

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Business Index Edged Up in July; Outlook Stabilized and Remained Solidly Positive

Overview

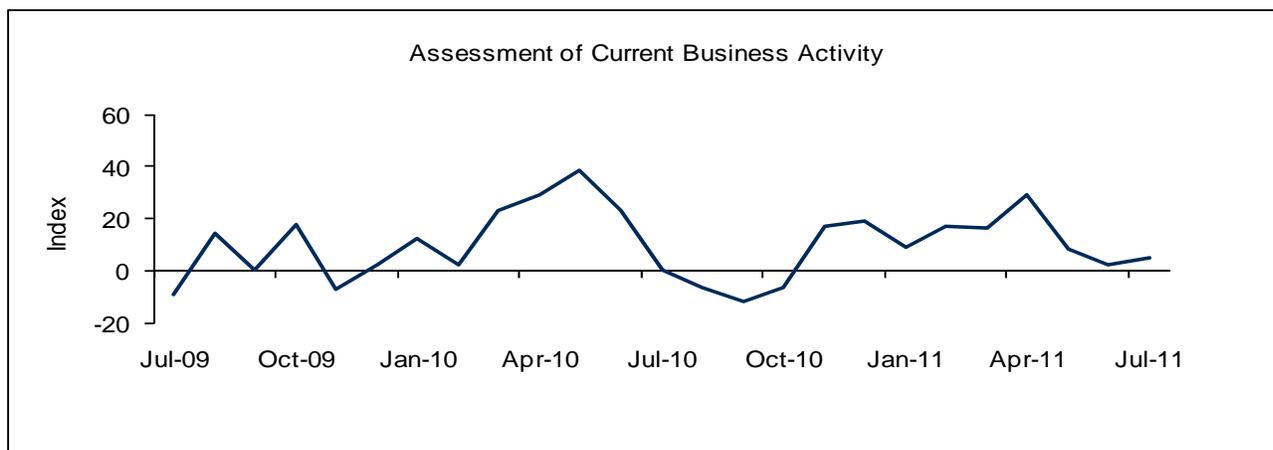
Business sentiment appeared to stabilize in July after retreating notably between April and June. The current Carolinas Business Activity index moved higher for the first time in three months. Respondents' sentiments were in part boosted by an increase in sales. In addition, the comparable business expectations index steadied at a relatively high level in July after trending down since the beginning of 2011. The sales expectations index decreased moderately, although it remained solidly positive.

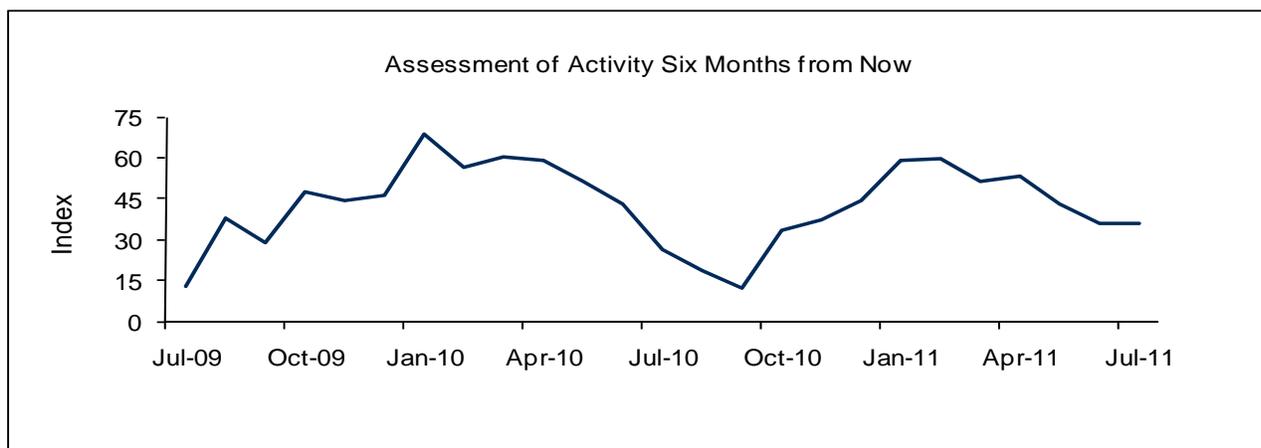
The labor demand indexes were again in firm positive territory in July. However, the current number of employees index declined despite the apparent improvement in general business conditions. The current average number of hours worked index also decreased somewhat, although it remained positive as well. Looking forward, the expected number of employees index dipped in July, as did the expected average workweek. Both labor demand expectations indexes remained well above 0. On the labor supply side, both the current and expectations indexes moved down toward breakeven in July.

