



NEWS RELEASE

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Tenth District Services Activity Rose Slightly
Federal Reserve Bank of Kansas City Releases January Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the January 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 activity rose slightly in January with expectations for increased activity over the next six months.

“Regional services activity expanded slightly in January,” said Wilkerson. “Nearly half of firms indicated that 10% or more of their workforce had been absent from work in January due to COVID. Despite more firms reporting negative effects from this wave of COVID than previous waves, sales remained strong for a number of industries, and expectations for future activity increased.”

A summary of the January survey is attached. The January survey incorporates new seasonal adjustment factors using Census X-13 ARIMA-SEATS, so historical indexes differ slightly from previously released numbers. The new seasonal factors will be used throughout 2022. Historical data, results from past surveys and release dates for future surveys are available at www.kansascityfed.org/surveys/services-survey/.

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 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 rose slightly in January with expectations for increased activity over the next six months (Chart 1 & Table 1). Indexes for input and selling prices grew at a slower pace in January compared to a month ago but prices remained above year-ago levels for most firms. Moving forward, firms expected input and selling prices to continue to increase over the next six months.

Business Activity Rose Slightly

The month-over-month services composite index was 15 in January, up slightly from 11 in December and 10 in November (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 additional wholesale, some retail, transportation, professional and high-tech services, and healthcare activity. On the other hand, auto, real estate, tourism, and restaurant activity decreased in January. Month-over-month indexes increased in January, with more sales, hours worked, and higher wages and benefits. The inventory index also jumped back into positive territory, and credit conditions inched up. The year-over-year composite index grew from 30 to 37, as sales, inventories, and wages and benefits continued to expand compared to a year ago. Expectations for services activity increased further in January with the future composite index rising from 33 to 37, driven by higher expectations for sales and capital expenditures.

Special Questions

This month contacts were asked special questions about the recent COVID surge and how it has impacted their business so far in 2022. In January, 19% of businesses reported a strong negative effect on business activity from this variant of COVID, and another 62% of firms reported a slight negative effect (Chart 2). More businesses reported negative impacts from this wave than when asked in December 2020 during a previous wave. In fact, 48% of firms reported that 10% or more of their workforce missed work in January due to COVID (Chart 3). A number of firms commented that this strain has affected a higher share of their workforce and resulted in higher absenteeism. Of the firms facing labor shortages, 63% of firms reported adding overtime, 38% limited product or service offerings, 35% delayed orders, 32% altered business operations (moving to online orders, curbside pick-up, etc.), and 30% reduced operating hours/shifts in response to staffing issues (Chart 4). Although 30% of firms expected decreased business activity over the next six months due to the surge in COVID, 61% of firms expected no change, and 9% expected increased activity (Chart 5). Also, fewer firms expected decreased future business activity from this wave compared to when asked in August 2021.

Selected Services Comments

“So far, our employees have just had to fill in for each other. The small business world is a real mess right now. We can't hire people, and we can't get the materials we need to do business.”

“Workers are teleworking; in-person marketing (the most effective in our industry) is almost at a standstill.”

“Some office workers still working remote is causing a lag in restaurant, brick and mortar retail sales.”

“Customer meetings have been canceled every day for past three weeks.”

“Customers are very cautious about getting sick with Omicron.”

“Currently, we have 30 off due to Covid... [about] 8.5%. 20 due to positive tests, 10 due to someone (a dependent) off for exposure or positive test.”

“Lots of billable hours lost because employees are out sick with Covid.”

“No one wants to be around other people.”

“We have more folks out with Omicron than we had with delta.”

“With the spike of cases on our state, people are reluctant to go back to work in fear of getting it. And those with no fear continue to spread it.”

“As a hospital, we are busier so revenue is up, but our costs to support through higher acuity patients and contract labor is negatively impacting our margin.”

“I think the COVID situation will get better as we get closer to Spring.”

“Consumers will come through the drive-thru or use delivery option.”

“We are an essential business and have been busy regardless of the case surges.”

