

# Business Leaders Survey

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

Activity in the region's service sector expanded strongly, according to firms responding to the Federal Reserve Bank of New York's June 2018 *Business Leaders Survey*. The survey's headline business activity index climbed seven points to 21.4, its highest level in more than a decade. The business climate index increased nine points to 21.0, a sign that firms, on balance, regarded the business climate as better than normal. The employment index moved up five points to 17.7, indicating an increase in employment levels, and the wages index remained elevated. The prices paid index climbed ten points to 62.4, a multiyear high, suggesting ongoing widespread input price increases, and the selling price index held steady at 22.3. Indexes assessing the six-month outlook suggested that firms were fairly optimistic about future conditions, though less so than they had been early in the year.

## Activity Expands at a Solid Clip

Growth in business activity in the region's service sector picked up in June. The headline business activity index climbed seven points to 21.4, its highest level since 2007. Forty-two percent of respondents reported that conditions improved over the month, while 21 percent said that conditions worsened. The business climate index was positive for a seventh consecutive month, rising nine points to 21.0, signaling that, on balance, firms continued to view the business climate as better than normal.

## Input Price Increases Continue to Pick Up

The employment index moved up five points to 17.7, indicating a moderate increase in employment levels. The wages index, while down three points from last month, remained elevated at 41.1, reflecting

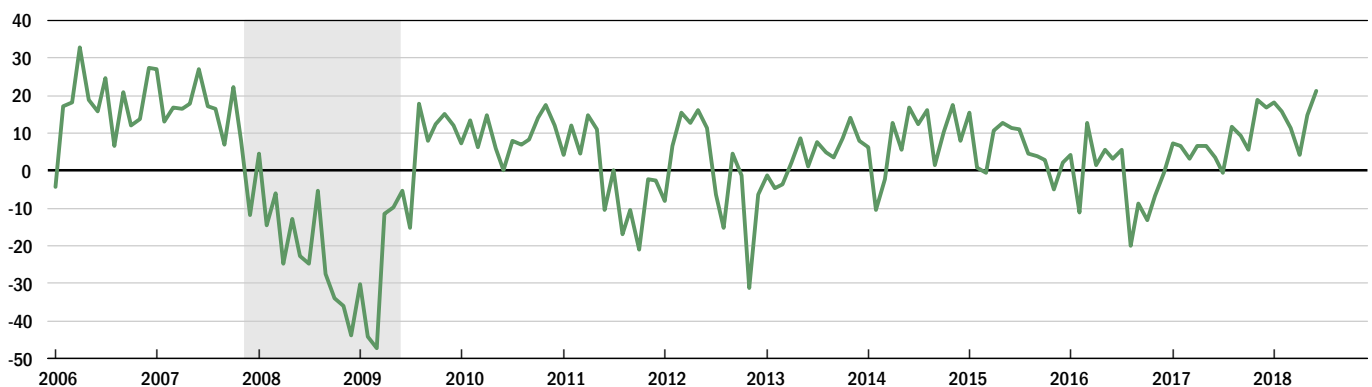
ongoing wage growth. The prices paid index climbed ten points to 62.4, a multiyear high, signaling that input prices rose at a faster pace than last month. The prices received index held steady at 22.3, a level pointing to ongoing moderate increases in selling prices. The capital spending index was little changed at 12.7, suggesting that capital spending continued to increase moderately.

## Firms Remain Fairly Upbeat

Firms remained fairly optimistic about the six-month outlook, though they were less positive than they had been early this year. The indexes for future business activity and future business climate were both little changed, at 36.6 and 20.8, respectively. Indexes for future wages and prices also held steady, and the index for planned capital spending edged down for a second consecutive month, to 22.6. ■

