

Business Leaders Survey

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

Note: Survey responses were collected between March 3 and March 11.

Business activity declined significantly in the region’s service sector in March, according to firms responding to the Federal Reserve Bank of New York’s *Business Leaders Survey*. The survey’s headline business activity index fell nine points to -19.3, its lowest level in more than a year. The business climate index fell sixteen points to -51.7, its lowest level since 2021, suggesting the business climate was considerably worse than normal. Employment declined modestly, and wage growth moderated somewhat. Supply availability worsened slightly. Input price increases picked up to the fastest pace in nearly two years, and selling price increases also ticked up. Looking ahead, firms turned pessimistic about the outlook, and the future employment index dropped to its lowest level since 2020.

Decline in Activity Picks Up Speed

Business activity fell at a substantial pace in the New York-Northern New Jersey region, according to the March survey. The headline business activity index fell nine points to -19.3. Nineteen percent of respondents reported that conditions improved over the month while 38 percent said that conditions worsened. The

ECONOMIST COMMENTARY

“Business activity declined significantly in the New York-Northern New Jersey region’s service sector in March. Input price increases picked up to the fastest pace in nearly two years, and firms turned pessimistic about the outlook for future business activity for the first time since 2023.”

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

business climate index dropped sixteen points to -51.7, its lowest level in four years, with nearly 60 percent of respondents saying that the business climate was worse than normal.

Employment Continues to Edge Down

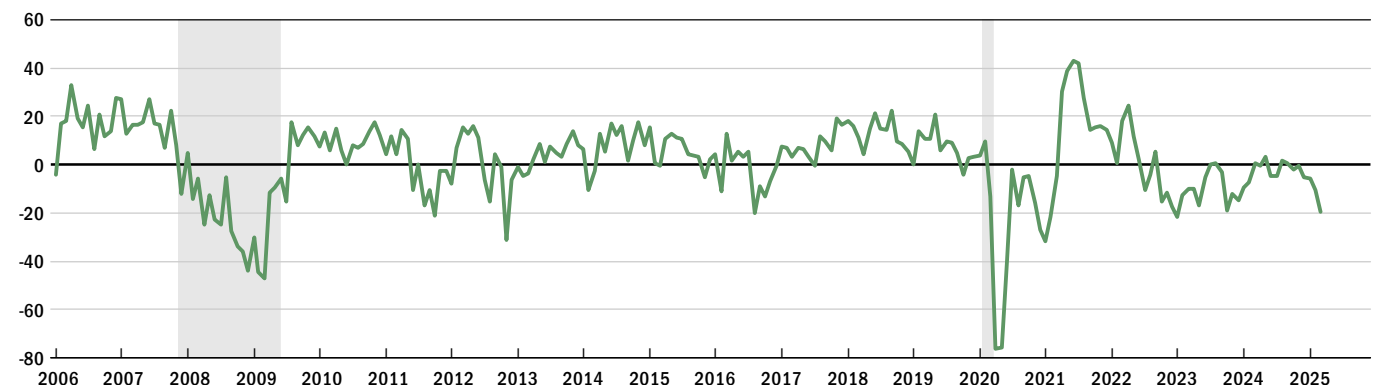
The employment index was little changed at -4.7, indicating that employment levels continued to decline slightly. The wages index fell six points to 35.8, indicating that wage increases moderated somewhat. The prices paid index moved up eight points to 58.8, its highest level in nearly two years, a sign that input price increases picked up. After rising eight points last month, the prices received index held steady at 28.7. The supply availability index was -2.8, suggesting supply availability was slightly lower.

Outlook Turns Pessimistic

The index for future business activity plunged twenty-five points to -3.3, its first negative reading since 2023, suggesting that firms on the whole do not expect activity to increase in the months ahead. The index for the future business climate fell twenty-three points to -26.9, part of a cumulative decline of forty points over the past two months, suggesting the business climate is expected to remain worse than normal. The future employment index fell to its lowest level since December 2020, with negligible employment growth expected over the next six months. The future supply availability index remained firmly below zero at -18.7, with about 31 percent of firms expecting supply availability to be worse in six months. Capital spending edged down. ■

