

# Regional Surveys of Business Activity

## Fifth District Survey of Service Sector Activity

*Retail Sales Contraction Abates;  
Revenues Fall Further at Services Firms*

### Overview

Service sector activity contracted in April, according to the latest survey by the Federal Reserve Bank of Richmond. Revenues continued to fall, although the further slide in revenues at services-providing firms was partially offset by a less pronounced decline in retail sales. Big-ticket sales dropped sharply, however. In addition, shopper traffic diminished. Retailers' inventories dropped in line with previous monthly reductions since the start of this year. Looking ahead six months, survey respondents' outlook for expected demand for their goods and services was guarded.

Employment cuts moderated somewhat at services firms, while retail downsizing was little changed. Average wages in the broad service sector ebbed slightly in April, with most of the change coming from retail establishments.

Service sector price growth slowed in April, and respondents from services firms expected price pressures to be contained over the next six months. Retailers looked for price growth to pick

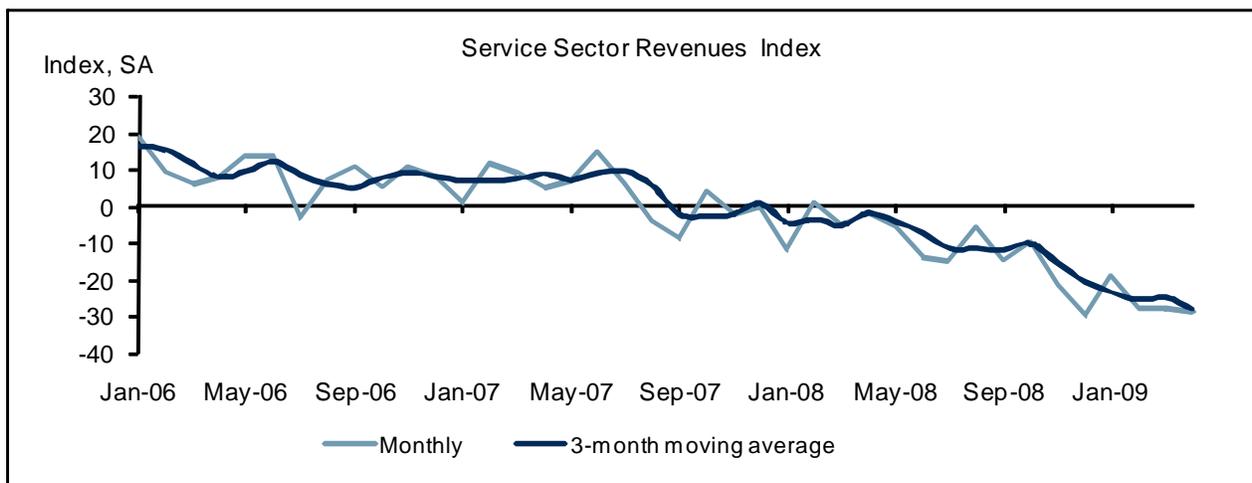
up over the six months ahead.

