



NEWS RELEASE

FEDERAL RESERVE BANK *of* KANSAS CITY
DENVER • OKLAHOMA CITY • OMAHA

FOR IMMEDIATE RELEASE

Nov. 20, 2020

CONTACT: Pam Campbell

(405) 270-8617

Pam.Campbell@kc.frb.org

Tenth District Services Activity Rose Slightly
Federal Reserve Bank of Kansas City Releases November Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the November 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 slightly in November, but still lagged year-ago levels, while expectations for future activity increased.

“Regional services activity expanded in November, but was still below year-ago levels,” said Wilkerson. “A majority of firms indicated that COVID-19 developments have affected their online business strategy and plans, and a significant share of firms reported they have expanded their online business.”

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.

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.

###

TENTH DISTRICT SERVICES SUMMARY

Tenth District services activity rose slightly in November but still lagged year-ago levels, while expectations for future activity increased (Chart 1 & Table 1). The indexes for input and selling prices continued to grow, but at a slower pace than a month ago. Firms expected input and selling prices to increase in the next six months.

Business Activity Rose Slightly

The month-over-month services composite index was 10 in November, slightly lower than 12 in October, but up from -7 in September (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 November. The general revenue and sales index remained positive, driven by more wholesale, transportation, professional, technical, and health services activity. However, auto, tourism, and restaurant activity declined. The inventory and access to credit indexes dipped back into negative territory, while the indexes for employee hours and part-time employment were flat. On the other hand, the employment, wages and benefits, and capital expenditures indexes were positive, indicating expansion. Year-over-year indexes remained negative in November, but slightly less so, as the year-over-year composite moved from -19 to -16. Expectations for future services activity increased, and the composite index expanded from 7 in October to 13 in November.

Special Questions

This month contacts were asked special questions about hiring restraints and how developments surrounding COVID-19 have affected online business strategies. Nearly half of businesses reported an inability to find skilled workers and the lack of qualified applicants was one of the biggest factors restraining hiring plans (Chart 2). A majority of firms also restrained hiring plans due to uncertainty about the pandemic or Coronavirus-related regulations, and nearly 45% of firms restrained hiring plans to keep operating costs low. Concerning online business, over half of businesses indicated that developments surrounding COVID-19 affected their company's online business strategy. Nearly 40% of firms expanded their existing online business, while 11% implemented an online business segment, and 15% of firms have plans to create an online segment in the future (Chart 3). About a quarter of firms made no changes to their existing online business, while another 10% do not have an online business and have no plans to implement one in the future.

Selected Services Comments

“The uncertainty around governmental programs to help businesses with COVID issues has caused apprehension across our business and industry. Changing or unclear rules on employment makes decisions on hiring or laying off employees challenging.”

“The increase in infection rate is adding more instability to the work environment as governments issue additional shutdown policies to help curve the virus.”

“Coronavirus has scared many people from the dining rooms this month and seems to be getting worse.”

“COVID- round 2 during the winter months is going to hurt business. Keeping dining rooms closed for the protection of my employees is critical to staying open. Seeing COVID outbreak much higher in last 30 days in our area.”

“COVID is killing us. We were profitable in Jan, Feb, but have been negative every month since and are bleeding cash. We will have to make hard decisions about staffing for 2021 which means some combination of reduced wages, furloughs, and position cuts.”

“We are very slow to hire so we don't have to lay off; sales need to substantially increase before hiring.”

“It's hard to find people... that want to learn a job and stick with it.”

“Many job applicants cannot pass screening requirements.”

“We are finally finding plenty of job applicants and workers. Business was improving up until the most recent COVID spike. We have increased the team incentives on the margin instead of straight hourly wage increases.”

“Store sales are down 15% and continue to decline. Online sales growth continues to be strong but has plateaued. Workers (all essential) are getting weary.”

“The election mess and the continued unrest causes us concern for future business investment.”

