

Business Leaders Survey

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

Note: Survey responses were collected between April 2 and April 10.

Activity in the region's service sector plunged, according to firms responding to the Federal Reserve Bank of New York's April 2020 *Business Leaders Survey*. The survey's headline business activity index plummeted sixty-three points to -76.5, well below its prior record low reached during the Great Recession. The business climate index tumbled sixty-five points to -94.3, indicating that firms almost universally regarded the business climate as worse than normal. Employment levels fell sharply, and wages declined for the first time in the survey's history. Input price increases slowed considerably, and selling prices declined. Capital spending fell. Looking ahead, firms were pessimistic about the future outlook, with the vast majority expecting conditions to be worse in six months.

Business Conditions Deteriorate at Record Pace

Business activity in the region's service sector plummeted in April. The headline business activity index plunged sixty-three points to -76.5—both its largest-ever point drop and its lowest level on record. Eighty-four percent of respondents reported that conditions worsened over the month, while 7 percent said that conditions improved. The business climate index fell sixty-five points to -94.3, indicating that nearly all firms viewed the business climate as worse than normal.

Employment Levels Down Substantially

The employment index fell forty-four points to -38.7, signaling steep employment cuts, with nearly half of respondents indicating lower employment levels. The wages index turned negative for the first time, falling to -11.4, indicating that wages

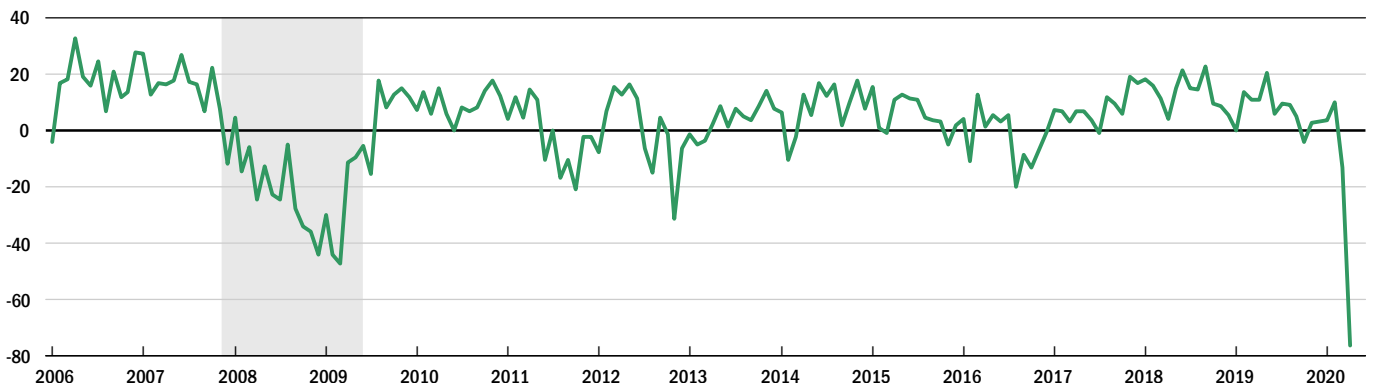
declined. The prices paid index dropped twenty-eight points to 8.7, pointing to a significant slowing in input price increases. The prices received index fell below zero, declining thirty-four points to -13.2, signaling a decrease in selling prices. The capital spending index moved to well below zero, suggesting a decline in capital spending.

Firms Clearly Pessimistic

After turning pessimistic about the six-month outlook last month, firms were even more downbeat in April. The index for future business activity fell seventeen points to -30.7, signaling that business activity is expected to continue declining in the months ahead. The index for future business climate fell nine points to -40.8, with two-thirds expecting the business climate to be worse than normal in six months. Indexes for future employment, wages, selling prices, and capital spending all fell below zero. ■

