

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

Nonmanufacturing activity in the region continued to expand overall, according to the firms responding to the October *Nonmanufacturing Business Outlook Survey*. The survey's current indicator for general activity at the firm level decreased but remained positive, and the index for sales/revenues increased. However, the index for new orders remained negative. The survey's indexes for prices paid and prices received both increased this month. Overall, the respondents expect growth over the next six months at their own firms, but optimism was less widespread this month.

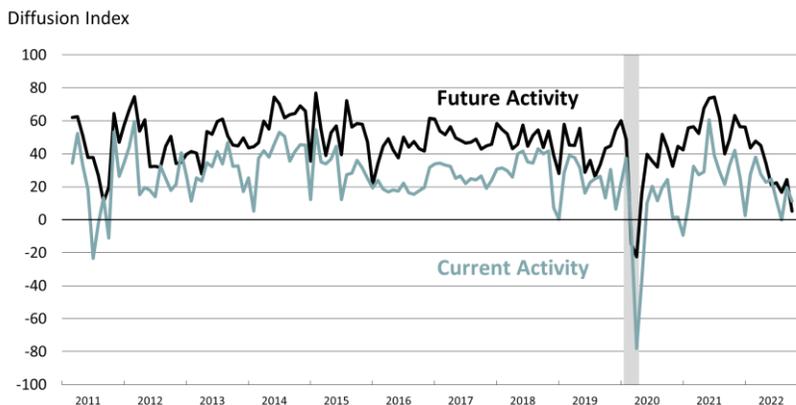
Current Indicators Are Mixed

The diffusion index for current general activity at the firm level fell 8 points to 11.2 in October, after a 20 point increase last month (see Chart 1). More than 40 percent of the firms reported increases (down from 43 percent last month), while 29 percent reported decreases (up from 23 percent). The sales/revenues index rose for the second consecutive month, up 3 points to 20.8 in October. Nearly 49 percent of the firms reported increases in sales/revenues, while 28 percent reported decreases. The new orders index declined 4 points this month to -5.5, its third consecutive negative reading. More than 26 percent of the firms reported increases in new orders, less than the 32 percent that reported decreases. The regional activity index declined 17 points to -14.9 this month.

Employment Indicators Remain Positive

The firms reported overall increases in full- and part-time employment this month. The full-time employment index was positive at 13.3 in October, up from 12.6 last month. The share of firms reporting increases in full-time employment (27 percent) exceeded the share reporting decreases (14 percent); most firms (58 percent) reported no change. The part-time employment index edged up from 1.0 to 1.6 this month. Most firms reported steady part-time employment (59 percent), while 15 percent of the firms reported increases and 14 percent reported decreases. The average workweek index rose 16 points to 30.2.

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

Firms Continue to Report Overall Price Increases

Price indicator readings suggest widespread increases in prices for inputs and prices for the firms' own goods and services. The prices paid index increased 3 points to 74.2 in October (see Chart 2). Almost 78 percent of the firms reported increases in prices paid, 13 percent reported steady input prices, and only 3 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index edged up 1 point to 33.1. The share of firms reporting increases in prices received (41 percent) outweighed the share reporting decreases (8 percent). Over 40 percent of the firms reported no change in prices received.

Firms Anticipate Higher Capital Expenditures Next Year

For this month's special question, nonmanufacturers were asked about their plans for different categories of capital spending for the upcoming year (see Special Question). On balance, a larger share of firms expects an increase in capital expenditures in 2023 than a decrease. More than 32 percent of the respondents expect to increase total capital spending, while 23 percent expect lower capital expenditure spending.

Released October 25, 2022, at 8:30 a.m. ET.

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



Most respondents (almost 45 percent) expect the same level of capital expenditure over the next year. Overall, the firms expect higher capital spending in the following categories: software, energy-saving investments, computer and related hardware, and structure.

