

Business Conditions Survey

July 2022



NABE Survey Panel Indicates Some Slowing in U.S. Economy As Input Costs Remain High and Profit Margins Moderate

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The July 2022 NABE Business Conditions Survey report presents the responses of 58 NABE members to a survey conducted July 5-13, 2022, on business conditions in their firms or industries, and reflects second-quarter 2022 results and the near-term outlook.

COMMENTS: "The results of the July 2022 NABE Business Conditions Survey show indications of a slowing U.S. economy," said **NABE Vice President Julia Coronado**, founder and president, MacroPolicy Perspectives LLC. "A majority of surveyed firms still reports rising sales, but that share declined sharply from last quarter." *(continued on next page)*

This NABE survey provides insights into these questions:

How have sales, costs, and profits evolved over the last three months, and what are industry expectations for their evolution for the next three months? 4-11

How have businesses changed their hiring plans over the last three months, and what are their hiring expectations for the upcoming three months? 12-13

How have firms' capital spending plans evolved over the last three months, and what changes are anticipated for the next three months? What shortages is your firm experiencing? 13-17

Special Questions: If your company is facing labor shortages, when do you expect those shortages will start to abate? If your company is facing delays or shortages in receiving materials or other inputs, when do you expect those delays or shortages will start to abate? What are the biggest downside risks to your company's outlook? What are the biggest upside risks to your company's outlook? Is your firm passing on cost increases to customers? How are higher interest rates affecting your company's investment decisions? What is your company doing to factor climate change into business operations? What probability do you put on the U.S. entering a recession over the next 12 months? 18-21

COMMENTS: *(continued from page 1)*

“Rising materials and labor costs are squeezing profit margins at many firms,” added **NABE Business Conditions Survey Chair Jan Hogrefe**, chief economist, Boeing Commercial Airplanes. “The July survey shows more firms reporting declining profit margins than rising margins for the first time since the October 2020 survey.”

“Perceived recession risks are also rising among respondents,” continued Hogrefe. “While a small majority still puts the chances of a recession in the next 12 months at less than 50-50, 43% of panelists rate a recession in that time as more likely than not, compared to 13% who held that view in the April survey.”

HIGHLIGHTS

- **Nearly half (47%) of respondents reports rising sales in the second quarter (Q2) of 2022—a drop of 14 percentage points from the share of respondents reporting rising sales in April.** The Net Rising Index (NRI) for sales—the percentage of panelists reporting rising sales minus the percentage reporting falling sales—decreased to 30 from the April survey, down 22 percentage points, and the lowest reading since the July 2020 survey. The forward-looking NRI for anticipated sales over the next three months also fell to its lowest level since July 2020.
- **The share of respondents reporting rising profit margins at their firms declined to 22%, down from the 26% share in the April survey.** The NRI for profit margins is -9, falling into negative territory for the first time in almost two years and the lowest NRI for profit margins since the July 2020 survey.
- **The NRI for prices charged in the second quarter (Q2) of 2022 fell to 42, down from 46 in Q1—putting the NRI 11 points off its record high in the January 2022 survey.** Looking ahead, 50% of respondents expect the prices their firms charge to increase, up one percentage point from the April 2022 survey.
- **The NRI for materials costs in Q2 2022 is 76, the highest reading since the question was first asked in 1994.** Seventy-eight percent of panelists report rising materials costs at their firms, while only 2% indicate falling materials costs.
- **Fifty-five percent of respondents report that wages rose in Q2 2022, down from a record-high 70% in the April survey.** The outlook for wage increases is moderating as well, with the NRI for expected wages declining to its lowest reading since April 2021.
- **The share of respondents reporting rising employment at their firms (38%) is at a four-year high.** Looking ahead, however, respondents are less optimistic than they were in the April survey. Twenty-four percent of respondents expect employment to rise at their firms in the next three months, the smallest share since the October 2020 survey.
- **Capital outlay increases were less prevalent at panelists’ firms in Q2 2022, with the NRI for capital spending falling to 22 from 40 in the April survey.** Pessimism regarding capital spending carried into the forward-looking NRI, with 28% of panelists anticipating rising spending in the next three months, down from 43% in the April survey.
- **The NRI for equipment, information, and communications technology spending fell to 38 from 47 in the April 2022 survey.** The forward-looking NRI for equipment and IT spending also fell, declining to 30 in the current survey from 48 in the April survey.

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- **The NRI for capital spending on structures is 15, the highest reading since the October 2015 survey.** However, the NRI for anticipated capital spending on structures fell to 0 from a multi-year high of 18 in the April 2022 survey.
- **Record-high percentages of panelists report shortages of materials inputs at their firms, in a series dating back to 1987.** More than one in five respondents (21%) report a shortage of intermediate inputs, while 16% report a shortage of raw-material inputs. In addition, the share of respondents reporting labor shortages at their firms remains elevated: 52% report shortages of skilled labor and 16% report shortages of unskilled labor.
- **About one-third (35%) of panelists expects labor shortages at their firms to last until 2023 or later.** Fourteen percent expect material and other input shortages at their firms to abate in 2023 or later.
- **Overall, panelists report that the biggest downside risks to their firm's outlook are increased cost pressures (cited by 31%) and higher interest rates (22%), followed by rising COVID-19 cases (12%) and supply chain disruptions (10%).**
- **Panelists report the biggest upside risks for their firms are faster-than-expected ramping-up of supply chains (22% of respondents), lower-than-expected interest rates (19%), rapid increase of people returning to the labor force (12%), and falling input costs (10%).**
- **A majority of respondents indicates their firms are passing on cost increases to customers.** Fourteen percent of respondents report their firms are passing on all or nearly all cost increases to customers, while 48% indicate their firms are passing on some cost increases.
- **A minority of respondents indicates higher interest rates are affecting their firm's investment decisions.** Fifty-six percent of respondents report interest rates do not affect their company's investment strategies. However, 18% note that higher rates have resulted in the postponement or cancellation of some projects.
- **Thirty-four percent of panelists report that their firms are monitoring regulatory changes to factor climate change into their operations.** Thirty-one percent are making changes to the products or services being offered by their firms, and 22% of respondents are making changes to input sourcing.
- **The largest share of panelists (43%) in the current survey puts the probability of a U.S. recession in the next 12 months at greater than 50%, a sharp increase from the 13% of panelists who held this view in the April 2022 survey.** (The "next 12 months" extends through Q2 2023 in the July survey, and through Q1 2023 in the April survey.) Another 40% of panelists rate the odds of recession in the next 12 months at 26-50%. The remainder places the odds at 11-25% (14% of panelists) or 0-10% (3% of panelists).

