

Business Leaders Survey

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

Activity in the region's service sector expanded strongly, according to firms responding to the Federal Reserve Bank of New York's September 2018 *Business Leaders Survey*. The survey's headline business activity index climbed eight points to 22.5, its highest level in more than ten years. The business climate index reached a record high of 23.2, a sign that firms, on balance, regarded the business climate as better than normal. Employment levels increased modestly, and the wages index remained elevated at 43.3. The prices paid index moved down seven points to 50.0, signaling that input price increases, while still widespread, were somewhat less steep than last month, and the selling price index edged up two points to 20.1. Indexes assessing the six-month outlook suggested that firms' optimism about future conditions continued to drift lower.

Growth Picks Up

Business activity grew robustly in the region's service sector in September. The headline business activity index rose eight points to 22.5, its highest level in over a decade. Forty-one percent of respondents reported that conditions improved over the month, while 19 percent said that conditions worsened. The business climate index increased to a record high of 23.2, signaling that, on balance, firms viewed the business climate as better than normal.

A Modest Increase in Employment

The employment index edged down four points to 11.9, indicating that employment growth slowed to a modest pace. The wages index advanced three points to 43.3, reflecting ongoing significant wage

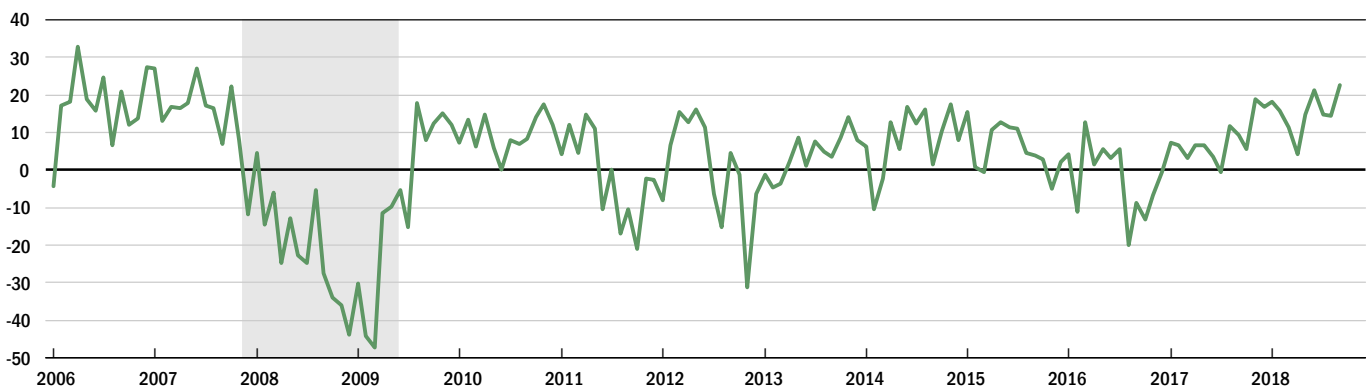
gains. The prices paid index fell for a third consecutive month, but remained elevated at 50.0, a sign that input price increases remained widespread. The prices received index edged up two points to 20.1. The capital spending index climbed eleven points to 21.9, pointing to strong increases in capital spending.

Optimism about Outlook Drifts Lower

Firms remained fairly positive about the six-month outlook, though optimism continued to drift downward. The indexes for future business activity and future business climate both moved lower and remained below levels seen earlier this year. The index for future wages increased, and the index for planned capital spending came in at 24.8. ■

