

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*Expansion Accelerated in February; Outlook Remains Solid*

### Overview

Results from the latest Carolinas Survey of Business Activity suggest that the region's expansion broadened at a faster pace during the month of February. The current general business conditions index (previously referred to as the company specific index) increased notably and was positive for the fourth month in a row. A positive reading indicates that a greater share of respondents reported a pickup in activity than those who noted a slowdown. Firms appeared increasingly confident that momentum will build in coming months as the general business expectations index inched up to its highest reading since March 2010.

On balance, the labor market indicators continue to point to modestly improving conditions. The current number of employees and wages indexes increased and remained in positive territory while the hours worked measure was near 0. The comparable labor market expectations metrics suggest more rapid improvement in coming months. The current and expected availability of labor indexes were greater than 0 in February and changed little from January.

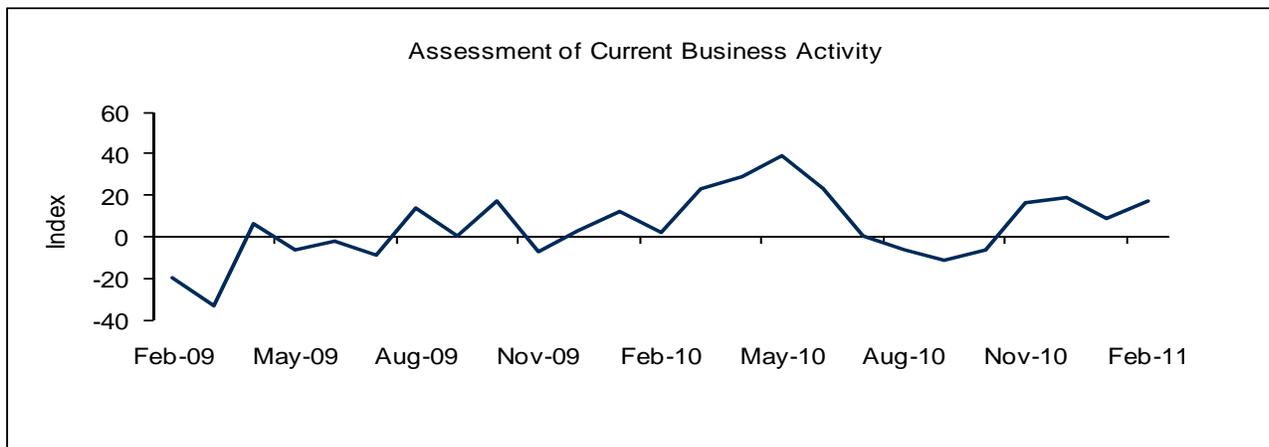
The indexes reflecting current business spending for capital equipment and software remained positive in

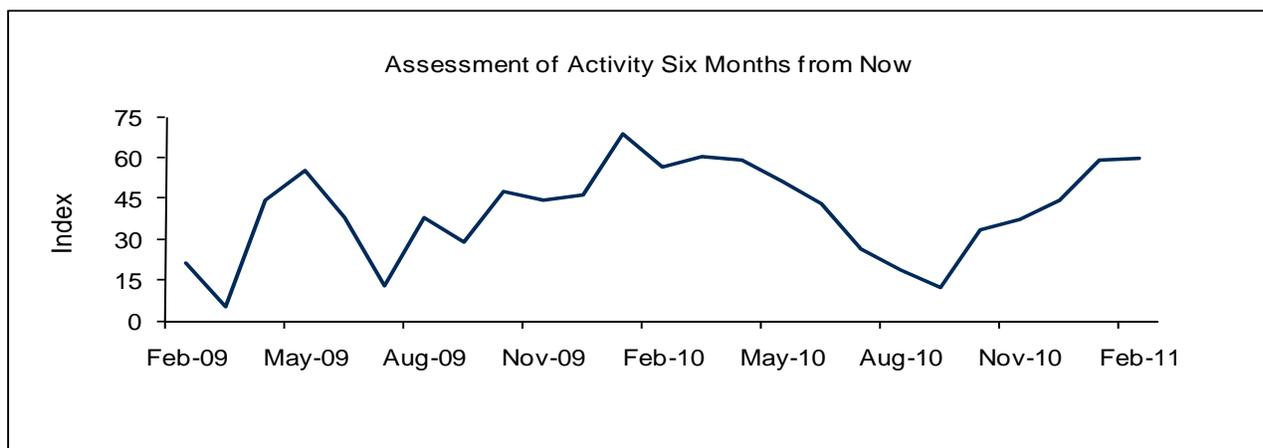
February while the business services indicator swung from negative to positive. Business spending expectations continued to move higher. The price indexes showed persistent pressure on margins, although they eased a bit from the prior month.

