

Business Leaders Survey

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

Note: Survey responses were collected between January 4 and January 11.

Activity in the region's service sector declined at an accelerated pace, according to firms responding to the Federal Reserve Bank of New York's January 2021 *Business Leaders Survey*. The survey's headline business activity index fell five points to -31.8. The business climate index fell three points to -63.3, indicating that the vast majority of firms continued to view the business climate as worse than normal. Employment levels declined at a faster clip than last month, though wage increases picked up. Both input prices and selling prices increased at a faster pace than in December. Capital spending fell for a tenth consecutive month. Looking ahead, firms expect business conditions to improve over the next six months.

Conditions Remain Weak

Business activity in the region's service sector declined for an eleventh

consecutive month. After falling eleven points in each of the prior two months, the headline business activity index fell another five points to -31.8, its lowest reading in seven months. Nineteen percent of respondents reported that conditions improved over the month, while 51 percent said that conditions worsened. The business climate index fell three points to -63.3, with just over three-quarters of respondents viewing the business climate as worse than normal.

Employment Continues to Shrink

The employment index moved down six points to -17.6, indicating that employment levels fell at a faster pace than last month. However, wages increased at a faster pace, with the wages index rising nine points to 19.9, its highest level since the onset of the pandemic. Price increases picked up:

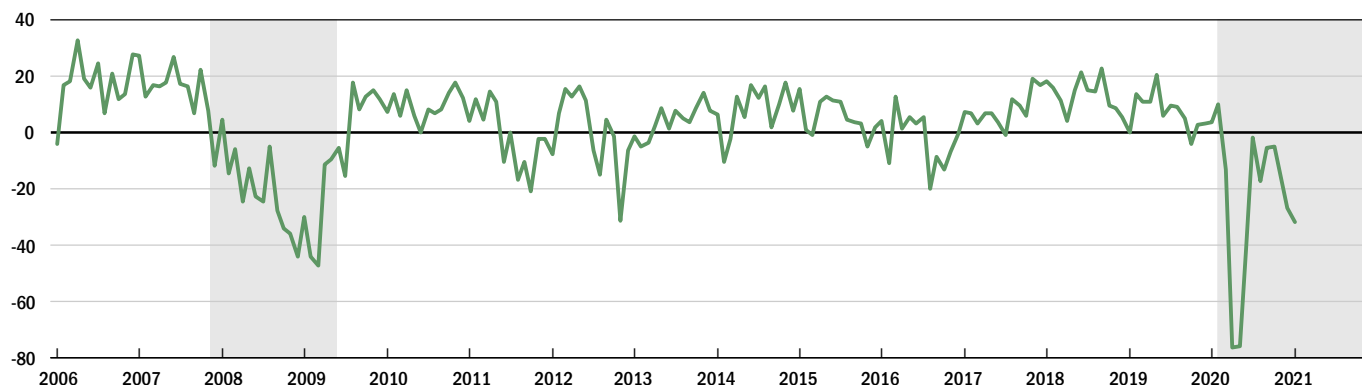
The prices paid index rose six points to 38.9, and the prices received index rose eight points to 7.4, the first sign of any significant selling price increases since the pandemic began. The capital spending index continued to increase but remained negative at -14.2, suggesting ongoing declines in capital spending, though fewer respondents reported such declines compared to previous months.

Firms Expecting Future Improvement for the First Time in Months

The index for future business activity rose seventeen points to 21.6, its highest level in several months, and the future business climate index rose to 16.7, signaling that firms expect conditions to improve over the next six months. Employment levels, wages, and prices are all expected to increase, while capital spending is expected to be flat. ■

Business Activity

Diffusion Index

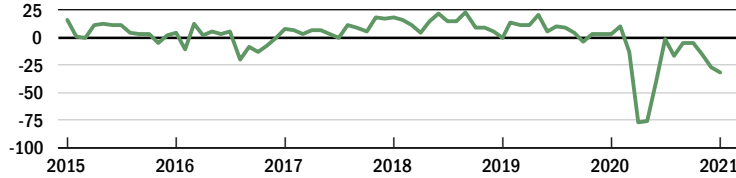


Note: The shaded areas indicate a period designated a recession by the National Bureau of Economic Research.

