

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*Carolinas' Business Index Declined in October, But Remained Positive*

### Overview

Results from the Carolinas Business Activity survey suggest little change in either current or expected business conditions during October. The current general business conditions index remained firmly entrenched in positive territory even though it was down somewhat from September's reading. As is often the case, the decline in the general conditions index was accompanied by a decrease in the current revenues metric. General expectations measures remained firm.

Meanwhile, the current labor demand indicator remained positive while the current average workweek metric swung from a slight negative in September to positive in October. Looking forward, the comparable expectations measures changed little, with the labor demand indicator solidly positive and the average workweek gauge effectively flat.

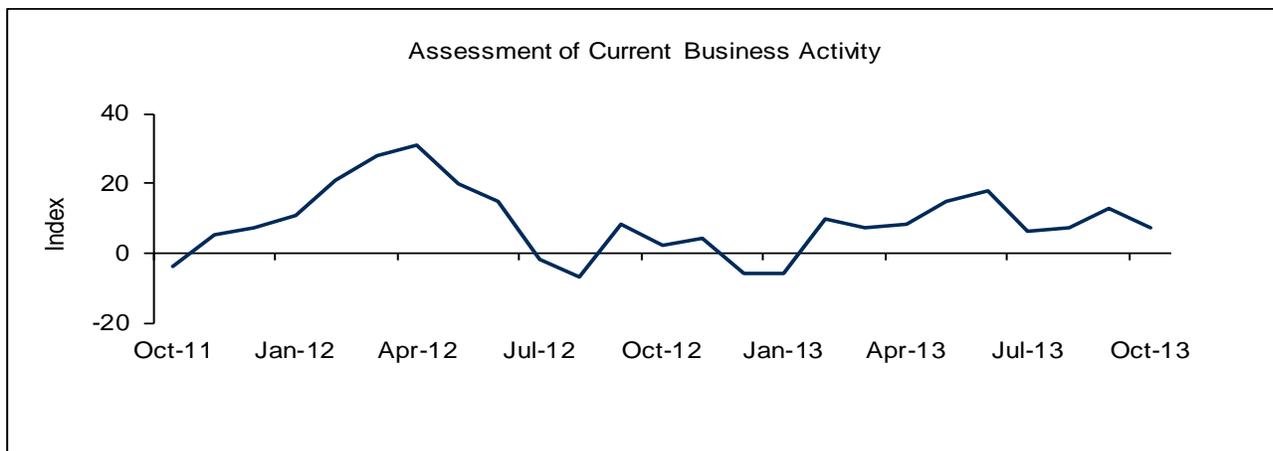
The changes in current business spending measures were mixed in October, but did not alter the general picture. Equipment spending indexes (total, and equipment and software) increased a bit while the business services spending metric edged down. The same trends played out in the corresponding expectations measures.

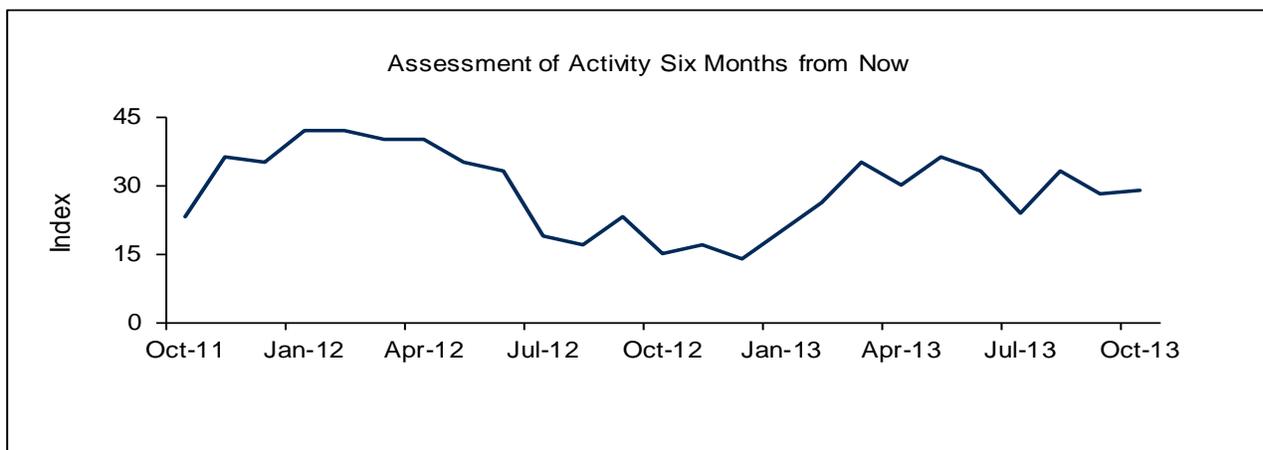
Current price increases, both paid and received, eased from September to October, suggesting little in the way of inflation pressures. Moreover, the corresponding pricing expectations measures indicate that respondents expect little change in the inflation environment in coming months.

