



# NEWS RELEASE

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**Tenth District Services Activity Growth Continued at a Moderate Pace**  
*Federal Reserve Bank of Kansas City Releases October Services Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the October 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 at a moderate pace, and activity was expected to increase at a modest rate over the next six months.

“Regional services activity grew in October,” said Wilkerson. “Many firms continued to report supply chain issues, and a significant share of business contacts reported raising prices as a result of delivery time delays, transportation costs, and stronger demand for goods and services.”

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**

Tenth District services activity growth continued at a moderate pace, and activity was expected to increase at a modest rate over the next six months (Chart 1 & Table 1). Indexes for input and selling prices increased to surpass the survey record highs set in recent months. Input and selling prices were also higher than a year ago for most firms and were expected to expand more over the next six months, especially input prices.

### **Business Activity Grew at a Moderate Pace**

The month-over-month services composite index was 18 in October, up moderately from 13 in September and 14 in August (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The increase in revenue and sales was driven by an uptick in wholesale, retail, real estate, and professional and high-tech business activity. On the other hand, auto and tourism activity declined. Most month-over-month indexes remained positive in October, indicating expansion. Sales and employment rose at a faster pace, while inventories declined slightly from a month ago. Wages and benefits and capital expenditures remained high for many firms. The year-over-year composite index eased slightly from 38 to 26 but remained positive. Compared to a year ago, sales were solid and capital expenditures increased while inventory levels continued to decrease. Future services activity was expected to increase at a modest pace with a future composite index of 22.

### **Special Questions**

This month contacts were asked special questions about supply chain disruptions. In October, 80% of business services contacts reported facing challenges with supply chain disruptions and shortages, up from 76% in July 2021. More firms reported raising prices and turning away business in October than in July (Chart 2). Around 37% of firms reported delaying projects, increasing inventories, and diversifying suppliers, and a higher share of firms also reported making capital or technological investments in response to supply chain issues. Moving forward, 44% of firms expected rising materials prices and lack of availability/delivery times to persist for 6 to 12 months, and 43% of firms expected these issues to persist for more than 12 months (Chart 3). Only 13% of firms expected materials price increases and supply chain issues to be resolved within the next six months.

## **Selected Services Comments**

“From what we hear from our vendors the shortages just in America will last at least 6 months. The imports from Italy we get could be up to a year.”

“The largest supply chain issues relate to international imports from Asia. The lead times have gone from 90-days to 150-days from order to receipt. This is straining our balance sheet and balance of payments since most inventory needs to be paid for when it gets on the boat.”

“We are offering rental machinery in place of purchase machinery.”

“We are having problems with construction companies sourcing materials for capital projects.”

“Semiconductor shortages for vehicles not only reduce sales now, but will impact used vehicle supplies for the next two years.”

“The labor shortage in the commercial vehicle driver, retail worker, and restaurant spaces is dire. We have increased freight rates (in addition to the fuel surcharge increases) to offset the increase in driver wages.”

“Beg, borrowing and stealing anything we can get to make food for our guests.”

“We have delayed closings on residential homes until complete [due to supply chain disruptions and shortages].”

“Increased fuel prices are passed directly to our customers through a fuel surcharge.”

“We can only pass on a small percentage of the inflationary increase in inventory, parts, labor and utility costs to the consumer without pricing ourselves out of the market.”

“Absorbing delivery cost increases right now to keep customer base until we get inventory in stock.”

“Fuel up 40% is impacting [profit] margin not price. We would move price if our contracts allowed this.”

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

	October vs. September (percent)*					October 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				10	18				26				24	22	
General Revenue/Sales	39	34	27	12	23	68	11	21	48	55	26	20	35	34	
Number of Employees	31	57	12	19	24	44	27	29	15	46	37	17	28	25	
Employee Hours Worked	22	67	11	11	21	36	48	16	20	35	57	9	26	23	
Part-Time/Temporary Employment	15	73	12	2	6	20	67	14	6	19	69	12	6	1	
Wages and Benefits	47	47	6	41	40	80	17	2	78	68	30	1	67	58	
Inventory Levels	20	50	30	-10	-4	28	32	41	-13	22	46	33	-11	-12	
Credit Conditions/Access to Credit	4	96	0	4	3	14	81	5	9	8	86	6	1	1	
Capital Expenditures	34	60	6	28	26	51	37	12	39	38	52	10	28	24	
Input Prices	73	25	2	70	73	81	18	1	80	78	19	4	74	75	
Selling Prices	48	46	6	42	49	74	21	5	70	62	30	7	55	56	

\*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.

