



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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**Tenth District Services Activity Continued to Rise**  
*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 continued to rise from a month ago and a year ago, and activity was expected to increase further over the next six months.

“Regional services activity continued to expand in April,” said Wilkerson. “Selling prices have increased at the highest rate since the survey began in 2014 as a result of supply chain issues and higher input prices. Revenue and sales rates have rebounded above pre-pandemic levels for over half of firms, with higher expectations of activity moving forward.”

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 continued to rise from a month ago and a year ago, and activity was expected to increase further over the next six months (Chart 1 & Table 1). The pace of growth for input prices remained near record high levels, and selling prices also expanded considerably to a record posting (since survey inception in 2014). Additionally, firms expected input and selling prices to increase over the next six months.

### **Business Activity Continued to Rise**

The month-over-month services composite index was 20 in April, similar to 22 in March, and up from 1 in February (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. All month-over-month indexes were positive in April, indicating expansion. The general revenue and sales index remained high, driven by more wholesale, retail, tourism, and restaurant activity while auto and real estate activity dipped slightly. Indexes for employee hours worked, wages and benefits, and capital expenditures rose at a faster pace in April. The inventory index also inched up from a month ago after declining for the past six months. Year-over-year indexes increased significantly, now compared to the depths of the pandemic last year. The year-over-year composite index jumped from 0 to 22. However, inventories continued to lag year-ago levels. Expectations for future services activity remained very high with a composite index of 26 as many firms anticipated higher sales activity and increased wages and benefits rates in the next six months.

### **Special Questions**

This month contacts were asked special questions about how business indicators compare to pre-pandemic levels and about the greatest risks to their firm for the coming year. Nearly 80% of businesses reported higher selling prices compared to pre-pandemic levels, mostly due to higher input prices (Chart 2). 53% of firms reported higher revenue and sales levels compared to before the pandemic while 34% reported less. For employment, 34% of firms reported a similar number of workers compared to pre-pandemic levels, with 39% of firms reporting fewer employees than before the pandemic. Regarding the biggest risks to business plans over the next year, 65% of firms listed the lack of qualified workers and 46% of firms listed supply chain issues as the two biggest risks (Chart 3). In addition, 24% of firms indicated the inability to pass through price increases was a key risk, and 23% of firms reported the low demand for products/services was a key risk to business plans over the next year.

## **Selected Services Comments**

“We are seeing a slight increase in the need for staffing services over the last couple of months.”

“The shortage of labor in our area is very serious. The supply chain is struggling and will continue to struggle even more in the next few months.”

“Extra unemployment pay from the government is affecting labor force participation noticeably.”

“Higher corporate income taxes (or threat thereof), supply chain issues, and finding qualified employees are the issues that have implications on our capital budgeting and strategic planning. The rising costs of inputs are going to lead to significant inflation and price increases.”

“The change in corporate tax rates will be quite hurtful to almost all enterprises and ultimately to the American consumer, stockholders and innovation. The first area many will simply cut to offset higher taxes is research and development.”

“We need workers! We could end up with unsustainable labor costs due to imposed scarcity.”

“Majority vaccination and return of workforce to the office are obstacles to improved business.”

“Freighter aircraft that have been carrying PPE and vaccinations for much higher rates will only carry various products from foreign countries if the rates are comparable. Less people traveling abroad means fewer opportunities for product to ride onboard returning to the U.S. and is hurting the supply chain.”

“It will be great to see tourists from across our country and it will be a real plus when we get foreign tourists as well.”

“Labor is the overarching problem for our businesses.”

“Companies need liability protection if they are going to put their people back on the road and travel again.”

“Restaurants have been hurt the hardest in this. Many restaurants have closed. People need to eat out and enjoy themselves. Business is up- there are less places to go since they are closed.”

**Table 1. Summary of Tenth District Services Conditions, April 2021**

	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>	
Plant Level Indicators															
Composite Index				33	20				22				29	26	
General Revenue/Sales	62	27	11	51	30	67	8	25	42	66	14	20	46	40	
Number of Employees	27	67	6	21	15	38	31	32	6	42	34	24	19	19	
Employee Hours Worked	42	52	6	36	26	51	34	15	35	43	46	11	32	30	
Part-Time/Temporary Employment	20	75	5	15	10	24	64	13	11	20	68	12	8	12	
Wages and Benefits	50	46	4	46	46	73	21	6	67	58	35	7	51	53	
Inventory Levels	28	51	21	7	1	26	44	30	-5	22	55	23	-1	-1	
Credit Conditions/Access to Credit	7	88	5	2	1	15	79	6	10	7	89	4	4	3	
Capital Expenditures	25	68	7	18	14	29	58	13	16	28	60	12	16	18	
Input Prices	55	41	4	51	53	71	27	2	69	62	35	4	58	58	
Selling Prices	39	56	5	35	34	60	33	7	53	52	41	7	45	46	

