

Business Leaders Survey

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

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

Activity in the region's service sector held fairly steady, according to firms responding to the Federal Reserve Bank of New York's July 2020 *Business Leaders Survey*. The survey's headline business activity index climbed thirty-eight points to -1.8. The business climate index rose seven points, but at -75.4, it indicated that the vast majority of firms still viewed the business climate as worse than normal. Employment levels continued to decline, though at a significantly slower pace than last month, and wages held steady. Input prices increased at the same pace as in June, while selling prices continued to fall. Capital spending declined. Firms were less optimistic about the six-month outlook than in June, and the business climate is expected to be worse than normal in the months ahead.

Activity Stabilizes

Business activity in the region's service sector held steady in July. The headline business activity index increased thirty-eight points to -1.8, its near zero reading is the index's highest level since February. Thirty-six percent of respondents reported that conditions improved over the month, and 37 percent said that conditions worsened. The business climate index rose seven points to -75.4, with 83 percent of respondents viewing the business climate as worse than normal.

Employment Declines Continue

The employment index increased for a second consecutive month, but the index remained well below zero at -21.1, pointing to ongoing employment declines. The wages index climbed to 0.4, signaling that wages stabilized after

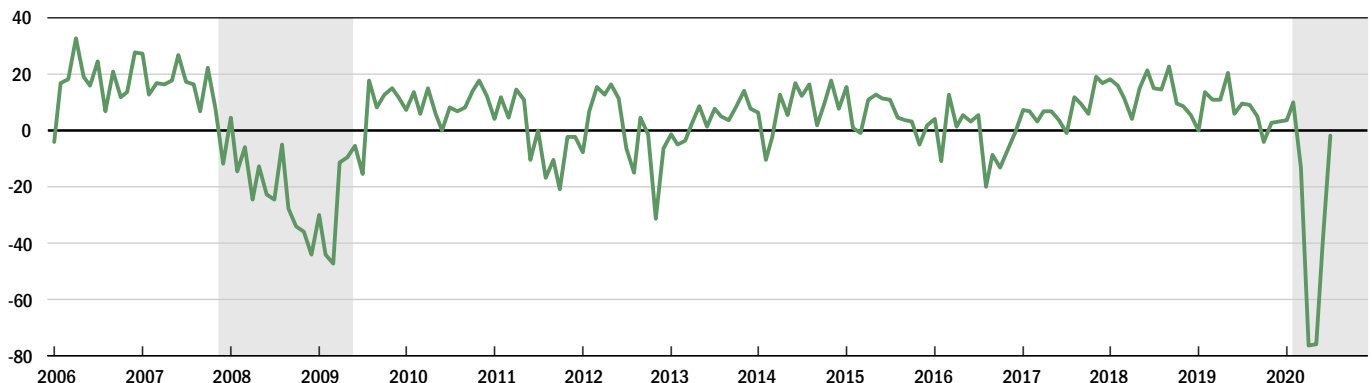
declining for the prior three months. The prices paid index held steady at 20.4, indicating that input prices increased at the same pace as last month. The prices received index moved up seven points, but at -7.9, pointed to ongoing selling price declines. The capital spending index came in at -26.1, suggesting ongoing significant declines in capital spending.

Optimism Wanes

Firms expected business activity to be higher over the next six months, but expect the business climate to be worse than normal. The index for future business activity fell eighteen points to 7.1, and future business climate fell twenty-two points to -8.3. Firms expected some gains in employment and wages in the months ahead, though capital spending is expected to continue to decline. ■

Business Activity

Diffusion Index

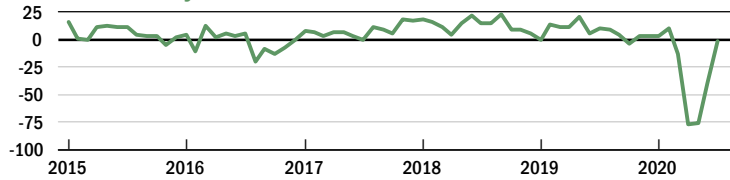


Note: The shaded areas indicate a period designated a recession by the National Bureau of Economic Research.

