MORNING BRIEFING
September 28, 2022

Recessions Here & There

Check out the accompanying chart collection.

Executive Summary: The Fed is hawkish, investors are bearish, and now industry analysts are cutting their earnings estimates after FedEx's recent warning about macroeconomic trends. ... The latest economic indicators still suggest a growth recession is underway in the US. … Over in Europe, economic prospects are dimming as the daylight hours shorten, with no gas likely from Russia this winter. Dour business sentiment in Germany suggests a broad-based recession there. … With debt limits for EU member countries suspended for another year, we expect governments to make plenty of investments, especially in digital and energy areas.

Strategy: Powell's One-Two Punch. Fed Chair Jerome Powell's surprisingly hawkish *press conference* on Wednesday, September 21 obviously caused investors to turn more bearish. The S&P 500 fell 5.2% from September 20 through September 26 (*Fig. 1*). Over this same period, the 10-year US Treasury bond yield jumped 31bps to 3.88% (*Fig. 2*).

We will soon see whether the industry analysts who cover the S&P 500 companies might also have been paying attention to Powell's warning that the economy could experience some "pain" while the Fed is fighting inflation. Analysts usually don't pay much attention to macroeconomic developments unless they clearly increase the odds of an imminent recession.

But the analysts certainly responded to FedEx's recent warning. The package delivery giant delivered a terrible preannouncement about its fiscal Q1 (ended August) on Thursday evening, September 15. FedEx said that it expects Q1 earnings, excluding some items, to be $3.44 per share, or roughly 33% below the analysts' consensus estimate of $5.10. In addition, FedEx withdrew its earnings forecast for 2023, saying that macroeconomic trends have "significantly worsened," both internationally and in the US, and are likely to deteriorate further, fueling fears of a broad-based earnings decline.

In this light, consider the following:

(1) *Annual earnings forecasts.* During the week of September 22, the analysts lowered their S&P 500 operating earnings estimates for Q3- and Q4-2022 and each of next year's quarters (*Fig. 3* and *Fig. 4*). Their consensus estimates now are $223.83 per share this year

and $242.22 per share next year (*Fig. 5*).

(2) *Forward earnings.* The forward earnings of the S&P 500 fell to $237.27 per share during the September 22 week, down 1.1% from its record high during the June 23 week. It remains consistent with our mostly sideways earnings forecast, which is consistent with our growth recession economic forecast. Forward earnings would be much lower in a hard-landing scenario.

(3) *Forward P/E.* The forward P/E of the S&P 500 also took it on the chin. It was 16.2 on September 20 and fell to 15.4 on September 26 (*Fig. 6*).

US Economy: In A Growth Recession. The latest batch of US economic indicators is consistent with our growth recession forecast. Consider the following:

(1) *GDP.* After the release of August's new home sales and durable goods orders, the Atlanta Fed's *GDPNow* tracking model showed a Q3 increase of only 0.3% (saar) yesterday, unchanged from the September 20 estimate. The weakest component is residential investment (down 25.5%).

(2) *New home sales.* New home sales jumped 28.8% m/m during August, but the supply of new homes for sale rose to 461,000 units, the highest since March 2008 (*Fig. 7*). The rebound in sales is likely an aberration caused by a dip in mortgage rates earlier in the summer. Since then, they've continued to soar closer to 7.00%, more than double the year-ago rate.

(3) *Orders for non-defense capital goods excluding aircraft.* This closely watched proxy for business spending plans surged 1.3% last month. That was the biggest gain since January. Data for July were revised higher to show these so-called core capital goods orders gaining 0.7% instead of 0.3% as previously reported. The data are not adjusted for inflation, so the jump in spending may reflect higher prices.

(4) *Regional business surveys.* The business surveys conducted by five Federal Reserve Banks showed some upticks during September, but the average composite index (-5.5) and average new orders index (-8.5) both remained in negative territory (*Fig. 8*). The average employment index remained high at 9.3, but it has been declining since the start of this year.

