

Business Leaders Survey

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

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

Activity continued to decline significantly in the region’s service sector, according to firms responding to the Federal Reserve Bank of New York’s January 2023 *Business Leaders Survey*. The survey’s headline business activity index fell four points -21.4, its lowest level in nearly two years. The business climate index came in at -41.8, suggesting the business climate remains much worse than normal. Employment growth slowed to a crawl, though wage increases remained widespread. The pace of input price increases continued to trend lower, while the pace of selling price increases moved slightly higher. Looking ahead, firms do not expect conditions to be better in six months.

Activity Continues to Contract

Business activity declined in the region’s service sector, according to the January survey. The headline business activity index fell four points to -21.4, its fourth consecutive negative reading and its lowest level since February 2021. Nineteen percent of respondents reported that conditions improved over the month and 41 percent said that conditions worsened. The business climate index edged up but remained staunchly negative at -41.8, with more than half of respondents viewing the business climate as worse than normal.

Employment Growth Slows to a Crawl

The employment index inched down to 3.8, suggesting little employment growth. The wages index edged up to 47.0, with half

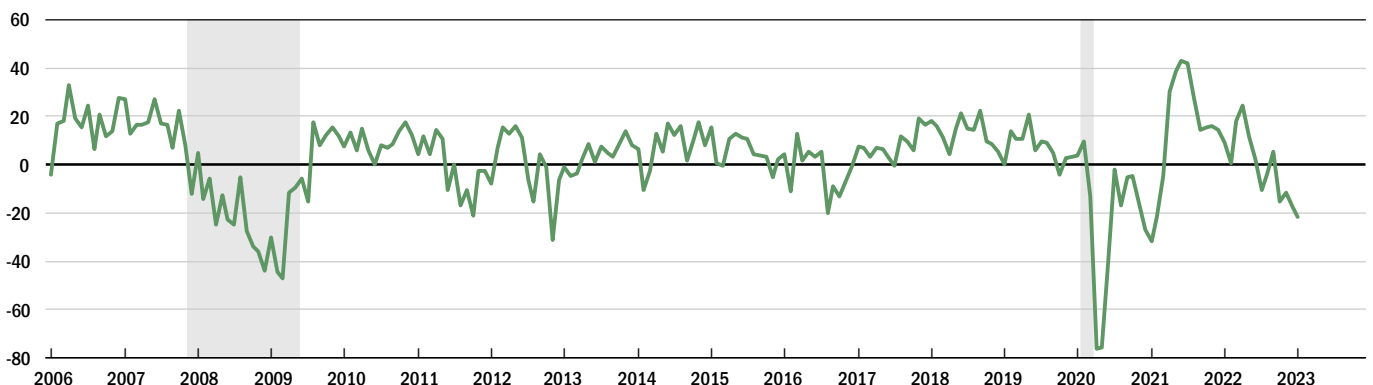
of respondents reporting wage increases, suggesting wage growth in the region remained widespread. The prices paid index fell seven points to 65.6, its second consecutive monthly decline, pointing to a slowing of input price increases, while the prices received index edged up three points to 29.8. Capital spending grew just slightly.

Firms Remain Pessimistic

Conditions are not expected to improve over the next six months. The index for future business activity was little changed at -2.2, and the index for the future business climate held steady at -27.3. Employment is expected to grow in the months ahead, and wage and price increases are expected to remain widespread. ■

