Business Leaders Survey

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

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

ECONOMIST COMMENTARY

"Business activity declined substantially in the New York-Northern New Jersey region's service sector in October. Employment edged lower. Firms generally do not expect conditions to improve in the months ahead."

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

Business activity declined substantially in the region's service sector in October, according to firms responding to the Federal Reserve Bank of New York's *Business Leaders Survey*. The survey's headline business activity index fell four points to -23.6, a multiyear low. The business climate index fell to -42.9, suggesting the business climate remained worse than normal. Employment edged lower, and wage growth remained modest. Supply availability continued to worsen. Input price increases remained elevated, while selling price increases slowed. On the whole, firms were slightly pessimistic about the outlook.

Activity Continues to Decline

Business activity fell more sharply than in recent months in the New York-Northern New Jersey region, according to the October survey. The headline business activity index dropped four points to -23.6. Eighteen percent of respondents reported that conditions improved over the month while 41 percent said that conditions worsened. The business climate index remained negative at -42.9, with more than half of respondents saying that the business climate was worse than normal.

Employment Edges Lower

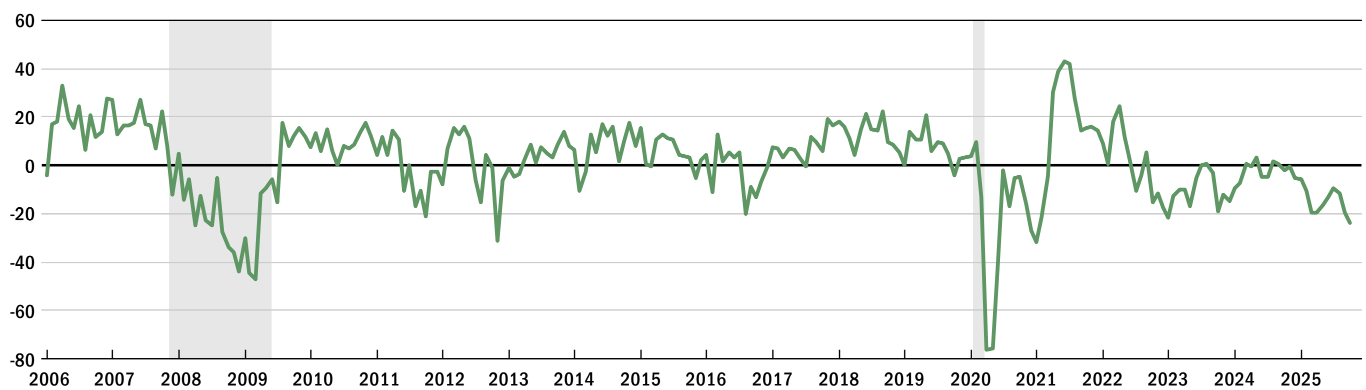
The employment index fell two points to -5.2, its second consecutive negative reading, suggesting employment continued to decline. The wages index edged down to 25.9, indicating that wage growth was modest and slightly slower than last month. The prices paid index moved up three points to 66.4, signaling a pickup in input price increases, while the prices received index fell six points to 26.4, its lowest level since June, indicating a slowdown in selling price increases. The supply availability index remained negative at -13.8, indicating that supply availability continued to worsen.

Firms Not Expecting Much Improvement

The index for future business activity inched up to -3.4, suggesting firms were slightly pessimistic about the outlook, with about a third expecting activity to be lower in six months. Half of firms also expect the business climate to be worse. The indexes for future prices paid and future prices received both remained elevated. Firms expect little employment growth in the months ahead. Supply availability is expected to worsen, and capital spending plans remained soft. ■

