



NEWS RELEASE

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Tenth District Services Activity Increased Moderately
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 increased moderately, with solid expectations for future growth.

“Regional business activity rebounded considerably in April,” said Wilkerson. “Nearly a third of firms reported lower activity in recent months due to flooding and extreme weather, but credit conditions have improved and expectations for future activity remain solid.”

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 increased moderately in April after dropping in March, with solid expectations for future growth (Chart 1). The input price index inched up while the selling price index declined, and business contacts expect prices to continue to expand.

Business Increased Moderately in April

The month-over-month services composite index was 12 in April, rebounding from -2 in March, and higher than 10 in February (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most month-over-month indexes rose, and several indexes jumped back up into positive territory. In fact, the month-over-month access to credit index edged above zero for the first time in six months. The general revenue/sales index increased considerably in April, driven by expansion across most industries, but especially retail and transportation activity. The year-over-year services indexes also expanded in April, but at a slightly slower pace. Compared with a year ago, the services composite index eased down from 21 to 17, and the input price index fell to 24, the lowest reading since 2016. Expectations for future services activity edged lower but remained positive, with the future composite index dipping from 23 to 16.

Special Questions

This month contacts were asked special questions about the impact of flooding and extreme weather on their business, as well as the effect of interest rate changes on their expectations for capital spending. About 29 percent of business contacts indicated flooding and extreme weather had negatively affected their business activity in recent months (Chart 2). Most firms also indicated their capital spending plans have not been affected by the recent movements in interest rates (Chart 3). As a result of recent interest rate changes, only 7 percent of firms noted increased capital expenditures and less than 10 percent reported decreased expenditures.

Selected Services Comments

“Q2 is starting better. A bad 2018 Q4 stock market/401k reports coupled with poor weather in Q1 hurt. Spring is feeling better and we see more activity.”

“We had to close several stores for a few days here and there due to the weather. Also had to pay for employee hotels or Uber rides because they could not commute in the snow.”

“YTD 2019, we have experienced more than double the amount of normal bad weather days.”

“The weather has had a major impact on employees... from their commutes due to roads and bridges being out, to some losing their entire homes.”

“Some supplies had to be returned because of damage due to flooding.”

“Roads have been closed more often. First time in 23 years my delivery trucks delayed 3 times 2 days each time due to road closures.”

“Because the weather has been generally bad everywhere, that has caused some delays, which has been offset by lower demands. If we were operating with more normal weather, transportation would have been much more of a problem.”

“Fuel increases are being passed on, and our delivery trucks have driven extra miles to deal with road closures.”

“Interest rate changes are small enough that we continue to move forward at this point with all our CAPEX plans.”

“We will be spending about 15% or 20% more on capital expenditures in 2019 vs. 2018. Not concerned about modest increases in rates. Credit terms from banks continue to be borrower friendly.”

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

	April vs. March (percent)*					April 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				24	12				17				20	16	
General Revenue/Sales	49	33	18	32	15	47	21	31	16	47	34	19	29	20	
Number of Employees	28	62	9	19	12	39	45	15	24	26	64	10	16	16	
Employee Hours Worked	38	55	7	32	23	36	49	14	22	26	66	9	17	17	
Part-Time/Temporary Employment	23	69	8	14	9	19	65	16	3	13	72	15	-1	0	
Wages and Benefits	29	67	4	25	24	67	26	7	60	46	50	4	41	42	
Inventory Levels	25	60	15	10	3	33	46	21	11	23	59	19	4	4	
Credit Conditions/Access to Credit	3	96	1	1	1	10	84	6	4	7	89	4	3	2	
Capital Expenditures	29	64	7	22	18	36	49	14	22	30	54	16	14	16	
Input Prices	40	58	3	37	39	61	33	6	56	53	43	4	49	50	
Selling Prices	24	62	14	10	8	42	39	18	24	43	47	10	33	33	

*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 April survey was open for a five-day period from April 17-22, 2019 and included 74 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Index vs. a Month Ago

