

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*The Carolinas Economy Continued to Expand in July; Respondents Remain Optimistic*

### Overview

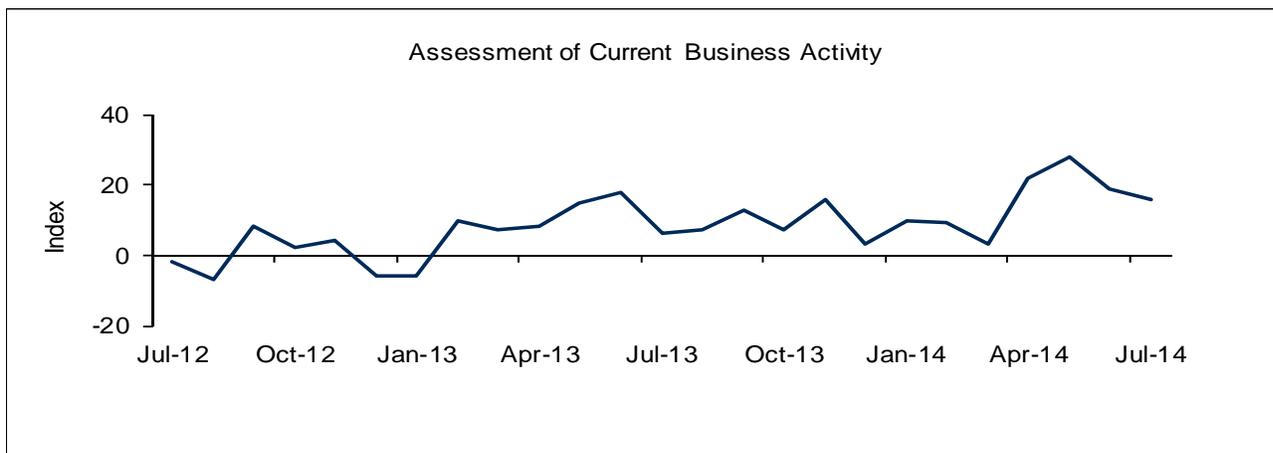
Responses to our Carolinas Survey of Business Activity suggest that the region's economy continued to expand at a modest pace in recent months, and respondents remained optimistic about future activity. The current general business conditions index was firmly in positive territory for the fourth month in a row, and was well above the average of the prior 12 months. The same was true of the current revenues measure. The corresponding expectations metrics moved lower between June and July, although both were solidly in expansion territory, suggesting that the region's economic expansion will continue in the coming six months.

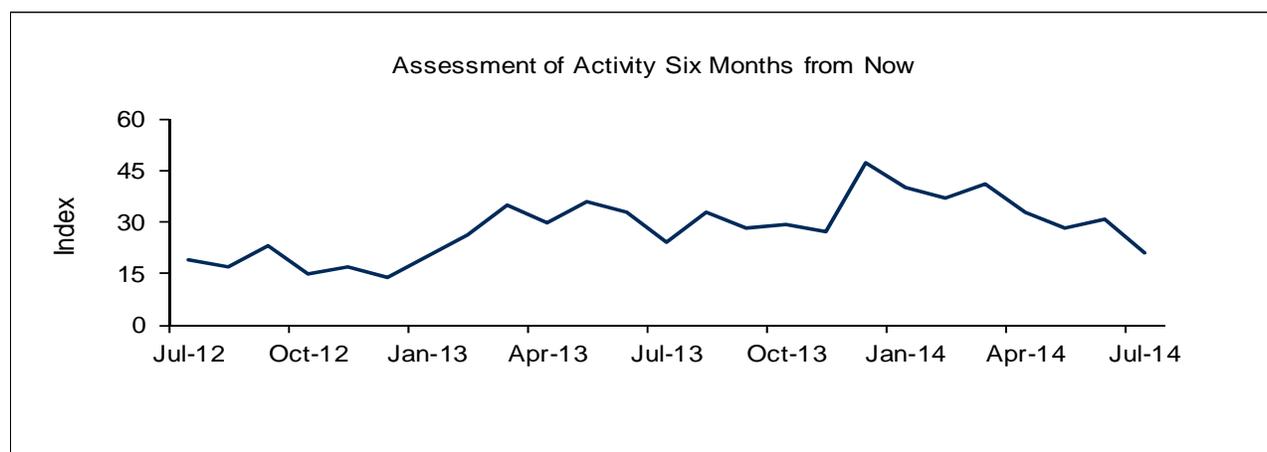
Current labor demand remained as firm as it had been during any period of the recovery, as both the current number of employees and average workweek measures were little changed from the prior month's robust readings. The accompanying expectations measures, however, softened. The business spending metrics behaved similarly to the labor demand indicators – current spending indexes generally increased slightly while expected spending measures softened a bit.

