

# 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 at a healthy pace, according to firms responding to the Federal Reserve Bank of New York's December 2017 *Business Leaders Survey*. The survey's headline business activity index was 16.7, down just slightly from last month's multiyear high. The business climate index climbed thirteen points to 9.6, its highest level in a decade, signaling that firms, on balance, regarded the business climate as better than normal. The employment index held steady at 9.1, indicating that employment continued to increase moderately. The wages index was little changed at 26.6, suggesting that wages grew at about the same pace as in November, and input prices and selling prices also increased at a similar pace as last month. Capital spending expanded moderately, and firms remained optimistic about future conditions.

## Business Climate Turns Positive

Business activity in the region's service sector continued to grow strongly. The headline business activity index edged down two points from last month's multiyear high, coming in at 16.7. Thirty-eight percent of respondents reported that conditions improved over the month, while 22 percent said that conditions worsened. The business climate index climbed into positive territory, rising thirteen points to 9.6, its highest level in more than ten years, signaling that, on balance, firms viewed the business climate as better than normal.

## Employment Continues to Expand

The employment index remained close to last month's reading at 9.1, indicating that employment levels continued to increase moderately. The wages index was little changed at 26.6, a sign that wages increased

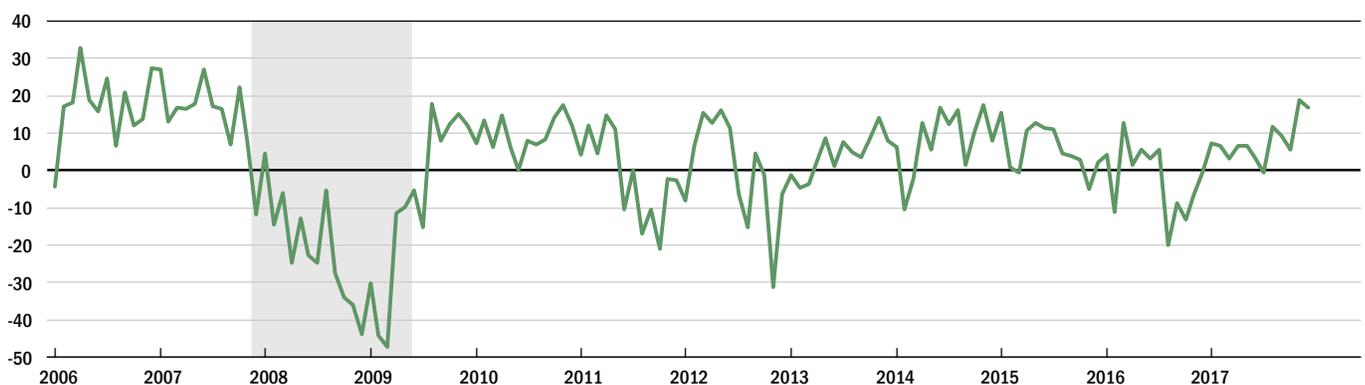
at a pace similar to November's. The prices paid index was little changed at 45.5, and the prices received index also held steady at 12.1, indicating that prices increased at about the same pace as last month. The capital spending index was 12.6, suggesting that capital spending increased.

## Firms Remain Optimistic

Businesses remained optimistic about the six-month outlook. The index for future business activity was 33.1, and the index for future business climate moved up four points to 23.6. The index for future employment suggested that respondents expected employment to increase in the months ahead, and the index for future wages rose six points to 55.5, pointing to an expected pickup in wage growth. The index for planned capital spending rose nine points to 28.8, its highest level in several months. ■

