

Business Leaders Survey

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

Activity in the region's service sector expanded modestly, according to firms responding to the Federal Reserve Bank of New York's March 2018 *Business Leaders Survey*. The survey's headline business activity index moved down five points to 11.2, pointing to a somewhat slower pace of growth than in February. The business climate index fell thirteen points to 7.7, signaling that firms, on balance, regarded the business climate as better than normal, though to a lesser extent than last month. The employment index edged up to 17.9, indicating that employment continued to increase at a solid clip. After reaching its highest level in more than a year last month, the wages index was little changed at 43.1, suggesting wages continued to climb. The prices paid index moved down seven points to 49.1, a still-elevated level that indicated widespread input price increases, and the selling price index held near last month's multiyear high. Indexes for the six-month outlook suggested

that firms remained optimistic about future conditions, though less so than last month.

Expansion Continues

Business activity in the region's service sector continued to grow, though at a slower pace than last month. The headline business activity index moved down five points to 11.2. Thirty-eight percent of respondents reported that conditions improved over the month, while 27 percent said that conditions worsened. After reaching a record high in February, the business climate index fell thirteen points to 7.7. While that was lower than last month, it represented the index's fourth consecutive positive reading, and signaled that, on balance, firms viewed the business climate as better than normal.

Selling Prices Continue to Pick Up

The employment index edged up two points to 17.9, indicating that

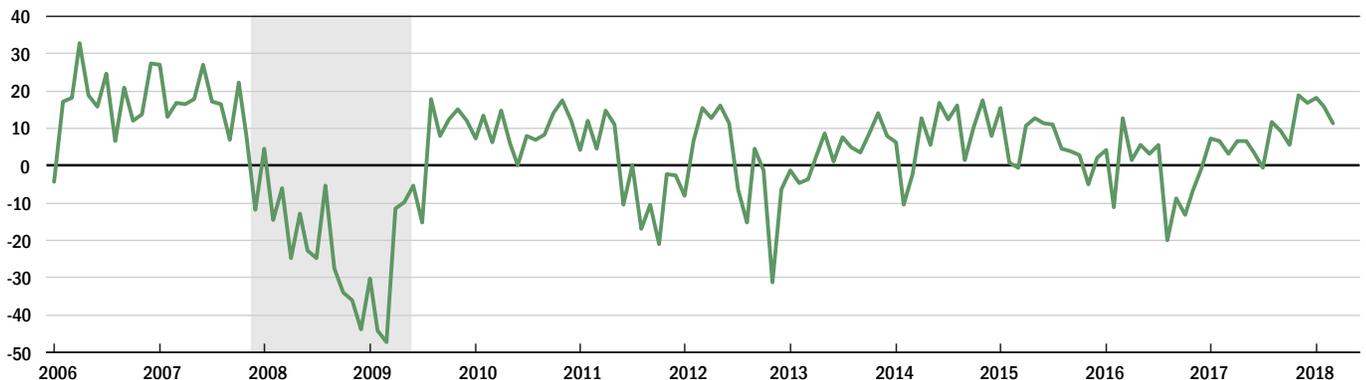
employment levels continued to increase moderately. The wages index was little changed at 43.1. After reaching a multiyear high last month, the prices paid index fell seven points to 49.1, pointing to ongoing input price increases, though such increases were not quite as widespread as last month. The prices received index inched up to 21.5, again reaching its highest level in more than six years. The capital spending index came in at 17.2, suggesting that capital spending continued to increase.

Firms Remain Optimistic

Businesses remained optimistic about the six-month outlook, though less so than last month. The index for future business activity slipped six points to 43.8, and the index for future business climate fell ten points to 28.6. The index for future employment suggested that respondents expected employment to increase in the months ahead. The index for planned capital spending declined five points to 25.0. ■

