

# Business Leaders Survey

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

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

Activity declined significantly in the region’s service sector, according to firms responding to the Federal Reserve Bank of New York’s May 2023 *Business Leaders Survey*. The survey’s headline business activity index fell seven points to -16.8. The business climate index was little changed at -45.8, suggesting the business climate remains much worse than normal. Employment edged slightly higher despite the decline in activity. Wages and input prices increased at about the same pace as last month, while selling price increases picked up. Looking ahead, firms expect conditions to improve only somewhat over the next six months.

### Activity Continues to Contract

Business activity declined in the

region’s service sector for an eighth consecutive month, according to the May survey. The headline business activity index fell seven points to -16.8, pointing to a sharper pace of decline than last month. Twenty-one percent of respondents reported that conditions improved over the month and 38 percent said that conditions worsened. The business climate index held steady at -45.8, suggesting that the business climate remains much worse than normal.

### A Slight Increase in Employment

The employment index edged up to 5.0, pointing to a small increase in employment. The wages index was little changed at 40.4 and the prices paid index held steady at

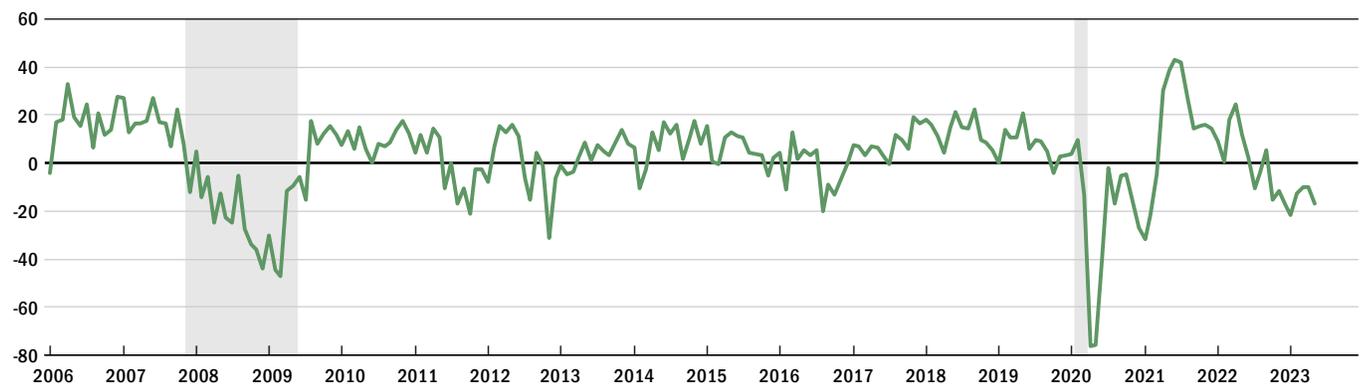
60.1, indicating that wages and input prices increased at about the same pace as in April. The prices received index rose six points to 27.7, signaling a modest pickup in selling price increases. Capital spending grew.

### A Minority of Firms Expect Conditions to Improve

The index for future business activity climbed to 10.1, though only a third of respondents expect conditions to improve over the next six months. The index for the future business climate was unchanged at -18.4. Employment is expected to grow modestly in the months ahead, and wage and price increases are expected to remain widespread. ■

