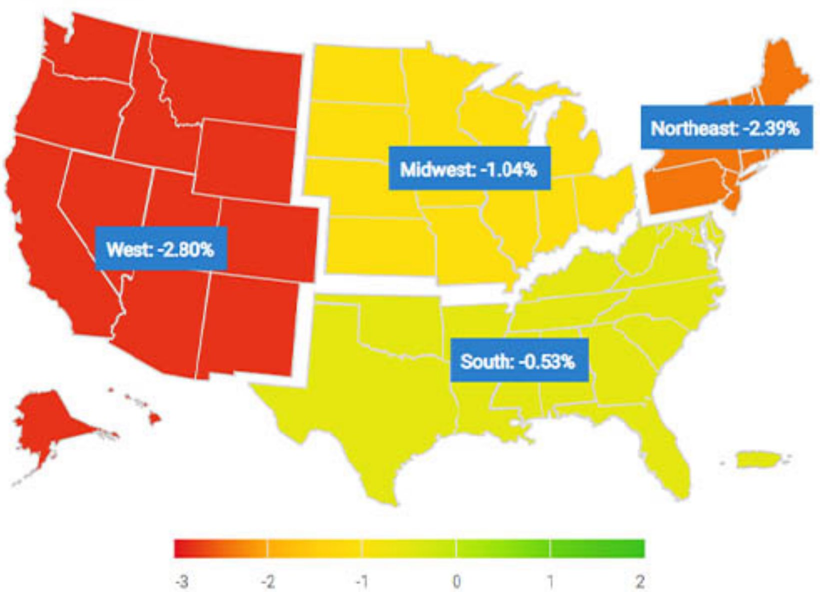
Source: https://www.paychex.com/employment-watch; 1/31/23

Return to TOC

Private Indicators

The Paychex | IHS Markit Regional Jobs Index

Regional Performance



Region	Index	Change
Midwest	99.63	-1.04%
Northeast	99.00	-2.39%
South	100.82	-0.53%
West	98.80	-2.80%

Change 12-Month

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 1/31/23

Return to TOC

Demographics

Atlas®

Where is America Moving?

2022 Migration Patterns Study

"According to one of the nation's leading movers Atlas® Van Lines' Annual Migration Patterns Study, many people relocated to areas with growing populations in 2022, following two years of unprecedented economic and societal shifts. The company has published the annual study since 1993 that tracks the nation's interstate, cross-border, and international moves based on internal data.

Atlas Van Lines' data shows that people are leaving some of the most affordable states like Iowa, Indiana, and Illinois, indicating cost of living is being surpassed by other motivations to move, like being closer to family. Overall, the Migration Patterns Study showed 13 U.S. states classified as outbound, meaning more people moved out of the state rather than in, and 13 U.S. states were classified as inbound, which indicates more people moved into the state rather than out.

The 10 U.S. states with the highest percentage of inbound and outbound moves in 2022 are included in order below. The fastest-growing state in 2022, Florida was once again a preferred destination for movers. North Carolina tops this year's inbound list, and Illinois is designated as the country's outbound leader, following New York's four-year stand. Oregon was also one of the top outbound states for the first time in the last decade, following three consecutive years with a balanced status." – Atlas®

