



NEWS RELEASE

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Growth in Tenth District Services Eased Slightly
Federal Reserve Bank of Kansas City Releases June Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the June 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 eased slightly in June, and expectations for future activity decreased modestly but remained positive.

“Regional services activity eased somewhat in June,” said Wilkerson. “Over 40% of firms reported delays in shipping and product availability as continued negative impacts on their business activity, with nearly two-thirds of firms not expecting any improvements in the next six months.”

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 eased slightly, and expectations for future activity decreased modestly but remained positive (Chart 1 & Table 1). Input and selling price indexes eased somewhat from last month and were slightly lower compared with year ago levels. Expectations for future prices remained high, but slightly below previous levels.

Business Activity Growth Eased Slightly

The month-over-month services composite index was 14 in June, down from 20 in May and 20 in April (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The slower pace of revenue and sales in June were driven by decreased activity in transportation, auto, health services, professional/high-tech services, education, and real estate. Month-over-month indexes eased somewhat in June, with a decrease in revenue/sales, hours worked, wages and benefits, and employment indexes. In contrast, inventory and capital expenditures indexes increased slightly. Most year-over-year indexes inched downward, with a composite index of 27. The employment index decreased, along with the credit, revenue/sales, and hours worked indexes. The future composite index was 16 in June, down from 26 in May. Indexes for future revenue/sales, wages and benefits, employment, and inventory were also lower from the previous month.

Special Questions

This month contacts were asked special questions on supply chain disruptions/shortages, the ability to pass through costs, and future expectations. In June, firms reported the top three supply chain disruptions affecting their business were lack of availability of product, delays in shipping, and warehousing and storage. About 74% of firms expected supply chain disruptions and shortages to remain unchanged or worsen in the next 6 months (Chart 2). About 30% of firms reported their ability to pass through costs has increased slightly or significantly since the beginning of the year (Chart 3). However, 30% of firms expected no change in the next 6 months and 36% expected a slight or significant decrease in pass through ability.

Selected Services Comments

“Our sales are off 20% year over year for the last 90 days. We have instituted a hiring freeze, canceled capital expenditures, and are looking to cut costs.”

“Business is strong and with the farmers getting high commodity prices it should lead to higher truck sales.”

“I see a general tightening of economic circumstances. As inflation bites budgets, there are fewer dollars available for the medical procedures that we provide. Further, we are constrained by our payers in our ability to pass through our increased operating expenses in the form of rate increases. The best window of availability for these actions will be at the beginning of the next calendar year.”

“Fuel price escalation is a significant adverse business expense. We are having hard internal discussions about the need for mid-year pay raises and subsequent rate increases so our employees can stay ahead of the rapidly escalating price of consumer goods (FOOD!). Very concerned about our healthcare premiums this fall and may have to drop health insurance as a company benefit if rates increase beyond our ability to absorb and pay on the cost.”

“We expect mortgage rates to reach at least 8% this year. Many of the younger buyers will be horrified by this since they grew up in a world of historically low rates. This will slow first time buyers which impacts the sales train since first time homeowners will not be able to become second time homeowners because of diminished demand.”

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

Plant Level Indicators	June vs. May (percent)*					June 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 ^{^^}
Composite Index				20	14				27				11	16
General Revenue/Sales	42	33	25	17	8	59	10	31	28	45	23	32	13	18
Number of Employees	34	61	5	29	26	44	39	16	28	33	48	20	13	19
Employee Hours Worked	21	73	6	15	10	28	61	11	16	21	61	18	3	10
Part-Time/Temporary Employment	19	74	6	13	10	20	70	10	10	18	69	13	5	8
Wages and Benefits	45	52	3	42	37	75	20	5	70	59	33	8	51	54
Inventory Levels	31	51	18	13	11	40	42	18	22	28	47	25	3	7
Credit Conditions/Access to Credit	3	87	10	-6	-5	5	84	11	-7	5	84	11	-7	-7
Capital Expenditures	32	61	6	26	31	44	49	7	38	34	51	15	20	23
Input Prices	69	30	2	67	63	85	13	2	83	73	22	5	68	71
Selling Prices	45	47	8	37	35	75	18	7	69	64	26	10	54	55

*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 June survey was open for a six-day period from June 15-21, 2022 and included 62 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

