Tenth District Services Activity Stayed Steady in July

by: Chad Wilkerson, Chase Farha and Jannety Mosley

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District services activity stayed steady in July. Firms expect revenues to grow and employment activity to moderate in the future.

Business Activity Stayed Steady

Tenth District services activity stayed steady in July, while expectations for the next six months rose slightly (Chart 1 & Table 1). Contacts continued to report that both input and selling prices increased, but more reported increases in input compared to selling prices.

The month-over-month services composite index was -1 in July, down from 14 in June and 3 in May (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Tourism revenues increased substantially, while wholesale and real estate activity declined significantly. Growth in restaurants and retail cooled in July. All month-over-month indexes decreased from previous readings, except for part-time/temporary employment and input prices. The general revenues/sales index declined substantially from 20 to -1, and the number of employees and employee hours worked indexes also entered negative territory. Inventory levels slowed somewhat but continued to increase. The year-over-year composite index was unchanged at -11, as revenues, employment, and inventories continued to decrease. Expectations for services activity edged up as firms anticipate increases in revenue and steady employment, with the composite index increasing from -4 to 4.

Special Questions

This month contacts were asked special questions about profit margins. A majority of firms reported that profit margins decreased significantly (17%) or decreased slightly (45%) since the beginning of the year, while 20% of firms reported no change in profit margins, 13% reported a slight increase, and 5% reported a significant increase (Chart 2). Firms were also asked how supply chain issues have changed from a year ago. About a quarter (27%) of contacts reported they were much better, while 37% said they were slightly better, 22% reported no change, 8% reported they were slightly worse, 0% reported they were much worse, and 6% of contacts have not experienced supply chain issues over the last year (Chart 3).
Selected Services Comments

“Consumers are becoming more concerned that rates will go even higher, which makes them reluctant to make large purchases such as homes or automobile loans.”

“We are hesitant to invest in growing the business until better direction with the economy.”

“Freight charges are killing us. Freight takes one third of our profits on an item.”

Survey Data

Current Release

Historical Monthly Data

About the Services Survey
Tenth District Services Activity Stayed Steady in July
https://www.kansascityfed.org/surveys/services-survey/tenth-district-services-activity-stayed-steady-in-july/

Authors

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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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