

Business Leaders Survey

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

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

Activity continued to decline in the region's service sector, though at a slower pace than last month, according to firms responding to the Federal Reserve Bank of New York's February 2023 *Business Leaders Survey*. The survey's headline business activity index climbed nine points to -12.8. The business climate index came in at -34.9, suggesting the business climate remains much worse than normal. There was a small rise in employment, and wage growth steepened. The pace of input price increases and selling price increases picked up somewhat. Looking ahead, firms expect conditions to improve modestly over the next six months.

Activity Continues to Contract

Business activity declined in the region's service sector for a fifth consecutive month, according to the February survey. The headline business activity index rose nine points but remained negative at -12.8. Twenty-seven percent of respondents reported that conditions improved over the month and forty percent said that conditions worsened. The business climate index moved up seven points to -34.9, suggesting that the business climate remains much worse than normal.

Employment Growth Remains Scant

The employment index inched up to 5.8, suggesting a small increase in employment levels. The wages index advanced ten

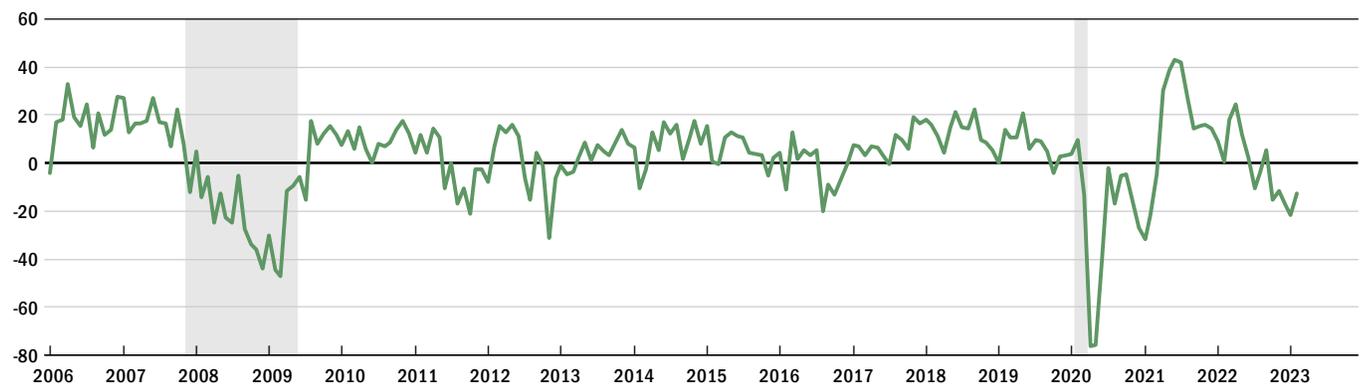
points to 56.7, indicating that wage growth remained widespread. The prices paid index edged up three points to 69.0, and the prices received index rose four points to 33.7, pointing to slightly more rapid price increases than last month. Capital spending grew modestly.

Firms See Some Improvement Ahead

Conditions are expected to improve somewhat over the next six months. The index for future business activity climbed to 8.2, its first positive reading since September 2022, while the index for the future business climate moved up twenty-three points to -4.1. Employment is expected to grow in the months ahead, and wage and price increases are expected to remain widespread. ■