## Business Activity

Diffusion Index

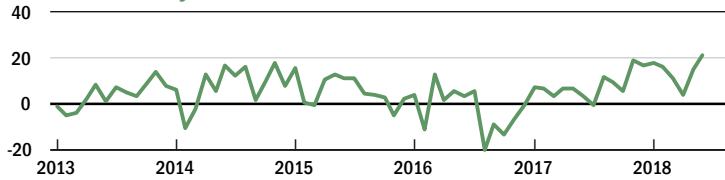


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

# Current Indicators

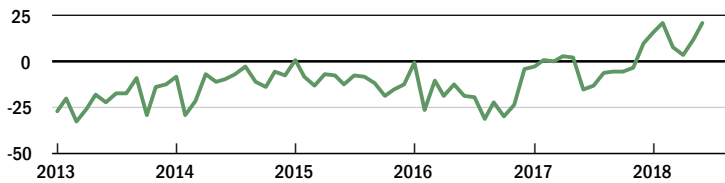
Change from Preceding Month

## Business Activity



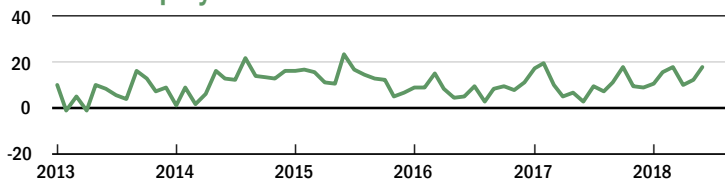
	Percent Reporting		Index
	Higher	Lower	
May	39.1	24.1	14.9
Jun	42.1	20.8	21.4
Change			6.5

## Business Climate



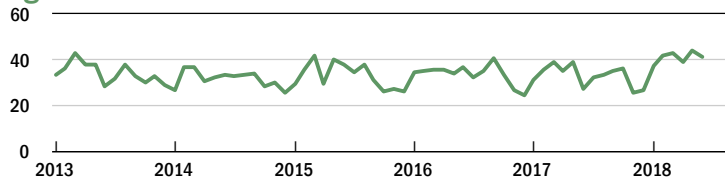
	Percent Reporting		Index
	Favorable	Unfavorable	
May	31.8	19.9	11.9
Jun	38.3	17.3	21.0
Change			9.1

## Number of Employees



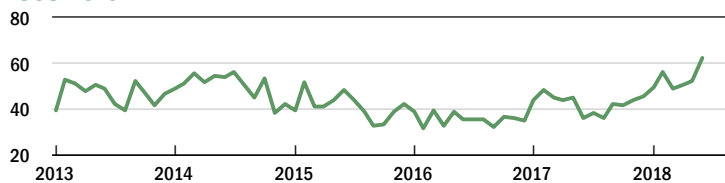
	Percent Reporting		Index
	Higher	Lower	
May	27.1	14.7	12.4
Jun	32.3	14.6	17.7
Change			5.3

## Wages



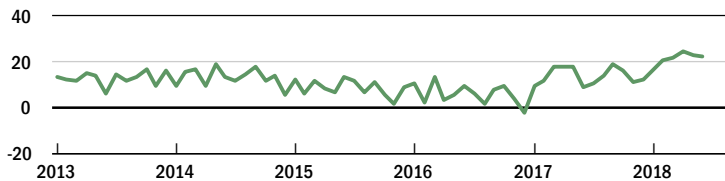
	Percent Reporting		Index
	Higher	Lower	
May	45.9	1.8	44.1
Jun	42.4	1.3	41.1
Change			-3.0

## Prices Paid



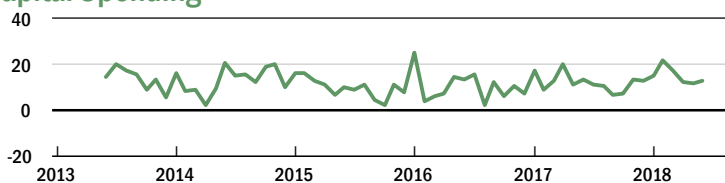
	Percent Reporting		Index
	Higher	Lower	
May	53.3	1.2	52.1
Jun	63.7	1.3	62.4
Change			10.3

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
May	27.5	4.8	22.8
Jun	28.7	6.4	22.3
Change			-0.5

## Capital Spending

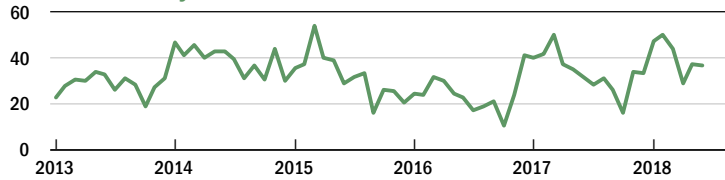


	Percent Reporting		Index
	Higher	Lower	
May	26.1	14.5	11.5
Jun	28.5	15.8	12.7
Change			1.2

