

# Business Leaders Survey

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

Activity in the region's service sector grew modestly, according to firms responding to the Federal Reserve Bank of New York's October 2018 *Business Leaders Survey*. After reaching its highest level in more than a decade, the survey's headline business activity index fell thirteen points to 9.4. The business climate index edged down a point from last month's record high to 22.2, a sign that firms, on balance, regarded the business climate as better than normal. Employment levels continued to increase steadily, and wage increases remained widespread. The prices paid and prices received indexes both increased sharply, indicating that price increases picked up this month. Indexes assessing the six-month outlook suggested that firms generally remained optimistic about future conditions.

### Growth Slows Noticeably

Business activity grew modestly in the region's service sector in October.

The headline business activity index declined thirteen points to 9.4, indicating that growth slowed noticeably but remained positive. Thirty-eight percent of respondents reported that conditions improved over the month, while 29 percent said that conditions worsened. The business climate index edged down a point from its record high last month to 22.2, signaling that, on balance, firms continued to view the business climate as better than normal.

### Price Increases Pick Up

The employment index rose two points to 14.2, indicating that employment continued to grow at a steady clip. The wages index came in at 40.0, reflecting ongoing significant wage gains. Price increases picked up noticeably this month: the prices paid index jumped eleven points to 61.4 and the prices received index surged eight points

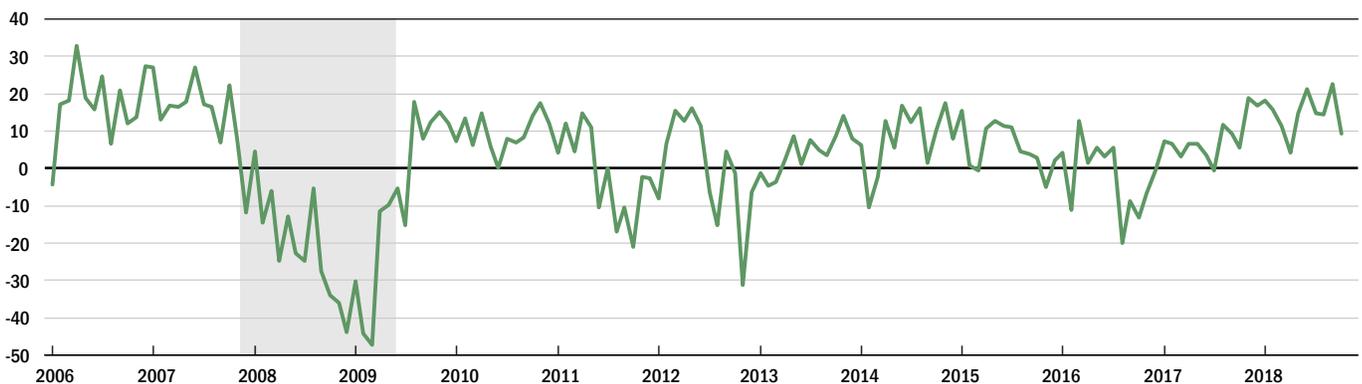
to 28.1, indicating widespread input and selling price increases. Both price indexes were at or near multiyear highs. The capital spending index came in at 15.3, pointing to ongoing solid increases in capital spending.

### Firms Remain Optimistic

Firms remained fairly optimistic about the six-month outlook. The indexes for future business activity and future business climate both increased a few points but remained below the levels seen earlier this year. The index for future employment suggested that respondents expected employment to continue to increase, and the index for future wages pointed to more widespread wage growth. Indexes for future prices indicated that price increases are expected to pick up further in the months ahead. At 30.7, the index for planned capital spending was up six points. ■

