

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

Responses to the July *Nonmanufacturing Business Outlook Survey* suggest mostly steady nonmanufacturing activity in the region. The indexes for general activity at the firm level and sales/revenues increased and returned to positive but low readings, while the index for new orders remained negative. Both price indexes increased this month. Expectations for growth over the next six months were more widespread.

### Current Indexes Are Mixed

The diffusion index for current general activity at the firm level increased from a reading of -7.5 in June to 2.0 this month (see Chart 1), its first positive reading since February. More than 38 percent of the responding firms reported no change in general activity, while 32 percent of the firms reported increases and 30 percent reported decreases. The index for sales/revenues — which has vacillated between positive and negative readings since March — rose 15 points to 4.0 this month. The new orders index edged up 3 points but remained negative at -13.3. More than 10 percent of the firms reported increases in new orders, 36 percent reported no change, and 23 percent reported decreases. The regional activity index increased 18 points to 1.4.

### Firms Report Overall Increases in Full-Time Employment

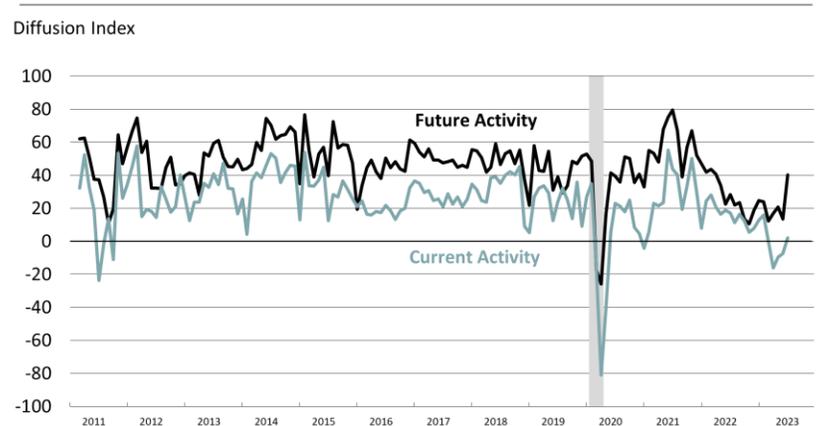
The full-time employment index increased 26 points to 11.9, mostly recovering from its decline last month. More than 56 percent of the firms reported steady full-time employment levels (up slightly from 55 percent last month), 25 percent of the responding firms reported increases this month (up from 12 percent last month), and 13 percent of the firms reported decreases (down from 26 percent last month). The part-time employment index increased 13 points to 3.9, and the average workweek index improved from -20.4 to 3.4.

### Respondents Report Overall Price Increases

The prices paid index jumped 19 points to 39.6 (see Chart 2), after falling 20 points last month. More than 47 percent of the respondents reported increases in their input prices,

**Chart 1. Current and Future General Activity Indexes for Firms**

March 2011 to July 2023



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.

while 8 percent reported decreases; 34 percent of the respondents reported stable input prices. Regarding prices for the firms' own goods and services, the prices received index increased from a reading of -5.8 to 7.8. The share of firms reporting increases in prices received (22 percent) exceeded the share reporting decreases (14 percent). More than 52 percent of the firms reported steady prices for their own goods and services.

### Firms Expect Cost Increases in All Categories

In special questions this month, the firms were asked about changes in wages and compensation over the past three months, as well as their expected changes to various input and labor costs for 2023 (see Special Questions on page 3). Almost 48 percent of the firms indicated wages and compensation costs had increased over the past three months, 50 percent reported no change, and 3 percent reported decreases. Most of the firms (41 percent) reported not needing to adjust their 2023 budgets for wages and compensation since the beginning of the year; however, 38 percent of the firms indicated they are planning to increase wages and compensation by more than originally planned, and 26 percent of the firms indicated they are planning to increase wages

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and compensation sooner than originally planned, up from 9 percent when this question was last asked in April. The firms still expect higher costs across most categories of expenses in 2023, and the median expected increases were in line with or slightly higher for most categories from April. Although the firms now expect somewhat higher increases in costs for health and nonhealth benefits than in April, their expectations for increases in total compensation (wages plus benefits) costs remained unchanged at a median response of 4 to 5 percent.

