

Business Leaders Survey

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

Business Leaders Survey

The Federal Reserve Bank of New York's May 2016 *Business Leaders Survey* indicates that activity in the region's service sector expanded modestly. The survey's headline business activity index rose four points to 5.4. The business climate index increased six points but remained negative at -12.5, signaling that, on balance, respondents continued to view the business climate as worse than normal. The employment index slipped four points but held above zero at 4.2, pointing to a small increase in employment levels. The wages index was little changed at 34.1. Both input prices and selling prices increased at a slightly faster pace than last month. Indexes assessing the six-month outlook indicated that firms were less optimistic about future business conditions than they were last month.

Business Activity Expands Modestly

Business activity increased in the region's service sector, according to the May 2016 survey. The survey's headline business activity index advanced four points to 5.4. Thirty-three percent of respondents reported that conditions improved over the month, while 27 percent reported that conditions worsened. The business climate index rose six points to -12.5, suggesting that, on balance, firms continued to view the business climate as worse than normal, though to a lesser extent than last month.

Employment Increases Slightly

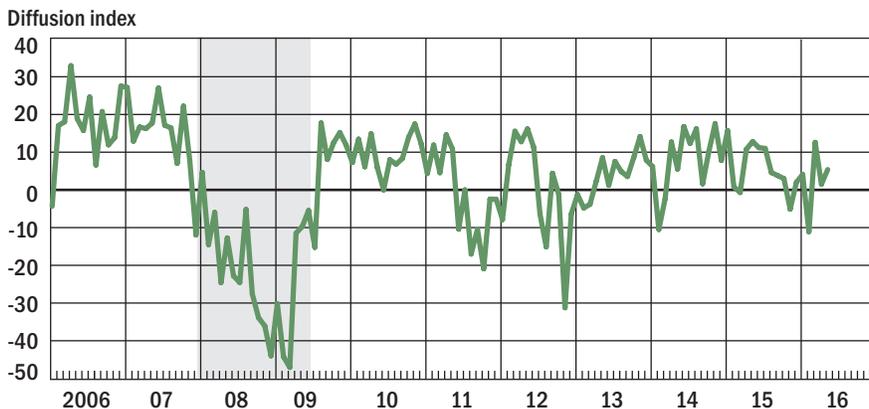
The employment index fell for a second consecutive month, edging down four points to 4.2, an indication that employment levels increased to a small degree. The wages index held steady at 34.1, suggesting that wage

increases were unchanged. The prices paid index edged six points higher to 38.9, signaling a rise in the pace of input price increases. The prices received index inched up two points to 5.5, indicating that selling prices continued to increase modestly. The capital spending index climbed to 14.6, a sign that capital spending picked up.

Optimism about Future Conditions Diminishes

Indexes assessing the six-month outlook suggested that firms were less optimistic about future business conditions than they had been in April. The index for future business activity slipped six points to 24.6, and the index for future business climate fell to 6.0. The index for expected employment suggested that employment was expected to continue to expand in the months ahead. After reaching a multiyear high last month, the index for future capital spending slid eleven points to 17.8; though somewhat lower, this reading indicates that capital spending plans remain solid. ■

Business Activity



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

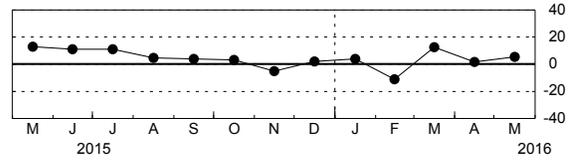
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	30.83	39.85	29.32	1.50
May	32.53	40.36	27.11	5.42

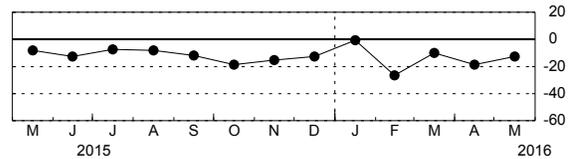
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Apr	17.16	47.01	35.82	-18.66
May	20.83	45.83	33.33	-12.50

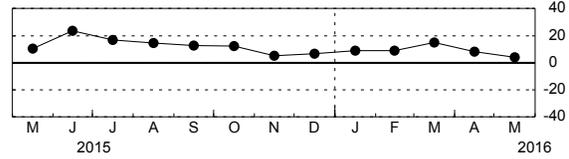
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	28.36	51.49	20.15	8.21
May	23.95	56.29	19.76	4.19

