

Business Leaders Survey

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

Activity in the region's service sector held steady, according to firms responding to the Federal Reserve Bank of New York's January 2019 *Business Leaders Survey*. The survey's headline business activity index fell six points to zero, its lowest level since mid-2017. The business climate index was little changed, also coming in at around zero, indicating that on balance, firms regarded the business climate as normal. Employment levels rose modestly, and wage increases picked up slightly. The prices paid index, while still elevated, edged down three points to 51.5, and the prices received index was little changed at 17.0. Optimism waned, with the index for future business climate falling to its lowest level in nearly a decade.

Growth Slows to a Halt

Business activity was little changed in the region's service sector in January.

The headline business activity index fell for a fourth consecutive month, dropping six points to zero, its lowest level since July 2017. Twenty-eight percent of respondents reported that conditions improved over the month, and 28 percent said that conditions worsened. The business climate index held at a level of around zero, signaling that, on balance, firms viewed the business climate as normal.

Input Price Increases Ease Slightly

At 7.1, the employment index indicated that employment levels increased modestly. The wages index edged up three points to 37.1, suggesting that wage gains remained fairly widespread. The prices paid index fell three points, its third consecutive monthly decline, but remained elevated at 51.5. The prices

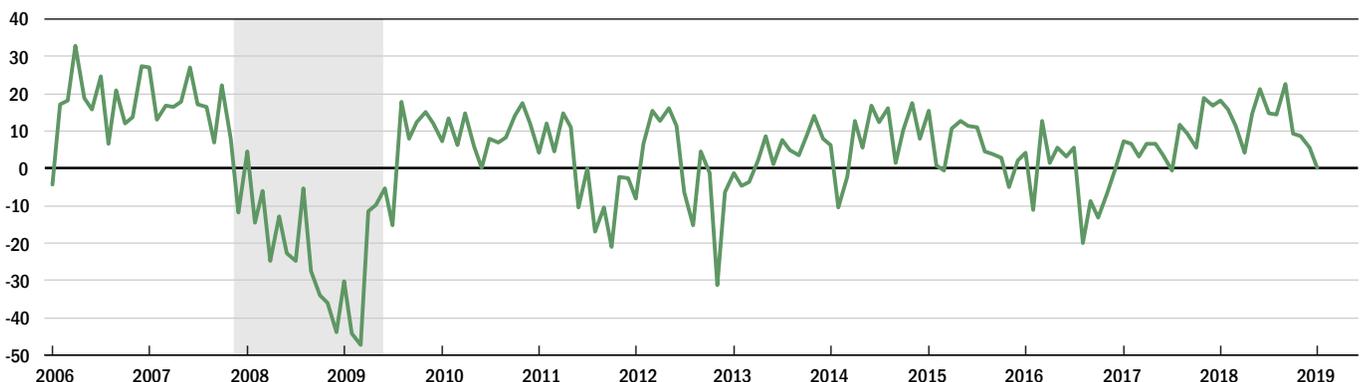
received index held steady at 17.0. The capital spending index moved down six points to 10.8, suggesting that capital spending increased at a slower pace than last month.

Optimism Continues to Droop

Firms remained fairly subdued in their optimism about the six-month outlook. The index for future business activity fell four points to 14.3, its lowest level in more than two years. The index for future business climate declined four points to -15.7, its lowest reading since 2009, suggesting that firms expect the business climate to be worse than normal in the months ahead. The index for future wages and the index for future prices paid both moved lower, and the index for planned capital spending fell eight points to 16.8. ■

