

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Economy Expanded at a Slower Pace in December; New Hiring Continued

Overview

Responses to the Carolinas Survey of Business Activity suggest that the two-state region's economic expansion slowed modestly as 2014 was drawing to a close. The survey's headline current general business conditions index dropped but remained in positive territory this month. December marked the 23rd month in a row in which the headline measure has been above 0. The retrenchment in this index coincided with a similar fall in the current sales metric, although it too remained in positive territory. Respondents remained optimistic that business activity will improve further in the next six months.

Labor demand remained firm in December. The current number of workers index was unchanged from November and the average workweek measure was again in positive territory. The equivalent forward looking labor demand indicators were little changed over the month, on balance.

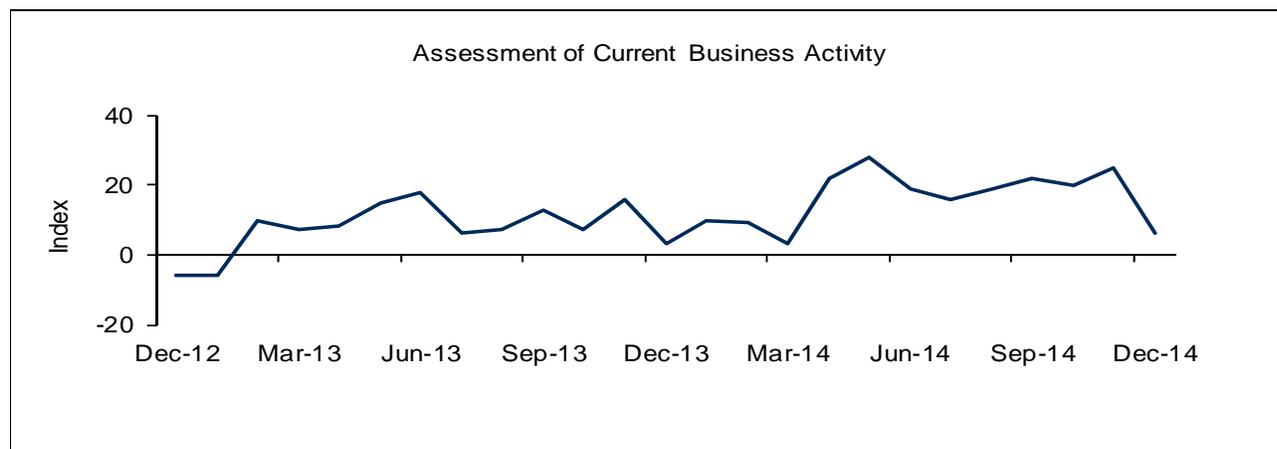
Each of the three current business spending measures – business services, total capital expenditures, and equipment/software – moved lower in December (but remained positive) while each of the three corresponding expectations indexes moved further into expansion territory.

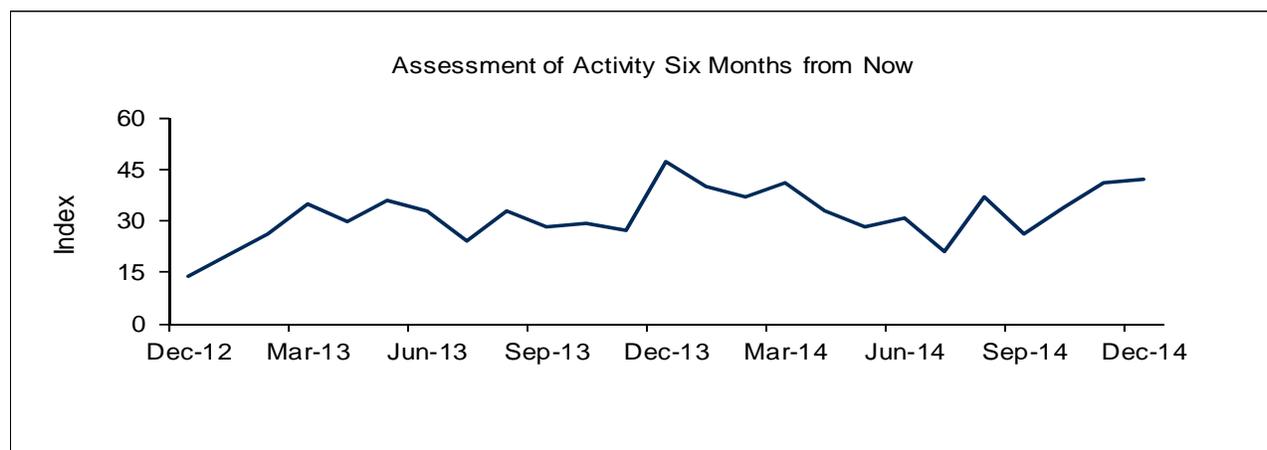
With regards to pricing, the average increase in current prices paid was unchanged in December, while the average increase in prices received moved lower. Both the average expected increase in prices paid and the average expected increase in prices received fell.

