

Business Leaders Survey

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

The Federal Reserve Bank of New York's February 2015 *Business Leaders Survey* indicates that activity in the region's service sector leveled off. The survey's headline business activity index fell 15 points to 0.8. After rising to a level just above zero last month, the business climate index gave up those gains, signaling that, on balance, respondents viewed the business climate as worse than normal. The employment index held steady at 16.9, pointing to continued solid gains in employment, and the wages index rose for a second consecutive month, to 35.4, indicating a faster pace of wage growth. The prices paid index climbed 12 points to 51.5, pointing to steeper input price increases, while the prices received index dropped six points to 6.2, signifying a slower pace of selling price increases. Indexes assessing the six-month outlook suggested that firms remained optimistic about future conditions.

Business Activity Stalls

Business activity leveled off in the region's service sector, according to the February 2015 survey. The survey's headline business activity index fell 15 points to 0.8. This month, 32 percent of respondents reported that conditions improved, and 31 percent reported that conditions worsened. After rising out of negative territory last month, the business climate index gave up its gains, falling nine points to -8.4, indicating that, on balance, firms viewed the business climate as worse than normal.

Employment Continues to Expand, Wage Growth Picks Up

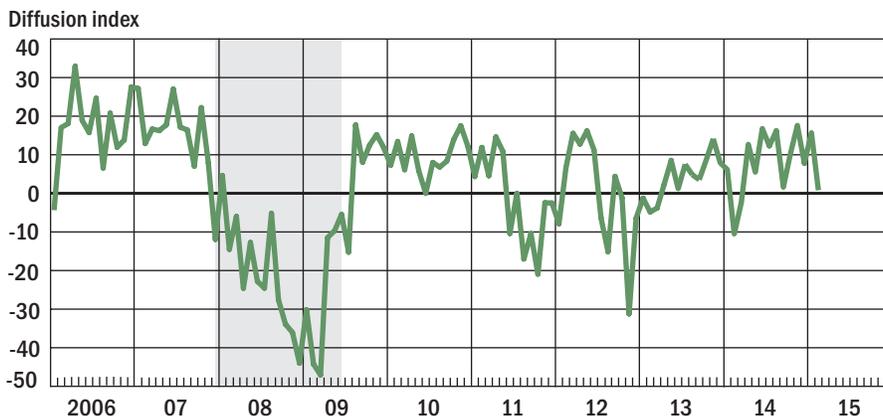
The employment index inched up to 16.9, pointing to continued moderate gains in employment levels. The index for wages rose for a second consecutive month, climbing six points to 35.4, a sign that the pace of growth in wages

picked up. The prices paid index rose 12 points to 51.5, indicating that input prices grew at a faster pace. The prices received index fell six points to 6.2, pointing to slower selling price increases. The capital spending index was little changed at 16.3, suggesting continued growth in capital expenditures.

Outlook Remains Optimistic

Indexes assessing the six-month outlook suggested that firms continued to be optimistic about future business conditions. The index for expected business activity edged up two points to 37.4, and the index for future business climate advanced seven points to 33.3. The index for expected employment fell two points to 25.6. The index for expected wages, though several points lower than last month, suggests that respondents continue to expect faster wage growth in the months ahead. The future prices paid and prices received indexes were higher, and the index for expected capital spending fell four points to 15.2. ■

Business Activity



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

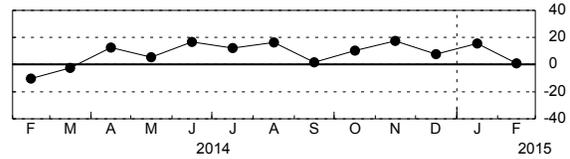
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	38.78	38.10	23.13	15.65
Feb	32.06	36.64	31.30	0.76

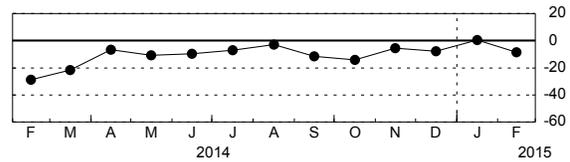
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Jan	23.81	53.06	23.13	0.68
Feb	21.37	48.85	29.77	-8.40

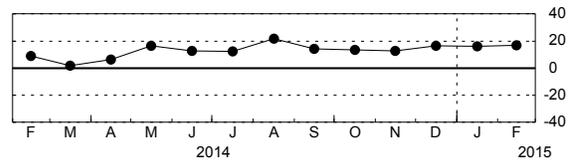
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	29.86	56.25	13.89	15.97
Feb	30.00	56.92	13.08	16.92

