

# Business Leaders Survey

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

Note: Survey responses were collected between May 3 and May 10.

Business activity grew at a record-setting pace in the region's service sector, according to firms responding to the Federal Reserve Bank of New York's May 2021 *Business Leaders Survey*. The survey's headline business activity index increased nine points to 38.8. The business climate index rose seventeen points, though it remained negative at -8.5, indicating that on net firms viewed the business climate as somewhat worse than normal. Employment levels increased modestly, and wage increases picked up. Input price increases accelerated, and selling prices increased modestly. Capital spending held steady, and firms expect to increase capital spending over the next six months. Looking ahead, firms expressed widespread optimism that conditions would improve, with the future business activity and future employment indexes reaching record highs.

## Activity Continues to Grow Strongly

Business activity in the region's service sector increased at a solid pace for a second consecutive month in May. The headline business activity index rose nine points to 38.8, a record high. Just over half of respondents reported that conditions improved over the month, while 12 percent said that conditions worsened. After rising twenty-five points last month, the business climate index advanced another seventeen points but held somewhat below zero at -8.5. About one-third of respondents viewed the business climate as better than normal, and 41 percent said the business climate was worse than normal.

## Employment and Wages Push Higher

The employment index rose eight points to 15.2, pointing to a modest increase in employment levels. The wages index climbed five points to 37.3, signaling

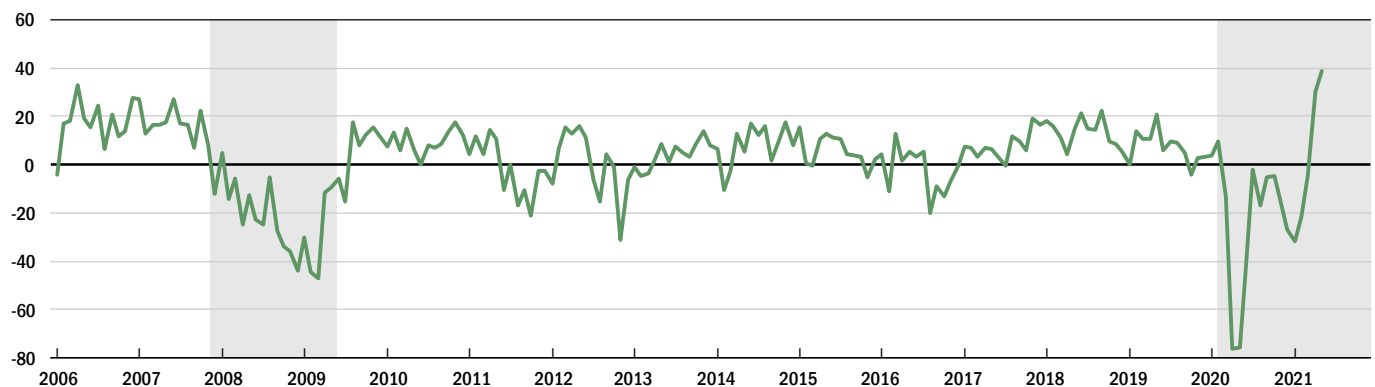
a small pickup in wage growth. Input price increases remained significant, with the prices paid index rising eight points to 62.7. The prices received index held steady at 18.8, signaling modest selling price increases. The capital spending index edged down to -2.1, suggesting that capital spending was little changed.

## Widespread Optimism about Future Conditions

The index for future business activity reached a record high of 67.8, pointing to widespread optimism about future conditions, and the future business climate index fell just slightly from last month's record high. The index for future employment rose to 51.8, also a record high. Wages and prices are expected to continue to rise, and firms expect to increase capital spending in the months ahead. ■

## Business Activity

Diffusion Index

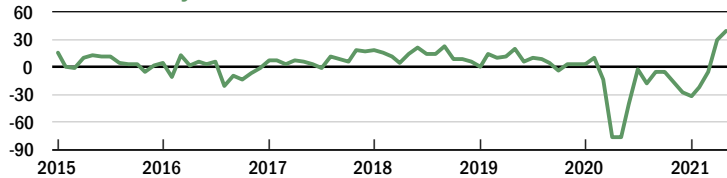


Note: The shaded areas indicate a period designated a recession by the National Bureau of Economic Research.

