



# NEWS RELEASE

FEDERAL RESERVE BANK *of* KANSAS CITY  
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**FOR IMMEDIATE RELEASE**

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## **Tenth District Services Activity Expands**

### *Federal Reserve Bank of Kansas City Releases Survey of Tenth District Services*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the January 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 expanded, with positive expectations for future growth.

“After five years of conducting the Tenth District Services Survey, historical data and monthly reports are now being released,” said Wilkerson. “This information provides up to date accounts of activity for a large sector in our region’s economy, as well as insights gathered from special questions and comments from survey participants.”

Wilkerson said the services sector in the Tenth District has continued to grow solidly in recent months even as regional manufacturing growth has slowed.

“Services companies in our region reported another good month in January and expect activity to expand further in coming months,” he said. “This is despite over a quarter of services firms noting that the partial federal government shutdown has negatively affected them in some way.”

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 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 expanded in January, with positive expectations for future growth (Chart 1). The input prices index grew modestly while the selling price index inched down. Price expectations rose moderately.

### Business Continued to Expand in January

The month-over-month services composite index rose to 15 in January, up from 11 in December and 14 in November (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most of the other month-over-month indexes also expanded or were unchanged in January. The revenue/sales index rebounded in January, due to increases in wholesale trade, auto, real estate, and leisure and hospitality. The month-over-month inventory index dropped into negative territory for the first time since December 2017. Most year-over-year services indexes edged higher. Compared with a year ago, the services composite index declined from 18 to 21. Future services activity expectations remained positive, dipped slightly as the future composite index eased from 25 to 17.

### Special Questions

This month contacts were asked special questions about how the federal government shutdown has affected their business, and how credit conditions have changed over the past year. More than 26 percent of services contacts reported negative effects from the federal government shutdown on their business (Chart 3). Of the firms that reported negative effects from the shutdown, most noted declining business from federal entities or contract delays due to federal agencies being closed. Over the past year, more than 10 percent of firms reported that access to credit had increased while only seven percent of firms said access had decreased (Chart 4). However, 53 percent of contacts reported that the cost of credit increased over the past year.

## Selected Services Comments

“We cannot get authorizations from federal agencies for added capabilities and new business. As the delay continues the backlog of work for authorizations industry wide will hamper our abilities to service new customers.”

“Our January sales are down due to virtually no government business and the contractors that work for the federal government have cancelled their previously existing reservations.”

“Several of our apartment properties rely on project-based Section 8 rent payments that are not being processed.”

“We are experiencing a slowdown in Medicare payments that are due to our organization from the federal government.”

“We have customers who are not receiving their pay check from the government.”

“It is too early to tell if the shutdown will play out into lower sales numbers. Right now we are not seeing anything material.”

“We locked our interest rate via an interest rate swap, but if we were floating or needed to do a swap today the interest rate would be much higher. We are concerned about where the interest rates might be when the swap expires.”

“Our stores are in rural areas where there is very little government employment so we are seeing no effects from the federal government shutdown.”

“Sales are about the same. We do not need the federal government at this time.”

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

	January vs. December (percent)*					January 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				9	15				21				21	17	
General Revenue/Sales	41	38	21	20	27	53	24	23	29	53	29	18	35	31	
Number of Employees	18	67	15	3	7	35	45	19	16	26	56	18	8	7	
Employee Hours Worked	24	57	19	5	12	29	56	16	13	28	58	14	13	10	
Part-Time/Temporary Employment	16	72	12	4	8	20	62	18	3	18	70	12	5	6	
Wages and Benefits	36	61	3	34	34	62	35	3	60	37	60	3	35	36	
Inventory Levels	18	58	25	-8	-4	32	46	22	9	20	63	17	3	-1	
Credit Conditions/Access to Credit	3	91	6	-4	-6	8	84	8	0	4	92	4	0	-1	
Capital Expenditures	19	72	9	10	14	32	58	11	21	29	64	7	22	25	
Input Prices	41	51	9	32	34	57	38	5	51	49	50	1	47	48	
Selling Prices	29	58	13	17	14	46	38	16	30	44	47	9	35	33	

