

# Business Leaders Survey

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

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

Business activity declined modestly in the region’s service sector in February, according to firms responding to the Federal Reserve Bank of New York’s *Business Leaders Survey*. The survey’s headline business activity index fell five points to -10.5, its lowest level in more than a year. The business climate index fell fourteen points to -35.6, suggesting the business climate was considerably worse than normal. Employment declined modestly, and wage growth accelerated. Supply availability worsened for the first time since 2022. Input and selling price increases picked up. Looking ahead, firms expect conditions to improve in the months ahead, though optimism dropped noticeably.

## Activity Drops

Business activity declined in the New York-Northern New Jersey region, according to the February survey. The headline business activity index fell five points to -10.5, its lowest level since December 2023. Twenty-two percent of respondents

### ECONOMIST COMMENTARY

“Business activity fell modestly in the New York-Northern New Jersey region’s service sector in February, with the survey’s headline index reaching its lowest reading in more than a year. Supply availability worsened and selling prices increased at the fastest pace in nearly a year.”

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

reported that conditions improved over the month and 32 percent said that conditions worsened. The business climate index remained negative at -35.6, suggesting the business climate was considerably worse than normal.

## Employment Contracts

The employment index moved down to -5.7, signaling that employment levels were somewhat lower than last month. The wages index rose eight points to 41.8, indicating that wage increases picked up. The prices paid index edged up three points to 51.3, a sign that input prices increased at a slightly faster pace than last month. The prices received index climbed for a second consecutive month, rising eight points to 27.4,

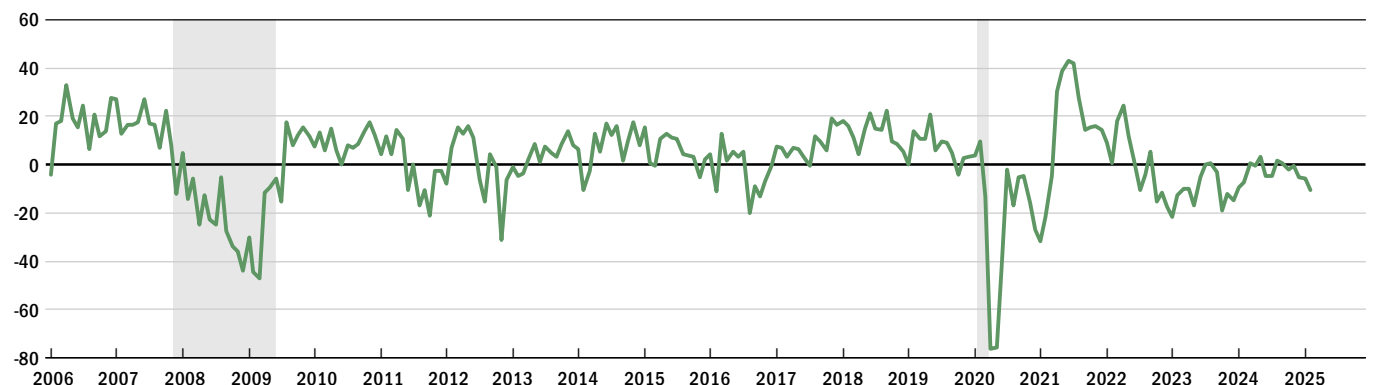
its highest level in nearly a year. The supply availability index dropped fifteen points to -10.4, its lowest level since May 2022, suggesting supply availability worsened.

## Optimism Falls

The index for future business activity fell nine points to 21.6, suggesting firms were less optimistic than last month. The index for the future business climate fell seventeen points, dropping into negative territory, a sign that the business climate is expected to be worse than normal in six months. The future supply availability index plunged twenty-five points to -20.7, with about a third of firms expecting supply availability to be worse in six months. ■

