

Business Leaders Survey

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

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

Business activity declined significantly in the region's service sector in October, according to firms responding to the Federal Reserve Bank of New York's *Business Leaders Survey*. The survey's headline business activity index fell twelve points to -20.7, its lowest level since March. The business climate index was little changed at -35.0, suggesting the business climate remained much worse than normal. Employment held steady, and wage growth remained modest. Supply availability continued to worsen. The pace of input price increases remained sharp, and selling price increases picked up to the fastest pace since 2022. Capital spending remained weak. Looking ahead, firms became somewhat pessimistic about the outlook for the next six months.

Activity Falls Sharply

Business activity in the New York-Northern New Jersey region fell at a significantly faster pace, according to the October survey. The headline business activity index dropped twelve points to -20.7. Twenty-two percent of respondents reported that conditions improved over the month while 42 percent said that conditions worsened. The business

ECONOMIST COMMENTARY

"Business activity in the New York-Northern New Jersey region's service sector declined significantly in October. Employment was flat, and price increases remained widespread. Firms turned somewhat pessimistic about the outlook."

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

climate index was little changed at -35.0, with just over half of respondents reporting an unfavorable climate.

Employment Holds Steady

The employment index rose five points to zero, suggesting that employment held steady after edging lower last month. The wages index was little changed at 28.2, indicating that wages continued to increase at a modest pace. The prices paid index held near 70.0, signaling that input prices continued to increase sharply, while the prices received index rose three points to 36.3, its highest level in four years. The capital spending index moved down two points to -4.2, indicating that capital spending edged lower. The supply availability index rose three points to -13.3, suggesting that supply availability

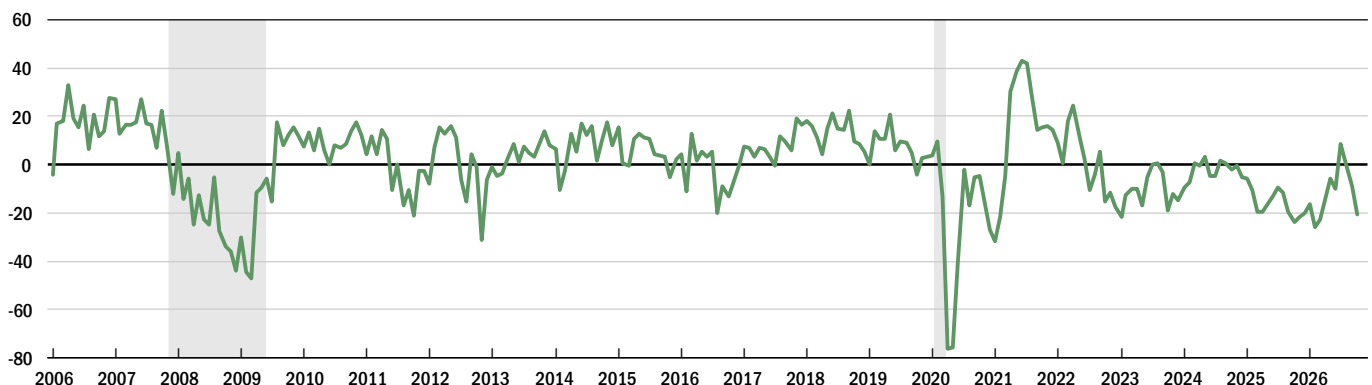
continued to worsen, though somewhat less so than last month.

Firms Become Pessimistic About the Outlook

The index for future business activity fell ten points to -5.1, dropping into negative territory for the first time since December of 2025 and suggesting that firms expect a small decline in activity over the next six months. Firms expect the business climate to remain worse than normal. Employment is expected to increase modestly in the months ahead. Firms' expectations for future input and selling price increases remained elevated and were little changed. The index for future capital spending turned negative, pointing to weak capital spending plans, and supply availability is expected to continue to worsen. ■