Business Activity

Diffusion Index

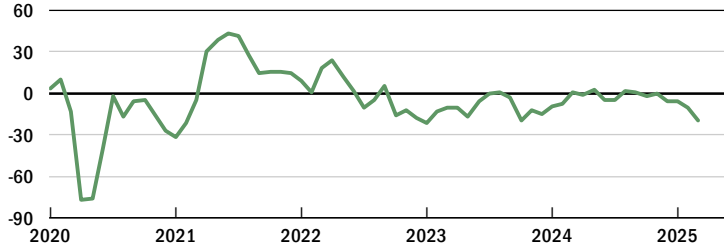


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

Current Indicators

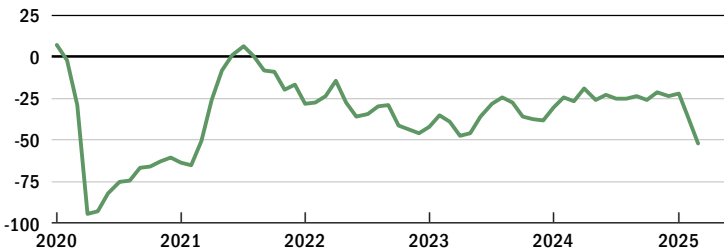
Change from Preceding Month

Business Activity



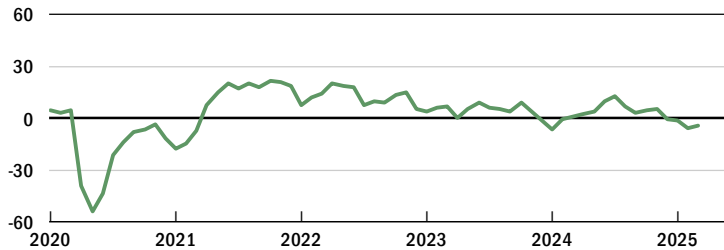
	Percent Reporting		Index
	Higher	Lower	
Feb	21.5	31.9	-10.5
Mar	18.9	38.2	-19.3
Change			-8.8

Business Climate



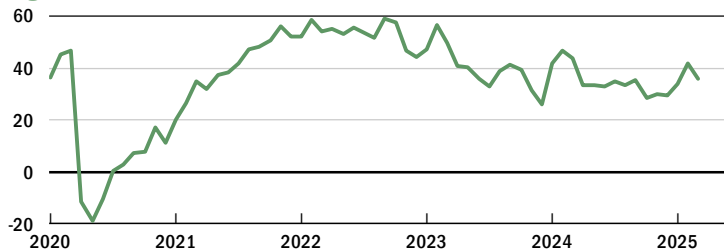
	Percent Reporting		Index
	Favorable	Unfavorable	
Feb	10.3	45.9	-35.6
Mar	6.6	58.3	-51.7
Change			-16.1

Number of Employees



	Percent Reporting		Index
	Higher	Lower	
Feb	15.5	21.1	-5.7
Mar	16.0	20.8	-4.7
Change			1.0

Wages

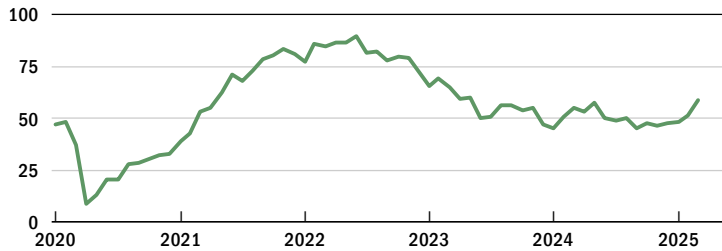


	Percent Reporting		Index
	Higher	Lower	
Feb	45.4	3.6	41.8
Mar	40.1	4.2	35.8
Change			-6.0

