Services Survey

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Growth in Tenth District Services Activity Was Flat 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 growth in Tenth District services activity was flat in September, while expectations for future activity rose modestly.

"Regional services activity was relatively flat in September, while price indexes rose moderately," said Cowley. "Many firms reported increased profit constraints and lingering economic uncertainty."

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 was flat in September, while expectations for future activity rose modestly (Chart 1 & Table 1). Indexes for input prices and selling price growth increased moderately, with growth in selling prices outpacing input prices growth.

Business Activity Remained Unchanged in September

The month-over-month services composite index was 0 in September, up from -3 in August and 14 in July (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Consumer services grew moderately, driven by increased activity in the transportation sector, while business services declined further. The month-over-month indexes were mixed. The monthly general revenue/sales index grew from 0 to 6, while the employment index fell further from -4 to -10. The year-over-year composite index eased slightly from 11 to 6, driven by slower growth in consumer services. On the other hand, the capital expenditures index edged higher from 14 to 15. Expectations for future activity in services increased modestly from 5 to 12.

Special Questions

This month, contacts were asked special questions about conditions to reduce headcount and investments/capital spending and retirement for current workforce. Almost a quarter (24%) of firms would not reduce their investments/capital expenditures regardless of sale conditions, 17% cited a decline of 5% to less than 10%, 16% are already planning cuts, 14% cited a decline of less than 5%, 14% cited a decline of 10% to less than 20%, 10% cited a decline of 20% to less than 30%, 5% cited a decline of 30% or more. Nearly a fourth (24%) of firms would need a decline of 5% to less than 10% before they reduced their headcount, 23% cited a decline of 10% to less than 20%, 16% cited a decline of less than 5%, 13% are already planning cuts, 11% cited a decline of 20% to less than 30%, 10% would not reduce, 3% cited a decline of 30% or more (Chart 3). Firms were also asked what share of their workforce is close to retirement eligibility. Over half (57%) of firms reported less than 10% of their current workforce is within 5 years of retirement eligibility, 32% cited 10-20%, 7% cited 20-30%, 2% cited more than 30%, and 2% were not applicable or unable to estimate (Chart 4).

Selected Services Comments

“We are seeing product shortages despite slow sales”

“Succession planning is a much larger portion of our planning than it has ever been.”

“The uncertainty right now is very challenging. It’s hard to feel optimistic for the next year.”

“Available labor and rising fuel costs continue to be major headwinds this year.”

“Business has slowed down.”

“Our headcount is driving by specific sales and needs. Selling more equipment doesn't create a need for employees but increase service demand/sales drives a need for mechanics/technicians. Same concept applies to aging workforce; it depends on where the aging issue exists. Locations also drive headcount, and given economic uncertainty, we have no plans for organic growth to add locations. We would add locations if an acquisition presented itself, though.”

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

	September vs. August (percent)*					September vs. Year Ago (percent)*				Expected in Six Months (percent)*				
Plant Level Indicators	Increase	No Change	Decrease	Diff Index^	SA Index*^	Increase	No Change	Decrease	Diff Index^	Increase	No Change	Decrease	Diff Index^	SA Index*^
Composite Index				-2	0				6				7	12
Consumer Services									*3*					
Business Services									*10*					
General Revenue/Sales	35	36	29	6	6	47	18	34	13	42	29	29	13	17
Number of Employees	14	57	30	-16	-10	25	41	33	-8	22	55	23	-1	4
Employee Hours Worked	17	61	22	-5	-5	23	55	22	1	19	58	24	-5	-2
Part-Time/Temporary Employment	2	80	18	-16	-13	9	75	16	-7	8	83	9	-1	-1
Wages and Benefits	22	69	9	13	14	74	17	9	64	57	36	7	50	47
Inventory Levels	16	65	19	-2	0	27	53	20	7	25	56	19	6	9
Credit Conditions/Access to Credit	5	85	10	-6	-6	12	79	9	2	7	81	12	-5	-7
Capital Expenditures	26	63	11	15	11	41	32	26	15	32	51	18	14	12
Input Prices	62	33	5	57	53	88	7	5	84	76	21	2	74	71
Selling Prices	35	55	10	25	21	66	14	21	45	49	36	15	34	37

