



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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**Tenth District Services Activity Rose Modestly in February**  
*Federal Reserve Bank of Kansas City Releases February Services Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the February 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 rose modestly in February and expectations for future activity also expanded.

“We saw a slightly smaller increase in our regional services activity composite index this month,” said Wilkerson. “Some firms noted negative effects from some recent global developments, but overall expectations remained elevated.”

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. 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 rose modestly in February and expectations for future activity also expanded (Chart 1). Input and selling price indexes continued to grow, but at slower pace compared with a month ago. Expectations for both future input and selling prices remained high.

### **Business Activity Rose Modestly in February**

The month-over-month services composite index was 6 in February, moderately lower than 14 in January and 15 in December (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Nearly all month-over-month indexes remained positive in February. The index for wages and benefits increased to the highest level in the six-year survey history. On the other hand, the access to credit index turned negative for the first time in almost a year. The general revenue/sales index was positive, driven by increases in most sectors, while some consumer spending activity, specifically restaurants and auto, declined. Year-over-year services indexes were relatively similar to last month, and the year-over-year composite index remained unchanged at 20. Expectations for future services activity grew, but a slightly lower rate as the composite index edged down from 28 to 23.

### **Special Questions**

This month contacts were asked special questions about several global developments. Over a third of District business contacts reported negative effects from Coronavirus (Chart 2). Looking ahead, nearly 44 percent of businesses expected negative impacts from Coronavirus over the rest of 2020, but 39 percent of firms anticipated some positive effects from recently signed trade deals (Chart 3).

## Selected Services Comments

“Business is good, no available workers.”

“Uncertainty in the impact on the future economic conditions is tightening customers' spending.”

“Shipments to and from China to west coast ports slowed, causing rates to soften on overcapacity of goods.”

“There have been some cost increases due to tariffs, but it seems to be settling down now.”

“For us, the 737 Max grounding is significantly more important with a large Spirit plant in Wichita, plus all the feeder machine shops. Thousands of workers were laid off.”

“We support a lot of product companies that primarily sell products here in the US. The tariffs have caused a slowdown in the segment and loss of access to China with coronavirus and shut down in factories has not completely hit yet - but we expect it too.”

“There is a lot of wage pressure, which I have tried to manage in other ways by paying performance-based bonuses and offering other benefits. But, it isn't enough. I'll have to raise prices by 5-10% to keep up with the wage increase.”

“It is too soon to really measure the impact of the new trade deal and of 'Brexit'. We are seeing critical supply shortages from China as a result of the coronavirus.”

“Business seems steady but not running as fast as the last couple years.”

“Nice weather has boosted sales and put people in a better mood.”

“February looks like it is down a bit in the travel industry. Not sure if this is due to any of the global developments.”

“We've seen a drop in Chinese tourism”

**Table 1. Summary of Tenth District Services Conditions, February 2020**

	February vs. January (percent)*					February 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				-1	6				20				25	23	
General Revenue/Sales	34	28	39	-5	7	52	25	23	28	54	22	23	31	30	
Number of Employees	17	70	13	4	6	36	46	19	17	36	46	19	17	17	
Employee Hours Worked	24	65	11	13	18	33	57	10	23	34	53	14	20	15	
Part-Time/Temporary Employment	15	78	7	7	12	22	68	10	11	26	63	12	14	15	
Wages and Benefits	35	59	6	29	34	69	27	4	65	53	43	4	49	51	
Inventory Levels	24	54	22	3	3	29	47	25	4	36	50	14	21	14	
Credit Conditions/Access to Credit	2	94	4	-1	-1	5	88	8	-3	5	90	5	0	0	
Capital Expenditures	20	65	14	6	8	31	48	21	10	23	57	20	4	1	
Input Prices	34	60	6	28	22	63	30	8	55	53	41	6	46	46	
Selling Prices	28	63	10	18	20	51	36	14	37	40	49	11	28	23	