Source: https://www.atlasvanlines.com/resources/migration-patterns; 1/19/23

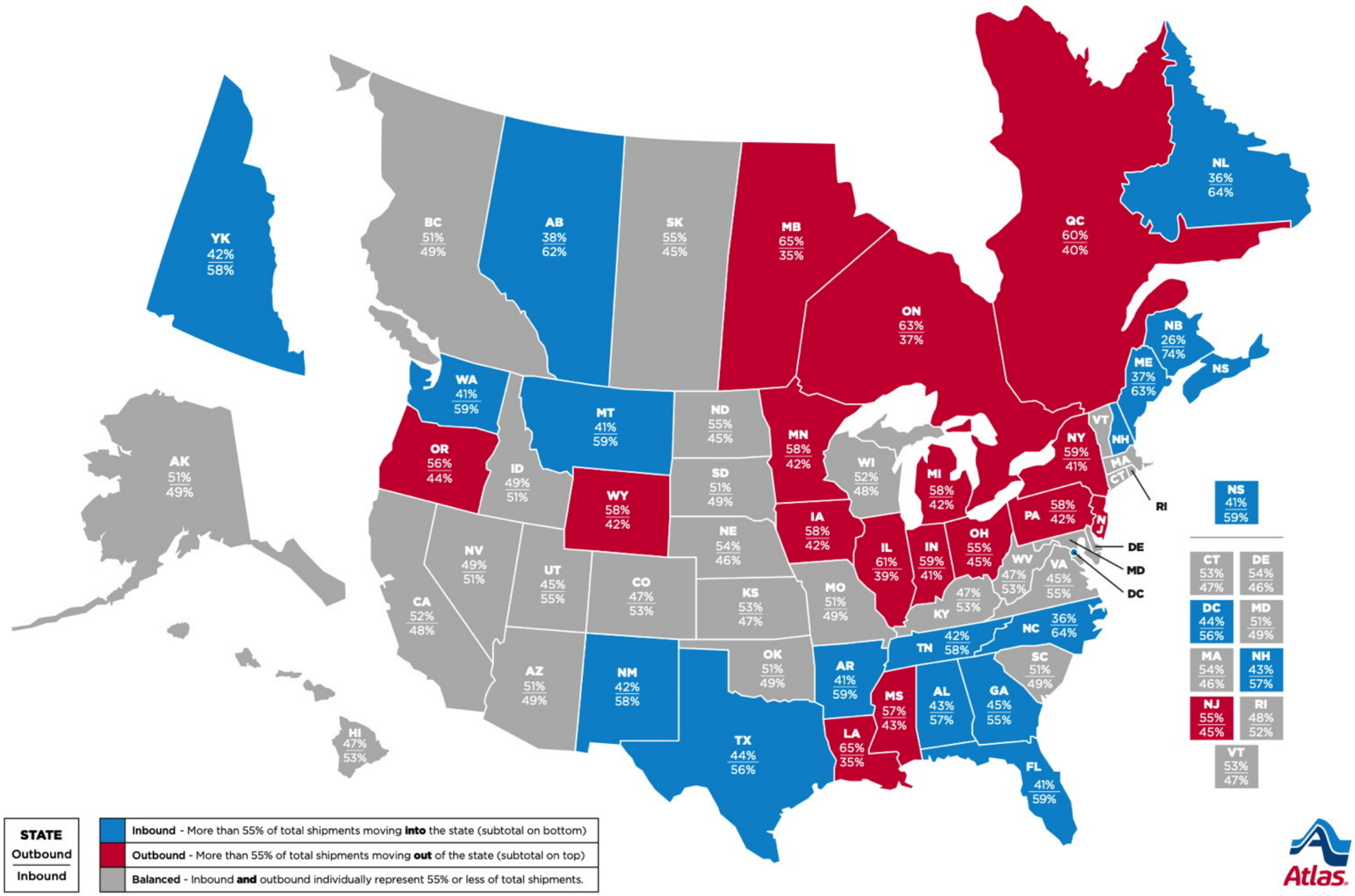
Return to TOC

Demographics

Interstate and Cross-Border

2022 Migration Patterns – traffic flow by state/province

Based on Interstate Household Goods Moves from January 1, 2022 through December 15, 2022



Source: https://www.atlasvanlines.com/resources/migration-patterns; 1/19/23

Return to TOC

Demographics

Atlas®
2022 Migration Patterns Study

“

2022 Top 10 Inbound

North Carolina
Maine
Arkansas
Florida
Montana
Washington
New Mexico
Tennessee
Alabama
New Hampshire

2022 Top 10 Outbound

Illinois
Indiana
New York
Iowa
Michigan
Minnesota
Pennsylvania
Wyoming
Mississippi
Oregon” – Atlas®

Source: https://www.atlasvanlines.com/resources/migration-patterns; 1/19/23

Return to TOC

Demographics

Atlas®
2022 Migration Patterns Study

"Atlas® World Group International saw a 41.5% increase in international household goods moves in 2022, showcasing the impact of eased travel restrictions and increased mobility on international migration patterns. According to data reflecting the total number of international household moves completed, the top international origins and destinations for 2022 included the following:

Top 10 Origins (Outside of the U.S.)	Top 10 Destinations (Outside of the U.S.)
Japan	Japan
Saudi Arabia	United Kingdom
Germany	Germany
Korea (Democratic Republic of)	Korea (Democratic Republic of)
United Kingdom	Thailand
France	Spain
India	China
Netherlands	France
China	Australia
Singapore	Bahrain

