

Business Leaders Survey

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

Activity in the region's service sector expanded at a solid clip, according to firms responding to the Federal Reserve Bank of New York's August 2018 *Business Leaders Survey*. The survey's headline business activity index held steady at 14.5. The business climate index also was little changed at 13.0, a sign that firms, on balance, regarded the business climate as better than normal. The employment index edged up three points to 16.3, indicating a rise in employment levels, and the wages index remained elevated at 40.3. The prices paid index, at 56.9, suggested ongoing widespread input price increases, and the selling price index moved down seven points to 17.7, pointing to a deceleration in selling price increases. 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 Continues to Expand

Business activity continued to grow in the region's service sector in August. The headline business activity index held steady at 14.5. Thirty-five percent of respondents reported that conditions improved over the month, while 21 percent said that conditions worsened. The business climate index was little changed at 13.0, signaling that, on balance, firms continued to view the business climate as better than normal.

Employment and Wages Increase

The employment index edged up three points to 16.3, indicating a moderate increase in employment levels. The wages index, at 40.3, reflected ongoing wage gains. At 56.9, the prices paid index was similar to last month's reading, signaling

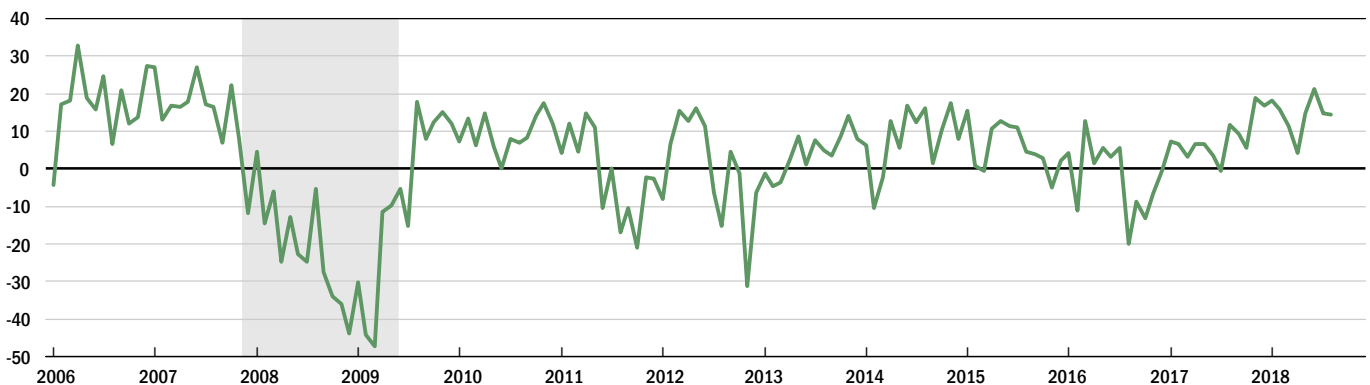
that input price increases remained widespread. The prices received index moved down seven points to 17.7, indicating that selling prices increased at a slower pace than last month. The capital spending index was little changed at 11.3, suggesting continued moderate increases in capital spending.

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 30.8 and 14.9, respectively. The indexes for future prices and employment ticked higher, and the index for planned capital spending came in at 21.0. ■

