



NEWS RELEASE

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CONTACT: Sarah Dickson

(405) 827-7294

Sarah.Dickson@kc.frb.org

Tenth District Services Activity Continued to Grow 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 services activity continued to grow in May, and expectations for future activity expanded further.

“District services activity grew moderately in May, and expectations for future activity increased from the previous month,” said Wilkerson. “Employment grew at its fastest pace in nearly two years, but firms’ expectations for wage growth in the coming year are mixed.”

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 continued to grow in May and expectations for the next six months expanded further (Chart 1 & Table 1). Price growth cooled this month but increases in selling prices cooled more than input prices, further compressing margins.

Business Activity Continued to Grow

The month-over-month services composite index was 11 in May, up from 9 in April and 7 in March (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Growth was driven by increases in activity in the wholesale, real estate, and professional services sectors. All month-over-month indexes were positive except access to credit. General revenue/sales grew further, and the employment index reached its highest level in nearly two years. The year-over-year composite index ticked down to 4 from 7, as revenues and inventories growth cooled. Capital expenditures have increased sharply from this time last year. The composite expectations index for services activity increased to 10 from 2, as firms anticipate revenues to surge in the coming months.

Special Questions

This month contacts were asked special questions about their ability to pass through higher costs to customers. Nearly half (48%) of District services firms reported the ability to pass through 0-20% of their increased costs to customers. Additionally, 3% of firms were able to pass through 20-40%, 14% of firms were able to pass through 40-60% of costs, 10% passed through 60-80%, 16% passed through 80-100%, 1% passed through more than 100%, and 8% of firms have decreased prices. (Chart 2). Firms were also asked about their expectations for wage increases. 8% of firms expect wages to rise significantly faster over the next year compared to the past 12 months, 22% expect wages to rise slightly faster, 28% expect them to rise at a similar rate, 21% expect them to rise slightly slower, 16% expect them to rise significantly slower, and 5% expect wages to decline (Chart 3).

Selected Services Comments

“Less than a year ago we had to raise the pay for new hires by about 25%, which meant all the existing employee had to get bumped up as well.”

“We will need to increase starting wages to attract employees. The question is when and how much since the consumer is more price sensitive than in the past. All costs cannot be passed on the consumer.”

“Wages are being adjusted downward with contract renewals.”

“We currently pay near the top of the industry for the region and have outpaced inflation with pay increases and we anticipate similar pay increases.”

“We are not needing to raise wages significantly to attract or retain employees.”

“Attracting and keeping good employees is among the most important things.”

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

Plant Level Indicators	May vs. April (percent)*					May 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				15	11				4				8	10
General Revenue/Sales	39	34	26	13	7	41	21	38	3	46	25	29	17	18
Number of Employees	27	67	6	21	18	30	43	27	3	19	57	24	-5	-3
Employee Hours Worked	25	62	13	11	11	23	59	18	5	18	59	23	-5	-3
Part-Time/Temporary Employment	19	73	8	11	10	13	73	14	-2	11	78	11	0	-1
Wages and Benefits	29	69	2	27	32	74	18	8	66	63	32	5	58	63
Inventory Levels	25	64	11	13	10	28	54	18	10	23	59	18	5	8
Credit Conditions/Access to Credit	3	86	11	-8	-8	5	78	17	-13	3	81	16	-13	-14
Capital Expenditures	30	62	8	22	21	43	41	16	27	29	57	14	14	19
Input Prices	40	53	6	34	33	74	15	11	63	68	27	5	63	63
Selling Prices	19	68	13	6	4	49	27	24	25	46	43	11	35	38

*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 May survey was open for a six-day period from May 15-20, 2024 and included 63 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

