

Business Leaders Survey

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

Activity in the region’s service sector grew for the first time in several months, according to firms responding to the Federal Reserve Bank of New York’s January 2017 *Business Leaders Survey*. The survey’s headline business activity index climbed eight points to 7.4. The business climate index held steady at -3.0, signaling that respondents generally continued to view the business climate as somewhat worse than normal. The employment index advanced six points to 17.1, pointing to a solid increase in employment levels, and the wages index rose seven points to 31.0, suggesting that wages increased at a faster pace this month. The prices paid index rose to 44.0, pointing to a pickup in input price increases, and the prices received index climbed above zero, indicating that selling prices increased. After rising sharply last month, indexes assessing the six-month outlook were little changed, and suggested that firms continued to

express widespread optimism about future business conditions.

Business Activity Expands

Business activity in the region’s service sector grew in January. For the first time since the summer of 2016, the survey’s headline business activity index climbed out of negative territory, rising eight points to 7.4. Thirty-five percent of respondents reported that conditions improved over the month, while 27 percent said conditions worsened. After posting a sharp increase last month, the business climate index held steady at -3.0, suggesting that, on balance, firms continued to view the business climate as worse than normal, though only to a small degree.

Employment Grows

The employment index rose six points to 17.1, indicating that employment expanded at a solid clip. The wages

index climbed seven points to 31.0, signaling a pickup in wage increases. The prices paid index advanced nine points to 44.0, indicating that input prices increased more rapidly this month, while the prices received index rose 12 points to 9.6, suggesting that selling prices increased. The capital spending index moved up ten points to 17.2.

Firms Remain Very Optimistic about Future Conditions

After posting steep increases last month, indexes assessing the six-month outlook were little changed, and suggested that firms remained optimistic about future conditions. The index for future business activity held steady at 39.9, and the index for future business climate edged up to 34.0. The index for expected employment was little changed at 26.3, while the index for future capital spending fell five points to 23.6. ■

Business Activity

Diffusion index

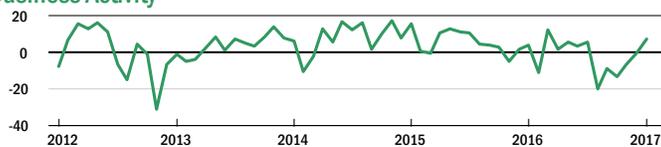


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

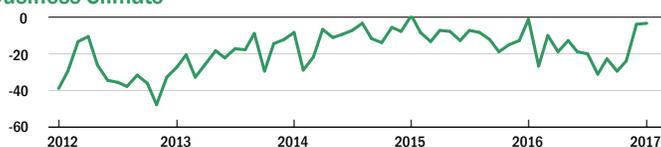
Change from Preceding Month

Business Activity



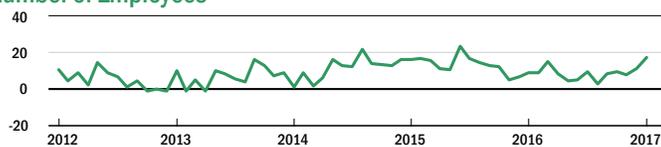
	Percent Reporting		Index
	Higher	Lower	
Dec	26.5	27.1	-0.6
Jan	34.6	27.2	7.4
Change			8.0

Business Climate



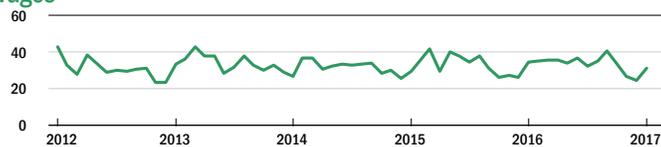
	Percent Reporting		Index
	Favorable	Unfavorable	
Dec	24.0	27.9	-3.8
Jan	22.4	25.5	-3.0
Change			0.8

Number of Employees



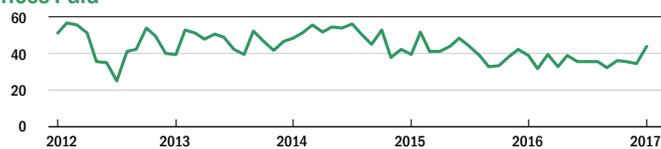
	Percent Reporting		Index
	Higher	Lower	
Dec	25.8	14.6	11.2
Jan	31.0	13.9	17.1
Change			5.9

Wages



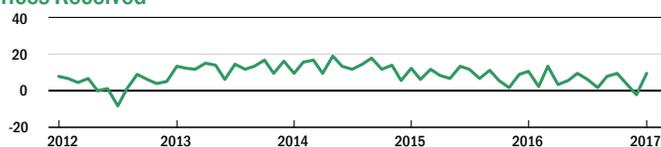
	Percent Reporting		Index
	Higher	Lower	
Dec	28.2	4.0	24.3
Jan	34.8	3.8	31.0
Change			6.7

