The Virginia Tech–USDA Forest Service Housing Commentary: Section II
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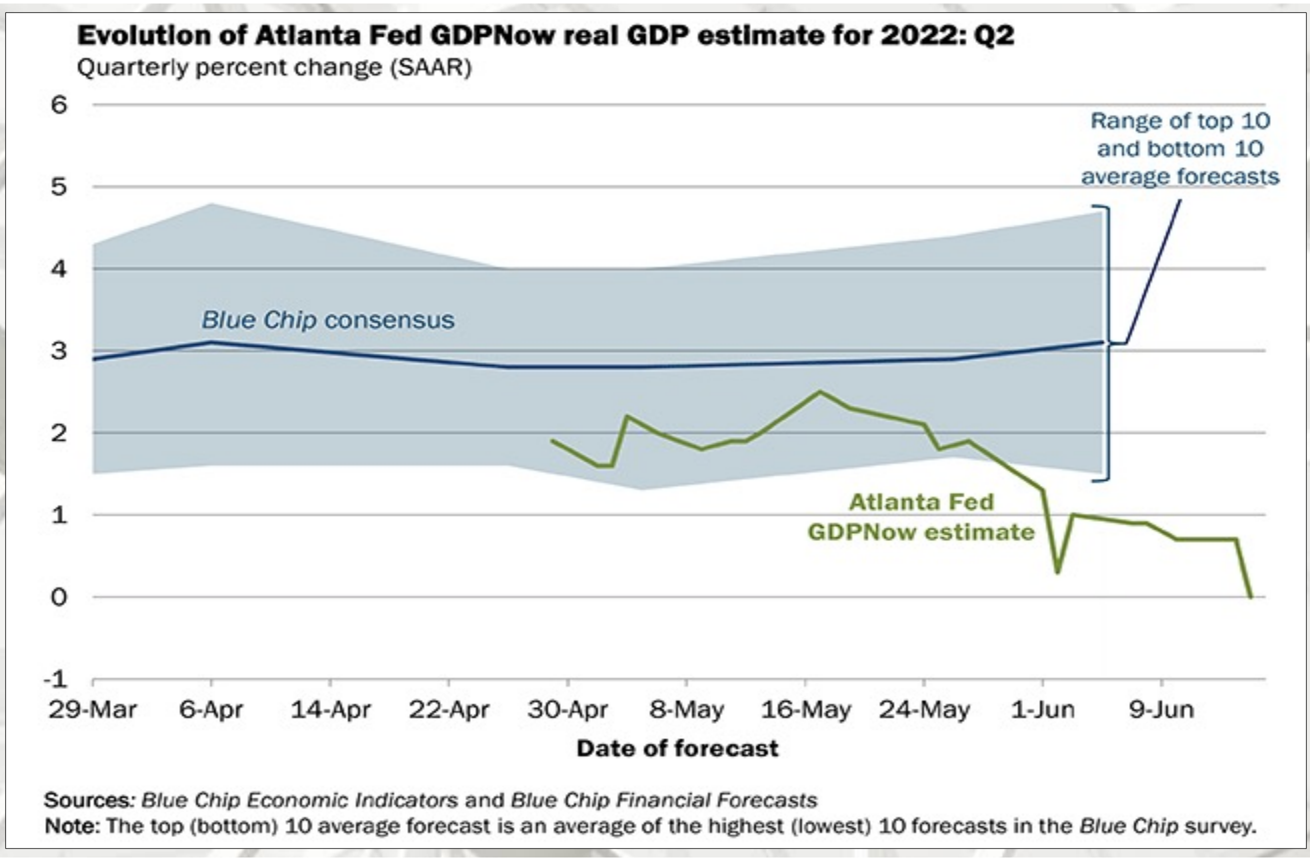
2021 Virginia Polytechnic Institute and State University VCE-ANR

Table of Contents

U.S. Economic Indicators



Atlanta Fed GDPNow™

Latest estimate: 0.0 percent — June 15, 2022

"The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2022 is **0.0 percent** on June 15, down from 0.9 percent on June 8. After recent releases from the US Bureau of Labor Statistics, the US Census Bureau, and the US Department of the Treasury's Bureau of the Fiscal Service, the nowcasts of second-quarter real personal consumption expenditures growth, second-quarter real gross private domestic investment growth, and second-quarter real government spending growth decreased from 3.7 percent to 2.6 percent, -8.5 percent to -9.2 percent, and 1.3 percent to 0.9 percent, respectively." – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 6/15/22

Return to TOC

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

Index Suggests Economic Growth Increased in April

"The Chicago Fed National Activity Index (CFNAI) increased to +0.47 in April from +0.36 in March. All four broad categories of indicators used to construct the index made positive contributions in April, and three categories improved from March. The index's three-month moving average, CFNAI-MA3, ticked down to +0.48 in April from +0.49 in March.

The CFNAI Diffusion Index, which is also a three-month moving average, moved up to +0.48 in April from +0.42 in March. Sixty-two of the 85 individual indicators made positive contributions to the CFNAI in April, while 23 made negative contributions. Forty-seven indicators improved from March to April, while 37 indicators deteriorated and one was unchanged. Of the indicators that improved, nine made negative contributions.

Production-related indicators contributed +0.26 to the CFNAI in April, up slightly from +0.20 in March. Industrial production increased 1.1 percent in April after moving up 0.9 percent in March. The contribution of the sales, orders, and inventories category to the CFNAI edged up to +0.04 in April from –0.01 in the previous month.

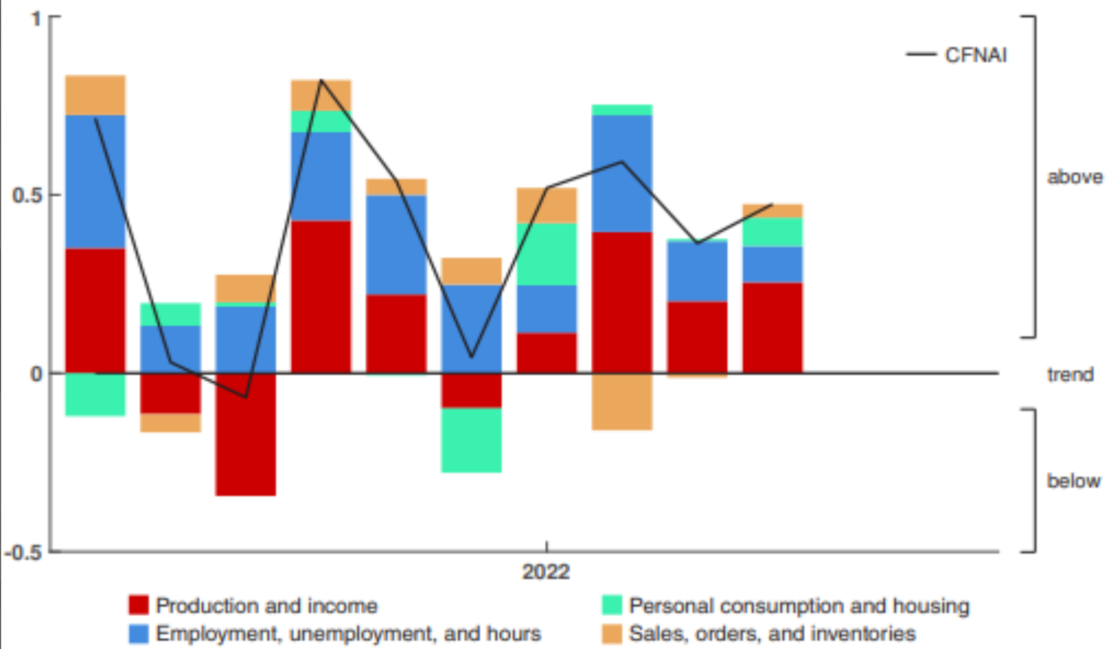
Employment-related indicators contributed +0.10 to the CFNAI in April, down from +0.17 in March. The unemployment rate was unchanged at 3.6 percent in April. Yet, on balance, employment related indicators weakened slightly from March. The contribution of the personal consumption and housing category to the CFNAI moved up to +0.08 in April from +0.01 in March." – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/publications/cfnai/index; 5/23/22

Return to TOC

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

Chicago Fed National Activity Index, by Categories



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

	Apr '22	Mar '22	Feb '22	Jan '22	Dec '21	Nov '21	Apr '21
CFNAI							
Current	+0.47	+0.36	+0.59	+0.52	+0.04	+0.54	–0.08
Previous	N/A	+0.44	+0.54	+0.75	+0.01	+0.56	–0.07
CFNAI-MA3							
Current	+0.48	+0.49	+0.39	+0.37	+0.47	+0.43	+0.21
Previous	N/A	+0.57	+0.43	+0.44	+0.46	+0.44	+0.22
CFNAI Diffusion							
Current	+0.48	+0.42	+0.29	+0.29	+0.45	+0.46	+0.15
Previous	N/A	+0.45	+0.31	+0.33	+0.45	+0.45	+0.16

Current and Previous values reflect index values as of the May 23, 2022, release and April 25, 2022, release, respectively.
N/A indicates not applicable.

Source: https://www.chicagofed.org/publications/cfnai/index; 5/23/22

Return to TOC

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

Survey Suggests Growth Picked Up in May

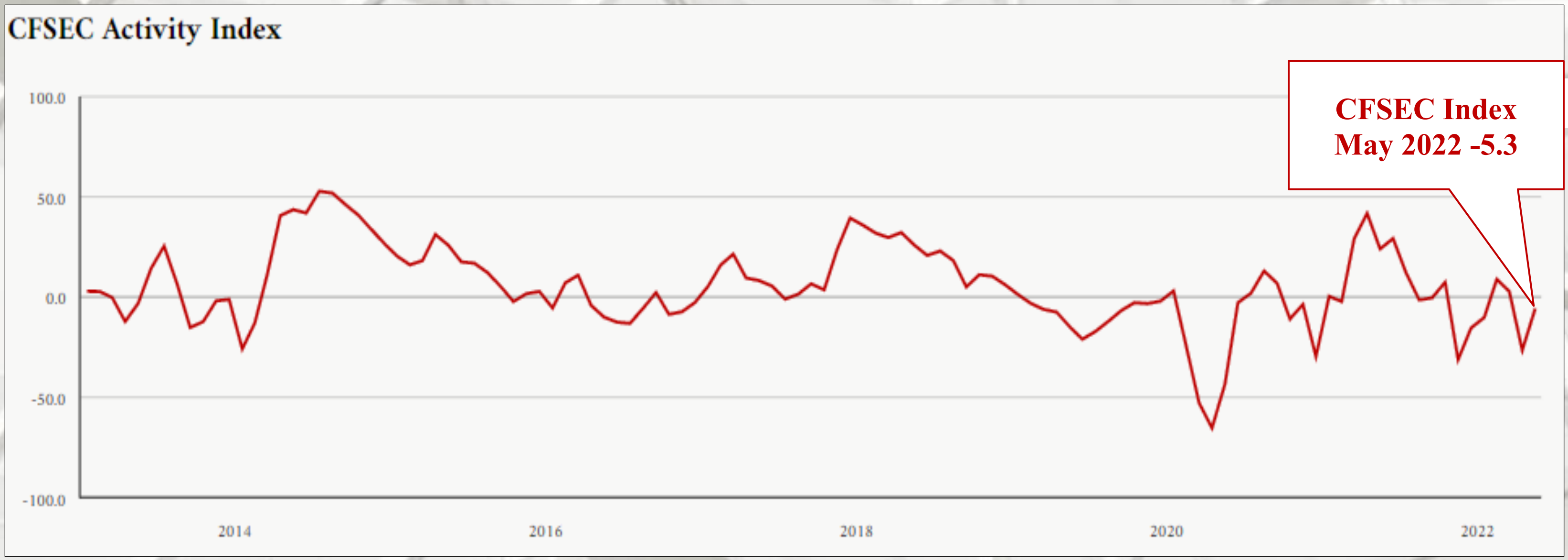
“The *Chicago Fed Survey of Economic Conditions* (CFSEC) Activity Index increased to –5 in May from -26 in April, suggesting that economic growth was near trend. The CFSEC Manufacturing Activity Index increased to a neutral value in May from –25 in April, and the CFSEC Nonmanufacturing Activity Index increased to –9 in May from –29 in the previous month.

- Respondents’ outlooks for the U.S. economy for the next 12 months deteriorated, and remained pessimistic on balance. Twenty-two percent of respondents expected an increase in economic activity over the next 12 months.
- The pace of current hiring increased, but respondents’ expectations for the pace of hiring over the next 12 months decreased. The hiring index moved into positive territory, but the hiring expectations index moved into negative territory.
- Respondents’ expectations for the pace of capital spending over the next 12 months increased, and the capital spending expectations index turned positive.
- The labor cost pressures index decreased, but the nonlabor cost pressures index increased. Both cost pressures indexes remained positive.” – Thomas Walstrum, Senior Business Economist, The Federal Reserve Bank of Chicago

Source: https://www.chicagofed.org/research/data/cfsec/current-data; 6/10/22

Return to TOC

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



Source: https://www.chicagofed.org/research/data/cfsec/current-data; 6/10/22

Return to TOC

The Federal Reserve Bank of Dallas

Texas Manufacturing Outlook Survey

Texas Manufacturing Growth Picks Up, but Some Weaknesses Emerge

“Texas factory activity expanded at a fairly robust pace in May, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, rose from 10.8 to 18.8, signaling an acceleration in growth from April.

Other measures of manufacturing activity showed mixed movements. While the capacity utilization and shipments indexes moved up – to 19.8 and 13.1, respectively – the survey’s demand indicators retreated. The new orders index fell nine points to 3.2, and the growth rate of orders index plummeted 18 points and turned negative at -5.3. Both readings mark their lowest levels in about two years.

Perceptions of broader business conditions worsened in May. The general business activity index retreated eight points to -7.3, entering negative territory for the first time since July 2020 in the wake of the pandemic’s initial onset. The company outlook index pushed further negative from -5.5 to -10.0. The outlook uncertainty index remained elevated at 26.5.

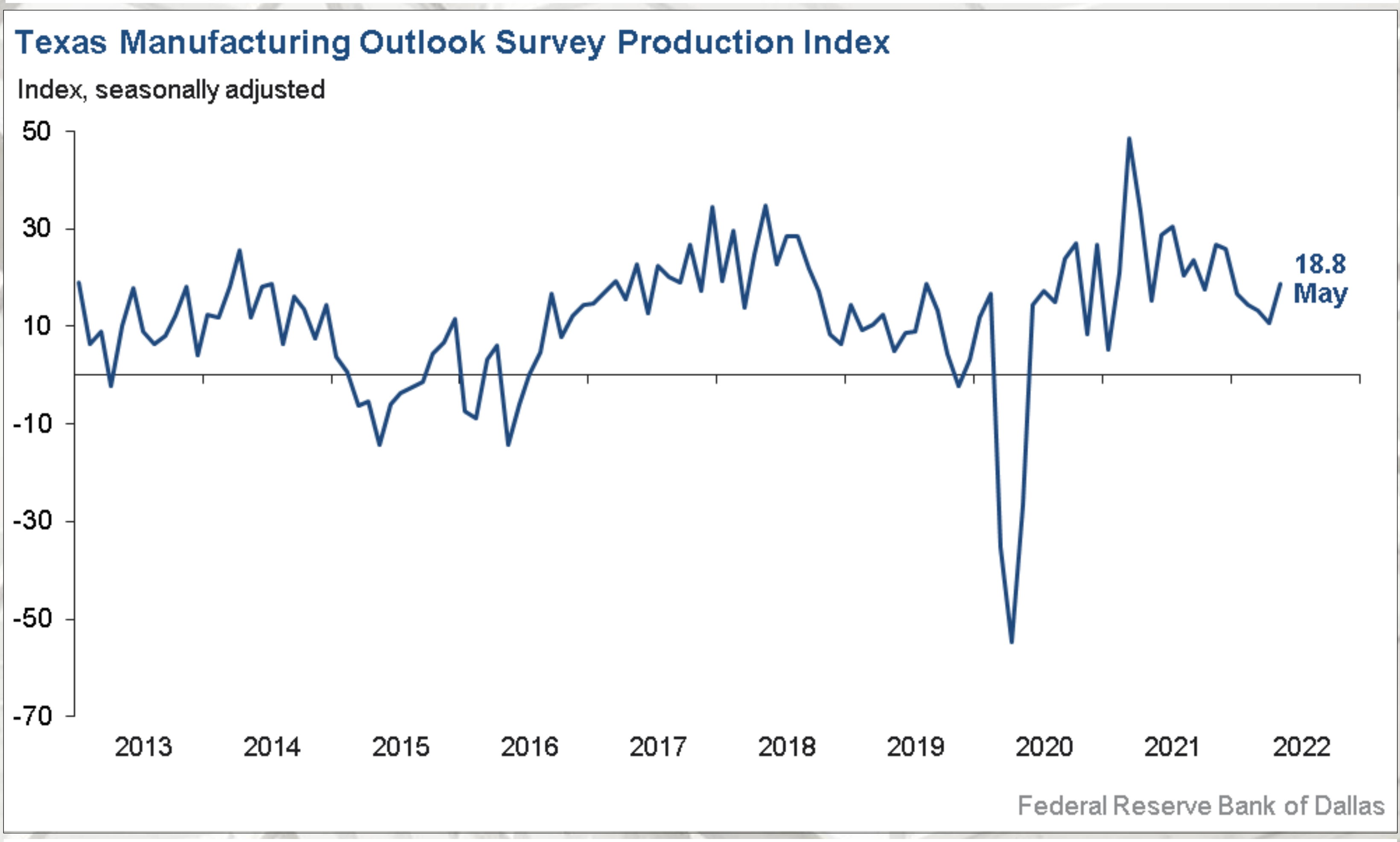
Labor market measures indicated robust employment growth and longer workweeks. The employment index edged down four points to 20.9 but remained highly elevated. Thirty-one percent of firms noted net hiring, while 11 percent noted net layoffs. The hours worked index also remained elevated but edged down to 7.4.

Prices and wages continued to increase strongly in May. The raw materials prices index held steady at 61.8 – more than twice its average of 27.8. The finished goods prices index was also largely unchanged at a highly elevated reading of 41.8. The wages and benefits index came in at 50.5, similar to April and markedly higher than its 20.2 average.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 5/31/22

Return to TOC

The Federal Reserve Bank of Dallas



"Expectations regarding future manufacturing were mixed but generally less optimistic than in April. The future production index remained positive but fell from 34.7 to 19.9, a reading now well below average. The future general business activity index fell eight points to -6.5, entering negative territory for the first time in two years. Other measures of future manufacturing activity showed mixed movements but remained solidly in positive territory." – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 5/31/22

Return to TOC

The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey

Texas Service Activity Weakens Further in May

“Activity in the Texas service sector decelerated in May, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, declined from 11.2 in April to 6.3 in May, as the share of firms reporting declining revenues increased from 18.5 percent to 21 percent.

Labor market indicators moderated, as growth in employment and hours worked declined compared with April. The employment index fell from 14.5 to 8.1 – its lowest level since February 2021 – while the part-time employment index was unchanged at 3.0. The hours worked index declined three points to 5.6 – tied with a September 2021 low.

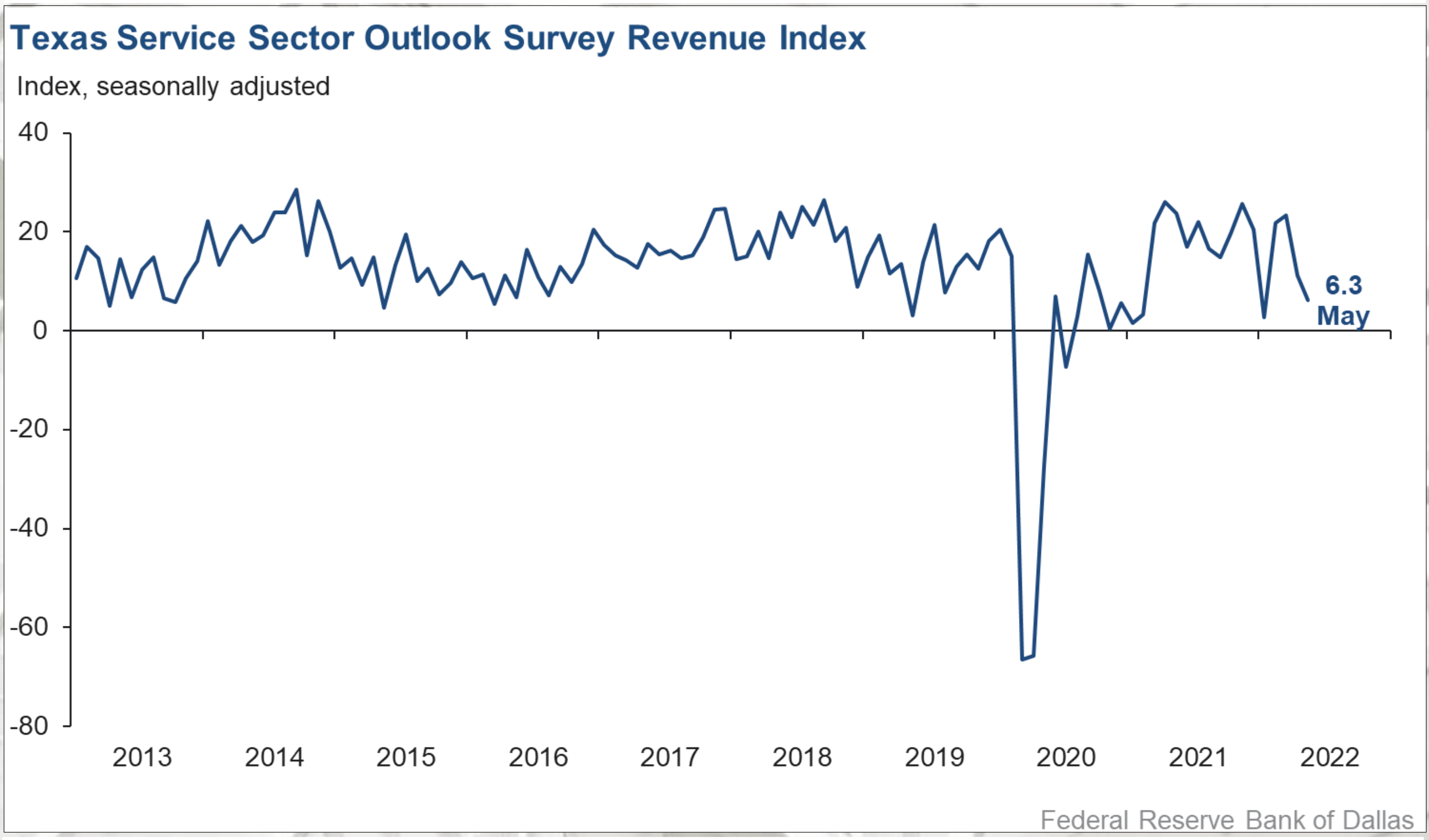
Perceptions of broader business conditions were largely unchanged in May, although uncertainty increased sharply. The general business activity index fell from 8.2 to 1.5, a reading indicative of almost no net change, as the 20 percent share of firms noting a worsening of business activity nearly matched the share reporting an improvement in activity. The company outlook index dipped from 2.4 to 0.9, while the outlook uncertainty index surged six points to 25.2 – its highest reading since July 2020.

Price pressures remained near record highs in May, while wage growth accelerated slightly. The selling prices index softened one point to 32.6, with 36 percent of respondents noting monthly price increases, while the input prices index was unchanged at 53.5. The wages and benefits index added two points to rise to 35.0, only slightly off a record 37.4 reading in January 2022.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 6/1/22

Return to TOC

The Federal Reserve Bank of Dallas



Texas Service Sector Outlook Survey

"Respondents' expectations regarding future business activity were markedly less optimistic compared with April. The future general business activity index fell into negative territory at -3.9, its first negative reading in nearly two years, and the future revenue index declined nearly 12 points to 35.5. Other future service sector activity indexes such as employment and capital expenditures remained in positive territory, suggesting expectations for continued growth over the second half of the year." – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 6/1/22

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Growth in Tenth District Manufacturing Activity Slowed Slightly

The pace of regional factory growth slowed slightly but remained strong. Firms continued to report negative impacts from higher inflation and supply shortages. Nearly 70% of all firms reported worse supply disruptions and shortages compared with 2021, with most expecting conditions to last another six months or longer.

Factory Activity Pace of Growth Slowed Slightly

"Growth in Tenth District manufacturing activity slowed slightly but remained strong, and expectations for future activity also eased slightly from recent historical highs (Chart 1). Raw materials price indexes modestly declined from last month and remained similar to year-ago levels. Finished goods price indexes eased modestly from a month ago and compared with last year. Expectations for future raw materials and finished goods prices remained high, but not as much as recent historical highs.

The month-over-month composite index was 23 in May, down from 25 in April, and 37 in March. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Factory growth was driven by more activity at durable goods plants in May, especially transportation equipment, electrical equipment, and furniture related product manufacturing. " – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 5/26/22

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Factory Activity Pace of Growth Eased Somewhat

"Month-over-month indexes were positive in May, but the pace of growth eased slightly. Indexes for volume of new orders, employment, and order backlog rose at a faster pace, while the growth in supplier delivery time and volume of shipments decreased modestly. New orders for exports also inched up. Year-over-year factory indexes remained steady, with a composite index of 54 for the second month in a row. Supplier delivery time increased modestly compared to a year ago, along with finished goods and materials inventories. The future composite index was 31 in May, down from 34 in April. Indexes for future production, shipments, new orders, and capital spending moderated slightly, while firms expected increases in order backlog, new orders for export, and supplier delivery time.

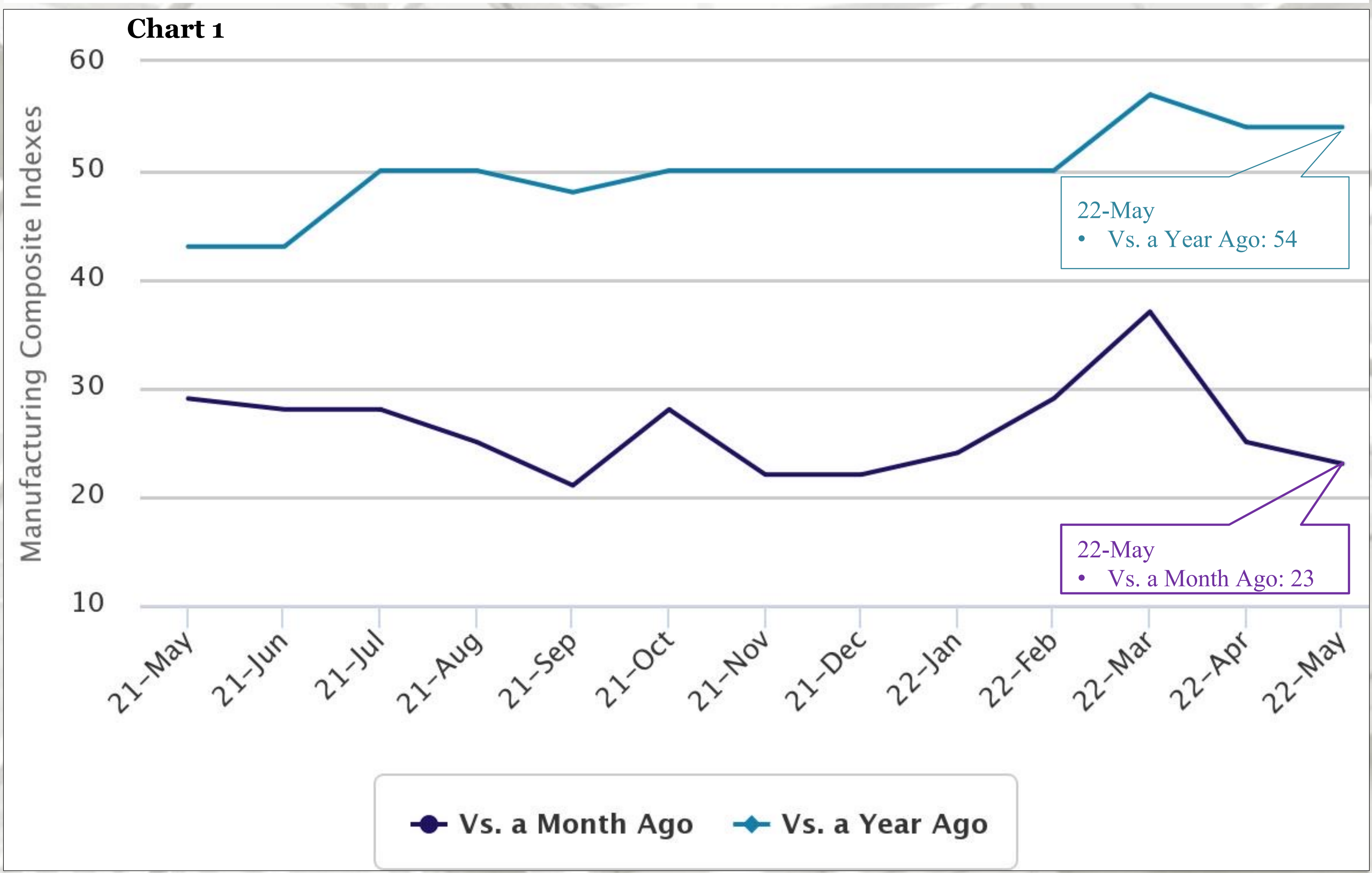
Special Questions

This month contacts were asked special questions on rising materials prices, supply chain disruptions/shortages, and wage and price expectations. In May, 92% of firms reported being affected by rising materials prices and lack of availability/delivery times and 87% anticipated this to persist for at least 6 months or longer. Over 59% of firms expected wages and prices to rise slightly or significantly faster compared with a year ago. A significant share of firms reported the expectation for prices to rise at a similar rate. However, a small share of firms reported the expectation for wages and prices to rise slower than a year ago." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 5/26/22

Return to TOC

The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 5/26/22

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of Kansas City

Growth in Tenth District Services Continued at a Solid Pace

Growth in Tenth District services activity continued at a solid pace in May, while expectations for future activity eased somewhat but remained positive. Compared to the previous month, indexes for input prices increased somewhat while selling prices inched downward. However, both remained at high levels. Most firms continued to expect input prices to rise over the next six months while expectations for selling prices eased slightly in May.

