



## Tenth District Services Activity Edged Down in March 2019

by:

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### Business Edged Lower in March

Tenth District services activity edged down in March, though expectations for future months remained positive (Chart 1). The price indexes were lower than last month but still positive, and business contacts expect prices to continue to rise.

The month-over-month services composite index was -2 in March, down from 10 in February and 15 in January (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most month-over-month indexes declined, and several indexes remained or turned negative. The general revenue/sales index dropped considerably in March, driven by a decrease in transportation activity and healthcare services. However, the month-over-month capital expenditures index climbed from 17 to 27, the highest reading in over a year. Additionally, year-over-year services indexes grew modestly. Compared with a year ago, the services composite index rose from 15 to 21. In contrast, expectations for future services activity inched down, with the future composite index dipping from 25 to 23.

### Special Questions

This month contacts were asked special questions about their expectations for capital spending. Nearly 39 percent of business contacts indicated they expect spending on new plant and equipment to increase over the next 6 to 12 months relative to actual spending over the past 6 to 12 months (Chart 2). Conversely, 14 percent of firms expect to decrease capital spending. Most firms reported that recent changes in business and consumer confidence had little effect on their capital spending plans. Of the contacts who reported plans to increase capital spending, 42 percent indicated they needed to replace other capital goods (Chart 3). Additionally, around 30 percent noted expectations of high sales growth, high capacity utilization, and a need to replace information technology equipment as major drivers behind their spending plans.

## Selected Services Comments

“The winter weather was terrible for us. Almost every weekend, when business is usually BIG, we got hit with a big storm. We gear up for a big night and no customers show up.”

“The only component part that has hurt business to some degree is the weather and the floods.”

“Because of the uncertainty in the prior years regarding possible tax increases, and possible interest hikes, we were cautious about making any capital expenditures. The new tax rates make it possible to reinvest in our business to grow and expand our business.”

“We are concerned about the lack of foreign tourist travel -- they are willing to spend, but we have very few reservations for this summer.”

“Affordability is still strong, job and wage increases stimulate this, but also our markets have not exhibited double digit changes either up or down in the housing market during this period, even in the bubble years. I expect this pattern to continue with small increases upward in housing prices.”

“Economic factors put us behind schedule on replacing equipment. We needed to catch up. The accelerated tax depreciation was a nice bonus.”

“We have purchased new equipment earlier than expected to take advantage of the tax savings.”

“Best year ever last year. We updated all equipment and paid cash for some to reduce risk of a downturn.”

“We have purchased additional businesses in the last year because of strong economic outlook.”

“We [authorized] more capital spending in 2018 due to the depreciation allowance and other factors. However with the current uncertainty in the business and political environment, we will now materially reduce capital expenditures and wait for the next most rational window of opportunity.”

## Survey Data

[Current Release](#)

[Historical Monthly Data](#)

