MORNING BRIEFING
June 26, 2023

Baby Boomers Retiring On $75 Trillion In Net Worth

Check out the accompanying chart collection.

Executive Summary: There's a $75 trillion-wide hole in the theory that consumers' running out of pandemic savings will sink the economy; that's the size of Baby Boomers' collective nest egg. What these seniors don't pass on to their heirs, they'll be spending in their Golden Years. … More Boomers than not have retirement savings, reveals data on retirement account ownership by generation cohort, and many face mandatory distributions soon. … Also: The CEI and LEI are conflicted on the question of whether a recession is around the bend or not. We believe not, and investors are coming around to that view too.

YRI Weekly Webcast. Dr. Ed is on vacation and will see you next week for his webcast. Replays of past weekly webcasts are available *here*.

US Consumers I: Retiring Baby Boomers. When the Fed started to raise interest rates aggressively last year, there was lots of speculation that it would cause a recession. Housing certainly fell into a recession as housing starts plunged 25.7% from a peak of 1.80 million units (saar) during April 2022 to a trough of 1.34 million units during January and April 2023 (*Fig. 1*). Consumer spending adjusted for inflation has been on a modest uptrend from October 2021 through May of this year, led by services spending (*Fig. 2*). However, real consumer spending on goods was flat over this same period.

Late last year, the consensus view was that the recession could start during H1-2023. Now the common explanation for the no-show recession despite the 500bps hike in the federal funds rate is that consumers were still spending their excess savings from the pandemic (*Fig. 3*). But once this cash is spent over the rest of this year, the thinking goes, a consumer-led recession is likely in 2024.

Debbie and I disagree.

Consumers may run out of their excess pandemic savings by the end of this year, but they have lots of other sources of purchasing power. These include not only fast-rising wages and salaries but also a record $7.6 trillion in unearned income including interest income ($1.8 trillion), dividend income ($1.7 trillion), proprietors' income ($1.9 trillion), rental income

($0.9 trillion), and Social Security ($1.3 trillion) (*Fig. 4*).

Melissa and I recently observed that consumers' excess saving of roughly $0.5 trillion currently is dwarfed by the net worth held by the Baby Boom generation that is retiring. The Baby Boomers are currently 59-77 years old. The number of seniors (65 years old and older) rose to a record 58.0 million in May (*Fig. 5*). Of this total, a record 46.9 million are not in the labor force, leaving 11.1 million still in the labor force. The Baby Boomers will all be seniors by 2029.

The Baby Boomers had $74.8 trillion in net worth at the end of Q1-2023 (*Fig. 6*). They have just started to spend it. Their progeny undoubtedly expects to inherit some of that wealth and therefore can save less. In any event, the net worths of the GenX and Millennials generations are much smaller, at $39.9 trillion and $7.9 trillion currently. Adding the net worth of the Silent Generation ($18.0 trillion), the total is $140.6 trillion in net worth for all US households.

Let's have a look at the distribution of assets among the Baby Boomers compared with other generations:

(1) *Corporate equities & mutual funds* is the largest asset class held by the Baby Boomers, at $20.1 trillion (*Fig. 7*). None of the other generations' holdings of stocks and mutual funds come close: Silent Generation ($5.5 trillion), GenX ($9.4 trillion), and Millennials ($0.8 trillion).

(2) *Real estate* is the second largest asset class held by Baby Boomers, at $18.0 trillion (*Fig. 8*). All the other generations' real estate holdings are lower: Silent Generation ($4.7 trillion), GenX ($13.4 trillion), and Millennials ($5.0 trillion).

(3) *Pension entitlements* held by the Baby Boomers total $15.3 trillion, dwarfing the other generations' pension entitlements: Silent Generation ($1.9 trillion), GenX ($8.8 trillion), and Millennials ($2.3 trillion) (*Fig. 9*).

(4) *Equity in noncorporate businesses* held by the Baby Boomers equates to $7.9 trillion (*Fig. 10*). GenX isn't far behind in this measure at $6.0 trillion, followed by only $1.5 for the Millennials and $1.7 trillion for the Silent Generation.

(5) *Life insurance reserves* are the current cash value of life insurance policies. (*Fig. 11*). So their value to beneficiaries is much larger. At the end of Q1-2023, here are life insurance

reserves: Silent Generation ($0.2 trillion), Baby Boomers ($1.0 trillion), GenX ($0.7 trillion), and Millennials ($0.1 trillion).