Canadian Provinces

According to data reflecting U.S. interstate and cross-border moves, three Canadian provinces recorded a change from 2021 to 2022. Alberta and Québec both changed from balanced in 2021 to inbound and outbound, respectively, while British Columbia became balanced in 2022." – Atlas®

Source: https://www.atlasvanlines.com/resources/migration-patterns; 1/19/23

Return to TOC

Demographics

Forbes

Single Women Are More Likely To Own Homes Than Single Men In Nearly All States

"Single women who live by themselves are more likely to own a home than single men in 48 of 50 states, according to a new analysis by LendingTree. The online lending marketplace looked at data from the U.S. Bureau of Labor Statistics and found that while women earn 83.1 cents for every dollar a man makes, women own about 2.46 million more homes than single men.

Single women own about 10.76 million homes, while single men own about 8.12 million. Put another way, single women own an average of 12.9% of the owner-occupied homes in the 50 states, versus 10.06% among single men.

Louisiana has the highest share of homes owned by single women. 15.16% of Louisiana owner-occupied households are owned by single women – more than 2 percentage points higher than the 50-state average.

North Dakota and South Dakota are the only states where single men own a higher share of homes than single women. In North Dakota, single men own 12.70% of the state's owner-occupied homes (the highest share in any state), while single women own 11.08%. In South Dakota, those figures are 11.97% and 11.29%.

Florida has the largest gap in homeownership rates among single women and single men. The gap is 4.55% – nearly 2 percentage points higher than the national average of 2.84%.

Wyoming has the smallest gap in homeownership rates among single women and men. Though more single women own homes than single men, the "Equality State" nearly lives up to its name with a homeownership gender gap of only 0.39%. … " – Brenda Richardson, Senior Contributor, Forbes

Source: https://www.forbes.com/sites/brendarichardson/2023/01/25/single-women-are-more-likely-to-own-homes-than-single-men-in-nearly-all-states; 1/25/23

Return to TOC

Economics

US bank®

U.S. Bank Freight Payment Index™

Q4 2022 national freight market overview

"The U.S. Bank Freight Payment Index in the fourth quarter of 2022 pointed to a trucking market that continued to soften, especially in terms of freight volumes. Rising interest rates are having a disproportionally larger impact on goods consumption as many large-ticket items, like autos or homes, are so interest rate sensitive.

Through much of the pandemic, households bought a significant amount of goods, instead of services, which significantly helped truck freight shipments. However, spending has increased on services, like entertainment and travel at much higher levels than during the pandemic. Higher inflation led to less consumption of goods.

Despite lower volumes, spending on truck freight services didn't fall as much during the fourth quarter. The average price of diesel fuel fell during the quarter, yet contract freight rates remained relatively stable, which indicates that industry capacity overall is likely shrinking, at least modestly. Some capacity, from small to very small motor carriers, is most likely leaving the market as cost pressures remain high, especially when coupled with lower spot market volumes and rates." – Bob Costello, Chief Economist & Senior Vice President, International Trade Policy and Cross-Border Operations for the American Trucking Associations
(ATA)

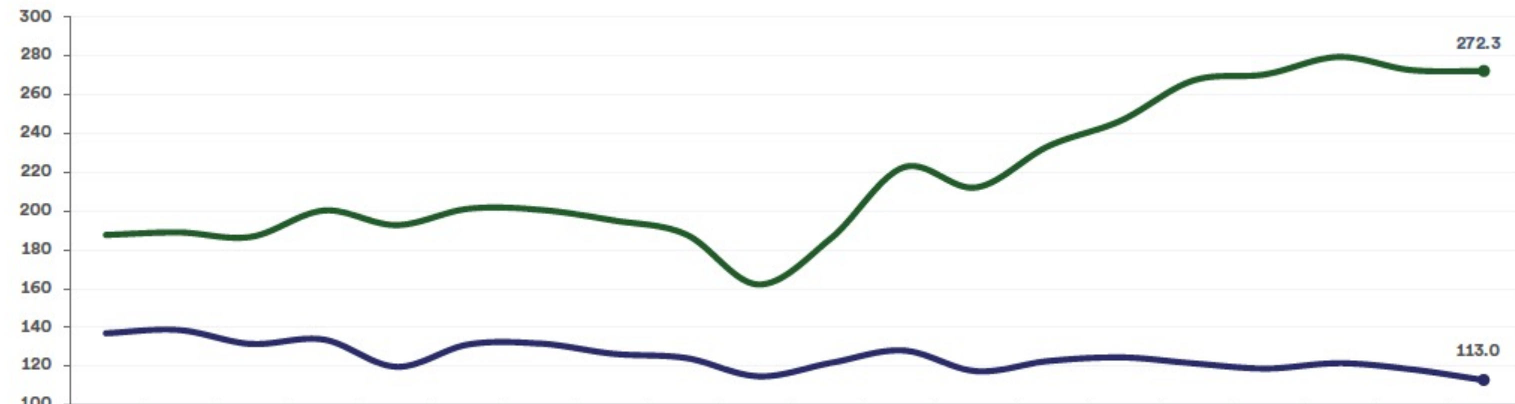
Source: https://usbank.com/freight-payment-index.html; 2/1/23

