



NEWS RELEASE

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Tenth District Services Activity Was Steady 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 was steady in January, but expectations for future activity rose slightly.

“Regional services activity was essentially flat in January,” said Wilkerson. “Firms’ sales stayed steady, but employment levels fell moderately with only slight increases anticipated in the coming months.”

A summary of the January survey is below. 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 2024. 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 was steady in January, but expectations for future activity rose slightly (Chart 1 & Table 1). Input price growth remains elevated, with further increases expected, and selling prices continue to grow at a slower, but still robust, pace.

Business Activity Was Steady in January

The month-over-month services composite index was -2 in January, up from -7 in December and down from 0 in November (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Activity among industries was mixed. Retail and transportation declined substantially, while professional and health services rose. General revenue/sales were essentially flat this month, rebounding from -13 to -1. However, both the number of employees and part-time/temporary employment indexes fell moderately, with readings of -11 and -10, respectively. Most indexes were negative and fell on a year-over-year basis, with the composite index falling from 8 to -7 as revenues and employment declined. Inventories increased somewhat from this time last year while capital expenditures cooled, and access to credit continued to decline. Expectations for future services activity rose only slightly, as mild increases in revenues and employment are anticipated in the next six months.

Special Questions

This month, contacts were asked special questions about expectations for wages, input prices, and capital expenditures in 2024. A solid majority of firms reported expected wage increases between 0-6% in 2024, with 21% expecting a 0-2% increase, 33% expecting a 2-4% increase, and 22% expecting a 4-6% increase. An additional 9% expect no change, 3% expect a 6-8% increase, and 6% each expect an increase greater than 8% or a decrease. Expectations for input prices were slightly more mixed. 6% of firms expect a decrease, while 13% expect no change, 24% expect a 0-2% increase, 28% expect 2-4%, 12% expect 4-6%, 10% expect 6-8%, and 7% expect an increase greater than 8% (Chart 2). Firms cited the need to preserve cash (39%) and uncertainty in the year ahead (36%) as the top factors impacting their capital expenditures plans for 2024, while 21% cited unfavorable financing and 24% reported no need to expand capital expenditures this year (Chart 3).

Selected Services Comments

“As a small business, we are attempting to be creative in how we sell our services to acquire additional demand. Our business has steadily declined during the post-pandemic era.”

“A lot of uncertainty in the US and abroad.”

“The economy seems to be in a partial recovery phase. The interest rates are putting pressure on our bottom lines to be profitable. We have put a hold on our capital expenditures until the rates ease.”

“We're seeing bad weather as our biggest obstacle. Bad weather days yield poor sales, good weather days yield better sales.”

“Very slow start to the year. Some CapEx projects have been deferred. No new major projects on the table.”

“Auto manufacturers are trying to control production to favor them having to offer fewer rebates and curtail payments to dealers rather than producing higher numbers and letting supply and demand prevail. With new vehicles costing 30% more than pre-Covid and financing rates at 7-10% and more for challenged credit, demand is dropping and pressed production has evaporated.”

Table 1. Summary of Tenth District Services Conditions, January 2024

Plant Level Indicators	January vs. December (percent)*					January vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}	Increase	Change	Decrease	Diff Index [^]	Increase	Change	Decrease	Diff Index [^]	SA Index ^{^^}
Composite Index				-7	-2				-7				10	3
General Revenue/Sales	32	29	39	-8	-1	33	25	42	-9	45	21	34	10	3
Number of Employees	16	54	30	-13	-11	25	36	39	-13	33	45	22	10	4
Employee Hours Worked	20	52	29	-9	-4	18	52	29	-11	25	52	23	2	-5
Part-Time/Temporary Employment	4	81	15	-10	-10	9	73	18	-9	11	79	11	0	-1
Wages and Benefits	39	52	9	30	27	72	13	15	57	51	39	10	40	38
Inventory Levels	23	59	17	6	7	27	53	20	6	30	49	21	10	1
Credit Conditions/Access to Credit	4	88	7	-3	-5	9	72	19	-10	3	85	12	-9	-11
Capital Expenditures	23	61	17	6	8	29	44	27	2	32	44	24	8	9
Input Prices	39	53	8	31	32	67	20	13	55	59	33	8	52	53
Selling Prices	22	61	16	6	12	55	21	24	31	42	42	16	25	27

