



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

May 27, 2022

CONTACT: Pam Campbell

(405) 270-8617

Pam.Campbell@kc.frb.org

**Growth in Tenth District Services Continued at a Solid Pace**  
*Federal Reserve Bank of Kansas City Releases May Services Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the May 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 continued at a solid pace in May, while expectations for future activity eased somewhat but remained positive.

“Regional services activity continued at a solid pace in May,” said Wilkerson. “Firms continued to report issues from higher inflation and supply shortages. Nearly 75% of all firms reported worse supply disruptions and shortages compared with 2021, with most expecting conditions to last another six months or longer.”

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/](http://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](http://www.kansascityfed.org).

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## **TENTH DISTRICT SERVICES SUMMARY**

Growth in Tenth District services activity continued at a solid pace, while expectations for future activity eased somewhat but remained positive (Chart 1 & Table 1). Compared to the previous month, indexes for input prices increased somewhat while selling prices inched downward. However, both remained at high levels. Most firms continued to expect input prices to rise over the next six months while expectations for selling prices eased slightly in May.

### **Business Activity Continued at a Solid Pace**

The month-over-month services composite index was 20 in May, unchanged from 20 in April, and lower than 30 in March (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Higher revenue and sales were driven by more activity in transportation, retail trade, tourism & hotels, and restaurants. However, growth eased for real estate, auto activity, and furniture and home furnishing stores. Month-over-month indexes pace of growth continued at a solid pace in May, with an increase in the employment, hours worked, wages and benefits, and revenue/sales indexes. Inventory levels indexes remained positive, but the pace of growth declined moderately. The year-over-year composite index decreased slightly from 32 to 28, as the revenue/sales, hours worked, wages and benefits, and inventory indexes continued to contract compared to a year ago. Expectations for services activity eased somewhat in May with the future composite index declining from 42 to 26, driven by lower indexes for future inventories, capital expenditures, employment, and hours worked.

### **Special Questions**

This month contacts were asked special questions on rising materials prices, supply chain disruptions/shortages, and wage and price expectations. In May, 88% of firms reported being affected by rising materials prices and lack of availability/delivery times and 82% anticipated this to persist for at least 6 months or longer (Chart 2). About 64% of firms expected wages and prices to rise slightly or significantly faster compared with a year ago, along with a significant share of firms that expected wages and prices to rise at a similar rate (Chart 3). However, a small share of firms expected wages and prices to rise slower than a year ago.

## Selected Services Comments

“Rising construction costs and interest rates are making it difficult to get new construction projects closed and underway.”

“We have seen a decline in the demand for outsourcing labor over the past couple of months.”

“We continue to see wage increases due to demands from employees and perspective employees. With inflation rising employees are demanding more in wages.”

“We had planned to build a new facility in late 2022. However, with the costs of raw materials, the looming threat of even higher mortgage rates, and a higher percentage of inflation on the horizon, I am not certain this is the time for any capital expenditures. We can only keep a cautious attitude and hope for the best.”

“Restaurant costs going up, borrowing costs going up, and investments in stock market going down. Tried to put dollars away for future reinvestment needs and that asset has shrunk. Double whammy!”

“Seem to be more people travelling, at least to this destination, and willing to spend more money, but many act as though they wish to get it done ahead of near future troubles.”

“The real estate market is beginning its inevitable slowdown. Rates have risen to the extent that even without more rate increases the affordability index is now reducing those who can qualify for a mortgage. We are already seeing homes coming back on the market for those who were not fortunate enough to lock at lower rates. This is not going to be a bursting of a bubble but at least a stabilization to home prices.”

**Table 1. Summary of Tenth District Services Conditions, May 2022**

	May vs. April (percent)*					May 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															
Composite Index				20	20				28				24	26	
General Revenue/Sales	46	32	22	24	26	64	3	32	32	56	20	24	32	33	
Number of Employees	37	50	13	23	24	46	36	19	27	37	47	15	22	26	
Employee Hours Worked	28	62	10	18	21	34	53	14	20	25	54	20	5	7	
Part-Time/Temporary Employment	22	68	10	12	16	25	66	8	17	17	71	12	5	2	
Wages and Benefits	45	50	5	40	48	78	12	10	68	63	32	5	58	64	
Inventory Levels	24	56	20	3	0	41	36	22	19	29	48	22	7	10	
Credit Conditions/Access to Credit	3	87	10	-7	-6	8	83	8	0	5	83	12	-7	-7	
Capital Expenditures	25	67	8	17	15	38	53	9	29	26	64	10	16	21	
Input Prices	72	28	0	72	76	88	10	2	86	76	21	3	72	77	
Selling Prices	52	45	3	48	49	78	20	2	76	63	29	8	54	59	

