



Services Survey

Growth in Tenth District Services Increased Moderately

by:

August 26, 2022

Overall, regional services activity grew moderately in August. However, firms' expectations for future activity fell to the lowest level in over a year.

Business Activity Growth Increased Moderately

Growth in Tenth District services activity increased moderately in August, and expectations for future activity eased slightly but remained positive (Chart 1 & Table 1). Compared to the previous month, input prices decreased somewhat while selling prices increased slightly. Expectations for future prices remained high, but slightly below previous levels.

The month-over-month services composite index was 14 in August, up from 2 in July, and equal to 14 in June (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The increase in growth was driven by higher activity in restaurants, wholesale trade, health services, professional services, and retail trade. Most month-over-month indexes rose in August, with an increase in revenue/sales, employment, inventory levels, and credit conditions indexes. In contrast, the hours worked and capital expenditures indexes eased somewhat. The year-over-year composite index decreased slightly from 18 to 16, but the general revenue/sales and credit conditions indexes had higher readings than last month. Expectations for services activity eased slightly in August, falling to its lowest level since November 2020, and indexes for revenue/sales, hours worked, employment, wages, and inventories indexes declined moderately.

Special Questions

This month contacts were asked special questions on wages and hiring decisions. In August, 50% of firms reported adjusting employees' compensation due to inflation during the year, mainly through wage increases but also through added benefits, more flexible hours, and one-time inflation or cost of living bonuses (Chart 2). About 33% of firms reported no plans or less than a 0% change in employees' wages for the rest of the year (Chart 3). Of the firms that reported an increase, 42% of firms reported a 1-5% increase, 22% reported a 5-10% increase, and 3% reported an increase of 10% or more (Chart 3).

Selected Services Comments

“We lose people due to low wages. This has to end, but margins are tight.”

“Inflationary pressures are causing hardship on all employees, and you cannot give them raises fast enough to offset rising costs. Margins are shrinking and are at lowest levels in years.”

“Profits are under pressure in spite of increasing selling prices because of fuel costs, insurance costs, wages, interest, and general higher operating costs.”

“Based on conversation with suppliers and vendors, we believe persistent product delays and diminished variety is going to be prevalent for another year or so.”

“The market is showing a natural slowdown in August now that school has started. For those buying homes they needed to be closed usually about 2 weeks prior to the term starting. With rates expected to rise in September it will be slower.”

Survey Data

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