



NEWS RELEASE

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Oct. 25, 2024

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Tenth District Services Activity Rose Modestly in October
Federal Reserve Bank of Kansas City Releases October Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the October Services Survey today. According to Megan Williams, survey manager, the survey revealed that Tenth District services activity rose modestly, and expectations for future activity rebounded.

“District services activity increased after easing last month, as revenues and sales improved along with higher employment levels,” said Williams. “Firm’s expectations for future growth were more positive this month as well, with a moderate increase in capital spending plans.”

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 rose modestly in October, and expectations for future activity rebounded (Chart 1 & Table 1). Input price growth slowed somewhat this month, while selling prices inched higher.

Business Activity Rose Modestly

The month-over-month services composite index was 5 in October, up from -2 in September and equal to 5 in August (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Wholesale trade, professional, and business services saw the largest increases, while retail, restaurants, and tourism sectors declined. Revenues improved over last month, as the month-over-month index increased from -1 to 7. Employment jumped from -5 to 4, and the employee hours and wages and benefits indexes also rose. The year-over-year composite index increased from 4 to 9, as revenues and employment growth accelerated while access to credit declined. Capital expenditures growth edged up from 18 to 23. The composite expectations index for services activity rebounded from 7 to 14 after cooling somewhat last month.

Special Questions

This month contacts were asked about demand and profit margin expectations. Most firms (47%) said their demand expectations were slightly higher for 2025 compared to 2024, while 31% expect no change, 14% expect them to be slightly lower, 6% indicated significantly higher, and 2% said significantly lower (Chart 2). Firms were also asked how profit margins compared to pre-pandemic levels, and how they expected them to change in 2025. 33% of firms reported slightly higher margins compared to pre-pandemic levels, while 29% reported slightly lower, 19% reported significantly lower, 12% no change, and 7% significantly higher (Chart 3). In addition, 35% of firms expected no change to margins in 2025, with 31% slightly lower, 25% slightly higher, 7% significantly lower, and 2% significantly higher.

Selected Services Comments

“Higher rates have positively affected idle funds earnings, which has offset increased capital acquisition cost.”

“We have good cash reserves. Interest rates are a consideration but not a major component of our decision-making processes.”

“I think the recent interest rate change was helpful, but I think a 3/4 % additional cut before December would be a huge gain for small business owners. I feel an additional rate decrease would lower our input prices and relieve some pressure on our commercial loan borrowing.”

“We are able to pass 100% of the increased cost of inputs from a material standpoint onto the customers, however, our increased labor costs have not been as easily passed onto customers. We have slowed down on capital expenditures related to growth and only been making the purchases that we deem necessary.”

“Lower grain prices have affected the purchasing power from farmers. Sales have dropped off over 30% and we do not see a rebound until prices come back up.”

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

Plant Level Indicators	October vs. September (percent)*					October vs. Year Ago (percent)*				Expected in Six Months (percent)*				
	Increase	No Change		Diff Index^A	SA Index**A	Increase	No Change		Diff Index^A	Increase	No Change		Diff Index^A	SA Index**A
		Decrease	Decrease				Decrease	Decrease			Decrease			
Composite Index				0	5				9				13	14
General Revenue/Sales	33	34	34	-1	7	44	21	35	8	44	27	29	14	14
Number of Employees	22	58	20	2	4	34	44	22	12	31	58	12	19	20
Employee Hours Worked	19	63	18	1	7	27	51	21	6	25	63	12	13	13
Part-Time/Temporary Employment	7	81	12	-5	1	9	72	19	-9	8	79	13	-5	-4
Wages and Benefits	34	60	6	28	31	81	9	9	72	53	42	5	48	45
Inventory Levels	20	58	21	-1	2	30	48	23	7	21	57	21	0	3
Credit Conditions/Access to Credit	5	87	8	-4	-1	6	81	13	-7	6	84	11	-5	-2
Capital Expenditures	32	58	10	23	23	44	35	21	23	35	52	13	22	22
Input Prices	36	58	6	30	24	75	16	10	65	59	37	5	54	47
Selling Prices	19	69	12	7	9	62	21	16	46	38	47	15	22	18

