

# Business Leaders Survey

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

Note: Survey responses were collected between August 3 and August 10.

After steadying last month, activity in the region's service sector declined significantly, according to firms responding to the Federal Reserve Bank of New York's August 2020 *Business Leaders Survey*. The survey's headline business activity index fell fifteen points to -17.1. The business climate index was little changed at -74.1, indicating that the vast majority of firms still viewed the business climate as worse than normal. Employment levels continued to decline, though at a slower pace than in recent months, and wages edged slightly higher. Input price increases picked up, while selling prices continued to decline slightly. Capital spending fell for a fifth consecutive month. Firms turned pessimistic about the six-month outlook, and expected the business climate to be worse than normal in the months ahead.

## Decline Resumes after Brief Pause

After stabilizing last month for the first time since the pandemic began, business activity in the region's service sector declined in August. The headline business activity index fell fifteen points to -17.1. Twenty-four percent of respondents reported that conditions improved over the month, and 42 percent said that conditions worsened. The business climate index was little changed at -74.1, with 82 percent of respondents viewing the business climate as worse than normal.

## Employment Continues to Fall

Although the employment index increased for a third consecutive month, it remained well below zero at -14.2, pointing to ongoing employment declines, though such declines were less widespread than last month. The wages index rose to 2.8, signaling a slight

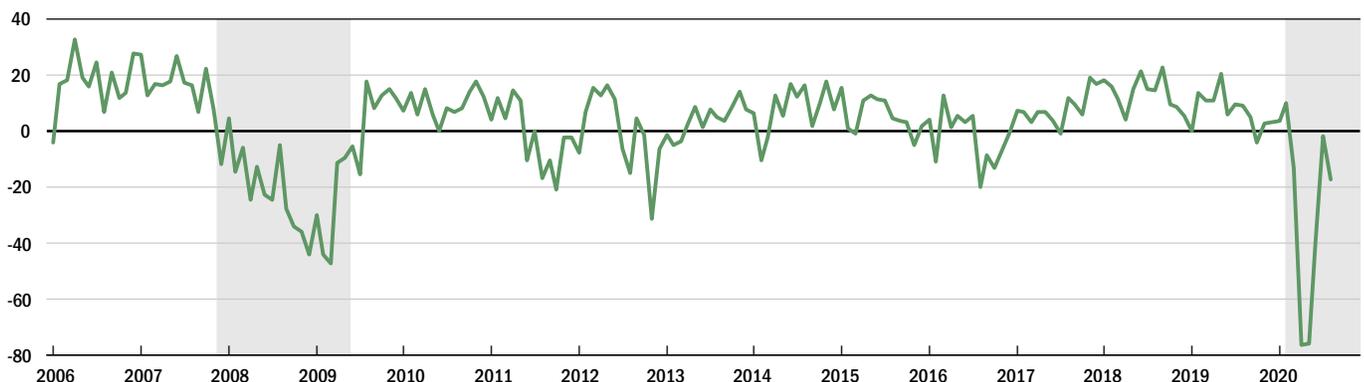
increase in wages for the first time in several months. The prices paid index rose eight points to 28.0, indicating that input price increases picked up. The prices received index moved up four points to -3.7, indicating that selling prices declined at a slower pace than in July. The capital spending index came in at -27.3, suggesting ongoing significant declines in capital spending.

## Outlook Turns Pessimistic Again

The index for future business activity turned negative, falling ten points to -2.8, and the future business climate index fell to -20.4, indicating that firms expected conditions to be worse over the next six months. Employment levels are expected to hold steady at current levels, and small increases in wages are anticipated. Capital spending is expected to continue to decline. ■

## Business Activity

Diffusion Index

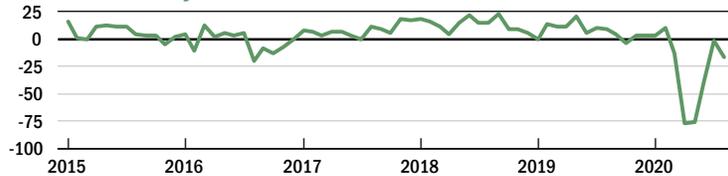


Note: The shaded areas indicate a period designated a recession by the National Bureau of Economic Research.

