



## Services Survey

# Growth in Tenth District Services Slowed in July

by: Chad Wilkerson

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

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### Business Activity Growth Slowed

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.

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."

## Survey Data

[Current Release](#)

[Historical Monthly Data](#)

[About the Services Survey](#)

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## Author



### Chad Wilkerson

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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.

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