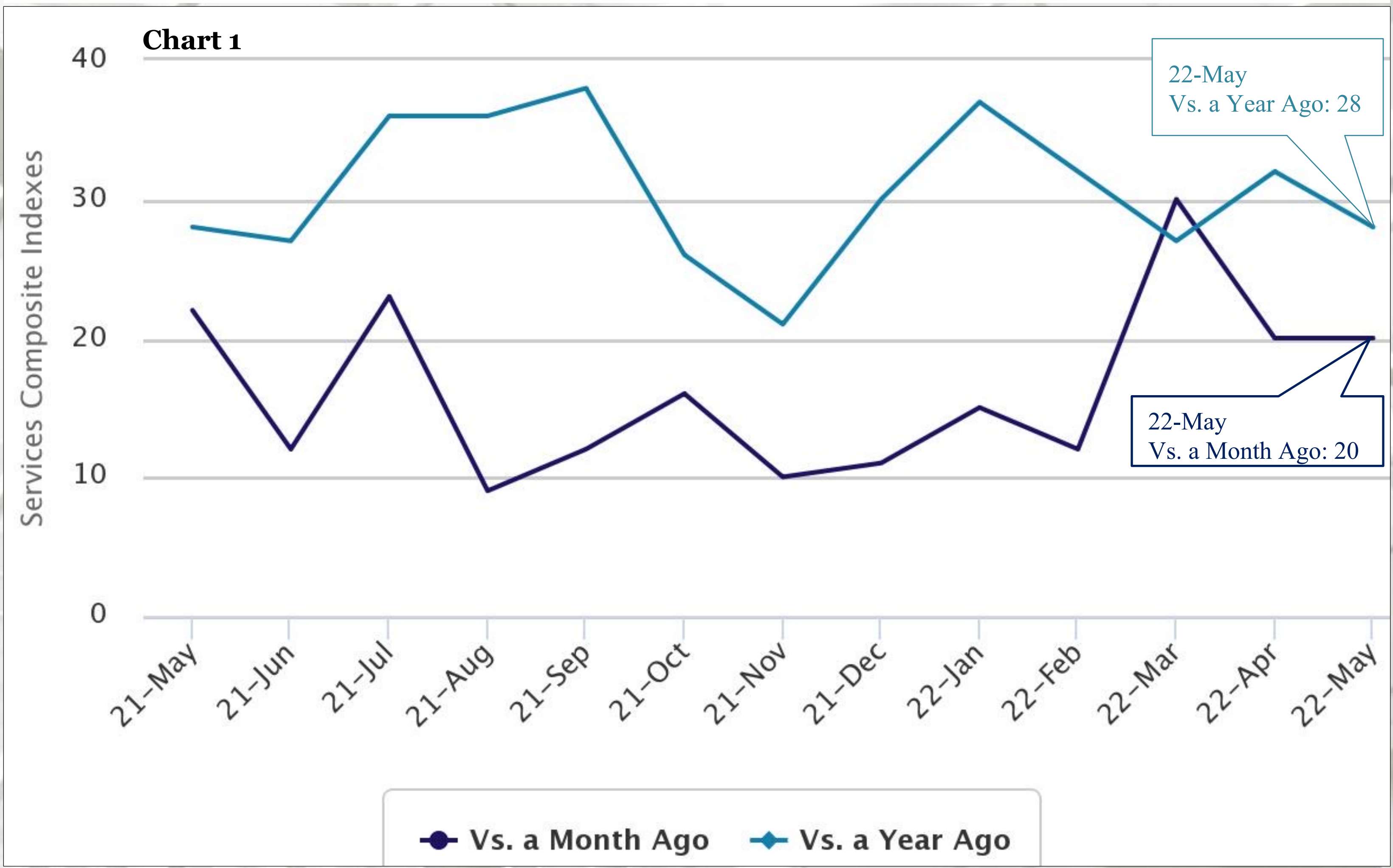
Business Activity Continued at a Solid Pace

"The month-over-month services composite index was 20 in May, unchanged from 20 in April, and lower than 30 in March. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Higher revenue and sales were driven by more activity in transportation, retail trade, tourism & hotels, and restaurants. However, growth eased for real estate, auto activity, and furniture and home furnishing stores. Month-over-month indexes pace of growth continued at a solid pace in May, with an increase in the employment, hours worked, wages and benefits, and revenue/sales indexes. Inventory levels indexes remained positive, but the pace of growth declined moderately. The year-over-year composite index decreased slightly from 32 to 28, as the revenue/sales, hours worked, wages and benefits, and inventory indexes continued to contract compared to a year ago. Expectations for services activity eased somewhat in May with the future composite index declining from 42 to 26, driven by lower indexes for future inventories, capital expenditures, employment, and hours worked." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City

Source: https://www.kansascityfed.org; 5/27/22

Return to TOC

The Federal Reserve Bank of Kansas City



Source: https://www.kansascityfed.org; 5/27/22

Return to TOC

The Federal Reserve Bank of New York

May Empire State Manufacturing Survey

Activity Levels Off

“Business activity was little changed in New York State, according to firms responding to the June 2022 *Empire State Manufacturing Survey*. The headline general business conditions index rose ten points to -1.2. New orders and shipments edged slightly higher, and unfilled orders declined for the first time in over a year. Delivery times lengthened at a slower pace than in recent months, and inventories grew significantly. Labor market indicators pointed to a solid increase in employment and a longer average workweek. The prices paid index moved higher, and the prices received index edged lower, but both remained elevated. Looking ahead, optimism about the six-month outlook remained muted.

After declining last month, manufacturing activity held steady in New York State, according to the June survey. The general business conditions index climbed ten points to -1.2. Twenty-eight percent of respondents reported that conditions had improved over the month, and twenty-nine percent reported that conditions had worsened. After plunging below zero last month, the new orders and shipments indexes climbed into positive territory, pointing to a small increase in both areas. The unfilled orders index fell to -4.3, its first negative reading in over a year, indicating that unfilled orders shrank. The delivery times index fell six points to 14.5, suggesting that delivery times lengthened, though at the slowest pace in over a year. The inventories index rose nine points to 17.1, indicating that inventories expanded.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 6/15/21

Return to TOC

The Federal Reserve Bank of New York

Empire State Manufacturing Survey

Employment Grows Solidly

"The index for number of employees increased five points to 19.0, pointing to a solid increase in employment, and the average workweek index came in at 6.4, indicating a small increase in hours worked. The prices paid index rose five points to 78.6, several points below its recent record high, and the prices received index edged down to a still elevated 43.6, signaling ongoing substantial increases in both input prices and selling prices.

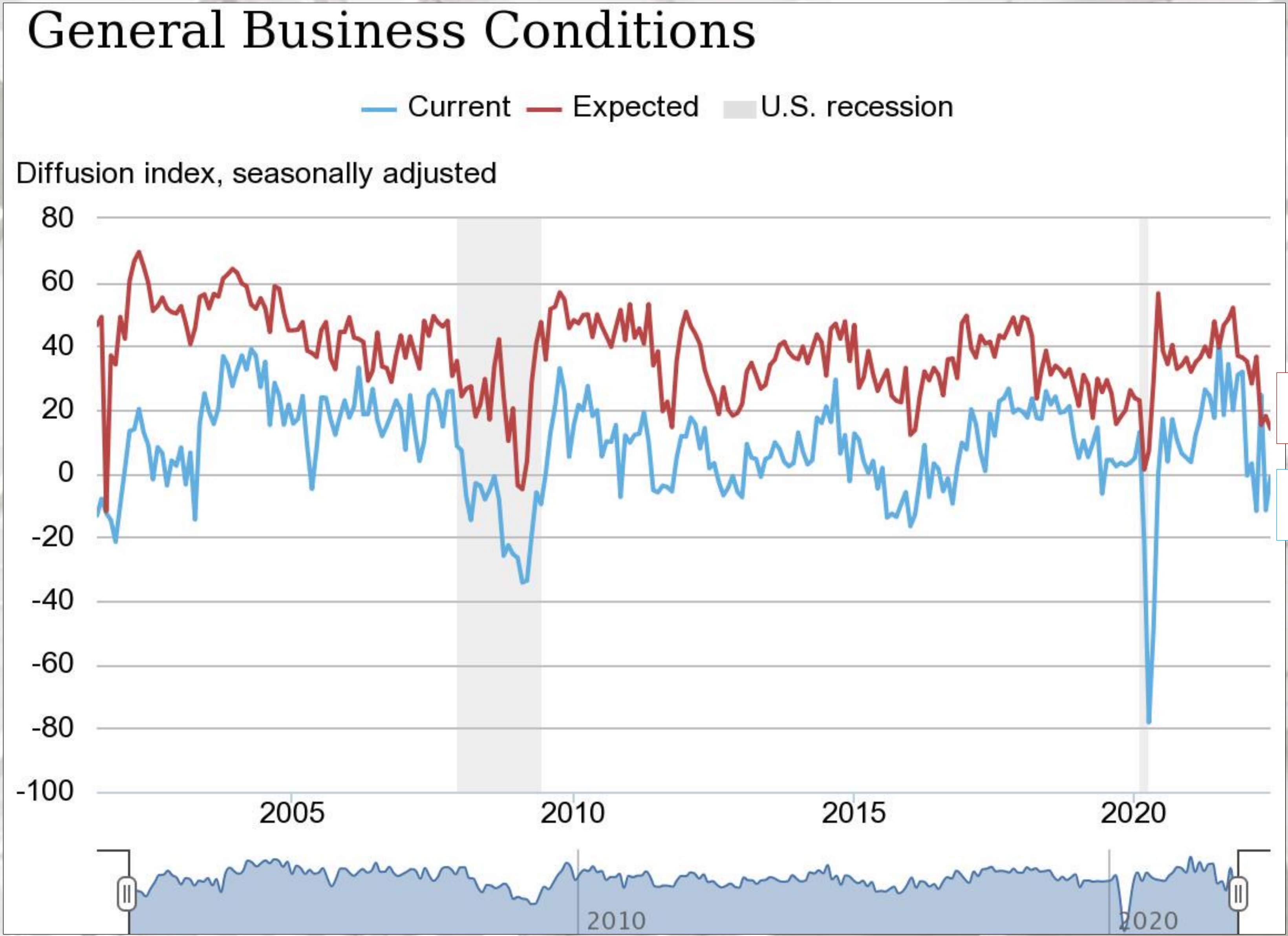
Optimism Remains Subdued

Optimism about future conditions was subdued for a third consecutive month. The index for future business conditions fell four points to 14.0. Delivery times are expected to decline over the next six months, as are unfilled orders, while increases in prices and employment are expected to continue in the months ahead. Capital spending and technology spending plans remained firm." – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 6/15/21

Return to TOC

The Federal Reserve Bank of New York



June 2022
14.0

June 2022
-1.2

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 6/15/21

Return to TOC

The Federal Reserve Bank of New York

May Business Leaders Survey (Services)

Growth Slows

“Growth slowed in the region’s service sector, according to firms responding to the Federal Reserve Bank of New York’s May 2022 *Business Leaders Survey*. The survey’s headline business activity index fell thirteen points to 11.5. The business climate index moved down thirteen points to -27.1, indicating that firms generally viewed the business climate as worse than normal for this time of year. Employment levels continued to grow at a solid clip, and wage increases remained widespread. The prices paid index and the prices received index held at near record-high levels. Looking ahead, optimism continued to wane, with less than half of respondents expecting activity to increase over the next six months.

Business activity in the region’s service sector continued to expand, but at a slower pace than last month, according to the May survey. The headline business activity index fell thirteen points to 11.5, its lowest reading since February. Thirty-five percent of respondents reported that conditions improved over the month and 23 percent said that conditions worsened. The business climate index fell thirteen points to -27.1, indicating that on net, firms continued to view the business climate as worse than normal.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 5/17/22

Return to TOC

The Federal Reserve Bank of New York

May Business Leaders Survey (Services)

Firms Adding Workers At A Solid Clip

“The employment index held steady at 18.3, pointing to a solid increase in employment levels. The wages index was little changed at 52.9, signaling another month of strong wage growth. Input and selling price increases remained near record levels. The prices paid index was unchanged at 86.4, and the prices received index came in at 47.4. The capital spending index dipped to 6.3.

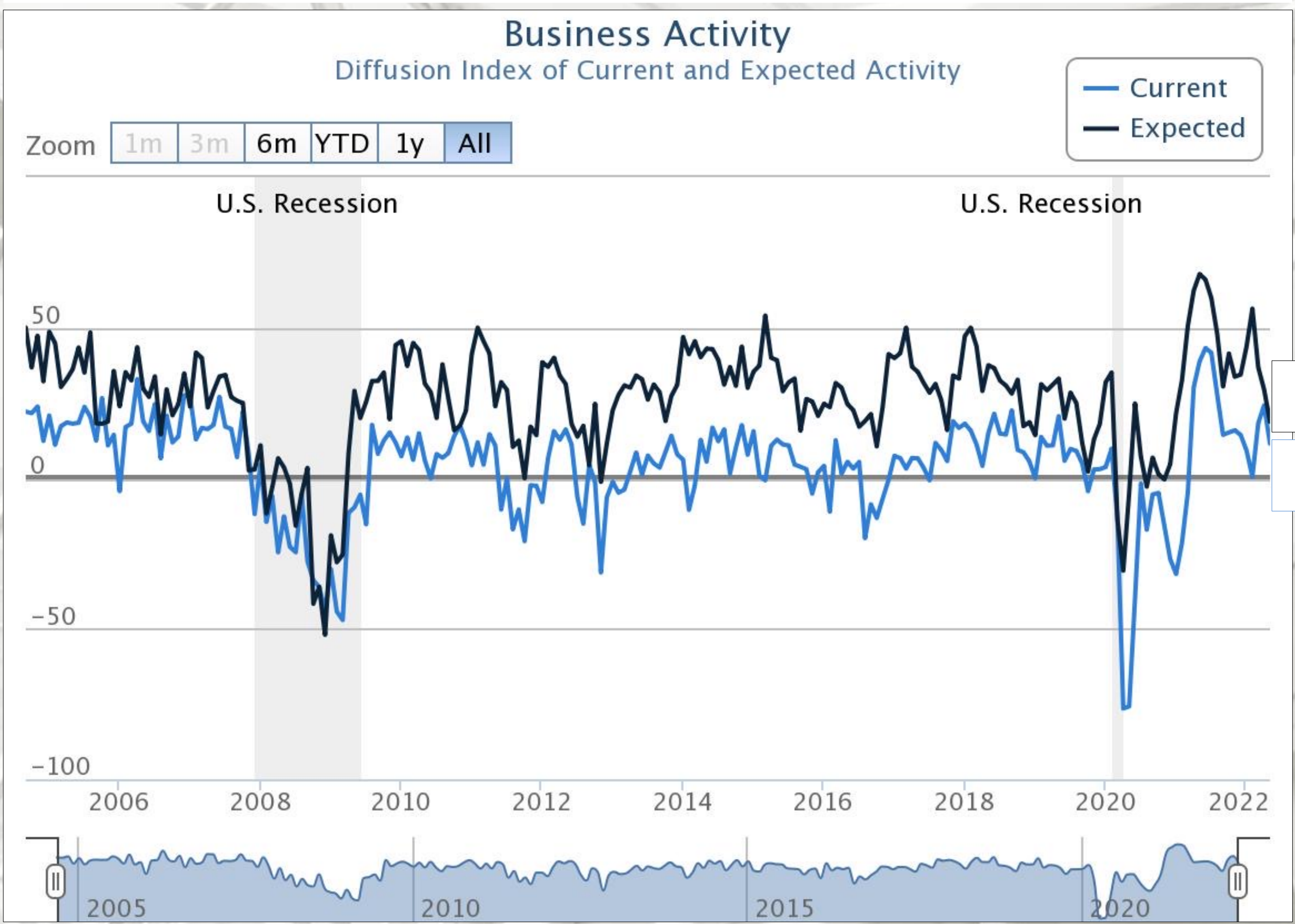
Optimism Wanes

While firms generally expected conditions to improve over the next six months, optimism waned for a third consecutive month. The index for future business activity fell eleven points to 18.8, its lowest reading in well over a year. Strong gains in employment, wages, and prices are expected in the months ahead.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 5/17/22

Return to TOC

The Federal Reserve Bank of New York



May 2022
18.8

May 2022
11.5

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 4/18/22

Return to TOC

The Federal Reserve Bank of Philadelphia

May 2022 Manufacturing Business Outlook Survey

“Manufacturing activity in the region continued to expand overall this month, according to the firms responding to the May *Manufacturing Business Outlook Survey*. The diffusion index for current activity fell 15 points to 2.6 in May, its lowest reading in two years. However, the new orders and shipments indexes rose. In addition, the firms continued to indicate overall increases in employment and widespread increases in prices paid and received. The survey’s future indexes suggest muted optimism for growth over the next six months.

Current Indicators Move in Mixed Directions

The diffusion index for current activity fell 15 points to 2.6 in May, its lowest reading in two years (see Chart). Most firms (57 percent) reported no change in current activity this month, while the share of firms reporting increases (22 percent) narrowly exceeded the share reporting decreases (20 percent). The index for new orders rose 4 points to a reading of 22.1, and the current shipments index climbed 16 points to 35.3, its highest reading since October 2020.

On balance, the firms reported increases in manufacturing employment, but the current employment index fell 16 points to 25.5. Although most firms (71 percent) reported steady employment levels, almost 27 percent of the firms reported higher employment (down from 42 percent last month), while only 1 percent reported lower employment (similar to last month). The average workweek index decreased 5 points to 16.1.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-05; 5/19/22

Return to TOC

The Federal Reserve Bank of Philadelphia

May 2022 Manufacturing Business Outlook Survey

Price Indexes Remain Elevated

"The firms continued to report increases in prices for inputs and their own goods. The prices paid diffusion index – which hit a near-43-year high last month – declined 6 points to 78.9. More than 81 percent of the firms reported increases in input prices, and 17 percent reported no change. The current prices received index edged down 3 points to 51.7. Nearly 52 percent of the firms reported increases in the prices of their own goods, and 47 percent reported no change.

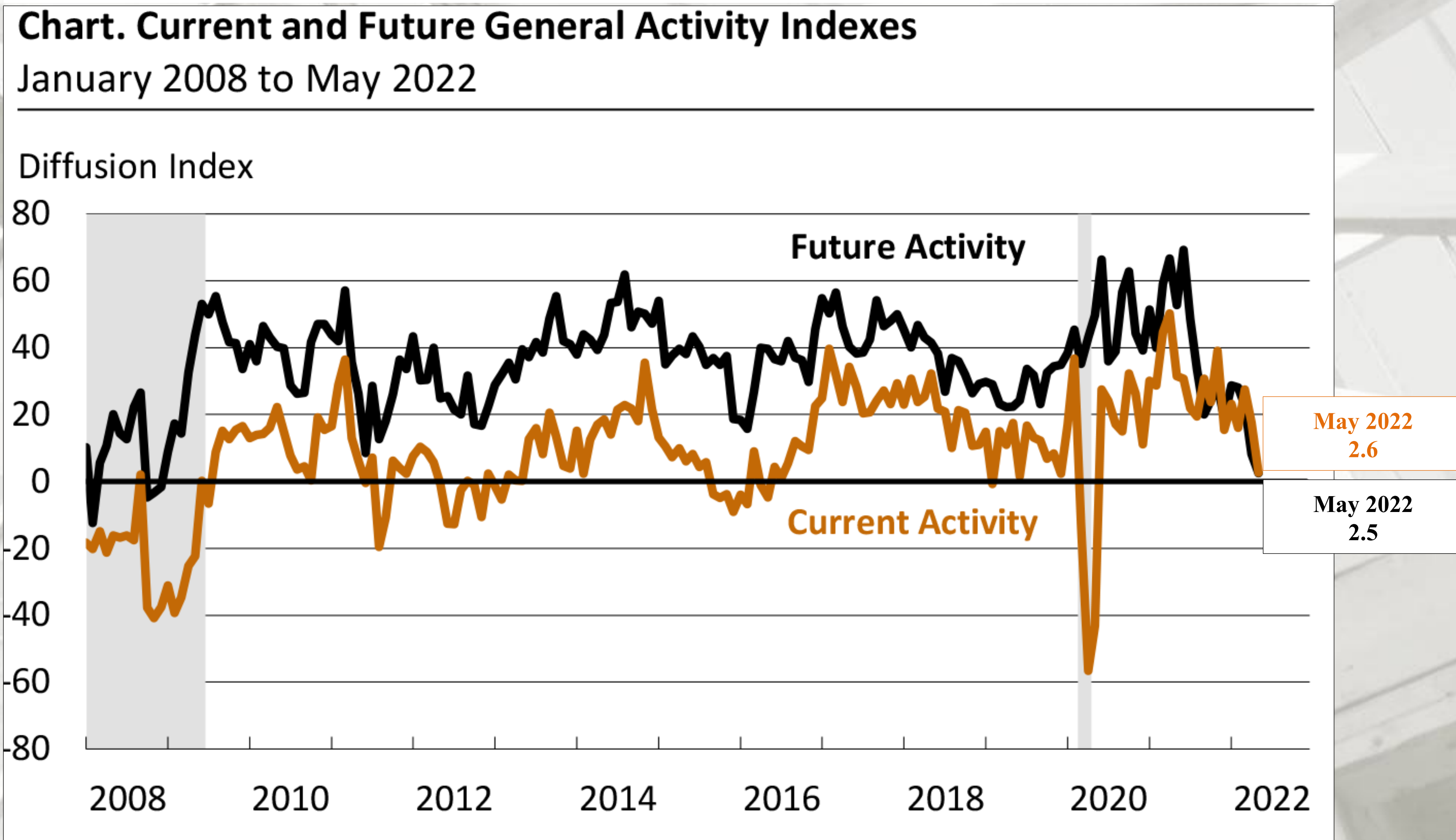
Firms Expect Own Price Increases to Lag Inflation Rate

In this month's special questions, the firms were asked to forecast the changes in prices of their own products and for U.S. consumers over the next four quarters. The firms' median forecast for the rate of inflation for U.S. consumers over the next year was 6.5 percent, up from 5.0 percent from when the question was last asked in February. Regarding their own prices over the next year, the firms' median forecast was for an increase of 5.0 percent, unchanged from February and below the median reported own price change over the past year of 6.0 percent. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 5.0 percent over the next four quarters, the same as in February. The firms' median forecast for the long-run (10-year average) inflation rate was 3.5 percent, up from 3.0 percent in February." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-05; 5/19/22

Return to TOC

The Federal Reserve Bank of Philadelphia



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

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-05; 5/19/22

Return to TOC

The Federal Reserve Bank of Philadelphia

May 2022 Manufacturing Business Outlook Survey

Future Indicators Remain Positive but Are Relatively Low

"Although the firms continued to expect growth over the next six months, most indexes are below readings recorded from the past two years. The diffusion index for future general activity declined from a reading of 8.2 in April to 2.5 in May, its lowest reading in more than 13 years (see Chart). Over 24 percent of the firms expect growth over the next six months (down from 37 percent last month), 22 percent expect a decrease in activity (down from 29 percent), and 46 percent expect no change (up from 31 percent). The future new orders index climbed 12 points to 16.1, and the future shipments index edged up 2 points to 32.1. The future employment index decreased 10 points to 29.2; about one-third of the firms expect to increase employment. The future capital expenditures index fell 10 points to 9.6, its lowest reading since February 2016, suggesting less widespread expectations for capital spending.

Summary

Responses to the May *Manufacturing Business Outlook Survey* suggest continued overall expansion for the region's manufacturing sector. Although the indicator for current activity fell, the new orders and shipments indexes rose. The firms continued to indicate overall increases in employment and widespread increases in prices paid and received. The survey's future indexes suggest muted optimism for growth over the next six months." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-2022-05; 5/19/22

Return to TOC

The Federal Reserve Bank of Philadelphia

May 2022 Nonmanufacturing Business Outlook Survey

"Nonmanufacturing business activity expanded this month, according to the firms responding to the May *Nonmanufacturing Business Outlook Survey.* The indexes for general activity at the firm level, new orders, and sales/revenues all declined for the second consecutive month but remained positive. The employment indexes continue to suggest overall increases in employment. The prices paid index rose to an all-time high, while the prices received index remained elevated but declined slightly this month. The respondents continue to expect growth over the next six months, but both future activity indexes fell from last month's readings.

Current Indexes Decline but Remain Positive

The diffusion index for current general activity at the firm level fell 5 points to 22.8 (see Chart). The share of firms reporting increases (42 percent) exceeded the share reporting decreases (19 percent). The new orders index fell 10 points to 3.9 this month. Almost 23 percent of the firms reported increases in new orders (down from 26 percent last month), while 19 percent reported decreases (up from 12 percent). The sales/revenues index decreased from 22.0 to 8.1. Over 34 percent of the firms reported increases in sales/revenues (down from 40 percent last month), while 26 percent reported decreases (up from 18 percent). The current regional activity index declined 6 points to 23.4.

Firms Report Overall Increases in Employment

The full-time employment index edged up to 15.3 this month from 14.9 last month. The share of firms reporting increases in full-time employment (23 percent) exceeded the share reporting decreases (8 percent); most firms (61 percent) reported no change. The part-time employment index increased 3 points to 15.1. Most firms (57 percent) reported steady part-time employment, while 26 percent reported increases and 11 percent reported decreases. The average workweek index decreased 2 points to 15.6.." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2022-4; 4/26/22

Return to TOC

The Federal Reserve Bank of Philadelphia

May 2022 Nonmanufacturing Business Outlook Survey

Firms Continue to Report Price Increases

"Price indicator readings suggest widespread increases in prices for inputs and the firms' own goods and services. The prices paid index reached a new all-time high this month, rising 5 points to 73.5. Most respondents (74 percent) reported increases in input prices, while less than 1 percent reported decreases; 19 percent reported stable prices. Regarding prices for the firms' own goods and services, the prices received index fell 4 points to 30.6 this month. More than 31 percent of the firms reported higher prices, less than 1 percent reported lower prices, and 55 percent reported no change.

Firms Expect Largest Cost Increases in Energy, Raw Materials

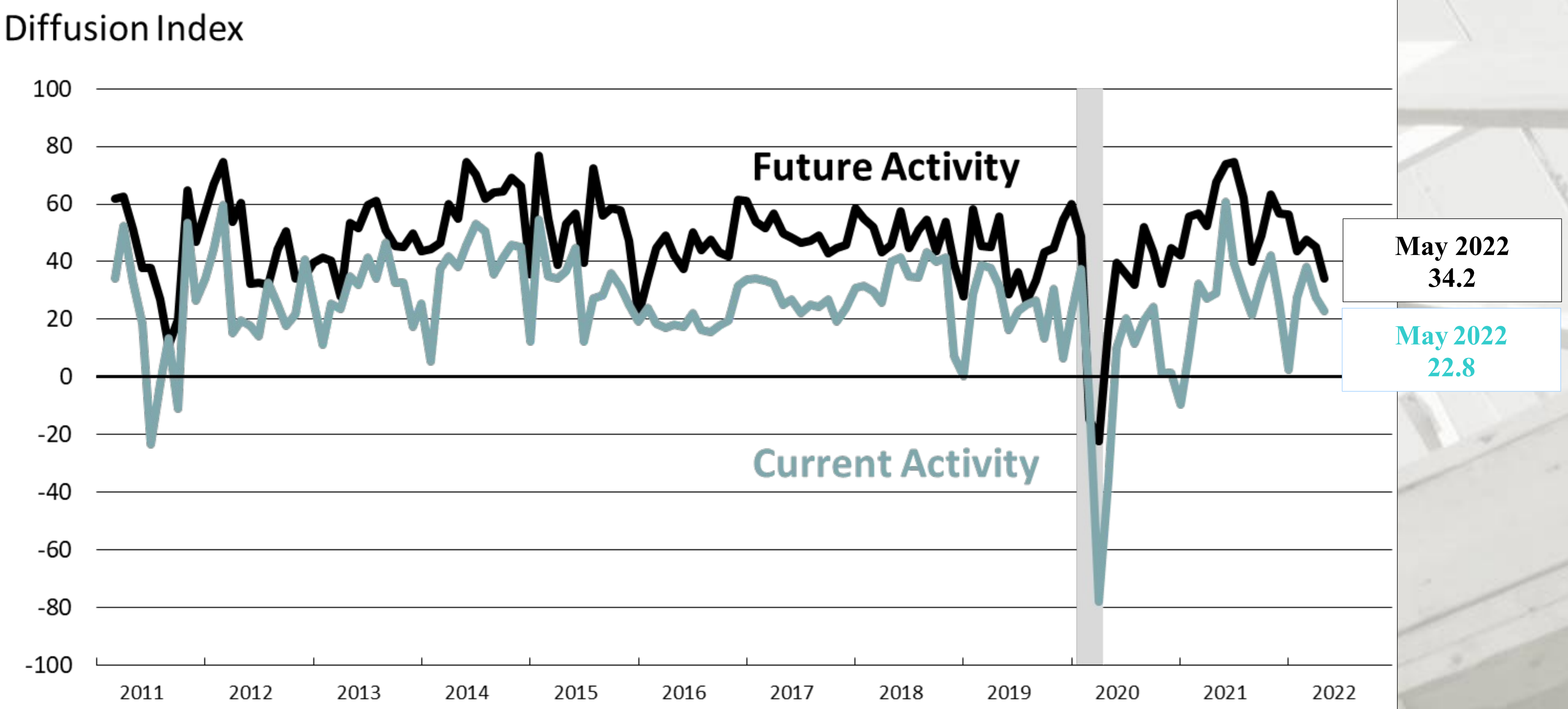
In this month's special questions, the firms were asked to forecast the changes in prices of their own products and for U.S. consumers over the next four quarters. The firms' median forecast for the rate of inflation for U.S. consumers over the next year was 5.0 percent, down from 6.0 percent from when the question was last asked in February. Regarding their own prices over the next year, the firms' median forecast was for an increase of 4.0 percent, down from 5.0 percent in February and above the median reported own price change over the past year of 3.5 percent. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 5.0 percent over the next four quarters, the same as in February. The firms' median forecast for the long-run (10-year average) inflation rate was 5.0 percent, unchanged from February." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2022-5; 5/24/22

Return to TOC

The Federal Reserve Bank of Philadelphia

Chart. Current and Future General Activity Indexes for Firms
March 2011 to May 2022



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

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2022-5; 5/24/22

Return to TOC

The Federal Reserve Bank of Philadelphia

May 2022 Nonmanufacturing Business Outlook Survey

Future Indicators Remain Positive

"Both future activity indexes declined but continue to suggest that the respondents expect overall growth in nonmanufacturing activity over the next six months. The diffusion index for future activity at the firm level decreased 11 points to 34.2 this month (see Chart). The share of firms expecting increases (50 percent) exceeded the share expecting decreases (16 percent). The future regional activity index decreased from 34.4 to 30.3 this month.

