

Note: Survey responses were collected from January 10 to January 20.

Responses to the January *Nonmanufacturing Business Outlook Survey* suggest weakened nonmanufacturing activity in the region. The indexes for general activity at the firm level, sales/revenues, and new orders all posted sharp declines but remained slightly positive. Additionally, the index for full-time employment decreased. The firms continued to report overall increases in the prices of both their own goods and their inputs. The respondents continue to anticipate growth over the next six months.

Current Indexes Deteriorate

The diffusion index for current general activity at the firm level fell sharply from a revised reading of 25.9 in December to 2.6 this month, its lowest reading since January 2021 (see Chart 1).^{*} Almost 32 percent of the firms reported increases in activity, while 29 percent reported decreases. The new orders index fell 15 points to 0.6 in January. Thirty percent of the respondents reported steady new orders, and equal shares (23 percent) reported increases or decreases. The sales/revenues index fell 23 points to 4.6 in January. Nearly 35 percent of the responding firms reported increases in sales/revenues, while 30 percent reported decreases. The regional general activity index plummeted to -16.2.

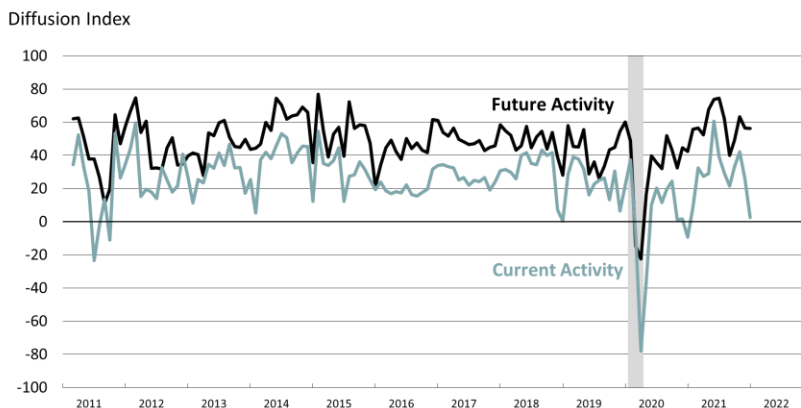
Employment Indicators Contract

The firms reported overall increases in full-time and part-time employment, but both indexes fell from their readings last month. The full-time employment index fell 8 points to a reading of 5.7 in January. More than 58 percent of the firms reported steady full-time employment levels, while the share of firms reporting increases (21 percent) was higher than the share reporting decreases (15 percent). The part-time employment index fell 4 points to 2.5.

Firms Continue to Report Overall Price Increases

The prices paid index increased 12 points to 63.0 (see Chart 2). Sixty-three percent of the respondents reported increased input prices, while 25 percent of the respondents reported steady input prices. None of the responding firms reported

Chart 1. Current and Future General Activity Indexes for Firms
March 2011 to January 2022



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.

decreases in prices paid. Regarding prices for the firms' own goods and services, the prices received index increased from 29.9 to 37.9. The share reporting increases in prices received (41 percent) far exceeded the share reporting decreases (3 percent). More than 44 percent of the firms reported no change in prices for their own goods and services.

Firms Expect Higher Cost Increases This Year

In this month's special questions, the firms were asked about their expectations for changes in various input and labor costs for the coming year (see Special Questions on page 3). Responses indicate an expected average increase of 7.3 percent for raw materials, followed by total compensation (wages plus benefits), intermediate goods, and energy, which are all expected to increase between 5 and 6 percent on average. The firms also expect wages to rise an average of 4.5 percent in 2022. Comparing the expected change in costs for 2022 with 2021, the respondents indicated increases across all categories of expenses.

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The next *Nonmanufacturing Business Outlook Survey* will be released on February 22, 2022.

^{*}The survey's annual historical revisions were released on January 18, 2022. See the [note](#) for more information.



