



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

September 27, 2019

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**Tenth District Services Activity Continued to Rise Moderately in September**  
*Federal Reserve Bank of Kansas City Releases September Services Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the September 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 continued to rise moderately in September, and expectations for future growth remained solid.

“Regional services activity expanded at a solid pace again in September,” said Wilkerson. “More than twice as many firms have raised their number of expected employees for 2019 since the beginning of the year as have lowered it.”

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](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 continued to rise moderately in September, and expectations for future growth remained solid (Chart 1). Input and selling price indexes increased compared with a month ago and a year ago, and expectations for future selling prices also grew in September.

### **Business Continued to Rise Moderately**

The month-over-month services composite index was 16 in September, similar to 17 in August, and up considerably from -1 in July (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were mostly positive in September. The indexes for employment, wages and benefits, and capital expenditures increased, while the inventory index dipped into negative territory. The general revenue/sales index continued to expand, driven by increases in wholesale, auto, professional and business activity, and health services, while restaurant activity decreased. Year-over-year services indexes increased compared to last month, up from 15 to 26. Expectations for future services activity were unchanged at 18, as the future employment index increased, while the future inventory index decreased.

### **Special Questions**

This month contacts were asked special questions about employment levels and capital spending plans compared with their expectations from early 2019. Over 33 percent of regional business contacts indicated that their number of expected employees for 2019 was higher since the beginning of the year, and only 15 percent lowered expectations for 2019 employment levels (Chart 2). Regarding capital spending, more than 22 percent of firms have delayed their plans in 2019 and similarly, 22 percent have delayed their capital spending plans for 2020 (Chart 3). However, more than 15 percent of firms have accelerated their 2019 capital spending plans, and nearly 14 percent have accelerated their capital spending plans for 2020.

## **Selected Services Comments**

“We have big plans to migrate to cloud environments but capital is required to do this.”

“Business has slowed but we still need to buy new equipment and furnishings.”

“There is lots of uncertainty. Some raw materials are up 50 % from tariffs.”

“Business has been good, and we’re seeing growth in revenues that are in the upper single digits.”

“Capital expenditures have been up due to tornado damage but that is ending.”

“We are working fast to automate and reduce head count as competition dictates it.”

“Our employment expectations are materially growing, but we’re primarily off-shoring jobs due to the costs of labor in the U.S. with the skills we need.”

“Sales are lower and not as many employees needed. We were training employees anticipating a large sales increase that didn’t materialize.”

“Sales are up the past 3 months. We need more employees.”

“We have increased the number of expected employees as business has increased above 2nd half forecast.”

“New sales with existing customers have increased and we expect to hire some more employees in the 4th quarter.”

**Table 1. Summary of Tenth District Services Conditions, September 2019**

	September vs. August (percent)*					September 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>	
Plant Level Indicators															
Composite Index				12	16				26				13	18	
General Revenue/Sales	45	37	18	26	29	58	19	22	36	46	31	24	22	27	
Number of Employees	20	64	16	4	8	39	44	17	23	34	48	18	15	18	
Employee Hours Worked	25	62	13	12	20	38	49	14	24	31	50	19	11	14	
Part-Time/Temporary Employment	12	77	11	1	2	21	69	10	11	20	68	13	7	6	
Wages and Benefits	30	68	1	29	28	73	24	3	70	54	44	3	51	50	
Inventory Levels	14	62	24	-11	-5	29	47	24	6	13	63	24	-11	-6	
Credit Conditions/Access to Credit	4	92	4	0	1	6	86	9	-3	6	90	4	1	3	
Capital Expenditures	33	62	5	28	29	43	44	13	31	24	56	20	4	4	
Input Prices	36	64	0	36	33	59	33	7	52	49	49	3	46	41	
Selling Prices	27	67	5	22	22	48	41	12	36	44	49	7	37	33	

