



# NEWS RELEASE

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**Tenth District Services Growth Eased Slightly in May**  
*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, senior vice president at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District growth eased slightly in May, and expectations for the future cooled somewhat.

“Growth in regional services activity slowed slightly in May but remained positive,” said Wilkerson. “Expectations for future activity also eased, and a majority of firms are expecting cost increases to be similar to or slightly less than last year.”

A summary of the survey is attached. Historical data, results from past surveys and release dates for future surveys are available at [www.kansascityfed.org/surveys/services-survey/](http://www.kansascityfed.org/surveys/services-survey/).

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.

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 growth eased slightly in May and expectations for the next six months also cooled somewhat (Chart 1 & Table 1). Input price growth slowed significantly over the last month and year, while selling prices increased slightly. Firms expect this trend to continue in the next six months.

### **Business Growth Eased Slightly**

The month-over-month services composite index was 3 in May, down from 7 in April and up from -4 in March (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The decrease in revenue and sales was driven mostly by declines in wholesale trade, retail trade, autos, and transportation. In contrast, real estate, health services, and tourism activity increased in May. All month-over-month indexes remained expansionary, despite some cooling. Growth in the general revenue/sales, employee hours worked, wages & benefits, and input price indexes slowed substantially. The inventory and access to credit indexes grew significantly, and the employment and capital expenditures indexes increased slightly. The year-over-year composite index declined from -2 to -4, also driven by decreases in revenue/sales, employee hours worked, and input prices. Expected growth in services activity eased in May, with the composite index declining from 14 to 6.

### **Special Questions**

This month contacts were asked special questions about prices and input costs. In May, a majority of firms expected rises in wages, materials costs, and selling prices over the next year to be similar to or change only slightly from the last 12 months (Chart 2). Additionally, just under half of District firms report the ability to pass through 0% to 20% of their increased costs to customers, while nearly a quarter of firms are able to pass through 80% to 100% (Chart 3).

## **Selected Services Comments**

“It is a hard line to increase our rates. As a small business, we are unsure if we would lose clients by increasing our rates. We have to tread lightly.”

“Customers will not accept further price increases.”

“Customers are starting to push back on price increases.”

“Over time, we'll pass on 100%, but it may take a couple rounds of increases to full make the offset.”

“Sales are off 20% from previous years, we are cutting back staff through attrition.”

“Fixed non-labor costs are up significantly over the past couple of years and are sticking at that level or higher.”

**Table 1. Summary of Tenth District Services Conditions, May 2023**

Plant Level Indicators	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>
Composite Index				6	3				-4				4	6
General Revenue/Sales	32	43	25	7	4	32	19	49	-16	36	31	33	3	3
Number of Employees	19	66	15	4	2	29	44	26	3	31	45	24	7	10
Employee Hours Worked	18	69	13	4	5	19	57	24	-4	26	52	23	3	5
Part-Time/Temporary Employment	9	84	7	1	2	15	73	12	3	11	79	11	0	-2
Wages and Benefits	18	76	6	12	17	75	18	7	68	43	49	7	36	40
Inventory Levels	20	65	15	5	2	34	46	20	14	23	55	22	2	6
Credit Conditions/Access to Credit	7	87	6	1	2	10	76	13	-3	6	85	9	-3	-3
Capital Expenditures	26	62	12	15	14	40	44	16	24	24	58	18	6	10
Input Prices	41	48	11	30	30	68	12	20	48	54	35	11	43	44
Selling Prices	24	65	12	12	10	57	22	21	37	36	48	16	19	20

\*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.

