

*Note: Survey responses were collected from December 7 to December 17.*

Firms responding to the December *Nonmanufacturing Business Outlook Survey* indicated a continued moderation in business activity. The survey's current indicator for general activity at the firm level held steady at a low but positive reading. However, the indexes for new orders and sales/revenues remained negative, and the full-time employment index declined into negative territory. The respondents continued to expect overall improvement in conditions over the next six months.

#### Firms Report Overall Declines in Sales/Revenues

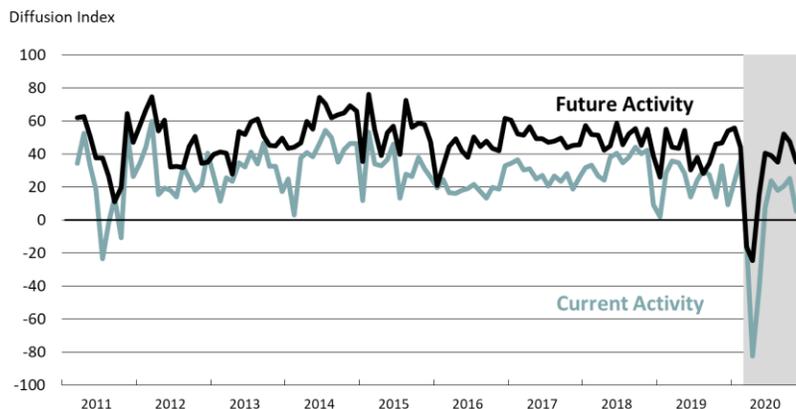
The diffusion index for current general activity at the firm level held steady at 5.6 in December, its seventh consecutive positive reading since reaching record lows in the spring (see Chart 1). Over 33 percent of the firms reported increases, while 28 percent reported decreases. The new orders index decreased for the fifth consecutive month, edging down 1 point to -4.5 in December. The share of firms reporting decreases (29 percent) exceeded the share of firms reporting increases (25 percent). The sales/revenues index fell 9 points to -9.7 in December. Nearly 28 percent of the firms reported increases in sales/revenues (down from 37 percent last month), while 38 percent reported decreases (mostly unchanged). The regional activity index fell 11 points to -26.8.

#### Employment Indicators Turn Negative

The firms reported overall decreases in full-time and part-time employment as both employment indexes registered negative readings for the first time since August. The full-time employment index decreased for the second consecutive month, falling 18 points to -4.2. Nearly 13 percent of the firms reported increases in full-time employment (down from 23 percent last month), while 17 percent reported decreases (up from 9 percent). The majority of firms reported steady full-time employment (64 percent). The part-time employment index decreased 16 points to -10.5. A majority of firms reported steady part-time employment (64 percent), while 8 percent of the firms reported increases (down from 19 percent last month) and 19 percent reported decreases (up from

**Chart 1. Current and Future General Activity Indexes for Firms**

March 2011 to December 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.

14 percent). The wages and benefits indicator rose 4 points to 14.4, and the average workweek index fell 17 points to -1.5.

#### Firms Continue to Report Overall Price Increases

Price indicator readings suggest overall increases in prices for inputs and prices for the firms' own goods and services. The prices paid index declined 8 points to 15.2 in December (see Chart 2). Price increases for the firms' own goods and services were more widespread this month. The prices received index increased for the first time since September, rising 11 points to 14.6 in December. Nearly 23 percent of the firms reported increases for their own goods, while 8 percent reported decreases.

Released December 22, 2020, at 8:30 a.m. ET.

The next *Nonmanufacturing Business Outlook Survey* will be released on January 26, 2021.

The survey's annual historical revisions, which incorporate new seasonal adjustment factors, will be released on Tuesday, January 19, 2021, at 8:30 a.m. ET.



## Firms Continue to Anticipate Growth

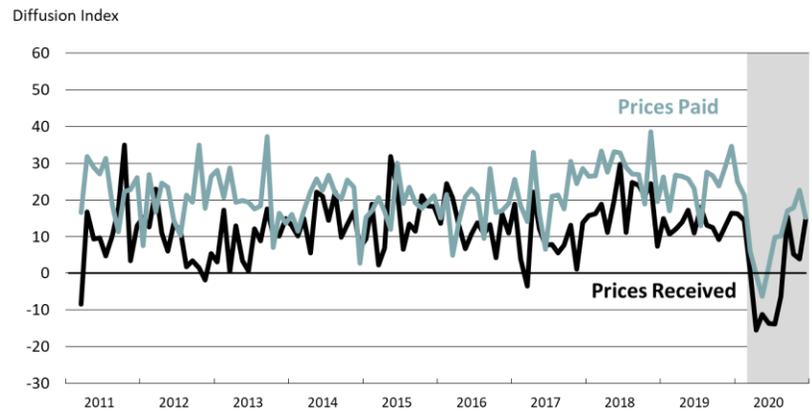
Both future activity indexes suggest continued optimism about growth over the next six months. The diffusion index for future activity at the firm level increased 8 points to a reading of 43.3 this month (see Chart 1). Nearly 59 percent of the firms expect an increase in activity at their firms over the next six months, compared with 15 percent that expect decreases. The future regional activity index edged down 2 points to 29.5 in December.

### Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest a continued moderation in nonmanufacturing activity in the region. The indicator for firm-level general activity remains positive but low, but the indicators for new orders, sales/revenues, and full-time employment were all 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 December 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 December 2020	December vs. November					Six Months from Now vs. December				
	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?	-15.9	13.8	44.9	40.5	-26.8	31.2	50.9	21.9	21.4	29.5
What is your assessment of general business activity for your firm?	5.3	33.2	36.1	27.6	5.6	35.1	58.6	24.0	15.3	43.3
Company Business Indicators										
New Orders	-3.7	24.7	24.6	29.2	-4.5	<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 December 17, 2020.				
Sales or Revenues	-0.5	27.8	28.1	37.5	-9.7					
Unfilled Orders	-4.9	10.1	18.8	6.6	3.5					
Inventories	-3.9	4.5	21.0	10.0	-5.5					
Prices Paid	22.7	20.1	53.2	4.8	15.2					
Prices Received	3.9	22.5	53.2	7.9	14.6					
Number of Employees – Full-Time Permanent	13.9	12.7	64.0	16.9	-4.2					
Number of Employees – Part-Time, Temporary, and Contract	5.6	8.3	63.7	18.9	-10.5					
Average Employee Workweek	15.3	14.4	64.0	15.9	-1.5					
Wage and Benefit Costs	10.6	18.1	73.0	3.8	14.4					
Capital Expenditures – Physical Plant	-3.2	10.2	47.0	11.4	-1.3					
Capital Expenditures – Equipment & Software	7.4	21.4	59.0	9.6	11.8					