Business Activity

Diffusion Index

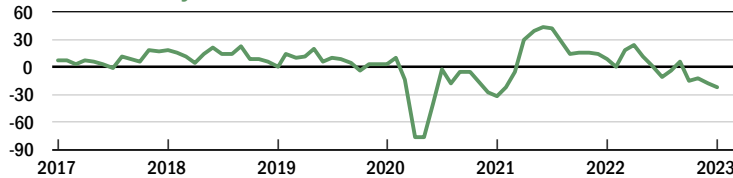


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

Current Indicators

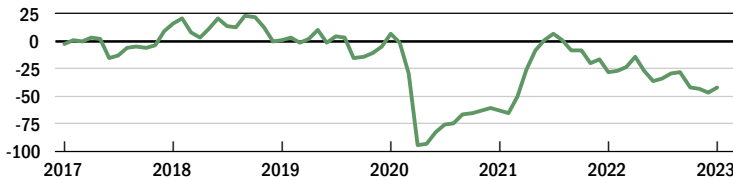
Change from Preceding Month

Business Activity



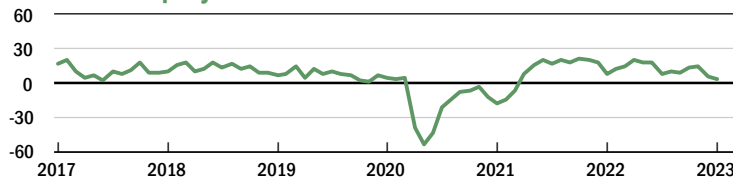
	Percent Reporting		Index
	Higher	Lower	
Dec	23.1	40.7	-17.6
Jan	19.2	40.7	-21.4
Change			-3.8

Business Climate



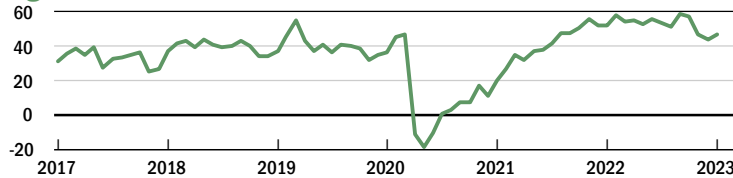
	Percent Reporting		Index
	Favorable	Unfavorable	
Dec	11.0	57.1	-46.2
Jan	11.0	52.7	-41.8
Change			4.4

Number of Employees



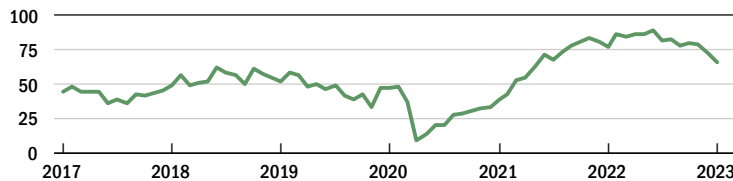
	Percent Reporting		Index
	Higher	Lower	
Dec	23.8	18.2	5.5
Jan	21.3	17.5	3.8
Change			-1.7

Wages



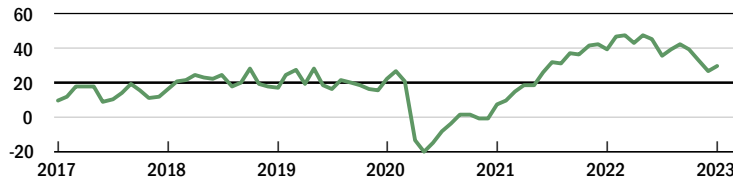
	Percent Reporting		Index
	Higher	Lower	
Dec	46.4	2.2	44.1
Jan	49.7	2.7	47.0
Change			2.9

Prices Paid



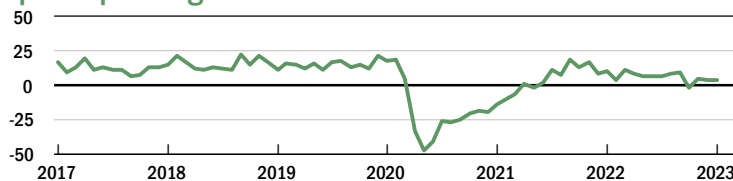
	Percent Reporting		Index
	Higher	Lower	
Dec	76.1	3.9	72.2
Jan	68.9	3.3	65.6
Change			-6.6

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Dec	34.1	7.3	26.8
Jan	38.7	8.8	29.8
Change			3.0

Capital Spending

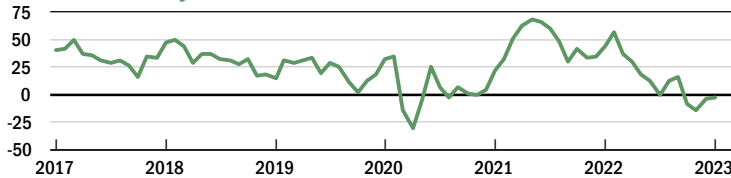


	Percent Reporting		Index
	Higher	Lower	
Dec	22.8	18.9	3.9
Jan	22.8	19.4	3.3
Change			-0.6

