

Business Leaders Survey

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

Activity in the region’s service sector declined slightly, according to firms responding to the Federal Reserve Bank of New York’s October 2019 *Business Leaders Survey*. The survey’s headline business activity index dropped nine points to -4.3—the first negative reading in more than two years. The business climate index was little changed at -14.8, indicating that, on balance, firms continued to view the business climate as worse than normal. Employment levels held steady, though wage increases remained fairly widespread. Input price increases picked up a bit, while selling prices increased at a slightly slower pace than last month. Optimism about future conditions continued to deteriorate, with firms expressing notable pessimism about the future business climate.

Activity Declined

Business activity declined slightly in the region’s service sector. The

headline business activity index dropped nine points to -4.3. Twenty-four percent of respondents reported that conditions improved over the month, while almost 29 percent said that conditions worsened. After falling last month to its lowest level in more than two years, the business climate index was little changed at -14.8, indicating that, on balance, firms continued to view the business climate as worse than normal.

Employment Steady

The employment index fell five points to 2.2, pointing to little change in employment. The wages index held steady at 38.7, indicating that wage increases remained fairly widespread. The prices paid index rose four points to 43.0, suggesting input price increases picked up a bit. The prices received index edged down two points to 18.3, indicating

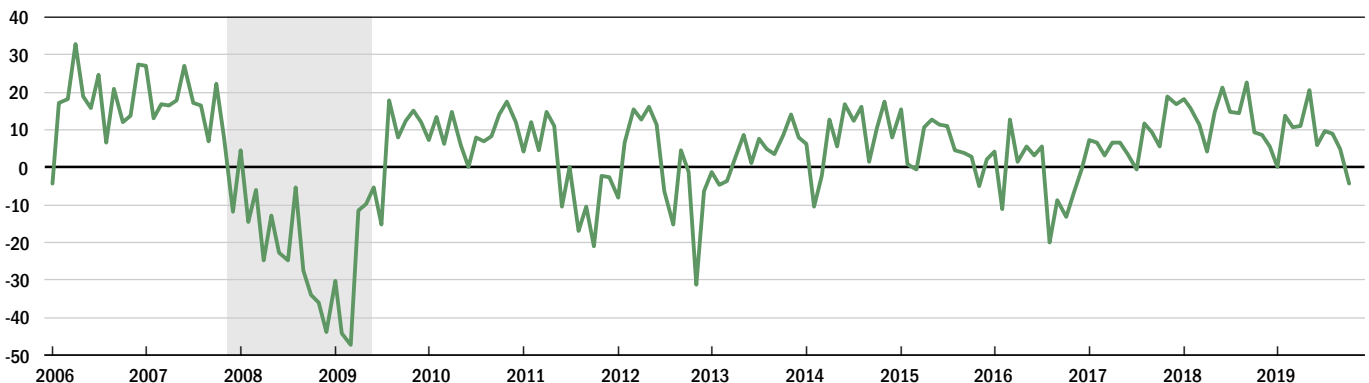
selling prices increased at a slightly slower pace than last month. The capital spending index held steady at 14.5.

Outlook Darkens

Firms were much less optimistic about the six-month outlook. The index for future business activity, while still positive, dropped another ten points to 2.2—its lowest level since late 2012. Of note, this index has dropped more than twenty-five points over the past three months. The index for future business climate fell four points to -22.8, its lowest level since early 2009, indicating that firms expected the business climate to worsen in the months ahead. The index for future employment moved lower, while the index for future wages edged up. The index for planned capital spending was little changed at 18.1. ■

