



NEWS RELEASE

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Nov.17, 2023

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Tenth District Services Activity Continued to Remain Flat in November
Federal Reserve Bank of Kansas City Releases November Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the November 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 remained flat again in November, and expectations for future activity increased modestly.

“District services activity stayed flat again in November,” said Wilkerson. “Prices for both input and selling prices rose slightly, while employment decreased from last month but is expected to rebound in future 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 remained flat in November, and expectations for the next six months increased modestly (Chart 1 & Table 1). Prices for inputs and selling prices rose modestly and are expected to continue to increase heading forward.

Business Activity Held Constant Again

The month-over-month services composite index was 1 in November, up slightly from -1 in October and basically unchanged from September (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Revenues in real estate, professional services, and healthcare increased this month, while they declined in wholesale and retail trade, autos, and tourism. Most month-over-month indexes generally increased slightly from previous readings, except the employment index which decreased from 5 to -2. General revenue/sales increased after a slight decrease last month, and capital expenditures recorded the highest level since June 2022. The year-over-year composite index cooled from 9 to 2, and the employment index also edged slightly lower. Expectations for services activity also rose from 7 to 13, as firms are more optimistic about revenues for the next six months.

Special Questions

This month contacts were asked special questions about employment plans and labor market conditions. The top three reasons affecting firms' plans to increase employment remained unchanged from November 2022. About 71% of firms planned to increase employment because expected growth of sales is high, ranking it as one of the top three factors driving an increase in employment plans (Chart 2). Other firms noted that employment plans are driven by current staff being overworked or that the firm needs skills not possessed by current staff. Over 56% of firms cannot find workers with required skills which is the number one reason for restrained hiring plans followed by high labor costs at 41% (Chart 3). Firms top three reasons for restraining hiring plans changed from last year, with 40% of firms now wanting to keep operating costs low rather than uncertainty about other regulations or government policies.

Selected Services Comments

“We are experiencing lower than expected revenue growth due to a software vendor policy change which affects new customers. Our existing customers demand remain strong.”

“Besides being in the typical 4th quarter slowdown, the market is also nervous about the government shutting down and this creates a crisis of confidence in making large purchases.”

“People are not buying because they do not want to pay the higher interest rate and higher cost of vehicles.”

“It appears that many of our clients are hiring less or not outsourcing their staffing needs.”

“Single family house permits include many more rental single-family homes than in the past.”

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

	November vs. October (percent)*					November vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	Increase	No Change	Decrease	Diff Index [^]	Expected	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	
Plant Level Indicators															
Composite Index				-1	1				2				15	13	
General Revenue/Sales	30	41	30	0	3	41	18	42	-1	44	36	21	23	21	
Number of Employees	19	58	23	-4	-2	32	39	28	4	30	45	25	5	7	
Employee Hours Worked	19	60	21	-1	0	30	51	19	11	29	53	18	11	10	
Part-Time/Temporary Employment	11	74	15	-4	-3	14	70	16	-3	15	72	13	3	2	
Wages and Benefits	28	62	9	19	18	77	14	9	68	55	38	7	49	45	
Inventory Levels	18	62	20	-1	-1	27	54	20	7	26	59	16	10	4	
Credit Conditions/Access to Credit	7	78	15	-8	-8	10	71	19	-10	7	78	15	-8	-8	
Capital Expenditures	29	60	11	18	17	33	51	15	18	38	50	13	25	18	
Input Prices	42	50	8	33	35	75	15	10	65	65	28	7	58	52	
Selling Prices	29	56	15	14	13	60	19	21	40	56	30	14	42	36	

*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 November survey was open for a six-day period from November 8-13, 2023 and included 74 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

