

Business Leaders Survey

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

Note: Survey responses were collected between October 3 and October 11.

Activity declined in the region's service sector, according to firms responding to the Federal Reserve Bank of New York's October 2022 *Business Leaders Survey*. The survey's headline business activity index dropped twenty-one points to -15.5, its lowest level in nearly two years. The business climate index fell thirteen points to -41.6, also a multiyear low. Despite the decline in activity, employment grew at a faster pace than last month, and wage increases remained widespread. Price indexes were little changed and remained elevated. Looking ahead, firms turned pessimistic about the six-month outlook.

Conditions Deteriorate

Business activity in the region's service sector declined, according to the October

survey. The headline business activity index dropped twenty-one points to -15.5, its lowest level since February 2021. Twenty-three percent of respondents reported that conditions improved over the month and 39 percent said that conditions worsened. The business climate index fell thirteen points to -41.6, its lowest level in more than a year, with a majority of firms now seeing the business climate as worse than normal.

Employment Expands Despite Decline in Activity

The employment index rose five points to 13.2, pointing to a pickup in employment growth despite the decline in overall activity. At 57.4, the wages index was little changed, indicating another month of strong wage growth. The prices paid

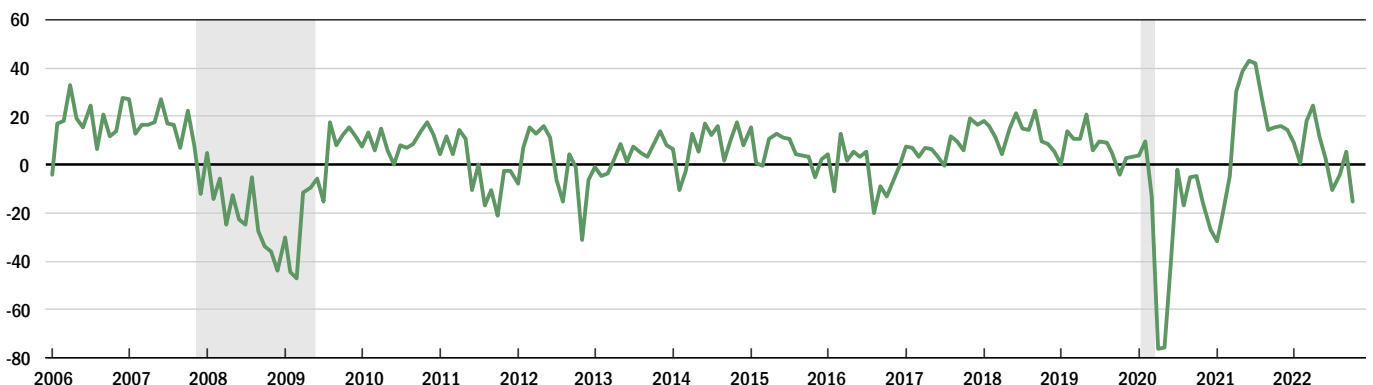
index held steady at 79.5, pointing to ongoing significant input price increases, and the prices received index moved down three points to 39.2. The capital spending index fell to slightly below zero, a sign that capital spending edged lower.

Firms Turn Pessimistic

Conditions are expected to worsen over the next six months. The index for future business activity fell twenty-four points to -7.9, and the index for the future business climate dropped twenty-seven points to -30.2; this marks the first time in nearly two years that both indexes were negative. Employment is expected to grow in the months ahead, and wage and price increases are expected to remain widespread. ■

