

Regional Surveys of Business Activity

Fifth District Survey of Service Sector Activity

Service Sector Hiring Strengthened; Retail Sales Improved; Non-Retail Revenues Flattened

Overview

Service sector revenues grew generally on pace with a month ago, according to the latest survey by the Federal Reserve Bank of Richmond. Much of the growth came from retail sales, with strength in big-ticket sales and shopper traffic. Retail inventories rose. In contrast, revenues flattened at services-providing firms. Looking ahead six months, survey participants expected solid growth in demand for goods and services.

Employment growth in the service sector accelerated across the board in November. Increases in average wages occurred primarily in the retail sub-sector, while wage growth slowed at non-retail services firms.

Prices increased more slowly in the overall service sector this month. Compared to their outlook of a month earlier, retailers expected quicker price growth during the next six months. Non-retail businesses looked for somewhat slower price increases over that time frame.

Overall Service Sector Conditions

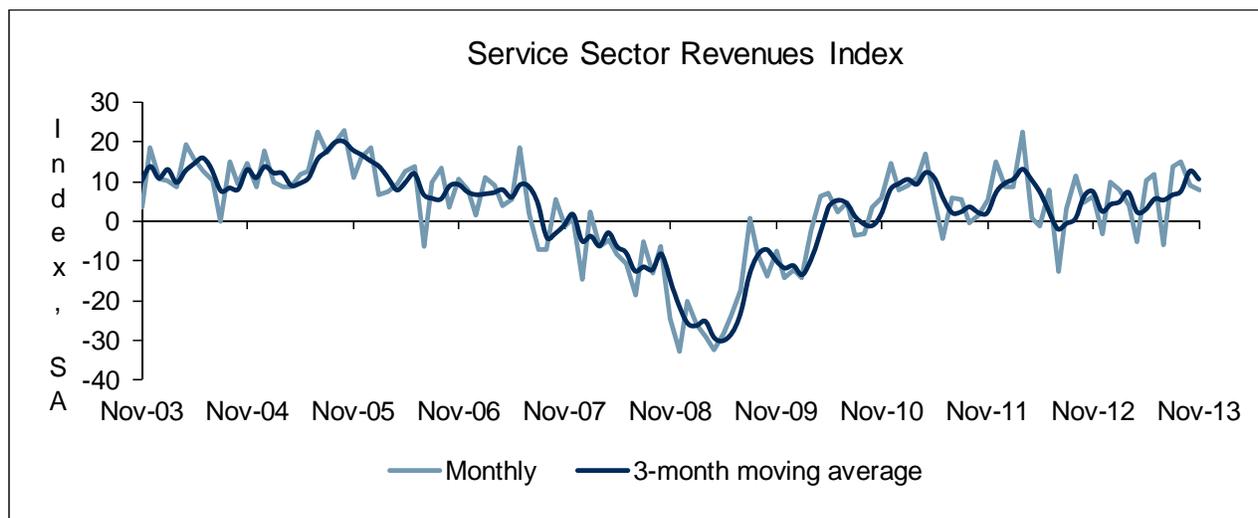
Service sector revenues grew nearly on pace with a month ago; the index lost a point to end at a

