



NEWS RELEASE

FEDERAL RESERVE BANK *of* KANSAS CITY
DENVER • OKLAHOMA CITY • OMAHA

FOR IMMEDIATE RELEASE

Dec. 20, 2024

CONTACT: Sarah Dickson

(405) 827-7294

Sarah.Dickson@kc.frb.org

Growth in Tenth District Services Activity Cooled in December
Federal Reserve Bank of Kansas City Releases December Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the December Services Survey today. According to Megan Williams, associate economist and survey manager at the Federal Reserve Bank of Kansas City, the survey revealed that growth in Tenth District services activity cooled in December. However, expectations for future activity increased.

“The pace of growth in regional services activity moderated this month,” said Williams. “However, growth from this time last year accelerated, particularly in the consumer sector.”

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.

###

TENTH DISTRICT SERVICES SUMMARY

Growth in Tenth District services activity cooled in December (Charts 1 & 2). However, expectations for future activity increased (Table 1). Input price growth stayed steady this month while selling price growth accelerated, but is still below input price growth.

Growth in Business Activity Cooled in December

The month-over-month services composite index was 2 in December, down from 9 in November and 5 in October (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The retail and wholesale industries saw declines this month while autos, education, and tourism grew. Most month-over-month indexes were positive, but lower than last month's readings. General revenue/sales eased from 14 to 2, while employment also cooled from 6 to 3. All year-over-year indexes were positive, except access to credit. The year-over-year composite index increased further from 15 to 24. This growth was driven more by consumer-oriented firms, as the consumer index increased from 18 to 31 while the business services index ticked up from 7 to 11. Both revenues and employment grew at a robust pace, while capital expenditures cooled somewhat. Expectations for future services activity increased further, as expectations for future revenues accelerated while employment expectations stayed flat.

Special Questions

This month contacts were asked about worker productivity. 60% of firms reported the productivity of their average workers has not changed in the past year, while 14% reported less productive workers and 26% reported more productive workers (Chart 2). Contacts were also asked how reliant their firms are on immigrant workers. 72% of firms said they are not reliant on immigrant workers, while 13% reported they are slightly reliant, 7% reported they are somewhat reliant, and 8% reported they are very reliant (Chart 3).

Selected Services Comments

“Consumer confidence seems to be increasing while inflation seems to be on a downward trend. I am hopeful that we can experience continue this trend going into 2025.”

“We are continuing to struggle to acquire new business. We are finding creative ways to give more cost saving options (payment terms, discounts, etc.) to businesses that utilize our staffing augmentation services and how we approach and present those options.”

“We are increasing wages 4.25% in an effort to offset employee expense increases.”

“We're seeing the general restaurant slow down.”

“Our restaurant business is up 17% with per plate price at about \$58 per person. Seems restaurants are fighting each other to get kitchen employees, forcing labor cost up.”

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

	December vs. November (percent)*					December vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index^	SA Index^A	Increase	No Change	Decrease	Diff Index^	Increase	No Change	Decrease	Diff Index^	SA Index^A
Plant Level Indicators														
Composite Index				-8	2				24				23	17
Consumer Services									31					
Business Services									11					
General Revenue/Sales	21	44	35	-14	2	59	15	26	33	52	25	24	28	25
Number of Employees	17	65	17	0	3	41	34	25	16	38	48	14	24	16
Employee Hours Worked	15	65	20	-5	4	32	44	24	8	29	54	18	11	4
Part-Time/Temporary Employment	8	81	11	-2	1	18	70	12	6	20	70	10	11	11
Wages and Benefits	26	67	7	19	19	83	10	7	76	51	43	6	45	39
Inventory Levels	19	58	23	-4	0	30	51	19	11	28	52	20	7	-1
Credit Conditions/Access to Credit	4	89	7	-4	-3	9	78	13	-4	13	80	7	6	4
Capital Expenditures	26	64	11	15	16	35	43	23	12	30	52	18	12	7
Input Prices	32	61	7	25	28	73	18	10	63	57	35	8	49	43
Selling Prices	20	66	14	6	12	60	24	16	44	44	44	13	31	20

