



## Services Survey

# Tenth District Services Activity Rose Slightly

by:

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Regional services activity expanded slightly in January. Nearly half of firms indicated that 10% or more of their workforce had been absent from work in January due to COVID. Despite more firms reporting negative effects from this wave of COVID than previous waves, sales remained strong for a number of industries, and expectations for future activity increased.

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### **Business Activity Rose Slightly**

Tenth District services activity rose slightly in January with expectations for increased activity over the next six months (Chart 1 & Table 1). Indexes for input and selling prices grew at a slower pace in January compared to a month ago but prices remained above year-ago levels for most firms. Moving forward, firms expected input and selling prices to continue to increase over the next six months.

The month-over-month services composite index was 15 in January, up slightly from 11 in December and 10 in November (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The increase in revenue and sales was driven by additional wholesale, some retail, transportation, professional and high-tech services, and healthcare activity. On the other hand, auto, real estate, tourism, and restaurant activity decreased in January. Month-over-month indexes increased in January, with more sales, hours worked, and higher wages and benefits. The inventory index also jumped back into positive territory, and credit conditions inched up. The year-over-year composite index grew from 30 to 37, as sales, inventories, and wages and benefits continued to expand compared to a year ago. Expectations for services activity increased further in January with the future composite index rising from 33 to 37, driven by higher expectations for sales and capital expenditures.

## Special Questions

This month contacts were asked special questions about the recent COVID surge and how it has impacted their business so far in 2022. In January, 19% of businesses reported a strong negative effect on business activity from this variant of COVID, and another 62% of firms reported a slight negative effect (Chart 2). More businesses reported negative impacts from this wave than when asked in December 2020 during a previous wave. In fact, 48% of firms reported that 10% or more of their workforce missed work in January due to COVID (Chart 3). A number of firms commented that this strain has affected a higher share of their workforce and resulted in higher absenteeism. Of the firms facing labor shortages, 63% of firms reported adding overtime, 38% limited product or service offerings, 35% delayed orders, 32% altered business operations (moving to online orders, curbside pick-up, etc.), and 30% reduced operating hours/shifts in response to staffing issues (Chart 4). Although 30% of firms expected decreased business activity over the next six months due to the surge in COVID, 61% of firms expected no change, and 9% expected increased activity (Chart 5). Also, fewer firms expected decreased future business activity from this wave compared to when asked in August 2021.

## Selected Services Comments

“So far, our employees have just had to fill in for each other. The small business world is a real mess right now. We can't hire people, and we can't get the materials we need to do business.”

“Workers are teleworking; in-person marketing (the most effective in our industry) is almost at a standstill.”

“Some office workers still working remote is causing a lag in restaurant, brick and mortar retail sales.”

“Customer meetings have been canceled every day for past three weeks.”

“Customers are very cautious about getting sick with Omicron.”

“Currently, we have 30 off due to Covid... [about] 8.5%. 20 due to positive tests, 10 due to someone (a dependent) off for exposure or positive test.”

“Lots of billable hours lost because employees are out sick with Covid.”

“No one wants to be around other people.”

“We have more folks out with Omicron than we had with delta.”

“With the spike of cases on our state, people are reluctant to go back to work in fear of getting it. And those with no fear continue to spread it.”

“As a hospital, we are busier so revenue is up, but our costs to support through higher acuity patients and contract labor is negatively impacting our margin.”

“I think the COVID situation will get better as we get closer to Spring.”

“Consumers will come through the drive-thru or use delivery option.”

“We are an essential business and have been busy regardless of the case surges.”

## Survey Data

[Current Release](#)

[Historical Monthly Data](#)

[About the Services Survey](#)

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