

Note: Survey responses were collected from June 5 to June 14.

Nonmanufacturing activity in the region remained weak this month, according to the firms responding to the June *Nonmanufacturing Business Outlook Survey*. The index for general activity at the firm level remained negative, and the indexes for new orders and sales/revenues returned to negative territory. The full-time and part-time employment indexes both recorded negative readings this month. Price pressures relaxed as both the prices paid and prices received indexes fell, with the prices received index falling into negative territory. Although the firms continue to expect growth over the next six months on balance, expectations were less widespread.

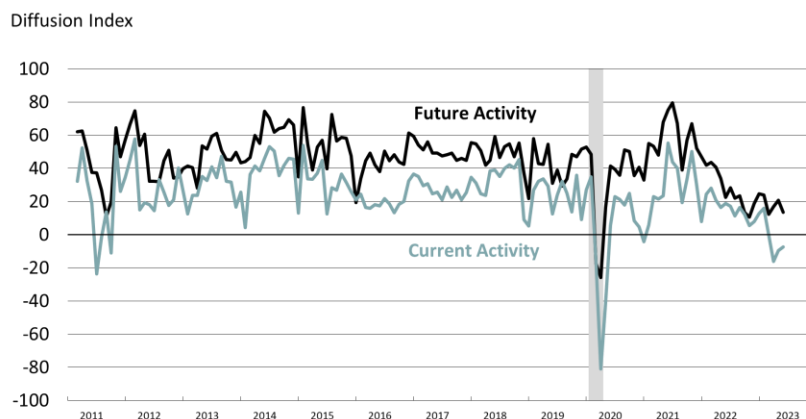
Current Indexes Remain Weak

The diffusion index for current general activity at the firm level edged up from a reading of -9.5 in May to -7.5 this month (see Chart 1). Almost 23 percent of the firms reported increases, while 30 percent of the firms reported decreases; 45 percent reported no change in activity. After a large increase last month, the new orders index fell 19 points to -16.2 this month. More than 14 percent of the firms reported increases in new orders (down from 28 percent last month), while 30 percent reported decreases (up from 25 percent). Similarly, the sales/revenues index decreased 20 points to -10.6 after returning to positive territory last month. Almost 27 percent of the responding firms reported increases in sales/revenues, while 38 percent reported decreases. The regional activity index inched down to -16.6 this month, its fourth consecutive negative reading.

Employment Indicators Record Negative Readings

On balance, the firms reported decreases in both full-time and part-time employment this month. The full-time employment index fell 29 points to -14.3, its first negative reading since December 2020. Almost 12 percent of the firms reported increases (down from 24 percent last month), while 26 percent reported decreases (up from 9 percent). More than 54 percent of the firms reported steady full-time employment levels. The part-time employment index declined further, falling from -1.3 to -8.8.

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

Firms Report Declines in Prices of Their Own Goods

Price indicator readings suggest continued but less widespread increases in prices for inputs, but overall declines in prices for the firms' own goods and services. The prices paid index decreased 21 points to 20.8, its lowest reading since October 2020 (see Chart 2). Over 28 percent of the respondents reported higher input prices, 47 percent reported no change, and 8 percent reported decreases. Regarding prices for the firms' own goods and services, the prices received index fell from 21.6 to -5.8, its first negative reading since August 2020. Almost 12 percent of the firms reported decreases in prices received (up from 8 percent), exceeding the 6 percent of firms reporting increases in prices received (down from 30 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 second quarter ending this month compared with the first quarter of 2023; they were also asked about factors constraining business operations (see Special Questions on page 3). The share of firms reporting expected increases in second-quarter sales/revenues (58 percent) was greater than the share reporting decreases (30 percent). Most of the firms indicated



that labor supply and supply chains constrained operations in the current quarter at least slightly, and although more than half reported that financial capital was not a constraint, 18 percent indicated it was a significant constraint. Looking ahead over the next three months, most of the firms expect the impacts of various factors to stay the same, and 29 percent and 21 percent of the firms expect supply chain and labor supply impacts to improve, respectively. However, 42 percent of the firms expect financial capital impacts to worsen, down slightly from 44 percent in March.

