



Tenth District Services Activity Decreased at a Slower Pace in May 2020

by:

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Business Activity Decreased at a Slower Pace in May

Tenth District services activity decreased at a slower pace in May after dropping very sharply in April, and expectations for future activity remained negative but improved somewhat (Chart 1 & Table 1). The input price index rebounded while the selling price index decreased again in May. Firms expected both input and selling prices to increase over the next six months.

The month-over-month services composite index was -21 in May, above the historic low of -58 in April and slightly below -16 in March (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. All month-over-month indexes continued to decrease in May except for the input price index. The monthly inventory index reached a new historic low, while most other indexes moderated slightly but remained in negative territory. The decline in the general revenue/sales index continued to be driven by the sharp decrease in travel, tourism, transportation, restaurants, and healthcare services (healthcare declines due to the decrease in elective procedures). Most year-over-year services indexes also remained negative in May, and the year-over-year composite index was little changed at -41. Expectations for future services activity continued to decrease slightly at -2, but improved somewhat from -28 in April.

Special questions

This month contacts were asked special questions about their expectations for when business activity will return to pre-COVID-19 levels and about current economic conditions as a result of COVID-19. Nearly 24 percent of businesses expected activity to return to levels similar to before COVID-19 within 6-12 months once restrictions are lifted, while 25 percent indicated it would take more than a year for business activity levels to resume normalcy (Chart 2). However, 15 percent of firms, including some retailers such as building materials and garden equipment suppliers, reported that business activity is currently at or above pre-pandemic levels. If current revenues were to continue, 67 percent of businesses indicated their firm could survive for more than a year, while 33 percent reported their firm could survive only a fraction of that time if current revenue levels persisted. More than 76 percent of firms experienced ongoing supply chain disruptions as a result of the COVID-19 pandemic and 56 percent of survey contacts reported losses in productivity (Chart 3). Additionally, 19 percent of firms reported labor shortages due to the COVID-19 pandemic.

Selected Services comments

"With little planning at the federal level, lack of testing, ignoring experts, it seems likely headed for another wave of COVID. Couple that with the fact the economy was slowing before this, it may be a long down cycle."

"Restaurants will need more help after PPP funds run out."

"We appreciate the measures taken by the federal government agencies that participated in securing loan funds and assisting us both prior and during this crisis."

"We need real help. We need funding to cover costs for all the lost revenue."

"I know I will be open soon, but I sure hope the public shows up... we were up 22% over our best year ever last year up to March 15. Once the lockdown hit we have had \$0.00 income."

"The stimulus money boosted sales so we expect to be ahead of last year in two months."

"We are essential and never closed, so very busy."

"I would guess 50% of lost volume will return in 30 days; another 25% the next 30 days; and the next 20% will creep in over the next 3 or 4 months; the last little bit will take us into 2021."

"We have downsized despite PPP in order to bring our cost structure in line with the new lower level of sales activity. The PPP allowed us time to make a plan and do this without panic... we should be able to operate for a while if the new lower sales level

holds. If it drops more our outlook could change quickly to being far direr."

"We received help through a PPP loan which has helped our cash position. We have reduced expenses. We did not lay off anyone."

"While down, our industry has not been as significantly impacted as some."

"As long as teleworking is allowed we can continue to provide limited services."

"The supply chain has been upset creating a lot of shortages."

Survey Data

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