## Business Activity

Diffusion Index

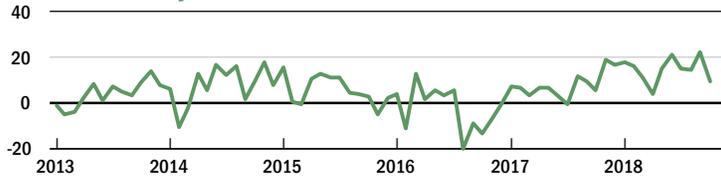


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

# Current Indicators

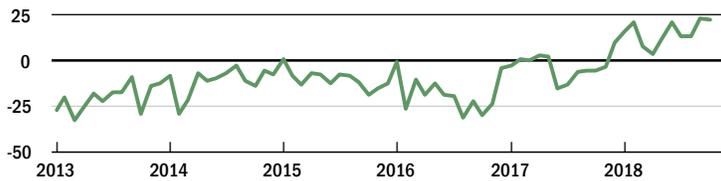
Change from Preceding Month

## Business Activity



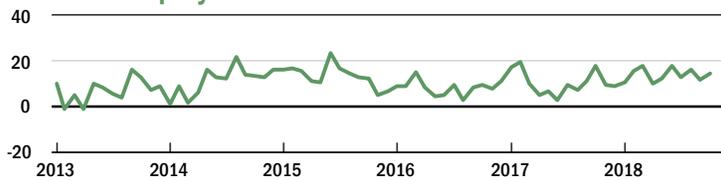
	Percent Reporting		Index
	Higher	Lower	
Sep	41.1	18.5	22.5
Oct	38.1	28.8	9.4
Change			-13.1

## Business Climate



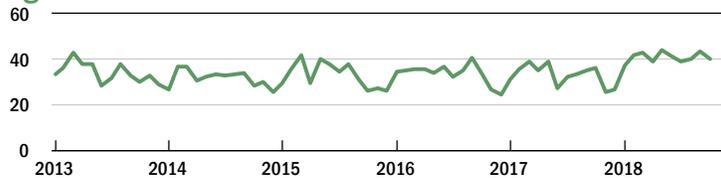
	Percent Reporting		Index
	Favorable	Unfavorable	
Sep	39.1	15.9	23.2
Oct	42.0	19.8	22.2
Change			-1.0

## Number of Employees



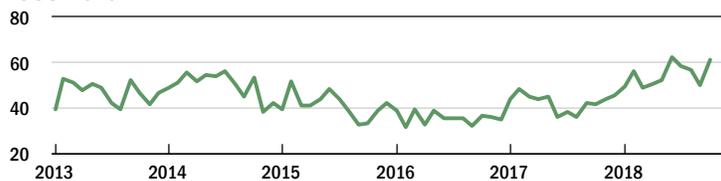
	Percent Reporting		Index
	Higher	Lower	
Sep	30.5	18.5	11.9
Oct	29.0	14.8	14.2
Change			2.3

## Wages



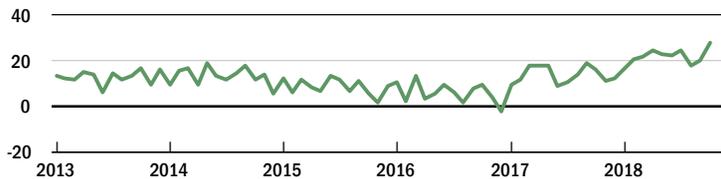
	Percent Reporting		Index
	Higher	Lower	
Sep	45.3	2.0	43.3
Oct	41.3	1.3	40.0
Change			-3.3

## Prices Paid



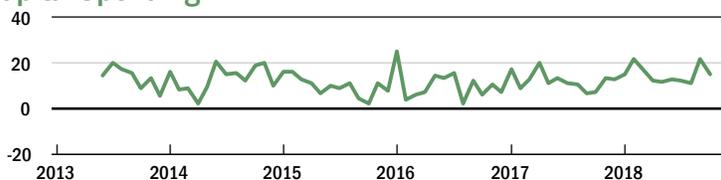
	Percent Reporting		Index
	Higher	Lower	
Sep	52.7	2.7	50.0
Oct	63.4	2.0	61.4
Change			11.4

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Sep	28.2	8.1	20.1
Oct	35.3	7.2	28.1
Change			8.0

