

Regional Surveys of Business Activity

Fifth District Survey of Service Sector Activity

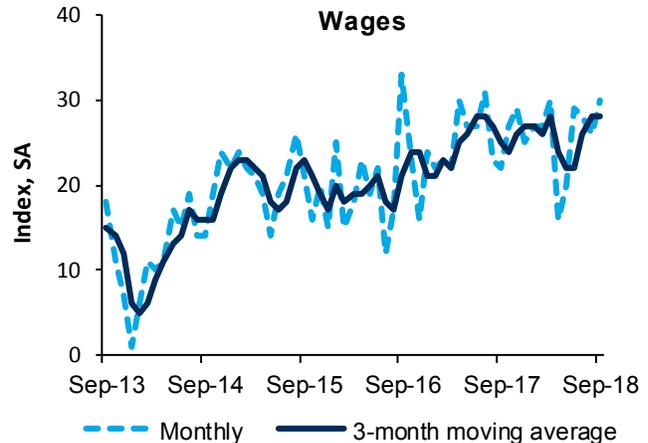
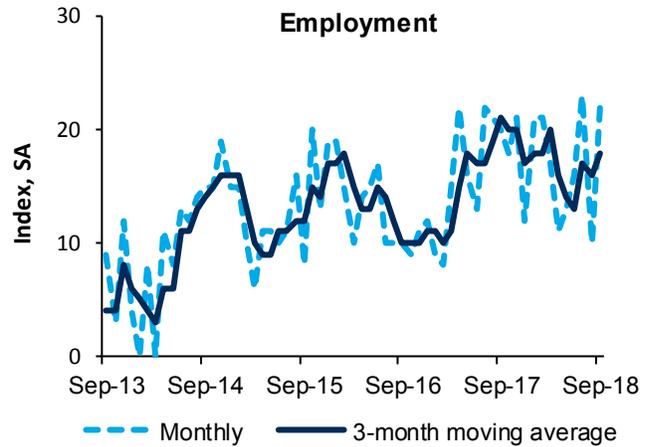
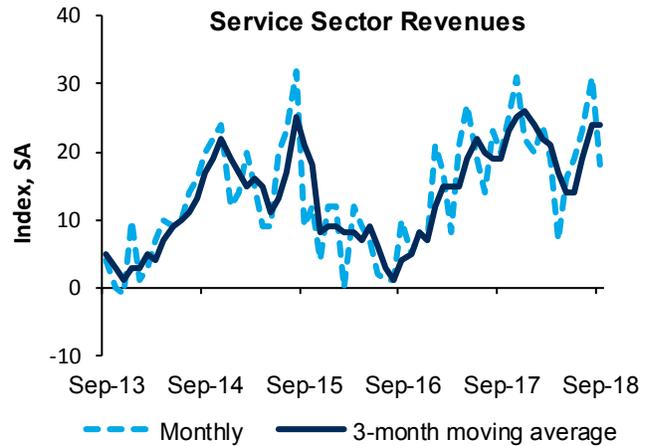
September 25, 2018

Fifth District Service Sector Firms Saw Mixed Conditions in September

Fifth District service sector conditions were mixed in September, according to the results of the latest survey by the Federal Reserve Bank of Richmond. The revenues index dropped from 31 in August to 18 in September, suggesting softening growth, but survey respondents reported growing demand and improving local business conditions. Firms remained optimistic, expecting to see further growth in the coming months.

Service sector employment growth rebounded in September, after falling in August. Firms also reported higher wages and longer workweeks but were still unable to find enough workers with the skills they needed, as the availability of skills index dropped to a record low of -15. Firms expect this struggle to continue in the coming months.

Growth of both prices paid and prices received by service firms picked up in September. Prices paid continued to rise faster than prices received, a trend that respondents expect to persist in the coming months.



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Business Activity Indexes^{1,4}

Service Sector Indicators	Current Conditions			Expectations ²		
	Sep-18	Aug-18	Jul-18	Sep-18	Aug-18	Jul-18
Revenues	18	31	23	56	44	45
Demand	30	28	33	51	42	43
Local Business Conditions	24	23	22	42	35	32
Capital Expenditures	21	18	26	31	26	28
Equipment & Software Spending	25	24	26	29	26	24
Services Expenditures	12	18	13	19	23	12
Employment						
Number of Employees	22	10	23	41	29	29
Wages	30	26	28	42	38	48
Availability of Skills Needed	-15	-11	-10	-9	-2	-3
Average Workweek	17	9	21	16	13	14
Price Trends^{2,3}						
Prices Paid	2.69	2.03	2.75	2.89	2.55	2.98
Prices Received	2.42	1.68	2.29	2.55	2.19	2.55

Technical Notes:

- ¹ 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 103 firms.
- 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.

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