

Business Leaders Survey

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

Note: Survey responses were collected between September 2 and September 10.

Business activity continued to increase in the region's service sector, though at a slower pace than in recent months, according to firms responding to the Federal Reserve Bank of New York's September 2021 Business Leaders Survey. The survey's headline business activity index fell thirteen points to 14.4, its third consecutive monthly decline. The business climate index fell to -8.5, indicating that firms generally viewed the business climate as worse than normal for this time of year. Employment levels and wages continued to rise at a solid clip. Both the prices paid and prices received indexes moved higher, pointing to a pickup in input and selling price increases. Capital spending expanded. Looking ahead, firms expressed the view that conditions would improve over the next six months, though optimism continued to wane, as it has for the past few months.

Growth Slows for a Third Consecutive Month

Business activity in the region's service sector increased, according to the September survey, though growth continued to slow. After falling fourteen points last month, the headline business activity index fell another thirteen points to 14.4, hitting its lowest level since March. Thirty-nine percent of respondents reported that conditions improved over the month, while 24 percent said that conditions worsened. The business climate index fell below zero to -8.5, indicating that on net, firms viewed the business climate as worse than normal for this time of year.

Price Increases Accelerate

The employment index was little changed at 18.1, pointing to a moderate increase in employment levels. The wages index held steady at 47.9,

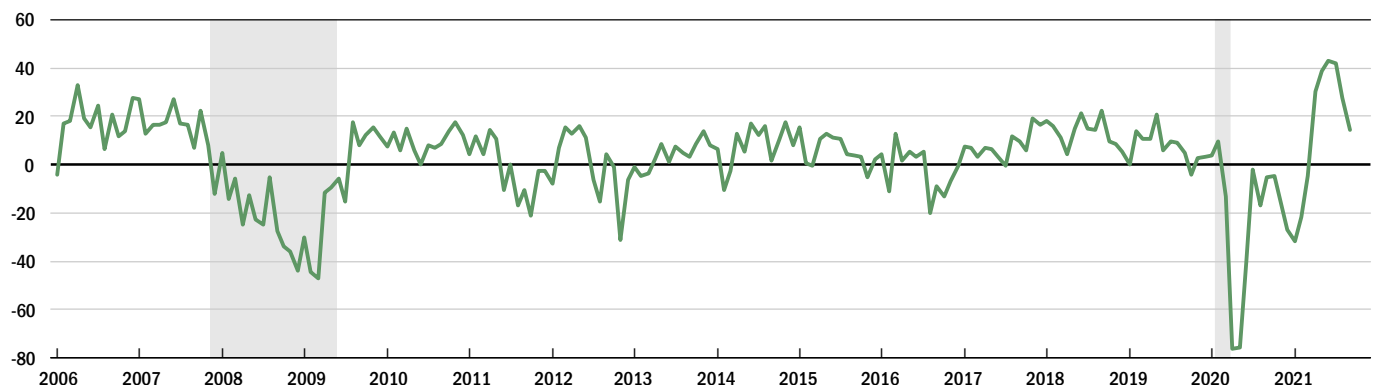
signaling another month of strong wage growth. Both input prices and selling prices rose at a steeper pace: the prices paid index rose five points to 78.1, and the prices received index rose six points to 36.9. The capital spending index moved up eleven points to 18.8, its highest level since the pandemic began, indicating a solid increase in capital spending.

Optimism Continues to Wane

While firms are still optimistic, the level of optimism about future conditions continued to wane. The index for future business activity fell eighteen points to 30.5, its fourth consecutive monthly decline. The index for future business climate fell to 17.6. Strong gains in employment and wages are expected in the months ahead, and prices are expected to continue to rise significantly. ■

Business Activity

Diffusion Index

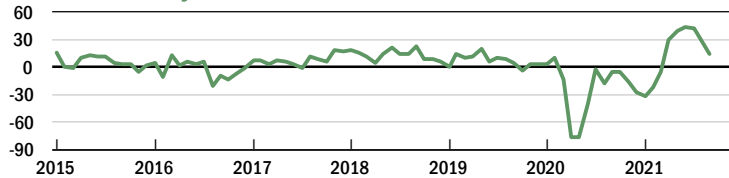


Note: The shaded areas indicate a period designated a recession by the National Bureau of Economic Research.

