

The pace of regional nonmanufacturing activity improved in May, according to firms responding to this month's *Nonmanufacturing Business Outlook Survey*. The survey's indicators for general activity and sales rose, while the indicator for new orders fell. Employment indicators were mixed, but future activity indicators were strong, as responding firms remain highly optimistic about activity over the next six months.

Nonmanufacturing Activity Continued to Expand

The diffusion index for current activity at the firm level increased 9 points in May, to 52.3 (see Chart 1). Sixty-eight percent of the respondents reported increasing activity at their own firms this month, up from 59 percent last month. Responding firms were positive about general activity in the region; the diffusion index for current activity for the region rose more than 13 points, to 54.5. Sixty-one percent of the respondents indicated increasing activity in the region compared with 7 percent that indicated decreasing activity.

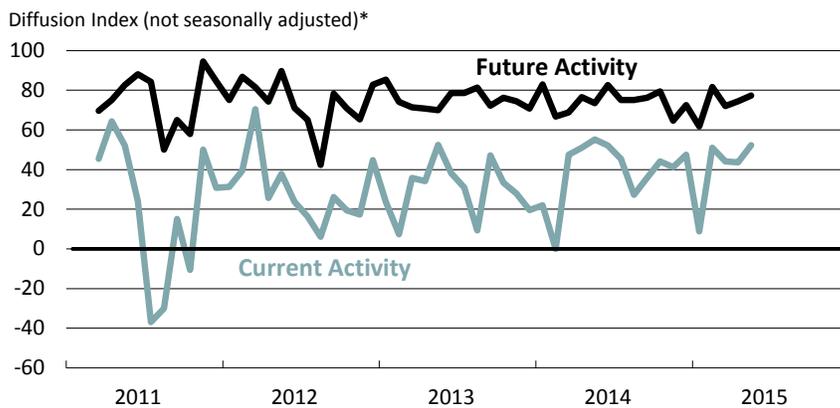
New Orders and Sales or Revenues Remained Positive

The new orders index edged down almost 9 points, to 27.3, in May. The percentage of firms reporting increases in new orders fell from 46 percent last month to 43 percent this month, and 16 percent of the firms reported decreases in new orders, compared with 10 percent that reported decreases in new orders last month. The sales/revenues index increased 5 points to 43.2. The percentage of firms reporting increases in sales or revenues was more than three times greater than the percentage of firms reporting decreases (61 percent versus 18 percent).

Employment Conditions Holding Steady

Survey results suggest steady conditions for labor market demand in May. Although the full-time employment index fell more than 9 points in May, a majority of the respondents reported no change to full-time staff levels. The part-time employment index increased 4 points, from 23.1 in April to 27.3 in May. In addition, more firms reported increases in part-time staff this month compared with last month, and fewer firms reported decreases. The workweek index decreased less than 1 point to 22.7 in May, as almost 60 percent of the firms reported no change in their average workweek.

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



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

Firms Reported Higher Prices Received

Fewer firms reported increases in input prices this month, as the prices paid index dropped more than 6 points, to 11.4, in May (see Chart 2). The share of firms reporting no change in input prices stands at roughly 59 percent. The prices received index rose 31 points, to 36.4. The percentage of respondents reporting increases in prices received rose from 18 percent to 41 percent, and the percentage of respondents reporting decreases fell from 13 percent to 5 percent.

Firms Increased Spending on Equipment and Software

Roughly the same share of firms reported increases in capital expenditures for equipment and software this month (33 percent in April versus 32 percent in May), and the corresponding diffusion index was little changed at 25. The index for capital expenditures on physical plant rose 13 points, to 18.2, as the share of firms reporting increased capital expenditures on physical plant rose from 18 percent in April to 25 percent in May.

