



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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**Tenth District Services Activity Decreased at a Slower Pace**  
*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 decreased at a slower pace in May after dropping very sharply in April, and expectations for future activity remained negative but improved somewhat.

“We saw a continued decrease in regional services activity in May, but less so than last month,” said Wilkerson. “More than 76% of firms experienced ongoing supply chain disruptions as a result of the COVID-19 pandemic and 56% of survey contacts reported losses in productivity.”

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 decreased at a slower pace in May after dropping very sharply in April, and expectations for future activity remained negative but improved somewhat (Chart 1 & Table 1). The input price index rebounded while the selling price index decreased again in May. Firms expected both input and selling prices to increase over the next six months.

### **Business Activity Decreased at a Slower Pace in May**

The month-over-month services composite index was -21 in May, above the historic low of -58 in April and slightly below -16 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 continued to decrease in May except for the input price index. The monthly inventory index reached a new historic low, while most other indexes moderated slightly but remained in negative territory. The decline in the general revenue/sales index continued to be driven by the sharp decrease in travel, tourism, transportation, restaurants, and healthcare services (healthcare declines due to the decrease in elective procedures). Most year-over-year services indexes also remained negative in May, and the year-over-year composite index was little changed at -41. Expectations for future services activity continued to decrease slightly at -2, but improved somewhat from -28 in April.

### **Special Questions**

This month contacts were asked special questions about their expectations for when business activity will return to pre-COVID-19 levels and about current economic conditions as a result of COVID-19. Nearly 24 percent of businesses expected activity to return to levels similar to before COVID-19 within 6-12 months once restrictions are lifted, while 25 percent indicated it would take more than a year for business activity levels to resume normalcy (Chart 2). However, 15 percent of firms, including some retailers such as building materials and garden equipment suppliers, reported that business activity is currently at or above pre-pandemic levels. If current revenues were to continue, 67 percent of businesses indicated their firm could survive for more than a year, while 33 percent reported their firm could survive only a fraction of that time if current revenue levels persisted. More than 76 percent of firms experienced ongoing supply chain disruptions as a result of the COVID-19 pandemic and 56 percent of survey contacts reported losses in productivity (Chart 3). Additionally, 19 percent of firms reported labor shortages due to the COVID-19 pandemic.

## Selected Services Comments

“With little planning at the federal level, lack of testing, ignoring experts, it seems likely headed for another wave of COVID. Couple that with the fact the economy was slowing before this, it may be a long down cycle.”

“Restaurants will need more help after PPP funds run out.”

“We appreciate the measures taken by the federal government agencies that participated in securing loan funds and assisting us both prior and during this crisis.”

“We need real help. We need funding to cover costs for all the lost revenue.”

“I know I will be open soon, but I sure hope the public shows up... we were up 22% over our best year ever last year up to March 15. Once the lockdown hit we have had \$0.00 income.”

“The stimulus money boosted sales so we expect to be ahead of last year in two months.”

“We are essential and never closed, so very busy.”

“I would guess 50% of lost volume will return in 30 days; another 25% the next 30 days; and the next 20% will creep in over the next 3 or 4 months; the last little bit will take us into 2021.”

“We have downsized despite PPP in order to bring our cost structure in line with the new lower level of sales activity. The PPP allowed us time to make a plan and do this without panic... we should be able to operate for a while if the new lower sales level holds. If it drops more our outlook could change quickly to being far direr.”

“We received help through a PPP loan which has helped our cash position. We have reduced expenses. We did not lay off anyone.”

“While down, our industry has not been as significantly impacted as some.”

“As long as teleworking is allowed we can continue to provide limited services.”

“The supply chain has been upset creating a lot of shortages.”

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

	May vs. April (percent)*					May 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				-17	-21				-41				-2	-2
General Revenue/Sales	29	23	49	-20	-21	20	7	73	-53	44	13	44	0	-1
Number of Employees	18	54	28	-11	-19	18	36	46	-28	27	44	29	-2	0
Employee Hours Worked	16	40	44	-27	-31	12	33	55	-44	25	42	33	-8	-9
Part-Time/Temporary Employment	10	58	32	-23	-25	11	52	37	-26	25	53	22	4	5
Wages and Benefits	18	57	25	-7	-6	41	26	33	8	39	40	22	17	20
Inventory Levels	19	44	37	-18	-25	18	33	49	-31	26	39	35	-8	-9
Credit Conditions/Access to Credit	8	79	13	-5	-4	7	76	17	-10	8	84	7	1	1
Capital Expenditures	12	53	35	-24	-25	16	36	47	-31	16	46	38	-21	-21
Input Prices	28	57	16	12	13	43	35	22	22	39	46	16	23	23
Selling Prices	11	67	22	-12	-15	31	40	29	1	27	52	21	6	10