Current Indicators

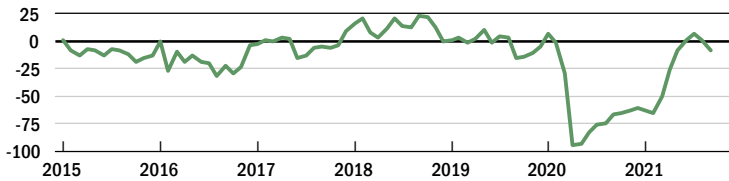
Change from Preceding Month

Business Activity



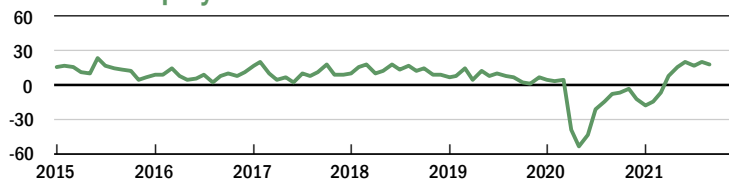
	Percent Reporting		Index
	Higher	Lower	
Aug	44.9	17.2	27.8
Sep	38.5	24.1	14.4
Change			-13.4

Business Climate



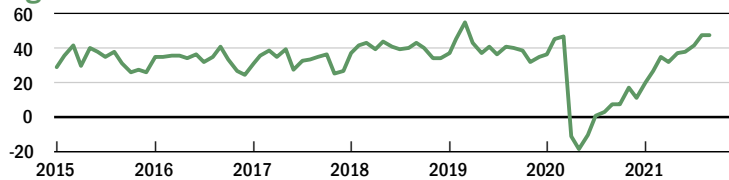
	Percent Reporting		Index
	Favorable	Unfavorable	
Aug	34.0	33.5	0.5
Sep	30.3	38.8	-8.5
Change			-9.0

Number of Employees



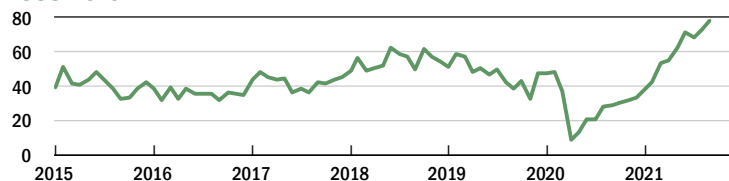
	Percent Reporting		Index
	Higher	Lower	
Aug	38.1	17.8	20.3
Sep	31.9	13.8	18.1
Change			-2.2

Wages



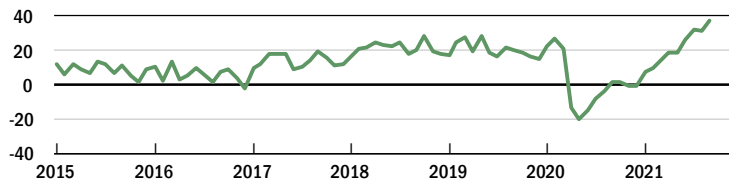
	Percent Reporting		Index
	Higher	Lower	
Aug	49.2	2.0	47.2
Sep	50.5	2.7	47.9
Change			0.7

Prices Paid



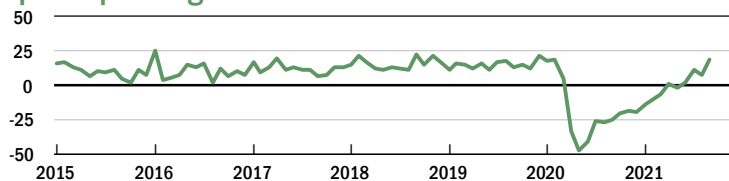
	Percent Reporting		Index
	Higher	Lower	
Aug	75.1	2.0	73.1
Sep	78.1	0.0	78.1
Change			5.0

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Aug	38.6	7.6	31.0
Sep	41.7	4.8	36.9
Change			5.9

