

Note: Survey responses were collected from March 6 to March 16.

Nonmanufacturing activity in the region weakened this month, according to the firms responding to the March *Nonmanufacturing Business Outlook Survey*. The index for general activity fell to a near-zero reading, and the index for new orders at the firm level turned negative. The sales/revenues index also decreased but remained positive, and the full-time employment index declined to a low but positive reading this month. The prices paid and prices received indexes both fell. Although firms continue to expect growth over the next six months on balance, expectations were less widespread.

### Current Indexes Weaken

The diffusion index for current general activity at the firm level fell from a reading of 15.8 in February to -0.1 this month (see Chart 1). The firms were evenly split between reporting increases and decreases (31 percent); 37 percent reported no change in activity. The new orders index fell 22 points to -15.4 this month, its first negative reading since December. More than 18 percent of the firms reported increases in new orders (down from 33 percent), while 34 percent reported decreases (up from 27 percent). The sales/revenues index decreased 4 points to 10.3. Almost 40 percent of the responding firms reported increases in sales/revenues, while 29 percent reported decreases. The regional activity index declined from 3.2 to -12.8 this month, a reading last seen in December.

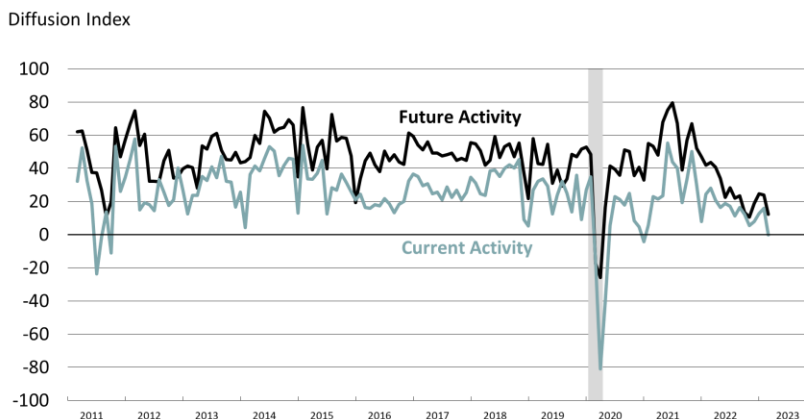
### Employment Indicators Weaken

On balance, the firms reported increases in full-time employment this month, but the index fell 13 points to 3.2, its lowest reading since June 2021. More than 71 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 (13 percent). The part-time employment index declined from 3.2 to -6.8.

### Price Increases Are Less Widespread

The prices paid and prices received indexes continued to indicate overall price increases but declined this month,

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

suggesting less widespread increases. The prices paid index decreased 11 points to 37.9 (see Chart 2). Over 44 percent of the respondents reported higher input prices, 37 percent reported no change, and 6 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index fell from 31.6 to 18.1. The share of firms reporting increases in the prices received (26 percent) exceeded the share reporting decreases (8 percent). Most of the firms (55 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 first quarter ending this month compared with the fourth 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 first-quarter sales/revenues (49 percent) was greater than the share reporting decreases (35 percent). Most of the firms indicated that supply chains and labor supply were at least slightly constraining activity in the current quarter (67 percent and 70 percent, respectively).

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The next *Nonmanufacturing Business Outlook Survey* will be released on April 25, 2023.



Looking ahead over the next three months, most of the firms expect the impacts of various factors to stay the same, and 27 and 29 percent of the firms expect supply chain and labor supply impacts to improve, respectively. However, 44 percent of the firms expect financial capital impacts to worsen, up from 37 percent in December.

