



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

April 24, 2020

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**Tenth District Services Activity Dropped Sharply**  
*Federal Reserve Bank of Kansas City Releases April Services Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the April 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 activity dropped sharply in April, greatly surpassing the previous survey low set in March, and expectations for future activity remained negative.

“We saw a sharp decrease in activity as regional businesses continued to be negatively affected by COVID-19,” said Wilkerson. “Most firms have taken measures to cover shortfalls in revenues and many reported employment changes as a result of coronavirus.”

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/research/indicatorsdata/services](http://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](http://www.kansascityfed.org).

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## **TENTH DISTRICT SERVICES SUMMARY**

Tenth District services activity dropped sharply in April, greatly surpassing the previous survey low set in March, and expectations for future activity remained negative (Chart 1 & Table 1). The input price index declined slightly and the selling price index fell further. Firms expected future input prices to hold steady, while selling prices were expected to decrease in six months.

### **Business Activity Dropped Sharply in April**

The month-over-month services composite index was -58 in April, down sharply from the previous low of -16 set in March (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. All month-over-month indexes decreased in April. Except for the access to credit index, all month-over-month indexes were the lowest readings in survey history (since 2014). The decline in general revenue/sales index was broad across business sectors, but especially driven by steep losses in travel and tourism. All of the year-over-year services indexes fell sharply, and the year-over-year composite index dropped from -4 to -44. Expectations for future services activity remained negative with a future composite index of -28, up only slightly from -30 in March.

### **Special Questions**

This month contacts were asked special questions about measures taken to cover shortfalls in revenues and changes in employment as a result of Coronavirus (COVID-19). Nearly 69 percent of firms reported applying for the SBA PPP program, around 56 percent reported having drawn down cash reserves, and 31 percent made increased use of a credit line or took out a new loan (Chart 2). Around 23 percent of contacts obtained a temporary reprieve on a loan or rent payments and 21 percent of businesses dipped into savings or personal funds. A number of firms reported applying for emergency governmental funding, but had not received funds yet. Regarding employment changes in response to coronavirus, 43 percent of firms used part-time or reduced staffing levels, 28 percent furloughed employees, 25 percent reported using PTO, and around 23 percent of firms had layoffs (Chart 3). Additionally, 41 percent of respondents reported taking other measures regarding employment in response to coronavirus, such as maintaining staff levels, cutting overtime, increasing work from home, alternating shifts, and implementing more hygiene and social distancing measures.

## Selected Services Comments

“Completely different when we cannot be open for foot traffic- must adapt to internet and phone sales with reduced shifts and figure out how to use social distancing in a one-on-one sales environment.”

“If sales volume doesn't improve soon, we will be forced to lay-off many more employees.”

“We expect business to drop another 10 to 15% in the next two weeks... probably furlough more people this week.”

“The PPP plan allows us to keep everyone employed at the same rate of pay.”

“Have secured PPP loan, but because we cannot be open for business, wages will be dramatically down for 8 week period. The result will be maybe 25% of loan will be forgiven and thus limited benefit of PPP.”

“We have been told our PPP application was accepted, but it has not yet been funded.”

“With the PPP assistance, we expect to be able to carry through with limited personnel changes.”

“We chose to retain all employees, those that are able are working from home... some are not working due to lack of work, however, they are being paid.”

“Work with half the staff at home one day and then at the office the next.”

“Having personnel work in shifts at smaller branches and keeping social distancing in mind.”

“Not much visibility at present without knowing how and when the economy restarts.”

“We have been a benefactor of the pandemic... with increased sales while the population is homebound. Thus have needed more personnel during this time.”

“Customers are hesitant to make large purchases and services to commercial customers have been put on hold. Demand for other services has been the strongest in years.”

**Table 1. Summary of Tenth District Services Conditions, April 2020**

Plant Level Indicators	April vs. March (percent)*					April vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>^^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>^^</sup>	
Composite Index				-44	-58				-46				-25	-28	
General Revenue/Sales	16	9	75	-60	-81	19	4	77	-58	29	12	59	-30	-36	
Number of Employees	8	49	44	-36	-42	14	30	56	-42	19	40	41	-23	-23	
Employee Hours Worked	10	21	69	-59	-69	12	22	66	-55	23	31	47	-24	-26	
Part-Time/Temporary Employment	9	51	40	-31	-37	14	46	39	-25	20	51	29	-9	-5	
Wages and Benefits	13	53	35	-22	-22	44	23	32	12	33	37	29	4	6	
Inventory Levels	21	42	37	-16	-22	25	29	45	-20	25	37	38	-14	-13	
Credit Conditions/Access to Credit	16	66	18	-3	-4	18	62	20	-3	14	67	19	-5	-6	
Capital Expenditures	17	37	46	-29	-33	19	33	48	-29	16	36	48	-32	-30	
Input Prices	21	55	25	-4	-3	36	42	22	14	25	49	25	0	0	
Selling Prices	11	46	43	-33	-34	25	31	44	-19	18	48	34	-16	-16	

