

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 fairly solid clip, according to firms responding to the Federal Reserve Bank of New York's February 2019 *Business Leaders Survey*. The survey's headline business activity index climbed fourteen points to 13.7. The business climate index edged up three points to 3.2, indicating that on balance, firms regarded the business climate as better than normal. Employment levels rose modestly, and wage increases picked up noticeably. Both the prices paid and prices received indexes advanced several points, pointing to an acceleration in both input and selling price increases. Firms were more optimistic about the six-month outlook, with the index for future business activity rising seventeen points to its highest level in months.

Growth Resumes

After stalling in January, growth in business activity in the region's service sector resumed in February. The headline business activity index climbed fourteen points to 13.7. Thirty-seven percent of respondents reported that conditions improved over the month, and 24 percent said that conditions worsened. The business climate index moved up three points to 3.2, signaling that, on balance, firms viewed the business climate as better than normal, though only to a small degree.

Price Increases Accelerate

The employment index was little changed at 7.3, indicating that employment levels increased modestly. The wages index rose eight points to 45.3, suggesting wage gains were more widespread this

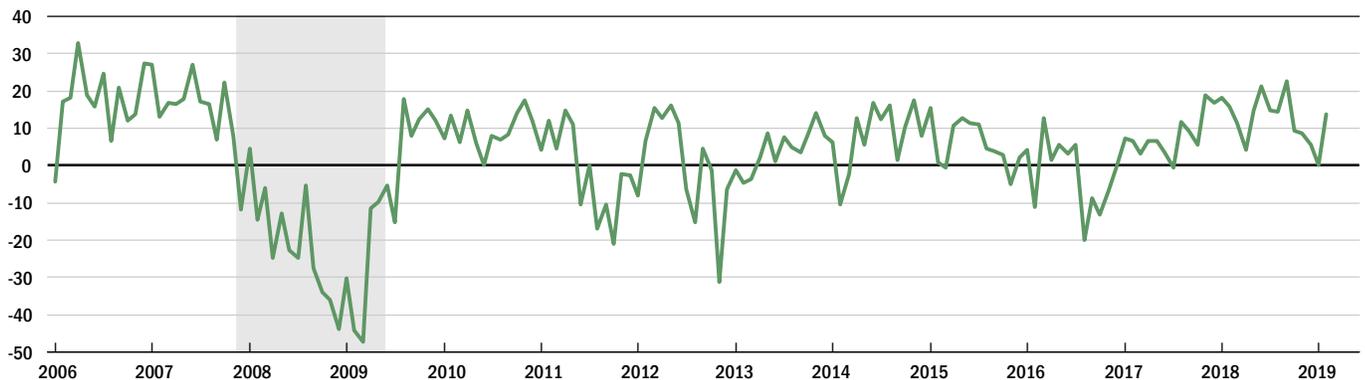
month. After declining for the prior three months, the prices paid index rose seven points to 58.8, pointing to steeper input price increases. The prices received index advanced eight points to 24.8, a sign that the pace of selling price increases picked up. The capital spending index moved up five points to 16.1, suggesting that capital spending increased at a respectable clip.

Optimism Recovers

After three months of subdued readings, indexes assessing the six-month outlook were markedly higher in February. The index for future business activity shot up seventeen points to 31.2, and the index for future business climate rose twenty-two points to 5.9, its first positive reading since October of last year. The index for planned capital spending climbed ten points to 26.6. ■

