

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

Nonmanufacturing activity in the region expanded this month, according to the firms responding to the January *Nonmanufacturing Business Outlook Survey*. The indexes for general activity at the firm level, sales/revenues, new orders, and full-time employment all rose this month. The firms continued to report overall increases in both prices paid and received; however, increases in prices paid were less widespread than in recent months. The respondents continue to anticipate growth over the next six months.

Current Indexes Improve

The diffusion index for current general activity at the firm level increased from a revised reading of 8.0 in December to 12.7 this month (see Chart 1).*

Almost 38 percent of the firms reported increases in activity, while 25 percent reported decreases. The new orders index increased 13 points to 10.8, its first positive reading since July. Almost 31 percent of the respondents reported an increase in new orders, while 20 percent reported decreases. The sales/revenues index jumped 23 points to 20.3 in January. The share of firms reporting increases in sales/revenues (44 percent) exceeded the share of firms reporting decreases (24 percent). The regional general activity index increased 6 points but remained negative at -6.5.

Employment Indicators Strengthen

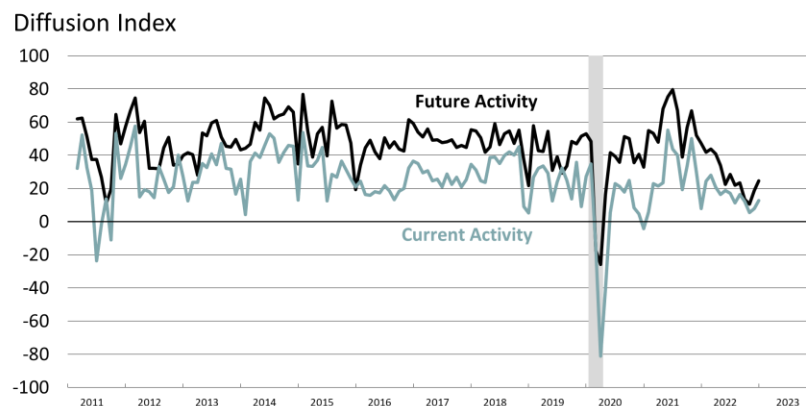
The firms reported overall increases in full- and part-time employment. The full-time employment index increased 11 points to a reading of 16.5 in January. The share of firms reporting increases (23 percent) was higher than the share reporting decreases (6 percent). More than 70 percent of the firms reported steady full-time employment levels. The part-time employment index increased 7 points, to 5.3.

Firms Continue to Report Overall Increases in Prices

The prices paid index declined 6 points to 46.1, its lowest reading since June 2021 (see Chart 2). More than 47 percent of the respondents reported increases in input prices, while 40 percent reported steady input prices and 1 percent reported decreases. Regarding prices for the firms' own goods

Chart 1. Current and Future General Activity Indexes for Firms

March 2011 to January 2023



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.

and services, the prices received index moved up from 19.5 to 24.1. The share of firms reporting increases in prices received (28 percent) exceeded the share reporting decreases (4 percent). More than 54 percent of the firms reported no change in prices for their own goods and services.

Firms Expect Lower Cost Increases This Year

In this month's special questions, the firms were asked about changes in their various input and labor costs over the past year and their expectations for changes in costs for the coming year (see Special Questions on page 3). For nearly all categories, the average percent change in costs expected for 2023 was smaller than the average percent change in costs reported for 2022. The respondents were also asked to rank the importance of various factors in setting prices. Demand for their own goods/services was the most important factor, followed by wages and labor costs, the overall rate of inflation, and maintaining steady profit.

Released January 24, 2023, at 8:30 a.m. ET.

The next *Nonmanufacturing Business Outlook Survey* will be released on February 21, 2023.

*The survey's annual data revisions, which incorporate updated seasonal factors, were released on January 17, 2023. More information is available [on our website](#).