Business Activity

Diffusion Index

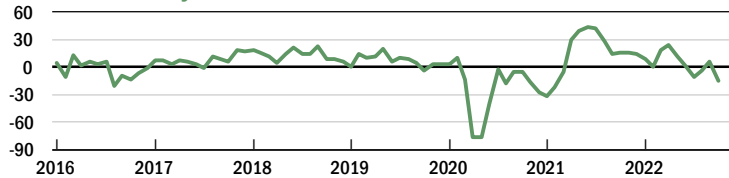


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

Current Indicators

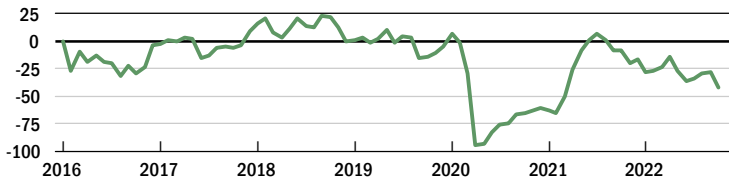
Change from Preceding Month

Business Activity



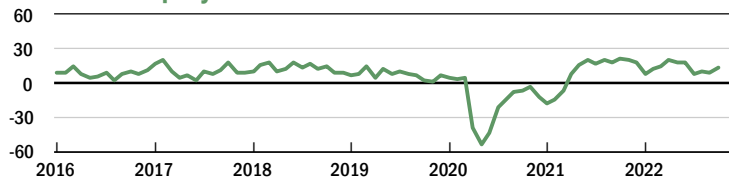
	Percent Reporting		Index
	Higher	Lower	
Sep	35.1	29.8	5.3
Oct	23.0	38.5	-15.5
Change			-20.8

Business Climate



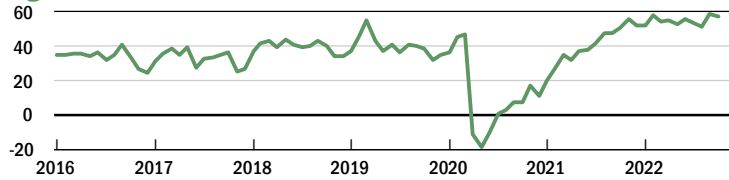
	Percent Reporting		Index
	Favorable	Unfavorable	
Sep	20.1	48.7	-28.6
Oct	13.7	55.3	-41.6
Change			-13.0

Number of Employees



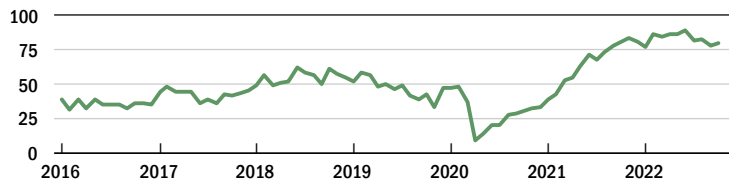
	Percent Reporting		Index
	Higher	Lower	
Sep	25.1	16.6	8.6
Oct	28.4	15.3	13.2
Change			4.6

Wages



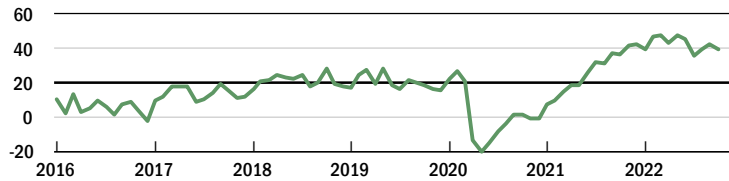
	Percent Reporting		Index
	Higher	Lower	
Sep	59.4	0.5	58.8
Oct	57.9	0.5	57.4
Change			-1.4

Prices Paid



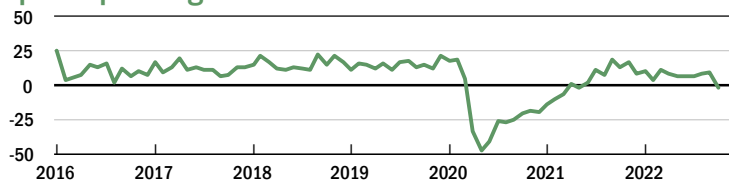
	Percent Reporting		Index
	Higher	Lower	
Sep	81.4	3.7	77.7
Oct	81.6	2.1	79.5
Change			1.8

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Sep	45.2	2.7	42.6
Oct	44.4	5.3	39.2
Change			-3.4

Capital Spending

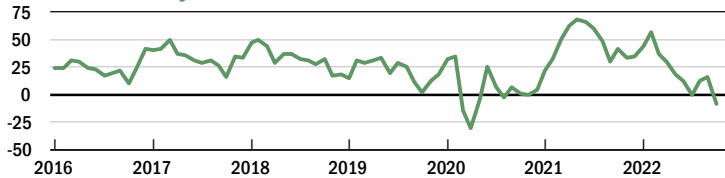


	Percent Reporting		Index
	Higher	Lower	
Sep	25.8	16.1	9.7
Oct	20.1	22.2	-2.1
Change			-11.8

