

Note: Survey responses were collected from July 11 to July 21.

Responses to the July *Nonmanufacturing Business Outlook Survey* indicate a moderation of nonmanufacturing activity in the region. The indexes for general activity at the firm level, sales/revenues, and new orders all declined but remained positive at low readings. The price indicators for the firms' inputs and own goods also decreased but remained well above long-run averages. The respondents continued to anticipate growth at their own firms over the next six months.

Current Indexes Decline but Remain Positive

The diffusion index for current general activity at the firm level declined from a reading of 24.7 in June to 11.7 this month (see Chart 1). Nearly 34 percent of the firms reported increases (down from 46 percent) and 22 percent reported decreases (little changed from last month). More than 43 percent of the responding firms reported no change in general activity (up from 28 percent last month). The index for sales/revenues fell 17 points to 9.4 this month, and the new orders index fell 12 points to 3.9, both reversing their gains from last month. Almost 26 percent of the firms reported increases in new orders (down from 33 percent last month), 29 percent reported no change (up from 25 percent), and 22 percent reported decreases (up from 18 percent). The regional activity index fell 5 points to 0.1.

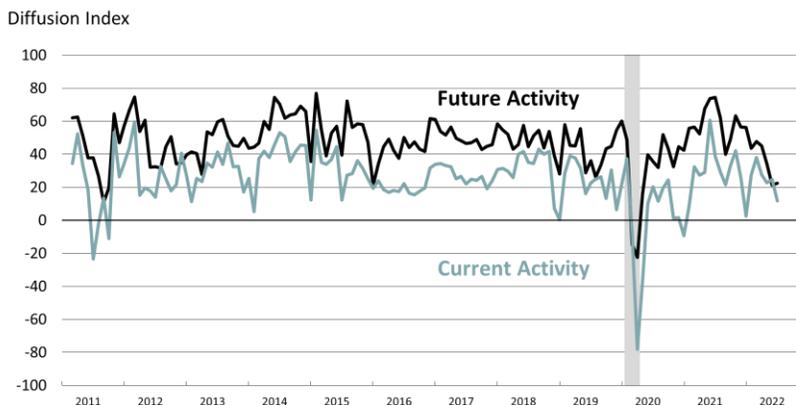
Most Firms Report Steady Employment

The full-time employment index fell 13 points to 14.3 in July, after rising 12 points in June. More than 62 percent of the firms reported steady full-time employment levels, while the share of firms reporting increases this month (23 percent) exceeded the share reporting decreases (9 percent). The part-time employment index decreased 13 points to 8.6, and the average workweek index fell 20 points to 2.0.

Price Increases Remain Widespread

The prices paid index fell 16 points from its all-time high reading to 63.8 in July but remained elevated (see Chart 2). More than 65 percent of the respondents reported increases in

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

their input prices, 2 percent reported decreases, and 16 percent reported stable input prices. Regarding prices for the firms' own goods and services, the prices received index edged down from a reading of 33.6 in June to 32.5 in July. The share of firms reporting increases in prices received (35 percent) exceeded the share reporting decreases (2 percent). Nearly 46 percent of the firms reported steady prices for their own goods and services.

Firms Expect Large Cost Increases in Most Categories

In special questions this month, the firms were asked about changes in wages and compensation over the past three months as well as their updated expected changes to various input and labor costs for 2022 (see Special Questions on page 3). More than 57 percent of the firms indicated wages and compensation costs had increased over the past three months, 41 percent reported no change, and 2 percent reported decreases. Most firms reported adjusting their 2022 budgets for wages and compensation since the beginning of the year, with 48 percent indicating they are planning to increase wages and compensation by more than originally planned and 30 percent indicating they are planning to

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increase wages and compensation sooner than originally planned.

The firms still expect higher costs across all categories of expenses in 2022. Responses indicate a median expected increase of 5 to 7.5 percent for energy (unchanged from when the question was asked in April) as well as for intermediate goods, wages, and total compensation, all up from April.

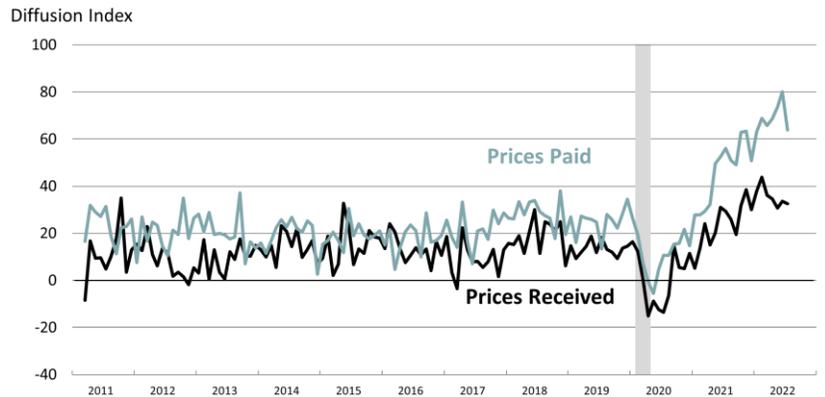
Firms Remain Optimistic About Own Growth

