

Regional nonmanufacturing activity rose in March, according to firms responding to this month's *Nonmanufacturing Business Outlook Survey*.

Although the survey's indexes for current general activity at the firm level and employment fell from last month, both indicators remained positive. The sales and new orders indexes improved, and most firms reported steady prices overall. Survey respondents continue to be optimistic about business activity at their own firms and in the region over the next six months.

Firms Reported Modest Increases in Activity

The diffusion index for current activity at the firm level was positive but fell from 25.6 in February to 17.5 in March, its lowest level since July 2015 (see Chart 1). The historical average for this index is 29.5. Forty-one percent of the respondents reported an increase in firm-level activity in March compared with 46 percent in February. The percentage of firms reporting a decrease in firm-level activity rose 3 points, to 23. The diffusion index for current general activity in the region increased 10 points, to 13.9. The historical average for this index is 23.5. The percentage of firms reporting an increase in regional activity rose from 29 percent in February to 33 percent in March, and the percentage of firms reporting a decrease fell from 25 percent to 19 percent.

Sales and New Orders Improved

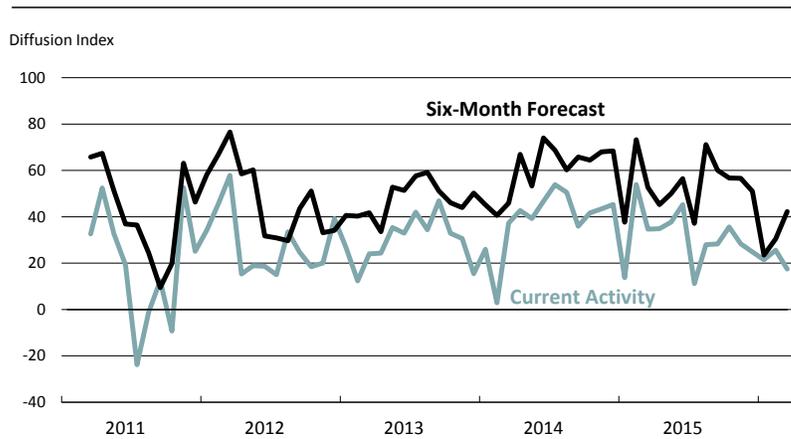
The sales/revenues index rose 10 points, to 19.0, in March, suggesting continued demand for the goods and services produced by the responding firms (see Chart 2). A smaller percentage of respondents reported decreases in sales this month (25 percent) compared with last month (31 percent), and the percentage of respondents who reported an increase in sales rose from 40 percent to 44 percent. The new orders index increased 2 points, to 17.0. However, the percentage of firms reporting no change in new orders fell 6 points, and the percentage of firms reporting a decline in new orders rose 1 point. The unfilled orders index rose 3 points, to 5.7.

Employment Conditions Weakened

The results from the March survey suggest weakening labor market conditions. The full-time employment index fell 5 points, to 6.1, its lowest reading since July 2015. Although 65 percent of

Chart 1. Current and Future General Activity Indexes for Firms

March 2011 to March 2016



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.

the firms reported no change in full-time staff, the percentage of firms that reported a decrease rose from 7 percent in February to 15 percent in March. Compared with the full-time employment index, the part-time employment index fell by a greater amount, from 20.1 to 8.8. The workweek index decreased 17 points, to 6.0, and the wages and benefits index fell 15 points, to 19.0. Although these employment indicators show a decline from February's readings, they remain positive; most firms reported no change in their responses to the employment section of the survey.

Firms Reported Steady Prices

The prices paid index decreased from 18.9 in February to 3.2 in March. Nonetheless, the percentage of firms reporting increases in input prices this month (8 percent) was larger than the percentage of firms reporting decreases (5 percent). Seventy-one percent of the firms reported no change in prices, up from 65 percent last month. Firms also reported little change in prices received for their own goods and services. The percentage of firms reporting no change in prices received rose from 51 percent to 59 percent, and the corresponding index rose only 1 point, to 23.5.