Current Indicators, *continued*

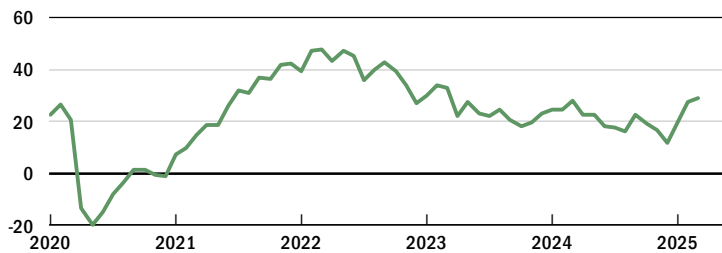
Change from Preceding Month

Prices Paid



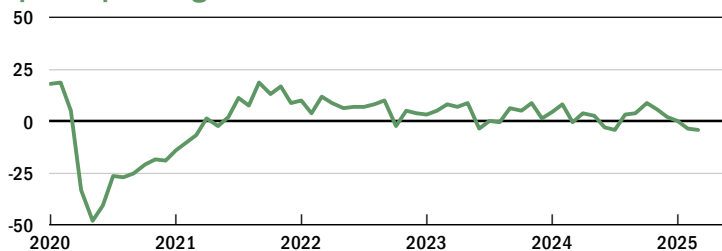
	Percent Reporting		Index
	Higher	Lower	
Feb	53.4	2.1	51.3
Mar	61.6	2.8	58.8
Change			7.5

Prices Received



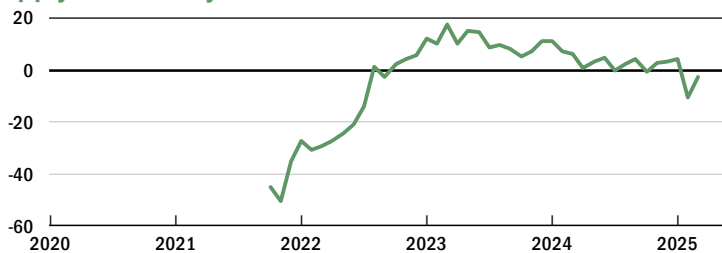
	Percent Reporting		Index
	Higher	Lower	
Feb	32.6	5.3	27.4
Mar	36.4	7.7	28.7
Change			1.3

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Feb	17.8	21.5	-3.7
Mar	17.6	21.9	-4.3
Change			-0.6

Supply Availability



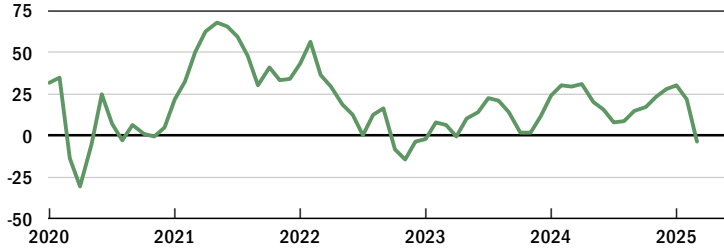
	Percent Reporting		Index
	Higher	Lower	
Feb	5.7	16.1	-10.4
Mar	10.0	12.8	-2.8
Change			7.6

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

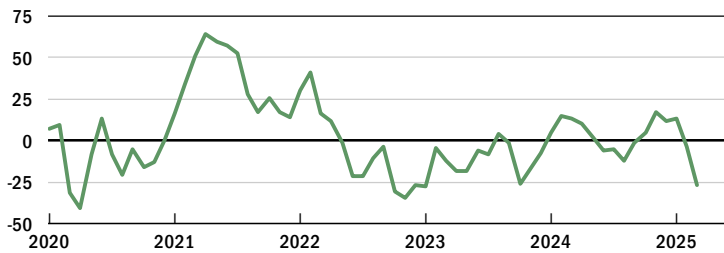
Expectations Six Months Ahead

Business Activity



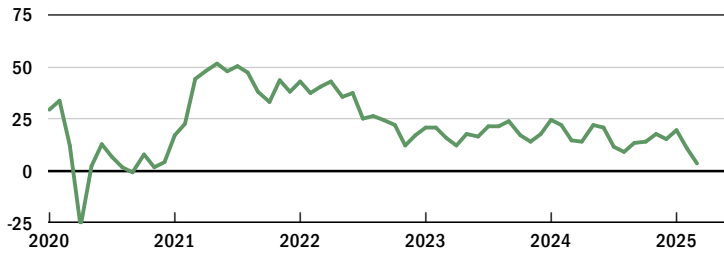
	Percent Reporting		Index
	Higher	Lower	
Feb	43.3	21.6	21.6
Mar	33.8	37.1	-3.3
Change			-24.9

