

# 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 solid pace, according to firms responding to the Federal Reserve Bank of New York's February 2018 *Business Leaders Survey*. The survey's headline business activity index edged down two points but remained firmly positive at 15.9. The business climate index rose five points to 21.1, a record high, signaling that firms, on balance, regarded the business climate as better than normal. The employment index moved up five points to 15.5, indicating that employment continued to increase moderately. The wages index climbed five points to 41.7, its highest level in more than a year, suggesting that wage growth accelerated. The indexes for input prices and selling prices both reached multiyear highs, a sign that price increases accelerated. Indexes for the six-month outlook suggested that firms were very optimistic about future conditions.

## Business Climate Index Hits Record High

Business activity in the region's service sector continued to grow strongly. The headline business activity index edged down two points to 15.9, pointing to a slightly slower pace of growth than last month. Forty-one percent of respondents reported that conditions improved over the month, while 25 percent said that conditions worsened. The business climate index moved up five points to a record-high reading of 21.1, signaling that, on balance, firms viewed the business climate as better than normal and did so to the greatest extent in years.

## Price Increases Continue to Pick Up

The employment index rose five points to 15.5, indicating that employment levels continued to increase moderately. The wages index moved up for a second consecutive month, climbing five points to 41.7, a sign that wages increased at a faster

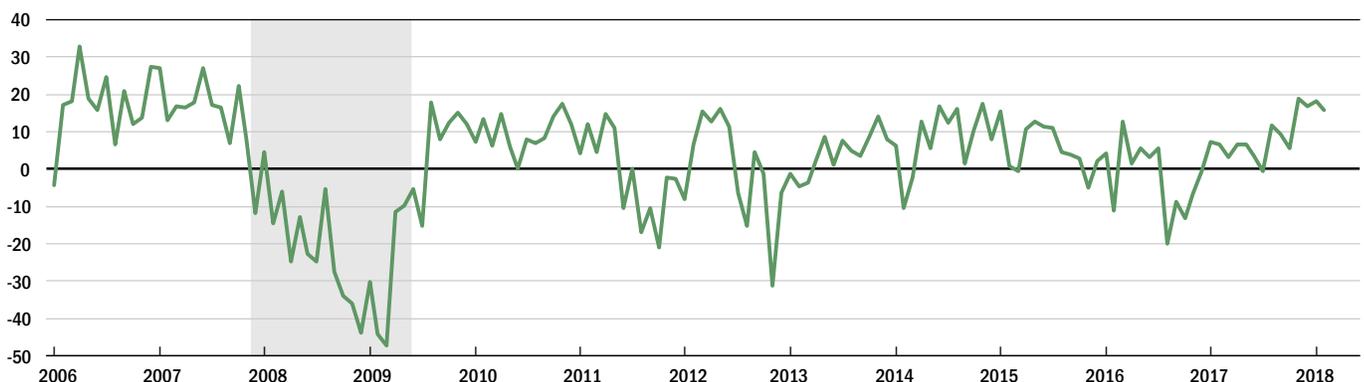
pace. The prices paid index advanced seven points to 56.1, its highest level since 2014, pointing to an acceleration in input price increases. The prices received index rose four points to 20.5, its highest level in more than six years, indicating that selling price increases also picked up. The capital spending index advanced to 21.5, a sign that capital spending increased at its fastest pace in two years.

## Optimism Remains Widespread

Businesses continued to be very optimistic about the six-month outlook. The index for future business activity rose three points to 50.0, and the index for future business climate moved up three points to 38.6. The index for future employment suggested that respondents expected employment to increase in the months ahead, and indexes for future prices pointed to an expectation that prices would continue to rise. The index for planned capital spending rose four points to 30.1. ■

