



# NEWS RELEASE

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

**FOR IMMEDIATE RELEASE**

Sept. 23, 2022

CONTACT: Pam Campbell

(405) 270-8617

Pam.Campbell@kc.frb.org

**Growth in Tenth District Services Activity Continued at a Moderate Pace**  
*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 Chad Wilkerson, vice president and economist at the Federal Reserve Bank of Kansas City, the survey revealed that growth in Tenth District services activity continued at a moderate pace, while expectations for future activity remained positive.

“Overall, regional services firms saw solid growth in revenue in September,” said Wilkerson. “However, firms saw less growth in employment and price pressures continued.”

A summary of the survey is attached. Historical data, results from past surveys and release dates for future surveys are available at [www.kansascityfed.org/surveys/services-survey/](http://www.kansascityfed.org/surveys/services-survey/). 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](http://www.kansascityfed.org).

###

## **TENTH DISTRICT SERVICES SUMMARY**

Growth in Tenth District services activity continued at a moderate pace in September, and expectations for future activity remained positive (Chart 1 & Table 1). Monthly survey price indexes remained elevated, and expectations for future prices increased slightly.

### **Business Activity Continued at a Moderate Pace**

The month-over-month services composite index was 20 in September, up from 14 in August and 2 in July (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventories indexes. The increase in growth was driven by higher activity in restaurants, transportation, wholesale trade, and professional services. Most month-over-month indexes rose in September, with an increase in revenue/sales, hours worked, wages and benefits, and capital expenditures indexes. In contrast, inventories and employment indexes eased somewhat. The year-over-year composite index remained solid, with all indexes having higher readings than last month except employment and inventories. Expectations for services activity remained positive overall in September, though indexes for employment declined modestly.

### **Special Questions**

This month contacts were asked special questions on changes in the scale of operations and anticipated costs in the next six months. In September, nearly a third of firms reported they were taking steps or planning to take steps to expand the scale of operations over the next six months, while half of firms reported maintaining current capacity or business plans (Chart 2). The steps firms reported to expand scale included adding to workforce size, capital expansion, and expanding into new or existing markets. In relation to current conditions, a majority of firms anticipated costs will increase in the next six months across all categories, especially for financing and energy related costs (Chart 3).

## Selected Services Comments

“Where are all of the employees hiding? I have a wait every night for dinner but do not have enough help to serve or cook for them.”

“We have seen the used vehicle wholesale prices starting to decline and level off. I take this as a positive indicator that inflation might be trending downward. I believe this is a great time to build a new facility and gain market share in our industry. I am more confident than I have been in the last 24 months that the markets will return to normal in the first quarter of 2023 and that consumer confidence will see a positive gain before 2022-year end. We will see.”

“Commodity prices for basic building materials are down. Manufactured products are still increasing - supply chain is better but quality of the products coming from manufacturers is much worse than before the pandemic - likely due to all of the new employees and lack of training. It is causing service issues with the products. Many builders are reducing their backlog but report that they are selling houses, but the pace is not as rapid.”

“Building utilization is down. There is excess capacity in the organization as more work from home. This appears permanent. Interdependent businesses like lunch places and dry cleaners appear to be leaving the area. Interest rates are way up and so are costs.”

“We are very, very concerned about the low level of current national distillate stock. Certain vendors have placed us on diesel allocation, which hasn't happened in my 11 years with the company. Thus far we have been able to deliver physical product to our customers, but as we head into harvest season in the Midwest, we are expecting diesel shortages. This has the potential to severely impact the operations of the markets and industries we serve.”

**Table 1. Summary of Tenth District Services Conditions, September 2022**

	September vs. August (percent)*					September vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>^^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>^^</sup>	
Plant Level Indicators															
Composite Index				21	20				16				9	9	
General Revenue/Sales	51	29	21	30	26	53	13	35	18	44	23	32	12	9	
Number of Employees	32	47	21	12	11	41	29	29	12	35	38	27	8	7	
Employee Hours Worked	32	55	13	19	17	36	45	19	17	24	53	23	1	3	
Part-Time/Temporary Employment	13	72	15	-3	-3	19	65	15	4	9	71	21	-12	-11	
Wages and Benefits	49	46	5	44	37	82	12	6	76	63	32	5	58	49	
Inventory Levels	25	60	15	11	16	37	44	19	19	27	52	21	5	12	
Credit Conditions/Access to Credit	3	94	4	-1	-2	5	91	4	1	5	90	5	0	0	
Capital Expenditures	29	64	8	21	15	48	38	14	34	35	52	13	22	21	
Input Prices	63	29	8	55	51	91	7	3	88	76	17	7	70	66	
Selling Prices	42	54	4	38	38	76	21	4	72	65	29	5	60	58	

