

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.

Business activity continued to grow modestly in the region's service sector, according to firms responding to the Federal Reserve Bank of New York's December 2021 *Business Leaders Survey*. The survey's headline business activity index held steady at 14.4. The business climate index, however, came in at -16.3, indicating that firms generally viewed the business climate as worse than normal for this time of year. Employment levels and wages continued to rise at a solid clip, and both the prices paid and prices received indexes remained near record highs. Looking ahead, firms expect conditions to improve over the next six months, though optimism remained below levels seen earlier this year.

Growth Remains Modest

Business activity in the region's service sector grew modestly for a fourth

consecutive month, according to the December survey. The headline business activity index held steady at 14.4, a level it has hovered around since September. Thirty-eight percent of respondents reported that conditions improved over the month, while 24 percent said that conditions worsened. The business climate index remained negative at -16.3, indicating that on net, firms continued to view the business climate as worse than normal for this time of year.

Price Increases Remain Substantial

Both input prices and selling prices continued to increase at a near record pace in December: the prices paid index edged down slightly to 80.6, and the prices received index was little changed at 42.3. Meanwhile, the

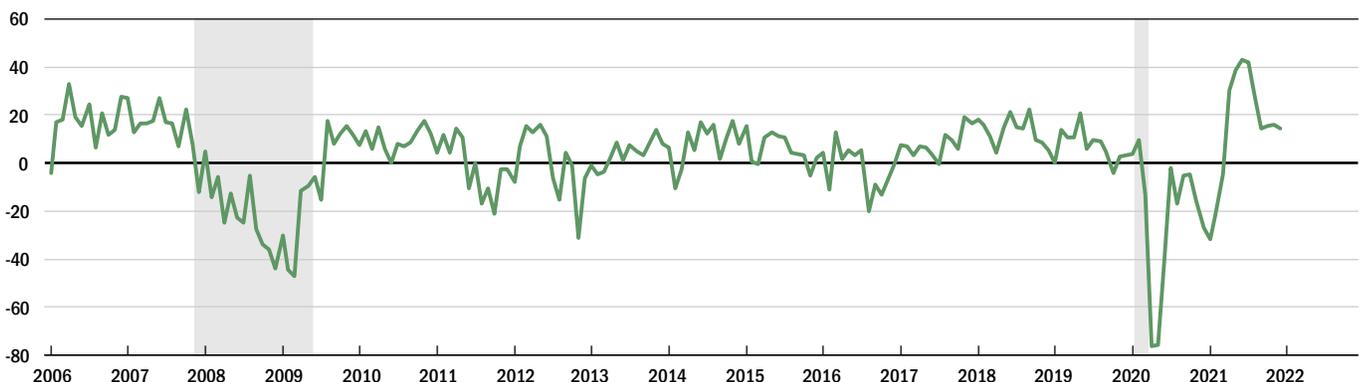
employment index was little changed at 18.4, pointing to ongoing moderate increases in employment levels, and the wages index came in at 52.3, signaling another month of strong wage growth. The capital spending index moved down eight points to 8.7.

Firms Expect Conditions to Improve

Firms were again optimistic that conditions would improve over the next six months, though their optimism remained below levels seen earlier this year. The index for future business activity held steady at 34.4, while the future business climate index edged a bit downward to 14.3. Strong gains in employment, wages, and prices are expected in the months ahead, and capital spending plans remained solid. ■

