

*Note: Survey responses were collected from November 9 to November 19.*

Firms responding to the November *Nonmanufacturing Business Outlook Survey* indicated a moderation in business activity. The indexes for general activity at the firm level, sales/revenues, and new orders all posted declines for the month, with the latter two indexes reaching negative territory. However, the survey's indexes for full-time and part-time employment remained positive. The respondents expect overall improvement in conditions over the next six months, as both future activity indexes remained positive but declined.

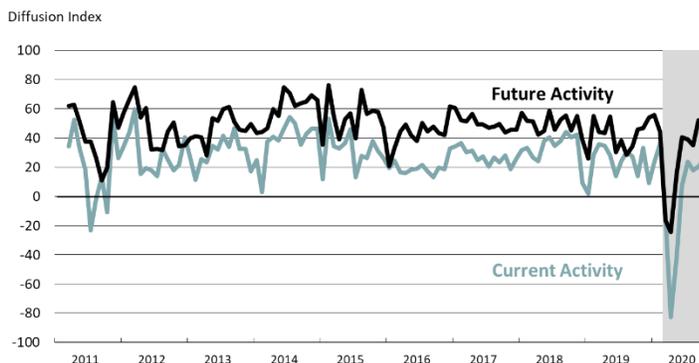
#### Firms Report Declines in New Orders

The diffusion index for current general activity at the firm level was positive for the sixth consecutive month but fell from 25.3 in October to 5.3 this month, its lowest reading since June. Over 39 percent of the firms reported increases in activity (down from 45 percent last month), while 34 percent reported decreases (up from 20 percent). The new orders index fell 9 points to -3.7 in November, decreasing for the fourth consecutive month and reaching negative territory for the first time since June. Nearly 30 percent of the firms reported increases in new orders, while 34 percent reported decreases. The sales/revenues index declined from 14.2 to -0.5, as the share of firms reporting decreases narrowly exceeded the share of firms reporting increases. The current regional activity index declined 32 points to -15.9 in November.

#### Employment Indicators Remain Positive

The firms reported, on balance, increases in full-time and part-time employment for the third consecutive month. The full-time employment index edged down 2 points to 13.9. The share of firms reporting increases in full-time employment (23 percent) exceeded the share reporting decreases (9 percent); the majority (64 percent) reported no change. The part-time employment index increased 4 points to 5.6. Most firms reported steady part-time employment (57 percent), while 19 percent of the firms reported increases and 14 percent reported decreases. The average workweek index fell 6 points to 15.3.

**Chart. Current and Future General Activity Indexes for Firms**  
March 2011 to November 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 Price Increases

Price indicator readings suggest overall increases in prices for inputs and the firms' own goods and services. The prices paid index rose 5 points to 22.7 in November. While most respondents (54 percent) reported stable input prices, 26 percent of the firms reported increases, and 4 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index edged down 1 point but remained in positive territory for the third consecutive month, at 3.9 in November.

#### Firms Expect Own Prices to Rise Slower Than Inflation

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, up from 1.0 percent when the question was asked in August. Regarding the firms' own price change over the previous year, the median response was 0.8 percent, up from 0.0 percent in August. The firms expect their employee compensation costs (wages plus benefits per employee) to rise 3.0 percent over the next four quarters, up from 2.0 percent in August. When

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asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 2.5 percent, up from 2.0 percent in August. The firms' forecast for the long-run (10-year) inflation rate was 4.0 percent, up from 3.0 percent in August.

### 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 declined 12 points, from a reading of 47.3 in October to 35.1 this month (see Chart). Nearly 56 percent of the firms expect an increase in activity (down from 61 percent last month) at their firms over the next six months, compared with 21 percent that expect decreases (up from 14 percent). The future regional activity index edged down 2 points to 31.2 in November.

### Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* reflected signs of moderation in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, and new orders all posted declines; however, the indexes for both full-time and part-time employment remained positive. The future activity indexes suggest that respondents expect improvement at their firms and in the region over the next six months. ■

Special Questions (November 2020)		
Please list the annual percent change with respect to the following:		
	Current	Previous (August 2020)
<b>For your firm:</b>		
<i>Forecast for next year (2020Q4–2021Q4)</i>		
1. Prices your firm will receive (for its own goods and services sold).	2.0	1.0
2. Compensation your firm will pay per employee (for wages and benefits).	3.0	2.0
<i>Last year's price change (2019Q4–2020Q4)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	0.8	0.0
<b>For U.S. consumers:</b>		
4. Prices consumers will pay for goods and services over the next year.	2.5	2.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2020–2029).	4.0	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 November 2020	November vs. October					Six Months from Now vs. November				
	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?	16.0	23.2	36.5	39.1	-15.9	33.6	56.8	13.3	25.6	31.2
What is your assessment of general business activity for your firm?	25.3	39.3	25.8	33.9	5.3	47.3	55.7	18.5	20.6	35.1
<b>Company Business Indicators</b>										
New Orders	4.8	29.8	12.1	33.5	-3.7	<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 November 19, 2020.				
Sales or Revenues	14.2	36.7	20.8	37.2	-0.5					
Unfilled Orders	4.0	4.5	26.0	9.4	-4.9					
Inventories	-3.2	4.2	24.7	8.1	-3.9					
Prices Paid	17.9	26.2	54.3	3.6	22.7					
Prices Received	5.2	10.2	68.7	6.3	3.9					
Number of Employees – Full-Time Permanent	15.7	22.7	63.8	8.8	13.9					
Number of Employees – Part-Time, Temporary, and Contract	1.9	19.2	56.7	13.7	5.6					
Average Employee Workweek	20.9	22.4	64.6	7.2	15.3					
Wage and Benefit Costs	10.4	17.7	67.6	7.2	10.6					
Capital Expenditures – Physical Plant	-1.3	10.0	49.3	13.2	-3.2					
Capital Expenditures – Equipment & Software	12.2	22.9	51.0	15.5	7.4					