

Business Leaders Survey

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

Activity in the region's service sector declined for a second consecutive month, according to firms responding to the Federal Reserve Bank of New York's September 2016 *Business Leaders Survey*. While the survey's headline business activity index climbed eleven points from August's level, it remained negative at -8.7. Similarly, the business climate index rose nine points to -22.5, signaling that respondents generally continued to view the business climate as worse than normal, though to a lesser extent than last month. The employment index advanced to 8.1, pointing to an increase in employment levels, and the wages index ticked up six points to 40.8, its highest level in more than a year. The prices paid index edged down to 32.2, signaling that input prices rose at a slightly slower pace than last month, while the prices received index strengthened six points to 7.6,

suggesting that selling prices increased. Indexes assessing the six-month outlook indicated that firms remained somewhat optimistic about future business conditions.

Business Activity Contracts for a Second Month

As in August, business activity declined in the region's service sector in September. After posting a steep drop last month, the survey's headline business activity index regained some ground but held below zero at -8.7. Twenty-seven percent of respondents reported that conditions improved over the month, while 36 percent reported that conditions worsened. The business climate index remained negative, climbing nine points to -22.5, suggesting that, on balance, firms viewed the business climate as worse than normal, though to a lesser extent than last month.

Employment and Wage Increases Pick Up

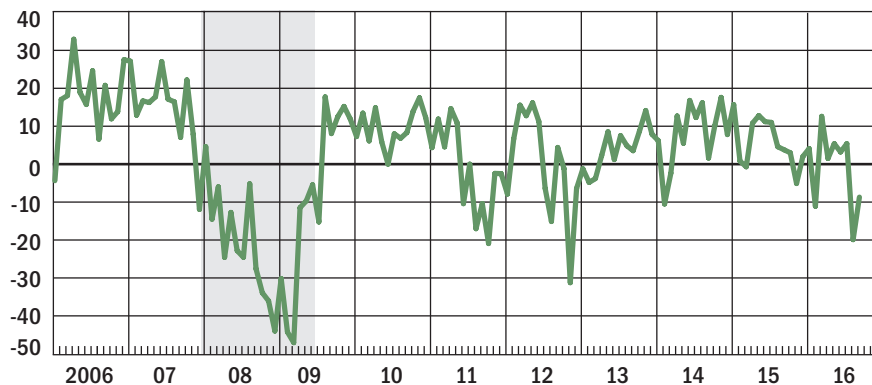
The employment index climbed five points to 8.1, signaling that employment expanded modestly. The wages index rose six points to 40.8, its highest level since mid-2015, suggesting that wage increases accelerated. The prices paid index edged down to 32.2, indicating that input prices increased at a slightly slower pace, while the prices received index moved up six points to 7.6, signaling a modest advance in selling prices. The capital spending index rose ten points to 12.2.

Outlook Remains Mildly Optimistic

Indexes assessing the six-month outlook suggested that firms remained somewhat optimistic about future conditions. The index for future business activity edged up two points to 21.3, and the index for future business climate rose to 8.0. The index for expected employment fell for a second month, slipping five points to 6.8, and the index for future capital spending fell to 8.8. ■

Business Activity

Diffusion index



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

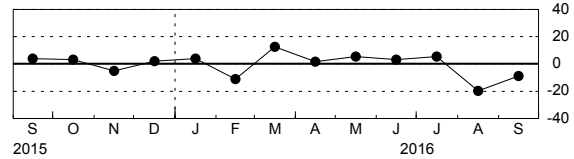
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	22.70	34.75	42.55	-19.86
Sep	27.33	36.67	36.00	-8.67

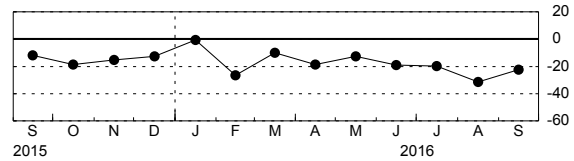
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Aug	13.89	40.97	45.14	-31.25
Sep	17.22	43.05	39.74	-22.52

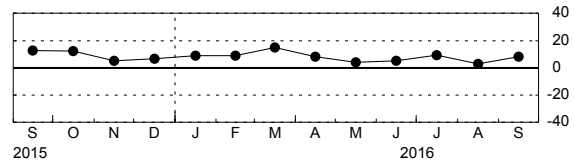
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	24.11	54.61	21.28	2.84
Sep	29.05	50.00	20.95	8.11

