



NEWS RELEASE

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Tenth District Services Activity Improved in February
Federal Reserve Bank of Kansas City Releases February Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the February 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 improved in February, and expectations for future activity also increased.

“Regional services activity recovered in February after dropping somewhat in January,” said Wilkerson. “Firms also expected a slightly faster pace of job growth in 2023 than in 2022.”

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/.

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 improved in February with expectations for moderately increasing 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 February compared to a month ago and prices remained well above year-ago levels for most firms. Firms expected input and selling prices to increase further over the next six months.

Business Activity Improved

The month-over-month services composite index was 1 in February, up from -11 in January and 0 in December (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The improvement in revenue and sales was driven by an increase in wholesale trade, transportation, and professional services activity. On the other hand, restaurants, tourism, and retail trade activity decreased in February. All month-over-month indexes increased in February except employment, inventory levels, and expenditures. The year-over-year composite index remained steady, but inventory levels had lower readings than last month. Expectations for future services activity increased in February, and the composite index increased from -2 to 13.

Special Questions

This month contacts were asked special questions about their biggest hiring priorities and change in average number of employees over time. In February, 42% of firms expected their biggest priority in hiring over the next six months would be entry level workers, while 40% of firms expected mid-level workers, 9% of firms expected other workers, 6% expected senior level workers, and 4% expected temporary workers (Chart 2). In 2022, firms' year over year change in average number of employees was 1% and in 2023 firms expect the year over year change to move up to 2%. (Chart 3).

Selected Services Comments

“The supply chain issues related to our import business have improved drastically over the past 6 months. Also, rates for full containers from China are back to normal \$4000-\$5000 versus over \$20,000 last year. Also, our overall inventory purchases on import items are down 75% year-over-year since we have enough inventory to satisfy our current and expected revenue over the near-term.”

“The housing industry is now in a full-fledged recession. While I do not think that it will last forever, we are now in the process of making many needed adjustments.”

“Our particular company is having a gap in furnishing multi-family which is partially the reason for fewer employees. Single family permits also have dropped 30%+ from a year ago.”

“Prices that customers are willing to pay for vehicles are going down. Rates continue to rise for financing. Manufacturers continue to raise prices in spite of this. I believe we will start to see massive repossessions by banks and finance companies as in 2008-10. This will further depress prices as we return to more "normal" used vehicle prices and the manufacturers will have to return to incentives instead of being able to sell all they can at any price. This will be a welcome return for consumers as well as car dealers.”

“Recruiting is getting harder and harder. It appears that the same resumes keep showing up in our searches. Thus, it doesn't appear that new people are entering the workforce.”

“Struggle continues to find skilled labor despite wage increases and increase benefits.”

“Staffing levels have remained static but expect small increase as a result of new business locations added to our footprint.”

“Lots of reducing overtime hours and reducing use of temps.”

“I am not optimistic about 2023. I think it is going to be a difficult year for small businesses.”

Table 1. Summary of Tenth District Services Conditions, February 2023

	February vs. January (percent)*					February vs. Year Ago (percent)*					Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}
Plant Level Indicators															
Composite Index				-10	1				2					16	13
General Revenue/Sales	19	46	35	-17	1	39	20	41	-2	50	22	28	22	22	19
Number of Employees	20	59	20	0	5	30	39	31	-2	35	41	24	11	8	
Employee Hours Worked	19	59	22	-4	2	22	56	22	0	35	48	17	19	14	
Part-Time/Temporary Employment	6	81	13	-7	-4	11	74	15	-4	17	70	13	4	-1	
Wages and Benefits	35	59	6	30	33	81	11	7	74	57	37	6	52	58	
Inventory Levels	15	65	20	-6	-4	33	50	17	17	24	57	19	6	4	
Credit Conditions/Access to Credit	6	92	2	4	3	11	81	8	4	7	85	7	0	-2	
Capital Expenditures	19	72	9	9	10	33	52	15	19	33	52	15	19	17	
Input Prices	48	41	11	37	42	80	11	9	70	67	22	11	56	60	
Selling Prices	26	56	19	7	10	63	17	20	43	50	31	19	31	36	

*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 February survey was open for a six-day period from February 15-21, 2023 and included 54 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes



Chart 2. Special Question: Which of the following is your firm's biggest priority in hiring over the next six months?

