

# Business Leaders Survey

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

The Federal Reserve Bank of New York's November 2014 *Business Leaders Survey* indicates that activity in the region's service sector expanded briskly. The survey's headline business activity index climbed seven points to 17.6. The business climate index rose eight points to -5.7, suggesting that on balance, respondents continued to view the business climate as worse than normal, but to a lesser extent than last month. The employment index was little changed at 12.9, pointing to a continued increase in employment levels, and the wages index inched up two points to 30.2. The prices paid index posted a sharp decline, falling fifteen points to 38.1, indicating a significant slowing in the pace of input price increases, while the prices received index rose two points to 13.7, a sign of a slight pickup in the pace of selling price increases. The capital spending index edged up to 20.1,

suggesting a solid increase in capital spending. Many of the indexes for the six-month outlook posted sturdy gains and indicated that firms were quite optimistic about future conditions.

## Business Activity Expands Briskly

Business activity expanded briskly in the region's service sector this month, according to the November 2014 survey. The business activity index climbed seven points to 17.6, its second consecutive monthly increase. Thirty-nine percent of respondents reported that conditions improved over the month, while 18 percent reported that conditions worsened. The business climate index climbed eight points to -5.7, suggesting that on balance, the business climate continued to be viewed as worse than normal, but to a lesser extent than in October.

## Employment Continues to Grow

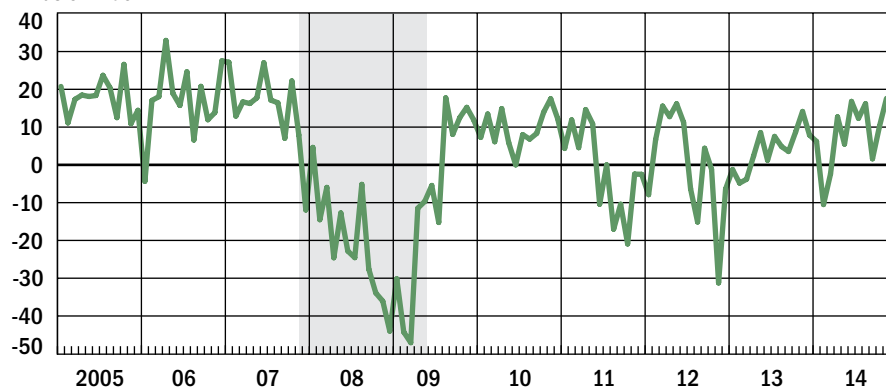
The employment index was little changed at 12.9, pointing to continued moderate gains in employment levels. The wages index edged up two points to 30.2, indicating a slightly faster pace of wage growth. The prices paid index posted a steep decline, falling fifteen points to 38.1, indicating a significant slowing in input price increases. The prices received index, on the other hand, climbed two points to 13.7, signifying a pickup in selling price increases. The capital spending index inched up one point to 20.1, suggesting that capital expenditures continued to rise at a solid clip.

## Firms Remain Very Optimistic

Indexes for the six-month outlook conveyed strong optimism about future business conditions. The index for expected business activity rose thirteen points to 43.7, and the index for future business climate climbed twenty-one points to 31.0. The index for expected employment rose to 31.9, suggesting that employment is expected to climb in the months ahead. The future prices paid index fell four points to 54.4, and the future prices received index was little changed at 21.2. The index for expected capital spending fell six points to 18.5, suggesting that that capital spending plans remain fairly strong. ■

## Business Activity

Diffusion index



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

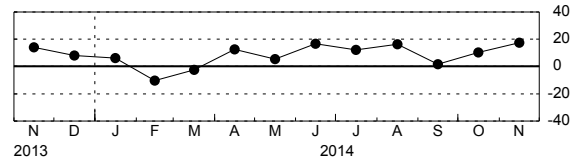
# Current Indicators

Change from Preceding Month

## Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	31.25	47.66	21.09	10.16
Nov	38.73	40.14	21.13	17.61

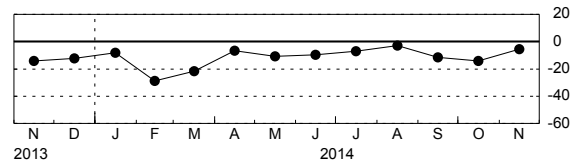
Business Activity - Diffusion Index



## Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Oct	17.83	50.39	31.78	-13.95
Nov	20.57	53.19	26.24	-5.67

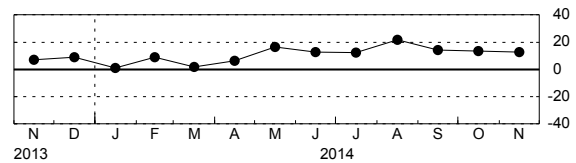
Business Climate - Diffusion Index



## Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	27.34	58.59	14.06	13.28
Nov	31.43	50.00	18.57	12.86

