



NEWS RELEASE

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Tenth District Services Activity Continued to Expand in January
Federal Reserve Bank of Kansas City Releases January Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the January 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 continued to expand in January and expectations for future activity also grew.

“Regional services activity continued to hum along in January,” said Wilkerson. “The labor market remains tight, and the expectations index for wages and benefits continues to rise.”

A summary of the January survey is attached. The January survey incorporates new seasonal adjustment factors, so historical indexes differ slightly from previously-released numbers. Seasonally adjusted data has been updated to reflect the Census X-13 seasonal adjustment program. The new seasonal factors will be used throughout 2020. 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.

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TENTH DISTRICT SERVICES SUMMARY

Tenth District services activity continued to expand in January and expectations for future activity also grew (Chart 1). Input and selling price indexes rose at a faster pace compared with a month ago. Expectations for both future input and selling prices also increased further.

Business Activity Continued to Expand in January

The month-over-month services composite index was 14 in January, slightly below 15 in December, but up from 9 in November (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Most month-over-month indexes continued to increase in January. The indexes for wages and benefits and inventories grew more rapidly in January. The general revenue/sales index remained high, driven by increases in wholesale, real estate, retail, health services, transportation, and professional and business services activity while restaurants and tourism activity declined. Year-over-year services indexes also remained positive, but slightly lower than last month, as the year-over-year composite index moderated from 25 to 20. Expectations for future services activity grew and the composite index rose from 15 to 28.

Special Questions

This month contacts were asked special questions about the labor market and wages. More than 67 percent of District business contacts reported workers were in short supply, similar to July 2019 when 68 percent of District firms reported workers were in short supply (Chart 2). Nearly 59 percent of firms reported they were raising wages more than normal to attract or keep workers in January 2020, compared with just 47 percent of firms having to raise wages more than normal in July 2019 (Chart 3).

Selected Services Comments

“Lots of uncertainty with tariffs effect on prices and international trade.”

“We are discounting deeper and with more frequency to maintain sales growth.”

“We will be investing in new channels and sites in the next 6 months to a year.”

“Our revenue reduction is a result of seasonal influences.”

“Our basis for wages were above min wage to be competitive but we needed to raise them to stay that way after our state minimum wage went up.”

“It is hard to find employees.”

“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.”

“High employment rate makes hiring difficult.”

“This country is basically at full employment at 3.5%. All that is left are the hard core unemployable. We need H2B visa workers!”

“We are implementing additional incentives tied to production instead of raising hourly wages. Generally, we expect these added incentives to provide up to 10% additional compensation if targets are met.”

“The labor market has eased and we are seeing many more resumes.”

“It seems like workers are moving jobs for higher wages.”

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

	January vs. December (percent)*					January 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				11	14				20				30	28	
General Revenue/Sales	41	32	28	13	16	51	23	26	26	55	27	18	38	34	
Number of Employees	22	67	11	10	13	35	46	19	16	37	51	12	25	27	
Employee Hours Worked	27	47	27	0	4	35	51	14	22	35	57	8	27	26	
Part-Time/Temporary Employment	13	77	10	3	6	19	74	7	13	18	76	6	13	15	
Wages and Benefits	38	56	6	32	29	66	26	8	58	58	36	5	53	56	
Inventory Levels	27	54	19	8	9	30	51	19	11	30	59	11	18	15	
Credit Conditions/Access to Credit	4	94	3	1	2	7	90	3	4	8	87	4	4	5	
Capital Expenditures	22	67	11	10	15	36	44	21	15	33	52	15	18	19	
Input Prices	32	65	3	30	33	56	41	3	53	56	42	1	55	54	
Selling Prices	29	62	9	21	22	46	39	14	32	42	48	10	33	32	

*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 January survey was open for a six-day period from January 15-21, 2020 and included 79 responses from plants in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Index vs. a Month Ago

