



NEWS RELEASE

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April 26, 2024

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Tenth District Services Activity Expanded Further in April
Federal Reserve Bank of Kansas City Releases April Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the April 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 expanded further in April, and expectations for future activity remained steady.

“District services activity grew somewhat in April, and expectations for future activity were unchanged,” said Wilkerson. “However, employment growth cooled slightly this month.”

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 expanded further in April, and expectations for the next six months remained steady (Chart 1 & Table 1). Input price growth continued to outpace increases in selling prices, putting pressure on margins.

Business Activity Expanded Further

The month-over-month services composite index was 9 in April, up from 7 in March and down from 12 in February (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Activity in the wholesale, retail, and restaurant sectors grew, while it contracted in the professional services, healthcare, and education sectors. All month-over-month indexes were positive except access to credit. General revenue/sales stayed fairly steady, while employment growth cooled and inventories increased sharply. The year-over-year composite index increased from -2 to 7. The revenues/sales index was 7 following three months of negative readings, and capital expenditures also expanded from this time last year. The composite expectations index for services activity ticked up to 2 from 1, driven by firms' expectations that heightened inventory levels will continue increasing amid steady sales in the next six months.

Special Questions

This month contacts were asked special questions about workforce training and hiring priorities. Nearly two thirds of firms have devoted more resources to training workers that do not meet skill requirements, with 15% devoting significantly more resources and 48% devoting slightly more. Additionally, 36% reported no change in the resources devoted to training and 1% devoted less resources (Chart 2). Firms were also asked about their biggest priority in hiring over the next six months. 46% reported hiring entry-level workers is their biggest priority, while 39% said mid-level workers, 9% said senior-level workers, 3% said temporary employees, and 3% of firms reported they are not hiring (Chart 3).

Selected Services Comments

“The inflationary prices we experienced in 2022 and 2023 have eased in our sector. We used a large percentage of our cash on hand to survive these last couple of years, however we are seeing our cash on hand starting to increase this month. The high interest rates, along with our increased employee costs, are taking a toll on our profitability.”

“Many young people are still looking for hybrid and/or remote work environments.”

“The cost of property and casualty insurance is going sky high, if you can get it.”

“Some multi-family has been put on hold because of costs and rates. Others with special financing such as TIF are going ahead even though the projects aren't initially forecast to do as well as the developers would like. One developer had to close on a swap for construction costs before they wanted to because of the rate environment.”

Table 1. Summary of Tenth District Services Conditions, April 2024

Plant Level Indicators	April vs. March (percent)*					April vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	Increase	Change	Decrease	Diff Index [^]	Increase	Change	Decrease	Diff Index [^]	SA Index ^{^^}
Composite Index				20	9				7				5	2
General Revenue/Sales	46	31	22	24	5	45	17	38	7	37	32	31	6	-2
Number of Employees	25	61	14	10	6	28	43	29	-1	25	52	23	1	-2
Employee Hours Worked	28	57	16	12	3	23	54	23	0	20	52	28	-7	-14
Part-Time/Temporary Employment	12	81	7	4	2	13	71	16	-3	10	74	16	-6	-6
Wages and Benefits	38	61	1	36	37	75	20	4	71	61	33	6	55	57
Inventory Levels	37	51	12	25	22	34	50	16	18	26	57	16	10	16
Credit Conditions/Access to Credit	4	84	12	-7	-8	12	72	16	-4	6	81	13	-7	-8
Capital Expenditures	29	58	13	16	16	39	41	20	19	36	45	19	17	17
Input Prices	41	54	6	35	35	75	16	9	67	59	35	6	54	61
Selling Prices	25	62	13	12	11	57	20	23	33	45	42	13	32	35

*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 April survey was open for a six-day period from April 17-22, 2024 and included 69 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