Business Climate



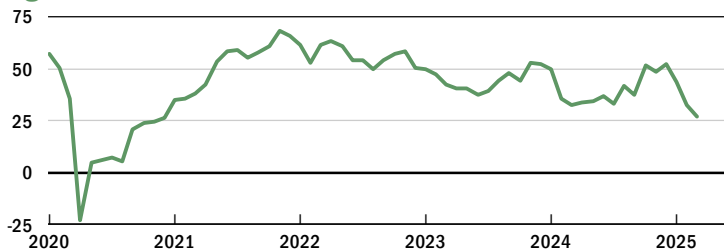
	Percent Reporting		Index
	Better	Worse	
Feb	32.1	35.8	-3.6
Mar	24.1	50.9	-26.9
Change			-23.3

Number of Employees



	Percent Reporting		Index
	Higher	Lower	
Feb	29.4	18.7	10.7
Mar	22.6	18.8	3.8
Change			-6.9

Wages

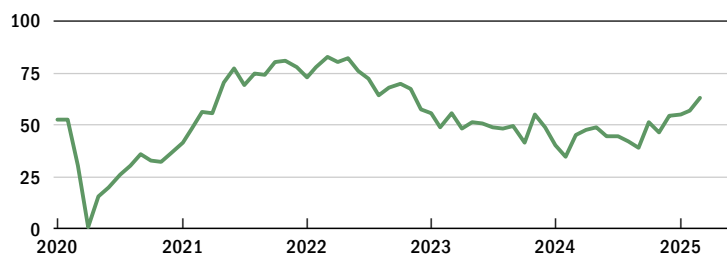


	Percent Reporting		Index
	Higher	Lower	
Feb	38.5	5.9	32.6
Mar	32.2	5.3	26.9
Change			-5.7

Forward-Looking Indicators, *continued*

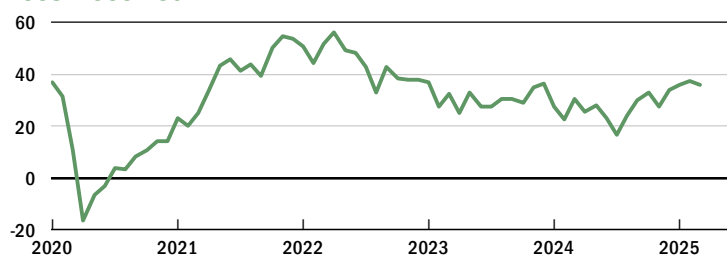
Expectations Six Months Ahead

Prices Paid



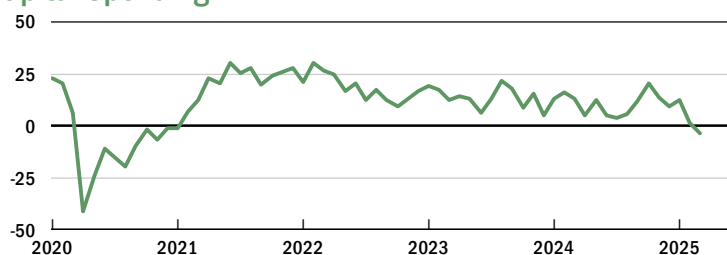
	Percent Reporting		Index
	Higher	Lower	
Feb	61.3	4.3	57.0
Mar	68.1	4.8	63.3
Change			6.3

Prices Received



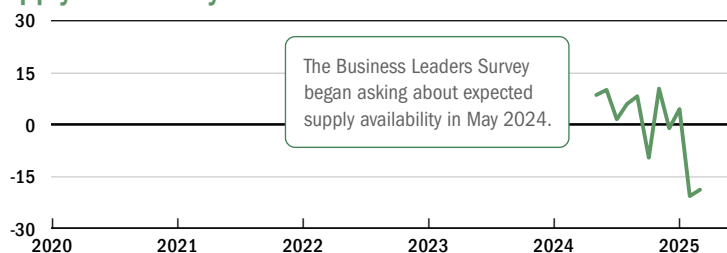
	Percent Reporting		Index
	Higher	Lower	
Feb	43.2	5.9	37.3
Mar	44.7	8.7	35.9
Change			-1.4

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Feb	21.1	19.5	1.6
Mar	22.3	26.2	-3.9
Change			-5.5

Supply Availability



	Percent Reporting		Index
	Higher	Lower	
Feb	11.9	32.6	-20.7
Mar	12.4	31.1	-18.7
Change			2.0

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