# Current Indicators

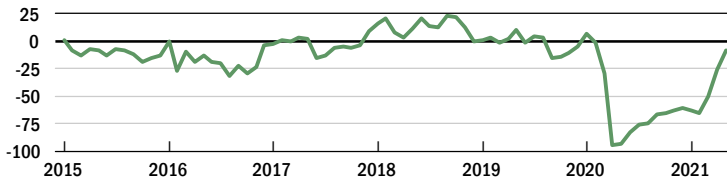
Change from Preceding Month

## Business Activity



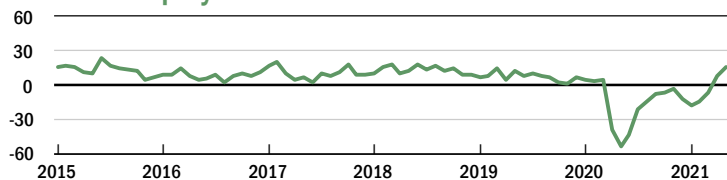
	Percent Reporting		Index
	Higher	Lower	
Apr	46.7	16.5	30.2
May	51.0	12.2	38.8
Change			8.6

## Business Climate



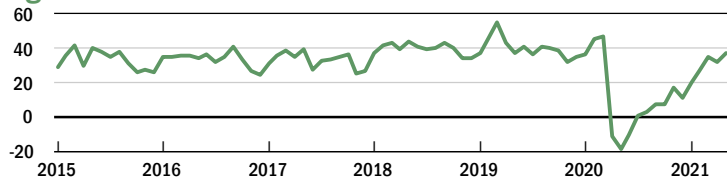
	Percent Reporting		Index
	Favorable	Unfavorable	
Apr	25.2	50.8	-25.6
May	32.5	41.1	-8.5
Change			17.1

## Number of Employees



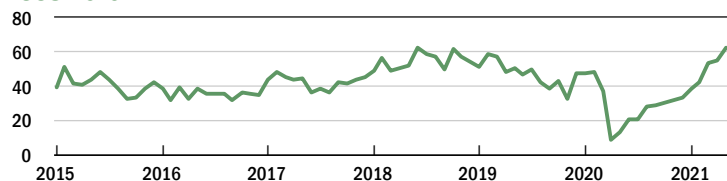
	Percent Reporting		Index
	Higher	Lower	
Apr	26.8	19.2	7.5
May	28.3	13.1	15.2
Change			7.7

## Wages



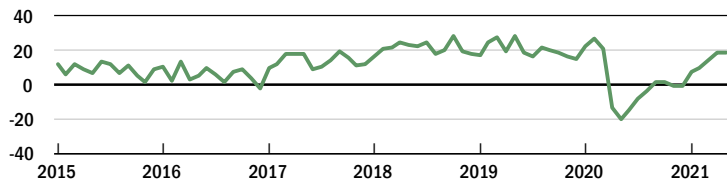
	Percent Reporting		Index
	Higher	Lower	
Apr	35.3	3.4	31.9
May	38.6	1.2	37.3
Change			5.4

## Prices Paid



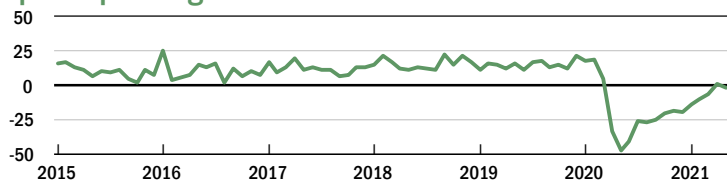
	Percent Reporting		Index
	Higher	Lower	
Apr	57.1	2.1	55.0
May	64.3	1.6	62.7
Change			7.7

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Apr	28.1	9.4	18.7
May	27.3	8.6	18.8
Change			0.1

## Capital Spending

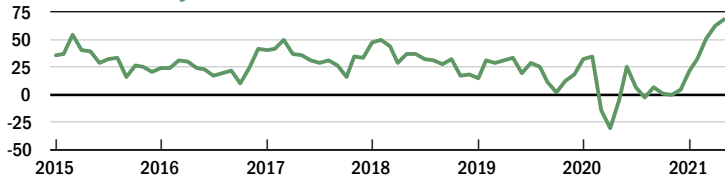


	Percent Reporting		Index
	Higher	Lower	
Apr	23.2	21.9	1.3
May	17.8	19.9	-2.1
Change			-3.4

