

Business Leaders Survey

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

The Federal Reserve Bank of New York's August 2014 *Business Leaders Survey* signals some acceleration in activity in the region's service sector. The survey's headline business activity index rose four points to 16.2. The business climate index, though still slightly negative, rose to -3.0—its highest level since the onset of the last recession. The employment index climbed ten points to 21.9, suggesting a pickup in hiring, while the wages index remained steady at 33.3. The prices paid index fell six points to 50.4, indicating a slight diminution in cost pressures, while the prices received index rose three points to 14.7, pointing to a slight acceleration in selling prices. The current capital spending index was little changed at 15.6. Indexes for the six-month outlook retreated somewhat but remain at elevated levels, suggesting a fair degree of optimism about the business outlook.

Business Activity Picks Up

Business activity accelerated slightly in the region's service sector, according to the August 2014 survey. The business activity index rebounded four points to 16.2, essentially reversing last month's decline and signaling a slight pickup in growth. In the current survey, 39 percent of respondents reported that conditions had improved, while 23 percent reported that they had worsened. The business climate index advanced four points to -3.0—still below zero but at its highest level since late 2007, suggesting that respondents now view the business climate more favorably than at any time since the start of the last recession.

Increased Hiring Activity

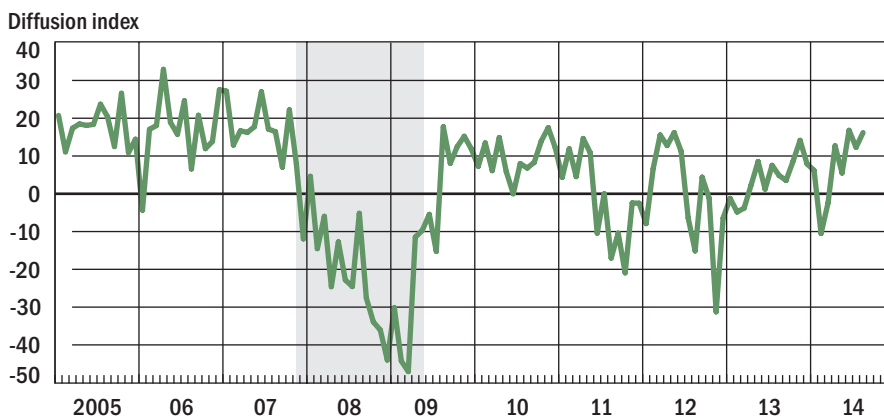
The employment index jumped ten points to 21.9, suggesting a step-up in hiring activity. The wages index, holding steady at 33.3, pointed to

continued moderate growth in wages. The prices paid index fell six points to 50.4, indicating that cost pressures were somewhat less widespread than in the past few months. The prices received index, however, rose three points to 14.7, pointing to a slight quickening in selling price increases. The capital spending index was little changed at 15.6—a sign that capital expenditures continued to climb at a modest pace.

Firms Somewhat Less Optimistic

Indexes for the six-month outlook conveyed somewhat less optimism about future business conditions than in recent months. The index for expected business activity fell eight points to 31.1—its lowest level since late 2013 but still fairly elevated. The index for future business climate fell seventeen points to 13.0, indicating that respondents are considerably less optimistic on that front than they have been for most of the past year. The index for expected employment slipped ten points to 18.0, suggesting some pullback in hiring plans. The two forward-looking price indexes and the index for expected capital spending were all down marginally but still at fairly elevated levels. ■

Business Activity



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

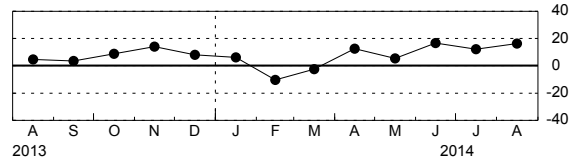
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	36.23	39.86	23.91	12.32
Aug	39.23	37.69	23.08	16.15

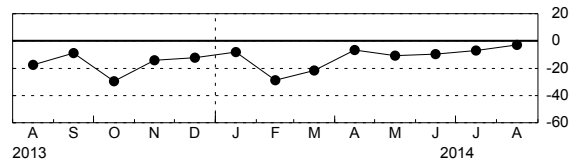
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Jul	23.57	45.71	30.71	-7.14
Aug	24.24	48.48	27.27	-3.03

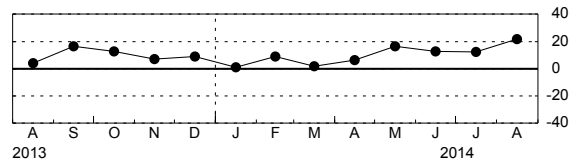
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	27.86	56.43	15.71	12.14
Aug	34.38	53.13	12.50	21.88

