

Updated: December 22, 2015

November 2015

Firms responding to November's *Nonmanufacturing Business Outlook Survey* reported that the pace of regional nonmanufacturing activity remains positive, with firms modestly increasing their assessment of current conditions for the region. Respondents reported a decrease in activity for their firms, however, and most of the individual indicators showed a decrease as well. The survey's indicators for new orders, unfilled orders, and employment fell, while the indicators for sales and wages rose. The future activity indicators were relatively steady and show that the responding firms remain optimistic about nonmanufacturing activity increasing in the region and at their firms over the next six months.

### Nonmanufacturing Activity Remains Positive

The diffusion index for current activity for the region rose 9 points, to 26.3, in November, as the proportion of firms reporting an increase in regional activity rose from 33 percent in October to 39 percent in November. The diffusion index for current activity at the firm level also stands at 26.3, falling 11 points from its October reading (see Chart). At 47 percent, there was a small decline (3 points) in the proportion of respondents reporting an increase in activity at their firms this month, and the proportion reporting a decrease in activity rose 9 points, to 21 percent. Both indexes are near their historical averages of 24.4 for general activity in the region and 30.6 for general activity at the firm level.

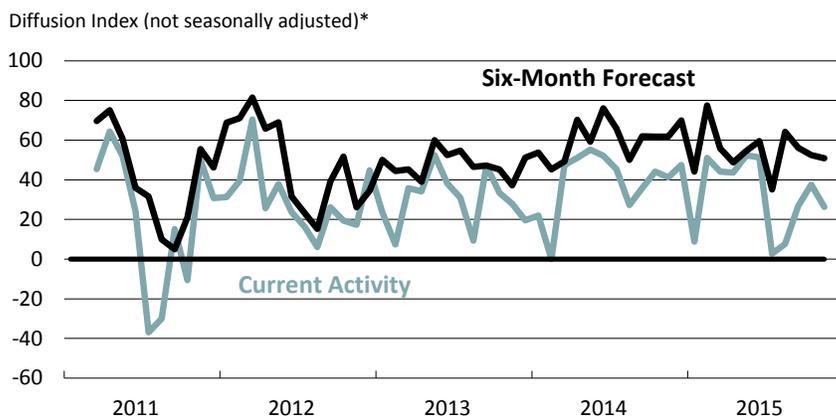
### Orders and Sales Are Mixed

In November, the new orders index fell 14 points, to 15.8, and the unfilled orders index fell almost 12 points, to 3.5. These changes were largely driven by a decline in the share of firms reporting an increase in both types of orders. The sales/revenues index rose 5 points, to 22.8, however. For this indicator, the share of firms reporting increases in sales or revenues rose from 38 percent in October to 44 percent in November.

### Employment Conditions Weaken

Responses to the survey indicate weakening conditions for labor market demand in November. The full-time employment index fell almost 10 points, to 10.5, and the workweek index fell 11 points, to 8.8. The index for wages and benefits rose, however,

### Current and Future General Activity Indexes for Firms (March 2011 to November 2015)



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

as the share of firms reporting an increase in wages and benefits climbed from 28 percent in October to 35 percent.

### Firms Report Steady Prices

The prices paid index rose 2 points, to 19.3. The prices received index fell 1 point, to 21.1. The share of firms reporting no change in prices paid stands at 61 percent, while the share of firms reporting no change in prices received stands at 53 percent.

### Optimism About the Future Is High

Respondents to the survey remain optimistic about future activity over the next six months. At the individual firm level, the future activity diffusion index was 50.9 in November, down slightly from 52.5 in October. Only 9 percent of the respondents foresee lower activity at their firms over the next six months. At the regional level, the future activity diffusion index was 43.9 in November, a slight increase from 42.5 in October. These future indexes are near their historical averages of 50.6 for future activity at the firm level and 45.5 for future activity in the region.

### Corrections Made to Historical Future Indexes

We recently discovered a programming error that affected how responses to the two questions on future activity were recorded from April 2011 through October 2015. The October

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values and the historical averages for the future index reported here reflect a significant downward correction from the originally reported future indexes. The correction lowered the October 2015 firm future index and region future index, for example, by over 30 and 40 points, respectively (both were originally reported as 85.0). A full explanation of the error and historical data with the corrections are available on our website. The error did not affect other indexes from this survey.

### Special Questions About the Future Rate of Inflation

In this month's special questions, firms were asked to quantify their forecasts for changes in prices of their own products, changes in compensation to their employees, and changes in prices faced by their employees and U.S. consumers over the next four quarters. The median forecast was an increase of 3 percent for their own prices, compensation, and consumer prices in general. In regard to the average rate of inflation for consumers over the next 10 years, the median of the responses from the firms was also 3 percent.

### Summary

Results from the November *Nonmanufacturing Business Outlook Survey* suggest continued expansion in the region among nonmanufacturing firms. In addition, based on the future activity indexes at both the company and regional levels, firms are optimistic about growth over the next six months. ■

Special Questions (November 2015)	
For the period 2015:Q4 to 2016:Q4, please list your expected annual percent change with respect to the following:	
	Percent Change*
<b>1. For your firm:</b>	
Prices your firm will receive (for its own goods and services sold).	3.0
Compensation your firm will pay per employee (for wages and benefits).	3.0
<b>2. For your employees:</b>	
Prices your employees will pay (for goods and services where they live).	3.0
<b>3. For U.S. consumers:</b>	
Prices U.S. consumers will pay (for goods and services).	3.0
<b>For the next 10 years (2015 through 2024), what is your expected annual average percent change with respect to the following:</b>	
<b>4. For U.S. consumers:</b>	
Prices U.S. consumers will pay (for goods and services).	3.0
*Figures represent median forecasts. At least 41 of the 57 firms responding to the survey also responded to the special questions.	

NONMANUFACTURING BUSINESS OUTLOOK SURVEY November 2015	November vs. October					Six Months from Now vs. November				
	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?	17.5	38.6	42.1	12.3	26.3	42.5	50.9	36.8	7.0	43.9
What is your assessment of general business activity for your firm?	37.5	47.4	31.6	21.1	26.3	52.5	59.6	29.8	8.8	50.9
Company Business Indicators										
New Orders	30.0	33.3	36.8	17.5	15.8	<b>NOTES:</b> * Survey results for the "Number of Employees – Part-time, Temporary, and Contract" are not reported (NR) for this release due to a data collection problem that affects only this item.  (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 November 19, 2015.				
Sales or Revenues	17.5	43.9	31.6	21.1	22.8					
Unfilled Orders	15.0	7.0	31.6	3.5	3.5					
Inventories	10.0	10.5	15.8	5.3	5.3					
Prices Paid	17.5	24.6	61.4	5.3	19.3					
Prices Received	22.5	26.3	52.6	5.3	21.1					
Number of Employees – Full-time Permanent	20.0	21.1	66.7	10.5	10.5					
Number of Employees – Part-time, Temporary, and Contract	15.0	NR	NR	NR	NR					
Average Employee Workweek	20.0	22.8	63.2	14.0	8.8					
Wage and Benefit Costs	22.5	35.1	59.6	1.8	33.3					
Capital Expenditures – Physical Plant	20.0	22.8	52.6	5.3	17.5					
Capital Expenditures – Equipment & Software	15.0	29.8	57.9	3.5	26.3					