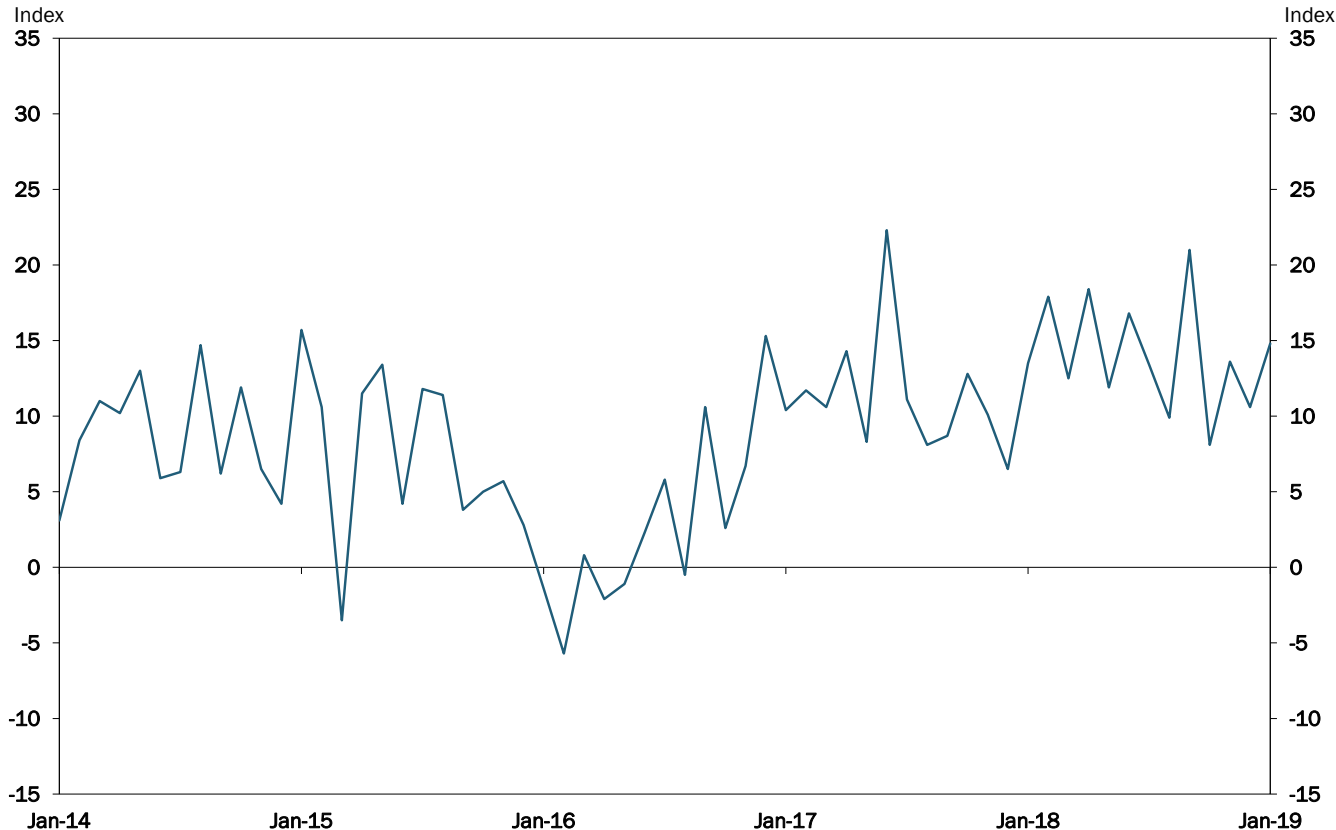
\*Percentage may not add to 100 due to rounding.