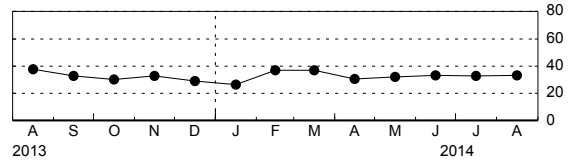
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	33.57	65.71	0.71	32.86
Aug	35.66	62.02	2.33	33.33

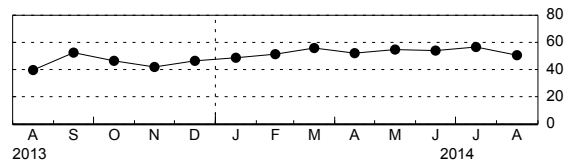
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	57.86	40.71	1.43	56.43
Aug	51.16	48.06	0.78	50.39

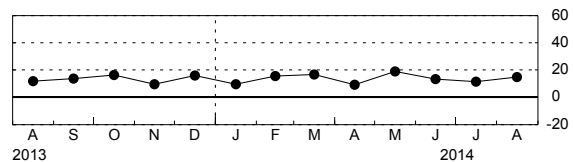
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	21.01	69.57	9.42	11.59
Aug	20.93	72.87	6.20	14.73

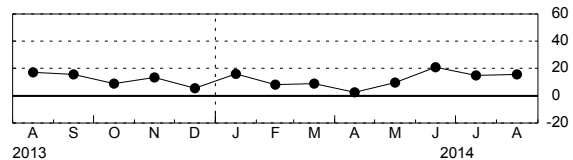
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	29.29	56.43	14.29	15.00
Aug	31.25	53.13	15.63	15.63

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

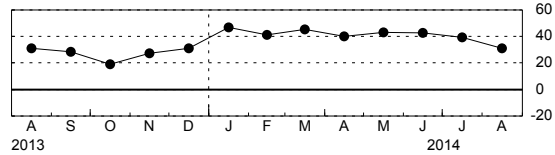
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	50.71	37.86	11.43	39.29
Aug	46.21	38.64	15.15	31.06

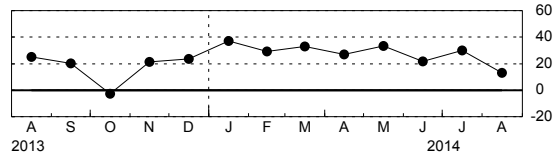
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Jul	42.14	45.71	12.14	30.00
Aug	30.53	51.91	17.56	12.98

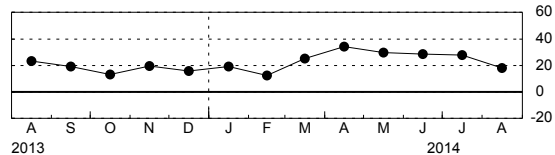
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	42.64	42.64	14.73	27.91
Aug	37.70	42.62	19.67	18.03

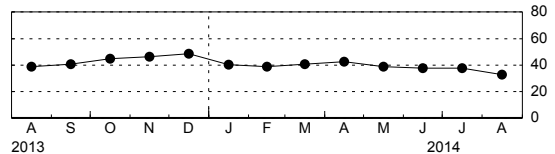
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	38.46	60.77	0.77	37.69
Aug	36.07	60.66	3.28	32.79

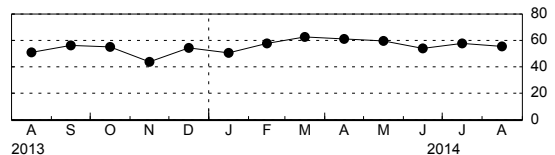
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	58.59	40.63	0.78	57.81
Aug	57.72	39.84	2.44	55.28

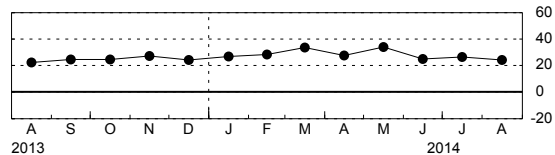
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	32.81	60.94	6.25	26.56
Aug	34.15	56.10	9.76	24.39

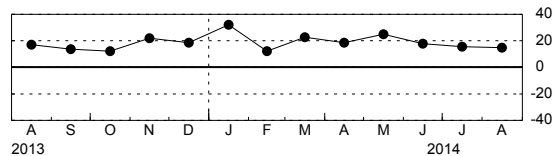
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	30.47	54.69	14.84	15.63
Aug	34.43	45.90	19.67	14.75

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.