



FOR IMMEDIATE RELEASE

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Tenth District Services Activity Grew Moderately 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 Megan Williams, associate economist and survey manager, Tenth District services activity grew moderately in May, and expectations for future activity remained elevated.

“Regional services activity increased further in May, as revenues and employment levels grew moderately,” said Williams. “Input price growth cooled from high readings in previous months, with about half of firms changing their prices more frequently than last year.”

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 grew moderately in May, and expectations for future activity remained elevated (Chart 1 & Table 1). Input price growth cooled from high readings in previous months, while selling prices growth ticked up.

Business Activity Grew Moderately in May

The month-over-month services composite index was 11 in May, up from 3 in April and 0 in March (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Activity in tourism, wholesale trade, and professional services increased, while retail trade and autos saw declines. All month-over-month indexes were positive except access to credit. General revenue/sales accelerated from 4 to 14, and employment and employee hours also increased to 10 and 9, respectively. Access to credit continued to decline modestly at -4. Year-over-year growth ticked down but remained positive, as growth in business services softened while staying mostly steady in the consumer sector (Chart 2). Revenues and employment growth cooled from last month's readings, but capital expenditures accelerated from 9 to 19. Expectations for future services activity remained expansionary, with expectations for revenue easing while employment increased.

Special Questions

This month contacts were asked special questions about their firm's hiring and capital expenditures plans. Over half (58%) of firms reported their hiring plans for the remainder of 2025 have not changed since the beginning of the year, while 30% expect them to decrease and 12% expect to increase hiring plans. Similarly, 53% of firms have not changed their capital expenditures plans since the beginning of the year, while 26% expect them to decrease and 21% expect them to increase (Chart 3). Firms were also asked if they are changing their prices more frequently compared to last year. Nearly half (46%) reported they have not changed the frequency with which they change prices, while 34% reported they are changing prices somewhat more often and 15% reported they are changing them much more often. Another 4% reported their prices are changing somewhat less often, and 1% reported changing much less often (Chart 4).

Selected Services Comments

“Economic uncertainty remains, and financial forecasting and business planning continues to be challenging in these volatile periods.”

“We want to keep our cash levels higher to insulate ourselves a bit more for uncertainty.”

“Commodity lumber prices rose with expectation of tariffs and were slow to drop after tariffs were not imposed. Prices then started to drift lower on lumber and oriented strand board.”

“Business in very good across all product and service lines.”

“Business has seemingly softened since 4Q 2023.”

“We have experienced input prices declining in our parts and inventory costs. The cost of shipping remains higher than normal, but as fuel prices decrease, I anticipate this cost to decrease.”

“Credit seems more accessible, however construction and supply costs are rising and changing frequently so it is much more difficult to plan larger projects. Makes us hold off.”

“We import a lot of goods from China and have responded to tariffs by holding all finished items in China until we have clarity on the 145% tariff. Once it was reduced to 30%, we put multiple containers on the water of finished items. We are actively raising prices to our customers as these new items will be in inventory in the next 30-60 days at a higher cost to us as the importer pays the tariffs.”

Table 1. Summary of Tenth District Services Conditions, May 2025

	May vs. April (percent)*					May vs. Year Ago (percent)*				Expected in Six Months (percent)*				
		No	Diff	SA		No	Diff		No	Diff	SA			
Plant Level Indicators	Increase	Change	Decrease	Index^	Index^A	Increase	Change	Decrease	Index^A	Increase	Change	Decrease	Index^	Index^A
Composite Index				15	11				8				12	13
Consumer Services									9					
Business Services									5					
General Revenue/Sales	42	35	23	19	14	47	16	38	9	43	26	31	11	10
Number of Employees	26	61	13	14	10	32	39	29	3	34	47	19	16	20
Employee Hours Worked	31	53	17	14	9	26	45	28	-2	33	47	20	13	17
Part-Time/Temporary Employment	14	77	9	4	2	21	67	12	9	18	69	14	4	4
Wages and Benefits	34	60	6	27	30	78	12	11	67	58	35	7	51	53
Inventory Levels	23	61	16	6	3	34	43	23	12	27	55	18	9	8
Credit Conditions/Access to Credit	4	88	8	-4	-4	10	75	15	-4	11	77	11	0	0
Capital Expenditures	28	63	8	20	17	39	41	20	19	34	49	17	17	20
Input Prices	49	43	7	42	43	78	16	6	72	65	31	4	61	60
Selling Prices	26	66	7	19	18	67	23	10	56	51	38	11	40	40

