The Virginia Tech–USDA Forest Service Housing Commentary: Section II
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Latest estimate: 1.2 percent — October 15, 2021

“The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the third quarter of 2021 is 1.2 percent on October 15, down from 1.3 percent on October 8. After this week's releases by the US Bureau of Labor Statistics and the US Census Bureau, the nowcasts of third-quarter real personal consumption expenditures growth and third-quarter real gross private domestic investment growth decreased from 1.0 percent and 10.7 percent, respectively, to 0.9 percent and 10.6 percent, respectively.” – Pat Higgins, Economist, Federal Reserve Bank of Atlanta

Source: https://www.frbatlanta.org/cqer/research/gdpnow.aspx; 10/15/21
Index Suggests Slower, but Still Above-Average Growth in August

“Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) increased to +0.53 in July from −0.01 in June. Three of the four broad categories of indicators used to construct the index made positive contributions in July, and three categories improved from June. The index’s three-month moving average, CFNAI-MA3, moved up to +0.23 in July from +0.01 in June.

The Chicago Fed National Activity Index (CFNAI) decreased to +0.29 in August from +0.75 in July. All four broad categories of indicators used to construct the index made positive contributions in August, but three categories deteriorated from July. The index’s three-month moving average, CFNAI-MA3, moved up to +0.43 in August from +0.36 in July.

Production-related indicators contributed +0.38 to the CFNAI in July, up from −0.09 in June. Manufacturing production rose 1.4 percent in July after decreasing 0.3 percent in the previous month. The contribution of the sales, orders, and inventories category to the CFNAI increased to +0.02 in July from −0.06 in June.

The contribution of the employment, unemployment, and hours category to the CFNAI increased to +0.30 in July from +0.14 in June. The unemployment rate decreased to 5.4 percent in July from 5.9 percent in June, and nonfarm payrolls rose by 943,000 in July after increasing by 938,000 in the previous month. The personal consumption and housing category contributed −0.15 to the CFNAI in July, down from +0.01 in June. Personal consumption indicators broadly deteriorated from June.” – Michael Adleman, Media Relations, The Federal Reserve Bank of Chicago
The Federal Reserve Bank of Chicago: National Activity Index (CFNAI)

Source: https://www.chicagofed.org/publications/cfnai/index; 9/23/21
The Federal Reserve Bank of Chicago: Survey of Business Conditions (CFSBC)

Survey Suggests Little Change in Growth in September

“The Chicago Fed Survey of Business Conditions (CFSBC) Activity Index moved up to +1 in September from –2 in August, suggesting that economic growth was near trend. The CFSBC Manufacturing Activity Index decreased to –6 in September from +8 in August, but the CFSBC Nonmanufacturing Activity Index increased to +5 in September from –5 in the previous month.

• Respondents’ outlooks for the U.S. economy for the next 12 months deteriorated. Sixty 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, and the hiring expectations index remained positive.

• Respondents’ expectations for the pace of capital spending over the next 12 months decreased, but the capital spending expectations index remained positive.

• The labor cost pressures index decreased, as did the nonlabor cost pressures index. However, both cost pressures indexes remained positive.” – Thomas Walstrum, Senior Business Economist, The Federal Reserve Bank of Chicago
The Federal Reserve Bank of Chicago: Survey of Business Conditions (CFSBC)
Solid Expansion Continues in Texas Manufacturing, though Outlooks Soften

“Texas factory activity continued to increase in September, according to business executives responding to the Texas Manufacturing Outlook Survey. The production index, a key measure of state manufacturing conditions, rose three points to 24.2. The reading was well above average and indicative of solid output growth.

Movement was mixed for other measures of manufacturing activity. While the shipments and capacity utilization indexes edged up to 18.7 and 24.5, respectively, the survey’s demand indexes slipped. The new orders index came in at 9.5, down from 15.6 but still slightly above the series average of 6.5. The growth rate of orders index fell eight points to 2.5.

Labor market measures indicated faster employment growth and longer workweeks. The employment index pushed up further to 26.3. Thirty-six percent of firms noted net hiring, while 9 percent noted net layoffs. The hours worked index edged down but remained highly elevated at 20.4.

Prices and wages continued to increase strongly in September. The price indexes climbed further, with the raw materials prices index at 80.4 and the finished goods prices index at 44.0, an all-time high. The wages and benefits index held steady at a highly elevated reading of 42.7.

Perceptions of broader business conditions were mixed in September. While both the company outlook and general business activity indexes moved down from their August readings, the company outlook index slipped into negative territory at -2.8, signaling a slight worsening of outlooks this month. The general business activity index, however, remained positive at 4.6. The outlook uncertainty index edged up to 23.3.” – Emily Kerr, Business Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/27/21
“Expectations regarding future manufacturing activity were slightly less positive in September. The future production index edged down to 41.8 but remained elevated, while the future general business activity index slipped four points to 11.5, a reading slightly below average. 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; 9/27/21
Texas Service Sector Expansion Slows Slightly in September

“The pace of growth in the Texas service sector slowed slightly in September, according to business executives responding to the Texas Service Sector Outlook Survey. The revenue index, a key measure of state service sector conditions, fell from 16.5 in August to 14.5 in September. Labor market indicators pointed to slower growth this month in the face of worker shortages, with a deceleration in hiring and reduced growth in average employee hours worked. The employment index dropped over eight points to 9.2, its weakest reading since February. The hours worked index fell six points to 5.6.

Perceptions of broader business conditions were modestly more optimistic in September. The general business activity index rose from 5.4 to 8.3, while the company outlook index was roughly unchanged at 5.9. The outlook uncertainty index was similarly flat at 19.6, with nearly 30 percent of respondents noting increased uncertainty compared with last month.

Wage pressures eased in September, though remained at historically high levels, while price pressures remained highly elevated. The wages and benefits index declined from 32.6 to 26.9. The selling prices index was largely unchanged at 20.2, with nearly a quarter of firms reporting increased prices compared with August, while the input prices index inched up one point to 42.9.

Respondents’ expectations regarding future business activity held at similar levels of optimism as last month. The future general business activity index increased slightly from 23 to 24.4, while the future revenue index was unchanged at 44.4. Other future service sector activity indexes such as employment and capital expenditures were unchanged compared with August; this suggests that on net, firms expect activity to pick up going into next year.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/28/21
The Federal Reserve Bank of Dallas

Texas Service Sector Outlook Survey Revenue Index

Index, seasonally adjusted

Source: https://www.dallasfed.org/research/surveys; 9/28/21
Texas Retail Sales Decline in August

“Retail sales activity expanded for a second month in a row in September after three months of declines, according to business executives responding to the Texas Retail Outlook Survey. The sales index, a key measure of state retail activity, was roughly unchanged at 7.3 in September. Net inventories grew for the first time since February, with the inventories index surging from -6.4 to 11.8.

Retail labor market indicators improved substantially in September, with hiring picking up and growth in average employee hours worked improving. The employment index increased six points to 8.4, a four-month high, while the hours worked index improved from 4.6 to 9.2—its highest reading since 2019.

Retailers’ perceptions of broader business conditions improved compared with August. The general business activity index inched up from 8.5 to 10.0, while the company outlook index added four points, rising to 2.4. However, the outlook uncertainty index increased from 16.7 to 20.8—its highest reading since April 2020.

Retail price pressures surged once again in September after some signs of moderation in August, while wage pressures held steady. The selling prices index surged nearly 11 points to 50.4—58 percent of retailers increasing prices compared with August—while the input prices index increased from 41.3 to 50.1. The wages and benefits index was flat at 24.6.

Despite positive signs from current indicators, retailers were notably less optimistic in their expectations of future activity. The future general business activity index shed nine points, falling to 13.1, its lowest reading in over a year, while the future sales index fell nearly 18 points to 28.0. Other indexes of future retail activity such as employment held flat or weakened slightly, suggesting a more cautious optimism from retailers in their assessments of activity going into 2022.” – Amy Jordan, Assistant Economist, The Federal Reserve Bank of Dallas

Source: https://www.dallasfed.org/research/surveys; 9/28/21
Tenth District manufacturing activity growth moderated slightly but remained solid, and expectations for future production increased further.

Factory Activity Remained Solid

“Tenth District manufacturing activity growth moderated slightly but remained solid, and expectations for future production increased further (Chart 1). The index of prices paid for raw materials continued to increase at record levels in September compared to a month ago and a year ago. Price indexes for finished goods also remained very high. Additionally, district manufacturing firms expected materials prices and finished goods prices to rise more over the next six months. The month-over-month composite index was 22 in September, moderately lower than 29 in August and 30 in July. The composite index is an average of the production, new orders, employment, supplier delivery time, and raw materials inventory indexes. Factory growth continued to be driven by a faster increase in durable goods, in particular primary metals, computer and electronic products, and transportation equipment, while nondurable goods manufacturing grew more modestly. Month-over-month indexes remained positive in September, indicating expansion, but the pace of growth moderated slightly. The month-over-month index for materials inventories reached the highest level since late 2017, rebounding after pandemic lows last year, while finished goods materials inventories were marginally positive. Firms reported another increase in supplier delivery time, setting a survey record high. Year-over-year factory indexes expanded steadily as the year-over-year composite index changed from 50 to 48, and production and supplier delivery time increased. The future composite index was 35 in September, and expectations for future production matched the survey record last seen in 2003.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City
"This month contacts were asked special questions about hiring plans and price increases. Since earlier this summer, 56% of firms reported no change in hiring plans. However, 38% of firms reported they expect to hire more workers in the remainder of 2021 than initially planned earlier this summer, and 6% of firms expect to hire fewer workers. All survey respondents reported facing higher input costs due to elevated material or labor expenses compared to last year. 41% of firms indicated the ability to pass through 0-20% of those cost increases to their customers in the form of higher prices, over a third of firms reported passing through 21-80% of price increases, and nearly a quarter of firms indicated passing through 81-100% of price increases.” – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, Federal Reserve Bank of Kansas City.
The Federal Reserve Bank of Kansas City

**Chart 1**

Manufacturing Composite Indexes

- **21-September**
  - Vs. A Year Ago: 48
- **21-September**
  - Vs. A Month Ago: 22

Source: https://www.kansascityfed.org; 9/23/21
Tenth District services activity growth remained positive.

"The pace of Tenth District services growth continued to ease but remained positive, and activity was expected to increase at a moderate pace over the next six months (Chart 1). Indexes for input and selling prices remained historically high but the pace of growth eased slightly from a month ago. Input and selling prices were higher than a year ago for the majority of firms. Firms continued to expect input and selling prices to increase over the next six months.

The month-over-month services composite index was 13 in September, similar to 14 in August but lower than 25 in July. The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The positivity in revenue and sales was driven by increased wholesale, real estate, and professional and high-tech business activity. However, auto, transportation, and restaurant activity declined. Most month-over-month indexes remained positive in August, indicating expansion. Indexes for access to credit and capital expenditures expanded at a faster pace in September. On the other hand, inventory levels declined slightly from a month ago. Year-over-year indexes grew, and there was an uptick in the year-over-year composite index from 36 to 37. Expectations for future services activity were moderately high, and the future composite index inched up from 26 to 27." – Chad Wilkerson, Vice President and Oklahoma City Branch Executive, The Federal Reserve Bank of Kansas City
The Federal Reserve Bank of Kansas City

Chart 1

Services Composite Indexes

-40
-20
0
20
40


21-September
- Vs. A Year Ago: 37

21-September
- Vs. A Month Ago: 13

Source: https://www.kansascityfed.org; 9/24/21
Empire State Manufacturing Survey

Growth Picks Up

“Business activity grew at a swift pace in New York State, according to firms responding to the September 2021 Empire State Manufacturing Survey. The headline general business conditions index climbed sixteen points to 34.3. New orders, shipments, and unfilled orders all increased substantially. The delivery times index reached a record high. Labor market indicators pointed to strong growth in employment and the average workweek. Both the prices paid and prices received indexes were at or near record highs. Looking ahead, firms remained very optimistic that conditions would improve over the next six months, and capital spending and technology spending plans increased markedly.