*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 October survey was open for a six-day period from October 16-21, 2024 and included 85 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

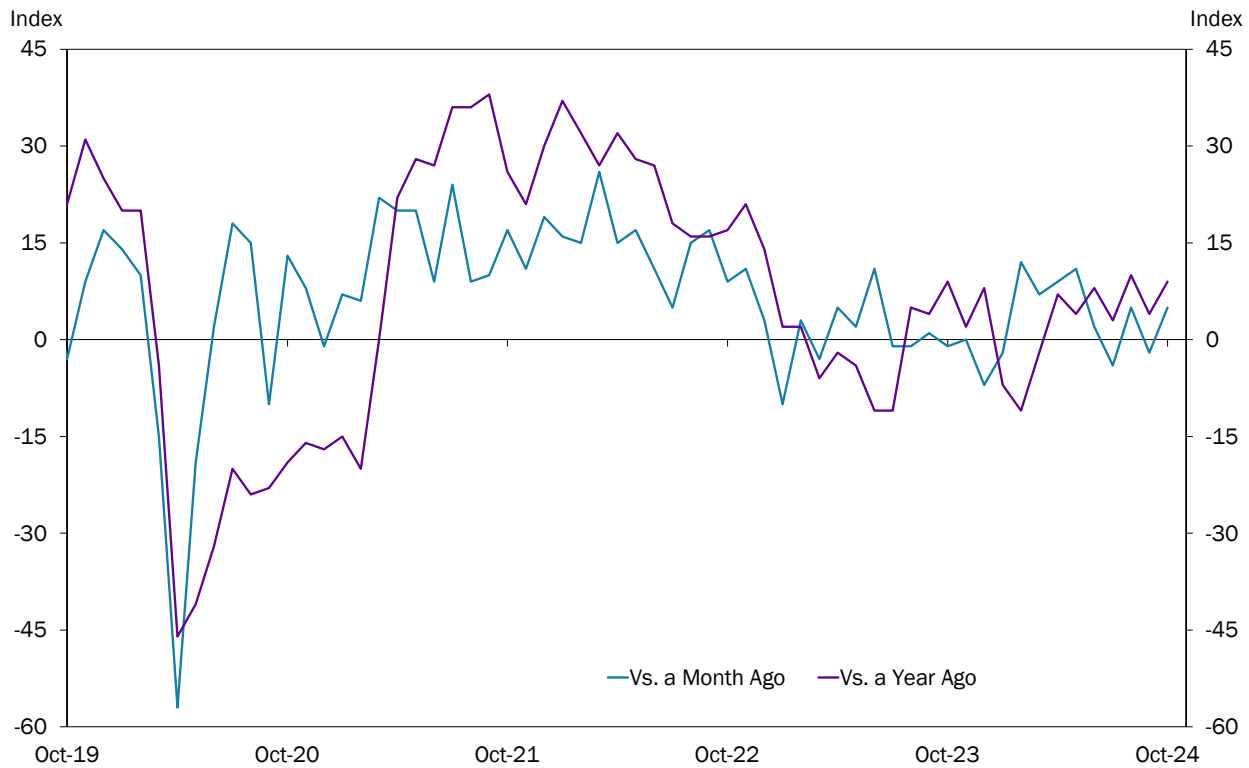


Chart 2. Special Question: What are your expectations for demand for your firm's products in 2025 compared to 2024?