Table 1. Summary of Tenth District Services Conditions, January 2022

Plant Level Indicators	January vs. December (percent)*					January vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	No		Diff Index [^]	SA Index ^{^^}	Increase	No		Diff Index [^]	Increase	No		Diff Index [^]	SA Index ^{^^}	
	Increase	Change				Decrease	Increase			Change	Decrease			Increase
Composite Index				13	15			37				45	37	
General Revenue/Sales	46	22	32	14	18	74	8	18	56	69	17	14	55	50
Number of Employees	28	57	15	13	13	44	32	24	19	50	38	12	38	31
Employee Hours Worked	28	58	14	14	19	36	53	12	24	44	47	9	35	28
Part-Time/Temporary Employment	16	73	10	6	8	24	65	10	14	23	64	13	10	13
Wages and Benefits	56	41	4	52	44	85	13	3	82	77	19	4	73	77
Inventory Levels	31	47	23	8	8	39	35	26	14	39	50	11	28	15
Credit Conditions/Access to Credit	5	91	4	1	2	12	79	9	3	10	78	12	-1	-2
Capital Expenditures	20	73	6	14	12	38	47	14	24	38	53	9	29	30
Input Prices	75	25	0	75	74	79	20	1	78	75	21	4	71	71
Selling Prices	47	49	4	44	39	71	25	4	68	60	32	8	52	49

*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 January survey was open for a five-day period from January 19-24, 2022 and included 79 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

