

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Expansion Accelerated in April; Outlook is Solid

Overview

The Carolinas Business Activity Index jumped from March to April, suggesting acceleration in the pace of expansion. The current general business activity index was in positive territory for the sixth straight month as a larger share of respondents noted an increase in activity than that which reported a decrease. The comparable general business expectation index moved slightly higher over the month and remained solidly in expansion territory, suggesting significant positive momentum heading into the second quarter of 2011.

The current number of employees and average workweek indexes (the labor demand indicators) rose further into positive territory, as did the current wages component, pointing to improving hiring conditions. The labor demand expectations indicators were still robust in April, while the expected wages measure moved up slightly. The current availability of relevant skills measure increased somewhat this month, and remained positive. The expected availability index was positive, albeit a little lower than in March, indicating that firms do not anticipate skills shortages in the coming six months.

Each of the three indexes reflecting current business spending (business services expenditures,

total capital expenditures, and equipment or software) remained solid in April, while the spending expectations metrics generally strengthened. The current prices paid and prices received indexes edged up in April, while expectations for future increases were largely unchanged.

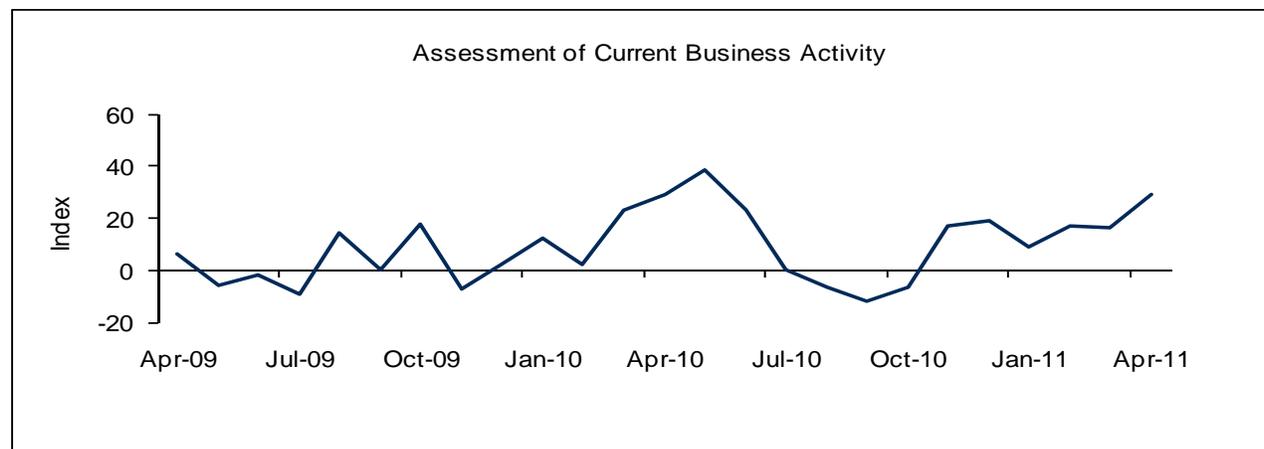
General Business Assessments

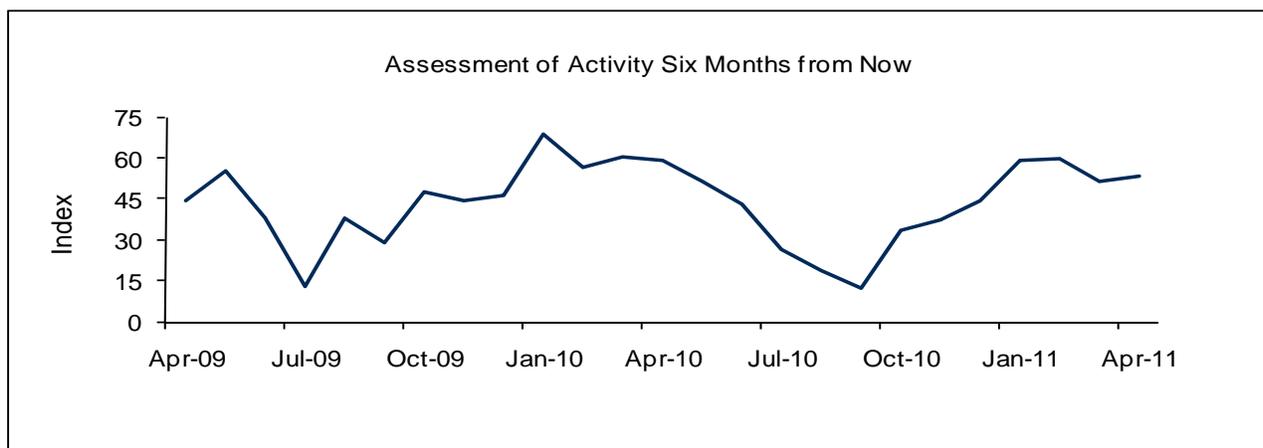
The current Carolinas Business Activity Index recorded its sixth straight positive reading in April. The current general business conditions index jumped to 29 this month from 16 in March. (Greater than 0 readings indicate that more respondents reported an increase in activity than those respondents that noted a decrease.) The current sales index rose to 25 in April, a four-point increase from March and its highest level in nearly a year (May 2010).

