



Services Survey

Tenth District Services Activity Grew Moderately

by:

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Regional services activity rose again in December and 75% of firms reported the lack of available labor as a key risk for their businesses in 2022. However, sales and demand have continued to increase compared to a month ago and a year ago.

Business Activity Grew Moderately

Tenth District services activity continued to grow moderately in December, and activity was expected to expand further over the next six months (Chart 1 & Table 1). Compared to a month ago, indexes for input and selling prices increased at record high rates in December, and were above year-ago levels for most firms. Moving forward, firms continued to expect input and selling price increases over the next six months.

The month-over-month services composite index was 15 in December, up slightly from 14 in November, but lower than 18 in October (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The increase in revenue and sales was driven by additional wholesale, retail, real estate, and professional and high-tech services activity. On the other hand, auto, healthcare, and restaurant activity declined in December. Most month-over-month indexes remained positive, indicating expansion. The employment index increased at a faster pace compared to a month ago while the inventories index dipped slightly. The year-over-year composite index rose from 26 to 30 with higher sales, employment, and capital expenditures. Inventory levels inched higher compared to a year ago. Expectations for services activity grew in December with higher sales and employment expectations, and the future composite index rose from 28 to 32.

Special Questions

This month contacts were asked special questions about risks for 2022 along with wage expectations and other labor costs. 75% of firms reported lack of available labor as one of the top three risks facing their business in 2022 (Chart 2). Additionally, supply chain disruptions or shortages, rising materials costs, and rising labor costs were reported as risks for a significant share of businesses (Chart 2). In a separate question, 73% of firms also indicated that a resurgence of the virus would either slightly or significantly negatively impact their business. For 2022, around 70% of firms are planning to increase wages between 2% to 6%, and no firms expected to decrease wages (Chart 3). Nearly 87% of firms also expected other labor costs (e.g., benefits, training, and time off) to increase more than 2% next year.

Selected Services Comments

“Food cost pressures already seen in 2021. 6% increase in back door costs in November 2021.”

“Our vendor partners do not see "significant" supply chain inventory for grocery recovering until sometime in 2023. Some items sooner and some will linger with diminished production well into 2023 and 2024.”

“Lack of available labor and rising labor costs are very closely related. The shortage is causing the rising labor costs but combined this is our number one problem.”

“We are a retail company so labor is a huge issue right now, as is the ability to get the full breadth of our supply chain of products.”

“We are short staffed in our warehouse and delivery team, although supply chain seems to be stabilizing for us. However, we worry that demand will decline.”

“Leisure travel is very good, but [we are] worried about business and group travel coming back.”

“Our oil and gas business is immediately sensitive to energy price declines; our real estate and car wash businesses are sensitive to rises in construction material costs in the 6-12 month time frame; all our business segments are sensitive to tightening capital markets.”

“We have increased starting wages by 20%... not sure that will be enough. There are very few well qualified applicants.”

“Information technology employees and engineers are all working remotely. A [COVID] resurgence will have no impact.”

“The more the pandemic rages, the more our local housing and commercial market soars. People are fleeing other areas for the rural open space.”

“A COVID resurgence will cause a significant [negative] impact.”

Survey Data

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