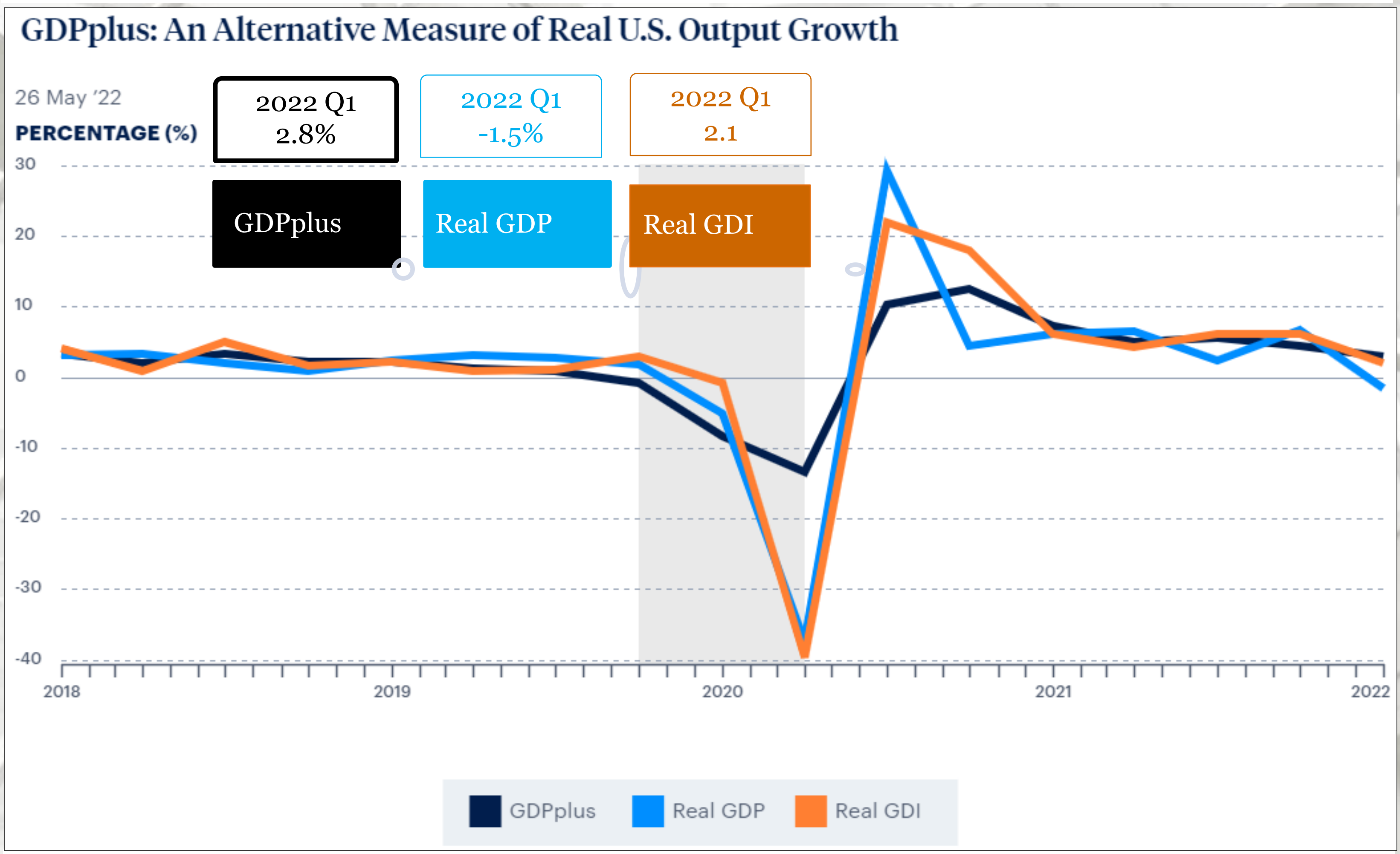
Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest continued expansion in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, and new orders all declined but remained positive. The indicators for employment suggest overall increases. The prices paid index recorded an all-time high, while the prices received index declined but remained elevated. Overall, the respondents continue to expect growth over the next six months." – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2022-5; 5/24/22

Return to TOC

The Federal Reserve Bank of Philadelphia: GDPplus



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

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

Source: https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/gdpplus; 5/26/22

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Fifth District Manufacturing Activity Declined in May

"Many Fifth District manufacturing firms reported declines in activity in May, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite manufacturing index fell from 14 in April to −9 in May, as two of the three components of the index turned negative: the indexes for shipments and volume of new orders declined from 6 in April to −16 and −15 in May, respectively. The third component, the employment index, remained positive at 8 but fell from 22 in April. Additionally, the local business conditions index continued its decline to −16 in May, from −10 in April. Firms are also less optimistic about conditions in the next six months as the index decreased to −13 in May from −1 in April.

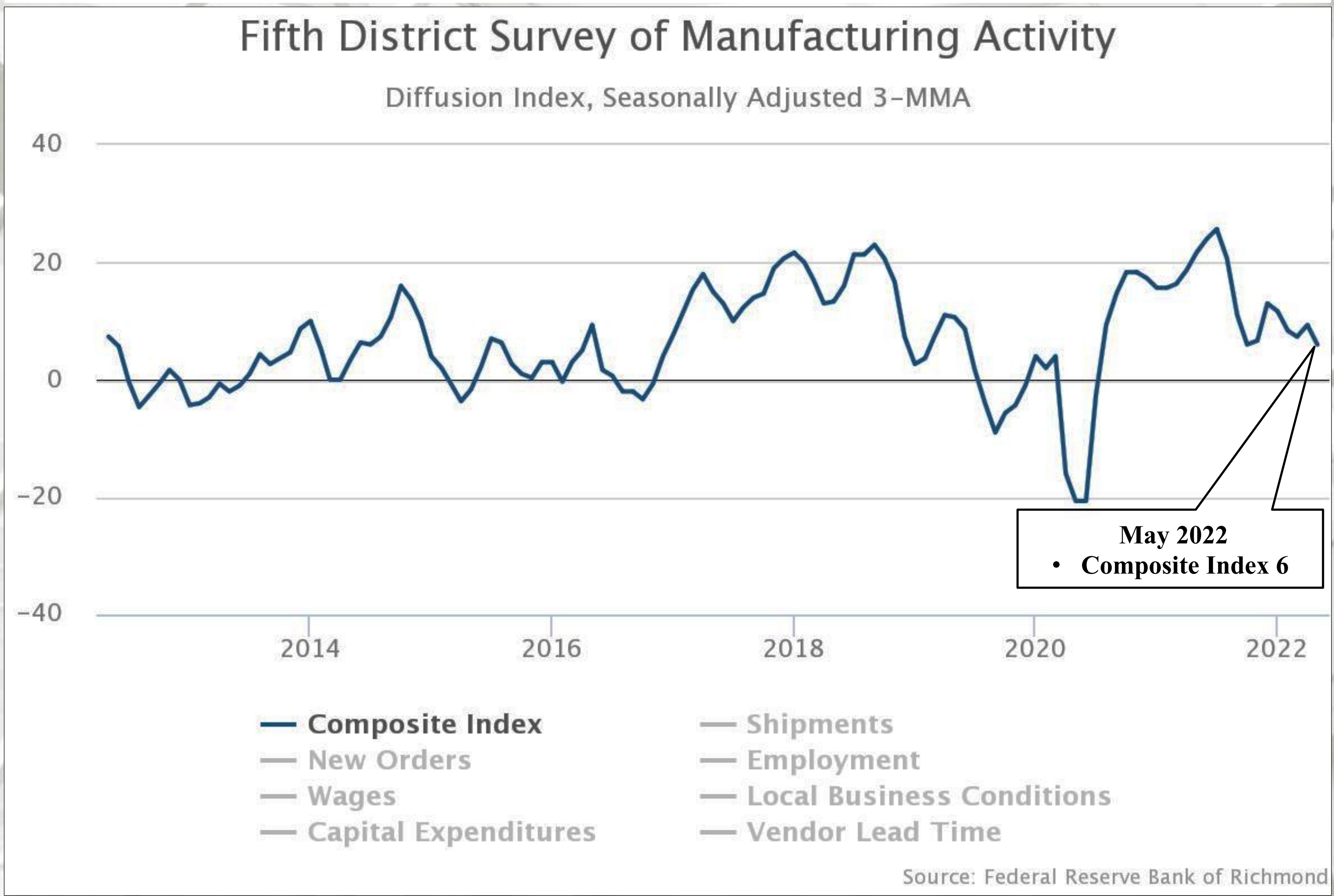
On a positive note, there was some indication of supply chain improvement as the indexes for vendor lead time and order backlogs both decreased in May from record highs earlier in the year. In addition, all three spending indexes increased in May. The wage index also remained elevated, indicating that a large share of firms continue to report increasing wages.

The average growth rate of prices paid increased notably in May. Firms also reported higher average growth in prices received in May." – Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 5/24/22

Return to TOC

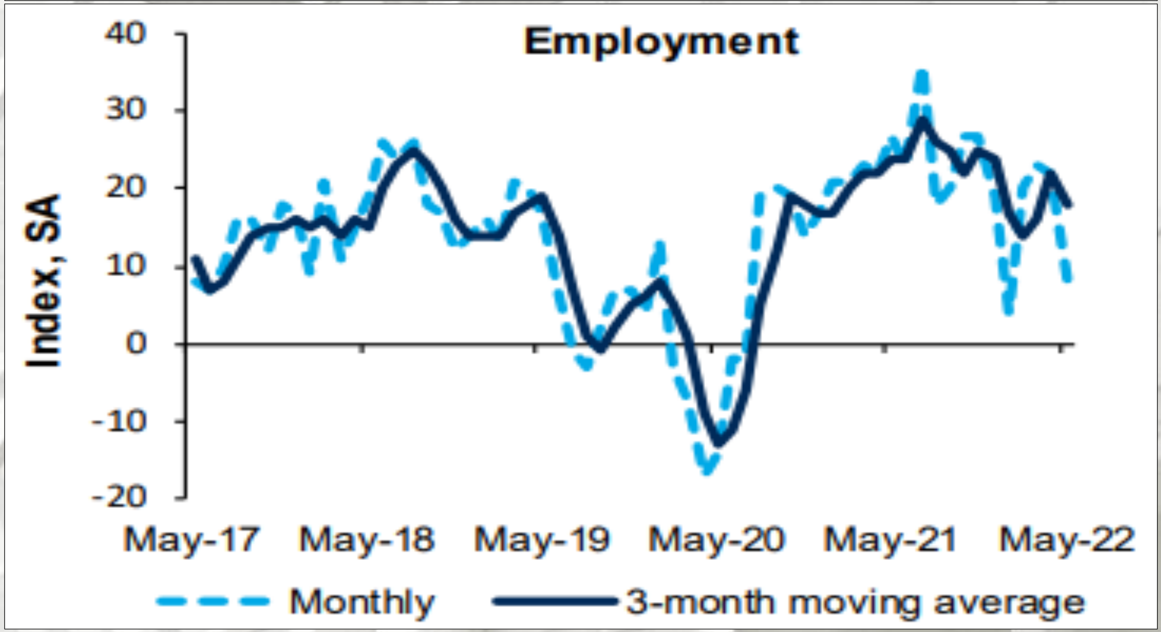
U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 5/24/22

Return to TOC

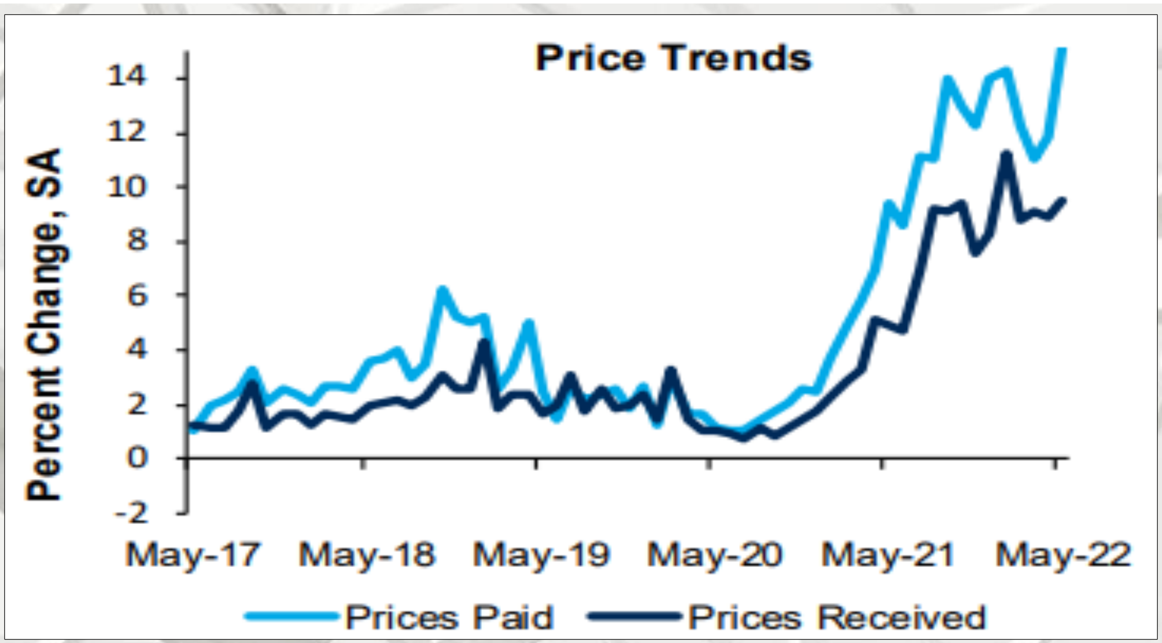
U.S. Economic Indicators

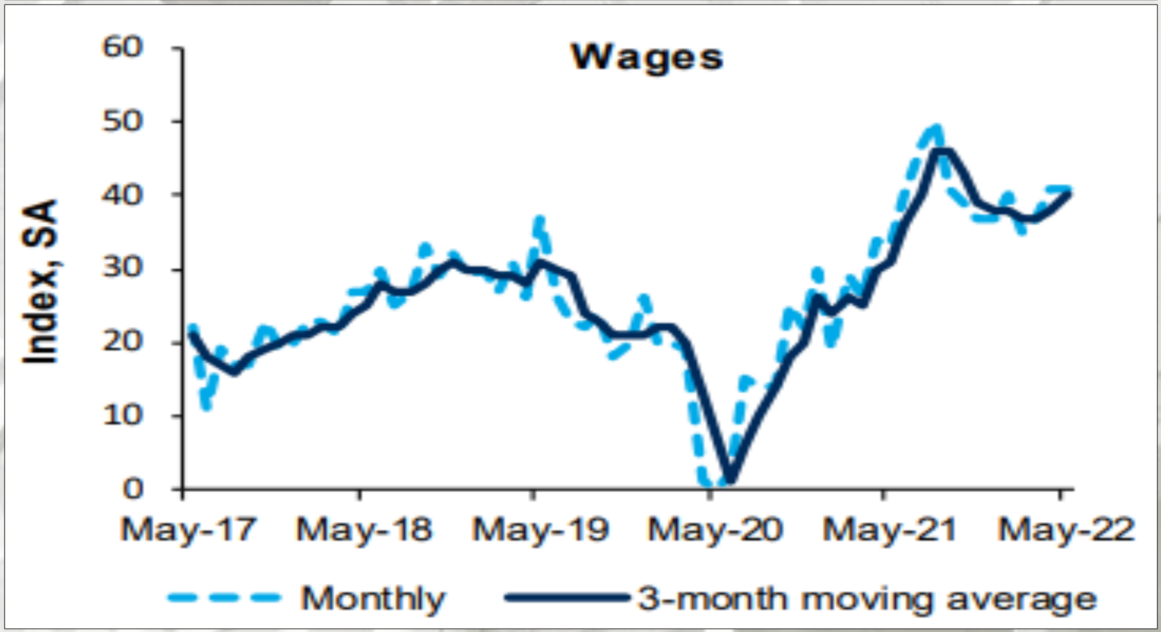


Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 5/24/22

Return to TOC

U.S. Economic Indicators





Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 5/24/22

Return to TOC

U.S. Economic Indicators

The Federal Reserve Bank of Richmond

Fifth District Survey of Service Sector Activity

Service Sector Activity Softens Slightly in May

“Fifth District service sector activity saw some softening in May, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues and demand indexes both saw decreases in May, with the index for demand dropping notably, from 24 to 10. The indexes for expected revenues and demand in the next six months also decreased but remained positive. Although still firmly positive, the indexes for business spending decreased from April, indicating that fewer firms increased spending.

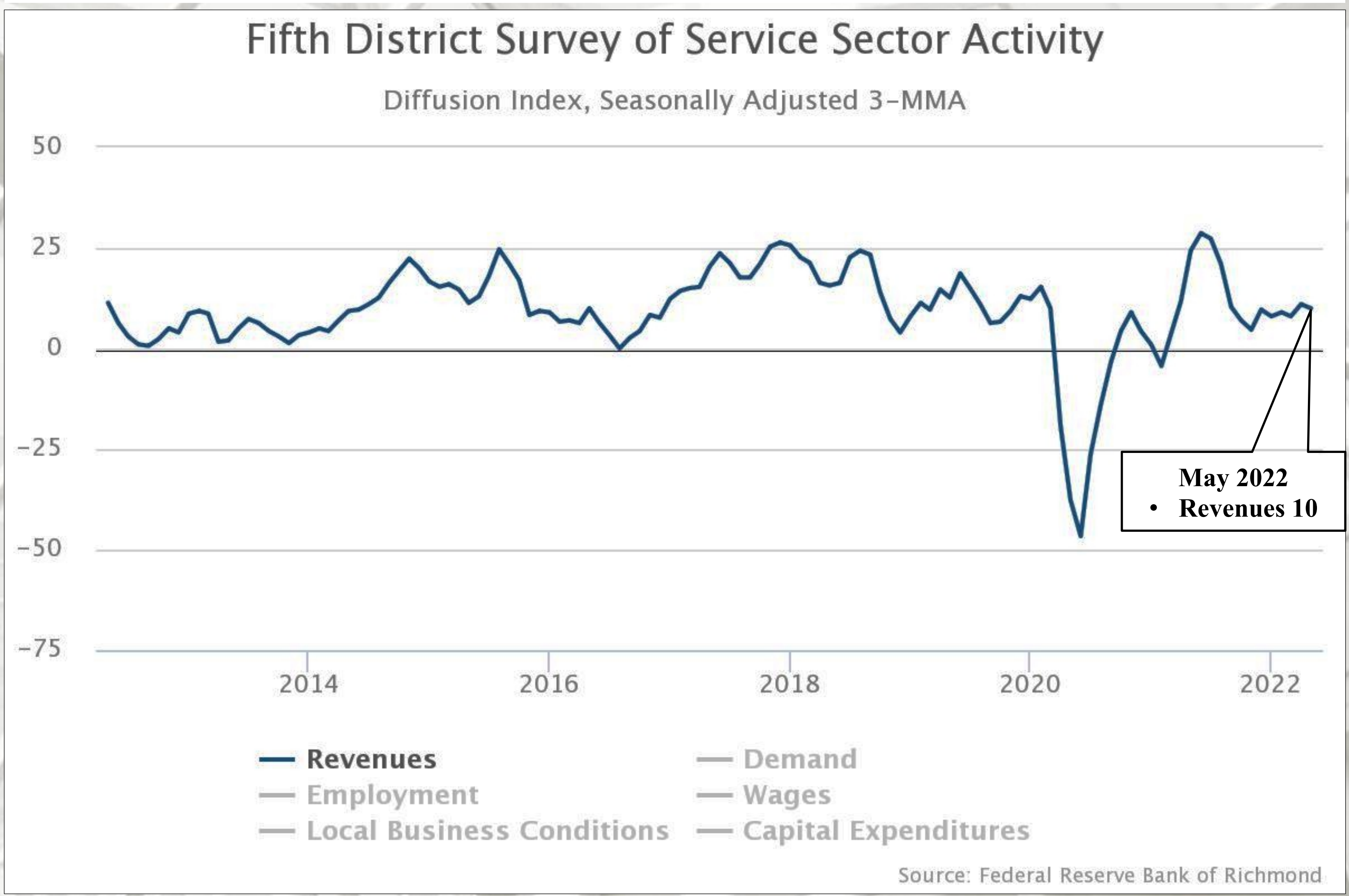
More firms reported deteriorating local business conditions, as the index fell to −5 in May from 4 in April. Firms are less optimistic about future business conditions, as the expected business conditions index dropped to −14. This is only the fourth time this index has been negative; the other three times were at the beginning of the COVID-19 pandemic.

More firms reported hiring in May as the employment index increased to 17 from 9 in April. Firms continued to report trouble finding workers with the necessary skills and do not expect much improvement in the next six months. The wage index dropped to 34 in May from 44 in April, remaining high. The average growth rate of prices paid edged up slightly in May while growth in prices received declined. Firms’ expectations for price growth in the next 12 months decreased from April to May.” – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 5/24/22

Return to TOC

U.S. Economic Indicators



Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 5/24/22

U.S. Global Economic Indicators

The Federal Reserve Bank of Dallas

México Economic Update

México's Economy Picks Up, but Outlook Weakens

México's GDP grew an annualized 3.6 percent in first quarter 2022, an increase from fourth quarter's dismal 0.1 percent growth. México's GDP outlook for 2022 continues to deteriorate, mainly due to the deceleration in global economic growth, ongoing supply-chain bottlenecks, higher inflation and tighter monetary policy. The consensus forecast for 2022 GDP growth, compiled by Banco de México, fell again in April to 2.1 percent (fourth quarter/fourth quarter) (Table 1). Inflation increased further as a result of price pressures associated with energy and commodities.

The latest data available show that industrial production, exports, retail sales and employment grew, while remittances declined. In April, the peso gained value against the dollar, but inflation remained elevated.

Output Grows in First Quarter 2022

According to preliminary estimates, México's first-quarter GDP grew an annualized 3.6 percent (Chart 1). Both the goods-producing sector (manufacturing, construction, utilities and mining) and service-providing sector (wholesale and retail trade, transportation, business services) grew 4.4 percent, while agriculture output decreased 7.6 percent." – Jesus Cañas, Senior Business Economist, and Juliette Coia, Research Analyst; Research Department, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2022/2203.aspx; 5/23/22

Return to TOC

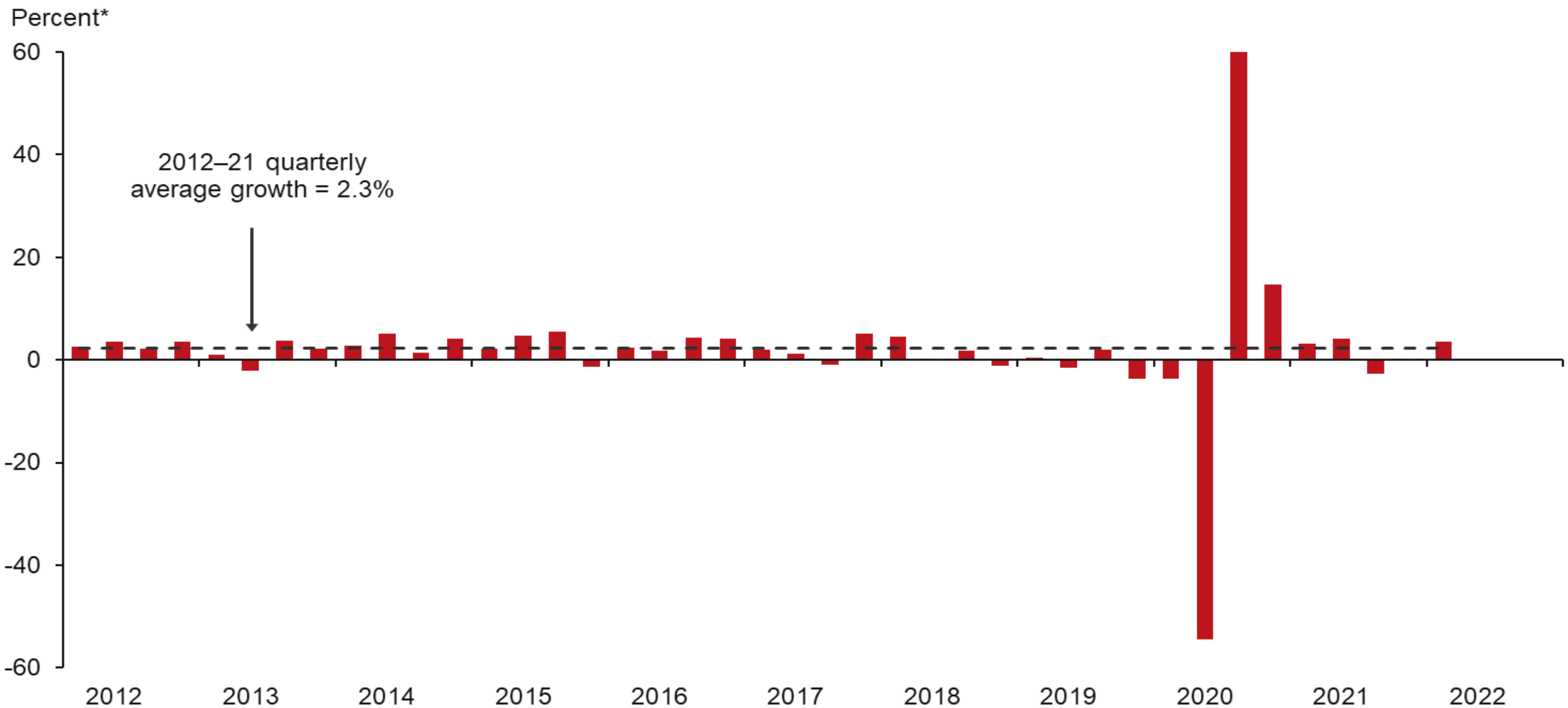
U.S. Global Economic Indicators

Table 1: Consensus Forecasts for 2022 Mexico Growth and Inflation

	April	March
Real GDP Growth (Q4/Q4)	2.1	2.3
Real GDP (average year/year)	1.7	1.8
CPI (Dec. '22/Dec. '21)	6.8	5.8
Exchange rate—pesos/dollar (end of year)	21.1	21.3

NOTE: CPI refers to consumer price index. The survey period was April 22–28.
SOURCES: Encuesta sobre las Expectativas de los Especialistas en Economía del Sector Privado: Abril de 2022 (communiqué on economic expectations, Banco de México, April 2022).

Chart 1
GDP Growth Picks Up in First Quarter 2022



*Quarter/quarter, real pesos; seasonally adjusted, annualized rate.
NOTES: Shown is GDP growth in Mexico. Data are through first quarter 2022.
SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

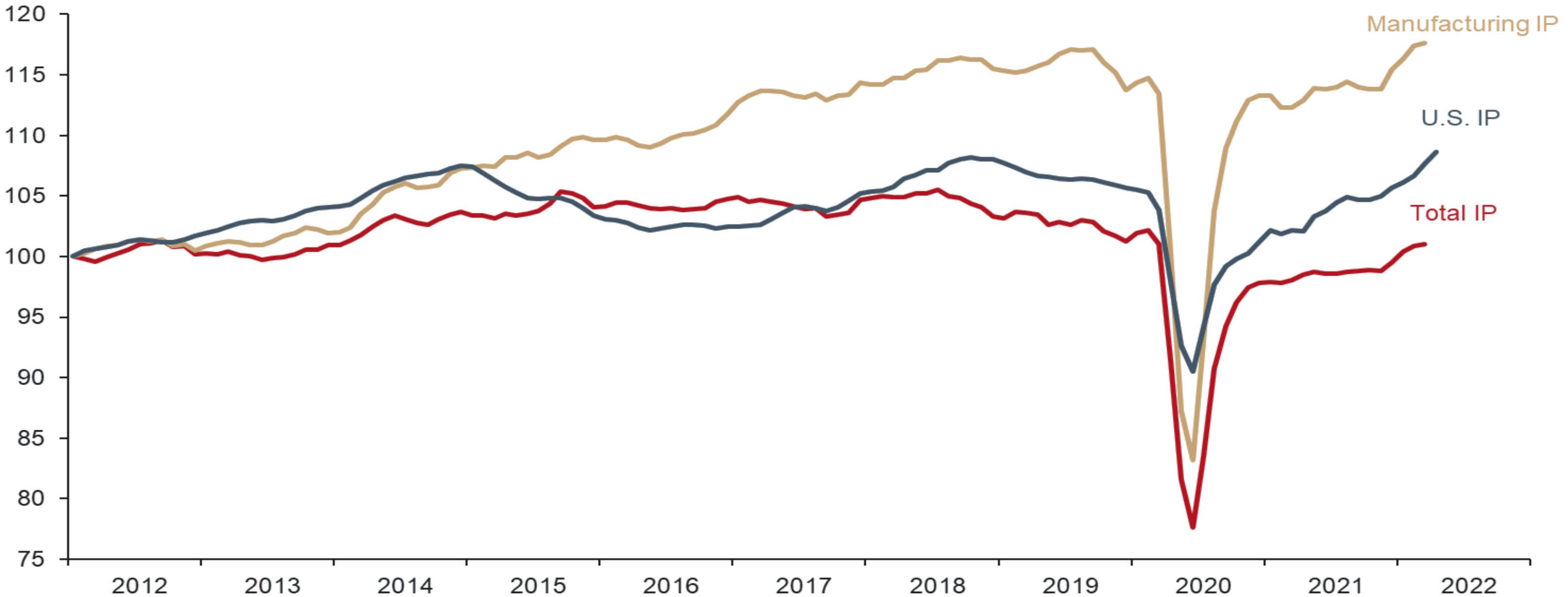
Source: https://www.dallasfed.org/research/update/mex/2022/2203.aspx; 5/23/22

Return to TOC

U.S. Global Economic Indicators

Chart 2
Mexico's Industrial Production Grows

Index, January 2012 = 100*



*Seasonally adjusted, three-month moving average.
NOTES: Total and manufacturing IP refer to Mexico. U.S. IP refers to total industrial production in the United States. Data are through March 2022 for Mexico and April 2022 for the U.S.
SOURCES: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography); Federal Reserve Board.