DETAILED RESULTS

Sales

Less than half (47%) of respondents reports rising sales in the second quarter (Q2) of 2022—a decline of 14 percentage points from the share of respondents reporting rising sales in the April 2022 survey. The share of respondents reporting falling sales increased to 18%, up from 9% in the previous survey. The Net Rising Index (NRI) for sales—the percentage of panelists reporting rising sales minus the percentage reporting falling sales—decreased to 30 from the April survey, down 22 percentage points. The forward-looking NRI for anticipated sales over the next three months is 30, down 23 points from the April survey. As with actual sales, the share of respondents expecting rising sales decreased across surveys (from 59% in April to 43% in July), while the share of respondents expecting falling sales increased (from 5% to 13%). The NRIs for both the past three months and the next three months are the lowest readings since the July 2020 survey.

Percent of total respondents (57) reporting that over the past 3 months, their companies' products or services sales, adjusted for inflation, have been:

Survey Month	Rising	Unchanged	Falling	NRI	
July '22	47%	35%	18%	30	
April '22	61	29	9	52	
January '22	65	32	3	63	
October '21	65	29	6	59	
July '21	66	31	3	63	
April '21	65	24	12	53	
January '21	51	36	13	38	
October '20	52	28	20	33	
July '20	32	21	46	-14	
By Sector—July '22					<i>No. responding</i>
Goods-producing	44%	44%	11%	33	9
TUIC	71%	14%	14%	57	7
FIRE	45%	45%	9%	36	11
Services	44%	33%	22%	22	27

Note: In this and all tables, percentages may not sum to 100% due to rounding. Totals include respondents who did not identify their sector.

Expected next 3 months—percent of total respondents (54)

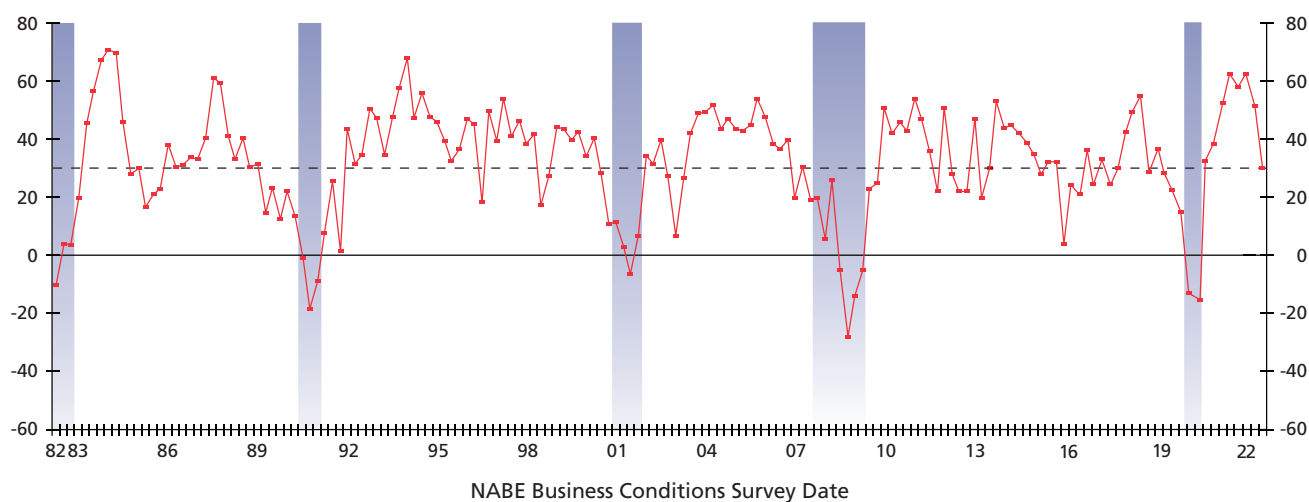
Survey Month	Rising	Unchanged	Falling	NRI
July '22	43%	44%	13%	30
April '22	59	36	5	53
January '22	55	39	5	50
October '21	58	36	7	51
July '21	70	27	2	68
April '21	74	20	6	69
January '21	47	44	9	38
October '20	43	44	12	31
July '20	42	34	24	18

By Sector—July '22

					No. responding
Goods-producing	22%	44%	33%	-11	9
TUIC	83%	17%	0%	83	6
FIRE	30%	60%	10%	20	10
Services	46%	42%	12%	35	26

Figure 1 – Sales Net Rising Index

(% of respondents reporting increasing sales minus % reporting decreasing sales)



Note: In this and all figures, shaded areas represent recessions.
Dashed line indicates current NRI.

Profit Margins

Similar to sales, the share of respondents reporting rising profit margins at their firms also declined, falling to 22% in the Q2 of 2022 from 26% in the April survey. The share of respondents reporting falling profit margins increased from 17% in the April survey to 31% in the July survey. The NRI is -9, falling into negative territory for the first time in almost two years, and the lowest NRI for profit margins since the July 2020 survey. The forward-looking NRI of -4 is the first negative reading since the April 2020 survey.