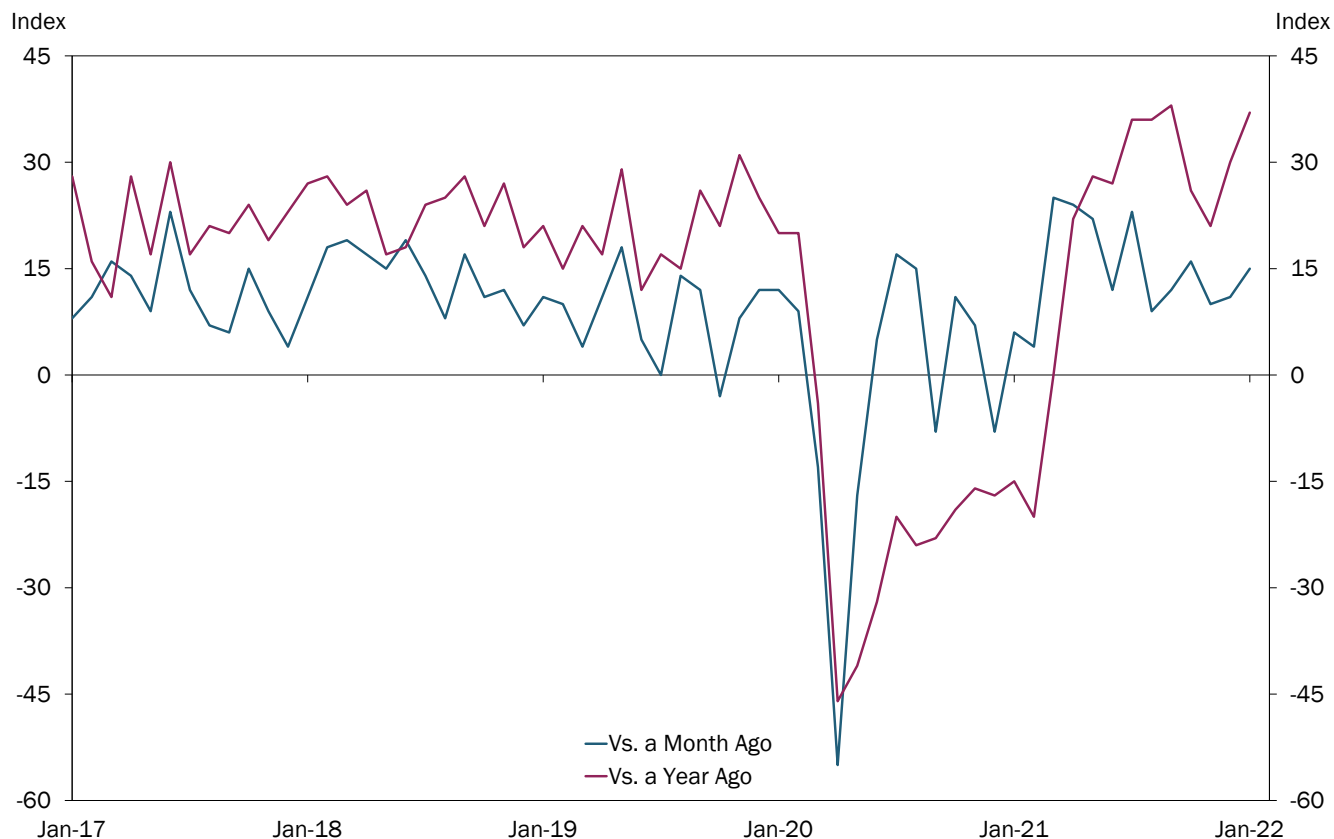


Chart 2. Special Question: How is the recent wave of COVID cases affecting your firm's business?

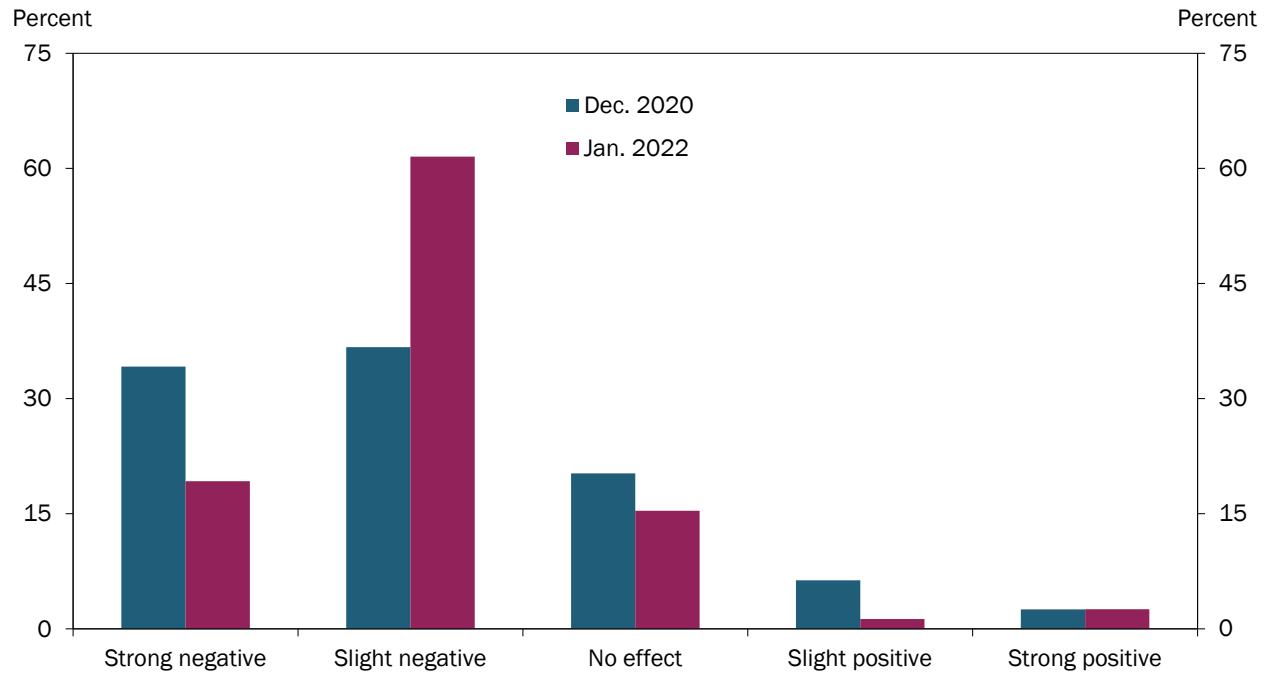


Chart 3. Special Question: What percentage of your work force has missed work in the month of January due to COVID?

