

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Business Conditions Improved Further in August; Expectations Moved Higher

Overview

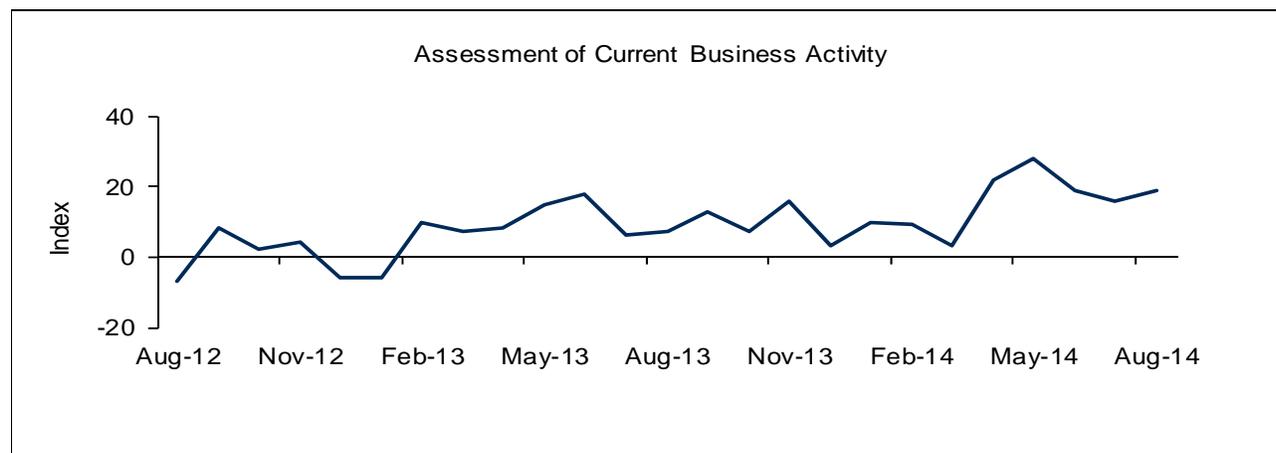
Business activity remained robust in the Carolinas in August, according to results from the latest Carolinas Survey of Business Activity. The headline current general business conditions index moved further into positive territory, as it recovered from a mild decline in July. This upward movement occurred despite a slight decrease in respondents' assessment of current revenues. In addition, firms' expectations regarding future activity rebounded sharply. Both the expected general business conditions and revenues indexes jumped to their highest readings since March, when the regional economy was snapping back from weather-related disruptions early in the year.

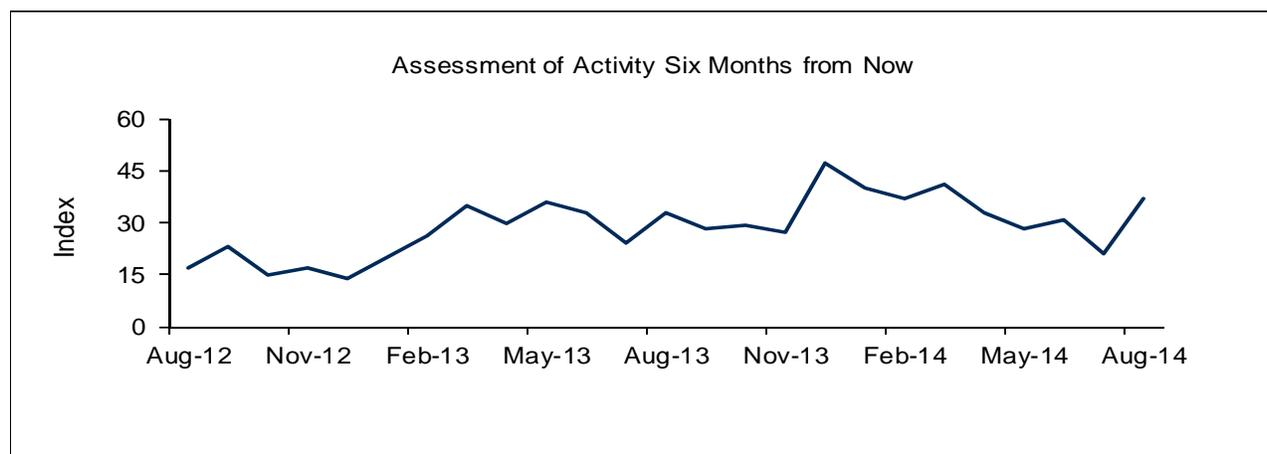
The pickup in current general business activity was accompanied by continued improvements in labor market conditions. The current number of workers metric was very robust for the fifth month in a row during August, as was the average weekly hours measure. Both of the corresponding expectations measures jumped from July to August. Meanwhile, the current business spending measures softened a little, on balance, while the equivalent expectations indicators generally moved higher.