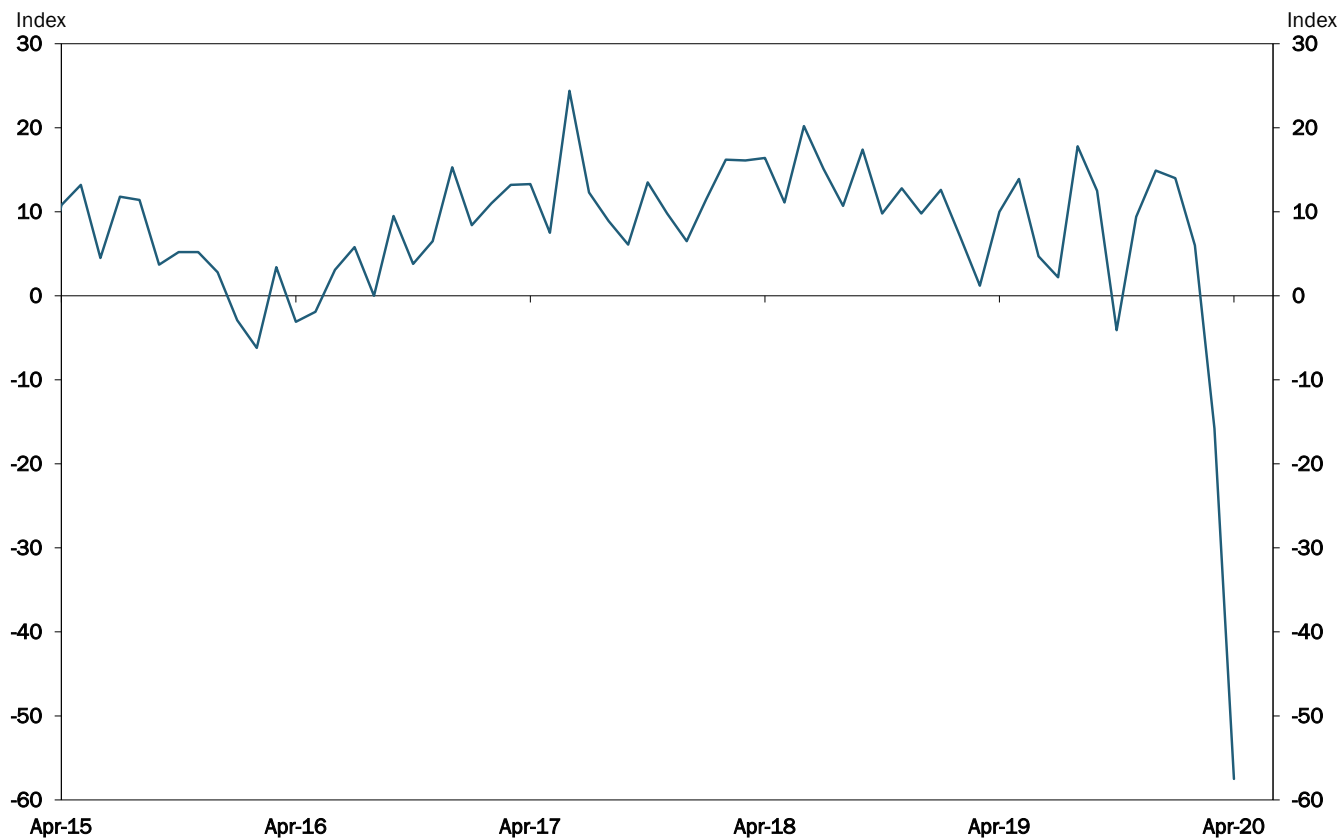
\*Percentage may not add to 100 due to rounding.