Return to TOC

Economics

US bank®

U.S. Bank Freight Payment Index™



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2018				2019				2020				2021				2022			
Spend	187.8	189.1	186.8	200.3	192.9	201.3	200.7	195.2	188.1	162.3	186.0	222.6	212.2	233.6	246.8	267.5	270.7	279.6	272.9	272.3
Shipments	137.1	138.7	131.6	133.8	119.8	131.3	131.7	126.5	124.3	114.9	121.7	128.1	117.5	122.7	124.6	121.6	118.9	121.6	118.5	113.0

Shipments	
Index value	113.0
Quarterly % change	-4.6% ▼
Yearly % change	-7.1% ▼

Spend	
Index value	272.3
Quarterly % change	-0.2% ▼
Yearly % change	1.8% ▲

Source: https://usbank.com/freight-payment-index.html; 2/1/23

Return to TOC

Economics

US bank®

U.S. Bank Freight Payment Index™

National shipments and spending — quarter over quarter, year-over-year

"The U.S. Bank National Shipments Index contracted 4.6% during the final quarter of 2022. The index has decreased in four of the last five quarters, with the latest drop being the largest sequential decline since the first quarter of 2021. As a result, the index also contracted 7.1% from the final quarter in 2021, which is the largest year-over-year decrease since the third quarter of 2020, during the depths of the pandemic.

In addition to less household spending on goods, a significant decline in housing activity, both in terms of new home construction and existing home sales, also had an impact on freight volumes. Furthermore, manufacturing activity also slowed during the quarter, creating another headwind on truck freight volumes.

The U.S. Bank National Spend Index fell from the third quarter, but the 0.2% decrease was significantly below the 4.6% drop in volumes. This metric was up 1.8% from a year earlier, although it was the smallest year-over-year increase since the third quarter of 2020. … " – Bob Costello, Chief Economist & Senior Vice President, International Trade Policy and Cross-Border Operations for the American Trucking Associations
(ATA)

Source: https://usbank.com/freight-payment-index.html; 2/1/23

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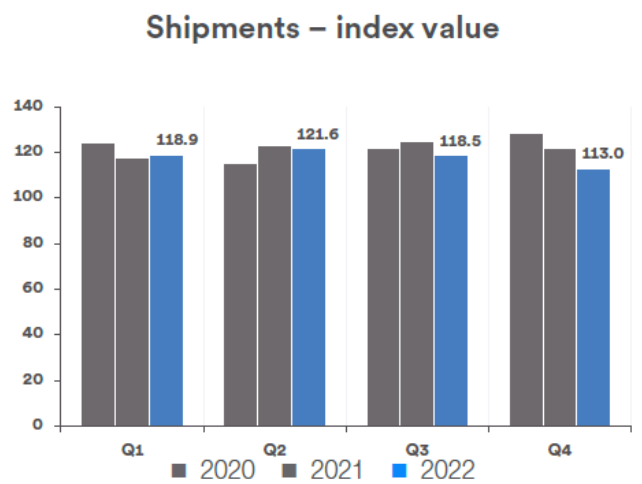
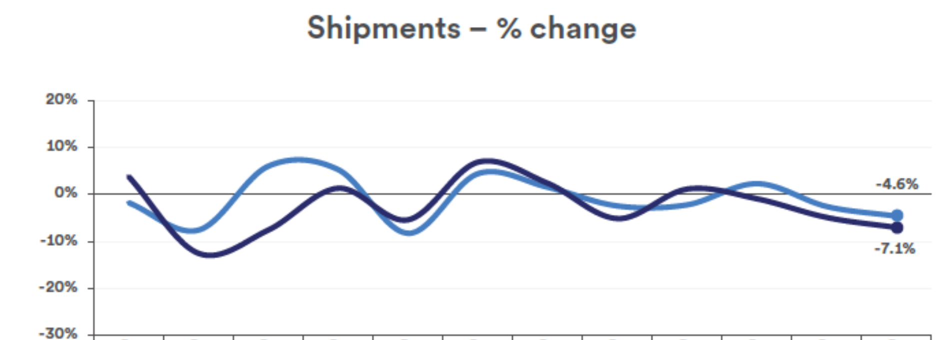
Economics

