

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Business Activity Accelerated Further in September, But Expectations Eased

Overview

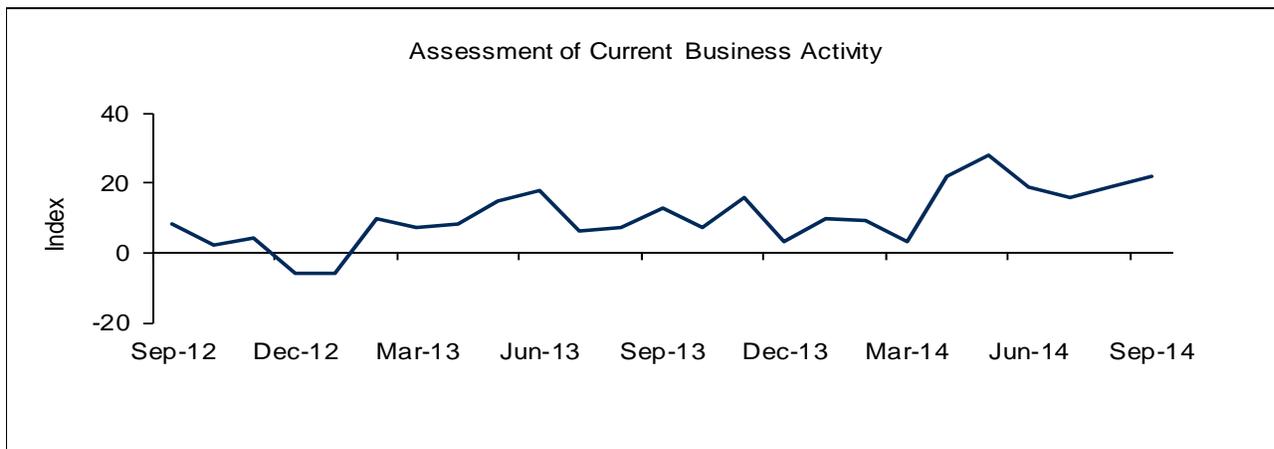
The regional economy expanded at a slightly faster pace in September, according to results from the latest Carolinas Survey of Business Activity. During the month, the headline current general business conditions index increased to its second highest reading of the past two years, while the current sales metric showed a similar gain. With regards to the coming six months, respondents remained optimistic even as broad indicators of business activity moved lower. Both the expected general business conditions and the expected sales indicators dipped between August and September, although each was firmly entrenched in expansionary territory.

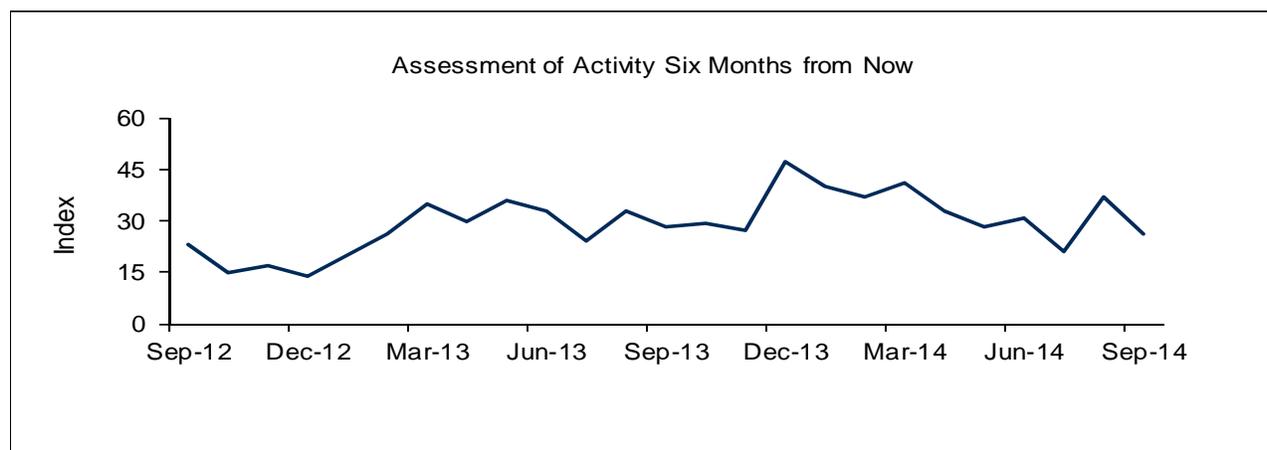
The indicators reflecting current labor demand in the Carolinas suggested that firms continued to increase their use of labor inputs. Although both of the current measures (number of workers and current average hours) edged down, each remained well above zero in September suggesting that firms were adding labor at a somewhat slower pace. The metrics reflecting labor demand six months from now showed steeper declines during the month, but still pointed to more hiring. Business spending metrics were solid again.

