

Business Leaders Survey

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

Note: Survey responses were collected between December 2 and December 9.

Activity in the region's service sector declined at its fastest pace since June, according to firms responding to the Federal Reserve Bank of New York's December 2020 *Business Leaders Survey*. The survey's headline business activity index fell eleven points to -26.9. The business climate index was little changed at -60.3, indicating that the vast majority of firms continued to view the business climate as worse than normal. Employment levels declined, and wages increased at a slower pace than last month. Input prices increased at about the same pace as in November, while selling prices held steady. Capital spending fell for a ninth consecutive month. Looking ahead, firms expect little improvement in business conditions over the next six months.

Conditions Continue to Weaken

Business activity in the region's service sector declined for a tenth consecutive month. After falling eleven points last month, the headline business activity index fell another eleven points to -26.9, its lowest reading in six months. Eighteen percent of respondents reported that conditions improved over the month, while 44 percent said that conditions worsened. The business climate index was similar to last month's reading, at -60.3, with 72 percent of respondents viewing the business climate as worse than normal.

Employment Shrinks

The employment index moved down eight points to -11.7, indicating that employment levels dropped. The wages index declined six points to 11.2, suggesting wages increased at a

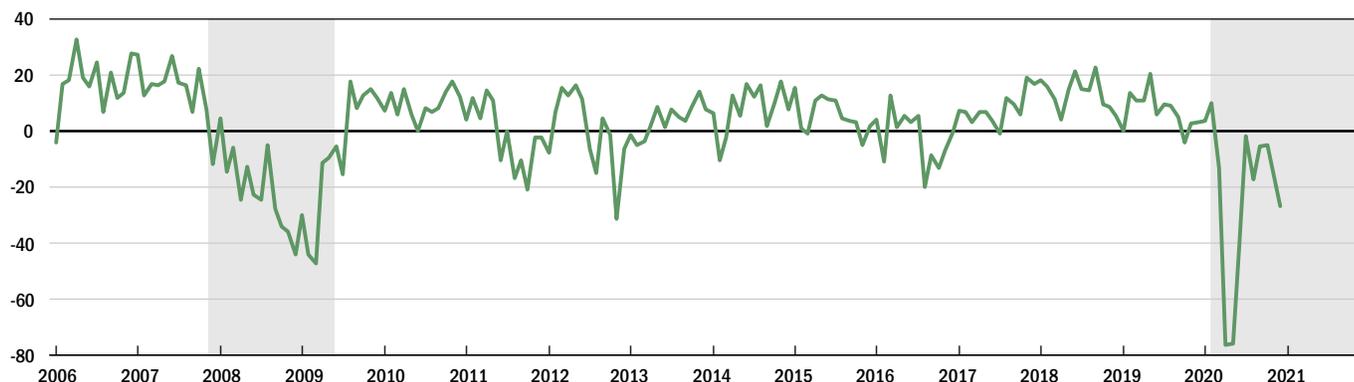
slower pace than in November. The prices paid index was little changed at 33.0, indicating that input prices increased at about the same pace as last month, while the prices received index remained around zero, a sign that selling prices held steady. The capital spending index came in at -19.2, suggesting ongoing significant declines in capital spending.

Firms Still Not Expecting Much Improvement

The index for future business activity edged up to 4.7, and the future business climate index came in at zero, signaling that firms expect little if any improvement in conditions over the next six months. Employment levels are expected to edge only slightly higher, on net, though wages are expected to increase. ■

Business Activity

Diffusion Index

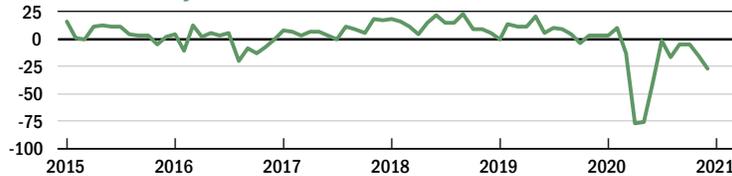


Note: The shaded areas indicate a period designated a recession by the National Bureau of Economic Research.

