

# Business Leaders Survey

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

Activity in the region's service sector expanded slightly, according to firms responding to the Federal Reserve Bank of New York's March 2017 *Business Leaders Survey*. The survey's headline business activity index edged down four points to 3.2. The business climate index came in at zero, signaling that respondents viewed the business climate as about normal. The employment index fell ten points to 10.1, indicating a modest increase in employment levels. The wages index moved up for a second consecutive month, suggesting that wage increases continued to accelerate. The prices paid index moved down to 44.9, pointing to a somewhat slower pace of input price increases, while the prices received index rose to 17.9, a multiyear high, indicating that selling price increases picked up. Indexes assessing the six-month outlook suggested that firms continued to express widespread optimism about

future business conditions, with the index for future business activity rising to its highest level in two years.

### Business Activity Increases Slightly

Business activity in the region's service sector expanded for a third consecutive month, though only to a small degree. The headline business activity index fell four points to 3.2. Thirty-two percent of respondents reported that conditions improved over the month, while 29 percent said conditions worsened. The business climate index was little changed at zero, suggesting that, on balance, firms viewed the business climate as normal.

### Wage Increases Pick Up

The employment index fell ten points to 10.1, indicating that employment continued to grow, though not as swiftly as last month. The wages index climbed for a second consecutive month,

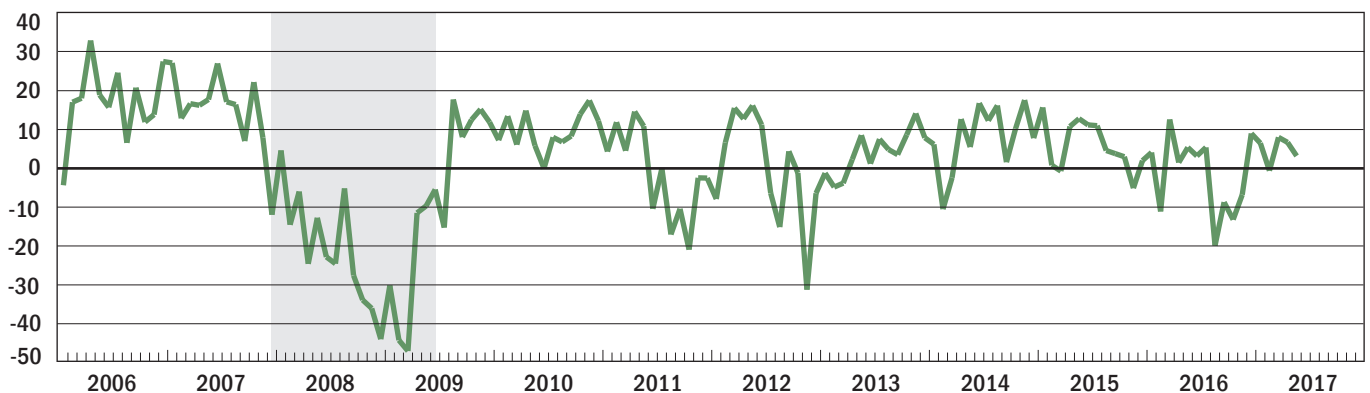
rising four points to 38.9, signaling a further pickup in wage increases. The prices paid index fell three points to 44.9, indicating that input prices increased at a slightly slower pace this month, while the prices received index climbed six points to 17.9, a multiyear high, pointing to a more rapid increase in selling prices. The capital spending index rose four points to 12.7.