(6) *Deposits and money market funds* by generations are distributed as follows: Silent Generation ($2.6 trillion), Baby Boomers ($8.9 trillion), GenX ($3.9 trillion), and Millennials ($1.6 trillion) (*Fig. 12*). Here are the changes in this asset by generation from Q4-2019, just before the pandemic, until Q1-2023: Silent Generation (-$0.1 trillion), Baby Boomers ($2.5 trillion), GenX ($1.1 trillion), and Millennials ($0.6 trillion). Clearly, the Baby Boomers have the bulk of the excess savings parked in liquid assets.

(7) *Mortgage loans by generation* are distributed as follows: Silent Generation ($0.5 trillion), Baby Boomers ($3.3 trillion), GenX ($5.2 trillion), and Millennials ($3.5 trillion) (*Fig. 13*).

(8) *Consumer credit* by generation is distributed as follows: Silent Generation ($0.2 trillion), Baby Boomers ($1.0 trillion), GenX ($1.5 trillion), and Millennials ($2.0 trillion) (*Fig. 14*). The last two cohorts are undoubtedly burdened with too many student loans.

US Consumer II: Census on Retirement Accounts. At year-end 2022, Americans had $8.6 trillion in 401(k) retirement plans and $17.5 trillion in IRAs. Distributions from many retirement plans are required at a certain age, so more and more Baby Boomers will be taking their required minimum distributions in future years.

According to a US Census Bureau *report*, in 2020, Baby Boomers aged 56 to 64 were the most likely age group to own at least one type of retirement account (58.1%). GenX members aged 40 to 55 were the next most likely to own retirement accounts (56.1%). About half (49.5%) of Millennials aged 24 to 39 owned at least one type of retirement account in 2020, but only 7.7% of Generation Z, or “GenZ,” members aged 15 to 23 did.

Despite the low representation of retirement account holders among GenZ members, they have the most time ahead of them to accumulate additional retirement savings. Moreover, 2013 SIPP estimates showed that only 17.7% of Millennials owned retirement accounts when they were aged 15 to 31—a wider age range than the GenZ measurement but reassuring nonetheless.

US Economy: Contradictory Indicators. The Index of Leading Economic Indicators (LEI) peaked at a record high during December 2021. It dropped 0.7% m/m in May and declined for the 14th month in a row, but there’s still little evidence that the US is headed toward a recession. Indeed, the Index of Coincident Economic Indicators (CEI) edged up by 0.2%

m/m during May to yet another record high (*Fig. 15*). The Conference Board, which compiles both the LEI and CEI, still anticipates a recession, but now it starts during Q3-2023 and lasts through Q1-2024. We still believe that we have been in a rolling recession, making an economy-wide recession less likely.

Data from the Bureau of Labor Statistics released on Thursday showed that 264,000 new claims were filed for jobless benefits on a seasonally adjusted basis in the week ended June 17, unchanged from the prior week's upwardly revised level, which is the highest level of initial claims activity since October 2021 (*Fig. 16*). The monthly jobless series is one of the 10 components of the LEI. However, job openings is not a component, and it remains very high.

Among the other 10 LEI components is the yield curve. It has been a negative contributor since it inverted last summer (*Fig. 17*). It accurately predicted the banking crisis that occurred in March. But so far, that hasn't morphed into an economy-wide credit crunch or recession.

Meanwhile, the S&P 500, which is also an LEI component, has been rallying since last October. Investors are growing weary of waiting for the most widely anticipated recession of all times (*Fig. 18*). It remains a no-show.

Calendars

US: Mon: Dallas Fed Manufacturing Index -26.5. **Tues:** Consumer Confidence 104.0; Durable Goods -1.3%; Richmond Fed Manufacturing Index; New Home Sales 657k; S&P/CS HPI 20-City Index 0.5%m/m/1.5%y/y; API Weekly Crude Oil Inventories. (Bloomberg estimates)

Global: Mon: Germany Ifo Business Climate Index Total, Current Assessment, and Expectations 90.7/93,3/88.3; Spain PPI -4/5%y/y; UK CBI Distributive Trades Survey -7; Japan Leading Index 0.7%; Germany Buba Monthly Report; Lagarde; McCaul; Maechler. **Tues:** Italy Business & Consumer Confidence 102.2/105.3; Canada Headline & Core CPI 4.2%/3.9%y/y; Australia CPI 6.1%y/y; Japan Core CPI 3.4%y/y; Lagarde; Elderson; Schnabel; Panetta; Dhingra; Tenreyro; Kozicki. (Bloomberg estimates)