### General Business Assessments

The Carolinas Business Activity index increased in February and was in positive territory for the fourth month in a row. The current general business conditions index (which was called the company specific current conditions index prior to December) moved up eight points to 17. For context, a reading that exceeds 0 indicates that a greater percentage of respondents reported an increase in business activity than those who reported a decline. Thus the bigger positive reading indicates that a greater share of respondents reported an increase in activity.

Respondents also remained quite confident that business conditions would continue to improve over the next six months. After jumping fifteen points in January, the general business conditions expectations index edged up further in February. The increase was the index's fifth in a row and left it at its highest level since April 2010, when it also reached 60. This series has been recorded for slightly more than three years.





### Labor Market Conditions

On balance, labor markets continued to firm in February. The current demand indicator (number of employees) increased to 9 this month from 2 in January. It marked the index's fifth positive reading in as many months, which indicates a greater share of respondents was adding to their headcount compared to those who were subtracting from it. The current average weekly hours index moved up to -1 in February from -4 a month earlier suggesting that workers were generally working slightly fewer hours. Looking forward, the expected number of workers index came in at 26, up two points from the 24 registered in January, suggesting that more respondents will add to their payrolls in coming months. The expected average workweek index jumped to 22 from 9.

The labor supply indexes suggest that considerable slack persisted in February. The current availability of company specific skills index increased to 7 from 4 in January, while the comparable expectations measure was unchanged at 10.

### Business Spending and Inventories

Current business spending (for both equipment and services) firmed somewhat in February. The current capital expenditures index increased to 7 from 5 in January, indicating that a greater net percentage of respondents had increased such spending. Current spending on equipment and software edged lower, to 3 in February from 7 in January, but still pointed to expansion. The index for current spending on business services swung to 3 from -2 in January, reaching its highest point in nine months.

The measures reflecting firms' business spending plans were still solidly in positive territory in February, but less so than in the prior month. The capital expenditure expectations measure decreased to 16 this month from 34 in January while the same metric for equipment and software fell to 18 from 36 (which was a near record high). The business services expectations index also decreased, to 10 in February from 21 a month earlier.

### Prices

The pricing indexes eased a bit across the board but continued to indicate pressure on firms' profits. The current prices paid index showed an average 4.0 percent annualized increase in February, a modest improvement from the 4.7 percent pace registered in January. The current prices received index displayed a more modest 3.0 percent gain that was slightly lower than the prior month. Both of the pricing expectations measures dipped in February, and the gap between expected input and output price increases narrowed.

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	Feb-11	Jan-11	Dec-10	Feb-11	Jan-11	Dec-10
General Business Conditions	17	9	19	60	59	44
Sales	4	-2	10	59	47	42
<b>Employment</b>						
Number of Employees	9	2	13	26	24	27
Availability of Skills Needed	7	4	11	10	10	11
Average Workweek	-1	-4	7	22	9	13
Wages	12	9	8	34	46	29
<b>Spending</b>						
Business Services Expenditures	3	-2	1	10	21	13
Total Capital Expenditures	7	5	10	16	34	29
Equipment or Software	3	7	9	18	36	29
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	4.02	4.67	3.24	2.65	4.57	3.63
Prices Received for Outputs	3.00	3.11	2.46	2.31	3.94	2.47

### Technical Notes:

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