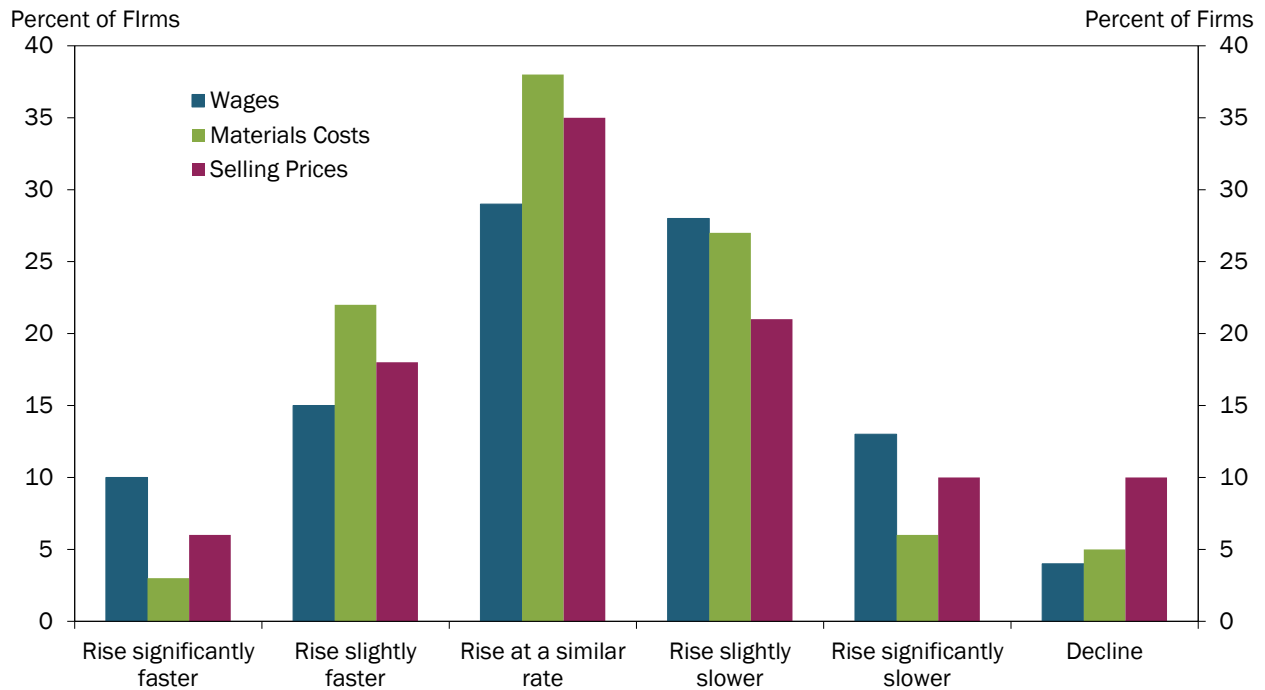
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The May survey was open for a five-day period from May 17-22, 2023 and included 68 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

