

Business Leaders Survey

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

The Federal Reserve Bank of New York's July 2014 *Business Leaders Survey* indicates that activity in the region's service sector grew modestly. The survey's headline business activity index fell four points to 12.3. The business climate index was little changed at -7.1, suggesting that on balance, respondents continued to view the business climate as worse than normal. The employment index, at 12.1, pointed to a moderate increase in employment levels, and the wages index was little changed at 32.9. The prices paid index inched up two points to 56.4, indicating a slight increase in the pace of input price increases, while the prices received index fell two points to 11.6, pointing to a slight slowing in selling price increases. The current capital spending index fell six points to 15.0, and indexes for the six-month outlook continued to convey a good degree of optimism about future business activity.

Business Activity Expands Modestly

Business activity expanded modestly in the region's service sector, according to the July 2014 survey. After rising sharply last month and reaching a two-year high, the business activity index retreated four points to 12.3, indicating a slower pace of growth. This month, 36 percent of respondents reported that conditions improved, while 24 percent reported that conditions worsened. The business climate index rose two points to -7.1, but remained negative, suggesting that on balance, the business climate continued to be viewed as worse than normal.

Employment Gains Continue

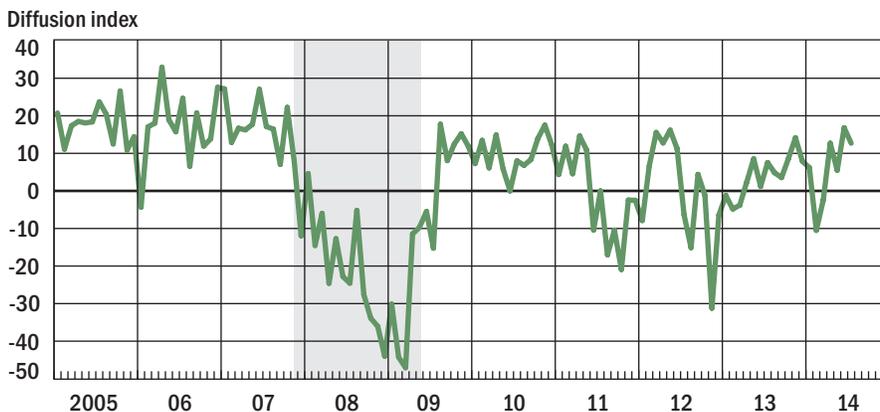
The employment index was little changed from last month's reading, and, at 12.1, it continued to signal a modest pickup in hiring activity. The wages index held steady at 32.9, pointing to a

continued moderate increase in wages. The prices paid index rose two points to 56.4, indicating a slight pickup in the pace of input price increases. The prices received index, on the other hand, fell two points to 11.6, its second consecutive monthly decline, signifying a slightly slower pace of selling price increases. The capital spending index fell six points to 15.0, suggesting that capital expenditures continued to climb, although at a slower pace compared with last month.

Firms Remain Optimistic about Future Conditions

Indexes for the six-month outlook continued to convey optimism about future business conditions. The index for expected business activity fell four points, but remained at a fairly high level, at 39.3. The index for future business climate rose eight points to 30.0, indicating that conditions are expected to be better than normal in the months ahead. The index for expected employment was little changed at 27.9, suggesting that employment is expected to continue to climb. Both forward-looking price indexes inched higher, and the index for expected capital spending fell two points to 15.6. ■

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

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	43.20	30.40	26.40	16.80
Jul	36.23	39.86	23.91	12.32

Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Jun	25.20	40.16	34.65	-9.45
Jul	23.57	45.71	30.71	-7.14

Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	29.92	52.76	17.32	12.60
Jul	27.86	56.43	15.71	12.14

Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	36.22	60.63	3.15	33.07
Jul	33.57	65.71	0.71	32.86

Prices Paid

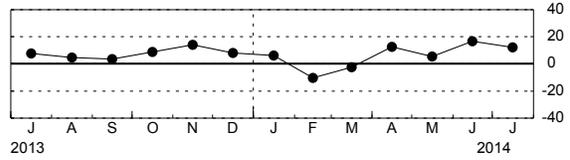
	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	54.76	44.44	0.79	53.97
Jul	57.86	40.71	1.43	56.43

Prices Received

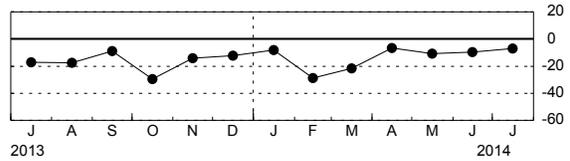
	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	25.40	62.70	11.90	13.49
Jul	21.01	69.57	9.42	11.59

Capital Spending

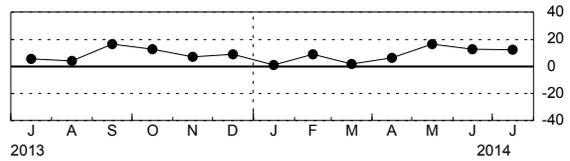
	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	36.00	48.80	15.20	20.80
Jul	29.29	56.43	14.29	15.00



