



NEWS RELEASE

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Tenth District Services Activity Grew Slightly

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 Megan Williams, associate economist and survey manager, the survey revealed that Tenth District services activity grew only slightly in February, with growth in the business sector and steady activity in the consumer sector. Expectations for future activity remained expansionary.

“Regional services activity in the business sector grew moderately, while consumer sector activity was essentially flat,” said Williams. “Growth in input prices continues to outpace increases in output prices, as nearly half of firms only pass 0-20% of cost increases to customers.”

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 grew slightly in February, with growth in the business sector and steady activity in the consumer sector. Expectations for future activity remained expansionary (Chart 1 & Table 1). Input price growth accelerated this month and continues to far outpace selling price increases.

Business Activity Grew Slightly in February

The month-over-month services composite index was 2 in February, up from -4 in January and down from 4 in December (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. Growth in the business sector was primarily driven by real estate and professional services. The consumer sector was mostly flat, with declines in wholesale and autos and increases in education and health. The month-over-month indexes were mixed. General revenue/sales were mostly flat this month, increasing from -8 to -1, while employment grew modestly. Services growth cooled from this time last year, with the composite index easing from 17 to 6. Revenues declined slightly with a reading of -2. Growth in the business services sector accelerated from this time last year while it eased in the consumer sector, a reversal of previous trends (Chart 2). Capital expenditures increases also cooled year-over-year. Expectations for future services activity increased, as firms are more optimistic about future sales.

Special Questions

This month contacts were asked special questions about trade policy and passthrough ability. A majority of firms (54%) reported that they believe the recent trade policy changes will not affect their firms' demand or revenues, while 26% reported believing the changes will lower revenues, and 15% believe they will increase revenues. Additionally, 3% (2%) of firms believe the changes will make revenues significantly lower (significantly higher). (Chart 3). Contacts were also asked about their ability to pass through higher costs to their customers. Nearly half (47%) of firms reported passing through 0-20% to their customers, 4% reported passing through 20-40%, 13% reported 40-60%, 14% reported 60-80%, 15% reported 80-100%, 1% reported more than 100%, and 6% of firms had decrease prices (Chart 4).

Selected Services Comments

“Anticipate the effects of E-coli outbreak will diminish by mid-year.”

“In general, we are facing downward pressure on our margins. Payers are demanding lower fees as they are also facing downward pressure on margins. There is a real competition for available dollars in a race to the bottom.”

“My costs go up, menu prices go up. I cannot eat those increases.”

“Business demand has never been stronger.”

“Many of the customers that our industry serves will feel the pinch of increased prices and will attempt to lower their total costs by negotiating very hard on our industry. We're the shipping and handling that nobody likes to pay.”

“We live in an uncertain country and world. The financial markets want certainty and certainty is in short supply.”

“Uncertainty tends to make people back away from large ticket purchases such as housing.”

“We have been able to pass some of our additional costs onto customers. We have had more success passing on labor costs in the billable rate, however, on our sales we have had less luck.”

Table 1. Summary of Tenth District Services Conditions, February 2025

	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 [^]	Increase	No Change	Decrease	Diff Index [^]	SA Index ^{^^}
Plant Level Indicators														
Composite Index				-5	2				6				18	17
Consumer Services									1					
Business Services									14					
General Revenue/Sales	27	34	39	-12	-1	40	17	43	-2	53	18	29	24	23
Number of Employees	21	56	22	-1	3	41	30	29	13	38	40	22	16	14
Employee Hours Worked	18	57	24	-6	-4	25	47	28	-2	26	52	22	5	-3
Part-Time/Temporary Employment	6	81	13	-8	-3	13	76	11	1	11	78	10	1	-1
Wages and Benefits	21	70	9	12	12	77	10	13	65	53	33	14	40	42
Inventory Levels	25	59	16	9	9	34	47	20	14	28	52	20	8	5
Credit Conditions/Access to Credit	2	88	10	-8	-10	6	83	11	-6	8	81	11	-3	-6
Capital Expenditures	20	60	19	1	2	30	44	26	3	29	52	20	9	8
Input Prices	41	56	2	39	40	80	14	6	74	65	31	3	62	63
Selling Prices	24	64	12	11	15	56	25	19	36	47	42	11	35	37

