

The Virginia Tech – U.S. Forest Service September 2019 Housing Commentary: Section II



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Virginia Polytechnic Institute and State University

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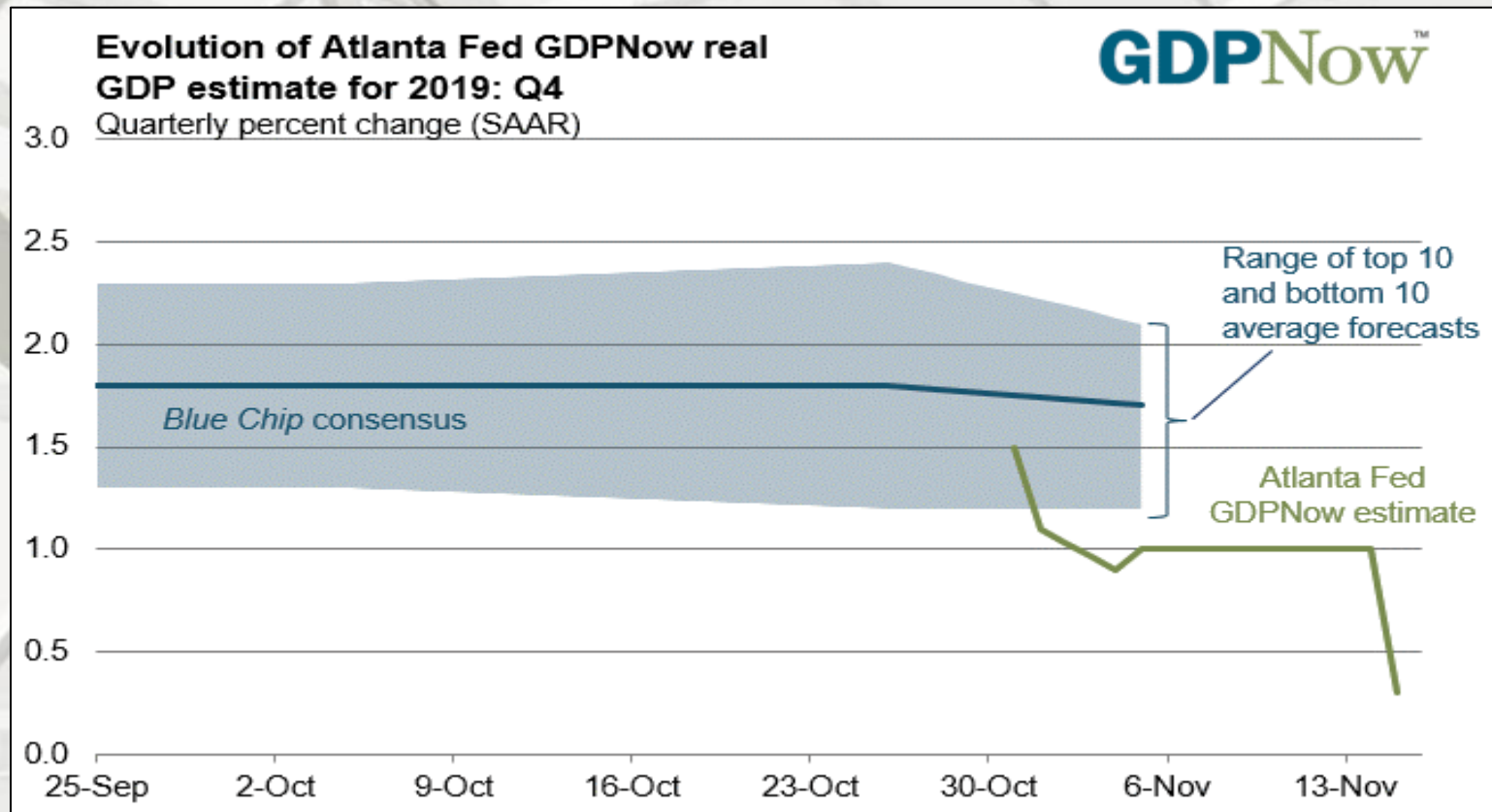
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U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest forecast: 0.3 percent — November 15, 2019

“The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the fourth quarter of 2019 is **0.3 percent** on November 15, down from 1.0 percent on November 8. After this morning's retail trade releases from the U.S. Census Bureau, and this morning's industrial production report from the Federal Reserve Board of Governors, the nowcasts of fourth-quarter real personal consumption expenditures growth and fourth-quarter real gross private domestic investment growth decreased from 2.1 percent and -2.3 percent, respectively, to 1.7 percent and -4.4 percent, respectively.” – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

The Federal Reserve Bank of Chicago: Midwest Economy Index

Index Points to Slower Midwest Economic Growth in September

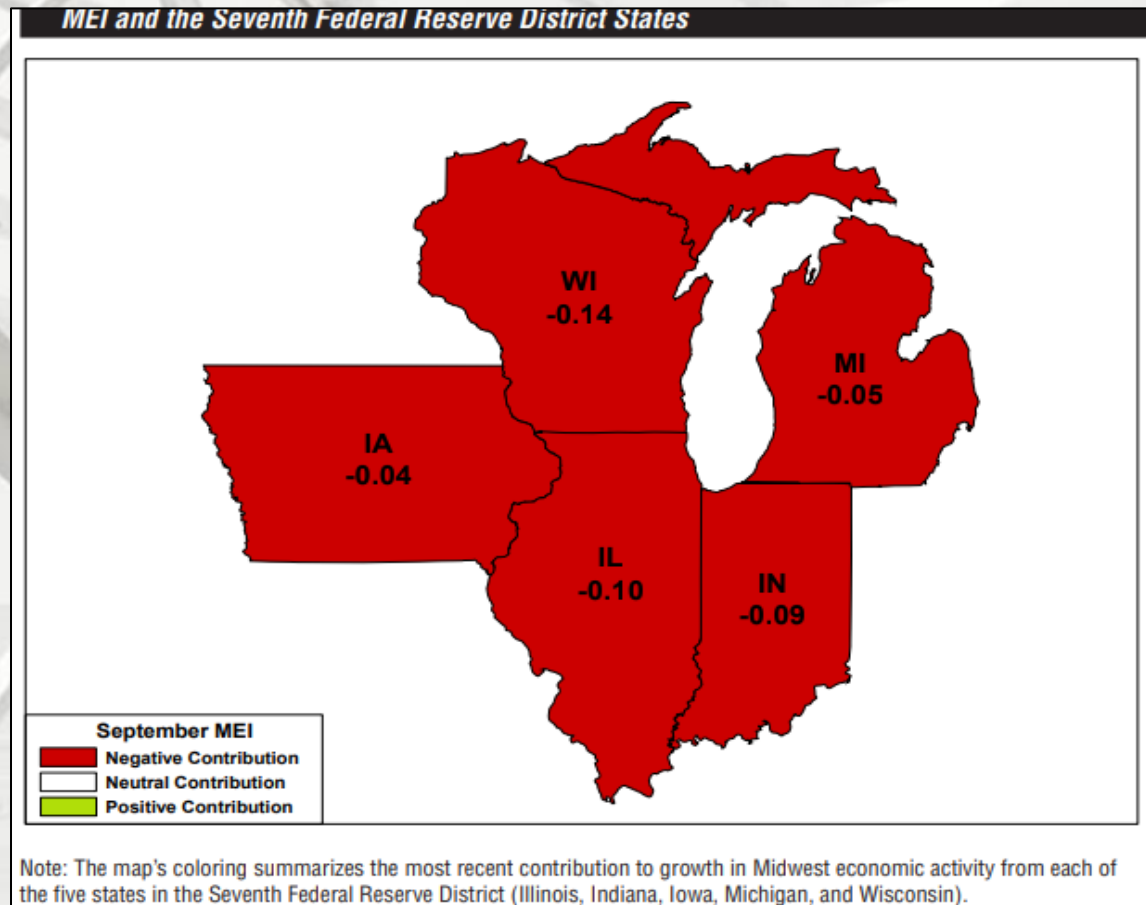
“The Midwest Economy Index (MEI) moved down to -0.43 in September from -0.36 in August. Contributions to the September MEI from two of the four broad sectors of nonfarm business activity and two of the five Seventh Federal Reserve District states decreased from August. The relative MEI fell to -0.44 in September from -0.20 in August. Contributions to the September relative MEI from three of the four sectors and all five states decreased from August.

The manufacturing sector’s contribution to the MEI decreased to -0.26 in September from -0.19 in August. The pace of manufacturing activity decreased in Illinois, Michigan, and Wisconsin, but was unchanged in Indiana and Iowa. Manufacturing’s contribution to the relative MEI decreased to -0.19 in September from -0.02 in August.

The construction and mining sector’s contribution to the MEI ticked down to -0.03 in September from -0.02 in August. The pace of construction and mining activity was slower in Illinois and Iowa, but faster in Michigan and Wisconsin and unchanged in Indiana. The contribution from construction and mining to the relative MEI was unchanged at $+0.02$ in September.

The service sector’s contribution to the MEI was unchanged at -0.11 in September. The pace of service sector activity was down in Illinois, but up in Iowa and unchanged in Indiana, Michigan, and Wisconsin. The service sector’s contribution to the relative MEI moved down to -0.27 in September from -0.20 in August.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

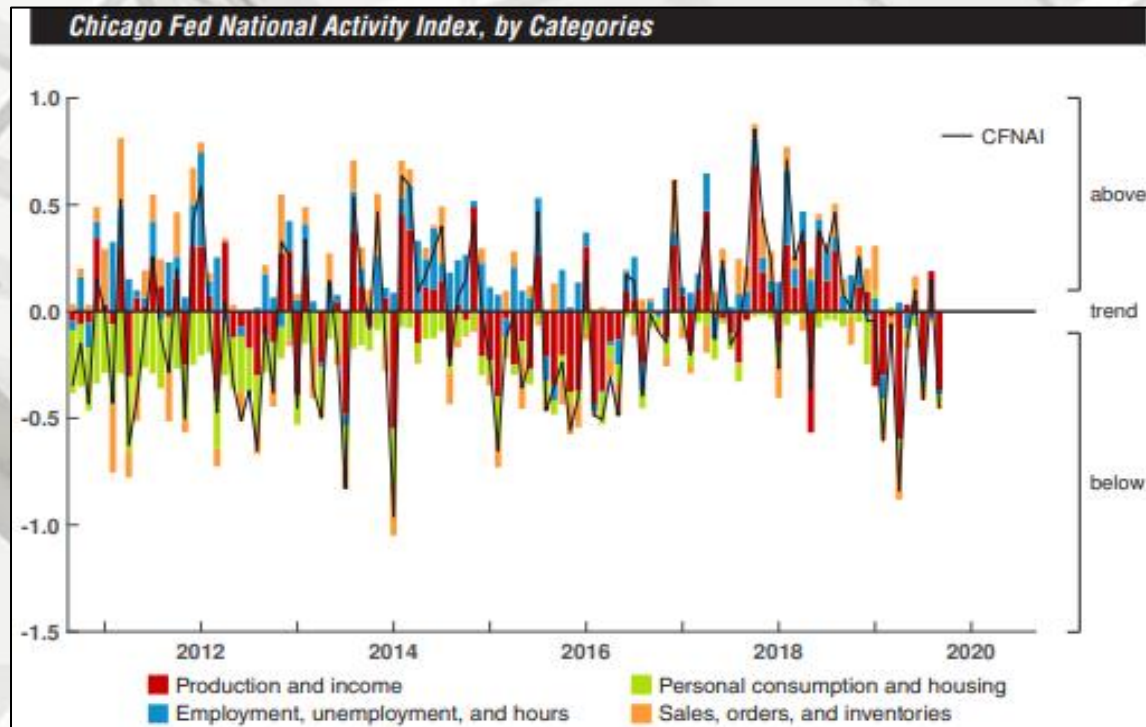
The Federal Reserve Bank of Chicago: Midwest Economy Index



Index Points to Slower Midwest Economic Growth in September

“The Midwest Economy Index (MEI) moved down to -0.43 in September from -0.36 in August. Contributions to the September MEI from two of the four broad sectors of nonfarm business activity and two of the five Seventh Federal Reserve District states decreased from August. The relative MEI fell to -0.44 in September from -0.20 in August. Contributions to the September relative MEI from three of the four sectors and all five states decreased from August.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

The Federal Reserve Bank of Chicago: National Activity Index



Index Points to Slower Economic Growth in September

“Led by declines in production-related indicators, the Chicago Fed National Activity Index (CFNAI) fell to -0.45 in September from $+0.15$ in August. Three of the four broad categories of indicators that make up the index decreased from August, and all four categories made negative contributions to the index in September. The index’s three-month moving average, CFNAI-MA3, decreased to -0.24 in September from -0.06 in August.

The CFNAI Diffusion Index, which is also a three-month moving average, decreased to -0.25 in September from -0.10 in August. Thirty-one of the 85 individual indicators made positive contributions to the CFNAI in September, while 54 made negative contributions. Twenty-nine indicators improved from August to September, while 54 indicators deteriorated and two were unchanged. Of the indicators that improved, 12 made negative contributions.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

The Federal Reserve Bank of Chicago: National Activity Index

Index points to a pickup in economic growth in September

“Production-related indicators contributed -0.37 to the CFNAI in September, down from $+0.19$ in August. Total industrial production decreased 0.4 percent in September after rising 0.8 percent in August. The contribution of the sales, orders, and inventories category to the CFNAI ticked down to -0.02 in September from -0.01 in August.

Employment-related indicators contributed -0.02 to the CFNAI in September, up slightly from -0.03 in August. The unemployment rate moved down to 3.5 percent in September from 3.7 percent in August, but total nonfarm payrolls increased by 136,000 in September after rising by 168,000 in the previous month. The contribution of the personal consumption and housing category to the CFNAI edged down to -0.04 in September from a neutral value in August. Housing starts decreased to 1,256,000 annualized units in September from 1,386,000 in August.

The CFNAI was constructed using data available as of October 24, 2019. At that time, September data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The August monthly index value was revised to $+0.15$ from an initial estimate of $+0.10$, and there was no revision to the July monthly index value.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

The Federal Reserve Bank of Dallas

Pace of Texas Manufacturing Expansion Slows, but Outlook Improves

“Texas factory activity continued to expand in October, albeit at a markedly slower pace, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, fell nine points to 4.5, suggesting a moderation in output growth in October.

Other measures of manufacturing activity also suggested slower expansion in October, and demand declined. The new orders index turned negative for the first time in three years, falling 11 points to -4.2. The growth rate of orders index also fell into negative territory, coming in at -5.9. The capacity utilization index retreated from 12.0 to 3.6, reaching a three-year low. The shipments index fell nine points to 6.0.

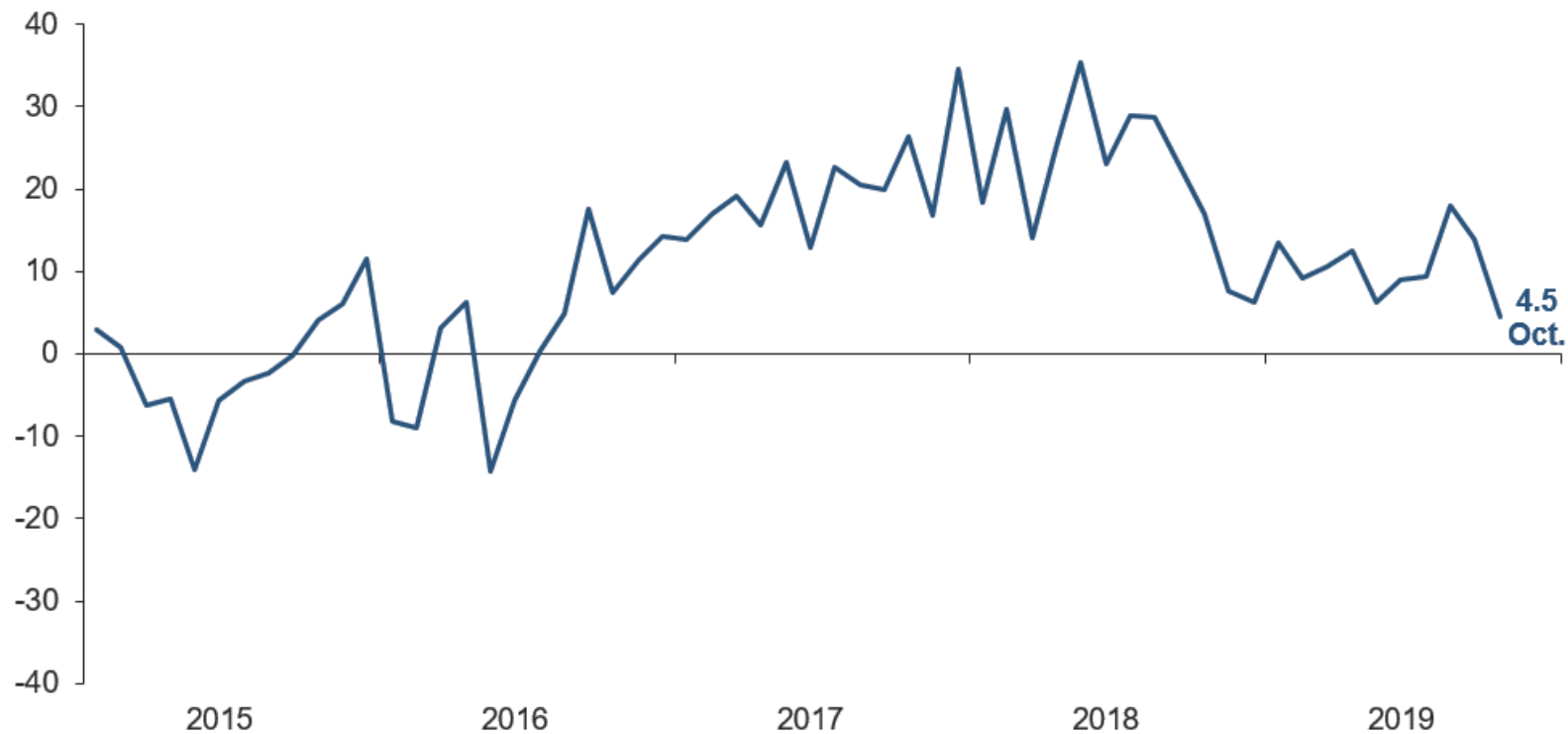
Perceptions of broader business conditions were mixed in October. The general business activity index fell from 1.5 to -5.1, returning to negative territory after two months of positive readings. The company outlook index continued to increase, inching up to 8.8 this month. The index measuring uncertainty regarding companies’ outlooks remained slightly elevated at 12.1.

Labor market measures suggested slower growth in employment and work hours this month. The employment index remained positive but retreated from 18.8 to 11.0, a reading still above average. Twenty percent of firms noted net hiring, while 9 percent noted net layoffs. The hours worked index edged down to 4.7. Price and wage pressures rose in October. The raw materials prices index ticked up to 22.8, a 10-month high. The finished goods prices index pushed up to 4.8 after oscillating around zero for five months. The wages and benefits index moved up five points to 22.2.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas

Texas Manufacturing Outlook Survey Production Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

Texas Manufacturing Expansion Continues

“Expectations regarding future business conditions were more optimistic in October. The index of future general business activity returned to positive territory, rising nine points to 2.4. The index of future company outlook rose 13 points to 15.3, its highest level in six months. Other indexes for future manufacturing activity also rose, pushing further into positive territory.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas

Texas Service Sector Activity Strengthens

“Growth in the Texas service sector continued to increase in October, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, increased from 12.9 in September to 15.4 in October.

Labor market indicators reflected faster employment growth and slightly longer workweeks this month. The employment index increased from 6.5 to 9.1, while the hours worked index was roughly unchanged at 1.7.

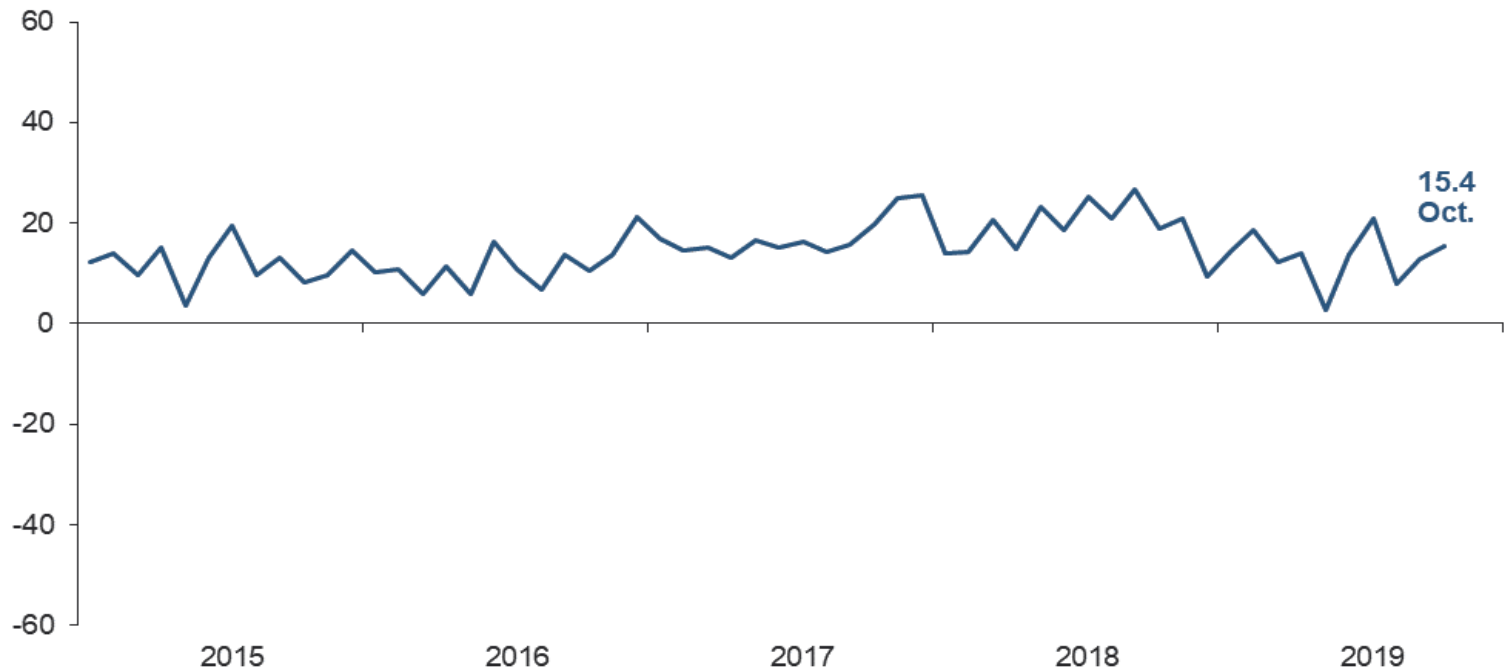
Perceptions of broader business conditions remained positive, although outlook uncertainty increased further in September. The general business activity index fell four-and-a-half points but was positive at 1.8, while the company outlook index surged nearly seven points to 10.7, its highest reading this year. The outlook uncertainty index rose from 15.4 to 18.0, with about one-quarter of respondents noting increased uncertainty compared with last month.

Wage pressures increased in October, while price pressures were mixed. The wages and benefits index rose nearly six points to 19.9. The selling prices index declined from 2.5 to -1.0, its first negative reading since early 2016, while the input prices index rose nearly three points to 24.5.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey Revenue Index

Index, seasonally adjusted



Federal Reserve Bank of Dallas

Texas Service Sector Activity Strengthens

“Respondents’ expectations regarding future business conditions were slightly mixed in October. The future company outlook index was largely unchanged at 10.7, while the future general business activity index declined six points to 0.2, indicating no net change in expected business activity compared with September. Other indexes of future service sector activity, such as revenue and employment, rose above their long-term averages, suggesting expectations of strengthening activity over the next six months.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas

Retail Sales Growth Holds Steady

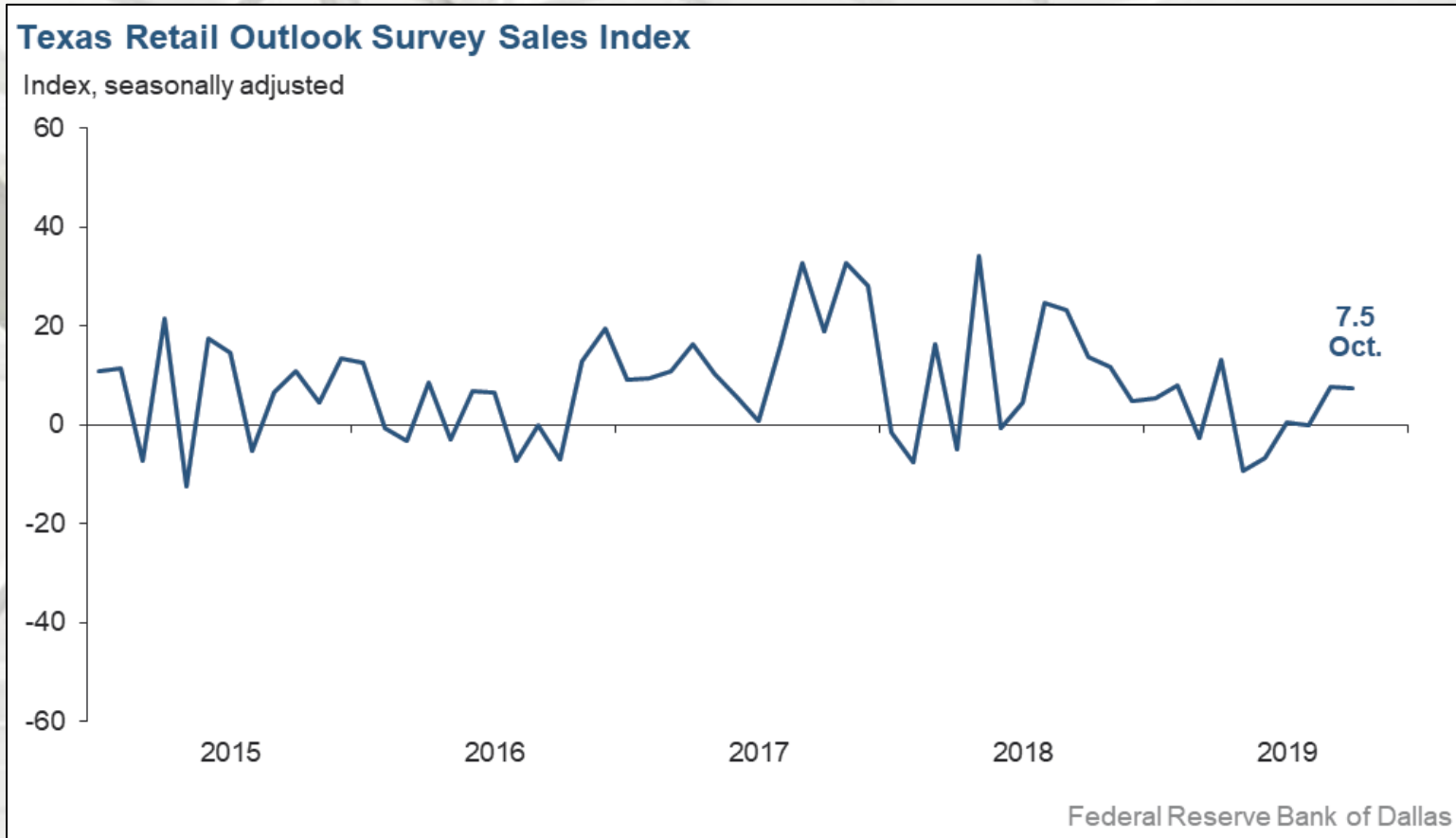
“Growth in retail sales remained solid in October, according to business executives responding to the Texas Retail Outlook Survey. The sales index was mostly unchanged at 7.5. Inventories continued to decline, with the inventories index falling from -4.0 to -6.5.

