



Services Survey

Tenth District Services Activity Grew Moderately in February

by: , Jannety Mosley and Chase Farha

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District services activity increased moderately in February, and expectations for future activity declined slightly. Firms' sales increased substantially last month, while employment levels held steady.

Business Activity Grew Moderately

Tenth District services grew moderately in February, and expectations for the next six months declined slightly (Chart 1 & Table 1). Input price growth continued to far outpace increases in selling prices, and this trend is expected to continue in future months.

The month-over-month services composite index was 12 in February, up from -2 in January and -7 in December (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The increase was driven primarily by growth in wholesale, retail, and transportation. Most month-over-month indexes were positive and increased from previous readings. General revenue/sales jumped from -2 to 12 and inventories ticked up from 7 to 11. Employment levels were flat, while employee hours increased and wages and benefits remained expansionary. The year-over-year composite index declined from -7 to -11, as revenues fell further. Capital expenditures expanded modestly and access to credit continued to decrease. Expectations for services activity declined to -3 from 3, as firms anticipate revenues to decrease somewhat and employment to grow slightly.

Special Questions

This month contacts were asked special questions about price pressures and profit margins. Profit margins decreased over the past 3 months for a narrow majority of services firms. 38% of firms reported their margins have decreased slightly while 22% reported a slight increase, 20% reported a slight decrease, and another 20% reported a significant decrease. Expectations for the year ahead are more mixed, with a third of firms anticipating a slight increase, 29% a slight decrease, 21% no change, 15% a significant decrease, and 2% a significant increase (Chart 2). About half of firms reported they are passing through higher costs to customers to maintain their margins, while 40% are also reducing worker hours or overtime and 29% are changing supplier relationships to reduce input prices. Additionally, 11% of firms each are curtailing production or laying off workers, while another 22% have not implemented any of the above strategies to maintain margins (Chart 3).

Selected Services Comments

“As a temporary staffing company, we are finding it difficult to obtain new clients. It appears that the landscape in our area is changing where less businesses are trying to outsource their staffing needs.”

“Looks like the cost environment will keep us from expanding or upgrading equipment for the foreseeable future.”

“Our vehicle wholesale market prices are down along with most of our input prices. Although we have lost income these last 2 years, I feel we will gain these profits back in 2024. Consumer confidence in our market is on the rebound as far as automobile purchases, which is a positive step toward recovery for our business. We are finding it harder to obtain a commercial mortgage for our business expansion, so expansion will need to go to the backburner.”

“Will monitor starting wages of competitors to make sure we are at top end of wage scales in our industry.”

“Everything is slowing, and interest rates are hurting sales and increasing our costs.”

“Some custom builders seem to have more optimism than in the last year. Single Family starts included an increased percentage of homes built for rent.”

Survey Data

[Current Release](#)

[Historical Monthly Data](#)

[About the Services Survey](#)

Author



Chase Farha

Research Associate II

Chase Farha is a Research Associate in the Regional Affairs department at the Oklahoma City branch of the Federal Reserve Bank of Kansas City. In this role, his responsibilities include contributing to the Oklahoma Economist and a variety of research projects. He holds a Bachelor of Science degree in Economics, with minors in mathematics and Arabic, from Tulane University.
