

# Business Leaders Survey

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

Note: Survey responses were collected between February 2 and February 9.

Activity in the region's service sector continued to decline significantly, though at a slower pace than last month, according to firms responding to the Federal Reserve Bank of New York's February 2021 *Business Leaders Survey*. The survey's headline business activity index rose ten points to -21.5. The business climate index was little changed at -65.0, indicating that the vast majority of firms continued to view the business climate as worse than normal. Employment levels continued to decline, and wage increases continued to accelerate. Both input prices and selling prices increased at a slightly faster pace than in January. Capital spending fell for an eleventh consecutive month, though capital spending plans over the next six months turned positive for the first time since the pandemic began. Looking ahead, optimism among respondents rose to its highest level in months.

### Activity Continues to Fall Off

Business activity in the region's service sector declined for a twelfth consecutive month. The headline business activity index rose ten points, but remained well below zero at -21.5. Twenty percent of respondents reported that conditions improved over the month, while 41 percent said that conditions worsened. The business climate index held steady at -65.0, with around three-quarters of respondents viewing the business climate as worse than normal.

### Price Increases Pick Up

The employment index came in at -14.5, indicating that employment levels continued to decline modestly. The wages index continued to march upward, rising seven points to 26.6, its highest level since the onset of the pandemic. Like

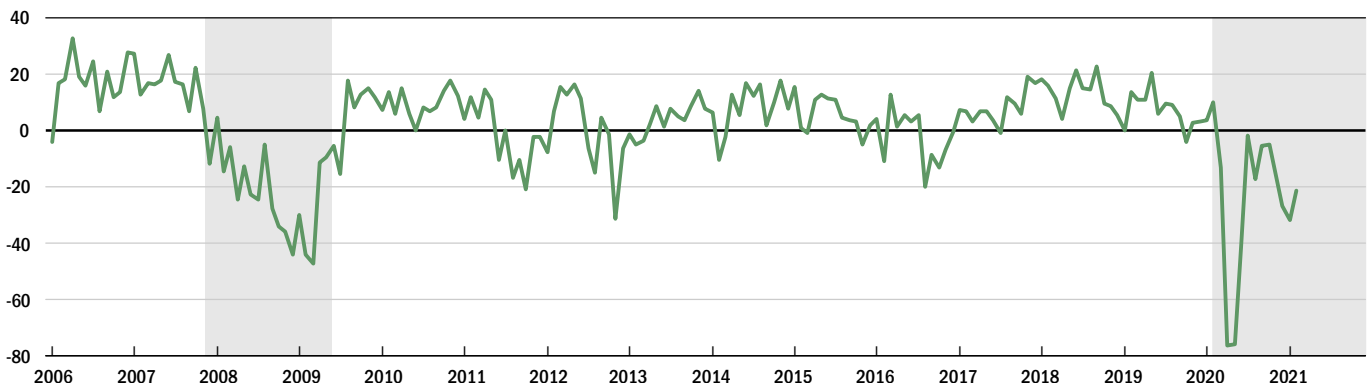
last month, price increases picked up. The prices paid index rose four points to 42.5, and the prices received index rose three points to 9.9. The capital spending index held below zero at -10.5, suggesting ongoing declines in capital spending.

### Majority of Firms Optimistic about Future Conditions

The index for future business activity rose eleven points to 32.5, and the future business climate index rose to 34.4, both reaching their highest level since the pandemic began. Just over 50 percent of firms expect activity to expand and conditions to be better than normal in six months. Employment levels, wages, and prices are all expected to rise, and firms expect to increase capital spending in the months ahead. ■

## Business Activity

Diffusion Index

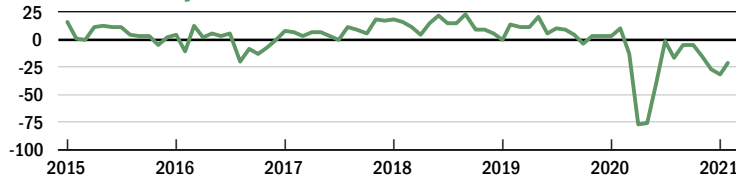


Note: The shaded areas indicate a period designated a recession by the National Bureau of Economic Research.

