



NEWS RELEASE

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Tenth District Services Activity Continued to Grow Moderately
Federal Reserve Bank of Kansas City Releases November Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the November 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 grow moderately, and activity was expected to expand further over the next six months.

“Regional services activity continued to expand,” said Wilkerson. “The pace of employment growth has eased, but 53% of firms reported they were already at or above pre-coronavirus employment levels. A record number of firms also reported increasing wages and benefits from a month ago.”

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/.

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 continued to grow moderately, and activity was expected to expand further over the next six months (Chart 1 & Table 1). Indexes for input and selling prices remained high, but the pace of growth eased slightly from recent survey record highs. Input and selling prices remained above year-ago levels for most firms, and prices were expected to increase over the next six months.

Business Activity Continued to Grow Moderately

The month-over-month services composite index was 14 in November, lower than 18 in October, but up slightly from 13 in September (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Revenue and sales continued to be driven by increased wholesale, retail, and real estate activity. However, auto and tourism activity decreased again in November, and health services declined. Month-over-month indexes remained positive in November, indicating expansion. The wages and benefits index rose to a historic survey high (since 2014). Inventories inched up from a month ago and employee hours worked increased, while employment counts grew at a slower pace in November. The year-over-year composite index eased slightly from 26 to 21 but remained positive. Compared to a year ago, inventory levels rebounded somewhat. Year-over-year sales remained positive but did not grow as much as in recent months. Future services activity was expected to increase at a faster rate, and the future composite index rose from 22 to 28.

Special Questions

This month contacts were asked special questions about employment plans and labor market conditions. Over 60% of firms expected to increase employment over the next 12 months, while 35% of firms expected to leave employment unchanged. 70% of firms reported high expected sales growth as one of the top three factors driving employment plans, and 95% of firms reported current staff being overworked as a top factor for future hiring plans (Chart 2). Many firms also noted they need skills not possessed by current staff or that a better financial position has contributed to their plans to increase employment moving forward. Nearly 53% of firms reported they are already at or above their pre-pandemic employment levels from pre-March 2020 (Chart 3). 32% of firms expected to meet their pre-pandemic employment level by the end of 2022 and 10% expected employment to recover after 2022. On the other hand, 5% of firms did not expect to return to their pre-coronavirus pandemic employment levels.

Selected Services Comments

“[We are] adding new retail locations.”

“We can't keep up with demand.”

“The market remains strong for residential sales both in new and existing properties. The demand for duplexes and quads are increasing also.”

“Current employees are satisfied with current number of hours worked each week. [They are] not willing to accept more hours.”

“We are basically hiring enough folks to cover resignations, but not making a dent in the number of folks we have been short for most of the year or hiring up for the skills we need.”

“Workers are choosing other jobs besides restaurant and hospitality. Medical marijuana shops have employed many restaurant workers in our community.”

“There is a shortage of good employees who will work for what we can pay. Many leave for better paying jobs. Retirements are up as the technological requirements have accelerated. Many say it isn't worth learning a new job to work a handful of years, particularly those over 62.”

“We are concerned about the vaccination mandate. Half of our workforce is not vaccinated.”

“As soon as we can find qualified workers, we will hire them. Scarcity of qualified workers is the only factor that is causing our need to increase employment.”

“Candidates are turning down work because they have multiple job offers.”

“People are hired and don't show up for work on the first day.”

“Hiring is getting better.”

Table 1. Summary of Tenth District Services Conditions, November 2021

	November vs. October (percent)*					November 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				9	14				21				30	28	
Composite Index															
General Revenue/Sales	37	38	25	11	16	65	7	28	37	56	25	18	38	36	
Number of Employees	30	56	14	15	18	35	34	31	4	45	38	17	28	27	
Employee Hours Worked	34	57	9	26	24	44	41	14	30	40	47	13	27	28	
Part-Time/Temporary Employment	14	82	4	10	10	18	69	13	6	19	73	9	10	7	
Wages and Benefits	54	44	3	51	50	82	13	6	76	75	21	4	70	67	
Inventory Levels	24	50	26	-3	1	35	34	31	4	32	47	21	12	8	
Credit Conditions/Access to Credit	6	93	1	4	6	11	86	3	9	9	88	3	6	6	
Capital Expenditures	32	59	8	24	24	41	42	17	24	39	51	10	30	28	
Input Prices	67	32	1	65	63	81	17	1	80	74	22	4	70	64	
Selling Prices	52	46	1	51	47	74	20	6	68	67	24	9	59	55	

*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-13.