Firms Anticipate Growth

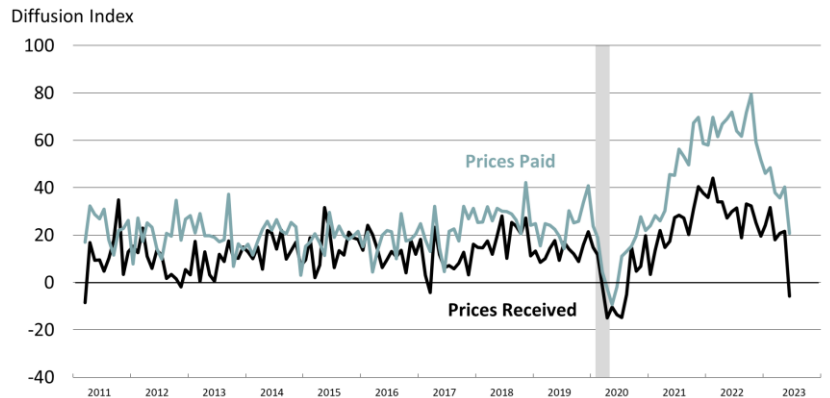
The future firm-level general activity index remained low but continued to suggest firms expect growth at their own companies over the next six months. The diffusion index for future general activity at the firm level decreased 7 points to 13.6 (see Chart 1). Almost 40 percent of the firms expect an increase in activity at their firms over the next six months, 26 percent expect decreases, and 32 percent expect no change. The future regional activity index edged up from 2.0 to 4.0.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest weak nonmanufacturing

Chart 2. Prices Paid and Prices Received Indexes

March 2011 to June 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 in the region. The indicator for firm-level general activity remained negative, and the new orders and sales/revenues indexes returned to negative territory. The full-time and part-time employment indexes suggest overall decreases in employment. Both price indexes decreased, with the prices received index falling into negative territory. Overall, the responding firms expect growth over the next six months at their own firms. ■

NONMANUFACTURING BUSINESS OUTLOOK SURVEY June 2023	June vs. May					Six Months from Now vs. June				
	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?	-16.0	10.5	57.5	27.1	-16.6	2.0	33.1	32.6	29.2	4.0
What is your assessment of general business activity for your firm?	-9.5	22.7	44.8	30.2	-7.5	20.8	39.8	32.0	26.1	13.6
Company Business Indicators										
New Orders	2.7	14.1	25.0	30.3	-16.2	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 June 14, 2023.				
Sales or Revenues	9.3	26.8	31.3	37.5	-10.6					
Unfilled Orders	1.8	5.5	21.0	6.8	-1.3					
Inventories	-3.9	4.3	15.9	11.4	-7.1					
Prices Paid	40.3	28.4	46.6	7.6	20.8					
Prices Received	21.6	5.8	60.2	11.6	-5.8					
Number of Employees – Full-Time Permanent	14.9	11.8	54.9	26.1	-14.3					
Number of Employees – Part-Time, Temporary, and Contract	-1.3	6.0	70.5	14.9	-8.8					
Average Employee Workweek	5.6	9.6	59.5	30.0	-20.4					
Wage and Benefit Costs	35.3	27.6	65.2	5.4	22.2					
Capital Expenditures – Physical Plant	9.6	18.8	48.2	14.3	4.5					
Capital Expenditures – Equipment & Software	22.2	23.0	51.3	14.4	8.6					

Special Questions (June 2023)		
1. How will your firm's total sales/revenues for the second quarter of 2023 compare with that of the first quarter of 2023 ?		
An increase of:	% of firms	Subtotals
10% or more	18.2	% of firms reporting an increase: 57.6
5–10%	15.2	
0–5%	24.2	
No change	12.1	
A decline of:		
0–5%	6.1	% of firms reporting a decrease: 30.3
5–10%	12.1	
10% or more	12.1	

	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	79.4	17.6	0.0	2.9	0.0	86.2	13.8
Energy markets	60.0	31.4	5.7	2.9	24.2	72.7	3.0
Financial capital	51.5	18.2	12.1	18.2	41.9	48.4	9.7
Labor supply	22.2	47.2	22.2	8.3	17.6	52.9	29.4
Supply chains	35.3	50.0	8.8	5.9	6.1	72.7	21.2
Other factors	61.1	16.7	11.1	11.1	17.6	82.4	0.0

