

Business Leaders Survey

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

Note: Survey responses were collected between May 4 and May 10.

Activity in the region's service sector continued to decline sharply, according to firms responding to the Federal Reserve Bank of New York's May 2020 *Business Leaders Survey*. At -75.8, the survey's headline business activity index was little changed from last month's record low. The business climate index was also little changed, at -92.9, indicating that for a second consecutive month, firms were nearly universal in regarding the business climate as worse than normal. Employment levels and wages continued to decline. Input price increases remained modest, while selling prices continued to fall. Capital spending declined significantly. Looking ahead, firms were generally pessimistic about the six-month outlook, though much less so than in April.

Business Conditions Continue to Deteriorate

Business activity in the region's service sector continued to plunge in April.

After recording a historic decline last month, the headline business activity index remained near its record low at -75.8. Eighty-two percent of respondents reported that conditions worsened over the month, while 6 percent said that conditions improved. The business climate index was little changed at -92.9, indicating that nearly all firms again viewed the business climate as worse than normal.

Employment Levels Fall Further

After tumbling 44 points last month, the employment index declined another fifteen points to -53.5, pointing to further employment cuts in May. The wages index remained below zero, sinking to -18.9, a sign that wages fell at a faster pace. The prices paid index edged up to 13.3, suggesting that while input price increases were somewhat steeper than last month, such increases remained modest. The prices received index fell seven points to -19.8, signaling an

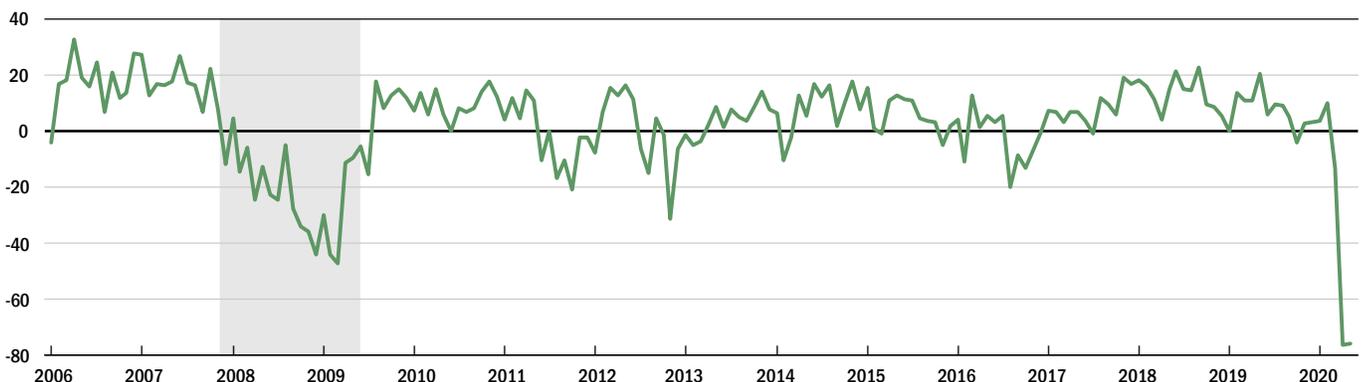
ongoing significant decline in selling prices. The capital spending index fell fifteen points to -47.7, suggesting a steep decline in capital spending.

Firms Less Pessimistic Than Last Month

Firms were less pessimistic about the six-month outlook than they were last month. The indexes for future business activity and future business climate both climbed substantially, but remained somewhat below zero. The indexes for future employment and future wages rose just above zero, suggesting that firms expect employment levels and wages to be slightly higher in six months. Selling prices and capital spending are expected to continue to decline in the months ahead. ■

