

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*Carolinas Business Activity and Outlook Firmed in January; Labor Demand Was Still Soft*

### Overview

Broadly speaking, economic conditions appeared to solidify in the Carolinas as 2012 got under way, according to responses to our January business activity survey. The general business conditions index was positive and moved higher for the third straight month. Meanwhile, the sales index was unchanged and remained in positive territory for the third straight month. Respondents were more upbeat that business activity would improve in the coming months as both corresponding expectations indexes jumped in January.

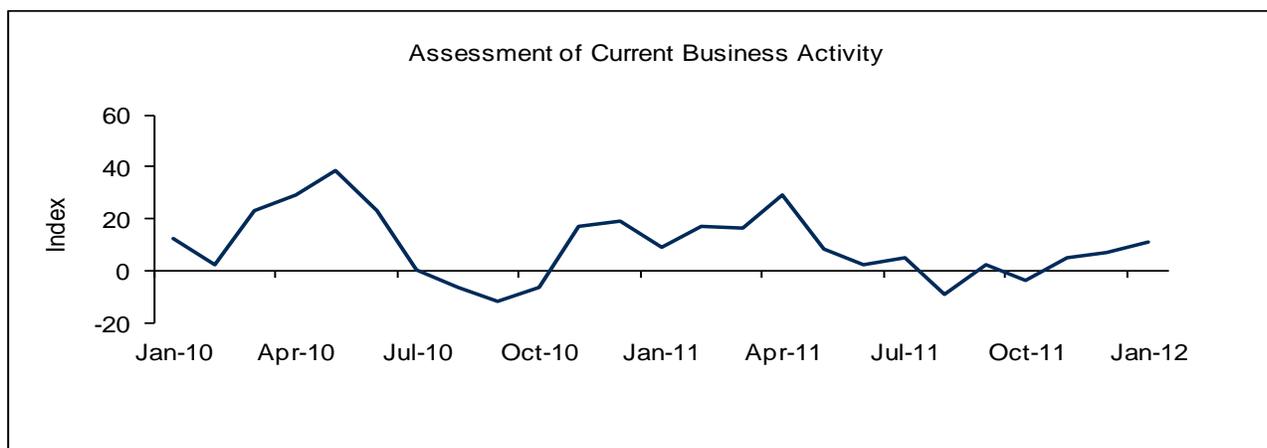
Despite the improvement in general business conditions during the month, firms seemingly remained reluctant to add workers. Both the labor demand (number of workers) and average hours indexes remained negative in January, suggesting little improvement in the region's current labor market situation. But when asked about future labor demand, a greater share of respondents indicated that their needs would increase. The current and expected availability of skills index (the supply side indicators) remained positive, suggesting little change in the availability of skilled workers.

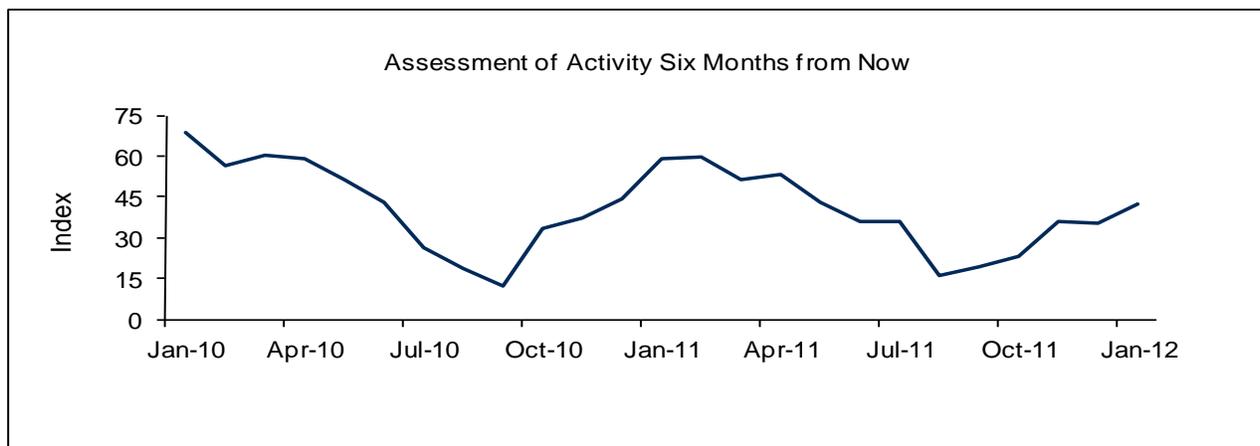
Businesses were more cautious about spending in January. Each of the three current business

