



## **Services Survey**

## Growth in Tenth District Services Activity Continued at a Moderate Pace

by:

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Overall, regional services firms saw solid growth in revenue in September. However, firms saw less growth in employment and price pressures continued.

## **Business Activity Continued at a Moderate Pace**

Growth in Tenth District services activity continued at a moderate pace in September, and expectations for future activity remained positive (Chart 1 & Table 1). Monthly survey price indexes remained elevated, and expectations for future prices increased slightly.

The month-over-month services composite index was 20 in September, up from 14 in August and 2 in July (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventories indexes. The increase in growth was driven by higher activity in restaurants, transportation, wholesale trade, and professional services. Most month-over-month indexes rose in September, with an increase in revenue/sales, hours worked, wages and benefits, and capital expenditures indexes. In contrast, inventories and employment indexes eased somewhat. The year-over-year composite index remained solid, with all indexes having higher readings than last month except employment and inventories. Expectations for services activity remained positive overall in September, though indexes for employment declined modestly.

## **Special Questions**

This month contacts were asked special questions on changes in the scale of operations and anticipated costs in the next six months. In September, nearly a third of firms reported they were taking steps or planning to take steps to expand the scale of operations over the next six months, while half of firms reported maintaining current capacity or business plans (Chart 2). The steps firms reported to expand scale included adding to workforce size, capital expansion, and expanding into new or existing markets. In relation to current conditions, a majority of firms anticipated costs will increase in the next six months across all categories, especially for financing and energy related costs (Chart 3).

**Selected Services Comments** 

"Where are all of the employees hiding? I have a wait every night for dinner but do not have enough help to serve or cook for

them."

"We have seen the used vehicle wholesale prices starting to decline and level off. I take this as a positive indicator that inflation

might be trending downward. I believe this is a great time to build a new facility and gain market share in our industry. I am

more confident than I have been in the last 24 months that the markets will return to normal in the first quarter of 2023 and

that consumer confidence will see a positive gain before 2022-year end. We will see."

"Commodity prices for basic building materials are down. Manufactured products are still increasing - supply chain is better

but quality of the products coming from manufacturers is much worse than before the pandemic - likely due to all of the new

employees and lack of training. It is causing service issues with the products. Many builders are reducing their backlog but

report that they are selling houses, but the pace is not as rapid."

"Building utilization is down. There is excess capacity in the organization as more work from home. This appears permanent.

Interdependent businesses like lunch places and dry cleaners appear to be leaving the area. Interest rates are way up and so are

costs."

"We are very, very concerned about the low level of current national distillate stock. Certain vendors have placed us on diesel

allocation, which hasn't happened in my 11 years with the company. Thus far we have been able to deliver physical product to

our customers, but as we head into harvest season in the Midwest, we are expecting diesel shortages. This has the potential to

severely impact the operations of the markets and industries we serve."

**Survey Data** 

**Current Release** 

Historical Monthly Data

About the Services Survey

Growth in Tenth District Services Activity Continued at a Moderate Pace https://www.kansascityfed.org/surveys/services-survey/growth-in-tenth-district-services-activity-continued-at-a-moderate-pace/

2