

Note: Survey responses were collected from February 7 to February 17.

Nonmanufacturing business activity expanded this month, according to the firms responding to the February *Nonmanufacturing Business Outlook Survey*. The indexes for general activity at the firm level, new orders, sales/revenues, and employment all increased this month after declining last month. The prices paid and prices received indexes rose to all-time highs. The respondents expect growth over the next six months, but both future activity indexes fell from last month's readings.

Current Indicators Improve

The diffusion index for current general activity at the firm level rose 25 points to 27.5, more than recovering from its decline in January (see Chart). The share of firms reporting increases (39 percent) exceeded the share reporting decreases (12 percent). The new orders index rose 16 points to 16.3 this month. Almost 29 percent of the firms reported increases in new orders, while 12 percent reported decreases. The sales/revenues index increased from 4.6 to 29.5. Over 45 percent of the firms reported increases in sales/revenues (up from 35 percent last month), while 16 percent reported decreases (down from 30 percent). The current regional activity index rose to 15.9 in February.

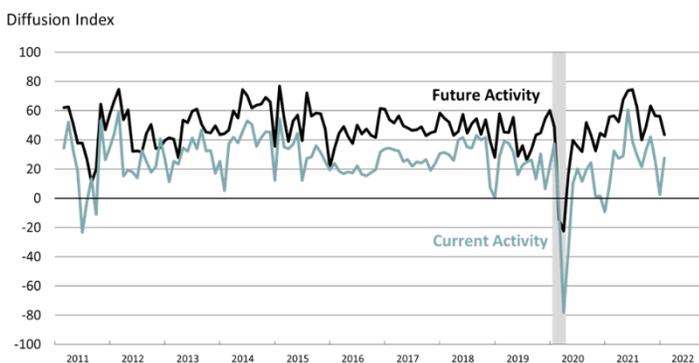
Employment Indicators Increase

The firms reported overall increases in both full- and part-time employment. The full-time employment index increased 5 points to 10.8. The share of firms reporting increases in full-time employment (19 percent) exceeded the share reporting decreases (8 percent); most firms (65 percent) reported no change. The part-time employment index increased 6 points to 8.1. Most firms (62 percent) reported steady part-time employment, while 14 percent of the firms reported increases and 6 percent reported decreases. The average workweek index increased 6 points to 15.6.

Firms Continue to Report Price Increases

Price indicator readings suggest widespread increases in prices for inputs and the firms' own goods and services, and both indexes reached new all-time highs this month. The prices paid index increased 6 points to 68.8 in February. Most respondents (70 percent) reported increases in input prices,

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

while only 1 percent of the firms reported decreases; 20 percent reported stable prices. Regarding prices for the firms' own goods and services, the prices received index rose 6 points to 43.8 this month. More than 45 percent of the firms reported higher prices, 2 percent reported lower prices, and 36 percent reported no change.

Firms Expect Own Prices to Rise Slower Than 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 Special Questions). Regarding their own prices, the firms' median forecast was for an increase of 5.0 percent, up from 4.0 percent when the question was last asked in November. The firms' reported own price change over the past year was 2.5 percent. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 5.0 percent over the next four quarters, unchanged from November. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 6.0 percent, up from 5.0 percent in November. The firms' median

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forecast for the long-run (10-year average) inflation rate was 5.0 percent, unchanged from November.

Future Indicators Remain Positive

Both future activity indexes declined but continue to suggest that the respondents expect overall improvement in nonmanufacturing activity over the next six months. The diffusion index for future activity at the firm level decreased 13 points to 43.5 this month (see Chart). The share of firms expecting increases (57 percent) exceeded the share expecting decreases (14 percent). The future regional activity index decreased but remained positive at 33.0 this month.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest continued expansion in nonmanufacturing activity in the region. The indicators for firm-level general activity, sales/revenues, and new orders all increased. The indexes for both full- and part-time employment also increased. The price indexes recorded all-time highs. Overall, the respondents continue to expect growth over the next six months. ■

Special Questions (February 2022)		
Please list the annual percent change with respect to the following:		
	Current	Previous (November 2021)
For your firm:		
<i>Forecast for next year (2022Q1–2023Q1)</i>		
1. Prices your firm will receive (for its own goods and services sold).	5.0	4.0
2. Compensation your firm will pay per employee (for wages and benefits).	5.0	5.0
<i>Last year's price change (2021Q1–2022Q1)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	2.5	3.0
For U.S. consumers:		
4. Prices U.S. consumers will pay for goods and services over the next year.	6.0	5.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2022–2031).	5.0	5.0
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 February 2022	February vs. January					Six Months from Now vs. February				
	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?	-16.2	33.1	44.7	17.2	15.9	47.1	51.5	22.8	18.6	33.0
What is your assessment of general business activity for your firm?	2.6	39.2	42.7	11.7	27.5	56.3	57.0	24.9	13.5	43.5
Company Business Indicators										
New Orders	0.6	28.7	31.1	12.4	16.3	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 February 17, 2022.				
Sales or Revenues	4.6	45.5	33.2	16.0	29.5					
Unfilled Orders	10.8	12.5	26.3	6.3	6.2					
Inventories	-4.6	10.0	24.3	9.3	0.7					
Prices Paid	63.0	69.9	20.1	1.0	68.8					
Prices Received	37.9	45.3	36.3	1.5	43.8					
Number of Employees – Full-Time Permanent	5.7	19.1	65.3	8.4	10.8					
Number of Employees – Part-Time, Temporary, and Contract	2.5	14.2	62.2	6.1	8.1					
Average Employee Workweek	9.6	22.6	66.5	7.0	15.6					
Wage and Benefit Costs	54.6	53.8	37.6	3.3	50.5					
Capital Expenditures – Physical Plant	20.7	23.9	43.6	9.0	14.9					
Capital Expenditures – Equipment & Software	28.9	37.3	42.6	7.3	30.1					