<sup>^</sup>Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

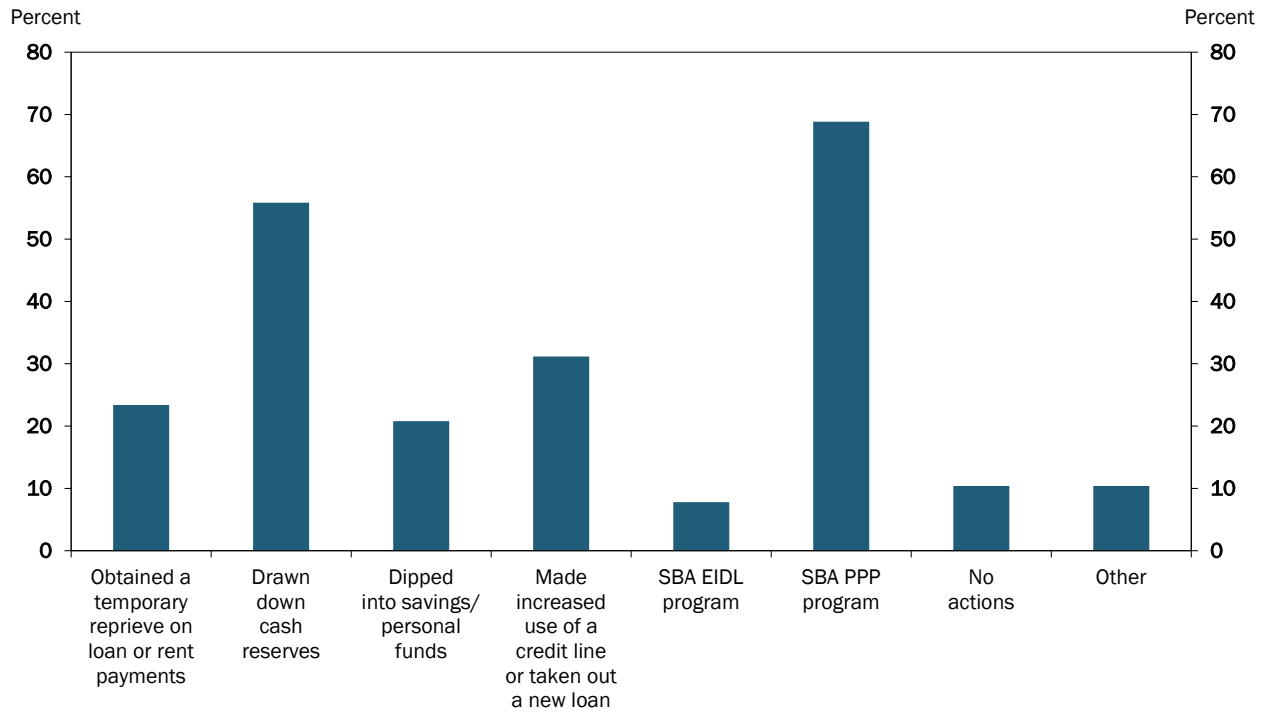
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The April survey was open for a five-day period from April 15-20, 2020 and included 79 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

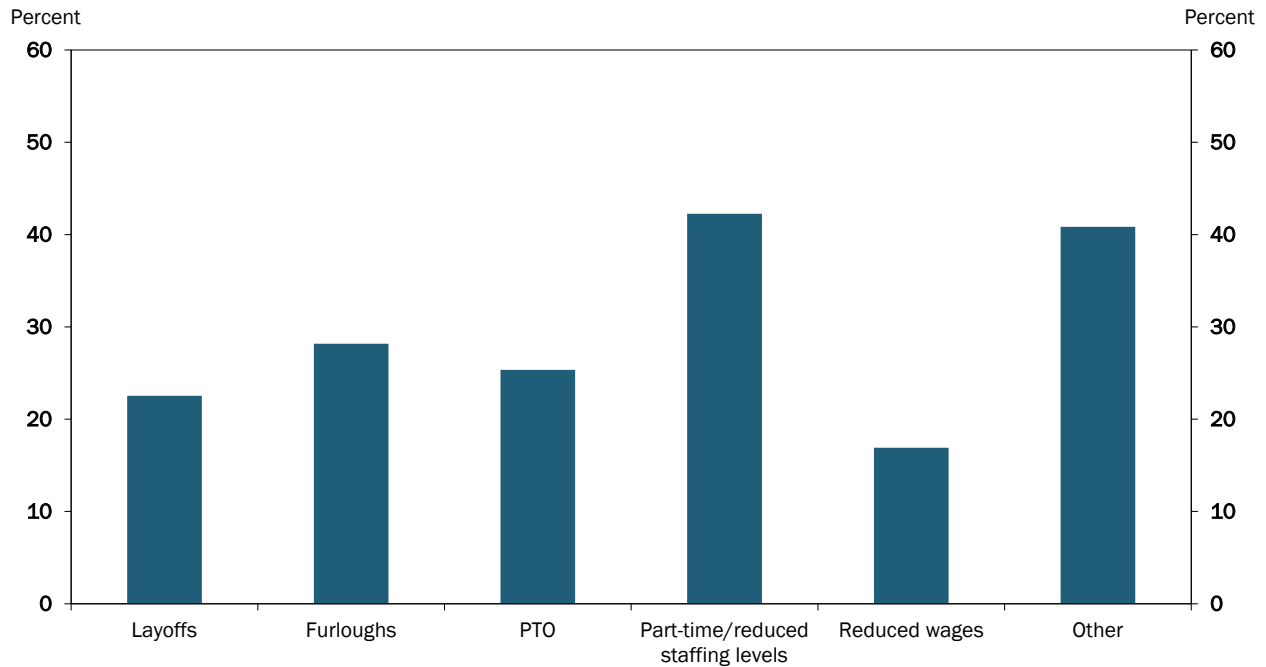
**Chart 1. Services Composite Index vs. a Month Ago**