*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 January survey was open for a six-day period from January 17-22, 2024 and included 67 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

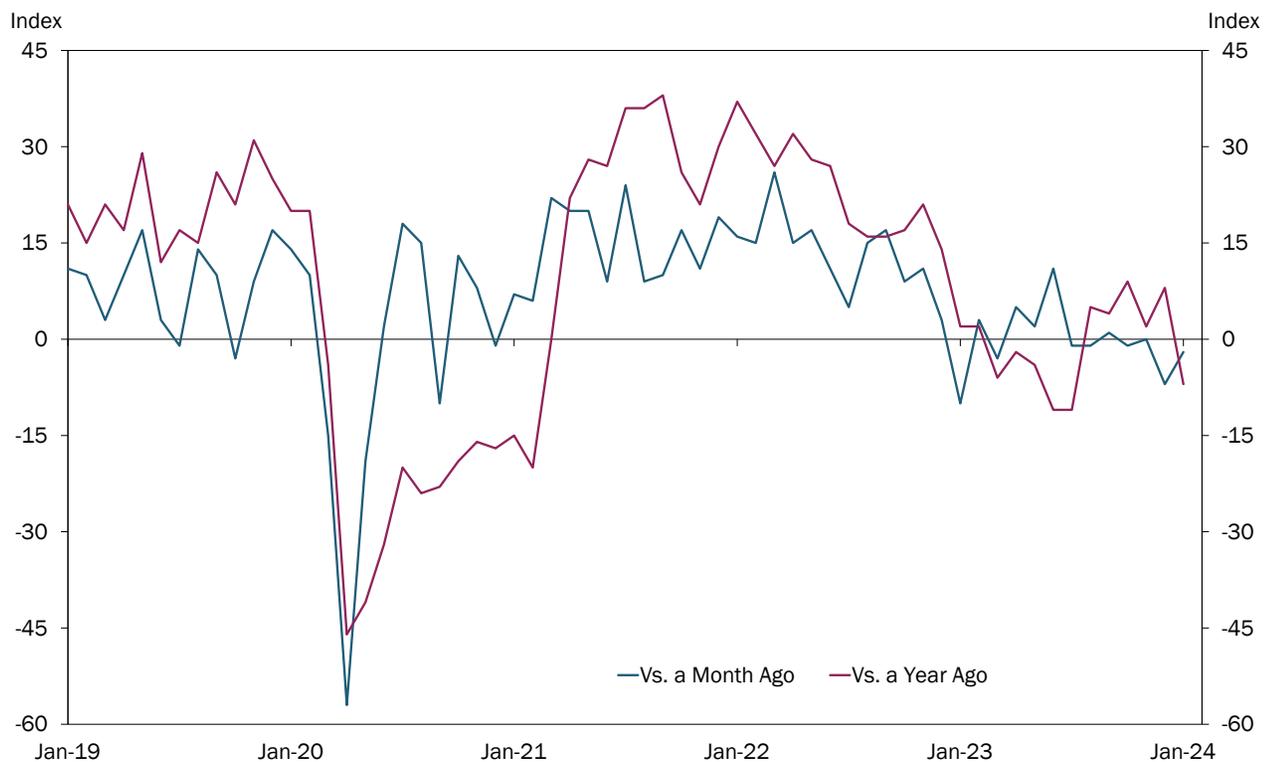


Chart 2. Special Question: On average, how much do you expect wages/input prices to change for 2024?

