

Business Leaders Survey

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

Activity in the region’s service sector continued to grow modestly, according to firms responding to the Federal Reserve Bank of New York’s February 2017 *Business Leaders Survey*. The survey’s headline business activity index held steady at 6.7. The business climate index moved up to 0.7, signaling that respondents generally viewed the business climate as about normal. The employment index rose to 19.7, its highest level in more than a year, pointing to a solid increase in employment levels. The wages index climbed to 35.4, suggesting that wages increased at a faster pace this month. The prices paid index advanced to 48.3, pointing to a pickup in input price increases, and the prices received index edged up to 11.8, indicating that selling prices increased again in February. Indexes assessing the six-month outlook suggested that firms continued to express

widespread optimism about future business conditions.

Business Climate Normal

Business activity in the region’s service sector expanded modestly for a second consecutive month. The headline business activity index held steady at 6.7. Thirty-one percent of respondents reported that conditions improved over the month, while 24 percent said conditions worsened. The business climate index advanced to a level of around zero, the first nonnegative reading in a year, suggesting that, on balance, firms viewed the business climate as about normal.

Employment Continues to Grow

The employment index edged three points higher to 19.7, indicating that employment continued to grow at a solid clip. The wages index moved up

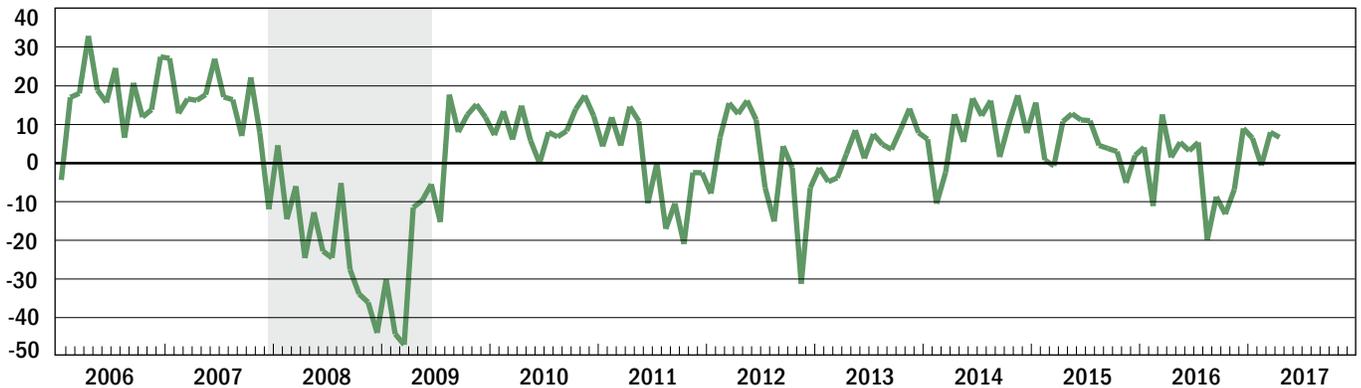
four points to 35.4, signaling a pickup in wage increases. The prices paid index rose four points to 48.3, indicating that input prices increased more rapidly this month, and the prices received index climbed two points to 11.8, suggesting a modest increase in selling prices. The capital spending index fell eight points to 9.0.

Firms Remain Very Optimistic about Future Conditions

Indexes assessing the six-month outlook continued to convey strong optimism about future conditions. The index for future business activity inched up to 41.5, its highest level in more than a year, while the index for future business climate moved down eight points but remained solidly positive at 25.9. The index for expected employment rose to 31.5, and the index for future capital spending climbed five points to 28.2. ■

Business Activity

Diffusion index

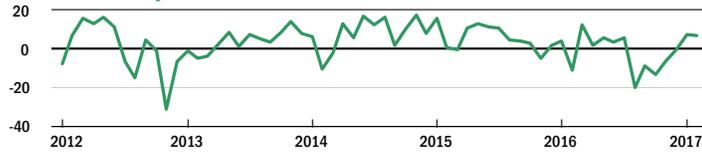


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

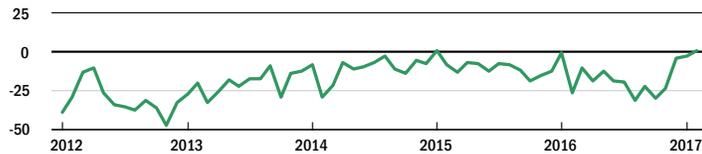
Change from Preceding Month

Business Activity



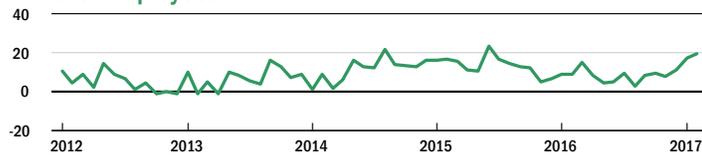
	Percent Reporting		Index
	Higher	Lower	
Jan	34.6	27.2	7.4
Feb	30.9	24.2	6.7
Change			-0.7

Business Climate



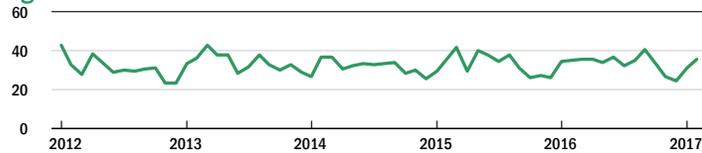
	Percent Reporting		Index
	Favorable	Unfavorable	
Jan	22.4	25.5	-3.0
Feb	23.3	22.7	0.7
Change			3.7

