

December 2022

Note: Survey responses were collected from December 5 to December 15.

Nonmanufacturing activity in the region remained weak this month, according to the firms responding to the December *Nonmanufacturing Business Outlook Survey*. The index for general activity at the firm level turned positive but remained low. The new orders and sales/revenues indexes were negative, and the full-time employment index declined to a low but positive reading this month. The prices paid and prices received indexes both fell. Expectations for growth over the next six months were more widespread.

Current Indexes Are Mixed

The diffusion index for current general activity at the firm level rose from a reading of -2.6 in November to 3.4 this month (see Chart 1). More than 30 percent of the firms reported increases in activity, slightly exceeding the 27 percent that reported decreases. The new orders index was essentially unchanged at -6.1 this month, its fifth consecutive negative reading. Nearly 22 percent of the firms reported increases in new orders, less than the 28 percent that reported decreases. The sales/revenues index decreased 4 points to -0.7, its first negative reading since August. More than 30 percent of the responding firms reported increases in sales/revenues, while 31 percent reported decreases. The regional activity index declined further from -13.6 to -17.1 this month.

Employment Indicators Weaken

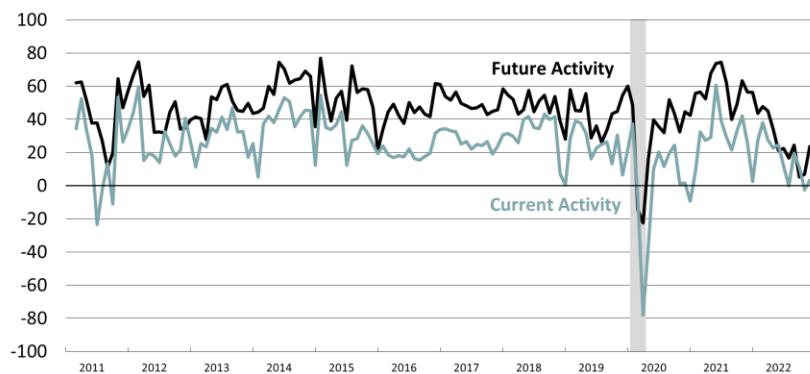
On balance, the firms reported increases in full-time employment this month, but the index fell 7 points to 3.4. More than 67 percent of the firms reported steady full-time employment levels, while the share of firms reporting increases (16 percent) was slightly higher than the share reporting decreases (12 percent). The part-time employment index improved from -8.4, but it remained negative at -4.6.

Price Increases Are Less Widespread

The prices paid and prices received indexes continued to indicate overall price increases but declined, suggesting less widespread price increases this month. The prices paid index decreased 9 points to 43.3 (see Chart 2). Over 46 percent of

Chart 1. Current and Future General Activity Indexes for Firms
March 2011 to December 2022

Diffusion Index



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.

the respondents reported higher input prices, 40 percent reported no change, and 3 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index fell from 23.5 to 9.3. The share of firms reporting increases in the prices they received (18 percent) exceeded the share reporting decreases (9 percent). Most of the firms (60 percent) reported no change in prices for their own goods and services.

Firms Report Higher Sales/Revenues and Lower Constraints

In this month's special questions, the firms were asked to estimate their total sales/revenues growth for the fourth quarter ending this month compared with the third quarter of 2022; they were also asked about factors constraining business operations (see Special Questions on page 3). The share of firms reporting expected increases in fourth-quarter sales/revenues (53 percent) was greater than the share reporting decreases (36 percent). Most of the firms indicated that labor supply and supply chains were at least slightly constraining

Released December 20, 2022, at 8:30 a.m. ET. The next *Nonmanufacturing Business Outlook Survey* will be released on January 24, 2023.

The survey's annual revisions, which incorporate new seasonal adjustment factors, will be released on Tuesday, January 17, 2023, at 8:30 a.m. ET.



activity in the current quarter (29 percent and 30 percent, respectively). Almost 57 percent of the respondents cited energy markets as a constraint in the current quarter. Looking ahead over the next three months, most of the firms expect the impacts of various factors to stay the same; however, 37 percent of the firms expect financial capital impacts to worsen, and 32 percent of the firms expect energy market impacts to worsen. More than 30 percent of the firms expect the impacts of supply chains to improve.

