

Business Leaders Survey

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

Note: Survey responses were collected between October 1 and October 8.

Growth in the region's service sector remained modest, according to firms responding to the Federal Reserve Bank of New York's October 2021 *Business Leaders Survey*. The survey's headline business activity index was little changed at 15.2. The business climate index came in at -8.6, indicating that firms generally viewed the business climate as worse than normal for this time of year. Employment levels and wages continued to rise at a solid clip. The prices paid and prices received indexes remained elevated, pointing to ongoing widespread input and selling price increases, and capital spending continued to expand. Looking ahead, a growing proportion of firms expect conditions to improve over the next six months.

Activity Grows Modestly

After falling for three consecutive months, the headline business activity

index was little changed in October at 15.2, pointing to ongoing modest growth in the region's service sector. Thirty-nine percent of respondents reported that conditions improved over the month, while 23 percent said that conditions worsened. The business climate index came in at -8.6, indicating that, on net, firms continued to view the business climate as worse than normal for this time of year.

Widespread Price Increases Continue

The prices paid index rose two points to 80.3, while the prices received index was little changed at 36.4, with the two readings pointing to ongoing substantial increases in both input costs and selling prices. After reaching its highest level since the pandemic began, the capital spending index fell

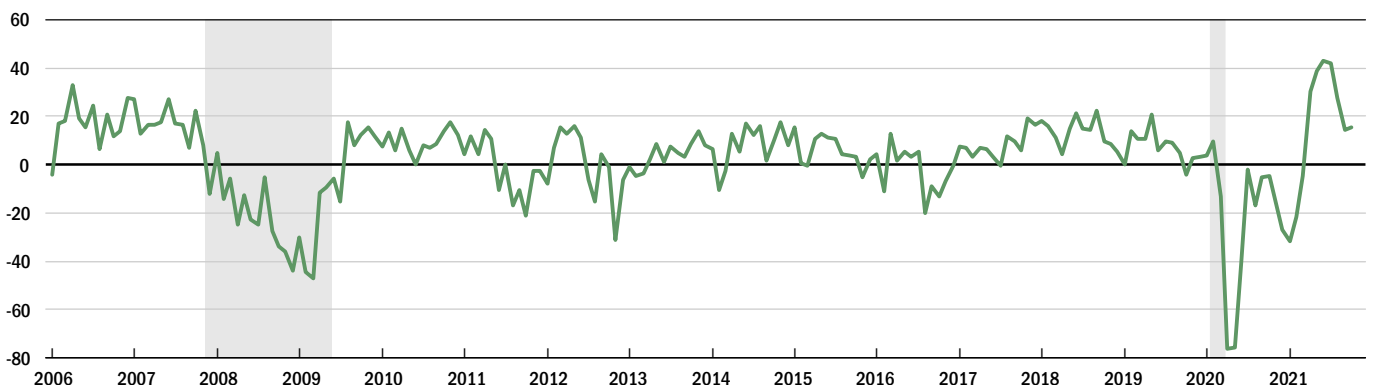
six points to 13.2, signaling ongoing modest increases in capital spending. The employment index rose to 21.3, pointing to a moderate increase in employment levels. At 50.8, the wages index was up three points, indicating another month of strong wage growth.

Optimism Improves

A growing proportion of service firms expect conditions to improve over the next six months. After four consecutive monthly declines, the index for future business activity increased eleven points to 41.4. The index for future business climate rose to 26.0. Ongoing strong gains in employment and wages are expected in the months ahead, and prices are expected to continue to rise significantly. ■