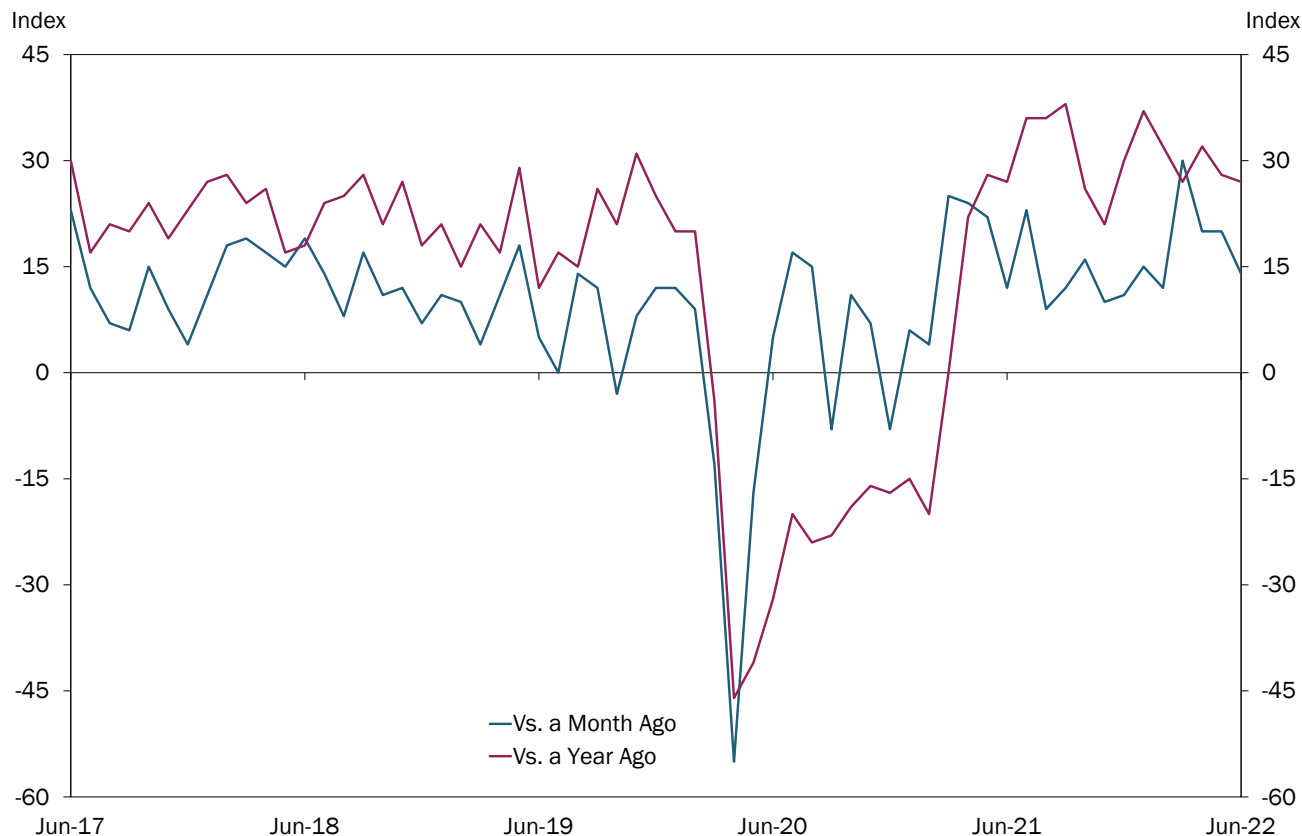


Chart 2. Special Question: How does your firm expect supply chain disruptions and shortages to change in the next 6 months?

