

Respondents to the *Nonmanufacturing Business Outlook Survey* reported that business activity continued to expand in the region in June. The index for firm-level general activity rose slightly. The survey's indicators for sales/revenues and full-time employment showed notable increases. Firms reported a slower pace of increases in input prices and in prices for their own goods and services. Expectations for growth over the next six months remained high, although the index for future activity at the firm level edged down.

Growth Remains Positive

Firms continued to report growth in overall business activity. The diffusion index for general activity at the firm level rose 2 points to 28.0, moving closer to its historical average of 28.5 (see Chart 1). In June, 41 percent of the firms reported an increase in activity at their firms, while 13 percent reported a decrease. Firms also reported a modest strengthening in their perception of current regional economic activity; the diffusion index for regional activity rose 8 points to 33.6.

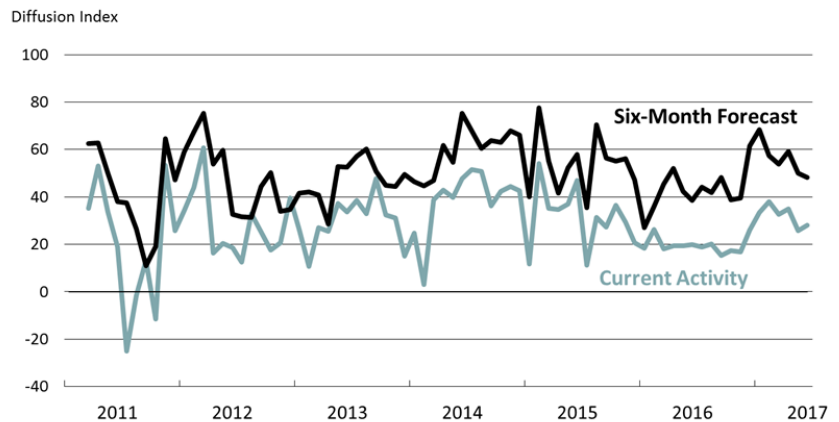
The sales/revenues index increased 12 points to 37.8 in June. This index has been above its historical average of 22.7 for three consecutive months. The share of firms reporting an increase in sales (50 percent) exceeded the share reporting a decrease (13 percent). The new orders index increased from 15.0 in May to 19.7 in June. More than 33 percent of the respondents reported increases in new orders, compared with 37 percent who reported no change and 14 percent who reported decreases.

Full-Time Employment Expands

The full-time employment index increased 10 points to 19.7, pushing the index above its historical average (14.4). While 66 percent of the firms reported no change in full-time employment in June, the share of firms reporting an increase (24 percent) exceeded the share reporting a decrease (4 percent). For the fourth consecutive month, 60 percent or more of the respondents reported no change in full-time employment. The part-time employment index fell 3 points to 16.7. More than 67 percent of the firms reported no change in part-time employment in June. The average workweek index

Chart 1. Current and Future General Activity Indexes for Firms

March 2011 to June 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.

rose slightly, to 21.0, while the wage and benefit costs index fell 6 points, to 24.9.

Price Increases Moderate

Firms reported moderation in increases in input prices and in prices for their own goods and services. The prices paid index fell 9 points to 7.9 (see Chart 2). Nonetheless, the share of firms that reported no change in input prices (61 percent) in June was similar to the share that reported no change in the prior two months. The prices received index decreased 14 points to 3.3 in June. The share of firms that reported no change in prices received rose from 51 percent last month to 68 percent this month, and the index moved from above its historical average (11.8) to below its historical average.

Capital Expenditures Growth Weakens

The indicators for spending on equipment and software and physical plant decreased for the second consecutive month but remained positive. The index for equipment and software spending fell 11 points to 19.7. The share of firms reporting an increase in equipment and software spending (29 percent)

Released June 20, 2017, at 8:30 a.m. ET.

The next *Nonmanufacturing Business Outlook Survey* will be released on July 25, 2017.



exceeded the share reporting a decrease (9 percent). The index for physical plant spending fell 4 points to 20.2.

