

Business Leaders Survey

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

The Federal Reserve Bank of New York's March 2014 *Business Leaders Survey* indicates that activity in the region's service sector was little changed. After falling sharply in February, the survey's headline business activity index recovered some of the ground it lost, but remained negative at -2.4. The business climate index rose seven points, holding firmly in negative territory at -21.8, suggesting that on balance, respondents continued to view the business climate as worse than normal. The employment index fell to 1.7, a sign that employment levels were little changed, and the wages index held steady at 36.9. The prices paid index rose four points to 55.7, indicating a pickup in input price increases, and the prices received index inched up to 16.5. The current and future capital spending indexes suggested an expansion in capital spending plans, with respondents remaining quite optimistic about the six-month outlook.

Business Activity Flat

Business activity was little changed in the region's service sector, according to the March 2014 survey. After falling sharply last month, the business activity index recovered some of the ground it lost, rising eight points to -2.4, its second consecutive reading below zero. Similarly, the business climate index increased, but remained firmly in negative territory: it rose seven points to -21.8, suggesting that the business climate continued to be viewed as worse than normal.

Employment Little Changed

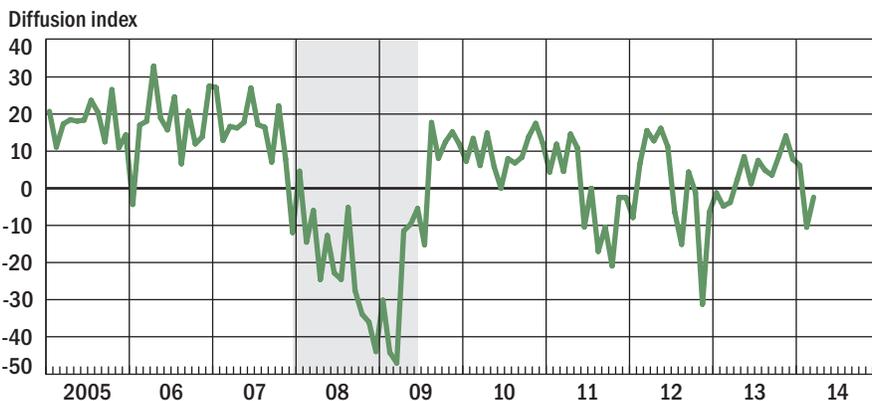
The employment index fell seven points to 1.7, indicating that employment levels were little changed. The wages index held steady at 36.9, pointing to an increase in wages at a pace similar to that observed in February. The prices paid index rose four points to 55.7, a sign that the pace of increase in input prices picked

up somewhat. The prices received index inched up to 16.5, suggesting a continued moderate increase in selling prices. The capital spending index held steady at 9.0, indicating a modest increase in capital expenditures.

Outlook Remains Optimistic

Indexes for the six-month outlook continued to convey strong optimism about future conditions. The index for expected business activity rose four points to 45.5, and the index for future business climate also rose four points, reaching 33.1. The index for expected employment climbed thirteen points to 25.0, its highest level in over a year, and the index for future wages increased to 40.8. Expectations of future price increases were more widespread, with the forward-looking prices paid index rising five points to 62.5, its highest level in two years, and the future prices received index increasing five points to 33.6, also a multiyear high. Finally, the index for expected capital spending climbed eleven points to 22.7. ■

Business Activity



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

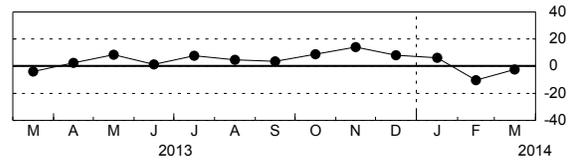
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	25.44	38.60	35.96	-10.53
Mar	29.03	39.52	31.45	-2.42

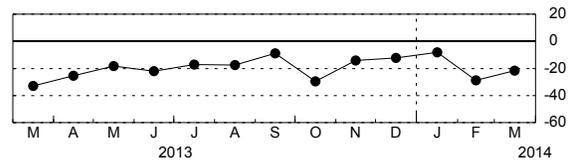
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Feb	16.67	37.72	45.61	-28.95
Mar	21.77	34.68	43.55	-21.77

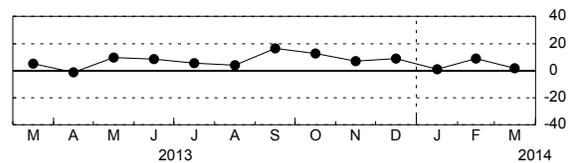
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	27.03	54.95	18.02	9.01
Mar	23.97	53.72	22.31	1.65

