

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business Activity Picked Up in September and the Outlook Firmed

Overview

Business activity in the region appeared to firm in September as our Carolinas business activity index jumped. Following a weakening trend which saw four straight monthly declines and two straight negative readings, the current general business conditions indicator swung back into positive territory in September. A similar increase was experienced in the closely correlated current shipments/sales metric. The boost in current conditions apparently left survey respondents a little more optimistic about the future as the corresponding expectations metrics also rose.

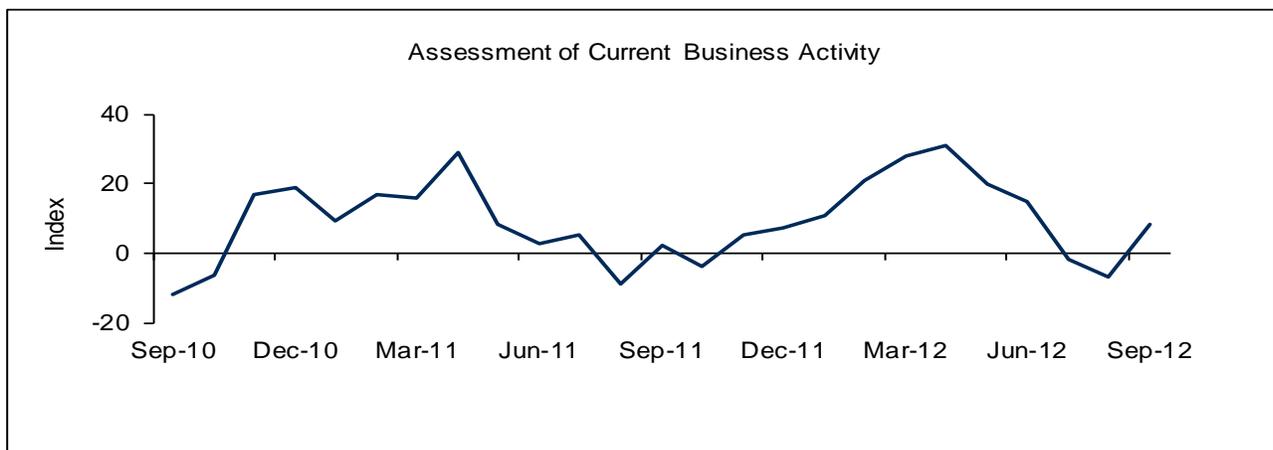
Despite the improvement in current business conditions, the current labor demand indicators remained in slightly negative territory during September, largely unchanged from August. Also, the indexes reflecting respondents' expectations for labor demand in coming months actually softened a bit further from the prior month, although the number of workers measure remained slightly positive.

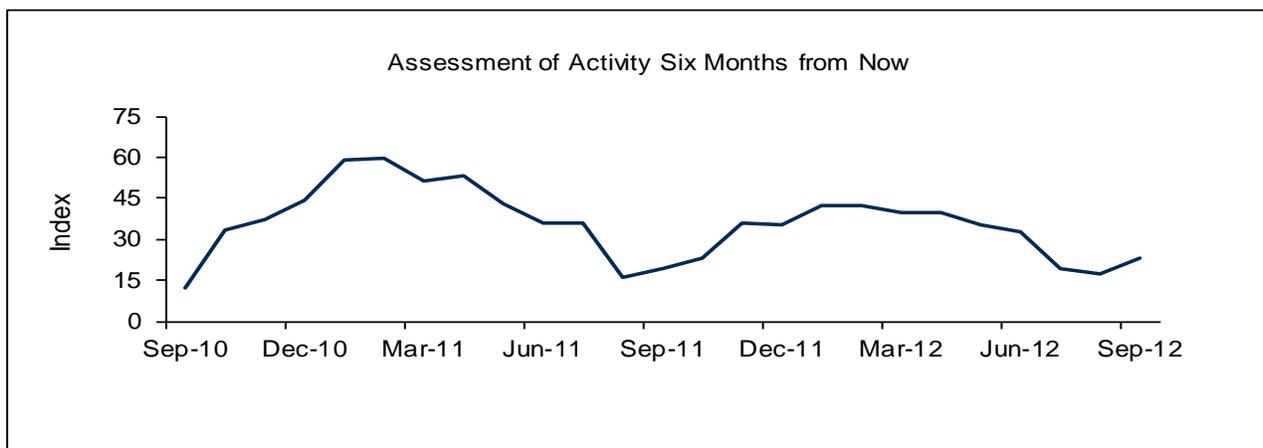
Similarly, the recent resurgence of general business activity was not sufficient to drive major changes in businesses' spending plans. Two of the three current business spending measures (total capital spending and business services spending) changed

