

# Business Leaders Survey

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

Note: Survey responses were collected between August 2 and August 9.

Business activity continued to increase significantly in the region's service sector, according to firms responding to the Federal Reserve Bank of New York's August 2021 Business Leaders Survey. The survey's headline business activity index fell fourteen points to 27.8, pointing to a slower pace of growth than the record-setting pace of the prior few months. The business climate index came in at around zero, indicating that firms generally viewed the business climate as 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 remained elevated. Capital spending increased slightly, and firms expected to increase capital spending significantly in the coming months. Looking ahead, firms remained optimistic that conditions would improve, with the index for future employment holding near

its record high, though optimism was lower than last month.

## Activity Continues to Grow Solidly

Business activity in the region's service sector increased at a solid clip, according to the August survey, though growth was below the swift pace seen over the last few months. The headline business activity index fell fourteen points to 27.8. Forty-five percent of respondents reported that conditions improved over the month, while 17 percent said that conditions worsened. The business climate index fell to 0.5, indicating that on net, firms viewed the business climate as normal for this time of year.

## Employment and Wage Increases Pick Up

The employment index moved up four points to 20.3, pointing to a moderate increase in employment levels. The wages index climbed five points to 47.2,

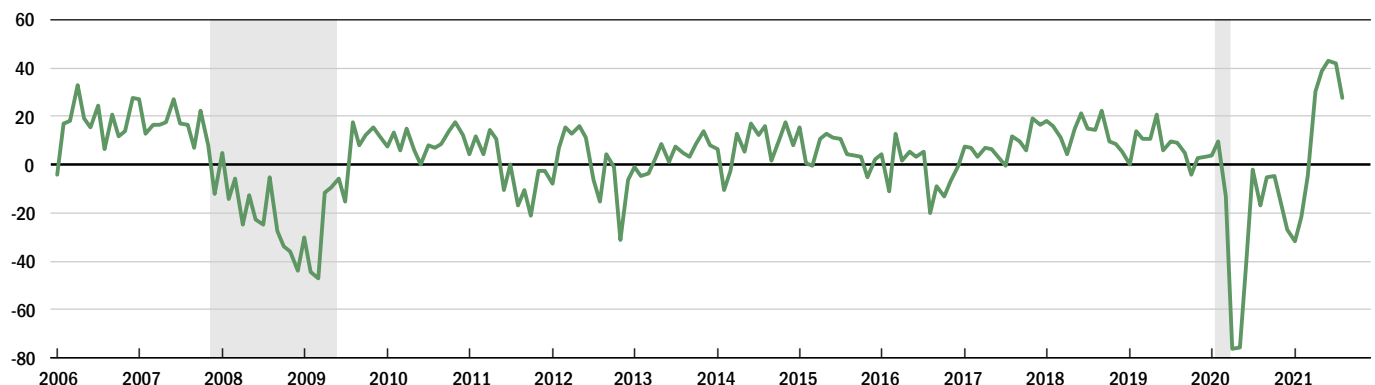
signaling a pickup in wage growth. Price indexes remained elevated: the prices paid index rose five points to 73.1, and the prices received index was little changed at 31.0. The capital spending index came in at 7.7, indicating a small increase in capital spending.

## Firms Less Optimistic Than Last Month

While still optimistic, firms were less positive about future conditions than they were over the prior few months. The index for future business activity fell twelve points to 48.0, and the index for future business climate fell twenty-four points to 28.3. The index for future employment held near its record high, with more than half of respondents expecting an increase in employment in the months ahead. Wages and prices were expected to continue to rise significantly, and capital spending plans remained solid. ■

## Business Activity

Diffusion Index

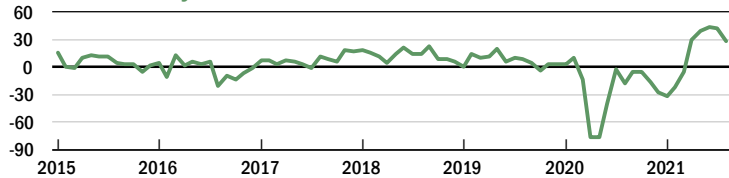


Note: The shaded areas indicate a period designated a recession by the National Bureau of Economic Research.

