



NEWS RELEASE

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Tenth District Services Activity Expanded Modestly
Federal Reserve Bank of Kansas City Releases June Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the June 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 expanded modestly in June after dropping sharply in previous months, but activity still remained much lower than a year ago. Expectations for future activity recovered somewhat.

“We saw a slight uptick in regional services activity in June compared with a month ago, but activity remained subdued compared with a year ago,” said Wilkerson. “Expectations for future activity have begun to recover, however and the majority of businesses reported using emergency lending options to cover expenses and avoid worker furloughs.”

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.

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TENTH DISTRICT SERVICES SUMMARY

Tenth District services activity expanded modestly in June after dropping sharply in previous months, but activity still remained much lower than a year ago. (Chart 1 & Table 1). Expectations for future activity recovered somewhat. The input price index jumped higher and the selling price index also rose in June. Firms expected both input and selling prices to continue to increase over the next six months.

Business Activity Expanded Modestly in June

The month-over-month services composite index was 3 in June, steadily rebounding from -21 in May and the historic low of -58 in April (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Month-over-month indexes were mixed in June. While the part-time employment, inventory levels, access to credit, and capital expenditures indexes continued to decrease, general revenue and sales as well as wages and benefits increased. The monthly indexes for employment and employee hours also inched up. The uptick in the general revenue/sales index was driven by increased activity for retail, travel, tourism, transportation, and restaurants. However, most year-over-year services indexes remained negative in June, and the year-over-year composite index moved from -41 to -32. Expectations for future services activity recovered somewhat, increasing from -2 in May to 9 in June.

Special Questions

This month contacts were asked special questions about lending assistance programs and the effects of COVID-19 on revenue and employment. A significant majority, 76% of business contacts, applied for the Small Business Administration (SBA) Paycheck Protection Program since March 13, 2020, up from 69% reported in April (Chart 2). For firms that received an SBA loan, 87% reported that it prevented layoffs and/or furloughs (Chart 3). 70% of SBA loan recipients surveyed indicated the loans prevented wage reductions, and 67% said it helped pay bills and/or rent. Over two-thirds of firms reported the impact of coronavirus developments had decreased their firm's revenues in 2020 vs. 2019, with an average decrease in revenues of 23%. Still, 41% of firms anticipated higher employment levels by the end of 2020 compared with February, and another 32% expected steady levels of employment.

Selected Services Comments

“Our sales and door traffic have increased these last 2 weeks. Consumer confidence seems to be increasing.”

“Business is good.”

“It is brutal. We don't know if we will survive. PPP covers only 5 operating weeks, and we lost 12 weeks and we are hurting. We have drawn down fully on our line of credit basically taking a huge risk to pay rent - it is really hard and we need more cash.”

“All of our furloughed employees except for one have returned. Stimulus checks have certainly put money into customer's hands and they are spending as of the moment.”

“The PPP worked extremely well for us... We were able to use a community bank and get our funds quickly which helped give us the certainty we needed to not do massive layoffs. The business was down 25% in April - but looks to be break-even with last year's sales levels in June.”

“The PPP assistance helped us weather the COVID 19 stay at home time without laying off any of our team. The help also lessened our losses due to the shutdown and severe slowdown of our business.”

“COVID plus oil prices are a huge drag on the business. Profitable first quarter wiped out in second quarter hoping for rebound in the 3rd quarter.”

“Work from home will be a regular, although not exclusive, venue for many employees.”

“All workers including private contractors are stay at home workers.”

“More carry-out, much less walk-in business.”

“Our online sales have risen [more than 30%]... we will likely press much harder in the on-line areas and pull back in more traditional.”

“We will continue to take on-line selling further in the process depending on the needs/desires of the customers.”

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

Plant Level Indicators	June vs. May (percent)*					June 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 ^{^^}	
Composite Index				13	3				-32				2	9	
General Revenue/Sales	49	26	25	24	12	26	8	66	-40	47	13	40	7	14	
Number of Employees	27	58	15	12	2	25	34	41	-16	28	47	25	3	9	
Employee Hours Worked	32	45	23	9	2	16	37	47	-30	28	44	28	0	12	
Part-Time/Temporary Employment	14	66	21	-7	-10	8	65	26	-18	20	68	12	8	11	
Wages and Benefits	30	55	15	15	10	47	37	16	30	36	52	12	24	29	
Inventory Levels	24	40	36	-13	-20	15	32	53	-38	22	44	34	-12	-5	
Credit Conditions/Access to Credit	3	88	10	-7	-7	7	78	15	-8	7	88	5	1	1	
Capital Expenditures	16	55	29	-12	-13	24	31	46	-22	25	41	33	-8	-7	
Input Prices	44	52	4	39	39	56	34	10	46	49	41	10	40	45	
Selling Prices	26	59	15	11	9	41	32	27	14	35	47	19	16	18	

