

Business Leaders Survey

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

The Federal Reserve Bank of New York's January 2016 *Business Leaders Survey* indicates that activity in the region's service sector marginally improved. The survey's headline business activity index edged up two points to 4.1. The business climate index climbed twelve points to -0.7, signaling that, on balance, respondents viewed the business climate as normal. The employment index edged up to 8.8, pointing to modest growth in employment, and the wages index rose nine points to 34.7, an indication that wage increases picked up. The prices paid index fell three points to 38.8 and the prices received index was little changed at 10.3, suggesting that the pace of both input and selling price increases remained steady. The capital expenditures index shot up eighteen points to 25.2, pointing to a substantial increase in capital spending. Indexes assessing

the six-month outlook suggested that firms remained fairly optimistic about future business conditions.

Business Activity Improves Slightly

Business activity improved in the region's service sector, according to the January 2016 survey. The survey's headline business activity index edged up two points to 4.1, suggesting that activity expanded to a small degree. This month, 35 percent of respondents reported that conditions improved, while 31 percent reported that conditions worsened. The business climate index increased twelve points to -0.7, the near-zero reading indicating that, on balance, firms viewed the business climate as normal for this time of year. This month's reading marks the first time the index has approached zero since January of last year.

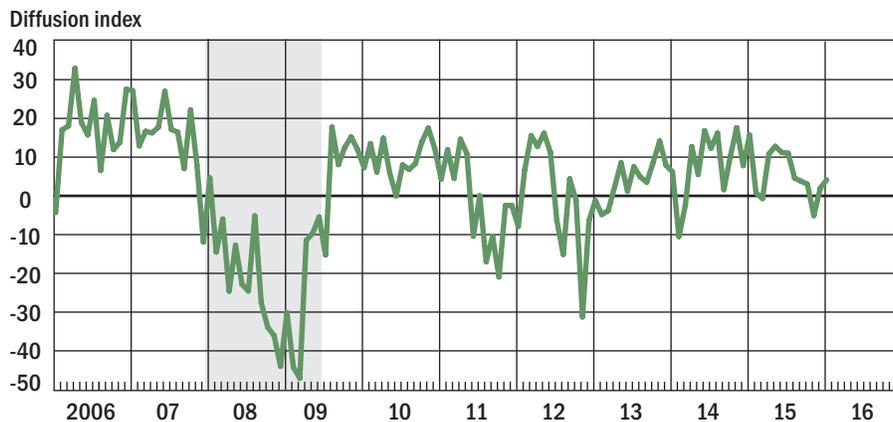
Wage Growth Picks Up

The employment index advanced two points to 8.8, signaling that employment continued to grow modestly. The wages index climbed nine points to 34.7, an indication that wage growth was stronger than last month. The prices paid index declined three points to 38.8 and the prices received index held steady at 10.3, indicating little change in the pace of increase in both input prices and selling prices. The capital spending index climbed eighteen points to 25.2, signaling a substantial rise in capital spending.

Outlook Remains Positive

Indexes assessing the six-month outlook suggested that firms were fairly optimistic about future business conditions, but expectations remained less positive than they had been during the first half of 2015. The index for expected business activity rose four points to 24.7, while the index for future business climate was unchanged at 11.6. The index for expected employment increased three points to 26.4, suggesting that employment was expected to grow, and the index for expected wages climbed to 53.6, indicating that firms anticipated continued strong wage growth in the months ahead. ■

Business Activity



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

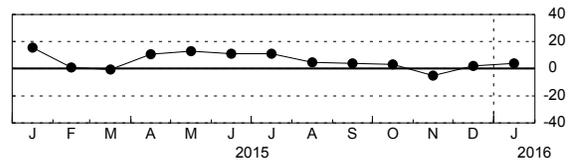
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	29.73	42.57	27.70	2.03
Jan	34.69	34.69	30.61	4.08

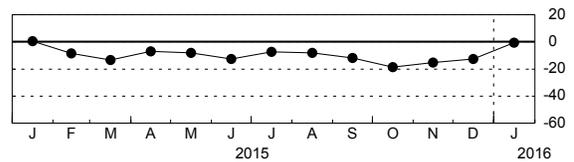
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Dec	21.33	44.67	34.00	-12.67
Jan	24.31	50.69	25.00	-0.69

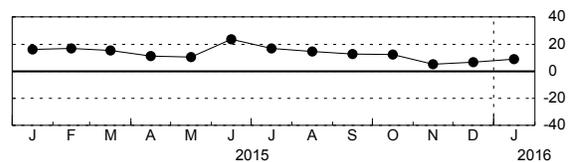
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	28.08	50.68	21.23	6.85
Jan	27.03	54.73	18.24	8.78

