

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

### *Regional Economic Momentum Continued to Build in May; Hiring Expectations Moved Higher*

#### Overview

According to the results of the latest Carolinas Survey of Business Activity, the region's economy expanded at a faster pace in May, building upon the momentum it regained in April. The current general business conditions index increased for the second month in a row, while the current sales metric moved higher as well. The improvement in current business conditions apparently boosted respondents' expectations for activity six months down the road. Both the expected general business conditions and expected sales metrics moved higher in May.

Labor demand continued to increase, albeit at a somewhat slower pace than in April, while labor supply appeared to grow tighter. The current number of workers and current average workweek indicators dipped in May, although both remained solidly in positive territory. By contrast, the corresponding labor demand expectations indexes increased. The labor availability metrics, current and expected, remained in negative territory this month.

In spite of the apparent pick up in business activity during May, the survey's three measures of current business spending moved lower, on balance. It is important to note, however, that each of the three

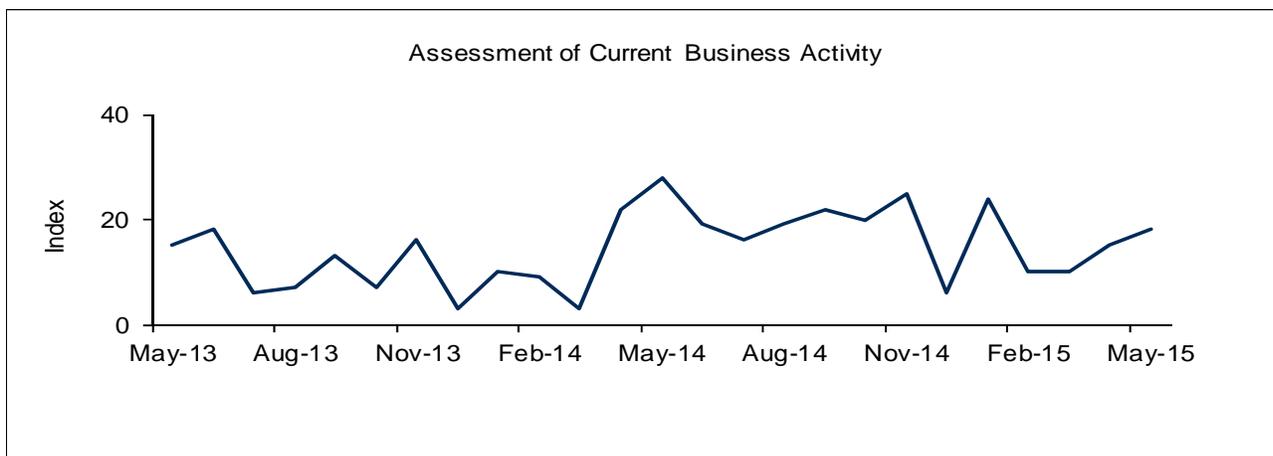
was solidly positive. Each of the corresponding business spending expectations metrics was lower as well, but still positive.

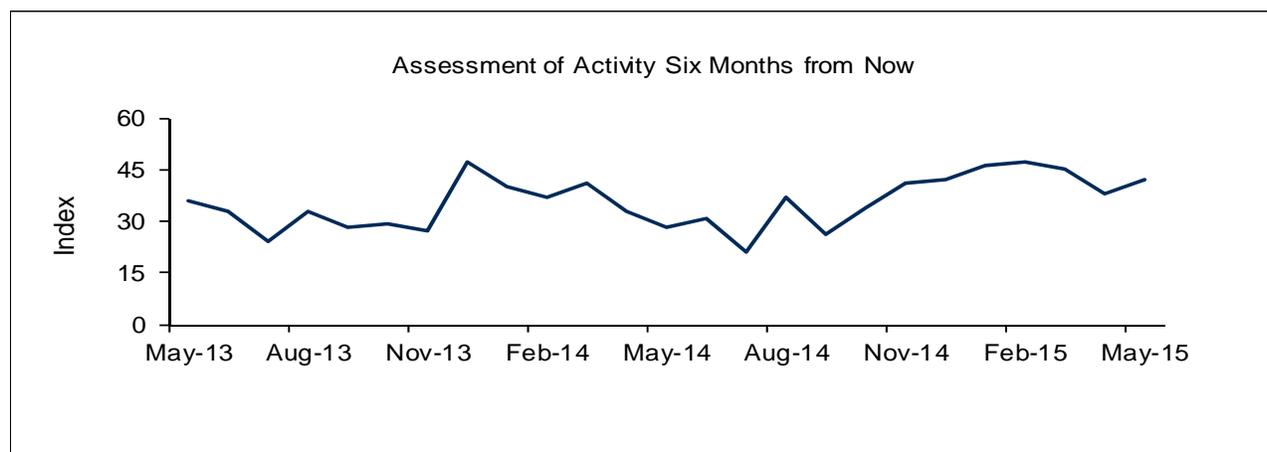
The average increases in current prices paid and current prices received moved somewhat lower in May, and are both very low. Price increases are expected to accelerate modestly in six months, but they too remain at very low levels.