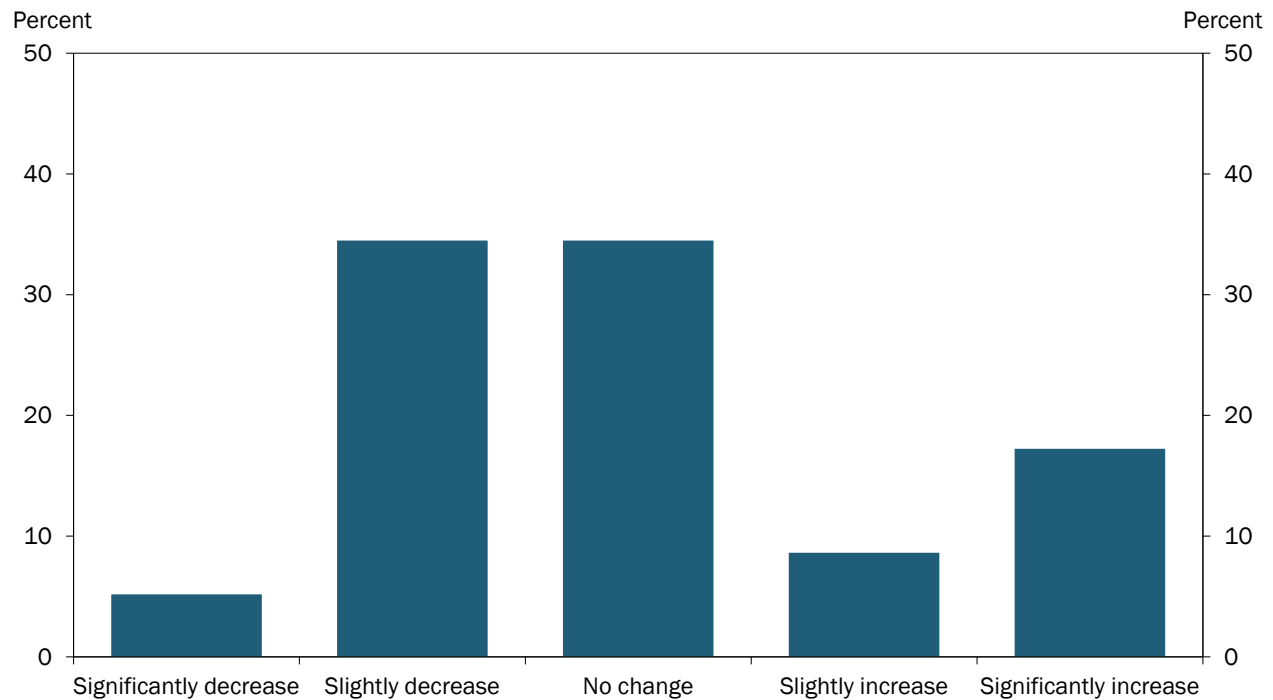


Chart 3. Special Question: How has your ability to pass through costs changed since the beginning of the year?