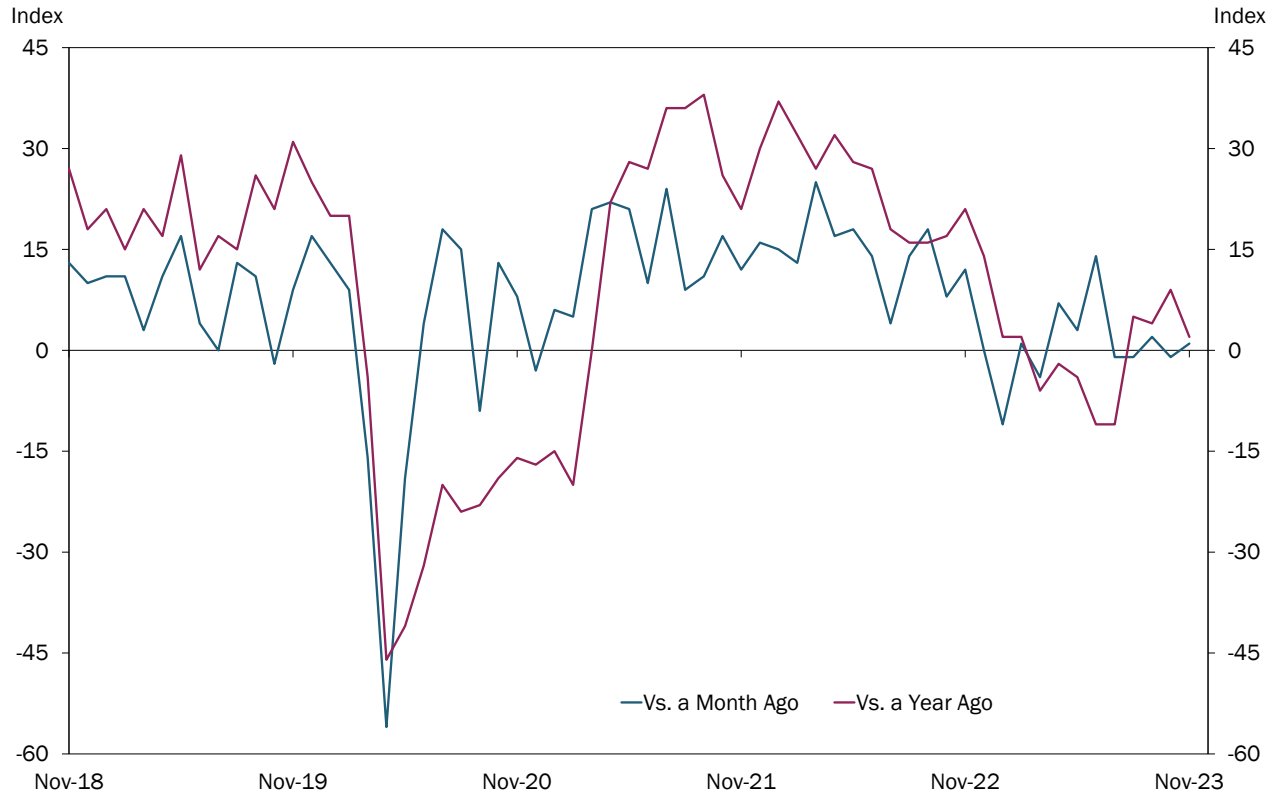


Chart 2. Special Question: If your firm is planning to increase employment, what are the three most important factors behind your plans to increase employment?

