



NEWS RELEASE

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Tenth District Services Activity Declined Moderately in December
Federal Reserve Bank of Kansas City Releases December Services Survey

KANSAS CITY, Mo. – The Federal Reserve Bank of Kansas City released the December 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 declined moderately in December, and expectations for future activity stagnated.

“District services activity declined moderately in December,” said Wilkerson. “Input price growth cooled significantly and selling prices decreased slightly for the first time since May 2020.”

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 declined moderately in December, and expectations for the next six months stagnated (Chart 1 & Table 1). Price growth cooled significantly versus the previous month, with selling prices falling into negative territory for the first time since May 2020. Heading forward, price increases are expecting to continue easing, but input prices are still expected to grow faster than selling prices.

Business Activity Declined Moderately

The month-over-month services composite index was -10 in December, down from 1 in November and -1 in October (Tables 1 & 2). The composite index is a weighted average of the revenue/sales, employment, and inventory indexes. The decrease was primarily driven by declines in tourism, retail, and autos. Most month-over-month indexes were negative and decreased from previous readings. General revenue/sales decreased from 3 to -17 and inventories fell from -1 to -8. Employment levels were essentially flat, and wages and benefits remained expansionary. The year-over-year composite index increased from 2 to 8, as revenues and employment grew further. Expectations for services activity declined to -1 from 13. Firms anticipate a slight decline in revenues and inventories amid increasing employment in the next six months.

Special Questions

This month contacts were asked special questions about expectations for demand and capital expenditures in 2024. 44% of firms expect demand for their products to be slightly higher in 2024 and 7% expect it to be significantly higher, while 24% of firms expect no change, 21% expect slightly lower demand, and 4% expect significantly lower demand (Chart 2). 38% of firms expect capital expenditures to be unchanged in 2024, while 27% expect them to be slightly higher and 13% significantly higher. Only 11% of firms expect to capital expenditures to be slightly lower and another 11% expect significantly lower expenditures (Chart 3).

Selected Services Comments

“Delivery costs up 7% in 2024 and then cost of goods going up as well.”

“Higher interest is hurting sales as payments have gotten too high. Electric vehicles have slowed.”

“Our markets are in the midst of a multi-year minimum wage increase—each year more than 12% increase. 75% of our workforce are ages 15-22 part-time staff.”

“Obtaining enough used vehicle inventory is extremely difficult even though prices are coming down.”

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

	December vs. November (percent)*					December 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 ^{^^}
Plant Level Indicators														
Composite Index				-16	-10				8				6	-1
General Revenue/Sales	19	33	48	-29	-17	46	14	39	7	38	28	35	3	-4
Number of Employees	17	64	19	-1	1	39	36	25	14	33	43	23	10	6
Employee Hours Worked	14	54	32	-17	-9	31	51	18	13	31	50	19	12	5
Part-Time/Temporary Employment	9	76	16	-7	-5	20	63	17	3	20	59	21	-1	-3
Wages and Benefits	23	66	11	11	16	71	20	9	63	46	43	11	34	28
Inventory Levels	18	57	25	-7	-8	24	54	22	1	25	55	19	6	-2
Credit Conditions/Access to Credit	4	87	9	-4	-4	9	74	17	-9	11	77	11	0	-1
Capital Expenditures	24	61	14	10	10	39	42	19	20	31	51	17	14	6
Input Prices	24	62	15	9	7	69	18	13	56	47	46	7	40	36
Selling Prices	9	78	13	-4	-3	56	27	17	39	44	46	10	34	28

*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 December survey was open for a six-day period from December 13-18, 2023 and included 70 responses from firms in Colorado, Kansas, Nebraska, Oklahoma, Wyoming, northern New Mexico, and western Missouri.

