



NEWS RELEASE

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Tenth District Services Activity Expanded Moderately in November
Federal Reserve Bank of Kansas City Releases November Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the October Services Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District services expanded moderately in November and expectations for future growth also increased.

“Regional services activity grew moderately in November after declining slightly in October,” said Wilkerson. “This continued a trend of up and down activity in the sector in 2019.”

The Kansas City Fed’s monthly Survey of Tenth District Services provides information on several indicators of activity including sales, revenue, employment and capital spending, while identifying changes in prices of input materials and selling prices. Survey participants represent a variety of industries, including retail and wholesale trade, automobile dealers, transportation, information, high-tech and professional services, real estate, education, restaurants, health services, tourism and other services firms. The survey includes five years of historical data. Results from past surveys and release dates for future surveys are available at www.kansascityfed.org/research/indicatorsdata/services.

The Federal Reserve Bank of Kansas City serves the Tenth Federal Reserve District, encompassing the western third of Missouri; all of Kansas, Colorado, Nebraska, Oklahoma and Wyoming; and the northern half of New Mexico. As part of the nation’s central bank, the Bank participates in setting national monetary policy, supervising and regulating numerous commercial banks and bank holding companies, and providing financial services to depository institutions. More information is available online at www.kansascityfed.org.

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TENTH DISTRICT SERVICES SUMMARY

Tenth District services activity expanded moderately in November and expectations for future growth also increased (Chart 1). Input and selling price indexes continued to increase, and at a faster pace compared with a month ago and a year ago. Expectations for future selling prices also rose.

Business Expanded Moderately in November

The month-over-month services composite index was 10 in November, up from -5 in October, but slightly lower than 16 in September (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Almost all of the month-over-month indexes increased in November. The indexes for employment, employee hours, and inventories all rebounded back into positive territory. The general revenue/sales index also jumped up, driven by increased retail, wholesale, real estate, and restaurant activity. Year-over-year services indexes also grew, as the composite index picked up from 21 to 31 compared to last month. Overall expectations for future services activity expanded from 20 to 29, the highest expected composite index in over a year.

Special Questions

This month contacts were asked special questions about employment plans and changes in wages and salaries to attract or retain employees. Exactly 48 percent of District manufacturing contacts expected their firms to leave employment unchanged over the next 12 months, and another 48 percent expected their firms to increase employment levels (Chart 2). Over 34 percent of contacts indicated they were increasing wages and/or salaries for most job categories by more than in previous years to attract new hires, and 33 percent of contacts indicated they were increasing wages and salaries for most job categories in order to retain existing employees (Chart 3). Additionally, 38 percent and 36 percent of firms reported increased wages and salaries for selected job categories by more than in the past few years in order to attract new hires or retain existing employees, respectively.

Selected Services Comments

“Qualified employees are becoming hard to find. Also, new employees are not motivated.”

“Immigration (lack of policy) continues to put strain on the technology labor markets.”

“The economy seems to be slowing due to political uncertainty and corporate caution in spending budgeted monies. We are building cash reserves.”

“Our business has been very strong, the outlook for future business from our customers is very positive. We will hire and subsequently purchase additional equipment once we are able to hire more [workers].”

“Trying to predict the future has never been harder.”

“In terms of recruitment and retention... regardless of credentials, there is still a need to train to the position or on-board. Technology has decreased productivity not increased productivity and it has added to retention challenges. We have transitioned to a new electronic system so have had to spend more on salaries the past few months but saw less in revenue the past two months.”

“Better start to this month.”

“The fall market overall has been stronger than I have seen it in the last five years.”

“Energy business employment decrease is a drag on [our industry].”

“For some positions we are offering \$1 or more per hour more than last year for those jobs.”

“Over the last year we have moved hourly wage rates up \$2-5 per hour.”

Table 1. Summary of Tenth District Services Conditions, November 2019

	November vs. October (percent)*					November vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	Increase	No Change	Decrease	Diff Index [^]	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	
Plant Level Indicators															
Composite Index				6	10				31				31	29	
General Revenue/Sales	37	35	28	9	15	58	24	18	40	55	36	9	46	42	
Number of Employees	18	68	14	4	7	45	39	16	30	36	49	14	22	21	
Employee Hours Worked	20	66	14	6	5	35	59	6	28	24	65	10	14	14	
Part-Time/Temporary Employment	17	75	8	9	11	18	72	9	9	16	78	7	9	7	
Wages and Benefits	27	70	4	23	22	72	24	4	68	53	45	1	52	47	
Inventory Levels	18	63	19	-1	3	29	51	20	9	27	56	17	9	8	
Credit Conditions/Access to Credit	1	99	0	1	3	13	84	3	11	9	91	0	9	9	
Capital Expenditures	22	71	8	14	14	36	49	14	22	36	55	9	27	25	
Input Prices	36	62	3	33	32	63	30	7	57	53	45	3	50	45	
Selling Prices	22	74	4	18	23	49	40	10	39	43	49	8	35	34	

*Percentage may not add to 100 due to rounding.

