

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business Conditions Improved at a Slower Pace in June; Optimism Remains High

Overview

The economic expansion in the Carolinas continued at an impressive pace in June, even as survey results suggest that it may have slowed somewhat from May. The current general business conditions index (the survey's headline metric) eased back a bit after rising sharply the prior two months. At least part of the prior months' increases can be attributed to a bounce back from weather-related disruptions earlier in the year. The current sales measure also gave a little ground in June, although it too remained firmly positive. Both of the corresponding expectations indexes increased during the month.

Labor demand remained solid in June, despite the seemingly slower economic expansion. The current number of employees index held steady this month, at its highest level in three years; while the average workweek remained solidly expansionary.

Moreover, the analogous expectations measures pointed to greater labor utilization in coming months.

The survey's current business spending indexes softened a bit in June, although they remained firm, while the spending expectations metrics moved higher, on balance.

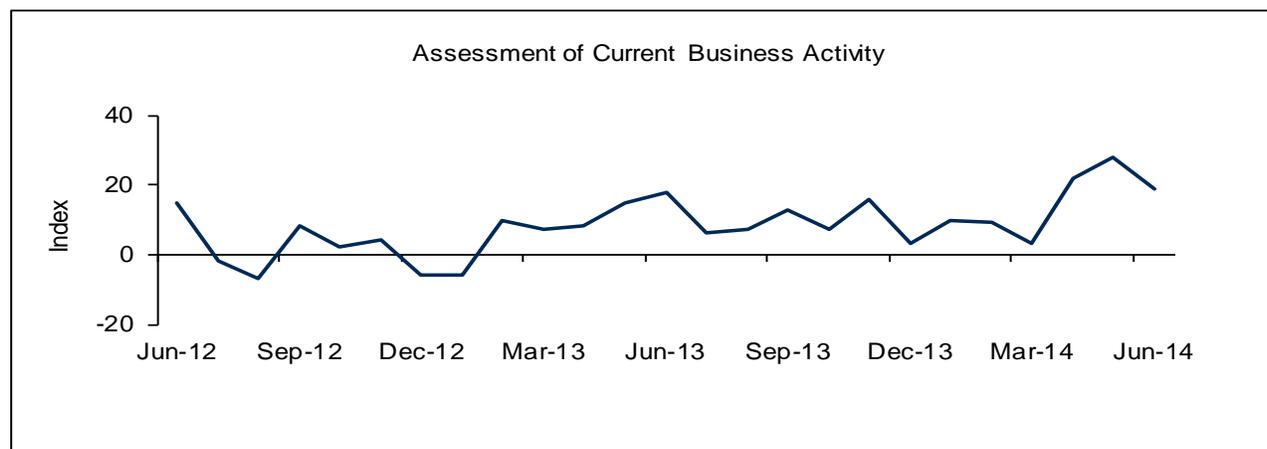
The average increase in current prices paid slipped in June, but the average increase in prices received moved up for the first time in three months.

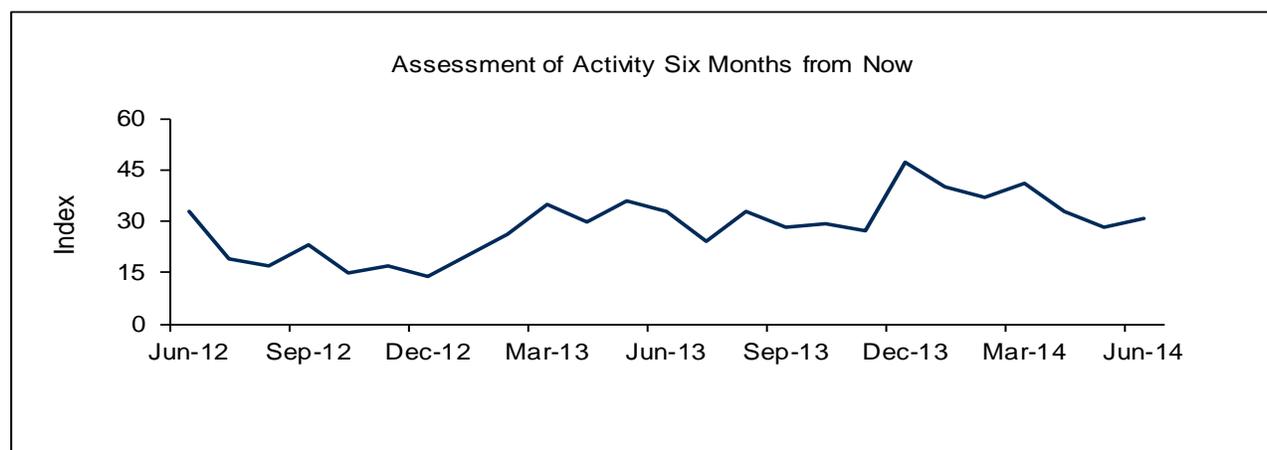
Meanwhile, expectations for increases in prices paid eased back in June while those for expected prices received inched higher.

