

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 faster pace than in recent months, according to firms responding to the Federal Reserve Bank of New York's February 2020 *Business Leaders Survey*. The survey's headline business activity index climbed six points to 9.8, its highest level in several months. The business climate index fell to slightly below zero, indicating that, on balance, firms regarded the business climate as worse than normal. Employment levels increased marginally, and wage increases were more widespread. Input prices rose at the same pace as last month, while selling price increases continued to accelerate. Firms were optimistic about future conditions and said they expected significant increases in employment in the months ahead.

Growth Picks Up

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

business activity index rose six points to 9.8. Thirty-one percent of respondents reported that conditions improved over the month, while 21 percent said that conditions worsened. After turning positive last month, the business climate index fell back to a level slightly below zero, indicating that, on balance, firms viewed the business climate as worse than normal.

Employment Growth Remains Sluggish

The employment index edged down for a second consecutive month, and at 3.1, suggested only a slight increase in employment levels. The wages index increased nine points to 45.3, its highest level in nearly a year. The prices paid index was little changed at 48.4, signaling that input prices increased at about the same pace as last month. The prices received index moved up for a second consecutive month, climbing four points to 26.7, pointing to a pickup

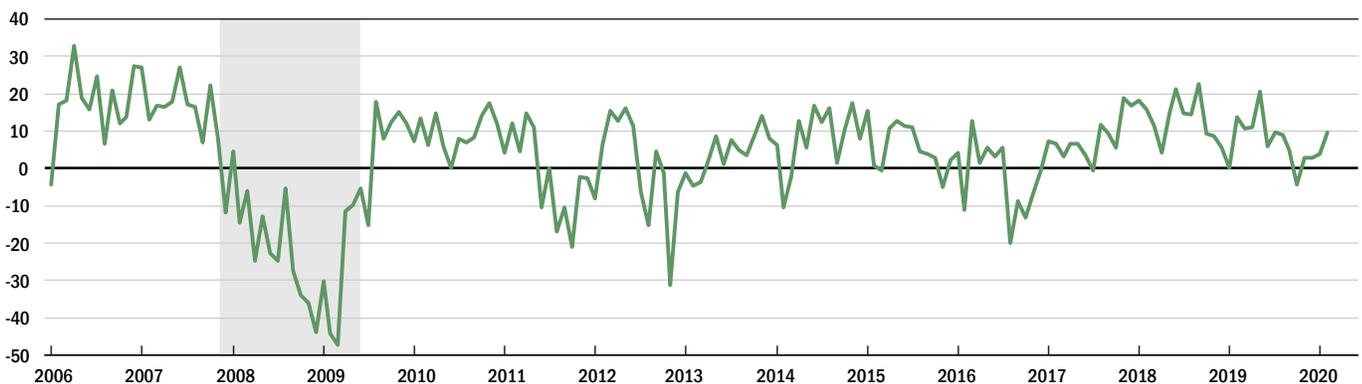
in selling price increases. The capital spending index held steady at 18.3.

Better Business Climate Expected

Firms remained optimistic about the six-month outlook. The index for future business activity advanced three points to 35.1, and the index for future business climate remained above zero, suggesting that firms expected the business climate to be better than normal in the months ahead. The index for future employment rose to 34.0, indicating that firms expected fairly significant increases in employment. The index for future capital spending came in at 20.4. ■

