

# Business Leaders Survey

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

Note: Survey responses were collected between December 2 and December 9.

Activity in the region's service sector declined for a third consecutive month, according to firms responding to the Federal Reserve Bank of New York's December 2022 Business Leaders Survey. The survey's headline business activity index fell six points to -17.6. The business climate index moved down three points to -46.2, suggesting respondents viewed the business climate as much worse than normal. Employment growth slowed noticeably. The wages index, while still elevated, continued to edge lower, a sign that wage growth moderated. The pace of price increases slowed significantly. Looking ahead, firms remained pessimistic about the six-month outlook.

### Activity Continues to Contract

Business activity declined in the region's service sector, according to

the December survey. The headline business activity index fell six points to -17.6, its fifth negative reading in the last six months. Twenty-three percent of respondents reported that conditions improved over the month and 41 percent said that conditions worsened. The business climate index moved down three points to -46.2, its lowest reading in well over a year.

### Employment Growth Slows

The employment index fell nine points to 5.5, indicating that employment growth slowed notably. After falling significantly last month, the wages index retreated a further three points to 44.1, signaling that wage growth continued to moderate. The prices paid index remained elevated but fell seven points to 72.2, pointing to a deceleration in input price increases.

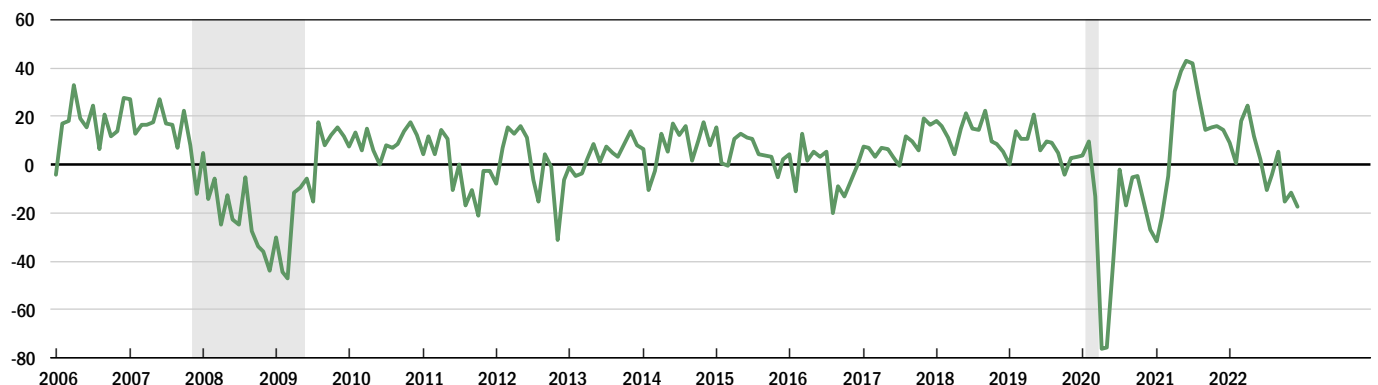
The prices received index moved down seven points to 26.8, its third consecutive monthly decline and its lowest level since mid-2021. Capital spending edged higher.

### Firms Remain Pessimistic

Respondents expect conditions to continue to worsen over the next six months. The index for future business activity remained negative at -3.3, and the index for the future business climate came in at -26.9. Employment is expected to grow in the months ahead, and wage and price increases are expected to remain widespread. ■

## Business Activity

Diffusion Index

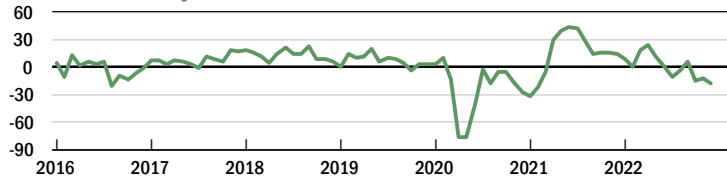


Note: The shaded areas indicate periods designated as recessions by the National Bureau of Economic Research.