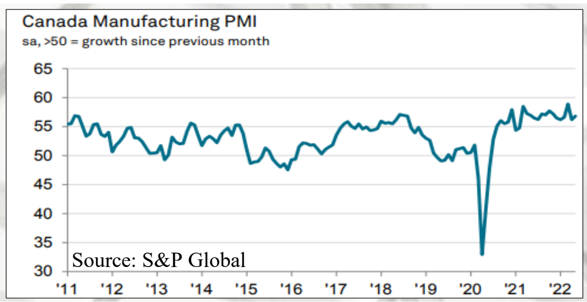
Industrial Production Expands

The three-month moving average of México's industrial production (IP) index – which includes manufacturing, construction, oil and gas extraction, and utilities – improved in March from February (*Chart 2*). On a month-over-month and unsmoothed basis, IP was up 0.4 percent in March. North of the border, U.S. IP increased 1.1 percent in April after rising 0.9 percent in March. The correlation between IP in México and the U.S. increased considerably with the rise of intra-industry trade between the two countries since the early 1990s. México's manufacturing sector could experience some slowdown in the second quarter, particularly if U.S. consumer demand decelerates as a result of rising prices and higher interest rates." – Jesus Cañas, Senior Business Economist, and Juliette Coia, Research Analyst; Research Department, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/update/mex/2022/2203.aspx; 5/23/22

Return to TOC

Private Indicators: Global



S&P Global Canada Manufacturing PMI®

"The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 56.8 in May, up from 56.2 in April. The latest reading signalled 23 continuous months of growth, with the latest expansion much quicker than the long-run series average.

Quicker expansions in output, new orders and jobs in May

Operating conditions in Canada's manufacturing sector improved in May amid stronger expansions in output, new orders and employment. Sustained demand growth prompted firms to boost their buying activity, and at a record rate, while capacity pressures continued to build. Despite stronger uplifts in sales, business confidence dipped to a joint ten-month low, largely reflecting concerns surrounding intense cost pressures. That said, the rates of both output charge and input price inflation eased to the softest since February.

Central to the uptick was a quicker increase in new orders. Stronger demand, particularly for consumer goods, were recorded during the month. Respondents continued to link growth to the retreat of pandemic restrictions and favourable demand for Canadian manufactured goods. International sales also increased, albeit at a softer pace than in April. Firms mentioned higher demand from the US market. Companies responded to rising demand by lifting their output levels for the twenty-third month in succession. Larger workforces helped firms to boost their output, while panel comments also suggested some inputs were more readily available in May.

Canada's manufacturing sector has recovered well from the pandemic, registering output growth in almost every month for the last two years. Demand continues to flourish while firms are committed to growing their businesses through a variety of different ventures including product development, improving e-commerce, investing in new machinery and expanding their operations. As a result, companies have struggled to keep up with demand, though severe labour and material shortages can also be blamed. This is likely to persist given recent lockdowns in China and ongoing geopolitical tensions. Firms and their clients can expect to face rising costs for energy as well as other essential inputs. Manufacturing companies in Canada have done well so far in anticipating shortages and price hikes, which will no doubt persist. Fortunately, rates of inflation are starting to subside, which firms can only hope will continue." – Shreeya Patel, Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/bef334104d894ee9a140e644c530fe71; 6/1/22

Return to TOC

Private Indicators: Global

S&P Global Caixin China General Manufacturing PMI™

Manufacturing sector conditions deteriorate at softer pace in May

"At 48.1 in May, the headline seasonally adjusted 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 a 26-month low of 46.0 in April and signalled a third successive monthly deterioration in business conditions. That said, the rate of decline was modest overall.

May survey data signalled a move towards more stable operating conditions across China's manufacturing sector, as firms signalled notably softer falls in both production and new orders. Firms also registered a slower reduction in purchasing activity, though supply chain delays remained severe overall. Prices data meanwhile showed that the rate of input price inflation moderated but remained strong, but efforts to attract new business led to a renewed fall in selling prices.

Companies were more cautious around the 12-month outlook for output in May, with overall optimism slipping to a five-month low amid concerns over the longevity of COVID-19 restrictions and the war in Ukraine.

Helping to move the headline index upwards was a softer reduction in production during May. The rate of contraction eased notably compared to that seen in April, though was nonetheless the second-sharpest recorded since February 2020. Where lower output was reported, firms often attributed this to the ongoing pandemic and subsequent restrictions that had disrupted operations and logistics.

Total new orders fell for the third month running, albeit at a reduced rate. Notably, the latest drop in sales was the slowest seen over this period and only mild, with some firms noting a relative improvement in demand conditions since April. Underlying data indicated that weaker foreign demand was a key factor weighing on new business, as export orders continued to fall markedly, which some firms linked to difficulties in shipping items to clients. … " – Dr. Wang Zhe, Senior Economist, Caixin Insight Group

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/25204d3a099d45dd99ba6b6f24f978ca; 6/1/22

Return to TOC

Private Indicators: Global

S&P Global Caixin China General Manufacturing PMI™

"In May, the Caixin China General Manufacturing PMI came in at 48.1, up from 46 the previous month. Covid outbreaks in several regions across China continued to weigh on the economy. But the rate of contraction in manufacturing was lower than the previous month.

Both manufacturing supply and demand contracted further. As the latest wave of outbreaks hasn't subsided, both supply and demand in the market have yet to improve. Both the gauges for output and total new orders rose in May from the previous month, but remained in negative territory. Demand was slightly stronger than supply. Overseas demand remained subdued. The measure for new export orders remained in contractionary territory for 10 consecutive months in May as Covid-19 outbreaks continued to impact transportation and logistics.

Manufacturing employment weakened further. In nine of the past 10 months, the measure for employment was in contractionary territory. Notably, unlike most other gauges, the employment measure fell further into negative territory in May. Employment in the investment goods sector was especially weak. Market demand was also weak. Employers did not have strong motivation to increase hiring.

Performance of the measures for input and output prices diverged. The prices of raw materials, fuel and freight remained high, adding to the cost pressure on manufacturers. The consumer goods sector was hit especially hard. The gauge for input prices remained in expansionary territory for 24 consecutive months. By comparison, the gauge for output prices fell into negative territory, dropping to its lowest since April 2020 due to weak market demand.

Logistics was far from being normalized. Affected by the outbreaks and related control measures, the gauge for suppliers' delivery times was well below 50 in May and hit the second lowest since March 2020. Quantity of purchases further declined due to fallout from the outbreaks. Inventories of raw materials and finished goods also declined." – Dr. Wang Zhe, Senior Economist, Caixin Insight Group

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/25204d3a099d45dd99ba6b6f24f978ca; 6/1/22

Return to TOC

Private Indicators: Global

S&P Global Caixin China General Manufacturing PMI™

“Entrepreneurs remained optimistic. The measure for future output expectations fell to its lowest in five months in May and was lower than the long-term average. Overall, entrepreneurs were confident that the epidemic will be brought under control, but they still worried whether society and the economy can quickly return to normal. Also, they were concerned about the ongoing war between Russia and Ukraine.

Overall, activity in the manufacturing sector improved in May, but stayed in contractionary territory as local Covid outbreaks continued. Demand was slightly stronger than supply. And domestic demand was slightly stronger than overseas demand, though both were in negative territory. The epidemic’s impact on market supply and demand has transmitted to the labor market, which further weakened. Supply chains were disrupted, and logistics times lengthened further. The gap between costs and output prices further squeezed enterprises’ profitability.

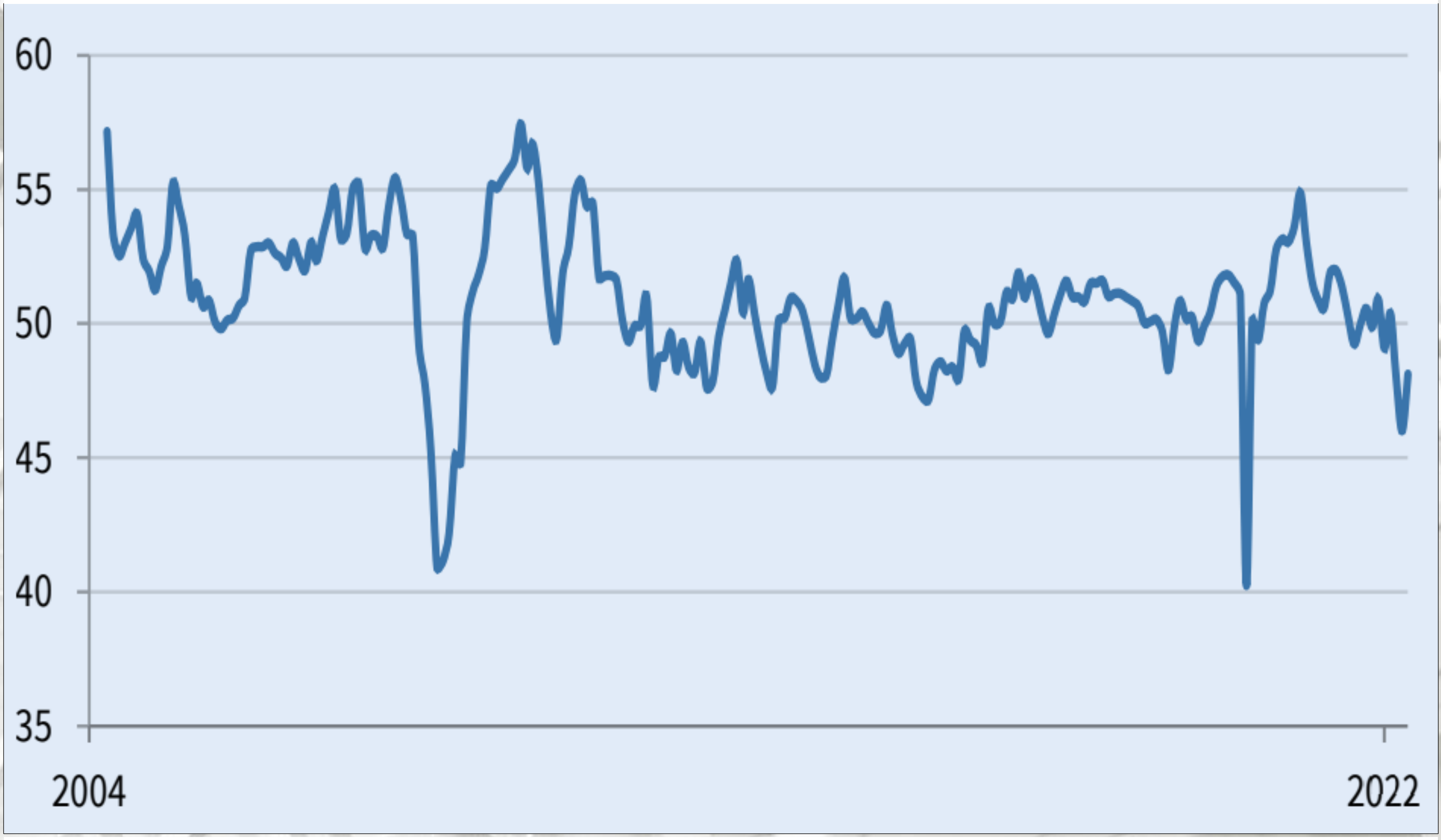
The negative effects from the latest wave of domestic outbreaks may surpass those of 2020. It’s necessary for policymakers to pay attention to employment and logistics. Removing obstacles in supply and industrial chains and promoting resumption of work and production will help to stabilize market entities and protect the labor market. Also, the government should not only offer support to the supply side, but also put subsidies for people whose income has been affected by the epidemic on the agenda."” – Dr. Wang Zhe, Senior Economist, Caixin Insight Group

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/25204d3a099d45dd99ba6b6f24f978ca; 6/1/22

Return to TOC

Private Indicators: Global

China General Manufacturing PMI



sa, > 50 = improvement since previous month
Sources: Caixin, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/25204d3a099d45dd99ba6b6f24f978ca; 6/1/22

Return to TOC

Private Indicators: Global

S&P Global Eurozone Manufacturing PMI®

"The S&P Global Eurozone Manufacturing PMI® fell to 54.6 in May, down from 55.5 in April and signalling a weaker improvement in the health of the euro area manufacturing sector. Overall, the headline index fell to its lowest mark for 18 months. By sub-sector, latest data showed weaker upturns across each of the three monitored market groups.

Manufacturing orders fall for first time in almost two years as inflationary surge continues

Eurozone manufacturing fragility was once again clear in the latest PMI® survey for May as manufacturing new orders fell for the first time since June 2020. Although output growth picked up marginally from April's recent low, it remained sluggish, while business confidence was among the lowest seen over the past two years amid sustained concerns surrounding the outlook for prices, supply chains and demand. …

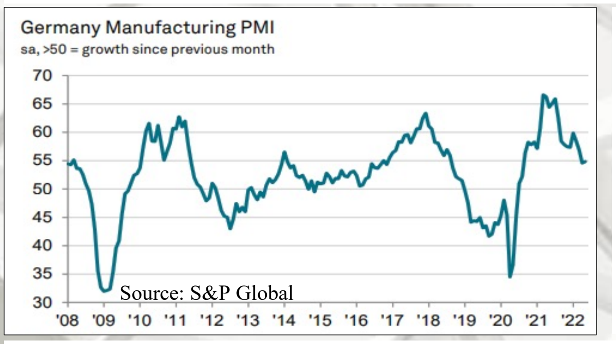
Euro area manufacturers continue to struggle against the headwinds of supply shortages, elevated inflationary pressures and weakening demand amid rising uncertainty about the economic outlook. However, the manufacturing sector's deteriorating health has also been exacerbated by demand shifting to services, as consumers boost their spending on activities such as tourism and recreation. The survey's output gauge is indicative of official manufacturing production falling slightly so far in the second quarter, and forward-looking indicators such as the orders-to-inventory ratio suggest the rate of decline will accelerate in coming months, absent a sudden revival of demand for goods. The eurozone economy therefore looks increasingly, and uncomfortably, dependent on the service sector to sustain growth in the coming months.

A major driver of the first drop in new orders for almost two years was the ongoing supply crunch and accompanying price pressures, with producers of many goods and raw materials raising their prices yet again alongside a recent surge in energy prices. Spending power has hence been hit hard, and often consumers in particular have shown an eagerness to move spending from goods to services, taking advantage of looser pandemic travel restrictions. However, there is also an undercurrent of growing uncertainty about the economic outlook, linked to Russia's invasion of Ukraine, persistent inflationary pressures and supply disruptions, that is in turn driving increased risk aversion and caution among customers, which points to deeper underlying downside risks to the economic outlook." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/14b2a30ff04647e19f0e25f70c9de2f5; 6/1/22

Return to TOC

Private Indicators: Global



S&P Global/BME
Germany Manufacturing PMI®

"April saw the headline the seasonally adjusted S&P Global/BME Germany Manufacturing PMI® – a weighted aggregate of measures of new orders, output, employment, suppliers' delivery times and stock of purchases – registered 54.8 in May. This marked a slight improvement from April's 20-month low of 54.6.

May sees further decline in new orders amid multiple headwinds to demand

May PMI® data showed a sustained softening of demand for German manufactured goods, with a combination of heightened economic uncertainty, sharply rising prices and COVID-related lockdowns in China leading to a further decline in new orders. Output levels nevertheless picked up slightly during the month, buoyed by work on order backlogs, growing employment levels and some instances of improved material availability. Still, firms' expectations for future activity remained pessimistic. …

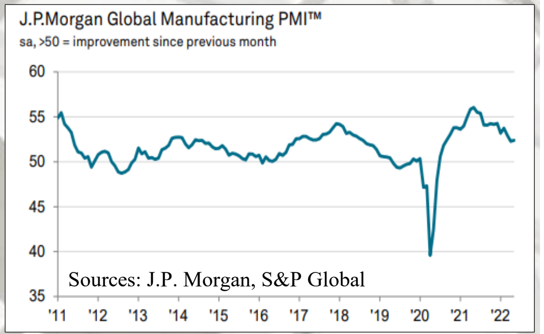
Latest PMI data signalled a deepening decline in manufacturing new orders, amid an array of headwinds to demand that included heightened uncertainty among clients due to the war in Ukraine, COVID-related lockdowns in China and some signs of demand destruction from elevated prices. Although May's survey pointed to a slight upturn in manufacturing production levels, with firms reporting a boost from greater staffing capacity and, in some cases, better material availability, the rate of output growth was only modest overall as supply problems continued to curb activity across many companies. Manufacturing output still has some way to go to catch up with demand, but a slowdown in the rate of accumulation of backlogs is a further indication that the gap has closed somewhat.

Positively, the incidence of supply delays eased during the month, down to the second-lowest since December 2020, coinciding with slightly slower increases in both input costs and output prices across the goods-producing sector. Notwithstanding the tentative signs that price and supply chain pressures have perhaps peaked, material shortages are still a considerable constraint on production and price pressures remain uncomfortably high for businesses. The near-term operating environment facing manufacturers is a challenging one in terms of both demand and supply, and this is emphasised by the fact that firms' expectations remain pessimistic and stuck at their lowest for nearly two years." – Phil Smith, Principal Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/a46928e5accb49799a77d328f7e43eb0; 6/1/22

Return to TOC

Private Indicators: Global



J.P. Morgan Global Manufacturing PMI™

"The J.P. Morgan Global Manufacturing PMI™ – a composite index produced by J.P. Morgan and S&P Global in association with ISM and IFPSM – posted 52.4 in May, little-changed from April's 20-month low of 52.3. The headline PMI has remained above the neutral 50.0 mark since July 2020. The Global Manufacturing Output Index when calculated, including China, posted 49.7 in May, signalling contraction. The same index calculated excluding China was three points higher at 52.7, indicating a solid rate of growth. The rest of the World figure held above the neutral 50.0 mark by expansions in the US, eurozone, Japan, the UK, India and Brazil (among others). …

Global manufacturing output falls for second month running as downturn in China continues

Global manufacturing production declined for the second successive month in May, as new order growth remained lacklustre and international trade volumes contracted. Inflationary pressure was elevated, as rates of increase in input costs and selling prices stayed among the highest registered in the survey history. Lower production volumes reflected lacklustre demand, disruption from stretched supply chains, elevated inflationary pressures, the war in Ukraine and the downturn in Chinese manufacturing. By sector, further contractions (albeit at slower rates) were registered in both the intermediate and investment goods categories, while consumer goods output returned to moderate expansion.

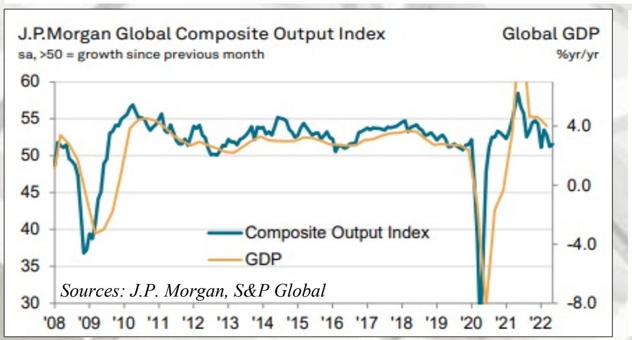
The downturn in Chinese manufacturing output extended into its third successive month in April, as renewed COVID restrictions in recent months impacted production in the world's largest industrial nation. However, the rate of contraction eased noticeably during the month. …

After sharp declines in the global output PMI in March and April, May brought better news. The global output PMI increased 1.1-pts in May though this was mostly concentrated in China where the PMI bounced 4.7-pts, reversing a little bit less than half of the drop linked to the recent virus outbreak. Outside of China, the global PMI fell 0.7-pts suggesting loss of momentum though the level remained at a solid level. Other details from the surveys point to limited intensification in supply chain issues which is encouraging." – Olya Borichevska, Global Economist, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/ab3e78a927a744c4b28284fc51926d49; 6/1/22

Return to TOC

Private Indicators: Global



J.P. Morgan Global Composite PMI™

"The J.P. Morgan Global Composite Output Index – produced by J.P. Morgan and S&P Global in association with ISM and IFPSM – posted 51.5 in May, up slightly from 51.2 in April. Manufacturing production declined for the second successive month, albeit at a slightly slower pace. Meanwhile, growth in service sector business activity stabilised at April's three-month low.

Global economic growth inches higher as downturn in China eases

The rate of global economic expansion remained lacklustre in May, with growth staying among the weakest registered during the current 23-month upturn. The slight uptick in the pace of increase was mainly due to an easing of the lockdown-driven downturn in China. The upturn in the rest of the world remained solid (on average) in comparison, despite slowing for the second straight month.

The downturn in China remained the main drag on global economic growth in May. Output in China contracted for the third straight month following recent lockdowns in several cities. However, a lifting of some restrictions helped ease the rate of decline from April's more than two-year record. Russia was the only other nation covered to register a downturn. The impact of China on the Global Composite Output Index was noticeable. Calculating the index excluding China saw its level at a more solid 54.3, down slightly from 55.3. Economic activity continued to expand in the US, the euro area, Japan, India, Brazil, Australia and Kazakhstan (although only Kazakhstan, India and Japan saw faster growth). …

Price inflationary pressure remained elevated during May. Rates of increase in input costs and output charges were both among the steepest in the survey history (albeit slower than in the prior survey month). …

The all-industry composite PMI moved up half a point in May reversing part of the 2.5pt drop in the index from February to April. The improvement in May was concentrated in the EM where China and Russia saw large improvements against declines across much of the DM. The move up in China suggests the worst of the recent outbreak is over for the time being. In Russia the shock to the economy from sanctions looks limited based on the PMI survey. Elsewhere in the report it was positive to see employment series hold up suggesting continued strength in the labor markets. Price pressures remain high according to the latest survey" – Olya Borichevska, Global Economic Research, J.P. Morgan

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/6a5f2ecbb55b4ebea1b8ca77635f6541; 6/6/22

Return to TOC

Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Falls in April

"National nonresidential construction spending was down 0.4% in April, according to an Associated Builders and Contractors analysis of data published by the U.S. Census Bureau. On a seasonally adjusted annualized basis, nonresidential spending totaled $844.4 billion for the month. Despite the monthly setback, nonresidential construction spending is up 6.6% from a year ago.

Spending was down on a monthly basis in 12 of the 16 nonresidential subcategories. Private nonresidential spending was down 0.2%, while public nonresidential construction spending was down 0.7% in April. Spending in the residential category retained momentum in April, rising 0.9% for the month and 18.2% since April 2021.

"Despite upbeat contractor sentiment, nonresidential construction spending has been sliding during recent months," said ABC Chief Economist Anirban Basu. "The situation is even worse given that construction spending is measured in nominal terms, and therefore does not account for rapidly rising materials prices and compensation costs that have, according to ABC's Construction Confidence Index, put downward pressure on profit margins.

"In spite of the overall decline in nonresidential construction spending, there are reasons to remain upbeat," said Basu. "A number of segments hammered by the pandemic showed signs of life in April, with spending in both the lodging and amusement/recreation categories increasing on a monthly basis. Construction related to manufacturing also continues to rise as suppliers desperately strive to keep up with demand and reshoring momentum persists."" – Erika Walter, Director of Media Relations, ABC

Source: https://abc.org/News-Media/News-Releases/entryid/19457/nonresidential-construction-spending-falls-in-april-says-abc; 6/1/22

Return to TOC

Private Indicators
Associated Builders and Contractors

Construction Spending, Millions of Dollars, Seasonally Adjusted Annual Rate

	April 2022	March 2022	April 2021	1-Month % Change	12-Month % Change
Total Construction	$1,744,801	$1,740,614	$1,553,547	0.2%	12.3%
Residential	$900,440	$892,537	$761,588	0.9%	18.2%
Nonresidential	$844,362	$848,077	$791,959	-0.4%	6.6%
Manufacturing	$96,911	$95,283	$72,247	1.7%	34.1%
Lodging	$17,316	$17,116	$22,069	1.2%	-21.5%
Amusement and recreation	$26,129	$25,846	$24,908	1.1%	4.9%
Communication	$21,908	$21,847	$21,752	0.3%	0.7%
Sewage and waste disposal	$30,230	$30,247	$27,620	-0.1%	9.4%
Highway and street	$104,071	$104,331	$97,674	-0.2%	6.5%
Office	$84,664	$84,953	$80,739	-0.3%	4.9%
Conservation and development	$9,029	$9,063	$7,111	-0.4%	27.0%
Commercial	$102,371	$102,794	$86,698	-0.4%	18.1%
Educational	$98,022	$98,429	$99,580	-0.4%	-1.6%
Power	$116,141	$117,921	$114,344	-1.5%	1.6%
Transportation	$55,164	$56,024	$55,869	-1.5%	-1.3%
Health care	$50,137	$50,962	$47,837	-1.6%	4.8%
Public safety	$10,409	$10,608	$11,592	-1.9%	-10.2%
Water supply	$19,212	$19,791	$18,815	-2.9%	2.1%
Religious	$2,648	$2,861	$3,106	-7.4%	-14.7%
Private Nonresidential	$503,202	$504,400	$456,963	-0.2%	10.1%
Public Nonresidential	$341,160	$343,677	$334,996	-0.7%	1.8%

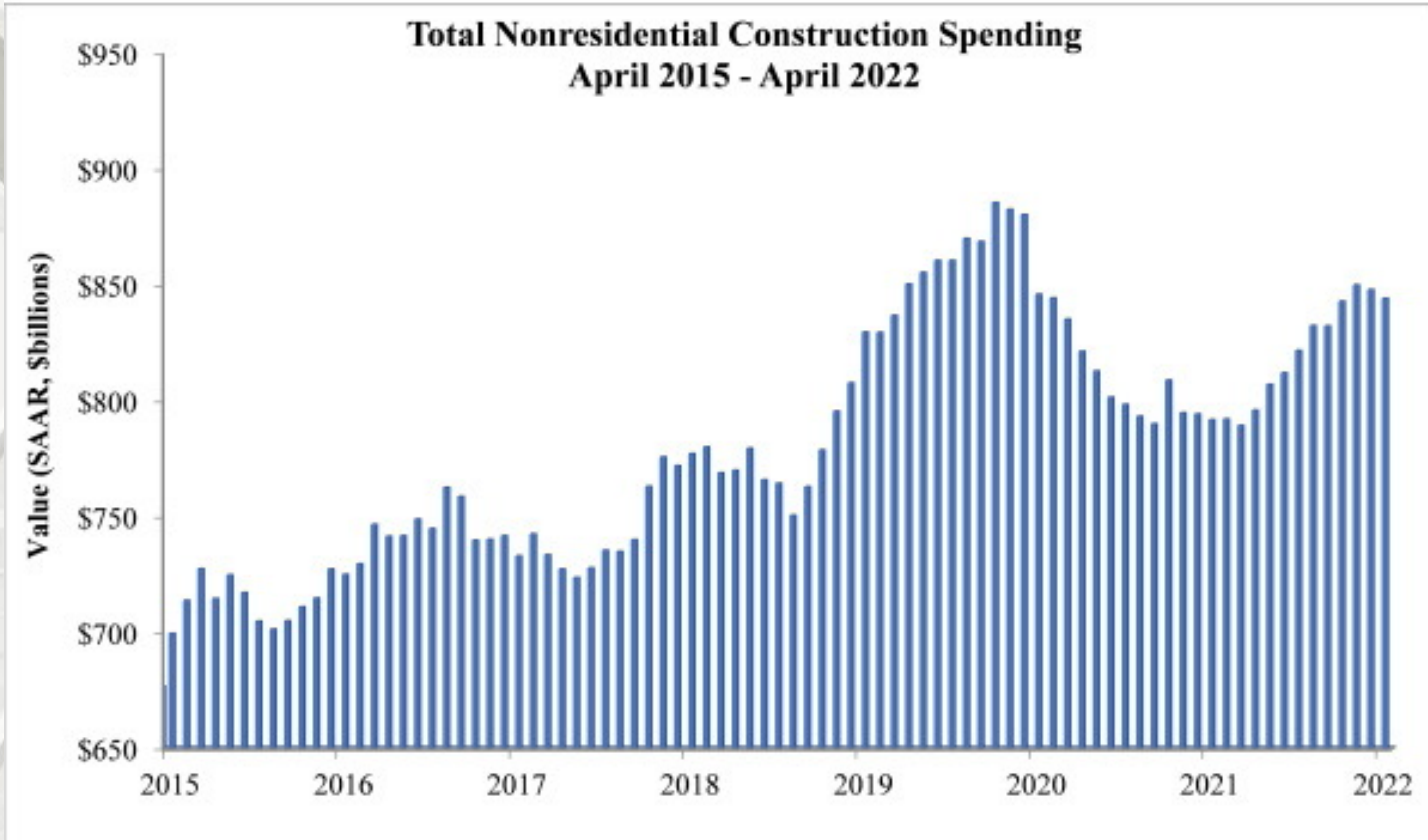
Source: U.S. Census Bureau

Source: https://abc.org/News-Media/News-Releases/entryid/19457/nonresidential-construction-spending-falls-in-april-says-abc; 6/1/22

Return to TOC

Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Falls in April



Source: U.S. Census Bureau

Source: https://abc.org/News-Media/News-Releases/entryid/19457/nonresidential-construction-spending-falls-in-april-says-abc; 6/1/22

Return to TOC

Private Indicators
Associated Builders and Contractors

ABC's Construction Backlog Rises in May; Contractor Confidence Falters

"Associated Builders and Contractors reports that its Construction Backlog Indicator increased to nine months in May from 8.8 months in April, according to an ABC member survey conducted May 17 to June 3. The reading is up one month from May 2021.

Backlog in the infrastructure segment jumped from 8.7 months in April to 9.3 months in May, and the Northeast and South regions continue to outperform the Middle States and the West. Contractors with more than $100 million in annual revenues enjoyed the highest backlog, at 13.2 months.

