



Tenth District Services Activity Expanded in October 2020

by:

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Business Activity Expanded

Tenth District services activity expanded in October but remained below year-ago levels, while expectations for future activity remained positive (Chart 1 & Table 1). The indexes for input and selling prices rose faster in October. Firms expected input and selling prices to increase further in the next six months.

The month-over-month services composite index was 12 in October, up from -7 in September, but lower than 20 in August (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. All the month-over-month indexes were positive in October, indicating expansion. The general revenue and sales index rebounded considerably, driven by more wholesale, retail, real estate, and health services activity. The inventory index rose back into positive territory, and the indexes for employment, employee hours, part-time employment, and wages and benefits increased again in October. Additionally, the access to credit and capital expenditures expanded slightly. Year-over-year indexes were slightly less negative in October, as the year-over-year composite moved from -23 to -19. Expectations for future services activity remained positive in October, but the future composite index pace of growth slowed somewhat from 19 to 7.

Special questions

This month contacts were asked special questions about how business indicators compare to pre-COVID levels, as well as expectations for post-COVID. Around 60% of contacts indicated employment levels were already even with or exceeding pre-COVID levels, and 24% expected employment levels to fully rebound by the end of 2021 (Chart 2). Over 45% of firms said sales and revenue levels were at or above pre-COVID levels, though a significant share expected sales to take a long while to increase. Nearly 55% of firms reported capital spending was at or above pre-COVID levels, but 20% didn't expect it to match pre-COVID levels until 2022 or 2023. Businesses were also asked about long-term business changes after the risks from the pandemic dissipate (Chart 3). More than half of firms expected less travel, and a third of firms expected enhanced work-from-home policies for at least some staff or permanent scheduling changes moving forward. Additionally, 27% expected continual workforce health screenings, and a quarter of firms expected to move towards on-line business.

Selected Services comments

“We rebounded much quicker than expected. 3rd quarter 2020 sales rebounded to 2019 levels.”

“We are fully staffing our retail stores and are adding new stores to the network on an ongoing basis.”

“Our company has transitioned almost entirely to online and virtual processes. We are seriously considering reducing the amount of office space we need.”

“Our business has returned to "almost normal" levels.”

“Single family home permits and sales are up strongly.”

“Business is surprisingly good. We are having our best service and parts sales year ever.”

“I worry about finding staff after pandemic, many people in our industry have found other careers, since aid was not available or not adequate for many of my employees.”

“Some staff won't come back until after there is a vaccine.”

“Our corporate travel patterns will be permanently reduced, and a percentage of our corporate staff will continue to work remotely...maybe +/- 20%.”

“We are pushing hard to increase technology to permanently reduce headcount.”

“Our footprint will be smaller, but we anticipate higher profit % from cutting back under-performing areas.”

“Shift to ecommerce seems permanent as does less need to travel for business.”

“Increased profitability during the last 7 months has accelerated capital spending.”

“Capital spending will be constrained until we are certain that we need new equipment and have the sales to support the investment.”

Survey Data

Current Release

Historical Monthly Data

About the Services Survey
