



NEWS RELEASE

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Tenth District Services Activity Was Mostly Unchanged in September
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, senior vice president at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District services activity was mostly unchanged in September, and expectations for future activity remained steady.

“District services activity was basically flat again in September,” said Wilkerson. “Input cost increases continued to far outpace selling prices, while employment declined slightly and was not expected to rebound in coming months.”

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/.

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.

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TENTH DISTRICT SERVICES SUMMARY

Tenth District services activity was mostly unchanged in September, and expectations for the next six months remained steady (Chart 1 & Table 1). District firms increased selling prices moderately as input costs grew significantly and expect this trend to continue in the next six months.

Business Activity Was Mostly Unchanged

The month-over-month services composite index was 2 in September, up slightly from -1 in August and July (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Revenues in both wholesale and retail trade, as well as restaurants, declined this month. However, healthcare services and tourism revenues increased. All month-over-month indexes rose from previous readings, except the employment index which turned negative and capital expenditures which cooled but remained expansionary. General revenue/sales grew slightly from last month after declining for the past two months and inventory levels continued to increase, while access to credit declined further. The year-over-year composite index ticked down to 4 from 5, as employment growth cooled while revenue stayed steady. Expectations for services activity also ticked down to 3 from 4 due to expectations of stagnant employment growth heading forward.

Special Questions

This month contacts were asked special questions about the qualifications of new applicants. A majority of firms reported no change in the overall qualifications of applicants for open positions across all job categories over the last six months. Approximately one-third of firms reported their applicants for all categories have become less qualified (Chart 2). Similarly, around 45% of contacts reported that new applicants have less experience and relevant job skills compared to six months ago, while another 45% reported no change, and an additional 10% reported more experience and job skills. A slight majority reported decreased reliability from new applicants, 36% reported unchanged reliability, and 11% saw increased reliability. However, just over two-thirds of firms reported no change in the educational attainment of new applicants, while about a quarter reported seeing lower educational levels, and just 4% said applicants had more education (Chart 3).

Selected Services Comments

“We are finding that several of our clients are taking longer to pay their invoices which makes it difficult for a small business like us to retain a required liquidity level.”

“Small businesses seem to have more challenges than ever. We can't get inventory or employees.”

“It seems that inflation and input prices are decreasing. I think retail consumers are still reluctant to acquire long term debt. Sales and profit are down, but I feel that the economy will rebound by the holidays.”

“Sales are soft and remain sluggish and are trending down slightly. Any increase in sales has more to do with inflation and cost of goods increase rather than innovation of equipment, software, or mechanical productivity items.”

“Our sales and expected future sales remain strong since Spring 2021.”

Table 1. Summary of Tenth District Services Conditions, September 2023

Plant Level Indicators	September vs. August (percent)*					September vs. Year Ago (percent)*				Expected in Six Months (percent)*					
	Increase	No Change		Diff		Increase	No Change		Diff		Increase	No Change		Diff	
		Decrease	Index [^]	SA Index ^{^^}	Decrease		Index [^]	SA Index ^{^^}	Decrease	Index [^]		SA Index ^{^^}			
Composite Index				5	2				4				1	3	
General Revenue/Sales	29	52	19	11	3	37	25	37	0	32	39	29	3	4	
Number of Employees	17	61	21	-4	-3	29	47	24	5	27	45	28	-1	0	
Employee Hours Worked	15	73	12	3	0	18	63	19	-1	22	53	25	-3	2	
Part-Time/Temporary Employment	8	80	12	-4	-3	15	72	14	1	11	76	14	-3	-1	
Wages and Benefits	28	69	3	26	20	80	15	5	74	57	39	4	53	46	
Inventory Levels	19	64	17	3	7	31	53	17	14	22	56	22	0	7	
Credit Conditions/Access to Credit	4	84	12	-8	-10	7	75	18	-12	5	80	14	-9	-11	
Capital Expenditures	24	66	11	13	8	33	47	20	13	29	54	17	12	9	
Input Prices	53	41	5	48	47	79	12	8	71	64	30	5	59	55	
Selling Prices	27	64	9	17	17	55	25	20	35	36	52	12	24	24	