Manufacturing activity grew swiftly in New York State, according to the September survey. The general business conditions index climbed sixteen points to 34.3. Forty-six percent of respondents reported that conditions had improved over the month, while 12 percent reported that conditions had worsened. The new orders index rose nineteen points to 33.7, and the shipments index shot up twenty-three points to 26.9, indicating strong growth in both orders and shipments. The unfilled orders index rose to 20.9. The delivery times index moved up to a record high of 36.5, indicating significantly longer delivery times. Inventories increased modestly.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/15/21
Empire State Manufacturing Survey

Selling Prices Increases Continue To Set Records

“The index for number of employees rose eight points to 20.5, and the average workweek index increased fifteen points to 24.3, pointing to strong gains in employment and hours worked. The prices paid index held steady at 75.7, and the prices received index edged up two points to 47.8, marking its third consecutive record high.

Outlook Remains Very Positive

The index for future business conditions was little changed at 48.4, pointing to ongoing optimism about the six-month outlook. The indexes for future new orders and shipments rose to similar levels. Substantial increases in employment and prices are expected in the months ahead. The capital expenditures index climbed eleven points to 33.9, a multi-year high, and the technology spending index rose eighteen points to 33.0, a record high.” – Richard Deitz and Jason Bram, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/15/21
General Business Conditions

Diffusion index, seasonally adjusted

Source: https://www.newyorkfed.org/survey/empire/empiresurvey_overview; 9/15/21
Business Leaders Survey (Services)

Growth Slows For A Third Consecutive Month

“Business activity continued to increase in the region’s service sector, though at a slower pace than in recent months, according to firms responding to the Federal Reserve Bank of New York’s September 2021 Business Leaders Survey. The survey’s headline business activity index fell thirteen points to 14.4, its third consecutive monthly decline. The business climate index fell to -8.5, indicating that firms generally viewed the business climate as worse than normal for this time of year. Employment levels and wages continued to rise at a solid clip. Both the prices paid and prices received indexes moved higher, pointing to a pickup in input and selling price increases. Capital spending expanded. Looking ahead, firms expressed the view that conditions would improve over the next six months, though optimism continued to wane, as it has for the past few months.

Business activity in the region’s service sector increased, according to the September survey, though growth continued to slow. After falling fourteen points last month, the headline business activity index fell another thirteen points to 14.4, hitting its lowest level since March. Thirty-nine percent of respondents reported that conditions improved over the month, while 24 percent said that conditions worsened. The business climate index fell below zero to -8.5, indicating that on net, firms viewed the business climate as worse than normal for this time of year.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 9/16/21
Business Leaders Survey (Services)

Price Increases Accelerate

“The employment index was little changed at 18.1, pointing to a moderate increase in employment levels. The wages index held steady at 47.9, signaling another month of strong wage growth. Both input prices and selling prices rose at a steeper pace: the prices paid index rose five points to 78.1, and the prices received index rose six points to 36.9. The capital spending index moved up eleven points to 18.8, its highest level since the pandemic began, indicating a solid increase in capital spending.

Optimism Continues To Wane

While firms are still optimistic, the level of optimism about future conditions continued to wane. The index for future business activity fell eighteen points to 30.5, its fourth consecutive monthly decline. The index for future business climate fell to 17.6. Strong gains in employment and wages are expected in the months ahead, and prices are expected to continue to rise significantly.” – Jason Bram and Richard Deitz, The Federal Reserve Bank of New York

Source: https://www.newyorkfed.org/survey/business_leaders/bls_overview; 9/16/21
The Federal Reserve Bank of Philadelphia

September 2021 Nonmanufacturing Business Outlook Survey

“Responses to the September Nonmanufacturing Business Outlook Survey suggest continued growth in business activity in the region. However, the indicators for firm-level general activity, new orders, and sales/revenues all declined from last month. The survey’s indexes for full-time and part-time employment rose. Overall, the respondents continued to expect improvement in conditions over the next six months, but both future activity indexes fell.

Current Indexes Decline but Remain Elevated

The diffusion index for current general activity declined for the third consecutive month, falling from 37.2 in August to 21.9 this month, its lowest reading since April (see Chart 1). The share of firms reporting increases in general activity (44 percent) exceeded the share reporting decreases (22 percent); however, the share of firms reporting decreases nearly doubled from last month. The new orders index declined 13 points to 14.7 in September. The sales/revenues index fell from 29.0 in August to 16.7 in September. While 43 percent of the firms reported increases in sales/revenues (unchanged from last month), 26 percent reported decreases (up from 14 percent), and 24 percent reported no change (down from 33 percent). The current regional activity index decreased 30 points to 9.6 in September.

Employment Indicators Improve

The firms continued to report overall increases in full-time and part-time employment this month. The full-time employment index rose 6 points to 14.1 after falling 17 points last month. Of the firms responding, 21 percent reported increases in full-time employment, while 7 percent reported decreases. Most firms (68 percent) reported stable full-time employment. The part-time employment index increased 12 points to 13.8. Most firms reported steady part-time employment (54 percent), while 22 percent of the firms reported increases and 8 percent reported decreases.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2021-09; 9/21/21
Price Increases Remain Widespread

“The prices paid index ticked up 1 point this month to 51.5. More than 52 percent of the firms reported increases, 1 percent reported decreases, and 34 percent of the firms reported stable input prices. Regarding prices for the firms’ own goods and services, the prices received index fell 5 points to 20.8 in September. More than 23 percent of the firms reported increases in prices received, while only 3 percent reported decreases. Nearly 58 percent of the firms reported no change in prices for their own goods and services.

Firms Report Higher Sales/Revenues and Labor Issues

In this month’s special questions, the firms were asked to estimate their total sales/revenues growth for the third quarter ending this month compared with the second quarter of 2021 (see Special Questions). The share of firms reporting expected increases in third-quarter sales/revenues (41 percent) was greater than the share reporting decreases (28 percent), with a median response of an increase of 0 to 5 percent. Among factors constraining current business operations, 51 percent of the firms reported labor issues, 36 percent reported supply chain issues, and 34 percent reported COVID-19 mitigation measures.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia
The Federal Reserve Bank of Philadelphia

Chart 1. Current and Future General Activity Indexes for Firms
March 2011 to September 2021

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/nbos-2021-09; 9/21/21
Firms Indicators Remain Soften

Both future activity indexes suggest that while the respondents expect overall improvement in nonmanufacturing activity over the next six months, optimism for future growth waned this month. The diffusion index for future activity at the firm level fell sharply from a reading of 65.8 in August to 39.3 this month, its lowest reading since January (see Chart 1). Nearly 56 percent of the firms expect an increase in activity (down from 69 percent last month) at their firms over the next six months, compared with 16 percent that expect decreases (up from 4 percent). The future regional activity index fell 27 points to 34.2.

Summary

Responses to this month’s Nonmanufacturing Business Outlook Survey suggest some moderation in nonmanufacturing activity growth in the region. The indicators for firm-level general activity, new orders, and sales/revenues all declined but remained positive; however, the full-time employment index increased. The future activity indexes suggest that respondents expect improvement at their firms and in the region over the next six months, but readings decreased from last month.” – Elif Sen, Research Department, The Federal Reserve Bank of Philadelphia

Source: https://www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/nbos-2021-09; 9/21/21
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.
The Federal Reserve Bank of Richmond

Manufacturing Activity Softened Slightly in September

“Fifth District manufacturing activity softened slightly in September, according to the most recent survey from the Federal Reserve Bank of Richmond. The composite index declined from 9 in August to −3 in September. The indexes for shipments and new orders fell below 0 for the first time since May 2020, but the third component index — employment — remained positive. Manufacturers continued to see low inventories and lengthening lead times and backlogs of orders. Firms reported weakening local business conditions, but they were optimistic that conditions would improve in the next six months.

Survey results suggested that many firms increased employment and wages in September. However, finding workers with the necessary skills remained a challenge. Survey participants expected this difficulty to continue, along with employment and wage growth, in the coming months.

The average growth rate of prices paid by survey respondents increased in September, while that of prices received declined. Participants expected growth of both prices paid and prices received to slow in the next year.” — Jeannette Plamp, Economic Analyst, The Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/28/21
U.S. Economic Indicators

Manufacturing Activity

Index, SA

Sep-16  Sep-17  Sep-18  Sep-19  Sep-20  Sep-21

Monthly  3-month moving average

Employment

Index, SA

Sep-16  Sep-17  Sep-18  Sep-19  Sep-20  Sep-21

Monthly  3-month moving average

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/28/21
U.S. Economic Indicators

Price Trends

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Wages

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<td>Monthly</td>
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Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/manufacturing; 9/28/21
Service Sector Conditions Were Mixed in September

“Fifth District service sector firms saw mixed conditions in September, according to the most recent survey by the Federal Reserve Bank of Richmond. The indexes for revenues and demand declined from 15 and 25 in August to −3 and 17, respectively, in September. The local business conditions index reflected little change, overall, but many firms increased capital spending. Survey respondents were optimistic that conditions would improve in the coming months.

Many service sector firms reported growth in employment and wages in September, but they struggled to find workers with the necessary skills. They expected this difficulty to continue, along with employment and wage growth, in the next six months.

The average growth rate of prices paid by survey participants declined in September, while that of prices received rose. Growth of prices paid continued to outpace that of prices received, but respondents expected the gap between them to narrow further over the next year.” – Roisin McCord, Economic Analyst, The Federal Reserve Bank of Richmond
U.S. Economic Indicators

Fifth District Survey of Service Sector Activity

Diffusion Index, Seasonally Adjusted 3-MMA

Source: Federal Reserve Bank of Richmond

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 9/28/21
U.S. Economic Indicators

Service Sector Revenues

Index, SA

Sep-16  Sep-17  Sep-18  Sep-19  Sep-20  Sep-21

- Monthly  3-month moving average

Employment

Index, SA

Sep-16  Sep-17  Sep-18  Sep-19  Sep-20  Sep-21

- Monthly  3-month moving average

Source: https://www.richmondfed.org/research/regional_economy/surveys_of_business_conditions/service_sector; 9/28/21
México’s Economic Growth Slows, Outlook Remains Steady

México’s gross domestic product (GDP) grew an annualized 6.0 percent in second quarter 2021. However, the monthly proxy for GDP decelerated in the third quarter. The consensus GDP growth forecast for 2021 (fourth quarter/fourth quarter), compiled by Banco de México remained at 3.9 percent in August. Despite continued slowing in new cases, México still faces headwinds from COVID-19. Vaccination progress has improved, but only 33 percent of the population has been fully vaccinated.

The latest data available show exports and employment grew, but the latter decelerated. Industrial production remained flat, and retail sales fell. The peso/U.S. dollar exchange rate remained largely unchanged, and inflation dropped in August.

