

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business Activity Increased in the Carolinas in April; Respondents Remained Optimistic

Overview

Our Carolinas Business Activity Index continued to trend higher in April. The current general business conditions index rose for the sixth straight month and reached its highest point in nearly two years. As is often the case, the improvement in the current business conditions index was driven by higher revenues. Survey responses also indicated continued optimism about future economic activity, as the expected conditions and revenues components remained solidly positive.

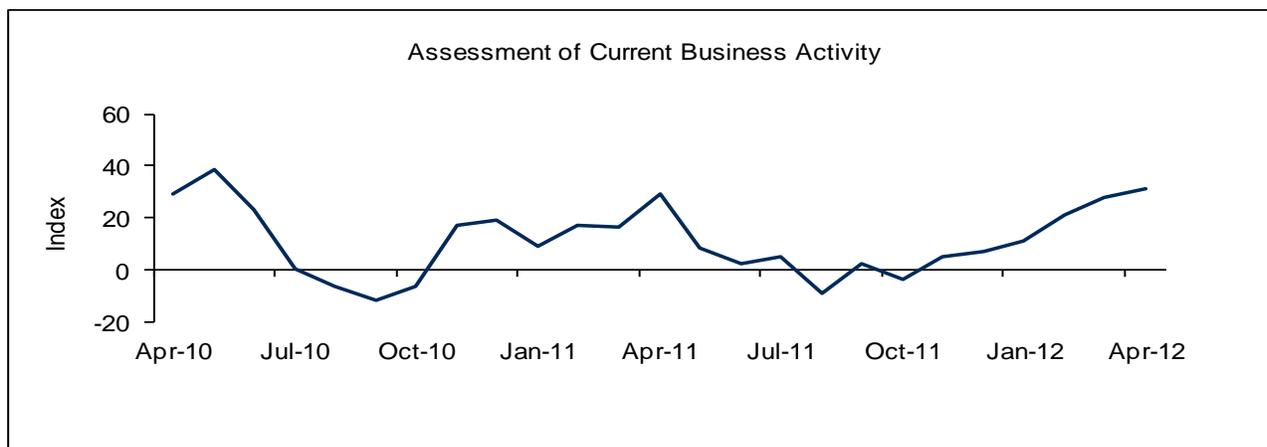
Both of the current labor demand indicators (number of workers and average hours) were positive in April. Employment in the Carolinas fell more sharply during the recent downturn and it climbed out of the trough more slowly. Earlier in the recovery, the current employment demand indicators remained negative even as current business conditions measures moved into positive territory. The region's labor market outlook has brightened considerably since that time as our survey's labor demand measures (current and future) have generally moved higher.

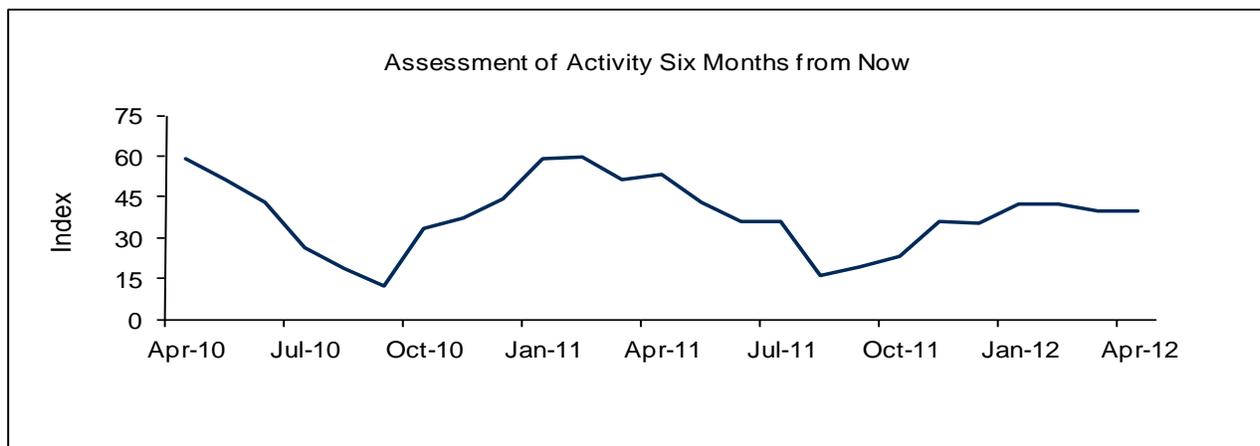
With regards to business spending, each of the three current spending metrics was firmly positive in April, although the directional changes were mixed.