The regional averages of the prices-received (35.0) and prices-paid (50.2) indexes remained elevated in September, but they also have been declining sharply since the start of the year (*Fig. 9*).

The regional average of unfilled orders or delivery times fell to -13.0, the lowest reading since May 2020 (*Fig. 10*). That's down from a record high of 28.2 during May 2021. We think this strongly confirms that supply-chain disruptions have mostly abated.

(5) *Consumer confidence.* Consumer confidence rebounded slightly during the two months through September from July's depressed reading, which was the lowest since February 2021 (*Fig. 11*). The labor market remains tight, with 49.4% of respondents agreeing that "jobs are plentiful" in September (*Fig. 12*). It's hard to envision a hard landing for the economy anytime soon given this and other strong readings on the labor market.

Europe I: Heading Toward Recession. Germany is Europe's largest economy. The German economy is facing recession, and almost all major sectors (i.e., manufacturing, services, trade, and construction) are in the red, the Ifo surveys head Klaus Wohlrabe told Reuters on Monday. The reading of the Ifo Institute's business climate indicator for September slipped to 84.3, down from an upwardly revised mark of 88.6 in August (*Fig. 13*). It is the lowest reading since May 2020, when the index touched 80.2. Ifo added that companies' pessimism for the coming months has increased "significantly."

European businesses and households will have to survive this winter without any significant Russian gas flows. The Nord Stream gas pipeline system that delivers Russian gas to Europe has been out of action for several weeks. But any hope that the Kremlin might have turned the taps back on at some point were dashed yesterday when the system was damaged by a suspected act of sabotage.

Europe II: The Sound Of Fiscal Spending. EU member countries' fiscal policies are guided by a set of rules called "The Stability and Growth Pact." They stipulate that member states must keep their government deficits below 3% of GDP and public debt levels below 60% of GDP. However, the rules have been suspended since May 2020, with an escape clause triggered first by the exceptional circumstances of the pandemic, then by Russia's invasion of Ukraine. In May, the European Commission postponed their reinstatement for yet another year to allow member governments the fiscal latitude to invest in the green and digital transitions.

"We collectively face a mountain of investments," EU Economy Commissioner Paolo Gentilioni explained, according to a May 23 *article* in Euractiv.

EU governments soon will be crafting their 2024 budgets and need a guidebook to follow. Next month, detailed reform proposals for the EU's fiscal rulebook are expected. Melissa and I expect the outcome to promote much more public and private investment, particularly given the region's push to transform its energy and digital landscapes. Here's more:

(1) *The hills are alive with debt.* So far, the EU has followed the Stability and Growth Pact's fiscal reform rules. Yet the policy pact has not resulted in policy instruments orchestrating much growth or stability, as an *FT* article recently pointed out. Public and private investment in the EU has fallen over the past decade.

Stability has come to mean limiting public borrowing. Previous macroeconomic government rules called for deficits and public debt levels below 3% and 60% of GDP, respectively. But these rules haven't been very effective in promoting macroprudential stability, as exemplified by the recent public debt crises in Spain and Ireland. Member states are fragmented in terms of their indebtedness—some are highly indebted, while others, the more fiscally conservative, are less so. Such fragmentation has the potential to destabilize the entire region's financial system.

(2) *These are a few of Europe's new favorite investments.* Russian President Vladimir Putin's moves to deprive Europe of gas are driving initiatives to increase energy security in Europe. Europe's governments are actively pursuing heavy centralized investments in public goods to support energy, defense, and basic utilities.

(3) *So long, farewell, austerity.* Even Germany, typically the most austere in the region, recently has stressed the need for public investments. Commentary from the German government on the EU's work-in-progress reforms stated: "Higher levels of public investment would have a long-term impact on growth and would facilitate the transformation towards climate neutral economies."

German leaders are arguing for the expansion of the investment clause outside of economic crisis times. Similarly, a unique position statement between the Dutch and Spanish called for a roadmap to revise the EU's fiscal framework to focus more on "high-quality" investments.

