

FOR IMMEDIATE RELEASE

Sept. 26, 2025

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Tenth District Services Activity Declined Modestly in September
Federal Reserve Bank of Kansas City Releases September Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the September Services Survey today. According to Cortney Cowley, assistant vice president and Oklahoma City Branch executive, results from the survey showed that Tenth District services activity declined modestly in September, while expectations for future services activity moderated but remained positive.

“Regional services activity fell in September, as the employment index decreased to its lowest reading in over five years,” said Cowley. “Looking ahead, firms expect revenues to rebound with slight declines in employment.”

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 declined modestly in September, and expectations for future services activity remained positive (Chart 1 & Table 1). Both selling price and input price growth moderated from last month.

Business Activity Declined Modestly in September

The month-over-month services composite index was -9 in September, down from 4 in August, and -5 in July (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Activity in education and professional services grew, while the tourism sector continued to fall. . The monthly general revenue/sales index dropped from 5 to -13, and the employment index fell from 2 to -12, its lowest reading since May 2020. Year-over-year growth slowed from 12 to 3, as growth in consumer services cooled and business services activity declined modestly (Chart 2). The revenues index fell from 16 to 5, while employment was essentially flat and the hours worked index declined to -12. Capital expenditures continued to accelerate from 8 to 14. Expectations for future services activity moderated but remained positive, with firms expecting declines in employment and slower price growth.

Special Questions

This month, contacts were asked special questions about expectations for employment and product demand for 2026. Over a third (38%) of firms reported expect their employment levels to be slightly higher by the end of 2026, while 4% of firms expect their employment levels will be significantly higher, 29% of firms expect no change, 26% expect they will be slightly lower, and 3% of firms expect they will be significantly lower (Chart 2). Almost half of firms (48%) expect demand for their products to be slightly higher in 2026, 7% of firms expect their demand to be significantly higher, 28% expect no change, 15% expect it will be slightly lower, and 2% expect their product demand will be significantly lower (Chart 3).

Selected Services Comments

“This has been a very busy year, specifically in coal mining and electric power generation.”

“It's getting harder and harder to stay afloat as a small business.”

“Commodity lumber and plywood costs are lower than expected during this typical seasonal building period in the Midwest. The decline in entry level/first time homebuyers has reduced the demand lower than production in the markets. We continue to see higher pricing on windows, doors and all manufactured products due to increased labor costs in manufacturing.”

“Healthcare costs are increasing significantly, forcing us to decrease workforce.”

“Very little new products are being sold. This includes repair, parts and new equipment. We do not think this will change in the next year.”

“AI is creating productivity gains for us. We are reducing debt, using AI to boost productivity. Demand is weaker. Technology is allowing us to make our solution faster and cheaper, but prices to sell are dropping too.”

“Demand for Trucking services continue to decline. Pricing is down 15% since 2022. Most Trucking firms are operating at a loss. Trucking capacity will continue to exit the market until demand improves.”

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

	September vs. August (percent)*					September vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	Increase	No Change	Decrease	Diff Index [^]		Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}
Plant Level Indicators															
Composite Index				-8	-9				3					2	5
Consumer Services									6						
Business Services									-3						
General Revenue/Sales	29	35	36	-7	-13	45	15	40	5	41	27	32	9	12	
Number of Employees	12	61	27	-15	-12	30	41	29	1	21	51	28	-7	-5	
Employee Hours Worked	16	59	25	-9	-12	21	46	33	-12	19	55	25	-6	-3	
Part-Time/Temporary Employment	4	80	16	-12	-10	13	68	19	-6	10	75	15	-5	-4	
Wages and Benefits	26	65	9	17	16	67	24	9	58	48	46	6	41	37	
Inventory Levels	21	60	19	2	4	26	48	26	0	21	56	23	-2	1	
Credit Conditions/Access to Credit	6	86	8	-2	-2	12	77	11	1	10	81	9	1	-1	
Capital Expenditures	23	65	12	12	7	39	37	25	14	28	50	22	6	3	
Input Prices	46	49	4	42	38	73	18	9	64	59	37	5	54	49	
Selling Prices	28	60	12	16	10	53	29	18	35	40	45	15	24	21	

*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 September survey was open for a six-day period from September 17-22, 2025 and included 114 responses (76 consumer and 38 business) from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