Retail labor market indicators were mixed in October, as respondents indicated faster growth in employment but shorter workweeks. The employment index rebounded nearly eight points to 4.8 — its best reading since April. The hours worked index continued to decline and fell to -11.2, its weakest reading since late 2016.

Retailers’ perceptions of broader business conditions were mixed compared with September. The general business activity index increased slightly to -0.2, indicating no net change compared with last month. The company outlook index surged over 11 points to 11.1, its best reading in over a year. The outlook uncertainty index increased slightly from 11.3 in September to 13.8 in October.

Retail price pressures declined moderately, while wages pressures rose sharply in October. The input prices index declined over six points to 11.6, while the selling prices index fell four points to 11.5. The wages and benefits index surged from 5.3 to 12.8, with nearly 20 percent of respondents reporting an increase in wages and benefits paid compared with September.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

The Federal Reserve Bank of Dallas



Retail Sales Growth Holds Steady

“Retailers’ perceptions of future business conditions were mixed this month. The future general business activity index worsened, declining six points to -7.2, while the future company outlook index dipped slightly but remained positive at 4.3. Most other indexes of future retail remained positive and continued to reflect expectations for continued growth over the next six months.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: <https://www.dallasfed.org/research/surveys/tssos/2019/1908.aspx#tab-report>; 10/29/19

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U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Manufacturing Eased Slightly in October

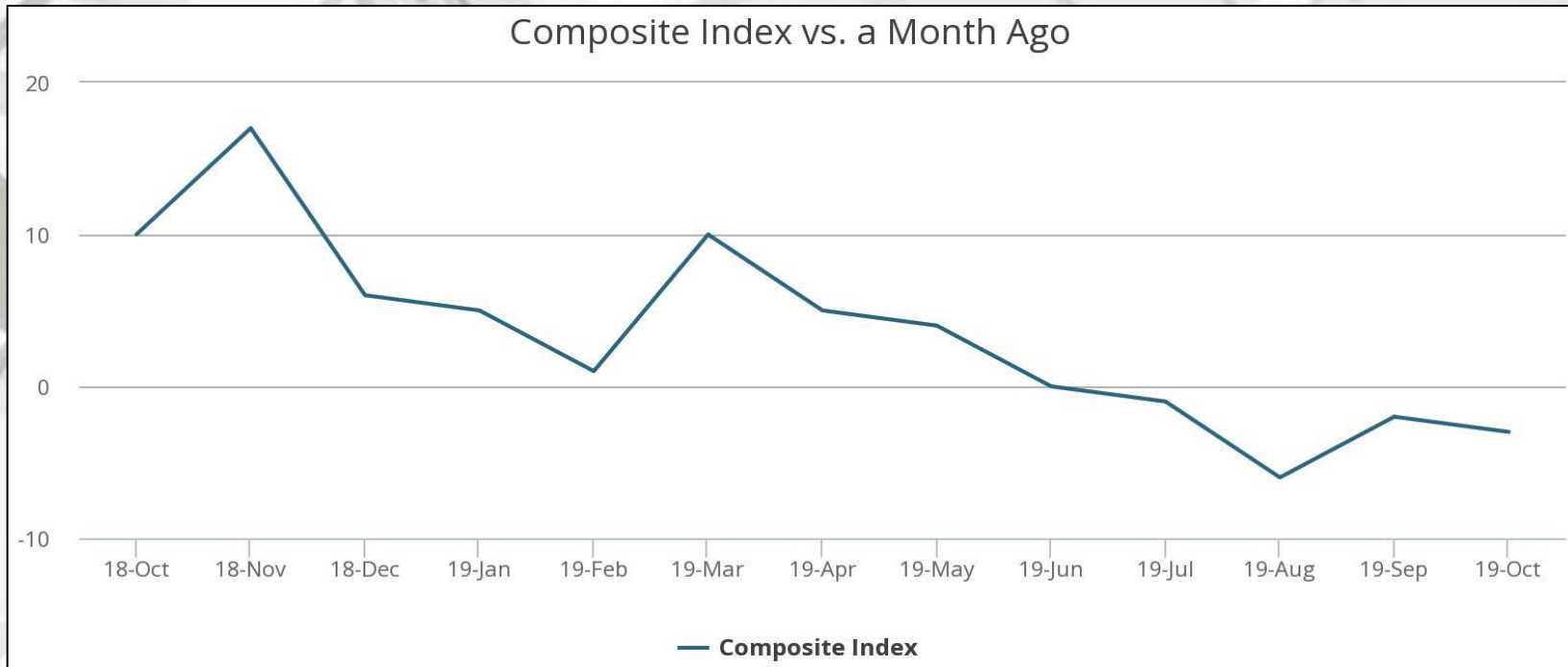
Tenth District manufacturing activity eased slightly in October, and expectations for future activity inched lower but remained slightly positive.

“Tenth District manufacturing activity eased slightly in October, and expectations for future activity inched lower but remained slightly positive (Chart 1). The month-over month price index for raw materials declined at a slower rate, while the price index for finished products expanded slightly. District firms expected prices to increase over the next 6 months.

Factory activity eased slightly in October

The month-over-month composite index was -3 in October, down slightly from -2 in September, but above -6 in August . The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. The decline in district manufacturing activity continued to be driven by slower activity at durable goods plants, especially from decreases in nonmetallic mineral products, primary metal, fabricated metal products, machinery, computer and electronic products, and transportation equipment manufacturing. Most month-over-month indexes declined in October, especially for the new orders index. However, the production index remained positive, and the supplier delivery time index inched higher. Year-over-year factory indexes were somewhat mixed in October, but the composite index was again unchanged at -1. The future composite index remained positive, but eased from 5 to 2, the lowest future composite index since March 2016.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

The Federal Reserve Bank of Kansas City



The Federal Reserve Bank of Kansas City Special questions

“This month contacts were asked special questions about capital investment decisions and difficulties hiring employees. Over 43 percent of regional manufacturing contacts indicated that the need to replace existing plant and equipment was the primary driver for capital investment decisions. Nearly 38 percent of contacts reported future demand expectations was the primary driver for investment decisions, and another 13 percent said economic/political uncertainty was the main factor. In regards to filling positions, 48 percent of firms said they had difficulty hiring workers over the past three months because of a lack of qualified applicants. Just over 26 percent of contacts noted they did not have difficulty hiring workers over the past three months.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Tenth District Services Activity Declined Modestly in October

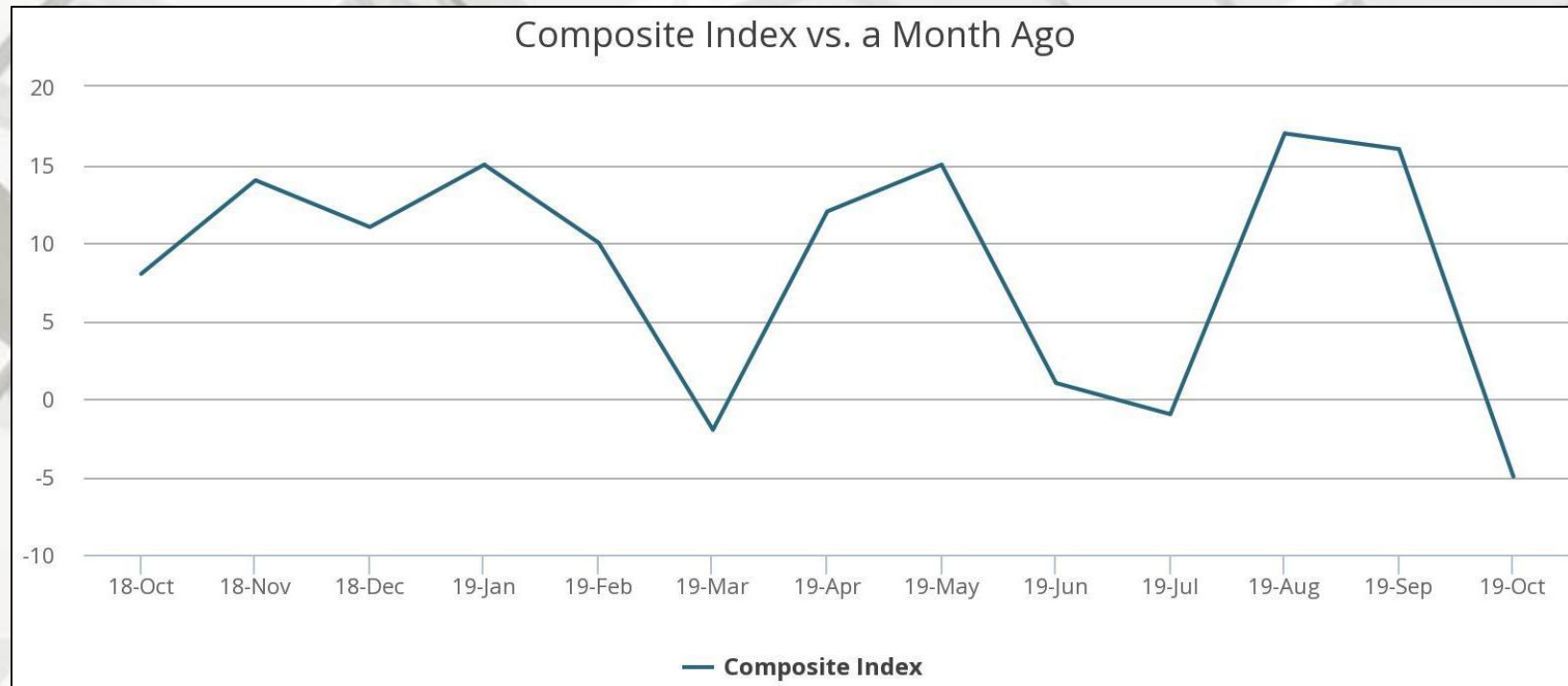
Tenth District services declined modestly in October, while expectations for future growth

“Tenth District services activity declined modestly in October, while expectations for future growth expanded (Chart 1). Input and selling price indexes continued to rise, but at a slower pace compared with a month ago and a year ago, and expectations for future selling prices remained high.

Business declined modestly in October

The month-over-month services composite index was -5 in October, down from 16 in September and 17 in August (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most month-over-month indexes decreased in October. The indexes for employment, employee hours, and inventories dropped into negative territory. The general revenue/sales index also fell, driven by lower retail, auto, transportation, restaurants, and tourism activity. However, the part-time employment, wages and benefits, and capital expenditures indexes remained positive, and the access to credit index increased slightly in October. Year-over-year services indexes slowed somewhat, as the composite index declined from 26 to 21 compared to last month. Overall expectations for future services activity expanded from 18 to 20, in part due to the increase in expected inventory levels.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

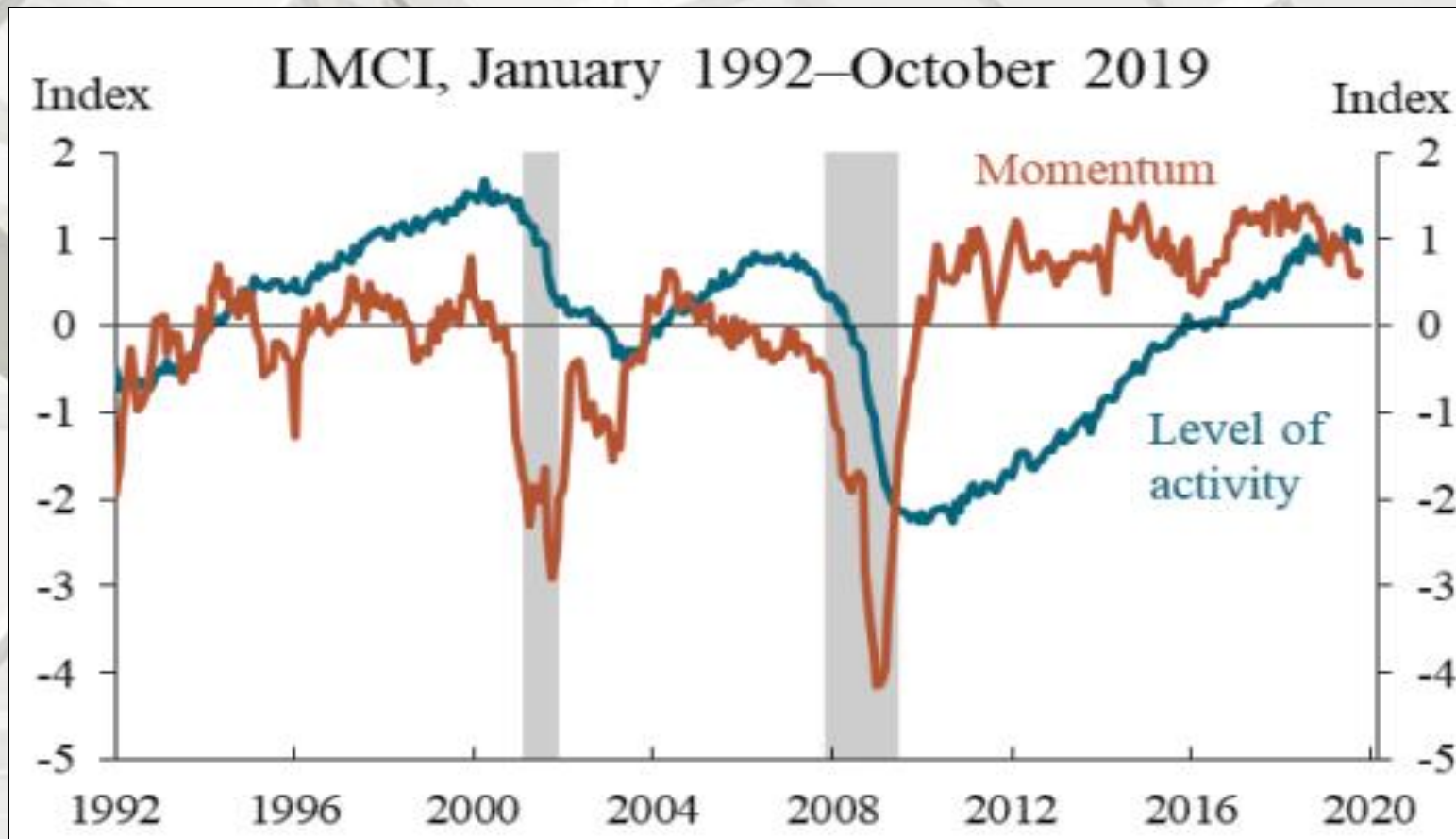
U.S. Economic Indicators



The Federal Reserve Bank of Kansas City Special questions

“This month contacts were asked special questions about capital investment decisions and difficulties hiring employees. Nearly 41 percent of regional manufacturing contacts indicated that future demand expectations were the primary driver for capital investment decisions. Over 36 percent of contacts reported the need to replace existing plant and equipment was the primary driver for investment decisions, and another 15 percent said economic/political uncertainty was the main factor. In regards to filling positions, 48 percent of firms said they had difficulty hiring workers over the past three months because of a lack of qualified applicants. Only 23 percent of contacts noted they did not have difficulty hiring workers over the past three months.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

U.S. Economic Indicators



The Federal Reserve Bank of Kansas City

LMCI suggest the level of activity declined and momentum was little changed in October

“The Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the level of activity declined and momentum was little changed in October. The level of activity indicator decreased in October from 1.08 to 0.97, while the momentum indicator was little changed at 0.62.” – Kelly Edmiston, Senior Economist, The Federal Reserve Bank of Kansas City

The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Slight Growth

“Business activity grew slightly in New York State, according to firms responding to the October 2019 *Empire State Manufacturing Survey*. The headline general business conditions index edged up two points to 4.0. There was only a small increase in new orders, but shipments picked up. Delivery times decreased slightly, while inventories were little changed. Employment levels and hours worked both increased modestly. Input prices and selling prices increased at a slower pace than last month. Indexes assessing the six-month outlook indicated that optimism about future conditions improved somewhat but remained subdued.

Manufacturing firms in New York State reported that business activity grew slightly this month but remained sluggish. The general business conditions index moved up two points to 4.0. Thirty percent of respondents reported that conditions had improved over the month, while 26 percent reported that conditions had worsened. The new orders index was unchanged at 3.5, pointing to a small increase in orders. After reaching its lowest level in nearly three years, the shipments index rose seven points to 13.0, indicating that shipments picked up. The unfilled orders index remained negative for a fifth consecutive month, suggesting that unfilled orders continued to decline. Delivery times decreased slightly, while inventories were little changed.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Modest Employment Gains

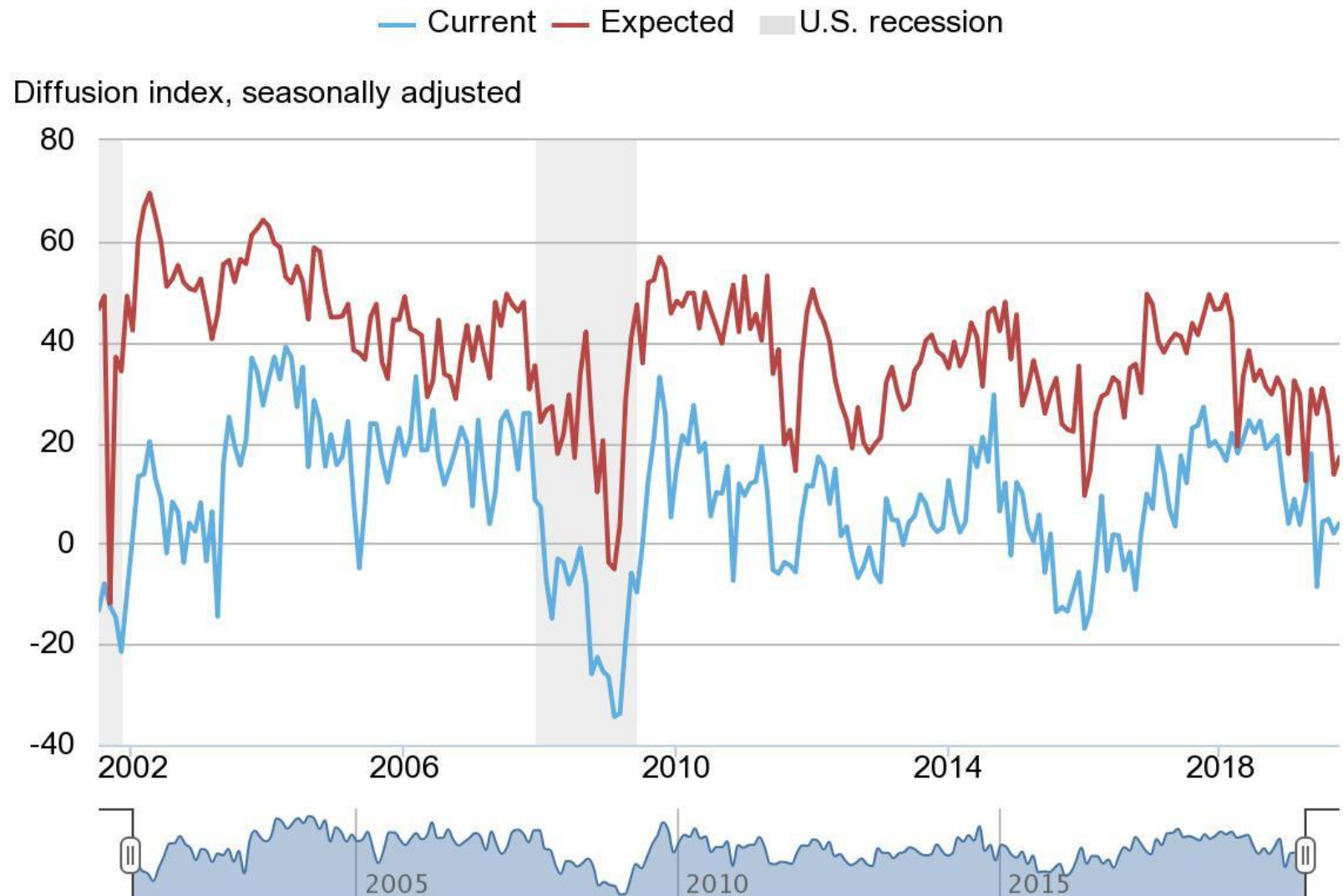
“After spending three months in negative territory, the index for number of employees rose to 9.7, pointing to an increase in employment levels, while the average workweek index came in at 1.7, indicating little change in hours worked. Prices increased at a faster pace than last month: the prices paid index moved up six points to 29.4, and the prices received index climbed five points to 9.2.

Subdued Optimism

Indexes assessing the six-month outlook suggested that optimism about future conditions improved somewhat but remained subdued. The index for future business conditions edged up three points to 17.1 but remained well below the levels seen for much of the past few years. The indexes for future new orders and shipments were little changed from last month, while indexes for future prices remained fairly elevated. Firms continued to expect solid increases in employment levels but no change in the average workweek in the months ahead. The capital expenditures index and technology spending index both rose to 8.8.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York

General Business Conditions



The Federal Reserve Bank of New York

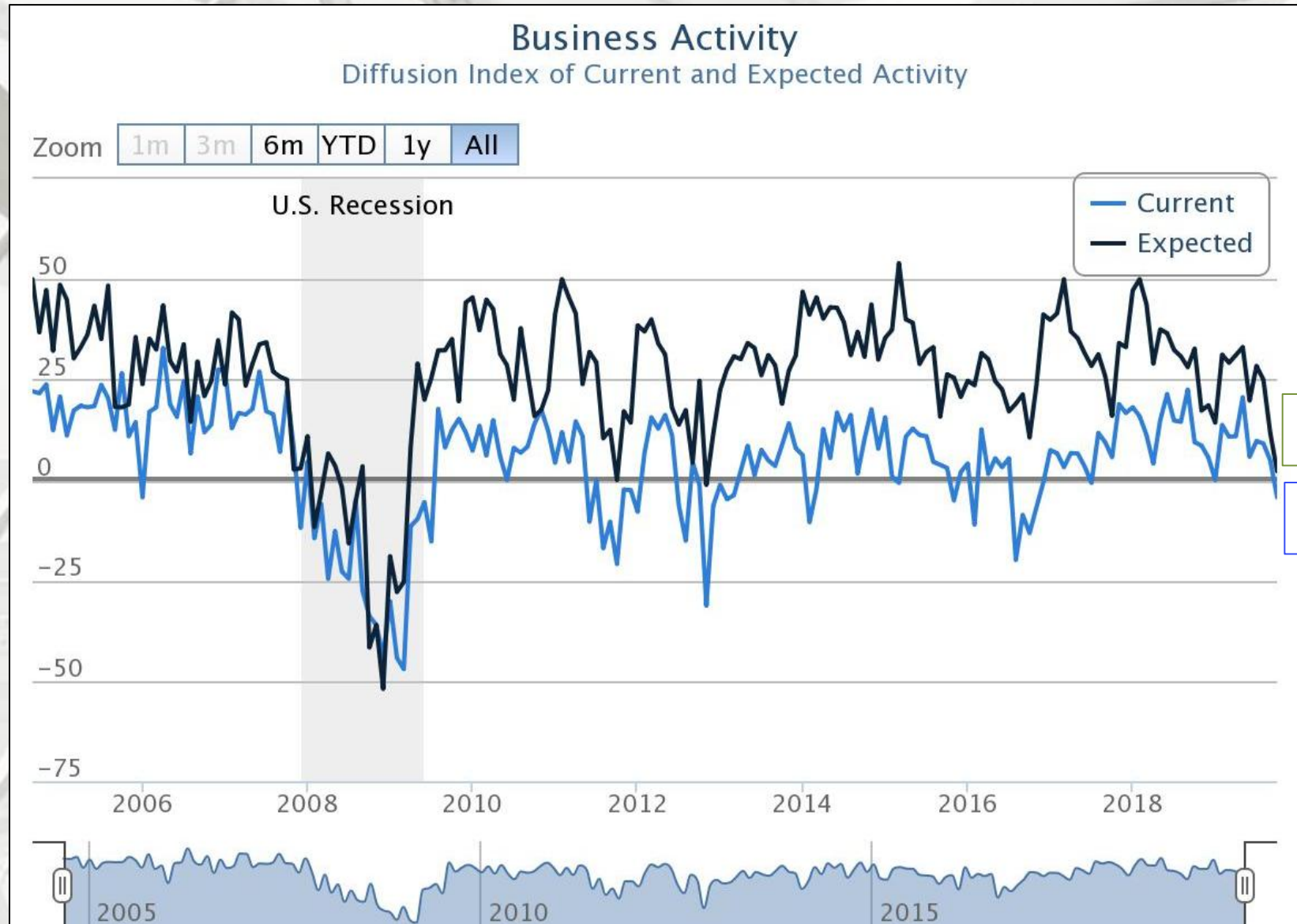
Business Leaders Survey (Services)

Activity Declined

“Activity in the region’s service sector declined slightly, according to firms responding to the Federal Reserve Bank of New York’s October 2019 *Business Leaders Survey*. The survey’s headline business activity index dropped nine points to -4.3 — the first negative reading in more than two years. The business climate index was little changed at -14.8, indicating that, on balance, firms continued to view the business climate as worse than normal. Employment levels held steady, though wage increases remained fairly widespread. Input price increases picked up a bit, while selling prices increased at a slightly slower pace than last month. Optimism about future conditions continued to deteriorate, with firms expressing notable pessimism about the future business climate.

