Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Economy Expanded Steadily in March; Firms Continued to Add Workers

Overview

According to the latest Carolinas Business Activity results, the two-state region's economic expansion continued at a fairly stable pace in March. The current general business conditions index was unchanged from February, and while the current sales metric dipped, it remained positive. In addition to the upbeat assessments of current economic conditions, survey respondents remained optimistic about activity six months from now. The expected general business conditions measure inched down from a very high level, while the expected revenues indicator was unchanged at a very high level.

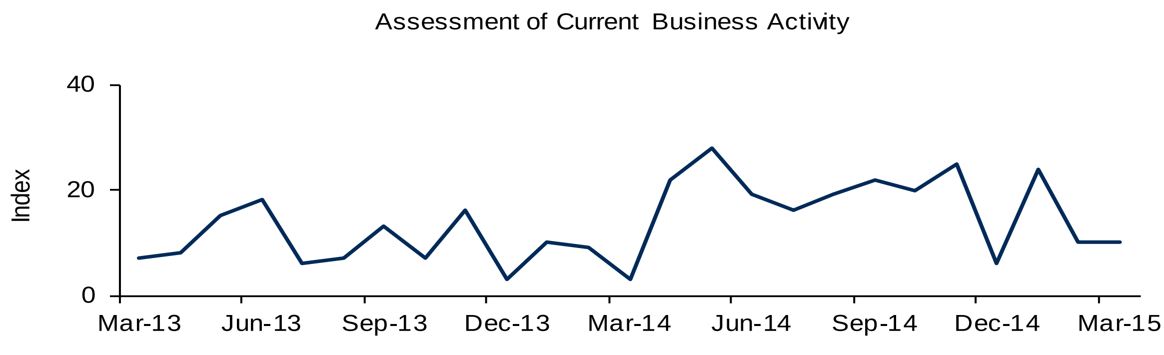
Labor demand, current and expected, held firm in March. The current number of workers indicator dipped, but remained well above 0, while the current average workweek metric moved up. The corresponding measures of expected labor demand were still very optimistic, even though the expected number of workers and expected average workweek indicators edged down this month.

Business spending expanded again in March, although the directional changes in the numbers were mixed. Growth in current business services spending appeared to accelerate somewhat while current equipment or software spending growth slowed. Expectations for business spending six months from now remained quite positive.

The average increase in current prices paid moved higher in March, although it remained very low, while the average increase in current prices received moved down. Price increases are expected to accelerate in six months but only slightly and from very low levels.

General Business Assessments

The economic expansion in the North Carolina and South Carolina region appeared to steady in March after slowing a bit in February, according to the results of the latest Carolinas Business Activity survey. The survey's headline measure of business sentiment, the current general business conditions index, came in at 10 this month, unchanged from the prior month. The current sales metric moved down to 6 from 13, suggesting that a smaller but still positive net share of respondents reported that sales had picked up during the month. Meanwhile, the indicators measuring respondents' expectations for general business conditions and sales six months from now changed little from February's results and remained at very optimistic levels.



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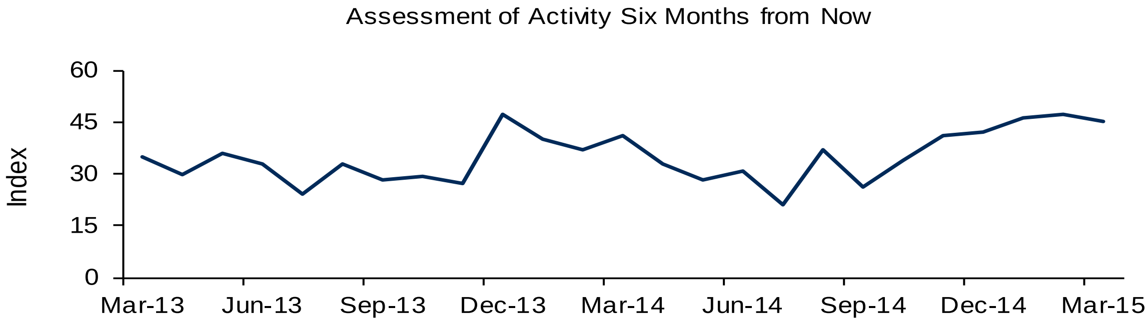

Labor Market Conditions

Demand for workers remained firm in the Carolinas, although the survey's labor indicators were somewhat mixed. After increasing seven points in February, the current number of workers index gave back six, settling in at 7 for March. Meanwhile, the current average workweek indicator increased to 4 this month from 1 in February. On the labor supply side, the current availability of skills needed metric fell to -6 in March from 2 a month earlier. The current wage index declined by four points but remained positive.

Respondents generally expect to increase their payrolls in the coming six months, even as labor shortages are anticipated to worsen. The expected number of workers index dipped to 18 in March from 21 in February, while the expected average workweek edged down to 12 from 13 over the same period. The expected availability of skills needed measure moved further into negative territory.

Business Spending

Each of the survey's three current business spending metrics was entrenched in solid expansion territory, although the directional changes were mixed. The current business services spending index increased to 12 in March from 9 in February. Meanwhile, the current total capital expenditures indicator slipped to 19 from 20 a month earlier, and the current equipment or software spending measure fell to 13 from 22. Combined, these movements suggest that current business spending grew at a somewhat slower pace in March than it did in February.

With regards to business spending expectations six months from now, respondents were generally more optimistic. The expected total capital expenditures index jumped eight points in March, to 32, and the expected equipment or software expenditures measure held steady at 30 (which is well above average for this series). The expected business services spending metric edged down two points, to 15 in March.

Prices

On balance, price changes in March remained low by historical standards. The average increase in current prices paid accelerated to 1.10 percent this month from 0.98 percent in February, but the average increase in current prices received moved down to 0.99 percent from 1.33 percent. Expectations for price increases six months from now also remained low by historical standards even though both the expected average increase in prices paid and expected average increase in prices received moved higher in March.

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]		
	Mar-15	Feb-15	Jan-15	Mar-15	Feb-15	Jan-15
General Business Conditions	10	10	24	45	47	46
Sales	6	13	18	46	46	42
Employment						
Number of Employees	7	13	6	18	21	28
Availability of Skills Needed	-6	2	-3	-4	-2	-1
Average Workweek	4	1	1	12	13	14
Wages	12	16	13	24	30	33
Spending						
Business Services Expenditures	12	9	17	15	17	17
Total Capital Expenditures	19	20	24	32	24	39
Equipment or Software	13	22	28	30	30	28
Price Trends[3]						
Prices Paid for Inputs	1.10	0.98	1.20	1.79	1.15	1.63
Prices Received for Outputs	0.99	1.33	1.29	1.17	0.59	1.32

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