Growth in Economic Activity Wanes in Recent Months

Year-over-year growth in México’s global economic activity index – the monthly proxy for GDP – slowed from 13.4 percent in June to 8.7 percent in July and to 6.7 percent in August (Chart 1). Service-related activities (including trade and transportation) grew 8.3 percent in August after growing 9.3 percent in July. Goods-producing industries (including manufacturing, construction and utilities) increased 4.1 percent in August after expanding 6.6 percent in July.

Exports Marginally Improve

The three-month moving average of total exports rose 0.4 percent in July, as oil exports increased 6.6 percent, and the dominant manufacturing category decreased 0.2 percent (Chart 2). On a month-over-month basis, total exports rose 1.0 percent in July, and manufacturing exports increased 1.4 percent. México’s total monthly exports in July were up 3.3 percent compared with prepandemic levels in February 2020.” – Jesus Cañas, Senior Business Economist, and Juliette Coia, Research Analyst; Research Department, The Federal Reserve Bank of Dallas
U.S. Global Economic Indicators

Chart 1
Economic Activity Decelerates

Index, January 2011 = 100*

Global economic activity index (IGAE)

2011–20 year-over-year average growth = 1.3%

Index's year-over-year change

Year-over-year growth (percent)

*Seasonally adjusted; real pesos.

NOTES: Data are through June 2021. Data through August 2021 are estimated by the National Institute of Statistics and Geography (INEGI) using its timely indicator of economic activity (IOAE).


U.S. Global Economic Indicators

Chart 2
Total Exports Move Sideways While Oil Exports Continue to Improve
Index, January 2011 = 100

*Seasonally adjusted, three-month moving average; real dollars.
NOTES: Data are through July 2021. The pie chart reflects the share of total exports year to date in 2021.
“The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers’ Index® (PMI®) registered 57.0 in September, little-changed from 57.2 in August. The latest reading extended the period of growth to 15 successive months, with the latest expansion among the sharpest in the 11-year history of the survey.

Canada’s manufacturing sector concluded the third quarter of 2021 with another robust expansion. Despite a rise in COVID cases, output and new orders rose at historically elevated rates. However, global supply shocks persisted, leading to lengthier delivery times and a subsequent joint-record increase in backlogs. Amid efforts to protect against future shortages, firms raised their pre-production inventories at the joint-quickest rate in the survey to date. Meanwhile, higher prices for steel, oil and transportation underpinned record rates of input and output price inflation.

Canadian manufacturers recorded another solid upturn in their production volumes, although the rate of growth moderated from August's four-month peak. Surveyed respondents commented on supportive demand conditions, new product launches and increased efforts to boost output. Similarly, new orders rose sharply, but at a softer pace than that seen in August. Firms mentioned strong demand conditions in both domestic and international (particularly the US) markets, despite a rise in COVID-19 cases.

Canada's manufacturing sector recorded another healthy improvement in operating conditions in September, despite infection rates rising in key provinces. Consumer demand remained strong and in turn supported output growth. However, while we can draw many positives from the latest data, issues surrounding global supply remain. Material scarcity led to higher prices, shipping delays, and subsequent increases in incomplete work. Anecdotal evidence suggests firms sought to clear their backlogs, but a lack of skilled workers hindered productivity.

Firms will experience shortages and price hikes for some time but, by building their input stocks over the last eight months, they should be prepared for another busy quarter. On the COVID-19 front, the vaccination effort, which was slow to start off with, nears completion. The majority of the population has been inoculated against COVID-19 which should protect against a tightening of measures.” – Shreeya Patel, Economist, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/2f10258a091540378140ae6294ea6e2c; 10/1/21
Private Indicators: Global

Caixin China General Manufacturing PMI™

Business conditions deteriorate slightly in August

“The headline seasonally adjusted Purchasing Managers’ Index™ (PMI™) – a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy – rose from 49.2 in August to 50.0 in September. This indicated that business conditions stabilised at the end of the third quarter, after a slight deterioration in the previous month. Nonetheless, the latest reading was the second-lowest seen for the past 17 months.

Latest PMI data indicated that business conditions across China's manufacturing sector stabilised in September, after a slight deterioration in August. The improved headline index reading was supported by a renewed upturn in total sales and a softer reduction in output. At the same time, purchasing activity also returned to growth, while confidence towards the year ahead also strengthened. Supply chain delays persisted, however, amid sustained reports of material shortages. This in turn drove sharper increases in both input costs and output prices.

The higher headline index figure was partly driven by a renewed upturn in overall sales during September. Though only slight, it was the first time new work had increased for three months. Underlying data suggested this was largely driven by firmer domestic demand, as export sales continued to decline. A number of companies commented on improved customer numbers. Although production fell for the second month in a row in September, the rate of decline eased to only a marginal pace. Firms indicated that relatively subdued demand and material shortages had weighed on production.

Efforts to improve efficiency contributed to a slight drop in employment in September. Rising workloads placed further pressure on capacity, however, as highlighted by a solid rise in backlogs of work. Notably, the rate of accumulation was the quickest since March 2020, with firms mentioning that material shortages and shipping delays had limited their ability to process and complete orders. Manufacturers indicated a further lengthening of delivery times for inputs during September. The rate at which lead times increased was only modest, however. The deterioration in vendor performance was often linked to limited stock availability, transportation delays due to the pandemic and stretched capacity at suppliers. …” – Dr. Wang Zhe, Senior Economist, Caixin Insight Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/80b2296bb1f6435a917c1f2949de4e56; 10/1/21
The Caixin China General Manufacturing PMI™ came in at 50 in September, showing that conditions in the manufacturing sector remained unchanged from the previous month. Factors including the reappearance of Covid-19 in several regions and raw material shortages continued to hurt the economy. Supply in the manufacturing sector continued to shrink, while demand improved. The resurgence of the epidemic in several regions and shortfalls in raw material supplies slowed production at manufacturing companies, with the gauge for output contracting for the second straight month in September. Demand improved, though marginally, with demand for consumer goods in the doldrums. Overseas demand was relatively weak as new export orders largely decreased in September. The epidemic again emerged overseas. Global shipping capacity was also clearly insufficient. The job market continued to come under pressure. The gauge for employment contracted for the second month in a row in September, and at a faster clip. Manufacturing enterprises reported that they were cautious about hiring new workers.

Inflationary pressure surged. The gauge for input prices hit its highest level in four months in September, its 16th straight month in expansionary territory. The measure for output prices also reached its highest in three months. Surveyed enterprises said the rise in costs was mainly caused by a sharp increase in the prices of energy, industrial metals and electronic raw materials. The pressure of rising costs was partly transmitted downstream to consumers, as the demand was not weak.

In logistics, delivery times grew longer. The gauge of suppliers’ delivery times remained in negative territory due to the lingering effects of some regions’ measures to contain local outbreaks of Covid-19. Consequently, inventories of finished manufacturing goods grew slightly. Entrepreneurs remained optimistic about the business outlook. The gauge for future output expectations bounced back to the long-term average. Manufacturing enterprises remained positive about the prospects for the market and for getting the Covid-19 outbreak under control.

Overall, conditions in the manufacturing sector picked up in September from the previous month, though the improvement was limited. The Caixin China manufacturing PMI came in at 50, indicating the downward pressure on the economy was still high. On the one hand, the epidemic continued to impact demand, supply, and circulation in the manufacturing sector. The state of the epidemic overseas and the shortage of shipping capacity also dragged down total demand. Epidemic control measures have clearly impacted the logistics industry. …” – Dr. Wang Zhe, Senior Economist, Caixin Insight Group

Source: https://www.markiteconomics.com/Public/Home/PressRelease/80b2296bb1f6435a917c1f2949de4e56; 10/1/21
“In view of this, in the coming months, the government should focus on improving epidemic prevention and control and alleviating supply-side pressure. It should also find a balance among multiple objectives, such as promoting employment, maintaining the stability of raw material prices, ensuring a stable and orderly supply, and meeting targets for controlling energy consumption.” – Dr. Wang Zhe, Senior Economist, Caixin Insight Group
Markit Eurozone Manufacturing PMI®
“The final reading of the IHS Markit Eurozone Manufacturing PMI® for September of 58.6 was a fraction below the preliminary ‘flash’ print of 58.7, but a notable step down from 61.4 seen in August and the lowest since February.

Manufacturing growth slowdown continues in September
Euro area manufacturers recorded another strong improvement in operating conditions during September, latest PMI® data showed, owing to further marked rates of expansion in output, new orders and employment. That said, notable slowdowns were seen in all three cases, causing the headline PMI to fall by its largest margin since April 2020, right at the start of the COVID-19 pandemic when virus containment measures were being implemented across the currency bloc and globally. …

The drop in the Manufacturing PMI was driven by the index’s two principal components, new orders and output, which signalled considerable moderations in growth when compared with August. In both cases, the expansions were still strong, but the weakest for eight months. Meanwhile, following on from the sharp rates of increase seen in previous months, new export orders grew at the slowest rate since January. Supply constraints were a key hindrance to production schedules during September, while softer demand conditions were another contributing factor.

While Eurozone manufacturing expanded at a robust pace in September, growth has weakened markedly as producers report a growing toll from supply chain headwinds. Supply issues continue to wreak havoc across large swathes of European manufacturing, with delays and shortages being reported at rates not witnessed in almost a quarter of a century and showing no signs of any imminent improvement.

Growing supply and transport issues are not only being cited as a major constraint on both production and demand, but also once again drove prices sharply higher in September. Factory jobs growth has meanwhile also slowed partly due to lower labour requirements amid the widespread component shortages. With costs rising and factories struggling to produce enough goods to meet customer demand, the average price of goods leaving the factory gate rose at an increased rate in September, accelerating to almost match the record price jumps seen earlier in the summer.

The supply situation should start to improve now that COVID-19 cases are falling and vaccination rates are improving in many countries, notably in several key Asian economies from which many components are sourced, but it will inevitably be a slow process which could see the theme of supply issues and rising prices run well into 2022.” – Chris Williamson, Chief Business Economist, Markit®
"After accounting for seasonal factors, the IHS Markit Eurozone PMI® Composite Output Index fell to 56.2 in September, down from 59.0 in August and the lowest reading since April. Although indicative of a strong expansion in business activity, it marked a considerable slowdown from the expansions seen between June and August, which were among the fastest in 23 years of data collection.

Growth slows further in September as demand pressures cool
And supply issues constrain business activity

“Euro area economic growth moderated for a second month running in September, marking a further retreat from the 15-year peak recorded in July as shortages of inputs impeded both manufacturing and service sector output. There were also softer rates of expansion in both new orders and employment, while businesses’ output expectations were the least optimistic since February. Meanwhile, inflationary trends moved higher in September, with input prices rising at the joint-fastest rate on record (since July 1998). Output prices subsequently rose at a pace which was only surpassed by those seen in June and July.

The current economic situation in the eurozone is an unwelcome mix of rising price pressures but slower growth. Both are linked to supply shortages, especially in manufacturing, which has seen a steeper fall in output growth than services. Although for now the overall rate of expansion remains relatively solid by historical standards, the economy enters the final quarter of the year on a slowing growth trajectory. A drop in business confidence to the lowest since February adds further downside risks to the outlook.

