

Business Leaders Survey

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

The Federal Reserve Bank of New York's July 2016 *Business Leaders Survey* indicates that activity in the region's service sector expanded modestly. The survey's headline business activity index edged up two points to 5.4. The business climate index was little changed at -19.7, signaling that respondents generally continued to view the business climate as worse than normal. The employment index rose four points to 9.2, suggesting that employment levels increased, and the wages index fell four points to 32.2, suggesting wage increases were slightly less widespread. The prices paid index held steady at 35.5, marking a continued rise in input prices at the same pace as last month, while the prices received index fell three points to 6.1, pointing to a slight deceleration in selling price increases. Indexes assessing the six-month outlook moved lower for a fourth consecutive month, suggesting that optimism about future business conditions continued to wane.

Business Activity Expands, though Business Climate Remains Worse than Normal

Business activity grew modestly in the region's service sector over the last month. The July survey's headline business activity index rose two points to 5.4. Thirty-one percent of respondents reported that conditions improved over the month, while 26 percent reported that conditions worsened. The business climate index held steady at -19.7, suggesting that, on balance, firms continued to view the business climate as worse than normal.

Employment Rises

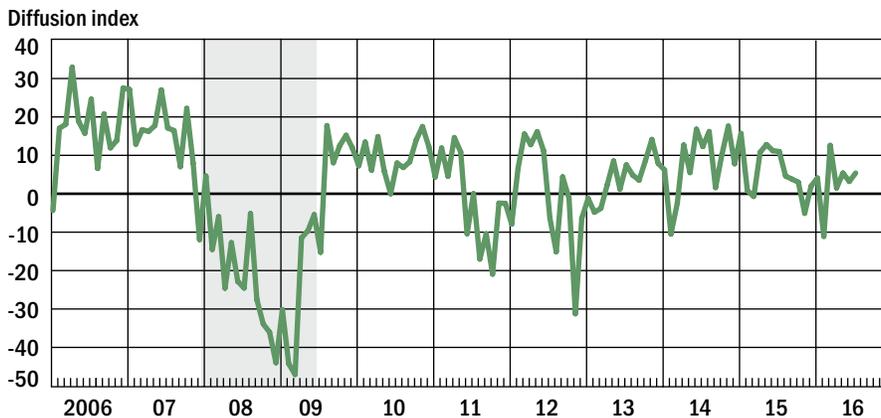
The employment index climbed four points to 9.2, signaling that employment levels increased. The wages index fell four points to 32.2, suggesting that wages increased at a slightly slower pace this month. The prices paid index

held steady at 35.5, indicating that input prices continued to increase at the same pace as last month, and the prices received index edged down three points to 6.1, indicating that selling prices increased modestly, though at a somewhat slower pace than last month. The capital spending index was little changed at 15.4.

Optimism Wanes

Indexes assessing the six-month outlook pointed to a continued downward trend in optimism about future conditions. The index for future business activity fell for a fourth consecutive month, declining six points to 17.1, and the index for future business climate fell nine points to 2.0. The index for expected employment suggested that employment levels were expected to continue to increase in the months ahead. The index for future capital spending fell ten points to 13.8. ■

Business Activity



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

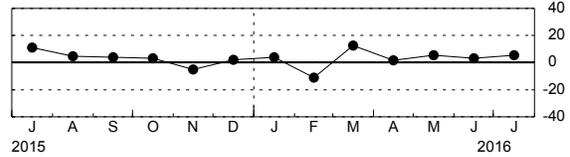
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	33.54	36.08	30.38	3.16
Jul	31.08	43.24	25.68	5.41

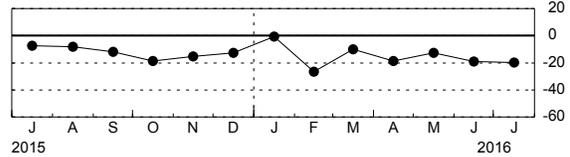
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Jun	17.83	45.22	36.94	-19.11
Jul	18.42	43.42	38.16	-19.74

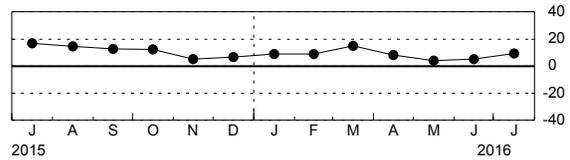
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	27.39	50.32	22.29	5.10
Jul	26.97	55.26	17.76	9.21

