

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Region's Expansion Steadied in August; Respondents' Expectations Bounced Up

Overview

Business activity in the region appeared to steady in recent months as the Carolinas Business Activity Index remained in positive territory in August, largely unchanged from July. The headline current general business conditions measure edged up, with respondents' perspectives likely boosted by increased sales. Expectations for general business activity and sales six months out solidified from July to August, with both bouncing back from declines the prior month.

Despite steadier current business activity, survey respondents indicated that labor demand had softened somewhat. The two measures of current labor demand (number of employees and average hours worked) declined modestly in August, with both falling into mild contraction territory. Meanwhile, expectations for labor demand were mostly unchanged from July.

At the same time, business spending on services and capital (total and equipment and software) continued to gain momentum in August. Each of the survey's three metrics reflecting current business spending increased from July, as did each of the three corresponding expectations measures.

Margin pressures appeared to ease from July to August, as respondents generally reported that

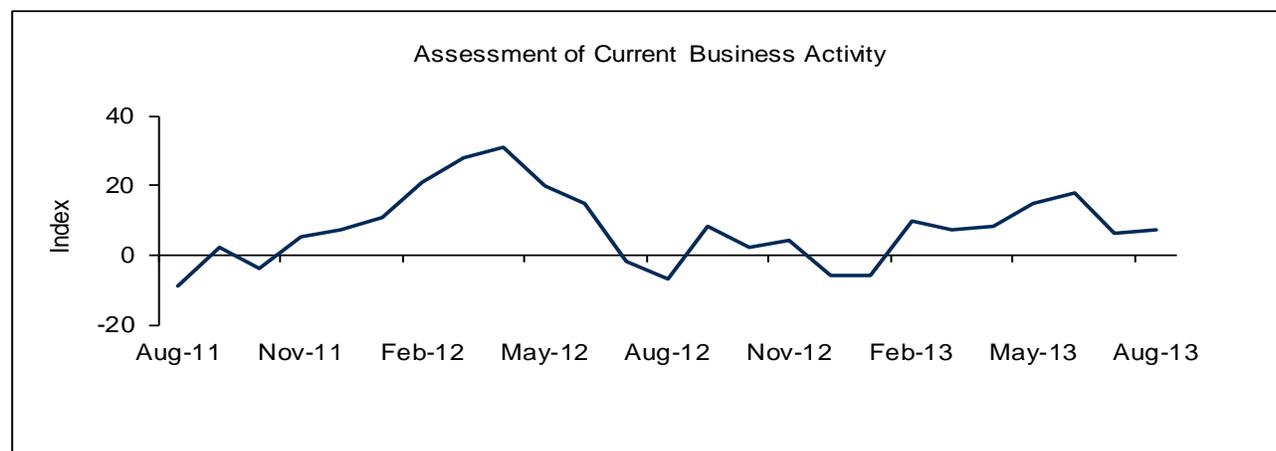
average input price increases slowed at the same time that average output price increases accelerated somewhat. Similar trends were evident in the corresponding price expectations averages as well.