Note: The November survey was open for a five-day period from November 10-15, 2021 and included 73 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

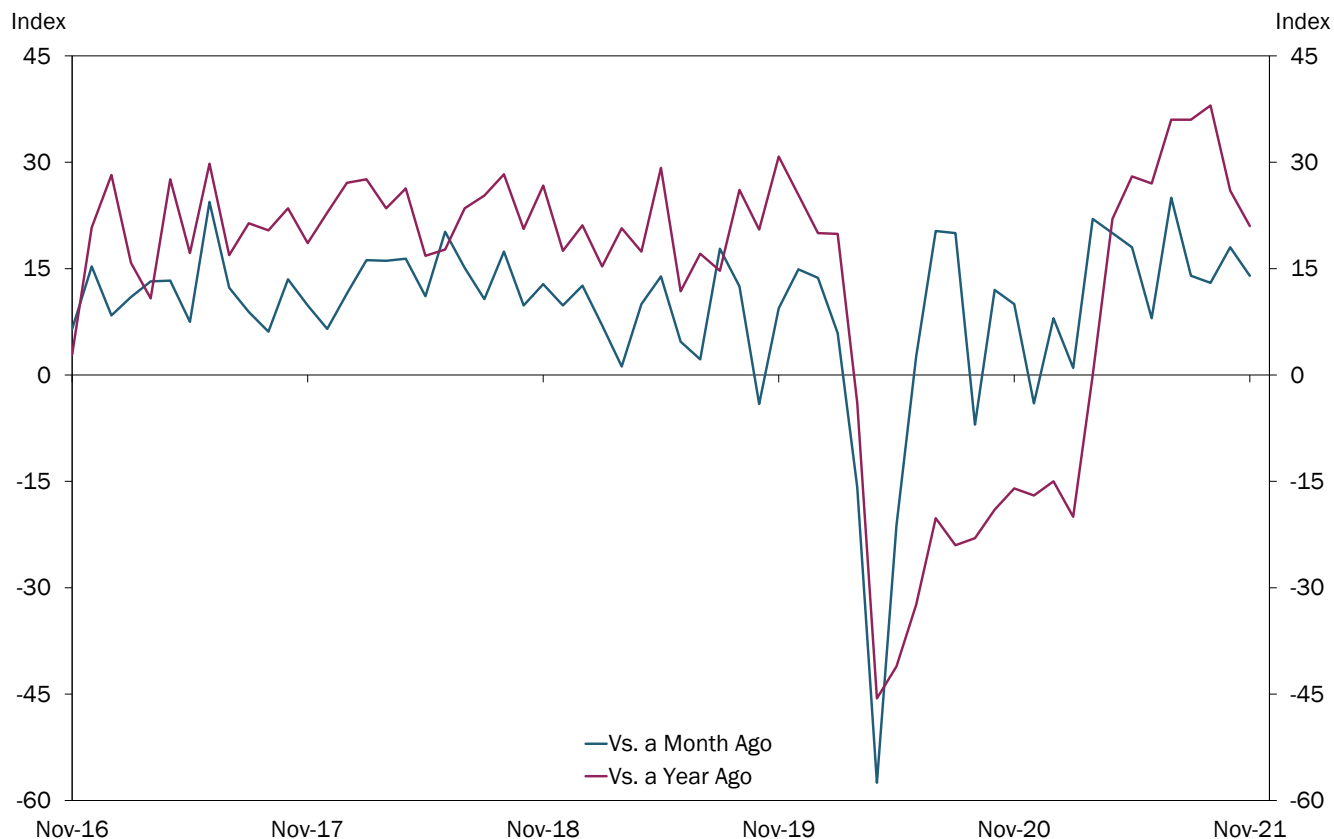


Chart 2. Special Question: What are the three most important factors behind your plans to increase employment? Please rank the factors in order from 1 (most important) to 3 (third most important)

