

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Business Activity Picked Up in November; Expectations Were More Optimistic

Overview

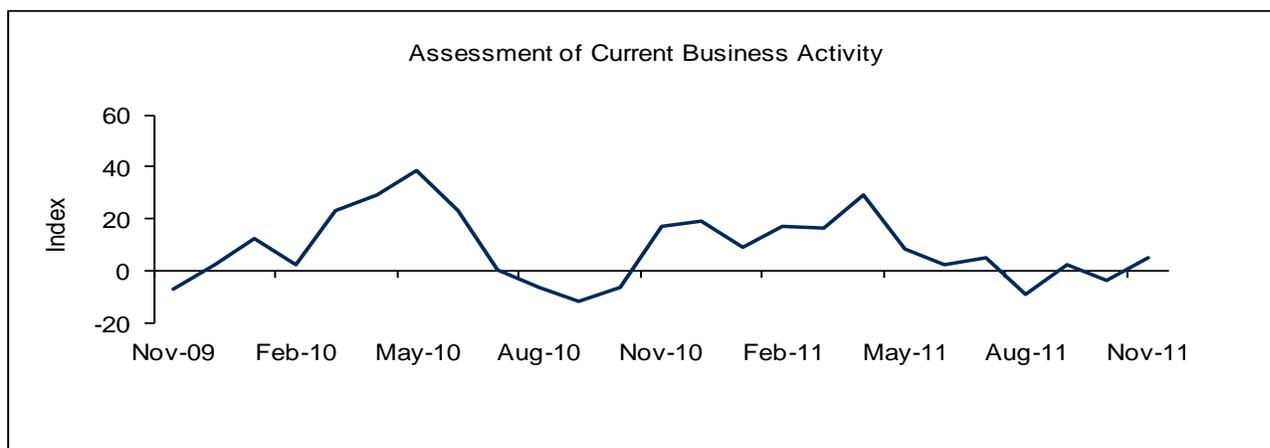
Results from our most recent Carolinas Business Activity survey suggest that business conditions improved modestly in November, and respondents were more confident that trends will improve in coming months. The headline current conditions index bounced back into positive territory, continuing a trend of back and forth movements over the past four months. This rise was accompanied by some stabilization in the sales component, which also swung to a positive reading from a negative reading a month earlier. The increase in current conditions indexes was accompanied by upward movement in the comparable expectations metrics.

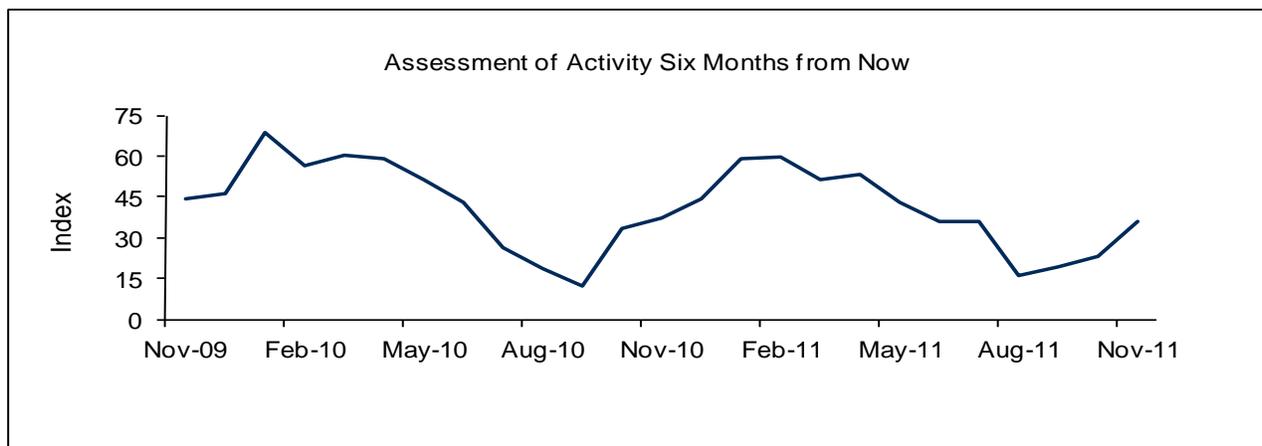
Against the backdrop of uneven business activity, respondents appeared to take a more cautious approach to hiring. The current labor demand index, which has been trending down for several months, fell into negative territory in November for the first time in more than a year. The average workweek also declined, according to survey results. Despite softening in current labor demand, a larger share of respondents was anticipating increased hiring and longer workweeks in the coming six months. Labor supply constraints were not evident in our survey results.

