

Business Leaders Survey

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

Activity in the region’s service sector continued to grow only slightly, according to firms responding to the Federal Reserve Bank of New York’s January 2020 *Business Leaders Survey*. The survey’s headline business activity index held steady at 3.7. The business climate index turned positive, indicating that, on balance, firms regarded the business climate as better than normal. Employment levels increased somewhat, and wage increases remained fairly widespread. Input prices rose at the same pace as last month, while selling price increases picked up. Optimism about future conditions improved markedly.

Growth Remains Sluggish

Growth in business activity in the region’s service sector remained

sluggish in January. The headline business activity index held steady at 3.7. Thirty percent of respondents reported that conditions improved over the month, while 26 percent said that conditions worsened. The business climate index turned positive for the first time in several months, climbing eleven points to 6.9, indicating that, on balance, firms viewed the business climate as better than normal.

Employment Increases Only Slightly

The employment index edged down two points to 4.8, suggesting that employment grew just slightly. At 36.4, the wages index was little changed, indicating that wage growth remained fairly widespread. The prices paid index held steady at 47.3, signaling that input prices increased

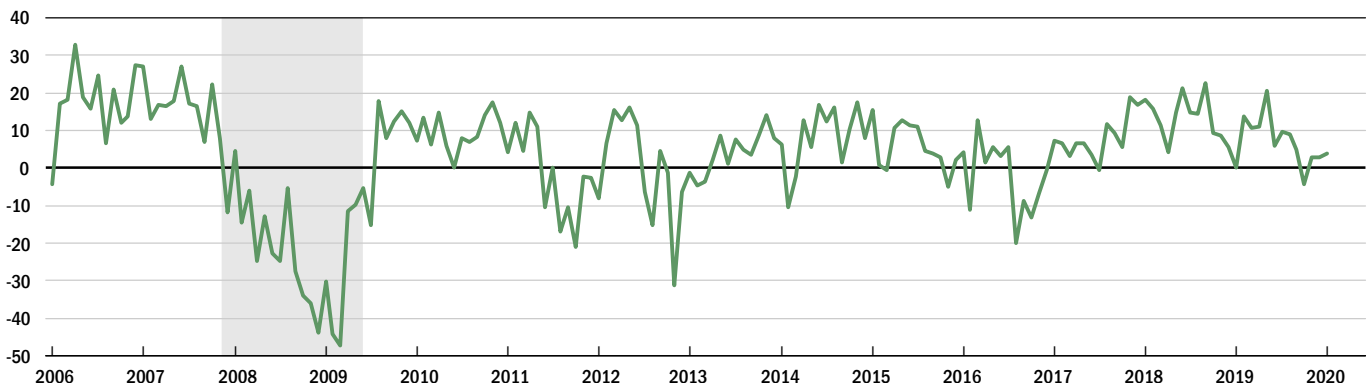
at the same pace as last month. The prices received index moved up seven points to 22.4, pointing to a pickup in selling price increases. The capital spending index fell four points to 17.9.

Business Climate Expected to Improve

Firms were more optimistic about the six-month outlook than in recent months. The index for future business activity advanced fourteen points to 31.9, its highest level in several months. The index for future business climate climbed above zero, indicating that firms expect the business climate to be better than normal in the months ahead. The index for future selling prices increased, and the index for future capital spending rose seven points to 22.8. ■