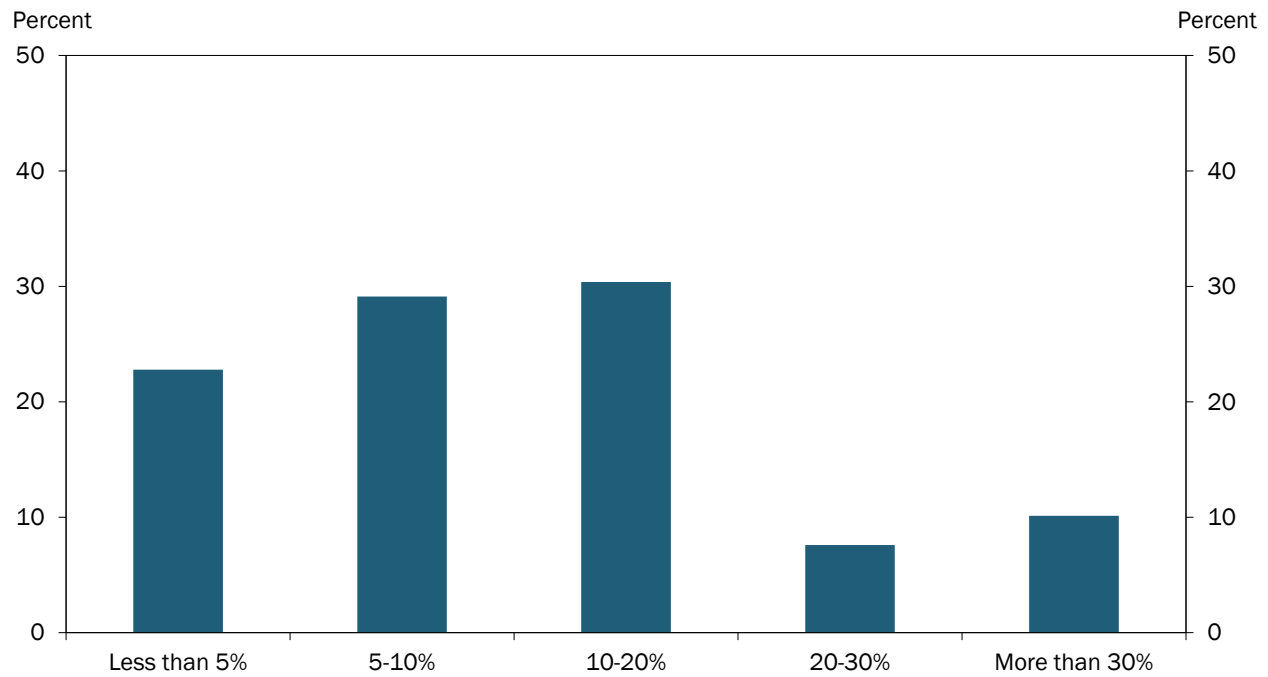


Chart 5. Special Question: If your company is facing labor shortages or staffing issues (COVID-related or otherwise), which of the following strategies has your business implemented as a result? (check all that apply)

