



NEWS RELEASE

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Tenth District Services Activity Stayed Steady 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 Chad Wilkerson, senior vice president at the Federal Reserve Bank of Kansas City, the survey revealed that Tenth District activity stayed steady in July, while expectations for future activity rose slightly.

“District services activity stayed steady in July,” said Wilkerson. “Firms expect revenues to grow and employment activity to moderate in the future.”

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 stayed steady in July, while expectations for the next six months rose slightly (Chart 1 & Table 1). Contacts continued to report that both input and selling prices increased, but more reported increases in input compared to selling prices.

Business Activity Stayed Steady

The month-over-month services composite index was -1 in July, down from 14 in June and 3 in May (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Tourism revenues increased substantially, while wholesale and real estate activity declined significantly. Growth in restaurants and retail cooled in July. All month-over-month indexes decreased from previous readings, except for part-time/temporary employment and input prices. The general revenues/sales index declined substantially from 20 to -1, and the number of employees and employee hours worked indexes also entered negative territory. Inventory levels slowed somewhat but continued to increase. The year-over-year composite index was unchanged at -11, as revenues, employment, and inventories continued to decrease. Expectations for services activity edged up as firms anticipate increases in revenue and steady employment, with the composite index increasing from -4 to 4.

Special Questions

This month contacts were asked special questions about profit margins. A majority of firms reported that profit margins decreased significantly (17%) or decreased slightly (45%) since the beginning of the year, while 20% of firms reported no change in profit margins, 13% reported a slight increase, and 5% reported a significant increase (Chart 2). Firms were also asked how supply chain issues have changed from a year ago. About a quarter (27%) of contacts reported they were much better, while 37% said they were slightly better, 22% reported no change, 8% reported they were slightly worse, 0% reported they were much worse, and 6% of contacts have not experienced supply chain issues over the last year (Chart 3).

Selected Services Comments

“Consumers are becoming more concerned that rates will go even higher, which makes them reluctant to make large purchases such as homes or automobile loans.”

“We are hesitant to invest in growing the business until better direction with the economy.”

“Freight charges are killing us. Freight takes one third of our profits on an item.”

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

Plant Level Indicators	July vs. June (percent)*					July vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change		Diff Index [^]	SA Index ^{^^}	Increase	No Change		Diff Index [^]	Increase	No Change		Diff Index [^]	SA Index ^{^^}
		Decrease	Decrease				Decrease	Decrease			Decrease	Decrease		
Composite Index				4	-1				-11				-3	4
General Revenue/Sales	34	39	27	8	-1	29	23	48	-18	31	38	31	0	9
Number of Employees	15	68	17	-2	-4	29	37	34	-5	25	46	29	-5	1
Employee Hours Worked	19	63	19	0	-6	23	48	28	-5	25	50	25	0	5
Part-Time/Temporary Employment	16	81	3	13	9	16	70	14	2	17	67	16	2	3
Wages and Benefits	29	63	8	22	20	78	11	11	68	51	43	6	45	46
Inventory Levels	27	48	25	2	3	29	41	30	-2	24	44	32	-8	-4
Credit Conditions/Access to Credit	3	80	17	-14	-13	8	68	25	-17	5	73	22	-17	-15
Capital Expenditures	25	63	13	13	11	31	50	19	13	28	55	17	11	16
Input Prices	43	52	5	38	35	76	10	14	62	59	35	6	52	52
Selling Prices	31	57	12	18	16	58	17	25	34	42	38	20	22	23

*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 19-24, 2023 and included 65 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

