

Business Leaders Survey

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

Note: Survey responses were collected between July 5 and July 11.

Activity declined in the region's service sector, according to firms responding to the Federal Reserve Bank of New York's July 2022 *Business Leaders Survey*. The survey's headline business activity index fell thirteen points to -10.7, its first negative reading in over a year. The business climate index was little changed at -34.3, indicating that firms generally viewed the business climate as worse than normal for this time of year. Employment growth slowed, and wage increases remained widespread. While still elevated, the prices paid and prices received indexes moved notably lower, pointing to a deceleration in price increases. Looking ahead, firms no longer expect activity to increase over the next six months, and they remained pessimistic about the expected future business climate.

Activity Declines for First Time in over a Year

Business activity in the region's service sector declined for the first time since March 2021, according to the July survey. The headline business activity index fell thirteen points to -10.7. Twenty-two percent of respondents reported that conditions improved over the month and 33 percent said that conditions worsened. The business climate index held steady at -34.3, indicating that on net, firms continued to view the business climate as worse than normal.

Employment Growth Slows amid Rising Wages

The employment index fell eleven points to 7.6, pointing to a modest increase in employment levels. The wages index was little changed at 53.5, signaling another

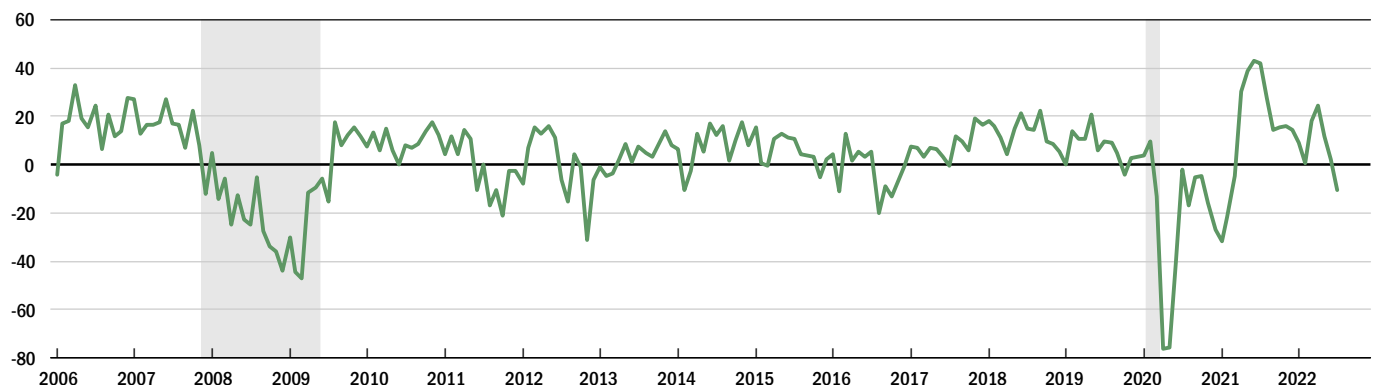
month of strong wage growth. After reaching a record high last month, the prices paid index fell eight points to 81.3, indicating a slowing in input price increases. The prices received index fell nine points to 35.9, a sign that selling price increases also slowed. The capital spending index held steady at 6.6.

Firms No Longer Expect Activity to Increase

Firms believe activity will not increase over the next six months. The index for future business activity fell thirteen points to zero. The index for the future business climate was little changed at -21.2, indicating that firms expect the business climate to remain worse than normal. Employment is expected to grow in the months ahead, and wage and price increases are expected to remain widespread. ■

