

The Virginia Tech – U.S. Forest Service

May 2020

Housing Commentary: Section II



Urs Buehlmann

Department of Sustainable Biomaterials
College of Natural Resources & Environment

Virginia Tech
Blacksburg, VA
540.231.9759

buehlmann@gmail.com

Delton Alderman

Forest Products Marketing Unit
Forest Products Laboratory

U.S. Forest Service
Madison, WI
304.431.2734

dalderman@fs.fed.us



2020

Virginia Polytechnic Institute and State University

CNRE-116NP

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U.S. Economic Indicators 1/16

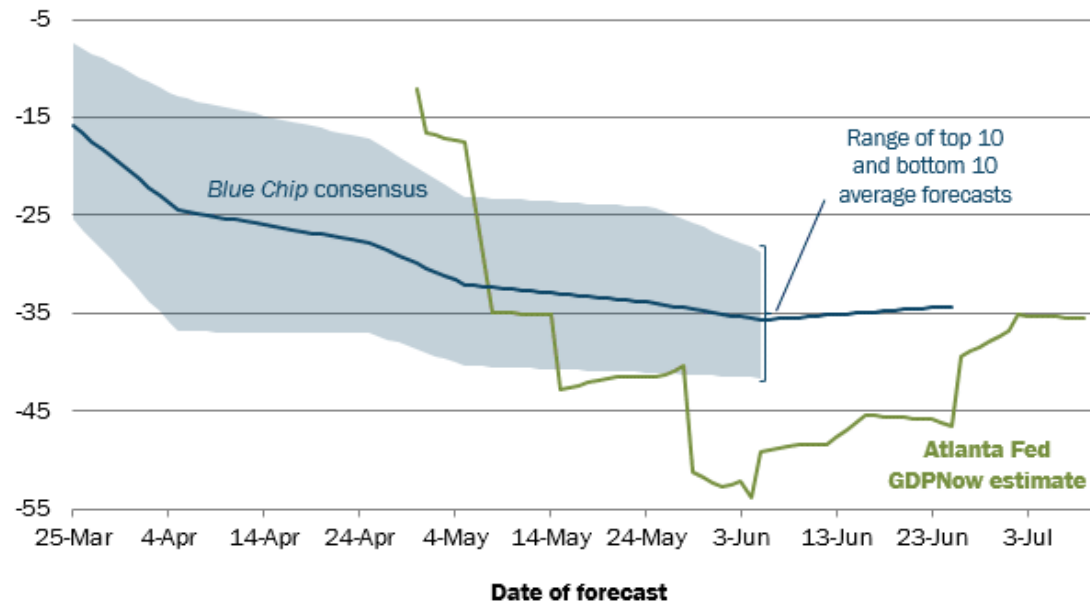


GDPNow™

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

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

Evolution of Atlanta Fed GDPNow real GDP estimate for 2020: Q2
Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

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

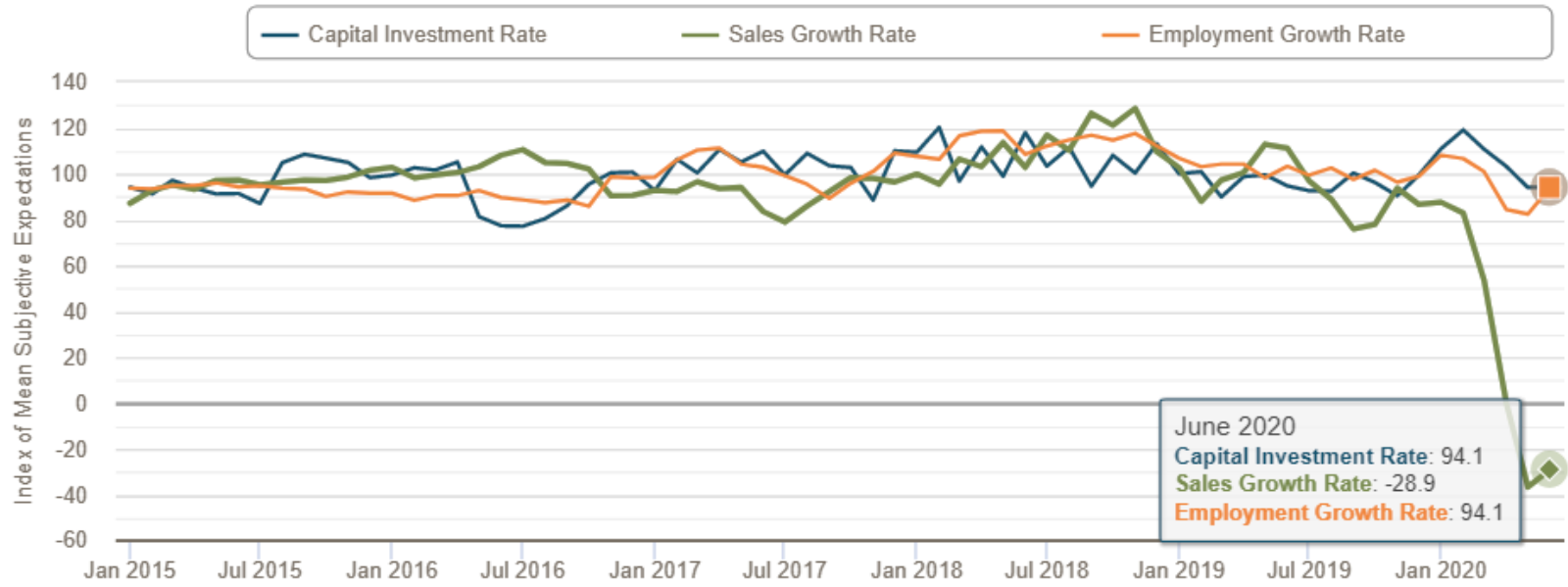
Atlanta Fed GDPNow™

Latest forecast: -35.5 percent — July 9, 2020

“The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2020 is **-35.5 percent** on July 9, down from -35.2 percent on July 2. After recent data releases by the U.S. Bureau of Economic Analysis, the Institute for Supply Management, and the U.S. Census Bureau, the nowcasts of second-quarter real personal consumption expenditures growth and second-quarter real gross private domestic investment growth decreased from -33.8 percent and -52.3 percent, respectively, to -34.0 percent and -53.2 percent, respectively.” – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

U.S. Economic Indicators 2/16

Business Expectations

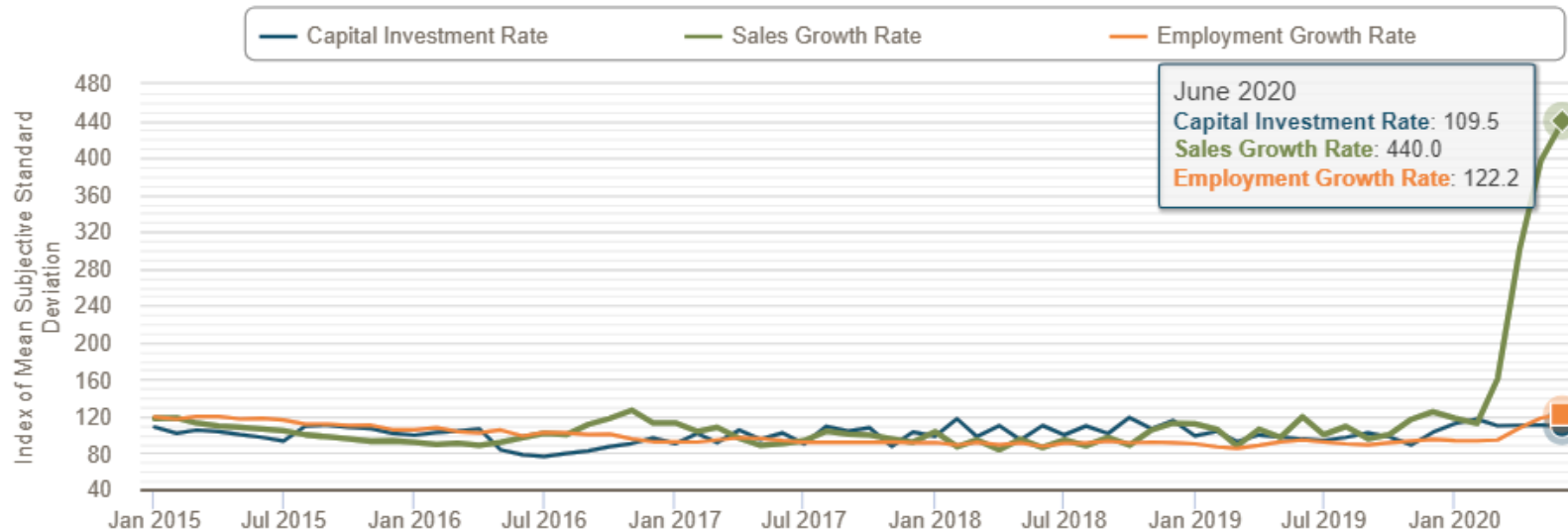


We compute these topic-specific expectations indexes by averaging across firms' expectations about their own sales growth rate over the next four quarters, employment growth rate over the next twelve months, and capital investment rates four quarters ahead. Each index captures both the direction and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

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

U.S. Economic Indicators 3/16

Business Uncertainty

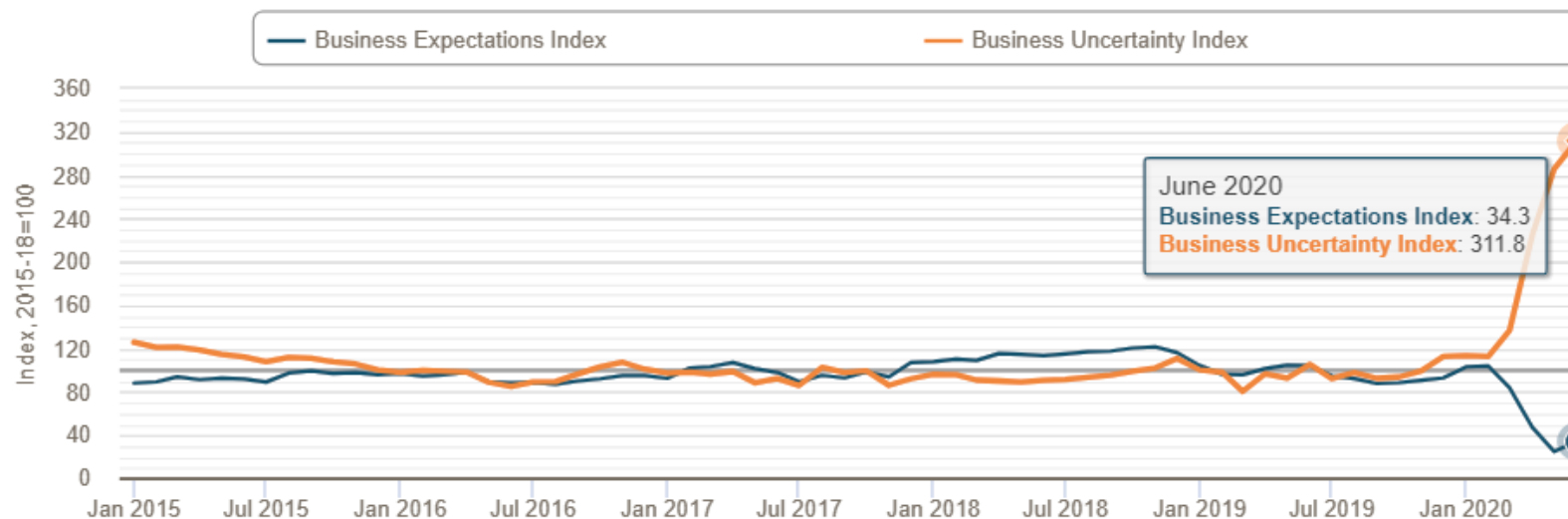


We compute these topic-specific uncertainty indexes by averaging across firms' uncertainty about their own sales growth rates over the next four quarters, employment growth rates over the next twelve months, and capital investment rates four quarters ahead. Higher levels of our uncertainty indexes occur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

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

U.S. Economic Indicators 4/16

Business Expectations and Uncertainty



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

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

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

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

The Federal Reserve Bank of Chicago: Midwest Economy Index 1/2

Index Suggests Midwest Growth Well Below Trend Through May

“The Midwest Economy Index (MEI), which approximates quarterly growth at a monthly frequency, fell to -9.91 in May from -6.00 in April. Contributions to the May MEI from all four broad sectors of nonfarm business activity and all five Seventh Federal Reserve District states decreased from April. The relative MEI increased to -0.46 in May from -2.37 in April. Contributions to the May relative MEI from two of the four sectors and four of the five states increased from April.

The manufacturing sector’s contribution to the MEI moved down to -1.72 in May from -1.21 in April. The pace of manufacturing activity decreased in all five states. Manufacturing’s contribution to the relative MEI rose to $+4.01$ in May from $+0.13$ in April.

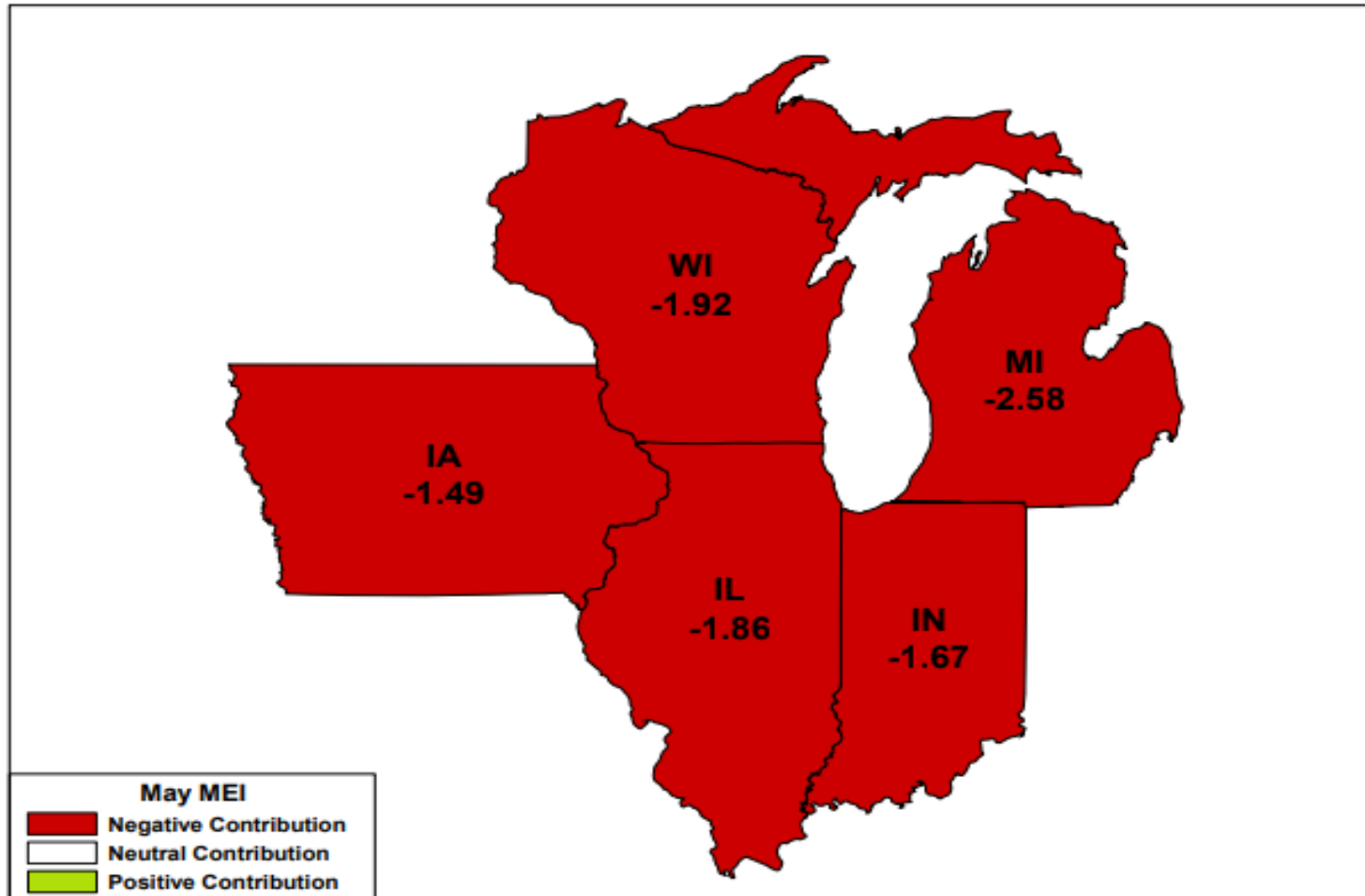
The construction and mining sector contributed -0.63 to the MEI in May, down from -0.35 in April. The pace of construction and mining activity was slower in all five states. Construction and mining’s contribution to the relative MEI moved up to $+0.25$ in May from -0.07 in April.

The service sector’s contribution to the MEI fell to -4.43 in May from -2.41 in April. The pace of service sector activity was down in all five states. The service sector’s contribution to the relative MEI decreased to -2.95 in May from -1.53 in April.

Consumer spending indicators contributed -3.13 to the MEI in May, down from -2.03 in April. Consumer spending indicators were, on balance, down in all five states. Consumer spending’s contribution to the relative MEI moved down to -1.75 in May from -0.88 in April.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

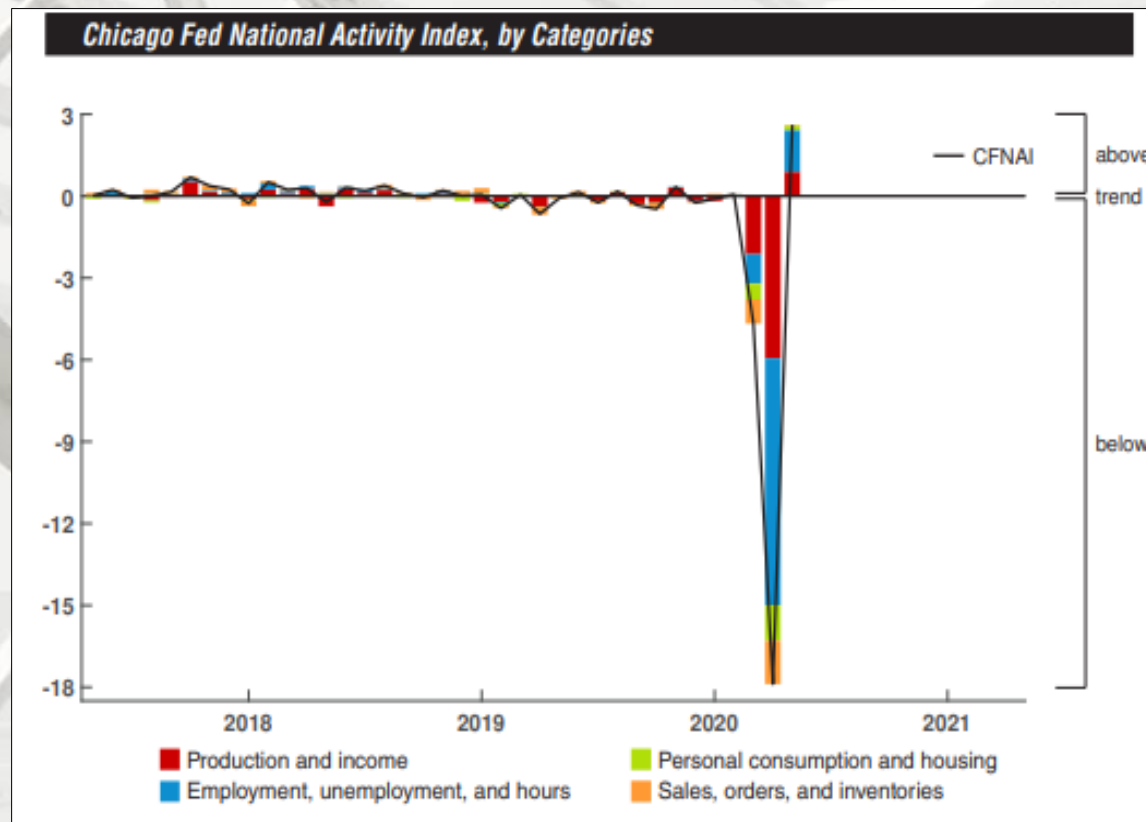
The Federal Reserve Bank of Chicago: Midwest Economy Index 2/2

MEI and the Seventh Federal Reserve District States



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

The Federal Reserve Bank of Chicago: National Activity Index 1/2



Index suggests economic growth increased substantially in May

“Led by improvements in production- and employment-related indicators, the Chicago Fed National Activity Index (CFNAI) rose to +2.61 in May from -17.89 in April. All four broad categories of indicators used to construct the index made positive contributions in May, and all four categories increased from April. The index’s three-month moving average, CFNAI-MA3, moved up to -6.65 in May from -7.50 in April.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

The Federal Reserve Bank of Chicago: National Activity Index 2/2

Index suggests economic growth increased substantially in May

“The CFNAI Diffusion Index, which is also a three-month moving average, moved up to –0.43 in May from –0.58 in April. Fifty-seven of the 85 individual indicators made positive contributions to the CFNAI in May, while 28 made negative contributions. Seventy-two indicators improved from April to May, while 13 indicators deteriorated. Of the indicators that improved, 17 made negative contributions.

Production-related indicators contributed +0.89 to the CFNAI in May, up from –5.94 in April. Industrial production increased 1.4 percent in May after falling 12.5 percent in April. The contribution of the sales, orders, and inventories category to the CFNAI increased to +0.02 in May from –1.59 in April.

Employment-related indicators contributed +1.53 to the CFNAI in May, up from –9.06 in April. Nonfarm payrolls rose by 2,509,000 in May after falling by 20,687,000 in April, and the unemployment rate decreased to 13.3 percent in May from 14.7 percent in the previous month. The contribution of the personal consumption and housing category to the CFNAI increased to +0.17 in May from –1.30 in April. Housing starts increased to 974,000 annualized units in May from 934,000 in the previous month. ...” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

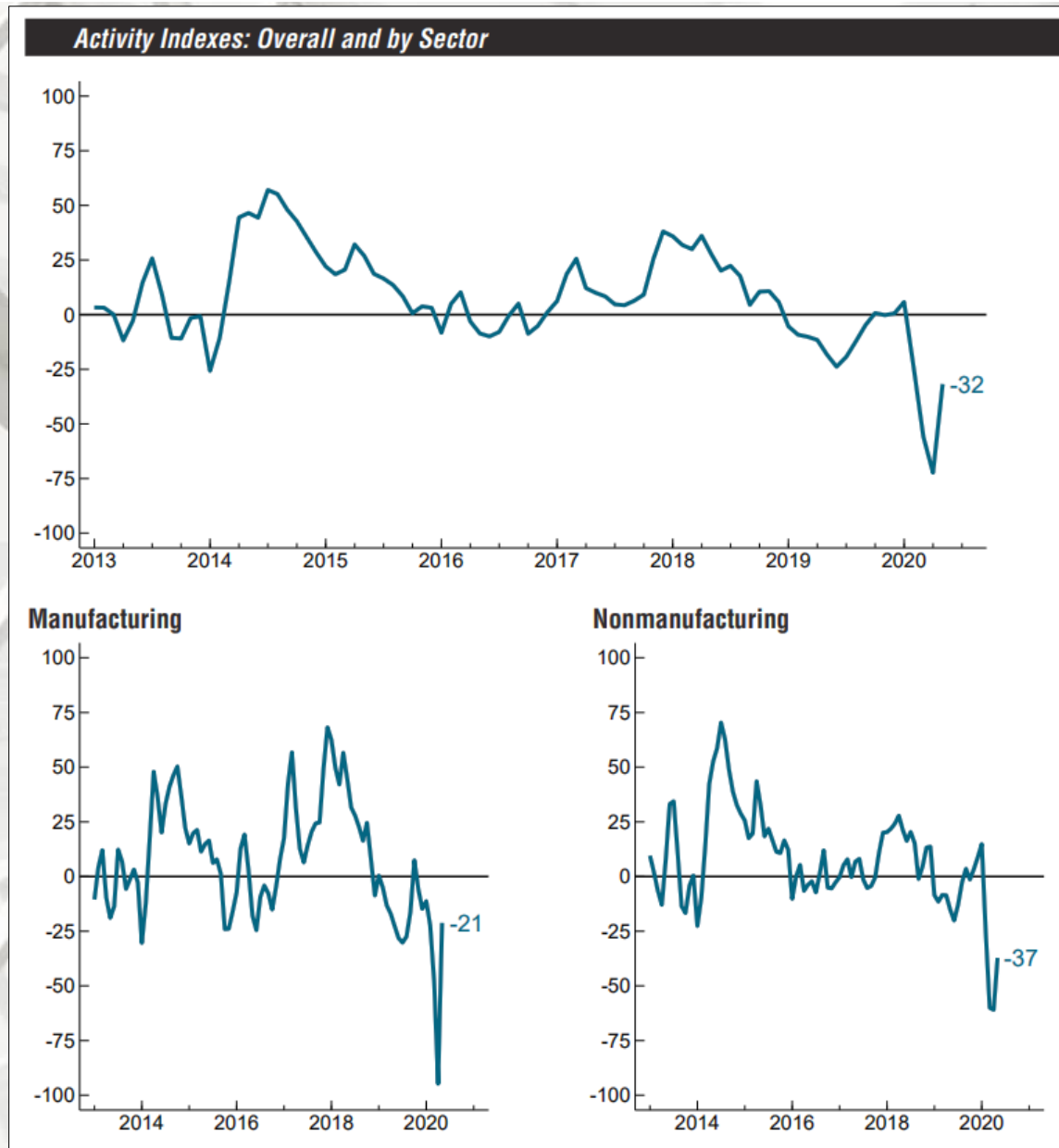
The Federal Reserve Bank of Chicago: Survey of Business Conditions 1/2

Survey Suggests Growth Picked Up in May

“The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index increased to –32 in May from –72 in May, suggesting that economic growth remained well below trend. The CFSBC Manufacturing Activity Index moved up to –21 in May from –95 in May, and the CFSBC Nonmanufacturing Activity Index increased to –37 in May from –61 in the previous month.

- Respondents’ outlooks for the U.S. economy for the next 12 months improved, turning optimistic on balance. A majority of respondents expected an increase in economic activity over the next three months, and 59 percent expected activity to return to where it was before the pandemic by the end of 2021.
- The pace of current hiring increased, as did respondents’ expectations for the pace of hiring over the next 12 months. But both hiring indexes remained negative.
- Respondents’ expectations for the pace of capital spending over the next 12 months increased, and the capital spending expectations index turned positive.
- The labor cost pressures index increased, as did the nonlabor cost pressures index. Yet both cost pressures indexes remained negative.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

The Federal Reserve Bank of Chicago: Survey of Business Conditions 2/2



The Federal Reserve Bank of Dallas 1/6

Manufacturing Regains Footing After Epic Decline

“Texas factory activity rebounded strongly in June, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, climbed from -28.0 to 13.6, indicating moderate expansion in output following three months of record or near-record declines.