little in September, while outlays for equipment and/or software apparently increased modestly. Expectations for business spending six months from now were mixed last month. Meanwhile, the increase in current business conditions measures was accompanied by firming in price metrics. The current prices paid indexes increased somewhat, both paid and received, as did the corresponding expectations measures.

General Business Assessments

Business activity appeared to pick up in the Carolinas during September, at least according to the respondents of our Carolinas Survey of Business Activity. Our current general business conditions index jumped 15 points from August to 8, representing the headline index's first increase in five months. The headline measure was undoubtedly affected by an increase in current shipments/sales. This measure rose to 6 from -4, with the 10-point swing being the biggest since a 12-point increase from January to February. The increase in current conditions apparently raised the hopes of respondents for better things down the road, although not by much. The general business expectations index moved up to 23 from 17 while the shipments/sales metric edged up to 15 from 13 a month earlier.





Labor Market Conditions

Despite the improvement in accounts of general business conditions, respondents apparently remained cautious in their hiring. Our current labor demand indicators (number of workers and average workweek) did not change materially and remained soft. The current number of workers measure dipped to -2 in September from -1 a month earlier while the current average workweek metric inched up to -2 from -5 in August. And, again in spite of expectations for better things to come, labor demand expectations measures continued to soften in September. The expected number of workers index fell for the seventh month in a row, settling in at 2, the lowest such reading since June 2009. And the expected average workweek metric dipped into negative territory (-1) for the first time since October 2010.

There has been virtually no change in the current availability of skills index, which remained very close to 0. However, the expected availability measure moved up to 5 in September from 0 in August.

Business Spending

On balance, business spending among responding firms changed little in spite of the pickup in general business conditions. The measures reflecting current spending for total capital equipment and spending for business services were mostly unchanged. However, the metric reflecting current spending for equipment and software rose to 9 in September from 1 a month earlier.

Generally speaking, expectations for spending on capital equipment and computers and software are stronger than what is reflected in the current spending measures. The total capital spending expectations measure was 11 in September, down six points from August, while the equipment and software index came in at 13, up five points from a month earlier. By contrast, the expected business services spending measure inched up one point to -1.

Prices

The firming in current business conditions in September was accompanied by a modest upward movement in the pricing measures. The current prices paid index increased to 2.24 percent from 1.74 percent in August, while the current prices received index rose to 1.50 percent from 1.01 percent.

In addition, the prices paid expectations index moved up to 2.65 percent in September from 2.33 percent in August. The prices received expectations number increased to 1.93 percent from 1.36 percent during the prior month.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Sep-12	Aug-12	Jul-12	Sep-12	Aug-12	Jul-12
General Business Conditions	8	-7	-2	23	17	19
Sales	6	-4	-8	15	13	18
Employment						
Number of Employees	-2	-1	-2	2	7	8
Availability of Skills Needed	1	-2	-2	5	0	2
Average Workweek	-2	-5	2	-1	2	1
Wages	3	10	13	21	16	18
Spending						
Business Services Expenditures	-4	-7	1	-1	-2	3
Total Capital Expenditures	5	5	11	11	17	17
Equipment or Software	9	1	15	13	8	11
Price Trends³						
Prices Paid for Inputs	2.24	1.74	2.26	2.65	2.33	2.43
Prices Received for Outputs	1.50	1.01	1.00	1.93	1.36	1.11

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