

Firms responding to April's *Nonmanufacturing Business Outlook Survey* reported that growth in regional nonmanufacturing activity remains positive with no perceptible change in the diffusion index for current activity at the firm level. The diffusion index for current activity in the region was also unchanged. The individual indicators were mixed: The sales/revenues and new orders indexes declined, while the indexes for employment were steady. The diffusion indexes for future activity rose, showing that the responding firms are optimistic about activity increasing in the region over the next six months and even more optimistic about their own firms' prospects.

### Modest Growth Continues

The diffusion index for current activity at the firm level stands at 17.8, virtually unchanged from its March reading (see Chart). The proportion of respondents reporting no change in activity at their firms this month rose 3 points, to 39 percent. The diffusion index for current activity for the region also held steady at 13.5 in April, as the proportion of firms reporting no change in regional activity rose 8 points, to 50 percent. The index for current activity at the firm level has been below its historical average of 29.3 for six consecutive months, and the index for current activity for the region has been below its historical average of 23.3 for four consecutive months. The current index values suggest that modest growth continues for nonmanufacturers in the region.

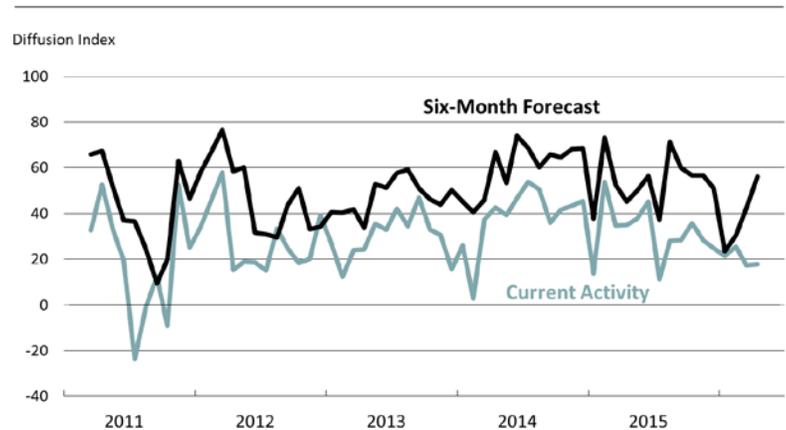
### Growth in New Orders and Sales Slowed

In April, the new orders index fell 3 points, to 13.9, and the sales/revenues index fell 9 points, to 9.6. These changes were largely driven by a decline in the share of firms reporting an increase in both orders and sales. The historical averages for these indexes are 20.0 and 22.5, respectively. The unfilled orders index held relatively steady at 6.2, which is near its historical average of 5.4.

### Employment Conditions Were Steady

The full-time employment index rose 1 point, to 7.5. The share of firms reporting no change in full-time employment stands at 65 percent. The part-time employment index rose 2 points, to 10.5, and the share of firms reporting no change in part-time employment rose 9 points, to 62 percent. The workweek index rose 19 points, to 24.8. A higher share of firms reported an

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

increase in the workweek, from 21 percent in March to 36 percent in April, with a corresponding 15 percent decline in the share of firms reporting no change in the workweek. The index for wages and benefits rose 21 points, to 40.3. Overall, responses to the survey indicate steady conditions for labor demand in April.

### Inflation Signals Were Mixed

The prices paid index rose 8 points, to 10.9, but remains below its historical average of 20.1. Twenty percent of the firms reported higher prices paid in April, up 12 points from March. The prices received index fell 10 points, to 13.9, and is slightly above its historical average of 12.2. The share of firms reporting an increase in prices received fell 8 points, to 18 percent.