## Business Activity

### Diffusion Index

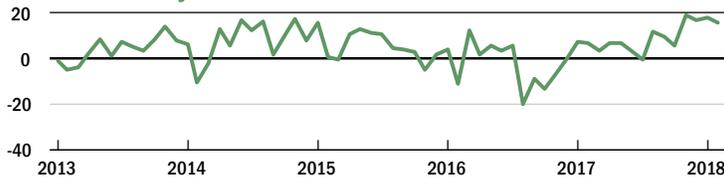


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

# Current Indicators

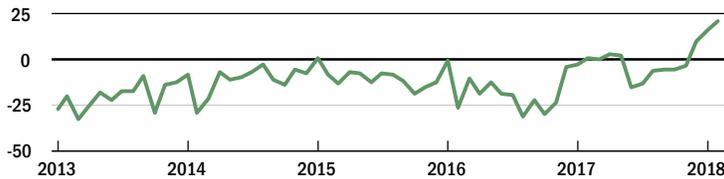
Change from Preceding Month

## Business Activity



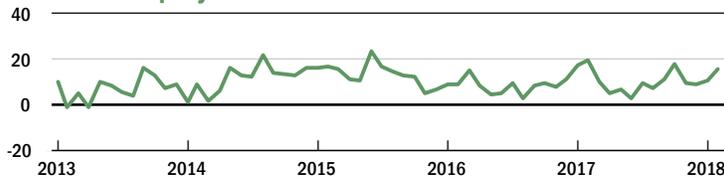
	Percent Reporting		Index
	Higher	Lower	
Jan	36.1	18.1	18.1
Feb	40.7	24.9	15.9
Change			-2.2

## Business Climate



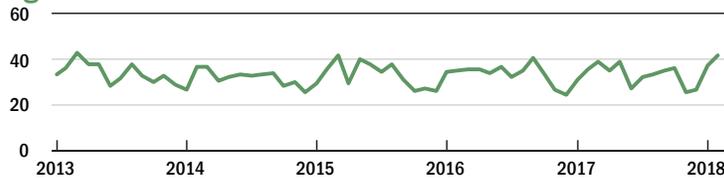
	Percent Reporting		Index
	Favorable	Unfavorable	
Jan	32.1	15.7	16.4
Feb	37.9	16.8	21.1
Change			4.7

## Number of Employees



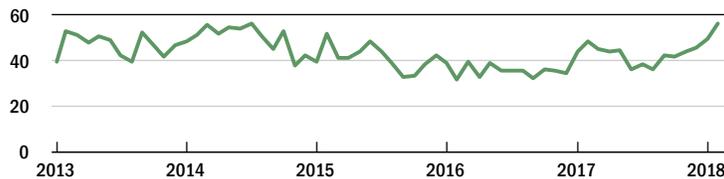
	Percent Reporting		Index
	Higher	Lower	
Jan	26.3	15.8	10.5
Feb	29.4	13.9	15.5
Change			5.0

## Wages



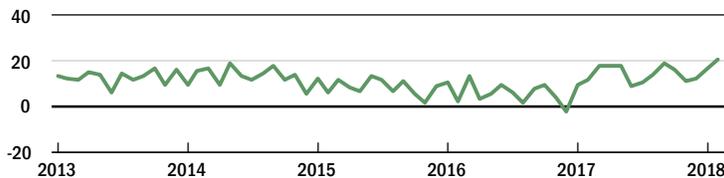
	Percent Reporting		Index
	Higher	Lower	
Jan	38.4	1.3	37.1
Feb	43.9	2.1	41.7
Change			4.6

## Prices Paid



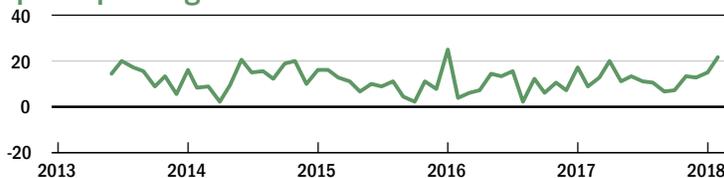
	Percent Reporting		Index
	Higher	Lower	
Jan	51.3	2.0	49.3
Feb	58.3	2.1	56.1
Change			6.8

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jan	23.2	6.6	16.6
Feb	28.1	7.6	20.5
Change			3.9

## Capital Spending

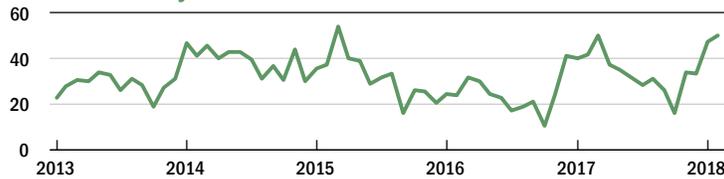


	Percent Reporting		Index
	Higher	Lower	
Jan	28.9	14.1	14.8
Feb	34.3	12.7	21.5
Change			6.7

