Services Survey

Growth in Tenth District Services Activity Fell Slightly

by:

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The pace of regional services activity fell slightly in April but remained expansionary. Firms continued to report increased supply chain disruptions, higher input costs, and labor shortages. However, firms were optimistic on the future outlook of sales, employment, and capital spending.

Business Activity Fell Slightly

Growth in Tenth District services activity fell slightly, while expectations for future activity remained solid (Chart 1 & Table 1). Compared to the previous month, indexes for input and selling prices decreased somewhat but remained at high levels. Most firms continued to expect selling prices to rise over the next six months while expectations for input prices eased modestly in April.

The month-over-month services composite index was 20 in April, lower than 30 in March and higher than 12 in February (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Positive revenue and sales were driven by more transportation, food and beverage stores, and health care services. However, growth eased for wholesale trade, professional/high-tech services, hotels, and restaurants. Additionally, real estate and auto activity declined. Month-over-month indexes pace of growth slowed in April for sales, hours worked, and wages and benefits indexes. The credit conditions index jumped back into positive territory, and inventory indexes inched higher. The year-over-year composite index increased slightly from 27 to 32, as the sales, hours worked, wages and benefits, and inventory indexes continued to expand compared to a year ago. Expectations for services activity remained solid in April with the future composite index basically unchanged from last month, driven by higher indexes for future inventories, capital expenditures, and employment.

Special Questions

This month contacts were asked special questions on the change in the number of job openings since the beginning of the year and the impact of COVID-induced lockdowns in China. In April, 34% of firms reported a slight increase in the number of job openings compared to the beginning of the year, and 17% reported a significant increase (Chart 2). As a result of the COVID-induced lockdown in China, 66% of firms reported higher supply chain disruptions and 56% reported higher input prices (Chart 3). A significant share of firms reported no change in hiring, capital spending, and demand. However, 23% of firms reported facing lower inventories due to the COVID-induced lockdown in China.

Selected Services Comments

“We're seeing weekly increased costs for inputs and new projects are realizing significant price increases, as well as construction & equipment materials with unusual lead times.”

“Our business/demand has really slowed down since Jan. 1. On top of that, the vehicle inventory and parts availability have gotten worse. We are still minus some key employees.”

“Thus far we have only seen marginal price increase and/or supply chain disruptions, however, it is very early, and we anticipate our challenges to be exacerbated soon.”

“China and interest rates have no direct impact on our ability to make or sell our product (certainly may have an indirect impact as it effects the overall economy). But it will impact our ability to upgrade technology - etc.”

“Biggest challenges continue to be finding people to hire that have necessary skills and the impact of higher inflation on the willingness of our customers to spend.”

“We are combating finding and locating employees…Many of the recruiting platforms that we utilize are beginning to increase subscription prices making it difficult for us to sustain profitability even after we have decreased our overhead during the height of the pandemic.”

“People are moving around to new jobs because of the high offers being made to attract people.”

“As interest rates increase, we are starting to see more hesitation from customers in purchasing.”

Survey Data

Current Release

Historical Monthly Data

About the Services Survey