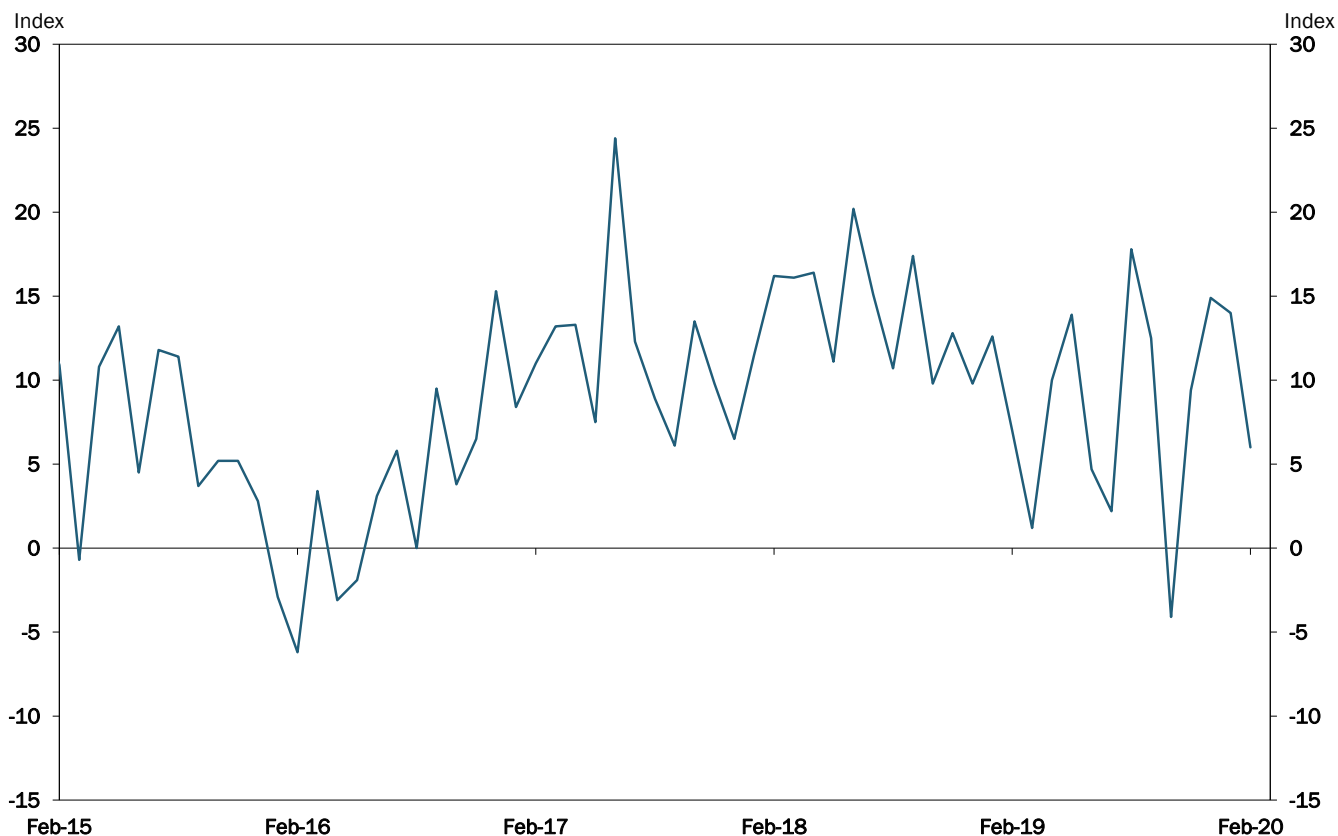
\*Percentage may not add to 100 due to rounding.