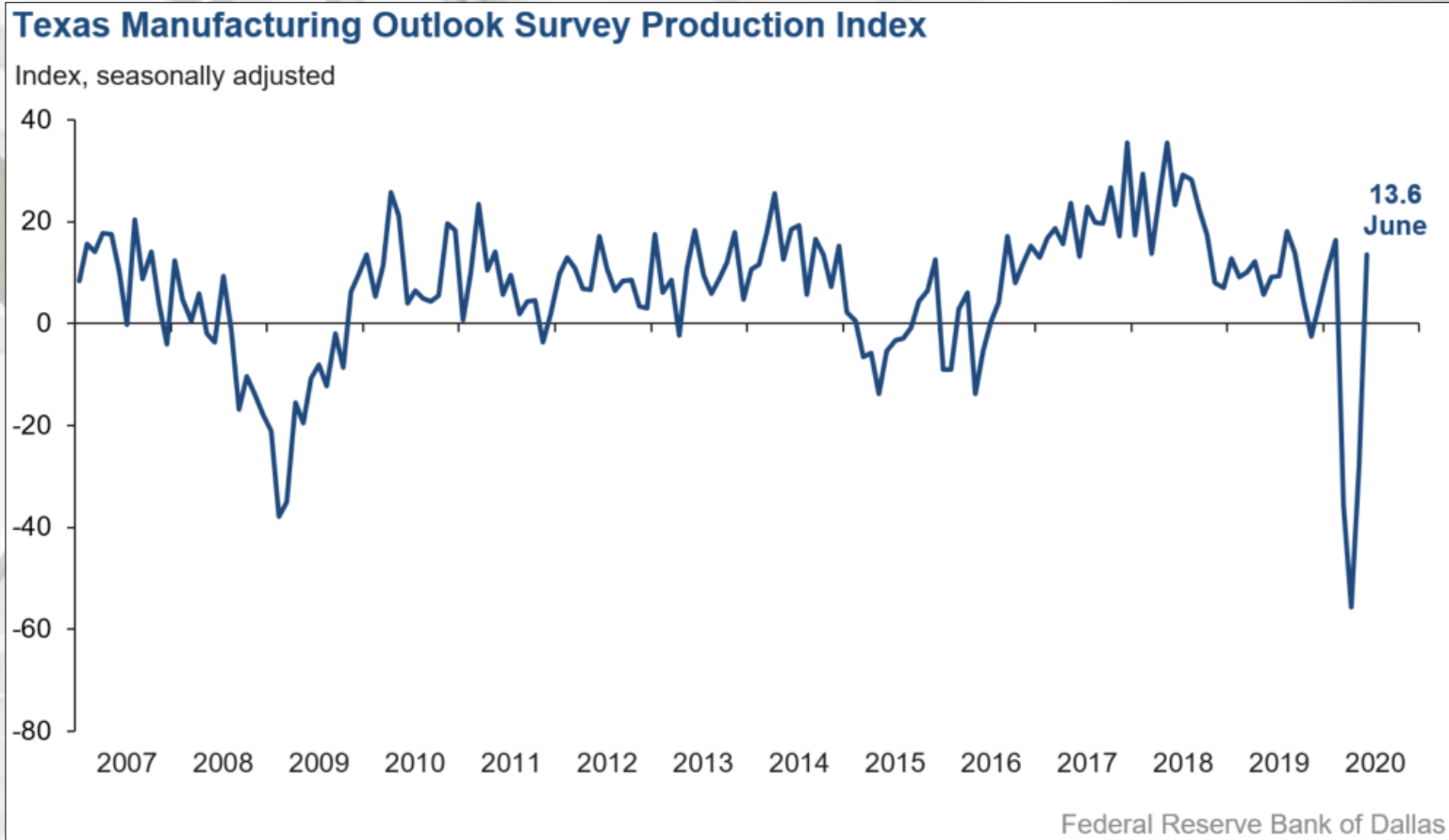
Other measures of manufacturing activity also pointed to a rebound in growth this month. The new orders index advanced 34 points to 2.9, its first positive reading in four months, with nearly a third of manufacturers noting an increase in orders. The growth rate of orders index pushed up 25 points but remained negative at -5.8. The capacity utilization and shipments indexes also returned to positive territory.

Perceptions of broader business conditions were mixed in June. The general business activity index surged 43 points but stayed negative at -6.1. The company outlook index climbed back into positive territory, from -34.6 to 2.7, with 29 percent of manufacturers noting improved outlooks, up from 12 percent last month. The index measuring uncertainty regarding companies’ outlooks retreated notably again to 9.1 — its lowest reading since January. The positive reading still indicates increased uncertainty.

Labor market measures indicated virtually flat employment levels and shorter workweeks this month. The employment index remained negative but rose 10 points to -1.5. Fifteen percent of firms noted net hiring, while 17 percent noted net layoffs. The hours worked index rose from -22.8 to -4.3, with the still-negative reading signaling reduced workweek length.

Prices and wages showed mixed movements in June. The raw materials prices index moved up 10 points to 12.3. The finished goods prices index, however, remained negative for the sixth straight month as it moved up from -19.4 to -4.7. The wages and benefits index returned to positive territory after two negative readings, coming in at 6.8.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas 2/6



Manufacturing Regains Footing After Epic Decline

“Expectations regarding future business conditions were universally positive in June. The future company outlook and future general business activity indexes returned to positive territory at 16.2 and 19.7, respectively. Other indexes of future manufacturing activity pushed further positive.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas 3/6

Texas Service Sector Outlook Survey Texas Service Sector Activity Picks Back Up

“Following three months of steep decline, the Texas service sector showed signs of growth in June, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, rebounded to positive territory, advancing from -28.1 in May to 5.7 in June.

Labor market indicators reflected mostly stable employment and workweek length in June. The employment index rose over eight points to -1.9, suggesting little net change in jobs compared with May. The hours worked index ticked up over nine points to -0.2.

Perceptions of broader business conditions turned positive for the first time since February. The general business activity index rose nearly 44 points to a reading of 2.1, while the company outlook index rose from -30.2 in May to 2.2 in June. Meanwhile, the outlook uncertainty index declined to 5.9, significantly below the 2019 average level.

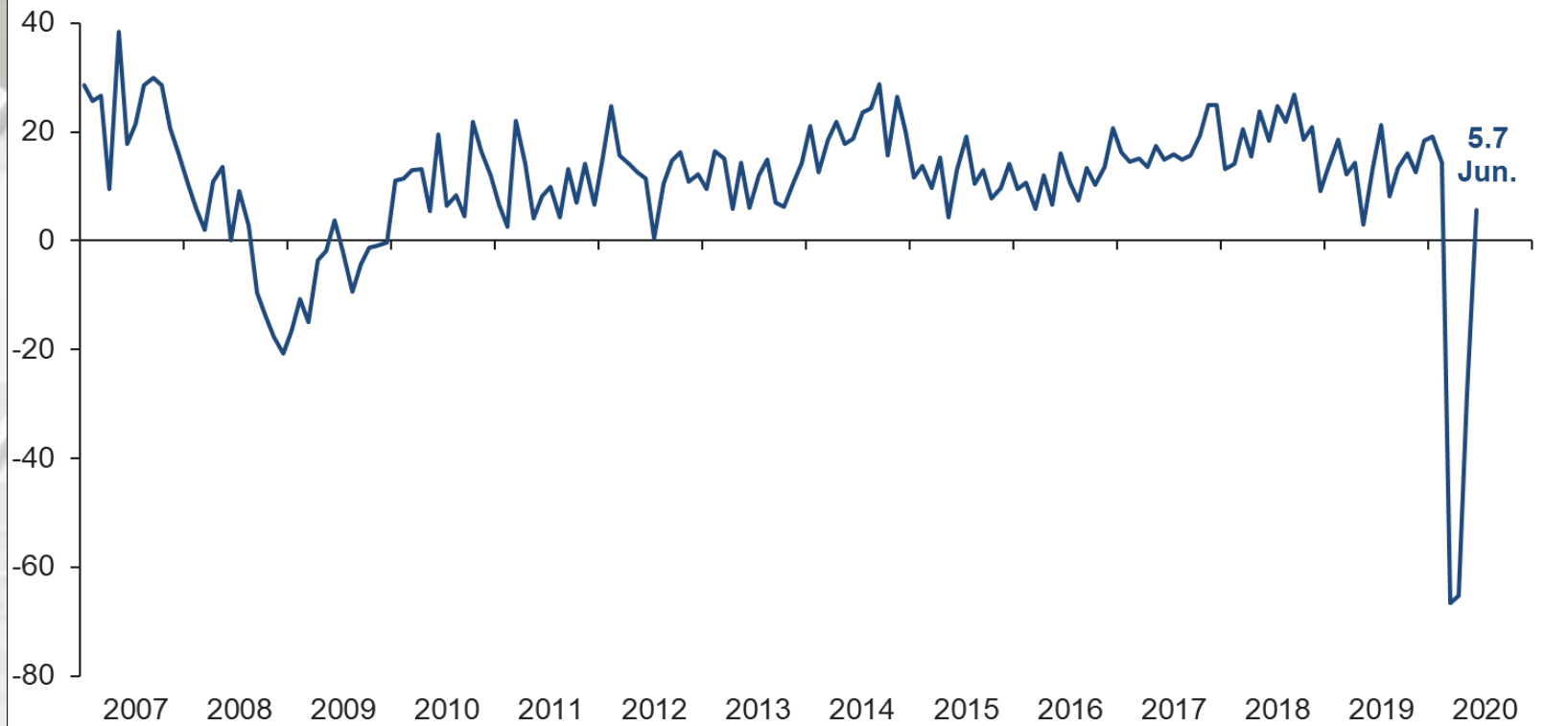
Wage pressures rose notably in June, while price pressures were mixed. The wages and benefits index turned positive at 7.8, adding 15 points from May. The selling prices index remained negative, though it increased from -19.7 to -2.2, while the input prices index climbed 7.6 points to 17.5, suggesting increasing inflation in firms’ input costs.

Respondents’ expectations regarding future business conditions were optimistic in June. The future general business activity index increased from -11.1 to 6.8, with over one-third of respondents expecting improvement six months from now compared with about 28 percent expecting worsening conditions. The future company outlook index improved about 12 points to 6.2. Other indexes of future service sector activity, such as revenue and employment, continued to increase and were near or above their 12-month averages, suggesting expectations of significant improvement over the next six months.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas 4/6

Texas Service Sector Outlook Survey Revenue Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas 5/6

Texas Retail Sales Rebound Sharply

“Retail sales activity surged in June, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, rose from -6.2 in May to 33.0 in June, its highest reading in two years. Over half of respondents reported increased sales compared with May, while less than one-quarter reported decreases. Inventories continued to decline at a rapid pace, with the inventories index remaining in deeply negative territory at -34.3 compared with -41.8 in May.

While retail labor market indicators improved, they continued to point toward declining employment and shortened workweeks in June. The employment index inched up from -7.2 to -5.0, while the hours worked index added nine points but was still negative at -6.2. Just over one-fifth of respondents noted a decrease in hours compared with 16 percent noting an increase in hours.

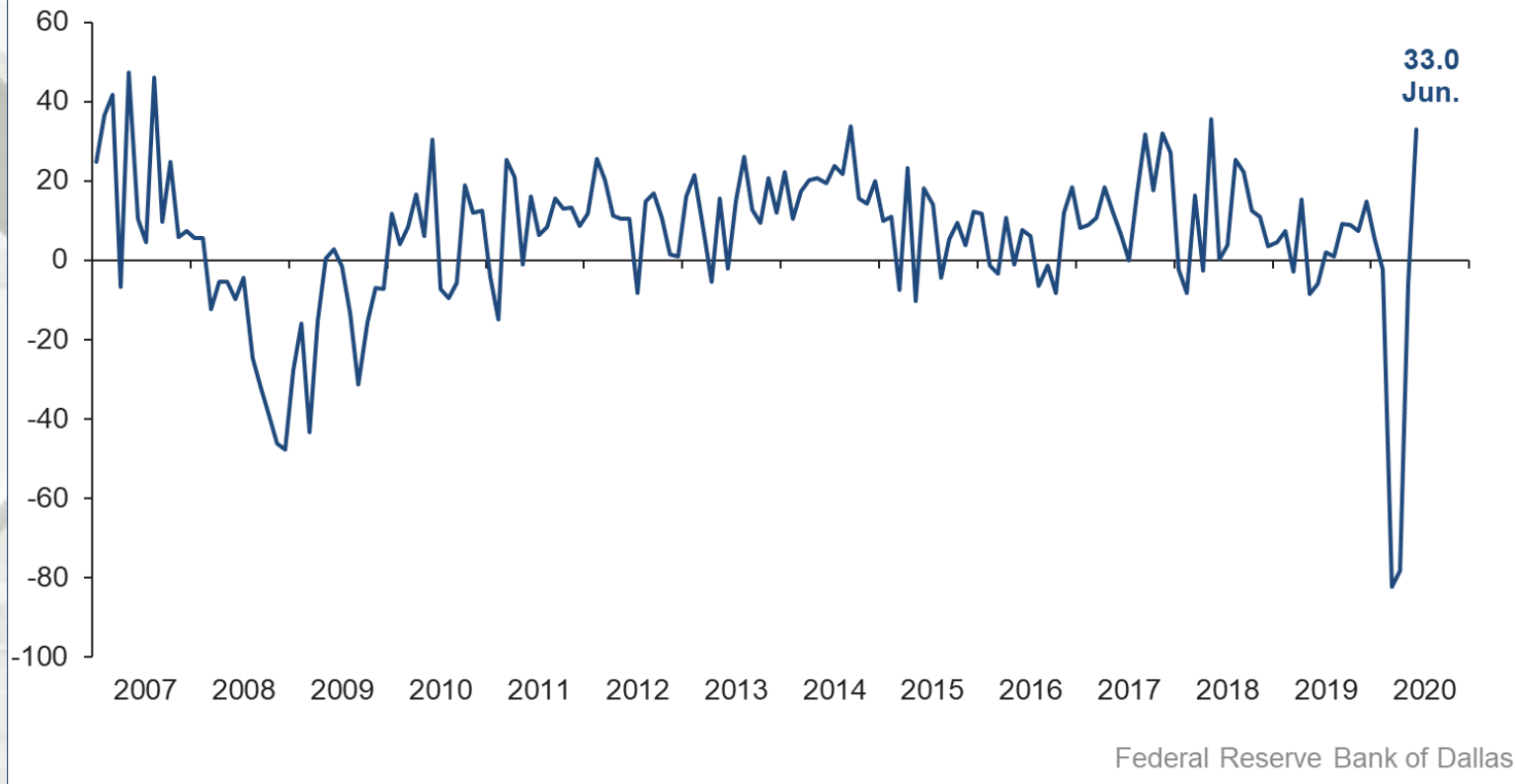
Retailers’ perceptions of broader business conditions surged with optimism compared with May readings. The general business activity index advanced from -17.9 to a six-year high of 29.6, while the company outlook index rose from -12.8 to 16.5. The outlook uncertainty index also declined to -9.6, its first indication of reduced uncertainty since last December.

Retail wages ticked up slightly in June, while price pressures rose sharply. The wages and benefits index turned positive for the first time since February, rising from -21.4 to 2.8. The selling prices index surged from -9.1 in May to 17.2 in June, while the input prices index added nearly 25 points, for a reading of 27.9 — its highest reading since 2018.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas 6/6

Texas Retail Outlook Survey Sales Index

Index, seasonally adjusted



Texas Retail Sales Rebound Sharply

“Retailers’ perceptions of future conditions remained positive in June, although optimism was somewhat dampened compared with May. The future general business activity index held positive but declined from 24.3 to 12.7. Similarly, the future company outlook index shed over 10 points for a reading of 19.3. Nevertheless, other indexes of future retail activity, such as sales and employment, continued to increase, pointing to overall expectations of healthier future activity.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

U.S. Economic Indicators 5/16

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Activity Grew Slightly

Factory Activity Grew Slightly in June

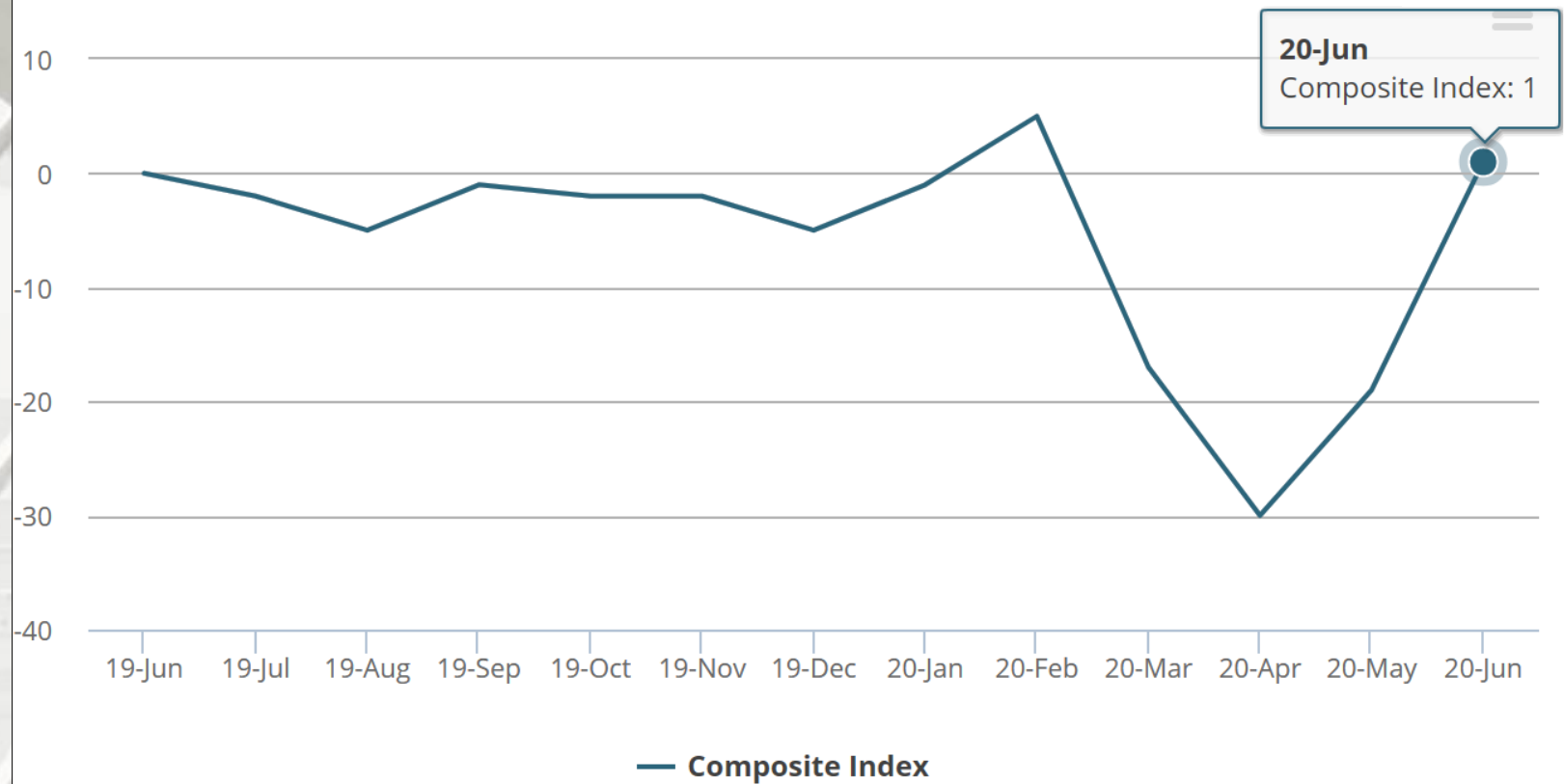
“Tenth District manufacturing activity grew slightly after sharply decreasing the past three months, but remained well below year-ago levels (Chart 1). Expectations for future activity rebounded moderately. Month-over-month price indexes increased in June after dropping sharply in previous months. District firms expected prices for both finished goods and raw materials to expand in the next six months.

The month-over-month composite index was 1 in June, up considerably from -19 in May and a record low of -30 in April. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The improvement in activity was driven by non-durable goods plants, while durable goods factories, especially nonmetallic mineral products, primary metals, fabricated metals, and computer and electronics plants continued to decline. Month-over-month indexes were mixed. Production, shipments, new orders, and supplier delivery time indexes recovered to positive levels, while indexes for order backlog, employment, new orders for exports, and inventories remained negative. Year-over-year factory indexes mostly remained highly negative in June, but the composite index moved up slightly from -35 to -29. The future composite index rose considerably in June, rebounding from -2 to 9.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

The Federal Reserve Bank of Kansas City

Chart 1

Composite Index vs. a Month Ago



U.S. Economic Indicators 6/16

The Federal Reserve Bank of Kansas City Tenth District Services Activity Expanded Modestly

Tenth District services activity expanded modestly in June after dropping sharply in previous months, but activity still remained much lower than a year ago. Expectations for future activity recovered somewhat.

Business Activity Expanded Modestly in June

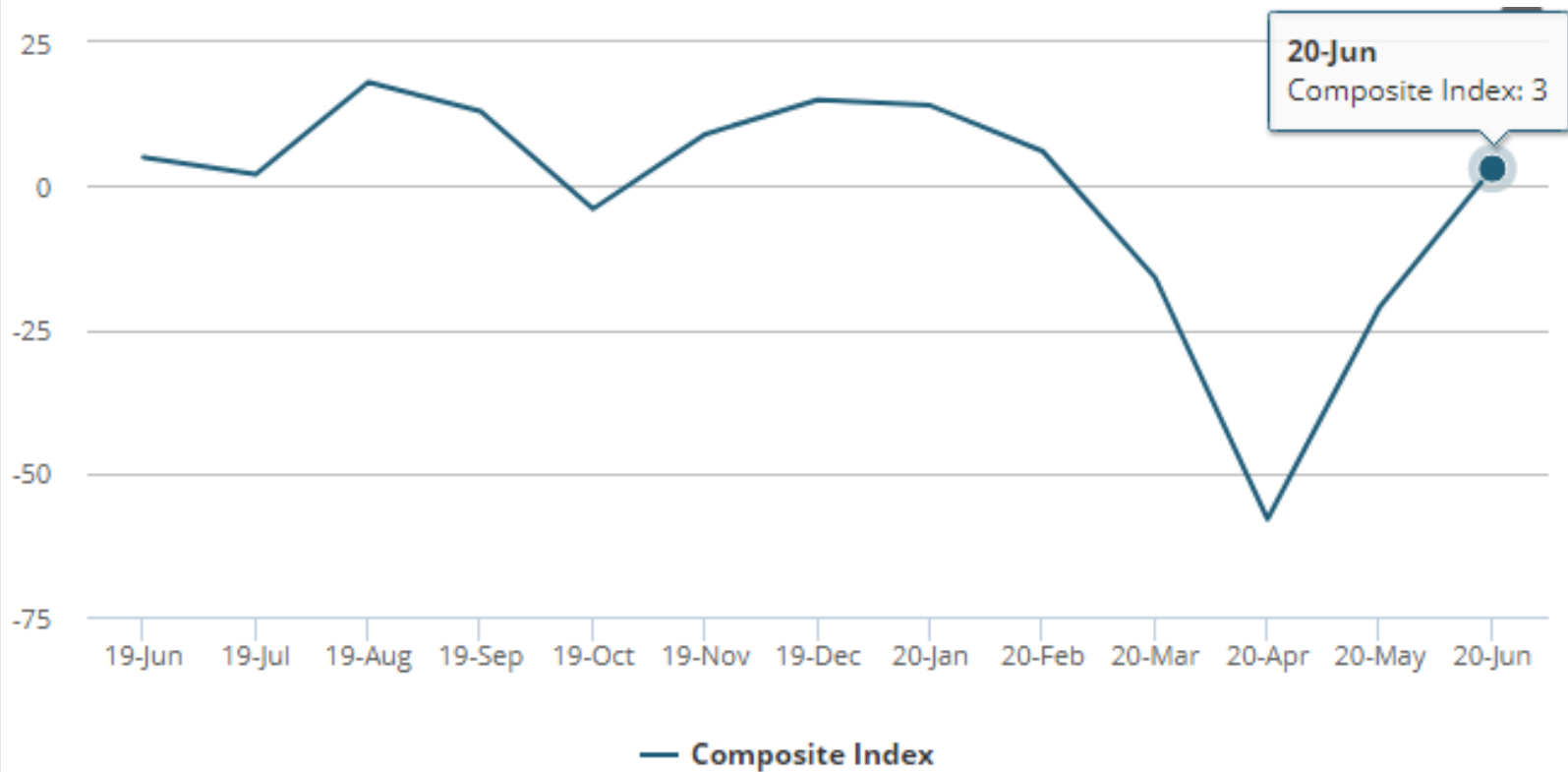
“Tenth District services activity expanded modestly in June after dropping sharply in previous months, but activity still remained much lower than a year ago. (Chart 1). Expectations for future activity recovered somewhat. The input price index jumped higher and the selling price index also rose in June. Firms expected both input and selling prices to continue to increase over the next six months.

The month-over-month services composite index was 3 in June, steadily rebounding from -21 in May and the historic low of -58 in April. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were mixed in June. While the part-time employment, inventory levels, access to credit, and capital expenditures indexes continued to decrease, general revenue and sales as well as wages and benefits increased. The monthly indexes for employment and employee hours also inched up. The uptick in the general revenue/sales index was driven by increased activity for retail, travel, tourism, transportation, and restaurants. However, most year-over-year services indexes remained negative in June, and the year-over-year composite index moved from -41 to -32. Expectations for future services activity recovered somewhat, increasing from -2 in May to 9 in June.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

U.S. Economic Indicators 7/16

Chart 1

Composite Index vs. a Month Ago



The Federal Reserve Bank of New York 1/5

Empire State Manufacturing Survey

Activity Holds Steady

“Business activity steadied in New York State, according to firms responding to the June 2020 *Empire State Manufacturing Survey*. After breaching record lows in April and May, the headline general business conditions index climbed forty-eight points to -0.2. New orders were unchanged from last month and shipments inched higher. Delivery times and inventories were little changed. Employment levels edged slightly lower and the average workweek continued to decline. Input price increases picked up, and selling prices stabilized. Firms were notably more optimistic that conditions would be better in six months, with the index for future business conditions rising to its highest level in more than a decade.

Manufacturing firms in New York State reported that business activity held steady in June after deteriorating sharply over the prior two months. The general business conditions index climbed nearly fifty points from the unprecedented lows in April and May, reaching -0.2. The index has climbed a total of nearly eighty points over the past two months. Thirty-six percent of respondents reported that conditions had improved in June, and an equal percentage reported that conditions had worsened. The new orders index rose forty-two points to a level of around zero, indicating that the quantity of orders was unchanged from last month, and the shipments index climbed forty-two points to 3.3, pointing to a slight increase in shipments. Delivery times and inventories both held steady.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York 2/5

Empire State Manufacturing Survey

Selling Prices Firm

“The index for number of employees was little changed at -3.5, pointing to a second consecutive month of slight employment declines. Notably, 18 percent of firms said that employment levels increased in June. The average workweek index increased ten points, but remained negative at -12.0, indicating an ongoing decline in hours worked, though at a slower pace than in recent months. The prices paid index increased thirteen points to 16.9, indicating that input prices increased at a faster pace than in May. The prices received index moved up to -0.6, its near zero value indicating that selling prices halted their recent decline and held steady this month.

