

Business Leaders Survey

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

Growth in the region's service sector moderated somewhat but was still fairly brisk, according to firms responding to the Federal Reserve Bank of New York's July 2018 *Business Leaders Survey*. The survey's headline business activity index retreated seven points to 14.8, after reaching its highest level in more than a decade in June. The business climate index fell eight points to 13.3—still indicative of a fairly positive view of the business climate. The employment index slipped five points to 12.9, suggesting a modest slowing in hiring activity, and the wages index was little changed at a fairly elevated level. The prices paid index retreated from a multiyear high, edging down four points to 58.6, suggesting ongoing widespread input price increases. The prices received index edged up to 24.6. Indexes assessing the six-month outlook generally declined modestly, suggesting that firms have become somewhat less optimistic about future conditions than they had been earlier this year.

Activity Continues to Grow at a Solid Clip

Growth in business activity in the region's service sector slowed slightly but was still fairly brisk. After reaching its highest level since 2007 in June, the headline business activity index retreated seven points to 14.8 in July—still a fairly high level consistent with moderate growth. Just under 40 percent of respondents reported that conditions improved over the month, while 25 percent said that conditions worsened. The business climate index slipped eight points to 13.3 in July, remaining positive for an eighth consecutive month, signaling that, on balance, firms continued to view the business climate as better than normal.

Job Growth Slows; Input Price Pressures Persist

The employment index declined five points to 12.9 in July, indicating a slight slowing in the pace of job growth. The wages index edged down two points but remained quite elevated at 39.1,

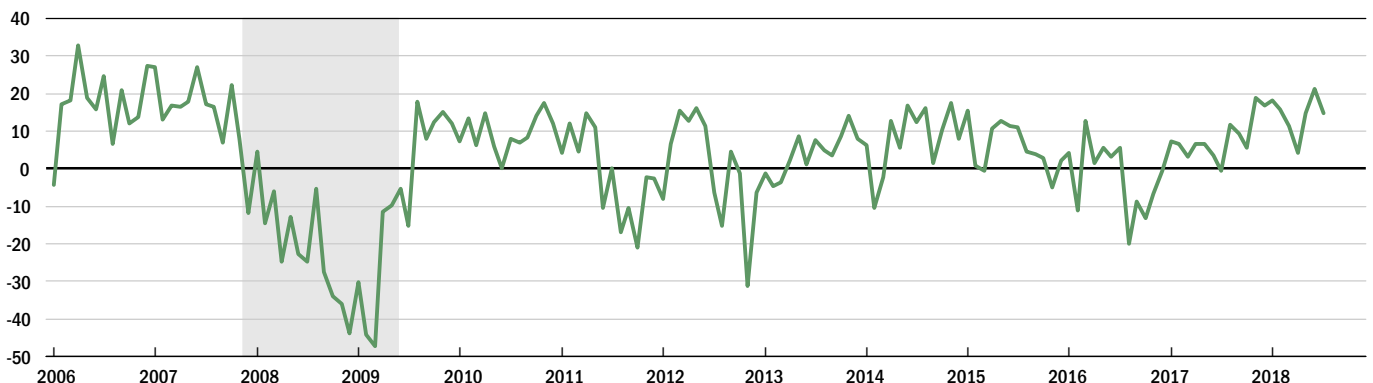
reflecting ongoing wage growth. The prices paid index, which had climbed to a multi-year high in June, edged back four points to 58.6 in July, indicating that input prices continued to rise at a fairly brisk pace. The prices received index rose marginally to 24.6, a level consistent with a moderate escalation in selling prices. The capital spending index was virtually unchanged at 12.4, suggesting that capital spending continued to increase moderately.