Business activity declined slightly in the region’s service sector. The headline business activity index dropped nine points to -4.3. Twenty-four percent of respondents reported that conditions improved over the month, while almost 29 percent said that conditions worsened. After falling last month to its lowest level in more than two years, the business climate index was little changed at -14.8, indicating that, on balance, firms continued to view the business climate as worse than normal.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

The Federal Reserve Bank of New York



The Federal Reserve Bank of New York

Business Leaders Survey (Services)

Employment Steady

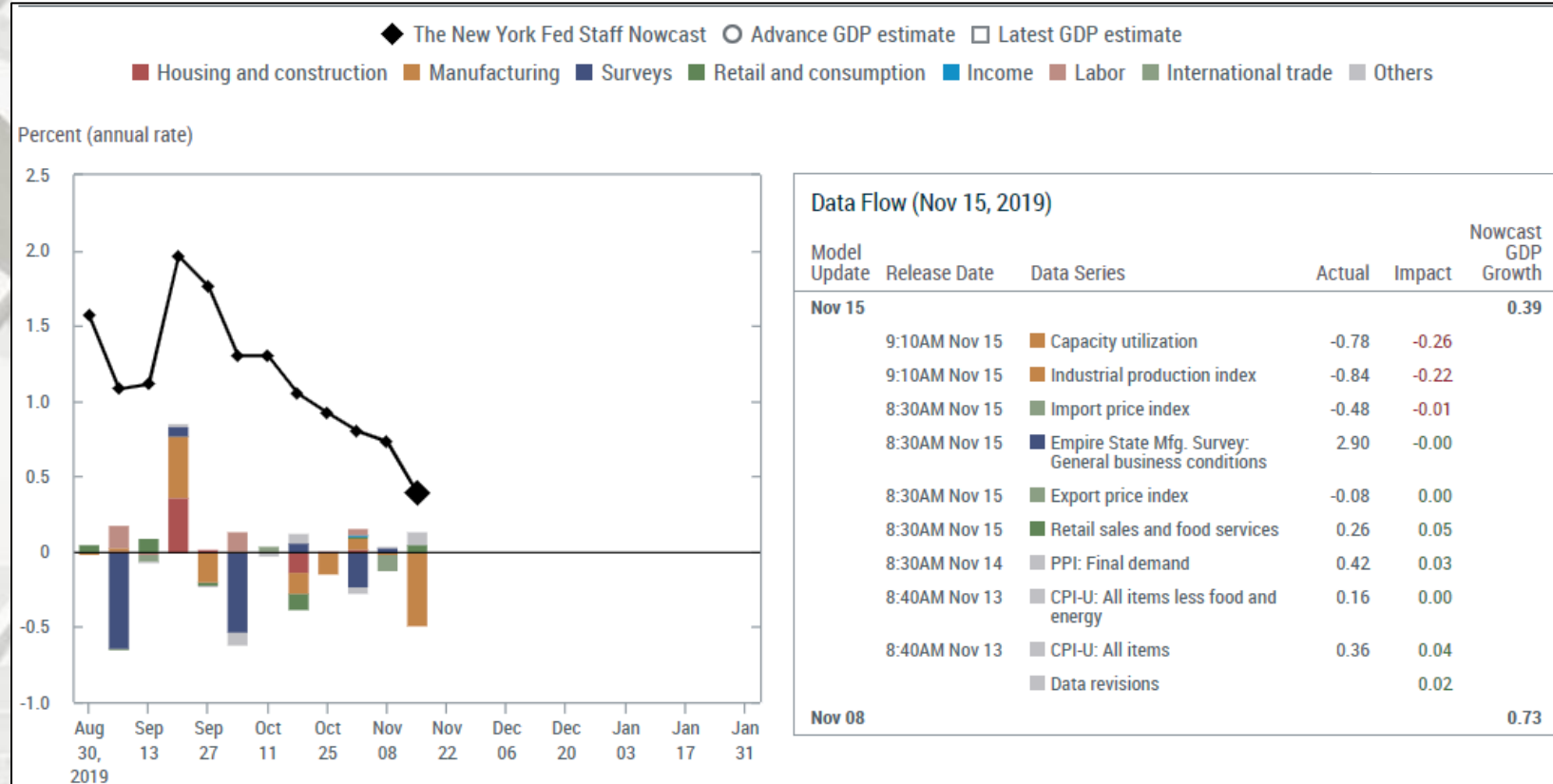
“The employment index fell five points to 2.2, pointing to little change in employment. The wages index held steady at 38.7, indicating that wage increases remained fairly widespread. The prices paid index rose four points to 43.0, suggesting input price increases picked up a bit. The prices received index edged down two points to 18.3, indicating selling prices increased at a slightly slower pace than last month. The capital spending index held steady at 14.5.

Outlook Darkens

Firms were much less optimistic about the six-month outlook. The index for future business activity, while still positive, dropped another ten points to 2.2 — its lowest level since late 2012. Of note, this index has dropped more than twenty-five points over the past three months. The index for future business climate fell four points to -22.8, its lowest level since early 2009, indicating that firms expected the business climate to worsen in the months ahead. The index for future employment moved lower, while the index for future wages edged up. The index for planned capital spending was little changed at 18.1.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

U.S. Economic Indicators

The Federal Reserve Bank of New York Nowcast



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

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

November 15, 2019: New York Fed Staff Nowcast

- “The New York Fed Staff Nowcast stands at 0.4% for 2019:Q4.
- News from this week's data releases decreased the nowcast for 2019:Q4 by 0.3 percentage point.
- Negative surprises from capacity utilization and industrial production data drove most of the decrease.” – The Federal Reserve Bank of New York

U.S. Economic Indicators

The Federal Reserve Bank of Philadelphia

October 2019 Manufacturing Business Outlook Survey

Changes in Current Indicators Were Mixed This Month

“Manufacturing activity in the region continued to grow, according to results from the October *Manufacturing Business Outlook Survey*. The survey's broad indicators remained positive, although their movements were mixed this month: The general activity and shipments indicators decreased from their readings last month, but the indicators for new orders and employment increased. The survey's future activity indexes remained positive, suggesting continued optimism about growth for the next six months..

Current Indexes Indicate Growth

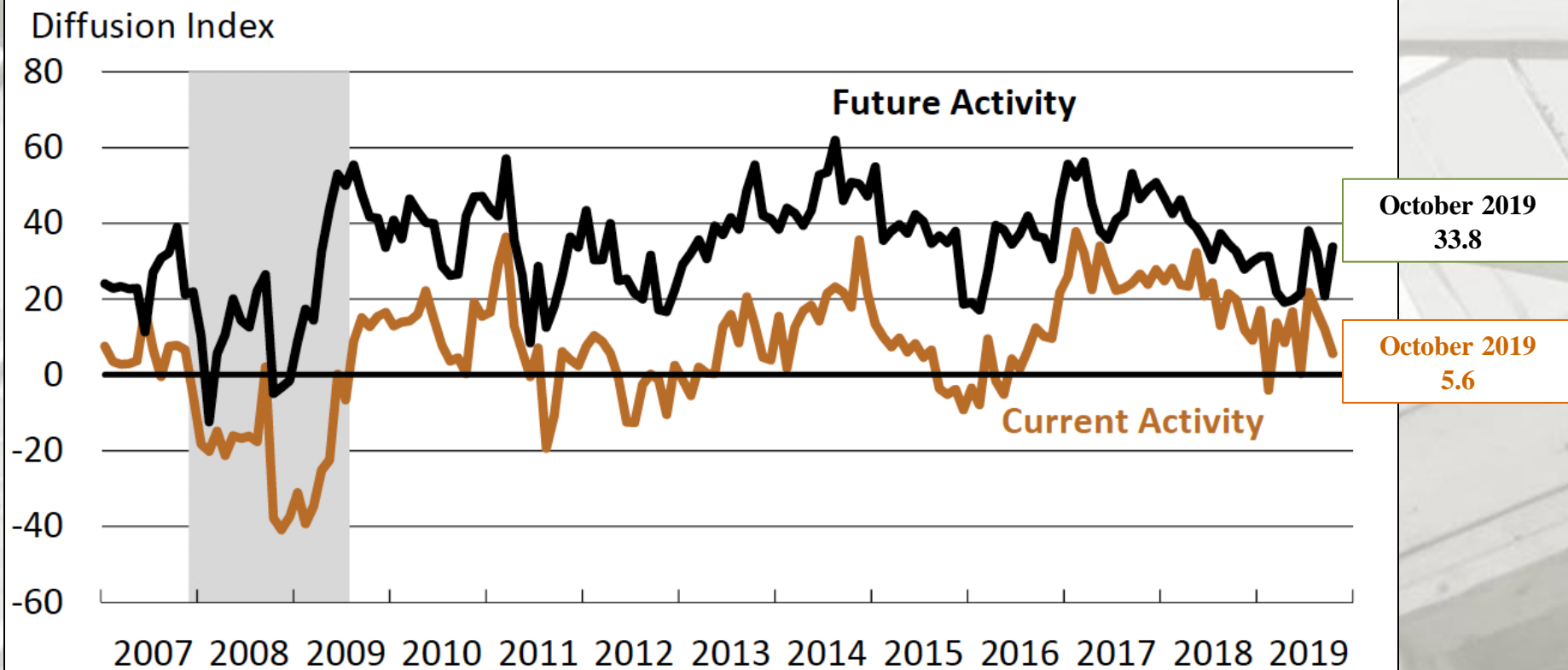
The diffusion index for current general activity fell 6 points this month to 5.6, after decreasing 5 points in September (see Chart 1). The percentage of firms reporting increases (27 percent) this month narrowly exceeded the percentage reporting decreases (21 percent). Movements in the indexes for current shipments and new orders were mixed: The current new orders index increased 1 point, while the shipments index decreased 8 points. Both the unfilled orders and delivery times indexes remained positive this month, suggesting higher unfilled orders and slower delivery times.

The firms reported an expansion of manufacturing employment this month, and the current employment index increased 17 points to 32.9. Over 34 percent of the firms reported higher employment, while only 2 percent reported lower employment. The average workweek index remained positive but edged down 2 points.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes

January 2007 to October 2019



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

Price Indexes Suggest Price Pressures Moderated

“The firms continued to report overall increases in the prices paid for inputs, but the prices paid index fell 16 points to 16.8. Nearly 24 percent of the respondents reported higher input prices, down from 38 percent in September. The current prices received index, reflecting the manufacturers’ own prices, decreased 4 points to a reading of 16.4.

Total Capital Spending Expected to Increase Next Year

For this month’s [special questions](#), manufacturers were asked about current capacity utilization rates. The average capacity utilization rate reported among the responding firms was 76.9 percent, near the most recent estimate for the U.S. manufacturing sector. The firms were asked to forecast total capital spending for 2020 compared with levels in 2019, and more firms indicated that they would increase spending (39 percent) than decrease spending (20 percent). The firms were also asked about their plans for different categories of capital spending next year. For all categories of investment spending, the percentage of firms expecting to increase total capital spending was higher than the percentage expecting to decrease spending. The category with the largest share of firms increasing spending was noncomputer equipment (41 percent). The firms were also asked about the impact of trade policy on their plans. On balance, the firms indicated net negative effects: Eighteen percent of the firms indicated decreases in spending plans because of trade policy.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

Firms Remain Generally Optimistic

“The diffusion index for future general activity increased 13 points to 33.8, after decreasing 12 points in September (see Chart 1). Over 43 percent of the firms expect increases in activity over the next six months, while 9 percent expect declines. The future new orders index increased 5 points, and the future shipments index increased 2 points. The future employment index fell 8 points this month, but the firms remain overall optimistic about future hiring: Thirty-two percent of the firms expect higher employment over the next six months. The firms were more optimistic about future capital spending this month: The future capital spending index increased 11 points.

Summary

Responses to the October *Manufacturing Business Outlook Survey* suggest growth in manufacturing activity this month. Although they remained positive, the indicators for general activity and shipments fell from their levels in September. The firms reported an improvement in both new orders and employment this month. The survey’s future indexes indicate that respondents continue to expect growth over the next six months.” – Mike Trebing, Senior Economic Analyst, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

October 2019 Nonmanufacturing Business Outlook Survey

“Responses to the September *Nonmanufacturing Business Outlook Survey* suggest continued expansion of nonmanufacturing activity in the region. Although the index for general activity at the firm level fell, the indexes for sales/revenues and new orders both rose. The index for full-time employment decreased. The firms continued to report overall increases in the prices of both their own goods and their inputs, but the price indexes moderated. The respondents continued to anticipate growth over the next six months.

Current Indicator Movements Were Mixed

The diffusion index for current general activity at the firm level fell 21 points to 8.7 in October, its lowest reading since January (see Chart 1). More than 33 percent of the firms reported increases in activity (down from 41 percent last month), and 25 percent reported decreases (up from 12 percent last month). The new orders index rose 17 points to 26.9 in October after two months of low readings. The share of firms reporting increases in new orders (41 percent) was higher than the share reporting decreases (14 percent). The sales/revenues index edged up 3 points to 25.5 in October. Nearly 41 percent of the responding firms reported increases in sales/revenues, while 15 percent reported decreases. The regional activity index edged up 3 points to 12.6.

Employment Indicators Moderate

The firms continued to report overall increases in full-time and part-time employment, but both indexes fell from their readings last month. The full-time employment index fell 6 points to 15.9. Nearly 69 percent of the firms reported steady full-time employment levels, while the share of firms reporting increases (23 percent) was higher than the share reporting decreases (7 percent). The part-time employment index decreased 13 points to 10.8, and the wages and benefits indicator rose 6 points to 41.9. The average workweek index edged down 2 points to 10.8.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

October 2019 Nonmanufacturing Business Outlook Survey

Firms continue to Report Overall Price Increases

“Price indicator readings suggest overall increases in prices for inputs and for the firms’ own goods and services, but both indicators fell slightly. The prices paid index declined 6 points to 20.5 (see Chart 2). *Although* the majority of respondents (62 percent) reported stable input prices, 25 percent of the respondents reported increases, while only 5 percent reported decreases. Regarding prices for firms’ own goods and services, the prices received index ticked down 4 points from September to 8.0 in October. While 12 percent of the firms reported increases in prices received, only 4 percent reported decreases. More than 77 percent of the firms reported no change in prices for their own goods and services.

Firms’ Optimism for Future Growth Improves

Both future activity indexes suggest that firms anticipate continued growth over the next six months. The diffusion index for future activity at the firm level moved up from a reading of 30.7 in September to 47.5 this month (see Chart 1). More than 55 percent of the firms expect an increase in activity at their firms over the next six months, compared with 8 percent that expect decreases and 35 percent that expect no change. The future regional activity index edged down 2 points to 15.5.

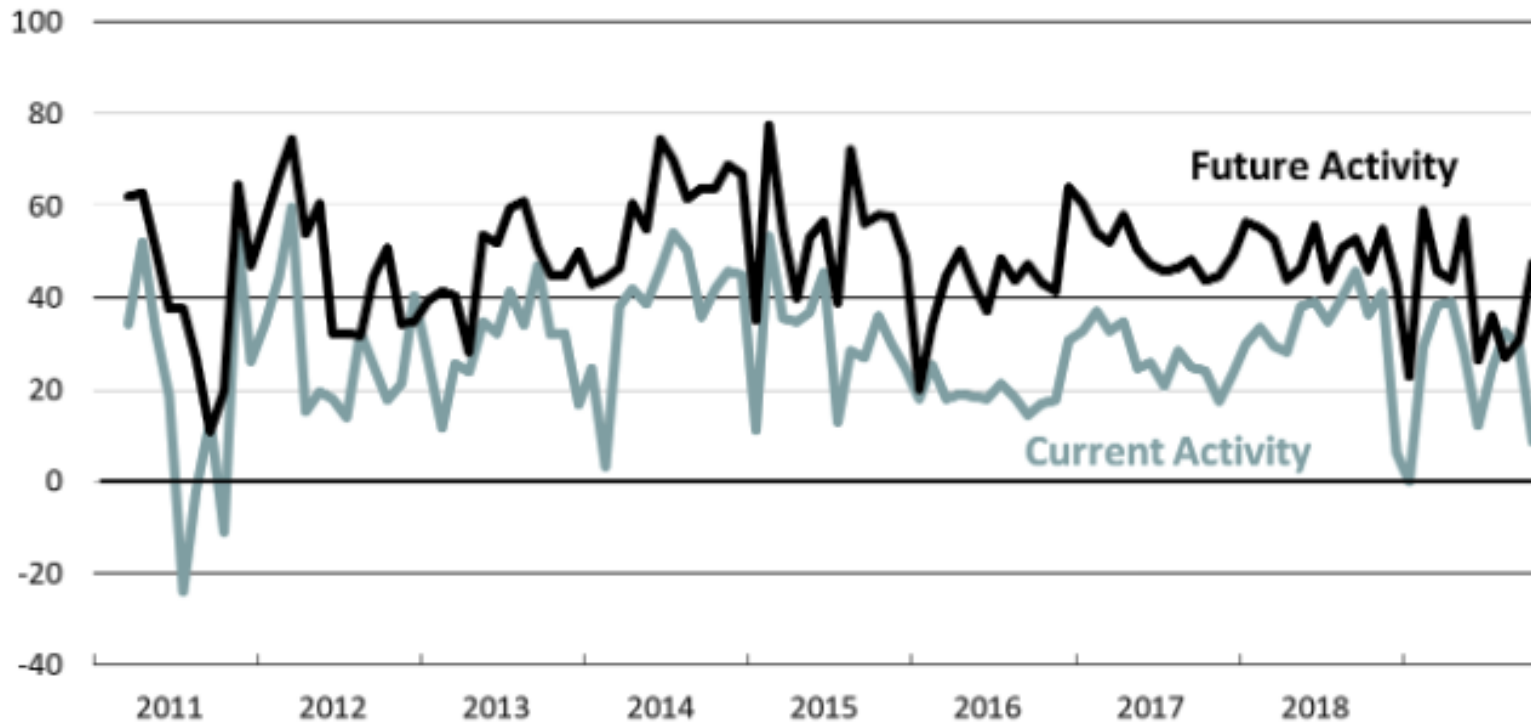
Summary

Responses to this month’s *Nonmanufacturing Business Outlook Survey* suggest that nonmanufacturing activity continued to grow in the region. The indicators for firm-level general activity and full-time employment both decreased, while the sales/revenues and new orders indexes both rose. Furthermore, optimism about firm-level growth over the next six months was more widespread this month.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes for Firms
March 2011 to October 2019

Diffusion Index

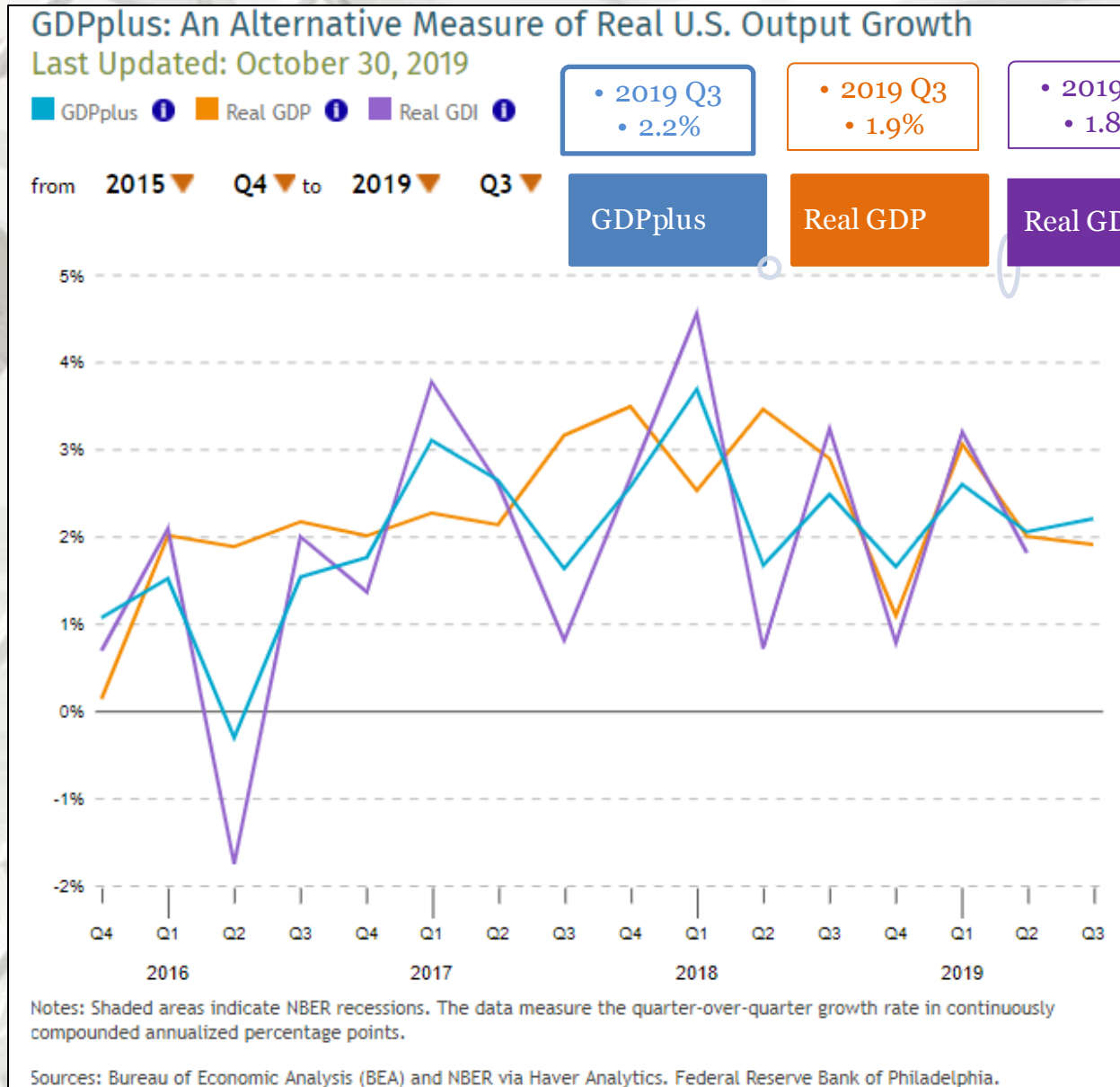


October 2019
47.5

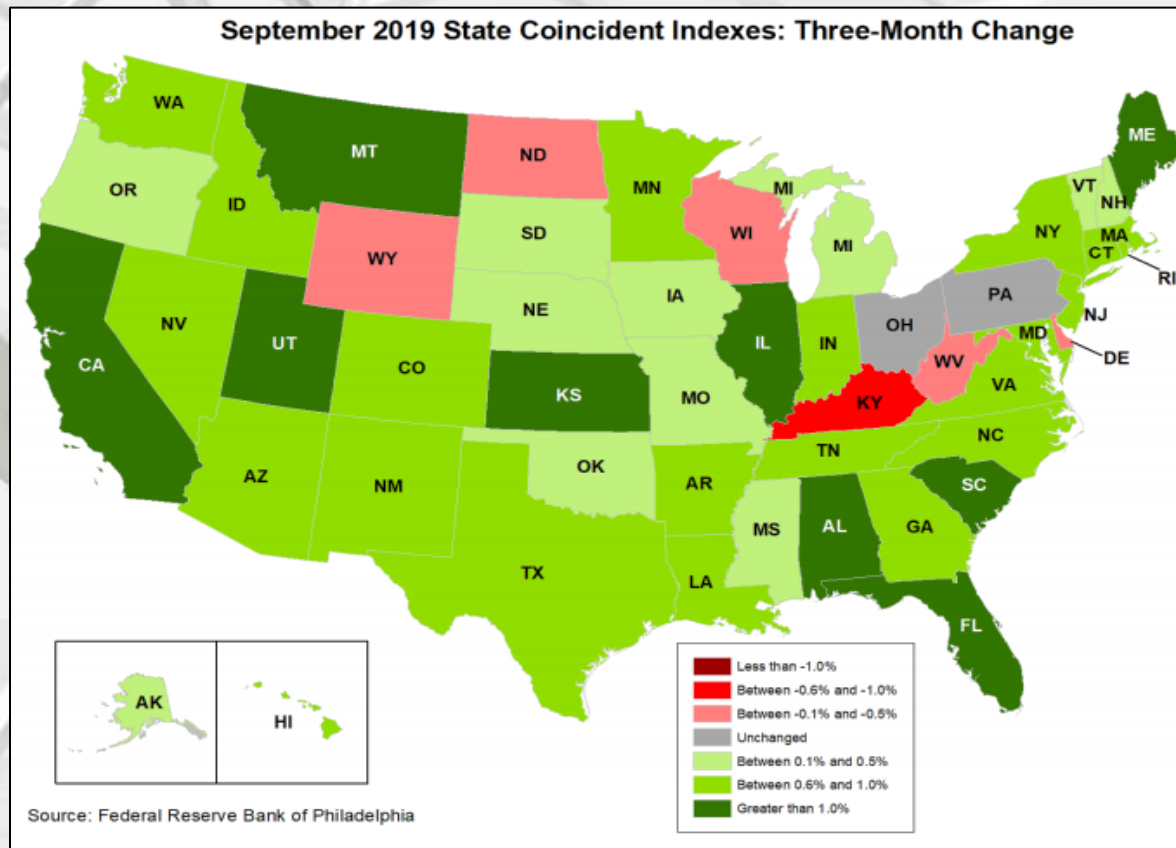
October 2019
8.7

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: GDPplus



The Federal Reserve Bank of Philadelphia



“The Federal Reserve Bank of Philadelphia has released the coincident indexes for the 50 states for September 2019. Over the past three months, the indexes increased in 42 states, decreased in six states, and remained stable in two, for a three-month diffusion index of 72. In the past month, the indexes increased in 39 states, decreased in eight states, and remained stable in three, for a one-month diffusion index of 62. For comparison purposes, the Philadelphia Fed has also developed a similar coincident index for the entire United States. The Philadelphia Fed’s U.S. index increased 0.7 percent over the past three months and 0.3 percent in September.” – Daniel Mazone, Research Department, The Federal Reserve Bank of Philadelphia

U.S. Economic Indicators

The Federal Reserve Bank of Richmond

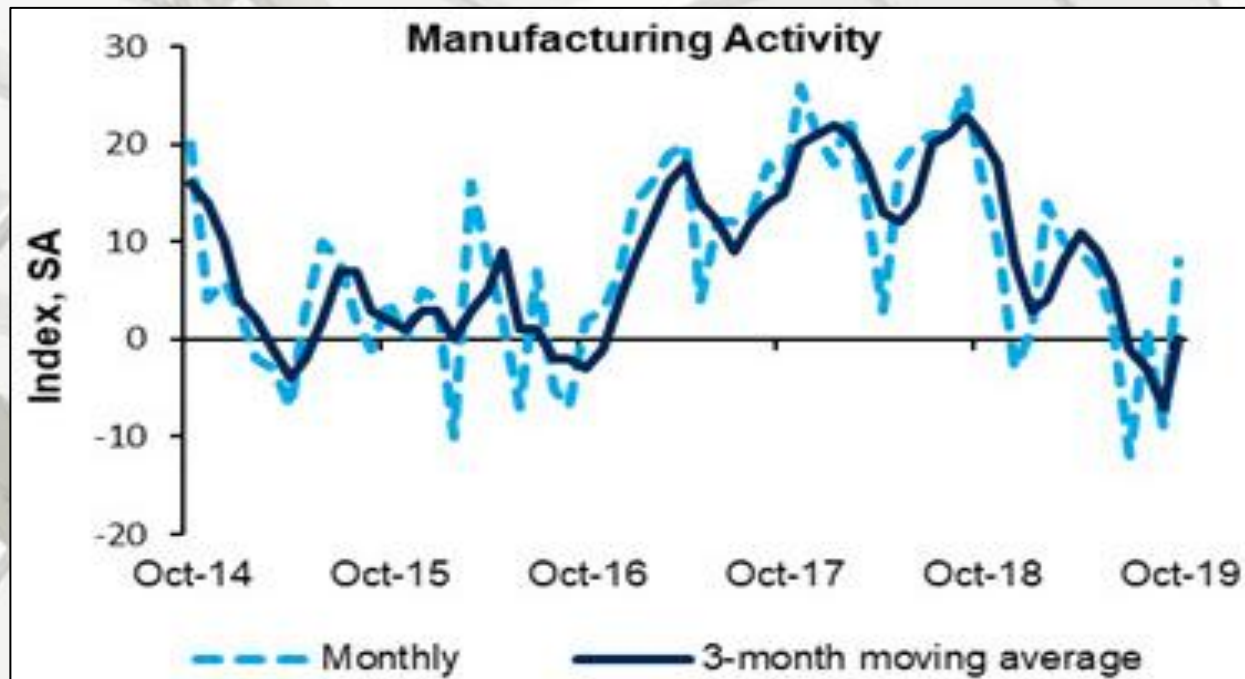
Manufacturing Activity Strengthened in October

“Fifth District manufacturing activity strengthened in October, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index rose from -9 in September to 8 in October, as all three components — shipments, new orders, and employment — increased. Manufacturing firms also reported an increase in backlog of orders and improved local business conditions. Respondents were optimistic that conditions would continue to improve in the next six months.

