

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

Nonmanufacturing activity in the region declined this month, according to the firms responding to the July *Nonmanufacturing Business Outlook Survey*. The indexes for general activity at the firm level, new orders, and sales/revenues turned negative. The full-time employment index suggested a decline in employment. Both price indexes continued to indicate overall increases in prices and remain near nonrecession averages. The firms continue to expect growth over the next six months at their own firms and in the region, but expectations were less widespread.

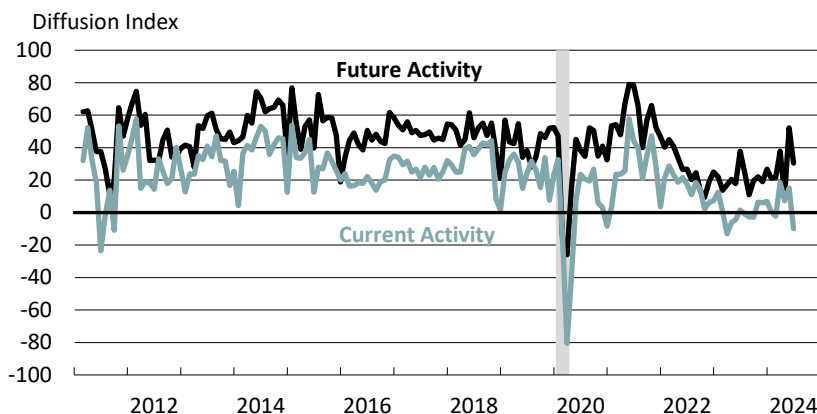
#### Current Indicators Weaken

The diffusion index for current general activity at the firm level turned negative, falling from a reading of 15.1 in June to -10.0 this month, its lowest reading since April 2023 (see Chart 1). Nearly 31 percent of the firms reported decreases, while 21 percent reported increases; 44 percent reported no change in activity. The new orders and sales/revenues indexes also turned negative this month. The new orders index fell from 6.7 to -7.1. More than 22 percent of the firms reported decreases in new orders, while 15 percent reported increases. The sales/revenues index dropped 18 points to -3.5. More than 25 percent of the firms reported decreases in sales/revenues, while 22 percent reported increases. The regional activity index fell 22 points to -19.1, its lowest reading since December 2020.

#### Firms Report Overall Decrease in Full-Time Employment

On balance, the firms reported a decrease in full-time employment; however, most firms continued to report no change in employment. The full-time employment index fell 20 points to -4.9 this month, its first negative reading since June 2023. Almost 19 percent of the firms reported decreases, while 14 percent reported increases; nearly 66 percent of the firms reported no change. The part-time employment index declined from 13.1 to 4.0. Most firms (63 percent) reported steady part-time employment, while the share of firms reporting increases (15 percent) exceeded the share reporting decreases (11 percent). The average workweek index turned negative, falling 11 points to -1.0.

Chart 1. Current and Future General Activity Indexes  
January 2011 to July 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 indicator readings suggest continued increases in input prices and prices for the firms' own goods and services this month. Both price indexes were near their long-run averages. The prices paid index rose 6 points to 30.2 (see Chart 2). Over 32 percent of the respondents reported higher input prices, while 2 percent reported decreases; 59 percent reported no change. Regarding prices for the firms' own goods and services, the prices received index declined from 16.6 to 13.9. Twenty-three percent of the firms reported increases in their own prices, while 9 percent reported decreases; 59 percent reported no change.

#### Firms Expect Smaller Increases for Wages

In special questions this month, the firms were asked about changes in wages and compensation in the past three months as well as their expected changes to various input and labor costs for 2024 (see page 3). Almost 30 percent of the firms indicated wages and compensation costs had increased in the past three months, 68 percent reported no change, and 2 percent reported decreases. Most firms (60 percent) reported not adjusting their 2024 budgets for wages and compensation since the start of the

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The next *Nonmanufacturing Business Outlook Survey* will be released on August 20, 2024.



year, while similar shares indicated they are planning to increase wages and compensation more than originally planned (18 percent) and sooner than originally planned (16 percent). The firms still expect higher costs across most expense categories in 2024; however, the median expected increases were in line with or slightly lower than expectations for all categories when this was last asked in April. Although the firms now expect somewhat lower increases in costs for wages, intermediate goods, and nonhealth benefits than when asked in April, expectations for increases in total compensation (wages plus benefits) costs remained at a median of 4 to 5 percent.

