

Regional Surveys of Business Activity

Fifth District Survey of Service Sector Activity

Service Sector Activity Stalls as Retail Declines and Non-Retail Activity Moderates

Overview

Activity in the service sector flattened overall, according to the latest survey by the Federal Reserve Bank of Richmond. Retail sales fell and revenues slowed at non-retail services providers, compared to last month. Big-ticket sales dropped sharply and shopper traffic diminished. Retailers reduced inventories. Looking ahead six months, non-retail survey respondents remained upbeat about future sales, while retailers looked for continued slowing.

In service sector labor markets, retail merchants trimmed their payrolls and hiring at non-retail firms was little changed from a month earlier. Average wage gains were less widespread.

The pace of this month's price change in the broad service sector also moderated, while survey participants looked for somewhat quicker increases during the next six months.

Overall Service Sector Conditions

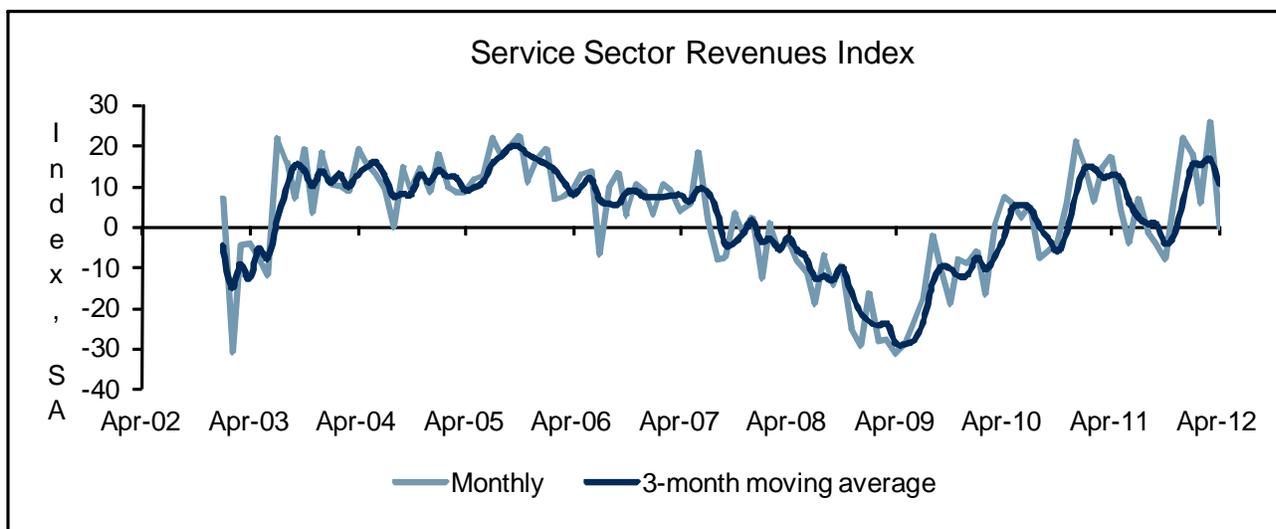
The index for revenues in the broad service sector settled at 0 in April, signaling no overall change, as

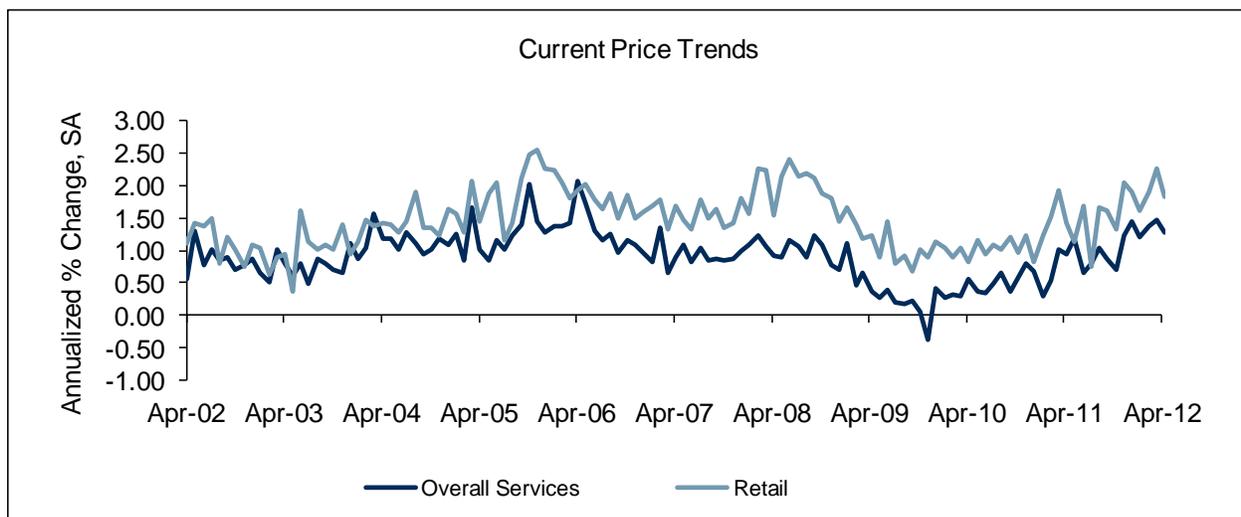
falling retail sales were offset by continued growth in non-retail revenues. In March, the reading was 26. The index for the number of employees dropped fifteen points this month, to end the survey period at 0. Average wages in the sector slowed, with that index settling at 10 in April, eight points below the previous reading. The six-month outlook gauge for goods and services also indicated more cautious expectations—that index shed fourteen points, finishing at 26.