Business Activity

Diffusion Index

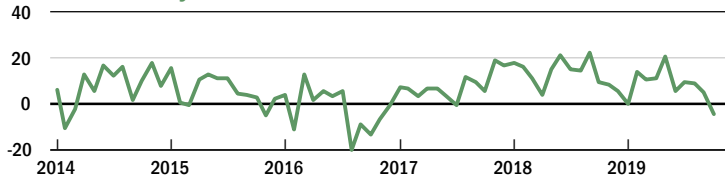


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

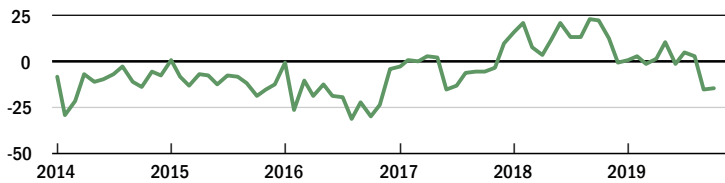
Change from Preceding Month

Business Activity



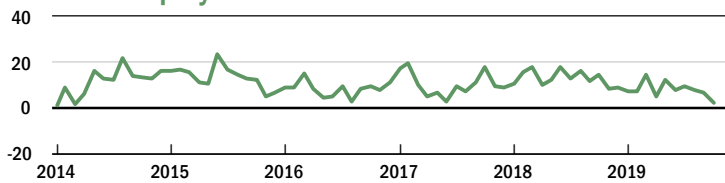
	Percent Reporting		Index
	Higher	Lower	
Sep	29.1	24.2	4.9
Oct	24.2	28.5	-4.3
Change			-9.2

Business Climate



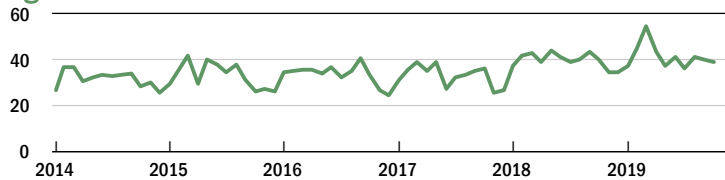
	Percent Reporting		Index
	Favorable	Unfavorable	
Sep	15.0	30.6	-15.6
Oct	18.5	33.3	-14.8
Change			0.8

Number of Employees



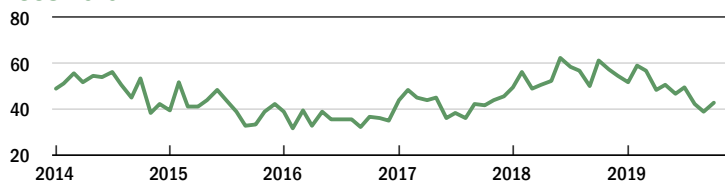
	Percent Reporting		Index
	Higher	Lower	
Sep	27.8	21.1	6.7
Oct	23.7	21.5	2.2
Change			-4.5

Wages



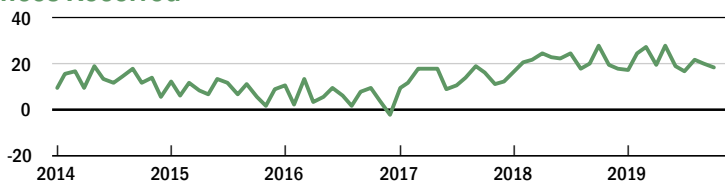
	Percent Reporting		Index
	Higher	Lower	
Sep	42.0	2.2	39.8
Oct	40.9	2.2	38.7
Change			-1.1

Prices Paid



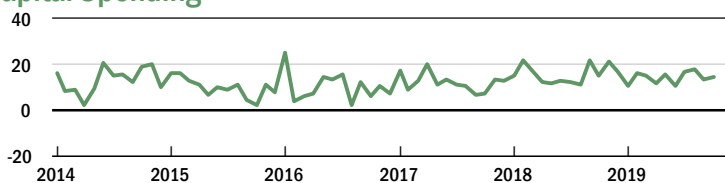
	Percent Reporting		Index
	Higher	Lower	
Sep	44.4	5.6	38.9
Oct	48.9	5.9	43.0
Change			4.1

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Sep	24.4	4.4	20.0
Oct	27.4	9.1	18.3
Change			-1.7

Capital Spending

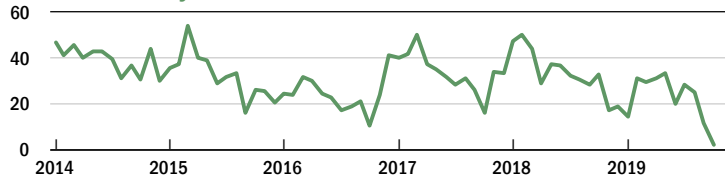


	Percent Reporting		Index
	Higher	Lower	
Sep	27.9	14.5	13.4
Oct	28.0	13.4	14.5
Change			1.1