*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 16-21, 2026 and included 88 responses (56 consumer and 32 business) from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

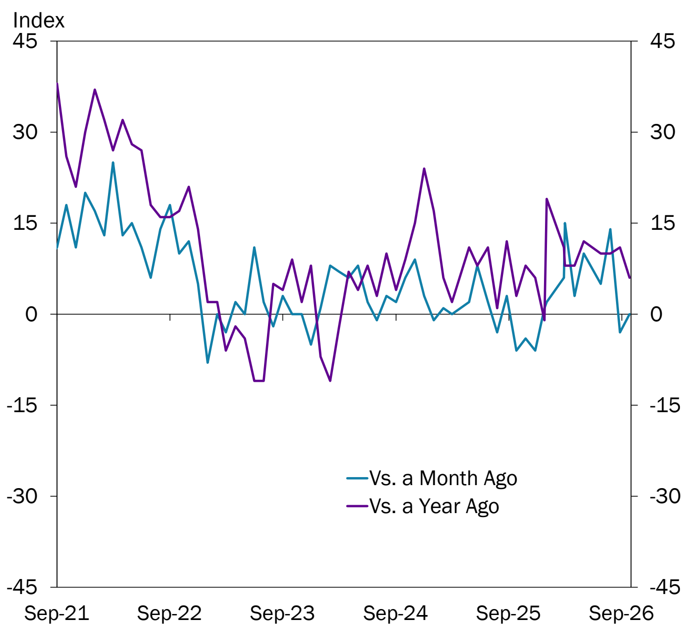

Chart 2. Composite Indexes vs. a Year Ago by Sector

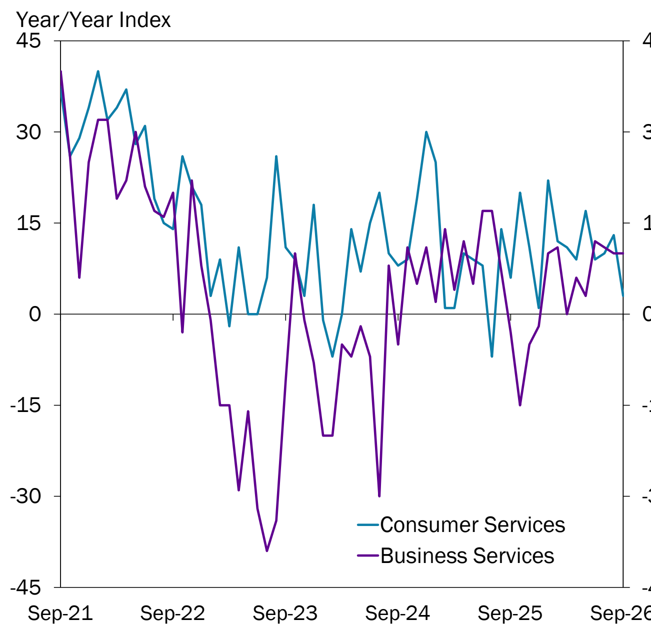

Chart 3. Special Question: How much would your sales have to change over the next year before your firm reduces its head count and investments/capital expenditures?

