

The region's nonmanufacturing sectors continued to grow in October, according to firms responding to this month's *Nonmanufacturing Business Outlook Survey*. The survey's indicators for general activity, new orders, and sales or revenues improved upon last month's readings. Responding firms also continue to be optimistic about activity over the next six months.

### Nonmanufacturing Activity Continues to Expand

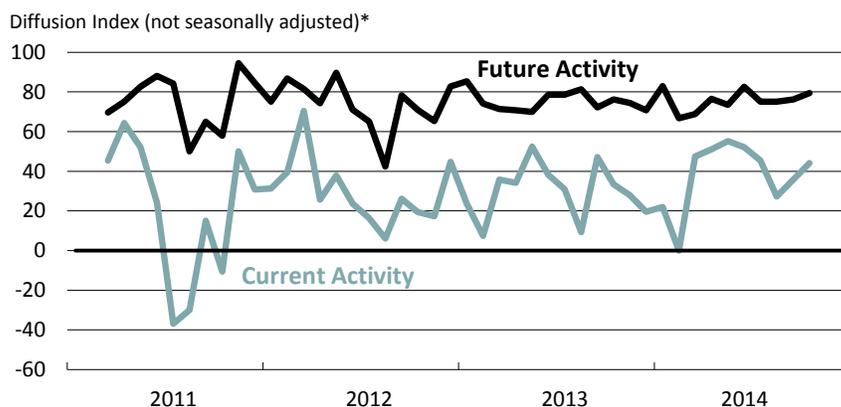
The diffusion index for current activity at the firm level increased for the second consecutive month, from 35.7 in September to 44.1 in October (see Chart 1). Nearly 62 percent of the respondents reported increasing activity at their own firms this month, compared with 18 percent of the respondents who reported decreasing activity. Responding firms also saw increasing activity in the region, and the general activity index for the region increased 7 points, to 50.0.

The new orders and sales/revenues indexes continued to improve this month. Nearly 53 percent of the respondents reported increases in new orders, up from 45 percent last month; the new orders index increased from 31.0 to 35.3. The sales/revenues index rose nearly 10 points, to 38.2. The percentage of firms reporting increases in sales or revenues (56 percent) exceeded the percentage of firms reporting decreases (18 percent).

### Firms Are Hiring Both Full-Time and Part-Time Workers

Survey results suggest positive labor market conditions this month, on balance. The full-time employment index remained positive but fell 5 points, to 11.8, near its August reading (see Chart 2). Although the percentage of firms reporting increases in the number of full-time employees (27 percent) was little changed from last month, a higher percentage of respondents reported decreases in full-time employees in October (15 percent) compared with September (10 percent). The part-time employment index increased sharply, to 38.2, after turning negative last month. More than 44 percent of the responding firms reported increases in the number of part-time employees, up from 17 percent last month. Additionally, fewer firms reported decreases this month than did last month. The workweek index increased 13 points, to 29.4.

**Chart 1. Current and Future General Activity Indexes for Firms (March 2011 to October 2014)**



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

### More Firms Report Input Price Pressures

After decreasing last month, the prices paid index increased 15 points, to 26.5, in October. More than 29 percent of the firms reported increases in input prices, higher than the 21 percent that reported higher prices last month. Nearly 53 percent of the firms reported steady input prices since last month. Firms also reported increases in prices for their goods and services, and the prices received index increased 8 points, to 14.7. More than 20 percent of the firms reported higher prices; 6 percent reported lower prices. The largest percentage of firms (59 percent), however, reported no changes in their prices.

### Capital Expenditures Growth Remained Positive but Slowed

Firms continued to report increases in capital expenditures this month, though the indexes fell from their September readings. The index for expenditures on physical plant fell 12 points, to 11.8, and the equipment and software expenditure index decreased 3 points, to 20.6. A majority of firms reported no change in capital expenditures: Forty-four percent of the respondents reported steady spending on plant, and 47 percent of the respondents reported unchanged spending on equipment and software.

### Future Indicators Strengthen

Optimism about future activity over the next six months both at individual firms and in the region remained widespread. None of

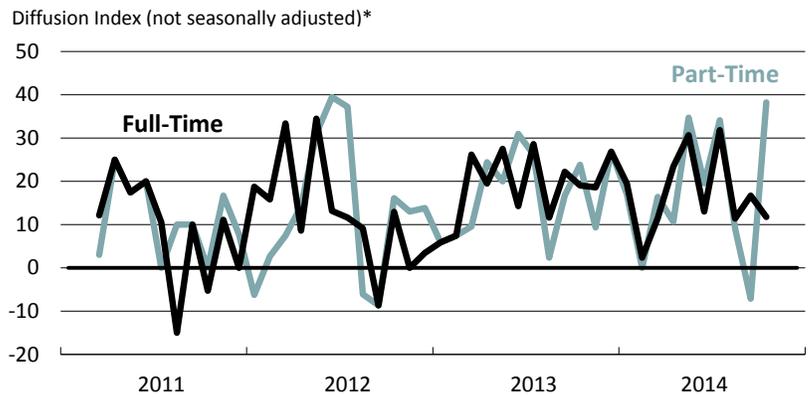


the respondents expect activity six months from now to decrease either at their own firms or in the region. More than 79 percent of the respondents expect activity to increase at their firms, and the firm-level future general activity index increased 3 points, to 79.4 (see Chart 1). The future activity index for the region also increased, from 88.1 to 94.1.

### Summary

The October *Nonmanufacturing Business Outlook Survey* results suggest continued expansion in the region among nonmanufacturing firms. Index readings for general activity at both the company and regional levels, new orders, and sales/revenues improved for the second consecutive month; however, the full-time employment index retreated. Firms remained optimistic about future growth. ■

**Chart 2. Employment Indexes**  
(March 2011 to October 2014)



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

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The November *Nonmanufacturing Business Outlook Survey* will be released on November 25, 2014, at 10:00 a.m. ET.

NONMANUFACTURING BUSINESS OUTLOOK SURVEY October 2014	October vs. September					Six Months from Now vs. October				
	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?	42.9	52.9	44.1	2.9	50.0	88.1	94.1	2.9	0.0	94.1
What is your assessment of general business activity for your firm?	35.7	61.8	20.6	17.6	44.1	76.2	79.4	5.9	0.0	79.4
Company Business Indicators										
New Orders	31.0	52.9	14.7	17.6	35.3					
Sales or Revenues	28.6	55.9	23.5	17.6	38.2					
Unfilled Orders	4.8	20.6	20.6	8.8	11.8					
Inventories	9.5	17.6	14.7	0.0	17.6					
Prices Paid	11.9	29.4	52.9	2.9	26.5					
Prices Received	7.1	20.6	58.8	5.9	14.7					
Number of Employees – Full-Time Permanent	16.7	26.5	52.9	14.7	11.8					
Number of Employees – Part-Time, Temporary, and Contract	-7.1	44.1	44.1	5.9	38.2					
Average Employee Workweek	16.7	38.2	50.0	8.8	29.4					
Wage and Benefit Costs	31.0	38.2	55.9	0.0	38.2					
Capital Expenditures – Physical Plant	23.8	23.5	44.1	11.8	11.8					
Capital Expenditures – Equipment & Software	23.8	29.4	47.1	8.8	20.6					

**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 October 16, 2014.