

# Business Leaders Survey

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

*Note: Survey responses were collected between March 2 and March 10.*

Activity in the region's service sector declined, according to firms responding to the Federal Reserve Bank of New York's March 2020 *Business Leaders Survey*. The survey's headline business activity index fell twenty-three points to -13.1, its lowest level in more than three years. The business climate index tumbled twenty-seven points to -29.0, indicating that, on balance, firms regarded the business climate as substantially worse than normal. Employment levels increased marginally, and wages increased at about the same pace as last month. Both input and selling price increases slowed notably, as did capital spending. Indexes for future activity plunged, and pointed to a marked deterioration in the six-month outlook.

## Activity Declines

Business activity in the region's service sector declined in March. The headline

business activity index dropped twenty-three points to -13.1, its lowest level since October 2016. Twenty-four percent of respondents reported that conditions improved over the month, while 37 percent said that conditions worsened. The business climate index fell a steep twenty-seven points to -29.0, also a three-year low, indicating that, on balance, firms viewed the business climate as worse than normal, and by a wide margin.

## Price Increases Slow

The employment index was little changed at 4.9, pointing to an ongoing small increase in employment levels. The wages index held steady at 46.5, indicating that the pace of wage hikes was little changed. At 36.9, the prices paid index was twelve points lower than last month, a sign that input price increases slowed. The prices received index also declined,

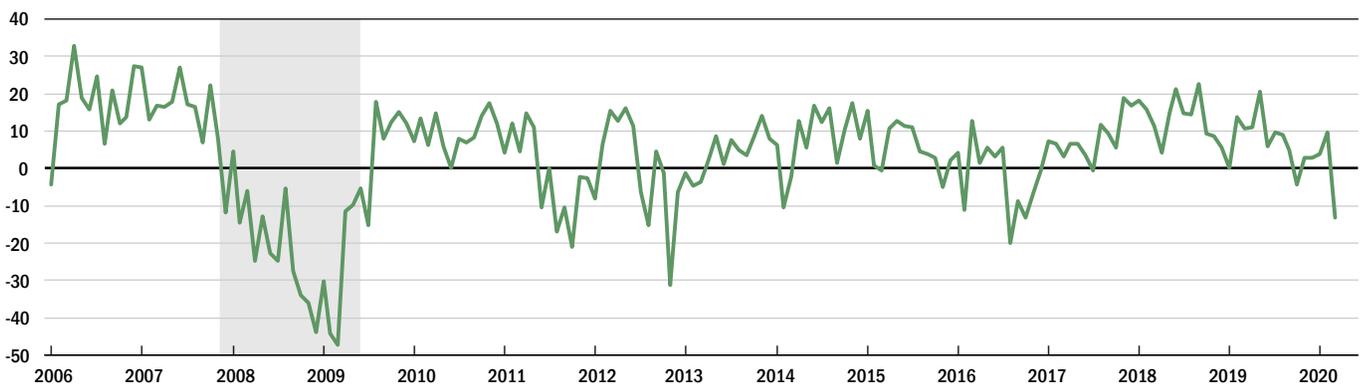
falling six points to 20.6, signaling a deceleration in selling price increases. The capital spending index slid thirteen points to 5.0, pointing to a notable slowdown in capital spending.

## Optimism Plunges

Firms turned pessimistic about the six-month outlook. The index for future business activity fell a whopping forty-nine points to -13.7, its lowest level since 2009, and the index for future business climate plunged forty-one points to -31.4, signaling that business activity and the business climate are expected to be worse in the months ahead. While still above zero, indexes for future employment, wages, prices, and capital spending all posted substantial declines. ■