*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 September survey was open for a six-day period from September 20-25, 2023 and included 76 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

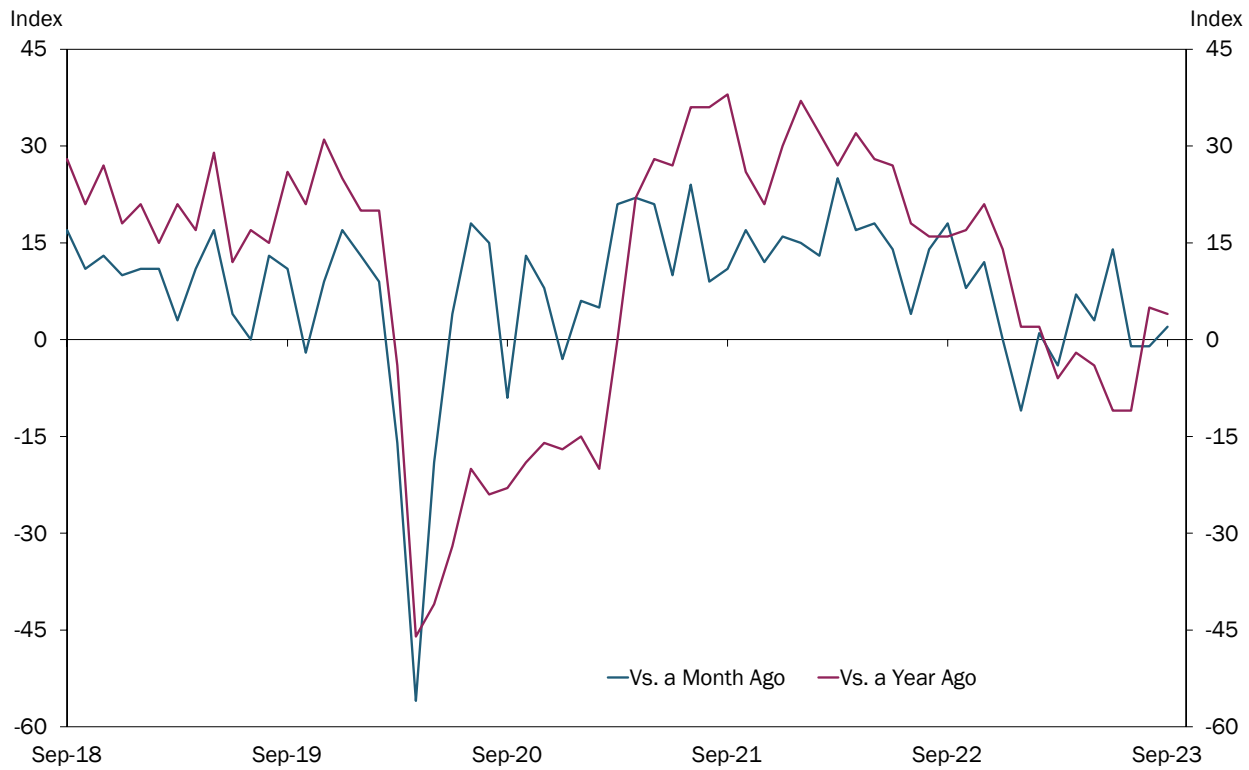


Chart 2. Special Question: How have the overall qualifications of applicants for open positions changed in the following job categories over the last 6 months?