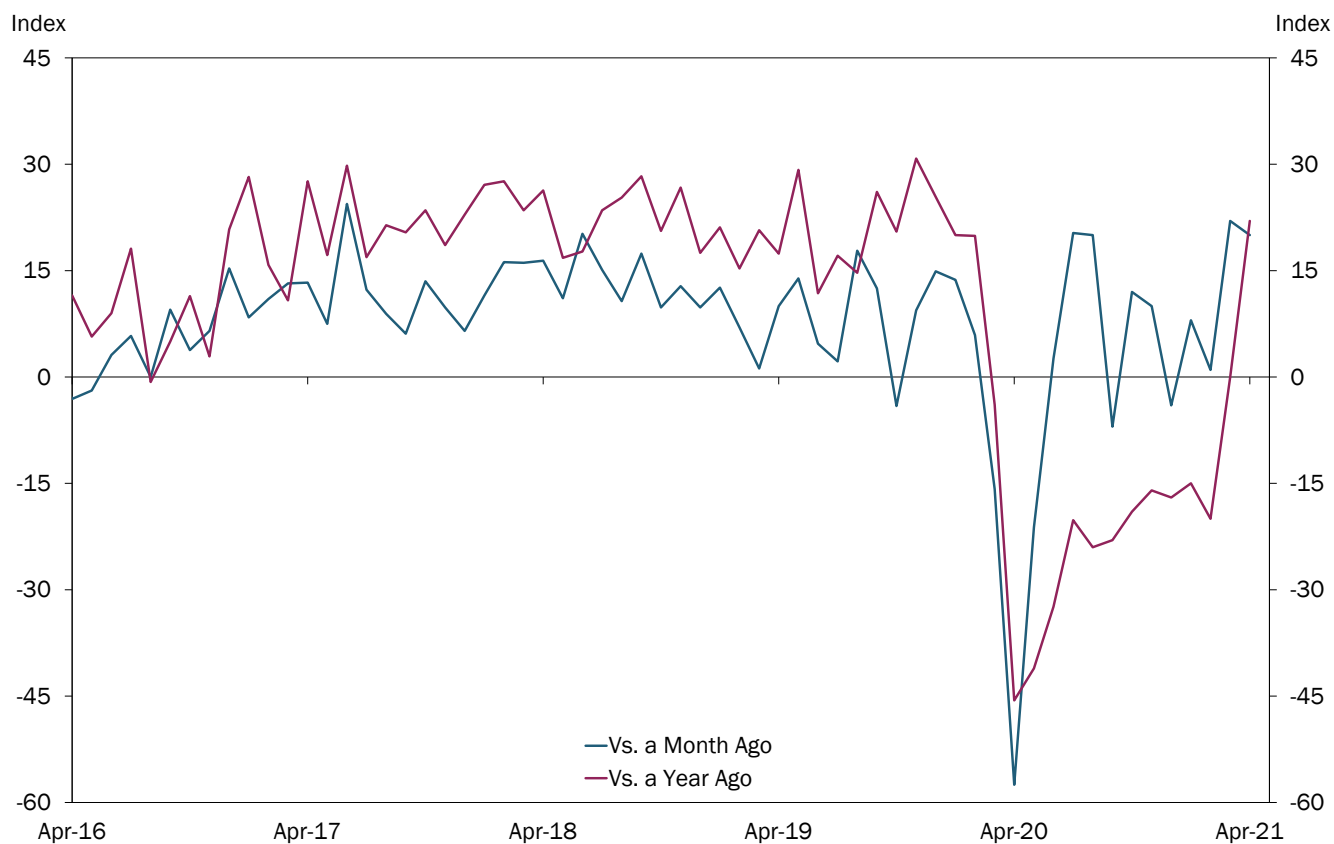
\*Percentage may not add to 100 due to rounding.

