

Business Leaders Survey

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

Note: Survey responses were collected between September 2 and September 9.

Activity in the region's service sector declined modestly, according to firms responding to the Federal Reserve Bank of New York's September 2020 *Business Leaders Survey*. The survey's headline business activity index rose twelve points to -5.4, pointing to a slower pace of decline than in August. The business climate index rose eight points to -66.5, indicating that firms viewed the business climate as worse than normal, though to a somewhat lesser extent than last month. Employment levels continued to decline, though only modestly, and wages were higher. Input prices increased at the same pace as last month, while selling prices stabilized. Capital spending fell for a sixth consecutive month. Looking ahead, firms were just slightly optimistic about the six-month outlook, on net, and expected the business climate to remain worse than normal in the months ahead.

Conditions Remain Weak

Business activity in the region's service sector continued to decline in September, though conditions were not as weak as last month. The headline business activity index climbed twelve points to -5.4. Thirty percent of respondents reported that conditions improved over the month, and 35 percent said that conditions worsened. The business climate index rose eight points to -66.5, with 76 percent of respondents viewing the business climate as worse than normal.

Wages Pick Up, Selling Prices Stabilize

Employment levels fell, though the pace of decline continued to abate, with the employment index increasing six points to -7.8. The wages index rose to 7.4, its second consecutive positive reading, signaling a small increase in wages. The prices paid index held steady at 28.6,

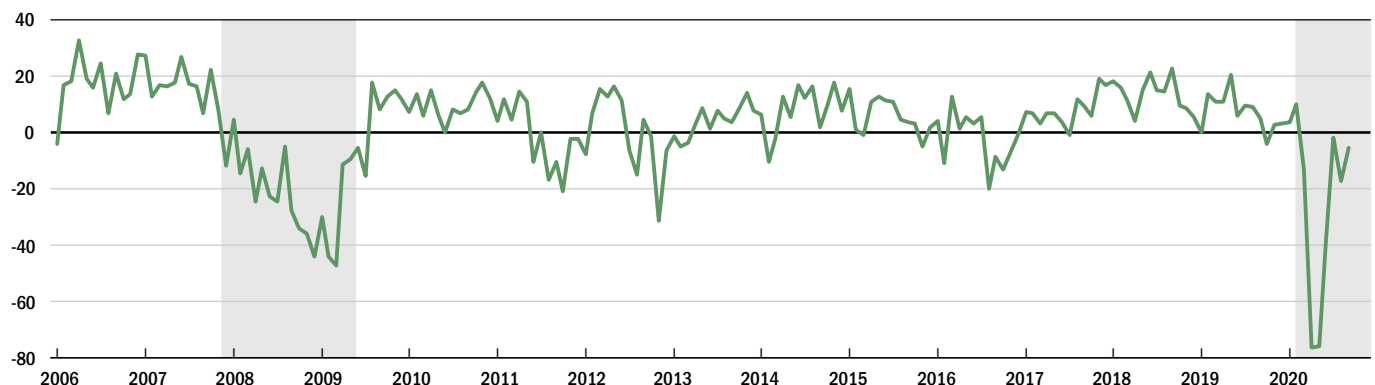
indicating that input prices increased at the same pace as last month. The prices received index climbed to a level of around zero, marking the first time since March that the index was not negative. The capital spending index was little changed at -25.0, suggesting ongoing significant declines in capital spending.

Firms Not Expecting Much Improvement

The index for future business activity climbed into positive territory, rising ten points to 6.8, while the future business climate index remained negative at -5.4; taken together, these readings suggest that firms do not expect much improvement in the months ahead. Employment levels are expected to hold steady, while wages are expected to increase. Firms anticipate lower capital spending in the coming months. ■

Business Activity

Diffusion Index

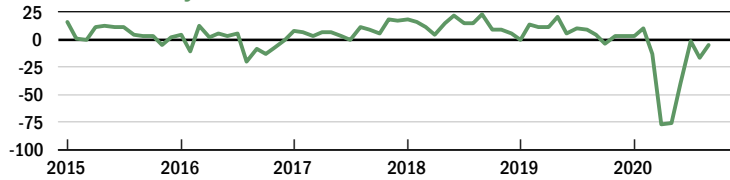


Note: The shaded areas indicate a period designated a recession by the National Bureau of Economic Research.

