



Services Survey

Tenth District Services Activity Remained Positive

by:

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Business Activity Remained Positive

The pace of Tenth District services growth slowed slightly but remained positive, and activity was expected to increase further over the next six months (Chart 1 & Table 1). Indexes for input prices and selling prices rose at a faster rate from a month ago, and price indexes were higher from a year ago for the majority of firms. Firms expected input and selling prices to continue to increase over the next six months, but slightly slower than the recent record high pace.

The month-over-month services composite index was 14 in August, down from 25 in July, but higher than 8 in June (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes remained positive in August, indicating expansion. The increase in general revenue and sales was driven by more wholesale, retail, real estate, restaurant, tourism, and professional and high-tech business activity. On the other hand, auto and healthcare services activity declined. The index for employee hours, wages and benefits, and capital expenditures increased at a faster rate than a month ago, and the inventories index jumped to the highest level since January 2020. Access to credit remained steady from a month ago. Year-over-year indexes grew at a solid pace with a year-over-year composite index of 36. Expectations for future services activity remained high, though the future composite index eased slightly from 32 to 26.

Special Questions

This month contacts were asked special questions about employment and the effects of the recent surge in COVID cases. Since May, 54% of business contacts reported a decrease in the flow of applicants per job, while 14% reported an increase in the flow of applicants for each job opening (Chart 2). Around 57% of firms reported that the rate of workers quitting has not changed at their firm, while 39% indicated it has increased in the past few months (Chart 3). Of those quitting, most workers leaving firms reported leaving for another job and/or reported leaving for better pay (Chart 4). Other firms reported workers wanted to change industries, were stressed or wanted different work life balance priorities, or wanted to move to other areas. Nearly 20% of firms reported retirement as a common reason given by workers for quitting. Most firms indicated that the recent surge in COVID cases had no change on their business activity (Chart 5). However, 22% of firms reported that the recent COVID surge had decreased activity, and 37% of firms expected the recent COVID surge to decrease business activity over the next six months.

Selected Services Comments

“We are continuing to follow safety guidelines in order to operate safely during the resurgence of the virus. Consumer confidence seems to be curbing downward.”

“Very hard to hire qualified workers at the prevailing rates. We have also needed a 3rd shift to keep up with demand.”

“While our revenue has remained flat, we are seeing less activity in our sales pipeline.”

“We are getting priced out of the market for entry level positions.”

“About a third of the candidates that accept positions never show up and get other jobs and don't tell us.”

“Very competitive environment for recruiting.”

“Starting to pick up and get work, now with Delta not doing any bids for September.”

“Cancellations have seen a significant uptick in the last few weeks.”

“We follow CDC safety guidelines and have not had any recent Covid issues.”

“More investors are buying homes as inventory has increased.”

“Although we think that business activity would decrease should COVID surge, we don't expect a drop in revenue and income as we are already operating at full capacity and turning away business.”

“We are in an essential business and continue to be busy.”

“Uncertainty in the market is problematic.”

“We are having supply issues.”

“Reestablished some cleaning protocols and social distancing measures.”

Survey Data

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