## Business Activity

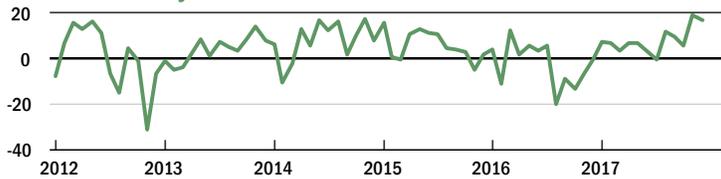
Diffusion Index



# Current Indicators

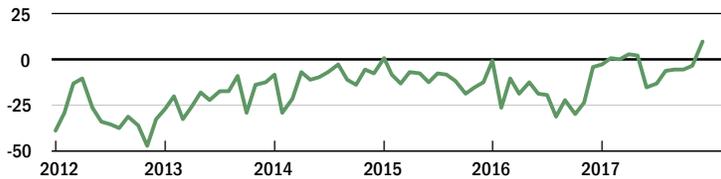
Change from Preceding Month

## Business Activity



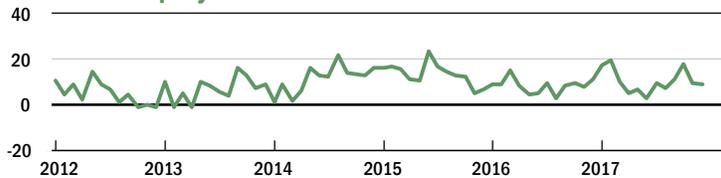
	Percent Reporting		Index
	Higher	Lower	
Nov	39.1	20.1	18.9
Dec	38.2	21.5	16.7
Change			-2.2

## Business Climate



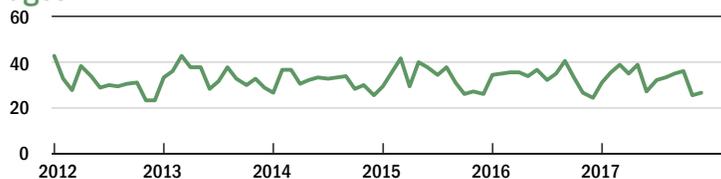
	Percent Reporting		Index
	Favorable	Unfavorable	
Nov	23.3	26.7	-3.5
Dec	32.9	23.3	9.6
Change			13.1

## Number of Employees



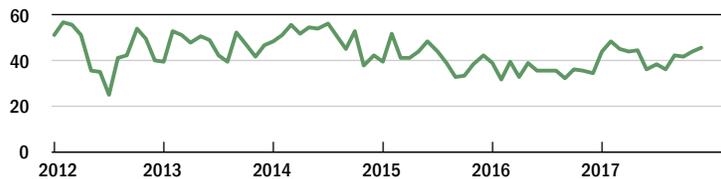
	Percent Reporting		Index
	Higher	Lower	
Nov	25.3	16.0	9.3
Dec	23.8	14.7	9.1
Change			-0.2

## Wages



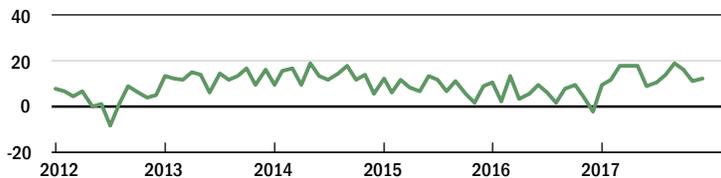
	Percent Reporting		Index
	Higher	Lower	
Nov	26.7	1.2	25.5
Dec	30.1	3.5	26.6
Change			1.1

## Prices Paid



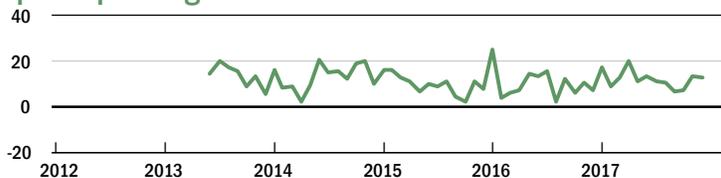
	Percent Reporting		Index
	Higher	Lower	
Nov	45.7	1.9	43.8
Dec	48.3	2.8	45.5
Change			1.7

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Nov	19.5	8.2	11.3
Dec	22.0	9.9	12.1
Change			0.8