[^]Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

^{^^}Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The November survey was open for a five-day period from November 13-18, 2019 and included 80 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Index vs. a Month Ago

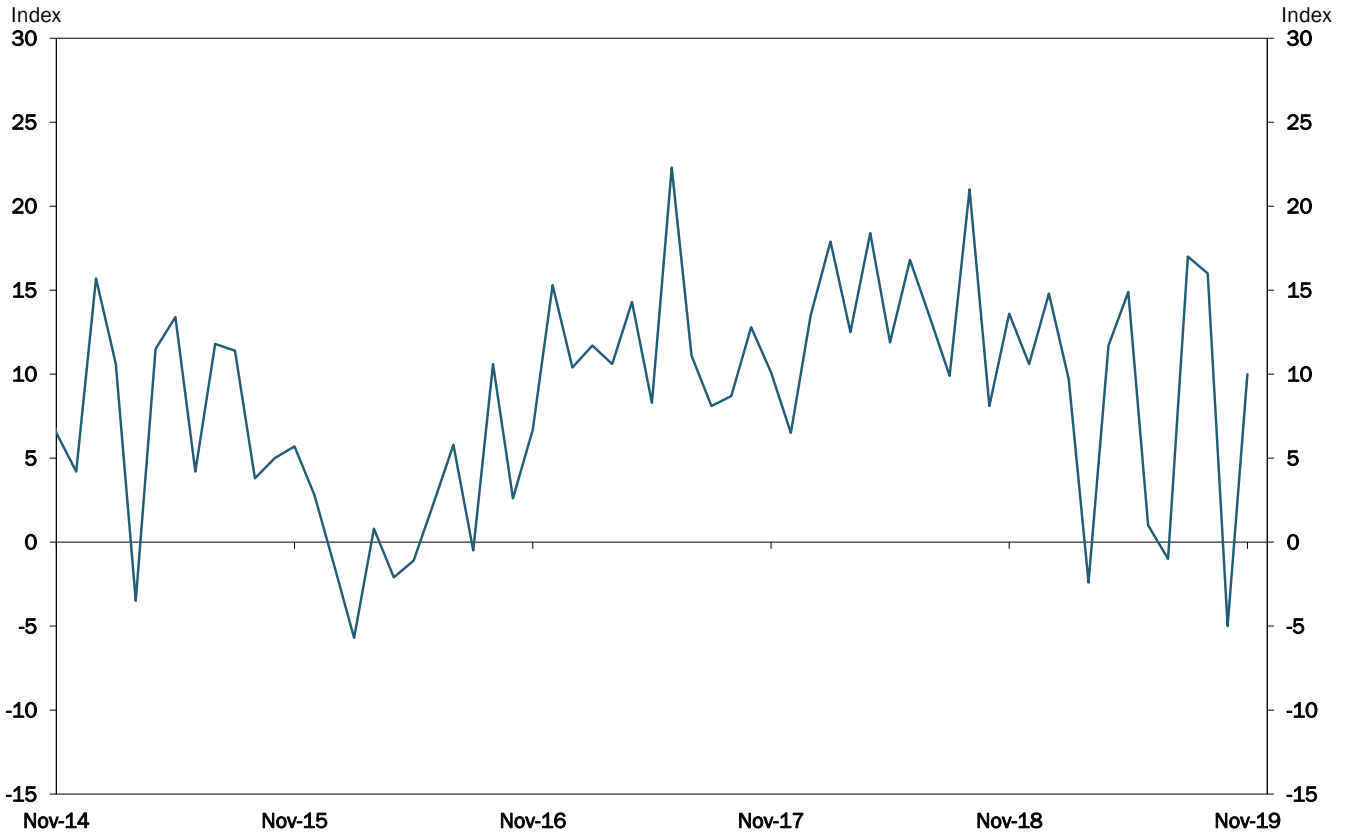


Chart 2. Special Question: Do you expect your firm to increase employment, leave employment unchanged, or decrease employment over the next twelve months?

