

Regional Surveys of Business Activity

Fifth District Survey of Service Sector Activity

July 25, 2023

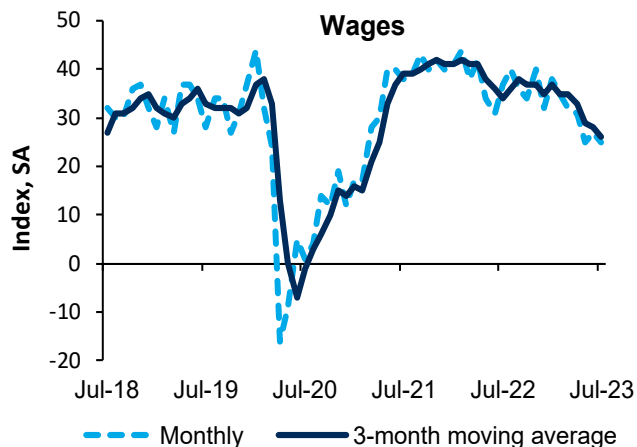
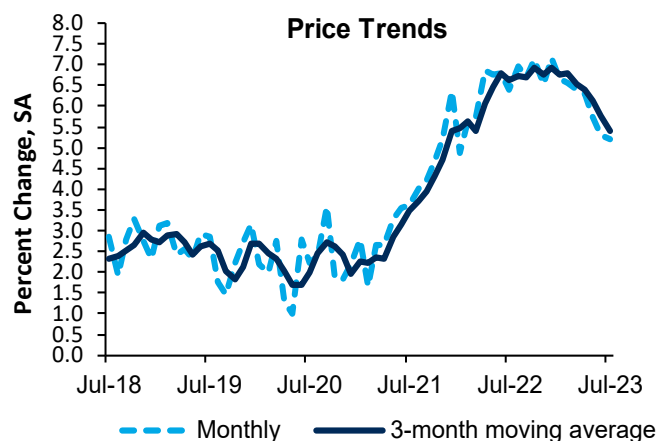
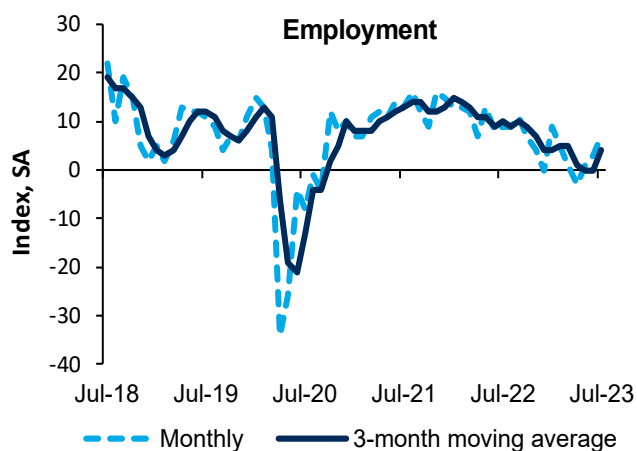
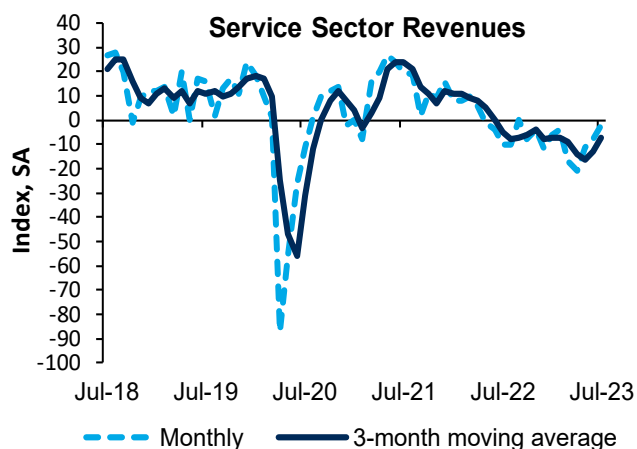
Service Sector Activity Improved Slightly in July

Fifth District service sector activity improved slightly in July, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues and demand indexes increased to -2 and 6, respectively. Expectations for future revenue and demand also improved, increasing to 16 and 14, respectively. Firms grew somewhat less pessimistic about local business conditions as that index rose from -14 in June to -8 in July. Firms expected continued improvement, with the index for expected local business conditions increasing to 3 in July.

Two of the three spending indexes increased slightly, with the services expenditures index increasing the most, from 0 in June to 5 in July. All three spending expectations indexes were positive in July, suggesting that many firms expect to increase spending over the next six months.

The employment index rose slightly to 7 in July and firms continued to report wage increases, while the availability of skills index decreased to 1. Over the next six months, many firms expect to continue hiring and anticipate some improvement in their ability to find workers with the necessary skills. Most firms plan to continue wage increases.

The average growth in prices paid decreased moderately in July, while the growth rate of prices received decreased slightly. Firms expect both growth rates to moderate over the coming year.



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Business Activity Indexes^{1,4,5}

Service Sector Indicators	Current Conditions			Expectations ²		
	Jul-23	Jun-23	May-23	Jul-23	Jun-23	May-23
Revenues	-2	-8	-11	16	10	3
Demand	6	2	-5	14	11	3
Local Business Conditions	-8	-14	-17	3	-8	-16
Capital Expenditures	-3	0	3	11	7	10
Equipment & Software Spending	11	8	6	16	16	11
Services Expenditures	5	0	2	7	-1	1

Employment

Number of Employees	7	3	1	25	13	13
Wages	25	27	25	49	48	48
Availability of Skills Needed	1	5	1	9	11	9

Price Trends³

Prices Paid	6.41	7.70	6.75	4.51	4.57	4.71
Prices Received	5.19	5.31	5.72	3.49	3.88	3.79

Technical Notes:

- ¹ 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 144-155 firms.
- ² Expectations refer to the time period six months out from the survey period.
- ³ Current price changes are percentage changes over the last 12 months.
Expected price changes are expected changes over the next 12 months.
- 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.
- ⁵ Seasonal adjustment factors are recalculated every July and the entire series is revised to better reflect current economic trends.

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