# Current Indicators

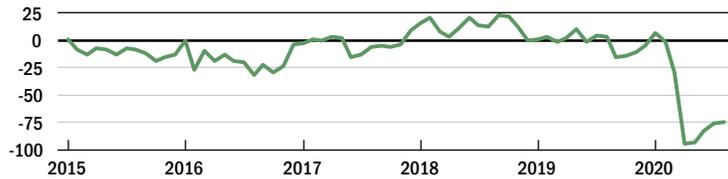
Change from Preceding Month

## Business Activity



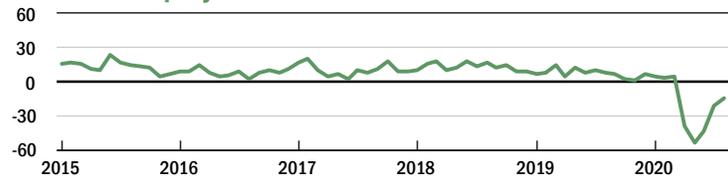
	Percent Reporting		Index
	Higher	Lower	
Jul	35.6	37.3	-1.8
Aug	24.4	41.5	-17.1
Change			-15.3

## Business Climate



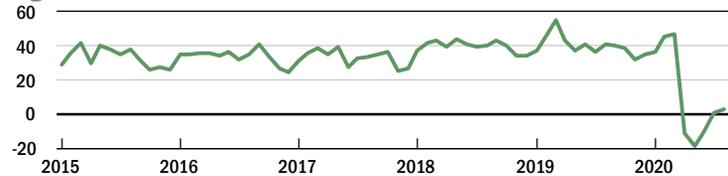
	Percent Reporting		Index
	Favorable	Unfavorable	
Jul	7.9	83.3	-75.4
Aug	7.7	81.8	-74.1
Change			1.3

## Number of Employees



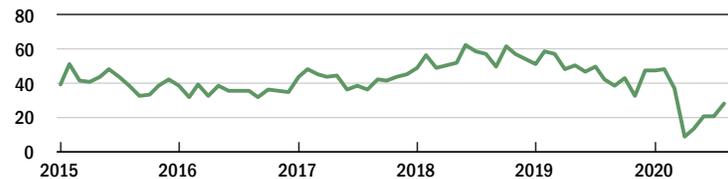
	Percent Reporting		Index
	Higher	Lower	
Jul	15.4	36.6	-21.1
Aug	18.7	32.9	-14.2
Change			6.9

## Wages



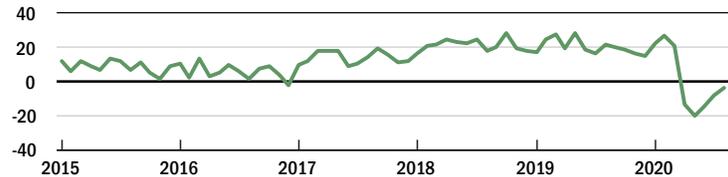
	Percent Reporting		Index
	Higher	Lower	
Jul	18.7	18.2	0.4
Aug	18.3	15.6	2.8
Change			2.4

## Prices Paid



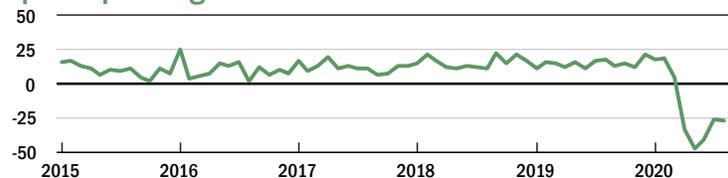
	Percent Reporting		Index
	Higher	Lower	
Jul	30.5	10.2	20.4
Aug	36.7	8.7	28.0
Change			7.6

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jul	11.5	19.4	-7.9
Aug	14.4	18.1	-3.7
Change			4.2

## Capital Spending

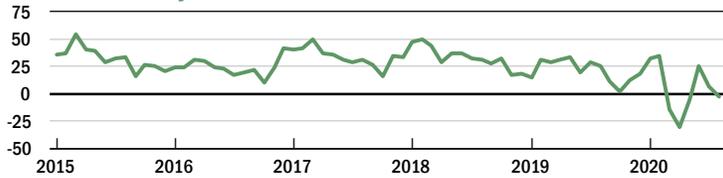


	Percent Reporting		Index
	Higher	Lower	
Jul	15.9	42.0	-26.1
Aug	16.2	43.5	-27.3
Change			-1.2

