

# 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.*

Business activity continued to decline significantly in the region's service sector in February, according to firms responding to the Federal Reserve Bank of New York's *Business Leaders Survey*. The survey's headline business activity index fell ten points to -25.7. The business climate index dropped seven points to -41.7, suggesting the business climate remained much worse than normal. Employment fell for a sixth consecutive month, and wage growth continued to pick up. Supply availability worsened. The pace of both input price increases and selling price increases was little changed, but remained elevated. Looking ahead, firms became more optimistic about the outlook, with 40 percent of respondents expecting conditions to improve over the next six months.

## Contraction Continues

Business activity continued to fall substantially in the New York-Northern New Jersey region, according to the February survey. The headline business activity index slipped ten points to

## ECONOMIST COMMENTARY

**"Business activity continued to contract in the New York-Northern New Jersey region's service sector in February. Employment fell for a sixth consecutive month. Firms expect modest improvement in conditions in the months ahead"**

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

-25.7. Seventeen percent of respondents reported that conditions improved over the month while 43 percent said that conditions worsened. The business climate index remained well below zero at -41.7, with just over half of respondents reporting an unfavorable business climate.

## Employment Shrinks for a Sixth Month

The employment index moved down four points to -9.7, its sixth consecutive negative reading, suggesting employment continued to drop. The wages index climbed seven points to 37.4. The prices paid index held steady at 62.6, and the prices received index was stable at

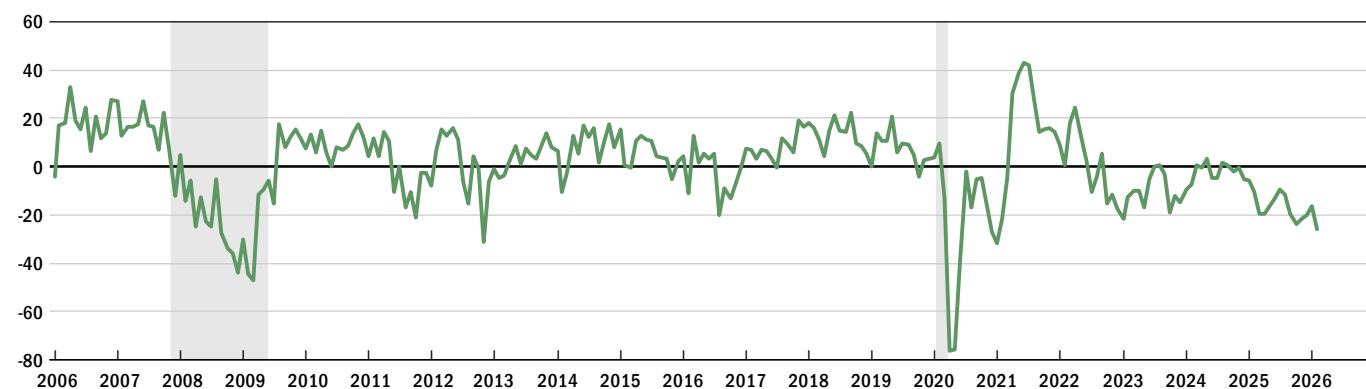
29.9, pointing to little change in the pace of both input and selling price increases. The supply availability index dipped six points to -9.2, suggesting supply availability worsened modestly.

## Firms Become More Optimistic

The index for future business activity rose five points to 17.5, signaling that firms anticipate a modest pickup in activity over the next six months. Employment is expected to grow. Firms continue to expect price increases in the months ahead, but those expectations were at their lowest level in over a year. Capital spending plans remained soft. ■