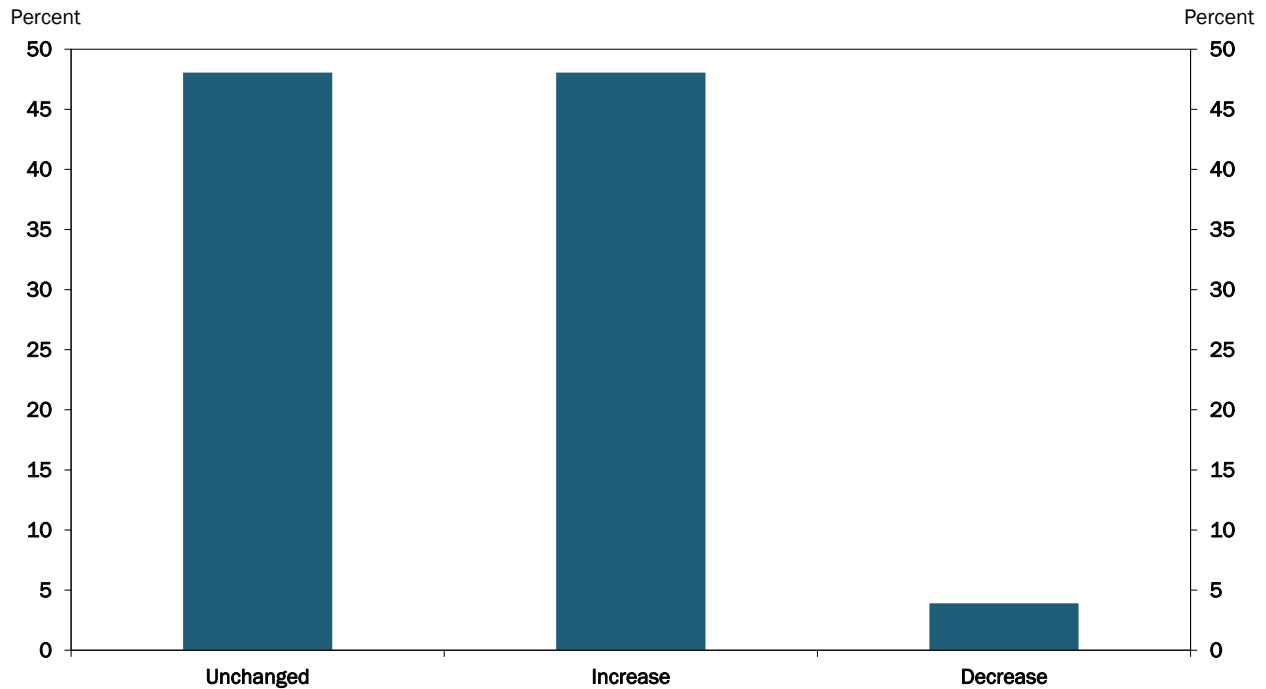


Chart 3. Special Question: Which of the following best describes your use of changes in wages and salaries to attract new hires and retain existing employees?