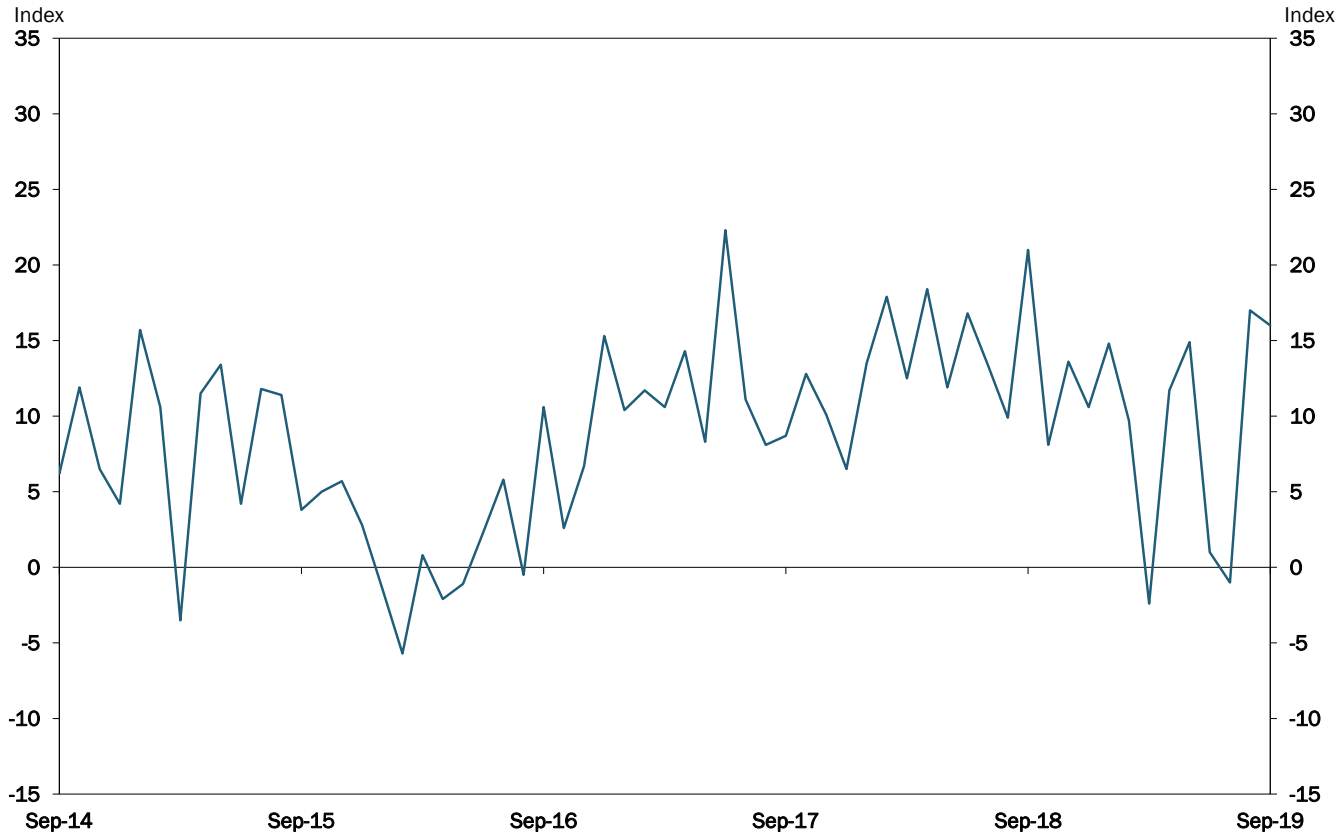
\*Percentage may not add to 100 due to rounding.