Optimism Shoots Up

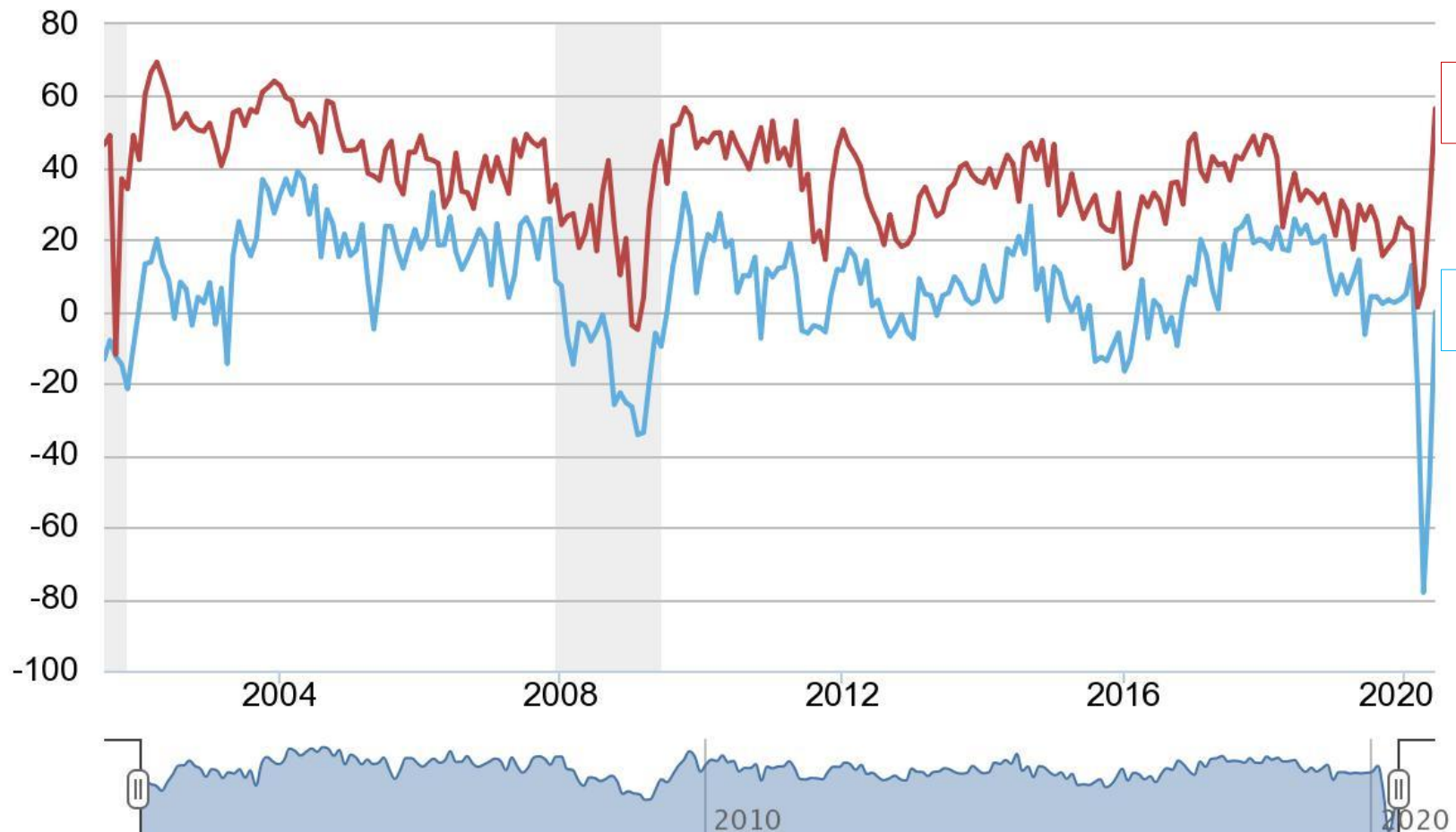
Firms were much more optimistic about future conditions. The index for future business conditions rose twenty-seven points to 56.5, its highest level in more than a decade. The indexes for future new orders and future shipments also posted significant increases. The index for future employment rose to 19.0, its highest level in many months, suggesting firms expect to increase employment in the months ahead. The capital expenditures index climbed slightly above below zero, a sign that firms, on net, planned to increase capital spending.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York 3/5

General Business Conditions

— Current — Expected — U.S. recession

Diffusion index, seasonally adjusted



The Federal Reserve Bank of New York 4/5

Business Leaders Survey (Services)

Business Conditions Deteriorate Less Steeply

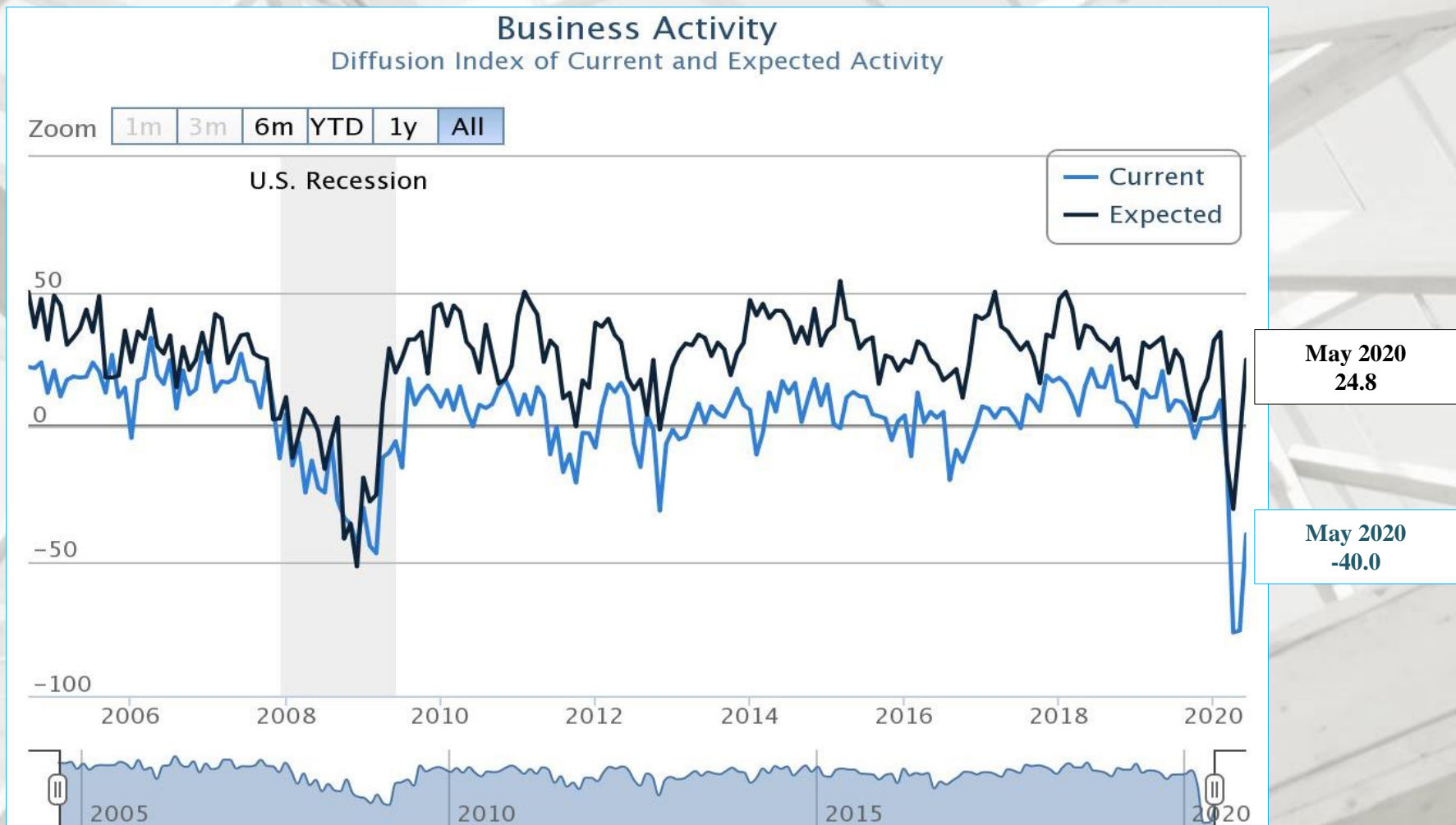
“Activity in the region’s service sector continued to decline significantly, though at a slower pace than in April and May, according to firms responding to the Federal Reserve Bank of New York’s June 2020 *Business Leaders Survey*. The survey’s headline business activity index climbed thirty-six points to -40.0. The business climate index rose eleven points, but at -82.3, indicated that the vast majority of firms still viewed the business climate as worse than normal. Employment levels and wages continued to decline, though not as much as last month. Input price increases picked up, while selling prices continued to fall. Capital spending continued to decline significantly. Looking ahead, for the first time since the pandemic began, firms expected conditions to be better in the coming months.

Business activity in the region’s service sector declined substantially in June, though at a much slower pace than in the prior two months. The headline business activity index increased thirty-six points to -40.0. Sixty percent of respondents reported that conditions worsened over the month, while nineteen percent said that conditions improved. The business climate index rose eleven points to -82.3, with 87 percent of respondents viewing the business climate as worse than normal.

Employment Falls At A Slower Pace

The employment index increased for the first time in three months, but it remained well below zero at -43.2, pointing to significant employment cuts — but less so than in the prior two months. The wages index rose eight points but remained negative at -10.5, a sign that wage declines moderated. The prices paid index increased for a second consecutive month, rising seven points to 20.5, pointing to a pickup in input price increases. The prices received index rose five points to -15.0, signaling that selling prices declined at a slower pace than last month. The capital spending index came in at -40.6, suggesting ongoing steep declines in capital spending.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York 5/5



Firms Optimistic Conditions Will Improve

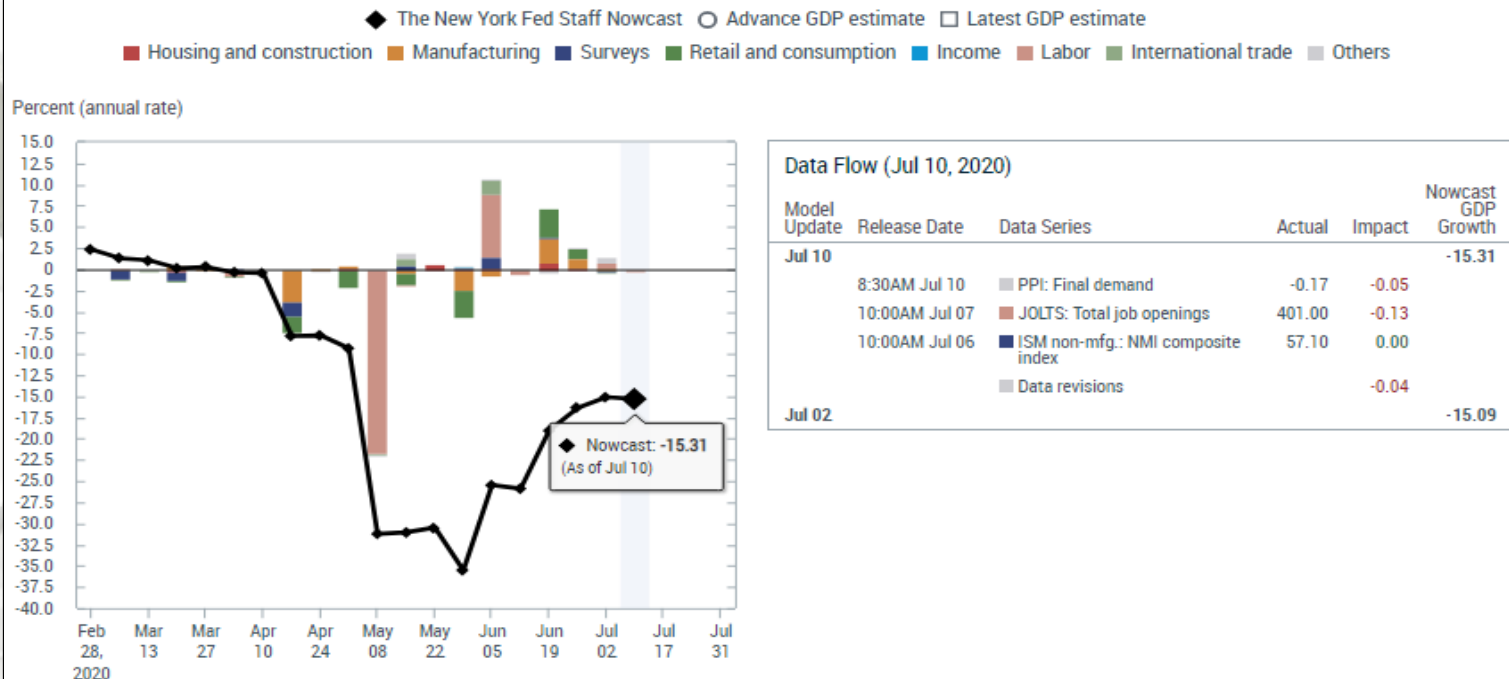
“For the first time in recent months, firms expected conditions to improve over the next six months. The indexes for future business activity and future business climate both climbed above zero. Firms also expected employment and wages to increase in the months ahead, though selling prices and capital spending were expected to continue to decline.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

U.S. Economic Indicators 8/16

The Federal Reserve Bank of New York Nowcast

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

Last Release 11:15am EST Jul 10, 2020



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

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

July 10, 2020: Highlights

- “The New York Fed Staff Nowcast stands at -15.3% for 2020:Q2 and 10.1% for 2020:Q3.
- News from this week’s data releases decreased the nowcast for 2020:Q2 by 0.2 percentage point and decreased the nowcast for 2020:Q3 by 0.3 percentage point.
- Surprises from the JOLTS and PPI data releases accounted for most of the decline.” – The Federal Reserve Bank of New York

U.S. Economic Indicators 9/16

The Federal Reserve Bank of Philadelphia

June 2020 Manufacturing Business Outlook Survey

“Manufacturing conditions in the region showed signs of improvement this month, according to firms responding to the June *Manufacturing Business Outlook Survey*. The survey’s current indicators for general activity, new orders, and shipments returned to positive territory, coinciding with the gradual reopening of the economy in our region and the nation more broadly. The employment index remained negative but increased for the second consecutive month. All future indicators improved, suggesting that the firms expect overall growth over the next six months.

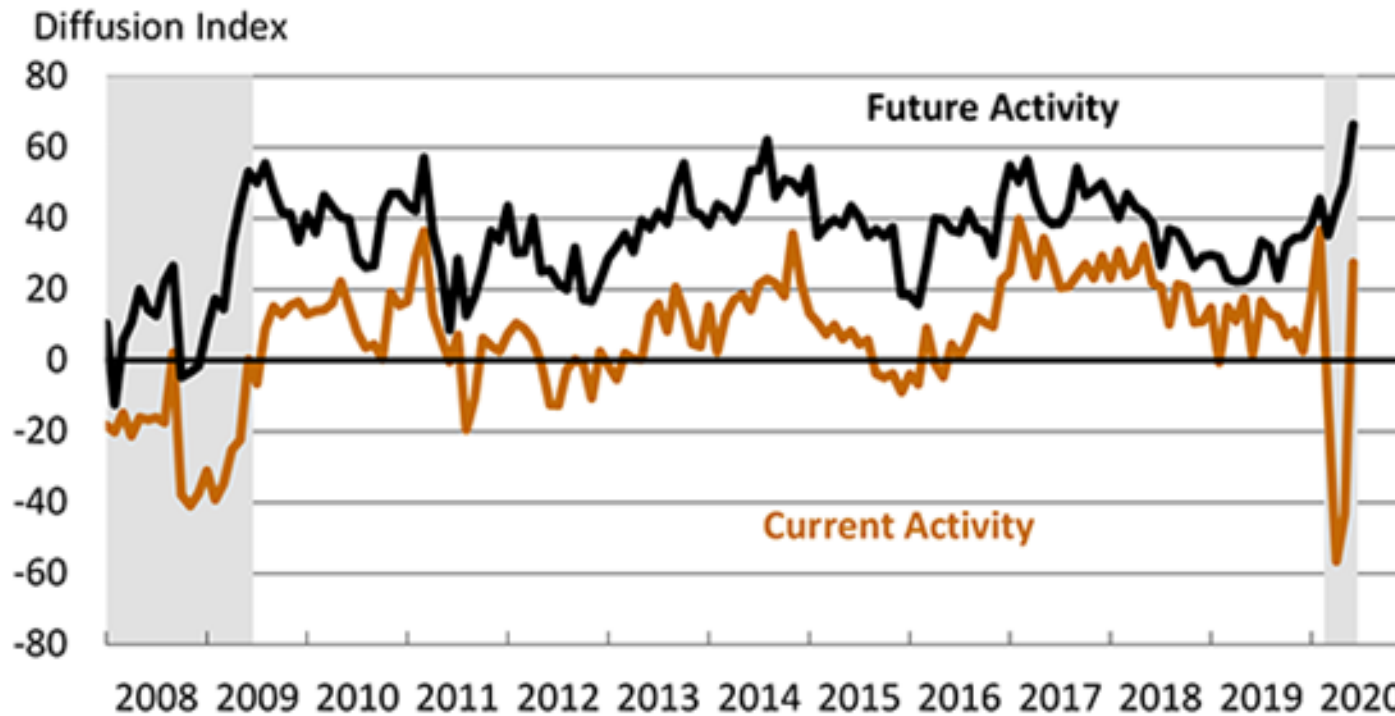
Most Current Indicators Rebound

The diffusion index for current general activity increased from -43.1 in May to 27.5 this month, its first positive reading since February (see Chart 1). Forty-six percent of the firms reported increases this month (up from 15 percent last month), while 19 percent reported decreases (down from 58 percent). The indexes for current shipments and new orders also rose and returned to positive readings this month: The current new orders index increased 42 points to 16.7, while the shipments index rose 56 points to 25.3.

The firms continued to report decreases in employment on balance; however, the employment index increased 11 points. The majority of responding firms (72 percent) reported steady employment levels, and the share reporting decreases (16 percent) exceeded the share reporting increases (12 percent).” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia 1/7

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



June 2020
66.7

June 2020
27.5

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

The Federal Reserve Bank of Philadelphia 2/7

Firms Report Overall Increases in Prices

“The prices paid diffusion index increased 8 points to 11.1. The percentage of firms reporting increases in input prices (16 percent) was higher than the percentage reporting decreases (5 percent); most firms (79 percent) reported no change. The current prices received index, reflecting manufacturers’ own prices, rose 14 points to a reading of 11.0, its first positive reading since March.

Firms Report Lower Production and Capacity Utilization

In this month’s special questions (see [Special Questions](#)), the firms were asked to estimate their total production growth for the second quarter ending this month compared with the first quarter of 2020. The share of firms reporting expected decreases in second-quarter production (78 percent) was greater than the share reporting increases (13 percent), and the median response was a decline of 25 to 30 percent. The firms were also asked about their current capacity utilization rate as well as their utilization rate one year ago. The median current capacity utilization rate reported among the responding firms was 70 to 80 percent, lower than the median rate of 80 to 90 percent reported one year ago.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia 3/7

All Future Indicators Improve

“The diffusion index for future general activity increased 17 points from its May reading, reaching its highest level in nearly 30 years (see Chart 1). Over 75 percent of the firms expect increases in activity over the next six months, while 9 percent expect declines. The future shipments and new orders indexes also improved, increasing 19 points and 13 points, respectively. The firms are optimistic overall about hiring over the next six months: The future employment index rose 13 points to 29.6, with over 36 percent of the firms expecting higher employment over the next six months. The future capital spending index improved 11 points to a reading of 26.3, near its average for last year.

Summary

Responses to the May *Manufacturing Business Outlook Survey* suggest improvement in regional manufacturing conditions compared with last month. The indexes for current activity, new orders, and shipments returned to positive territory after negative readings over the past few months. The survey’s price indexes suggest positive pressure in both the prices of firms’ inputs and manufactured goods. The survey’s future indexes indicate that respondents expect growth over the remainder of the year.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia 4/7

June 2020 Nonmanufacturing Business Outlook Survey

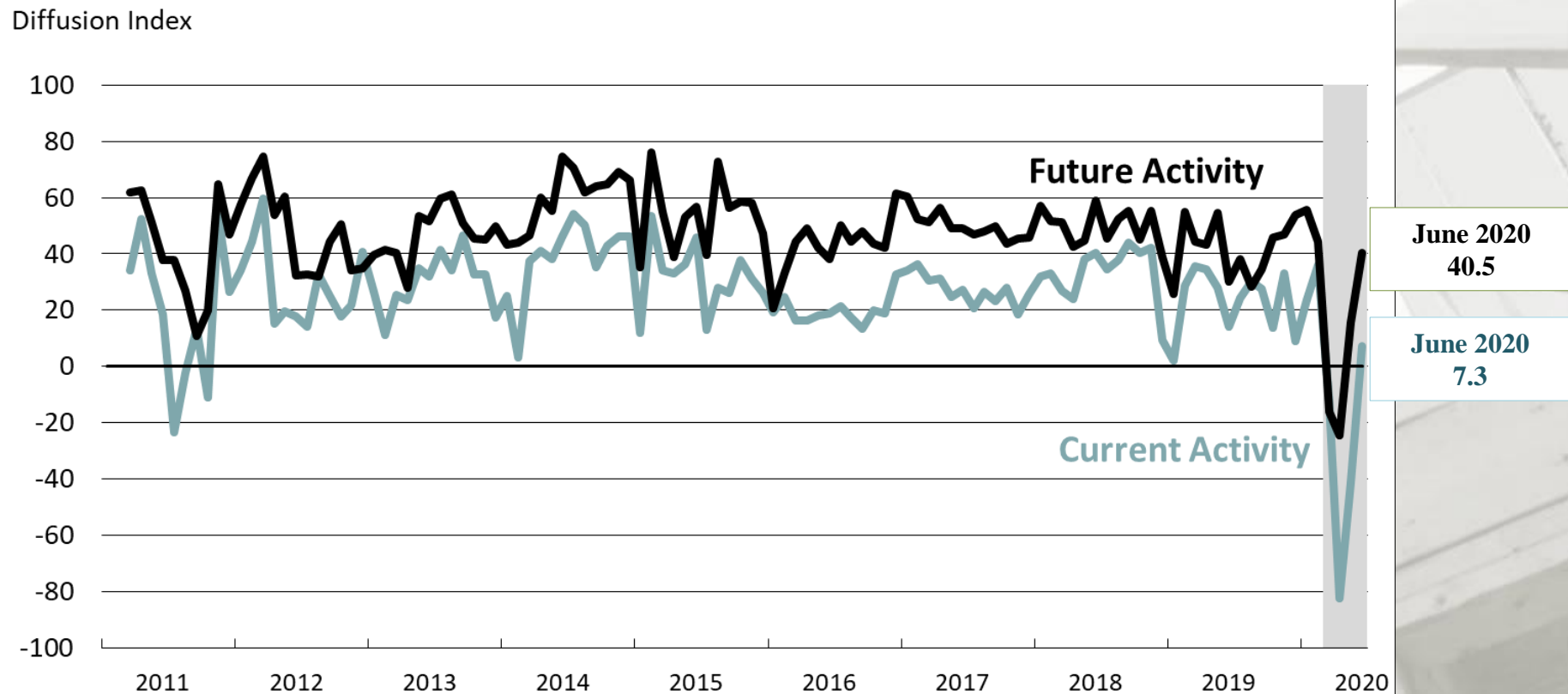
Current Indicators Continue to Climb from Historic Lows

“Nonmanufacturing firms reported continued weakness in regional nonmanufacturing activity this month, according to results from the *Nonmanufacturing Business Outlook Survey*. Most of the survey’s current indicators improved from readings last month: The indexes for general activity at the firm level and sales/revenues showed positive readings for the first time since February, coinciding with the limited reopening of the service economy in the region. However, the new orders and full-time employment indexes remained negative despite posting large gains from last month. The respondents expect overall improvement in conditions over the next six months, as both future activity indexes rose well into positive territory.

The diffusion index for current general activity at the firm level rose sharply for the second consecutive month from -41.4 in May to 7.3 in June, after reaching historic lows in preceding months (see Chart 1). Reports of increases in activity were more widespread this month: Over 45 percent of the firms reported increases (up from 16 percent last month), while 38 percent reported decreases (down from 57 percent last month). The new orders index rose 20 points to -12.6 in June, its second consecutive month with a double-digit increase. More than 36 percent of the firms reported decreases in new orders, while 24 percent reported increases. The sales/revenues index rose from -50.8 in May to 0.3 in June, as responses were mostly evenly split between increases and decreases. The regional activity index increased 65 points to -3.6.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia 5/7

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



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

The Federal Reserve Bank of Philadelphia 6/7

June 2020 Nonmanufacturing Business Outlook Survey

Employment Indicators Remain Negative but Improve

“The firms reported overall decreases in full-time and part-time employment for the fourth consecutive month. The full-time employment index rose 10 points to -13.3, rising for the second consecutive month after reaching an all-time low in April. The share of firms reporting decreases in full-time employment (22 percent) exceeded the share reporting increases (8 percent); the majority (61 percent) reported no change. The part-time employment index increased 13 points to -24.4. The majority of firms reported steady part-time employment (58 percent), while 25 percent of the firms reported decreases and 1 percent reported increases. The wages and benefits indicator rose 11 points to -3.5, and the average workweek index rose 43 points to 6.7, its first positive reading since February.

Firms Report Declines in Prices of Their Own Goods

Price indicator readings suggest near-steady prices for inputs and declines in prices for the firms’ own goods and services. The prices paid index increased from -6.2 in May to 2.0 in June). While most respondents (59 percent) reported stable input prices, 13 percent of the firms reported increases, and 11 percent reported decreases. Regarding prices for the firms’ own goods and services, the prices received index edged down 3 points to -13.7 in June. Just under 14 percent of the firms reported decreases in prices received, and none reported increases. Nearly 73 percent of the firms reported no change in prices for their own goods and services.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia 7/7

June 2020 Nonmanufacturing Business Outlook Survey

Future Indicators Strengthen

“Both future activity indexes suggest that the respondents expect overall improvement in nonmanufacturing activity over the next six months, with both series reaching levels near their long-term averages. The diffusion index for future activity at the firm level increased from a reading of 15.4 in May to 40.5 this month (see Chart 1). Nearly 66 percent of the firms expect an increase in activity at their firms over the next six months (up from 49 percent last month), compared with 25 percent that expect decreases (down from 34 percent last month). The future regional activity index rose from -10.0 in May to 37.1 in June.

Summary

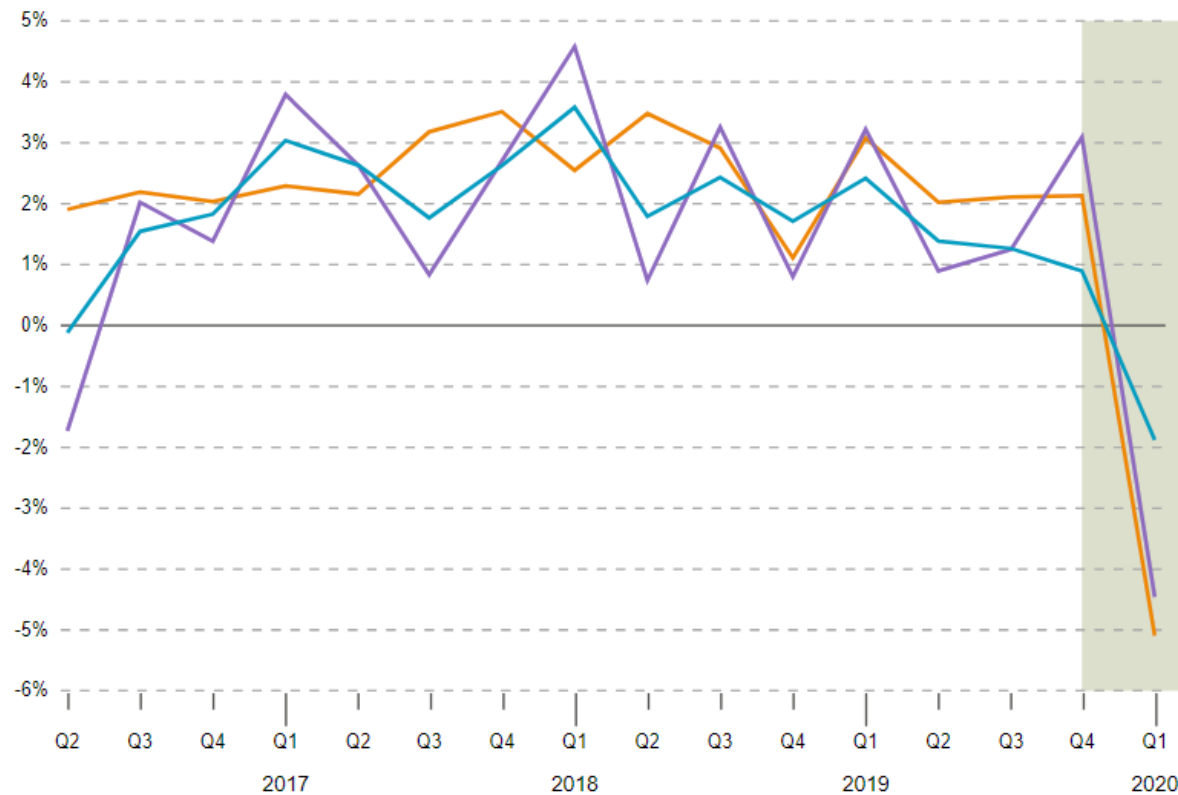
Responses to this month’s *Nonmanufacturing Business Outlook Survey* suggest continued weakness in nonmanufacturing activity in the region. The indicators for firm-level general activity and sales/revenues reached positive levels for the first time since February, while new orders and full-time employment also rose but remained negative. The future activity indexes suggest that respondents expect improvement at their firms and in the region over the next six months.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia: GDPplus

GDPplus: An Alternative Measure of Real U.S. Output Growth
Last Updated: June 25, 2020

■ GDPplus ⓘ ■ Real GDP ⓘ ■ Real GDI ⓘ

from 2016 ▼ Q2 ▼ to 2020 ▼ Q1 ▼



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.