Business Activity

Diffusion Index

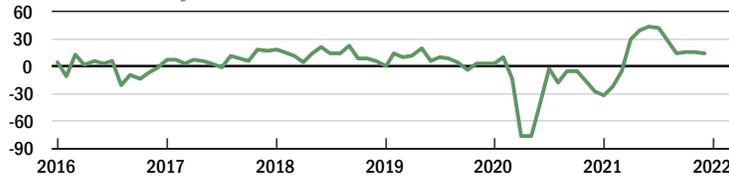


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

Current Indicators

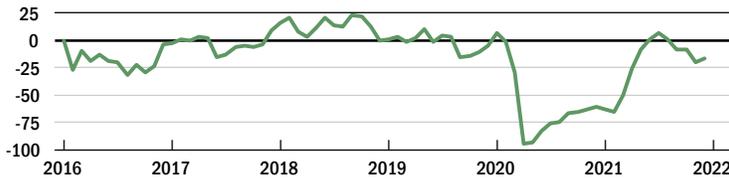
Change from Preceding Month

Business Activity



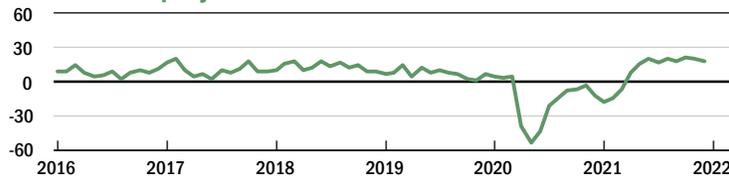
	Percent Reporting		Index
	Higher	Lower	
Nov	37.0	21.2	15.9
Dec	37.9	23.6	14.4
Change			-1.5

Business Climate



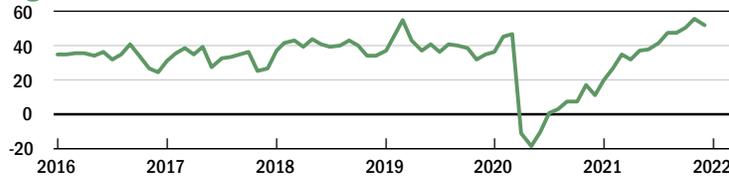
	Percent Reporting		Index
	Favorable	Unfavorable	
Nov	25.4	45.0	-19.6
Dec	26.0	42.3	-16.3
Change			3.3

Number of Employees



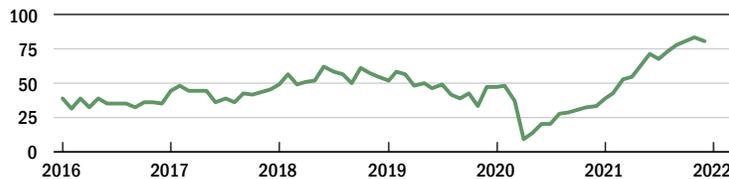
	Percent Reporting		Index
	Higher	Lower	
Nov	37.3	16.7	20.6
Dec	35.7	17.3	18.4
Change			-2.2

Wages



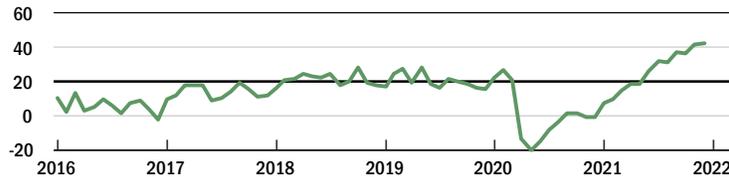
	Percent Reporting		Index
	Higher	Lower	
Nov	56.5	0.5	56.0
Dec	53.3	1.0	52.3
Change			-3.7

Prices Paid



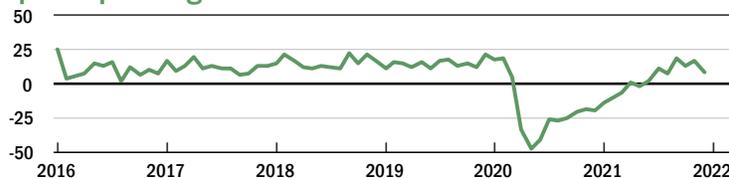
	Percent Reporting		Index
	Higher	Lower	
Nov	83.2	0.0	83.2
Dec	81.1	0.5	80.6
Change			-2.6

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Nov	43.7	1.9	41.7
Dec	45.9	3.6	42.3
Change			0.6

Capital Spending

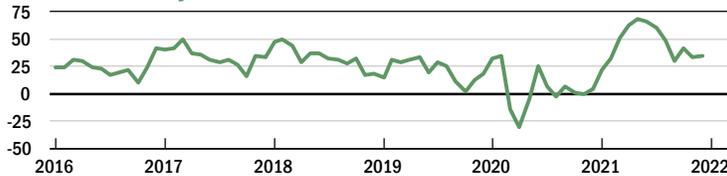


	Percent Reporting		Index
	Higher	Lower	
Nov	32.4	15.9	16.4
Dec	22.6	13.8	8.7
Change			-7.7

