



NEWS RELEASE

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Growth in Tenth District Services Slowed in July
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 growth in Tenth District services activity slowed in July, and expectations for future activity rebounded somewhat.

“Regional services activity grew more slowly in July,” said Wilkerson. “However, firms were optimistic about the outlook.”

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 slowed in July, and expectations for future activity rebounded somewhat (Chart 1 & Table 1). Input price indexes edged upward from last month while selling price indexes inched downward. Expectations for future prices remained high, but slightly below previous levels.

Business Activity Growth Slowed

The month-over-month services composite index was 2 in July, down from 14 in June and 20 in May (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 July were driven by decreased activity in transportation, auto, health services, education, and retail trade. Month-over-month indexes mostly declined slightly in July, with a lower reading for revenue/sales, capital expenditures, credit conditions, wages and benefits, and employment indexes. In contrast, hours worked indexes increased slightly. The year-over-year composite index decreased slightly from 27 to 18, but hours worked, employment, wages and benefits, inventory indexes, and credit conditions had higher readings than last month. Expectations for services activity remained solid in July with the future composite index increasing somewhat from last month, driven by higher indexes for revenue/sales, inventories, and credit conditions.

Special Questions

This month contacts were asked special questions on firms' need and use for physical infrastructure, the change in the geographical area that firms pull workers and remote workers from over the last year, and remote workers' wages compared to in-person wages for the same type of occupation. In July, 69% of firms reported they were using 100% of the firm's pre-pandemic physical infrastructure (e.g., real estate, office space, etc.). Looking ahead, 58% of firms expected no change, about 29% expect an increase, and about 12% expect a decrease in the firms' need for physical infrastructure in the next year (Chart 2). About 82% of firms reported that if they have remote workers, their wages were the same compared to in-person wages. Most firms reported that the geographical areas they pull workers (69.4%) and remote workers (74.0%) from has stayed the same over the last year (Chart 3).

Selected Services Comments

“Our company is currently looking at how we can better match available skilled talent with our clients. Currently, we feel like it is trying to find a needle in the haystack. It has been very difficult to fill our clients job requirements.”

“There is a lot of uncertainty at the current time. To keep up with inflation we will be required to increase employee compensation and billable charges at the turn of the year.”

“There appears to be a profound shift in how business is done with the pandemic accelerating already strong trends toward online services and remote work. We schedule periodic live events to connect people together who never see each other due to remote jobs, but you don't need as much office space when so many work from home.”

“Sales experienced a slight uptick this month. Used vehicle wholesale prices have decreased about 10% in the last few weeks. Although the automobile market is still inflated it seems to be in a downward trend regarding vehicle prices.”

“Setting aside overall current economic conditions, at retail we are recovering post-COVID-19 but are still only at an 80-85% inventory procurement level to pre-COVID-19. Our conversations with our business partners suggest it will slowly get better over the next 12-24 months ultimately returning to the 100% level we enjoyed pre-COVID-19.”

“Hot weather, inflation relating to food and gasoline prices has slowed store traffic. Our retail business is based on discretionary spending and consumers are very cautious.”

“We are now seeing an equal number of homes on the MLS with price reductions and back on the market as new listings. New properties for sale are up significantly and closings are slowing down.”

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

	July vs. June (percent)*					July 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				9	2				18				11	19	
General Revenue/Sales	42	27	31	11	0	53	8	38	15	44	26	30	14	24	
Number of Employees	24	54	22	3	0	38	37	25	14	32	45	23	8	14	
Employee Hours Worked	30	64	7	23	18	32	56	12	19	23	59	18	5	10	
Part-Time/Temporary Employment	16	73	11	5	0	22	67	11	11	11	77	12	-1	0	
Wages and Benefits	41	53	5	36	33	81	14	6	75	60	33	7	53	52	
Inventory Levels	29	53	18	11	11	46	39	14	32	31	48	21	10	15	
Credit Conditions/Access to Credit	4	86	9	-5	-6	7	81	12	-5	7	81	12	-5	-4	
Capital Expenditures	30	58	12	18	15	38	48	14	25	27	55	18	10	14	
Input Prices	68	30	1	67	65	83	14	3	81	69	26	4	65	65	
Selling Prices	42	53	5	36	31	74	16	10	64	60	29	11	49	54	

*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 July survey was open for a five-day period from July 20-25, 2022 and included 74 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 do you anticipate your firms need for physical infrastructure (e.g., real estate, office space, etc.) will change in the next year?

