



Tenth District Services Activity Rose in December 2019

by:

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Business activity rose in December

Tenth District services activity rose further in December and expectations for future growth remained positive (Chart 1). Input and selling price indexes continued to expand, but at a slightly slower rate compared with a month ago and a year ago. Expectations for future input prices also increased.

The month-over-month services composite index was 16 in December, up from 10 in November and -5 in October (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most month-over-month indexes increased in December. The indexes for employment, employee hours, part-time employment, and wages and benefits all expanded. The general revenue/sales index also grew, driven by higher retail, wholesale, auto, and health services, and professional and business services activity. Year-over-year services indexes were mostly positive, but lower than last month, and the year-over-year composite index moderated slightly from 31 to 25. Expectations for future services activity also remained positive but the composite index eased somewhat from 29 to 16.

Special questions

This month contacts were asked special questions about net profits and the impacts of conditions in other industries on their business activity. A higher share of District services contacts reported higher net profits over the past year than reported lower profits, and nearly 57 percent expect net profits to increase over the next year (Chart 2). Almost 30 percent of contacts reported that weakening in other goods-producing sectors (such as agriculture and energy) was leading to weaker conditions for business activity in their area (Chart 3). Another 15 percent of firms indicated strengthening in other goods-producing sectors was leading to stronger conditions for business activity, while over half of firms surveyed said there was no connection between other goods-producing sectors and the strength of business activity.

Selected Services comments

"Product price increases are finally making their way to us and hurting sales and margins."

"Cash flow is up partially due to shortage of workers and running short staffed."

"We can only hope that the markets stay strong in the upcoming years. If lawmakers decide to raise interest or corporate taxes, I believe our substantial growth will halt."

"We are expecting any increase in revenue to be offset by inflation in expenses with wages and supplies."

"We look for capacity to come more in line with demand next year... That should allow increased profitability."

"The continued strength in the economy is great for sales and at the same time is creating a shortage of labor. Along with minimum wage increases and wage increase pressure, we will need to focus on efficiency of operation and sales process to maintain and grow."

"We have focused on maintaining our market share and making capital improvements while it is still affordable. We are expecting business to increase a huge percentage in 2020 and want to be prepared for the upswing."

"The increased cost of labor and products is really putting a squeeze on our ability to grow profits."

"We are not anticipating the same impacts caused by natural disasters, so we expect net profits to increase more than 10% next year."

"We are expecting the very unusual weather and associated low demand for commodities that happened last year to be much more typical this year, thus improving our outlook dramatically."

"We continue to look at the expansion of our services lines and fully execute technology to help create efficiencies within existing lines of service."

"There are more consumers working and their confidence is the highest I've seen in decades."

Survey Data

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