## Business Activity

Diffusion Index

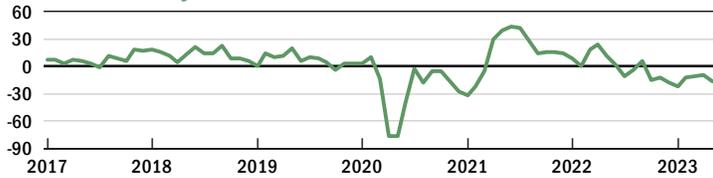


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

# Current Indicators

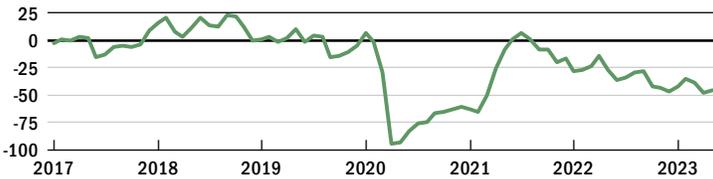
Change from Preceding Month

## Business Activity



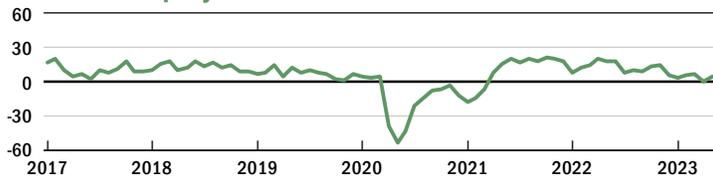
	Percent Reporting		Index
	Higher	Lower	
Apr	28.2	37.9	-9.8
May	21.2	38.0	-16.8
Change			-7.0

## Business Climate



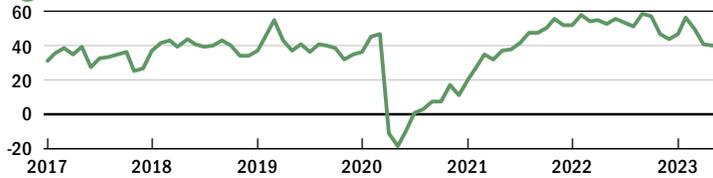
	Percent Reporting		Index
	Favorable	Unfavorable	
Apr	13.8	61.5	-47.7
May	8.4	54.2	-45.8
Change			1.9

## Number of Employees



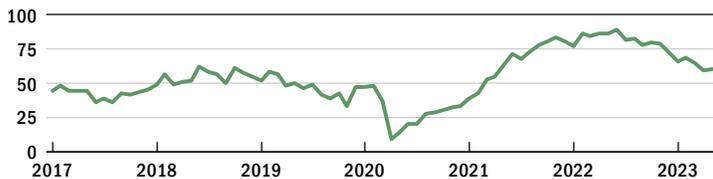
	Percent Reporting		Index
	Higher	Lower	
Apr	20.7	20.7	0.0
May	22.3	17.3	5.0
Change			5.0

## Wages



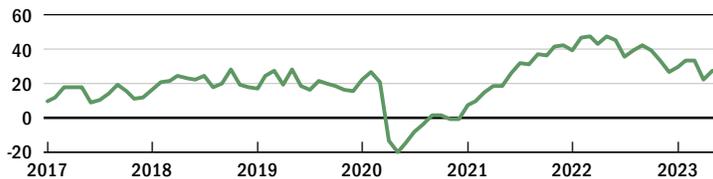
	Percent Reporting		Index
	Higher	Lower	
Apr	43.4	2.3	41.0
May	42.1	1.7	40.4
Change			-0.6

## Prices Paid



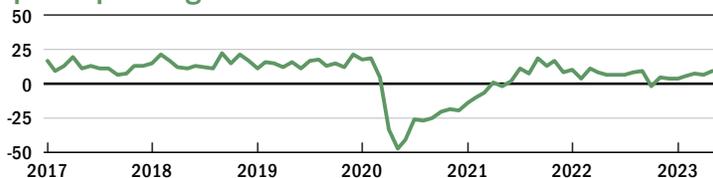
	Percent Reporting		Index
	Higher	Lower	
Apr	63.6	4.0	59.5
May	64.0	3.9	60.1
Change			0.6

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Apr	31.2	9.2	22.0
May	34.5	6.8	27.7
Change			5.7

