

Responses to this month's *Nonmanufacturing Business Outlook Survey* suggest that local nonmanufacturing activity increased in February. The survey's indicators for general activity, new orders, and sales or revenues all rebounded from last month's lower readings. Responding firms continue to be optimistic about activity over the next six months.

Nonmanufacturing Activity Picked Up

The diffusion index for current activity at the firm level increased from 8.8 in January to 51.0 in February, its highest reading since June 2014 (see Chart 1). More than 61 percent of the respondents reported increases in activity, up from 44 percent last month. Firms perceived increasing activity for the region as well, and the general activity index also rose, to 46.9. The more than 55 percent of the respondents who indicated increasing activity in the region far exceeded the 8 percent who indicated decreasing activity.

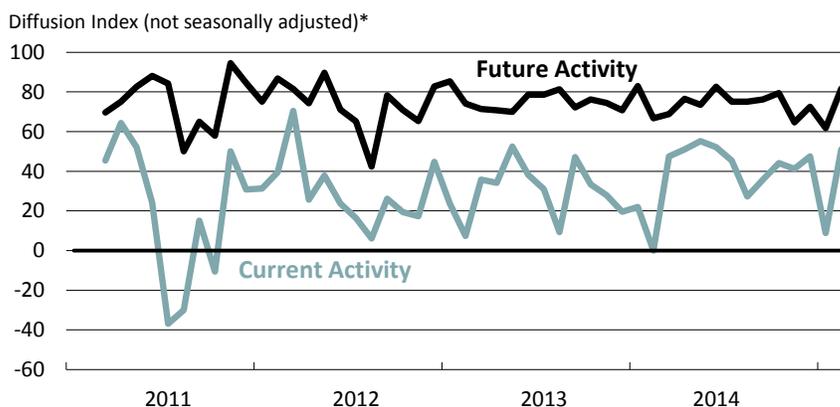
New Orders and Sales or Revenues Rebounded

Demand for firms' services, as measured by the new orders and sales/revenues indexes, rose this month after falling sharply last month (Chart 2). The new orders index increased from 14.7 in January to 32.7 in February. The share of firms reporting increases in new orders this month (47 percent) grew from last month; furthermore, the percentage of firms reporting decreases declined from 27 percent last month to 14 percent this month. This month's increase in the sales/revenues index exceeded its decline last month, increasing 34 points to 42.9. More than 57 percent of the firms reported increases in sales or revenues compared with 38 percent last month.

Labor Market Indicators Were Positive

Survey results suggest generally positive labor market conditions this month. The full-time employment index edged down 3 points, to 14.3, its second consecutive decrease. The percentage of firms reporting increases in full-time staff (27 percent) exceeded the percentage of firms reporting decreases (12 percent). The part-time employment index increased for the second consecutive month, from 20.6 in January to 24.5 in February. The workweek index increased for the first time since October 2014, to 16.3, after turning negative in January.

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



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

Firms Reported an Increase in Prices Received

The prices of inputs rose for firms in February, on balance, as the index for prices paid edged up to 16.3 from 14.7 last month. The percentage of respondents reporting increases in input prices (22 percent) exceeded the percentage of respondents reporting decreases (6 percent), and most respondents (55 percent) reported no change. Firms also reported increases in prices for their own goods and services. Nearly 27 percent of the respondents reported higher prices received, up from 18 percent last month, while the percentage of firms reporting decreases declined from 15 percent last month to 6 percent this month. Overall, the prices received index increased for the first time in three months, rising 18 points to 20.4.

Capital Expenditures Growth Remained Positive

Firms continued to report increases, on net, in capital expenditures this month, and both spending indexes improved upon last month's readings. The index for expenditures on physical plant rose 9 points, to 12.2. The share of respondents reporting increases (16 percent) exceeded the share reporting decreases (4 percent). The equipment and software expenditures index also increased, from 20.6 last month to 24.5 this month, as a smaller percentage of firms reported decreases in expenditures this month (6 percent) compared with last month (12 percent).



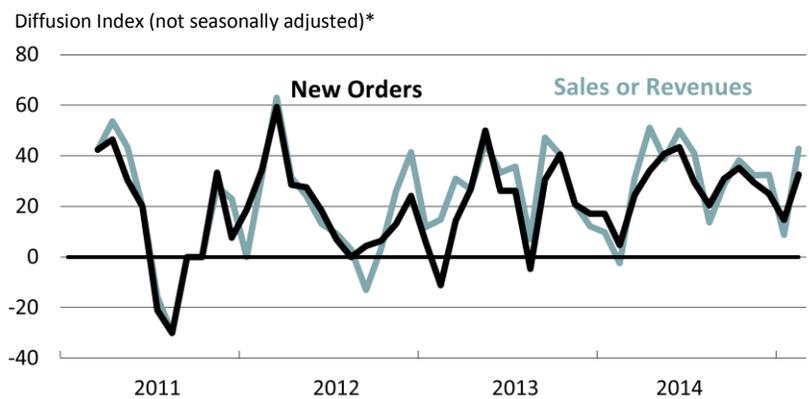
Future Indicators Remain High

Optimism about future activity over the next six months remained widespread and further improved at the individual firm level. The firm-level future general activity index increased 20 points, to 81.6, its highest reading since June 2014 (see Chart 1). Nearly 82 percent of the firms expect activity to increase over the next 6 months compared with 62 percent last month. None of the respondents expect activity six months from now to decrease either at their own firms or in the region. The future activity index for the region decreased slightly but also remained high, at 81.6.

Summary

The February *Nonmanufacturing Business Outlook Survey* results suggest increased activity in the region among nonmanufacturing firms. Index readings for general activity at both the company and regional levels, new orders, and sales/revenues rebounded from their drops last month. Firms remained optimistic about future growth. ■

Chart 2. New Orders and Sales/Revenues Indexes (March 2011 to February 2015)



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

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

NONMANUFACTURING BUSINESS OUTLOOK SURVEY February 2015	February vs. January					Six Months from Now vs. February				
	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?	8.8	55.1	34.7	8.2	46.9	82.4	81.6	4.1	0.0	81.6
What is your assessment of general business activity for your firm?	8.8	61.2	26.5	10.2	51.0	61.8	81.6	2.0	0.0	81.6
Company Business Indicators										
New Orders	14.7	46.9	22.4	14.3	32.7					
Sales or Revenues	8.8	57.1	28.6	14.3	42.9					
Unfilled Orders	0.0	10.2	22.4	2.0	8.2					
Inventories	-2.9	10.2	20.4	2.0	8.2					
Prices Paid	14.7	22.4	55.1	6.1	16.3					
Prices Received	2.9	26.5	51.0	6.1	20.4					
Number of Employees – Full-Time Permanent	17.6	26.5	59.2	12.2	14.3					
Number of Employees – Part-Time, Temporary, and Contract	20.6	32.7	55.1	8.2	24.5					
Average Employee Workweek	-5.9	22.4	71.4	6.1	16.3					
Wage and Benefit Costs	41.2	40.8	55.1	2.0	38.8					
Capital Expenditures – Physical Plant	2.9	16.3	53.1	4.1	12.2					
Capital Expenditures – Equipment & Software	20.6	30.6	53.1	6.1	24.5					

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 February 19, 2015.