

Business Leaders Survey

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

Activity in the region's service sector picked up, according to firms responding to the Federal Reserve Bank of New York's August 2017 *Business Leaders Survey*. The survey's headline business activity index climbed twelve points to 11.7, its highest level in more than a year. The business climate index remained negative at -6.1, signaling that respondents on balance continued to regard the business climate as worse than normal, though this view was somewhat less widely shared than in July. The employment index, down two points to 7.5, pointed to a continued increase in employment levels, and the wages index held steady at 33.3, suggesting that wages rose at a pace similar to last month's. Price indexes were positive and close to their July levels, indicating that both input prices and selling prices increased at about the same pace observed last month. Capital spending continued to grow modestly. Indexes assessing the six-month outlook suggested

that firms remained fairly optimistic about future business conditions.

Activity Grows, though Business Climate Remains Unfavorable

Business activity in the region's service sector expanded in August. The headline business activity index advanced twelve points to 11.7, its highest level since March 2016. Thirty-six percent of respondents reported that conditions had improved over the month, while 24 percent said that conditions had worsened. The business climate index rose seven points, but remained negative at -6.1, suggesting that, on balance, firms continued to view the business climate as worse than normal, though to a lesser extent than in July.

Employment Increases Modestly

The employment index dipped two points to 7.5, a reading that reflected continued modest growth in employment levels.

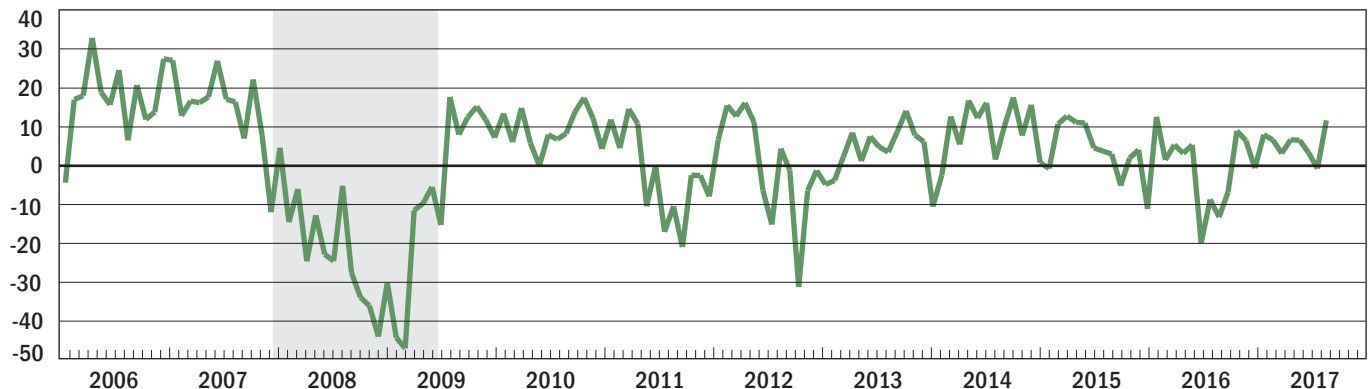
The wages index held steady at 33.3, suggesting that wages increased at about the same pace as in July. Both price indexes were little changed, a sign that prices increased at a pace similar to last month's: the prices paid index edged down to 36.3, and the prices received index edged up to 13.8. The capital spending index held steady at 10.8.

Firms Fairly Optimistic

Respondents assessing the six-month outlook continued to convey optimism about future conditions, though they were somewhat less positive than in recent months. The index for future business activity increased three points to 31.3, and the index for future business climate was little changed at 15.5. The index for expected employment climbed sixteen points to 28.5, suggesting that employment is expected to increase in the months ahead, and the index for planned capital spending rose six points to 20.5. ■

Business Activity

Diffusion index



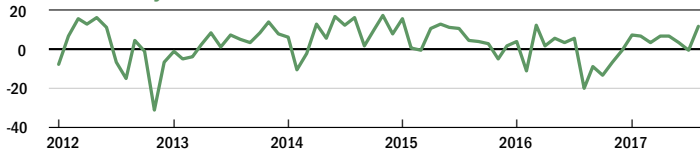
Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Editor's note: When this report was first published, the August reading for the future business activity index was given as 31.1 in the text. This figure has been corrected to 31.3. (August 16, 11:40 a.m.)