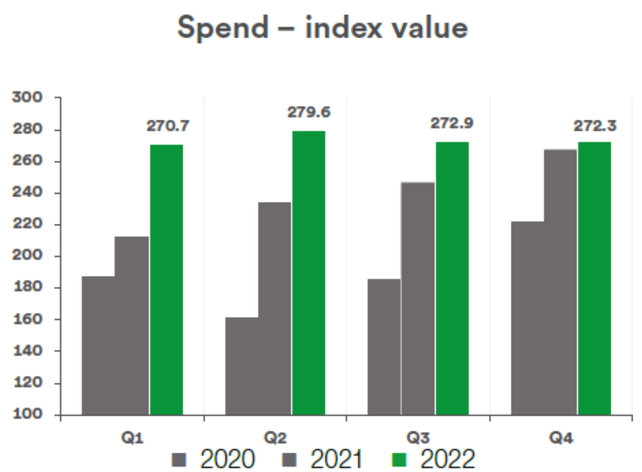
US bank®

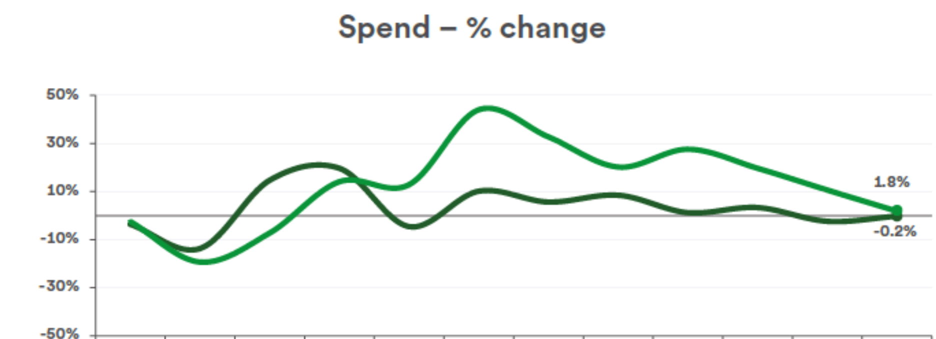
U.S. Bank National Shipments Index™





	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
QoQ	-1.8%	-7.6%	6.0%	5.3%	-8.3%	4.4%	1.5%	-2.4%	-2.2%	2.3%	-2.6%	-4.6%
YoY	3.8%	-12.5%	-7.6%	1.3%	-5.4%	6.8%	2.4%	-5.1%	1.1%	-0.9%	-4.9%	-7.1%





	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
QoQ	-3.7%	-13.7%	14.6%	19.7%	-4.7%	10.1%	5.6%	8.4%	1.2%	3.3%	-2.4%	-0.2%
YoY	-2.5%	-19.4%	-7.3%	14.0%	12.8%	44.0%	32.6%	20.2%	27.5%	19.7%	10.6%	1.8%