Current Indicators

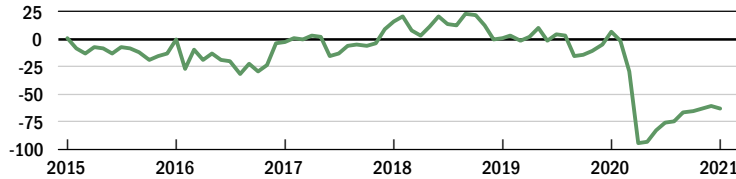
Change from Preceding Month

Business Activity



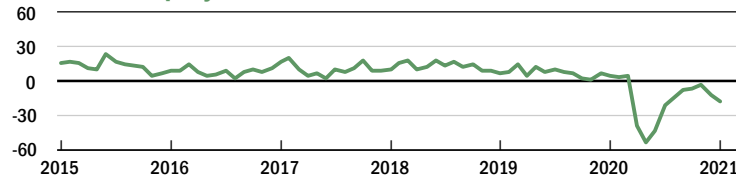
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Dec | 17.5 | 44.3 | -26.9 |
| Jan | 18.6 | 50.5 | -31.8 |
| Change | | | -4.9 |

Business Climate



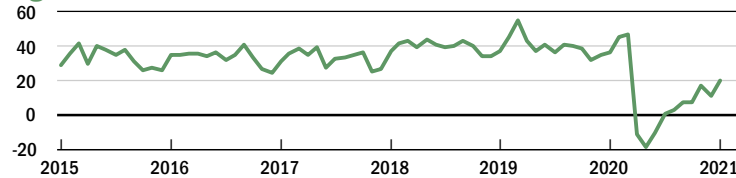
| | Percent Reporting | | Index |
|--------|-------------------|-------------|-------|
| | Favorable | Unfavorable | |
| Dec | 11.7 | 72.0 | -60.3 |
| Jan | 12.2 | 75.6 | -63.3 |
| Change | | | -3.0 |

Number of Employees



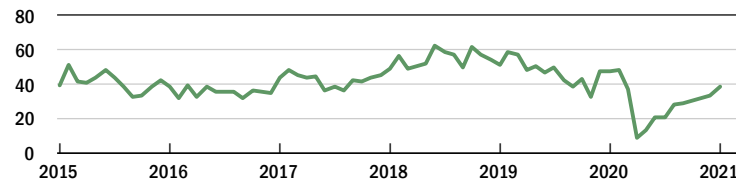
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Dec | 16.4 | 28.2 | -11.7 |
| Jan | 11.8 | 29.4 | -17.6 |
| Change | | | -5.9 |

Wages



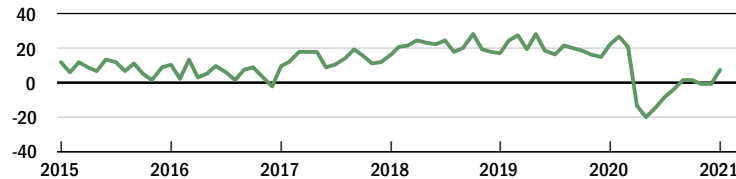
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Dec | 18.7 | 7.5 | 11.2 |
| Jan | 26.2 | 6.3 | 19.9 |
| Change | | | 8.7 |

Prices Paid



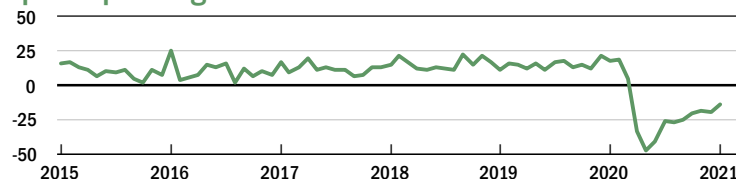
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Dec | 38.6 | 5.6 | 33.0 |
| Jan | 42.5 | 3.6 | 38.9 |
| Change | | | 5.9 |

Prices Received



| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Dec | 12.7 | 13.7 | -0.9 |
| Jan | 18.1 | 10.6 | 7.4 |
| Change | | | 8.3 |

Capital Spending

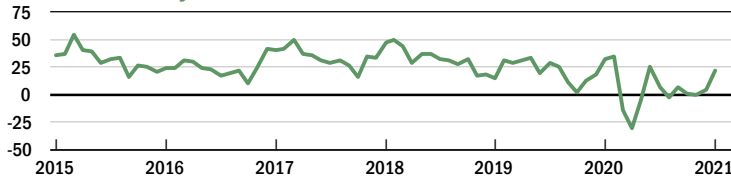


| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Dec | 16.4 | 35.7 | -19.2 |
| Jan | 14.7 | 28.9 | -14.2 |
| Change | | | 5.0 |