U.S. Economic Indicators 10/16

The Federal Reserve Bank of Richmond

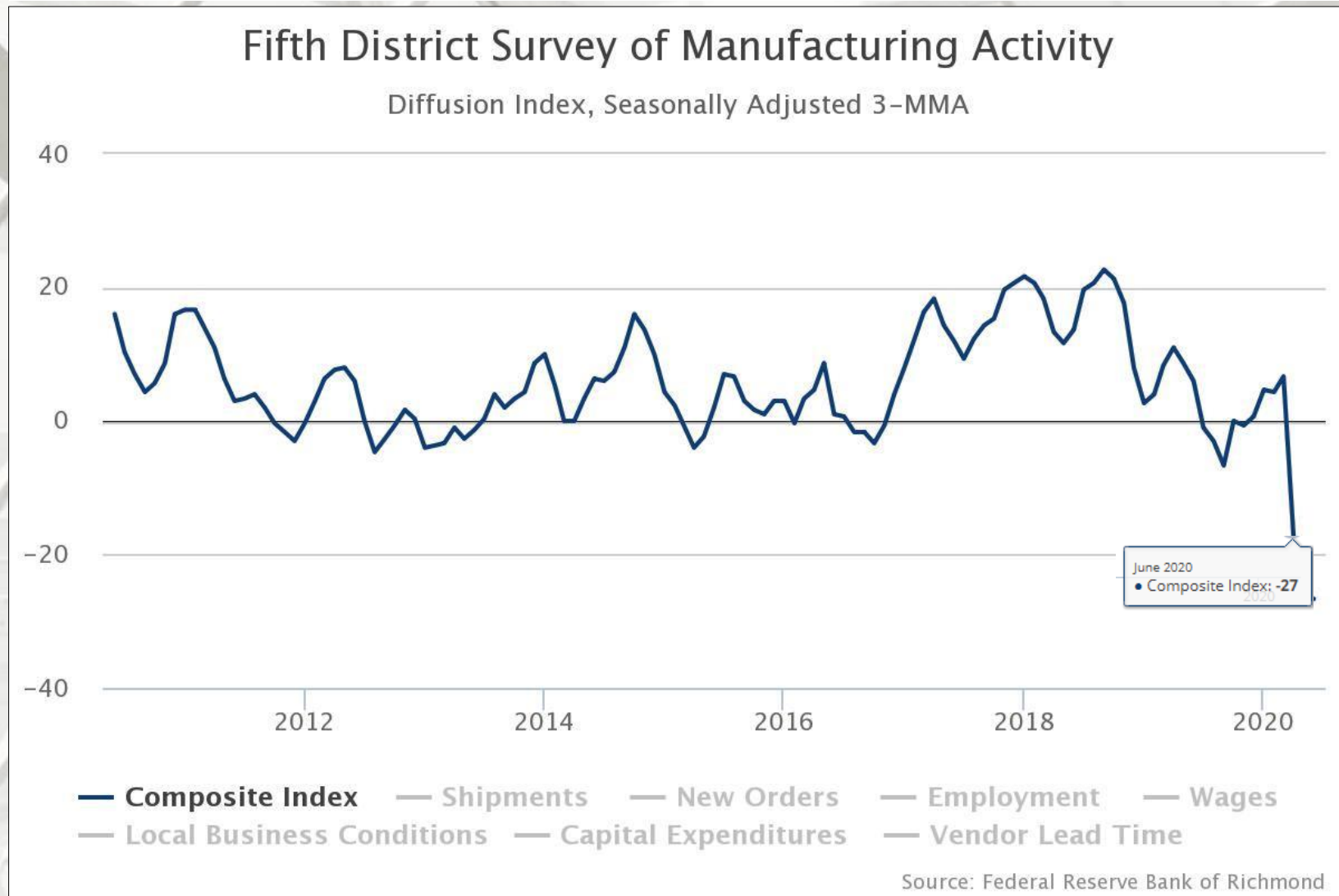
Manufacturing Activity Held Fairly Steady in June

“Fifth District manufacturing held fairly steady in June, according to the most recent survey from the Richmond Fed. The composite index rose from -27 in May to 0 in June, as shipments were relatively flat, more firms reported increases in new orders, and firms generally reported continued declines in employment. The index for local business conditions rose notably in June, indicating optimism among firms after three months of some of the most negative readings on record for that series. Manufacturers were also optimistic, overall, that conditions would improve in the next six months.

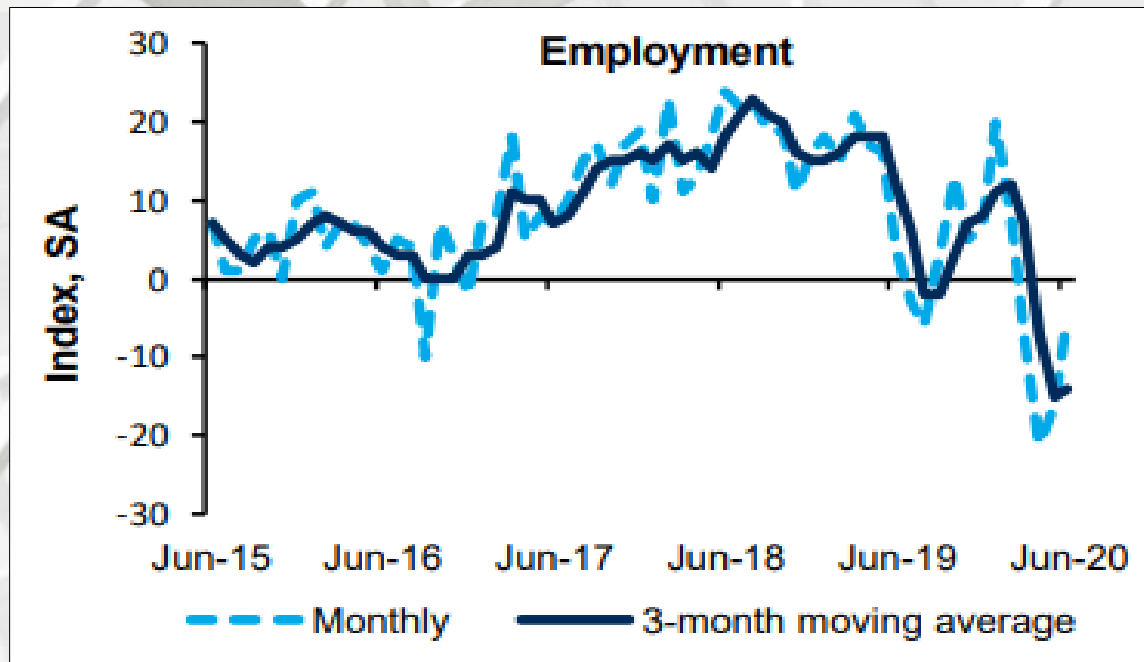
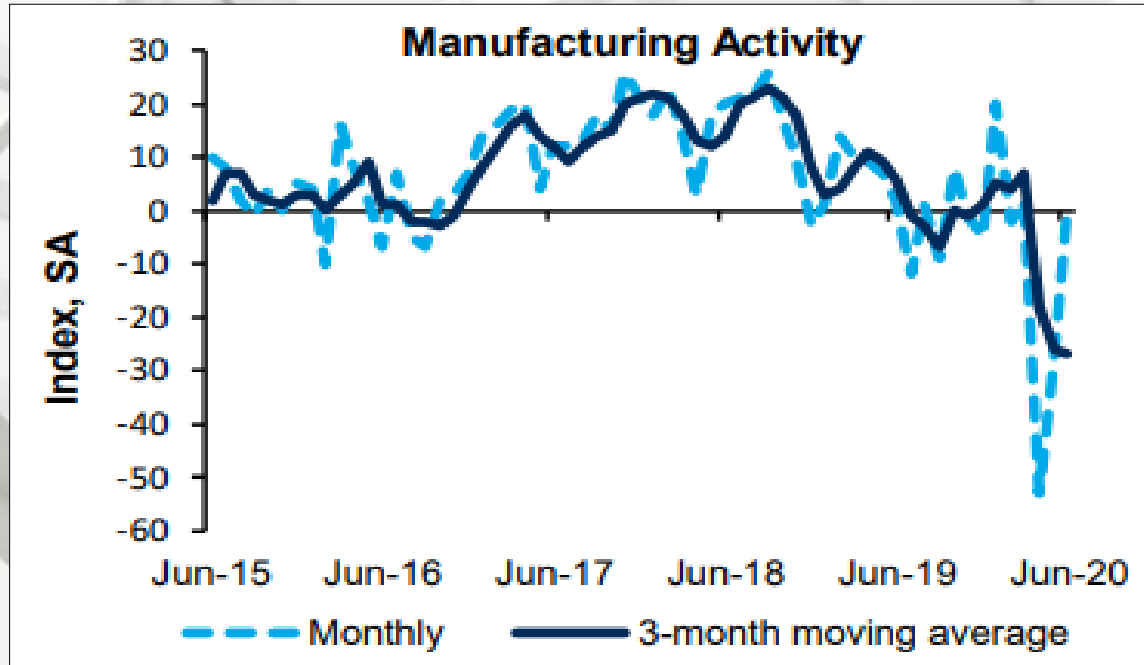
Survey results suggested that some manufacturing firms saw decreased employment in June. Meanwhile, wages, the average workweek, and availability of skills appeared fairly flat, on the whole. Survey respondents expected employment, wages, and the average workweek to increase in the coming months.

The average growth rates of both prices paid and prices received by survey participants increased in June, with growth of prices paid outpacing that of prices received. Firms expected price growth to continue to rise in the near future.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

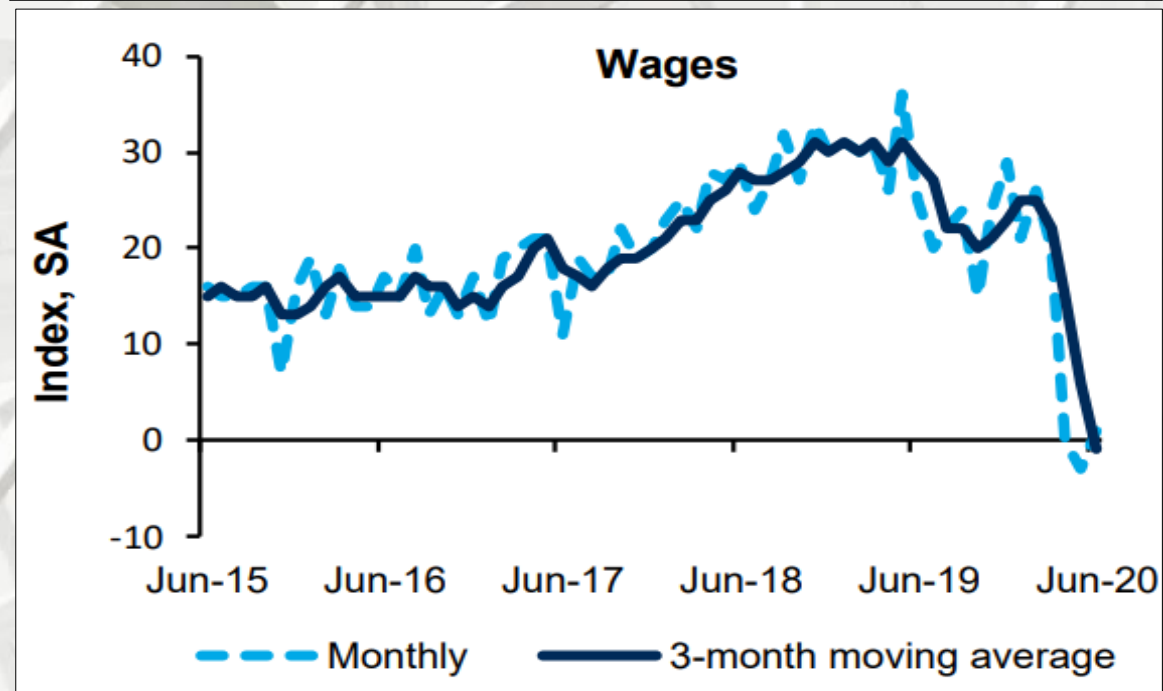
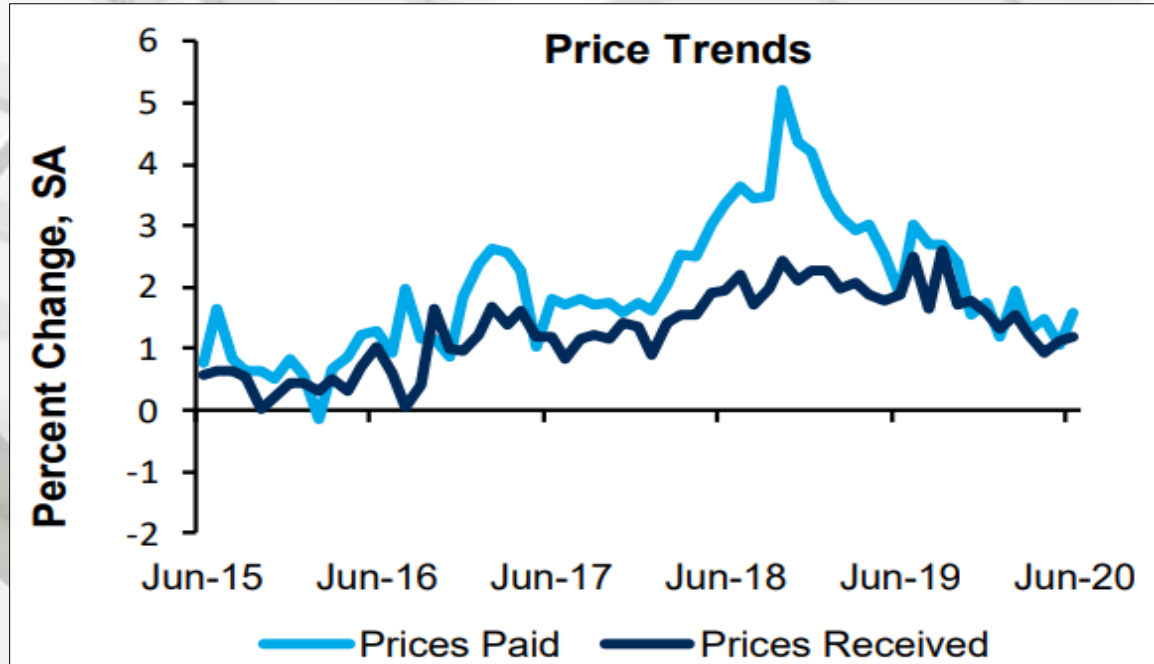
U.S. Economic Indicators 11/16



U.S. Economic Indicators 12/16



U.S. Economic Indicators 13/16



U.S. Economic Indicators 14/16

The Federal Reserve Bank of Richmond Fifth District Survey of Service Sector Activity Service Sector Activity Remained Soft in June

“Fifth District service sector activity remained soft in June, according to the most recent survey by the Richmond Fed. The indexes for both revenues and demand were above their May readings, but still indicated contraction at -28 and -16 , respectively. Firms also reported continued deterioration in local business conditions and decreased spending in June, but they were optimistic that conditions would improve in the coming months.

Several survey participants reported decreased employment in June, but survey results suggested slight increases in wages and the ability of firms to find the workers with the necessary skills. Respondents expected employment and wages to increase and more workers with the necessary skills to be available in the next six months.

The average growth rates of both prices paid and prices received by service sector participants rose notably in June, as growth of prices paid continued to outpace that of prices received. However, firms expected the gap between the two measures of price growth to narrow in the near future” – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond

U.S. Economic Indicators 15/16

Fifth District Survey of Service Sector Activity

Diffusion Index, Seasonally Adjusted 3-MMA



Source: Federal Reserve Bank of Richmond

U.S. Economic Indicators 16/16

The Federal Reserve Bank of San Francisco FedViews

- “The coronavirus (COVID-19) pandemic and the public health measures taken to prevent its spread have led to a severe contraction of economic activity. Data from March and April showed severe disruptions in the labor market as the number of new nationwide infections appeared to peak in late April. After a period of declining new coronavirus cases, infection rates have picked up again since mid-June. The current economic outlook is highly uncertain as it continues to depend on the path of the virus.
- Output contracted sharply during the first half of the year. Gross domestic product fell by 5% at an annualized rate during the first quarter of 2020, and we expect a substantially larger decline in the second quarter. Consumer spending on travel, dining, and retail, as well as industrial production fell precipitously in response to public health measures taken to reduce the virus’s transmission rate. Barring a major second wave of infections, the U.S. economy should start its recovery during the second half of the year. But it will likely take a few years until the U.S. economy has fully caught up with its potential. A pronounced second wave, however, would likely lead to a deterioration of the overall economic outlook and delay recovery. Overall risks are currently tilting towards the downside.
- The labor market was severely disrupted by the unfolding health crisis. Over 21 million jobs were lost in March and April, wiping out roughly ten years of job gains during the previous expansion. Consequently, the unemployment rate peaked at 14.7% in April, a level not seen since the Great Depression. These losses were partially offset by gains of 2.7 million jobs in May and 4.8 million jobs in June. As a result, the unemployment rate declined last month to 11.1%, still a highly elevated level. The impact of the recent surge in coronavirus cases on the unemployment rate remains highly uncertain. Over the next few years, we foresee a gradual decrease in unemployment, reaching a level of around 6% by the end of 2022, still well above the levels prior to the pandemic’s onset. ...” – Thomas Mertens, Vice President. The Federal Reserve Bank of San Francisco

México Economic Update 1/2

The Federal Reserve Bank of Dallas

México's First-Quarter Growth Revised Up; Outlook Deteriorates

“México’s gross domestic product (GDP) contracted an annualized 4.9 percent in first quarter 2020, a smaller decline compared with its preliminary estimate reported at the end of April. However, the outlook worsened. The GDP growth forecast for 2020, compiled by Banco de México, was revised down from -7.1 percent in April to -8.0 percent in May due to the combined impacts of COVID-19 and low oil prices on the Mexican economy. The latest data available show that exports, industrial production, employment and retail sales fell. Inflation increased, and the peso gained ground against the dollar in May.

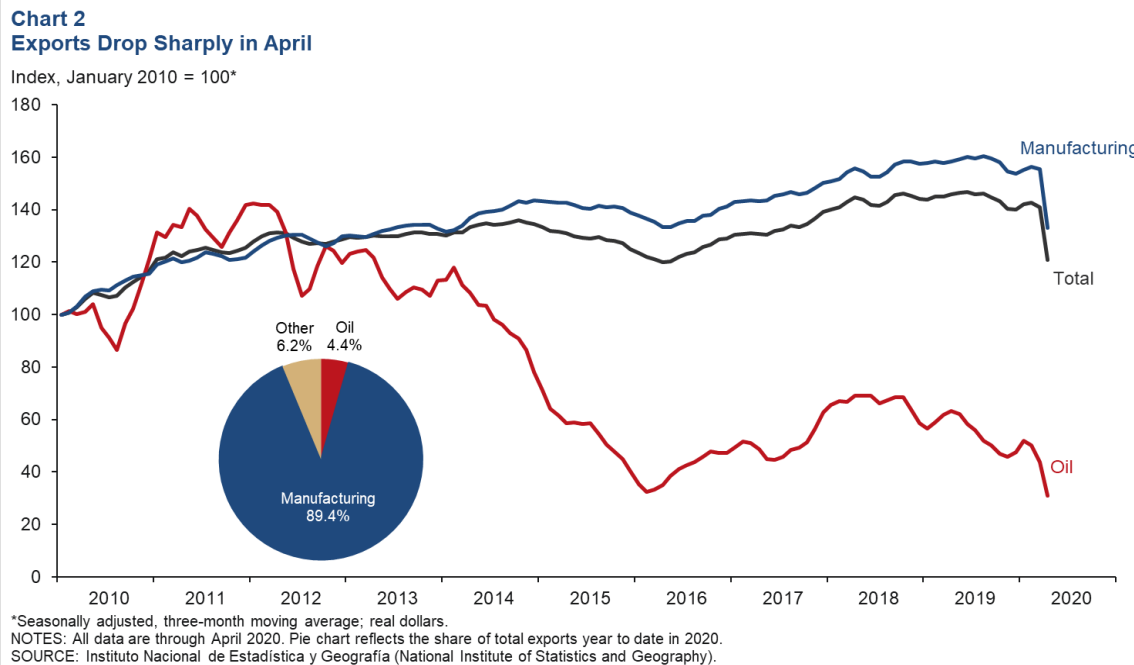
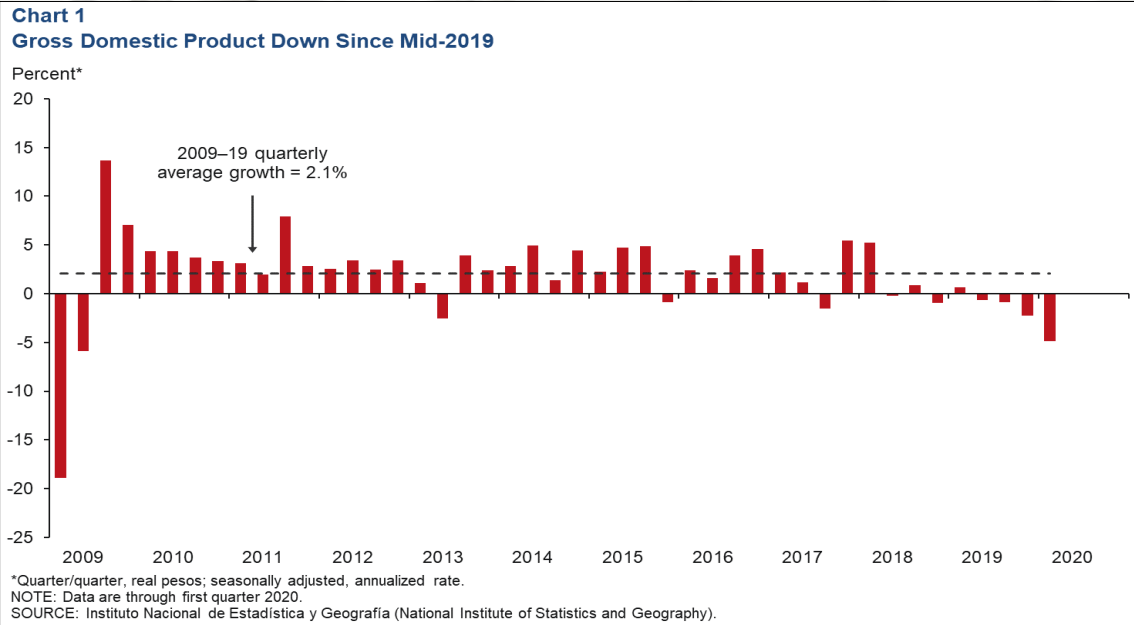
First-Quarter Output Revised Up

México’s first-quarter GDP dropped an annualized 4.9 percent, revised up from its previous estimate of -6.2 percent (Chart 1). Output from goods-producing industries (manufacturing, construction, utilities and mining) fell 4.9 percent, while service-related activities (wholesale and retail trade, transportation and business services) fell 3.5 percent. Agricultural output rose 7.2 percent.

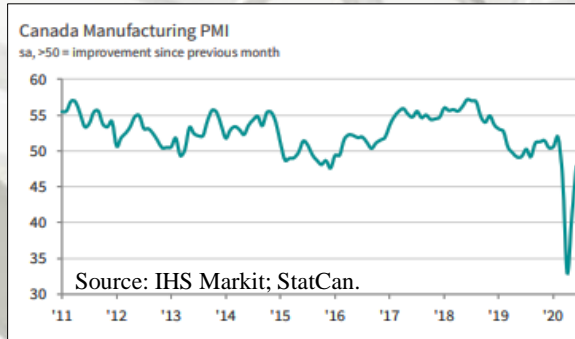
Exports Contract Further

The three-month moving average of total exports plunged 14.3 percent in April, as oil exports fell 29.0 percent, and manufacturing exports contracted 14.4 percent (Chart 2). On a month-over-month basis, total exports fell 37.2 percent in April, and manufacturing exports declined 39.2 percent. Through April, exports fell 12.6 percent, compared with the same period in 2019, as manufacturing exports declined 11.9 percent and oil exports slipped 38.9 percent. ...” – Jesus Cañas, Senior Business Economist, and Chloe Smith, Research Analyst, Research Department, The Federal Reserve Bank of Dallas

México Economic Update 2/2



Private Indicators: Global 1/9



Markit Canada Manufacturing PMI™

“The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers’ Index® (PMI®) registered 47.8 in June, up from 40.6 in May and well above the survey-record low seen during April (33.0). That said, the latest reading remained below the neutral 50.0 threshold.

Manufacturing PMI hits four-month high in June

June data provided signs of a turnaround in momentum across the Canadian manufacturing sector, with the slides in output, new orders and employment all easing to considerable degrees in the latest survey period. Production volumes dropped to the weakest extent since the downturn began in March. Around 30% of the survey panel reported a fall in output during June, while approximately 27% signalled an expansion. Manufacturers reporting a decline in production overwhelmingly attributed it to weaker underlying demand conditions. Where growth was recorded, panel members mostly cited a phased restart of factory operations and reopening among clients after stoppages due to the COVID-19 pandemic. ...

The latest Canada Manufacturing PMI highlights a vastly improved situation in comparison to that seen over the previous three months. June data signalled that the overall downturn in output, order books and jobs eased to its least marked since the COVID-19 pandemic took hold.

The proportion of survey respondents indicating a monthly drop in production has eased from 66% in April and 47% in May to only 30% during June. This shift in momentum has been driven by a phased reopening of factory operations and the restart of business activity among clients.

Despite another improvement in their expectations for production during the year ahead, manufacturers continued to report highly subdued underlying demand in June, alongside widespread concerns about the global economic outlook.” – Tim Moore, Economics Associate Director, IHS Markit

Private Indicators: Global 2/9

Caixin China General Manufacturing PMI™

Manufacturing sector conditions continue to strengthen in June

“The headline seasonally adjusted *Purchasing Managers’ Index*™ (*PMI*™) – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – increased from 50.7 in May to 51.2 in June, to signal a second successive monthly improvement in the health of the sector. Though modest, the rate of improvement was the strongest recorded since December 2019.

