

Regional nonmanufacturing activity remained positive in December, according to firms responding to this month's *Nonmanufacturing Business Outlook Survey*. The diffusion index for current regional activity rose, while the index for current firm-level activity showed little change. The diffusion index for prices received fell, but the indicators for new orders, sales, and full-time employment increased. The responding firms continue to be optimistic about business activity at their own firms and in the region over the next six months.

Firms Reported Steady Activity

The diffusion index for current activity at the firm level fell slightly, from 26.3 in November to 25.5 in December (see Chart 1), and remained near its historical average of 30.3. Forty-three percent of the respondents reported an increase in activity, while 39 percent reported no change, and 18 percent reported a decrease. The responding firms had a more positive assessment of regional conditions, as the diffusion index for general business activity for the region rose 9 points, to 35.3, this month. Only 10 percent of the firms reported that they observed a decrease in regional activity.

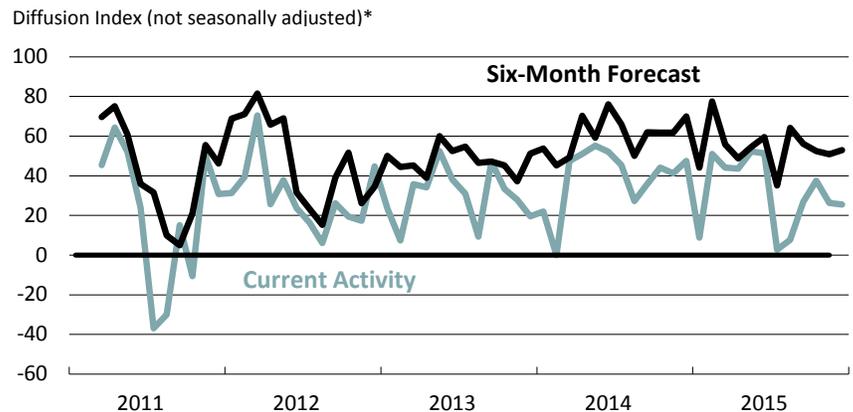
New Orders and Sales Improved

In December, the new orders index rose 4 points, to 19.6, and the sales/revenues index rose 3 points, to 25.5. These indexes are near their historical averages (20.4 for new orders and 23.5 for sales or revenues). The increase in the sales/revenues index was mainly due to a fall in the percentage of firms reporting a decline in sales (from 21 percent in November to 16 percent in December). One-third of the firms reported increases in new orders, unchanged from last month, while the percentage of firms that reported decreases in new orders fell from 18 percent in November to 14 percent in December.

Employment Conditions Strengthened

Survey results suggest that conditions for labor market demand improved in December. The full-time employment index rose 7 points, to 17.6. Twenty-eight percent of the firms reported increases in full-time staff, up from 21 percent in November. Sixty-one percent of the firms reported no change in employment levels, and only 10 percent reported a decrease.

Chart 1. Current and Future Firm General Activity Indexes
(March 2011 to December 2015)



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

The average workweek index fell 1 point but remained positive at 7.8. The historical averages for these two employment indexes are 14.9 and 16.1, respectively. (Note: Due to a minor problem in compiling the survey results, we are not reporting the part-time employment index this month.)

Firms Reported Weakness in Prices Received

The percentage of firms reporting increases in prices received fell from 26 percent in November to 22 percent in December, and the prices received index fell 7 points, to 13.7 (see Chart 2). The percentage of firms reporting no change in prices received stands at 45 percent, lower than the historical average of 54 percent. Twenty-six percent of the firms reported an increase in prices paid, up 1 percentage point from last month, and the associated index increased from 19.3 in November to 21.6 in December.

Capital Spending Was Subdued

The index for physical plant spending fell 8 points, to 9.8. Forty-nine percent of the respondents reported no change in plant spending this month, compared with 53 percent in November. The index for capital spending on equipment and software

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held relatively steady at 25.5. The historical average for this index is 21.6, while the historical average for the physical plant spending index is 15.0.

Optimism for Future Activity Remained High

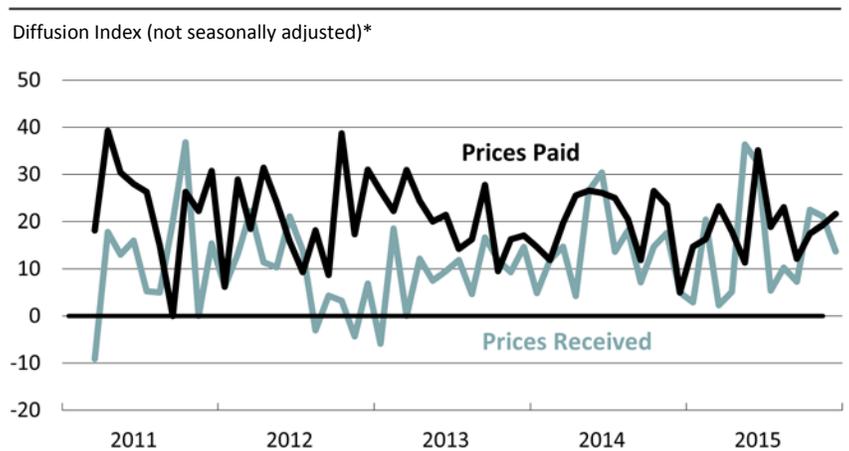
Respondents to the survey continued to be optimistic about future activity over the next six months. The firm-level future activity index was 52.9, up slightly from last month. Sixty-one percent of the respondents expect activity to increase at their firms, almost unchanged from last month. Although the December value for the firm-level future activity index is slightly above its historical average of 50.7, the regional future activity index fell 5 points, to 39.2, and is below its historical average of 45.2. Both indexes are high enough to consider the overall future readings as unambiguously positive.

Summary

The December *Nonmanufacturing Business Outlook Survey* results suggest increased activity among nonmanufacturing firms in the region. The company-level indicators remained in clearly positive ranges, and the respondents to the survey expressed

optimism about future growth at their firms. Index readings for current and future general activity at the regional level remained positive as well. ■

Chart 2. Prices Paid and Prices Received Indexes (March 2011 to December 2015)



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

NONMANUFACTURING BUSINESS OUTLOOK SURVEY December 2015	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?	26.3	45.1	39.2	9.8	35.3	43.9	49.0	37.3	9.8	39.2
What is your assessment of general business activity for your firm?	26.3	43.1	39.2	17.6	25.5	50.9	60.8	31.4	7.8	52.9
Company Business Indicators										
New Orders	15.8	33.3	31.4	13.7	19.6					
Sales or Revenues	22.8	41.2	41.2	15.7	25.5					
Unfilled Orders	3.5	5.9	31.4	2.0	3.9					
Inventories	5.3	5.9	17.6	5.9	0.0					
Prices Paid	19.3	25.5	52.9	3.9	21.6					
Prices Received	21.1	21.6	45.1	7.8	13.7					
Number of Employees – Full-time Permanent	10.5	27.5	60.8	9.8	17.6					
Number of Employees – Part-time, Temporary, and Contract *	NR	NR	NR	NR	NR					
Average Employee Workweek	8.8	15.7	76.5	7.8	7.8					
Wage and Benefit Costs	33.3	35.3	62.7	0.0	35.3					
Capital Expenditures – Physical Plant	17.5	15.7	49.0	5.9	9.8					
Capital Expenditures – Equipment & Software	26.3	29.4	56.9	3.9	25.5					

NOTES:

- * 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 (but also makes the prior month’s report for this item invalid).
- (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 17, 2015.