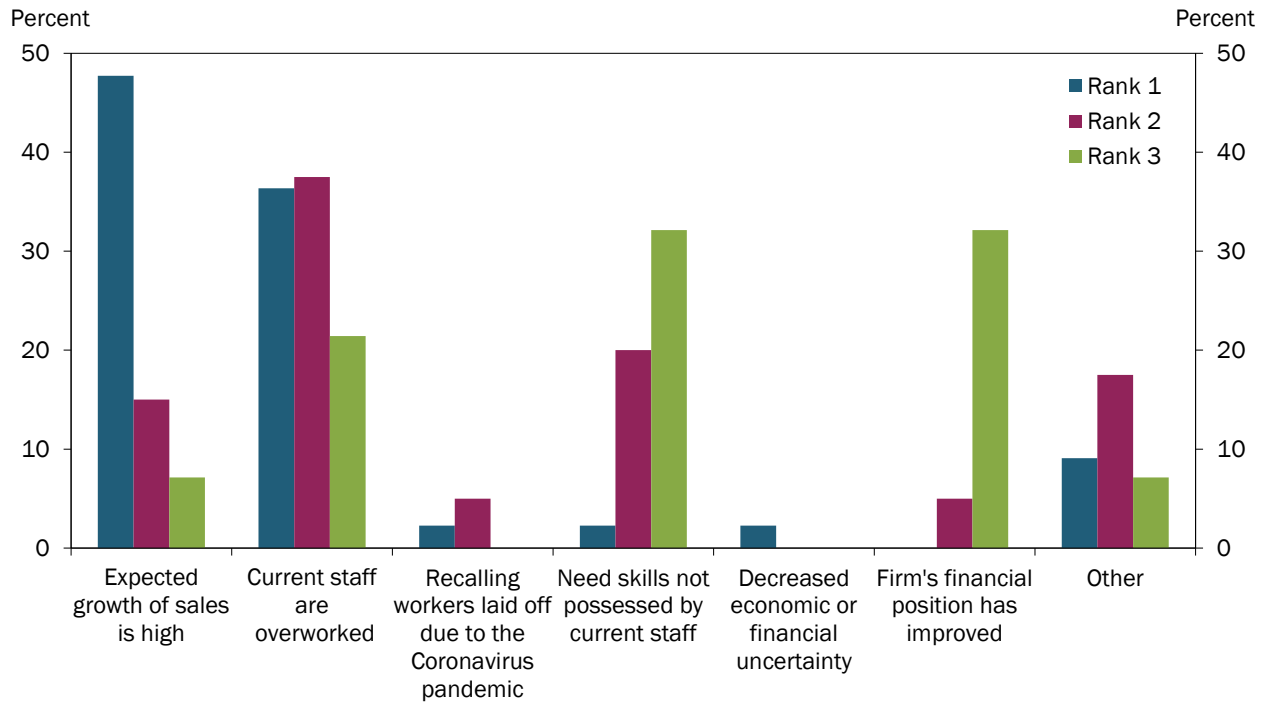


Chart 3. Special Question: When do you expect you will reach your pre-coronavirus pandemic employment level (pre-March 2020 employment level)?

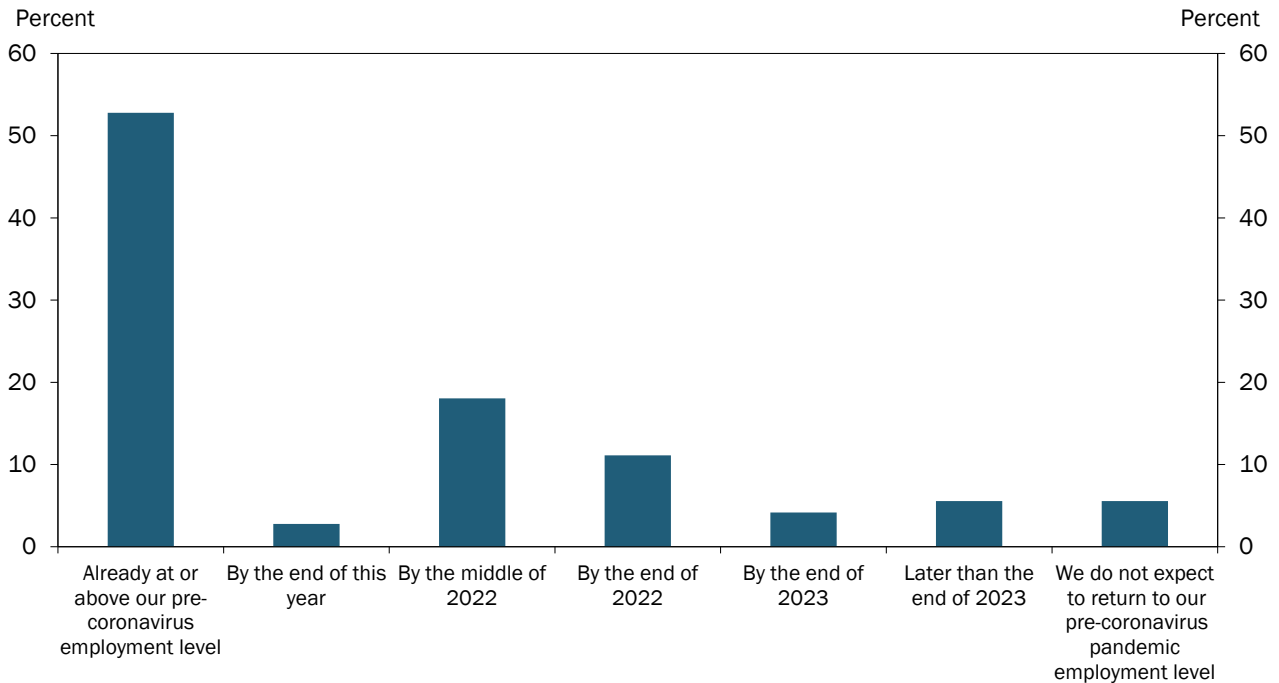


Table 2
Historical Services Survey Indexes

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