Business Leaders Survey

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

Note: Survey responses were collected between September 2 and September 10.

Business activity declined modestly in the region's service sector in September, according to firms responding to the Federal Reserve Bank of New York's *Business Leaders Survey*. The survey's headline business activity index fell nine points to -8.7. The business climate index dropped ten points to -35.9, suggesting the business climate was notably worse than normal. Employment edged lower, while wage growth held steady. Supply availability continued to worsen. The pace of input price increases remained elevated, while selling price increases picked up. Capital spending remained weak. Looking ahead, firms were not very optimistic about the outlook for the next six months.

ECONOMIST COMMENTARY

"Business activity in the New York-Northern New Jersey region's service sector declined modestly in September after holding steady last month. Pricing pressures remained elevated, and firms were not very optimistic about the outlook."

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

Activity Declines

After holding steady last month, business activity declined in the New York–Northern New Jersey region, according to the September survey. The headline business activity index fell nine points to -8.7. Twenty-seven percent of respondents reported that conditions improved over the month, while 36 percent said that conditions worsened. The business climate index dropped ten points to -35.9, with only 13 percent of respondents reporting a favorable business climate and nearly half reporting an unfavorable climate.

Employment Edges Lower

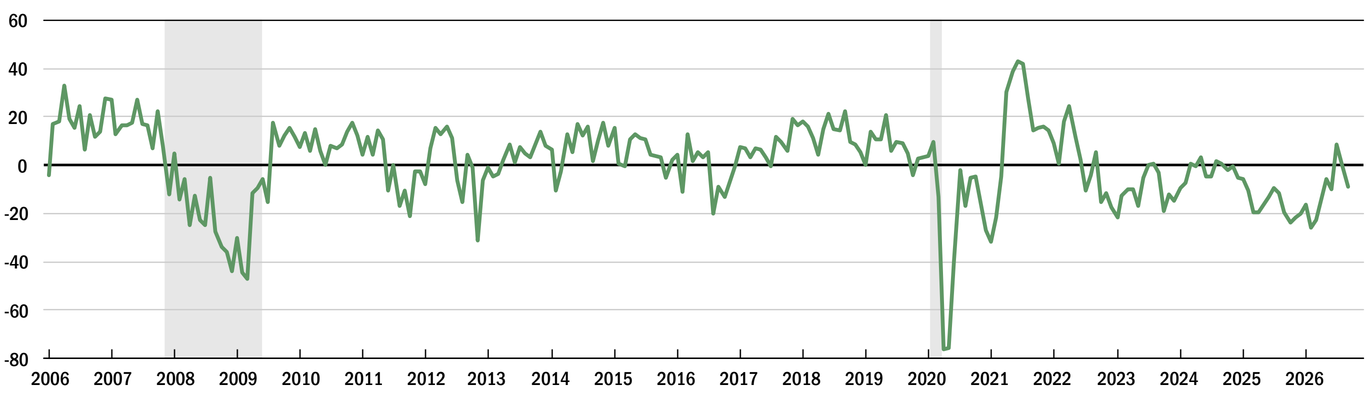
The employment index moved down seven points to -4.9, suggesting employment levels declined slightly. The wages index was little changed at 30.3, indicating that wage growth continued at about the same pace as in recent months. The prices paid index held steady at 69.0, signaling that input prices continued to increase significantly, and the prices received index rose six points to 33.7, a sign that selling price increases remained elevated and picked up compared to last month. The supply availability index fell to -15.8, indicating that supply availability continued to worsen. The capital spending index came in at -2.2, pointing to slightly lower capital spending.

Firms Not Very Optimistic

The index for future business activity fell four points to 5.0, suggesting that firms expect only modest growth in activity over the next six months. Employment is expected to increase slightly in the months ahead. Firms' expectations for future input and selling price increases remained elevated. Supply availability is expected to worsen, and capital spending plans remained soft. ■