Current Indicators

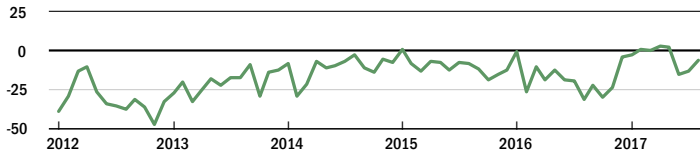
Change from Preceding Month

Business Activity



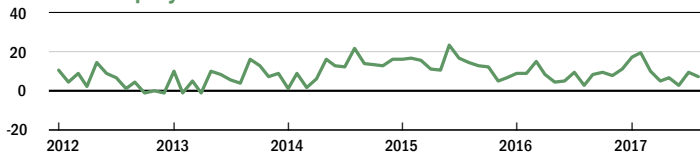
	Percent Reporting		Index
	Higher	Lower	
Jul	27.2	27.8	-0.7
Aug	35.6	23.9	11.7
Change			12.4

Business Climate



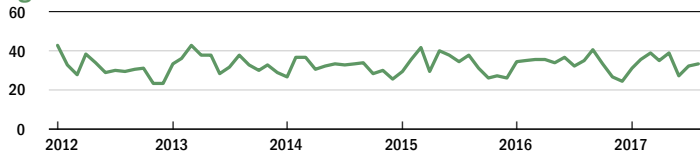
	Percent Reporting		Index
	Favorable	Unfavorable	
Jul	18.5	31.8	-13.2
Aug	22.6	28.7	-6.1
Change			7.1

Number of Employees



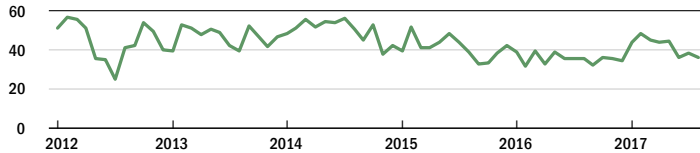
	Percent Reporting		Index
	Higher	Lower	
Jul	28.1	18.5	9.6
Aug	28.6	21.1	7.5
Change			-2.1

Wages



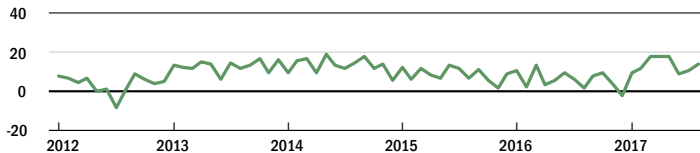
	Percent Reporting		Index
	Higher	Lower	
Jul	34.5	2.1	32.4
Aug	35.8	2.5	33.3
Change			0.9

Prices Paid



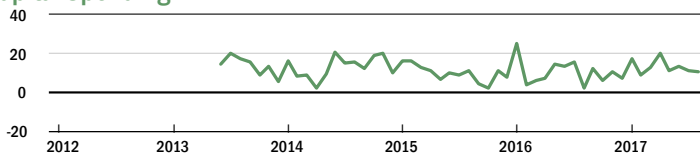
	Percent Reporting		Index
	Higher	Lower	
Jul	41.1	2.7	38.4
Aug	36.9	0.6	36.3
Change			-2.1

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jul	17.2	6.9	10.3
Aug	21.4	7.5	13.8
Change			3.5

Capital Spending



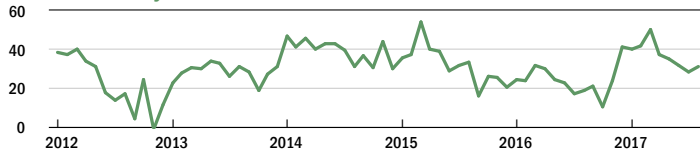
	Percent Reporting		Index
	Higher	Lower	
Jul	28.7	17.5	11.2
Aug	29.7	19.0	10.8
Change			-0.4

Note: Data are not seasonally adjusted.

