



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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**Tenth District Services Activity Declined Modestly in October**  
*Federal Reserve Bank of Kansas City Releases October Services Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the October 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 declined modestly in October, while expectations for future growth expanded.

“Regional services activity declined slightly in October after rising in August and September,” said Wilkerson. “This continued a trend of up and down activity in the sector in 2019.”

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](http://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](http://www.kansascityfed.org).

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## **TENTH DISTRICT SERVICES SUMMARY**

Tenth District services activity declined modestly in October, while expectations for future growth expanded (Chart 1). Input and selling price indexes continued to rise, but at a slower pace compared with a month ago and a year ago, and expectations for future selling prices remained high.

### **Business Declined Modestly in October**

The month-over-month services composite index was -5 in October, down from 16 in September and 17 in August (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most month-over-month indexes decreased in October. The indexes for employment, employee hours, and inventories dropped into negative territory. The general revenue/sales index also fell, driven by lower retail, auto, transportation, restaurants, and tourism activity. However, the part-time employment, wages and benefits, and capital expenditures indexes remained positive, and the access to credit index increased slightly in October. Year-over-year services indexes slowed somewhat, as the composite index declined from 26 to 21 compared to last month. Overall expectations for future services activity expanded from 18 to 20, in part due to the increase in expected inventory levels.

### **Special Questions**

This month contacts were asked special questions about capital investment decisions and difficulties hiring employees. Nearly 41 percent of regional manufacturing contacts indicated that future demand expectations were the primary driver for capital investment decisions (Chart 2). Over 36 percent of contacts reported the need to replace existing plant and equipment was the primary driver for investment decisions, and another 15 percent said economic/political uncertainty was the main factor. In regards to filling positions, 48 percent of firms said they had difficulty hiring workers over the past three months because of a lack of qualified applicants (Chart 3). Only 23 percent of contacts noted they did not have difficulty hiring workers over the past three months.

## **Selected Services Comments**

“Immigration issues are impacting our ability to grow. High-end tech workers’ H1 visa issues are shortening the supply and making it hard to grow.”

“Consumer confidence seems to be very high in relationship to the last decade. We feel confident that our company can make needed capital investments in our business without worrying about tax rates escalating over the next 4 years.”

“Things seem a little slower than a year ago so we are trying to adjust without getting caught off guard. It’s very difficult to guess this year.”

“So much economic uncertainty. Tariffs, military action, lack of direction in White House.”

“Health care expenses are still a major concern as an employer and an employee.”

“Our business continues to expand requiring additional employees that results in more hours.”

“Can’t get high quality, high tech employees, so to accomplish our goals... current employees are working longer hours.”

“Shortage of workers have caused an increase in hours worked by existing staff and adding new workers for new stores.”

“No new employees hired. 20 interviewed. 8 hired... NONE SHOWED. Amazing isn’t it.”

**Table 1. Summary of Tenth District Services Conditions, October 2019**

	October vs. September (percent)*					October vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>^^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>^^</sup>
Plant Level Indicators														
Composite Index				-12	-5				21				21	20
General Revenue/Sales	21	40	39	-17	-7	53	19	27	26	48	34	18	30	31
Number of Employees	17	60	23	-5	-2	43	35	22	21	30	53	16	14	11
Employee Hours Worked	13	64	23	-9	-3	31	51	18	13	18	68	14	4	0
Part-Time/Temporary Employment	12	78	9	3	8	20	71	9	11	19	76	6	13	12
Wages and Benefits	26	67	7	20	19	70	25	5	64	55	44	1	53	48
Inventory Levels	16	59	25	-9	-5	30	46	24	6	19	68	13	7	8
Credit Conditions/Access to Credit	4	95	1	3	3	8	87	4	4	6	91	3	3	2
Capital Expenditures	19	71	11	8	5	36	49	15	21	29	60	11	18	12
Input Prices	25	70	5	19	20	51	43	6	46	46	50	4	41	42
Selling Prices	13	76	11	1	7	44	44	13	31	32	59	8	24	24