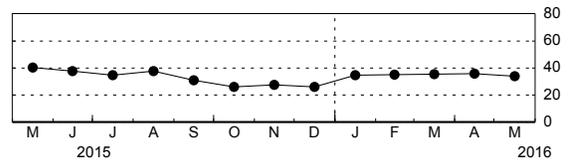
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	41.04	53.73	5.22	35.82
May	37.13	59.88	2.99	34.13

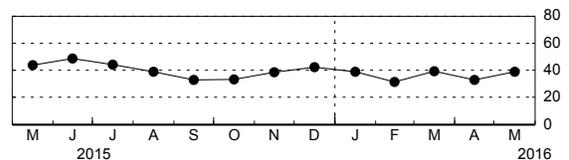
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	39.55	53.73	6.72	32.84
May	42.51	53.89	3.59	38.92

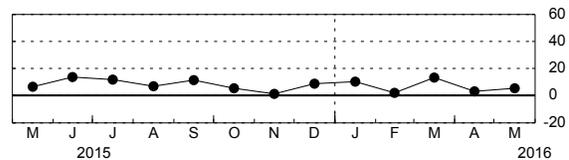
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	18.32	66.41	15.27	3.05
May	17.58	70.30	12.12	5.45

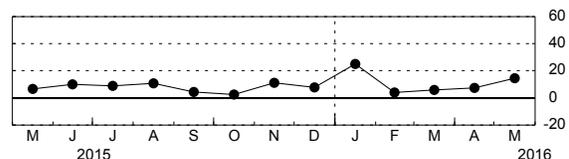
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	29.32	48.87	21.80	7.52
May	33.33	47.88	18.79	14.55

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

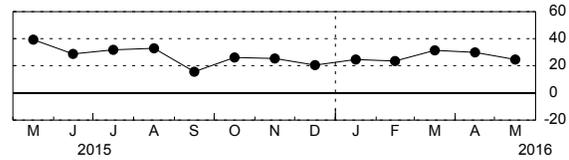
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	45.86	38.35	15.79	30.08
May	40.12	44.31	15.57	24.55

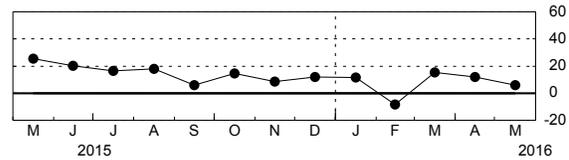
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Apr	30.30	51.52	18.18	12.12
May	26.79	52.38	20.83	5.95

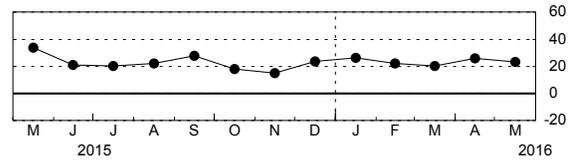
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	41.73	42.52	15.75	25.98
May	37.04	49.38	13.58	23.46

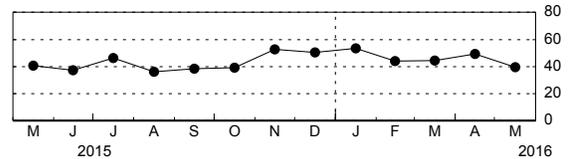
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	52.34	44.53	3.13	49.22
May	42.68	54.27	3.05	39.63

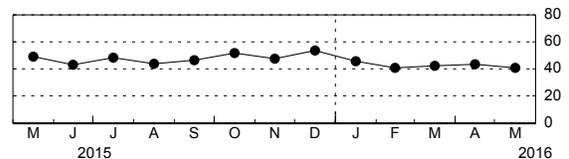
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	44.88	53.54	1.57	43.31
May	45.06	50.62	4.32	40.74

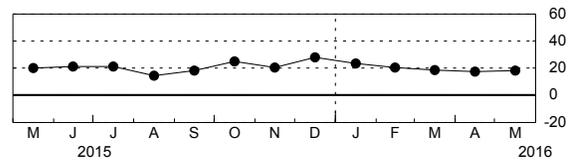
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	28.57	60.32	11.11	17.46
May	26.88	64.38	8.75	18.13

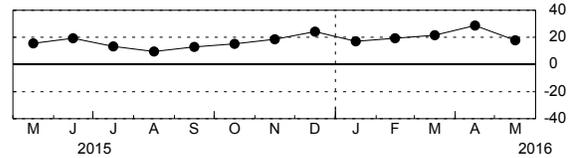
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	42.06	44.44	13.49	28.57
May	35.58	46.63	17.79	17.79

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.