

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Business Activity Improved Materially in February; Labor Demand Also Picked Up

Overview

Regional business conditions strengthened further in February according to responses to our Carolinas Survey of Business Activity. Both of the key current business activity indexes (general business conditions and sales) improved materially in February and reached their highest readings since April 2011. While the corresponding expectations indexes did not increase during the month, both remained firmly in expansion territory, signaling that firms expect the economy to continue improving in coming months.

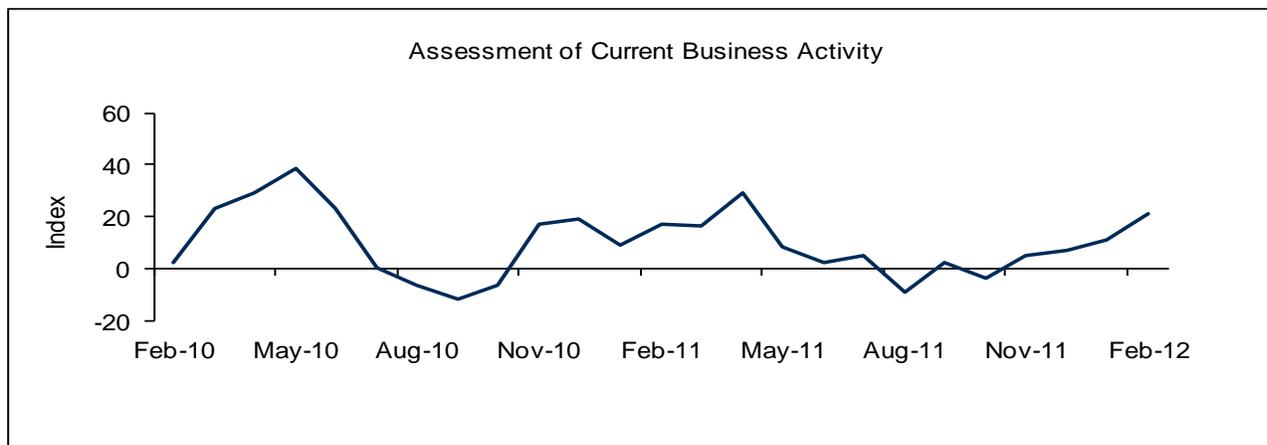
Perhaps the most encouraging aspect of the survey results was a sharp increase in the labor demand measures. In recent months, labor demand remained weak even as general business conditions were reportedly improving. That changed in February. The current number of workers and average hours indexes swung from negative to positive territory. The corresponding expectations indexes, which were already positive, also moved higher. Meanwhile, the availability of skills indexes, current and expected, were largely unchanged from the prior month.

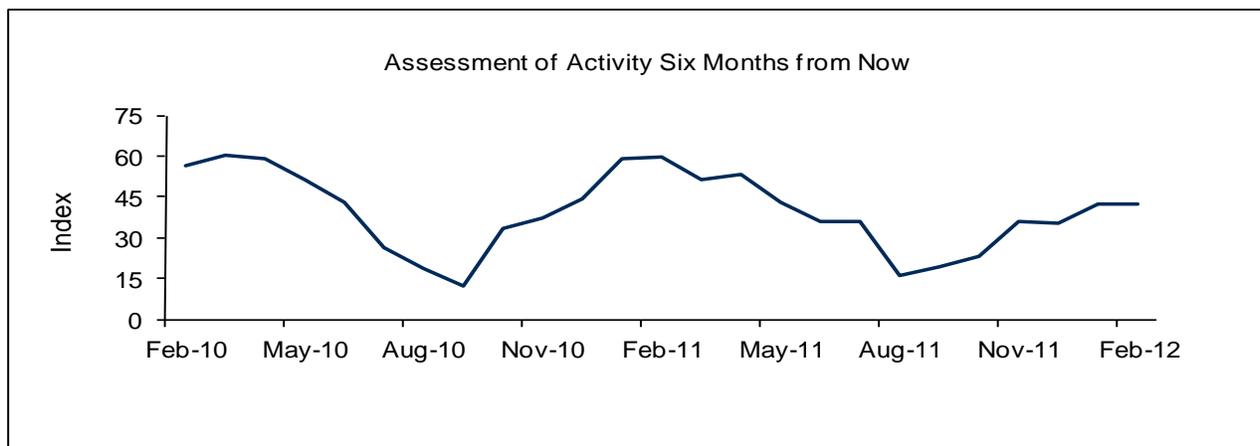
Continuing the positive tone, survey responses showed an improvement in business spending