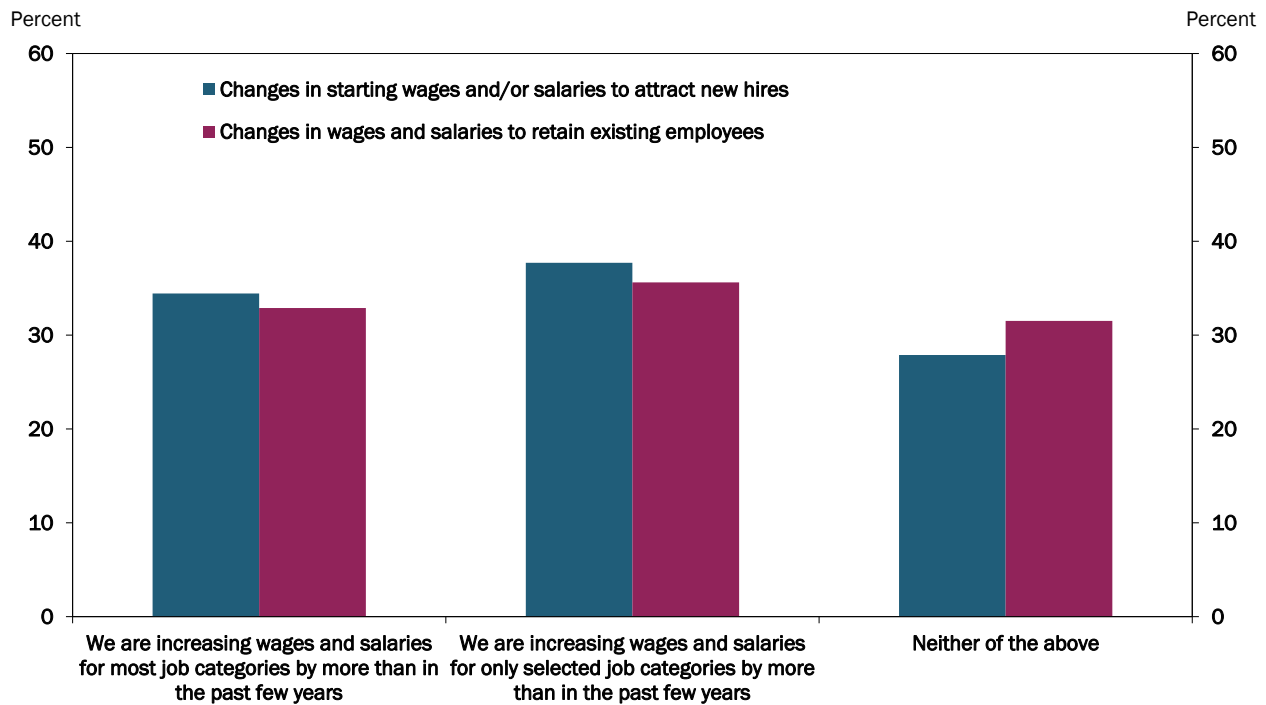


Table 2
Historical Services Survey Indexes

	Nov'18	Dec'18	Jan'19	Feb'19	Mar'19	Apr'19	May'19	Jun'19	Jul'19	Aug'19	Sep'19	Oct'19	Nov'19
Versus a Month Ago (seasonally adjusted)													
Composite Index	14	11	15	10	-2	12	15	1	-1	17	16	-5	10
General revenue/sales	18	5	27	20	-6	15	19	-1	-3	33	29	-7	15
Number of employees	4	17	7	-5	-4	12	6	-2	3	1	8	-2	7
Employee hours worked	12	6	12	3	-3	23	16	-2	7	1	20	-3	5
Part-time/temporary employment	7	6	8	3	11	9	12	12	7	0	2	8	11
Wages and benefits	29	22	34	29	33	24	23	27	23	19	28	19	22
Inventory levels	17	15	-4	6	9	3	18	8	-2	0	-5	-5	3
Credit conditions/access to credit	-6	-6	-6	-1	-6	1	1	1	1	2	1	3	3
Capital expenditures	6	14	14	17	27	18	23	5	12	16	29	5	14
Input prices	38	23	34	46	38	39	32	27	33	26	33	20	32
Selling prices	28	17	14	21	13	8	10	3	8	-1	22	7	23
Versus a Year Ago (not seasonally adjusted)													
Composite Index	27	18	21	15	21	17	29	12	17	15	26	21	31
General revenue/sales	33	23	29	28	21	16	38	19	17	19	36	26	40
Number of employees	20	12	16	7	18	24	20	-3	18	10	23	21	30
Employee hours worked	22	12	13	17	15	22	20	-1	22	21	24	13	28
Part-time/temporary employment	13	10	3	10	13	3	8	4	12	5	11	11	9
Wages and benefits	51	56	60	64	63	60	63	48	59	56	70	64	68
Inventory levels	21	12	9	-4	24	11	21	16	16	11	6	6	9
Credit conditions/access to credit	-2	-4	0	1	-6	4	2	7	-3	1	-3	4	11
Capital expenditures	22	33	21	16	29	22	30	15	21	22	31	21	22
Input prices	57	45	51	46	56	56	56	45	52	45	52	46	57
Selling prices	42	29	30	37	38	24	40	25	29	27	36	31	39
Expected in Six Months (seasonally adjusted)													
Composite Index	25	25	17	25	23	16	27	17	14	18	18	20	29
General revenue/sales	29	36	31	39	31	20	43	24	23	28	27	31	42
Number of employees	19	18	7	17	19	16	16	15	13	9	18	11	21
Employee hours worked	15	11	10	11	19	17	23	7	11	6	14	0	14
Part-time/temporary employment	14	13	6	11	13	0	12	5	-1	-5	6	12	7
Wages and benefits	38	41	36	42	47	42	45	33	43	43	50	48	47
Inventory levels	22	6	-1	2	11	4	2	0	-6	5	-6	8	8
Credit conditions/access to credit	-2	-5	-1	6	-4	2	8	7	-2	5	3	2	9
Capital expenditures	19	27	25	28	25	16	37	12	10	12	4	12	25
Input prices	47	37	48	50	54	50	42	42	47	43	41	42	45
Selling prices	38	21	33	39	38	33	28	26	19	25	33	24	34