Percent of total respondents (54) reporting that over the past 3 months, their companies' profit margins have been:

Survey Month	Rising	Unchanged	Falling	NRI
July '22	22%	46%	31%	-9
April '22	26	57	17	9
January '22	35	49	16	19
October '21	35	56	10	25
July '21	42	51	7	35
April '21	32	59	9	23
January '21	30	53	16	14
October '20	21	54	25	-4
July '20	15	45	40	-25

By Sector—July '22

No. responding

Goods-producing	29%	14%	57%	-29	7
TUIC	29	57	14	14	7
FIRE	27	36	36	-9	11
Services	15	54	31	-15	26

Expected next 3 months—percent of total respondents (49)

Survey Month	Rising	Unchanged	Falling	NRI
July '22	18%	59%	22%	-4
April '22	22	61	16	6
January '22	29	51	19	10
October '21	25	62	13	12
July '21	32	65	3	29
April '21	35	51	14	20
January '21	26	69	5	21
October '20	31	61	8	23
July '20	24	59	17	7

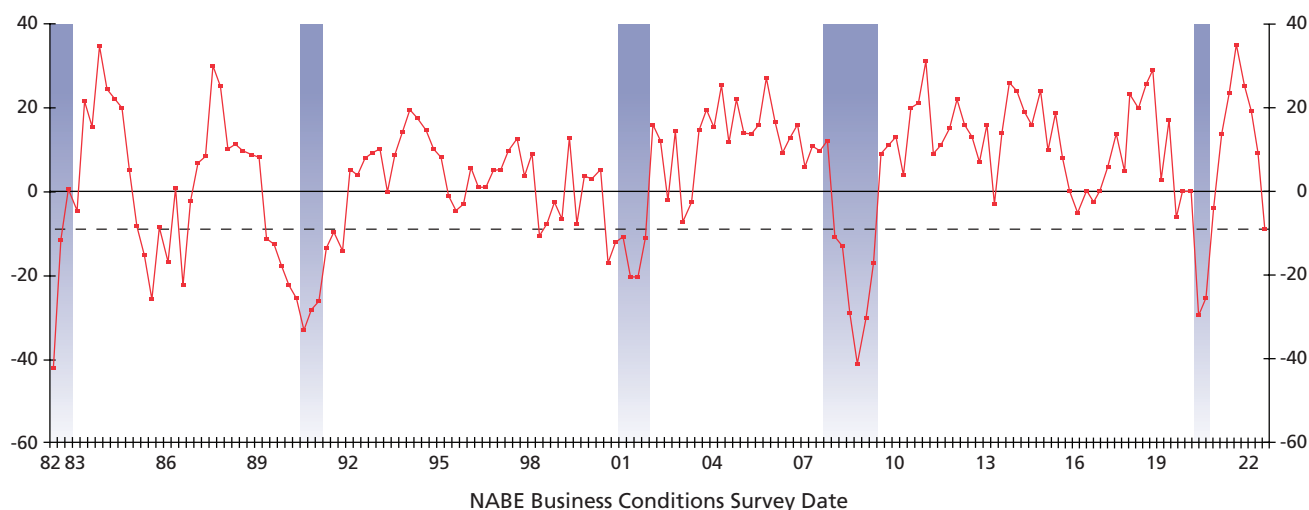
By Sector—July '22

No. responding

Goods-producing	17%	33%	50%	-33	6
TUIC	33	50	17	17	6
FIRE	10	50	40	-30	10
Services	13	75	13	0	24

Figure 2 – Profit Margins Net Rising Index

(% of respondents reporting increasing profit margins minus % reporting decreasing profit margins)



Prices Charged

The NRI for prices charged in Q2 2022 fell to 42, down from 46 in Q1 2022, and putting the NRI 11 points off its record high of 53 in the January 2022 survey. Looking ahead, 50% of respondents expect the prices their firms charge to increase, up one point from the April 2022 survey. However, the forward-looking NRI fell 8 points, as 12% of panelists expect prices at their firms to decline in the next 3 months.

Percent of total respondents (53) reporting that over the past 3 months prices charged by their firms have been:

Survey Month	Rising	Unchanged	Falling	NRI
July '22	43%	55%	2%	42
April '22	49	49	3	46
January '22	53	47	0	53
October '21	40	60	0	40
July '21	33	63	5	28
April '21	34	63	3	31
January '21	24	67	9	15
October '20	16	69	15	1
July '20	7	70	22	-15

By Sector—July '22

					No. responding
Goods-producing	71%	14%	14%	57	7
TUIC	43	57	0	43	7
FIRE	40	60	0	40	10
Services	38	62	0	38	26

Expected next 3 months—percent of total respondents (52)

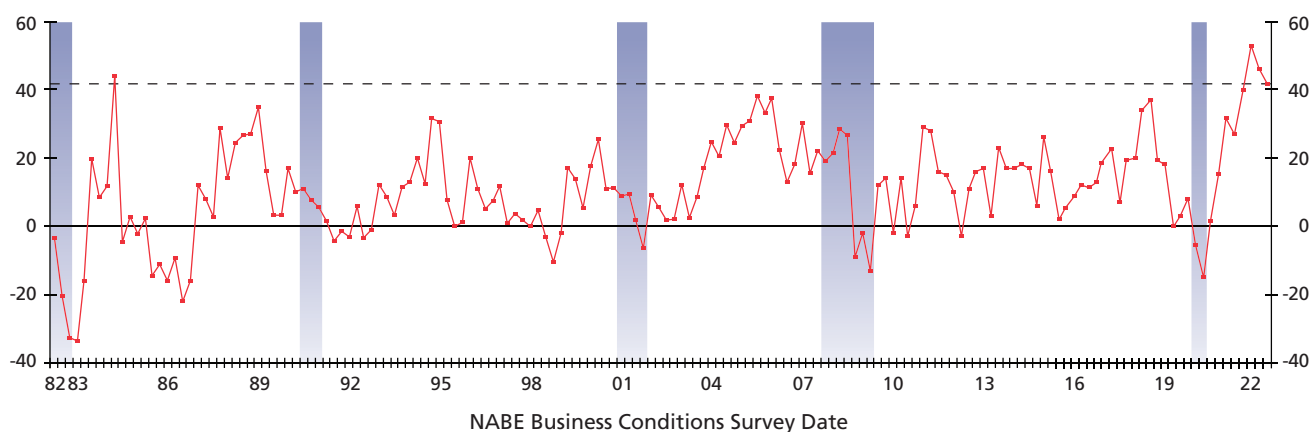
Survey Month	Rising	Unchanged	Falling	NRI
July '22	50%	38%	12%	38
April '22	49	48	3	46
January '22	52	47	1	51
October '21	40	60	0	40
July '21	43	56	1	42
April '21	37	59	5	32
January '21	35	60	5	30
October '20	26	68	6	20
July '20	14	76	11	3

