



NEWS RELEASE

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Tenth District Services Activity Remains Sluggish
Federal Reserve Bank of Kansas City Releases July Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the June 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 remained sluggish in July, and expectations for future growth were not as positive as in previous months.

“Regional services activity has been fairly flat the past two months,” said Wilkerson. “Some contacts have indicated increased uncertainty about the economy, due to weak domestic demand and trade concerns. Still, 80 percent of firms reported confidence in their local economy.”

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. Results from past surveys and release dates for future surveys are available at www.kansascityfed.org/research/indicatorsdata/services.

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 remained sluggish in July, and expectations for future growth were not as positive as in previous months (Chart 1). Most input and selling price indexes expanded modestly, while expectations for future selling prices eased lower but remained positive.

Business Slowed Slightly in July

The month-over-month services composite index was -1 in July, down slightly from 1 in June and 15 in May (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were somewhat mixed in July. While the general revenue/sales and inventory indexes continued to decline, the employment and employee hours work indexes bounced back into positive territory. The decrease in general revenue/sales index was driven mostly by declines in transportation activity, restaurants, and health services. Year-over-year services indexes picked up modestly compared to last month. Compared with a year ago, the services composite index rose from 12 to 17, while the general revenue/sales index inched down from 19 to 17. Expectations for the services composite index eased lower from 17 to 14 because of decreases in the part-time employment, inventory, and access to credit indexes.

Special Questions

This month contacts were asked special questions about the availability of workers, wage conditions, and their current level of confidence in their local economy. More than 61 percent of firms indicated that workers were in short supply, but just 36 percent said they were having to raise wages more than normal to attract or keep at least one type of worker (Chart 2). For firms struggling to find workers, most noted they were looking for entry level services workers or skilled workers. Respondents who have had to raise wages reported a typical salary increase of 5 to 15 percent. Just under half of the contacts said their firm's uncertainty about the economy has increased recently, citing trade concerns and weaker domestic demand as the causes. However, 80 percent of contacts reported they were confident in their local economy, and only 5 percent reported no confidence (Chart 3).

Selected Services Comments

“Our community is growing more diversified, has strong employment numbers and is moving forward with community and economic development initiatives that will surely produce significant benefits and competitive advantage in the near future.”

“National economy seems to be ok, however, local economy is down and individuals are holding on to their money.”

“Sales have been flat to down in most stores. Shoppers may be holding off until school time.”

“Consumer confidence is the highest I have seen it in the last decade.”

“Current lines of business are stagnant.”

“Customers seem to feel confident and are spending more, though the numbers of customers are flat, or up only slightly.”

“Things seem to be going pretty well, it is slower than last fall, but technology is helping offset wage increases.”

“Over the past four years we have had to raise wages by \$4 per hour and still the biggest complaint is that we don't pay enough.”

“We have had to raise wages 5% more than normal. To get the best workers we are paying higher wages.”

Table 1. Summary of Tenth District Services Conditions, July 2019

	July vs. June (percent)*					July 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															
Composite Index				6	-1				17				9	14	
General Revenue/Sales	37	37	25	12	-3	49	19	32	17	38	43	19	18	23	
Number of Employees	20	61	19	1	3	40	38	22	18	26	56	18	8	13	
Employee Hours Worked	24	65	11	13	7	31	61	8	22	18	68	14	4	11	
Part-Time/Temporary Employment	20	70	10	10	7	28	57	16	12	18	65	18	0	-1	
Wages and Benefits	28	69	3	25	23	66	27	7	59	45	48	7	38	43	
Inventory Levels	15	70	15	0	-2	29	59	13	16	11	67	21	-10	-6	
Credit Conditions/Access to Credit	4	95	1	3	1	4	89	7	-3	4	90	6	-1	-2	
Capital Expenditures	23	71	7	16	12	33	54	13	21	23	66	11	11	10	
Input Prices	34	66	0	34	33	58	37	6	52	47	49	4	43	47	
Selling Prices	23	70	7	16	8	41	48	12	29	29	57	13	16	19	

*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-12.

