



NEWS RELEASE

FEDERAL RESERVE BANK *of* KANSAS CITY
DENVER • OKLAHOMA CITY • OMAHA

FOR IMMEDIATE RELEASE

Aug. 27, 2021

CONTACT: Pam Campbell

(405) 270-8617

Pam.Campbell@kc.frb.org

Tenth District Services Activity Remained Positive
Federal Reserve Bank of Kansas City Releases August Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the August Services Survey today. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that pace of Tenth District services growth slowed slightly but remained positive, and activity was expected to increase further over the next six months.

“Regional services activity continued to increase in August,” said Wilkerson. “However, many firms reported steep price increases, difficulties attracting or retaining talent, and 37% of firms expected a decrease in business activity due to the recent surge in COVID cases.”

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. Historical data, results from past surveys and release dates for future surveys are available at www.kansascityfed.org/surveys/services-survey/.

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.

###

TENTH DISTRICT SERVICES SUMMARY

The pace of Tenth District services growth slowed slightly but remained positive, and activity was expected to increase further over the next six months (Chart 1 & Table 1). Indexes for input prices and selling prices rose at a faster rate from a month ago, and price indexes were higher from a year ago for the majority of firms. Firms expected input and selling prices to continue to increase over the next six months, but slightly slower than the recent record high pace.

Business Activity Remained Positive

The month-over-month services composite index was 14 in August, down from 25 in July, but higher than 8 in June (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes remained positive in August, indicating expansion. The increase in general revenue and sales was driven by more wholesale, retail, real estate, restaurant, tourism, and professional and high-tech business activity. On the other hand, auto and healthcare services activity declined. The index for employee hours, wages and benefits, and capital expenditures increased at a faster rate than a month ago, and the inventories index jumped to the highest level since January 2020. Access to credit remained steady from a month ago. Year-over-year indexes grew at a solid pace with a year-over-year composite index of 36. Expectations for future services activity remained high, though the future composite index eased slightly from 32 to 26.

Special Questions

This month contacts were asked special questions about employment and the effects of the recent surge in COVID cases. Since May, 54% of business contacts reported a decrease in the flow of applicants per job, while 14% reported an increase in the flow of applicants for each job opening (Chart 2). Around 57% of firms reported that the rate of workers quitting has not changed at their firm, while 39% indicated it has increased in the past few months (Chart 3). Of those quitting, most workers leaving firms reported leaving for another job and/or reported leaving for better pay (Chart 4). Other firms reported workers wanted to change industries, were stressed or wanted different work life balance priorities, or wanted to move to other areas. Nearly 20% of firms reported retirement as a common reason given by workers for quitting. Most firms indicated that the recent surge in COVID cases had no change on their business activity (Chart 5). However, 22% of firms reported that the recent COVID surge had decreased activity, and 37% of firms expected the recent COVID surge to decrease business activity over the next six months.

Selected Services Comments

“We are continuing to follow safety guidelines in order to operate safely during the resurgence of the virus. Consumer confidence seems to be curbing downward.”

“Very hard to hire qualified workers at the prevailing rates. We have also needed a 3rd shift to keep up with demand.”

“While our revenue has remained flat, we are seeing less activity in our sales pipeline.”

“We are getting priced out of the market for entry level positions.”

“About a third of the candidates that accept positions never show up and get other jobs and don't tell us.”

“Very competitive environment for recruiting.”

“Starting to pick up and get work, now with Delta not doing any bids for September.”

“Cancellations have seen a significant uptick in the last few weeks.”

“We follow CDC safety guidelines and have not had any recent Covid issues.”

“More investors are buying homes as inventory has increased.”

“Although we think that business activity would decrease should COVID surge, we don't expect a drop in revenue and income as we are already operating at full capacity and turning away business.”

“We are in an essential business and continue to be busy.”

“Uncertainty in the market is problematic.”

“We are having supply issues.”

“Reestablished some cleaning protocols and social distancing measures.”