Business Activity

Diffusion Index

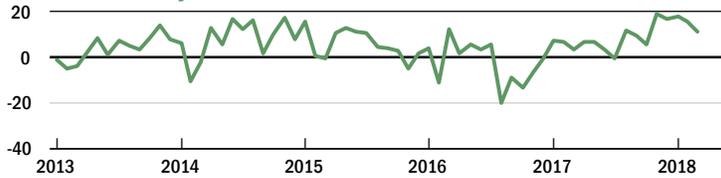


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

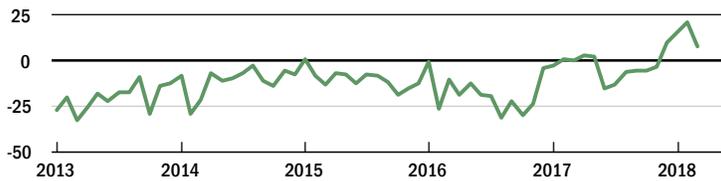
Change from Preceding Month

Business Activity



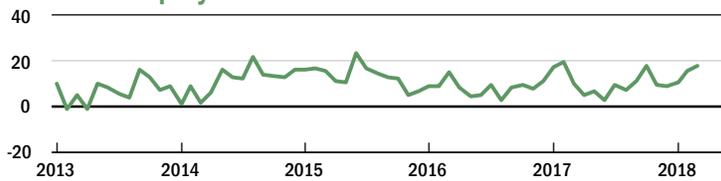
	Percent Reporting		Index
	Higher	Lower	
Feb	40.7	24.9	15.9
Mar	37.6	26.5	11.2
Change			-4.7

Business Climate



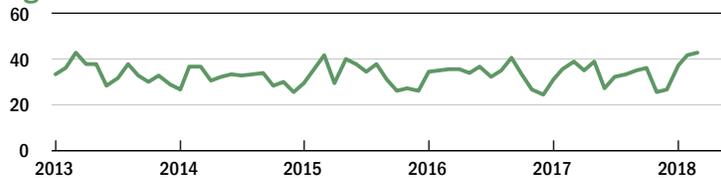
	Percent Reporting		Index
	Higher	Lower	
Feb	Favorable	Unfavorable	21.1
Mar	30.8	23.1	7.7
Change			-13.4

Number of Employees



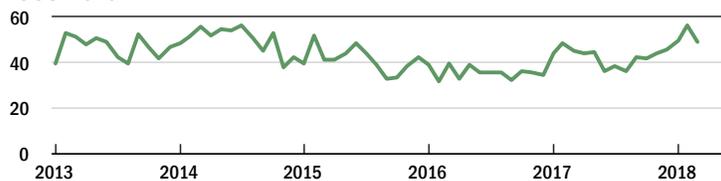
	Percent Reporting		Index
	Higher	Lower	
Feb	29.4	13.9	15.5
Mar	29.0	11.1	17.9
Change			2.4

Wages



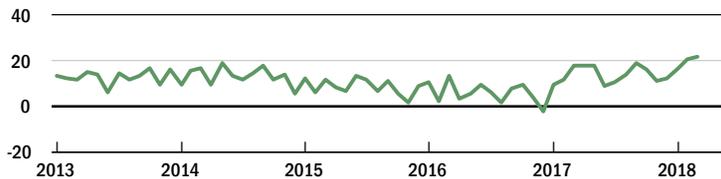
	Percent Reporting		Index
	Higher	Lower	
Feb	43.9	2.1	41.7
Mar	45.6	2.5	43.1
Change			1.4

Prices Paid



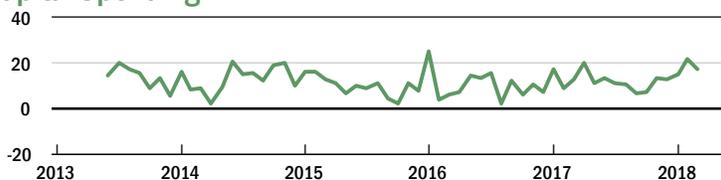
	Percent Reporting		Index
	Higher	Lower	
Feb	58.3	2.1	56.1
Mar	50.9	1.9	49.1
Change			-7.0

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Feb	28.1	7.6	20.5
Mar	29.7	8.2	21.5
Change			1.0

Capital Spending

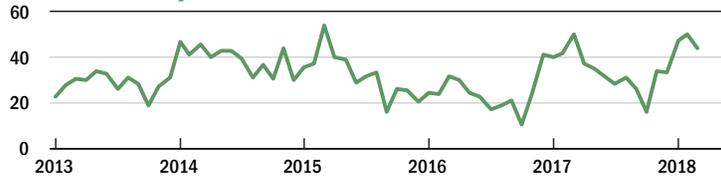


	Percent Reporting		Index
	Higher	Lower	
Feb	34.3	12.7	21.5
Mar	30.6	13.4	17.2
Change			-4.3