## Business Activity

### Diffusion Index

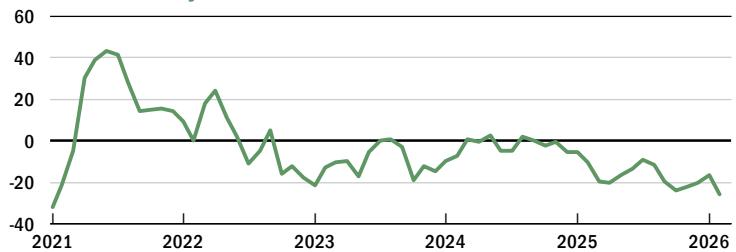


*Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.*

# Current Indicators

Change from Preceding Month

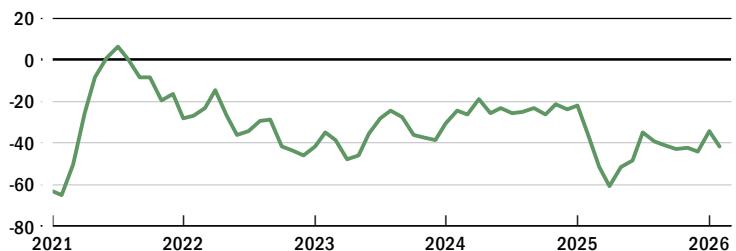
## Business Activity



### Percent Reporting

	Higher	Lower	Index
Jan	19.7	35.8	-16.1
Feb	17.0	42.7	-25.7
Change			-9.6

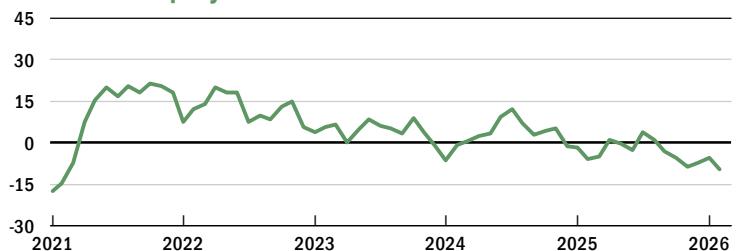
## Business Climate



### Percent Reporting

	Favorable	Unfavorable	Index
Jan	9.2	43.6	-34.4
Feb	10.7	52.4	-41.7
Change			-7.3

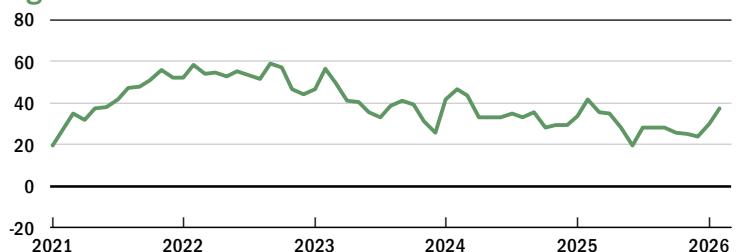
## Number of Employees



### Percent Reporting

	Higher	Lower	Index
Jan	13.8	19.3	-5.5
Feb	11.7	21.4	-9.7
Change			-4.2

## Wages



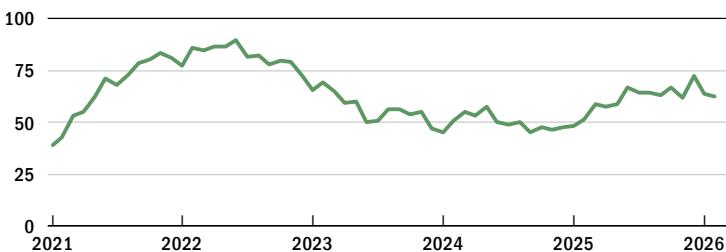
### Percent Reporting

	Higher	Lower	Index