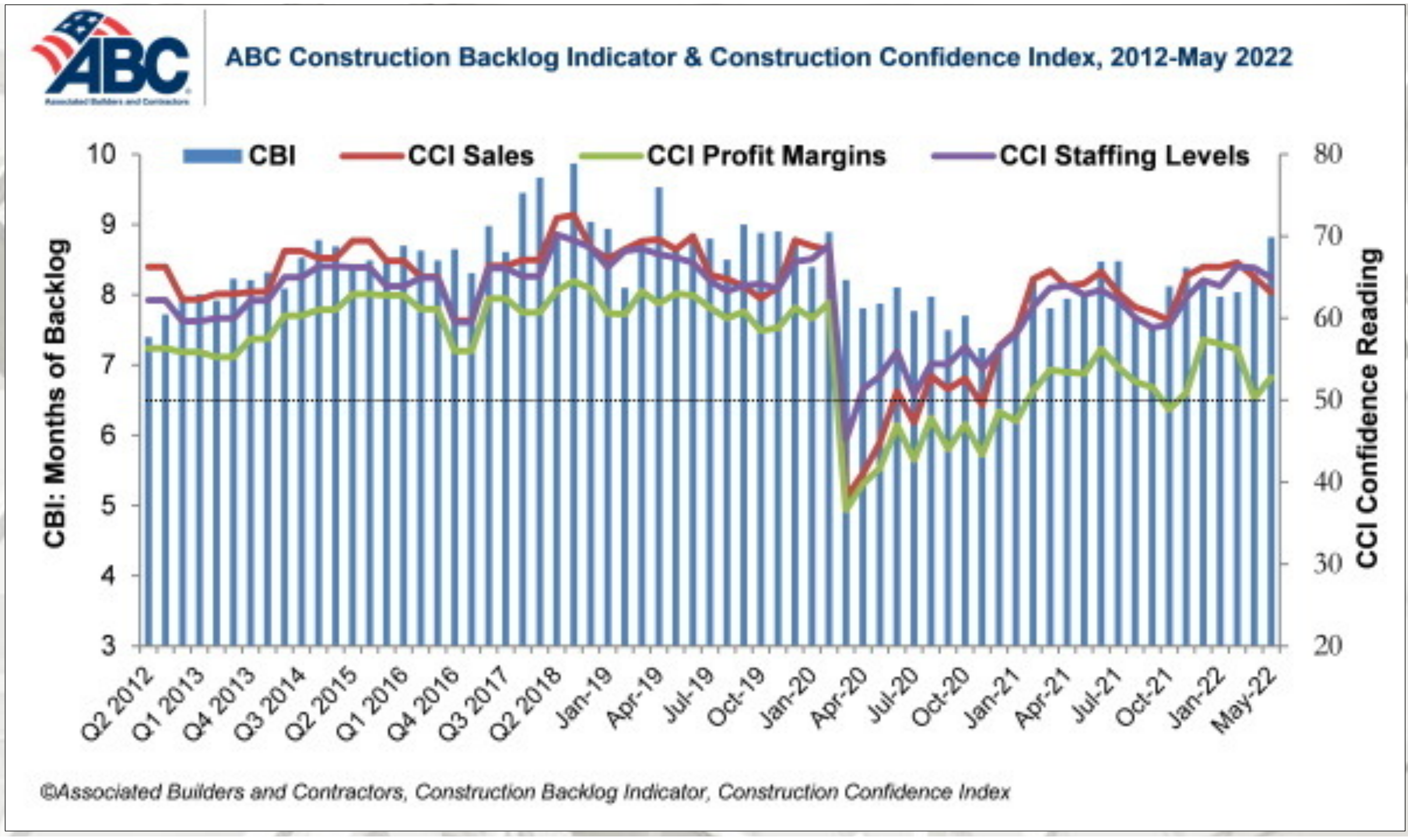
ABC's Construction Confidence Index readings for sales, profit margins and staffing levels declined in May. The indices for sales and staffing remain above the threshold of 50, indicating expectations of growth over the next six months, while the reading for profit margins was exactly 50 for the month.

"It is simply remarkable that contractors continue to add to backlog amidst global strife, rising materials prices and ubiquitous labor force challenges," said ABC Chief Economist Anirban Basu. "Backlog is up in every segment over the past year, including in the somewhat shaky commercial category. The largest increase in backlog has been registered in the industrial segment. More American companies are committing to place additional supply chain capacity in the United States, with Intel and Ford representing particularly recent and noteworthy examples." – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19465/abc-s-construction-backlog-rises-in-may-contractor-confidence-falters; 6/14/22

Return to TOC

Private Indicators
Associated Builders and Contractors



ABC's Construction Backlog Rises in May; Contractor Confidence Falters

"""For contractors, the challenge will continue to be the cost of delivering construction services," said Basu. "The risk of severe increases in costs and substantial delays in delivery remains elevated given the volatility in input prices, the propensity of the labor force to shift jobs in large numbers and equipment shortages and delays. This ABC survey indicates that the proportion of contractors who expect that profit margins will expand over the next six-months is declining, a reflection of lingering, worsening supply chain challenges."""" – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/19465/abc-s-construction-backlog-rises-in-may-contractor-confidence-falters; 6/14/22

Return to TOC

Private Indicators
Associated Builders and Contractors

Construction Confidence Index

Response	May 2022	April 2022	May 2021
		CCI Reading	
Sales	60.9	63.1	64.2
Profit Margins	50.0	52.8	53.2
Staffing	62.8	64.9	62.9
		Sales Expectations	
Up Big	9.3%	8.1%	11.3%
Up Small	47.5%	54.5%	53.1%
No Change	21.9%	21.2%	20.5%
Down Small	20.2%	14.1%	11.3%
Down Big	1.1%	2.0%	3.8%
		Profit Margin Expectations	
Up Big	3.3%	2.5%	4.6%
Up Small	33.3%	41.4%	38.1%
No Change	29.0%	25.3%	28.9%
Down Small	29.0%	26.3%	22.6%
Down Big	5.5%	4.5%	5.9%
		Staffing Level Expectations	
Up Big	4.4%	6.6%	6.3%
Up Small	53.0%	56.6%	49.8%
No Change	32.8%	28.3%	35.1%
Down Small	9.3%	7.1%	6.7%
Down Big	0.5%	1.5%	2.1%

Source: https://www.abc.org/News-Media/News-Releases/entryid/19465/abc-s-construction-backlog-rises-in-may-contractor-confidence-falters; 6/14/22

Return to TOC

Private Indicators
American Institute of Architects (AIA)

Architecture Billings Index April 2022

Architecture firm billings continue to expand at a steady pace

Firms expect their expenses related to healthcare, technology to see largest increases in the coming year

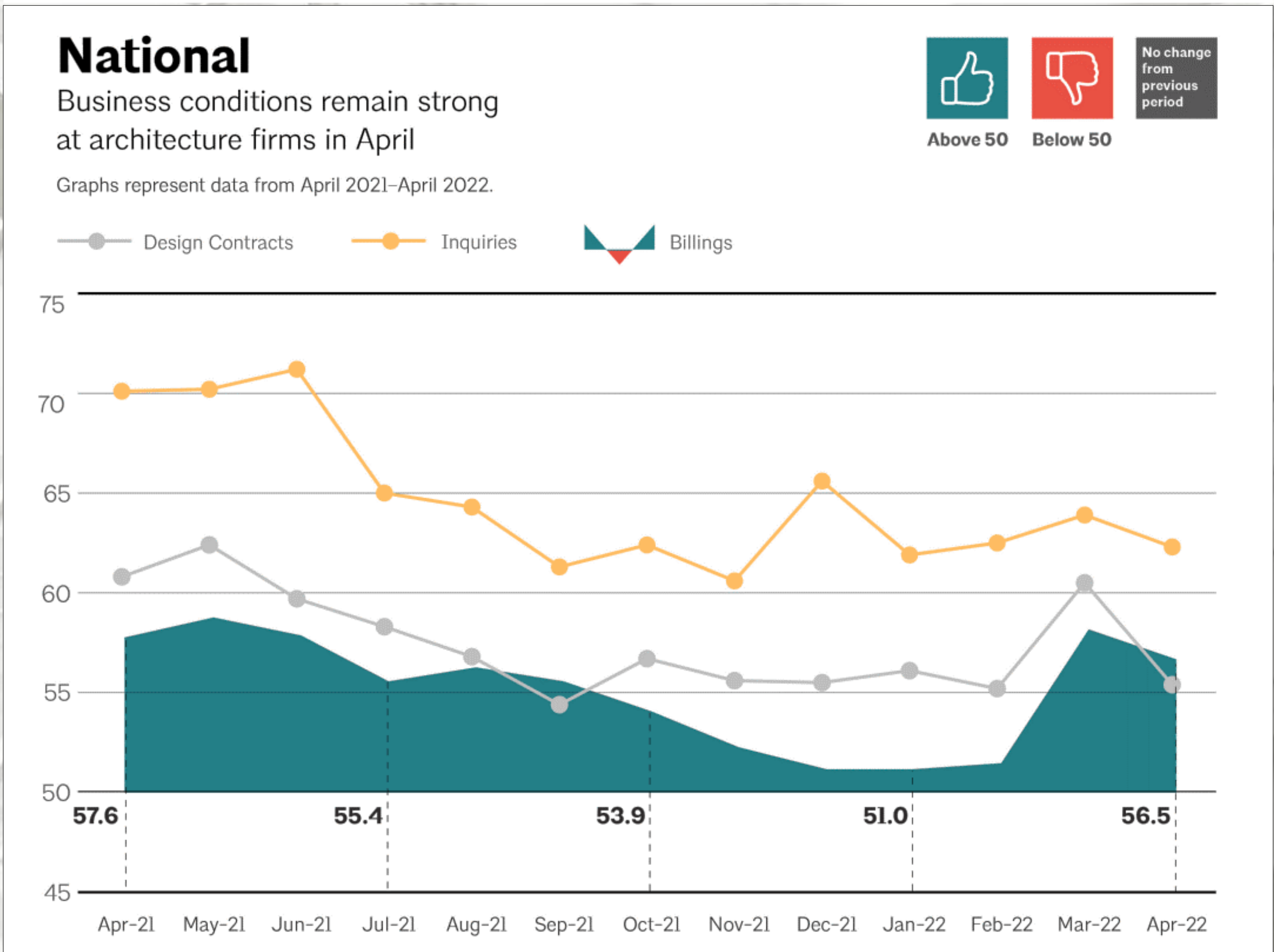
“Architecture firm billings continued to experience strong growth in April. While the pace of growth slowed slightly from March, the ABI score of 56.5 for the month still indicates strong business conditions at most architecture firms (any score over 50 indicates billings growth). In addition, inquiries into new projects remained strong as well, as did the value of new signed design contracts. While both of these indicators of future work have slowed in recent months from the elevated levels seen in mid-2021, they remain very strong overall, and are a good sign of work in the pipeline for firms.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“Billings for reconstruction projects exceeded those for new construction for the first time in the last two decades. While the reconstruction share of building activity will continue to ebb and flow, in general, we’ll continue to move toward an increased share of building activity for reconstruction and a decreased share for new construction.” – Kermit Baker, Chief Economist, AIA

Source: https://www.aia.org/pages/6507373-abi-april-2022-architecture-firm-billings-; 5/18/22

Return to TOC

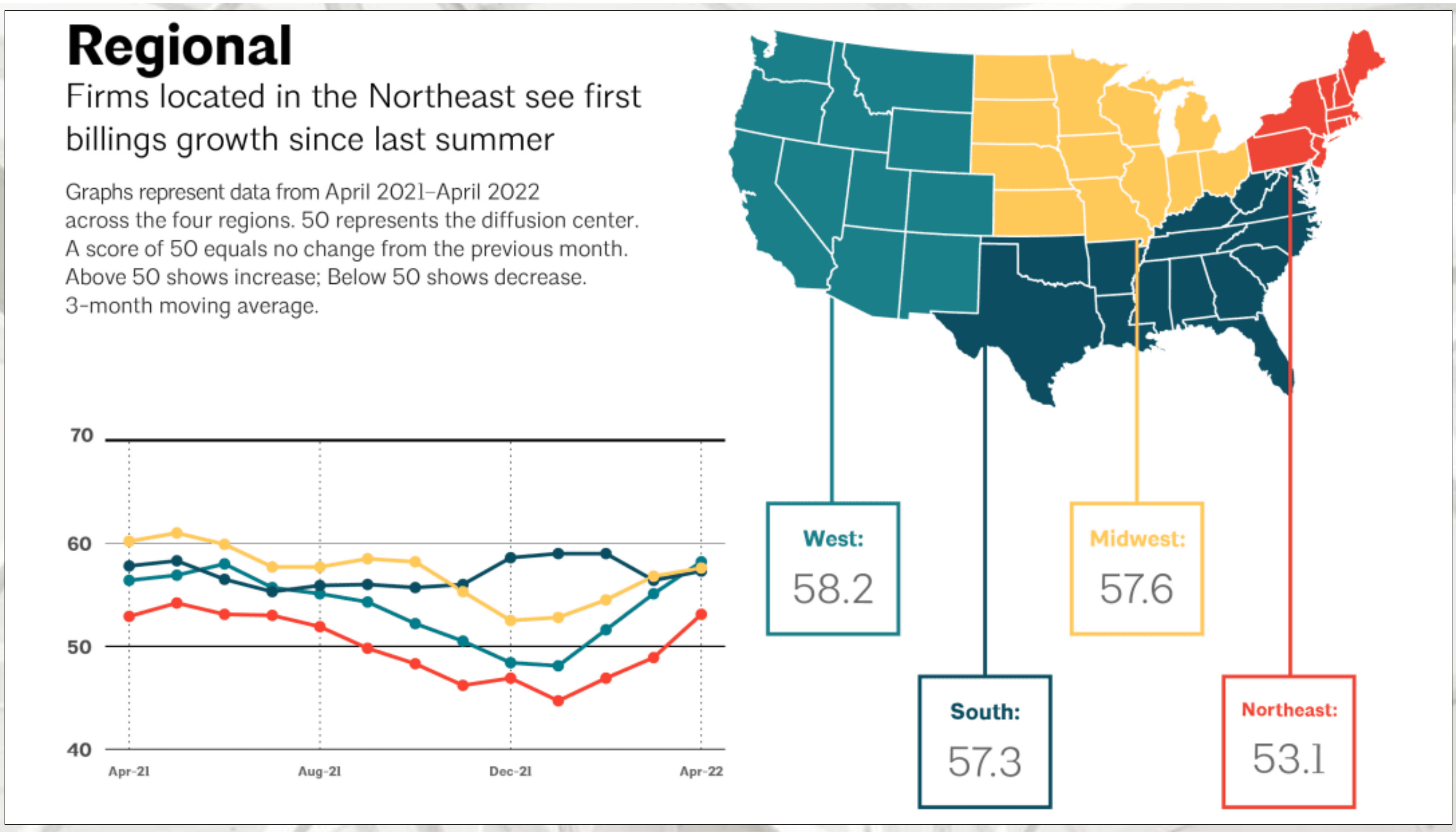
Private Indicators
American Institute of Architects (AIA)



Source: https://www.aia.org/pages/6507373-abi-april-2022-architecture-firm-billings-; 5/18/22

Return to TOC

Private Indicators: AIA



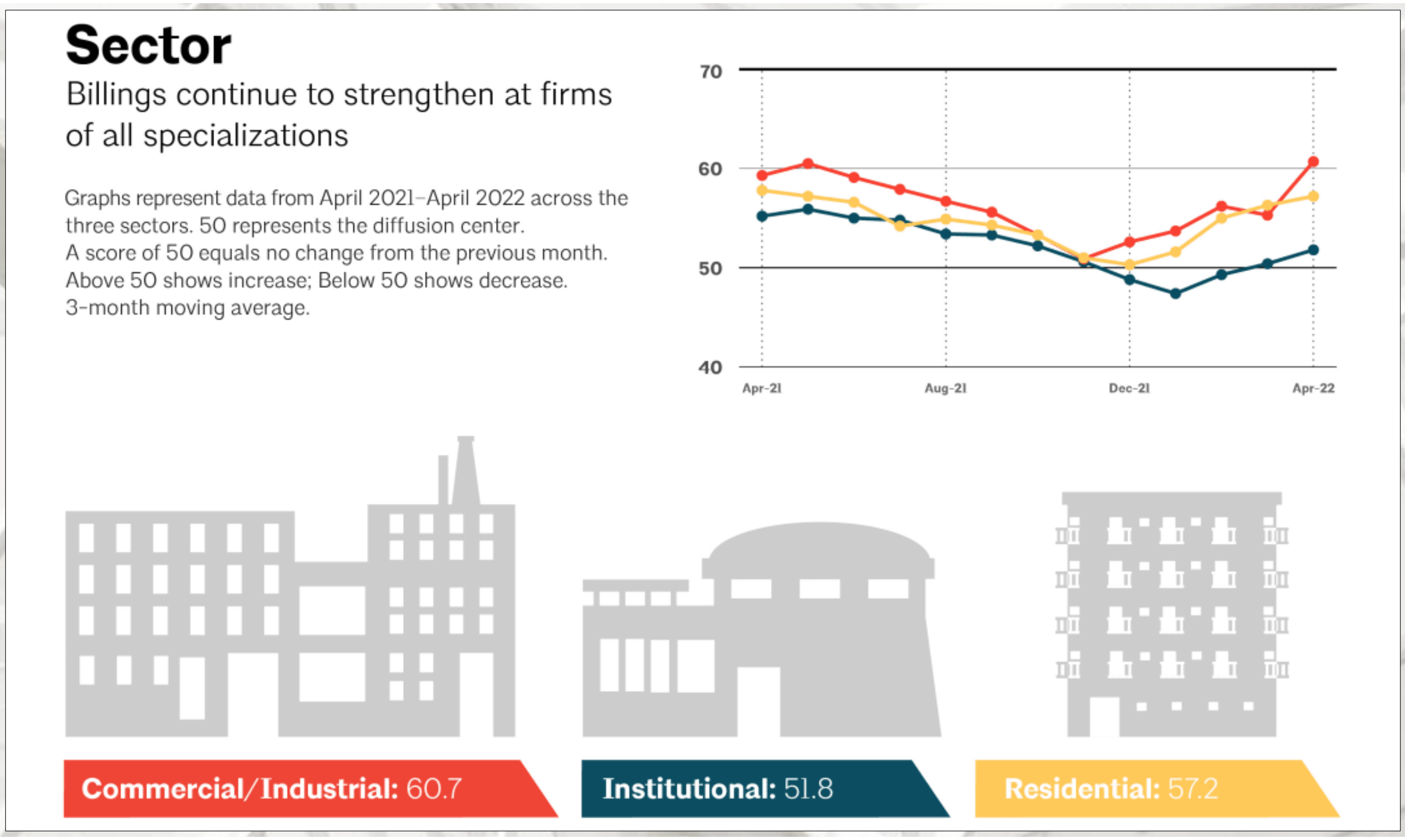
Region

"In welcome news, billings finally began to rise again at firms located in the Northeast in April, following a protracted seven-month period of decline. Billings also continued to grow at firms in the rest of the country, with the firms located in the West in particular seeing a surge over the last three months." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6507373-abi-april-2022-architecture-firm-billings-; 5/18/22

Return to TOC

Private Indicators: AIA



Sector

"Business conditions also remained positive at firms of all specializations this month. Firms with a commercial/industrial specialization reported the strongest growth, while firms with a multifamily residential specialization experienced a rebound from slower conditions at the end of 2020." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6507373-abi-april-2022-architecture-firm-billings-; 5/18/22

Return to TOC

Private Indicators
American Institute of Architects (AIA)

Architecture Billings

Renovation claims 50% share of firm billings for first time

For the first time, billings for reconstruction projects at architecture firms exceeded billings for new construction projects, based on new data from AIA that draws on 20 years of tracking renovation, retrofitting, restoration, and reconstruction. What's significant, according to AIA's Chief Economist Kermit Baker, Hon. AIA, is the trend's link to the pandemic, which is more tenuous than you might think. "As far as our respondents are concerned," he says, this rebalancing of new construction versus reconstruction is a much bigger trend."

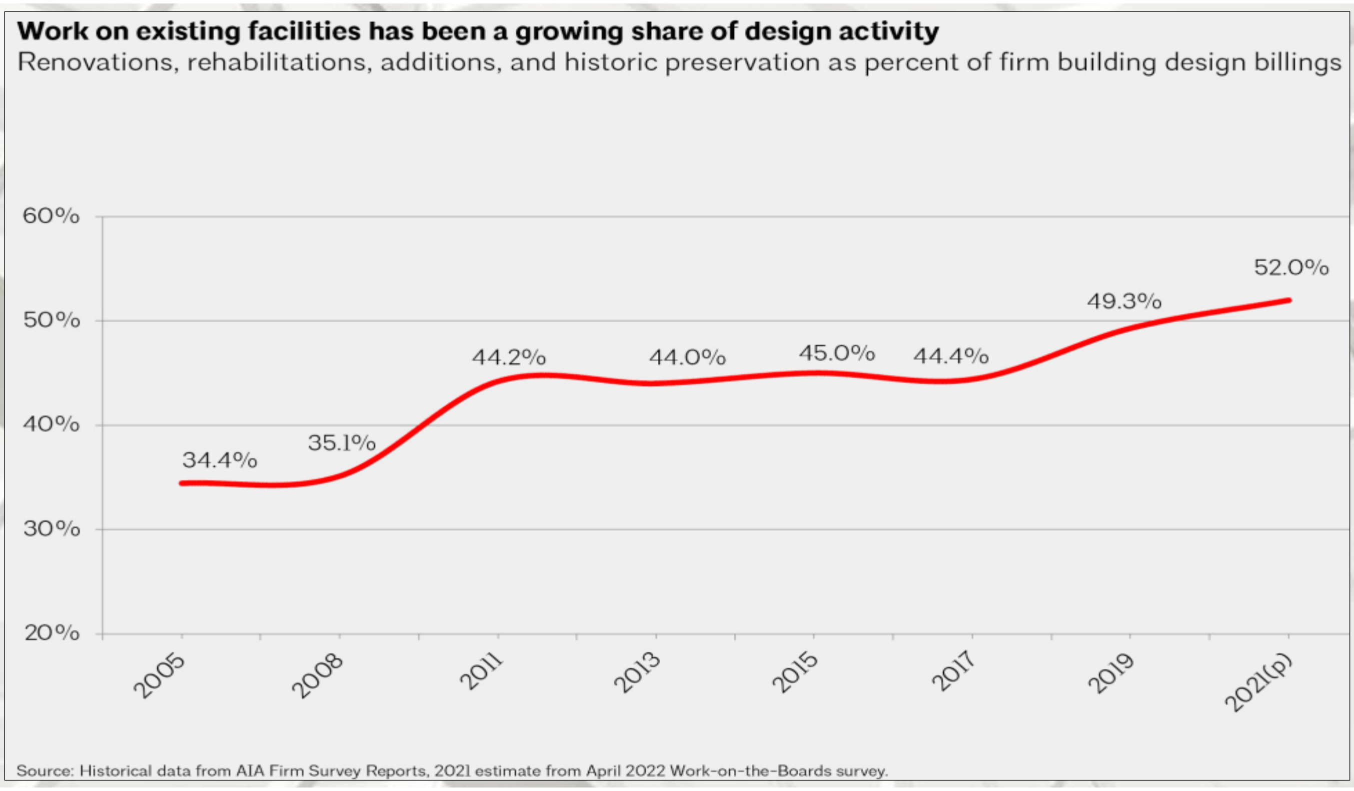
"**What has the balance between new construction and reconstruction looked like over the last two decades?** Reconstruction is an underappreciated segment in design and construction, partially because it's difficult to track these projects. When you talk to construction industry analysts and you ask them how much of all the work is reconstruction, they'll generally estimate something like 20-25%, which everyone knows is undercounted because it's so hard to track. The AIA has been tracking this for 20 years now and, at that time they were in the mid-30% range, which is a good deal higher than what others are reporting and increasing over that period of time. To see numbers as high as they are now, we'd probably have to go back a lot farther than when AIA started tracking reconstruction projects in 2002 to the Great Depression to see something on this magnitude.

What accounts of the discrepancy between what architects are reporting and what, say, general contractors are reporting when it comes to adapting, remodeling, or renovating existing buildings? Architects are the only source I've seen who have a real handle on what's going on in this area because general contractors aren't engaged in these projects. If you're doing a systems upgrade or a lighting upgrade, owners may just use a sub-contractor and bypass the general contractor. So, I think that's one of the major reasons why it's so underreported." – William Richards, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/articles/6502007-renovation-claims-50-share-of-firm-billing); 5/18/22

Return to TOC

Private Indicators
American Institute of Architects (AIA)



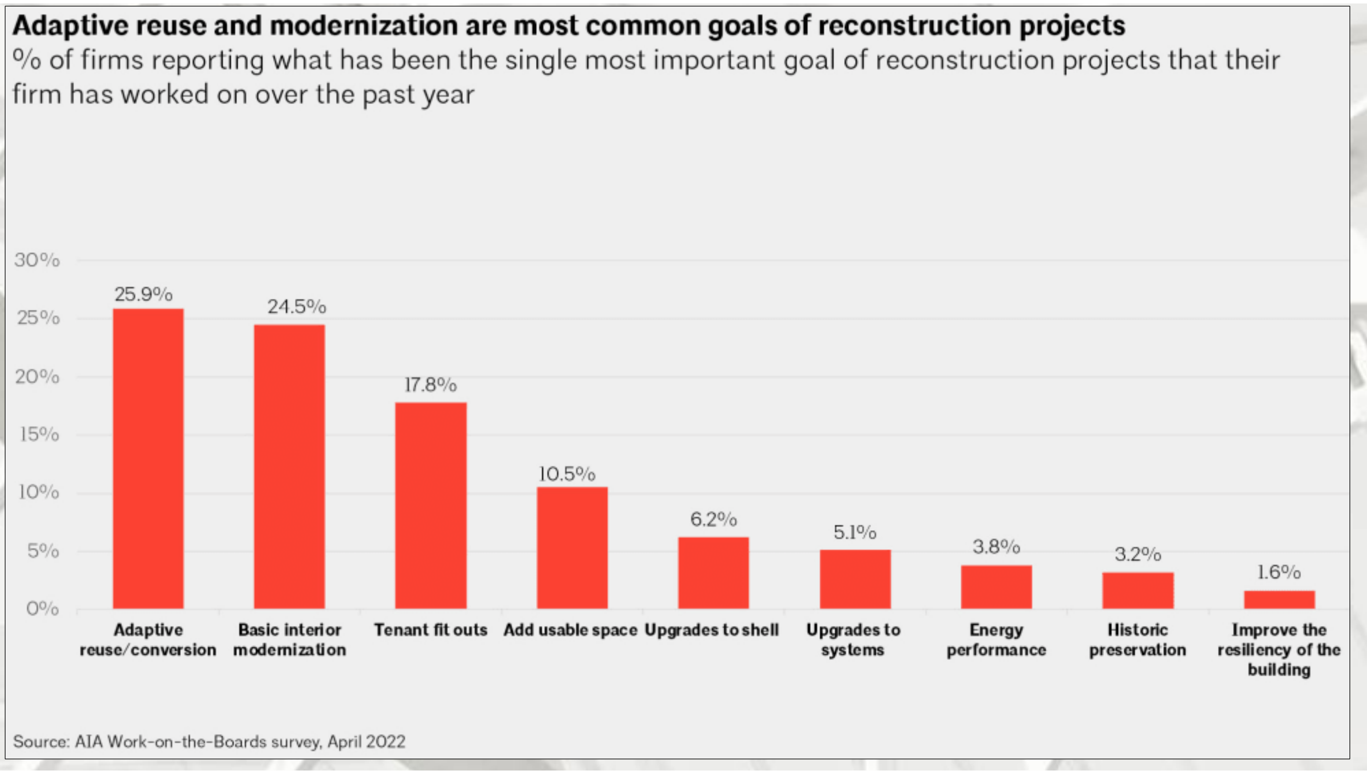
Architecture Billings

"In the last decade, total private spending on both new construction and remodeling was $1.6 trillion, with spending increasing almost every year. What are architects saying about what's driving remodeling, renovation, and reconstruction? We asked architecture firms about the most important goal of reconstruction projects firms have worked on in the last 12 months, and we found that it was a tie for the top two primary reasons: adaptive reuse at 25% and conversion and basic interior modernization at 25% – making up a full half of all respondents. The next half of responses are a bunch of different answers. Tenant fit-outs were 18%, adding usable space was about 10%, upgrades to the shell or to the systems constituted another 10%, and historic preservation was 3%." – William Richards, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/articles/6502007-renovation-claims-50-share-of-firm-billing); 5/18/22

Return to TOC

Private Indicators
American Institute of Architects (AIA)



Architecture Billings

"What about the net-zero and climate positive goals some firms have committed to? Where do they sit? That's what intrigued me the most, I think, which is that energy performance was 3.8% and increased resiliency was 1.6%, meaning they were not very common primary goals among respondents when asked why they undertook reconstruction projects – which, again, we're using as an umbrella term to include renovation, retrofitting, and restoration. Over the next few months, as the price of oil per barrel fluctuates, we will see how those percentages go up or down." – William Richards, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/articles/6502007-renovation-claims-50-share-of-firm-billing); 5/18/22

Return to TOC

Private Indicators
American Institute of Architects (AIA)

Architecture Billings

Renovation claims 50% share of firm billings for first time

"**If renovating, retrofitting, and restoring are eclipsing new construction today, what suggests it might be an anomaly and what suggests it might not be?** I would lean heavily into "not" an anomaly. This is a long-term trend, our economy is growing slowly – a lot slower than it has in recent memory – and I think that means we don't need new things so much as we need to reuse what we have. Until we reverse this trend, which I don't see happening, we are going to move toward an increased share in reconstruction and a decreased share in new construction.

What suggests it might not be an anomaly? The contrary argument – or why one might say this shift in the balance between new construction and reconstruction is an unusual blip for 2022 – is the sentiment that, "It's easier and faster to start over again than it is to fix up a building." Part of that has to do with the fact that underutilized space in one area doesn't help solve space needs in another. It would be unusual for an old general store in rural Maine to be moved to Atlanta, for instance, for a new strip mall in a burgeoning suburb. But, as I said, I don't think this trend is an anomaly, and I think we are, as a country and as design and construction industries, finding that the opportunities to adapt or renovate what we already have is at least as appealing as starting anew on a site.

How much of this trend is attributable to pandemic thriftiness, so to speak? There's been a fair amount of anecdotal stories that the pandemic has generated reconstruction work – that we've had to reconfigure offices and restaurants for improved air circulation and six-foot guidelines, for instance. But we asked respondents about their shares of billings related to work induced by the pandemic, and the average was about 10% of their total reconstruction work. So, as far as our respondents are concerned, this rebalancing of new construction versus reconstruction is a much bigger trend than the acute demands of the pandemic would suggest." – William Richards, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/articles/6502007-renovation-claims-50-share-of-firm-billing); 5/18/22

Return to TOC

Private Indicators

Dodge Data & Analytics

Total Construction Starts Inch Higher in April

Widespread pullback in construction activity following a strong February

"Total construction starts rose 3% in April to a seasonally adjusted annual rate of $945.8 billion, according to Dodge Construction Network. Nonresidential building starts rose 6% and residential starts increased by 4%, while nonbuilding starts fell 4%.

Year-to-date, total construction was 6% higher in the first four months of 2022 compared to the same period of 2021. Nonresidential building starts rose 19%, residential starts gained 3%, while nonbuilding starts were 2% lower. For the 12 months ending April 2022, total construction starts were 12% above the 12 months ending April 2021. Nonresidential starts were 24% higher, residential starts gained 11% and nonbuilding starts were down 1%.

