

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 December 2018 *Business Leaders Survey*. The survey's headline business activity index edged down three points to 5.6. The business climate index fell to a level of around zero, its lowest reading in a year, indicating that on balance, firms regarded the business climate as normal. Employment levels rose modestly, and wage increases remained fairly widespread. The prices paid index stayed elevated at 54.4, and the prices received index was little changed at 18.1. Optimism waned, with the index for future business climate falling below zero for the first time in more than a year.

Growth Slows

Business activity expanded to a small degree in the region's service sector

in December. The headline business activity index dipped three points to 5.6. Thirty-one percent of respondents reported that conditions improved over the month, while 25 percent said that conditions worsened. The business climate index fell fourteen points to -0.6, its lowest level in a year, signaling that, on balance, firms viewed the business climate as normal.

Price Indexes Remain Elevated

The employment index held steady at 8.8, indicating that employment levels increased modestly. The wages index was little changed at 34.4, suggesting that wage gains remained fairly widespread. The prices paid index edged down three points, its second consecutive monthly decline, but remained elevated at 54.4. The prices received index held steady

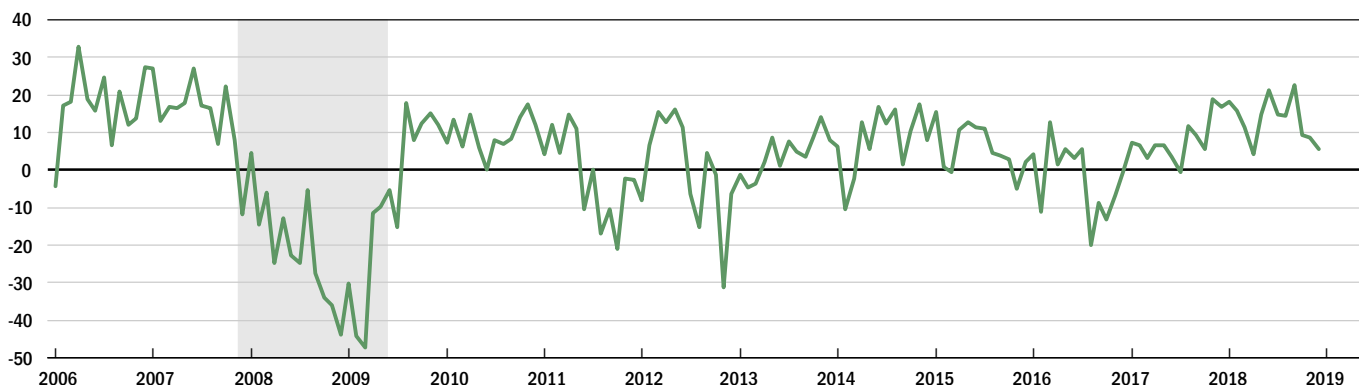
at 18.1. The capital spending index moved down four points to 16.9, a reading pointing to ongoing solid increases in capital spending.

Optimism Is Again Somewhat Subdued

Firms remained fairly subdued in their optimism about the six-month outlook. After declining sharply last month, the index for future business activity was little changed at 18.6. The index for future business climate fell below zero for the first time in more than two years, suggesting that firms expect the business climate to be worse than normal in the months ahead. The index for future wages moved up six points to 57.2, a multiyear high, and the index for planned capital spending came in at 24.7. ■