Future Indicators Remain Strong

Optimism about future activity over the next six months both at individual firms and in the region remained strong and widespread. None of the respondents expect activity six months from now to decrease at their own firms, and only 2 percent expect a decline in the region. With 77 percent of the respondents expecting activity to increase at their firms, the



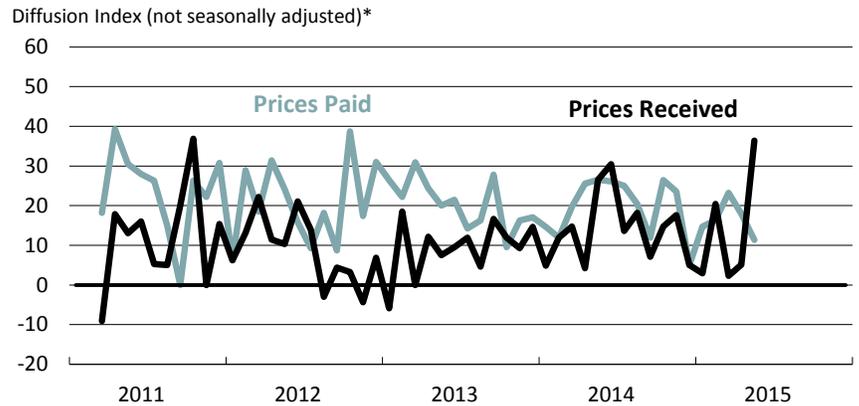
firm-level future general activity index increased 3 points, from 74.4 in April to 77.3 in May (see Chart 1). The future general activity index for the region fell 3 points but remains at a high level of 79.5.

In this month's special questions, firms were surveyed about plans for hiring over the next year and about recent trends in compensation and wages. A majority of firms are planning to increase employment over the next year, and many firms reported increasing wages to retain and attract qualified workers. These results are detailed on pages 3-4 of this release.

Summary

Results from the May *Nonmanufacturing Business Outlook Survey* suggest continued expansion in the region among nonmanufacturing firms. Index readings for general activity at both the company and regional levels and sales and revenues improved from last month's readings. Firms remained optimistic about future growth. ■

**Chart 2. Current Price Indexes
(March 2011 to May 2015)**



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

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The June *Nonmanufacturing Business Outlook Survey* will be released on June 23, 2015, at 10:00 a.m. ET.

NONMANUFACTURING BUSINESS OUTLOOK SURVEY May 2015	May vs. April					Six Months from Now vs. May				
	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?	41.0	61.4	31.8	6.8	54.5	82.1	81.8	6.8	2.3	79.5
What is your assessment of general business activity for your firm?	43.6	68.2	15.9	15.9	52.3	74.4	77.3	13.6	0.0	77.3
Company Business Indicators										
New Orders	35.9	43.2	18.2	15.9	27.3					
Sales or Revenues	38.5	61.4	15.9	18.2	43.2					
Unfilled Orders	5.1	13.6	20.5	6.8	6.8					
Inventories	12.8	11.4	20.5	0.0	11.4					
Prices Paid	17.9	20.5	59.1	9.1	11.4					
Prices Received	5.1	40.9	40.9	4.5	36.4					
Number of Employees – Full-Time Permanent	23.1	27.3	56.8	13.6	13.6					
Number of Employees – Part-Time, Temporary, and Contract	23.1	34.1	54.5	6.8	27.3					
Average Employee Workweek	23.1	31.8	59.1	9.1	22.7					
Wage and Benefit Costs	28.2	45.5	52.3	2.3	43.2					
Capital Expenditures – Physical Plant	5.1	25.0	45.5	6.8	18.2					
Capital Expenditures – Equipment & Software	25.6	31.8	50.0	6.8	25.0					

NOTES:

