



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

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**Tenth District Services Activity Declined in January**  
*Federal Reserve Bank of Kansas City Releases January Services Survey*

**KANSAS CITY, Mo.** – The Federal Reserve Bank of Kansas City released the January Services Survey today. According to Chad Wilkerson, senior vice president at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District services activity declined in January, and expectations for future activity also decreased.

“Regional services activity fell further in January,” said Wilkerson. “Firms also expected a slight decline in future activity, but hiring plans remained moderately positive.”

A summary of the January survey is attached. The January survey incorporates new seasonal adjustment factors using Census X-13 ARIMA-SEATS, so historical indexes differ slightly from previously released numbers. The new seasonal factors will be used throughout 2023. 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).

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## **TENTH DISTRICT SERVICES SUMMARY**

Tenth District services activity declined in January with expectations for slightly decreased activity over the next six months as well (Chart 1 & Table 1). Indexes for input and selling prices grew at a slightly faster pace in January compared to a month ago, but prices remained well above year-ago levels for most firms. Moving forward, firms expected input prices to grow more slowly and selling prices to increase further over the next six months.

### **Business Activity Fell Further in January**

The month-over-month services composite index was -11 in January, down from 0 in December and 12 in November (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The decrease in revenue and sales was driven by a decline in auto, retail trade, real estate, and wholesale trade activity. On the other hand, transportation, tourism, and health services activity increased in January. Several month-over-month indexes decreased in January, with less sales, inventory, hours worked, and lower wages and benefits. The year-over-year composite index decreased from 14 to 2, but employment, wages and benefits, and credit conditions had higher readings than last month. Expectations for future services activity slowed in January, and the composite index decreased from 4 to -2.

### **Special Questions**

This month contacts were asked special questions about demand for products and expectations for capital expenditures. In January, 42% of firms expected demand for their products to be higher in 2023 compared to last year, while 16% of firms expected no change in demand for their products, and 42% of firms expected demand for their products to be lower in 2023 compared to last year (Chart 2). About 38% of firms expected capital expenditures to be higher in 2023 compared to last year, while 36% of firms expected no change in capital expenditures, and 26% of firms expected capital expenditures in 2023 to be lower compared to last year (Chart 3).

## **Selected Services Comments**

“We saw a slight increase in staffing from our clients beginning in mid-December with little slow down this month.”

“I see positive movement in customer confidence that inflation numbers in the automobile market are returning to normal. I believe that the 3rd quarter of 2023 will mark a positive turning point in the market sectors.”

“As vehicle production increases sales are more competitive and sale price and profit decreases.”

“The market is back to a supply and demand system with little to no overbidding. Existing home sellers are now having to make concessions like offering to pay closing cost and meeting the full demand of repairs. New home builders are also having to offer concessions and lower some prices which to a great extent is due to lower material and labor costs.”

“Headwinds of increasing interest rates, supply chain disruption, construction costs increasing and labor shortages. Development/re-development is the most challenging in 40 years.”

“Interest rates are really slowing new home sale and construction.”

“We sense the economy slowing with our retail food industry experiencing 5-6% price inflation across the board. The curve is flattening but it feels like it will take some time for pricing of product cost and customer's willingness to increase spending to find balance.”

“I can see that some prices are coming down, but my expenses are still way too high. I don't know how high I can raise menu prices before it affects my customer counts, thus affecting my bottom line.”

**Table 1. Summary of Tenth District Services Conditions, January 2023**

	January vs. December (percent)*					January 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>	SA Index <sup>^^</sup>	Increase	No Change	Decrease	Diff Index <sup>^</sup>	SA Index <sup>^^</sup>
Plant Level Indicators															
Composite Index				-14	-11				2					6	-2
General Revenue/Sales	19	36	45	-27	-22	39	20	41	-3	35	30	35	0	-7	
Number of Employees	20	55	25	-5	-5	24	43	33	-9	33	48	19	15	9	
Employee Hours Worked	17	59	24	-7	-2	23	48	29	-7	31	51	19	12	4	
Part-Time/Temporary Employment	12	75	13	-1	0	11	72	17	-7	17	67	16	1	1	
Wages and Benefits	34	61	5	29	23	81	9	9	72	63	29	8	55	54	
Inventory Levels	24	58	18	5	8	39	52	9	29	25	59	16	9	-5	
Credit Conditions/Access to Credit	3	91	7	-4	-4	8	82	10	-1	5	88	7	-1	-3	
Capital Expenditures	26	57	17	9	12	33	49	17	16	30	53	18	12	13	
Input Prices	47	45	8	39	38	76	16	8	68	63	31	7	56	56	
Selling Prices	24	58	18	5	8	60	20	20	40	47	37	16	31	32	

\*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.