Current Indicators

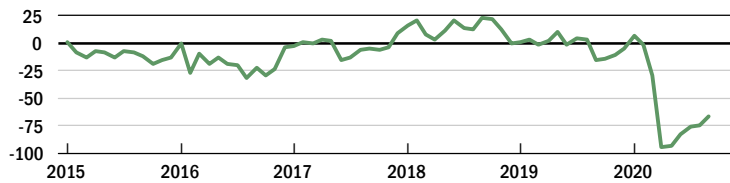
Change from Preceding Month

Business Activity



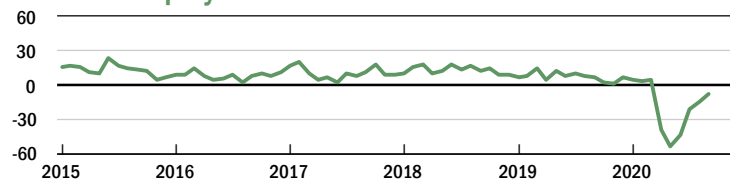
	Percent Reporting		Index
	Higher	Lower	
Aug	24.4	41.5	-17.1
Sep	29.8	35.1	-5.4
Change			11.7

Business Climate



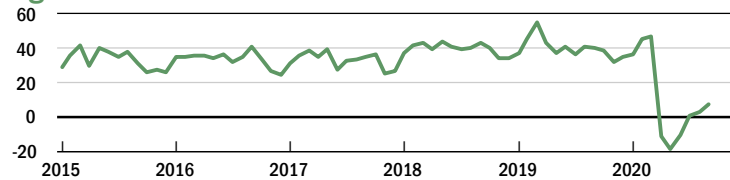
	Percent Reporting		Index
	Favorable	Unfavorable	
Aug	7.7	81.8	-74.1
Sep	9.7	76.2	-66.5
Change			7.6

Number of Employees



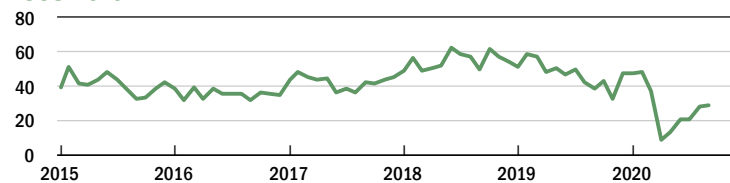
	Percent Reporting		Index
	Higher	Lower	
Aug	18.7	32.9	-14.2
Sep	19.6	27.5	-7.8
Change			6.4

Wages



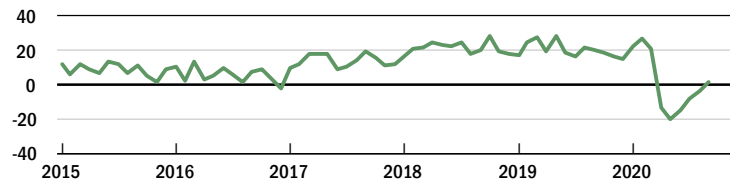
	Percent Reporting		Index
	Higher	Lower	
Aug	18.3	15.6	2.8
Sep	20.2	12.8	7.4
Change			4.6

Prices Paid



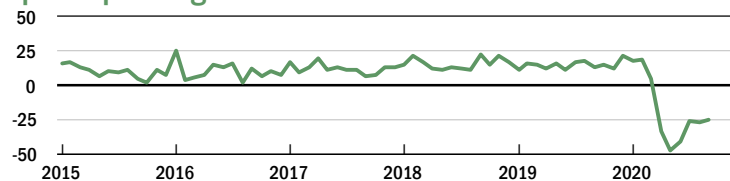
	Percent Reporting		Index
	Higher	Lower	
Aug	36.7	8.7	28.0
Sep	36.0	7.4	28.6
Change			0.6

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Aug	14.4	18.1	-3.7
Sep	15.9	14.4	1.5
Change			5.2

