



Services Survey

Tenth District Services Activity Rose Further in March 2021

by:

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Tenth District services activity rose further from a month ago and expectations for future activity expanded modestly.

Business Activity Rose Further

Tenth District services activity rose further from a month ago and expectations for future activity expanded modestly (Chart 1 & Table 1). The pace of growth for input prices increased to the highest level in survey history (since 2014) and selling prices also grew somewhat. Firms expected higher input and selling prices over the next six months.

The month-over-month services composite index was 22 in March, up from 1 in February and 8 in January (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes increased in March. The general revenue and sales index increased, driven by higher retail, wholesale, transportation, as well as tourism and hospitality. On the other hand, auto and health services activity declined. Indexes for employment, employee hours, wages and benefits, access to credit, and capital expenditures rose further. However, inventory levels remained slightly negative. Year-over-year indexes were flat overall, now compared to levels at the start of the pandemic last year. The year-over-year composite index moved from -20 to 0. Expectations for future services activity expanded modestly from last month, and the composite index was up from 20 to 26, buoyed by firms' expectations of higher sales moving forward.

Special Questions

This month contacts were asked special questions about materials price increases and the impact of the vaccination rollout on business conditions. Around 18% of firms said they can fully pass price increases through to customers and 32% of firms could pass through a majority of price increases (Chart 2). Another 30% of firms reported the ability to pass through only a minority of price increases to the customer, and 20% percent indicated they were unable to pass through price increases at all. Regarding the pandemic, 34% of firms said the current pace of vaccinations and trajectory of the pandemic had not changed their business plans. On the other hand, over 26% of businesses reported an increased demand for their products or service as a result of the drop of COVID-19 cases and rise in vaccinations, and 24% of firms said that this trajectory has allowed them to relax COVID cautionary measures in the workplace (Chart 3). 21% of firms reported an increase in business travel. Additionally, 15% of contacts brought employees back to the office or workplace and another 15% indicated they are considering bringing employees back to the office sooner than expected due to the drop in COVID-19 cases and vaccination progress.

Selected Services Comments

“Business is improving, there are some concerns about being able to staff appropriately with increased unemployment benefits extension. We are also concerned over inflation (wage & expenses) as our industry does not usually keep up with inflation and relies on a higher share of hourly workers.”

“Business remains more robust than originally planned for 2021. There is significant concern that the rapid price increases in commodities are going to cause inflation.”

“We think it will be 2022 or 2023 until we see more foreign tourists -- they spend well and we miss them. With the vaccinations we are optimistic about conventions, conferences, and increased business travel. We have been getting increased activity in requests for tourist related stays for this summer.”

“We are trying to pay down debt. Heavy fixed costs in the midst of a decline in revenue has been difficult. We were over leveraged going into the pandemic and suffered the consequences.”

“We are still in a holding pattern for capital improvements and the purchase of much needed computer upgrades. We are hesitant to make these purchases with the threat of corporate tax increases that seem to be coming to small business.”

“My business is still shuttered one year later. I am unable to operate because I do large scale live events.”

“Record sales have given us confidence to open a new store.”

“The stimulus package will pump a lot of money into the economy and may increase sales but should not increase any of our hiring plans.”

“The recent stimulus package gave us the ability to hire staff, but it also gave the staff the ability not to work. It is very difficult.”

“We have been trying to hire drivers to fill empty trucks since late last year.”

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