Business Activity

Diffusion Index

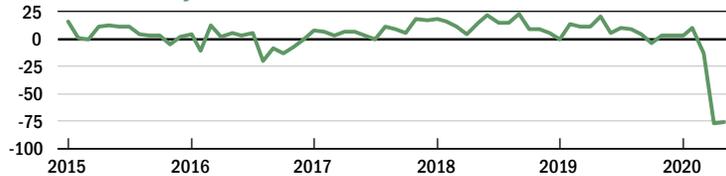


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

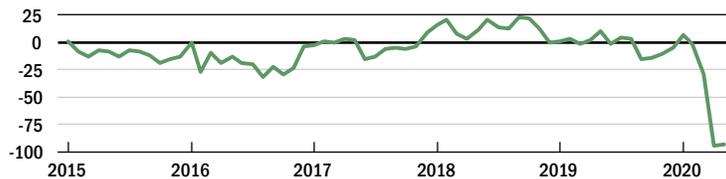
Change from Preceding Month

Business Activity



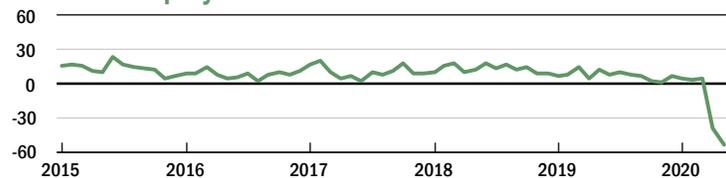
	Percent Reporting		Index
	Higher	Lower	
Apr	7.4	83.9	-76.5
May	6.2	81.9	-75.8
Change			0.7

Business Climate



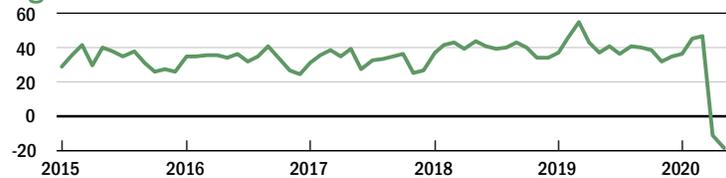
	Percent Reporting		Index
	Favorable	Unfavorable	
Apr	1.3	95.7	-94.3
May	2.2	95.1	-92.9
Change			1.4

Number of Employees



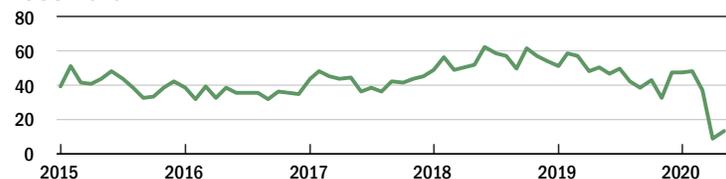
	Percent Reporting		Index
	Higher	Lower	
Apr	9.6	48.3	-38.7
May	1.8	55.3	-53.5
Change			-14.8

Wages



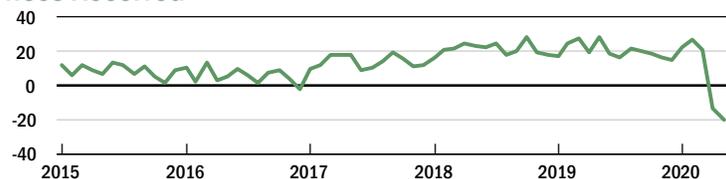
	Percent Reporting		Index
	Higher	Lower	
Apr	12.7	24.0	-11.4
May	11.5	30.4	-18.9
Change			-7.5

Prices Paid



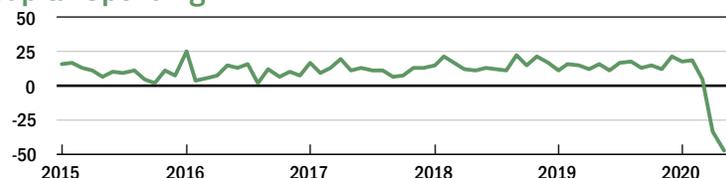
	Percent Reporting		Index
	Higher	Lower	
Apr	18.7	10.0	8.7
May	23.1	9.8	13.3
Change			4.6

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Apr	5.7	18.9	-13.2
May	4.4	24.2	-19.8
Change			-6.6

Capital Spending

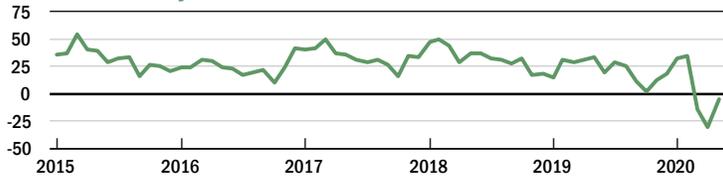


	Percent Reporting		Index
	Higher	Lower	
Apr	11.9	45.1	-33.2
May	7.7	55.4	-47.7
Change			-14.5

