

Business Leaders Survey

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

Activity in the region's service sector declined significantly this month, according to firms responding to the Federal Reserve Bank of New York's August 2016 *Business Leaders Survey*. The survey's headline business activity index plummeted twenty-five points to -19.9, a multiyear low. The business climate index fell twelve points to -31.3, signaling that respondents generally continued to view the business climate as worse than normal, and to a greater extent than last month. The employment index fell to 2.8, marking a slight increase in employment levels, and the wages index edged up three points to 35.0. The prices paid index held steady at 35.5, signaling that input prices continued to rise at the same pace as the last two months, while the prices received index slipped five points

to 1.4, suggesting selling prices were little changed. Indexes assessing the six-month outlook indicated that firms remained somewhat optimistic about future business conditions.

Business Conditions Worsen Markedly

Business activity was significantly lower in the region's service sector in August. The survey's headline business activity index plunged twenty-five points to -19.9, its lowest level in nearly four years. Twenty-three percent of respondents reported that conditions improved over the month, while 43 percent reported that conditions worsened. The business climate index also posted a sharp decline, falling twelve points to -31.3, suggesting that, on balance, firms widely viewed the business climate as worse than normal.

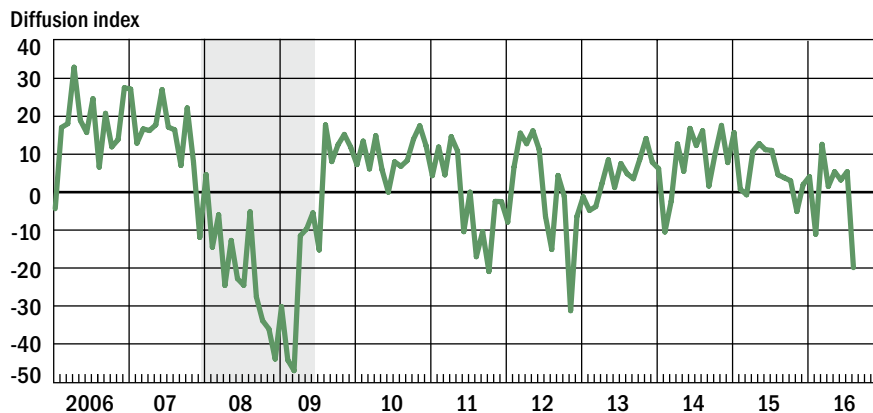
Employment and Capital Spending Indexes Move Lower

The employment index fell six points to 2.8, signaling that employment levels were only slightly higher. The wages index edged up three points to 35.0, suggesting that wages increased at a slightly faster pace this month. The prices paid index held steady at 35.5, indicating that input prices continued to increase at the same pace as last month, and the prices received index fell five points to 1.4, signaling little change in selling prices. The capital spending index slid thirteen points to 2.1, an indication that capital expenditures flattened out.

Outlook Remains Somewhat Optimistic

Indexes assessing the six-month outlook suggested that firms remained somewhat optimistic about future conditions. After falling for the prior four months, the index for future business activity edged up to 19.0, and the index for future business climate held steady at 2.8. Though still positive, both of these indexes remained fairly low by historical standards. The index for expected employment fell to 12.1, indicating that employment levels were expected to increase modestly in the months ahead. The index for future capital spending was little changed at 13.0. ■

Business Activity



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

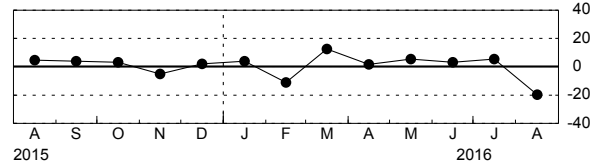
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	31.08	43.24	25.68	5.41
Aug	22.70	34.75	42.55	-19.86

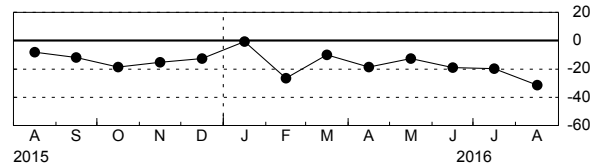
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Jul	18.42	43.42	38.16	-19.74
Aug	13.89	40.97	45.14	-31.25

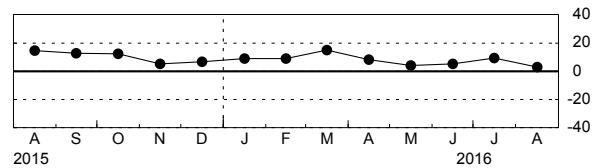
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	26.97	55.26	17.76	9.21
Aug	24.11	54.61	21.28	2.84

