

Regional Surveys of Business Activity

Fifth District Survey of Service Sector Activity

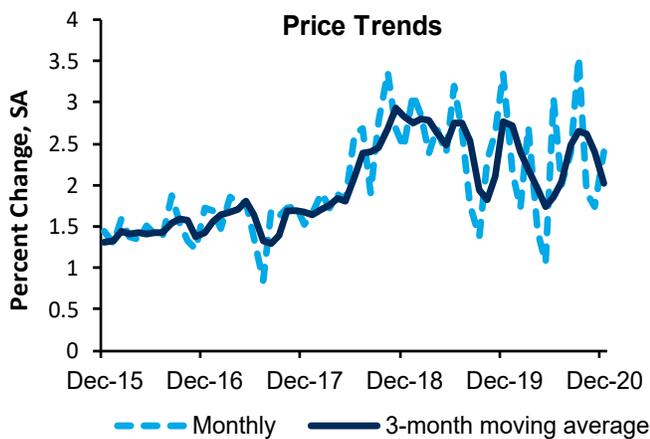
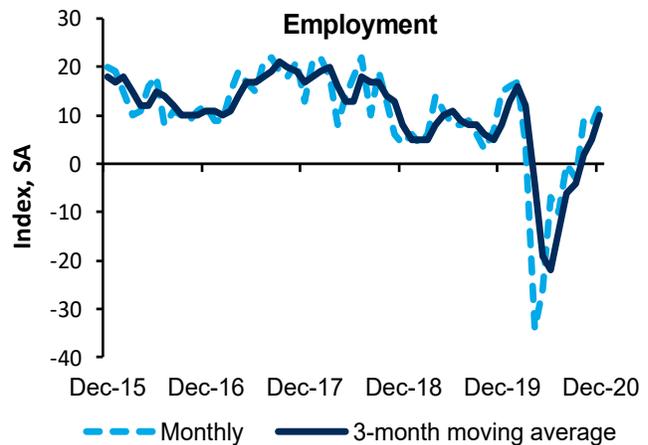
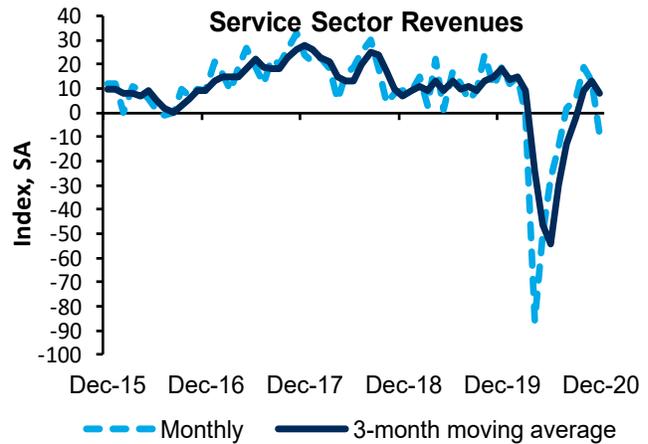
December 22, 2020

Service Sector Showed Signs of Softening in December

The Fifth District service sector showed signs of softening in December, according to the most recent survey from the Federal Reserve Bank of Richmond. The indexes for revenues and demand fell from 13 and 15 in November to -9 and -6, respectively, in December. The index for local business conditions also reflected a drop in sentiment as it fell to -12, its lowest reading since June. Survey respondents were optimistic that conditions would improve in the next six months.

Survey responses indicated that many firms increased employment, wages, and hours in December, but finding workers with the necessary skills was challenging. Survey participants expected employment to increase further in the coming months.

The average growth rates of both prices paid and prices received by survey respondents increased in December, as growth of prices paid continued to outpace that of prices received. Participants expect the gap between them to narrow in the near future.



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Business Activity Indexes^{1,4}

Service Sector Indicators	Current Conditions			Expectations ²		
	Dec-20	Nov-20	Oct-20	Dec-20	Nov-20	Oct-20
Revenues	-9	13	19	11	-2	19
Demand	-6	15	8	14	12	12
Local Business Conditions	-12	17	12	10	4	18
Capital Expenditures	1	10	4	9	20	15
Equipment & Software Spending	11	14	9	13	30	25
Services Expenditures	-4	-1	-2	4	4	-4
Employment						
Number of Employees	12	8	9	18	14	18
Wages	11	19	11	36	33	35
Availability of Skills Needed	-5	-3	-4	4	9	-3
Average Workweek	9	7	9	3	1	16
Price Trends^{2,3}						
Prices Paid	5.11	3.03	4.82	3.73	2.81	3.55
Prices Received	2.41	1.74	1.91	3.10	2.22	1.68

Technical Notes:

- 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 118 firms.
- Expectations refer to the time period six months out from the survey period.
- Price changes are expressed as percent change, annualized.
- 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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