



Services Survey

Tenth District Services Activity Continued to Rise in April 2021

by: Chad Wilkerson

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Business Activity Continued to Rise

Tenth District services activity continued to rise from a month ago and a year ago, and activity was expected to increase further over the next six months (Chart 1 & Table 1). The pace of growth for input prices remained near record high levels, and selling prices also expanded considerably to a record posting (since survey inception in 2014). Additionally, firms expected input and selling prices to increase over the next six months.

The month-over-month services composite index was 20 in April, similar to 22 in March, and up from 1 in February (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. All month-over-month indexes were positive in April, indicating expansion. The general revenue and sales index remained high, driven by more wholesale, retail, tourism, and restaurant activity while auto and real estate activity dipped slightly. Indexes for employee hours worked, wages and benefits, and capital expenditures rose at a faster pace in April. The inventory index also inched up from a month ago after declining for the past six months. Year-over-year indexes increased significantly, now compared to the depths of the pandemic last year. The year-over-year composite index jumped from 0 to 22. However, inventories continued to lag year-ago levels. Expectations for future services activity remained very high with a composite index of 26 as many firms anticipated higher sales activity and increased wages and benefits rates in the next six months.

Special Questions

This month contacts were asked special questions about how business indicators compare to pre-pandemic levels and about the greatest risks to their firm for the coming year. Nearly 80% of businesses reported higher selling prices compared to pre-pandemic levels, mostly due to higher input prices (Chart 2). 53% of firms reported higher revenue and sales levels compared to before the pandemic while 34% reported less. For employment, 34% of firms reported a similar number of workers compared to pre-pandemic levels, with 39% of firms reporting fewer employees than before the pandemic. Regarding the biggest risks to business plans over the next year, 65% of firms listed the lack of qualified workers and 46% of firms listed supply chain issues as the two biggest risks (Chart 3). In addition, 24% of firms indicated the inability to pass through price increases was a key risk, and 23% of firms reported the low demand for products/services was a key risk to business plans over the next year.

Selected Services Comments

“We are seeing a slight increase in the need for staffing services over the last couple of months.”

“The shortage of labor in our area is very serious. The supply chain is struggling and will continue to struggle even more in the next few months.”

“Extra unemployment pay from the government is affecting labor force participation noticeably.”

“Higher corporate income taxes (or threat thereof), supply chain issues, and finding qualified employees are the issues that have implications on our capital budgeting and strategic planning. The rising costs of inputs are going to lead to significant inflation and price increases.”

“The change in corporate tax rates will be quite hurtful to almost all enterprises and ultimately to the American consumer, stockholders and innovation. The first area many will simply cut to offset higher taxes is research and development.”

“We need workers! We could end up with unsustainable labor costs due to imposed scarcity.”

“Majority vaccination and return of workforce to the office are obstacles to improved business.”

“Freighter aircraft that have been carrying PPE and vaccinations for much higher rates will only carry various products from foreign countries if the rates are comparable. Less people traveling abroad means fewer opportunities for product to ride onboard returning to the U.S. and is hurting the supply chain.”

“It will be great to see tourists from across our country and it will be a real plus when we get foreign tourists as well.”

“Labor is the overarching problem for our businesses.”

“Companies need liability protection if they are going to put their people back on the road and travel again.”

“Restaurants have been hurt the hardest in this. Many restaurants have closed. People need to eat out and enjoy themselves. Business is up- there are less places to go since they are closed.”

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.