## Business Activity

Diffusion Index

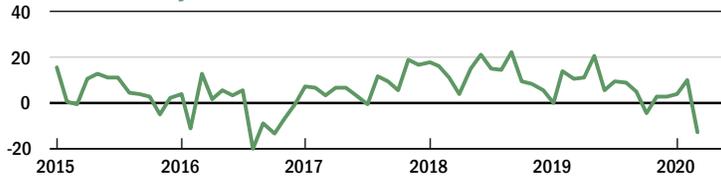


*Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.*

# Current Indicators

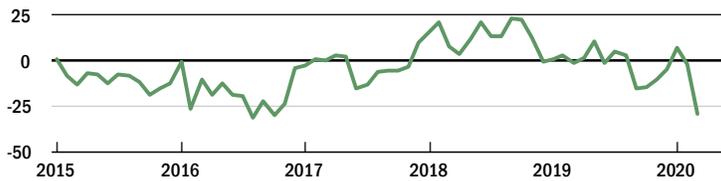
Change from Preceding Month

## Business Activity



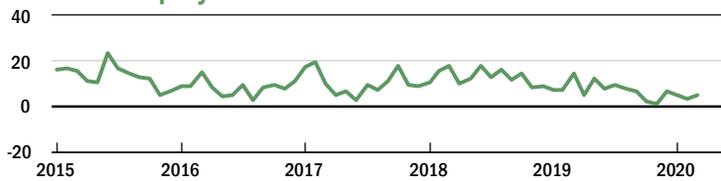
	Percent Reporting		Index
	Higher	Lower	
Feb	31.1	21.2	9.8
Mar	24.3	37.4	-13.1
Change			-22.9

## Business Climate



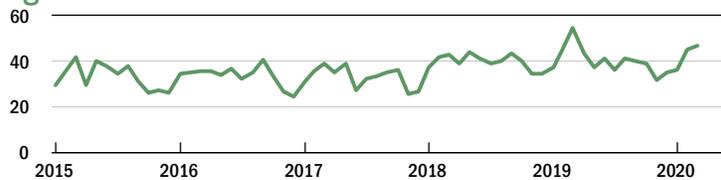
	Percent Reporting		Index
	Favorable	Unfavorable	
Feb	24.4	26.4	-2.0
Mar	15.9	44.9	-29.0
Change			-27.0

## Number of Employees



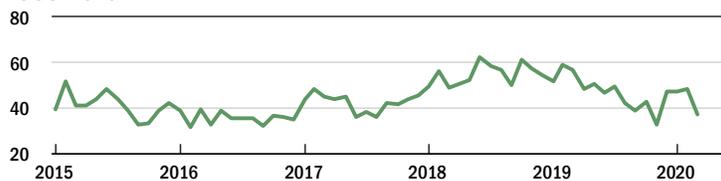
	Percent Reporting		Index
	Higher	Lower	
Feb	23.4	20.3	3.1
Mar	25.0	20.1	4.9
Change			1.8

## Wages



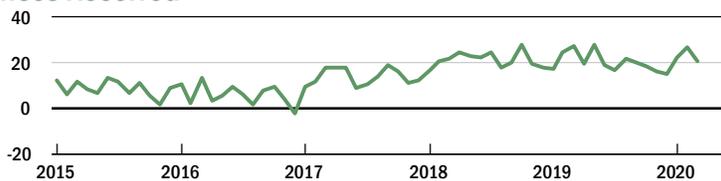
	Percent Reporting		Index
	Higher	Lower	
Feb	46.9	1.6	45.3
Mar	48.5	2.0	46.5
Change			1.2

## Prices Paid



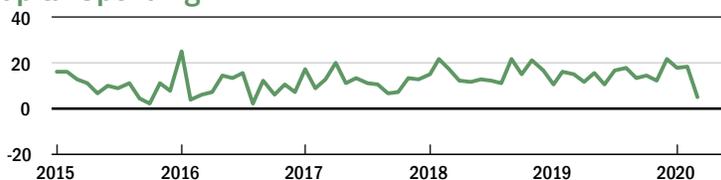
	Percent Reporting		Index
	Higher	Lower	
Feb	53.7	5.3	48.4
Mar	42.9	5.9	36.9
Change			-11.5

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Feb	32.5	5.8	26.7
Mar	29.1	8.5	20.6
Change			-6.1

## Capital Spending

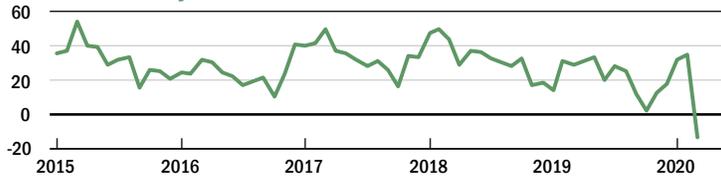


	Percent Reporting		Index
	Higher	Lower	
Feb	29.3	11.0	18.3
Mar	20.0	15.0	5.0
Change			-13.3

