

Business Leaders Survey

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

Activity in the region's service sector grew at a solid clip, according to firms responding to the Federal Reserve Bank of New York's May 2018 *Business Leaders Survey*. The survey's headline business activity index climbed eleven points to 14.9, pointing to a stronger pace of growth than in April. The business climate index increased eight points to 11.9, a sign that firms, on balance, regarded the business climate as better than normal. The employment index edged up two points to 12.4, and the wages index rose five points to 44.1, indicating faster growth in employment and wages this month. The prices paid index was little changed at 52.1, suggesting ongoing widespread input price increases, and the selling price index fell two points to 22.8. After sliding sharply last month, indexes assessing the six-month outlook suggested that firms were more

optimistic about future conditions than they were in April.

Growth Picks Up

Business activity in the region's service sector continued to grow in May. After falling for three consecutive months, the headline business activity index climbed eleven points to 14.9. Thirty-nine percent of respondents reported that conditions improved over the month, while 24 percent said that conditions worsened. The business climate index held above zero for a sixth consecutive month, rising eight points to 11.9, signaling that, on balance, firms continued to view the business climate as better than normal.

Wages and Prices Increase at a Faster Pace

The employment index edged up two points to 12.4, indicating that employment levels increased. The

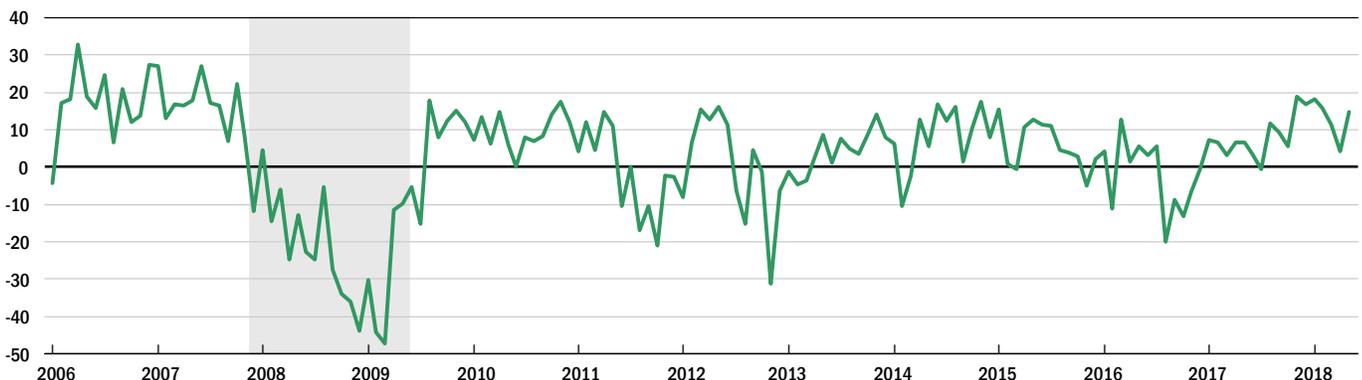
wages index climbed five points to 44.1, reflecting stronger wage growth than last month. The prices paid index was little changed at 52.1, indicating that input price increases remained elevated. The prices received index moved down two points to 22.8, a level pointing to ongoing moderate increases in selling prices. The capital spending index came in at 11.5, suggesting that capital spending continued to increase moderately.

Optimism Improves Somewhat

After slipping last month, optimism about the six-month outlook was somewhat higher in May. The index for future business activity rose nine points to 37.5. The index for future business climate, at 19.4, was unchanged. Indexes for future wages and prices moved higher, and the index for planned capital spending edged down to 27.5. ■