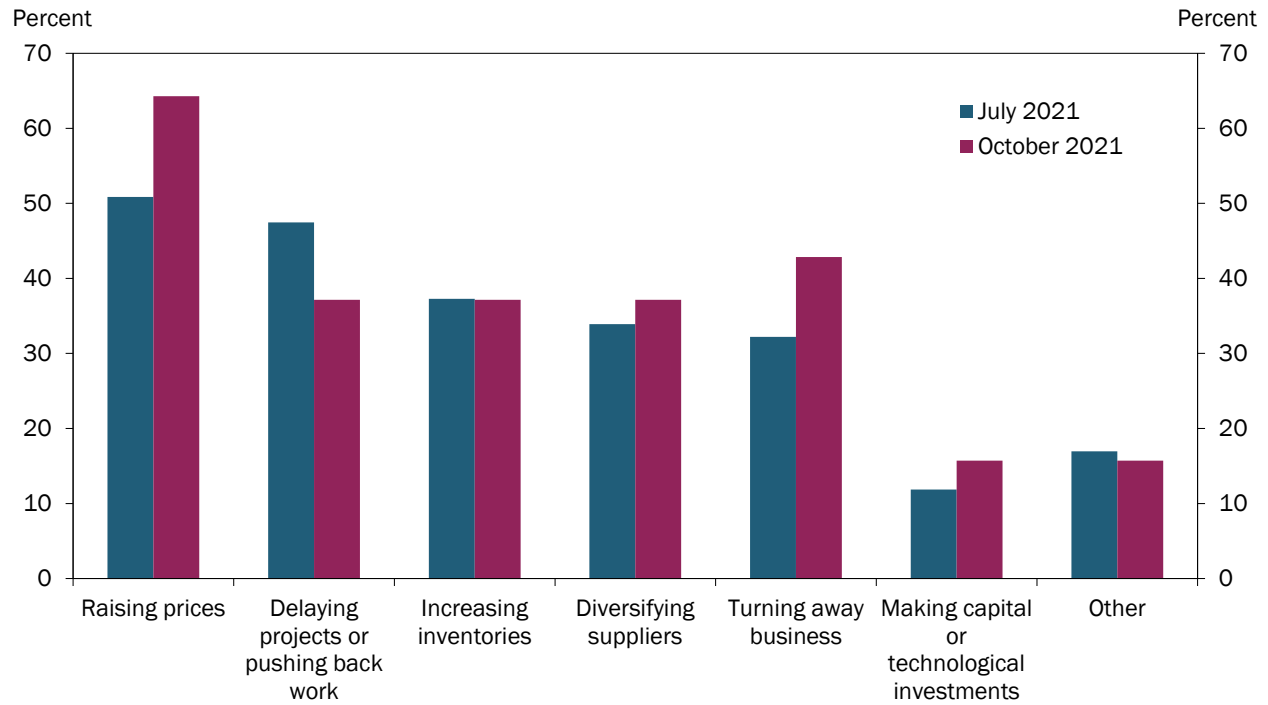
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The October survey was open for a five-day period from October 20-25, 2021 and included 83 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

