



Services Survey

Growth in Tenth District Services Continued at a Solid Pace

by:

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Growth in Tenth District services activity continued at a solid pace in May, while expectations for future activity eased somewhat but remained positive. 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.”

Survey Data

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