Business Activity

Diffusion Index

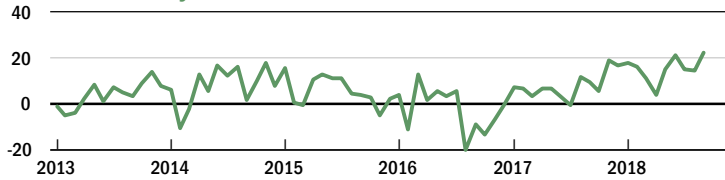


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

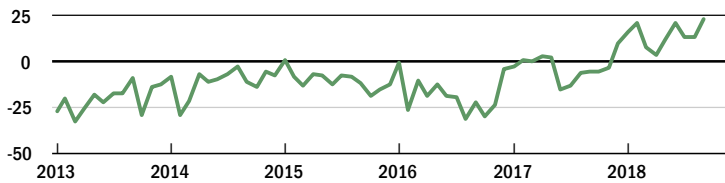
Change from Preceding Month

Business Activity



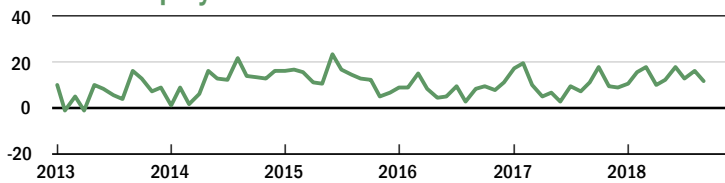
	Percent Reporting		Index
	Higher	Lower	
Aug	35.2	20.8	14.5
Sep	41.1	18.5	22.5
Change			8.0

Business Climate



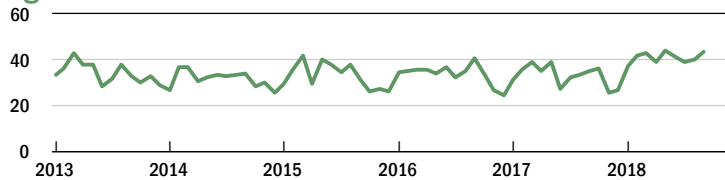
	Percent Reporting		Index
	Favorable	Unfavorable	
Aug	36.0	23.0	13.0
Sep	39.1	15.9	23.2
Change			10.2

Number of Employees



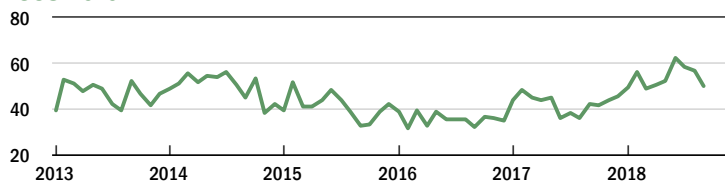
	Percent Reporting		Index
	Higher	Lower	
Aug	33.8	17.5	16.3
Sep	30.5	18.5	11.9
Change			-4.4

Wages



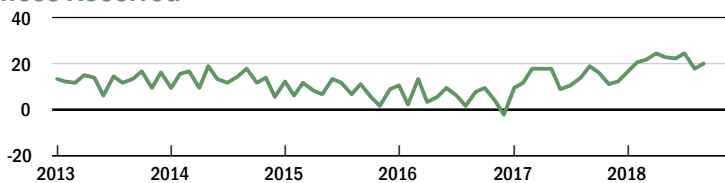
	Percent Reporting		Index
	Higher	Lower	
Aug	41.5	1.3	40.3
Sep	45.3	2.0	43.3
Change			3.0

Prices Paid



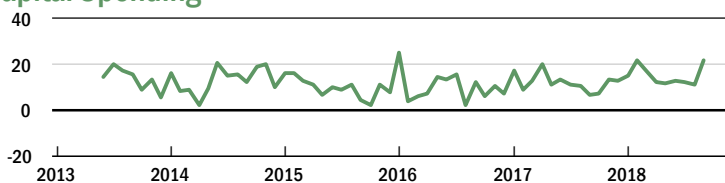
	Percent Reporting		Index
	Higher	Lower	
Aug	58.8	1.9	56.9
Sep	52.7	2.7	50.0
Change			-6.9

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Aug	23.4	5.7	17.7
Sep	28.2	8.1	20.1
Change			2.4

Capital Spending

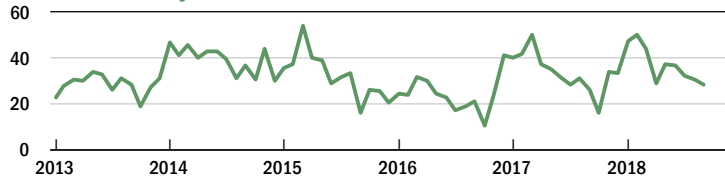


	Percent Reporting		Index
	Higher	Lower	
Aug	27.0	15.7	11.3
Sep	32.5	10.6	21.9
Change			10.6