Forward-Looking Indicators

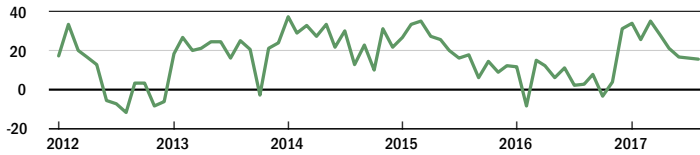
Expectations Six Months Ahead

Business Activity



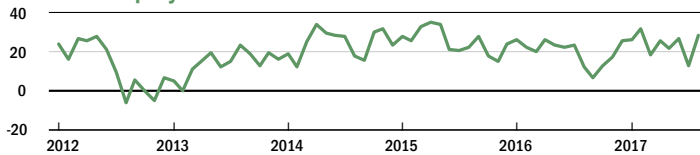
	Percent Reporting		Index
	Higher	Lower	
Jul	42.6	14.2	28.4
Aug	44.4	13.1	31.3
Change			2.9

Business Climate



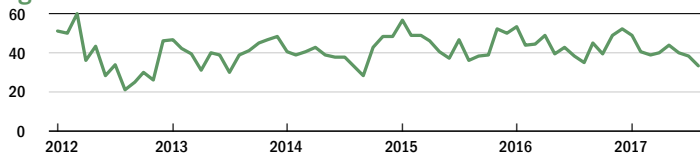
	Percent Reporting		Index
	Favorable	Unfavorable	
Jul	32.2	16.1	16.1
Aug	33.5	18.0	15.5
Change			-0.6

Number of Employees



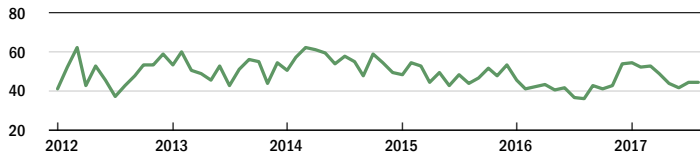
	Percent Reporting		Index
	Higher	Lower	
Jul	29.4	16.8	12.6
Aug	38.6	10.1	28.5
Change			15.9

Wages



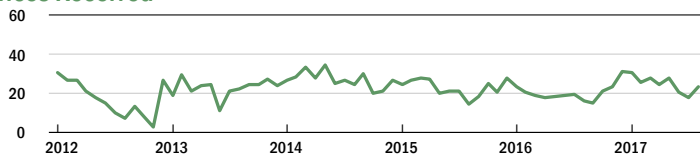
	Percent Reporting		Index
	Higher	Lower	
Jul	39.9	1.4	38.5
Aug	34.4	1.3	33.1
Change			-5.4

Prices Paid



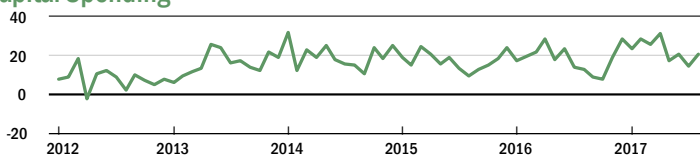
	Percent Reporting		Index
	Higher	Lower	
Jul	47.2	2.8	44.4
Aug	46.3	1.9	44.4
Change			0.0

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jul	23.2	5.6	17.6
Aug	29.7	6.3	23.4
Change			5.8

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jul	29.2	14.6	14.6
Aug	33.5	13.0	20.5
Change			5.9

Note: Data are not seasonally adjusted.