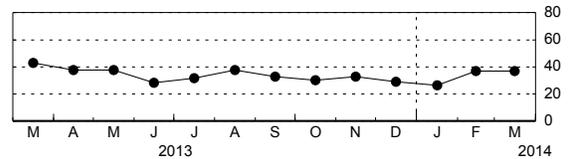
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	38.74	59.46	1.80	36.94
Mar	39.34	58.20	2.46	36.89

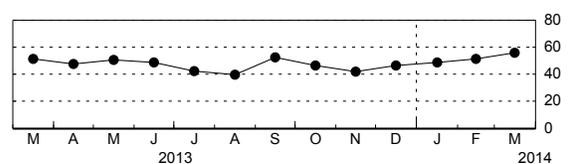
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	54.05	43.24	2.70	51.35
Mar	56.56	42.62	0.82	55.74

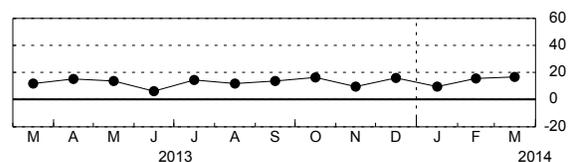
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	26.36	62.73	10.91	15.45
Mar	28.93	58.68	12.40	16.53

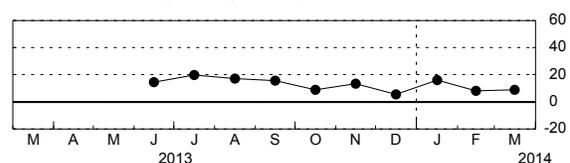
Prices Received - Diffusion Index



Capital Spending*

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	24.55	59.09	16.36	8.18
Mar	25.41	58.20	16.39	9.02

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

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

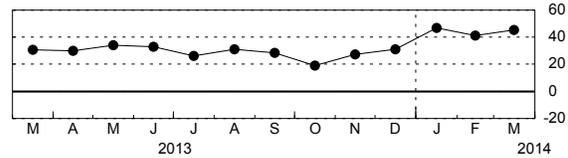
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	51.75	37.72	10.53	41.23
Mar	55.28	34.96	9.76	45.53

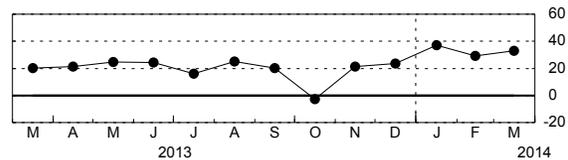
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Feb	41.59	46.02	12.39	29.20
Mar	47.11	38.84	14.05	33.06

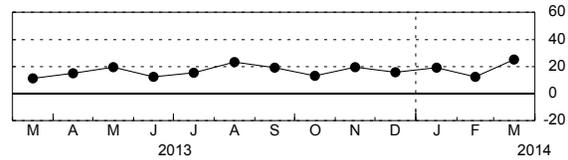
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	31.13	50.00	18.87	12.26
Mar	38.33	48.33	13.33	25.00

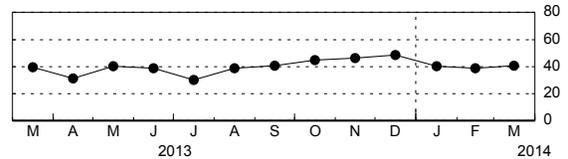
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	41.51	55.66	2.83	38.68
Mar	44.17	52.50	3.33	40.83

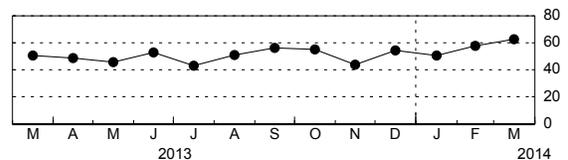
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	57.55	42.45	0.00	57.55
Mar	63.33	35.83	0.83	62.50

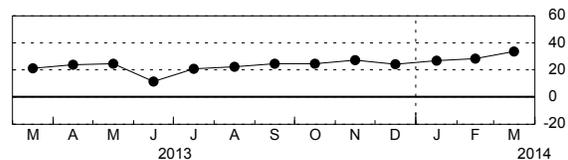
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	36.79	54.72	8.49	28.30
Mar	39.50	54.62	5.88	33.61

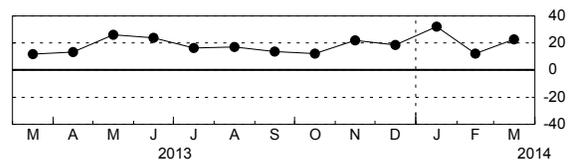
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Feb	30.84	50.47	18.69	12.15
Mar	36.97	48.74	14.29	22.69

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.