Strategy Indicators

Global Stock Markets Performance (*link*): The US MSCI index fell 1.4% last week for its first decline in six weeks and dropped back into a correction at 10.6% below its record high on December 27, 2021. The US MSCI ranked ninth of the 48 global stock markets that we follow in a week when only five of the 48 countries rose in US dollar terms. The AC World ex-US index underperformed with a 3.4% decline and remains in a deep 16.8% correction from its June 15, 2021 record high. All regions fell w/w, but EM Latin America was the best performer with a decline of 0.7%, ahead of EMEA (-1.0%), EM Eastern Europe (-2.3), and EAFE (-3.4). BIC (-4.5) was the worst performing region last week, followed by EM Asia (-4.2) and EMU (-3.4). Argentina was the best performing country last week, with a gain of 2.4%, followed by Sri Lanka (1.8), Morocco (1.5), Brazil (1.0), and Hungary (0.8). Among the 21 countries that underperformed the AC World ex-US MSCI last week, the 8.1% decline for South Africa was the biggest, followed by those of Norway (-7.0), China (-6.9), Finland (-6.7), and Austria (-5.1). Looking at 2023's performance so far, the US MSCI is up 13.4%, with its ytd ranking dropping one spot w/w to 16/48. The AC World ex-US's ytd gain of 6.4% is trailing that of the US, with 29/48 countries now in positive territory. EM Eastern Europe is the best regional performer ytd, with a gain of 23.1%, followed by EM Latin America (15.4), EMU (12.1), and EAFE (7.9). The regional laggards so far in 2023: BIC (-2.0), EMEA (2.3), and EM Asia (3.2). This year's best ytd country performers: Greece (38.7), Argentina (38.7), the Czech Republic (27.8), Hungary (25.7), and Mexico (24.3). Here are the worst-performing countries of the year so far: Pakistan (-33.1), Turkey (-19.9), Norway (-14.5), Malaysia (-12.7), and Finland (-11.3).

S&P 500/400/600 Performance (*link*): All three of these indexes moved lower w/w. LargeCap fell 1.4% w/w, less than the declines of MidCap (-2.5%) and SmallCap (-3.2). At Friday's close, LargeCap finished the week at 9.3% below its record high on January 3, 2022, MidCap at 13.6% below its record high on November 16, 2021, and SmallCap at 20.4% below its November 8, 2021 record high—falling back into a bear market. Just one of the 33 LargeCap and SMidCap sectors moved higher for the week, down from 25 rising a week earlier. LargeCap Health Care was the best performer with a gain of 0.2%, ahead of LargeCap Consumer Discretionary (0.0), LargeCap Consumer Staples (-0.4), and MidCap Consumer Staples (-0.5). Among the biggest decliners for the week were SmallCap Real Estate (-6.7), SmallCap Communication Services (-5.7), SmallCap Financials (-5.7), MidCap Real Estate (-5.0), and LargeCap Real Estate (-4.3). Looking at performances so far in 2023, LargeCap, with a gain of 13.3%, remains well ahead of MidCap (3.5) and SmallCap (0.8); 17 of the 33 sectors are higher ytd. The top sector performers in 2023:

LargeCap Tech (38.0), LargeCap Communication Services (35.1), LargeCap Consumer Discretionary (29.1), MidCap Tech (17.0), and SmallCap Tech (15.9). Here are 2023's biggest laggards: SmallCap Financials (-18.1), SmallCap Energy (-12.4), MidCap Utilities (-11.7), LargeCap Energy (-11.5), and SmallCap Real Estate (-11.4).