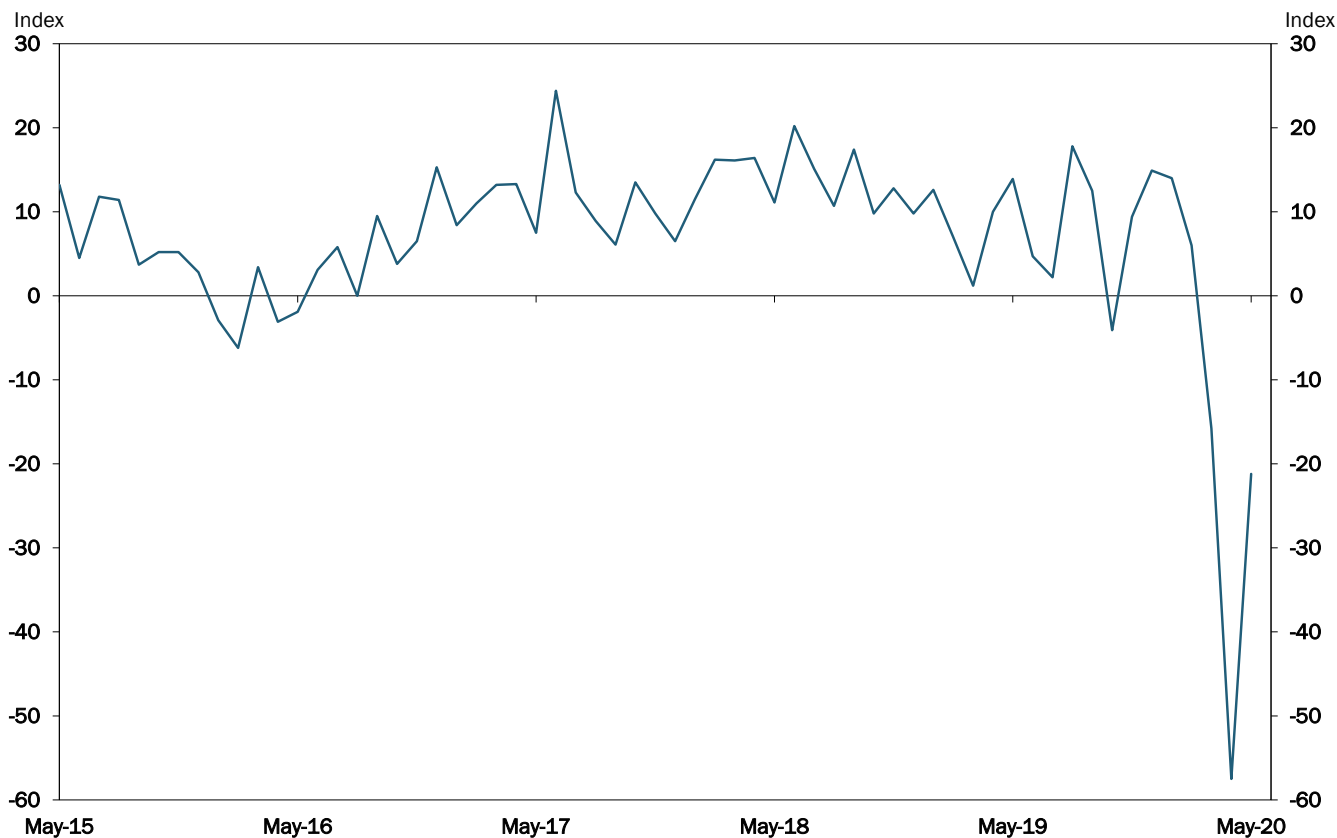
\*Percentage may not add to 100 due to rounding.

