



Services Survey

Tenth District Services Activity Rose at a Faster Pace

by:

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Business Activity Rose at a Faster Pace

Tenth District services activity rose at a faster pace in July, and expectations for future activity remained positive (Chart 1 & Table 1). Indexes for input prices and selling prices continued increase from a month ago and a year ago, but slower than the record pace in recent months. Moving forward, firms expected input and selling prices to continue to rise over the next six months.

The month-over-month services composite index was 25 in July, significantly higher than 8 in June and also up from 18 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 mostly positive in June, indicating expansion. The increase in general revenue and sales was driven by more wholesale, retail, tourism, and restaurant activity, while real estate and healthcare services growth slowed. The index for number of employees rose at a faster rate in July while inventories and access to credit levels declined slightly from a month ago. Year-over-year indexes grew, and the year-over-year composite index increased from 27 to 36. Expectations for future services activity remained high, although the future composite index edged down from 36 to 32.

Special Questions

This month contacts were asked special questions about supply chains and labor changes. Nearly 80% of firms reported that less than 10% of their workforce is remote on a full-time basis, while only 9% indicated that more than 75% of their workforce is currently remote. 84% of businesses expressed that workers were in short supply, and 72% of firms reported raising wages to attract or keep employees, more than at any other time in the survey's seven-year history (Chart 2). Popular methods to find key talent included hiring less qualified workers but providing additional training and increasing advertising for their open positions (Chart 3). Because of labor shortages, 58% of businesses reported increased overtime hours and 41% of firms were up-skilling or reskilling the existing labor force (Chart 4). Only 24% of firms said they were not facing challenges with supply chain disruptions, while the other 76% of businesses noted they were delaying projects, raising prices, diversifying suppliers, and increasing inventories to help manage the supply chain setbacks (Chart 5).

Selected Services Comments

"Many critical truck and trailer parts are very difficult to obtain with up to 30% price increases. The delays are causing unnecessary down time - simply waiting weeks for parts that if we had the parts, we could repair the equipment within hours. These types of issues exacerbate the supply chain issues."

"Inventory is starting to rise which should help stabilize housing prices. We have also reached a tipping point in the affordability index where being able to qualify for a mortgage becomes more difficult. We are also seeing push back on the continual rise in housing pricing."

"Things are getting better; sales are up low double digits, but wages and product costs are taking all the increases sales are providing."

"Access to capital is essential moving forward. Capital improvements will also require access to capital."

"Supply chain issues are killing construction material pricing causing delays in construction starts."

"Domestic and import prices and freight costs are rising faster than we can raise price to our customers. We are actively raising prices anywhere from 5-10% to our end customers without much pushback. We are contracting with our freight forwarders on container prices for the next 12-months and the rates are 100-150% higher than the average of the past few years."

"Allocation of metal truss plates for roof and floor trusses are concerning and causing allocation of sales. Continual lead time changes on products and multiple price increases. Third increase in vinyl windows this year makes cumulative increase about 40%."

“Supply chain disruptions expected to continue through the end of the year.”

“Every company is hiring. Capital expenditures are getting delayed due to lack of available inventory.”

“The price of used car inventory has been on the rise the last few months. However, I am starting to see the market relaxing in the last couple of weeks. Also, our repossession loss has decreased from 13% down to 3.25% in the last 8 months.”

Survey Data

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