Tenth District Services Activity Decreased Moderately in September 2020

by: Chad Wilkerson

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Business Activity Decreased Moderately in September

Tenth District services activity decreased moderately in September, but expectations for future activity rose (Chart 1 & Table 1). The indexes for input and selling prices increased in September, although at a slightly slower rate. Firms expected input prices to expand further in the next six months and the index for future selling prices remained positive

The month-over-month services composite index was -7 in September, dropping considerably from 20 in August and July (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most month-over-month indexes were lower in September. The general revenue and sales index fell sharply, driven by less activity at restaurants, hotels, and auto dealers. The inventory index remained negative, and the index for part-time employment was steady. The indexes for employment, employee hours, wages and benefits, and capital expenditures expanded at a slower pace in September. However, the access to credit index inched higher into positive territory. Year-over-year indexes were generally as negative as in August, and the year-over-year composite was relatively unchanged at -23. Only the wages and benefits and price indexes increased versus a year ago. Expectations for future services activity grew in September, and the composite index rose from 11 to 19.

Special questions

This month contacts were asked special questions about wages for workers that were furloughed and then rehired, in addition to questions about expected wage growth and business plans. Most businesses that furloughed workers reported that wages for rehired/returned employees were the same as before workers were furloughed, and several firms increased wages for returning workers (Chart 2). Overall, 64% of contacts indicated they did not furlough workers. In the year ahead, firms expected wage and salary growth to slow somewhat; 35% of firms expected wage and salary growth to be lower than in the previous year, while 23% said it would be higher. Looking forward, 58% of firms expected to identify and hire new employees over the next six months (Chart 3). Nearly half of contacts planned to increase marketing or sales, and 27% of businesses expected to develop online sales or websites moving forward. Additionally, 25% of firms reported they will need to learn how to better provide for the safety of customers and employees in the next six months.

Selected Services comments

“At this time gross profit is up 10% over last year. Our system of profit sharing will increase the bonus for all employees.”

“Prices are rising sharply on residential real estate because of three factors: Pent up demand from the lockdown, very low interest rates, and shortage of materials because of national demand. We expect this is go back to normal in the next 60 days.”

“We are increasing our incentive plan to better support our team.”

“We raised wages in order to keep good employees.”

“The furlough was short-lived, only 6 weeks.”

“It's tough out there; we had a great Jan/Feb, hit the skids in March and are not back to pre-COVID revenues. PPP helped but we need a wide-open economy with obvious safety precautions.”

“Business in the Great Plains has rebounded pretty well. We believe that additional stimulus money is needed in the very near future.”

“We need more PPP. It wasn't enough.”

“The PPP was very helpful to us. We would have cut much deeper had we not had it.”

“This is the best year we have ever had… a lot of pent up demand.”

“The concern is what happens after the leisure traveler starts to fall away; will the corporate traveler come back?”

“Sales shifts and the times people shop and the amount they buy have changed and much of this change we believe to be with us after the "new normal" returns… We do not know what the new normal is.”

“I’m hopeful that our business market will return to normal early 2021. We are in a wait and see posture.”

Survey Data

Current Release

Historical Monthly Data

About the Services Survey

Author

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Chad Wilkerson serves as Oklahoma City Branch Executive and Senior Vice President of Community Development for the Federal Reserve Bank of Kansas City. Wilkerson has been with the Federal Reserve since 1998, starting in Kansas City's research department.Appointed in 2006 as Oklahoma City Branch Executive, Wilkerson is the Bank's lead officer and regional economist in Oklahoma. He recruits and works closely with the Oklahoma City Branch Board of Directors and is responsible for briefing the Kansas City Fed president, a member of the Federal Open Market Committee, on economic trends in the state. His team conducts research and surveys on key regional issues such as energy, manufacturing and migration.Wilkerson was appointed Senior Vice President in 2022, and supports a Community Development team located across the Kansas City Fed's seven-state region. This group works to understand and address issues affecting the ability of underserved communities and small businesses to access credit. Community development focus areas include financial resiliency, affordable housing, community investments, workforce development, rural development and digital inclusion.Wilkerson holds a master's degree in public policy from the University of Chicago, as well as a master's degree from Southwestern Seminary and bachelor's degree from William Jewell College. He serves on the boards of the Economic Club of Oklahoma, the United Way of Central Oklahoma and City Rescue Mission. He lives in Edmond, Oklahoma, with his wife and children.