Changes in respondents' assessment of inflation pressures were mixed. On the one hand, both of the current pricing measures, paid and received, decreased between July and August. On the other hand, both of the corresponding expectations metrics moved higher, although they remained relatively low.

General Business Assessments

The Carolinas regional economy appeared to gain momentum as the summer neared its end, and respondents appeared more optimistic about the coming six months. The headline current general business conditions index increased three points to 19 in August, regaining all of the ground that it had lost in July. The current conditions index has averaged 18 over the past three months, which is very robust by historical standards. The current revenues metric dipped to 15 from 17, but like the general conditions measure, this index was still relatively high over the past three months. Meanwhile, the equivalent expectations measures soared. After giving up 10 points in July, the expected general business conditions index jumped by 16 in August, reaching 37, its highest level in six months. And the expected revenues indicator increased 14 points from July to 34 this month.





Labor Market Conditions

Labor demand remained solid and steady in the Carolinas during August, and respondents expect much of the same in coming months. The current number of employees index edged down two points this month but, at 14, was well above the average of the past year. Moreover, readings since April have been solid and steady. The other measure of current labor demand, average workweek, was a robust 11 in August.

In addition to the strength in current labor demand readings, the corresponding expectations measures were encouraging as well. After moving down three months in a row, the expected number of workers index jumped nine points to 18 in August. This month's reading was also well above longer-term averages. Meanwhile, the expected average workweek metric rose 12 points, bouncing back into positive territory (6) after an unexpected drop into negative territory in July.

Business Spending

Business spending plans appeared little changed, on balance. The current business spending measures softened a bit, although they remained firm. The current total capital spending index showed the largest decline, although its eight-point decrease left the number at 16 in August, which is still robust. At the same time, the current equipment or software spending indicator dipped to 21 this month, compared to 22 a month earlier. Finally, the current business services spending metric edged down two points to 13 in August. Despite the broad-based retreat, the current business spending measures point to persistent, albeit slower, growth.

In contrast to the movement in current measures of business spending, the corresponding expectations indexes increased. The expected total capital expenditures index increased to 24 in August from 17 in July, while the expected equipment or software spending number rose to 19 from 18 a month earlier. Spending plans for business-related services moved up to 8 from 5.

Prices

The average increase in current prices paid moved down to 1.87 percent in August from 1.94 percent in July. At the same time, the average increase in current prices received fell to 1.32 percent from 1.45 percent. Meanwhile, the expected average increase in prices paid increased to 2.24 percent from 1.67 percent, while the expected average increase in prices received rose to 1.97 percent in August from 1.40 percent in July.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Aug-14	Jul-14	Jun-14	Aug-14	Jul-14	Jun-14
General Business Conditions	19	16	19	37	21	31
Sales	15	17	13	34	20	29
Employment						
Number of Employees	14	16	15	18	9	11
Availability of Skills Needed	0	0	-1	2	1	8
Average Workweek	11	12	13	6	-6	7
Wages	10	22	14	24	10	23
Spending						
Business Services Expenditures	13	15	12	8	5	12
Total Capital Expenditures	16	24	18	24	17	20
Equipment or Software	21	22	24	19	18	18
Price Trends³						
Prices Paid for Inputs	1.87	1.94	1.73	2.24	1.67	2.02
Prices Received for Outputs	1.32	1.45	1.30	1.97	1.40	1.46

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