

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

### *Carolinas Expansion Accelerated in November; Hiring Remained Solid*

#### Overview

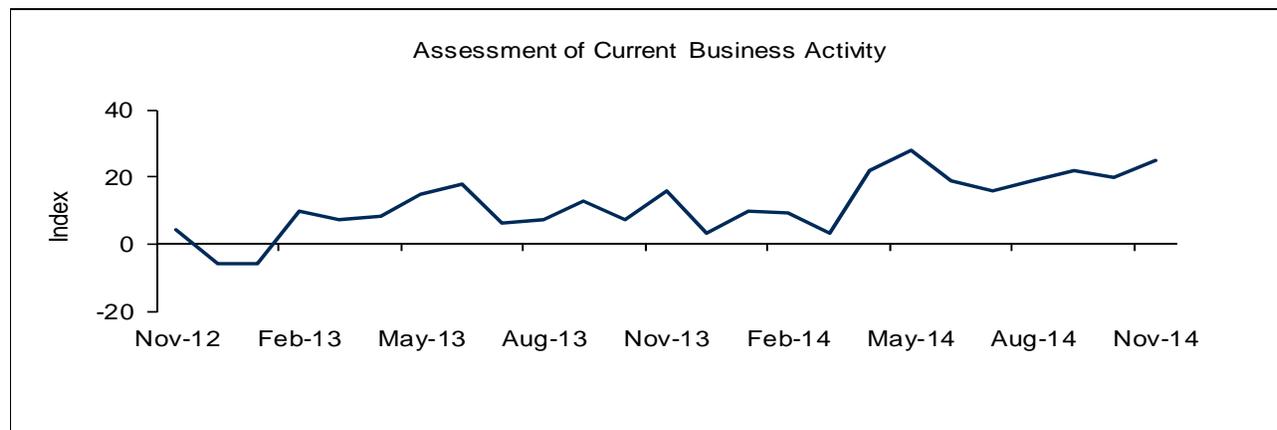
Business activity accelerated in the Carolinas during November according to the latest results of the Carolinas Business Activity Survey. Moreover, respondents became more optimistic about economic prospects six months from now. The headline current general business conditions index rebounded this month after slipping somewhat in October. At the same time, the current sales metric gave back the strong increase that it experienced last month, although it remained in solid positive territory. Respondents were overwhelmingly upbeat about the next six months as both the expected general business conditions and sales metrics rose.

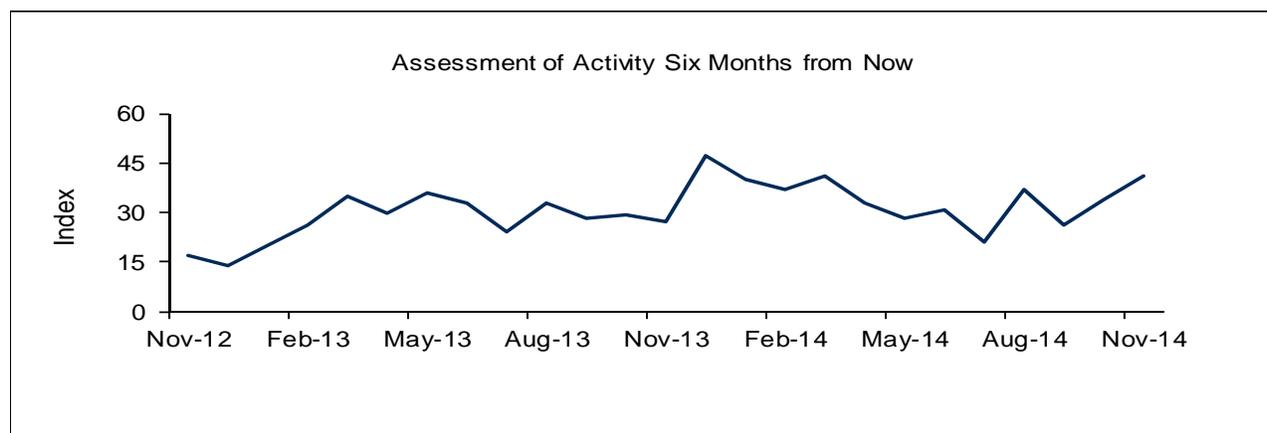
The survey's current labor demand indicators were mixed in November, although they continued to point to more hiring. The current number of workers metric remained well above breakeven even as it edged down again this month, while the current average workweek indicator jumped. Meanwhile, both of the corresponding labor demand expectations metrics moved higher into positive territory during the month. Each of the three current business spending indicators increased, while the matching expectations measures were unchanged on balance.

