

Note: Survey responses were collected from January 8 to January 18.

Firms responding to the January *Nonmanufacturing Business Outlook Survey* indicated overall improvement in business activity. The indexes for general activity at the firm level and sales/revenues remained positive, while the new orders index improved and turned positive. The firms reported overall increases in full- and part-time employment this month. Both the prices paid and prices received indexes continue to indicate overall price increases. The firms continue to expect growth over the next six months at their own firms and in the region.

Current Indexes Are Mostly Positive but Low

The diffusion index for current general activity at the firm level edged up from a revised reading of 6.1 in December to 6.8 this month (see Chart 1).^{*} Almost 35 percent of the firms reported increases, while 28 percent reported decreases; 34 percent reported no change in activity. The new orders index rose from -5.7 to 1.9 this month, its first positive reading since last February. Almost 25 percent of the firms reported increases in new orders, slightly exceeding the 23 percent that reported decreases. The sales/revenues index fell 6 points to 7.5. Almost 34 percent of the responding firms reported increases in sales/revenues, while 26 percent reported decreases. The regional activity index fell 6 points to -3.7 this month.

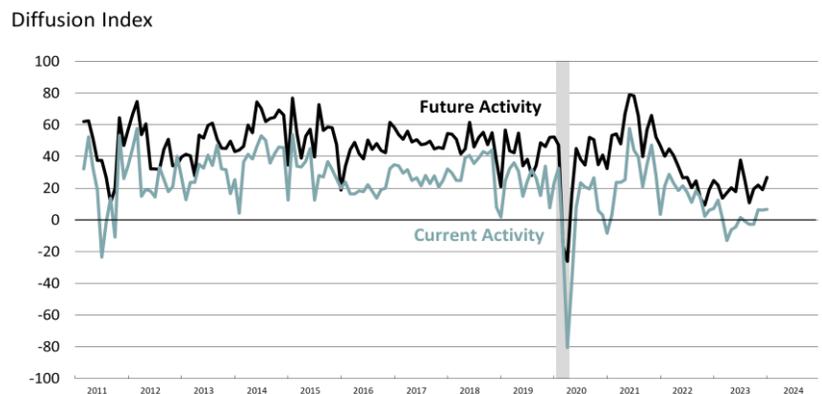
Firms Report Overall Increases in Employment

Overall, the firms reported increases in full-time employment, and the index increased from 8.3 in December to 13.9 this month. Almost 20 percent of the firms reported increases, while 6 percent reported decreases; almost 73 percent of the firms reported steady full-time employment levels. The part-time employment index increased from -0.5 to 10.2 this month, its highest reading since June 2022.

Firms Continue to Report Price Increases

Price indicator readings suggest continued increases in prices for inputs and prices for the firms' own goods and services. The prices paid index moved up 2 points to 33.8 (see Chart 2). Over 36 percent of the respondents reported higher input

Chart 1. Current and Future General Activity Indexes for Firms
March 2011 to January 2024



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.

prices, 46 percent reported no change, and 3 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index fell from 10.3 to 5.1. Almost 21 percent of the firms reported increases in prices, while 16 percent reported decreases. Most of the firms (51 percent) reported no change in prices for their own goods and services.

Firms Expect Smaller Cost Increases This Year

In this month's special questions, the firms were asked about changes in their various input and labor costs over the past year and their expectations for changes in costs for the coming year (see Special Questions on page 3). For all categories, the average percent change in costs expected for 2024 was smaller than the average percent change in costs reported for 2023. The respondents were also asked to rank the importance of various

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The next *Nonmanufacturing Business Outlook Survey* will be released on February 20, 2024.

^{*}The survey's annual data revisions, which incorporate updated seasonal factors, were released on January 16, 2024. More information is available [on our website](#).



factors in setting prices. Demand for their own goods/services was again the most important factor, followed by wages and labor costs and maintaining steady profit margins.