(4) *Climbing every mountain.* The French and Italian governments also have called for more fiscal wiggle room for member states. Others have pushed back, calling for more prudence in fiscal matters, including Austria, Sweden, and Latvia, wrote the *FT*. But to us it seems that the call for public investment in Europe is getting louder.

(5) *How do you solve a problem like Lagarde?* That's even while the head of the European Central Bank (ECB) has demanded for inflation's sake that any fiscal stimulus be targeted and limited in scope so as not to counteract the impacts of the bank's tightening moves. ECB President Christine Lagarde may want to head for the hills after the details for the new EU fiscal rule book comes out.

Calendars

US: Wed: Pending Home Sales -1.0%; MBA Mortgage Applications; Retail & Wholesale Inventories; Advance Goods Trade Balance; Crude Oil Inventories & Gasoline Production; Powell; Bullard; Bowman. **Thurs:** Jobless & Continuous Claims 215k/1.388m; Real GDP -0.6%; GDP Price Index & Core PCED 8.9%/4.4%; Corporate Profits; Natural Gas Storage; Bullard; Mester. (Bloomberg estimates)

Global: Wed: Germany Gfk Consumer Climate -39; France Consumer Confidence 80; Italy Consumer & Business Confidence 95.8/102.1; Japan Leading & Coincident Indicators; Lagarde; Elderson; Wuermeling; Cunliffe. **Thurs:** Eurozone Business & Consumer Confidence 95.0; Germany CPI 1.3%m/m/9.4%y/y; Spain CPI 10.1%; Canada GDP -0.1%; Japan Unemployment Rate 2.5%; Japan Jobs/Applications Ratio 1.30; Japan Industrial Production; Japan Retail Sales 2.8%; China Caixin & S&P Global M-PMIs 50.2/49.2; Panetta; De Guindos; McCaul; Elderson; Ramsden. (Bloomberg estimates)

Strategy Indicators

MSCI World & Region Net Earnings Revisions (*link*): Analysts' recent earnings revisions through September suggest improving optimism about profits in EM Eastern Europe but increasing pessimism about profits in the rest of the world. The US MSCI's NERI was negative in September for a third month following 23 straight positive readings, falling to a 26-month low of -9.8% from -8.8% in August. That compares to post-pandemic high of 21.1% in July 2021 and an 11-year low of -36.9% in May 2020. The AC World ex-US MSCI's NERI was negative for a seventh month following 17 straight positive readings as it dropped to -3.0% from -2.3% in August, but is above its 22-month low of -3.8% in May. NERI was negative again in September for EM Asia and Emerging Markets, and both weakened to three-month lows. EM Latin America also weakened m/m, but was positive for a seventh month. EM Eastern Europe turned slightly positive in September following negative readings during four of the prior five months. Here are September's scores among the regional MSCIs: EMU (3.6% in September, down from 3.9% in August), Europe (1.2, 1.8), EM Latin America (1.1, 2.7), Europe ex-UK (1.1, 1.9), EM Eastern Europe (0.4, -1.8 [24-month low]), EAFE (0.2, 0.7), AC World ex-US (-3.1, -2.3), AC World (-4.7 [26-month low], -4.0), Emerging Markets (-4.9, -4.0), EM Asia (-5.5, -4.5), and the US (-9.5 [26-month low], -8.8).

MSCI Countries Net Earnings Revisions (*link*): NERI was positive for 19/41 MSCI countries in September. That's the lowest count since October 2020 and down from 20/41 in September. It had peaked at 35/41 during May 2020, which nearly matched the record-high 36/41 from June 2004. That also compares to zero countries with positive NERI from April to June 2020. NERI improved m/m in September for 15/41 countries, the lowest count since November 2021 and down from 18/41 countries in August. These countries had relatively high NERIs in September: Portugal (record high), Israel (48-month high), and Singapore (14-month high). Norway has had positive NERI for 26 straight months, followed by the UK (25), Italy (23), Turkey (23), Austria (22), France (21), and Chile (20). New Zealand has the worst negative-NERI streak, at 24 months, followed by Hong Kong (16), China (13), Belgium (12), and Brazil (11). NERI flipped back into positive territory in September for the Philippines and Poland. It turned negative m/m for three countries: Hungary, the Netherlands, and Thailand. The highest NERI readings in September: Turkey (19.2%), Portugal (17.1 [record-high]), Austria (10.5), Norway (10.3), and Italy (10.0). The weakest NERIs occurred this month in Switzerland (-16.8 [27-month low]), Peru (-14.8 [26-month low]), Hong Kong (-13.3), Taiwan (-10.4), and Australia (-9.7 [26-month low]).