Number of Employees



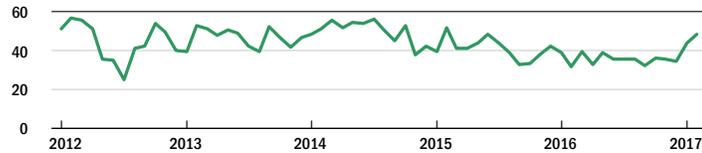
	Percent Reporting		Index
	Higher	Lower	
Jan	31.0	13.9	17.1
Feb	35.4	15.6	19.7
Change			2.6

Wages



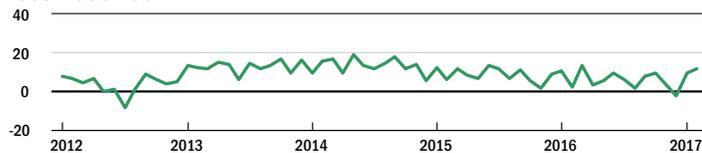
	Percent Reporting		Index
	Higher	Lower	
Jan	34.8	3.8	31.0
Feb	40.1	4.8	35.4
Change			4.4

Prices Paid



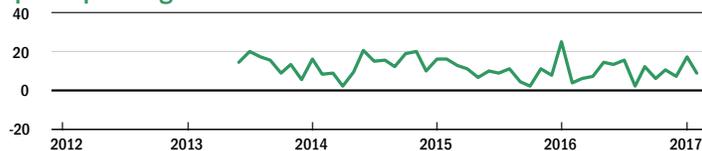
	Percent Reporting		Index
	Higher	Lower	
Jan	45.9	1.9	44.0
Feb	51.0	2.7	48.3
Change			4.3

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jan	22.3	12.7	9.6
Feb	23.6	11.8	11.8
Change			2.2

Capital Spending



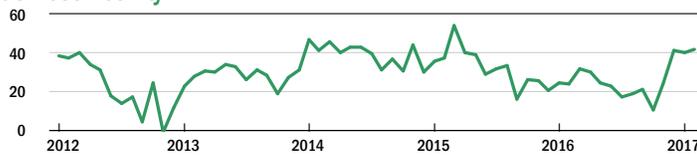
	Percent Reporting		Index
	Higher	Lower	
Jan	31.2	14.0	17.2
Feb	26.9	17.9	9.0
Change			-8.2

Note: Data are not seasonally adjusted.

Forward-Looking Indicators

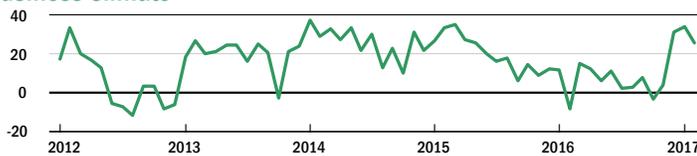
Expectations Six Months Ahead

Business Activity



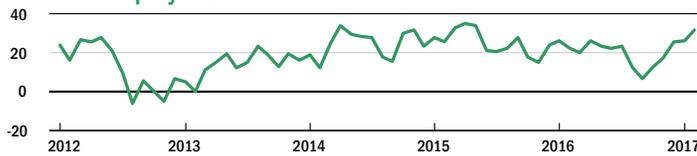
	Percent Reporting		Index
	Higher	Lower	
Jan	54.0	14.1	39.9
Feb	52.4	10.9	41.5
Change			1.6

Business Climate



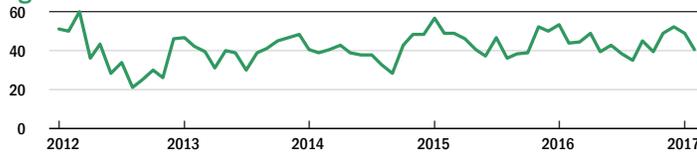
	Percent Reporting		Index
	Favorable	Unfavorable	
Jan	46.9	13.0	34.0
Feb	42.2	16.3	25.9
Change			-8.1

Number of Employees



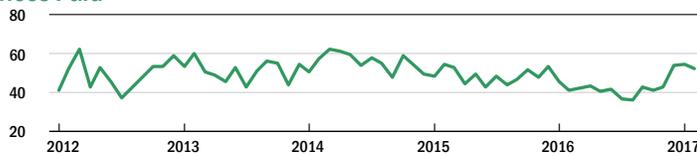
	Percent Reporting		Index
	Higher	Lower	
Jan	43.8	17.5	26.3
Feb	42.7	11.2	31.5
Change			5.2

Wages



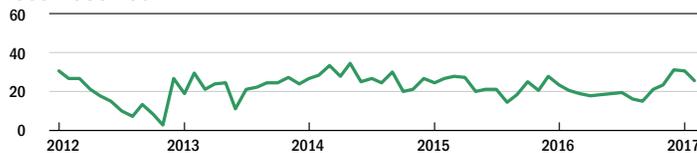
	Percent Reporting		Index
	Higher	Lower	
Jan	52.9	3.8	49.0
Feb	42.7	2.1	40.6
Change			-8.4

Prices Paid



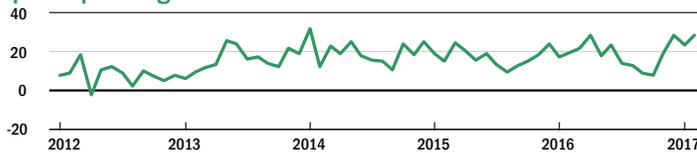
	Percent Reporting		Index
	Higher	Lower	
Jan	56.4	1.9	54.5
Feb	54.3	2.1	52.1
Change			-2.4

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jan	38.9	8.3	30.6
Feb	34.3	8.6	25.7
Change			-4.9

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jan	40.8	17.2	23.6
Feb	39.4	11.3	28.2
Change			4.6

Note: Data are not seasonally adjusted.