Note: The July survey was open for a five-day period from July 17-22, 2019 and included 75 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Index vs. a Month Ago

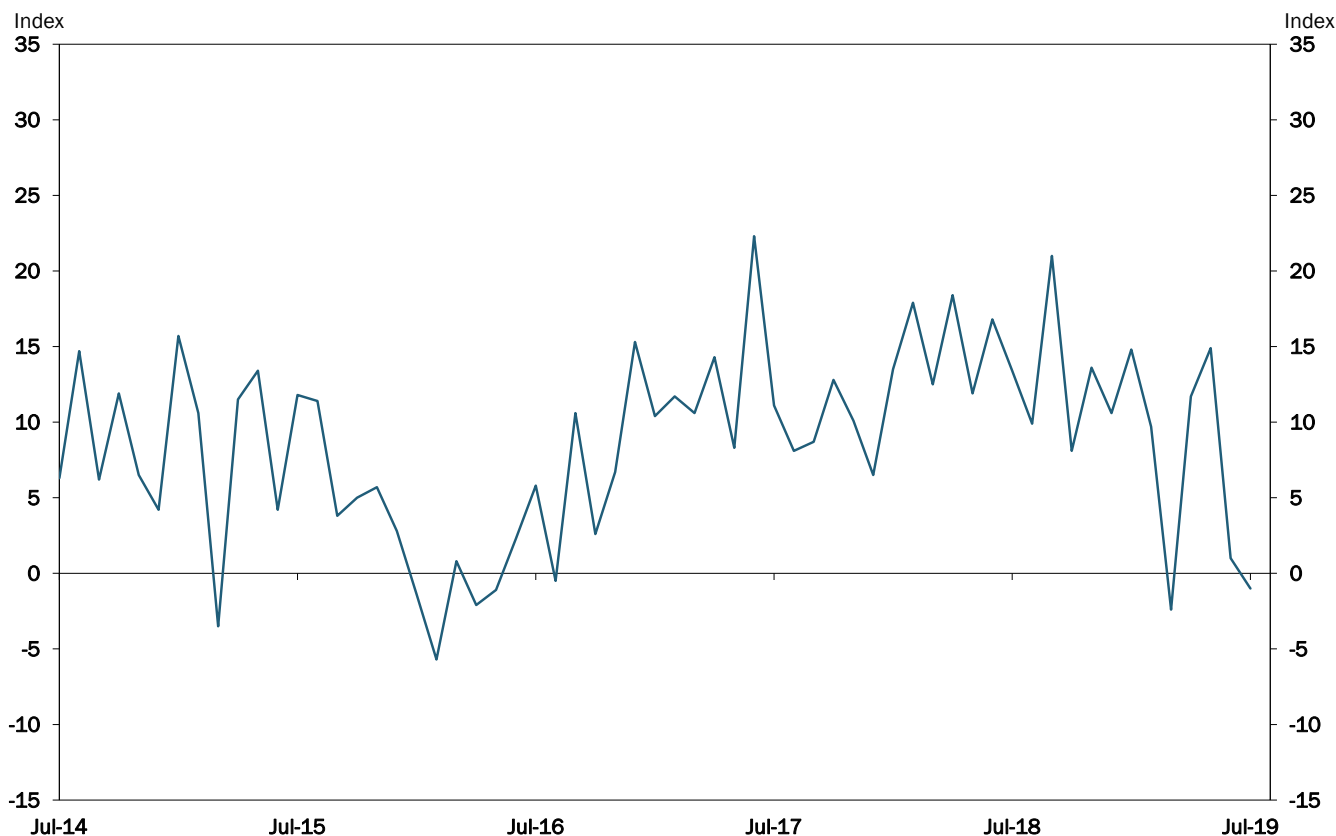