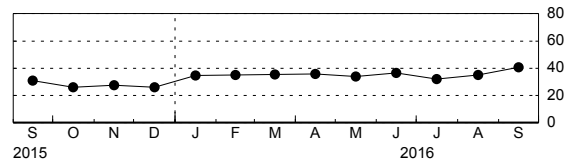
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	37.86	59.29	2.86	35.00
Sep	42.18	56.46	1.36	40.82

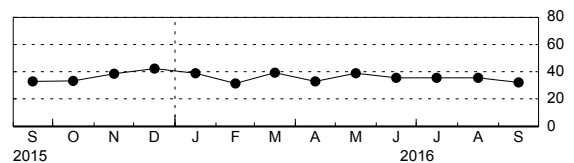
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	37.59	60.28	2.13	35.46
Sep	35.62	60.96	3.42	32.19

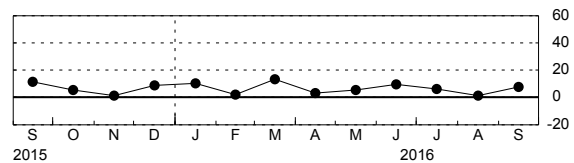
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	14.18	73.05	12.77	1.42
Sep	20.69	66.21	13.10	7.59

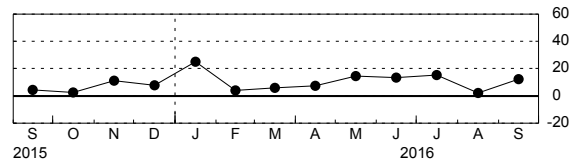
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	21.43	59.29	19.29	2.14
Sep	32.43	47.30	20.27	12.16

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

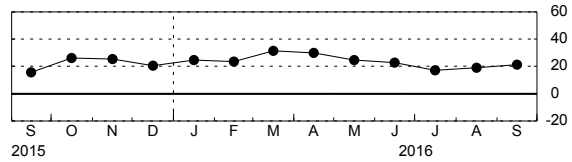
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	35.21	48.59	16.20	19.01
Sep	40.67	40.00	19.33	21.33

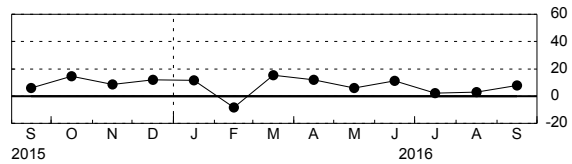
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Aug	23.24	56.34	20.42	2.82
Sep	25.17	57.62	17.22	7.95

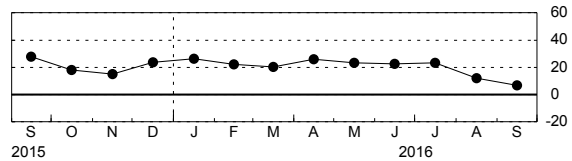
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	30.00	52.14	17.86	12.14
Sep	27.21	52.38	20.41	6.80

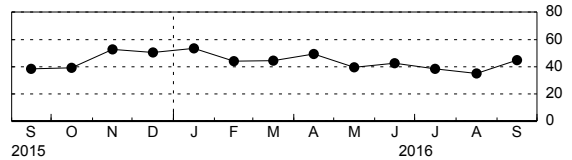
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	36.43	62.14	1.43	35.00
Sep	46.31	52.35	1.34	44.97

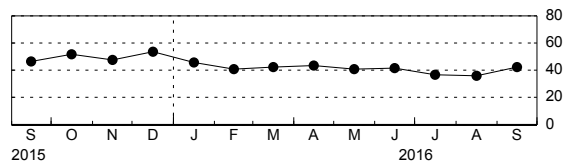
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	38.69	58.39	2.92	35.77
Sep	46.58	49.32	4.11	42.47

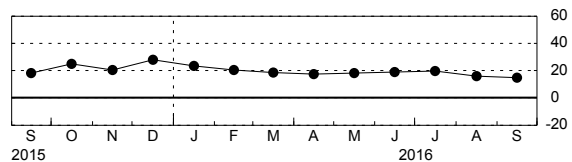
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	24.46	66.91	8.63	15.83
Sep	29.93	55.10	14.97	14.97

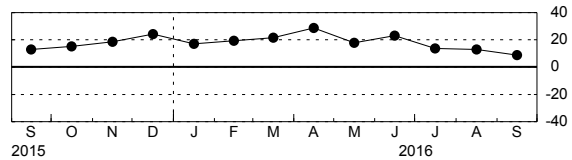
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Aug	30.94	51.08	17.99	12.95
Sep	31.08	46.62	22.30	8.78

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.