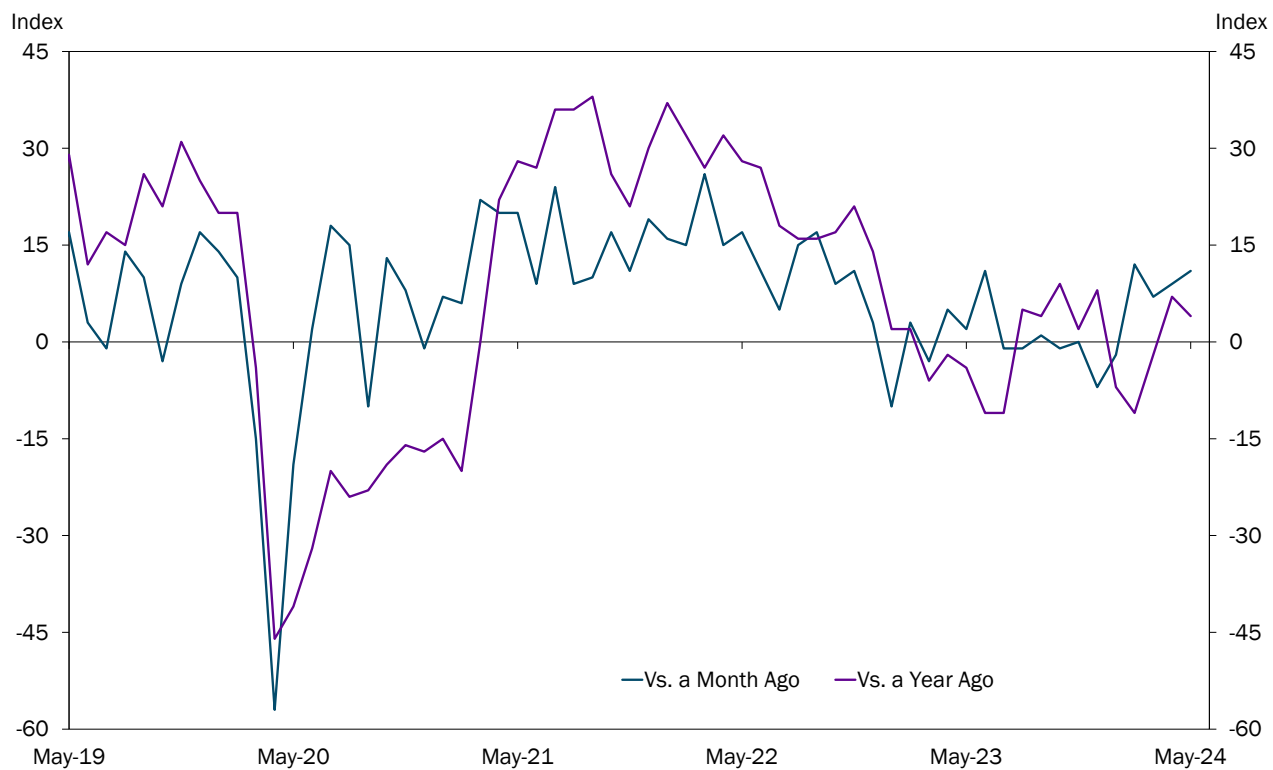


Chart 2. Special Question: If your firm is facing higher costs (inputs and labor), what share of those increases are you able to pass through to customers in the form of higher prices?

