

# Business Leaders Survey

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

Note: Survey responses were collected between May 4 and May 11.

Business activity continued to decline in the region’s service sector in May, though the pace of contraction slowed considerably, according to firms responding to the Federal Reserve Bank of New York’s *Business Leaders Survey*. The survey’s headline business activity index rose eight points to -5.8, its highest level in more than a year. The business climate index rose slightly but remained well below zero at -46.9, suggesting the business climate remained much worse than normal. Employment inched higher, and wage growth slowed notably. Supply availability continued to worsen. Input price increases remained steep, and selling price increases remained elevated. Looking ahead, firms became somewhat more optimistic about the outlook for the next six months.

## The Pace of Contraction Slows

Business activity continued to decline in the New York-Northern New Jersey region, according to the May survey, but it was the smallest monthly decline in over a year. The headline business activity index rose eight points to -5.8 — its highest level since January 2025. Twenty-nine percent of respondents reported that conditions

### ECONOMIST COMMENTARY

“Although business activity continued declining in the New York-Northern New Jersey region’s service sector in May, the pace was much slower than in recent months. Employment inched higher for the first time since last summer. Firms’ expectations for future price increases remained elevated.”

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

improved over the month while 34 percent said that conditions worsened. The business climate index moved up two points but remained well below zero at -46.9, with 56 percent of respondents reporting an unfavorable business climate.

## Employment Edges Higher

The employment index rose four points to 1.9, turning positive for the first time since last summer and suggesting employment levels inched slightly higher. The wages index fell eleven points to 26.5, indicating that wage growth slowed significantly. The prices paid index was little changed at 73.4, signaling that input prices continued to increase sharply. The prices received index

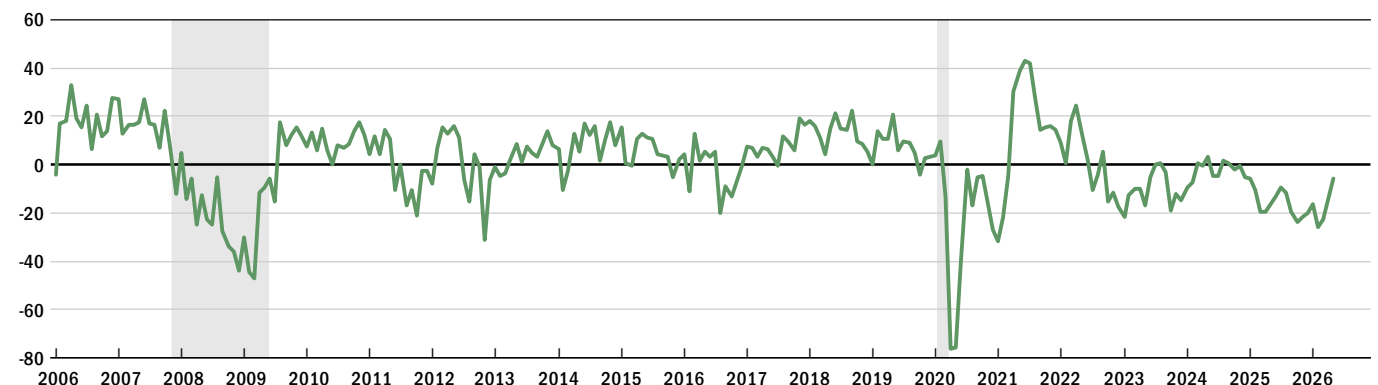
held steady at 30.7, a sign that selling price increases remained elevated. The supply availability index rose four points but remained negative at -15.6, indicating that supply availability continued to worsen.