Each of the corresponding spending expectations measures inched up a bit from March readings, and each was positive. On balance, price indexes declined in April. Respondents indicated that current prices paid increased at a slower pace, as did prices received. However, the deceleration in prices paid was more pronounced, indicating a little less margin pressure. Respondents expect price increases to accelerate a bit in coming months, but no more than was the case in March.

General Business Assessments

Results from our Carolinas Survey of Business Activity in April added more support to the notion that the region's recovery has regained its footing. The current general business conditions index, our headline measure, increased to 31 from 28 a month earlier. April's reading was the highest since reaching 39 in May 2010. Accompanying the increase in general business conditions in April was an upward move in sales revenues. The current revenues measure inched up to 22 from 19 in March. It was the highest current revenue reading in 12 months. Respondents also expect conditions to improve materially in coming months. The expected business conditions and revenues measures were unchanged in April, at 40 and 34, respectively.





Labor Market Conditions

Both of the current labor demand indicators remained positive for the third straight month, pointing toward continued net new hiring. The current number of workers index was largely unchanged in April (6 versus 7 a month earlier) but the current average hours index jumped to 12 from 7 a month earlier. The April average hours reading was its highest since November 2010. Respondents generally expect labor demand to pick up in coming months as the expected number of workers metric rose to 17 from 14, while the expected average hours measure remained positive at 12.

Labor supply appeared to be more constricted in April, at least according to survey responses. The current availability of labor index slipped into negative territory (-1) for the first time since September 2011 and just the third time since the recovery got under way. A negative reading here suggests that more respondents reported fewer qualified workers than those who reported more. Interestingly, the expected availability measure increased to 8 in April, from -1 in March.

Business Spending

The index reflecting current spending on equipment or software increased to 17 in April, matching the second highest reading in the survey's history (which dates back to January 2008). Meanwhile, the current business services spending measure jumped to 10 in April from 5 a month earlier, its highest reading in more than a year. The total capital spending metric gave up some ground in April, but was still solidly positive (11).

Business spending expectations firmed across the board during April as general business conditions improved. Total capital spending plans moved up to 21 from 19 in March, while the equipment or software spending expectations index jumped to 24 from 17 a month earlier. At the same time, the business services spending plans metric moved up to 8 in April from 6 in March.

Prices

Respondents reported some relief on inflation in April, and margin pressures appeared to ease a bit. The current prices paid index came in at 2.49 percent after reaching 2.93 percent in March, while the current prices received measure dipped to 1.26 percent in April from 1.62 a month earlier.

Pricing expectations were little changed during the month. The expected prices paid index was unchanged in April, at 3.02 percent while expected prices received growth rate dipped to 1.79 percent from 1.82 percent in March.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Apr-12	Mar-12	Feb-12	Apr-12	Mar-12	Feb-12
General Business Conditions	31	28	21	40	40	42
Sales	22	19	14	34	34	39
Employment						
Number of Employees	6	7	13	17	14	22
Availability of Skills Needed	-1	5	5	8	-1	3
Average Workweek	12	7	7	12	14	19
Wages	10	14	11	22	22	31
Spending						
Business Services Expenditures	10	5	2	8	6	11
Total Capital Expenditures	11	18	11	21	19	23
Equipment or Software	17	16	16	24	17	20
Price Trends³						
Prices Paid for Inputs	2.49	2.93	2.20	3.02	3.02	2.68
Prices Received for Outputs	1.26	1.62	1.39	1.79	1.82	1.58

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