

The pace of regional nonmanufacturing activity remained steady in December, according to firms responding to this month's *Nonmanufacturing Business Outlook Survey*. The survey's indicators for general activity at the firm level and full-time employment improved, while indicators for new orders and sales or revenues changed little. Responding firms also continue to be optimistic about activity over the next six months.

Nonmanufacturing Activity Continued to Expand

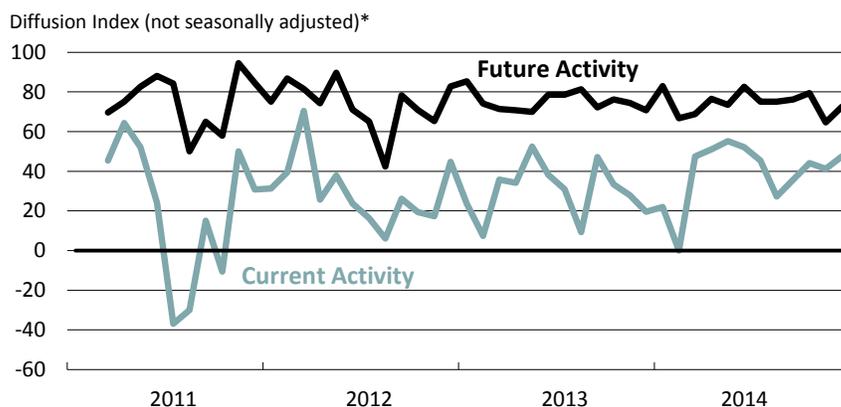
The diffusion index for current activity at the firm level increased 6 points in December, to 47.5, its highest reading since June of this year (see Chart 1). Sixty-five percent of the respondents reported increasing activity at their own firms this month, up from 56 percent last month. Responding firms were less positive about activity in the region. Half of the respondents indicated increasing activity in the region compared with 18 percent that indicated decreasing activity, and the general activity index for the region decreased 9 points, to 32.5.

Demand for firms' services, as measured by the new orders and sales/revenues indexes, remained positive this month. The new orders index edged down from 29.4 in November to 25.0 in December. Although the percentage of firms reporting decreases in new orders increased from 12 percent last month to almost 18 percent this month, nearly 43 percent of the firms reported increases in new orders. The sales/revenues index was essentially unchanged, at 32.5. The percentage of firms reporting increases in sales or revenues (53 percent) exceeded the percentage of firms reporting decreases (20 percent).

Firms Hired Full-Time Workers

Survey results suggest mixed labor market conditions this month, on balance. The full-time employment index increased for the second consecutive month and rose 8 points, to 22.5. About one-third of the respondents reported increases to full-time staff levels. The part-time employment index, however, decreased for the third consecutive month, from 35.3 in November to 15.0 in December. Nearly 28 percent of the firms reported increases in part-time staff this month, down from 41 percent last month. Additionally, more firms reported decreases in part-time staff this month than did last month. The workweek

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



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

index also decreased for the third consecutive month, falling 9 points to 15.0.

Firms Reported Moderated Price Pressures

Fewer firms reported increases in input prices this month, as the prices paid index dropped from 23.5 last month to 5.0 this month (see Chart 2). The share of firms reporting steady input prices changed little from last month at 58 percent, and the percentage of respondents reporting increases fell from 27 percent last month to 18 percent this month. Most firms also reported steady prices for their services, and the prices received index fell 13 points, to 5.0. Sixty percent of the respondents reported no change.

Firms Increased Spending on Equipment and Software

Firms continued to report increases in capital expenditures this month, but the indexes for expenditures on plant and on equipment and software moved in opposite directions. The index for expenditures on physical plant fell 11 points, to 10.0, as the percentage of firms reporting increases decreased from 27 percent last month to nearly 18 percent this month. Conversely, a higher percentage of firms reported increases in spending on equipment and software this month (33 percent) compared with last month (24 percent). The equipment and software expenditure index rose 13 points, to 27.5.



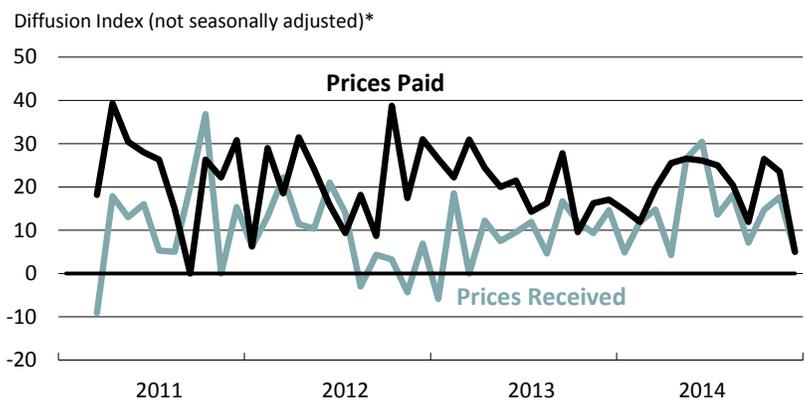
Future Indicators Strengthened

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. Nearly 73 percent of the respondents expect activity to increase at their firms, and the firm-level future general activity index increased 8 points, to 72.5 (see Chart 1). The future activity index for the region also increased, from 76.5 to 90.0.

Summary

The December *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 remained positive, and the full-time employment index increased. Firms remained optimistic about future growth. ■

Chart 2. Price Indexes
(March 2011 to December 2014)



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

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The January *Nonmanufacturing Business Outlook Survey* will be released on January 20, 2015, at 10:00 a.m. ET.

NONMANUFACTURING BUSINESS OUTLOOK SURVEY December 2014	December vs. November					Six Months from Now vs. December				
	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?	41.2	50.0	32.5	17.5	32.5	76.5	90.0	7.5	0.0	90.0
What is your assessment of general business activity for your firm?	41.2	65.0	17.5	17.5	47.5	64.7	72.5	5.0	0.0	72.5
Company Business Indicators										
New Orders	29.4	42.5	17.5	17.5	25.0					
Sales or Revenues	32.4	52.5	27.5	20.0	32.5					
Unfilled Orders	14.7	12.5	25.0	2.5	10.0					
Inventories	8.8	5.0	17.5	7.5	-2.5					
Prices Paid	23.5	17.5	57.5	12.5	5.0					
Prices Received	17.6	15.0	60.0	10.0	5.0					
Number of Employees – Full-Time Permanent	14.7	32.5	57.5	10.0	22.5					
Number of Employees – Part-Time, Temporary, and Contract	35.3	27.5	55.0	12.5	15.0					
Average Employee Workweek	23.5	30.0	55.0	15.0	15.0					
Wage and Benefit Costs	35.3	50.0	45.0	5.0	45.0					
Capital Expenditures – Physical Plant	20.6	17.5	47.5	7.5	10.0					
Capital Expenditures – Equipment & Software	14.7	32.5	47.5	5.0	27.5					

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 December 18, 2014.