## Capital Spending

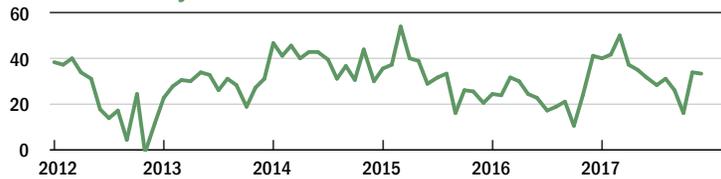


	Percent Reporting		Index
	Higher	Lower	
Nov	28.1	15.0	13.1
Dec	28.0	15.4	12.6
Change			-0.5

# Forward-Looking Indicators

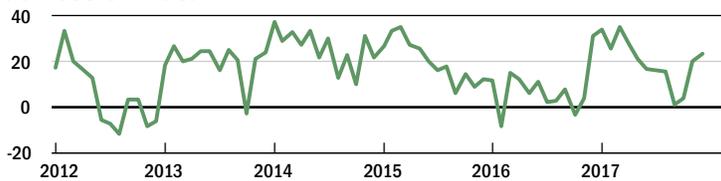
Expectations Six Months Ahead

## Business Activity



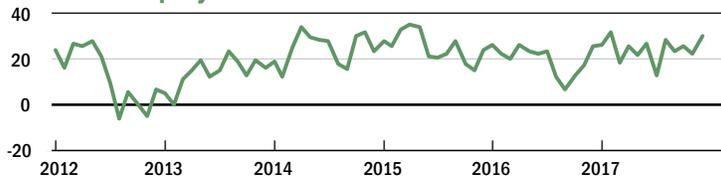
	Percent Reporting		Index
	Higher	Lower	
Nov	47.6	13.5	34.1
Dec	47.3	14.2	33.1
Change			-1.0

## Business Climate



	Percent Reporting		Index
	Favorable	Unfavorable	
Nov	37.1	17.1	20.0
Dec	39.2	15.5	23.6
Change			3.6

## Number of Employees



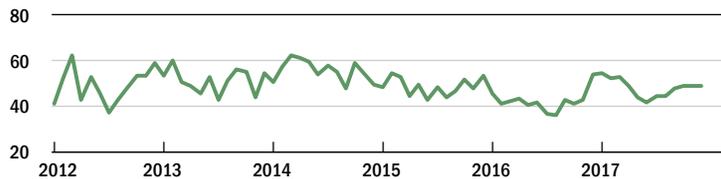
	Percent Reporting		Index
	Higher	Lower	
Nov	36.7	14.2	22.5
Dec	41.7	11.8	29.9
Change			7.4

## Wages



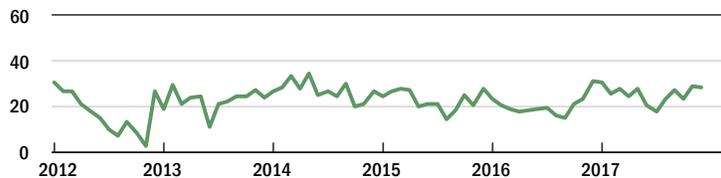
	Percent Reporting		Index
	Higher	Lower	
Nov	50.3	1.2	49.1
Dec	57.5	2.1	55.5
Change			6.4

## Prices Paid



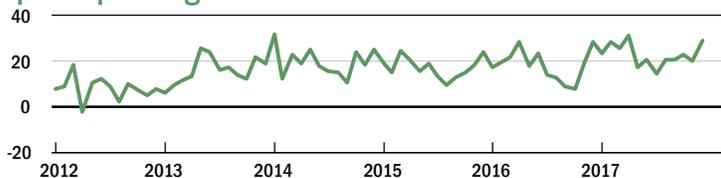
	Percent Reporting		Index
	Higher	Lower	
Nov	50.9	1.8	49.1
Dec	51.0	2.1	49.0
Change			-0.1

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Nov	35.9	7.2	28.7
Dec	34.5	6.3	28.2
Change			-0.5

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Nov	32.7	12.5	20.2
Dec	39.0	10.3	28.8
Change			8.6