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Growth in Tenth District Services Activity Fell Slightly
Federal Reserve Bank of Kansas City Releases April Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the April Services Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that growth in Tenth District services activity fell slightly in April, while expectations for future activity remained solid.

“The pace of regional services activity fell slightly in April but remained expansionary,” said Wilkerson. “Firms continued to report increased supply chain disruptions, higher input costs, and labor shortages. However, firms were optimistic on the future outlook of sales, employment, and capital spending.”

A summary of the survey is attached. Historical data, results from past surveys and release dates for future surveys are available at www.kansascityfed.org/surveys/services-survey/.

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.

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.

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TENTH DISTRICT SERVICES SUMMARY

Growth in Tenth District services activity fell slightly, while expectations for future activity remained solid (Chart 1 & Table 1). Compared to the previous month, indexes for input and selling prices decreased somewhat but remained at high levels. Most firms continued to expect selling prices to rise over the next six months while expectations for input prices eased modestly in April.

Business Activity Fell Slightly

The month-over-month services composite index was 20 in April, lower than 30 in March and higher than 12 in February (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Positive revenue and sales were driven by more transportation, food and beverage stores, and health care services. However, growth eased for wholesale trade, professional/high-tech services, hotels, and restaurants. Additionally, real estate and auto activity declined. Month-over-month indexes pace of growth slowed in April for sales, hours worked, and wages and benefits indexes. The credit conditions index jumped back into positive territory, and inventory indexes inched higher. The year-over-year composite index increased slightly from 27 to 32, as the sales, hours worked, wages and benefits, and inventory indexes continued to expand compared to a year ago. Expectations for services activity remained solid in April with the future composite index basically unchanged from last month, driven by higher indexes for future inventories, capital expenditures, and employment.

Special Questions

This month contacts were asked special questions on the change in the number of job openings since the beginning of the year and the impact of COVID-induced lockdowns in China. In April, 34% of firms reported a slight increase in the number of job openings compared to the beginning of the year, and 17% reported a significant increase (Chart 2). As a result of the COVID-induced lockdown in China, 66% of firms reported higher supply chain disruptions and 56% reported higher input prices (Chart 3). A significant share of firms reported no change in hiring, capital spending, and demand. However, 23% of firms reported facing lower inventories due to the COVID-induced lockdown in China.

Selected Services Comments

“We're seeing weekly increased costs for inputs and new projects are realizing significant price increases, as well as construction & equipment materials with unusual lead times.”

“Our business/demand has really slowed down since Jan. 1. On top of that, the vehicle inventory and parts availability have gotten worse. We are still minus some key employees.”

“Thus far we have only seen marginal price increase and/or supply chain disruptions, however, it is very early, and we anticipate our challenges to be exacerbated soon.”

“China and interest rates have no direct impact on our ability to make or sell our product (certainly may have an indirect impact as it effects the overall economy). But it will impact our ability to upgrade technology - etc.”

“Biggest challenges continue to be finding people to hire that have necessary skills and the impact of higher inflation on the willingness of our customers to spend.”

“We are combating finding and locating employees...Many of the recruiting platforms that we utilize are beginning to increase subscription prices making it difficult for us to sustain profitability even after we have decreased our overhead during the height of the pandemic.”

“People are moving around to new jobs because of the high offers being made to attract people.”

“As interest rates increase, we are starting to see more hesitation from customers in purchasing.”

Table 1. Summary of Tenth District Services Conditions, April 2022

	April vs. March (percent)*					April vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	Increase	No Change	Decrease	Diff Index [^]	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	
Plant Level Indicators															
Composite Index				28	20				32				39	42	
General Revenue/Sales	51	29	20	31	18	62	16	22	41	61	20	19	43	44	
Number of Employees	41	41	17	24	21	48	26	26	22	53	37	10	43	47	
Employee Hours Worked	36	53	11	24	15	46	43	11	34	41	53	6	36	34	
Part-Time/Temporary Employment	16	79	6	10	8	23	71	6	17	22	74	4	17	20	
Wages and Benefits	49	49	3	46	48	87	9	4	83	69	27	4	64	71	
Inventory Levels	33	59	9	24	21	40	46	14	26	33	56	11	21	27	
Credit Conditions/Access to Credit	10	84	6	4	4	13	79	9	4	10	81	9	1	2	
Capital Expenditures	26	69	6	20	21	34	56	10	24	34	61	4	30	37	
Input Prices	69	31	0	69	74	81	16	3	79	63	31	6	57	63	
Selling Prices	56	41	3	53	56	80	16	4	76	67	27	6	61	67	

*Percentage may not add to 100 due to rounding.