S&P 500 Sectors and Industries Performance (*link*): Ten of the 11 S&P 500 sectors fell last week, and four outperformed the composite index's 1.4% decline. That compares to a 2.6% gain for the S&P 500 a week earlier, when 10 sectors rose and four outperformed the index. Health Care was the best performer, with a gain of 0.2%, followed by Consumer Discretionary (0.0%), Consumer Staples (-0.4), and Communication Services (-0.8). Real Estate was the worst performer, with a 4.0% decline, followed by Energy (-3.4), Utilities (-2.6), Tech (-2.0), Financials (-2.0), Materials (-2.0), and Industrials (-1.6). Looking at 2023's performance so far, the S&P 500 is up 13.3% ytd, with just three sectors still outperforming the index but five higher for the year. The best ytd performers: Tech (38.0), Communication Services (35.1), and Consumer Discretionary (29.1). These are 2023's worst performers: Energy (-11.5), Utilities (-7.8), Financials (-4.3), Real Estate (-3.0), Health Care (-2.9), Consumer Staples (-0.6), Materials (2.6), and Industrials (5.2).

S&P 500 Technical Indicators (*link*): The S&P 500 fell 1.4% last week and weakened relative to both its 50-day moving average (50-dma)—which rose for a 14th straight week—and to its 200-day moving average (200-dma), which rose for a fourth week but has done so in just 16 of the past 58 weeks. The index was above its 50-dma for a 13th week and its 200-dma for a 14th week. It had been above its 200-dma for eight weeks through early March in its longest positive 200-dma streak since it was above for 81 straight weeks through January 2021. The S&P 500 dropped to 3.3% above its rising 50-dma from a 20-week high of 5.4% above its rising 50-dma a week earlier. That compares to a 20-week low of 3.6% below at the beginning of March, a four-month low of 10.6% below at the end of September, a 23-month high of 8.7% above the index's rising 50-dma in early August, and a 27-month low of 11.1% below its falling 50-dma in June 2022. The index had been mostly trading above its 50-dma from late April 2020 to early April 2022; in June 2020, it was 11.7% above, which was the highest since its record high of 14.0% in May 2009. That compares to 27.7% below on March 23, 2020—its lowest reading since it was 29.7% below on Black Monday, October 19, 1987. Turning to the index's price relative to its longer 200-dma, it closed Friday at 8.8% above its rising 200-dma, down from a 19-month high of 10.6% above its rising 200-dma a week earlier. To put that in historical context, the S&P 500 is well above its 26-month low of 17.1% below its falling 200-dma in June 2022 but not as high as the 10.8% above its rising 200-dma in November 2021. The index's current level also compares unfavorably to its 17.0% above in December 2020, which was the highest since November 2009. On the other hand, the current level is way up from the 26.6% below registered during the Great Virus Crisis on March 23, 2020—the lowest reading since March 2009. At its worst levels of the Great Financial Crisis, the S&P 500 index was 25.5% below its 50-dma on October 10, 2008 and 39.6% below its 200-dma on November 11, 2008

S&P 500 Sectors Technical Indicators (*link*): Seven of the 11 S&P 500 sectors are trading above their 50-dmas, down from eight above a week earlier, and all 11 sectors above during the April 28 week. Real Estate moved below in the latest week, joining these three as the only sectors still trading below their 50-dma: Consumer Staples, Energy, and Utilities. Four sectors have a rising 50-dma, down from seven a week earlier, as Financials, Materials, and Real Estate turned down w/w. That leaves these four sectors as the only members in the rising 50-dma club: Communication Services, Consumer Discretionary, Industrials, and Tech. Looking at the more stable longer-term 200-dmas, the positive club was unchanged w/w at seven members. These four sectors still trade below their 200-dma: Energy, Financials, Real Estate, and Utilities. The rising 200-dma club dropped to seven members w/w from eight as Energy turned down w/w and joined Financials, Real Estate, and Utilities as the only sectors with a falling 200-dma.

US Economic Indicators

Leading Indicators (*link*): Leading indicators continued to plunge in May, while coincident indicators continued to set new record highs. The Leading Economic Indicators (LEI) fell in May for the 14th straight month, sinking 0.7% m/m and 9.3% over the period to the lowest level since July 2020. In May, four of the 10 components contributed positively, four negatively, and two—the average workweek and real core capital goods—unchanged. Over the six months through May, the LEI dropped 4.3%, steeper than the 3.8% drop over the previous six-month period through November. The report noted, “Rising interest rates paired with persistent inflation will continue to further dampen economic activity.” The biggest *negative contributors* to May’s LEI were once again consumer expectations (-0.29ppt) and the new orders diffusion index (-0.28), followed by the interest rate spread (-0.19) and leading credit index (-0.09). Meanwhile, the biggest positive contributor was building permits (+0.15), followed by jobless claims (+0.06), stock prices (+0.03), and real consumer goods orders (+0.01).

