

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.

Business activity continued to decline in the region's service sector in May, according to firms responding to the Federal Reserve Bank of New York's *Business Leaders Survey*. The survey's headline business activity index was little changed at -16.2. The business climate index remained firmly negative at -51.7, suggesting the business climate continued to be considerably worse than normal. Employment held steady, and wage growth slowed. Supply availability worsened significantly. Input price increases remained moderate, while selling price increases slowed somewhat. Firms were again quite negative about the outlook, with nearly half expecting activity to decline in the months ahead.

Activity Continues to Decline

Business activity fell substantially for a third consecutive month in the New York-Northern New Jersey region, according to the May survey. The headline business activity index was little changed at -16.2. Twenty-two percent of respondents reported that conditions improved over the month

ECONOMIST COMMENTARY

"Business activity declined substantially for a third consecutive month in the New York-Northern New Jersey region's service sector in May. Employment, however, held steady. Firms remained very pessimistic about the outlook."

~Richard Deitz, Economic Research Advisor at the New York Fed

while 38 percent said that conditions worsened. The business climate index remained well below zero at -51.7, with sixty-one percent of respondents saying that the business climate was worse than normal.

Employment Holds Steady

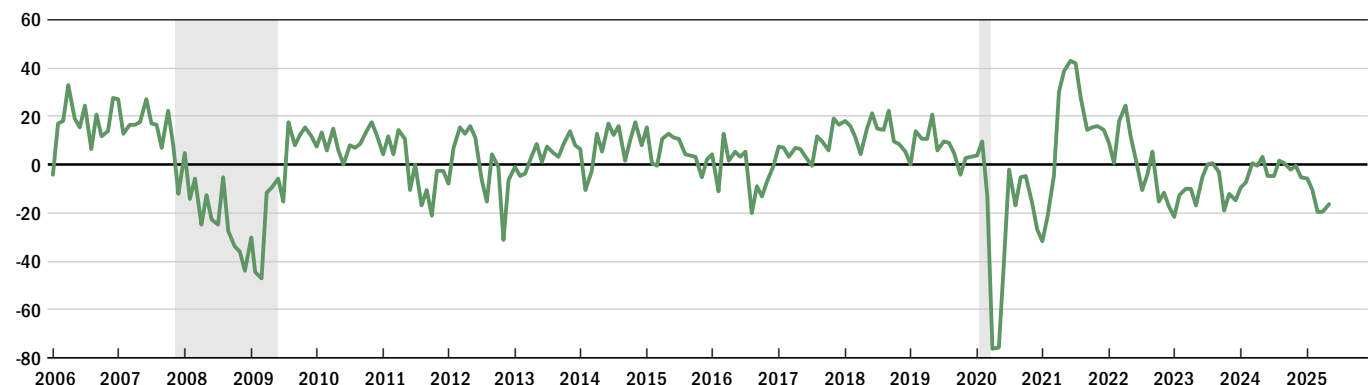
The employment index was little changed at -0.5, indicating that employment levels were steady. The wages index moved down seven points to 28.3, indicating that wage growth slowed. The prices paid index remained elevated at 58.5, while the prices received index slipped five points to 20.7, pointing to some slowing in selling price increases. The supply availability index fell four points to -16.0, a sign that supply availability worsened.

Outlook Remains Very Pessimistic

The index for future business activity remained firmly negative at -28.1, holding at its lowest level since April 2020, suggesting firms expect activity to decline significantly in the months ahead; only 21 percent expect activity to increase. The index for the future business climate stayed staunchly negative at -45.9, suggesting the business climate is expected to continue to be considerably worse than normal. The future employment index held below zero. The future supply availability index dropped to -46.1, with over half of firms expecting supply availability to be worse in six months. Capital spending plans remained negative. ■