Many survey respondents saw growth in employment and wages in October and expected continued growth in the near term. However, manufacturers still struggled to find workers with the necessary skills in October and expected this difficulty to persist in the coming months.

Growth rates of both prices paid and prices received by manufacturing firms fell in October, as growth of prices paid continued to outpace that of prices received. Survey participants expected the pace of growth of both prices paid and prices received to slow further in the near future.” – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

U.S. Economic Indicators



U.S. Economic Indicators



U.S. Economic Indicators



U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

FedViews

- “The U.S. economy continues to grow above trend, but is slowing toward our estimated long-run potential pace of slightly below 2%. The slowdown is attributable to waning tailwinds from last year’s fiscal stimulus combined with growing headwinds from slower foreign growth, rising trade frictions, and the consequent rise in economic uncertainty. Real GDP rose 2.3% in the second quarter over the past four quarters, according to the third report from the Bureau of Economic Analysis.
- Consumer spending accounts for about two-thirds of GDP and has been the main driver of overall growth. The growth contribution of consumption depends on the growth rate of consumer spending weighted by its share of overall economic activity. In the second quarter, spending grew at a four-quarter rate of 2.6% and explained 1.8 percentage points of the observed GDP growth rate of 2.3%. Recent monthly data suggests some softening of consumer spending. However, consumer fundamentals still remain fairly healthy with continued job growth and steady wage gains.
- Other factors, particularly slowing exports and business fixed investment, also have contributed to slower GDP growth over the last several quarters, reflecting the headwinds affecting the economy.
- Monthly purchasing manager surveys provide more timely readings about economic conditions in broad sectors. The Institute for Supply Management (ISM) index for manufacturing fell in August and in September reached its lowest level since the 2009 recession, indicating that this sector may be contracting. The service sector makes up a considerably larger share of the economy than manufacturing and is still expanding, though at its lowest pace in three years according to the ISM’s nonmanufacturing index.” – Reuven Glick, Group Vice President, The Federal Reserve Bank of San Francisco

U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

FedViews

- “The labor market remains healthy. U.S. jobs increased by 136,000 in September, while the gains for July and August were revised up by a cumulative 45,000. The six-month moving average was 154,000 jobs in August, a downshift from last year’s average of 223,000. However, job gains are still above the breakeven level needed to absorb new entrants in the labor force over the longer term, which we estimate at around 90,000 jobs per month.
- The job gains helped pull the unemployment rate down from 3.7% to 3.5% in September, the lowest since the 1960s and below our current estimate of its long-run natural rate of 4.0%. Over the medium term, as growth slows, we expect the unemployment rate to gradually revert back toward its natural rate.
- Inflation remains below the FOMC’s 2% target. The overall personal consumption expenditures (PCE) price index rose 1.4% over the 12 months ending in August. Core inflation, which excludes volatile food and energy prices, rose 1.8%. Given the tight labor market, we expect inflation to reach the 2% objective over the next few years.
- With inflation below the 2% target and the economy facing growing headwinds, the Federal Reserve has increased monetary accommodation in recent months. At its September meeting, the FOMC cut its funds rate target by 25 basis points to a range between 1.75% and 2%, on the heels of a similar reduction in July.
- One of the headwinds facing the U.S. economy is slowing foreign growth, as indicated by declines in manufacturing purchasing indices abroad. Slower growth abroad weakens demand for U.S. exports.” – Reuven Glick, Group Vice President, The Federal Reserve Bank of San Francisco

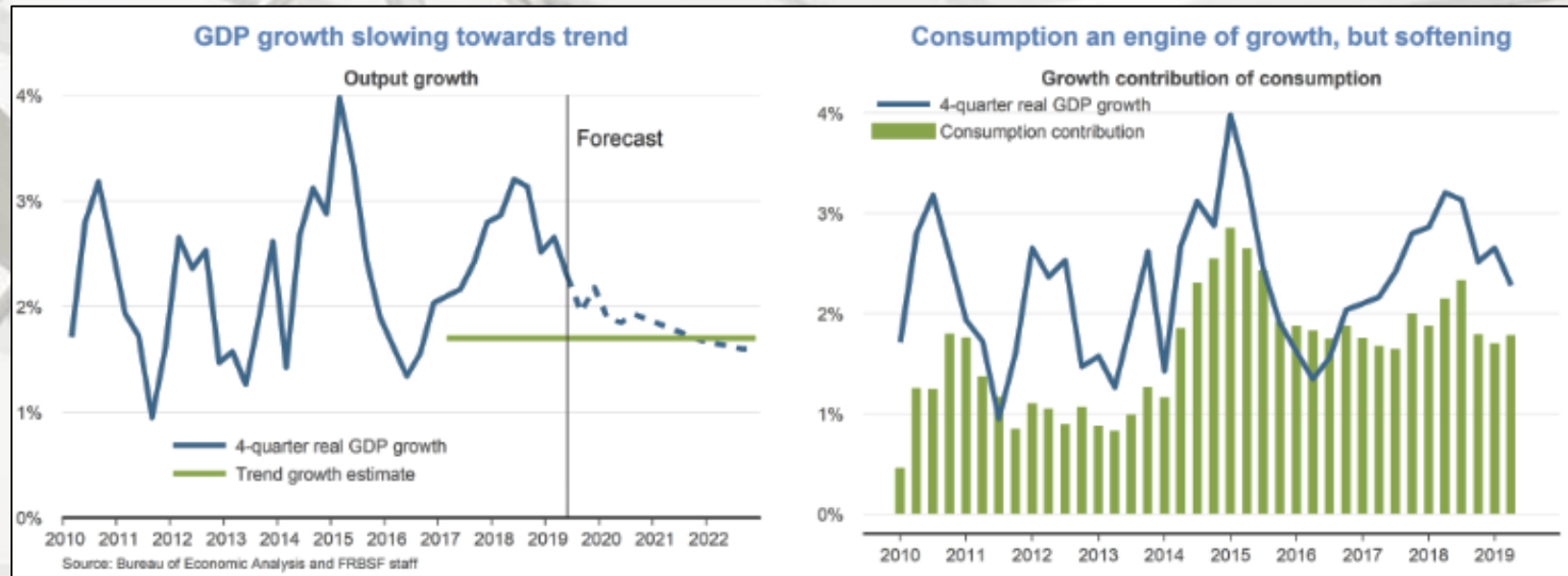
U.S. Economic Indicators

The Federal Reserve Bank of San Francisco

FedViews

- “Some of the weakness in the global economy may be attributed to trade frictions between the United States and China spilling over to other economies. However, much weakness is attributable to local domestic factors. In Germany, car production has dropped because of 2018 structural changes related to stricter emission standards and the potential ban of diesel engine cars in urban areas. In the United Kingdom, concerns about Brexit fallout, particularly if no deal is reached with the European Union (EU), have dampened economic activity. China has sought to slow growth for several years as a way to combat excessive credit buildup in the private sector.
- The trade conflict between the United States and China represents a second headwind. Trade with China accounts for 21% of total U.S. merchandise goods imports and 7% of exports. Since the conflict began in spring 2018, the United States has implemented tariffs ranging from 15% to 25% on roughly 70% of imports from China. Tariffs on most remaining goods are scheduled to be implemented on December 15. China has retaliated in kind by placing tariffs on U.S. exports, though its efforts to retaliate in proportion to U.S. hikes have been hampered because it imports fewer goods from the United States. These actions have raised the costs of U.S. imported goods, reducing the purchasing power of consumers and profits of businesses reliant on Chinese good imports, while also potentially disrupting supply chains.
- Trade tensions with other U.S. trade partners are increasing as well. A recent World Trade Organization decision declared that the EU had improperly subsidized the plane maker Airbus and granted the U.S. justification to apply tariffs on \$7.5 billion imports from Europe. The United States has also threatened to impose tariffs on car imports from the EU.” – Reuven Glick, Group Vice President, The Federal Reserve Bank of San Francisco

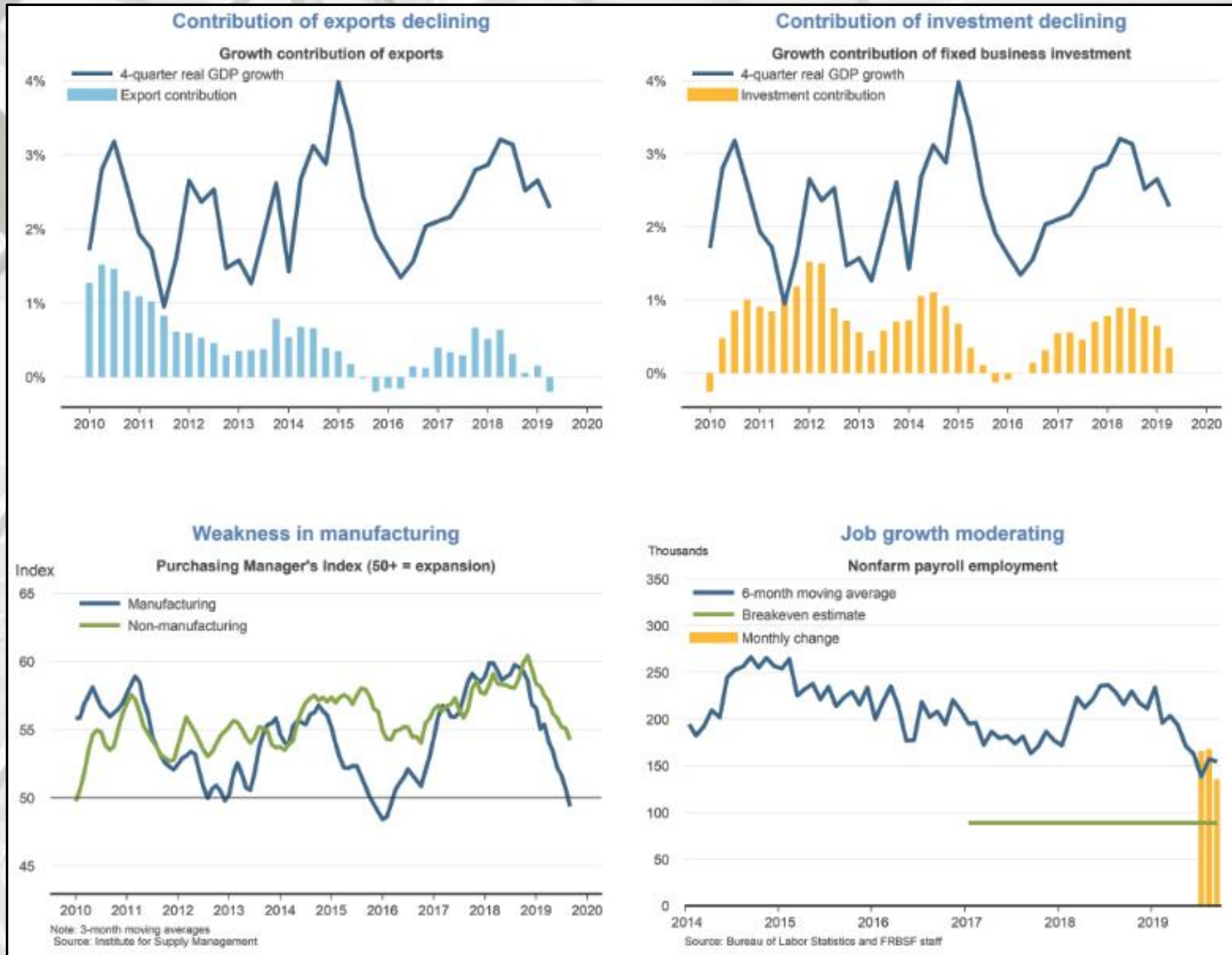
U.S. Economic Indicators



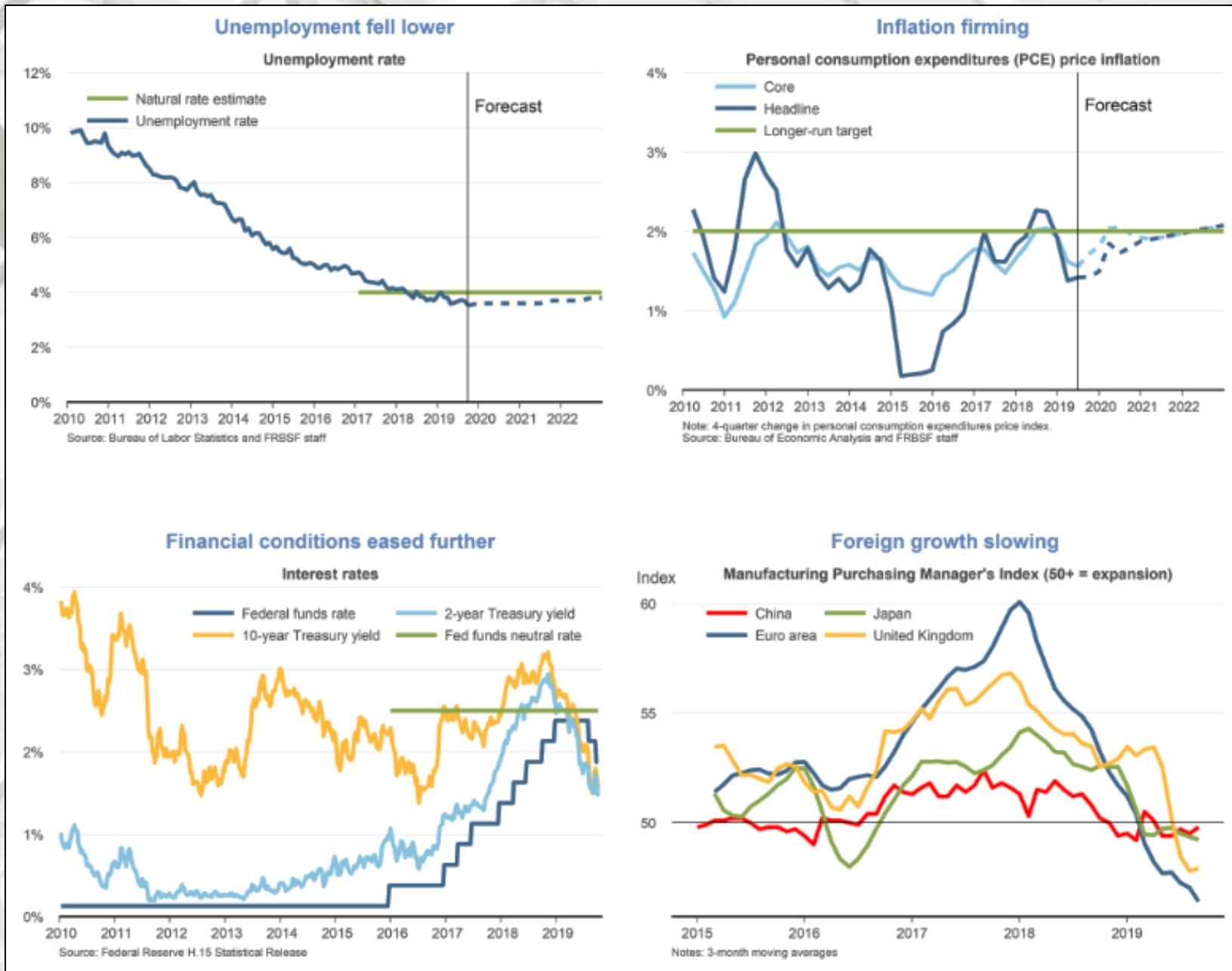
The Federal Reserve Bank of San Francisco

- “Uncertainty created by the trade conflicts poses a third headwind to the outlook by adversely affecting business sentiment and investment. Recent escalations of the trade war have heightened trade policy uncertainty to levels not seen since concerns about the formation of NAFTA in the mid-1990s. This uncertainty may be affecting firms by inducing them to postpone or cancel fixed investment decisions.
- The overall impact of these trade disputes on the U.S. economy is difficult to pin down with confidence. However, available estimates suggest that the costs are significant and likely to grow as the trade disputes continue, perhaps putting a meaningful crimp on U.S. growth in the coming year.” – Reuven Glick, Group Vice President, The Federal Reserve Bank of San Francisco

U.S. Economic Indicators



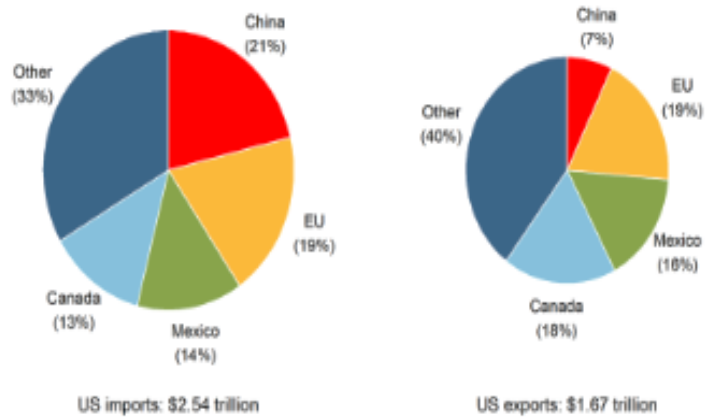
U.S. Economic Indicators



U.S. Economic Indicators

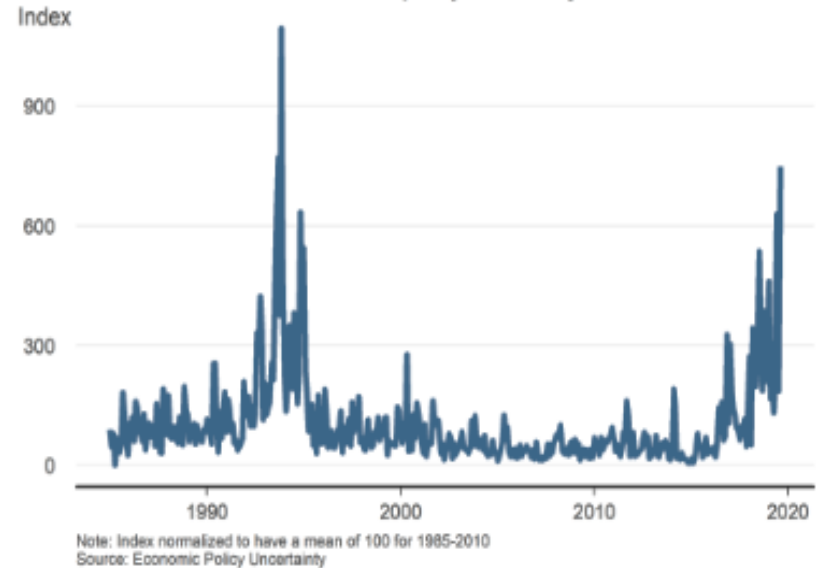
Trade tensions with China elevated

US merchandise trade in goods, 2018 (percent of total)



Uncertainty about trade policy rising

US trade policy uncertainty



Federal Reserve Bank of Dallas: Global

Mexico Economic Update

Mexico's Economy Expands Marginally in Third Quarter

“Mexico’s gross domestic product (GDP) grew at an annualized 0.4 percent pace in third quarter 2019. The consensus GDP growth forecast for 2019, compiled by Banco de México, held steady at 0.5 percent in September. GDP growth has consistently underperformed, remaining below its 10-year average for the past year and a half. Other data were mixed. Exports fell, but industrial production, employment and retail sales were up. The peso gained ground against the dollar in October, and inflation fell.

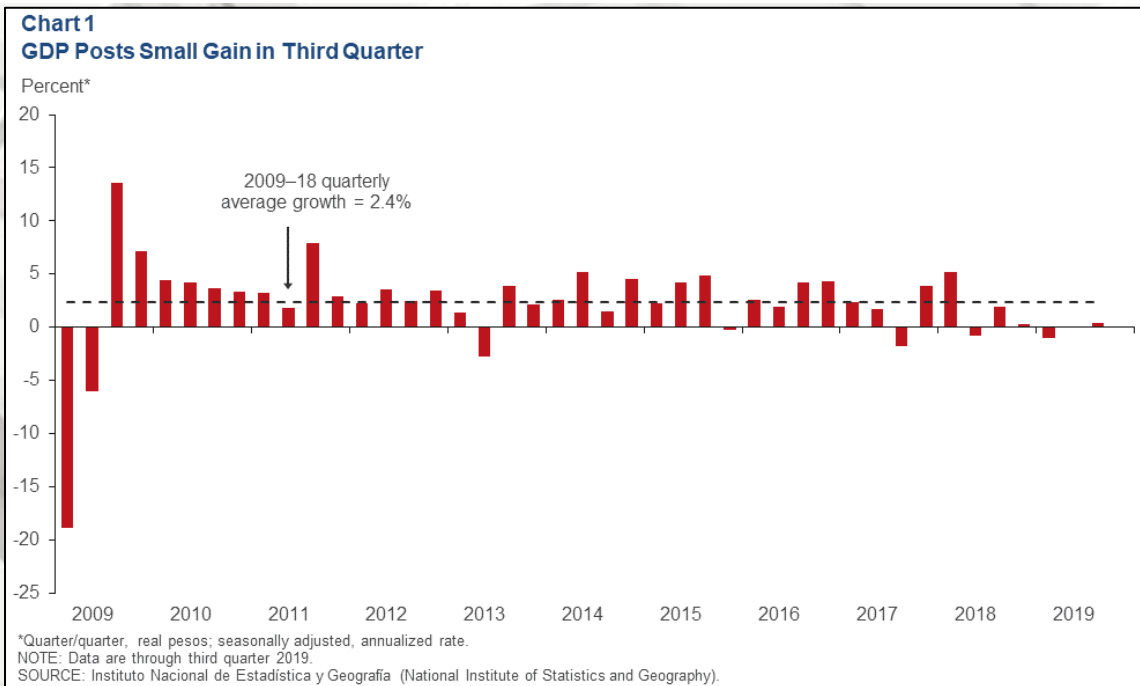
Output Rises

Mexico's third-quarter GDP rose an annualized 0.4 percent on the heels of the second quarter's weak 0.1 percent gain (Chart 1). Service-related activities (wholesale and retail trade, transportation and business services) were flat in the third quarter. Goods-producing industries (manufacturing, construction and utilities) contracted 0.1 percent, while agricultural output increased 3.5 percent.

Exports Fall in September

Total exports fell 5.3 percent in September after increasing 3.0 percent in August. Manufactured-goods exports decreased 4.4 percent in September after rising 3.4 percent in August. Three-month moving averages show a steady decline in oil exports since May and flat-to-down activity in manufacturing and total exports. Consistent with the recent weakness, total exports were up only 1.7 percent through September compared with the same period in 2018 as manufacturing exports grew 3.0 percent but oil exports fell 16.2 percent.” – Jesus Cañas, Senior Business Economist, and Chloe Smith, Research Assistant; The Federal Reserve Bank of Dallas

Federal Reserve Bank of Dallas: Global



Mexico Economic Update

Industrial Production Up in August; Manufacturing Down

“Mexico’s industrial production (IP) index — which includes manufacturing, construction, oil and gas extraction, and utilities — grew 0.8 percent in August after decreasing 0.3 percent in July. The manufacturing index fell 0.4 percent in August after increasing 0.2 percent in July. The three-month moving average of total IP edged up after trending down since the end of 2018. North of the border, U.S. IP declined 0.4 percent in September after increasing 0.7 percent in August. The correlation between IP in Mexico and the U.S. increased considerably with the rise of intra-industry trade following implementation of the 1994 North American Free Trade Agreement.” – Jesus Cañas, Senior Business Economist, and Chloe Smith, Research Assistant; The Federal Reserve Bank of Dallas

Private Indicators: Global

Markit Canada Manufacturing PMI™

“At 51.2 in October, up from 51.0 in September, the seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers’ Index® (PMI®) posted above the crucial 50.0 no-change value for the second month running. The latest reading was the highest since February, but signalled only a marginal improvement in overall operating conditions.

October data signalled a modest improvement in business conditions across the Canadian manufacturing sector, driven a sustained rebound in output and new business levels. Faster rates of output and new order growth boosted the headline PMI in October, more than offsetting a slightly weaker contribution from the employment component.

The latest expansion of production volumes was the strongest for eight months, albeit still softer than the long-run survey average. Manufacturers commented on a gradual recovery in client demand, especially in domestic markets. At the same time, goods producers noted that subdued global trade conditions remained a drag on growth. ... Manufacturers remained cautious in terms of their input buying during the latest survey period. Softer demand for raw materials helped to alleviate some of the strain on suppliers, with vendor lead-times lengthening only slightly in October.

Looking ahead, manufacturers in Canada are optimistic overall about their prospects for growth during the next 12 months. The degree of positive sentiment picked up to its highest since July. This was linked to new product launches and, in some cases, hopes of an improvement in global trade conditions.

October's survey data indicates a change of fortunes for the Canadian manufacturing sector, with output growth hitting an eight-month high in response to improving order books. Rising domestic demand has underpinned the gradual recovery in new work since the summer, but export sales remain relatively sluggish against a backdrop of weaker global trade conditions. A steady pace of manufacturing employment growth was recorded in October, while the modest recovery in order books also helped to lift business optimism to its highest for three months.” – Tim Moore, Economics Associate Director, IHS Markit

Private Indicators: Global

Caixin China General Manufacturing PMI™

“Business confidence regarding the 12-month outlook for output improved to its highest since April, with a number of firms optimistic that market conditions will strengthen. The headline seasonally adjusted Purchasing Managers’ Index™ (PMI™) – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – rose from 51.4 in September to 51.7 in October. The index has now signalled an improvement in operating conditions for three months running, with the latest improvement the strongest seen since February 2017.