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Sep	32.5	10.6	21.9
Oct	28.7	13.3	15.3
Change			-6.6

# Forward-Looking Indicators

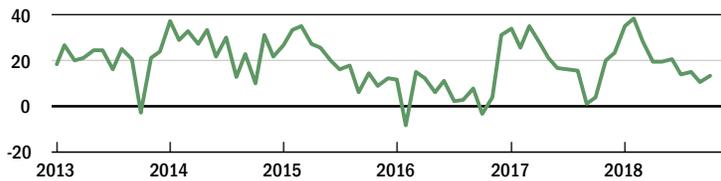
Expectations Six Months Ahead

## Business Activity



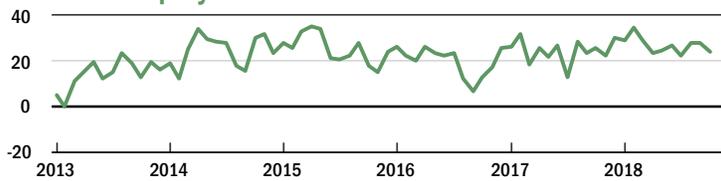
	Percent Reporting		Index
	Higher	Lower	
Sep	43.2	15.1	28.1
Oct	47.8	15.1	32.7
Change			4.6

## Business Climate



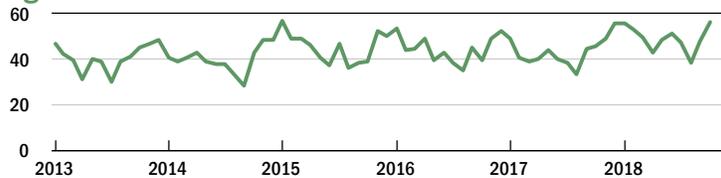
	Percent Reporting		Index
	Favorable	Unfavorable	
Sep	30.2	19.5	10.7
Oct	32.7	19.5	13.2
Change			2.5

## Number of Employees



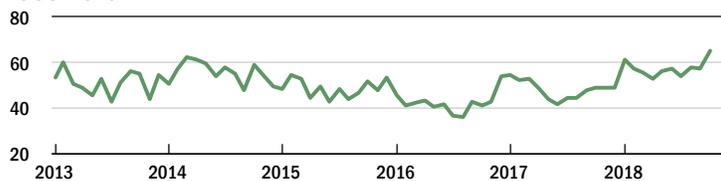
	Percent Reporting		Index
	Higher	Lower	
Sep	40.1	12.2	27.9
Oct	35.5	11.6	23.9
Change			-4.0

## Wages



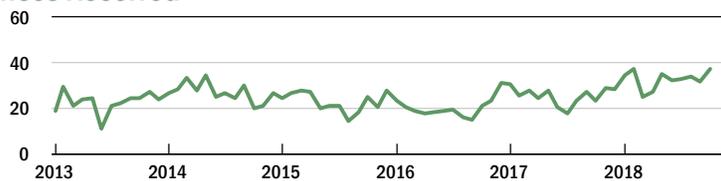
	Percent Reporting		Index
	Higher	Lower	
Sep	49.0	1.3	47.7
Oct	57.7	1.3	56.4
Change			8.7

## Prices Paid



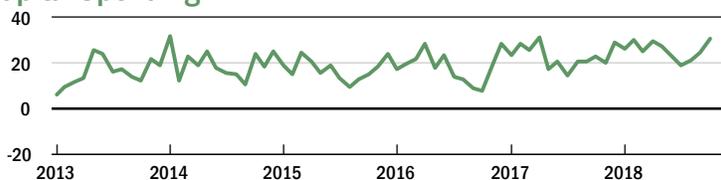
	Percent Reporting		Index
	Higher	Lower	
Sep	61.6	4.1	57.5
Oct	66.9	1.9	64.9
Change			7.4

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Sep	37.0	5.5	31.5
Oct	42.2	5.2	37.0
Change			5.5

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Sep	34.9	10.1	24.8
Oct	39.9	9.2	30.7
Change			5.9