

February 2021

*Note: Survey responses were collected from February 8 to February 18.*

Firms responding to the February *Nonmanufacturing Business Outlook Survey* indicated improved conditions in business activity. The indexes for general activity at the firm level, sales/revenues, and new orders all posted increases for the month, with the former two indexes rising into low positive territory. Additionally, the survey's indexes for full-time and part-time employment are positive, with the latter index rising to a positive reading this month. The respondents indicated improved optimism over the next six months, as both future activity indexes increased.

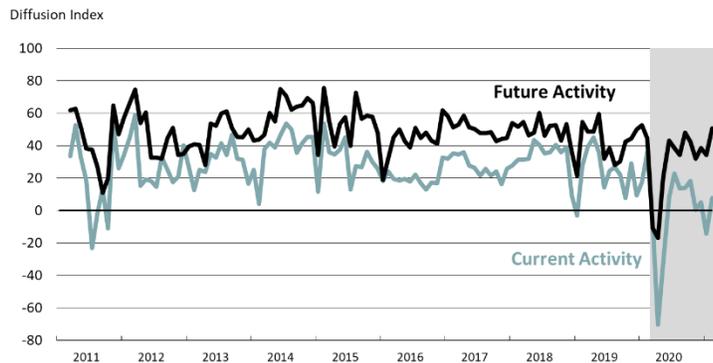
### General Activity Index Rebounds

The diffusion index for current general activity at the firm level turned positive after a negative reading in January, rising from -14.3 last month to 7.5 this month, its highest reading since October. Thirty-three percent of the firms reported increases in activity (up from 23 percent last month), while 26 percent reported decreases (down from 37 percent). The sales/revenues index increased from -11.8 in January to 1.9 this month, its first positive reading since October. Over 32 percent of the firms reported increases in sales/revenues (up from 25 percent last month), while 30 percent reported decreases (down from 37 percent). The new orders index rose 4 points to 4.0 in February. The current regional activity index increased 21 points to 3.9 in February.

### Firms Report Overall Increases in Employment

The firms reported, on balance, increases in full- and part-time employment. The full-time employment index held mostly steady at 2.8. The share of firms reporting increases in full-time employment (12 percent) exceeded the share reporting decreases (10 percent); the majority (72 percent) reported no change. The part-time employment index increased 15 points to 10.0, its first positive reading since September. Most firms reported steady part-time employment (58 percent), while 20 percent of the firms reported increases and 10 percent reported decreases. The average workweek index inched up to 1.0.

**Chart. Current and Future General Activity Indexes for Firms**  
March 2011 to February 2021



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 8 points to 31.6 in February. Regarding prices for the firms' own goods and services, the prices received index increased 11 points to 11.7 this month. While most respondents (56 percent) reported no change in their own prices, 19 percent of the firms reported increases, and 7 percent reported decreases.

### Firms' Forecast for Prices of Own Goods/Services Increases

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

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quarter. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast remained at 2.5 percent. The firms' forecast for the long-run (10-year) inflation rate was also unchanged at 4.0 percent.

### Firms Anticipate Continued Growth

Both future activity indexes suggest more widespread optimism about nonmanufacturing activity over the next six months. The diffusion index for future activity at the firm level rose 16 points, from a reading of 34.3 in January to 50.5 this month (see Chart). Nearly 64 percent of the firms expect an increase in activity (up from 58 percent last month) at their firms over the next six months, compared with 13 percent that expect decreases (down from 24 percent). The future regional activity index increased 19 points to 53.5 in February.

### Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* indicated improved conditions in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, and new orders all increased from last month to positive but low readings. Additionally, the firms reported overall increases in employment. The future activity indexes suggest that respondents expect improvement at their firms and in the region over the next six months. ■

Special Questions (February 2021)		
Please list the annual percent change with respect to the following:		
	Current	Previous (Nov. 2020)
<b>For your firm:</b>		
<i>Forecast for next year (2021Q1–2022Q1)</i>		
1. Prices your firm will receive (for its own goods and services sold).	3.0	2.0
2. Compensation your firm will pay per employee (for wages and benefits).	3.0	3.0
<i>Last year's price change (2020Q1–2021Q1)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	1.0	0.8
<b>For U.S. consumers:</b>		
4. Prices consumers will pay for goods and services over the next year.	2.5	2.5
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2021–2030).	4.0	4.0
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 2021	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?	-17.5	29.6	40.4	25.7	3.9	34.3	64.7	18.0	11.3	53.5
What is your assessment of general business activity for your firm?	-14.3	33.0	38.1	25.5	7.5	34.3	63.8	18.3	13.3	50.5
<b>Company Business Indicators</b>										
New Orders	0.2	25.7	29.2	21.7	4.0	<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 February 18, 2021.				
Sales or Revenues	-11.8	32.2	33.0	30.3	1.9					
Unfilled Orders	-0.1	17.5	32.1	6.5	11.0					
Inventories	-6.0	9.3	24.8	4.5	4.8					
Prices Paid	23.3	35.4	45.0	3.7	31.6					
Prices Received	1.2	19.0	55.6	7.3	11.7					
Number of Employees – Full-Time Permanent	3.1	12.3	71.6	9.5	2.8					
Number of Employees – Part-Time, Temporary, and Contract	-4.8	19.5	57.9	9.5	10.0					
Average Employee Workweek	0.5	17.7	59.6	16.6	1.0					
Wage and Benefit Costs	16.4	29.8	56.8	8.0	21.7					
Capital Expenditures – Physical Plant	-2.1	8.4	52.5	11.1	-2.7					
Capital Expenditures – Equipment & Software	10.7	20.7	41.7	14.2	6.5					