Chart 2. Special Question: Labor market and wage conditions

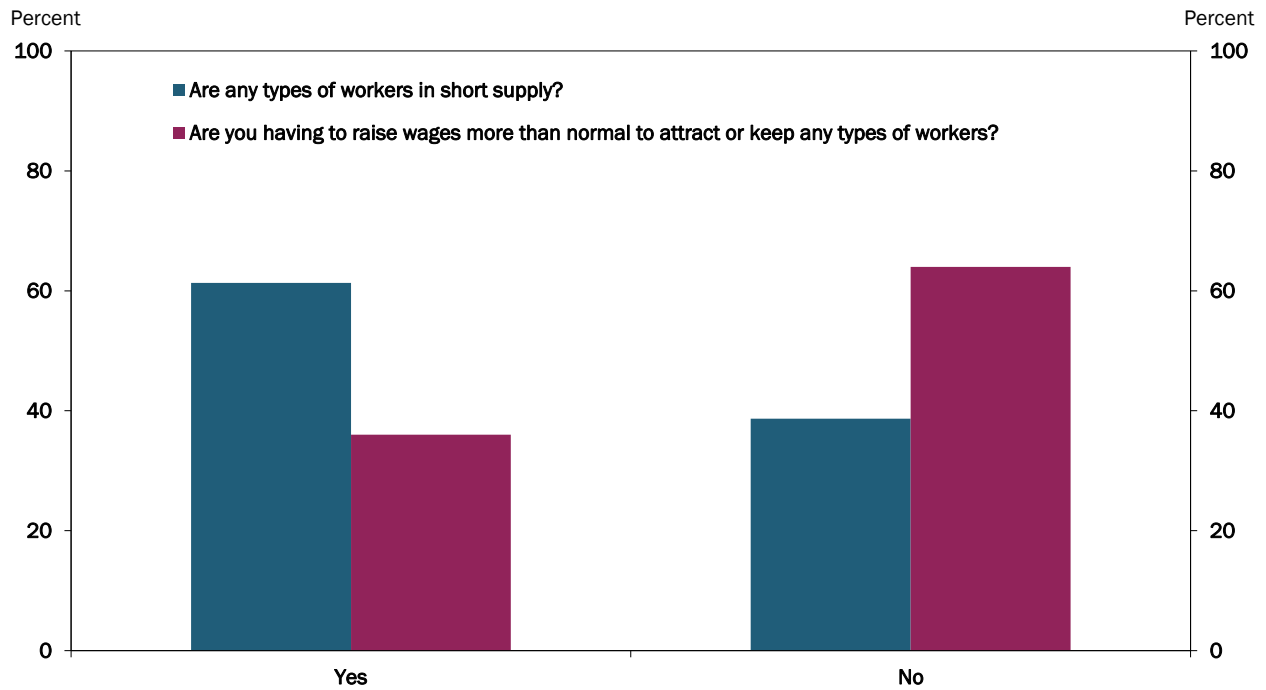


Chart 3. Special Question: What is your firm's current level of confidence in your local economy?