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

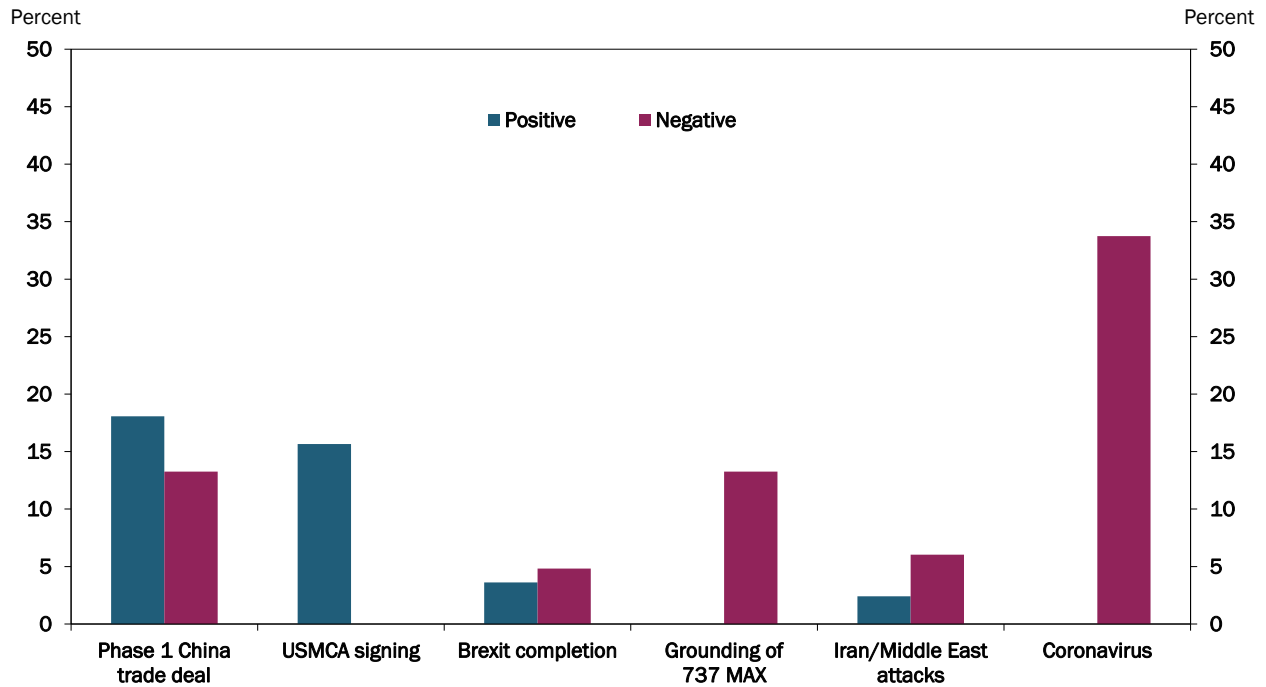
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The February survey was open for a five-day period from February 19-24, 2020 and included 88 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

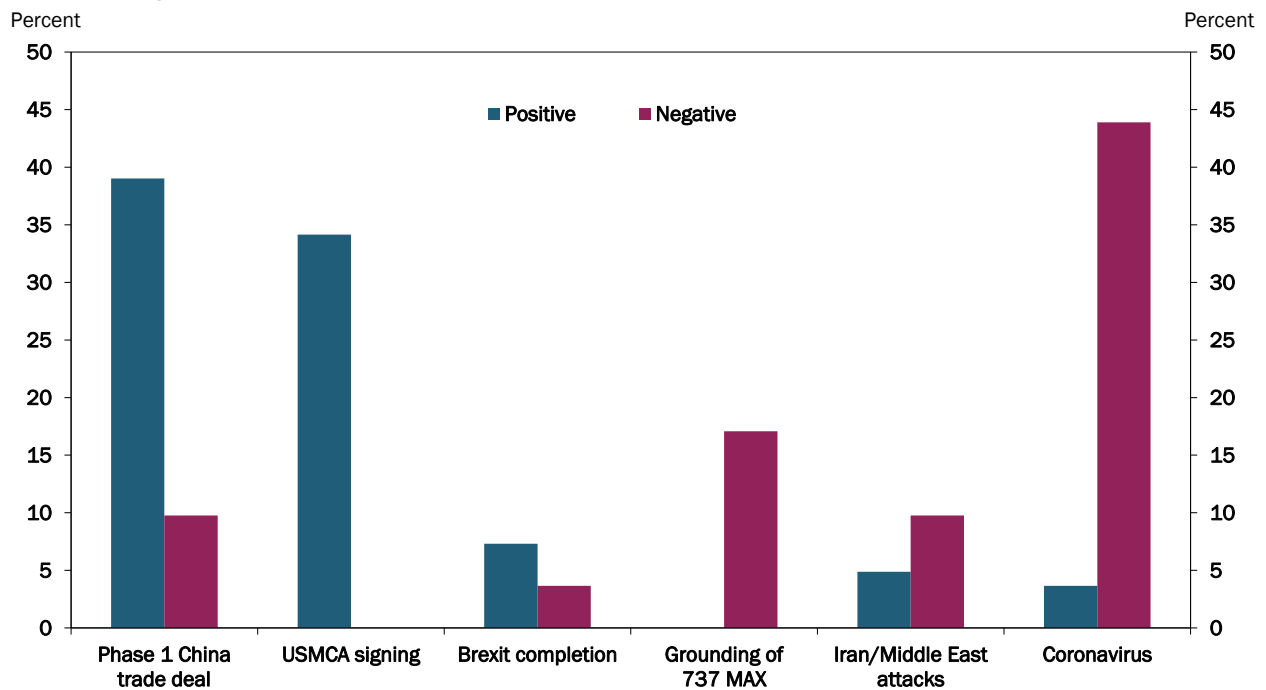
**Chart 1. Services Composite Index vs. a Month Ago**



