

The region's nonmanufacturing sectors continued to grow in November, 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 remained positive but weakened somewhat from last month. 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 edged down 3 points this month, from 44.1 in October to 41.2 in November (see Chart). The percentage of firms reporting increases in activity (56 percent) exceeded the percentage of firms reporting decreases (15 percent). The general activity index for the region fell 9 points, to 41.2, as more firms reported decreasing activity this month compared with last month. The new orders and sales/revenues indexes remained positive; however, each index fell from last month's readings. The new orders index decreased from 35.3 in October to 29.4 in November. Forty-one percent of the respondents reported increases in new orders, down from 53 percent last month. Half of the responding firms indicated increasing sales or revenues compared with nearly 18 percent of the firms that reported decreasing sales or revenues. The sales/revenues index decreased from 38.2 to 32.4.

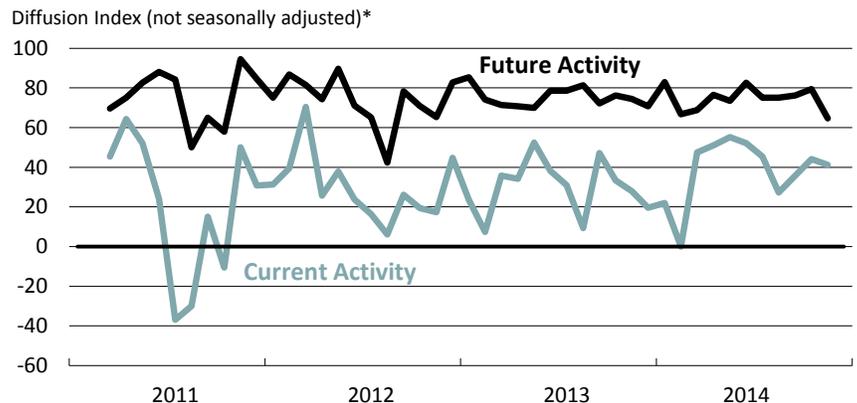
Labor Market Indicators Suggest Positive Conditions

The full-time employment index increased 3 points in November, from 11.8 to 14.7. Nearly 27 percent of the firms reported increases in full-time employment, but a majority (59 percent) reported no change. The part-time employment index edged down but remained high, decreasing 3 points to 35.3. More than 41 percent of the responding firms indicated increases in part-time staff. The workweek index decreased 6 points, to 23.5.

Firms Report Input Price Pressures

The price indexes moved in opposite directions in November. The prices paid index fell slightly, from 26.5 to 23.5. Almost 27 percent of the firms reported higher prices; 3 percent reported lower prices. The largest percentage of firms (59 percent), however, reported no changes in their prices paid. Firms also reported increases in prices received for their goods and services, and

Current and Future General Activity Indexes for Firms (March 2011 to November 2014)



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

the prices received index increased 3 points, to 17.6. Almost 27 percent of the firms reported higher prices, up from 21 percent last month.

Capital Expenditures Growth Remained Positive

Firms continued to report increases in capital expenditures this month. The index for expenditures on physical plant rebounded from last month, increasing 9 points, to 20.6. The equipment and software expenditures index decreased for the second consecutive month, falling 6 points, to 14.7.

Future Indicators Weaken but Remain High

Respondents continue to be optimistic about future activity over the next six months both at their own firms and in the region; however, both future activity indexes decreased this month. The future general activity index at the firm level decreased 15 points, from 79.4 to 64.7 (see Chart). The percentage of firms expecting increases in activity this month (68 percent) was lower than the percentage of firms expecting increases last month (79 percent). The regional future general activity index also decreased this month, falling 18 points, to 76.5.

Firms Indicate Improved Hiring Plans

In Special Questions this month, firms were asked about expected changes in employment over the next 12 months and the factors influencing these changes (see Special Questions). Nearly 60 percent of the respondents expect to increase employment

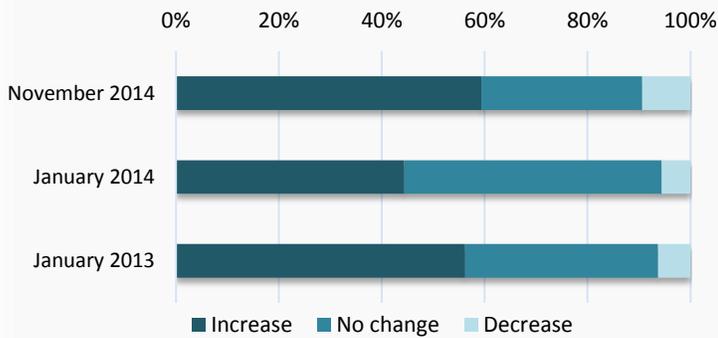


over the next 12 months, up from 44 percent in January 2014; 9 percent expect to decrease employment. Overall, firms most frequently cited high expected growth in sales, improved financial position, and the need for skills not possessed by current staff as factors influencing increases in employment. More than 76 percent of the firms reported expected sales growth as the most important factor. The most frequently cited factor restraining hiring was the need to keep operating costs low. Finally, firms were asked about how, if at all, the Affordable Care Act impacted

their hiring. Nearly 65 percent of the firms indicated no changes, and 18 percent of the firms reduced full-time hiring. Nearly 15 percent and 12 percent of the firms reported increases in part-time hiring and contract workers, respectively.