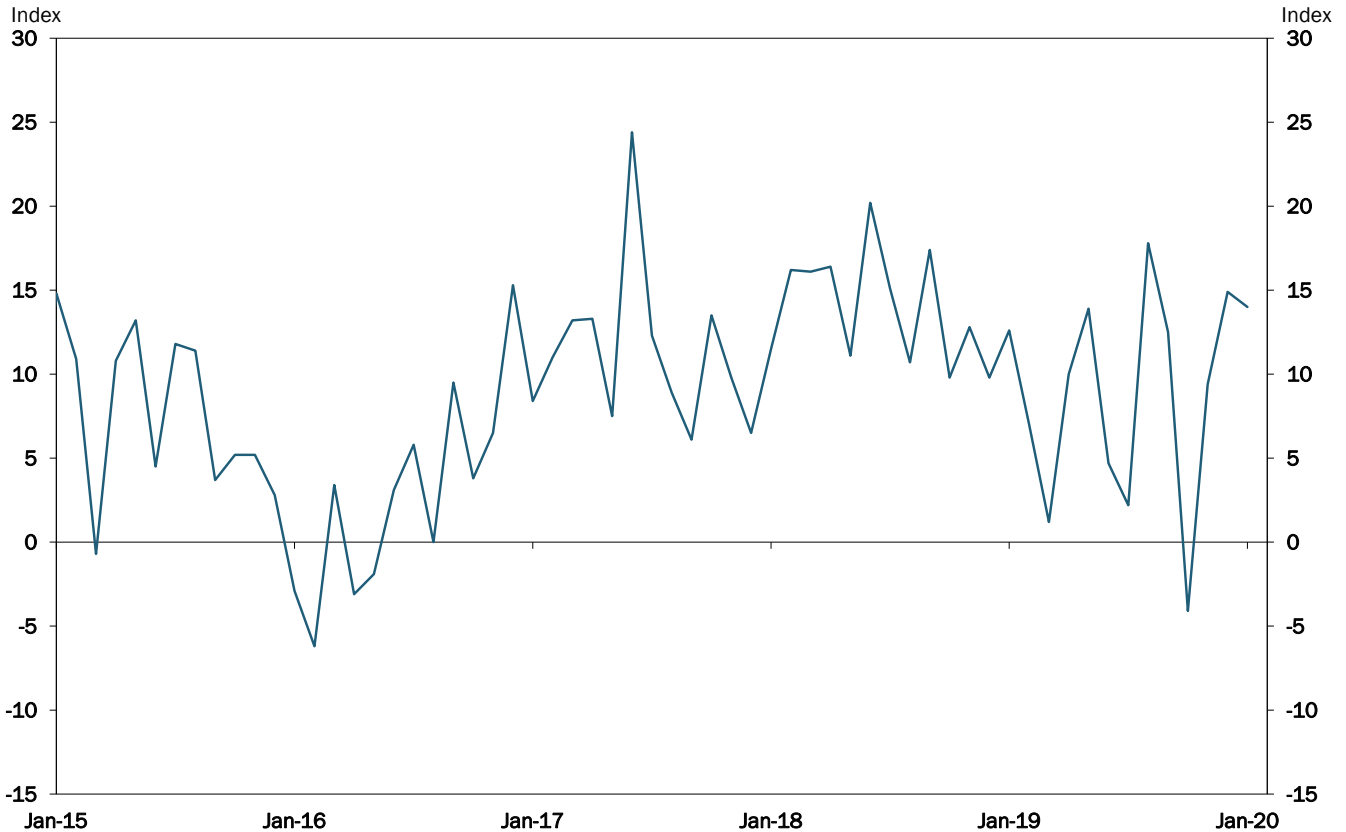


Chart 2. Special Question: Are any types of workers in short supply?

