

The November *Nonmanufacturing Business Outlook Survey* suggests that business activity continued to expand at a modest pace. The survey's firm-level indicator of general activity remained steady, while the indexes for new orders and sales/revenues increased. The employment indexes suggest expansion in employment for both full-time and part-time employees. Overall, expectations for growth over the next six months show optimism.

Current Indicators Signal Growth in Overall Activity

Firms indicated modest growth in current business activity. The diffusion index for general activity at the firm level edged down, from 16.3 in October to 15.6 in November (see Chart 1). Nearly 41 percent of the firms reported an increase in activity at their firm, while 25 percent reported a decrease. The index remains below its historical average of 28.1. However, firms signaled a weakening in their perception of current regional economic activity. The regional activity index fell nearly 11 points, to 10.6, after averaging 19 points over the previous six months. The regional general activity index is now 11 points below its historical average of 22.8.

The sales/revenues index increased 11 points, to 17.2. Thirty-nine percent of the firms indicated an increase in sales/revenues in November, compared with 32 percent last month. Meanwhile, the percentage of firms reporting a decrease in sales/revenues fell from 26 percent to 22 percent. Additionally, new orders experienced gains, rising 7 points to 12.6.

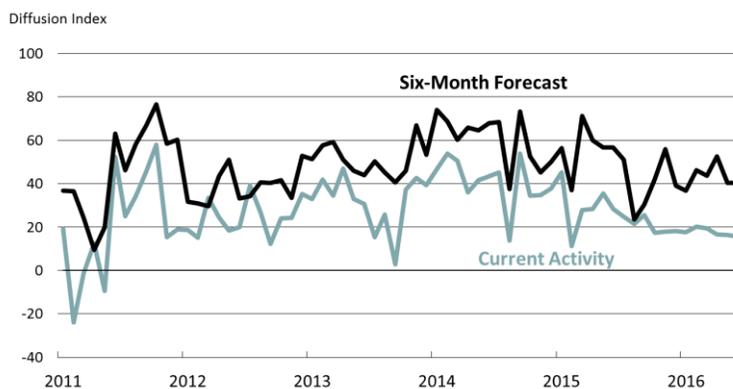
Full-Time and Part-Time Employment Expands

The full-time employment index rose 6 points, to 14.3, slightly above its historical average of 14.1. More than 27 percent of the firms reported an increase in full-time employment, compared with 20 percent in October. The part-time employment index increased 13 points, to 9.4, after two months in negative territory. Only 5 percent of the firms reported a decrease in part-time employment this month, compared with 15 percent in October.

Firms Report Pickup in Prices Received

Price increases for firms' inputs and own products accelerated modestly from October. More than 21 percent of the firms reported higher prices for inputs in November, the same per-

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

centage as in October. The prices paid index rose 2 points, to 16.5, still below its historical average of 20.1. With respect to their own prices, 23 percent of the firms reported higher prices in November, compared with 15 percent in October. The prices received index increased 15 points, to 17.9, beyond its historical average of 12.

Firms' Own Prices Expected to Be Higher than the Rate of Inflation

In this month's special questions, 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). The median forecast was for an increase in their own prices of 2.8 percent, up from a 2.5 percent forecast in the third quarter when the same questions were last asked. When asked about the average rate of inflation for U.S. consumers over the next year, the median response was 2 percent, down from 2.5 percent last quarter. Additionally, firms forecast an increase in compensation per employee of 3 percent over the next year, the same value reported in the third quarter. Firms expect the average rate of inflation for U.S. consumers over the next 10 years to be 3 percent, up from 2.5 percent last quarter.

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The next *Nonmanufacturing Business Outlook Survey* will be released on December 20, 2016.



Forecasts for Future Growth Remain Optimistic

The respondents to this month's survey remained optimistic about future activity over the next six months. Nearly 54 percent of the firms expect increases in activity at their firms over the next six months, and only 13 percent expect decreases. The diffusion index for future activity at the firm level remained unchanged at 40.4 percent (see Chart 1). Forecasts for growth in the region dampened slightly but remain optimistic overall. The future regional activity index decreased 3 points, to 34.2.

Summary

Results from the *Nonmanufacturing Business Outlook Survey* suggest continued business expansion in November. Though the indicator for firm-level general activity edged down, indicators for new orders and sales/revenues rose above their positive readings from October. Employment grew among the reporting firms, for both full-time and part-time employees. Firms' six-month forecasts remained optimistic. ■

Special Questions (November 2016)		
Over the next year (2016:Q4 to 2017:Q4), please list your expected annual percent change with respect to the following:		
	Percent Change over Next Year*	
	Fourth Quarter Forecast	Third Quarter Forecast
1. For your firm:		
Prices your firm will receive (for its own goods and services sold).	2.8	2.5
Compensation your firm will pay per employee (for wages and benefits).	3.0	3.0
2. For your employees:		
Prices your employees will pay (for goods and services where they live).	2.0	2.0
3. For U.S. consumers:		
Prices U.S. consumers will pay (for goods and services).	2.0	2.5
For the next 10 years (2016 through 2025), what is your expected annual average percent change with respect to the following:		
4. For U.S. consumers:		
Prices U.S. consumers will pay (for goods and services).	3.0	2.5
* Numbers represent median forecasts.		

NONMANUFACTURING BUSINESS OUTLOOK SURVEY November 2016	November vs. October					Six Months from Now vs. November				
	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?	21.3	34.2	34.9	23.6	10.6	37.9	49.3	34.5	15.1	34.2
What is your assessment of general business activity for your firm?	16.3	40.9	31.3	25.3	15.6	40.4	53.7	32.4	13.3	40.4
Company Business Indicators										
New Orders	5.7	34.4	20.1	21.8	12.6	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 November 17, 2016.				
Sales or Revenues	6.0	39.3	32.9	22.0	17.2					
Unfilled Orders	5.4	9.8	35.8	6.6	3.2					
Inventories	7.6	8.7	25.4	3.1	5.6					
Prices Paid	15.0	21.1	62.8	4.6	16.5					
Prices Received	3.3	23.1	60.0	5.2	17.9					
Number of Employees – Full-time Permanent	8.5	27.1	54.0	12.8	14.3					
Number of Employees – Part-time, Temporary, and Contract	-3.9	14.5	69.8	5.1	9.4					
Average Employee Workweek	3.9	21.3	67.8	2.9	18.3					
Wage and Benefit Costs	40.5	30.9	57.1	5.1	25.7					
Capital Expenditures – Physical Plant	12.3	17.2	43.0	5.3	11.9					
Capital Expenditures – Equipment & Software	25.9	25.4	46.1	7.3	18.1					