

Business Leaders Survey

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

Activity in the region's service sector continued to decline, according to firms responding to the Federal Reserve Bank of New York's October 2016 *Business Leaders Survey*. The survey's headline business activity index fell five points to -13.2. The business climate index dropped further into negative territory to -29.7, signaling that, on balance, respondents continued to view the business climate as worse than normal. The employment index inched up to 9.7, pointing to modest growth in employment, while the wages index declined eight points to 33.3, suggesting that the pace of wage increases slowed somewhat. The prices paid index climbed roughly four points to 36.4, and the prices received index edged up two points to 9.2, indicating that the pace of both input and selling price increases picked up a bit this month. Indexes assessing the six-month outlook suggested that

firms were less optimistic about future business conditions.

Business Activity Continues to Decline

For the third consecutive month, business activity declined in the region's service sector, according to the October survey. The survey's headline business activity index fell five points to -13.2. This month, 25 percent of respondents reported that conditions improved, while 38 percent reported that conditions worsened. The business climate index dropped seven points to -29.7, indicating that firms widely viewed the business climate as worse than normal.

Modest Employment Growth

The employment index inched up to 9.7, signaling that employment levels

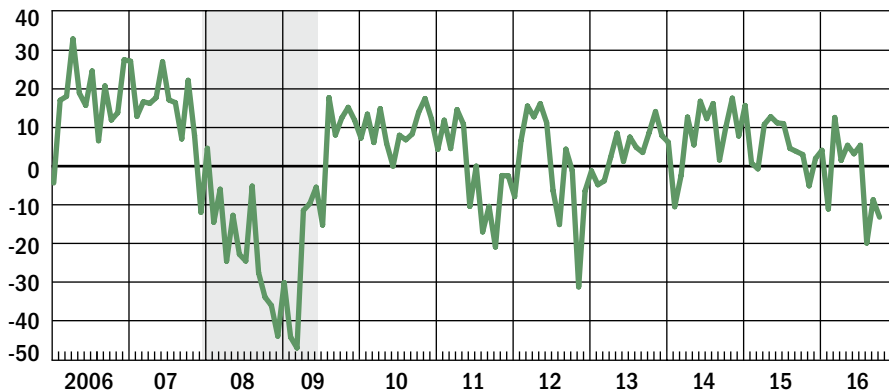
continued to grow at a modest pace. The wages index fell eight points to 33.3, an indication that wages increased at a somewhat slower pace than last month. The prices paid index rose roughly four points to 36.4, and the prices received index edged up two points to 9.2, suggesting that the pace of both input and selling price increases picked up a bit this month. The capital spending index fell six points to 6.3, pointing to modest growth in capital spending.

Firms Less Optimistic

Indexes assessing the six-month outlook suggested that firms were less optimistic about future business conditions than last month. The index for expected business activity dropped eleven points to 10.6, and the index for future business climate plunged twelve points to -3.6. The index for expected employment rose six points to 12.6, pointing to expectations for a pickup in employment levels. The index for expected wages eased six points to 39.4, indicating moderate wage growth is expected in the months ahead. ■

Business Activity

Diffusion index

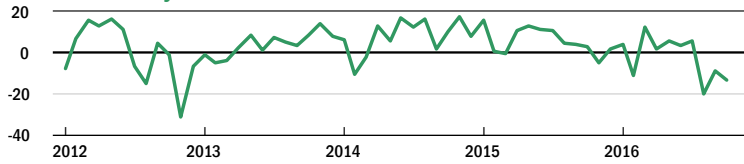


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

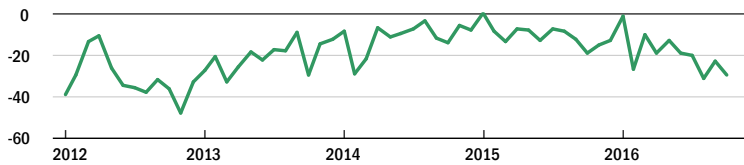
Change from Preceding Month

Business Activity



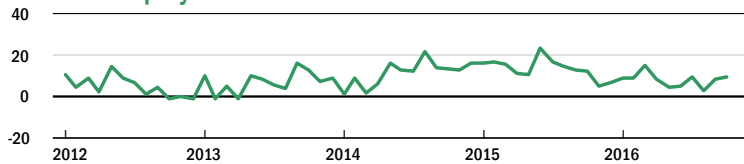
	Percent Reporting		Index
	Higher	Lower	
Sep	27.3	36.0	-8.7
Oct	25.0	38.2	-13.2
Change			-4.5

Business Climate



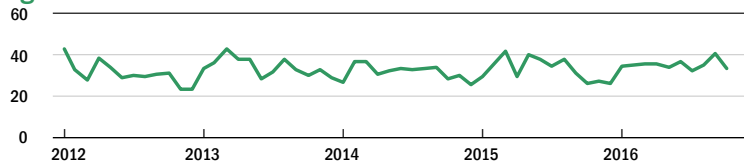
	Percent Reporting		Index
	Favorable	Unfavorable	
Sep	17.2	39.7	-22.5
Oct	10.3	40.0	-29.7
Change			-7.2

Number of Employees



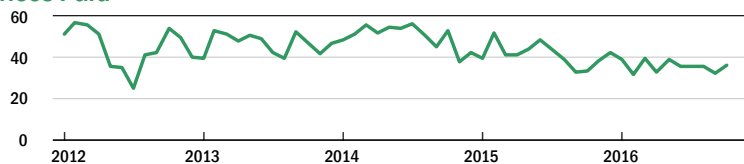
	Percent Reporting		Index
	Higher	Lower	
Sep	29.1	20.9	8.1
Oct	28.5	18.8	9.7
Change			1.6