[^]Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

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

Note: The April survey was open for a five-day period from April 20-25, 2022 and included 70 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes



Chart 2. Special Question: How have the number of job openings changed for your firm since the beginning of the year?

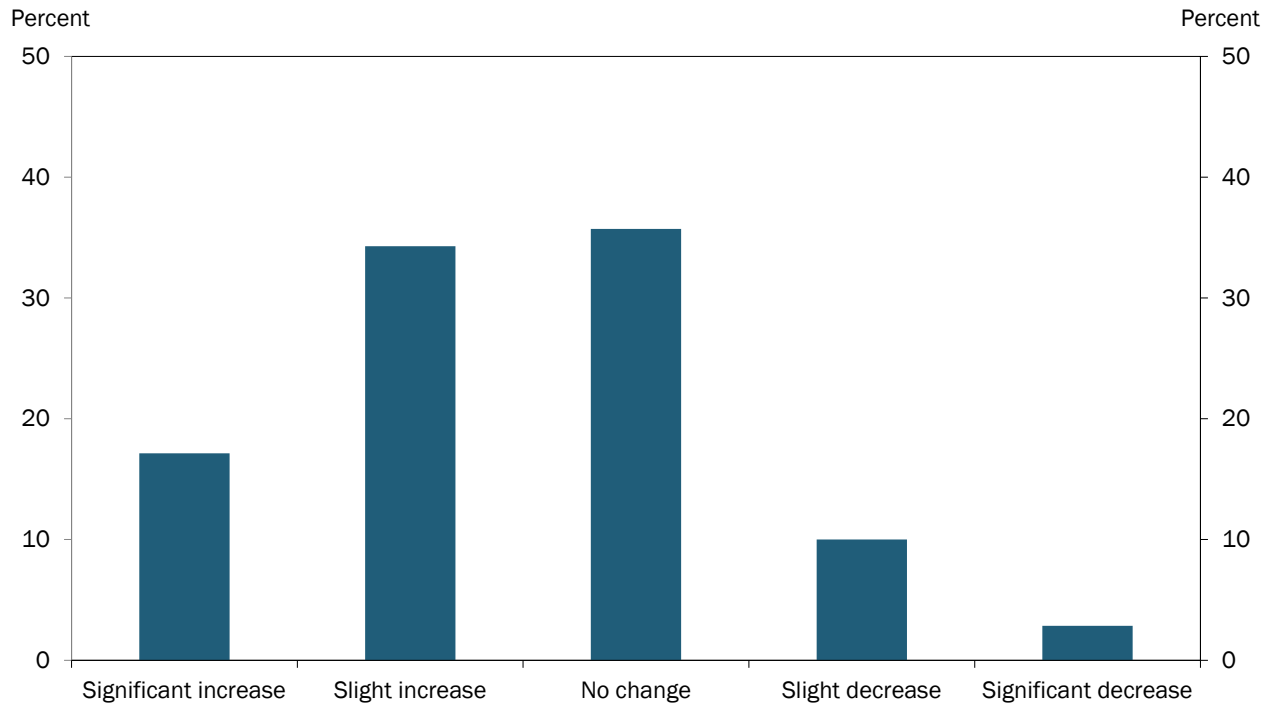


Chart 3. Special Question: How would COVID-induced lockdowns in China affect the following for your business?