## Capital Spending

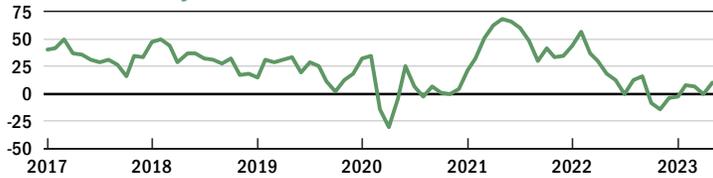


	Percent Reporting		Index
	Higher	Lower	
Apr	26.4	19.5	6.9
May	26.6	17.5	9.0
Change			2.1

# Forward-Looking Indicators

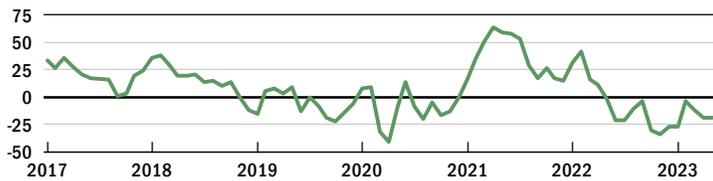
Expectations Six Months Ahead

## Business Activity



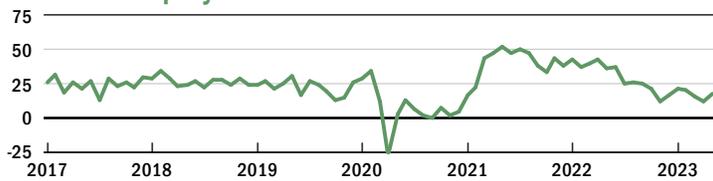
	Percent Reporting		Index
	Higher	Lower	
Apr	27.7	28.3	-0.6
May	34.8	24.7	10.1
Change			10.7

## Business Climate



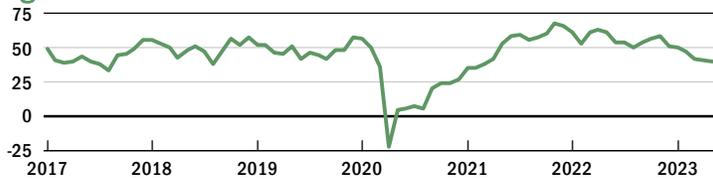
	Percent Reporting		Index
	Better	Worse	
Apr	16.7	35.1	-18.4
May	15.6	34.1	-18.4
Change			0.0

## Number of Employees



	Percent Reporting		Index
	Higher	Lower	
Apr	27.4	15.5	11.9
May	30.9	13.1	17.7
Change			5.8

## Wages



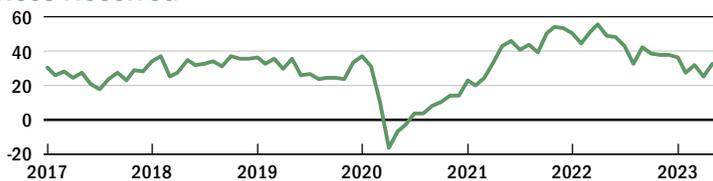
	Percent Reporting		Index
	Higher	Lower	
Apr	43.1	2.4	40.7
May	43.8	3.4	40.3
Change			-0.4

## Prices Paid



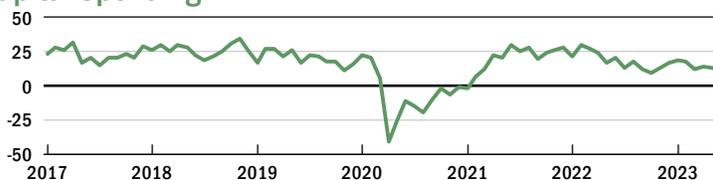
	Percent Reporting		Index
	Higher	Lower	
Apr	51.2	3.0	48.2
May	54.0	2.8	51.1
Change			2.9

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Apr	32.9	7.8	25.1
May	38.7	5.8	32.9
Change			7.8

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Apr	29.2	14.9	14.3
May	30.7	17.6	13.1
Change			-1.2