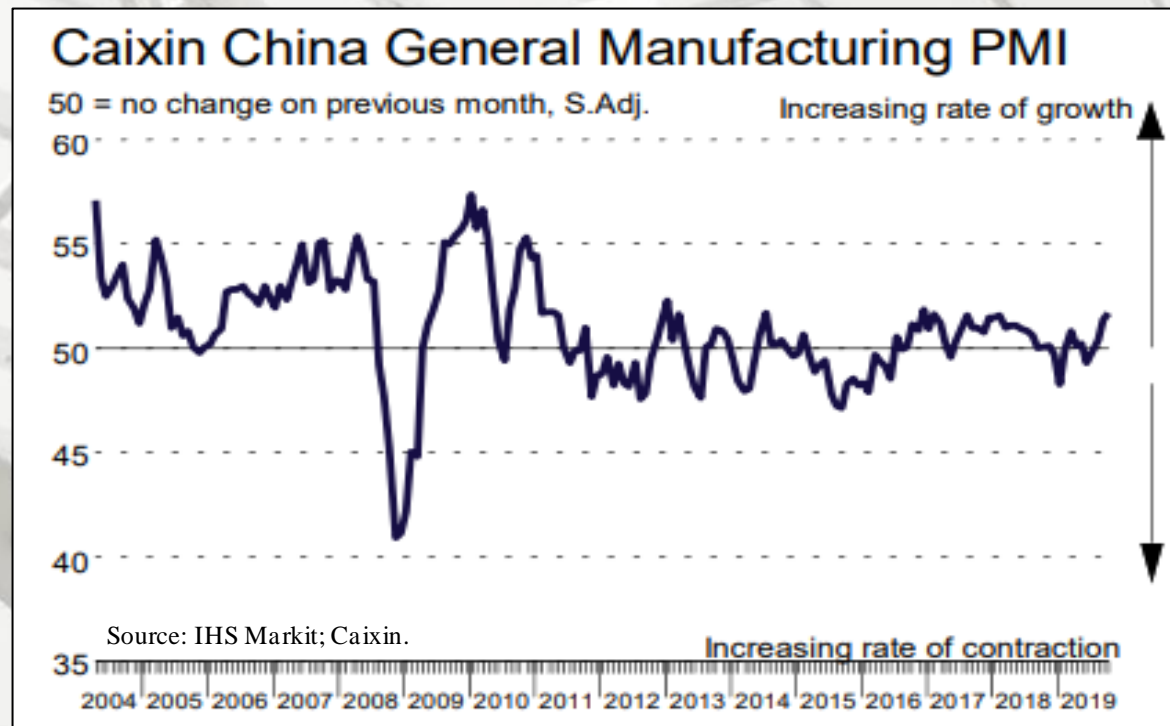
Operating conditions improve at quickest pace since February 2017

October data showed the strongest improvement in operating conditions faced by Chinese manufacturers since February 2017. Output and new orders both expanded at steeper rates, with the latter supported by a renewed increase in export business. As a result, companies increased their purchasing activity, and at the quickest pace for 20 months. However, efforts to contain costs contributed to a further drop in staffing levels, which underpinned another solid increase in outstanding business. Prices charged by manufacturers meanwhile fell slightly due to competitive market pressures, while cost burdens rose only slightly. ...

The Caixin China General Manufacturing PMI stood at 51.7 in October, up from 51.4 in the previous month and marking the fastest pace of expansion since February 2017. This pointed to a continued improvement in the manufacturing industry. Both domestic and foreign demand improved substantially. The subindex for new orders stayed in positive territory and rose to the highest level since January 2013. The gauge for new export orders returned to expansionary territory and the U.S.’ move to exempt more than 400 types of Chinese products from additional tariffs.

Production growth accelerated further. The output subindex stayed in positive territory and rose for the fourth straight month, hitting the highest level since December 2016. As new orders grew at a faster pace in October, the measure for stocks of finished goods dipped into contractionary territory. The labor market contracted further. The employment subindex dropped to the lowest level in 13 months. As China’s demographic dividend is fading, there has been pressure on growth of the labor force.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Private Indicators: Global



Caixin China General Manufacturing PMI™

“The subindex for suppliers’ delivery times fell further into negative territory. Delivery delays to some extent implied bottlenecks in production capacity and stocks of finished goods, and also reflected manufacturers’ subdued confidence. The subindex for stocks of purchased items edged slightly lower, indicating a cautious attitude towards replenishing inventories. Both the measures for input costs and output charges dipped slightly, suggesting that prices of industrial products were stable in general.

China’s manufacturing economy continued to recover at a relatively quick pace in October. New orders placed with companies improved substantially, and new export orders rose at the fastest pace since the Sino-U.S. trade war broke out. However, business confidence has been weak. Deliveries of inputs were further delayed. Inventory activities were subdued. The employment sector continued to contract. If the improvement in demand, including that generated by infrastructure projects and exports, is able to continue, the manufacturing sector can gradually build a foundation for stability.” – Dr. Zhengsheng Zhong, Director of Macroeconomic Analysis, CEBM Group

Private Indicators

Associated Builders and Contractors

ABC's Construction Backlog Indicator

Construction Backlog Indicator Rebounds in August

“Associated Builders and Contractors reported today that its Construction Backlog Indicator climbed to nine months in August 2019, up 0.5 months or 5.4% from July 2019, when CBI stood at 8.5 months.

Despite some other leading indicators suggesting weakening in nonresidential construction spending, our most recent backlog readings show that contractors are still experiencing significant demand for construction services. The primary issue for most contractors is not a lack of demand, but an ongoing and worsening shortage of skilled workers available to meet contractual requirements.

Though this month's report was generally positive, softening activity in the nation's manufacturing sector is becoming more apparent in construction data. Specifically, backlog in the heavy industrial category slipped to 7.7 months in August, a decline of 12%. A number of key manufacturing indicators have been weakening of late, including capacity utilization and the Institute for Supply Management's index for manufacturing. It appears that the slowdown in factory activity is now being reflected in construction spending data.

By contrast, backlog for those involved in heavy highway projects or other forms of infrastructure reached 10.4 months, an increase of nearly 13%. The implication is that state and local governments are leveraging stronger fiscal positions and lower borrowing costs to move forward with more infrastructure projects. Not only is this a source of strength for the U.S. economy, it is helping to support overall nonresidential construction spending. Growing contractual volume in the infrastructure category helped to push backlog among Middle States contractors up to 8.8 months, a 1.8-month gain. Overall, backlog continues to be lengthiest in the South and West.” – Anirban Basu, Chief Economist, ABC

Private Indicators

Associated Builders and Contractors

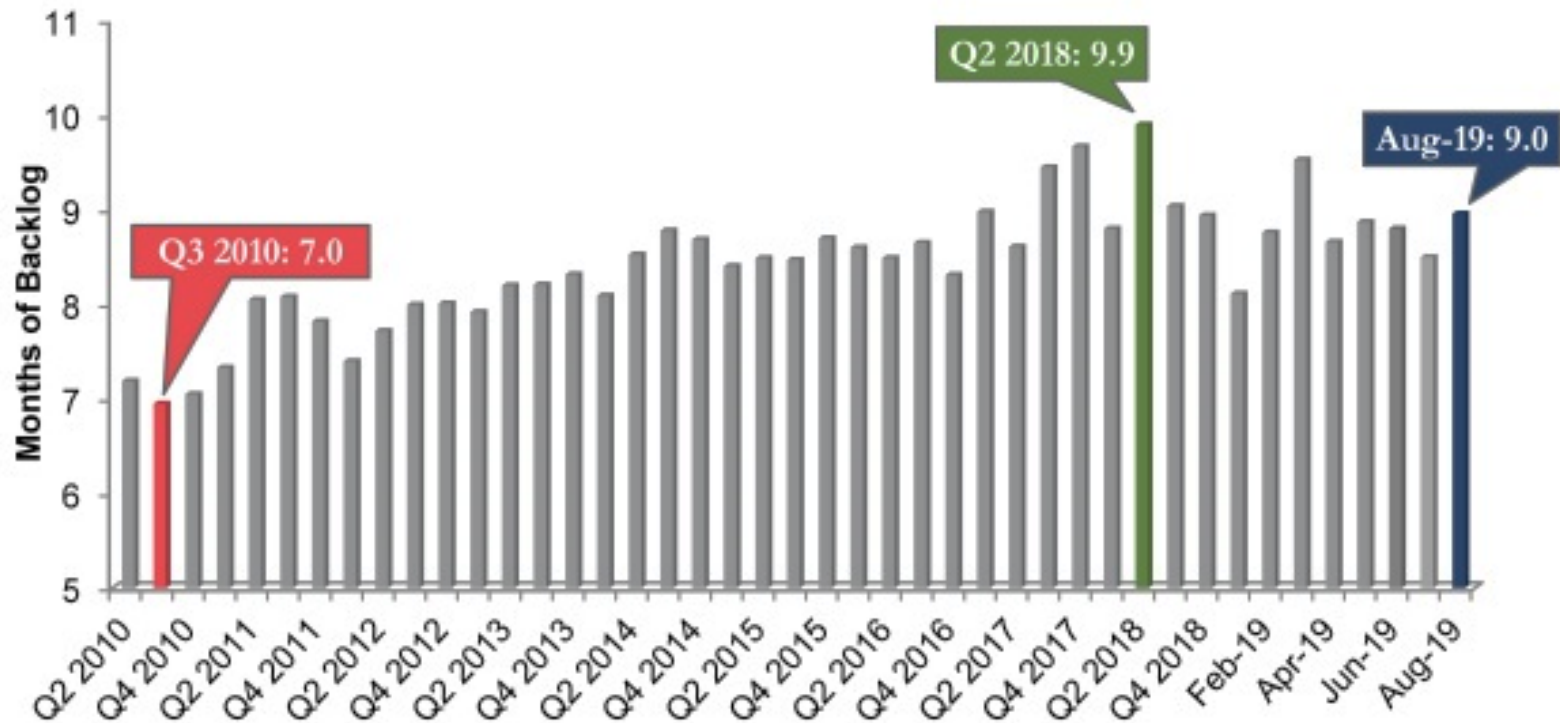
Construction Backlog Indicator				
	August 2019	July 2019	Net Change	% Change
Total	9.0	8.5	0.5	5.4%
<i>Industry</i>				
Commercial & Institutional	9.0	8.4	0.6	6.9%
Heavy Industrial	7.7	8.7	-1.0	-11.6%
Infrastructure	10.4	9.2	1.2	12.5%
<i>Region</i>				
Middle States	8.8	7.0	1.8	24.6%
Northeast	7.6	8.8	-1.2	-13.4%
South	10.1	10.2	-0.1	-1.5%
West	9.4	7.4	2.0	26.9%
<i>Company Size</i>				
<\$30 Million	8.0	7.4	0.6	7.8%
\$30-\$50 Million	9.7	9.2	0.5	5.5%
\$50-\$100 Million	10.0	11.5	-1.5	-13.3%
>\$100 Million	14.1	13.6	0.5	3.1%

©Associated Builders and Contractors, Construction Backlog Indicator

Private Indicators Associated Builders and Contractors



CONSTRUCTION BACKLOG INDICATOR



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Private Indicators

Associated Builders and Contractors

Construction Confidence Index			
Response	July 2019 Expectations	June 2019 Expectations	Percentage Point Change
Sales Expectations			
Up Big	12.5%	10.5%	2.0
Up Small	50.1%	56.4%	-6.3
No Change	23.6%	18.5%	5.1
Down Small	11.4%	13.1%	-1.7
Down Big	2.3%	1.5%	0.8
Profit Margins			
Up Big	6.0%	4.1%	1.9
Up Small	46.7%	50.0%	-3.3
No Change	31.1%	34.1%	-3.0
Down Small	14.0%	10.8%	3.2
Down Big	2.3%	1.0%	1.3
Staffing Levels			
Up Big	6.6%	7.7%	-1.1
Up Small	49.6%	51.7%	-2.1
No Change	35.3%	32.6%	2.7
Down Small	7.7%	7.9%	-0.2
Down Big	0.9%	0.0%	0.9

© Associated Builders and Contractors, Construction Confidence Index

Private Indicators American Institute of Architects (AIA)

Architecture Billings Index September 2019

Firm billings remain sluggish

More than half of firms have seen significant project delays, changes, or cancellations this year.

“Business conditions remained generally flat at architecture firms in September. But while the Architecture Billings Index (ABI) score remained below the 50 threshold at 49.7 (a score over 50 indicates billings growth, a score below 50 indicates a decline), that score is 2.5 points higher than the August score, indicating that fewer firms saw declining billings in September. In addition, the design contracts index rebounded strongly to 54.4 this month (from 47.9 in August), as firms saw an increasing number of clients signing contracts for new projects. Firm backlogs also remained above six months in September (6.2 months on average), although they shrank modestly from a high of 6.5 months in June. More than half of firms (55%) indicated that backlogs have not changed from the second quarter, while 25% indicated that they’ve decreased by 5% or more, and 20% indicated that they’ve increased by 5% or more.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

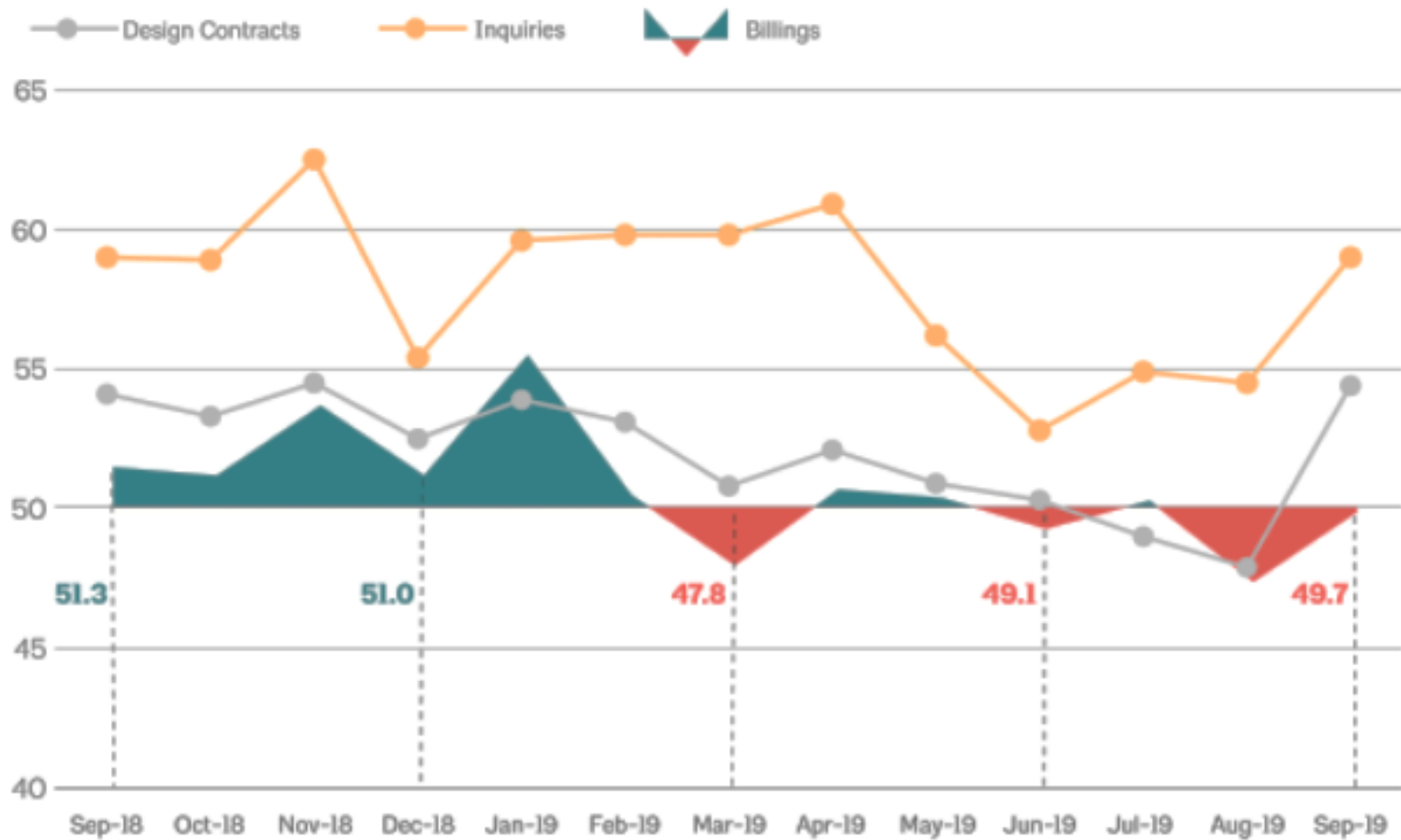
Private Indicators

American Institute of Architects (AIA)

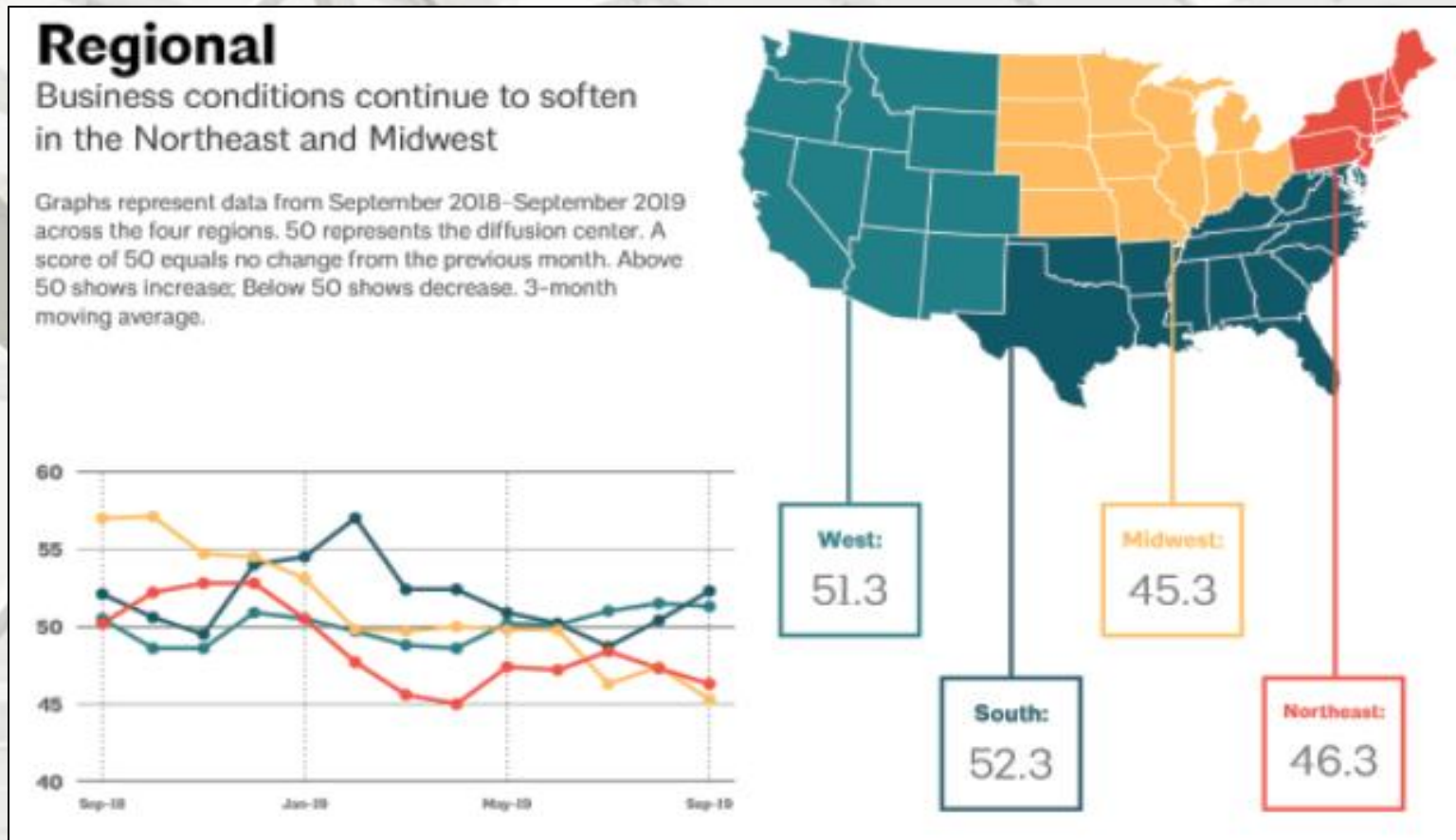
National

Fewer firms report declining billings in September

Graphs represent data from September 2018–September 2019.



Private Indicators: AIA



Region

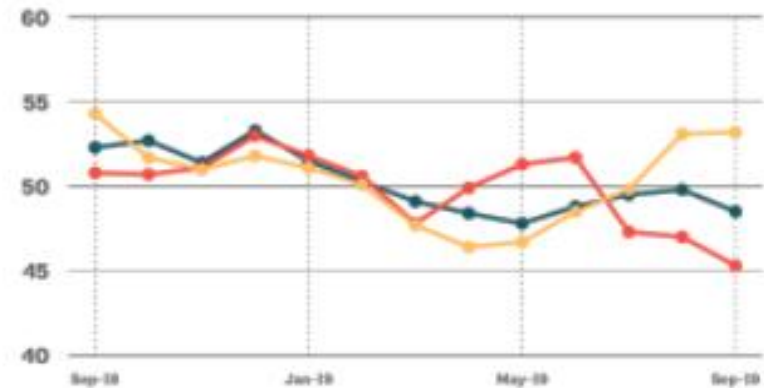
“Billings remained weak at firms located in the Northeast and Midwest in September, softening further in both of those regions from August. However, growth continued at firms located in the South for the second consecutive month and for the fifth consecutive month at firms located in the West.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Private Indicators: AIA

Sector

Only firms with a multifamily residential specialization saw billings growth in September

Graphs represent data from September 2018–September 2019 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: 45.3



Institutional: 48.5



Residential: 53.2

Sector

“Business conditions weakened further at firms with commercial/industrial and institutional specializations but improved at firms with a residential specialization, after a soft late spring and early summer period.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Private Indicators

Dodge Data & Analytics

September Construction Starts Decrease 5 Percent

“New construction starts moved 5% lower in September to a seasonally adjusted annual rate of \$774.1 billion, according to Dodge Data & Analytics. This marks the second consecutive monthly decline in construction starts. By major sector, nonbuilding construction fell 13% in September, while residential construction dropped 6%. On the plus side, nonresidential construction starts rose 1% during the month aided by the start of a large manufacturing project.

The September statistics pushed the Dodge Index lower to 164 (2000=100) compared to 173 in August, marking the lowest reading for the Index since May. Despite the month’s decline, the Index remains close to its 2019 average of 167.

Through the first nine months of 2019, total construction starts were 3% lower than 2018 due to pullbacks in both residential and nonresidential construction starts. However, nonbuilding construction starts are 4% higher year-to-date as a result of strong gains in electric utilities/gas plants.” – Nicole Sullivan, AFFECT Public Relations & Social Media

Private Indicators

Dodge Data & Analytics

September Construction Starts Decrease 5 Percent

“Large projects continue to make their presence felt in the monthly statistics, sometimes obscuring underlying trends. Nevertheless, construction starts have certainly throttled back in 2019 due to mounting uncertainty over the country’s economic health.

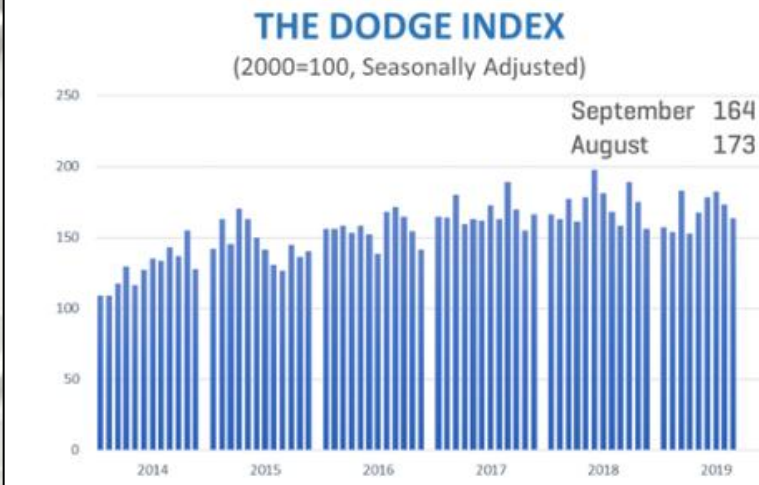
Residential building fell 16% in September to \$300.0 billion at a seasonally adjusted annual rate. Both single family and multifamily starts fell 6% from August to September. The largest multifamily construction project to get underway in September was the \$228 million Lakeshore East – Cirrus Apartment Tower in Chicago IL. Also breaking ground during the month was the \$192 million Greenpoint Landing in Brooklyn NY and the \$150 million The Eleven Condo project in Minneapolis MN.

Through the first nine months of the year, residential construction starts were 6% lower than in the same period of 2018 at \$238.3 billion. Single family starts were down 4%, while multifamily declined 11% year-to-date.

Nonresidential building starts inched 1% higher in September to \$287 billion (at a seasonally adjusted annual rate). The increase was a result of a 243% increase in manufacturing construction due to the start of a large automotive plant. Commercial construction starts fell 14% over the month as the office sector pulled back from a very strong level of activity during the prior month. Institutional construction starts fell 1%. ...” – Richard Branch, Chief Economist, Dodge Data & Analytics

Private Indicators

September 2019 Construction Starts



September 2019 Construction Starts

MONTHLY CONSTRUCTION STARTS

(Millions of Dollars, Seasonally Adjusted Annual Rate)

	September 2019	August 2019	% Change
Nonresidential Building	\$287,239	\$283,620	+1
Residential Building	299,857	319,190	-6
Nonbuilding Construction	186,976	215,846	-13
Total Construction	\$774,072	\$818,656	-5

YEAR-TO-DATE CONSTRUCTION STARTS

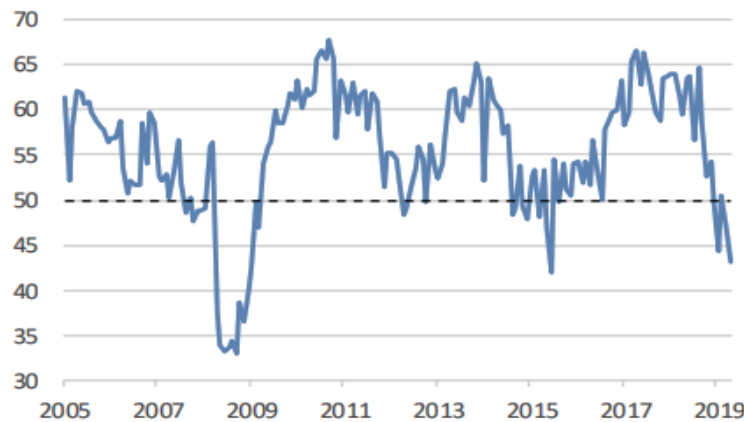
Unadjusted Totals, in Millions of Dollars

	9 Mos. 2019	9 Mos. 2018	% Change
Nonresidential Building	\$214,992	\$223,055	-4
Residential Building	238,334	254,362	-6
Nonbuilding Construction	151,297	145,602	+4
Total Construction	\$604,623	\$623,019	-3

Source: Dodge Data & Analytics

Private Indicators

Chicago Business Barometer™



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The Chicago Business Barometer is a trademark of ISM – Chicago, Inc.

