

# Regional Surveys of Business Activity

## Fifth District Survey of Service Sector Activity

May 23, 2023

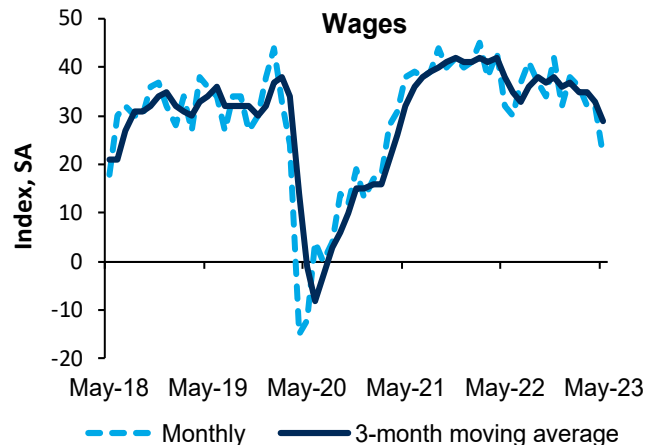
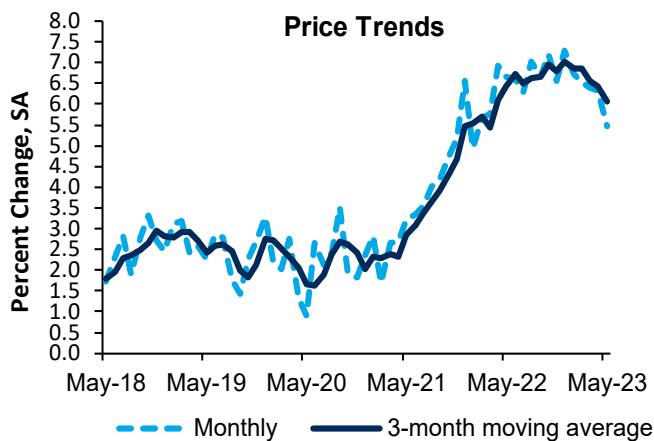
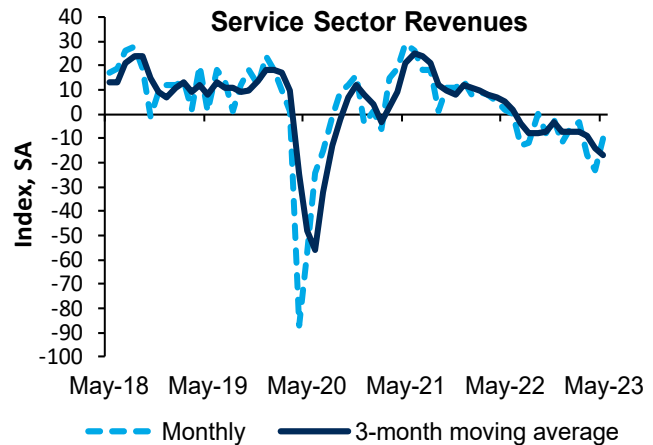
### Service Sector Activity Remained Soft in May

Fifth District service sector activity remained soft in May, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues and demand indexes increased, but remained negative at -10 and -5, respectively. Expectations for future revenue and demand also improved, with the revenue expectations index edging up to 0 and the index for demand expectations rising to 1. Further, the index for current local business conditions rose from -27 in April to -17 in May. However, the index for expected local business conditions did not improve, registering at -20.

Each of the three spending indexes edged up slightly, with the services expenditures index rising the most, from -5 in April to 3 in May. All three spending expectations indexes were positive in May, suggesting that many firms expect spending to increase over the next six months.

The employment index rose to 0 in May, ending its steady decline since the beginning of the year. Firms continued to report wage increases. Over the next six months, many firms expect to continue hiring and anticipate improvement in their ability to find workers with the necessary skills. Most firms plan to continue increasing wages.

The average growth in prices paid decreased notably in May, while the growth rate of prices received decreased somewhat. Firms expect both growth rates to moderate over the coming year.



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## Business Activity Indexes<sup>1,4,5</sup>

Service Sector Indicators	Current Conditions			Expectations <sup>2</sup>		
	May-23	Apr-23	Mar-23	May-23	Apr-23	Mar-23
Revenues	-10	-23	-17	0	-5	10
Demand	-5	-11	-1	1	-6	7
Local Business Conditions	-17	-27	-17	-20	-19	-9
Capital Expenditures	3	0	9	10	12	14
Equipment & Software Spending	6	5	7	10	7	16
Services Expenditures	3	-5	-3	2	-7	2
<b>Employment</b>						
Number of Employees	0	-4	1	13	10	19
Wages	22	32	32	47	43	45
Availability of Skills Needed	1	0	-2	7	8	9
<b>Price Trends<sup>3</sup></b>						
Prices Paid	6.98	9.43	8.22	4.96	5.38	5.09
Prices Received	5.48	6.34	6.41	3.65	3.76	4.33

### 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 130-143 firms.
- 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.

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