

Business Leaders Survey

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

Activity in the region's service sector grew only slightly, according to firms responding to the Federal Reserve Bank of New York's December 2019 *Business Leaders Survey*. The survey's headline business activity index held steady at 3.0. Though it increased six points, the business climate index remained negative for a fourth consecutive month, indicating that, on balance, firms regarded the business climate as worse than normal. Employment levels increased modestly, and wage increases picked up slightly. Input prices increased at a significantly faster pace than last month, while selling price increases were little changed. Optimism about future conditions improved from November, though firms continued to express pessimism about the future business climate.

Conditions Remain Sluggish

Growth in business activity in the region's service sector remained sluggish in December. The headline

business activity index held steady at 3.0. Thirty-two percent of respondents reported that conditions improved over the month, and 29 percent said that conditions worsened. The business climate index remained negative, though it increased six points to -4.5, indicating that, on balance, firms still viewed the business climate as worse than normal.

Employment Expands

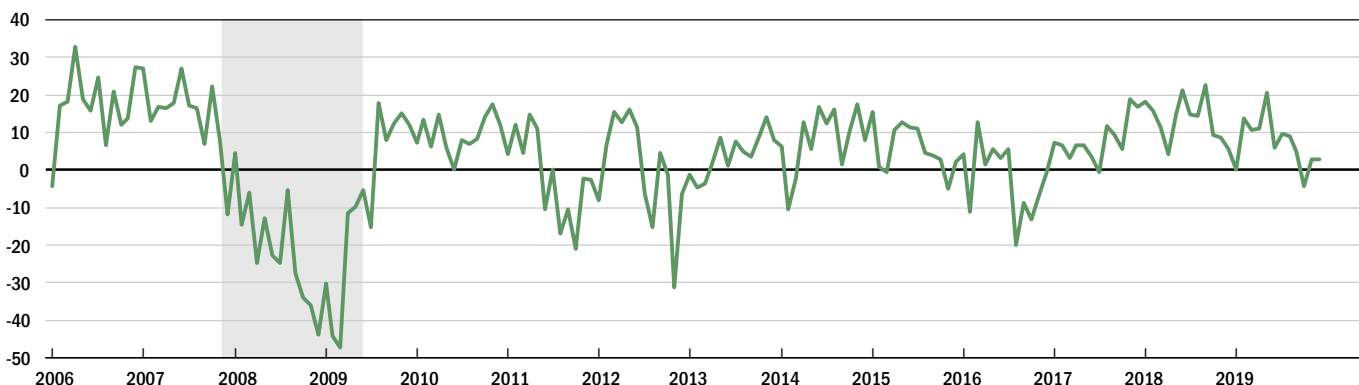
The employment index climbed six points to 6.8, suggesting that employment grew modestly. The wages index edged up three points to 35.1, pointing to a slight pickup in wage growth. After dropping to its lowest level in more than three years last month, the prices paid index increased fourteen points to 47.1, signaling a strong pickup in input price increases. The prices received index was little changed at 15.2. The capital spending index rose ten points to 21.8, indicating that spending increased significantly.

Optimism Picks Up Slightly, but Remains Subdued

While firms were generally more optimistic about the six-month outlook than last month, optimism remained subdued. The index for future business activity rose five points, but remained at a relatively low level of 18.0. The index for future business climate held below zero, indicating that firms continued to expect the business climate to worsen in the months ahead. The indexes for future wages and prices increased. ■