The future activity indexes suggest firms expect growth at their own companies over the next six months but are less optimistic about activity in the region. The diffusion index for future activity at the firm level edged up from a reading of 21.2 in June to 22.4 this month (see Chart 1). Nearly 46 percent of the respondents expect an increase in activity at their firms over the next six months, compared with 24 percent that expect decreases and 29 percent that expect no change. However, the future regional activity index decreased 17 points to -9.3, its first negative reading since May 2020.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest moderation in nonmanufacturing activity in the region. The indicators for firm-level

Chart 2. Prices Paid and Prices Received Indexes
March 2011 to July 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.

general activity, new orders, and sales/revenues all declined but remain positive, and the firms continue to report overall increases in employment. The price indexes remained elevated. The respondents continue to expect growth over the next six months at the firm level. ■

| NONMANUFACTURING BUSINESS OUTLOOK SURVEY July 2022 | July vs. June | | | | | Six Months from Now vs. July | | | | |
|--|--------------------------------|----------|--------------|----------|--------------------|---|----------|--------------|----------|--------------------|
| | 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? | 4.6 | 24.2 | 51.2 | 24.1 | 0.1 | 7.8 | 24.4 | 40.4 | 33.8 | -9.3 |
| What is your assessment of general business activity for your firm? | 24.7 | 33.8 | 43.3 | 22.0 | 11.7 | 21.2 | 45.9 | 28.9 | 23.5 | 22.4 |
| Company Business Indicators | | | | | | | | | | |
| New Orders | 15.5 | 26.3 | 29.1 | 22.3 | 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 July 21, 2022. | | | | |
| Sales or Revenues | 26.2 | 33.6 | 39.9 | 24.2 | 9.4 | | | | | |
| Unfilled Orders | 0.1 | 12.3 | 20.3 | 5.4 | 6.9 | | | | | |
| Inventories | -5.2 | 11.7 | 21.8 | 7.4 | 4.3 | | | | | |
| Prices Paid | 80.0 | 65.4 | 16.2 | 1.7 | 63.8 | | | | | |
| Prices Received | 33.6 | 34.5 | 45.7 | 2.0 | 32.5 | | | | | |
| Number of Employees – Full-Time Permanent | 27.7 | 23.2 | 62.4 | 8.9 | 14.3 | | | | | |
| Number of Employees – Part-Time, Temporary, and Contract | 21.7 | 18.9 | 62.1 | 10.3 | 8.6 | | | | | |
| Average Employee Workweek | 22.2 | 17.8 | 62.7 | 15.8 | 2.0 | | | | | |
| Wage and Benefit Costs | 60.5 | 53.2 | 39.5 | 1.9 | 51.3 | | | | | |
| Capital Expenditures – Physical Plant | 17.6 | 23.2 | 40.0 | 6.9 | 16.4 | | | | | |
| Capital Expenditures – Equipment & Software | 33.2 | 28.9 | 53.6 | 6.2 | 22.7 | | | | | |


NBOS SPECIAL QUESTIONS
Special Questions (July 2022)**1. How have wages and compensation changed at your firm over the past three months?**

| | Percent (%) |
|-----------|-------------|
| Increased | 57.4 |
| No change | 41.2 |
| Decreased | 1.5 |

2. Since the beginning of the year, have you adjusted your budget for wages and compensation for 2022?*

| | Percent (%) |
|--|-------------|
| Yes, and we are planning to increase wages and compensation by more than originally planned. | 47.9 |
| Yes, and we are planning to increase wages and compensation sooner than originally planned. | 30.1 |
| No, we have not needed to make adjustments. | 34.2 |
| Other | 1.4 |

*Percentages do not sum to 100 because more than one option could be selected.

3. What percentage change in costs do you now 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% | 5.6 | 2.3 | 2.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| No change | 7.4 | 18.6 | 13.9 | 10.5 | 17.9 | 27.1 | 13.5 |
| Increase of 1–2% | 9.3 | 2.3 | 2.8 | 1.8 | 7.1 | 14.6 | 3.8 |
| Increase of 2–3% | 3.7 | 7.0 | 13.9 | 10.5 | 8.9 | 16.7 | 7.7 |
| Increase of 3–4% | 11.1 | 4.7 | 13.9 | 7.0 | 5.4 | 14.6 | 7.7 |
| Increase of 4–5% | 11.1 | 14.0 | 8.3 | 28.1 | 17.9 | 16.7 | 7.7 |
| Increase of 5–7.5% | 16.7 | 4.7 | 11.1 | 17.5 | 21.4 | 4.2 | 17.3 |
| Increase of 7.5–10% | 9.3 | 11.6 | 11.1 | 8.8 | 8.9 | 4.2 | 21.2 |
| Increase of 10–12.5% | 9.3 | 14.0 | 8.3 | 8.8 | 1.8 | 2.1 | 5.8 |
| Increase of more than 12.5% | 7.4 | 2.3 | 5.6 | 5.3 | 3.6 | 0.0 | 9.6 |
| Median Expected Change | 5–7.5% | 4–5% | 5–7.5% | 5–7.5% | 3–4% | 2–3% | 5–7.5% |
| Median Expected Change (April 2022) | 5–7.5% | 5–7.5% | 4–5% | 4–5% | 4–5% | 2–3% | 4–5% |

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