"The construction sector is seemingly shrugging off the fear of higher interest rates and a potential recession," said Richard Branch, chief economist for Dodge Construction Network. "Many building sectors have made the turn from weakness to recovery as underlying economic growth and hiring are solid. With the pipeline of projects in planning continuing to expand, this trend should continue in the months to come. However, the concern that the Federal Reserve will force the U.S. into recession later this year may thwart the momentum in construction starts. While recession is not our baseline forecast, it can not be fully discounted."" – Nicole Sullivan, Public Relations & Social Media, AFFECT

Source: https://www.construction.com/news/Starts-April-2022; 5/17/22

Return to TOC

Private Indicators

Dodge Data & Analytics

“**Residential building starts** rose 4% in April to a seasonally adjusted annual rate of $462.9 billion. Single family starts gained 1% and multifamily starts rose 13%. Through the first four months of 2022, residential starts were 3% higher than in the first four months of 2021. Multifamily starts were up 16%, while single family housing slipped 2%.

For the 12 months ending April 2022, residential starts improved 11% from the same period ending March 2021. Single family starts were 6% higher and multifamily starts were 27% stronger on a 12-month rolling sum basis.

The largest multifamily structures to break ground in April were the $420 million 2-10 54th Avenue apartments in Long Island City, NY, the $400 million Civic Square condominiums in Seattle, WA, and a $300 million mixed-use building in Long Island City, NY.

Regionally, total construction starts in April rose in the Northeast, South Atlantic, and South Central regions, but fell in the Midwest and West.

Nonresidential building starts rose 6% in April to a seasonally adjusted annual rate of $295.9 billion. In April, commercial starts rose 2%, institutional starts gained 8% and manufacturing starts increased 16%. Through the first four months of 2022, nonresidential building starts were 19% higher than during the first four months of 2021. Commercial starts advanced 11% and institutional starts 1%, while manufacturing starts soared 189% on a year-to-date basis.

For the 12 months ending April 2022, nonresidential building starts were 24% higher than in the 12 months ending April 2021. Commercial starts grew 19%, institutional starts rose 11%, and manufacturing starts swelled 163% on a 12-month rolling sum basis.

The largest nonresidential building projects to break ground in April were the $500 million Caesar Virginia hotel and casino in Danville, VA, the $430 million Aggie Square Life science building in Sacramento, CA, and the $400 million The Rose Gaming Resort in Dumfries, VA.” – Richard Branch, Chief Economist, Dodge Data & Analytics

Source: https://www.construction.com/news/Starts-April-2022; 5/17/22

Return to TOC

Private Indicators

MONTHLY CONSTRUCTION STARTS

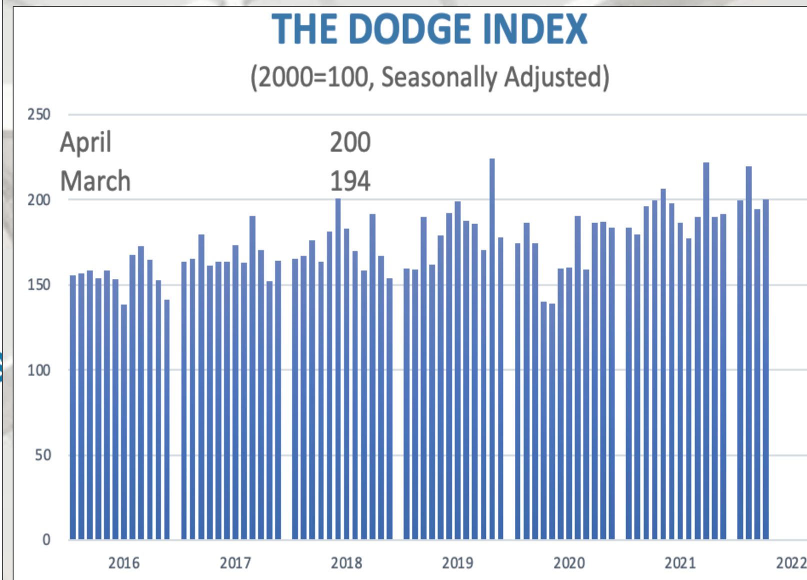
(Millions of Dollars, Seasonally Adjusted Annual Rate)

	Apr 2022	Mar 2022	% Change
Nonresidential Building	$295,884	$279,693	6
Residential Building	462,865	443,865	4
Nonbuilding Construction	187,054	195,483	-4
Total Construction	$945,803	$919,041	3

YEAR-TO-DATE CONSTRUCTION STARTS

Unadjusted Totals, in Millions of Dollars

	4 Mos. 2022	4 Mos. 2021	% Change
Nonresidential Building	$97,060	$81,419	19
Residential Building	144,704	140,722	3
Nonbuilding Construction	61,227	62,627	-2
Total Construction	$302,991	$284,768	6



Source: Dodge Data & Analytics

Source: https://www.construction.com/news/Starts-April-2022; 5/17/22

Return to TOC

Private Indicators

MNI Chicago

"The Chicago Business Barometer™, produced with MNI, recovered to 60.3 in May, following last month's dip to 56.4. Inventories saw a fresh near 50-year high. All main indicators increased except for supplier deliveries, which hit the lowest since November 2020. This month we asked firms what they see as their three greatest challenges to conducting business at the moment. Increased costs, said 80.9%, followed by 68.1% selecting delivery and lead times. Material shortages followed with 61.7%. Fewer firms struggled with labor shortages (46.8%), declining economic sentiment (21.3%) and increased demand (8.5%).

Chicago Business Barometer™ – Lifted to 60.3 in May

- Production jumped 10 points in May, 0.4 points above the 12-month average. Firms cited China's lockdowns causing material supply disruptions and a slowing of production; however, demand was strong.
- New Orders saw the second-largest increase this month, accelerating 8.6 points, edging closer to the March 2022 level, now sitting 3.3 points below the 12-month average. Close to a third of firms saw more orders this month compared to April.
- Order Backlogs inched up 1.2 points to a 7-month high 64.6. Responses were varied, some stating mismatches between production capacity and increased new orders.
- Employment ticked up 0.6 points to 46.1. Recruiting for production and distribution remained difficult.
- Supplier Deliveries dipped again, down 5.2 points to 69.3. This was the lowest since November 2020 as deliveries remained slow and lead times lengthened. Firms cited lockdowns in China as a key culprit.
- Inventories grew 4.5 points to 69.1, a near 50-year high, as firms again expanded their inventories to buffer for further supply disruptions and shortages.
- Prices Paid expanded by 2.5 points to 88.6 with over three-quarters of firms inferring higher prices. Raw material, labor and shipping costs were acute. Some firms did see prices easing in certain commodities." – Les Commons, Senior Economist and Lucy Hager, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 5/31/22

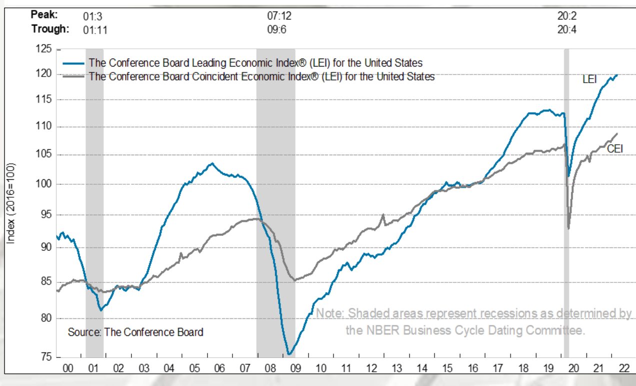
Return to TOC

Private Indicators

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

"**The Conference Board Leading Economic Index®** (LEI) for the U.S. increased by 0.3 percent in April to 119.8 (2016 = 100), following a 0.6 percent decrease in February. The LEI increased by 1.9 percent in the six-month period from September 2021 to April 2022."

U.S. Composite Economic Indexes (2016 = 110)



"The US LEI rose again in April despite headwinds from the war in Ukraine. This broad-based improvement signals economic growth is likely to continue through 2022 despite volatile stock prices and weakening business and consumer expectations. The Conference Board projects 3.0 percent year-over-year US GDP growth in 2022, which is slower than the 5.6 percent pace of 2021, but still well above pre-covid trend. This rate also reflects a 0.5 ppt downgrade incorporated in our base case to include the effects of the war in Ukraine compared to before the war (3.5 percent). However, downside risks to the growth outlook remain, associated with intensification of supply chain disruptions and inflation linked to lingering pandemic shutdowns and the war, as well as with tightening monetary policy and persistent labor shortages." – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

"**The Conference Board Coincident Economic Index®** (CEI) for the U.S. increased by 0.4 percent in April to 108.7 (2016 = 100), following a 0.4 percent increase in February. The CEI increased by 2.2 percent in the six-month period from September 2021 to April 2022.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased by 0.6 percent in April to 110.9 (2016 = 100), following a 0.2 percent increase in February. The LAG increased by 2.0 percent in the six-month period from September 2021 to April 2022."

Source: https://www.conference-board.org/data/bcicountry.cfm; 4/21/22

Return to TOC

Private Indicators

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

April New Business Volume Up 14 Percent Year-over-year, 49 Percent Month-to-month, 5 Percent Year-to-date

"The **Equipment Leasing and Finance Association's** (ELFA) **Monthly Leasing and Finance Index (MLFI-25)**, which reports economic activity from 25 companies representing a cross section of the $900 billion equipment finance sector, showed their overall new business volume for April was $10.5 billion, up 7 percent year-over-year from new business volume in April 2021. Volume was relatively unchanged from $10.6 billion in March. Year-to-date, cumulative new business volume was up nearly 6 percent compared to 2021.

Receivables over 30 days were 2.1 percent, up from 1.5 percent the previous month and up from 1.8 percent in the same period in 2021. Charge-offs were 0.05 percent, down from 0.10 percent the previous month and down from 0.30 percent in the year-earlier period. Credit approvals totaled 77.4 percent, down from 78.3 percent in March. Total headcount for equipment finance companies was down 1.0 percent year-over-year.

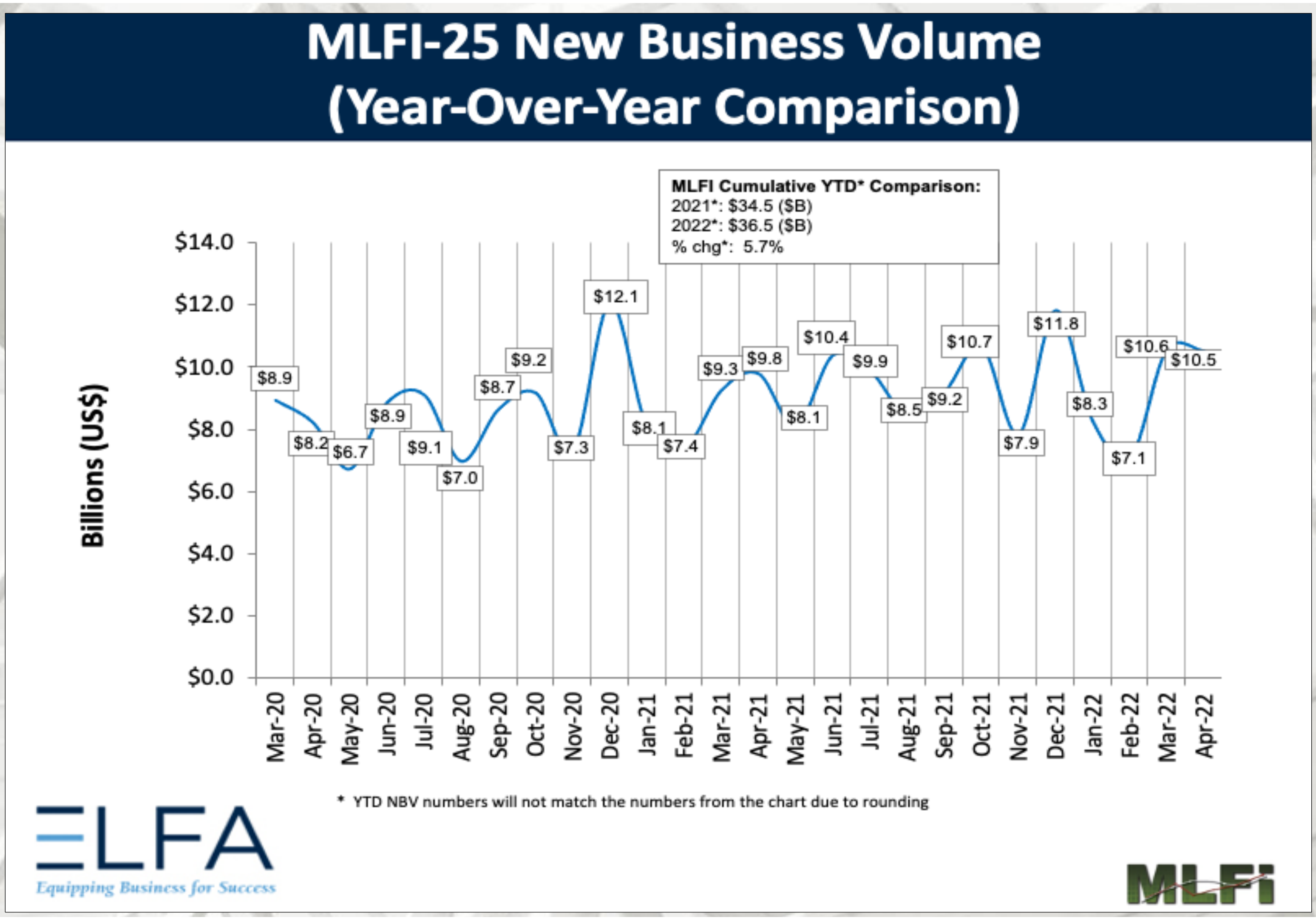
Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index (MCI-EFI) in May is 49.6, a decrease from 56.1 in April." – Amy Vogt, Vice President, Communications and Marketing, ELFA

"New business volume for a subset of the ELFA membership shows stable growth in April amidst a somewhat slowing economy and rising interest rate environment. Anecdotal information from a number of ELFA member organizations indicates that equipment deliveries continue to be a problem as supply chain disruptions continue. Soaring energy prices and inflation are headwinds confronting the industry as we move into the summer months." – Ralph Petta, President and CEO, ELFA

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2022/05/24/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 5/24/22

Return to TOC

Private Indicators



Equipment Leasing and Finance Association's Survey of Economic Activity

"The recent results from the MLFI-25 mirror what we are seeing every day. Volume continues to be steady even with rising interest rates. The portfolio is performing well, with below average delinquency rates, but we continue to monitor this closely. We continue to be optimistic for the rest of 2022, especially if the supply chain continues to improve." – Eric Bunnell, CLFP, President, Arvest Equipment Finance

Source: https://www.elfaonline.org/news/press-room/press-releases/details/2022/05/24/equipment-leasing-and-finance-association-s-survey-of-economic-activity-monthly-leasing-and-finance-index; 5/24/22

Return to TOC

Private Indicators

S&P Global U.S. Manufacturing PMI™

Manufacturing upturn slows amid cooling demand, surging costs and material shortages

"The seasonally adjusted S&P Global US Manufacturing Purchasing Managers' Index™ (PMI™) posted 57.0 in May, down from 59.2 in April and below the earlier released 'flash' estimate of 57.5. The latest reading was the lowest for four months.

The US manufacturing sector signalled a further improvement in operating conditions during May, according to PMI™ data from S&P Global, but the rate of growth eased to the softest since January as expansions in output, new orders and stocks of purchases waned. That said, overall demand conditions remained robust, with firms stepping up their hiring activity amid a sharp uptick in backlogs of work. Business confidence, however, slipped to the lowest since October 2020. Meanwhile, supply constraints and inflationary pressures remained key themes, hampering output growth and stockpiling efforts. The rate of cost inflation accelerated to the fastest in six months, with firms passing on higher expenses to customers through a near-record rise in output charges.

Output growth at manufacturers was strong overall, as greater client demand and a further uptick in new orders supported the upturn in production. The rate of expansion was the slowest for three months, however, as material shortages, delivery delays and a softer rise in order book inflows began to stymie growth momentum.

New orders rose sharply in May, with higher new sales inflows often attributed to a sustained rise in customer demand and the acquisition of new clients. That said, the pace of growth softened further from March's recent peak and was the slowest seen since January. Foreign client demand also softened, with export orders rising at the slowest rate for four months. Global uncertainty due to the war in Ukraine and challenging logistics reportedly weighed on the upturn." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.markiteconomics.com/Public/Home/PressRelease/180bda82053d4983baf9a2e271e6d157; 6/1/22

Return to TOC

Private Indicators

S&P Global U.S. Manufacturing PMI™

"On the price front, cost burdens rose at a near-record pace amid soaring input prices. Higher operating expenses were commonly linked to hikes in metals, energy, fuel and transportation costs, with some firms mentioning that the war in Ukraine and COVID-19 lockdowns in mainland China had exacerbated surging prices. The pace of cost inflation accelerated to the fastest since November 2021's record rate.

In response, manufacturers raised their selling prices again in May. In contrast to a faster increase in cost burdens, however, output charges increased at a softer pace than in April. Nonetheless, it was the third-sharpest in 15 years of data collection.

Concerns regarding the impact of inflation on customer spending dampened output expectations in May. Goods producers remained upbeat towards the year-ahead outlook, but the degree of optimism slipped to its lowest since October 2020.

Greater new order inflows spurred another round of hiring, as manufacturing firms expanded workforce numbers at a faster pace in May. The solid increase was also attributed to the filling of long-held vacancies. Higher employment helped relieve pressure on capacity, as backlogs of work rose at the slowest pace in 15 months. Where an increase was noted, firms generally linked this to material shortages.

Finally, suppliers' delivery times continued to hamper production efforts. Although lead times lengthened to a greater extent than seen anytime prior to the pandemic, the latest incidence of delays was the least severe for 16 months. Alongside soaring input prices, this resulted in softer purchasing growth as efforts to stockpile were stymied and many opted to work through inventories instead." – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/180bda82053d4983baf9a2e271e6d157; 6/1/22

Return to TOC

Private Indicators

S&P Global U.S. Manufacturing PMI™

Comment

"A solid expansion of manufacturing output in May should help drive an increase in GDP during the second quarter, with production growth running well above the average seen over the past decade. However, the rate of growth has slowed as producers report ongoing issues with supply chain delays and labor shortages, as well as slower demand growth.

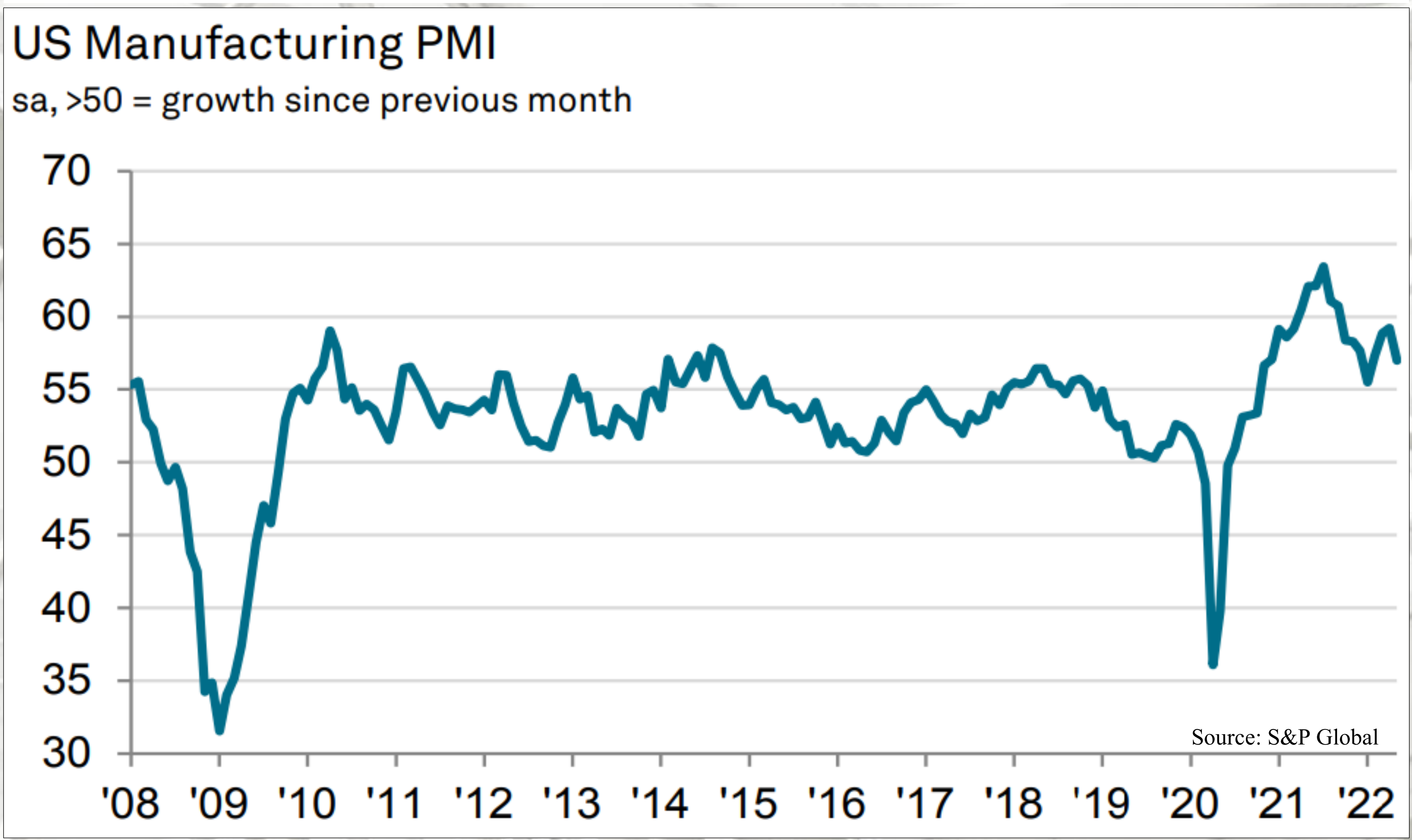
A cooling in new orders growth was in part linked to customers pushing back on high prices, though also reflected shortages and growing concern about the outlook.

Input cost pressures meanwhile intensified further during the month. Although delivery delays were the least widespread for 16 months, pricing power remained firmly in the hands of the supplier, with rising energy, wage and transportation costs adding to firms' cost burdens. The result was the steepest rise in costs since November, feeding through to yet another near-record factory gate price increase and serving as a reminder that inflationary pressures remain worryingly elevated." – Chris Williamson, Chief Business Economist, S&P Global

Source: https://www.markiteconomics.com/Public/Home/PressRelease/180bda82053d4983baf9a2e271e6d157; 6/1/22

Return to TOC

Private Indicators



Source: https://www.markiteconomics.com/Public/Home/PressRelease/180bda82053d4983baf9a2e271e6d157; 6/1/22

Return to TOC

Private Indicators

S&P Global U.S. Services PMI™

Business activity growth eases amid series-record rise in costs and softer demand conditions

"The seasonally adjusted final S&P Global US Services PMI Business Activity Index registered 53.4 in May, down from 55.6 in April but broadly in line with the earlier released 'flash' estimate of 53.5. The latest index reading signalled a solid upturn in output across the service sector, albeit one that was the slowest since January. Anecdotal evidence stated that the rise in business activity was due to strong client demand and new customer wins. That said, the impact of inflation, labor availability and supply-chain disruption hampered growth momentum.

US service providers recorded another monthly expansion of business activity during May, according to the latest PMI™ data. That said, the rate of output growth eased to the softest for four months amid the slowest rise in new business since last September, as well as ongoing labor and supply constraints. Domestic and foreign client demand weakened in part due to hikes in selling prices and supplier delivery delays. Although output charges increased at a slower rate than April's survey high, the rise was marked overall and reflected soaring input prices, which increased at the sharpest pace on record.

Meanwhile, pressure on capacity continued to build as backlogs of work rose steeply again. In response, firms expanded their workforce numbers sharply. Firms were also more upbeat regarding the outlook for output over the coming year amid hopes of sustained new order growth.

New business continued to increase in May, with client demand expanding solidly. However, growth was the slowest since last September. According to some firms, customer spending on services slowed as new client wins were often dampened by the impact of price hikes on demand. At the same time, the increase in new export orders for services slowed from April's series-record rate of growth. The pace of expansion in foreign client demand was stronger than the series average, despite reports that inflation and global uncertainty weighed on the upturn." – Chris Williamson, Chief Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/351b17bf9d3e4ad5806fdf7599072d06; 6/3/22

Return to TOC

Private Indicators

S&P Global U.S. Services PMI™

"Meanwhile, inflationary pressures remained historically elevated in May. The rate of increase in cost burdens accelerated again to reach a new series high. Panellists stated that greater input prices stemmed from hikes in fuel, energy and supplier costs, alongside increased wage bills. Service providers passed on higher costs to their clients through another marked monthly uptick in output charges during May. That said, the rate of selling price inflation slowed from April's record pace as a limited number of firms mentioned concessions made to customers.

Despite a slower rise in new business, backlogs of work increased at a strong pace midway through the second quarter. Although the rate of growth softened from March's record rise in outstanding business, it was among the fastest in the series history. Partially easing pressure on capacity was a sharp expansion in employment during May. The rate of job creation was broadly in line with April's recent high, with firms noting the filling of long-held vacancies and greater staffing numbers in response to new order inflows. However, hiring activity at some firms was constrained by ongoing staff shortages.

Finally, services firms remained upbeat regarding the outlook for output over the coming 12 months. The degree of confidence picked up from that seen in April and was strong overall. Optimism was driven by hopes of sustained increases in new business and greater hiring opportunities.

Slowest rise in private sector business activity for four months in May

The S&P Global US Composite PMI Output Index* posted 53.6 in May, down from 56.0 in April, to signal a solid but slower upturn in private sector business activity. The softer rise in output reflected slower increases in the manufacturing and service sectors, amid hikes in selling prices and supply-chain disruption." – Chris Williamson, Chief Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/351b17bf9d3e4ad5806fdf7599072d06; 6/3/22

Return to TOC

Private Indicators

S&P Global U.S. Services PMI™

New business rose at a strong, but slower pace. The rise in new orders was the joint-softest since September 2020. Foreign client demand growth also eased, with new business from abroad increasing at the weakest rate since January.

Inflationary pressures remained marked in May, as the rate of increase in cost burdens accelerated again. Although the pace of input price inflation quickened to a series high, there was evidence of a hesitancy to completely pass higher costs on, as output charges rose at a softer pace.

Backlogs of work continued to expand sharply, however, as firms stepped up their hiring activity in response. The rise in employment reflected the filling of long-held vacancies and expansion in capacity across the private sector.

Comment

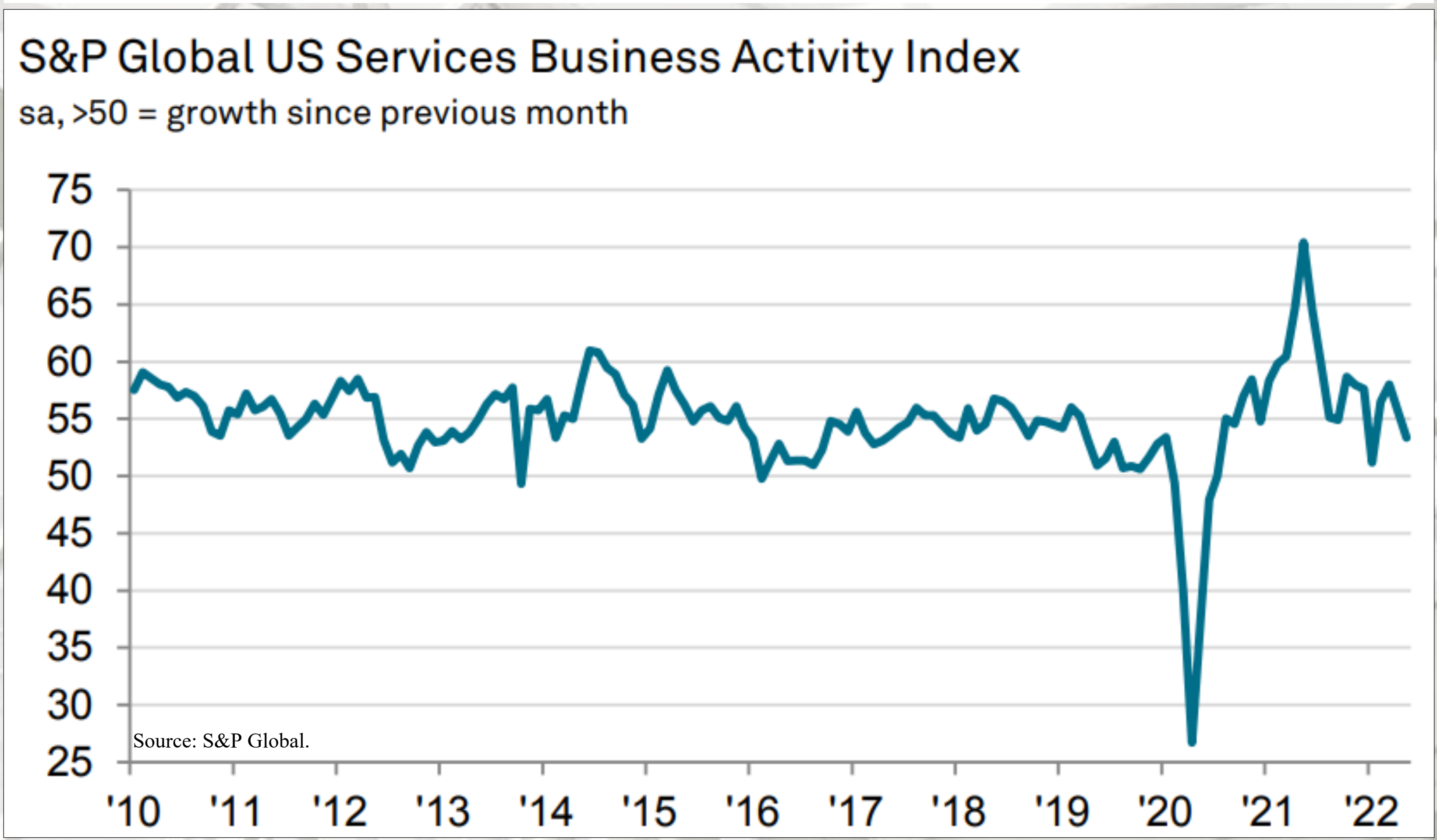
"Alongside the slowing in the manufacturing sector, the cooling pace of expansion in the service sector takes the pace of US economic growth down to the weakest so far in the pandemic recovery with the sole exception of January's slowdown at the height of the Omicron wave. While the survey readings are consistent with GDP growing at an annualized rate of just under 2%, supporting the view that GDP will return to growth in the second quarter, it is worrying that growth momentum is being lost so quickly. Businesses report ongoing difficulties finding staff and souring raw materials, while demand growth measured by inflows of new orders for goods and services is expanding at the slowest rate for almost one-and-a-half years, as spending power is reduced by soaring inflation.