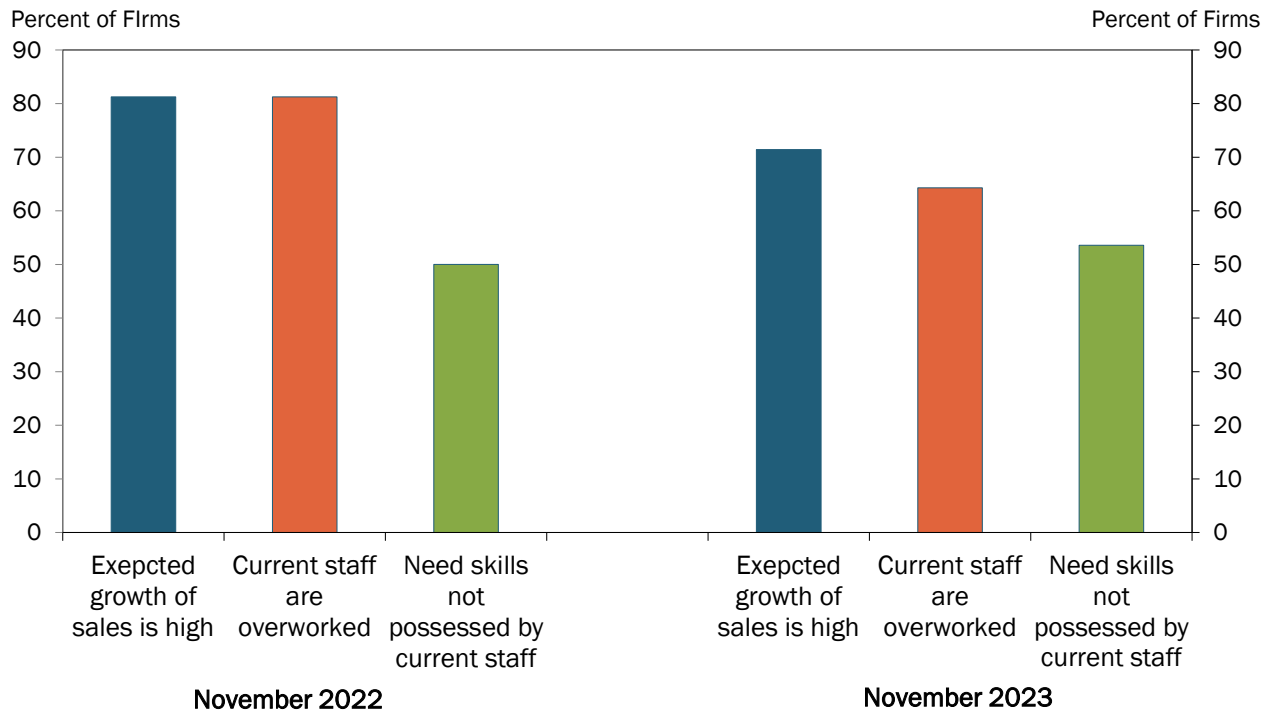


Chart 3. Special Question: What are the three most important factors, if any, restraining your hiring plans?