Business Activity

Diffusion Index

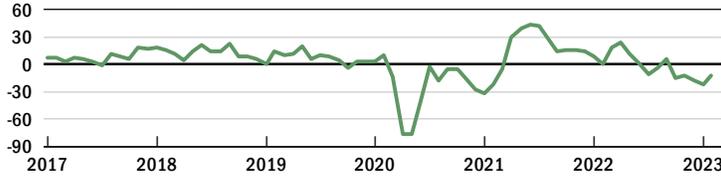


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

Current Indicators

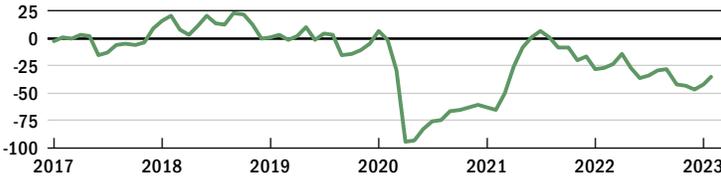
Change from Preceding Month

Business Activity



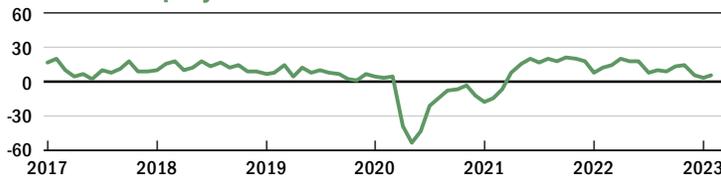
	Percent Reporting		Index
	Higher	Lower	
Jan	19.2	40.7	-21.4
Feb	26.7	39.5	-12.8
Change			8.6

Business Climate



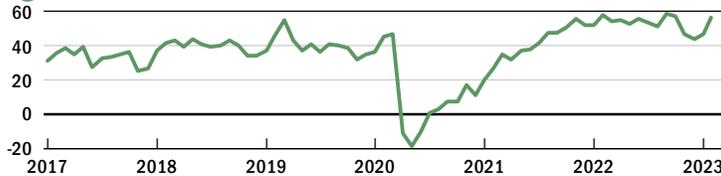
	Percent Reporting		Index
	Favorable	Unfavorable	
Jan	11.0	52.7	-41.8
Feb	17.4	52.3	-34.9
Change			6.9

Number of Employees



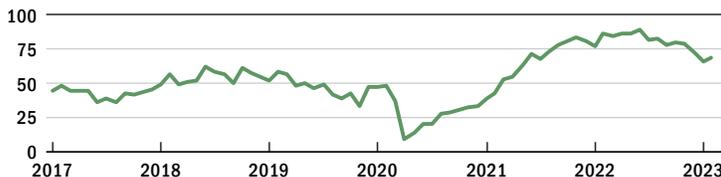
	Percent Reporting		Index
	Higher	Lower	
Jan	21.3	17.5	3.8
Feb	25.1	19.3	5.8
Change			2.0

Wages



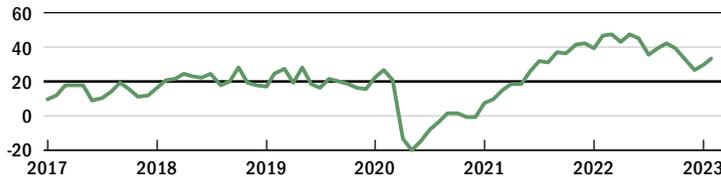
	Percent Reporting		Index
	Higher	Lower	
Jan	49.7	2.7	47.0
Feb	59.1	2.3	56.7
Change			9.7

Prices Paid



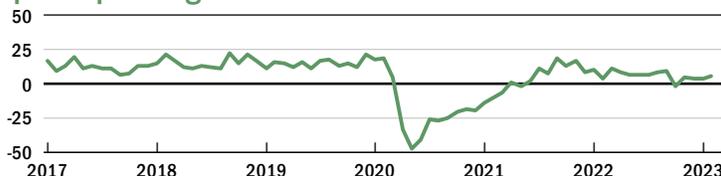
	Percent Reporting		Index
	Higher	Lower	
Jan	68.9	3.3	65.6
Feb	73.1	4.1	69.0
Change			3.4

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jan	38.7	8.8	29.8
Feb	40.8	7.1	33.7
Change			3.9

Capital Spending

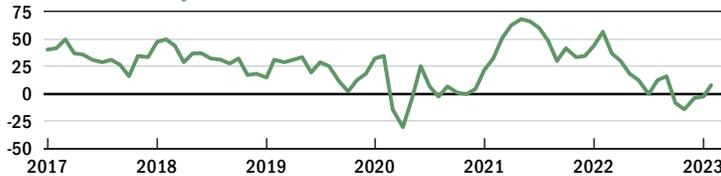


	Percent Reporting		Index
	Higher	Lower	
Jan	22.8	19.4	3.3
Feb	24.1	18.8	5.3
Change			2.0