# Forward-Looking Indicators

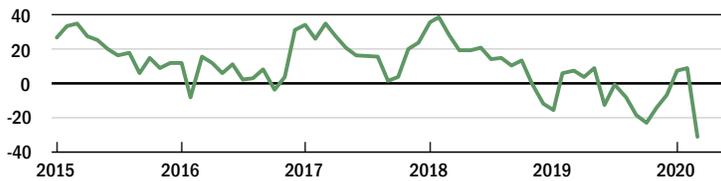
Expectations Six Months Ahead

## Business Activity



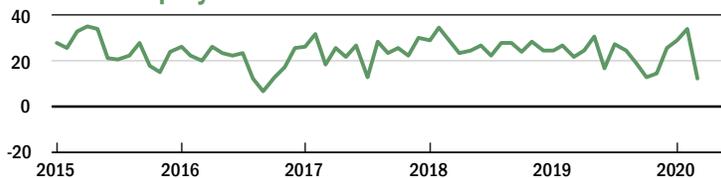
	Percent Reporting		Index
	Higher	Lower	
Feb	46.9	11.9	35.1
Mar	29.8	43.4	-13.7
Change			-48.8

## Business Climate



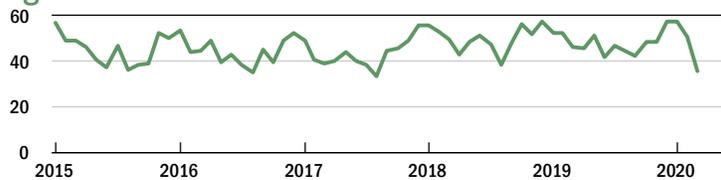
	Percent Reporting		Index
	Favorable	Unfavorable	
Feb	30.6	21.4	9.2
Mar	17.4	48.8	-31.4
Change			-40.6

## Number of Employees



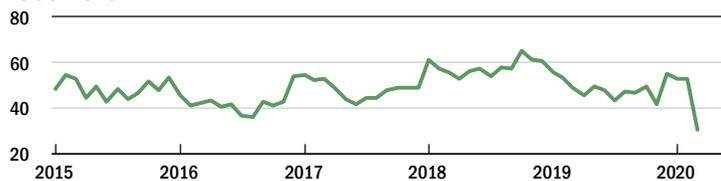
	Percent Reporting		Index
	Higher	Lower	
Feb	44.8	10.8	34.0
Mar	31.2	18.8	12.4
Change			-21.6

## Wages



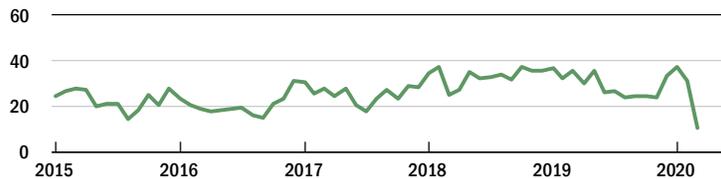
	Percent Reporting		Index
	Higher	Lower	
Feb	52.6	2.1	50.5
Mar	40.3	4.5	35.8
Change			-14.7

## Prices Paid



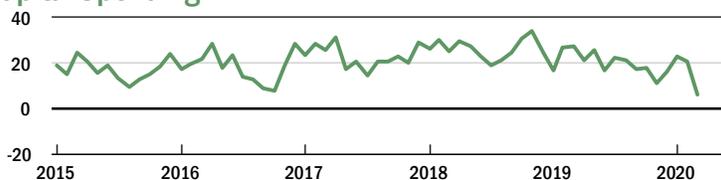
	Percent Reporting		Index
	Higher	Lower	
Feb	56.8	4.2	52.6
Mar	38.8	8.5	30.3
Change			-22.3

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Feb	38.7	7.2	31.4
Mar	24.1	13.6	10.6
Change			-20.8

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Feb	34.2	13.8	20.4
Mar	24.4	18.4	6.0
Change			-14.4