Business Activity

Diffusion Index

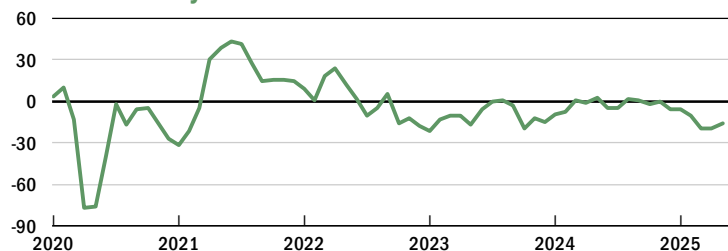


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

Current Indicators

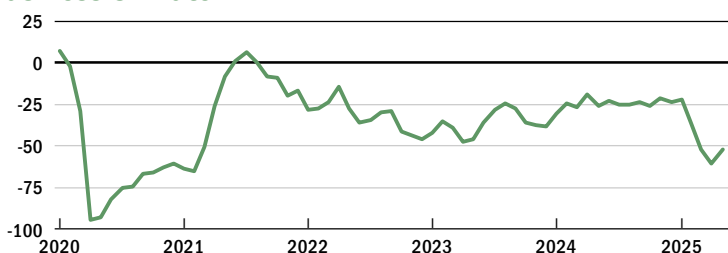
Change from Preceding Month

Business Activity



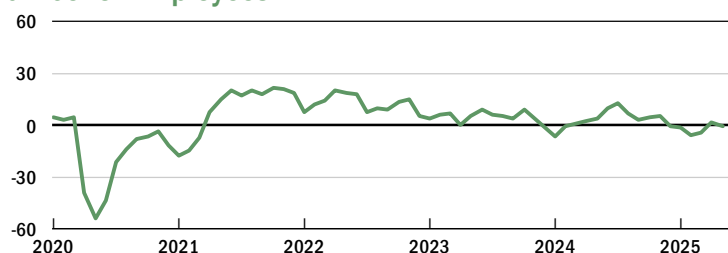
	Percent Reporting		Index
	Higher	Lower	
Apr	20.7	40.5	-19.8
May	22.1	38.2	-16.2
Change			3.6

Business Climate



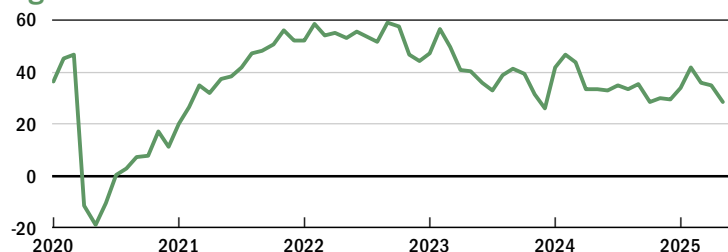
	Percent Reporting		Index
	Favorable	Unfavorable	
Apr	6.4	67.1	-60.7
May	8.8	60.5	-51.7
Change			9.0

Number of Employees



	Percent Reporting		Index
	Higher	Lower	
Apr	15.9	14.6	1.3
May	16.1	16.6	-0.5
Change			-1.8

Wages

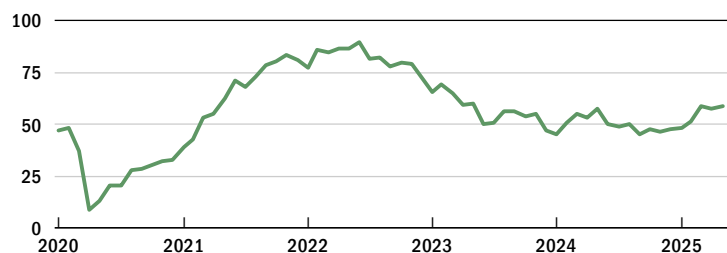


	Percent Reporting		Index
	Higher	Lower	
Apr	38.6	3.9	34.8
May	31.7	3.4	28.3
Change			-6.5

