

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Business Index Inched Up in September; Expectations are for Modest Improvements

Overview

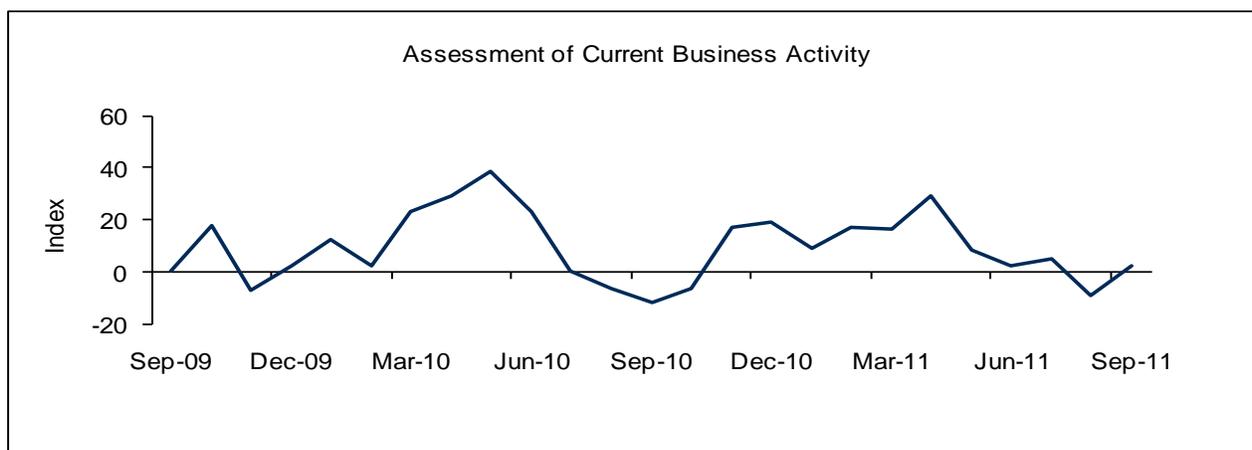
Results from the September Carolinas Business Activity survey suggest that firms saw little improvement in economic conditions in recent weeks, although the environment did not appear to be worsening. The current business activity index edged back up into positive territory in September after registering a negative reading in August. The improvement in the headline index was accompanied by a notable increase in sales and shipments. The comparable expectations measures were largely unchanged, reflecting a heightened sense of caution among survey participants.

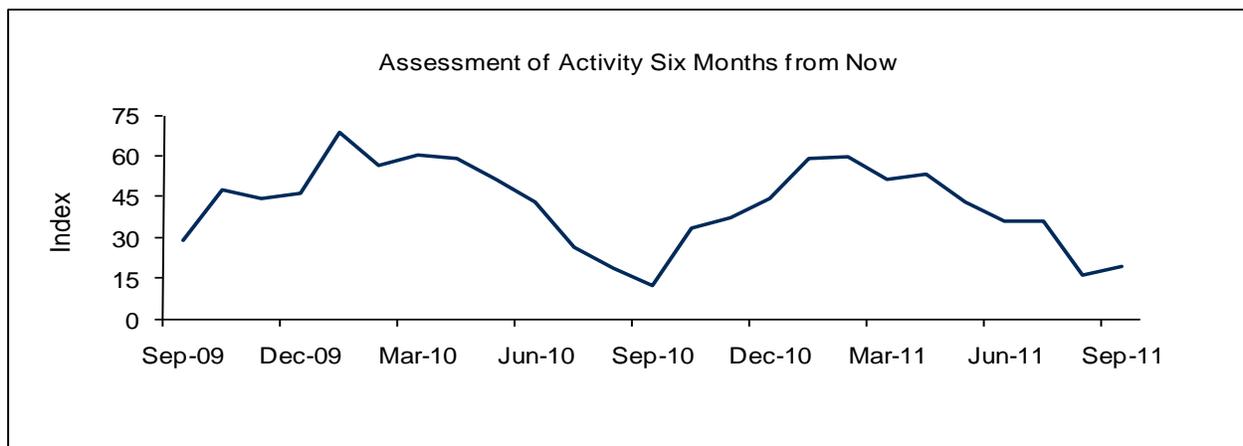
Recent softness in business conditions has been accompanied by a reduced appetite for labor. The labor demand indicator has held in a narrow range over the past couple of months, at a level below that registered earlier in the year. At the same time, more firms appeared to be reducing hours. Current conditions have weighed on labor demand expectations as well, although the index remains positive. Current wage pressures remained subdued but most firms anticipate paying more in the near future. Interestingly, both the current and expected labor availability index fell in September.