Business Activity

Diffusion Index

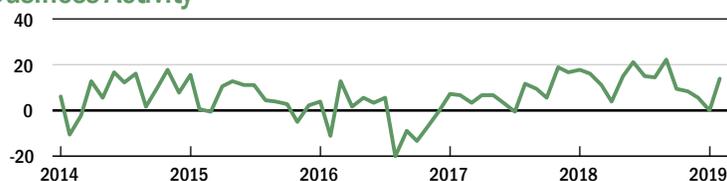


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

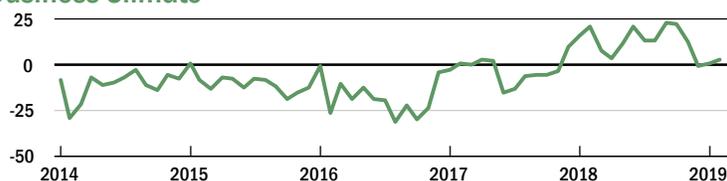
Change from Preceding Month

Business Activity



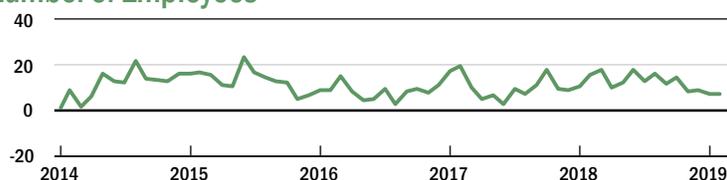
	Percent Reporting		Index
	Higher	Lower	
Jan	27.5	27.5	0.0
Feb	37.3	23.5	13.7
Change			13.7

Business Climate



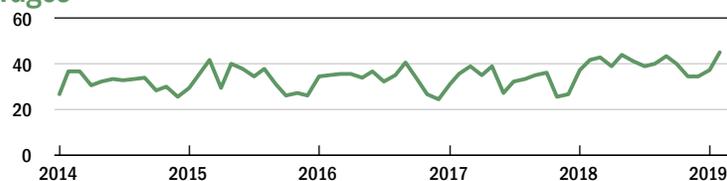
	Percent Reporting		Index
	Favorable	Unfavorable	
Jan	24.7	24.1	0.6
Feb	28.6	25.3	3.2
Change			2.6

Number of Employees



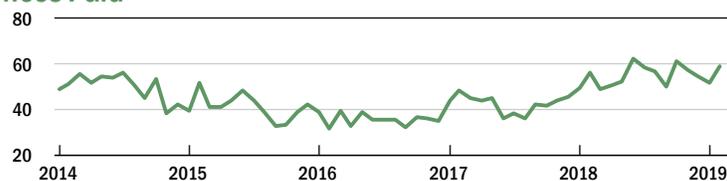
	Percent Reporting		Index
	Higher	Lower	
Jan	23.2	16.1	7.1
Feb	27.3	20.0	7.3
Change			0.2

Wages



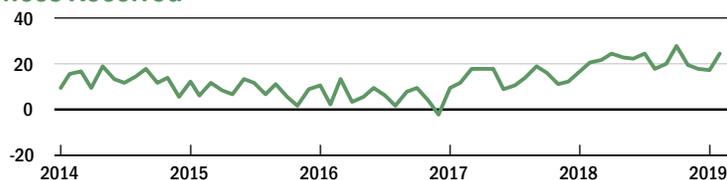
	Percent Reporting		Index
	Higher	Lower	
Jan	38.9	1.8	37.1
Feb	49.3	4.0	45.3
Change			8.2

Prices Paid



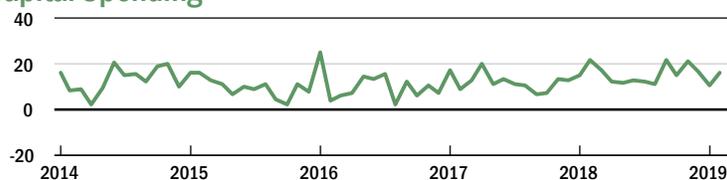
	Percent Reporting		Index
	Higher	Lower	
Jan	54.5	3.0	51.5
Feb	60.1	1.4	58.8
Change			7.3

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jan	27.3	10.3	17.0
Feb	32.9	8.1	24.8
Change			7.8

Capital Spending

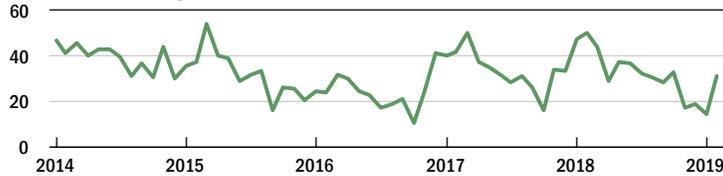


	Percent Reporting		Index
	Higher	Lower	
Jan	24.6	13.8	10.8
Feb	29.5	13.4	16.1
Change			5.3

