



November 2022

Note: Survey responses were collected from November 7 to November 17.

Responses to the November *Nonmanufacturing Business Outlook Survey* suggest weakened nonmanufacturing activity in the region. The index for general activity at the firm level fell into negative territory, and the index for new orders remained negative. The index for sales/revenues declined sharply but remained positive. The full-time employment index continued to suggest overall increases; however, the part-time employment index turned negative this month. The prices paid and prices received indexes both declined but remained elevated. Overall, the respondents continued to expect growth at their own firms over the next six months, but the future firm-level activity index remained low.

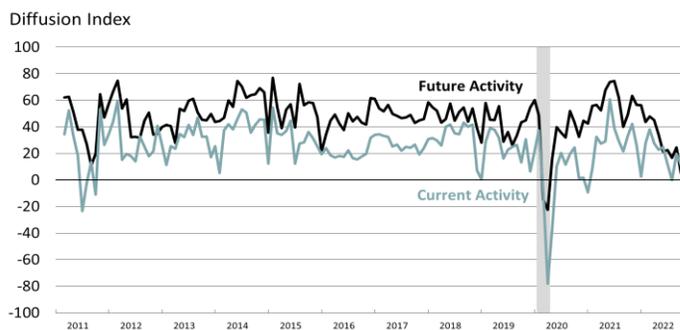
Current Indicators Weaken

The diffusion index for current general activity at the firm level fell 14 points to -2.6 (see Chart), its first negative reading since August. Almost 29 percent of the firms reported increases (down from 40 percent last month), while 31 percent reported decreases (up from 29 percent). The new orders index edged down 1 point to -6.3 this month, its fourth consecutive negative reading. Almost 27 percent of the firms reported increases in new orders, while 33 percent reported decreases. The sales/revenues index decreased from 20.8 to 3.5. Nearly 34 percent of the firms reported increases in sales/revenues (down from 49 percent last month), while 30 percent reported decreases (up from 28 percent). The current regional activity index edged up but remained negative for the second consecutive month at -13.6.

Firms Report Overall Increases in Full-Time Employment

The full-time employment index declined slightly from 13.3 to 10.0. The share of firms reporting increases in full-time employment (20 percent) exceeded the share reporting decreases (10 percent). Most firms (66 percent) reported steady employment. The part-time employment index decreased 10 points to -8.4, its first negative reading since August 2021. Most firms (63 percent) reported steady part-time employment, while 8 percent reported increases and 16 percent reported decreases. The average workweek index decreased 20 points to 10.4.

Chart. Current and Future General Activity Indexes for Firms
March 2011 to November 2022



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 Indexes Decline but Remain Elevated

Price indicator readings continue to suggest widespread increases despite declining in November. The prices paid index fell 22 points to 52.5. Most respondents (54 percent) reported increases in input prices, while 2 percent reported decreases; 32 percent reported stable prices. Regarding prices for the firms' own goods and services, the prices received index fell 10 points to 23.5 this month. Twenty-eight percent of the firms reported higher prices, 5 percent reported lower prices, and 54 percent reported no change.

Firms Expect Own Prices to Rise Slower Than Inflation

In this month's special questions, the firms were asked to forecast the changes in prices of their own products and for U.S. consumers over the next four quarters (see Special Questions). The firms' median forecast for the rate of inflation for U.S. consumers over the next year was 6.0 percent, up from 5.5 percent from when the question was last asked in August. Regarding their own prices over the next year, the firms' median forecast was for an increase of 4.0 percent, up from 3.0 percent in August and above the median reported own price change over the past year of 3.8 percent. The firms expect their employee compensation costs (wages plus benefits on a

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per employee basis) to rise 5.0 percent over the next four quarters, same as in August. The firms' median forecast for the long-run (10-year average) inflation rate was 5.0 percent, up from 4.5 percent in August.

Future Indicators Remain Weak

The diffusion index for future general activity increased 2 points to 7.0, its second-lowest reading since April 2020 (see Chart). The share of firms expecting increases (42 percent) exceeded the share expecting decreases (35 percent). The future regional activity index rose 21 points but remained negative at -8.9 this month.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest weakened non-manufacturing activity in the region. The indicator for firm-level general activity turned negative, the index for new orders remained negative, and the index for sales/revenues declined but remained positive. The firms reported overall increases in full-time employment. The prices paid and prices received indexes declined but remained elevated. Overall, optimism for growth over the next six months remained subdued. ■

Special Questions (November 2022)		
Please list the annual percent change with respect to the following:		
	Current	Previous (Aug. 2022)
For your firm:		
<i>Forecast for next year (2022Q4–2023Q4)</i>		
1. Prices your firm will receive (for its own goods and services sold).	4.0	3.0
2. Compensation your firm will pay per employee (for wages and benefits).	5.0	5.0
<i>Last year's price change (2021Q4–2022Q4)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	3.8	4.5
For U.S. consumers:		
4. Prices U.S. consumers will pay for goods and services over the next year.	6.0	5.5
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2022–2031).	5.0	4.5
The numbers represent medians of the individual forecasts (percent changes). For question 5, firms reported a 10-year annual-average change.		

NONMANUFACTURING BUSINESS OUTLOOK SURVEY November 2022	November vs. October					Six Months from Now vs. November				
	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?	-14.9	19.2	43.1	32.8	-13.6	-29.4	32.6	24.9	41.5	-8.9
What is your assessment of general business activity for your firm?	11.2	28.6	37.6	31.2	-2.6	5.2	42.3	22.3	35.3	7.0
Company Business Indicators										
New Orders	-5.5	26.9	21.6	33.2	-6.3	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 because of rounding, omission by respondents, or both. (4) Survey results reflect data received through November 17, 2022.				
Sales or Revenues	20.8	33.8	31.0	30.3	3.5					
Unfilled Orders	4.6	8.7	34.8	7.3	1.4					
Inventories	-2.6	6.0	25.1	10.4	-4.4					
Prices Paid	74.2	54.4	31.7	1.9	52.5					
Prices Received	33.1	28.0	54.0	4.5	23.5					
Number of Employees – Full-Time Permanent	13.3	19.5	66.2	9.5	10.0					
Number of Employees – Part-Time, Temporary, and Contract	1.6	7.9	63.3	16.3	-8.4					
Average Employee Workweek	30.2	17.7	69.0	7.3	10.4					
Wage and Benefit Costs	49.9	43.0	51.3	1.4	41.5					
Capital Expenditures – Physical Plant	13.5	17.7	45.3	8.3	9.3					
Capital Expenditures – Equipment & Software	15.4	29.9	45.1	7.2	22.7					