



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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CONTACT: Pam Campbell

(405) 270-8617

Pam.Campbell@kc.frb.org

**Tenth District Services Activity Decreased Moderately**  
*Federal Reserve Bank of Kansas City Releases September Services Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the September 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 moderately in September, but expectations for future activity rose.

“Regional services activity slowed somewhat in September and was still below year-ago levels for the majority of firms,” said Wilkerson. “On the other hand, more contacts than in past surveys expected activity to increase over the next six months.”

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 moderately in September, but expectations for future activity rose (Chart 1 & Table 1). The indexes for input and selling prices increased in September, although at a slightly slower rate. Firms expected input prices to expand further in the next six months and the index for future selling prices remained positive.

### **Business Activity Decreased Moderately in September**

The month-over-month services composite index was -7 in September, dropping considerably from 20 in August and July (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most month-over-month indexes were lower in September. The general revenue and sales index fell sharply, driven by less activity at restaurants, hotels, and auto dealers. The inventory index remained negative, and the index for part-time employment was steady. The indexes for employment, employee hours, wages and benefits, and capital expenditures expanded at a slower pace in September. However, the access to credit index inched higher into positive territory. Year-over-year indexes were generally as negative as in August, and the year-over-year composite was relatively unchanged at -23. Only the wages and benefits and price indexes increased versus a year ago. Expectations for future services activity grew in September, and the composite index rose from 11 to 19.

### **Special Questions**

This month contacts were asked special questions about wages for workers that were furloughed and then rehired, in addition to questions about expected wage growth and business plans. Most businesses that furloughed workers reported that wages for rehired/returned employees were the same as before workers were furloughed, and several firms increased wages for returning workers (Chart 2). Overall, 64% of contacts indicated they did not furlough workers. In the year ahead, firms expected wage and salary growth to slow somewhat; 35% of firms expected wage and salary growth to be lower than in the previous year, while 23% said it would be higher. Looking forward, 58% of firms expected to identify and hire new employees over the next six months (Chart 3). Nearly half of contacts planned to increase marketing or sales, and 27% of businesses expected to develop online sales or websites moving forward. Additionally, 25% of firms reported they will need to learn how to better provide for the safety of customers and employees in the next six months.

## **Selected Services Comments**

“At this time gross profit is up 10% over last year. Our system of profit sharing will increase the bonus for all employees.”

“Prices are rising sharply on residential real estate because of three factors: Pent up demand from the lockdown, very low interest rates, and shortage of materials because of national demand. We expect this is go back to normal in the next 60 days.”

“We are increasing our incentive plan to better support our team.”

“We raised wages in order to keep good employees.”

“The furlough was short-lived, only 6 weeks.”

“It's tough out there; we had a great Jan/Feb, hit the skids in March and are not back to pre-COVID revenues. PPP helped but we need a wide-open economy with obvious safety precautions.”

“Business in the Great Plains has rebounded pretty well. We believe that additional stimulus money is needed in the very near future.”

“We need more PPP. It wasn't enough.”

“The PPP was very helpful to us. We would have cut much deeper had we not had it.”

“This is the best year we have ever had... a lot of pent up demand.”

“The concern is what happens after the leisure traveler starts to fall away; will the corporate traveler come back?”

“Sales shifts and the times people shop and the amount they buy have changed and much of this change we believe to be with us after the "new normal" returns... We do not know what the new normal is.”

“I'm hopeful that our business market will return to normal early 2021. We are in a wait and see posture.”

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

	September vs. August (percent)*					September 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				-6	-7				-23				16	19
General Revenue/Sales	30	27	43	-12	-18	34	11	55	-21	57	13	30	27	30
Number of Employees	24	58	18	6	9	23	36	41	-18	34	42	24	10	10
Employee Hours Worked	20	64	16	5	6	20	40	40	-19	29	44	27	2	3
Part-Time/Temporary Employment	9	82	10	-1	0	12	66	22	-10	12	70	18	-6	-6
Wages and Benefits	30	61	8	22	19	57	28	16	41	46	43	11	35	32
Inventory Levels	21	47	32	-11	-3	15	37	48	-33	29	41	30	-1	4
Credit Conditions/Access to Credit	5	90	5	0	1	9	81	10	-1	7	88	5	2	4
Capital Expenditures	23	63	14	8	10	28	37	35	-7	23	54	23	0	4
Input Prices	37	60	4	33	29	60	29	11	49	52	38	10	42	38
Selling Prices	28	60	12	16	15	52	29	19	33	40	40	20	19	13