Forward-Looking Indicators

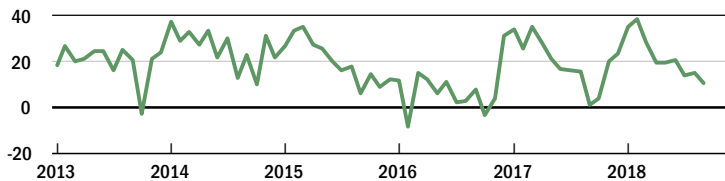
Expectations Six Months Ahead

Business Activity



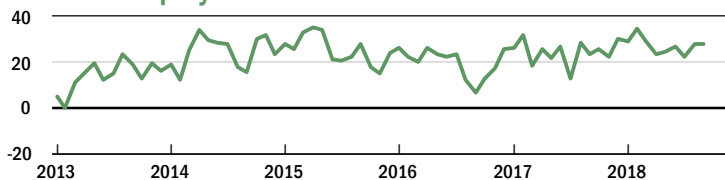
	Percent Reporting		Index
	Higher	Lower	
Aug	49.1	18.2	30.8
Sep	43.2	15.1	28.1
Change			-2.7

Business Climate



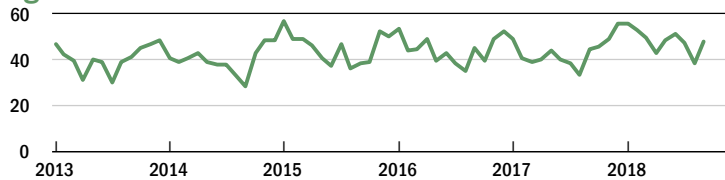
	Percent Reporting		Index
	Favorable	Unfavorable	
Aug	33.5	18.6	14.9
Sep	30.2	19.5	10.7
Change			-4.2

Number of Employees



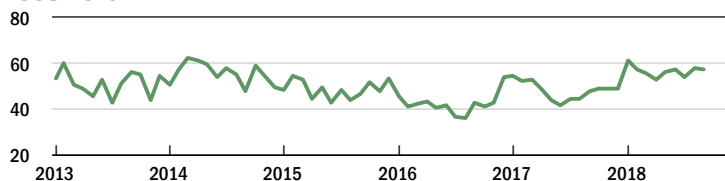
	Percent Reporting		Index
	Higher	Lower	
Aug	40.5	12.7	27.8
Sep	40.1	12.2	27.9
Change			0.1

Wages



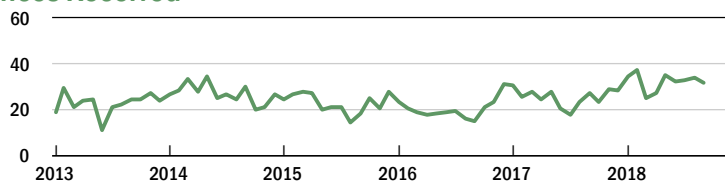
	Percent Reporting		Index
	Higher	Lower	
Aug	41.7	3.2	38.5
Sep	49.0	1.3	47.7
Change			9.2

Prices Paid



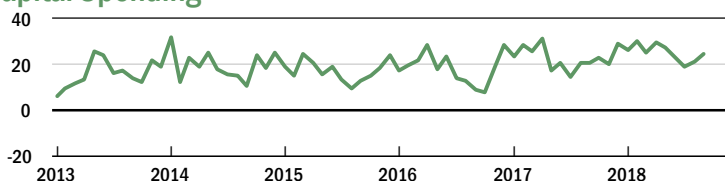
	Percent Reporting		Index
	Higher	Lower	
Aug	59.0	1.3	57.7
Sep	61.6	4.1	57.5
Change			-0.2

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Aug	38.6	4.6	34.0
Sep	37.0	5.5	31.5
Change			-2.5

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Aug	35.7	14.6	21.0
Sep	34.9	10.1	24.8
Change			3.8