



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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**Tenth District Services Activity Rose at a Faster Pace**  
*Federal Reserve Bank of Kansas City Releases July Services Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the July Services Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District services activity rose at a faster pace in July, and expectations for future activity remained positive.

“Regional services activity continued to expand in July, and at a faster rate than in recent months,” said Wilkerson. “51% of firms also reported having to increase prices due to supply chain issues.”

The Kansas City Fed’s monthly Survey of Tenth District Services provides information on several indicators of activity including sales, revenue, employment and capital spending, while identifying changes in prices of input materials and selling prices. Survey participants represent a variety of industries, including retail and wholesale trade, automobile dealers, transportation, information, high-tech and professional services, real estate, education, restaurants, health services, tourism and other services firms. Historical data, results from past surveys and release dates for future surveys are available at [www.kansascityfed.org/surveys/services-survey/](http://www.kansascityfed.org/surveys/services-survey/).

The Federal Reserve Bank of Kansas City serves the Tenth Federal Reserve District, encompassing the western third of Missouri; all of Kansas, Colorado, Nebraska, Oklahoma and Wyoming; and the northern half of New Mexico. As part of the nation’s central bank, the Bank participates in setting national monetary policy, supervising and regulating numerous commercial banks and bank holding companies, and providing financial services to depository institutions. More information is available online at [www.kansascityfed.org](http://www.kansascityfed.org).

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## **TENTH DISTRICT SERVICES SUMMARY**

Tenth District services activity rose at a faster pace in July, and expectations for future activity remained positive (Chart 1 & Table 1). Indexes for input prices and selling prices continued increase from a month ago and a year ago, but slower than the record pace in recent months. Moving forward, firms expected input and selling prices to continue to rise over the next six months.

### **Business Activity Rose at a Faster Pace**

The month-over-month services composite index was 25 in July, significantly higher than 8 in June and also up from 18 in May (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were mostly positive in June, indicating expansion. The increase in general revenue and sales was driven by more wholesale, retail, tourism, and restaurant activity, while real estate and healthcare services growth slowed. The index for number of employees rose at a faster rate in July while inventories and access to credit levels declined slightly from a month ago. Year-over-year indexes grew, and the year-over-year composite index increased from 27 to 36. Expectations for future services activity remained high, although the future composite index edged down from 36 to 32.

### **Special Questions**

This month contacts were asked special questions about supply chains and labor changes. Nearly 80% of firms reported that less than 10% of their workforce is remote on a full-time basis, while only 9% indicated that more than 75% of their workforce is currently remote. 84% of businesses expressed that workers were in short supply, and 72% of firms reported raising wages to attract or keep employees, more than at any other time in the survey's seven-year history (Chart 2). Popular methods to find key talent included hiring less qualified workers but providing additional training and increasing advertising for their open positions (Chart 3). Because of labor shortages, 58% of businesses reported increased overtime hours and 41% of firms were up-skilling or reskilling the existing labor force (Chart 4). Only 24% of firms said they were not facing challenges with supply chain disruptions, while the other 76% of businesses noted they were delaying projects, raising prices, diversifying suppliers, and increasing inventories to help manage the supply chain setbacks (Chart 5).

## **Selected Services Comments**

“Many critical truck and trailer parts are very difficult to obtain with up to 30% price increases. The delays are causing unnecessary down time - simply waiting weeks for parts that if we had the parts, we could repair the equipment within hours. These types of issues exacerbate the supply chain issues.”

“Inventory is starting to rise which should help stabilize housing prices. We have also reached a tipping point in the affordability index where being able to qualify for a mortgage becomes more difficult. We are also seeing push back on the continual rise in housing pricing.”

“Things are getting better; sales are up low double digits, but wages and product costs are taking all the increases sales are providing.”

“Access to capital is essential moving forward. Capital improvements will also require access to capital.”

“Supply chain issues are killing construction material pricing causing delays in construction starts.”

“Domestic and import prices and freight costs are rising faster than we can raise price to our customers. We are actively raising prices anywhere from 5-10% to our end customers without much pushback. We are contracting with our freight forwarders on container prices for the next 12-months and the rates are 100-150% higher than the average of the past few years.”

“Allocation of metal truss plates for roof and floor trusses are concerning and causing allocation of sales. Continual lead time changes on products and multiple price increases. Third increase in vinyl windows this year makes cumulative increase about 40%.”

