

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Economy Regained Momentum in April; Labor Demand Picked Up

Overview

The regional economy appeared to gather some momentum in recent weeks, according to the results of the latest Carolinas Survey of Business Activity. The current general business conditions index moved further into positive territory in April, as did the current sales indicator. While the current measures of general activity moved higher, the expectations metrics moved down modestly, suggesting that respondents are still optimistic for activity six months down the road, but a little less so than they had been a month earlier.

The apparent increase in current business activity was accompanied by a jump in the survey's measures of labor demand. Both indicators of current labor utilization – number of workers and average hours worked – increased materially in April to record or near-record highs. The corresponding measures reflecting labor demand six months from now remained solidly positive. Measures of wage pressures, current and expected, moved higher.

Business spending seemingly gained momentum in April as well. Each of the survey's three current spending metrics – business services, total capital equipment, and equipment/software – increased from March. The corresponding expectations

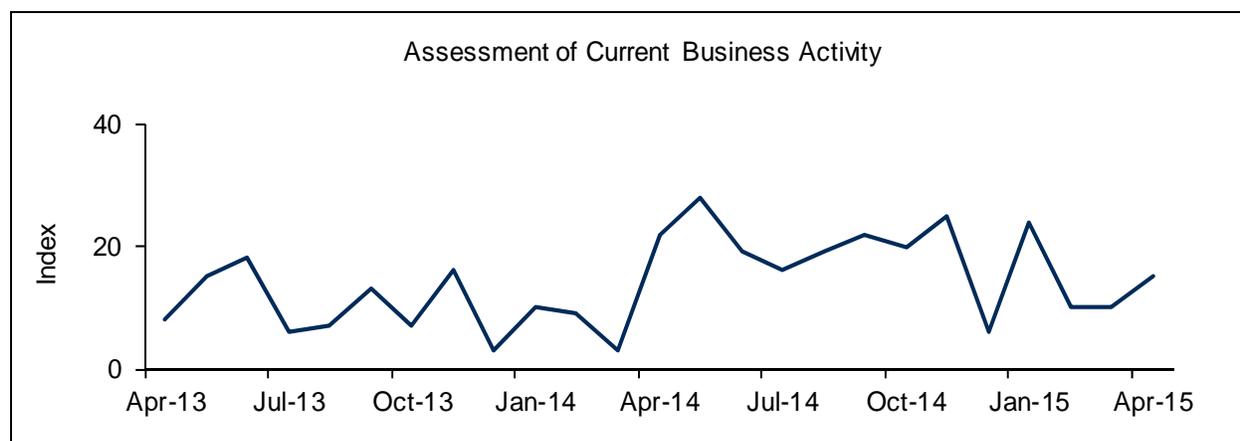
measures were generally unchanged this month and continued to point to stronger business spending in six months.

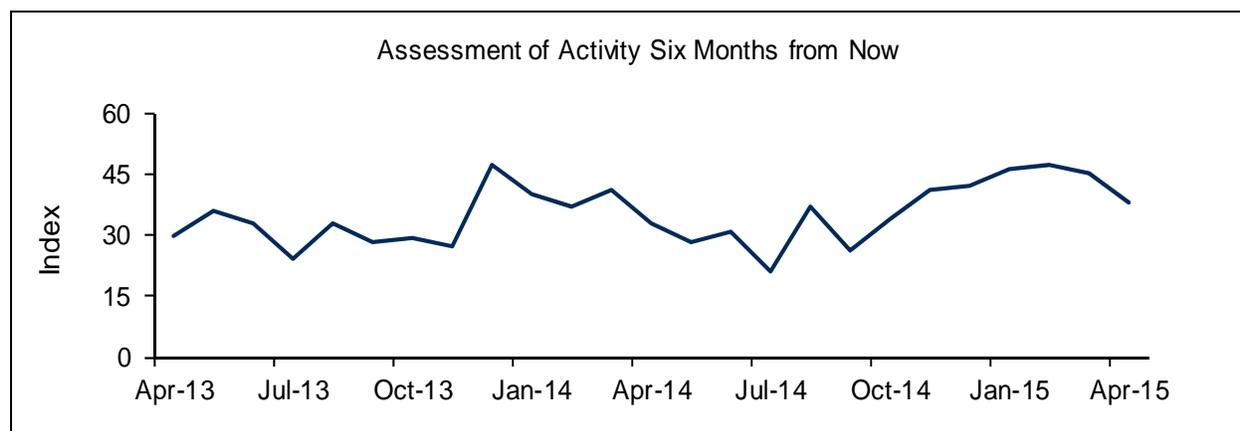
The average increases in current prices paid and current prices received moved slightly higher in April, although both remained very low. Price increases are expected to moderate in six months and, here again, remain at very low levels.

