

Business Leaders Survey

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

The Federal Reserve Bank of New York's January 2014 *Business Leaders Survey* indicates that activity in the region's service sector increased modestly. The survey's headline business activity index inched down two points to 6.2. The business climate index reached its highest level since 2007, but remained negative at -8.0, suggesting that on balance, respondents continued to view the business climate as worse than normal. The employment index fell to 0.9, indicating that employment levels were flat. The wages index edged down to 26.6, a level which signals that wages increased at a slightly slower pace than last month. Input price increases picked up, while selling price increases slowed

down. The capital spending index rose eleven points to 15.9, pointing to moderate growth in capital expenditures, and capital spending plans over the next six months rose sharply. Respondents were highly optimistic about the six-month outlook, with many indexes of future activity rising to multiyear highs.

Business Activity Continues to Grow

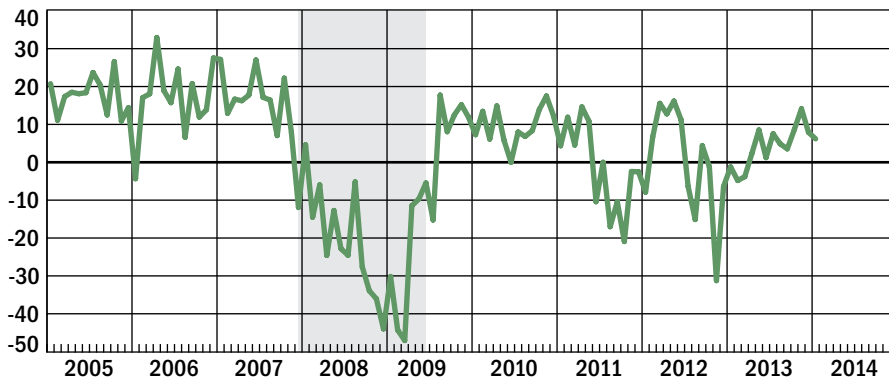
Business activity strengthened in the region's service sector, according to the January survey. The business activity index was 6.2, indicating a modest increase in activity over the month, even though it was slightly lower than its December level. The index has been positive since April, suggesting that business activity

has been growing for the past several months, with the January level at about the average seen over the past ten months. The business climate index remained negative at -8.0. This index is derived from a survey question that asks respondents to rate the business climate for this time of the year as better or worse than normal. This month, 21 percent of respondents said that the business climate was better than normal, while 29 percent said that the climate was worse. Although this index has been negative since 2007, it has been on a clear upward trend since the end of the national recession, with this value representing its highest reading since August 2007.

Business Activity

Seasonally adjusted

Diffusion index



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

Employment Holds Steady

The employment index fell eight points to 0.9, indicating that employment levels were little changed. The index for wages fell two points to 26.6, a level that reveals that wages increased, on balance. This index has been trending downward for the past several months, suggesting that wage increases have been gradually slowing. The capital spending index rose ten points to 15.9, signaling a moderate increase in capital expenditures. The prices paid index inched up two points to

Continued

Continued from page 1

48.7, suggesting a pickup in input price increases, while the prices received index fell six points to 9.7, pointing to a deceleration in selling price increases.

Six-Month Outlook Highly Optimistic

Indexes for the six-month outlook conveyed strong optimism about future conditions. The index for expected business activity rose sixteen points to 46.9, its highest level in nearly three years, and

the index for future business climate climbed thirteen points to 37.2. The index for expected employment increased three points to 19.2. The index for future wages fell to 40.4. The forward-looking prices paid index dipped four points to 50.5, while the future prices received index edged up to 26.9. The index for expected capital spending rose sharply, climbing thirteen points to 32.0, a multiyear high. ■

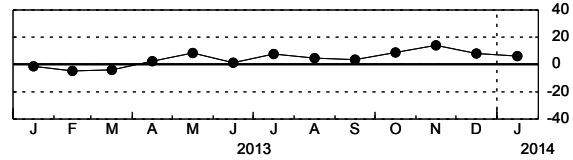
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	31.58	44.74	23.68	7.89
Jan	30.09	46.02	23.89	6.19

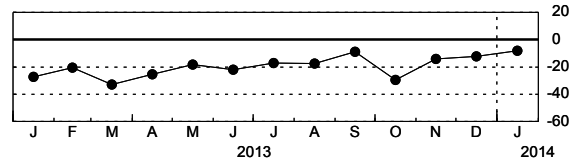
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Dec	22.61	42.61	34.78	-12.17
Jan	21.24	49.56	29.20	-7.96

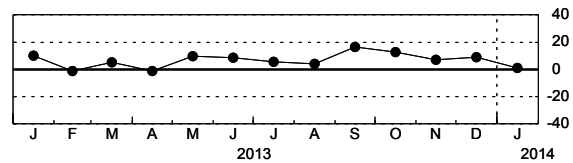
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	29.82	49.12	21.05	8.77
Jan	20.54	59.82	19.64	0.89

