

# Business Leaders Survey

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

The Federal Reserve Bank of New York's January 2015 *Business Leaders Survey* indicates that activity in the region's service sector grew moderately. The survey's headline business activity index climbed eight points to 15.7, indicating a faster pace of growth than in December. Of particular note, for the first time since before the Great Recession, the business climate index moved out of negative territory, suggesting that on balance, respondents viewed the business climate as normal. The employment index held steady at 16.0, pointing to continued solid gains in employment, and the wages index rose four points to 29.2, indicating a slightly faster pace of wage growth. The prices paid index inched down three points to 39.3, while the prices received index rose seven points to 12.0. The current capital spending index climbed six points to 16.1. Indexes

for the six-month outlook for business activity and employment were higher and suggested that firms were optimistic about future conditions. Faster wage growth is expected going forward, with the index for expected wages climbing a fourth consecutive month, reaching 56.7, its highest level in nearly three years.

## Business Climate Returns to Normal for First Time since 2007

Business activity expanded moderately in the region's service sector, according to the January 2015 survey. The survey's headline business activity index rose eight points to 15.7, indicating a faster pace of growth than in December. This month, 39 percent of respondents reported that conditions improved, while 23 percent reported that conditions worsened. Of particular note in the January report, the business

climate index climbed out of negative territory for the first time since 2007, reaching 0.7. This result indicates that, on balance, firms viewed the business climate as roughly normal for the first time since before the Great Recession.

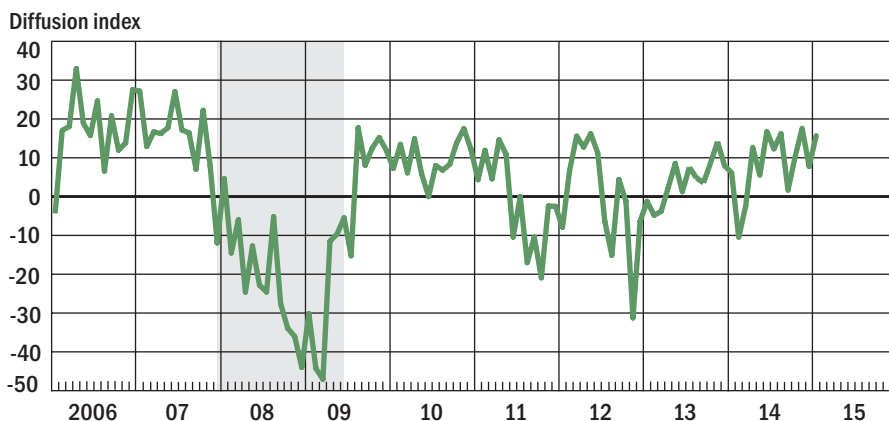
## Employment Expands, Wages Grow

The employment index was little changed at 16.0, pointing to continued moderate gains in employment levels. The index for wages rose four points to 29.2, a sign that wages grew more rapidly this month. The prices paid index inched down three points to 39.3, indicating a slightly less rapid pace of input price increases. After falling last month, the prices received index rose seven points to 12.0, signifying a pickup in the pace of selling price increases. The capital spending index climbed six points to 16.1, suggesting continued growth in capital expenditures.

## Faster Wage Growth Expected

Indexes for the six-month outlook suggested that firms were optimistic about future business conditions. The index for expected business activity rose five points to 35.4, and the index for future business climate advanced four points to 26.5. The index for expected employment rose four points to 27.7. The index for expected wages climbed for a fourth consecutive month, to 56.7, resulting in a cumulative increase of twenty-eight points since September 2014. This trend suggests that respondents are expecting faster wage growth over the next six months. The future prices paid and prices received indexes were little changed, and the index for expected capital spending fell six points to 19.2. ■

## Business Activity



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

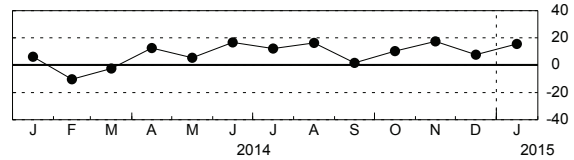
# Current Indicators

Change from Preceding Month

## Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	35.16	37.50	27.34	7.81
Jan	38.78	38.10	23.13	15.65

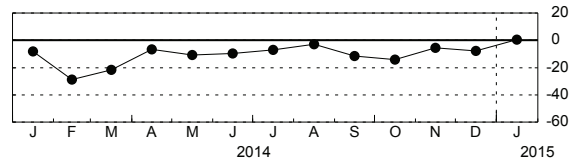
Business Activity - Diffusion Index



## Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Dec	24.22	43.75	32.03	-7.81
Jan	23.81	53.06	23.13	0.68

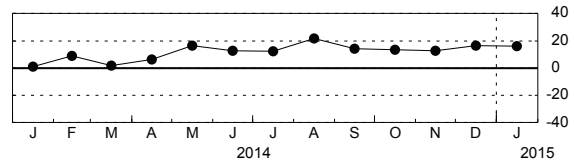
Business Climate - Diffusion Index



## Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	32.56	51.16	16.28	16.28
Jan	29.86	56.25	13.89	15.97