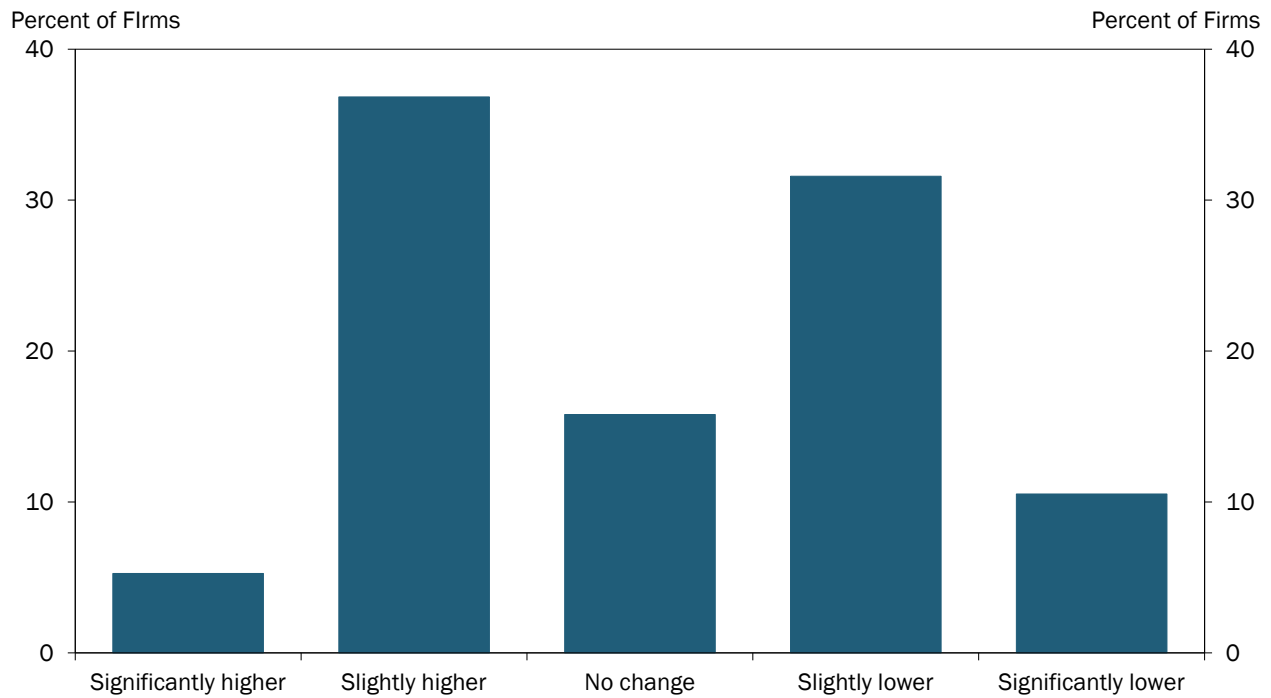
<sup>^^</sup>Seasonally Adjusted Diffusion Index. The month vs. month and expected-in-six-months diffusion indexes are seasonally adjusted using Census X-13.

Note: The January survey was open for a five-day period from January 18-23, 2023 and included 76 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

