

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Business Activity was Solid in October; Optimism Was on the Rise

Overview

According to the latest results of the Carolinas Survey of Business Activity, the region's economy continued to expand at a robust pace in October. The survey's headline current general business conditions index eased a bit this month, but remained at a level that is quite robust by historical standards. Moreover, the current sales indicator jumped in October, reaching its highest level in more than four years. The recent increase in sales may have boosted respondents' expectations for the future, as both the expected general business conditions and expected sales metrics moved higher into expansion territory.

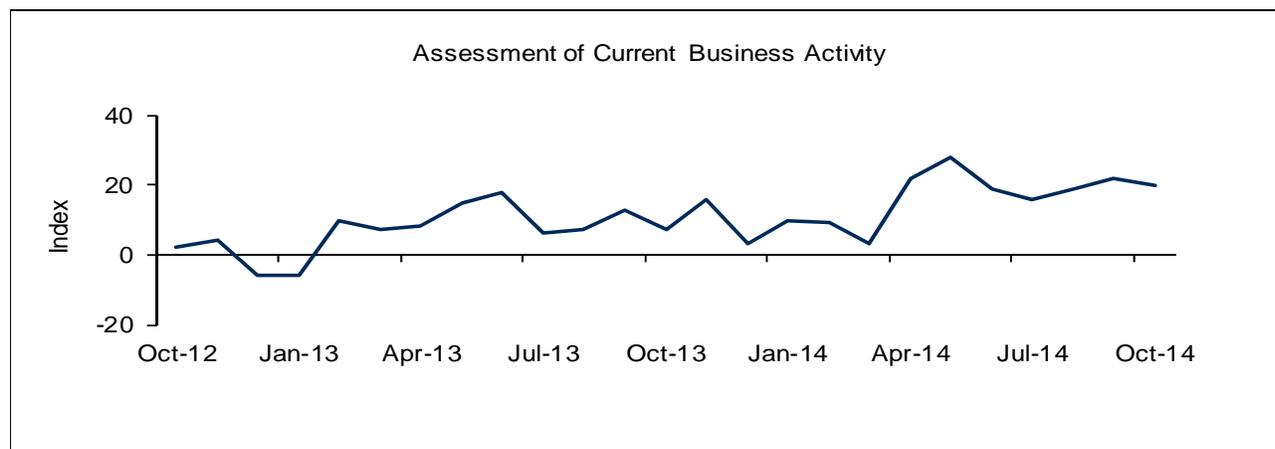
The current labor demand measures in October were not quite as high as they had been in previous months, but they continued to point to more hiring. The current number of workers index was in double digits for the seventh straight month in October, despite a slight decline, while the current workweek indicator fell to breakeven. The measures reflecting expected labor utilization both moved higher. Meanwhile, the metrics reflecting respondents' current business spending plans fell somewhat, although they were firmly positive, while spending expectations were mostly unchanged.

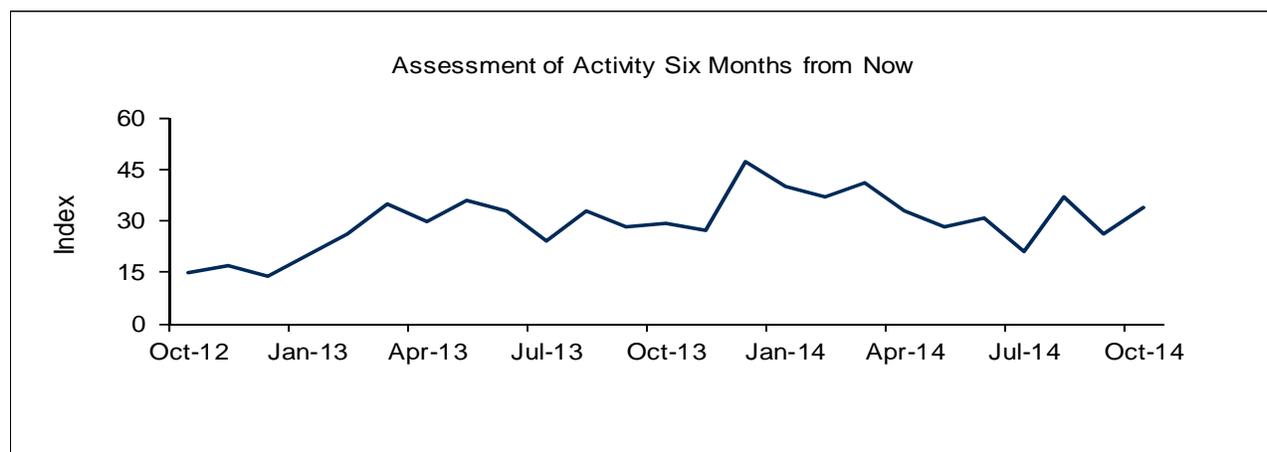
Responses to the survey's pricing questions point to a slight increase in pricing power for firms. The current price measures (paid and received) accelerated in October, as did the corresponding expectations measures. Also, while the prices paid results were in line with the average increases over the past two years, the prices received measures were modestly higher.

