

Business Leaders Survey

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

Note: Survey responses were collected between July 1 and July 9.

Business activity continued to surge in the region's service sector, according to firms responding to the Federal Reserve Bank of New York's July 2021 *Business Leaders Survey*. The survey's headline business activity index came in at 41.7, little changed from last month's record high. The business climate index rose six points to 6.5, indicating that for the first time since the pandemic began, firms generally viewed the business climate as better than normal for this time of year. Employment levels and wages continued to rise at a solid clip. Both the prices paid and prices received indexes remained quite elevated. Capital spending increased modestly for the first time in well over a year, and firms expected to increase capital spending significantly in the coming months. Looking ahead, firms expressed widespread optimism that conditions would improve, with the index for future employment holding near its record high.

Activity Continues to Expand Robustly

Business activity in the region's service sector continued to increase substantially, according to the July survey. At 41.7, the headline business activity index held near last month's record high. Fifty-four percent of respondents reported that conditions improved over the month, while 12 percent said that conditions worsened. The business climate index rose six points to 6.5, its first reading meaningfully above zero since January 2020, indicating that, on net, firms viewed the business climate as better than normal.

Employment and Wages Continue to Rise

The employment index edged down three points to 16.8, a reading pointing to a moderate increase in employment levels. The wages index moved up four points to 41.8, signaling ongoing

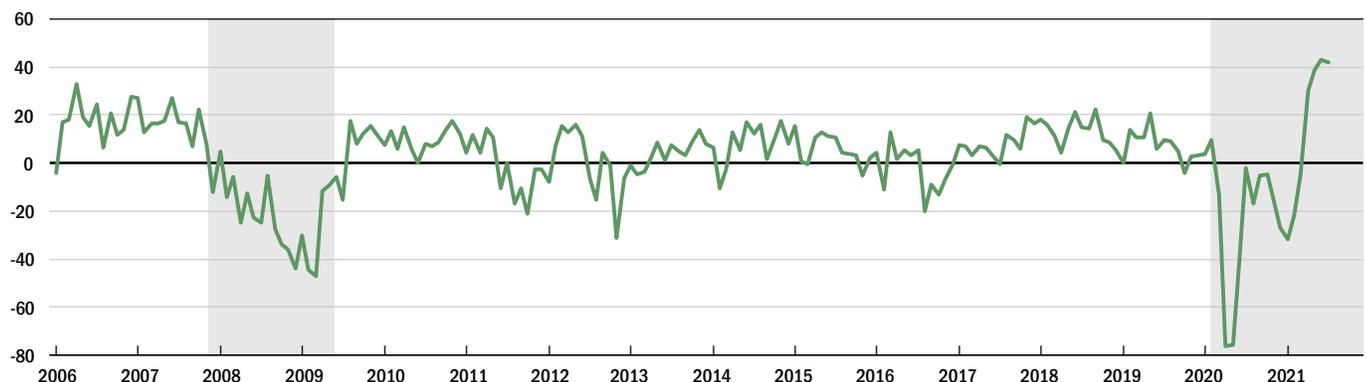
significant wage growth. Price indexes remained elevated: the prices paid index was down slightly to 68.1, and the prices received index increased six points to 32.1. The capital spending index moved up nine points to 10.9, pointing to a modest increase in capital spending.

Firms Remain Optimistic about Future Conditions

The index for future business activity and the index for future business climate held near recent months' record levels, pointing to widespread optimism about future conditions. The index for future employment held near its record high, with 57 percent of respondents expecting to increase employment in the months ahead. Wages and prices are expected to continue to rise significantly, and capital spending plans remained strong. ■

Business Activity

Diffusion Index

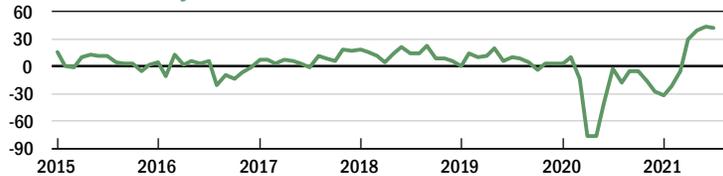


Note: The shaded areas indicate a period designated a recession by the National Bureau of Economic Research.