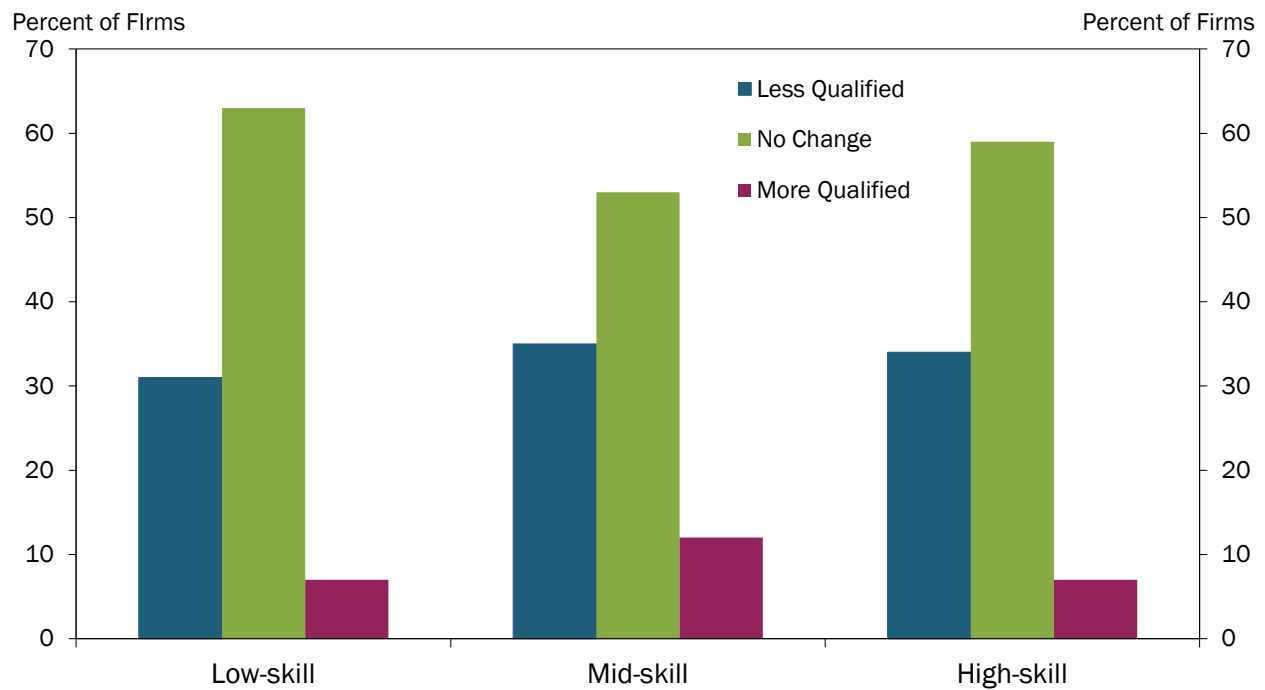


Chart 3. Special Question: How have the following qualifications of applicants for open positions changed over the last 6 months?