*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 June survey was open for a five-day period from June 17-22, 2020 and included 75 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Index vs. a Month Ago

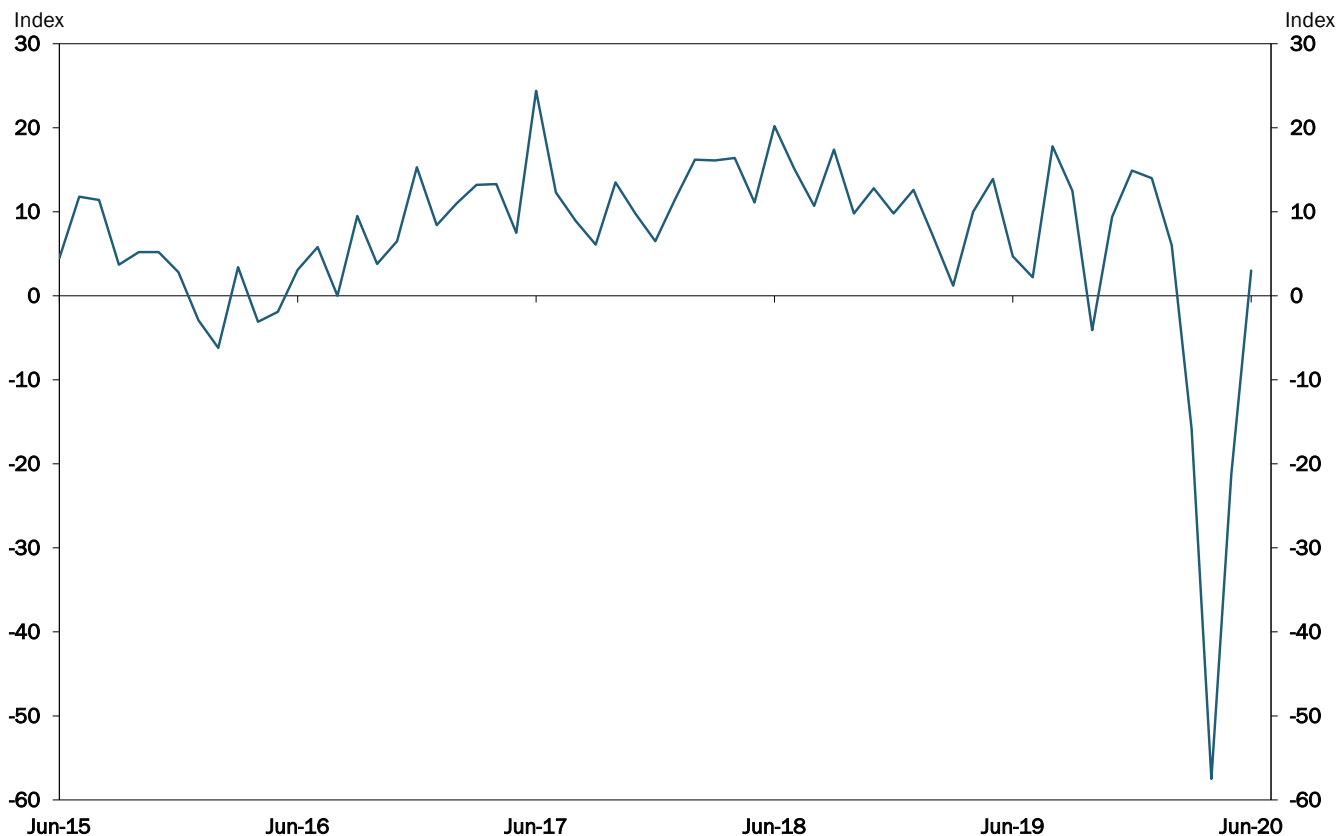


Chart 2. Special Question: Since March 13, 2020 which of the following has your firm applied for? (Select all that apply)