# Forward-Looking Indicators

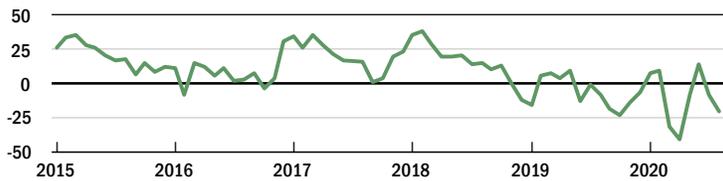
Expectations Six Months Ahead

## Business Activity



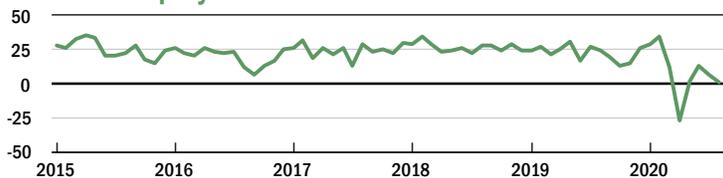
	Percent Reporting		Index
	Higher	Lower	
Jul	40.9	33.8	7.1
Aug	33.5	36.2	-2.8
Change			-9.9

## Business Climate



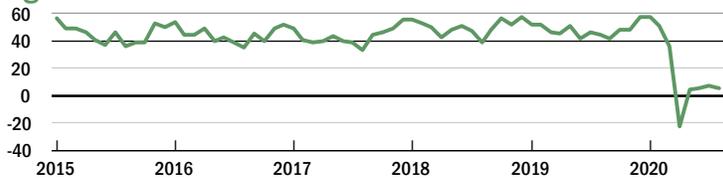
	Percent Reporting		Index
	Favorable	Unfavorable	
Jul	32.0	40.4	-8.3
Aug	24.1	44.4	-20.4
Change			-12.1

## Number of Employees



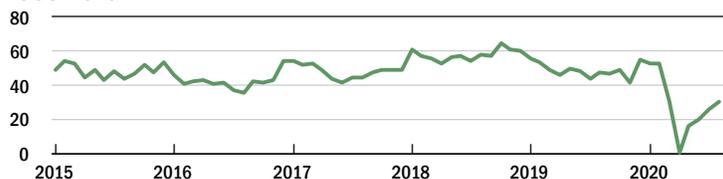
	Percent Reporting		Index
	Higher	Lower	
Jul	33.3	26.6	6.8
Aug	26.9	25.5	1.4
Change			-5.4

## Wages



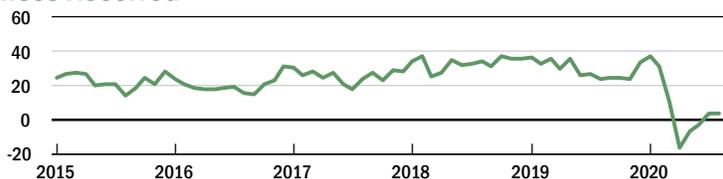
	Percent Reporting		Index
	Higher	Lower	
Jul	17.0	9.9	7.2
Aug	18.3	12.7	5.6
Change			-1.6

## Prices Paid



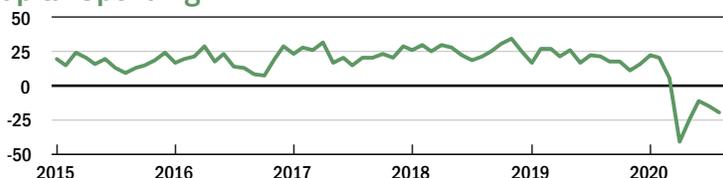
	Percent Reporting		Index
	Higher	Lower	
Jul	33.0	7.2	25.8
Aug	36.7	6.2	30.5
Change			4.7

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jul	20.5	16.7	3.7
Aug	20.0	16.6	3.4
Change			-0.3

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jul	18.5	33.8	-15.3
Aug	17.1	36.5	-19.4
Change			-4.1