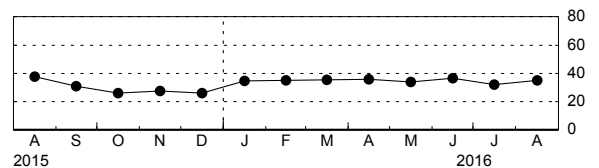
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	36.84	58.55	4.61	32.24
Aug	37.86	59.29	2.86	35.00

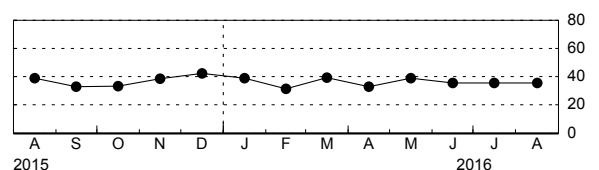
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	38.82	57.89	3.29	35.53
Aug	37.59	60.28	2.13	35.46

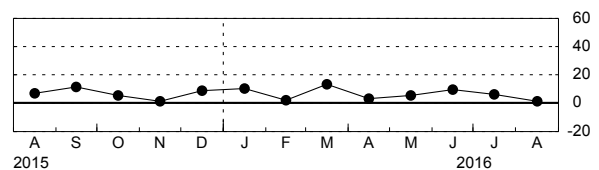
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	17.01	72.11	10.88	6.12
Aug	14.18	73.05	12.77	1.42

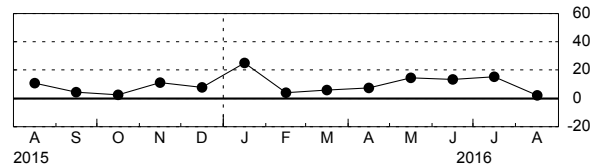
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	32.89	49.66	17.45	15.44
Aug	21.43	59.29	19.29	2.14

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

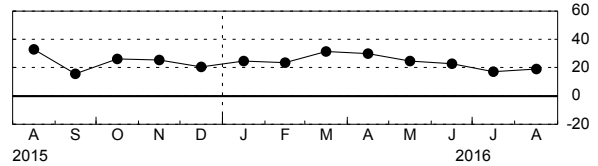
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	36.84	43.42	19.74	17.11
Aug	35.21	48.59	16.20	19.01

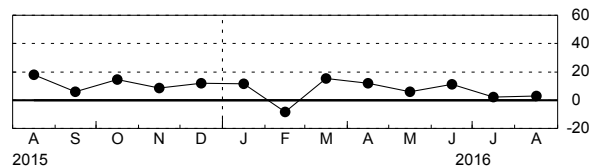
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Jul	26.17	49.66	24.16	2.01
Aug	23.24	56.34	20.42	2.82

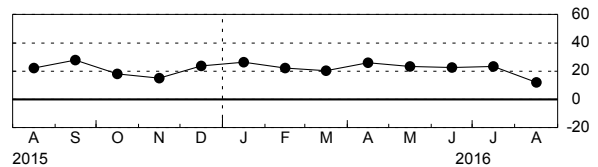
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	38.36	46.58	15.07	23.29
Aug	30.00	52.14	17.86	12.14

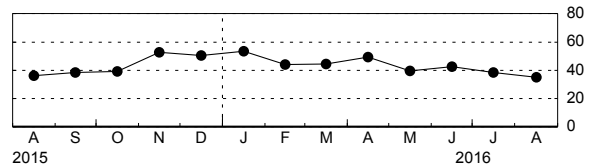
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	41.38	55.86	2.76	38.62
Aug	36.43	62.14	1.43	35.00

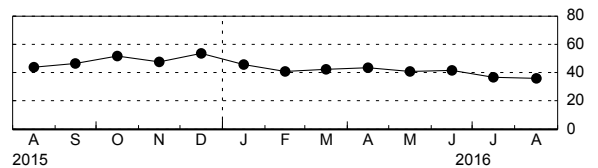
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	39.58	57.64	2.78	36.81
Aug	38.69	58.39	2.92	35.77

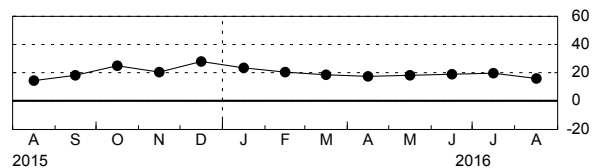
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	28.67	62.24	9.09	19.58
Aug	24.46	66.91	8.63	15.83

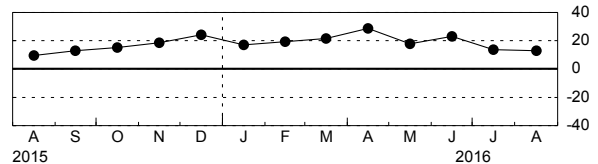
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	31.72	50.34	17.93	13.79
Aug	30.94	51.08	17.99	12.95

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.