Business Activity

Diffusion Index

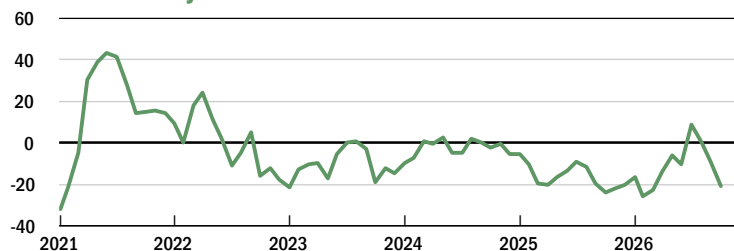


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

Current Indicators

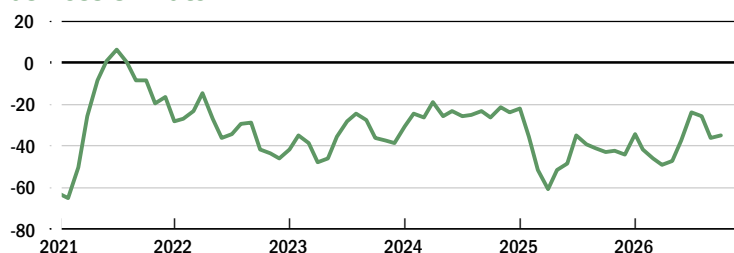
Change from Preceding Month

Business Activity



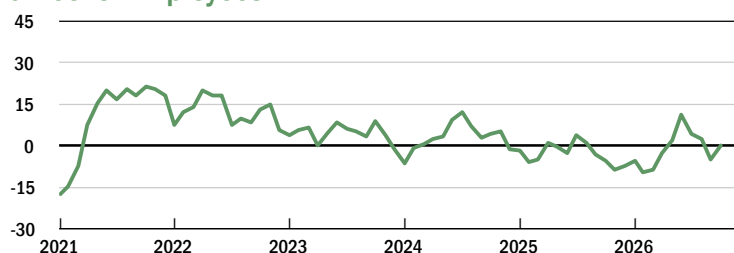
	Percent Reporting		Index
	Higher	Lower	
Sep	26.8	35.5	-8.7
Oct	21.6	42.3	-20.7
Change			-12.0

Business Climate



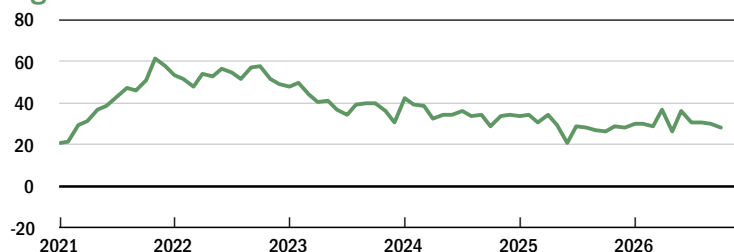
	Percent Reporting		Index
	Favorable	Unfavorable	
Sep	13.0	48.9	-35.9
Oct	15.4	50.5	-35.0
Change			0.9

Number of Employees



	Percent Reporting		Index
	Higher	Lower	
Sep	19.0	23.9	-4.9
Oct	19.7	19.7	0.0
Change			4.9

Wages



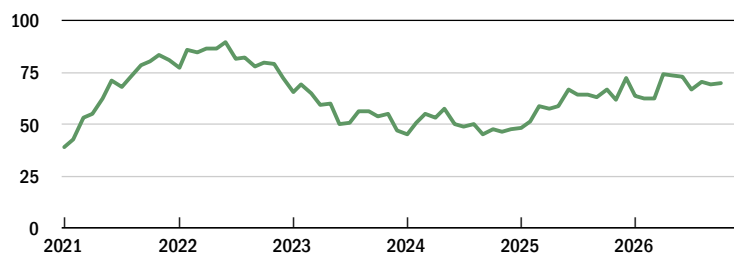
	Percent Reporting		Index
	Higher	Lower	
Sep	33.6	3.3	30.3
Oct	33.4	5.2	28.2
Change			-2.1

Note: The current wages index is seasonally adjusted.