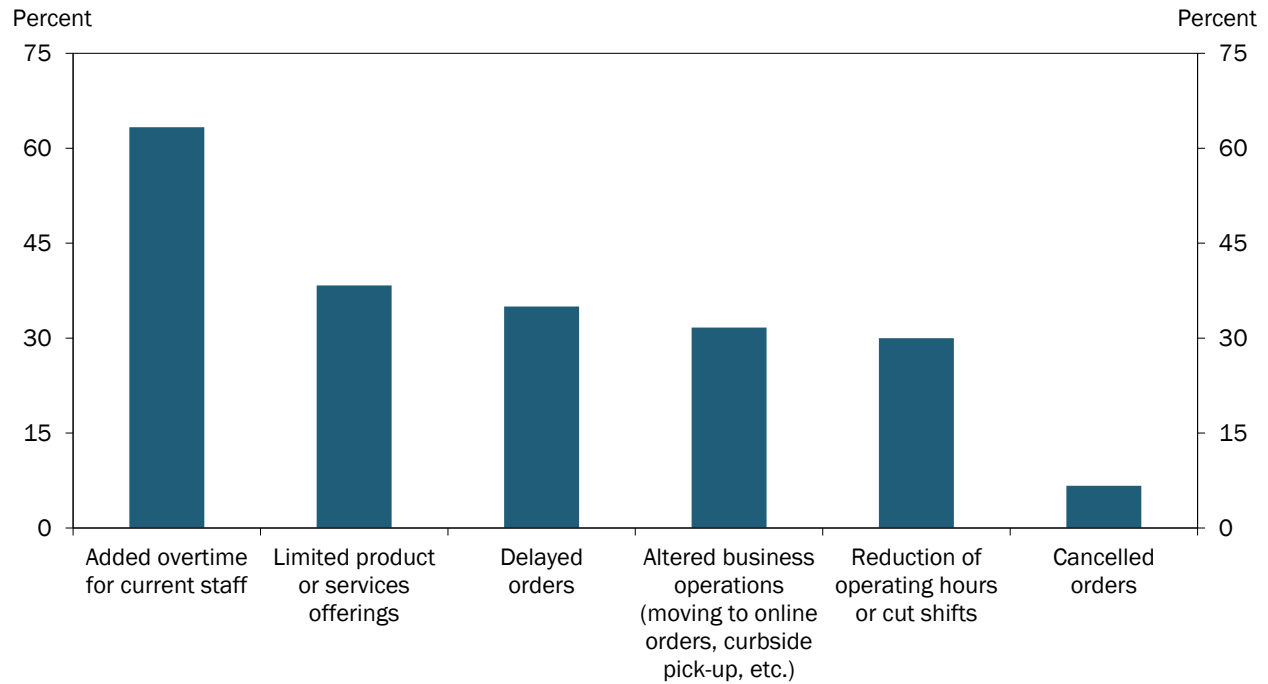


Chart 6. Special Question: How do you expect the surge in COVID cases will affect your firm's business activity over the next six months?