AC World ex-US MSCI (*link*): This index is down 4.7% in local-currency terms so far in Q3 to a 17.4% decline ytd. In US dollar terms, the index is down a greater 10.3% so far in Q3, and has declined a substantially greater 28.0% for 2022 to date. Local-currency forward revenues has risen 16.5% since it bottomed in January 2021, and rose 0.1% m/m to 0.1% below its record high in early September. Local-currency forward earnings fell 0.1% m/m to 0.4% below its record high in early September, but has soared 57.7% since it bottomed in July 2020. Revenues are expected to rise 12.3% in 2022 and 3.3% in 2023 following a 16.7% gain in 2021, and earnings are expected to increase 14.8% (2022) and 3.3% (2023) after soaring 57.2% (2021). The industry analysts' sales forecasts imply short-term 12-month forward revenue growth (STRG) of 5.7% and short-term 12-month forward earnings growth (STEG) of 6.1%, compared to 4.1% and 10.0% before Covid-19 hit the news. These measures bottomed at -0.1% and -0.3%, respectively, during May 2020. The profit margin implied by analysts' earnings and revenue estimates calls for 9.3% in 2022 and 9.3% in

2023, compared to 9.1% in 2021. The forward profit margin forecast of 9.2% is down 0.1ppt from its record high of 9.3% during March, but remains well above its 10-year low of 6.6% at the end of May 2020. The Net Earnings Revision Index (NERI) for the AC World ex-US MSCI was negative in September for a seventh straight month following 17 positive readings, and weakened to a three-month low of -3.0% from -2.3% in August. It remains near its 22-month low of -3.8% in May, which compares to a 12-year high of 6.4% in July 2021 and an 11-year low of -23.9% in May 2020. The forward P/E of 11.7 is up from its 28-month low of 11.4 in early July. That compares to an 18-year high of 17.1 in February 2021 and its March 2020 low of 10.8. The index is at 20% discount to the World MSCI P/E, up from its record-low 22% discount during the first half of 2022.

Emerging Markets MSCI (*link*): The EM MSCI price index is down 11.2% in US dollar terms so far this in Q3 to a 27.9% decline ytd. In local-currency terms, EM is down a lesser 7.7% quarter-to-date to a smaller ytd loss of 21.4%. Local-currency forward revenues has risen 11.2% since its bottom in January 2021, but fell 0.7% m/m to 4.5% below its record high in May 2019. Local-currency forward earnings is up 31.3% since its bottom in June 2020, but dropped 1.4% m/m and is now 8.2% below its record high in early March. Revenues are expected to rise 12.2% in 2022 and 5.5% in 2023 after jumping 21.1% in 2021. That's expected to lead to an earnings gain of 10.2% in 2022 and 5.4% in 2023, following a 52.3% recovery gain in 2021. Forecasted STRG of 7.1% is down from April 2021's 11-year high of 12.6%, which compares to a five-year low of 3.6% at the end of April 2020. STEG has dropped to 6.3% from a record high of 33.7% in December 2020, but that's up from a 12-year low of 5.3% in December 2021. The implied profit margin is expected to drop to 7.5% in 2022 from 7.6% in 2021 and fall another 0.1ppt in 2023 to 7.3%. The forward profit margin of 7.4% is up from a four-year low of 6.1% at the end of May 2020 and compares to its 10.3% record high in December 2007. NERI was negative in September for an 11th straight month, and weakened to -4.9% from -4.0% in August. It's up from a 23-month low of -7.3% in June, which compares to an 11-year high of 6.0% in February 2021 and an 11-year low of -18.7% in May 2020. Emerging Markets' forward P/E of 11.2 is up from a 28-month low of 10.7 in mid-July, which compares to a record high of 16.3 in February 2021 and its March 2020 low of 10.1. The index is trading at a 24% discount to the World MSCI P/E. That's up from a 33% at the start of the year, which was its biggest discount since 2005.