# Current Indicators

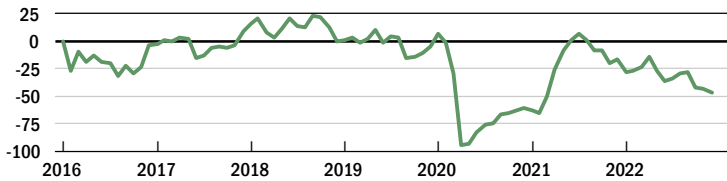
Change from Preceding Month

## Business Activity



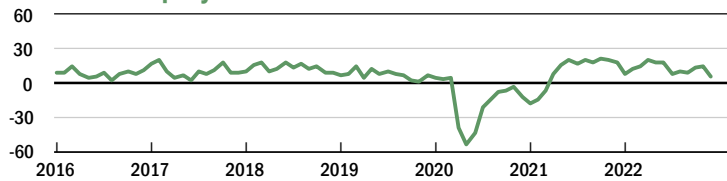
	Percent Reporting		Index
	Higher	Lower	
Nov	24.7	36.6	-11.8
Dec	23.1	40.7	-17.6
Change			-5.8

## Business Climate



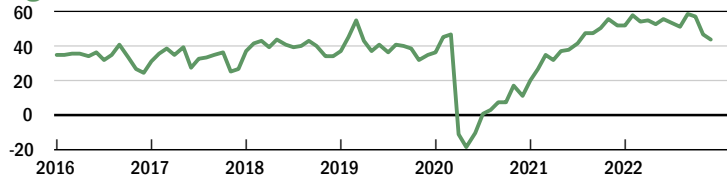
	Percent Reporting		Index
	Favorable	Unfavorable	
Nov	14.4	58.0	-43.6
Dec	11.0	57.1	-46.2
Change			-2.6

## Number of Employees



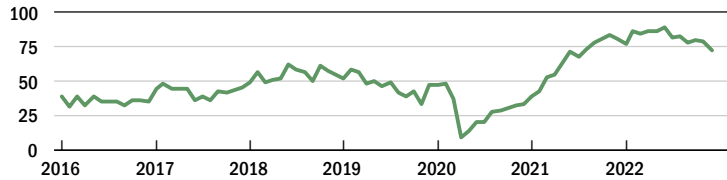
	Percent Reporting		Index
	Higher	Lower	
Nov	26.6	11.7	14.9
Dec	23.8	18.2	5.5
Change			-9.4

## Wages



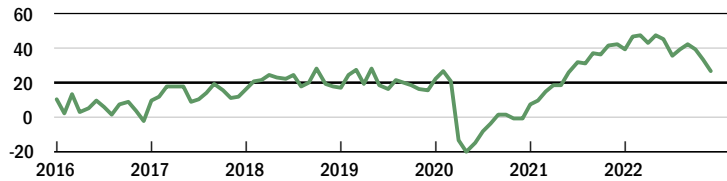
	Percent Reporting		Index
	Higher	Lower	
Nov	49.5	2.7	46.8
Dec	46.4	2.2	44.1
Change			-2.7

## Prices Paid



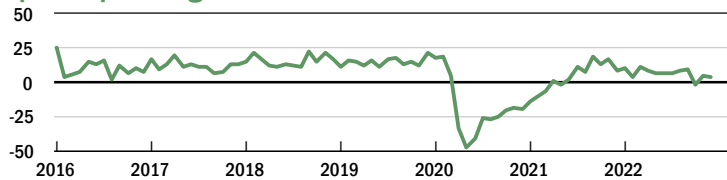
	Percent Reporting		Index
	Higher	Lower	
Nov	81.9	2.7	79.3
Dec	76.1	3.9	72.2
Change			-7.1

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Nov	38.5	4.8	33.7
Dec	34.1	7.3	26.8
Change			-6.9

## Capital Spending

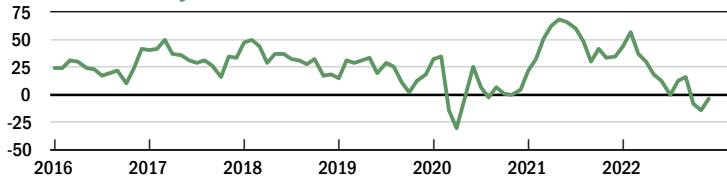


	Percent Reporting		Index
	Higher	Lower	
Nov	22.9	18.1	4.8
Dec	22.8	18.9	3.9
Change			-0.9