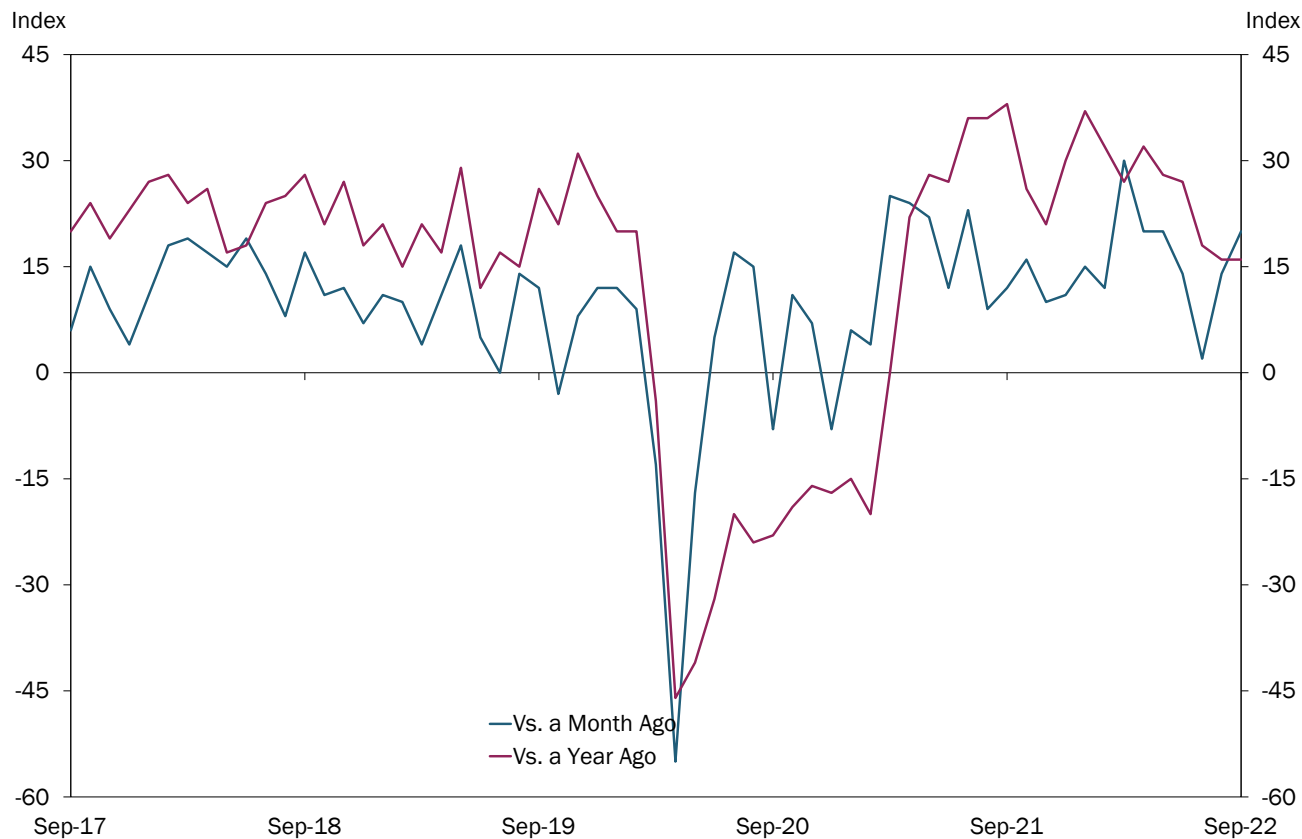
\*Percentage may not add to 100 due to rounding.

<sup>^</sup>Diffusion Index. The diffusion index is calculated as the percentage of total respondents reporting increases minus the percentage reporting declines.