The inflation surge meanwhile shows no signs of abating, with firms' costs soaring higher at yet another survey record rate in May, reflecting rising energy, materials and staff costs." – Chris Williamson, Chief Economist, S&P Global

Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/351b17bf9d3e4ad5806fdf7599072d06; 6/3/22

Return to TOC

Private Indicators



Source: https://www.pmi.spglobal.com/Public/Home/PressRelease/351b17bf9d3e4ad5806fdf7599072d06; 6/3/22

Return to TOC

Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for May 2022: Combined Sectors

"The National Association of Credit Management's seasonally adjusted Credit Managers' Index (CMI) for May fell to its lowest level since January with declines in both favorable and unfavorable factors. These changes are consistent with the reported shifts in consumer buying patterns caused by high inflation, and continuing supply chain and logistics issues plaguing businesses around the globe, said NACM Economist Amy Crews Cutts, Ph.D., CBE®.

"While many people do not own equities, aggregate consumer behavior is highly correlated with large movements in stock prices," Cutts said. "Taking the high prices that consumers are now paying at the gas pump and for groceries, which affects everyone, the loss of more than 10% in the major stock market indexes over the past month reinforces the point that things are not good in the economy despite the rosy employment numbers. Retailers are noting the speed with which consumers are shifting away from goods just as inventories are rising sharply and sales are stalling.

"The CMI component factors are indicating these same conditions, though the combined index is not yet showing that a recession is imminent," she added. "Economists are rapidly increasing their estimates for the probability that a recession will start over the next 12 months, and I think the CMI data backs this trend."

The combined March CMI fell by 1.6 points to an index value of 57.5. The index of favorable factors slid 1.8 points to 68.1, and unfavorable factors were not far off with a decline of 1.4 points to 50.5. All categories in the favorable factors list dropped for the second month in a row, with sales falling the most by 3.1 points. New credit applications dropped 2.4 points; the amount of credit extended lost 1.7 points; and dollar collections fell 0.4 points. While the declines in the favorable factor indexes are notable, the levels of the indexes still indicate expansionary conditions." – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 5/31/22

Return to TOC

Private Indicators

National Association of Credit Management – Credit Managers' Index

Report for May 2022: Combined Sectors

"Directionally the story is similar among unfavorable factors, but this side of the index – sitting at 50.5 – is on the edge of entering contraction territory. Two unfavorable factors indicated improving conditions and were already reading in the expansionary zone. Accounts placed for collection gained 0.4 points to 51.0, and filings for bankruptcies added 0.7 points to 56.4. Disputes, which has been running below the 50-point demarcation line between expansion and contraction since September 2021, stayed level in May at 49.1. Dollar amount of customer deductions deteriorated 1.8 points to a level of 48.7. Both factors reflect the supply disruptions and delivery delays that have resulted from global system shocks. Rejections of credit applications fell 0.6 points to its lowest reading since July of 2020. Lastly, and most importantly, the dollar amount beyond terms fell from 54.2 to 47.2, a full 7- point drop. This value coincides with the buildup of inventories just as consumer demand has shifted, leaving some businesses in a precarious position.

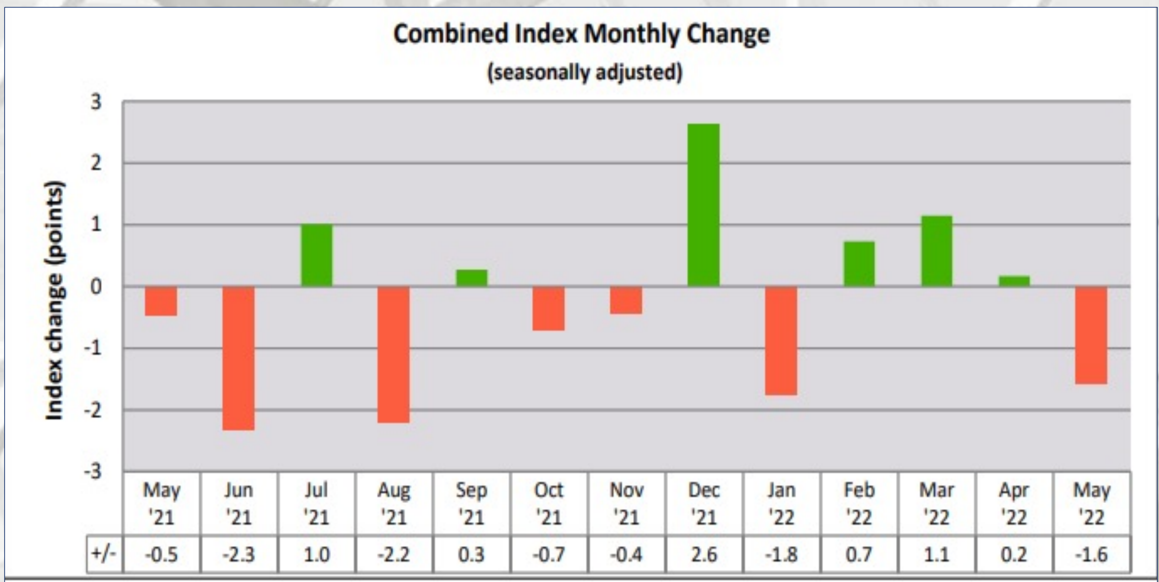
"The loss of momentum among favorable factors, especially sales, and the huge about-face for the amount beyond terms on the unfavorable factors list indicate to me that we may be at the start of economic turn," Cutts said. "There is still some capacity for households to bear the higher cost of living we're in, but there is limited substitution that can alleviate the pain of higher food and gas prices. The conflict in Ukraine will put global pressure on grain prices, and higher oil prices will spill through everything, from the obvious plastics and gasoline to the less obvious animal feed, beauty products and clothing. Unfortunately, oil extraction is complicated, and we can't just flip a switch to increase supply."" – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 5/31/22

Return to TOC

Private Indicators

Combined Manufacturing and Service Sectors (seasonally adjusted)	May '21	Jun '21	Jul '21	Aug '21	Sep '21	Oct '21	Nov '21	Dec '21	Jan '22	Feb '22	Mar '22	Apr '22	May '22
Sales	74.3	69.9	75.4	66.0	67.8	67.4	67.4	75.1	71.2	71.3	77.1	74.7	71.6
New credit applications	65.8	65.1	66.2	63.0	63.5	62.1	62.9	67.6	60.6	64.0	68.8	67.1	64.7
Dollar collections	65.4	61.2	64.4	61.5	60.4	61.3	59.2	63.5	62.5	63.2	67.0	65.9	65.5
Amount of credit extended	70.2	68.8	68.4	68.6	67.2	67.6	67.7	71.7	67.2	68.7	69.2	72.1	70.4
Index of favorable factors	**68.9**	**66.2**	**68.6**	**64.8**	**64.7**	**64.6**	**64.3**	**69.5**	**65.4**	**66.8**	**70.5**	**69.9**	**68.1**
Rejections of credit applications	53.1	52.1	52.0	52.2	52.1	52.3	53.2	51.7	51.5	52.3	51.9	51.3	50.7
Accounts placed for collection	54.1	52.8	51.5	51.4	51.4	52.1	52.0	52.1	51.1	52.7	51.5	50.6	51.0
Disputes	53.5	50.1	49.1	49.6	51.2	48.3	48.6	48.2	48.4	48.6	48.0	49.1	49.1
Dollar amount beyond terms	56.7	51.8	56.9	51.4	50.6	49.5	47.1	53.3	53.5	50.9	51.2	54.2	47.2
Dollar amount of customer deductions	53.6	52.4	51.8	49.9	51.9	49.4	48.2	49.3	49.5	49.9	49.0	50.5	48.7
Filings for bankruptcies	58.9	58.5	56.9	57.3	57.1	56.4	55.9	55.7	55.2	56.4	55.8	55.7	56.4
Index of unfavorable factors	**55.0**	**52.9**	**53.0**	**51.9**	**52.4**	**51.3**	**50.8**	**51.7**	**51.5**	**51.8**	**51.2**	**51.9**	**50.5**
NACM Combined CMI	**60.6**	**58.3**	**59.3**	**57.1**	**57.3**	**56.6**	**56.2**	**58.8**	**57.1**	**57.8**	**58.9**	**59.1**	**57.5**



Source: https://nacm.org/cmi.html; 5/31/22

Return to TOC

Private Indicators

National Federation of Independent Business (NFIB) May 2022 Report

Small Business Expectations for the Future at 48-year Low

"The NFIB Small Business Optimism Index was unchanged in April, remaining at 93.2 and the fourth consecutive month below the 48-year average of 98. Small business owners expecting better business conditions over the next six-months decreased one point to a net negative 50%, the lowest level recorded in the 48-year-old survey.

Inflation continues to be a problem for small businesses with 32% of small business owners reporting it's their single most important problem in operating their business, the highest reading since the fourth quarter of 1980." – Holly Wade, NFIB

"Small business owners are struggling to deal with inflation pressures. The labor supply is not responding strongly to small businesses' high wage offers and the impact of inflation has significantly disrupted business operations." – Bill Dunkelberg, Chief Economist, NFIB

"Key findings include:

- Forty-seven percent of owners reported job openings that could not be filled, unchanged from March.
- The net percent of owners raising average selling prices decreased two points to a net 70% (seasonally adjusted), two points below last month's highest reading.
- The net percent of owners who expect real sales to be higher increased six points from March to a net negative 12%." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 6/14/22

Return to TOC

Private Indicators

National Federation of Independent Business (NFIB) May 2022 Report

"As reported in NFIB's monthly jobs report, small businesses continue to struggle to find workers to fill open positions with 47% (seasonally adjusted) of all owners reported job openings they could not fill in the current period. Of those hiring or trying to hire, 93% of owners reported few or no qualified applicants for the positions they were trying to fill.

Fifty-four percent of owners reported capital outlays in the last six months, down two points from March. Of those owners making expenditures, 40% reported spending on new equipment, 24% acquired vehicles, and 14% improved or expanded facilities. Eight percent acquired new buildings or land for expansion and 11% spent money for new fixtures and furniture. Twenty-seven percent of owners plan capital outlays in the next few months, up one point from March.

Seasonally adjusted, 3% of all owners reported higher nominal sales in the past three months, down one point from March and a poor reading. The net percent of owners expecting higher real sales volumes increased by six points to a net negative 12%.

The net percent of owners reporting inventory increases went up four points to a net 4%. Nineteen percent of owners reported increases in stocks while 15% reported reductions as solid sales reduced inventories at many firms.

Thirty-six percent of owners reported that supply chain disruptions have had a significant impact on their business. Another 34% report a moderate impact and 20% report a mild impact. Only 8% of owners reported no impact from recent supply chain disruptions.

Up three points from March, a net 6% of owners viewed current inventory stocks as "too low" in April. A net 1% of owners plan inventory investment in the coming months, down one point from March." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 6/14/22

Return to TOC

Private Indicators

National Federation of Independent Business (NFIB)
May 2022 Report

"The net percent of owners raising average selling prices decreased two points from March's record high reading to a net 70% (seasonally adjusted). Four percent reported lower average selling prices and 70% reported higher average prices. Price hikes were the most frequent in wholesale (85% higher, 0% lower), construction (81% higher, 3% lower), retail trades (76% higher, 4% lower), and manufacturing (70% higher, 3% lower). A net 46% of owners plan price hikes (seasonally adjusted).

A net 46% (seasonally adjusted) reported raising compensation, down three points from March. A net 27% of owners plan to raise compensation in the next three months. Eight percent of owners cited labor costs as their top business problem and 23% said labor quality was their top business problem.

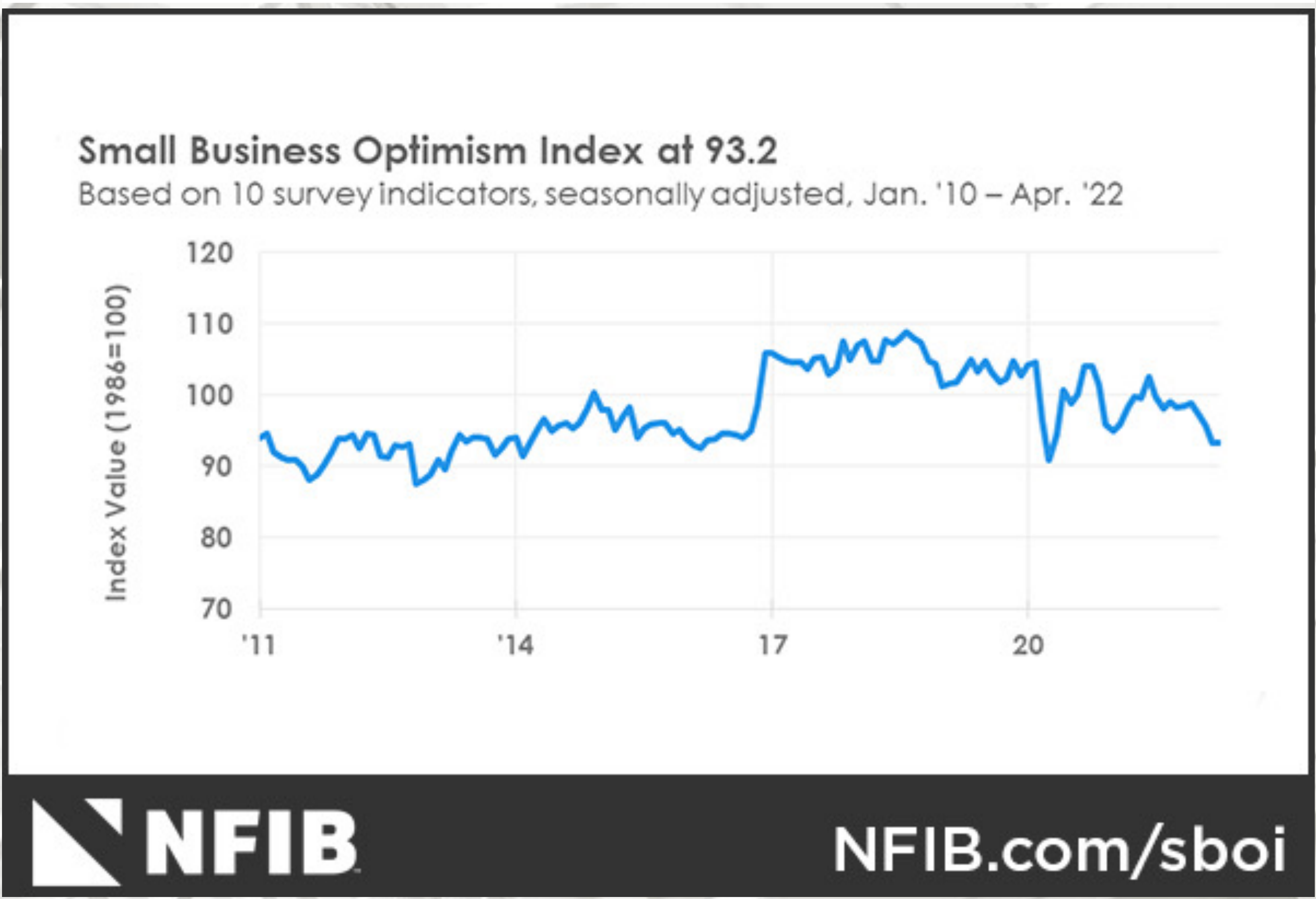
The frequency of reports of positive profit trends was a net negative 17%. Among the owners reporting lower profits, 34% blamed the rise in the cost of materials, 22% blamed weaker sales, 14% cited the usual seasonal change, 11% cited labor costs, 9% cited lower prices, and 2% cited higher taxes or regulatory costs. For the owners reporting higher profits, 51% credited sales volumes, 13% cited usual seasonal change, and 19% cited higher prices.

Two percent of owners reported that all their borrowing needs were not satisfied. Twenty-six percent of owners reported all credit needs met and 61% said they were not interested in a loan." – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 6/14/22

Return to TOC

Private Indicators



Source: http://www.nfib.com/surveys/small-business-economic-trends; 6/14/22

Return to TOC

Private Indicators

Small Business Optimism

Index Component	Net %	From Last Month	
Plans to Increase Employment	20%	—	0
Plans to Make Capital Outlays	27%	▲	1
Plans to Increase Inventories	1%	▼	-1
Expect Economy to Improve	-50%	▼	-1
Expect Real Sales Higher	-12%	▲	6
Current Inventory	6%	▼	-3
Current Job Openings	47%	—	0
Expected Credit Conditions	-5%	▼	-1
Now a Good Time to Expand	4%	▼	-2
Earnings Trends	-17%	—	0

NFIB NFIB.com/sboi

Source: http://www.nfib.com/surveys/small-business-economic-trends; 6/14/22

Return to TOC

Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

Wages Continue to Accelerate for Workers; Small Business Hiring Slows in May

"Workers at U.S. small businesses saw the 12th consecutive month of increasing hourly earnings gains, while the pace of job growth slowed in May. These insights are according to the latest Paychex | IHS Markit Small Business Employment Watch. The May report shows average hourly earnings stand at $30.31, up by 5.19 percent from a year ago. The Small Business Jobs Index, which measures the year-over-year rate of employment growth, decreased 0.27 percent from previous month to an index level of 100.87." – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

"As the unemployment rate nears record lows, small business hiring has also slowed." – James Diffley, Chief Regional Economist, IHS Markit

"After holding near an eight year high in April, small business job growth was down in May. Despite the one-month change, job growth at U.S. small businesses remains strong even in the face of the tight labor market and inflation pressures" – Martin Mucci, President and CEO, Paychex

Source: https://www.paychex.com/employment-watch; 5/31/22

Return to TOC

Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

“In further detail, the May report showed:

- Nationally, hourly earnings have increased $1.50 during the past year, now reaching $30.31.
- At 100.87, the national jobs index saw the largest one-month decline in more than two years.
- The south continued as the top region for small business job growth, Texas was once again the leading state, and Dallas continued as the top metro.
- The south was the top region for hourly earnings growth, including North Carolina as the leading state.
- Leisure and hospitality leads the industry sectors in both small business job growth and hourly earnings growth.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 5/31/22

Return to TOC

Private Indicators

The Paychex | IHS Markit Small Business Employment Watch

May Job Index	May Wage Data
Index	Hourly Earnings
100.87	$30.31
12-Month Change	12-Month Growth
+2.64%	+5.19% (+$1.50)

Source: Paychex | IHS Markit Small Business Employment Watch

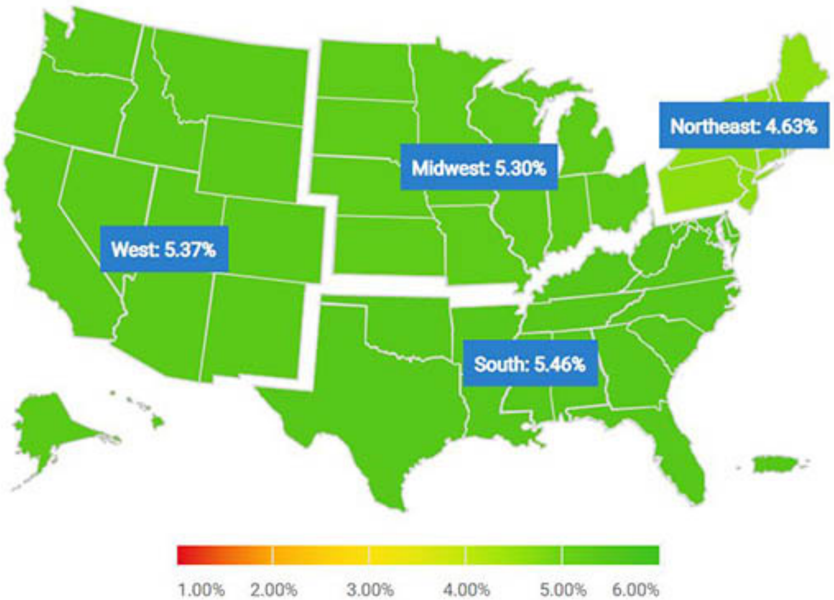
Source: https://www.paychex.com/employment-watch; 5/31/22

Return to TOC

Private Indicators

The Paychex | IHS Markit Regional Jobs Index

Region Performance



Region	Hourly Earnings	Change
Midwest	$28.70	5.30% ($1.45)
Northeast	$31.14	4.63% ($1.38)
South	$28.96	5.46% ($1.50)
West	$32.17	5.37% ($1.64)

Growth 12-Month

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 5/31/22

Return to TOC

Economics

The Conference Board

CEOs in the US, Europe, and China Brace for Tougher Times Ahead

"The Conference Board ***Measure of CEO Confidence™*** declined sharply in both the U.S and Europe. In the U.S., the measure fell to 42 in Q2 2022, down from 57 in Q1. In Europe, confidence dropped to 37 in H1 2022, down from 63 in H2 2021. (A reading below 50 points reflects more negative than positive responses.)

Confidence levels were lowest among CEOs of multinational companies in China, at 34, where the measure was taken for the first time. The surveys paint a picture of how economic conditions are being perceived by chief executives in different parts of the world and provide insight as to what is top of mind in these key economies.

"Unsurprisingly, CEO confidence is low across the board, as the geopolitical landscape becomes more fraught," said **Sara Murray, Managing Director–International, The Conference Board**. "It is clear from our results that CEOs expect the world to divide into competing economic blocs. Yet, they are not moving to reshore their operations on home soil. Instead, in order to maintain their global footprint, they appear to follow a strategy of localisation in the markets in which they operate."

Additional insights from the surveys include:

Hiring and investment intentions remain mildly positive in Europe and the U.S.

- Despite the deteriorating economic outlook, CEOs in Europe and in the U.S remain upbeat about employment prospects.
- The picture is rosiest in the U.S., where 63 percent of CEOs still expect to expand their workforce. In Europe, surprisingly, hiring intentions did not decline compared to six months ago. In China, instead, negative views outweigh positive ones.
- The picture is also relatively positive for capital investment plans. In both the U.S. and Europe, CEOs expect to increase their capital investments in the short run." – The Conference Board

Source: https://www.conference-board.org/press/ceos-in-us-europe-china-brace-for-tougher-times; 5/24/22

Return to TOC

Economics

The Conference Board

CEOs in the US, Europe, and China Brace for Tougher Times Ahead

Source: The Conference Board
Note: A reading below 50 denotes more negative than positive responses. In Europe, 56 CEOs and Chairs, members of the European Round Table of Industrialists, participated in the survey, which was in the field from 12 to 26 April. In China, 30 China CEOs of U.S. and European multinational companies operating in China were surveyed from 14 to 28 April. In the U.S. the survey was conducted in collaboration with The Business Council; 133 U.S.-based CEOs were surveyed from April 25 to May 9, 2022

Source: https://www.conference-board.org/press/ceos-in-us-europe-china-brace-for-tougher-times; 5/24/22

Return to TOC

Economics

The Conference Board

CEOs in the US, Europe, and China Brace for Tougher Times Ahead

“**Geopolitical challenges come to the fore with the global economy expected to divide**

- CEOs predict that the global business environment will look different in five years.
- Four out of five CEOs in Europe expect an acceleration in the division of the world into competing economic blocs. Along similar lines, 60 percent of CEOs in the U.S. say geopolitical tensions will likely result in the “globe dividing” into Western/democratic and China/Russian spheres.
- Interestingly, however, when asked how they think the war in Ukraine will impact decoupling from China over the next five years, 48 percent of CEOs in Europe think decoupling from China will accelerate. 46 percent expect decoupling to proceed at about the same speed as now – that is, slowly.

Elevated energy prices will accelerate climate action in Europe

- With April year-over-year inflation at 7.4 percent in the Euro Area – and producer prices growing at double-digit rates – the impact of the war in Ukraine is already being felt by consumers and producers, especially through the increase in energy prices.
- A large proportion of CEOs surveyed in Europe (40 percent) believe energy prices will return to pre-pandemic levels from 2024 onwards. More than a third (38 percent) do not expect energy prices to drop back to prepandemic levels at any point in time.
- Despite challenges associated with the current energy crisis, two-thirds of respondents say they do not expect any significant slowing of Europe’s efforts to reduce greenhouse gas emissions by 55 percent in 2030. In fact, many feel that corporate and government climate actions are more likely to accelerate than decelerate over the medium term.” – The Conference Board

Source: https://www.conference-board.org/press/ceos-in-us-europe-china-brace-for-tougher-times; 5/24/22

Return to TOC

Economics

The Conference Board

CEOs in the US, Europe, and China Brace for Tougher Times Ahead

“**Many firms are passing on rising costs to consumers**

- As inflation accelerates, 84 percent of responding CEOs in Europe – and 60 percent in China – say they are passing part of their rising costs onto consumers.
- Opinions are split on whether producer price pressures should be absorbed into profit margins. In Europe, 51 percent of business leaders say they are planning to also absorb price increases into profit margins in Europe, compared to 40 percent in China. However, a large share – 40 percent in Europe, 47 percent in China – say this option is not part of their strategy.
- Likewise, among U.S. respondents, the strategy to pass rising costs to consumers dominates over absorbing higher costs into profit margins.” The Conference Board

Source: https://www.conference-board.org/press/ceos-in-us-europe-china-brace-for-tougher-times; 5/24/22

Return to TOC

Economics

The Conference Board

Downgraded global GDP forecast, but no recession expected

"After expanding by 5.9 percent in 2021, we expect global economic growth to slow to 2.9 percent this year, representing a downgrade of 1.0 percentage point from our February global economic outlook.

Even as the Ukraine war extends into a third month, we still do not anticipate the global economy will fall into recession this year or next. Nonetheless, the war is expected to weigh on growth, causing recessions in Ukraine, Russia, and potentially other regions.

Downgrades in the US and Europe largely reflect weaker-than-expected GDP figures for the first quarter, while our assumptions regarding the rest of the year remain largely unchanged since last month. This could change for Europe if a broad and sudden energy embargo comes into force, particularly with regards to natural gas.

The mature economies aggregate is downgraded to 2.6 percent growth for 2022. Growth for 2023 is also lowered slightly to 1.9 percent. Emerging economies aggregate growth is downgraded to 3.2 percent growth for 2022 and to 2.8 for 2023, reflecting downwardly adjusted forecasts for China and many other emerging economies including Russia, Turkey and economies in Africa." – Erik Lundh, Principal Economist and Klaas de Vries, Economist, The Conference Board

Source: https://www.conference-board.org/topics/geopolitics/GEO-May22; 5/12/22

Return to TOC

Economics

Deloitte & Touche LLP

State of the US consumer: May 2022

Short-term signals flash concern, long-term optimism still intact

More Americans cite concerns about making upcoming payments, savings, and credit card debt – but optimism that personal financial situations will improve within the next three years holds steady.

