



Tenth District Services Activity Slowed to Roughly Flat Levels in June 2019

by:

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Business slowed to roughly flat levels in June

Tenth District services activity slowed to roughly flat levels in June, with positive expectations for future growth (Chart 1). Month-over-month input and selling price indexes edged lower, but remained positive, and expectations for future prices were largely unchanged.

The month-over-month services composite index was 1 in June, down from 15 in May and 12 in April (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most month-over-month indexes eased somewhat in June, with several dropping into negative territory. In contrast, the wages and benefits index expanded slightly. The general revenue/sales index decreased, driven by declines in transportation activity, real estate, and health services. Year-over-year services indexes were also below levels from the previous month. Compared with a year ago, the services composite index dropped from 29 to 12, and the general revenue/sales index fell from 38 to 19. Expectations for the services composite index declined from 27 to 17, but most expected future services indexes remained largely positive overall.

Special questions

This month contacts were asked special questions about how their firm's plans and expectations have changed for the remainder of 2019 and about their current level of confidence in the U.S. economy. About 24 percent of business contacts indicated their plans for capital expenditures had increased for the remainder of the year, and 21 percent noted their employment plans had increased for the remainder of 2019 (Chart 2). However, a significant share of contacts indicated their capital expenditure and employment plans for the remainder of 2019 had decreased, and the majority of contacts have not changed their 2019 plans. Roughly 32 percent of respondents reported they expect wages to rise more than originally expected in the second half of 2019. Nearly 75 percent of firms reported they were confident in the U.S. economy, and just 8 percent reported no confidence (Chart 3).

Selected Services comments

“We are seeing more customers with large orders.”

“We still can’t find workers.”

“With wages higher to attract staff, selling price must increase, causing our middle class customers to shorten services or find other providers.”

“Unemployment and inflation are both low. Consumer attitude is good. Barring some unknown negative event, the outlook is positive.”

“Now that we are in the 2nd year of the revised tax code, we are starting to figure out how to maximize the business advantages, allowing us to put that money to work.”

“Tax decreases and regulatory easing have positively impacted the economy.”

“The flooding and the effect on agricultural will have a significant impact on our economy. Government payments could have a positive impact on the agricultural economy.”

“We’re still dealing with the ramifications of the late planting of crops and the damages done by the flood.”

“Business is good, but not great. Weather is really affecting our sales.”

“Slow sales I believe are mostly due to wet weather.”

“I would be strongly optimistic about the economy, however the ever changing policies out of Washington are creating distractions and uncertainty.”

“Tariffs are starting to have an impact.”

“If we could eliminate all the tariff talks things would be much better.”

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