EMU MSCI (*link*): The EMU MSCI price index has dropped 5.7% in local-currency terms so far in Q3, and has fallen 23.5% ytd. In US dollar terms, EMU is down a greater 11.4% so far in Q3 to a bigger ytd drop of 35.0%. Local-currency forward revenues gained 0.9% m/m for its second straight monthly high for the first time since September 2008, and has risen

22.1% since its bottom in January 2021. Local-currency forward earnings gained 0.6% m/m and is up 76.7% since its bottom in July 2020, but is down 0.1% from its record high in early September, its first record high since January 2008. Revenues are expected to rise 12.2% in 2022, but slow sharply to just 1.4% in 2023 after gaining 15.8% in 2021. That's expected to lead to an earnings gain of 16.6% in 2022 and 3.7% in 2023, following a recovery gain of 76.1% in 2021. Forecasted STRG of 3.9% is down from a record-high 8.3% during April 2020, but that's up from an 11-year low of -0.9% during April 2020. STEG has dropped to 6.8% from a record high of 47.4% in December 2020, but that's up from a record low of -6.7% in April 2020. The implied profit margin is expected to rise from 8.4% in 2021 to 8.7% in 2022 and 8.9% in 2023. The forward profit margin has dropped to 8.8% from a 13-year high of 8.9% in July, which compares to a 12-year low of 6.0% at the end of July 2020 and its 9.1% record high in October 2007. NERI was positive in September for a 21st month after 27 straight negative readings and leads all regions, but dropped to 3.6% from 3.9% in August. That compares to a record low of -35.9% in May 2020 and is down from a record high of 15.2% in September. EMU's forward P/E of 11.2 is up from a 28-month low of 10.8 in early July, which compares to a record high of 18.3 in July 2020 and a low of 10.2 in March 2020. The index is trading at a 24% discount to the World MSCI P/E, which is at an 11-year low and among its worst readings since 2001.

China MSCI (*link*): The China MSCI price index is the worst performer of the 49 MSCI countries so far in Q3, with a decline of 19.8% in local currency terms. Its 28.7% ytd decline ranks ninth worst of the 49 countries. Local-currency forward revenues has risen only 2.7% since its five-year low in June 2021, and was down 2.8% m/m to 35.7% below its record high in October 2014. Local-currency forward earnings fell 2.4% m/m to a five-year low and is now 19.2% below its record high in June 2018. Revenues are expected to rise 10.9% in 2022 and 7.2% in 2023 after surging 19.3% in 2021. That's expected to lead to earnings gains of 9.6% in 2022 and 15.5% in 2023, following a 9.2% increase in 2021. Forecasted STRG of 8.0% is down from an 11-year high of 13.5% in April 2020, but that's up from a five-year low of 5.0% at the end of April 2020. STEG has dropped to 14.1% from a 10-year high of 18.6% during December 2020, which compares to a four-year low of 8.0% in April 2020. The implied profit margin ranks as one of the lowest in the world; it's expected to remain unchanged y/y at 4.3% in 2022 and to rise to 4.6% in 2023. The forward profit margin of 4.5% is down from a record high of 5.2% in July 2021, and now matches its pandemic low of 4.5% in May 2020. NERI was negative for a 13th straight month in September and dropped to -6.3% from a five-month high of -4.0% in August. That compares to a 23-month low of -11.7% in May and ranks as 10th worst among the 41 MSCI countries that we follow. China's forward P/E of 10.6 is up from an eight-year low of 8.7 in mid-March. That compares to 12.1 at the start of the year and its March 2020 pandemic-low of 10.5.

The index is trading at a 27% discount to the World MSCI P/E, up from a 22-year low discount of 46% in mid-March.

