



February 2020

Responses to the February *Nonmanufacturing Business Outlook Survey* suggest continued expansion in nonmanufacturing activity in the region. The indexes for general activity at the firm level, new orders, and sales/revenues all increased for the second consecutive month. Additionally, the index for full-time employment rose. The firms continued to report overall increases in prices of both their inputs and their own goods and services. The survey's index for firm-level future activity suggests continued optimism about growth over the next six months.

Firms Report Overall Growth

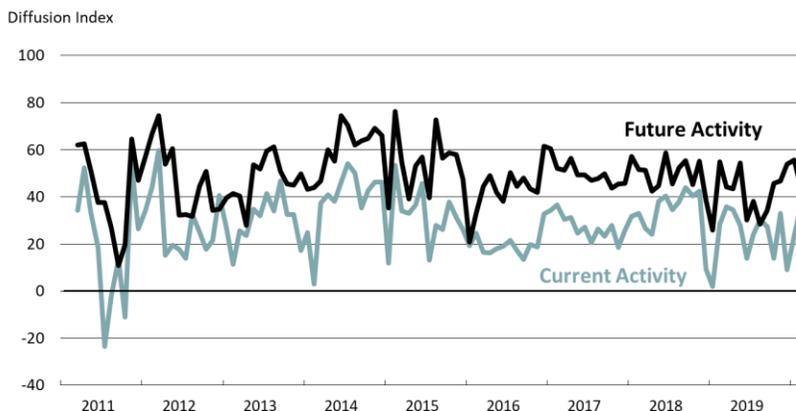
The survey's indicators for current general activity suggest continued growth in the nonmanufacturing sector of the regional economy. The diffusion index for current general activity at the firm level increased 13 points in February to 36.1 (see Chart), its highest level since November 2018. Over 52 percent of the firms reported increases in activity (up from 41 percent last month), compared with 16 percent that reported decreases (down from 18 percent last month). The new orders index rose 12 points to 28.1 in February, its highest level since August 2018. The sales/revenues index increased by double-digits for the second consecutive month, rising from 29.2 in January to 39.8 in February. Over 52 percent of the firms reported increases in sales/revenues, while 12 percent reported declines. The index measuring firms' perception of regional activity rose 18 points to 31.0.

Employment Indexes Strengthen

Responding firms reported overall increases in both full- and part-time employment. The full-time employment index rose 9 points to 21.5 in February. The share of firms reporting increases in full-time employment (26 percent) exceeded the share reporting decreases (4 percent); the majority (61 percent) reported no change. The part-time employment index rose 3 points to 10.4, while the average workweek index ticked down 2 points to 17.1. The wages and benefits indicator fell 19 points to 30.7.

Chart. Current and Future General Activity Indexes for Firms

March 2011 to February 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.

Firms Continue to Report Overall Price Increases

The indexes for prices paid for inputs and prices received for the firms' own products and services both edged down in February but remained in positive territory. The prices paid index fell 4 points to 21.3. Over 25 percent of the respondents reported increases in input prices, while 4 percent reported decreases. The prices received index ticked down 2 points to 14.5 in February. Nearly 23 percent of the firms reported increases in prices received, while 8 percent reported decreases. The majority of the firms (57 percent) reported no change in their own prices.

Firms' Forecasts for Prices Remain Stable

In this month's special questions, the firms were asked to forecast the changes in the prices of their own products and services and for U.S. consumers over the next four quarters (see Special Questions). Regarding their own prices, the firms' median forecast was for an increase of 2.0 percent, the same as when the question was last asked in November. Regarding the firms' historical own price change over the previous year, the median response was zero percent, down from the previ-

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ous report of 1.5 percent. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was unchanged at 2.0 percent. The firms expect their employee compensation costs (wages plus benefits per employee) to rise 3.0 percent over the next four quarters, the same as the previous forecast. The firms' forecast for the long-run (10-year) inflation rate remained at 3.0 percent.

Firms Anticipate Continued Growth

Both future activity indexes suggest that firms anticipate continued growth over the next six months, but index readings retreated from last month. The diffusion index for future activity at the firm level fell 11 points to 44.2 (see Chart). Nearly 55 percent of the firms expect an increase in activity at their firms over the next six months, compared with 10 percent that expect a decline. The future regional activity index fell 4 points to 32.9 in February.

Summary

Results from this month's *Nonmanufacturing Business Outlook Survey* suggest continued expansion in regional non-manufacturing activity. The indicators for firm-level general activity, new orders, and sales/revenues strengthened for the second consecutive month. The respondents continued to expect growth over the next six months. ■

Special Questions (February 2020)		
Please list the annual percent change with respect to the following:		
	Current	Previous (November 2019)
For your firm:		
<i>Forecast for next year (2020Q1–2021Q1)</i>		
1. Prices your firm will receive (for its own goods and services sold).	2.0	2.0
2. Compensation your firm will pay per employee (for wages and benefits).	3.0	3.0
<i>Last year's price change (2019Q1–2020Q1)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	0.0	1.5
For U.S. consumers:		
4. Prices consumers will pay for goods and services over the next year.	2.0	2.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2020–2029).	3.0	3.0
The numbers represent medians of the individual forecasts (percent changes). For question 5, firms reported a 10-year annual average change.		

NONMANUFACTURING BUSINESS OUTLOOK SURVEY February 2020	February vs. January					Six Months from Now vs. February				
	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?	13.4	34.5	60.4	3.6	31.0	36.9	41.4	49.3	8.6	32.9
What is your assessment of general business activity for your firm?	23.5	52.5	30.4	16.4	36.1	55.6	54.6	35.1	10.4	44.2
Company Business Indicators										
New Orders	16.6	38.2	21.0	10.1	28.1	NOTES: (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 February 20, 2020.				
Sales or Revenues	29.2	52.1	23.1	12.3	39.8					
Unfilled Orders	8.6	6.8	13.5	9.8	-3.0					
Inventories	2.6	11.7	4.6	6.0	5.6					
Prices Paid	25.0	25.1	61.4	3.8	21.3					
Prices Received	16.3	22.6	56.7	8.1	14.5					
Number of Employees – Full-Time Permanent	12.5	25.9	61.4	4.4	21.5					
Number of Employees – Part-Time, Temporary, and Contract	7.5	21.7	61.7	11.3	10.4					
Average Employee Workweek	19.4	22.9	67.0	5.9	17.1					
Wage and Benefit Costs	49.9	38.2	50.5	7.5	30.7					
Capital Expenditures – Physical Plant	22.1	20.6	53.2	3.6	17.0					
Capital Expenditures – Equipment & Software	34.7	35.1	52.3	5.0	30.1					