Current Indicators

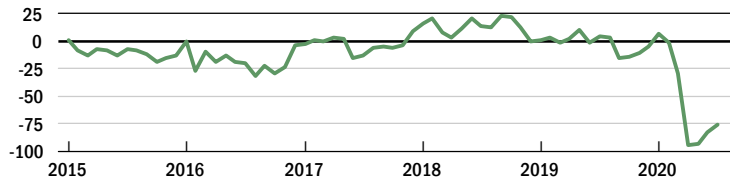
Change from Preceding Month

Business Activity



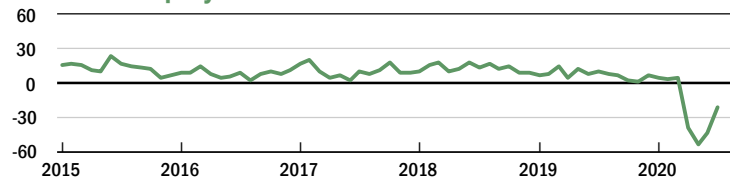
	Percent Reporting		Index
	Higher	Lower	
Jun	19.1	59.1	-40.0
Jul	35.6	37.3	-1.8
Change			38.2

Business Climate



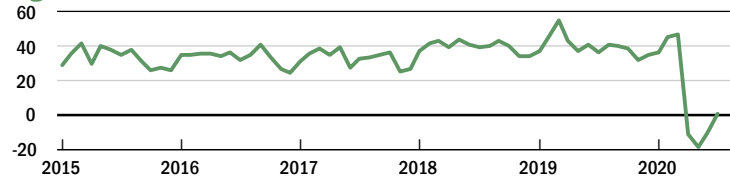
	Percent Reporting		Index
	Favorable	Unfavorable	
Jun	5.2	87.4	-82.3
Jul	7.9	83.3	-75.4
Change			6.9

Number of Employees



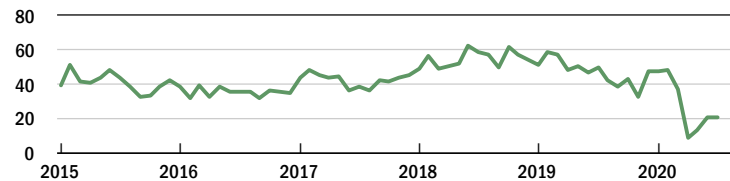
	Percent Reporting		Index
	Higher	Lower	
Jun	7.0	50.2	-43.2
Jul	15.4	36.6	-21.1
Change			22.1

Wages



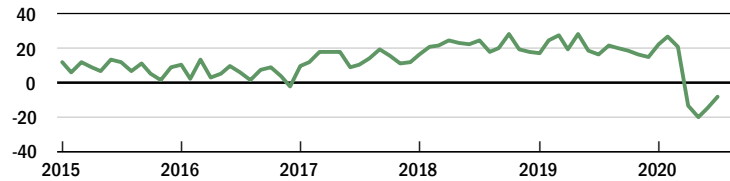
	Percent Reporting		Index
	Higher	Lower	
Jun	14.4	24.9	-10.5
Jul	18.7	18.2	0.4
Change			10.9

Prices Paid



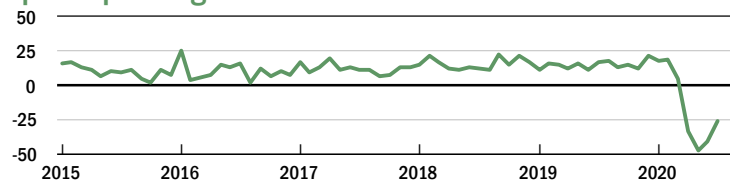
	Percent Reporting		Index
	Higher	Lower	
Jun	30.1	9.6	20.5
Jul	30.5	10.2	20.4
Change			-0.1

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jun	8.0	23.0	-15.0
Jul	11.5	19.4	-7.9
Change			7.1

Capital Spending

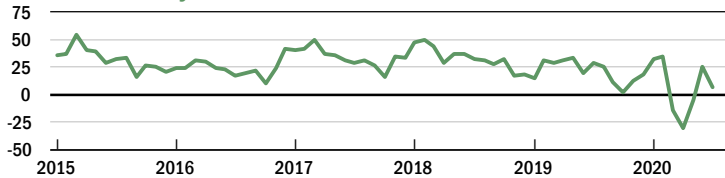


	Percent Reporting		Index
	Higher	Lower	
Jun	12.2	52.8	-40.6
Jul	15.9	42.0	-26.1
Change			14.5