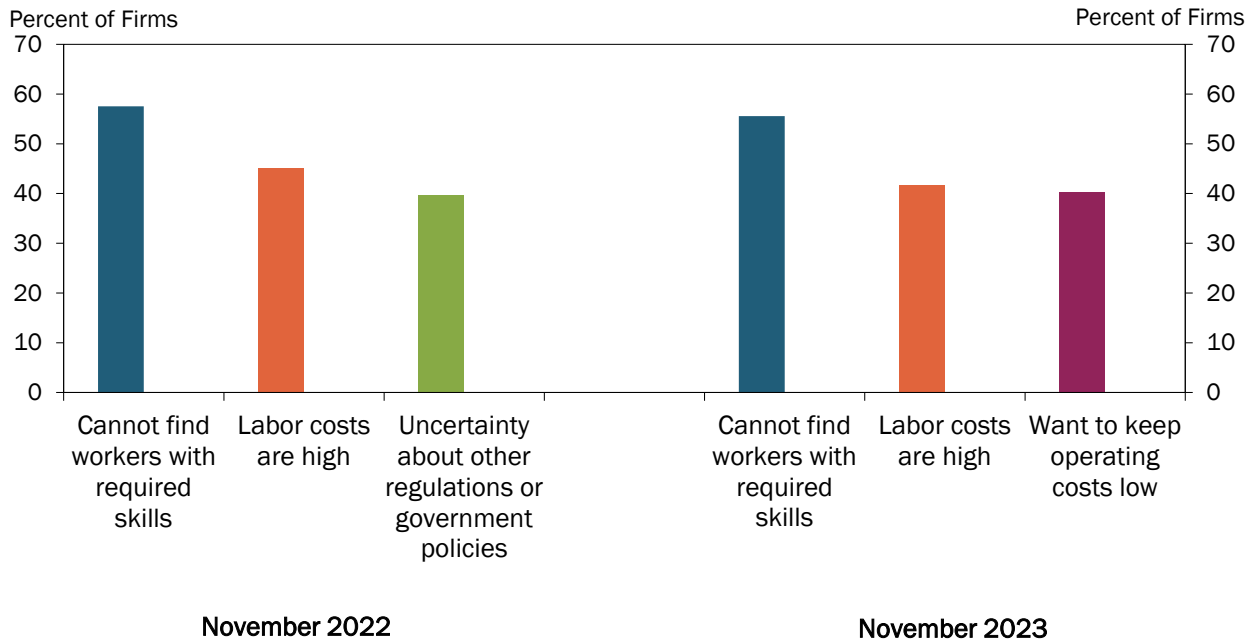


Table 2
Historical Services Survey Indexes

	Nov'22	Dec'22	Jan'23	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23
Versus a Month Ago (seasonally adjusted)													
Composite Index	12	0	-11	1	-4	7	3	14	-1	-1	2	-1	1
General Revenue/Sales	11	-1	-22	1	-5	18	4	20	-1	-7	3	-3	3
Number of Employees	9	-9	-5	5	-2	-2	2	6	-4	4	-3	5	-2
Employee Hours Worked	2	3	-2	2	-6	15	5	14	-6	-4	0	-1	0
Part-Time/Temporary Employment	-6	-8	0	-4	-6	-8	2	6	9	-3	-3	-9	-3
Wages and Benefits	21	31	23	33	22	24	17	25	20	19	20	19	18
Inventory Levels	18	18	8	-4	-3	-9	2	12	3	5	7	-4	-1
Credit Conditions/Access to Credit	-5	-8	-4	3	-4	-12	2	-6	-13	-13	-10	-13	-8
Capital Expenditures	9	7	12	10	13	11	14	15	11	12	8	4	17
Input Prices	40	34	38	42	34	43	30	30	35	35	47	33	35
Selling Prices	18	7	8	10	6	5	10	19	16	0	17	8	13
Versus a Year Ago (not seasonally adjusted)													
Composite Index	21	14	2	2	-6	-2	-4	-11	-11	5	4	9	2
General revenue/sales	20	14	-3	-2	-9	-9	-16	-17	-18	-2	0	12	-1
Number of employees	22	3	-9	-2	-10	3	3	-6	-5	9	5	7	4
Employee hours worked	16	9	-7	0	-3	8	-4	5	-5	3	-1	16	11
Part-time/temporary employment	-1	-8	-7	-4	-4	-5	3	-8	2	3	1	-4	-3
Wages and benefits	67	68	72	74	65	61	68	70	68	57	74	70	68
Inventory levels	23	30	29	17	6	8	14	-2	-2	16	14	4	7
Credit conditions/access to credit	-8	-8	-1	4	-10	-8	-3	-9	-17	-22	-12	-19	-10
Capital expenditures	14	16	16	19	14	20	24	14	13	17	13	7	18
Input prices	77	69	68	70	69	67	48	65	62	50	71	72	65
Selling prices	61	39	40	43	29	30	37	28	34	22	35	38	40
Expected in Six Months (seasonally adjusted)													
Composite Index	17	4	-2	13	2	14	6	-4	4	4	3	7	13
General revenue/sales	14	8	-7	19	6	19	3	-2	9	0	4	15	21
Number of employees	24	-4	9	8	-5	18	10	-6	1	10	0	2	7
Employee hours worked	7	1	4	14	2	10	5	4	5	1	2	8	10
Part-time/temporary employment	-1	-7	1	-1	3	-2	-2	-2	3	5	-1	1	2
Wages and benefits	51	52	54	58	53	52	40	49	46	43	46	50	45
Inventory levels	13	8	-5	4	3	-4	6	-8	-4	4	7	-5	4
Credit conditions/access to credit	-5	-5	-3	-2	-4	-13	-3	-6	-15	-16	-11	-17	-8
Capital expenditures	13	8	13	17	24	16	10	15	16	12	9	12	18
Input prices	55	60	56	60	64	61	44	50	52	48	55	41	52
Selling prices	41	23	32	36	33	16	20	27	23	25	24	32	36