On balance, current business spending on services and equipment was positive during the month even as it softened a bit since June. The corresponding business spending expectations metrics were mixed, but mostly positive. The prices paid and prices received indexes moderated further in July as the impact of higher commodities prices continued to wane. In addition, survey respondents' expectations for future price increases eased, although margin pressures are expected to persist.

General Business Assessments

General business sentiment appeared to stabilize in the Carolinas during July after deteriorating notably in the April-June timeframe. The current Carolinas general business activity index increased to 5 in July from 3 a month earlier, its first increase in three months. The improvement in general conditions reflects, in part, an increase in the current sales activity index of eight percentage points. Moreover, respondents' expectations for general business activity six months from now steadied. The general business activity expectations index was unchanged from June (at 36). Meanwhile, the sales expectations index declined in July to 29 from 36 in June, continuing a downward trend in sales expectations that began in February.





Labor Market Conditions

The indexes reflecting labor market conditions, both current and expected, point to a continuation of the muted hiring trends of recent months. The current number of employees index fell ten points in July to 6, suggesting a more modest pace of hiring. Similarly, the current average workweek indicator declined a bit month to month but was still positive in July (at 6). Looking forward, the expected number of employees metric declined to 14 in July from 23 in June while the average workweek indicator dipped to 13 from 15. Combined, the demand expectations indexes point to a pace of hiring that is more robust than the current rate, but not as strong as anticipated in June.

On the labor supply side, the current availability of skills index fell to 2 in July from 7 a month earlier. The comparable availability expectations index also registered a 2 this month, down eight points from a month earlier.

Business Spending

Business spending on services firmed in July, with the current spending index increasing to 3 from -1 in June. Meanwhile, the index reflecting current total capital expenditures fell four points to 9 and the metric for equipment and software edged down to 10 from 11.

The expected business spending measures displayed a similar pattern. Plans for business services spending rose to 10 in July from 3 one month earlier. At the same time, the total capital spending expectations index fell to 17 from 21 while

the equipment or software expectations measure eased back to 22 from 25. Together, the current and expected business spending indexes point to a modestly improving business spending environment.

Prices

The pricing indexes indicate that price pressures continued to ease in July, as did margin pressures. After spiking early in the year, the average increase in current prices paid has eased considerably (from 4.7 percent in January to 2.5 percent in July). In the same timeframe, the prices received component retreated from 3.9 percent to 1.4 percent. During July, the gap between the two indexes narrowed to 1.1 percent from 1.4 percent in June. The current average wage index increased five points to 18.

Similarly, the expected prices paid and received measures eased from June to July, as did the gap between the two. The expected average wage index edged down to 22 in July from 24 a month earlier.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Jul-11	Jun-11	May-11	Jul-11	Jun-11	May-11
General Business Conditions	5	3	8	36	36	43
Sales	9	1	2	29	36	38
Employment						
Number of Employees	6	16	12	14	23	26
Availability of Skills Needed	2	7	2	2	10	13
Average Workweek	6	9	7	13	15	21
Wages	18	13	13	22	24	31
Spending						
Business Services Expenditures	3	-1	9	10	3	15
Total Capital Expenditures	9	13	11	17	21	25
Equipment or Software	10	11	14	22	25	24
Price Trends³						
Prices Paid for Inputs	2.54	3.12	3.29	2.78	3.11	3.88
Prices Received for Outputs	1.41	1.76	1.79	1.68	1.88	2.57

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