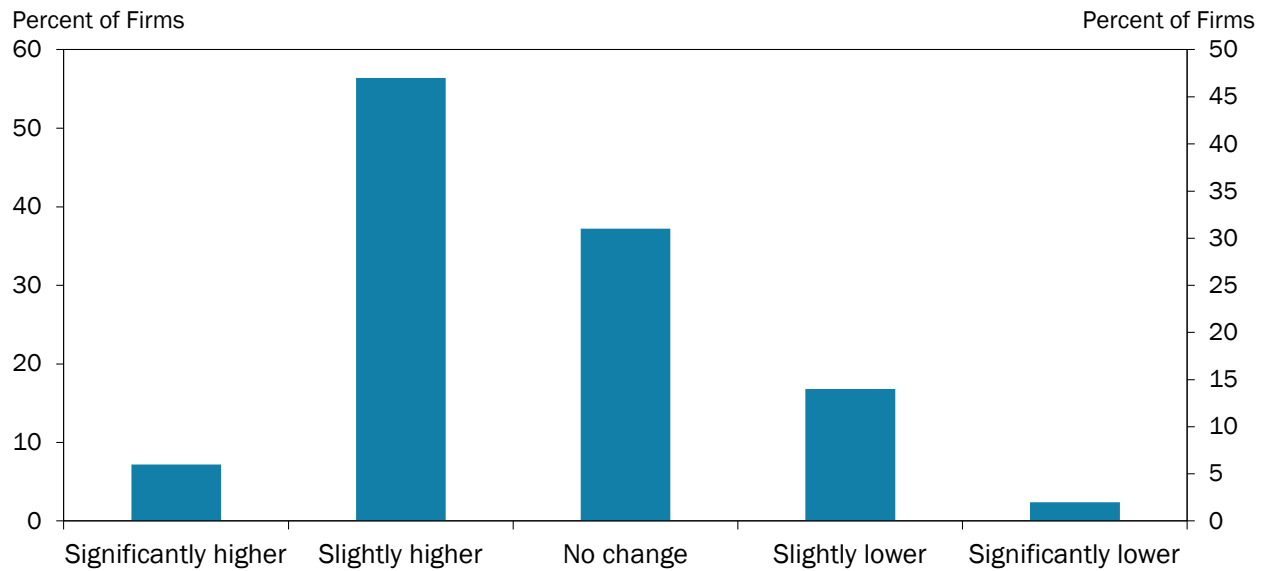


Chart 3. Special Question: How do your firm's profit margins compare to pre-pandemic levels, and how do you expect them to change in 2025?