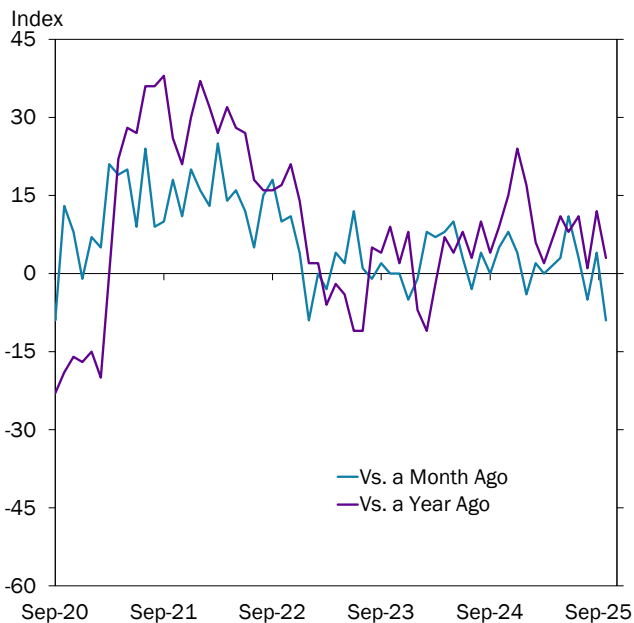


Chart 2. Composite Indexes vs. a Year Ago by Sector

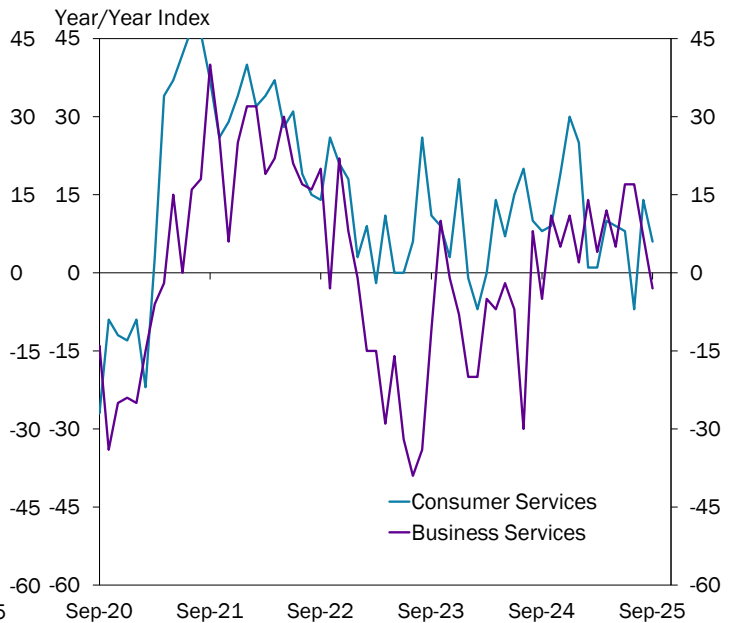


Chart 3. Special Question: By the end of 2026, what are your expectations for your firm's employment levels?

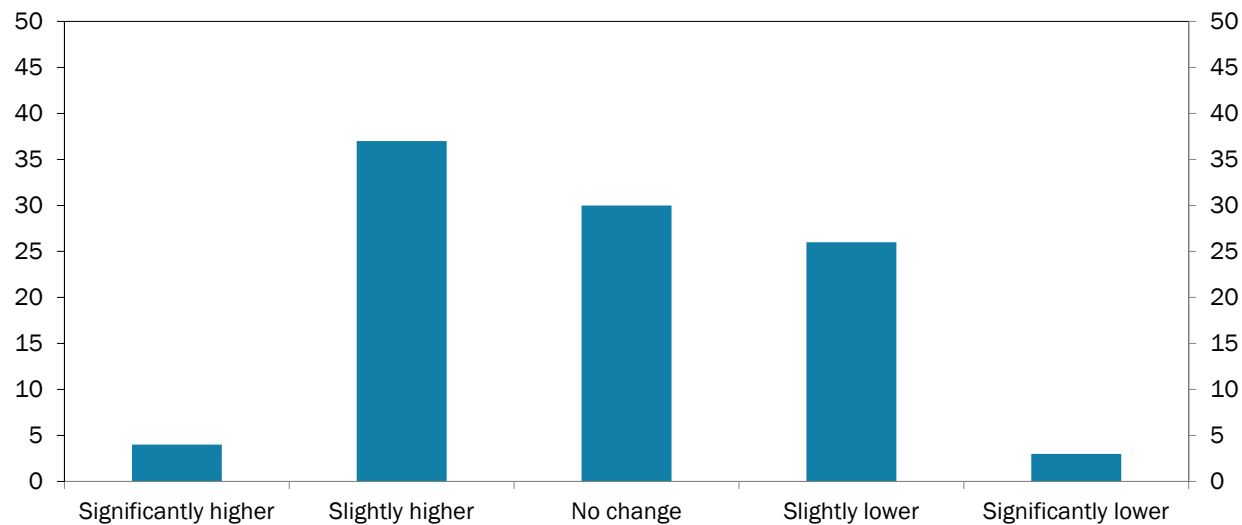


Chart 4. Special Question: What are your expectations for demand for your firm's products in 2026 compared to 2025?

