



Services Survey

Growth in Tenth District Services Activity Increased Moderately

by:

November 18, 2022

Overall, regional services firms reported moderate growth in November. The index for revenue and sales rose slightly, and approximately 83% of firms reported plans to increase or maintain current employment levels.

Business Activity Increased Moderately

Tenth District services activity growth increased moderately in November, and expectations for future activity inched slightly higher (Chart 1 & Table 1). The monthly survey price indexes remained high, but slightly below previous levels. Expectations for future input prices decreased somewhat, while selling prices increased slightly.

The month-over-month services composite index was 10 in November, up from 6 in October but down from 20 in September (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 wholesale trade, restaurants, retail trade, and transportation. Most month-over-month indexes rose in November, with an increase in revenue/sales, number of employees, wages and benefits, and credit conditions indexes. In contrast, hours worked, employment, and inventory indexes decreased somewhat. The year-over-year composite index increased slightly from 17 to 21, but the inventory, credit conditions, and capital expenditures indexes had lower readings than last month. Expectations for services activity increased slightly in November, however indexes for revenue/sales inched slightly lower than previous levels.

Special Questions

This month contacts were asked special questions about employment plans and labor market conditions. About 43% of firms expected to increase employment over the next 12 months, 40% of firms expected to leave employment unchanged, and 17% of firms expected to decrease employment over the next 12 months (Chart 2). About 81% of firms planned to increase employment because expected growth of sales is high, ranking it as one of the top three factors driving employment plans (Chart 3). Other firms noted that employment plans are driven by current staff being overworked or that the firm needs skills not possessed by current staff.

Selected Services Comments

“Some counterparties are slowing payments putting pressure on our business and requiring that we utilize lines of credit to meet operational costs. As a result, our costs are rising.”

“We are forecasting a tough next 12 months. I don't see supply increasing much and demand is softening.”

“Business activity has been good. Expect to see a slow down if a recession looms. We're aggressively ramping up our sales and marketing plans.”

“Business is seasonal, and we are going into our slow season. Our staffing numbers are still below last year, so we will continue to hire to get ready for next spring when volume picks up again.”

“Banks are restraining lending on new construction homes. New single-family permits have continued to drop - off about 20% in the last 3 months and the rate of decline is increasing. There has been some indication of softness in pricing in manufactured products (windows, doors, etc.) but no actual cuts yet and large increases are no longer expected.”

“Interest rates and construction cost are killing development. Properties that have floating rate debt are getting crushed.”

“Sales of existing homes will continue to slow with another rate increase coming in December that will further affect affordability. New homes under \$300,000 will do well because of builder price reductions and increased builder incentives to buyers.”

Survey Data

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