

Business Leaders Survey

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

The Federal Reserve Bank of New York's February 2014 *Business Leaders Survey* indicates that activity in the region's service sector declined. The survey's headline business activity index fell seventeen points to -10.5, its lowest level in more than a year. The business climate index tumbled a steep twenty-one points to -29.0, suggesting that on balance, respondents viewed the business climate as significantly worse than normal. Severe winter weather in the region may have played a role in this month's negative readings. The employment index climbed to 9.0, indicating an increase in employment levels, and the wages index moved up ten points to 36.9, pointing to a pickup in wage growth. Price indexes suggested a faster pace of both input and selling price increases: the prices paid index rose three points to 51.4, and the prices received index climbed six points to 15.5. Capital spending indexes

suggested a slowing in spending plans. Respondents remained optimistic about the six-month outlook, even though many indexes of future activity were lower following the multiyear highs reached last month.

Business Activity Shrinks

Business activity declined in the region's service sector, according to the February 2014 survey. The business activity index fell seventeen points to -10.5, its first negative reading since March and its lowest level in more than a year. This month, 25 percent of respondents reported that conditions improved, while 36 percent reported that conditions worsened. The business climate index also recorded a sharp decline, falling twenty-one points to -29.0, suggesting that respondents viewed the business climate as significantly worse than normal. These rather negative readings

may in part reflect the severe winter weather in the region that has affected many local businesses in recent weeks.

Employment Levels Rise

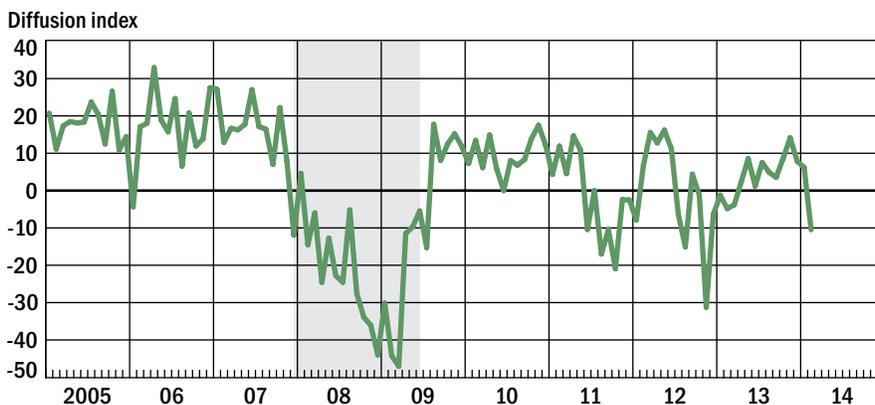
Despite the negative values recorded for the business activity and business climate indexes, the employment index rose eight points to 9.0, indicating a modest increase in employment levels. The index for wages climbed ten points to 36.9, a level which suggests that wage growth accelerated. Price indexes suggested a faster pace of both input and selling price increases: the prices paid index rose three points to 51.4, and the prices received index moved up six points to 15.5. The capital spending index fell several points to 8.2.

Six-Month Outlook Remains Optimistic

Indexes for the six-month outlook continued to convey strong optimism about future conditions, even though many indexes of future activity were lower following the multiyear highs reached last month. The index for expected business activity fell six points to 41.2, and the index for future business climate declined eight points to 29.2. The index for expected employment dropped seven points to 12.3, and the index for future wages fell to 38.7. The forward-looking prices paid index rose seven points to 57.6, and the future prices received index edged up to 28.3. The index for expected capital spending retreated after climbing sharply last month, falling twenty points to 12.2. ■

Business Activity

Seasonally adjusted



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

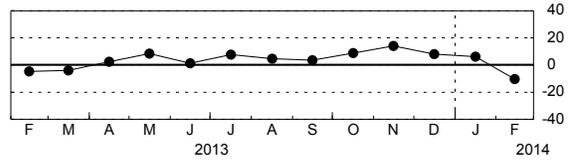
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	30.09	46.02	23.89	6.19
Feb	25.44	38.60	35.96	-10.53

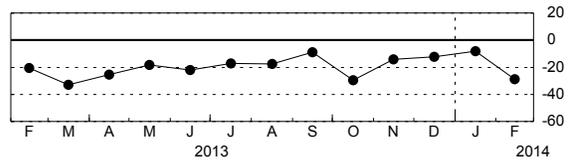
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Jan	21.24	49.56	29.20	-7.96
Feb	16.67	37.72	45.61	-28.95

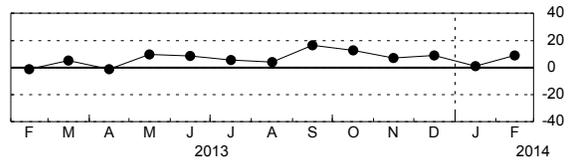
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	20.54	59.82	19.64	0.89
Feb	27.03	54.95	18.02	9.01

