

Firms responding to April's *Nonmanufacturing Business Outlook Survey* reported that regional nonmanufacturing activity continued to expand. The index for current firm-level activity rose slightly, while the indexes for new orders, sales/revenues, and employment increased by greater amounts. Both the prices paid and prices received indexes also increased from the prior month. The respondents remained optimistic about activity over the next six months.

Growth Continues

The index for general activity at the firm level edged up from 32.5 in March to 34.9 in April (see Chart 1). This index has been above its historical average of 28.5 for four consecutive months. Nearly 48 percent of the firms reported increases in activity this month, compared with 13 percent that reported decreases. The regional activity index fell 5 points, to 30.1, but remains above its historical average of 23.0.

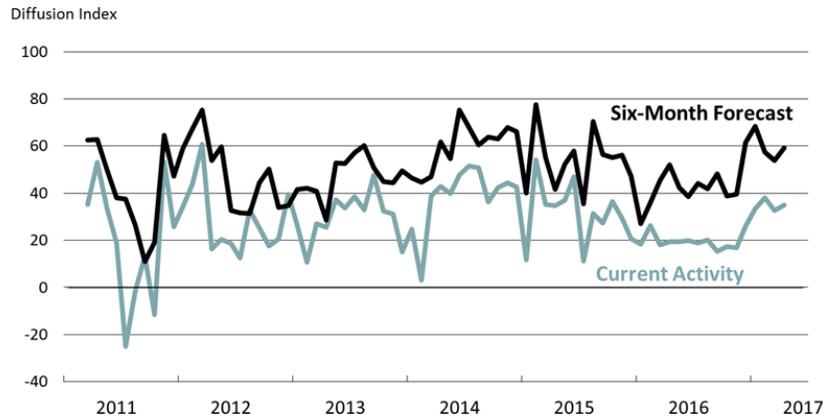
New Orders and Sales Pick Up

The indicators for new orders and sales/revenues showed improvement, as more firms reported increases in both categories this month compared with last month. The new orders index rose from 22.6 in March to 33.5 in April, its highest reading since February 2015. The sales/revenues index also improved, rising 14 points to 34.7. More than 50 percent of the firms indicated higher sales/revenues, up from 36 percent in March, while 15 percent of the firms reported a decrease.

Full-Time Employment Strengthens

The indicators for employment rose in April. The full-time employment index increased 9 points, to 26.4. Almost 31 percent of the firms reported an increase in full-time employment, up 6 points from March. Only 4 percent of the firms reported a decline. The part-time employment index rose 14 points, to 24.3. The increase in the part-time employment index was largely driven by a rise in the share of firms reporting an increase, from 20 percent in March to 30 percent in April. The wage and benefit costs indicator rose 17 points to 39.3 in April, as a higher percentage of firms reported increases this month (40 percent) than last month (27 percent). The average workweek index held relatively steady at 20.0.

Chart 1. Current and Future General Activity Indexes for Firms
March 2011 to April 2017



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 Higher Prices

Firms reported increases in the prices paid for inputs and their own products and services in April. The prices paid index increased 14 points to 31.6 (see Chart 2). Nearly 32 percent of the firms reported increases in prices paid, none of the firms reported decreases, and most of the firms (61 percent) reported no change. The prices received index returned to positive territory after registering negative readings for the past two months, increasing from -4.7 in March to 24.7 in April. Although most of the firms continued to report no change for prices received (57 percent), the percentage of firms that reported an increase (27 percent) exceeded the percentage of firms that reported a decrease (2 percent).

Capital Expenditures Rise

The indexes for spending on equipment and software and physical plant both rose for the first time in three months. The index for equipment and software spending increased 14 points, to 33.5. Nearly 39 percent of the respondents reported an increase in spending on equipment and software, while 5 percent reported a decrease. The index for physical plant

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spending rose 6 points, to 27.5; 29 percent of the firms reported an increase, while only 2 percent reported a decrease.

