

# Regional Surveys of Business Activity

## Fifth District Survey of Service Sector Activity

*Service Sector Revenues Varied: Non-Retail Revenues Flattened and Retail Sales Rose Moderately; Average Wage Growth Strengthened*

### Overview

Service sector activity varied in April, according to the latest survey by the Federal Reserve Bank of Richmond. Revenues were nearly flat at non-retail firms. In contrast, retail sales strengthened as big-ticket sales rebounded and shopper traffic grew. Survey respondents were upbeat about business prospects for the six months ahead.

Employment in the service sector rose modestly. Average wages increased at a faster pace compared to a month ago.

Prices rose slightly faster in the overall service sector as non-retail prices accelerated moderately, outweighing slower retail price growth. Compared to the month-ago outlook, expectations were for prices to rise more rapidly in the next six months.

### Overall Service Sector Conditions

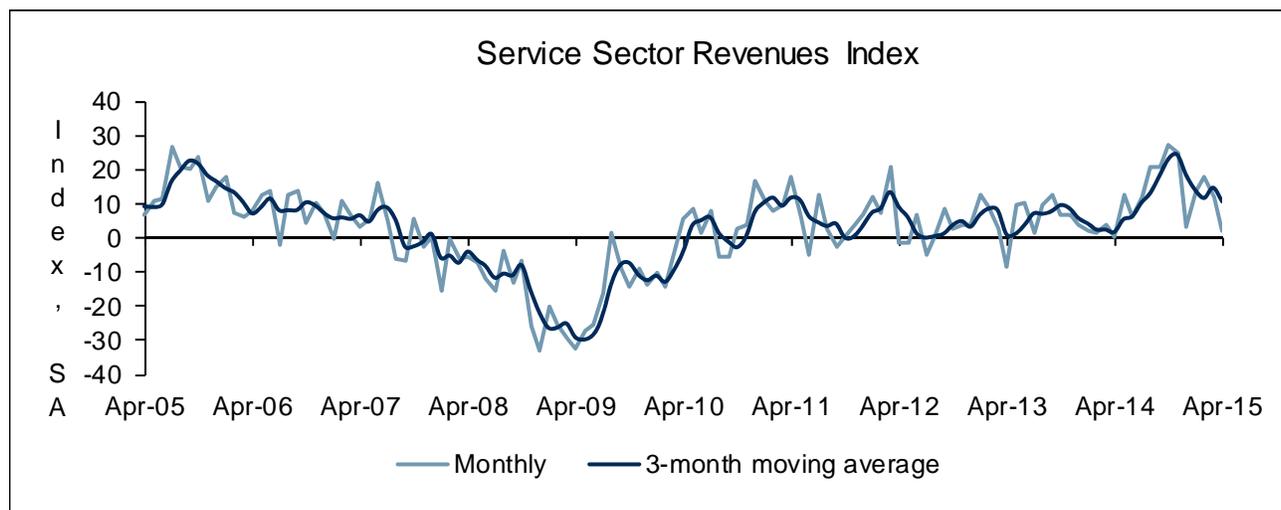
Revenue growth in the broad service sector slowed in April, held back by weakness at non-retail services firms. The overall revenues index settled at a reading of 2 following the March index of 12.

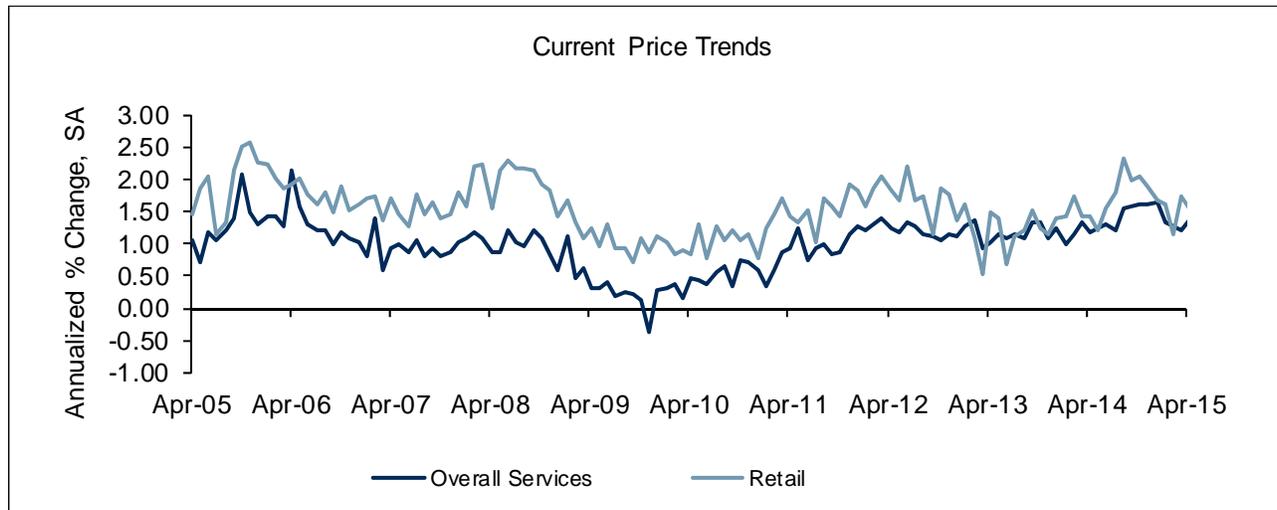
The number of employees in the sector increased at a faster pace, with the index gaining three points to finish the survey period at 9. Average wage growth continued to gain momentum this month, climbing to 24 from 18. The expectations index held steady for a second month at a reading of 18, as surveyed companies anticipated better business conditions in the months ahead.