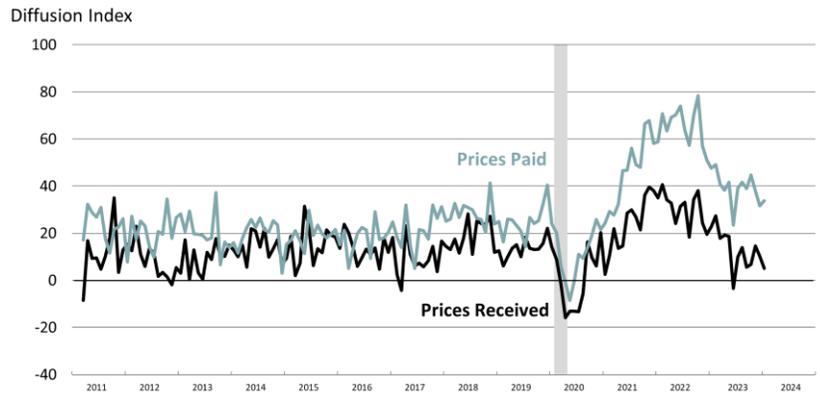
Firms Anticipate Growth

The future general activity indexes continued to suggest firms expect growth at their own companies and in the region over the next six months. The diffusion index for future general activity at the firm level increased 8 points to 26.8 (see Chart 1). Almost 42 percent of the firms expect an increase in activity at their firms over the next six months, 15 percent expect decreases, and 38 percent of the firms expect no change. The future regional activity index improved from 10.0 to 13.2.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest overall increases in nonmanufacturing activity in the region. The indicators for firm-level general activity and sales/revenues were positive this month, while the new orders index improved and turned positive. The full- and part-time employment indexes suggest overall increases in employment. Both price indexes continue to indicate overall price increases. Overall, the responding firms expect growth at their own firms and in the region over the next six months. ■

Chart 2. Prices Paid and Prices Received Indexes
March 2011 to January 2024



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.

NONMANUFACTURING BUSINESS OUTLOOK SURVEY January 2024	January vs. December					Six Months from Now vs. January				
	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?	2.1	19.5	54.1	23.2	-3.7	10.0	32.6	44.7	19.5	13.2
What is your assessment of general business activity for your firm?	6.1	34.5	33.5	27.8	6.8	19.0	41.5	38.4	14.6	26.8
Company Business Indicators										
New Orders	-5.7	24.6	24.8	22.7	1.9	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 January 18, 2024.				
Sales or Revenues	13.2	33.9	31.4	26.4	7.5					
Unfilled Orders	-0.7	7.8	31.8	6.8	1.0					
Inventories	3.8	5.9	28.6	3.5	2.4					
Prices Paid	31.7	36.3	45.8	2.5	33.8					
Prices Received	10.3	20.9	50.8	15.8	5.1					
Number of Employees – Full-Time Permanent	8.3	19.6	72.6	5.7	13.9					
Number of Employees – Part-Time, Temporary, and Contract	-0.5	17.2	66.7	7.0	10.2					
Average Employee Workweek	-0.7	19.7	63.5	11.7	8.0					
Wage and Benefit Costs	34.2	37.9	62.1	0.0	37.9					
Capital Expenditures – Physical Plant	-0.2	12.5	50.3	11.4	1.1					
Capital Expenditures – Equipment & Software	10.0	29.1	51.3	7.2	21.9					

Special Questions (January 2024)				
1. What were the percentage changes in costs for the following categories for 2023, and what do you expect they will be for 2024?				
	2023 (Actual)		2024 (Expected)	
	Average (%)	Median (%)	Average (%)	Median (%)
Energy	4.4	3–4	2.1	1–2
Other Raw Materials	4.2	2–3	2.5	2–3
Intermediate Goods	4.6	3–4	2.3	2–3
Wages	4.8	4–5	4.0	3–4
Health Benefits	5.9	4–5	5.3	4–5
Nonhealth Benefits	2.9	2–3	2.5	2–3
Wages + Health Benefits + Nonhealth Benefits	7.3	4–7.5	6.1	4–5
Note: Respondents selected ranges of percentage changes. The average percent change is calculated using the midpoints of the ranges of each answer option.				

2. Currently, when you think about setting the prices of your goods/services, how important to you are the following factors in making those decisions?	
	Weighted Average* (%)
Your competitors' prices	65
The strength of demand for your most important good(s) or service(s)	83
Your wages and labor costs (including benefits)	77
Your nonlabor costs, such as energy prices, materials prices, transportation costs, rent, etc.	54
Maintaining steady profit margins (for price over costs)	75
Interest rates, borrowing rates, and the cost of capital	56
Problems with your supply chains, such as bottlenecks and product shortages	41
The overall rate of inflation in the U.S. economy, as measured by the Consumer Price Index	65
Other	42
*Respondents reported importance on a scale of 1 (least important) to 5 (most important). The weighted average gives 1 a weight of 0; 2 a weight of 0.25; 3 a weight of 0.5; 4 a weight of 0.75; and 5 a weight of 1.	