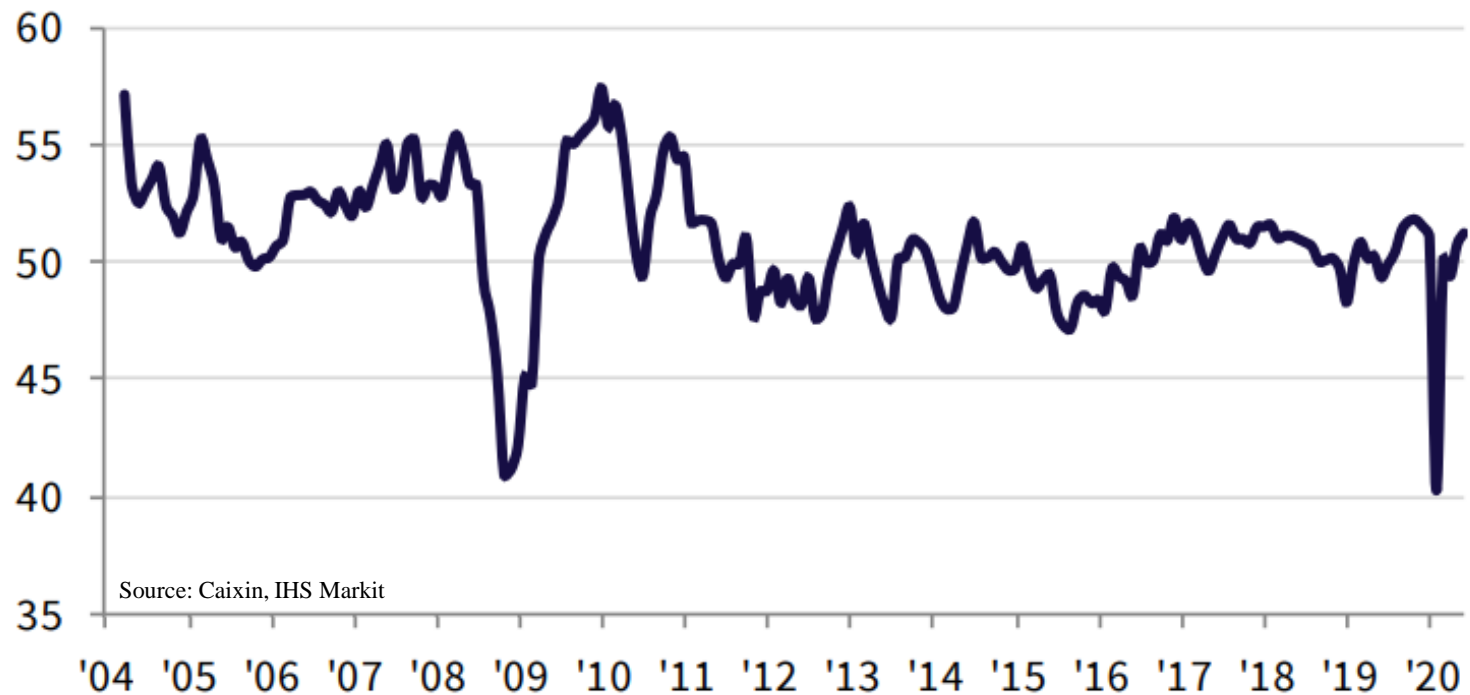
The recovery in manufacturing sector conditions in China continued in June, with firms signalling a further rise in production and a renewed increase in total new business. The upturn was supported by the recent easing of measures related to the coronavirus disease 2019 (COVID-19) outbreak, which enabled more firms to resume normal business operations and a general improvement in market conditions. However, export work continued to fall amid reports of weak external demand. Nonetheless, business confidence rose to a four-month high, while firms expanded their purchasing activity at a quicker rate. ...

The Caixin China General Manufacturing PMI stood at 51.2 in June, the highest reading so far this year. The manufacturing sector continued to expand, as most of the country had the epidemic under control and the economy continued to recover. ...” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Private Indicators: Global 3/9

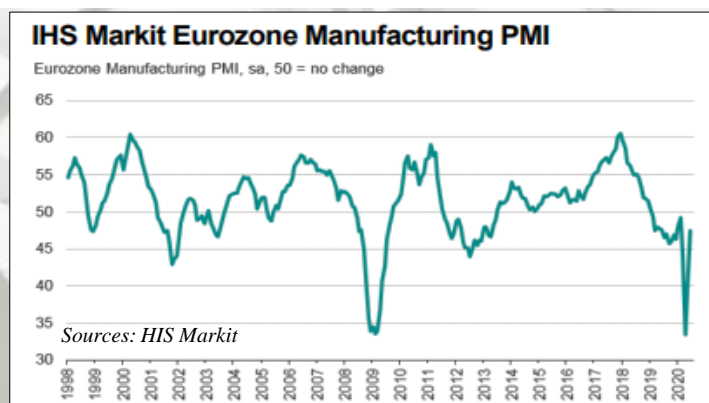
Caixin China General Manufacturing PMI

sa, >50 = improvement since previous month



Source: Caixin, IHS Markit

Private Indicators: Global 4/9



Markit Eurozone Manufacturing PMI®

“In line with the continued easing of global coronavirus disease (COVID-19) restrictions on economic activity, the severe downturn in the eurozone manufacturing economy continued to ease in June. The seasonally adjusted IHS Markit Eurozone Manufacturing PMI® strengthened to a four-month high of 47.4, up from 39.4 in May and an improvement on the earlier flash reading.

Eurozone manufacturing sector moves towards stabilisation in June

Posting an increase of eight points since May, the PMI recovered further from April’s nadir. Nonetheless, the headline index has now recorded below 50.0 for 17 successive months and remains consistent with the sector facing challenging operating conditions. ... All countries recorded a relative improvement in their PMI readings during June, with the majority recording their best numbers since February.

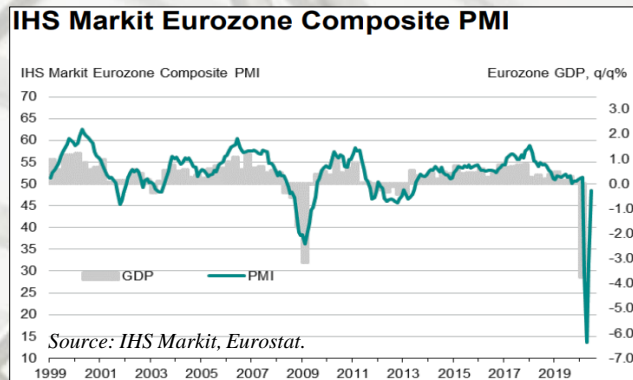
The final PMI numbers for June add further to signs that the eurozone factories are seeing a strong initial recovery as the economy lifts from COVID-19 lockdowns. The rise in the June survey is indicative of output falling at an annual rate of just 2%. That compares with a near 30% rate of contraction seen at the height of the lockdowns in April. This remarkable turnaround implies very strong month-on-month gains in the official production numbers for the past two months. ...

Latest data indicated that firms continued to operate well below capacity during June, with backlogs of work outstanding falling for a twenty-second successive month – and again at a severe rate (despite easing since May). Amid reports of reduced working hours and a lack of overall workloads, staff cuts were signalled. Employment fell in June for a fourteenth successive month, and again at a noticeable pace. All nations recorded a drop in manufacturing employment, led by Germany, Italy and the Netherlands. ...

Expectations for the year ahead have also rebounded sharply as hopes grow that the economy will continue to find its feet again in the coming months. However, even with these gains, production and sentiment remain below pre-pandemic peaks, and persistent weak demand combined with ongoing social distancing measures are likely to act as a drag on the recovery. The focus therefore now turns to whether gains seen in the past two months can be built on, or if momentum fades again after this initial rebound.”

– Chris Williamson, Chief Business Economist, Markit®

Private Indicators: Global 5/9



Markit Eurozone Composite PMI®

“The **IHS Markit Eurozone PMI® Composite Output Index** rebounded for a second successive month, and to a considerable extent during June. Rising to 48.5, up nearly 17 points since May’s 31.9, the index was at its best level in four months and also higher than the earlier flash reading of 47.5.

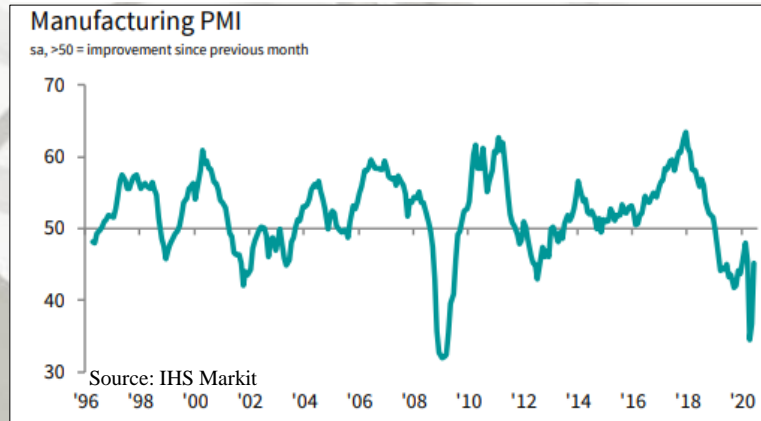
Eurozone PMI improves markedly to reach four-month high in June

Despite the sharp improvement since May, the index was nonetheless indicative of challenging economic conditions across the region. Both manufacturing output and service sector activity continued to fall according to the latest data as the coronavirus disease 2019 (COVID-19) pandemic again weighed on wider economic activity. Country level data for June showed that all countries enjoyed their best Composite PMI readings since February. Of note, growth was seen in France, which was the best-performing country overall. ...

The headline eurozone PMI surged some 17 points in June, a rise beaten over the survey’s 22-year history only by the 18-point gain seen in May. The upturn signals a remarkably swift turnaround in the eurozone economy’s plight amid the COVID-19 pandemic. Having sunk to an unprecedented low in April amid widespread business closures to fight the virus outbreak, the PMI has risen to a level indicative of GDP contracting at a quarterly rate of just 0.2%, suggestive of strong monthly GDP gains in both May and June. An improvement in business sentiment meanwhile adds to hopes that GDP growth will resume in the third quarter.

However, despite the vigour of the return to work following COVID-19 business closures, we remain cautious as to the strength of any longer-term recovery after the immediate rebound. Companies continued to report weak underlying demand in June. Many remained risk averse, being reticent to commit to spending and hiring due to persistent uncertainty as to the economic outlook, and in particular the likely sustained weakness of demand for many goods and services due to the need to retain many social distancing measures. While confidence in the future has improved, it remains well below levels seen at the start of the year, reflecting how many businesses are far from back to normal.” – Chris Williamson, Chief Business Economist, Markit®

Private Indicators: Global 6/9



IHS Markit/BME Germany Manufacturing PMI®

“June saw the headline IHS Markit/BME Germany Manufacturing PMI – a single-figure snapshot of overall business conditions – rise sharply from May's 36.6 to a three month high of 45.2. Nevertheless, the index was still below the 50.0 level that separates growth from contraction, as has been the case since the start of 2019.

Downturn in manufacturing sector continues to ease in June

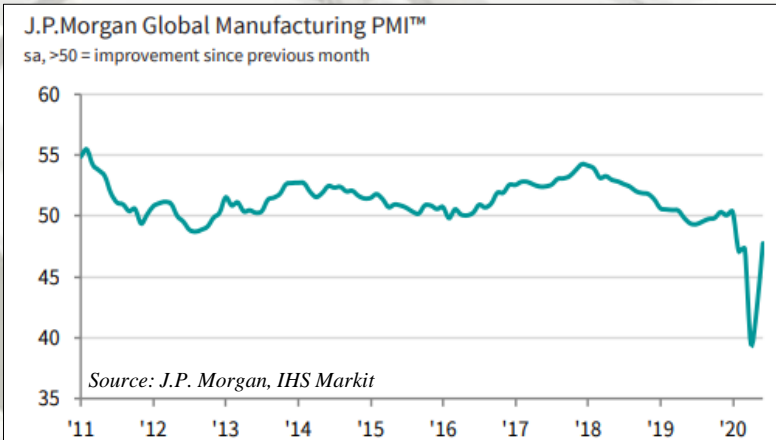
The severe downturn in Germany's manufacturing sector brought on by the coronavirus disease 2019 (COVID-19) pandemic showed further signs of easing in June, according to latest IHS Markit PMI® data. With more businesses starting to ramp up operations, the declines in output and new orders moderated further from the historic lows in April to the softest since February. Manufacturers also showed renewed optimism towards the year-ahead outlook, although they continued to cut payroll numbers amid under-utilised capacity.

Weighing on the sector's recovery was a continued slump in demand and, in particular, export sales. Surveyed businesses reported reluctance among customers, who often postponed or cancelled orders due to already-high stock levels and reduced work schedules. That said, with more firms starting to see a pickup in demand as lockdowns were lifted, the overall decline in new orders eased to the weakest since February, with underlying data even showing slight growth in sales of consumer goods. ...

We can take away positives and negatives from June's manufacturing PMI survey. On the one hand, the data show more German manufacturers starting to ramp up production, and a regaining of confidence which has been severely lacking in recent months. But on the other, demand remains very much subdued and is holding back any recovery. The lack of new orders means manufacturers are relying on ever-dwindling backlogs of work to support production, and until new orders start to pick up and factories get back to somewhere near capacity, jobs across the sector are at risk.

The export market remains difficult, and probably will for some time. But it's not all bad on this front either, with German manufacturers already seeing sales returning in Asia, and to China in particular.” – Phil Smith, Principal Economist, IHSMarkit®

Private Indicators: Global 7/9



J.P. Morgan Global Manufacturing PMI™

“The downturn in the global manufacturing sector eased sharply again in June. The J.P. Morgan Global Manufacturing PMI – a composite index produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – rose by a record 5.4 points to 47.8, up from 42.4 in May.

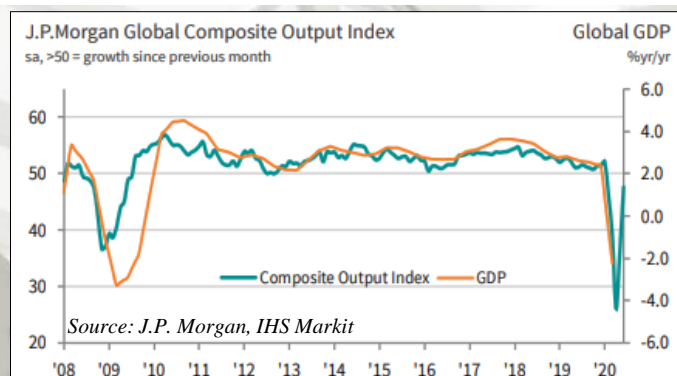
Global manufacturing output and new orders contract at vastly reduced rates in June

PMI survey indices tracking output, new orders and new export orders also registered their steepest month-on-month gains in June, but by remaining below 50.0 continued to signal contractions in all cases. The Future Output Index also rose to a record extent to signal an improvement in business optimism to a four-month high. Measured overall, the rate of decline in global manufacturing production was the weakest during the current five-month sequence of decrease. The downturns in the three subsectors covered – consumer, intermediate and investment goods – also slowed sharply, taking each closer to stabilising only two months after April's substantial contractions.

National PMI data signalled expansions in output for 15 out of the 32 countries for which June data were available (up from just two in May). Among the largest industrial nations, growth was registered in China, France, Italy, the UK and Brazil, while downturns eased in the US, Japan, Germany, South Korea and India. Only Mexico saw a steeper pace of contraction than in the prior survey month. ...

June saw a further momentum shift in the global manufacturing sector after the economy started on the recovery path in May. The output PMI increased for a second consecutive month in June rising a total of 14.5-points. We look for the PMI to continue moving higher as growth firms. This of course is premised on continued easing of activity restrictions. With demand rebounding, the focus is starting to shift to the labor market, with hopes that the current process of job retrenchment proves shallower and shorter than expected.” – Olya Borichevska, Global Economic Research, J.P. Morgan

Private Indicators: Global 8/9



J.P. Morgan Global Composite PMI™

“The J. P. Morgan Global Composite Output Index – which is produced by J.P. Morgan and IHS Markit in association with ISM and IFPSM – posted 47.7 in June, a five-month high and up by a record 11.4 points from 36.3 in May.

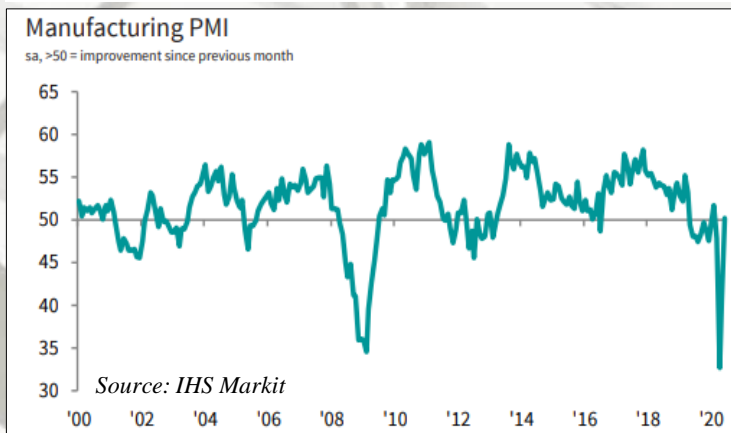
Global economy moves closer to stabilising following record easing in rates of contraction in manufacturing and services

The global economy moved closer to stabilising during June, as rates of contraction eased sharply in both the manufacturing and service sectors. Conditions firmed as lockdown restrictions to combat the spread of coronavirus disease 2019 (COVID-19) eased across much of the world, businesses re-opened and confidence recovered. Global output contracted for the fifth successive month during June, although the rate of decline eased sharply. Both the Manufacturing Output Index and Services Business Activity Index rose to the greatest extents in their respective series histories, breaking the records set in the prior month. Sub-industry data signalled that output rose in financial services for the first time in five months, making it the first sub-category to return to growth territory. Although downturns continued in the other five sectors (business services, consumer goods, consumer services, intermediate goods and investment goods), rates of contraction slowed noticeably in each. ...

Business sentiment recovered to a four-month high, reflecting a further relaxing of COVID-19 restrictions in many nations and renewed forecasts of growth during the coming year. Output charges fell slightly, despite input costs increasing for the first time in three months.

The global economy continued its recovery path in June with a record gain in the output index. The Output PMI has risen by over 21 points since its April low and should make further gains as companies re-open, lockdowns ease and demand firms. This of course depends on further loosening of new restrictions. The picture on labor markets remains bleak with slow improvement expected as demand revives further.” – Olya Borichevska, Global Economic Research, J.P. Morgan

Private Indicators: Global 9/9



IHS Markit/CIPS UK Manufacturing PMI®

“The seasonally adjusted IHS Markit/CIPS Purchasing Managers’ Index® (PMI®) rose to 50.1 in June, up from 40.7 in May and unchanged from the flash estimate. Although the 9.4 point month-on-month rise in the PMI beat May's record (8.1), the reading was only slightly above the neutral 50.0 mark, indicating a stabilisation (not marked improvement) in operating conditions.

UK manufacturing stabilises in June following severe COVID-19 downturn

The UK manufacturing sector showed signs of stabilising in June, following the recent steep downturn caused by the coronavirus disease 2019 (COVID-19) pandemic. Output edged back into growth territory as factories restarted, lockdown restrictions were loosened and staff returned to work. Manufacturing production rose slightly for the first time in four months during June, as factories restarted, clients reopened and lockdown restrictions were eased. The intermediate goods sector saw the steepest growth, while consumer goods producers saw only a mild expansion. In contrast, investment goods output fell again, albeit at a vastly reduced pace. ...

June completed a marked turnaround in momentum in UK manufacturing, as the sector switched from April's record contraction back to stabilisation in the space of two months. Output edged higher and domestic demand firmed as lockdown restrictions loosened, factories restarted and staff returned to work. Business optimism also recovered to a 21-month high. The planned loosening in COVID-19 restrictions on the 4th July should aid further gains in coming months. Although the trend in new export business remains weak, that should also strengthen as global lockdowns and transport constraints ease further.

The main focus is now shifting towards the labour market. Concerns are rising about the potential for marked job losses, especially once the phase out of government support schemes begins. The news on that footing is less positive, with June seeing a further reduction in staffing levels and, although easing sharply since April's record, the rate of job loss remains among the steepest in the 29-year survey history. Economic conditions will need to improve markedly across the UK, or some support retained, if the labour market downturn is to avoid becoming more entrenched through the remainder of the year.” – Rob Dobson, Director, IHS Markit

Private Indicators

Associated Builders and Contractors 1/4

Nonresidential Construction Has Recovered 56% of Jobs Lost Since March Employment Report, Says ABC

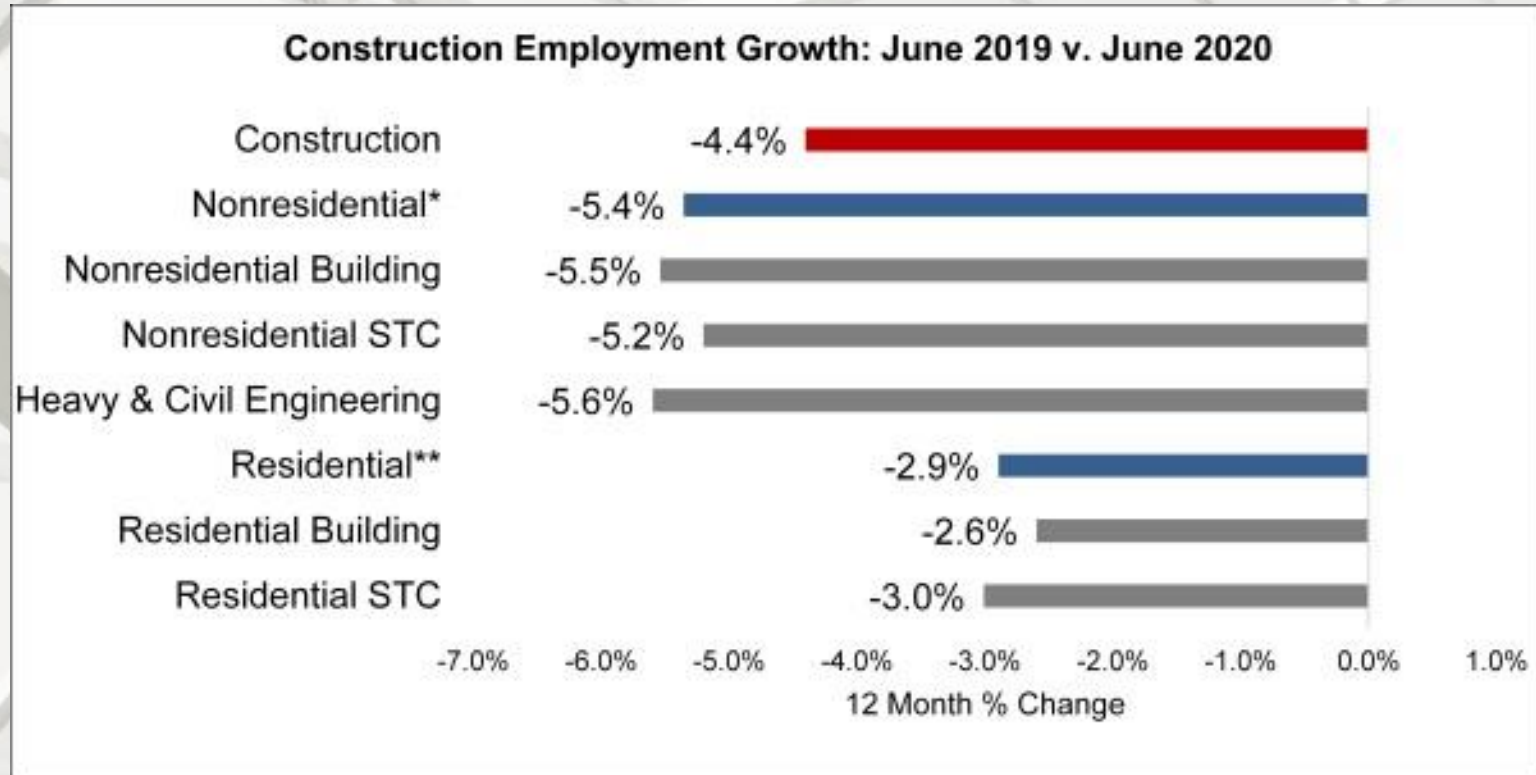
“The construction industry added 158,000 jobs on net in June, according to an Associated Builders and Contractors analysis of data released today by the U.S. Bureau of Labor Statistics. During the last two months, the industry has added 591,000 jobs, recovering 56% of the industrywide jobs lost since the start of the pandemic.

Nonresidential construction employment added 74,700 jobs on net in June. There was positive job growth in two of the three nonresidential segments, with the largest increase in nonresidential specialty trade contractors, which added 71,300 jobs. Employment in the nonresidential building segment increased by 13,100 jobs, while heavy and civil engineering lost 9,700 jobs.

The construction unemployment rate was 10.1% in June, up 6.1 percentage points from the same time last year but down from 12.7% in May and 16.6% in April. Unemployment across all industries dropped from 13.3% in May to 11.1% in June.

“Since the pandemic devastated the economy, most economists have been predicting a V-shaped recovery,” said ABC Chief Economist Anirban Basu. “To date, this has proven correct. While recovery is likely to become more erratic during the months ahead due to a number of factors, including the reemergence of rapid COVID-19 spread, recent employment, unemployment, residential building permits and retail sales data all highlight the potential of the U.S. economy to experience a rapid rebound in economic activity as 2021 approaches. ABC’s [Construction Backlog Indicator](#) rose to 7.9 months in May, an increase of less than 0.1 months from April’s reading, and its [Construction Confidence Indicator](#) continued to rebound from the historically low levels observed in the March survey.” – Rachel O’Grady, Media Relations Director, ABC

Associated Builders and Contractors 1/2



Source: Bureau of Labor Statistics

*Includes Nonresidential Building, Nonresidential STC, and Heavy and Civil Engineering

**Includes Residential Building and Residential STC

““However, even if the broader U.S. economy continues to rebound in 2020, construction is less likely to experience a smooth recovery,” said Basu. “The recession, while brief, wreaked havoc on the economic fundamentals of a number of key segments of the construction market, including office, retail and hotel construction. Moreover, state and local government finances have become increasingly fragile, putting both operational and capital spending at risk.

“After this initial period of recovery in U.S. nonresidential construction, there are likely to be periods of slower growth or even contraction,” said Basu. “Nonresidential construction activity tends to lag the broader economy by 12-18 months, and this suggests that there will be some shaky industry performance in 2021 and perhaps beyond.”” – Rachel O’Grady, Media Relations Director, ABC

Associated Builders and Contractors 2/2

Construction Employment Statistics: June 2020

	June 2020	May 2020	June 2019	1-Month Net Change	12-Month Net Change	12-Month % Change
Employment						
Construction	7,167,000	7,009,000	7,497,000	158,000	-330,000	-4.4%
Nonresidential	4,350,600	4,275,900	4,596,700	74,700	-246,100	-5.4%
Nonresidential Building	793,200	780,100	839,700	13,100	-46,500	-5.5%
Nonresidential Specialty Trade Contractors	2,543,500	2,472,200	2,683,000	71,300	-139,500	-5.2%
Heavy & Civil Engineering	1,013,900	1,023,600	1,074,000	-9,700	-60,100	-5.6%
Residential	2,816,600	2,733,400	2,900,500	83,200	-83,900	-2.9%
Residential Building	795,400	776,300	816,600	19,100	-21,200	-2.6%
Residential Specialty Trade Contractors	2,021,200	1,957,100	2,083,900	64,100	-62,700	-3.0%
Average Hourly Earnings						
All Private Industries	\$29.37	\$29.72	\$27.96	-\$0.35	\$1.41	5.0%
Construction	\$31.62	\$31.48	\$30.74	\$0.14	\$0.88	2.9%
Average Weekly Hours						
All Private Industries	34.5	34.7	34.4	-0.2	0.1	0.3%
Construction	38.9	38.8	39.3	0.1	-0.4	-1.0%

Source: Bureau of Labor Statistics

Private Indicators

Associated Builders and Contractors 2/4

ABC's Construction Backlog Indicator Up in June; Contractor Optimism Grows

“Associated Builders and Contractors reported today that its Construction Backlog Indicator rose to 8.1 months in June, an increase of 0.2 months from May’s reading. CBI is down approximately 8% from its June 2019 level. Every region except the Middle States experienced an increase in backlog in June compared to May, according to an ABC member survey conducted from June 20-July 1.

