

Business Leaders Survey

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

The Federal Reserve Bank of New York's October 2014 *Business Leaders Survey* indicates that growth picked up in the region's service sector. The survey's headline business activity index rose nine points to 10.2. The business climate index fell three points to -14.0, suggesting that on balance, respondents continued to view the business climate as worse than normal. The employment index was little changed at 13.3, pointing to a continued increase in employment levels, and the wages index fell six points to 28.1, indicating a slower pace of growth in wages this month. The prices paid index climbed eight points to 53.1, signaling a pickup in input price increases, while the prices received index fell six points to 11.7, pointing to a slower pace of selling price increases. Both the current and future

capital spending indexes were higher, indicating a rise in capital spending and spending plans. Indexes for the six-month outlook suggested a somewhat lower degree of optimism about future conditions compared with the last several months.

Business Activity Picks Up

Growth in business activity picked up in the region's service sector this month, according to the October 2014 survey. The business activity index climbed nine points to 10.2, pointing to a faster pace of growth in activity compared with last month. This month, 31 percent of respondents reported that conditions improved, while 21 percent reported that conditions worsened. The business climate index fell three points to -14.0,

suggesting that on balance, the business climate continued to be viewed as worse than normal.

Employment Expands, Wage Growth Slows

The employment index was little changed at 13.3, signaling a continued moderate pickup in hiring activity. The wages index fell six points to 28.1, pointing to a slower pace of wage growth. The prices paid index rose eight points to 53.1, indicating a sharper pace of input price increases. The prices received index fell six points to 11.7, signifying a slower pace of growth in selling price increases. The capital spending index rose seven points to 19.1, suggesting that capital expenditures rose at a solid clip.

Level of Optimism Falls

Indexes for the six-month outlook continued to convey a positive outlook about future business conditions, but most indexes fell, indicating a somewhat lower level of optimism compared with previous months. The index for expected business activity fell six points to 30.7, and the index for future business climate fell thirteen points to 10.1, its lowest level in a year. The index for expected employment rose sharply, climbing fourteen points to 30.0, suggesting that employment is expected to climb in the months ahead. The future prices paid index rose eleven points to 58.8, while the future prices received index fell ten points to 20.0. The index for expected capital spending rose fourteen points to 24.2, indicating a significant pickup in capital spending plans. ■

Business Activity

Diffusion index



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

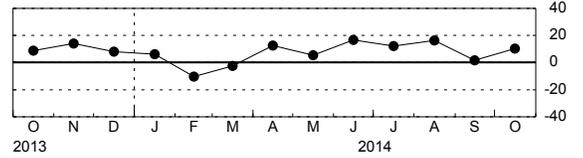
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	30.89	39.84	29.27	1.63
Oct	31.25	47.66	21.09	10.16

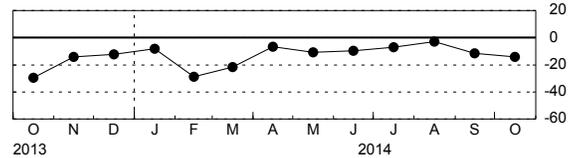
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Sep	19.51	49.59	30.89	-11.38
Oct	17.83	50.39	31.78	-13.95

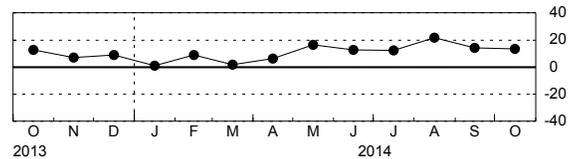
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	31.40	51.24	17.36	14.05
Oct	27.34	58.59	14.06	13.28

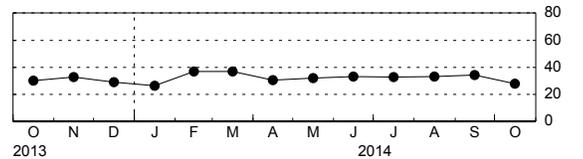
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	35.77	62.60	1.63	34.15
Oct	31.25	65.63	3.13	28.13

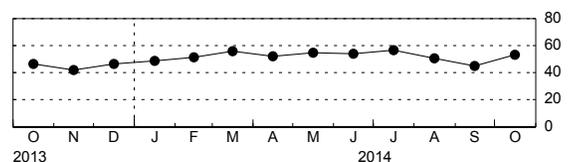
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	50.00	45.08	4.92	45.08
Oct	53.91	45.31	0.78	53.13