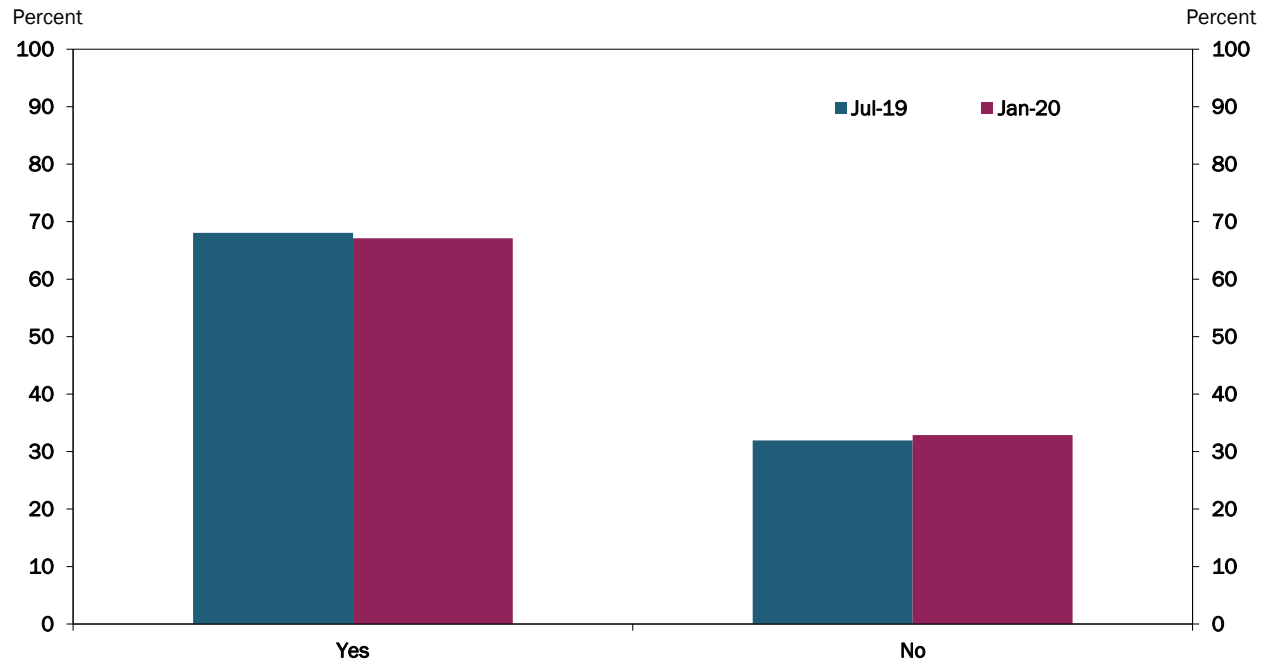


Chart 3. Special Question: Are you having to raise wages more than normal to attract or keep any types of workers?

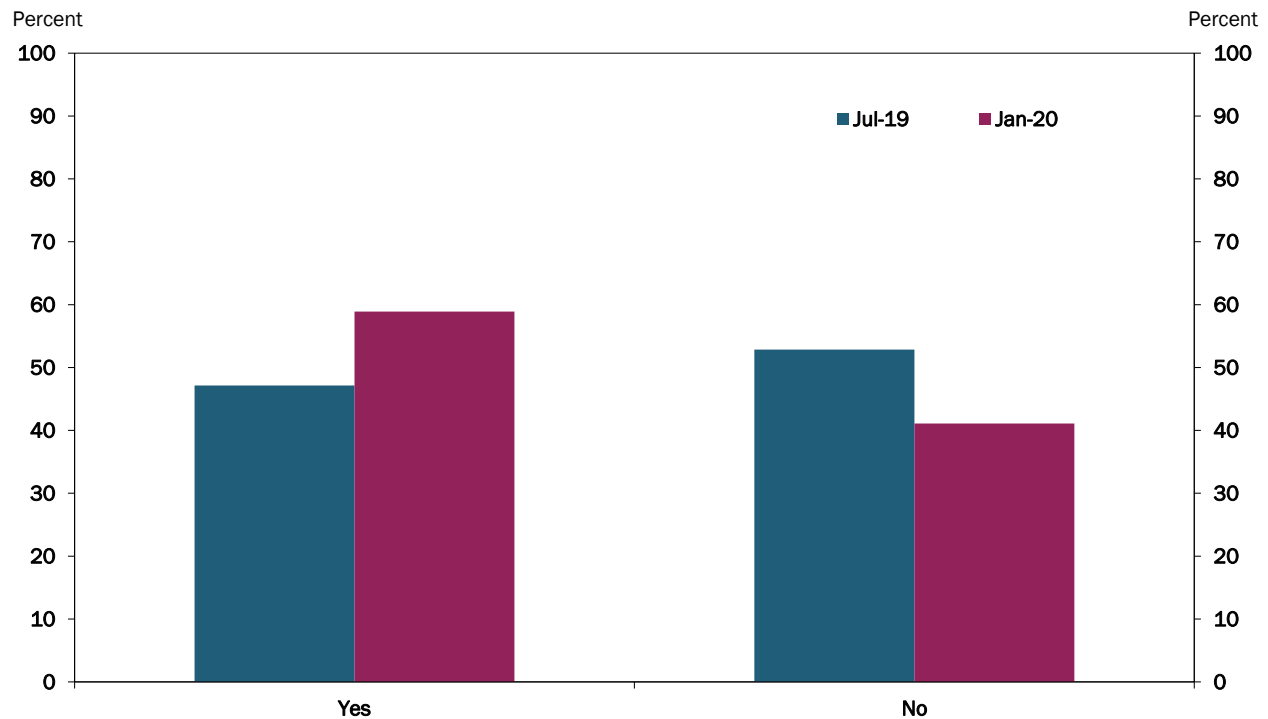


Table 2
Historical Services Survey Indexes

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