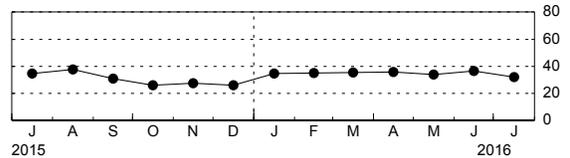
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	40.38	55.77	3.85	36.54
Jul	36.84	58.55	4.61	32.24

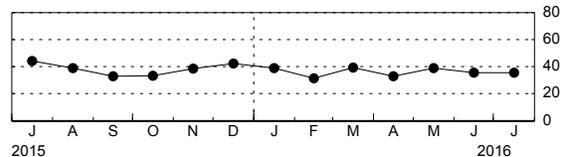
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	40.00	55.48	4.52	35.48
Jul	38.82	57.89	3.29	35.53

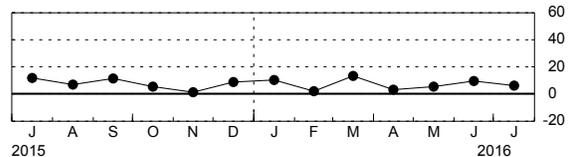
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	20.38	68.79	10.83	9.55
Jul	17.01	72.11	10.88	6.12

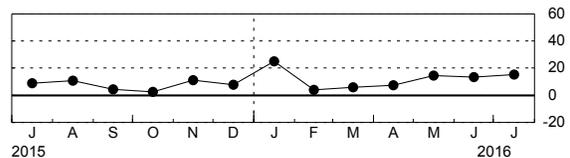
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	32.90	47.74	19.35	13.55
Jul	32.89	49.66	17.45	15.44

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

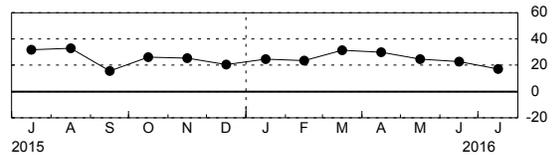
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	42.77	37.11	20.13	22.64
Jul	36.84	43.42	19.74	17.11

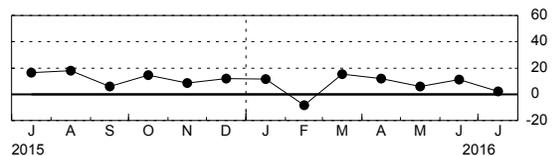
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Jun	30.82	49.69	19.50	11.32
Jul	26.17	49.66	24.16	2.01

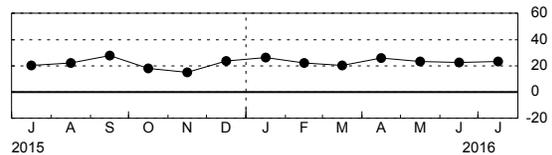
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	37.18	48.08	14.74	22.44
Jul	38.36	46.58	15.07	23.29

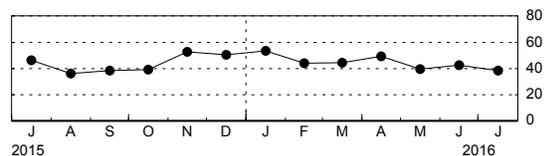
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	45.81	50.97	3.23	42.58
Jul	41.38	55.86	2.76	38.62

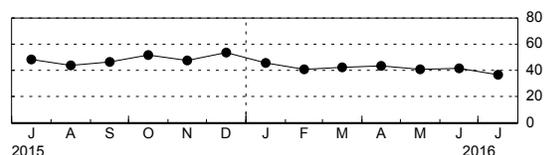
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	43.42	54.61	1.97	41.45
Jul	39.58	57.64	2.78	36.81

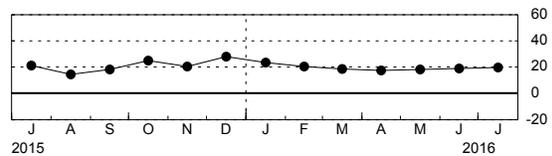
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	28.57	61.69	9.74	18.83
Jul	28.67	62.24	9.09	19.58

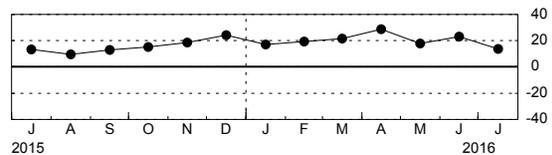
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jun	38.06	47.10	14.84	23.23
Jul	31.72	50.34	17.93	13.79

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.