

Regional Surveys of Business Activity

Fifth District Survey of Service Sector Activity

Service Sector Activity Intensifies; Widespread Revenue Growth and Optimistic Outlook

Overview

Fifth District service sector activity improved in April, according to the latest survey by the Federal Reserve Bank of Richmond. Growth in retail sales picked up while retail inventories continued to decline. Although big-ticket sales slumped, shopper traffic rose this month. Revenue growth also returned at non-retail services firms. Price change in the broad service sector ticked up slightly.

In service sector labor markets, non-retail firms were hiring again while retail job cuts continued. Average wages grew moderately across the sector.

Survey respondents looked for stronger revenue growth during the next six months; they expected modest price growth during that period.

Overall Service Sector Conditions

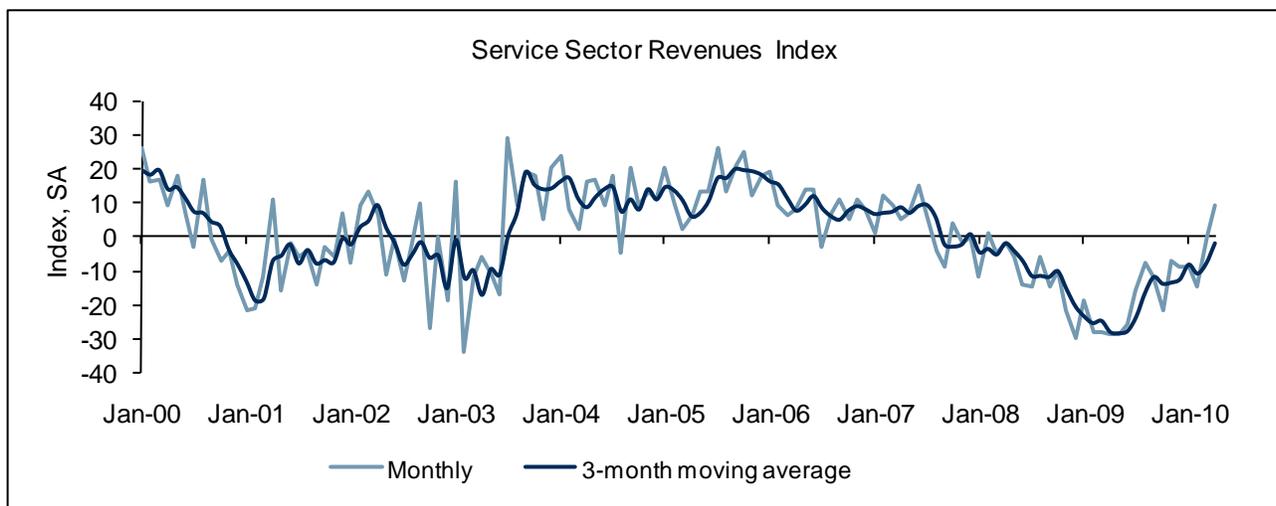
Revenues in the broad service sector grew in April, pushing the index to 9 from last month's 0.

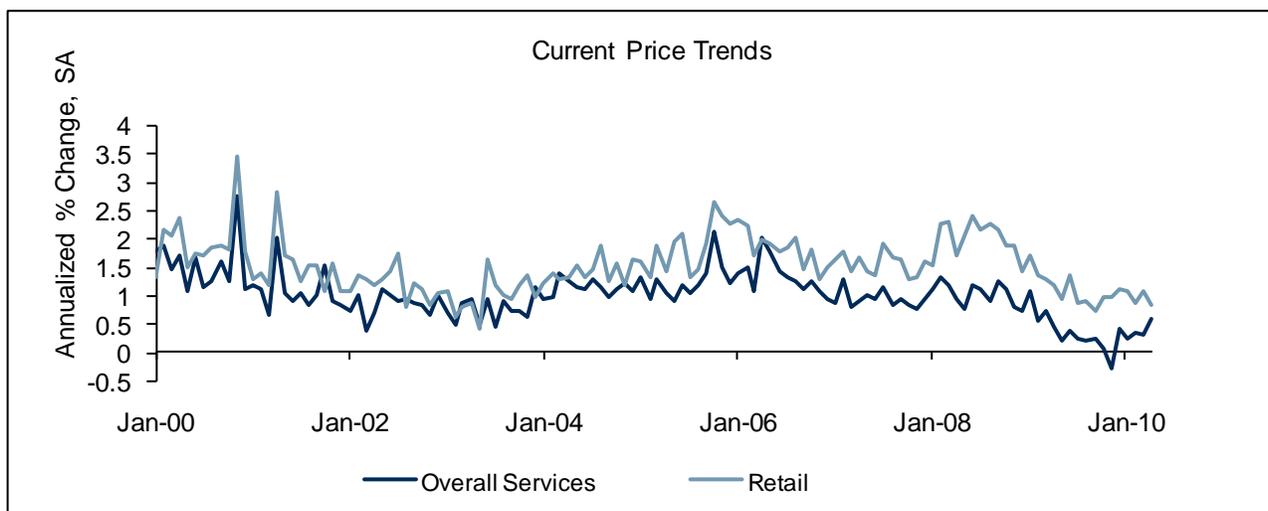
Hiring at services firms overshadowed payroll cuts in retail, with the index for the number of employees rising to 8 from March's -3. Average wage growth grew a bit more slowly across the service sector this month; the index moderated to 6 from 9.