Responses to the survey's pricing questions point to moderately less inflationary pressure. The current price measures (paid and received) dropped in September and were consistent with less margin pressure. At the same time, the corresponding price expectations metrics moved lower after increasing moderately in August.

General Business Assessments

The Carolinas economy appeared to gather momentum as the autumn arrived, and respondents expect it to improve further in coming months, even though the expectations measures moved down. The current general business conditions index came in at 22 in September, a three-point increase from August's reading. September's result was the second highest of the past 29 months. Similarly, the current sales metric also increased by three points, to 18, as it regained the ground that it lost last month, and then some. Meanwhile, the expected general business conditions index fell to 26 in September from 37 in August, while the expected sales metric decreased to 27 from 34 in the same timeframe. These results suggest that respondents expect business activity to continue growing in the coming six months, but at a slower pace than they expected last month.





Labor Market Conditions

Survey results indicated that respondents' needs for labor continued to grow, even though the current measures dipped. The current number of workers measure, which has averaged 5 over the past two years, came in at 12 in September, a two-point decrease from August. At the same time, the current average workweek index also edged down two points during the month, settling in at 9, a still healthy reading.

On the expectations side, respondents continued to anticipate adding more workers in the coming six months, but not at the same pace that they were envisaging in August. The expected number of workers index decreased to 7 in September from 18 a month earlier. This month's reading was the lowest in more than a year and a half. Moreover, the expected average workweek metric lost seven points during the month, falling to -1, slightly below breakeven.

Business Spending

Business spending rose to extraordinarily robust levels in September, as each of the three current business spending metrics increased during the month. The current total capital expenditures index rose 10 points from August's reading, to 26 this month. September's result marked a new high water mark for this series, which dates back to December 2010. Meanwhile, the current equipment or software indicator increased four points this month, to 25, matching its previous series high. Finally, the current business services spending index increased to 15 in September from 13 a month earlier, coming within one point of its all-time high.

The expected business spending measures were also exceptionally strong in September. The expected business services spending index saw the biggest increase over the month, as it rose 11 points to 19, its highest reading in 3 ½ years. The expected equipment or software expenditures indicator moved up to 24 in September from 19 in August. The expected total capital spending index increased to 26, a two-point gain.

Prices

The average increase in current prices paid moved down to 1.43 percent in September from 1.87 percent in August. At the same time, the average increase in current prices received fell to 1.15 percent from 1.32 percent. Meanwhile, the expected average increase in prices paid decreased to 2.04 percent from 2.24 percent, while the expected average increase in prices received moved down to 1.64 percent from 1.97 percent in August.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Sep-14	Aug-14	Jul-14	Sep-14	Aug-14	Jul-14
General Business Conditions	22	19	16	26	37	21
Sales	18	15	17	27	34	20
Employment						
Number of Employees	12	14	16	7	18	9
Availability of Skills Needed	0	0	0	0	2	1
Average Workweek	9	11	12	-1	6	-6
Wages	10	10	22	26	24	10
Spending						
Business Services Expenditures	15	13	15	19	8	5
Total Capital Expenditures	26	16	24	26	24	17
Equipment or Software	25	21	22	24	19	18
Price Trends³						
Prices Paid for Inputs	1.43	1.87	1.94	2.04	2.24	1.67
Prices Received for Outputs	1.15	1.32	1.45	1.64	1.97	1.40

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