Chart 1. Services Composite Indexes

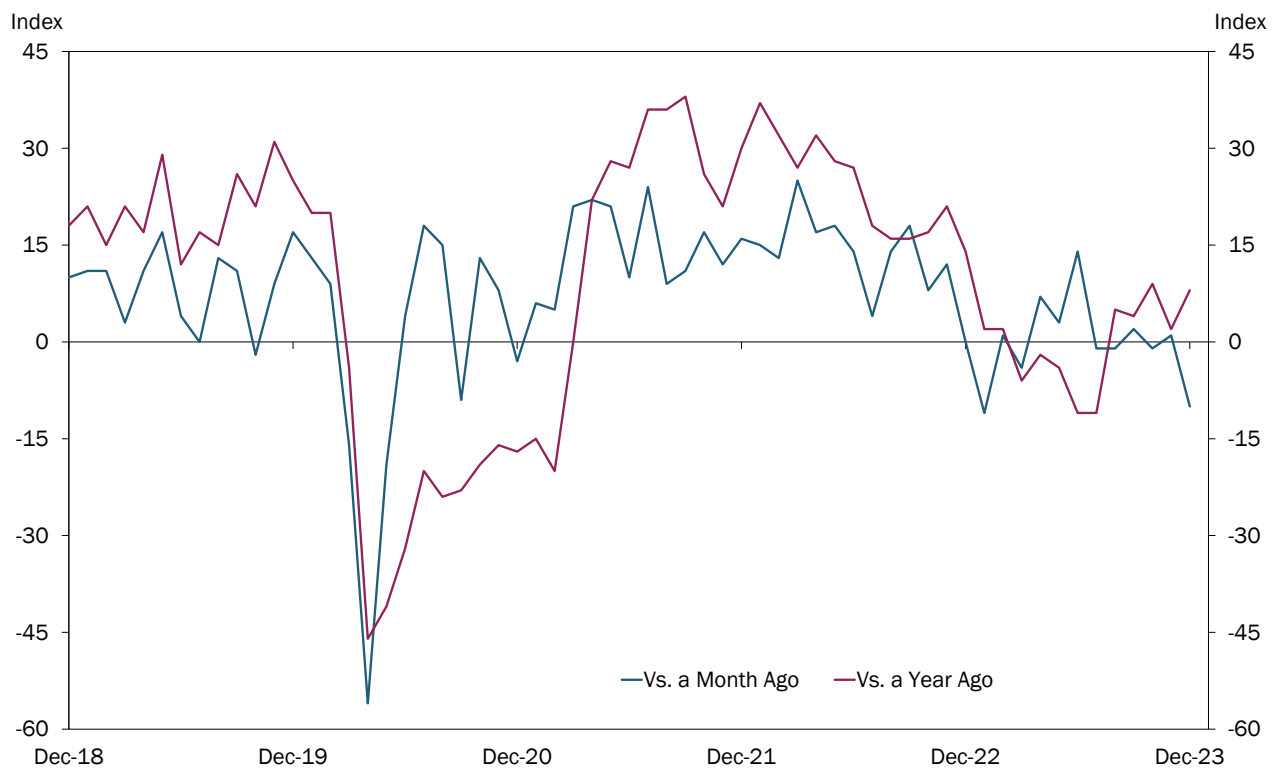


Chart 2. Special Question: What are your expectations for demand for your firm's products in 2024 compared to last year?

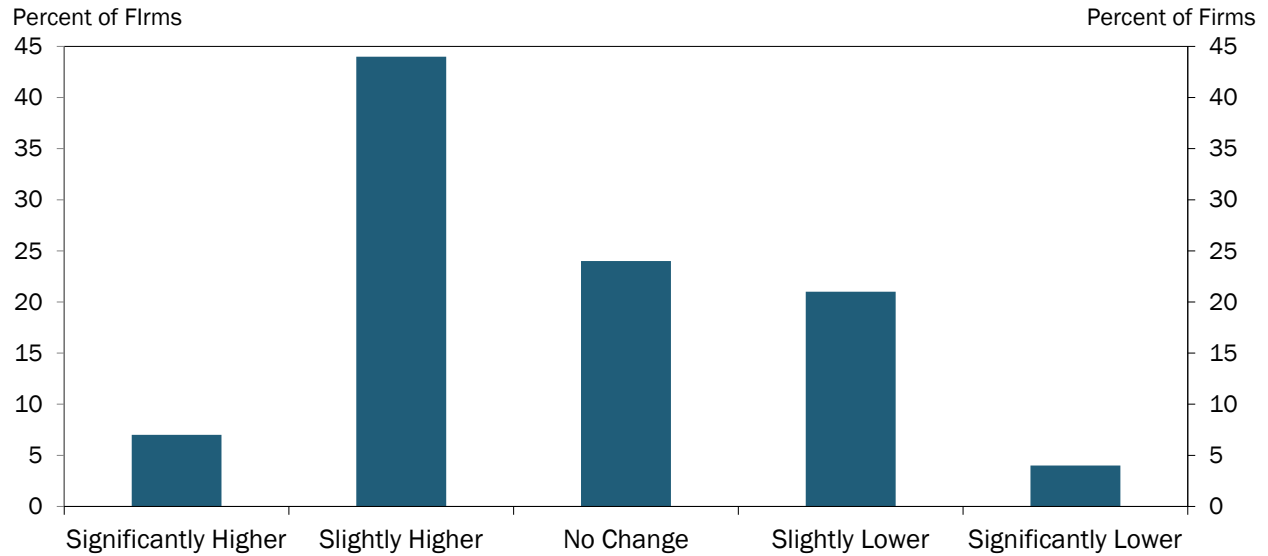


Chart 3. Special Question: What are your firm's expectations for capital expenditures in 2024 compared to last year?

