

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Expansion Decelerated in February; Hiring Picked Up

Overview

According to the latest results of the Carolinas Survey of Business Activity, the region's economy expanded at a more modest pace in February compared to January, although expectations for activity six months from now grew more optimistic. The current general business conditions index (the survey's headline metric) was solidly in positive territory this month, even though it was down from the prior month. Meanwhile, the index reflecting expectations for business activity six months out moved further into positive territory, matching its highest reading of the last 3 ½ years.

Despite the seeming slowdown in the current rate of expansion, labor demand remained firm. The current number of workers index jumped in February and the average hours measure held steady. Both of the corresponding expectations indexes edged down, although each was still entrenched in firm positive territory.

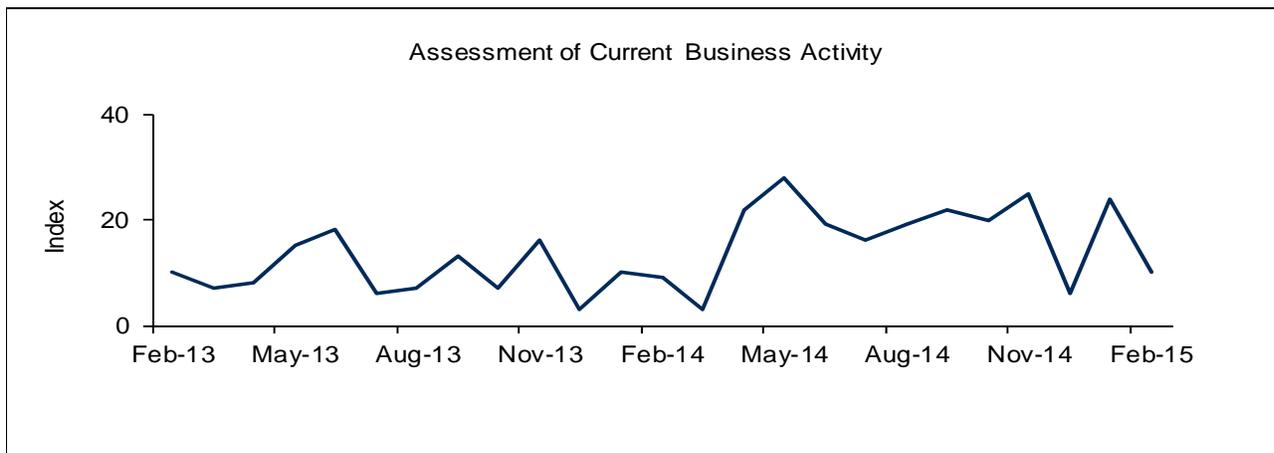
Business spending sentiment was mixed this month. Each of the three current business spending metrics moved lower in February from January. With regards to expectations for spending six months

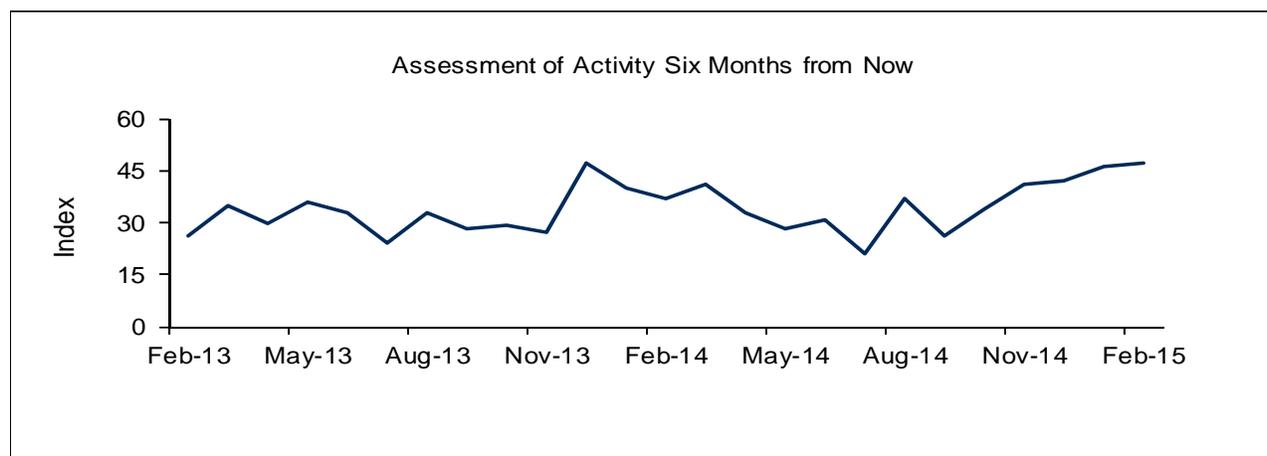
down the road, one indicator increased, one decreased, and one remained the same.