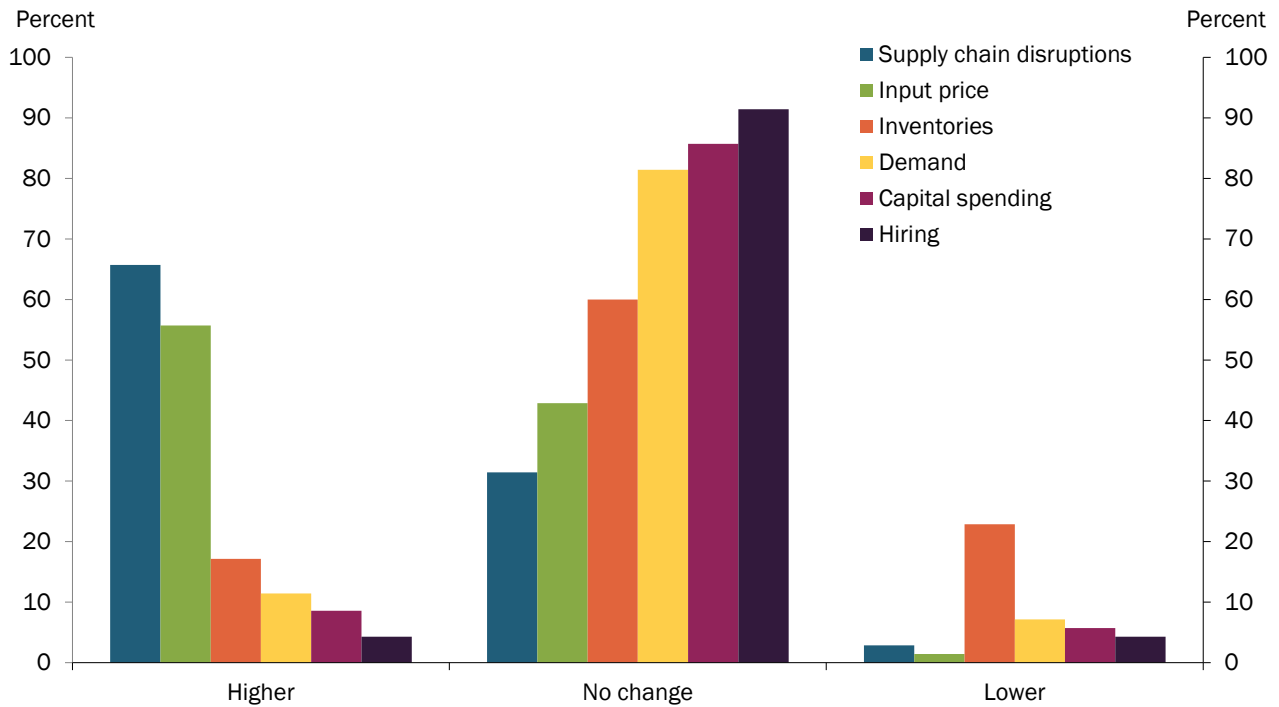


Table 2
Historical Services Survey Indexes

	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22
Versus a Month Ago (seasonally adjusted)													
Composite Index	24	22	12	23	9	12	16	10	11	15	12	30	20
General Revenue/Sales	36	33	19	37	8	19	21	13	16	18	7	37	18
Number of Employees	17	18	10	15	10	12	20	15	13	13	22	26	21
Employee Hours Worked	26	19	18	17	19	11	15	22	15	19	31	33	15
Part-Time/Temporary Employment	13	7	11	16	3	9	3	7	6	8	13	13	8
Wages and Benefits	48	37	43	37	41	39	38	51	32	44	59	56	48
Inventory Levels	4	2	-4	-1	8	-4	-5	-3	-6	8	9	19	21
Credit Conditions/Access to Credit	2	4	4	0	1	5	2	5	0	2	6	-2	4
Capital Expenditures	19	24	19	16	19	22	23	20	18	12	35	28	21
Input Prices	56	66	67	48	58	56	68	61	78	74	75	79	74
Selling Prices	38	40	41	37	41	31	41	46	55	39	63	58	56
Versus a Year Ago (not seasonally adjusted)													
Composite Index	22	28	27	36	36	38	26	21	30	37	32	27	32
General revenue/sales	42	52	48	60	51	56	48	37	46	56	43	29	41
Number of employees	6	3	3	17	26	33	15	4	21	19	22	25	22
Employee hours worked	35	20	25	35	32	33	20	30	24	24	27	29	34
Part-time/temporary employment	11	2	18	23	16	17	6	6	11	14	10	13	17
Wages and benefits	67	57	66	68	80	80	78	76	78	82	70	76	83
Inventory levels	-5	7	10	4	12	-1	-13	4	4	14	18	25	26
Credit conditions/access to credit	10	9	3	8	9	9	9	9	1	3	3	1	4
Capital expenditures	16	29	15	24	20	37	39	24	29	24	31	31	24
Input prices	69	76	86	83	78	85	80	80	82	78	77	81	79
Selling prices	53	59	65	73	67	67	70	68	79	68	67	71	76
Expected in Six Months (seasonally adjusted)													
Composite Index	31	31	33	33	25	24	23	23	33	37	41	40	42
General revenue/sales	47	43	43	40	32	33	33	30	36	50	57	49	44
Number of employees	23	28	31	36	28	28	27	25	35	31	31	44	47
Employee hours worked	31	26	27	27	22	20	26	24	28	28	33	26	34
Part-time/temporary employment	11	9	6	9	7	10	4	7	9	13	14	6	20
Wages and benefits	57	56	61	60	59	57	58	67	59	77	62	70	71
Inventory levels	4	5	13	12	4	-5	-10	4	20	15	16	12	27
Credit conditions/access to credit	4	3	1	4	2	9	0	4	1	-2	6	-2	2
Capital expenditures	23	27	24	25	24	26	24	19	19	30	32	22	37
Input prices	63	70	71	71	58	57	67	66	61	71	69	70	63
Selling prices	50	58	56	68	47	45	50	52	50	49	56	63	67