Services Survey

Growth in Tenth District Services Eased Slightly

by: Chad Wilkerson

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

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.