

This month's release of the Federal Reserve Bank of Philadelphia's Nonmanufacturing Business Outlook Survey marks the public debut of a survey that measures the business activity of nonmanufacturing firms in the Third District. Although this survey has been conducted since March 2011, this is the first time that the results are being shared with the public. The data presented here are not seasonally adjusted.

Responses to the Nonmanufacturing Business Outlook Survey suggest that activity in the local nonmanufacturing sectors increased in September. The survey's indicators for general activity — at the regional and individual firm levels — were higher this month after decreasing last month, and other broad indicators also increased. Responding firms also continue to be optimistic about activity over the next six months.

Activity in Nonmanufacturing Industries Continues to Expand

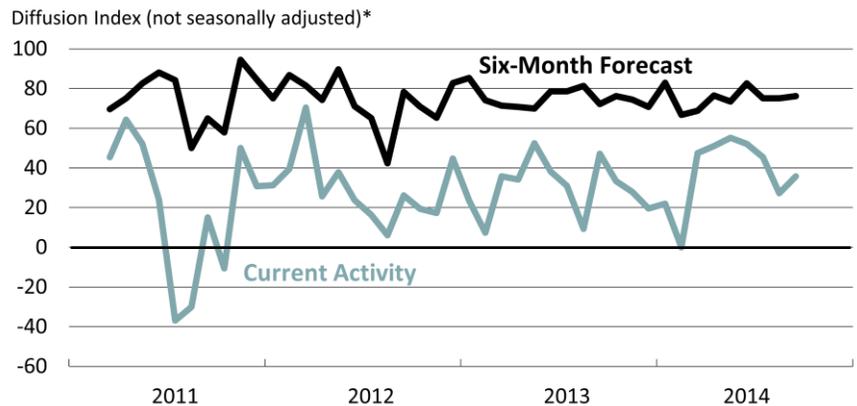
The diffusion index for current activity at the firm level increased 8 points, from 27.3 in August to 35.7 in September (see Chart). Nearly 60 percent of the respondents reported increasing activity at their own firms this month, up from 43 percent last month. Responding firms also saw increasing activity in the region, and the general activity index for the region rose 22 points, to 42.9. Although the percentage of respondents who reported increasing activity in the region was similar to the percentage reporting increasing activity at their own firms, fewer respondents categorized regional activity as decreasing.

The new orders and sales/revenues indexes also improved this month, reversing two consecutive months of declines. Forty-five percent of the respondents indicated increases in new orders, and the new orders index increased 11 points, to 31.0. A similar percentage (48 percent) reported increases in sales or revenues, exceeding the percentage reporting decreases (19 percent). The sales/revenues index increased 15 points, to 28.6. However, both indexes remain below higher levels seen earlier this year (see Chart on second page).

Firms Are Hiring More Full-Time Workers at a Modest Pace

Survey results suggest positive labor market conditions in September, on balance. The full-time employment index, which has

Current and Future General Activity Indexes for Firms (March 2011 to September 2014)



* Percentage of respondents indicating an increase minus percentage indicating a decrease.

been positive for 22 consecutive months, rose 5 points, to 16.7. The percentage of firms reporting increases in the number of full-time employees (26 percent) exceeded the percentage reporting decreases (10 percent). Conversely, a higher percentage of respondents reported decreases in part-time employees (24 percent) than increases (17 percent). The part-time employment index fell below 0 for the first time in two years, to a reading of -7.1. The workweek index was positive and rose 8 points, to 16.7.

Price Growth Remains Temperate

Over 21 percent of the respondents reported higher input prices this month, slightly lower than the 25 percent who reported higher prices last month. The prices paid index decreased for the fourth consecutive month but remained positive, falling 9 points to 11.9. Nearly 55 percent of the firms reported steady input prices from last month. Firms reported increases in prices for their goods and services, on net, but the prices received index decreased from last month's reading. Nearly 20 percent of the firms reported higher prices, whereas 12 percent reported lower prices. The prices received index fell from 18.2 in August to 7.1 in September.

