



August 2025

*Note: Survey responses were collected from August 11 to August 21.*

Nonmanufacturing activity continued to expand this month, according to the firms responding to the August *Nonmanufacturing Business Outlook Survey*. The indexes for general activity at the firm level, new orders, and sales/revenues rose further. However, on balance, the firms reported decreases in employment. The price indexes moved up to elevated readings. The respondents' expectations for future growth at their firms were more widespread this month.

#### Most Current Indicators Strengthen

The diffusion index for current general activity at the firm level rose from 10.2 to 24.6 in August, its second consecutive positive reading and highest reading since March 2022 (see Chart). Forty-six percent of the firms reported increases in activity, 21 percent reported decreases, and 30 percent reported no change. The new orders index rose 12 points to 21.5, also its highest reading since March 2022, and the sales/revenues index moved up 6 points to 17.5, its highest reading since October. The indicator for current regional activity remained negative and declined 7 points to -17.5.

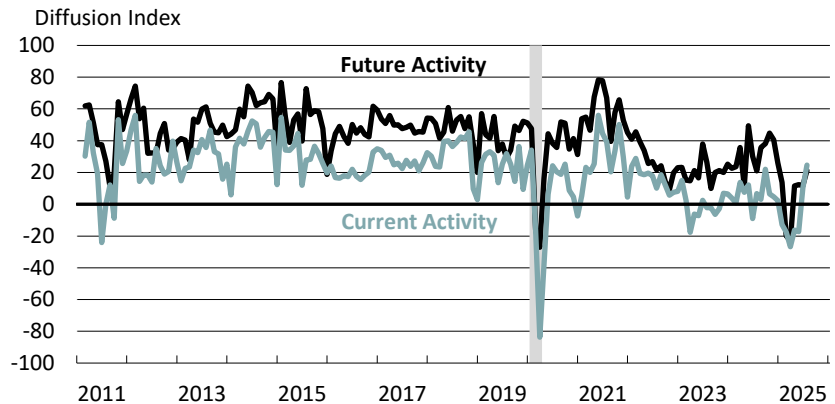
#### Employment Indicators Move Slightly Negative

The full-time employment index continued its recent pattern of alternating between positive and negative readings, declining 8 points to -3.8 this month. Nineteen percent of the firms reported decreases in full-time employment, exceeding the 15 percent that reported increases; most firms (62 percent) reported no change. The part-time employment index ticked down 1 point to -2.8. The average workweek index rose 5 points to 17.3, its third consecutive positive reading.

#### Price Indexes Exceed Long-Run Averages

The price indicators suggest widespread increases in prices for inputs and for the firms' own goods and services overall. The prices paid index rose 11 points to 43.2 this month, its highest reading since April. Regarding prices for the firms' own goods and services, the prices received index increased

**Chart. Current and Future General Activity Indexes**  
January 2011 to August 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.*

from 12.4 to 20.1, its second consecutive increase and highest reading since December.

#### Firms Expect Higher Growth for Own Prices

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 2.5 percent, up from 2.0 percent when the question was last asked in May. The firms' reported own price change over the past year was also 2.5 percent, up from 2.0 percent last quarter. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 3.0 percent over the next four quarters, down from 4.0 percent last quarter. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast moved down to 3.3 percent from 4.8 percent.

The firms were also asked about changes in customer price sensitivity and anticipated cost changes (see Special Questions on page 3). Over 58 percent of the firms reported that their core customers were more price sensitive

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compared with last quarter, while 39 percent reported customers’ price sensitivity was about the same, and 2 percent indicated that customers were less price sensitive. More than 57 percent of the firms anticipated changes in their industry’s costs in the near term, and 63 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 three months.

### Firms Expect Growth over the Next Six Months

Expectations for growth over the next six months were more widespread at the firm level. The diffusion index for future activity at the firm level rose 9 points to 21.2, its highest reading since January (see Chart). The future regional activity index rose from -3.9 to 1.3, its first positive reading since January.

### Summary

Responses to this month’s *Nonmanufacturing Business Outlook Survey* suggest activity continued to expand in the region. The indicators for firm-level general activity, new orders, and sales/revenues all rose further. However, the full-time employment index dipped into negative territory. The firms reported increases in prices paid for inputs and for their own goods and services. The respondents’ expectations for future growth at their own firms were more widespread this month. ■

Price and Inflation Expectations (August 2025)		
Please list the annual percent change with respect to the following:		
	Current	Previous (May 2025)
<b>For your firm:</b>		
<i>Forecast for next year (2025Q3–2026Q3)</i>		
1. Prices your firm will receive (for its own goods and services sold).	2.5	2.0
2. Compensation your firm will pay per employee (for wages and benefits).	3.0	4.0
<i>Last year's price change (2024Q3–2025Q3)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	2.5	2.0
<b>For U.S. consumers:</b>		
4. Prices U.S. consumers will pay for goods and services over the next year.	3.3	4.8
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2025–2034).	3.5	4.8
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 2025	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?	-10.3	17.4	40.6	34.9	-17.5	-3.9	36.2	24.6	34.8	1.3
What is your assessment of general business activity for your firm?	10.2	46.0	30.3	21.4	24.6	11.7	48.7	22.5	27.5	21.2
Company Business Indicators										
New Orders	9.7	40.5	18.7	19.0	21.5	<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 August 21, 2025.				
Sales or Revenues	11.8	48.4	19.0	30.9	17.5					
Unfilled Orders	3.4	14.6	26.0	4.9	9.7					
Inventories	2.9	7.4	14.2	7.5	-0.1					
Prices Paid	32.5	43.2	43.1	0.0	43.2					
Prices Received	12.4	27.6	51.6	7.5	20.1					
Number of Employees – Full-Time Permanent	4.1	15.2	62.3	19.0	-3.8					
Number of Employees – Part-Time, Temporary, and Contract	-1.4	9.3	67.4	12.1	-2.8					
Average Employee Workweek	12.5	23.0	66.7	5.7	17.3					
Wage and Benefit Costs	29.9	40.0	53.2	2.1	37.9					
Capital Expenditures – Physical Plant	2.6	16.8	40.7	6.5	10.2					
Capital Expenditures – Equipment & Software	7.3	27.1	50.8	4.7	22.4					



Special Questions (August 2025)	
<b>1. Since last quarter, have your core customers become more or less price sensitive?</b>	
	Percent (%)
More sensitive	58.5
About the same	39.0
Less sensitive	2.4
Don't know	0.0

<b>2. Over the near term (roughly the next six months or so), can you clearly anticipate any changes in your industry's costs?</b>	
	Percent (%)
Yes	57.1
No	42.9
<b>2a. How do you anticipate that your competitors will respond?*</b>	
	Percent (%)
Raise prices	62.5
Hold prices steady	20.8
Lower prices	16.7
Don't know	0.0
*Only firms that responded "yes" to question 2 responded to question 2a.	
<b>2b. How soon do you anticipate your competitors will change prices?**</b>	
	Number of months
Median response	3.0
**Only firms that responded "raise prices" or "lower prices" to question 2a responded to question 2b.	