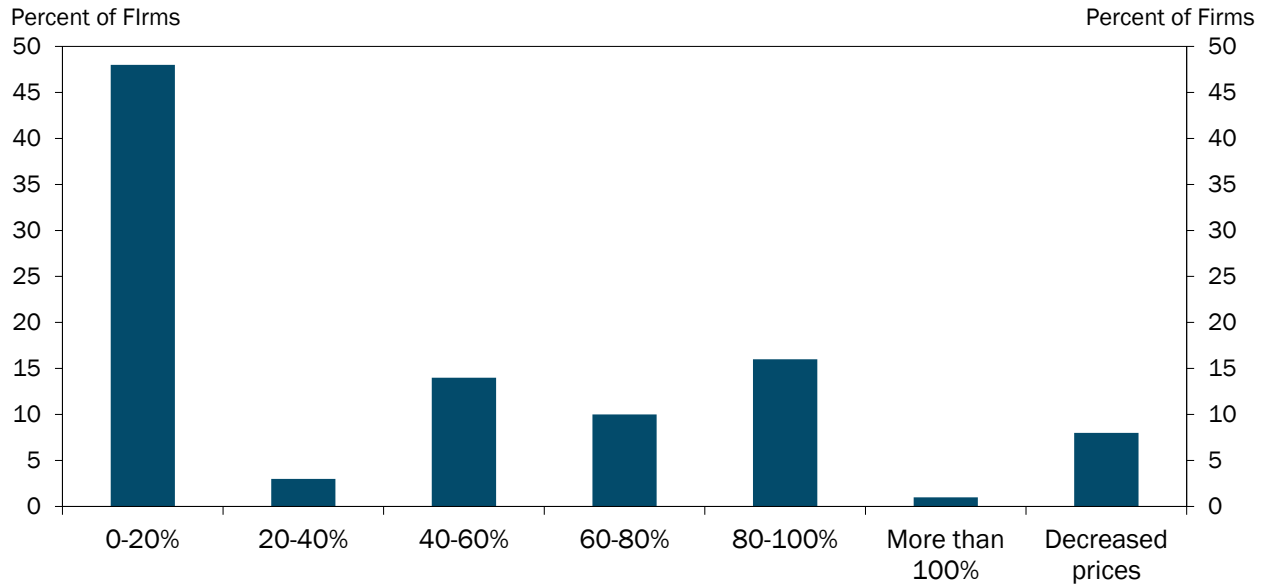


Chart 3. Special Question: Over the next year, what are your expectations for wages at your firm compared to the past 12 months?

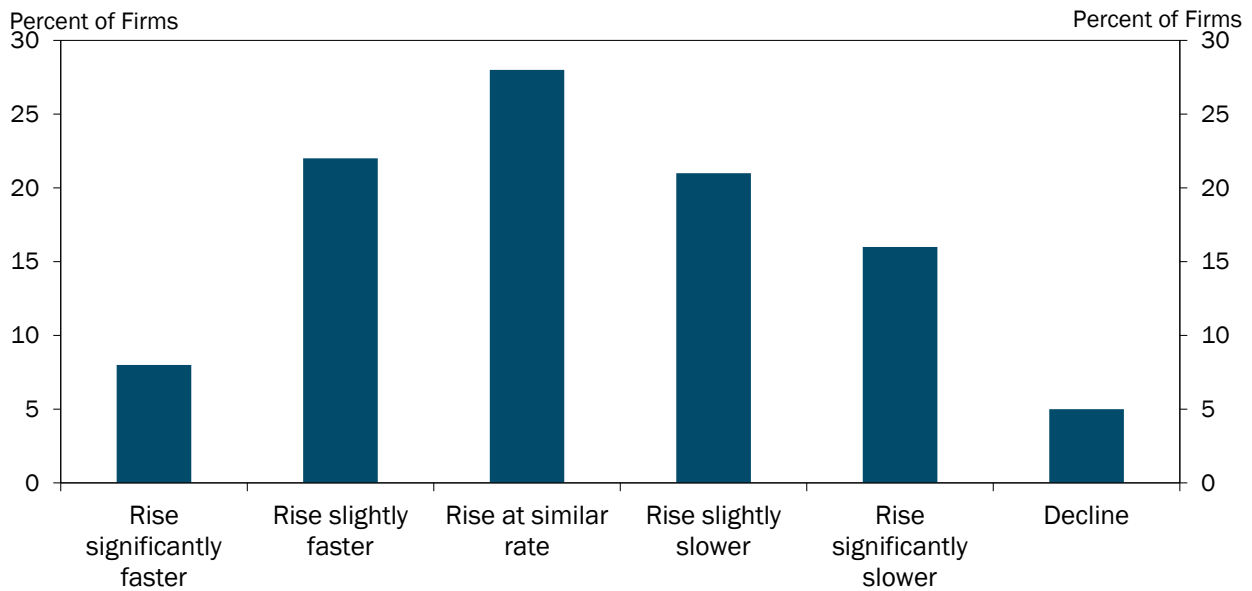


Table 2
Historical Services Survey Indexes

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