# Current Indicators

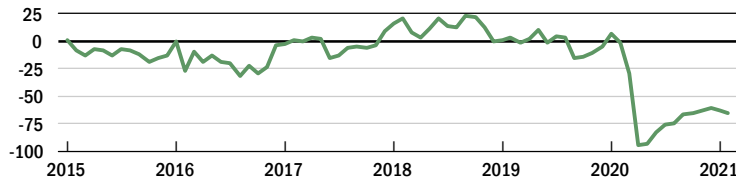
Change from Preceding Month

## Business Activity



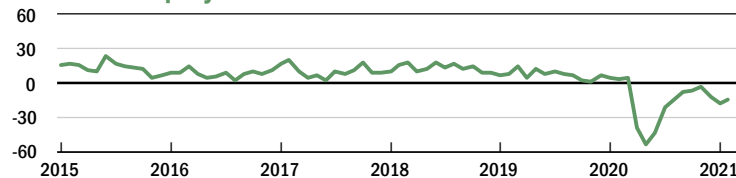
	Percent Reporting		Index
	Higher	Lower	
Jan	18.6	50.5	-31.8
Feb	19.6	41.1	-21.5
Change			10.3

## Business Climate



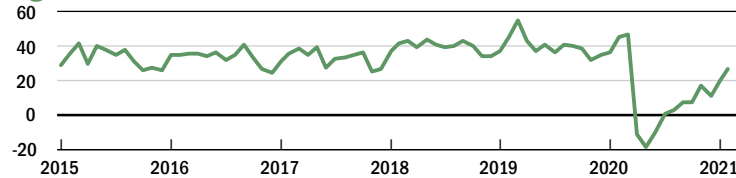
	Percent Reporting		Index
	Favorable	Unfavorable	
Jan	12.2	75.6	-63.3
Feb	9.2	74.2	-65.0
Change			-1.7

## Number of Employees



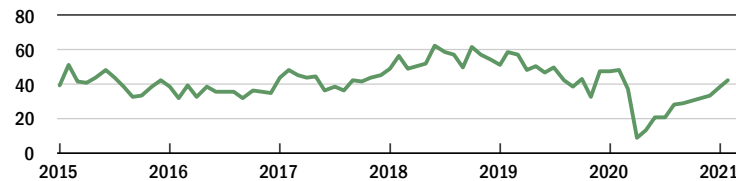
	Percent Reporting		Index
	Higher	Lower	
Jan	11.8	29.4	-17.6
Feb	13.1	27.6	-14.5
Change			3.1

## Wages



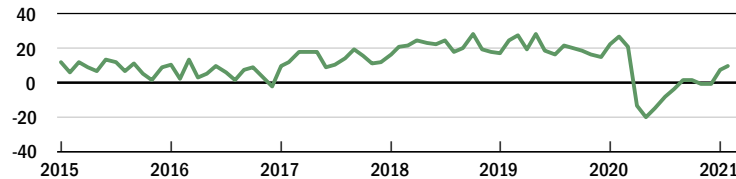
	Percent Reporting		Index
	Higher	Lower	
Jan	26.2	6.3	19.9
Feb	32.2	5.6	26.6
Change			6.7

## Prices Paid



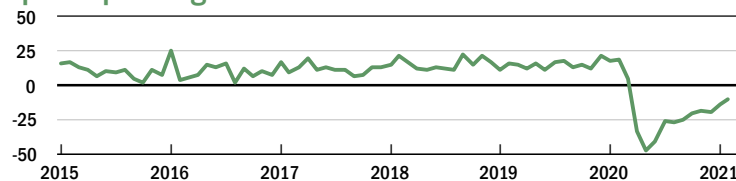
	Percent Reporting		Index
	Higher	Lower	
Jan	42.5	3.6	38.9
Feb	44.9	2.3	42.5
Change			3.6

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jan	18.1	10.6	7.4
Feb	19.8	9.9	9.9
Change			2.5

## Capital Spending

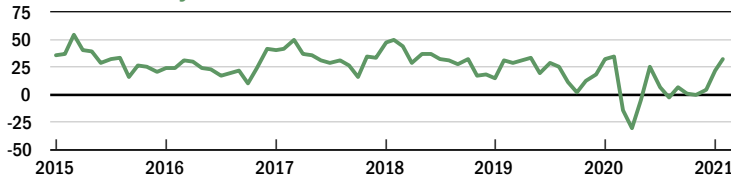


	Percent Reporting		Index
	Higher	Lower	
Jan	14.7	28.9	-14.2
Feb	17.6	28.1	-10.5
Change			3.7