Business Activity

Diffusion Index

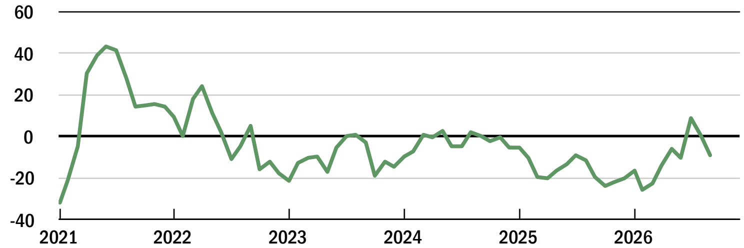


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

Current Indicators

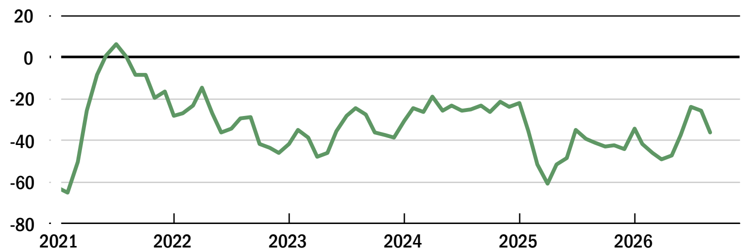
Change from Preceding Month

Business Activity



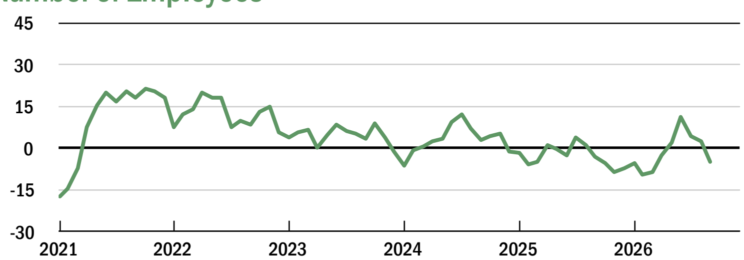
	Percent Reporting		
	Higher	Lower	Index
Aug	29.3	28.8	0.5
Sep	26.8	35.5	-8.7
Change			-9.2

Business Climate



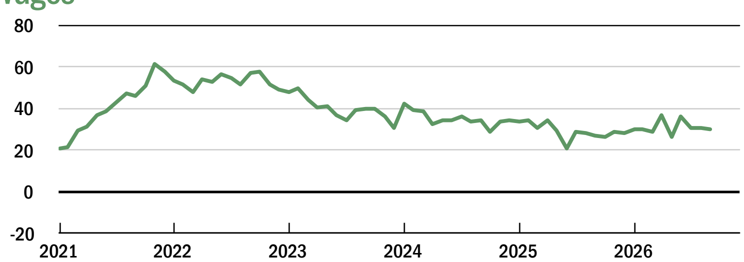
	Percent Reporting		
	Favorable	Unfavorable	Index
Aug	17.5	43.2	-25.7
Sep	13.0	48.9	-35.9
Change			-10.2

Number of Employees



	Percent Reporting		
	Higher	Lower	Index
Aug	18.0	15.6	2.4
Sep	19.0	23.9	-4.9
Change			-7.3

Wages



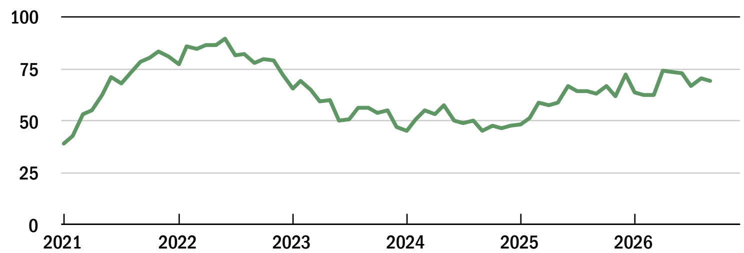
	Percent Reporting		
	Higher	Lower	Index
Aug	34.2	3.4	30.7
Sep	33.6	3.3	30.3
Change			-0.4

Note: The current wages index is seasonally adjusted.