Business Activity

Diffusion Index

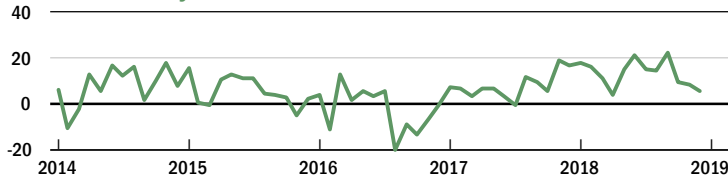


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

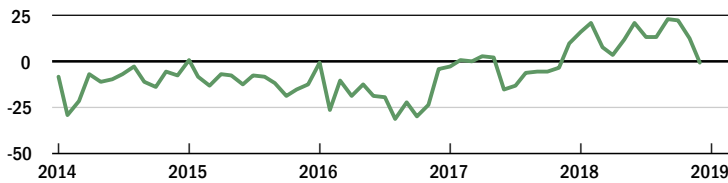
Change from Preceding Month

Business Activity



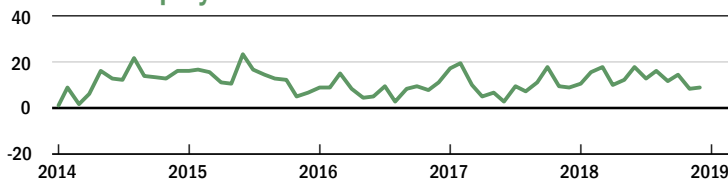
	Percent Reporting		Index
	Higher	Lower	
Nov	32.1	23.5	8.6
Dec	30.9	25.3	5.6
Change			-3.0

Business Climate



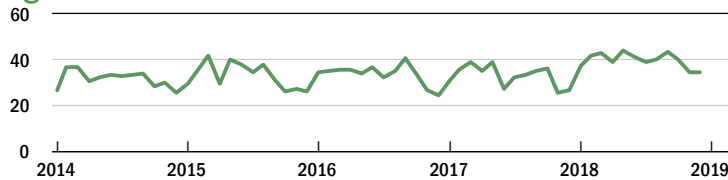
	Percent Reporting		Index
	Favorable	Unfavorable	
Nov	35.6	22.7	12.9
Dec	27.0	27.6	-0.6
Change			-13.5

Number of Employees



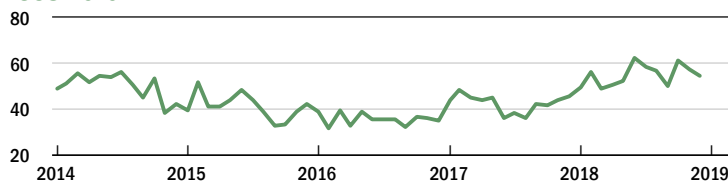
	Percent Reporting		Index
	Higher	Lower	
Nov	25.3	16.7	8.6
Dec	27.0	18.2	8.8
Change			0.2

Wages



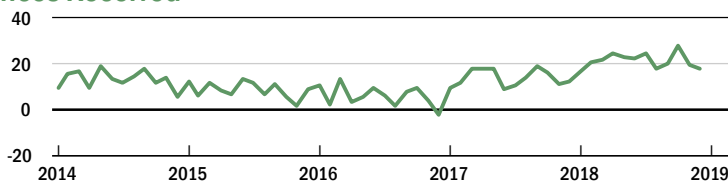
	Percent Reporting		Index
	Higher	Lower	
Nov	36.6	2.5	34.2
Dec	36.3	1.9	34.4
Change			0.2

Prices Paid



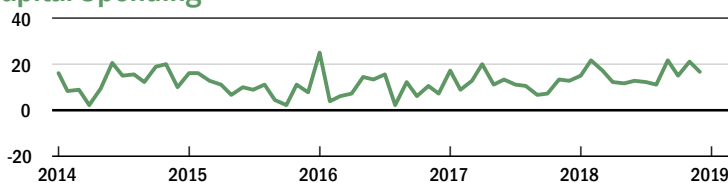
	Percent Reporting		Index
	Higher	Lower	
Nov	60.9	3.7	57.1
Dec	58.1	3.8	54.4
Change			-2.7

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Nov	28.3	8.8	19.5
Dec	28.8	10.6	18.1
Change			-1.4

Capital Spending

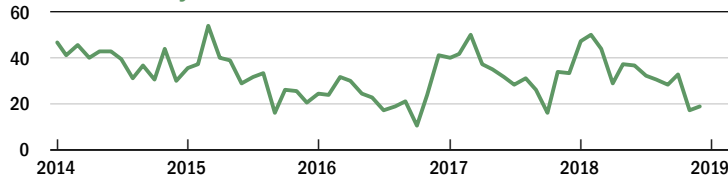


	Percent Reporting		Index
	Higher	Lower	
Nov	33.8	12.5	21.3
Dec	34.4	17.5	16.9
Change			-4.4