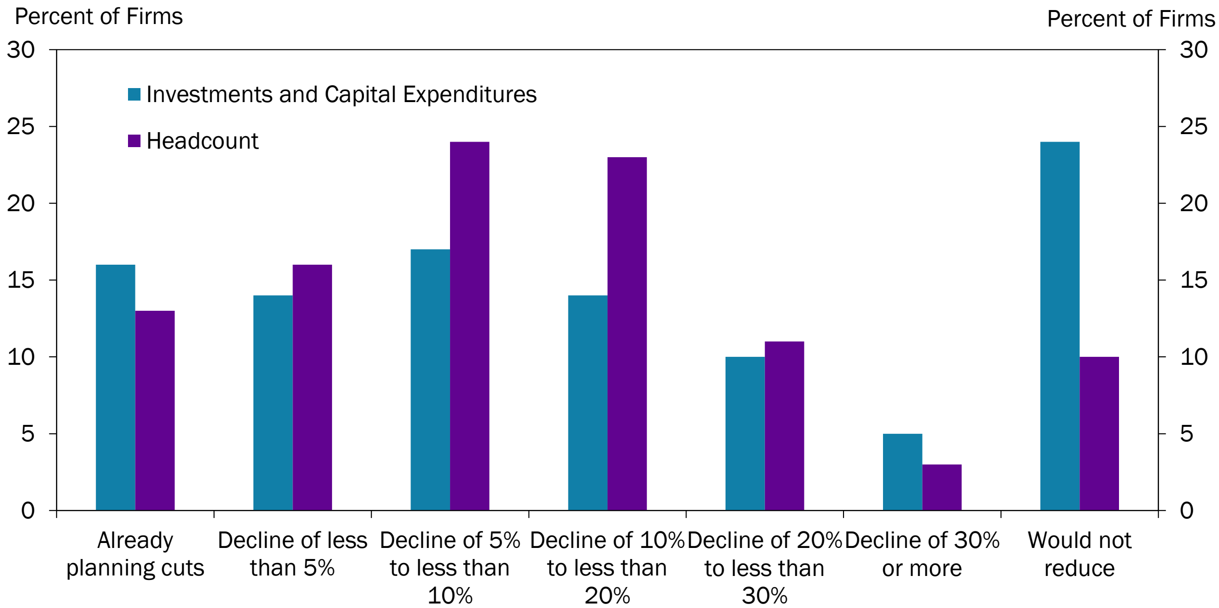

Chart 4. Special Question: Approximately what share of your current workforce is within 5 years of retirement eligibility (62 to 65 years old)?