#### General Business Assessments

Business conditions improved again in May. The indicator reflecting current general business conditions increased three points this month to 18, following a five-point gain in April. May's reading was slightly above the 12-month average for the series. Respondents' sense of general business conditions was likely aided by stronger sales. The current sales metric inched up to 14 this month.

Meanwhile, expectations grew more optimistic in May after waning a bit during the prior month. The index reflecting expectations for general business conditions six months from now increased to 42 this month from 38 in April. At the same time, the expected sales measure jumped to 46 in May from 38 the previous month. May's reading matches the highest monthly reading of the past four years.





### Labor Market Conditions

Labor demand remained very firm in May, although the survey's indicators reflecting current conditions suggest that the pace of improvement slowed. The current number of workers indicator decreased to 13 this month from 17 in April. Any reading above 0 indicates that a greater share of respondents reported that they were hiring additional workers compared to those that said they were firing. At the same time, the current average workweek metric dipped to 14 from 17 in April. Both of the current labor demand indicators are strong compared to recent historical averages.

The survey's measures of expected labor utilization were very robust in May. The expected number of workers metric jumped eight points this month to 23, reaching its second highest level of the past 17 months. Meanwhile, the expected average workweek index increased to 16 in May from 14 in April. Combined, these expectations indicators suggest that labor demand will remain very firm over the next six months.

### Business Spending

In spite of the apparent increase in current general business conditions, respondents' business spending and spending plans, while still solid, mostly moved lower. The current total capital spending measure rose two points in May to 27, making it the only current spending metric to increase during the month. The current business services spending index dipped to 11 this month, from 15 a month earlier; while the current equipment or software spending measure fell to 18 in May from 25 in April.

Business spending expectations also softened a bit, while remaining firm overall. The expected equipment or software spending measure saw the biggest decline during the month as it fell to 16 from 30 a month earlier. The expected business services spending measure experienced a more modest decline as it moved down to 11 in May from 16 in April. The index reflecting total capital spending plans lost one point, but was solidly positive.

### Prices

Price pressures remained muted in the region. The average increase in current prices paid moved down to 1.06 percent in May, a 0.12 decline from April. May's reading was the second lowest in the history of the series, which dates back to December 2010. The average increase in current prices received dropped to 0.74 percent from 1.01 percent in April. Meanwhile, the corresponding measures of pricing expectations moved modestly higher, although both remained very low when compared to the series' four-year averages.

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	May-15	Apr-15	Mar-15	May-15	Apr-15	Mar-15
General Business Conditions	18	15	10	42	38	45
Sales	14	13	6	46	38	46
<b>Employment</b>						
Number of Employees	13	17	7	23	15	18
Availability of Skills Needed	-8	-6	-6	-3	-7	-4
Average Workweek	14	17	4	16	14	12
Wages	21	22	12	31	28	24
<b>Spending</b>						
Business Services Expenditures	11	15	12	11	16	15
Total Capital Expenditures	27	25	19	28	29	32
Equipment or Software	18	25	13	16	30	30
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.06	1.18	1.10	1.57	1.37	1.79
Prices Received for Outputs	0.74	1.01	0.99	1.32	1.14	1.17

**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