*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 December survey was open for a six-day period from December 11-16, 2024 and included 86 responses (56 consumer and 30 business) from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

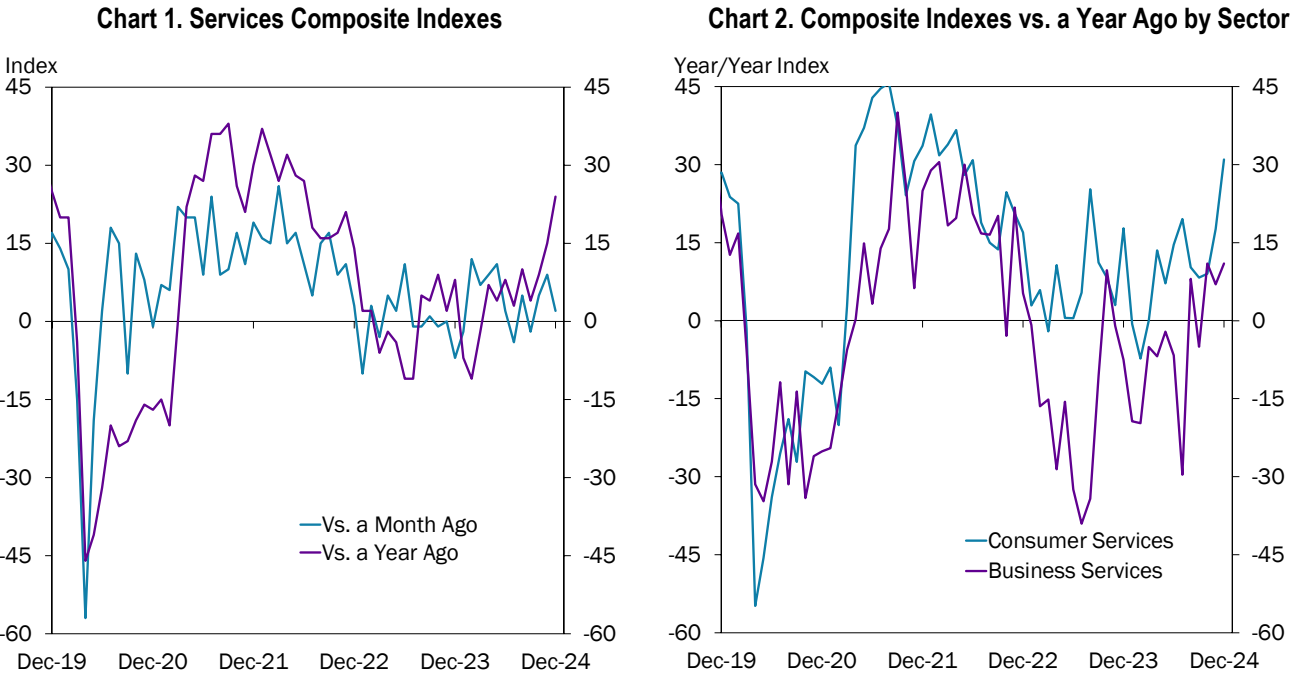


Chart 3. Special Question: Compared to last year, how has the average productivity of your worker changed?