## Firms Somewhat More Optimistic

The index for future business activity rose seven points to 10.2, suggesting that firms became more optimistic about the outlook but still expect only modest growth in activity over the next six months. Employment is expected to rise slightly in the months ahead, and wage growth is expected to slow. Firms’ expectations for future price increases remained elevated. Capital spending plans remained subdued. ■

## Business Activity

Diffusion Index

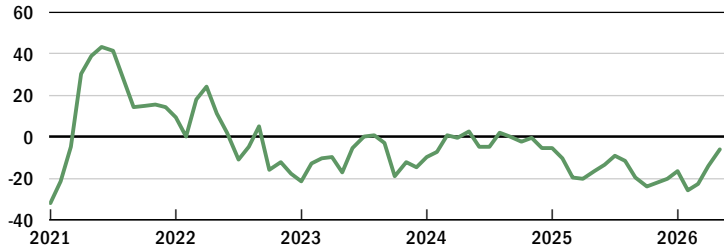


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

# Current Indicators

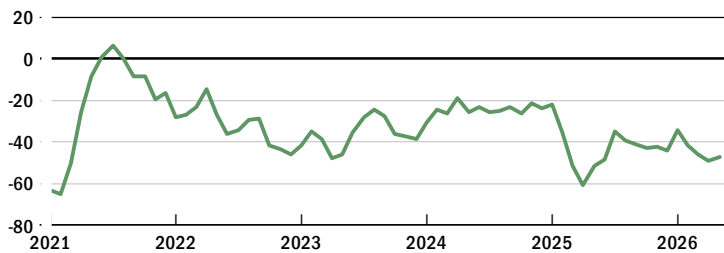
Change from Preceding Month

## Business Activity



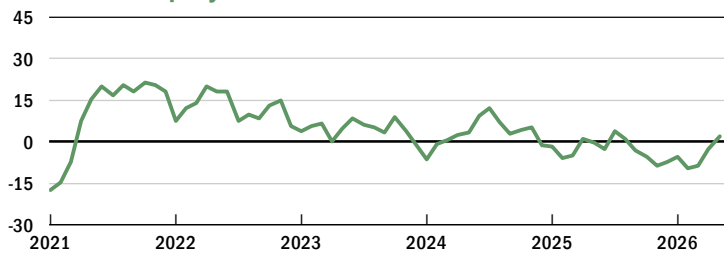
	Percent Reporting		Index
	Higher	Lower	
Apr	23.7	37.7	-14.0
May	28.5	34.3	-5.8
Change			8.2

## Business Climate



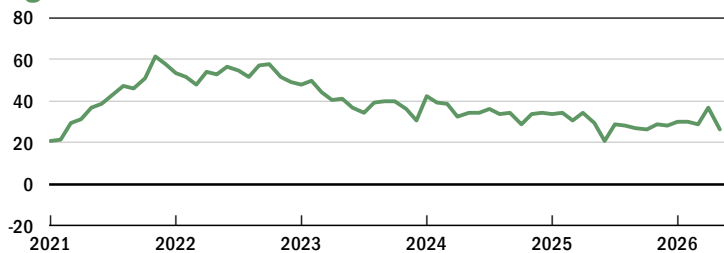
	Percent Reporting		Index
	Favorable	Unfavorable	
Apr	10.1	59.4	-49.3
May	9.2	56.0	-46.9
Change			2.4

## Number of Employees



	Percent Reporting		Index
	Higher	Lower	
Apr	18.9	21.4	-2.4
May	19.3	17.4	1.9
Change			4.3

## Wages



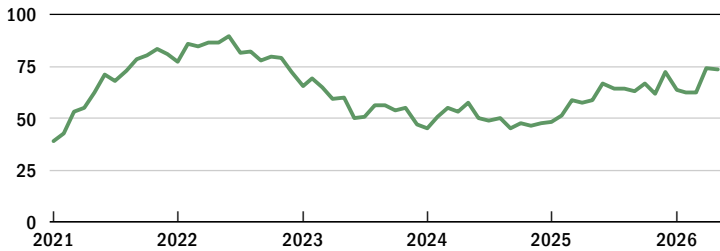
	Percent Reporting		Index
	Higher	Lower	
Apr	39.0	2.0	37.0
May	29.9	3.4	26.5
Change			-10.5

Note: The current wages index is seasonally adjusted.

