

Respondents to the September *Nonmanufacturing Business Outlook Survey* reported that business activity continued to expand in the region. Although the index for firm-level general activity fell somewhat, it remains in positive territory, and the survey's indicators for new orders, sales/revenues, and full-time employment increased. Fewer firms reported increases in input prices this month compared with last month. Expectations for growth over the next six months strengthened at the firm level for the second consecutive month.

Growth Remains Positive

Firms continued to report growth in overall business activity, although the diffusion index for general activity at the firm level declined 5 points to 25.7 (see Chart 1). This indicator has tended to fluctuate around its historical average of 28.3 in recent months. In September, 46 percent of the firms reported an increase in activity at their firms, while 20 percent reported a decrease. The diffusion index for regional activity rose 1 point to 33.2 and remained above its historical average of 23.4.

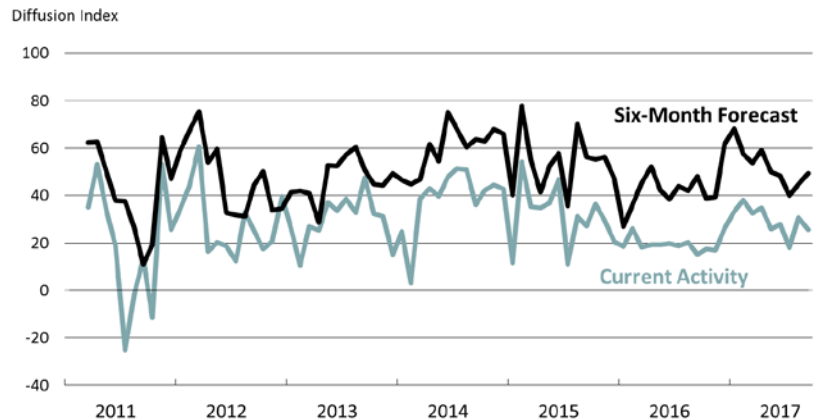
The sales/revenues index increased 5 points to 29.3 in September. The share of firms reporting an increase in sales (46 percent) exceeded the share reporting a decrease (16 percent). The new orders index increased from 19.4 last month to 26.7 this month. The share of firms reporting an increase in new orders (39 percent) continued to exceed the share reporting a decrease (13 percent).

Full-Time Employment Is Steady

The full-time employment index held relatively steady at 3.8 and remains below its historical average of 14.2. In September, 56 percent of the firms reported no change in full-time employment, and the share of firms reporting an increase (21 percent) only modestly exceeded the share reporting a decrease (18 percent). The part-time employment index fell 3 points to 5.7. More than 67 percent of the firms reported no change in part-time employment this month. The average workweek index rose 1 point to 23.8, while the wage and benefit costs index fell 2 points to 34.0.

Chart 1. Current and Future General Activity Indexes for Firms

March 2011 to September 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.

Price Increases Are Modest

Firms reported relatively moderate increases in input prices and in prices for their own goods and services. The prices paid index fell 8 points to 14.9 in September (see Chart 2). Most of the firms (60 percent) reported no change in input prices. The prices received index increased 2 points to 8.4. The share of firms that reported no change in prices received was 58 percent. Both the prices paid and prices received indexes were below their historical averages of 20.0 and 11.7, respectively.

Capital Expenditures Growth Weakens

The indicators for spending on equipment and software and physical plant decreased but remained positive. The index for equipment and software spending fell 15 points to 20.3. Nonetheless, the share of firms reporting an increase in equipment and software spending (28 percent) exceeded the share reporting a decrease (8 percent). The index for plant spending fell 3 points to 20.3.

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The next *Nonmanufacturing Business Outlook Survey* will be released on October 24, 2017.



Firms Are Optimistic About 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 rose 4 points to 49.3, which is in line with its historical average of 49.5. Fifty-nine percent of the respondents expect increases in activity at their firms over the next six months, while 10 percent expect decreases. The diffusion index for future activity at the regional level decreased from 44.1 in August to 41.0 in September. More than 48 percent of the firms expect an increase in regional activity, while 7 percent expect a decrease. However, the share of firms that expect an increase has fallen over the course of the year, down from a high of 74 percent in January.

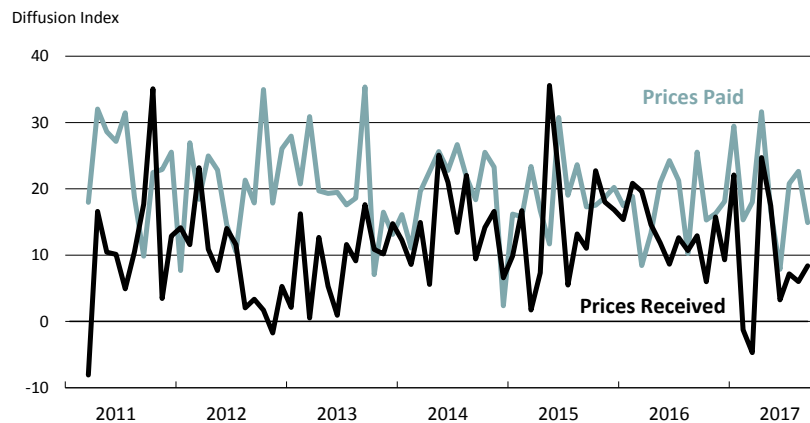
Summary

Respondents to the September *Nonmanufacturing Business Outlook Survey* reported that business expansion continued in the region's nonmanufacturing sector. The indicator for general current activity at the firm level fell slightly but

remained positive, while the indicators for new orders and sales/revenues rose. The employment indicators were relatively steady. Expectations for growth over the next six months remained optimistic. ■

Chart 2. Prices Paid and Prices Received Indexes

March 2011 to September 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.

NONMANUFACTURING BUSINESS OUTLOOK SURVEY September 2017	September vs. August					Six Months from Now vs. September				
	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?	31.8	40.4	49.7	7.2	33.2	44.1	48.3	42.4	7.4	41.0
What is your assessment of general business activity for your firm?	30.7	46.0	33.4	20.2	25.7	44.9	59.0	30.5	9.7	49.3
Company Business Indicators										
New Orders	19.4	39.3	24.3	12.6	26.7	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 September 21, 2017.				
Sales or Revenues	24.5	45.5	32.5	16.3	29.3					
Unfilled Orders	8.3	14.8	21.7	1.7	13.0					
Inventories	3.3	6.1	19.6	9.4	-3.4					
Prices Paid	22.7	20.1	60.2	5.2	14.9					
Prices Received	6.0	17.5	57.7	9.1	8.4					
Number of Employees – Full-Time Permanent	3.1	21.4	56.1	17.6	3.8					
Number of Employees – Part-Time, Temporary, and Contract	8.7	14.8	67.2	9.2	5.7					
Average Employee Workweek	22.4	26.8	65.0	3.0	23.8					
Wage and Benefit Costs	35.9	34.4	60.8	0.4	34.0					
Capital Expenditures – Physical Plant	23.2	23.6	38.0	3.3	20.3					
Capital Expenditures – Equipment & Software	35.2	28.3	50.4	8.0	20.3					