# Forward-Looking Indicators

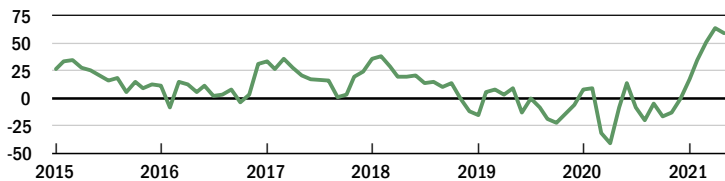
Expectations Six Months Ahead

## Business Activity



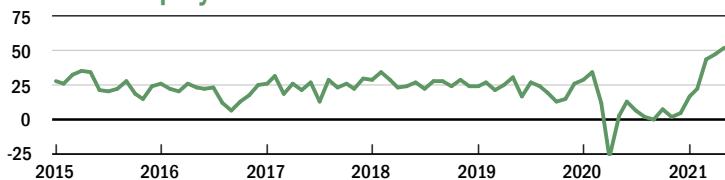
	Percent Reporting		Index
	Higher	Lower	
Apr	69.9	7.5	62.3
May	73.9	6.1	67.8
Change			5.5

## Business Climate



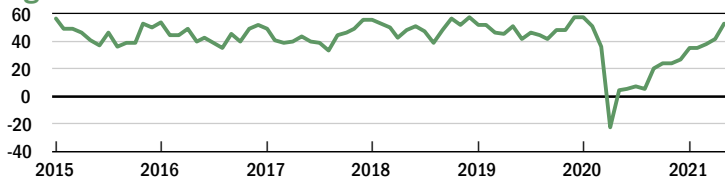
	Percent Reporting		Index
	Better	Worse	
Apr	70.8	6.8	64.0
May	68.2	8.6	59.6
Change			-4.4

## Number of Employees



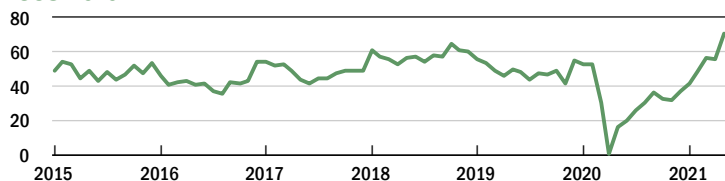
	Percent Reporting		Index
	Higher	Lower	
Apr	55.0	7.4	47.6
May	56.7	4.9	51.8
Change			4.2

## Wages



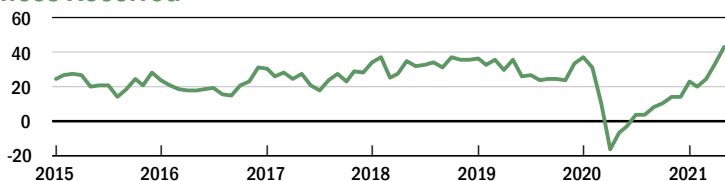
	Percent Reporting		Index
	Higher	Lower	
Apr	44.2	2.1	42.1
May	55.1	2.1	53.1
Change			11.0

## Prices Paid



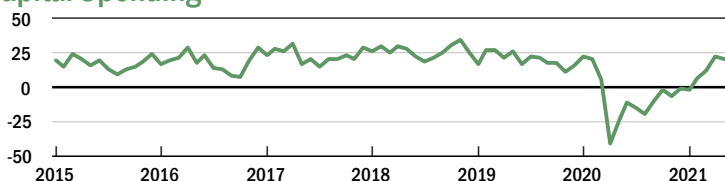
	Percent Reporting		Index
	Higher	Lower	
Apr	56.6	0.9	55.7
May	71.1	0.8	70.3
Change			14.6

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Apr	36.9	3.4	33.5
May	46.7	3.3	43.3
Change			9.8

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Apr	36.2	13.6	22.6
May	33.9	13.5	20.4
Change			-2.2