With supply shortages likely to continue to subdue manufacturing well into 2022, the economy has therefore become increasingly dependent on the service sector to sustain a solid recovery path. However, the service sector is also reporting a marked cooling of demand growth which can be less easily explained by shortages, and is in part linked to customers being deterred by concerns over the persistence of the pandemic and by higher prices, as well as some moderation of spending after the initial reopening of the economy.” – Chris Williamson, Chief Business Economist, Markit®
Output and new orders both constrained by supply bottlenecks in September

The German manufacturing sector continued to be held back by supply bottlenecks during September, latest PMI® survey data showed. Firms reported not only constrained output levels, but also a softening trend in new orders as reduced production schedules in the automotive sector and rising prices hit demand. With input shortages continuing to drive up purchasing costs, good producers registered another near-record increase in average factory gate charges. Growth expectations meanwhile continued to ebb, acting as an additional drag on the pace of factory job creation. …

At 58.4, the latest headline PMI reading gives a false impression as to the manufacturing sector’s current performance, with the suppliers' delivery times component continuing to distort the picture. Trends in output and new orders are weaker than the headline number suggests. The unprecedented supply shortages we’ve seen in recent months have been holding back production levels for some time now, and we're increasingly seeing this disruption feed back up the supply chain and resulting in reduced demand for intermediate goods as orders are either postponed or cancelled. As a result, overall growth in new orders dropped to a 15-month low in September.

At the same time, supply bottlenecks continue to drive up input costs and, in turn, put pressure on manufacturers to raise prices, which is acting as another headwind to growth. The rate of input price inflation looks like it might have peaked but is still running close to the fastest in the survey's history, leading to near-record numbers of goods producers raising prices. Manufacturers' optimism towards the outlook is steadily ebbing away, down in September to its lowest for 13 months, with many firms concerned that supply shortages will persist into next year.” – Phil Smith, Principal Economist, IHSMarkit®
Global manufacturing upturn remains constrained by supply chain disruptions and input shortages

The global manufacturing upturn was subdued by supply chain disruptions and material shortages in September. Although output growth accelerated for the first time in five months, it remained among the slowest during the current 15-month sequence of expansion. The pace of expansion in new orders also ticked higher from a recent low. Supply constraints fed through to prices, leading to marked inflation of both input costs and factory gate selling prices. Data broken down by sector showed that growth continued across the consumer, intermediate and investment goods industries. PMI readings ticked higher for the intermediate goods sector, was unchanged for consumer goods and edged lower in the investment goods category. The latter retained its position at the top of the growth rankings, however. …

Manufacturing production and new orders both rose for the fifteenth successive month in September, and to slightly better extents than during the prior survey month. New export business also continued to expand, although the rate of growth was unchanged from August's seven-month low. Efforts to raise production further were stymied by severe supply-chain and logistic disruptions. The past six months have seen supplier lead times lengthen to the greatest extents in the survey history. …

The global manufacturing PMI sent a positive signal in September with rough stability in the survey after a number of months in which the output index declined sharply. However, the survey still points to ongoing supply constraints weighing on the sector. The delivery times PMI remains at a low level (long delivery times) at the same time price pressures are high as seen across input and output prices PMI.” – Olya Borichevska, Global Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/cf6b160c3bc4d6bae52eefc85fec24; 10/1/21
Global economic growth edges higher in September

National PMI data signalled that output continued to rise across much of the global economy. Expansions were seen in the US, the euro area, the UK, India, Brazil and Russia, offsetting contractions in Japan and Australia. Of the 11 nations for which growth was signalled, seven (including the US, Germany and India) saw slower rates of expansion than in August. The eurozone was an especially bright spot, with the top-four ranked countries part of the currency bloc.

Manufacturing output and services business activity rose at quicker rates in September, although in both cases growth remained weaker than that seen during much of the earlier part of the year. Output also rose across all six of the subsectors covered by the survey, with the strongest growth in the business services category, followed closely by financial services. Growth accelerations were seen in the business services, consumer goods and intermediate goods sectors.

Although improving slightly, the rate of increase in new order intakes remained subdued in September. New export business also rose for the eighth successive month. The inflow of new work received remained sufficient to test capacity, however, as backlogs of work expanded for the seventh month running and to a greater extent than in the prior month. There remained reports that supply-chain issues were suppressing economic activity. These capacity issues also resulted in shortages and delays for raw materials and fed through to higher prices for many commodities. Average input costs rose at the sharpest pace for four months, while output charge inflation also remained elevated as a result. …

The outlook for the global economy remained positive in September. Companies reported that they expect activity to increase (on average) over the coming 12 months, with the degree of positivity rising to a three-month high. Confidence levels were higher at service providers than their manufacturing counterparts.”

– Olya Borichevska, Global Economic Research, J.P. Morgan

Source: https://www.markiteconomics.com/Public/Home/PressRelease/b09e7b7d85d04247a7231c85776bd5e7; 10/5/21
Private Indicators: Global

**IHS Markit/CIPS UK Manufacturing PMI®**

“Supply chain delays, slower new order growth and rising material and labour shortages all constrained the UK manufacturing sector in September. At 57.1, down from 60.3 in August, the seasonally adjusted IHS Markit/CIPS Purchasing Managers’ Index® (PMI®) fell to a seven-month low.

**Manufacturing upturn slows further as supply-chain strain and labour shortages stymie growth**

Manufacturing production increased for the sixteenth consecutive month in September. However, the rate of expansion eased for the fourth month in a row and to its weakest since February. Growth slowed across the consumer, intermediate and investment goods sectors. Data broken down by company size indicated that upturns at medium and large-scale producers were offset by a continued downturn among small firms.

Weaker growth of new business also stymied efforts to increase output further during September. New orders rose at the weakest pace since February, as intakes from domestic clients increased at a slower pace and new export work contracted for the first time in eight months. The decline in new export orders reflected shipping issues, cancellations due to long lead times and capacity issues at clients.

The September PMI highlights the risk of the UK descending towards a bout of ‘stagflation’, as growth of manufacturing output and new orders eased sharply while input costs and selling prices continued to surge higher. Companies are facing a growing list of headwinds, which includes declining new export orders, component shortages, delays to air, land and sea freight, staff shortages exacerbated by COVID-19 illnesses, Brexit disruptions, sharply rising costs and now fuel shortages.

The jobs market is also experiencing slower growth, as firms experience labour shortages and difficulties recruiting required skills. With little sign of resolution to these issues, manufacturers, especially smaller firms with lower market power or capacity flexibility, will continue to be buffeted by these headwinds for the foreseeable future, hinting at a tough autumn and winter ahead for many firms.” – Rob Dobson, Director, IHS Markit

Source: https://www.markiteconomics.com/Public/Home/PressRelease/37d95808c6704707b8d950c393e602a7; 10/1/21
Private Indicators
Associated Builders and Contractors

Nonresidential Construction Spending Dips in August

“National nonresidential construction spending fell 0.4% in August, according to an Associated Builders and Contractors analysis of data published today by the U.S. Census Bureau. Nonresidential spending totaled $788.6 billion in August on a seasonally adjusted annualized basis, down 3.0% from August 2020.

Spending declined on a monthly basis in 10 of the 16 nonresidential subcategories, with spending in transportation unchanged for the month. Private nonresidential spending was down 1.0%, while public nonresidential construction spending rose 0.5% in August.

“The nonresidential construction spending data are among the most interesting to monitor as the economy continues to wrestle with COVID-19, supply chain disruptions and rampant uncertainty regarding the direction of federal policymaking,” said ABC Chief Economist Anirban Basu. “First, nonresidential construction spending dynamics are shaped by all of the major forces shaping economic outcomes today, including labor shortages, surging input prices, massive liquidity and wavering confidence.”

“Second, despite the many challenges they have faced, contractors continued to express confidence regarding near-term prospects until recently, per ABC’s Construction Confidence Index, said Basu. “For economists, who have been focused on phenomena such as the growing volatility of asset prices, rising freight costs, ongoing lockdowns in parts of the global economy and still-high infection rates in America, that expression of abundant confidence has been somewhat surprising. Today’s data release reminds us that challenges abound, with the trajectory of the nonresidential segment remaining on a downward trend that has now been in place for many months.”” – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/18957/nonresidential-construction-spending-weak-in-August-says-abc; 10/1/21
“Third, a growing number of contractors indicate that the combination of increasingly expensive labor and rising materials prices are inducing more project owners to postpone work,” said Basu. “This has manifested itself in a number of ways, including the inability of nonresidential construction spending to achieve growth and a recent decline in backlog, as measured by ABC’s Construction Backlog Indicator. As if this were not enough, a bipartisan infrastructure package that appeared set to pass is now jeopardized by jumbled political dynamics.”” – Erika Walter, Director of Media Relations, ABC

Source: https://www.abc.org/News-Media/News-Releases/entryid/18957/nonresidential-construction-spending-weak-in-August-says-abc; 10/1/21
Associated Builders and Contractors

Total Nonresidential Construction Spending
August 2015 - August 2021

Value (SAAR, billion)

Source: U.S. Census Bureau

Source: https://www.abc.org/News-Media/News-Releases/entryid/18957/nonresidential-construction-spending-weak-in-August-says-abc; 10/1/21
Private Indicators
Associated Builders and Contractors

ABC’s Construction Backlog Indicator Inches Lower in September; Contractor Confidence Down for Second Consecutive Month

“Associated Builders and Contractors reports today that its Construction Backlog Indicator fell to 7.6 months in September, according to an ABC member survey conducted Sept. 20-Oct. 4. The reading is down 0.1 months from August 2021, but up 0.1 months from September 2020.

“Nonresidential construction backlog declined for a second consecutive month as skills and input shortages hammer the industry,” said ABC Chief Economist Anirban Basu. “A growing number of contractors are indicating shortages of materials such as copper and PVC pipes.

“Input prices also continue to increase as global supply chain disruptions persist,” said Basu. “Rising shipping and trucking costs are further exacerbating the situation by placing additional upward pressure on input prices. Working in conjunction with skills shortages and attendant higher wages, rising input prices are resulting in lofty bids, inducing certain project owners to delay work and even cancel projects altogether in some instances.

“The good news is that demand for construction services remains elevated,” said Basu. “Many projects, whether those in health care, public education or data management, must move forward, and the data indicate that this is disproportionately benefiting larger contractors. For the most part, recent declines in backlog have been registered among smaller construction firms. Low interest rates and abundant liquidity have created the capacity for many investors to deploy substantial capital, and that helps support investment in real estate and construction projects.”” – Erika Walter, Director of Media Relations, ABC

Associated Builders and Contractors

Construction Backlog Indicator

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Associated Builders and Contractors

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<td>Down Big</td>
<td>1.7%</td>
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“Despite all the challenges facing the nonresidential construction industry, contractors collectively expect sales, staffing and profit margins to expand over the next six months, though the level of confidence has been diminished in recent months,” said Basu.” – Erika Walter, Director of Media Relations, ABC

Business conditions remain strong at architecture firms, despite concerns about the Delta variant

Most firms have already reopened from their pandemic closures

“Architecture firm billings remained strong in August, with an Architecture Billings Index (ABI) score of 55.6 (any score over 50 indicates billings growth). Despite some concerns about the ongoing impact of the Delta variant, most firms are continuing to report robust business conditions. Firms also reported that they continue to receive many inquiries into new projects, and that the value of contracts that they are signing for new design work is still growing.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

“The surge in design activity continued in August, signifying an expected upturn in construction activity in the fourth quarter and continuing into 2022. This expected expansion will magnify the already serious problems of price inflation and availability of many construction products and materials, as well as the emerging labor shortages in the industry.” – Kermit Baker, Chief Economist, AIA
Private Indicators
American Institute of Architects (AIA)

National
Business conditions remain robust at architecture firms in August

Graphs represent data from August 2020–August 2021.