Business Activity

Diffusion Index

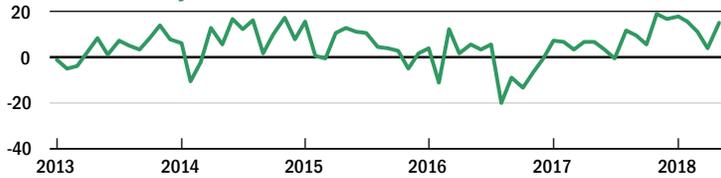


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

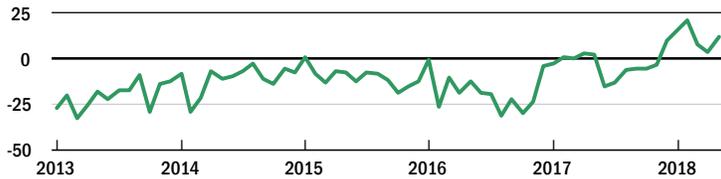
Change from Preceding Month

Business Activity



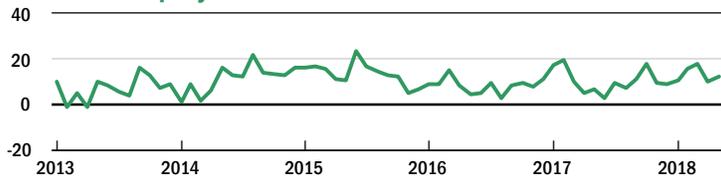
	Percent Reporting		Index
	Higher	Lower	
Apr	32.7	28.7	4.1
May	39.1	24.1	14.9
Change			10.8

Business Climate



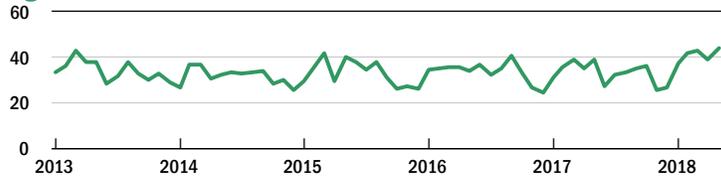
	Percent Reporting		Index
	Favorable	Unfavorable	
Apr	26.9	23.4	3.5
May	31.8	19.9	11.9
Change			8.4

Number of Employees



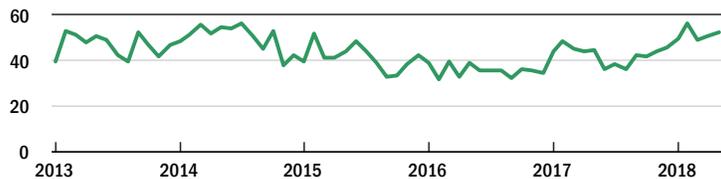
	Percent Reporting		Index
	Higher	Lower	
Apr	27.4	17.3	10.1
May	27.1	14.7	12.4
Change			2.3

Wages



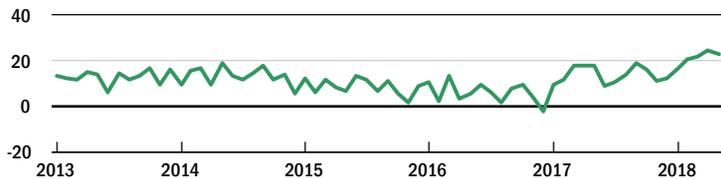
	Percent Reporting		Index
	Higher	Lower	
Apr	40.4	1.2	39.2
May	45.9	1.8	44.1
Change			4.9

Prices Paid



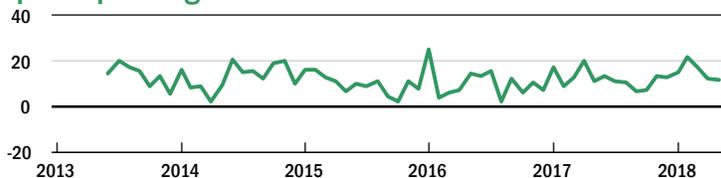
	Percent Reporting		Index
	Higher	Lower	
Apr	52.4	1.8	50.6
May	53.3	1.2	52.1
Change			1.5

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Apr	30.9	6.1	24.8
May	27.5	4.8	22.8
Change			-2.0

Capital Spending

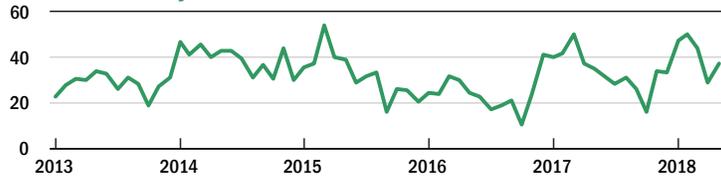


	Percent Reporting		Index
	Higher	Lower	
Apr	25.7	13.8	12.0
May	26.1	14.5	11.5
Change			-0.5

