

Note: Survey responses were collected from August 10 to August 20.

Firms responding to the August *Nonmanufacturing Business Outlook Survey* indicated continued improvement in business activity. The indexes for general activity at the firm level and sales/revenues showed positive readings for the third consecutive month, coinciding with the phased reopening of the service economy in the region. Additionally, the new orders index registered a positive reading for the second consecutive month. However, the survey's indexes for full-time and part-time employment remained negative. The respondents expect overall improvement in conditions over the next six months, as both future activity indexes remained positive.

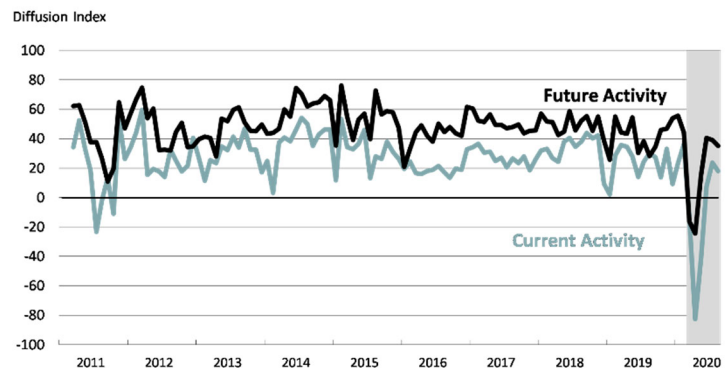
### Most Current Indicators Remain in Positive Territory

The diffusion index for current general activity at the firm level remained positive for the third consecutive month but fell from 23.7 in July to 17.9, after reaching historic lows in the spring (see Chart). Over 44 percent of the firms reported increases in activity, while 26 percent reported decreases. The new orders index edged down 2 points to 11.6 in August but has now recorded positive readings for two months. Over 33 percent of the firms reported increases in new orders, while 22 percent reported decreases. The sales/revenues index was little changed at 10.7.

### Few Firms Report Employment Increases

The firms reported, on balance, decreases in full-time and part-time employment for the sixth consecutive month. Although still negative, the full-time employment index rose 5 points to -3.0, rising for the fourth consecutive month after reaching an all-time low in April. The share of firms reporting decreases in full-time employment (14 percent) still exceeded the share reporting increases (12 percent); the majority (68 percent) reported no change. The part-time employment index increased 15 points to -5.9. Most firms reported steady part-time employment (58 percent), while 18 percent of the firms reported decreases and 12 percent reported increases. The average workweek index rose 12 points to 13.2, its highest reading since February.

Chart: Current and Future General Activity Indexes for Firms  
March 2011 to August 2020



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 Continue to Report Declines in Prices of Own Goods

Price indicator readings suggest overall increases in prices for inputs and declines in prices for the firms' own goods and services. The prices paid index was essentially unchanged at 10.1. While most respondents (60 percent) reported stable input prices, 19 percent of the firms reported increases, and 9 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index increased nearly 8 points but remained in negative territory for the fifth consecutive month, at -6.3 in August.

### Firms Expect Own Prices to Rise Slower Than Inflation

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 1.0 percent, unchanged from when the question was asked in May. Regarding the firms' own price change over the previous year, the median response was 0.0 percent, down from 1.0 percent in May. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was unchanged at 2.0 percent. The firms expect their employee

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compensation costs (wages plus benefits per employee) to rise 2.0 percent over the next four quarters, unchanged from May. The firms' forecast for the long-run (10-year) inflation rate remained at 3.0 percent.

### Future Indicators Remain Positive

Both future activity indexes suggest that the respondents expect overall improvement in nonmanufacturing activity over the next six months. The diffusion index for future activity at the firm level edged down 4 points, from a reading of 39.1 in July to 35.0 this month (see Chart). Nearly 51 percent of the firms expect an increase in activity at their firms over the next six months, compared with 16 percent that expect decreases. The future regional activity index fell from 23.9 in July to 19.7 in August.

### Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* reflected some signs of improvement in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, and new orders remained in positive territory after reaching all-time lows in the spring; however, the indexes for both full-time and part-time employment remained negative. The future activity indexes suggest that respondents expect improvement at their firms and in the region over the next six months. ■

<b>Special Questions (August 2020)</b>		
Please list the annual percent change with respect to the following:		
	Current	Previous (May 2020)
<b>For your firm:</b>		
<i>Forecast for next year (2020Q3–2021Q3)</i>		
1. Prices your firm will receive (for its own goods and services sold).	1.0	1.0
2. Compensation your firm will pay per employee (for wages and benefits).	2.0	2.0
<i>Last year's price change (2019Q3–2020Q3)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	0.0	1.0
<b>For U.S. consumers:</b>		
4. Prices consumers will pay for goods and services over the next year.	2.0	2.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2020–2029).	3.0	3.0
The numbers represent medians of the individual forecasts (percent changes). For question 5, firms reported a 10-year annual-average change.		

<b>NONMANUFACTURING BUSINESS OUTLOOK SURVEY August 2020</b>	<b>August vs. July</b>					<b>Six Months from Now vs. August</b>				
	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	<b>Diffusion Index</b>	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	<b>Diffusion Index</b>
What is your assessment of general business activity for the region?	0.7	35.6	26.6	34.0	1.6	23.9	49.8	20.1	30.1	19.7
What is your assessment of general business activity for your firm?	23.7	44.2	26.0	26.2	17.9	39.1	50.7	33.7	15.6	35.0
<b>Company Business Indicators</b>										
New Orders	13.8	33.4	24.6	21.9	11.6	<b>NOTES:</b> (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 August 20, 2020.				
Sales or Revenues	11.1	37.9	33.1	27.2	10.7					
Unfilled Orders	5.5	11.3	25.7	6.8	4.5					
Inventories	-4.6	6.3	22.0	8.6	-2.3					
Prices Paid	9.9	19.3	59.5	9.2	10.1					
Prices Received	-13.8	5.9	67.9	12.2	-6.3					
Number of Employees – Full-Time Permanent	-8.1	11.5	68.0	14.4	-3.0					
Number of Employees – Part-Time, Temporary, and Contract	-20.7	12.1	58.1	18.0	-5.9					
Average Employee Workweek	1.6	24.5	59.2	11.3	13.2					
Wage and Benefit Costs	2.3	20.8	68.6	6.3	14.6					
Capital Expenditures – Physical Plant	-18.2	7.3	52.2	15.6	-8.3					
Capital Expenditures – Equipment & Software	-10.3	14.2	49.2	18.7	-4.5					