# Forward-Looking Indicators

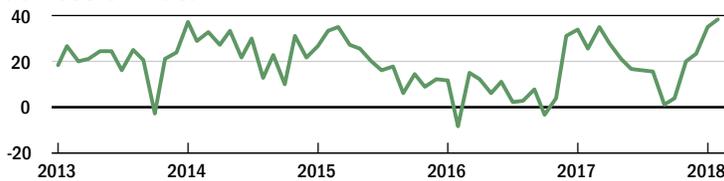
Expectations Six Months Ahead

## Business Activity



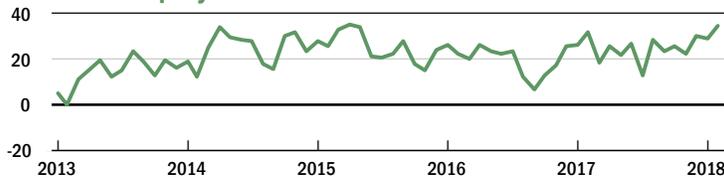
	Percent Reporting		Index
	Higher	Lower	
Jan	54.7	7.5	47.2
Feb	58.5	8.5	50.0
Change			2.8

## Business Climate



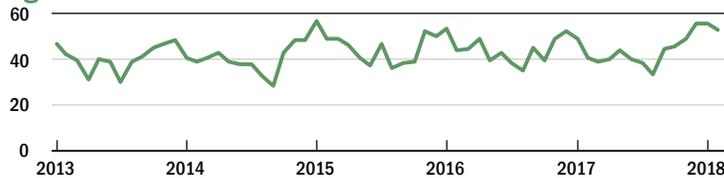
	Percent Reporting		Index
	Favorable	Unfavorable	
Jan	43.7	8.2	35.4
Feb	48.1	9.5	38.6
Change			3.2

## Number of Employees



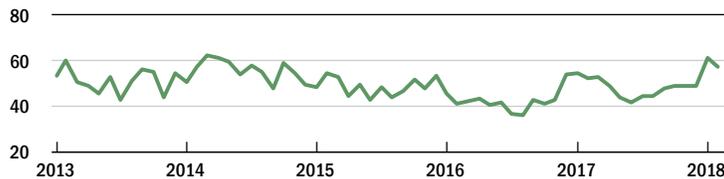
	Percent Reporting		Index
	Higher	Lower	
Jan	41.6	12.3	29.2
Feb	45.7	11.3	34.4
Change			5.2

## Wages



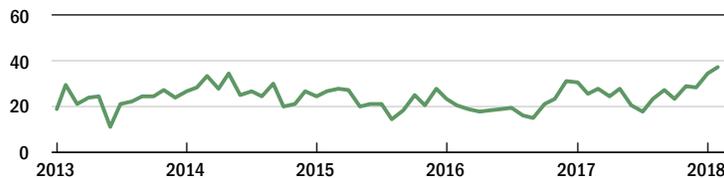
	Percent Reporting		Index
	Higher	Lower	
Jan	55.8	0.0	55.8
Feb	53.5	0.5	53.0
Change			-2.8

## Prices Paid



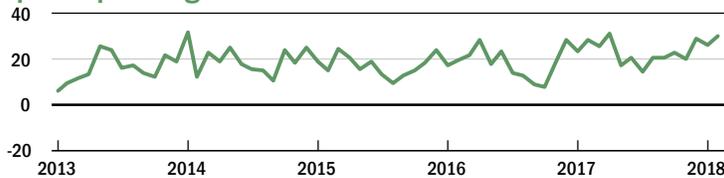
	Percent Reporting		Index
	Higher	Lower	
Jan	61.8	0.7	61.2
Feb	58.6	1.6	57.0
Change			-4.2

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jan	39.5	5.3	34.2
Feb	42.4	4.9	37.5
Change			3.3

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jan	35.9	9.8	26.1
Feb	39.8	9.7	30.1
Change			4.0