Forward-Looking Indicators

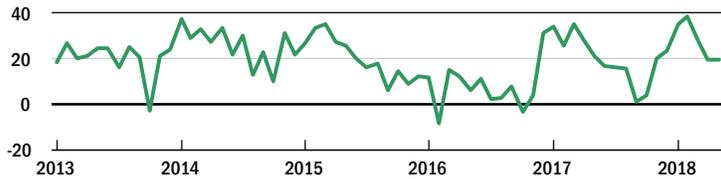
Expectations Six Months Ahead

Business Activity



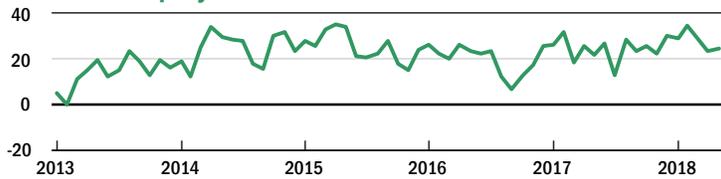
	Percent Reporting		Index
	Higher	Lower	
Apr	43.2	14.2	29.0
May	48.3	10.8	37.5
Change			8.5

Business Climate



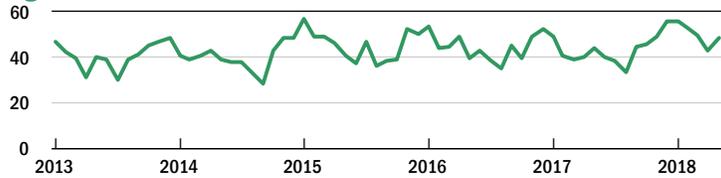
	Percent Reporting		Index
	Favorable	Unfavorable	
Apr	36.5	17.1	19.4
May	35.4	16.0	19.4
Change			0.0

Number of Employees



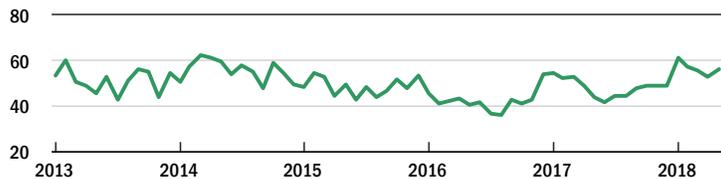
	Percent Reporting		Index
	Higher	Lower	
Apr	40.1	16.8	23.4
May	38.2	13.9	24.3
Change			0.9

Wages



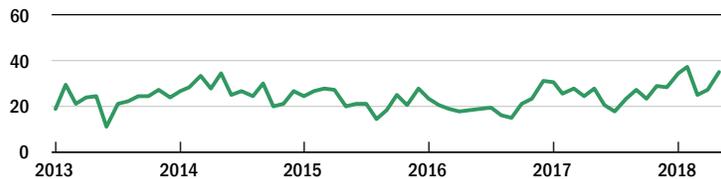
	Percent Reporting		Index
	Higher	Lower	
Apr	43.4	0.6	42.8
May	50.0	1.7	48.3
Change			5.5

Prices Paid



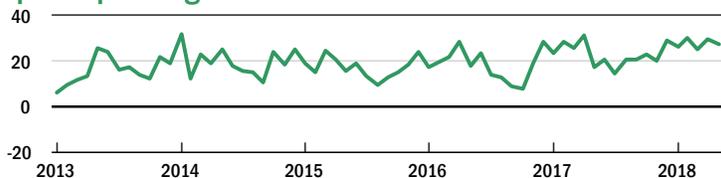
	Percent Reporting		Index
	Higher	Lower	
Apr	55.2	2.5	52.8
May	56.7	0.6	56.1
Change			3.3

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Apr	33.5	6.1	27.4
May	39.8	4.7	35.1
Change			7.7

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Apr	39.2	9.6	29.5
May	37.4	9.9	27.5
Change			-2.0