*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 14-19, 2025 and included 96 responses (66 consumer and 30 business) from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

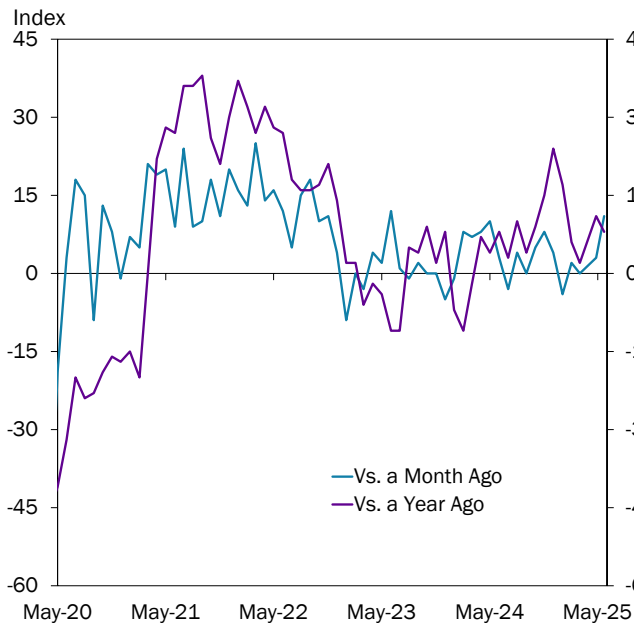


Chart 2. Composite Indexes vs. a Year Ago by Sector

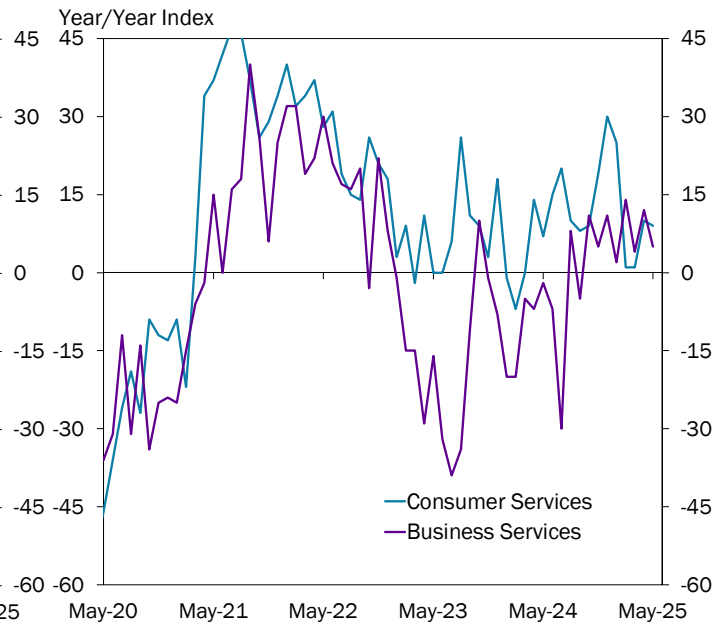


Chart 3. Special Question: Since the start of the year, have your firm's hiring or capital expenditure plans changed for the remainder of 2025?

