

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*Carolinas Expansion Continued in March; Respondents Optimistic About the Outlook*

### Overview

The Carolinas Business Activity Index was largely unchanged from February to March, suggesting a relatively stable pace of expansion. The current general business activity index was in positive territory for the fifth 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 was down slightly over the month but 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) were greater than 0, as was the current wages component, pointing to modestly improving hiring conditions. The labor demand expectations indicators were quite strong again in March, while the expected wages measure moved down slightly. The current availability of relevant skills measure decreased a bit this month, but remained positive. The expected availability index was positive and largely unchanged, 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) increased notably in March, while the spending expectations metrics remained solidly positive. Increases in current prices paid and prices received eased a bit in March, while expectations for future increases moved modestly higher.

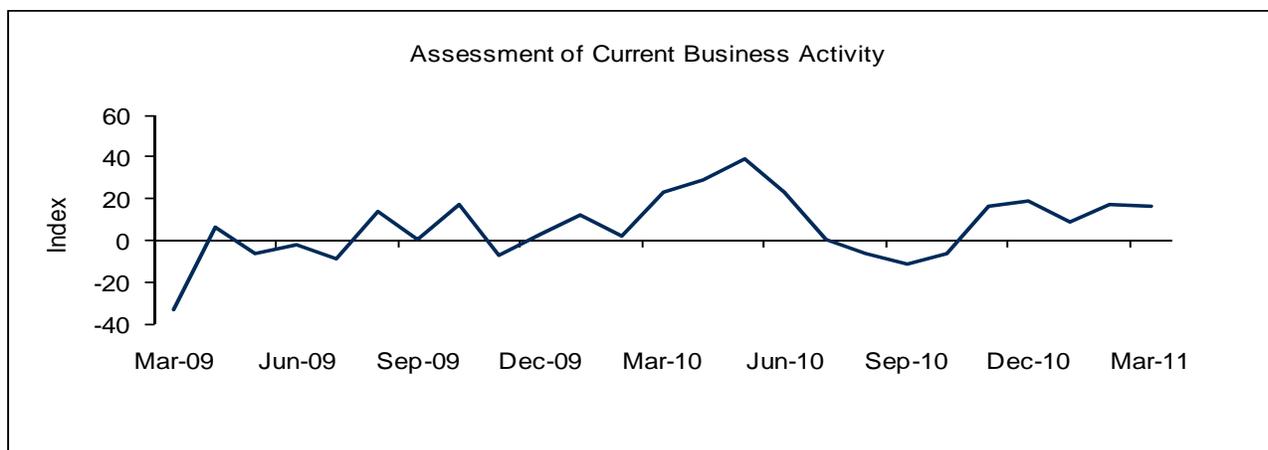
### General Business Assessments

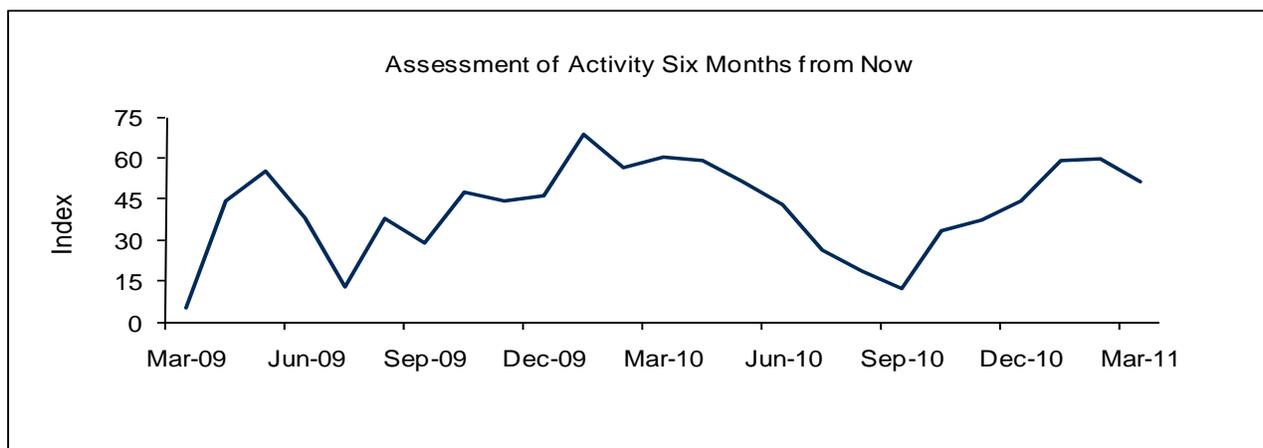
The current Carolinas Business Activity Index recorded its fifth straight positive reading in March. The current general business conditions index was mostly unchanged from February and, at 16, was in line with the average for the five-month period. (Greater than 0 readings indicate that more respondents reported an increase in activity than those respondents that noted a decrease.) The current sales index jumped 17 points to its highest level since May 2010.

