



July 2020

Note: Survey responses were collected from July 2 to July 16.

Nonmanufacturing firms reported signs of improvement in regional nonmanufacturing activity this month, according to results from the *Nonmanufacturing Business Outlook Survey*. The indexes for general activity at the firm level and sales/revenues showed positive readings for the second consecutive month after a string of negative readings in the spring, coinciding with the phased reopening of the service economy in the region. Additionally, the new orders index showed a positive reading for the first time since February. However, the full-time employment index remained negative. The respondents expect overall improvement in conditions over the next six months, as both future activity indexes remain positive.

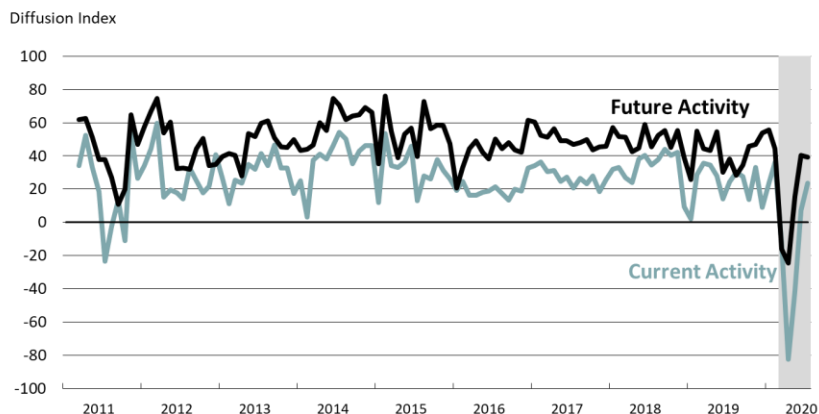
Current Indicators Reach Positive Territory

The diffusion index for current general activity at the firm level rose for the third consecutive month from 7.3 in June to 23.7 in July, after reaching historic lows in the spring (see Chart 1). Over 49 percent of the firms reported increases (up from 45 percent last month), while 25 percent reported decreases (down from 38 percent last month). The new orders index rose 26 points to 13.8 in July, its third consecutive month with a double-digit increase and its first positive reading since February. Forty percent of the firms reported increases in new orders, while 26 percent reported decreases. The sales/revenues index rose from 0.3 in June to 11.1 in July. The regional activity index increased 4 points to 0.7, its first positive reading since February.

Employment Indicators Remain Negative

The firms reported overall decreases in full-time and part-time employment for the fifth consecutive month. The full-time employment index rose 5 points to -8.1, rising for the third consecutive month after reaching an all-time low in April. The share of firms reporting decreases in full-time employment (22 percent) exceeded the share reporting increases (14 percent); the majority (59 percent) reported no change. The part-time employment index increased 4 points

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

to -20.7. The majority of firms reported steady part-time employment (56 percent), while 29 percent of the firms reported decreases and 9 percent reported increases. The wages and benefits indicator rose 6 points to 2.3, its first positive reading since March, and the average workweek index fell 5 points to 1.6.

Firms Continue to Report Declines in Prices of Own Goods

Price indicator readings suggest overall increases in prices for inputs and declines in prices for the firms' own goods and services. The prices paid index increased from 2.0 in June to 9.9 in July (see Chart 2). While most respondents (60 percent) reported stable input prices, 18 percent of the firms reported increases, and 8 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index held steady at -13.8 in July. Twenty-three percent of the firms reported decreases in prices received, and 9 percent reported increases. Fifty-seven percent of the firms reported no change in prices for their own goods and services.

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The next *Nonmanufacturing Business Outlook Survey* will be released on August 25, 2020.



Future Indicators Remain Positive

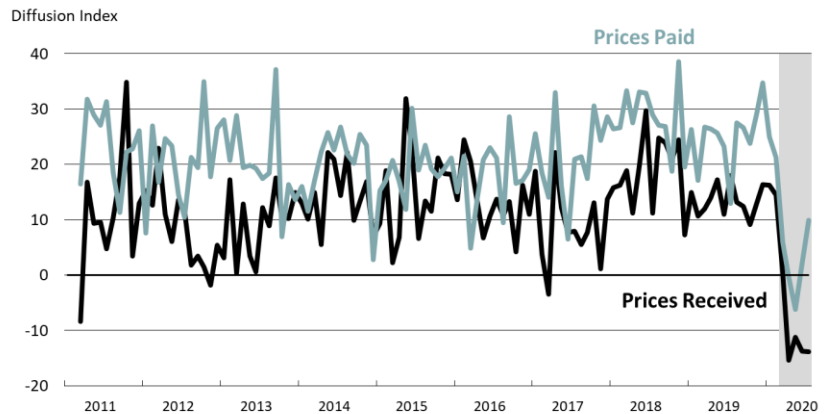
Both future activity indexes suggest that the respondents expect overall improvement in nonmanufacturing activity over the next six months. The diffusion index for future activity at the firm level edged down from a reading of 40.5 in June to 39.1 this month (see Chart 1). Nearly 60 percent of the firms expect an increase in activity at their firms over the next six months, compared with 21 percent that expect decreases. The future regional activity index fell from 37.1 in June to 23.9 in July.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest signs of improvement in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, and new orders are now all in positive territory after reaching all-time lows in the spring; however, the index for full-time employment remained negative. The future activity indexes suggest that respondents expect improvement at their firms and in the region over the next six months. ■

Chart 2. Prices Paid and Prices Received Indexes

March 2011 to July 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 July 2020	July vs. June					Six Months from Now vs. July				
	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?	-3.6	37.2	26.2	36.5	0.7	37.1	53.7	16.0	29.8	23.9
What is your assessment of general business activity for your firm?	7.3	49.1	25.6	25.3	23.7	40.5	59.6	17.6	20.5	39.1
Company Business Indicators										
New Orders	-12.6	40.0	14.5	26.2	13.8	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 July 16, 2020.				
Sales or Revenues	0.3	44.3	21.4	33.2	11.1					
Unfilled Orders	-12.3	12.4	27.5	6.9	5.5					
Inventories	-3.4	8.5	23.7	13.1	-4.6					
Prices Paid	2.0	17.9	60.3	8.0	9.9					
Prices Received	-13.7	9.3	57.0	23.0	-13.8					
Number of Employees – Full-Time Permanent	-13.3	14.1	58.6	22.2	-8.1					
Number of Employees – Part-Time, Temporary, and Contract	-24.4	8.5	56.4	29.2	-20.7					
Average Employee Workweek	6.7	24.8	47.5	23.2	1.6					
Wage and Benefit Costs	-3.5	18.8	63.1	16.4	2.3					
Capital Expenditures – Physical Plant	-18.5	13.3	38.5	31.5	-18.2					
Capital Expenditures – Equipment & Software	-9.1	21.4	38.9	31.8	-10.3					