

*Note: Survey responses were collected from August 8 to August 18.*

Nonmanufacturing business activity was mostly steady on balance this month, according to the firms responding to the August *Nonmanufacturing Business Outlook Survey*. The index for general activity at the firm level fell to zero, and the indexes for new orders and sales/revenues dipped into negative territory. The full-time employment indexes continue to suggest overall increases. The prices paid and prices received indexes both declined for the second consecutive month but remain above long-run averages. The respondents continue to expect growth over the next six months.

### Current Indicators Weaken

The diffusion index for current general activity at the firm level fell 12 points to -0.1 (see Chart). The firms were evenly split between reporting increases and decreases (29 percent); 38 percent reported no change in activity. The new orders index fell 10 points to -5.9 this month. Almost 21 percent of the firms reported increases in new orders, while 27 percent reported decreases. The sales/revenues index decreased from 9.4 to -2.1. Almost 30 percent of the firms reported increases in sales/revenues (down from 34 percent last month), while 32 percent reported decreases (up from 24 percent). The current regional activity index declined and turned negative at -3.7, its first negative reading since January 2022.

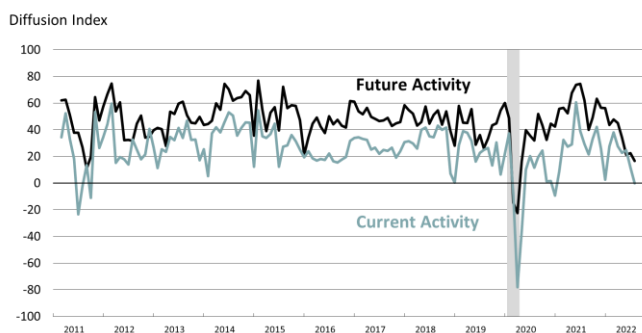
### Firms Report Overall Increases in Employment

The full-time employment index increased from 14.3 last month to 17.2 this month. The share of firms reporting increases in full-time employment (25 percent) exceeded the share reporting decreases (8 percent). Most firms (62 percent) reported steady employment. The part-time employment index decreased 7 points to 1.3. Most firms (57 percent) reported steady part-time employment, while 15 percent reported increases and 14 percent reported decreases. The average workweek index increased 11 points to 13.0.

### Price Indexes Decline but Remain Elevated

Price indicator readings suggest widespread increases despite declining further. The prices paid index fell 4 points to 59.6, its second consecutive decline since reaching an all-time high in June. Most respondents (62 percent) reported increases in

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

input prices, while 3 percent reported decreases; 22 percent reported stable prices. Regarding prices for the firms' own goods and services, the prices received index fell 15 points to 17.8 this month, its lowest reading since April 2021. Almost 25 percent of the firms reported higher prices, 7 percent reported lower prices, and 52 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 5.5 percent, up from 5.0 percent from when the question was last asked in May. Regarding their own prices over the next year, the firms' median forecast was for an increase of 3.0 percent, down from 4.0 percent in May and below the median reported own price change over the past year of 4.5 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

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quarters, same as in May. The firms' median forecast for the long-run (10-year average) inflation rate was 4.5 percent, down from 5.0 percent in May.

### Firms Continue to Anticipate Growth

The diffusion index for future general activity declined 6 points to 16.7 but continues to suggest that the respondents expect overall growth in nonmanufacturing activity over the next six months (see Chart). The share of firms expecting increases (40 percent) exceeded the share expecting decreases (23 percent). The future regional activity index increased from -9.3 to 3.2 this month.

### Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest stable nonmanufacturing activity in the region. The indicator for firm-level general activity fell to zero, while the indexes for sales/revenues and new orders both declined and turned negative. The firms continued to report overall increases in employment. The prices paid and prices received indexes declined but remained elevated. Overall, the respondents continue to expect growth over the next six months. ■

Special Questions (August 2022)		
Please list the annual percent change with respect to the following:		
	Current	Previous (May 2022)
<b>For your firm:</b>		
<i>Forecast for next year (2022Q3–2023Q3)</i>		
1. Prices your firm will receive (for its own goods and services sold).	3.0	4.0
2. Compensation your firm will pay per employee (for wages and benefits).	5.0	5.0
<i>Last year's price change (2021Q3–2022Q3)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	4.5	3.5
<b>For U.S. consumers:</b>		
4. Prices U.S. consumers will pay for goods and services over the next year.	5.5	5.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2022–2031).	4.5	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 August 2022	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?	0.1	24.7	45.9	28.5	-3.7	-9.3	35.9	31.3	32.8	3.2
What is your assessment of general business activity for your firm?	11.7	28.7	38.4	28.8	-0.1	22.4	40.1	36.5	23.4	16.7
<b>Company Business Indicators</b>										
New Orders	3.9	20.9	27.2	26.8	-5.9	<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 18, 2022.				
Sales or Revenues	9.4	29.7	36.2	31.8	-2.1					
Unfilled Orders	6.9	12.8	23.4	11.0	1.8					
Inventories	4.3	4.8	19.1	15.6	-10.8					
Prices Paid	63.8	62.4	22.0	2.9	59.6					
Prices Received	32.5	24.7	52.1	7.0	17.8					
Number of Employees – Full-Time Permanent	14.3	24.8	61.8	7.6	17.2					
Number of Employees – Part-Time, Temporary, and Contract	8.6	15.3	56.7	14.0	1.3					
Average Employee Workweek	2.0	17.9	72.1	4.8	13.0					
Wage and Benefit Costs	51.3	51.7	42.2	0.1	51.6					
Capital Expenditures – Physical Plant	16.4	29.2	44.5	3.8	25.4					
Capital Expenditures – Equipment & Software	22.7	31.9	46.5	6.1	25.8					