### General Business Assessments

October's Carolinas Business Survey results suggest that there were few changes in business conditions over the month. The headline current general business conditions index remained positive for the ninth month in a row, although it decreased to 7 from 13 a month earlier. Over that nine-month period, the index averaged 10.

Directional changes in the general business conditions metric are often accompanied by similar movements in the current revenues measure, and that was the case in October. The current revenues index slipped to 3, from 12 in September. The more cautious assessment of current conditions did nothing to alter respondents' optimistic views of the future. The expected general business conditions index edged up to 29 in October from 28 in September. Survey respondents were even more upbeat about the outlook for their own sales, as the expected revenue measure jumped to 34 from 25 a month earlier.





**Labor Market Conditions**

The current number of employees index came in at 7 this month, down one point from September. At the same time, however, the average workweek measure jumped to 7 in October from -1 a month earlier. Taken together, these indicators suggest that current labor demand firmed somewhat this month. The corresponding labor demand expectations gauges were down, on balance, albeit slightly. The expected number of workers index declined to 11 in October from 14 in September. October marked the tenth straight month in which this metric has been positive, averaging 9 over that period. Meanwhile, the expected average workweek measure inched up to -1 from -2 a month earlier. The current availability of skills index eased to 2 in October from 3 in September, while the corresponding expectations indicator increased to 7 from 3.

**Business Spending**

On balance, current business spending improved in October. The current business services spending metric moved down to 5 this month from 7 in September. In contrast, the current capital spending measures moved higher. The current total capital expenditures index increased to 21 in October from 16 a month earlier, while the current equipment or software metric rose to 17, from 14 in September. Each of the three current business spending measures has been in positive territory since April.

Changes in the corresponding business spending expectations metrics were very similar to those seen in the current measures. The expected business

services spending index dipped two points in October, to 10. Meanwhile, the expected capital expenditures measures both moved higher. The expected total capital spending gauge increased to 28 in October from 25 in September while the expected equipment or software index moved up to 24 from 22. Both of the expected equipment measures were at their highest levels in many months.

**Prices**

The average increase in current prices paid moved down to 1.46 percent from 1.83 percent in September. At the same time, the average increase in current prices received dipped to 1.22 percent from 1.30 percent. These measures suggest a little less pressure on profit margins than existed during the prior month. Meanwhile, the expected average increase in prices paid edged down to 2.08 percent from 2.16 percent while the comparable average increase in expected prices received moved up to 1.82 percent from 1.60 percent.

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	Oct-13	Sep-13	Aug-13	Oct-13	Sep-13	Aug-13
General Business Conditions	7	13	7	29	28	33
Sales	3	12	5	34	25	29
<b>Employment</b>						
Number of Employees	7	8	-1	11	14	9
Availability of Skills Needed	2	3	-1	7	3	4
Average Workweek	7	-1	-1	-1	-2	1
Wages	11	14	13	22	21	20
<b>Spending</b>						
Business Services Expenditures	5	7	9	10	12	15
Total Capital Expenditures	21	16	22	28	25	22
Equipment or Software	17	14	15	24	22	17
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.46	1.83	1.61	2.08	2.16	2.11
Prices Received for Outputs	1.22	1.30	1.50	1.82	1.60	1.62

### 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