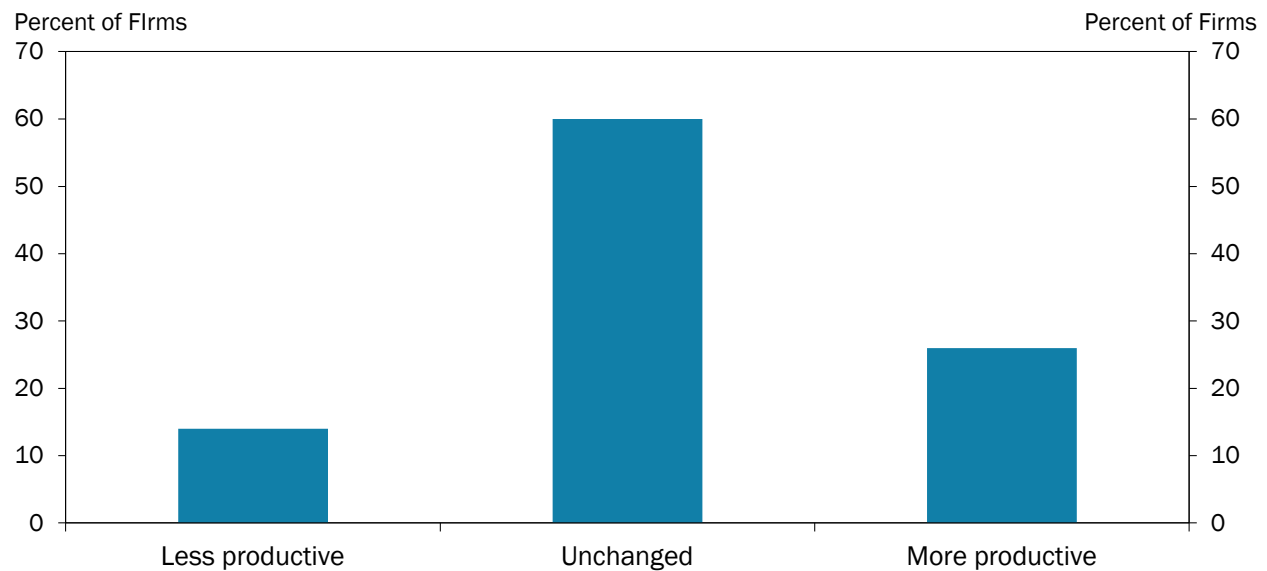


Chart 4. Special Question: How reliant is your firm on immigrant workers?