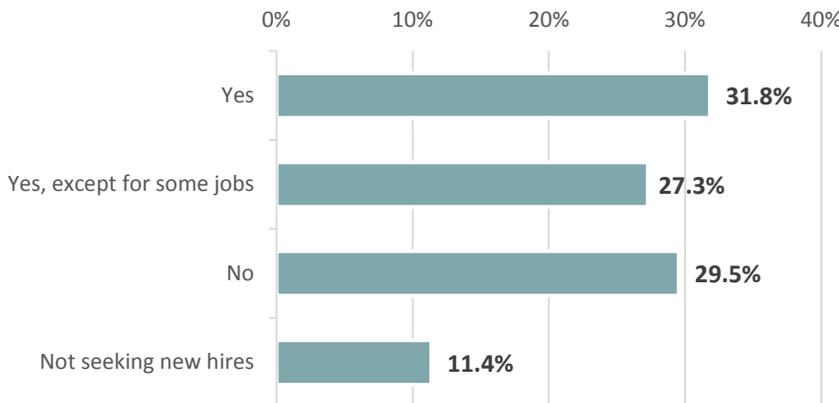
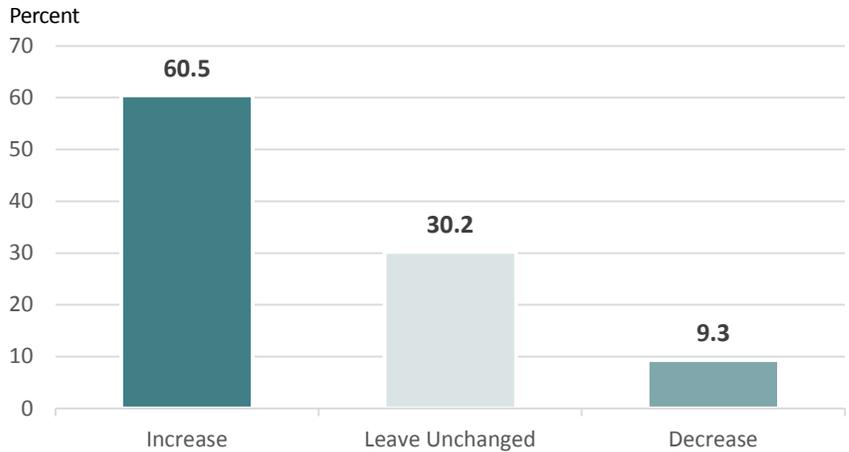
- (1) Items may not add up to 100 percent because of omission by respondents.
- (2) Data are not seasonally adjusted.
- (3) Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease.
- (4) Survey results reflect data received through May 21, 2015.

NBOS SPECIAL QUESTIONS

May 2015

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

The majority of surveyed nonmanufacturing firms are planning to hire workers over the next year.

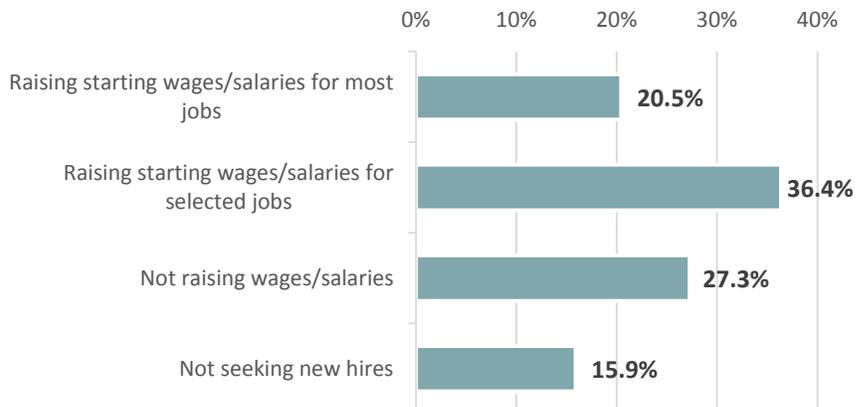


2. In general, do you currently have enough qualified job candidates from which to choose to fill job vacancies?

Almost 32 percent of the firms surveyed have enough qualified candidates to fill job vacancies, and 27 percent have difficulty filling only some jobs.