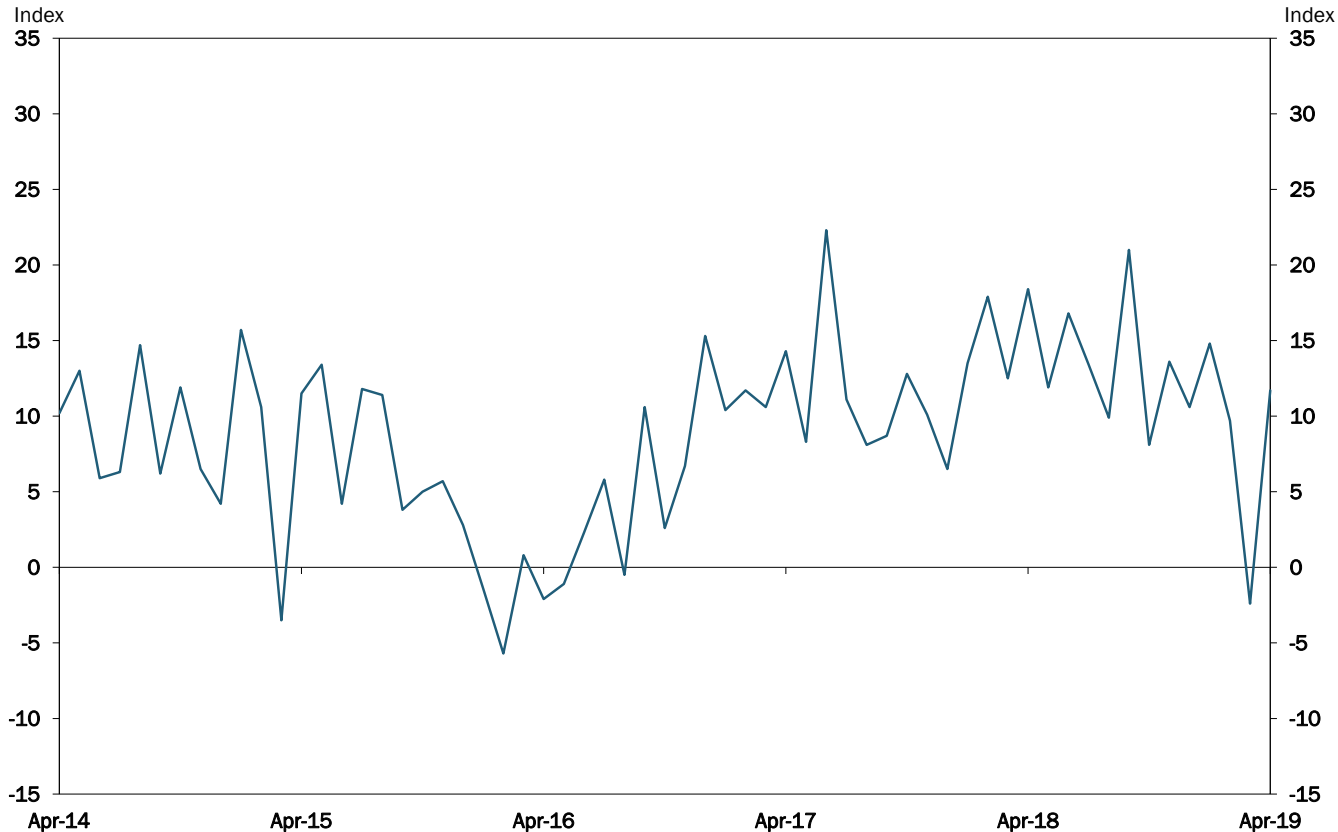


Chart 2. Special Question: Has flooding or extreme weather affected your business activity in recent months?