Business Activity

Diffusion Index

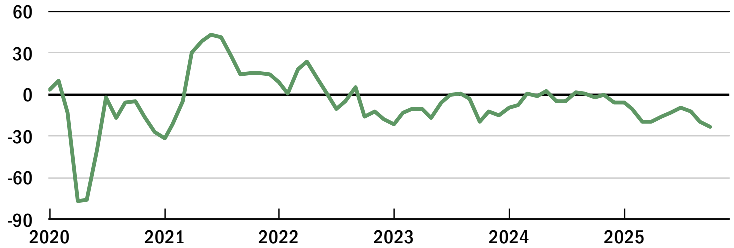


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

Current Indicators

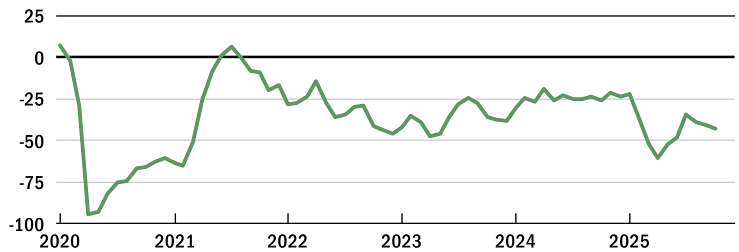
Change from Preceding Month

Business Activity



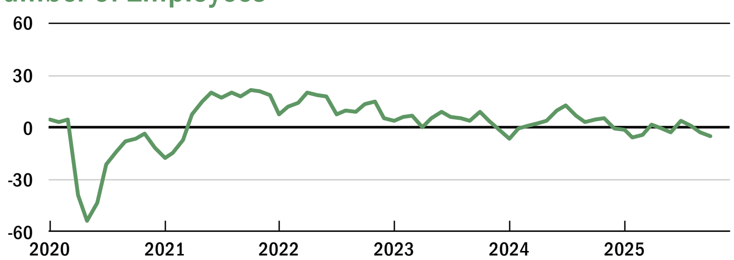
	Percent Reporting		
	Higher	Lower	Index
Sep	18.0	37.4	-19.4
Oct	17.5	41.0	-23.6
Change			-4.2

Business Climate



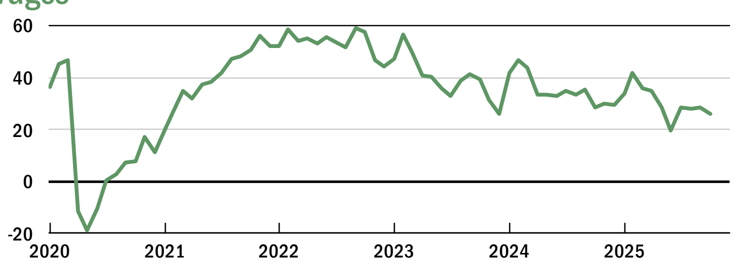
	Percent Reporting		
	Favorable	Unfavorable	Index
Sep	12.0	52.6	-40.7
Oct	9.9	52.8	-42.9
Change			-2.2

Number of Employees



	Percent Reporting		
	Higher	Lower	Index
Sep	17.7	20.6	-2.9
Oct	15.1	20.3	-5.2
Change			-2.3

Wages

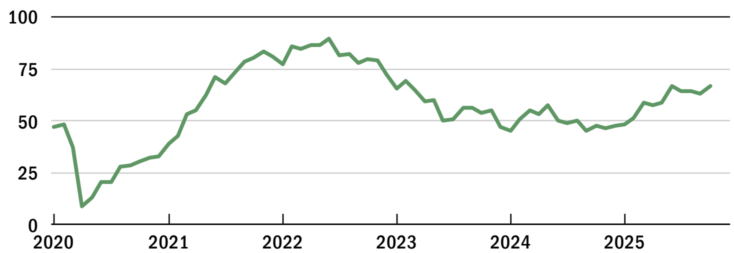


	Percent Reporting		
	Higher	Lower	Index
Sep	32.5	4.3	28.2
Oct	29.7	3.8	25.9
Change			-2.3

