

Business Leaders Survey

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

Activity in the region’s service sector continued to grow at a solid pace, according to firms responding to the Federal Reserve Bank of New York’s January 2018 *Business Leaders Survey*. The survey’s headline business activity index was little changed at 18.1. The business climate index rose seven points to 16.4, its highest level in more than a decade, signaling that firms, on balance, regarded the business climate as better than normal. The employment index held steady at 10.5, indicating that employment continued to increase moderately. The wages index moved up eleven points to 37.1, suggesting that wages grew at a faster pace than last month. The indexes for input prices and selling prices edged higher, a sign that prices increased at a somewhat faster pace. Indexes for the six-month outlook suggested that firms were very optimistic about future conditions.

Business Climate Remains Positive for a Second Consecutive Month

Business activity in the region’s service sector continued to grow strongly. The headline business activity index was little changed at 18.1. Thirty-six percent of respondents reported that conditions improved over the month, while 18 percent said that conditions worsened. The business climate index advanced seven points to 16.4, its highest level in more than ten years, signaling that, on balance, firms viewed the business climate as better than normal.

Wages and Prices Increase at a Faster Clip

The employment index remained close to last month’s level at 10.5, indicating that employment levels continued to increase moderately. The wages index climbed eleven points to 37.1, a sign that wages increased at a faster pace

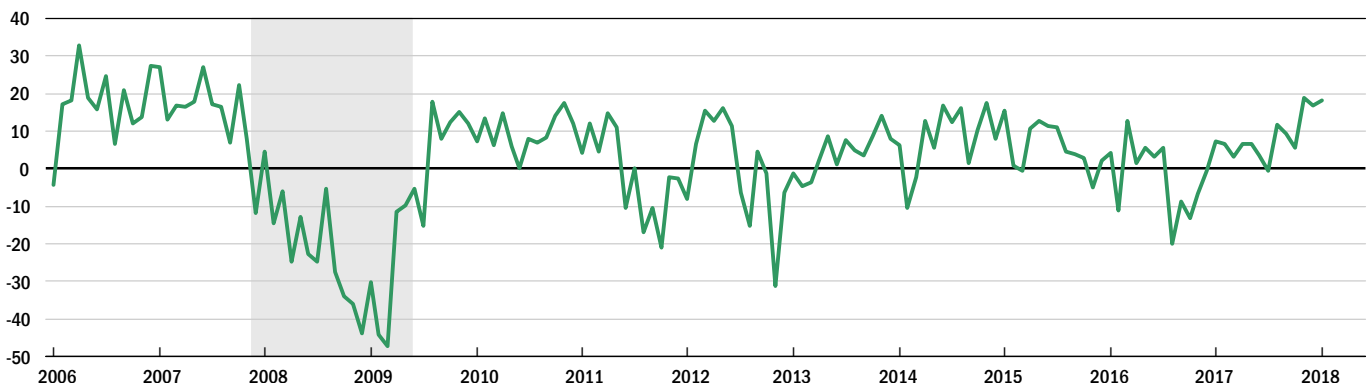
than in December. The prices paid index edged up four points to 49.3 and the prices received index rose five points to 16.6, indicating that prices increased at a faster pace than last month. The capital spending index advanced to 14.8, suggesting that capital spending increased moderately.

Optimism More Widespread

Businesses were very optimistic about the six-month outlook. The index for future business activity increased fourteen points to 47.2, and the index for future business climate moved up twelve points to 35.4. The index for future employment suggested that respondents expected employment to increase in the months ahead, and the index for future wages held steady at 55.8, pointing to an expectation that wages would grow. The index for planned capital spending was little changed at 26.1. ■