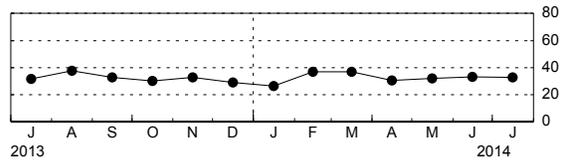
Business Climate - Diffusion Index



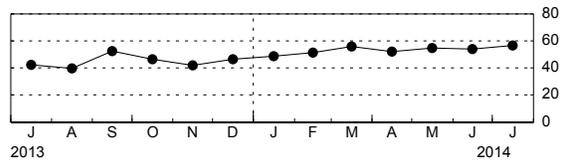
Employment - Diffusion Index



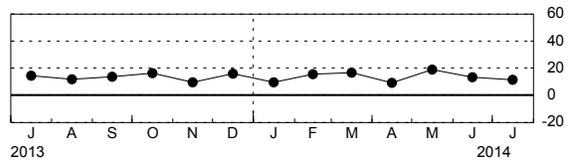
Wages - Diffusion Index



Prices Paid - Diffusion Index



Prices Received - Diffusion Index



Capital Spending - Diffusion Index

Note: Data are not seasonally adjusted.

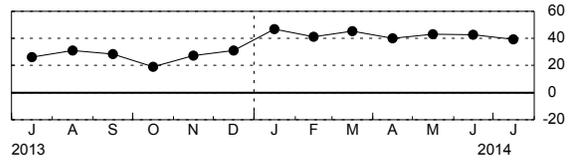
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	Higher	Same	Lower	Index
Jun	54.76	33.33	11.90	42.86
Jul	50.71	37.86	11.43	39.29

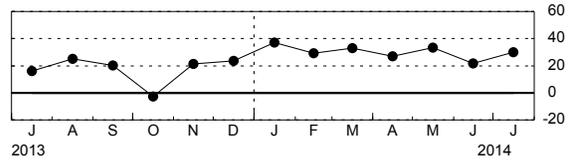
Business Activity - Diffusion Index



Business Climate

	Better	Same	Worse	Index
Jun	34.38	53.13	12.50	21.88
Jul	42.14	45.71	12.14	30.00

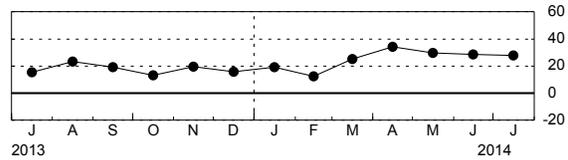
Business Climate - Diffusion Index



Employment

	Higher	Same	Lower	Index
Jun	44.26	40.16	15.57	28.69
Jul	42.64	42.64	14.73	27.91

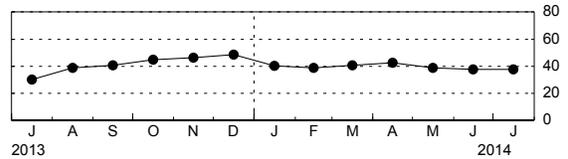
Employment - Diffusion Index



Wages

	Higher	Same	Lower	Index
Jun	40.98	55.74	3.28	37.70
Jul	38.46	60.77	0.77	37.69

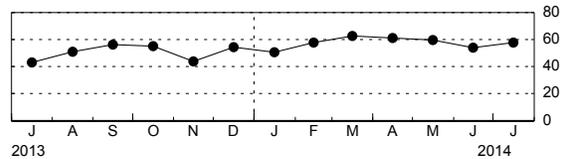
Wages - Diffusion Index



Prices Paid

	Higher	Same	Lower	Index
Jun	55.74	42.62	1.64	54.10
Jul	58.59	40.63	0.78	57.81

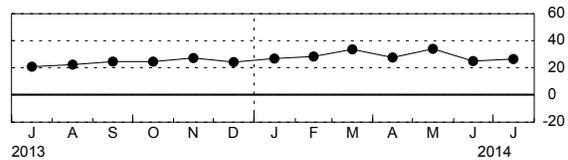
Prices Paid - Diffusion Index



Prices Received

	Higher	Same	Lower	Index
Jun	33.87	57.26	8.87	25.00
Jul	32.81	60.94	6.25	26.56

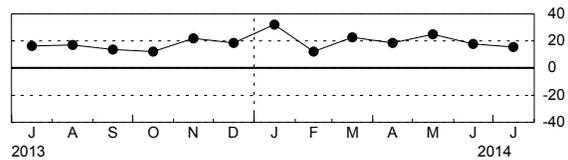
Prices Received - Diffusion Index



Capital Spending

	Higher	Same	Lower	Index
Jun	35.77	46.34	17.89	17.89
Jul	30.47	54.69	14.84	15.63

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.