The general business conditions expectations index was down nine points in March, but at 51 it was still very high by historic standards. The sales expectations index was also down slightly, but like the general conditions expectations index, was still solid.

### Labor Market Conditions

While the directional changes of labor demand indicators varied, each remained positive, which





suggests continued improvement in employment and hiring. The current number of employees index decreased to 6 in March from 9 a month earlier, while at the same time the current average workweek increased to 2 from -1. The expected number of employees number edged down two points in March to 24, while the expected average workweek increased to 26 from 22 in February.

Despite the recent apparent improvement in labor demand, the labor supply indicators suggest that slack persisted into March. The current availability of company specific skills index decreased to 3 during the month from 7 in February. Meanwhile, the comparable skills availability expectations measure edged up to 11 in March from 10 a month earlier.

### Business Spending and Inventories

The indexes related to current business spending on services and equipment increased notably in March. The current business services spending index jumped to 10 from 3 in February, its highest reading in a year. Moreover, the current total capital expenditures measure increased to 18, an 11 percentage point enhancement from a month earlier. And finally, the index for current expenditures on equipment and software rose to 17 in March from 3 in February, its highest reading in more than three years.

On balance, business spending plans for the next six months increased somewhat in March, and remained solidly positive. The business services spending expectations metric was a little softer than the equipment side, but the two-point decline in

March left it at a still healthy level (8). The total capital spending expectations index rose nine points to 25 while the index reflecting firms' plans to purchase equipment and software were unchanged from February, at 18.

### Prices

The current price indexes eased a bit further in March, but the comparable expectations indexes reversed course and headed slightly higher. The current prices paid index edged down to an annualized 3.6 percent pace in March from 4.0 percent the prior month, while the prices received index decreased to 1.8 percent from 3.0 percent. The smaller increase in prices received suggests more margin pressures than a month earlier. Meanwhile, the expected prices paid index increased to 3.9 percent in March from 2.7 percent, and the expected prices received measure edged up to an annualized 2.4 percent from 2.3 percent.

### Contact

#### Rick Kaglic

Regional Economist  
 Research Dept./Regional Economics  
 Federal Reserve Bank of Richmond  
 Charlotte Office  
 Office 704-358-2116 • Fax 704-358-2300  
[richard.kaglic@rich.frb.org](mailto:richard.kaglic@rich.frb.org)  
[www.richmondfed.org](http://www.richmondfed.org)

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	Mar-11	Feb-11	Jan-11	Mar-11	Feb-11	Jan-11
General Business Conditions	16	17	9	51	60	59
Sales	21	4	-2	54	59	47
<b>Employment</b>						
Number of Employees	6	9	2	24	26	24
Availability of Skills Needed	3	7	4	11	10	10
Average Workweek	2	-1	-4	26	22	9
Wages	13	12	9	32	34	46
<b>Spending</b>						
Business Services Expenditures	10	3	-2	8	10	21
Total Capital Expenditures	18	7	5	25	16	34
Equipment or Software	17	3	7	18	18	36
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	3.58	4.02	4.67	3.90	2.65	4.57
Prices Received for Outputs	1.79	3.00	3.11	2.42	2.31	3.94

### 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