MNI Chicago

“The Chicago Business Barometer™, produced with MNI, fell 3.9 points to 43.2 in October, the lowest level since December 2015. The index slipped further into contraction with a second straight sub-50 reading. The survey points to further weakness in business activity, with the three-month average falling further to 46.9

Chicago Business Barometer™ Slips To 43.2 In October

Only two of the major components saw a monthly decline, although both New Orders and Order Backlogs fell sharply in October. While demand weakened significantly in October -- New Orders declined to 37.0, its lowest since March 2009 -- Production bounced up to 46.8, although the indicator has been in contraction since July.

Order Backlogs saw the largest monthly decline, dropping by 13.6 points to 33.1. The index registered below the 50-mark for a second successive month after September’s level of 46.8. Inventories rose to 47.1, marking the strongest reading since August, indicating that companies continued to run down their stock, albeit at a slower pace.

Employment registered a touch below the 50-mark in October, rising by 4.2 points to 49.8. Prices at the factory gate cooled for the third consecutive month in October, dipping to 54.8. There was anecdotal evidence of lower steel prices, although tariffs offered some upside pressure. ...” – Shaily Mittal, Senior Economist, MNI Indicators

Private Indicators

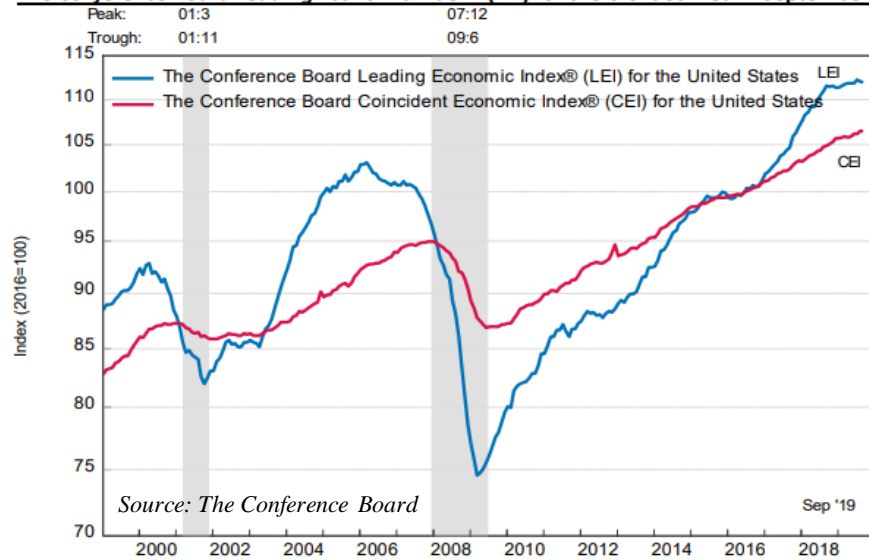
The Conference Board Leading Economic Index® (LEI) for the U.S. Declined Slightly

Index Still Points to Slow But Expanding Economy Through Early 2020

The Conference Board Leading Economic Index® (LEI) for the U.S. declined 0.1 percent in September to 111.9 (2016 = 100), following a 0.2 percent decline in August, and a 0.4 percent increase in July.

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

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

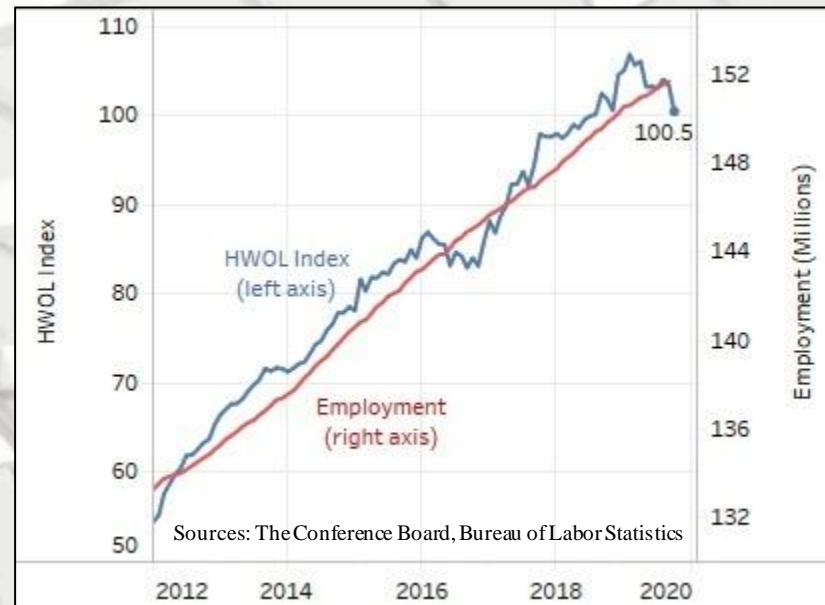
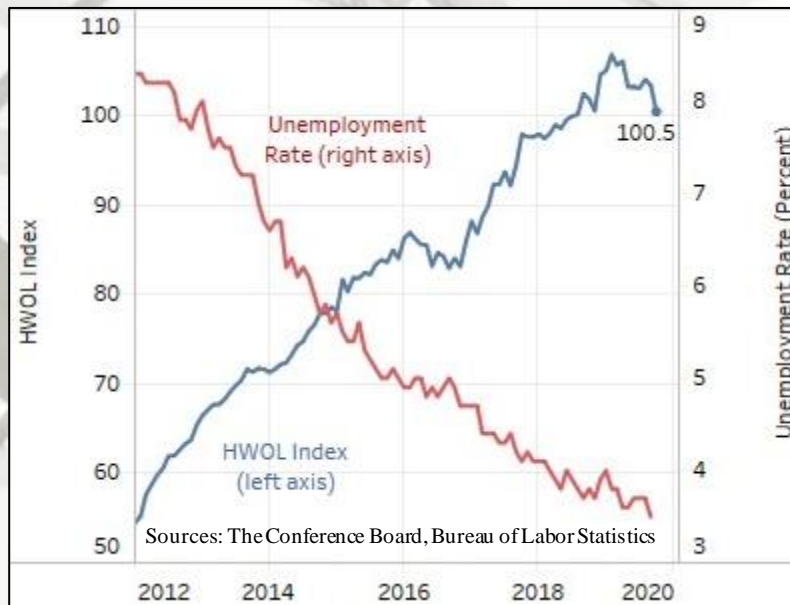


“The US LEI declined in September because of weaknesses in the manufacturing sector and the interest rate spread which were only partially offset by rising stock prices and a positive contribution from the Leading Credit Index. The LEI reflects uncertainty in the outlook and falling business expectations, brought on by the downturn in the industrial sector and trade disputes. Looking ahead, the LEI is consistent with an economy that is still growing, albeit more slowly, through the end of the year and into 2020.” – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

“The Conference Board Coincident Economic Index® (CEI) for the U.S. was unchanged in September, remaining at 106.4 (2016 = 100), following a 0.3 percent increase in August, and no change in July.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.1 percent in September to 108.3 (2016 = 100), following a 0.4 percent decline in August, and a 0.7 percent increase in July.”

Private Indicators



The Conference Board Help Wanted OnLine® (HWOL) Online Labor Demand Fell in October

- “HWOL Index fell in October, following a small decrease in September
- Most States and Occupations declined

The Conference Board Help Wanted OnLine® (HWOL) Index fell in October and now stands at 100.5 (July 2018=100), down from 103.5 in September. The Index declined 2.9 percent from the prior month and is down 1.4 percent from a year ago.

In the Midwest, both Missouri and North Dakota decreased 3.8 percent. In the Northeast, Connecticut fell 5.2 percent and Rhode Island decreased 4.3 percent. In the South, Kentucky fell 5.2 percent and Delaware decreased 3.9 percent. In the West, Washington declined 5.8 percent and Hawaii decreased 5.3 percent.

The Professional occupational category experienced declines in Arts, design, entertainment, sports, and media (-4.6 percent), Architecture and engineering (-3.9 percent), and Healthcare practitioners and technical (-3.7). The Services/ Production occupational category experienced declines in Production (-4.4 percent) and Healthcare Support (-4.0).” – Gad Levanon, Chief Economist, North America, at The Conference Board

Equipment Leasing and Finance Association: Confidence Eases Again in October

“The [Equipment Leasing & Finance Foundation](#) (the Foundation) releases the October 2019 [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 \$1 trillion equipment finance sector. Overall, confidence in the equipment finance market is 54.7, a decrease from the September index of 54.7.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

“We still see continued demand for certain classes of replacement equipment. Our customers who have any cross border interests seem to be postponing acquisitions due to uncertainty with trade issues and tariffs. The recent events in Washington could provide some headwinds to a strong fourth quarter.” – Valerie Hayes Jester, President, Brandywine Capital Associates, Inc.

“I’m optimistic that the consumer remains healthy, with low unemployment and relatively low personal debt. I’m concerned that the trade wars are starting to have effect on the economy, starting with transportation.” – Quentin Cote, CLFP, President, Mintaka Financial, LLC

“We continue to see challenges in the agriculture industry. Until trade issues are resolved we do not expect a robust capital investment environment.” – Michael Romanowski, President, Farm Credit Leasing

“Application volume remains strong with consistent approval rates. Portfolio performance remains strong and we are focused here given an uptick of delinquency by peers.” – David Normandin, CLFP, President and CEO, Wintrust Specialty Finance

Equipment Leasing and Finance Association: Confidence Eases Again in October

“October 2019 Survey Results: The overall MCI-EFI is 51.4, a decrease from 54.7 in September.

- When asked to assess their business conditions over the next four months, 9.7% of executives responding said they believe business conditions will improve over the next four months, down from 10.3% in September. 71% of respondents believe business conditions will remain the same over the next four months, a decrease from 75.9% the previous month. 19.4% believe business conditions will worsen, up from 13.8% in September.
- 13.3% of the survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, unchanged from September. 73.3% believe demand will “remain the same” during the same four-month time period, a decrease from 76.7% the previous month. 13.3% believe demand will decline, up from 10% in September.
- 16.7% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, unchanged from September. 80% of executives indicate they expect the “same” access to capital to fund business, a decrease from 83.3% last month. 3.3% expect “less” access to capital, an increase from none in September.
- When asked, 16.1% of the executives report they expect to hire more employees over the next four months, a decrease from 30% in September. 71% expect no change in headcount over the next four months, an increase from 63.3% last month. 12.9% expect to hire fewer employees, up from 6.7% the previous month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

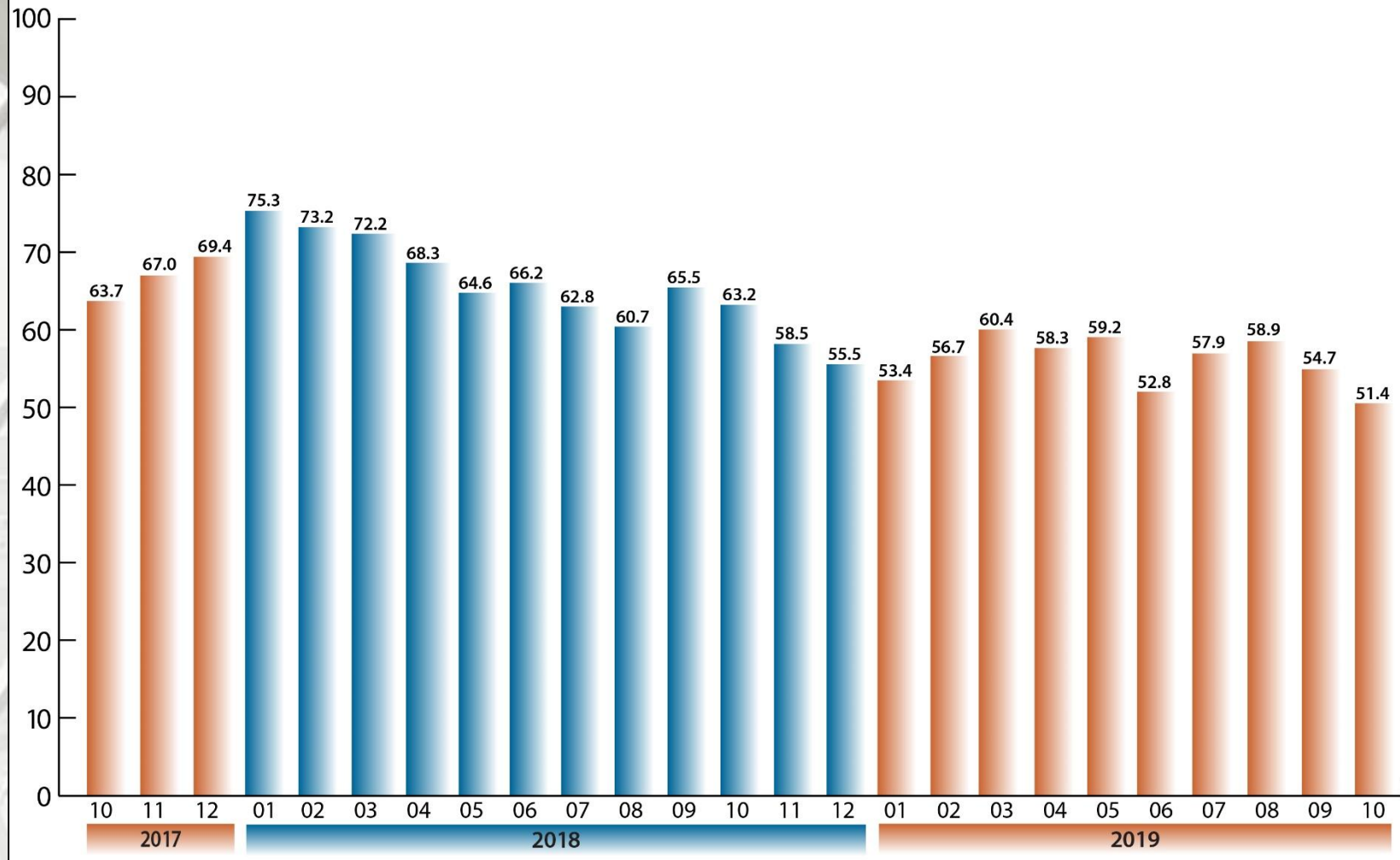
Equipment Leasing and Finance Association: Confidence Eases Again in October

- “19.4% of the leadership evaluate the current U.S. economy as “excellent,” and 80.7% of the leadership evaluate the current U.S. economy as “fair,” both relatively unchanged from the previous month. None evaluate it as “poor,” unchanged from last month.
- 3.2% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, unchanged from September. 58.1% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, a decrease from 70% the previous month. 38.7% believe economic conditions in the U.S. will worsen over the next six months, an increase from 26.7% in September.
- In October, 25.8% of respondents indicate they believe their company will increase spending on business development activities during the next six months, a decrease from 26.7% last month. 71% believe there will be “no change” in business development spending, an increase from 70% in September. 3.2% believe there will be a decrease in spending, unchanged from last month.” – Anneliese DeDiemar, Author, Equipment Leasing & Finance Association

Equipment Leasing and Finance Association



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



Private Indicators

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

Monthly Leasing and Finance Index: September 2019

“The [Equipment Leasing and Finance Association's](#) (ELFA) [Monthly Leasing and Finance Index \(MLFI-25\)](#), which reports economic activity from 25 companies representing a cross section of the \$1 trillion equipment finance sector, showed their overall new business volume for September was \$10 billion, up 18 percent year-over-year from new business volume in September 2018. Volume was up 9 percent month-to-month from \$9.2 billion in August. Year to date, cumulative new business volume was up 5 percent compared to 2018.

Receivables over 30 days were 1.70 percent, down from 2.0 percent the previous month and up from 1.60 percent the same period in 2018. Charge-offs were 0.40 percent, down from 0.42 percent the previous month, and unchanged from the year-earlier period.

Credit approvals totaled 76.3 percent, down from 76.6 percent in August. Total headcount for equipment finance companies was down 2.1 percent year-over-year.

Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in October is 51.4, down from the September index of 54.7.” – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

Private Indicators

Equipment Leasing and Finance Association Monthly Leasing & Finance Index

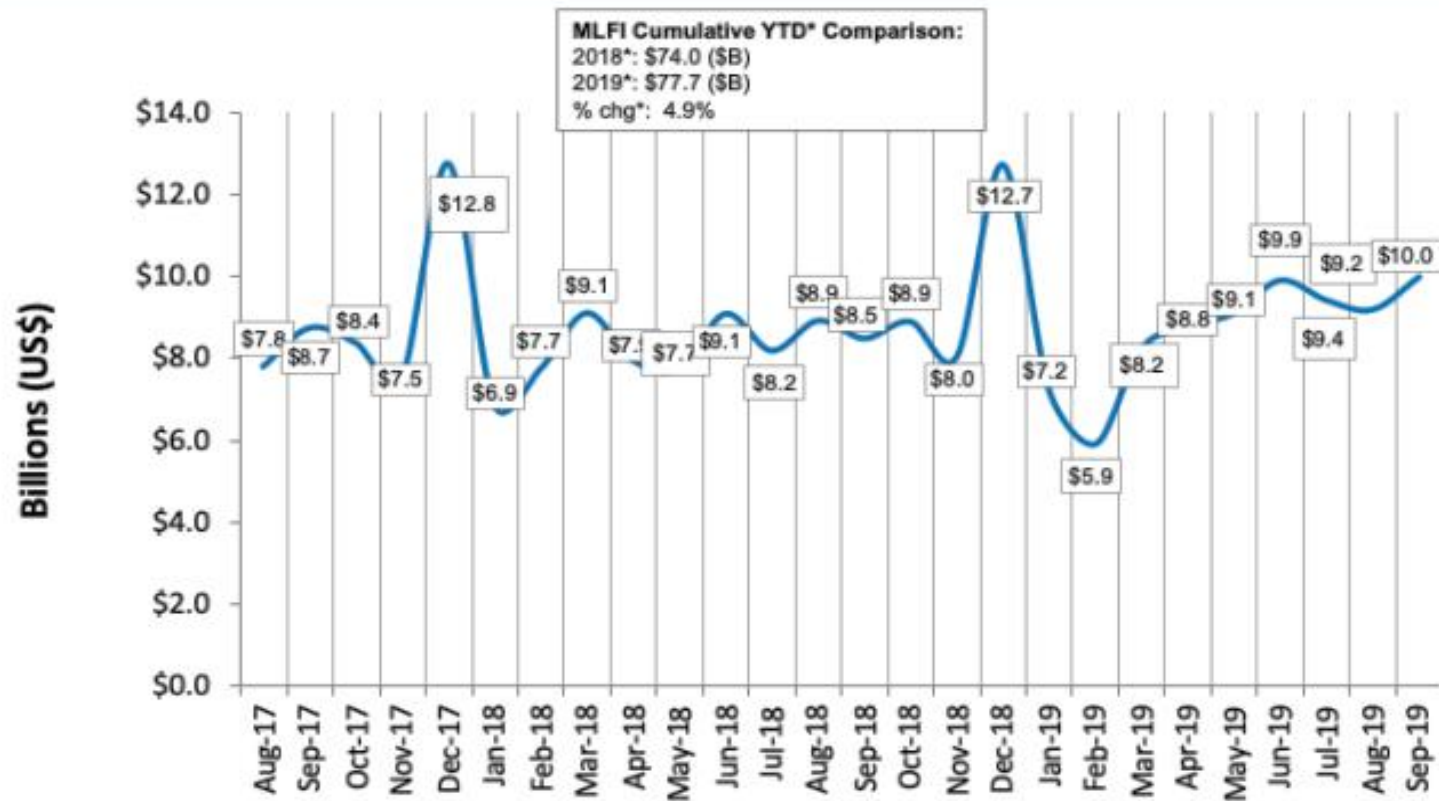
“September data reflect solid performance on the part of equipment finance companies participating in the MLFI-25 survey. Another month of relatively strong fundamentals in the U.S. economy creates a favorable environment for businesses to continue to grow and expand, driving the equipment finance industry forward. Consumer spending continues to fuel the economy, notwithstanding signs of caution and concern raised by some over the impact of trade frictions with China, a pull-back in the U.S. manufacturing sector and recent geopolitical events in Syria, Hong Kong and elsewhere.” – Ralph Petta, President and CEO, ELFA

“Growth of 18 percent in new business volume on a year-over-year basis for September and 5 percent year-to-date demonstrates the strength of the industry and confidence that businesses had over the last 9-12 months to invest in equipment. However, it is important to note that the Foundation’s Confidence Index is showing a downward trend over the last three months and is now at the lowest level since 2016, reflecting a more cautious outlook on the strength of the economy heading into 2020.” – Michael DiCecco, Executive Vice President, Huntington Asset Finance

Private Indicators

Equipment Leasing and Finance Association

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



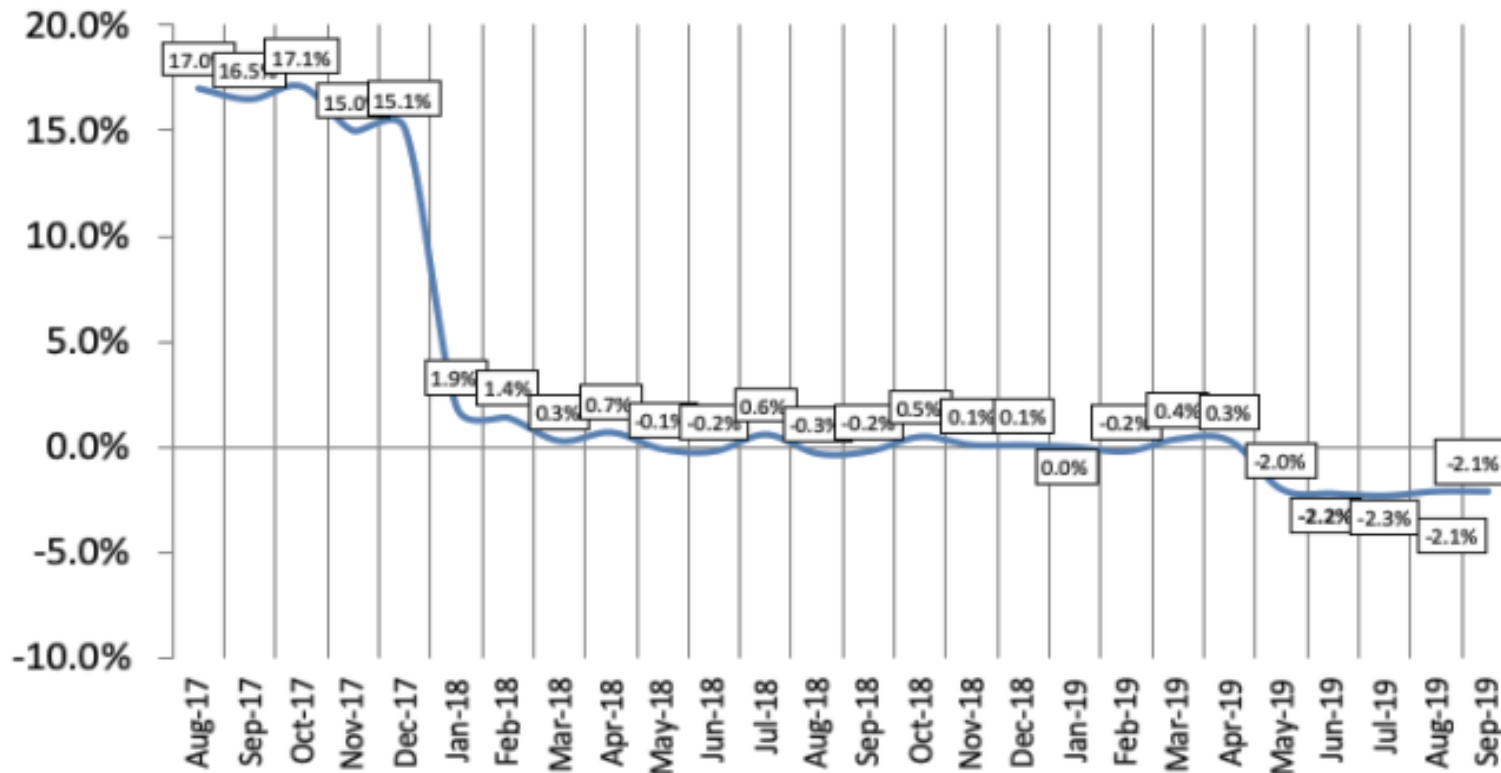
* YTD NBV numbers will not match the numbers from the chart due to rounding



Private Indicators

Equipment Leasing and Finance Association

Total Number of Employees % CHG YOY



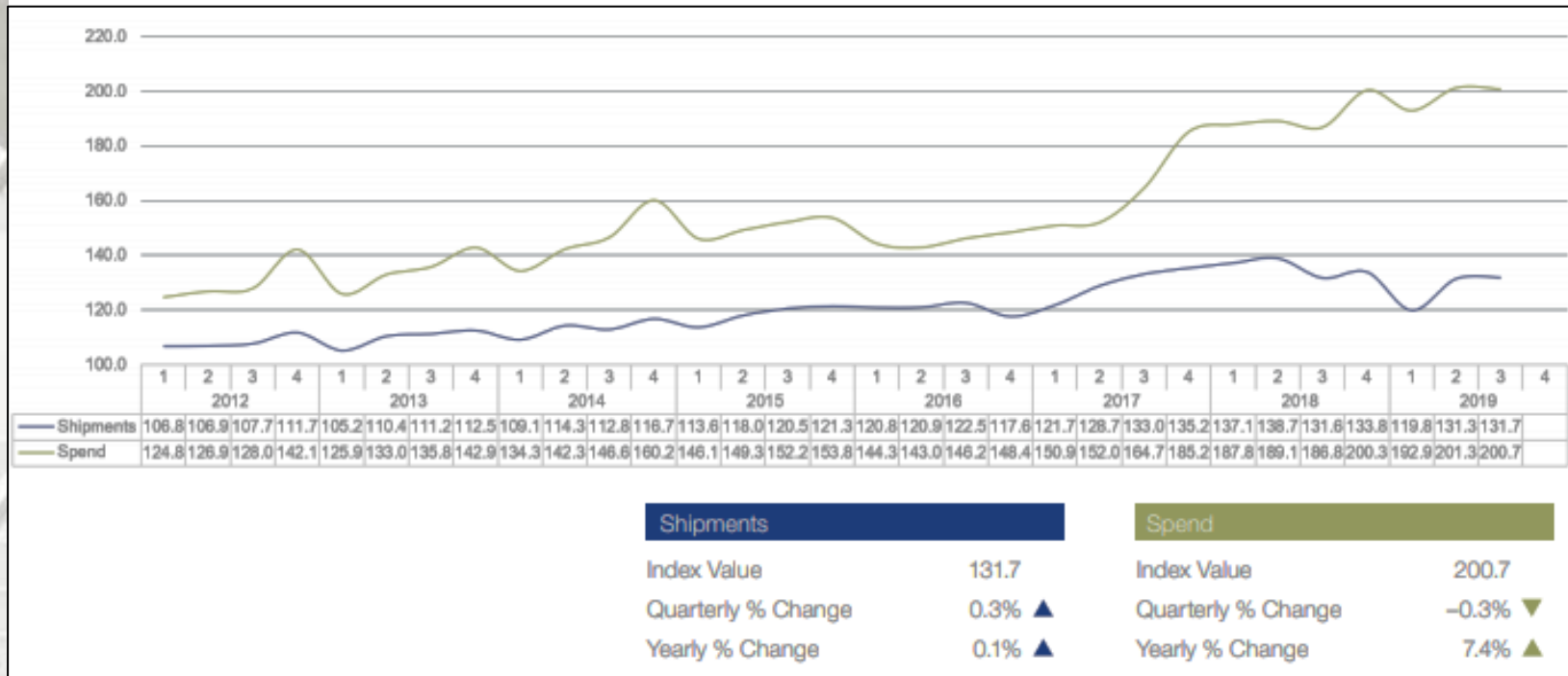
Note: During 2017, headcount was elevated due to acquisition activity at several MLFI reporting company



Private Indicators

U.S. Bank Freight Payment Index®

Q3 2019 National Freight Market Overview



Q3 Insights from U.S. Bank

“After a solid Q2, the U.S. Bank National Shipment and Spend Indexes flattened sequentially this quarter. Shipments were up slightly while spending was down moderately, and overall Q3 results were not indicative of an anticipated economic recession. Retail sales were off pace from 2018 but remained at high levels while new-home construction stayed steady and factory output decelerated.” – Bob Costello, Chief Economist and Senior Vice President, American Trucking Associations (ATA)

Private Indicators

U.S. Bank Freight Payment Index®

Q3 2019 National Freight Market Overview

“After a solid second quarter, the U.S. Bank National Shipment and Spend Indexes flattened sequentially during the third quarter, with shipments up slightly and spending moderately down. Both results are within expectations, as the overall economy was forecast to grow at roughly the same pace in the third quarter as in the second quarter. The third quarter results are not consistent with predictions that an economic recession is around the corner.

