

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

Nonmanufacturing activity in the region remained weak overall this month, according to the firms responding to the August *Nonmanufacturing Business Outlook Survey*. The index for general activity at the firm level fell to a near-zero reading, while the index for new orders remained negative and the index for sales/revenues returned to negative territory. The firms continued to report higher full-time employment overall, and the prices paid and prices received indexes both rose this month. The respondents continue to expect growth over the next six months, although optimism was somewhat less widespread this month.

Current Indicators Remain Weak

The diffusion index for current general activity at the firm level declined 3 points to -0.5, after recording a small positive reading in July (see Chart). The share of firms reporting decreases (37 percent) narrowly exceeded the share reporting increases (36 percent). The new orders index edged down 3 points to -16.0, its third consecutive negative reading. Almost 16 percent of the firms reported increases in new orders, while 32 percent reported decreases. The sales/revenues index also fell, from 4.0 last month to -5.7. More than 30 percent of the firms reported increases in sales/revenues (down from 34 percent last month), while 36 percent reported decreases (up from 30 percent). The current regional activity index fell 15 points to -13.1.

Firms Report Overall Increases in Full-Time Employment

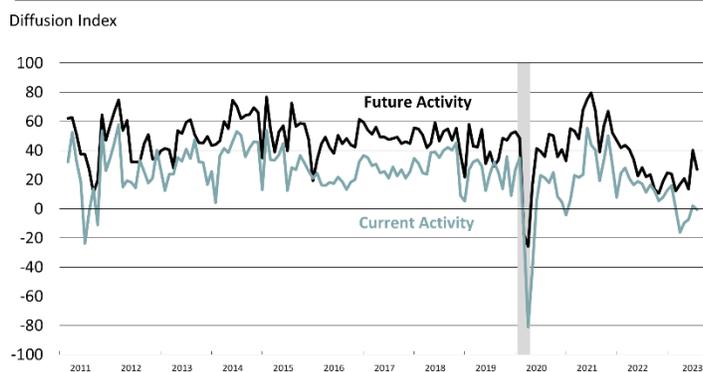
On balance, the firms reported increases in full-time employment this month, but the index decreased 4 points to 8.1. The share of firms reporting increases in full-time employment (20 percent) exceeded the share reporting decreases (12 percent); most firms (67 percent) reported no change. The part-time employment index fell 5 points to -0.7. Most firms (76 percent) reported steady part-time employment, while equal shares of the firms (11 percent) reported increases and decreases. The average workweek index fell 5 points to -1.5.

Firms Continue to Report Price Increases

Price indicator readings suggest continued increases in prices for inputs and the firms' own goods and services. The prices paid index increased 7 points to 46.2 this month. More than

Chart. Current and Future General Activity Indexes for Firms

March 2011 to August 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.

50 percent of the firms reported increases in input prices, while 4 percent reported decreases; 35 percent reported stable prices. Regarding prices for the firms' own goods and services, the prices received index rose from 7.8 to 14.6. Almost 22 percent of the firms reported higher prices, 7 percent reported lower prices, and 53 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). Regarding their own prices, the firms' median forecast was for an increase of 4.0 percent, unchanged from when the question was last asked in May. The firms' reported own price change over the past year was 3.0 percent, lower than the 4.0 percent reported in May. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 4.0 percent over the next four quarters, unchanged from May. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 4.8 percent, down slightly from 5.0 percent in May. The firms' median forecast for the long-run (10-year

Released August 22, 2023, at 8:30 a.m. ET.

The next *Nonmanufacturing Business Outlook Survey* will be released on September 26, 2023.



average) inflation rate was also lower at 3.0 percent, compared with 4.0 percent in May.

Firms Anticipate Growth

The future activity indexes suggest firms expect growth at their own companies and in the region over the next six months. The diffusion index for future activity at the firm level fell 13 points to 27.0 this month (see Chart). Almost 51 percent of firms expect increases in future activity at their firms (down from 56 percent last month) and 24 percent expect decreases (up from 15 percent). The future regional activity index fell from 20.5 to 8.2 this month.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest continued weakness overall in nonmanufacturing activity in the region. The indicator for firm-level general activity edged down into negative territory, and the indexes for sales/revenues and new orders both recorded negative readings this month. The index for full-time employment continued to suggest overall increases in employment. Both price indexes increased this month. Overall, the respondents continue to expect growth over the next six months. ■

Special Questions (August 2023)		
Please list the annual percent change with respect to the following:		
	Current	Previous (May 2023)
For your firm:		
<i>Forecast for next year (2023Q3–2024Q3)</i>		
1. Prices your firm will receive (for its own goods and services sold).	4.0	4.0
2. Compensation your firm will pay per employee (for wages and benefits).	4.0	4.0
<i>Last year's price change (2022Q3–2023Q3)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	3.0	4.0
For U.S. consumers:		
4. Prices U.S. consumers will pay for goods and services over the next year.	4.8	5.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2023–2032).	3.0	4.0
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 August 2023	August vs. July					Six Months from Now vs. August				
	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?	1.4	22.7	35.5	35.9	-13.1	20.5	40.4	25.7	32.2	8.2
What is your assessment of general business activity for your firm?	2.0	36.2	26.1	36.7	-0.5	40.1	50.6	25.8	23.6	27.0
Company Business Indicators										
New Orders	-13.3	15.7	19.8	31.7	-16.0	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 August 17, 2023.				
Sales or Revenues	4.0	30.3	27.0	36.0	-5.7					
Unfilled Orders	-4.7	12.5	22.1	13.4	-0.9					
Inventories	-12.6	7.9	18.0	18.5	-10.7					
Prices Paid	39.6	50.1	34.9	3.9	46.2					
Prices Received	7.8	21.8	53.0	7.3	14.6					
Number of Employees – Full-Time Permanent	11.9	20.0	66.6	11.8	8.1					
Number of Employees – Part-Time, Temporary, and Contract	3.9	10.5	76.0	11.3	-0.7					
Average Employee Workweek	3.4	12.4	73.7	13.9	-1.5					
Wage and Benefit Costs	39.8	34.0	63.7	0.3	33.7					
Capital Expenditures – Physical Plant	5.1	17.3	49.5	10.2	7.1					
Capital Expenditures – Equipment & Software	24.6	29.1	47.5	11.6	17.5					