Forward-Looking Indicators

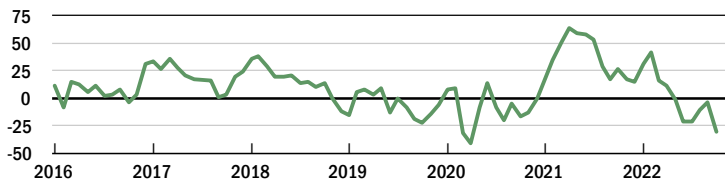
Expectations Six Months Ahead

Business Activity



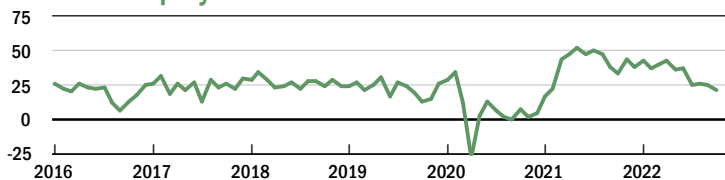
	Percent Reporting		Index
	Higher	Lower	
Sep	40.2	23.8	16.4
Oct	24.7	32.6	-7.9
Change			-24.3

Business Climate



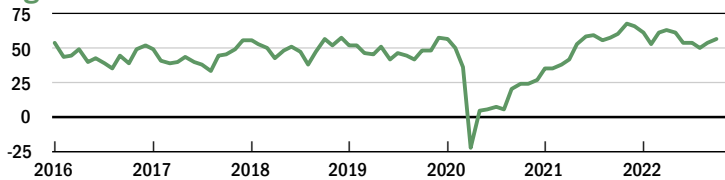
	Percent Reporting		Index
	Better	Worse	
Sep	27.0	30.7	-3.7
Oct	15.3	45.5	-30.2
Change			-26.5

Number of Employees



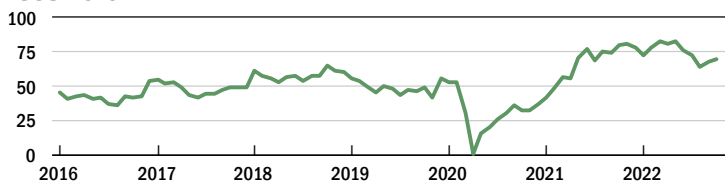
	Percent Reporting		Index
	Higher	Lower	
Sep	36.0	11.3	24.7
Oct	36.4	14.7	21.7
Change			-3.0

Wages



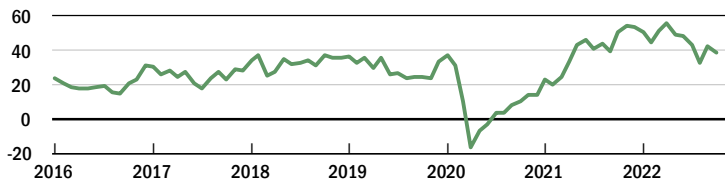
	Percent Reporting		Index
	Higher	Lower	
Sep	54.5	0.5	54.0
Oct	59.2	2.2	57.1
Change			3.1

Prices Paid



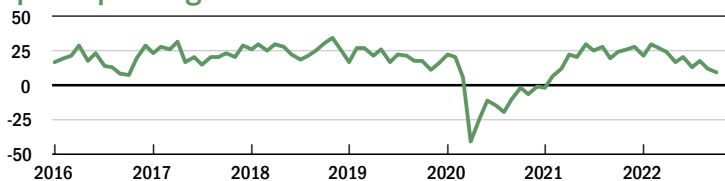
	Percent Reporting		Index
	Higher	Lower	
Sep	71.7	3.7	67.9
Oct	73.8	3.8	69.9
Change			2.0

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Sep	46.2	3.8	42.5
Oct	42.9	4.4	38.5
Change			-4.0

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Sep	29.2	16.8	12.4
Oct	27.2	17.9	9.2
Change			-3.2