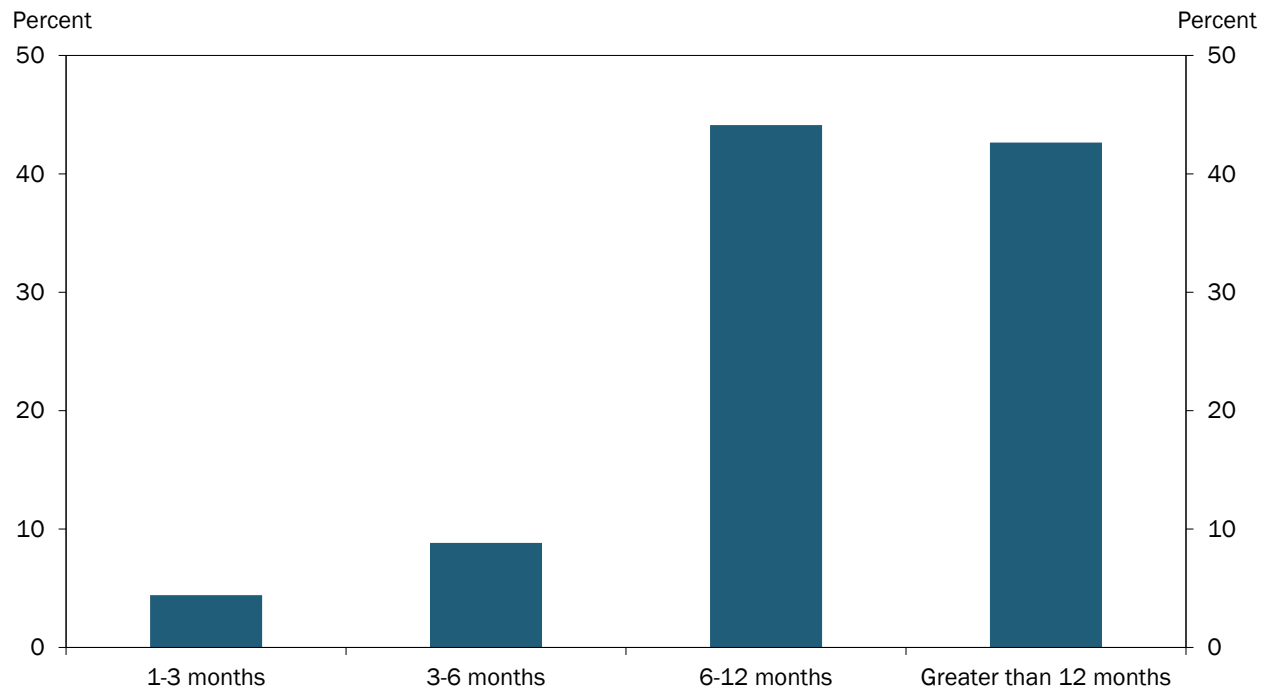
**Chart 1. Services Composite Indexes**



**Chart 2. Special Question: If your firm is facing supply chain disruptions and shortages, how is your firm managing those challenges? (check all that apply)**



**Chart 3. Special Question: If your firm has been affected by rising materials prices and lack of availability/delivery times, how long do you anticipate this to persist?**



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

	Oct'20	Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21
Versus a Month Ago (seasonally adjusted)													
Composite Index	12	10	-4	8	1	22	20	18	8	25	14	13	18
General Revenue/Sales	17	17	-13	10	2	33	30	31	17	39	18	18	23
Number of Employees	7	6	8	15	6	20	15	10	3	19	12	15	24
Employee Hours Worked	11	0	-4	3	-4	13	26	13	15	17	28	15	21
Part-Time/Temporary Employment	3	0	-1	1	-1	3	10	1	10	19	2	11	6
Wages and Benefits	18	9	14	23	24	26	46	31	43	38	44	42	40
Inventory Levels	8	-4	0	-10	-7	-4	1	-1	-9	-2	9	-2	-4
Credit Conditions/Access to Credit	2	-1	3	0	1	7	1	4	3	-1	0	6	3
Capital Expenditures	3	4	1	13	-2	11	14	23	13	16	21	28	26
Input Prices	34	25	32	46	32	55	53	63	70	50	61	56	73
Selling Prices	25	11	17	22	12	21	34	37	41	37	43	32	49
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-19	-16	-17	-15	-20	0	22	28	27	36	36	38	26
General revenue/sales	-16	-11	-16	-14	-17	8	42	52	48	60	51	56	48
Number of employees	-29	-25	-18	-17	-19	-5	6	3	3	17	26	33	15
Employee hours worked	-13	-20	-9	-12	-22	-1	35	20	25	35	32	33	20
Part-time/temporary employment	-8	-13	-5	-9	-13	-5	11	2	18	23	16	17	6
Wages and benefits	41	25	46	31	38	53	67	57	66	68	80	80	78
Inventory levels	-10	-16	-17	-13	-27	-11	-5	7	10	4	12	-1	-13
Credit conditions/access to credit	0	1	0	6	1	10	10	9	3	8	9	9	9
Capital expenditures	2	0	0	5	0	6	16	29	15	24	20	37	39
Input prices	47	41	49	55	64	69	69	76	86	83	78	85	80
Selling prices	24	41	37	33	28	47	53	59	65	73	67	67	70
Expected in Six Months (seasonally adjusted)													
Composite Index	7	13	16	28	20	26	26	29	36	32	26	27	22
General revenue/sales	14	23	27	31	25	37	40	41	46	37	33	38	34
Number of employees	0	2	15	31	25	18	19	26	31	36	29	29	25
Employee hours worked	0	6	14	26	18	10	30	23	31	28	26	19	23
Part-time/temporary employment	-6	-4	2	3	7	0	12	13	6	9	4	9	1
Wages and benefits	21	20	33	38	41	38	53	53	63	65	62	63	58
Inventory levels	-2	6	-9	14	-2	8	-1	2	16	13	5	-6	-12
Credit conditions/access to credit	4	-1	5	4	1	3	3	4	1	2	0	10	1
Capital expenditures	-4	10	12	9	8	7	18	22	22	24	24	31	24
Input prices	44	31	48	46	49	63	58	66	73	73	57	58	75
Selling prices	27	22	33	30	18	29	46	58	56	70	48	42	56