

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Business Activity Indexes Generally Softened in June, But Remained Positive

Overview

The regional economy continued to expand in June, although results from our Carolinas Survey of Business Activity suggest that the pace of expansion slowed. The current general business conditions index eased for the second month in a row even as it remained solidly in positive territory. Despite the decline in the general business sentiment measure, the current sales revenue index actually increased slightly. The comparable forward looking measures held in positive territory, although the sales revenues expectation metric moved lower.

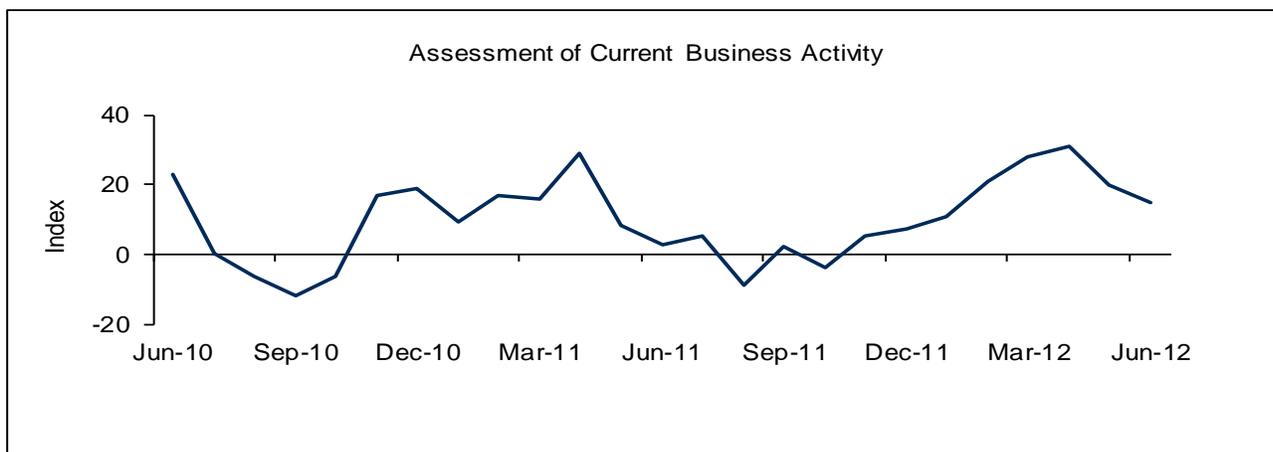
The labor market indicators offered mixed results in June. The current number of workers index held at an encouraging level while the current average hours index fell to near 0. A nearly identical trend played out in the corresponding expectations readings, with a slight easing in labor demand and a near 0 reading for average hours. The slight softening in labor market demand indicators does not come as a surprise given recent trends in general business sentiment.

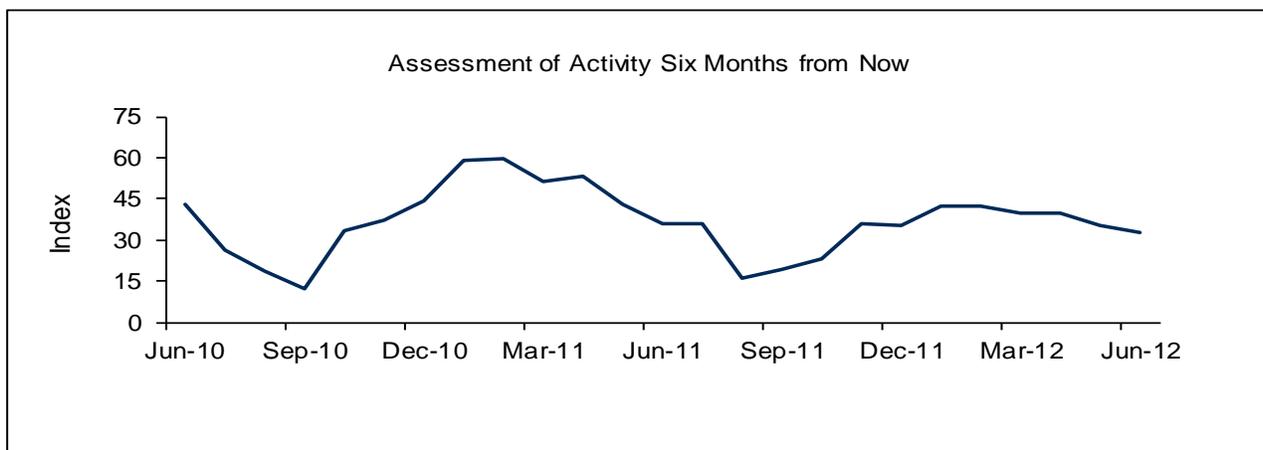
In general, business spending and spending expectations moderated along with respondents' assessments of business conditions. Each of the three current business spending measures eased

