

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*Carolinas Business Activity Picked Up Steadily in December; Outlook Still Positive*

### Overview

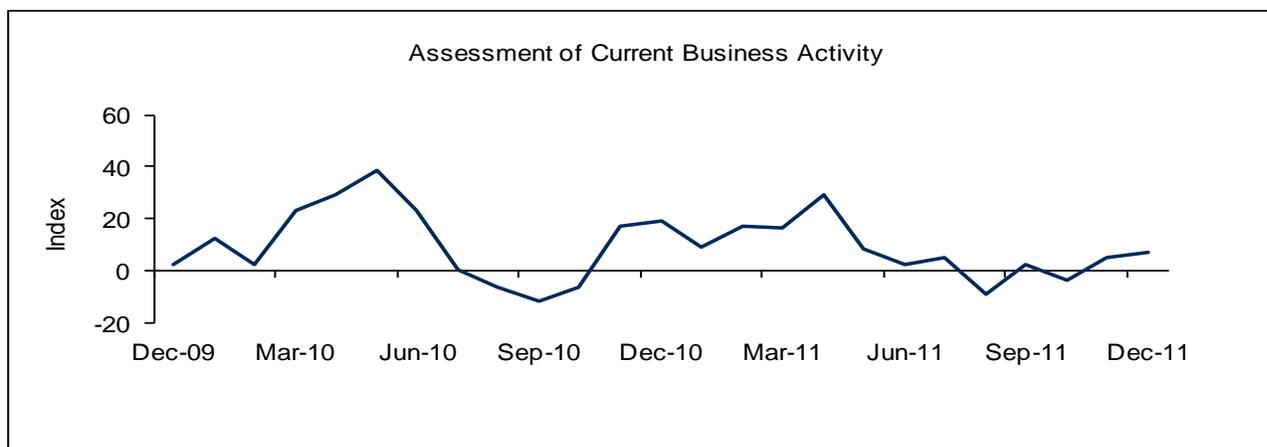
Responses to our December Carolinas Survey of Business Activity survey suggested little change in the region's general economic environment as business activity appeared to pick up at a fairly even pace. The headline current conditions index edged up a bit from November and remained in positive territory for the second straight month. Likewise, the current sales index also edged up and was positive for the second month in a row. Expectations for general business conditions and sales six months out were virtually unchanged in December, remaining at levels that were much improved from the summer and fall swoon.

Despite the apparent continuation of growth in business activity, labor demand remained relatively tepid in December. In fact, the current labor demand indicator was negative for the second straight month and the average hours metric remained in contraction territory. Looking forward, firms do plan to utilize more labor than they do currently, but the labor demand expectations indexes remained well below their springtime highs. The availability of labor indicators, both current and six-month expectations, changed little in December.

While labor demand waned, current business spending picked up along with activity. Two of the three current spending indicators increased in December and all three were in positive territory. The comparable expectations measures were positive as well (and mostly unchanged). Respondents noted that current prices increased modestly (both prices paid and prices received) and margins remained under pressure. Their expectations for price increases moved a little higher as well, but ever so slightly.

### General Business Assessments

Business activity appeared to be firming in the Carolinas as 2011 drew to a close. Our headline current general business conditions index increased to 7 in December from 5 a month earlier. This represents the first back-to-back positive readings in the index since July, a welcome development following an autumn that could best be characterized as uneven. The current sales/revenues metric edged up to 2 this month, remaining slightly north of 0 for the second month in a row. Taken together, these metrics suggest that business activity picked up at a fairly even pace in December. With that, respondents' expectations for both general activity and sales were virtually unchanged.





### Labor Market Conditions

Despite an apparent upturn in general business activity, firms remained reluctant to hire. The current labor demand index inched up to -4 from -6 in November, but a negative reading showed that a greater number of respondents continued to reduce headcount compared to those that increased payrolls. In addition, the current average hours index was negative in December (at -6), which it has been in three of the last four months. The labor demand expectations indexes remained firmly in positive territory during the month, suggesting that firms will utilize more labor in the next six months.

December's current availability of labor index was 3, largely unchanged from a reading of 2 in November. In fact, this index has been in a very narrow range for several months. The expected availability of labor index increased six points in December to 12. A reading greater than 0 suggests that respondents expect availability to increase in the next six months.

### Business Spending

Business spending plans firmed materially this month. The current business services spending index jumped to 3 in December from -3 a month earlier. It was this index's first positive reading since August. Similarly, the total capital spending index increased six points to 11. The current equipment and software spending metric was 13 this month, nearly identical to November's level.

Business spending plans were strongly positive and, on balance, very similar to the prior month's readings. The business services spending

expectations index came in at 12 in December, unchanged from November's reading, indicating a clear strengthening pattern. The equipment and software spending expectations component was also unchanged from the prior month at 25. Total capital spending plans dipped to 18 from 29 a month earlier.

### Prices

The pricing indicators of our survey generally moved slightly higher this month. The current prices paid index rose to 2.33 percent in December from 1.69 percent in November while the current prices received measure increased to 1.70 percent from 1.20 percent. These numbers suggest little change in margin pressures.

With regards to future pricing trends, the expected prices paid index was unchanged in December at 2.55 percent, while the expected prices received measure rose to 1.81 percent from 1.69 percent in November. Thus, while respondents expect margin pressures to continue in the next six months, some were expecting those pressures to ease a bit.

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	Dec-11	Nov-11	Oct-11	Dec-11	Nov-11	Oct-11
General Business Conditions	7	5	-4	35	36	23
Sales	2	1	-7	36	36	17
<b>Employment</b>						
Number of Employees	-4	-6	1	13	17	10
Availability of Skills Needed	3	2	1	12	6	0
Average Workweek	-6	-7	0	16	11	2
Wages	5	3	7	26	28	19
<b>Spending</b>						
Business Services Expenditures	3	-3	-6	12	12	3
Total Capital Expenditures	11	5	3	18	29	17
Equipment or Software	13	14	7	25	25	17
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	2.33	1.69	2.01	2.55	2.55	2.58
Prices Received for Outputs	1.70	1.20	1.51	1.81	1.69	1.86

### 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