By Sector—July '22

	Rising	Unchanged	Falling	NRI	No. responding
Goods-producing	43%	14%	43%	0	7
TUIC	67	33	0	67	6
FIRE	36	45	18	18	11
Services	52	44	4	48	25

Figure 3 – Prices Charged Net Rising Index

(% of respondents reporting increasing prices charged minus % reporting decreasing prices charged)



Materials Costs

The NRI for materials costs in Q2 2022 rose to 76, the highest reading since the question was first asked in 1994. Seventy-eight percent of panelists report rising materials costs at their firms, while only 2% indicate falling materials costs. The NRI for expected materials costs fell 14 points, as more respondents than in the April survey foresee unchanged (30%) or falling prices (7%) at their firms.

Percent of total respondents (45) reporting that the materials costs at their firms over the past 3 months have been generally:

Survey Month	Rising	Unchanged	Falling	NRI
July '22	78%	20%	2%	76
April '22	75	25	0	75
January '22	69	31	0	69
October '21	70	30	0	70
July '21	61	38	1	59
April '21	54	42	4	49
January '21	33	61	6	28
October '20	23	65	13	10
July '20	14	61	25	-11

By Sector—July '22

No. responding

Goods-producing	88%	0%	13%	75	8
TUIC	100	0	0	100	6
FIRE	78	22	0	78	9
Services	68	32	0	68	19

Expected costs next 3 months—percent of total respondents (43)

Survey Month	Rising	Unchanged	Falling	NRI
July '22	63%	30%	7%	56
April '22	71	27	2	70
January '22	62	37	2	60
October '21	71	28	2	69
July '21	51	47	1	50
April '21	49	46	4	45
January '21	37	60	3	34
October '20	14	80	6	8
July '20	13	75	12	1

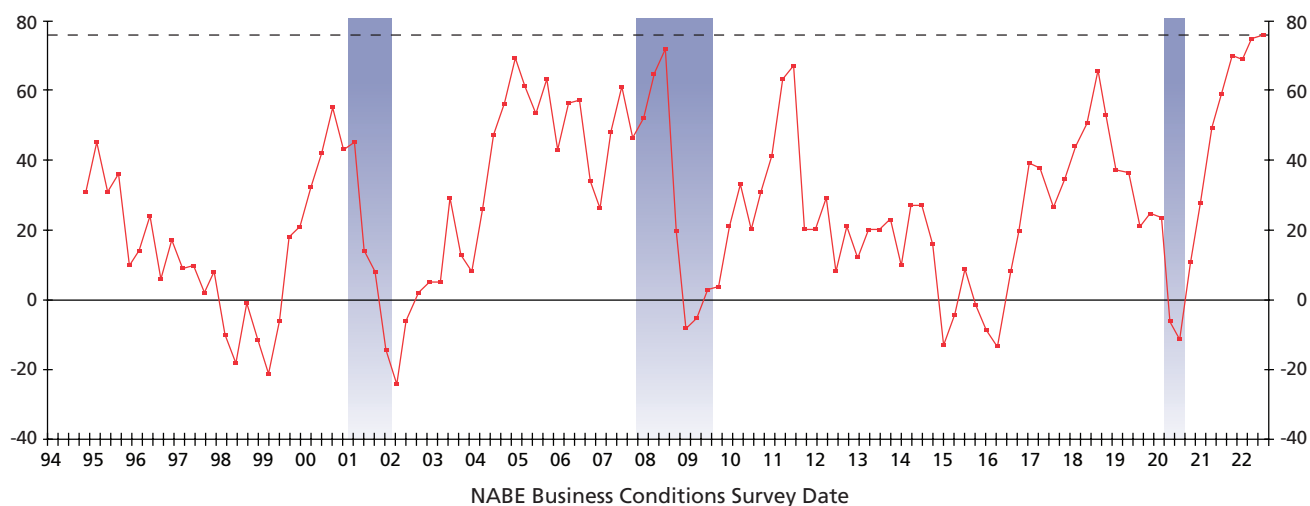
By Sector—July '22

No. responding

Goods-producing	50%	50%	0%	50	8
TUIC	80	20	0	80	5
FIRE	89	11	0	89	9
Services	50	33	17	33	18

Figure 4 – Materials Costs Net Rising Index

(% of respondents reporting increasing materials costs minus % reporting decreasing materials costs)



Wages

After reaching a record high (70%) in the April 2022 survey, the share of respondents reporting that wages rose at their firms moderated to 55% in the current survey. After seven consecutive increases, the NRI for wages fell from 70 to 55 points in the July 2022 survey. The NRI for expected wage costs in the next three months decreased 16 points—from 67 in the April 2022 survey to 51 in the current survey—the lowest reading since the April 2021 survey.