Table 1. Summary of Tenth District Services Conditions, August 2021

Plant Level Indicators	August vs. July (percent)*					August 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 ^{^^}	
Composite Index				10	14				36				22	26	
General Revenue/Sales	46	21	33	13	18	72	7	21	51	56	15	29	27	33	
Number of Employees	33	43	24	8	12	46	33	21	26	44	38	18	26	29	
Employee Hours Worked	35	54	11	24	28	44	44	12	32	37	46	17	20	26	
Part-Time/Temporary Employment	11	78	11	0	2	24	69	8	16	15	74	11	4	4	
Wages and Benefits	51	42	7	43	44	84	12	4	80	66	29	5	61	62	
Inventory Levels	25	53	22	4	9	39	34	27	12	27	47	26	1	5	
Credit Conditions/Access to Credit	6	88	6	0	0	15	79	6	9	7	85	7	0	0	
Capital Expenditures	28	64	8	19	21	34	51	15	20	33	55	12	21	24	
Input Prices	64	31	5	59	61	81	16	3	78	67	24	9	58	57	
Selling Prices	50	43	7	43	43	70	26	4	67	54	35	11	43	48	

*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-13.

Note: The August survey was open for a five-day period from August 18-23, 2021 and included 83 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes



Chart 2. Special Question: Have you seen any change since May in the flow of job applicants per job opening at your firm?

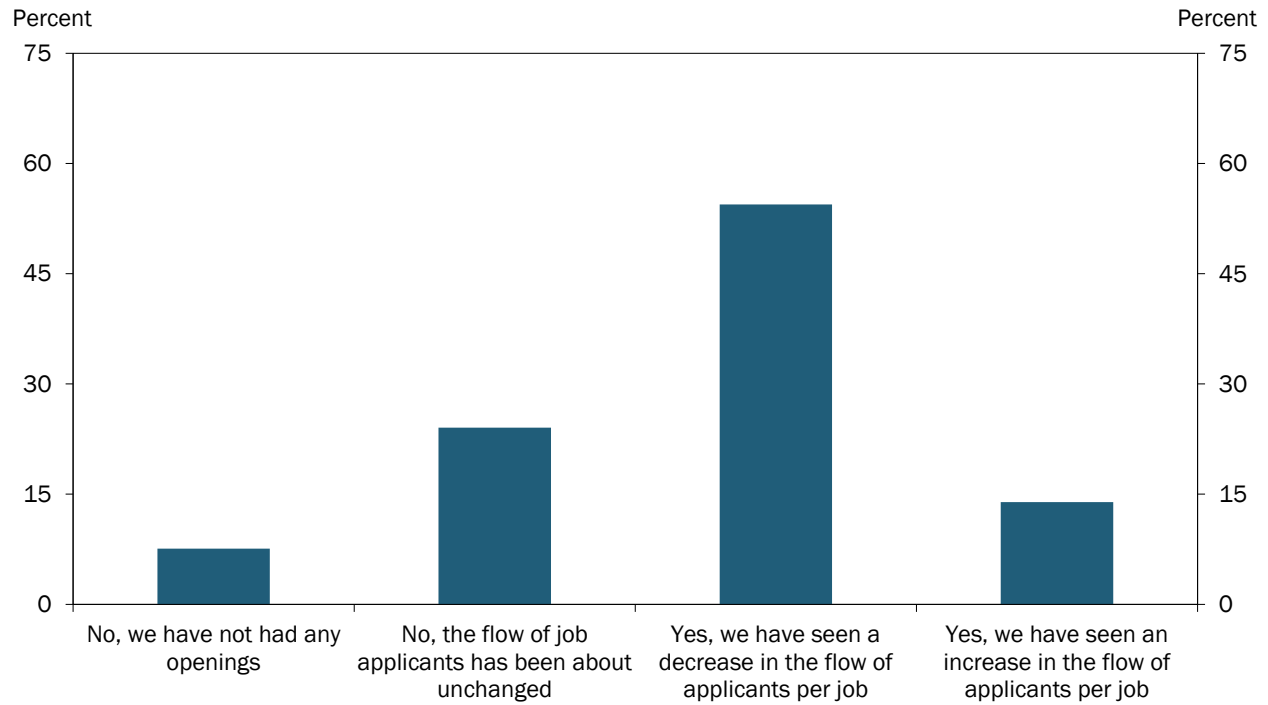


Chart 3. Special Question: In the past few months, how has the rate of workers quitting changed for your firm?