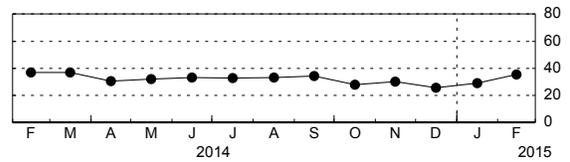
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	32.64	63.89	3.47	29.17
Feb	37.69	60.00	2.31	35.38

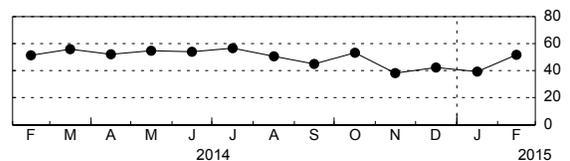
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	45.52	48.28	6.21	39.31
Feb	53.85	43.85	2.31	51.54

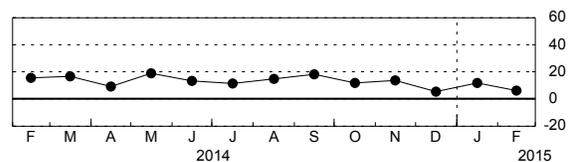
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	20.42	71.13	8.45	11.97
Feb	20.93	64.34	14.73	6.20

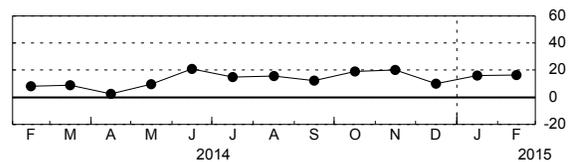
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	32.17	51.75	16.08	16.08
Feb	30.23	55.81	13.95	16.28

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

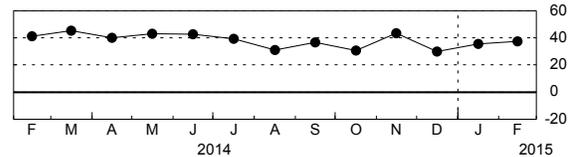
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	45.14	45.14	9.72	35.42
Feb	48.85	39.69	11.45	37.40

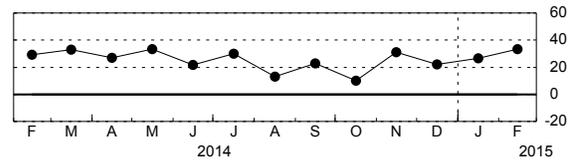
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Jan	37.41	51.70	10.88	26.53
Feb	42.42	48.48	9.09	33.33

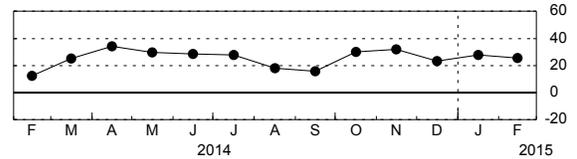
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	39.01	49.65	11.35	27.66
Feb	36.80	52.00	11.20	25.60

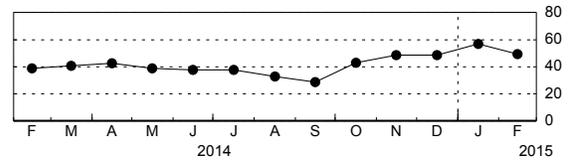
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	58.16	40.43	1.42	56.74
Feb	50.00	49.21	0.79	49.21

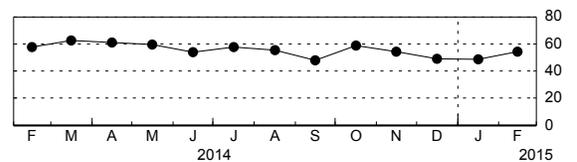
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	53.52	41.55	4.93	48.59
Feb	56.69	40.94	2.36	54.33

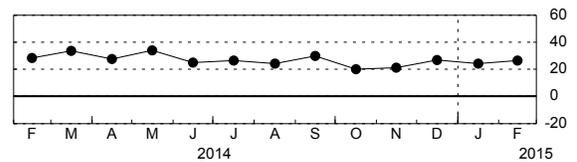
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	34.29	55.71	10.00	24.29
Feb	33.60	59.20	7.20	26.40

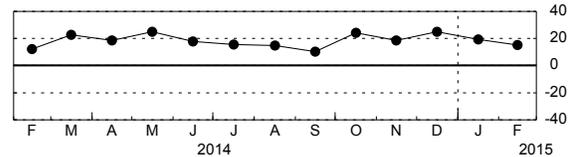
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jan	36.88	45.39	17.73	19.15
Feb	34.40	46.40	19.20	15.20

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.