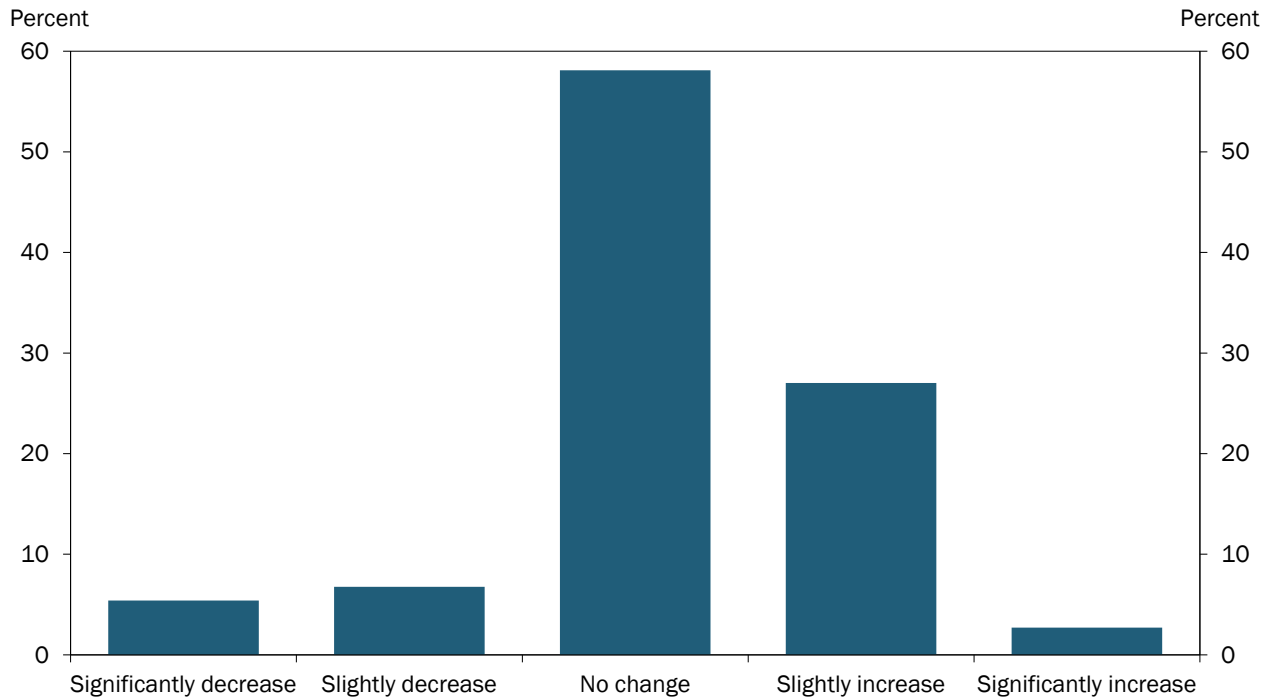


Chart 3. Special Question: How has the geographical area that your firm pulls workers and remote workers from changed over the last year?

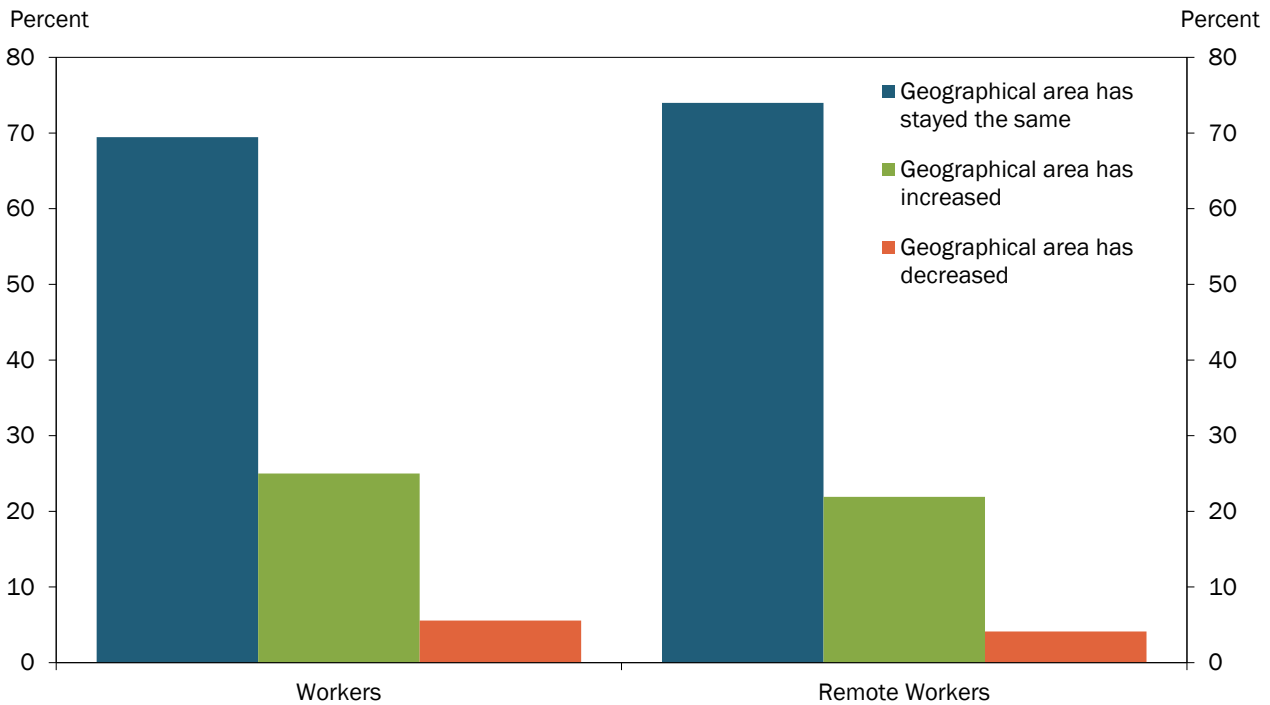


Table 2
Historical Services Survey Indexes

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