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

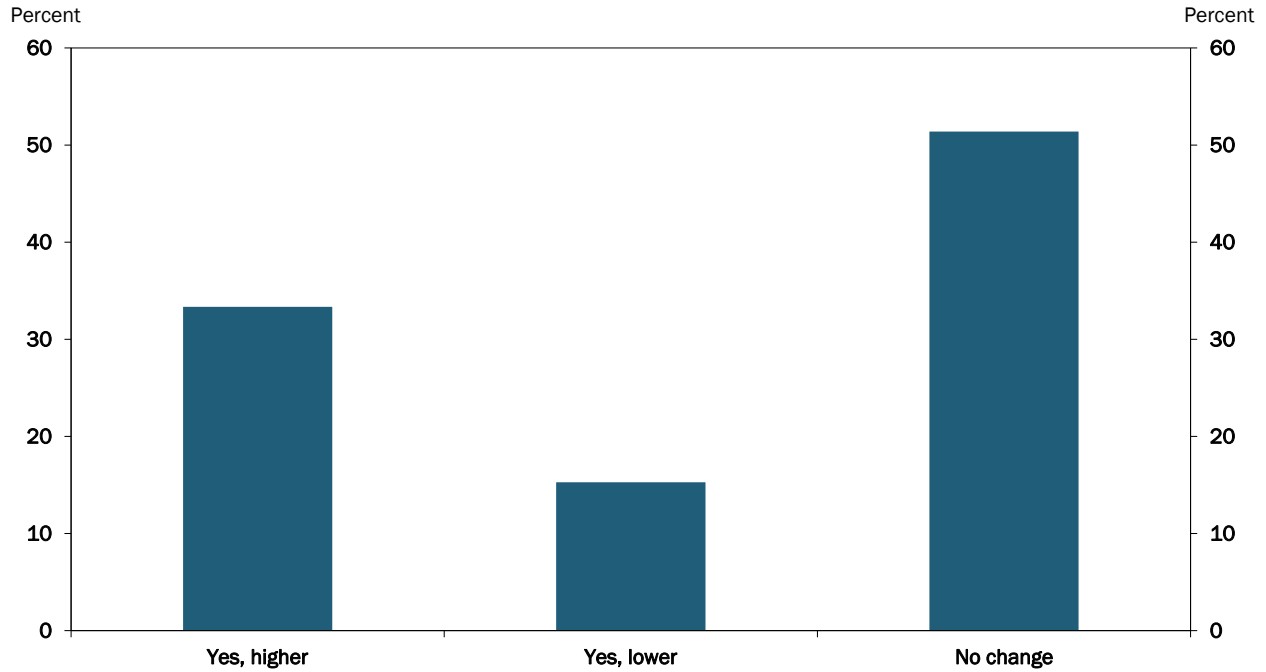
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The September survey was open for a five-day period from September 18-23, 2019 and included 77 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

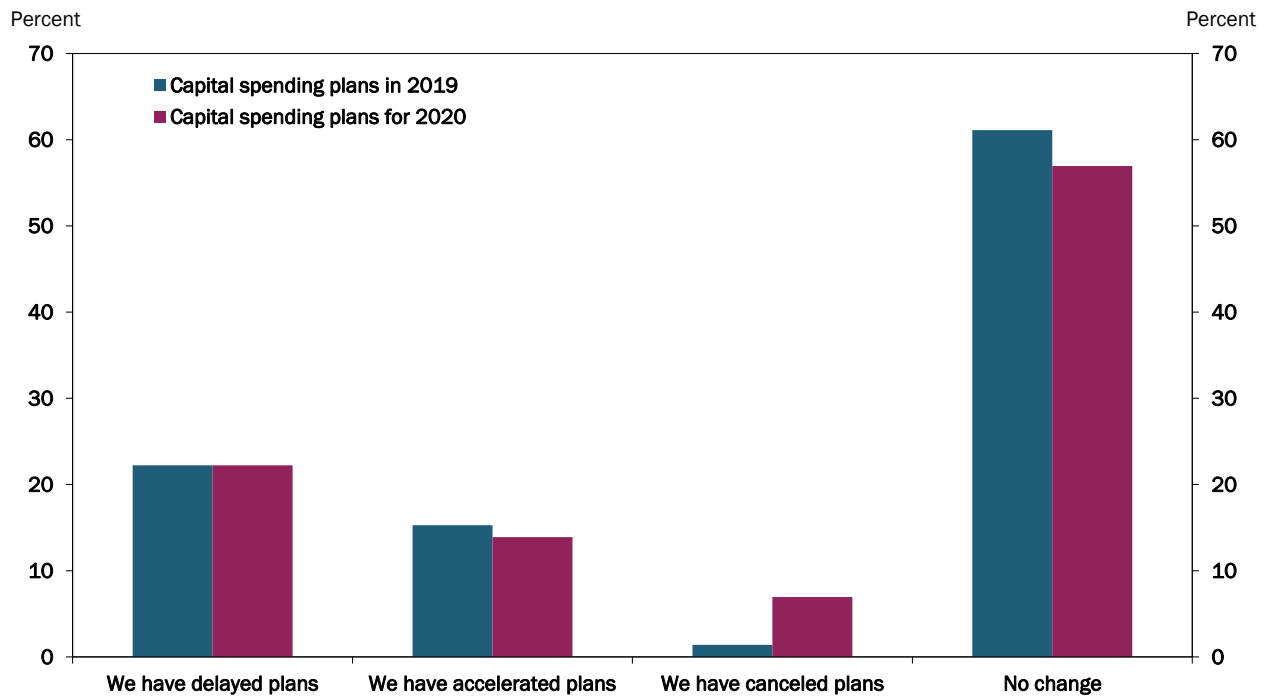
**Chart 1. Services Composite Index vs. a Month Ago**