Looking to the six months ahead, survey respondents were upbeat about business prospects. Rising optimism at services firms helped raise the overall expectations index 10 points to 29.

Retail

Retail sales accelerated in April, with the index climbing to 15 from last month's reading of 8. However the index for big-ticket sales slid deeper into negative territory this month, losing 14 points to settle at -23. Merchants' inventories declined, with that index ending one point above March's, at -24. Shopper traffic surged—the index jumped 26 points to 13 in April.





Retailers trimmed their payrolls, holding the index for the number of employees at -8 for a second month. Average wage growth slowed at retail establishments in April, pulling the index to 4 from March's reading of 11.

Looking ahead six months, retailers remained upbeat about sales prospects. The expectations index softened slightly to 22 from last month's 27.

Services-Providing Firms

Revenues at services firms strengthened in April, bringing the index up 11 points to 8. In addition, survey respondents at services firms reported that they are hiring again; the index rose to 9 from 0. Average wages at services-providing firms grew at a steady pace; at a reading of 7, the index finished the period one point below last month's reading.

Survey respondents at services firms were buoyant about business prospects for the coming six months. The expectations index rose 14 points to 32 in April.

Prices

Price growth in the overall service sector rose mildly at an annual rate of 0.58 percent compared to last month's 0.30 percent. Among retailers, prices grew at an annualized 0.81 percent pace, somewhat below March's 1.07 percent pace. At services-providing firms, prices increased at a 0.41

percent rate, after last month's nearly flat 0.02 percent rate.

Survey respondents expected prices to climb at a 1.07 percent pace during the next six months, slightly quicker than their outlook a month ago for 0.98 percent future price growth. Separately, retailers looked for price growth of 1.67 percent, while survey respondents at services firms anticipated prices would increase at a 0.76 percent pace. In March, they looked for price change of 1.93 percent and 0.64 percent, respectively.

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Business Activity Indexes^{1,4}				
Service Sector Indicators	Current Conditions			3-Month Average
	Apr-10	Mar-10	Feb-10	
Revenues	9	0	-15	-2
Number of Employees	8	-3	-8	-1
Average Wage	6	9	5	7
Expected Demand ²	29	19	17	21
Retail Indicators				
Sales Revenues	15	8	-15	3
Number of Employees	-8	-8	-22	-13
Average Wage	4	11	7	7
Inventories	-24	-25	-1	-17
Big-ticket Sales	-23	-9	-44	-25
Shopper Traffic	13	-13	-19	-7
Expected Product Demand ²	22	27	27	25
Services Firms Indicators				
Revenues	8	-3	-17	-4
Number of employees	9	0	-3	2
Average wage	7	8	4	6
Expected demand for services ²	32	18	13	21
Current Price Trends³				
Service Sector	0.58	0.30	0.33	
Retail	0.81	1.07	0.84	
Services Firms	0.41	0.02	0.14	
Expected Price Trends^{2,3}				
	Expectations			
	Apr-10	Mar-10	Feb-10	
Service Sector	1.07	0.98	0.71	
Retail	1.67	1.93	1.80	
Services Firms	0.76	0.64	0.30	

Technical Notes:

¹ 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 95 of 133 firms surveyed

² Expectations refer to the time period six months out from the survey period.

³ Price changes are expressed as percent change, annualized.

⁴ 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.