US Economic Indicators

Consumer Confidence (*link*): "Consumer confidence improved in September for the second consecutive month supported in particular by jobs, wages, and declining gas prices," noted Lynn Franco, senior director of economic indicators at The Conference Board. Consumer confidence climbed 12.7 points over the two months through September, to 108.0, after a three-month drop of 13.3 points to a 17-month low of 95.3 in July. Both measures moved higher over the two-month period, with the expectations component climbing 14.7 points over the period to 80.3, and the present situation component rising 9.9 points to 149.6. The former bounced off July's level of 65.6, which was the lowest since January 2013, while the latter remained in a volatile flat trend around recent highs. Confidence improved as concerns about inflation in September were at the lowest levels since the start of the year, reflecting the drop in gas prices. Franco notes, "Looking ahead, the improvement in confidence may bode well for consumer spending in the final months of 2022, but inflation and interest-rate hikes remain strong headwinds to growth in the short-term." Current business conditions: The percentage of consumers saying business conditions were good increased from 19.0% in August to 20.8% in September, while the percentage saying conditions were bad dropped from 22.6% to 21.2%. As for the current labor market, 49.4% of consumers said jobs were plentiful this month, up from 47.6% last month, while 11.4% said jobs were hard to get, a downtick from August's 11.6%. Short-term business conditions (six-month outlook): The percentage of consumers expecting business conditions to improve rose from 17.3% in August to 19.3% this month, while 21.0% expect them to worsen, a slight decline from last month's 21.7%. Short-term labor market: The percentage of consumers expecting more jobs to be available six months from now improved from 17.1% to 17.5%, while the percentage anticipating fewer jobs was down from 19.6% to 17.7%. As for their short-term financial prospects, the outlook was mixed, with 18.4% of consumers expecting their incomes to increase, up from 16.6% in August and 14.4% expecting their incomes to decrease, up from 13.9%.

New Home Sales (*link*): New home sales (counted at the signing of a contract) in August unexpectedly rebounded 28.8% to 685,000 units (saar) after plunging 16.4% during the two months through July to 532,000 units—its lowest level since March 2016. September's jump put sales flat with a year ago. Of the 685,000 *homes sold* in August, only 201,000 units were completed, while 191,000 units were not yet started and 293,000 units were under construction. Meanwhile, there were 461,000 *units for sale* at the end of August (the most since March 2008), with only 49,000 units completed and 106,000 units not started; 306,000 units were under construction. At the current sales pace, it would take 8.1 months to run through the supply of new homes, down from 10.9 in July, which was the highest since March 2009. The *median price* for the price of a new home dropped 6.3% (to $436,800 from $466,000) in August, with the yearly rate slowing to 8.0% from 21.2% in March. NAHB's September report on builders confidence reported that 24% of home builders reported reducing their price in September, up from 19% in August, while more than half of the builders reported using incentives to bolster sales, including mortgage rate buydowns, free amenities, and price reductions.

Durable Goods Orders & Shipments (*link*): Durable goods orders in August fell for the second month, though fractionally, holding just below June's cyclical high. Meanwhile, core capital goods orders and shipments continued to set new record highs, as companies have been attempting to boost productivity to compete with high inflation and a tight labor market. *Nondefense capital goods shipments excluding aircraft* (used in calculating GDP) has climbed every month but one since its April 2020 bottom, rising 0.3% in August and 35.0% over the period. Meanwhile, *core capital goods orders* (a proxy for future business investment) has advanced during all but four months since April 2020, up 1.3% and 36.2% over the comparable periods. *Total durable goods orders* edged down for the second month, by a total of 0.3%, after a four-month gain of 4.2% to a new cyclical high. Several components of durable goods orders reached new record highs last month: machinery, electrical equipment, appliance & components, and motor vehicles & parts, while orders for fabricated metals and all other durable goods were only fractionally below their record highs. *Looking ahead*, recent monthly surveys from five Federal Reserve districts—New York, Philadelphia, Dallas, Kansas City, and Richmond—showed orders continued to contract this month, though at a slower pace than last month, climbing to -8.5 from -15.0.