Source: https://www.aia.org/pages/6435151-abi-august-2021-business-conditions-remain; 9/27/21
Firms in all regions of the country continued to report growth in August as well, although the pace of growth has moderated somewhat at firms located in the Northeast over the last few months. Billings remained strongest at firms in the West and Midwest, while firms located in the South still reported increasing billings, but also expressed some concern about the impact of the ongoing – and already serious – hurricane season.” – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6435151-abi-august-2021-business-conditions-remain; 9/27/21
Firms of all specializations report strong business

Graphs represent data from August 2020–August 2021 across the three sectors. 50 represents the diffusion center. A score of 50 equals no change from the previous month. Above 50 shows increase; Below 50 shows decrease. 3-month moving average.

"Firms of all specializations also reported strengthening business conditions this month, with all seeing growth at about the same pace." – Katharine Keane, Senior Associate Editor, The American Institute of Architects

Source: https://www.aia.org/pages/6435151-abi-august-2021-business-conditions-remain; 9/27/21
Private Indicators

Dodge Data & Analytics

Total Construction Falls in August as Housing Stumbles

Single family construction feeling brunt of higher material prices

“Total construction starts fell 9% in August to a seasonally adjusted annual rate of $782.8 billion, according to Dodge Data & Analytics. All three sectors lost ground during the month: nonbuilding starts were down 2%, residential starts were 9% lower, and nonresidential building starts fell 13%.

“Construction starts have hit a rough patch following the euphoria seen in the early stages of recovery from the pandemic,” stated Richard Branch, Chief Economist for Dodge Data & Analytics. “The Delta variant has raised concern that the fledgling economic recovery is stalling out, undermining the already low level of demand for most types of nonresidential buildings. Additionally, significant price increases for construction materials, logistic constraints, and labor shortages are making a challenging situation worse. Construction starts are likely to remain unsteady over the next few months. However, the dollar value of projects entering planning continues to suggest that the recovery in construction starts should resume early in the new year.”” – Nicole Sullivan, Public Relations & Social Media, AFFECT
Private Indicators

Dodge Data & Analytics

• “Residential building starts lost 9% in August to a seasonally adjusted rate of $370.2 billion. Single family starts fell 12% in August, while multifamily starts increased 1%. Through eight months, residential starts were 24% higher than in the same period one year ago. Single family starts gained 29%, while multifamily starts grew 13%.

For the 12 months ending in August 2021, total residential starts were 21% higher than the 12 months ending in August 2020. Single family starts gained 28%, while multifamily starts were up 2% on a 12-month sum basis.

The largest multifamily structures to break ground in August were the $615 million Flamingo Crossing Apartments in Winter Garden, FL, the $400 million 1018 West Peachtree apartments in Atlanta, GA, and the $374 million Victoria Place Gateway Tower in Honolulu, HI.

Regionally, total construction starts lost ground in August in all five regions.

• Nonresidential building starts fell 113% in August to a seasonally adjusted annual rate of $244.9 billion. The declines were broad-based across building types with few bright spots. Commercial starts dropped 10%, institutional starts lost 15%, and manufacturing starts fell 37% following a sizable gain in July. Despite overall losses, there were gains in the retail, parking, and public buildings. Year-to-date through eight months, nonresidential building starts were 3% higher. Commercial starts increased 2% and manufacturing starts were 33% higher. Institutional starts, however, were 1% lower through eight months.

• For the 12 months ending in August 2021, nonresidential building starts were 8% lower than in the 12 months ending in August 2020. Commercial starts were down 8%, institutional starts fell 4%, and manufacturing starts dropped 29% in the 12 months ending August 2021.” – Richard Branch, Chief Economist, Dodge Data & Analytics

# Private Indicators

## Monthly Construction Starts

(Millions of Dollars, Seasonally Adjusted Annual Rate)

<table>
<thead>
<tr>
<th></th>
<th>Aug 2021</th>
<th>Jul 2021</th>
<th>% Change</th>
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<tbody>
<tr>
<td>Nonresidential Building</td>
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<td>280,688</td>
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<tr>
<td>Residential Building</td>
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</tr>
<tr>
<td>Nonbuilding Construction</td>
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<td>170,904</td>
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<tr>
<td><strong>Total Construction</strong></td>
<td><strong>782,840</strong></td>
<td><strong>857,888</strong></td>
<td><strong>-9</strong></td>
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</table>

## Year-to-Date Construction Starts

(Unadjusted Totals, in Millions of Dollars)

<table>
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<th>8 Mos. 2021</th>
<th>8 Mos. 2020</th>
<th>% Change</th>
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<tr>
<td>Nonresidential Building</td>
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<td>Residential Building</td>
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<td>226,659</td>
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<td>Nonbuilding Construction</td>
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<td>126,443</td>
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<tr>
<td><strong>Total Construction</strong></td>
<td><strong>589,967</strong></td>
<td><strong>529,169</strong></td>
<td><strong>11</strong></td>
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</table>

Source: Dodge Data & Analytics

Private Indicators

MNI Chicago

“The Chicago Business Barometer™, produced with MNI, slipped to 64.7 in September, the lowest level since February. Among the main five indicators, Order Backlogs saw the largest decline, followed by Supplier Deliveries and New Orders. Only Employment increased through the month.

Chicago Business Barometer™ – Fell to 64.7 in September

Order Backlogs pulled back sharply in September, dropping 20.5 points to a six-month low of 61.1. Companies said that was mostly due to supply shortages that are still weighing on production. Supplier Deliveries through September fell 11.6 points to 81.2, the lowest since April, as firms reported worsening port congestion and ongoing problems with ocean, rail trucking, and even air cargo.

New Orders softened through the month, falling 3.4 points to 64.4, the lowest since March. Businesses said that was linked to raw material shortages and a low supply of critical components like semiconductors. Prices Paid unwound by 3.2 points in September to a four-month low of 90.7. Companies reported fewer problems with labor that may have put downward pressure on prices, but many said prices were still an issue.

Production in September fell marginally, dropping 0.3 points to 60.7, but still the lowest reading since June. Employment was the only indicator that saw an increase through the month, rising 4.1 points to 52.4, the highest since April.

This month’s first special question asked, “As prices pick up nationwide, are your staff costs likely to increase in the next 6 months?” The majority (38.89%) said they would by 0 – 5%. The second special question asked, “Now that the Delta variant has become an area of back-to-work delay, has your company modified its supply chain strategy to address a potential problem in manufacturing and problems?” The majority (52.78%) said they had. ” – Les Commons, Senior Economist and Irene Prihoda, Economist, MNI Indicators

Source: https://www.ism-chicago.org/index.cfm; 9/30/21
The Conference Board Leading Economic Index® (LEI) for the U.S. increased in August

“The Conference Board Leading Economic Index® (LEI) for the U.S. increased by 0.9 percent in August to 117.1 (2016 = 100), following a 0.8 percent increase in July and a 0.6 percent increase in June.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased by 0.2 percent in August to 105.9 (2016 = 100), following a 0.6 percent increase in July and a 0.5 percent increase in June.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased by 0.1 percent in August to 106.3 (2016 = 100), following a 0.5 percent increase in July and a 0.1 percent decrease in June.

“The U.S. LEI rose sharply in August and remains on a rapidly rising trajectory. While the Delta variant – alongside rising inflation fears – could create headwinds for labor markets and the consumer spending outlook in the near term, the trend in the LEI is consistent with robust economic growth in the reminder of the year. Real GDP growth for 2021 is expected to reach nearly 6.0 percent year-over-year, before easing to a still-robust 4.0 percent for 2022.” – Ataman Ozyildirim, Senior Director of Economic Research, The Conference Board

Source: https://www.conference-board.org/data/bcicountry.cfm; 9/23/21
Private Indicators

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

August New Business Volume Up 21 Percent Year-over-year, Down 14 Percent Month-to-month, and Up 10 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 August was $8.5 billion, up 21 percent year-over-year from new business volume in August 2020. Volume was down 14 percent month-to-month from $9.9 billion in July. Year-to-date, cumulative new business volume was up 10 percent compared to 2020.

Receivables over 30 days were 1.8 percent, down from 1.9 percent the previous month and down from 2.4 percent in the same period in 2020. Charge-offs were 0.23 percent, up from 0.18 percent the previous month and down from 0.75 percent in the year-earlier period.

Credit approvals totaled 76.3 percent, down from 76.5 percent in July. Total headcount for equipment finance companies was down 14.1 percent year-over-year, a decrease due to significant downsizing at an MLFI reporting company. Separately, the Equipment Leasing & Finance Foundation’s Monthly Confidence Index (MCI-EFI) in September is 60.5, a decrease from the August index of 66.6.” – Amy Vogt, Vice President, Communications and Marketing; Equipment Leasing & Finance Association

“August data show some softness in equipment demand resulting from a mix of summer doldrums, continued supply chain disruptions and lingering pandemic-related woes. Business optimism, which peaked earlier in the summer, also has waned somewhat. However, when compared to where the economy and equipment finance business were a year ago, with the COVID-19 virus raging throughout the country, August new business volume is wholly acceptable.” – Ralph Petta, President and CEO, ELFA

“2021, while much better than 2020, continues to be a challenging period for the equipment finance industry. While demand for equipment remains strong, August was the second consecutive month of reduced origination volume for the industry. Supply chain issues continue to be a key driver underlying this trend and seem to have worsened in recent months. On the positive side, approval rates have remained at pre-COVID levels and portfolio delinquencies and charge-offs remain at historically low levels.” – Jeffrey Hilzinger, President and CEO, Marlin Capital Solutions
Private Indicators

Markit U.S. Manufacturing PMI™

PMI drops to five-month low as production hampered by ongoing material and labour shortages

“The seasonally adjusted IHS Markit U.S. Manufacturing Purchasing Managers’ Index™ (PMI™) posted 60.7 in September, down from 61.1 in August, but broadly in line with the earlier released ‘flash’ estimate of 60.5. The latest data indicated a marked improvement in the health of the U.S. manufacturing sector, despite being the slowest since April.

September PMI™ data from IHS Markit signalled a substantial improvement in operating conditions across the U.S. manufacturing sector, albeit the slowest for five months. Despite rising markedly, production was often hampered by severe material and labour shortages, as supply chain disruption worsened. Demand conditions softened from the peaks seen earlier in the year, but both domestic and foreign client orders rose at historically elevated rates. Pressure on capacity was reflected in the fastest uptick in backlogs of work on record, as challenges expanding workforce numbers persisted. On the price front, the pace of input cost inflation softened only slightly from August's series record, causing firms to raise their charges at an unprecedented rate.

Contributing to sustained overall growth was a further expansion in output during September. The rise in production was strong, but eased to the slowest since March amid challenges related to material and labour shortages. Nonetheless, where an increase in output was noted, firms linked this to a further upturn in new orders.

Demand conditions across the manufacturing sector remained strong at the end of the third quarter, as new sales rose markedly. Alongside greater new business from new and existing customers, some firms suggested new order growth stemmed from client efforts to stockpile. In contrast to a slower upturn in new orders, foreign client demand strengthened in September. New export orders rose at the fastest pace for four months.” – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/35d01e281ad047e882e458eb1ce1e2d1; 10/1/21
“In line with a marked rise in new work, the level of outstanding business increased at an unprecedented pace. Pressure on capacity was exacerbated by severe material and labour shortages, as delivery times worsened further and at a rate exceeded only once over the survey history by the deterioration seen in July. Firms sought to relieve capacity constraints by expanding their workforce numbers in September. Although employment rose at a solid pace, companies continued to highlight challenges finding suitable candidates for current vacancies.

