

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

### *Business Activity Picked up Slightly in November, As Did Expectations*

#### Overview

The region's economic expansion remained sluggish heading into the holiday season, according to responses to our Carolinas Survey of Business Activity. The current general business conditions index increased in November and was positive for the third month in a row, but it remained well below levels established early in the year. There was a little more improvement in the current sales metric, which swung from negative to positive during the month. Expectations for business conditions six months from now also moved higher.

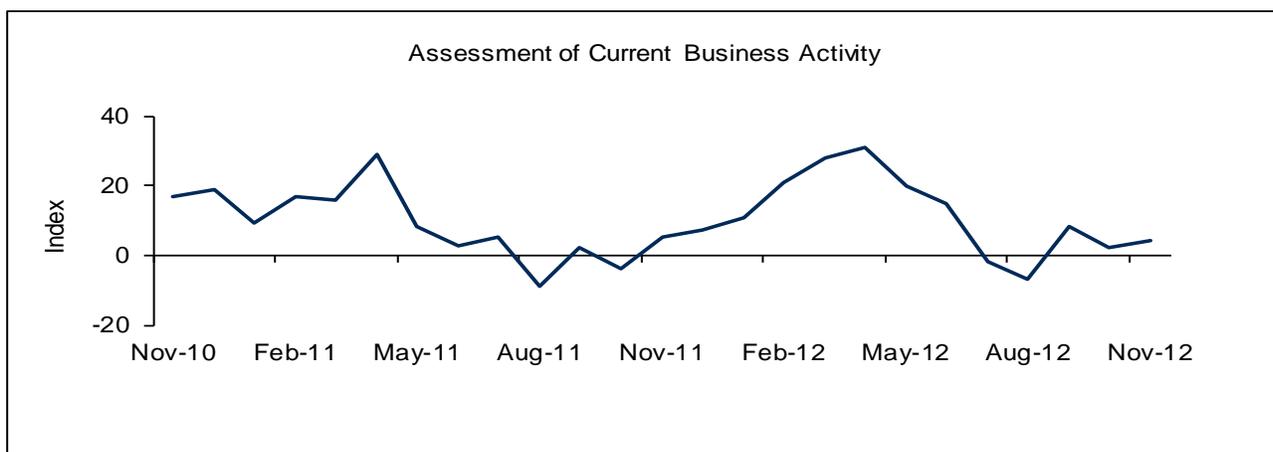
The modest improvement in respondents' assessments of general business activity did not appear to benefit the region's beleaguered labor markets. On balance, our current labor demand indicators (number of workers and average workweek) headed lower in November, suggesting more softness rather than less. And while the expected labor demand metrics inched up, they could not be described as robust.

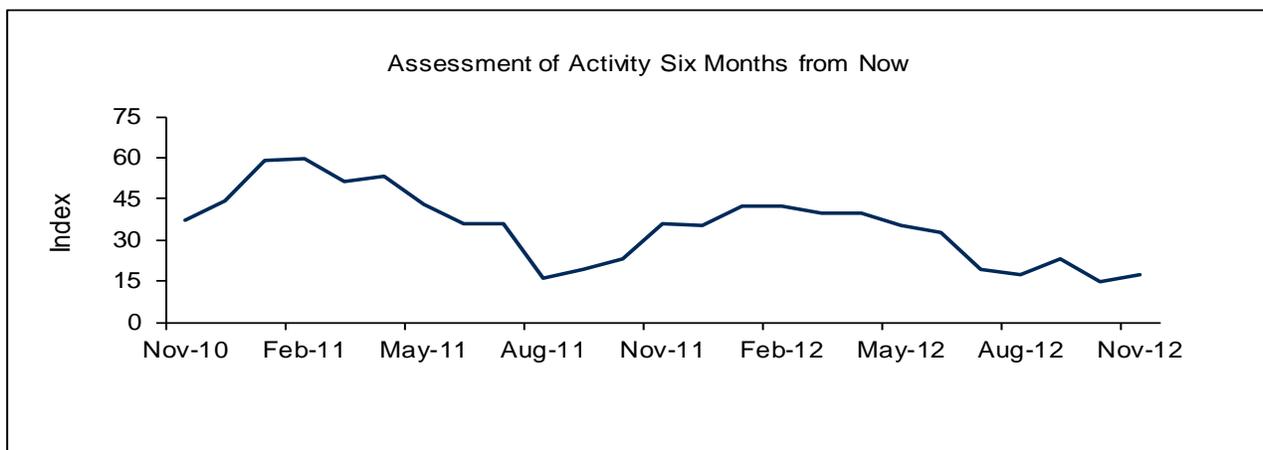
Unlike what was seen in the labor demand indicators, the business spending metrics firmed along with general business sentiment. The current capital expenditures measures (total and equipment or software) increased in November, as did their