Business Activity

Diffusion Index

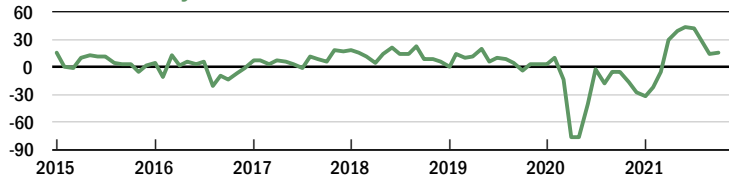


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

Current Indicators

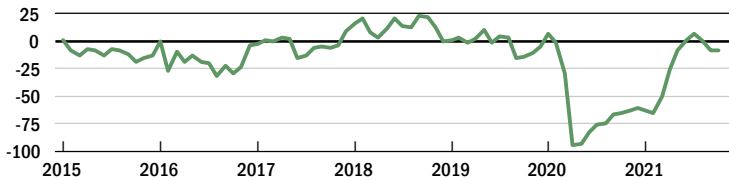
Change from Preceding Month

Business Activity



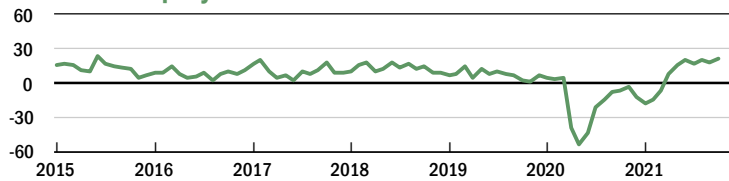
	Percent Reporting		Index
	Higher	Lower	
Sep	38.5	24.1	14.4
Oct	38.6	23.4	15.2
Change			0.8

Business Climate



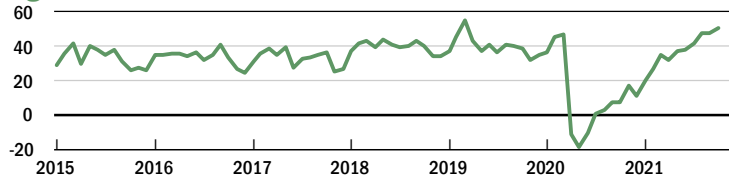
	Percent Reporting		Index
	Favorable	Unfavorable	
Sep	30.3	38.8	-8.5
Oct	30.5	39.1	-8.6
Change			-0.1

Number of Employees



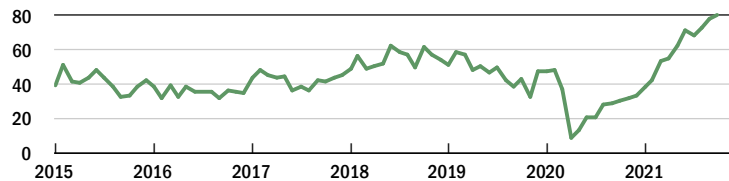
	Percent Reporting		Index
	Higher	Lower	
Sep	31.9	13.8	18.1
Oct	37.6	16.2	21.3
Change			3.2

Wages



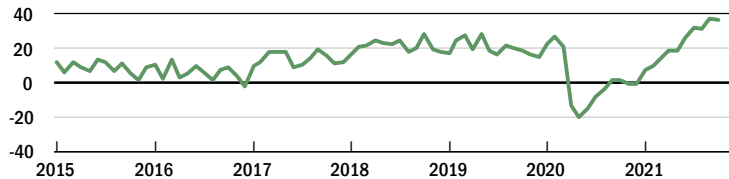
	Percent Reporting		Index
	Higher	Lower	
Sep	50.5	2.7	47.9
Oct	52.8	2.0	50.8
Change			2.9

Prices Paid



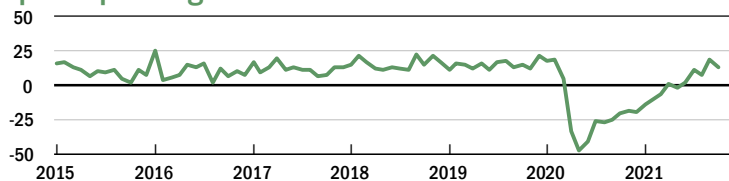
	Percent Reporting		Index
	Higher	Lower	
Sep	78.1	0.0	78.1
Oct	81.8	1.5	80.3
Change			2.2

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Sep	41.7	4.8	36.9
Oct	41.4	5.1	36.4
Change			-0.5

Capital Spending

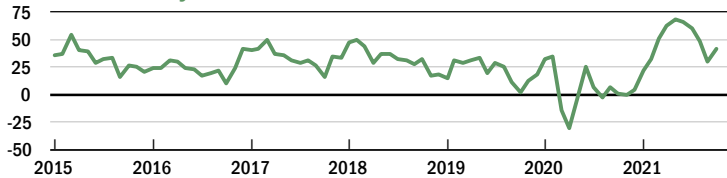


	Percent Reporting		Index
	Higher	Lower	
Sep	31.7	12.9	18.8
Oct	27.9	14.7	13.2
Change			-5.6