# Current Indicators, *continued*

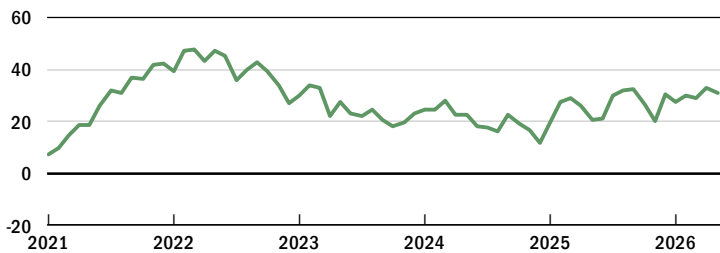
Change from Preceding Month

## Prices Paid



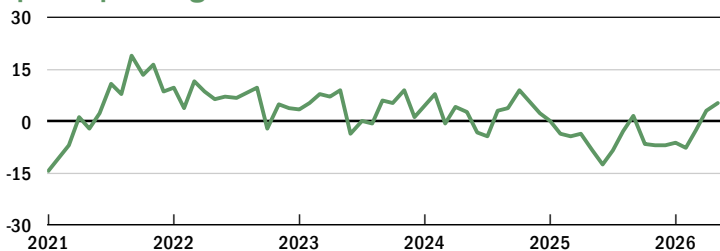
	Percent Reporting		Index
	Higher	Lower	
Apr	74.8	1.0	73.8
May	74.4	1.0	73.4
Change			-0.4

## Prices Received



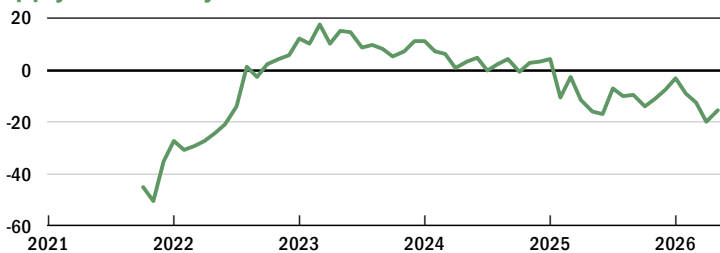
	Percent Reporting		Index
	Higher	Lower	
Apr	37.1	4.5	32.7
May	37.1	6.3	30.7
Change			-2.0

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Apr	22.9	20.0	2.9
May	21.4	16.0	5.3
Change			2.4

## Supply Availability



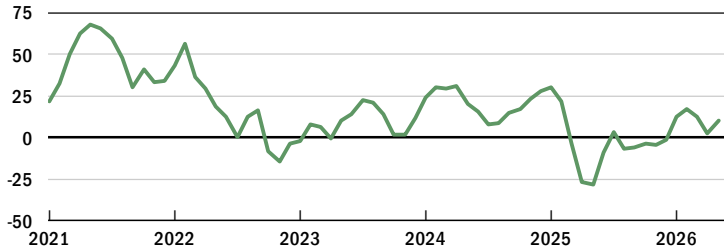
	Percent Reporting		Index
	Higher	Lower	
Apr	6.3	26.3	-20.0
May	8.3	23.9	-15.6
Change			4.4

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

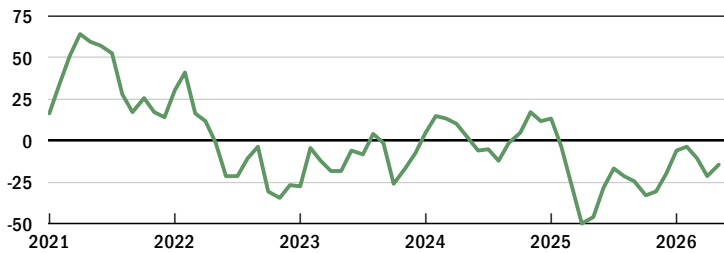
Expectations Six Months Ahead

## Business Activity



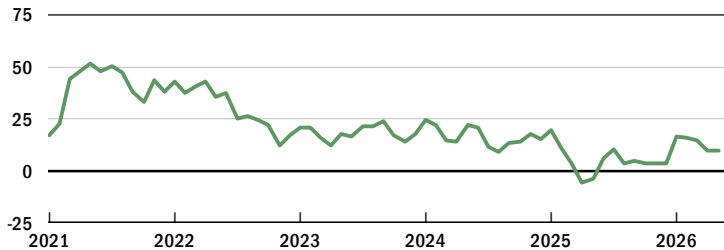
	Percent Reporting		Index
	Higher	Lower	
Apr	33.8	30.9	2.9
May	37.4	27.2	10.2
Change			7.3