“Supply chain disruptions expected to continue through the end of the year.”

“Every company is hiring. Capital expenditures are getting delayed due to lack of available inventory.”

“The price of used car inventory has been on the rise the last few months. However, I am starting to see the market relaxing in the last couple of weeks. Also, our repossession loss has decreased from 13% down to 3.25% in the last 8 months.”

**Table 1. Summary of Tenth District Services Conditions, July 2021**

	July vs. June (percent)*					July vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>^^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>^^</sup>	
Plant Level Indicators				28	25				36				25	32	
Composite Index															
General Revenue/Sales	60	26	14	47	39	77	6	17	60	57	15	28	29	37	
Number of Employees	33	51	16	17	19	44	29	27	17	45	40	15	30	36	
Employee Hours Worked	34	54	12	22	17	50	35	15	35	35	51	13	22	28	
Part-Time/Temporary Employment	27	67	6	21	19	34	55	11	23	22	63	15	7	9	
Wages and Benefits	45	49	6	39	38	78	12	10	68	67	26	7	60	65	
Inventory Levels	23	52	25	-1	-2	35	35	31	4	30	47	23	6	13	
Credit Conditions/Access to Credit	4	94	2	1	-1	13	83	5	8	7	88	5	2	2	
Capital Expenditures	26	67	7	18	16	38	49	13	24	29	62	9	21	24	
Input Prices	54	43	4	50	50	84	15	1	83	74	21	5	70	73	
Selling Prices	46	50	4	43	37	74	24	1	73	70	23	7	62	70	

\*Percentage may not add to 100 due to rounding.

<sup>^</sup>Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

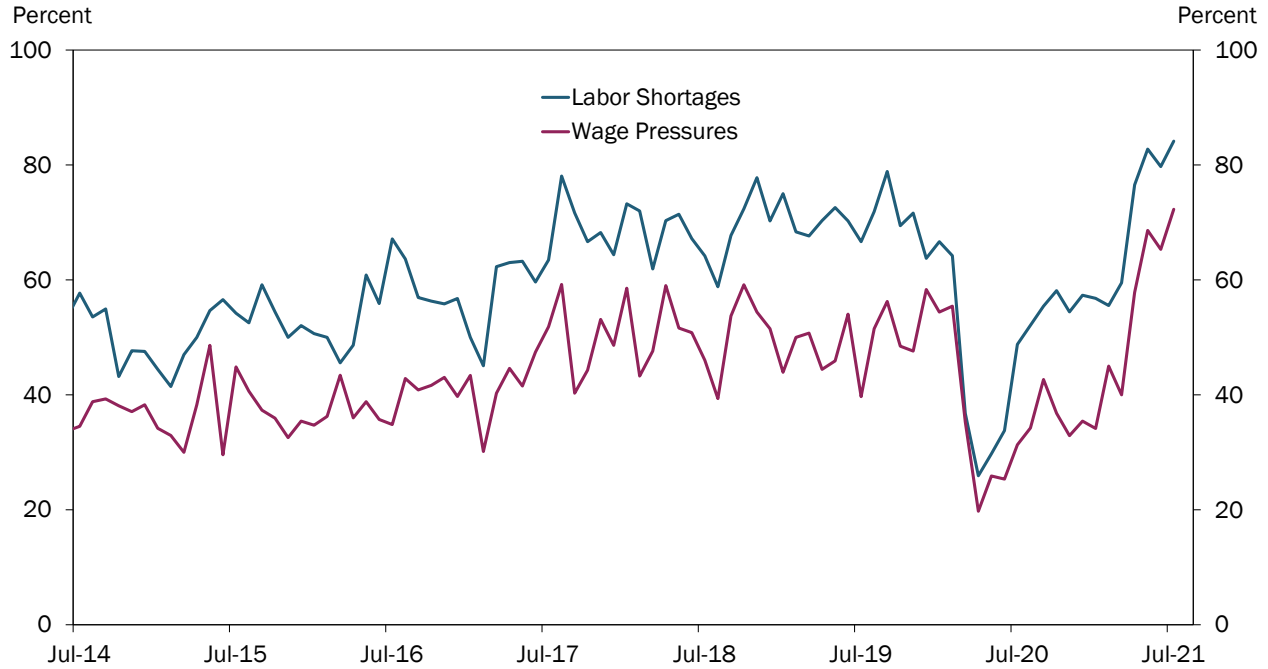
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The July survey was open for a five-day period from July 14-19, 2021 and included 82 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