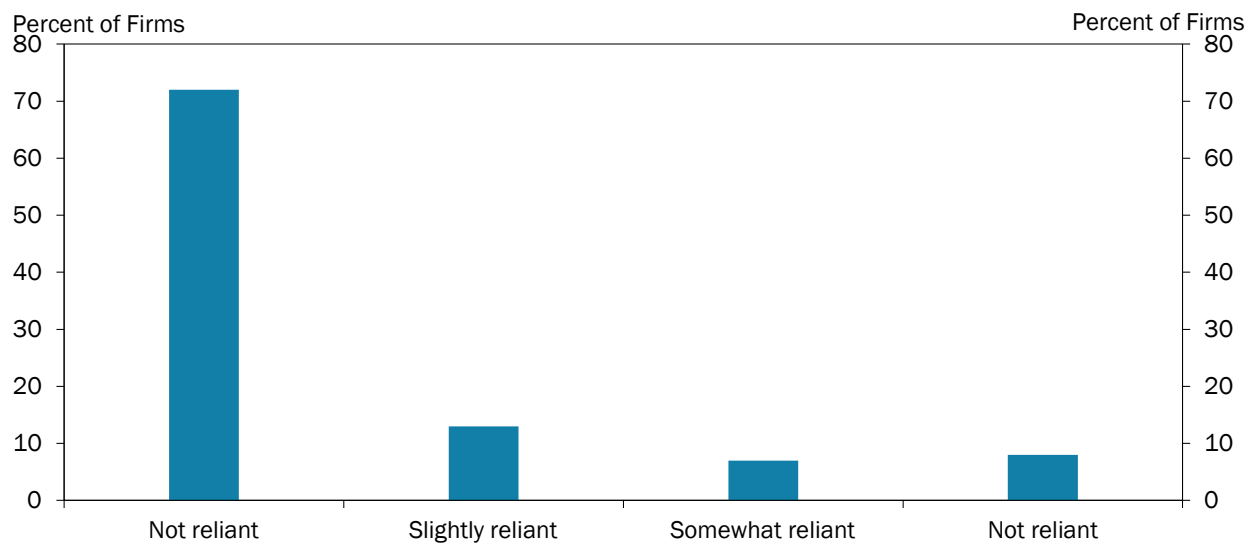


Table 2
Historical Services Survey Indexes

	Dec'23	Jan'24	Feb'24	Mar'24	Apr'24	May'24	Jun'24	Jul'24	Aug'24	Sep'24	Oct'24	Nov'24	Dec'24
Versus a Month Ago (seasonally adjusted)													
Composite Index	-7	-2	12	7	9	11	2	-4	5	-2	5	9	2
General Revenue/Sales	-13	-1	20	4	5	7	4	-16	17	-1	7	14	2
Number of Employees	1	-11	0	10	6	18	-4	10	-9	-5	4	6	3
Employee Hours Worked	-9	-4	7	3	3	11	-5	6	-2	2	7	5	4
Part-Time/Temporary Employment	-4	-10	-10	-8	2	10	-4	-1	-2	-5	1	-1	1
Wages and Benefits	12	27	25	37	37	32	17	18	18	10	31	20	19
Inventory Levels	-4	7	11	8	22	10	7	4	-5	-1	2	2	0
Credit Conditions/Access to Credit	-4	-5	-12	-11	-8	-8	-6	-2	-7	-8	-1	0	-3
Capital Expenditures	11	8	2	28	16	21	14	10	10	17	23	11	16
Input Prices	12	32	43	34	35	33	27	19	22	31	24	28	28
Selling Prices	1	12	5	15	11	4	-5	0	10	7	9	8	12
Versus a Year Ago (not seasonally adjusted)													
Composite Index	8	-7	-11	-2	7	4	8	3	10	4	9	15	24
<i>Consumer Services</i>	18	-1	-7	0	13	7	15	20	10	8	9	18	31
<i>Business Services</i>	-8	-19	-20	-5	-7	-2	-7	-30	8	-5	11	7	11
General revenue/sales	7	-9	-23	-6	7	3	6	-3	15	2	8	23	33
Number of employees	14	-13	-6	1	-1	3	9	6	7	5	12	8	16
Employee hours worked	13	-11	-11	-7	0	5	-1	5	4	-3	6	6	8
Part-time/temporary employment	3	-9	-5	-9	-3	-2	-7	7	4	-3	-9	-4	6
Wages and benefits	63	57	66	66	71	66	65	61	68	55	72	60	76
Inventory levels	1	6	10	5	18	10	13	13	0	7	7	4	11
Credit conditions/access to credit	-9	-10	-14	-10	-4	-13	-9	-13	-9	-3	-7	-2	-4
Capital expenditures	20	2	8	10	19	27	4	5	6	18	23	27	12
Input prices	56	55	60	58	67	63	56	48	50	63	65	64	63
Selling prices	39	31	27	39	33	25	30	24	37	42	46	39	44
Expected in Six Months (seasonally adjusted)													
Composite Index	-1	3	-3	1	2	10	10	6	15	7	14	12	17
General revenue/sales	-1	3	-9	6	-2	18	14	14	27	9	14	15	25
Number of employees	2	4	5	-2	-2	-3	12	2	8	11	20	16	16
Employee hours worked	5	-5	0	6	-14	-3	2	2	7	13	13	7	4
Part-time/temporary employment	-2	-1	-11	-4	-6	-1	-6	2	5	4	-4	-5	11
Wages and benefits	28	38	53	54	57	63	42	38	40	37	45	30	39
Inventory levels	-3	1	1	-8	16	8	-1	-6	-4	-3	3	-3	-1
Credit conditions/access to credit	-2	-11	-11	-8	-8	-14	-7	-5	-1	-1	-2	1	4
Capital expenditures	8	9	6	11	17	19	-1	7	14	16	22	5	7
Input prices	34	53	67	45	61	63	51	37	44	44	47	41	43
Selling prices	24	27	28	36	35	38	20	19	29	32	18	10	20