

Business Leaders Survey

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

Activity in the region's service sector expanded modestly, according to firms responding to the Federal Reserve Bank of New York's September 2017 *Business Leaders Survey*. The survey's headline business activity index edged down two points but, at 9.4, indicated continuing growth. The business climate index remained negative at -5.3, a sign that firms, on balance, continued to regard the business climate as worse than normal. The employment index rose three points to 10.9, pointing to an increase in employment levels, and the wages index was little changed at 34.9, suggesting that wages grew at about the same pace as in August. Both input prices and selling prices increased at a faster pace than last month, and capital spending increased modestly. Indexes assessing the six-month outlook suggested that firms were less optimistic about future conditions than they were last month, with the index for future business climate falling to a level near zero.

Activity Expands, Though Business Climate Remains Unfavorable

Business activity in the region's service sector continued to expand in September. The headline business activity index moved down two points, but remained firmly in positive territory at 9.4. Thirty-five percent of respondents reported that conditions had improved over the month, while 26 percent said that conditions had worsened. The business climate index was little changed at -5.3, suggesting that, on balance, firms continued to view the business climate as worse than normal.

Employment Increases Modestly

The employment index advanced three points to 10.9, pointing to continued modest growth in employment levels. The wages index, little changed at 34.9, indicated that wages increased at about the same

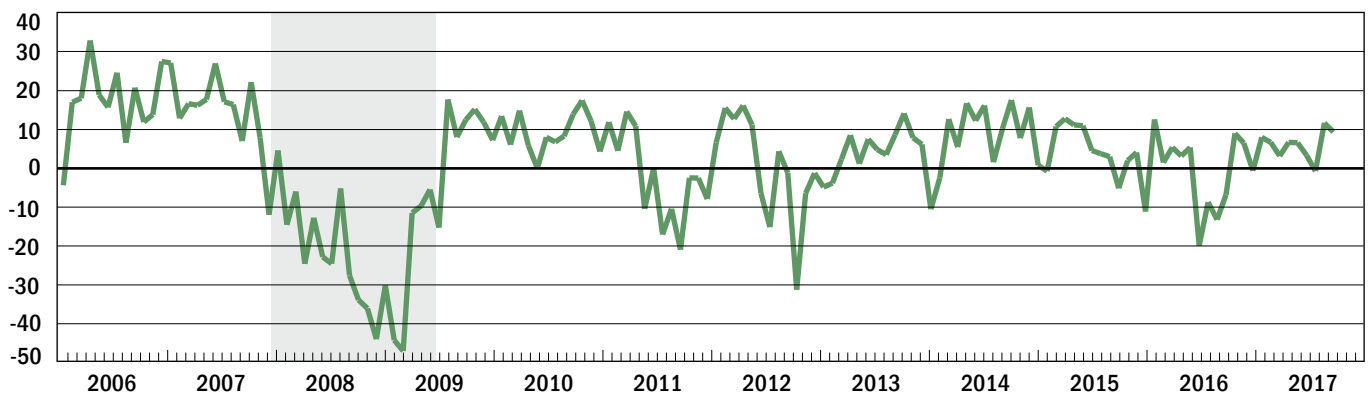
pace as in recent months. Both price indexes moved higher, a sign that prices increased at a faster pace than last month: the prices paid index rose six points to 42.2, and the prices received index climbed five points to 19.0. The capital spending index fell four points to 6.8.