# Current Indicators

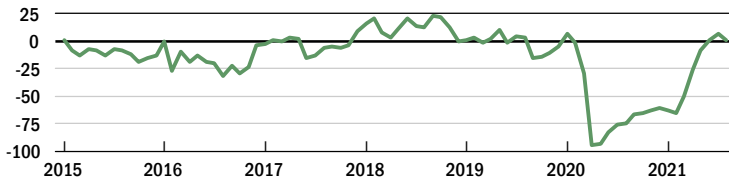
Change from Preceding Month

## Business Activity



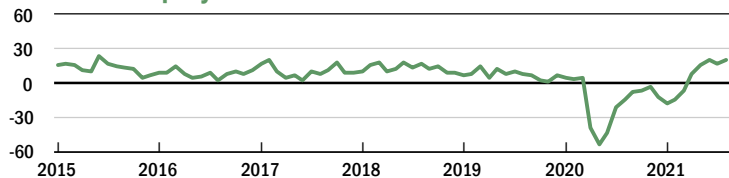
	Percent Reporting		Index
	Higher	Lower	
Jul	53.5	11.8	41.7
Aug	44.9	17.2	27.8
Change			-13.9

## Business Climate



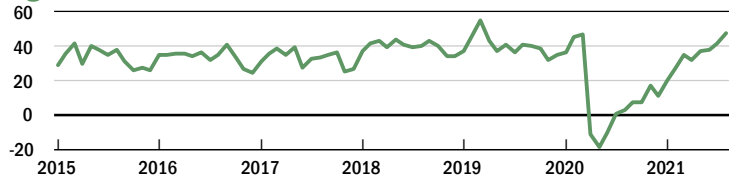
	Percent Reporting		Index
	Favorable	Unfavorable	
Jul	40.9	34.4	6.5
Aug	34.0	33.5	0.5
Change			-6.0

## Number of Employees



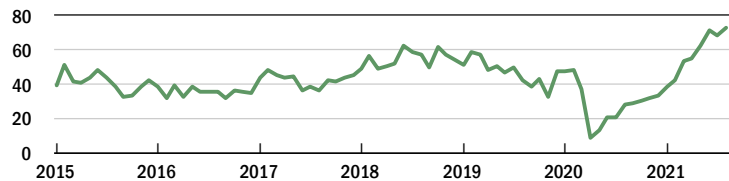
	Percent Reporting		Index
	Higher	Lower	
Jul	32.6	15.8	16.8
Aug	38.1	17.8	20.3
Change			3.5

## Wages



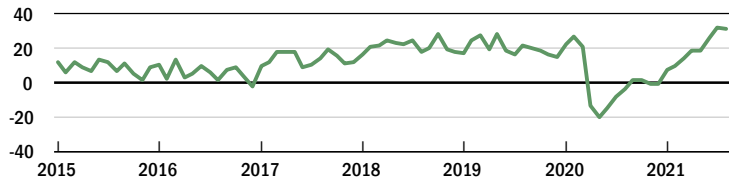
	Percent Reporting		Index
	Higher	Lower	
Jul	44.0	2.2	41.8
Aug	49.2	2.0	47.2
Change			5.4

## Prices Paid



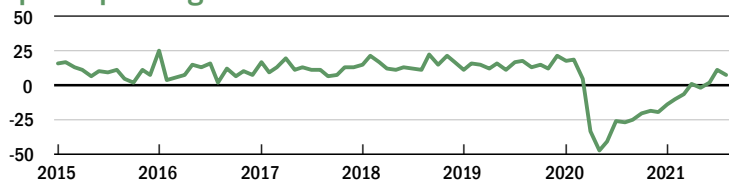
	Percent Reporting		Index
	Higher	Lower	
Jul	69.2	1.1	68.1
Aug	75.1	2.0	73.1
Change			5.0

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jul	35.3	3.3	32.1
Aug	38.6	7.6	31.0
Change			-1.1

## Capital Spending

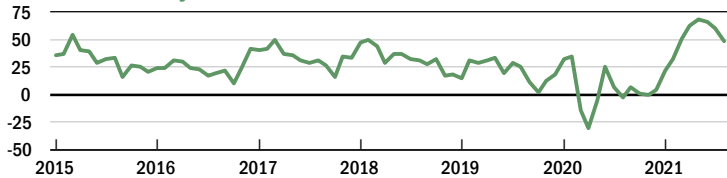


	Percent Reporting		Index
	Higher	Lower	
Jul	25.5	14.7	10.9
Aug	26.5	18.9	7.7
Change			-3.2