Additionally, the survey indicates that confidence among U.S. construction industry leaders increased regarding staffing levels, profit margins and sales in June. Construction sales and staffing levels are expected to expand over the next six months, while profit margins are expected to decline.

ABC’s Construction Confidence Index readings for sales, profit margins and staffing levels expectations all increased in June, although profit margin expectations remain below the threshold of 50, indicating ongoing expectations of contraction. More than 47% of contractors expect their sales to increase over the next six months compared to 39% who expect declining sales over that period.

- The CCI for sales expectations increased from 44.9 to 51.1 June.
- The CCI for profit margin expectations increased from 41.7 to 47.
- The CCI for staffing levels increased from 53 to 56.” – Rachel O’Grady, Media Relations Director, ABC

Private Indicators

Associated Builders and Contractors 3/4

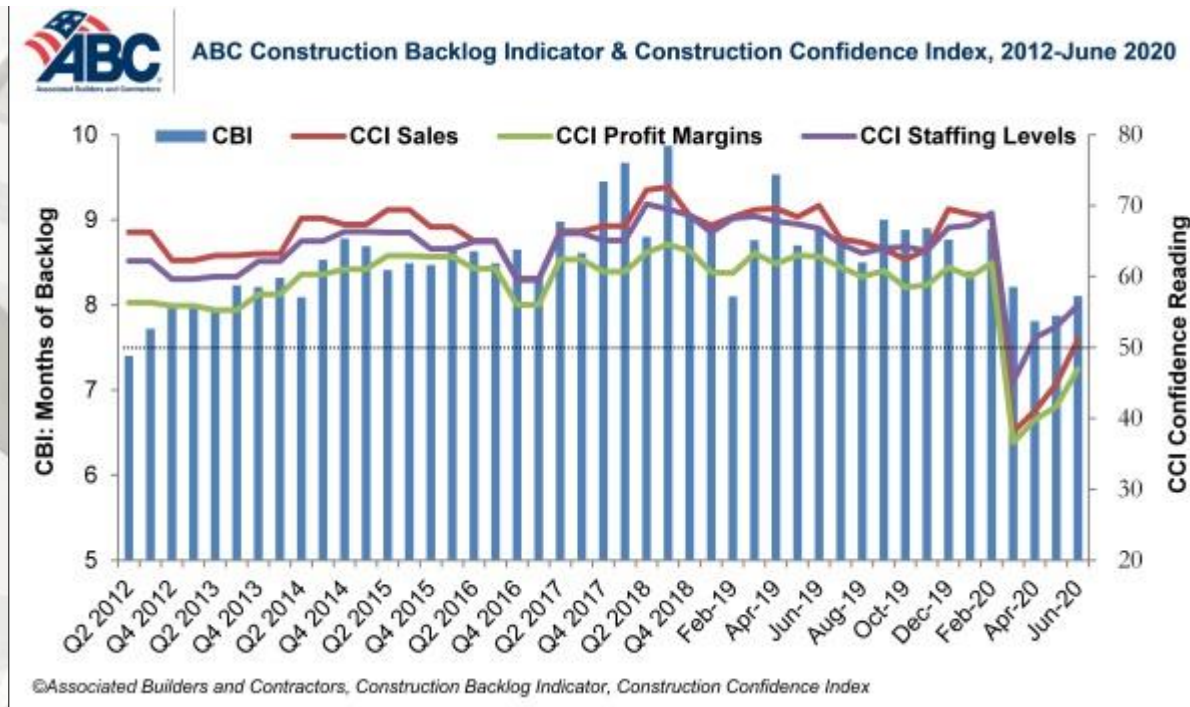
Construction Confidence Index

Response	June 2020 Expectations	May 2020 Expectations	June 2019 Expectations
Sales Expectations			
Up Big	7.8%	5.5%	16.8%
Up Small	39.4%	30.0%	56.0%
No Change	13.4%	18.6%	18.3%
Down Small	28.1%	30.5%	8.2%
Down Big	11.3%	15.5%	0.7%
Profit Margins			
Up Big	4.3%	4.1%	7.5%
Up Small	27.3%	19.1%	47.8%
No Change	29.0%	28.2%	33.6%
Down Small	30.7%	36.8%	10.8%
Down Big	8.7%	11.8%	0.4%
Staffing Levels			
Up Big	4.8%	2.7%	6.3%
Up Small	38.5%	35.5%	61.6%
No Change	35.1%	36.8%	25.7%
Down Small	19.0%	20.9%	5.6%
Down Big	2.6%	4.1%	0.7%

© Associated Builders and Contractors, Construction Confidence Index

Private Indicators

Associated Builders and Contractors 4/4



“While backlog has been stable over the past two months, current readings may be hiding some latent weakness,” said ABC Chief Economist Anirban Basu. “Many contractors indicate that projects are being placed on hold. Some of this may be due to public health or jobsite-specific concerns, but tighter financial conditions also play a role. When projects are postponed, they remain embedded within contractor backlog, but near-term revenue suffers and the probability of outright project cancellation rises.

“Contractors are also reporting greater competition for projects, which is consistent with suppressed profit margins,” said Basu. “Nearly two in five contractors expect profit margins to shrink over the next six months, with nearly 9% expecting a sharp hit to margins. A year ago, fewer than 1% of contractors expected a sharp contraction in margins and a majority expected margins to keep rising. According to the latest survey, fewer than one in three contractors expect margins to rise over the next six months.” – Rachel O’Grady, Media Relations Director, ABC

Private Indicators

American Institute of Architects (AIA) 1/2

Architecture Billings Index May 2020

More than one third of firms have had client discussions about changing needs for facilities in the post-pandemic built environment

“Business conditions at architecture firms remained extremely poor for the third consecutive month in May. While the ABI score of 32.0 for the month was somewhat higher than the April score, it still indicates that the majority of firms saw their billings decrease yet again (any score below 50 indicates declining billings). Indicators of future work remained grim as well, and while a larger share of firms reported an increase in inquiries into new projects in May than in April, most firms still saw a decline. In addition, the value of new signed design contracts remained at a near record-low level, as firms indicated that clients are still extremely hesitant to sign on the dotted line for new work at this time.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Private Indicators

American Institute of Architects (AIA) 2/2

National

Architecture firm billings continue to decline at near record pace



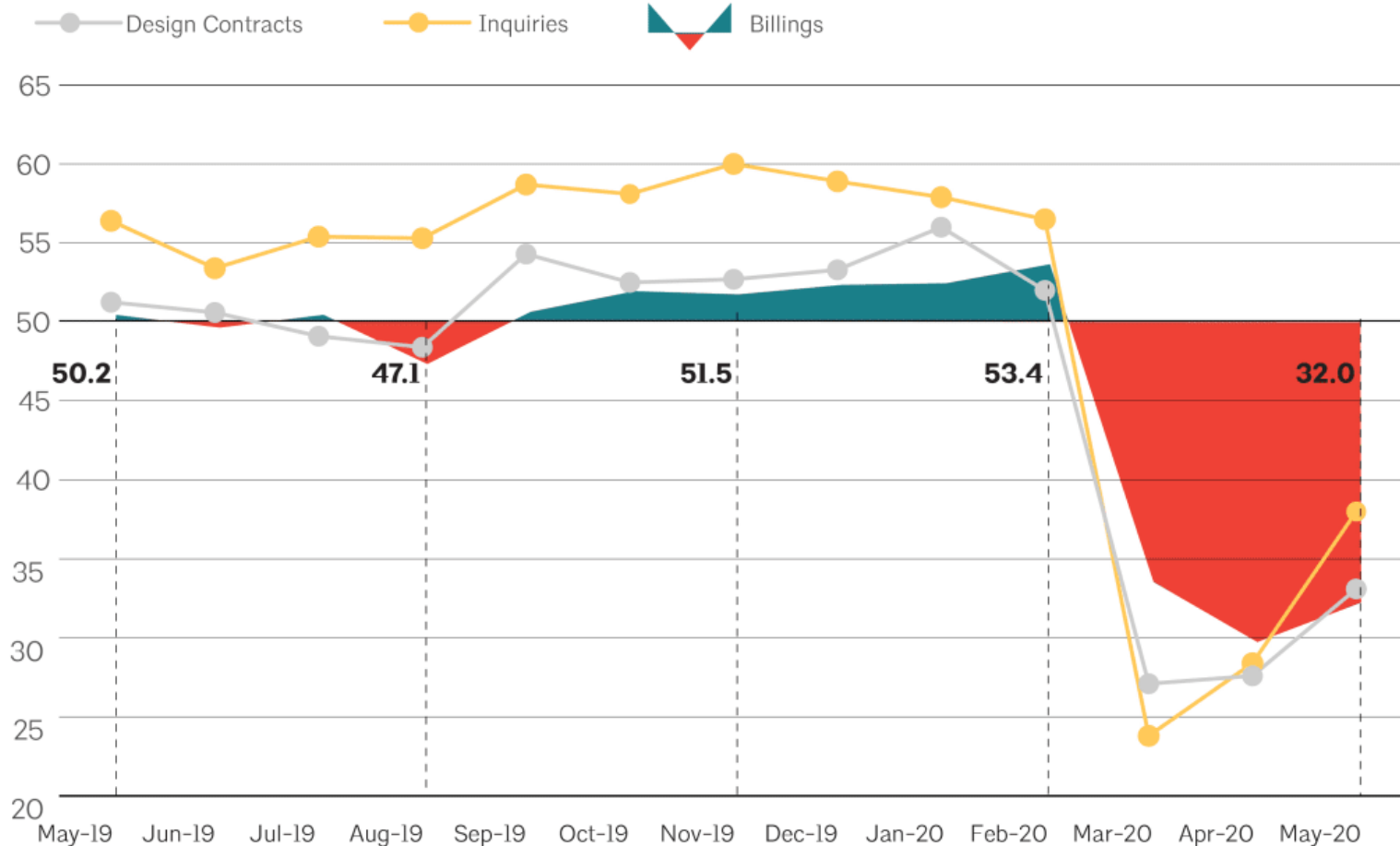
Above 50



Below 50

No change from previous period

Graphs represent data from May 2019–May 2020.

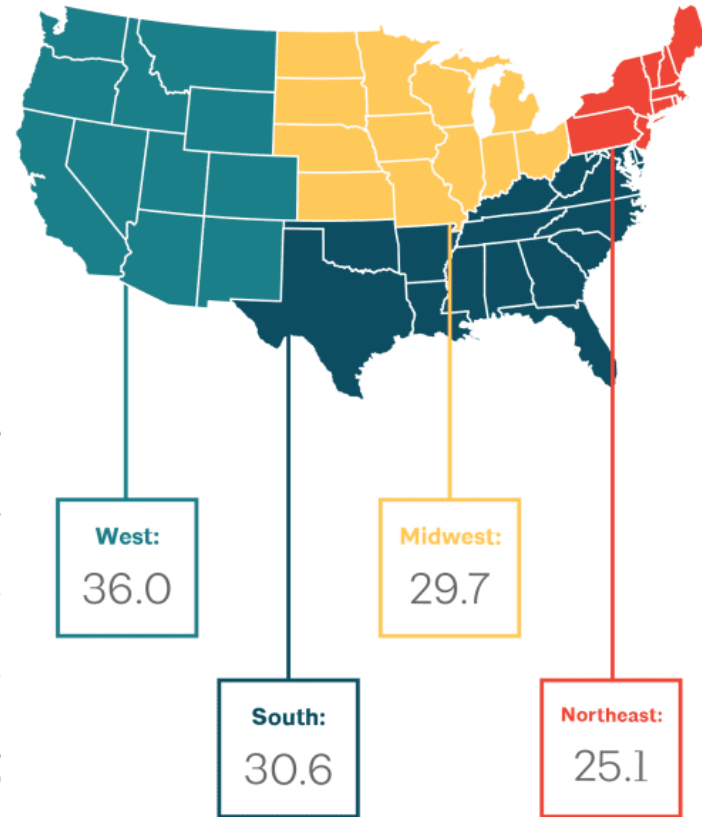
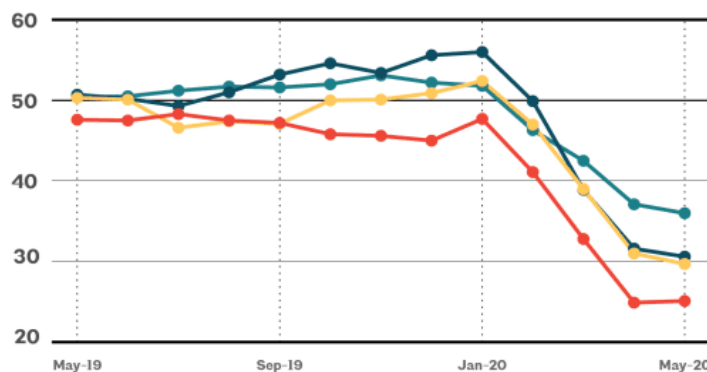


Private Indicators: AIA 1/2

Regional

Business conditions still softening in all regions of the country

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



Region

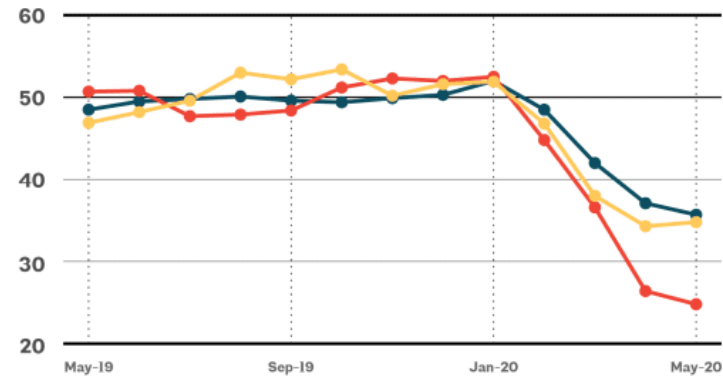
“Business conditions remained also very soft across all regions of the country in May, with firms located in the Northeast continuing to report the steepest decline in billings. However, since construction projects have now been permitted to restart in most areas where they had been temporarily shuttered, the firms hardest hit by that shutdown, which are predominantly located in the Northeast, may see somewhat less dismal conditions in June.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Private Indicators: AIA 2/2

Sector

Decline in billings remains slightly less steep at firms with an institutional specialization

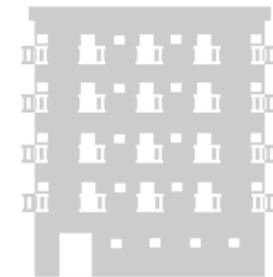
Graphs represent data from May 2019–May 2020 across the three sectors. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.



Commercial/Industrial: 24.8



Institutional: 35.7



Residential: 34.8

Sector

“Firms of all specializations also continued to report very weak firm billings this month, with conditions deteriorating even further at firms with a commercial/industrial specialization, which have been hardest hit so far during this downturn.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Private Indicators 1/24

Dodge Data & Analytics

Construction Starts Post Small Gain in May Increase influenced by several large projects; COVID-19 continues to influence starts activity

“Total construction starts rose 3% from April to May to a seasonally adjusted annual rate of \$595.1 billion, following a 25% decline the previous month. Several large nonresidential building projects broke ground in May resulting in the gain. Removing those large projects from the statistics would have resulted in no change in starts over the month. In May, nonresidential buildings increased 8%, while residential building starts rose 4%. Nonbuilding starts, however, declined 4% during the month.

Through the first five months of 2020, total construction starts were 12% lower than in the same period in 2019. Nonresidential starts were down 19%, nonbuilding starts were 16% lower, and residential starts were off 3%. For the 12 months ending May 2020, total construction starts were down 1% from the same period a year earlier. Residential buildings were 1% higher and nonbuilding starts were up 5%. Nonresidential starts, however, were 7% lower for the 12 months ending May 2020. The Dodge Index posted a slight gain, increasing to 126 (2000=100) in May from the 121 posted in April.” – Nicole Sullivan, Public Relations & Social Media, AFFECT

“While May’s increase in construction starts is certainly good news, the influence of several large projects undermines the notion that the construction sector has fully entered recovery. Even as state and local areas re-open and bans on construction activity in Boston, New York City and other areas are lifted, the sector will have to contend with digging itself out from a deep economic recession. While the overall economy most likely hit bottom in May, the recovery will be slow since nearly 20 million jobs have been lost since February. The second half of 2020 will be a slog and gains will be modest over the short term.” – Richard Branch, Chief Economist, Dodge Data & Analytics

Private Indicators 2/24

Dodge Data & Analytics

“**Residential building** starts rose 4% in May to a seasonally adjusted annual rate of \$257.2 billion. Single family starts rose 2%, while multifamily starts gained 10% over the month.

The largest multifamily structure to break ground in May was the \$180.545 million Vanderbilt Ave mixed-use development in Brooklyn NY. Also starting was the \$150 million 354 N Union apartment tower in Chicago IL and the \$150 million Ripley II – Solaire 8200 Dixon Luxury Apartments in Silver Spring MD.

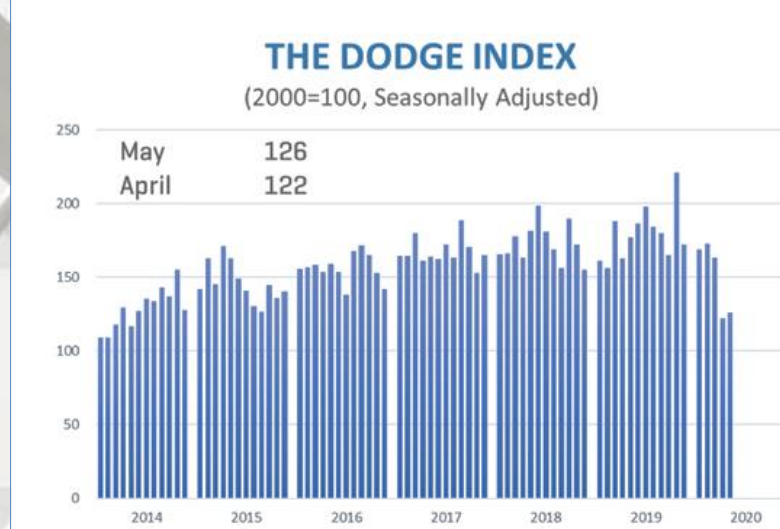
Through the first five months of 2020 residential construction starts were down 3% versus the same time period in 2019. Single family starts were flat, while multifamily starts were down 12% through five months. For the 12 months ending in May, total residential starts were 1% higher than in the 12 months ending May 2019. Single family starts were up 3%, while multifamily building starts were down 2%.

Nonresidential building starts rose 8% in May to a seasonally adjusted annual rate of \$188.8 billion following the very steep April decline related to COVID-19. However, the rebound was due to several large projects that broke ground in the manufacturing, hotel, and education categories. Removing those projects would have led to a mild decline in nonresidential building starts in May. Commercial starts gained 6% in May and manufacturing starts rose 167%, but institutional building starts were flat. ...

Through this year’s first five months, nonresidential building starts were 19% lower than in the first five months of 2019. Commercial starts were 24% lower, while institutional starts were down 11%, and manufacturing was off 39% through five months. Over the past 12 months, nonresidential building starts were down 7% from the prior 12 months. Commercial starts were 6% lower, while institutional starts were down 5% and manufacturing starts dropped 16%.” – Richard Branch, Chief Economist, Dodge Data & Analytics

Private Indicators 3/24

May 2020 Construction Starts



May 2020 Construction Starts

MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

	May 2020	April 2020	% Change
Nonresidential Building	\$188,757	\$174,012	8
Residential Building	257,205	246,912	4
Nonbuilding Construction	149,117	155,974	-4
Total Construction	\$595,078	\$576,899	3

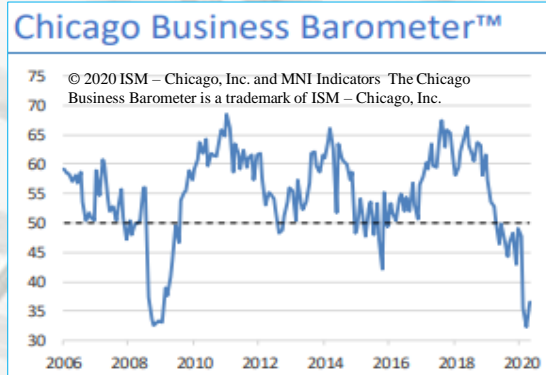
YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	5 Mos. 2020	5 Mos. 2019	% Change
Nonresidential Building	\$92,973	\$115,144	-19
Residential Building	126,489	130,450	-3
Nonbuilding Construction	65,119	77,784	-16
Total Construction	\$284,582	\$323,378	-12

Source: Dodge Data & Analytics

Private Indicators 4/24



MNI Chicago

“The Chicago Business Barometer™, produced with MNI, rose to 36.6 in June with business activity picking up as Covid-19 related shutdowns eased somewhat. Across Q2, business sentiment slipped 11.8 points to 34.8, hitting the lowest level since Q1 2009.

Chicago Business Barometer™ Edged up to 36.6 in June

Among the main five indicators, Production and New Orders saw the largest monthly gains, while Supplier Deliveries and Employment faltered. Production saw the biggest jump in June, rising by 10.1 points. However, the quarterly index dropped to a series low in Q2. Demand strengthened by 33.8% in June, while the quarterly figure fell to the lowest level in 40 years. In Q2, New Orders revealed the largest q/q fall, sinking 20.1 points.

Order Backlogs gained 5 points in June, shifting the index to a two-month high. On a quarterly basis, the indicator declined to an 11-year low. Inventories dropped by 24.7% in June after rising above 50 in May for the first time in 10 months. Supplier Deliveries recorded the second curtailment in a row, as firms continued to mention Covid-19 related delays. While the indicator cooled 10.2% in June, it jumped 22.2% in Q2, marking the highest level since Q1 1979.

Employment eased 5.1 points in June, marking a twelfth consecutive sub-50 reading. The index also fell on a quarterly basis, slipping by 11.2 points to its lowest level since the global financial crisis.

Prices paid at the factory gate rose 2.7% in June, while they fell 4.9% on a quarterly basis. Many companies noted the elevated cost for air freight from Asia.

This month’s special question asked: “What are your personnel plans for the rest of the year?” The majority (55.8%) plan a hiring freeze, while 23.3% expect to lay off employees. Only 18.6% of respondents projected expanding their workforce.” – Les Commons, Senior Economist and Irene Prihoda, Economist, MNI Indicators

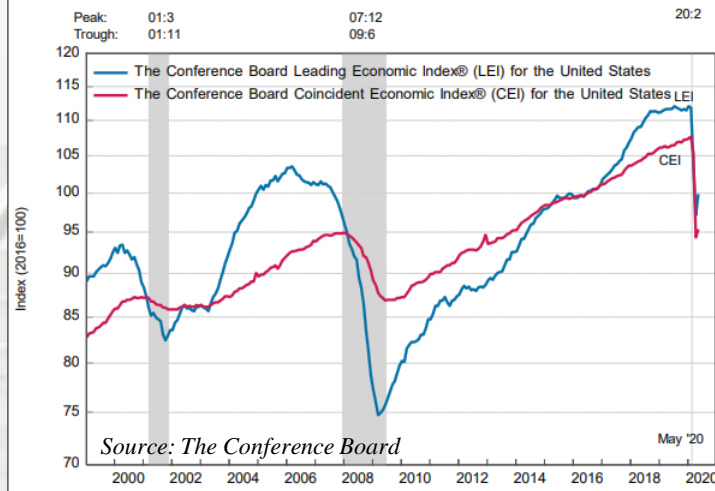
Private Indicators 5/24

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

**Initial shock to the economy may be behind us,
but recovery path remains highly uncertain**

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 2.8 percent in May to 99.8 (2016 = 100), following a 6.1 percent decline in April, and a 7.5 percent decline in March.

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



“In May, the US LEI showed a partial recovery from its sharp decline over the previous three months, as economic activity began to pick up again. The relative improvement in unemployment insurance claims is responsible for about two-thirds of the gain in the index. The improvements in labor markets, housing permits, and stock prices also buoyed the LEI, but new orders in manufacturing, consumers’ outlook on the economy, and the Leading Credit Index™ still point to weak economic conditions. The breadth and depth of the decline in the LEI between February and April suggest the economy at large will remain in recession territory in the near term.”
– Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

“The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 1.1 percent in May to 95.3 (2016 = 100), following a 10.4 percent decline in April and a 2.2 percent decline in March.

The Conference Board Lagging Economic Index® (LAG) for the U.S. declined 1.9 percent in May to 111.4 (2016 = 100), following a 1.7 percent increase in April, and a 2.4 percent increase in March..

Equipment Leasing and Finance Association:

Equipment Leasing and Finance Industry Confidence Improves in May, New Data Reveal COVID-19 Impact

“The [Equipment Leasing & Finance Foundation](#) (the Foundation) releases the June 2020 [Monthly Confidence Index for the Equipment Finance Industry](#) (MCI-EFI). Designed to collect leadership data, the index reports a qualitative assessment of both the prevailing business conditions and expectations for the future as reported by key executives from the \$900 billion equipment finance sector. Overall, confidence in the equipment finance market increased to 45.8, up from the May index of 25.8.

The Foundation also releases highlights of the [COVID-19 Impact Survey of the Equipment Finance Industry](#), a monthly survey of industry leaders designed to track the impact of the coronavirus pandemic on the equipment finance industry. From 98 survey responses collected from June 1-11, results show that 92% of equipment finance companies have offered payment deferrals. 82% of companies expect that the default rate will be greater in 2020 than in 2019. A majority (81%) of companies have not furloughed or laid off employees. Comments from survey respondents follow MCI-EFI survey comments below, and additional survey results are available at <https://www.leasefoundation.org/industry-resources/covid-impact-survey/>.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

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

“Despite the reduction in overall demand, the market size still remains extensive. We continue to find opportunity and have seen an uptick in application activity. We do have continued concern over the political environment and the divide that continues to exist in Washington.” – Daniel Krajewski, President and CEO, Sertant Capital, LLC

Equipment Leasing and Finance Association 1/3

Equipment Leasing and Finance Industry Confidence Improves in May, New Data Reveal COVID-19 Impact

“June 2020 Survey Results: The overall MCI-EFI is 45.8, an increase from 25.8 in May.

