

Note: Survey responses were collected from May 9 to May 19.

Nonmanufacturing business activity expanded 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 declined for the second consecutive month but remained positive. The employment indexes continue to suggest overall increases in employment. The prices paid index rose to an all-time high, while the prices received index remained elevated but declined slightly this month. The respondents continue to expect growth over the next six months, but both future activity indexes fell from last month's readings.

Current Indicators Decline but Remain Positive

The diffusion index for current general activity at the firm level fell 5 points to 22.8 (see Chart). The share of firms reporting increases (42 percent) exceeded the share reporting decreases (19 percent). The new orders index fell 10 points to 3.9 this month. Almost 23 percent of the firms reported increases in new orders (down from 26 percent last month), while 19 percent reported decreases (up from 12 percent). The sales/revenues index decreased from 22.0 to 8.1. Over 34 percent of the firms reported increases in sales/revenues (down from 40 percent last month), while 26 percent reported decreases (up from 18 percent). The current regional activity index declined 6 points to 23.4.

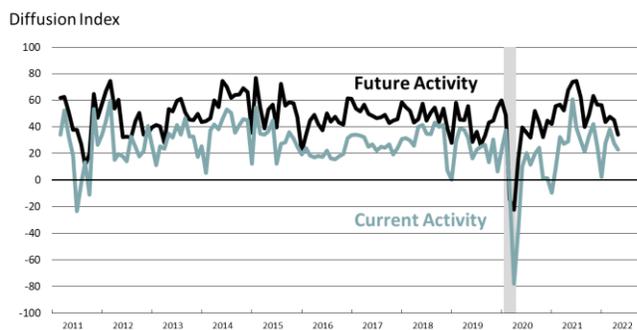
Firms Report Overall Increases in Employment

The full-time employment index edged up to 15.3 this month from 14.9 last month. The share of firms reporting increases in full-time employment (23 percent) exceeded the share reporting decreases (8 percent); most firms (61 percent) reported no change. The part-time employment index increased 3 points to 15.1. Most firms (57 percent) reported steady part-time employment, while 26 percent reported increases and 11 percent reported decreases. The average workweek index decreased 2 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. The

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

prices paid index reached a new all-time high this month, rising 5 points to 73.5. Most respondents (74 percent) reported increases in input prices, while less than 1 percent reported decreases; 19 percent reported stable prices. Regarding prices for the firms' own goods and services, the prices received index fell 4 points to 30.6 this month. More than 31 percent of the firms reported higher prices, less than 1 percent reported lower prices, and 55 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). The firms' median forecast for the rate of inflation for U.S. consumers over the next year was 5.0 percent, down from 6.0 percent from when the question was last asked in February. Regarding their own prices over the next year, the firms' median forecast was for an increase of 4.0 percent, down from 5.0 percent in February and above the median reported own price change over the past year of 3.5 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, the same as in February. The

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The next *Nonmanufacturing Business Outlook Survey* will be released on June 21, 2022.



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

Future Indicators Remain Positive

Both future activity indexes declined but continue to suggest that the respondents expect overall growth in nonmanufacturing activity over the next six months. The diffusion index for future activity at the firm level decreased 11 points to 34.2 this month (see Chart). The share of firms expecting increases (50 percent) exceeded the share expecting decreases (16 percent). The future regional activity index decreased from 34.4 to 30.3 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 declined but remained positive. The indicators for employment suggest overall increases. The prices paid index recorded an all-time high, while the prices received index declined but remained elevated. Overall, the respondents continue to expect growth over the next six months. ■

Special Questions (May 2022)		
Please list the annual percent change with respect to the following:		
	Current	Previous (Feb. 2022)
For your firm:		
<i>Forecast for next year (2022Q2–2023Q2)</i>		
1. Prices your firm will receive (for its own goods and services sold).	4.0	5.0
2. Compensation your firm will pay per employee (for wages and benefits).	5.0	5.0
<i>Last year's price change (2021Q2–2022Q2)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	3.5	2.5
For U.S. consumers:		
4. Prices U.S. consumers will pay for goods and services over the next year.	5.0	6.0
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 May 2022	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?	29.3	37.0	41.8	13.6	23.4	34.4	48.3	30.4	18.0	30.3
What is your assessment of general business activity for your firm?	27.5	41.7	34.1	19.0	22.8	45.1	49.9	32.7	15.8	34.2
Company Business Indicators										
New Orders	13.6	22.9	32.2	19.0	3.9	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 May 19, 2022.				
Sales or Revenues	22.0	34.3	34.9	26.2	8.1					
Unfilled Orders	12.5	15.7	24.5	3.3	12.4					
Inventories	-2.1	9.1	25.3	2.7	6.4					
Prices Paid	68.7	73.9	19.3	0.4	73.5					
Prices Received	34.6	31.4	55.1	0.8	30.6					
Number of Employees – Full-Time Permanent	14.9	23.4	61.1	8.1	15.3					
Number of Employees – Part-Time, Temporary, and Contract	11.9	25.7	56.6	10.6	15.1					
Average Employee Workweek	17.9	24.9	63.9	9.3	15.6					
Wage and Benefit Costs	59.1	59.7	33.1	2.9	56.8					
Capital Expenditures – Physical Plant	22.4	25.9	41.9	3.8	22.1					
Capital Expenditures – Equipment & Software	31.4	41.6	44.0	3.7	38.0					