Forward-Looking Indicators

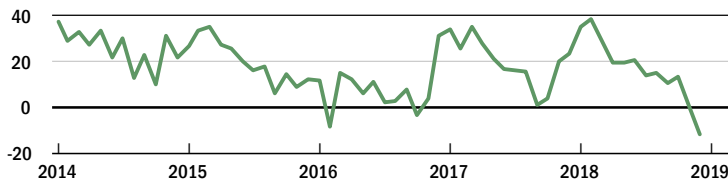
Expectations Six Months Ahead

Business Activity



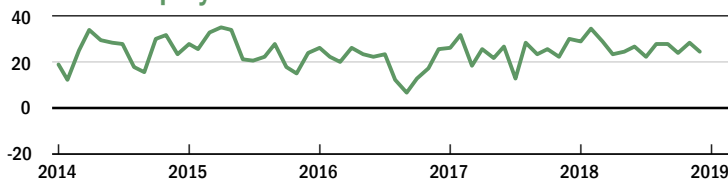
	Percent Reporting		Index
	Higher	Lower	
Nov	38.9	21.6	17.3
Dec	40.4	21.7	18.6
Change			1.3

Business Climate



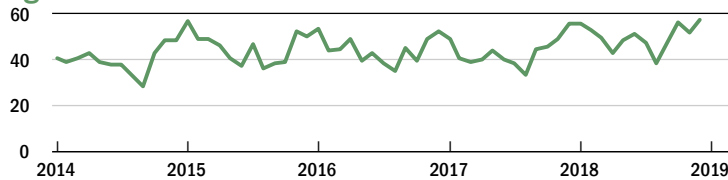
	Percent Reporting		Index
	Favorable	Unfavorable	
Nov	24.2	24.2	0.0
Dec	19.9	31.7	-11.8
Change			-11.8

Number of Employees



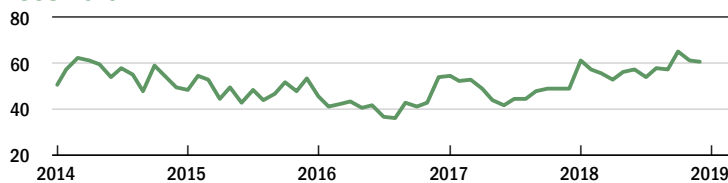
	Percent Reporting		Index
	Higher	Lower	
Nov	43.5	14.9	28.6
Dec	37.7	13.2	24.5
Change			-4.1

Wages



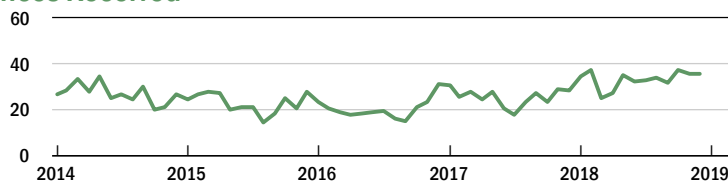
	Percent Reporting		Index
	Higher	Lower	
Nov	54.9	3.3	51.6
Dec	59.1	1.9	57.2
Change			5.6

Prices Paid



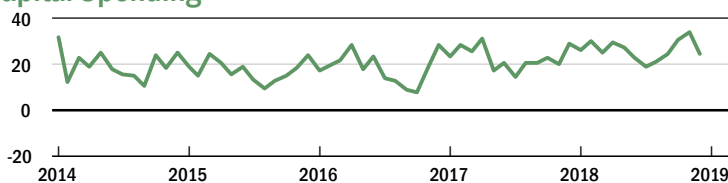
	Percent Reporting		Index
	Higher	Lower	
Nov	64.1	3.2	60.9
Dec	61.6	1.3	60.4
Change			-0.5

Prices Received



	Percent Reporting		Index
	Higher	Lower	
Nov	43.9	8.4	35.5
Dec	42.6	7.1	35.5
Change			0.0

Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Nov	43.2	9.0	34.2
Dec	37.3	12.7	24.7
Change			-9.5