



## Services Survey

# Tenth District Services Activity Grew at a Slower Pace in June 2021

by: Chad Wilkerson

June 25, 2021

Tenth District services activity grew at a slower pace in June, while future activity was expected to increase further over the next six months.

---

### Business Activity Grew at a Slower Pace

Tenth District services activity grew at a slower pace in June, while future activity was expected to increase further over the next six months (Chart 1 & Table 1). Indexes for input prices and selling prices continued to set survey record highs in June, with more firms indicating price increases from a month ago and a year ago (highest postings since survey inception in 2014). Additionally, firms expected input and selling prices to rise over the next six months.

The month-over-month services composite index was 8 in June, moderately lower than 18 in May, and 20 in April (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 some expansion. The general revenue and sales index growth eased, driven by less real estate, auto, and transportation activity, while retail and tourism activity picked up. The index for wages and benefits rose at a faster rate in June while inventory levels declined from a month ago. Year-over-year indexes remained solid, and the year-over-year composite index changed from 28 to 27. Expectations for future services activity rose to the highest level since early 2018, with the future composite index jumping from 29 to 36

## Special Questions

This month contacts were asked special questions about capital spending. Nearly 42% of firms indicated capital spending plans for 2021 are higher than pre-COVID (2019) levels, and another 32% indicated 2021 capital spending levels are similar to 2019 (Chart 2). Still, a quarter of contacts reported capital spending plans for 2021 were lower than pre-COVID levels. Businesses with capital spending plans reported stronger demand as a primary factor supporting their business investment for the remainder of 2021. On the other hand, many firms noted labor shortages and the lack of materials inventory as the primary factors restraining business investment and capital spending for the rest of 2021. Because of labor shortages, 27% of businesses reported investing or plans to invest in labor-saving automation strategies at a faster pace than in the past (Chart 3). Another 21% of contacts planned to invest in labor-saving automation strategies similar to the past, and 6% were investing at a slower pace than in the past. However, 47% of contacts reported they have not invested in labor-saving technology.

## Selected Services Comments

“Technicians are just hard to find.”

“Hiring has been tough, but we finally found a handful of good people who want to work.”

“Because we are exclusively in the service industry, we have streamlined the utilization of virtual platforms that allow us to work remotely.”

“The supply chain is still stressed. In bound service levels on freight dropped from 94% in the last two weeks, to 90%. Freight rates on in bound are off the charts. Price increases all across the board.”

“Many suppliers are doing 5% mid-year price increases. Every employer is looking for employees in a decreasing pool of available people.”

“The work from home divide is getting bigger. Most staff would like to work from home several (if not all) days a week. Most managers want them in the office working. We are struggling in all markets to find and pay people.

“Labor is a major issue right now. We are burning out our good employees and our current pace is not sustainable. Additionally, just about everything we sell has increased in price very quickly. We have been successful thus far in passing our increased labor and product costs along to consumers.”

“Capital spending is focused on increasing productivity and reducing head count. Also locking in supplier pricing before they raise prices.”

“There is a lot of pent-up demand for travel. People are filling the streets and national forests etc. Many people are now able to work from home or on the road so the traditional seasonal factors are somewhat different.”

“If prices of construction settle, we will do some remodeling and adding a nicer patio outside, but at the costs today of construction material I was advised by the architect and contractor to wait.”

“Our capital expenditure is mainly to keep up the facility and to keep up with technology.

## Survey Data

[Current Release](#)

[Historical Monthly Data](#)

[About the Services Survey](#)

---

## Author



### Chad Wilkerson

#### Senior Vice President and Oklahoma City Branch Executive

Chad Wilkerson serves as Oklahoma City Branch Executive and Senior Vice President of Community Development for the Federal Reserve Bank of Kansas City. Wilkerson has been with the Federal Reserve since 1998, starting in Kansas City's research department. Appointed in 2006 as Oklahoma City Branch Executive, Wilkerson is the Bank's lead officer and regional economist in Oklahoma. He recruits and works closely with the Oklahoma City Branch Board of Directors and is responsible for briefing the Kansas City Fed president, a member of the Federal Open Market Committee, on economic trends in the state. His team conducts research and surveys on key regional issues such as energy, manufacturing and migration. Wilkerson was appointed Senior Vice President in 2022, and supports a Community Development team located across the Kansas City Fed's seven-state region. This group works to understand and address issues affecting the ability of underserved communities and small businesses to access credit. Community development focus areas include financial resiliency, affordable housing, community investments, workforce development, rural development and digital inclusion. Wilkerson holds a master's degree in public policy from the University of Chicago, as well as a master's degree from Southwestern Seminary and bachelor's degree from William Jewell College. He serves on the boards of the Economic Club of Oklahoma, the United Way of Central Oklahoma and City Rescue Mission. He lives in Edmond, Oklahoma, with his wife and children.

---