

Note: Survey responses were collected from May 8 to May 18.

Nonmanufacturing activity in the region remained weak overall this month, according to the firms responding to the May *Nonmanufacturing Business Outlook Survey*. The index for general activity at the firm level increased but remained negative, and the indexes for new orders and sales/revenues turned positive but remained low. The firms reported higher employment overall, and the prices paid and prices received indexes both rose slightly this month. The respondents continue to expect growth over the next six months.

Current Indicators Remain Soft

The diffusion index for current general activity at the firm level rose 7 points to -9.5, its third consecutive negative reading (see Chart). The share of firms reporting decreases (37 percent) exceeded the share reporting increases (27 percent). The new orders index climbed 27 points to 2.7, its first positive reading since February. Almost 28 percent of the firms reported increases in new orders (up from 12 percent), while 25 percent reported decreases (down from 36 percent). Similarly, the sales/revenues index rose to 9.3 from -2.9 last month. Over 37 percent of the firms reported increases in sales/revenues, while 28 percent reported decreases. The current regional activity index rose 7 points to -16.0, remaining negative for the third consecutive month.

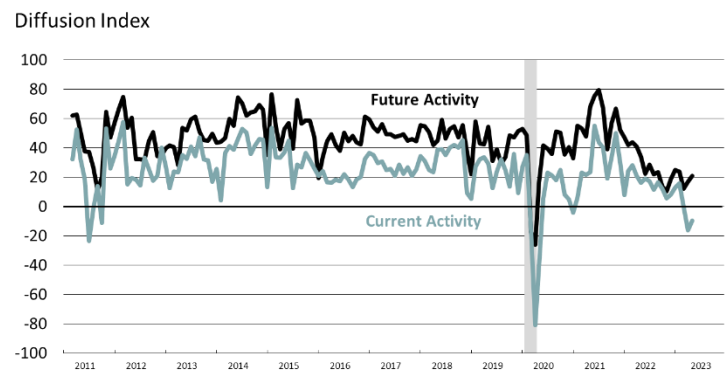
Firms Report Overall Increases in Full-Time Employment

The full-time employment index increased 3 points to 14.9. The share of firms reporting increases in full-time employment (24 percent) exceeded the share reporting decreases (9 percent); most firms (65 percent) reported no change. The part-time employment index rose 3 points but remained negative at -1.3. Most firms (67 percent) reported steady part-time employment, while 8 percent of the firms reported increases and 9 percent reported decreases. The average work-week index increased 5 points to 5.6.

Firms Continue to Report Price Increases

Price indicator readings suggest continued increases in prices for inputs and the firms' own goods and services. The prices paid index increased 5 points to 40.3 in May. Almost 45 percent of the firms reported increases in input prices, while 4

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

percent reported decreases; 39 percent reported stable prices. Regarding prices for the firms' own goods and services, the prices received index edged up 1 point to 21.6 this month. More than 29 percent of the firms reported higher prices, 8 percent reported lower prices, and 54 percent reported no change.

Firms Expect Higher Increases in Own Prices

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). Regarding their own prices, the firms' median forecast was for an increase of 4.0 percent, up from 3.5 percent when the question was last asked in February. The firms' reported own price change over the past year was 4.0 percent. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 4.0 percent over the next four quarters, lower than the 5.0 percent expected in February. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 5.0 percent, unchanged from February. The firms'

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The next *Nonmanufacturing Business Outlook Survey* will be released on June 20, 2023.



median forecast for the long-run (10-year average) inflation rate was also unchanged at 4.0 percent.

Firms Anticipate Growth

The future activity indexes suggest firms expect growth at their own companies and in the region over the next six months. The diffusion index for future activity at the firm level increased 4 points to 20.8 this month (see Chart). The share of firms expecting increases (44 percent) exceeded the share expecting decreases (23 percent). The future regional activity index rose from -10.9 to 2.0 this month.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest some improvement but continued weakness overall in nonmanufacturing activity in the region. The indicator for firm-level general activity increased but remained negative, while the indexes for sales/revenues and new orders both returned to positive territory. The index for full-time employment continued to suggest overall increases in employment. Both price indexes increased this month. Overall, the respondents continue to expect growth over the next six months. ■

Special Questions (May 2023)		
Please list the annual percent change with respect to the following:		
	Current	Previous (Feb. 2023)
For your firm:		
<i>Forecast for next year (2023Q2–2024Q2)</i>		
1. Prices your firm will receive (for its own goods and services sold).	4.0	3.5
2. Compensation your firm will pay per employee (for wages and benefits).	4.0	5.0
<i>Last year's price change (2022Q2–2023Q2)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	4.0	3.0
For U.S. consumers:		
4. Prices U.S. consumers will pay for goods and services over the next year.	5.0	5.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2023–2032).	4.0	4.0
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 May 2023	May vs. April					Six Months from Now vs. May				
	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index
What is your assessment of general business activity for the region?	-22.8	16.0	48.2	32.1	-16.0	-10.9	33.2	32.1	31.2	2.0
What is your assessment of general business activity for your firm?	-16.2	27.3	34.0	36.8	-9.5	16.8	43.9	33.0	23.1	20.8
Company Business Indicators										
New Orders	-23.9	27.8	23.9	25.1	2.7	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 May 18, 2023.				
Sales or Revenues	-2.9	37.1	35.2	27.8	9.3					
Unfilled Orders	-4.5	12.3	26.8	10.5	1.8					
Inventories	1.3	4.9	21.2	8.8	-3.9					
Prices Paid	35.7	44.7	38.5	4.4	40.3					
Prices Received	20.7	29.7	53.8	8.2	21.6					
Number of Employees – Full-Time Permanent	11.5	24.2	65.3	9.3	14.9					
Number of Employees – Part-Time, Temporary, and Contract	-4.2	7.9	66.7	9.2	-1.3					
Average Employee Workweek	1.0	17.3	70.0	11.6	5.6					
Wage and Benefit Costs	39.7	36.0	61.9	0.7	35.3					
Capital Expenditures – Physical Plant	4.9	17.2	49.7	7.6	9.6					
Capital Expenditures – Equipment & Software	18.8	27.4	59.2	5.2	22.2					