



Tenth District Services Activity Moderated Slightly in February 2021

by:

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Services activity moderated slightly compared to a month ago but was still positive, while expectations for future activity remained solid.

Business Activity Moderated Slightly

Tenth District services activity moderated slightly compared to a month ago but remained positive, while expectations for future activity remained solid (Chart 1 & Table 1). The pace of growth for input and selling price indexes eased slightly from historic highs last month but remained positive. Firms continued to expect input and selling prices to increase over the next six months.

The month-over-month services composite index was 1 in February, lower than 8 in January but up from -4 in December (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes.

Month-over-month indexes were slightly mixed in February. The general revenue and sales index expanded slightly due to higher wholesale, professional and technical services activity. On the other hand, auto, transportation, real estate, healthcare, and restaurant activity declined. Indexes for employment, wages and benefits, and access to credit remained positive, while employee hours, inventory levels, and capital spending dipped slightly. Year-over-year indexes decreased moderately in February, with the year-over-year composite moving from -15 to -20. Expectations for future services activity eased slightly from last month, but remained solid with a composite index of 20.

Special Questions

This month contacts were asked special questions about worker shortages as well as materials prices and shipping delays. 55% of contacts indicated workers are in short supply, especially skilled hourly employees. Over half of firms recorded that a skills match is a key reason for the short supply of workers and 42% listed extra unemployment benefits as another reason (Chart 2). 40% indicated that the worker shortage is due to workers unwilling to return to work due to COVID, taking care of family, childcare issues, etc. Nearly 30% of firms noted that the lack of childcare for their current workforce has resulted in excessive absenteeism and a reduction in productivity. Concerning costs and shipping, around 64% of contacts said their business has been negatively affected by rising material prices and lack of availability/delivery time (Chart 3). Supply chain disruptions and increasing product costs have contributed to lower inventory levels.

Selected Services Comments

“We have noticed that considerably more time is being spent on recruiting employees. This in turn decreases our productivity in meeting our client needs which in turn affects our bottom line.”

“We are seeing more job applications than ever.”

“No workers that have the qualifications are available.”

“Business has been good, short on help, and there are still some shortcomings in the supply chain. The weather hasn't helped either.”

“The snowstorm has further hampered our business, but we are hoping for a strong rebound in energy due to economic recovery from the pandemic and storms.”

“Public schools being closed or on a virtual schedule has reduced the availability of employees with children, particularly women, to come to work. Depending upon the job, this has resulted in jobs being lost.”

“The shortage of new home construction is the biggest problem facing the real estate industry. Developers are far behind schedule.”

“The constant concern about possible tax hikes on small businesses are a huge problem for our future profit forecasting and makes me hesitant to plan any type of capital expenditures or even consider increasing our hiring.”

“There are more food shortages in supply chain due to COVID.”

“Major supply chain delays and price increases come daily.”

“To go food packaging will raise the price of to go food. Latex gloves have went from \$29.95/1000 in December 2019 to \$139.50/1000 in December 2020. Every time an employee puts a set of gloves on, my raw cost went from .06 to .28.”

Survey Data

[Current Release](#)

[Historical Monthly Data](#)

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