



Services Survey

Tenth District Services Activity Improved in February

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Regional services activity recovered in February after dropping somewhat in January. Firms also expected a slightly faster pace of job growth in 2023 than in 2022.

Business Activity Improved

Tenth District services activity improved in February with expectations for moderately increasing activity over the next six months as well (Chart 1 & Table 1). Indexes for input and selling prices grew at a slightly faster pace in February compared to a month ago and prices remained well above year-ago levels for most firms. Firms expected input and selling prices to increase further over the next six months.

The month-over-month services composite index was 1 in February, up from -11 in January and 0 in December (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The improvement in revenue and sales was driven by an increase in wholesale trade, transportation, and professional services activity. On the other hand, restaurants, tourism, and retail trade activity decreased in February. All month-over-month indexes increased in February except employment, inventory levels, and expenditures. The year-over-year composite index remained steady, but inventory levels had lower readings than last month. Expectations for future services activity increased in February, and the composite index increased from -2 to 13.

Special Questions

This month contacts were asked special questions about their biggest hiring priorities and change in average number of employees over time. In February, 42% of firms expected their biggest priority in hiring over the next six months would be entry level workers, while 40% of firms expected mid-level workers, 9% of firms expected other workers, 6% expected senior level workers, and 4% expected temporary workers (Chart 2). In 2022, firms' year over year change in average number of employees was 1% and in 2023 firms expect the year over year change to move up to 2%. (Chart 3).

Selected Services Comments

"The supply chain issues related to our import business have improved drastically over the past 6 months. Also, rates for full

containers from China are back to normal \$4000-\$5000 versus over \$20,000 last year. Also, our overall inventory purchases on

import items are down 75% year-over-year since we have enough inventory to satisfy our current and expected revenue over

the near-term."

"The housing industry is now in a full-fledged recession. While I do not think that it will last forever, we are now in the process

of making many needed adjustments."

"Our particular company is having a gap in furnishing multi-family which is partially the reason for fewer employees. Single

family permits also have dropped 30%+ from a year ago."

"Prices that customers are willing to pay for vehicles are going down. Rates continue to rise for financing. Manufacturers

continue to raise prices in spite of this. I believe we will start to see massive repossessions by banks and finance companies as in

2008-10. This will further depress prices as we return to more "normal" used vehicle prices and the manufacturers will have to

return to incentives instead of being able to sell all they can at any price. This will be a welcome return for consumers as well as

car dealers."

"Recruiting is getting harder and harder. It appears that the same resumes keep showing up in our searches. Thus, it doesn't

appear that new people are entering the workforce."

"Struggle continues to find skilled labor despite wage increases and increase benefits."

"Staffing levels have remained static but expect small increase as a result of new business locations added to our footprint."

"Lots of reducing overtime hours and reducing use of temps."

"I am not optimistic about 2023. I think it is going to be a difficult year for small businesses."

Survey Data

Current Release

Historical Monthly Data

About the Services Survey

Tenth District Services Activity Improved in February https://www.kansascityfed.org/surveys/services-survey/tenth-district-services-activity-improved-in-february/

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