



January 2019

Responses to the January *Nonmanufacturing Business Outlook Survey* suggest continued moderation in nonmanufacturing activity in the region. The indexes for general activity at the firm level, new orders, sales/revenues, and full-time employment all fell for the second consecutive month. The firms continued to report overall increases in prices of both their own goods and their inputs. Overall, the firms continue to expect growth over the next six months, although optimism is less widespread.

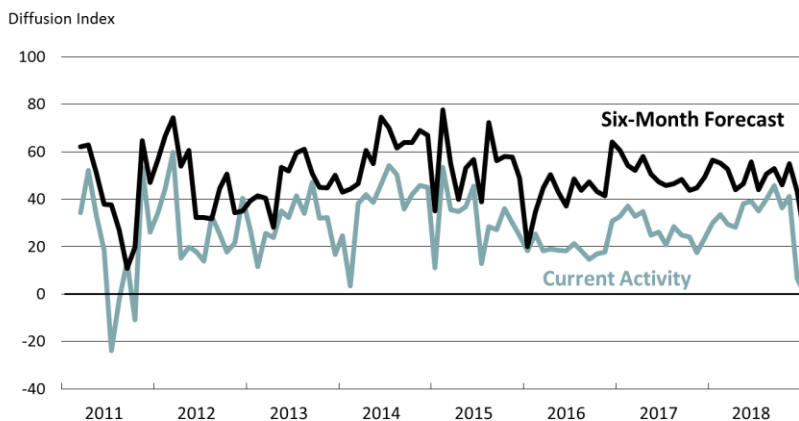
Current Indicators Weaken Further

The diffusion index for current general activity at the firm level fell from a revised reading of 6.4 in December to -0.2 in January (see Chart 1).^{*} This is its first negative reading since October 2011; the index has fallen 41 points since November. Roughly similar percentages of firms reported increases in activity and decreases in activity; however, the share of firms reporting decreases has more than doubled since November. The new orders index fell 21 points to -3.1, its first negative reading since February 2013. The share of firms reporting increases in new orders (23 percent) fell below the share reporting decreases (26 percent). The sales/revenues index fell 12 points to 3.9 in January. Nearly 35 percent of the responding firms reported increases in sales/revenues, while 31 percent reported decreases. Matching the decline of the firm-level index, the regional activity index fell 7 points to 1.0.

Full-Time Employment Index Remains Positive

The firms continued to report overall increases in full-time employment, although most firms noted steady employment levels. The full-time employment index fell slightly from a revised reading of 11.8 in December to 9.4 in January. Although most firms (59 percent) continue to report steady full-time employment levels, the share of firms reporting increases (22 percent) was higher than the share reporting decreases (12 percent). The part-time employment index fell 5 points to 5.6, while the wages and benefits indicator edged down 1 point to 29.8. The average workweek index fell 20 points to 5.2, its lowest reading since July 2015.

Chart 1. Current and Future General Activity Indexes for Firms
March 2011 to January 2019



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

Both price indicators rose from last month's readings, suggesting continued overall increases in prices for inputs and for firms' own goods and services. The prices paid index rose 5 points to 26.3 (see Chart 2). Although the majority of respondents (56 percent) reported stable input prices, 32 percent of the respondents reported increases, while only 5 percent reported decreases. Regarding prices for firms' own goods and services, the prices received index rose 7 points from December to 14.9 in January. While 25 percent of the firms reported increases in prices received, 10 percent reported decreases. More than 58 percent of the firms reported no change in their own prices.

Expectations for Future Growth Weaken

Both future activity indexes suggest that firms expect growth to continue over the next six months, although index readings

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The next *Nonmanufacturing Business Outlook Survey* will be released on February 26, 2019.

^{*} The survey's annual historical revisions, which incorporate new seasonal adjustment factors, were released on January 15, 2019. See the full set of revised [historical data](#) on the Bank's website.



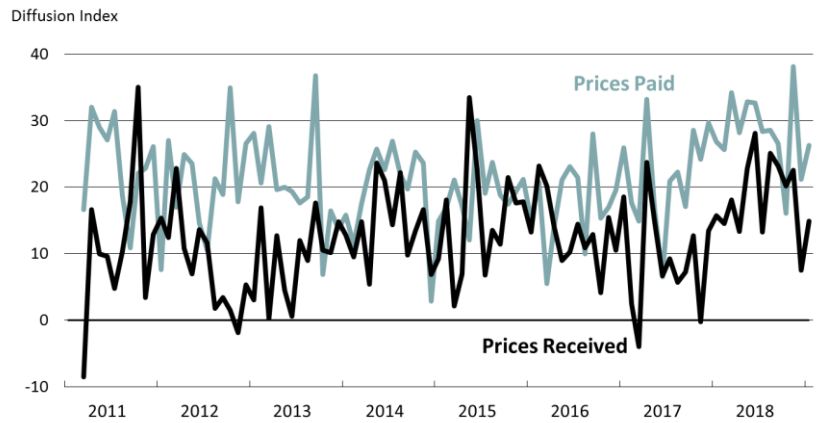
are well below last year's averages. The diffusion index for future activity at the firm level fell from a revised reading of 43.2 in December to 22.9 this month (see Chart 1). Nearly 49 percent of the firms expect an increase in activity at their firms over the next six months, while the share of firms that expect a decline increased from 12 percent last month to 26 percent this month. More than 25 percent of the firms expect no change over the next six months. The future regional activity index fell 16 points to 10.3.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest that nonmanufacturing activity slowed further in the region. Indicators for firm-level general activity, new orders, and sales/revenues fell for the second consecutive month, while the full-time employment index fell only slightly. Respondents remain optimistic about growth over the next six months in their own firms and in the region, although less so than over the past year. ■

Chart 2. Prices Paid and Prices Received Indexes

March 2011 to January 2019



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 January 2019	January vs. December					Six Months from Now vs. January				
	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?	7.7	23.0	47.6	22.1	1.0	25.9	33.0	39.0	22.7	10.3
What is your assessment of general business activity for your firm?	6.4	31.1	34.7	31.3	-0.2	43.2	48.9	25.1	26.0	22.9
Company Business Indicators										
New Orders	17.5	23.0	20.6	26.1	-3.1	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 January 17, 2019.				
Sales or Revenues	16.3	34.6	29.8	30.7	3.9					
Unfilled Orders	4.0	5.5	22.2	0.0	5.5					
Inventories	7.8	9.9	11.5	3.4	6.5					
Prices Paid	21.2	31.5	55.7	5.2	26.3					
Prices Received	7.5	25.0	58.5	10.1	14.9					
Number of Employees – Full-Time Permanent	11.8	21.5	58.8	12.2	9.4					
Number of Employees – Part-Time, Temporary, and Contract	11.0	22.4	53.3	16.8	5.6					
Average Employee Workweek	24.6	19.9	61.1	14.7	5.2					
Wage and Benefit Costs	30.7	38.8	44.4	9.1	29.8					
Capital Expenditures – Physical Plant	14.3	22.6	45.2	4.7	17.9					
Capital Expenditures – Equipment & Software	23.1	26.4	53.2	7.7	18.8					