



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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**Tenth District Services Activity Growth Remained Positive**  
*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 the pace of Tenth District services growth continued to ease but remained positive, and activity was expected to increase at a moderate pace over the next six months.

“Regional services activity expanded again in September,” said Wilkerson. “Many firms continued to report staffing shortages as the demand for goods and services has increased. Contacts also reported higher input and selling prices.”

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/surveys/services-survey/](http://www.kansascityfed.org/surveys/services-survey/).

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**

The pace of Tenth District services growth continued to ease but remained positive, and activity was expected to increase at a moderate pace over the next six months (Chart 1 & Table 1). Indexes for input and selling prices remained historically high but the pace of growth eased slightly from a month ago. Input and selling prices were higher than a year ago for the majority of firms. Firms continued to expect input and selling prices to increase over the next six months.

### **Business Activity Remained Positive**

The month-over-month services composite index was 13 in September, similar to 14 in August but lower than 25 in July (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The positivity in revenue and sales was driven by increased wholesale, real estate, and professional and high-tech business activity. However, auto, transportation, and restaurant activity declined. Most month-over-month indexes remained positive in August, indicating expansion. Indexes for access to credit and capital expenditures expanded at a faster pace in September. On the other hand, inventory levels declined slightly from a month ago. Year-over-year indexes grew, and there was an uptick in the year-over-year composite index from 36 to 37. Expectations for future services activity were moderately high, and the future composite index inched up from 26 to 27.

### **Special Questions**

This month contacts were asked special questions about hiring plans and price increases. Nearly half of firms reported no change in hiring plans since earlier this summer (Chart 2). However, 37% of firms reported they expect to hire more workers in the remainder of 2021 than initially planned earlier this summer, and 13% of firms expect to hire fewer workers. 88% of survey contacts reported facing higher input costs due to elevated material or labor expenses compared to last year. Of the firms reporting higher input costs, 35% reported the ability to pass through 0-20% of those cost increases to their customers in the form of higher prices, a third of firms indicated passing through 21-80% of price increases, 24% of firms indicated passing through 81-100% of price increases, and 8% reported passing through more than 100% of price increases (Chart 3).

## **Selected Services Comments**

“We have many people applying for jobs with little to no experience in a certain field. It appears that people are looking to switch industries/careers but with little to no experience. We are also seeing people with health/medical backgrounds applying for positions outside of that industry.”

“We just hired three additional recruiters to try to find employees to drive our trucks. The drivers will make around 100k per year. We are still 20% short of filling our trucks with drivers.”

“We have driverless trucks right now and new ones coming next month.”

“Retail sales appear to be slowing, labor costs are increasing, and we will be forced to slow hiring.”

“September is showing a seasonal slowdown which indicates a return to a more normal market, but it is not there yet. August inventory was down more than half from the same time last year so new home inventory will need to increase dramatically as fewer existing homes are offered for sale.”

“Even though input costs have gone up, demand far outpaces supply. Consequently, it is a unique sellers market amid very low supply. At 12/31/2019 we had 169 new vehicles in stock. On 08/31/2021 we had 12.”

“If we want to stay in business, we must pass through the cost increases.”

“Hiring more employees to prepare for the Covid hit to staffing that is coming. Need to have staffing for when we will have numerous employees out on Covid leave. Also want to upgrade employee pool.”

“We have not had enough qualified candidates to fill open positions. This has been an ongoing problem for a year.”

“Workload continues to expand but can't find qualified workers.”

“With the uncertainty of the markets, we are implementing a hiring freeze in all departments, unless it is to fill an open position in management.”

“We are still working too much overtime. Our folks are simply growing tired of working extra hours.”

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

	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				14	13				38				24	27	
General Revenue/Sales	45	33	21	24	18	71	15	15	56	56	23	21	35	38	
Number of Employees	33	45	21	12	15	52	29	19	33	47	34	19	28	29	
Employee Hours Worked	32	49	19	14	15	49	35	16	33	40	39	21	19	19	
Part-Time/Temporary Employment	21	67	12	9	11	28	61	11	17	23	64	13	9	9	
Wages and Benefits	47	52	1	45	42	84	12	4	80	72	23	5	67	63	
Inventory Levels	18	54	28	-10	-2	29	40	31	-1	19	50	31	-11	-6	
Credit Conditions/Access to Credit	7	92	1	5	6	15	80	5	9	11	86	3	8	10	
Capital Expenditures	32	63	5	27	28	49	39	12	37	39	49	12	27	31	
Input Prices	64	32	4	60	56	86	12	1	85	70	22	8	62	58	
Selling Prices	43	47	11	32	32	71	25	4	67	59	31	11	48	42	

