



Services Survey

Growth in Tenth District Services Eased Slightly

by:

June 24, 2022

Regional services activity eased somewhat in June. 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.

Business Activity Growth Eased Slightly

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.

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.”

Survey Data

[Current Release](#)

[Historical Monthly Data](#)

[About the Services Survey](#)