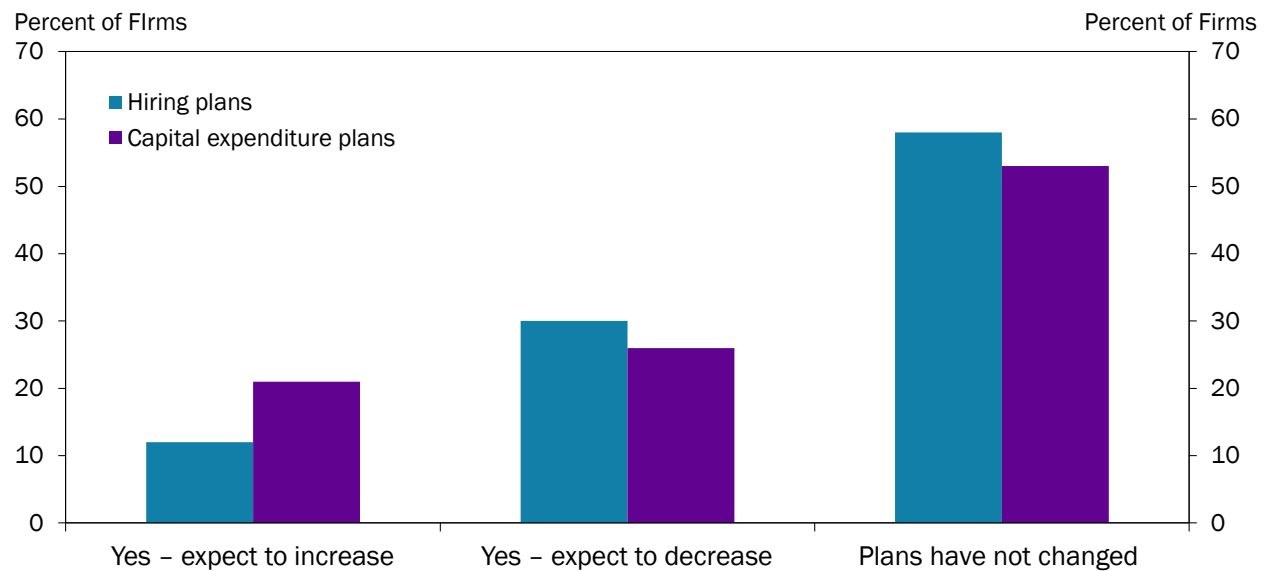


Chart 4. Special Question: How much more or less frequently is your firm changing prices compared to last year?