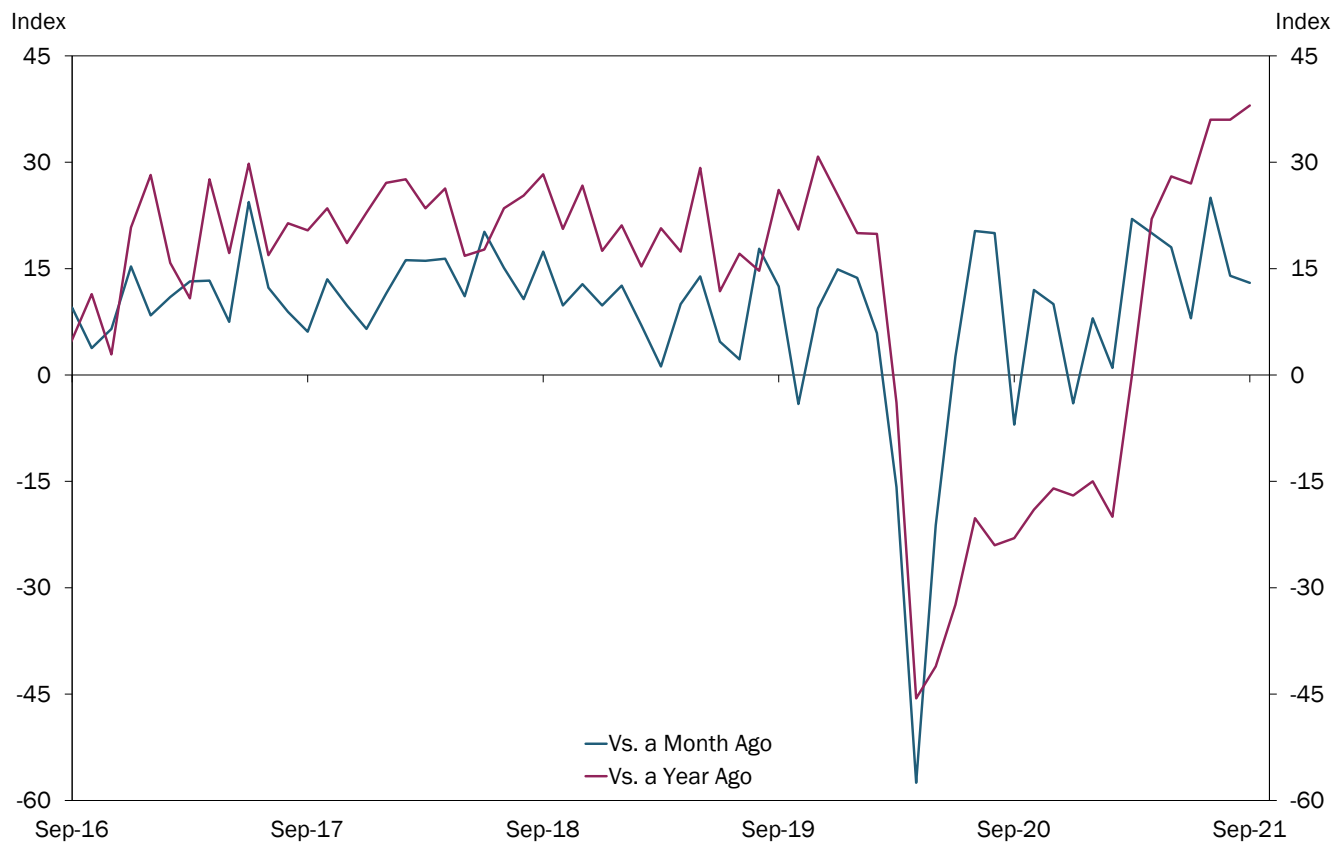
\*Percentage may not add to 100 due to rounding.