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

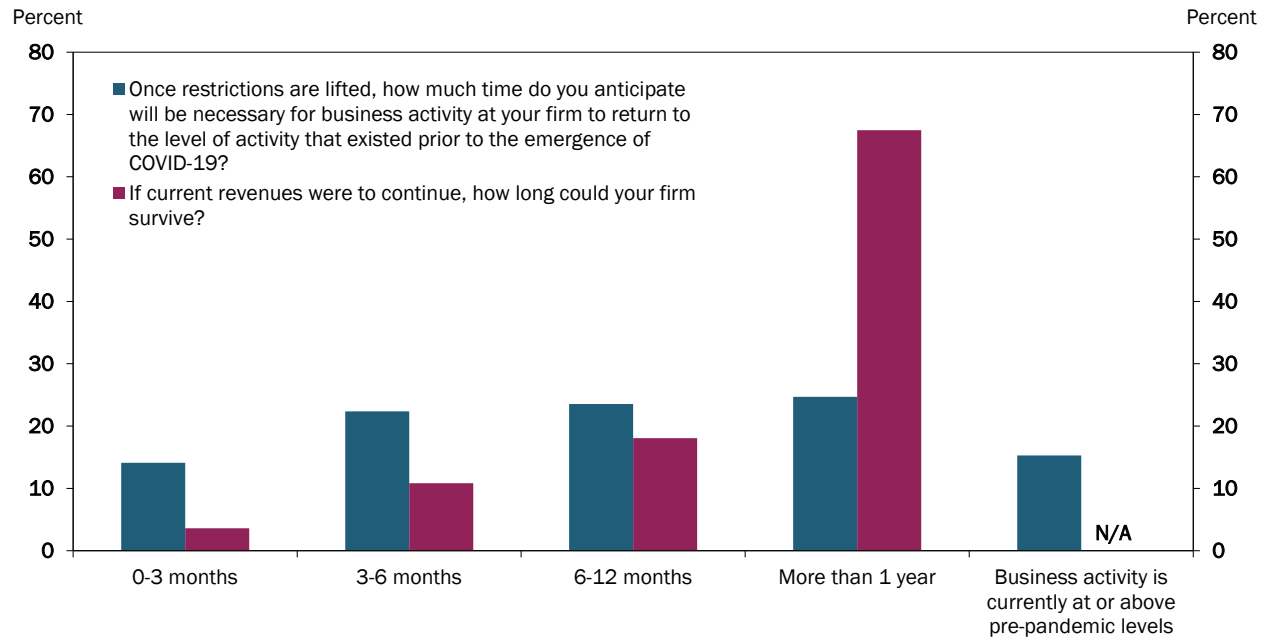
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The May survey was open for a six-day period from May 20-26, 2020 and included 85 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

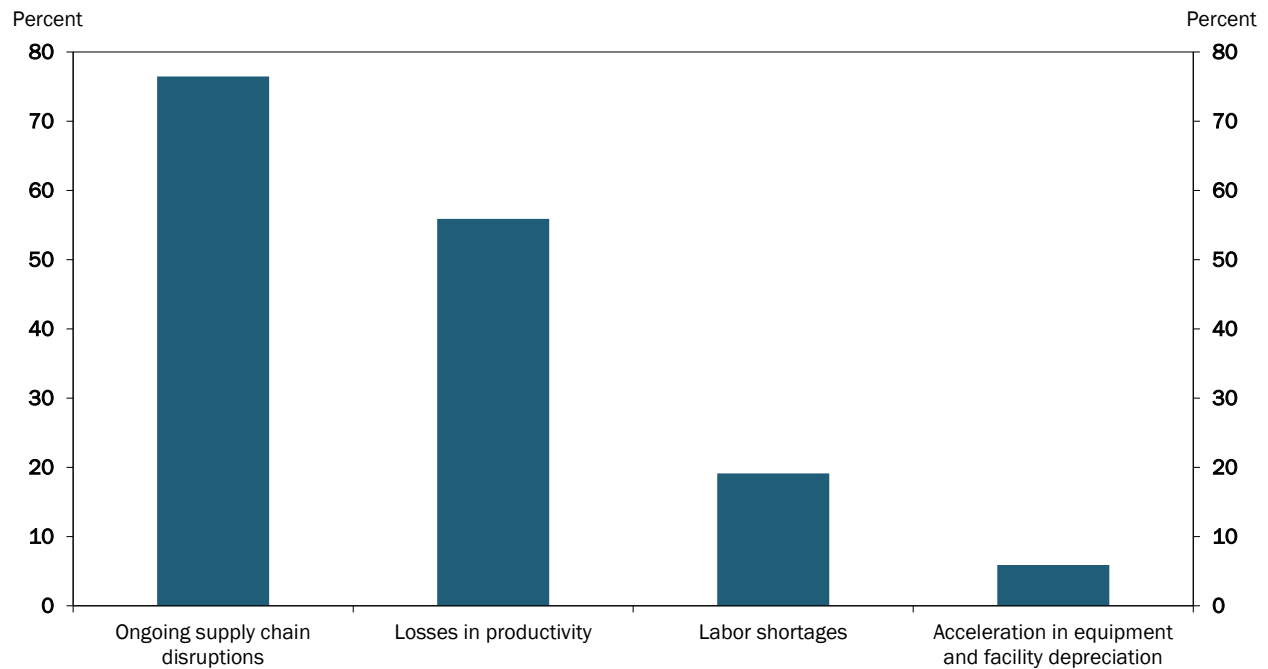
**Chart 1. Services Composite Index vs. a Month Ago**