Business Activity

Diffusion Index

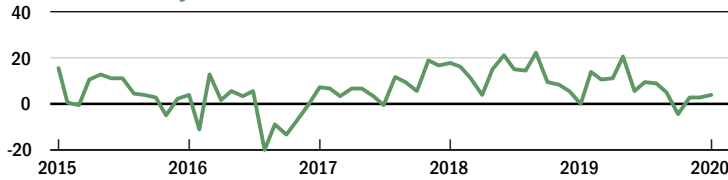


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

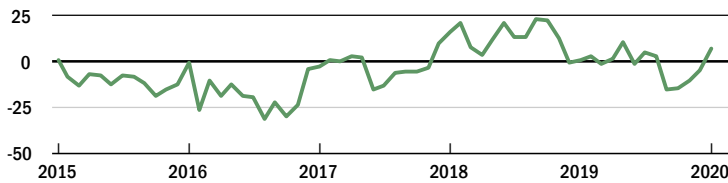
Change from Preceding Month

Business Activity



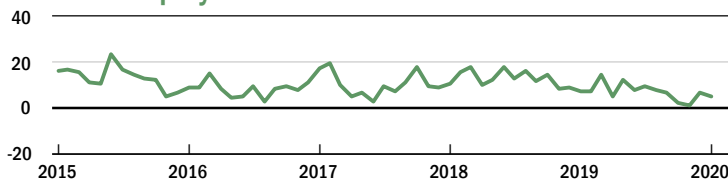
	Percent Reporting		Index
	Higher	Lower	
Dec	31.5	28.5	3.0
Jan	29.8	26.1	3.7
Change			0.7

Business Climate



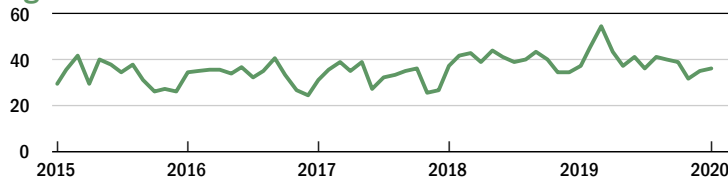
	Percent Reporting		Index
	Favorable	Unfavorable	
Dec	22.8	27.2	-4.5
Jan	25.4	18.5	6.9
Change			11.4

Number of Employees



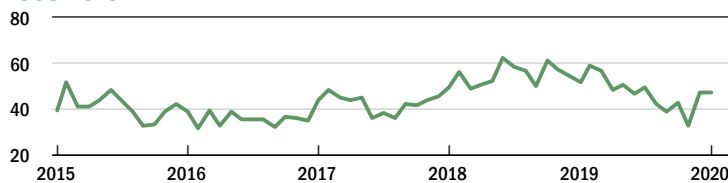
	Percent Reporting		Index
	Higher	Lower	
Dec	25.0	18.2	6.8
Jan	26.3	21.5	4.8
Change			-2.0

Wages



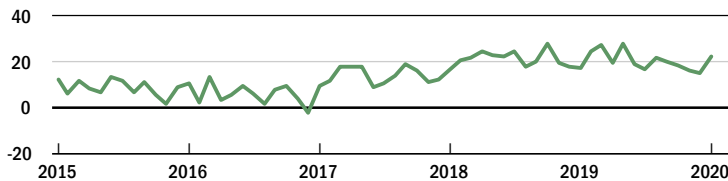
	Percent Reporting		Index
	Higher	Lower	
Dec	37.7	2.6	35.1
Jan	38.0	1.6	36.4
Change			1.3

Prices Paid



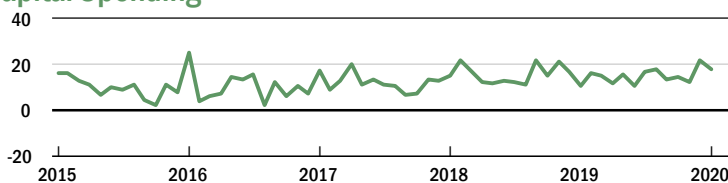
	Percent Reporting		Index
	Higher	Lower	
Dec	52.4	5.2	47.1
Jan	51.1	3.8	47.3
Change			0.2

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Dec	22.5	7.3	15.2
Jan	28.4	6.0	22.4
Change			7.2

Capital Spending

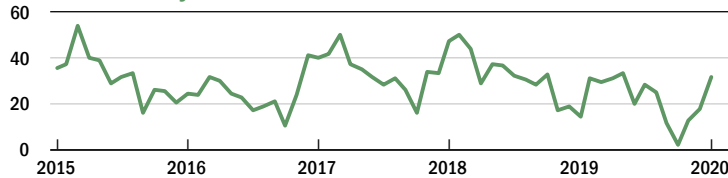


	Percent Reporting		Index
	Higher	Lower	
Dec	32.4	10.6	21.8
Jan	32.6	14.7	17.9
Change			-3.9