*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 19-24, 2025 and included 89 responses (58 consumer and 31 business) from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

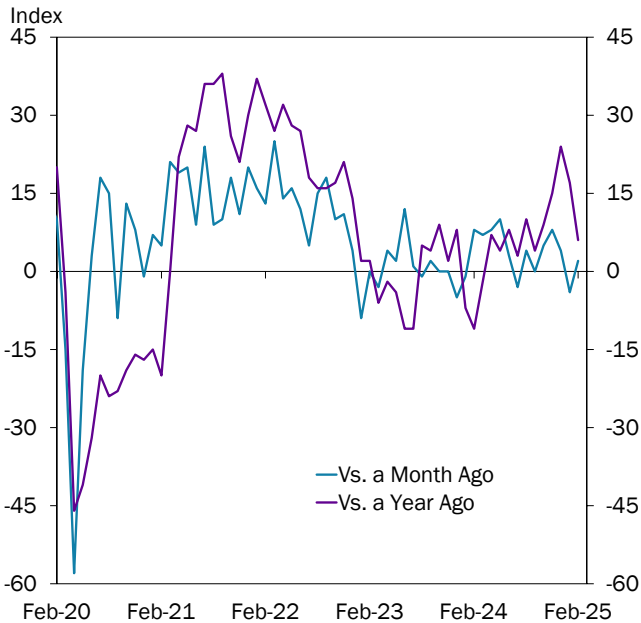


Chart 2. Composite Indexes vs. a Year Ago by Sector

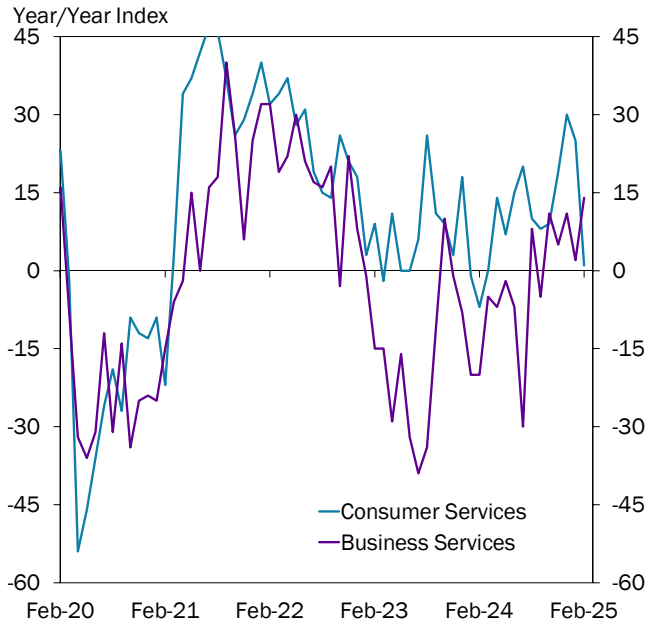


Chart 3. Special Question: How do you believe recent trade policy changes will affect demand or revenues for your business over the next year?

