

Business Leaders Survey

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

Activity in the region's service sector expanded slightly, according to firms responding to the Federal Reserve Bank of New York's June 2017 *Business Leaders Survey*. The survey's headline business activity index edged down three points but remained positive at 3.4. The business climate index tumbled eighteen points to -15.5, signaling that respondents viewed the business climate as worse than normal. The employment index fell to 2.7, indicating a slight increase in employment levels, while the wages index retreated 12 points to 27.5, suggesting that wages rose but at a slower pace than last month. Price indexes declined, pointing to a slowing of both input price increases and selling price increases. Capital spending grew modestly, and indexes assessing the six-month outlook suggested that firms continued to express fairly widespread optimism about future business conditions.

Activity Increases Only Slightly as Business Climate Worsens

Business activity in the region's service sector grew modestly in June. The headline business activity index fell three points to 3.4. Thirty-two percent of respondents reported that conditions improved over the month, while 28 percent said conditions worsened. The business climate index dropped to its lowest level in several months, plunging eighteen points to -15.5, suggesting that, on balance, firms viewed the business climate as worse than normal.

Employment and Wage Growth Slow

The employment index fell four points to 2.7, signaling that employment levels increased slightly. The wages index retreated twelve points to 27.5, suggesting that wage growth

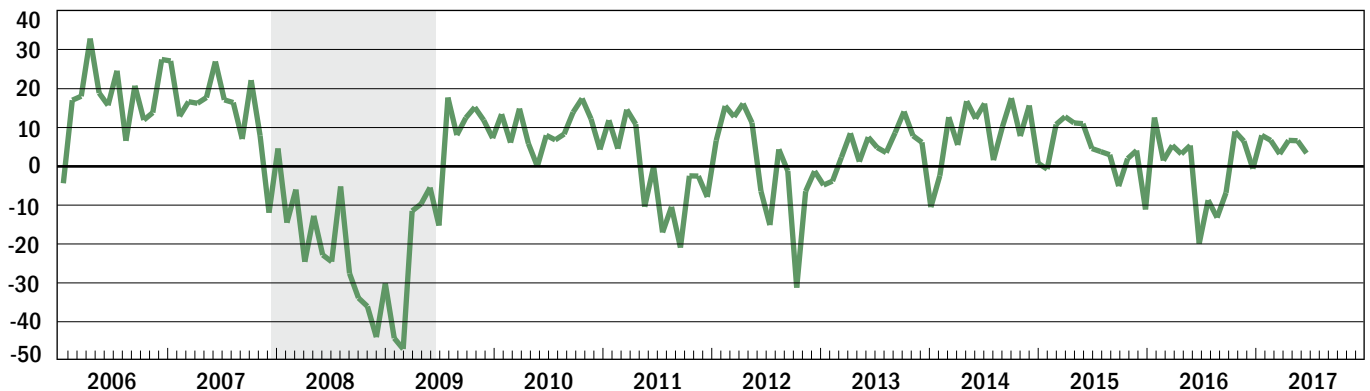
slowed. Both price indexes slipped nine points, the prices paid index to 36.2 and the prices received index to 8.8, pointing to a slowing in both input and selling price increases. The capital spending index edged up two points to 13.4.

Firms Remain Optimistic about Future Conditions

Indexes assessing the six-month outlook continued to convey optimism about future conditions, though to a somewhat lesser extent than last month. The index for future business activity edged down to 31.6, and the index for future business climate fell four points to 16.7. The index for expected employment rose five points to 26.5, and the index for planned capital spending climbed three points to 20.4. ■

Business Activity

Diffusion index

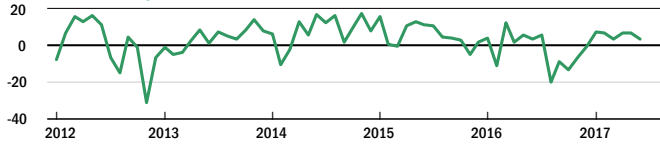


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

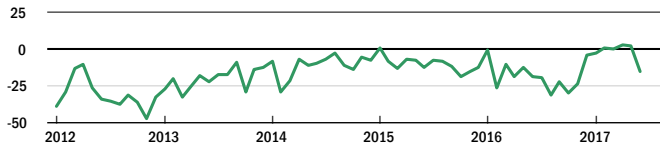
Change from Preceding Month

Business Activity



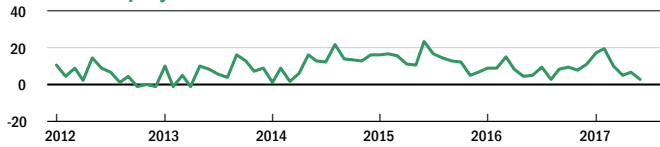
	Percent Reporting		Index
	Higher	Lower	
May	33.7	27.1	6.6
Jun	31.5	28.2	3.4
Change			-3.2

Business Climate



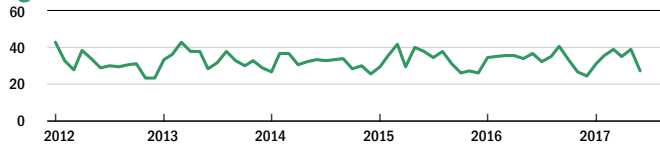
	Percent Reporting		Index
	Favorable	Unfavorable	
May	28.5	26.1	2.4
Jun	20.0	35.5	-15.5
Change			-17.9