Regional M-PMIs (*link*): Five Fed districts (New York, Philadelphia, Kansas City, Dallas, and Richmond) have reported on manufacturing activity for September and show the manufacturing sector remained in contractionary territory, though the decline narrowed a bit, with the measure climbing to –5.5 from -8.6 in August. *Manufacturing activity* in the Richmond region (to 0.00 from -8.0) returned to the breakeven point of zero last month after falling below in August, while growth in the New York (to -1.5 from -31.1) area snapped back near expansionary territory in September after falling deep into contractionary territory in August. Meanwhile, manufacturing activity in the Philadelphia (-9.9 from 6.2) area fell back into negative territory after a brief move above zero in August, and Dallas' (-17.2 from

-12.9) fell further below the breakeven point of 50. Meanwhile, growth in Kansas City's (to 1.0 from 3.0) manufacturing sector is fast approaching negative territory, falling steadily from March's 37.0. *New orders* (-8.5 from –15.0) contracted for the fourth month in September, though moved off recent lows, contracting at roughly half August's pace. Billings in New York (3.7 from -29.6) factories returned to growth, though barely, while orders in the Richmond (-11.0 from -20.0) area contracted at roughly half August's pace and those in Kansas City (-11.0 from -16.0) contracted at a slightly slower pace than last month. Meanwhile, Philadelphia (-17.6 from -5.1) orders growth fell at a considerably faster pace than last month, while the decline in Dallas (-6.4 from -4.4) billings was little changed from last month's rate. *Employment* (9.3 from 13.6) continued to climb this month, but the pace slowed for the seventh successive month (from 24.4 in February), as factories in the Philadelphia (12.0 from 24.1) region hired at half August's pace, while the hiring rate in both the Dallas (15.0 from 15.6) and New York (9.7 from 7.4) regions held relatively steady and Kansas City's measure was unchanged at 10.0. Meanwhile, the Richmond (0.0 from 11.0) area saw no growth in employment after adding jobs steadily since August 2020.

Regional Prices Paid & Received Measures (*link*): We now have prices-paid and -received data for September from the New York, Philadelphia, Richmond, Dallas, and Kansas City regions, and all are showing a noticeable easing of inflationary pressures. (Note: The New York, Philadelphia, Dallas, and Kansas City measures are diffusion indexes, while Richmond's measures are average annualized inflation rates—which we multiply by 10 for easier comparison to the other regional measures.) The *prices-paid measure* eased again in September to 50.2 from 64.2 in July, after holding in a volatile flat trend between 80.1 and 87.5 since mid-2021. The prices-paid index in the New York region eased further from April's record-high 86.4, slowing to a 21-month low of 39.6 this month, while Richmond's slowed steadily to 103.4 this month from May's record-high 105.1; Philadelphia's measure slowed from a cyclical high of 84.6 in April (which wasn't far from its record high of 91.1 in the 1970s) to 29.8 in September, the lowest since December 2020. Meanwhile, Kansas City's measure edged up to 41.0 this month from August's 21-month low of 38.0 (it was at a record high of 88.0 last May), while Dallas' (37.1 from 34.4) also saw a slight uptick, though is considerably below last November's record high of 83.3. Turning to the *prices-received measure*, it eased to an 18-month low of 35.0 in September from a recent peak of 60.6 in March. Regionally, New York's prices-received measure slowed to a 19-month low of 23.6, down from its record high of 56.1 in March, while the Dallas measure eased for the sixth successive month from 47.8 in March to 18.1 this month; it was at a record high of 50.9 last October. The Richmond area saw its measure ease for the third month to 76.6 this month from its record high of 103.1 in June. Meanwhile, Philadelphia's measure picked up a bit to 29.6 this month after slowing to an 18-month low of 23.3 last month from November’s 62.9 peak, while Kansas City’s also rose, climbing to 27.0 after sliding to a 19-month low of 25.0 last month; it was at a record high of 57.0 in April.

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