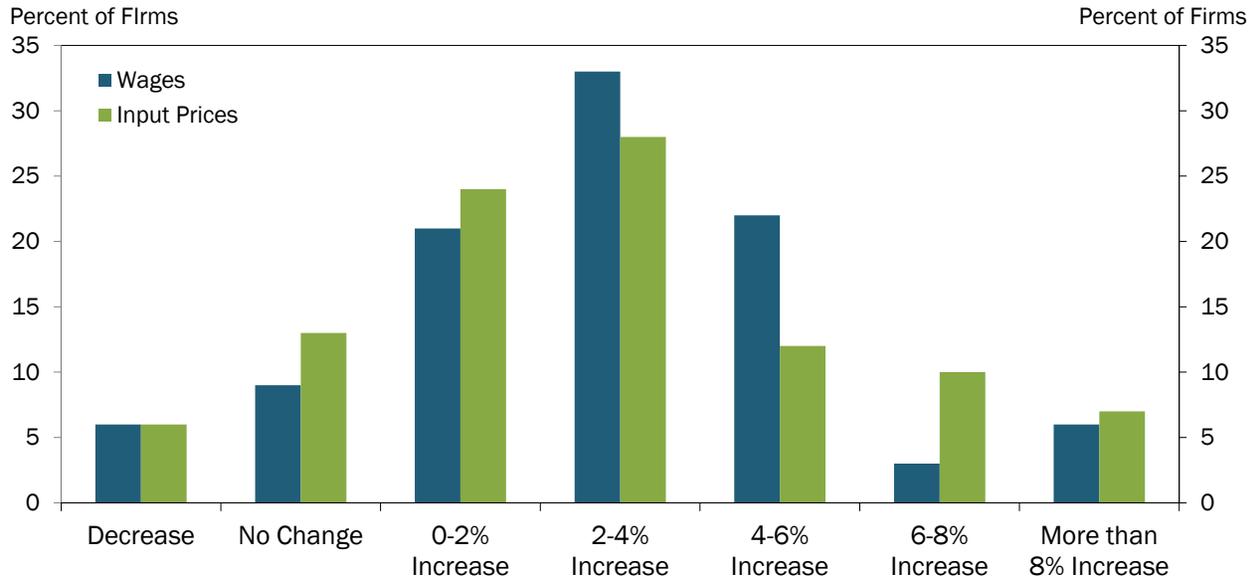


Chart 3. Special Question: Please indicate if any of these are impacting your capital expenditures (capex) plans for 2024? (Choose all relevant factors)