General Business Assessments

The economy in the Carolinas appeared to expand at a robust pace in recent weeks, according to the results of the latest regional business survey. The headline current general business conditions index edged down two points from September to 20, which is still firmly expansionary and well above average. At the same time, the current sales metric increased nine points to 27, its highest reading since May 2010.

The recent strength in current business activity may have buoyed firms' expectations for the future. The expected general business conditions index increased to 34 in October from 26 in September, while the expected sales indicator rose to 39 from 27. Both expectations measures are well above longer-term averages and point to continued economic expansion in the Carolinas in the coming six months.





Labor Market Conditions

Labor demand held firm in the Carolinas despite a decrease in some of the indexes. The current number of workers index eased down to 10 in October from 12 in September. This reading is twice as large as the average over the past 24 months and continues to point to more hiring. Meanwhile, the current average workweek metric, which had been positive for eight months in a row, fell to 0 this month, suggesting no further increase in average weekly hours.

The corresponding expectations demand measures increased over the month, suggesting continued hiring and higher labor force utilization in the next six months. The expected availability of labor index remains low, indicating that firms expect little relief from perceived labor shortages. The expected wage index has been trending higher over the past three months.

Business Spending

The survey's business spending metrics backed away from the extraordinarily high levels of September, as each of the three current business spending metrics decreased during October. The current total capital expenditures index gave back the 10 points it gained in September, falling back to 16 this month. September's result marked a new high water mark for this series. At the same time, the current equipment or software indicator decreased seven points this month to 18. And the current business services spending index declined to 7 in October from 15 in September.

The expected business spending measures were mostly unchanged in October. The expected equipment or software index was at 24 for the second straight month, while the expected total capital spending metric inched down 1 point, to 25 in October. The business services expectations metric was the sole expectations indicator to show a notable decline, as it dipped to 6 in October from 19 one month earlier.

Prices

The average increase in current prices paid moved up to 1.84 percent in October from 1.43 percent in September. At the same time, the average increase in current prices received rose to 1.55 percent from 1.15 percent. Meanwhile, the expected average increase in prices paid moved up to 2.16 percent from 2.04 percent, and the expected average increase in prices received rose to 2.07 percent from 1.64 percent in September.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Oct-14	Sep-14	Aug-14	Oct-14	Sep-14	Aug-14
General Business Conditions	20	22	19	34	26	37
Sales	27	18	15	39	27	34
Employment						
Number of Employees	10	12	14	15	7	18
Availability of Skills Needed	3	0	0	4	0	2
Average Workweek	0	9	11	4	-1	6
Wages	17	10	10	32	26	24
Spending						
Business Services Expenditures	7	15	13	6	19	8
Total Capital Expenditures	16	26	16	25	26	24
Equipment or Software	18	25	21	24	24	19
Price Trends³						
Prices Paid for Inputs	1.84	1.43	1.87	2.16	2.04	2.24
Prices Received for Outputs	1.55	1.15	1.32	2.07	1.64	1.97

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