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

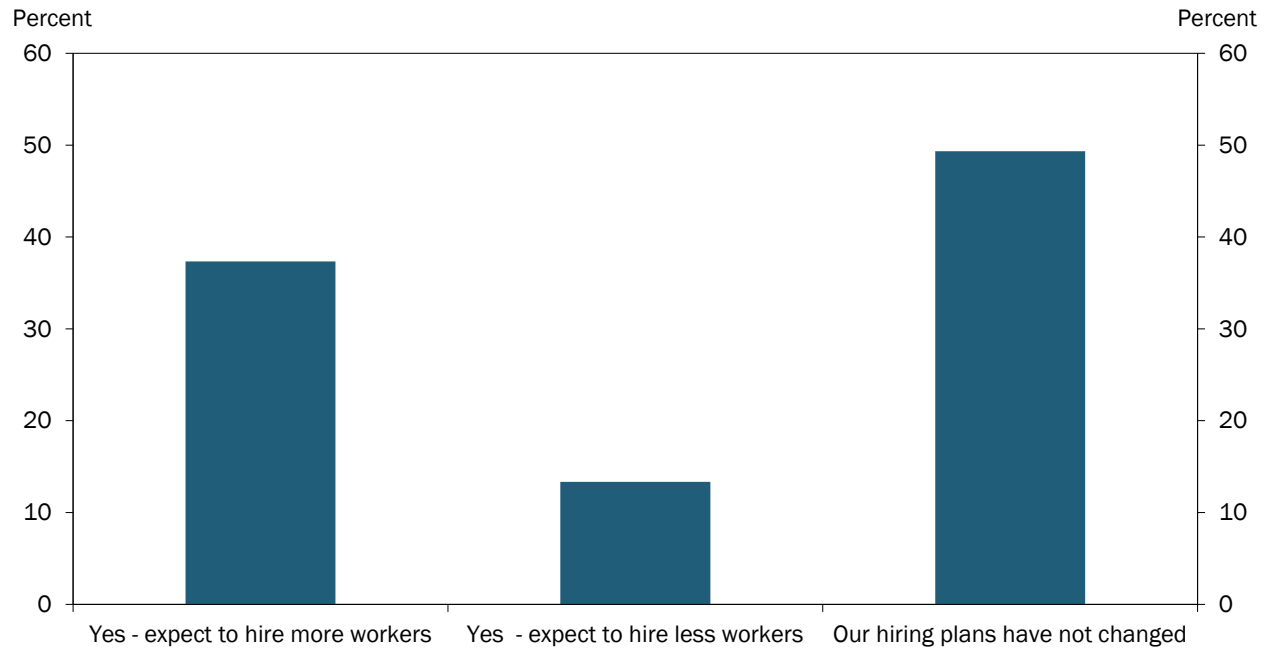
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The September survey was open for a five-day period from September 15-20, 2021 and included 75 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