Source: https://usbank.com/freight-payment-index.html; 2/1/23

Return to TOC

Economics

U.S. Census Bureau

NEW Business Formation Statistics

January 2023

BUSINESS APPLICATIONS

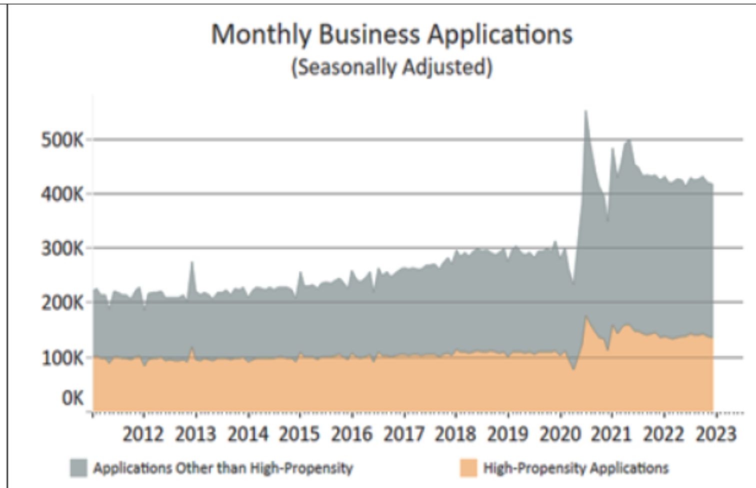
U.S. Business Applications:	DEC 2022	DEC 2022 / NOV 2022
Total	417,055	-0.3%°
High-Propensity	134,670	-2.2%°
With Planned Wages	47,433	-2.8%°
From Corporations	46,898	-0.8%°

Next release: February 10, 2023

(°) Statistical significance is not applicable or not measurable.

Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, January 17, 2023



Source: U.S. Census Bureau, Business Formation Statistics, January 17, 2023

Business Formation Statistics, January 2023

Business Applications

"The U.S. Census Bureau announced the following seasonally adjusted business application and formation statistics for December 2022. The Business Application Series describe the business applications for tax IDs as indicated by applications for an Employer Identification Number (EIN) through filings of the IRS Form SS-4. The Business Formation Series describe employer business formations as indicated by the first instance of payroll tax liabilities for the corresponding business applications. Business Applications for December 2022, adjusted for seasonal variation, were 417,055, a decrease of 0.3 percent compared to December 2022." – U.S. Census Bureau

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 2/17/23

Return to TOC

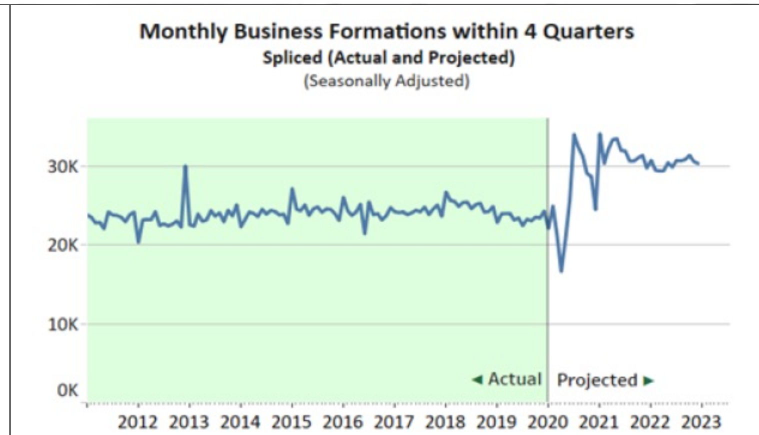
Economics

U.S. Census Bureau

December 2022

BUSINESS FORMATIONS		
U.S. Total Projected Business Formations:	DEC 2022	DEC 2022 / NOV 2022
Within 4 Quarters	30,292	-0.8%°
Within 8 Quarters	39,163	0.4%°

Next release: February 10, 2023
(°) Statistical significance is not applicable or not measurable.
Spliced - Data adjusted for seasonality.
Source: U.S. Census Bureau, Business Formation Statistics, January 17, 2023



Source: U.S. Census Bureau, Business Formation Statistics, January 17, 2023

Projected Business Formations - At a Glance

		US	Northeast	Midwest	South	West
Within 4 Quarters	DEC 2022	30,292	4,816	4,753	12,298	8,425
	DEC 2022 / NOV 2022	-0.8%	-0.8%	-3.6%	+1.7%	-2.8%
Within 8 Quarters	DEC 2022	39,163	6,203	6,146	16,138	10,676
	DEC 2022 / NOV 2022	+0.4%	-0.4%	-3.0%	+4.6%	-3.2%

Details may not equal totals due to rounding. Regions defined by Census Bureau Geography Program. Statistical significance is not applicable or not measurable.
Data adjusted for seasonality. Green Percentage changes are greater than zero (+). Red Percentage changes are less than zero (-). Z = absolute value < 0.05.