Current Indicators, *continued*

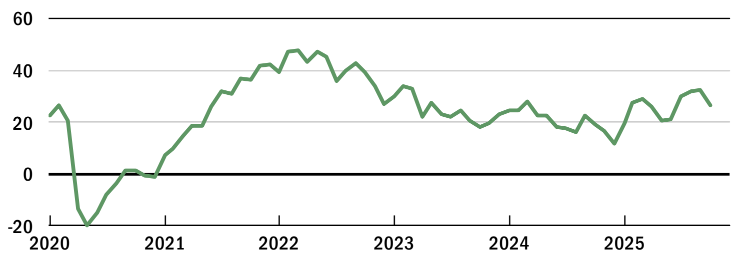
Change from Preceding Month

Prices Paid



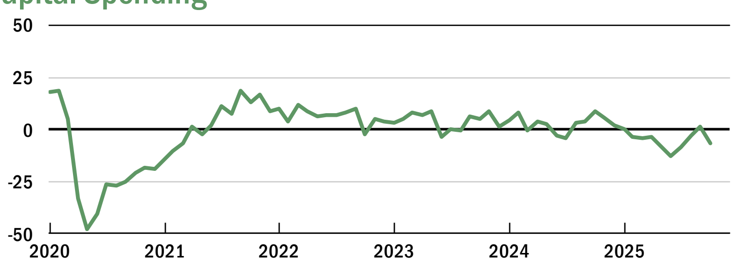
	Percent Reporting Higher	Lower	Index
Sep	65.1	1.9	63.2
Oct	67.8	1.4	66.4
Change			3.2

Prices Received



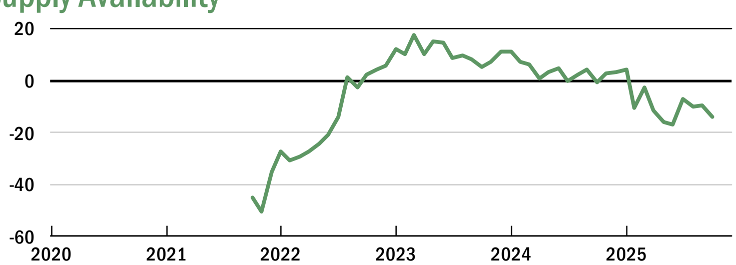
	Percent Reporting Higher	Lower	Index
Sep	38.5	6.3	32.2
Oct	32.2	5.8	26.4
Change			-5.8

Capital Spending



	Percent Reporting Higher	Lower	Index
Sep	22.5	21.1	1.4
Oct	17.2	23.9	-6.7
Change			-8.1

Supply Availability



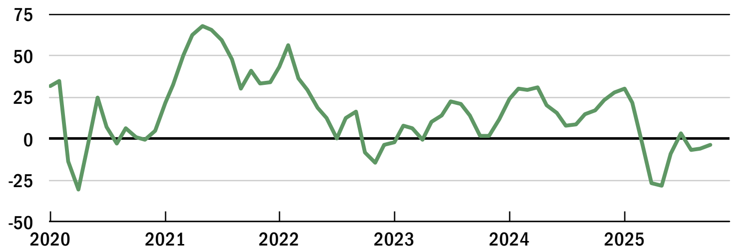
	Percent Reporting Higher	Lower	Index
Sep	8.2	17.8	-9.6
Oct	6.7	20.5	-13.8
Change			-4.2

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

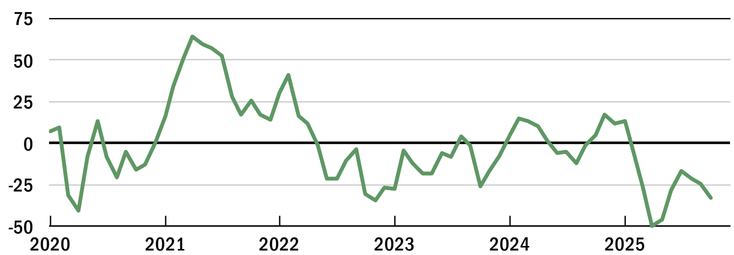
Expectations Six Months Ahead

Business Activity



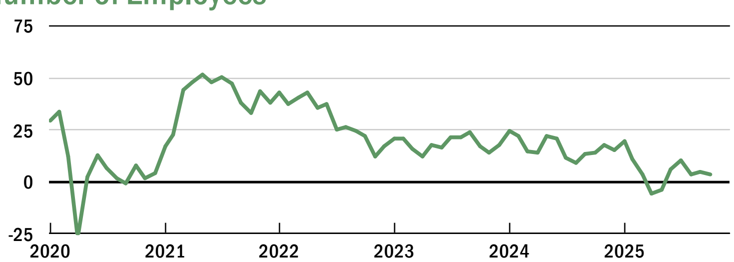
	Percent Reporting		
	Higher	Lower	Index
Sep	28.4	34.1	-5.8
Oct	28.8	32.2	-3.4
Change			2.4