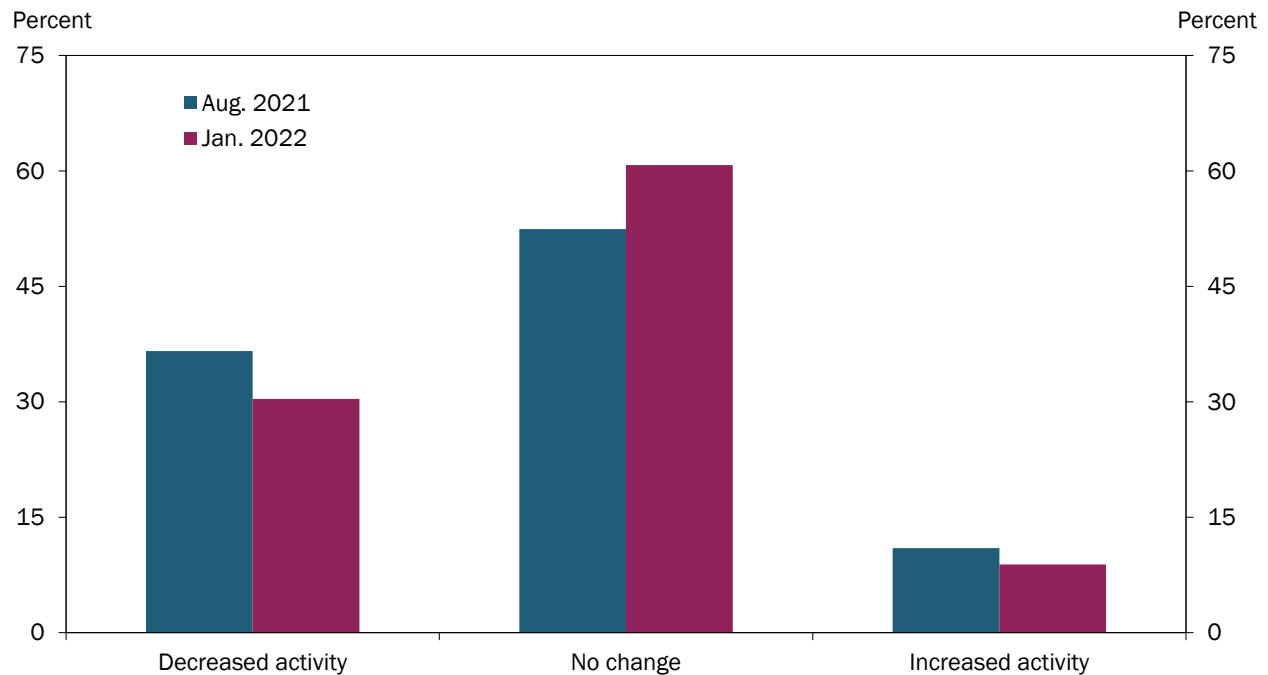


Table 2
Historical Services Survey Indexes

	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22
Versus a Month Ago (seasonally adjusted)													
Composite Index	6	4	25	24	22	12	23	9	12	16	10	11	15
General Revenue/Sales	9	4	37	36	33	19	37	8	19	21	13	16	18
Number of Employees	13	11	24	17	18	10	15	10	12	20	15	13	13
Employee Hours Worked	3	3	19	26	19	18	17	19	11	15	22	15	19
Part-Time/Temporary Employment	0	1	6	13	7	11	16	3	9	3	7	6	8
Wages and Benefits	18	28	31	48	37	43	37	41	39	38	51	32	44
Inventory Levels	-11	-8	-3	4	2	-4	-1	8	-4	-5	-3	-6	8
Credit Conditions/Access to Credit	0	2	7	2	4	4	0	1	5	2	5	0	2
Capital Expenditures	7	5	14	19	24	19	16	19	22	23	20	18	12
Input Prices	43	39	59	56	66	67	48	58	56	68	61	78	74
Selling Prices	16	18	29	38	40	41	37	41	31	41	46	55	39
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-15	-20	0	22	28	27	36	36	38	26	21	30	37
General revenue/sales	-14	-17	8	42	52	48	60	51	56	48	37	46	56
Number of employees	-17	-19	-5	6	3	3	17	26	33	15	4	21	19
Employee hours worked	-12	-22	-1	35	20	25	35	32	33	20	30	24	24
Part-time/temporary employment	-9	-13	-5	11	2	18	23	16	17	6	6	11	14
Wages and benefits	31	38	53	67	57	66	68	80	80	78	76	78	82
Inventory levels	-13	-27	-11	-5	7	10	4	12	-1	-13	4	4	14
Credit conditions/access to credit	6	1	10	10	9	3	8	9	9	9	9	1	3
Capital expenditures	5	0	6	16	29	15	24	20	37	39	24	29	24
Input prices	55	64	69	69	76	86	83	78	85	80	80	82	78
Selling prices	33	28	47	53	59	65	73	67	67	70	68	79	68
Expected in Six Months (seasonally adjusted)													
Composite Index	22	23	30	31	31	33	33	25	24	23	23	33	37
General revenue/sales	30	30	42	47	43	43	40	32	33	33	30	36	50
Number of employees	22	25	24	23	28	31	36	28	28	27	25	35	31
Employee hours worked	21	22	17	31	26	27	27	22	20	26	24	28	28
Part-time/temporary employment	3	6	1	11	9	6	9	7	10	4	7	9	13
Wages and benefits	38	43	46	57	56	61	60	59	57	58	67	59	77
Inventory levels	4	2	8	4	5	13	12	4	-5	-10	4	20	15
Credit conditions/access to credit	3	1	4	4	3	1	4	2	9	0	4	1	-2
Capital expenditures	8	9	14	23	27	24	25	24	26	24	19	19	30
Input prices	46	49	65	63	70	71	71	58	57	67	66	61	71
Selling prices	28	20	38	50	58	56	68	47	45	50	52	50	49