

# Regional Surveys of Business Activity

## Fifth District Survey of Service Sector Activity

*Retail Sales Rose Moderately While Employment Weakened; Non-Retail Hiring Strengthened*

### Overview

Activity in the Fifth District service sector remained generally modest, according to the latest survey by the Federal Reserve Bank of Richmond. Retail sales advanced moderately, as shopper traffic rose amidst declining big-ticket sales. Inventories dropped sharply. At non-retail services firms, revenues weakened. Survey participants' outlook for future business was only mildly optimistic.

Employment in the service sector was mixed; increased employment at services firms outweighed a decrease at retail establishments. Average wages at retail and non-retail firms rose.

Service sector prices grew at a slightly faster pace in February, and businesses anticipated quicker increases over the next six months than were expected a month ago.

### Overall Service Sector Conditions

Revenues remained flat in February, keeping the overall index at a reading of 0 for a second month. Employment picked up, pushed by non-retail hiring; the index rose nine points in February to a reading of 7. Average wages grew modestly, with

the index at 7 this month, compared to the previous reading of 8. Looking ahead six months, survey participants remained guarded about future business prospects. The index slipped to 5 from 6.

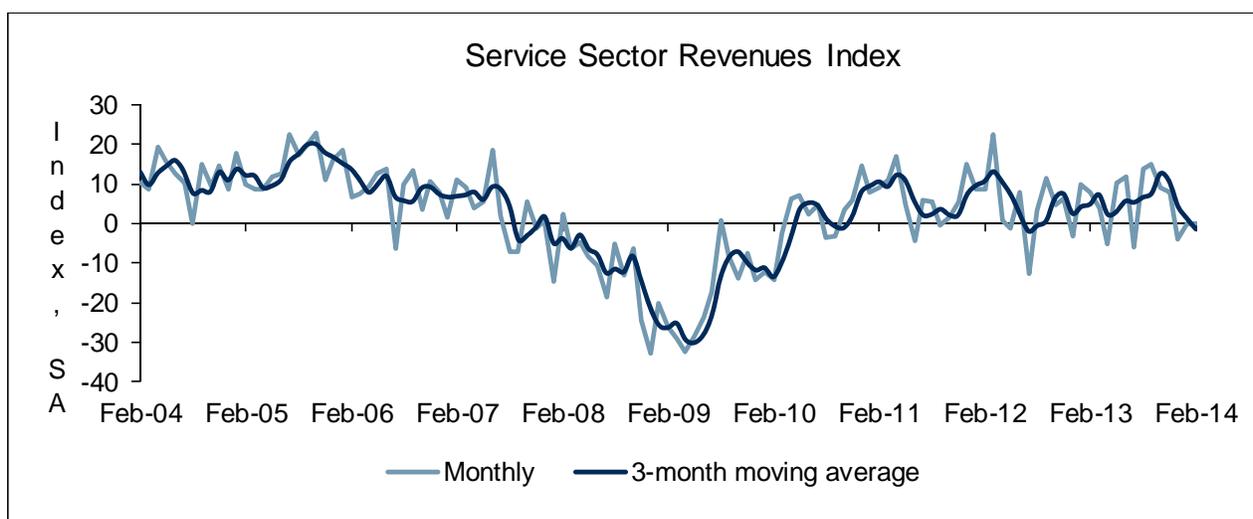
### Retail

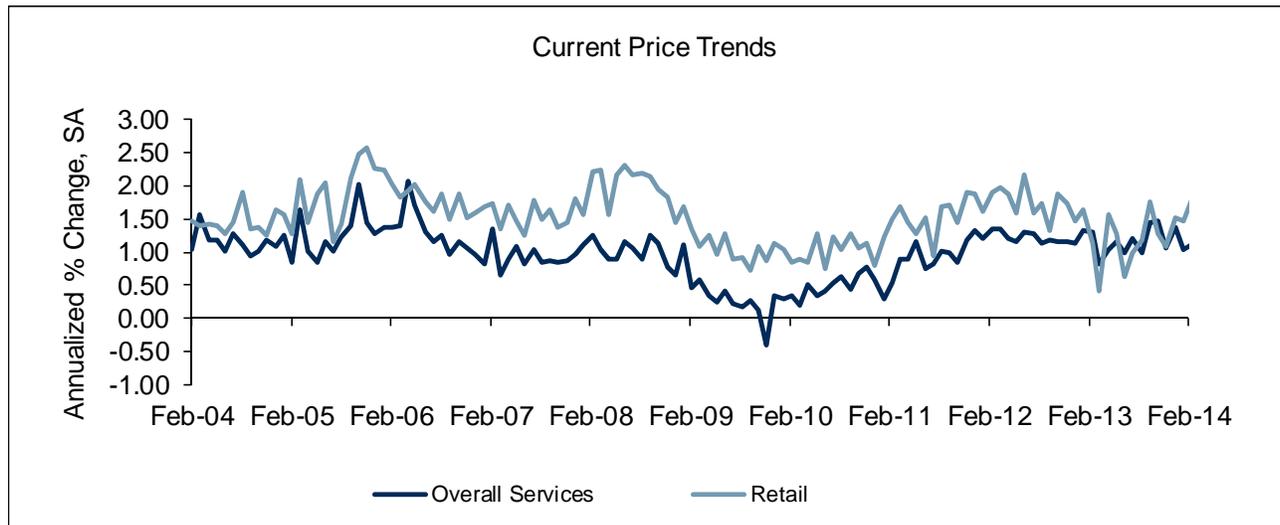
Retail sales rose moderately in February, with the index settling three points below last month's reading at 15, despite extreme winter weather that temporarily closed many stores. In addition, shopper traffic continued to build, with the index tacking on four points to finish at 24. However big-ticket sales softened, bringing the index eight points below January's reading to -11. Inventories fell sharply, dragging that index to -49 from 10. Expectations for demand during the next six months pulled back from last month's outlook. The index shed five points to end at 12.

Employment in the retail sector fell, with the index dropping 15 points to -8. However, average wages continued to grow on trend, with the index at a reading of 4 for a third month.

### Services-Providing Firms

Non-retail services providers' revenues weakened





in February. The revenues index slipped four points from a month ago to finish at -3. One survey participant commented, “We seem to be hitting the wall on increased business.” However, services firms were hiring, boosting the index to 10 from -4. In addition, average wages ticked up, with the index at 9, following January’s reading of 8. Non-retail services firms were cautious in their expectations about future prospects, shaving one point from last month’s index reading to end at 4.