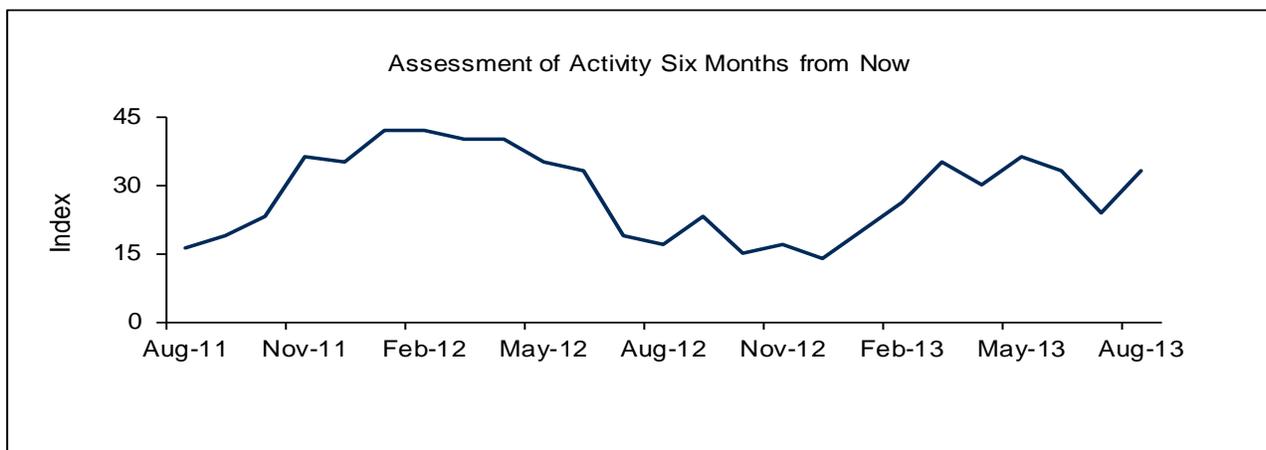
General Business Assessments

Following a notable slowing in growth during July, business activity appeared to steady in the Carolinas during August. The current general business conditions measure edged up one point to 7 in August, following a 12-point decline in July. August marks the seventh month in a row in which this measure has signaled expansion. Respondents' assessment of general business conditions likely benefitted from an increase in revenues, as the current sales metric rose to 5 in August from -1 in July. The semblance of stability in current activity appeared to bolster respondents' expectations for the coming six months as well. In August, the anticipated general business conditions index reclaimed the nine points it surrendered in July, finishing at 33. Meanwhile, the expected sales measure regained most (but not all) of the ground it lost last month by increasing to 29 in August from 24 in July.

Labor Market Conditions

In an unwelcome development, labor demand seemed to soften a bit between July and August,





even as general business conditions firmed. The survey's current number of employees index lost four points from July, settling in at -1 in August. While the decline wasn't severe, it did leave the current labor demand measure in negative territory for the first time in the past four months. At the same time, survey results suggested that growth in average hours worked had stagnated too, with the current average workweek index dipping to -1 in August from 3 a month earlier.

Expectations of labor demand six months from now were mostly unchanged. The anticipated number of workers index edged up to 9 in August from 8 in July. The readings in both months were right in line with the average readings over the first eight months of the year. With regards to expectations for the average workweek, there was no change as this metric remained at 1.

Business Spending

While respondents' demand for labor inputs waned in August, their appetite for other inputs picked up, as each of the three current business spending metrics increased. The current total capital expenditures index jumped to 22 in August from 15 a month earlier, while the current spending on equipment or software measure moved up to 15 from 11. The current business services spending index, often the weakest of the three, rose three points in August, to 9; its highest reading in more than a year.

And businesses reported in August that they plan to continue spending in coming months. The anticipated total capital spending index regained the

seven points that it lost in July, and then some, as it rose to 22 in August from 14 a month earlier. The expected equipment or software spending measure rose to 17 from 11. And the business services spending expectations metric jumped 11 points in August to 15, its highest reading since May 2011.

Prices

The average increase in current prices paid slowed to 1.61 percent in August from 1.92 percent in July. Meanwhile, the average increase in current prices received moved up to 1.50 percent from 1.26 percent a month earlier. With that, current margin pressures appeared to ease a bit.

Survey results suggest that respondents expect margin pressures to ease further in the coming six months. The average for anticipated increases in prices paid fell to 2.11 percent in August compared to 2.45 percent a month earlier, while the average for expected prices received increased to 1.62 percent from 1.52 percent in July.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Aug-13	Jul-13	Jun-13	Aug-13	Jul-13	Jun-13
General Business Conditions	7	6	18	33	24	33
Sales	5	-1	17	29	24	32
Employment						
Number of Employees	-1	3	10	9	8	15
Availability of Skills Needed	-1	4	5	4	2	5
Average Workweek	-1	3	12	1	1	5
Wages	13	8	11	20	14	22
Spending						
Business Services Expenditures	9	6	4	15	4	10
Total Capital Expenditures	22	15	9	22	14	21
Equipment or Software	15	11	11	17	11	16
Price Trends³						
Prices Paid for Inputs	1.61	1.92	1.89	2.11	2.45	2.32
Prices Received for Outputs	1.50	1.26	1.48	1.62	1.52	1.74

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