Forward-Looking Indicators

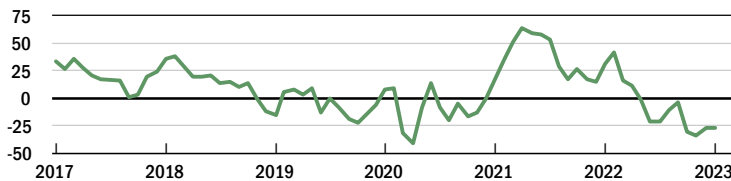
Expectations Six Months Ahead

Business Activity



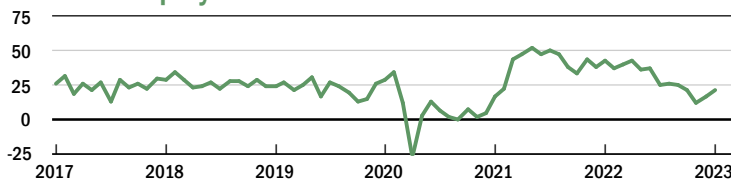
	Percent Reporting		Index
	Higher	Lower	
Dec	29.8	33.1	-3.3
Jan	32.8	35.0	-2.2
Change			1.1

Business Climate



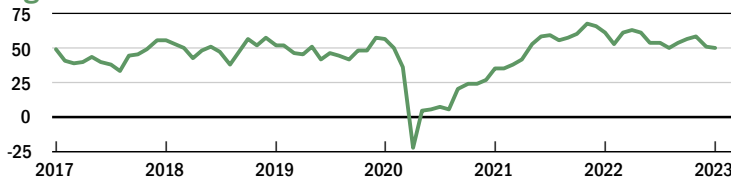
	Percent Reporting		Index
	Better	Worse	
Dec	16.5	43.4	-26.9
Jan	17.5	44.8	-27.3
Change			-0.4

Number of Employees



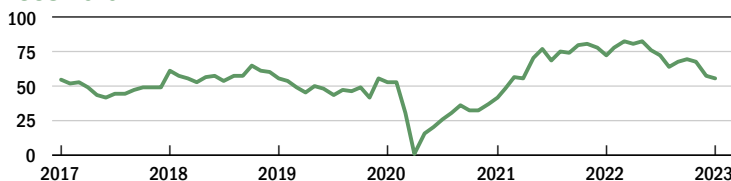
	Percent Reporting		Index
	Higher	Lower	
Dec	30.9	14.0	16.9
Jan	36.5	15.5	21.0
Change			4.1

Wages



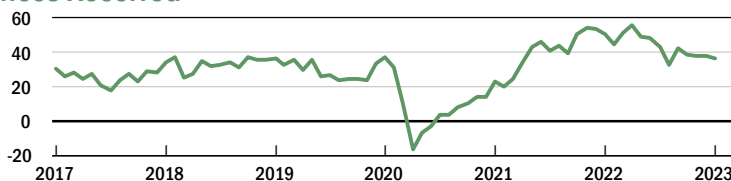
	Percent Reporting		Index
	Higher	Lower	
Dec	53.9	3.4	50.6
Jan	54.1	4.4	49.7
Change			-0.9

Prices Paid



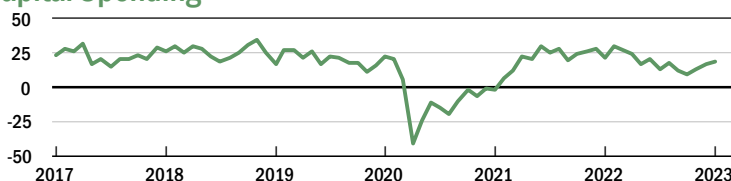
	Percent Reporting		Index
	Higher	Lower	
Dec	63.1	5.6	57.5
Jan	62.2	6.7	55.6
Change			-1.9

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Dec	42.7	5.1	37.6
Jan	45.6	8.9	36.7
Change			-0.9

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Dec	34.8	18.0	16.9
Jan	36.9	17.9	19.0
Change			2.1