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 decline significantly in the region's service sector in December, according to firms responding to the Federal Reserve Bank of New York's *Business Leaders Survey*. The survey's headline business activity index was little changed at -20.0. The business climate index drifted down to -44.2, suggesting the business climate remained much worse than normal. Employment fell for a fourth consecutive month, and wage growth remained modest. Supply availability continued to worsen somewhat. Both input price increases and selling price increases picked up after slowing last month. Looking ahead, firms expected little improvement in conditions over the next six months.

ECONOMIST COMMENTARY

"Business activity continued to decline significantly in the New York-Northern New Jersey region's service sector in December. Employment declined for a fourth consecutive month, and price increases picked up. Firms do not expect much improvement in the months ahead."

~Richard Deitz, Economic Research Advisor at the New York Fed

Activity Continues to Decline

Business activity continued to fall substantially in the New York-Northern New Jersey region, according to the December survey. The headline business activity index held steady at -20.0. Twenty-two percent of respondents reported that conditions improved over the month while 42 percent said that conditions worsened. The business climate index remained well below zero at -44.2, with 55 percent reporting an unfavorable business climate.

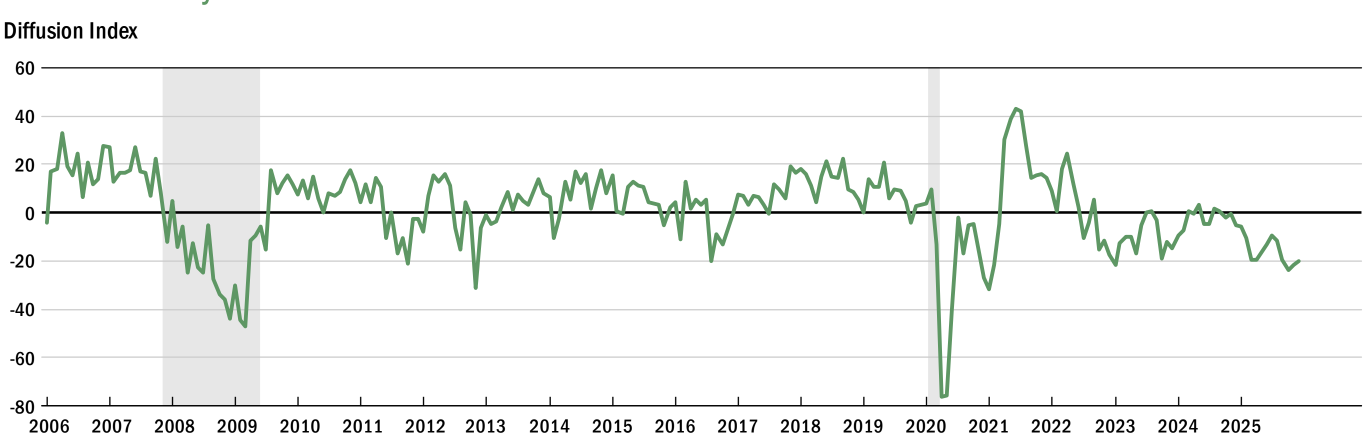
Employment Contracts Again

The employment index was little changed at -7.4, its fourth consecutive negative reading, suggesting employment continued to decline. The wages index held steady at 23.7, pointing to ongoing modest wage increases. After falling several points last month, both price indexes moved higher: the prices paid index climbed ten points to 72.1, its highest level in three years, and the prices received index rose ten points to 30.5. The supply availability index remained negative at -7.4, indicating that supply availability continued to worsen.

Firms Not Optimistic

The index for future business activity came in at -1.1, suggesting that firms on the whole did not expect activity to increase over the next six months. The indexes for future prices paid and received both remained elevated. Firms expected only slight employment growth in the months ahead, and capital spending plans remained soft.

