



BUSINESS SURVEYS

Hello everyone. This is Jamie Sumner, chief analyst here at Seifried & Brew. Welcome back to our weekly briefing. For this week's weekly briefing we want to look at some of the **business outlook surveys** that have come out, particularly the one that came out last week from the Philadelphia Fed.

When we look at these different business outlook surveys, basically what we want to do is look at what the Diffusion index is telling us as far as what happened month over month or quarter over quarter, depending on how often they are released. And the Philly Fed does a great job with their information here. They release it on a monthly basis and you can get to this report [Slide 2] by the following link: <https://philadelphiafed.org/>.

But overall when we look at the **Manufacturing Business Outlook Survey (MBOS)** [Slide 2], what we can see is that the Diffusion Index overall, with general business activity, increased month over month, moving from 22.0 back in April up to 38.8 in May. So, we had a pickup with inside of the general business activity. But when we look at the different indicators of businesses we can see that new orders came down slightly from 27.4 to 25.4. We can see that inventories came down from 17.8 to a 1.4. Now for me that is kind of worrisome because that's going to indicate that potentially within 2nd quarter GDP, we can continue to see a pull off with inside the inventory numbers. Then we see the number of employees went from a 19.9 to a 17.3. So down just a little bit, but the average work week went from a 18.9 to a 21.7. So that's indicating there's been an increase in the average employee work week. So that's a positive for the pocketbooks of the employees.

Overall that is what happened in the April to May changes, but when we look at the 6-month looking out (this is projecting out 6 months from now), we can see when we look at it overall the diffusion Index came down from a 45.4 to a 34.8 indicating a pull back with inside that number. And then we can look at the different iterations of the different indicators of different businesses down here and we can see that the overall work week anticipated went from a 15.6 down to a 0.3. So it's showing a slowing down of the overall work week as well as the capital expenditures, at that 36.5 down to a 32.6. So little changes, but overall we did see a decline in the expectation. When we look at it historically [on Slide 3], we can see where we are. This black line on top is a 6-month forecast. You can see how it came down here while the orange line here kind of picked up and that's the current. So overall currently we saw an uptick in that diffusion index while with the 6-month forecast we saw a little bit of a pull off.

So it will be interesting to see how this rolls through the next couple of months here and how that translates into GDP for the 2nd quarter 2017. There are a number of different business indexes you can look at. There is one put out by the **Chicago Fed**, which we will look at in just a minute, and then there is one put out by the **Texas Fed** as well which is pretty extensive.

When we look at the overall economy [Slide 4], we don't look at the **Index of Leading Economic Indicators**. And you can see anything above this 2% line here indicates kind of a growing economy, a fairly strong economy and that's where we have been in here for a little bit. We have leveled out with the most recent release coming down here at a 3.2, but we have pulled off slightly from the prior release.

Looking at the **Chicago Fed** [Slide 5], overall business activity is up. We look up 13; anything above a 0 would be a positive outlook on the economy. Looking at the two components here [Slide 6]; **manufacturing**, a big number, up 50 (you can see how it really shot up for this month). We look at **non-manufacturing** though and we are down to a -8, so very pessimistic on the non-manufacturing.



And when we look at non-manufacturing those are basically those **retail sales** and items such as that. [Slide 7] So we look at retail sales month over month and we can see where we are right now, at 0.3% increase and you can see how that has come down from where we were back in January when we were above 1% with those revised numbers and now we are down to that 0.3. So kind of lackadaisical with inside of those retail sales numbers, questioning whether or not we are going to get the stronger GDP for the 2nd quarter coming in here in the next couple of months.

So that's what we have for you this week. Just want to give a little business outlook overview. So, when we are looking at this, fairly positive in here on the business side, capital expenditures continue to be promising. Hopefully that is going to translate into your **loan portfolio**, however we do have that drag on the retail sector which is what we are hoping is going to turn around in here.

Have a great week everyone, we will see you back next week.

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