

Business Leaders Survey

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

The Federal Reserve Bank of New York's December 2014 *Business Leaders Survey* indicates that activity in the region's service sector expanded modestly. The survey's headline business activity index fell ten points to 7.8, indicating a slower pace of growth than in November. The business climate index inched down two points to -7.8, suggesting that on balance, respondents continued to view the business climate as worse than normal. The employment index climbed three points to 16.3, pointing to solid gains in employment, while the wages index drifted down five points to 25.6. After declining sharply last month, the prices paid index climbed four points to 42.2, indicating a slight pickup in the pace of input price increases, while the prices received index fell eight points to its lowest level in two years, at 5.4, pointing to a slowing of selling price increases. The current capital spending index declined

ten points to 10.1, while the index for future capital spending rose six points to 25.0. Indexes for the six-month outlook for business activity and employment fell noticeably from last month, suggesting that firms were less optimistic about future conditions.

Growth in Business Activity Slows

Growth in business activity in the region's service sector slowed this month, according to the December 2014 survey. The survey's headline business activity index fell ten points to 7.8, pointing to a modest improvement in business conditions. This month, 35 percent of respondents reported that conditions improved, while 27 percent reported that conditions worsened. The business climate index inched down two points to -7.8, suggesting that on balance, the business climate continued to be viewed as worse than normal.

Employment Continues to Expand

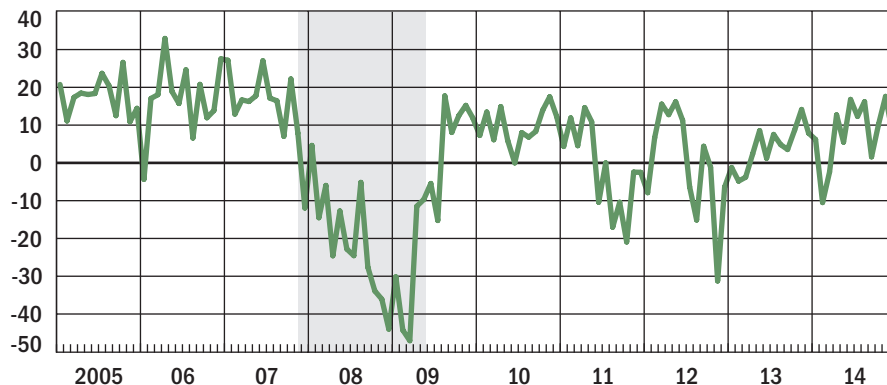
The employment index climbed three points to 16.3, pointing to continued moderate gains in employment levels. The index for wages fell five points to 25.6, a sign that wages grew more slowly this month. After declining steeply last month, the prices paid index climbed four points to 42.2, indicating a slightly faster pace of input price increases, although the index remained well below the levels seen throughout much of the past year. The prices received index declined eight points to 5.4, signifying a slowing of selling price increases. The capital spending index fell 10 points to 10.1, suggesting that capital expenditures grew more slowly in December.

Firms Less Optimistic

Indexes for the six-month outlook indicated that firms were less optimistic this month about future business conditions. The index for expected business activity dropped fourteen points to 30.0, and the index for future business climate fell nine points to 22.1. The index for expected employment declined nine points to 23.3. The future prices paid index fell for a second consecutive month, declining five points to 49.2, while the future prices received index climbed six points to 26.7, suggesting that steeper price increases are expected in the months ahead. The index for expected capital spending rose six points to 25.0, signifying that capital spending plans remain strong. ■

Business Activity

Diffusion index



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

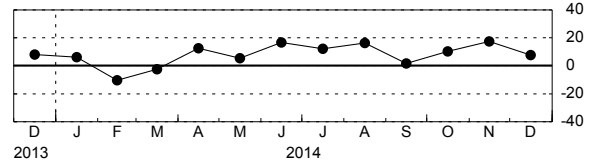
Current Indicators

Change from Preceding Month

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	38.73	40.14	21.13	17.61
Dec	35.16	37.50	27.34	7.81

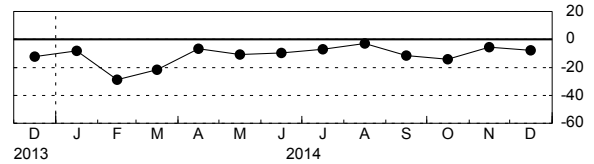
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Normal</u>	<u>Worse</u>	<u>Index</u>
Nov	20.57	53.19	26.24	-5.67
Dec	24.22	43.75	32.03	-7.81

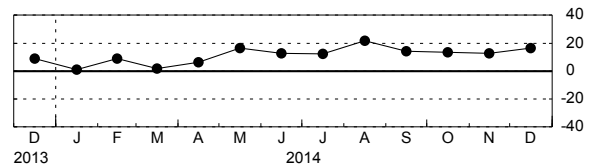
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	31.43	50.00	18.57	12.86
Dec	32.56	51.16	16.28	16.28

