Overall, regional services firms saw growth in activity slow considerably in October. Indexes fell for revenue/sales, wages and benefits, expenditures, and selling prices; however, firms still reported slight gains in employment and expectations held steady.

Business Activity Slowed Considerably

Tenth District services activity grew at a much slower pace October, and expectations for future activity remained steady (Chart 1 & Table 1). The monthly survey input prices index remained elevated, while the selling prices index saw a modest decline. Expectations for future prices remained high, but slightly below previous levels.

The month-over-month services composite index was 6 in October, down from 20 in September and from 14 in August (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventories indexes. The decrease in growth was driven by a decline in activity in professional services, auto, health services, and retail trade. Most month-over-month indexes slowed in October, with a decrease in revenue/sales, hours worked, wages and benefits, credit conditions, and capital expenditures indexes. In contrast, the inventory levels index increased somewhat. The year-over-year composite index remained solid, however, the only indexes having higher readings than last month were employment and inventories. Expectations for services activity remained steady in October, and indexes for employment saw a slight increase.

Special Questions

This month contacts were asked special questions on changes in their workforce and investments compared to pre-pandemic. In October, 72% of firms reported devoting significantly or slightly more resources to training workers in order to meet skill requirements, while 28% reported no change (Chart 2). Due to labor shortages, 28% of firms reported investing or planning to invest in labor-saving automation strategies at a faster pace than in the past. On the same question, 23% of firms invested or planned to invest similar to the past and about 45% of firms reported not investing in labor-saving technology (Chart 3).
Selected Services Comments

“Prices are increasing significantly for products, but items are becoming more readily available. Labor costs have also increased significantly, and we expect that to continue into 2023. We expect higher interest rates to cause a material slowdown in purchasing of certain goods and products.”

“It appears that the labor participation rate has declined making it harder to fill jobs. For a majority of businesses, it appears that the following needs as much attention: broken supply chain correction, immigration reform, increasing labor supply and increasing education to acquire productive skill sets.”

“We have purchased more self-checkouts because of labor shortages and higher wage costs. However, theft is becoming a bigger issue.”

“We need more automation to both offset higher wages as well as address short labor supply.”

“The impact of the pandemic is still significant. Everyone wants to do as much work from home as possible. Customers buy goods and services from home much more readily. Both customers and employees are remote, leaving buildings and parking lots empty. The impact on real estate will be significant. Of course, everyone wants a home office now, so residential real estate is up while commercial and office demand is down. We have significant surplus space, but that is not uncommon.”

Survey Data

Current Release

Historical Monthly Data

About the Services Survey
Tenth District Services Activity Grew at a Much Slower Pace
https://www.kansascityfed.org/surveys/services-survey/tenth-district-services-activity-grew-at-a-much-slower-pace/

Chad Wilkerson
Senior Vice President and Oklahoma City Branch Executive

Chad Wilkerson serves as Oklahoma City Branch Executive and Senior Vice President of Community Development for the Federal Reserve Bank of Kansas City. Wilkerson has been with the Federal Reserve since 1998, starting in Kansas City’s research department. Appointed in 2006 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. Wilkerson was appointed Senior Vice President in 2022, and supports a Community Development team 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.