Current Indicators, *continued*

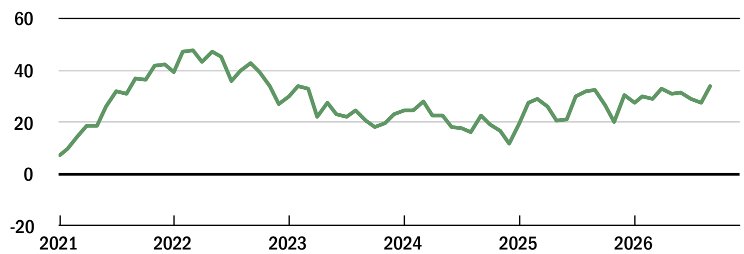
Change from Preceding Month

Prices Paid



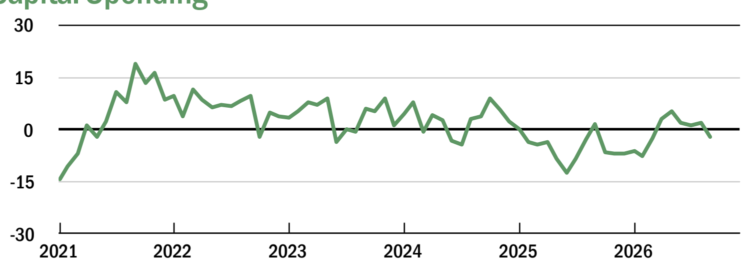
	Percent Reporting		
	Higher	Lower	Index
Aug	71.6	1.5	70.1
Sep	70.1	1.1	69.0
Change			-1.1

Prices Received



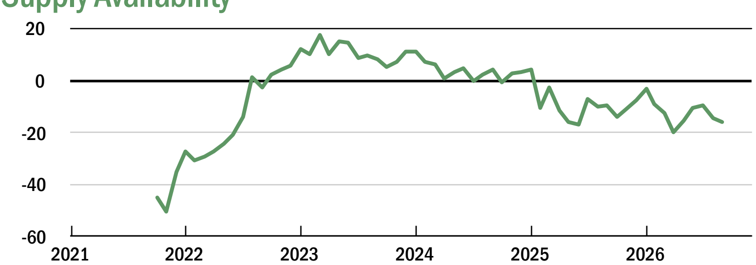
	Percent Reporting		
	Higher	Lower	Index
Aug	32.7	5.0	27.7
Sep	38.6	4.9	33.7
Change			6.0

Capital Spending



	Percent Reporting		
	Higher	Lower	Index
Aug	19.1	17.2	2.0
Sep	18.5	20.7	-2.2
Change			-4.2

Supply Availability



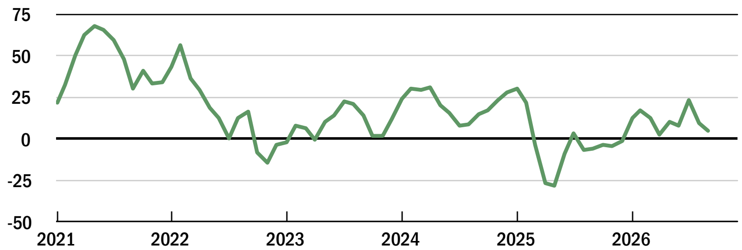
	Percent Reporting		
	Higher	Lower	Index
Aug	6.4	20.7	-14.3
Sep	4.9	20.7	-15.8
Change			-1.5

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

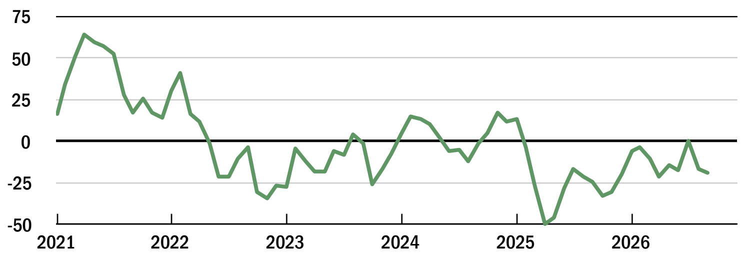
Expectations Six Months Ahead

Business Activity



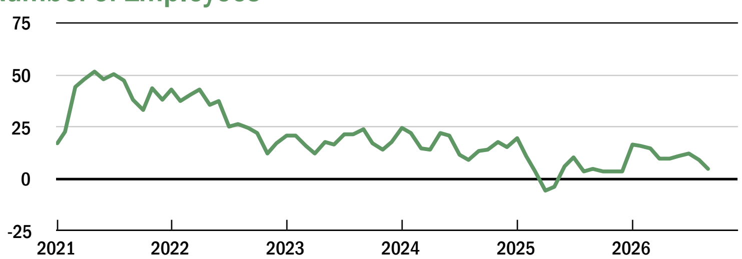
	Percent Reporting		
	Higher	Lower	Index
Aug	32.2	22.9	9.3
Sep	33.7	28.7	5.0
Change			-4.3

