

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest that local nonmanufacturing activity continued to expand in March. The survey's indicators for general activity, new orders, and sales or revenues decreased slightly but remained at elevated levels. Responding firms 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 decreased from 51.0 in February to 44.2 in March (see Chart 1). More than 65 percent of the respondents reported increases in activity, up slightly from 61 percent last month. Firms perceived increasing activity for the region as well; as a result, the regional general activity index edged up to 48.8. The more than 55 percent of the respondents who indicated increasing activity in the region far exceeded the 7 percent who indicated decreasing activity.

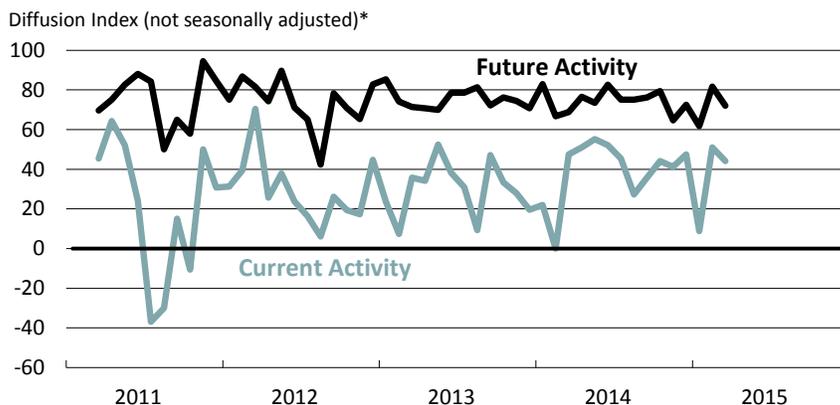
### New Orders and Sales or Revenues Were Positive

Demand for firms' services, as measured by the new orders and sales/revenues indexes, continued to grow this month. The new orders index edged down from 32.7 in February to 30.2 in March. The share of firms reporting increases in new orders this month (49 percent) exceeded the share of firms reporting decreases (19 percent). The sales/revenues index also decreased, falling 8 points to 34.9. The percentage of firms reporting decreases in sales or revenues grew to 23 percent from 14 percent last month; however, more than 58 percent of the firms reported increases.

### Labor Market Indicators Grew

Survey results suggest generally positive labor market conditions this month. The full-time employment index rose to its highest reading for the year, increasing 7 points to 20.9 (see Chart 2). The percentage of firms reporting increases in full-time staff (28 percent) exceeded the percentage of firms reporting decreases (7 percent). The part-time employment index changed little, edging up to 25.6 in March from 24.5 in February. Firms also reported increases in hours, as the workweek index increased 7 points, to 23.3.

**Chart 1. Current and Future General Activity Indexes for Firms (March 2011 to March 2015)**



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

### Firms Reported Increased Price Pressures

The prices of inputs rose for firms in March, on balance, as the index for prices paid rose for the third consecutive month, to 23.3. The percentage of respondents reporting increases in input prices (33 percent) exceeded the percentage of respondents reporting decreases (9 percent), and most respondents (49 percent) reported no change. Firms were nearly evenly split on changes in prices for their own goods. More than 23 percent of the respondents reported higher prices received, slightly exceeding the nearly 21 percent of the respondents who reported lower prices received. However, the prices received index decreased 18 points, to 2.3, as the share of respondents reporting lower prices this month (21 percent) increased from last month (6 percent).

### Capital Expenditures Grew Slightly

Firms continued to report slight increases, on net, in capital expenditures this month, but both spending indexes decreased from last month's readings. The index for expenditures on physical plant fell 10 points, to 2.3. The percentage of respondents reporting increases (9 percent) narrowly exceeded the percentage reporting decreases (7 percent). The equipment and software expenditures index also decreased, from 24.5 last month to 18.6 this month. More than a quarter of the respondents reported increases in equipment and software spending.