# Forward-Looking Indicators

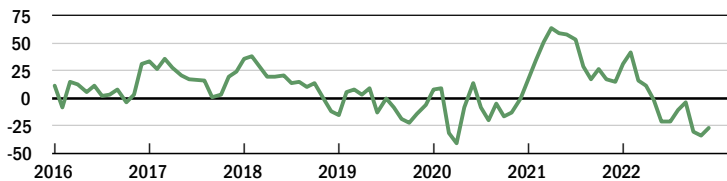
Expectations Six Months Ahead

## Business Activity



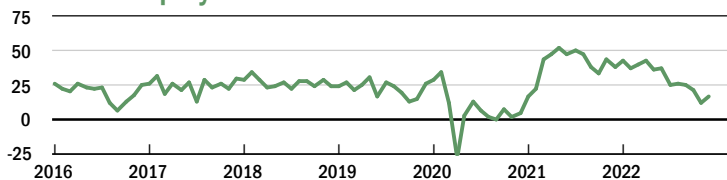
	Percent Reporting		Index
	Higher	Lower	
Nov	23.0	37.4	-14.4
Dec	29.8	33.1	-3.3
Change			11.1

## Business Climate



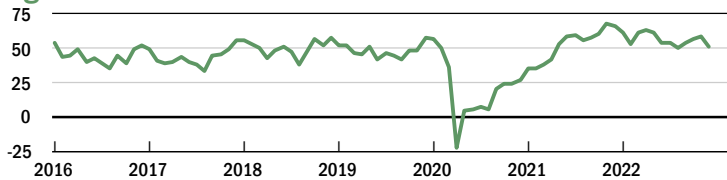
	Percent Reporting		Index
	Better	Worse	
Nov	13.9	48.1	-34.2
Dec	16.5	43.4	-26.9
Change			7.3

## Number of Employees



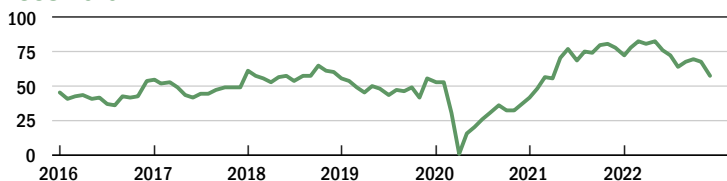
	Percent Reporting		Index
	Higher	Lower	
Nov	28.1	16.2	11.9
Dec	30.9	14.0	16.9
Change			5.0

## Wages



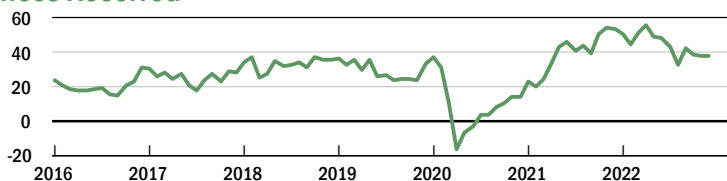
	Percent Reporting		Index
	Higher	Lower	
Nov	60.7	2.2	58.5
Dec	53.9	3.4	50.6
Change			-7.9

## Prices Paid



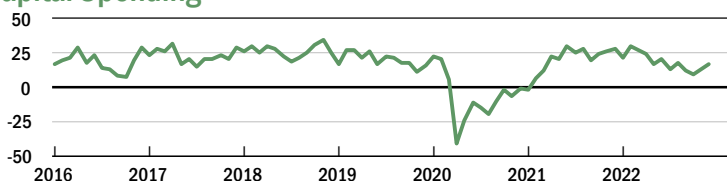
	Percent Reporting		Index
	Higher	Lower	
Nov	71.9	4.3	67.6
Dec	63.1	5.6	57.5
Change			-10.1

## Prices Received



	Percent Reporting		Index
	Higher	Lower	
Nov	45.7	7.6	38.0
Dec	42.7	5.1	37.6
Change			-0.4

## Capital Spending



	Percent Reporting		Index
	Higher	Lower	
Nov	30.8	17.8	13.0
Dec	34.8	18.0	16.9
Change			3.9