Overall, the U.S. Bank Freight Payment Index was essentially unchanged last quarter. However, there is significant divergence among freight types and freight markets in the industry. For example, for-hire truckload contract freight volumes outperform less-than-truckload (LTL) volumes. Furthermore, within the truckload market, contract freight performs better than the spot volumes. It appears that spot volumes have reached a bottom.

As for the macroeconomic drivers for freight last quarter, consumer spending continues to be the pillar. Retail sales are off the pace set in 2018, but the level of freight in this sector remains high. Conversely, new home construction activity is essentially moving laterally, albeit at high levels. Meanwhile, factory output decelerated as economic growth around the world slows and businesses moderate capital investment. A soft factory sector has impacted the LTL market, with large portions of LTL freight coming from manufacturers. Inventory levels throughout the supply chain remain elevated, but there is evidence that the trends are improving. In summary, the U.S. Bank National Shipment and Spend Indexes were flat in the third quarter, as compared to the previous quarter. ... ” – Bob Costello, Chief Economist and Senior Vice President, American Trucking Associations (ATA)

Private Indicators

U.S. Bank Freight Payment Index®

Q2 2019 National Freight Market Overview

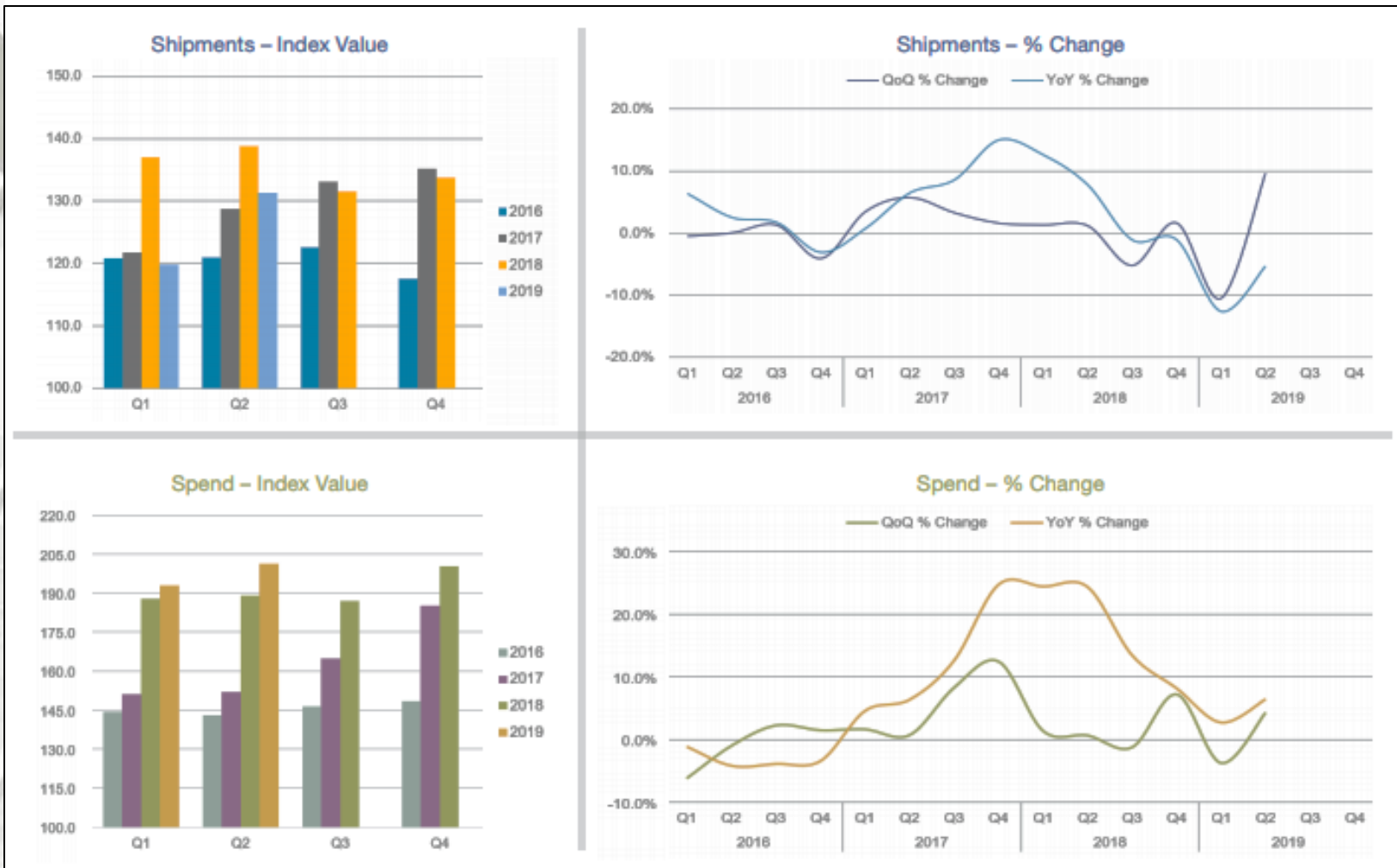
“The National Shipment Index contracted 5.3% from a year earlier, the fourth straight quarter with a year-over-year decline. While the contraction from the second quarter of last year was better than the 12.6% year-over-year decline witnessed in the first quarter, and the comparison was against the all-time high second quarter of 2018, macroeconomic conditions last quarter did not improve as much as expected. As a result, any excitement needs to be tempered.

Shipments remain at high levels despite the year-earlier contractions, however it cannot be overlooked that the shipment index was down 9% 1 in the first half of the year compared with the same period in 2018.

The National Spend Index rose 4.3% the second quarter, more than erasing the 3.7% drop the previous quarter to an all-time high. Compared with a year earlier, spending on truckload and less-than-truckload truck transportation was up 6.4% after rising 2.7% in the first quarter on a year-over-year basis. Despite softer freight growth and a modest gain in industry capacity, spending remains elevated. This suggests that capacity didn’t soften as much in the second quarter as some feared.” – Bob Costello, Chief Economist and Senior Vice President, American Trucking Associations (ATA)

Private Indicators

U.S. Bank Freight Payment Index[®]



October 2019 Manufacturing ISM® *Report On Business*®

PMI® at 48.3%

New Orders, Production, and Employment Contracting

Supplier Deliveries Faster from Slower; Backlog Contracting

Raw Materials Inventories Contracting; Customers' Inventories Too Low

Prices Decreasing; Exports Growing, but Imports Contracting

“Economic activity in the **manufacturing sector** contracted in October, and the **overall economy** grew for the 126th consecutive month, say the nation's supply executives in the latest **Manufacturing ISM® *Report On Business*®**. The October PMI® registered 48.3 percent, an increase of 0.5 percentage points from the September reading of 47.8 percent.

The New Orders Index registered 49.1 percent, an increase of 1.8 percentage points from the September reading of 47.3 percent.

The Production Index registered 46.2 percent, down 1.1 percentage points compared to the September reading of 47.3 percent.

The Backlog of Orders Index registered 44.1 percent, down 1 percentage point compared to the September reading of 45.1 percent.

The Employment Index registered 47.7 percent, a 1.4-percentage point increase from the September reading of 46.3 percent.

The Supplier Deliveries Index registered 49.5 percent, a 1.6-percentage point decrease from the September reading of 51.1 percent.

The Inventories Index registered 48.9 percent, an increase of 2 percentage points from the September reading of 46.9 percent.

The Prices Index registered 45.5 percent, a 4.2-percentage point decrease from the September reading of 49.7 percent.

The New Export Orders Index registered 50.4 percent, a 9.4-percentage point increase from the September reading of 41 percent.

The Imports Index registered 45.3 percent, a 2.8-percentage point decrease from the September reading of 48.1 percent.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

September 2019 Manufacturing ISM® Report On Business®

“Comments from the panel reflect an improvement from the prior month, but sentiment remains more cautious than optimistic. October was the third consecutive month of PMI® contraction, at a slower rate compared to September.

Demand contracted, with the New Orders Index contracting marginally, the Customers’ Inventories Index moving into ‘about right’ territory and the Backlog of Orders Index contracting for the sixth straight month (and at a faster rate). The New Export Orders Index surged into expansion territory, likely contributing to the slowing contraction of the New Orders Index.

Consumption (measured by the Production and Employment indexes) contracted, due primarily to lack of demand, but contributed positively (a combined +0.3-percentage point increase) to the PMI® calculation.

Inputs — expressed as supplier deliveries, inventories and imports — were again lower in October, due primarily to supplier delivery contraction offset by improvements in inventories. This resulted in a combined 0.4-percentage point net improvement in the Supplier Deliveries and Inventories indexes. Imports contraction quickened. Overall, inputs indicate (1) supply chains are meeting demand and (2) companies are more confident that materials received will be consumed in a reasonable time period. Prices decreased for the fifth consecutive month, at a faster rate.

Global trade remains the most significant cross-industry issue. Food, Beverage & Tobacco Products remains the strongest industry sector and Transportation Equipment the weakest sector. Overall, sentiment this month remains cautious regarding near-term growth. Of the 18 manufacturing industries, five reported growth in October: Furniture & Related Products; Printing & Related Support Activities; Food, Beverage & Tobacco Products; Wood Products; and Computer & Electronic Products. The 12 industries reporting contraction in October — in the following order — are: Primary Metals; Apparel, Leather & Allied Products; Textile Mills; Transportation Equipment; Plastics & Rubber Products; Machinery; Chemical Products; Petroleum & Coal Products; Electrical Equipment, Appliances & Components; Fabricated Metal Products; Miscellaneous Manufacturing; and Paper Products.” – Timothy R. Fiore, CPSM, CPSD, Chair of the ISM® Manufacturing Business Survey Committee

October 2019 Non-Manufacturing ISM® Report On Business®

PMI® at 54.7%

**Business Activity Index at 57.0%; New Orders Index at 55.6%;
Employment Index at 53.7%**

“Economic activity in the **non-manufacturing sector** grew in October for the 117th consecutive month, say the nation’s purchasing and supply executives in the latest **Non-Manufacturing ISM® Report On Business®**.

The NMI® registered 54.7 percent, which is 2.1 percentage points above the September reading of 52.6 percent. This represents continued growth in the non-manufacturing sector, at a faster rate.

The Non-Manufacturing Business Activity Index increased to 57 percent, 1.8 percentage points higher than the September reading of 55.2 percent, reflecting growth for the 123rd consecutive month.

The New Orders Index registered 55.6 percent; 1.9 percentage points higher than the reading of 53.7 percent in September.

The Employment Index increased 3.3 percentage points in October to 53.7 percent from the September reading of 50.4 percent.

The Prices Index decreased 3.4 percentage points from the September reading of 60 percent to 56.6 percent, indicating that prices increased in October for the 29th consecutive month.

According to the NMI®, 13 non-manufacturing industries reported growth. The non-manufacturing sector had an uptick in growth after reflecting a pullback in September. The respondents continue to be concerned about tariffs, labor resources and the geopolitical climate.” – Anthony Nieves, CPSM, C.P.M., A.P.P., CFPM, Chair of the Institute for Supply Management® (ISM®) Non-Manufacturing Business Survey Committee

Private Indicators

Markit U.S. Manufacturing PMI™

PMI rises to six-month high in October

“The seasonally adjusted IHS Markit final U.S. Manufacturing Purchasing Managers’ Index™ (PMI™) posted 51.3 in October, up slightly from 51.1 in September. The latest headline figure was the highest since April, but remained consistent with only a modest improvement in the health of the manufacturing sector. The overall rate of growth remained well below the long-run series average.

The U.S. manufacturing sector saw a further modest improvement in operating conditions in October, supported by faster expansions in output and new business. Rates of growth in both production and new orders accelerated to six-month highs. Subsequently, employment rose at the quickest pace since May and business confidence picked up to a four-month high. Meanwhile, rates of input price and output charge inflation softened and remained subdued, with selling prices broadly unchanged during the month.

Supporting the improvement in the PMI was a faster rise in production in October. Although still moderate, the rate of expansion in output accelerated to a six-month high and was accompanied by a quicker upturn in new business.

New orders across the manufacturing sector increased for the fifth consecutive month and the rate of growth quickened to the fastest since April. Firms noted that their clients were exhibiting less hesitancy in placing orders and market conditions had improved. Foreign demand also ticked up following three successive monthly contractions in new export orders, with new business from abroad rising marginally overall.

On the price front, cost burdens rose at only a modest pace at the start of the fourth quarter. Although some firms reported higher input prices stemming from the ongoing impact of tariffs, many suggested that subdued price pressures were often linked to price drops at suppliers, notably for metals. Subsequently, average factory gate charges across the goods-producing sector were broadly unchanged as manufacturers only partly passed on higher costs to clients.” – Chris Williamson, Chief Economist, Markit®

Private Indicators

PMI rises to six-month high in October

At the same time, greater production requirements contributed to the fastest rise in workforce numbers since May. Some firms also noted that higher staffing levels were due to the filling of previously held vacancies. Backlogs, however, were unchanged in October following a three-month sequence of decline. In line with stronger client demand, manufacturers registered a greater degree of confidence in output growth over the coming year. More favourable market conditions partially drove optimism to its highest level since June. Nonetheless, the overall degree of sentiment was below the long-run series trend.

Finally, despite a renewed rise in input buying, the stronger increase in new business meant firms increasingly dipped into stocks to ensure new orders were fulfilled in a timely manner. Therefore, pre-production inventories fell at the quickest rate for three months and stocks of finished goods decreased slightly.

Tentative signs of renewed vigor are appearing in the US manufacturing sector, with the survey's production gauge having now risen for three successive months to suggest that the soft patch bottomed out in July. Growth of new orders hit a six-month high, fuelled in part by a renewed increase in exports, prompting producers to take on more staff, with payroll numbers rising at the quickest pace since May.

The improvement in current conditions was matched by a lifting of business optimism about the year ahead to the highest seen since June. It was also encouraging to see this optimism feed through to an upturn in demand for investment goods, such as plant and machinery, as this hints that firms are moving back into expansion mode, albeit only tentatively so far.

However, while the outlook has improved, further growth is by no means assured. Survey respondents continue to report widespread concerns over issues such as tariffs, the auto sector's ongoing malaise, a lack of pricing power amid weak demand and uncertainty about the economic and political situation over the coming year. While the survey data are moving in the right direction, the overall picture therefore remained one of only very modest growth and guarded optimism." – Chris Williamson, Chief Business Economist, Markit®

Private Indicators

National Association of Credit Management – Credit Managers' Index

October Credit Managers' Index Rebounds

“The rebound for the October Credit Managers' Index (CMI) was not a spectacular one, but these days we will take what we can get. “The overall data for the economy as a whole has been like this – something for both the pessimist and the optimist. The manufacturers are slumping according to the Purchasing Managers' Index (PMI) as well as the data on industrial production from the Fed and various reports on everything from durable goods to capacity utilization,” said NACM Economist Chris Kuehl, Ph.D. “At the same time, consumers continue to power the economy as they remain encouraged by the lack of inflation and the low levels of unemployment.” We can now see the data from the Credit Managers' Index – an off month followed by an upswing. “Not that this month's data is startling in terms of a reversal, but a positive trend is welcome even when it is somewhat less impressive than preferred.”

The combined score moved from the 54.1 reading in September to 54.6 in October – improved but not at the point reached in August when it hit 55.2. The combined index of favorable factors jumped back into the 60s with a reading of 60.1 compared to the 59.1 registered the prior month. Again, August was better yet with a reading of 61.8. There was the same pattern with the combined score of the unfavorable factors. This month was an improvement on the September reading as it went from 50.7 to 50.9 (the same as August). The relative stability in the unfavorable factors has some significance as shown in the data below.

For the combined readings, Kuehl said, “Like much of the recent economic data, there are signs of concern showing up but nothing to suggest a serious slowdown or reversal. It appears the economy could head in either a slow growth or slow decline direction. Much will depend on the progress or lack of it on the global stage.”” – Andrew Michaels, Editorial Associate, NACM

Private Indicators

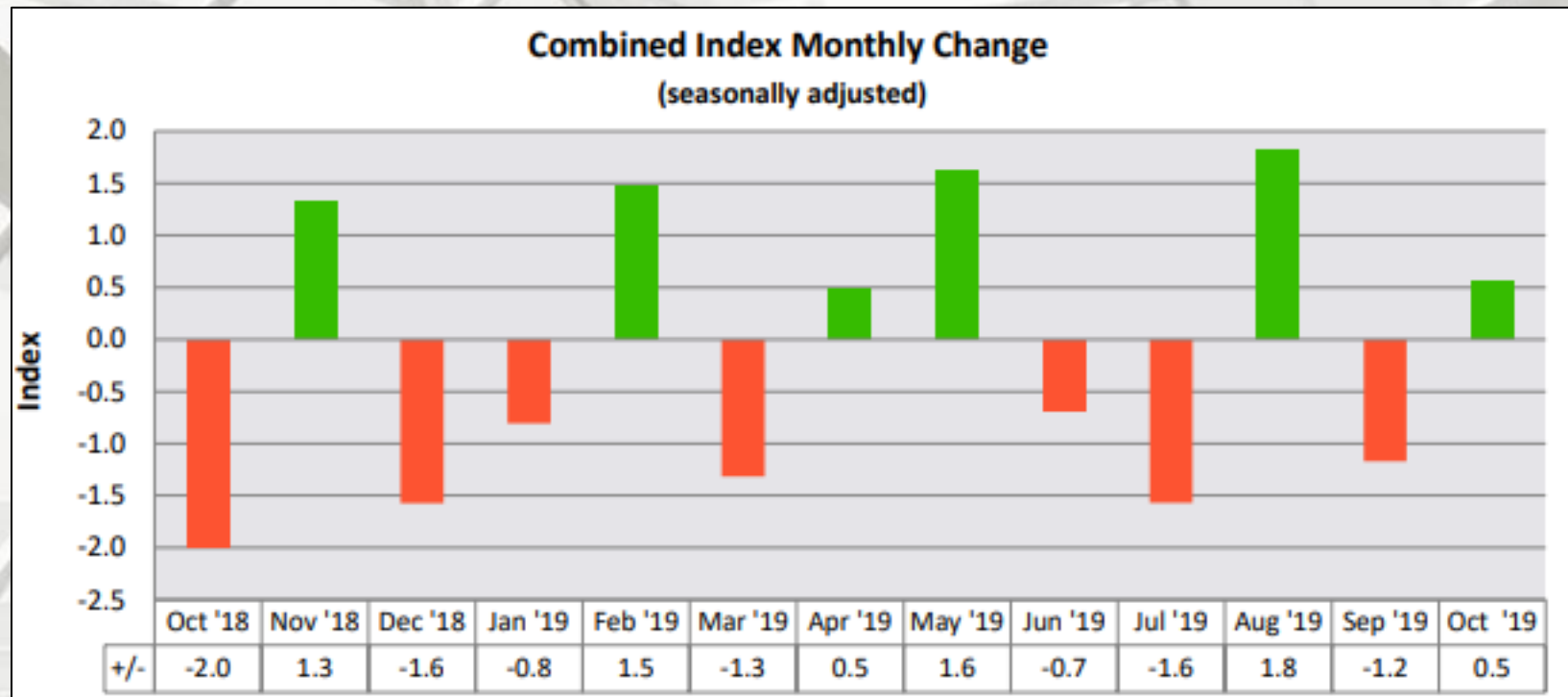
National Association of Credit Management – Credit Managers' Index

“The really indicative data shows up in the specific sectors. There was generally good news as far as the favorable factors were concerned, but sales fell a little from 58.7 to 57.9, again a far cry from the 64.4 reading in August. The new credit applications data also dropped back slightly (from 59.7 to 59). In contrast, there were good numbers coming from the dollar collections data – 62.1 up from 58.5. Kuehl noted that if there is a category that delights the credit manager more than dollar collections, it would be hard pressed to identify. There was also good news as far the amount of credit extended as it went from 59.7 to 61.6. “The sense is that larger clients are more active and there is more emphasis on staying current with the credit offered,” he added.

There was a bit more volatility in the unfavorable categories. The rejections of credit applications improved a bit from 51.4 to 52.1, precisely where that reading was in August. The accounts placed for collection category also improved, but not enough to escape the contraction zone (a score under 50). It went from 48.4 to 49.1 and is certainly in striking distance of expansion. This is the best reading notched in this category since June of this year. The disputes category on the other hand, fell from the levels reached last month, going from 50 to 48.1. The dollar amount beyond terms data improved quite a bit and may be somewhat connected to that better dollar collection reading. The reading in September was 50.2 and this month it is at 52. Kuehl explained that companies are trying to get current and to remain there as there is more concern about the potential for a slowdown next year. The dollar amount of customer deductions slipped a little, but not far enough to drop back into contraction. The reading last month was 52.1 and this month it is 50.9. The filings for bankruptcies data improved a bit with a reading of 53.4 compared to September's 52.1. He added, “The good news is this category has been showing improvement for several months now.”” – Andrew Michaels, Editorial Associate, NACM

Private Indicators

National Association of Credit Management – Credit Managers' Index



Private Indicators

Combined Manufacturing and Service Sectors (seasonally adjusted)	Oct '18	Nov '18	Dec '18	Jan '19	Feb '19	Mar '19	Apr '19	May '19	Jun '19	Jul '19	Aug '19	Sep '19	Oct '19
Sales	62.7	64.5	59.0	59.7	62.6	58.2	61.0	65.9	60.4	58.4	64.4	58.7	57.9
New credit applications	61.7	62.2	57.5	58.2	58.9	57.8	59.7	64.2	62.4	60.8	60.9	59.7	59.0
Dollar collections	57.5	60.9	59.3	59.0	59.1	56.6	59.1	59.8	60.3	56.6	60.0	58.5	62.1
Amount of credit extended	64.5	65.3	61.9	61.2	62.3	63.5	60.6	65.4	62.5	58.7	61.7	59.7	61.6
Index of favorable factors	61.6	63.2	59.4	59.5	60.7	59.0	60.1	63.8	61.4	58.6	61.8	59.1	60.1
Rejections of credit applications	51.4	51.4	51.4	51.8	52.1	51.2	52.0	51.8	52.4	52.6	52.1	51.4	52.1
Accounts placed for collection	48.8	48.2	49.7	48.2	49.0	46.4	48.5	47.0	50.0	46.2	48.6	48.4	49.1
Disputes	48.9	50.1	49.6	47.1	48.5	49.5	48.5	48.6	48.6	50.5	49.4	50.0	48.1
Dollar amount beyond terms	47.7	52.3	49.3	47.4	51.3	50.0	47.6	51.3	49.8	46.1	53.6	50.2	52.0
Dollar amount of customer deductions	49.5	49.6	49.7	48.0	50.0	48.8	49.7	49.3	50.0	51.2	50.0	52.1	50.9
Filings for bankruptcies	52.1	53.6	55.0	53.8	54.9	53.7	53.9	53.3	53.5	53.2	51.6	52.1	53.4
Index of unfavorable factors	49.7	50.9	50.8	49.4	51.0	49.9	50.0	50.2	50.7	50.0	50.9	50.7	50.9
NACM Combined CMI	54.5	55.8	54.2	53.4	54.9	53.6	54.0	55.7	55.0	53.4	55.2	54.1	54.6

Private Indicators

Small Business Optimism Index at 102.4
Based on 10 survey indicators, seasonally adjusted, Jan. '00 – Oct. '19



NFIB.com/sboi

September 2019 Report:

“The small business half of the economy continued its remarkable economic streak, posting a 0.6 point gain in October’s Optimism Index. The 102.4 reading was buoyed by eight of the 10 Index components advancing, as talk of a recession waned in October. The Uncertainty Index declined 4 points but remains historically high heading into an election year.