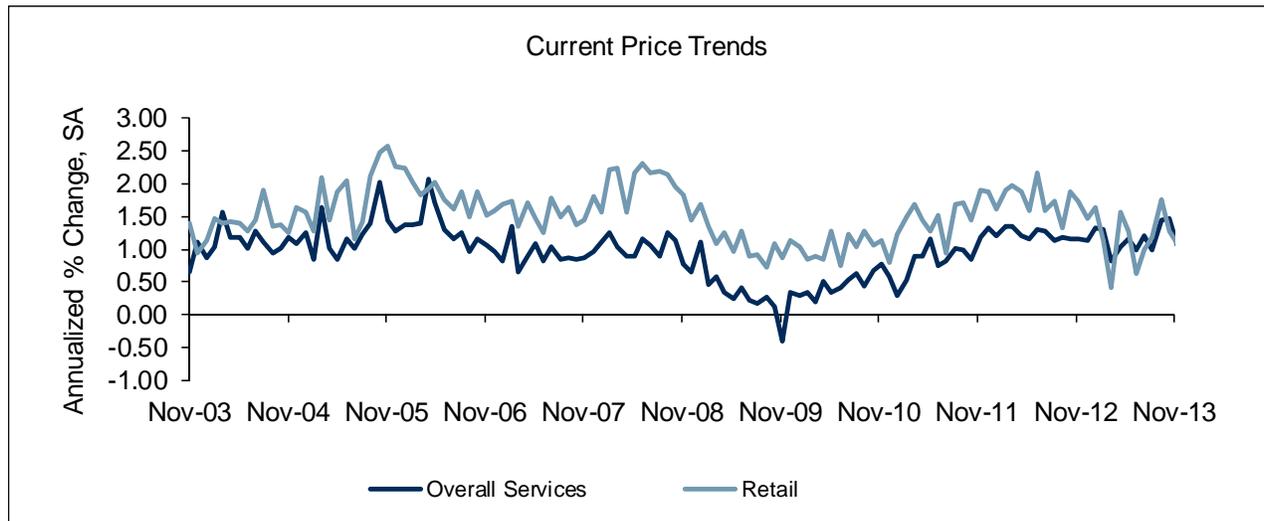
reading of 8 in November. Employment climbed rapidly, pushing the index for the number of employees to 20, compared to the October index of 9. Average wage growth slowed, with that index softening to 8 from 12. Optimism returned to survey participants with respect to business prospects over the coming six months. The expectations index advanced to 13 from the October reading of 4.

Retail

Retail sales rose sharply in November, with a push from strong big-ticket sales and a surge in shopper traffic. The overall sales index jumped to a reading of 33 this month from -5 a month earlier and big-ticket sales reversed last month's decline, rising 52 points to 31. In addition, the gauge for shopper traffic doubled from a month ago to end the survey period at 26. Retail inventories grew rapidly, pushing the indicator to 20 from 0. Despite improvement this month, retail merchants were guarded in their outlook for the next six months. The index for expected product demand moved up to a reading of 4 from October's -5.

Retailers built up their payrolls in November, driving the index for the number of employees up





21 points to 25. Average retail wages also accelerated, with that indicator picking up 18 points to end the survey period at 29.

Services-Providing Firms

Revenues flattened at non-retail services firms this month. The index settled at a reading of 1 compared to October’s 10. Services providers increased their hiring, however, moving the index nine points higher to 18. Average wage growth slowed, softening the index to 3 in November, following a reading of 11. Despite generally weaker activity at non-retail services firms this month, survey participants were upbeat about demand for their services in the six months ahead. The expectations index climbed to 17 from the month-ago reading of 4.

Prices

Prices in the service sector rose at a slower pace in November, advancing at an annualized rate of 1.05 percent, after rising at a 1.47 percent pace in October. Retail prices grew at an annualized 1.09 percent rate, compared to last month’s 1.28 percent pace. At non-retail services firms, prices rose at a 1.02 percent annualized rate, following October’s 1.53 percent growth.

Survey participants expected prices would rise at an annualized 1.65 percent rate overall during the next six months, with 2.42 percent growth in retail prices and a 1.55 percent increase in non-retail

prices. The October outlook for price change was for an annualized 1.74 percent rate of increase in overall service sector prices. Within the sector last month, retailers looked for prices to rise at a 1.73 percent rate, while non-retail services providers expected prices to rise at a 1.75 percent pace.

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Business Activity Indexes^{1,4}				
Service Sector Indicators	Current Conditions			3-Month
	Nov-13	Oct-13	Sep-13	Average
Revenues	8	9	15	11
Number of Employees	20	9	7	12
Average Wage	8	12	19	13
Expected Demand ²	13	4	16	11
Retail Indicators				
Sales Revenues	33	-5	8	12
Number of Employees	25	4	5	11
Average Wage	29	11	15	18
Inventories	20	0	0	7
Big-ticket Sales	31	-21	12	7
Shopper Traffic	26	13	-11	9
Expected Product Demand ²	4	-5	3	1
Services Firms Indicators				
Revenues	1	10	16	9
Number of employees	18	9	6	11
Average wage	3	11	17	11
Expected demand for services ²	17	4	17	13
Current Price Trends³				
Service Sector	1.05	1.47	1.45	
Retail	1.09	1.28	1.76	
Services Firms	1.02	1.53	1.37	
Expected Price Trends^{2,3}				
Expectations				
	Nov-13	Oct-13	Sep-13	
Service Sector	1.65	1.74	1.69	
Retail	2.42	1.73	2.23	
Services Firms	1.55	1.75	1.62	

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 116 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.