Business Climate



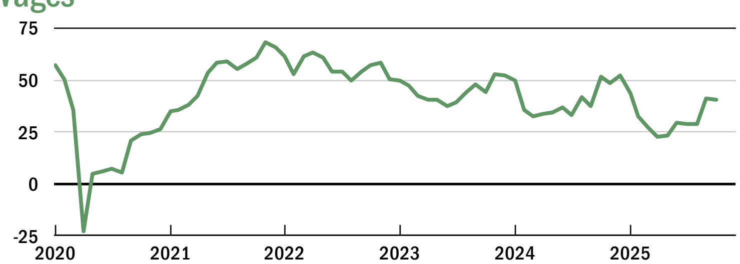
	Percent Reporting		
	Better	Worse	Index
Sep	19.1	43.5	-24.4
Oct	17.9	50.5	-32.5
Change			-8.1

Number of Employees



	Percent Reporting		
	Higher	Lower	Index
Sep	25.1	20.2	4.9
Oct	23.9	20.6	3.3
Change			-1.6

Wages

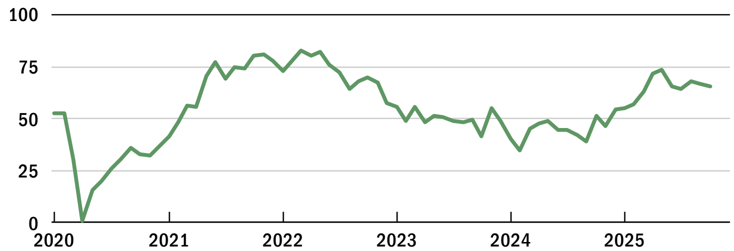


	Percent Reporting		
	Higher	Lower	Index
Sep	43.3	2.5	40.9
Oct	44.0	3.8	40.2
Change			-0.7

Forward-Looking Indicators, *continued*

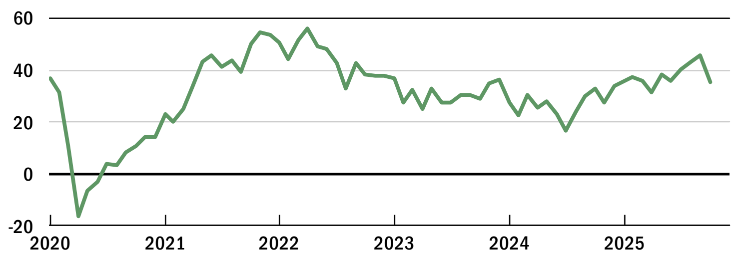
Expectations Six Months Ahead

Prices Paid



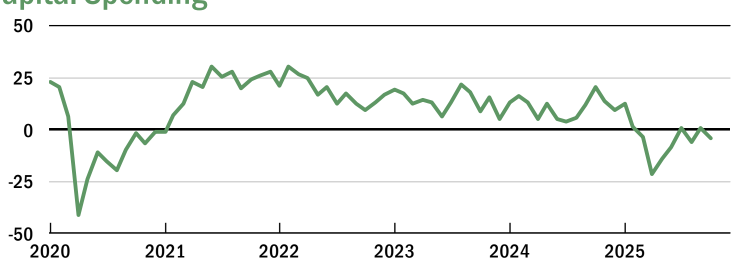
	Percent Reporting		
	Higher	Lower	Index
Sep	68.8	2.0	66.8
Oct	66.3	1.0	65.4
Change			-1.4

Prices Received



	Percent Reporting		
	Higher	Lower	Index
Sep	51.7	6.0	45.8
Oct	42.2	6.9	35.3
Change			-10.5

Capital Spending



	Percent Reporting		
	Higher	Lower	Index
Sep	23.2	22.7	0.5
Oct	20.4	24.8	-4.4
Change			-4.9

Supply Availability

	Percent Reporting		
	Higher	Lower	Index
Sep	11.5	25.5	-13.9
Oct	8.6	25.2	-16.7
Change			-2.8

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