



Tenth District Services Activity Expanded Modestly in January 2021

by:

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Business Activity Expanded Modestly

Tenth District services activity expanded modestly from a month ago but remained below year-ago levels, while expectations for future activity rose significantly (Chart 1 & Table 1). The indexes for input and selling prices continued to increase at a faster pace than a month ago, especially the input price index which reached its highest reading in survey history (since 2014). Firms expected input and selling prices to continue to grow in the next six months.

The month-over-month services composite index was 8 in January, up from -4 in December but slightly lower than 10 in November (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most month-over-month indexes were positive in January. The general revenue and sales index increased due to higher wholesale, retail, real estate, professional and technical services, healthcare, and restaurant activity. However, auto, tourism, and hospitality activity declined. The access to credit index posted no change from last month, while inventories dipped. On the other hand, the employment, employee hours, part-time employment, wages and benefits, and capital expenditures expanded. Year-over-year indexes declined again in January, and the year-over-year composite moved from -17 to -15. Expectations for future services activity rose to the highest level since January 2020, with the composite index climbing from 16 to 28.

Special questions

This month contacts were asked special questions about the potential effects of widespread COVID-19 vaccination on business activity. 89% of firms indicated widespread COVID-19 vaccination is important to their firm's overall business outlook for 2021, with 32% calling it "somewhat important" and 57% labeling it "very important" (Chart 2). Many contacts commented on the need to return to business as normal but noted continued employee and consumer caution due to COVID-19. For hiring, 15% of contacts indicated the COVID-19 vaccine rollout has negatively affected plans for 2021 because of the delayed vaccine rollout (Chart 3). However, 21% of contacts noted the vaccine rollout has positively affected hiring plans for the second half of 2021. For capital spending, 14% of firms indicated the vaccine rollout has had negative effects on plans for 2021 again because of the slow rollout and general uncertainty. On the other hand, 11% of firms reported positive capital spending plans for 2021 based on the vaccine rollout. Overall, most firms noted the vaccine rollout has had no serious impact on hiring and capital spending plans in 2021 so far but may impact plans once more people are vaccinated.

Selected Services comments

"Significant concern about new government taxes and regulation with the new Administration."

"Clarity from the government on numerous rumored policy changes is needed. Until that comes, hiring and capital investment decisions will be deferred."

"We are encouraged that the vaccine roll-out will lead to reopening our economy and getting people back to work."

"We are expecting an uptick in overall activity in the 3rd and 4th quarters and may adjust head count upwards to accomplish this."

"We are hoping that the COVID-19 vaccine will encourage more people to go back to work."

"Once the vaccine is prevalent and employees/candidates are less fearful to be among the public we expect to have additional applicants and increase in business."

"Sadly, about half the employees aren't going to get vaccinated unless made to do it."

"Families still wary to dine out."

"I will not open my dining rooms until there is a larger base of population vaccinated in order to protect my employees."

"The demand for market-rate and affordable housing is extraordinary."

“We are a regional company. We need to be able to travel. We expect the vaccine to make that more available.”

“Our business is done by meeting people in person for lunch, meetings, etc. Zoom and TEAMS help but are not a 100% capture of what we do.”

“We are in a wait and see period. We are reluctant to make any future plans for our business until we are comfortable that the economy will rebound, and consumer confidence is on the rise.”

Survey Data

[Current Release](#)

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