

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

### *Carolinas Business Index Moved Lower in December, But Expectations Jumped*

#### Overview

Results from the December Carolinas Survey of Business Activity suggest that the region's economy expanded at a more modest pace recently, while respondents' expectations for future conditions improved materially. The headline current general business conditions measure moved down, but remained in positive territory, continuing an up-and-down trend that has persisted over the past several months. Meanwhile, the corresponding expectations metric surged higher in December.

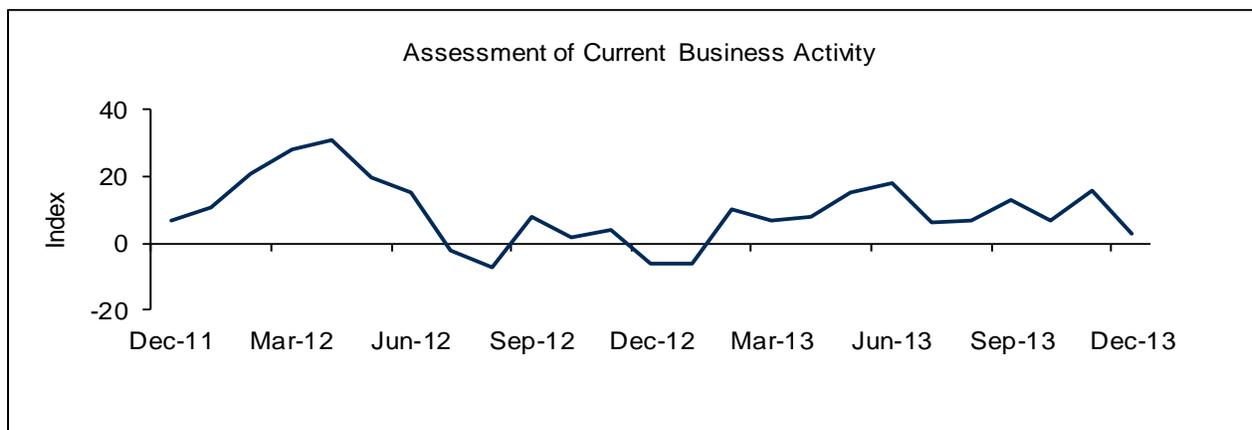
The labor demand indicators displayed a similar pattern to those of general business conditions – current demand waned a bit, but expectations jumped. While the current average weekly hours index softened modestly, the measure reflecting expectations for the workweek six months out moved further into positive territory.

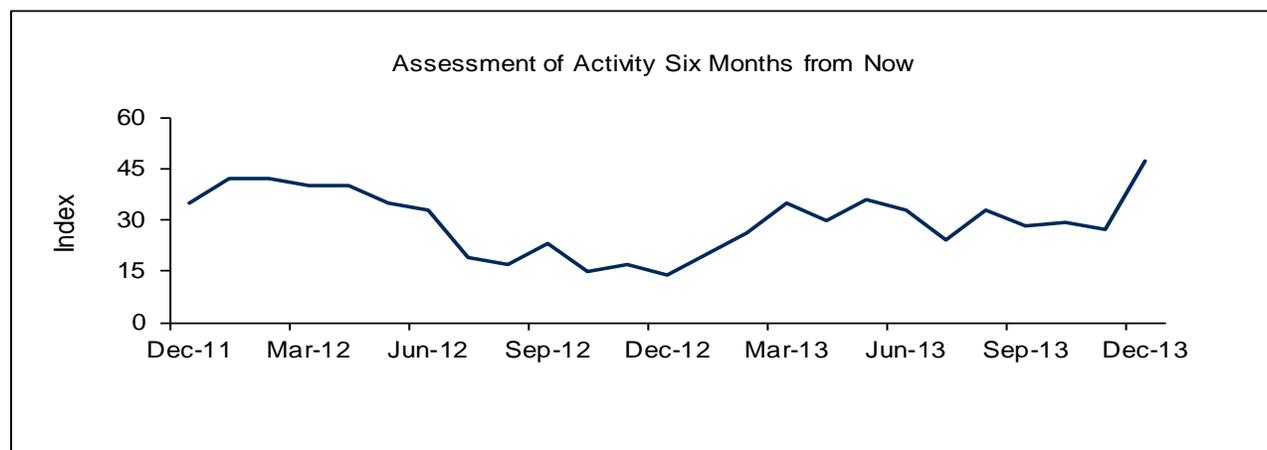
On balance, the survey's current business spending metrics softened in December, although each of the three was still firmly positive. Two of the three matching expectations measures moved higher from November's readings, with the total capital spending plans index being the lone exception.