Capital Spending

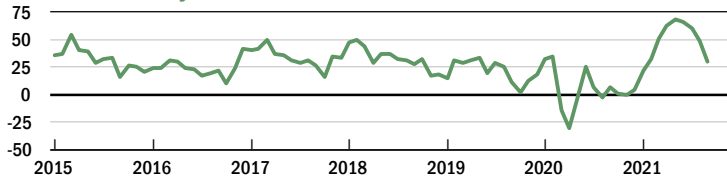


	Percent Reporting		Index
	Higher	Lower	
Aug	26.5	18.9	7.7
Sep	31.7	12.9	18.8
Change			11.1

Forward-Looking Indicators

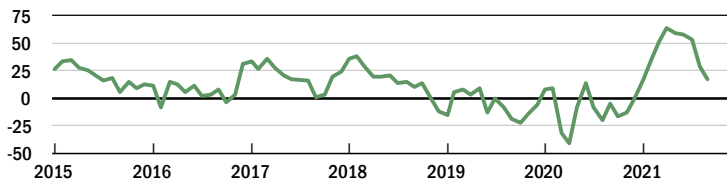
Expectations Six Months Ahead

Business Activity



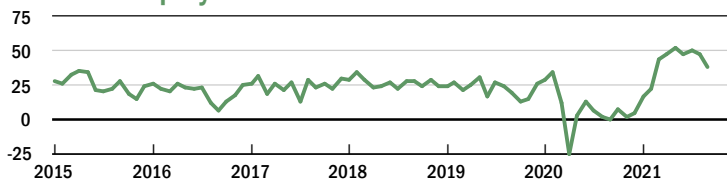
	Percent Reporting		Index
	Higher	Lower	
Aug	58.2	10.2	48.0
Sep	46.0	15.5	30.5
Change			-17.5

Business Climate



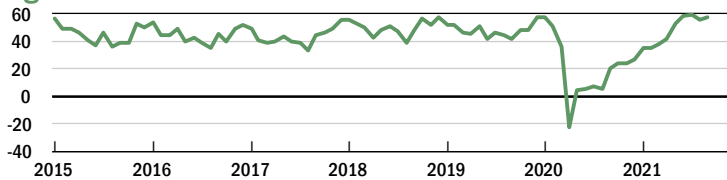
	Percent Reporting		Index
	Better	Worse	
Aug	44.9	16.7	28.3
Sep	36.7	19.1	17.6
Change			-10.7

Number of Employees



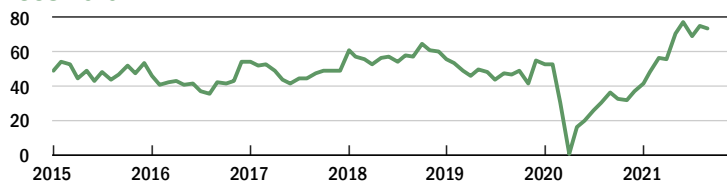
	Percent Reporting		Index
	Higher	Lower	
Aug	52.8	5.6	47.2
Sep	47.6	9.6	38.0
Change			-9.2

Wages



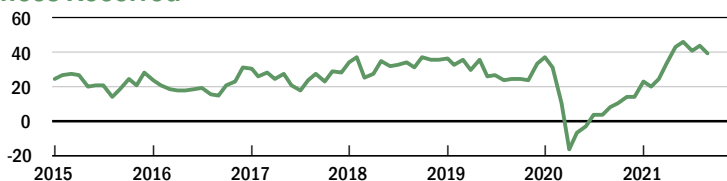
	Percent Reporting		Index
	Higher	Lower	
Aug	55.9	0.5	55.4
Sep	58.6	1.1	57.5
Change			2.1

Prices Paid



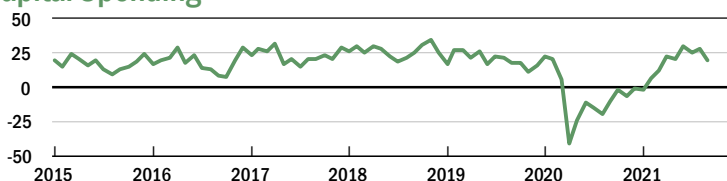
	Percent Reporting		Index
	Higher	Lower	
Aug	76.3	1.5	74.7
Sep	74.9	1.1	73.8
Change			-0.9

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Aug	48.5	4.6	43.8
Sep	44.1	4.8	39.2
Change			-4.6

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Aug	36.6	8.8	27.8
Sep	33.9	14.0	19.9
Change			-7.9