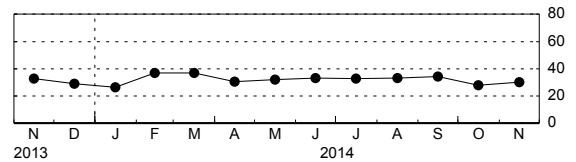
Employment - Diffusion Index



## Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	31.25	65.63	3.13	28.13
Nov	31.65	66.91	1.44	30.22

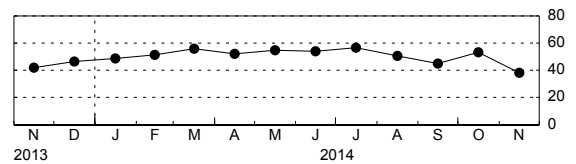
Wages - Diffusion Index



## Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	53.91	45.31	0.78	53.13
Nov	42.45	53.24	4.32	38.13

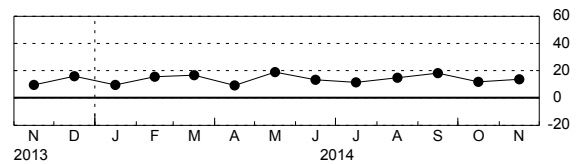
Prices Paid - Diffusion Index



## Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	24.22	63.28	12.50	11.72
Nov	23.02	67.63	9.35	13.67

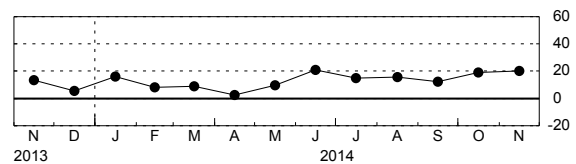
Prices Received - Diffusion Index



## Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	33.33	52.38	14.29	19.05
Nov	35.25	49.64	15.11	20.14

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

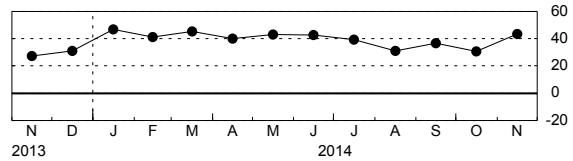
# Forward-Looking Indicators

Expectations Six Months Ahead

## Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	44.09	42.52	13.39	30.71
Nov	52.11	39.44	8.45	43.66

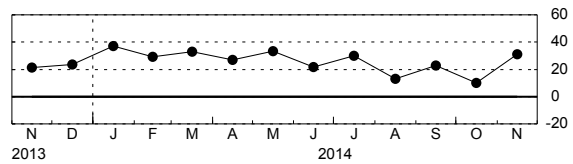
Business Activity - Diffusion Index



## Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Oct	27.91	54.26	17.83	10.08
Nov	39.44	52.11	8.45	30.99

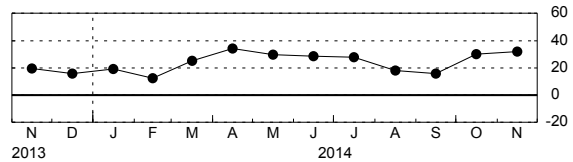
Business Climate - Diffusion Index



## Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	40.00	50.00	10.00	30.00
Nov	41.30	49.28	9.42	31.88

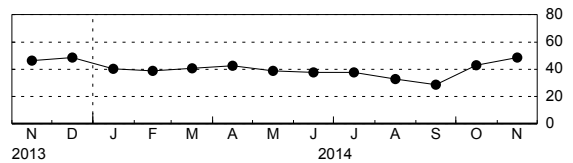
Employment - Diffusion Index



## Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	44.54	53.78	1.68	42.86
Nov	49.26	50.00	0.74	48.53

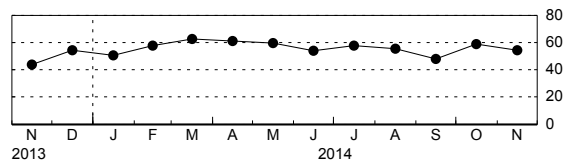
Wages - Diffusion Index



## Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	61.34	36.13	2.52	58.82
Nov	56.52	41.30	2.17	54.35

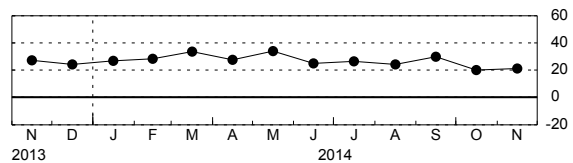
Prices Paid - Diffusion Index



## Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	32.50	55.00	12.50	20.00
Nov	29.20	62.77	8.03	21.17

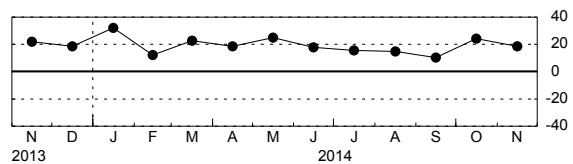
Prices Received - Diffusion Index



## Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Oct	36.67	50.83	12.50	24.17
Nov	35.56	47.41	17.04	18.52

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.