Business Activity

Diffusion Index

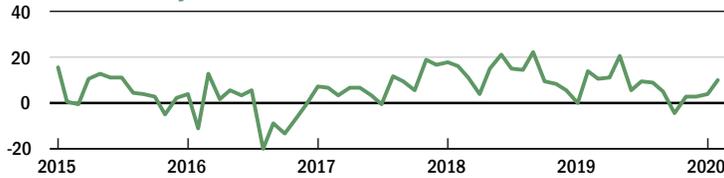


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

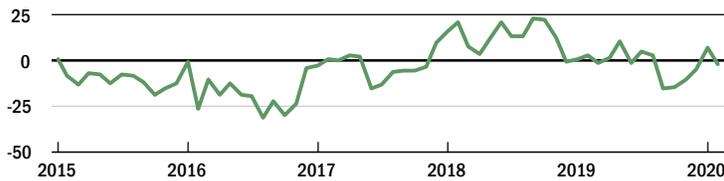
Change from Preceding Month

Business Activity



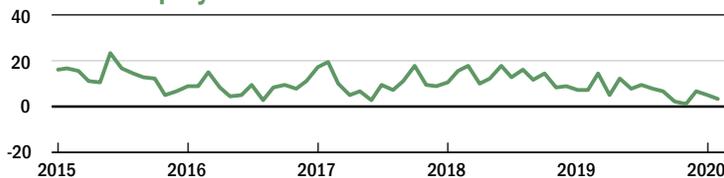
	Percent Reporting		Index
	Higher	Lower	
Jan	29.8	26.1	3.7
Feb	31.1	21.2	9.8
Change			6.1

Business Climate



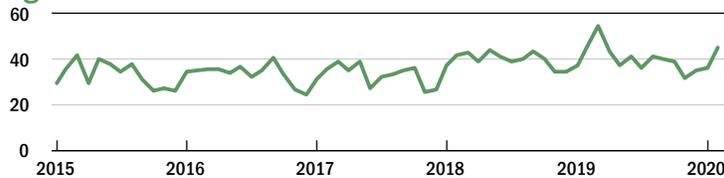
	Percent Reporting		Index
	Favorable	Unfavorable	
Jan	25.4	18.5	6.9
Feb	24.4	26.4	-2.0
Change			-8.9

Number of Employees



	Percent Reporting		Index
	Higher	Lower	
Jan	26.3	21.5	4.8
Feb	23.4	20.3	3.1
Change			-1.7

Wages



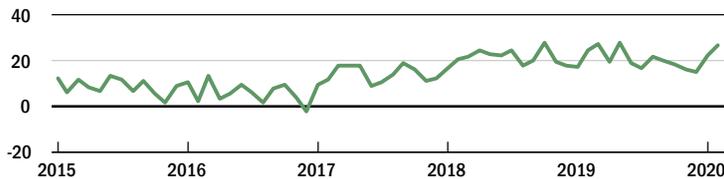
	Percent Reporting		Index
	Higher	Lower	
Jan	38.0	1.6	36.4
Feb	46.9	1.6	45.3
Change			8.9

Prices Paid



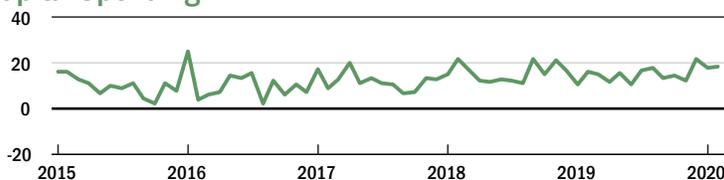
	Percent Reporting		Index
	Higher	Lower	
Jan	51.1	3.8	47.3
Feb	53.7	5.3	48.4
Change			1.1

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jan	28.4	6.0	22.4
Feb	32.5	5.8	26.7
Change			4.3

Capital Spending

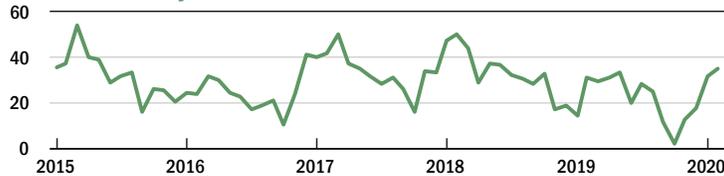


	Percent Reporting		Index
	Higher	Lower	
Jan	32.6	14.7	17.9
Feb	29.3	11.0	18.3
Change			0.4

