

Business Leaders Survey

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

Activity in the region's service sector grew to a small degree, according to firms responding to the Federal Reserve Bank of New York's April 2018 *Business Leaders Survey*. The survey's headline business activity index fell seven points to 4.1, pointing to a slower pace of growth than in March. The business climate index moved down four points to 3.5, signaling that firms, on balance, regarded the business climate as somewhat better than normal. The employment index fell eight points to 10.1 and the wages index slipped four points to 39.2—indicating that both employment and wages continued to increase, though at a slower pace than last month. The prices paid index was little changed at 50.6, suggesting ongoing widespread input price increases, and the selling price index increased three points to reach another multiyear high. Indexes assessing the six-month outlook fell sharply, signaling

that optimism about future conditions waned considerably.

Growth Slows

Business activity in the region's service sector continued to grow in April, though only modestly. The headline business activity index moved down for a third consecutive month, falling seven points to 4.1. Thirty-three percent of respondents reported that conditions improved over the month, while 29 percent said that conditions worsened. The business climate index fell four points, though it remained positive at 3.5, signaling that, on balance, firms viewed the business climate as better than normal, though only to a small degree.

Price Indexes Remain Elevated

The employment index fell eight points to 10.1, indicating that employment increased at a slower pace than in

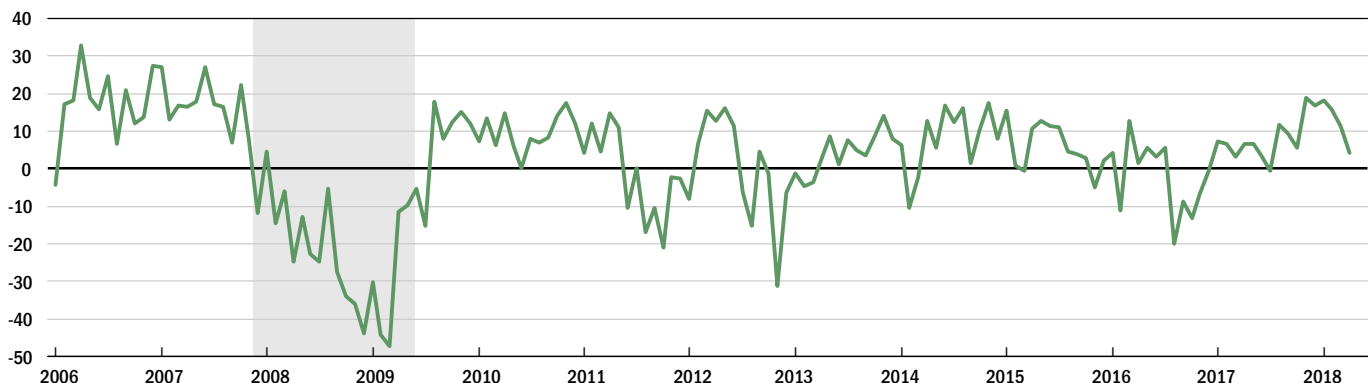
March. The wages index moved down four points to 39.2, pointing to a somewhat slower pace of growth in wages. The prices paid index, at 50.6, was little changed, indicating that input price increases remained elevated. The prices received index moved up three points to 24.8, again reaching its highest level in more than six years, pointing to a continued acceleration in selling prices. The capital spending index came in at 12.0, suggesting that capital spending continued to increase moderately.

Optimism Wanes Considerably

Businesses were much less optimistic about the six-month outlook in April than in recent months. The index for future business activity slid fifteen points to 29.0, its lowest level since October of last year, and the index for future business climate retreated nine points to 19.4. The index for planned capital spending increased five points to 29.5. ■

Business Activity

Diffusion Index

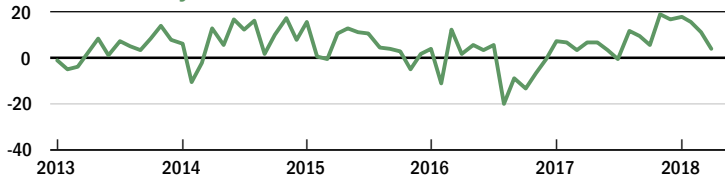


Note: The shaded area indicates a period designated a recession by the National Bureau of Economic Research.