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

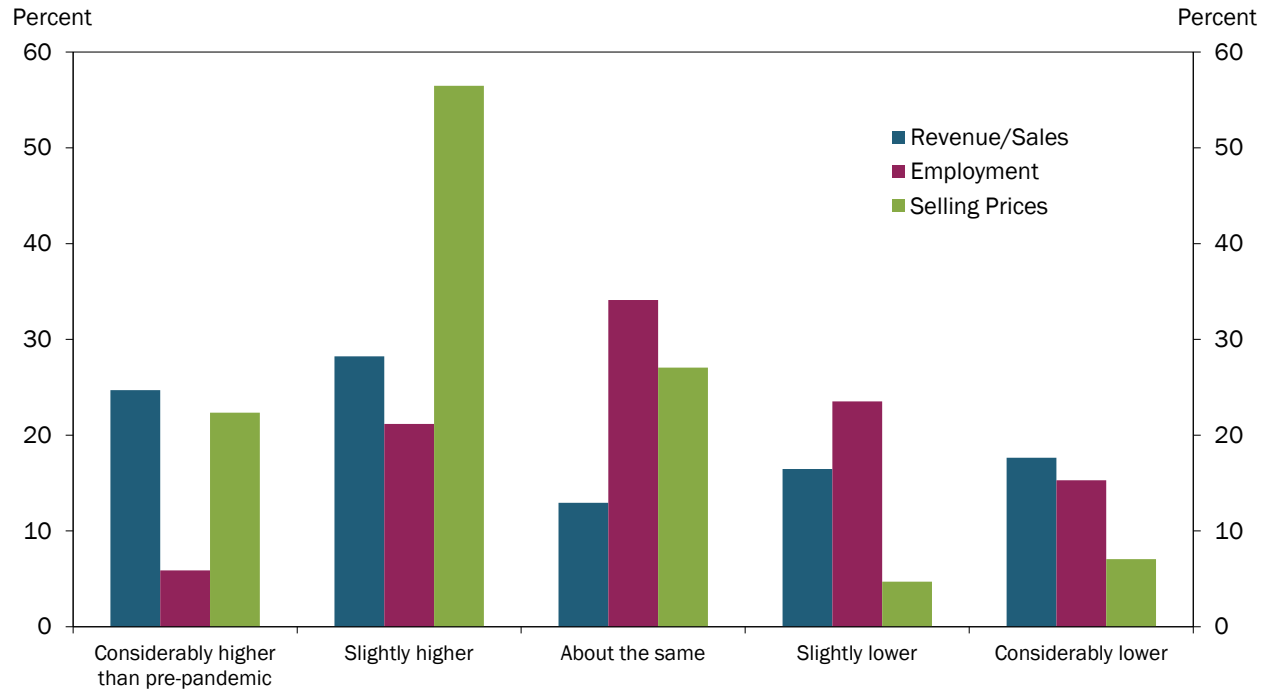
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The April survey was open for a five-day period from April 14-19, 2021 and included 85 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