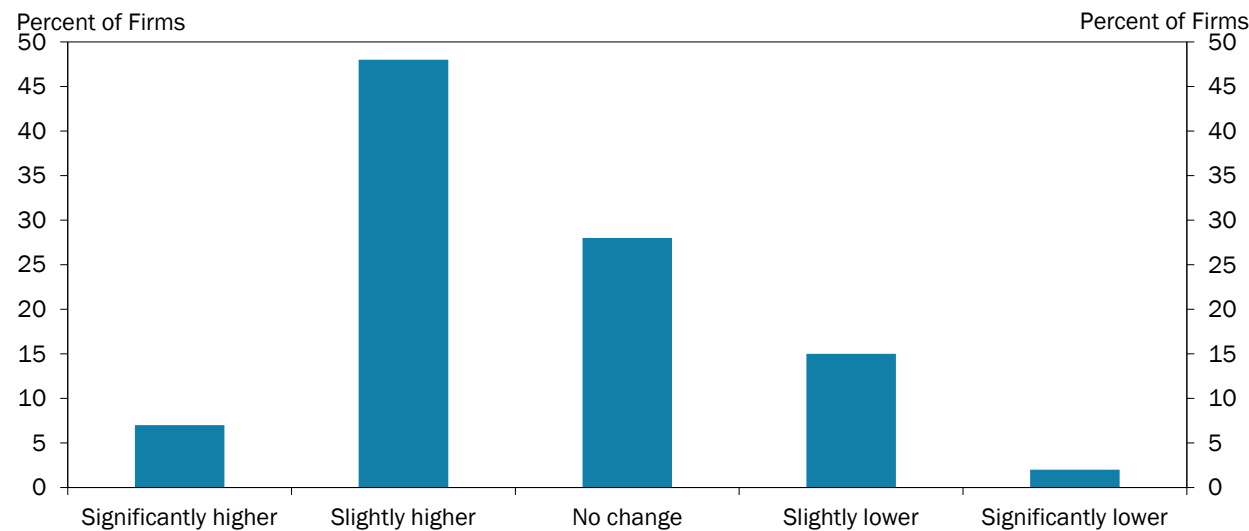


Table 2**Historical Services Survey Indexes**

	Sep'24	Oct'24	Nov'24	Dec'24	Jan'25	Feb'25	Mar'25	Apr'25	May'25	Jun'25	Jul'25	Aug'25	Sep'25
Versus a Month Ago (seasonally adjusted)													
Composite Index	0	5	8	4	-4	2	0	3	11	3	-5	4	-9
General Revenue/Sales	2	7	12	5	-8	-1	4	4	14	2	-8	5	-13
Number of Employees	-4	4	5	3	-1	3	-5	2	10	6	-6	2	-12
Employee Hours Worked	2	6	5	5	-1	-4	-10	2	9	3	-6	-1	-12
Part-Time/Temporary Employment	-5	0	-1	1	-3	-3	-8	-9	2	2	-15	-11	-10
Wages and Benefits	13	32	21	20	20	12	15	22	30	25	19	21	16
Inventory Levels	0	3	3	2	4	9	-2	4	3	-1	2	6	4
Credit Conditions/Access to Credit	-7	-2	-1	-3	-7	-10	-5	-2	-4	0	-4	-3	-2
Capital Expenditures	17	23	12	16	19	2	15	15	17	6	10	5	7
Input Prices	30	26	26	25	34	40	41	49	43	39	34	45	38
Selling Prices	7	9	7	9	14	15	8	16	18	16	17	15	10
Versus a Year Ago (not seasonally adjusted)													
Composite Index	4	9	15	24	17	6	2	11	8	11	1	12	3
<i>Consumer Services</i>	8	9	19	30	25	1	1	10	9	8	-7	14	6
<i>Business Services</i>	-5	11	5	11	2	14	4	12	5	17	17	7	-3
General revenue/sales	2	8	23	33	17	-2	1	14	9	7	-2	16	5
Number of employees	5	12	8	16	17	13	-5	6	3	17	6	8	1
Employee hours worked	-3	6	6	8	11	-2	-8	1	-2	2	2	5	-12
Part-time/temporary employment	-3	-9	-4	6	9	1	-1	-3	9	8	-6	-12	-6
Wages and benefits	55	72	60	76	65	65	51	65	67	62	64	63	58
Inventory levels	7	7	4	11	17	14	14	11	12	12	-1	9	0
Credit conditions/access to credit	-3	-7	-2	-4	-1	-6	-2	-4	-4	-6	0	-5	1
Capital expenditures	18	23	27	12	13	3	-2	9	19	4	6	8	14
Input prices	63	65	64	63	58	74	71	72	72	58	60	66	64
Selling prices	42	46	39	44	42	36	34	42	56	44	47	50	35
Expected in Six Months (seasonally adjusted)													
Composite Index	6	11	9	16	12	17	12	14	13	12	9	11	5
General revenue/sales	8	11	11	24	15	23	14	20	10	14	10	21	12
Number of employees	10	18	14	13	14	14	11	15	20	12	8	-2	-5
Employee hours worked	10	10	5	3	12	-3	9	5	17	0	5	11	-3
Part-time/temporary employment	3	-4	-5	10	8	-1	1	-1	4	1	-7	-13	-4
Wages and benefits	38	46	31	41	49	42	49	39	53	35	36	47	37
Inventory levels	-3	2	-2	1	0	5	8	-5	8	5	6	7	1
Credit conditions/access to credit	-2	-3	0	3	-5	-6	-1	2	0	-2	-1	-1	-1
Capital expenditures	14	21	8	8	16	8	12	12	20	3	4	4	3
Input prices	45	49	39	46	58	63	58	71	60	55	52	63	49
Selling prices	28	19	13	26	35	37	36	43	40	26	39	35	21