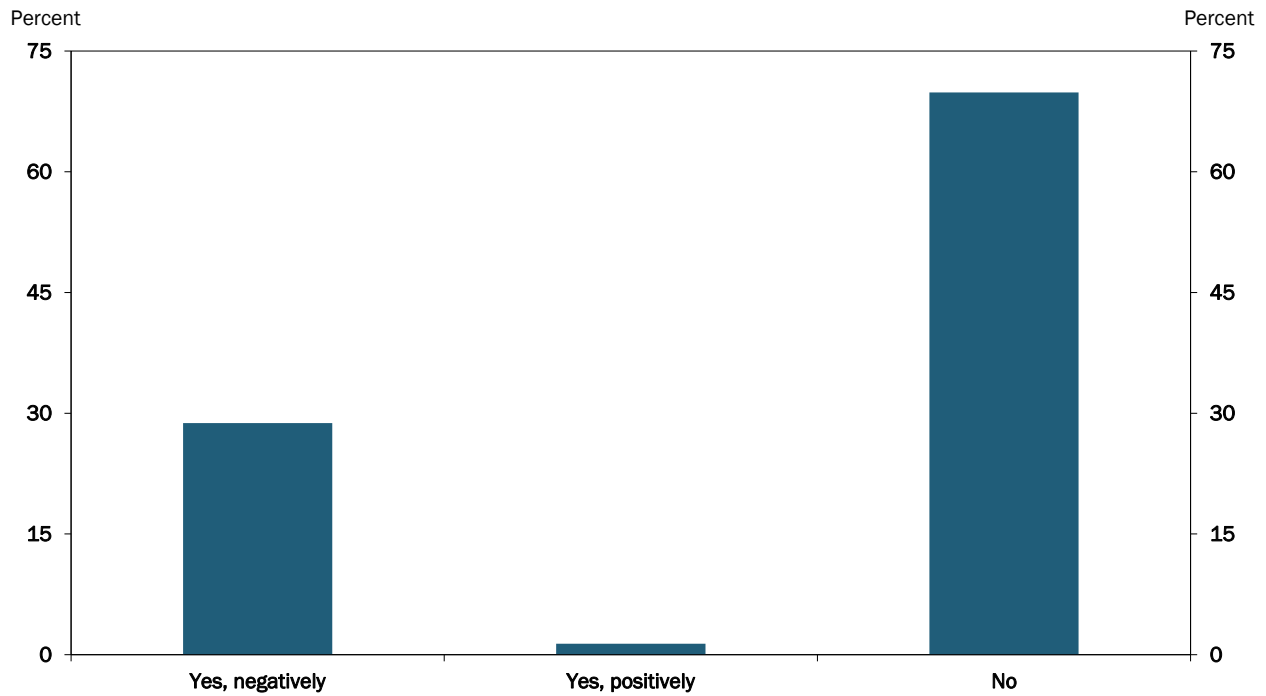


Chart 3. Special Question: How have recent movements in interest rates affected capital spending plans for your firm?

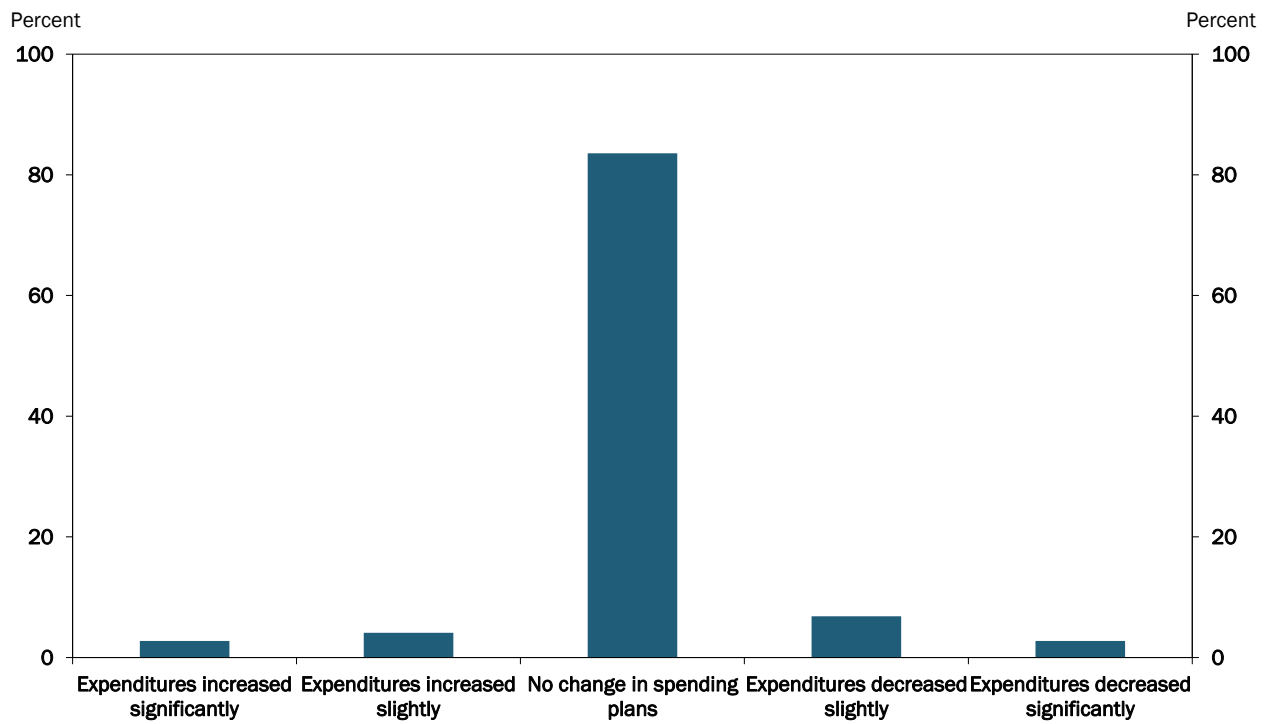


Table 2
Historical Services Survey Indexes

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