

Business Leaders Survey

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

Activity in the region's service sector continued to expand modestly, according to firms responding to the Federal Reserve Bank of New York's October 2017 *Business Leaders Survey*. The survey's headline business activity index moved down four points to 5.7, indicating a slower pace of growth than in September. The business climate index remained negative at -5.7, a sign that firms, on balance, continued to regard the business climate as worse than normal. The employment index climbed seven points to 18.1, indicating that employment increased at a solid clip, and the wages index was little changed at 36.2, suggesting that wages grew at about the same pace as last month. Input price increases were little changed, while selling prices rose at a somewhat slower pace. Capital spending continued to increase modestly. The index for future business activity fell again in October,

suggesting that optimism about future conditions continued to wane.

Activity Grows More Slowly

Business activity in the region's service sector grew modestly in October. The headline business activity index moved down for a second consecutive month, falling four points to 5.7. Thirty-four percent of respondents reported that conditions improved over the month, while 28 percent said that conditions worsened. The business climate index was little changed at -5.7, signaling that, on balance, firms continued to view the business climate as worse than normal.

Employment Picks Up

The employment index climbed seven points to 18.1, pointing to a significant increase in employment levels. The wages index came in at 36.2,

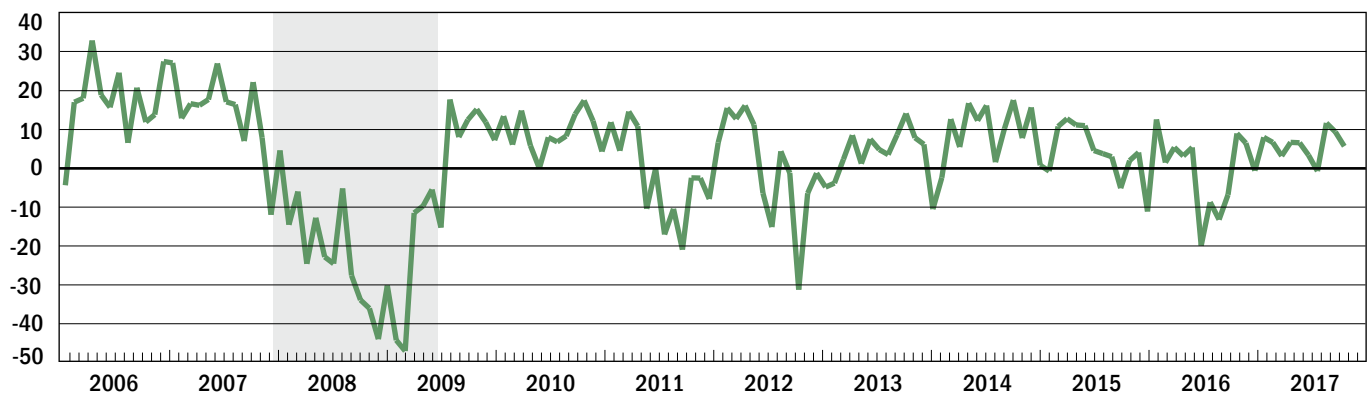
indicating that wages rose at about the same pace as in recent months. The prices paid index was little changed at 41.6, indicating that the pace of input price increases held steady, and the prices received index fell three points to 15.9, suggesting that selling prices increased at a somewhat slower pace. The capital spending index held steady at 7.1.

Optimism Continues to Wane

Optimism about the six-month outlook fell in October. The index for future business activity has been trending lower in recent months, and it fell another ten points in October to 16.0, representing a cumulative decline of 34 points since March. The index for future business climate edged up to 3.8. At 25.5, the index for future employment suggested that respondents expected employment to increase in the months ahead. The index for planned capital spending was 22.9. ■

Business Activity

Diffusion index

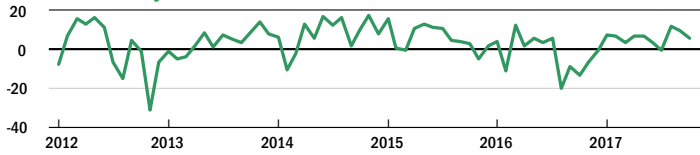


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

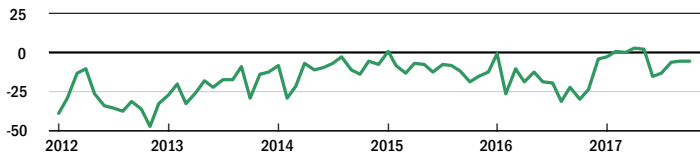
Change from Preceding Month

Business Activity



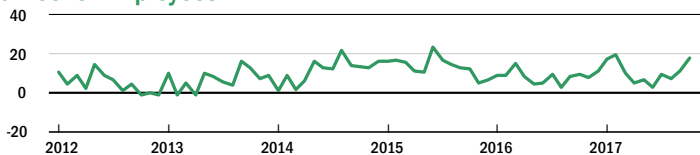
	Percent Reporting		Index
	Higher	Lower	
Sep	34.9	25.5	9.4
Oct	33.8	28.0	5.7
Change			-3.7

Business Climate



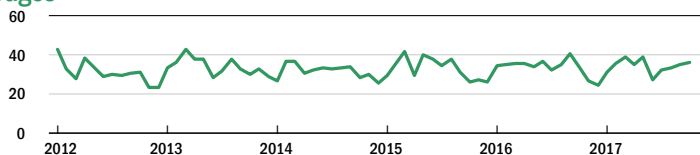
	Percent Reporting		Index
	Favorable	Unfavorable	
Sep	20.0	25.3	-5.3
Oct	21.5	27.2	-5.7
Change			-0.4

