

# Business Leaders Survey

*Covering service firms in New York, northern New Jersey, and southwestern Connecticut*

The Federal Reserve Bank of New York's February 2016 *Business Leaders Survey* indicates that activity in the region's service sector declined. The survey's headline business activity index fell fifteen points to -11.1. The business climate index plummeted twenty-six points to -26.7, its lowest reading in two years, signaling that, on balance, respondents viewed the business climate as worse than normal. The employment index held steady at 8.9, pointing to modest growth in employment, and the wages index was also little changed at 34.9. The prices paid index moved down seven points to 31.5, suggesting a slower pace of input price increases, and the prices received index fell eight points to 2.1, signaling that selling prices increased marginally. The capital expenditures index dropped twenty-one points to 4.1, pointing to a substantial slowing

in capital spending. Indexes assessing the six-month outlook were mixed, though the index for future business climate fell into negative territory for the first time in more than two years.

## Business Activity Declines

Business activity declined in the region's service sector, according to the February 2016 survey. The survey's headline business activity index fell a steep fifteen points to -11.1. This month, 26 percent of respondents reported that conditions improved, while 38 percent reported that conditions worsened. After reaching a level of near zero last month, the business climate index sank twenty-six points to -26.7, its lowest level since February of 2014, indicating that, on balance, firms viewed the business climate as worse than normal.

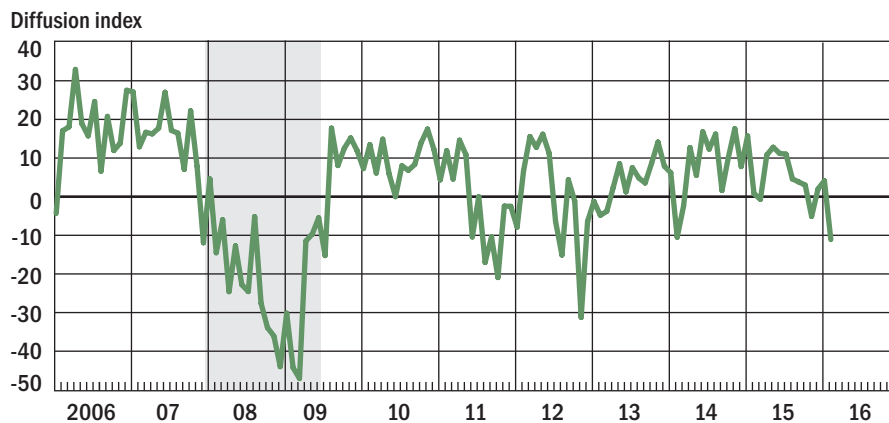
## Employment Grows Modestly

The employment index held steady at 8.9, signaling that employment continued to grow modestly. The wages index was also little changed, coming in at 34.9. The prices paid index declined seven points to 31.5, suggesting that the pace of input price increases was somewhat slower than last month. The prices received index fell eight points to 2.1, pointing to a slight increase in selling prices. After rising significantly last month, the capital spending index retreated to 4.1, indicating a considerable slowing in capital spending.

## Future Business Climate Index Plunges

Indexes assessing the six-month outlook suggested that optimism about future business conditions waned. The index for future business climate plunged twenty points to -8.3, its first negative reading since 2013. The index for expected business activity was less pessimistic, and was little changed at 23.6. The index for expected employment dipped four points to 22.3, suggesting that employment was expected to grow, and the index for expected wages fell ten points to 44.0. Indexes for future prices remained positive but edged lower, while the index for expected capital spending rose two points to 19.3. ■

## Business Activity



Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

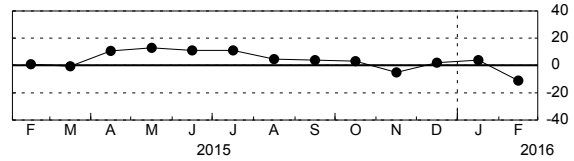
# Current Indicators

Change from Preceding Month

## Business Activity

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 34.69         | 34.69       | 30.61        | 4.08         |
| Feb | 26.39         | 36.11       | 37.50        | -11.11       |

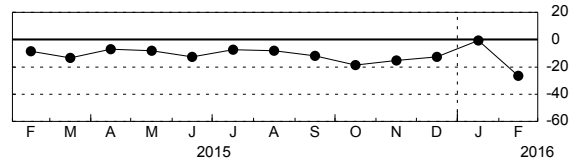
Business Activity - Diffusion Index



## Business Climate

|     | <u>Better</u> | <u>Normal</u> | <u>Worse</u> | <u>Index</u> |
|-----|---------------|---------------|--------------|--------------|
| Jan | 24.31         | 50.69         | 25.00        | -0.69        |
| Feb | 15.75         | 41.78         | 42.47        | -26.71       |

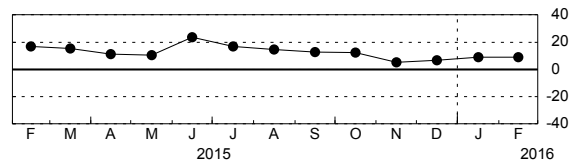
Business Climate - Diffusion Index



## Employment

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 27.03         | 54.73       | 18.24        | 8.78         |
| Feb | 25.34         | 58.22       | 16.44        | 8.90         |

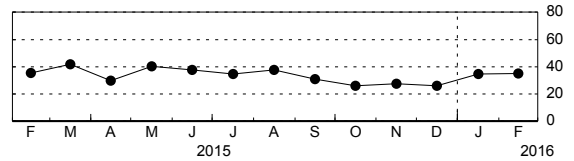
Employment - Diffusion Index



## Wages

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 37.41         | 59.86       | 2.72         | 34.69        |
| Feb | 39.04         | 56.85       | 4.11         | 34.93        |