Survey responses suggested a slightly faster pace of current price increases in July, although they do not expect it to continue. The average increase in current prices paid rose modestly during the month, as did that for current prices received. However, the price expectations metrics moved in the opposite direction.

### General Business Assessments

The Carolinas economic expansion remained on track during the summer months. However, the economy appears to be settling into a more relaxed expansion after it snapped back from weather-related disruptions early in the year. The current general business conditions index decreased by a combined 12 points over the past two months but, at 16 in July, was still four points higher than the average of the preceding 12-month period. The current revenues metric increased to 17 in July, regaining four of the six points it had surrendered in June. Meanwhile, the corresponding expectations metrics remained solid, although they continued to move lower. The expected general business conditions index fell to 21 in July from 31 in June, while the expected revenues indicator moved down to 20 from 29 a month earlier. These measures point to a more modest expansion ahead.





### Labor Market Conditions

Despite softer readings in the current general business conditions measures, the labor demand indicators remained very strong. The current number of employees index increased one point from June, settling in at 16 in July, its highest reading in more than three years. While the current weekly hours metric moved one point in the other direction, July's reading of 12 was among the highest in this series since the recovery began.

The accompanying expectations measures generally softened. The expected number of workers index decreased to 9 in July from 11 a month earlier. At the same time, the expected average workweek metric plunged to -6 this month from 7 in June. It was the lowest reading in expected average hours since October 2010. It is important to note that one month does not establish a trend, although it will be worthwhile to monitor this number going forward.

### Business Spending

Current business spending conditions improved on balance. The current business services spending index increased to 15 in July from 12 in June, while at the same time the current total capital spending metric rose six points to 24, matching the highest reading in the roughly three and a half year history of the series. The only measure that did not improve in July was the current equipment or software spending index, which decreased two points this month. At 22, however, the current spending on equipment or software measure was only three points lower than in May, which was the highest reading in the history of the series.

In contrast to the movement in current measures of business spending, the corresponding expectations indexes generally decreased. The expectations for business services spending showed the most deterioration, as this index fell to 5 in July from 12 in June. The total capital spending expectations measure decreased to 17 from 20, while the measure reflecting expected spending on equipment or software was unchanged.

### Prices

The average increase in current prices paid moved up to 1.94 percent in July from 1.73 percent in June. At the same time, the average increase in current prices received increased to 1.45 percent from 1.30 percent. Meanwhile, the expected average increase in prices paid fell to 1.67 percent from 2.02 percent, while the expected average increase in prices received eased back to 1.40 percent in July from 1.46 percent in June.

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	Jul-14	Jun-14	May-14	Jul-14	Jun-14	May-14
General Business Conditions	16	19	28	21	31	28
Sales	17	13	19	20	29	26
<b>Employment</b>						
Number of Employees	16	15	15	9	11	16
Availability of Skills Needed	0	-1	-1	1	8	1
Average Workweek	12	13	15	-6	7	5
Wages	22	14	17	10	23	22
<b>Spending</b>						
Business Services Expenditures	15	12	14	5	12	10
Total Capital Expenditures	24	18	24	17	20	15
Equipment or Software	22	24	25	18	18	18
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.94	1.73	2.01	1.67	2.02	2.07
Prices Received for Outputs	1.45	1.30	1.16	1.40	1.46	1.39

### 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