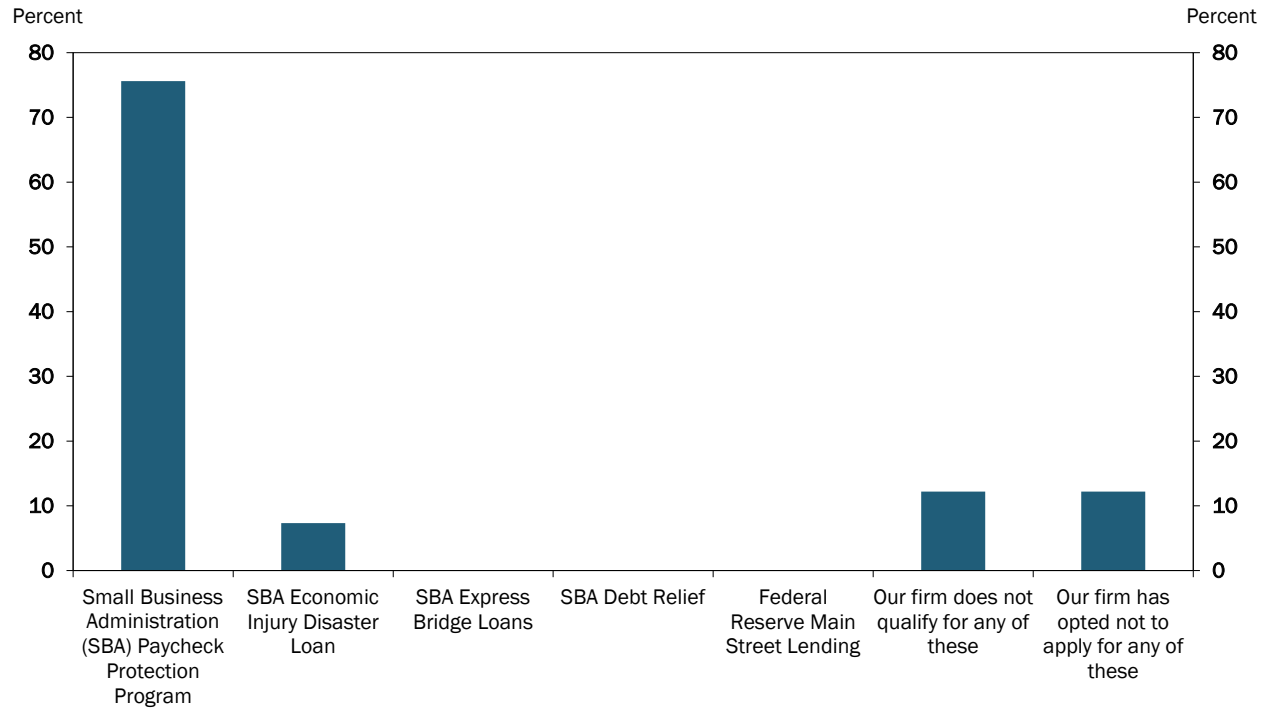


Chart 3. Special Question: If your firm has received a loan from one of the assistance programs, how did it benefit the business? (Select all that apply)

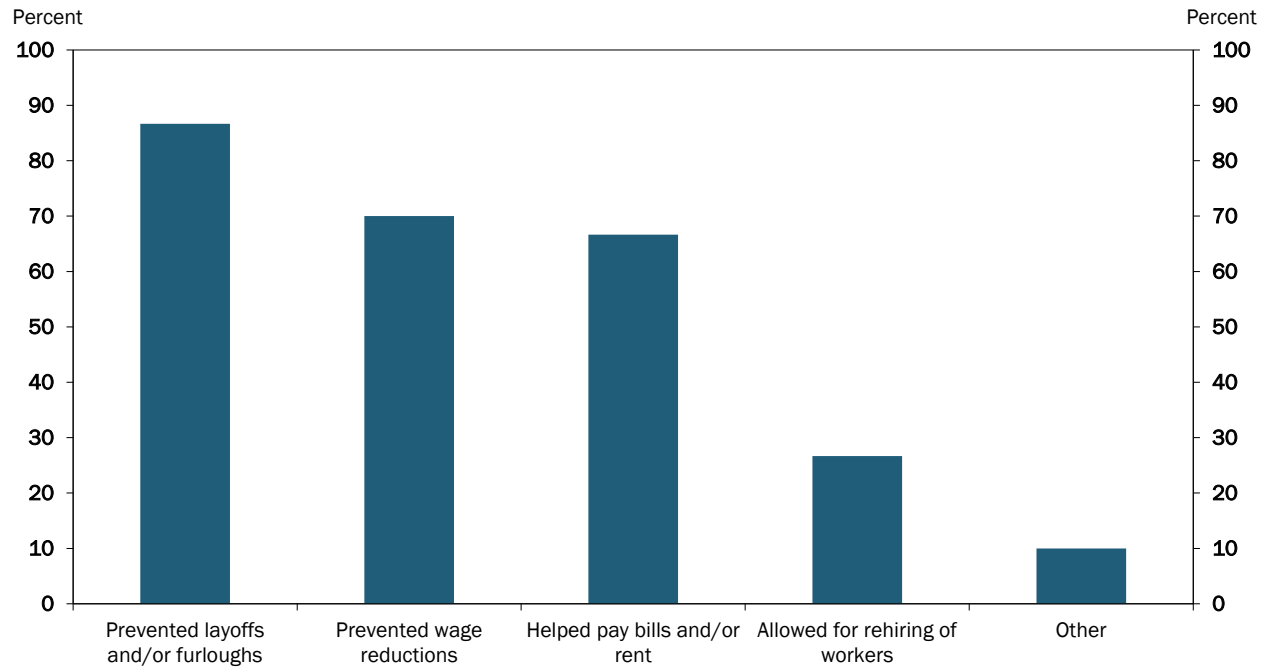


Table 2
Historical Services Survey Indexes

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