Jan	33.2	3.2	30.0
Feb	41.7	4.4	37.4
Change			7.4

# Current Indicators, *continued*

Change from Preceding Month

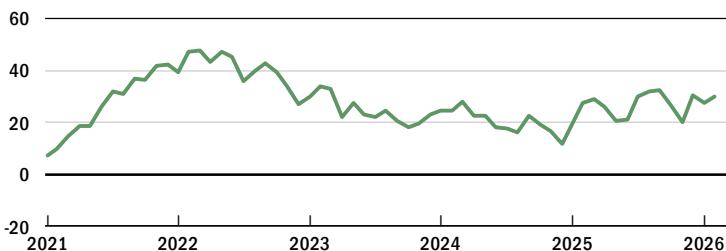
## Prices Paid



### Percent Reporting

	Higher	Lower	Index
Jan	66.7	2.8	63.9
Feb	65.0	2.4	62.6
Change	-1.3		

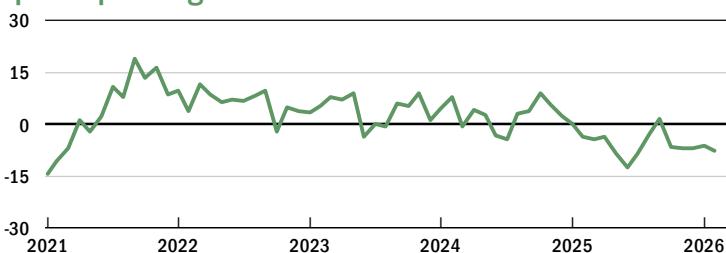
## Prices Received



### Percent Reporting

	Higher	Lower	Index
Jan	34.1	6.5	27.6
Feb	40.2	10.3	29.9
Change	2.3		

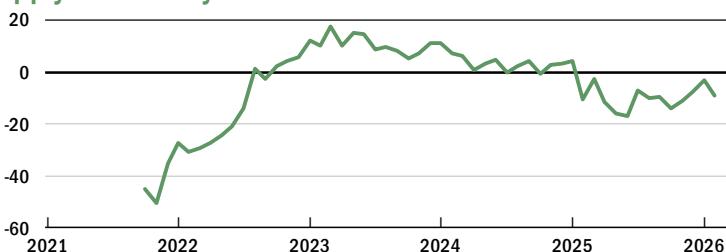
## Capital Spending



### Percent Reporting

	Higher	Lower	Index
Jan	15.5	21.6	-6.1
Feb	19.1	27.0	-7.8
Change	-1.7		

## Supply Availability



### Percent Reporting

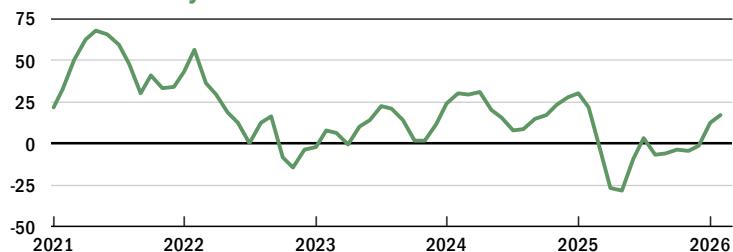
	Higher	Lower	Index
Jan	9.2	12.4	-3.2
Feb	7.3	16.5	-9.2
Change	-6.0		

