



Services Survey

Growth in Tenth District Services Activity Continued at a Moderate Pace

by: Chad Wilkerson

September 23, 2022

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](#)

Author



Chad Wilkerson

Senior Vice President and Oklahoma City Branch Executive

Chad Wilkerson serves as Oklahoma City Branch Executive and Senior Vice President for the Federal Reserve Bank of Kansas City. Wilkerson began his career with Federal Reserve in the Kansas City research department in 1998, before accepting the role of Oklahoma City Branch Executive in 2006. In 2022, Wilkerson was appointed Senior Vice President. 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. Serving as Senior Vice President of Community Development, Wilkerson supports community development staff 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.