### Firms Remain Very Optimistic about Future Conditions

Indexes assessing the six-month outlook continued to convey strong optimism about future conditions. The index for future business activity rose nine points to 50.0, its highest level in two years, and the index for future business climate rose to 35.2. The index for expected employment fell thirteen points, but remained firmly in positive territory at 18.6. The index for future capital spending edged down to 25.6. ■

## Business Activity

Diffusion index

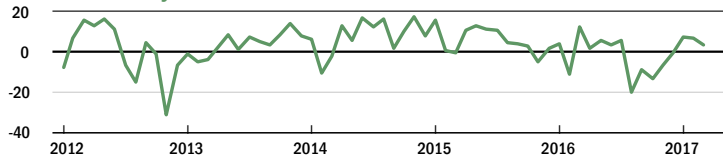


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

# Current Indicators

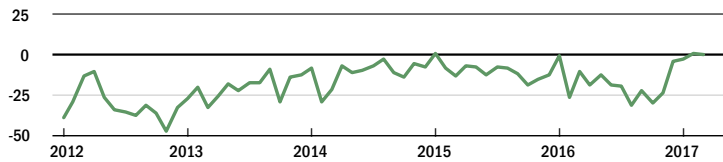
Change from Preceding Month

## Business Activity



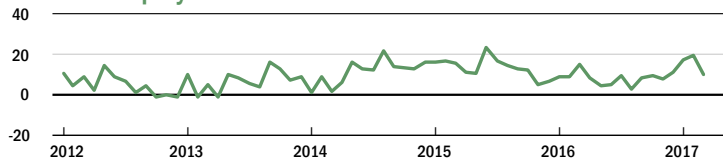
	Percent Reporting		Index
	Higher	Lower	
Feb	30.9	24.2	6.7
Mar	31.6	28.5	3.2
Change			-3.5

## Business Climate



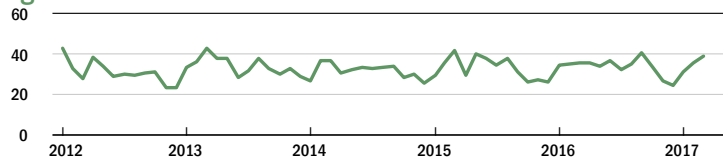
	Percent Reporting		Index
	Favorable	Unfavorable	
Feb	23.3	22.7	0.7
Mar	22.0	22.0	0.0
Change			-0.7

## Number of Employees



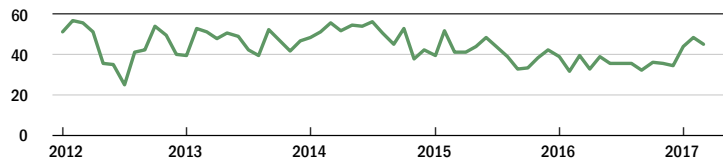
	Percent Reporting		Index
	Higher	Lower	
Feb	35.4	15.6	19.7
Mar	27.2	17.1	10.1
Change			-9.6

## Wages



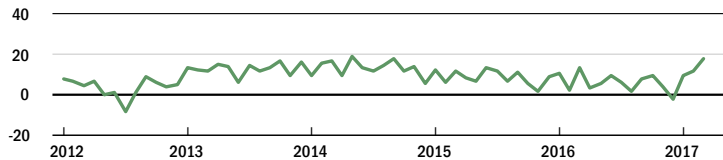
	Percent Reporting		Index
	Higher	Lower	
Feb	40.1	4.8	35.4
Mar	41.4	2.5	38.9
Change			3.5

## Prices Paid



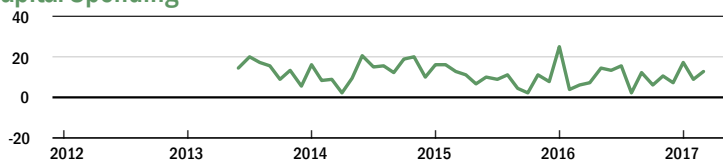
	Percent Reporting		Index
	Higher	Lower	
Feb	51.0	2.7	48.3
Mar	46.8	1.9	44.9
Change			-3.4

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Feb	23.6	11.8	11.8
Mar	26.3	8.3	17.9
Change			6.1

## Capital Spending



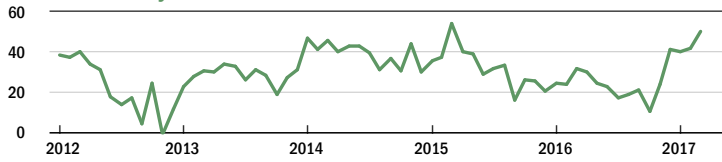
	Percent Reporting		Index
	Higher	Lower	
Feb	26.9	17.9	9.0
Mar	29.9	17.2	12.7
Change			3.7

Note: Data are not seasonally adjusted.