modestly in June, as did the respective expectations numbers. Still, each remained in positive territory, suggesting that such spending was expanding, albeit at a slower pace. Current price increases, paid and received, moderated in June. The gap between current prices paid and prices received (a proxy for margin pressures) changed little. Meanwhile, results show that respondents anticipate some relief on margins in coming months as prices paid are expected to advance at a slower pace than prices received.

General Business Assessments

Our survey's current general business conditions index fell to 15 in June from 20 a month earlier. June marked the second straight monthly decline in this measure following a string of six straight increases. In April, this index reached 31, the highest level in nearly two years. Still, a positive reading of 15 shows that more respondents reported a pickup in activity compared to those who noted a slowdown. Despite the fall in the general business conditions index, the current sales revenue measure edged up to 12 in June from 11 in May. Meanwhile, the general business conditions expectations index eased down to 33 in June (from 35) while the sales revenue metric dropped to 24 from 32 in May.





Labor Market Conditions

The movement in measures of current labor demand brought mixed news in June but, on balance, continued to suggest firm labor demand. The current number of workers index came in at 10 this month, a two-point decrease from May. However, a larger decline was evident in the other measure of labor demand, average hours, which fell to 1 from 16. Combined these indicators suggest that firms continued to add workers in June, but average hours per worker were flat. Similar trends were evident in the corresponding expectations measures as the expected number metric dipped to 12 from 15 and the average hours declined to 1 from 9.

Turning to the labor supply, the current availability of skills index was near 0 for the third straight month, which would suggest no general change in the availability of labor. At the same time, the expected availability of skills metric dropped six points to a level of 2 in June. Positive readings in this metric are consistent with limited concern that skills shortages will develop in coming months.

Business Spending

The current business spending indexes held up relatively well in June, despite softening in the broader business conditions measures. The index reflecting current spending on business services was largely unchanged from May, at 8. Meanwhile, the current equipment and software measure declined to 14 in June from 18 a month earlier. The current total capital expenditures index also declined in June, to 16 from 21 in May.

Each of the three business spending expectations indexes moved lower in June. The most notable decline occurred in the equipment and software spending expectations metric, which decreased by eight points from May's level and settled in at 8. The business services spending expectations indicator declined five points (to 3 from 8) while the total capital spending expectations measure fell from points (to 18 from 22).

Prices

On balance, price pressures appeared to ease in the region during June. The current prices paid measure dipped to 2.38 percent from 2.69 percent a month earlier, while the prices received measure fell to 0.98 percent from 1.26 percent. Despite the decline in current price metrics, margin pressures were mostly unchanged. At the same time, the expected prices paid index moved lower while the expected prices received measure moved higher.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Jun-12	May-12	Apr-12	Jun-12	May-12	Apr-12
General Business Conditions	15	20	31	33	35	40
Sales	12	11	22	24	32	34
Employment						
Number of Employees	10	12	6	12	15	17
Availability of Skills Needed	1	0	-1	2	8	8
Average Workweek	1	16	12	1	9	12
Wages	13	5	10	17	23	22
Spending						
Business Services Expenditures	8	9	10	3	8	8
Total Capital Expenditures	16	21	11	18	22	21
Equipment or Software	14	18	17	14	22	24
Price Trends³						
Prices Paid for Inputs	2.19	2.70	2.49	2.38	2.69	3.02
Prices Received for Outputs	0.98	1.26	1.26	1.57	1.36	1.79

Technical Notes:

- 1 Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. Data are not seasonally adjusted.
- 2 Expectations refer to the time period six months out from the survey period.
- 3 Price changes are expressed as a percent change, annualized.
- 4 Table has been revised to reflect changes in survey questions beginning December 2010