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

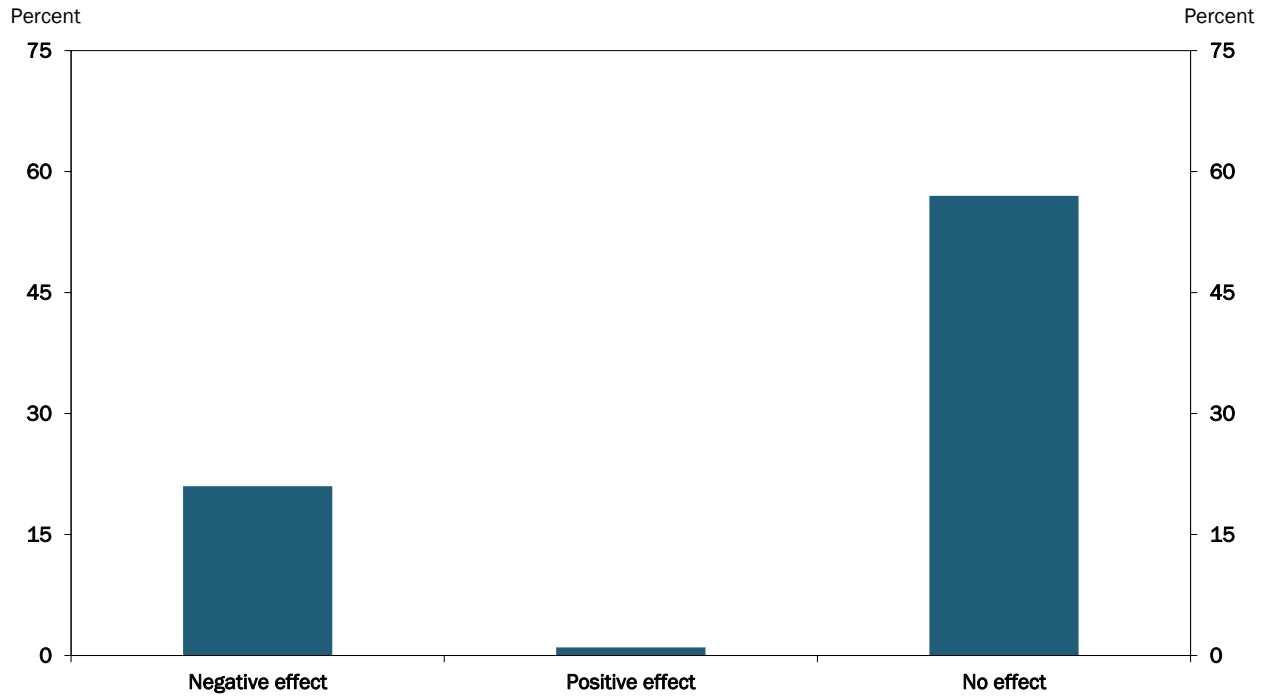
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The January survey was open for a six-day period from January 16-22, 2018 and included 82 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

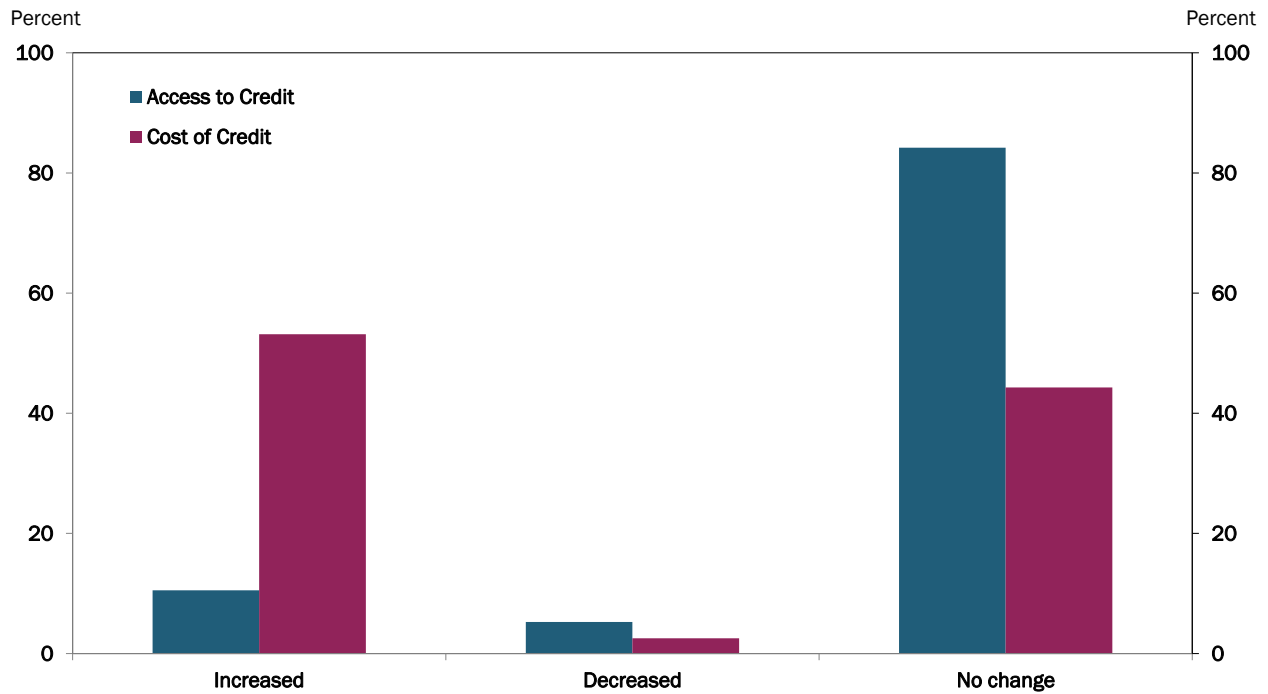
**Chart 1. Services Composite Index vs. a Month Ago**



