

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas' Business Index Jumped in September; Expectations Metric Remained Solid

Overview

A larger share of the region's businesses saw an increase in general business conditions, according to the results of our latest monthly survey. The headline current general business conditions index jumped in September, regaining much of the ground it had lost since June. Respondents' general assessments appeared to be buoyed by increased sales. Meanwhile, expectations for general business conditions and sales remained optimistic in September, albeit somewhat less so than in August.

The labor demand indicators were somewhat mixed in September, but mostly positive. The current number of workers measure increased solidly this month, and respondents raised their expectations for hiring six months out. However, the average number of hours worked, both current and expected, remained very close to 0, signaling no change.

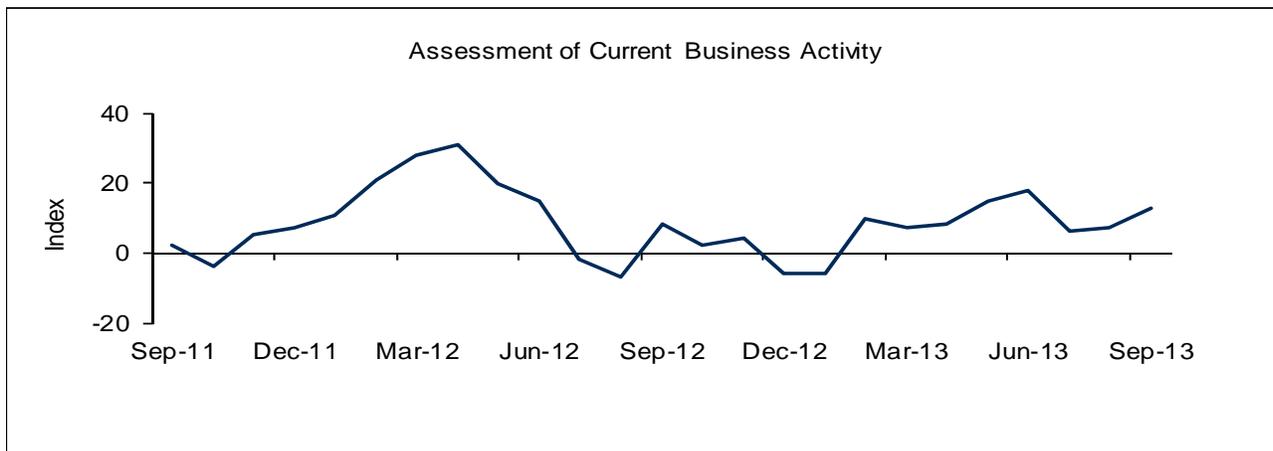
Current business spending advanced at a slower pace in September as each of the three measures (total capital expenditures; equipment or software; and business services) were positive, but somewhat lower than in August. In contrast, spending expectations metrics increased across the board.

Current price increases remained low by recent historical standards. The average increase in prices paid exceeded that for prices received, suggesting a little more margin pressure in September. The survey's pricing expectations indexes, however, changed very little over the month.

General Business Assessments

Business activity in the Carolinas appeared to accelerate a bit in September, according to survey respondents. The headline current general business conditions index jumped to 13 this month from 7 in August. The increase in this metric left it at its highest level since June. September's gain was largely related to a strengthening in revenues. The current sales metric moved up to 12 this month from 5 in August. Since falling into negative territory in July, the current sales measure has improved in each of the last two months.

The upturn in current conditions did not seem to boost respondents' view of the future. The expected general business conditions index decreased to 28 in September from 33 a month earlier, while at the same time the sales expectations metric fell to 25 from 29. Both expectations measures, however, remained very near their respective averages for the year.





Labor Market Conditions

Current labor demand measures generally firmed this month along with the overall business conditions indicators. The current number of employees index moved up nine points in September, to 8. At the same time, however, the current average hours worked indicator remained at -1, having fallen below 0 in August. These readings show that more respondents reported increases in their current staffing levels in September, but average hours worked remained fairly flat.

When asked about future labor utilization, survey respondents indicated that they would be hiring more workers. The expected number of employees index rose to 14 in September, a five-point gain from August. Meanwhile, the expected average hours worked metric declined to -2 this month from 1 in August. This represents only the second time in the past 35 months that the expected average hours index has fallen below 0. (It fell to -1 last September.)

Business Spending

Despite a firmer current general business conditions index, business spending measures lost ground in September, although they remained positive. The current business services spending metric moved down to 7 this month from 9 in August, while the comparable total capital expenditures index fell to 16 from 22. Meanwhile, the current spending metric for equipment and software edged down to 14 in September from 15 a month earlier.

Interestingly, the business spending expectations metrics mostly improved even though expectations for general business conditions softened somewhat.

The expected total capital spending index rose three points to 25 in September, its highest reading since November 2011. The expected equipment or software spending metric moved up to 22 in September, a lofty reading last seen in May 2012. In contrast, the expected business services spending index lost three points in September. Still, this month's result (12) is the second largest recorded since January 2012.

Prices

The average increase in current prices paid inched up to 1.83 percent in September from 1.61 percent in August. At the same time, the average increase in current prices received dipped to 1.30 percent from 1.50 percent. These measures suggest a little more pressure on profit margins than existed during the prior month.

Meanwhile, the expected average increase in prices paid edged up to 2.16 percent from 2.11 percent while the comparable average increase in expected prices received fell to 1.60 percent from 1.62 percent.

Contact

Rick Kaglic

Senior 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
www.richmondfed.org

Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Sep-13	Aug-13	Jul-13	Sep-13	Aug-13	Jul-13
General Business Conditions	13	7	6	28	33	24
Sales	12	5	-1	25	29	24
Employment						
Number of Employees	8	-1	3	14	9	8
Availability of Skills Needed	3	-1	4	3	4	2
Average Workweek	-1	-1	3	-2	1	1
Wages	14	13	8	21	20	14
Spending						
Business Services Expenditures	7	9	6	12	15	4
Total Capital Expenditures	16	22	15	25	22	14
Equipment or Software	14	15	11	22	17	11
Price Trends³						
Prices Paid for Inputs	1.83	1.61	1.92	2.16	2.11	2.45
Prices Received for Outputs	1.30	1.50	1.26	1.60	1.62	1.52

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