



Services Survey

Tenth District Services Growth Eased Slightly in May

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Growth in regional services activity slowed slightly in May but remained positive. Expectations for future activity also eased, and a majority of firms are expecting cost increases to be similar to or slightly less than last year.

Business Growth Eased Slightly

Tenth District services growth eased slightly in May and expectations for the next six months also cooled somewhat (Chart 1 & Table 1). Input price growth slowed significantly over the last month and year, while selling prices increased slightly. Firms expect this trend to continue in the next six months.

The month-over-month services composite index was 3 in May, down from 7 in April and up from -4 in March (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The decrease in revenue and sales was driven mostly by declines in wholesale trade, retail trade, autos, and transportation. In contrast, real estate, health services, and tourism activity increased in May. All month-over-month indexes remained expansionary, despite some cooling. Growth in the general revenue/sales, employee hours worked, wages & benefits, and input price indexes slowed substantially. The inventory and access to credit indexes grew significantly, and the employment and capital expenditures indexes increased slightly. The year-over-year composite index declined from -2 to -4, also driven by decreases in revenue/sales, employee hours worked, and input prices. Expected growth in services activity eased in May, with the composite index declining from 14 to 6.

Special Questions

This month contacts were asked special questions about prices and input costs. In May, a majority of firms expected rises in wages, materials costs, and selling prices over the next year to be similar to or change only slightly from the last 12 months (Chart 2). Additionally, just under half of District firms report the ability to pass through 0% to 20% of their increased costs to customers, while nearly a quarter of firms are able to pass through 80% to 100% (Chart 3).

Selected Services Comments

“It is a hard line to increase our rates. As a small business, we are unsure if we would lose clients by increasing our rates. We have to tread lightly.”

“Customers will not accept further price increases.”

“Customers are starting to push back on price increases.”

“Over time, we'll pass on 100%, but it may take a couple rounds of increases to fully make the offset.”

“Sales are off 20% from previous years, we are cutting back staff through attrition.”

“Fixed non-labor costs are up significantly over the past couple of years and are sticking at that level or higher.”

Survey Data

[Current Release](#)

[Historical Monthly Data](#)

[About the Services Survey](#)

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