Business Activity

Diffusion Index

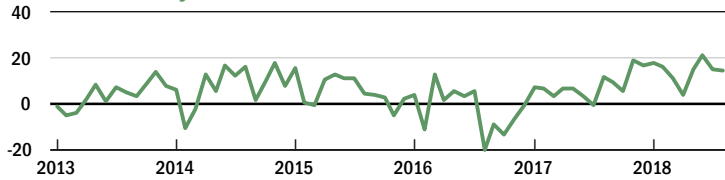


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

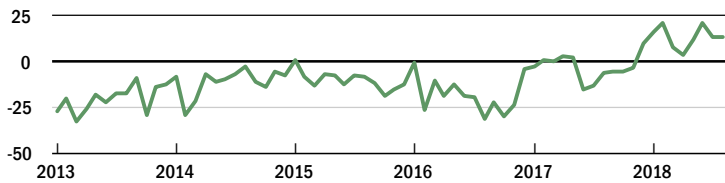
Change from Preceding Month

Business Activity



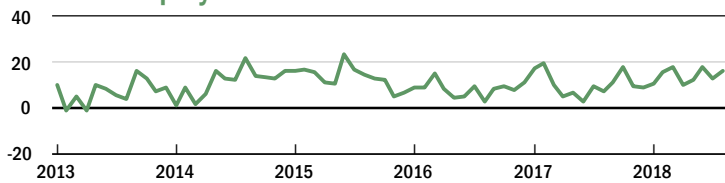
	Percent Reporting		Index
	Higher	Lower	
Jul	39.4	24.6	14.8
Aug	35.2	20.8	14.5
Change			-0.3

Business Climate



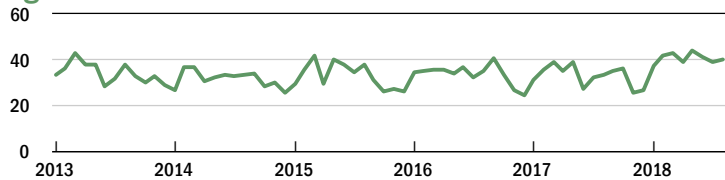
	Percent Reporting		Index
	Favorable	Unfavorable	
Jul	31.5	18.2	13.3
Aug	36.0	23.0	13.0
Change			-0.3

Number of Employees



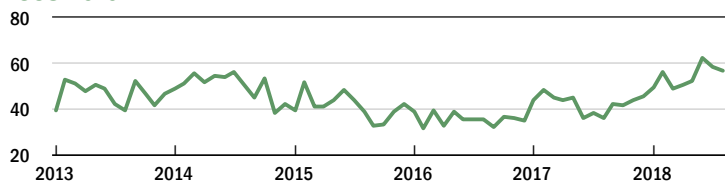
	Percent Reporting		Index
	Higher	Lower	
Jul	30.0	17.1	12.9
Aug	33.8	17.5	16.3
Change			3.4

Wages



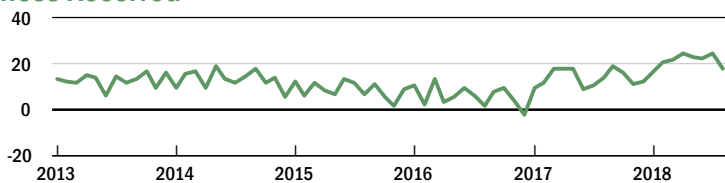
	Percent Reporting		Index
	Higher	Lower	
Jul	39.9	0.7	39.1
Aug	41.5	1.3	40.3
Change			1.2

Prices Paid



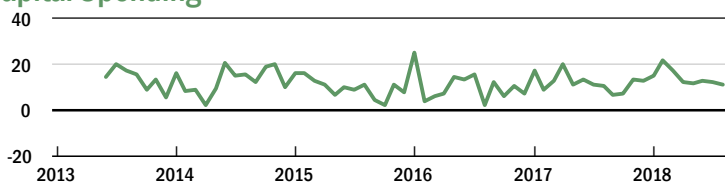
	Percent Reporting		Index
	Higher	Lower	
Jul	60.0	1.4	58.6
Aug	58.8	1.9	56.9
Change			-1.7

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jul	31.2	6.5	24.6
Aug	23.4	5.7	17.7
Change			-6.9

Capital Spending

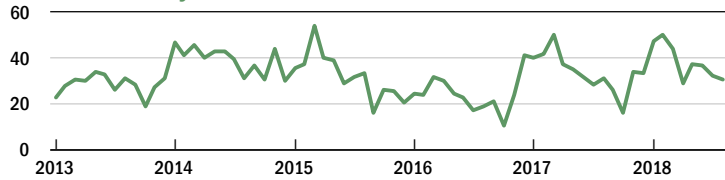


	Percent Reporting		Index
	Higher	Lower	
Jul	27.0	14.6	12.4
Aug	27.0	15.7	11.3
Change			-1.1