Number of Employees



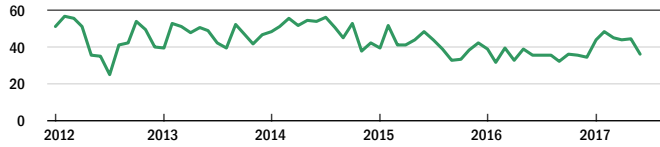
	Percent Reporting		Index
	Higher	Lower	
May	20.7	14.0	6.7
Jun	22.1	19.5	2.7
Change			-4.0

Wages



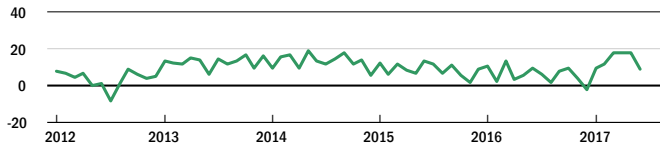
	Percent Reporting		Index
	Higher	Lower	
May	39.6	0.6	39.0
Jun	32.2	4.7	27.5
Change			-11.5

Prices Paid



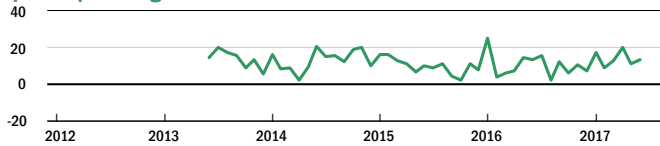
	Percent Reporting		Index
	Higher	Lower	
May	45.4	0.6	44.8
Jun	40.3	4.0	36.2
Change			-8.6

Prices Received



	Percent Reporting		Index
	Higher	Lower	
May	23.8	6.1	17.7
Jun	17.7	8.8	8.8
Change			-8.9

Capital Spending



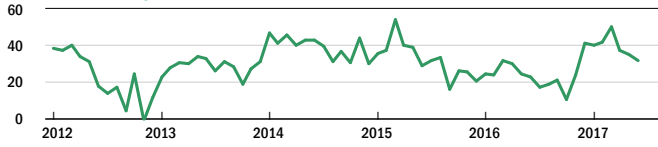
	Percent Reporting		Index
	Higher	Lower	
May	26.8	15.9	11.0
Jun	28.9	15.4	13.4
Change			2.4

Note: Data are not seasonally adjusted.

Forward-Looking Indicators

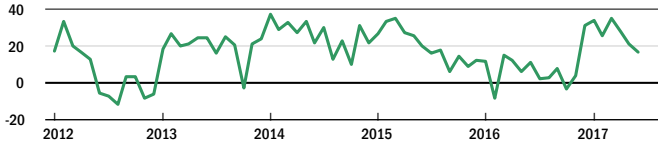
Expectations Six Months Ahead

Business Activity



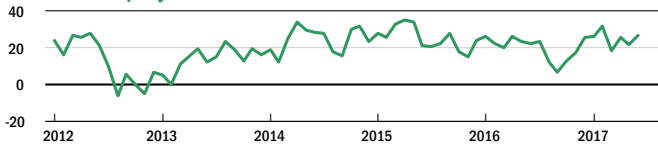
	Percent Reporting		Index
	Higher	Lower	
May	49.7	14.4	35.3
Jun	45.4	13.8	31.6
Change			-3.7

Business Climate



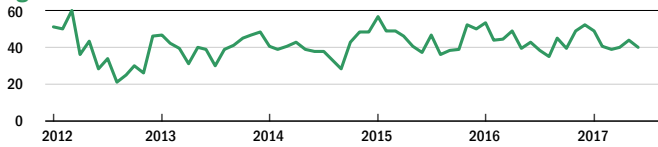
	Percent Reporting		Index
	Favorable	Unfavorable	
May	36.1	15.1	21.1
Jun	28.7	12.0	16.7
Change			-4.4

Number of Employees



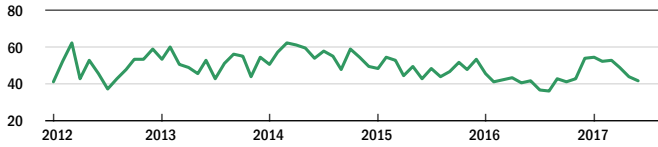
	Percent Reporting		Index
	Higher	Lower	
May	35.6	14.1	21.5
Jun	38.1	11.6	26.5
Change			5.0

Wages



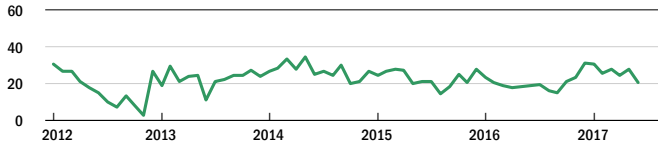
	Percent Reporting		Index
	Higher	Lower	
May	44.5	0.6	43.9
Jun	43.5	3.4	40.1
Change			-3.8

Prices Paid



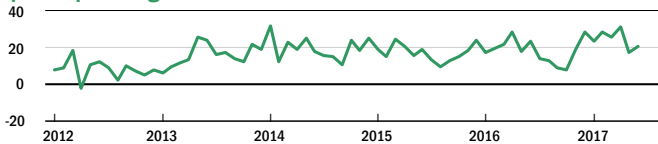
	Percent Reporting		Index
	Higher	Lower	
May	45.7	1.9	43.8
Jun	45.8	4.2	41.7
Change			-2.1

Prices Received



	Percent Reporting		Index
	Higher	Lower	
May	32.7	4.9	27.8
Jun	27.1	6.3	20.8
Change			-7.0

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
May	33.7	16.6	17.2
Jun	34.7	14.3	20.4
Change			3.2

Note: Data are not seasonally adjusted.