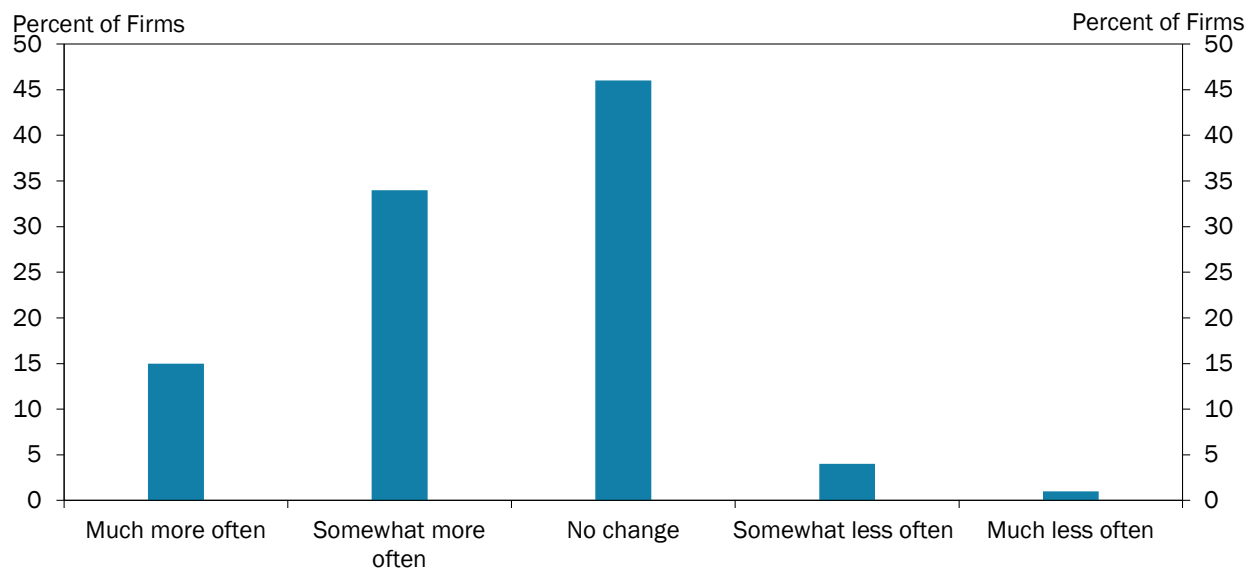


Table 2
Historical Services Survey Indexes

	May'24	Jun'24	Jul'24	Aug'24	Sep'24	Oct'24	Nov'24	Dec'24	Jan'25	Feb'25	Mar'25	Apr'25	May'25
Versus a Month Ago (seasonally adjusted)													
Composite Index	10	3	-3	4	0	5	8	4	-4	2	0	3	11
General Revenue/Sales	7	6	-14	15	2	7	12	5	-8	-1	4	4	14
Number of Employees	17	-4	11	-9	-4	4	5	3	-1	3	-5	2	10
Employee Hours Worked	7	0	3	-1	2	6	5	5	-1	-4	-10	2	9
Part-Time/Temporary Employment	10	-4	-2	-2	-5	0	-1	1	-3	-3	-8	-9	2
Wages and Benefits	30	19	19	19	13	32	21	20	20	12	15	22	30
Inventory Levels	9	7	4	-3	0	3	3	2	4	9	-2	4	3
Credit Conditions/Access to Credit	-7	-6	-3	-6	-7	-2	-1	-3	-7	-10	-5	-2	-4
Capital Expenditures	19	14	11	10	17	23	12	16	19	2	15	15	17
Input Prices	34	29	22	24	30	26	26	25	34	40	41	49	43
Selling Prices	5	1	1	8	7	9	7	9	14	15	8	16	18
Versus a Year Ago (not seasonally adjusted)													
Composite Index	4	8	3	10	4	9	15	24	17	6	2	11	8
<i>Consumer Services</i>	7	15	20	10	8	9	19	30	25	1	1	10	9
<i>Business Services</i>	-2	-7	-30	8	-5	11	5	11	2	14	4	12	5
General revenue/sales	3	6	-3	15	2	8	23	33	17	-2	1	14	9
Number of employees	3	9	6	7	5	12	8	16	17	13	-5	6	3
Employee hours worked	5	-1	5	4	-3	6	6	8	11	-2	-8	1	-2
Part-time/temporary employment	-2	-7	7	4	-3	-9	-4	6	9	1	-1	-3	9
Wages and benefits	66	65	61	68	55	72	60	76	65	65	51	65	67
Inventory levels	10	13	13	0	7	7	4	11	17	14	14	11	12
Credit conditions/access to credit	-13	-9	-13	-9	-3	-7	-2	-4	-1	-6	-2	-4	-4
Capital expenditures	27	4	5	6	18	23	27	12	13	3	-2	9	19
Input prices	63	56	48	50	63	65	64	63	58	74	71	72	72
Selling prices	25	30	24	37	42	46	39	44	42	36	34	42	56
Expected in Six Months (seasonally adjusted)													
Composite Index	9	10	6	14	6	11	9	16	12	17	12	14	13
General revenue/sales	16	13	12	25	8	11	11	24	15	23	14	20	10
Number of employees	-1	11	4	7	10	18	14	13	14	14	11	15	20
Employee hours worked	0	2	3	5	10	10	5	3	12	-3	9	5	17
Part-time/temporary employment	-1	-5	1	3	3	-4	-5	10	8	-1	1	-1	4
Wages and benefits	61	42	39	41	38	46	31	41	49	42	49	39	53
Inventory levels	5	-1	-5	-4	-3	2	-2	1	0	5	8	-5	8
Credit conditions/access to credit	-13	-6	-5	-2	-2	-3	0	3	-5	-6	-1	2	0
Capital expenditures	17	-1	8	13	14	21	8	8	16	8	12	12	20
Input prices	62	52	39	45	45	49	39	46	58	63	58	71	60
Selling prices	35	21	20	27	28	19	13	26	35	37	36	43	40