**Chart 2. Special Question: Has your number of expected employees for 2019 changed since the beginning of the year?**



**Chart 3. Special Question: How have your firm's capital spending plans changed?**



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

	Sep'18	Oct'18	Nov'18	Dec'18	Jan'19	Feb'19	Mar'19	Apr'19	May'19	Jun'19	Jul'19	Aug'19	Sep'19
<b>Versus a Month Ago</b> (seasonally adjusted)													
Composite Index	21	8	14	11	15	10	-2	12	15	1	-1	17	16
General revenue/sales	38	11	18	5	27	20	-6	15	19	-1	-3	33	29
Number of employees	4	6	4	17	7	-5	-4	12	6	-2	3	1	8
Employee hours worked	27	2	12	6	12	3	-3	23	16	-2	7	1	20
Part-time/temporary employment	10	15	7	6	8	3	11	9	12	12	7	0	2
Wages and benefits	34	31	29	22	34	29	33	24	23	27	23	19	28
Inventory levels	4	4	17	15	-4	6	9	3	18	8	-2	0	-5
Credit conditions/access to credit	-1	2	-6	-6	-6	-1	-6	1	1	1	1	2	1
Capital expenditures	10	15	6	14	14	17	27	18	23	5	12	16	29
Input prices	40	34	38	23	34	46	38	39	32	27	33	26	33
Selling prices	25	15	28	17	14	21	13	8	10	3	8	-1	22
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Composite Index	28	21	27	18	21	15	21	17	29	12	17	15	26
General revenue/sales	41	25	33	23	29	28	21	16	38	19	17	19	36
Number of employees	22	21	20	12	16	7	18	24	20	-3	18	10	23
Employee hours worked	19	20	22	12	13	17	15	22	20	-1	22	21	24
Part-time/temporary employment	5	14	13	10	3	10	13	3	8	4	12	5	11
Wages and benefits	70	62	51	56	60	64	63	60	63	48	59	56	70
Inventory levels	6	9	21	12	9	-4	24	11	21	16	16	11	6
Credit conditions/access to credit	-3	-3	-2	-4	0	1	-6	4	2	7	-3	1	-3
Capital expenditures	31	35	22	33	21	16	29	22	30	15	21	22	31
Input prices	63	49	57	45	51	46	56	56	56	45	52	45	52
Selling prices	55	36	42	29	30	37	38	24	40	25	29	27	36
<b>Expected in Six Months</b> (seasonally adjusted)													
Composite Index	32	28	25	25	17	25	23	16	27	17	14	18	18
General revenue/sales	44	39	29	36	31	39	31	20	43	24	23	28	27
Number of employees	22	26	19	18	7	17	19	16	16	15	13	9	18
Employee hours worked	23	20	15	11	10	11	19	17	23	7	11	6	14
Part-time/temporary employment	9	19	14	13	6	11	13	0	12	5	-1	-5	6
Wages and benefits	62	53	38	41	36	42	47	42	45	33	43	43	50
Inventory levels	16	5	22	6	-1	2	11	4	2	0	-6	5	-6
Credit conditions/access to credit	-2	0	-2	-5	-1	6	-4	2	8	7	-2	5	3
Capital expenditures	15	18	19	27	25	28	25	16	37	12	10	12	4
Input prices	53	44	47	37	48	50	54	50	42	42	47	43	41
Selling prices	44	31	38	21	33	39	38	33	28	26	19	25	33