Percent of total respondents (55) reporting that in the past 3 months their firms' wages and salaries have been:

Survey Month	Rising	Unchanged	Falling	NRI
July '22	55%	45%	0%	55
April '22	70	30	0	70
January '22	68	32	0	68
October '21	58	42	0	58
July '21	51	49	0	51
April '21	31	67	2	29
January '21	28	62	9	19
October '20	17	70	13	4
July '20	11	70	19	-9

By Sector—July '22

	Rising	Unchanged	Falling	NRI	No. responding
Goods-producing	71%	29%	0%	71	7
TUIC	14	86	0	14	7
FIRE	67	33	0	67	12
Services	54	46	0	54	26

Expected wage costs next 3 months—percent of total respondents (51)

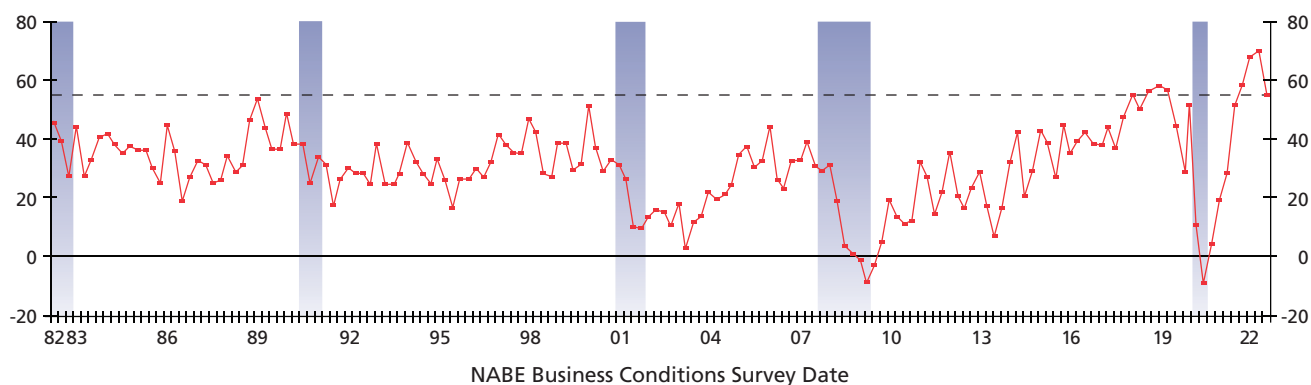
Survey Month	Rising	Unchanged	Falling	NRI
July '22	55%	41%	4%	51
April '22	67	33	0	67
January '22	77	23	0	77
October '21	53	47	0	53
July '21	55	45	0	55
April '21	44	55	1	43
January '21	49	49	1	48
October '20	20	75	5	15
July '20	9	82	9	0

By Sector—July '22

	Rising	Unchanged	Falling	NRI	No. responding
Goods-producing	57%	43%	0%	57	7
TUIC	17	83	0	17	6
FIRE	64	27	9	55	11
Services	58	38	4	54	24

Figure 5 – Wages Net Rising Index

(% of respondents reporting increasing wages minus % reporting decreasing wages at their firms)



Employment

The NRI for employment is 30—the highest reading since the July 2018 survey, when it was 41. Ninety-three percent of respondents report rising (38%) or stable (55%) employment at their firms. Looking ahead to the next three months, a smaller share of respondents is optimistic about employment at their firms; 24% of respondents anticipate rising employment at their firms, the smallest share since the October 2020 survey. Most respondents (72%) expect no change in employment at their firms in the next three months.

Percent of total respondents (56) reporting that over the past 3 months employment at their firms has been:

Survey Month	Rising	Unchanged	Falling	NRI
July '22	38%	55%	7%	30
April '22	31	61	8	23
January '22	32	61	7	26
October '21	30	63	7	23
July '21	33	62	5	28
April '21	20	69	11	9
January '21	19	68	13	7
October '20	9	64	27	-17
July '20	5	71	24	-19

By Sector—July '22

No. responding

Goods-producing	43%	57%	0%	43	7
TUIC	14	86	0	14	7
FIRE	50	50	0	50	12
Services	37	48	15	22	27

Expected next 3 months—percent of total respondents (54)

Survey Month	Rising	Unchanged	Falling	NRI
July '22	24%	72%	4%	20
April '22	39	54	7	32
January '22	50	47	3	47
October '21	30	65	5	24
July '21	38	59	2	36
April '21	37	62	1	36
January '21	30	60	10	21
October '20	16	69	15	1
July '20	22	63	15	6

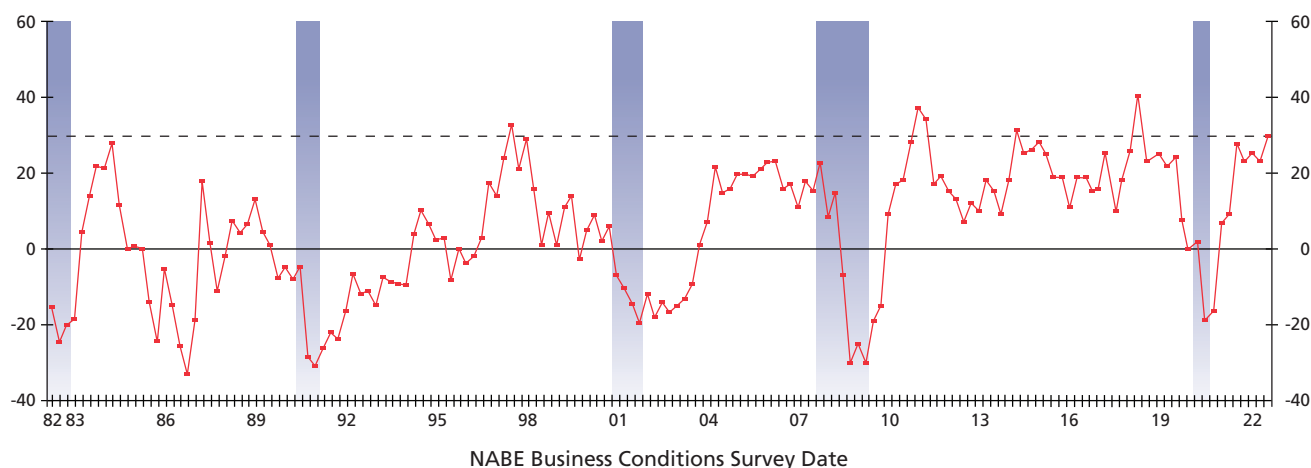
By Sector—July '22

No. responding

Goods-producing	0%	100%	0%	0	7
TUIC	33	67	0	33	6
FIRE	33	58	8	25	12
Services	23	73	4	19	26

Figure 6 – Employment Net Rising Index

(% of respondents reporting increasing employment minus % reporting decreasing employment)



Capital Spending

Capital outlay increases were less prevalent at panelists' firms in Q2 2022, with the NRI for capital spending falling to 22, down from 40 in the April 2022 survey. Twenty-nine percent of respondents report that capital spending rose at their firms in Q2 2022, down from 42% in Q1 2022. Pessimism regarding in capital spending carried into the forward-looking NRI, with 28% of panelists anticipating rising spending over the next three months, down from 43% in the April survey.

