

# Regional Surveys of Business Activity

## Fifth District Survey of Service Sector Activity

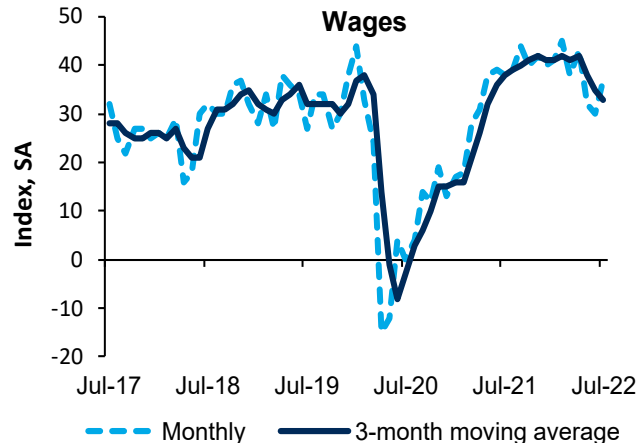
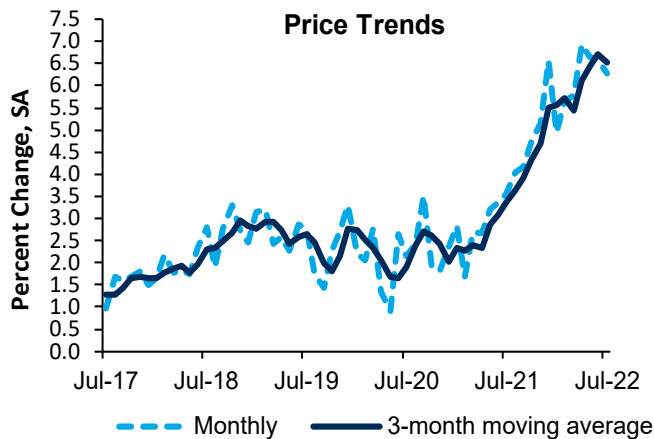
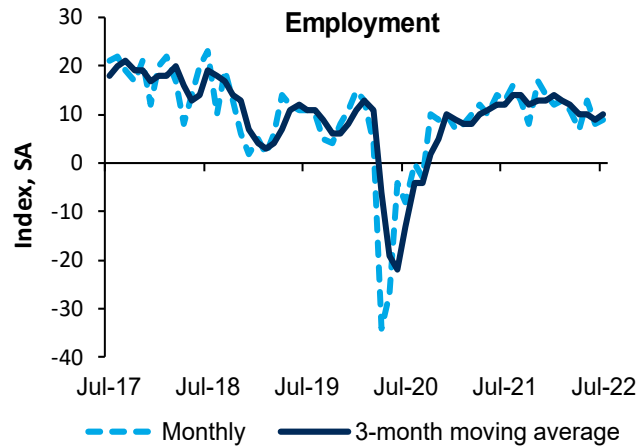
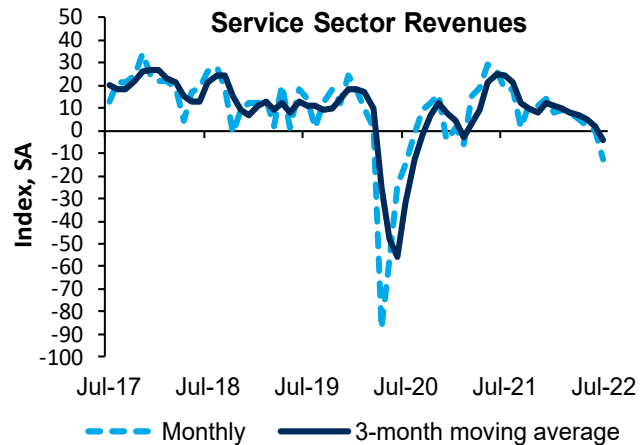
July 26, 2022

### Service Sector Activity Deteriorated in July

Fifth District service sector activity deteriorated in July, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues and demand indexes both decreased notably in July, falling to -13 and -6, respectively. Expectations for improvement in the next six months were also notably less optimistic in July. The indexes for capital expenditures, equipment & software spending, and services expenditures all decreased very slightly from June.

Firms reported a sharp deterioration of local business conditions, as the index fell to -33 in July from -11 in June. Moreover, firms were notably more pessimistic about future business conditions, as the expected business conditions index fell to -31 from -23.

On a positive note, firms reported slightly increased hiring in July, and their ability to find workers with the necessary skills improved since June. Firms expected further improvement in the next six months, but also expected wages to remain elevated. Despite the continued wage pressures, firms' expectations for growth in prices paid and prices received over the next 12 months decreased in July.



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

Service Sector Indicators	Current Conditions			Expectations <sup>2</sup>		
	Jul-22	Jun-22	May-22	Jul-22	Jun-22	May-22
Revenues	-13	0	2	-4	8	4
Demand	-6	3	7	-11	0	5
Local Business Conditions	-33	-11	-12	-31	-23	-17
Capital Expenditures	7	8	15	13	19	28
Equipment & Software Spending	12	13	20	12	22	31
Services Expenditures	2	7	6	8	7	13
<b>Employment</b>						
Number of Employees	9	8	13	18	13	16
Wages	37	30	32	49	55	52
Availability of Skills Needed	-7	-18	-21	2	-6	-11
<b>Price Trends<sup>3</sup></b>						
Prices Paid	9.18	10.46	9.03	6.58	7.58	6.68
Prices Received	6.28	6.60	6.65	5.09	5.35	5.18

### 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 131-140 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.

For more information contact Jason Kosakow at 571.287.0448 or [Rich.RegionalSurveyTeam@rich.frb.org](mailto:Rich.RegionalSurveyTeam@rich.frb.org)