- When asked to assess their business conditions over the next four months, 37% of executives responding said they believe business conditions will improve over the next four months, up from 3.3% in May. 18.5% believe business conditions will remain the same over the next four months, an increase from 10% the previous month. 44.4% believe business conditions will worsen, a decrease from 86.7% in May.
- 18.5% of the survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, up from 6.7% in May. 44.4% believe demand will “remain the same” during the same four-month time period, an increase from 6.7% the previous month. 37% believe demand will decline, a decrease from 86.7% in May.
- 7.4% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, up from none in May. 85.2% of executives indicate they expect the “same” access to capital to fund business, an increase from 73.3% last month. 7.4% expect “less” access to capital, a decrease from 26.7% the previous month.
- When asked, 7.4% of the executives report they expect to hire more employees over the next four months, a decrease from 16.7% in May. 85.2% expect no change in headcount over the next four months, an increase from 60% last month. 7.4% expect to hire fewer employees, down from 23.3% the previous month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Equipment Leasing and Finance Association 2/3

Equipment Leasing and Finance Industry Confidence Surges in June, COVID-19 Impact Survey Data Revealed

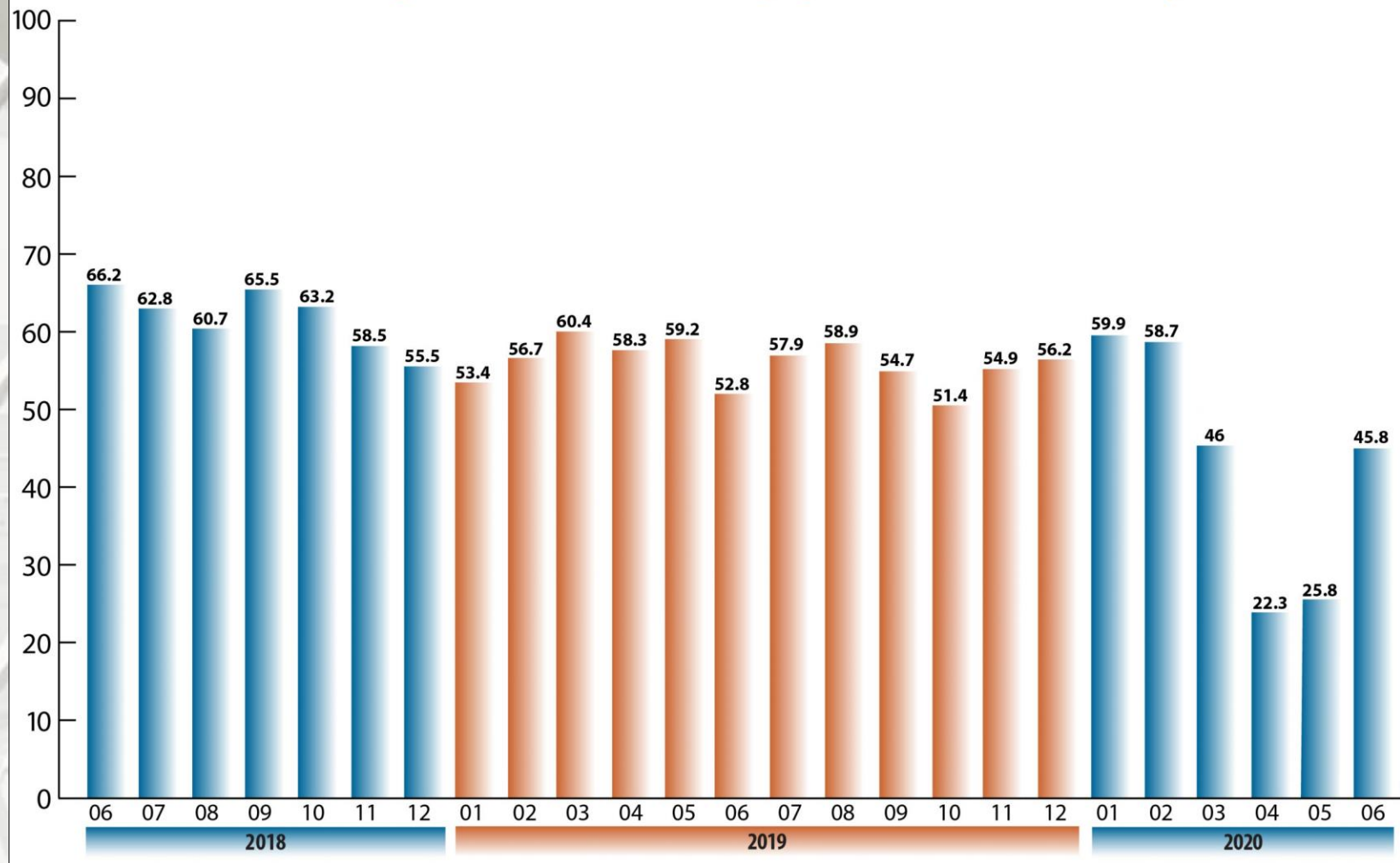
“June 2020 Survey Results: The overall MCI-EFI is 45.8, an increase from 25.8 in May.

- None of the leadership evaluate the current U.S. economy as “excellent,” unchanged from the previous month. 22.2% of the leadership evaluate the current U.S. economy as “fair,” up from 10% in May. 77.8% evaluate it as “poor,” down from 90% last month.
- 55.6% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, an increase from 20% in May. 25.9% indicate they believe the U.S. economy will “stay the same” over the next six months, a decrease from 30% last month. 18.5% believe economic conditions in the U.S. will worsen over the next six months, down from 50% the previous month.
- In June, 14.8% of respondents indicate they believe their company will increase spending on business development activities during the next six months, a decrease from 23.3% last month. 74.1% believe there will be “no change” in business development spending, up from 33.3% in May. 11.1% believe there will be a decrease in spending, a decrease from 43.3% last month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Equipment Leasing and Finance Association 3/3



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



Private Indicators 6/24

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

May New Business Volume Down 26 Percent Year-over-year and 18 Percent Month-to-Month, Up 2 Percent Year-to-date

“The [Equipment Leasing and Finance Association's](#) (ELFA) [Monthly Leasing and Finance Index \(MLFI-25\)](#), which reports economic activity from 25 companies representing a cross section of the \$900 billion equipment finance sector, showed their overall new business volume for May was \$6.7 billion, down 26 percent year-over-year from new business volume in May 2019. Volume was down 18 percent month-to-month from \$8.2 billion in April. Year-to-date, cumulative new business volume was up 2 percent compared to 2019.

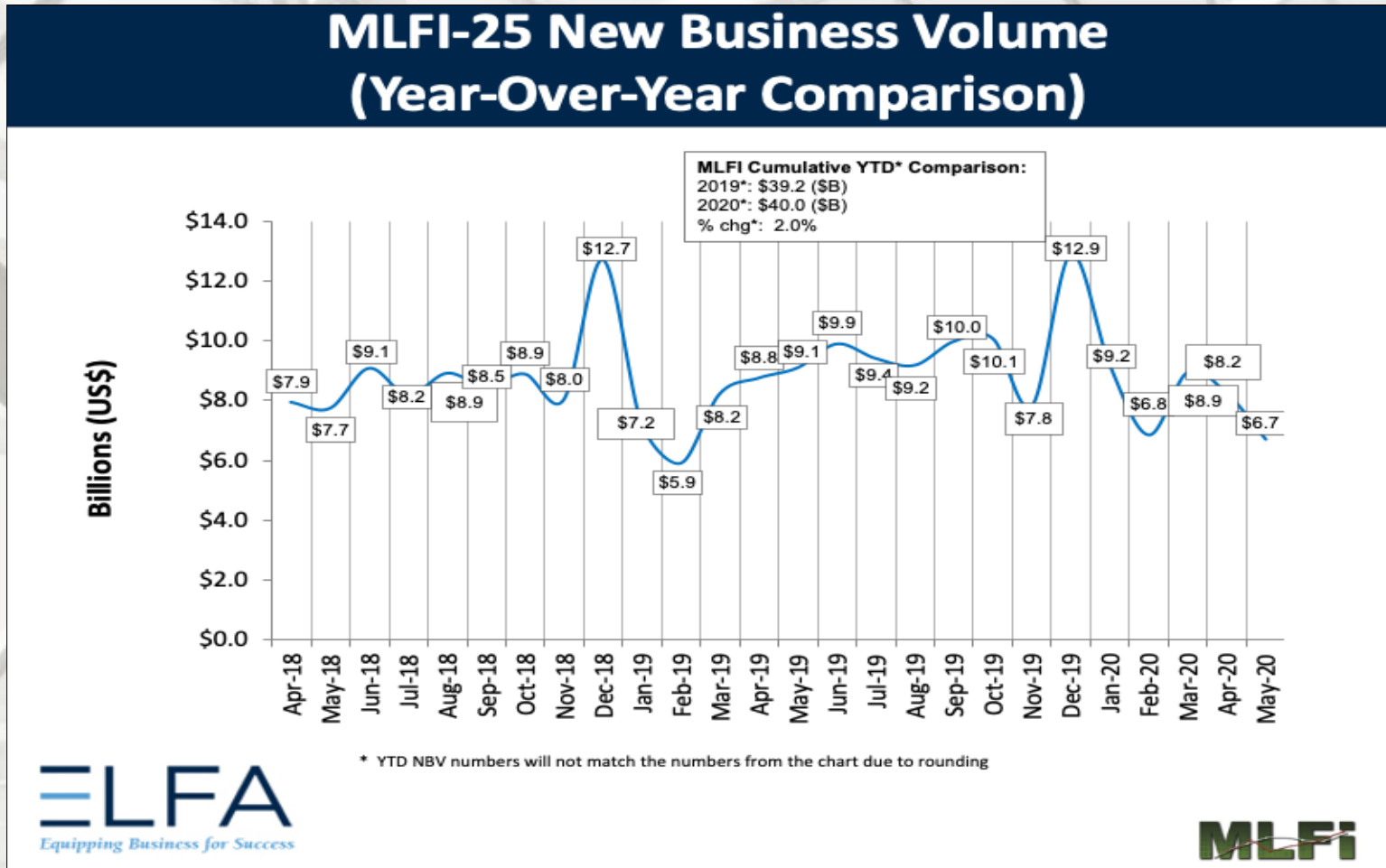
Receivables over 30 days were 4.30 percent, up from 3.00 percent the previous month and up from 1.70 percent the same period in 2019. Charge-offs were 0.61 percent, down from 0.80 percent the previous month, and up from 0.46 percent in the year-earlier period.

Credit approvals totaled 68.1 percent, down from 71.7 percent in April. Total headcount for equipment finance companies was down 2.2 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) rose to 45.8 in June, up from 25.8 in May.” – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

“The downturn in the economy precipitated by the COVID-19 pandemic crisis is responsible for new business softening in the equipment finance space during the month of May. This is evident in market segments serving customers in the construction, hotel, tourism, leisure and food service industries, in particular. Of note is separate Equipment Leasing & Finance Foundation survey data that show a willingness on the part of ELFA members to provide much-needed assistance to their customers by agreeing to restructure payment streams and extend deferral relief. This is a testament to an industry that time and again demonstrates flexibility and resolve by adapting in a positive way to sometimes disruptive and changing economic conditions.” – Ralph Petta, President and CEO, ELFA

Private Indicators 7/24



Monthly Leasing and Finance Index: May 2020

“The U.S. equipment finance market continues to see challenges with lower growth and delayed receivables due to the COVID-19 pandemic. Businesses have put a portion of their capital acquisitions on hold while realigning resources for their customers and employees. We are starting to see a gradual boost from the fiscal and monetary stimulus efforts but it continues to be uneven across industry sectors. On a bright note, our customers are getting a better grip on the disruption by balancing between resiliency and efficiency. As states continue to reopen it should help stabilize activity in the coming months.” – Aylin Cankardes, President, Rockwell Financial Group

FreightWaves 1/3

Volumes up 45% year-over-year this week (yes, 45%)

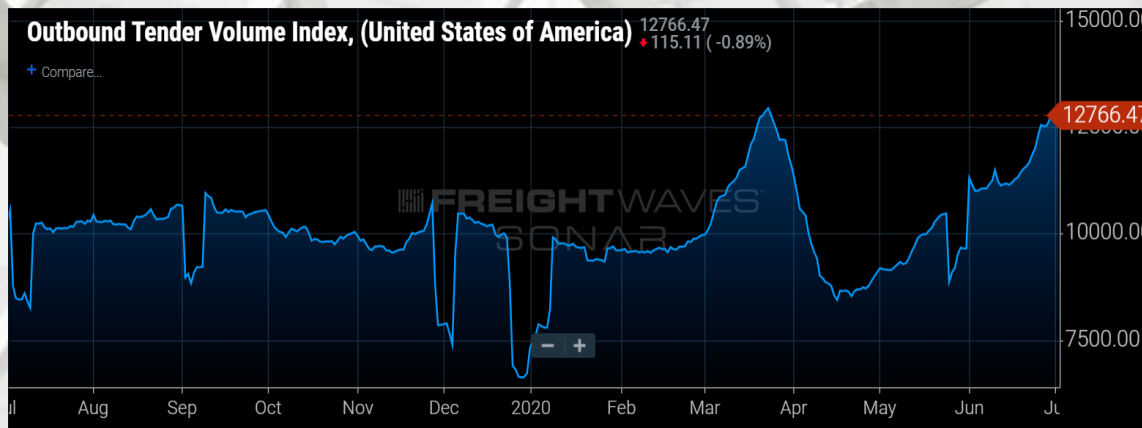
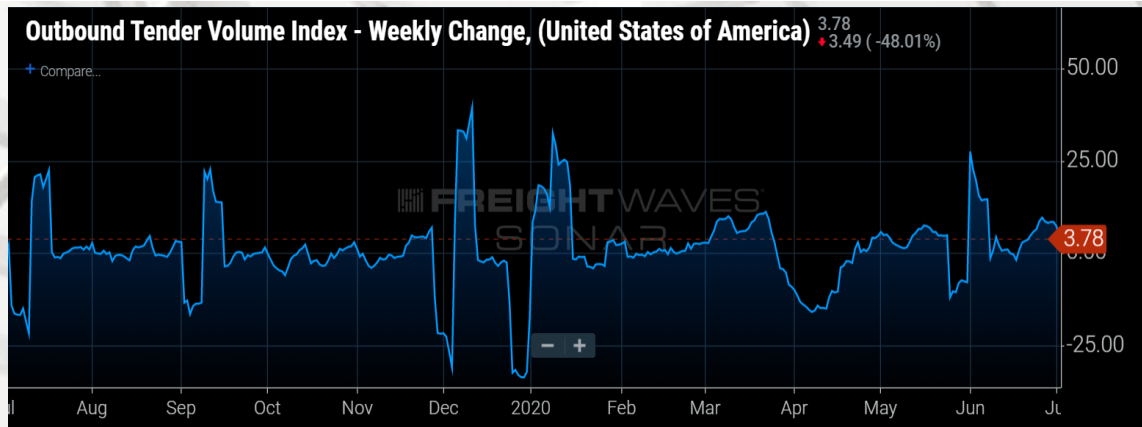
“Volumes have continued to burst all around the country this week. Carriers are rejecting loads at rates only seen during the March panic-buying spree buildup. Spot rates have been bid up above 2019 levels in many markets around the country, but it is unlikely that this trend continues given there is typically a significant drop-off in outbound volume after the Fourth. However, volumes are so high currently that even a significant decline could still keep OTVI above 2018/2019 comparables.

Outbound tender volumes continued to gush in many regions around the country this week. The Outbound Tender Volume Index (OTVI) is now almost at 13,000 for only the second time in its three-year history, with the first coming just three months ago during the March panic-induced buying spree.

The current volume of freight flowing in the U.S. cannot be overstated – besides the March demand spike, there has not been freight demand like this in recent history. 2018 was considered a banner year for freight volume and OTVI currently sits more than 14% above the 2018 high point.

There is typically a surge in volumes leading up to Independence Day as shippers try to clear as much inventory as possible before the close of the second quarter. After a lost April and depressed May, we believe shippers are particularly focused on pushing freight to paint the second quarter as rosy as possible. Independence Day often marks the beginning of the midsummer slowdown that drags on throughout July and August before picking up at the edge of autumn. If 2020 is to follow historical patterns, we should expect this extremely high-volume level to last only a few more days. That said, 2020 has followed very few historical patterns, so there is a great deal of uncertainty about where demand will be in the third quarter.” – Seth Holm, Senior Research Analyst, FreightWaves

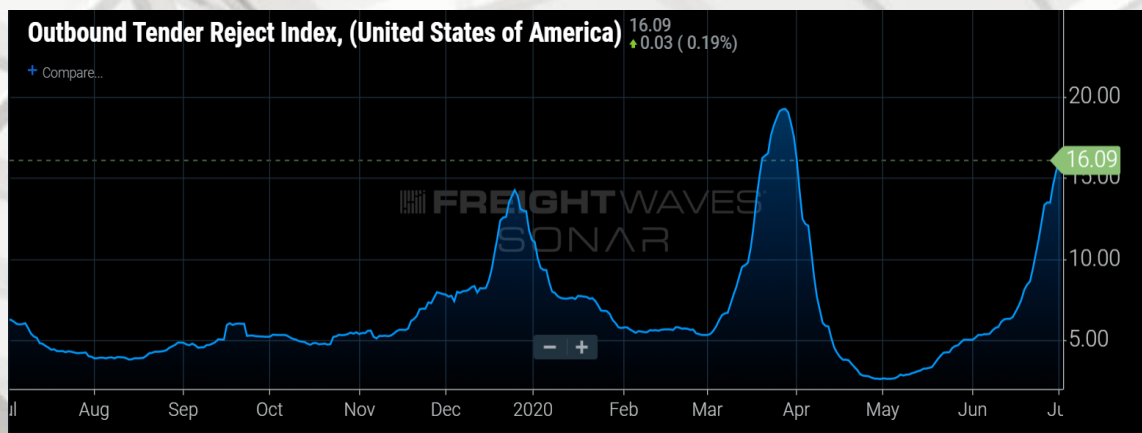
FreightWaves 2/3



“It appears highly unlikely for volumes to continue in this range after the Fourth. In each of the past two years, OTVI has averaged roughly 10,200. A major retraction in tender volumes would need to take place for the index to average similar levels as the previous two years.

On the positive side, nine of the 15 of the major freight markets FreightWaves tracks were positive on a week-over-week basis. This ratio has been consistently high in recent weeks. The markets with the largest gains this week in OTVI.USA were Laredo, Texas (11.33%), Los Angeles (8.57%) and Dallas (6.93%). The markets with the largest declines this week in OTVI.USA were Cleveland (-10.68%), Memphis (-2.63%) and Indianapolis (-2.42%).” – Seth Holm, Senior Research Analyst, FreightWaves

FreightWaves 3/3



Tender rejections continue to soar with volumes, now at 16%

“Carriers continued for a second week rejecting loads at a much higher rate this week that at any time since the panic-buying spree. The Outbound Tender Rejection Index (OTRI) jumped an additional 500 bps over the past week after running up more than 400 bps last week. The last two weeks have been among the more volatile weeks for OTRI in its three-year history.

We wrote during late May and early June that we believed capacity had been slow to adjust to the volume levels, but last week that changed. Volumes have remained elevated since Memorial Day, but carriers have been slow to reject freight. This was likely an attempt to make up for those “lost” months of April and May.

Much like volumes, tender rejections tend to trend higher in the week(s) leading up to a national holiday. However, this spike is unlike those of any leading up to a summer holiday in the past few years. This change in rejections may not only stem from holiday disruption, but also from carriers looking for other opportunities in this time of freight abundance. This level of tender rejections indicates upward pressure on rates and carriers have begun to test the waters.” – Seth Holm, Senior Research Analyst, FreightWaves

June 2020 Manufacturing ISM[®] Report On Business[®] 1/3 PMI[®] at 52.6%

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

“Economic activity in the **manufacturing sector grew in June, and the overall economy notching a second month of growth after one month of contraction**, say the nation's supply executives in the latest **Manufacturing ISM[®] Report On Business[®]**. The June PMI[®] registered 52.6 percent, up 9.5 percentage points from the May reading of 43.1 percent. This figure indicates expansion in the **overall economy** for the second straight month after April's contraction, which ended a period of 131 consecutive months of growth.

The New Orders Index registered 56.4 percent, an increase of 24.6 percentage points from the May reading of 31.8 percent.

The Production Index registered 57.3 percent, up 24.1 percentage points compared to the May reading of 33.2 percent.

The Backlog of Orders Index registered 45.3 percent, an increase of 7.1 percentage points compared to the May reading of 38.2 percent.

The Employment Index registered 42.1 percent, an increase of 10 percentage points from the May reading of 32.1 percent.

The Supplier Deliveries Index registered 56.9 percent, down 11.1 percentage points from the May figure of 68 percent.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM[®] Manufacturing Business Survey Committee

June 2020 Manufacturing ISM® Report On Business® 2/3

“The Inventories Index registered 50.5 percent, 0.1 percentage point higher than the May reading of 50.4 percent.

The Prices Index registered 51.3 percent, up 10.5 percentage points compared to the May reading of 40.8 percent.

The New Export Orders Index registered 47.6 percent, an increase of 8.1 percentage points compared to the May reading of 39.5 percent.

The Imports Index registered 48.8 percent, a 7.5-percentage point increase from the May reading of 41.3 percent.

June signifies manufacturing entering an expected expansion cycle after the disruption caused by the coronavirus (COVID-19) pandemic. Comments from the panel were positive (1.3 positive comments for every one cautious comment), reversing the cautious trend which began in March. The manufacturing sector is reversing the heavy contraction of April, with the PMI® increasing month-over-month at a rate not seen since August 1980, with several other indexes also posting gains not seen in modern times. **Demand** expanded, with the (1) New Orders Index growing at a respectable level, supported by New Export Orders Index contraction softening; (2) Customers’ Inventories Index returning to a level considered a positive for future production, and (3) Backlog of Orders Index softening, although still contracting. **Consumption** (measured by the Production and Employment indexes) contributed positively (a combined 34.1-percentage point increase) to the PMI® calculation, with most companies’ employees returning to work in June. **Inputs** — expressed as supplier deliveries, inventories and imports — weakened, due to supplier delivery issues abating and import levels improving. Inventory levels reached parity with supply and demand. Inputs contributed negatively (a combined 11-percentage point decrease) to the PMI® calculation but were more than offset by the demand and consumption improvement. (The Supplier Deliveries and Inventories indexes directly factor into the PMI®; the Imports Index does not.) Prices entered expansion again, but at marginal levels, supporting a positive outlook.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

June 2020 Manufacturing ISM[®] Report On Business[®] 3/3 PMI[®] at 52.6%

“As predicted, the growth cycle has returned after three straight months of COVID-19 disruptions. Demand, consumption and inputs are reaching parity and are positioned for a demand-driven expansion cycle as we enter the second half of the year. Among the six biggest industry sectors, Food, Beverage & Tobacco Products remains the best performing industry sector, and Computer & Electronic Products, and Chemical Products returned to respectable growth. Transportation Equipment and Fabricated Metal Products continue to contract, but at much softer levels.

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

Private Indicators 8/24

June 2020 Non-Manufacturing ISM® Report On Business®

NMI® at 57.1%

Business Activity Index at 66.0%;

New Orders Index at 61.6%

Employment Index at 43.1%;

Supplier Deliveries Index at 57.5%

“Economic activity in the **non-manufacturing sector** grew in June after two consecutive months of contraction, say the nation's purchasing and supply executives in the latest **Non-Manufacturing ISM® Report On Business.**®

The NMI® registered 57.1 percent, 11.7 percentage points higher than the May reading of 45.4 percent. This reading represents growth in the non-manufacturing sector after a two-month period of contraction preceded by 122 straight months of expansion. This is the largest single-month percentage-point increase in the NMI® since its debut in 1997. (In April, the index suffered its biggest one-month decrease, a 10.7-percent drop.)

Industry Performance

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

Private Indicators 9/24

June 2020 Non-Manufacturing ISM® Report On Business®

- “The Business Activity Index registered 66 percent, up 25 percentage points from May’s figure of 41 percent.
- The New Orders Index registered 61.6 percent; 19.7 percentage points higher than the reading of 41.9 percent in May.
- The Employment Index increased to 43.1 percent; 11.3 percentage points higher than the May reading of 31.8 percent.
- The Supplier Deliveries Index registered at 57.5 percent, down 9.5 percentage points from May’s reading of 67 percent. Supplier Deliveries is the only ISM® *Report On Business*® index that is inversed; a reading of above 50 percent indicates slower deliveries, which is typical as the economy improves and customer demand increases. The higher index readings the previous three months were primarily a product of supply problems related to the coronavirus (COVID-19) pandemic. The Supplier Deliveries Index now more closely correlates to current supply and demand.
- The Prices Index figure of 62.4 percent is 6.8 percentage points higher than the May reading of 55.6 percent, indicating that prices increased in June. According to the NMI®, 14 non-manufacturing industries reported growth. The non-manufacturing composite index indicated growth after two consecutive months of contraction. The sector’s previous period of contraction was for two months in 2009: November (with an NMI® of 49.5 percent) and December (with an NMI® of 49.7 percent). Respondents remain concerned about the coronavirus and the more recent civil unrest; however, they are cautiously optimistic about business conditions and the economy as businesses are beginning to reopen.” – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Private Indicators 10/24

Markit U.S. Manufacturing PMI™

Record rise in manufacturing PMI amid looser COVID-19 restrictions

“The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers’ Index™ (PMI™) posted 49.8 in June, up a record 10 points from 39.8 in May, to signal a marked easing in the overall manufacturing downturn. The latest figure was also slightly higher than the earlier released 'flash' reading of 49.6.

June PMI™ data signalled only a fractional deterioration in U.S. manufacturing conditions as goods producers and their customers began to reopen amid looser restrictions following the outbreak of coronavirus disease 2019 (COVID-19). The downward trend in production eased markedly as new orders stabilised amid reports of a relative improvement in demand conditions. Companies reported a further drop in workforce numbers as evidence of spare capacity remained, but the rate of job losses also moderated sharply. Optimism about the year ahead meanwhile revived considerably. At the same time, inflationary pressures picked up, as both input costs and output charges rose for the first time in the second quarter.

Contributing to the slower decline in operating conditions was a stabilisation of new orders. No change in client demand in June brought to an end a three-month sequence of contraction in new business and signalled a notable turnaround from the severe decrease seen in April. Where an increase was reported, firms linked this to a gradual pick-up in demand as customers reopened. New export orders continued to fall, however. Although modest, the drop in external sales was linked to some export markets remaining closed amid COVID-19 restrictions and reports of some customers switching to local suppliers.

With signs of firmer demand conditions, production fell at a sharply reduced rate in June. Where output declined, it was largely linked to historically muted order inflows and the ongoing closure of some factories. Nonetheless, the overall rate of contraction was the slowest since February as other companies reported the end of temporary shutdowns.” – Chris Williamson, Chief Economist, Markit®

Private Indicators 11/24

Markit U.S. Manufacturing PMI™

“Meanwhile, cost burdens rose in June as suppliers hiked their prices due to logistical issues and higher shipping costs. The increase was only marginal, however. At the same time, firms partially passed on greater input prices to customers through higher selling prices. That said, the increase in output charges was only slight as firm sought to remain competitive under challenging demand conditions. Employment across the manufacturing sector declined for the fourth month running in June, as firms shed workers at a moderate pace following subdued demand. Signs of excess capacity remained evident as manufacturers registered a sharp reduction in backlogs of work. However, the overall loss of jobs was considerably weaker than those seen in the prior two months.

Goods producers also indicated renewed optimism that output would increase over the coming year. Positive sentiment stemmed from hopes of a sustained pick-up in client demand and an end to the pandemic. The degree of confidence was solid overall and reached a four-month high. Finally, manufacturers recorded further falls in both pre- and post-production inventories as stocks were used to fulfil new orders, though rates of decline slowed markedly compared to May.