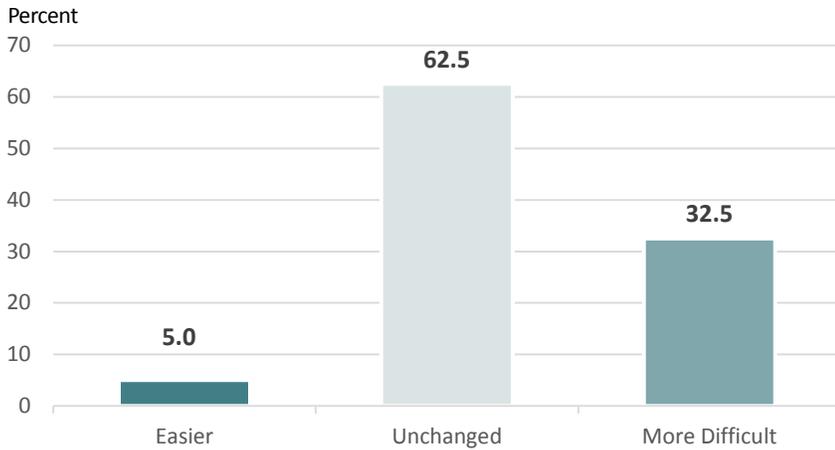
3. Which of the following best describes your use of changes in starting wages and/or salaries to attract new hires?

A total of 57 percent of the firms are raising wages for either selected job categories (36 percent) or most job categories (21 percent).



NBOS SPECIAL QUESTIONS

May 2015

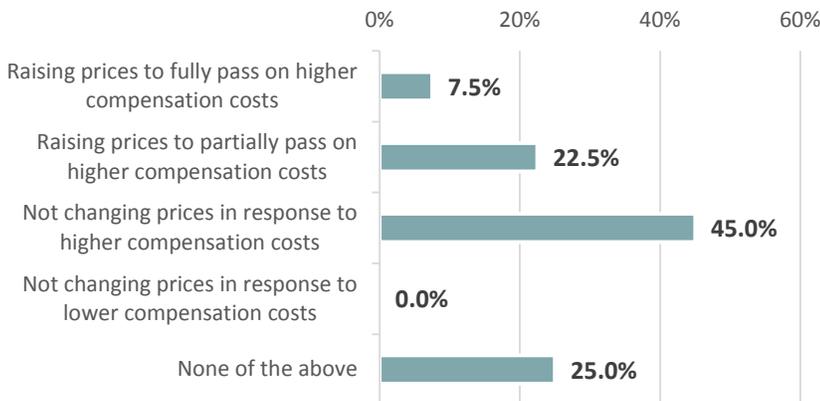
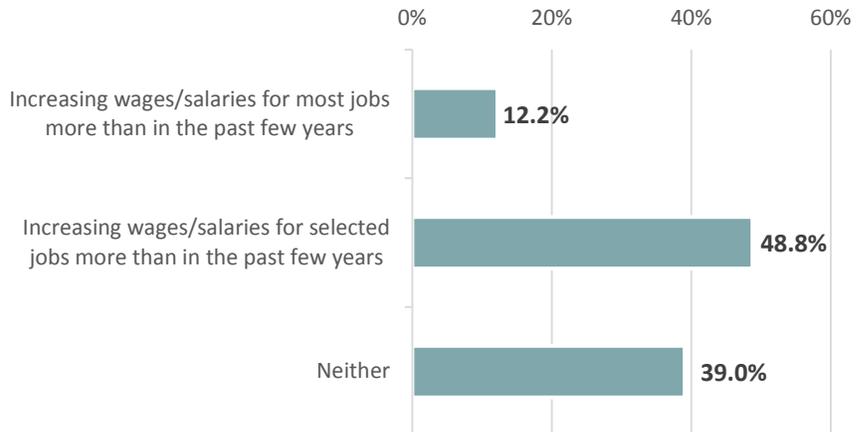


4. Over the past 12 months, has your firm's ability to retain employees become easier, remained unchanged, or become more difficult?

About one-third of the firms surveyed are finding it more difficult to retain employees.

5. Which of the following best describes your use of changes in wages and salaries to retain existing employees?

The majority of firms surveyed reported that they were increasing wages and salaries for either most (12 percent) or some (49 percent) jobs.



6. Which of the following best describes how your firm is changing the prices it charges for products and/or services in response to changes in compensation costs?

Almost 30 percent of the firms surveyed reported that they were raising prices in response to higher compensation costs, but a larger share (45 percent) were not changing prices in response.

Note: No surveyed firms reported lowering prices in response to a change in compensation costs.