General Business Assessments

The region's economic expansion appeared to slow somewhat as the year was drawing to a close, although survey respondents remained confident that it would accelerate in coming months. The headline current general business conditions index fell to 6 in December from 25 a month earlier. This month's reading was the lowest since March, although it was the index's 23rd straight positive reading. The drop in the current general business conditions measure was accompanied by a like-sized decline in the current sales metric, which decreased to 4 this month from 17 in November.

Meanwhile, survey responses reflected a little more optimism about upcoming business activity. The expected general business conditions indicator edged up to 42 in December from 41 during the prior month, while the expected sales metric inched up to 41 this month from 40 in November.





Labor Market Conditions

Current labor demand remained firm in the region during December, while expectations for labor utilization six months from now were little changed. The survey's current number of workers index remained at 8 this month. This measure has softened a little since reaching, and maintaining, extraordinary levels in the second and third quarters of 2014, but it continues to point toward more hiring. Moreover, the current average hours indicator was in positive territory in December, suggesting that workers spent more time on the job.

Looking to the next six months, the survey's labor demand indicators are encouraging. The expected number of workers index remained at 21 in December, after having averaged 16 over the past 12 months. At the same time, the expected average workweek metric jumped to 17, a 10-point gain over November and its highest reading since February.

Business Spending

Responses to the current business spending questions suggest that firms continued to invest to meet business needs, although at a somewhat slower pace. The current business services spending metric came in at 11 in December, which is the index's average over the past 12 months but a five-point decline from the prior month. Meanwhile, the current total capital expenditures measure decreased to 20 this month from 25 in November. The equipment or software indicator came in at 19, a five-point decrease from the prior month.

While the measures of current business spending retreated, the corresponding gauges of future

spending advanced. The expected business services spending metric increased to 11 in December from 6 in November, while the expected total capital expenditures index rose to 34 from 28. The expected equipment or software indicator increased the most during the month, jumping to 32, a 10-point gain from November.

Prices

General price pressures appeared to ease further over the past 30 days, according to survey respondents. While the average increase in current prices paid held steady in December, at 1.55 percent, the average increase in current prices received dipped to 1.32 percent from 1.40 percent. Meanwhile, the expected average increase in prices paid edged down to 1.88 percent from 2.13 percent, and the expected average increase in prices received dropped to 1.56 percent from 1.71 percent.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Dec-14	Nov-14	Oct-14	Dec-14	Nov-14	Oct-14
General Business Conditions	6	25	20	42	41	34
Sales	4	17	27	41	40	39
Employment						
Number of Employees	8	8	10	21	21	15
Availability of Skills Needed	4	-1	3	4	-5	4
Average Workweek	2	8	0	17	7	4
Wages	7	15	17	35	38	32
Spending						
Business Services Expenditures	11	16	7	11	6	6
Total Capital Expenditures	20	25	16	34	28	25
Equipment or Software	19	24	18	32	22	24
Price Trends³						
Prices Paid for Inputs	1.55	1.55	1.84	1.88	2.13	2.16
Prices Received for Outputs	1.32	1.40	1.55	1.56	1.71	2.07

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