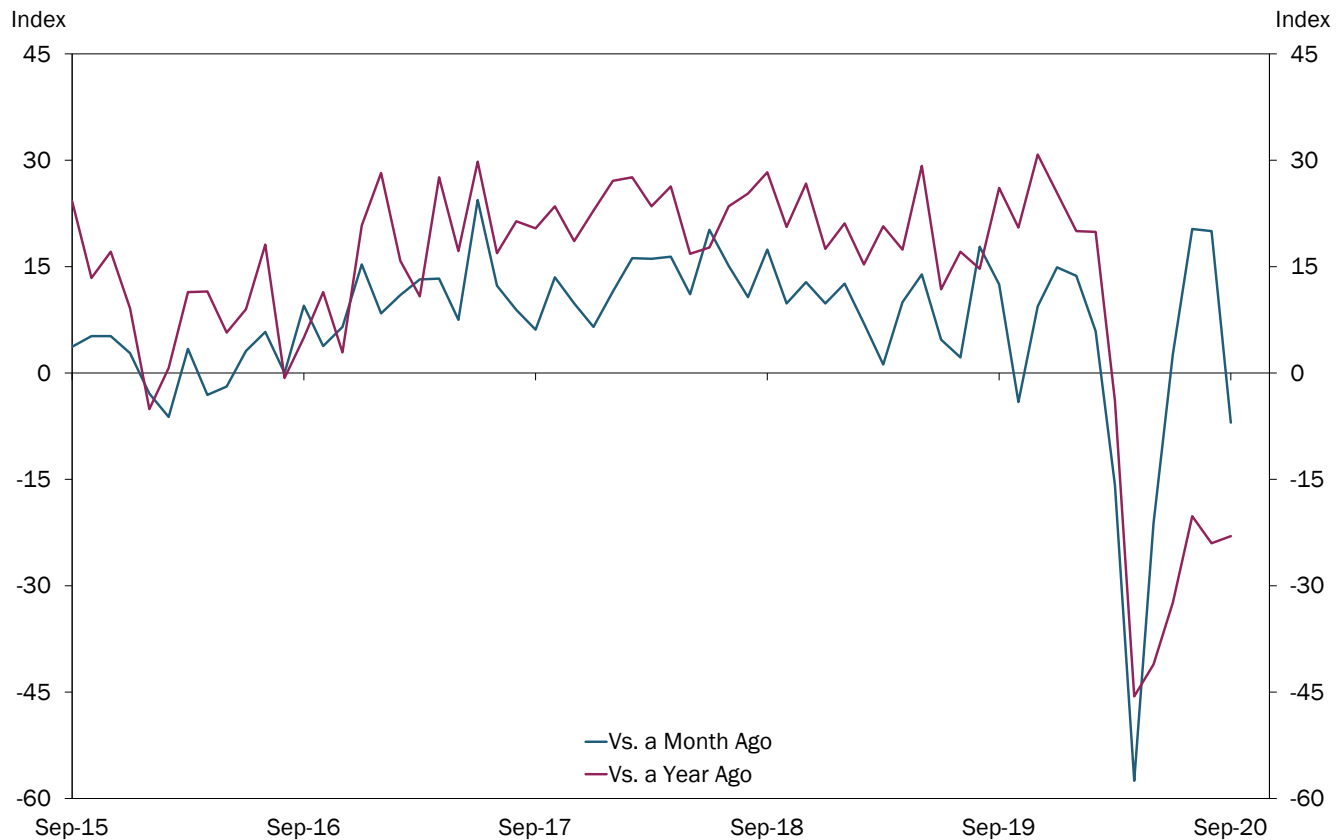
\*Percentage may not add to 100 due to rounding.