Forward-Looking Indicators

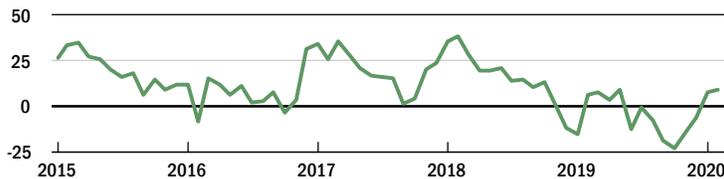
Expectations Six Months Ahead

Business Activity



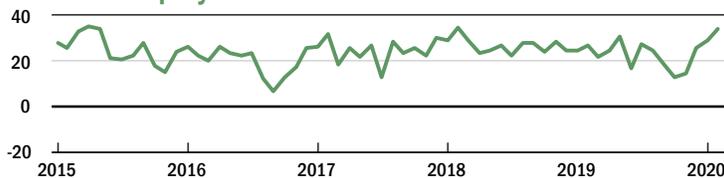
	Percent Reporting		Index
	Higher	Lower	
Jan	46.3	14.4	31.9
Feb	46.9	11.9	35.1
Change			3.2

Business Climate



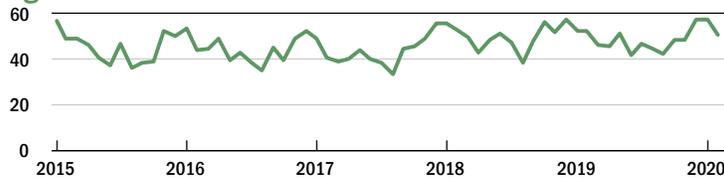
	Percent Reporting		Index
	Favorable	Unfavorable	
Jan	28.7	21.3	7.4
Feb	30.6	21.4	9.2
Change			1.8

Number of Employees



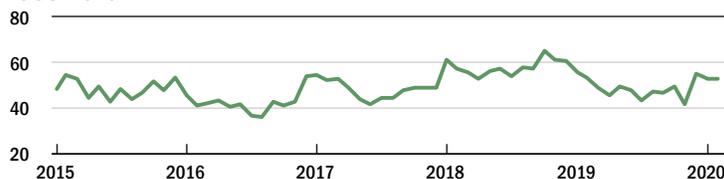
	Percent Reporting		Index
	Higher	Lower	
Jan	42.7	13.5	29.2
Feb	44.8	10.8	34.0
Change			4.8

Wages



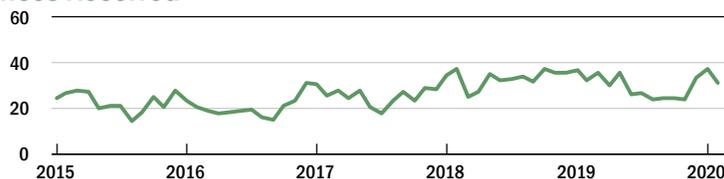
	Percent Reporting		Index
	Higher	Lower	
Jan	58.8	1.6	57.1
Feb	52.6	2.1	50.5
Change			-6.6

Prices Paid



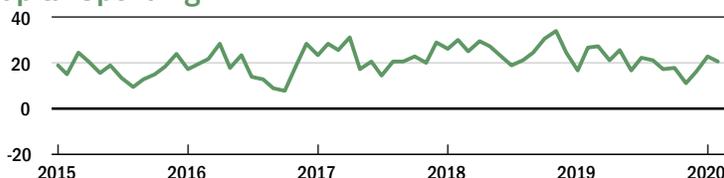
	Percent Reporting		Index
	Higher	Lower	
Jan	56.0	3.3	52.7
Feb	56.8	4.2	52.6
Change			-0.1

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jan	43.5	6.5	37.0
Feb	38.7	7.2	31.4
Change			-5.6

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jan	37.0	14.1	22.8
Feb	34.2	13.8	20.4
Change			-2.4