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/
Authors

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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.

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