

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Business Index Bounced Back in January, Expectations Moderated

Overview

Economic activity appeared to pick up early in 2014 according to the results of the January Carolinas Survey of Business Activity. Both the current general business conditions index and sales index moved further into positive territory during the month. After surging in December, the corresponding expectations metrics fell somewhat in January, although they remained near their highest levels in two years.

In a disappointing development, the labor demand indicators generally softened in spite of the more upbeat assessments of current business conditions. The current number of employees measure lost some ground in January, falling into negative territory for only the second time in the past nine months, and the current average hours worked metric was slightly below zero again. The equivalent labor demand expectations indexes remained entrenched in positive territory.

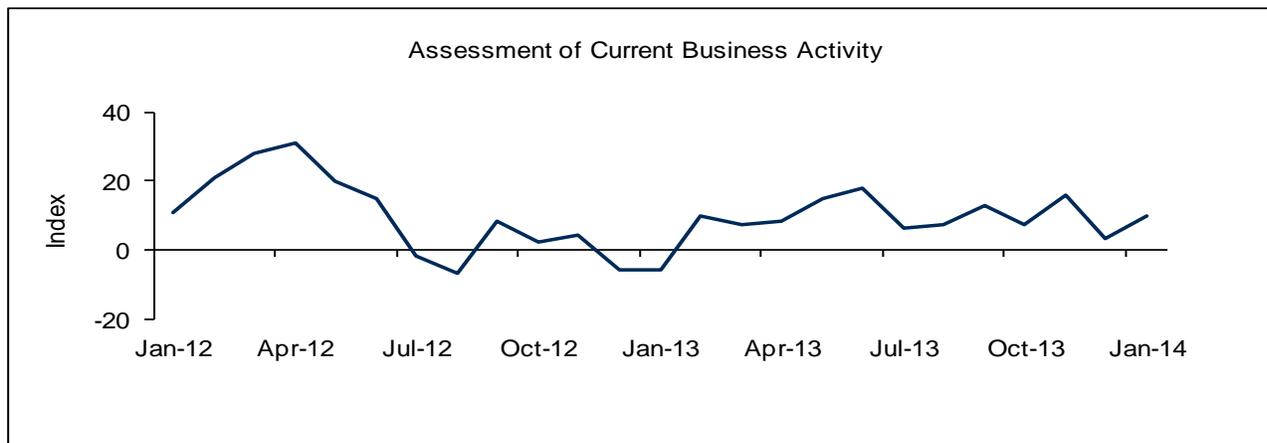
Two of the three current business spending metrics (total capital outlays and equipment or software) were unchanged in January, and firmly positive, while the current services spending measure dropped into negative territory. All three related expectations indexes were positive.

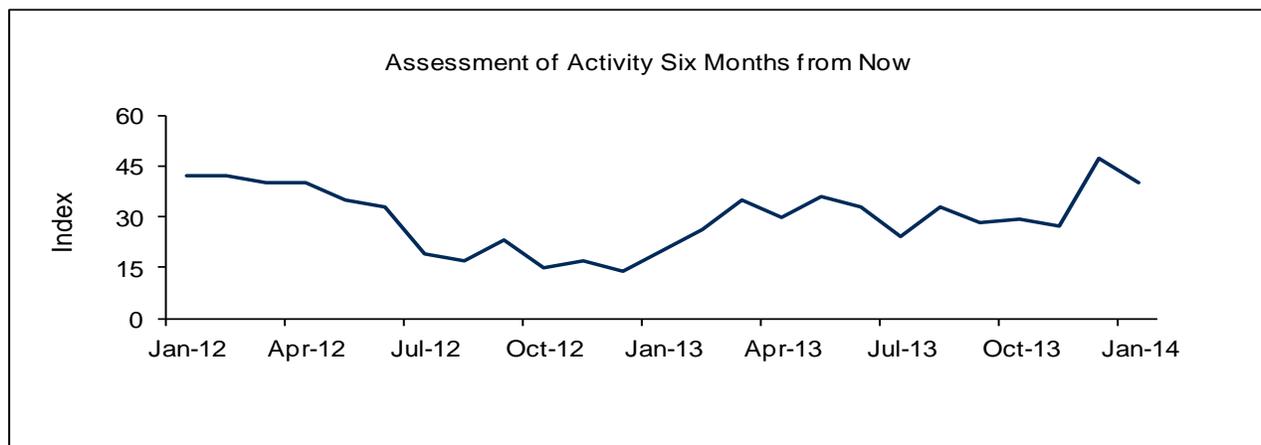
Average current price increases (paid and received) moved up again in January, but they were still low by recent historical standards. Meanwhile, expectations for price increases six months from now changed little from December to January.