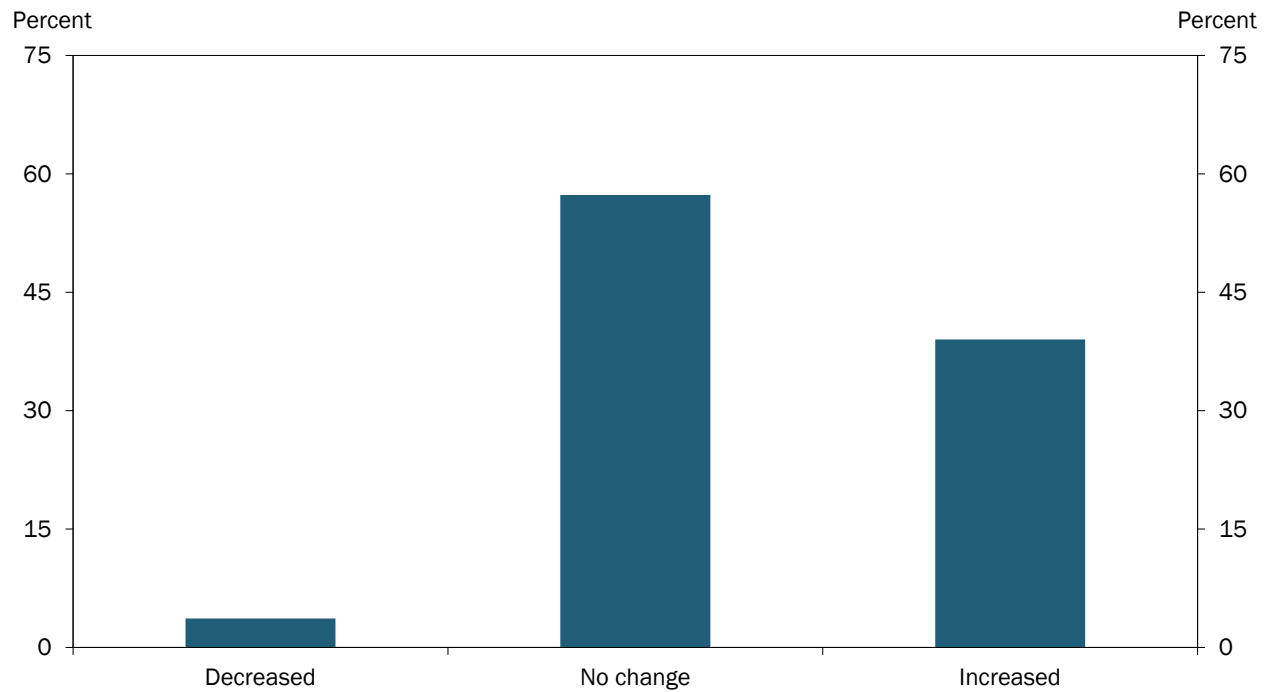


Chart 4. Special Question: What are the most common reasons given by workers for quitting? (check all that apply)