Forward-Looking Indicators

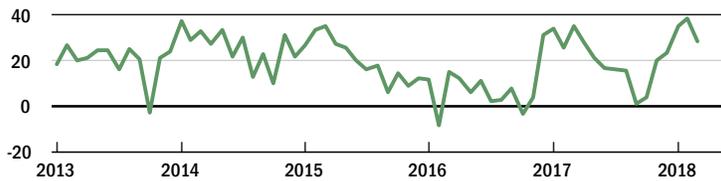
Expectations Six Months Ahead

Business Activity



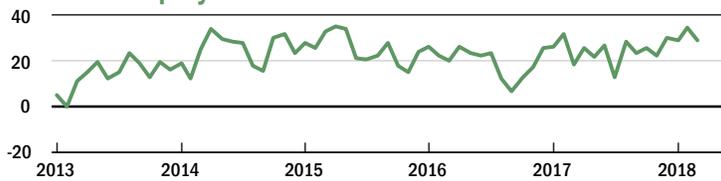
	Percent Reporting		Index
	Higher	Lower	
Feb	58.5	8.5	50.0
Mar	57.4	13.6	43.8
Change			-6.2

Business Climate



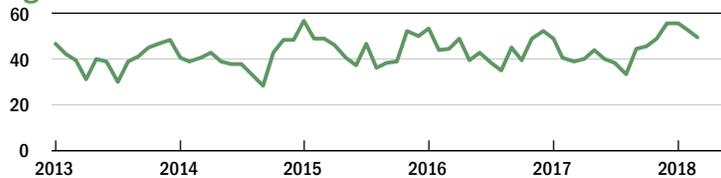
	Percent Reporting		Index
	Higher	Lower	
Feb	Favorable	Unfavorable	38.6
Mar	42.3	13.7	28.6
Change			-10.0

Number of Employees



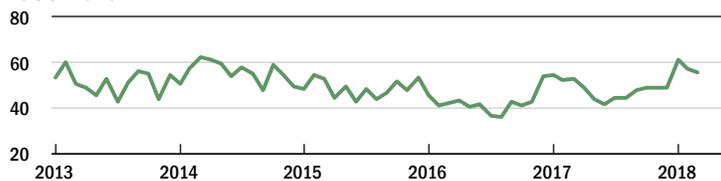
	Percent Reporting		Index
	Higher	Lower	
Feb	45.7	11.3	34.4
Mar	43.6	14.5	29.1
Change			-5.3

Wages



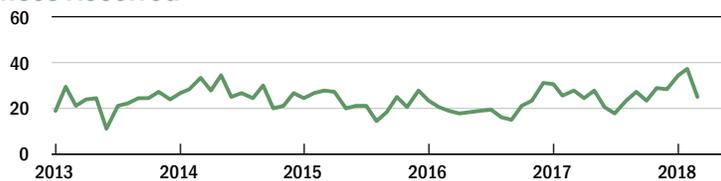
	Percent Reporting		Index
	Higher	Lower	
Feb	53.5	0.5	53.0
Mar	51.5	1.8	49.7
Change			-3.3

Prices Paid



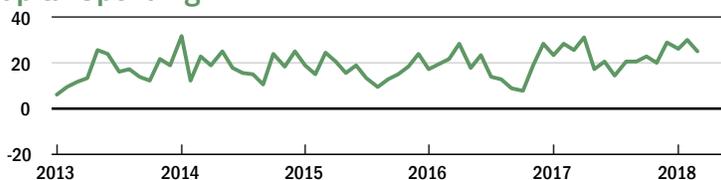
	Percent Reporting		Index
	Higher	Lower	
Feb	58.6	1.6	57.0
Mar	56.4	0.6	55.8
Change			-1.2

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Feb	42.4	4.9	37.5
Mar	32.3	7.3	25.0
Change			-12.5

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Feb	39.8	9.7	30.1
Mar	34.8	9.8	25.0
Change			-5.1