The recent trend toward softening conditions may be weighing on firms' current spending plans, especially when it comes to business services spending. Apparently, spending plans have been cut back as well. On the inflation front, survey responses indicate that current prices paid continued to ease a bit while prices received edged higher. A similar pattern played out in price expectations. Most firms remained under considerable margin pressures and expected much of the same in coming months.

General Business Assessments

Economic conditions appeared to stabilize a bit in the Carolinas after moving down in recent months. The Carolinas current business activity index climbed up into positive territory (2) in September from -9 in August. Such a reading suggests a slightly larger share of respondents reported an increase in activity compared to those who noted a decrease. It is likely that firms' general assessments of overall business activity were affected by a jump in the sales index, which rose to 7 from -3 a month earlier. The general business activity expectations index rose to 19 in September from 16 in August while the sales expectations component was largely unchanged (down to 17 from 18 a month earlier).





Labor Market Conditions

Labor demand held in a fairly narrow range established in recent months. The current labor demand indicator (number of employees) inched up to 5 in September from 4 a month earlier. This index averaged 5 over the past three months after averaging 13 the prior three. Meanwhile, the current average workweek dipped to -1 from 5, its lowest reading since February 2011. The expected labor demand indicator continued to trend downward, reaching 6 in September after averaging 25 the first six months of the year. Expectations for the average workweek have also been moving lower in recent months and dropped to 1 from 5 in August.

On the supply side, respondents generally indicated that securing the right skills for open positions was more difficult in recent months. The availability of skills index fell to -1 in September from 4 in August while the comparable six months expectations index decreased to 1 from 5 a month earlier.

Business Spending

The indexes reflecting business spending and spending plans deteriorated in September. The current business services spending index (which tends to be more volatile than capital spending) dropped ten points to -6 in September. Meanwhile, the total capital expenditures index decreased to 1 from 7 in August while the equipment or software metric eased back to 5 from 10.

Each of the three business spending expectations indexes remained positive, although they generally declined. The business services expectations index

declined to 1 in September from 5 a month earlier, its lowest reading since October 2010. The total capital spending expectations measure fell six points to 10, while the comparable index for equipment and software held at 12, its lowest since October 2010.

Prices

The average prices paid indexes moved lower in September while the average prices received index inched up. The current prices paid average eased back to 2.04 percent from 2.44 percent in August while the prices received average moved up to 1.31 percent from 1.27 percent. The current wage index remained at 9.

Similar trends prevailed in the expectations measures. Firms expect prices for inputs to rise at an average of 2.28 percent in coming months while they expect to receive an average increase of 1.70 percent. The wages expectations index bounced up to 21 in September after declining to 14 in August (from 22 in July).

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Sep-11	Aug-11	Jul-11	Sep-11	Aug-11	Jul-11
General Business Conditions	2	-9	5	19	16	36
Sales	7	-3	9	17	18	29
Employment						
Number of Employees	5	4	6	6	8	14
Availability of Skills Needed	-1	4	2	1	5	2
Average Workweek	-1	5	6	1	5	13
Wages	9	9	18	21	14	22
Spending						
Business Services Expenditures	-6	4	3	1	5	10
Total Capital Expenditures	1	7	9	10	16	17
Equipment or Software	5	10	10	12	12	22
Price Trends³						
Prices Paid for Inputs	2.04	2.44	2.54	2.28	2.70	2.78
Prices Received for Outputs	1.31	1.27	1.41	1.70	1.55	1.68

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