Percent of total reporting (49) that over the past 3 months, their firms' capital spending has been:

Survey Month	Rising	Unchanged	Falling	NRI
July '22	29%	65%	6%	22
April '22	42	57	1	40
January '22	45	52	3	42
October '21	38	56	5	33
July '21	34	65	1	33
April '21	32	68	0	32
January '21	28	60	13	15
October '20	19	54	27	-8
July '20	17	48	36	-19

By Sector—July '22

	Rising	Unchanged	Falling	NRI	No. responding
Goods-producing	63%	25%	13%	50	8
TUIC	43	57	0	43	7
FIRE	9	82	9	0	11
Services	15	80	5	10	20

Expected next 3 months—percent of total reporting (47)

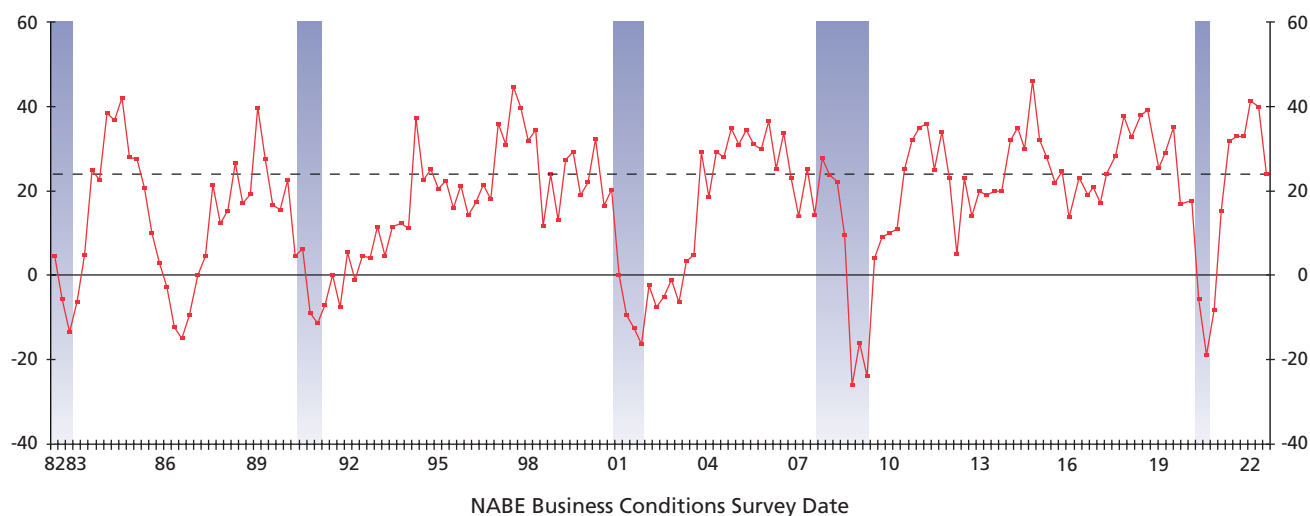
Survey Month	Rising	Unchanged	Falling	NRI
July '22	28%	68%	4%	23
April '22	43	54	3	40
January '22	42	53	5	38
October '21	39	60	1	37
July '21	45	55	0	45
April '21	47	49	4	43
January '21	34	54	12	22
October '20	19	67	14	6
July '20	19	62	19	0

By Sector—July '22

	Rising	Unchanged	Falling	NRI	No. responding
Goods-producing	50%	50%	0%	50	8
TUIC	67	33	0	67	6
FIRE	9	73	18	-9	11
Services	16	84	0	16	19

Figure 7 – Capital Spending Net Rising Index

(% of respondents reporting increasing capital spending minus % reporting decreasing capital spending)



Equipment, Information, and Communications Technology Capital Spending

The NRI for equipment, information, and communications technology spending fell to 38 from 47 in the April 2022 survey. Forty percent of respondents report rising activity in Q2 2022. The forward-looking NRI for equipment and IT spending also fell, to 30 in the current survey, down from 48 in the April survey. Thirty percent of respondents anticipate increased capital spending at their firms over the coming months, with no respondents anticipating declines.

Percent of total reporting (48) that over the past 3 months their firms' capital spending on equipment, information, and communications technology has been:

Survey Month	Rising	Unchanged	Falling	NRI
July '22	40%	58%	2%	38
April '22	49	50	1	47
January '22	50	47	3	47
October '21	37	59	4	33
July '21	38	62	0	38
April '21	47	53	0	47
January '21	39	52	9	30
October '20	35	44	20	15
July '20	32	40	28	4

By Sector—July '22

No. responding

Goods-producing	60%	40%	0%	60	5
TUIC	57	43	0	57	7
FIRE	55	45	0	55	11
Services	18	77	5	14	22

Expected next 3 months—percent of total reporting (46)

Survey Month	Rising	Unchanged	Falling	NRI
July '22	30%	70%	0%	30
April '22	48	52	0	48
January '22	43	54	3	40
October '21	45	54	2	43
July '21	48	52	0	48
April '21	50	47	3	47
January '21	39	53	8	31
October '20	32	56	12	19
July '20	27	55	18	9

By Sector—July '22

No. responding

Goods-producing	20%	80%	0%	20	5
TUIC	50	50	0	50	6
FIRE	55	45	0	55	11
Services	14	86	0	14	21

Structures Capital Spending

The NRI for capital spending on structures is 15, the highest reading since the October 2015 survey. In contrast, the NRI for anticipated capital spending on structures fell to 0 in the July survey after reaching a multi-year high of 18 in the April 2022 survey.

