



NEWS RELEASE

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Tenth District Services Activity Continued to Increase Moderately
Federal Reserve Bank of Kansas City Releases May Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the May 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 increase moderately, and expectations for future growth rose somewhat.

“Regional services activity continued to hum along in May,” said Wilkerson. “Some firms noted challenges related to new tariffs, but more firms were optimistic about future sales than in any month so far this year.”

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 continued to increase moderately in May, and expectations for future growth rose somewhat (Chart 1). Price indexes were little changed, although business contacts expected some slight moderation in price increases for future months.

Business Increased Moderately in May

The month-over-month services composite index was 15 in May, slightly higher than 12 in April, and considerably stronger than -2 in March (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. All month-over-month indexes were positive in May, although some indexes were not quite as solid as last month. The general revenue/sales index increased further, driven by expansion across most industries, but especially retail, wholesale, and transportation activity. Most year-over-year services indexes also improved from the previous month. Compared with a year ago, the services composite index rose from 17 to 29, and the general revenue/sales index jumped from 16 to 38. Expectations for future services activity edged higher, with the future composite index increasing from 16 to 27, and the future capital expenditures index recording its highest reading since the survey began in January 2014.

Selected Services Comments

“Tariffs seem to be raising the costs of metal significantly.”

“The market is not deep and our revenue has been lumpy than the past few years. We hope this is a blip on the radar.”

“Sales growth is beginning to decline. Many product suppliers manufacture in China.”

“International products are making up most of our sales growth.”

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

Plant Level Indicators	May vs. April (percent)*					May vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index^	SA Index^^	Increase	No Change	Decrease	Diff Index^	SA Index^^	Increase	No Change	Decrease	Diff Index^	SA Index^^
Composite Index				17	15				29					25	27
General Revenue/Sales	42	34	24	18	19	62	15	23	38	56	28	16	41	43	
Number of Employees	27	59	14	14	6	38	45	17	20	31	52	17	14	16	
Employee Hours Worked	31	55	13	18	16	32	55	12	20	29	62	10	19	23	
Part-Time/Temporary Employment	23	66	11	12	12	19	69	11	8	17	75	8	10	12	
Wages and Benefits	29	65	6	23	23	66	31	3	63	44	54	2	43	45	
Inventory Levels	33	59	8	25	18	34	53	13	21	22	59	19	3	2	
Credit Conditions/Access to Credit	2	97	2	0	1	8	86	6	2	9	88	3	6	8	
Capital Expenditures	26	71	3	23	23	34	61	5	30	37	62	2	35	37	
Input Prices	35	62	3	32	32	60	35	5	56	47	52	2	45	42	
Selling Prices	22	68	10	13	10	50	40	10	40	34	56	10	25	28	

*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 May survey was open for a five-day period from May 15-20, 2019 and included 67 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Index vs. a Month Ago