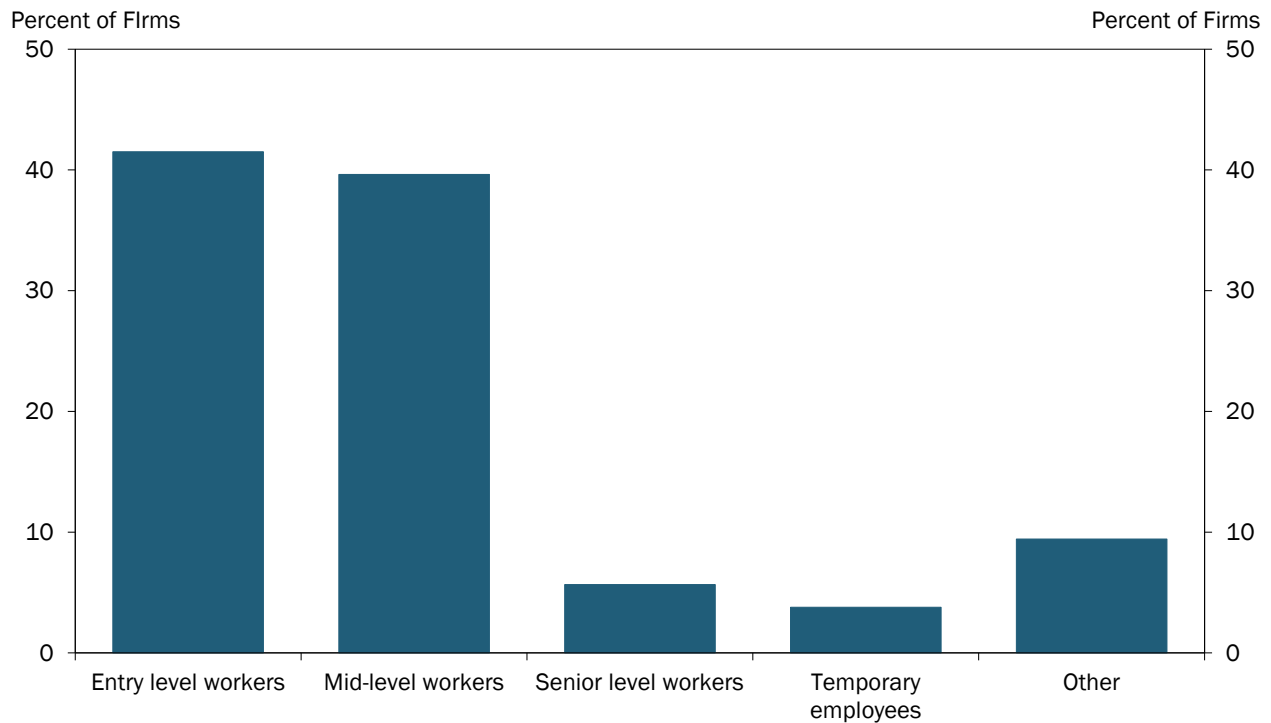


Chart 3. Special Question: Firm's year over year change in average number of employees?