Percent of total reporting (33) that over the past 3 months their firms' capital spending on structures has been:

Survey Month	Rising	Unchanged	Falling	NRI
July '22	36%	42%	21%	15
April '22	26	57	17	9
January '22	16	61	22	-6
October '21	19	61	19	0
July '21	13	75	12	2
April '21	11	74	15	-5
January '21	10	65	26	-16
October '20	5	66	30	-25
July '20	5	51	44	-40

By Sector—July '22

No. responding

Goods-producing	83%	17%	0%	83	6
TUIC	67	17	17	50	6
FIRE	10	50	40	-30	10
Services	25	63	13	13	8

Expected next 3 months—percent of total reporting (32)

Survey Month	Rising	Unchanged	Falling	NRI
July '22	28%	44%	28%	0
April '22	29	59	12	18
January '22	24	57	20	4
October '21	14	67	18	-4
July '21	20	71	9	11
April '21	21	60	19	2
January '21	5	69	26	-21
October '20	14	63	23	-9
July '20	5	61	34	-30

By Sector—July '22

No. responding

Goods-producing	50%	50%	0%	50	6
TUIC	80	20	0	80	5
FIRE	10	30	60	-50	10
Services	13	63	25	-13	8

Shortages

Record-high percentages of panelists report shortages of materials inputs at their firms, in a series dating back to 1987. More than one in five respondents (21%) report a shortage of intermediate inputs, while 16% report a shortage of raw-material inputs. In addition, the share of respondents reporting labor shortages at their firms remains elevated: 52% report shortages of skilled labor and 16% report shortages of unskilled labor.

Percent of total (58) reporting shortages at their firms over the past 3 months:

Type of input	July '22	April '22	January '22	October '21	July '21	April '21
Skilled labor	52%	52%	57%	47%	32%	29%
Unskilled labor	16	14	24	11	16	6
Raw material inputs	16	14	14	12	8	9
Intermediate inputs	21	18	18	18	17	10
Capital goods	7	13	11	13	3	4
No shortages	34	31	24	35	44	54
Don't know	9	8	10	7	14	9

Note: Columns sum to more than 100% if respondents listed multiple shortages.

Special Questions

For the following questions, sums may not add up to 100 due to rounding:

1. If your company is facing labor shortages, when do you expect those shortages will start to abate?

About one-third (35%) of panelists expects their firm's labor shortages to abate in 2023 or later; 9% indicate that they will abate in the second half of 2022. Eleven percent of panelists report that labor shortages have already begun to ease. Two out of five respondents report that their firms either have no openings (27%) or have filled openings without difficulty (13%).

Sector	No. responding	They already have started to abate	In the second half of 2022	In 2023 or later	Our firm has filled openings without difficulty	Our firm has no openings	Don't know/NA
Goods-producing	9	11%	44%	44%	0%	0%	0%
TUIC	6	33	0	33	33	0	0
FIRE	12	0	0	58	0	25	17
Services	25	8	4	20	20	44	4
All respondents	55	11%	9%	35%	13%	27%	5%

2. If your company is facing delays or shortages in receiving materials or other inputs, when do you expect those delays or shortages start to abate?

Thirteen percent of panelists expect input shortages to abate in the second half of 2022, 14% indicate that they will abate in 2023 or later, and 7% report they have already started to abate. About three out of five respondents report that their firms either do not buy substantial amounts of materials (39%) or have faced no significant delays or shortages (20%).

Sector	No. responding	They already have started to abate	In the second half of 2022	In 2023 or later	Our firm has faced no significant delays or shortages	Our firm does not buy substantial amounts of materials	Don't know/NA
Goods-producing	9	22%	33%	22%	11%	0%	11%
TUIC	7	0	14	57	0	14	14
FIRE	12	0	0	17	17	58	8
Services	25	4	12	0	32	48	4
All respondents	56	7%	13%	14%	20%	39%	7%

3. What are the biggest downside risks to your company's outlook?

Roughly one-third (31%) of panelists cites increased cost pressures as the biggest downside risk to their firm's outlook, while 22% list higher interest rates, 12% pick rising COVID-19 cases, and 10% cite supply chain disruptions. Twenty-one percent of respondents wrote in other downside risks.

Sector	No. responding	Rising COVID-19 cases	Supply chain disruptions	Increased cost pressures	Higher interest rates	Tax increases	Don't know/ NA	Other
Goods-producing	9	0%	33%	22%	11%	11%	0%	22%
TUIC	7	14	0	57	14	0	0	14
FIRE	12	8	0	25	42	0	0	25
Services	27	19	7	30	19	0	4	22
All respondents	58	12%	10%	31%	22%	2%	2%	21%

4. What are the biggest upside risks to your company's outlook?

Panelists report the biggest upside risks for their firms are faster-than-expected ramping-up of supply chains (listed by 22% of respondents), lower-than-expected interest rates (19% of respondents), rapid increase of people returning to the labor force (12%), and falling input costs (10%). Another 10% of respondents wrote in other upside risks.

Sector	No. responding	Lower COVID cases and less restrictions	Faster than expected ramping up of supply chains	Rapid increase in people returning to the labor force	Falling input costs	Lower than expected interest rates	Don't know/ NA	Other
Goods-producing	9	0%	67%	0%	22%	0%	0%	11%
TUIC	7	14	14	0	14	14	43	0
FIRE	12	8	8	17	8	42	8	8
Services	27	11	15	19	7	15	19	15
All respondents	58	9%	22%	12%	10%	19%	17%	10%

5. Is your firm passing on cost increases to customers?

A majority of respondents indicates their firms are passing on cost increases to customers. Fourteen percent of respondents report their firms are passing on *all* or *nearly all* cost increases to customers, while 48% state their firms are passing on *some* cost increases. Twenty-four percent of respondents indicate their firms are *not* passing on cost increases to customers, down from 26% in the April 2022 survey. Ten percent of respondents indicate their firms were not experiencing cost increases, up from 8% in the April survey.

