

BY KATRINA MULLEN

New from the Richmond Fed's Regional Matters blog

Jason Kosakow. "Fifth District Firms Report Cautious Optimism Going Into 2023."

The Richmond Fed's monthly survey of business conditions asked firms in February about their outlook and strategies to prepare for possible economic outcomes. A majority of Fifth District firms were either somewhat or very optimistic about their own prospects this year, although business optimism varied by industry. For the overall U.S. economy, Fifth District firms were more pessimistic about the outlook for this year. This pattern of being more optimistic about one's own firm compared to the overall U.S. economy is also seen in The CFO Survey. Both own-firm and overall economy sentiment are connected to contingency plans: Among firms planning for a downturn, nearly all were reducing their discretionary spending, followed by canceling or delaying purchases and canceling or delaying capital expenditures.

Jason Kosakow and Adam Scavette. "Firm Price-Setting Behavior Amid Elevated Price Growth: Evidence From Our Surveys."

Each month, in the Richmond Fed manufacturing and service sector surveys, firms report the 12-month percentage change in prices charged for customers' goods or services as well as firms' expectations for those price changes. Prior to the COVID-19 pandemic, price growth in the Fifth District was relatively stable, but after a peak in mid-to-late 2022, growth has been rather slow or flat (though still above pre-COVID-19 levels). Because of these changes and the uncertainty of future prices due to inflation, firms have been adjusting prices more regularly. Moreover, most firms — particularly those in the service sector — think customer price growth will continue to rise faster in 2023 than it did before the pandemic.

Zach Edwards. "Are Capital Expenditures Getting Too Expensive?"

In both the Richmond Fed's monthly surveys of manufacturers and service providers and in The CFO Survey for the first quarter of 2023, firms provided their capital expenditures expectations, a strong indicator of future economic outlook. The monthly surveys gather whether firms' capital expenditures in the last month have increased, decreased, or stayed the same. The capital expenditures indexes for both manufacturing and services have been decreasing since the second half of last year and are currently at their lowest levels since the summer of 2020. The declines suggest that firms would rather keep capital spending steady than increase it, as fewer Fifth District firms want to start new capital investment projects.



Sierra Latham. "Rural Spotlight: Giving the Old High School a Second Life as Affordable Housing in Carroll County."

Following the 2013 closure of Woodlawn School in Woodlawn, Va., Carroll County's former county administrator connected with Virginia Housing, the state's housing finance agency, to determine whether the building was eligible for adaptive reuse — a process that repurposes existing buildings for new, productive uses. After a successful feasibility study, Carroll County and Virginia Housing chose developer Landmark Asset

Services, Inc. in view of its specialization in rural areas and adaptive reuse. Landmark was not only instrumental in securing financing from various sources, but it also implemented accessibility measures and design features such as EarthCraft Gold energy certification. Financing was aided by both historic preservation tax credits and affordable housing tax credits. Construction finished at the end of 2021, and the repurposed school now features 51 units. **EF**

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