

Note: Survey responses were collected from June 7 to June 17.

Responses to the June *Nonmanufacturing Business Outlook Survey* suggest further strengthening in nonmanufacturing activity in the region. The indicators for firm-level general activity, new orders, and sales/revenues all rose sharply. However, the full-time employment index decreased but remained positive. The respondents expect overall improvement in conditions over the next six months, as both future activity indexes rose.

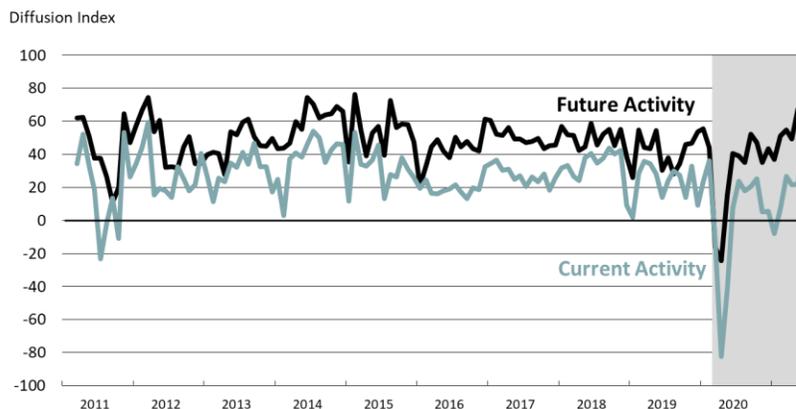
General Activity Index Reaches Long-Term High

The diffusion index for current general activity at the firm level rose sharply from 22.1 in May to 56.7 in June, its highest reading since March 2012 (see Chart 1). Reports of increases in activity were more widespread this month: Over 69 percent of the firms reported increases (up from 47 percent last month), while 13 percent reported decreases (down from 25 percent last month). The new orders index rose 11 points to 27.4 in June, and the sales/revenues index rose from 13.8 in May to 41.0 in June, its highest reading since March 2019. Over 54 percent of the firms reported increases in sales/revenues (up from 43 percent last month), while 14 percent reported decreases (down from 29 percent). The regional activity index increased 23 points to 59.6.

Employment Indicators Soften

The full-time employment index fell 20 points to 4.3 in June after rising 17 points last month. Nearly 20 percent of the firms reported increases in full-time employment (down from 32 percent last month), while 15 percent reported decreases (up from 8 percent). Most firms (58 percent) reported stable full-time employment. The part-time employment index decreased 8 points to 1.3. The majority of firms reported steady part-time employment (67 percent), while 11 percent of the firms reported increases and 10 percent reported decreases. The wages and benefits indicator rose 12 points to 42.6, and the average workweek index rose 9 points to 20.7.

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

Price Increases Remain Widespread

After reaching its all-time high in May, the prices paid index mostly held steady in June at 49.0 (see Chart 2). Forty-nine percent of the firms reported increases, none reported decreases, and 33 percent of the firms reported stable input prices. Regarding prices for the firms' own goods and services, the prices received index rose 12 points to 28.9 in June, its highest reading since June 2018. While 30 percent of the firms reported increases in prices received, only 1 percent reported decreases. Nearly 51 percent of the firms reported no change in prices for their own goods and services.

Firms Report Higher Sales/Revenues and Labor Supply Issues

In this month's special questions, the firms were asked to estimate their total sales/revenues growth for the second quarter ending this month compared with the first quarter of 2021 (see Special Questions on page 3). The share of firms reporting expected increases in second-quarter sales/revenues (68 percent) was greater than the share reporting decreases (18 percent), and the median response was an increase of 0

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to 5 percent. Among factors constraining current business operations, nearly 41 percent of the firms reported labor supply issues, 38 percent reported supply chain issues, and 30 percent reported COVID-19 mitigation measures.