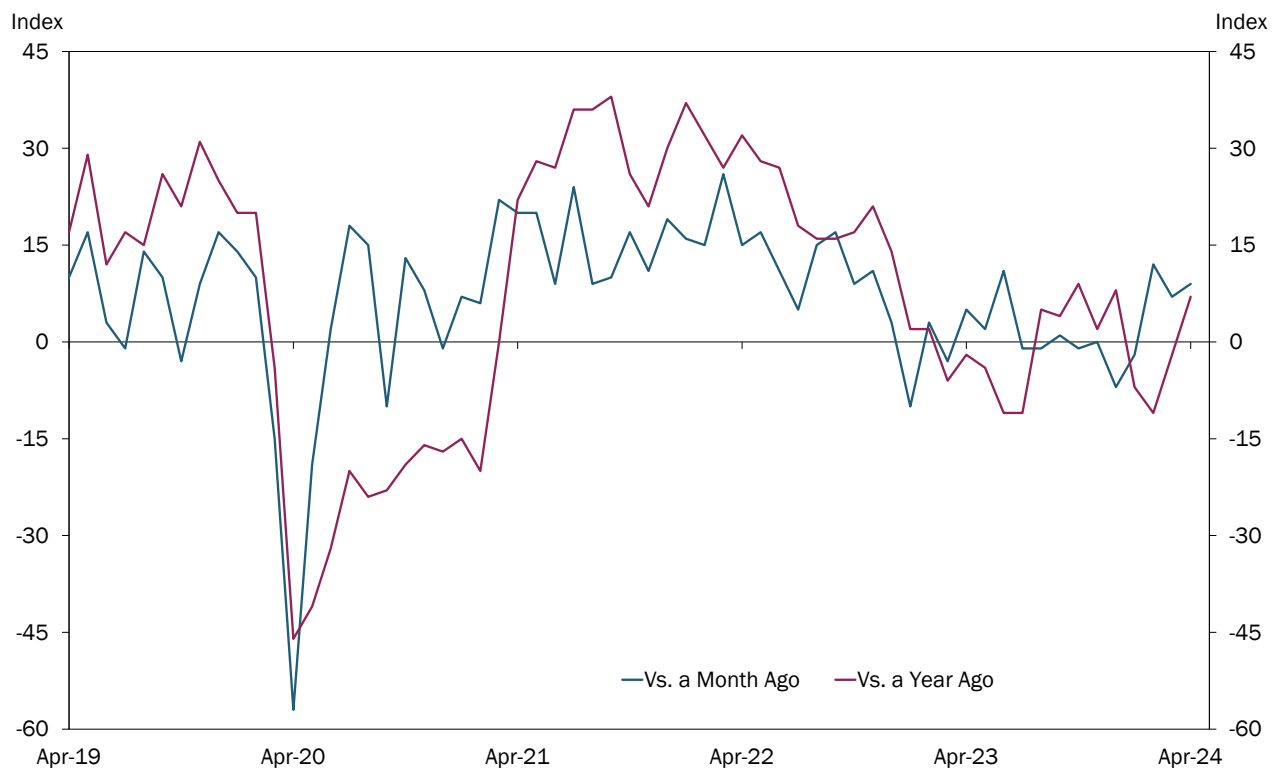


Chart 2. Special Question: Has your firm been devoting more resources (internal or external) to training workers that do not meet skill requirements?

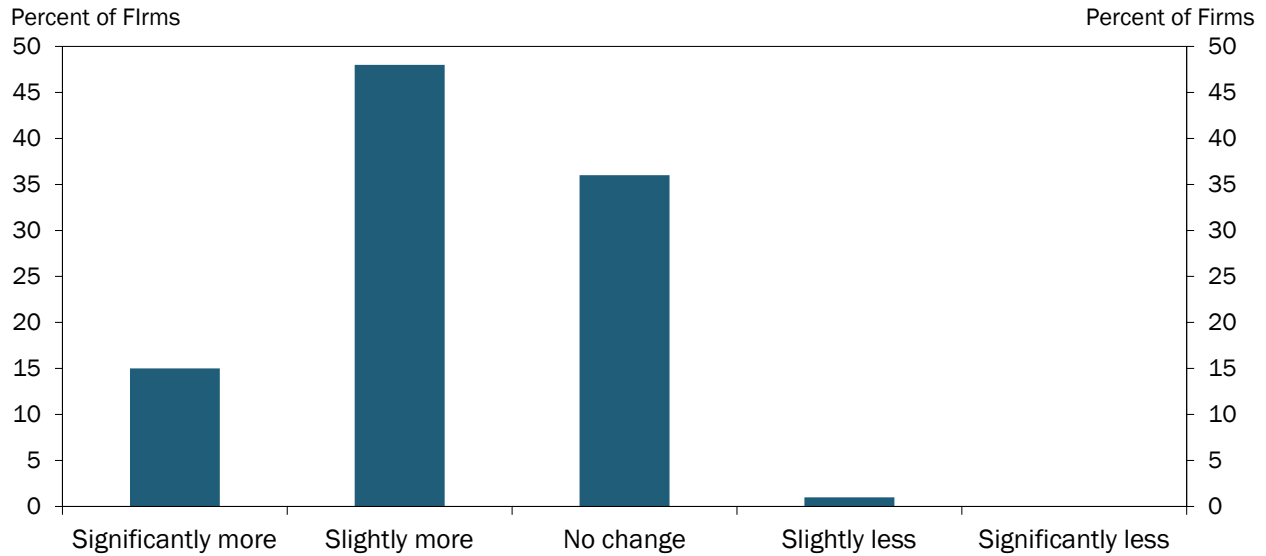


Chart 3. Special Question: Which of the following is your firm's biggest priority in hiring over the next six months?