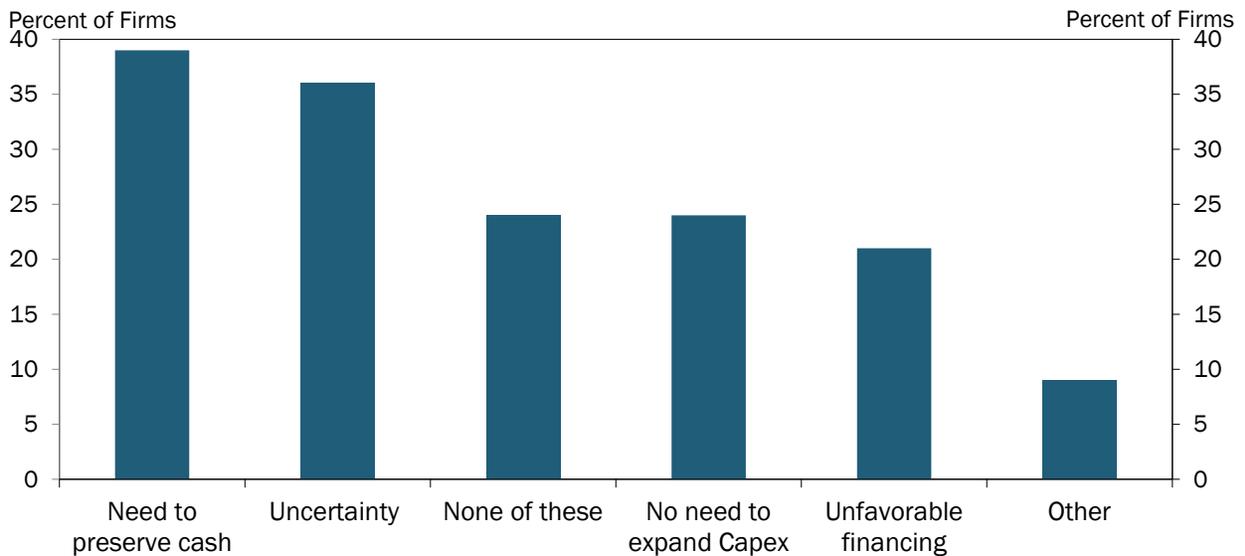


Table 2
Historical Services Survey Indexes

	Jan'23	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24
Versus a Month Ago (seasonally adjusted)													
Composite Index	-10	3	-3	5	2	11	-1	-1	1	-1	0	-7	-2
General Revenue/Sales	-20	4	-5	14	2	15	0	-5	2	-3	2	-13	-1
Number of Employees	-3	5	-1	-2	2	4	-3	3	-2	4	-2	1	-11
Employee Hours Worked	-2	2	-3	11	4	11	-4	-2	0	-1	-1	-9	-4
Part-Time/Temporary Employment	-1	-4	-5	-7	1	4	7	-2	-3	-8	-3	-4	-10
Wages and Benefits	25	30	21	24	17	25	21	20	21	20	19	12	27
Inventory Levels	6	-3	-2	-6	2	9	2	3	5	-4	-2	-4	7
Credit Conditions/Access to Credit	-5	1	-5	-13	2	-7	-12	-12	-9	-10	-8	-4	-5
Capital Expenditures	11	10	13	11	13	15	11	12	9	6	16	11	8
Input Prices	39	40	33	40	30	31	34	34	46	32	36	12	32
Selling Prices	10	11	7	6	10	17	14	0	11	8	12	1	12
Versus a Year Ago (not seasonally adjusted)													
Composite Index	2	2	-6	-2	-4	-11	-11	5	4	9	2	8	-7
General revenue/sales	-3	-2	-9	-9	-16	-17	-18	-2	0	12	-1	7	-9
Number of employees	-9	-2	-10	3	3	-6	-5	9	5	7	4	14	-13
Employee hours worked	-7	0	-3	8	-4	5	-5	3	-1	16	11	13	-11
Part-time/temporary employment	-7	-4	-4	-5	3	-8	2	3	1	-4	-3	3	-9
Wages and benefits	72	74	65	61	68	70	68	57	74	70	68	63	57
Inventory levels	29	17	6	8	14	-2	-2	16	14	4	7	1	6
Credit conditions/access to credit	-1	4	-10	-8	-3	-9	-17	-22	-12	-19	-10	-9	-10
Capital expenditures	16	19	14	20	24	14	13	17	13	7	18	20	2
Input prices	68	70	69	67	48	65	62	50	71	72	65	56	55
Selling prices	40	43	29	30	37	28	34	22	35	38	40	39	31
Expected in Six Months (seasonally adjusted)													
Composite Index	-1	11	3	12	6	-2	4	5	4	6	12	-1	3
General revenue/sales	-7	16	6	17	4	1	8	3	6	13	21	-1	3
Number of employees	8	8	-1	14	9	-3	3	9	1	3	5	2	4
Employee hours worked	5	12	3	8	5	5	5	3	3	8	8	5	-5
Part-time/temporary employment	0	-1	3	-1	-1	-2	2	3	0	1	2	-2	-1
Wages and benefits	53	56	52	51	41	50	46	44	46	52	45	28	38
Inventory levels	0	2	2	-2	4	-6	-3	2	4	-5	2	-3	1
Credit conditions/access to credit	-4	-3	-5	-13	-5	-6	-14	-14	-10	-15	-8	-2	-11
Capital expenditures	13	16	21	15	11	15	15	13	10	13	18	8	9
Input prices	57	61	61	59	44	51	52	49	53	43	56	34	53
Selling prices	32	33	32	19	22	28	25	26	25	31	32	24	27