In special questions this month, firms were asked about their capital spending plans for 2015 compared with last year. The results of these questions are summarized on page 3.

### Future Indicators Remain High

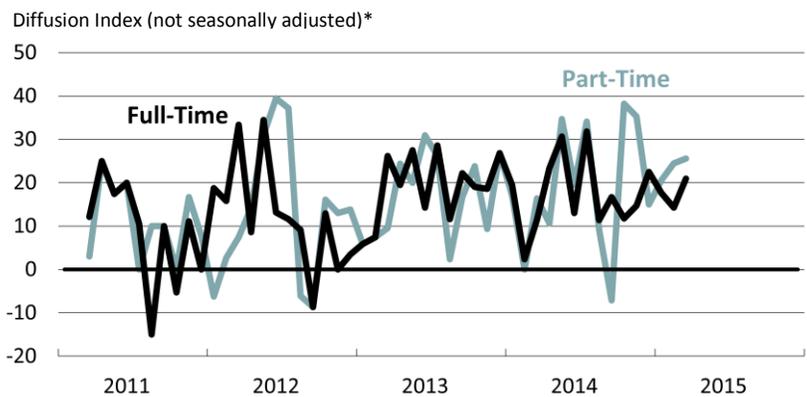
Responding firms continued to be optimistic about activity over the next six months; however, index readings for both future activity indicators decreased from last month. The firm-level future general activity index decreased nearly 10 points, to 72.1, nearing its December 2014 reading (see Chart 1). More than 72 percent of the firms expect activity to increase over the next six months; none of the respondents expect activity six months from now to decrease. The future activity index for the region decreased slightly but also remained high, at 79.1.

### Summary

The March *Nonmanufacturing Business Outlook Survey* results suggest continued increased activity in the region among non-manufacturing firms. Indicators for general activity at both the company and regional levels, new orders, and sales/revenues remained high, and indicators for employment continued to

show improvement. Firms remained optimistic about future growth. ■

**Chart 2. Employment Indexes**  
(March 2011 to March 2015)



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

Released March 24, 2015, at 10:00 a.m. ET.  
The April *Nonmanufacturing Business Outlook Survey* will be released on April 21, 2015, at 10:00 a.m. ET.