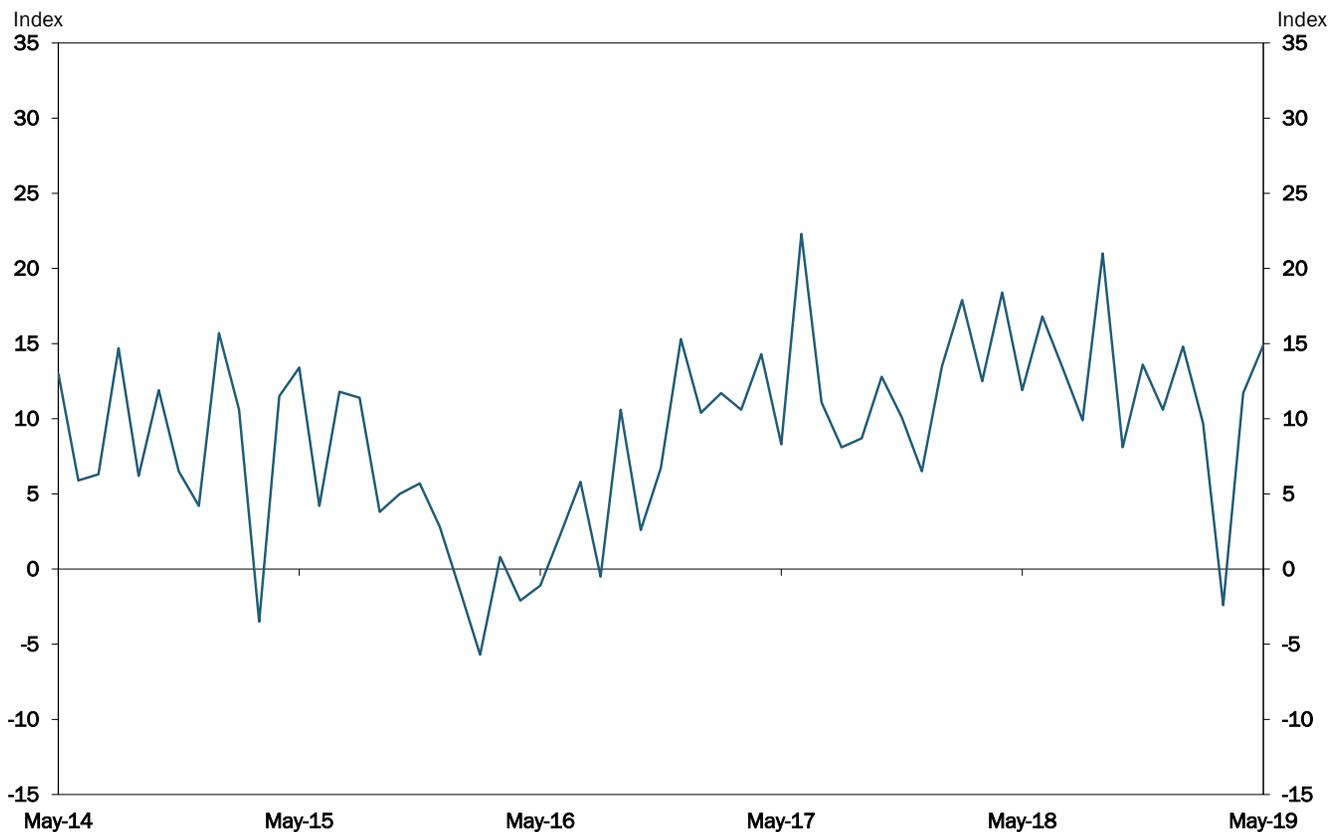


Table 2
Historical Services Survey Indexes

	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18	Dec'18	Jan'19	Feb'19	Mar'19	Apr'19	May'19
Versus a Month Ago (seasonally adjusted)													
Composite Index	12	17	13	10	21	8	14	11	15	10	-2	12	15
General revenue/sales	21	24	22	16	38	11	18	5	27	20	-6	15	19
Number of employees	0	10	4	5	4	6	4	17	7	-5	-4	12	6
Employee hours worked	5	11	10	1	27	2	12	6	12	3	-3	23	16
Part-time/temporary employment	10	5	3	-4	10	15	7	6	8	3	11	9	12
Wages and benefits	28	31	17	27	34	31	29	22	34	29	33	24	23
Inventory levels	7	9	6	2	4	4	17	15	-4	6	9	3	18
Credit conditions/access to credit	1	2	1	-1	-1	2	-6	-6	-6	-1	-6	1	1
Capital expenditures	21	17	12	9	10	15	6	14	14	17	27	18	23
Input prices	36	35	34	33	40	34	38	23	34	46	38	39	32
Selling prices	28	27	26	20	25	15	28	17	14	21	13	8	10
Versus a Year Ago (not seasonally adjusted)													
Composite Index	17	18	24	25	28	21	27	18	21	15	21	17	29
General revenue/sales	14	17	29	31	41	25	33	23	29	28	21	16	38
Number of employees	18	22	18	24	22	21	20	12	16	7	18	24	20
Employee hours worked	15	25	16	19	19	20	22	12	13	17	15	22	20
Part-time/temporary employment	9	13	18	10	5	14	13	10	3	10	13	3	8
Wages and benefits	57	63	58	58	70	62	51	56	60	64	63	60	63
Inventory levels	22	13	18	13	6	9	21	12	9	-4	24	11	21
Credit conditions/access to credit	4	2	4	0	-3	-3	-2	-4	0	1	-6	4	2
Capital expenditures	28	27	29	23	31	35	22	33	21	16	29	22	30
Input prices	65	59	57	68	63	49	57	45	51	46	56	56	56
Selling prices	48	43	51	47	55	36	42	29	30	37	38	24	40
Expected in Six Months (seasonally adjusted)													
Composite Index	29	30	28	33	32	28	25	25	17	25	23	16	27
General revenue/sales	36	40	36	43	44	39	29	36	31	39	31	20	43
Number of employees	28	28	25	27	22	26	19	18	7	17	19	16	16
Employee hours worked	23	14	19	26	23	20	15	11	10	11	19	17	23
Part-time/temporary employment	12	10	8	9	9	19	14	13	6	11	13	0	12
Wages and benefits	39	50	47	46	62	53	38	41	36	42	47	42	45
Inventory levels	14	9	13	17	16	5	22	6	-1	2	11	4	2
Credit conditions/access to credit	1	1	7	-3	-2	0	-2	-5	-1	6	-4	2	8
Capital expenditures	26	26	16	22	15	18	19	27	25	28	25	16	37
Input prices	33	44	41	52	53	44	47	37	48	50	54	50	42
Selling prices	34	34	28	33	44	31	38	21	33	39	38	33	28