Business Activity

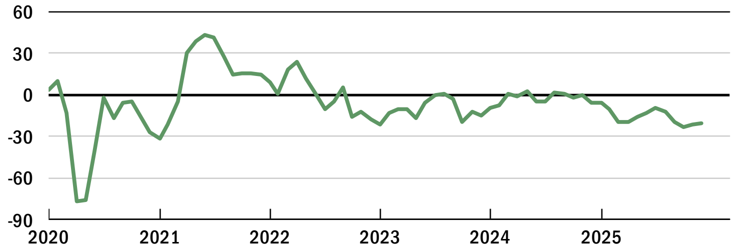


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

Current Indicators

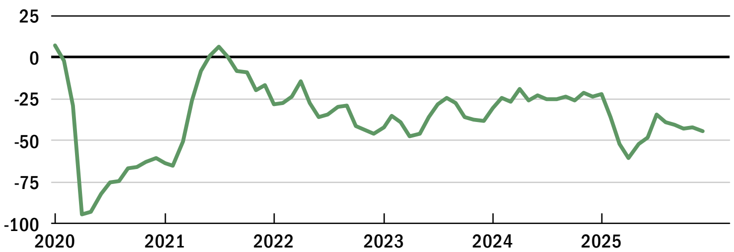
Change from Preceding Month

Business Activity



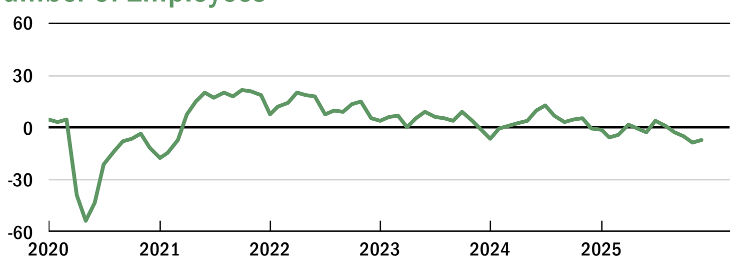
	Percent Reporting		
	Higher	Lower	Index
Nov	21.7	43.4	-21.7
Dec	22.1	42.1	-20.0
Change			1.7

Business Climate



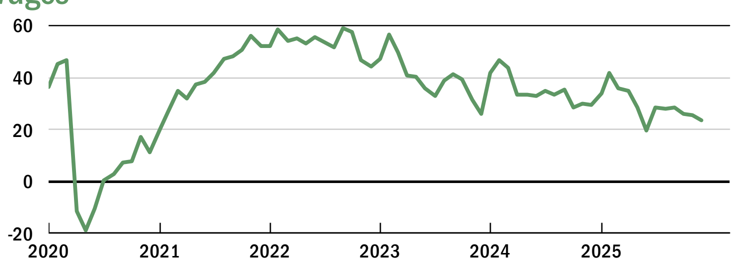
	Percent Reporting		
	Favorable	Unfavorable	Index
Nov	13.1	55.3	-42.2
Dec	10.5	54.7	-44.2
Change			-2.0

Number of Employees



	Percent Reporting		
	Higher	Lower	Index
Nov	13.2	21.8	-8.6
Dec	15.8	23.2	-7.4
Change			1.2

Wages

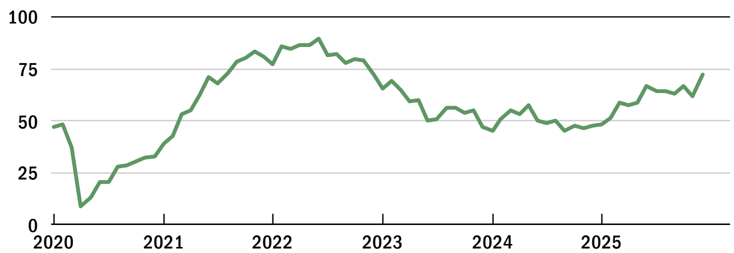


	Percent Reporting		
	Higher	Lower	Index
Nov	28.9	3.6	25.4
Dec	26.8	3.2	23.7
Change			-1.7