### Retail

Retailers had a strong month in April, with the index for sales gaining five points to finish at 17. In addition, big-ticket sales jumped, pushing the index to 18 from last month's reading of -19. Shopper traffic rose, although growth was below that of a month ago. The gauge for shopper traffic lost five points, ending at 18. Retail inventories declined, with that index slipping to -5 from the March reading of -1. Merchants looked for increasing demand for their goods in the six months ahead, driving the expectations index to 23 from 6.

Retail employment faltered in April, with the index for the number of employees dropping to 5 from the previous reading of 16. However, average





retail wages rose sharply. The index jumped to 44 from the month-ago reading of 18.

**Services-Providing Firms**

Non-retail services providers’ revenues flattened in April, with the index losing 13 points to settle at -1. Employment increased modestly; the index rose to 9 from the March reading of 5. In addition, average wage increases prevailed, pushing the indicator up two points to 21.

Expectations for future business remained positive among non-retail services providers. That index moved to 17 from 20.

**Prices**

Price growth in the broad service sector quickened slightly, with an annualized growth rate of 1.38 percent this month, after rising at a 1.22 percent rate in March. In the retail sector, prices increased at a 1.54 percent annualized rate, slowing from last month’s 1.75 percent pace. At non-retail services firms, prices grew more rapidly, rising at an annualized 1.36 percent rate. A month ago, prices in that subsector increased at a 1.13 percent rate.

Looking to the six months ahead, survey participants expected faster price growth than they anticipated a month ago. Expectations were for 1.69 percent annualized price growth across the sector. In both the retail and non-retail subsectors, the outlook was also for 1.69 percent price growth.

In March, the outlook was for 1.45 percent annualized growth in overall service sector prices. Separately, retailers expected a 1.69 percent rise in prices and non-retail services providers anticipated a 1.42 percent rate of price increase.

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<b>Business Activity Indexes<sup>1,4</sup></b>				
<b>Service Sector Indicators</b>	<b>Current Conditions</b>			<b>3-Month Average</b>
	<b>Apr-15</b>	<b>Mar-15</b>	<b>Feb-15</b>	
Revenues	2	12	18	11
Number of E mployees	9	6	4	6
Average Wage	24	18	20	21
Expected Demand <sup>2</sup>	18	18	21	19
<b>Retail Indicators</b>				
S ales Revenues	17	12	20	16
Number of E mployees	5	16	14	12
Average Wage	44	18	23	28
Inventories	-5	-1	16	3
Big-ticket S ales	18	-19	21	7
S hopper Traffic	18	23	26	22
Expected P roduct Demand <sup>2</sup>	23	6	16	15
<b>Services Firms Indicators</b>				
Revenues	-1	12	18	10
Number of employees	9	5	2	5
Average wage	21	19	19	20
Expected demand for services <sup>2</sup>	17	20	22	20
<b>Current Price Trends<sup>3</sup></b>				
Service Sector	1.38	1.22	1.26	
Retail	1.54	1.75	1.15	
Services Firms	1.36	1.13	1.27	
<b>Expected Price Trends<sup>2,3</sup></b>				
<b>Expectations</b>				
	<b>Apr-15</b>	<b>Mar-15</b>	<b>Feb-15</b>	
Service Sector	1.69	1.45	1.89	
Retail	1.69	1.69	1.21	
Services Firms	1.69	1.42	1.96	

**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 128 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 w ithin the Fifth Federal Reserve District, w hich includes the District of Columbia, Maryland, North Carolina, South Carolina, Virginia, and most of West Virginia.