

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

The Carolinas Business Activity Index was Solid in August; Labor Demand Remained Firm

Overview

The region's economy expanded at a good pace in August, according to the latest tally of the Carolinas Survey of Business Activity, although the rate of growth appeared to ease somewhat since July's results were tabulated. The current general business conditions index declined this month, following a big increase in July. Despite the dip in the current general business conditions index, it remained solidly in positive territory. This softening was accompanied by a similar retrenchment in the current sales metric over the month. Meanwhile, the corresponding expectations measures also declined but remained positive.

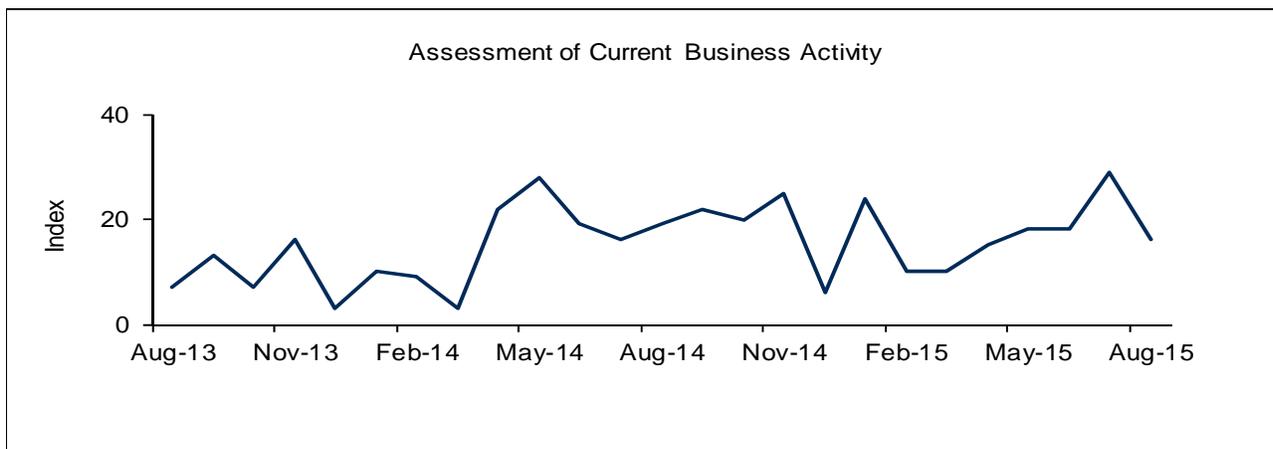
Labor demand was still robust in August, although the indicators were mixed. The current number of workers index was in positive territory even though it lost some ground since last month, while the average workweek metric increased. Meanwhile, the dearth of available talent became more pronounced as the current availability of skills index dropped to its lowest level in more than seven years. The expected labor demand measures suggest that firms plan to employ more labor inputs in the coming six months.

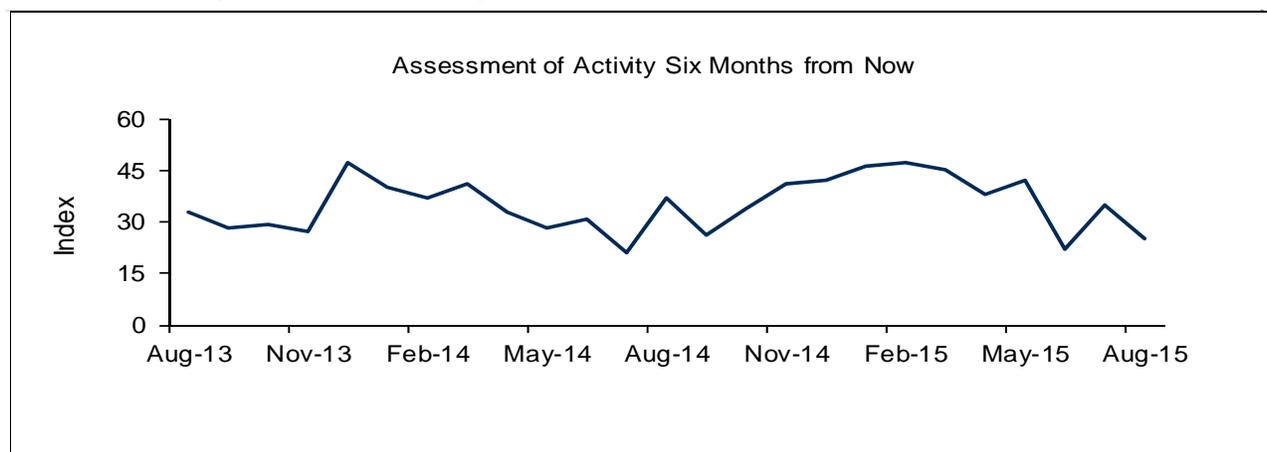
Each of the three current business spending metrics suggested moderately slower growth in August when compared to July, as did two of the three equivalent expectations measures.