Business Activity

Diffusion Index

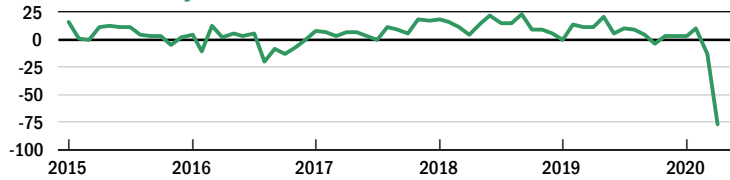


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

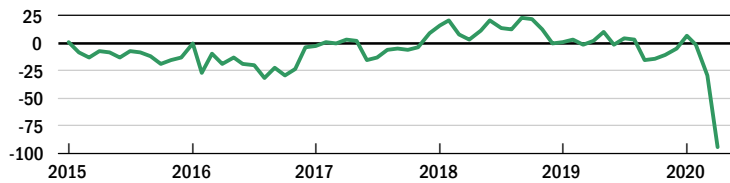
Change from Preceding Month

Business Activity



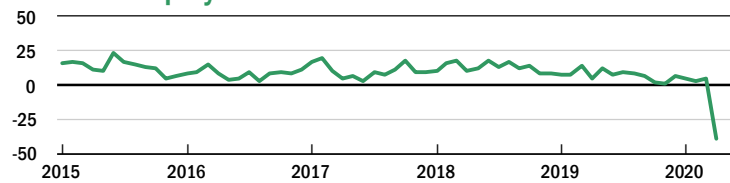
	Percent Reporting		Index
	Higher	Lower	
Mar	24.3	37.4	-13.1
Apr	7.4	83.9	-76.5
Change			-63.4

Business Climate



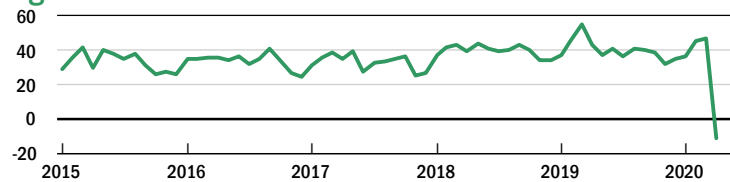
	Percent Reporting		Index
	Favorable	Unfavorable	
Mar	15.9	44.9	-29.0
Apr	1.3	95.7	-94.3
Change			-65.3

Number of Employees



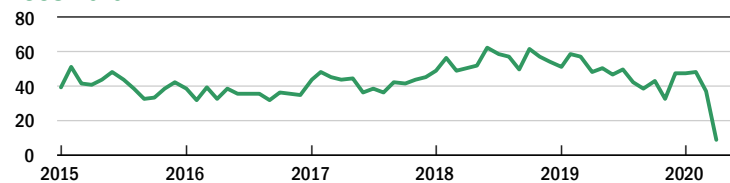
	Percent Reporting		Index
	Higher	Lower	
Mar	25.0	20.1	4.9
Apr	9.6	48.3	-38.7
Change			-43.6

Wages



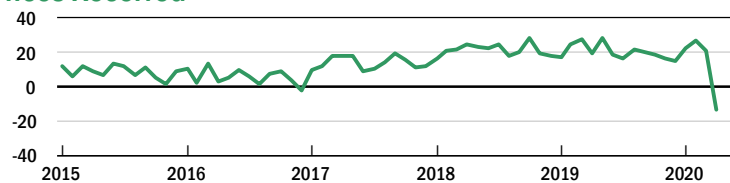
	Percent Reporting		Index
	Higher	Lower	
Mar	48.5	2.0	46.5
Apr	12.7	24.0	-11.4
Change			-57.9

Prices Paid



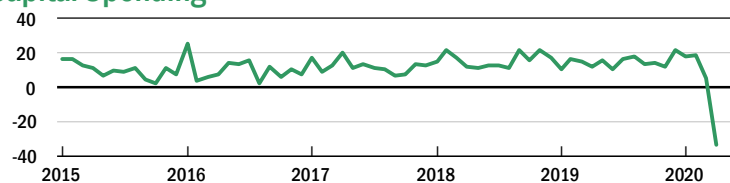
	Percent Reporting		Index
	Higher	Lower	
Mar	42.9	5.9	36.9
Apr	18.7	10.0	8.7
Change			-28.2

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Mar	29.1	8.5	20.6
Apr	5.7	18.9	-13.2
Change			-33.8

Capital Spending

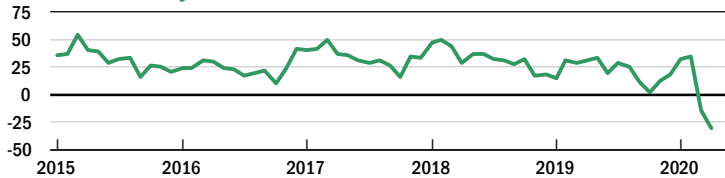


	Percent Reporting		Index
	Higher	Lower	
Mar	20.0	15.0	5.0
Apr	11.9	45.1	-33.2
Change			-38.2