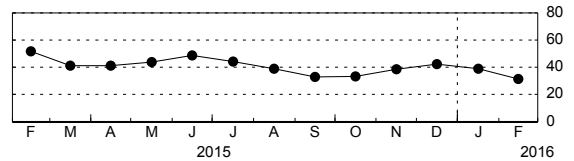
Wages - Diffusion Index



## Prices Paid

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 46.94         | 44.90       | 8.16         | 38.78        |
| Feb | 41.78         | 47.95       | 10.27        | 31.51        |

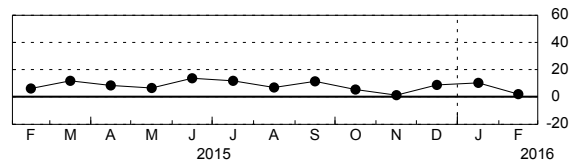
Prices Paid - Diffusion Index



## Prices Received

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 24.14         | 62.07       | 13.79        | 10.34        |
| Feb | 17.93         | 66.21       | 15.86        | 2.07         |

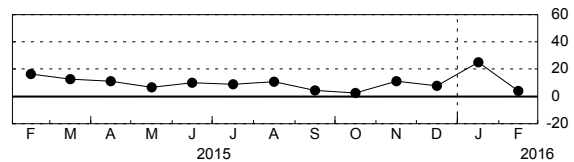
Prices Received - Diffusion Index



## Capital Spending

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 39.57         | 46.04       | 14.39        | 25.18        |
| Feb | 24.14         | 55.86       | 20.00        | 4.14         |

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

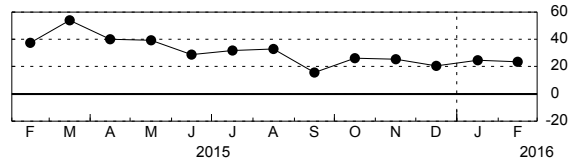
# Forward-Looking Indicators

Expectations Six Months Ahead

## Business Activity

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 41.78         | 41.10       | 17.12        | 24.66        |
| Feb | 42.36         | 38.89       | 18.75        | 23.61        |

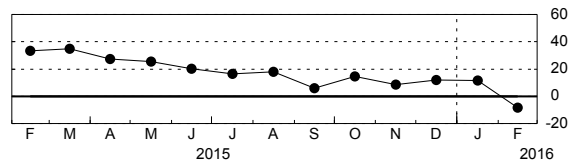
Business Activity - Diffusion Index



## Business Climate

|     | <u>Better</u> | <u>Same</u> | <u>Worse</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 32.88         | 45.89       | 21.23        | 11.64        |
| Feb | 22.22         | 47.22       | 30.56        | -8.33        |

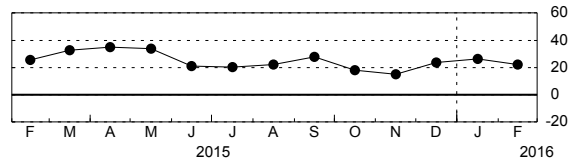
Business Climate - Diffusion Index



## Employment

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 42.86         | 40.71       | 16.43        | 26.43        |
| Feb | 38.85         | 44.60       | 16.55        | 22.30        |

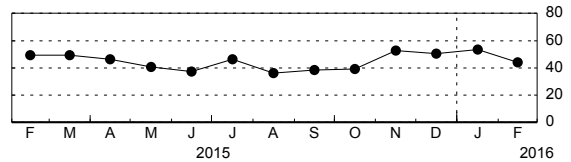
Employment - Diffusion Index



## Wages

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 54.29         | 45.00       | 0.71         | 53.57        |
| Feb | 48.94         | 46.10       | 4.96         | 43.97        |

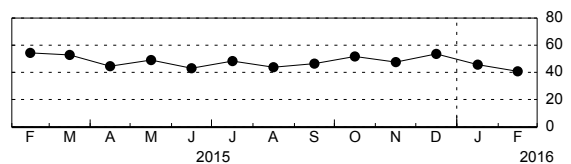
Wages - Diffusion Index



## Prices Paid

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 49.28         | 47.10       | 3.62         | 45.65        |
| Feb | 45.26         | 50.36       | 4.38         | 40.88        |

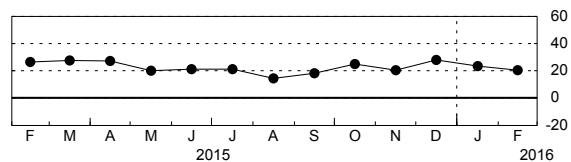
Prices Paid - Diffusion Index



## Prices Received

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 34.31         | 54.74       | 10.95        | 23.36        |
| Feb | 30.50         | 59.57       | 9.93         | 20.57        |

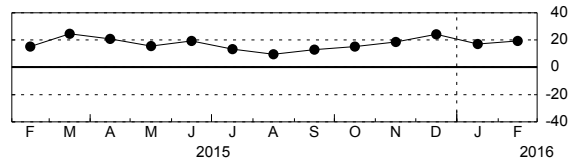
Prices Received - Diffusion Index



## Capital Spending

|     | <u>Higher</u> | <u>Same</u> | <u>Lower</u> | <u>Index</u> |
|-----|---------------|-------------|--------------|--------------|
| Jan | 32.19         | 52.74       | 15.07        | 17.12        |
| Feb | 36.43         | 46.43       | 17.14        | 19.29        |

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.