General Business Assessments

The region's economic expansion appeared to gain momentum as the second quarter started, following a period of modestly slower growth in the first quarter. After holding steady in March, the Carolinas current general business conditions index increased to 15 in April, a five-point gain from the prior month.

Respondents' sentiment of general conditions may well have been boosted by an apparent increase in sales. The survey's current sales metric rose to 13 this month, regaining all of the ground it had lost in March. Meanwhile, those surveyed generally expect business conditions to improve in the coming six months, albeit at a modestly slower pace than they were expecting a month ago. The expected general business conditions and expected sales measures came in at 38 in April.





Labor Market Conditions

Current labor demand picked up in April, but supply side constraints may be putting upward pressure on wages. The current number of workers index increased to 17 this month, which equals the highest reading in the series' roughly eight-year history. In addition, the average weekly hours metric moved up to 17 from 4 in March, reaching its highest mark in nearly five years. Meanwhile, the availability of labor index was at -6 in April, and the current wages indicator jumped 10 points to 22, matching this series' historical high-water mark.

On balance, the corresponding labor expectations measures suggest that respondents don't anticipate much change in the landscape. The expected number of workers index moved a little lower to 15 and the expected average hours indicator moved a little higher to 14. Meanwhile, the expected labor availability metric dipped to -7 in April, its lowest reading in nearly five years; and the expected wages measure rose to 28, a four-point increase from March.

Business Spending

According to the survey results, it appeared that business spending picked up modestly in April. Each of the three current spending metrics increased during the month, with the most notable gain in current equipment or software spending, which jumped to 25 from 13 a month earlier. The current total capital spending index rose to 25 in April from 19 in March, reaching its highest level in five months. And the current business services spending metric moved up to 15, a three-point increase from the prior month.

There was a little more variability among the movements of the corresponding business expectations measures, but it does not alter the landscape for the next six months. The expected business services spending index edged up to 16 in April, while the expected total capital spending metric inched down to 29. The expectations indicator for equipment or software spending came in at 30 for the third month in a row.

Prices

Price changes in April remained low by historical standards and were little changed from March. The average increase in current prices paid accelerated to 1.18 percent from 1.10 percent in March, while the average increase in current prices received edged up to 1.01 percent from 0.99 percent. Expectations for price increases six months from now also remained low by historical standards. The average expected increase in prices paid fell to 1.37 percent in April from 1.79 percent in March, while the average expected increase in prices received dipped to 1.14 percent from 1.17 percent.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Apr-15	Mar-15	Feb-15	Apr-15	Mar-15	Feb-15
General Business Conditions	15	10	10	38	45	47
Sales	13	6	13	38	46	46
Employment						
Number of Employees	17	7	13	15	18	21
Availability of Skills Needed	-6	-6	2	-7	-4	-2
Average Workweek	17	4	1	14	12	13
Wages	22	12	16	28	24	30
Spending						
Business Services Expenditures	15	12	9	16	15	17
Total Capital Expenditures	25	19	20	29	32	24
Equipment or Software	25	13	22	30	30	30
Price Trends³						
Prices Paid for Inputs	1.18	1.10	0.98	1.37	1.79	1.15
Prices Received for Outputs	1.01	0.99	1.33	1.14	1.17	0.59

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