Business Formation Statistics, January 2023

"Projected Business Formations (within 4 quarters) for January 2023, adjusted for seasonal variation, were 30,292, a decrease of 0.8 percent compared to December 2022. …" – U.S. Census Bureau

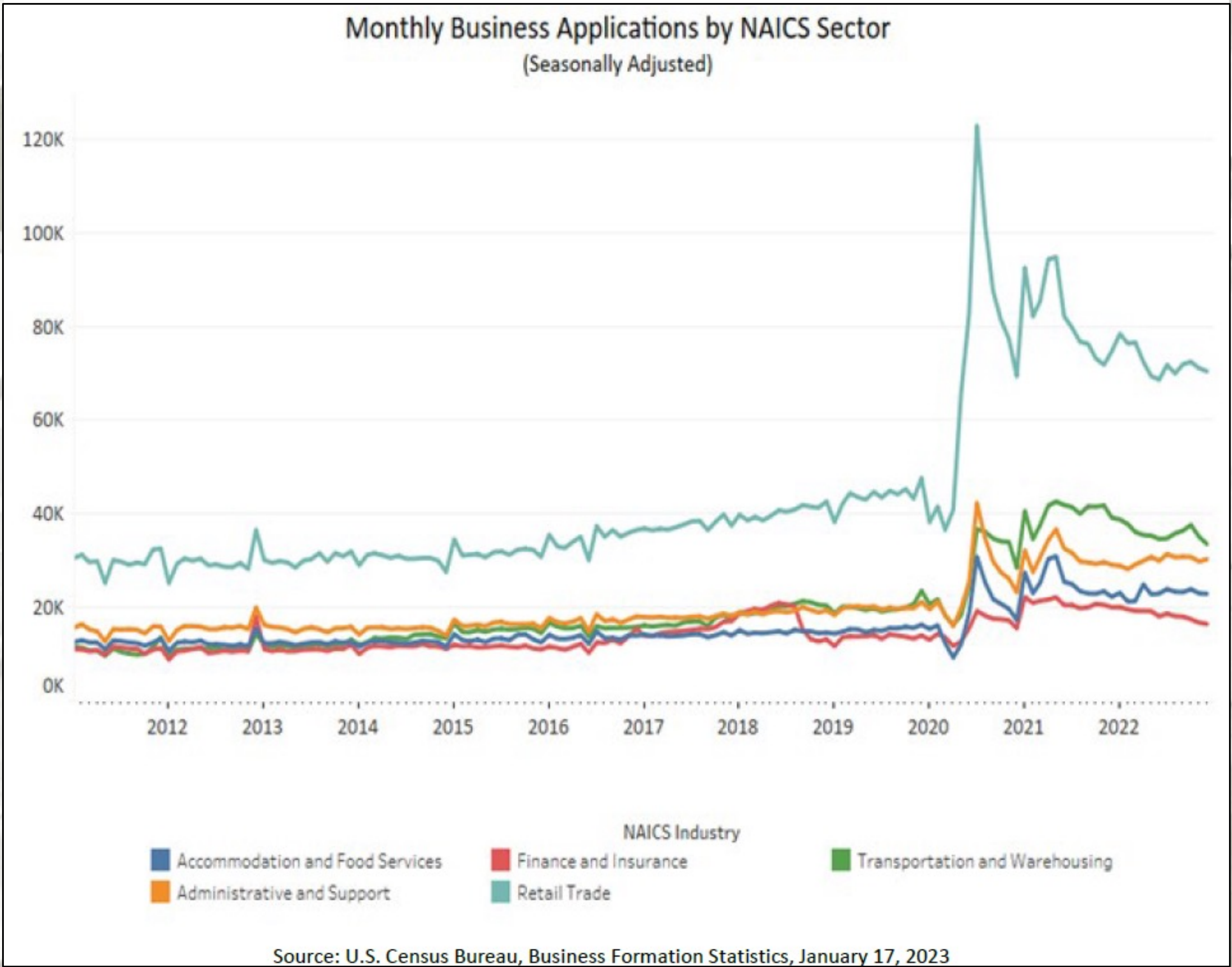
Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 2/17/23

Return to TOC

Economics

NEW Business Formation Statistics

January 2023



Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 2/17/23

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