**Chart 2. Special Question: How has the federal government shutdown impacted your business?**



**Chart 3. Special Question: Over the past year, how have your firm's credit conditions changed?**



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

	Jan'18	Feb'18	Mar'18	Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18	Dec'18	Jan'19
<b>Versus a Month Ago</b> (seasonally adjusted)													
Composite Index	14	18	13	18	12	17	13	10	21	8	14	11	15
General revenue/sales	19	21	12	29	21	24	22	16	38	11	18	5	27
Number of employees	6	16	13	9	0	10	4	5	4	6	4	17	7
Employee hours worked	18	15	11	15	5	11	10	1	27	2	12	6	12
Part-time/temporary employment	1	9	6	9	10	5	3	-4	10	15	7	6	8
Wages and benefits	32	32	32	32	28	31	17	27	34	31	29	22	34
Inventory levels	11	13	13	6	7	9	6	2	4	4	17	15	-4
Credit conditions/access to credit	5	4	4	5	1	2	1	-1	-1	2	-6	-6	-6
Capital expenditures	32	20	18	18	21	17	12	9	10	15	6	14	14
Input prices	35	47	34	36	36	35	34	33	40	34	38	23	34
Selling prices	13	33	26	8	28	27	26	20	25	15	28	17	14
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Composite Index	27	28	24	26	17	18	24	25	28	21	27	18	21
General revenue/sales	31	32	23	38	14	17	29	31	41	25	33	23	29
Number of employees	24	26	24	19	18	22	18	24	22	21	20	12	16
Employee hours worked	12	25	16	15	15	25	16	19	19	20	22	12	13
Part-time/temporary employment	-5	11	10	0	9	13	18	10	5	14	13	10	3
Wages and benefits	59	64	59	62	57	63	58	58	70	62	51	56	60
Inventory levels	22	19	24	8	22	13	18	13	6	9	21	12	9
Credit conditions/access to credit	11	6	4	9	4	2	4	0	-3	-3	-2	-4	0
Capital expenditures	19	24	22	29	28	27	29	23	31	35	22	33	21
Input prices	58	65	54	56	65	59	57	68	63	49	57	45	51
Selling prices	37	49	47	37	48	43	51	47	55	36	42	29	30
<b>Expected in Six Months</b> (seasonally adjusted)													
Composite Index	38	37	39	39	29	30	28	33	32	28	25	25	17
General revenue/sales	50	47	51	53	36	40	36	43	44	39	29	36	31
Number of employees	31	31	34	34	28	28	25	27	22	26	19	18	7
Employee hours worked	24	25	27	25	23	14	19	26	23	20	15	11	10
Part-time/temporary employment	3	20	9	6	12	10	8	9	9	19	14	13	6
Wages and benefits	53	55	53	48	39	50	47	46	62	53	38	41	36
Inventory levels	18	19	15	12	14	9	13	17	16	5	22	6	-1
Credit conditions/access to credit	3	4	-1	3	1	1	7	-3	-2	0	-2	-5	-1
Capital expenditures	24	27	23	27	26	26	16	22	15	18	19	27	25
Input prices	51	58	45	52	33	44	41	52	53	44	47	37	48
Selling prices	35	41	37	30	34	34	28	33	44	31	38	21	33