

Responses to the May *Nonmanufacturing Business Outlook Survey* lightly moderated but continued to suggest expansion in nonmanufacturing activity in the region. The indexes for general activity at the firm level, new orders, and sales/revenues all remained positive but fell from last month's readings. The index for full-time employment edged upward. Survey responses indicated overall increases for both prices paid and prices received. The survey's indexes for future activity improved somewhat, suggesting that firms expect growth to continue over the next six months.

Firms Report Overall Growth

The survey's indicators for current activity suggest continued growth in the nonmanufacturing sector of the regional economy. The diffusion index for current general activity at the firm level decreased 11 points in May to 28.1 (see Chart). Over 43 percent of the firms reported increases in activity (down from 50 percent last month), compared with 15 percent that reported decreases (up from 11 percent last month). The new orders index decreased 15 points to 10.6 in May. The share of firms reporting increases in new orders (27 percent) exceeded the share reporting decreases (16 percent). The sales/revenues index fell from 37.2 in April to 26.6 in May. Over 43 percent of the firms reported increases in sales/revenues, while 17 percent reported declines.

Employment Indicators Remain Positive

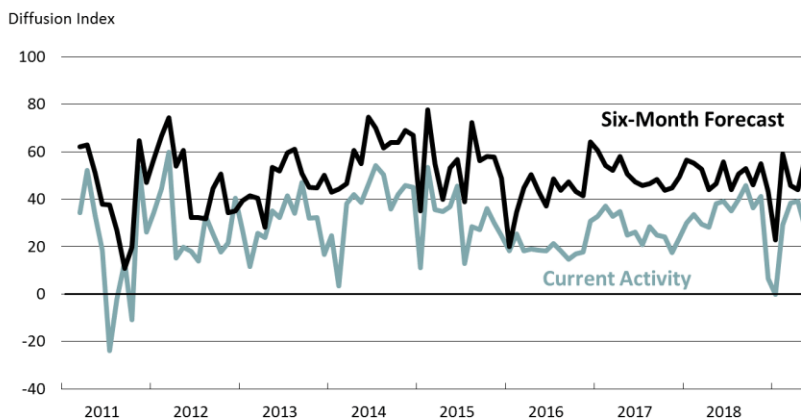
Responding firms reported overall increases in both full- and part-time employment. The full-time employment index edged up 2 points to 20.5 in May. The share of firms reporting increases in full-time employment (23 percent) exceeded the share reporting decreases (3 percent); the majority (66 percent) reported no change. The part-time employment index fell 13 points to 11.3, and the average workweek index held steady at 24.9. The wages and benefits indicator remained relatively stable at 38.9.

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 stable and positive in May. The prices paid index edged down 1 point to 25.9. Nearly 27 percent of the respondents reported

Chart. Current and Future General Activity Indexes for Firms

March 2011 to May 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.

increases in input prices, while only 1 percent reported decreases. The prices received index rose from 16.4 in April to 20.1 in May. More than 21 percent of the firms reported increases in prices received, while only 1 percent reported decreases. The majority of the firms (56 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 February. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 2.2 percent, down from the previous forecast of 2.7 percent. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 3.0 percent over the next four quarters, the same as the previous forecast. The firms' forecast

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The next *Nonmanufacturing Business Outlook Survey* will be released on June 25, 2019.



for the long-run (10-year) inflation rate remained at 3.0 percent.

Firms Anticipate Continued Growth

Optimism about growth in nonmanufacturing activity over the next six months was more widespread this month among the respondents. The diffusion index for future activity at the firm level increased 13 points to 56.9 (see Chart). Sixty-five percent of the firms expect an increase in activity at their firms over the next six months (up from 53 percent last month), compared with 8 percent that expect a decline (similar to last month). The future regional activity index rose from 29.5 in April to 37.8 in May.

Summary

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

Special Questions (May 2019)		
Over the next year (2019:Q2 to 2020:Q2), please list your expected annual percent change with respect to the following:		
	Current Forecast	Previous Forecast (February 2019)
1. For your firm:		
Prices your firm will receive (for its own goods and services sold).	2.0	2.0
Compensation your firm will pay per employee (for wages and benefits).	3.0	3.0
2. For U.S. consumers:		
Prices U.S. consumers will pay (for goods and services).	2.2	2.7
For the next 10 years (2019 through 2028), what is your expected annual average percent change with respect to the following:		
3. For U.S. consumers:		
Prices U.S. consumers will pay (for goods and services).	3.0	3.0
The numbers represent medians of the individual forecasts (as percent changes). The forecasts are over the next year for questions 1 and 2 and an annual average for the next 10 years for question 3.		

NONMANUFACTURING BUSINESS OUTLOOK SURVEY May 2019	May vs. April					Six Months from Now vs. May				
	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?	21.0	29.7	55.8	12.4	17.3	29.5	46.5	44.8	8.7	37.8
What is your assessment of general business activity for your firm?	39.2	43.3	38.3	15.2	28.1	44.0	64.8	27.4	7.8	56.9
Company Business Indicators										
New Orders	25.4	27.0	21.1	16.4	10.6	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 May 16, 2019.				
Sales or Revenues	37.2	43.6	26.8	17.0	26.6					
Unfilled Orders	6.9	6.6	26.2	4.8	1.8					
Inventories	0.8	9.5	14.6	12.7	-3.2					
Prices Paid	27.1	26.7	48.5	0.7	25.9					
Prices Received	16.4	21.5	56.3	1.4	20.1					
Number of Employees – Full-Time Permanent	18.3	23.4	66.2	2.9	20.5					
Number of Employees – Part-Time, Temporary, and Contract	24.3	19.1	62.8	7.7	11.3					
Average Employee Workweek	24.5	31.8	52.5	6.9	24.9					
Wage and Benefit Costs	38.2	42.0	48.8	3.1	38.9					
Capital Expenditures – Physical Plant	13.0	23.1	42.0	4.1	19.0					
Capital Expenditures – Equipment & Software	15.4	22.9	51.1	4.1	18.8					