

# Business Leaders Survey

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

Note: Survey responses were collected between March 2 and March 9.

The ongoing decline in business activity in the region's service sector moderated, according to firms responding to the Federal Reserve Bank of New York's March 2021 *Business Leaders Survey*. The survey's headline business activity index rose seventeen points to -4.8, its highest level in five months. The business climate index increased fifteen points to -50.4, indicating that firms continued to view the business climate as worse than normal, though less extensively than in recent months. Employment levels continued to decline, and wage increases continued to accelerate. Input prices increased at the fastest pace in two years, and selling price increases picked up. Capital spending fell for the twelfth consecutive month, though capital spending plans over the next six months remained positive. Looking ahead, firms expressed widespread optimism that conditions would improve, the first time such optimism has been expressed

since the pandemic began, and the future employment index reached a record high.

### Decline in Activity Moderates

The decline in business activity in the region's service sector that has persisted for thirteen months moderated in March. The headline business activity index rose seventeen points but remained somewhat below zero at -4.8. Twenty-seven percent of respondents reported that conditions improved over the month, while 32 percent said that conditions worsened. The business climate index rose fifteen points to -50.4, with around two-thirds of respondents viewing the business climate as worse than normal.

### Price Increases Continue to Pick Up

The employment index rose seven points to -7.1, pointing to a modest decline in employment levels. The wages index continued to march upward, rising

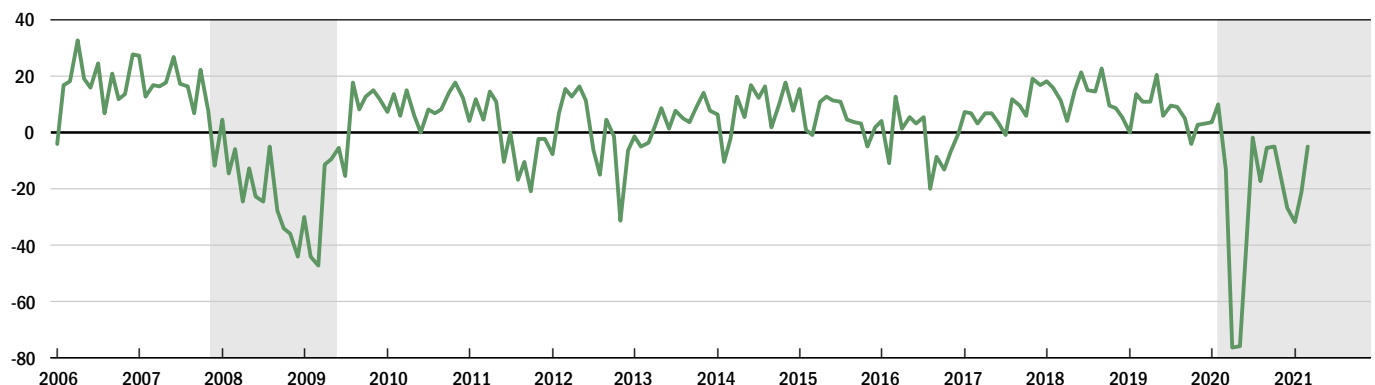
eight points to 34.9. As in recent months, price increases picked up in the March survey. The prices paid index rose eleven points to 53.2, its highest level in two years, and the prices received index rose five points to 14.5. The capital spending index held below zero at -6.9, suggesting a small decline in capital spending.

### Widespread Optimism about Future Conditions

After rising eleven points last month, the index for future business activity rose another eighteen points to 50.6, and the future business climate index rose sixteen points to 50.8, a record high, pointing to widespread optimism about future conditions. The index for future employment rose to 44.0, also a record high. Wages and prices are expected to continue to rise, and firms expect to increase capital spending in the months ahead. ■

## Business Activity

Diffusion Index

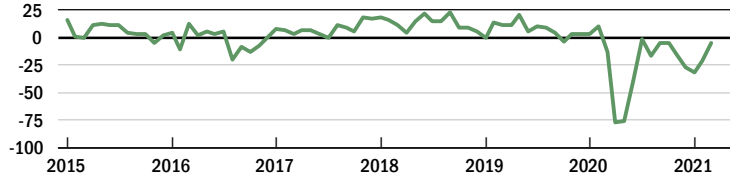


Note: The shaded areas indicate a period designated a recession by the National Bureau of Economic Research.

