

Business Leaders Survey

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

Activity in the region’s service sector continued to expand modestly, according to firms responding to the Federal Reserve Bank of New York’s May 2017 *Business Leaders Survey*. The survey’s headline business activity index held steady at 6.6. At 2.4, the business climate index was also little changed, signaling that respondents continued to view the business climate as slightly better than normal. The employment index edged up two points to 6.7, indicating a modest increase in employment levels. The wages index moved up four points to 39.0, signaling continued moderate wage growth. Price indexes held fairly constant, suggesting that input and selling price increases were little changed. Both current and expected capital spending indexes declined markedly, pointing to a slowing of spending increases. Indexes assessing the six-month outlook suggested that firms continued to express

widespread optimism about future business conditions.

Business Activity Again Grows Modestly

Business activity in the region’s service sector expanded for a fifth consecutive month. The headline business activity index held steady at 6.6. Thirty-four percent of respondents reported that conditions improved over the month, while 27 percent said conditions worsened. The business climate index held just above zero for a second consecutive month, suggesting that, on balance, firms viewed the business climate as slightly better than normal.

Hiring Continues

The employment index edged down two points to 6.7, but the above-zero reading indicated that employment

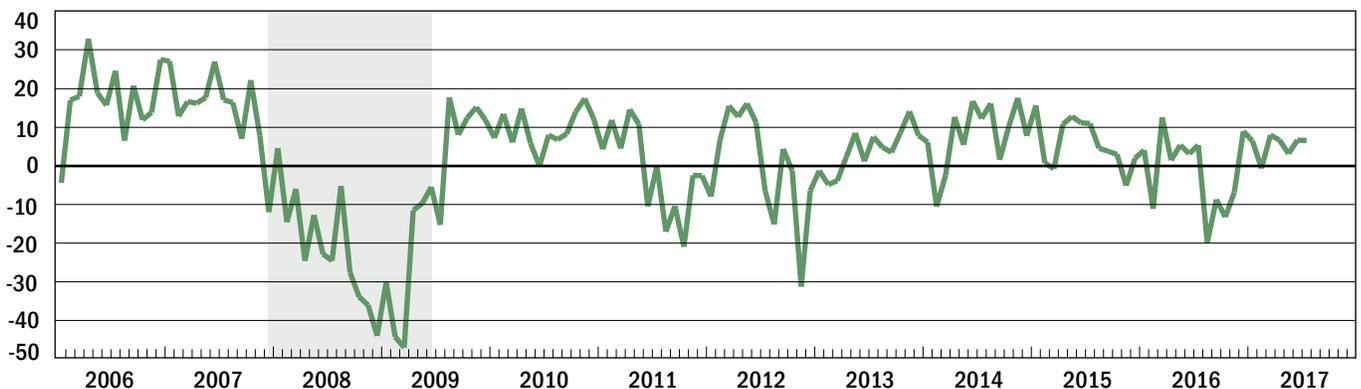
levels continued to grow modestly. The wages index climbed four points to 39.0, signaling that wages increased at a slightly faster pace. The prices paid index held steady at 44.8, indicating that input prices increased at the same pace as last month, and similarly, the prices received index was unchanged at 17.7, pointing to ongoing moderate selling price increases. The capital spending index fell nine points to 11.0.

Firms Remain Optimistic about Future Conditions

Indexes assessing the six-month outlook continued to convey optimism about future conditions, though somewhat less so than last month. The index for future business activity edged down to 35.3, and the index for future business climate fell seven points to 21.1. The index for expected employment fell four points to 21.5, and the index for planned capital spending slid 14 points to 17.2. ■

Business Activity

Diffusion index

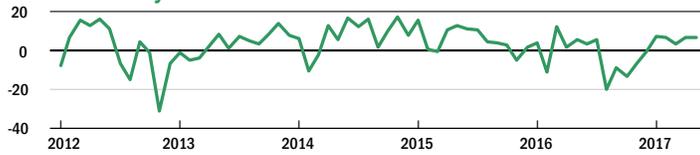


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

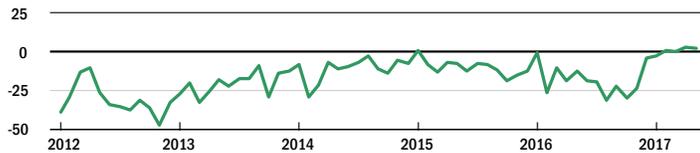
Change from Preceding Month

Business Activity



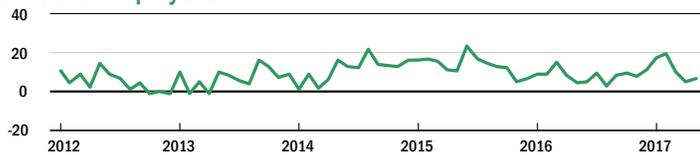
	Percent Reporting		Index
	Higher	Lower	
Apr	31.9	25.2	6.7
May	33.7	27.1	6.6
Change			-0.1

Business Climate



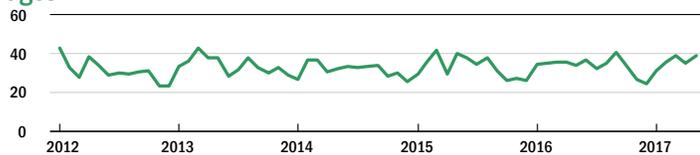
	Percent Reporting		Index
	Favorable	Unfavorable	
Apr	28.5	25.5	3.0
May	28.5	26.1	2.4
Change			-0.6