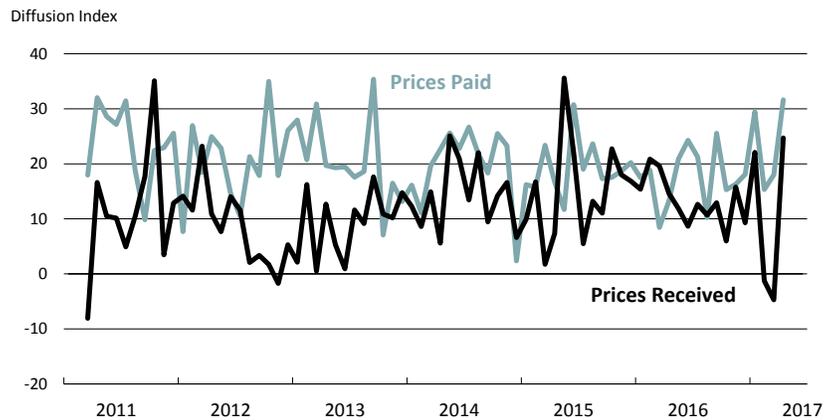
Firms Continue to Expect Future Growth

The respondents to this month's survey remained optimistic in their outlook over the next six months, although the two indicators for future activity moved in opposite directions. The diffusion index for future activity at the firm level rose 5 points, to 59.1 (see Chart 1). More than 60 percent of the firms expect increases in activity at their firms over the next six months, and only 1 percent expect a decline. The future regional activity index decreased 5 points, to 47.8. Both future indexes have been above their historical averages for five consecutive months (49.7 for future activity at the firm level and 43.8 for future activity in the region).

Summary

Results from this month's *Nonmanufacturing Business Outlook Survey* suggest continued business expansion. The indicator for firm-level general activity edged up, and the indicators for new orders and sales/revenues rose as well. Firms also reported

Chart 2. Prices Paid and Prices Received Indexes
March 2011 to April 2017



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.

increases in employment and indicated higher prices. Forecasts for the next six months remain optimistic. ■

| NONMANUFACTURING BUSINESS OUTLOOK SURVEY April 2017 | 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? | 35.4 | 39.5 | 51.0 | 9.4 | 30.1 | 52.6 | 51.3 | 40.9 | 3.4 | 47.8 |
| What is your assessment of general business activity for your firm? | 32.5 | 47.8 | 39.4 | 12.9 | 34.9 | 53.8 | 60.5 | 33.3 | 1.4 | 59.1 |
| Company Business Indicators | | | | | | | | | | |
| New Orders | 22.6 | 40.5 | 32.3 | 7.0 | 33.5 | 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 20, 2017. | | | | |
| Sales or Revenues | 20.3 | 50.1 | 33.7 | 15.4 | 34.7 | | | | | |
| Unfilled Orders | 3.0 | 13.7 | 23.8 | 0.0 | 13.7 | | | | | |
| Inventories | 4.6 | 13.1 | 13.9 | 6.1 | 7.1 | | | | | |
| Prices Paid | 18.0 | 31.6 | 60.6 | 0.0 | 31.6 | | | | | |
| Prices Received | -4.7 | 26.5 | 57.3 | 1.8 | 24.7 | | | | | |
| Number of Employees – Full-Time Permanent | 17.2 | 30.5 | 61.4 | 4.1 | 26.4 | | | | | |
| Number of Employees – Part-Time, Temporary, and Contract | 10.2 | 30.0 | 61.5 | 5.7 | 24.3 | | | | | |
| Average Employee Workweek | 18.9 | 25.5 | 66.7 | 5.5 | 20.0 | | | | | |
| Wage and Benefit Costs | 22.3 | 39.8 | 59.1 | 0.6 | 39.3 | | | | | |
| Capital Expenditures – Physical Plant | 21.4 | 29.2 | 47.2 | 1.7 | 27.5 | | | | | |
| Capital Expenditures – Equipment & Software | 19.9 | 38.9 | 46.4 | 5.4 | 33.5 | | | | | |