### Overall Capital Spending Slowed, Cybersecurity Spending Rose

The diffusion index for capital expenditures on equipment and software fell from 22.0 in March to 20.4 in April. The diffusion index for capital expenditures on physical plant fell 11 points, to 16.1, as the share of firms reporting an increase in capital expenditures fell from 30 percent to 21 percent this month. Firms also were asked about their spending related to security and regulatory compliance in this month's special questions. Sixty-nine percent of the responding firms reported higher spending for cybersecurity/network security, 51 percent reported higher spending for physical security, and 54 percent



reported higher spending for regulatory compliance. In terms of total capital spending, the median responses showed that firms devote an equal share (5 percent) to both cybersecurity and regulatory compliance.

### Optimism About the Future Is High

The respondents to this month's survey remain optimistic about future activity over the next six months. The diffusion index for future activity at the individual firm level was 56.0 in April, an increase of 14 points from March. Only 7 percent of the respondents foresee lower activity at their firms over the next six months. At the regional level, the future activity diffusion index was 35.2 in April, a 2 point increase from 32.9 in March. The historical average for future activity at the firm level is 49.8, and the historical average for future activity for the region is 44.0. While respondents are optimistic about the prospects for the region, they are more optimistic about the prospects for their individual firms.

### Summary

Results from the April *Nonmanufacturing Business Outlook Survey* suggest continued expansion in the region among nonmanufacturing firms. Although the sales and new orders indicators weakened, the employment indicators suggest a steady labor market. Firms are particularly optimistic about their own growth over the next six months. ■

<b>Special Questions (April 2016)</b>	
<b>1. How has your company's total spending for the following categories changed over the past few years?</b>	
<i>Data and Network Security</i>	Percent*
Decreased	1.9
No Change	29.6
Increased	68.5
<i>Physical Security</i>	Percent*
Decreased	1.9
No Change	47.2
Increased	50.9
<i>State and Federal Regulatory Compliance</i>	Percent*
Decreased	3.7
No Change	42.6
Increased	53.7
<b>2. What percentage of current capital spending does your company devote to the same categories?</b>	
	Median
Data and Network Security	5.0
Physical Security	2.8
Regulatory Compliance	5.0
*Totals may not sum to 100 percent due to rounding.	

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The next *Nonmanufacturing Business Outlook Survey* will be released on May 24, 2016.

<b>NONMANUFACTURING BUSINESS OUTLOOK SURVEY April 2016</b>	<b>April vs. March</b>					<b>Six Months from Now vs. April</b>				
	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	<b>Diffusion Index</b>	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	<b>Diffusion Index</b>
What is your assessment of general business activity for the region?	13.9	31.5	50.4	18.1	<b>13.5</b>	32.9	45.7	33.6	10.4	<b>35.2</b>
What is your assessment of general business activity for your firm?	17.5	39.5	38.8	21.7	<b>17.8</b>	42.2	62.8	28.7	6.7	<b>56.0</b>
<b>Company Business Indicators</b>										
New Orders	17.0	33.7	38.5	19.8	<b>13.9</b>	<b>NOTES:</b> (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 April 21, 2016.				
Sales or Revenues	19.0	32.1	42.3	22.5	<b>9.6</b>					
Unfilled Orders	5.7	11.6	22.4	5.4	<b>6.2</b>					
Inventories	8.3	7.5	20.8	1.0	<b>6.5</b>					
Prices Paid	3.2	19.9	53.6	9.0	<b>10.9</b>					
Prices Received	23.5	18.5	57.0	4.6	<b>13.9</b>					
Number of Employees – Full-time Permanent	6.1	18.9	65.1	11.5	<b>7.5</b>					
Number of Employees – Part-time, Temporary, and Contract	8.8	21.3	61.9	10.7	<b>10.5</b>					
Average Employee Workweek	6.0	35.7	49.9	10.9	<b>24.8</b>					
Wage and Benefit Costs	19.0	40.3	54.2	0.0	<b>40.3</b>					
Capital Expenditures – Physical Plant	27.6	20.6	47.2	4.5	<b>16.1</b>					
Capital Expenditures – Equipment & Software	22.0	25.7	47.9	5.3	<b>20.4</b>					