Business spending plans were more solid in November, on balance. The indexes reflecting current spending moved higher, although the business services measure was still below 0. On the business spending expectations side of the ledger, all three metrics moved materially higher. Responding firms continued to suggest that price pressures were easing a bit, for both inputs and outputs. Similarly, respondents are expecting less inflation pressure in coming months. Still, margin pressures remained considerable.

General Business Assessments

Business activity in the Carolinas appeared to be growing in fits and starts over the past several months. Our headline current general business conditions index jumped to 5 in November from -4 a month earlier. This measure has now swung back and forth between positive and negative territory for the past five months. Current sales revenues climbed eight points higher to a barely positive reading of 1. The apparently more robust current conditions generated more optimism about coming months. The general business conditions expectations index rose thirteen points to 36 in November (its highest reading since June) and the sales expectations measure jumped to 36 from 17 in October.





Labor Market Conditions

The results for labor demand were disappointing, but not all that surprising given declines in payroll employment in the Carolinas in recent months. The current labor demand index (number of workers) dropped to -6 in November from 1 a month earlier. This represents the first negative reading in this index since September 2010. Moreover, the average workweek metric also fell sharply, to -7 from 0 in October. Both current labor demand indicators have been softening in recent months. In contrast to the current indexes, labor demand expectations indexes moved higher.

The current labor supply measure was largely unchanged, coming in at 2 in November compared to 1 in October. It appears that firms could find the help they needed, although labor was not overly abundant. And despite expectations for firmer labor demand in coming months, the labor availability expectations index increased to 6 from 0 in October.

Business Spending

All three current business spending components moved higher in November. The index for total capital expenditures increased to 5 from 3 in October, while the measure for spending on equipment and software rose to 14 from 7. Meanwhile, the business services spending indicator also moved higher by a couple of points, but was still in negative territory in November (-3).

Business spending plans firmed up across the board in November. The total capital expenditures expectations index jumped twelve points to 29, its

highest reading since April. At the same time, the comparable equipment and software number rose to 25, from 17 in October. Even the business services spending expectation index jumped in November, to 12 from 3 a month earlier.

Prices

Price pressures appeared to ease further in November. The current prices paid index dipped to 1.69 percent from 2.01 percent in October while the prices received index fell to 1.20 percent from 1.51 percent. Labor cost pressures also moderated further, as the current wage index declined to 3 in November from 7 in October.

While most respondents expect future prices to exceed current prices, the expectations indexes fell again. Expectations for prices paid eased to 2.55 percent in November from 2.58 percent the previous month while expectations for prices received fell to 1.69 percent from 1.86 percent a month earlier. Despite easing prices, firms generally remain under a lot of margin pressures.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Nov-11	Oct-11	Sep-11	Nov-11	Oct-11	Sep-11
General Business Conditions	5	-4	2	36	23	19
Sales	1	-7	7	36	17	17
Employment						
Number of Employees	-6	1	5	17	10	6
Availability of Skills Needed	2	1	-1	6	0	1
Average Workweek	-7	0	-1	11	2	1
Wages	3	7	9	28	19	21
Spending						
Business Services Expenditures	-3	-6	-6	12	3	1
Total Capital Expenditures	5	3	1	29	17	10
Equipment or Software	14	7	5	25	17	12
Price Trends³						
Prices Paid for Inputs	1.69	2.01	2.04	2.55	2.58	2.28
Prices Received for Outputs	1.20	1.51	1.31	1.69	1.86	1.70

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