### Firms Continue to Anticipate Growth

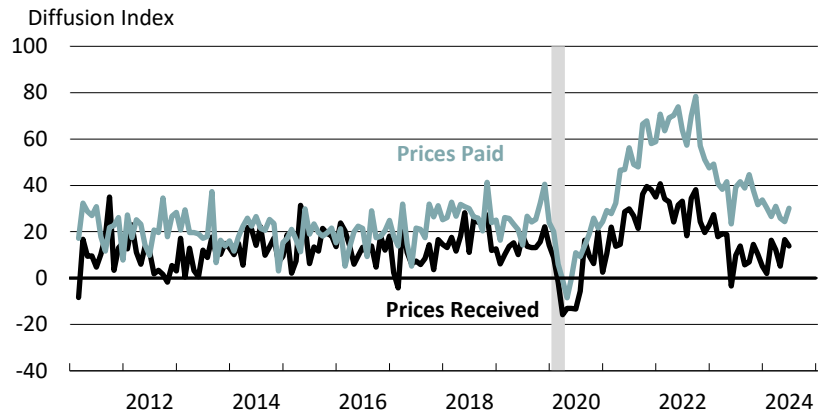
The future general activity indexes continued to suggest firms expect growth in the next six months. The index for future general activity at the firm level fell to 30.5 this month (see Chart 1). Over 48 percent of the firms expect an increase in activity at their firms over the next six months, 18 percent expect decreases, and 32 percent of the firms expect no change. The future regional activity index fell to 19.7.

### Summary

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

**Chart 2. Current Prices Paid and Prices Received Indexes**

January 2011 to July 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.

activity, new orders, and sales/revenues turned negative. The full-time employment index declined and suggests overall decreases in full-time employment. Both price indexes continue to indicate overall price increases. On balance, the firms continue to expect growth over the next six months, but the future activity indexes declined. ■

NONMANUFACTURING BUSINESS OUTLOOK SURVEY July 2024	July vs. June					Six Months from Now vs. July				
	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?	2.9	13.1	48.7	32.2	-19.1	44.7	41.5	28.1	21.7	19.7
What is your assessment of general business activity for your firm?	15.1	20.7	44.0	30.7	-10.0	52.1	48.2	31.8	17.8	30.5
<b>Company Business Indicators</b>										
New Orders	6.7	15.0	34.3	22.1	-7.1	<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 July 18, 2024.				
Sales or Revenues	14.3	22.1	48.8	25.6	-3.5					
Unfilled Orders	10.5	5.5	36.6	7.5	-1.9					
Inventories	7.5	0.0	26.6	1.5	-1.5					
Prices Paid	24.4	32.5	59.0	2.2	30.2					
Prices Received	16.6	23.0	58.8	9.1	13.9					
Number of Employees – Full-Time Permanent	14.6	13.8	65.5	18.7	-4.9					
Number of Employees – Part-Time, Temporary, and Contract	13.1	15.3	63.2	11.2	4.0					
Average Employee Workweek	9.8	19.1	60.5	20.1	-1.0					
Wage and Benefit Costs	27.6	30.3	66.8	0.5	29.8					
Capital Expenditures – Physical Plant	7.9	10.4	54.3	1.1	9.3					
Capital Expenditures – Equipment & Software	24.5	16.4	59.9	5.6	10.8					

Special Questions (July 2024)	
<b>1. How have wages and compensation changed at your firm over the past three months?</b>	
	Percent (%)
Increased	29.5
No change	68.2
Decreased	2.3

<b>2. Since the beginning of the year, have you adjusted your budget for wages and compensation for 2024?*</b>	
	Percent (%)
Yes, and we are planning to increase wages and compensation by more than originally planned.	17.8
Yes, and we are planning to increase wages and compensation sooner than originally planned.	15.6
No, we have not needed to make adjustments.	60.0
Other	8.9
*Percentages do not sum to 100 because more than one option could be selected.	

<b>3. What percentage change in costs do you now expect for the following categories over all of 2024?***</b>							
	Energy	Other Raw Materials	Intermediate Goods	Wages	Health Benefits	Nonhealth Benefits	Wages + Health Benefits + Nonhealth Benefits
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Decline of more than 1%	3.2	9.5	11.1	2.6	0.0	0.0	3.2
No change	32.3	28.6	33.3	23.7	17.6	51.6	9.7
Increase of 1–2%	12.9	9.5	16.7	5.3	5.9	12.9	6.5
Increase of 2–3%	9.7	14.3	27.8	21.1	8.8	16.1	6.5
Increase of 3–4%	6.5	9.5	5.6	21.1	8.8	3.2	9.7
Increase of 4–5%	9.7	14.3	0.0	15.8	23.5	9.7	32.3
Increase of 5–7.5%	16.1	9.5	0.0	2.6	14.7	0.0	6.5
Increase of 7.5–10%	6.5	0.0	0.0	2.6	5.9	0.0	6.5
Increase of 10–12.5%	3.2	4.8	5.6	2.6	5.9	0.0	12.9
Increase of more than 12.5%	0.0	0.0	0.0	2.6	8.8	6.5	6.5
<b>Median Expected Change</b>	<b>2–3%</b>	<b>2–3%</b>	<b>1–2%</b>	<b>2–3%</b>	<b>4–5%</b>	<b>-1–1%</b>	<b>4–5%</b>
Median Expected Change (April 2024)	2–3%	2–3%	2–3%	3–4%	4–5%	1–2%	4–5%
***The firms responded to more detailed changes than shown in the provided ranges.							