Firms Slightly Less Optimistic

Firms became slightly less optimistic about the six-month outlook. The index for future business activity slipped four points to 32.4, and the index for future business climate fell seven points to 13.9. Indexes for future wages and prices paid were down slightly but still at high levels, while the index for planned capital spending slipped to its lowest level this year, suggesting a modest reduction in capital spending plans. ■

Business Activity

Diffusion Index

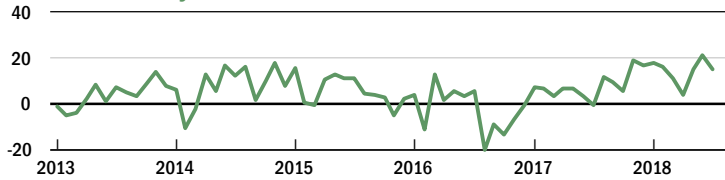


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

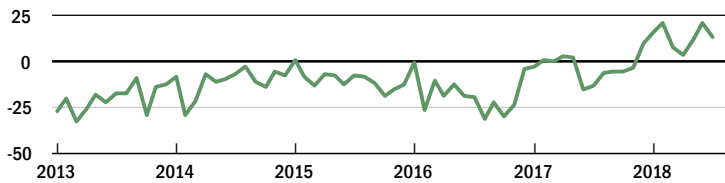
Change from Preceding Month

Business Activity



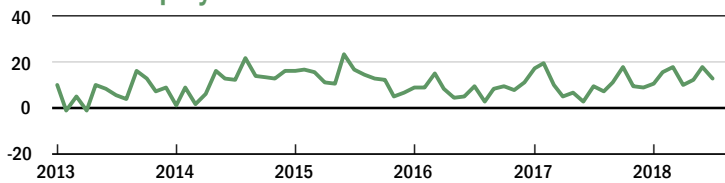
	Percent Reporting		Index
	Higher	Lower	
Jun	42.1	20.8	21.4
Jul	39.4	24.6	14.8
Change			-6.6

Business Climate



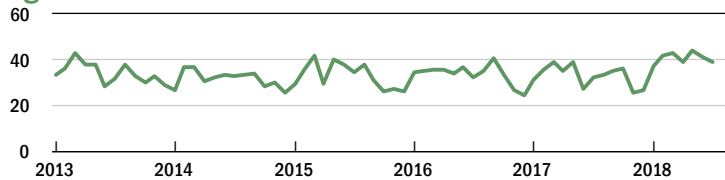
	Percent Reporting		Index
	Favorable	Unfavorable	
Jun	38.3	17.3	21.0
Jul	31.5	18.2	13.3
Change			-7.7

Number of Employees



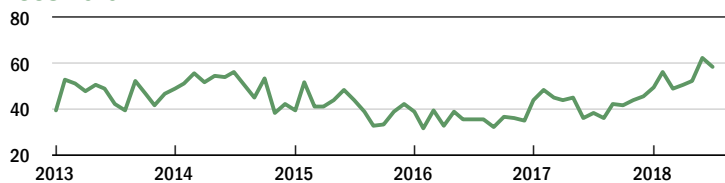
	Percent Reporting		Index
	Higher	Lower	
Jun	32.3	14.6	17.7
Jul	30.0	17.1	12.9
Change			-4.8

Wages



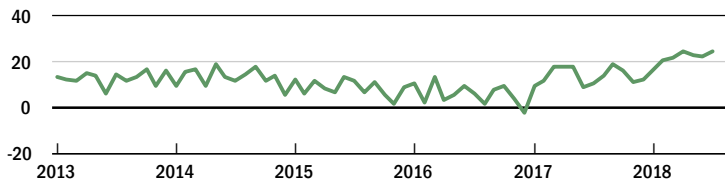
	Percent Reporting		Index
	Higher	Lower	
Jun	42.4	1.3	41.1
Jul	39.9	0.7	39.1
Change			-2.0

Prices Paid



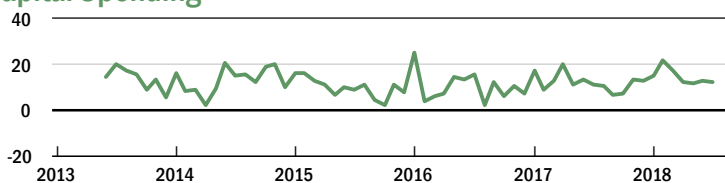
	Percent Reporting		Index
	Higher	Lower	
Jun	63.7	1.3	62.4
Jul	60.0	1.4	58.6
Change			-3.8

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jun	28.7	6.4	22.3
Jul	31.2	6.5	24.6
Change			2.3