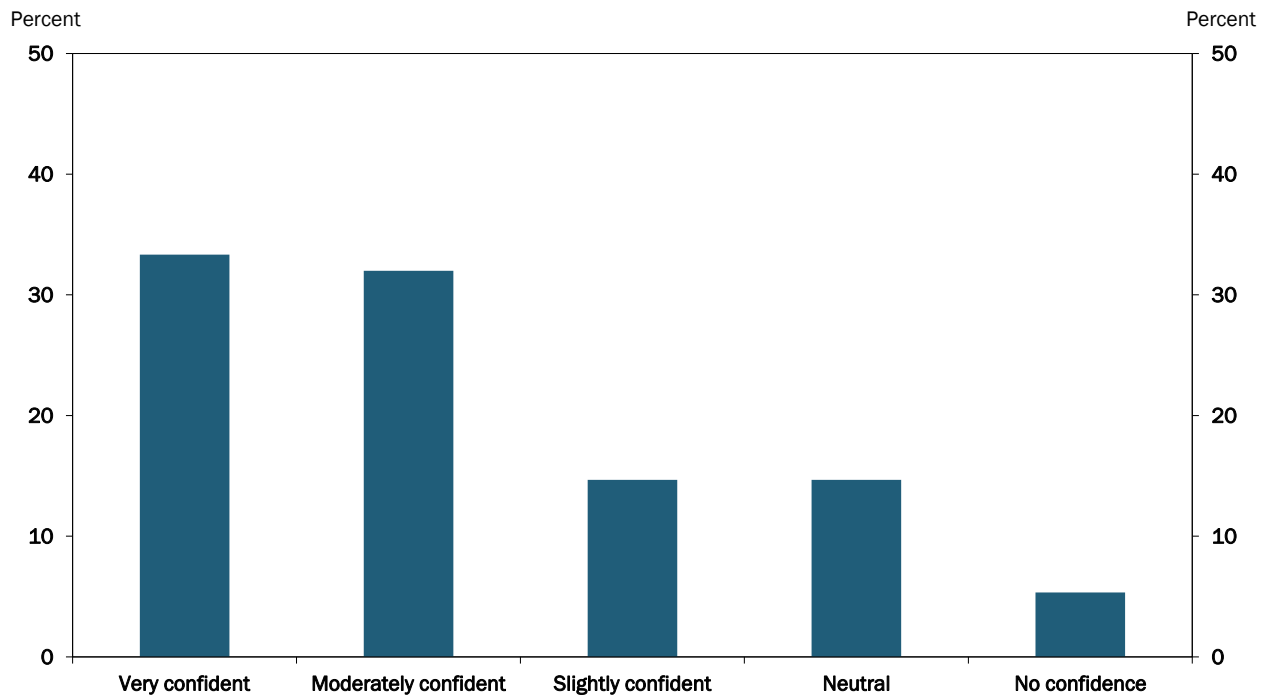


Table 2
Historical Services Survey Indexes

	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18	Dec'18	Jan'19	Feb'19	Mar'19	Apr'19	May'19	Jun'19	Jul'19
Versus a Month Ago (seasonally adjusted)													
Composite Index	13	10	21	8	14	11	15	10	-2	12	15	1	-1
General revenue/sales	22	16	38	11	18	5	27	20	-6	15	19	-1	-3
Number of employees	4	5	4	6	4	17	7	-5	-4	12	6	-2	3
Employee hours worked	10	1	27	2	12	6	12	3	-3	23	16	-2	7
Part-time/temporary employment	3	-4	10	15	7	6	8	3	11	9	12	12	7
Wages and benefits	17	27	34	31	29	22	34	29	33	24	23	27	23
Inventory levels	6	2	4	4	17	15	-4	6	9	3	18	8	-2
Credit conditions/access to credit	1	-1	-1	2	-6	-6	-6	-1	-6	1	1	1	1
Capital expenditures	12	9	10	15	6	14	14	17	27	18	23	5	12
Input prices	34	33	40	34	38	23	34	46	38	39	32	27	33
Selling prices	26	20	25	15	28	17	14	21	13	8	10	3	8
Versus a Year Ago (not seasonally adjusted)													
Composite Index	24	25	28	21	27	18	21	15	21	17	29	12	17
General revenue/sales	29	31	41	25	33	23	29	28	21	16	38	19	17
Number of employees	18	24	22	21	20	12	16	7	18	24	20	-3	18
Employee hours worked	16	19	19	20	22	12	13	17	15	22	20	-1	22
Part-time/temporary employment	18	10	5	14	13	10	3	10	13	3	8	4	12
Wages and benefits	58	58	70	62	51	56	60	64	63	60	63	48	59
Inventory levels	18	13	6	9	21	12	9	-4	24	11	21	16	16
Credit conditions/access to credit	4	0	-3	-3	-2	-4	0	1	-6	4	2	7	-3
Capital expenditures	29	23	31	35	22	33	21	16	29	22	30	15	21
Input prices	57	68	63	49	57	45	51	46	56	56	56	45	52
Selling prices	51	47	55	36	42	29	30	37	38	24	40	25	29
Expected in Six Months (seasonally adjusted)													
Composite Index	28	33	32	28	25	25	17	25	23	16	27	17	14
General revenue/sales	36	43	44	39	29	36	31	39	31	20	43	24	23
Number of employees	25	27	22	26	19	18	7	17	19	16	16	15	13
Employee hours worked	19	26	23	20	15	11	10	11	19	17	23	7	11
Part-time/temporary employment	8	9	9	19	14	13	6	11	13	0	12	5	-1
Wages and benefits	47	46	62	53	38	41	36	42	47	42	45	33	43
Inventory levels	13	17	16	5	22	6	-1	2	11	4	2	0	-6
Credit conditions/access to credit	7	-3	-2	0	-2	-5	-1	6	-4	2	8	7	-2
Capital expenditures	16	22	15	18	19	27	25	28	25	16	37	12	10
Input prices	41	52	53	44	47	37	48	50	54	50	42	42	47
Selling prices	28	33	44	31	38	21	33	39	38	33	28	26	19