**Chart 2. Special Question: What are your timeline expectations for business activity to return to pre-COVID-19 levels? How long could your firm survive if current revenues were to continue?**



**Chart 3. Special Question: Is your firm experiencing any of the following as a result of the COVID-19 pandemic (please check all that apply)?**



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

	May'19	Jun'19	Jul'19	Aug'19	Sep'19	Oct'19	Nov'19	Dec'19	Jan'20	Feb'20	Mar'20	Apr'20	May'20
Versus a Month Ago (seasonally adjusted)													
Composite Index	14	5	2	18	13	-4	9	15	14	6	-16	-58	-21
General revenue/sales	18	7	3	34	22	-6	14	19	16	7	-17	-81	-21
General Revenue/Sales	5	0	3	2	7	-1	6	18	13	6	-15	-42	-19
Employee hours worked	14	2	8	7	15	1	5	10	4	18	-19	-69	-31
Part-time/temporary employment	10	11	8	2	3	7	9	15	6	12	-24	-37	-25
Wages and benefits	23	26	24	21	27	20	22	28	29	34	1	-22	-6
Inventory levels	17	6	-1	1	-3	-4	3	0	9	3	-14	-22	-25
Credit conditions/access to credit	0	0	1	2	1	2	3	2	2	-1	-2	-4	-4
Capital expenditures	21	5	13	16	29	6	14	9	15	8	-12	-33	-25
Input prices	33	29	33	28	33	23	32	26	33	22	17	-3	13
Selling prices	10	5	9	0	22	8	16	15	22	20	-4	-34	-15
Versus a Year Ago (not seasonally adjusted)													
Composite Index	29	12	17	15	26	21	31	25	20	20	-4	-46	-41
General revenue/sales	38	19	17	19	36	26	40	37	26	28	-4	-58	-53
Number of employees	20	-3	18	10	23	21	30	23	16	17	-7	-42	-28
Employee hours worked	20	-1	22	21	24	13	28	17	22	23	-3	-55	-44
Part-time/temporary employment	8	4	12	5	11	11	9	8	13	11	-10	-25	-26
Wages and benefits	63	48	59	56	70	64	68	61	58	65	31	12	8
Inventory levels	21	16	16	11	6	6	9	0	11	4	1	-20	-31
Credit conditions/access to credit	2	7	-3	1	-3	4	11	8	4	-3	0	-3	-10
Capital expenditures	30	15	21	22	31	21	22	23	15	10	-14	-29	-31
Input prices	56	45	52	45	52	46	57	57	53	55	41	14	22
Selling prices	40	25	29	27	36	31	39	30	32	37	22	-19	1
Expected in Six Months (seasonally adjusted)													
Composite Index	25	18	16	18	17	20	30	15	28	23	-30	-28	-2
General revenue/sales	40	26	25	27	27	30	44	19	34	30	-34	-36	-1
Number of employees	16	15	13	11	16	11	21	15	27	17	-31	-23	0
Employee hours worked	19	12	10	8	12	1	15	7	26	15	-32	-26	-9
Part-time/temporary employment	11	5	1	-4	7	8	7	3	15	15	-15	-5	5
Wages and benefits	46	34	43	43	48	45	49	45	56	51	-10	6	20
Inventory levels	3	1	-3	4	-6	6	6	4	15	14	-18	-13	-9
Credit conditions/access to credit	7	6	-2	4	3	2	9	3	5	0	-14	-6	1
Capital expenditures	35	13	13	14	8	14	26	13	19	1	-33	-30	-21
Input prices	45	43	46	43	42	43	45	50	54	46	7	0	23
Selling prices	29	28	24	26	31	25	32	28	32	23	-12	-16	10