**Chart 2. Special Question: Has your firm taken any measures listed below to cover shortfalls in revenues experienced as a result of the COVID-19 pandemic? (check all that apply)**



**Chart 3. Special Question: What steps regarding employment has your firm taken in response to COVID-19? (check all that apply)**



**Table 2**  
**Historical Services Survey Indexes**

	Apr'19	May'19	Jun'19	Jul'19	Aug'19	Sep'19	Oct'19	Nov'19	Dec'19	Jan'20	Feb'20	Mar'20	Apr'20
Versus a Month Ago (seasonally adjusted)													
Composite Index	10	14	5	2	18	13	-4	9	15	14	6	-16	-58
General revenue/sales	11	18	7	3	34	22	-6	14	19	16	7	-17	-81
General Revenue/Sales	13	5	0	3	2	7	-1	6	18	13	6	-15	-42
Employee hours worked	22	14	2	8	7	15	1	5	10	4	18	-19	-69
Part-time/temporary employment	8	10	11	8	2	3	7	9	15	6	12	-24	-37
Wages and benefits	24	23	26	24	21	27	20	22	28	29	34	1	-22
Inventory levels	3	17	6	-1	1	-3	-4	3	0	9	3	-14	-22
Credit conditions/access to credit	0	0	0	1	2	1	2	3	2	2	-1	-2	-4
Capital expenditures	17	21	5	13	16	29	6	14	9	15	8	-12	-33
Input prices	38	33	29	33	28	33	23	32	26	33	22	17	-3
Selling prices	9	10	5	9	0	22	8	16	15	22	20	-4	-34
Versus a Year Ago (not seasonally adjusted)													
Composite Index	17	29	12	17	15	26	21	31	25	20	20	-4	-46
General revenue/sales	16	38	19	17	19	36	26	40	37	26	28	-4	-58
Number of employees	24	20	-3	18	10	23	21	30	23	16	17	-7	-42
Employee hours worked	22	20	-1	22	21	24	13	28	17	22	23	-3	-55
Part-time/temporary employment	3	8	4	12	5	11	11	9	8	13	11	-10	-25
Wages and benefits	60	63	48	59	56	70	64	68	61	58	65	31	12
Inventory levels	11	21	16	16	11	6	6	9	0	11	4	1	-20
Credit conditions/access to credit	4	2	7	-3	1	-3	4	11	8	4	-3	0	-3
Capital expenditures	22	30	15	21	22	31	21	22	23	15	10	-14	-29
Input prices	56	56	45	52	45	52	46	57	57	53	55	41	14
Selling prices	24	40	25	29	27	36	31	39	30	32	37	22	-19
Expected in Six Months (seasonally adjusted)													
Composite Index	17	25	18	16	18	17	20	30	15	28	23	-30	-28
General revenue/sales	22	40	26	25	27	27	30	44	19	34	30	-34	-36
Number of employees	16	16	15	13	11	16	11	21	15	27	17	-31	-23
Employee hours worked	15	19	12	10	8	12	1	15	7	26	15	-32	-26
Part-time/temporary employment	2	11	5	1	-4	7	8	7	3	15	15	-15	-5
Wages and benefits	43	46	34	43	43	48	45	49	45	56	51	-10	6
Inventory levels	5	3	1	-3	4	-6	6	6	4	15	14	-18	-13
Credit conditions/access to credit	2	7	6	-2	4	3	2	9	3	5	0	-14	-6
Capital expenditures	16	35	13	13	14	8	14	26	13	19	1	-33	-30
Input prices	48	45	43	46	43	42	43	45	50	54	46	7	0
Selling prices	33	29	28	24	26	31	25	32	28	32	23	-12	-16