

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Business Activity Improved Again in March; Expectations Remained High

Overview

Business conditions strengthened again in March 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 and reached their highest readings in several months. While the corresponding expectations indexes moved down slightly during the month, both remained solidly in positive territory, showing that firms expect the economy to continue improving in coming months.

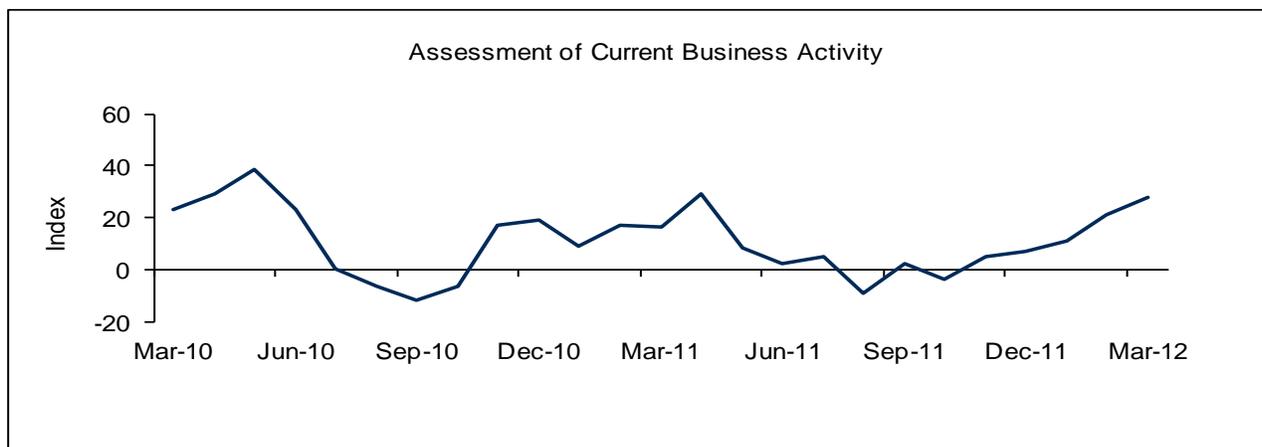
Encouragingly, the labor demand indicators (number of employees and average hours) were in positive territory again last month. Prior to February's results, labor demand remained weak even as general business conditions were reportedly improving. Although they moved down somewhat, the current number of workers and average hours indexes were positive again in March, suggesting more new hiring. The corresponding expectations indexes slipped as well, but remained positive. Meanwhile, the current availability of skills index was unchanged from the prior month.

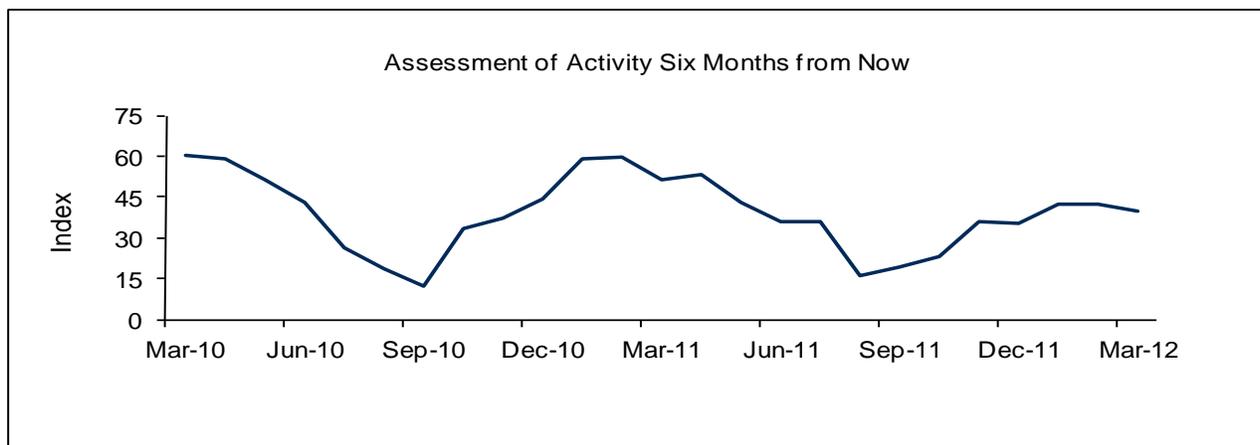
Business spending continued to increase during March, according to survey responses. Two of the