spending measures (total, equipment and software, and services) moved lower during the month, while the spending expectations metrics were slightly softer than in December. Meanwhile, the pricing indicators pointed to decelerating inflation pressures in the region. The current prices paid and prices received indexes dipped as did the corresponding expectations measures. A bigger decline in the prices received measures suggests more pressure on margins.

### General Business Assessments

Responses to our January survey indicate that a greater share of firms was seeing improved conditions. The current general business conditions index increased to 11 from 7 in December, the third monthly increase in a row. January's reading was the index's highest since April 2011. While the general business index rose again, the current sales metric held at 2 and has changed little over the last three months. Looking forward, survey respondents were much more optimistic about conditions six months from now. The expected general business conditions expectations index increased seven points to 42 in January, its highest level since May of last year. The sales expectations index increased to 45 in January, also the highest since April 2011.





### Labor Market Conditions

As has been the case in recent months, the labor demand indicators remained weak despite the apparent pickup in business activity. The current number of workers index edged down to -5 in January from -4 a month earlier. This index has been negative for three straight months, the first such streak since the end of 2009. The average workweek indicator increased by four points, but was negative for the fourth time in the last five months. The expected number of workers index increased to 20 in January from 13 a month earlier, while the expected average hours measure moved up to 17 from 16 in December.

On the supply side, the current availability of skills index increased to 8 this month from 3 in December. The expected availability of skills index moved down nine points to 3 as firms apparently expected labor markets to tighten up in the coming six months.

### Business Spending

After firming notably in December, the current business spending measures took a step back in January as each of the three declined during the month. The biggest deterioration was recorded for the current total capital expenditures measure, which decreased to 2 from 11. The business services index dipped to 0 from 3 a month earlier. The current equipment or software metric, which has remained reliably robust for several months, inched down to 11 from 13.

The spending expectations measures were a mixed bag. The expected total capital expenditures

measure increased two points in January to 20, while the comparable equipment or software index fell five points to 20. The expected business services metric was unchanged at 12.

### Prices

The current pricing measures rose in December but reversed course in January. The current prices paid index dropped to 1.97 percent from 2.33 percent a month earlier and the current prices received metric fell to 0.57 percent from 1.70 percent. Taken together, these two indexes would suggest more margin pressures than a month earlier.

The pricing expectations measures moved similarly. The expected prices paid index decreased to 2.37 percent from 2.55 percent in December while the expected prices received component declined to 1.52 percent from 1.81 percent.

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	Jan-12	Dec-11	Nov-11	Jan-12	Dec-11	Nov-11
General Business Conditions	11	7	5	42	35	36
Sales	2	2	1	45	36	36
<b>Employment</b>						
Number of Employees	-5	-4	-6	20	13	17
Availability of Skills Needed	8	3	2	3	12	6
Average Workweek	-2	-6	-7	17	16	11
Wages	7	5	3	32	26	28
<b>Spending</b>						
Business Services Expenditures	0	3	-3	12	12	12
Total Capital Expenditures	2	11	5	20	18	29
Equipment or Software	11	13	14	20	25	25
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.97	2.33	1.69	2.37	2.55	2.55
Prices Received for Outputs	0.57	1.70	1.20	1.52	1.81	1.69

### 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