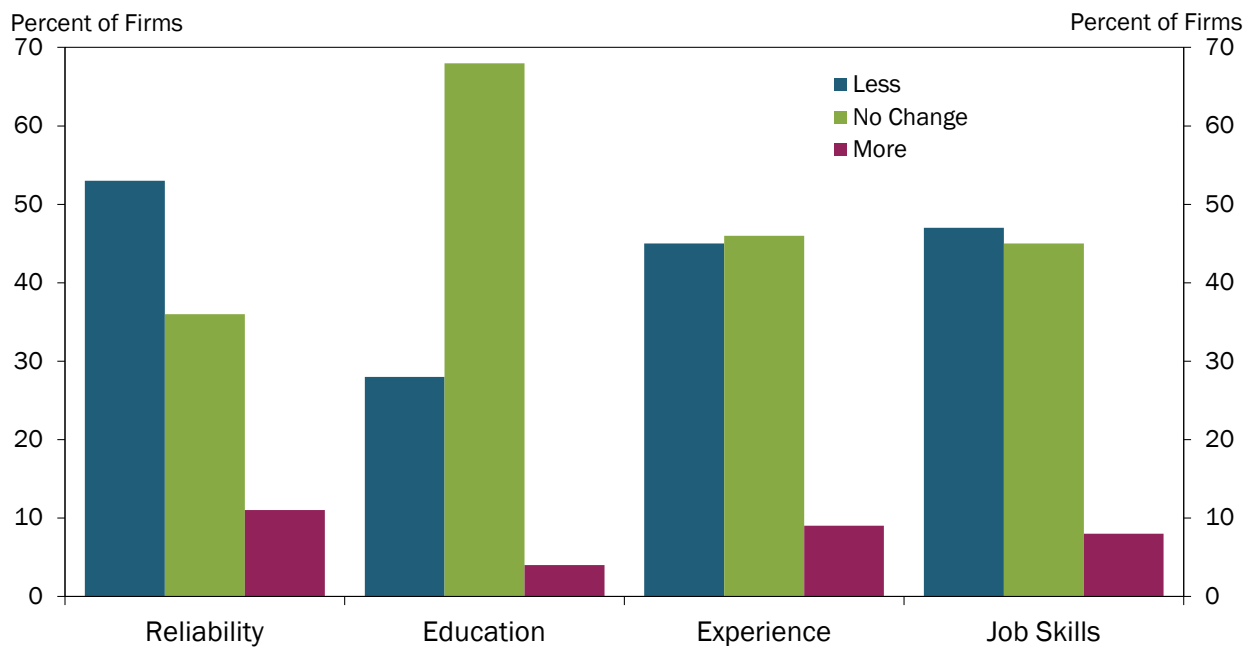


Table 2
Historical Services Survey Indexes

	Sep'22	Oct'22	Nov'22	Dec'22	Jan'23	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23
Versus a Month Ago (seasonally adjusted)													
Composite Index	18	8	12	0	-11	1	-4	7	3	14	-1	-1	2
General Revenue/Sales	22	5	11	-1	-22	1	-5	18	4	20	-1	-7	3
Number of Employees	13	7	9	-9	-5	5	-2	-2	2	6	-4	4	-3
Employee Hours Worked	16	3	2	3	-2	2	-6	15	5	14	-6	-4	0
Part-Time/Temporary Employment	-2	-6	-6	-8	0	-4	-6	-8	2	6	9	-3	-3
Wages and Benefits	38	22	21	31	23	33	22	24	17	25	20	19	20
Inventory Levels	16	19	18	18	8	-4	-3	-9	2	12	3	5	7
Credit Conditions/Access to Credit	-3	-9	-5	-8	-4	3	-4	-12	2	-6	-13	-13	-10
Capital Expenditures	17	8	9	7	12	10	13	11	14	15	11	12	8
Input Prices	54	51	40	34	38	42	34	43	30	30	35	35	47
Selling Prices	37	21	18	7	8	10	6	5	10	19	16	0	17
Versus a Year Ago (not seasonally adjusted)													
Composite Index	16	17	21	14	2	2	-6	-2	-4	-11	-11	5	4
General revenue/sales	18	13	20	14	-3	-2	-9	-9	-16	-17	-18	-2	0
Number of employees	12	17	22	3	-9	-2	-10	3	3	-6	-5	9	5
Employee hours worked	17	2	16	9	-7	0	-3	8	-4	5	-5	3	-1
Part-time/temporary employment	4	-2	-1	-8	-7	-4	-4	-5	3	-8	2	3	1
Wages and benefits	76	66	67	68	72	74	65	61	68	70	68	57	74
Inventory levels	19	27	23	30	29	17	6	8	14	-2	-2	16	14
Credit conditions/access to credit	1	-5	-8	-8	-1	4	-10	-8	-3	-9	-17	-22	-12
Capital expenditures	34	20	14	16	16	19	14	20	24	14	13	17	13
Input prices	88	84	77	69	68	70	69	67	48	65	62	50	71
Selling prices	72	55	61	39	40	43	29	30	37	28	34	22	35
Expected in Six Months (seasonally adjusted)													
Composite Index	12	12	17	4	-2	13	2	14	6	-4	4	4	3
General revenue/sales	13	13	14	8	-7	19	6	19	3	-2	9	0	4
Number of employees	9	13	24	-4	9	8	-5	18	10	-6	1	10	0
Employee hours worked	6	6	7	1	4	14	2	10	5	4	5	1	2
Part-time/temporary employment	-10	-1	-1	-7	1	-1	3	-2	-2	-2	3	5	-1
Wages and benefits	51	44	51	52	54	58	53	52	40	49	46	43	46
Inventory levels	12	10	13	8	-5	4	3	-4	6	-8	-4	4	7
Credit conditions/access to credit	-1	-6	-5	-5	-3	-2	-4	-13	-3	-6	-15	-16	-11
Capital expenditures	20	7	13	8	13	17	24	16	10	15	16	12	9
Input prices	66	60	55	60	56	60	64	61	44	50	52	48	55
Selling prices	60	35	41	23	32	36	33	16	20	27	23	25	24