Business Activity

Diffusion Index

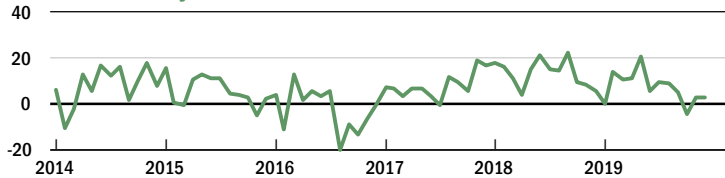


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

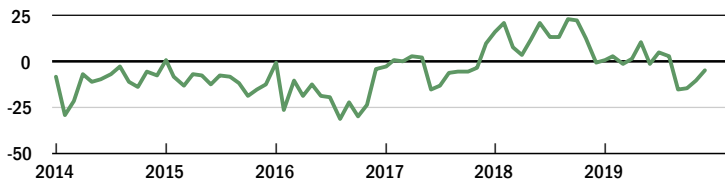
Change from Preceding Month

Business Activity



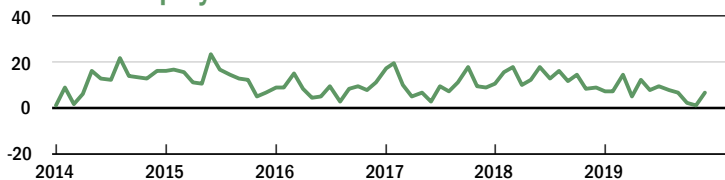
	Percent Reporting		Index
	Higher	Lower	
Nov	28.5	25.6	2.9
Dec	31.5	28.5	3.0
Change			0.1

Business Climate



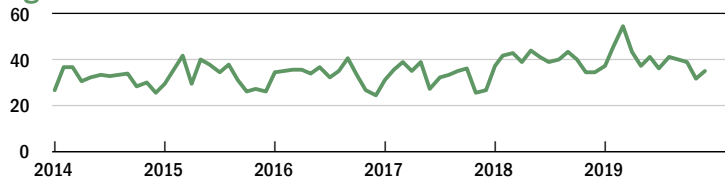
	Percent Reporting		Index
	Favorable	Unfavorable	
Nov	16.4	26.9	-10.5
Dec	22.8	27.2	-4.5
Change			6.0

Number of Employees



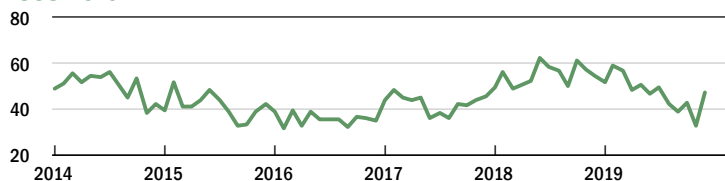
	Percent Reporting		Index
	Higher	Lower	
Nov	22.6	21.4	1.2
Dec	25.0	18.2	6.8
Change			5.6

Wages



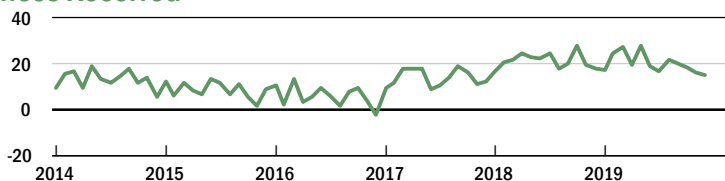
	Percent Reporting		Index
	Higher	Lower	
Nov	34.1	2.4	31.7
Dec	37.7	2.6	35.1
Change			3.4

Prices Paid



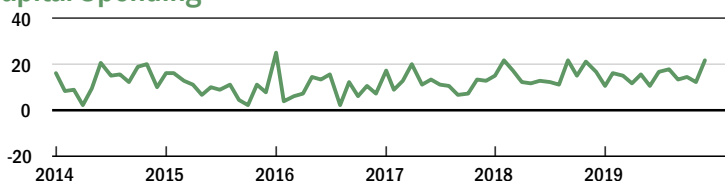
	Percent Reporting		Index
	Higher	Lower	
Nov	40.1	7.2	32.9
Dec	52.4	5.2	47.1
Change			14.2

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Nov	25.6	9.5	16.1
Dec	22.5	7.3	15.2
Change			-0.9

Capital Spending

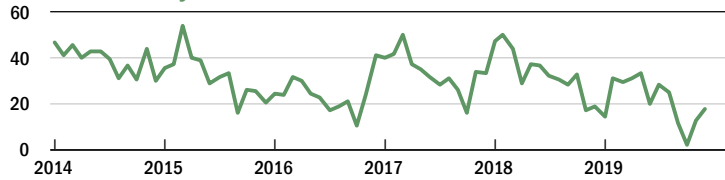


	Percent Reporting		Index
	Higher	Lower	
Nov	27.1	15.1	12.0
Dec	32.4	10.6	21.8
Change			9.8