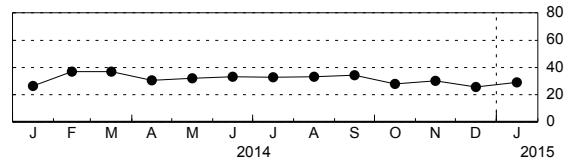
Employment - Diffusion Index



## Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	29.46	66.67	3.88	25.58
Jan	32.64	63.89	3.47	29.17

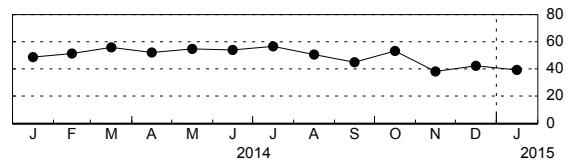
Wages - Diffusion Index



## Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	48.44	45.31	6.25	42.19
Jan	45.52	48.28	6.21	39.31

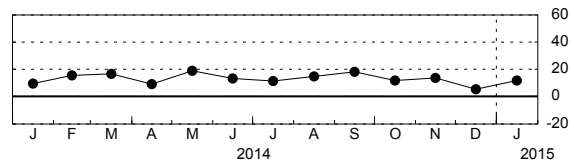
Prices Paid - Diffusion Index



## Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	20.93	63.57	15.50	5.43
Jan	20.42	71.13	8.45	11.97

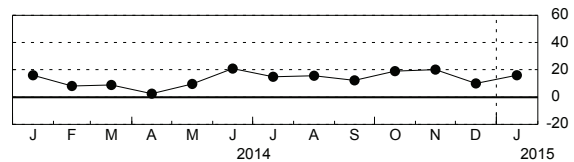
Prices Received - Diffusion Index



## Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	29.46	51.16	19.38	10.08
Jan	32.17	51.75	16.08	16.08

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

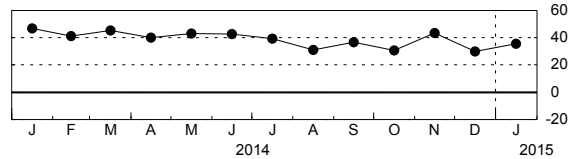
# Forward-Looking Indicators

Expectations Six Months Ahead

## Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	46.92	36.15	16.92	30.00
Jan	45.14	45.14	9.72	35.42

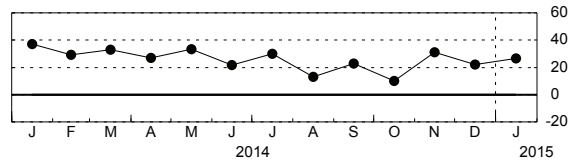
Business Activity - Diffusion Index



## Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Dec	38.58	44.88	16.54	22.05
Jan	37.41	51.70	10.88	26.53

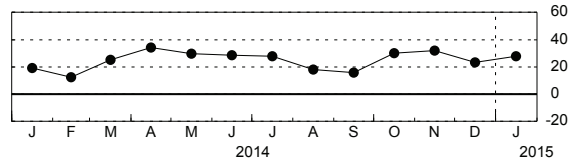
Business Climate - Diffusion Index



## Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	37.50	48.33	14.17	23.33
Jan	39.01	49.65	11.35	27.66

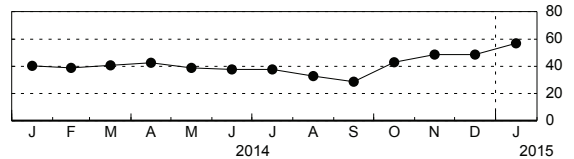
Employment - Diffusion Index



## Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	50.42	47.90	1.68	48.74
Jan	58.16	40.43	1.42	56.74

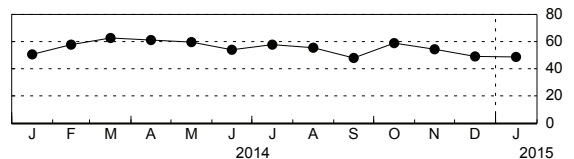
Wages - Diffusion Index



## Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	52.54	44.07	3.39	49.15
Jan	53.52	41.55	4.93	48.59

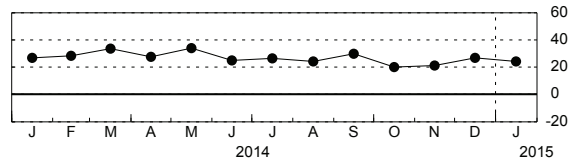
Prices Paid - Diffusion Index



## Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	35.83	55.00	9.17	26.67
Jan	34.29	55.71	10.00	24.29

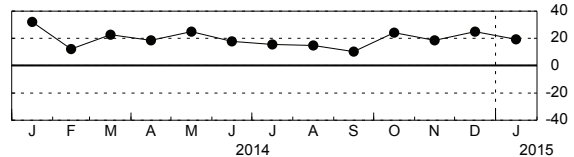
Prices Received - Diffusion Index



## Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	40.00	45.00	15.00	25.00
Jan	36.88	45.39	17.73	19.15

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.