Meanwhile, input costs increased at the second-fastest rate since data collection began in May 2007, easing only slightly from August's high. The sustained rise in cost burdens was linked to greater transportation charges and supplier price hikes. As a result, firms raised their selling prices at the fastest pace on record in September. Higher charges were overwhelmingly attributed to efforts to pass-through greater costs to clients.

A marked deterioration in vendor performance did not deter firms from expanding their input buying. Increased purchasing activity was reportedly due to efforts to stockpile inputs and process burgeoning backlogs of work. The rise in input buying came amid the slowest rate of growth in stocks of purchases for five months and a further contraction in post-production inventories.

The US manufacturing sector continues to run hot, with demand once again racing well ahead of production capacity as firms report widespread issues with supply chains and the availability of labor. The inability to meet demand amid near-record shortages of inputs and labor not only led to an unprecedented rise in backlogs of work as orders sat unfulfilled, but prices charged for those goods leaving the factory gate also surged higher again in September, rising at a rate exceeding anything seen in nearly 15 years of survey history.

With COVID-19 cases showing signs of having peaked early both domestically and globally, some of the supply chain and labor shortage issues should start to ease, in turn taking some of the pressure off prices. But a dip in manufacturers’ expectations for the year ahead to the lowest for four months due to supply worries underscores how production is likely to be adversely affected by shortages for some time to come.” – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/35d01e281ad047e882e458eb1ce1e2d1; 10/1/21
Finally, output expectations dipped to a four-month low in September. Although historically strong, the degree of confidence was weighed down principally by concerns regarding raw material availability. – Chris Williamson, Chief Business Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/35d01e281ad047e882e458eb1ce1e2d1; 10/1/21
Private Indicators

IHS Markit U.S. Services PMI™

Business activity expands at slowest pace in nine months amid softer demand

“The seasonally adjusted final IHS Markit US Services PMI Business Activity Index registered 54.9 in September, slightly higher than 54.4 posted by the earlier released ‘flash’ estimate but down from 55.1 in August. Output growth remained strong overall, despite softening to the slowest in nine months. Where an increase in business activity was reported, firms linked this to a sustained rise in client demand. The expansion was, however, hampered by insufficient capacity to process new work as well as demand having been subdued by COVID-19, notably in the hospitality sector.

U.S. service providers indicated a strong expansion in business activity during September, according to the latest PMI™ data. That said, the slowest rise in new business for 13 months and labour shortages hampered output growth, as the upturn softened to the weakest in 2021 to date. Total sales were weighed down by the spread of COVID-19 and a faster decline in new export orders. At the same time, pressure on capacity was reflected in the sharpest rise in backlogs of work since data collection began almost 12 years ago. Challenges expanding workforce numbers reportedly exacerbated difficulties clearing incoming new business. Meanwhile, cost pressures built for a second month running as input prices rose at a steep rate. Firms continued to pass on higher costs to clients, but at the slowest pace for five months.

Service providers signalled a solid upturn in new business during September, as firms noted the acquisition of new clients and further customer demand supported sales. That said, the rate of growth slowed further from the highs seen earlier in the year to a 13-month low. At the same time, foreign client demand weakened again as new export orders fell for a second month running. The rate of contraction was solid overall and the fastest in 2021 so far.

In line with a sustained increase in new business, service sector firms registered another expansion in backlogs of work at the end of the third quarter. Difficulties processing new sales were worsened following significant labour shortages and transportation delays. The rate of growth in outstanding business was the fastest in the near 12-year series history.” – Chris Williamson, Chief Economist, Markit®
Private Indicators

IHS Markit U.S. Services PMI™

“Despite many reports of efforts to expand workforce numbers, service providers registered only a fractional rise in employment during September. The pace of increase was the second-slowest in the current 15-month sequence of job creation.

On the price front, the pace of cost inflation accelerated to the fastest for three months. Higher input prices were commonly attributed to greater supplier and transportation costs, alongside an increase in wage bills. In contrast, the rate of charge inflation softened in September. Although marked, the pace of increase eased to the slowest since April following efforts by some firms to attract new business by waving certain fees. …

The service sector showed further signs of struggling amid the COVID-19 Delta wave in September. While business activity is growing at a rate in line with the long-run average seen prior to the pandemic, this represents a marked downshifting from the spring and summer months.

High virus case numbers have not only subdued demand for many services, notably among consumers in the hospitality sector, the pandemic continues to hit the labor market both in terms of staff absences amid the spread of the virus and low labor market participation rates meaning it is difficult to fill vacancies.

With COVID-19 cases numbers appearing to have peaked early in September, the situation in terms of demand and labor supply should start to improve as we head into the fourth quarter; a sentiment supported by business optimism rising in the service sector to the highest since June and an unprecedented strong build-up of back orders.” – Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/218e75e14844413ebefe0cb1d1a64a6f; 10/5/21
Business expectations regarding the outlook for activity over the coming 12 months improved during September. Hopes of a reduction in COVID-19 cases and a further boost to client demand reportedly drove optimism. The degree of confidence was historically elevated and the strongest since June.” — Chris Williamson, Chief Economist, Markit®

Source: https://www.markiteconomics.com/Public/Home/PressRelease/218e75e14844413ebefe0cb1d1a64a6f; 10/5/21
Private Indicators

National Association of Credit Management – Credit Managers’ Index

Report for August 2021: Combined Sectors

“2021 has been a year of missed forecasts and predictions on the part of economists and analysts. To date, it has been a roller coaster of high estimates one month followed by low ones the next. “The rapid growth at the start of the year was unexpected and so was the decline that occurred at the end of the summer,” said NACM Economist Chris Kuehl, Ph.D. “Now there seems to be a recovery of sorts, and that was not altogether expected either.”

NACM’s Credit Managers’ Index for September nudged upward with a 0.4-point gain as it returned close to levels seen in July. The index of favorable factors held at 66.0, while unfavorable factors improved slightly with a 0.7-point gain to 52.8. “While these shifts are not dramatic, the trend is once again positive and in some notable areas,” Kuehl said. With a 1.8-point jump, sales returned to the 70s for the eighth time over the last 13 months. New credit applications improved 0.6 points to 65.0 as dollar collections data took a 1.7-point drop to 61.1. Credit extended also took a 0.9-point hit, falling to 67.5. “Companies seem to be ordering more than is normal and requiring additional credit,” Kuehl said. “Although an increase in demand could be the reason, businesses are likely stockpiling materials due to concerns about the stability of supply chains.”

Rejections of credit applications and filings for bankruptcies held fairly stable with only 0.1-point losses. Accounts placed for collection held, while amount of customer deductions gained 2.2 points and dollar amount beyond terms, 0.3 points. Following two months of numbers in the high 40s, disputes left the contraction zone with a 1.8-point jump. “There have been some issues as far as creditors are concerned, but thus far there has yet to be a surge of bankruptcy activity,” Kuehl noted.” – Andrew Michaels, Editorial Associate, NACM

Source: https://nacm.org/cmi.html; 9/30/21
### Combined Manufacturing and Service Sectors (seasonally adjusted)

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<tr>
<th></th>
<th>Sep '20</th>
<th>Oct '20</th>
<th>Nov '20</th>
<th>Dec '20</th>
<th>Jan '21</th>
<th>Feb '21</th>
<th>Mar '21</th>
<th>Apr '21</th>
<th>May '21</th>
<th>June '21</th>
<th>July '21</th>
<th>Aug '21</th>
<th>Sep '21</th>
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<td>Sales</td>
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<td>74.2</td>
<td>66.5</td>
<td>70.2</td>
<td>75.9</td>
<td>69.9</td>
<td>73.9</td>
<td>74.7</td>
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<td>65.9</td>
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<td>Accounts placed for collection</td>
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<td>49.5</td>
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<td>Disputes</td>
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<td>Dollar amount beyond terms</td>
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<tr>
<td>Dollar amount of customer deductions</td>
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<td>51.7</td>
<td>51.5</td>
<td>51.3</td>
<td>52.8</td>
<td>52.2</td>
<td>53.0</td>
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<td>52.6</td>
<td>52.2</td>
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<td>Filings for bankruptcies</td>
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<td>53.0</td>
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### Combined Index Monthly Change (seasonally adjusted)

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<th>Index</th>
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<td>Mar '21</td>
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<td>Apr '21</td>
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<tr>
<td>May '21</td>
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</tr>
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<td>Sep '21</td>
<td>0.4</td>
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</tbody>
</table>

Source: https://nacm.org/cmi.html; 8/30/21
Private Indicators

National Federation of Independent Business (NFIB)
September 2021 Report

Small Business Optimism Slips In September As Labor Shortages, Inflation Impact Business Operations

“Small business owners are doing their best to meet the needs of customers, but are unable to hire workers or receive the needed supplies and inventories. The outlook for economic policy is not encouraging to owners, as lawmakers shift to talks about tax increases and additional regulations.”  
– Bill Dunkelberg, Chief Economist, NFIB

“The fourth quarter is underway, but it’s going to be a rocky one. Covid continues to “rule the roost,” as the President announces proposed mandates which will make it more difficult for firms to operate. Many people are still reluctant to take a job due to Covid risks, especially those more public facing jobs such as restaurants. Supply chains are still in disarray, with ships and containers piling up on the coasts but only slowly being unloaded and distributed to businesses as truck drivers are in short supply. Inflation is running strong but the Federal Reserve is only running away. Congress still doesn’t have a budget and the debt ceiling is about to be hit.

Owners are doing their best to meet the needs of customers, but are unable to hire workers or receive needed supplies and inventories. Plans to hire and increase inventories are strong, needed to meet current demand. However plans to make capital investments are depressed as the outlook for business conditions in the future are not very positive. Owners are clearly trying to hire, but are not being very successful in spite of paying higher wages. In the meantime, inflation is squeezing profits (the major source of operating capital for small firms) so firms are raising selling prices. Just what policies Washington will follow remains uncertain, and so does the future.”  
– Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/12/21
Private Indicators

National Federation of Independent Business (NFIB) September 2021 Report

Key findings include:

• The NFIB Uncertainty Index increased five points to 74.
• Owners expecting better business conditions over the next six months decreased five points to a net negative 33%.
• Fifty-one percent of owners reported job openings that could not be filled, a 48-year record high for the third consecutive month.
• A net 42% of owners reported raising compensation, a 48-year record high.

As reported in NFIB’s monthly jobs report, a record 51% of small business owners (seasonally adjusted) reported job openings they could not fill in the current period, up one point from August. A net 42% of owners (seasonally adjusted) reported raising compensation, up one point from August and a 48-year record high reading.

A net 30% of owners plan to raise compensation in the next three months, up four points from August’s record high reading. Twelve percent of owners cited labor costs as their top business problem and 28% said that labor quality was their top business problem – both record high readings.

Fifty-three percent of owners reported capital outlays in the next six months, down two points from August and historically a weak reading. Of those making expenditures, 37% reported spending on new equipment, 21% acquired vehicles, and 12% improved or expanded facilities. Six percent of owners acquired new buildings or land for expansion and 10% of owners spent money for new fixtures and furniture. Twenty-eight percent plan capital outlays in the next few months, down two points from August and one point below the 48-year average.” – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/12/21
“Seasonally adjusted, 3% of owners reported higher nominal sales in the past three months, up three points from August. The net percent of owners expecting higher real sales volumes improved by four points to a net 2%.

The net percent of owners reporting inventory increases rose five points to a net 3%, back into positive territory after two months of owners reporting more declines than gains. This is the highest reading since the pandemic started.