Forward-Looking Indicators

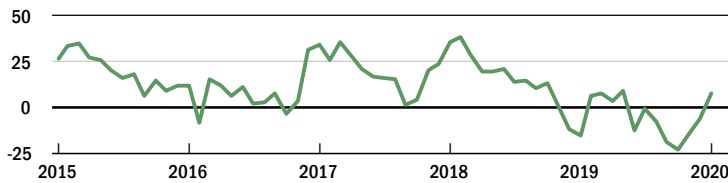
Expectations Six Months Ahead

Business Activity



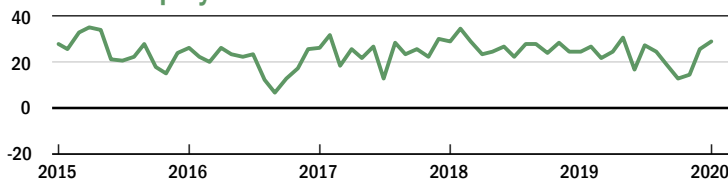
	Percent Reporting		Index
	Higher	Lower	
Dec	38.5	20.5	18.0
Jan	46.3	14.4	31.9
Change			13.9

Business Climate



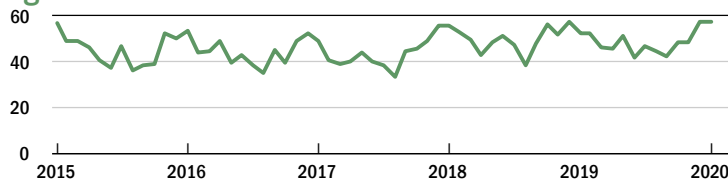
	Percent Reporting		Index
	Favorable	Unfavorable	
Dec	23.5	30.0	-6.5
Jan	28.7	21.3	7.4
Change			13.9

Number of Employees



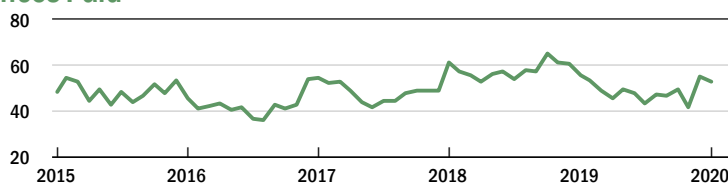
	Percent Reporting		Index
	Higher	Lower	
Dec	38.5	12.8	25.6
Jan	42.7	13.5	29.2
Change			3.6

Wages



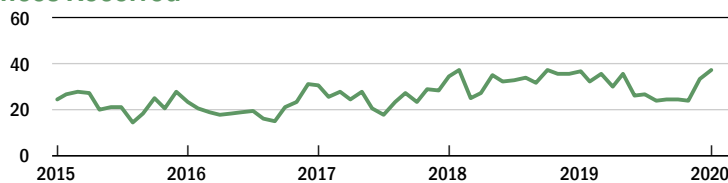
	Percent Reporting		Index
	Higher	Lower	
Dec	59.5	2.1	57.4
Jan	58.8	1.6	57.1
Change			-0.3

Prices Paid



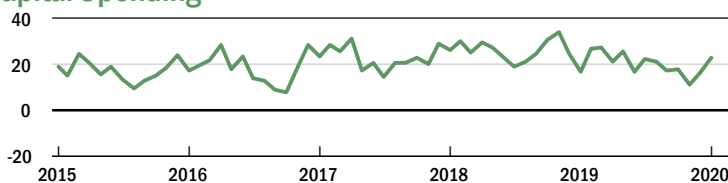
	Percent Reporting		Index
	Higher	Lower	
Dec	57.7	2.6	55.2
Jan	56.0	3.3	52.7
Change			-2.5

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Dec	40.3	7.1	33.2
Jan	43.5	6.5	37.0
Change			3.8

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Dec	30.9	14.9	16.0
Jan	37.0	14.1	22.8
Change			6.8