## Business Activity

Diffusion Index

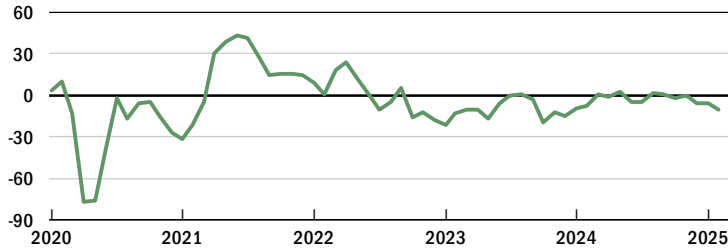


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

# Current Indicators

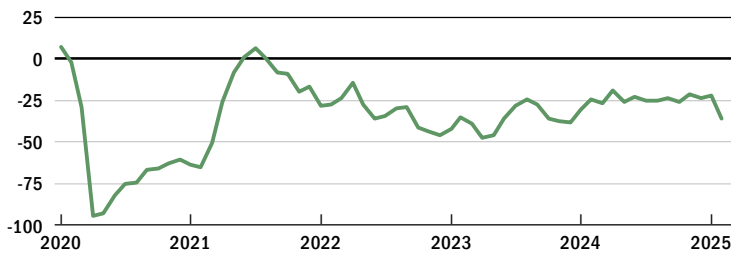
Change from Preceding Month

## Business Activity



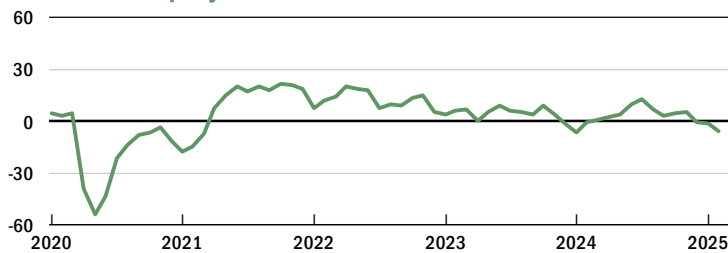
	Percent Reporting		Index
	Higher	Lower	
Jan	22.2	27.8	-5.6
Feb	21.5	31.9	-10.5
Change			-4.9

## Business Climate



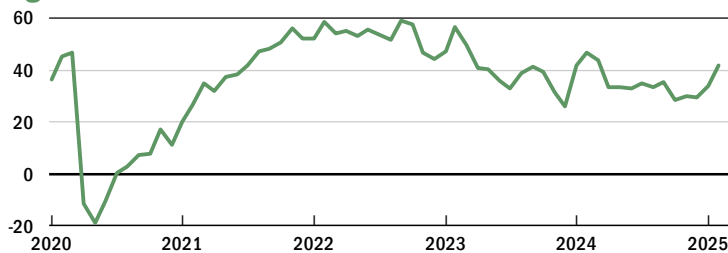
	Percent Reporting		Index
	Favorable	Unfavorable	
Jan	12.7	34.5	-21.8
Feb	10.3	45.9	-35.6
Change			-13.8

## Number of Employees



	Percent Reporting		Index
	Higher	Lower	
Jan	19.9	21.4	-1.5
Feb	15.5	21.1	-5.7
Change			-4.2

## Wages

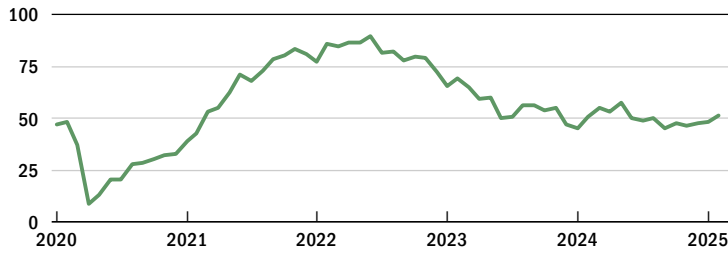


	Percent Reporting		Index
	Higher	Lower	
Jan	37.9	4.1	33.8
Feb	45.4	3.6	41.8
Change			8.0