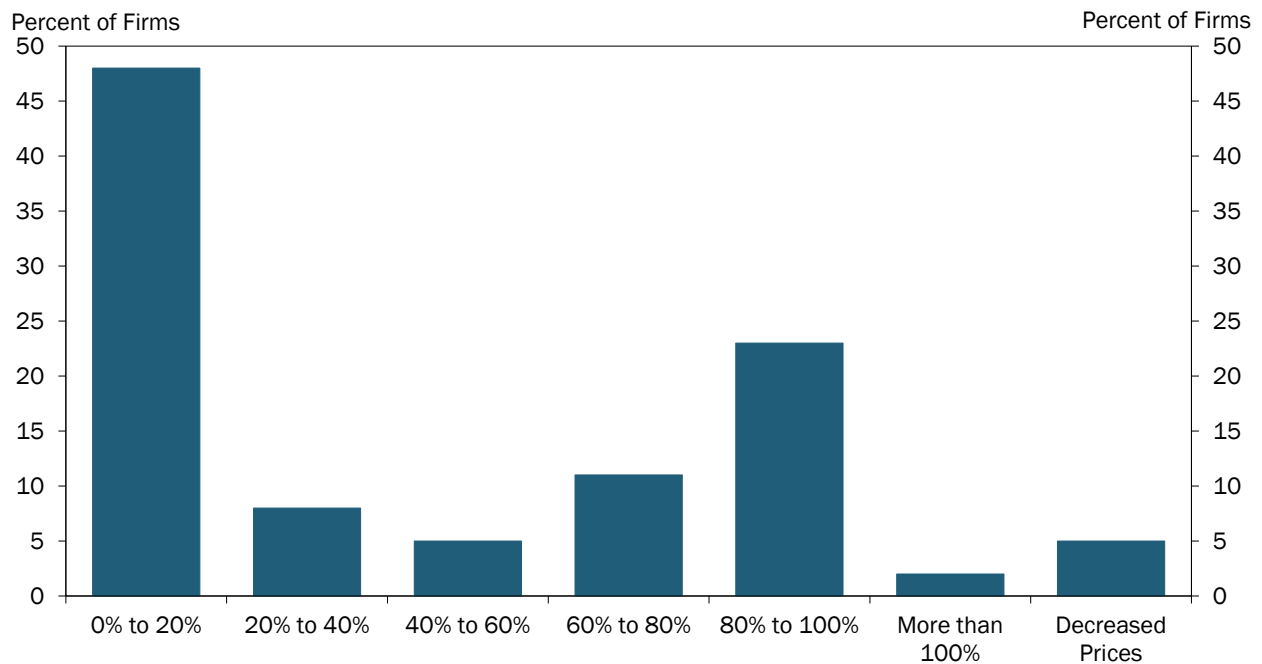
**Chart 1. Services Composite Indexes**



**Chart 2. Special Question: Over the next year, what are your expectations for your firm's prices compared to changes over the past 12 months?**



**Chart 3. Special Question: If your firm is facing higher costs (inputs and labor), what share of those increases are you able to pass through to customers in the form of higher prices?**



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

	May'22	Jun'22	Jul'22	Aug'22	Sep'22	Oct'22	Nov'22	Dec'22	Jan'23	Feb'23	Mar'23	Apr'23	May'23
<b>Versus a Month Ago</b> (seasonally adjusted)													
Composite Index	18	14	4	14	18	8	12	0	-11	1	-4	7	3
General Revenue/Sales	22	10	3	13	22	5	11	-1	-22	1	-5	18	4
Number of Employees	21	22	1	14	13	7	9	-9	-5	5	-2	-2	2
Employee Hours Worked	19	11	17	10	16	3	2	3	-2	2	-6	15	5
Part-Time/Temporary Employment	12	9	2	2	-2	-6	-6	-8	0	-4	-6	-8	2
Wages and Benefits	45	37	34	33	38	22	21	31	23	33	22	24	17
Inventory Levels	1	13	12	18	16	19	18	18	8	-4	-3	-9	2
Credit Conditions/Access to Credit	-6	-5	-5	-2	-3	-9	-5	-8	-4	3	-4	-12	2
Capital Expenditures	16	27	16	14	17	8	9	7	12	10	13	11	14
Input Prices	72	66	64	54	54	51	40	34	38	42	34	43	30
Selling Prices	47	36	33	37	37	21	18	7	8	10	6	5	10
<b>Versus a Year Ago</b> (not seasonally adjusted)													
Composite Index	28	27	18	16	16	17	21	14	2	2	-6	-2	-4
General revenue/sales	32	28	15	17	18	13	20	14	-3	-2	-9	-9	-16
Number of employees	27	28	14	8	12	17	22	3	-9	-2	-10	3	3
Employee hours worked	20	16	19	10	17	2	16	9	-7	0	-3	8	-4
Part-time/temporary employment	17	10	11	10	4	-2	-1	-8	-7	-4	-4	-5	3
Wages and benefits	68	70	75	69	76	66	67	68	72	74	65	61	68
Inventory levels	19	22	32	23	19	27	23	30	29	17	6	8	14
Credit conditions/access to credit	0	-7	-5	-1	1	-5	-8	-8	-1	4	-10	-8	-3
Capital expenditures	29	38	25	21	34	20	14	16	16	19	14	20	24
Input prices	86	83	81	83	88	84	77	69	68	70	69	67	48
Selling prices	76	69	64	66	72	55	61	39	40	43	29	30	37
<b>Expected in Six Months</b> (seasonally adjusted)													
Composite Index	25	17	19	13	12	12	17	4	-2	13	2	14	6
General revenue/sales	31	20	24	12	13	13	14	8	-7	19	6	19	3
Number of employees	24	18	14	18	9	13	24	-4	9	8	-5	18	10
Employee hours worked	6	11	10	5	6	6	7	1	4	14	2	10	5
Part-time/temporary employment	2	6	0	0	-10	-1	-1	-7	1	-1	3	-2	-2
Wages and benefits	62	53	54	52	51	44	51	52	54	58	53	52	40
Inventory levels	11	9	15	8	12	10	13	8	-5	4	3	-4	6
Credit conditions/access to credit	-7	-6	-4	-1	-1	-6	-5	-5	-3	-2	-4	-13	-3
Capital expenditures	20	21	14	15	20	7	13	8	13	17	24	16	10
Input prices	74	69	65	63	66	60	55	60	56	60	64	61	44
Selling prices	55	53	52	42	60	35	41	23	32	36	33	16	20