**Prices**

Service sector prices grew at an annualized rate of 1.11 percent in February, compared to January’s 1.03 percent pace. Within the sector, retail prices moved up somewhat faster, at an annualized 1.77 percent clip, while non-retail services prices rose at a 0.98 percent pace. A month earlier, retail prices grew at a 1.47 percent rate and non-retail prices advanced at an annualized 0.87 percent rate.

Survey participants expected prices to grow at a 1.50 percent rate during the next six months, following January’s outlook for 1.20 percent growth. Retailers expected annualized price growth of 2.27 percent and non-retail services providers looked for 1.39 percent annualized growth during the next six months. A month ago, retailers anticipated price growth of 2.18 percent and non-retail services firms expected 1.02 percent annualized price increases.

Contact

**Aileen Watson**

Senior Economic Analyst/Supervisor  
 Research Dept. /Regional Economics  
 Federal Reserve Bank of Richmond

Richmond Office

Ph: 804.697.7995 • Fax: 804.697.8123

[aileen.watson@rich.frb.org](mailto:aileen.watson@rich.frb.org)

[www.richmondfed.org](http://www.richmondfed.org)

Business Activity Indexes <sup>1,4</sup>				
Service Sector Indicators	Current Conditions			3-Month
	Feb-14	Jan-14	Dec-13	Average
Revenues	0	0	-4	-1
Number of E employees	7	-2	1	2
Average Wage	7	8	-3	4
Expected Demand <sup>2</sup>	5	6	1	4
Retail Indicators				
Sales Revenues	15	18	-15	6
Number of E employees	-8	7	1	0
Average Wage	4	4	4	4
Inventories	-49	10	7	-11
Big-ticket Sales	-11	-3	21	2
Shopper Traffic	24	20	-6	12
Expected Product Demand <sup>2</sup>	12	17	4	11
Services Firms Indicators				
Revenues	-3	1	1	0
Number of employees	10	-4	5	4
Average wage	9	8	-2	5
Expected demand for services <sup>2</sup>	4	5	5	5
Current Price Trends <sup>3</sup>				
Service Sector	1.11	1.03	1.37	
Retail	1.77	1.47	1.52	
Services Firms	0.98	0.87	1.27	
Expected Price Trends <sup>2,3</sup>				
	Expectations			
	Feb-14	Jan-14	Dec-13	
Service Sector	1.50	1.20	1.44	
Retail	2.27	2.18	2.59	
Services Firms	1.39	1.02	1.29	

**Technical Notes:**

- <sup>1</sup> 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 109 survey participants.
- <sup>2</sup> Expectations refer to the time period six months out from the survey period.
- <sup>3</sup> Price changes are expressed as percent change, annualized.
- <sup>4</sup> 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.