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

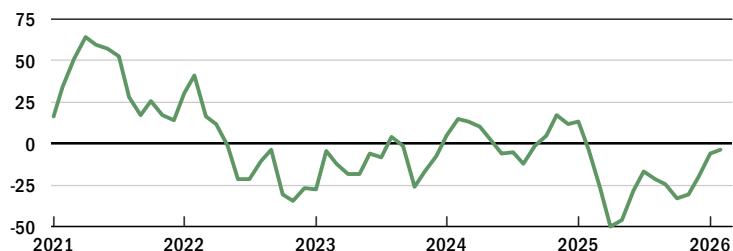
## Business Activity



### Percent Reporting

	Higher	Lower	Index
Jan	36.9	24.4	12.4
Feb	40.3	22.8	17.5
Change	5.1		

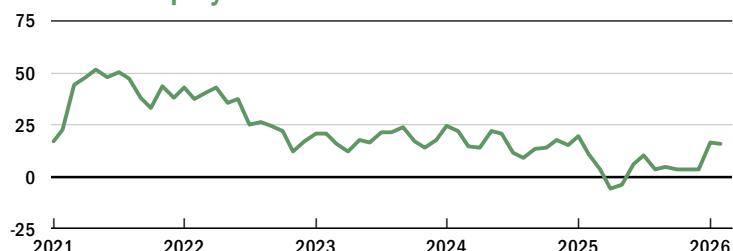
## Business Climate



### Percent Reporting

	Better	Worse	Index
Jan	26.2	32.2	-6.1
Feb	26.8	30.7	-3.9
Change	2.2		

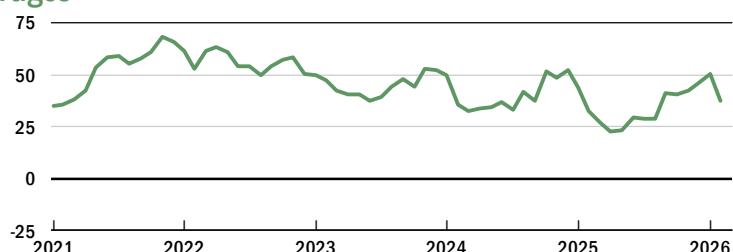
## Number of Employees



### Percent Reporting

	Higher	Lower	Index
Jan	31.3	15.0	16.4
Feb	31.4	15.7	15.7
Change	-0.7		

## Wages



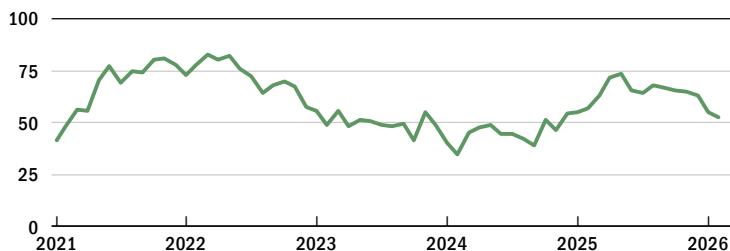
### Percent Reporting

	Higher	Lower	Index
Jan	53.3	2.8	50.5
Feb	41.7	3.9	37.7
Change	-12.8		

# Forward-Looking Indicators, *continued*

## Expectations Six Months Ahead

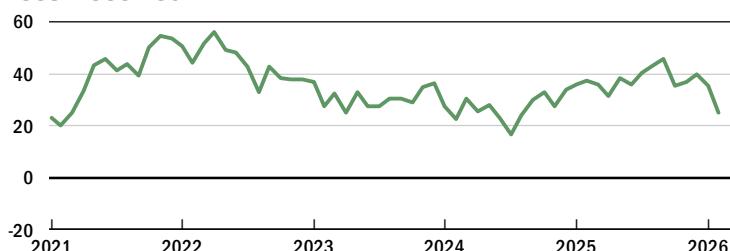
### Prices Paid



### Percent Reporting

	Higher	Lower	Index
Jan	58.2	3.3	54.9
Feb	55.9	3.4	52.5
Change	-2.4		

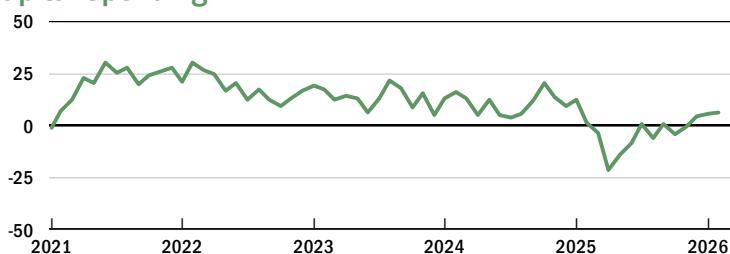
### Prices Received



### Percent Reporting

	Higher	Lower	Index
Jan	41.4	6.2	35.2
Feb	35.1	9.9	25.2
Change	-10.0		

### Capital Spending



### Percent Reporting

	Higher	Lower	Index
Jan	26.1	20.4	5.7
Feb	28.4	22.4	6.0
Change	0.3		

### Supply Availability



### Percent Reporting

	Higher	Lower	Index
Jan	9.6	13.3	-3.7
Feb	10.7	14.1	-3.4
Change	0.3		

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