**Chart 2. Special Question: How have the following global developments affected your business so far in 2020?**



**Chart 3. Special Question: How do you expect the following global developments to affect your business for the rest of 2020?**



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

	Feb'19	Mar'19	Apr'19	May'19	Jun'19	Jul'19	Aug'19	Sep'19	Oct'19	Nov'19	Dec'19	Jan'20	Feb'20
<b>Versus a Month Ago</b> (seasonally adjusted)													
Composite Index	7	1	10	14	5	2	18	13	-4	9	15	14	6
General revenue/sales	15	1	11	18	7	3	34	22	-6	14	19	16	7
Number of employees	-5	-3	13	5	0	3	2	7	-1	6	18	13	6
Employee hours worked	3	-3	22	14	2	8	7	15	1	5	10	4	18
Part-time/temporary employment	6	10	8	10	11	8	2	3	7	9	15	6	12
Wages and benefits	28	31	24	23	26	24	21	27	20	22	28	29	34
Inventory levels	5	8	3	17	6	-1	1	-3	-4	3	0	9	3
Credit conditions/access to credit	-1	-5	0	0	0	1	2	1	2	3	2	2	-1
Capital expenditures	16	27	17	21	5	13	16	29	6	14	9	15	8
Input prices	36	38	38	33	29	33	28	33	23	32	26	33	22
Selling prices	18	13	9	10	5	9	0	22	8	16	15	22	20
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Composite Index	15	21	17	29	12	17	15	26	21	31	25	20	20
General revenue/sales	28	21	16	38	19	17	19	36	26	40	37	26	28
Number of employees	7	18	24	20	-3	18	10	23	21	30	23	16	17
Employee hours worked	17	15	22	20	-1	22	21	24	13	28	17	22	23
Part-time/temporary employment	10	13	3	8	4	12	5	11	11	9	8	13	11
Wages and benefits	64	63	60	63	48	59	56	70	64	68	61	58	65
Inventory levels	-4	24	11	21	16	16	11	6	6	9	0	11	4
Credit conditions/access to credit	1	-6	4	2	7	-3	1	-3	4	11	8	4	-3
Capital expenditures	16	29	22	30	15	21	22	31	21	22	23	15	10
Input prices	46	56	56	56	45	52	45	52	46	57	57	53	55
Selling prices	37	38	24	40	25	29	27	36	31	39	30	32	37
<b>Expected in Six Months</b> (seasonally adjusted)													
Composite Index	25	23	17	25	18	16	18	17	20	30	15	28	23
General revenue/sales	37	32	22	40	26	25	27	27	30	44	19	34	30
Number of employees	18	16	16	16	15	13	11	16	11	21	15	27	17
Employee hours worked	11	16	15	19	12	10	8	12	1	15	7	26	15
Part-time/temporary employment	10	11	2	11	5	1	-4	7	8	7	3	15	15
Wages and benefits	41	46	43	46	34	43	43	48	45	49	45	56	51
Inventory levels	3	10	5	3	1	-3	4	-6	6	6	4	15	14
Credit conditions/access to credit	5	-3	2	7	6	-2	4	3	2	9	3	5	0
Capital expenditures	24	22	16	35	13	13	14	8	14	26	13	19	1
Input prices	48	52	48	45	43	46	43	42	43	45	50	54	46
Selling prices	35	36	33	29	28	24	26	31	25	32	28	32	23