

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*The Region's Expansion Continued in March, Expectations Improved Again*

### Overview

Business conditions changed little from February to March, according to results from the most recent Carolinas Survey of Business Activity, and respondents became more optimistic about activity down the road. The headline current business conditions index dipped in March, but remained solidly positive for the second month in a row, underpinned by stronger sales results. Meanwhile, the comparable expectations measures for general business conditions and sales each jumped to their highest readings since last spring.

With output apparently increasing in the Carolinas, responding firms appeared less hesitant to add workers to their payrolls. The current number of employees index rose to its highest level in nearly a year, as did its comparable expectations metric. Both current and expected average weekly hours measures moved higher, although the former remained slightly negative.

Despite the reported continuation of expansion, responses to the survey's questions on business spending were quite varied in March. Of the three measures of current spending, the total capital expenditures index increased while the equipment or software spending and services spending

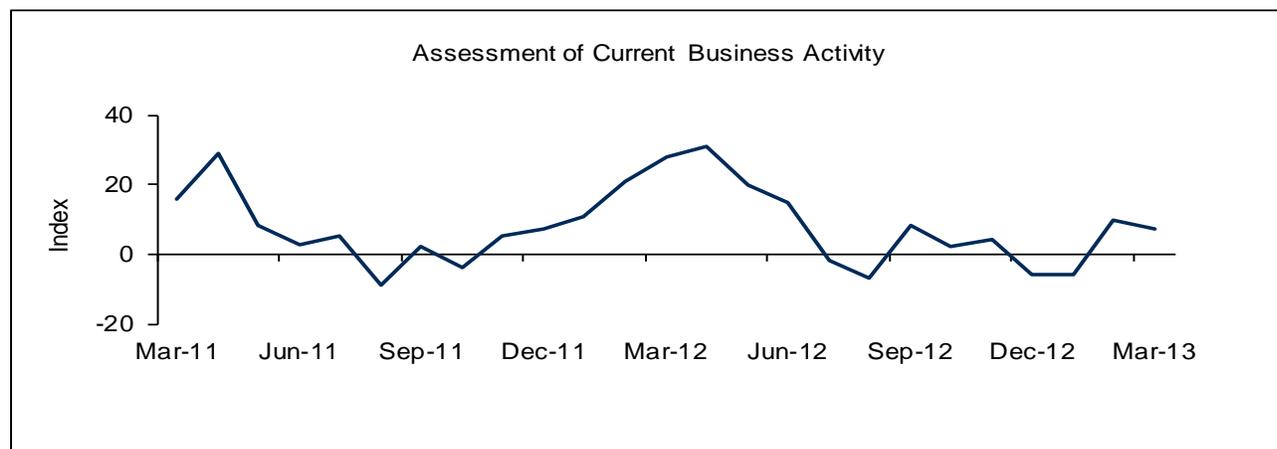
measures declined. While the expected business spending metrics got better from February, on balance, the improvement was slight.

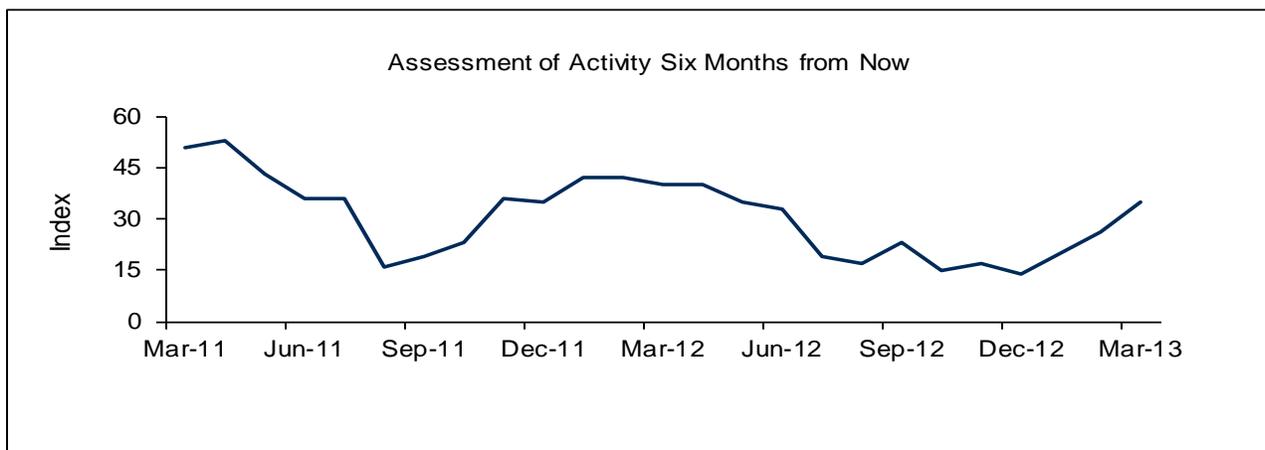
On the inflation front, respondents indicated that current input price increases moderated in March, but so too did current output price growth. A similar trend was observed in pricing expectations. A closer look at the results suggests that margin pressures increased during the survey period.

