FEDERAL RESERVE BANK OF KANSAS CITY
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CONTACT: Sarah Reed
(405) 827-7294
Sarah.Reed@kc.frb.org

Tenth District Services Activity Increased Moderately in July
Federal Reserve Bank of Kansas City Releases July Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the July 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 increased moderately in July, while growth in expectations for future activity remained elevated.

“Growth in regional services activity rose from last month, and nearly half of firms expected demand to be higher for the rest of the year,” said Cowley. “The majority of firms reported decreases in profit margins since the start of the year but expected revenue growth to remain strong.”

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

Growth in Tenth District services activity increased moderately in July, while expectations for future activity remained elevated (Chart 1 & Table 1). Growth in input and selling price indexes slowed modestly from last month and from this time last year.

Business Activity Increased Moderately in July

The month-over-month services composite index was 14 in July, up from 5 in June, and 10 in May (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Activity in retail trade and transportation rose, while activity in the tourism sector fell. Most month-over-month indexes were positive except for the temporary and part-time employment, employee hours worked, and credit conditions indexes. The monthly general revenue/sales index rose from 3 to 19, and employment increased slightly from 1 to 4. The year-over-year composite index remained at 10, with both consumer and business services growing at about the same pace. The capital expenditures index ticked down from 18 to 16. Expectations for future activity in services remained elevated with a reading of 24, driven primarily by general revenue/sales.

Special Questions

This month, contacts were asked special questions about profit margin changes and changes in demand expectations. Almost half (47%) of firms reported a slight decrease in profit margins from the beginning of the year, 13% reported a significant decrease, 22% reported no change, 13% reported a slight increase, and 5% reported a significant increase (Chart 3). Firms were also asked about changes in demand expectations for their products for the remainder of the year. Approximately half (48%) of firms expect demand to be slightly higher for the remainder of the year, 4% expect demand to be significantly higher, 21% expect demand to be unchanged, 21% expect demand to be slightly lower, and 6% expect demand to be significantly lower for the remainder of the year (Chart 4).

Selected Services Comments

” From a business-to-business standpoint, the economy is very strong. Margins are much better than 2024 and 2025.”

“Retailers are reluctant to lower their retail prices for economic reasons. Retailers will have to adjust their pricing accordingly to stay competitive”

“Consumers are just not spending money this year.”

“We have had to cut some technology due the increase in cost. Thus, we are having to do some of those tasks manually.”

“Oddly enough, we're seeing a slowdown in our traditional business.”

“We have been pleasantly surprised by our ability to maintain good sales. We have run a fairly aggressive marketing campaign the last 3 months & by partnering with our vendors, we have been able to have good success without having to expend a lot of resources.”

Table 1. Summary of Tenth District Services Conditions, July 2026

Plant Level Indicators	July vs. June (percent)* Increase	No Change	Decrease	Diff Index^	SA Index*^	July vs. Year Ago (percent)* Increase	No Change	Decrease	Diff Index^	Expected in Six Months (percent)* Increase	No Change	Decrease	Diff Index^	SA Index*^
Composite Index				13	14				10				18	24
Consumer Services									*10*					
Business Services									*11*					
General Revenue/Sales	44	33	24	20	19	50	17	33	18	54	24	22	33	39
Number of Employees	20	62	18	2	4	32	39	30	2	30	47	24	6	14
Employee Hours Worked	21	62	17	4	-1	23	55	22	1	26	53	21	5	10
Part-Time/Temporary Employment	11	78	11	0	-5	15	70	15	0	13	76	11	2	2
Wages and Benefits	31	65	4	27	29	71	19	10	61	48	45	7	41	46
Inventory Levels	26	60	14	13	14	24	54	22	2	21	54	24	-3	1
Credit Conditions/Access to Credit	2	90	8	-6	-5	8	83	9	-1	3	89	8	-5	-2
Capital Expenditures	31	62	7	24	24	37	42	21	16	36	49	15	21	26
Input Prices	48	47	5	43	45	79	14	7	72	72	23	5	67	70
Selling Prices	26	63	11	14	12	60	21	19	40	48	38	13	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 July survey was open for a six-day period from July 15-20, 2026 and included 101 responses (67 consumer and 34 business) from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