Capital Expenditures Growth Is Steady

Firms also continued to report increases in capital expenditures this month. The indexes for expenditures on plant and on equipment and software both rose slightly from their levels last month, increasing 1 point and 3 points, respectively. The break-



down of responses for increases and decreases was identical for each expenditure index: The percentage of firms reporting increases in expenditures (29 percent) exceeded the percentage of firms reporting decreases (5 percent).

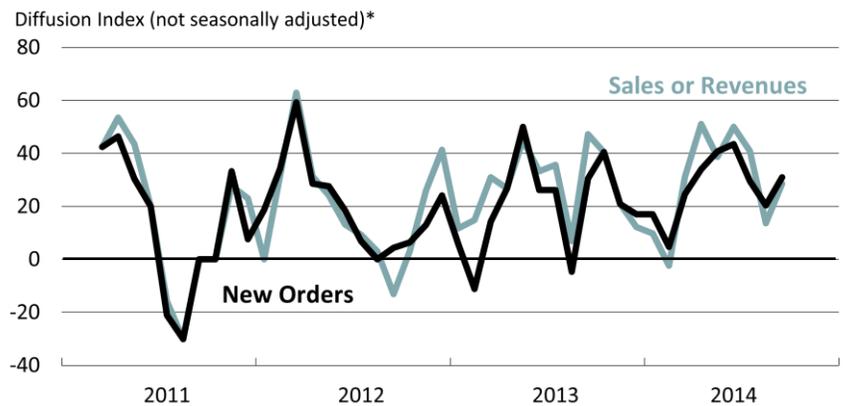
Firms Remain Optimistic

Respondents continue to be optimistic about future activity over the next six months both at their own firms and in the region. The firm-level future general activity index edged up 1 point, to 76.2, and the future general activity index for the region jumped 15 points, to 88.1. More than 76 percent of the respondents expect activity to increase at their own firms over the next six months; the results were even more widespread at the regional level with 88 percent of the respondents expecting increased activity. None of the respondents expect activity six months from now to decrease either at their own firms or in the region.

Summary

The September *Nonmanufacturing Business Outlook Survey* results suggest continued expansion in the region among nonmanufacturing firms. Index readings for general activity, new orders,

New Orders and Sales/Revenues Indexes
(March 2011 to September 2014)



* Percentage of respondents indicating an increase minus percentage indicating a decrease.

sales/revenues, and full-time employment improved this month after falling last month. Firms remained optimistic about future growth, as the future activity indexes remained at high levels. ■

Released September 23, 2014, at 10:00 a.m. ET.
The October *Nonmanufacturing Business Outlook Survey* will be released on October 21, 2014, at 10:00 a.m. ET.

NONMANUFACTURING BUSINESS OUTLOOK SURVEY September 2014	September vs. August					Six Months from Now vs. September				
	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?	20.5	57.1	28.6	14.3	42.9	72.7	88.1	9.5	0.0	88.1
What is your assessment of general business activity for your firm?	27.3	59.5	16.7	23.8	35.7	75.0	76.2	9.5	0.0	76.2
Company Business Indicators										
New Orders	20.5	45.2	16.7	14.3	31.0					
Sales or Revenues	13.6	47.6	31.0	19.0	28.6					
Unfilled Orders	11.4	11.9	19.0	7.1	4.8					
Inventories	6.8	9.5	19.0	0.0	9.5					
Prices Paid	20.5	21.4	54.8	9.5	11.9					
Prices Received	18.2	19.0	50.0	11.9	7.1					
Number of Employees – Full-Time Permanent	11.4	26.2	59.5	9.5	16.7					
Number of Employees – Part-Time, Temporary, and Contract	9.1	16.7	52.4	23.8	-7.1					
Average Employee Workweek	9.1	31.0	52.4	14.3	16.7					
Wage and Benefit Costs	29.5	33.3	59.5	2.4	31.0					
Capital Expenditures – Physical Plant	22.7	28.6	31.0	4.8	23.8					
Capital Expenditures – Equipment & Software	20.5	28.6	45.2	4.8	23.8					

NOTES:

- (1) Items may not add up to 100 percent because of omission by respondents.
- (2) Data are not seasonally adjusted.
- (3) Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease.
- (4) Survey results reflect data received through September 18, 2014.