Business Climate



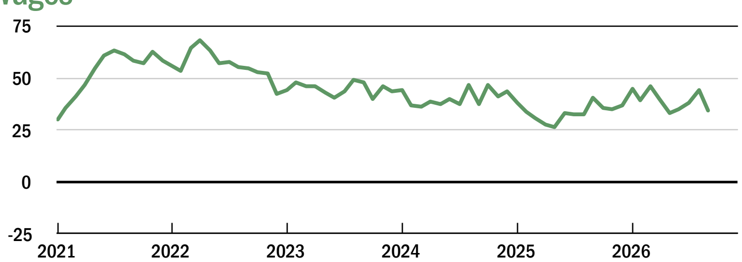
	Percent Reporting		
	Better	Worse	Index
Aug	15.5	32.0	-16.5
Sep	20.1	39.1	-19.0
Change			-2.5

Number of Employees



	Percent Reporting		
	Higher	Lower	Index
Aug	27.0	17.6	9.3
Sep	26.1	21.1	5.0
Change			-4.3

Wages



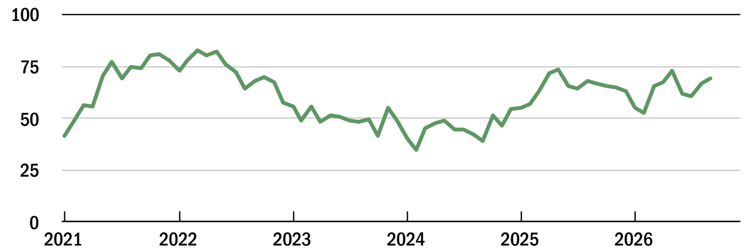
	Percent Reporting		
	Higher	Lower	Index
Aug	47.6	3.4	44.2
Sep	38.5	4.4	34.1
Change			-10.1

Note: The future wages index is seasonally adjusted.

Forward-Looking Indicators, *continued*

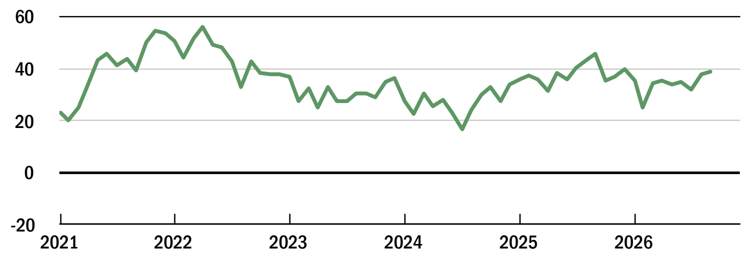
Expectations Six Months Ahead

Prices Paid



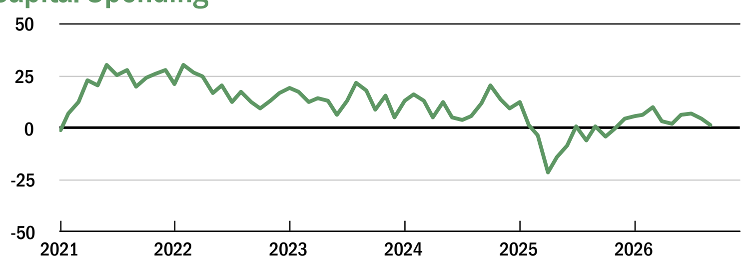
	Percent Reporting		
	Higher	Lower	Index
Aug	69.0	2.0	67.0
Sep	70.0	1.1	68.9
Change			1.9

Prices Received



	Percent Reporting		
	Higher	Lower	Index
Aug	41.6	4.0	37.6
Sep	43.9	5.0	38.9
Change			1.3

Capital Spending



	Percent Reporting		
	Higher	Lower	Index
Aug	25.0	20.6	4.4
Sep	19.9	18.8	1.1
Change			-3.3

Supply Availability

	Percent Reporting		
	Higher	Lower	Index
Aug	8.8	17.1	-8.3
Sep	8.6	23.2	-14.6
Change			-6.3

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