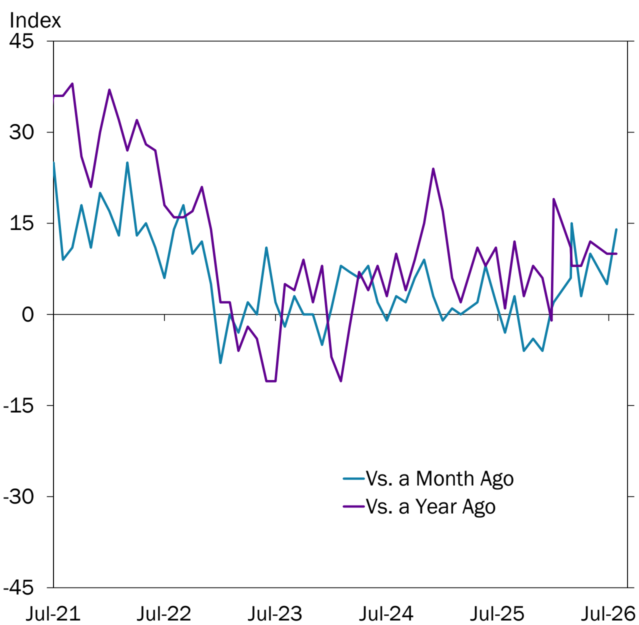

Chart 2. Composite Indexes vs. a Year Ago by Sector

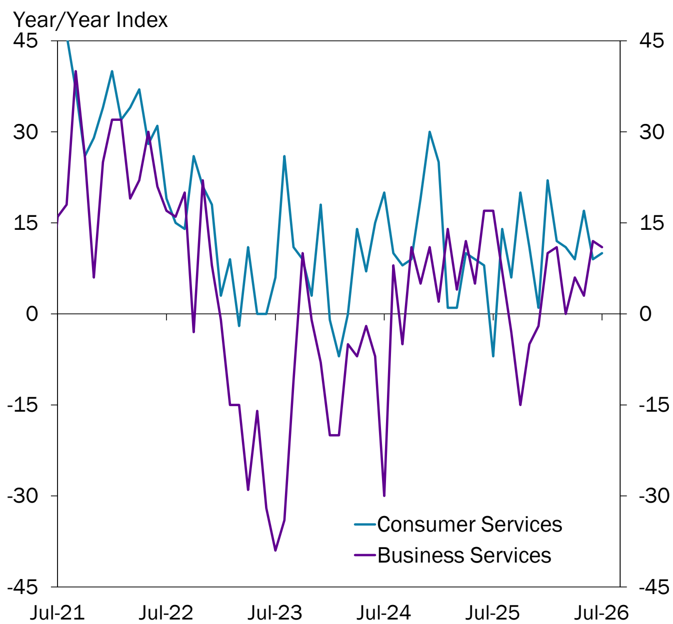

Chart 3. Special Question: Given current price pressures, how have profit margins changed for your firm since the beginning of the year?

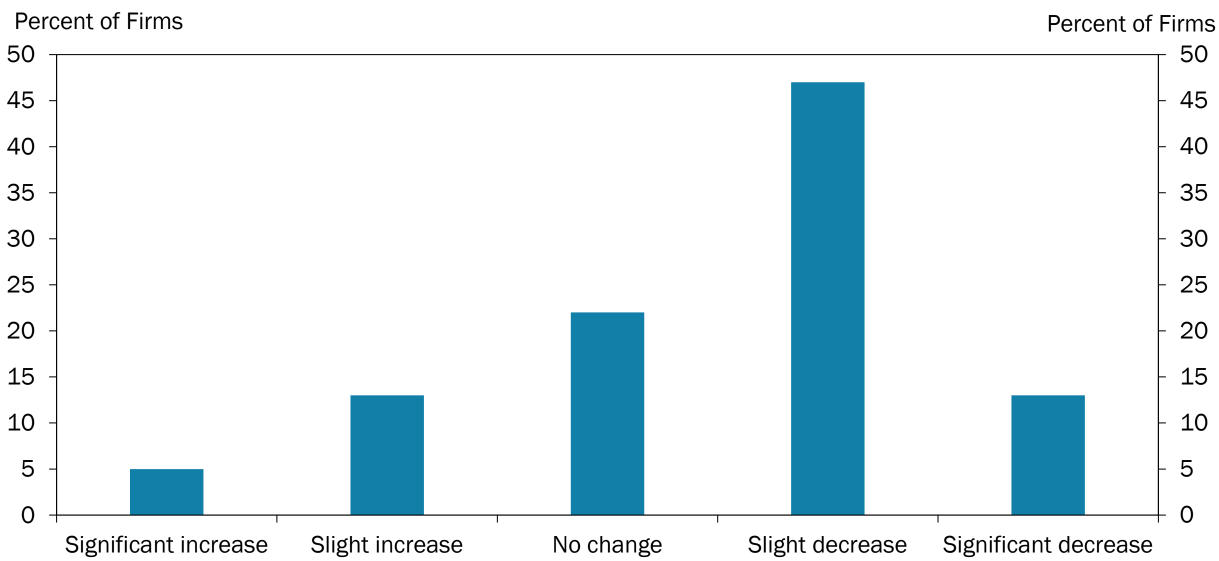

Chart 4. Special Question: What are your expectations for demand for your firm's products for the remainder of the year?