The pricing indicators, current and expected, moved higher in August, although each remained very low by historical standards. This was true for prices paid and prices received.

General Business Assessments

The Carolinas economy continued to improve in August, albeit at a somewhat slower pace than during July, according to the latest survey results. The current general business conditions indicator came in at 16 this month. While down 13 points from the prior month, August's reading was in line with the average over the past 12 months, and continued to point to a firm expansion in business activity. The decline in sentiment about current general business conditions is likely related to a similar decrease in the current sales metric, which fell to 13 from 27 over the month. The expected general business conditions index declined to 25 in August from 35 in July and the expected sales metric fell as well, suggesting that respondents have lowered their expectations for the expansion over the next six months.





Labor Market Conditions

Current labor demand remains firm, while skills shortages appeared to intensify, according to August's results. The current number of workers index dipped six points to 5 this month, while the average workweek measure increased three points to 18. Meanwhile, the current availability of skills metric fell to -13 in August from -4 a month earlier. This month's availability reading is the lowest since the recovery began, indicating that employers are having a more difficult time finding workers with the skills that are required to fill open positions.

The outlook for labor demand six months from now softened slightly this month, but firms continue to expect utilizing more labor. The expected number of workers index inched down to 15 in August from 19 a month earlier. At the same time, the expected average workweek slipped to 0 from 1, indicating that while firms expect to add more workers they do not expect those employees to toil longer hours. Respondents expect skills shortages to persist in the coming six months.

Business Spending

The business spending and spending plans indicators softened somewhat this month. Each of the three current indexes fell. The current total capital expenditures measure experienced the largest decline over the month as it fell to 18 in August from 27 in July. The current business services spending metric moved down to 11 from 18, while the current equipment or software index decreased to 23 from 29 a month earlier. Despite the universal decline in index values, each remained in solid positive territory, indicating robust but softer

growth in current business spending.

Expectations for business spending six months from now also moved lower, on balance. The expected total capital expenditures measure came in at 23 in August, a nine-point decline from July; while the expected equipment or software spending measure fell to 17, an eight-point drop. The metric reflecting expectations for business services spending bucked the downward trend in August as it inched up to 16 from 14 in July.

Prices

Upward price pressures remain benign. The average increase in current prices paid moved up to 1.24 percent in August from 1.10 percent in July. The average increase in current prices received increased to 1.24 percent from 0.84 percent in July. Meanwhile, inflation expectations reflected in the survey results also appear well-contained. The expected increase in average prices paid inched up to 1.77 percent from 1.50 percent in July. At the same time, the expected increase in prices received rose to 1.50 percent from 1.15 percent a month earlier.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Aug-15	Jul-15	Jun-15	Aug-15	Jul-15	Jun-15
General Business Conditions	16	29	18	25	35	22
Sales	13	27	22	31	36	29
Employment						
Number of Employees	5	11	9	15	19	9
Availability of Skills Needed	-13	-4	-4	-6	-4	-1
Average Workweek	18	15	10	0	1	8
Wages	19	19	17	31	18	24
Spending						
Business Services Expenditures	11	18	9	16	14	7
Total Capital Expenditures	18	27	20	23	32	21
Equipment or Software	23	29	22	17	25	19
Price Trends³						
Prices Paid for Inputs	1.24	1.10	1.23	1.77	1.50	1.56
Prices Received for Outputs	1.24	0.84	1.03	1.50	1.15	1.51

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