

Responses to the April *Nonmanufacturing Business Outlook Survey* suggested continued but moderated improvement in regional nonmanufacturing activity. The firm-level general activity index edged down, and the indicators for new orders, sales/revenues, and full-time employment remained positive but decreased from last month's readings. The survey's indexes for future activity also decreased but continued to suggest that firms expect growth over the next six months.

Firms Report Overall Growth

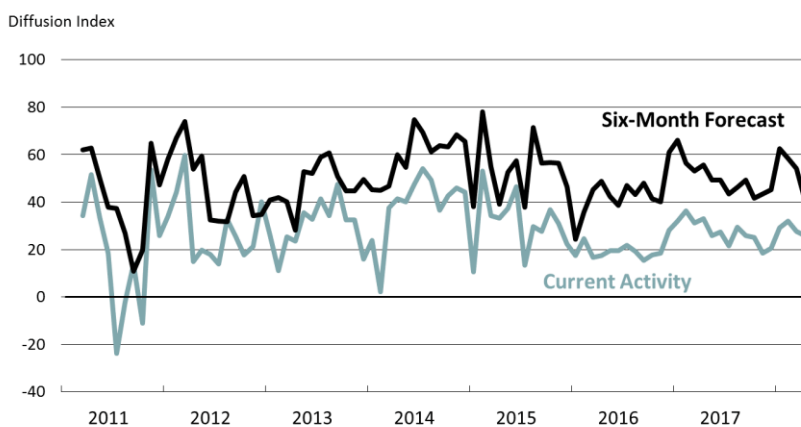
The survey's current indicators suggested continued growth in regional nonmanufacturing activity. The diffusion index for general activity at the firm level edged down from 27.6 in March to 26.0 in April (see Chart 1). Nearly 50 percent of the respondents reported increases in activity, while 24 percent reported decreases. The new orders and sales/revenues indexes declined notably, as more firms reported decreases in each indicator this month compared with last month. The new orders index fell 19 points to 12.5, after increasing 15 points last month. Almost 38 percent of the firms reported increases in new orders, compared with 25 percent that reported decreases. The sales/revenues index decreased for the second consecutive month, from 24.0 to 13.5. The share of firms reporting increases in sales/revenues (48 percent) exceeded the share of firms reporting decreases (35 percent). The index for general activity in the region decreased slightly, from 30.1 to 27.6.

Indicators for Employment Decline

The survey's labor market indicators moderated in April. The full-time employment index decreased for the first time since January 2018, falling 7 points to 15.8 this month. More than one-quarter of the respondents reported increases in full-time employment, compared with 10 percent that reported decreases. The part-time employment index decreased 11 points to 8.7, and the workweek index fell 17 points to 13.1. The wage and benefit cost index also decreased, from 40.9 in March to 28.3 in April.

Chart 1. Current and Future General Activity Indexes for Firms

March 2011 to April 2018



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 Report Overall Price Increases

Firms continued to report overall increases in prices for inputs and for their own goods and services, but both the prices paid and prices received indexes retreated from their March readings. The prices paid index decreased from 36.7 in March to 26.0 in April (see Chart 2). Nearly 28 percent of the firms reported paying higher prices, while only 2 percent reported paying lower prices; 57 percent reported no change in input prices. The index for prices received also decreased, from 18.9 in March to 12.1 in April. Almost 14 percent of the firms reported higher prices for their own goods and services, compared with only 2 percent that reported lower prices; a majority of firms (76 percent) reported no change in prices received.

Capital Expenditures Remain Positive

The indexes for capital spending decreased in April. The index for equipment and software spending fell 7 points to 27.7. More than 33 percent of the firms reported an increase in equipment and software spending, while only 6 percent reported a decline. The index for plant spending inched down 1 point to 20.5 in April.

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The next *Nonmanufacturing Business Outlook Survey* will be released on May 22, 2018.



Firms Expect Growth to Continue

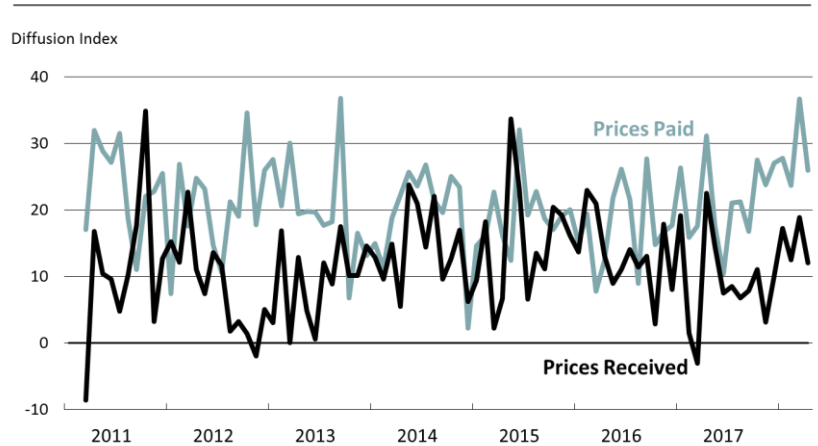
The respondents remained optimistic overall about activity over the next six months, despite declines in the future activity indexes. The diffusion index for future activity at the firm level decreased for the third consecutive month, falling 13 points to 40.8 (see Chart 1). Almost 56 percent of the firms expect higher activity over the next six months, compared with 15 percent that expect a decline. The future regional activity index also decreased this month, from 49.7 to 41.5.

Summary

The results from this month's *Nonmanufacturing Business Outlook Survey* suggest continued but moderated improvement in regional nonmanufacturing activity. The firm-level general activity index edged down, and the indicators for new orders and sales/revenues fell more sharply but remained positive. Responding firms continued to report overall increases in full-time employment and remain optimistic about growth over the next six months. ■

Chart 2. Prices Paid and Prices Received Indexes

March 2011 to April 2018



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 April 2018	April vs. March					Six Months from Now vs. April				
	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?	30.1	38.8	45.8	11.2	27.6	49.7	51.5	33.4	10.0	41.5
What is your assessment of general business activity for your firm?	27.6	49.8	25.9	23.8	26.0	54.1	55.6	27.7	14.8	40.8
Company Business Indicators										
New Orders	31.9	37.5	15.7	25.0	12.5	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 April 19, 2018.				
Sales or Revenues	24.0	48.1	15.4	34.6	13.5					
Unfilled Orders	9.5	10.3	25.4	2.2	8.0					
Inventories	2.3	5.7	16.9	5.7	0.1					
Prices Paid	36.7	27.7	56.8	1.8	26.0					
Prices Received	18.9	13.6	75.5	1.5	12.1					
Number of Employees – Full-Time Permanent	22.6	25.5	56.8	9.7	15.8					
Number of Employees – Part-Time, Temporary, and Contract	19.5	21.1	58.7	12.4	8.7					
Average Employee Workweek	29.9	26.4	55.9	13.2	13.1					
Wage and Benefit Costs	40.9	29.4	69.4	1.1	28.3					
Capital Expenditures – Physical Plant	21.6	22.7	44.1	2.3	20.5					
Capital Expenditures – Equipment & Software	35.1	33.5	51.8	5.9	27.7					