



## Tenth District Services Activity Expands in January 2019

by:

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Tenth District services activity expanded in January, with positive expectations for future growth. The input prices index grew modestly while the selling price index inched down. Price expectations rose moderately.

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The Federal Reserve Bank of Kansas City released the January Services Survey. According to Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District services activity expanded, with positive expectations for future growth.

“After five years of conducting the Tenth District Services Survey, historical data and monthly reports are now being released,” said Wilkerson. “This information provides up to date accounts of activity for a large sector in our region’s economy, as well as insights gathered from special questions and comments from survey participants.”

Wilkerson said the services sector in the Tenth District has continued to grow solidly in recent months even as regional manufacturing growth has slowed.

“Services companies in our region reported another good month in January and expect activity to expand further in coming months,” he said. “This is despite over a quarter of services firms noting that the partial federal government shutdown has negatively affected them in some way.”

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 survey includes five years of historical data.

## **Business continued to expand in January**

The month-over-month services composite index rose to 15 in January, up from 11 in December and 14 in November (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most of the other month-over-month indexes also expanded or were unchanged in January. The revenue/sales index rebounded in January, due to increases in wholesale trade, auto, real estate, and leisure and hospitality. The month-over-month inventory index dropped into negative territory for the first time since December 2017. Most year-over-year services indexes edged higher. Compared with a year ago, the services composite index declined from 18 to 21. Future services activity expectations remained positive, dipped slightly as the future composite index eased from 25 to 17.

## **Special questions**

This month contacts were asked special questions about how the federal government shutdown has affected their business, and how credit conditions have changed over the past year. More than 26 percent of services contacts reported negative effects from the federal government shutdown on their business (Chart 3). Of the firms that reported negative effects from the shutdown, most noted declining business from federal entities or contract delays due to federal agencies being closed. Over the past year, more than 10 percent of firms reported that access to credit had increased while only seven percent of firms said access had decreased (Chart 4). However, 53 percent of contacts reported that the cost of credit increased over the past year.

## Selected services comments

“We cannot get authorizations from federal agencies for added capabilities and new business. As the delay continues the backlog of work for authorizations industry wide will hamper our abilities to service new customers.”

“Our January sales are down due to virtually no government business and the contractors that work for the federal government have cancelled their previously existing reservations.”

“Several of our apartment properties rely on project-based Section 8 rent payments that are not being processed.”

“We are experiencing a slowdown in Medicare payments that are due to our organization from the federal government.”

“We have customers who are not receiving their pay check from the government.”

“It is too early to tell if the shutdown will play out into lower sales numbers. Right now we are not seeing anything material.”

“We locked our interest rate via an interest rate swap, but if we were floating or needed to do a swap today the interest rate would be much higher. We are concerned about where the interest rates might be when the swap expires.”

“Our stores are in rural areas where there is very little government employment so we are seeing no effects from the federal government shutdown.”

“Sales are about the same. We do not need the federal government at this time.”

## Survey Data

[Current Release](#)

[Historical Monthly Data](#)

[About the Services Survey](#)

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