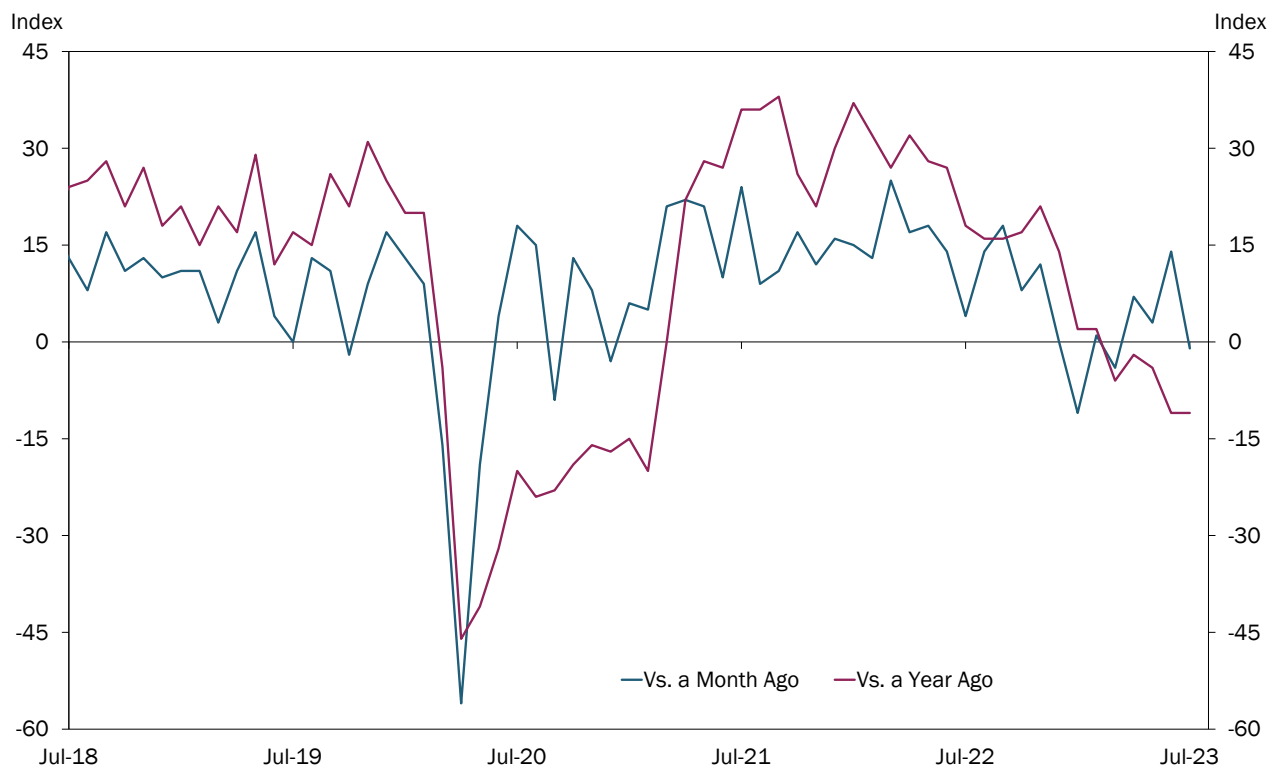


Chart 2. Special Question: Given current price pressures, how have profit margins changed for your firm since the beginning of the year?