Respondents signaled a little relief on margins this month, as the average increase in current prices paid fell while the average increase in current prices received edged up. Most respondents don't expect that relief to last, however, as both of the corresponding price expectations averages fell.

General Business Assessments

The region's economic expansion slowed somewhat in February, although respondents to the Carolinas Survey of Business Activity grew more confident that economic activity will pick up in the coming six months. The current general business conditions index decreased to 10 this month from 24 in January. The 14-point decline left the current metric at its second lowest level of the past 11 months, but still solidly above 0. The current revenues indicator experience a smaller decrease as it fell to 13 this month from 18 a month earlier. Meanwhile, the general business conditions expectations index increased to 47 in February from 46 a month earlier, matching its highest reading since April 2011. The revenues expectations moved up to 46, from 42 in January.





Labor Market Conditions

Current labor demand appeared to pick up meaningfully in the Carolinas during February, even as the pace of economic expansion seemingly moderated. The current number of workers metric increased to 13 this month from 6 in January, leaving the measure at its highest level in six months. At the same time, the average weekly hours index held steady at 1 in February, suggesting little to no change in the workweek. The current wage index rose to 16 this month, a three-point increase from January's reading.

Expectations for hiring six months from now are not quite as optimistic as they were in January, but are still robust. The expected number of employees index moved down to 21 in February from 28 a month earlier. Meanwhile, the expected average workweek measure edged down to 13 this month, a 1 percent decline from January.

Business Spending

The measures reflecting current business spending softened, but remained positive in February, and expectations for spending six months from now remained strong. Each of the three current spending metrics decreased from January to February. The current business services spending measure experienced the largest decline as it fell to 9 this month from 17 a month earlier. The current equipment or software spending indicator also moved down in February, to 22 from 28, while the current total capital expenditures measure inched down to 20 from 24.

The corresponding spending expectations measures were mostly unchanged, on balance. The expected equipment or software spending index edged up to 30 in February from 28 in January, while the expected total capital expenditures measure fell to 24 this month from 39 a month earlier. The expected business services spending index was unchanged in February at 17, which is a very strong reading by historical standards.

Prices

On balance, general price pressures eased further over the past month. The average increase in current prices paid fell to 0.98 percent in February from 1.20 percent in January, while the average increase in current prices received inched up to 1.33 percent from 1.29 percent. Respondents expect prices paid to rise 1.15 percent in the coming six months, on average, compared to 1.63 percent a month earlier. Expectations for prices received also moved lower, to 0.59 percent from 1.32 percent.

Contact

Rick Kaglic

Senior Regional Economist
 Research Dept./Regional Economics
 Federal Reserve Bank of Richmond
 Charlotte Office
 Office 704-358-2116 · Fax 704-358-2300
richard.kaglic@rich.frb.org
www.richmondfed.org

Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Feb-15	Jan-15	Dec-14	Feb-15	Jan-15	Dec-14
General Business Conditions	10	24	6	47	46	42
Sales	13	18	4	46	42	41
Employment						
Number of Employees	13	6	8	21	28	21
Availability of Skills Needed	2	-3	4	-2	-1	4
Average Workweek	1	1	2	13	14	17
Wages	16	13	7	30	33	35
Spending						
Business Services Expenditures	9	17	11	17	17	11
Total Capital Expenditures	20	24	20	24	39	34
Equipment or Software	22	28	19	30	28	32
Price Trends³						
Prices Paid for Inputs	0.98	1.20	1.55	1.15	1.63	1.88
Prices Received for Outputs	1.33	1.29	1.32	0.59	1.32	1.56

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