

Note: Survey responses were collected from September 11 to September 21.

Nonmanufacturing activity in the region declined overall this month, according to the firms responding to the September *Nonmanufacturing Business Outlook Survey*. The indexes for general activity at the firm level, new orders, and sales/revenues all remained negative. The firms continued to report overall increases in full-time employment this month. Price pressures relaxed, as both the prices paid and prices received indexes fell but remained positive. Although the firms continue to expect growth over the next six months on balance, expectations are less widespread.

Current Indexes Decline

The diffusion index for current general activity at the firm level declined from a reading of -0.5 in August to -5.5 this month (see Chart 1). More than 26 percent of the firms reported increases, while 32 percent of the firms reported decreases; 41 percent reported no change in activity. The new orders index recorded its fourth consecutive decline at -9.2 this month. Twenty-two percent of the firms reported increases in new orders (up from 16 percent last month), while 31 percent reported decreases (down slightly from 32 percent last month). Similarly, the sales/revenues index decreased 5 points to -10.7. More than 21 percent of the responding firms reported increases in sales/revenues, while 32 percent reported decreases. The regional activity index fell further, from -13.1 last month to -16.6 this month.

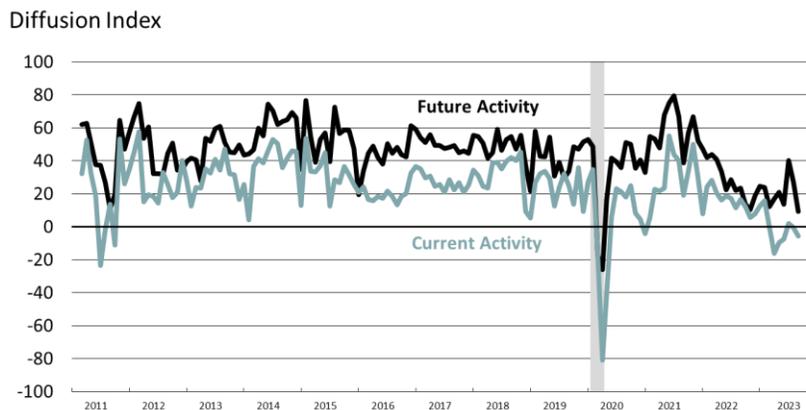
Firms Report Overall Increases in Full-Time Employment

On balance, the firms reported increases in full-time employment, but the index edged down 2 points this month. More than 22 percent of the firms reported increases, while 16 percent reported decreases; almost 62 percent of the firms reported steady full-time employment levels. The part-time employment index remained relatively unchanged at -0.8.

Price Increases Are Less Widespread

Price indicator readings suggest continued but less widespread increases in prices for inputs and prices for the firms' own goods and services. The prices paid index declined 5

Chart 1. Current and Future General Activity Indexes for Firms
March 2011 to September 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.

points to 41.2 (see Chart 2). Almost 49 percent of the respondents reported higher input prices, 33 percent reported no change, and 8 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index fell from 14.6 to 4.5. Almost 20 percent of the firms reported increases in prices received (down slightly from 22 percent last month), while 15 percent of the firms reported decreases (up from 7 percent). Most of the firms (55 percent) reported no change in prices for their own goods and services.

Firms Report Higher Sales/Revenues and Lower Constraints

In this month's special questions, the firms were asked to estimate their total sales/revenues growth for the third quarter ending this month compared with the second quarter of 2023; they were also asked about factors constraining business operations (see Special Questions on page 3). The share of firms reporting expected increases in third-quarter sales/revenues (38 percent) was slightly less than the share reporting decreases (40 percent). Most of the firms indicated that labor supply and supply chains constrained operations in the current quarter at least slightly, and 56 percent of the

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firms reported that financial capital was at least slightly constraining business. Looking ahead over the next three months, a majority of the firms expect the impacts of various factors to stay the same, and 26 percent and 20 percent of the firms expect labor supply and supply chain impacts to improve, respectively. However, 45 percent of the firms expect financial capital impacts to worsen, up slightly from 42 percent in June, while 30 percent of the firms expect COVID-19 mitigation measures to worsen, up from zero percent in June.