Number of Employees



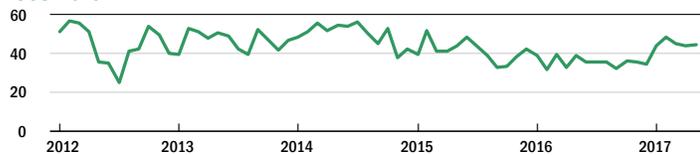
	Percent Reporting		Index
	Higher	Lower	
Apr	24.1	19.1	4.9
May	20.7	14.0	6.7
Change			1.8

Wages



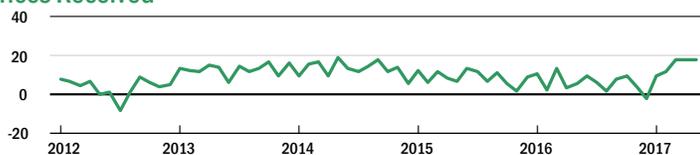
	Percent Reporting		Index
	Higher	Lower	
Apr	36.4	1.2	35.2
May	39.6	0.6	39.0
Change			3.8

Prices Paid



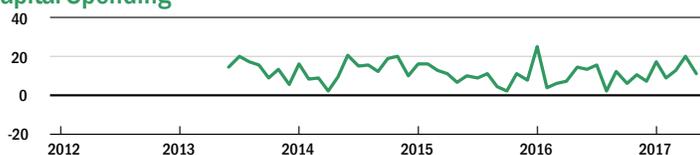
	Percent Reporting		Index
	Higher	Lower	
Apr	45.3	1.2	44.1
May	45.4	0.6	44.8
Change			0.7

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Apr	26.4	8.8	17.6
May	23.8	6.1	17.7
Change			0.1

Capital Spending



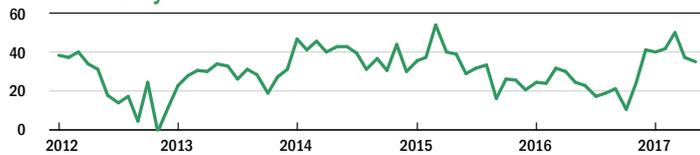
	Percent Reporting		Index
	Higher	Lower	
Apr	32.1	12.3	19.8
May	26.8	15.9	11.0
Change			-8.8

Note: Data are not seasonally adjusted.

Forward-Looking Indicators

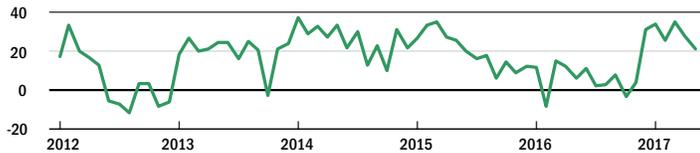
Expectations Six Months Ahead

Business Activity



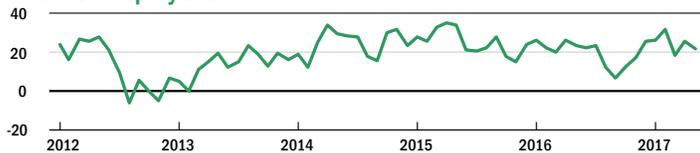
	Percent Reporting		Index
	Higher	Lower	
Apr	52.7	15.8	37.0
May	49.7	14.4	35.3
Change			-1.7

Business Climate



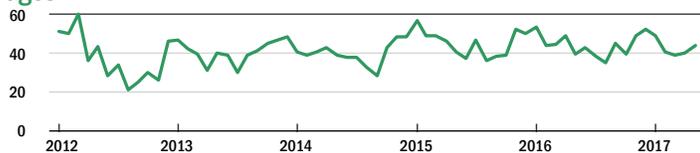
	Percent Reporting		Index
	Favorable	Unfavorable	
Apr	41.4	13.6	27.8
May	36.1	15.1	21.1
Change			-6.7

Number of Employees



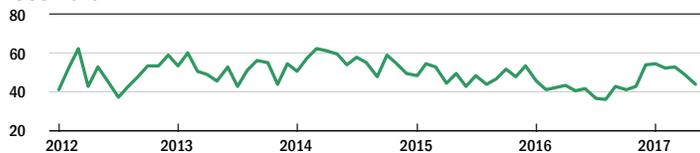
	Percent Reporting		Index
	Higher	Lower	
Apr	39.6	13.8	25.8
May	35.6	14.1	21.5
Change			-4.3

Wages



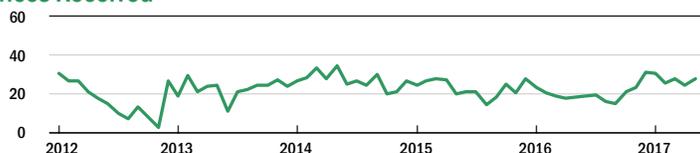
	Percent Reporting		Index
	Higher	Lower	
Apr	41.8	1.9	39.9
May	44.5	0.6	43.9
Change			4.0

Prices Paid



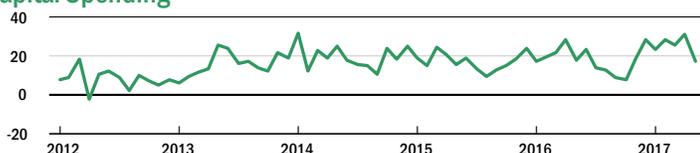
	Percent Reporting		Index
	Higher	Lower	
Apr	51.9	3.1	48.8
May	45.7	1.9	43.8
Change			-5.0

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Apr	30.8	6.3	24.5
May	32.7	4.9	27.8
Change			3.3

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Apr	40.6	9.4	31.3
May	33.7	16.6	17.2
Change			-14.1

Note: Data are not seasonally adjusted.