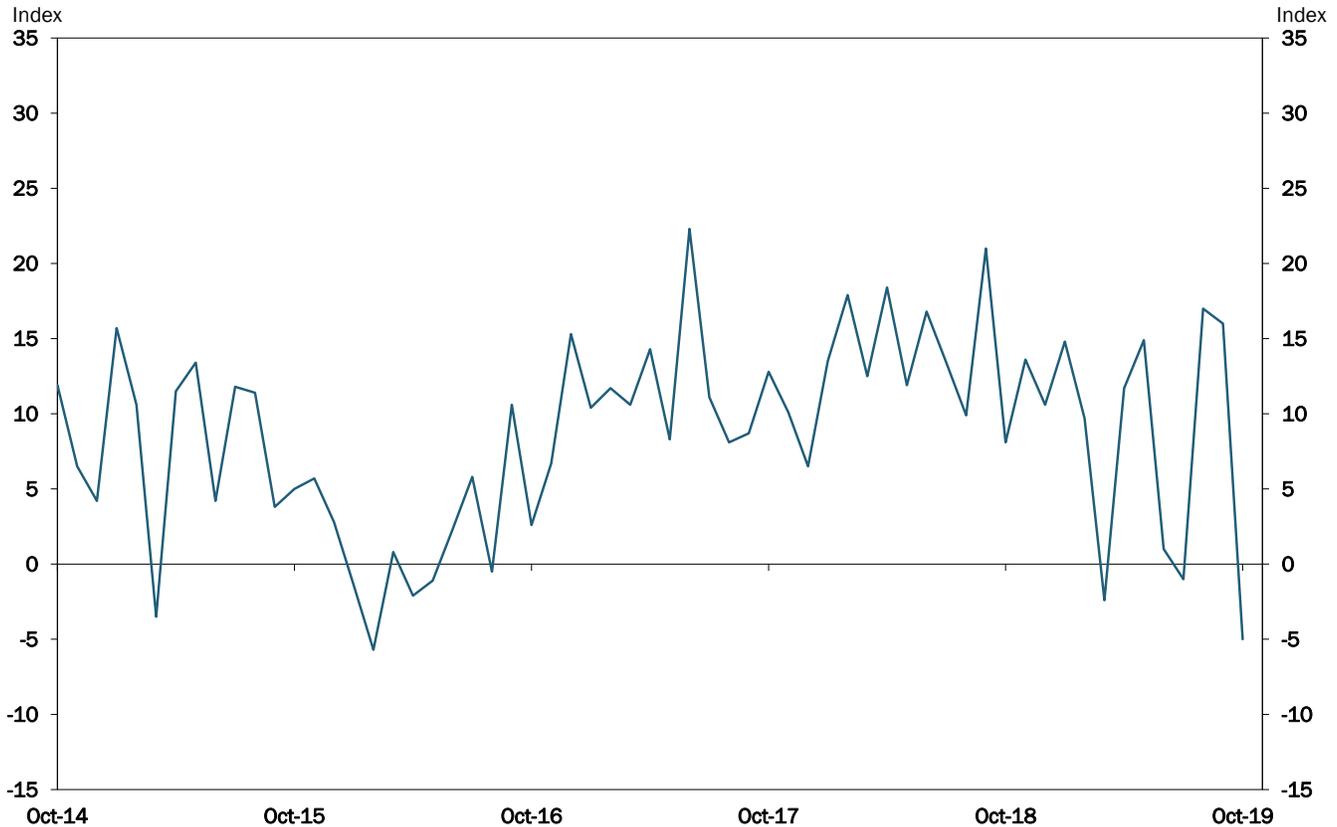
\*Percentage may not add to 100 due to rounding.

<sup>^</sup>Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

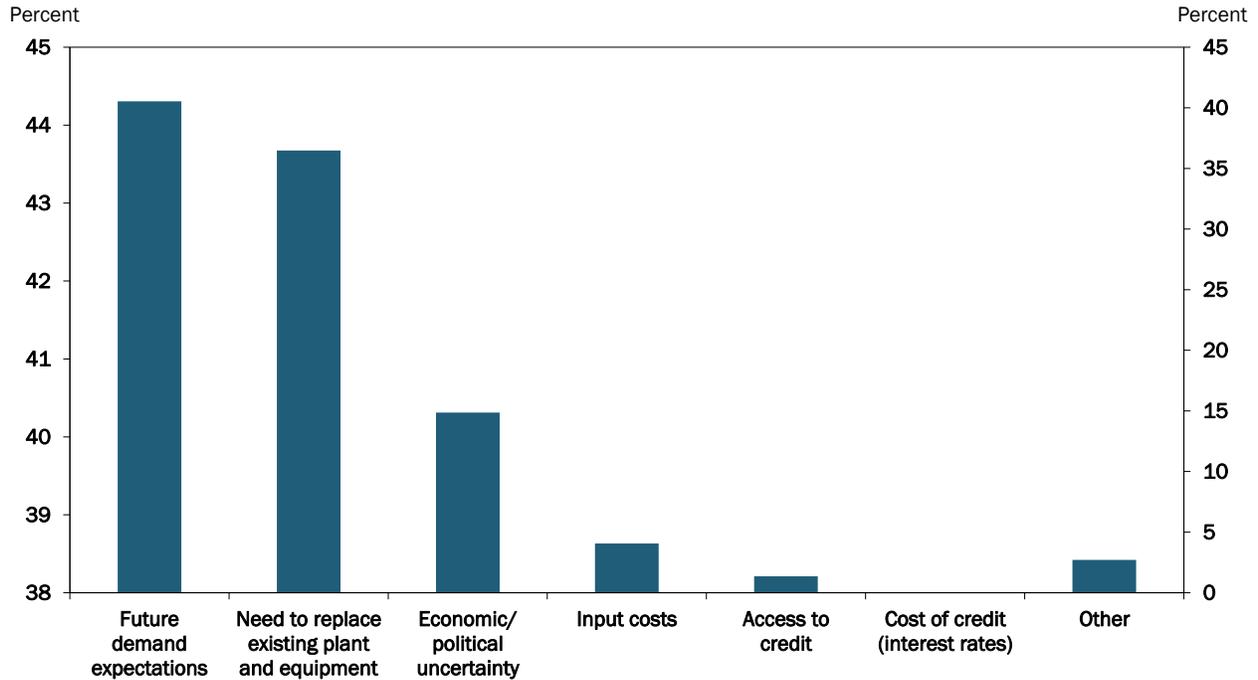
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-12.