corresponding expectations metrics. By contrast, firms remained reluctant to spend on business services as the current measure remained in negative territory and its corresponding expectations indicator was at 0, which indicates no change. On the brighter side, inflation appeared to ease in November, as did expectations for inflation six months from now. Both current pricing metrics (paid and received) declined, as did their corresponding expectations measures.

#### General Business Assessments

Current business conditions appeared to settle into a slow growth pattern following a few months of volatility. Our current general business conditions index inched up two points in November to 4. The increase follows a six-point drop in October and a 15-point jump in September. A bigger monthly increase was evident in the current sales indicator, which rose to 9 in November from -1 a month earlier. The 10-point swing was the largest since February, when the economy appeared to be on firmer footing. Expectations also moved higher in a pattern similar to that in the current assessments—the expected general business conditions metric edged up two points (to 17) and the expected sales indicator jumped by 10 (to 23).





### Labor Market Conditions

Unfortunately for workers in the Carolinas, the modest improvement in general economic conditions and expectations did not appear to translate into an increase in the pace of hiring. In fact, on balance, our labor demand indicators softened. The current number of workers on payrolls metric dipped four points to -5 in November, delving deeper into negative territory, while the current average workweek measure edged down to 1 from 2 in October. Neither index paints a positive picture for labor markets in November. The forward looking measures reflected more optimism, but not much more. The expected number of workers index increased to 3 in November from 0 in October and the comparable average workweek metric edged up to 4 from 2. In an interesting development, the current availability of skills index swung from positive to negative territory, suggesting that more firms saw a decline in the ranks of qualified workers.

### Business Spending

Turning to business spending, the current metrics generally suggested that more firms were willing to spend on capital equipment in November than they were during October, but were less willing to lay out funds for business services. The current total capital expenditures index jumped 11 points in November to 6, while the current equipment or software measure edged up one point from the prior month to 4. The current business services spending index also increased, but it remained entrenched in negative territory.

Generally speaking, there was a more notable improvement in business spending expectations than in the current measures, again with the exception of business services. The total capital expenditures expectations index jumped to 12 in November from 4 a month earlier, while the equipment or software spending expectations measure rose to 15 from 7. Meanwhile, the business services spending expectations indicator was 0 in November, which was in line with the average of the prior two months.

### Prices

Price pressures appeared to ease in November as our current prices paid index fell to 1.91 percent from 2.36 percent a month earlier and the current prices received measure declined to 1.32 percent from 1.49 percent. Both measures had been increasing in recent months.

Pricing expectations moved lower as well, but to a lesser extent. The expected prices paid indicator decreased to 2.62 percent from 2.73 percent a month earlier and the expected prices received measure edged down to 1.95 percent from 1.96 percent.

### Contact

#### Rick Kaglic

Regional Economist  
 Research Dept./Regional Economics  
 Federal Reserve Bank of Richmond  
 Charlotte Office  
 Office 704-358-2116 · Fax 704-358-2300  
[richard.kaglic@rich.frb.org](mailto:richard.kaglic@rich.frb.org)  
[www.richmondfed.org](http://www.richmondfed.org)

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	Nov-12	Oct-12	Sep-12	Nov-12	Oct-12	Sep-12
General Business Conditions	4	2	8	17	15	23
Sales	9	-1	6	23	13	15
<b>Employment</b>						
Number of Employees	-5	-1	-2	3	0	2
Availability of Skills Needed	-4	4	1	1	5	5
Average Workweek	1	2	-2	4	2	-1
Wages	-1	8	3	30	22	21
<b>Spending</b>						
Business Services Expenditures	-4	-7	-4	0	1	-1
Total Capital Expenditures	6	-5	5	12	4	11
Equipment or Software	4	3	9	15	7	13
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.91	2.36	2.24	2.62	2.73	2.65
Prices Received for Outputs	1.32	1.49	1.50	1.95	1.96	1.93

### 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