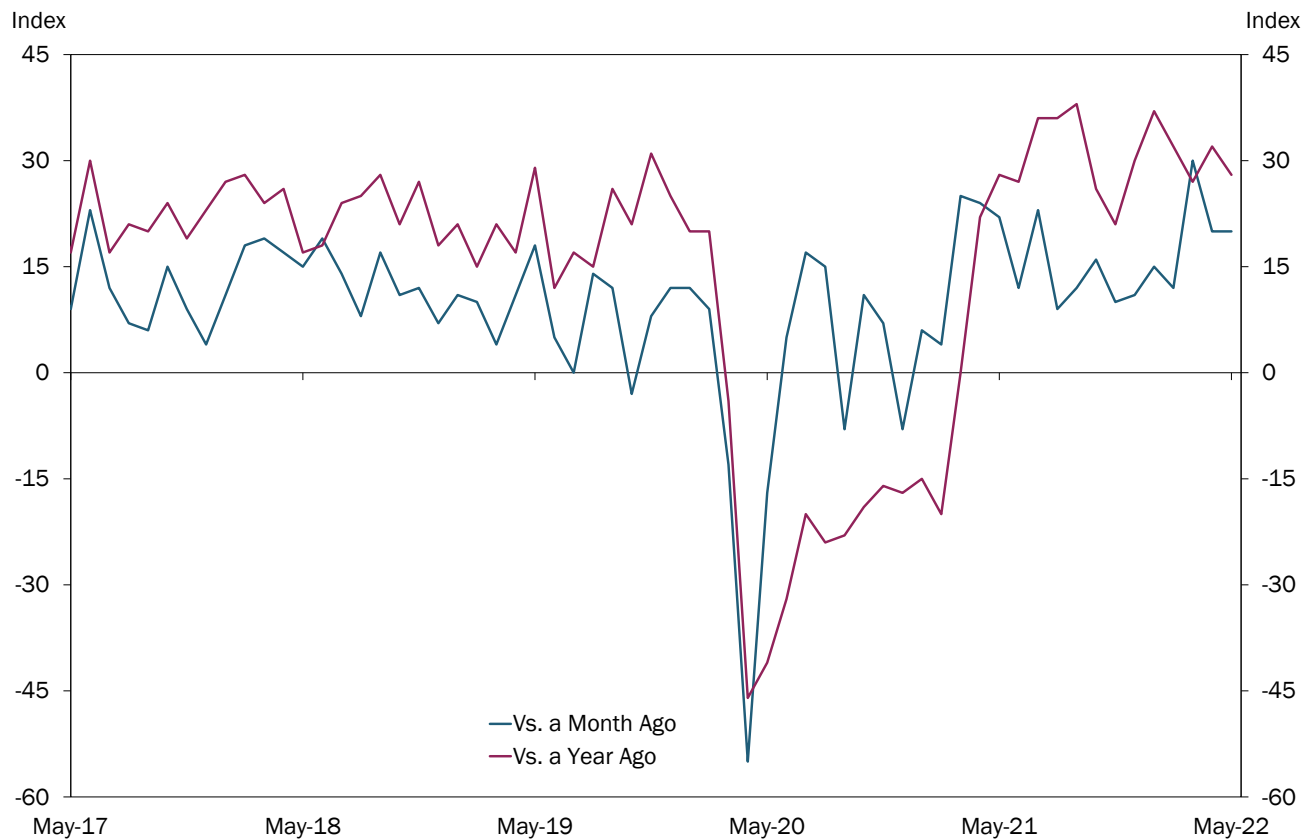
\*Percentage may not add to 100 due to rounding.