Forward-Looking Indicators

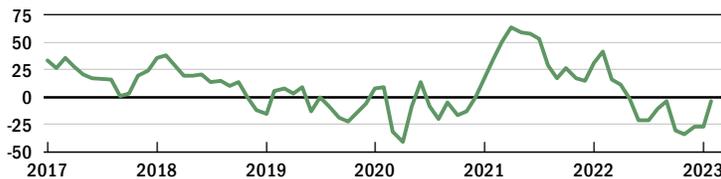
Expectations Six Months Ahead

Business Activity



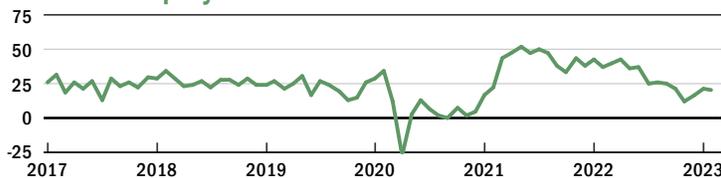
	Percent Reporting		Index
	Higher	Lower	
Jan	32.8	35.0	-2.2
Feb	33.3	25.1	8.2
Change			10.4

Business Climate



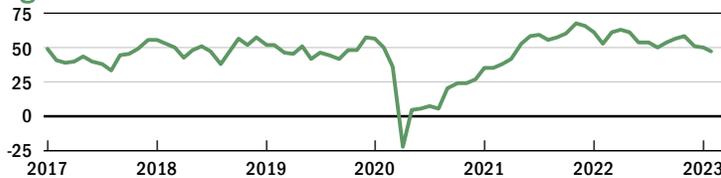
	Percent Reporting		Index
	Better	Worse	
Jan	17.5	44.8	-27.3
Feb	25.7	29.8	-4.1
Change			23.2

Number of Employees



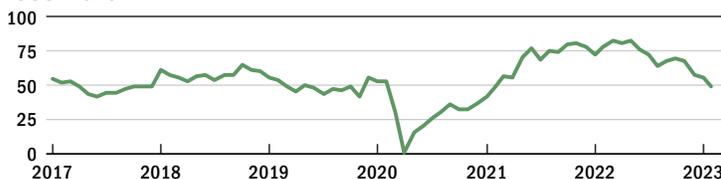
	Percent Reporting		Index
	Higher	Lower	
Jan	36.5	15.5	21.0
Feb	36.3	15.5	20.8
Change			-0.2

Wages



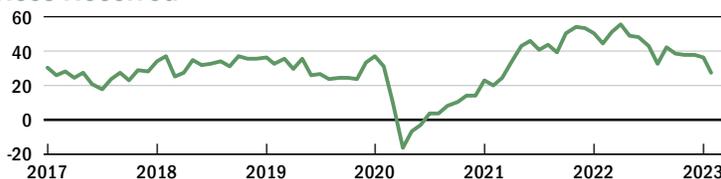
	Percent Reporting		Index
	Higher	Lower	
Jan	54.1	4.4	49.7
Feb	49.7	2.4	47.3
Change			-2.4

Prices Paid



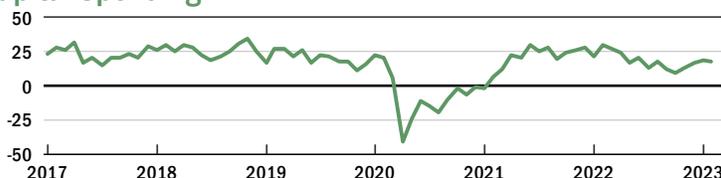
	Percent Reporting		Index
	Higher	Lower	
Jan	62.2	6.7	55.6
Feb	55.1	6.0	49.1
Change			-6.5

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jan	45.6	8.9	36.7
Feb	34.9	7.2	27.7
Change			-9.0

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jan	36.9	17.9	19.0
Feb	33.7	16.3	17.5
Change			-1.5