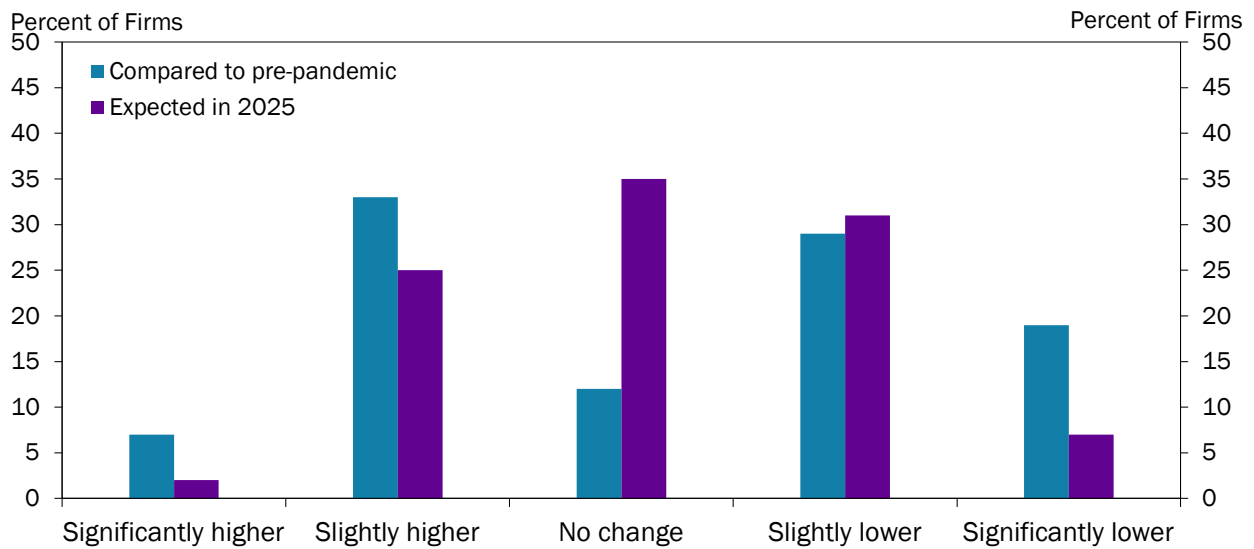


Table 2
Historical Services Survey Indexes

	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24	Mar'24	Apr'24	May'24	Jun'24	Jul'24	Aug'24	Sep'24	Oct'24
Versus a Month Ago (seasonally adjusted)													
Composite Index	-1	0	-7	-2	12	7	9	11	2	-4	5	-2	5
General Revenue/Sales	-3	2	-13	-1	20	4	5	7	4	-16	17	-1	7
Number of Employees	4	-2	1	-11	0	10	6	18	-4	10	-9	-5	4
Employee Hours Worked	-1	-1	-9	-4	7	3	3	11	-5	6	-2	2	7
Part-Time/Temporary Employment	-8	-3	-4	-10	-10	-8	2	10	-4	-1	-2	-5	1
Wages and Benefits	20	19	12	27	25	37	37	32	17	18	18	10	31
Inventory Levels	-4	-2	-4	7	11	8	22	10	7	4	-5	-1	2
Credit Conditions/Access to Credit	-10	-8	-4	-5	-12	-11	-8	-8	-6	-2	-7	-8	-1
Capital Expenditures	6	16	11	8	2	28	16	21	14	10	10	17	23
Input Prices	32	36	12	32	43	34	35	33	27	19	22	31	24
Selling Prices	8	12	1	12	5	15	11	4	-5	0	10	7	9
Versus a Year Ago (not seasonally adjusted)													
Composite Index	9	2	8	-7	-11	-2	7	4	8	3	10	4	9
General revenue/sales	12	-1	7	-9	-23	-6	7	3	6	-3	15	2	8
Number of employees	7	4	14	-13	-6	1	-1	3	9	6	7	5	12
Employee hours worked	16	11	13	-11	-11	-7	0	5	-1	5	4	-3	6
Part-time/temporary employment	-4	-3	3	-9	-5	-9	-3	-2	-7	7	4	-3	-9
Wages and benefits	70	68	63	57	66	66	71	66	65	61	68	55	72
Inventory levels	4	7	1	6	10	5	18	10	13	13	0	7	7
Credit conditions/access to credit	-19	-10	-9	-10	-14	-10	-4	-13	-9	-13	-9	-3	-7
Capital expenditures	7	18	20	2	8	10	19	27	4	5	6	18	23
Input prices	72	65	56	55	60	58	67	63	56	48	50	63	65
Selling prices	38	40	39	31	27	39	33	25	30	24	37	42	46
Expected in Six Months (seasonally adjusted)													
Composite Index	6	12	-1	3	-3	1	2	10	10	6	15	7	14
General revenue/sales	13	21	-1	3	-9	6	-2	18	14	14	27	9	14
Number of employees	3	5	2	4	5	-2	-2	-3	12	2	8	11	20
Employee hours worked	8	8	5	-5	0	6	-14	-3	2	2	7	13	13
Part-time/temporary employment	1	2	-2	-1	-11	-4	-6	-1	-6	2	5	4	-4
Wages and benefits	52	45	28	38	53	54	57	63	42	38	40	37	45
Inventory levels	-5	2	-3	1	1	-8	16	8	-1	-6	-4	-3	3
Credit conditions/access to credit	-15	-8	-2	-11	-11	-8	-8	-14	-7	-5	-1	-1	-2
Capital expenditures	13	18	8	9	6	11	17	19	-1	7	14	16	22
Input prices	43	56	34	53	67	45	61	63	51	37	44	44	47
Selling prices	31	32	24	27	28	36	35	38	20	19	29	32	18