Capital Spending

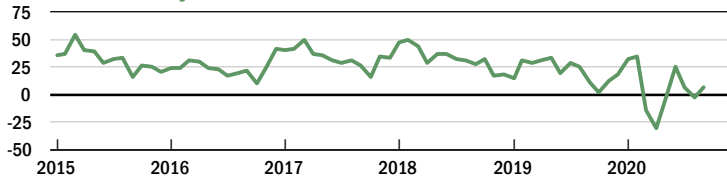


	Percent Reporting		Index
	Higher	Lower	
Aug	16.2	43.5	-27.3
Sep	16.0	41.0	-25.0
Change			2.3

Forward-Looking Indicators

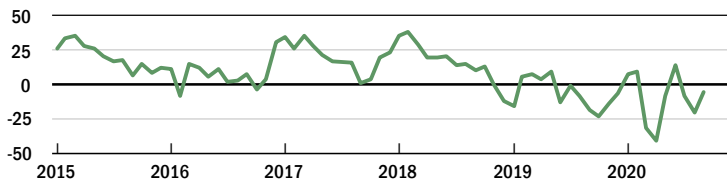
Expectations Six Months Ahead

Business Activity



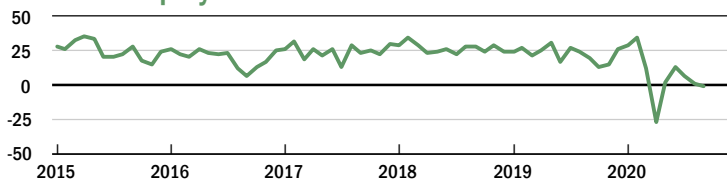
	Percent Reporting		Index
	Higher	Lower	
Aug	33.5	36.2	-2.8
Sep	36.4	29.6	6.8
Change			9.6

Business Climate



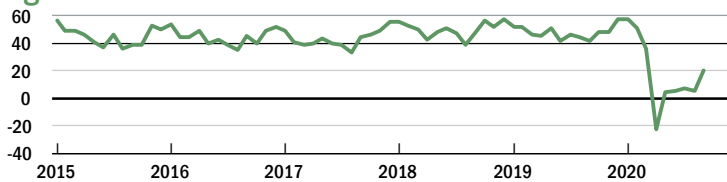
	Percent Reporting		Index
	Favorable	Unfavorable	
Aug	24.1	44.4	-20.4
Sep	30.5	36.0	-5.4
Change			15.0

Number of Employees



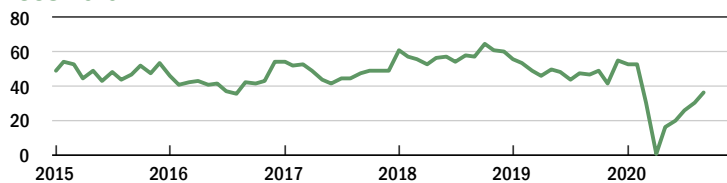
	Percent Reporting		Index
	Higher	Lower	
Aug	26.9	25.5	1.4
Sep	25.9	26.4	-0.5
Change			-1.9

Wages



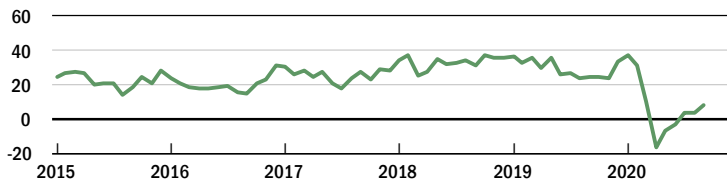
	Percent Reporting		Index
	Higher	Lower	
Aug	18.3	12.7	5.6
Sep	26.8	6.1	20.7
Change			15.1

Prices Paid



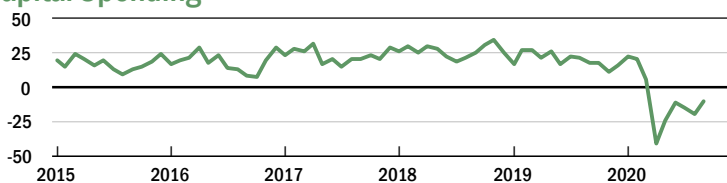
	Percent Reporting		Index
	Higher	Lower	
Aug	36.7	6.2	30.5
Sep	39.2	3.0	36.2
Change			5.7

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Aug	20.0	16.6	3.4
Sep	21.5	13.5	8.0
Change			4.6

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Aug	17.1	36.5	-19.4
Sep	21.9	31.8	-10.0
Change			9.4