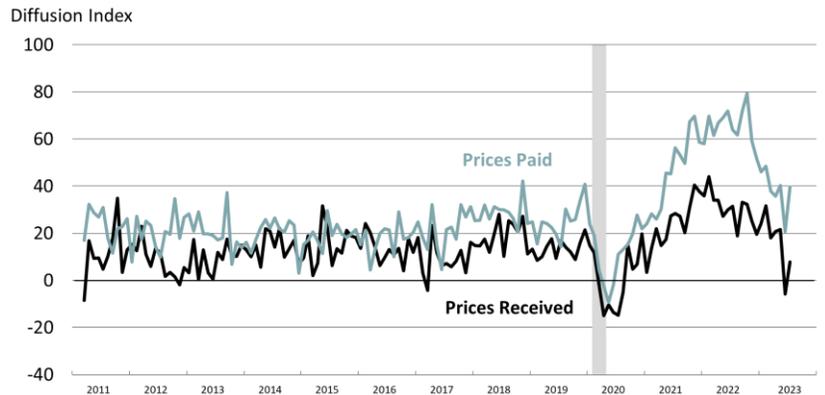
### Firms Anticipate Growth

The future activity index increased, indicating that expectations for growth over the next six months were more widespread. The diffusion index for future activity at the firm level increased from a reading of 13.6 in June to 40.1 this month (see Chart 1), its highest reading since April 2022. Almost 56 percent of the respondents expect an increase in activity at their firms over the next six months, compared with 15 percent that expect decreases and 25 percent that expect no change. The future regional activity index increased 17 points to 20.5.

### Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest mostly steady nonmanufacturing activity in the

**Chart 2. Prices Paid and Prices Received Indexes**  
March 2011 to July 2023



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.

region. The indicators for firm-level general activity and sales/revenues returned to positive but low territory, while the index for new orders remained negative. The firms continued to report overall increases in prices and full-time employment. Expectations for future growth were more widespread, and both future activity indexes improved. ■

NONMANUFACTURING BUSINESS OUTLOOK SURVEY July 2023	July vs. June					Six Months from Now vs. July				
	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?	-16.6	26.4	47.8	25.1	1.4	4.0	41.5	33.0	21.0	20.5
What is your assessment of general business activity for your firm?	-7.5	31.9	38.2	29.9	2.0	13.6	55.5	25.4	15.4	40.1
Company Business Indicators										
New Orders	-16.2	10.1	35.5	23.4	-13.3	<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 because of rounding, omission by respondents, or both. (4) Survey results reflect data received through July 20, 2023.				
Sales or Revenues	-10.6	33.6	32.6	29.6	4.0					
Unfilled Orders	-1.3	5.1	21.0	9.7	-4.7					
Inventories	-7.1	3.1	18.5	15.7	-12.6					
Prices Paid	20.8	47.1	34.0	7.5	39.6					
Prices Received	-5.8	22.1	52.1	14.3	7.8					
Number of Employees – Full-Time Permanent	-14.3	24.9	56.4	13.0	11.9					
Number of Employees – Part-Time, Temporary, and Contract	-8.8	19.7	55.3	15.7	3.9					
Average Employee Workweek	-20.4	15.8	71.1	12.4	3.4					
Wage and Benefit Costs	22.2	42.9	51.7	3.1	39.8					
Capital Expenditures – Physical Plant	4.5	19.1	42.9	14.0	5.1					
Capital Expenditures – Equipment & Software	8.6	35.5	38.3	10.9	24.6					


**NBOS** SPECIAL QUESTIONS
**Special Questions (July 2023)****1. How have wages and compensation changed at your firm over the past three months?**

	Percent (%)
Increased	47.5
No change	50.0
Decreased	2.5

**2. Since the beginning of the year, have you adjusted your budget for wages and compensation for 2023?\***

	Percent (%)
Yes, and we are planning to increase wages and compensation by more than originally planned.	38.1
Yes, and we are planning to increase wages and compensation sooner than originally planned.	26.2
No, we have not needed to make adjustments.	40.5
Other	4.8

\*Percentages do not sum to 100 because more than one option could be selected.

**3. What percentage change in costs do you now expect for the following categories over all of 2023?\***

	Energy (%)	Other Raw Materials (%)	Intermediate Goods (%)	Wages (%)	Health Benefits (%)	Nonhealth Benefits (%)	Wages + Health Benefits + Nonhealth Benefits (%)
Decline of more than 1%	6.7	8.7	4.5	2.9	3.1	0.0	0.0
No change	30.0	17.4	22.7	8.6	9.4	35.5	6.1
Increase of 1–2%	10.0	8.7	9.1	2.9	12.5	6.5	6.1
Increase of 2–3%	10.0	13.0	18.2	17.1	6.3	9.7	3.0
Increase of 3–4%	3.3	8.7	9.1	25.7	9.4	19.4	24.2
Increase of 4–5%	16.7	17.4	9.1	22.9	6.3	19.4	12.1
Increase of 5–7.5%	6.7	8.7	9.1	14.3	25.0	6.5	21.2
Increase of 7.5–10%	3.3	4.3	13.6	0.0	12.5	0.0	3.0
Increase of 10–12.5%	10.0	4.3	0.0	2.9	9.4	3.2	9.1
Increase of more than 12.5%	3.3	8.7	4.5	2.9	6.3	0.0	15.2
<b>Median Expected Change</b>	<b>2–3%</b>	<b>3–4%</b>	<b>2–3%</b>	<b>3–4%</b>	<b>5–7.5%</b>	<b>2–3%</b>	<b>4–5%</b>
Median Expected Change (April)	3–4%	2–3%	1–2%	3–4%	4–5%	-1–1%	4–5%

\*\*The firms responded to more detailed changes than shown in the provided ranges.