

Business Leaders Survey

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

The Federal Reserve Bank of New York's May 2014 *Business Leaders Survey* indicates that activity in the region's service sector grew modestly over the month. The survey's headline business activity index fell seven points to 5.5, indicating that while conditions improved, the pace of growth had slowed since last month. The business climate index fell four points to -10.9, suggesting that on balance, respondents continued to view the business climate as worse than normal. The employment index posted a significant gain, rising ten points to 16.4, a sign of a pickup in hiring activity, and the wages index was little changed at 32.0. The prices paid index inched up three points to 54.7, pointing to a continued moderate increase in input prices, and the prices received index rose ten points to 19.1, signaling a pickup in selling price increases. Both the current and expected capital

spending indexes climbed, indicating a rise in capital spending levels. Indexes for the six-month outlook continued to convey a strong degree of optimism about future conditions.

Business Activity Expands at a More Modest Clip

Business activity expanded in the region's service sector, according to the May 2014 survey, but at a more modest pace, compared with last month's survey. After rising sharply last month, the business activity index fell seven points to 5.5. This month, 36 percent of respondents reported that conditions improved over the month, while 30 percent reported that conditions worsened. The business climate index fell four points to -10.9, suggesting that on balance, the business climate continued to be viewed as worse than normal.

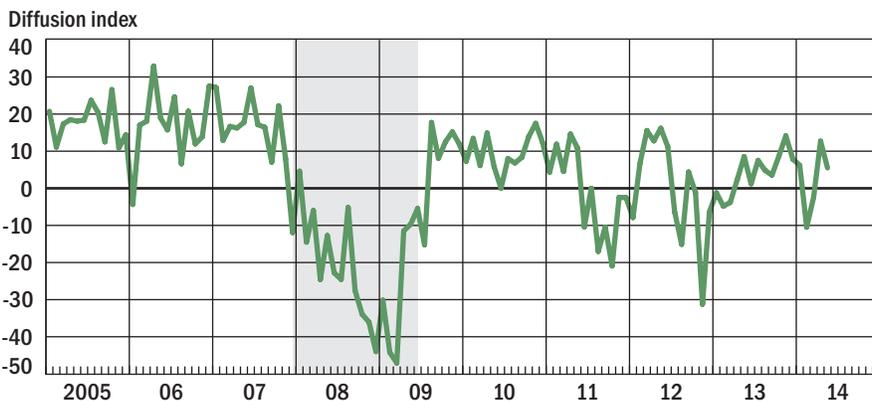
Hiring Activity Picks Up

The employment index rose ten points to 16.4, its highest level in several months, signaling a pickup in hiring activity. The wages index was little changed at 32.0, pointing to a continued moderate increase in wages. Both price indexes were higher, a sign that price increases picked up. The prices paid index rose three points to 54.7, and the prices received index climbed ten points to 19.1. The capital spending index rose seven points to 9.5, suggesting that capital expenditures were somewhat higher.

Six-Month Outlook Remains Bright

Indexes for the six-month outlook continued to convey strong optimism about future business conditions. The index for expected business activity inched up three points to 43.0, and the index for future business climate rose six points to 33.3. The index for expected employment dipped four points, but remained at a fairly high level, at 29.8, suggesting that employment is expected to continue to climb in the months ahead. The forward-looking prices paid index was little changed at 59.5, and the future prices received index rose to 34.2. The index for expected capital spending increased six points to 25.0. ■

Business Activity



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

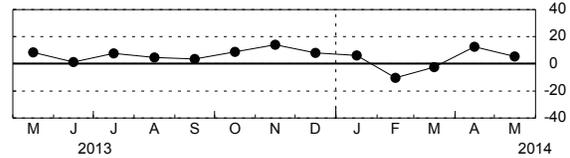
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	40.30	32.09	27.61	12.69
May	35.94	33.59	30.47	5.47

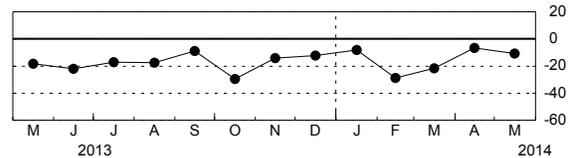
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Apr	24.63	44.03	31.34	-6.72
May	21.71	45.74	32.56	-10.85

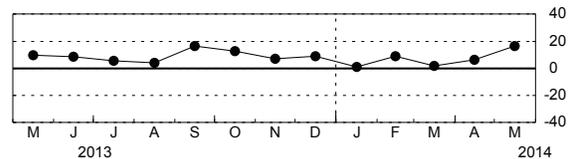
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	23.08	60.00	16.92	6.15
May	33.59	49.22	17.19	16.41

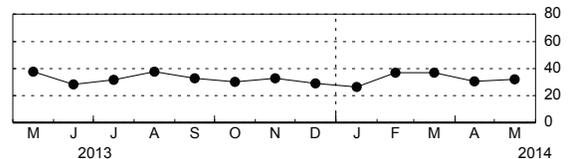
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	32.82	64.89	2.29	30.53
May	34.38	63.28	2.34	32.03

