

Business Leaders Survey

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

The Federal Reserve Bank of New York's November 2015 *Business Leaders Survey* indicates that activity in the region's service sector declined for the first time in more than a year. The survey's headline business activity index fell eight points to -5.1. The business climate index remained negative at -15.1, signaling that, on balance, respondents continued to view the business climate as worse than normal. The employment index declined to 5.0, indicating modest gains in employment, and the wages index was little changed at 27.5, pointing to a steady pace of wage increases. The prices paid index climbed five points to 38.6, indicating that input price increases picked up this month, while the prices received index moved down four points to 1.5, a sign that selling prices were flat. Indexes assessing the six-month outlook suggested that firms remained somewhat optimistic about future business conditions, with faster wage growth expected in the months ahead.

Business Activity Declines

Business activity declined in the region's service sector for the first time in more than a year, according to the November survey. The survey's headline business activity index fell eight points to -5.1, its lowest level since February 2014. This month, 27 percent of respondents reported that conditions improved, while 32 percent reported that conditions worsened. The business climate index edged up four points to -15.1, indicating that, on balance, firms continued to view the business climate as worse than normal, although to a lesser extent than last month.

Employment Growth Slows

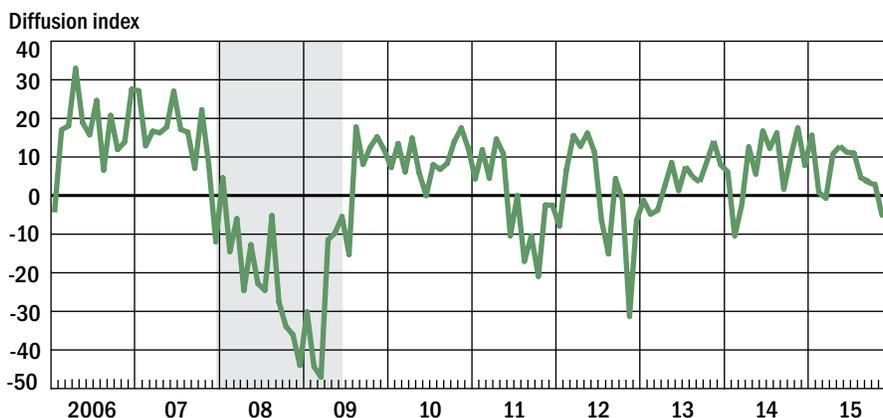
The employment index moved down seven points to 5.0, signaling that while employment levels were higher, the pace of growth slowed. The wages index was little changed at 27.5, signaling that wages grew at about the same rate as last month. The

prices paid index rose five points to 38.6, suggesting that input price increases steepened. Conversely, the prices received index declined for a second consecutive month, falling to 1.5, an indication that selling prices were flat. The capital spending index rose nine points to 11.0, pointing to moderate growth in capital spending.

Wage Growth Expected to Pick Up

Indexes assessing the six-month outlook suggested that firms were slightly less optimistic about future business conditions than they were last month. The index for expected business activity was little changed at 26.0, and the index for future business climate fell six points to 8.7. The index for expected employment edged down three points to 15.2. The index for expected wages shot up fourteen points to a multiyear high of 52.6, a sign that wage growth is expected to pick up significantly in the months ahead. ■

Business Activity



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

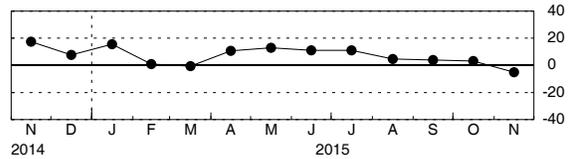
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	35.34	32.33	32.33	3.01
Nov	26.81	41.30	31.88	-5.07

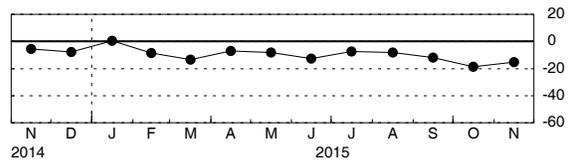
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Oct	18.05	45.11	36.84	-18.80
Nov	20.86	43.17	35.97	-15.11

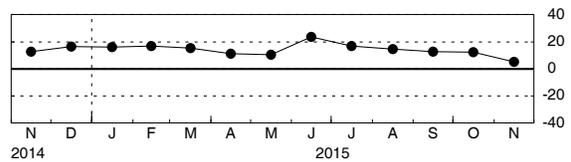
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	27.48	57.25	15.27	12.21
Nov	24.29	56.43	19.29	5.00