Coincident Indicators (*link*): The Coincident Economic Indicators (CEI) index has posted only one decline in the past 11 months, climbing 0.2% in May and 1.9% over the period to yet another new record high. It exceeds its previous record high, just before the pandemic, by 2.7%. Three of the four components of the CEI rose in May, with industrial production the one outlier: 1) *Payroll employment* (+0.07) in May expanded a stronger-than-expected 339,000 (vs 190,000 expected), while there were upward revisions to both April (to 294,000 from 253,000) and March (217,000 from 165,000) payrolls for a net gain of 93,000. May employment is 3.7 million above its pre-pandemic level. 2) *Real personal income less transfer payments* (+0.07ppt) rose for the fourth time this year, by 0.2% in May and 0.6% ytd, to a new record high and is up 11.0% from its April 2020 bottom. 3) *Real manufacturing & trade sales* (+0.05) remains on a volatile uptrend, climbing 0.3% in May, to within 0.7% of its record high recorded during January 2022. 4) *Industrial production* (-0.03) Output in May declined for the first time this year, led by a big drop in utilities output. Headline production fell 0.2% in May after rebounding 1.7% the first four months of this year. Last year ended with a three-month slump of 1.9% in output. May's production was only 0.5% below last September's recent high and within 1.1% of August/September 2018's record high.

Regional M-PMIs (*link*): Three Fed districts have reported on manufacturing activity for June—New York, Philadelphia, and Kansas City—and show *manufacturing activity* (to -6.4 from -14.4) moved closer to positive territory, as the New York (to 6.6 from -31.8) region showed a big swing from contraction to expansion, while Kansas City's (-12.0 from -1.0) fell deeper into negative territory, and Philadelphia's (-13.7 from -10.4) fell at a slightly faster pace than in May. *New orders* (-7.3 from -17.0) also moved closer toward expansion, with billings in the New York (3.1 from -28.0) region showing a return to expansion in June, while Kansas City's (-14.0) fell at the same pace as last month, and Philadelphia's (-11.0 from -8.9) contracted at a slightly faster pace than in May. *Employment* (-5.3 from -1.6) contracted for the fourth month, declining at a slightly faster pace, as hirings in the Philadelphia (-0.4 from -8.6) area moved back toward the breakeven point of zero, while New York's (-3.6 from -3.3) fell at a steady pace and Philadelphia's (-12.0 from 7.0) swung from positive to negative. Looking at *prices-paid* indexes, Kansas City's (4.0 from 16.0) dropped closer to zero, while Philadelphia's (10.5 from 10.9) measure held steady, not far from April's 8.2 reading—which was its lowest since mid-2020. New York (22.0 from 34.9) posted its lowest reading since August 2020. The *prices-received* index in the New York (9.0 from 23.6) region eased to its lowest reading since October 2020, while Kansas City's (3.0 from 16.0) was the lowest since July 2020, and Philadelphia's (0.1 from -7.0) moved up to zero, holding near recent lows.

Existing Home Sales (*link*): "Mortgage rates heavily influence the direction of home sales. Relatively steady rates have led to several consecutive months of consistent home sales," noted Lawrence Yun, NAR's chief economist. He went on to say, "Available housing inventory impacts sales too. Newly constructed homes are selling at a pace reminiscent of pre-pandemic times because of abundant inventory in that sector. However, existing-home sales activity is down sizably due to the current supply being roughly half the level in 2019." *Existing home* sales have been volatile around recent lows, edging up 0.2% in May to 4.30mu (saar) after a two-month decline of 5.7% and a jump of 13.7% in February, with sales up 6.7% ytd. Sales are down 20.4% y/y. *Single-family* sales slumped 6.1% during the three months through May to 3.85mu (saar) after skyrocketing 14.2% in February; these sales were 20.0% below a year ago. *Multi-family* sales rose 4.7% in May to 450,000 units (saar), after dropping 4.4% during the two months through April; although they were up 9.8% ytd, they were down 23.7% y/y. Regionally, sales in May were mixed on a monthly basis, though continued to post double-digit decline versus a year ago. Here's a tally: West (+2.6% m/m & -25.5% y/y), South (+1.5 & -16.5), Northeast (-2.0 & -25.4), and Midwest (-2.9 & -20.8). Total *housing inventory* at the end of May was 1.08 million units, up 3.8% from the April level but down 6.1% from last May's 1.15 million units. (NAR leaders say a temporary capital gains tax reduction on a sale of investment property can lead to a boost in housing inventory.) The median existing home price fell 3.1% in May from a year ago, to $396,100, with prices up in the Northeast (2.5% y/y) and Midwest (1.1) and down in the South (-2.7) and West (-5.7).