### General Business Assessments

After improving markedly in February, the region's economic expansion continued at a fairly steady pace in March, according to our Carolinas survey results, even as the current general business conditions index dipped three points from February, to 7. Despite the slight retrenchment, the headline current measure was positive for the second month in a row following negative readings in December and January. Perhaps participants' generally positive responses were a reaction to stronger sales.

Following three straight negative readings, the current sales metric increased to 7 in March from -1 a month earlier. Meanwhile, the expected general business conditions and expected sales indexes both increased to 35 in March, their highest levels since May 2012 and February 2012, respectively.





### Labor Market Conditions

Perhaps the most notable, and encouraging, sign to come out of the March survey was an apparent firming in labor markets. The current number of workers index (the key measure of hiring sentiment) increased to 4 in March from -4 a month earlier. The eight-point swing left the measure in positive territory for the first time in nine months. After dropping into sharp negative territory in December, the current average hours index increased for the third month in a row, rising to -1 in March from -3 in February. A reading this close to zero indicates that the current average work week was mostly unchanged.

Interestingly, the outlook for hiring six months from now did not change much from last month in spite of the improved outlook for business conditions in general, inching up to 8 from 7. The expected average work week metric showed a little more improvement as it rose to 14 in March, a five point increase from February and its highest reading in twelve months.

### Business Spending

While the firming in overall business conditions finally led to some positive movement in the labor demand indicators, the same could not be said for the business spending metrics, which generally declined. Of the three current business spending measures, only the total capital expenditures number increased in March, rising to 6 from 3 a month earlier. The current equipment or software spending index fell to 2 from 6 while the services spending metric dipped to -1 from 3.

Similar to what was recorded in the expected labor demand readings, there was very little change in the outlook for business spending despite the material increase in general business expectations. All three business spending expectations measures remained positive in March— those reflecting anticipated total capital outlays and equipment or software spending even inched up—but we may need to see a few more months of stronger general business conditions to reassure firms that the pickup in sales they have experienced in recent months will be sustained.

### Prices

The average current input price increase eased to 1.76 percent in March from 2.29 percent in February while the average output price increase dipped to 1.12 percent from 1.72 percent.

Meanwhile, respondents' predictions for future price increases also eased as the expected prices paid index moved down to 2.18 percent from 2.48 percent and the expected prices received measure fell to 1.31 percent from 1.82 percent.

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	Mar-13	Feb-13	Jan-13	Mar-13	Feb-13	Jan-13
General Business Conditions	7	10	-6	35	26	20
Sales	7	-1	-7	35	29	17
<b>Employment</b>						
Number of Employees	4	-4	-13	8	7	5
Availability of Skills Needed	2	2	-3	7	-1	2
Average Workweek	-1	-3	-8	14	9	2
Wages	5	14	6	24	25	22
<b>Spending</b>						
Business Services Expenditures	-1	3	-13	5	5	0
Total Capital Expenditures	6	3	0	13	12	4
Equipment or Software	2	6	-1	11	9	3
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.76	2.29	2.20	2.18	2.48	2.63
Prices Received for Outputs	1.12	1.72	1.27	1.31	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