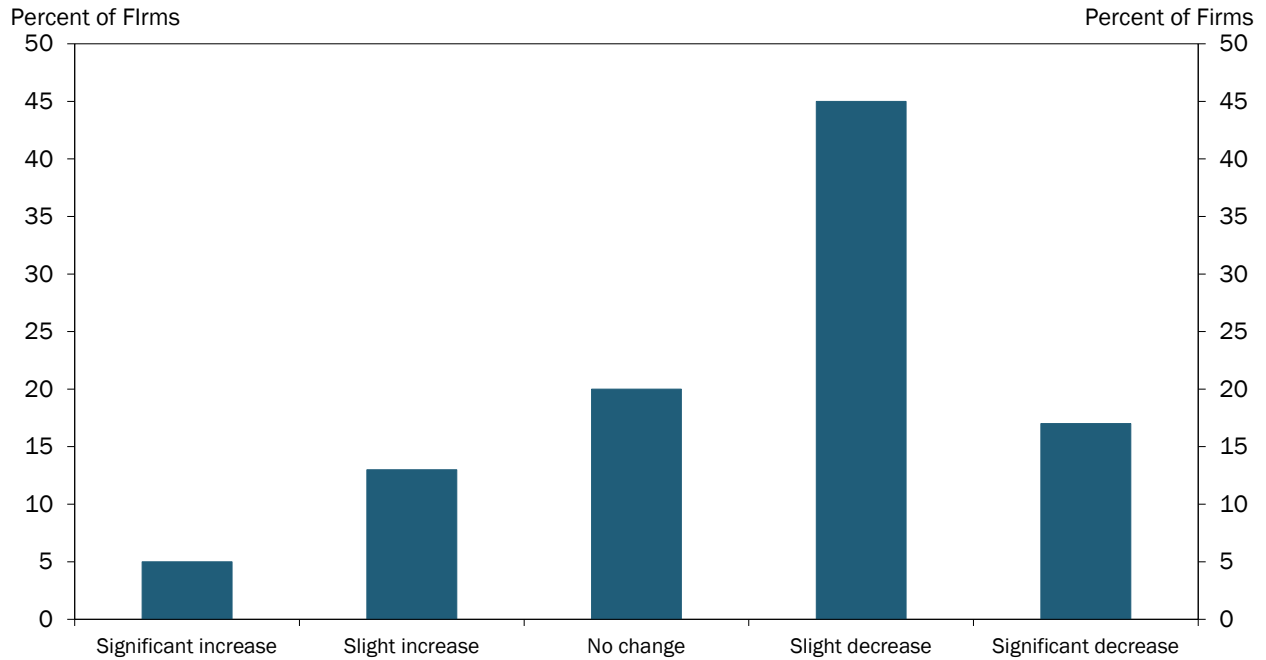


Chart 3. Special Question: How have supply chain issues changed from a year ago?