Business Activity

Diffusion Index

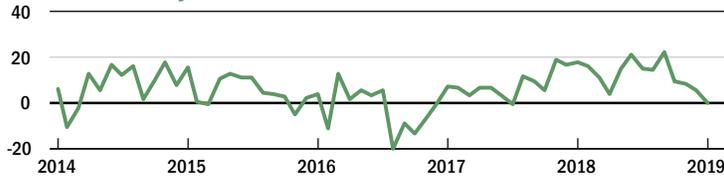


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

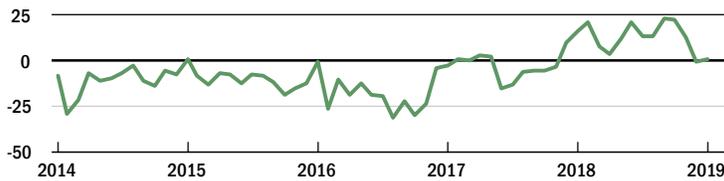
Change from Preceding Month

Business Activity



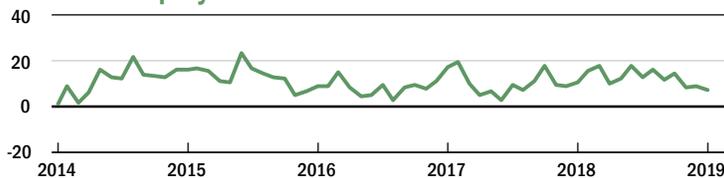
	Percent Reporting		Index
	Higher	Lower	
Dec	30.9	25.3	5.6
Jan	27.5	27.5	0.0
Change			-5.6

Business Climate



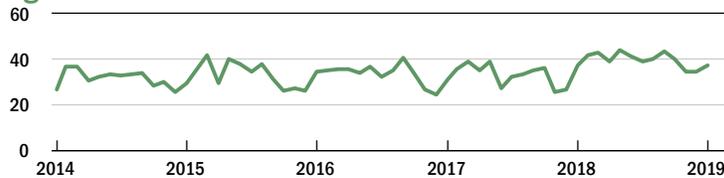
	Percent Reporting		Index
	Favorable	Unfavorable	
Dec	27.0	27.6	-0.6
Jan	24.7	24.1	0.6
Change			1.2

Number of Employees



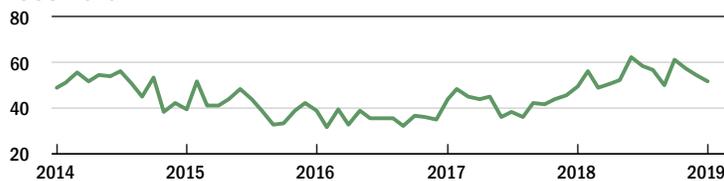
	Percent Reporting		Index
	Higher	Lower	
Dec	27.0	18.2	8.8
Jan	23.2	16.1	7.1
Change			-1.7

Wages



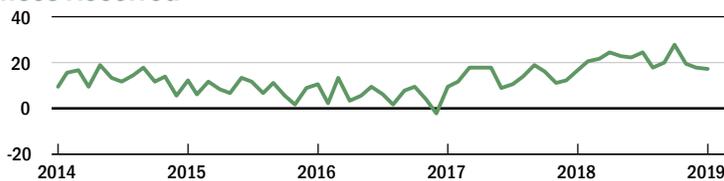
	Percent Reporting		Index
	Higher	Lower	
Dec	36.3	1.9	34.4
Jan	38.9	1.8	37.1
Change			2.7

Prices Paid



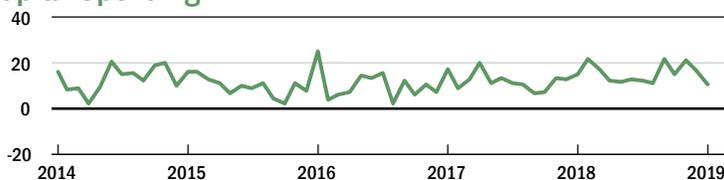
	Percent Reporting		Index
	Higher	Lower	
Dec	58.1	3.8	54.4
Jan	54.5	3.0	51.5
Change			-2.9

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Dec	28.8	10.6	18.1
Jan	27.3	10.3	17.0
Change			-1.1

Capital Spending

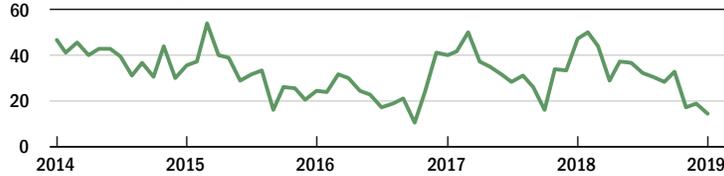


	Percent Reporting		Index
	Higher	Lower	
Dec	34.4	17.5	16.9
Jan	24.6	13.8	10.8
Change			-6.1