Forward-Looking Indicators

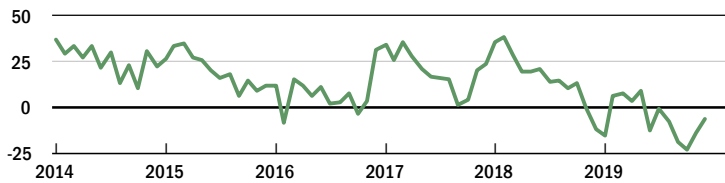
Expectations Six Months Ahead

Business Activity



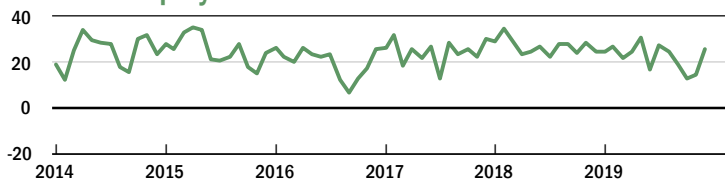
	Percent Reporting		Index
	Higher	Lower	
Nov	35.7	22.8	12.9
Dec	38.5	20.5	18.0
Change			5.1

Business Climate



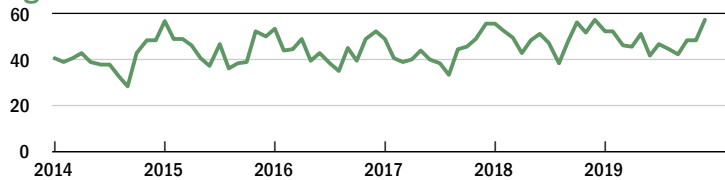
	Percent Reporting		Index
	Favorable	Unfavorable	
Nov	17.0	31.0	-14.0
Dec	23.5	30.0	-6.5
Change			7.5

Number of Employees



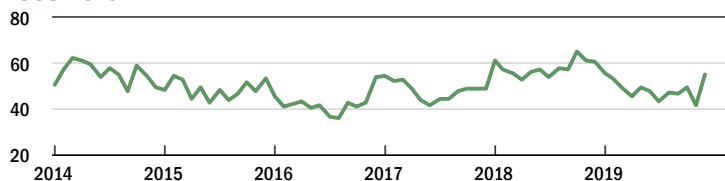
	Percent Reporting		Index
	Higher	Lower	
Nov	32.9	18.2	14.7
Dec	38.5	12.8	25.6
Change			10.9

Wages



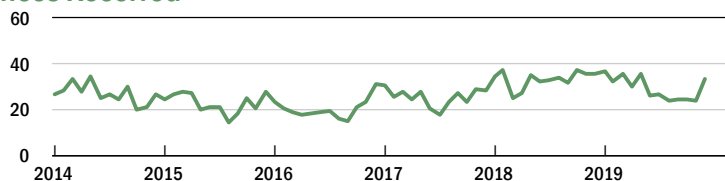
	Percent Reporting		Index
	Higher	Lower	
Nov	52.4	4.2	48.2
Dec	59.5	2.1	57.4
Change			9.2

Prices Paid



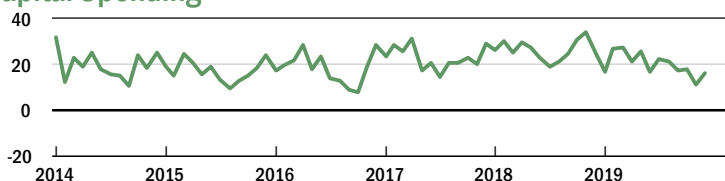
	Percent Reporting		Index
	Higher	Lower	
Nov	48.8	7.1	41.8
Dec	57.7	2.6	55.2
Change			13.4

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Nov	34.5	10.7	23.8
Dec	40.3	7.1	33.2
Change			9.4

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Nov	33.3	22.0	11.3
Dec	30.9	14.9	16.0
Change			4.7