Service Sector Activity Was Flat Through the Middle of March

The Fifth District service providers reported little growth in March, according to the most recent survey by the Federal Reserve Bank of Richmond. The revenues index dropped from 26 in February to 1 in March, its largest one-month decline since February 2003. Meanwhile, the indexes for demand and local business conditions both registered their largest one-month decreases on record. Survey respondents were pessimistic, expecting business conditions to worsen in the next six months.

Survey results suggest that employment growth weakened in March, although the index remained positive. Wage growth remained solid, but the average workweek fell, and employers had difficulty finding workers with the necessary skills. Participants expected this struggle to persist in the near future.

The average growth rates of both prices paid and prices received by responding firms increased in March, as growth of prices paid continued to outpace that of prices received. Firms expected to see a drop in both growth rates in the coming months.
## Regional Surveys of Business Activity

### Fifth District Survey of Service Sector

**March 24, 2020**

### Business Activity Indexes

<table>
<thead>
<tr>
<th>Service Sector Indicators</th>
<th>Current Conditions</th>
<th>Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mar-20</td>
<td>Feb-20</td>
</tr>
<tr>
<td>Revenues</td>
<td>1</td>
<td>26</td>
</tr>
<tr>
<td>Demand</td>
<td>9</td>
<td>29</td>
</tr>
<tr>
<td>Local Business Conditions</td>
<td>-4</td>
<td>38</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>Equipment &amp; Software Spending</td>
<td>13</td>
<td>28</td>
</tr>
<tr>
<td>Services Expenditures</td>
<td>2</td>
<td>18</td>
</tr>
</tbody>
</table>

### Employment

<table>
<thead>
<tr>
<th></th>
<th>Current Conditions</th>
<th>Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Employees</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Wages</td>
<td>28</td>
<td>35</td>
</tr>
<tr>
<td>Availability of Skills Needed</td>
<td>-11</td>
<td>-22</td>
</tr>
<tr>
<td>Average Workweek</td>
<td>-4</td>
<td>2</td>
</tr>
</tbody>
</table>

### Price Trends

<table>
<thead>
<tr>
<th></th>
<th>Current Conditions</th>
<th>Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices Paid</td>
<td>3.34</td>
<td>3.08</td>
</tr>
<tr>
<td>Prices Received</td>
<td>2.56</td>
<td>1.57</td>
</tr>
</tbody>
</table>

### 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 70 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.

For more information contact Roisin McCord at 804.697.8702 or Rich.RegionalSurveyTeam@rich.frb.org