Firms Continue to Anticipate Growth

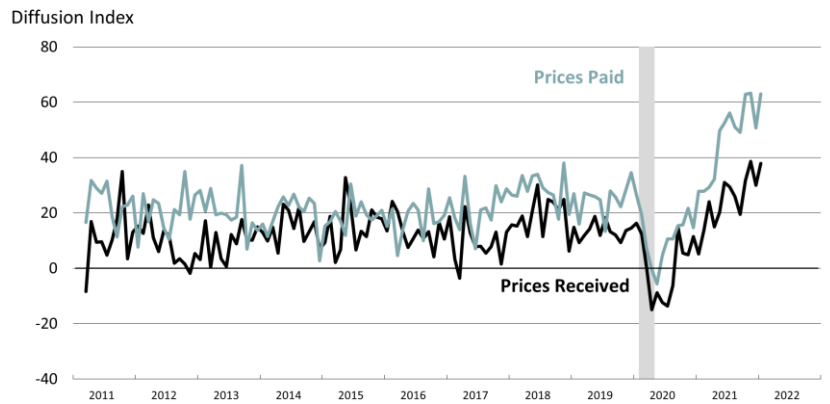
Both future activity indexes suggest that firms continue to anticipate growth over the next six months. The diffusion index for future activity at the firm level remained mostly steady at a reading of 56.3 this month (see Chart 1). Over 68 percent of the firms expect an increase in activity at their firms over the next six months, compared with 12 percent that expect decreases and 20 percent that expect no change. The future regional activity index increased 6 points to 47.1.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest weakened nonmanufacturing activity in the region. The indicators for firm-level general activity, new orders, and sales/revenues all fell substantially. The indexes for full-time and part-time employment declined. Both the indexes for prices paid and prices received remained elevated and increased further. Overall, the responding firms continue to expect growth over the next six months in their own firms and in the region. ■

Chart 2. Prices Paid and Prices Received Indexes

March 2011 to January 2022



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 2022	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?	27.3	21.3	39.5	37.5	-16.2	41.2	61.9	21.8	14.8	47.1
What is your assessment of general business activity for your firm?	25.9	31.8	37.9	29.2	2.6	56.6	68.4	19.6	12.0	56.3
Company Business Indicators										
New Orders	15.2	23.1	30.2	22.5	0.6	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 20, 2022.				
Sales or Revenues	27.6	34.7	30.3	30.1	4.6					
Unfilled Orders	14.0	17.3	24.6	6.5	10.8					
Inventories	1.5	9.2	18.2	13.8	-4.6					
Prices Paid	50.8	63.0	25.1	0.0	63.0					
Prices Received	29.9	41.3	44.1	3.4	37.9					
Number of Employees – Full-Time Permanent	13.6	20.6	58.3	14.9	5.7					
Number of Employees – Part-Time, Temporary, and Contract	6.8	13.3	62.7	10.8	2.5					
Average Employee Workweek	16.7	20.9	60.4	11.3	9.6					
Wage and Benefit Costs	58.8	58.2	31.5	3.6	54.6					
Capital Expenditures – Physical Plant	18.6	23.8	40.9	3.1	20.7					
Capital Expenditures – Equipment & Software	16.6	32.7	48.9	3.7	28.9					

Special Questions (January 2022)

1. What percentage change in costs do you expect for the following categories over all of 2022?*

	Energy	Other Raw Materials	Intermediate Goods	Wages	Health Benefits	Nonhealth Benefits	Wages + Health Benefits + Nonhealth Benefits
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Decline of more than 1%	1.7	0.0	0.0	4.7	1.8	0.0	3.6
No change	10.2	10.3	16.7	12.5	25.0	42.3	8.9
Increase of 1–2%	6.8	7.7	8.3	1.6	3.6	5.8	3.6
Increase of 2–3%	15.3	10.3	8.3	7.8	1.8	11.5	8.9
Increase of 3–4%	13.6	5.1	13.9	18.8	16.1	19.2	12.5
Increase of 4–5%	8.5	23.1	22.2	26.6	12.5	11.5	17.9
Increase of 5–7.5%	23.7	2.6	2.8	12.5	23.2	5.8	16.1
Increase of 7.5–10%	10.2	15.4	11.1	7.8	7.1	3.8	16.1
Increase of 10–12.5%	3.4	10.3	8.3	1.6	1.8	0.0	3.6
Increase of more than 12.5%	6.8	15.4	8.3	6.3	7.1	0.0	8.9
Average Expected Change	5.3	7.3	5.6	4.5	4.7	2.3	5.7

2. Do you expect these changes in costs to be higher, the same, or lower than the actual cost changes for 2021?

Higher	83.9	84.4	80.4	83.1	71.0	57.9	83.9
Same	12.9	13.3	17.4	13.8	27.4	42.1	14.5
Lower	3.2	2.2	2.2	3.1	1.6	0.0	1.6
Diffusion Index (Higher Minus Lower)	80.6	82.2	78.3	80.0	69.4	57.9	82.3

*The firms responded to more detailed changes than shown in the provided ranges.