Capital Spending

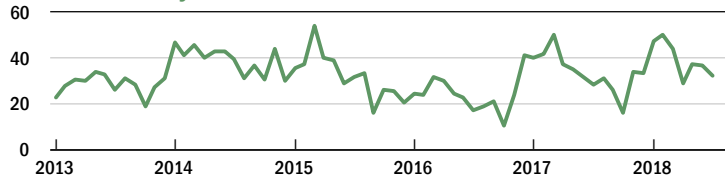


	Percent Reporting		Index
	Higher	Lower	
Jun	28.5	15.8	12.7
Jul	27.0	14.6	12.4
Change			-0.3

Forward-Looking Indicators

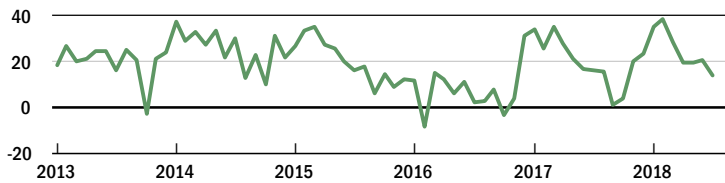
Expectations Six Months Ahead

Business Activity



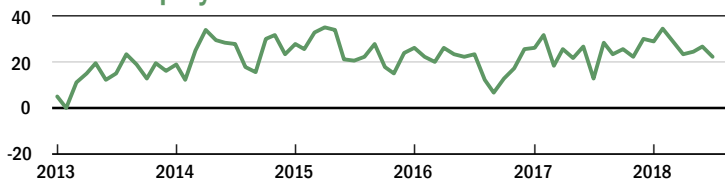
	Percent Reporting		Index
	Higher	Lower	
Jun	49.1	12.4	36.6
Jul	45.3	12.9	32.4
Change			-4.2

Business Climate



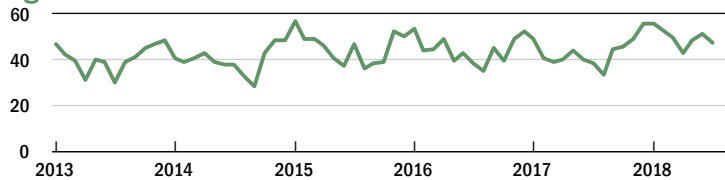
	Percent Reporting		Index
	Favorable	Unfavorable	
Jun	35.2	14.5	20.8
Jul	31.9	18.1	13.9
Change			-6.9

Number of Employees



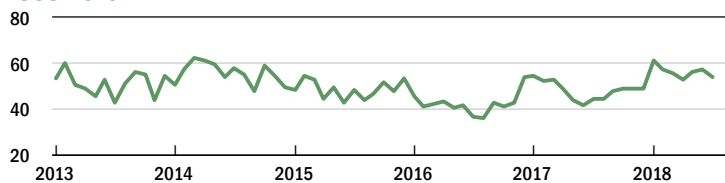
	Percent Reporting		Index
	Higher	Lower	
Jun	39.4	12.9	26.5
Jul	34.8	12.3	22.5
Change			-4.0

Wages



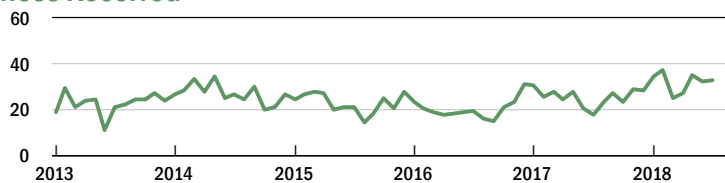
	Percent Reporting		Index
	Higher	Lower	
Jun	51.6	0.6	51.0
Jul	49.3	2.2	47.1
Change			-3.9

Prices Paid



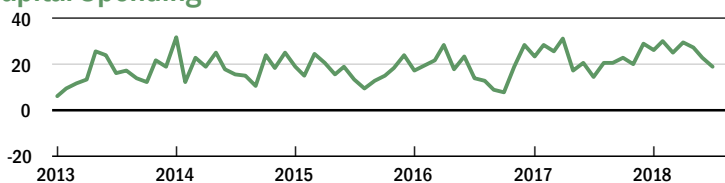
	Percent Reporting		Index
	Higher	Lower	
Jun	59.5	2.0	57.5
Jul	56.8	2.9	54.0
Change			-3.5

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jun	37.3	5.2	32.0
Jul	40.1	7.3	32.8
Change			0.8

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jun	34.2	11.6	22.6
Jul	32.1	13.1	19.0
Change			-3.6