Retail

Retail sales floundered in April, dragging the index to -53 from the March reading of 33. Underlying that decline was a drop in big-ticket sales and shopper traffic. The related indexes settled at -66 and -51, following the March postings of 7 and 23, respectively. Retail inventories decreased, with that index sliding downward fifteen points to -13.

Retail survey respondents withdrew from their March optimism about potential sales over the next six months. The index for expected sales slumped thirty points to -17.





Retail hiring reversed course from a month ago, as retailers cut employees. That index lost 11 points from last month's reading to end the survey period at -5. Average retail wages also retreated, bringing that index twenty-four points lower, to -9.

Services-Providing Firms

Revenues at non-retail services firms moderated in April. The index dropped ten points from last month's reading to 16. Hiring was nearly flat at services-providing firms; the index settled at 1, following the March reading of 18. Average wages in the sub-sector also advanced at a slower pace, reining in the index to 14 from last month's reading of 20.

Looking ahead six months, services providers continued to look for an uptick in revenues, with the expectations index at 37. In March, the index hit a more enthusiastic 50.

Prices

Prices in the broad service sector grew at a 1.28 percent annualized rate in April, slowing somewhat from March's 1.48 percent pace. Retail prices advanced at a 1.84 percent rate, compared to 2.27 percent in March, and non-retail services firms' prices rose at a 1.10 percent pace, after moving up by 1.31 percent a month ago.

In April, survey respondents anticipated service

sector prices would increase at an annualized 1.59 percent pace over the next six months. Last month, expectations were for 2.01 percent growth. Separately, retail merchants anticipated prices would rise at a 2.63 percent rate in the six months ahead, while non-retail services providers expected a rate of 1.35 percent. A month ago, these sub-sectors looked for future price change of 2.39 percent and 1.95 percent, respectively.

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Business Activity Indexes ^{1,4}				
Service Sector Indicators	Current Conditions			3-Month Average
	Apr-12	Mar-12	Feb-12	
Revenues	0	26	6	11
Number of E employees	0	15	16	10
Average Wage	10	18	16	15
Expected Demand ²	26	40	25	30
Retail Indicators				
Sales Revenues	-53	33	7	-4
Number of E employees	-5	6	22	8
Average Wage	-9	15	38	14
Inventories	-13	2	26	5
Big-ticket Sales	-66	7	-7	-22
Shopper Traffic	-51	23	15	-4
Expected Product Demand ²	-17	13	-5	-3
Services Firms Indicators				
Revenues	16	26	4	15
Number of employees	1	18	16	12
Average wage	14	20	10	15
Expected demand for services ²	37	50	31	39
Current Price Trends ³				
Service Sector	1.28	1.48	1.37	
Retail	1.84	2.27	1.89	
Services Firms	1.10	1.31	1.25	
Expected Price Trends ^{2,3}				
	Expectations			
	Apr-12	Mar-12	Feb-12	
Service Sector	1.59	2.01	1.88	
Retail	2.63	2.39	1.91	
Services Firms	1.35	1.95	1.87	

Technical Notes:

- ¹ Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. All data are seasonally adjusted. Results are based on responses from 119 survey participants
- ² Expectations refer to the time period six months out from the survey period.
- ³ Price changes are expressed as percent change, annualized.
- 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.