Current Indicators

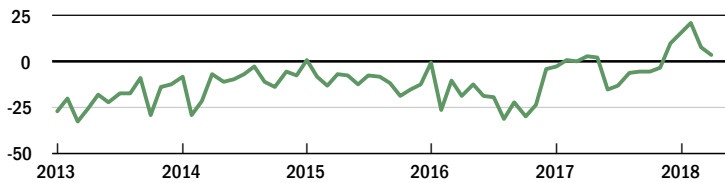
Change from Preceding Month

Business Activity



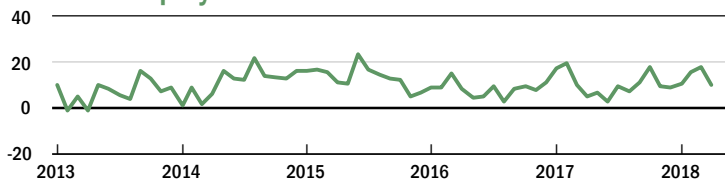
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Mar | 37.6 | 26.5 | 11.2 |
| Apr | 32.7 | 28.7 | 4.1 |
| Change | | | -7.1 |

Business Climate



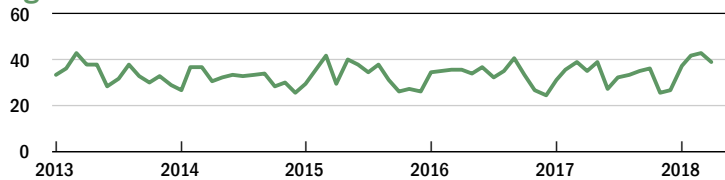
| | Percent Reporting | | Index |
|--------|-------------------|-------------|-------|
| | Favorable | Unfavorable | |
| Mar | 30.8 | 23.1 | 7.7 |
| Apr | 26.9 | 23.4 | 3.5 |
| Change | | | -4.2 |

Number of Employees



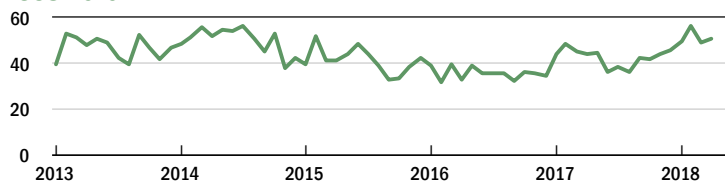
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Mar | 29.0 | 11.1 | 17.9 |
| Apr | 27.4 | 17.3 | 10.1 |
| Change | | | -7.8 |

Wages



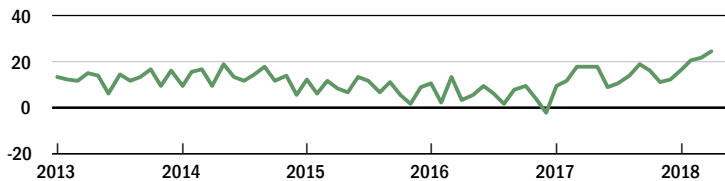
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Mar | 45.6 | 2.5 | 43.1 |
| Apr | 40.4 | 1.2 | 39.2 |
| Change | | | -3.9 |

Prices Paid



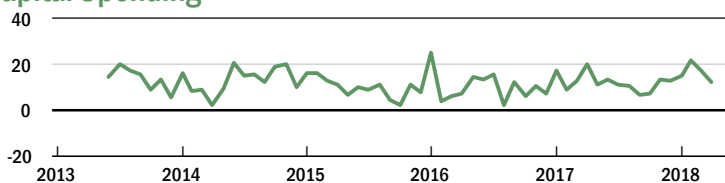
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Mar | 50.9 | 1.9 | 49.1 |
| Apr | 52.4 | 1.8 | 50.6 |
| Change | | | 1.5 |

Prices Received



| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Mar | 29.7 | 8.2 | 21.5 |
| Apr | 30.9 | 6.1 | 24.8 |
| Change | | | 3.3 |

Capital Spending

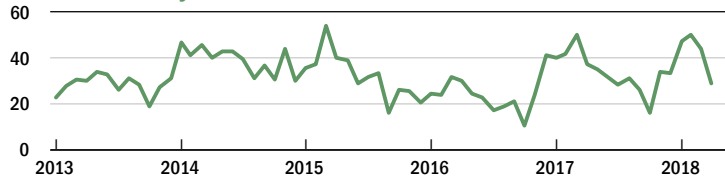


| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Mar | 30.6 | 13.4 | 17.2 |
| Apr | 25.7 | 13.8 | 12.0 |
| Change | | | -5.2 |

