

Business activity continued to expand in July, according to firms responding to this month's *Nonmanufacturing Business Outlook Survey*. The survey's broadest index of general activity for firms edged slightly higher this month. Firms reported improved growth in new orders and sales/revenues. Employment indexes suggest continued expansion in overall employment, especially for part-time employees. Overall expectations for growth over the next six months showed notable improvement this month.

Current Indicators Suggest Improvement in Overall Business

The diffusion index for general activity at the firm level increased slightly, from 17.6 in June to 20.3 in July, and is now at its highest reading in five months (see Chart 1). The index, however, remains below its historical average reading of 28.8. The firm-level indicators for new orders and sales/revenues increased notably in July. The new orders index increased 20 points to 29.6, its highest reading since February 2015. Nearly 39 percent of the firms indicated an increase in orders in July, compared with 30 percent last month. The firm-level sales/revenues index also improved, increasing 7 points to a reading of 22.2. Thirty-six percent of the firms indicated an increase in sales/revenues in July.

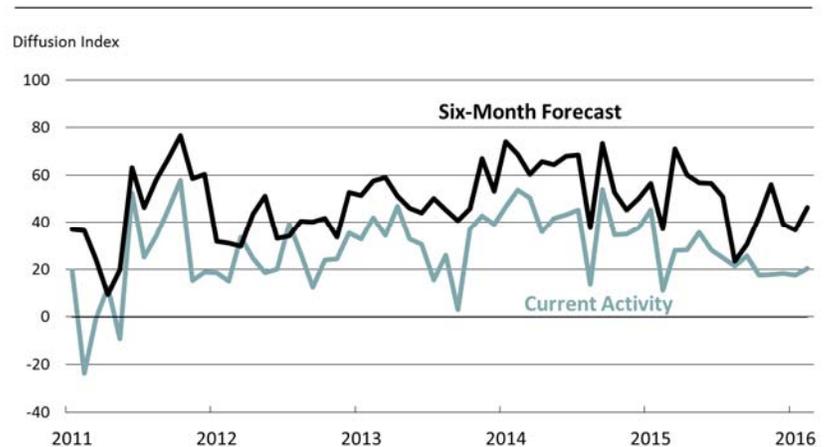
Firms also perceived an improvement in regional economic conditions in July. The regional business activity index increased sharply, from 10.8 in June to 28.8 in July. The index is now slightly higher than its historical average of 22.9.

Firms Report Expansion of Part-Time Employment

Although the largest percentage of firms (57 percent) reported no change in full-time employment, the percentage of firms reporting higher employment (17 percent) was slightly larger than the percentage reporting lower employment (15 percent). The full-time employment index remained positive but fell from a reading of 18.3 in June to 1.9 in July. Part-time employment expanded among reporting firms. Over 32 percent of the firms reported hiring more part-time employees in July. The part-time employment index increased 12 points, to 22.0.

Chart 1. Current and Future General Activity Indexes for Firms

March 2011 to July 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.

Firms Continue to Report Price Increases

Firms continued to report price increases for their own products and for the prices paid for inputs. Over 29 percent of the firms reported paying higher prices for inputs, about the same percentage as in June. The prices paid index decreased 2 points, to 23.3, but remains above its historical average of 20.2. With respect to their own prices, 17 percent of the firms reported higher prices in July, and the prices received index edged 2 points higher, to 12.9, slightly above its historical average of 12.0.

Seasonal Factors Matter for Many

In this month's special questions, firms were asked to assess the importance of seasonal variation in business (see Table 1). They were also asked to identify months with higher- or lower-than-normal activity and whether seasonal factors have changed in importance over time. Thirty-eight percent of the responding firms reported that seasonal factors are significant. Fifty-four percent of the firms indicated that seasonal factors have not changed over time. The percentage of firms indicating that seasonal factors have become less

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important over time (19 percent) was slightly larger than the percentage of firms reporting that these factors have become more important over time (13 percent). Firms' overall responses indicated seasonal increases in activity in the spring and fall and decreases in activity in midsummer (July and August, in particular), and during the winter months.

Firms' Forecasts for Future Growth Improve

The respondents to this month's survey were more optimistic about future activity over the next six months. The diffusion index for future activity at the individual firm level increased 10 points, to 46.3 — its highest reading in three months (see Chart 1). Optimism about growth in the region also improved markedly. The future regional activity index increased 16 points, to 43.0, its highest level in eight months.

Summary

Results from the July *Nonmanufacturing Business Outlook Survey* suggest continued business expansion among the region's nonmanufacturing firms. The survey's indicators for sales/revenues and new orders improved most notably. Overall employment grew among the reporting firms, with more firms reporting increases in part-time workers than reporting increases in full-time employees. Firms' six-month forecasts were notably more optimistic this month. ■

	Percent of Respondents
1. How important are seasonal factors in your monthly production levels?	
Significant	38
Not significant	53
2. Have seasonal factors become more or less important for your business over time?	
More important	13
Less important	19
No difference over time	54
Not applicable	14
Note: Percentages may not sum to 100 due to omission by respondents, rounding, or both.	

NONMANUFACTURING BUSINESS OUTLOOK SURVEY July 2016	July vs. June					Six Months from Now vs. July				
	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index
What is your assessment of general business activity for the region?	10.8	35.2	49.4	6.4	28.8	26.8	50.8	35.0	7.8	43.0
What is your assessment of general business activity for your firm?	17.6	36.1	48.2	15.7	20.3	36.7	53.9	38.4	7.7	46.3
Company Business Indicators										
New Orders	9.4	38.6	36.0	9.0	29.6	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 percent because of rounding, omission by respondents, or both. (4) Survey results reflect data received through July 21, 2016.				
Sales or Revenues	15.0	36.0	44.1	13.9	22.2					
Unfilled Orders	2.6	10.9	28.6	6.1	4.8					
Inventories	0.6	7.2	26.9	0.5	6.7					
Prices Paid	25.7	29.1	53.8	5.9	23.3					
Prices Received	10.5	16.5	60.4	3.6	12.9					
Number of Employees – Full-time Permanent	18.3	17.0	56.9	15.0	1.9					
Number of Employees – Part-time, Temporary, and Contract	10.3	32.1	57.9	10.1	22.0					
Average Employee Workweek	8.9	18.0	59.6	10.7	7.3					
Wage and Benefit Costs	26.7	37.7	59.0	3.3	34.4					
Capital Expenditures – Physical Plant	12.8	26.5	46.1	7.0	19.6					
Capital Expenditures – Equipment & Software	27.7	39.5	47.8	6.2	33.3					