Forward-Looking Indicators

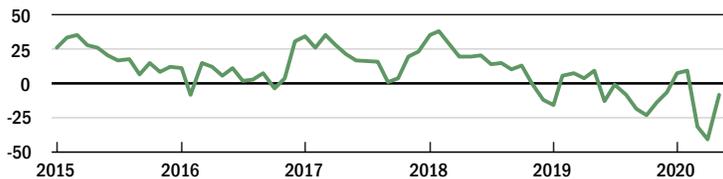
Expectations Six Months Ahead

Business Activity



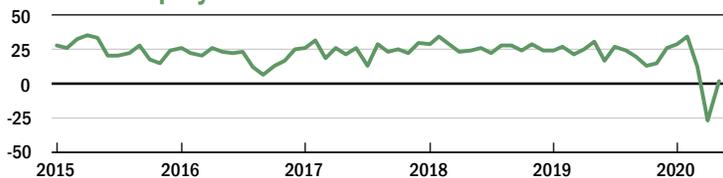
	Percent Reporting		Index
	Higher	Lower	
Apr	30.3	61.0	-30.7
May	39.4	44.2	-4.9
Change			25.8

Business Climate



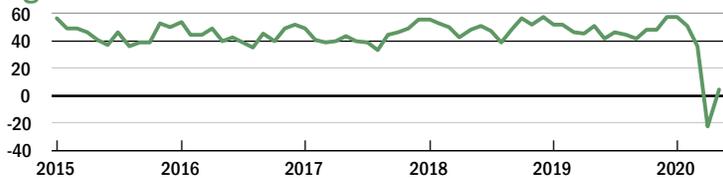
	Percent Reporting		Index
	Favorable	Unfavorable	
Apr	26.3	67.1	-40.8
May	36.9	44.9	-8.0
Change			32.8

Number of Employees



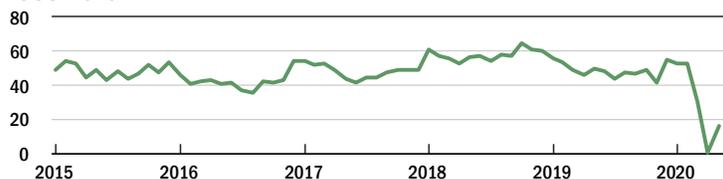
	Percent Reporting		Index
	Higher	Lower	
Apr	17.9	45.3	-27.4
May	31.1	28.8	2.3
Change			29.7

Wages



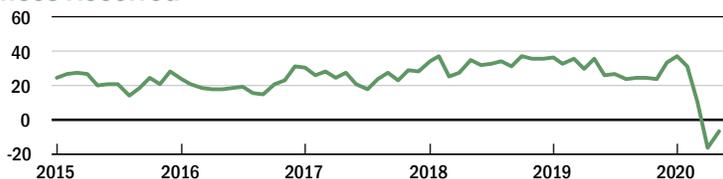
	Percent Reporting		Index
	Higher	Lower	
Apr	12.3	35.2	-22.8
May	22.1	17.6	4.5
Change			27.3

Prices Paid



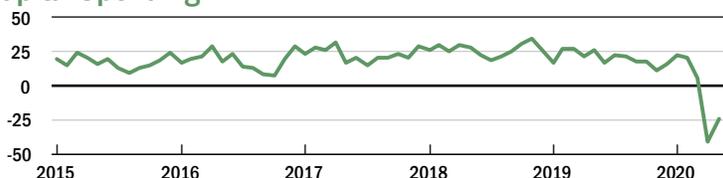
	Percent Reporting		Index
	Higher	Lower	
Apr	24.4	23.6	0.9
May	30.0	14.1	15.9
Change			15.0

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Apr	13.6	29.9	-16.3
May	16.4	22.8	-6.4
Change			9.9

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Apr	15.1	56.4	-41.3
May	19.5	43.4	-24.0
Change			17.3