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

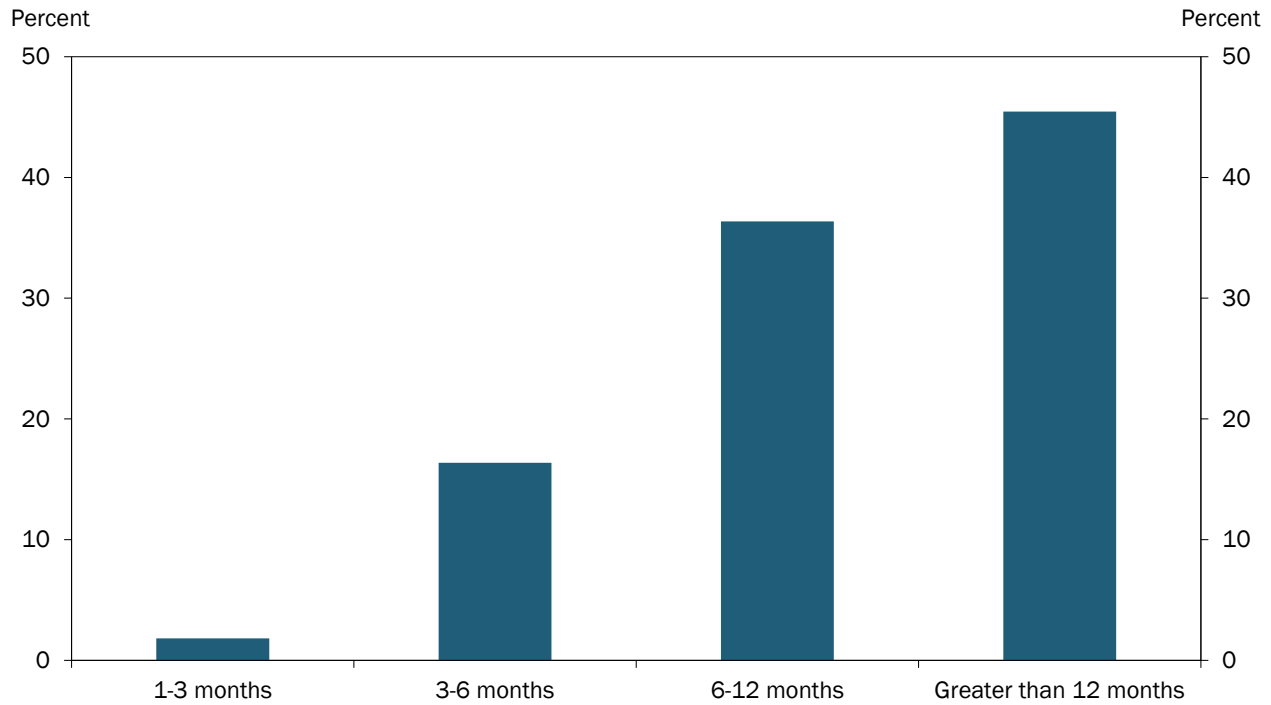
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The May survey was open for a five-day period from May 18-23, 2022 and included 60 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