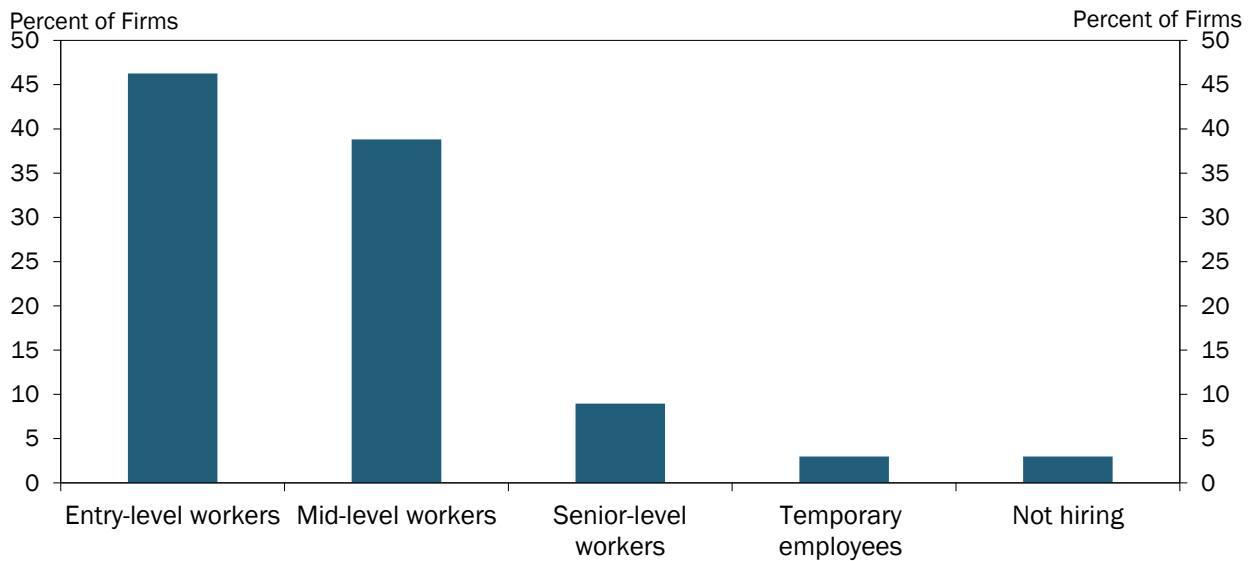


Table 2
Historical Services Survey Indexes

	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24	Mar'24	Apr'24
Versus a Month Ago (seasonally adjusted)													
Composite Index	5	2	11	-1	-1	1	-1	0	-7	-2	12	7	9
General Revenue/Sales	14	2	15	0	-5	2	-3	2	-13	-1	20	4	5
Number of Employees	-2	2	4	-3	3	-2	4	-2	1	-11	0	10	6
Employee Hours Worked	11	4	11	-4	-2	0	-1	-1	-9	-4	7	3	3
Part-Time/Temporary Employment	-7	1	4	7	-2	-3	-8	-3	-4	-10	-10	-8	2
Wages and Benefits	24	17	25	21	20	21	20	19	12	27	25	37	37
Inventory Levels	-6	2	9	2	3	5	-4	-2	-4	7	11	8	22
Credit Conditions/Access to Credit	-13	2	-7	-12	-12	-9	-10	-8	-4	-5	-12	-11	-8
Capital Expenditures	11	13	15	11	12	9	6	16	11	8	2	28	16
Input Prices	40	30	31	34	34	46	32	36	12	32	43	34	35
Selling Prices	6	10	17	14	0	11	8	12	1	12	5	15	11
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-2	-4	-11	-11	5	4	9	2	8	-7	-11	-2	7
General revenue/sales	-9	-16	-17	-18	-2	0	12	-1	7	-9	-23	-6	7
Number of employees	3	3	-6	-5	9	5	7	4	14	-13	-6	1	-1
Employee hours worked	8	-4	5	-5	3	-1	16	11	13	-11	-11	-7	0
Part-time/temporary employment	-5	3	-8	2	3	1	-4	-3	3	-9	-5	-9	-3
Wages and benefits	61	68	70	68	57	74	70	68	63	57	66	66	71
Inventory levels	8	14	-2	-2	16	14	4	7	1	6	10	5	18
Credit conditions/access to credit	-8	-3	-9	-17	-22	-12	-19	-10	-9	-10	-14	-10	-4
Capital expenditures	20	24	14	13	17	13	7	18	20	2	8	10	19
Input prices	67	48	65	62	50	71	72	65	56	55	60	58	67
Selling prices	30	37	28	34	22	35	38	40	39	31	27	39	33
Expected in Six Months (seasonally adjusted)													
Composite Index	12	6	-2	4	5	4	6	12	-1	3	-3	1	2
General revenue/sales	17	4	1	8	3	6	13	21	-1	3	-9	6	-2
Number of employees	14	9	-3	3	9	1	3	5	2	4	5	-2	-2
Employee hours worked	8	5	5	5	3	3	8	8	5	-5	0	6	-14
Part-time/temporary employment	-1	-1	-2	2	3	0	1	2	-2	-1	-11	-4	-6
Wages and benefits	51	41	50	46	44	46	52	45	28	38	53	54	57
Inventory levels	-2	4	-6	-3	2	4	-5	2	-3	1	1	-8	16
Credit conditions/access to credit	-13	-5	-6	-14	-14	-10	-15	-8	-2	-11	-11	-8	-8
Capital expenditures	15	11	15	15	13	10	13	18	8	9	6	11	17
Input prices	59	44	51	52	49	53	43	56	34	53	67	45	61
Selling prices	19	22	28	25	26	25	31	32	24	27	28	36	35