

# Regional Surveys of Business Activity

## Fifth District Survey of Service Sector Activity

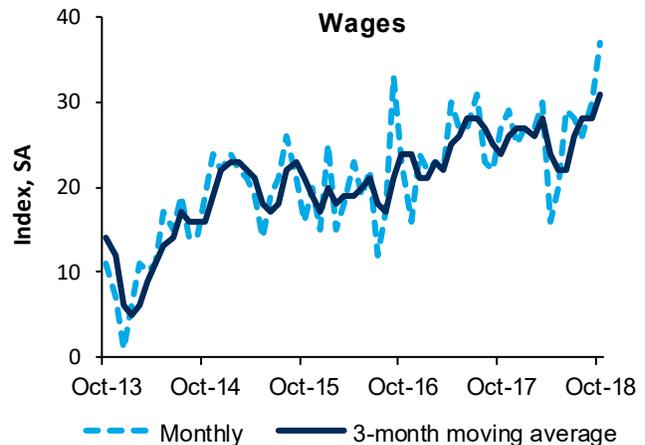
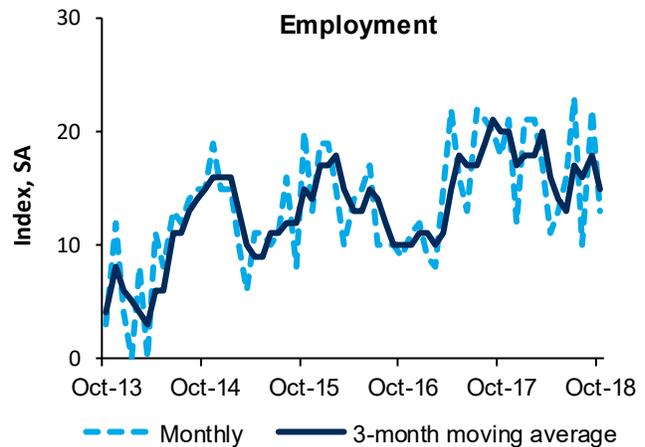
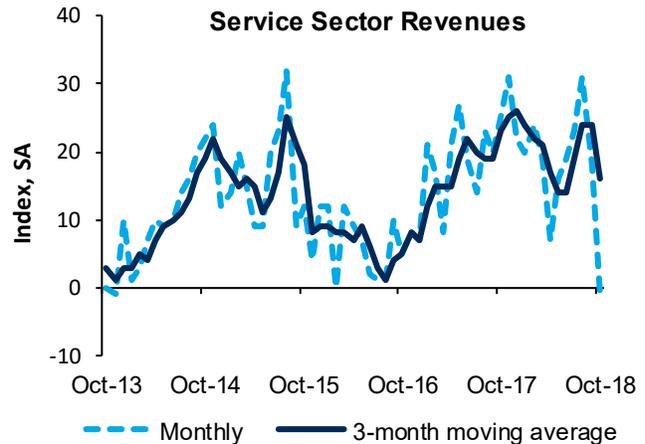
October 23, 2018

### *Fifth District Service Sector Activity Softened in October*

Fifth District service sector activity softened in October, according to the results of the latest survey by the Federal Reserve Bank of Richmond. The revenues index dropped from 18 in September to -1 in October, its first negative reading since November 2013. Measures of demand and local business conditions also fell but remained in expansionary territory. However, firms were optimistic, expecting to see growth in the coming months.

Service sector firms reported softening employment growth but strengthening wage growth. Difficulty finding workers with necessary skills persisted in October, as the skills index fell to -32, its lowest value on record. Respondents expected this difficulty to continue in the near future.

Firms reported faster growth of both prices paid and received in October. Growth in prices received reached its highest value since November 2000 but continued to trail growth of prices paid. Firms believe the gap between growth of prices paid and received will narrow in the next six months.



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## Business Activity Indexes<sup>1,4</sup>

Service Sector Indicators	Current Conditions			Expectations <sup>2</sup>		
	Oct-18	Sep-18	Aug-18	Oct-18	Sep-18	Aug-18
Revenues	-1	18	31	33	56	44
Demand	11	30	28	26	51	42
Local Business Conditions	1	24	23	23	42	35
Capital Expenditures	21	21	18	34	31	26
Equipment & Software Spending	33	25	24	30	29	26
Services Expenditures	20	12	18	22	19	23
<b>Employment</b>						
Number of Employees	13	22	10	26	41	29
Wages	37	30	26	56	42	38
Availability of Skills Needed	-32	-15	-11	-35	-9	-2
Average Workweek	5	17	9	10	16	13
<b>Price Trends<sup>2,3</sup></b>						
Prices Paid	4.07	2.69	2.03	3.73	2.89	2.55
Prices Received	2.64	2.42	1.68	2.99	2.55	2.19

### Technical Notes:

- <sup>1</sup> 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 85 firms.
- <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.

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