# Forward-Looking Indicators

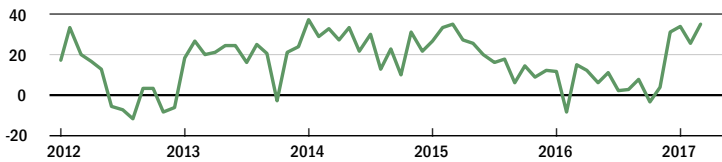
Expectations Six Months Ahead

## Business Activity



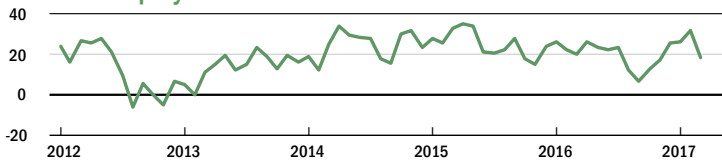
	Percent Reporting		Index
	Higher	Lower	
Feb	52.4	10.9	41.5
Mar	60.8	10.8	50.0
Change			8.5

## Business Climate



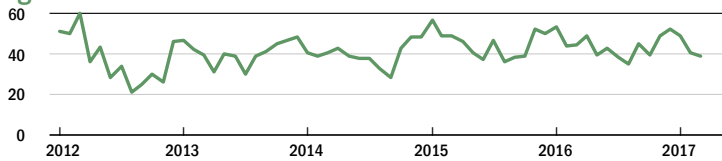
	Percent Reporting		Index
	Favorable	Unfavorable	
Feb	42.2	16.3	25.9
Mar	47.8	12.6	35.2
Change			9.3

## Number of Employees



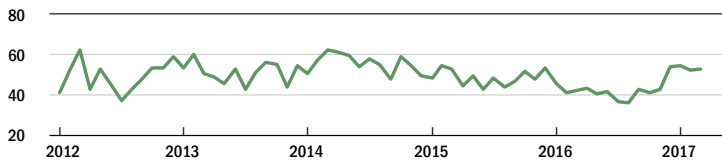
	Percent Reporting		Index
	Higher	Lower	
Feb	42.7	11.2	31.5
Mar	35.3	16.7	18.6
Change			-12.9

## Wages



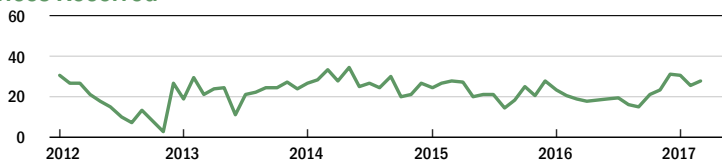
	Percent Reporting		Index
	Higher	Lower	
Feb	42.7	2.1	40.6
Mar	41.3	2.6	38.7
Change			-1.9

## Prices Paid



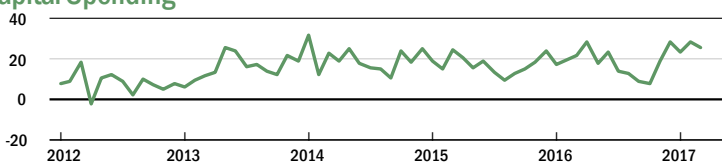
	Percent Reporting		Index
	Higher	Lower	
Feb	54.3	2.1	52.1
Mar	54.2	1.3	52.9
Change			0.8

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Feb	34.3	8.6	25.7
Mar	34.4	6.5	27.9
Change			2.2

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Feb	39.4	11.3	28.2
Mar	38.5	12.8	25.6
Change			-2.6

Note: Data are not seasonally adjusted.