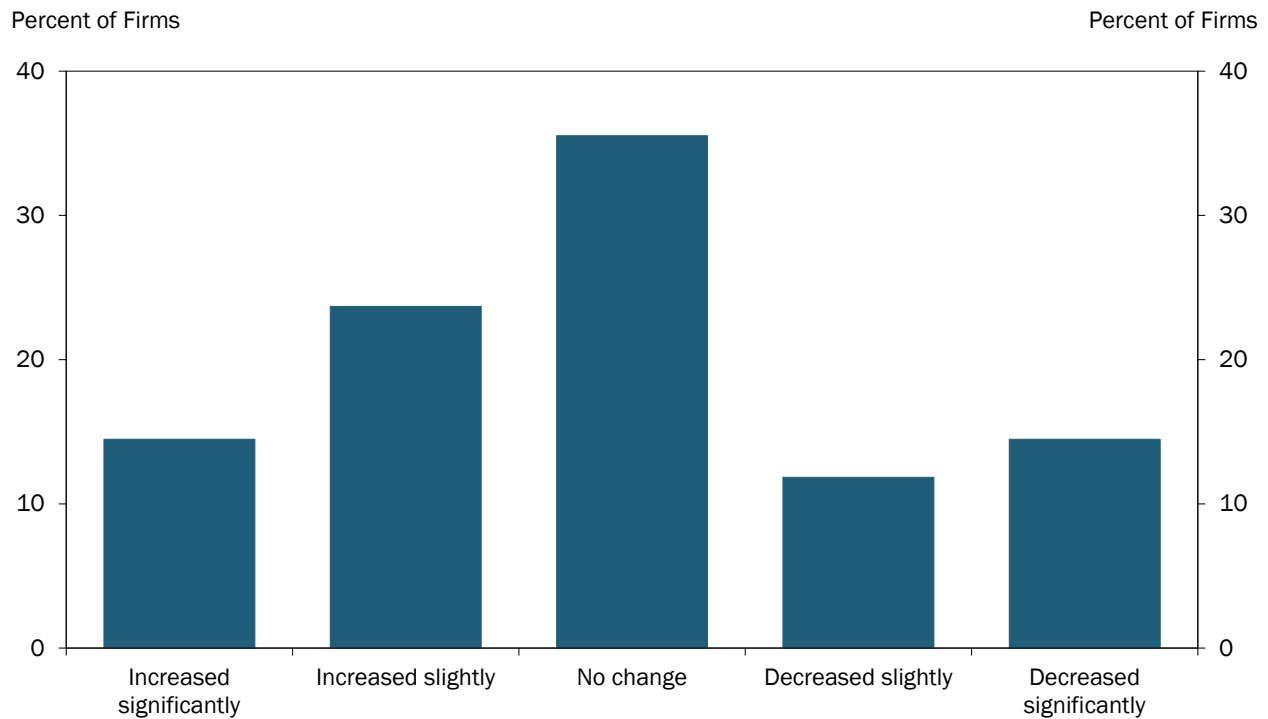
**Chart 1. Services Composite Indexes**



**Chart 2. Special Question: What are your expectations for demand for your firm's products in 2023 compared to last year?**



**Chart 3. Special Question: What are your firm's expectations for capital expenditures in 2023 compared to last year?**



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

	Jan'22	Feb'22	Mar'22	Apr'22	May'22	Jun'22	Jul'22	Aug'22	Sep'22	Oct'22	Nov'22	Dec'22	Jan'23
Versus a Month Ago (seasonally adjusted)													
Composite Index	15	13	25	17	18	14	4	14	18	8	12	0	-11
General Revenue/Sales	17	9	28	16	22	10	3	13	22	5	11	-1	-22
Number of Employees	14	20	23	18	21	22	1	14	13	7	9	-9	-5
Employee Hours Worked	18	25	27	18	19	11	17	10	16	3	2	3	-2
Part-Time/Temporary Employment	8	10	11	6	12	9	2	2	-2	-6	-6	-8	0
Wages and Benefits	45	54	52	46	45	37	34	33	38	22	21	31	23
Inventory Levels	10	10	18	19	1	13	12	18	16	19	18	18	8
Credit Conditions/Access to Credit	1	5	-2	4	-6	-5	-5	-2	-3	-9	-5	-8	-4
Capital Expenditures	16	26	25	20	16	27	16	14	17	8	9	7	12
Input Prices	74	77	75	72	72	66	64	54	54	51	40	34	38
Selling Prices	46	56	54	52	47	36	33	37	37	21	18	7	8
Versus a Year Ago (not seasonally adjusted)													
Composite Index	37	32	27	32	28	27	18	16	16	17	21	14	2
General revenue/sales	56	43	29	41	32	28	15	17	18	13	20	14	-3
Number of employees	19	22	25	22	27	28	14	8	12	17	22	3	-9
Employee hours worked	24	27	29	34	20	16	19	10	17	2	16	9	-7
Part-time/temporary employment	14	10	13	17	17	10	11	10	4	-2	-1	-8	-7
Wages and benefits	82	70	76	83	68	70	75	69	76	66	67	68	72
Inventory levels	14	18	25	26	19	22	32	23	19	27	23	30	29
Credit conditions/access to credit	3	3	1	4	0	-7	-5	-1	1	-5	-8	-8	-1
Capital expenditures	24	31	31	24	29	38	25	21	34	20	14	16	16
Input prices	78	77	81	79	86	83	81	83	88	84	77	69	68
Selling prices	68	67	71	76	76	69	64	66	72	55	61	39	40
Expected in Six Months (seasonally adjusted)													
Composite Index	37	36	36	38	25	17	19	13	12	12	17	4	-2
General revenue/sales	49	49	43	39	31	20	24	12	13	13	14	8	-7
Number of employees	33	28	39	44	24	18	14	18	9	13	24	-4	9
Employee hours worked	27	29	24	32	6	11	10	5	6	6	7	1	4
Part-time/temporary employment	10	11	6	18	2	6	0	0	-10	-1	-1	-7	1
Wages and benefits	73	64	65	67	62	53	54	52	51	44	51	52	54
Inventory levels	14	16	13	25	11	9	15	8	12	10	13	8	-5
Credit conditions/access to credit	-2	4	-2	1	-7	-6	-4	-1	-1	-6	-5	-5	-3
Capital expenditures	30	31	22	32	20	21	14	15	20	7	13	8	13
Input prices	71	71	70	65	74	69	65	63	66	60	55	60	56
Selling prices	53	63	59	61	55	53	52	42	60	35	41	23	32