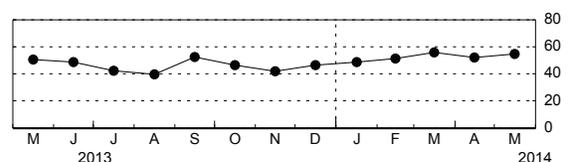
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	55.73	40.46	3.82	51.91
May	56.25	42.19	1.56	54.69

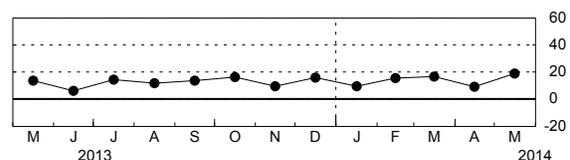
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	23.66	61.83	14.50	9.16
May	28.57	61.90	9.52	19.05

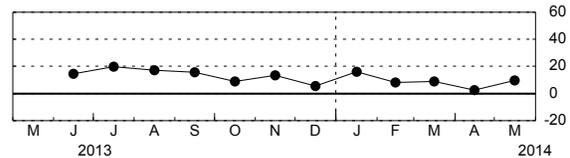
Prices Received - Diffusion Index



Capital Spending*

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	24.03	54.26	21.71	2.33
May	27.56	54.33	18.11	9.45

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

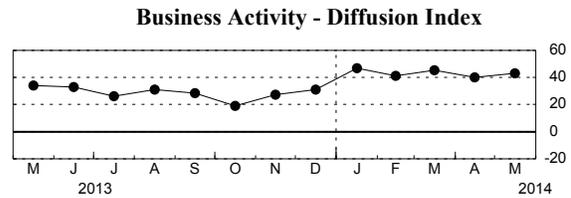
*The data begin in June 2013, when this question was first asked.

Forward-Looking Indicators

Expectations Six Months Ahead

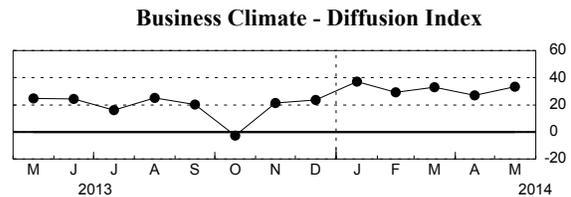
Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	50.00	40.15	9.85	40.15
May	56.25	30.47	13.28	42.97



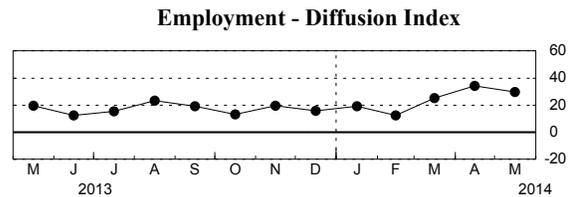
Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Apr	41.35	44.36	14.29	27.07
May	46.51	40.31	13.18	33.33



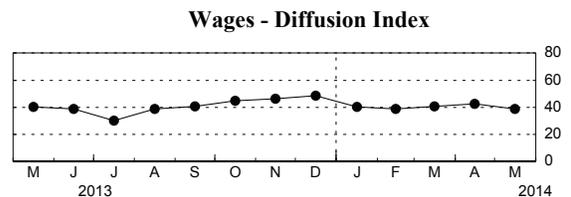
Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	47.15	39.84	13.01	34.15
May	41.32	47.11	11.57	29.75



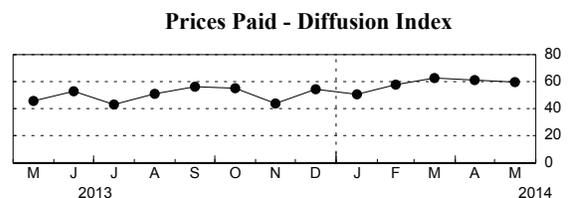
Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	43.44	55.74	0.82	42.62
May	42.15	54.55	3.31	38.84



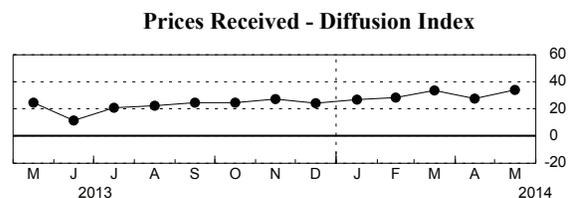
Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	62.60	35.77	1.63	60.98
May	60.33	38.84	0.83	59.50



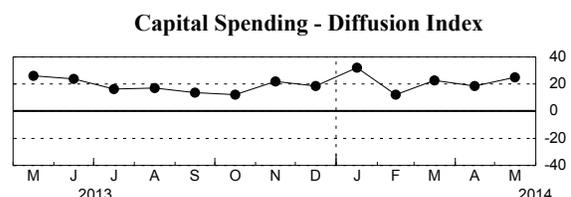
Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	34.15	59.35	6.50	27.64
May	40.00	54.17	5.83	34.17



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	37.40	43.90	18.70	18.70
May	41.67	41.67	16.67	25.00



Note: Data are not seasonally adjusted.