Forward-Looking Indicators

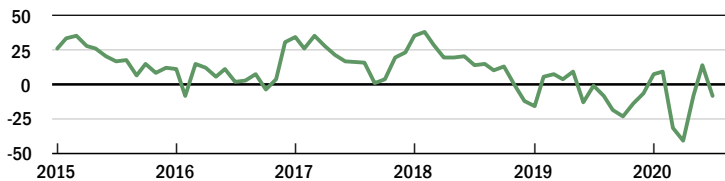
Expectations Six Months Ahead

Business Activity



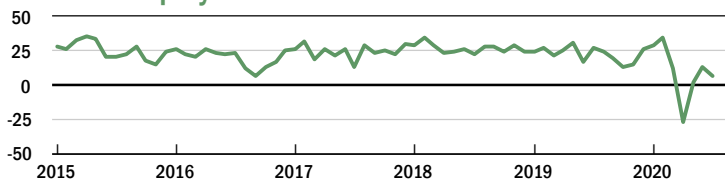
	Percent Reporting		Index
	Higher	Lower	
Jun	52.6	27.8	24.8
Jul	40.9	33.8	7.1
Change			-17.7

Business Climate



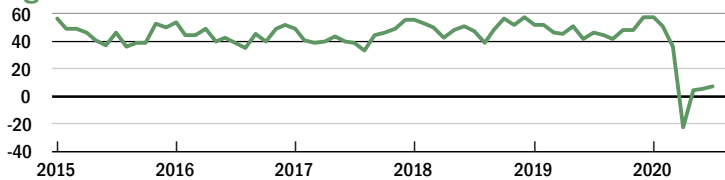
	Percent Reporting		Index
	Favorable	Unfavorable	
Jun	48.7	35.0	13.7
Jul	32.0	40.4	-8.3
Change			-22.0

Number of Employees



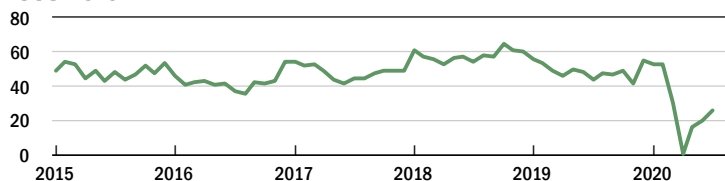
	Percent Reporting		Index
	Higher	Lower	
Jun	36.1	23.3	12.8
Jul	33.3	26.6	6.8
Change			-6.0

Wages



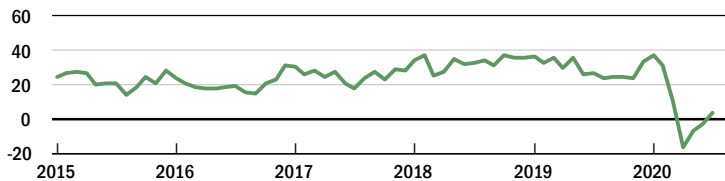
	Percent Reporting		Index
	Higher	Lower	
Jun	20.6	14.8	5.8
Jul	17.0	9.9	7.2
Change			1.4

Prices Paid



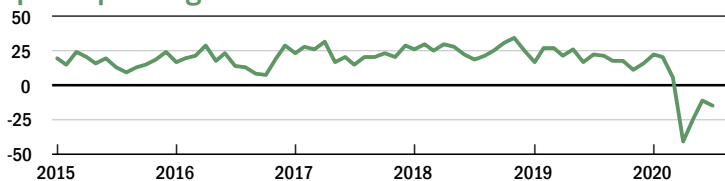
	Percent Reporting		Index
	Higher	Lower	
Jun	29.3	9.5	19.8
Jul	33.0	7.2	25.8
Change			6.0

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jun	16.5	19.7	-3.2
Jul	20.5	16.7	3.7
Change			6.9

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jun	24.1	34.8	-10.7
Jul	18.5	33.8	-15.3
Change			-4.6