Note: The October survey was open for a five-day period from October 16-21, 2019 and included 76 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

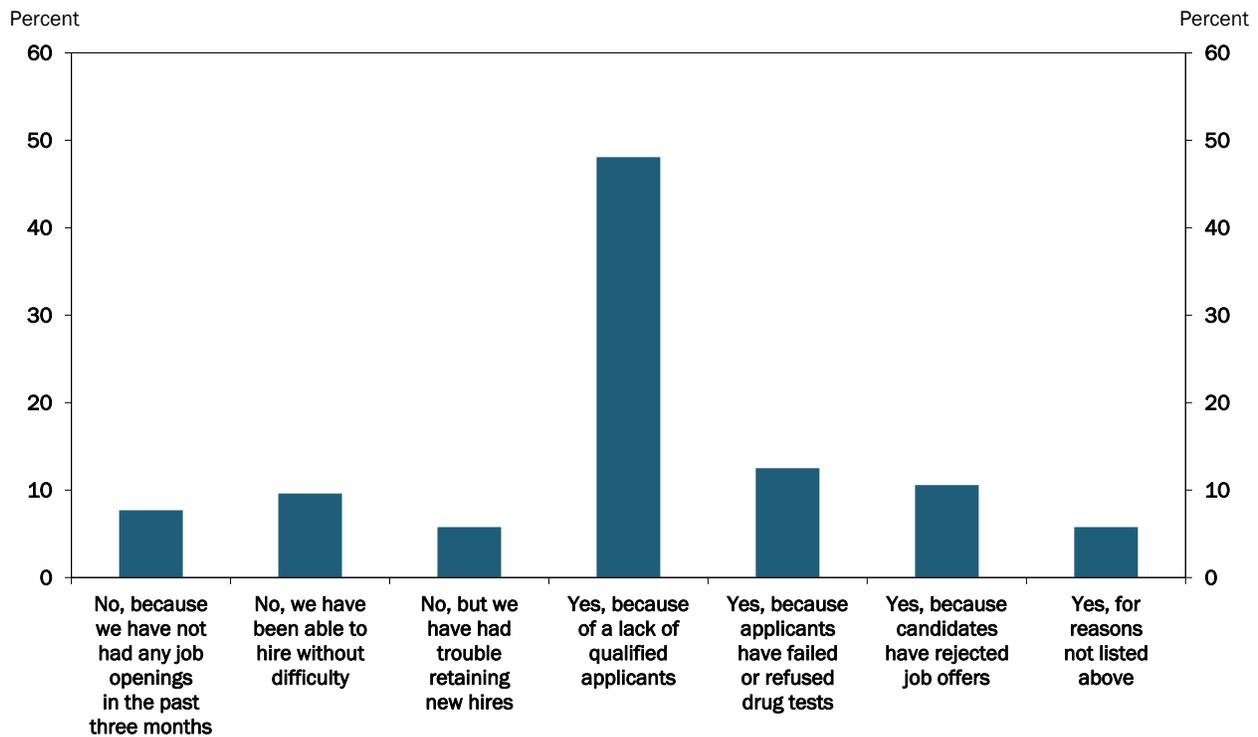
**Chart 1. Services Composite Index vs. a Month Ago**



**Chart 2. Special Question: What is the primary driver for your firm's capital investment decisions over the next year?**



**Chart 3. Special Question: Thinking of positions your firm has filled or attempted to fill, have you had difficulty hiring workers in the last three months? (Choose as many**



**Table 2**  
**Historical Services Survey Indexes**

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