

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*Carolinas' Expansion Moderated in July; Respondents Remained Bullish About the Future*

### Overview

The region's economic expansion appeared to moderate in July, according to the latest responses to the Carolinas Business Activity Survey. The headline current general business conditions index declined from June, although it remained positive. By contrast, the current sales indicator dropped into slight negative territory following three straight solid readings through June. Looking forward, the decline in current sales dampened respondents' optimism regarding business activity six months out.

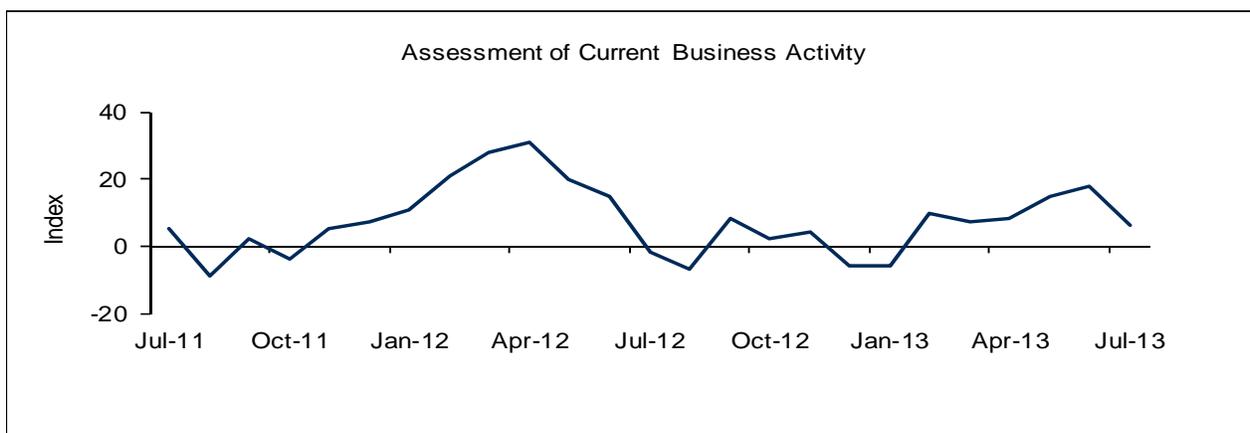
Current labor demand measures (number of workers and average weekly hours) were positive again in July, although they softened somewhat along with the general business conditions indicator. Moreover, the less positive assessment of current business conditions appeared to temper respondents' expectations for their labor needs in coming months.

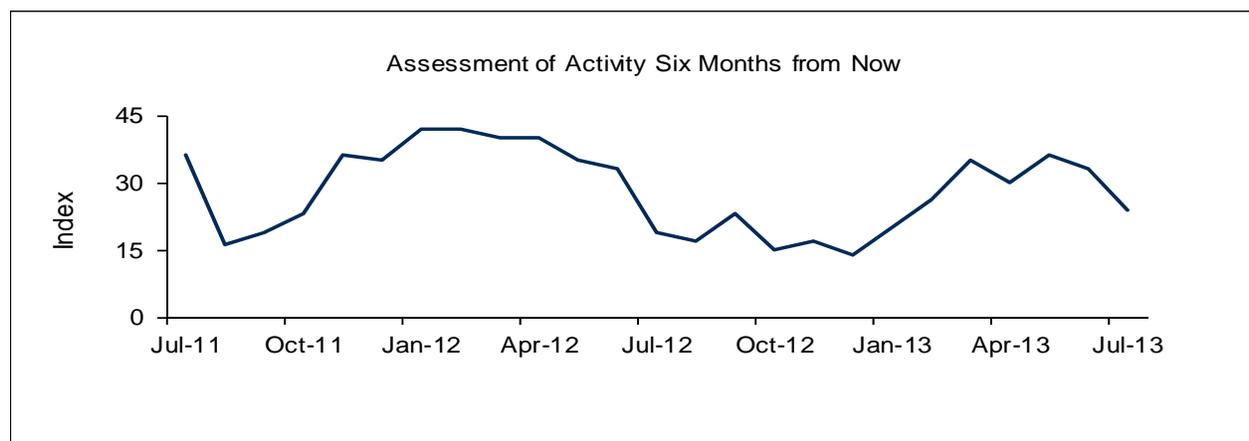
Current business spending showed no signs of slowing in July. Rather, the three indicators generally moved further into positive territory. That said, each of the three corresponding expectations measures declined, although all three remained firmly entrenched in expansion territory for the third month in a row.