Forward-Looking Indicators

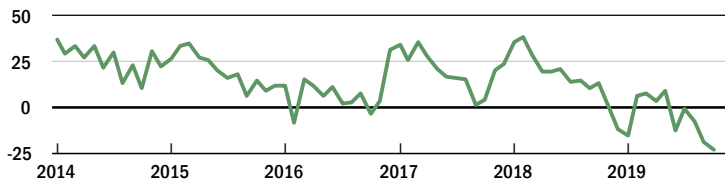
Expectations Six Months Ahead

Business Activity



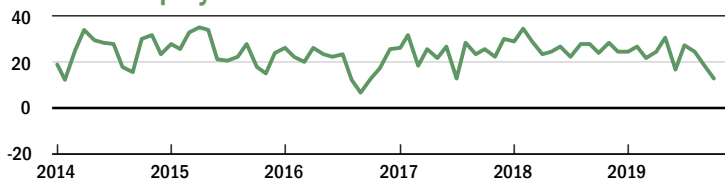
	Percent Reporting		Index
	Higher	Lower	
Sep	34.4	22.8	11.7
Oct	30.1	28.0	2.2
Change			-9.5

Business Climate



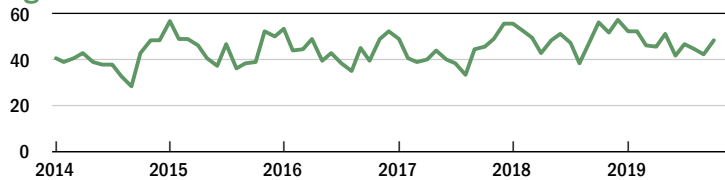
	Percent Reporting		Index
	Favorable	Unfavorable	
Sep	18.6	37.2	-18.6
Oct	15.9	38.6	-22.8
Change			-4.2

Number of Employees



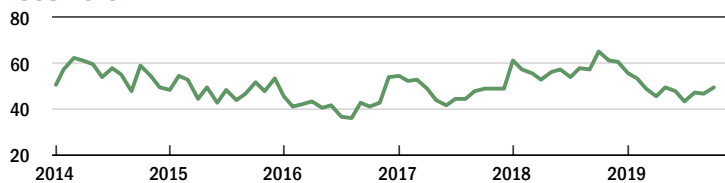
	Percent Reporting		Index
	Higher	Lower	
Sep	36.5	17.4	19.1
Oct	30.1	17.2	12.9
Change			-6.2

Wages



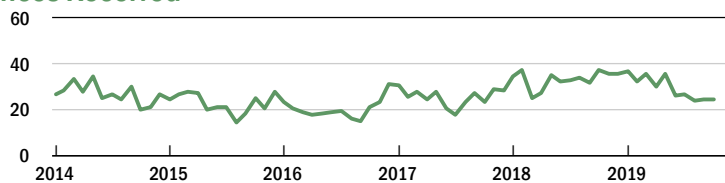
	Percent Reporting		Index
	Higher	Lower	
Sep	46.1	3.9	42.1
Oct	50.0	1.6	48.4
Change			6.3

Prices Paid



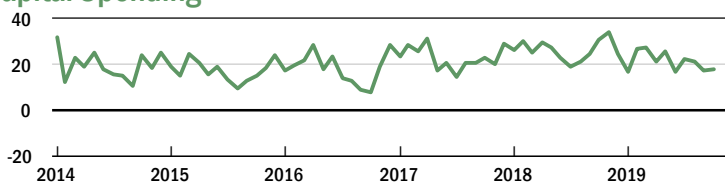
	Percent Reporting		Index
	Higher	Lower	
Sep	52.8	6.3	46.6
Oct	53.4	4.2	49.2
Change			2.6

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Sep	32.6	8.4	24.2
Oct	35.6	11.2	24.5
Change			0.3

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Sep	31.8	14.5	17.3
Oct	33.5	15.4	18.1
Change			0.8