Forward-Looking Indicators

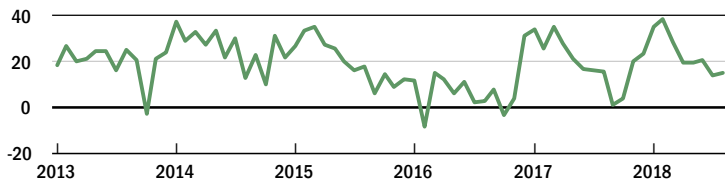
Expectations Six Months Ahead

Business Activity



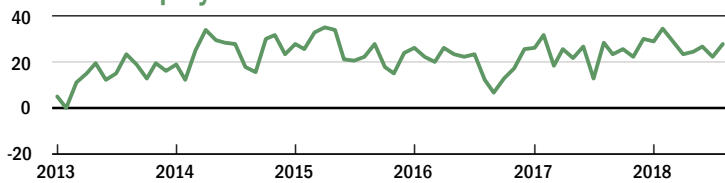
	Percent Reporting		Index
	Higher	Lower	
Jul	45.3	12.9	32.4
Aug	49.1	18.2	30.8
Change			-1.6

Business Climate



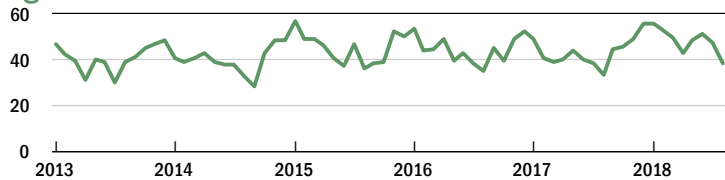
	Percent Reporting		Index
	Favorable	Unfavorable	
Jul	31.9	18.1	13.9
Aug	33.5	18.6	14.9
Change			1.0

Number of Employees



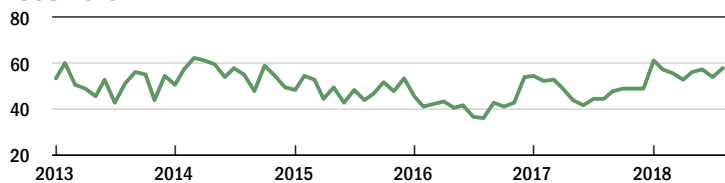
	Percent Reporting		Index
	Higher	Lower	
Jul	34.8	12.3	22.5
Aug	40.5	12.7	27.8
Change			5.3

Wages



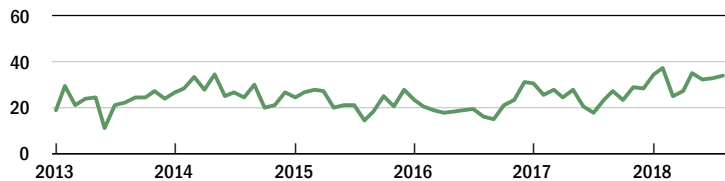
	Percent Reporting		Index
	Higher	Lower	
Jul	49.3	2.2	47.1
Aug	41.7	3.2	38.5
Change			-8.6

Prices Paid



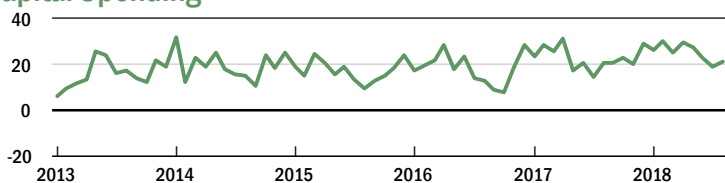
	Percent Reporting		Index
	Higher	Lower	
Jul	56.8	2.9	54.0
Aug	59.0	1.3	57.7
Change			3.7

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jul	40.1	7.3	32.8
Aug	38.6	4.6	34.0
Change			1.2

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jul	32.1	13.1	19.0
Aug	35.7	14.6	21.0
Change			2.0