Optimism Wanes

Optimism about the six-month outlook was less widespread than in recent months. The index for future business activity fell five points to 25.9, its lowest level in several months, and the index for future business climate slipped fourteen points to 1.3. At 23.3, the index for future employment suggested that respondents expected employment to increase in the months ahead. The index for planned capital spending was unchanged at 20.5. ■

Business Activity

Diffusion index

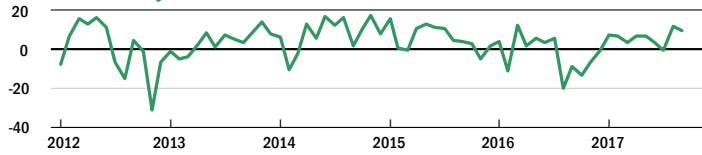


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

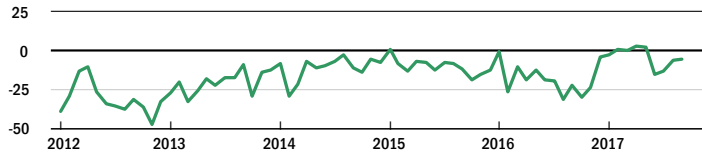
Change from Preceding Month

Business Activity



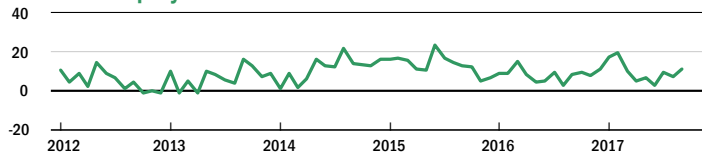
	Percent Reporting		Index
	Higher	Lower	
Aug	35.6	23.9	11.7
Sep	34.9	25.5	9.4
Change			-2.3

Business Climate



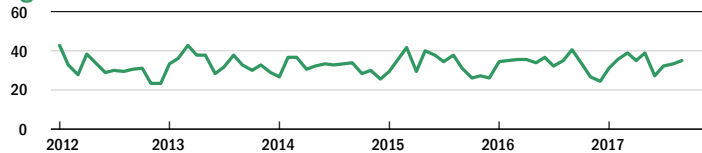
	Percent Reporting		Index
	Favorable	Unfavorable	
Aug	22.6	28.7	-6.1
Sep	20.0	25.3	-5.3
Change			0.8

Number of Employees



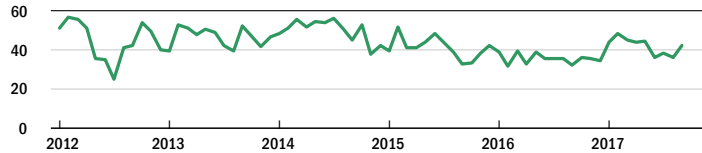
	Percent Reporting		Index
	Higher	Lower	
Aug	28.6	21.1	7.5
Sep	28.6	17.7	10.9
Change			3.4

Wages



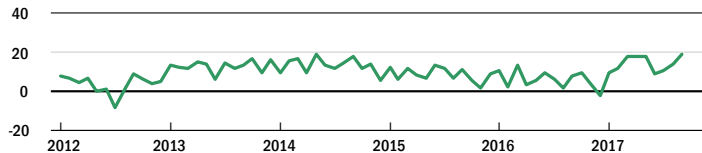
	Percent Reporting		Index
	Higher	Lower	
Aug	35.8	2.5	33.3
Sep	36.3	1.4	34.9
Change			1.6

Prices Paid



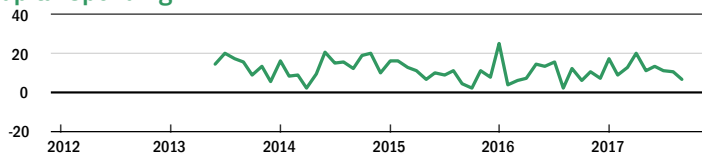
	Percent Reporting		Index
	Higher	Lower	
Aug	36.9	0.6	36.3
Sep	44.2	2.0	42.2
Change			5.9

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Aug	21.4	7.5	13.8
Sep	25.2	6.1	19.0
Change			5.2

Capital Spending



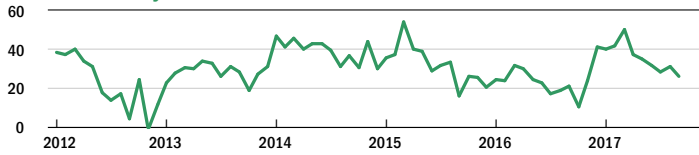
	Percent Reporting		Index
	Higher	Lower	
Aug	29.7	19.0	10.8
Sep	29.5	22.6	6.8
Change			-4.0

Note: Data are not seasonally adjusted.

