

Regional Surveys of Business Activity

Fifth District Survey of Service Sector Activity

October 24, 2023

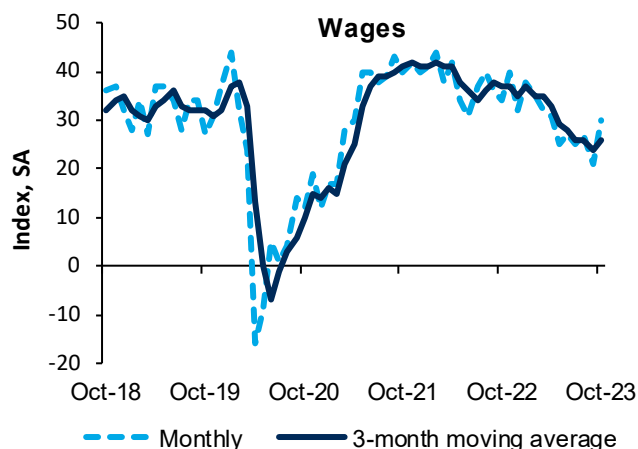
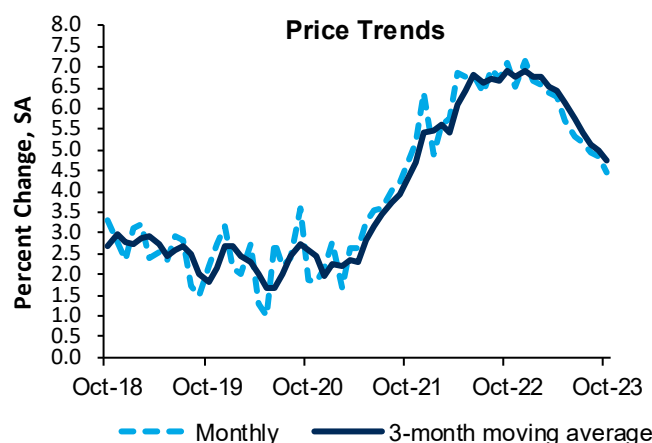
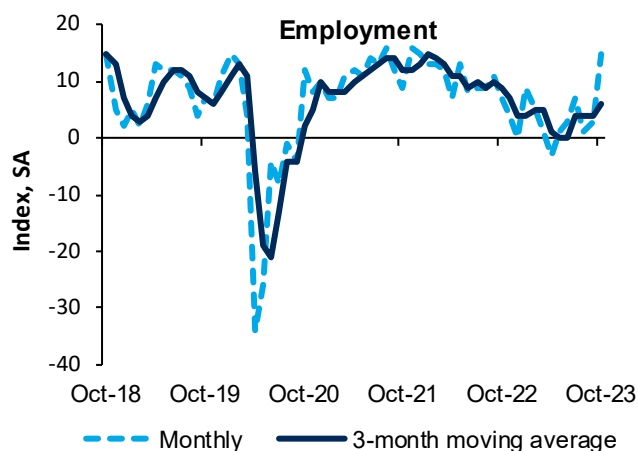
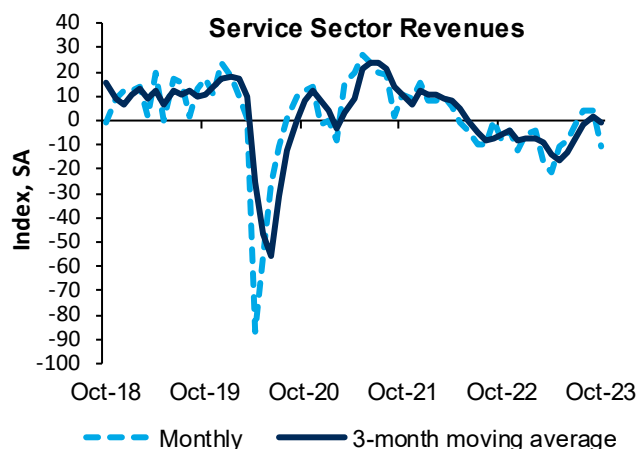
Service Sector Activity Deteriorated in October

Fifth District service sector activity deteriorated in October, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues index dropped to -11, while the demand index fell from 10 in September to 0 in October. Expectations indexes for future revenue and demand also decreased notably, although they remained in positive territory. Firms grew more pessimistic about local business conditions as that index fell from -5 in September to -15 in October. The index for expected local business conditions also declined, from 4 in September to -22 in October.

Two of the three spending indexes increased. Meanwhile all three spending expectations indexes decreased but stayed out of negative territory, suggesting that some firms expect to increase spending in the next six months.

The employment index increased from 3 in September to 15 in October, while firms continued to report wage increases and little change in their ability to find workers with the necessary skills. 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 increased, while the average growth in prices received decreased slightly in October. 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		
	Oct-23	Sep-23	Aug-23	Oct-23	Sep-23	Aug-23
Revenues	-11	4	4	9	26	30
Demand	0	10	9	2	25	29
Local Business Conditions	-15	-5	1	-22	4	15
Capital Expenditures	0	3	0	2	10	5
Equipment & Software Spending	10	5	5	6	13	17
Services Expenditures	3	-3	2	0	3	3

Employment

Number of Employees	15	3	1	19	15	18
Wages	30	21	27	50	48	51
Availability of Skills Needed	2	4	-2	10	12	1

Price Trends³

Prices Paid	6.86	5.72	5.98	4.84	4.63	4.84
Prices Received	4.46	4.87	4.96	3.55	3.79	4.05

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 142-158 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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