Forward-Looking Indicators

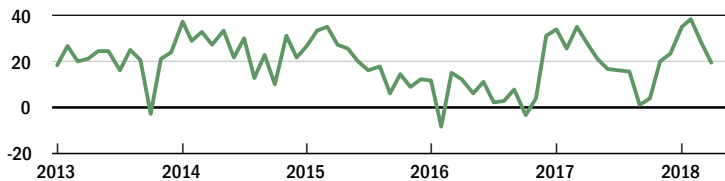
Expectations Six Months Ahead

Business Activity



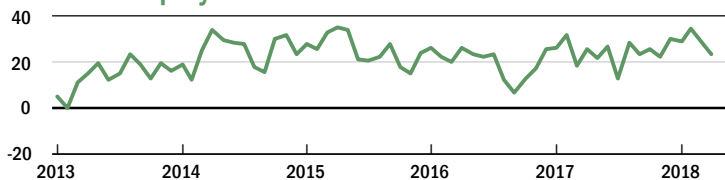
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Mar | 57.4 | 13.6 | 43.8 |
| Apr | 43.2 | 14.2 | 29.0 |
| Change | | | -14.8 |

Business Climate



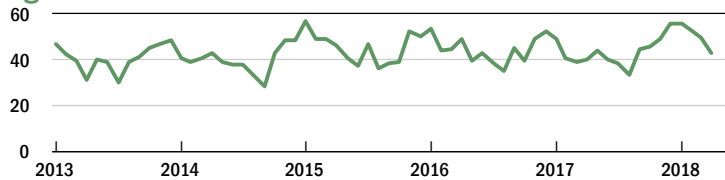
| | Percent Reporting | | Index |
|--------|-------------------|-------------|-------|
| | Favorable | Unfavorable | |
| Mar | 42.3 | 13.7 | 28.6 |
| Apr | 36.5 | 17.1 | 19.4 |
| Change | | | -9.2 |

Number of Employees



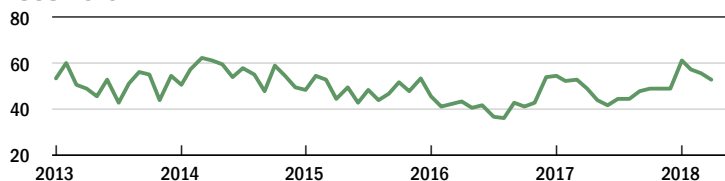
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Mar | 43.6 | 14.5 | 29.1 |
| Apr | 40.1 | 16.8 | 23.4 |
| Change | | | -5.7 |

Wages



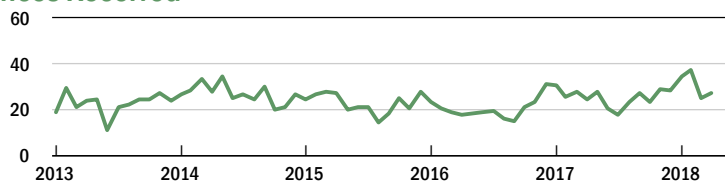
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Mar | 51.5 | 1.8 | 49.7 |
| Apr | 43.4 | 0.6 | 42.8 |
| Change | | | -6.9 |

Prices Paid



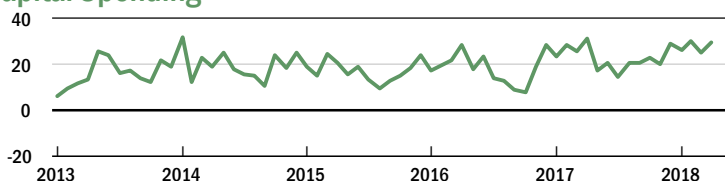
| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Mar | 56.4 | 0.6 | 55.8 |
| Apr | 55.2 | 2.5 | 52.8 |
| Change | | | -3.0 |

Prices Received



| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Mar | 32.3 | 7.3 | 25.0 |
| Apr | 33.5 | 6.1 | 27.4 |
| Change | | | 2.4 |

Capital Spending



| | Percent Reporting | | Index |
|--------|-------------------|-------|-------|
| | Higher | Lower | |
| Mar | 34.8 | 9.8 | 25.0 |
| Apr | 39.2 | 9.6 | 29.5 |
| Change | | | 4.5 |