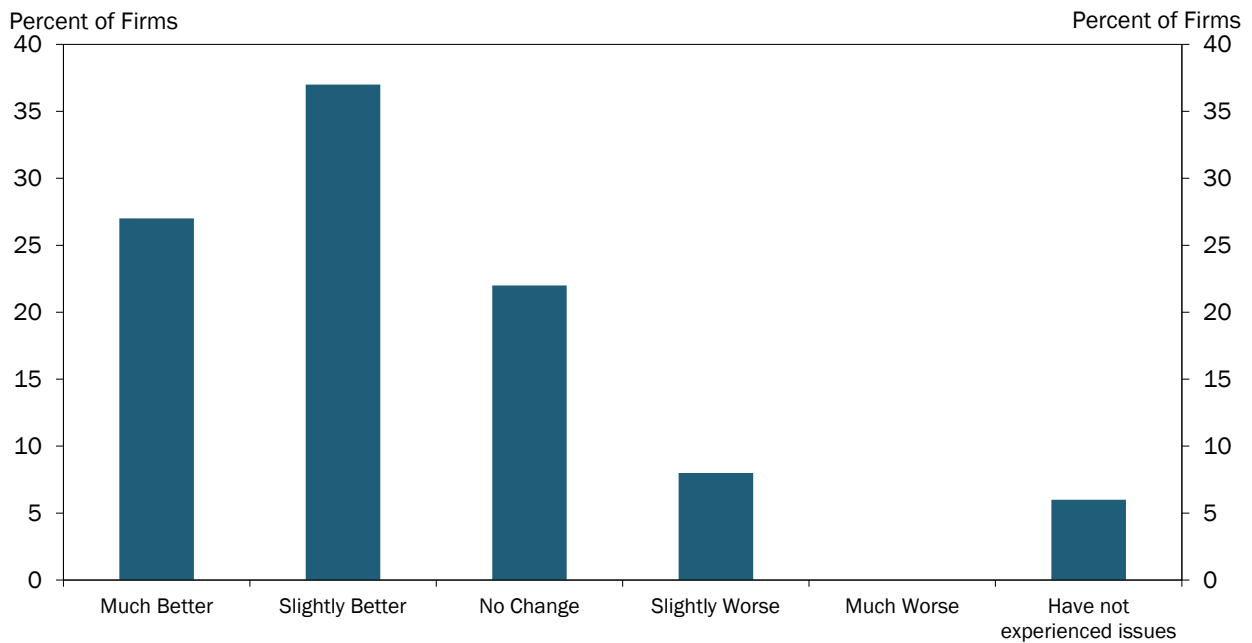


Table 2
Historical Services Survey Indexes

	Jul'22	Aug'22	Sep'22	Oct'22	Nov'22	Dec'22	Jan'23	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23
Versus a Month Ago (seasonally adjusted)													
Composite Index	4	14	18	8	12	0	-11	1	-4	7	3	14	-1
General Revenue/Sales	3	13	22	5	11	-1	-22	1	-5	18	4	20	-1
Number of Employees	1	14	13	7	9	-9	-5	5	-2	-2	2	6	-4
Employee Hours Worked	17	10	16	3	2	3	-2	2	-6	15	5	14	-6
Part-Time/Temporary Employment	2	2	-2	-6	-6	-8	0	-4	-6	-8	2	6	9
Wages and Benefits	34	33	38	22	21	31	23	33	22	24	17	25	20
Inventory Levels	12	18	16	19	18	18	8	-4	-3	-9	2	12	3
Credit Conditions/Access to Credit	-5	-2	-3	-9	-5	-8	-4	3	-4	-12	2	-6	-13
Capital Expenditures	16	14	17	8	9	7	12	10	13	11	14	15	11
Input Prices	64	54	54	51	40	34	38	42	34	43	30	30	35
Selling Prices	33	37	37	21	18	7	8	10	6	5	10	19	16
Versus a Year Ago (not seasonally adjusted)													
Composite Index	18	16	16	17	21	14	2	2	-6	-2	-4	-11	-11
General revenue/sales	15	17	18	13	20	14	-3	-2	-9	-9	-16	-17	-18
Number of employees	14	8	12	17	22	3	-9	-2	-10	3	3	-6	-5
Employee hours worked	19	10	17	2	16	9	-7	0	-3	8	-4	5	-5
Part-time/temporary employment	11	10	4	-2	-1	-8	-7	-4	-4	-5	3	-8	2
Wages and benefits	75	69	76	66	67	68	72	74	65	61	68	70	68
Inventory levels	32	23	19	27	23	30	29	17	6	8	14	-2	-2
Credit conditions/access to credit	-5	-1	1	-5	-8	-8	-1	4	-10	-8	-3	-9	-17
Capital expenditures	25	21	34	20	14	16	16	19	14	20	24	14	13
Input prices	81	83	88	84	77	69	68	70	69	67	48	65	62
Selling prices	64	66	72	55	61	39	40	43	29	30	37	28	34
Expected in Six Months (seasonally adjusted)													
Composite Index	19	13	12	12	17	4	-2	13	2	14	6	-4	4
General revenue/sales	24	12	13	13	14	8	-7	19	6	19	3	-2	9
Number of employees	14	18	9	13	24	-4	9	8	-5	18	10	-6	1
Employee hours worked	10	5	6	6	7	1	4	14	2	10	5	4	5
Part-time/temporary employment	0	0	-10	-1	-1	-7	1	-1	3	-2	-2	-2	3
Wages and benefits	54	52	51	44	51	52	54	58	53	52	40	49	46
Inventory levels	15	8	12	10	13	8	-5	4	3	-4	6	-8	-4
Credit conditions/access to credit	-4	-1	-1	-6	-5	-5	-3	-2	-4	-13	-3	-6	-15
Capital expenditures	14	15	20	7	13	8	13	17	24	16	10	15	16
Input prices	65	63	66	60	55	60	56	60	64	61	44	50	52
Selling prices	52	42	60	35	41	23	32	36	33	16	20	27	23