



Tenth District Services Activity Rose Modestly in February 2020

by: Chad Wilkerson

February 28, 2020

Tenth District services activity rose modestly in February and expectations for future activity also expanded.

Business activity rose modestly in February

Tenth District services activity rose modestly in February and expectations for future activity also expanded (Chart 1). Input and selling price indexes continued to grow, but at slower pace compared with a month ago. Expectations for both future input and selling prices remained high.

The month-over-month services composite index was 6 in February, moderately lower than 14 in January and 15 in December (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Nearly all month-over-month indexes remained positive in February. The index for wages and benefits increased to the highest level in the six-year survey history. On the other hand, the access to credit index turned negative for the first time in almost a year. The general revenue/sales index was positive, driven by increases in most sectors, while some consumer spending activity, specifically restaurants and auto, declined. Year-over-year services indexes were relatively similar to last month, and the year-over-year composite index remained unchanged at 20. Expectations for future services activity grew, but a slightly lower rate as the composite index edged down from 28 to 23.

Special questions

This month contacts were asked special questions about several global developments. Over a third of District business contacts reported negative effects from Coronavirus (Chart 2). Looking ahead, nearly 44 percent of businesses expected negative impacts from Coronavirus over the rest of 2020, but 39 percent of firms anticipated some positive effects from recently signed trade deals (Chart 3).

Selected Services comments

"Business is good, no available workers."

"Uncertainty in the impact on the future economic conditions is tightening customers' spending."

"Shipments to and from China to west coast ports slowed, causing rates to soften on overcapacity of goods."

"There have been some cost increases due to tariffs, but it seems to be settling down now."

"For us, the 737 Max grounding is significantly more important with a large Spirit plant in Wichita, plus all the feeder machine shops. Thousands of workers were laid off."

"We support a lot of product companies that primarily sell products here in the US. The tariffs have caused a slowdown in the segment and loss of access to China with coronavirus and shut down in factories has not completely hit yet - but we expect it too."

"There is a lot of wage pressure, which I have tried to manage in other ways by paying performance-based bonuses and offering other benefits. But, it isn't enough. I'll have to raise prices by 5-10% to keep up with the wage increase."

"It is too soon to really measure the impact of the new trade deal and of 'Brexit'. We are seeing critical supply shortages from China as a result of the coronavirus."

"Business seems steady but not running as fast as the last couple years."

"Nice weather has boosted sales and put people in a better mood."

"February looks like it is down a bit in the travel industry. Not sure if this is due to any of the global developments."

"We've seen a drop in Chinese tourism."

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.