Current Indicators

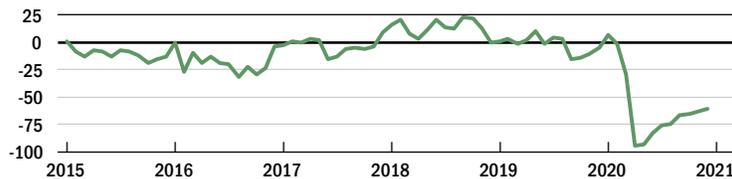
Change from Preceding Month

Business Activity



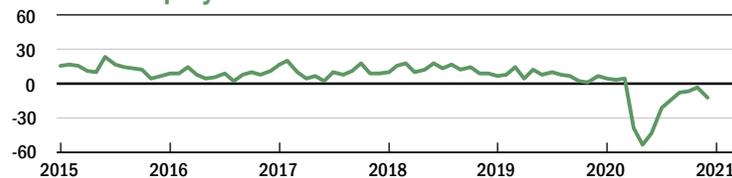
	Percent Reporting		Index
	Higher	Lower	
Nov	23.5	39.4	-15.8
Dec	17.5	44.3	-26.9
Change			-11.1

Business Climate



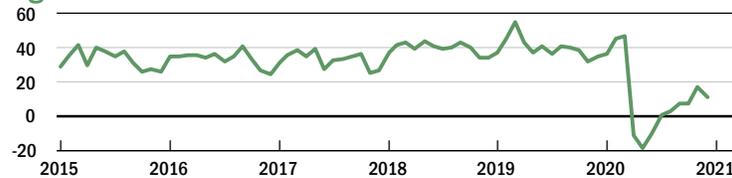
	Percent Reporting		Index
	Favorable	Unfavorable	
Nov	9.9	73.0	-63.1
Dec	11.7	72.0	-60.3
Change			2.8

Number of Employees



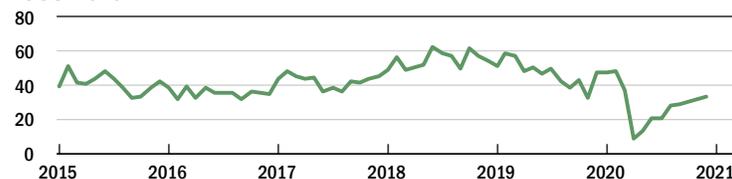
	Percent Reporting		Index
	Higher	Lower	
Nov	18.0	21.6	-3.6
Dec	16.4	28.2	-11.7
Change			-8.1

Wages



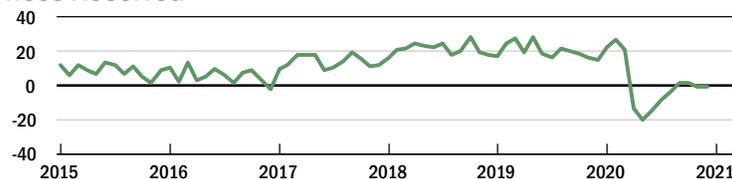
	Percent Reporting		Index
	Higher	Lower	
Nov	24.1	6.8	17.3
Dec	18.7	7.5	11.2
Change			-6.1

Prices Paid



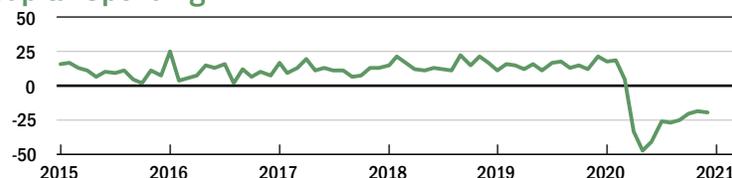
	Percent Reporting		Index
	Higher	Lower	
Nov	37.4	5.4	32.0
Dec	38.6	5.6	33.0
Change			1.0

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Nov	15.3	15.8	-0.5
Dec	12.7	13.7	-0.9
Change			-0.4

Capital Spending

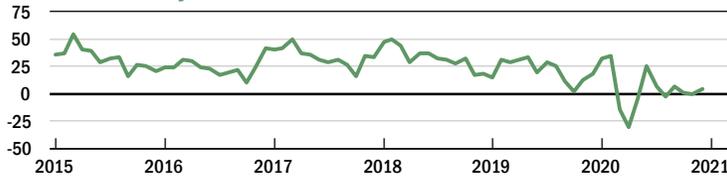


	Percent Reporting		Index
	Higher	Lower	
Nov	14.5	33.0	-18.6
Dec	16.4	35.7	-19.2
Change			-0.6