Business Activity

Diffusion Index

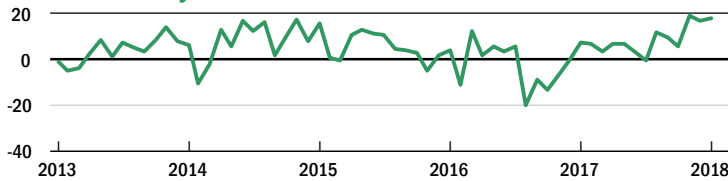


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

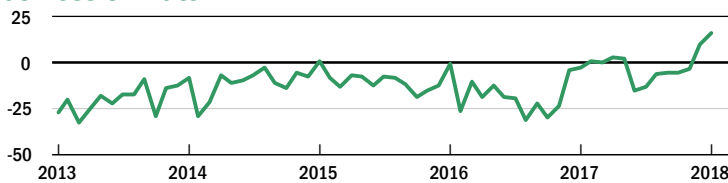
Change from Preceding Month

Business Activity



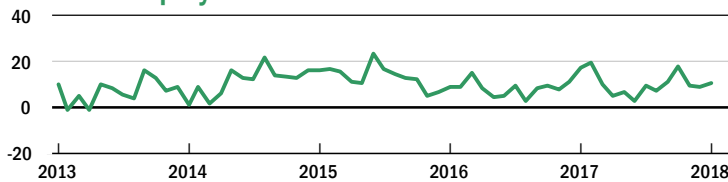
	Percent Reporting		Index
	Higher	Lower	
Dec	38.2	21.5	16.7
Jan	36.1	18.1	18.1
Change			1.4

Business Climate



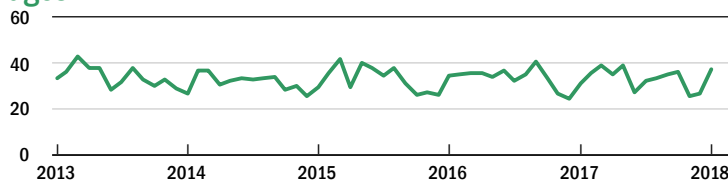
	Percent Reporting		Index
	Favorable	Unfavorable	
Dec	32.9	23.3	9.6
Jan	32.1	15.7	16.4
Change			6.8

Number of Employees



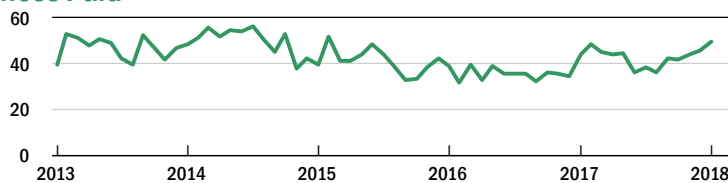
	Percent Reporting		Index
	Higher	Lower	
Dec	23.8	14.7	9.1
Jan	26.3	15.8	10.5
Change			1.4

Wages



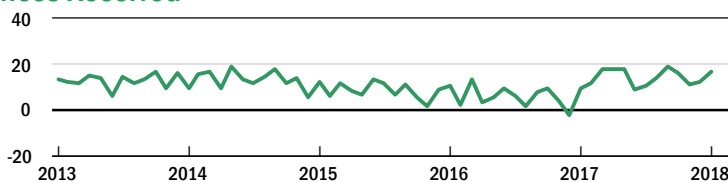
	Percent Reporting		Index
	Higher	Lower	
Dec	30.1	3.5	26.6
Jan	38.4	1.3	37.1
Change			10.5

Prices Paid



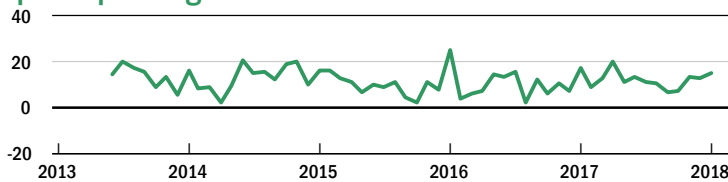
	Percent Reporting		Index
	Higher	Lower	
Dec	48.3	2.8	45.5
Jan	51.3	2.0	49.3
Change			3.8

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Dec	22.0	9.9	12.1
Jan	23.2	6.6	16.6
Change			4.5

Capital Spending

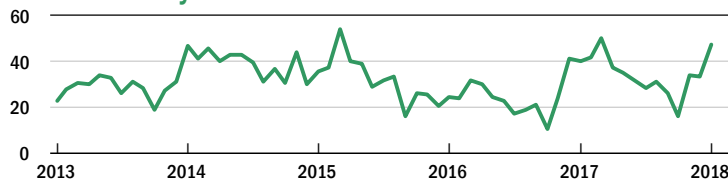


	Percent Reporting		Index
	Higher	Lower	
Dec	28.0	15.4	12.6
Jan	28.9	14.1	14.8
Change			2.2