General Business Assessments

The Carolinas Business Activity index eased somewhat in June, although it remained firmly in expansionary territory (above zero). The headline current general business conditions indicator fell to 19 this month, a nine-point decrease from May's reading (which was the highest reading in more than two years). This measure had increased sharply in the prior two months as the Carolinas' economy rebounded from weather-related disruptions early in the year. The current sales metric also declined in June, to 13, a six-point change from May.

Meanwhile, expectations firmed. The expected general business conditions index rose to 31 this month from 28 a month earlier, while the expected sales indicator increased to 29 from 26. Combined, these two readings show that the survey's respondents remain confident that economic activity will continue to improve in the coming six months.





Labor Market Conditions

With continued improvement in sales and general business conditions, the survey's labor demand indicators remained very strong by historical standards. The current number of employees index held steady at 15 in June, remaining at its highest monthly reading in three years. Moreover, the readings between April and June represent the strongest three-month stretch for this metric since the recovery got underway. The current average workweek index edged down two points in June, but at 13 remained near its highest level in two years. The outlook for labor demand in the region remained quite positive, despite losing some ground since May. The expected number of employees index declined to 11 this month from 16 a month earlier. The expected average workweek indicator increased to 7, from 5 in May.

Business Spending

Business spending measures eased a little this month, but were still high by historical standards. The current total capital spending index dipped to 18 in June from 24 in May (which was the measure's highest reading since the series started in December 2010). The current equipment or software spending measure, which also hit an all-time high in May (25), slipped a point, settling in at 24 in June. In the meantime, the current business services expenditures index inched down to 12 from 14 the prior month. Similar to the two other current business spending measures, the current business

services spending index remained relatively high.

In contrast to the movement in current measures of business spending, the corresponding expectations indexes generally increased. The expected total capital expenditures index showed the most improvement, as it rose to 20 in June from 15 a month earlier; while the expected business services measure rose to 12 from 10 a month earlier. Expectations for equipment or software spending were unchanged.

Prices

The average increase in current prices paid moved down to 1.73 percent in June from 2.01 percent in May. At the same time, the average increase in current prices received increased to 1.30 percent from 1.16 percent. Meanwhile, the expected average increase in prices paid eased down to 2.02 percent from 2.07 percent, while the expected average increase in prices received rose to 1.46 percent in June from 1.39 percent in May.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Jun-14	May-14	Apr-14	Jun-14	May-14	Apr-14
General Business Conditions	19	28	22	31	28	33
Sales	13	19	23	29	26	29
Employment						
Number of Employees	15	15	12	11	16	19
Availability of Skills Needed	-1	-1	-3	8	1	7
Average Workweek	13	15	8	7	5	11
Wages	14	17	15	23	22	21
Spending						
Business Services Expenditures	12	14	7	12	10	9
Total Capital Expenditures	18	24	19	20	15	20
Equipment or Software	24	25	22	18	18	13
Price Trends³						
Prices Paid for Inputs	1.73	2.01	1.84	2.02	2.07	1.88
Prices Received for Outputs	1.30	1.16	1.31	1.46	1.39	1.38

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