Forward-Looking Indicators

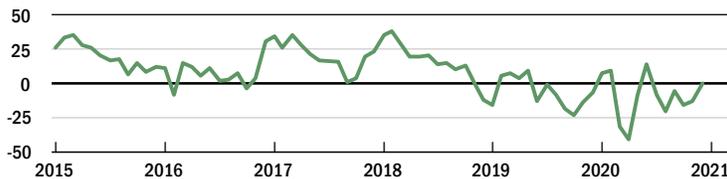
Expectations Six Months Ahead

Business Activity



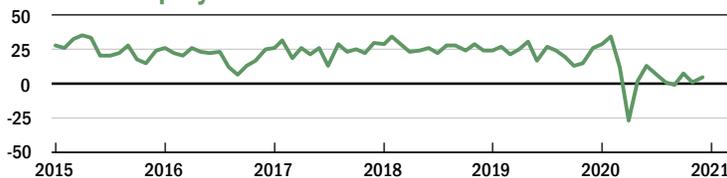
	Percent Reporting		Index
	Higher	Lower	
Nov	34.1	34.5	-0.4
Dec	37.1	32.4	4.7
Change			5.1

Business Climate



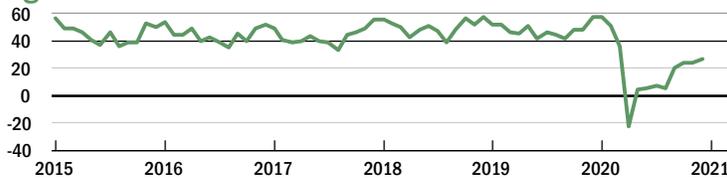
	Percent Reporting		Index
	Favorable	Unfavorable	
Nov	27.4	40.4	-13.0
Dec	36.6	36.6	0.0
Change			13.0

Number of Employees



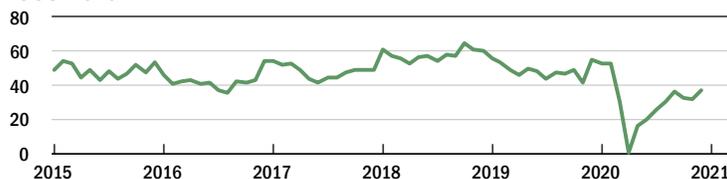
	Percent Reporting		Index
	Higher	Lower	
Nov	24.9	23.5	1.4
Dec	29.5	25.2	4.3
Change			2.9

Wages



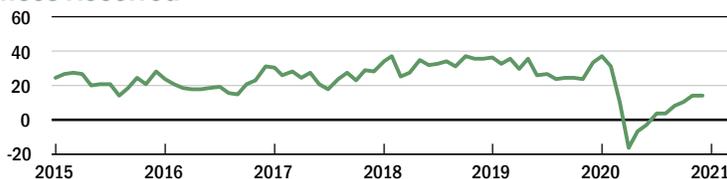
	Percent Reporting		Index
	Higher	Lower	
Nov	31.6	7.4	24.2
Dec	35.3	8.7	26.6
Change			2.4

Prices Paid



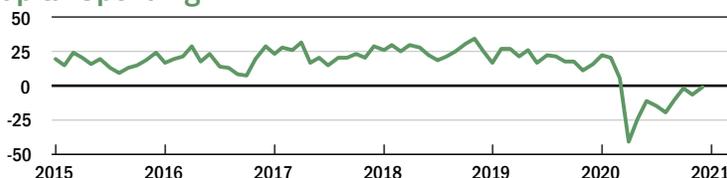
	Percent Reporting		Index
	Higher	Lower	
Nov	38.1	6.0	32.1
Dec	43.3	6.7	36.7
Change			4.6

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Nov	27.9	14.0	14.0
Dec	26.4	12.0	14.4
Change			0.4

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Nov	20.8	27.3	-6.5
Dec	25.0	26.0	-1.0
Change			5.5