Services Survey

Tenth District Services Activity Declined Slightly in March

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March 24, 2023

Regional services activity declined slightly in March. With current price pressures, about 70% of firms reported lower profit margins from the beginning of the year.

Business Activity Declined Slightly

Tenth District services activity declined slightly in March and expectations for the next six months slowed moderately (Chart 1 & Table 1). Monthly price indexes for March eased slightly, while firm's expectations for future price indexes were mixed with an increase in input prices and a slight decrease in selling prices.

The month-over-month services composite index was - 4 in March, down from 1 in February, and up from - 11 in January (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The decline in revenue and sales was driven by slowing in wholesale trade, auto, and professional services activity. On the other hand, real estate, restaurants, and tourism activity increased in March. Month-over-month indexes were mostly negative in March and all indexes decreased except inventory levels and capital expenditures. The year-over-year composite index declined slightly from 2 to - 6 with employee hours worked and credit conditions moving into negative territory. Expectations for future services activity slowed moderately in March, and the composite index decreased from 13 to 2.

Special Questions

This month contacts were asked special questions about profit margins and changing prices. In March, given current price pressures, 68% of firms reported a decrease in profit margins since the beginning of the year, while 23% of firms reported no change, and 9% of firms reported an increase (Chart 2). Compared to last year, 51% of firms reported changing prices more often, 45% of firms reported no change, and 4% reported changing prices less often (Chart 3).

Selected Services Comments

"We are cutting back on holding inventory anticipating a significant slowdown in business as we go through 2023. Interest rates are shocking customers, and the additional cost of purchasing is slowing buying behavior."

“The supply chain in real estate new construction has largely connected itself. The problem is materials except lumber have stayed at higher prices that have nothing to do with supply chain issues but more about creating more product at the expense of the end user, the new home buyer.”

“High interest rates are hurting business, both selling cars and internal expenses.”

“Delays in shipping is a vendor/manufacturer issue brought on by lack of availability. We can't rely on inventory levels, so we promote at higher prices to ensure availability supporting promotion. Higher sales price translates to declining sales.”

“Qualified hourly employees are challenging to find.”

“Product needed is not stored and ready. Orders are delayed as vendors are not keeping inventory on hand.”

“We have seen huge increases in our cost of inventory, parts and shipping. We have also seen increases in our interest on our lines of credit.”

“Very significant slowdown in single family starts and many of the starts may be for rent to own. Multifamily backlog that has not yet started.”

“Delays in shipping continue to impact our capital deployment timelines. Warehousing and storage is improving, but at a high cost, and product availability is better.”

“Supply chain related product increases and expenses like utilities are increasing faster than we can react, along with slowing sales.”

Survey Data

Current Release

Historical Monthly Data

About the Services Survey