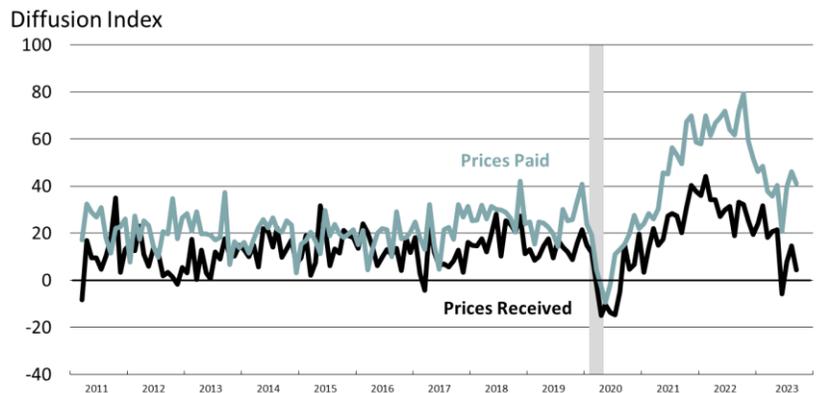
Firms Anticipate Growth

The future firm-level general activity index remained positive but low and continued to suggest firms expect growth at their own companies over the next six months. The diffusion index for future general activity at the firm level decreased 18 points to 9.4 (see Chart 1). Almost 33 percent of the firms expect an increase in activity at their firms over the next six months, 23 percent expect decreases, and 41 percent of the firms expect no change. The future regional activity index fell from 8.2 to 3.4.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest a decline in nonmanufacturing

Chart 2. Prices Paid and Prices Received Indexes
March 2011 to September 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.

activity in the region. The indicators for firm-level general activity, new orders, and sales/revenues were all negative this month. The full-time employment index suggests overall increases in employment. Both price indexes decreased but continue to indicate overall price increases. Overall, the responding firms expect growth over the next six months at their own firms, although expectations are less widespread. ■

NONMANUFACTURING BUSINESS OUTLOOK SURVEY September 2023	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?	-13.1	16.7	48.6	33.3	-16.6	8.2	27.6	44.7	24.2	3.4
What is your assessment of general business activity for your firm?	-0.5	26.4	41.3	31.9	-5.5	27.0	32.5	40.8	23.1	9.4
Company Business Indicators										
New Orders	-16.0	22.0	24.6	31.2	-9.2	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 September 21, 2023.				
Sales or Revenues	-5.7	21.3	40.7	32.1	-10.7					
Unfilled Orders	-0.9	7.7	26.8	15.9	-8.2					
Inventories	-10.7	7.7	21.8	7.8	-0.1					
Prices Paid	46.2	48.7	32.9	7.6	41.2					
Prices Received	14.6	19.8	54.9	15.3	4.5					
Number of Employees – Full-Time Permanent	8.1	22.3	61.9	15.8	6.4					
Number of Employees – Part-Time, Temporary, and Contract	-0.7	13.0	56.3	13.8	-0.8					
Average Employee Workweek	-1.5	17.1	72.6	8.2	8.9					
Wage and Benefit Costs	33.7	40.3	57.5	0.0	40.3					
Capital Expenditures – Physical Plant	7.1	17.9	45.5	11.2	6.7					
Capital Expenditures – Equipment & Software	17.5	30.9	48.9	13.1	17.8					

Special Questions (September 2023)		
1. How will your firm's total sales/revenues for the third quarter of 2023 compare with that of the second quarter of 2023 ?		
An increase of:	% of firms	Subtotals
10% or more	8.0	% of firms reporting an increase: 38.0
5–10%	10.0	
0–5%	20.0	
No change	22.0	
A decline of:		
0–5%	14.0	% of firms reporting a decrease: 40.0
5–10%	8.0	
10% or more	18.0	

	2. In the current quarter , to what degree have the following factors acted as constraints on business operations?				3. Over the next three months , how do you expect the impacts of the following factors as constraints on business operations to change?		
	Not at all (%)	Slightly (%)	Moderately (%)	Significantly (%)	Worsen (%)	Stay the same (%)	Improve (%)
COVID-19 mitigation measures	83.3	16.7	0.0	0.0	29.8	63.8	6.4
Energy markets	49.1	29.1	12.7	9.1	36.0	58.0	6.0
Financial capital	43.6	25.5	18.2	12.7	45.1	51.0	3.9
Labor supply	20.0	47.3	18.2	14.5	17.0	56.6	26.4
Supply chains	39.6	32.1	22.6	5.7	16.3	63.3	20.4
Other factors	81.9	13.6	0.0	4.5	9.5	90.5	0.0