Current Indicators

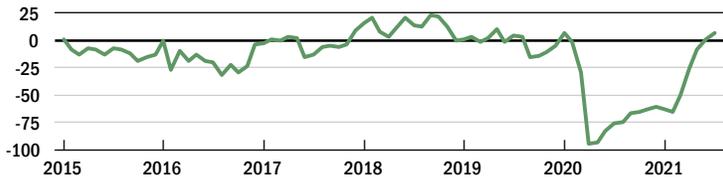
Change from Preceding Month

Business Activity



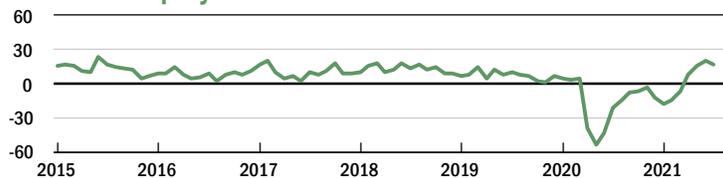
	Percent Reporting		Index
	Higher	Lower	
Jun	55.3	12.1	43.2
Jul	53.5	11.8	41.7
Change			-1.5

Business Climate



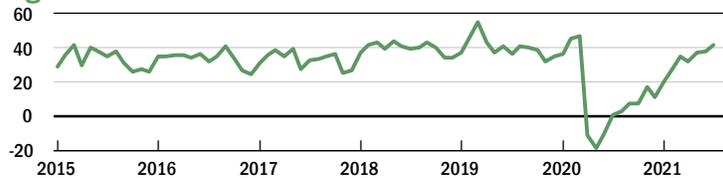
	Percent Reporting		Index
	Favorable	Unfavorable	
Jun	37.5	36.5	1.0
Jul	40.9	34.4	6.5
Change			5.5

Number of Employees



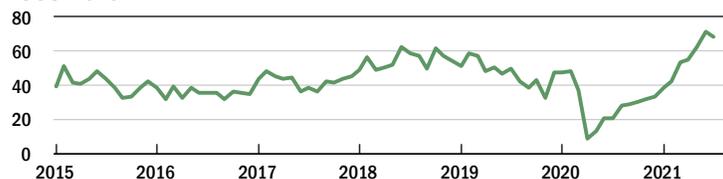
	Percent Reporting		Index
	Higher	Lower	
Jun	34.6	14.7	19.9
Jul	32.6	15.8	16.8
Change			-3.1

Wages



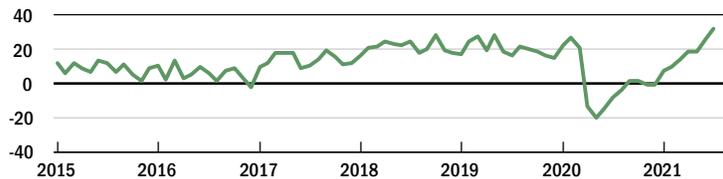
	Percent Reporting		Index
	Higher	Lower	
Jun	40.8	2.6	38.2
Jul	44.0	2.2	41.8
Change			3.6

Prices Paid



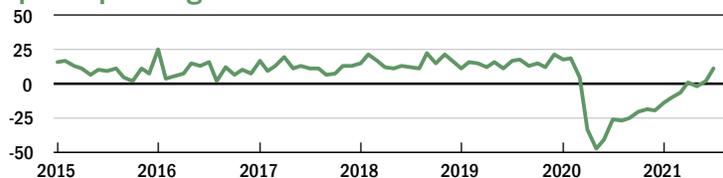
	Percent Reporting		Index
	Higher	Lower	
Jun	72.3	1.0	71.2
Jul	69.2	1.1	68.1
Change			-3.1

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jun	33.2	7.4	25.8
Jul	35.3	3.3	32.1
Change			6.3

Capital Spending

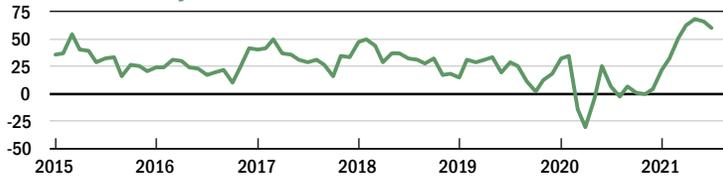


	Percent Reporting		Index
	Higher	Lower	
Jun	20.5	18.4	2.1
Jul	25.5	14.7	10.9
Change			8.8