# Current Indicators, *continued*

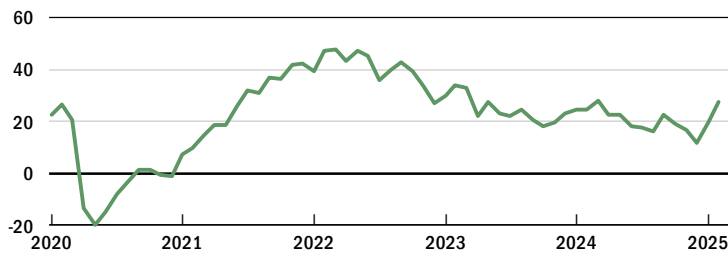
Change from Preceding Month

## Prices Paid



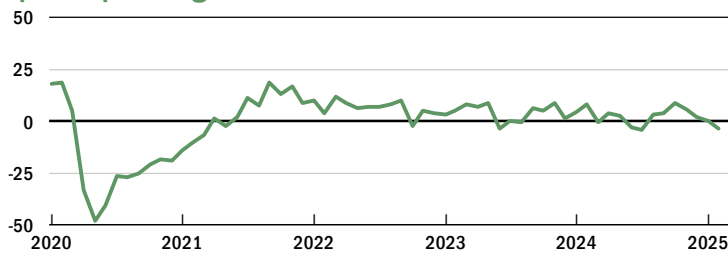
	Percent Reporting		Index
	Higher	Lower	
Jan	51.5	3.1	48.5
Feb	53.4	2.1	51.3
Change			2.8

## Prices Received



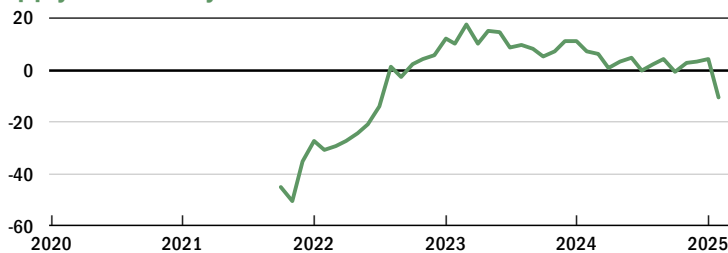
	Percent Reporting		Index
	Higher	Lower	
Jan	25.1	5.8	19.4
Feb	32.6	5.3	27.4
Change			8.0

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jan	21.8	21.8	0.0
Feb	17.8	21.5	-3.7
Change			-3.7

## Supply Availability



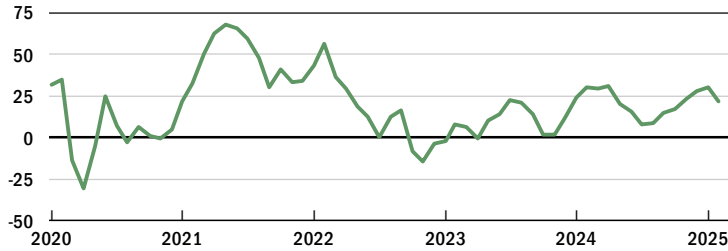
	Percent Reporting		Index
	Higher	Lower	
Jan	12.8	8.7	4.1
Feb	5.7	16.1	-10.4
Change			-14.5

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

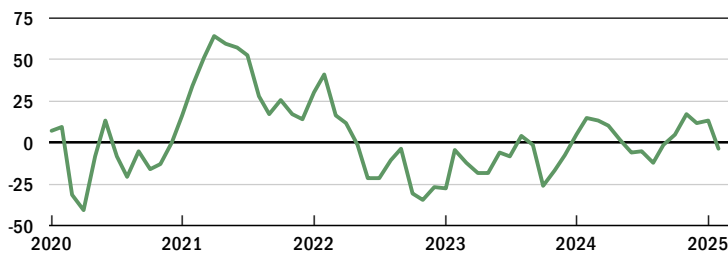
Expectations Six Months Ahead

## Business Activity



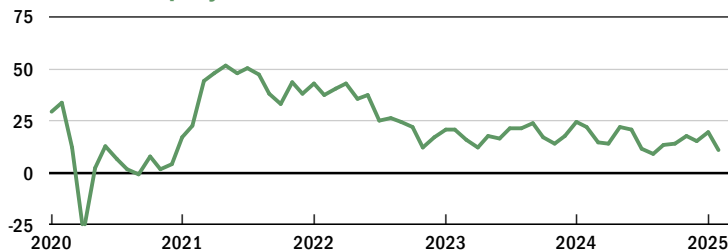
	Percent Reporting		Index
	Higher	Lower	
Jan	48.2	17.9	30.3
Feb	43.3	21.6	21.6
Change			-8.7

