

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Current Business Conditions Improved Markedly in April; Respondents Remained Optimistic

Overview

Responses to the April Carolinas Survey of Business Activity suggest that the region's economic expansion accelerated, while expectations remained solid. The current general business conditions index surged during the month, reaching its highest level in two years. It comes as no surprise that the current sales metric jumped as well. The expectations indexes for general business conditions and sales both moved down in April, but remained solidly in positive territory.

The general improvement in sentiment was accompanied by a more upbeat assessment of labor demand. The current number of workers index increased for the third straight month, as did the current average workweek metric. Moreover, the two corresponding expectations measures held in April, at levels that suggest more hiring.

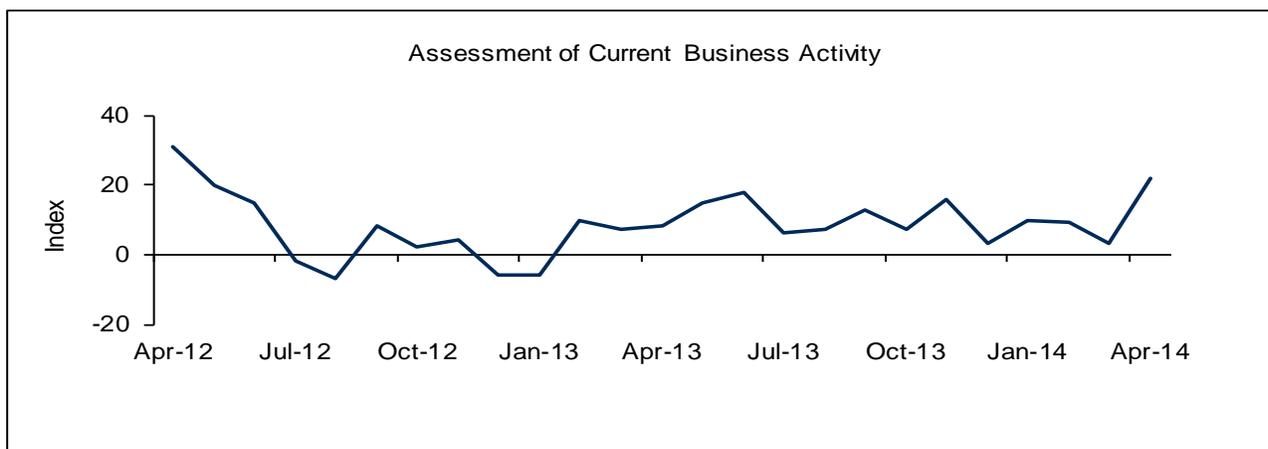
While survey responses indicated that hiring may have accelerated, the expansion in business spending appeared to slow a bit. Each of the three current business spending metrics declined in April (although each was still positive), as did the corresponding expectations measures.

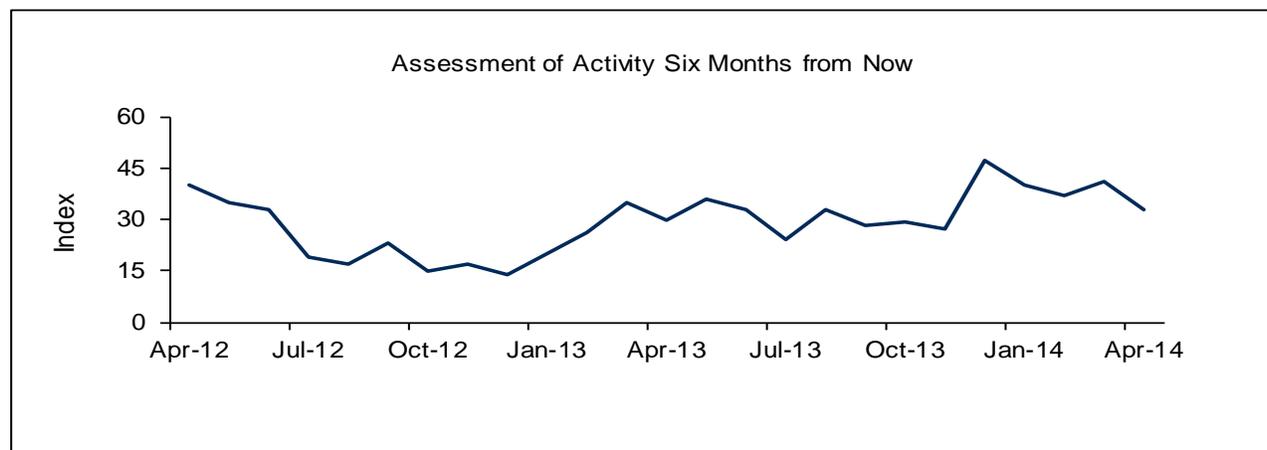
The average increase in current prices paid moved slightly higher in April, but the average increase in prices received retreated after jumping the prior month. Meanwhile, expectations for increases in prices paid edged up in April while those for expected prices received were unchanged.