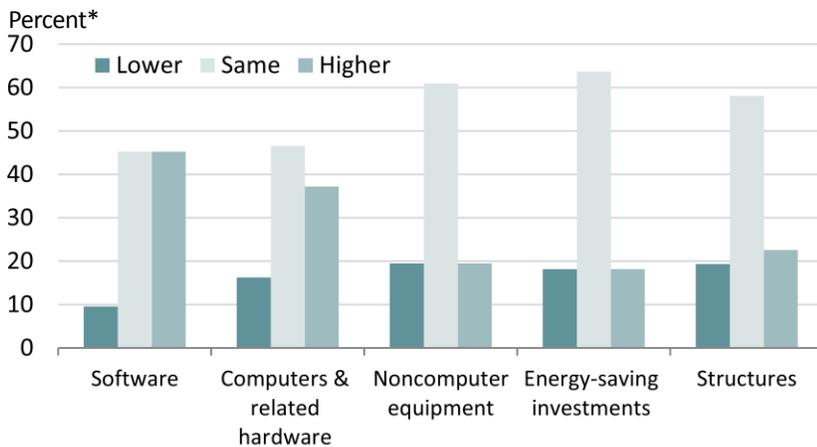
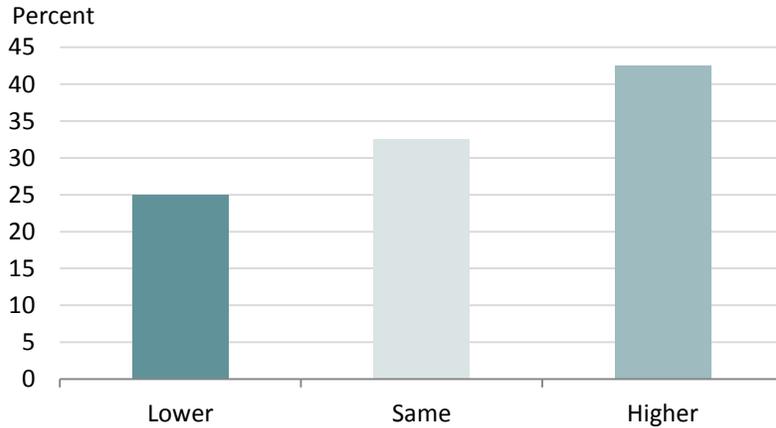
NONMANUFACTURING BUSINESS OUTLOOK SURVEY March 2015	March vs. February					Six Months from Now vs. March				
	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index
What is your assessment of general business activity for the region?	46.9	55.8	37.2	7.0	48.8	81.6	81.4	7.0	2.3	79.1
What is your assessment of general business activity for your firm?	51.0	65.1	14.0	20.9	44.2	81.6	72.1	11.6	0.0	72.1
Company Business Indicators										
New Orders	32.7	48.8	14.0	18.6	30.2					
Sales or Revenues	42.9	58.1	18.6	23.3	34.9					
Unfilled Orders	8.2	9.3	18.6	9.3	0.0					
Inventories	8.2	11.6	14.0	7.0	4.7					
Prices Paid	16.3	32.6	48.8	9.3	23.3					
Prices Received	20.4	23.3	44.2	20.9	2.3					
Number of Employees – Full-Time Permanent	14.3	27.9	58.1	7.0	20.9					
Number of Employees – Part-Time, Temporary, and Contract	24.5	27.9	67.4	2.3	25.6					
Average Employee Workweek	16.3	32.6	58.1	9.3	23.3					
Wage and Benefit Costs	38.8	32.6	62.8	0.0	32.6					
Capital Expenditures – Physical Plant	12.2	9.3	60.5	7.0	2.3					
Capital Expenditures – Equipment & Software	24.5	25.6	53.5	7.0	18.6					

**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 March 19, 2015.

**1. Do you expect total capital spending in 2015 to be lower than, the same, or higher than last year?**

Nearly 43 percent of the respondents expect to increase their total capital spending this year compared with 25 percent of the respondents who expect to decrease spending. Roughly one-third expect spending to stay the same.



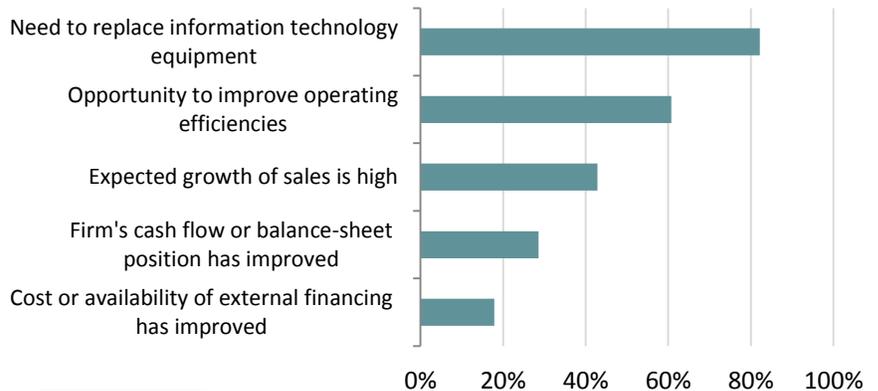
\*The sum of percentages may be greater than 100 due to firms indicating more than one factor.

**2. Do you expect the following capital expenditure categories in 2015 to be lower than, the same, or higher than last year?**

Most firms expect to increase spending on software (45 percent) and computers and related hardware (37 percent).

**3. Which major factors are behind your plans to increase capital spending?**

The need to replace information technology equipment and improve operating efficiencies are the most important factors for those firms increasing capital spending.



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