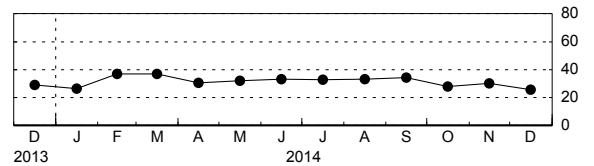
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	31.65	66.91	1.44	30.22
Dec	29.46	66.67	3.88	25.58

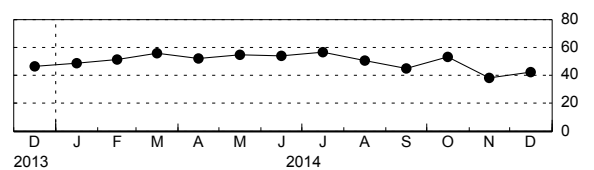
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	42.45	53.24	4.32	38.13
Dec	48.44	45.31	6.25	42.19

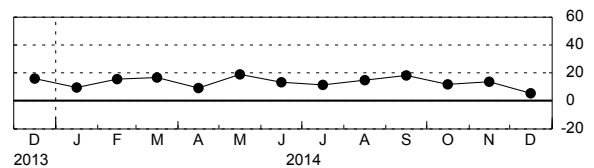
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	23.02	67.63	9.35	13.67
Dec	20.93	63.57	15.50	5.43

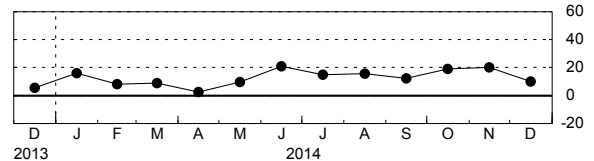
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	35.25	49.64	15.11	20.14
Dec	29.46	51.16	19.38	10.08

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.

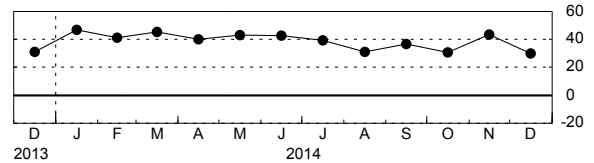
Forward-Looking Indicators

Expectations Six Months Ahead

Business Activity

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	52.11	39.44	8.45	43.66
Dec	46.92	36.15	16.92	30.00

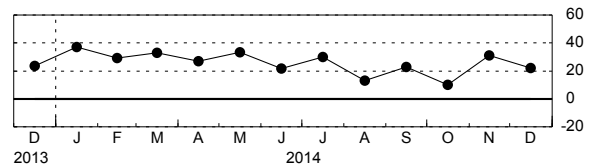
Business Activity - Diffusion Index



Business Climate

	<u>Better</u>	<u>Same</u>	<u>Worse</u>	<u>Index</u>
Nov	39.44	52.11	8.45	30.99
Dec	38.58	44.88	16.54	22.05

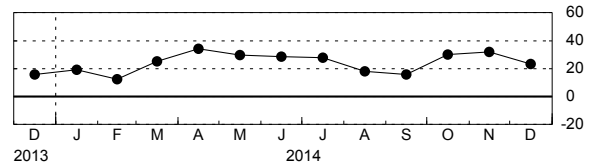
Business Climate - Diffusion Index



Employment

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	41.30	49.28	9.42	31.88
Dec	37.50	48.33	14.17	23.33

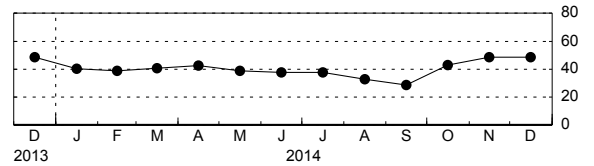
Employment - Diffusion Index



Wages

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	49.26	50.00	0.74	48.53
Dec	50.42	47.90	1.68	48.74

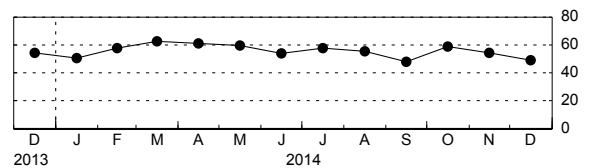
Wages - Diffusion Index



Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	56.52	41.30	2.17	54.35
Dec	52.54	44.07	3.39	49.15

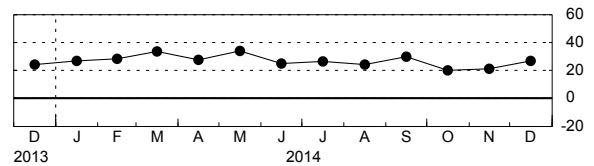
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	29.20	62.77	8.03	21.17
Dec	35.83	55.00	9.17	26.67

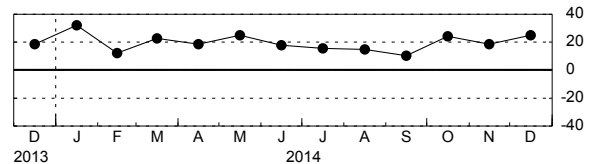
Prices Received - Diffusion Index



Capital Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Nov	35.56	47.41	17.04	18.52
Dec	40.00	45.00	15.00	25.00

Capital Spending - Diffusion Index



Note: Data are not seasonally adjusted.