

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

### *Carolinas Expansion Accelerated in January; New Hiring Slowed But Remained Strong*

#### Overview

The region's economic expansion appeared to accelerate as the New Year got under way, according to the latest results of the monthly Carolinas Survey of Business Activity. The current general business conditions index jumped in January, recapturing most of the ground that it surrendered in December. In addition, respondents became more upbeat about their expectations for business activity six months from now. The current sales metric also rose this month after dropping the prior month, while the sales expectations measure inched up from already high readings.

Labor demand remained firm in January, although the metrics reflecting worker demand and average hours slipped. Expectations for hiring six months out were more optimistic as the expected number of workers index rose to its highest level in nearly five years.

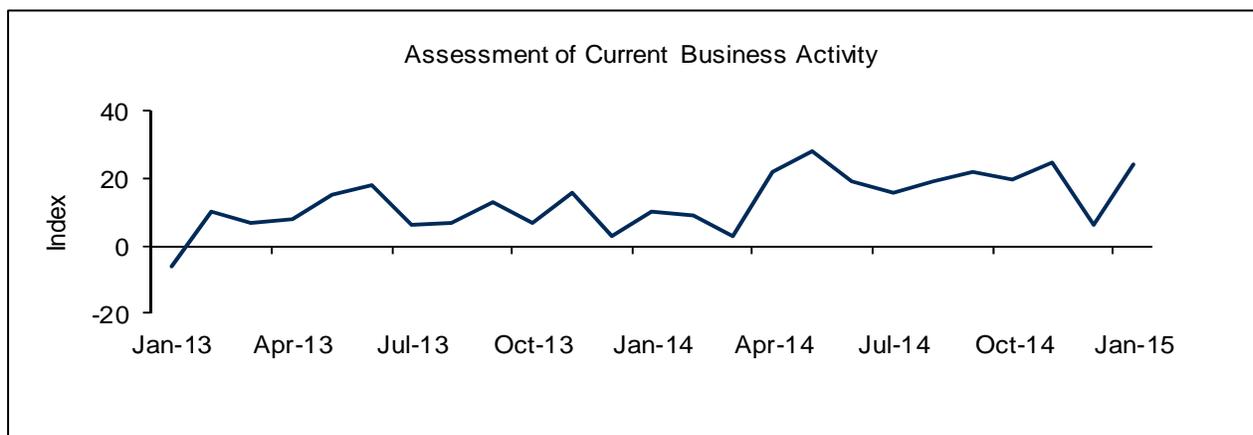
The purported improvement in overall business activity led to more business spending among responding firms. Each of the three current business spending measures increased in January, as did two of the three corresponding expectations indicators (equipment or software was down).

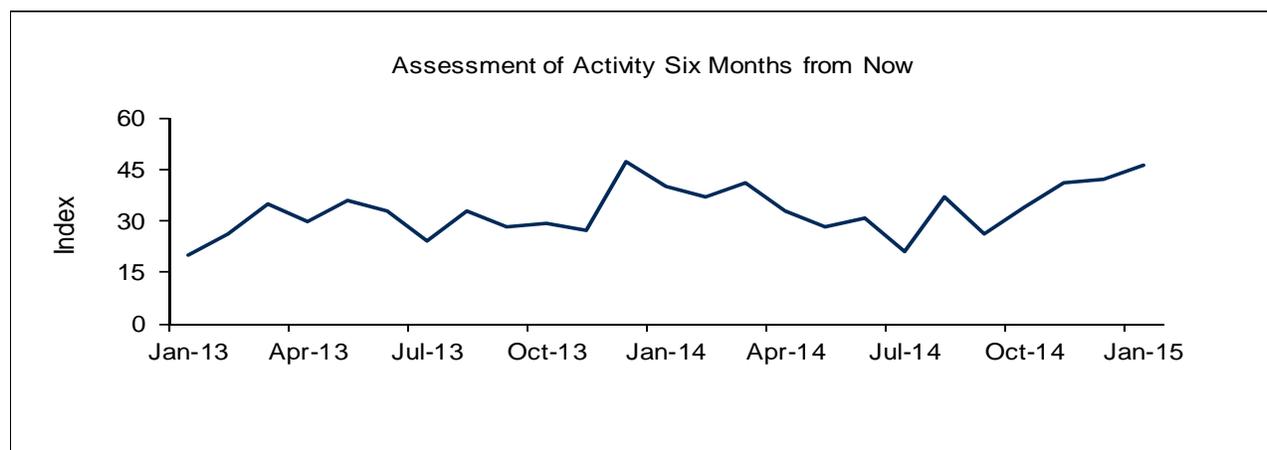
Businesses reported a notable easing in upward price pressures this month, as both the average increase in current prices paid and the average increase in current prices received fell. In addition, the corresponding expectations measures dipped in January.