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

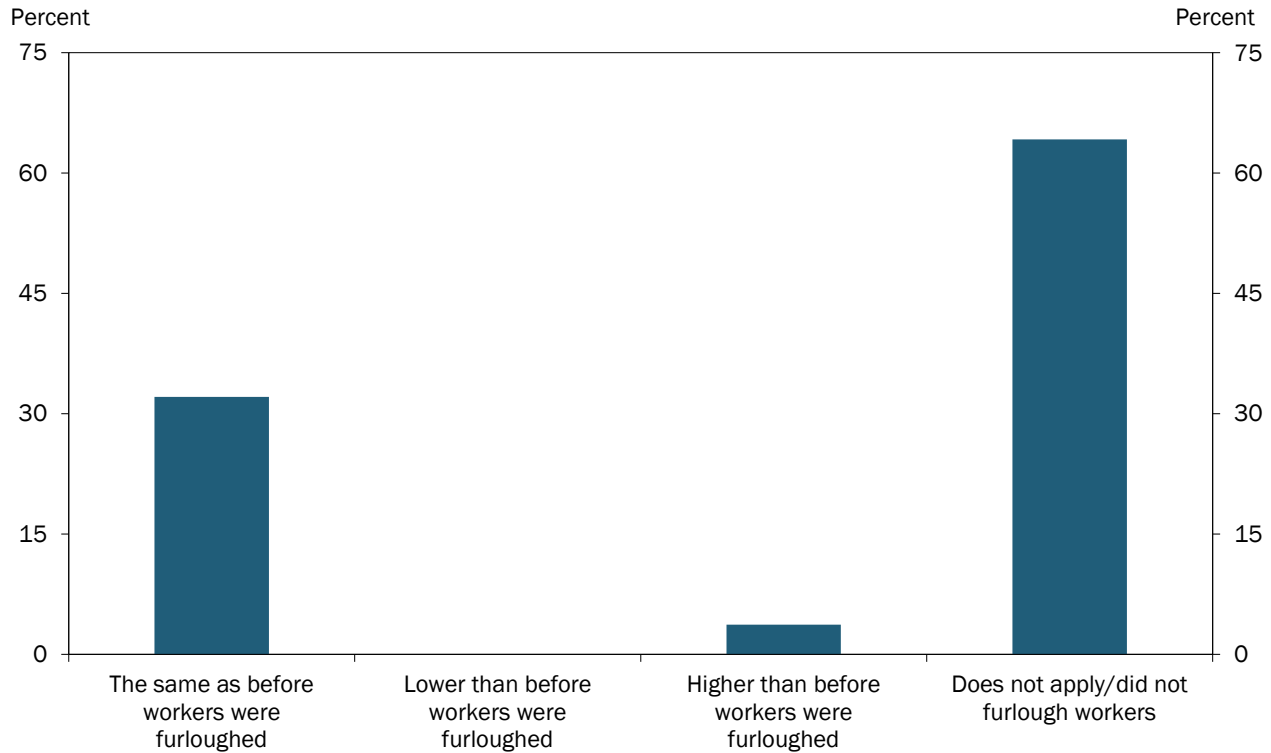
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The September survey was open for a five-day period from September 16-21, 2020 and included 83 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

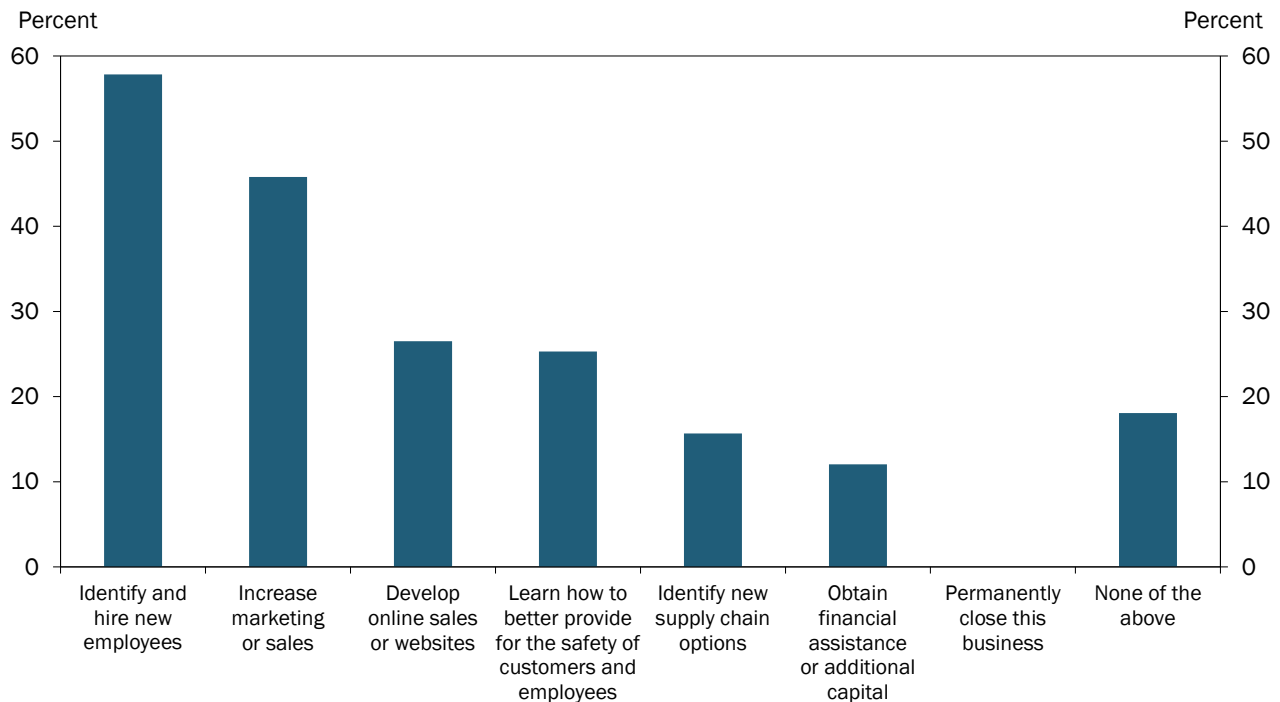
**Chart 1. Services Composite Indexes**



**Chart 2. Special Question: For any workers that were furloughed and then rehired/returned, please comment on the wage levels of returning workers:**



**Chart 3. Special Question: In the next 6 months, do you think your firm will need to do any of the following?**



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

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