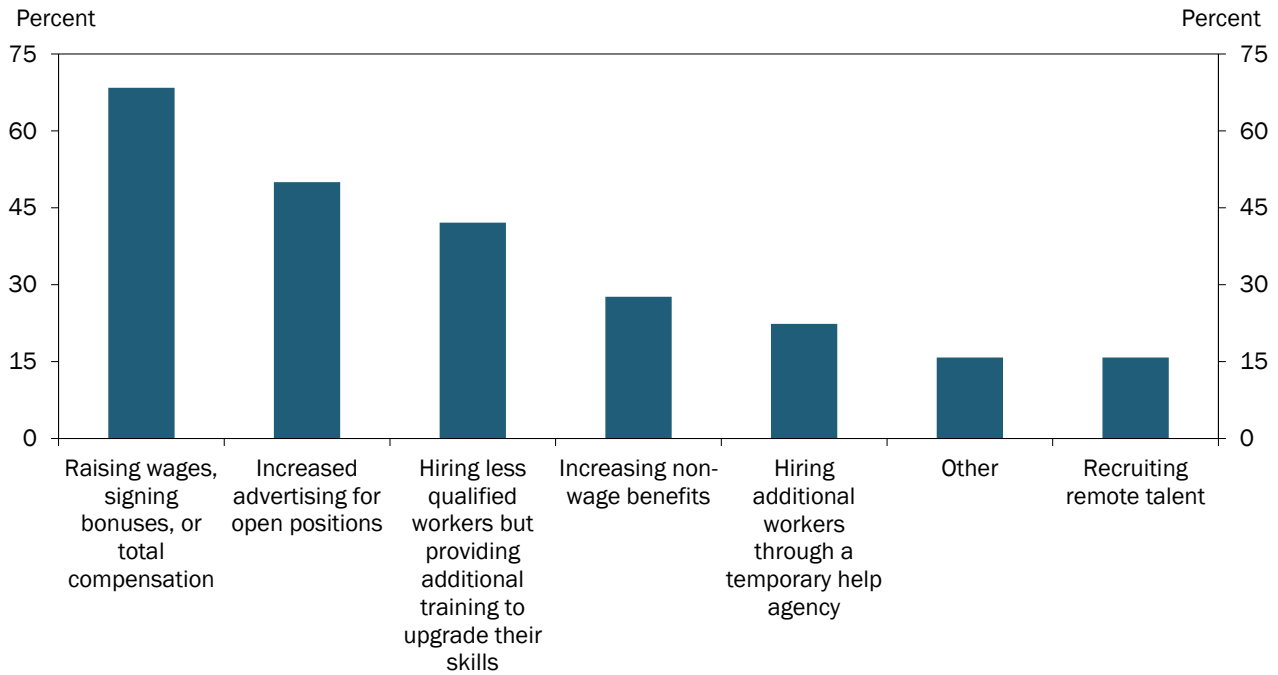
**Chart 1. Services Composite Indexes**



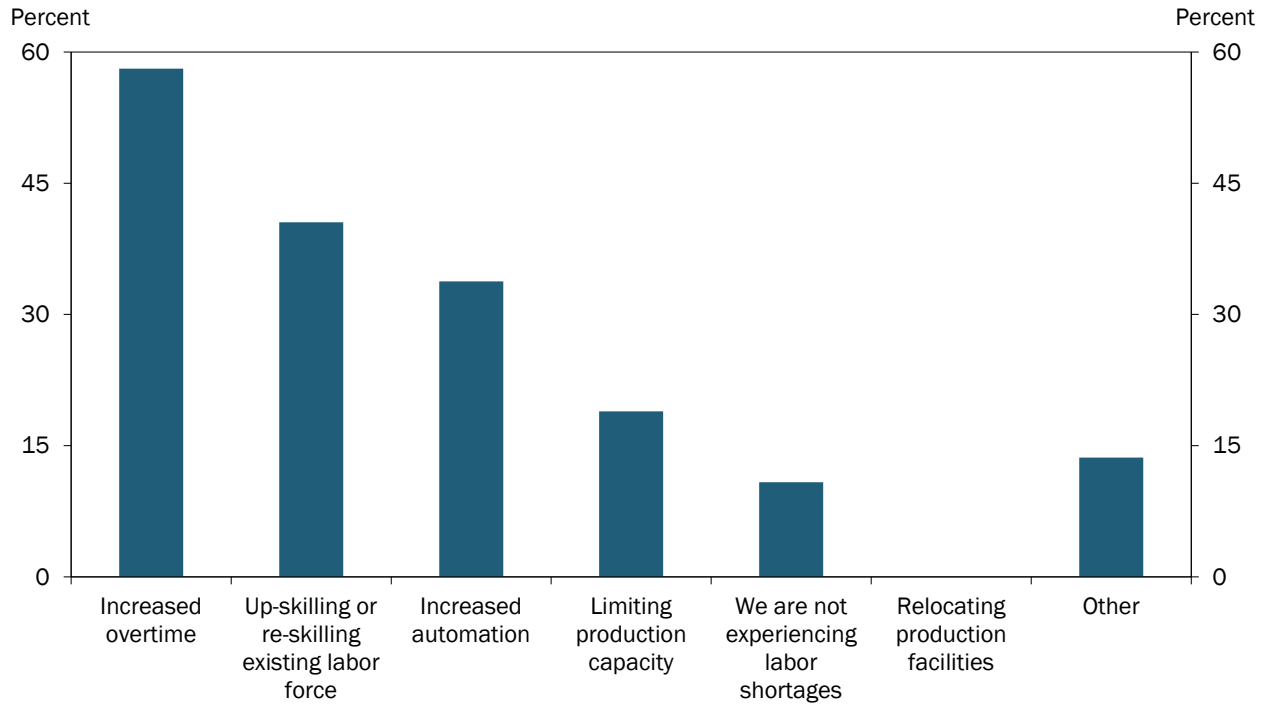
**Chart 2. Special Question: Are any types of workers in short supply and are you having to raise wages