



Note: Survey responses were collected from May 5 to May 15.

Nonmanufacturing activity continued to decline this month, according to the firms responding to the May *Nonmanufacturing Business Outlook Survey*. The indexes for general activity at the firm level, new orders, and sales/revenues all remained negative. However, the firms reported overall increases in full-time employment. The prices paid index continued to suggest increases, while the prices received index suggested little change in the prices of the firms' own goods and services. The respondents expect growth for their firms in the next six months but a decline in activity in the region overall.

Current Indicators Remain Negative

The diffusion index for current general activity at the firm level rose from -26.7 to -16.3 in May, its fourth consecutive negative reading (see Chart). Almost 45 percent of the firms reported decreases in activity, 28 percent reported increases, and 27 percent reported no change. The sales/revenues index also rose but remained negative, ticking up 2 points to -5.5. The new orders index fell from -6.9 to -16.3. The indicator for current regional activity was little changed at -41.9.

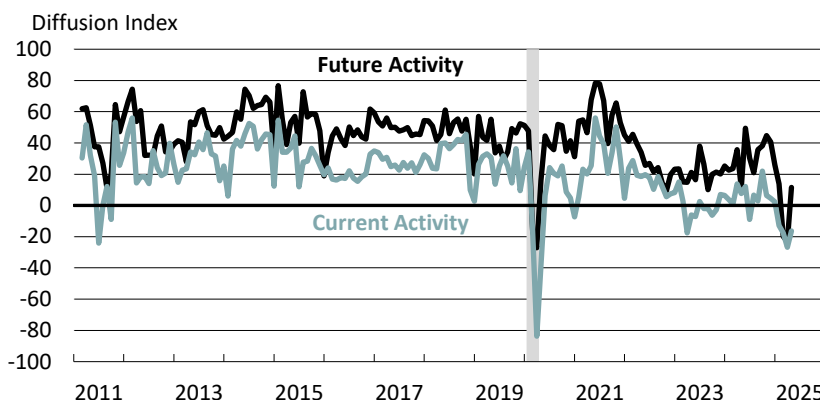
Firms Report Overall Increases in Full-Time Employment

The full-time employment index turned positive, rising from -7.2 to 11.3 in May, its highest reading since January 2024. Nearly 23 percent of the firms reported increases in full-time employment, exceeding the 12 percent that reported decreases; most firms (59 percent) reported no change. The part-time employment index declined for the third consecutive month, falling from -7.9 to -11.9. The average workweek index ticked up 1 point to -4.8.

Prices Paid Index Returns to Long-Run Average

The price indicators suggest increases in prices for inputs and little change for the firms' own goods and services overall. The prices paid index declined 17 points to 29.6 this month and is now in line with its long-run average following two months of elevated readings. Regarding prices for the firms'

Chart. Current and Future General Activity Indexes
January 2011 to May 2025



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.

own goods and services, the prices received index rose from a near-zero reading in April to 4.0 in May.

Firms Expect Own Price Increases to Lag 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 Price and Inflation Expectations on page 2). Regarding their own prices, the firms' median forecast was for an increase of 2.0 percent, unchanged from when the question was last asked in February. The firms' reported own price change over the past year was 2.0 percent, up from 0.0 percent last quarter. 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, up from 3.0 percent last quarter. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast moved up from 3.3 percent to 4.8 percent.

The firms were also asked about changes in customer price sensitivity and anticipated cost changes (see Special Questions on page 3). Half of the firms reported their core customers were more price sensitive compared with last

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quarter, while over 47 percent reported customers’ price sensitivity was about the same. Nearly 65 percent of the firms anticipated changes in their industry’s costs in the near term, and nearly 62 percent of those firms expected their competitors to raise prices in response. Regarding when these prices changes will occur, the firms’ median expectation was for competitors to change prices in the next two to three months.

Future Indicators Are Mixed

Expectations for growth over the next six months were more widespread at the firm level but remained negative for the region. The diffusion index for future activity at the firm level rose 35 points to 11.6, its first positive reading since February (see Chart). The future regional activity index remained negative but ticked up from -31.8 to -30.6.

Summary

Responses to this month’s *Nonmanufacturing Business Outlook Survey* suggest activity declined overall in the region. The indicators for firm-level general activity, new orders, and sales/revenues all remained negative for the fourth consecutive month. The firms reported overall increases in full-time employment. The firms reported increases in prices paid for inputs and little change in the prices of their own goods and services. The respondents’ expectations for future growth at their own firms were more widespread this month. ■

Price and Inflation Expectations (May 2025)		
Please list the annual percent change with respect to the following:		
	Current	Previous (Feb. 2025)
For your firm:		
<i>Forecast for next year (2025Q2–2026Q2)</i>		
1. Prices your firm will receive (for its own goods and services sold).	2.0	2.0
2. Compensation your firm will pay per employee (for wages and benefits).	4.0	3.0
<i>Last year's price change (2024Q2–2025Q2)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	2.0	0.0
For U.S. consumers:		
4. Prices U.S. consumers will pay for goods and services over the next year.	4.8	3.3
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2025–2034).	4.8	3.1
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 May 2025	May vs. April					Six Months from Now vs. May				
	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?	-42.7	11.6	33.7	53.5	-41.9	-31.8	24.1	19.5	54.7	-30.6
What is your assessment of general business activity for your firm?	-26.7	28.3	27.1	44.6	-16.3	-23.0	42.5	26.6	30.9	11.6
Company Business Indicators						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 May 15, 2025.				
New Orders	-6.9	22.0	23.1	38.3	-16.3					
Sales or Revenues	-7.8	33.1	26.9	38.6	-5.5					
Unfilled Orders	-13.1	4.5	28.1	16.6	-12.1					
Inventories	-11.7	14.2	11.7	9.0	5.2					
Prices Paid	46.5	35.9	43.3	6.3	29.6					
Prices Received	-0.1	16.0	64.5	12.0	4.0					
Number of Employees – Full-Time Permanent	-7.2	22.9	59.3	11.7	11.3					
Number of Employees – Part-Time, Temporary, and Contract	-7.9	8.4	60.2	20.4	-11.9					
Average Employee Workweek	-6.2	13.2	61.5	18.0	-4.8					
Wage and Benefit Costs	37.3	30.8	59.1	3.0	27.8					
Capital Expenditures – Physical Plant	-4.2	6.7	47.8	10.0	-3.3					
Capital Expenditures – Equipment & Software	6.3	14.8	60.0	15.5	-0.7					



Special Questions (May 2025)	
1. Since last quarter, have your core customers become more or less price sensitive?	
	Percent (%)
More sensitive	50.0
About the same	47.2
Less sensitive	0.0
Don't know	2.8

2. Over the near term (roughly the next six months or so), can you clearly anticipate any changes in your industry's costs?	
	Percent (%)
Yes	64.7
No	35.3
2a. How do you anticipate that your competitors will respond?*	
	Percent (%)
Raise prices	61.9
Hold prices steady	19.0
Lower prices	14.3
Don't know	4.8
*Only firms that responded "yes" to question 2 responded to question 2a.	
2b. How soon do you anticipate your competitors will change prices?**	
	Number of months
Median response	2.5
**Only firms that responded "raise prices" or "lower prices" to question 2a responded to question 2b.	