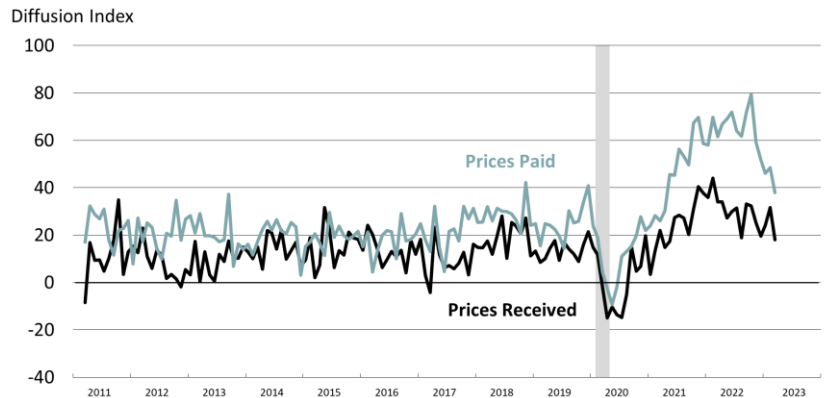
### Firms Anticipate Growth

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 general activity decreased 12 points to 12.3 (see Chart 1). Over 40 percent of the firms expect an increase in activity at their firms over the next six months, 28 percent expect decreases, and 29 percent expect no change. The future regional activity index decreased from 12.4 to -3.5, its first negative reading since November.

### Summary

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

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

activity was flat, the index for new orders turned negative, and the index for sales/revenues declined but remained positive. The full-time employment index fell to a low but positive reading. Both price indexes decreased but continue to indicate overall price increases. Overall, the responding firms expect growth over the next six months at their own firms. ■

NONMANUFACTURING BUSINESS OUTLOOK SURVEY March 2023	March vs. February					Six Months from Now vs. March				
	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?	3.2	19.1	42.7	31.9	<b>-12.8</b>	12.4	25.4	40.0	28.9	<b>-3.5</b>
What is your assessment of general business activity for your firm?	15.8	30.6	37.1	30.7	<b>-0.1</b>	23.9	40.2	29.3	27.9	<b>12.3</b>
Company Business Indicators										
New Orders	6.2	18.4	25.8	33.8	<b>-15.4</b>	<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 March 16, 2023.				
Sales or Revenues	14.5	39.5	25.7	29.2	<b>10.3</b>					
Unfilled Orders	2.9	9.1	22.8	13.3	<b>-4.2</b>					
Inventories	-6.3	6.9	21.2	9.9	<b>-3.0</b>					
Prices Paid	48.5	44.0	37.1	6.1	<b>37.9</b>					
Prices Received	31.6	25.8	55.3	7.7	<b>18.1</b>					
Number of Employees – Full-Time Permanent	15.9	15.9	71.4	12.7	<b>3.2</b>					
Number of Employees – Part-Time, Temporary, and Contract	3.2	4.1	73.3	10.9	<b>-6.8</b>					
Average Employee Workweek	9.0	20.1	68.5	11.4	<b>8.8</b>					
Wage and Benefit Costs	44.2	30.0	61.8	4.9	<b>25.1</b>					
Capital Expenditures – Physical Plant	8.5	16.5	51.6	8.8	<b>7.7</b>					
Capital Expenditures – Equipment & Software	23.4	25.5	58.1	5.4	<b>20.1</b>					

Special Questions (March 2023)		
1. How will your firm's total sales/revenues for the <b>first quarter of 2023</b> compare with that of the <b>fourth quarter of 2022</b> ?		
<b>An increase of:</b>	% of firms	Subtotals
10% or more	10.5	% of firms reporting an increase: 49.1
5–10%	12.3	
0–5%	26.3	
No change	15.8	
<b>A decline of:</b>		
0–5%	14.0	% of firms reporting a decrease: 35.1
5–10%	5.3	
10% or more	15.8	

	2. In the <b>current quarter</b> , to what degree have the following factors acted as constraints on business operations?				3. Over the <b>next three months</b> , 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	79.7	15.6	3.1	1.6	1.6	72.1	26.2
Energy markets	54.0	28.6	9.5	7.9	21.3	62.3	16.4
Financial capital	53.1	26.6	6.3	14.1	44.3	50.8	4.9
Labor supply	29.7	32.8	25.0	12.5	16.1	54.8	29.0
Supply chains	32.8	35.9	14.1	17.2	11.3	61.3	27.4
Other factors	44.1	26.5	11.8	17.6	12.5	87.5	0.0