more than normal to attract or keep any types of workers?**



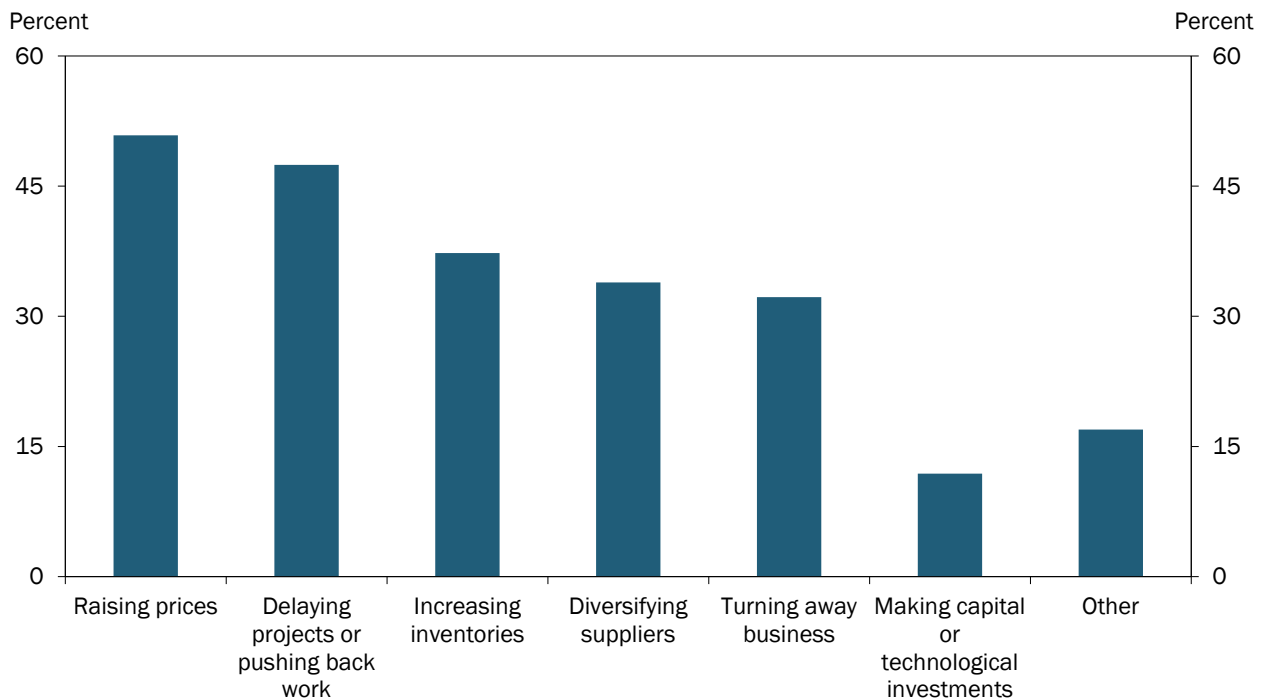
**Chart 3. Special Question: What new strategies are your firm implementing to attract key talent? (check all that apply)**