Forward-Looking Indicators

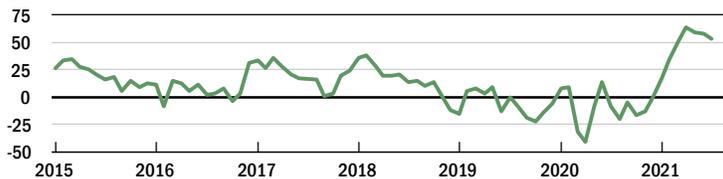
Expectations Six Months Ahead

Business Activity



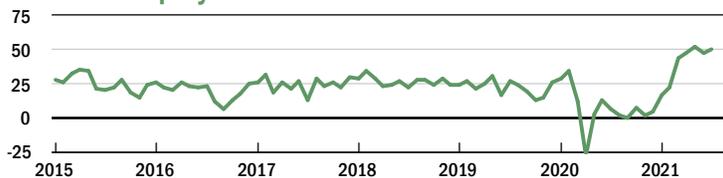
	Percent Reporting		Index
	Higher	Lower	
Jun	69.6	3.7	66.0
Jul	66.3	6.4	59.9
Change			-6.1

Business Climate



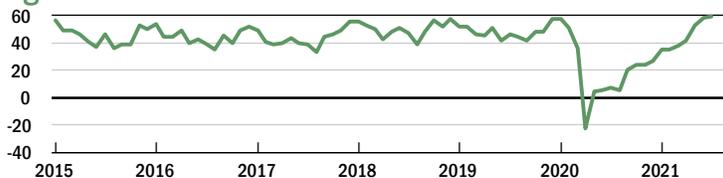
	Percent Reporting		Index
	Better	Worse	
Jun	66.0	8.4	57.6
Jul	62.0	9.2	52.7
Change			-4.9

Number of Employees



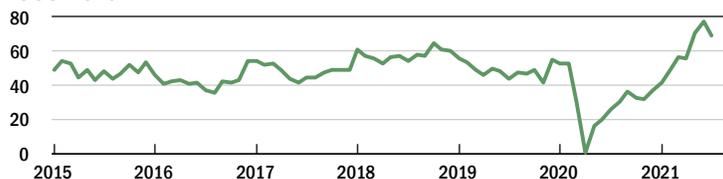
	Percent Reporting		Index
	Higher	Lower	
Jun	54.0	6.3	47.6
Jul	56.8	6.5	50.3
Change			2.7

Wages



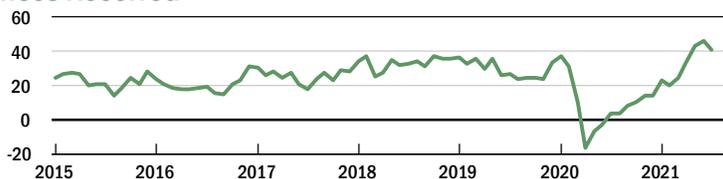
	Percent Reporting		Index
	Higher	Lower	
Jun	59.3	1.1	58.2
Jul	59.7	0.5	59.1
Change			0.9

Prices Paid



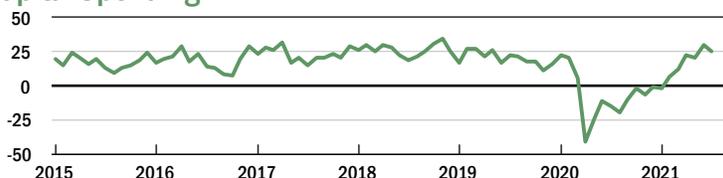
	Percent Reporting		Index
	Higher	Lower	
Jun	77.4	0.0	77.4
Jul	71.7	2.7	69.0
Change			-8.4

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jun	50.0	4.2	45.8
Jul	44.9	3.7	41.2
Change			-4.6

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jun	40.7	10.6	30.2
Jul	36.8	11.4	25.4
Change			-4.8