Forward-Looking Indicators

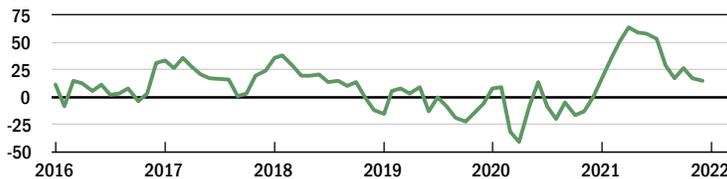
Expectations Six Months Ahead

Business Activity



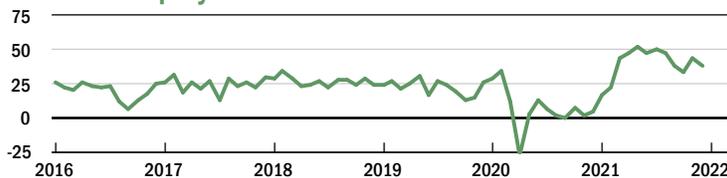
	Percent Reporting		Index
	Higher	Lower	
Nov	49.0	15.4	33.7
Dec	48.7	14.4	34.4
Change			0.7

Business Climate



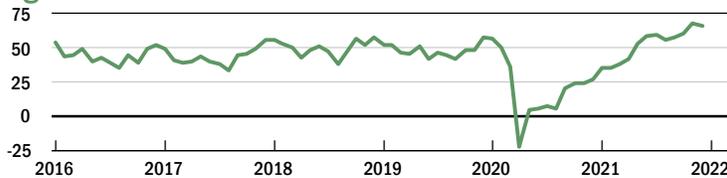
	Percent Reporting		Index
	Better	Worse	
Nov	37.5	20.2	17.3
Dec	33.2	18.9	14.3
Change			-3.0

Number of Employees



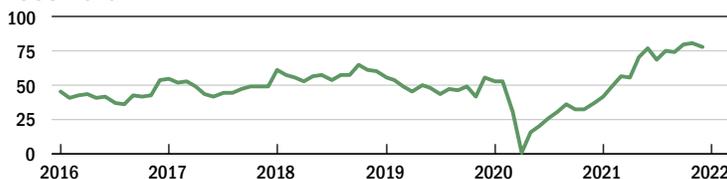
	Percent Reporting		Index
	Higher	Lower	
Nov	53.1	9.7	43.5
Dec	45.4	7.2	38.1
Change			-5.4

Wages



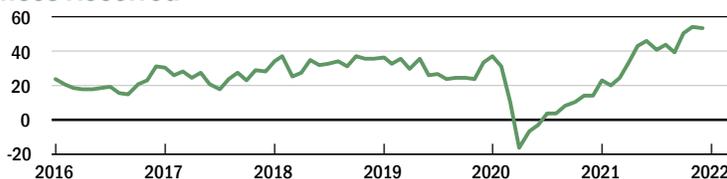
	Percent Reporting		Index
	Higher	Lower	
Nov	68.1	0.0	68.1
Dec	66.8	1.0	65.8
Change			-2.3

Prices Paid



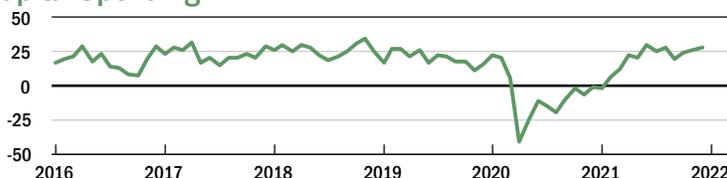
	Percent Reporting		Index
	Higher	Lower	
Nov	81.1	0.5	80.6
Dec	79.2	1.6	77.6
Change			-3.0

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Nov	56.3	1.9	54.4
Dec	56.8	3.1	53.6
Change			-0.8

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Nov	38.8	13.1	25.7
Dec	37.3	9.3	28.0
Change			2.3