Survey respondents indicated that input prices increased at a slightly faster pace in July while output prices advanced at a slower rate. A very similar trend emerged in the corresponding pricing expectations measures as well. Meanwhile, the average wages metrics, current and expected, moved lower from June to July.

### General Business Assessments

Business activity in the Carolinas appeared to moderate a bit in July, according to survey respondents. The headline current general business conditions index dipped to 6 this month from 18 in June. Despite the 12 point decline, the current general business conditions index remained solidly in positive territory for the sixth straight month. The decline in July was largely related to a softening in revenues. The current sales metric fell to -1 this month from 17 in June. It was the first negative current sales reading since February. The decline in current conditions seemingly altered respondents' expectations as well. The expected general business conditions index decreased to 24 in July from 33 a month earlier, while at the same time the sales expectations metric fell to 24 from 32. Both expectations measures averaged 25 for the 12 months ending in July.





### Labor Market Conditions

Current labor demand measures softened this month along with the general business conditions indicators, although they too remained positive. The current number of employees index moved down 7 points in July, to 3. Simultaneously, the current average hours worked indicator decreased to 3 this month from 12 in June. Readings above zero indicate that more respondents reported increases in their current staffing levels and average hours than those who reported a decrease. Thus, labor demand continued to rise in July, but at a slower pace than in June. When asked about future labor utilization, survey respondents appeared more cautious than they were in June. The expected number of employees index fell to 8 in July, a 7 point decline from June, when this measure reached its highest level in more than a year. Meanwhile, the expected average hours metric declined to 1 in July from 5 in June. Only once in the past 33 months has the expected average hours index fallen below zero.

### Business Spending

In a somewhat surprising development, current business spending measures strengthened in July even as respondents downgraded their assessment of current general business conditions. Two of the three current spending measures (business services and total capital expenditures) increased in July, while the third (equipment or software expenditures) was unchanged from June, and within one point of its highest reading of the past year.

The survey's corresponding business spending expectations indexes generally moved in the

opposite direction. The expectations metric for total capital expenditures dropped to 14 in July from 21 a month earlier, while the expectations index for equipment or software spending fell to 11 from 16. Despite these declines, both measures were above their 12-month averages. Meanwhile, the expected business services spending measure lost 6 points in July, falling to 4. As with the other two spending expectations measures, the services spending index remained above its longer-term average.

### Prices

The average increase in current prices paid edged up to 1.92 percent in July from 1.89 percent in June. At the same time, the average increase in current prices received dipped to 1.26 percent from 1.48 percent. These measures averaged 2.02 percent and 1.34 percent over the past 12 months, respectively.

Respondents see a similar pattern holding over coming months, as the expected prices paid indicator increased at a slightly faster pace in July compared to June, while the expected prices received measure increased at a slower pace.

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	Jul-13	Jun-13	May-13	Jul-13	Jun-13	May-13
General Business Conditions	6	18	15	24	33	36
Sales	-1	17	16	24	32	33
<b>Employment</b>						
Number of Employees	3	10	8	8	15	5
Availability of Skills Needed	4	5	5	2	5	4
Average Workweek	3	12	8	1	5	6
Wages	8	11	15	14	22	19
<b>Spending</b>						
Business Services Expenditures	6	4	8	4	10	6
Total Capital Expenditures	15	9	19	14	21	11
Equipment or Software	11	11	12	11	16	8
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.92	1.89	2.14	2.45	2.32	2.45
Prices Received for Outputs	1.26	1.48	1.41	1.52	1.74	1.78

### 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