**Chart 4. Special Question: As labor shortages persist, what activities are your firm undertaking to circumvent labor shortages? (check all that apply)**



**Chart 5. Special Question: If your firm is facing supply chain disruptions and shortages, how is your firm managing those challenges? (check all that apply)**



**Table 2**  
**Historical Services Survey Indexes**

	Jul'20	Aug'20	Sep'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21
<b>Versus a Month Ago</b> (seasonally adjusted)													
Composite Index	20	20	-7	12	10	-4	8	1	22	20	18	8	25
General Revenue/Sales	37	37	-18	17	17	-13	10	2	33	30	31	17	39
Number of Employees	12	10	9	7	6	8	15	6	20	15	10	3	19
Employee Hours Worked	15	20	6	11	0	-4	3	-4	13	26	13	15	17
Part-Time/Temporary Employment	1	5	0	3	0	-1	1	-1	3	10	1	10	19
Wages and Benefits	16	30	19	18	9	14	23	24	26	46	31	43	38
Inventory Levels	-9	-9	-3	8	-4	0	-10	-7	-4	1	-1	-9	-2
Credit Conditions/Access to Credit	-3	-4	1	2	-1	3	0	1	7	1	4	3	-1
Capital Expenditures	3	17	10	3	4	1	13	-2	11	14	23	13	16
Input Prices	30	37	29	34	25	32	46	32	55	53	63	70	50
Selling Prices	13	16	15	25	11	17	22	12	21	34	37	41	37
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Composite Index	-20	-24	-23	-19	-16	-17	-15	-20	0	22	28	27	36
General revenue/sales	-13	-24	-21	-16	-11	-16	-14	-17	8	42	52	48	60
Number of employees	-31	-22	-18	-29	-25	-18	-17	-19	-5	6	3	3	17
Employee hours worked	-29	-22	-19	-13	-20	-9	-12	-22	-1	35	20	25	35
Part-time/temporary employment	-20	-14	-10	-8	-13	-5	-9	-13	-5	11	2	18	23
Wages and benefits	31	31	41	41	25	46	31	38	53	67	57	66	68
Inventory levels	-22	-26	-33	-10	-16	-17	-13	-27	-11	-5	7	10	4
Credit conditions/access to credit	-12	-12	-1	0	1	0	6	1	10	10	9	3	8
Capital expenditures	-10	8	-7	2	0	0	5	0	6	16	29	15	24
Input prices	38	37	49	47	41	49	55	64	69	69	76	86	83
Selling prices	20	22	33	24	41	37	33	28	47	53	59	65	73
<b>Expected in Six Months</b> (seasonally adjusted)													
Composite Index	-2	11	19	7	13	16	28	20	26	26	29	36	32
General revenue/sales	1	17	30	14	23	27	31	25	37	40	41	46	37
Number of employees	-4	10	10	0	2	15	31	25	18	19	26	31	36
Employee hours worked	3	12	3	0	6	14	26	18	10	30	23	31	28
Part-time/temporary employment	-1	-4	-6	-6	-4	2	3	7	0	12	13	6	9
Wages and benefits	32	27	32	21	20	33	38	41	38	53	53	63	65
Inventory levels	-6	-2	4	-2	6	-9	14	-2	8	-1	2	16	13
Credit conditions/access to credit	-4	-5	4	4	-1	5	4	1	3	3	4	1	2
Capital expenditures	-10	9	4	-4	10	12	9	8	7	18	22	22	24
Input prices	32	33	38	44	31	48	46	49	63	58	66	73	73
Selling prices	17	24	13	27	22	33	30	18	29	46	58	56	70