Forward-Looking Indicators

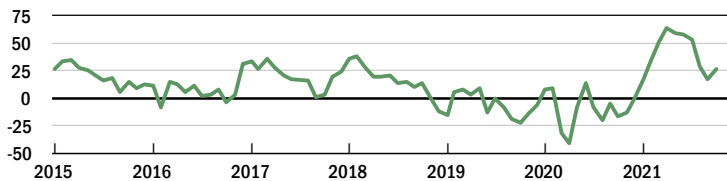
Expectations Six Months Ahead

Business Activity



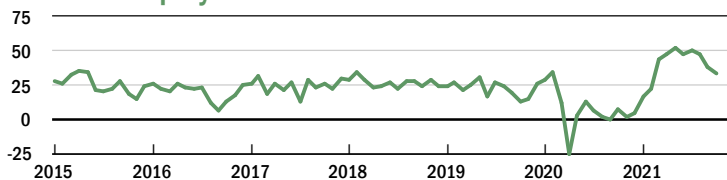
	Percent Reporting		Index
	Higher	Lower	
Sep	46.0	15.5	30.5
Oct	54.5	13.1	41.4
Change			10.9

Business Climate



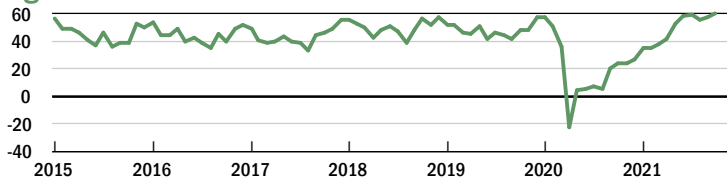
	Percent Reporting		Index
	Better	Worse	
Sep	36.7	19.1	17.6
Oct	40.3	14.3	26.0
Change			8.4

Number of Employees



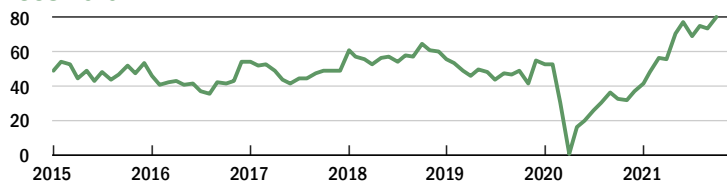
	Percent Reporting		Index
	Higher	Lower	
Sep	47.6	9.6	38.0
Oct	47.4	14.4	33.0
Change			-5.0

Wages



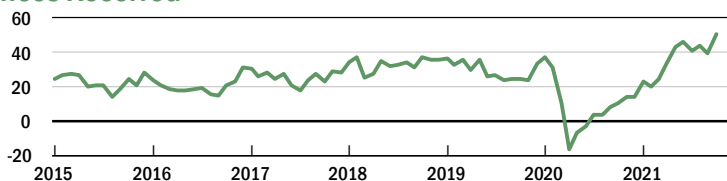
	Percent Reporting		Index
	Higher	Lower	
Sep	58.6	1.1	57.5
Oct	62.2	1.6	60.6
Change			3.1

Prices Paid



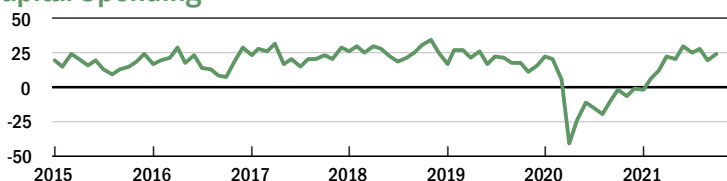
	Percent Reporting		Index
	Higher	Lower	
Sep	74.9	1.1	73.8
Oct	81.0	1.0	80.0
Change			6.2

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Sep	44.1	4.8	39.2
Oct	52.8	2.6	50.3
Change			11.1

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Sep	33.9	14.0	19.9
Oct	36.8	12.4	24.4
Change			4.5