Forward-Looking Indicators

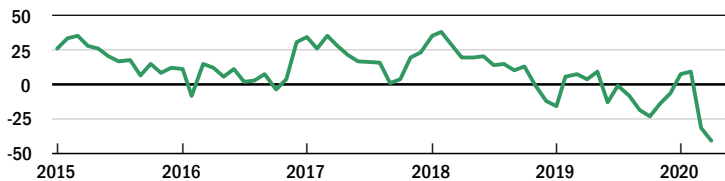
Expectations Six Months Ahead

Business Activity



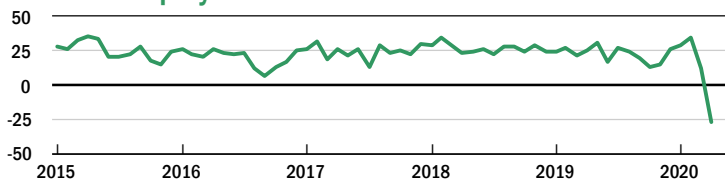
	Percent Reporting		Index
	Higher	Lower	
Mar	29.8	43.4	-13.7
Apr	30.3	61.0	-30.7
Change			-17.0

Business Climate



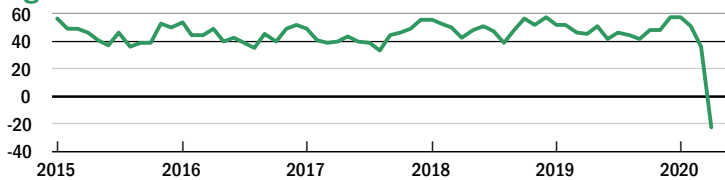
	Percent Reporting		Index
	Favorable	Unfavorable	
Mar	17.4	48.8	-31.4
Apr	26.3	67.1	-40.8
Change			-9.4

Number of Employees



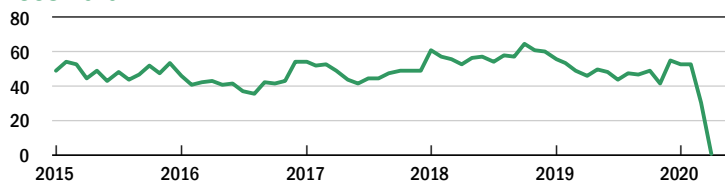
	Percent Reporting		Index
	Higher	Lower	
Mar	31.2	18.8	12.4
Apr	17.9	45.3	-27.4
Change			-39.8

Wages



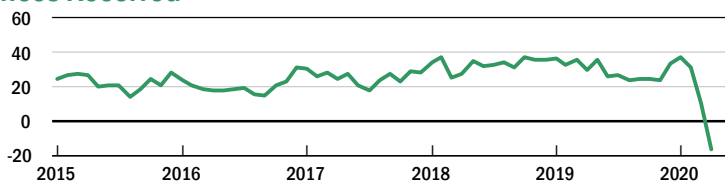
	Percent Reporting		Index
	Higher	Lower	
Mar	40.3	4.5	35.8
Apr	12.3	35.2	-22.8
Change			-58.6

Prices Paid



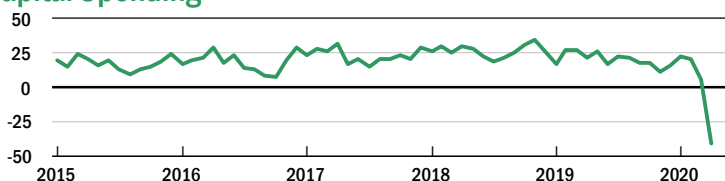
	Percent Reporting		Index
	Higher	Lower	
Mar	38.8	8.5	30.3
Apr	24.4	23.6	0.9
Change			-29.4

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Mar	24.1	13.6	10.6
Apr	13.6	29.9	-16.3
Change			-26.9

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Mar	24.4	18.4	6.0
Apr	15.1	56.4	-41.3
Change			-47.3