The general business conditions expectations index was up to 53 in April, a two-point increase from March. Readings in the 50s are very high by historic standards. The sales expectations index was slightly lower (47 in April compared to 54 in March), but was still solid.

Labor Market Conditions

The labor demand indicators continued to point to improving conditions in the employment picture. The





current number of employees index increased to 10 in April from 6 in March. In the meantime, the current average workweek indicator rose to 10 this month from 2 the prior month. The expected number of employees metric regained the 2 points it surrendered in March, returning to 26. At the same time, the expected average workweek decreased to 15 from 26 a month earlier.

Despite the recent apparent improvement in labor demand, the labor supply indicators suggest that slack persisted into the latest survey period. The current availability of company specific skills index increased to 8 from 3 during the month. Meanwhile, the comparable skills availability expectations measure edged down to 9 from 11 in March. Thus firms that plan to hire do not anticipate seeing broad based skills shortages down the road.

Business Spending and Inventories

The indexes related to current business spending on services and equipment were largely unchanged in April. The current business services spending index eased back to 7 from 10 a month earlier, but remained near its highest reading in a year. The current total capital expenditures measure moved up one point in April (to 19) after jumping 11 percentage points in March. And finally, the index for current expenditures on equipment and software was unchanged at 17 in April following a four-point increase the prior month.

Business spending plans for the next six months moved materially higher in April, on balance, and remained solidly positive. The business services spending expectations metric was unchanged in

April and was a little softer than readings on the equipment side. The total capital spending expectations index jumped seven points (to 32) after rising nine points in March (to 25). Meanwhile, the index reflecting firms' plans to purchase equipment and software increased to 24 in April from 18 a month earlier.

Prices

Despite steep increases in commodities prices over the past few months, the current price indexes increased only slightly from March to April as did the expectations measures.

The current prices paid index edged up to an annualized rate of 3.8 percent this month from a 3.6 percent pace in March, while the prices received index increased to 2.2 percent from 1.8 percent. The smaller increase in prices paid suggests that margin pressures eased a bit from a month earlier. Meanwhile, the expected prices paid index slipped to 3.8 percent in April from 3.9 percent in March, and the expected prices received measure edged up to an annualized 2.8 percent from 2.4 percent.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Apr-11	Mar-11	Feb-11	Apr-11	Mar-11	Feb-11
General Business Conditions	29	16	17	53	51	60
Sales	25	21	4	47	54	59
Employment						
Number of Employees	10	6	9	26	24	26
Availability of Skills Needed	8	3	7	9	11	10
Average Workweek	9	2	-1	15	26	22
Wages	15	13	12	34	32	34
Spending						
Business Services Expenditures	7	10	3	8	8	10
Total Capital Expenditures	19	18	7	32	25	16
Equipment or Software	17	17	3	24	18	18
Price Trends³						
Prices Paid for Inputs	3.79	3.58	4.02	3.81	3.90	2.65
Prices Received for Outputs	2.18	1.79	3.00	2.81	2.42	2.31

Technical Notes:

- Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. Data are not seasonally adjusted.
- Expectations refer to the time period six months out from the survey period.
- Price changes are expressed as a percent change, annualized.
- Table has been revised to reflect changes in survey questions beginning December 2010