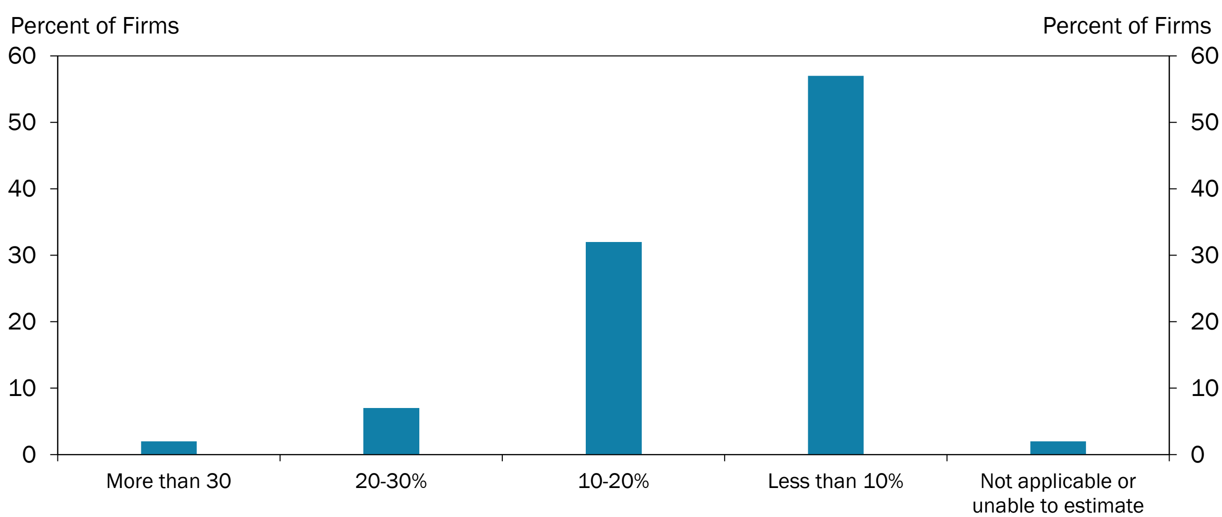

Table 2
Historical Services Survey Indexes

	Sept'25	Oct'25	Nov'25	Dec'25	Jan'26	Feb'26	Mar'26	Apr'26	May'26	Jun'26	Jul'26	Aug'26	Sept'26
Versus a Month Ago													
(seasonally adjusted)													
Composite Index	-6	-4	-6	1	2	6	15	3	10	5	14	-3	0
General Revenue/Sales	-8	-4	-3	3	4	15	18	6	12	3	19	0	6
Number of Employees	-10	-4	-14	-5	-3	-5	7	-5	5	1	4	-4	-10
Employee Hours Worked	-10	-4	-9	-10	-7	-1	8	-2	8	8	-1	-5	-5
Part-Time/Temporary Employment	-9	6	-4	-1	-4	5	3	-1	-5	8	-5	-3	-13
Wages and Benefits	17	20	24	14	24	17	16	22	18	17	29	24	14
Inventory Levels	4	-2	-1	7	3	1	18	9	11	16	14	-7	0
Credit Conditions/Access to Credit	-2	-3	-4	-2	-1	0	-4	-2	-1	-2	-5	-2	-6
Capital Expenditures	8	11	-3	9	18	10	10	8	19	19	24	16	11
Input Prices	38	36	33	38	39	31	45	48	54	51	45	46	53
Selling Prices	11	19	14	11	21	14	19	23	20	16	12	8	21
Versus a Year Ago													
(not seasonally adjusted)													
Composite Index	3	8	6	-1	19	11	8	8	12	10	10	11	6
Consumer Services	*6*	*20*	*11*	*1*	*22*	*12*	*11*	*9*	*17*	*9*	*10*	*13*	*3*
Business Services	*-3*	*-15*	*-5*	*-2*	*10*	*11*	*0*	*6*	*3*	*12*	*11*	*10*	*10*
General revenue/sales	5	14	8	0	36	20	12	18	14	9	18	17	13
Number of employees	1	6	-1	-9	-3	-5	0	-6	6	8	2	3	-8
Employee hours worked	-12	-2	-11	-9	-1	-6	-6	-9	4	10	1	-5	1
Part-time/temporary employment	-6	-5	-14	-2	-10	5	3	1	-1	1	0	-6	-7
Wages and benefits	58	69	66	66	66	63	59	64	64	71	61	64	64
Inventory levels	0	-2	9	9	8	14	8	3	15	16	2	10	7
Credit conditions/access to credit	1	-3	3	4	2	7	2	4	4	-3	-1	0	2
Capital expenditures	14	17	5	9	8	2	5	7	21	18	16	14	15
Input prices	64	65	59	61	63	58	63	81	80	76	72	71	84
Selling prices	35	43	35	33	47	38	42	46	46	43	40	42	45
Expected in Six Months													
(seasonally adjusted)													
Composite Index	6	3	2	11	15	13	17	22	11	26	24	5	12
General revenue/sales	13	10	7	20	30	21	20	34	16	41	39	12	17
Number of employees	-3	2	-4	6	-3	3	16	13	6	11	14	-5	4
Employee hours worked	-3	-6	-12	12	-1	6	5	1	6	17	10	-4	-2
Part-time/temporary employment	-4	-6	-10	-4	-8	8	4	10	-8	4	2	-4	-1
Wages and benefits	38	45	42	44	38	44	51	51	49	52	46	37	47
Inventory levels	1	-11	-3	-2	6	7	9	5	4	10	1	1	9
Credit conditions/access to credit	-1	-1	-3	0	-3	8	3	-1	2	2	-2	0	-7
Capital expenditures	4	9	1	14	14	17	19	1	17	25	26	17	12
Input prices	51	54	48	53	51	49	61	70	59	62	70	60	71
Selling prices	28	30	21	30	41	31	33	35	30	33	38	31	37