



Services Survey

Tenth District Services Activity Growth Remained Positive

by:

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Business Activity Remained Positive

The pace of Tenth District services growth continued to ease but remained positive, and activity was expected to increase at a moderate pace over the next six months (Chart 1 & Table 1). Indexes for input and selling prices remained historically high but the pace of growth eased slightly from a month ago. Input and selling prices were higher than a year ago for the majority of firms. Firms continued to expect input and selling prices to increase over the next six months.

The month-over-month services composite index was 13 in September, similar to 14 in August but lower than 25 in July (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The positivity in revenue and sales was driven by increased wholesale, real estate, and professional and high-tech business activity. However, auto, transportation, and restaurant activity declined. Most month-over-month indexes remained positive in August, indicating expansion. Indexes for access to credit and capital expenditures expanded at a faster pace in September. On the other hand, inventory levels declined slightly from a month ago. Year-over-year indexes grew, and there was an uptick in the year-over-year composite index from 36 to 37. Expectations for future services activity were moderately high, and the future composite index inched up from 26 to 27.

Special Questions

This month contacts were asked special questions about hiring plans and price increases. Nearly half of firms reported no change in hiring plans since earlier this summer (Chart 2). However, 37% of firms reported they expect to hire more workers in the remainder of 2021 than initially planned earlier this summer, and 13% of firms expect to hire fewer workers. 88% of survey contacts reported facing higher input costs due to elevated material or labor expenses compared to last year. Of the firms reporting higher input costs, 35% reported the ability to pass through 0-20% of those cost increases to their customers in the form of higher prices, a third of firms indicated passing through 21-80% of price increases, 24% of firms indicated passing through 81-100% of price increases, and 8% reported passing through more than 100% of price increases (Chart 3).

Selected Services Comments

“We have many people applying for jobs with little to no experience in a certain field. It appears that people are looking to switch industries/careers but with little to no experience. We are also seeing people with health/medical backgrounds applying for positions outside of that industry.”

“We just hired three additional recruiters to try to find employees to drive our trucks. The drivers will make around 100k per year. We are still 20% short of filling our trucks with drivers.”

“We have driverless trucks right now and new ones coming next month.”

“Retail sales appear to be slowing, labor costs are increasing, and we will be forced to slow hiring.”

“September is showing a seasonal slowdown which indicates a return to a more normal market, but it is not there yet. August inventory was down more than half from the same time last year so new home inventory will need to increase dramatically as fewer existing homes are offered for sale.”

“Even though input costs have gone up, demand far outpaces supply. Consequently, it is a unique sellers market amid very low supply. At 12/31/2019 we had 169 new vehicles in stock. On 08/31/2021 we had 12.”

“If we want to stay in business, we must past through the cost increases.”

“Hiring more employees to prepare for the Covid hit to staffing that is coming. Need to have staffing for when we will have numerous employees out on Covid leave. Also want to upgrade employee pool.”

“We have not had enough qualified candidates to fill open positions. This has been an ongoing problem for a year.”

“Workload continues to expand but can't find qualified workers.”

“With the uncertainty of the markets, we are implementing a hiring freeze in all departments, unless it is to fill an open position in management.”

“We are still working too much overtime. Our folks are simply growing tired of working extra hours.”

Survey Data

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[Historical Monthly Data](#)

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