Small Businesses Continue to Push the Economy Forward

Key findings from September’s index included:

- The October increase was led by GDP-producing plans for job creation, inventory investment, and capital spending.
- Reports of actual capital spending increased and inventory investment improved from a modest negative level in September.
- Reports of rising labor compensation increased and remained strong historically, and the frequency of plans to raise compensation also rose in October.
- Reports of higher selling prices remained subdued, so rising labor costs are still not pushing up inflation on Main Street.
- Actual job creation in October exceeded that in September, as small businesses continued to hire and create new jobs.” – Holly Wade, NFIB

Private Indicators

NFIB Small Business Optimism Index

“A continued focus on a recession by policymakers, talking heads, and the media clearly caused some consternation among small businesses in previous months, but after shifting their focus to other topics, it’s become clear that owners are not experiencing the predicted turmoil. Small business owners are continuing to create jobs, raise wages, and grow their businesses, thanks to tax cuts and deregulation, and nothing is stopping them except for finding qualified workers.”
– Juanita D. Duggan, President and CEO, NFIB

“Labor shortages are impacting investment adversely – a new truck, or tractor, or crane is of no value if operators cannot be hired to operate them. The economy will likely remain steady at its current level of activity for the next 12 months as Congress will be focused on other matters, and an election cycle will limit action. Any significant change in trade issues will impact financial markets more than the real economy during this period. Adjustments to a new set of ‘prices,’ such as tariffs, will take time. The economy is doing well given the labor constraints it faces. Unemployment is very low, incomes are rising, and inflation is low. That’s a good economy.” – Bill Dunkelberg, Chief Economist, NFIB

Private Indicators

NFIB Small Business Optimism Index

Small Business Optimism

Small Business Optimism Remains Steady

Index Component	Net %	Change From Sep.
Plans to Increase Employment	18%	▲ 1
Plans to Make Capital Outlays	29%	▲ 2
Plans to Increase Inventories	5%	▲ 3
Expect Economy to Improve	10%	▲ 1
Expect Real Sales Higher	17%	▲ 1
Current Inventory	-4%	▲ 2
Current Job Openings	34%	▼ -1
Expected Credit Conditions	-3%	▲ 1
Now a Good Time to Expand	23%	▲ 1
Earnings Trends	-8%	▼ -5



NFIB.com/sboi

Private Indicators

NFIB Small Business Optimism Index

“The reported increase in sales put pressure on inventory stocks, reducing them. Owners reporting inventory increases remained unchanged at a net 0 percent. The net percent of owners planning to expand inventory holdings increased 3 points to a net 5 percent, a solid number and one of the best in a year. Overall, owners feel that the prospects for growth justify adding to inventory stocks.

Fifty-nine percent reported capital outlays, up 2 points from September’s reading. Of those making expenditures, 40 percent reported spending on new equipment (up 2 points), 24 percent acquired vehicles (up 1 point), and 18 percent improved or expanded facilities (up 4 points). Seven percent acquired new buildings or land for expansion (unchanged) and 14 percent spent money for new fixtures and furniture (unchanged).

Twenty-nine percent plan capital outlays in the next few months, up 2 points. Plans to invest were strong in agriculture and the wholesale trades (34 percent each), and manufacturing and transportation (33 percent each). Thirty percent of small firms reported negative effects from trade policy. Making major commitments about production and distribution will be more difficult until import and export prices are stabilized with trade agreements.

Twenty-five percent of the owners selected “finding qualified labor” as their top business problem, more than cited taxes or regulations. Reports of higher worker compensation rose 1 point to a net 30 percent of all firms – a historically high reading. Plans to raise compensation rose 4 points to a net 22 percent. Firms are likely to continue to offer improved compensation to attract and retain qualified workers because the only solution in the short term to an employee shortage is to raise compensation to attract new workers and to train less qualified employees. Owners are still not passing on higher compensation costs, with only 10 percent reporting higher selling prices.” – Holly Wade, NFIB

Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

Small Business Wage Growth Gains Momentum, Job Growth Holds Steady in October

“The tight labor market positively impacted wage growth in October, according to the latest Paychex | IHS Markit Small Business Employment Watch. Hourly earnings are on the rise, reaching 3.00 percent (\$0.80) growth in October. Additionally, after hovering just above two percent to start the year, weekly earnings growth has quickly improved to 3.36 percent as month-to-month gains grow larger. At 98.14, the national jobs index remains essentially the same as last month (98.22).

“There was little change in the jobs index in October, but hourly earnings growth continued to accelerate, and weekly earnings gains reached a new series high, 3.36 percent,” said James Diffley, chief regional economist at IHS Markit.

“The recruitment and retention challenges presented by this tight labor market are becoming more noticeably reflected in employees’ paychecks,” said Martin Mucci, Paychex president and CEO. “We anticipate wage growth will continue as employers work to attract and keep top talent.”” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

Small Business Wage Growth Gains Momentum, Job Growth Holds Steady in October

“Broken down further, the October report showed:

- The South remains first among regions in employment growth; the West retained its lead among regions in wage growth.
- Tennessee remains the leader among states in small business job growth; New York took the top spot among states for wage growth.
- Dallas is again the top metro for job growth; Los Angeles became the leading metro in wage growth.
- Leisure and Hospitality reached 5.00 percent hourly earnings growth in October, best among industry sectors.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

October Jobs Index

Index
98.14

12-Month Change

-0.99%

October Wage Data

Hourly Earnings
\$27.51

12-Month Growth

+3.00% (+\$0.80)

Source: Paychex | IHS Markit Small Business Employment Watch

Private Indicators

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

Historical View



Source: Paychex | IHS Markit Small Business Employment Watch

Demographics

Builder

The Rise of Single Buyers and How They Will Impact the Industry

In single-family housing, the emphasis increasingly is on “single” as a growing percentage of today’s home buyers are living alone.

“Without anyone really noticing, it seems, the single-person household has become a significant demographic, accounting for 28% of all households – 35 million homes – in the United States. The *Wall Street Journal* calls it “one of the biggest demographic trends of the past 50 years.” A confluence of economic, biological, and societal changes – people living longer, marrying later (or not at all), divorcing more, and having fewer kids, not to mention greater financial freedom for women – has conspired to create a ballooning and highly underserved segment of home buyers.

According to the U.S. Census Bureau, more than 120 million Americans – 48% of adults 18 and older – were divorced, widowed, or had never been married in 2017, a substantial increase since 1970, when 39 million adults – 29% – were single. As they tend to do, baby boomers are driving the numbers with divorce rates that have nearly doubled (and involve unprecedented numbers of second and third marriages) from 1990 to 2015, the Pew Research Center reports. Chastened, perhaps, by their parents’ example, more Gen Xers and millennials are forgoing marriage altogether; only about 20% of 18- to 29-year-old Americans are married, compared with nearly 60% of that same age group in 1960. By the time they turn 50, a full 25% of today’s young adults will have been single their entire life, Pew Research predicts.” – Robyn Griggs Lawrence, Author, *Builder*

Demographics

Builder

The Rise of Single Buyers and How They Will Impact the Industry

“Married couples have always ruled the housing market – and they continue to, accounting for 63% of recent buyers in the National Association of Realtors’ 2018 Profile of Home Buyers & Sellers – but singles are serious up-and-comers. Of the 120 million singles in the U.S., nearly 36 million – 28% of all households – live alone, up considerably from 13% of households in 1960 and 23% in 1980. It’s a trend that doesn’t show signs of stopping, as professional services firm Deloitte predicts 41.4 million households will be headed by singles in 2030. Globally, single-person households are expected to outpace the growth of all other household sizes over the next 15 years, according to Euromonitor International’s “Top 10 Global Consumer Trends 2019” report.

Demographer Joseph Chamie, former director of the United Nations Population Division, describes it as “a significant global demographic change having far-reaching consequences yet receiving scant attention.” Largely because of modern communications and social media, Chamie believes, it’s much easier (and relatively inexpensive) for people to maintain their relationships and social connections and feel less isolated while living by themselves. In an opinion piece for Inter Press Service, he predicts single-person households will continue to grow exponentially, increasing global demand for housing, transportation, natural resources, and energy.

The existing housing stock and community infrastructure in the U.S. aren’t set up to meet the needs of singles. In a recent Medium article, “Housing for Singles is Sadder than an Evening of Tinder Swiping,” author David Friedlander points out that nationally, less than 1% of total housing stock is studios and 11% are one-bedrooms. Friedlander, whose marketing communications firm Hothouse focuses on the future of housing, makes an urgent call for home builders to take heed of “the ever-growing numbers of marriage-delaying, cash-poor, single millennials and rapidly expanding populations of single seniors – coupled with softening markets for products like luxury condos,” trends that he sees generating “an ever-mounting market demand (and opportunity)” that home builders should ignore at their own peril.” – Robyn Griggs Lawrence, Author, *Builder*

Demographics

Builder

The Rise of Single Buyers and How They Will Impact the Industry

““We’d all be foolish not to realize that there seems to be a market developing,” says Mike Connor, CEO of Vermont-based Connor Mill Built Homes, which began taking single buyers seriously this year after the sales team tipped them off that it was receiving more calls from them. “We’re seeing a very high rise in first-time single millennials who are coming directly from their parents’ house – not even renting. It’s a shift from years past, when the typical pathway was college, apartment, marriage, buy a home as a couple. We hadn’t spotted this as a trend.”

Toll Brothers, the nation’s largest luxury home builder, saw it coming. The company is now developing products for its 50 markets in 22 states that are salable to all aspects of the market segment, from unmarried millennials to widowed baby boomers, through a series of charrettes with architects and planners as well as interactive social media campaigns that allow Toll Brothers divisions to directly ask buyers what they want. “We can really tweak our offerings based on their Instagram likes,” says Chris Gaffney, a group president who oversees the firm’s suburban home building activities in Connecticut, Massachusetts, New Jersey, and New York. “They’re not buying your typical Toll Brothers single-family home, that’s for sure.”

The result is developments like Toll Brothers’ Edge-on-Hudson in Westchester County, N.Y., located on a transit hub about a half-hour from New York City and offering loft-style homes with rooftop retreats, multiple options for active outdoor lifestyles, telecommuting hubs, and a strong community focus. “It’s a perfect community for singles,” Gaffney says. “They’re able to get out of Manhattan, but they’re close enough with the train station.”” – Robyn Griggs Lawrence, Author,

Builder

Demographics

Builder

The Rise of Single Buyers and How They Will Impact the Industry

A Smaller Jewel Box

“Whether you’re single by choice or by circumstance, being the only single person on a cul-de-sac full of families can be a lonely and unfulfilling experience, devoid of pals to go jogging or share a beer with and awkward at barbecues. That’s why so many singles – particularly younger ones – flock to urban centers like New York City and Washington, D.C., where the share of single-person households in some neighborhoods can approach two-thirds, according to a Pew Research Center study. Traditionally, these single urban dwellers have been renters, but skyrocketing rents are causing many of them to consider home ownership.

“Many singles have been pleased to find that owning a home can be a practical and feasible option,” says Cara Kane, senior director of corporate communications for Los Angeles–based KB Home, which focuses primarily on building neighborhoods for first-time buyers. “Affordable home prices, along with historically low interest rates, have been a contributing factor in the increase in home buyers who are single.”

With half the buying power of a double-income couple, singles often have a harder time qualifying to buy homes. They have lower median household incomes – \$36,600 for single men and \$26,355 for single women compared with \$85,087 for married couples – while the national median home price has reached well over \$300,000, according to Realtor.com. The NAR pegged the national median household income for typical buyers in 2017 at \$91,600, so it’s no wonder Zillow found it takes the typical single American nearly 11 years to save up for a down payment – about twice the time it takes couples. The average single can afford to spend only \$176,100 on a home, putting more than half of the homes in the U.S. out of their reach.” – Robyn Griggs Lawrence, Author, *Builder*

Demographics

Builder

The Rise of Single Buyers and How They Will Impact the Industry

“Price will always be a compelling factor for single home buyers, says Dan Swift, president and CEO of BSB Design, which provides architecture services for builders throughout the nation. That’s why singles gravitate to higher-density, smaller homes with flexible, highly functional layouts. Rob Bowman, president of Lancaster, PA–based Charter Homes & Neighborhoods, says single buyers find affordability through more efficient floor plans with less square footage and low maintenance because “time is a premium, and they don’t want to spend all their money on a home.”

Euromonitor International’s “Top 10 Global Consumer Trends 2019” report states that affordability and convenience are what it’s all about for today’s singles, a group it calls “loner living” consumers. Singles prioritize financial security because they bear the full cost of housing and utilities, and they’re less willing to pay for products advertised as “durable,” “high quality,” “on trend,” or “natural,” preferring simple, functional products that are easy to dispose of and come in smaller packages. “Products and services that help these consumers celebrate their proudly independent lifestyles will succeed in capturing this growing market segment,” the report states.

Risk-averse and mired in tradition, most builders are hesitant to develop the smaller, more efficient homes that would appeal to singles because it’s never been done before, says Nick Lehnert, executive director of design strategies for KTG Architecture + Planning, which has designed communities for builders in 44 states. On the advice of his millennial son, who insists he could live happily in a “shoebox” with a roof deck, Lehnert has been riffing on designs for mini- and micro-homes for builders including Toll Brothers and Salt Lake City–based Woodside Homes, and was recently part of a team chosen to create the Apple Home, a small house packed with tons of utility (much like the iPhone). “We have an emerging trend to go small, whether super small or just small in general,” he says. “We’re trying to find ways to configure houses in a single-family detached format that can still live very well but be small.”” – Robyn Griggs Lawrence, Author,

Builder

Demographics

Survey Spotlight

Single? Buy a home and you might not be for long, according to a recent Realtor.com survey.

46% of all singles said homeownership made a potential partner attractive or very attractive.

48% of women and **43%** of men who responded to the survey said homeowners were sexier.

“Attractiveness is in the eye of the beholder, and this survey data suggests that many beholders find homeownership attractive, perhaps using it as a signal for financial savvy and success,” said Danielle Hale, Realtor.com’s chief economist.

Builder

““There’s no question that quite a few people across the marketplace are choosing smaller, higher-quality homes,” says Connor, whose own clients are following this trend. “That’s not unrelated to single buyers. If you’re by yourself, you’re not going to do as big of a house.”

Also more likely to entertain, most single home buyers will happily swap square footage for more durable and impressive finishes and appointments, Swift says. “They’re a little bit more discerning, at least in my experience. They want a smaller jewel box.”

This is a trend not lost on home supply companies like Whirlpool Corp., which recently started offering smaller versions of JennAir luxury kitchen appliances such as cooktops that are half the size of conventional ones following demand from contractors on both coasts and in between (see sidebar at right). Sub-Zero and Bosch are also offering appliances for compact spaces, and “it’s not just New York,” Bosch’s brand manager Nitasha Rohatgi told *The Wall Street Journal*.” – Robyn Griggs Lawrence, Author, *Builder*

Demographics

Builder

The Rise of Single Buyers and How They Will Impact the Industry

Women Outpacing Men

“Of the singles who make up well more than a quarter of all home buyers, women are the ones to watch. As Rebecca Traister explains in a New York Magazine article, “Single Women Are Now the Most Potent Political Force in America,” the proportion of married women in the U.S. dropped below 50% for the first time in 2009 as the number of adults younger than 34 who had never married rose to 46% – a 12% increase in less than a decade. “We are living through the invention of independent female adulthood as a norm, not an aberration, and the creation of an entirely new population: adult women who are no longer economically, socially, sexually, or reproductively dependent on or defined by the men they marry,” Traister writes.

Steadily outpacing men for the past several years, single females accounted for 18% of home buyers in 2018; single males made up 9%. A 2018 LendingTree survey found that single women owned around 22% of homes in the U.S., while single men owned less than 13%. Boomer women, divorcing in record numbers and outliving their husbands, are driving the surge; the median age for single female buyers was 54 years old. “Single females tend to really value home ownership, not just as a financial investment but also as a place where they can live,” Jessica Lautz, NAR director of demographics and behavioral insights, told Bankrate.

Forward-looking builders are designing with this sub-demographic in mind. They’re offering products that cost less because single women can afford less, qualifying for only 39% of the nation’s homes while single men could buy 52%, according to Zillow. Limited buyer power means women are more willing than men to buy entry-level or starter homes, NAR found, spending a median of \$189,000 compared with men’s \$215,000.” – Robyn Griggs Lawrence, Author, *Builder*

Demographics

Builder

The Rise of Single Buyers and How They Will Impact the Industry

Women Outpacing Men

“Single women, more than most, seek out homes and communities that emphasize safety and security. Often that means higher-density attached homes “because you’re just safer with a larger group of people living nearby,” says Jay Kallos, senior vice president of architecture at Roswell, GA-based Ashton Woods. “The problem is, they don’t want to live in a place that looks like a fortress. The most important sense of security they can get is from having a sense of community. We’re building places where people know their neighbors.”

Chicago-based Lexington Homes is developing a number of townhome and single-family home communities throughout the city and its suburbs that appeal to single women, a demographic that has become very important to the company. Lexington Homes is actively reaching out to single women with social media campaigns and constantly tweaking its product to meet singles’ needs. Recently, CEO Jeff Benach was surprised when a single man in his 40s snapped up the first single-family townhome hybrid in a development in Chicago’s Avondale neighborhood. “I’d expected to see mostly young families,” he says. “He wanted the backyard for his dogs.”

Flexibility and Personalization are Key

Single clients of all genders must see opportunity to grow within a home, Swift says, making flexible spaces and adaptability to lifestyle changes crucial to them. BSB was founded on the principles of individuality over conformity and purpose over precedent, according to Swift, and the firm creates multipurpose spaces that could as easily be media rooms as bedrooms. “People think, maybe if I do get married or remarried, I could change those spaces into something else,” Swift says, noting that houses need to be able to transform over time.” – Robyn Griggs Lawrence, Author, *Builder*

Demographics

Builder

The Rise of Single Buyers and How They Will Impact the Industry

Flexibility and Personalization are Key

“I’m not a psychiatrist, nor do I play one on TV, but I think for the younger group, in the back of their minds, they’re thinking they’re not going to be single forever. At least that’s the hope,” Kallos says. Ashton Woods designs flexible spaces so single buyers can “come in and project what they want onto them – it could be a house for a blended family or they’ve got a bunch of friends who visit every quarter.”

At Ashton Woods, agents are trained to show single buyers how plans can be modified and personalized and how even smaller homes feel like part of the fabric of the community. “When a single lady or a single man comes into the sales center, we want our reps to understand that they don’t necessarily want five bedrooms,” Kallos says. “Maybe the whole second floor on this product could become a man cave or an entertainment area; it doesn’t have to be bedrooms. Flexibility and personalization are key.”

As with any buyer, single buyers want to find products that meet their needs, Kallos adds. “When you slice and dice the term ‘single buyer,’ it can be a lot of different people, and they want to feel special,” he says. “They don’t want to feel like you don’t have anything for them.”” – Robyn Griggs Lawrence, Author, *Builder*

Economics

CityLab

How Housing Wealth Transferred from Families to Corporations

More than \$220 billion in housing wealth has been transferred from Americans who once owned, or would have owned, homes to large corporations.

“The Great Housing Reset has led to growing numbers of single-family homes shifting from owner-occupied housing to investment vehicles for large corporations.

When most people think of housing, they separate it into two types: single-family suburban homes that people own, and apartments, largely in cities and urban centers, that people rent. Until recently, the popular image was more or less correct. Most single-family houses provided homes for the families that owned them.

But more than 12 million single-family homes are currently being rented in the United States. Those homes, valued at more than \$2.3 trillion, make up 35 percent of all rental housing around the country. In the past, the great majority of single-family homes that were rented out were done so by their owners or small real-estate companies. But today, a large and growing share of single-family rental homes are owned and managed by large corporations, real-estate firms, and financial institutions. The percentage of home owners is at its lowest level since the 1960s.

Those are the big takeaways of a [recent study](#) by Andrea Eisfeldt of UCLA’s Anderson School of Management and industry expert Andrew Demers, published as a working paper by the National Bureau of Economic Research (NBER).” – Richard Florida, Co-founder and Editor at Large, *CityLab*

Economics

CityLab

How Housing Wealth Transferred from Families to Corporations

“This is yet another of the [economy-shifting consequences](#) of the financial crisis of 2008. The crisis took a huge bite out of housing prices, and rising unemployment put large numbers of home owners underwater in their mortgages. A good many fell victim to foreclosures, and plummeting housing values meant that they often had to sell their homes for a fraction of their value.

Into the breach stepped large corporations, real-estate investors, and financial institutions that saw a huge investment opportunity in these bargain-basement-priced single-family homes. According to a 2018 report in [Curbed](#), a handful of large companies like Invitation Homes, American Homes 4 Rent, Progress Residential, Main Street Renewal, and Tricon American Homes own approximately 200,000 single-family rental homes and that number is growing. The *Curbed* story cites research finding that these homes tend to be concentrated in areas that were hit hard by the housing crisis; that many of their renters are low- and moderate-income families with children (including many minority families); and that these large companies frequently charge higher rents and are more likely to evict tenants.

These homes are not just properties that are rented out to house families; they have been transformed into a new class of financial asset and investment vehicle. According to the NBER study, the homes have been capitalized into single-family rental bonds, which has grown into a \$15 billion-plus market. Three Real Estate Investment Trusts (REITs) backed by single-family rental assets have had IPOs with a market capitalization of more than \$18 billion.” – Richard Florida, Co-founder and Editor at Large, *CityLab*

Economics

CityLab

How Housing Wealth Transferred from Families to Corporations

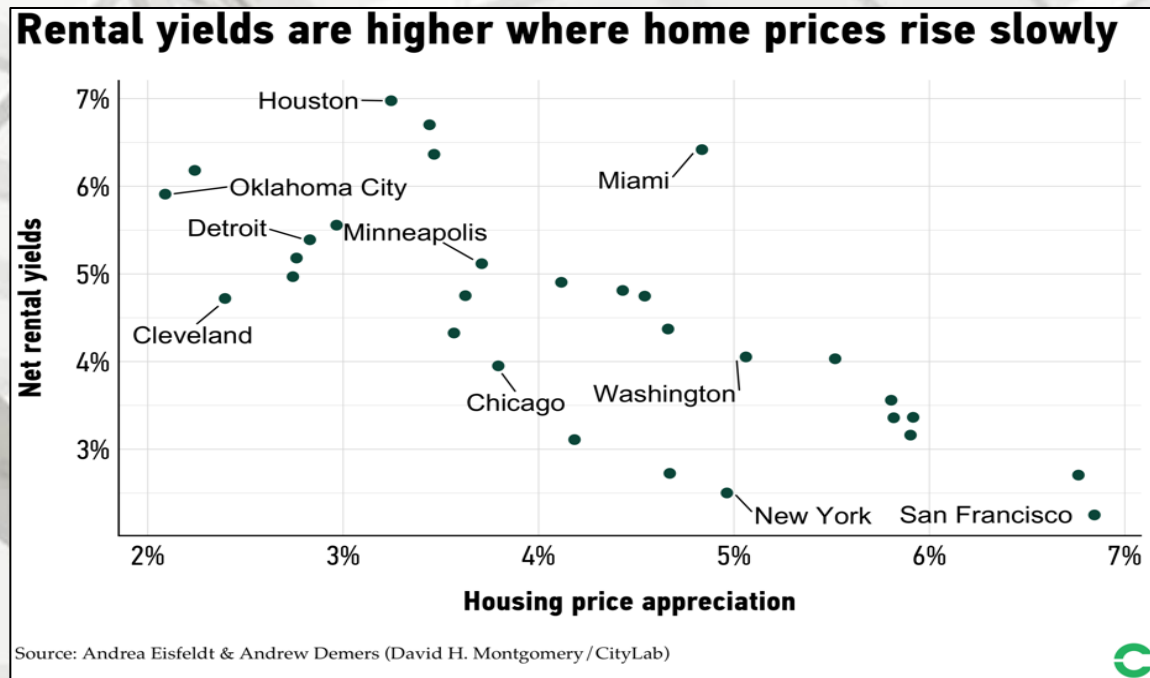
“It’s a disturbing twist to the phenomenon I’ve dubbed the [Great Reset](#). A large and growing component of the shift, or reset, from homeownership to rental housing is made up of single-family homes that were once owned but are now rented. The NBER study estimates that the 4 percent decline in America’s homeownership rate, from 67 percent before the crash in 2007 to 63 percent in 2014, means that roughly 1.5 million American households have shifted from owners to renters.

This represents more than \$220 billion in housing value — a huge transfer of wealth from Americans who once owned, or would have owned, these homes, to large corporations.

As the NBER study shows, these large-scale investors in single-family homes have essentially made money two ways: by collecting rents, and also by gaining from the appreciation in the value of these homes. To get a sense of this, the study tracks both rental yields and housing-price appreciation for the 30 leading cities using a combination of data from American Housing Survey, from the U.S. Census Bureau, and CoreLogic’s House Price Index data.

The numbers add up fast. When it comes to rent, gross rental yields (that is, before expenses) averaged 7.4 percent, while net yields averaged 4.5 percent a year. Housing prices appreciated by 4.3 percent over this time. The chart below shows how the 30 cities stack up over this period.” – Richard Florida, Co-founder and Editor at Large, *CityLab*

Economics



CityLab

How Housing Wealth Transferred from Families to Corporations

“A basic pattern jumps right off this graph. On the one hand, in cities with lower overall housing prices, the rate of housing-price appreciation is lower, but rental yields are higher. On the other hand, in more expensive cities, yields are lower but appreciation is higher.

In fact, rent yields in the lowest-priced quintile of cities were about double those in the highest-priced quintile — an average of 6.1 percent versus 2.9 percent between 1986 and 2014. “[R]ental yields tend to be highest in the lowest price tier cities, and monotonically decline with price tier,” is how the study puts it. And it adds that “high quality houses should, all else equal, have both higher rents and higher purchase prices. Empirically, however, rental yields are substantially higher in lower price tier cities.”” – Richard Florida, Co-founder and Editor at Large, *CityLab*

Economics

CityLab

How Housing Wealth Transferred from Families to Corporations

“On the flip side, housing in more expensive cities has seen greater appreciation. Between 1986 and 2014, housing-price appreciation averaged 5.3 percent in the most expensive cities, versus 3.2 percent in the least expensive cities. The large corporate owners of single-family rentals make more money off rents in poorer cities, and more money off appreciation in expensive cities.

In a twist that is both ironic and disturbing, the Great Reset turns out to be more than just a simple shift from owners of single-family homes to renters of urban apartments. It has been bound up with the broader [financialization of housing](#) — the transformation of housing from shelter into yet another investment vehicle.

Just as high-priced condos in expensive cities have become a new kind of asset for large companies and wealthy foreigners, so too have larger and larger numbers of single-family homes been turned into investment vehicles for large corporations. For a growing number of families, the American Dream of owning their own home and the wealth and financial security that comes from it have given way to renting a place to live from a mega-corporation.” – Richard Florida, Co-founder and Editor at Large, *CityLab*

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