Over 35% of owners report supply chain disruptions have had a significant impact on their business. Another 32% report a moderate impact and 21% report a mild impact. Only 10% of owners report no impact from recent supply chain disruptions. A net 10% of owners viewed current inventory stocks as “too low” in September, down one point from August. A net 9% of owners plan inventory investment in the coming months, down two points from August but historically a very elevated reading.

The net percent of owners raising average selling prices decreased three points to a net 46% (seasonally adjusted). Unadjusted, 8% of owners reported lower average selling prices and 53% reported higher average prices. Price hikes were the most frequent in wholesale (75% higher, 0% lower), manufacturing (67% higher, 4% lower), and retail (71% higher, 2% lower). Seasonally adjusted, a net 46% of owners plan price hikes.” – Holly Wade, NFIB

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/12/21
The frequency of positive profit trends increased one point to a net negative 14%. Among the owners reporting lower profits, 26% blamed the rise in the cost of materials, 23% blamed weaker sales, 19% cited labor costs, 10% cited the usual season change, 6% cited lower prices, and 6% cited higher taxes or regulatory costs. For those owners reporting higher profits, 57% credited sales volumes, 19% cited usual seasonal change, and 5% cited higher prices.

Two percent of owners reported that all their borrowing needs were not satisfied. Twenty percent reported all credit needs were met and 62% said they were not interested in a loan. A net 4% of owners reported their last loan was harder to get than in previous attempts. Zero percent reported that financing was their top business problem. A net 0% of owners reported paying a higher rate on their most recent loan.

The NFIB Research Center has collected Small Business Economic Trends data with quarterly surveys since the 4th quarter of 1973 and monthly surveys since 1986. Survey respondents are drawn from NFIB’s membership. The report is released on the second Tuesday of each month. This survey was conducted in September 2021.” – Holly Wade, NFIB
# Private Indicators

## Small Business Optimism

<table>
<thead>
<tr>
<th>Index Component</th>
<th>Net %</th>
<th>Change From Sep.</th>
</tr>
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<tbody>
<tr>
<td>Plans to Increase Employment</td>
<td>26%</td>
<td>▼ -6</td>
</tr>
<tr>
<td>Plans to Make Capital Outlays</td>
<td>28%</td>
<td>▼ -2</td>
</tr>
<tr>
<td>Plans to Increase Inventories</td>
<td>9%</td>
<td>▼ -2</td>
</tr>
<tr>
<td>Expect Economy to Improve</td>
<td>-33%</td>
<td>▼ -5</td>
</tr>
<tr>
<td>Expect Real Sales Higher</td>
<td>2%</td>
<td>▲ 4</td>
</tr>
<tr>
<td>Current Inventory</td>
<td>10%</td>
<td>▼ -1</td>
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<tr>
<td>Current Job Openings</td>
<td>51%</td>
<td>▲ 1</td>
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<tr>
<td>Expected Credit Conditions</td>
<td>-4%</td>
<td>= 0</td>
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<tr>
<td>Now a Good Time to Expand</td>
<td>11%</td>
<td>= 0</td>
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<tr>
<td>Earnings Trends</td>
<td>-14%</td>
<td>▲ 1</td>
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</table>

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/12/21
Private Indicators

Source: http://www.nfib.com/surveys/small-business-economic-trends; 10/12/21
Thomas Manufacturing Index (TMX)

“The Thomas Manufacturing Index, or “TMX”, is an index that measures industrial activity in the United States and Canada. TMX leads the stock market when industrial activity is driven by long term investments or major shifts in the manufacturing sector.

Conversely, the index lags the market when there are sustained sharp upward or downward trends in stock prices. This is particularly the case when the market is in an investment regime where sourcing is highly impacted by the availability of capital. As a manufacturing sector fundamentals index, TMX sheds light on key dynamics that drive market performance.

Occasionally, some extraordinary events such as trade conflicts or the coronavirus outbreak result in major disruptions in the supply chain. In these particular cases, TMX was an early indicator as it temporarily diverged from the market.” – Thomas Publishing Company

Source: https://business.thomasnet.com/tmx; 10/1/21
Gains in Small Business Job Growth Continue in September

Employment picture continues to improve for small business, but rates of growth have slowed

“National job growth continued to tick upward in September, according to aggregated payroll data of approximately 350,000 clients provided by Paychex. The data released in the latest report of the Paychex | IHS Markit Small Business Employment Watch shows the Small Business Jobs Index reached 99.95. The pace of small business employment growth improved throughout the summer, though monthly gains slowed considerably in August (0.45 percent) and in September (0.15 percent). Hourly earnings growth increased to 3.68 percent for the month, its fourth consecutive increase.” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

“While the growth rate of the national jobs index has slowed over the past two months, the index is now close to 100, its highest level since mid-2017.” – James Diffley, Chief Regional Economist, IHS Markit

“With businesses continuing to recover from the impacts of the pandemic and the competitive employment landscape, we’re beginning to see wage pressures in certain industries. The leisure and hospitality sector, with its many job openings across the country, is seeing the highest hourly earnings growth across all industries in September.” – Martin Mucci, President and CEO, Paychex

Source: https://www.paychex.com/employment-watch; 10/5/21
Gains in Small Business Job Growth Continue in September

Employment picture continues to improve for small business, but rates of growth have slowed

“In further detail, the September report showed:

- At 99.95, the national index has increased 5.84 percent during the past 12 months as small businesses continue to recover from the coronavirus pandemic.
- At $29.68 in September, hourly earnings have improved by $1.05 from a year ago. This is the first time that year-over-year gains reached one dollar since reporting began ten years ago.
- Five metros, Los Angeles, Riverside, Denver, Atlanta, and Tampa recorded wage gains above four percent in September.
- Hourly earnings growth in Leisure and hospitality has increased to 8.14 percent, highest among industry sectors.
- Texas overtook Arizona for the lead among states in job growth, at 102.90.
- The construction sector now has the second weakest jobs index (98.57) and the lowest 12-month growth rate (0.84 percent).” – Lisa Fleming, Kate Smith, and Tess Flynn, Paychex, Inc.

Source: https://www.paychex.com/employment-watch; 10/5/21
Private Indicators

The Paychex | IHS Markit
Small Business Employment Watch

September Job Index

Index
99.95

12-Month Change
+5.84%

September Wage Data

Hourly Earnings
$29.68

12-Month Growth
+3.68% (+$1.05)

Source: Paychex | IHS Markit Small Business Employment Watch
Private Indicators

The Paychex | IHS Markit
Regional Jobs Index

Regional Performance

<table>
<thead>
<tr>
<th>Region</th>
<th>Index</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td>Midwest</td>
<td>99.01</td>
<td>4.48%</td>
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<tr>
<td>Northeast</td>
<td>99.38</td>
<td>5.74%</td>
</tr>
<tr>
<td>South</td>
<td>100.77</td>
<td>5.37%</td>
</tr>
<tr>
<td>West</td>
<td>100.53</td>
<td>7.48%</td>
</tr>
</tbody>
</table>

Source: Paychex | IHS Markit Small Business Employment Watch

Source: https://www.paychex.com/employment-watch; 10/5/21
Private Indicators

U.S. Bank

U.S. Bank Freight Payment Index
Q3 Shipper Rate Report – August 2021

First half 2021 Review and Second half 2021
U.S. Bank Freight Forecast

“While the Delta variant has cast a shadow upon it, the American economic recovery has sustained its positive momentum through the first half of the year. According to the Bureau of Economic Analysis, real GDP increased at an annual rate of 6.5% through Q2, adding to the 6.3% increase through Q1. The increase in GDP through the first half was reflective of increased consumer spending on activities that had come to an abrupt halt during the pandemic, along with continued government response.

The trucking market has remained incredibly strong, characterized by robust demand from all sectors of the economy. Imports remain at an all-time high, particularly along the West Coast. Consumer spending has received a shot in the arm with retail alone experiencing five years of growth over the last 12 months. Add to that, a continuously expansionary industrial recovery and historically low inventory-to-sales ratios, leading to consistent and enlarged replenishment strategies.

Truckload volumes remain elevated by 11% year-over-year, up against a tough comparison period in 2020. The consistently heightened demand experienced through the first half of the year precedes the typical peak season stretch, which should shift into top gear through Q3. Such elevated demand, coinciding with tight capacity, labor shortages, and rising used truck prices, should keep tender rejection rates hoisted above 20%. Carriers rejecting one out of every five loads will continue to drag up contractual rates, as shippers desperately attempt to seek routing guide compliance.” – Jared Kachmar, Research Analyst, U.S. Bank

“Supply remained the most significant constraint on the market the first half of 2021, consistently disrupted by labor, part, and driver shortages. While customary market patterns have remained in place over the past year, their timing has become much more of a challenge to predict. We believe that the existing carrier-centric, inflated rate, and tight market fundamentals will remain in place through at least the end of 2021.

Due to the existing market conditions, we anticipate that carrier contract rates will experience a mid-single digit rate inflation through the second half. Spot rates, according to Truckstop.com, currently reside at 33% above 2020 levels. The spot market will continue to poach capacity from shippers, as carriers decline contracted freight in favor of more lucrative loads. High spot rates heavily favor the carriers when it comes to contract rate negotiations, leading to inflated renewed rates.

While the economic recovery remains exposed to new and developing COVID variants, no indications allude to an imminent slowdown during the second half. Demand will likely remain strong on the heels of a rejuvenated consumer, placing a heavy strain on stricken capacity. Supply side disruptions may find some relief near the end of the year, but deeply rooted constraints and shortages will not iron out prior to 2022. While it can fluctuate at any moment, we believe the trucking industry is poised to endure a strong second half, on top of an already historic year. …” – Jared Kachmar, Research Analyst, U.S. Bank

## Private Indicators

### FIGURE 6: Freight Market Key Metrics Trailing Six Quarters

<table>
<thead>
<tr>
<th>Metric</th>
<th>Q1 2020</th>
<th>Q2 2020</th>
<th>Q3 2020</th>
<th>Q4 2021</th>
<th>Q1 2021</th>
<th>Q2 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tendered Load Volumes Index (OTVI.USA)</td>
<td>6.1%</td>
<td>3.2%</td>
<td>33.9%</td>
<td>5.0%</td>
<td>-3.0%</td>
<td>6.8%</td>
</tr>
<tr>
<td>Tender Rejection Rate (OTRI.USA)</td>
<td>20.0%</td>
<td>-12.4%</td>
<td>191.2%</td>
<td>21.1%</td>
<td>-6.5%</td>
<td>0.2%</td>
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<tr>
<td>Truckstop.com National Average Spot Rates</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(TSTOPVRPM.USA) Y/Y</td>
<td>-9.2%</td>
<td>-11.6%</td>
<td>44.3%</td>
<td>22.7%</td>
<td>-21.9%</td>
<td>7.5%</td>
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*Y/Y IS YEAR-OVER-YEAR **INCLUSIVE OF FUEL

<table>
<thead>
<tr>
<th>Metric</th>
<th>Q1 2020</th>
<th>Q2 2020</th>
<th>Q3 2020</th>
<th>Q4 2021</th>
<th>Q1 2021</th>
<th>Q2 2021</th>
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<tr>
<td>Tendered Load Volumes Index (OTVI.USA)</td>
<td>10,187.99</td>
<td>10,515.06</td>
<td>14,081.49</td>
<td>14,787.47</td>
<td>14,344.48</td>
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<td>Tender Rejection Rate (OTRI.USA)</td>
<td>8.53%</td>
<td>7.47%</td>
<td>21.75%</td>
<td>26.33%</td>
<td>24.62%</td>
<td>24.66%</td>
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<tr>
<td>Truckstop.com National Average Spot Rates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(TSTOPVRPM.USA) Y/Y</td>
<td>$2.07</td>
<td>$1.83</td>
<td>$2.64</td>
<td>$3.24</td>
<td>$2.53</td>
<td>$2.72</td>
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*ABSOLUTE VALUES **INCLUSIVE OF FUEL

Private Indicators

**Figure 7:** Outbound Tender Volume Index

*Outbound Tender Volume Index, (United States of America) 2021 (Blue), 2020 (Orange), 2019 (Green), 2018 (Purple)*

“The U.S. economic recovery has been a point of contention since the onset of the pandemic. As vaccination rates continue to increase, and more restrictions ease, the gradual momentum of the industrial economy will continue to gain steam.