during February. All three of the current business spending measures increased from January's readings, and all three were positive. The associated spending expectations metrics were solidly in expansion territory and changed little during the month. Meanwhile, the pricing components moved slightly higher across the board. The current pricing indexes suggested that margin pressures eased a bit over the month, but the expectations indexes show that respondents do not expect that to endure.

General Business Assessments

Responses to our February survey point to a broad-based improvement in business conditions during the month. The current general business conditions index jumped ten points to 21 in February. It was the fourth monthly increase in a row, and the largest since a thirteen-point increase in April 2011. Respondents were undoubtedly encouraged by a pickup in revenues, as the current sales index rose to 14 in February from 2 in January. Even though business activity had been picking up in recent months, the sales component was not keeping pace, often falling well below the business activity index. The business conditions expectations index held at 42 in February while the sales expectations measure eased back to 39 from 45.





Labor Market Conditions

In a welcome reversal of trends, both of the current labor demand indexes leaped from negative to positive territory. The current number of workers measure increased to 13 in February from -5 a month earlier. It was the first positive reading in four months and the second highest of the last 15 months. The current average hours metric jumped to 7 from -2 in January. The increases in current labor demand were accompanied by increases in expectations as well. The expected number of workers measure rose to 22 in February from 20 a month earlier, while the expected average hours index moved up to 19 from 17.

On the supply side, the current availability of skills index decreased to 5 this month from 8 in January. The expected availability of skills index was unchanged (at 3) after falling sharply the previous month, as firms apparently expected labor markets to tighten up in coming months.

Business Spending

The general improvement in business conditions was matched by a rebound in business spending measures. Each of the three current business spending indexes increased in February after each declined in January. The most notable increase took place in the total capital spending metric, which jumped to 11, a nine-point increase from January. The current equipment or software measure rose to 16 from 11, and the business services number edged up to 2 from 0.

The business spending plans measures were mostly unchanged during the month. Total capital spending plans inched up to 23 from 20, while the business services number dipped to 11 from 12. The equipment or software spending expectations index was unchanged at 20 in February.

Prices

The current prices measures firmed in February. The current prices paid index increased to 2.20 percent, from an increase of 1.97 percent in January. And the current prices received metric moved up to 1.39 percent from 0.57 percent a month earlier. These metrics are stated as annualized rates of increase, and show a little less margin pressure in February.

This slight upward trend was evident in pricing expectations results as well. The expected prices paid index moved up to 2.68 percent in February from 2.37 percent, while the expected prices received metric edged up to 1.58 percent from 1.52 percent.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Feb-12	Jan-12	Dec-11	Feb-12	Jan-12	Dec-11
General Business Conditions	21	11	7	42	42	35
Sales	14	2	2	39	45	36
Employment						
Number of Employees	13	-5	-4	22	20	13
Availability of Skills Needed	5	8	3	3	3	12
Average Workweek	7	-2	-6	19	17	16
Wages	11	7	5	31	32	26
Spending						
Business Services Expenditures	2	0	3	11	12	12
Total Capital Expenditures	11	2	11	23	20	18
Equipment or Software	16	11	13	20	20	25
Price Trends³						
Prices Paid for Inputs	2.20	1.97	2.33	2.68	2.37	2.55
Prices Received for Outputs	1.39	0.57	1.70	1.58	1.52	1.81

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