Firms Continue to Anticipate Growth

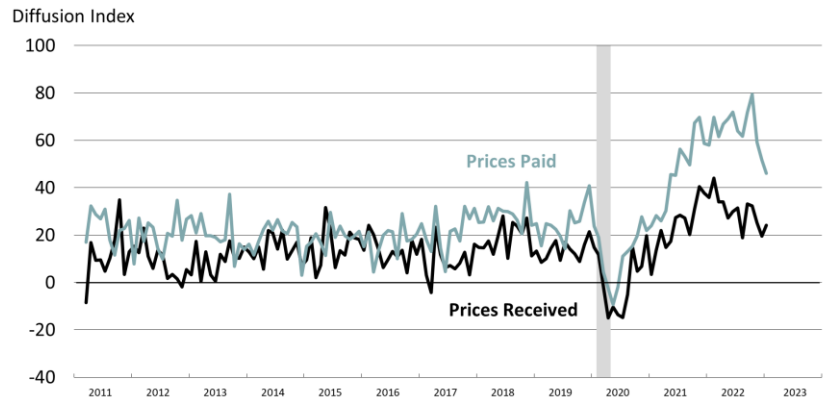
Both future activity indexes suggest that firms continue to anticipate growth over the next six months. The diffusion index for future activity at the firm level improved from a reading of 18.8 last month to 24.7 this month (see Chart 1). Over 42 percent of the firms expect an increase in activity at their firms over the next six months, compared with 17 percent that expect decreases and 38 percent that expect no change. The future regional activity index declined 4 points but remained positive at 2.4 this month.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest improved nonmanufacturing activity in the region. The indicators for firm-level general activity, new orders, and sales/revenues all increased. The indexes for full- and part-time employment improved. Both price indexes remained elevated, although the prices paid index declined from last month. Overall, the responding firms expect growth over the next six months. ■

Chart 2. Prices Paid and Prices Received Indexes

March 2011 to January 2023



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.

NONMANUFACTURING BUSINESS OUTLOOK SURVEY January 2023	January vs. December					Six Months from Now vs. January				
	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?	-12.8	19.4	52.8	25.9	-6.5	6.4	31.6	38.5	29.3	2.4
What is your assessment of general business activity for your firm?	8.0	37.6	31.7	24.9	12.7	18.8	42.1	37.6	17.3	24.7
Company Business Indicators										
New Orders	-2.1	30.7	26.8	19.9	10.8	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 January 19, 2023.				
Sales or Revenues	4.1	44.0	29.5	23.7	20.3					
Unfilled Orders	0.2	10.6	32.9	10.9	-0.4					
Inventories	-2.6	12.4	22.0	5.8	6.5					
Prices Paid	51.7	47.2	40.0	1.1	46.1					
Prices Received	19.5	28.4	54.5	4.3	24.1					
Number of Employees – Full-Time Permanent	5.4	22.8	70.2	6.3	16.5					
Number of Employees – Part-Time, Temporary, and Contract	-1.7	15.3	65.6	10.0	5.3					
Average Employee Workweek	7.1	12.8	69.9	12.0	0.8					
Wage and Benefit Costs	45.2	48.3	49.6	2.2	46.1					
Capital Expenditures – Physical Plant	4.6	21.5	50.1	10.9	10.7					
Capital Expenditures – Equipment & Software	13.9	25.6	59.0	6.0	19.5					

Special Questions (January 2023)
1. What were the percentage changes in costs for the following categories for 2022, and what do you expect they will be for 2023?

	2022 (Actual)		2023 (Expected)	
	Average (%)	Median (%)	Average (%)	Median (%)
Energy	8.0	5–7.5	4.1	3–4
Other Raw Materials	9.4	5–7.5	5.2	3–4
Intermediate Goods	7.3	5–7.5	5.0	3–4
Wages	6.1	4–5	4.2	4–5
Health Benefits	6.3	5–7.5	6.2	5–7.5
Nonhealth Benefits	2.6	2–3	2.7	2–3
Wages + Health Benefits + Nonhealth Benefits	8.1	5–7.5	6.6	5–7.5

Note: Respondents selected ranges of percentage changes. The average percent change is calculated using the midpoints of the ranges of each answer option.

2. Currently, when you think about setting the prices of your goods/services, how important to you are the following factors in making those decisions?

	Weighted Average* (%)
Your competitors' prices	60
The strength of demand for your most important good(s) or service(s)	84
Your wages and labor costs (including benefits)	79
Your nonlabor costs, such as energy prices, materials prices, transportation costs, rent, etc.	57
Maintaining steady profit margins (for price over costs)	69
Interest rates, borrowing rates, and the cost of capital	50
Problems with your supply chains, such as bottlenecks and product shortages	48
The overall rate of inflation in the U.S. economy, as measured by the Consumer Price Index	70
Other	58

*Respondents reported importance on a scale of 1 (least important) to 5 (most important). The weighted average gives 1 a weight of 0; 2 a weight of 0.25; 3 a weight of 0.5; 4 a weight of 0.75; and 5 a weight of 1.