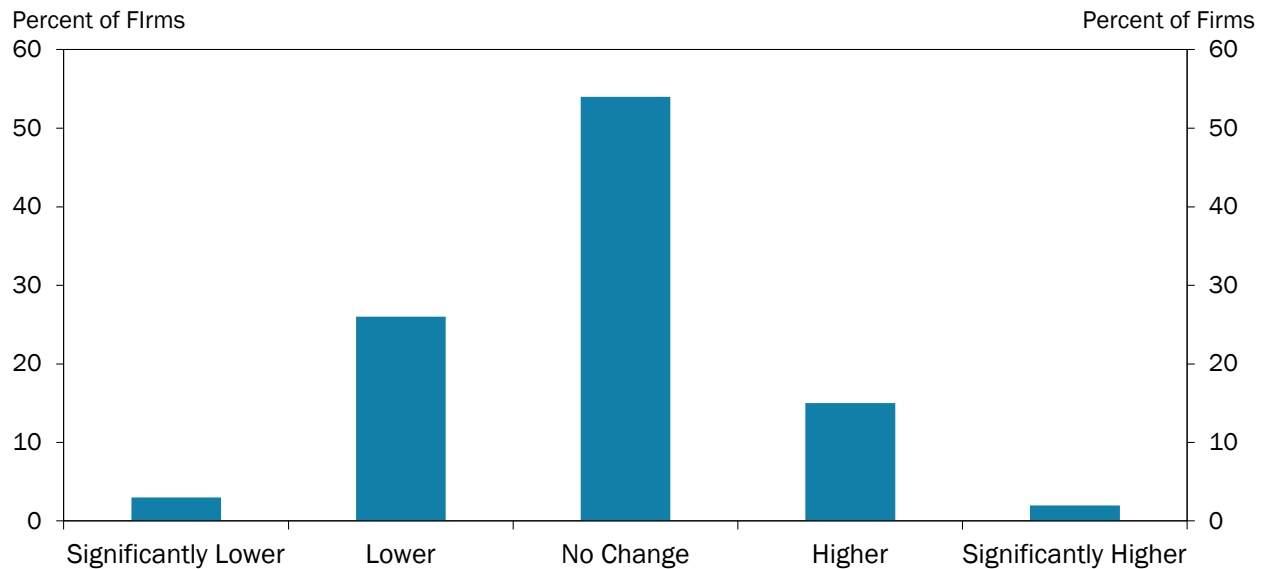


Chart 4. Special Question: If your firm is facing higher costs (inputs and labor), what share of those increases are you able to pass through to customers in the form of higher prices?