Current Indicators, *continued*

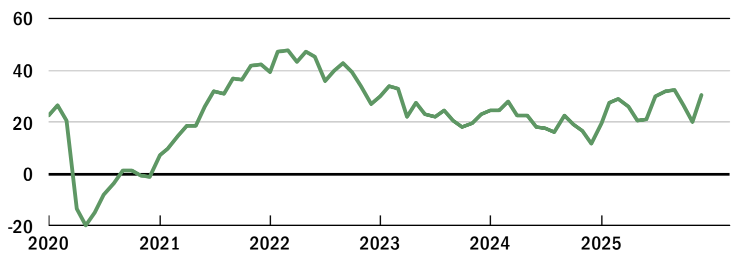
Change from Preceding Month

Prices Paid



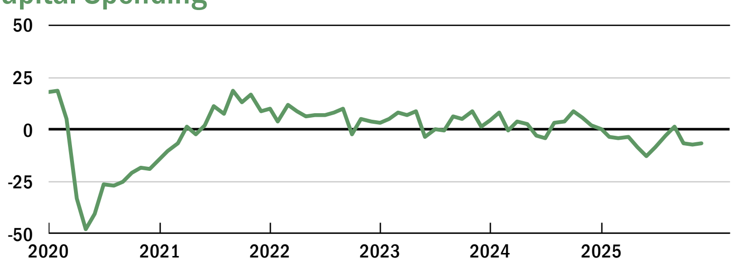
	Percent Reporting		
	Higher	Lower	Index
Nov	64.5	2.5	61.9
Dec	73.2	1.1	72.1
Change			10.2

Prices Received



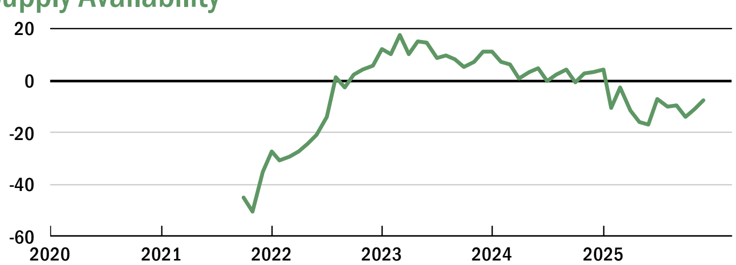
	Percent Reporting		
	Higher	Lower	Index
Nov	28.9	8.8	20.1
Dec	38.5	8.0	30.5
Change			10.4

Capital Spending



	Percent Reporting		
	Higher	Lower	Index
Nov	16.3	23.5	-7.1
Dec	15.9	22.8	-6.9
Change			0.2

Supply Availability



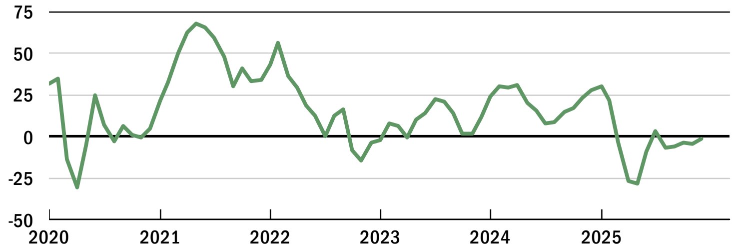
	Percent Reporting		
	Higher	Lower	Index
Nov	10.1	21.1	-11.1
Dec	8.5	15.9	-7.4
Change			3.7

Note: The current supply availability index was added to the report in June 2024 and included a history of data points going back to 2021.

Forward-Looking Indicators

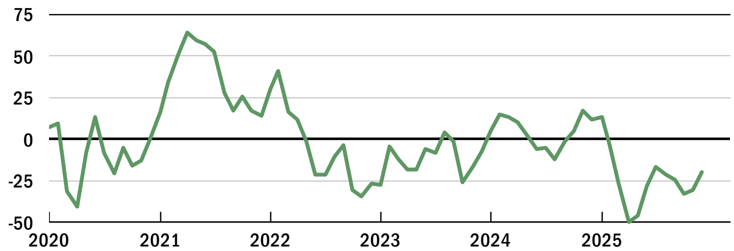
Expectations Six Months Ahead

Business Activity



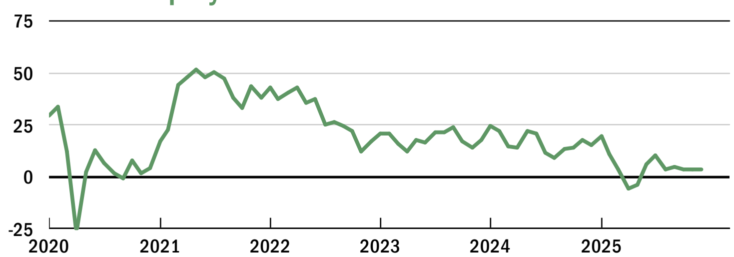
	Percent Reporting		
	Higher	Lower	Index
Nov	29.9	34.5	-4.6
Dec	31.7	32.8	-1.1
Change			3.5