General Business Assessments

Results from the January Carolinas Survey of Business Activity suggest that the region's economic expansion regained some of the momentum that was lost in December, while expectations remained positive. The current general business conditions index increased to 10 this month, a seven-point gain from December. It was the headline index's 12th straight positive monthly reading. The current sales metric moved higher as well, but only by a single point.

At the same time, after jumping in December, both equivalent expectations measures gave back some ground in January. The expected general business conditions index dipped to 40 this month from 47 in December. Meanwhile, the expected sales metric also came in at 40 in January, a six-point decline from the prior month. Both expectations measures are still near the highest levels that have been recorded over the past two years.





Labor Market Conditions

The survey's labor demand indicators were mixed in January. The current number of workers measure fell seven points from December, settling in at -1 this month. It was the first negative reading for the current number of workers index since August. At the same time, the current average workweek index edged up two points, but remained below 0 (albeit slightly) for the second month in a row.

The corresponding expectations measures continued to reflect a more optimistic view of future labor market conditions. The expected number of employees index gave back 11 of the 18 points it gained the prior month, but at 15 in January was at the second highest level of the past 21 months. By contrast, the expected average weekly hours metric increased to 21 this month from 8 in December. January's expected average workweek reading was at its highest level since May 2011.

Business Spending

Current business spending metrics were mixed in January, although expectations remained solid. Both the current total capital spending and the equipment or software spending indexes were unchanged from December, at 19 and 15, respectively. The current business services spending measure, however, fell to -1 in January from 8 the prior month. This nine-point drop left the current services spending index at its lowest level since April 2013.

Each of the three corresponding spending expectations measures was firmly positive in January. The expected total capital expenditures

metric jumped 11 points to 33 this month. Meanwhile, the expected business services spending index edged up two points, to 18, its second highest reading of the past 3 ½ years. The expected equipment or software outlays metric was 21 in January, a six-point decrease from December, but still well above the average over the past 12 months.

Prices

The average increase in current prices paid moved up to 1.99 percent in January from 1.57 percent a month earlier. At the same time, the average increase in current prices received edged up to 1.23 percent from 1.17 percent. These measures suggest a little more pressure on profit margins than existed during December.

Meanwhile, the expected average increase in prices paid edged down to 2.19 percent from 2.21 percent. The average increase in expected prices received moved up to 1.55 percent from 1.51 percent a month earlier.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Jan-14	Dec-13	Nov-13	Jan-14	Dec-13	Nov-13
General Business Conditions	10	3	16	40	47	27
Sales	5	4	16	40	46	35
Employment						
Number of Employees	-1	6	9	15	26	8
Availability of Skills Needed	3	1	7	7	1	8
Average Workweek	-1	-3	8	21	8	5
Wages	9	4	6	28	36	26
Spending						
Business Services Expenditures	-1	8	11	18	16	13
Total Capital Expenditures	19	19	16	33	22	30
Equipment or Software	15	15	19	21	27	26
Price Trends³						
Prices Paid for Inputs	1.99	1.57	1.53	2.19	2.21	2.09
Prices Received for Outputs	1.23	1.17	1.01	1.55	1.51	1.60

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