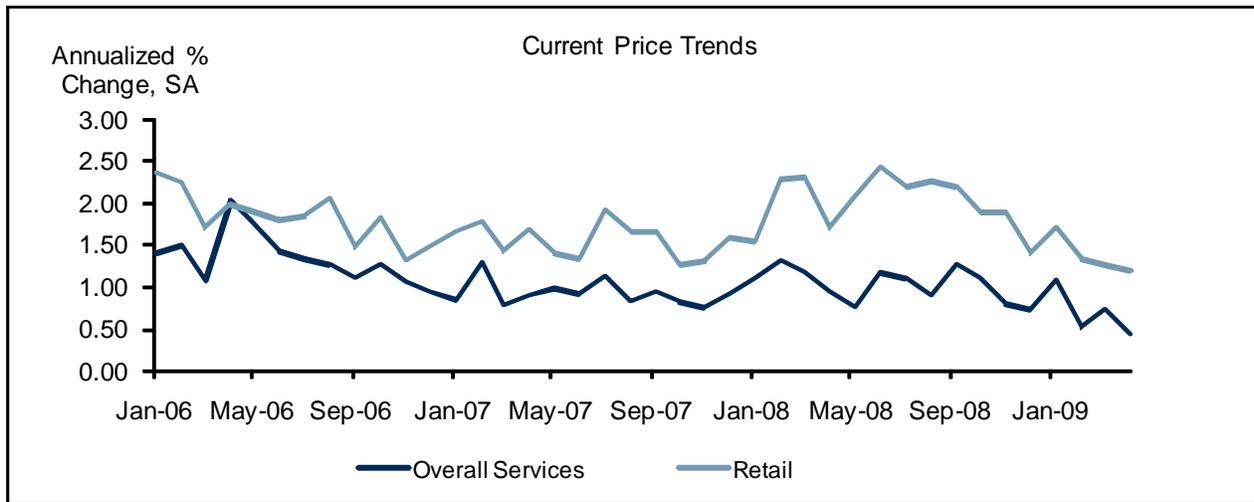
### Overall Service Sector Conditions

Revenues in the broad service sector fell in April. At -29, the index nearly matched its three-month average of -28. Employment reductions slowed somewhat, bringing April's index to -26 from March's -31. Coincident with declining employment, respondents indicated that average wages continued to fall steadily. The average wage index remained at -6 for a third consecutive month. For the six months ahead, survey respondents remained guarded in their expectations for demand for goods and services. The index for expected demand added two points to end the month at -3.

### Retail

The contraction in retail sales faded in April, despite a further drop in big-ticket sales. The sales index posted a 15 point gain, to end at -11, while the big-ticket index shed 10 points, settling at -60. Shopper traffic subsided, dipping six points to -19





this month. Retail inventories shrank, with that index at -28 compared to -26 in March. Merchants were generally on the fence in their outlook for demand for their goods and services—the index settled at -1 in April, 12 points below the previous month’s reading.

In retail labor markets, employment cuts continued, with the index at -25, just one point less than the March index. Average retail wage declines were more prevalent in April than a month ago, bringing that index to -11 from -6.

**Services-Providing Firms**

Revenues contracted at services-providing firms in April, pulling the index five points lower, to -34. Employers made fewer job reductions, however, and average wages were little changed from last month. The index for employment rose nine points to -23, and the average wage index warmed six points to -2. Survey respondents were less wary this month regarding their predictions for demand for their services in the six months ahead. The expectations index added seven points to -1 in April.

**Prices**

Price growth in the service sector decelerated in April to an annual rate of 0.43, compared to March’s annual rate of 0.72 percent. Retail price growth moderated to 1.18 percent; a month ago, prices grew at 1.26 percent. Price growth inched

along at services firms at a 0.05 percent rate, following the March pace of 0.52 percent.

Looking to the six months ahead, survey respondents expected annualized price growth of 0.57 percent overall compared to their previous outlook for 1.06 percent. Retailers predicted price growth of 1.60 percent in April, somewhat above their outlook in March for price growth of 1.47 percent. Respondents at service-providing firms looked for price growth of 0.25 percent in the coming six months, whereas last month, they expected future price growth of 0.95 percent.

Contact

**Aileen Watson**

Senior Economic Analyst  
Research Department/Regional Economics  
The Federal Reserve Bank of Richmond  
Ph. 804-697-7995 · Fax 804-697-8123  
[Aileen.Watson@rich.frb.org](mailto:Aileen.Watson@rich.frb.org)  
[www.richmondfed.org](http://www.richmondfed.org)

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**Business Activity Indexes<sup>1,4</sup>**

Service Sector Indicators	Current Conditions			3-Mo. Ave
	Apr-09	Mar-09	Feb-09	
Revenues	-29	-28	-28	-28
Number of employees	-26	-31	-26	-28
Average wage	-6	-6	-6	-6
Expected demand <sup>2</sup>	-3	-5	-10	-6
<b>Retail Indicators</b>				
Sales revenues	-11	-26	-32	-23
Number of employees	-25	-24	-34	-28
Average wage	-11	-6	-16	-11
Inventories	-28	-26	-29	-27
Big-ticket sales	-60	-50	-68	-60
Shopper traffic	-19	-13	-35	-23
Expected product demand <sup>2</sup>	-1	11	-8	1
<b>Services Firms Indicators</b>				
Revenues	-34	-29	-27	-30
Number of employees	-23	-32	-23	-26
Average wage	-2	-8	-2	-4
Expected demand for services <sup>2</sup>	-1	-8	-13	-7
<b>Current Price Trends<sup>3</sup></b>				
Service Sector	0.43	0.72	0.53	
Retail	1.18	1.26	1.33	
Services Firms	0.05	0.52	0.11	
<b>Expected Price Trends<sup>2,3</sup></b>				
Service Sector	0.57	1.06	0.75	
Retail	1.60	1.47	1.78	
Services Firms	0.25	0.95	0.16	

Technical notes:

- <sup>1</sup> Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. All data are seasonally adjusted. Results are based on responses from 104 of 133 firms surveyed
- <sup>2</sup> Expectations refer to the time period six months out from the survey period.
- <sup>3</sup> Price changes are expressed as percent change, annualized.
- <sup>4</sup> All firms surveyed are located within the Fifth Federal Reserve District, which includes the District of Columbia, Maryland, North Carolina, South Carolina, Virginia, and most of West Virginia.