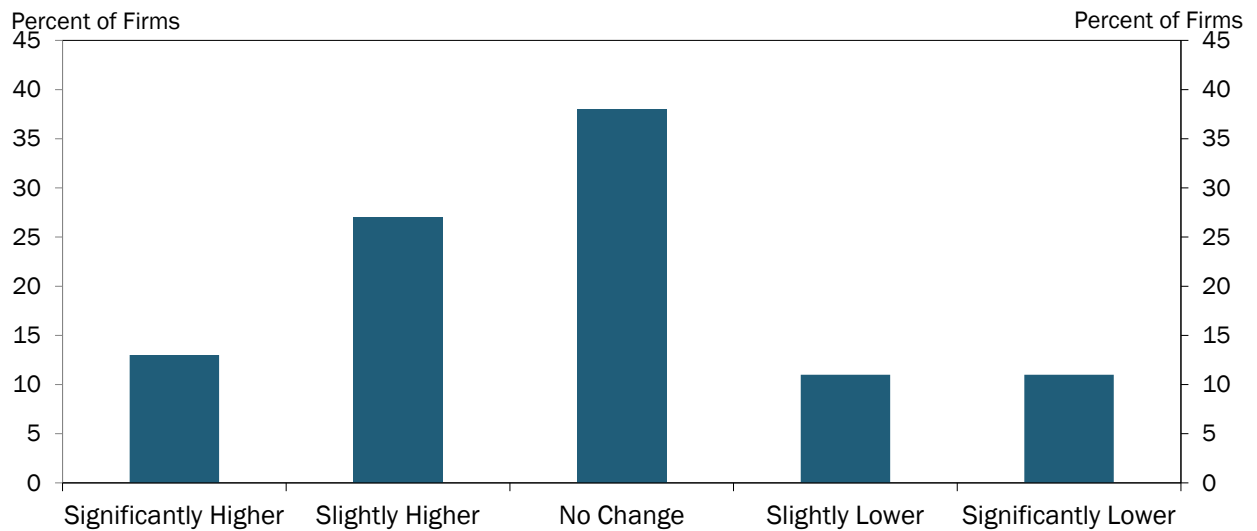


Table 2
Historical Services Survey Indexes

	Dec'22	Jan'23	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23
Versus a Month Ago (seasonally adjusted)													
Composite Index	0	-11	1	-4	7	3	14	-1	-1	2	-1	1	-10
General Revenue/Sales	-1	-22	1	-5	18	4	20	-1	-7	3	-3	3	-17
Number of Employees	-9	-5	5	-2	-2	2	6	-4	4	-3	5	-2	1
Employee Hours Worked	3	-2	2	-6	15	5	14	-6	-4	0	-1	0	-9
Part-Time/Temporary Employment	-8	0	-4	-6	-8	2	6	9	-3	-3	-9	-3	-5
Wages and Benefits	31	23	33	22	24	17	25	20	19	20	19	18	16
Inventory Levels	18	8	-4	-3	-9	2	12	3	5	7	-4	-1	-8
Credit Conditions/Access to Credit	-8	-4	3	-4	-12	2	-6	-13	-13	-10	-13	-8	-4
Capital Expenditures	7	12	10	13	11	14	15	11	12	8	4	17	10
Input Prices	34	38	42	34	43	30	30	35	35	47	33	35	7
Selling Prices	7	8	10	6	5	10	19	16	0	17	8	13	-3
Versus a Year Ago (not seasonally adjusted)													
Composite Index	14	2	2	-6	-2	-4	-11	-11	5	4	9	2	8
General revenue/sales	14	-3	-2	-9	-9	-16	-17	-18	-2	0	12	-1	7
Number of employees	3	-9	-2	-10	3	3	-6	-5	9	5	7	4	14
Employee hours worked	9	-7	0	-3	8	-4	5	-5	3	-1	16	11	13
Part-time/temporary employment	-8	-7	-4	-4	-5	3	-8	2	3	1	-4	-3	3
Wages and benefits	68	72	74	65	61	68	70	68	57	74	70	68	63
Inventory levels	30	29	17	6	8	14	-2	-2	16	14	4	7	1
Credit conditions/access to credit	-8	-1	4	-10	-8	-3	-9	-17	-22	-12	-19	-10	-9
Capital expenditures	16	16	19	14	20	24	14	13	17	13	7	18	20
Input prices	69	68	70	69	67	48	65	62	50	71	72	65	56
Selling prices	39	40	43	29	30	37	28	34	22	35	38	40	39
Expected in Six Months (seasonally adjusted)													
Composite Index	4	-2	13	2	14	6	-4	4	4	3	7	13	-1
General revenue/sales	8	-7	19	6	19	3	-2	9	0	4	15	21	-4
Number of employees	-4	9	8	-5	18	10	-6	1	10	0	2	7	6
Employee hours worked	1	4	14	2	10	5	4	5	1	2	8	10	5
Part-time/temporary employment	-7	1	-1	3	-2	-2	-2	3	5	-1	1	2	-3
Wages and benefits	52	54	58	53	52	40	49	46	43	46	50	45	28
Inventory levels	8	-5	4	3	-4	6	-8	-4	4	7	-5	4	-2
Credit conditions/access to credit	-5	-3	-2	-4	-13	-3	-6	-15	-16	-11	-17	-8	-1
Capital expenditures	8	13	17	24	16	10	15	16	12	9	12	18	6
Input prices	60	56	60	64	61	44	50	52	48	55	41	52	36
Selling prices	23	32	36	33	16	20	27	23	25	24	32	36	28