Current Indicators, *continued*

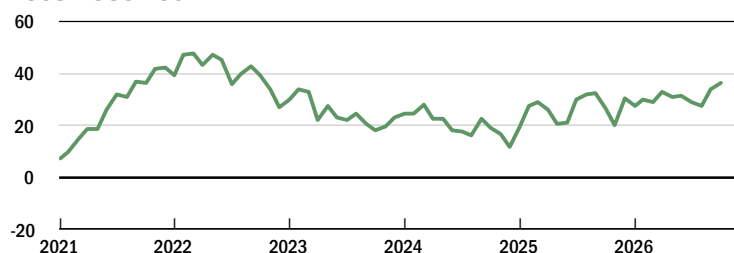
Change from Preceding Month

Prices Paid



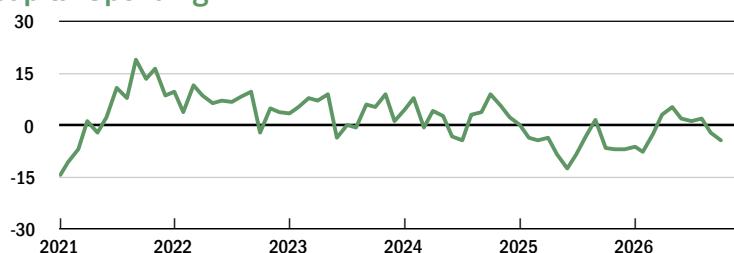
	Percent Reporting		Index
	Higher	Lower	
Sep	70.1	1.1	69.0
Oct	70.9	0.9	70.0
Change			1.0

Prices Received



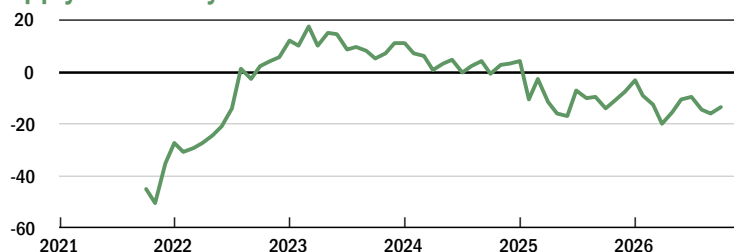
	Percent Reporting		Index
	Higher	Lower	
Sep	38.6	4.9	33.7
Oct	39.6	3.3	36.3
Change			2.6

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Sep	18.5	20.7	-2.2
Oct	17.5	21.7	-4.2
Change			-2.0

Supply Availability



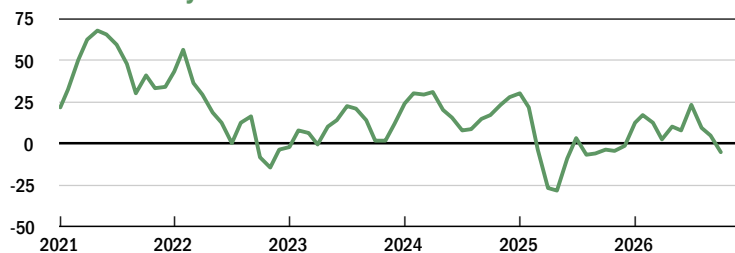
	Percent Reporting		Index
	Higher	Lower	
Sep	4.9	20.7	-15.8
Oct	8.1	21.3	-13.3
Change			2.5

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

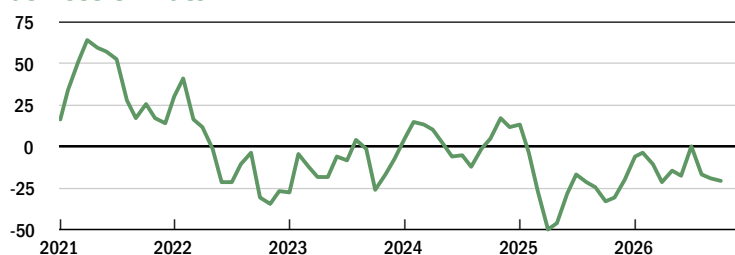
Expectations Six Months Ahead

Business Activity



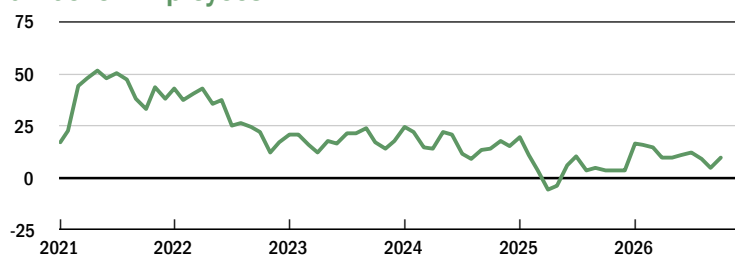
	Percent Reporting		Index
	Higher	Lower	
Sep	33.7	28.7	5.0
Oct	29.0	34.1	-5.1
Change			-10.1