Prices Paid



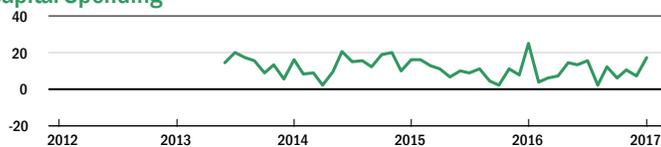
	Percent Reporting		Index
	Higher	Lower	
Dec	38.1	3.4	34.7
Jan	45.9	1.9	44.0
Change			9.3

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Dec	10.9	13.2	-2.3
Jan	22.3	12.7	9.6
Change			11.9

Capital Spending



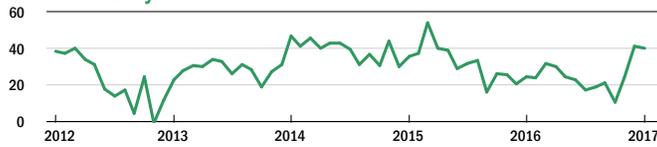
	Percent Reporting		Index
	Higher	Lower	
Dec	25.3	17.8	7.5
Jan	31.2	14.0	17.2
Change			9.7

Note: Data are not seasonally adjusted.

Forward-Looking Indicators

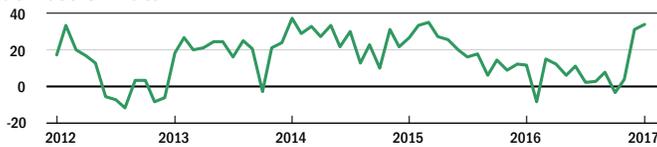
Expectations Six Months Ahead

Business Activity



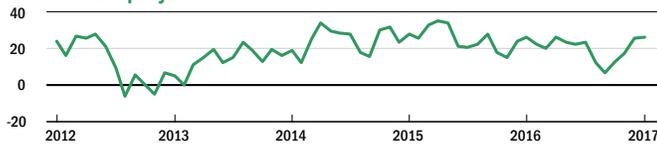
	Percent Reporting		Index
	Higher	Lower	
Dec	54.2	13.0	41.2
Jan	54.0	14.1	39.9
Change			-1.3

Business Climate



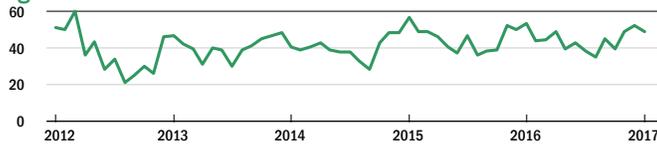
	Percent Reporting		Index
	Favorable	Unfavorable	
Dec	45.8	14.7	31.1
Jan	46.9	13.0	34.0
Change			2.9

Number of Employees



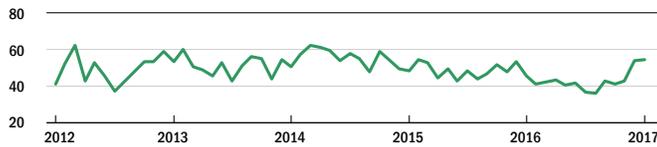
	Percent Reporting		Index
	Higher	Lower	
Dec	40.5	15.0	25.4
Jan	43.8	17.5	26.3
Change			0.9

Wages



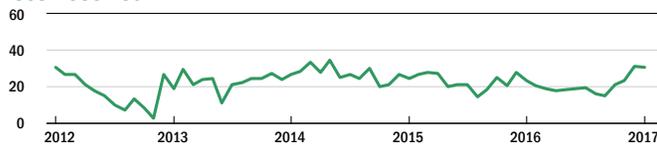
	Percent Reporting		Index
	Higher	Lower	
Dec	55.7	3.4	52.3
Jan	52.9	3.8	49.0
Change			-3.3

Prices Paid



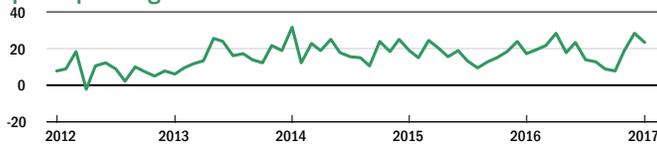
	Percent Reporting		Index
	Higher	Lower	
Dec	54.3	0.6	53.8
Jan	56.4	1.9	54.5
Change			0.7

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Dec	38.8	7.6	31.2
Jan	38.9	8.3	30.6
Change			-0.6

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Dec	42.1	13.5	28.7
Jan	40.8	17.2	23.6
Change			-5.1

Note: Data are not seasonally adjusted.