

Regional Surveys of Business Activity

Fifth District Survey of Service Sector Activity

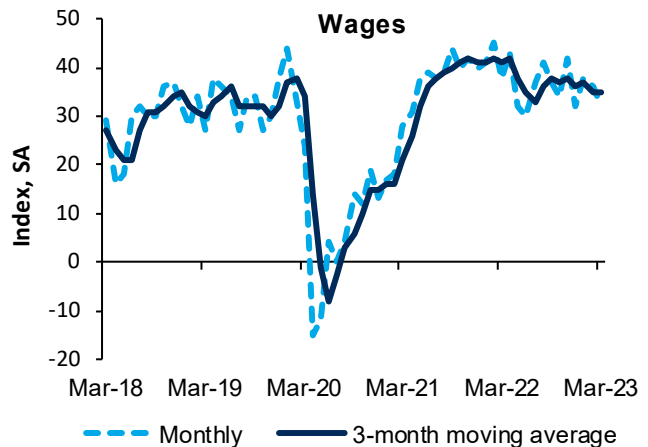
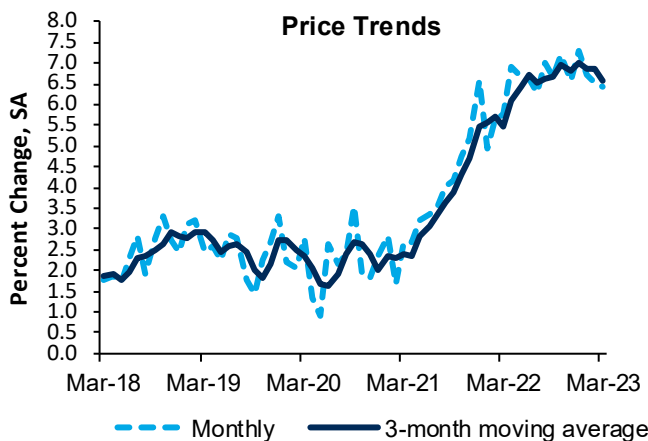
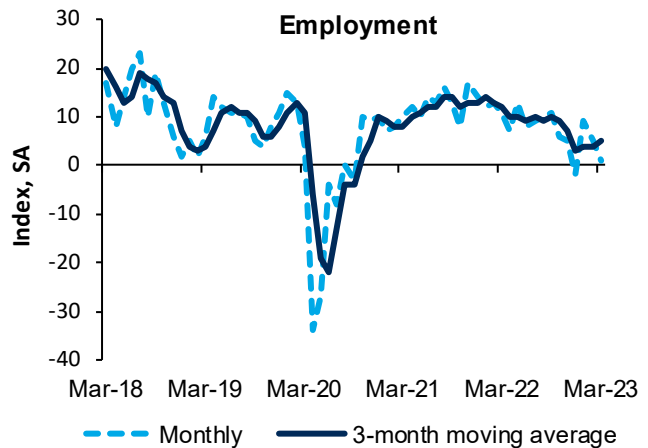
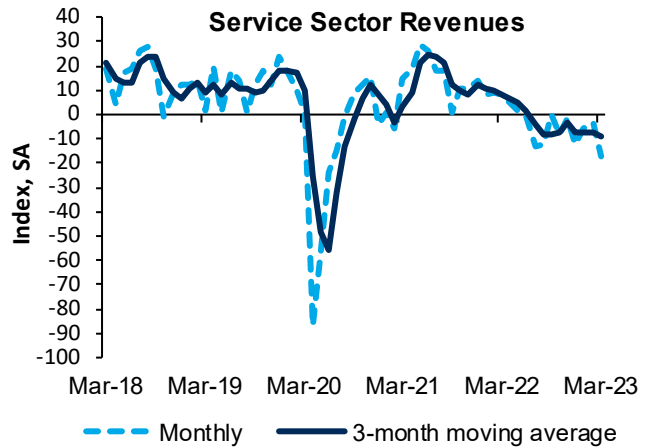
March 28, 2023

Service Sector Activity Deteriorated in March

Fifth District service sector activity deteriorated in March, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues and demand indexes fell to -17 and -1, respectively, down from -3 and 6 in February. Future revenue and demand expectations were more positive, with revenue expectations improving mildly, while the index for demand expectations remained positive but decreased slightly. The indexes for both current and expected local business conditions remained negative. Firms mostly reported increased business spending as the indexes for capital expenditures and equipment & software spending were both in positive territory. All three of the spending expectations indexes were positive, suggesting that firms expect spending to increase over the next six months.

The employment index registered at 1 in March, continuing its steady decline this year. Firms continued reporting wage increases and difficulty finding workers. However, the availability of skills index has been improving – from -10 in January to -2 in March. Over the next six months, firms expect to continue hiring and increasing wages, while also expecting some improvement in their ability to find workers with the necessary skills.

Average growth in prices paid and prices received remained relatively unchanged in March, and firms broadly expected both to moderate over the coming year.



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Business Activity Indexes^{1,4,5}

Service Sector Indicators	Current Conditions			Expectations ²		
	Mar-23	Feb-23	Jan-23	Mar-23	Feb-23	Jan-23
Revenues	-17	-3	-6	10	5	9
Demand	-1	6	-6	7	10	2
Local Business Conditions	-17	-6	-10	-9	-10	-12
Capital Expenditures	9	-1	8	14	12	7
Equipment & Software Spending	7	10	8	16	12	18
Services Expenditures	-3	-3	6	2	6	0
Employment						
Number of Employees	1	5	9	19	17	18
Wages	32	36	38	45	49	55
Availability of Skills Needed	-2	-4	-10	9	3	9
Price Trends³						
Prices Paid	8.22	8.27	9.67	5.09	6.13	6.44
Prices Received	6.41	6.54	6.72	4.33	4.85	4.45

Technical Notes:

- Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. Data are seasonally adjusted. Results are based on responses from 142-156
- Expectations refer to the time period six months out from the survey period.
- Current price changes are percentage changes over the last 12 months. Expected price changes are expected changes over the next 12 months.
- 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.
- Seasonal adjustment factors are recalculated every July and the entire series is revised to better reflect current economic trends.

For more information contact Jason Kosakow at 571.287.0448 or Rich.RegionalSurveyTeam@rich.frb.org