Forward-Looking Indicators

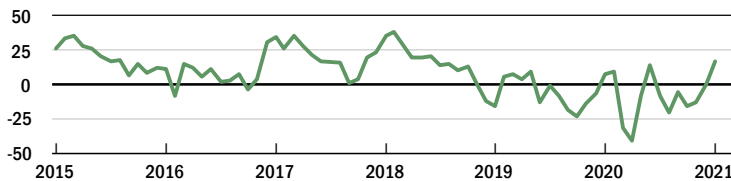
Expectations Six Months Ahead

Business Activity



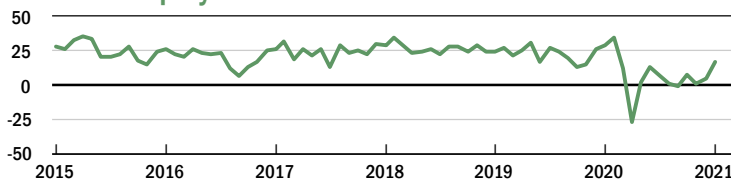
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Dec | 37.1 | 32.4 | 4.7 |
| Jan | 46.4 | 24.8 | 21.6 |
| Change | | | 16.9 |

Business Climate



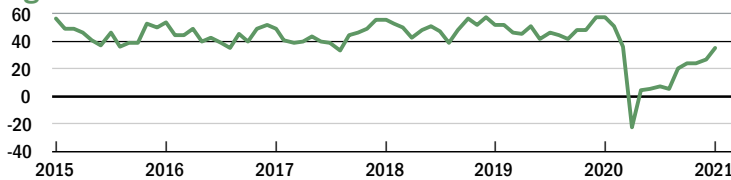
| | Percent Reporting | | Index |
|--------|-------------------|-------------|-------|
| | Favorable | Unfavorable | |
| Dec | 36.6 | 36.6 | 0.0 |
| Jan | 44.3 | 27.6 | 16.7 |
| Change | | | 16.7 |

Number of Employees



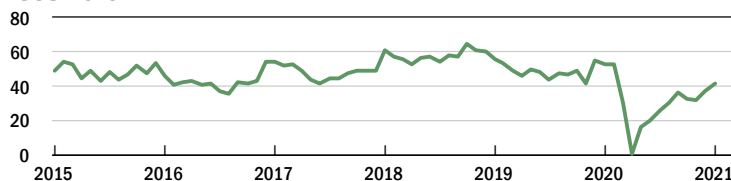
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Dec | 29.5 | 25.2 | 4.3 |
| Jan | 34.3 | 17.1 | 17.1 |
| Change | | | 12.8 |

Wages



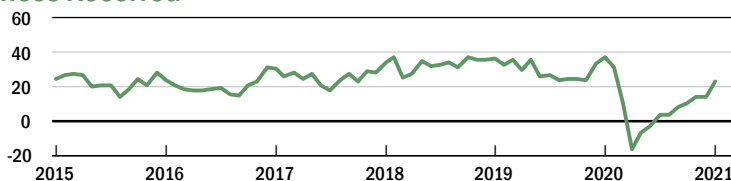
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Dec | 35.3 | 8.7 | 26.6 |
| Jan | 39.4 | 4.2 | 35.2 |
| Change | | | 8.6 |

Prices Paid



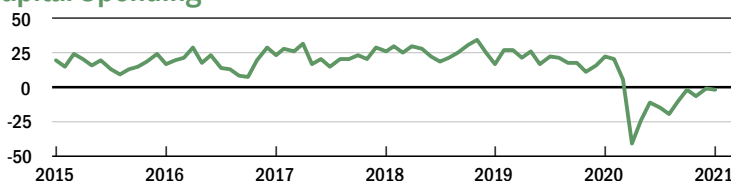
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Dec | 43.3 | 6.7 | 36.7 |
| Jan | 44.7 | 3.3 | 41.4 |
| Change | | | 4.7 |

Prices Received



| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Dec | 26.4 | 12.0 | 14.4 |
| Jan | 31.5 | 8.3 | 23.1 |
| Change | | | 8.7 |

Capital Spending



| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Dec | 25.0 | 26.0 | -1.0 |
| Jan | 21.7 | 23.0 | -1.4 |
| Change | | | -0.4 |