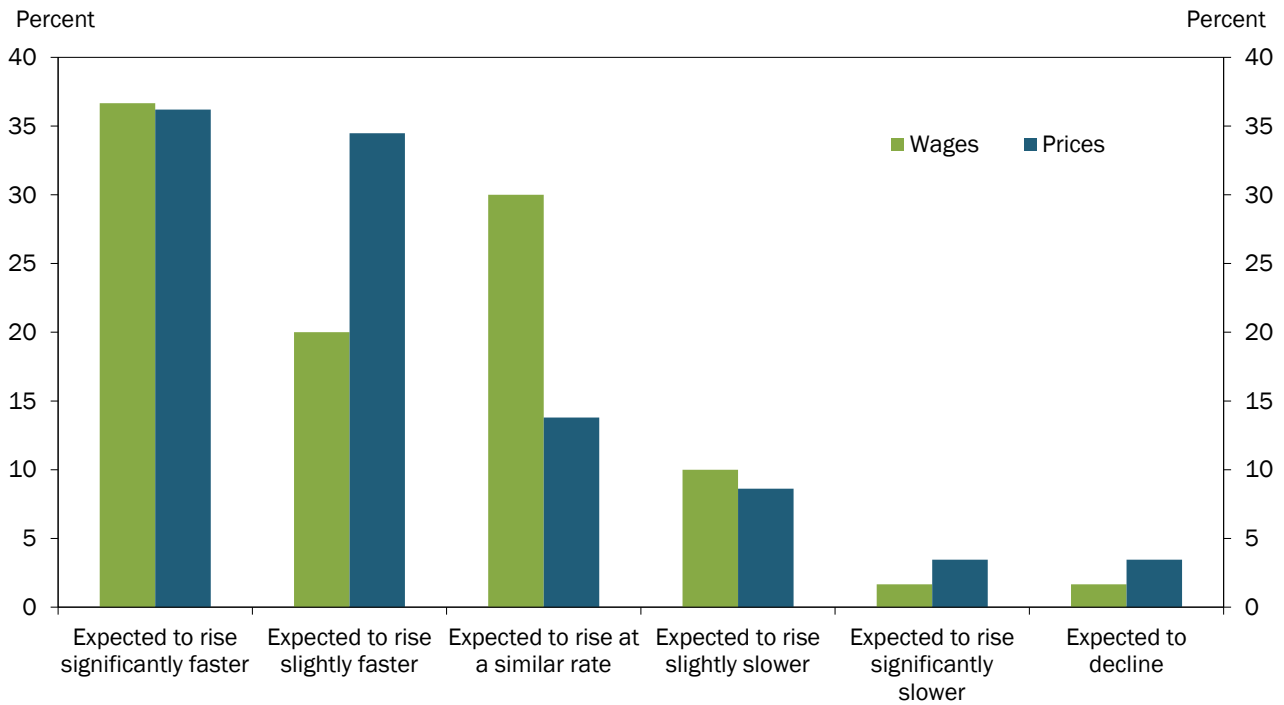
**Chart 1. Services Composite Indexes**



**Chart 2. Special Question: If your firm has been affected by rising materials prices and lack of availability/delivery times, how long do you anticipate this to persist?**



**Chart 3. Special Question: Over the next year, what are your expectations for the wages and prices of your firms finished products compared to changes over the past 12 months?**



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

	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22	May'22
Versus a Month Ago (seasonally adjusted)													
Composite Index	22	12	23	9	12	16	10	11	15	12	30	20	20
General Revenue/Sales	33	19	37	8	19	21	13	16	18	7	37	18	26
Number of Employees	18	10	15	10	12	20	15	13	13	22	26	21	24
Employee Hours Worked	19	18	17	19	11	15	22	15	19	31	33	15	21
Part-Time/Temporary Employment	7	11	16	3	9	3	7	6	8	13	13	8	16
Wages and Benefits	37	43	37	41	39	38	51	32	44	59	56	48	48
Inventory Levels	2	-4	-1	8	-4	-5	-3	-6	8	9	19	21	0
Credit Conditions/Access to Credit	4	4	0	1	5	2	5	0	2	6	-2	4	-6
Capital Expenditures	24	19	16	19	22	23	20	18	12	35	28	21	15
Input Prices	66	67	48	58	56	68	61	78	74	75	79	74	76
Selling Prices	40	41	37	41	31	41	46	55	39	63	58	56	49
Versus a Year Ago (not seasonally adjusted)													
Composite Index	28	27	36	36	38	26	21	30	37	32	27	32	28
General revenue/sales	52	48	60	51	56	48	37	46	56	43	29	41	32
Number of employees	3	3	17	26	33	15	4	21	19	22	25	22	27
Employee hours worked	20	25	35	32	33	20	30	24	24	27	29	34	20
Part-time/temporary employment	2	18	23	16	17	6	6	11	14	10	13	17	17
Wages and benefits	57	66	68	80	80	78	76	78	82	70	76	83	68
Inventory levels	7	10	4	12	-1	-13	4	4	14	18	25	26	19
Credit conditions/access to credit	9	3	8	9	9	9	9	1	3	3	1	4	0
Capital expenditures	29	15	24	20	37	39	24	29	24	31	31	24	29
Input prices	76	86	83	78	85	80	80	82	78	77	81	79	86
Selling prices	59	65	73	67	67	70	68	79	68	67	71	76	76
Expected in Six Months (seasonally adjusted)													
Composite Index	31	33	33	25	24	23	23	33	37	41	40	42	26
General revenue/sales	43	43	40	32	33	33	30	36	50	57	49	44	33
Number of employees	28	31	36	28	28	27	25	35	31	31	44	47	26
Employee hours worked	26	27	27	22	20	26	24	28	28	33	26	34	7
Part-time/temporary employment	9	6	9	7	10	4	7	9	13	14	6	20	2
Wages and benefits	56	61	60	59	57	58	67	59	77	62	70	71	64
Inventory levels	5	13	12	4	-5	-10	4	20	15	16	12	27	10
Credit conditions/access to credit	3	1	4	2	9	0	4	1	-2	6	-2	2	-7
Capital expenditures	27	24	25	24	26	24	19	19	30	32	22	37	21
Input prices	70	71	71	58	57	67	66	61	71	69	70	63	77
Selling prices	58	56	68	47	45	50	52	50	49	56	63	67	59