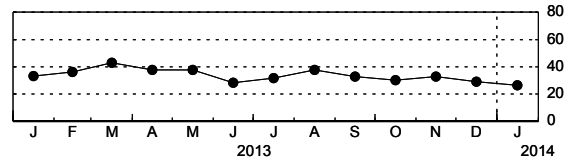
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	30.70	67.54	1.75	28.95
Jan	28.32	69.91	1.77	26.55

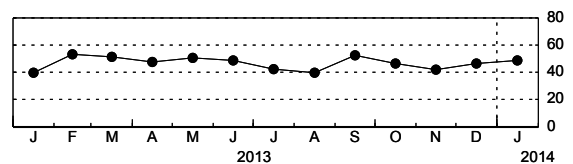
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	50.00	46.49	3.51	46.49
Jan	50.44	47.79	1.77	48.67

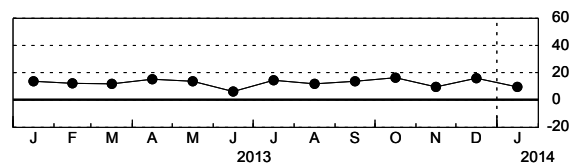
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	25.00	66.07	8.93	16.07
Jan	19.47	70.80	9.73	9.73

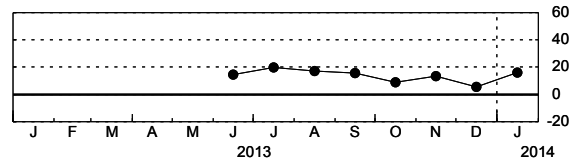
Prices Received - Diffusion Index



Capital Spending*

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	23.01	59.29	17.70	5.31
Jan	28.32	59.29	12.39	15.93

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

*The data begin in June 2013, when this question was first asked.

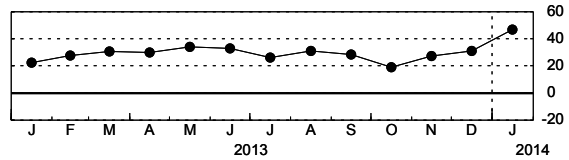
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	46.90	37.17	15.93	30.97
Jan	57.52	31.86	10.62	46.90

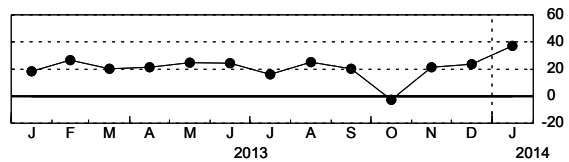
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Dec	36.84	50.00	13.16	23.68
Jan	47.79	41.59	10.62	37.17

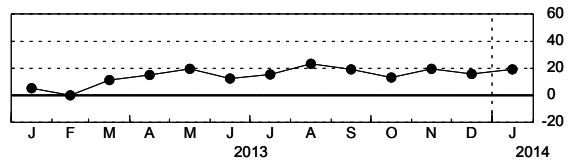
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	30.84	54.21	14.95	15.89
Jan	36.54	46.15	17.31	19.23

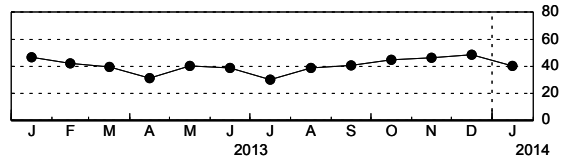
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	49.53	49.53	0.93	48.60
Jan	43.27	53.85	2.88	40.38

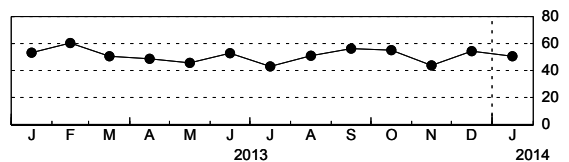
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	57.01	40.19	2.80	54.21
Jan	54.46	41.58	3.96	50.50

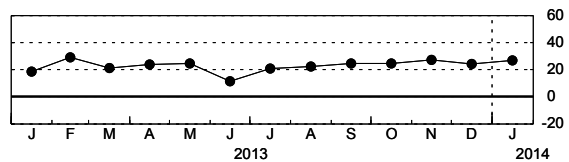
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	35.58	52.88	11.54	24.04
Jan	36.54	53.85	9.62	26.92

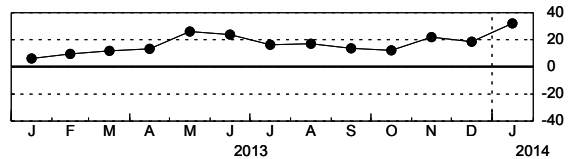
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	34.58	49.53	15.89	18.69
Jan	39.81	52.43	7.77	32.04

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.