

Respondents to the July *Nonmanufacturing Business Outlook Survey* reported that business activity continued to grow but at a slower pace. The indexes for firm-level general activity and sales/revenues remained positive but fell, suggesting a slowdown in growth this month. The new orders index fell to near zero. Expectations for growth over the next six months remained positive, although the index for future activity at the firm level continued to edge down from readings earlier this year.

Current Indicators Suggest Slower Growth

All of the survey's broad indicators this month suggest a slower pace of expansion. The diffusion index for general activity at the firm level decreased from 28.0 in June to 18.1 in July and is now at its lowest reading in eight months (see Chart). The firm-level indicators for new orders and sales/revenues decreased notably this month. The new orders index fell 20 points to -0.1, its first negative reading since July 2015. Nearly 26 percent of the firms indicated an increase in new orders in July, but that was offset by 26 percent of the firms indicating a decrease. The firm-level sales/revenues index remained positive but also fell, decreasing 21 points to 17.1 in July. Over 41 percent of the firms reported higher sales/revenues in July, but 24 percent reported declines.

Firms also perceived a slower pace in regional economic conditions in July. The regional business activity index decreased from 33.6 in June to 23.4. The index, however, is still slightly higher than its historical average of 23.2.

Firms Report Continued Expansion of Employment

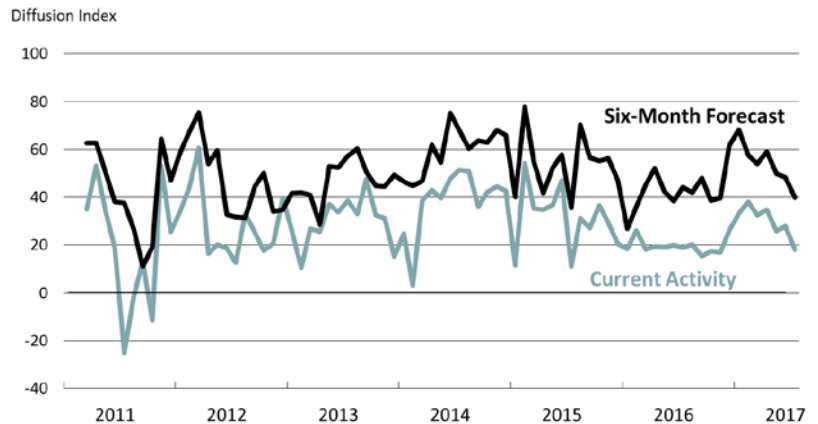
Labor market indicators continued to suggest overall growth in employment, but the indexes for both full-time and part-time employment moderated this month. The full-time employment index remained positive but edged down from a reading of 19.7 in June to 18.9 in July. The part-time employment index also fell, decreasing from 16.7 to 13.2.

Firms Report Price Increases

Firms reported increased price pressures this month. Although the largest percentage of firms (63 percent) reported steady input prices this month, nearly 23 percent of the firms reported paying higher prices for inputs, compared with 14

Current and Future General Activity Indexes for Firms

March 2011 to July 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.

percent last month. The prices paid index increased 13 points, to 20.8, and is slightly above its historical average of 20.0. With respect to their own prices, 10 percent of the firms reported higher prices in July, and the prices received index edged 4 points higher, to 7.2, remaining slightly below its historical average of 11.8.

Seasonal Factors Remain Important for Many Firms

In this month's special questions, firms were asked to assess the importance of seasonal factors in business and how the importance of these factors has changed over time (see Special Questions, next page). Although 59 percent of the firms indicated that seasonal factors have not changed over time, the percentage of firms indicating that seasonal factors had become less important over time (23 percent) was larger than the percentage of firms reporting that these factors have become more important over time (14 percent). Firms' overall responses indicated seasonal increases in activity in the spring and fall and decreases in activity in midsummer (July and August, in particular) and during the winter months. Respondents were also asked about these patterns last year, and the results were not materially different.

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The next *Nonmanufacturing Business Outlook Survey* will be released on August 22, 2017.



Firms' Forecasts for Future Growth Still Positive but Moderating

The respondents to this month's survey were less optimistic about future activity over the next six months. The diffusion index for future activity at the individual firm level remained positive but decreased 8 points to 40.0 — its lowest reading in eight months (see Chart). The index has trended down from its peak in January of this year. Optimism about growth in the region also diminished this month. The future regional activity index fell 16 points to 34.5, also its lowest level in eight months. Both future indexes, although positive, are now below their long-run averages of 49.5 and 43.8, respectively.

Summary

Results from the July *Nonmanufacturing Business Outlook Survey* suggest continued business expansion among the region's nonmanufacturing firms. Most of the survey's indicators, however, suggested a slower pace of growth. Upward price pressures were more widespread among the survey respondents this month, particularly for purchased inputs. Overall, employment continued to grow among the reporting firms, with firms reporting increases in both part-time and full-time employees. Firms'

Special Questions (July 2017)	
Importance of Seasonal Factors	
	Percent of Respondents
1. How important are seasonal factors in your monthly production levels?	
Significant	44.4
Not significant	55.6
2. Have seasonal factors become more or less important for your business over time?	
More important	14.3
Less important	23.2
No difference over time	58.9
Not applicable	3.6

six-month forecasts remain positive but continue a trend of moderation. ■

NONMANUFACTURING BUSINESS OUTLOOK SURVEY July 2017	July vs. June					Six Months from Now vs. July				
	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index
What is your assessment of general business activity for the region?	33.6	37.4	43.7	13.9	23.4	50.1	44.7	41.1	10.2	34.5
What is your assessment of general business activity for your firm?	28.0	40.4	37.3	22.3	18.1	48.3	52.1	34.7	12.1	40.0
Company Business Indicators										
New Orders	19.7	25.8	24.1	26.0	-0.1	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 July 20, 2017.				
Sales or Revenues	37.8	41.3	23.9	24.3	17.1					
Unfilled Orders	7.2	8.9	23.2	5.5	3.4					
Inventories	8.0	9.4	18.8	5.8	3.6					
Prices Paid	7.9	22.9	63.2	2.1	20.8					
Prices Received	3.3	10.2	70.5	3.0	7.2					
Number of Employees – Full-Time Permanent	19.7	30.9	56.3	12.0	18.9					
Number of Employees – Part-Time, Temporary, and Contract	16.7	24.0	60.4	10.7	13.2					
Average Employee Workweek	21.0	27.1	63.0	7.9	19.2					
Wage and Benefit Costs	24.9	35.8	57.7	5.8	30.0					
Capital Expenditures – Physical Plant	20.2	30.7	45.8	6.0	24.7					
Capital Expenditures – Equipment & Software	19.7	28.1	57.3	6.3	21.8					