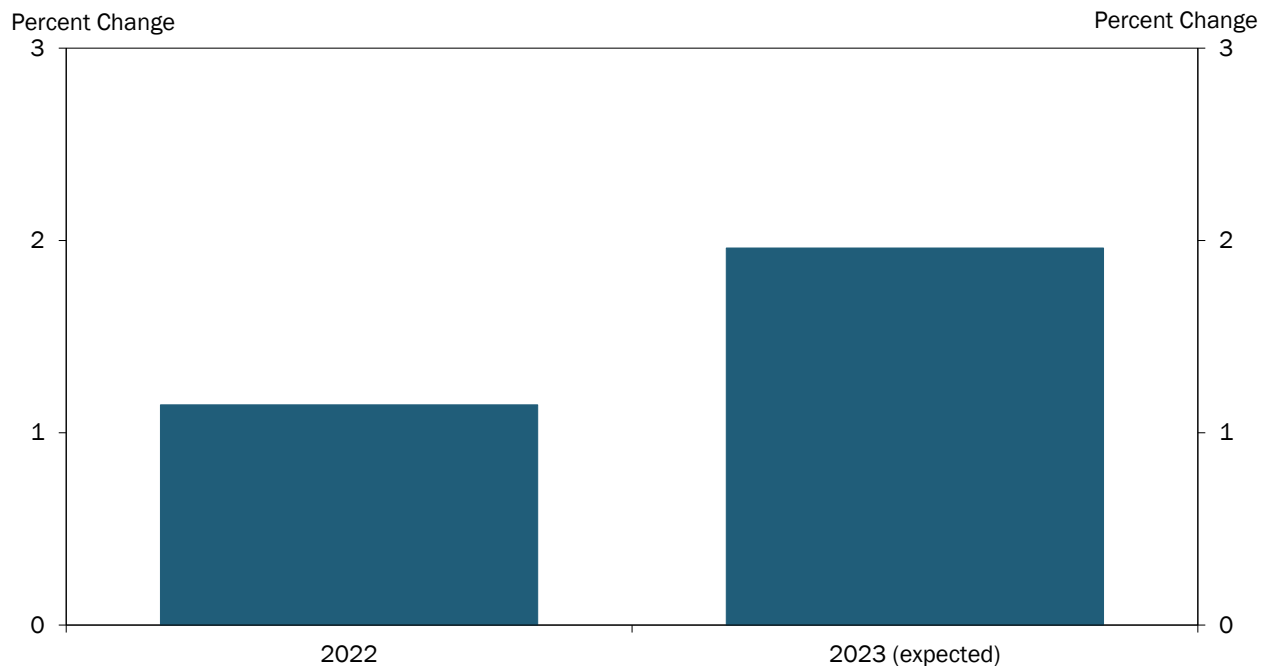


Table 2
Historical Services Survey Indexes

	Feb'22	Mar'22	Apr'22	May'22	Jun'22	Jul'22	Aug'22	Sep'22	Oct'22	Nov'22	Dec'22	Jan'23	Feb'23
Versus a Month Ago (seasonally adjusted)													
Composite Index	13	25	17	18	14	4	14	18	8	12	0	-11	1
General Revenue/Sales	9	28	16	22	10	3	13	22	5	11	-1	-22	1
Number of Employees	20	23	18	21	22	1	14	13	7	9	-9	-5	5
Employee Hours Worked	25	27	18	19	11	17	10	16	3	2	3	-2	2
Part-Time/Temporary Employment	10	11	6	12	9	2	2	-2	-6	-6	-8	0	-4
Wages and Benefits	54	52	46	45	37	34	33	38	22	21	31	23	33
Inventory Levels	10	18	19	1	13	12	18	16	19	18	18	8	-4
Credit Conditions/Access to Credit	5	-2	4	-6	-5	-5	-2	-3	-9	-5	-8	-4	3
Capital Expenditures	26	25	20	16	27	16	14	17	8	9	7	12	10
Input Prices	77	75	72	72	66	64	54	54	51	40	34	38	42
Selling Prices	56	54	52	47	36	33	37	37	21	18	7	8	10
Versus a Year Ago (not seasonally adjusted)													
Composite Index	32	27	32	28	27	18	16	16	17	21	14	2	2
General revenue/sales	43	29	41	32	28	15	17	18	13	20	14	-3	-2
Number of employees	22	25	22	27	28	14	8	12	17	22	3	-9	-2
Employee hours worked	27	29	34	20	16	19	10	17	2	16	9	-7	0
Part-time/temporary employment	10	13	17	17	10	11	10	4	-2	-1	-8	-7	-4
Wages and benefits	70	76	83	68	70	75	69	76	66	67	68	72	74
Inventory levels	18	25	26	19	22	32	23	19	27	23	30	29	17
Credit conditions/access to credit	3	1	4	0	-7	-5	-1	1	-5	-8	-8	-1	4
Capital expenditures	31	31	24	29	38	25	21	34	20	14	16	16	19
Input prices	77	81	79	86	83	81	83	88	84	77	69	68	70
Selling prices	67	71	76	76	69	64	66	72	55	61	39	40	43
Expected in Six Months (seasonally adjusted)													
Composite Index	36	36	38	25	17	19	13	12	12	17	4	-2	13
General revenue/sales	49	43	39	31	20	24	12	13	13	14	8	-7	19
Number of employees	28	39	44	24	18	14	18	9	13	24	-4	9	8
Employee hours worked	29	24	32	6	11	10	5	6	6	7	1	4	14
Part-time/temporary employment	11	6	18	2	6	0	0	-10	-1	-1	-7	1	-1
Wages and benefits	64	65	67	62	53	54	52	51	44	51	52	54	58
Inventory levels	16	13	25	11	9	15	8	12	10	13	8	-5	4
Credit conditions/access to credit	4	-2	1	-7	-6	-4	-1	-1	-6	-5	-5	-3	-2
Capital expenditures	31	22	32	20	21	14	15	20	7	13	8	13	17
Input prices	71	70	65	74	69	65	63	66	60	55	60	56	60
Selling prices	63	59	61	55	53	52	42	60	35	41	23	32	36