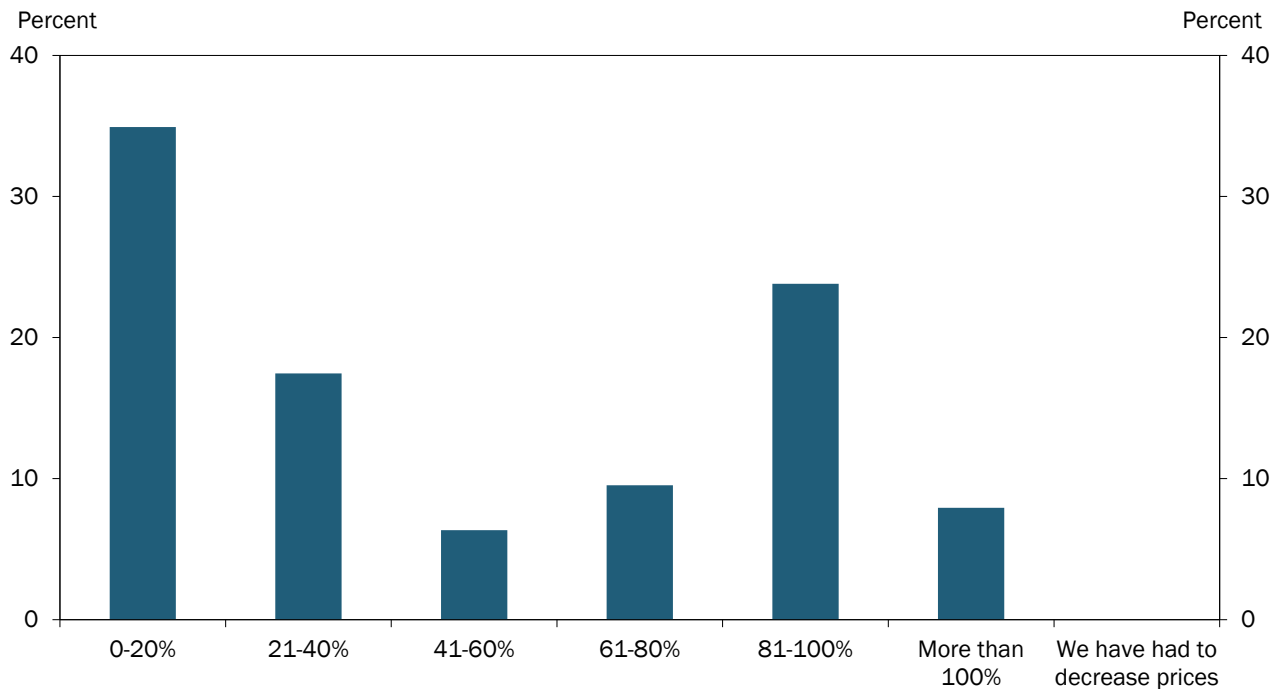
**Chart 1. Services Composite Indexes**



**Chart 2. Special Question: Since earlier this summer, have your firm's hiring plans changed for the remainder of 2021?**



**Chart 3. Special Question: If your firm is facing higher input costs (due to elevated material or labor expenses compared to last year), what share of those cost increases are you passing down to customers in the form of higher prices?**



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

	Sep'20	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21
Versus a Month Ago (seasonally adjusted)													
Composite Index	-7	12	10	-4	8	1	22	20	18	8	25	14	13
General Revenue/Sales	-18	17	17	-13	10	2	33	30	31	17	39	18	18
Number of Employees	9	7	6	8	15	6	20	15	10	3	19	12	15
Employee Hours Worked	6	11	0	-4	3	-4	13	26	13	15	17	28	15
Part-Time/Temporary Employment	0	3	0	-1	1	-1	3	10	1	10	19	2	11
Wages and Benefits	19	18	9	14	23	24	26	46	31	43	38	44	42
Inventory Levels	-3	8	-4	0	-10	-7	-4	1	-1	-9	-2	9	-2
Credit Conditions/Access to Credit	1	2	-1	3	0	1	7	1	4	3	-1	0	6
Capital Expenditures	10	3	4	1	13	-2	11	14	23	13	16	21	28
Input Prices	29	34	25	32	46	32	55	53	63	70	50	61	56
Selling Prices	15	25	11	17	22	12	21	34	37	41	37	43	32
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-23	-19	-16	-17	-15	-20	0	22	28	27	36	36	38
General revenue/sales	-21	-16	-11	-16	-14	-17	8	42	52	48	60	51	56
Number of employees	-18	-29	-25	-18	-17	-19	-5	6	3	3	17	26	33
Employee hours worked	-19	-13	-20	-9	-12	-22	-1	35	20	25	35	32	33
Part-time/temporary employment	-10	-8	-13	-5	-9	-13	-5	11	2	18	23	16	17
Wages and benefits	41	41	25	46	31	38	53	67	57	66	68	80	80
Inventory levels	-33	-10	-16	-17	-13	-27	-11	-5	7	10	4	12	-1
Credit conditions/access to credit	-1	0	1	0	6	1	10	10	9	3	8	9	9
Capital expenditures	-7	2	0	0	5	0	6	16	29	15	24	20	37
Input prices	49	47	41	49	55	64	69	69	76	86	83	78	85
Selling prices	33	24	41	37	33	28	47	53	59	65	73	67	67
Expected in Six Months (seasonally adjusted)													
Composite Index	19	7	13	16	28	20	26	26	29	36	32	26	27
General revenue/sales	30	14	23	27	31	25	37	40	41	46	37	33	38
Number of employees	10	0	2	15	31	25	18	19	26	31	36	29	29
Employee hours worked	3	0	6	14	26	18	10	30	23	31	28	26	19
Part-time/temporary employment	-6	-6	-4	2	3	7	0	12	13	6	9	4	9
Wages and benefits	32	21	20	33	38	41	38	53	53	63	65	62	63
Inventory levels	4	-2	6	-9	14	-2	8	-1	2	16	13	5	-6
Credit conditions/access to credit	4	4	-1	5	4	1	3	3	4	1	2	0	10
Capital expenditures	4	-4	10	12	9	8	7	18	22	22	24	24	31
Input prices	38	44	31	48	46	49	63	58	66	73	73	57	58
Selling prices	13	27	22	33	30	18	29	46	58	56	70	48	42