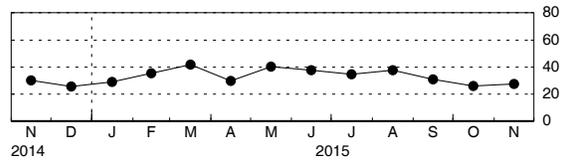
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	27.69	70.77	1.54	26.15
Nov	28.26	71.01	0.72	27.54

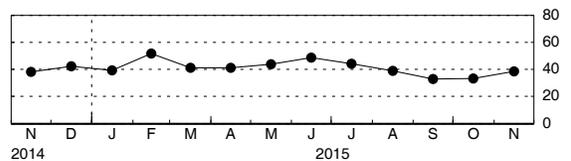
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	38.64	56.06	5.30	33.33
Nov	42.86	52.86	4.29	38.57

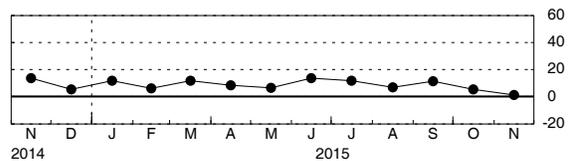
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	18.46	68.46	13.08	5.38
Nov	15.22	71.01	13.77	1.45

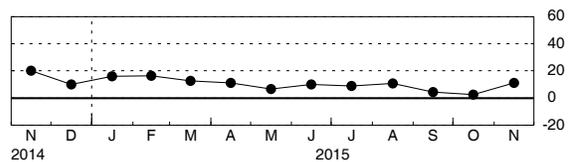
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	23.08	56.15	20.77	2.31
Nov	29.20	52.55	18.25	10.95

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

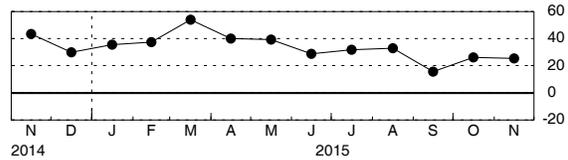
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	45.86	34.59	19.55	26.32
Nov	40.15	45.26	14.60	25.55

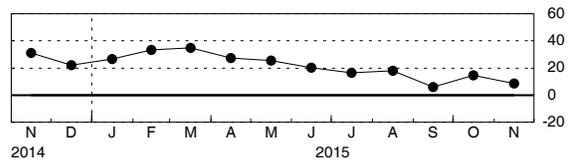
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Oct	33.85	46.92	19.23	14.62
Nov	26.81	55.07	18.12	8.70

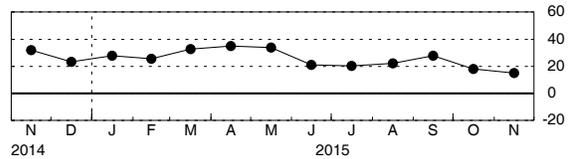
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	32.28	53.54	14.17	18.11
Nov	30.30	54.55	15.15	15.15

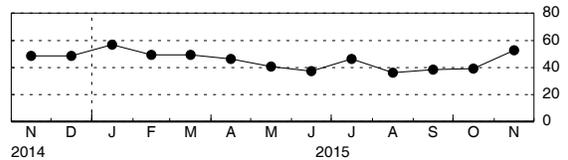
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	41.41	56.25	2.34	39.06
Nov	54.14	44.36	1.50	52.63

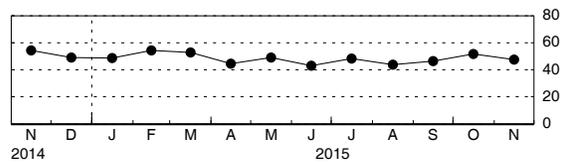
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	53.17	45.24	1.59	51.59
Nov	48.48	50.76	0.76	47.73

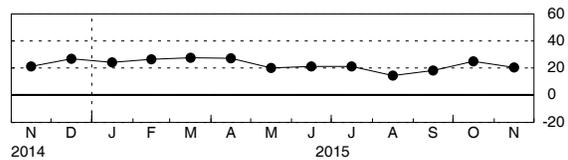
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	36.00	52.80	11.20	24.80
Nov	30.53	59.54	9.92	20.61

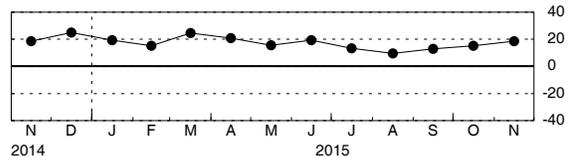
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	31.75	51.59	16.67	15.08
Nov	35.66	47.29	17.05	18.60

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.