Forward-Looking Indicators

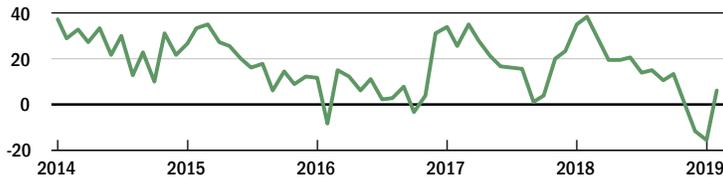
Expectations Six Months Ahead

Business Activity



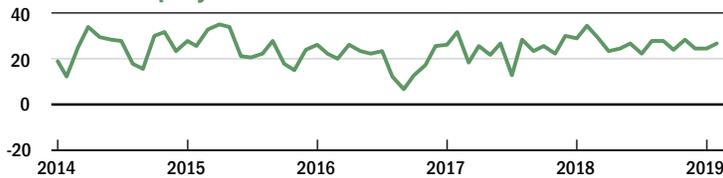
	Percent Reporting		Index
	Higher	Lower	
Jan	35.7	21.4	14.3
Feb	44.2	13.0	31.2
Change			16.9

Business Climate



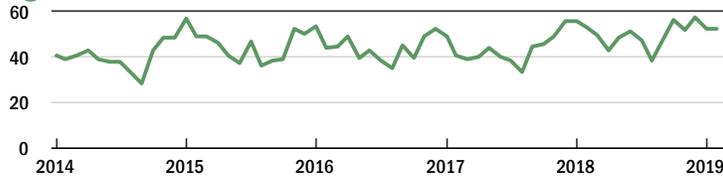
	Percent Reporting		Index
	Favorable	Unfavorable	
Jan	19.9	35.5	-15.7
Feb	27.5	21.6	5.9
Change			21.6

Number of Employees



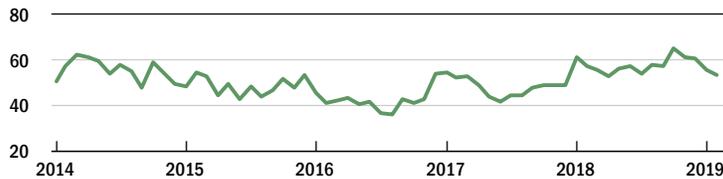
	Percent Reporting		Index
	Higher	Lower	
Jan	38.7	14.3	24.4
Feb	39.9	13.1	26.8
Change			2.4

Wages



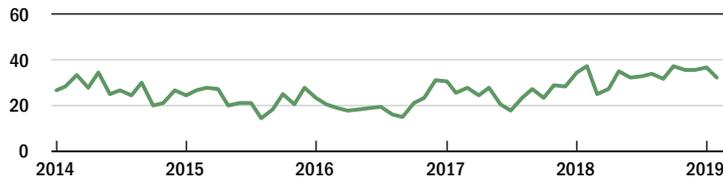
	Percent Reporting		Index
	Higher	Lower	
Jan	54.5	2.4	52.1
Feb	52.9	0.7	52.3
Change			0.2

Prices Paid



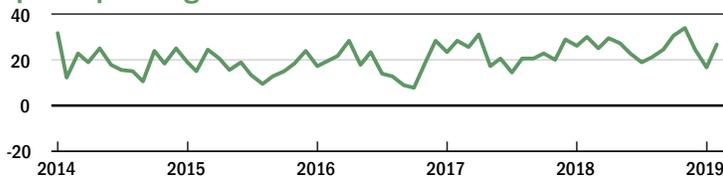
	Percent Reporting		Index
	Higher	Lower	
Jan	58.9	3.6	55.4
Feb	57.5	3.9	53.6
Change			-1.8

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jan	42.8	6.0	36.7
Feb	37.1	4.6	32.5
Change			-4.2

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jan	28.7	12.0	16.8
Feb	39.0	12.3	26.6
Change			9.8