Business Activity

Diffusion Index

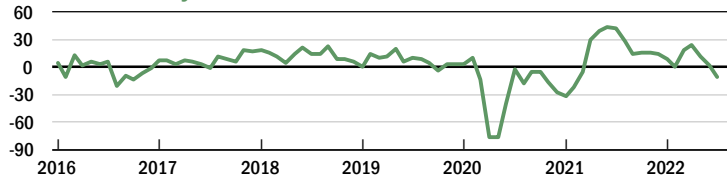


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

Current Indicators

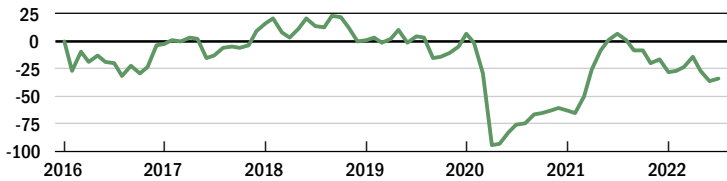
Change from Preceding Month

Business Activity



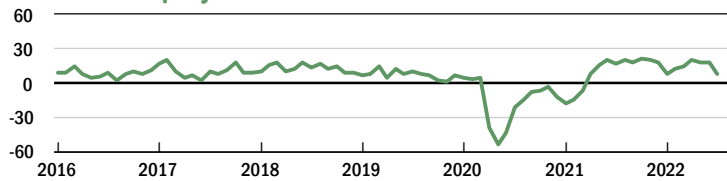
	Percent Reporting		Index
	Higher	Lower	
Jun	29.2	27.0	2.2
Jul	21.8	32.5	-10.7
Change			-12.9

Business Climate



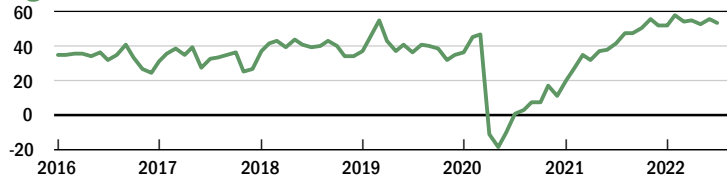
	Percent Reporting		Index
	Favorable	Unfavorable	
Jun	15.8	52.0	-36.2
Jul	17.2	51.5	-34.3
Change			1.9

Number of Employees



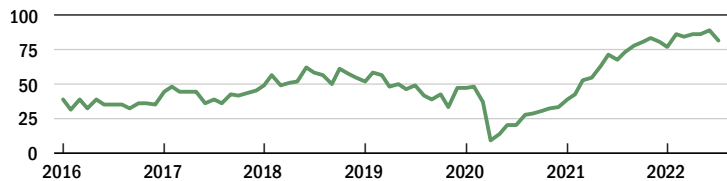
	Percent Reporting		Index
	Higher	Lower	
Jun	32.2	14.1	18.1
Jul	27.3	19.7	7.6
Change			-10.5

Wages



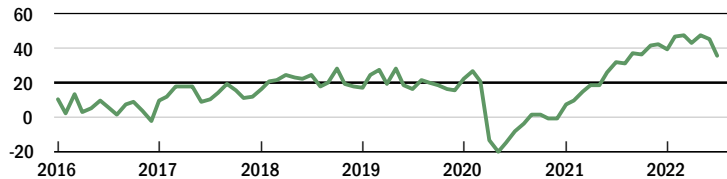
	Percent Reporting		Index
	Higher	Lower	
Jun	57.1	1.7	55.4
Jul	54.0	0.5	53.5
Change			-1.9

Prices Paid



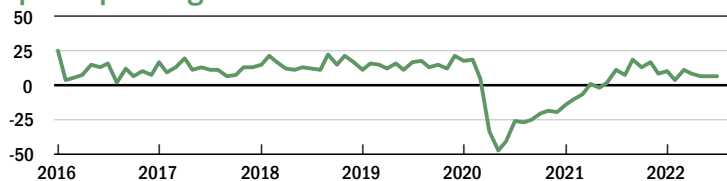
	Percent Reporting		Index
	Higher	Lower	
Jun	89.8	0.6	89.3
Jul	81.8	0.5	81.3
Change			-8.0

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jun	48.0	2.9	45.1
Jul	41.4	5.6	35.9
Change			-9.2

Capital Spending

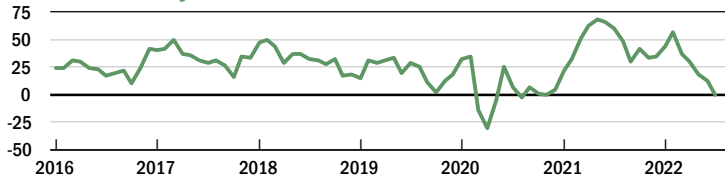


	Percent Reporting		Index
	Higher	Lower	
Jun	25.9	19.0	6.9
Jul	25.9	19.3	6.6
Change			-0.3