Number of Employees



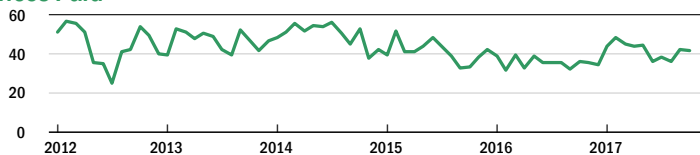
	Percent Reporting		Index
	Higher	Lower	
Sep	28.6	17.7	10.9
Oct	29.7	11.6	18.1
Change			7.2

Wages



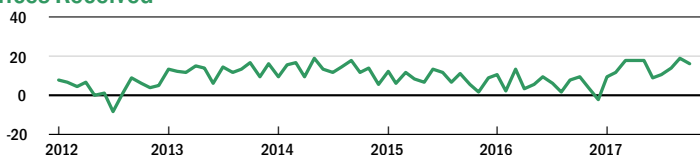
	Percent Reporting		Index
	Higher	Lower	
Sep	36.3	1.4	34.9
Oct	36.8	0.7	36.2
Change			1.3

Prices Paid



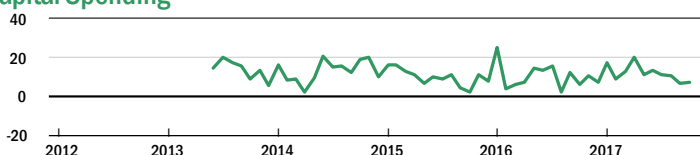
	Percent Reporting		Index
	Higher	Lower	
Sep	44.2	2.0	42.2
Oct	43.5	1.9	41.6
Change			-0.6

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Sep	25.2	6.1	19.0
Oct	23.2	7.3	15.9
Change			-3.1

Capital Spending



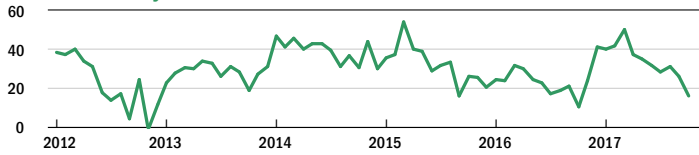
	Percent Reporting		Index
	Higher	Lower	
Sep	29.5	22.6	6.8
Oct	24.7	17.5	7.1
Change			0.3

Note: Data are not seasonally adjusted.

Forward-Looking Indicators

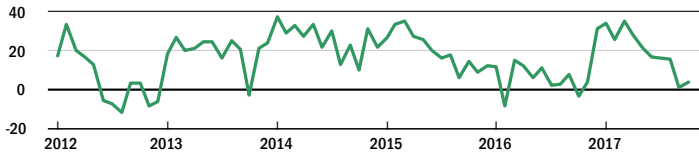
Expectations Six Months Ahead

Business Activity



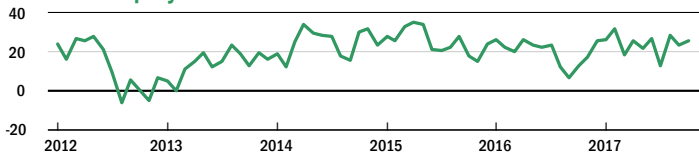
	Percent Reporting		Index
	Higher	Lower	
Sep	40.1	14.3	25.9
Oct	34.0	17.9	16.0
Change			-9.9

Business Climate



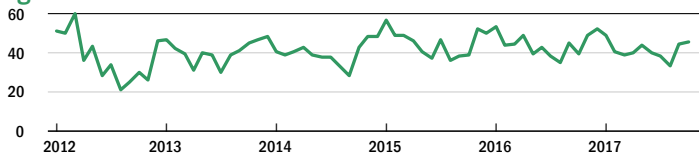
	Percent Reporting		Index
	Favorable	Unfavorable	
Sep	25.3	24.0	1.3
Oct	22.4	18.6	3.8
Change			2.5

Number of Employees



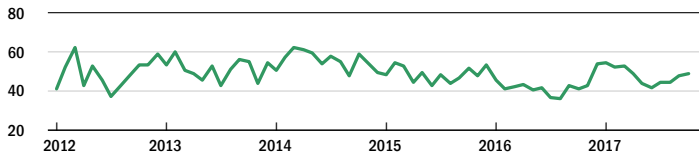
	Percent Reporting		Index
	Higher	Lower	
Sep	36.3	13.0	23.3
Oct	39.5	14.0	25.5
Change			2.2

Wages



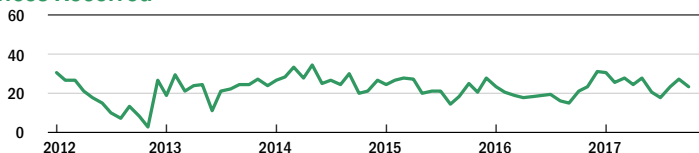
	Percent Reporting		Index
	Higher	Lower	
Sep	47.6	2.8	44.8
Oct	47.1	1.3	45.9
Change			1.1

Prices Paid



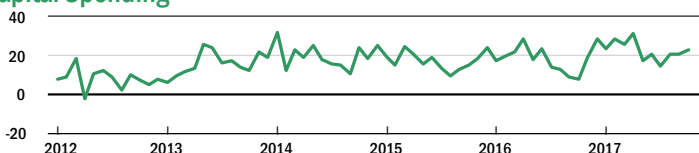
	Percent Reporting		Index
	Higher	Lower	
Sep	50.3	2.8	47.6
Oct	51.6	2.5	49.0
Change			1.4

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Sep	32.2	4.9	27.3
Oct	30.8	7.7	23.1
Change			-4.2

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Sep	37.0	16.4	20.5
Oct	36.9	14.0	22.9
Change			2.4

Note: Data are not seasonally adjusted.