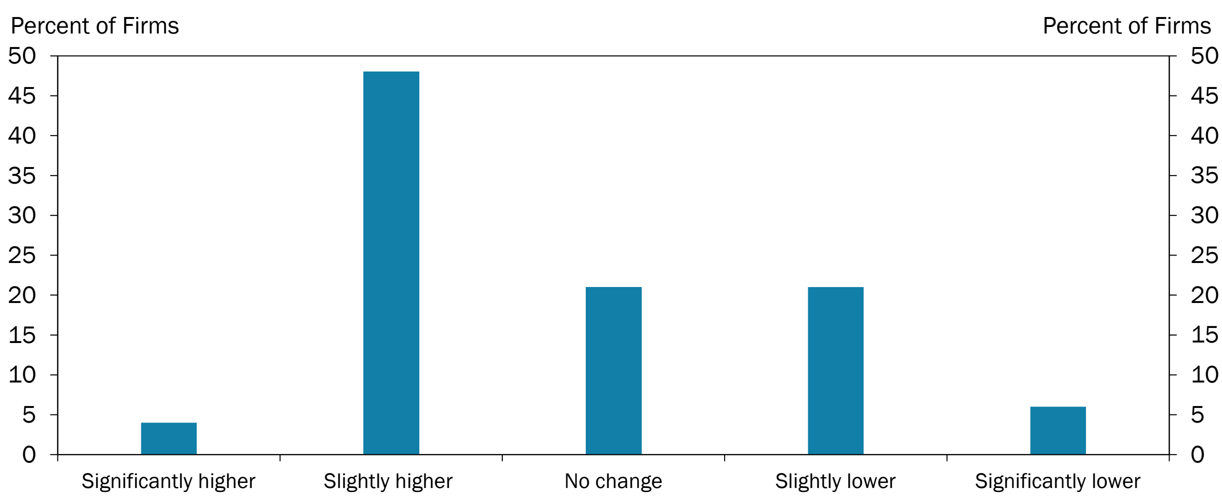

Table 2
Historical Services Survey Indexes

	Jul'25	Aug'25	Sep'25	Oct'25	Nov'25	Dec'25	Jan'26	Feb'26	Mar'26	Apr'26	May'26	Jun'26	Jul'26
Versus a Month Ago													
(seasonally adjusted)													
Composite Index	-3	3	-6	-4	-6	1	2	6	15	3	10	5	14
General Revenue/Sales	-5	3	-8	-4	-3	3	4	15	18	6	12	3	19
Number of Employees	-3	1	-10	-4	-14	-5	-3	-5	7	-5	5	1	4
Employee Hours Worked	-4	-1	-10	-4	-9	-10	-7	-1	8	-2	8	8	-1
Part-Time/Temporary Employment	-13	-10	-9	6	-4	-1	-4	5	3	-1	-5	8	-5
Wages and Benefits	19	21	17	20	24	14	24	17	16	22	18	17	29
Inventory Levels	2	6	4	-2	-1	7	3	1	18	9	11	16	14
Credit Conditions/Access to Credit	-4	-3	-2	-3	-4	-2	-1	0	-4	-2	-1	-2	-5
Capital Expenditures	11	6	8	11	-3	9	18	10	10	8	19	19	24
Input Prices	35	43	38	36	33	38	39	31	45	48	54	51	45
Selling Prices	16	15	11	19	14	11	21	14	19	23	20	16	12
Versus a Year Ago													
(not seasonally adjusted)													
Composite Index	1	12	3	8	6	-1	19	11	8	8	12	10	10
Consumer Services	*-7*	*14*	*6*	*20*	*11*	*1*	*22*	*12*	*11*	*9*	*17*	*9*	*10*
Business Services	*17*	*7*	*-3*	*-15*	*-5*	*-2*	*10*	*11*	*0*	*6*	*3*	*12*	*11*
General revenue/sales	-2	16	5	14	8	0	36	20	12	18	14	9	18
Number of employees	6	8	1	6	-1	-9	-3	-5	0	-6	6	8	2
Employee hours worked	2	5	-12	-2	-11	-9	-1	-6	-6	-9	4	10	1
Part-time/temporary employment	-6	-12	-6	-5	-14	-2	-10	5	3	1	-1	1	0
Wages and benefits	64	63	58	69	66	66	66	63	59	64	64	71	61
Inventory levels	-1	9	0	-2	9	9	8	14	8	3	15	16	2
Credit conditions/access to credit	0	-5	1	-3	3	4	2	7	2	4	4	-3	-1
Capital expenditures	6	8	14	17	5	9	8	2	5	7	21	18	16
Input prices	60	66	64	65	59	61	63	58	63	81	80	76	72
Selling prices	47	50	35	43	35	33	47	38	42	46	46	43	40
Expected in Six Months													
(seasonally adjusted)													
Composite Index	9	10	6	3	2	11	15	13	17	22	11	26	24
General revenue/sales	11	17	13	10	7	20	30	21	20	34	16	41	39
Number of employees	8	0	-3	2	-4	6	-3	3	16	13	6	11	14
Employee hours worked	4	9	-3	-6	-12	12	-1	6	5	1	6	17	10
Part-time/temporary employment	-6	-12	-4	-6	-10	-4	-8	8	4	10	-8	4	2
Wages and benefits	38	47	38	45	42	44	38	44	51	51	49	52	46
Inventory levels	5	5	1	-11	-3	-2	6	7	9	5	4	10	1
Credit conditions/access to credit	-1	-1	-1	-1	-3	0	-3	8	3	-1	2	2	-2
Capital expenditures	5	5	4	9	1	14	14	17	19	1	17	25	26
Input prices	54	62	51	54	48	53	51	49	61	70	59	62	70
Selling prices	38	34	28	30	21	30	41	31	33	35	30	33	38