Forward-Looking Indicators

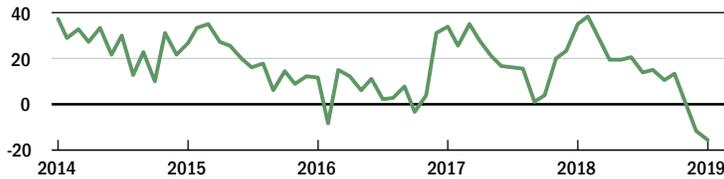
Expectations Six Months Ahead

Business Activity



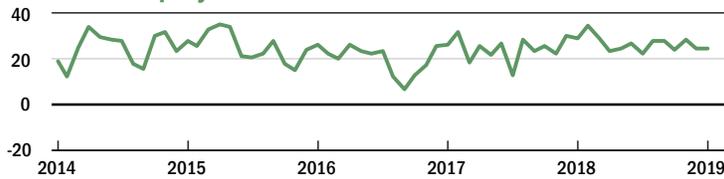
	Percent Reporting		Index
	Higher	Lower	
Dec	40.4	21.7	18.6
Jan	35.7	21.4	14.3
Change			-4.3

Business Climate



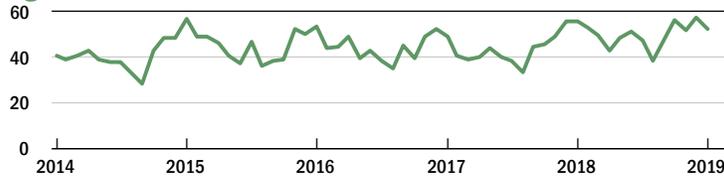
	Percent Reporting		Index
	Favorable	Unfavorable	
Dec	19.9	31.7	-11.8
Jan	19.9	35.5	-15.7
Change			-3.9

Number of Employees



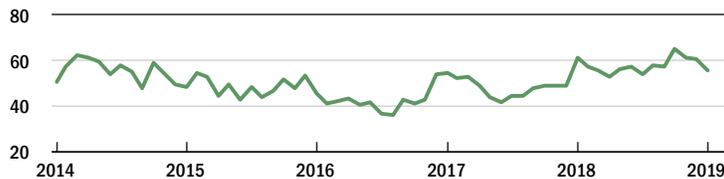
	Percent Reporting		Index
	Higher	Lower	
Dec	37.7	13.2	24.5
Jan	38.7	14.3	24.4
Change			-0.1

Wages



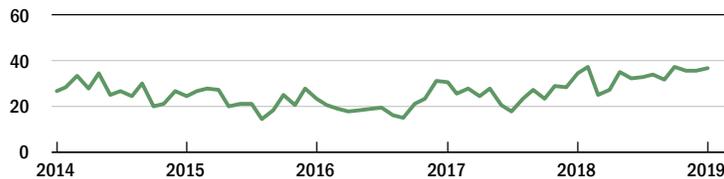
	Percent Reporting		Index
	Higher	Lower	
Dec	59.1	1.9	57.2
Jan	54.5	2.4	52.1
Change			-5.1

Prices Paid



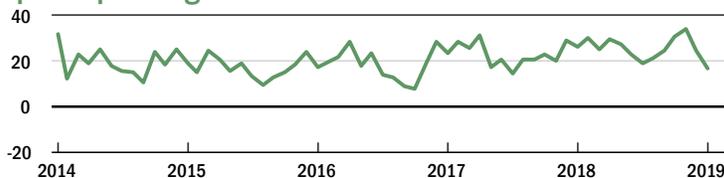
	Percent Reporting		Index
	Higher	Lower	
Dec	61.6	1.3	60.4
Jan	58.9	3.6	55.4
Change			-5.0

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Dec	42.6	7.1	35.5
Jan	42.8	6.0	36.7
Change			1.2

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Dec	37.3	12.7	24.7
Jan	28.7	12.0	16.8
Change			-7.9