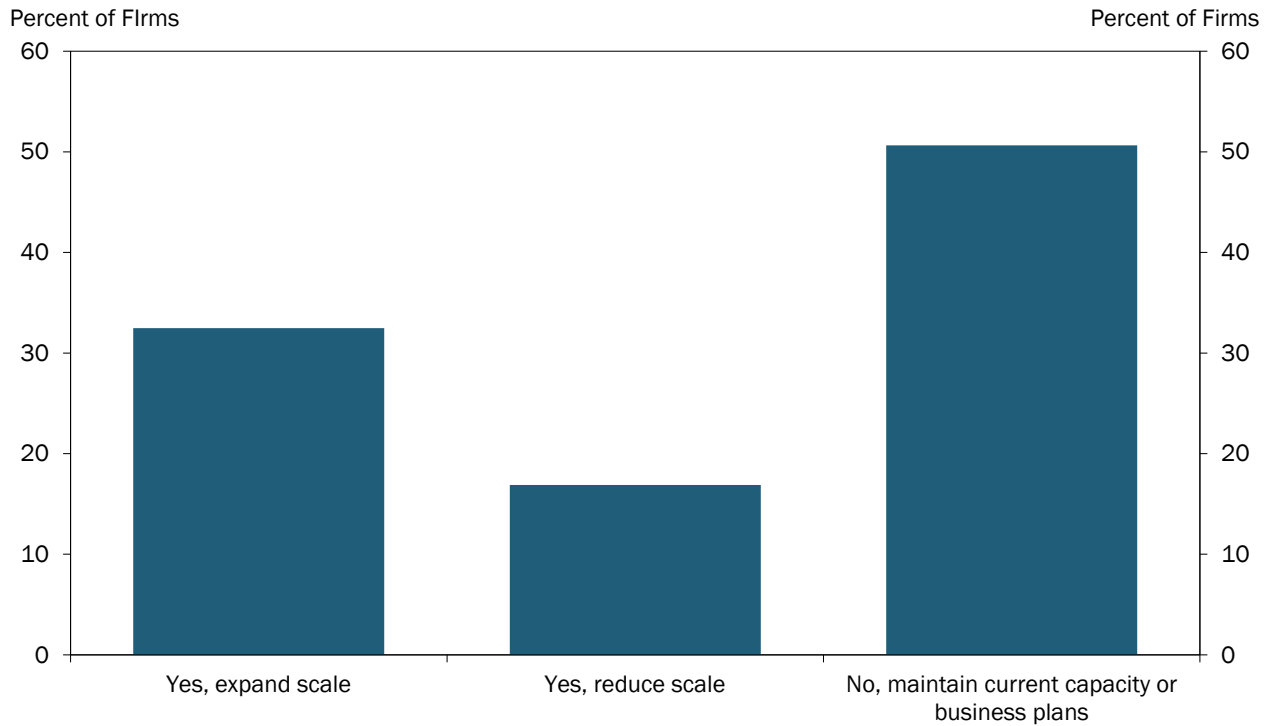
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The September survey was open for a five-day period from August 14-19, 2022 and included 78 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