Average price increases edged up in December, but they remained very low by recent historical standards. Few respondents indicated that current wages had increased, but the index reflecting wage expectations increased in December to its highest reading in nearly three years.

#### General Business Assessments

Results from the most recent Carolinas Survey of Business Activity suggest that the region's economic expansion lost a little momentum recently, but expectations picked up. The headline current general business conditions index decreased to 3 in December from 16 a month earlier. Despite the decline, this was the index's 11<sup>th</sup> straight positive reading. Sales appeared to soften during the month as well. The current sales metric fell to 4 this month from 16 in November. While the current conditions measures moved much lower, the corresponding expectations metrics surged. The expected general business conditions measure jumped 20 points in December to 47, its highest reading since April 2011. Over the prior 18 months, this measure averaged 26. Similarly, the sales expectations index moved up to 46 in December from 35 a month earlier, which is also the best reading since April 2011.





### Labor Market Conditions

The survey's labor demand indicators again suggested that firms were adding to their payrolls, on balance, albeit at a somewhat slower pace. The current number of workers index dipped to 6 in December from 9 in November. At the same time, the current average workweek metric fell to -3 from 8. It was the first negative reading for current average weekly hours in three months.

The corresponding expectations measures painted a far more optimistic picture of future labor market conditions. The expected number of employees index increased 18 points in December to 26, its highest level in more than 30 months. Meanwhile, the expected average workweek metric increased to 8 this month from 5 in November. Taken together, the labor demand expectations results point to a more encouraging job market in the region six months down the road.

### Business Spending

Business spending and spending plans remained solid in December. After reaching its highest reading in more than five years, the survey's current business services spending index dipped to 8 this month, a three-point decrease from November. At the same time, the current equipment or software spending measure edged down to 15 in December from 19 a month earlier. The current total capital equipment expenditures indicator was the only current spending metric to regain some lost ground this month, as it rose to 19 from 16 in November.

Two of the three corresponding business spending expectations metrics increased over the month, with the lone exception being total capital spending plans, which fell to 22 from 30. The expected business services spending measure increased to 16 in December from 13 in November while the expected equipment or software spending expectations index inched up to 27 from 26.

### Prices

The average increase in current prices paid moved up to 1.57 percent in December from 1.53 percent a month earlier. At the same time, the average increase in current prices received increased to 1.17 percent from 1.01 percent. These measures suggest a little less pressure on profit margins than existed during November.

Meanwhile, the expected average increase in prices paid edged up to 2.21 percent from 2.09 percent. The average increase in expected prices received moved down to 1.51 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>		
	Dec-13	Nov-13	Oct-13	Dec-13	Nov-13	Oct-13
General Business Conditions	3	16	7	47	27	29
Sales	4	16	3	46	35	34
<b>Employment</b>						
Number of Employees	6	9	7	26	8	11
Availability of Skills Needed	1	7	2	1	8	7
Average Workweek	-3	8	7	8	5	-1
Wages	4	6	11	36	26	22
<b>Spending</b>						
Business Services Expenditures	8	11	5	16	13	10
Total Capital Expenditures	19	16	21	22	30	28
Equipment or Software	15	19	17	27	26	24
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.57	1.53	1.46	2.21	2.09	2.08
Prices Received for Outputs	1.17	1.01	1.22	1.51	1.60	1.82

### 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