#### General Business Assessments

The region's economic expansion re-accelerated in January after slowing in December. The current general business conditions index (the survey's headline metric) jumped 18 points this month to 24, the third highest reading of the past 12 months. This measure has been positive for 24 straight months, and has been in very robust territory in nine of the past 10 months. Sales also rebounded sharply, according to respondents. The current sales metric rose 14 points to 18 in January, after falling 13 points in December.

Meanwhile, the expected general business conditions index increased to 46 in January from 42 a month earlier. Over the past three months, this index has averaged 43, compared to an average of 32 during the preceding three months. At the same time, the expected sales measure inched up to 42 this month from 41 in December, reaching its highest reading in nearly a year.





### Labor Market Conditions

Labor demand was still solid as the New Year started, although the survey results suggest that the pace of hiring may have slowed somewhat. The current number of workers index dipped to 6 in January from 8 in December. Over the past three months, the current number of workers index averaged 7, which is below the average of the prior three-month period but above average for the labor market recovery that got under way in February 2010. The current average hours index also edged lower this month, but remained positive.

Respondents' expectations for labor demand six months from now grew more optimistic, on balance. The expected number of workers index increased to 28 in January from 21 a month earlier. January's reading was the highest since May 2010. Meanwhile, the expected average weekly hours measure slipped from 17 in December to 14 this month, which is still well above the metric's 12-month average.

### Business Spending

Business spending appeared to rebound in January, according to the survey results, as each of the three measures of current expenditures increased. The equipment or software current spending index showed the biggest gain as it rose from 19 in December to 28 this month, its highest level in the seven-year history of the series. The business services current spending index increased six points in January to 17, surpassing this series' previous high-water mark which was established in November of last year. The total capital current spending indicator rose to 24 from 20 a month earlier.

On balance, business spending plans picked up as well. The business services expected spending measure rose to 17 in January from 11 in December; while the total capital equipment expected outlays index came in at 39 this month, a new high for this series which dates back to December 2010. The equipment or software spending expectations metric settled in at 28 this month, a four-point decline from the prior month.

### Prices

General price pressures eased further over the past month, according to survey respondents. The average increase in current prices paid dropped to 1.20 percent this month from 1.55 percent in December, while the average increase in current prices received inched down to 1.29 percent from 1.32 percent. Respondents expect prices paid to increase 1.63 percent in the coming six months, on average, compared to 1.88 percent a month earlier. Expectations for prices received also moved lower.

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	Jan-15	Dec-14	Nov-14	Jan-15	Dec-14	Nov-14
General Business Conditions	24	6	25	46	42	41
Sales	18	4	17	42	41	40
<b>Employment</b>						
Number of Employees	6	8	8	28	21	21
Availability of Skills Needed	-3	4	-1	-1	4	-5
Average Workweek	1	2	8	14	17	7
Wages	13	7	15	33	35	38
<b>Spending</b>						
Business Services Expenditures	17	11	16	17	11	6
Total Capital Expenditures	24	20	25	39	34	28
Equipment or Software	28	19	24	28	32	22
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.20	1.55	1.55	1.63	1.88	2.13
Prices Received for Outputs	1.29	1.32	1.40	1.32	1.56	1.71

### Technical Notes:

- 1 Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. Data are not seasonally adjusted.
- 2 Expectations refer to the time period six months out from the survey period.
- 3 Price changes are expressed as a percent change, annualized.
- 4 Table has been revised to reflect changes in survey questions beginning December 2010