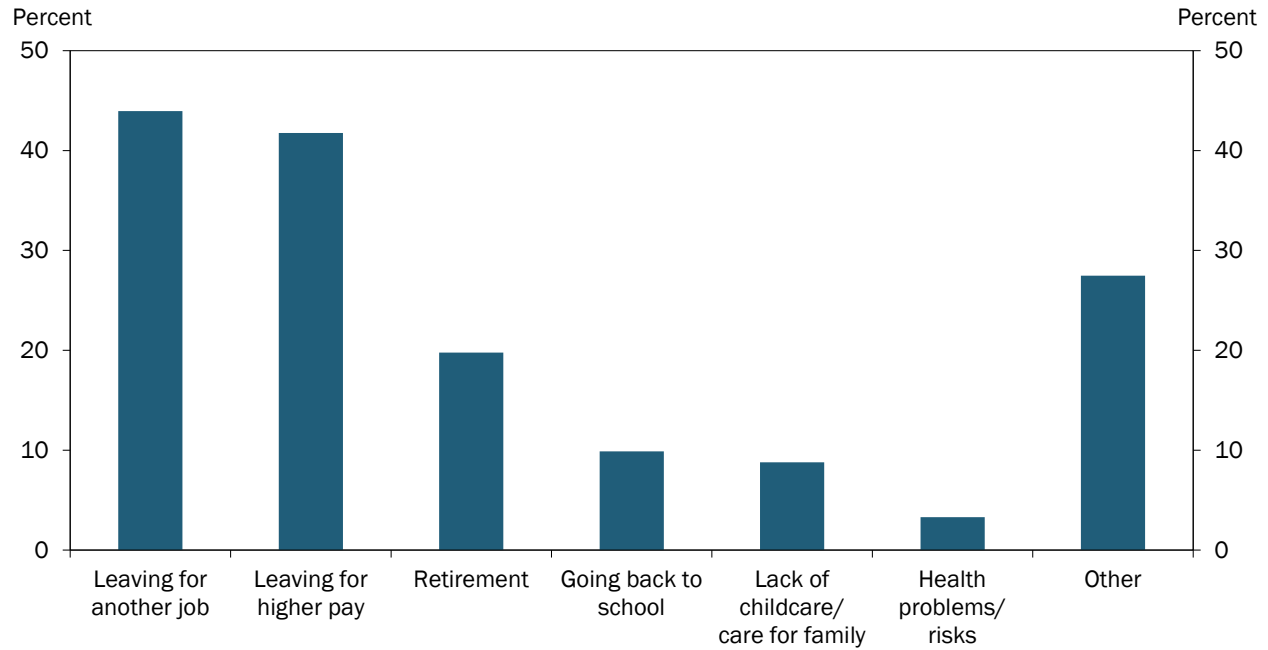


Chart 5. Special Question: How has the recent surge in COVID cases affected your firm's business activity and how do you expect it will affect your business activity over the next six months?