Forward-Looking Indicators

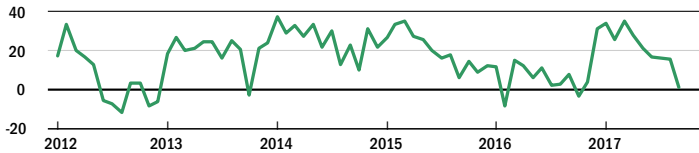
Expectations Six Months Ahead

Business Activity



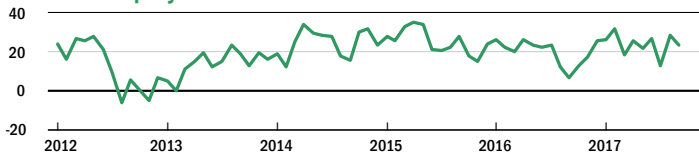
	Percent Reporting		Index
	Higher	Lower	
Aug	44.4	13.1	31.3
Sep	40.1	14.3	25.9
Change			-5.4

Business Climate



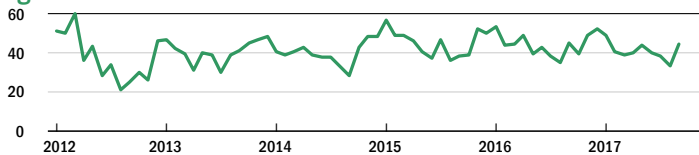
	Percent Reporting		Index
	Favorable	Unfavorable	
Aug	33.5	18.0	15.5
Sep	25.3	24.0	1.3
Change			-14.2

Number of Employees



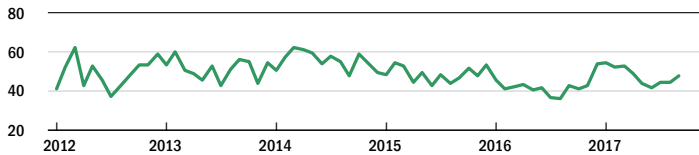
	Percent Reporting		Index
	Higher	Lower	
Aug	38.6	10.1	28.5
Sep	36.3	13.0	23.3
Change			-5.2

Wages



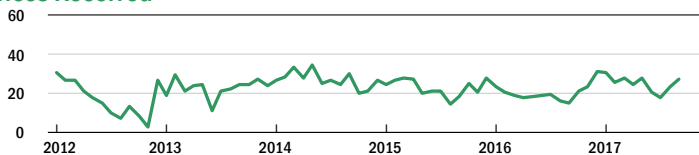
	Percent Reporting		Index
	Higher	Lower	
Aug	34.4	1.3	33.1
Sep	47.6	2.8	44.8
Change			11.7

Prices Paid



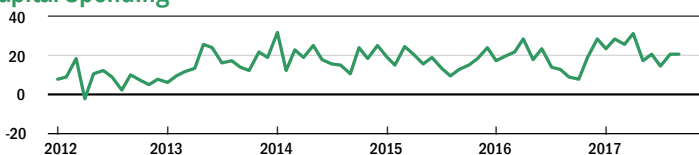
	Percent Reporting		Index
	Higher	Lower	
Aug	46.3	1.9	44.4
Sep	50.3	2.8	47.6
Change			3.2

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Aug	29.7	6.3	23.4
Sep	32.2	4.9	27.3
Change			3.9

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Aug	33.5	13.0	20.5
Sep	37.0	16.4	20.5
Change			0.0

Note: Data are not seasonally adjusted.