

March 2020

*Note: Survey responses were collected from March 5 to March 19.*

Nonmanufacturing firms reported a significant weakening in regional nonmanufacturing activity this month, according to results from the *Nonmanufacturing Business Outlook Survey*. The survey's indexes for general activity at the firm level, sales/revenues, new orders, and full-time employment all fell sharply and into negative territory this month, coinciding with developments related to the coronavirus. The firms continued to report overall increases in the prices of both their own goods and their inputs, but both price indexes fell notably from last month. The respondents expect overall declines over the next six months, as future activity indexes fell to negative readings.

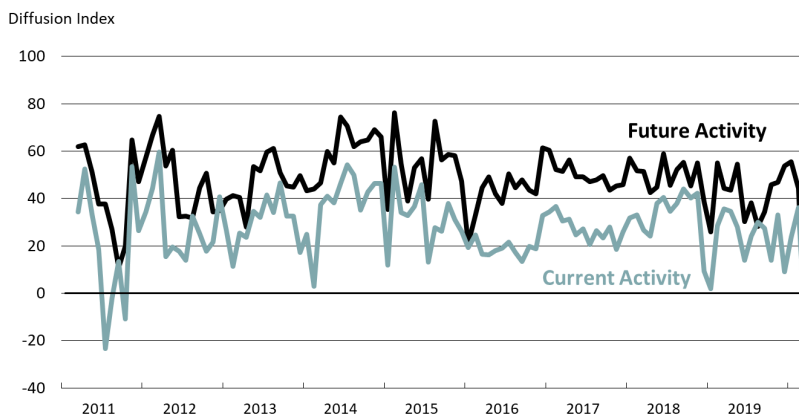
### Firms Report Overall Declines

The diffusion index for current general activity at the firm level fell sharply from 36.1 in February to -12.8 in March, its lowest reading since July 2011 (see Chart 1). More than 22 percent of the firms reported increases in activity (down from 53 percent last month), while 35 percent reported decreases (up from 16 percent last month). The new orders index fell 45 points to -16.4 in March, its lowest reading ever. The share of firms reporting decreases in new orders (33 percent) exceeded the share reporting increases (17 percent). The sales/revenues index fell from 39.8 to -4.9 in March. Nearly 27 percent of the responding firms reported increases in sales/revenues, while 32 percent reported decreases. The regional activity index plummeted to -35.1.

### Employment Indicators Contract

The firms reported overall decreases in full-time and part-time employment, as both indexes fell from their readings last month into negative territory. The full-time employment index fell 23 points to -1.7. While nearly 56 percent of the firms reported steady full-time employment levels, the share of firms reporting decreases (20 percent) narrowly exceeded the share reporting increases (19 percent). The part-time employment index decreased 22 points to -11.2. Over 59 percent of the firms reported steady part-time employment levels,

**Chart 1. Current and Future General Activity Indexes for Firms**  
March 2011 to March 2020



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.

while the share of firms reporting decreases (22 percent) exceeded the share reporting increases (11 percent). The wages and benefits indicator edged down 4 points to 26.6, and the average workweek index fell 22 points to -5.2.

### Price Indicators Moderate

Price indicator readings moderated and suggest overall increases in prices for inputs and near-steady prices for the firms' own goods and services. The prices paid index declined from 21.3 in February to 6.0 in March (see Chart 2). Although the majority of respondents (58 percent) reported stable input prices, 15 percent of the respondents reported increases, while 9 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index declined 14 points to 0.5 in March. The share of firms reporting increases in prices received (11 percent) narrowly exceeded the share of firms that reported decreases (10 percent). More than 57 percent of the firms reported no change in prices for their own goods and services.

Released March 24, 2020, at 8:30 a.m. ET.

The next *Nonmanufacturing Business Outlook Survey* will be released on April 21, 2020.



## Firms' Outlook for Future Growth Deteriorates

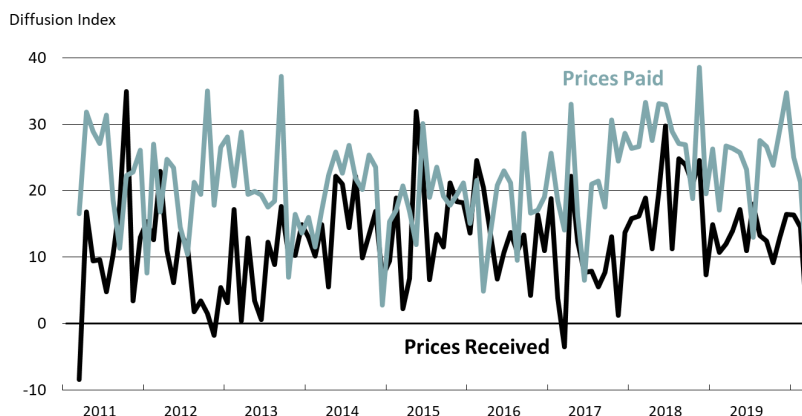
Both future activity indexes suggest that the firms' expectations for nonmanufacturing activity over the next six months deteriorated, with both series reaching all-time low readings. The diffusion index for future activity at the firm level fell precipitously from a reading of 44.2 in February to -16.3 this month (see Chart 1). More than 28 percent of the firms expect an increase in activity at their firms over the next six months (down from 55 percent last month) compared with 45 percent that expect decreases (up from 10 percent last month). The future regional activity index fell sharply from 32.9 to -36.9.

## Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest a notable weakening in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, new orders, and full-time employment all fell into negative territory. Price pressures moderated from recent months, but both price indexes remain positive. Future activity indexes fell to historical lows and suggest that respondents expect continued declines over the next six months. ■

## Chart 2. Prices Paid and Prices Received Indexes

March 2011 to March 2020



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.

NONMANUFACTURING BUSINESS OUTLOOK SURVEY March 2020	March vs. February					Six Months from Now vs. March				
	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index
What is your assessment of general business activity for the region?	31.0	15.4	29.2	50.6	-35.1	32.9	16.3	25.3	53.2	-36.9
What is your assessment of general business activity for your firm?	36.1	22.4	38.6	35.2	-12.8	44.2	28.6	20.8	44.8	-16.3
Company Business Indicators										
New Orders	28.1	16.9	20.8	33.3	-16.4	<b>NOTES:</b> (1) Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease. (2) All data are seasonally adjusted. (3) Percentages may not sum to 100 percent because of rounding, omission by respondents, or both. (4) Survey results reflect data received through March 19, 2020.				
Sales or Revenues	39.8	26.6	32.2	31.5	-4.9					
Unfilled Orders	-3.0	8.1	23.3	9.7	-1.5					
Inventories	5.6	5.8	18.1	7.4	-1.7					
Prices Paid	21.3	15.4	58.4	9.3	6.0					
Prices Received	14.5	10.7	57.6	10.2	0.5					
Number of Employees – Full-Time Permanent	21.5	18.5	55.7	20.2	-1.7					
Number of Employees – Part-Time, Temporary, and Contract	10.4	11.2	59.1	22.4	-11.2					
Average Employee Workweek	17.1	19.1	51.4	24.3	-5.2					
Wage and Benefit Costs	30.7	34.2	53.8	7.6	26.6					
Capital Expenditures – Physical Plant	17.0	20.6	39.1	10.0	10.6					
Capital Expenditures – Equipment & Software	30.1	32.3	45.8	9.7	22.6					