Wages



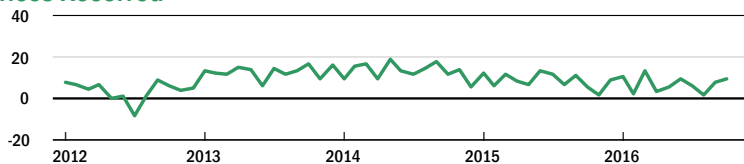
	Percent Reporting		Index
	Higher	Lower	
Sep	42.2	1.4	40.8
Oct	36.1	2.8	33.3
Change			-7.5

Prices Paid



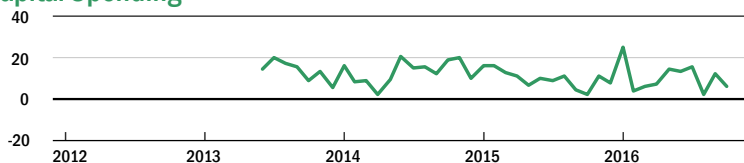
	Percent Reporting		Index
	Higher	Lower	
Sep	35.6	3.4	32.2
Oct	38.5	2.1	36.4
Change			4.2

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Sep	20.7	13.1	7.6
Oct	18.3	9.2	9.2
Change			1.6

Capital Spending



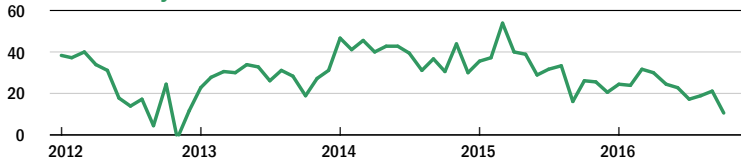
	Percent Reporting		Index
	Higher	Lower	
Sep	32.4	20.3	12.2
Oct	26.6	20.3	6.3
Change			-5.9

Note: Data are not seasonally adjusted.

Forward-Looking Indicators

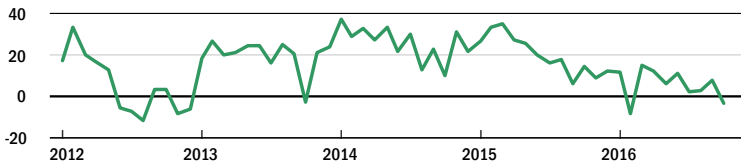
Expectations Six Months Ahead

Business Activity



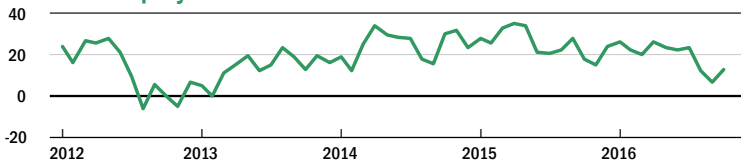
	Percent Reporting		Index
	Higher	Lower	
Sep	40.7	19.3	21.3
Oct	31.2	20.6	10.6
Change			-10.7

Business Climate



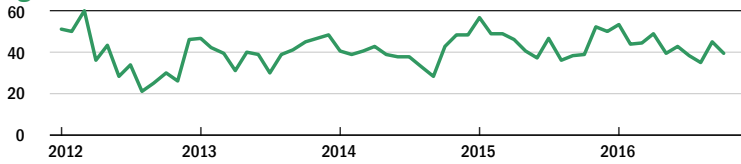
	Percent Reporting		Index
	Favorable	Unfavorable	
Sep	25.2	17.2	7.9
Oct	20.7	24.3	-3.6
Change			-11.5

Number of Employees



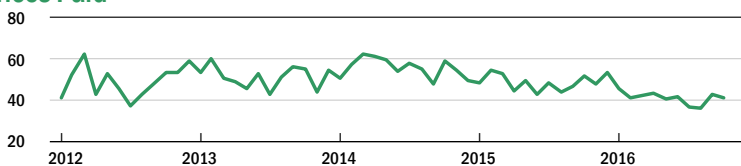
	Percent Reporting		Index
	Higher	Lower	
Sep	27.2	20.4	6.8
Oct	30.1	17.5	12.6
Change			5.8

Wages



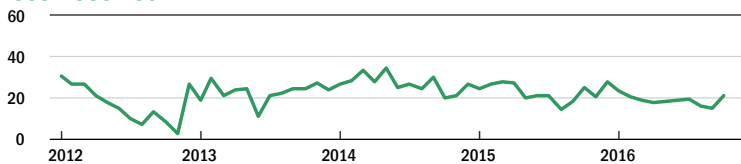
	Percent Reporting		Index
	Higher	Lower	
Sep	46.3	1.3	45.0
Oct	40.8	1.4	39.4
Change			-5.6

Prices Paid



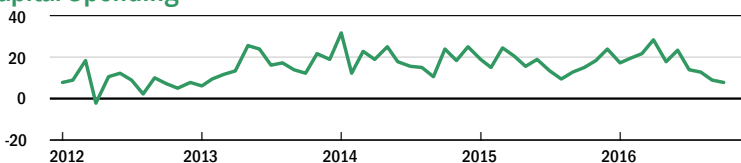
	Percent Reporting		Index
	Higher	Lower	
Sep	46.6	4.1	42.5
Oct	45.5	4.2	41.3
Change			-1.2

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Sep	29.9	15.0	15.0
Oct	29.4	8.4	21.0
Change			6.0

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Sep	31.1	22.3	8.8
Oct	30.1	22.4	7.7
Change			-1.1

Note: Data are not seasonally adjusted.