Table 1. Summary of Tenth District Services Conditions, November 2020

	November vs. October (percent)*					November 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	10				-16				15	13	
General Revenue/Sales	39	35	26	13	17	38	14	49	-11	51	23	27	24	23	
Number of Employees	23	59	19	4	6	24	28	49	-25	28	48	24	4	2	
Employee Hours Worked	24	53	23	1	0	18	44	38	-20	24	56	19	5	6	
Part-Time/Temporary Employment	13	75	13	0	0	13	62	25	-13	13	73	14	-1	-4	
Wages and Benefits	22	67	11	10	9	47	32	22	25	38	46	15	23	20	
Inventory Levels	17	58	25	-8	-4	21	42	37	-16	28	55	17	11	6	
Credit Conditions/Access to Credit	5	87	8	-3	-1	10	81	9	1	8	83	9	-1	-1	
Capital Expenditures	18	68	14	4	4	28	44	28	0	29	53	18	12	10	
Input Prices	33	60	6	27	25	51	38	10	41	44	48	8	36	31	
Selling Prices	25	63	11	14	11	54	32	14	41	41	44	15	26	22	

*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-13.

Note: The November survey was open for a six-day period from November 10-16, 2020 and included 80 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

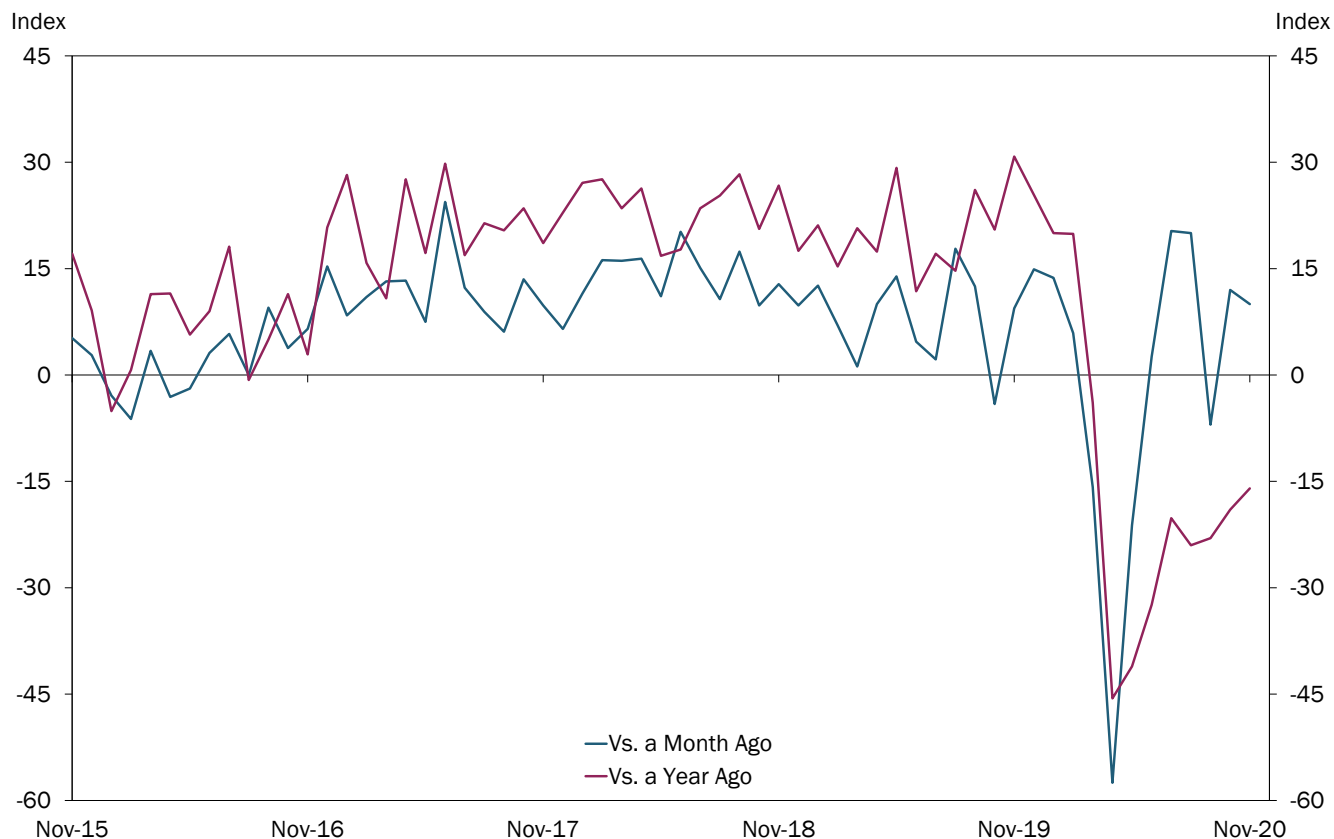


Chart 2. Special Question: What are the three most important factors, if any, restraining your hiring plans? Please rank the three factors in order from 1 (most important) to 3 (third most important).

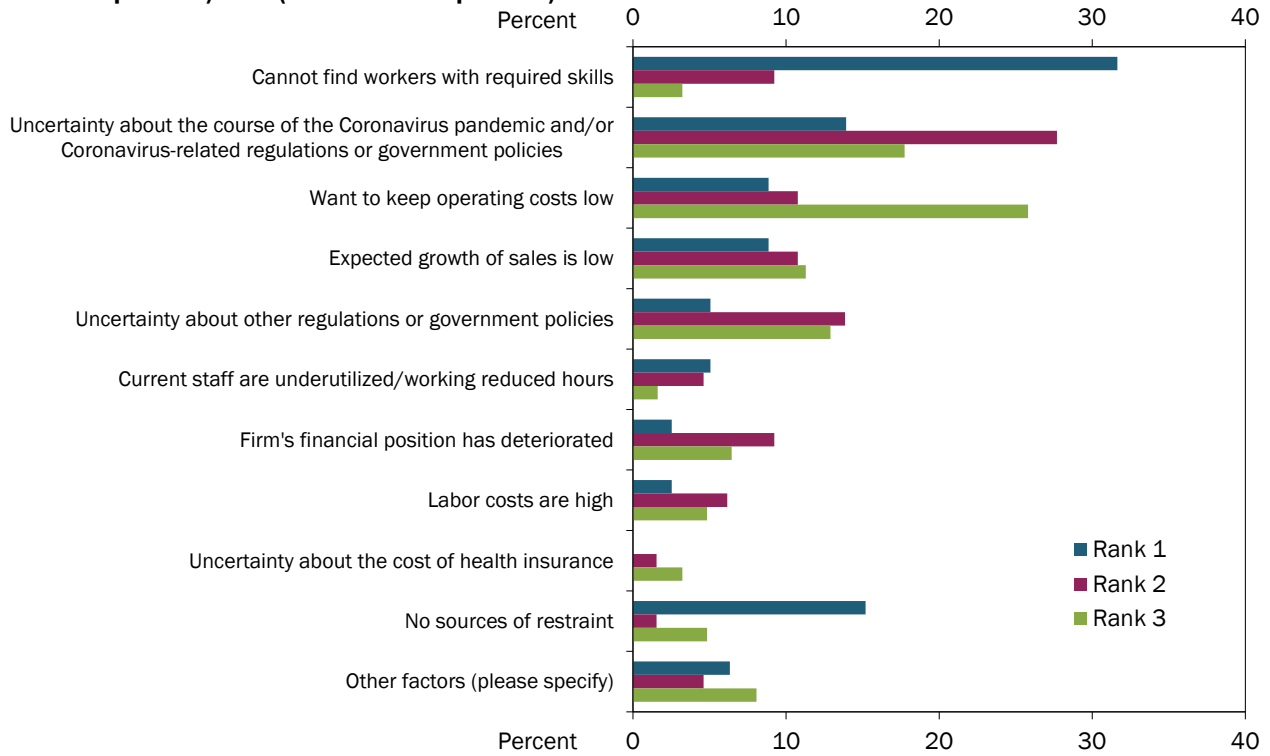


Chart 3. Special Question: Please select the option below that best describes developments in your company's on-line business since the beginning of 2020.