Special Questions (November 2014)

Do you expect your firm to increase, leave unchanged, or decrease employment over the next 12 months?



Summary

The November *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 but fell somewhat; however, the full-time employment index improved slightly. Firms remained optimistic about future growth. ■

Released November 25, 2014, at 10:00 a.m. ET. The December *Nonmanufacturing Business Outlook Survey* will be released on December 23, 2014, at 10:00 a.m. ET.

Special Questions continue on page 3.

NONMANUFACTURING BUSINESS OUTLOOK SURVEY November 2014	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?	50.0	52.9	32.4	11.8	41.2	94.1	79.4	2.9	2.9	76.5
What is your assessment of general business activity for your firm?	44.1	55.9	26.5	14.7	41.2	79.4	67.6	5.9	2.9	64.7
Company Business Indicators										
New Orders	35.3	41.2	23.5	11.8	29.4					
Sales or Revenues	38.2	50.0	29.4	17.6	32.4					
Unfilled Orders	11.8	14.7	23.5	0.0	14.7					
Inventories	17.6	8.8	26.5	0.0	8.8					
Prices Paid	26.5	26.5	58.8	2.9	23.5					
Prices Received	14.7	26.5	52.9	8.8	17.6					
Number of Employees – Full-Time Permanent	11.8	26.5	58.8	11.8	14.7					
Number of Employees – Part-Time, Temporary, and Contract	38.2	41.2	50.0	5.9	35.3					
Average Employee Workweek	29.4	32.4	58.8	8.8	23.5					
Wage and Benefit Costs	38.2	35.3	61.8	0.0	35.3					
Capital Expenditures – Physical Plant	11.8	26.5	41.2	5.9	20.6					
Capital Expenditures – Equipment & Software	20.6	23.5	50.0	8.8	14.7					

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 November 20, 2014.

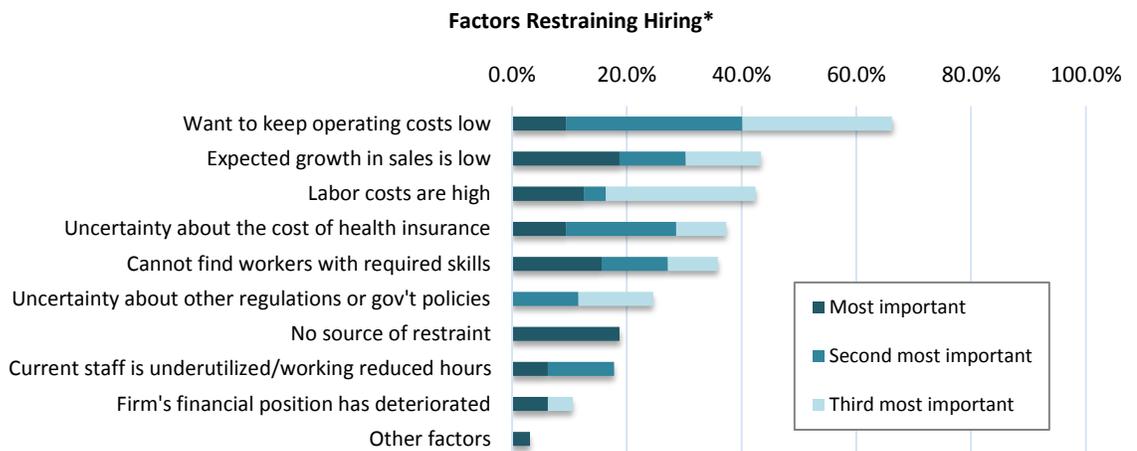
Special Questions Continued (November 2014)

What are the three most important factors behind your firm's plans to increase employment?



*Percentage of firms indicating the relative importance of each factor

What are the three most important factors, if any, restraining your firm's hiring plans?



*Percentage of firms indicating the relative importance of each factor

How did your firm adjust its overall staffing in response to the Affordable Care Act (ACA) going into effect?

	Percent of Respondents*
No changes were made	64.7
Increased full-time hiring	2.9
Reduced full-time hiring	17.6
Increased part-time hiring	14.7
Reduced part-time hiring	5.9
Increased use of contract workers	11.8
Reduced use of contract workers	5.9
Increased the hours of existing employees	2.9
Reduced the hours of existing employees	5.9
Firm not affected by the ACA employer mandate	5.9
Other	0.0

* Percentages add to greater than 100 percent because firms could choose multiple categories.