Current Indicators, *continued*

Change from Preceding Month

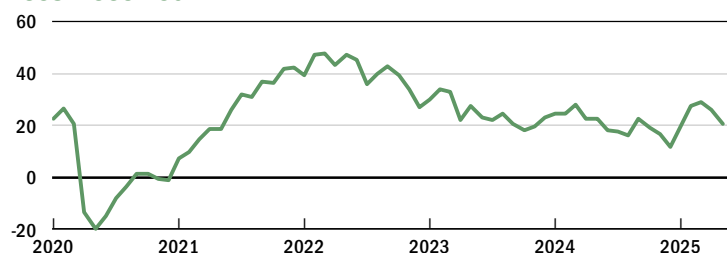
Prices Paid



Percent Reporting

	Higher	Lower	Index
Apr	60.2	2.6	57.6
May	61.5	2.9	58.5
Change			0.9

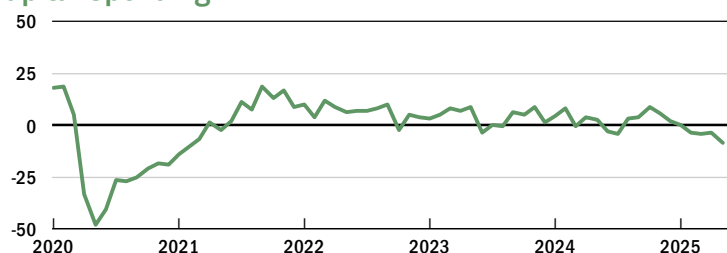
Prices Received



Percent Reporting

	Higher	Lower	Index
Apr	33.3	7.4	26.0
May	28.1	7.4	20.7
Change			-5.3

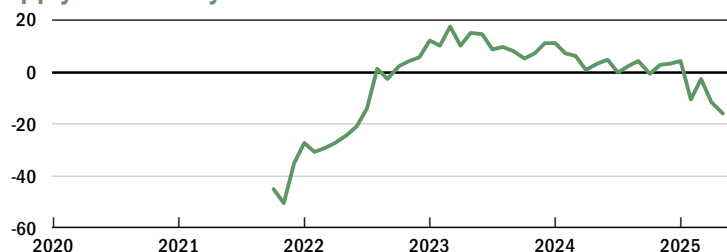
Capital Spending



Percent Reporting

	Higher	Lower	Index
Apr	20.0	23.5	-3.5
May	17.6	26.0	-8.3
Change			-4.8

Supply Availability



Percent Reporting

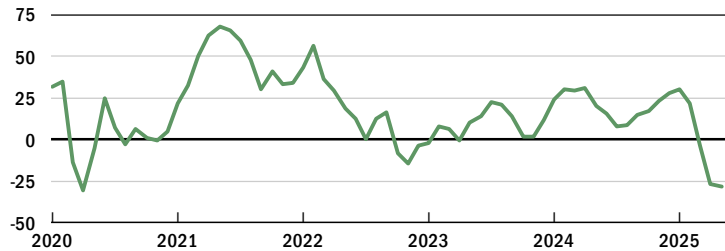
	Higher	Lower	Index
Apr	6.5	18.2	-11.7
May	7.5	23.5	-16.0
Change			-4.3

Note: The current supply availability index was added to the report in June 2024 and included a history of data points going back to 2021.

Forward-Looking Indicators

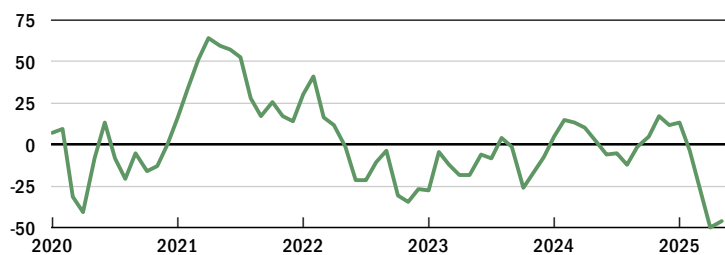
Expectations Six Months Ahead

Business Activity



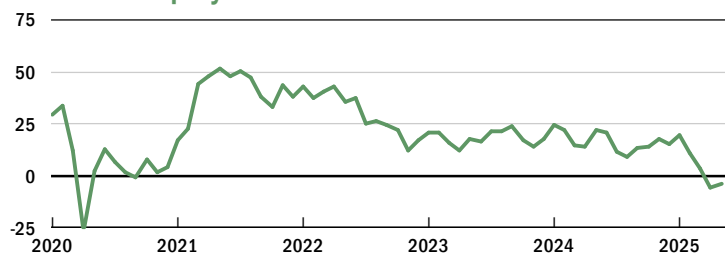
	Percent Reporting		Index
	Higher	Lower	
Apr	23.2	49.8	-26.6
May	20.7	48.8	-28.1
Change			-1.5