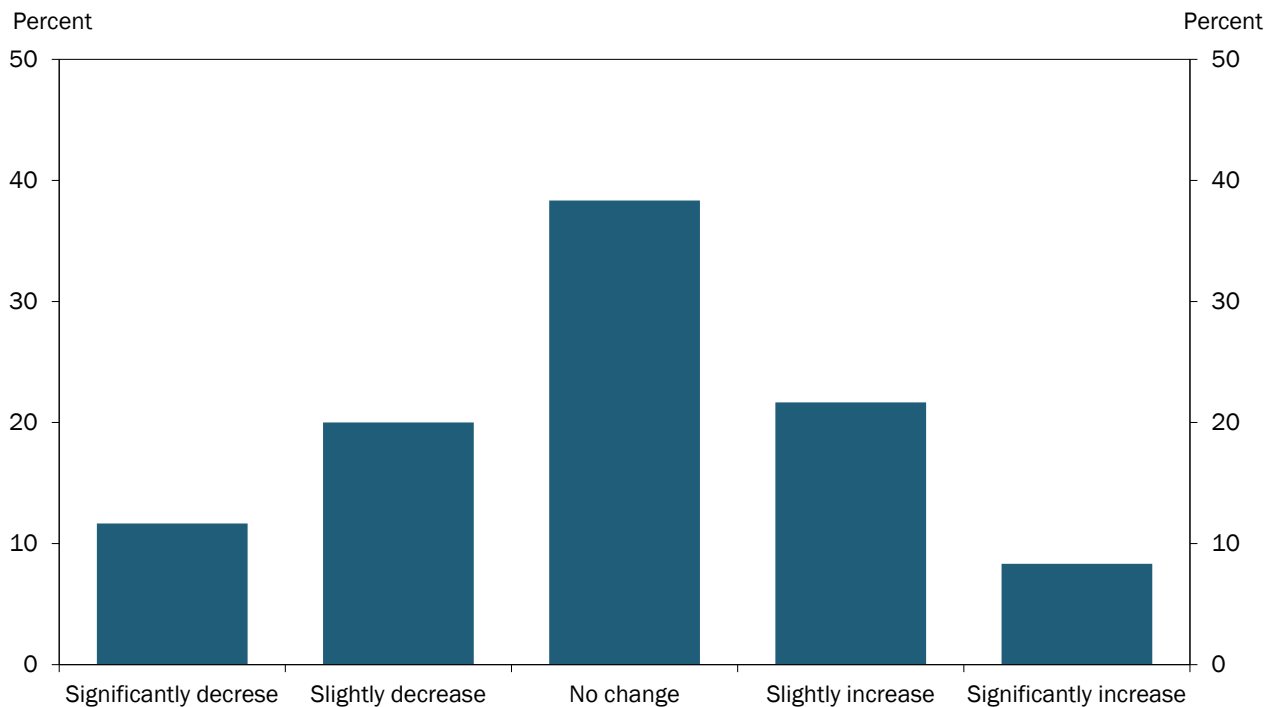


Table 2
Historical Services Survey Indexes

	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22	May'22	Jun'22
Versus a Month Ago (seasonally adjusted)													
Composite Index	12	23	9	12	16	10	11	15	12	30	20	20	14
General Revenue/Sales	19	37	8	19	21	13	16	18	7	37	18	26	8
Number of Employees	10	15	10	12	20	15	13	13	22	26	21	24	26
Employee Hours Worked	18	17	19	11	15	22	15	19	31	33	15	21	10
Part-Time/Temporary Employment	11	16	3	9	3	7	6	8	13	13	8	16	10
Wages and Benefits	43	37	41	39	38	51	32	44	59	56	48	48	37
Inventory Levels	-4	-1	8	-4	-5	-3	-6	8	9	19	21	0	11
Credit Conditions/Access to Credit	4	0	1	5	2	5	0	2	6	-2	4	-6	-5
Capital Expenditures	19	16	19	22	23	20	18	12	35	28	21	15	31
Input Prices	67	48	58	56	68	61	78	74	75	79	74	76	63
Selling Prices	41	37	41	31	41	46	55	39	63	58	56	49	35
Versus a Year Ago (not seasonally adjusted)													
Composite Index	27	36	36	38	26	21	30	37	32	27	32	28	27
General revenue/sales	48	60	51	56	48	37	46	56	43	29	41	32	28
Number of employees	3	17	26	33	15	4	21	19	22	25	22	27	28
Employee hours worked	25	35	32	33	20	30	24	24	27	29	34	20	16
Part-time/temporary employment	18	23	16	17	6	6	11	14	10	13	17	17	10
Wages and benefits	66	68	80	80	78	76	78	82	70	76	83	68	70
Inventory levels	10	4	12	-1	-13	4	4	14	18	25	26	19	22
Credit conditions/access to credit	3	8	9	9	9	9	1	3	3	1	4	0	-7
Capital expenditures	15	24	20	37	39	24	29	24	31	31	24	29	38
Input prices	86	83	78	85	80	80	82	78	77	81	79	86	83
Selling prices	65	73	67	67	70	68	79	68	67	71	76	76	69
Expected in Six Months (seasonally adjusted)													
Composite Index	33	33	25	24	23	23	33	37	41	40	42	26	16
General revenue/sales	43	40	32	33	33	30	36	50	57	49	44	33	18
Number of employees	31	36	28	28	27	25	35	31	31	44	47	26	19
Employee hours worked	27	27	22	20	26	24	28	28	33	26	34	7	10
Part-time/temporary employment	6	9	7	10	4	7	9	13	14	6	20	2	8
Wages and benefits	61	60	59	57	58	67	59	77	62	70	71	64	54
Inventory levels	13	12	4	-5	-10	4	20	15	16	12	27	10	7
Credit conditions/access to credit	1	4	2	9	0	4	1	-2	6	-2	2	-7	-7
Capital expenditures	24	25	24	26	24	19	19	30	32	22	37	21	23
Input prices	71	71	58	57	67	66	61	71	69	70	63	77	71
Selling prices	56	68	47	45	50	52	50	49	56	63	67	59	55