Future Indicators Strengthen

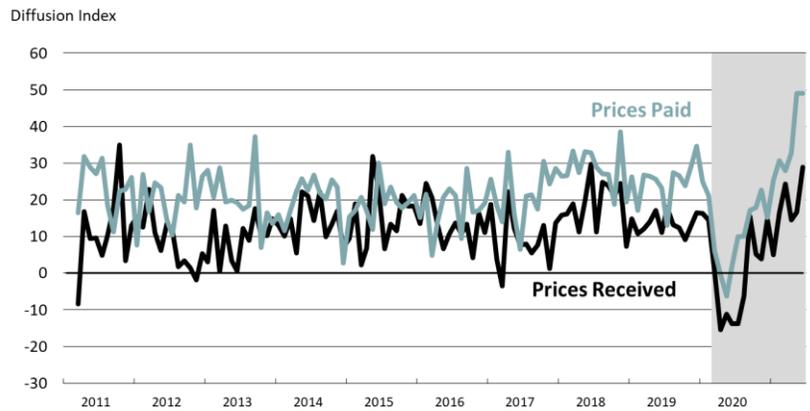
Both future activity indexes suggest that the respondents expect overall improvement in nonmanufacturing activity over the next six months, with both series reaching levels near their long-term highs. The diffusion index for future activity at the firm level increased from a reading of 67.1 in May to 74.0 this month (see Chart 1), its highest reading since February 2015. The future regional activity index rose 4 points to 70.7 in June, its highest reading since March 2012.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest further improvement in non-manufacturing activity in the region. The indicators for firm-level general activity, new orders, and sales/revenues all rose sharply; however, the full-time employment index fell but remained positive. 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 June 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.

| NONMANUFACTURING BUSINESS OUTLOOK SURVEY June 2021 | June vs. May | | | | | Six Months from Now vs. June | | | | |
|--|--------------------------------|----------|--------------|----------|--------------------|---|----------|--------------|----------|--------------------|
| | 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? | 36.9 | 66.4 | 23.0 | 6.8 | 59.6 | 66.6 | 79.1 | 9.1 | 8.4 | 70.7 |
| What is your assessment of general business activity for your firm? | 22.1 | 69.3 | 15.5 | 12.5 | 56.7 | 67.1 | 82.1 | 6.7 | 8.2 | 74.0 |
| Company Business Indicators | | | | | | | | | | |
| New Orders | 16.5 | 37.9 | 27.8 | 10.5 | 27.4 | 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 because of rounding, omission by respondents, or both. (4) Survey results reflect data received through June 17, 2021. | | | | |
| Sales or Revenues | 13.8 | 54.4 | 28.6 | 13.5 | 41.0 | | | | | |
| Unfilled Orders | 12.8 | 19.1 | 26.3 | 3.2 | 15.9 | | | | | |
| Inventories | 0.6 | 9.2 | 17.0 | 3.2 | 6.0 | | | | | |
| Prices Paid | 49.1 | 49.0 | 32.7 | 0.0 | 49.0 | | | | | |
| Prices Received | 16.6 | 30.0 | 50.7 | 1.1 | 28.9 | | | | | |
| Number of Employees – Full-Time Permanent | 24.0 | 19.6 | 57.8 | 15.3 | 4.3 | | | | | |
| Number of Employees – Part-Time, Temporary, and Contract | 9.4 | 10.9 | 66.6 | 9.6 | 1.3 | | | | | |
| Average Employee Workweek | 11.9 | 27.3 | 59.3 | 6.6 | 20.7 | | | | | |
| Wage and Benefit Costs | 30.8 | 42.7 | 49.4 | 0.1 | 42.6 | | | | | |
| Capital Expenditures – Physical Plant | 19.4 | 19.9 | 45.1 | 4.7 | 15.3 | | | | | |
| Capital Expenditures – Equipment & Software | 25.6 | 27.9 | 54.6 | 2.4 | 25.5 | | | | | |

| Special Questions (June 2021) | | |
|---|------------|---|
| 1. How will your firm's total sales/revenues for the second quarter of 2021 compare with those of the first quarter ? | | |
| An increase of: | % of firms | Subtotals |
| 20% or more | 10.6 | % of firms reporting an increase: 68.2 |
| 15–20% | 3.0 | |
| 10–15% | 4.5 | |
| 5–10% | 24.2 | |
| 0–5% | 25.8 | |
| No change | 13.6 | |
| A decline of: | | |
| 0–5% | 3.0 | % of firms reporting a decrease: 18.2 |
| 5–10% | 0.0 | |
| 10–15% | 4.5 | |
| 15–20% | 3.0 | |
| 20% or more | 7.6 | |

| | |
|---|----------------|
| 2. Have any of the factors below acted as constraints on business operations this quarter?* | |
| | % of Reporters |
| Labor issues | 40.8 |
| Supply chain issues | 38.2 |
| COVID-19 mitigation measures (e.g., reduced operations, dis- tancing) | 30.3 |
| Other factors | 14.5 |
| *Percentages will not add to 100 because more than one action could be selected. | |