Business Climate



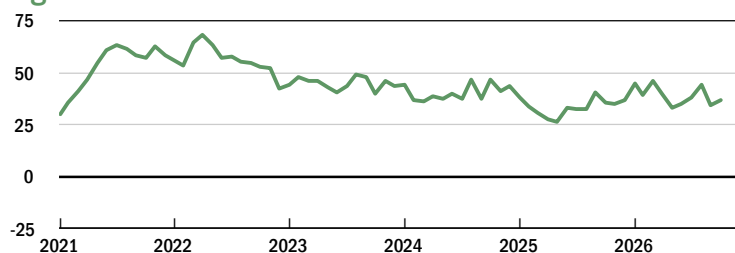
	Percent Reporting		Index
	Better	Worse	
Sep	20.1	39.1	-19.0
Oct	22.2	42.9	-20.8
Change			-1.8

Number of Employees



	Percent Reporting		Index
	Higher	Lower	
Sep	26.1	21.1	5.0
Oct	23.3	13.8	9.5
Change			4.5

Wages



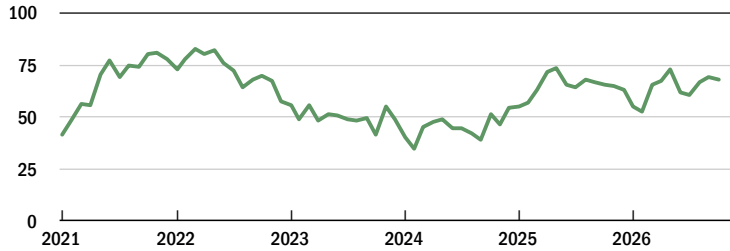
	Percent Reporting		Index
	Higher	Lower	
Sep	38.5	4.4	34.1
Oct	41.8	5.2	36.6
Change			2.5

Note: The future wages index is seasonally adjusted.

Forward-Looking Indicators, *continued*

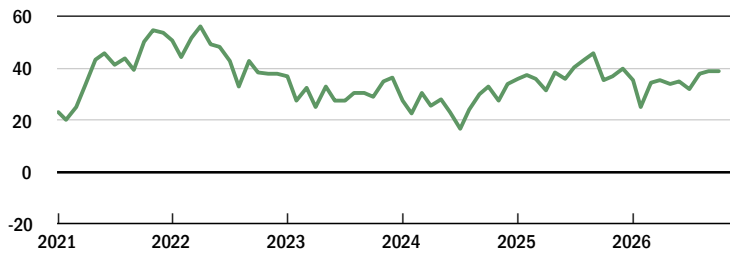
Expectations Six Months Ahead

Prices Paid



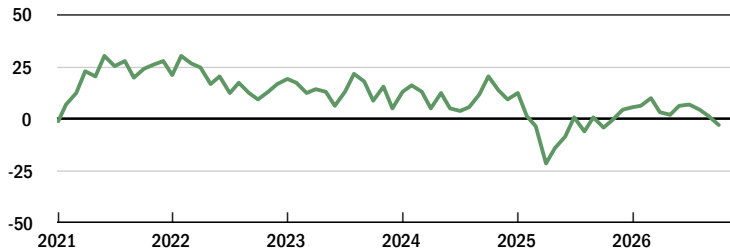
	Percent Reporting		Index
	Higher	Lower	
Sep	70.0	1.1	68.9
Oct	69.0	1.0	68.1
Change			-0.8

Prices Received



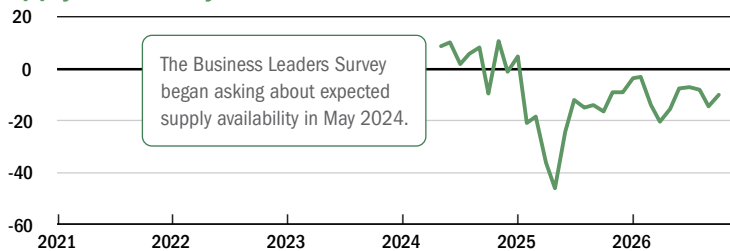
	Percent Reporting		Index
	Higher	Lower	
Sep	43.9	5.0	38.9
Oct	43.3	4.3	38.9
Change			0.0

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Sep	19.9	18.8	1.1
Oct	18.1	21.0	-2.9
Change			-4.0

Supply Availability



	Percent Reporting		Index
	Higher	Lower	
Sep	8.6	23.2	-14.6
Oct	9.4	19.2	-9.9
Change			4.7

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