# Current Indicators

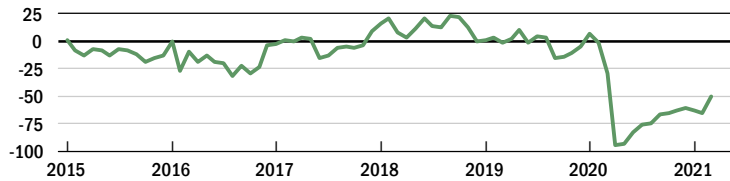
Change from Preceding Month

## Business Activity



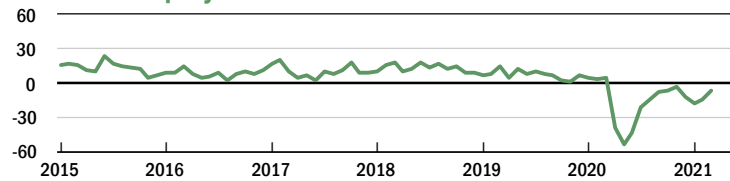
	Percent Reporting		Index
	Higher	Lower	
Feb	19.6	41.1	-21.5
Mar	27.0	31.7	-4.8
Change			16.7

## Business Climate



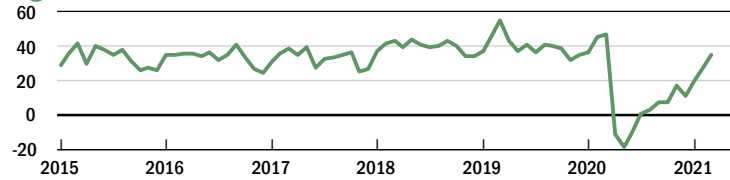
	Percent Reporting		Index
	Favorable	Unfavorable	
Feb	9.2	74.2	-65.0
Mar	14.6	65.0	-50.4
Change			14.6

## Number of Employees



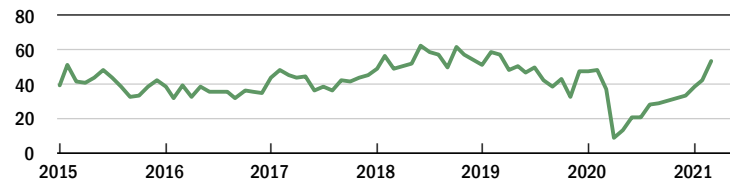
	Percent Reporting		Index
	Higher	Lower	
Feb	13.1	27.6	-14.5
Mar	17.9	25.0	-7.1
Change			7.4

## Wages



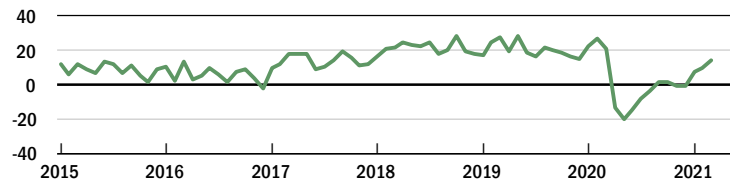
	Percent Reporting		Index
	Higher	Lower	
Feb	32.2	5.6	26.6
Mar	38.2	3.2	34.9
Change			8.3

## Prices Paid



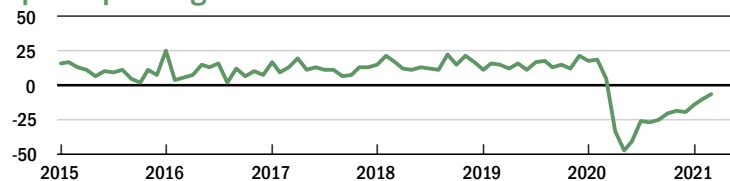
	Percent Reporting		Index
	Higher	Lower	
Feb	44.9	2.3	42.5
Mar	56.4	3.2	53.2
Change			10.7

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Feb	19.8	9.9	9.9
Mar	25.8	11.3	14.5
Change			4.6