# Forward-Looking Indicators

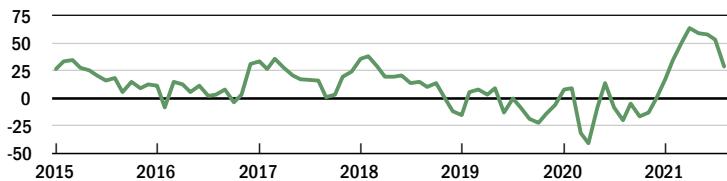
Expectations Six Months Ahead

## Business Activity



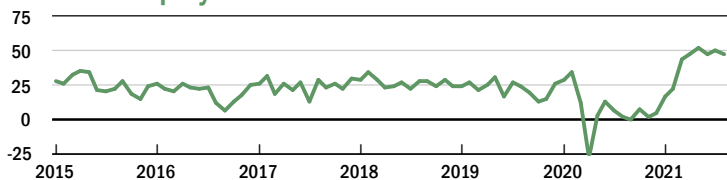
	Percent Reporting		Index
	Higher	Lower	
Jul	66.3	6.4	59.9
Aug	58.2	10.2	48.0
Change			-11.9

## Business Climate



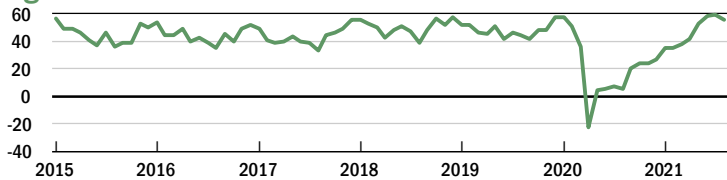
	Percent Reporting		Index
	Better	Worse	
Jul	62.0	9.2	52.7
Aug	44.9	16.7	28.3
Change			-24.4

## Number of Employees



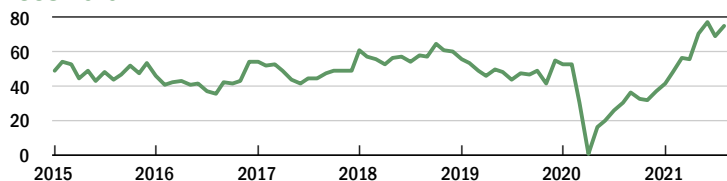
	Percent Reporting		Index
	Higher	Lower	
Jul	56.8	6.5	50.3
Aug	52.8	5.6	47.2
Change			-3.1

## Wages



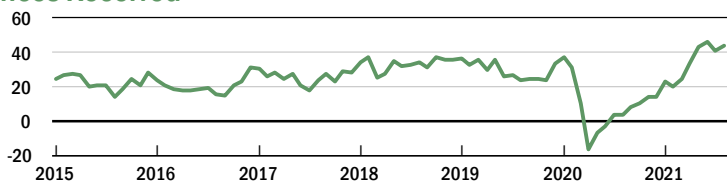
	Percent Reporting		Index
	Higher	Lower	
Jul	59.7	0.5	59.1
Aug	55.9	0.5	55.4
Change			-3.7

## Prices Paid



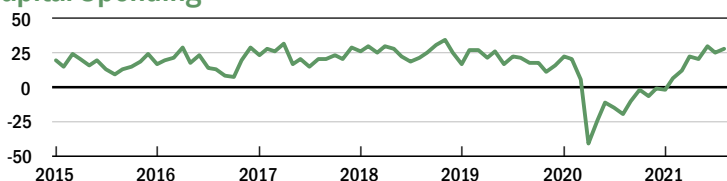
	Percent Reporting		Index
	Higher	Lower	
Jul	71.7	2.7	69.0
Aug	76.3	1.5	74.7
Change			5.7

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jul	44.9	3.7	41.2
Aug	48.5	4.6	43.8
Change			2.6

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jul	36.8	11.4	25.4
Aug	36.6	8.8	27.8
Change			2.4