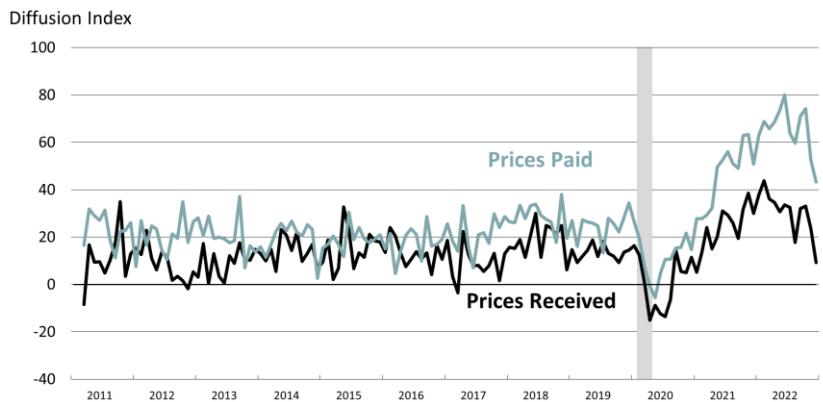
Future Indicators Improve

Both future activity indexes suggest that the firms anticipate growth over the next six months. The diffusion index for future activity at the firm level rose from a reading of 7.0 in November to 23.6 this month (see Chart 1). Over 45 percent of the firms expect an increase in activity at their firms over the next six months, 22 percent expect decreases, and 31 percent expect no change. The future regional activity index increased from -8.9, turning positive at 3.6.

Summary

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

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

activity turned positive but remained low, and the indexes for new orders and sales/revenues were negative. The full-time employment index fell to a low but positive reading. Both price indexes decreased. Overall, the responding firms expect growth over the next six months in their own firms and in the region. ■

NONMANUFACTURING BUSINESS OUTLOOK SURVEY December 2022	December vs. November					Six Months from Now vs. December					
	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?	-13.6	19.5	36.7	36.6	-17.1	-8.9	33.8	32.5	30.2	3.6	
What is your assessment of general business activity for your firm?	-2.6	30.4	36.4	27.0	3.4	7.0	45.4	31.2	21.8	23.6	
Company Business Indicators											
New Orders	-6.3	21.7	29.7	27.9	-6.1	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 December 15, 2022.					
Sales or Revenues	3.5	30.5	34.9	31.2	-0.7						
Unfilled Orders	1.4	10.1	21.2	10.5	-0.4						
Inventories	-4.4	7.7	14.2	9.1	-1.4						
Prices Paid	52.5	46.4	39.5	3.1	43.3						
Prices Received	23.5	18.2	60.2	8.9	9.3						
Number of Employees – Full-Time Permanent	10.0	15.5	67.6	12.1	3.4						
Number of Employees – Part-Time, Temporary, and Contract	-8.4	8.0	65.0	12.6	-4.6						
Average Employee Workweek	10.4	20.1	62.2	12.4	7.7						
Wage and Benefit Costs	41.5	43.8	50.9	0.8	42.9						
Capital Expenditures – Physical Plant	9.3	12.0	46.3	12.1	-0.1						
Capital Expenditures – Equipment & Software	22.7	22.7	49.6	11.3	11.4						

Special Questions (December 2022)		
1. How will your firm's total sales/revenues for the fourth quarter of 2022 compare with that of the third quarter of 2022 ?		
An increase of:	% of firms	Subtotals
10% or more	12.7	% of firms reporting an increase: 52.7
5–10%	9.1	
0–5%	30.9	
No change	10.9	
A decline of:		
0–5%	14.5	% of firms reporting a decrease: 36.3
5–10%	9.1	
10% or more	12.7	

	2. In the current quarter , to what degree have the following factors acted as constraints on business operations?				3. Over the next three months , how do you expect the impacts of the following factors as constraints on business operations to change?		
	Not at all (%)	Slightly (%)	Moderately (%)	Significantly (%)	Worsen (%)	Stay the same (%)	Improve (%)
COVID-19 mitigation measures	58.5	33.8	6.2	1.5	11.5	72.1	16.4
Energy markets	43.1	29.2	18.5	9.2	31.7	53.3	15.0
Financial capital	51.6	19.4	16.1	12.9	36.7	58.3	5.0
Labor supply	23.1	29.2	21.5	26.2	24.6	59.0	16.4
Supply chains	29.7	29.7	23.4	17.2	16.9	52.5	30.5
Other factors	51.4	18.9	21.6	8.1	16.7	83.3	0.0