

Responses to the August *Nonmanufacturing Business Outlook Survey* suggest continued expansion in nonmanufacturing activity in the region. The indexes for general activity at the firm level and sales/revenues both increased, while the new orders index fell. The index for full-time employment ticked upward. Survey responses indicated overall increases for both prices paid and prices received. The survey's index for firm-level future activity moderated from last month and remains below levels from earlier in the year.

Firms Report Overall Growth

The survey's indicators for current general activity suggest continued growth in the nonmanufacturing sector of the regional economy. The diffusion index for current general activity at the firm level increased 8 points in August to 32.5 (see Chart). Nearly 50 percent of the firms reported increases in activity (up from 38 percent last month), compared with 17 percent that reported decreases (up from 13 percent last month). The new orders index decreased 16 points to 9.4 in August. The share of firms reporting increases in new orders (24 percent) exceeded the share reporting decreases (15 percent). The sales/revenues index rose from 22.5 in July to 28.5 in August. Over 48 percent of the firms reported increases in sales/revenues, while 20 percent reported declines. The firms' perception of regional activity was more subdued but remained positive, declining 14 points to 7.5.

Employment Indicators Hold Mostly Steady

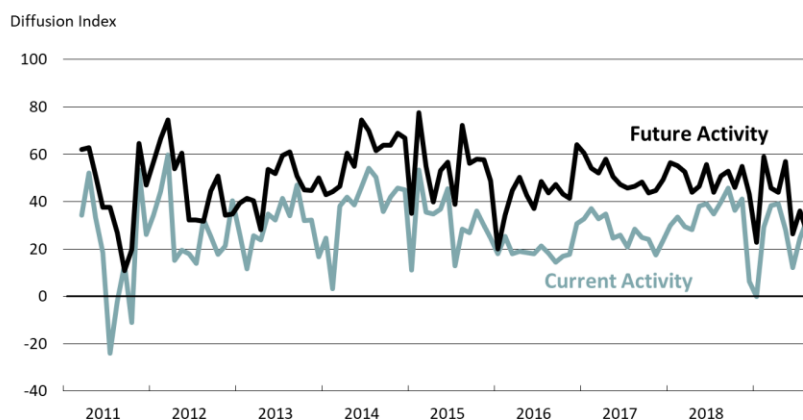
Responding firms reported overall increases in both full- and part-time employment. The full-time employment index ticked up 1 point to 22.1 in August. The share of firms reporting increases in full-time employment (28 percent) exceeded the share reporting decreases (6 percent); the majority (63 percent) reported no change. The part-time employment index edged up 2 points to 13.5, and the average workweek index ticked down 1 point to 17.4. The wages and benefits indicator rose 6 points to 43.2.

Firms Continue to Report Overall Price Increases

The indexes for prices paid for inputs and prices received for the firms' own products and services both remained positive in August. The prices paid index rose 17 points to 29.2. Over

Chart. Current and Future General Activity Indexes for Firms

March 2011 to August 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.

36 percent of the respondents reported increases in input prices, while 7 percent reported decreases. The prices received index fell from 20.5 in July to 14.0 in August. Nearly 22 percent of the firms reported increases in prices received, while 8 percent reported decreases. The majority of the firms (60 percent) reported no change in their own prices.

Firms' Forecasts for Prices Remain Stable

In this month's special questions, the 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). Regarding their own prices, the firms' median forecast was for an increase of 2.0 percent, the same as when the question was last asked in May. In a new question regarding the firms' historical own price change over the previous year, the median response was 2.0 percent. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 2.5 percent, up from the previous forecast of 2.2 percent. The firms expect their employee compensation costs (wages plus benefits per employee) to rise 3.0 percent over the next four quarters, the

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same as the previous forecast. The firms' forecast for the long-run (10-year) inflation rate remained at 3.0 percent.

Firms' Optimism for Growth Moderates

The diffusion index for future activity at the firm level remained positive but decreased 9 points to 26.8 (see Chart), as a higher share of firms reported expected decreases this month. More than 48 percent of the firms expect an increase in activity at their firms over the next six months (down from 50 percent last month), compared with 22 percent that expect a decline (up from 14 percent last month). The future regional activity index fell more sharply, from 21.8 in July to -0.7 in August, suggesting less optimism about growth in the region than at individual firms over the next six months.

Summary

Results from this month's *Nonmanufacturing Business Outlook Survey* suggest continued expansion in regional nonmanufacturing activity. The indicators for firm-level general activity and sales/revenues increased, and the firms reported overall increases in both full- and part-time employment. The respondents continued to expect growth over the next six months, although future indicators declined. ■

Special Questions (August 2019)		
Please list your expected annual percent change with respect to the following:		
	Current Forecast	Previous Forecast (May 2019)
For your firm:		
<i>Forecast for next year (2019:Q3–2020:Q3)</i>		
1. Prices your firm will receive (for its own goods and services sold).	2.0	2.0
2. Compensation your firm will pay per employee (for wages and benefits).	3.0	3.0
<i>Last year's price change (2018:Q3–2019:Q3)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	2.0	-
For U.S. consumers:		
4. Prices consumers will pay for goods and services over the next year.	2.5	2.2
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2019–2028).	3.0	3.0
The numbers represent medians of the individual forecasts (percent changes). For question 5, the firms reported a 10-year annual-average change.		

NONMANUFACTURING BUSINESS OUTLOOK SURVEY August 2019	August vs. July					Six Months from Now vs. August				
	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?	21.4	21.3	61.5	13.9	7.5	21.8	27.2	43.3	27.9	-0.7
What is your assessment of general business activity for your firm?	24.6	49.8	29.1	17.3	32.5	36.0	48.4	29.9	21.7	26.8
Company Business Indicators										
New Orders	25.5	24.1	33.1	14.8	9.4					
Sales or Revenues	22.5	48.5	30.0	20.0	28.5					
Unfilled Orders	13.1	7.3	26.9	6.2	1.1					
Inventories	8.6	9.4	23.3	3.6	5.8					
Prices Paid	12.2	36.1	51.0	6.8	29.2					
Prices Received	20.5	21.9	60.1	7.9	14.0					
Number of Employees – Full-Time Permanent	21.1	27.9	62.9	5.8	22.1					
Number of Employees – Part-Time, Temporary, and Contract	11.6	21.8	63.4	8.3	13.5					
Average Employee Workweek	18.7	33.0	50.8	15.6	17.4					
Wage and Benefit Costs	37.0	43.9	55.4	0.7	43.2					
Capital Expenditures – Physical Plant	18.0	21.1	49.7	5.2	15.9					
Capital Expenditures – Equipment & Software	21.9	31.7	59.2	2.0	29.7					

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 August 15, 2019.