

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

Firms responding to the May *Nonmanufacturing Business Outlook Survey* indicated less widespread business activity than reported last month. The index for general activity at the firm level declined but remained positive. The index for sales/revenues increased, but the index for new orders turned negative. The firms continued to report an increase in full-time employment this month, on balance. Both price indexes moved lower but continued to indicate overall increases in prices. The respondents continue to expect growth over the next six months, but expectations are subdued.

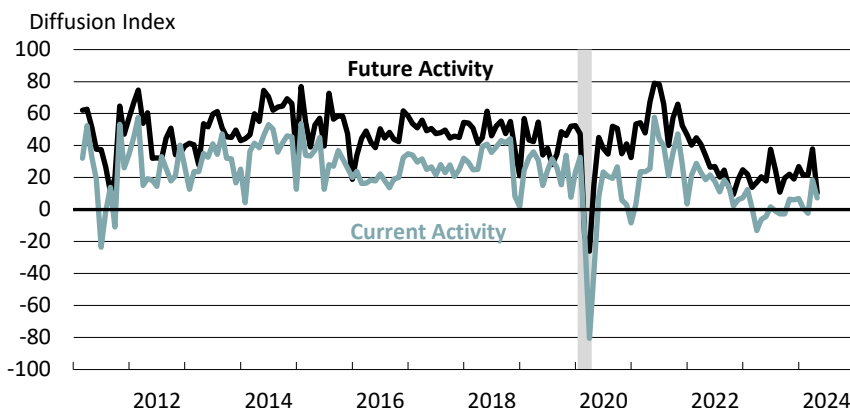
Most Current Indicators Decline

The diffusion index for current general activity at the firm level decreased from 18.4 in April to 7.3 in May (see Chart). Almost 32 percent of the firms reported increases in activity (down from 44 percent last month), 24 percent reported decreases (down from 26 percent), and 44 percent reported no change (up from 29 percent). After turning positive last month, the new orders index returned to negative territory, falling 12 points to -5.1. Nearly 24 percent of the firms reported decreases in new orders, while 19 percent reported increases. The sales/revenues index increased for the second consecutive month, moving up 3 points to 11.4, its highest reading since December but still below its long-run average. The current regional activity index rose 12 points to -0.6.

Employment Indicators Remain Positive

The firms reported increases in full-time employment this month on balance, but the index declined 8 points to 3.5 in May, reversing its increase from March to April. The share of firms reporting increases in full-time employment (18 percent) exceeded the share reporting decreases (14 percent); most firms (58 percent) reported no change. The part-time employment index edged down from 4.5 to 1.1, and the average workweek index rose to 8.3, after turning negative last month.

Chart. Current and Future General Activity Indexes
January 2011 to May 2024



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.

Price Indexes Near Long-Run Averages

Price indicators suggest increases in prices for inputs and the firms' own goods and services overall. The prices paid index declined 5 points to 25.8. More than 29 percent of the firms reported increases in input prices, while 4 percent reported decreases; 55 percent reported steady prices. Regarding prices for the firms' own goods and services, the prices received index fell from 12.2 to 5.2. Most of the firms (65 percent) reported no change in prices received, while the share reporting increases (16 percent) exceeded the share reporting decreases (10 percent).

Firms Expect Own Price Increases to Lag Inflation

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 2.0 percent, unchanged from when the question was last asked in February. The firms' reported own price change over the past year was 2.5 percent, up from 0.3 percent in February. The firms expect their employee compensation costs (wages plus benefits on a

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per employee basis) to rise 3.0 percent over the next four quarters, down from 4.0 percent. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was unchanged at 3.0 percent.

Firms Anticipate Growth

The future activity indexes remained positive but suggest less widespread expectations of growth over the next six months. The diffusion index for future activity at the firm level fell 28 points to 10.2 in May (see Chart). Nearly 30 percent of the firms expect increases in future activity at their firms (down from 52 percent last month), 20 percent expect decreases (up from 15 percent), and 47 percent expect no change (up from 31 percent). The future regional activity index declined from 10.8 to 6.1.

Summary

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest less widespread nonmanufacturing activity in the region. The indicator for firm-level general activity declined but remained positive. Although the sales/revenues index increased, the new orders index turned negative. The index for full-time employment suggests overall increases in employment but declined. The firms continue to expect growth over the next six months, but the future general activity indexes declined. ■

Special Questions (May 2024)		
Please list the annual percent change with respect to the following:		
	Current	Previous (Feb. 2024)
For your firm:		
<i>Forecast for next year (2024Q2–2025Q2)</i>		
1. Prices your firm will receive (for its own goods and services sold).	2.0	2.0
2. Compensation your firm will pay per employee (for wages and benefits).	3.0	4.0
<i>Last year's price change (2023Q2–2024Q2)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	2.5	0.3
For U.S. consumers:		
4. Prices U.S. consumers will pay for goods and services over the next year.	3.0	3.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2024–2033).	3.0	3.5
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 2024	May vs. April					Six Months from Now vs. May				
	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?	-12.4	24.6	49.2	25.2	-0.6	10.8	28.1	41.8	22.0	6.1
What is your assessment of general business activity for your firm?	18.4	31.7	44.0	24.3	7.3	37.8	29.7	46.8	19.5	10.2
Company Business Indicators										
New Orders	6.5	18.8	24.3	23.9	-5.1	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 May 16, 2024.				
Sales or Revenues	8.7	35.3	37.1	23.8	11.4					
Unfilled Orders	3.2	3.2	28.0	6.7	-3.5					
Inventories	8.2	9.8	27.1	8.0	1.8					
Prices Paid	31.0	29.4	55.1	3.6	25.8					
Prices Received	12.2	15.5	65.4	10.4	5.2					
Number of Employees – Full-Time Permanent	11.0	17.5	58.3	14.0	3.5					
Number of Employees – Part-Time, Temporary, and Contract	4.5	9.2	71.0	8.1	1.1					
Average Employee Workweek	-4.6	21.0	61.2	12.7	8.3					
Wage and Benefit Costs	27.4	41.4	46.8	0.0	41.4					
Capital Expenditures – Physical Plant	-4.6	17.1	37.7	7.3	9.8					
Capital Expenditures – Equipment & Software	4.0	22.6	48.4	7.2	15.4					