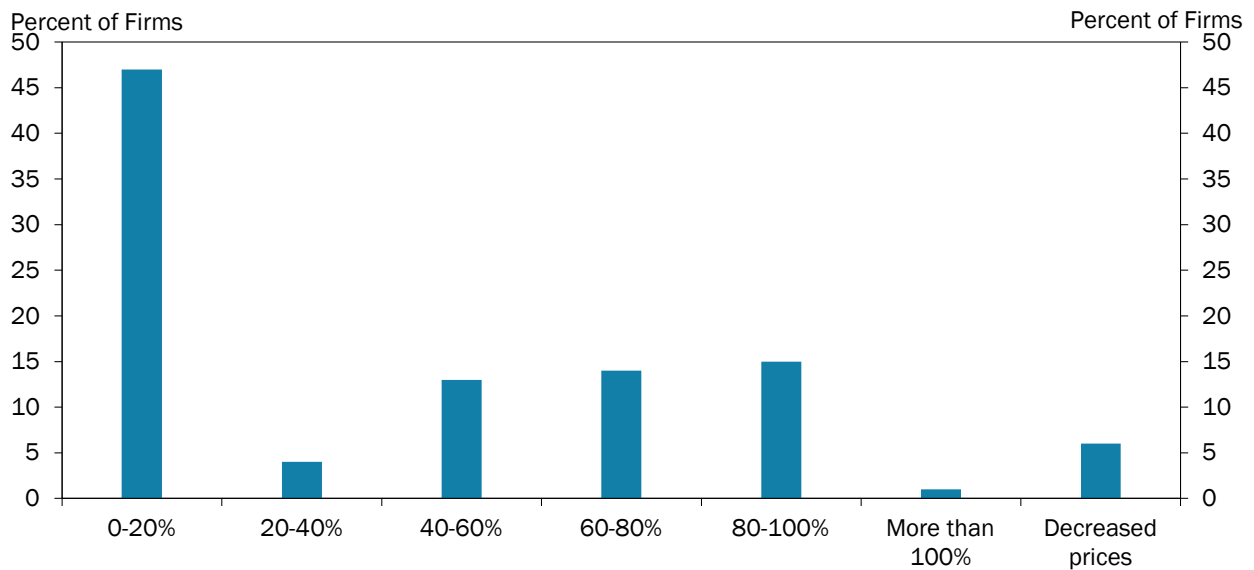


Table 2
Historical Services Survey Indexes

	Feb'24	Mar'24	Apr'24	May'24	Jun'24	Jul'24	Aug'24	Sep'24	Oct'24	Nov'24	Dec'24	Jan'25	Feb'25
Versus a Month Ago (seasonally adjusted)													
Composite Index	8	7	8	10	3	-3	4	0	5	8	4	-4	2
General Revenue/Sales	12	6	5	7	6	-14	15	2	7	12	5	-8	-1
Number of Employees	0	8	5	17	-4	11	-9	-4	4	5	3	-1	3
Employee Hours Worked	4	2	4	7	0	3	-1	2	6	5	5	-1	-4
Part-Time/Temporary Employment	-9	-7	2	10	-4	-2	-2	-5	0	-1	1	-3	-3
Wages and Benefits	25	34	33	30	19	19	19	13	32	21	20	20	12
Inventory Levels	9	8	18	9	7	4	-3	0	3	3	2	4	9
Credit Conditions/Access to Credit	-10	-10	-8	-7	-6	-3	-6	-7	-2	-1	-3	-7	-10
Capital Expenditures	2	27	16	19	14	11	10	17	23	12	16	19	2
Input Prices	40	35	34	34	29	22	24	30	26	26	25	34	40
Selling Prices	5	14	11	5	1	1	8	7	9	7	9	14	15
Versus a Year Ago (not seasonally adjusted)													
Composite Index	-11	-2	7	4	8	3	10	4	9	15	24	17	6
<i>Consumer Services</i>	-7	0	14	7	15	20	10	8	9	19	30	25	1
<i>Business Services</i>	-20	-5	-7	-2	-7	-30	8	-5	11	5	11	2	14
General revenue/sales	-23	-6	7	3	6	-3	15	2	8	23	33	17	-2
Number of employees	-6	1	-1	3	9	6	7	5	12	8	16	17	13
Employee hours worked	-11	-7	0	5	-1	5	4	-3	6	6	8	11	-2
Part-time/temporary employment	-5	-9	-3	-2	-7	7	4	-3	-9	-4	6	9	1
Wages and benefits	66	66	71	66	65	61	68	55	72	60	76	65	65
Inventory levels	10	5	18	10	13	13	0	7	7	4	11	17	14
Credit conditions/access to credit	-14	-10	-4	-13	-9	-13	-9	-3	-7	-2	-4	-1	-6
Capital expenditures	8	10	19	27	4	5	6	18	23	27	12	13	3
Input prices	60	58	67	63	56	48	50	63	65	64	63	58	74
Selling prices	27	39	33	25	30	24	37	42	46	39	44	42	36
Expected in Six Months (seasonally adjusted)													
Composite Index	1	2	5	9	10	6	14	6	11	9	16	12	17
General revenue/sales	-3	7	4	16	13	12	25	8	11	11	24	15	23
Number of employees	6	0	3	-1	11	4	7	10	18	14	13	14	14
Employee hours worked	-1	7	-11	0	2	3	5	10	10	5	3	12	-3
Part-time/temporary employment	-9	-3	-4	-1	-5	1	3	3	-4	-5	10	8	-1
Wages and benefits	51	53	55	61	42	39	41	38	46	31	41	49	42
Inventory levels	1	-6	12	5	-1	-5	-4	-3	2	-2	1	0	5
Credit conditions/access to credit	-10	-7	-8	-13	-6	-5	-2	-2	-3	0	3	-5	-6
Capital expenditures	7	12	15	17	-1	8	13	14	21	8	8	16	8
Input prices	62	44	59	62	52	39	45	45	49	39	46	58	63
Selling prices	28	33	34	35	21	20	27	28	19	13	26	35	37