## Business Climate



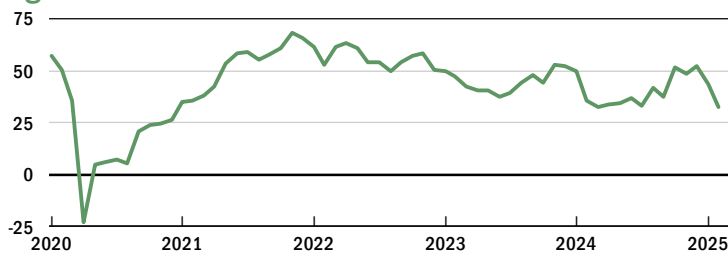
	Percent Reporting		Index
	Better	Worse	
Jan	36.0	22.8	13.2
Feb	32.1	35.8	-3.6
Change			-16.8

## Number of Employees



	Percent Reporting		Index
	Higher	Lower	
Jan	33.9	14.3	19.6
Feb	29.4	18.7	10.7
Change			-8.9

## Wages

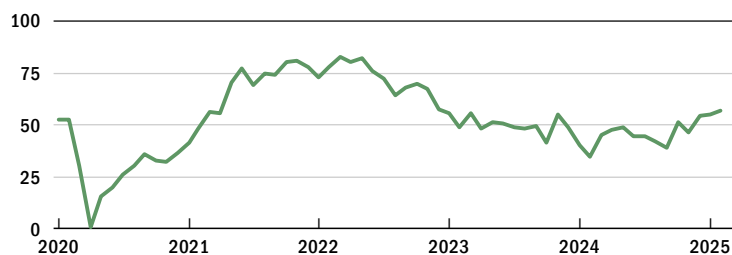


	Percent Reporting		Index
	Higher	Lower	
Jan	50.0	6.4	43.6
Feb	38.5	5.9	32.6
Change			-11.0

# Forward-Looking Indicators, *continued*

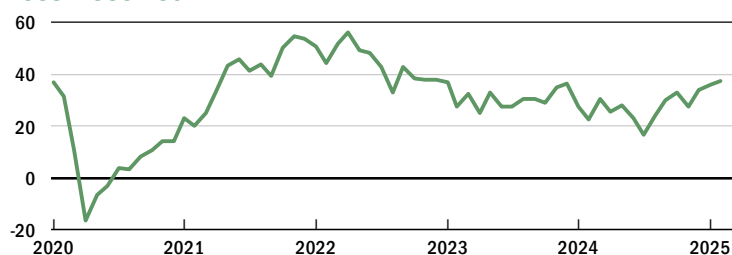
Expectations Six Months Ahead

## Prices Paid



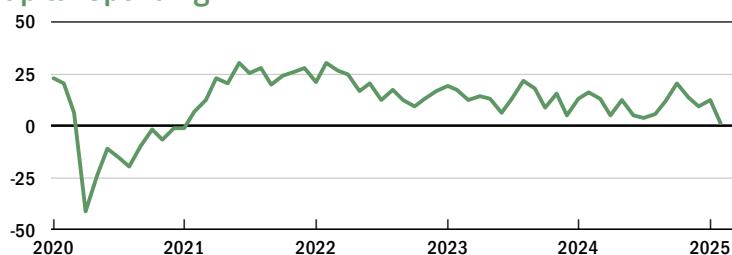
	Percent Reporting		Index
	Higher	Lower	
Jan	60.2	5.4	54.8
Feb	61.3	4.3	57.0
Change			2.2

## Prices Received



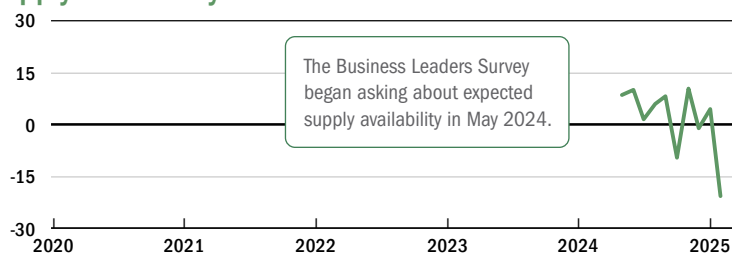
	Percent Reporting		Index
	Higher	Lower	
Jan	41.2	5.5	35.7
Feb	43.2	5.9	37.3
Change			1.6

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Jan	29.0	16.7	12.4
Feb	21.1	19.5	1.6
Change			-10.8

## Supply Availability



	Percent Reporting		Index
	Higher	Lower	
Jan	17.4	12.8	4.6
Feb	11.9	32.6	-20.7
Change			-25.3

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