**Seasonality Considerations**
While capacity is already stricken across modes, any influx of peak season demand will bring about increased tender rejections, beyond current levels of 21%. The inability to produce excess capacity will handcuff carriers into declining freight volumes. Ocean and intermodal congestion have caused waves throughout the supply chain, bringing about sweeping changes to peak season inventory orders. While volumes have remained heightened year-over-year, back to school, fall fashion and holiday demand will all add to an already compromised import sector. Peak season demand will likely come sooner and hit harder through the third quarter.

**We Anticipate Mid-single Digit Contract Rate Increases As A Result Of The Robust Spot Market**
Our assumption of mid-single digit contracted rate increases stems from the unabating nature of the spot market. Tight capacity and increased levels of peak season demand will continue to maintain upward pressure on spot rates through the end of 2021. Higher spot market rates will continue to entice carriers to move loads elsewhere from their contracts. The lack of compliance will force shippers’ hands into issuing contracted rate increases to maintain routing guide compliance in their network.” – Jared Kachmar, Research Analyst, U.S. Bank

Private Indicators

U.S. Bank

Trucking Forecast through the second half of 2021

We Anticipate Mid-single Digit Contract Rate Increases As A Result Of The Robust Spot Market

“Labor shortages, semiconductor shortages, driver shortages, and inflated used truck prices will continue to persist through the second half of 2021. Adding meaningful capacity will remain elusive, keeping tender rejections above the 20% threshold until at least 2022.

Shipper urgency to expedite holiday inventory and strategies for managing the tight market will determine the magnitude of the rate increases. Low inventory to sales ratios will persist as insatiable consumer demand restricts the safety stock of production part and finished goods inventory.

Carriers will continue to build upon operating ratio improvements as both the contract and spot market pay them dividends, supporting both insurance and driver pay hikes. The power will continue to be in the hands of the carriers, who will be able to negotiate significant increases into a vast portion of their client base, or, have the option of taking their services elsewhere.

Potential Implications That Could Reverse The Bull Freight Market

COVID continues to cast a shadow over the U.S. economic landscape. While restrictions are easing, the delta variant has kept us holding our breath. Outbreaks in Vietnam and China have halted key supply chain networks of major U.S. based companies. While the variant has yet to put a kink in the direct recovery of the U.S. industrial economy, it is still a constant and formidable threat.” – Jared Kachmar, Research Analyst, U.S. Bank

“During the pandemic, the US government took rather extraordinary steps to safeguard homeowners and renters. Among its many provisions, the March 2020 CARES Act expanded access to mortgage forbearance, allowing homeowners to defer payments without any credit score consequences. Further, beginning as early as March 2020, some states put eviction moratoriums in place with the CDC, following that with a national eviction moratorium in September 2020. Finally, an Emergency Rental Assistance Program was put into place in December 2020 and expanded in March 2021, with a total of US$46.55 billion appropriated for support.

However, some of this house sector support will expire soon. The enrollment window for the mortgage forbearance program is set to close at the end of this month. The national eviction moratorium was originally set to expire last December, but it was extended several times before the latest extension was vacated by the Supreme Court in August. However, some state and local moratoriums remain in place. The last major backstop, the funds allocated to the Emergency Rental Assistance Program, were allocated to the states, but they are only now beginning to disburse the funds.” – Patricia Buckley, Director, Deloitte Services LP

“Given the large number of tenants behind on their rent, there is little doubt that the end of eviction moratoriums will result in a spike in evictions in coming months. However, what is less appreciated is how rental evictions might cause mortgage delinquencies and foreclosures to also rise, compounding the rise in foreclosures from those who are not able to pick up their mortgage payments when forbearance ends. Without the backstop of the pandemic mortgage forbearance program, the resources of the Emergency Rental Assistance Program will become essential to providing stability to both renters and property owners.

Forbearance provided a financial lifeline to millions of homeowners, but there might be transitional issues

Between March 2020 and June 2021, 9.3 million mortgage holders took advantage of the opportunity to skip some mortgage payments under the forbearance, with the peak occurring early in the pandemic in May 2020, when close to 2.5 million mortgages entered forbearance. However, just under 2 million mortgages, or only 21% of the total, remained in forbearance at the end of June 2021. Mortgage forbearance made a measurable impact on mortgage delinquency rates as mortgages that are granted forbearance are not recorded as delinquent. The forbearance program has therefore been instrumental in keeping number of foreclosures at record lows since its inception.” – Patricia Buckley, Director, Deloitte Services LP

Trouble ahead for the housing sector?

“While the forbearance option has reduced delinquencies and foreclosures and preserved credit ratings, the shift in the composition of those in forbearance may cause problems going forward as the pool has become more heavily weighted toward subprime borrowers, i.e., those with a credit score less than 620. As of June, subprime borrowers made up 39% of those in forbearance, substantially higher than their 18% share of the overall share of mortgages and up from their share of the forbearance pool a year ago, when they were 26% of the pool total. As noted in a Federal Reserve Bank of New York study, “Looking forward, those borrowers remaining in forbearance are the borrowers that will be most likely to struggle when these policies are lifted. Federally backed mortgages are eligible for up to eighteen months of forbearance, depending on when the initial forbearances started. With this limit in effect, many of the borrowers remaining in forbearance will face the limits of this leniency in the coming 3 – 4 months, when they must either resume payment or will be pressured to sell their homes to avoid delinquencies and consequent foreclosures.”

Depending on how many of those still in forbearance status ultimately end up in foreclosure, the impact could be sizable. For example, if all the subprime mortgage holders currently in forbearance were to end up in foreclosure, that would be just under 780,000 foreclosures. Although certainly not anywhere near the levels of foreclosures seen during the global financial crisis, when the number topped 2.8 million in both 2009 and 2010, it could contribute to a sizeable rise over the 493,000 foreclosures that occurred in 2019.” – Patricia Buckley, Director, Deloitte Services LP

“Another possible concern related to the end of pandemic mortgage forbearance is very much tied to the end of the other housing-related support, the eviction moratorium. In 2018 (the most recent ownership data available), individuals owned almost 20 million of the 48 million rental units in the United States, approximately 40%. As shown in figure 1, individual investors are concentrated in smaller properties, owning almost three-quarters of properties with less than five units. The loss of even a single tenant’s rent payment would likely stress these individual owners. And although a lower proportion of these smaller properties have mortgages (figure 2), individuals who own rental properties may have been using mortgage forbearance to cover either the rental property mortgage to the extent allowed or may have used the forbearance on their own home mortgages if they were unable to cover that payment due to the loss of income from rents.” – Patricia Buckley, Director, Deloitte Services LP

“With the forbearance program winding down and no quick fix to the problem of tenants in arrears on their rent payments, some individual rental property investors could soon be facing delinquency and foreclosure. The pain will not be limited to individual investors; other ownership types not eligible to participate in the forbearance program are also being stressed by the increase in tenants behind on their rent, although they are more highly leveraged. Federal money was provided through the Emergency Rental Assistance Program (US$25 billion in December 2020 and US$21.55 billion in March 2021) to help cover the costs of overdue rent and utility payments. As of August 30, US$6.54 billion, or 14%, of the total amount appropriated had been paid out.” – Patricia Buckley, Director, Deloitte Services LP

No easy unwind to the end of eviction moratoriums

“As of mid-August, 6.3% of rental households (3.5 million) reported that they are very or somewhat likely to be evicted in the next two months. But whether or not renters are concerned about the possibility of eviction – some may still be hopeful that eviction moratoriums will be extended at the state, if not national, level – twice as many (at 14.6% or just over 8 million households) are not current with their payments. There are substantial differences in rental stress across the country where the proportion of renters behind on rental payments range from under 6% in North Dakota, Maine, Indiana, and Utah to more than 25% in Louisiana, North Carolina, and West Virginia (figure 3).” – Patricia Buckley, Director, Deloitte Services LP

“The issue of evictions is more than simply a property rights concern. As research from the Urban Institute points out, an eviction can impact all aspects of life, as families lose belongings and perhaps even jobs as they struggle to find new housing – a search made more difficult because of having been evicted. Trauma, particularly for children, is often an outcome. Given the high geographic concentration of tenants behind in their rents in certain states, it is likely that if a wave of evictions follow the end of the moratoriums, entire communities may suffer a series of adverse economic consequences. For instance, delinquencies and foreclosures may rise among the rental property owners who may be unable to find new tenants that can be relied upon to stay current on their rental payments. With such a large number of renters behind on payments and already worried about eviction, the impact on local housing markets, especially when combined with the likely increase in foreclosures due to the end of forbearance, could be substantial. And the impact would not be limited to housing if a substantial number of properties entered foreclosure — the loss of wealth would quickly translate into lower spending and employment and therefore lower rates of overall economic growth.” – Patricia Buckley, Director, Deloitte Services LP

“Business Applications for September 2021, adjusted for seasonal variation, were 431,381, an increase of 0.8 percent compared to August 2021.

The U.S. Census Bureau announced the following seasonally adjusted business application and formation statistics for August 2021. The Business Application Series describe the business applications for tax IDs as indicated by applications for an Employer Identification Number (EIN) through filings of the IRS Form SS-4. The Business Formation Series describe employer business formations as indicated by the first instance of payroll tax liabilities for the corresponding business applications.” – U.S. Census Bureau, Economic Indicators Division, Business Formation Statistics

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 10/14/21
Economics

U.S. Census Bureau

NEW Business Formation Statistics

September 2021

BUSINESS APPLICATIONS

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<tr>
<th></th>
<th>SEP 2021</th>
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<tr>
<td>U.S. Business Applications:</td>
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<tr>
<td>Total</td>
<td>431,381</td>
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</tr>
<tr>
<td>High-Propensity</td>
<td>145,628</td>
<td>-0.1%*</td>
</tr>
<tr>
<td>With Planned Wages</td>
<td>51,617</td>
<td>0.8%*</td>
</tr>
<tr>
<td>From Corporations</td>
<td>50,587</td>
<td>0.2%*</td>
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Next release: November 10, 2021
(“) Statistical significance is not applicable or not measurable.
Data adjusted for seasonality.

Source: U.S. Census Bureau, Business Formation Statistics, October 14, 2021

Monthly Business Applications
(Seasonally Adjusted)

Source: U.S. Census Bureau, Business Formation Statistics, October 14, 2021

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 10/14/21
Economics

NEW Business Formation Statistics

September 2021

Annual Business Applications by State and County

The area of each circle is proportional to the number of 2020 business applications.

Change from 2019-2020 (%)

Source: U.S. Census Bureau, Business Formation Statistics

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 10/14/21
NEW Business Formation Statistics

September 2021

Monthly Business Applications
(Seasonally Adjusted)

Source: https://www.census.gov/econ/bfs/pdf/bfs_current.pdf; 10/14/21
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