Overall Increases in Capital Spending Continued

The index for physical plant spending rose 9 points, to 27.6. Thirty percent of the respondents reported increases in plant



spending, up from 24 percent last month. Only 3 percent of the firms decreased plant spending. The index for capital spending on equipment and software rose to 22.0, as the share of firms reporting increases rose by 6 points, to 30 percent. Only 8 percent of the firms decreased equipment spending.

Optimism for Future Activity Remained High

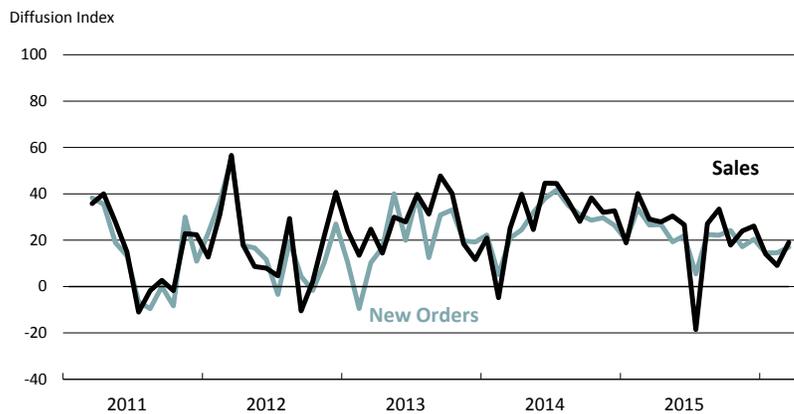
Respondents to the survey continue to be highly optimistic about future activity over the next six months. The firm-level future activity index was 42.2, up 12 points from last month. The historical average for this index is 49.7. Fifty-seven percent of the respondents expect activity to increase at their firms, while 15 percent expect activity to decrease. The regional future activity index was 32.9, up 19 points from last month. The historical average for this index is 44.1. Forty-eight percent of the respondents expect activity to increase in the region, and similar to the firm-level future activity index, 15 percent of the respondents expect activity to decrease.

Summary

Results from the *Nonmanufacturing Business Outlook Survey* suggest continued expansion in the region among nonmanufacturing firms. Index readings for general activity in

Chart 2. New Orders and Sales Indexes

March 2011 to March 2016



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.

the region, sales, and new orders increased from last month. Although indicators for employment fell, firms remain optimistic about future growth and the demand for their services and products. ■

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The next *Nonmanufacturing Business Outlook Survey* will be released on April 26, 2016.

NONMANUFACTURING BUSINESS OUTLOOK SURVEY March 2016	March vs. February					Six Months from Now vs. March				
	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	33.2	42.4	19.3	13.9	13.7	48.2	33.3	15.3	32.9
What is your assessment of general business activity for your firm?	25.6	40.9	35.6	23.5	17.5	30.5	57.3	27.6	15.1	42.2
Company Business Indicators										
New Orders	14.6	38.7	20.5	21.7	17.0	NOTES: (1) Items may not add up to 100 percent because of omission by respondents. (2) All items are seasonally adjusted. (3) Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease. (4) Survey results reflect data received through March 17, 2016.				
Sales or Revenues	9.1	44.3	28.6	25.3	19.0					
Unfilled Orders	2.6	12.2	28.4	6.5	5.7					
Inventories	-0.5	11.7	20.5	3.4	8.3					
Prices Paid	18.9	7.8	71.4	4.6	3.2					
Prices Received	22.4	26.4	59.5	2.9	23.5					
Number of Employees – Full-time Permanent	11.1	20.7	64.7	14.6	6.1					
Number of Employees – Part-time, Temporary, and Contract	20.1	24.6	52.9	15.8	8.8					
Average Employee Workweek	23.2	20.6	64.5	14.7	6.0					
Wage and Benefit Costs	34.3	29.8	59.5	10.7	19.0					
Capital Expenditures – Physical Plant	18.6	30.5	41.0	2.9	27.6					
Capital Expenditures – Equipment & Software	17.0	29.8	45.0	7.8	22.0					