Sector	No. responding	Yes, all or nearly all	Yes, some	No	Not experiencing cost increases	Don't know/ NA
Goods-producing	9	11%	78%	0%	0%	11%
TUIC	7	14	57	29	0	0
FIRE	12	8	17	58	8	8
Services	27	19	48	19	15	0
All respondents	58	14%	48%	24%	10%	3%

6. How are higher interest rates affecting your company's investment decisions?

A minority (56%) of respondents indicates higher interest rates are not affecting their firms' investment decisions. However, 18% note that higher rates have resulted in the postponement or cancellation of some projects.

Sector	No. responding	They do not affect investment decisions	Postponed/ canceled some projects	Postponed/ canceled most or all projects	Don't know/ NA
Goods-producing	8	50%	13%	0%	38%
TUIC	7	86	14	0	0
FIRE	12	42	33	0	25
Services	27	56	11	0	33
All respondents	57	56%	18%	0%	26%

7. What is your company doing to factor climate change into business operations? (Check all that apply.)

Thirty-four percent of panelists report that their firms are monitoring regulatory changes to factor climate change into their operations. Thirty-one percent of panelists indicate their firms are making changes to the products or services being offered and 22% of respondents report their firms are making changes to input sourcing. Thirty-eight percent report no changes.

Note: Rows sum to more than 100% if respondents selected multiple factors.

Sector	No. responding	Changes to input sourcing	Changes in office/plant locations due to natural hazard risk	Changes to products/ services offering	Monitor regulatory changes	No changes	Don't know/ NA
Goods-producing	9	67%	11%	67%	44%	0%	22%
TUIC	7	29	14	43	57	14	14
FIRE	12	0	0	42	50	33	0
Services	27	15	4	11	19	59	4
All respondents	58	22%	5%	31%	34%	38%	7%

8. What probability do you put on the U.S. entering a recession over the next 12 months?

Forty-three percent of panelists state that the likelihood of the U.S. entering a recession over the next year is over 50%, up from 13% of panelists in the April 2022 survey. Two-fifths (40%) of respondents put the probability between 26-50%, while 17% put the likelihood of entering a recession in the next 12 months at 25% or less. In the April survey, nearly half (49%) of respondents rated the likelihood of entering a recession in the next 12 months at 25% or less. (The “next 12 months” covers the period through June 2023 in the July survey and the period through March 2023 in the April survey.)

Sector	No. responding	0-10%	11-25%	26-50%	51-75%	75-100%	Don't know
Goods-producing	9	0%	11%	44%	44%	0%	0%
TUIC	7	0	14	57	14	14	0
FIRE	12	8	17	50	8	17	0
Services	27	4	11	30	26	30	0
All respondents	58	3%	14%	40%	22%	21%	0%

SURVEY PARTICIPATION AND DEFINITIONS

All survey panelists are NABE members who work for private-sector firms or industry trade associations. Panelists are classified into industry NAICS codes and then grouped into four sectors as follows: goods-producing; transportation, utilities, information, communications (TUIC); finance, insurance, real estate (FIRE); and services. Industry groupings, beginning with the January 2007 survey, are as follows:

- **Finance, Insurance, Real Estate (FIRE):** NAICS 52 Finance and insurance—credit intermediation, including commercial and savings banks, credit unions, mortgage bankers; securities and other financial investments, trust, pension funds; health insurance and other insurance; 53 Real estate, rental, leasing.
- **Goods-producing:** NAICS 11 Agriculture, forestry, fishing, hunting; 21 Mining; 23 Construction; 31-33 Manufacturing.
- **Services:** NAICS 42 Wholesale trade; 44-45 Retail trade; 54 Professional, scientific, technical services; 62 Health care services; 56 Administrative, support, waste management & remediation services; 71 Art, entertainment, recreation; 72 Accommodations & food service; 81 Other services.
- **Transportation, Utilities, Information, Communications (TUIC):** NAICS 22 Utilities; 48-49 Transportation & warehousing; 51 Information—publishing, software, broadcasting, Internet publishing and providers, telecommunications, etc.

The charts and many of the tables display a **Net Rising Index (NRI)**, a diffusion index calculated as the percent of responses reporting rising results minus the percent reporting falling results. Thus, the index has a possible range of +100 (all positive responses) to -100 (all negative), with 0 indicating an equal mix. All results shown are rounded to the nearest whole percentage; thus, details may not add to 100 and the NRI may not match the difference in rounded components. Shaded areas on charts indicate recessions.

A total of 58 panelists responded to the survey; the number of panelists responding to each question is included in the tables. Nine percent of the panelists were from single-person firms; 29% from firms with 2-10 employees; 16% from firms with 11-100 employees; 10% from firms with 101-1,000 employees; and 36% from firms with more than 1,000 employees.

The NABE Business Conditions Survey—formerly the NABE Industry Survey—has been conducted quarterly since 1982. This survey is one of three administered by NABE; the others are the quarterly NABE Outlook and the semiannual NABE Economic Policy Survey. Founded in 1959, the National Association for Business Economics is the professional association for people who use economics in their work. **Jan Hogrefe**, Boeing (Survey Chair); **Carlos Herrera**, Coca-Cola; **Molly Boesel**, CoreLogic; **Robert Dietz**, National Association of Home Builders; **Ryan Sweet**, Moody's Analytics; **Roberto Coronado**, Federal Reserve Bank of Dallas; **Lester Jones**, CBE, National Beer Wholesalers Association; **Michael Chow**, DC Group Inc.; and **Ken Simonson**, Associated General Contractors of America, conducted the analysis for this report.

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