Global Economic Indicators

US PMI Flash Estimates (*link*): The US private sector in June slowed for the first time this year from May's 13-month high, according to flash estimates, as the manufacturing sector continued to contract while the service sector slowed a bit. The *C-PMI* eased to a still respectable 53.0 after climbing the first five months of the year from 44.9 to 54.3. The *NM-PMI* dipped to 54.1 after advancing the prior five months, from 44.7 at the end of last year to a 13-month high of 54.9 in May, while the *M-PMI* fell for the second month, dropping to a six-month low of 46.3 after climbing from 46.2 in December to 50.2 in April. According to the report, the question is "how resilient service sector growth can be in the face of the manufacturing decline and the lagged effect of prior rate hikes." Meanwhile, on the price front, it's encouraging to see price inflation for both goods and services drop to their lowest rates since late 2020.

Eurozone PMI Flash Estimates (*link*): Economic activity in the Eurozone slowed to a near standstill, according to flash estimates, as manufacturing activity fell deeper into contractionary territory and growth in the service sector slowed sharply. The Eurozone's *C-PMI* fell for the second month, to a five-month low of 50.3, after climbing the prior six months from a 23-month low of 47.3 in October to 54.1 by this April. The *M-PMI* slipped for the fifth successive month to a 37-month low of 43.6 this month after advancing the prior three months, from 46.4 last October to 48.8 by January, while the *NM-PMI* fell for the second month to a five-month low of 52.4 after increasing the prior five months from 48.5 in November to a 12-month high of 56.2 this April. Looking at the two largest Eurozone economies, *Germany's C-PMI* lost momentum, easing for the second month to a four-month low of 50.8, after improving steadily from 45.1 last October to a 12-month high of 54.2 this April. *Germany's NM-PMI* fell for the first time in seven months, to a three-month low of 54.1, after climbing steadily from 45.0 last September to a 13-month high of 57.2 last month; Germany's *M-PMI* deteriorated for the fifth month, to a 37-month low of 41.0. Meanwhile, *activity in France* declined at its fastest pace since February 2021, with its *C-PMI* slowing for the third month, to a 28-month low of 47.3 this month, after advancing the prior three months from 49.1 in December to an 10-month high of 52.7 in March. *France's NM-PMI* also slipped for the second month, to a 28-month low of 48.0, after climbing steadily from 49.4 in January to an 11-month high of 54.6 in April. *France's M-PMI* was in contractionary territory for the ninth time in 10 months, sinking to a 37-month low of 45.5 in June. *Elsewhere across the region*, activity reported the lowest output growth in five months, as the expansion continued losing momentum from the solid gains recorded in March and April—due to a combination of marked factory output losses and weaker service sector growth. Looking at *inflation* for the overall Eurozone, falling demand led to increasing discounting in manufacturing with input prices in the factory sector dropping for a fourth straight month, at the steepest rate since July 2009. Meanwhile, input costs in the service sector continued to rise at a rate well above the survey's long-term average, boosted mostly by wage pressures, though the rate of increase did slow to the lowest since May 2021.

Japan PMI Flash Estimates (*link*): Growth momentum slowed at the end of Q2 after posting its second-strongest expansion in the survey's history in May, driven largely by the service sector. Japan's *C-PMI* slipped to 52.3 in June, according to flash estimates, after climbing the prior six months from 49.7 in December to 54.3 this May. The *NM-PMI* dipped to 54.2, after climbing the prior six months from 50.3 to 55.9, while the *M-PMI* fell back below the breakeven point of 50.0, slipping to 49.8—its seventh reading below 50.0 in eight months. According to the report, the softening of growth momentum fed into reduced optimism about the outlook, with business optimism slipping to a five-month low. Some firms expressed concerns about the outlook, due to strong cost pressures and lingering global economic uncertainty. There was some optimism on the inflation front, however, as input-price inflation eased to a 22-month low in June, while output charges increased at the softest pace since the beginning of this year.

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