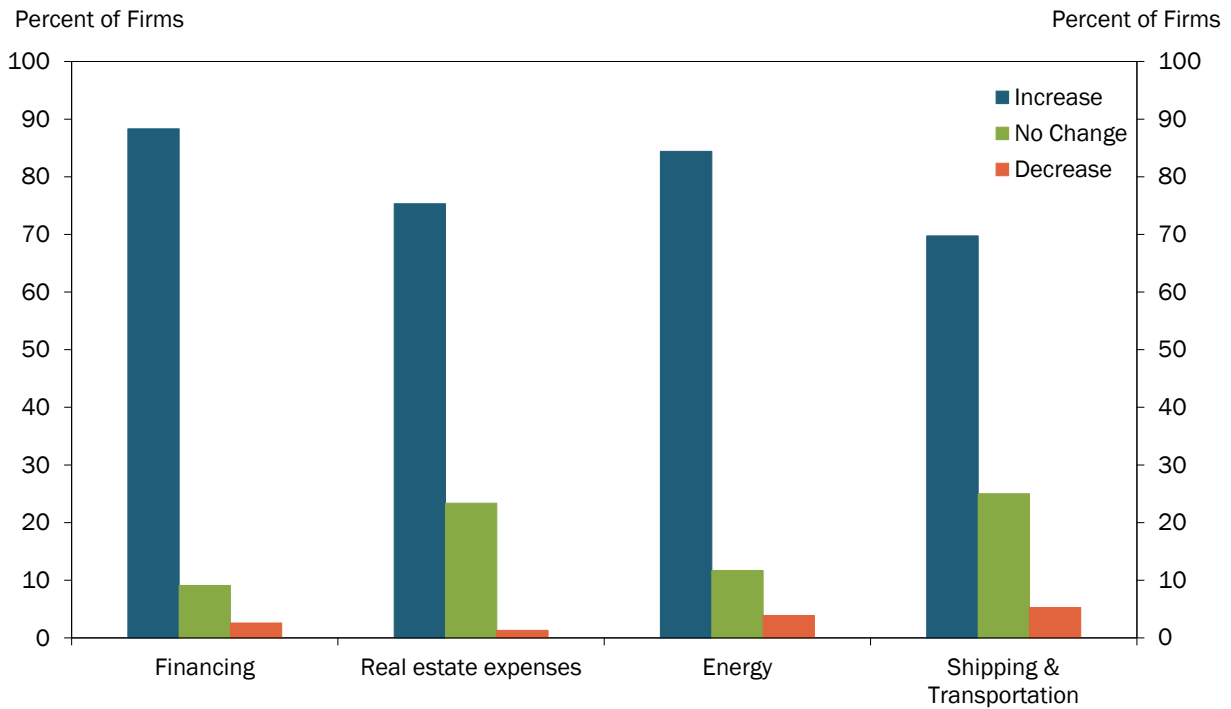
**Chart 1. Services Composite Indexes**



**Chart 2. Special Question: Is your firm taking steps, or planning to take steps to expand/reduce the scale of operations over the next 6 months?**



**Chart 3. Special Question: In relation to current conditions, how do you anticipate costs will change in the next six months in the following categories:**



**Table 2**  
**Historical Services Survey Indexes**

	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22	May'22	Jun'22	Jul'22	Aug'22	Sep'22
Versus a Month Ago (seasonally adjusted)													
Composite Index	12	16	10	11	15	12	30	20	20	14	2	14	20
General Revenue/Sales	19	21	13	16	18	7	37	18	26	8	0	12	26
Number of Employees	12	20	15	13	13	22	26	21	24	26	0	13	11
Employee Hours Worked	11	15	22	15	19	31	33	15	21	10	18	9	17
Part-Time/Temporary Employment	9	3	7	6	8	13	13	8	16	10	0	4	-3
Wages and Benefits	39	38	51	32	44	59	56	48	48	37	33	33	37
Inventory Levels	-4	-5	-3	-6	8	9	19	21	0	11	11	21	16
Credit Conditions/Access to Credit	5	2	5	0	2	6	-2	4	-6	-5	-6	-2	-2
Capital Expenditures	22	23	20	18	12	35	28	21	15	31	15	13	15
Input Prices	56	68	61	78	74	75	79	74	76	63	65	52	51
Selling Prices	31	41	46	55	39	63	58	56	49	35	31	37	38
Versus a Year Ago (not seasonally adjusted)													
Composite Index	38	26	21	30	37	32	27	32	28	27	18	16	16
General revenue/sales	56	48	37	46	56	43	29	41	32	28	15	17	18
Number of employees	33	15	4	21	19	22	25	22	27	28	14	8	12
Employee hours worked	33	20	30	24	24	27	29	34	20	16	19	10	17
Part-time/temporary employment	17	6	6	11	14	10	13	17	17	10	11	10	4
Wages and benefits	80	78	76	78	82	70	76	83	68	70	75	69	76
Inventory levels	-1	-13	4	4	14	18	25	26	19	22	32	23	19
Credit conditions/access to credit	9	9	9	1	3	3	1	4	0	-7	-5	-1	1
Capital expenditures	37	39	24	29	24	31	31	24	29	38	25	21	34
Input prices	85	80	80	82	78	77	81	79	86	83	81	83	88
Selling prices	67	70	68	79	68	67	71	76	76	69	64	66	72
Expected in Six Months (seasonally adjusted)													
Composite Index	24	23	23	33	37	41	40	42	26	16	19	10	9
General revenue/sales	33	33	30	36	50	57	49	44	33	18	24	7	9
Number of employees	28	27	25	35	31	31	44	47	26	19	14	18	7
Employee hours worked	20	26	24	28	28	33	26	34	7	10	10	2	3
Part-time/temporary employment	10	4	7	9	13	14	6	20	2	8	0	0	-11
Wages and benefits	57	58	67	59	77	62	70	71	64	54	52	50	49
Inventory levels	-5	-10	4	20	15	16	12	27	10	7	15	4	12
Credit conditions/access to credit	9	0	4	1	-2	6	-2	2	-7	-7	-4	-1	0
Capital expenditures	26	24	19	19	30	32	22	37	21	23	14	14	21
Input prices	57	67	66	61	71	69	70	63	77	71	65	62	66
Selling prices	45	50	52	50	49	56	63	67	59	55	54	42	58