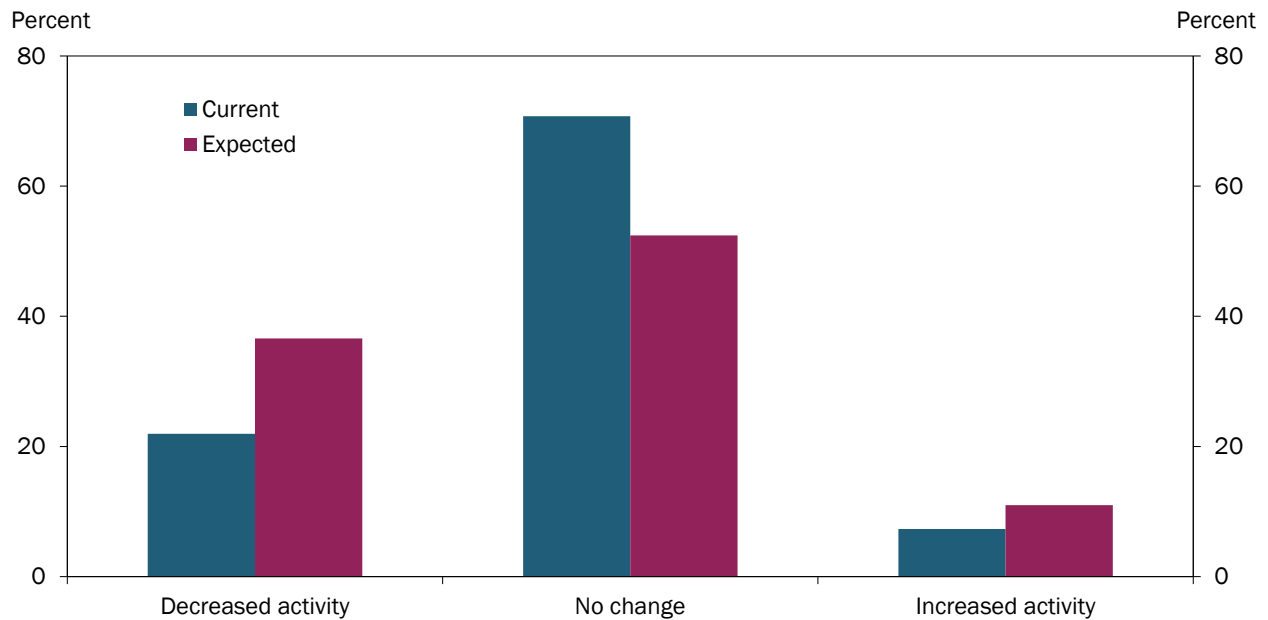


Table 2
Historical Services Survey Indexes

	Aug'20	Sep'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21	Aug'21
Versus a Month Ago (seasonally adjusted)													
Composite Index	20	-7	12	10	-4	8	1	22	20	18	8	25	14
General Revenue/Sales	37	-18	17	17	-13	10	2	33	30	31	17	39	18
Number of Employees	10	9	7	6	8	15	6	20	15	10	3	19	12
Employee Hours Worked	20	6	11	0	-4	3	-4	13	26	13	15	17	28
Part-Time/Temporary Employment	5	0	3	0	-1	1	-1	3	10	1	10	19	2
Wages and Benefits	30	19	18	9	14	23	24	26	46	31	43	38	44
Inventory Levels	-9	-3	8	-4	0	-10	-7	-4	1	-1	-9	-2	9
Credit Conditions/Access to Credit	-4	1	2	-1	3	0	1	7	1	4	3	-1	0
Capital Expenditures	17	10	3	4	1	13	-2	11	14	23	13	16	21
Input Prices	37	29	34	25	32	46	32	55	53	63	70	50	61
Selling Prices	16	15	25	11	17	22	12	21	34	37	41	37	43
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-24	-23	-19	-16	-17	-15	-20	0	22	28	27	36	36
General revenue/sales	-24	-21	-16	-11	-16	-14	-17	8	42	52	48	60	51
Number of employees	-22	-18	-29	-25	-18	-17	-19	-5	6	3	3	17	26
Employee hours worked	-22	-19	-13	-20	-9	-12	-22	-1	35	20	25	35	32
Part-time/temporary employment	-14	-10	-8	-13	-5	-9	-13	-5	11	2	18	23	16
Wages and benefits	31	41	41	25	46	31	38	53	67	57	66	68	80
Inventory levels	-26	-33	-10	-16	-17	-13	-27	-11	-5	7	10	4	12
Credit conditions/access to credit	-12	-1	0	1	0	6	1	10	10	9	3	8	9
Capital expenditures	8	-7	2	0	0	5	0	6	16	29	15	24	20
Input prices	37	49	47	41	49	55	64	69	69	76	86	83	78
Selling prices	22	33	24	41	37	33	28	47	53	59	65	73	67
Expected in Six Months (seasonally adjusted)													
Composite Index	11	19	7	13	16	28	20	26	26	29	36	32	26
General revenue/sales	17	30	14	23	27	31	25	37	40	41	46	37	33
Number of employees	10	10	0	2	15	31	25	18	19	26	31	36	29
Employee hours worked	12	3	0	6	14	26	18	10	30	23	31	28	26
Part-time/temporary employment	-4	-6	-6	-4	2	3	7	0	12	13	6	9	4
Wages and benefits	27	32	21	20	33	38	41	38	53	53	63	65	62
Inventory levels	-2	4	-2	6	-9	14	-2	8	-1	2	16	13	5
Credit conditions/access to credit	-5	4	4	-1	5	4	1	3	3	4	1	2	0
Capital expenditures	9	4	-4	10	12	9	8	7	18	22	22	24	24
Input prices	33	38	44	31	48	46	49	63	58	66	73	73	57
Selling prices	24	13	27	22	33	30	18	29	46	58	56	70	48