# Forward-Looking Indicators

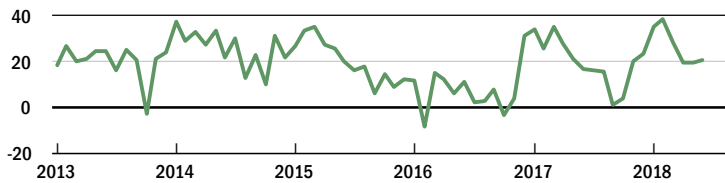
Expectations Six Months Ahead

## Business Activity



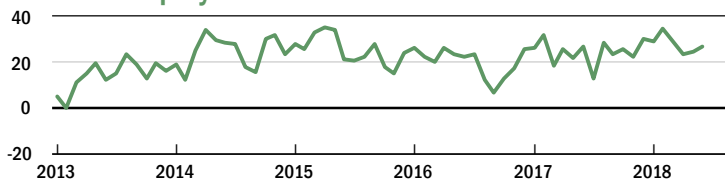
	Percent Reporting		Index
	Higher	Lower	
May	48.3	10.8	37.5
Jun	49.1	12.4	36.6
Change			-0.9

## Business Climate



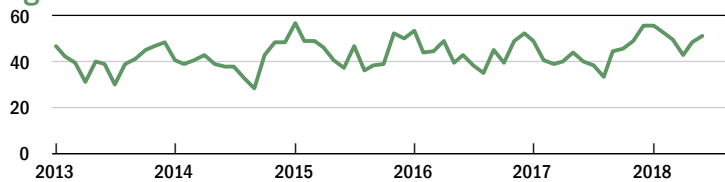
	Percent Reporting		Index
	Favorable	Unfavorable	
May	35.4	16.0	19.4
Jun	35.2	14.5	20.8
Change			1.4

## Number of Employees



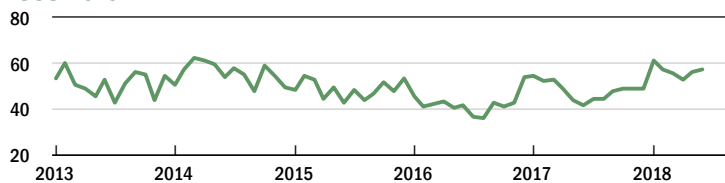
	Percent Reporting		Index
	Higher	Lower	
May	38.2	13.9	24.3
Jun	39.4	12.9	26.5
Change			2.2

## Wages



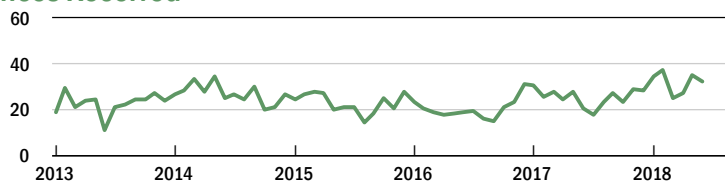
	Percent Reporting		Index
	Higher	Lower	
May	50.0	1.7	48.3
Jun	51.6	0.6	51.0
Change			2.7

## Prices Paid



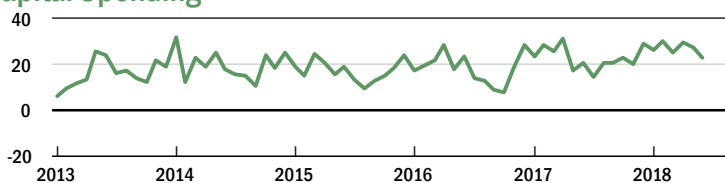
	Percent Reporting		Index
	Higher	Lower	
May	56.7	0.6	56.1
Jun	59.5	2.0	57.5
Change			1.4

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
May	39.8	4.7	35.1
Jun	37.3	5.2	32.0
Change			-3.1

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
May	37.4	9.9	27.5
Jun	34.2	11.6	22.6
Change			-4.9