Table 2
Historical Services Survey Indexes

	Nov'19	Dec'19	Jan'20	Feb'20	Mar'20	Apr'20	May'20	Jun'20	Jul'20	Aug'20	Sep'20	Oct'20	Nov'20
Versus a Month Ago (seasonally adjusted)													
Composite Index	9	15	14	6	-16	-58	-21	3	20	20	-7	12	10
General Revenue/Sales	14	19	16	7	-17	-81	-21	12	37	37	-18	17	17
Number of Employees	6	18	13	6	-15	-42	-19	2	12	10	9	7	6
Employee Hours Worked	5	10	4	18	-19	-69	-31	2	15	20	6	11	0
Part-Time/Temporary Employment	9	15	6	12	-24	-37	-25	-10	1	5	0	3	0
Wages and Benefits	22	28	29	34	1	-22	-6	10	16	30	19	18	9
Inventory Levels	3	0	9	3	-14	-22	-25	-20	-9	-9	-3	8	-4
Credit Conditions/Access to Credit	3	2	2	-1	-2	-4	-4	-7	-3	-4	1	2	-1
Capital Expenditures	14	9	15	8	-12	-33	-25	-13	3	17	10	3	4
Input Prices	32	26	33	22	17	-3	13	39	30	37	29	34	25
Selling Prices	16	15	22	20	-4	-34	-15	9	13	16	15	25	11
Versus a Year Ago (not seasonally adjusted)													
Composite Index	31	25	20	20	-4	-46	-41	-32	-20	-24	-23	-19	-16
General revenue/sales	40	37	26	28	-4	-58	-53	-40	-13	-24	-21	-16	-11
Number of employees	30	23	16	17	-7	-42	-28	-16	-31	-22	-18	-29	-25
Employee hours worked	28	17	22	23	-3	-55	-44	-30	-29	-22	-19	-13	-20
Part-time/temporary employment	9	8	13	11	-10	-25	-26	-18	-20	-14	-10	-8	-13
Wages and benefits	68	61	58	65	31	12	8	30	31	31	41	41	25
Inventory levels	9	0	11	4	1	-20	-31	-38	-22	-26	-33	-10	-16
Credit conditions/access to credit	11	8	4	-3	0	-3	-10	-8	-12	-12	-1	0	1
Capital expenditures	22	23	15	10	-14	-29	-31	-22	-10	8	-7	2	0
Input prices	57	57	53	55	41	14	22	46	38	37	49	47	41
Selling prices	39	30	32	37	22	-19	1	14	20	22	33	24	41
Expected in Six Months (seasonally adjusted)													
Composite Index	30	15	28	23	-30	-28	-2	9	-2	11	19	7	13
General revenue/sales	44	19	34	30	-34	-36	-1	14	1	17	30	14	23
Number of employees	21	15	27	17	-31	-23	0	9	-4	10	10	0	2
Employee hours worked	15	7	26	15	-32	-26	-9	12	3	12	3	0	6
Part-time/temporary employment	7	3	15	15	-15	-5	5	11	-1	-4	-6	-6	-4
Wages and benefits	49	45	56	51	-10	6	20	29	32	27	32	21	20
Inventory levels	6	4	15	14	-18	-13	-9	-5	-6	-2	4	-2	6
Credit conditions/access to credit	9	3	5	0	-14	-6	1	1	-4	-5	4	4	-1
Capital expenditures	26	13	19	1	-33	-30	-21	-7	-10	9	4	-4	10
Input prices	45	50	54	46	7	0	23	45	32	33	38	44	31
Selling prices	32	28	32	23	-12	-16	10	18	17	24	13	27	22