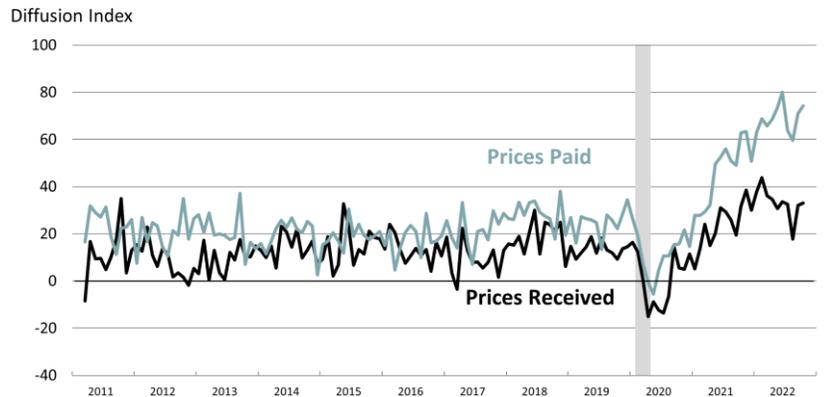
Future Indicators Weaken

The future activity indexes suggest firms expect growth at their own companies over the next six months, but optimism was less widespread compared with last month. The diffusion index for future activity at the firm level declined from a reading of 24.5 in September to 5.2 this month (see Chart 1). Nearly 37 percent of the respondents expect an increase in activity at their firms over the next six months (down from 49 percent), compared with 32 percent that expect decreases (up from 25 percent) and 30 percent that expect no change (up from 23 percent). However, the future regional activity index fell 31 points to -29.4.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest continued expansion in nonmanufacturing activity in the region. The indicator for firm-level general activity decreased but remained positive, the sales/revenues index increased, but the new orders index remained

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

negative. Both the prices paid and prices received indexes increased this month. The future firm-level activity index suggests less widespread optimism for growth over the next six months. ■

NONMANUFACTURING BUSINESS OUTLOOK SURVEY October 2022	October vs. September					Six Months from Now vs. October				
	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?	2.5	16.1	49.2	31.0	-14.9	2.0	20.8	25.8	50.2	-29.4
What is your assessment of general business activity for your firm?	19.5	40.4	30.4	29.2	11.2	24.5	36.7	29.8	31.5	5.2
Company Business Indicators										
New Orders	-1.1	26.3	16.1	31.7	-5.5	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 October 20, 2022.				
Sales or Revenues	18.2	48.8	18.9	28.0	20.8					
Unfilled Orders	9.9	14.7	29.0	10.1	4.6					
Inventories	-8.2	10.8	21.6	13.3	-2.6					
Prices Paid	71.0	77.5	13.0	3.3	74.2					
Prices Received	32.0	41.4	40.3	8.3	33.1					
Number of Employees – Full-Time Permanent	12.6	26.9	57.5	13.6	13.3					
Number of Employees – Part-Time, Temporary, and Contract	1.0	15.3	59.0	13.7	1.6					
Average Employee Workweek	14.6	38.3	52.2	8.1	30.2					
Wage and Benefit Costs	49.2	49.9	48.4	0.0	49.9					
Capital Expenditures – Physical Plant	18.0	24.5	43.1	11.0	13.5					
Capital Expenditures – Equipment & Software	23.5	28.2	49.1	12.8	15.4					

Special Question (October 2022)

Comparing 2023 with 2022, do you expect capital expenditures to be higher, the same, or lower for each of the following categories?

	Higher (% of reporters)	Same (% of reporters)	Lower (% of reporters)	Diffusion Index
Software	34.5	50.9	14.5	20.0
Noncomputer equipment	21.8	56.4	21.8	0.0
Energy-saving investments	30.0	48.0	22.0	8.0
Computer and related hardware	34.5	49.1	16.4	18.2
Structure	26.5	55.1	18.4	8.2
Other	12.0	64.0	24.0	-12.0
Total capital spending	32.1	44.6	23.2	8.9