Forward-Looking Indicators

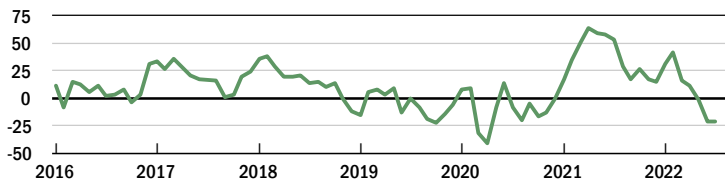
Expectations Six Months Ahead

Business Activity



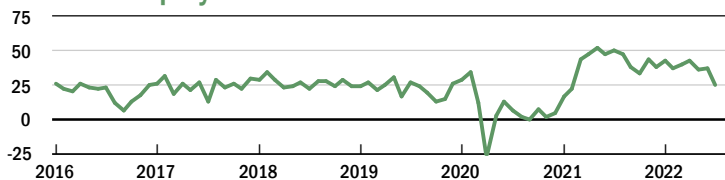
	Percent Reporting		Index
	Higher	Lower	
Jun	37.6	24.7	12.9
Jul	31.0	31.0	0.0
Change			-12.9

Business Climate



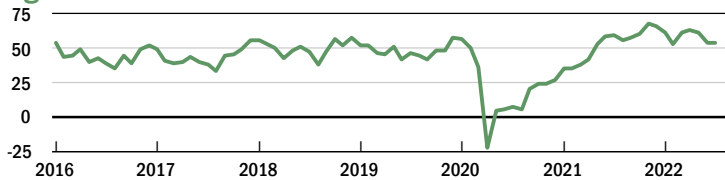
	Percent Reporting		Index
	Better	Worse	
Jun	19.7	41.0	-21.3
Jul	23.7	44.9	-21.2
Change			0.1

Number of Employees



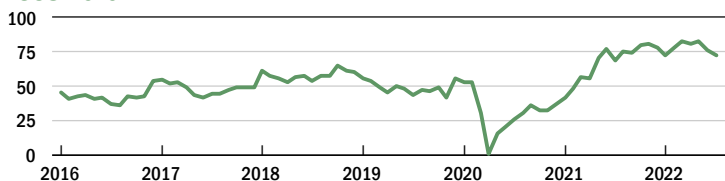
	Percent Reporting		Index
	Higher	Lower	
Jun	46.3	9.1	37.1
Jul	34.4	9.4	25.0
Change			-12.1

Wages



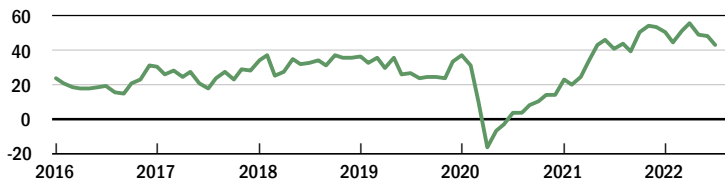
	Percent Reporting		Index
	Higher	Lower	
Jun	55.7	1.7	54.0
Jul	56.0	2.1	53.9
Change			-0.1

Prices Paid



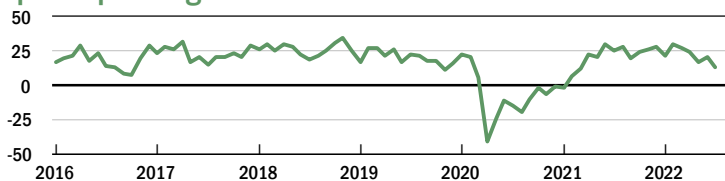
	Percent Reporting		Index
	Higher	Lower	
Jun	78.9	2.9	76.0
Jul	75.9	3.7	72.3
Change			-3.7

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jun	52.0	4.0	48.0
Jul	48.2	5.2	42.9
Change			-5.1

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jun	33.7	13.4	20.3
Jul	29.5	16.8	12.6
Change			-7.7