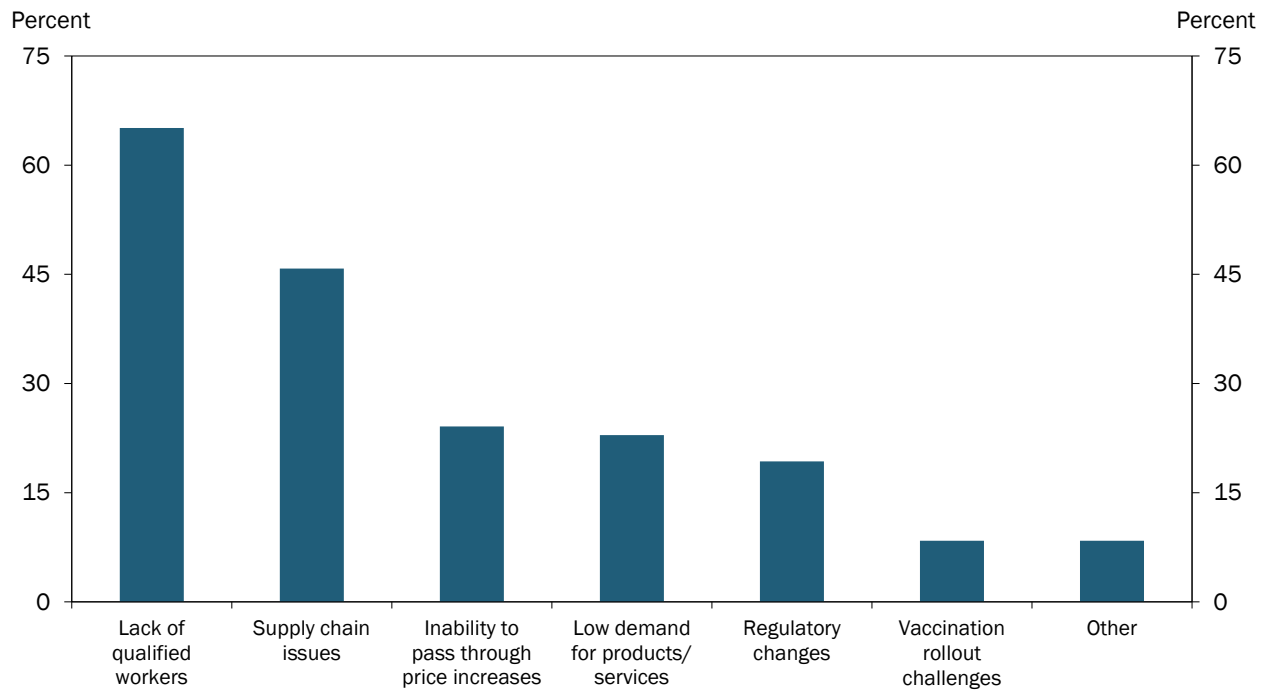
**Chart 1. Services Composite Indexes**



**Chart 2. Special Question: How do business indicators compare to pre-pandemic levels for your firm?**



**Chart 3. Special Question: What are your firm's biggest risks affecting future business plans over the next year? (rank top two)**



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

	Apr'20	May'20	Jun'20	Jul'20	Aug'20	Sep'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21
<b>Versus a Month Ago</b> (seasonally adjusted)													
Composite Index	-58	-21	3	20	20	-7	12	10	-4	8	1	22	20
General Revenue/Sales	-81	-21	12	37	37	-18	17	17	-13	10	2	33	30
Number of Employees	-42	-19	2	12	10	9	7	6	8	15	6	20	15
Employee Hours Worked	-69	-31	2	15	20	6	11	0	-4	3	-4	13	26
Part-Time/Temporary Employment	-37	-25	-10	1	5	0	3	0	-1	1	-1	3	10
Wages and Benefits	-22	-6	10	16	30	19	18	9	14	23	24	26	46
Inventory Levels	-22	-25	-20	-9	-9	-3	8	-4	0	-10	-7	-4	1
Credit Conditions/Access to Credit	-4	-4	-7	-3	-4	1	2	-1	3	0	1	7	1
Capital Expenditures	-33	-25	-13	3	17	10	3	4	1	13	-2	11	14
Input Prices	-3	13	39	30	37	29	34	25	32	46	32	55	53
Selling Prices	-34	-15	9	13	16	15	25	11	17	22	12	21	34
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Composite Index	-46	-41	-32	-20	-24	-23	-19	-16	-17	-15	-20	0	22
General revenue/sales	-58	-53	-40	-13	-24	-21	-16	-11	-16	-14	-17	8	42
Number of employees	-42	-28	-16	-31	-22	-18	-29	-25	-18	-17	-19	-5	6
Employee hours worked	-55	-44	-30	-29	-22	-19	-13	-20	-9	-12	-22	-1	35
Part-time/temporary employment	-25	-26	-18	-20	-14	-10	-8	-13	-5	-9	-13	-5	11
Wages and benefits	12	8	30	31	31	41	41	25	46	31	38	53	67
Inventory levels	-20	-31	-38	-22	-26	-33	-10	-16	-17	-13	-27	-11	-5
Credit conditions/access to credit	-3	-10	-8	-12	-12	-1	0	1	0	6	1	10	10
Capital expenditures	-29	-31	-22	-10	8	-7	2	0	0	5	0	6	16
Input prices	14	22	46	38	37	49	47	41	49	55	64	69	69
Selling prices	-19	1	14	20	22	33	24	41	37	33	28	47	53
<b>Expected in Six Months</b> (seasonally adjusted)													
Composite Index	-28	-2	9	-2	11	19	7	13	16	28	20	26	26
General revenue/sales	-36	-1	14	1	17	30	14	23	27	31	25	37	40
Number of employees	-23	0	9	-4	10	10	0	2	15	31	25	18	19
Employee hours worked	-26	-9	12	3	12	3	0	6	14	26	18	10	30
Part-time/temporary employment	-5	5	11	-1	-4	-6	-6	-4	2	3	7	0	12
Wages and benefits	6	20	29	32	27	32	21	20	33	38	41	38	53
Inventory levels	-13	-9	-5	-6	-2	4	-2	6	-9	14	-2	8	-1
Credit conditions/access to credit	-6	1	1	-4	-5	4	4	-1	5	4	1	3	3
Capital expenditures	-30	-21	-7	-10	9	4	-4	10	12	9	8	7	18
Input prices	0	23	45	32	33	38	44	31	48	46	49	63	58
Selling prices	-16	10	18	17	24	13	27	22	33	30	18	29	46