# Forward-Looking Indicators

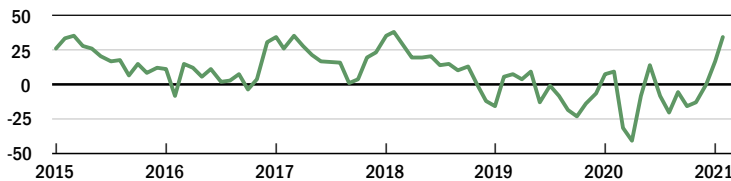
Expectations Six Months Ahead

## Business Activity



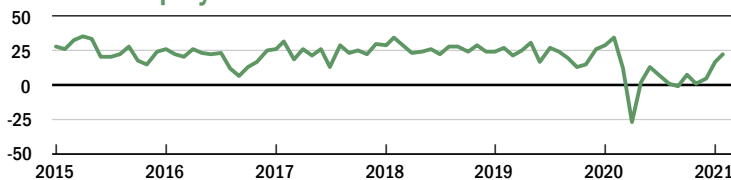
	Percent Reporting		Index
	Higher	Lower	
Jan	46.4	24.8	21.6
Feb	50.5	17.9	32.5
Change			10.9

## Business Climate



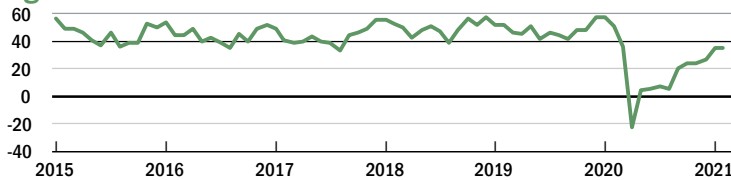
	Percent Reporting		Index
	Favorable	Unfavorable	
Jan	44.3	27.6	16.7
Feb	52.4	17.9	34.4
Change			17.7

## Number of Employees



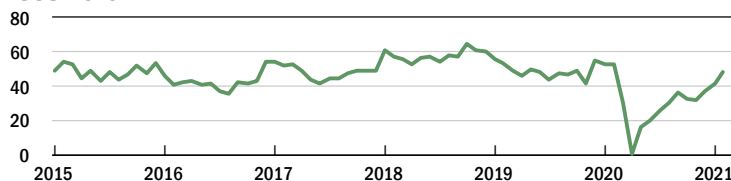
	Percent Reporting		Index
	Higher	Lower	
Jan	34.3	17.1	17.1
Feb	36.7	14.3	22.4
Change			5.3

## Wages



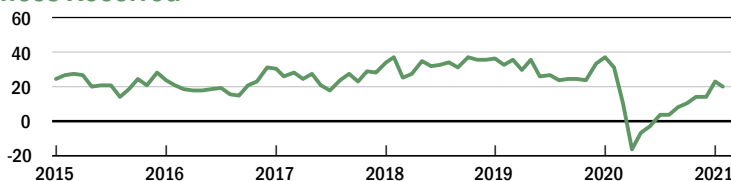
	Percent Reporting		Index
	Higher	Lower	
Jan	39.4	4.2	35.2
Feb	38.8	3.4	35.4
Change			0.2

## Prices Paid



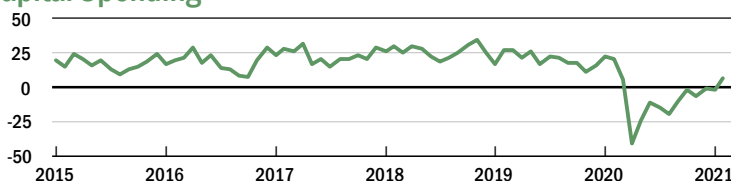
	Percent Reporting		Index
	Higher	Lower	
Jan	44.7	3.3	41.4
Feb	50.2	2.0	48.3
Change			6.9

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Jan	31.5	8.3	23.1
Feb	30.1	10.0	20.1
Change			-3.0

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jan	21.7	23.0	-1.4
Feb	26.8	20.1	6.7
Change			8.1