## Business Climate



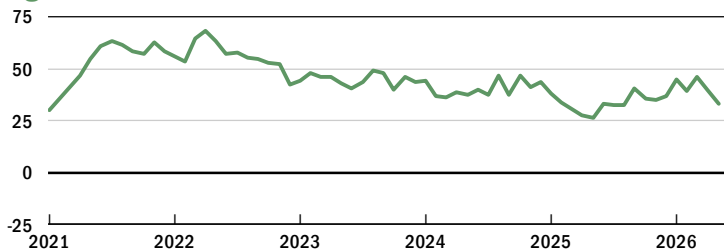
	Percent Reporting		Index
	Better	Worse	
Apr	23.7	44.9	-21.3
May	24.2	38.2	-14.0
Change			7.3

## Number of Employees



	Percent Reporting		Index
	Higher	Lower	
Apr	27.6	18.2	9.4
May	26.9	17.4	9.5
Change			0.1

## Wages



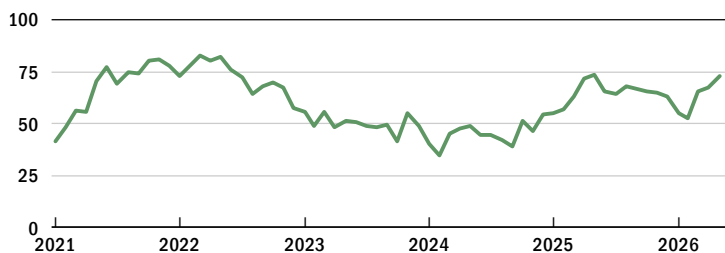
	Percent Reporting		Index
	Higher	Lower	
Apr	44.1	4.4	39.7
May	39.3	6.0	33.3
Change			-6.4

Note: The future wages index is seasonally adjusted.

# Forward-Looking Indicators, *continued*

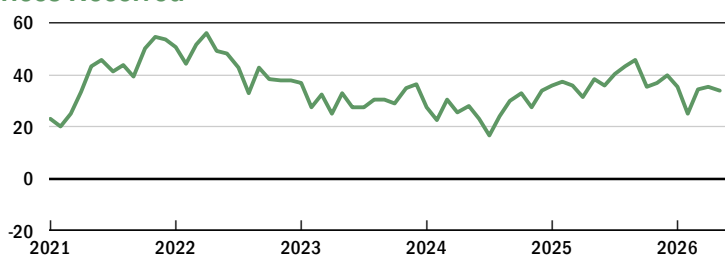
Expectations Six Months Ahead

## Prices Paid



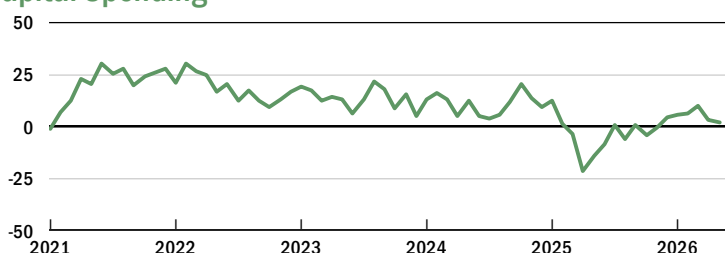
	Percent Reporting		Index
	Higher	Lower	
Apr	70.9	3.4	67.5
May	73.3	0.5	72.8
Change			5.3

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Apr	43.0	7.5	35.5
May	40.5	6.5	34.0
Change			-1.5

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Apr	24.8	21.8	3.0
May	25.4	23.4	2.0
Change			-1.0

## Supply Availability



	Percent Reporting		Index
	Higher	Lower	
Apr	8.8	29.3	-20.5
May	11.2	26.8	-15.6
Change			4.9

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