three current indicators moved higher while the third (equipment or software) held firmly in positive territory. The corresponding spending expectations metrics were solidly in expansion territory, albeit lower than during February. Meanwhile, the pricing components moved higher. The current pricing indexes both increased during the month, as did the corresponding price expectations measures. The gap between the increase in prices paid and prices received suggested heightened margin pressures.

General Business Assessments

Responses to our Carolinas Survey of Business Activity in March again point to considerable improvement in business conditions during the month. The current general business conditions index increased seven points to 28 in March. It was the fifth straight monthly increase. Only once in the past 22 months did the index come in higher. Respondents could only be encouraged by stronger sales as the current revenues index rose to 19 in March, a five-point increase from February. Meanwhile, expectations for the business environment six months down the road remained high, even though they dipped in the latest reading. The general business conditions expectations index came in at 40 in March while the sales expectations measure was 34.





Labor Market Conditions

Both of the current labor demand indexes were in expansion territory for the second month in a row, although the data pointed to a slower (but still positive) pace of new hiring. The current number of workers measure was 7 in March, down six points from February, while the average workweek metric held at 7. Labor demand has firmed in recent months as business activity and expectations have picked up. Similar trends could be seen in labor demand expectations as well. The expected number of workers measure moved down to 14 in March from 22 in February and the expected average hours index decreased to 14 from 19 a month earlier.

On the labor supply side, the current availability of skills index held steady at 5 in March. Meanwhile, the expected availability of skills index fell to -1 this month from 3 in February. A negative reading in this measure indicates that more respondents expect to find fewer adequately skilled workers to fill open positions in the months ahead.

Business Spending

The relative improvement in general business conditions spurred increases in business spending measures. Regarding to the current measures, the total capital spending index increased to 18 in March (the highest in nearly a year) from 11 a month earlier, while the business services spending metric improved to 5 from 2. Meanwhile, the equipment and software spending measure held at a solid 16 in March.

The business spending plans measures were somewhat lower than in February, but were still firm. Total capital spending plans moved down to 19 in March from 23 a month earlier. At the same time, the business services number fell to 6 from 11 in February, and the equipment or software spending expectations index decreased to 17 from 20.

Prices

The current prices measures increased in March. The current prices paid index accelerated to 2.93 percent from 2.20 percent in February, and the current prices received metric moved up to 1.62 percent from 1.39 percent a month earlier. After easing in recent months, responses suggest more margin pressures in March.

This acceleration in price increases was evident in expectations results as well. The expected prices paid index moved up to 3.02 percent from 2.68 percent in February while expected prices received increased to 1.82 percent from 1.58 percent.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Mar-12	Feb-12	Jan-12	Mar-12	Feb-12	Jan-12
General Business Conditions	28	21	11	40	42	42
Sales	19	14	2	34	39	45
Employment						
Number of Employees	7	13	-5	14	22	20
Availability of Skills Needed	5	5	8	-1	3	3
Average Workweek	7	7	-2	14	19	17
Wages	14	11	7	22	31	32
Spending						
Business Services Expenditures	5	2	0	6	11	12
Total Capital Expenditures	18	11	2	19	23	20
Equipment or Software	16	16	11	17	20	20
Price Trends³						
Prices Paid for Inputs	2.93	2.20	1.97	3.02	2.68	2.37
Prices Received for Outputs	1.62	1.39	0.57	1.82	1.58	1.52

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