Business Climate



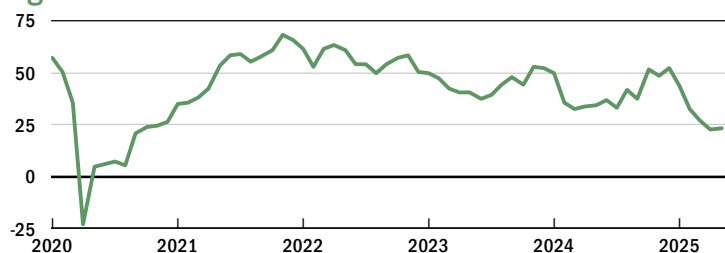
	Percent Reporting		Index
	Better	Worse	
Apr	15.4	65.4	-50.0
May	14.6	60.5	-45.9
Change			4.1

Number of Employees



	Percent Reporting		Index
	Higher	Lower	
Apr	19.9	25.3	-5.4
May	20.9	25.0	-4.1
Change			1.3

Wages

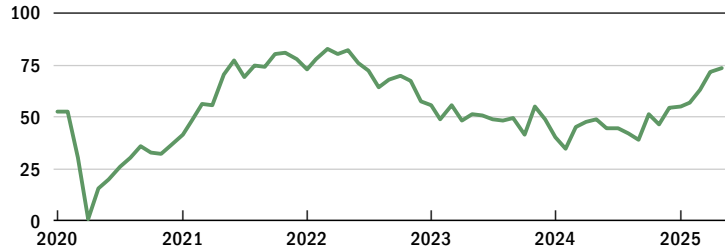


	Percent Reporting		Index
	Higher	Lower	
Apr	29.1	6.4	22.7
May	29.1	5.6	23.5
Change			0.8

Forward-Looking Indicators, *continued*

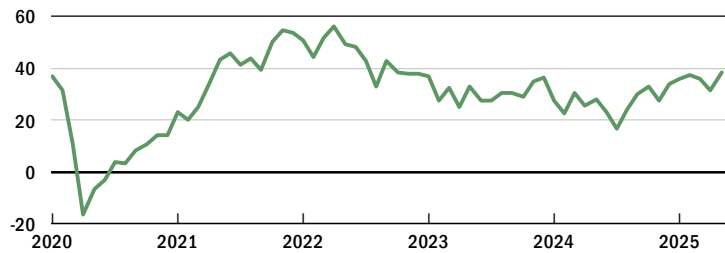
Expectations Six Months Ahead

Prices Paid



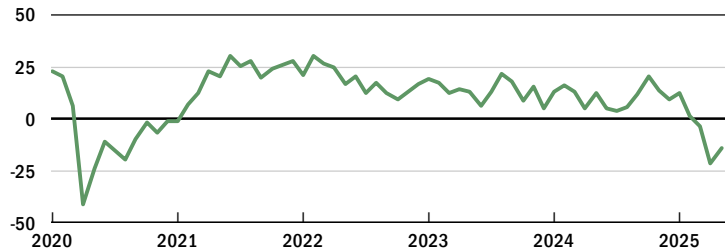
	Percent Reporting		Index
	Higher	Lower	
Apr	74.1	2.3	71.8
May	76.9	3.6	73.3
Change			1.5

Prices Received



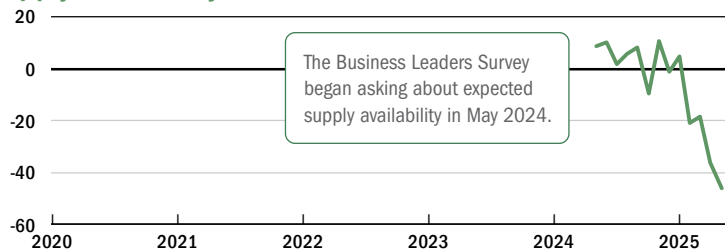
	Percent Reporting		Index
	Higher	Lower	
Apr	41.7	10.2	31.5
May	47.9	9.8	38.1
Change			6.6

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Apr	17.5	39.2	-21.7
May	19.2	33.2	-14.0
Change			7.7

Supply Availability



	Percent Reporting		Index
	Higher	Lower	
Apr	7.4	43.5	-36.1
May	4.9	51.0	-46.1
Change			-10.0

Note: The expected supply availability index was added to the report in June 2024 and included one additional data point from May 2024.