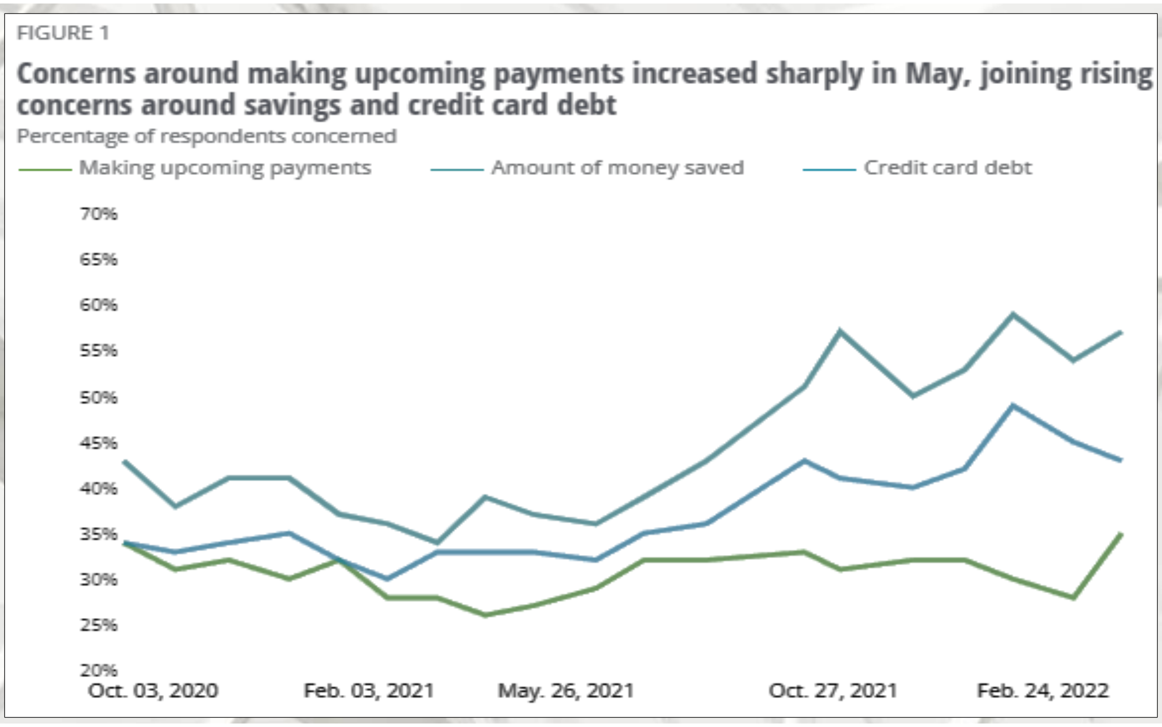
Key insights about US consumers from Deloitte's State of the Consumer Tracker

- "The percentage of Americans concerned about making upcoming payments hit 35% in May – the highest this metric has reached in two years. This increase joins an uptrend in concerns around savings and credit card debt (figure 1).
- Despite rising near-term financial concerns, confidence around future finances remains steady. As in September 2021, a little over half of Americans are optimistic that their financial situation will improve within the next three years (figure 2)." – Anthony Waelter, Partner and Stephen Rogers, Managing Director; Deloitte & Touche LLP

Source: https://www2.deloitte.com/us/en/insights/economy/consumer-pulse/state-of-the-us-consumer.html?id=us:2em:3pa:economic-outlook:eng:di:053122; 5/31/22

Return to TOC

Economics



Deloitte & Touche LLP

State of the US consumer: May 2022

- "The percentage of Americans perceiving higher grocery prices (compared to last month) flatlined in recent months at 76%, while continuing to increase for restaurants (68%) (figure 3). This is not surprising as inflation remains high at 8.2% in April. High inflation dents consumers' purchasing power, thereby posing risks for consumer spending, especially discretionary spending. No wonder then, that, Americans intend to spend a lower share of their monthly budget on discretionary spending than eight months back (figure 4)." – Anthony Waelter, Partner and Stephen Rogers, Managing Director; Deloitte & Touche LLP

Source: https://www2.deloitte.com/us/en/insights/economy/consumer-pulse/state-of-the-us-consumer.html?id=us:2em:3pa:economic-outlook:eng:di:053122; 5/31/22

Return to TOC

Economics

FIGURE 2

The percentage of Americans optimistic that their financial situation will improve within the next three years has remained steady

Percentage optimistic that financial situation will improve within the next three years

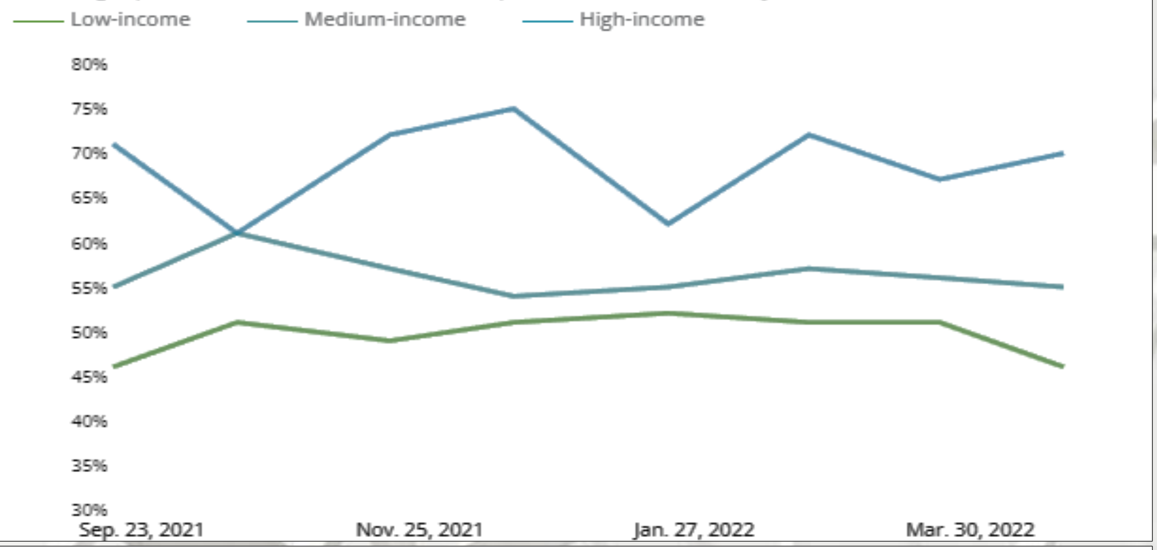
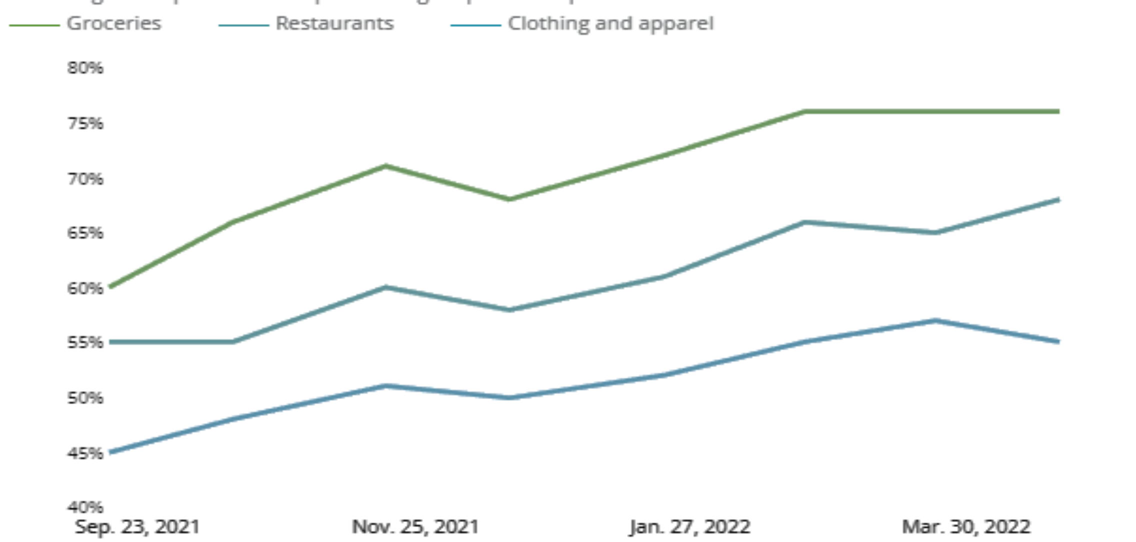


FIGURE 3

The number of Americans perceiving rising prices for everyday purchases continues on a general uptrend

Percentage of respondents who perceive higher prices compared to last month



Source: https://www2.deloitte.com/us/en/insights/economy/consumer-pulse/state-of-the-us-consumer.html?id=us:2em:3pa:economic-outlook:eng:di:053122; 5/31/22

Return to TOC

Economics

FIGURE 4

Discretionary spending intentions were weaker in May 2022 compared to September 2021

Percentage of monthly budget consumers plan to spend on discretionary purchases

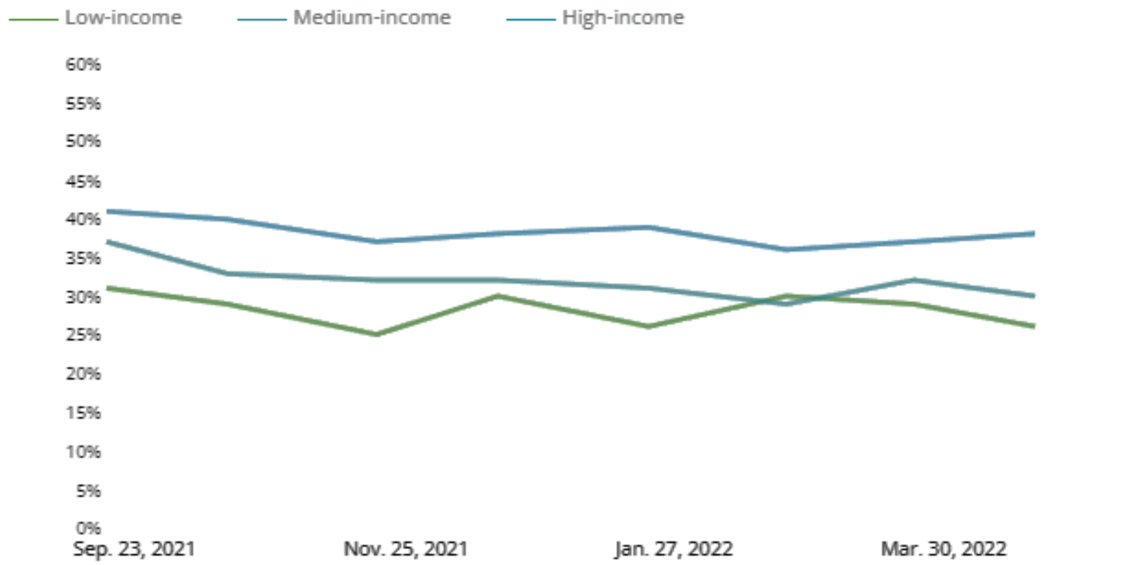
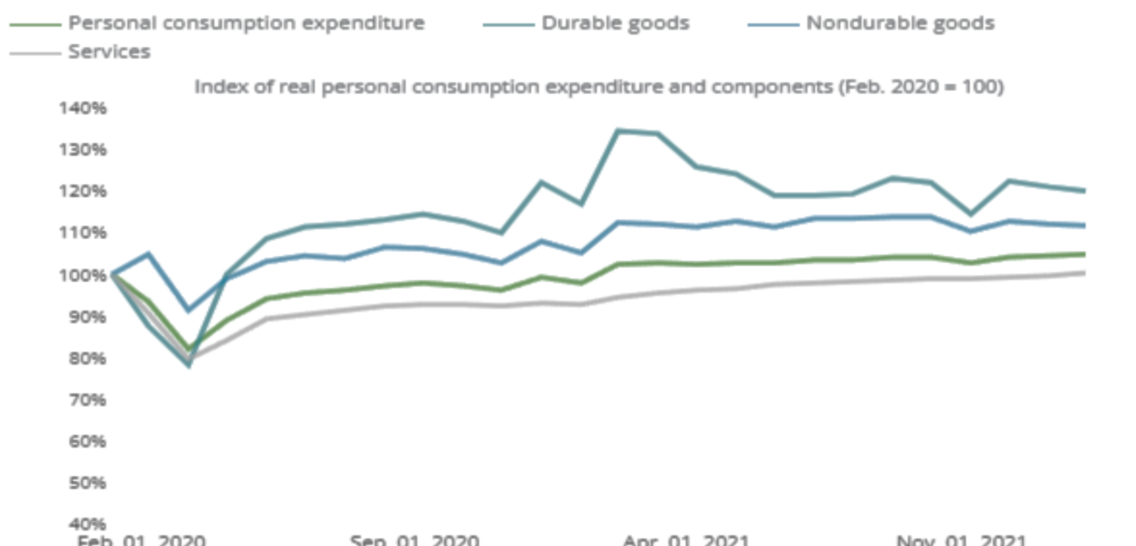


FIGURE 5

Consumer spending grew 0.2% in March, driven by a rise in services spending, which is now above prepandemic levels



Source: https://www2.deloitte.com/us/en/insights/economy/consumer-pulse/state-of-the-us-consumer.html?id=us:2em:3pa:economic-outlook:eng:di:053122; 5/31/22

Return to TOC

Economics

U.S. Retail Sales: May 2022	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Retail Sales (MoM)	0.7	-1.0	0.7	1.0	1.6	0.6	-1.6	2.7	1.7	1.2	0.7	**-0.3**
Retail Sales (YoY)	19.4	15.8	15.7	14.3	16.5	18.6	16.8	13.7	17.7	7.1	7.8	**8.1**
Retail Sales (% Change from Jan-20)	19.6	18.4	19.2	20.4	22.3	23.0	21.1	24.3	26.4	27.8	28.7	**28.4**
Retail Sales, Ex. Autos (MoM)	1.8	-0.1	1.2	1.0	1.5	0.5	-1.4	1.6	1.7	2.0	0.4	**0.5**
Retail Sales, Ex. Autos (YoY)	19.6	16.2	16.8	15.8	17.9	19.8	18.9	14.0	17.7	9.5	10.5	**11.2**
Control Group Sales (MoM)	1.4	-0.7	1.1	0.7	1.2	0.1	-2.0	3.1	0.1	0.6	0.5	**-0.1**
Control Group Sales (YoY)	19.6	16.2	16.8	15.8	17.9	19.8	18.9	14.0	17.7	9.5	10.5	**11.2**
Real Retail Sales (MoM)	-1.0	-1.7	0.1	0.4	0.2	-0.6	-2.5	1.9	0.4	-0.9	1.0	**-1.6**
Real Retail Sales (YoY)	9.6	6.1	6.2	4.8	5.4	5.9	4.1	1.2	4.1	-6.3	-4.5	**-4.4**
Real Retail Sales (% Change from Jan-20)	11.1	9.2	9.3	9.7	9.9	9.3	6.5	8.5	8.9	7.9	9.0	**7.3**

Notes: MoM = Month-over-Month Percent Change
YoY = Year-over-Year Percent Change

Wells Fargo LLC

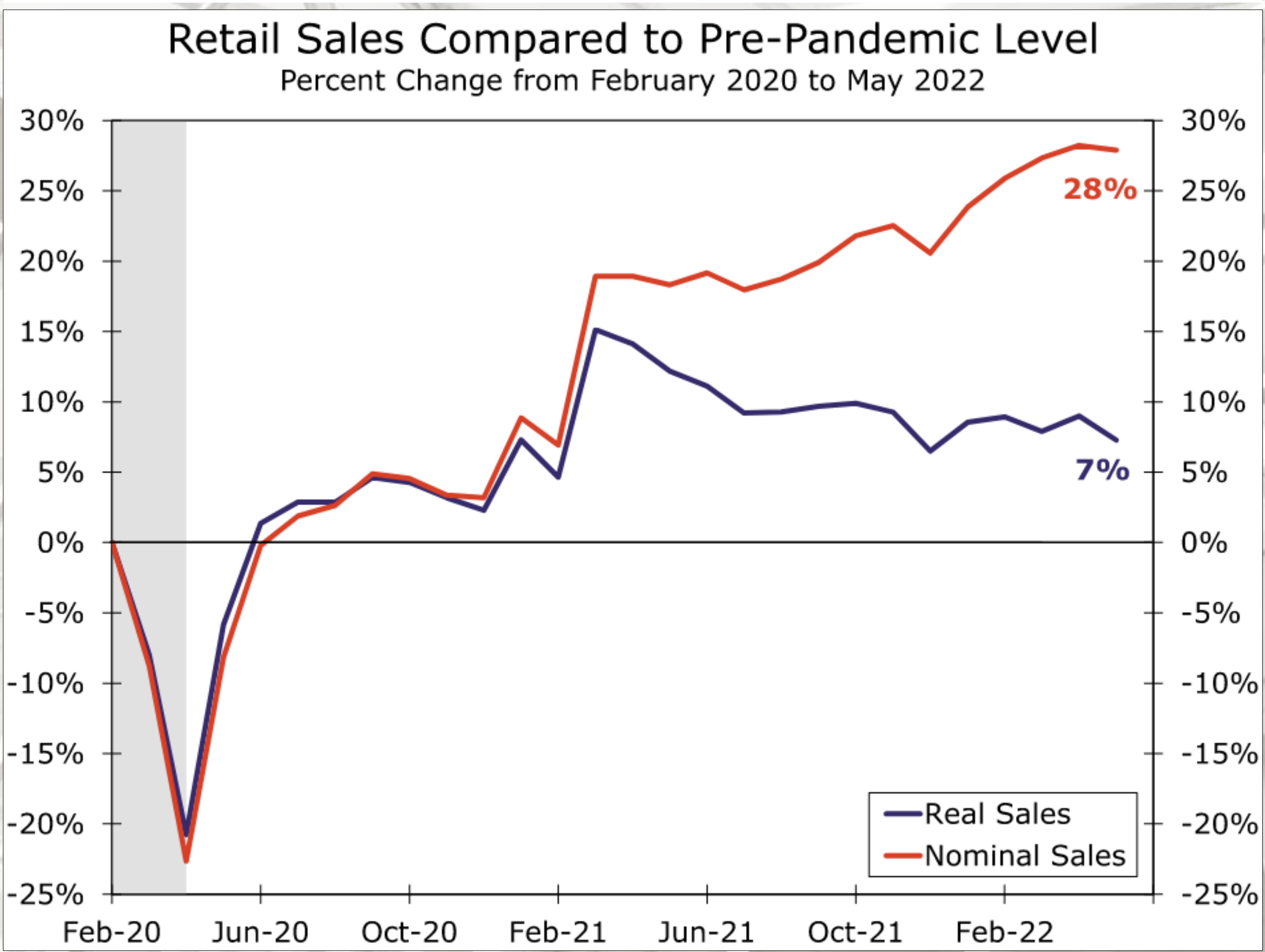
Peaky Blindspot: Inflation's Toll on May Retail Sales

"Financial markets have been churning since Friday's CPI report showed the peak of inflation was not in the rear-view mirror as many had previously thought. Weighing inflation's impact on the economy has taken on fresh urgency, and today's retail sales report shows what was only a modest nominal decline became a sharp decline after accounting for higher prices." – Tim Quinlan, Senior Economist and Shannon Seery, Economic Analyst; Economics Group, Wells Fargo LLC

Source: https://wellsfargo.bluematrix.com/links2/html/61a5abe5-c1a6-4fd7-8d19-a59e1fe25c80; 6/15/22

Return to TOC

Economics



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Return to TOC

Economics

Wells Fargo LLC

Weakness Made Worse After Inflation Adjustment

"With surging inflation and the large move lower in recent sentiment readings, the weaker-than-expected outturn for retail sales isn't too surprising. Total retail sales declined 0.3% in May compared to a month earlier with modest downward revisions to April as well. But overall, the report wasn't as bad as it seems at first glance and came in largely as expected.

Inflation continues to be the biggest headache for consumers as price gains have spread and the higher cost of less discretionary items like food and gas make for tough spending decisions elsewhere. Once adjusting for inflation, we estimate real retail sales declined a sharp 1.6% last month.

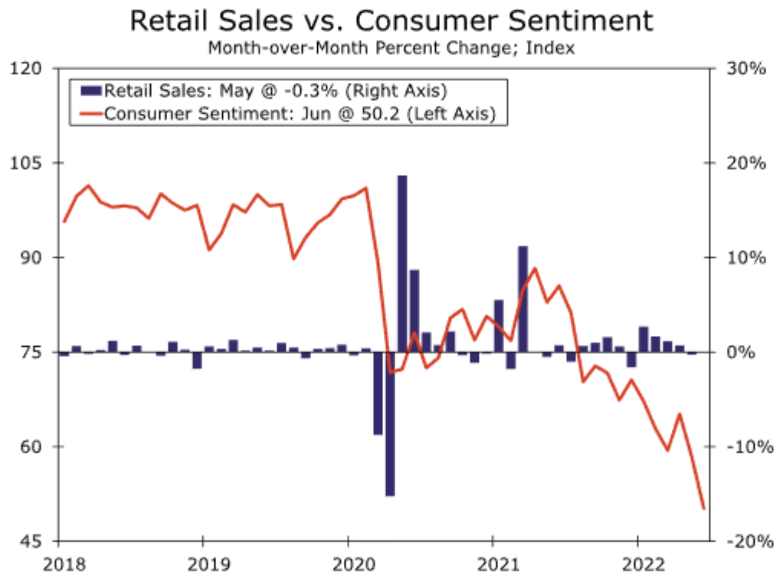
Even when stripping out what are typically the most volatile components of sales, such as restaurants, autos, gasoline and building materials, control group sales were flat in nominal terms. Adjusting for inflation reflects a 0.7% decline in control sales last month, and since the BEA uses the control measure in its estimates for PCE, the print positions a weak second quarter for goods spending.

Weaker sales were broad based across retailers, and our inflation-adjusted sales measure shows increases from just electronics (+0.3%) and sporting goods stores (+0.5%). Restaurant sales, the lone category to foreshadow the services side of spending in May, saw real sales decline a modest 0.1% last month. We continue to expect services spending to hold up this summer amid pent-up demand for many in-person activities." – Tim Quinlan, Senior Economist and Shannon Seery, Economic Analyst; Economics Group, Wells Fargo LLC

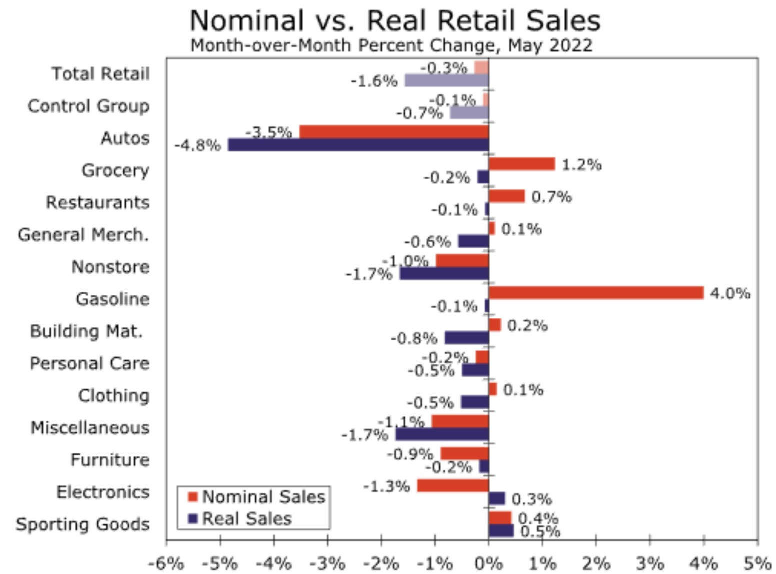
Source: https://wellsfargo.bluematrix.com/links2/html/61a5abe5-c1a6-4fd7-8d19-a59e1fe25c80; 6/15/22

Return to TOC

Economics



Source: U.S. Department of Commerce, University of Michigan and Wells Fargo Economics



Source: U.S. Department of Commerce and Wells Fargo Economics

Wells Fargo LLC

Autos: The Biggest Category Posts the Biggest Drop

“Sales at auto dealers were the wildcard in today's retail sales report, and we expect that to be a theme over the course of at least the next year or so. Auto & parts is the largest category of store sales and posted by far the largest overall decline with a 3.5% drop in May (-4.8% once we adjust for the run up in auto prices last month). That more than offset the comparatively modest 1.8% increase in April.

In as few words as possible our consumer forecast can be summed up as: sharp declines in spending on goods, sustained growth in services categories. The exception to this theme will be the occasional flash in the pan from auto sales, often the most expensive of all durable goods. Even as durables demand dries up in other categories, many would-be auto-buyers have been sidelined by the global supply chain crisis. As some of the most sought after vehicles of the past year eventually arrive on dealer lots, in many instances the end buyer is already lined up and waiting.” – Tim Quinlan, Senior Economist and Shannon Seery, Economic Analyst; Economics Group, Wells Fargo LLC

Source: https://wellsfargo.bluematrix.com/links2/html/61a5abe5-c1a6-4fd7-8d19-a59e1fe25c80; 6/15/22

Return to TOC

Economics

Wells Fargo LLC

Autos: The Biggest Category Posts the Biggest Drop

"We will be closely monitoring the supply chain situation through our Pressure Gauge and will update our motor vehicle sales forecasts accordingly, but we expect the theme will be that auto sales will be out-of-sync with other durable goods spending categories.

Fleeting Support: Lower Saving and Increased Borrowing

Despite the highest inflation in 40+ years, consumers have demonstrated uncanny staying power thus far in 2022. That has been facilitated by a trio of factors. For starters, households have dialed-back their saving rate from a double-digit percentage rate during most of the initial post-pandemic period to just 4.4% in April. There is obviously less room to cut saving today.

Another tactic for maintaining spending even in the face of higher prices is to reach for the credit card, and non-revolving consumer credit has posted its largest monthly increases on record in each of the past two months.

Finally, consumers have the capacity to tap the accumulated savings accrued during the stay-at-home stretch from early 2020 through the middle part of last year. We are leery of leaning too much on this last category as we have doubts that the "saved" capital is still fully liquid.

In short, the factors that have sustained spending thus far are getting near the end of their rope, and we are increasingly concerned that goods spending will slow sharply and that will be particularly evident in retail sales which is mostly a measure of goods spending." – Tim Quinlan, Senior Economist and Shannon Seery, Economic Analyst; Economics Group, Wells Fargo LLC

Source: https://wellsfargo.bluematrix.com/links2/html/61a5abe5-c1a6-4fd7-8d19-a59e1fe25c80; 6/15/22

Return to TOC

Economics

U.S. Census Bureau

NEW Business Formation Statistics

May 2022

Business Applications

"Business Applications for May 2022, adjusted for seasonal variation, were 420,586, a decrease of 0.6 percent compared to April 2022

Business Formations

Projected Business Formations (within 4 quarters) for May 2022, adjusted for seasonal variation, were 30,707, an increase of 3.3 percent compared to April 2022. The projected business formations are forward looking, providing an estimate of the number of new business startups that will appear from the cohort of business applications in a given month. It does not provide an estimate of the total number of business startups that appeared within a specific month. In other words, the Census Bureau is projecting that 30,707 new business startups with payroll tax liabilities will form within 4 quarters of application from all the business applications filed during May 2022. The 3.3 percent increase indicates that for May 2022 there will be 3.3 percent more businesses projected to form within 4 quarters of application, compared to the analogous projections for April 2022. " – Census Bureau, Economic Indicators Division, Business Formation Statistics

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf/; 6/9/22

Return to TOC

Economics

U.S. Census Bureau

NEW Business Formation Statistics

May 2022

BUSINESS APPLICATIONS

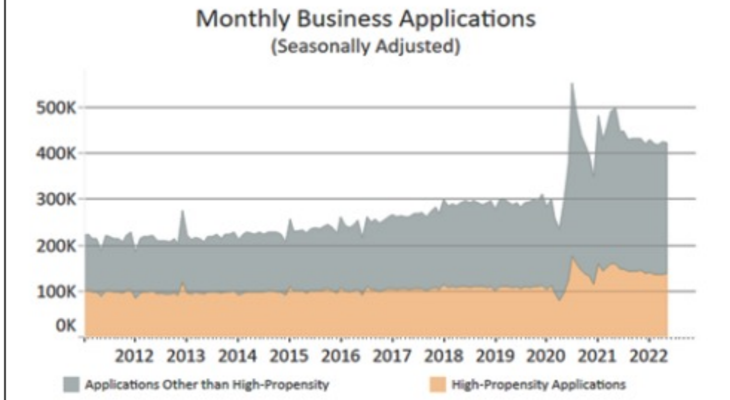
U.S. Business Applications:	MAY 2022	MAY 2022 / APR 2022
Total	420,586	-0.6%°
High-Propensity	137,608	1.8%°
With Planned Wages	48,033	1.8%°
From Corporations	50,258	9.0%°

Next release: July 14, 2022

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

Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, June 09, 2022



Source: U.S. Census Bureau, Business Formation Statistics, June 09, 2022

Business Applications - At a Glance

		US	Northeast	Midwest	South	West
Total	MAY 2022	420,586	63,363	68,701	196,865	91,657
	MAY 2022 / APR 2022	-0.6%	+0.5%	-6.2%	-3.7%	+11.1%
High-Propensity	MAY 2022	137,608	22,241	21,675	60,147	33,545
	MAY 2022 / APR 2022	+1.8%	+1.9%	-3.0%	-3.5%	+16.6%
With Planned Wages	MAY 2022	48,033	6,852	8,574	20,747	11,860
	MAY 2022 / APR 2022	+1.8%	+3.6%	-3.8%	-2.6%	+14.6%
From Corporations	MAY 2022	50,258	10,806	6,144	17,817	15,491
	MAY 2022 / APR 2022	+9.0%	+4.4%	+1.5%	+2.3%	+26.1%

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

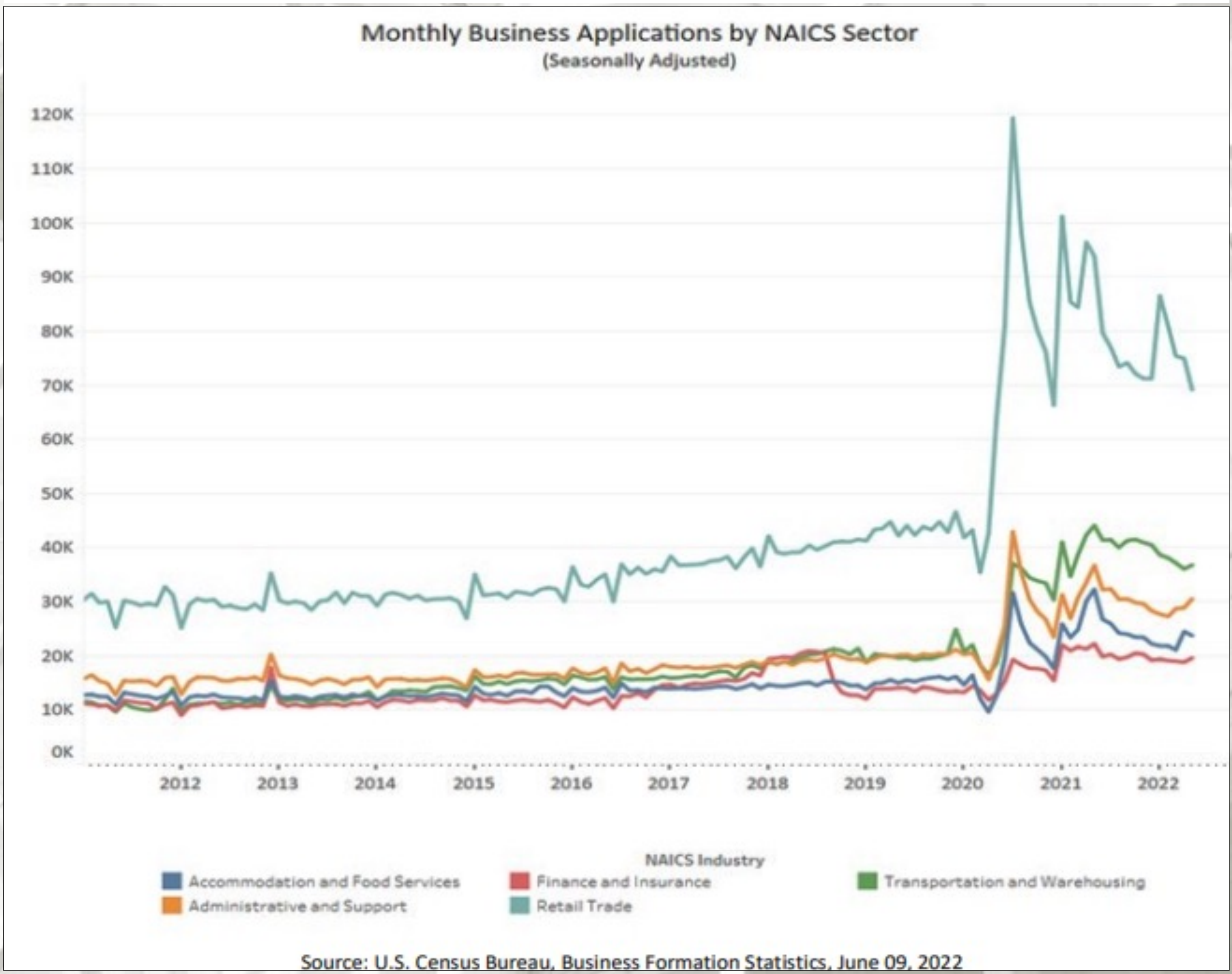
Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf/; 6/9/22

Return to TOC

Economics

NEW Business Formation Statistics

May 2022



Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf/; 6/9/22

Return to TOC

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