General Business Assessments

The Carolinas Business Activity Index jumped this month, pointing to a brisker economic expansion in the region. The current general business conditions measure (the headline metric) increased to 22 in April from 3 a month earlier. The 19-point gain pushed the current conditions index to its highest level in two years. This improvement in sentiment was undoubtedly related to a rebound in the sales metric, which also saw its highest reading in two years. The current sales index surged 26 points in April, rising to 23 from a -3 in March. It is likely that sales bounced back from weather depressed results in February and March.

After rising in March, expectations for future business activity moderated in April, although they were still very upbeat. The expected general business conditions index fell to 33 from 41 while the expected sales measure dropped to 29 from 45.





Labor Market Conditions

Labor demand has firmed recently, and respondents expect it to solidify further in coming months. The current number of workers index (the survey's best reflection of hiring) rose to 12 in April from 7 in March. It was the third straight monthly increase in this measure, which reached its highest level since May 2012. The current average workweek benchmark also advanced for the third month in a row, rising to 8 in April from 3 in March. Meanwhile, the expected number of workers index came in at 19 again this month, unchanged from February and March. By way of comparison, the expected number of workers measure has averaged 10 over the past two years. The expected average workweek measure was unchanged in April as well, coming in at 11 for the second straight month. This reading, like that of the expected number of workers result, was quite high by recent historical standards.

Business Spending

While firms appeared to be adding workers at a faster pace in April, the rate of growth for spending on business equipment and services appeared to be slowing. Each of the three current business spending metrics declined between March and April. The biggest decrease came in the business services spending category, which fell to 7 in April, a nine-point decline from March. The equipment or software and total capital expenditures metrics moved down by three points and two points, respectively. Despite the retreats, each of the current spending indexes was well above its respective two-year average.

Responding firms still expect to increase their outlays for business equipment and services in the coming six months, but at a pace that is slower than what was expected in March. Each of the three expected business spending metrics fell by seven points from March to April, although each was still solidly in positive territory.

Prices

The average increase in current prices paid moved up to 1.84 percent in April from 1.81 percent in March. At the same time, the average increase in current prices received fell to 1.31 percent from 1.63 percent. These measures suggest a little more pressure on profit margins than a month earlier.

Meanwhile, the expected average increase in prices paid measure edged up to 1.88 percent from 1.79 percent, while the expected average increase in prices received metric held at 1.38 percent in April.

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		
	Apr-14	Mar-14	Feb-14	Apr-14	Mar-14	Feb-14
General Business Conditions	22	3	9	33	41	37
Sales	23	-3	2	29	45	35
Employment						
Number of Employees	12	7	5	19	19	19
Availability of Skills Needed	-3	-2	6	7	-1	4
Average Workweek	8	3	2	11	11	17
Wages	15	10	14	21	23	27
Spending						
Business Services Expenditures	7	16	2	9	16	13
Total Capital Expenditures	19	21	16	20	27	26
Equipment or Software	22	25	18	13	20	19
Price Trends³						
Prices Paid for Inputs	1.84	1.81	1.75	1.88	1.79	2.08
Prices Received for Outputs	1.31	1.63	0.98	1.38	1.38	1.55

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