The survey's pricing results pointed to easing inflationary pressures. The current pricing measures (paid and received) moved lower between October and November. The expected prices received number showed a notable decline over the month as well, but the expected prices paid result was virtually unchanged.

#### General Business Assessments

Business activity accelerated somewhat in November, according to results from the Carolinas Survey of Business Activity, and expectations for the future grew more optimistic. The headline current general business conditions index rose to 25 this month from 20 in October. Since the adverse winter weather cleared in March, the headline index has averaged 21 in the subsequent eight months after averaging 10 in the preceding 12 months. By contrast, the current sales metric fell to 17 in November, a 10-point decline from the prior month. Meanwhile, expectations for the coming six months rose materially. The expected general business conditions indicator increased seven points this month to 41, a result that has been exceeded just once in the past 33 months. The expected sales metric inched up to 40 in November, which is a very strong reading by historical standards.





**Labor Market Conditions**

Labor demand grew at a slower pace in November, but responses to the survey suggest that firms may pick up the pace of hiring in the next six months. After spending seven straight months in the double digits, the current number of employees index edged down to 8 in November, a two-point decline from October. A smaller but still positive reading suggests that firms are adding workers on net, but at a slower pace. The current average weekly hours index jumped eight points during the month.

With regards to labor demand in the coming six months, the expected number of workers index increased to 21 in November, its highest reading in a year, from 15 a month earlier. In addition, the expected average workweek indicator rose to 7 this month from 4 in October. The combination of the two bodes well for hiring in the Carolinas.

**Business Spending**

Business spending appeared to gather momentum in November, while expectations for the future remained very upbeat. Each of the three current business spending measures experienced a notable gain this month. The current business services and current total capital expenditures measures both increased nine points from October to November, to 16 and 25, respectively. The current equipment or software spending index jumped to 24, a six-point gain from the prior month. In all three cases, November's current conditions indicators were well above the average of the prior 24 months.

Expectations for spending six months from now remained firm, and changed little over the month. In November, the expected business services

spending index came in at 6 for the second month in a row. Meanwhile, the expected total capital equipment spending measure increased to 28 from 25, and the expected software or equipment metric moved down to 22 this month from 24 in October.

**Prices**

Despite the seeming upturn in economic activity in the region over the past 30 days, inflation pressures appeared to ease. The average increase in current prices paid moved down to 1.55 percent in November from 1.84 percent in October. At the same time, the average increase in current prices received dipped to 1.40 percent from 1.55 percent. Meanwhile, the expected average increase in prices paid edged down to 2.13 percent from 2.16 percent, and the expected average increase in prices received dropped to 1.71 percent from 2.07 percent.

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	Nov-14	Oct-14	Sep-14	Nov-14	Oct-14	Sep-14
General Business Conditions	25	20	22	41	34	26
Sales	17	27	18	40	39	27
<b>Employment</b>						
Number of Employees	8	10	12	21	15	7
Availability of Skills Needed	-1	3	0	-5	4	0
Average Workweek	8	0	9	7	4	-1
Wages	15	17	10	38	32	26
<b>Spending</b>						
Business Services Expenditures	16	7	15	6	6	19
Total Capital Expenditures	25	16	26	28	25	26
Equipment or Software	24	18	25	22	24	24
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.55	1.84	1.43	2.13	2.16	2.04
Prices Received for Outputs	1.40	1.55	1.15	1.71	2.07	1.64

### 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