Business Climate



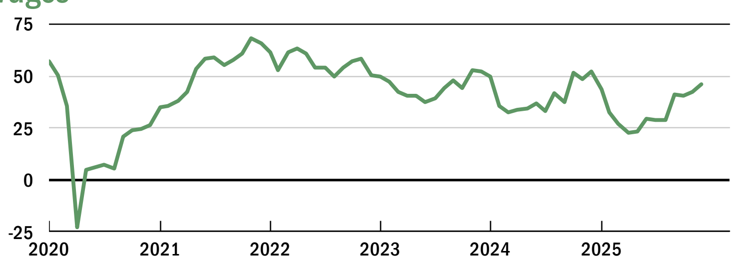
	Percent Reporting		
	Better	Worse	Index
Nov	16.6	47.2	-30.7
Dec	21.1	40.5	-19.5
Change			11.2

Number of Employees



	Percent Reporting		
	Higher	Lower	Index
Nov	22.9	19.3	3.6
Dec	25.0	21.2	3.8
Change			0.2

Wages

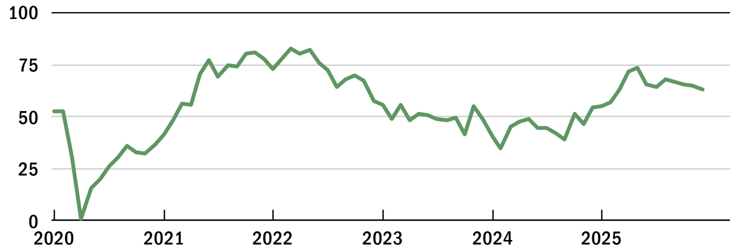


	Percent Reporting		
	Higher	Lower	Index
Nov	46.4	4.2	42.2
Dec	49.7	3.8	45.9
Change			3.7

Forward-Looking Indicators, *continued*

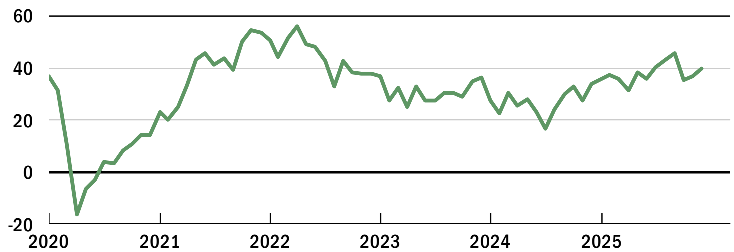
Expectations Six Months Ahead

Prices Paid



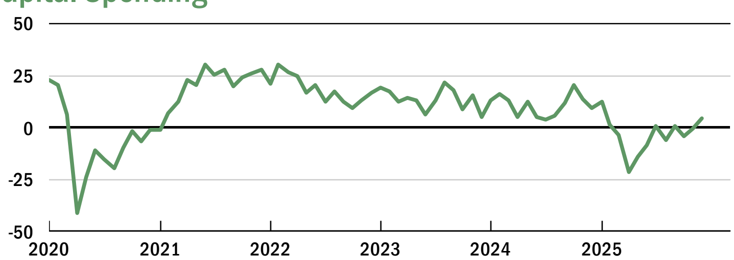
	Percent Reporting		
	Higher	Lower	Index
Nov	68.1	3.1	64.9
Dec	64.3	1.1	63.2
Change			-1.7

Prices Received



	Percent Reporting		
	Higher	Lower	Index
Nov	45.0	8.4	36.6
Dec	45.9	6.0	39.9
Change			3.3

Capital Spending



	Percent Reporting		
	Higher	Lower	Index
Nov	24.1	24.6	-0.5
Dec	24.6	20.2	4.4
Change			4.9

Supply Availability

	Percent Reporting		
	Higher	Lower	Index
Nov	10.6	19.6	-9.0
Dec	10.0	18.9	-8.9
Change			0.1

Note: The expected supply availability index was added to the report in June 2024 and included one additional data point from May 2024.