Forward-Looking Indicators

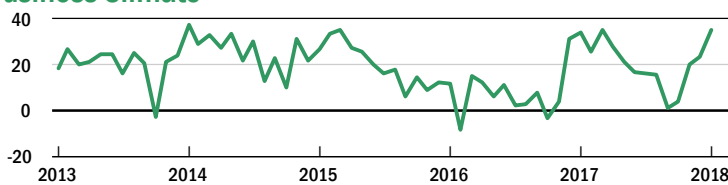
Expectations Six Months Ahead

Business Activity



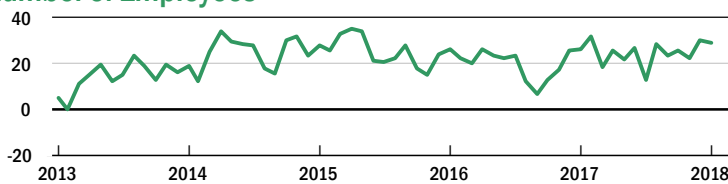
	Percent Reporting		Index
	Higher	Lower	
Dec	47.3	14.2	33.1
Jan	54.7	7.5	47.2
Change			14.1

Business Climate



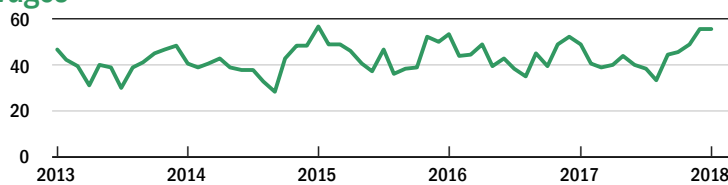
	Percent Reporting		Index
	Favorable	Unfavorable	
Dec	39.2	15.5	23.6
Jan	43.7	8.2	35.4
Change			11.8

Number of Employees



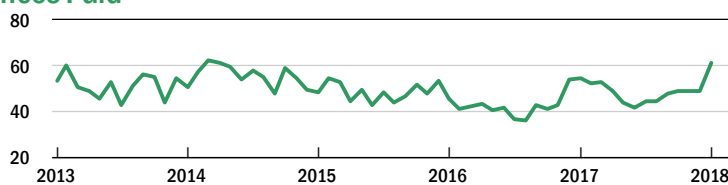
	Percent Reporting		Index
	Higher	Lower	
Dec	41.7	11.8	29.9
Jan	41.6	12.3	29.2
Change			-0.7

Wages



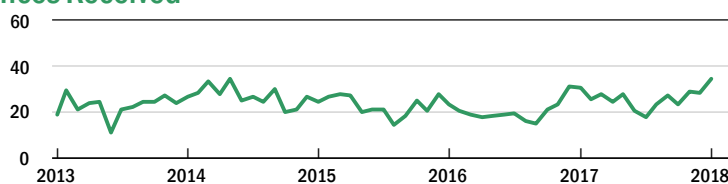
	Percent Reporting		Index
	Higher	Lower	
Dec	57.5	2.1	55.5
Jan	55.8	0.0	55.8
Change			0.3

Prices Paid



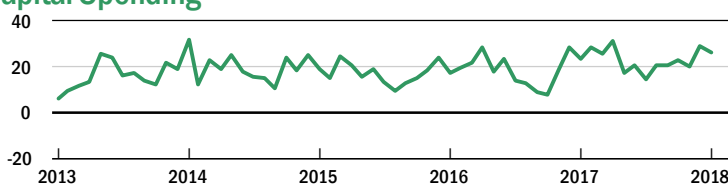
	Percent Reporting		Index
	Higher	Lower	
Dec	51.0	2.1	49.0
Jan	61.8	0.7	61.2
Change			12.2

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Dec	34.5	6.3	28.2
Jan	39.5	5.3	34.2
Change			6.0

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Dec	39.0	10.3	28.8
Jan	35.9	9.8	26.1
Change			-2.7