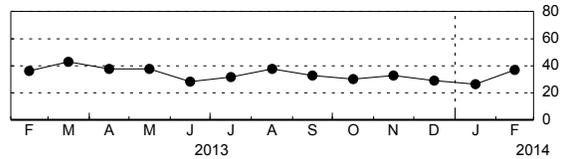
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	28.32	69.91	1.77	26.55
Feb	38.74	59.46	1.80	36.94

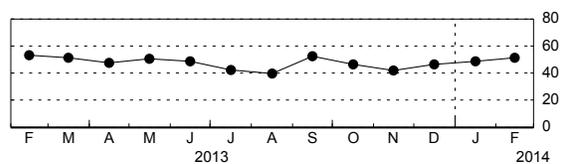
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	50.44	47.79	1.77	48.67
Feb	54.05	43.24	2.70	51.35

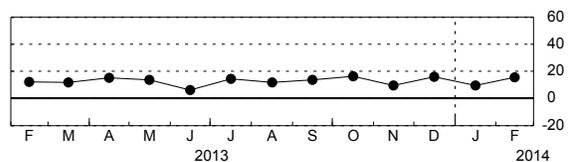
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	19.47	70.80	9.73	9.73
Feb	26.36	62.73	10.91	15.45

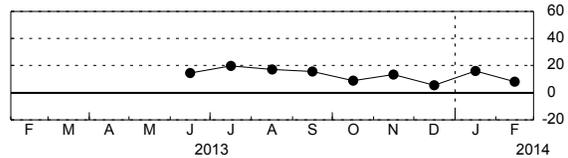
Prices Received - Diffusion Index



Capital Spending*

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	28.32	59.29	12.39	15.93
Feb	24.55	59.09	16.36	8.18

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

*The data begin in June 2013, when this question was first asked.

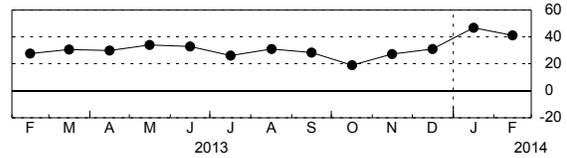
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	57.52	31.86	10.62	46.90
Feb	51.75	37.72	10.53	41.23

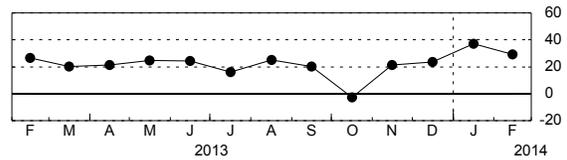
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Jan	47.79	41.59	10.62	37.17
Feb	41.59	46.02	12.39	29.20

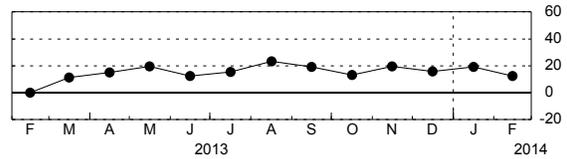
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	36.54	46.15	17.31	19.23
Feb	31.13	50.00	18.87	12.26

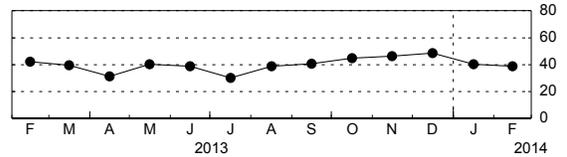
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	43.27	53.85	2.88	40.38
Feb	41.51	55.66	2.83	38.68

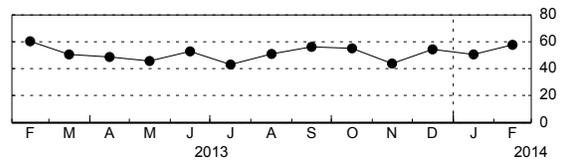
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	54.46	41.58	3.96	50.50
Feb	57.55	42.45	0.00	57.55

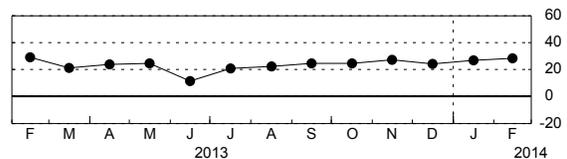
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	36.54	53.85	9.62	26.92
Feb	36.79	54.72	8.49	28.30

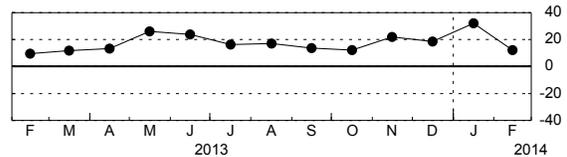
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	39.81	52.43	7.77	32.04
Feb	30.84	50.47	18.69	12.15

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.