



## Tenth District Services Activity Increased Considerably in July 2020

by:

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### Business Activity Increased Considerably in July

Tenth District services activity increased considerably in July, but remained lower than a year ago while expectations from a year ago declined slightly (Chart 1 & Table 1). The indexes for input and selling prices continued to expand in July. Firms expected both input and selling prices to increase over the next six months.

The month-over-month services composite index was 20 in July, up significantly from 3 in June and -21 in May (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were largely higher in July. General revenue and sales jumped, and the indexes for employment, employee hours, and wages and benefits indexes expanded further. The part-time employment and capital expenditures indexes rose into positive territory in July after declining in previous months. However, the month-over-month indexes for inventory and access to credit continued to decline. The increase in the general revenue/sales index was driven by more activity for retail, travel and tourism, transportation, health services, and real estate, while restaurant activity declined. On the other hand, most year-over-year indexes remained negative in July, though the year-over-year composite index rose from -32 to -20. Expectations for future services activity dipped, slowing from 9 in June to -2 in July.

### Special questions

This month contacts were asked special questions about changes in business costs and their need for physical infrastructure since managing the effects of COVID-19. 65% of contacts reported that their need for physical infrastructure had not changed in the past 6 months, while 30% said it had decreased (Chart 2). Moving forward, 65% anticipated that their need for physical infrastructure would not change in the medium term (1-2 years). Additionally, 67% of contacts said they had utilized a work from home policy in the last 6 months, but only a small share reported that a portion of their workforce will now permanently work from home. In terms of business costs, 39% reported no change in their costs in the past 6 months, 36% of firms reported increases, and 25% reported decreases (Chart 3).

## Selected Services comments

"For us, the PPP was a great program and a lifesaver. We downsized some but without the PPP we would have cut a lot deeper."

"We have reduced staff and with the reduced revenues, PPP is what is keeping our nose above the water."

"Safety for my employees is my #1 priority. I will absorb short term losses to make sure I am staffed when business does return - though we are a year or so away from our new normal. PPP dollars were a blessing, not only for the short term, but long term."

"As a small business we are only still open thanks to the PPP loan; the additional unemployment benefits have decreased willingness to work and/or to work for the wages we pay."

"The additional unemployment benefits have been problematic. We've had a number of applicants fill out applications and not show up for their interviews."

"Need oil demand to pick up."

"It is rough. Sales are down, costs are steady and we received no assistance of any kind."

"Most cost [increases] are tied to employees and we have slightly increased headcount over last 6 months. Other expenses tied to travel and marketing have decreased due to the pandemic."

"Wages and costs of supplies are up. PPE costs are up as well as the usage."

"Costs decreased: there is no travel to meetings for employees."

"We are expecting the stimulus to either go away, expire or to be much more limited moving forward. We expect that this will soften business. If schools do not reopen fully, up to 20% of our workforce will be negatively affected as reduced hours of productivity occur each week."

"COVID risks are very real in that customers may or may not feel safe and thus it is very difficult to predict sales."

## Survey Data

[Current Release](#)

[Historical Monthly Data](#)