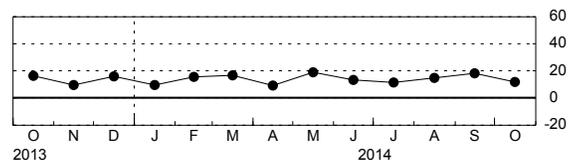
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	27.87	62.30	9.84	18.03
Oct	24.22	63.28	12.50	11.72

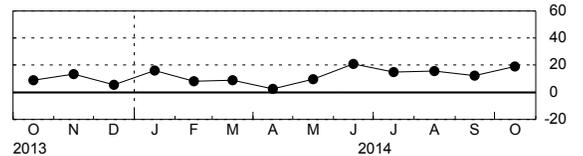
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Sep	29.75	52.89	17.36	12.40
Oct	33.33	52.38	14.29	19.05

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

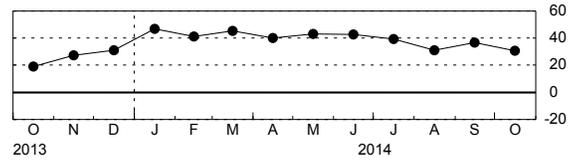
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	Higher	Same	Lower	Index
Sep	50.82	35.25	13.93	36.89
Oct	44.09	42.52	13.39	30.71

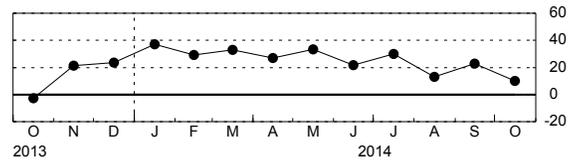
Business Activity - Diffusion Index



Business Climate

	Better	Same	Worse	Index
Sep	36.59	49.59	13.82	22.76
Oct	27.91	54.26	17.83	10.08

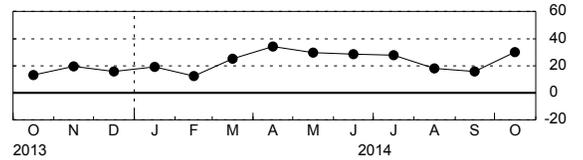
Business Climate - Diffusion Index



Employment

	Higher	Same	Lower	Index
Sep	31.30	53.04	15.65	15.65
Oct	40.00	50.00	10.00	30.00

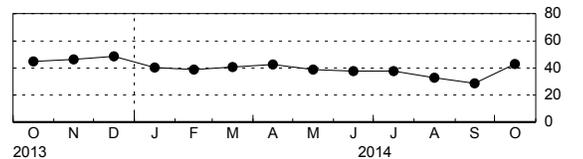
Employment - Diffusion Index



Wages

	Higher	Same	Lower	Index
Sep	29.46	69.64	0.89	28.57
Oct	44.54	53.78	1.68	42.86

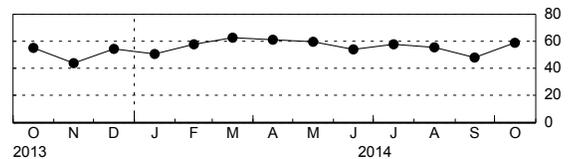
Wages - Diffusion Index



Prices Paid

	Higher	Same	Lower	Index
Sep	52.17	43.48	4.35	47.83
Oct	61.34	36.13	2.52	58.82

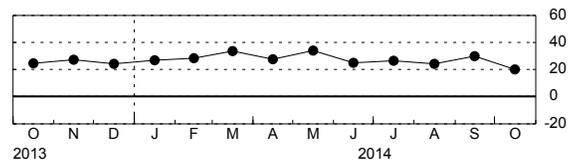
Prices Paid - Diffusion Index



Prices Received

	Higher	Same	Lower	Index
Sep	39.47	50.88	9.65	29.82
Oct	32.50	55.00	12.50	20.00

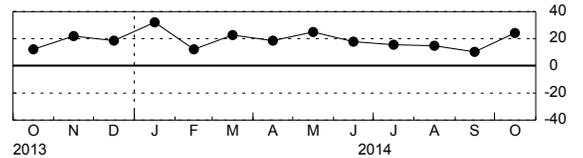
Prices Received - Diffusion Index



Capital Spending

	Higher	Same	Lower	Index
Sep	28.70	53.04	18.26	10.43
Oct	36.67	50.83	12.50	24.17

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.