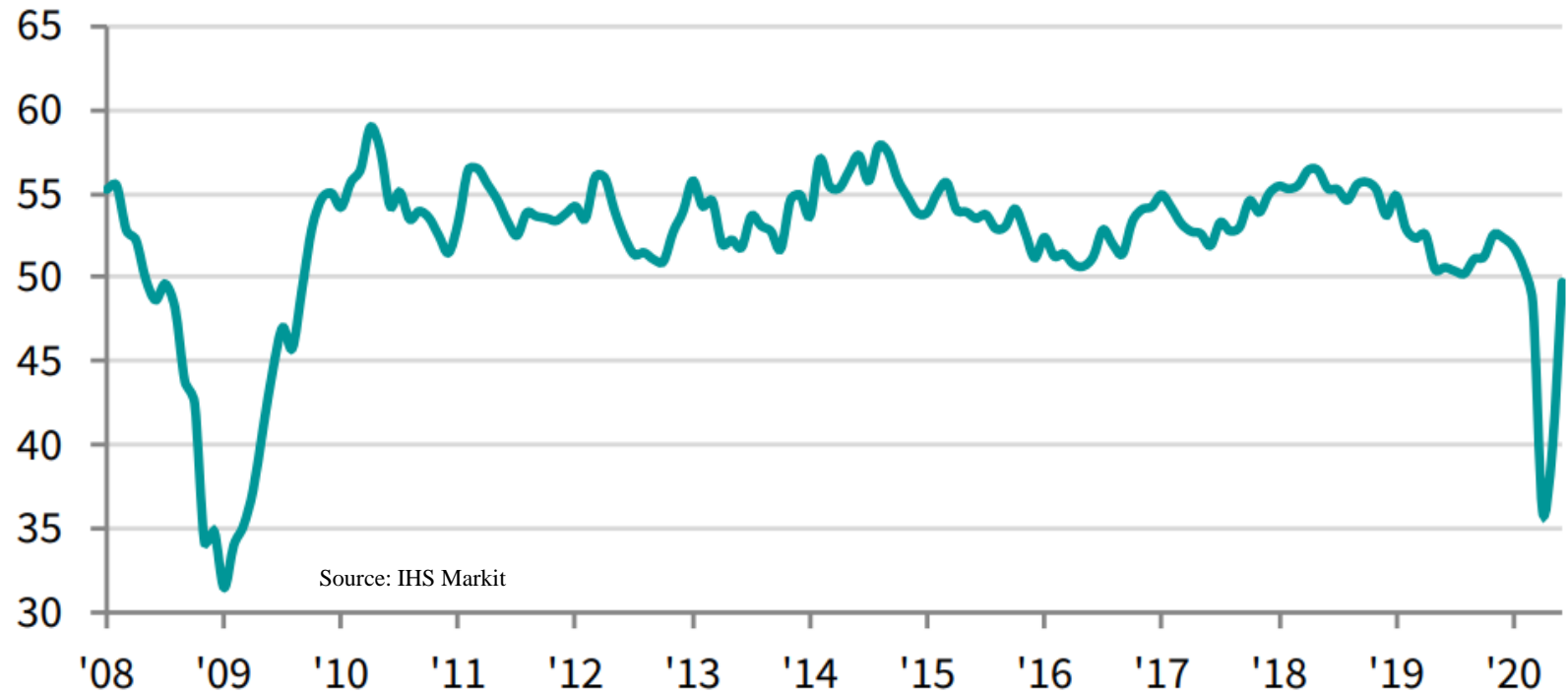
US manufacturers have reported a marked turnaround in business conditions through the second quarter, with collapsing production and demand in April at the height of the COVID-19 lockdown turning rapidly to stabilisation by June. The PMI posted a record 10-point rise in June amid unprecedented gains in the survey’s output, employment and order book gauges. The record rise in the New Orders Index, coupled with low inventory holdings, bodes well for a further improvement in production momentum in July. A record upturn in business sentiment about the year ahead likewise hints that business spending and employment will start to revive.

However, while the PMI currently points to a strong v-shaped recovery, concerns have risen that momentum could be lost if rising numbers of virus infections lead to renewed restrictions and cause demand to weaken again.” – Chris Williamson, Chief Economist, Markit®

Private Indicators 12/24

U.S. Manufacturing PMI

sa, >50 = improvement since previous month



Private Indicators 13/24

IHS Markit U.S. Services PMI™

Business activity contraction slows in June as new business nears stabilization

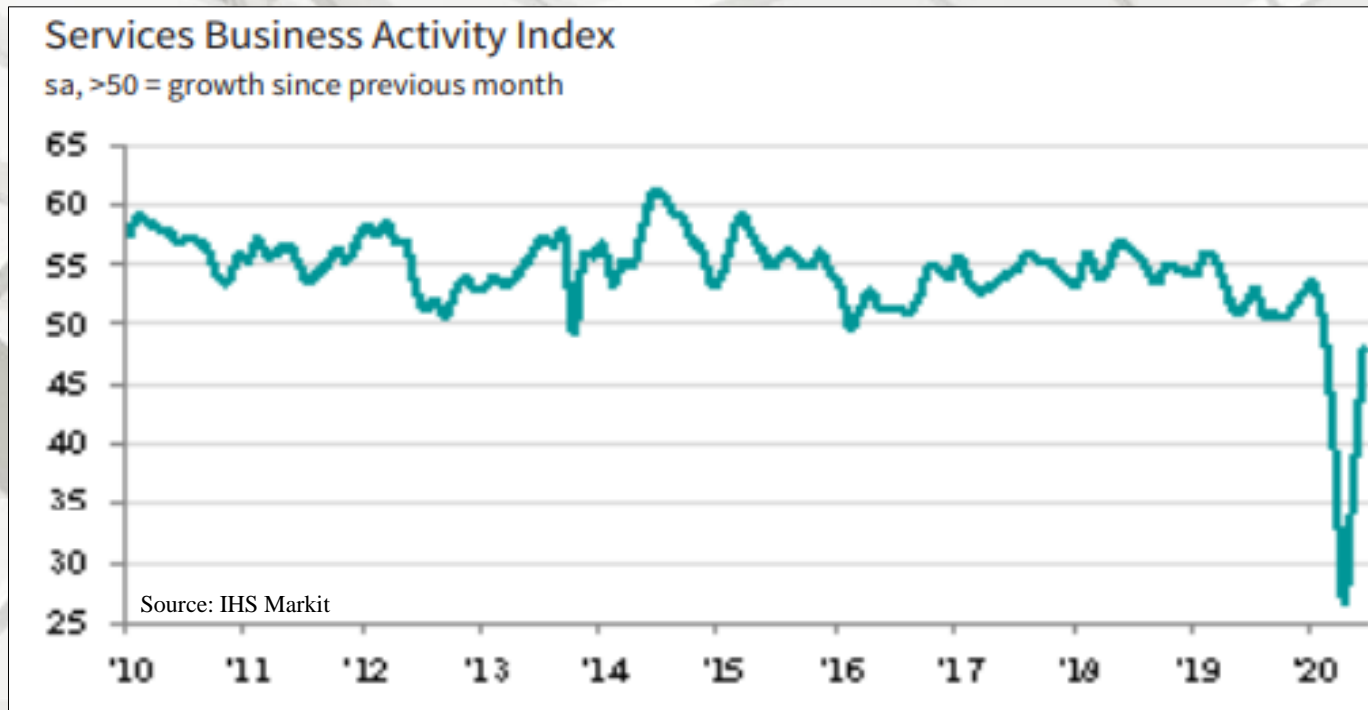
“June PMI™ data signalled a notably softer rate of contraction in business activity across the U.S. service sector as many companies began to reopen following the easing of coronavirus disease 2019 (COVID-19) restrictions. The loosening of lockdown measures also led to the broad stabilization of new orders, while export sales rose for the first time so far in 2020. As a result, the rate of job shedding softened markedly as some firms highlighted the hiring of new employees to help fulfil new business inflows. Excess capacity also eased as backlogs fell only fractionally. Although business confidence was historically muted, it signalled renewed optimism as hopes of stronger demand drove sentiment higher.

Meanwhile, inflationary pressure returned as both input prices and output charges rose for the first time since February, with both increasing at solid rates.

The seasonally adjusted final IHS Markit US Services Business Activity Index registered 47.9 at the end of the second quarter, up significantly from 37.5 in May and above the earlier released 'flash' figure of 46.7. The marked easing in the rate of output contraction was in part linked to the reopening of service providers and the gradual return of customer demand. The pace of decline was the slowest in the current four-month sequence of decline.

New business inflows meanwhile broadly stabilized in June following three successive monthly contractions. The rate of decline eased notably from April's record as a number of firms reported an uptick in customer demand following the gradual reopening of the economy. At the same time, new export orders for services expanded at the sharpest rate in almost a year, although the rate of growth was only fractional. ...” – Chris Williamson, Chief Economist, Markit®

Private Indicators 14/24



IHS Markit U.S. Services PMI™

“June saw a record surge in the PMI’s main gauge of business activity in the US as increasing numbers of companies returned to work and expanded their operations amid the reopening of the economy. The survey points to a strong initial rebound from the low point seen at the height of the pandemic lockdown in April, with indicators of output, demand, exports and employment all showing steep gains. Financial services and technology companies are now reporting improved demand, as are many consumer-facing companies. Many, however, remain constrained by social distancing measures.

With business confidence in the outlook picking up again in June, a return to growth for the economy in the third quarter looks likely, though this will very much depend on the extent to which demand continues to strengthen. There remains a strong possibility that growth could tail off after the initial rebound due to weak demand and persistent virus containment measures. The need to reintroduce lockdowns to fight off second waves of coronavirus infections will pose a particular threat to recovery momentum, and could drive a return of the recession.” – Chris Williamson, Chief Economist, Markit®

Private Indicators 15/24

National Association of Credit Management – Credit Managers' Index June Combined Sectors

“Last month, it was suggested we should all refrain from dancing in the streets based on just one month of promising data from May’s Credit Managers’ Index (CMI), but now some of that dancing activity might be warranted as there has been a second month of progress, noted NACM Economist Chris Kuehl, Ph.D. “Those categories in the most trouble have staged a dramatic turnaround. The lockdown has started to end for a wide variety of business sectors and is showing up in the credit data. There is still a long way to go for many of the service sectors, however, which is apparent in some of the index readings. But even in this arena, there has been substantial progress. The gains have been more obvious in several of the manufacturing sectors, although there are others still waiting for that consumer demand to kick in. The majority of the predictions asserted this would be a V-shaped recession. These numbers continue to support that conclusion.”

The combined score for the June CMI left the contraction zone (a score under 50) as it jumped from 44.1 to 51. This is the best score since March and is certainly a major improvement over the 40.6 notched in April. In February, the reading was 56.2 — not all that far from where it is today. The combined score for the favorable factors made a major gain as it also jumped back into expansion territory with a reading of 55.3. In April, it was languishing at 32 and in May, it was still in the 30s with a reading of 39.5. Granted, the reading in February was 62.2, but 55.3 is solidly in expansion territory. The combined score for the unfavorable factors also saw a little gain from 47.2 to 48.1. “This suggests there has now been enough time for companies to have entered credit difficulty,” said Kuehl. “The good news is that the recovery in the favorables may have come in time to keep the unfavorables from dragging the entire index down.” – Andrew Michaels, Editorial Associate, NACM

Private Indicators 16/24

National Association of Credit Management – Credit Managers' Index

“The really good news is coming from the four breakout categories in the favorable section. The sales data made a simply stunning rebound, from 20 in April to 28.6 in May, and now it is sitting at 54.1 in June. “This reading managed to skip right past the 30s and 40s, more than a little encouraging,” said Kuehl. The new credit applications made a dramatic leap as well (from 43.3 to 57.9). This is not far from the 62.2 that was noted in February. The dollar collections data shifted from 43.2 to 53.9 and the amount of credit extended moved from 42.8 to 55.2. “It is hard to overestimate the importance of these gains. The favorable factor collapse was the issue that dragged the whole index into territory it had not seen since the 2008 recession, and it took years to recover from that series of losses.”

The data from the unfavorables showed a little weakness this month, but there was no collapse. “The sudden nature of the lockdown recession caught the business and credit community by surprise,” Kuehl explained. “Prior to the recession of 2008, there was the usual warning that something threatening was starting to build and most credit managers started to behave more cautiously. They were not offering generous terms to any but their best clients and new applications were carefully scrutinized. This time, there was abundant confidence at the start of the year; there was no time to exercise much caution.

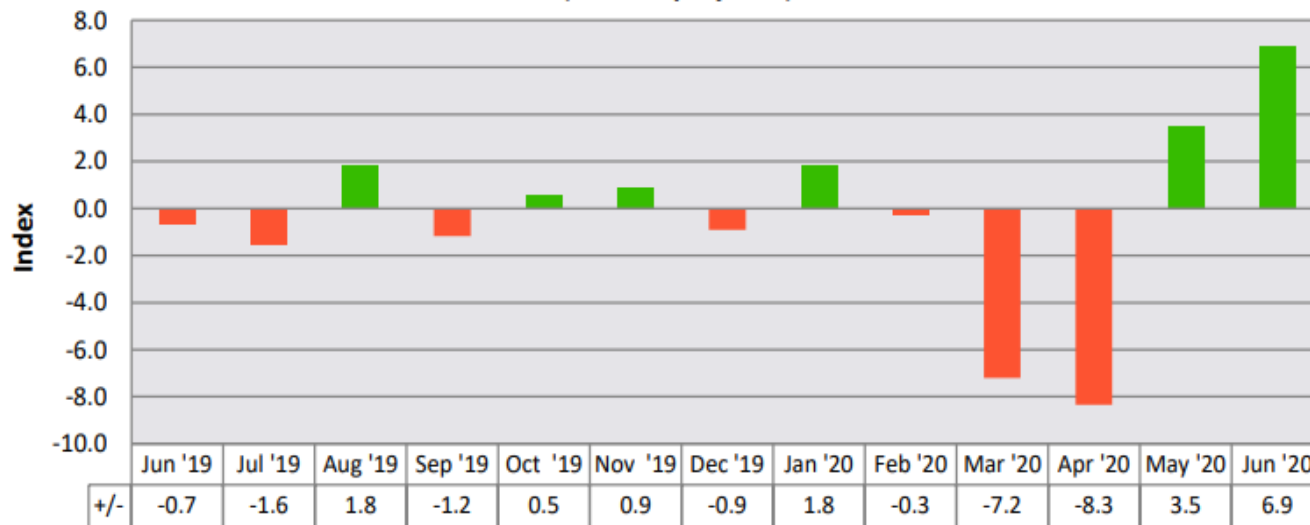
The rejections of credit applications category took a little hit this month (51.9 to 49.8). Kuehl noted that there is a little more concern regarding the ability of companies to stay current while the economy finds its footing. Accounts placed for collection also slipped considerably from 49.1 to 46.7. “There had not been time for companies to get in trouble prior to this month, but it has now been three months since the lockdown started and there are companies getting farther behind in their ability to pay on their credit.” Dollar amount beyond terms had been a problem for the last few months as companies were watching their cash flow like a hawk. Now, they have improved from 32.4 to 44.4. The disputes category slipped a bit and fell into contraction territory with a reading of 49.6 as opposed to last month’s 51.5. Dollar amount of customer deductions stayed about where it had been with a reading of 50.6 from 50.9 in May. Filings for bankruptcies also remained fairly stable at 47.7 as compared to 47.3. “There is hope that bankruptcy activity will slow as businesses are allowed to start making a comeback.”” – Andrew Michaels, Editorial Associate, NACM

Private Indicators 17/24

National Association of Credit Management

Combined Manufacturing and Service Sectors (seasonally adjusted)	Jun '19	Jul '19	Aug '19	Sep '19	Oct '19	Nov '19	Dec '19	Jan '20	Feb '20	Mar '20	Apr '20	May '20	Jun '20
Sales	60.4	58.4	64.4	58.7	57.9	61.6	58.8	63.0	64.0	39.5	20.0	28.6	54.1
New credit applications	62.4	60.8	60.9	59.7	59.0	61.2	59.4	61.1	62.2	44.0	31.1	43.3	57.9
Dollar collections	60.3	56.6	60.0	58.5	62.1	59.2	57.9	61.7	58.8	49.3	35.5	43.2	53.9
Amount of credit extended	62.5	58.7	61.7	59.7	61.6	64.3	61.1	62.9	63.6	53.2	41.6	42.8	55.2
Index of favorable factors	61.4	58.6	61.8	59.1	60.1	61.6	59.3	62.2	62.2	46.5	32.0	39.5	55.3
Rejections of credit applications	52.4	52.6	52.1	51.4	52.1	51.3	52.0	52.0	53.8	53.5	52.7	51.9	49.8
Accounts placed for collection	50.0	46.2	48.6	48.4	49.1	49.8	50.3	50.6	50.6	50.6	47.4	49.1	46.7
Disputes	48.6	50.5	49.4	50.0	48.1	50.3	50.8	52.4	50.3	52.1	50.8	51.5	49.6
Dollar amount beyond terms	49.8	46.1	53.6	50.2	52.0	52.6	51.0	54.2	53.5	43.9	27.6	32.4	44.4
Dollar amount of customer deductions	50.0	51.2	50.0	52.1	50.9	51.4	51.3	52.2	51.5	50.4	49.4	50.9	50.6
Filings for bankruptcies	53.5	53.2	51.6	52.1	53.4	53.5	53.4	54.4	53.3	53.2	50.2	47.3	47.7
Index of unfavorable factors	50.7	50.0	50.9	50.7	50.9	51.5	51.5	52.6	52.2	50.6	46.3	47.2	48.1
NACM Combined CMI	55.0	53.4	55.2	54.1	54.6	55.5	54.6	56.4	56.2	49.0	40.6	44.1	51.0

Combined Index Monthly Change
(seasonally adjusted)



Private Indicators 18/24

National Federation of Independent Business (NFIB) June 2020 Report

Small Business Optimism Rebounds from April

“The Small Business Optimism Index increased 3.5 points in May to 94.4, a strong improvement from April’s 90.9 reading. Eight of the 10 Index components improved in May and two declined. The NFIB Uncertainty Index increased seven points to 82. Reports of expected business conditions in the next six months increased 5 points to a net 34%, following a 24-point increase in April. Owners are optimistic about future business conditions and expect the recession to be short-lived.

Real sales expectations in the next three months increased 18 points to a net negative 24%. Expectations about future sales are beginning to rebound after April’s lowest reading in survey history of a net negative 42%.

Fifty-two percent reported capital outlays in the last six months. Of those making expenditures, 35% reported spending on new equipment (down one point), 20% acquired vehicles (down one point), and 15% improved or expanded facilities (up two points). Five percent acquired new buildings or land for expansion and 10% spent money for new fixtures and furniture.” – Holly Wade, NFIB

Private Indicators 19/24

National Federation of Independent Business (NFIB) June 2020 Report

“Other key findings from the survey include:

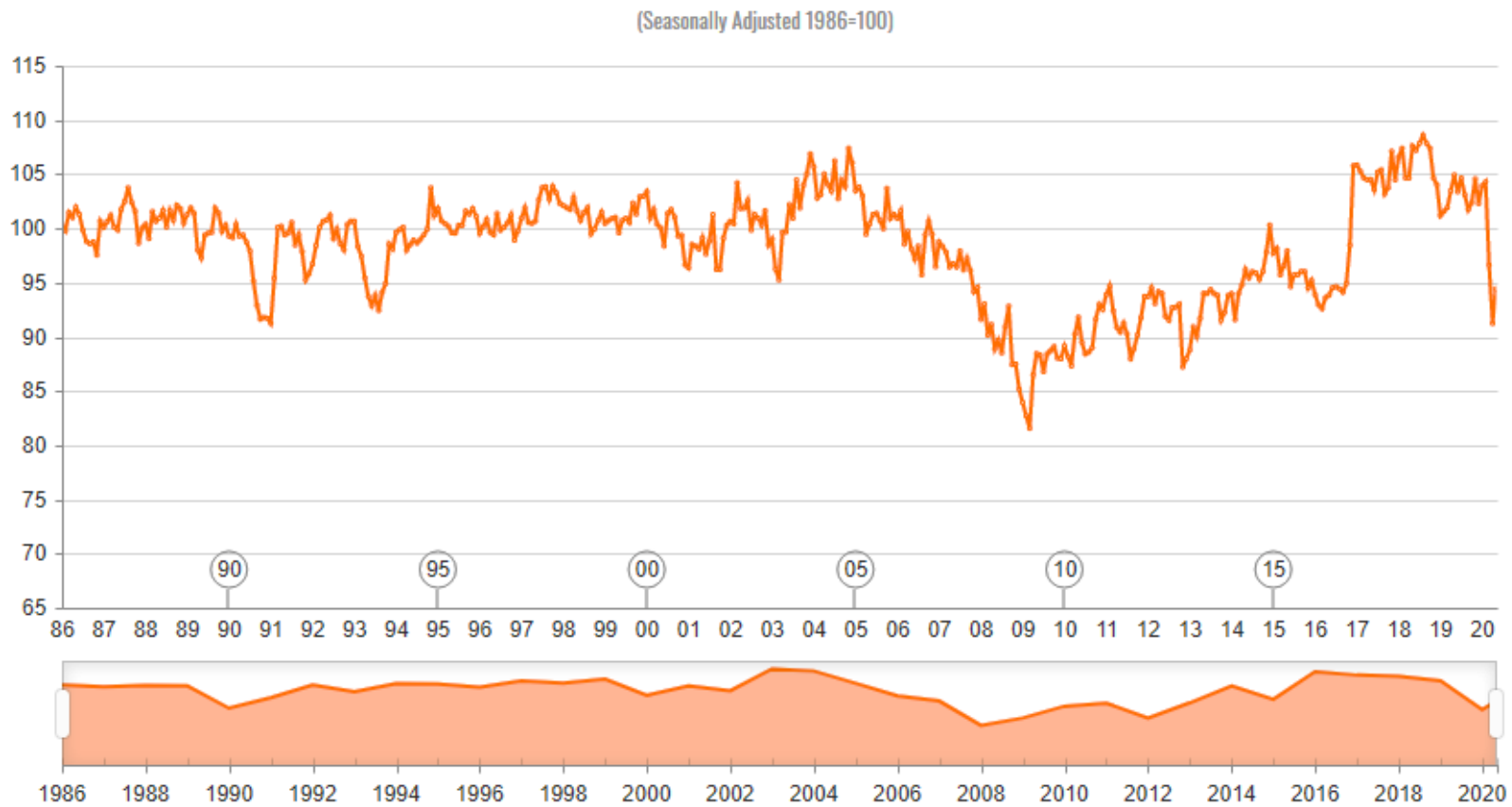
Earnings trends declined six points to a net negative 26%. Among owners reporting weaker profits, 46% blamed weak sales, 12% blamed usual seasonal changes, 9% cited price changes, 4% cited labor costs, and 4% cited material costs. Five percent of owners reported thinking it’s a good time to expand, up two points from April. The net negative percent of owners expecting higher real sales volumes improved 18 points to a net negative 24% of owners. A net 14% (seasonally adjusted) reported raising compensation (down 2 points) and a net 10% plan to do so in the coming months (up 3 points).

As reported in last week’s monthly jobs report, the small business labor market weakened further in the February-April period, with May survey respondents reporting reducing employment by 0.17 workers per firm in the prior three months. Most of the workers that were displaced (about 80%) expect to be rehired according to the Bureau of Labor Statistics. However, generous unemployment benefits are making it harder for some firms to re-call workers and fill open positions.

A seasonally adjusted net eight percent plan to create new jobs in May. The creation is driven in part by the forgiveness portion requirements of the *Paycheck Protection Program* and owners planning to re-hire workers as the economy is reopened.” – Holly Wade, NFIB

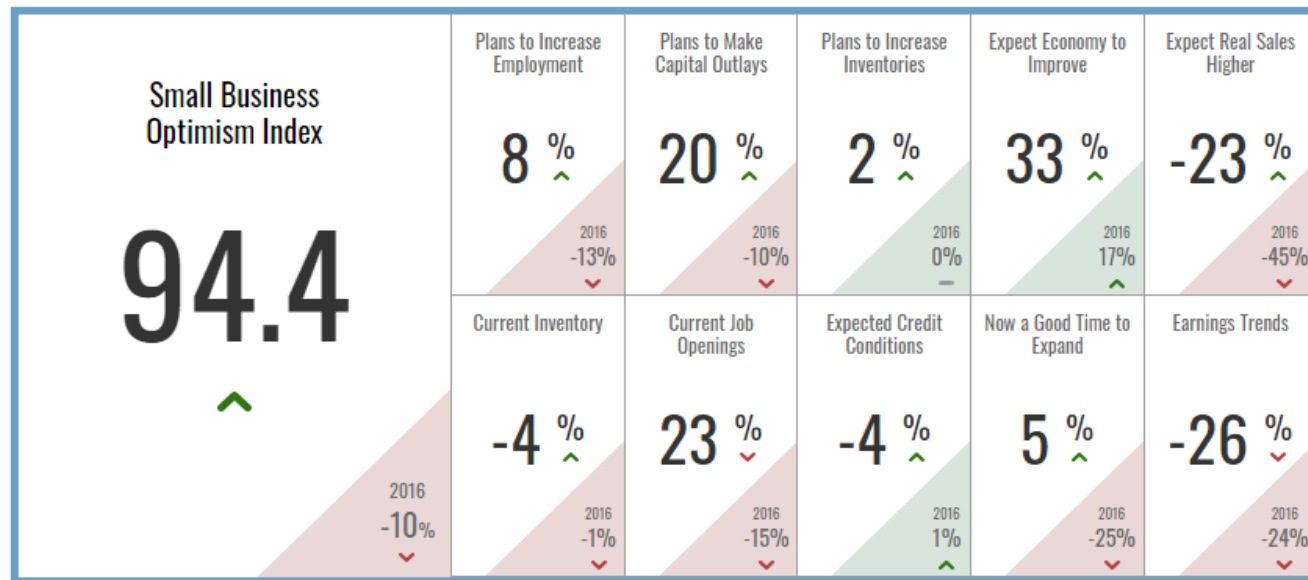
Private Indicators 20/24

Small Business Optimism Index



Private Indicators 21/24

Index Component Levels and Percentage Change from Prior Year



NFIB Small Business Optimism Index

“As states begin to reopen, small businesses continue to navigate the economic landscape rocked by COVID-19 and new government policies. It’s still uncertain when consumers will feel comfortable returning to small businesses and begin spending again, but owners are taking the necessary precautions to reopen safely.” – Bill Dunkelberg, Chief Economist, NFIB

“A net negative 19% of all owners (seasonally adjusted) reported higher nominal sales in the past three months, down eight points from April. Retail sales have declined significantly in the past three months. Consumer income was up significantly due to government programs assistance, but consumers, for the most part, could not get out to spend it unless they spent it online. The change in spending behavior produced a record-high savings rate of 33%. As the economy opens, this money will be spent.” – Holly Wade, NFIB

Private Indicators 22/21

The Paychex | IHS Markit Small Business Employment Watch Small Business Reopenings Contribute to Improvements in Hours Worked

“The latest Paychex | IHS Markit Small Business Employment Watch shows that employment growth held steady in June, with the jobs index moderating just 0.06 percent to 94.81. However, increases in weekly earnings signify an upward trend as more businesses reopened their doors, and employees resumed work. As such, annualized one-month growth in weekly hours worked reached 8.28 percent in June; weekly earnings growth rose to 4.02 percent; and hourly earnings growth increased to 3.46 percent (\$0.94) year-over-year.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

“The jobs index moved very little from May, but increases in wages and hours worked signal significant improvements in small business labor utilization in June. ” – James Diffley, Chief Regional Economist, IHS Markit

“The notable improvements in wage growth and moderation of decreasing job growth are meaningful signs that businesses around the country are starting to ease back into operations. As has been the case through the entire COVID-19 pandemic, the situation is rapidly evolving, and we will continue to keep a close eye on regions where a resurgence in cases may further impact the small business employment landscape.” Martin Mucci, President and CEO, Paychex

Private Indicators 23/24

The Paychex | IHS Markit Small Business Employment Watch

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

- Employment growth in the Northeast has dropped 4.40 percent during the past quarter, with the most significant decline occurring in April. During this time, all other regions have posted declines of three percent or less.
- Arizona gained 0.89 percent from May to June, boosting its jobs index above 96 and trailing only Florida (97.60).
- Tampa, Phoenix, and Miami led all metros in the level of small business job growth in June.
- In the Northeast, Massachusetts, New Jersey, New York, and Pennsylvania scored significant weekly earnings gains from May to June, as did Michigan and Ohio in the Midwest.
- The hardest hit industry, Leisure and Hospitality, showed sizable wage gains from May to June as businesses reopened; weekly earnings growth increased to 3.76 percent from the previous year.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Private Indicators 24/24

The Paychex | IHS Markit Small Business Employment Watch

June Jobs Index

Index
94.81

12-Month Change
-3.57%

June Wage Data

Hourly Earnings
\$28.06

12-Month Growth
+3.46% (+\$0.94)

Source: Paychex | IHS Markit Small Business Employment Watch

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