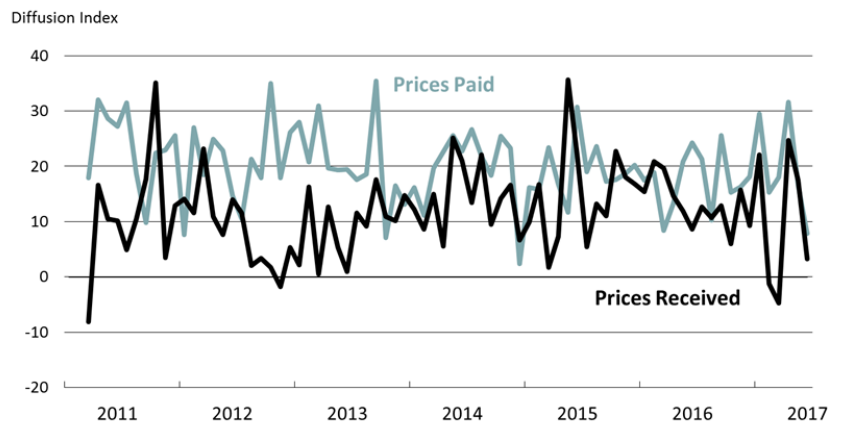
Optimism for Future Growth

The respondents to this month's survey remained optimistic about future activity over the next six months. The diffusion index for future activity at the firm level over the next six months fell 2 points to 48.3 (see Chart 1). This index has shown a general downward trend over the past five months. Nonetheless, the June value remains near its historical average of 49.7. More than 54 percent of the respondents expect increases in activity at their firms over the next six months, while 6 percent expect decreases. The diffusion index for future activity at the regional level rose from 43.9 in May to 50.1 in June. Nonetheless, the share of respondents who expect increases in activity in the region has fallen from a high of 74 percent in January to 54 percent in June.

Summary

Respondents to the *Nonmanufacturing Business Outlook Survey* reported that business expansion continued in June.

Chart 2. Prices Paid and Prices Received Indexes
March 2011 to June 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.

The indicators for general current activity at the firm level, new orders, sales/revenues, and full-time employment increased from last month's readings. Firms also reported moderation in price increases. Expectations for growth over the next six months remained optimistic. ■

| NONMANUFACTURING BUSINESS OUTLOOK SURVEY June 2017 | June vs. May | | | | | Six Months from Now vs. June | | | | |
|--|--------------------------------|----------|--------------|----------|--------------------|---|----------|--------------|----------|--------------------|
| | 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? | 25.6 | 40.8 | 47.4 | 7.2 | 33.6 | 43.9 | 54.0 | 37.1 | 3.9 | 50.1 |
| What is your assessment of general business activity for your firm? | 25.8 | 40.8 | 39.6 | 12.9 | 28.0 | 49.9 | 54.0 | 36.1 | 5.8 | 48.3 |
| Company Business Indicators | | | | | | | | | | |
| New Orders | 15.0 | 33.4 | 36.7 | 13.7 | 19.7 | 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 June 15, 2017. | | | | |
| Sales or Revenues | 25.5 | 50.3 | 32.4 | 12.5 | 37.8 | | | | | |
| Unfilled Orders | 3.7 | 9.5 | 19.9 | 2.3 | 7.2 | | | | | |
| Inventories | -1.9 | 10.1 | 21.0 | 2.0 | 8.0 | | | | | |
| Prices Paid | 16.6 | 13.9 | 61.2 | 6.0 | 7.9 | | | | | |
| Prices Received | 17.4 | 10.1 | 68.0 | 6.8 | 3.3 | | | | | |
| Number of Employees – Full-Time Permanent | 9.3 | 24.1 | 66.2 | 4.3 | 19.7 | | | | | |
| Number of Employees – Part-Time, Temporary, and Contract | 20.2 | 22.0 | 67.2 | 5.3 | 16.7 | | | | | |
| Average Employee Workweek | 18.6 | 26.4 | 61.4 | 5.4 | 21.0 | | | | | |
| Wage and Benefit Costs | 30.6 | 25.6 | 66.7 | 0.7 | 24.9 | | | | | |
| Capital Expenditures – Physical Plant | 24.3 | 25.7 | 39.0 | 5.6 | 20.2 | | | | | |
| Capital Expenditures – Equipment & Software | 30.7 | 28.6 | 48.5 | 8.9 | 19.7 | | | | | |