## Capital Spending

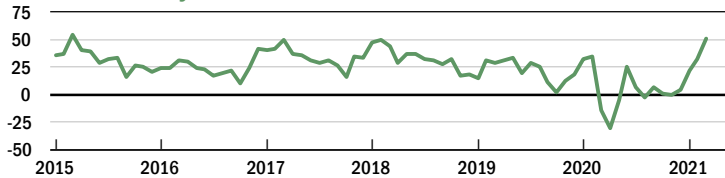


	Percent Reporting		Index
	Higher	Lower	
Feb	17.6	28.1	-10.5
Mar	18.5	25.4	-6.9
Change			3.6

# Forward-Looking Indicators

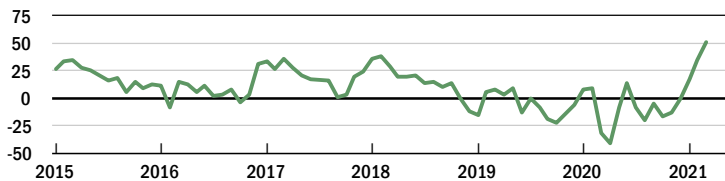
Expectations Six Months Ahead

## Business Activity



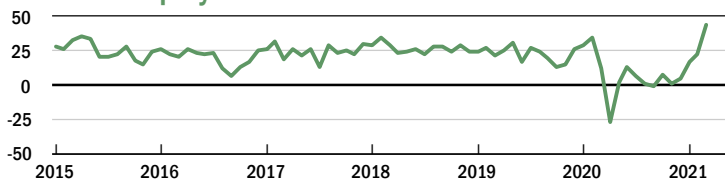
	Percent Reporting		Index
	Higher	Lower	
Feb	50.5	17.9	32.5
Mar	62.5	12.0	50.6
Change			18.1

## Business Climate



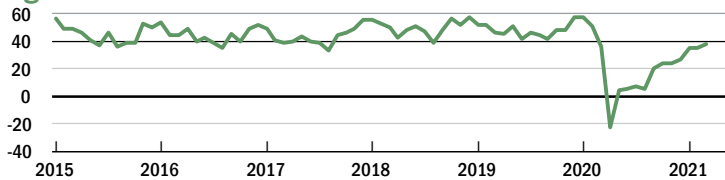
	Percent Reporting		Index
	Better	Worse	
Feb	52.4	17.9	34.4
Mar	63.3	12.5	50.8
Change			16.4

## Number of Employees



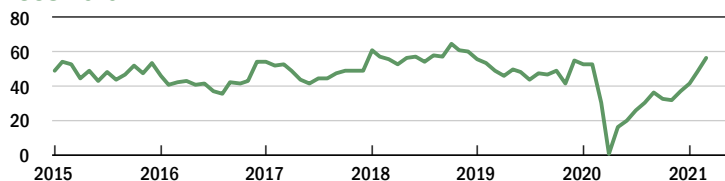
	Percent Reporting		Index
	Higher	Lower	
Feb	36.7	14.3	22.4
Mar	52.8	8.9	44.0
Change			21.6

## Wages



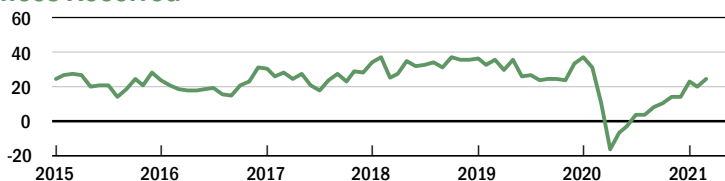
	Percent Reporting		Index
	Higher	Lower	
Feb	38.8	3.4	35.4
Mar	41.0	2.9	38.1
Change			2.7

## Prices Paid



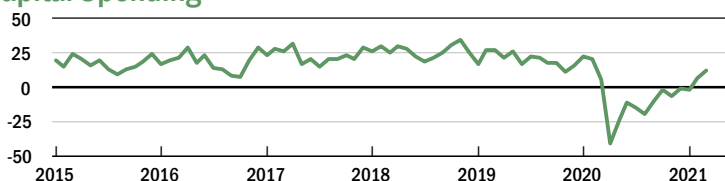
	Percent Reporting		Index
	Higher	Lower	
Feb	50.2	2.0	48.3
Mar	59.5	3.2	56.3
Change			8.0

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Feb	30.1	10.0	20.1
Mar	32.1	7.3	24.8
Change			4.7

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Feb	26.8	20.1	6.7
Mar	31.6	19.4	12.1
Change			5.4