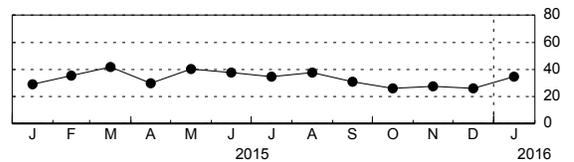
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	27.40	71.23	1.37	26.03
Jan	37.41	59.86	2.72	34.69

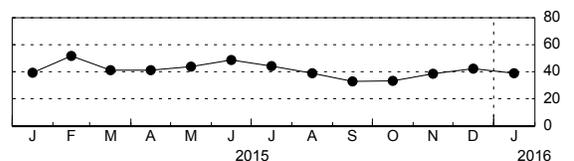
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	46.26	49.66	4.08	42.18
Jan	46.94	44.90	8.16	38.78

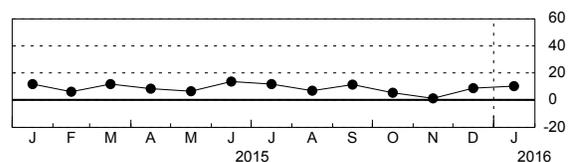
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	19.31	70.34	10.34	8.97
Jan	24.14	62.07	13.79	10.34

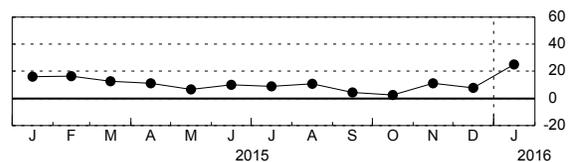
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	24.83	57.93	17.24	7.59
Jan	39.57	46.04	14.39	25.18

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

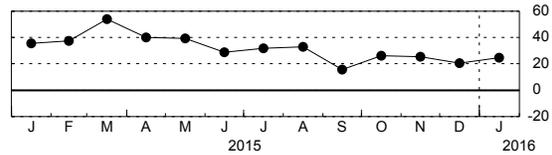
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	39.33	42.00	18.67	20.67
Jan	41.78	41.10	17.12	24.66

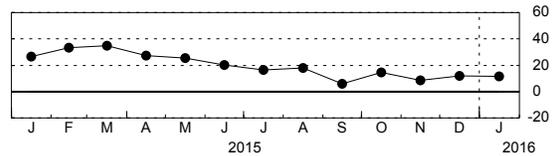
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Dec	27.33	57.33	15.33	12.00
Jan	32.88	45.89	21.23	11.64

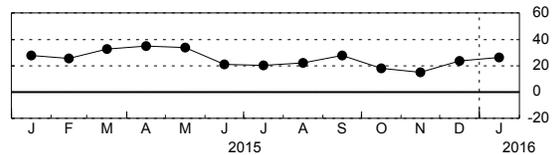
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	36.36	51.05	12.59	23.78
Jan	42.86	40.71	16.43	26.43

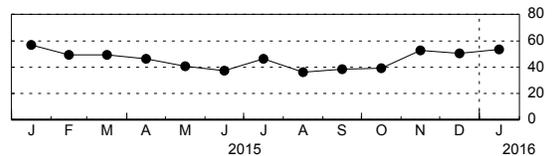
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	52.41	45.52	2.07	50.34
Jan	54.29	45.00	0.71	53.57

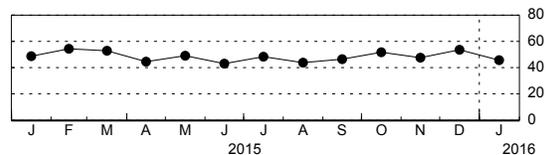
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	56.16	41.10	2.74	53.42
Jan	49.28	47.10	3.62	45.65

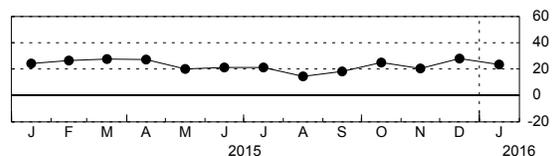
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	36.36	55.24	8.39	27.97
Jan	34.31	54.74	10.95	23.36

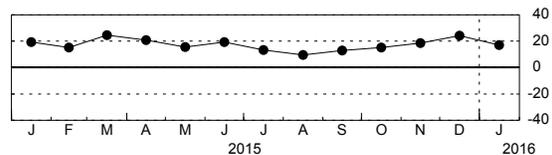
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Dec	38.62	46.90	14.48	24.14
Jan	32.19	52.74	15.07	17.12

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.