

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

The Carolinas Business Activity Index Dipped in September; But Expansion Continued

Overview

The region's economic expansion progressed at a relatively steady pace in September, according to the results of the latest Carolina's Business Activity Survey. However, that pace was a little slower than that which was evident in the late spring and early summer. The current general business conditions index edged down a bit from August but remained solidly in positive territory, as did the current sales metric. With regards to expectations for business activity and sales six months from now, respondents were generally more optimistic in September than they had been during the prior month.

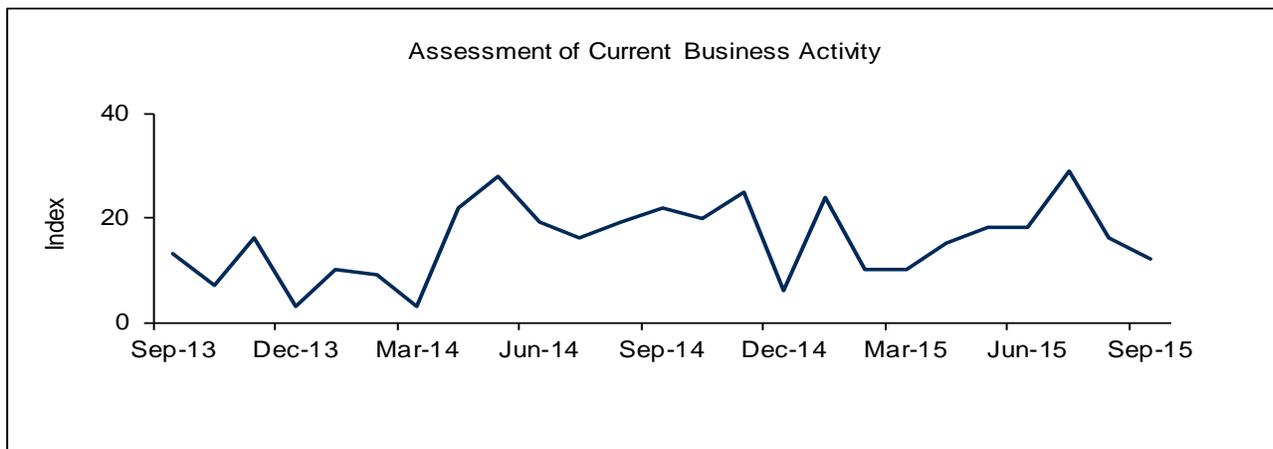
With a slightly slower expansion in business activity during September, as reflected in the general business conditions index, the pace of growth in labor demand also eased somewhat. While the current number of workers and average workweek metrics remained positive during the month, each was lower this month than it was in August. However, responses suggested that firms plan to add labor inputs at a faster pace in the coming six months. At the same time, survey responses indicated that skilled workers were still in short supply, and they expect that to continue into the future.

The three measures of current business spending (total capital equipment, equipment or software, and business services) were flat to up in September, while their corresponding expectations indicators each moved higher.

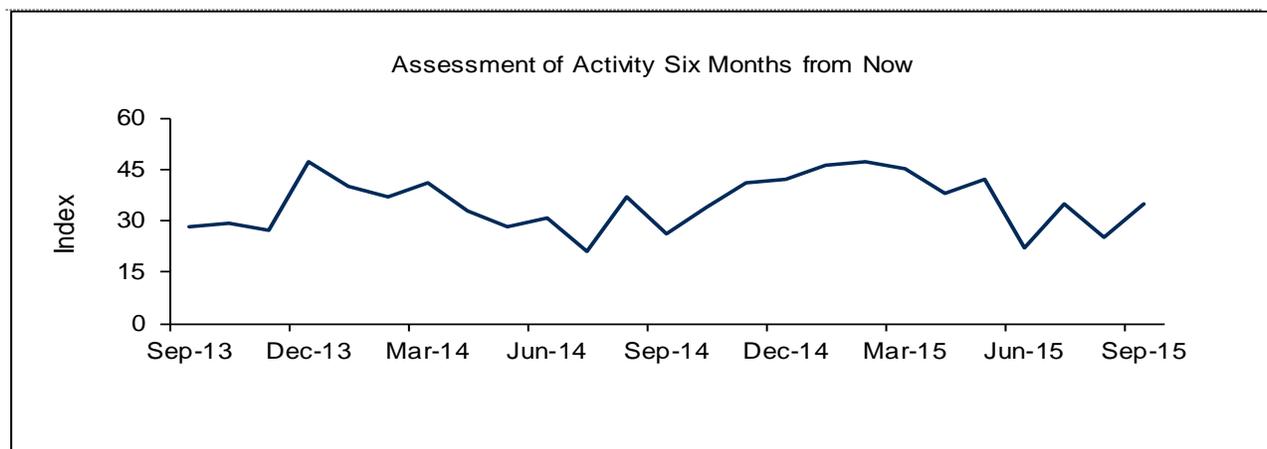
There was little change in the wage and price environment as reports of wage gains spread while price increases remained low by historical standards.

General Business Assessments

The pace of economic expansion appeared to slow slightly in September, although respondents grew more optimistic about activity six months from now. The current general business conditions index moved down four points from August, to 12 this month. September marked the second month in a row in which the current general business conditions index declined. Similarly, the current sales indicator moved lower for the second straight month, as it dipped to 11 in September from 13 a month earlier. In July, the current sales metric stood at 27. The seemingly slower growth in current activity has not diminished expectations for the future as the expected general business conditions index increased to 35 this month, a 10-point increase from



Carolinas Survey of Business Activity



August, and the expected sales measure held at 31, a very robust reading.

Labor Market Conditions

Labor demand continued to increase in September. Labor demand was again firm in the region, and skills shortages persisted. The current number of workers index edged down to 4 this month from 5 a month earlier. In the April-July timeframe the current number of workers index averaged 13. Meanwhile, the current average workweek measure decreased to 2 this month from 18 in August. The September current average workweek reading was its lowest since February.

However, respondents generally expect to add more labor in the coming six months, which is not at all surprising given their expectations for stronger business activity. The expected number of workers indicator increased to 18 in September from 15 a month earlier, while the expected average workweek rose to 9 from zero. Firms may have trouble meeting their labor needs in the next six months, however, as a dearth of adequately skilled workers persisted in the Carolinas in September. In fact, the expected availability of skills measure was in negative territory for the ninth month in a row.

Business Spending

Survey responses indicated that there was little change in the current environment for business spending, although they suggested acceleration in coming months. The current business services spending index increased five points in September to 16, mostly reversing a decline that occurred between July and August. However, the business services index was the only one of the three current

spending measures that increased during the month. The current total capital expenditures and equipment or software spending measures were unchanged (and robust) in September, at 18 and 23, respectively.

Meanwhile, the expected business services spending measure increased to 24 in September from 16 the prior month, while the expected equipment or software spending metric rose to 21 from 17 in August. The expected total capital equipment spending indicator saw the smallest increase over the month as it inched up to 24 this month, a one-point increase from August.

Prices

Upward price pressures remain benign. The average increase in current prices paid moved down to 0.92 percent from 1.24 percent in August, while the average increase in current prices received moved down to 0.95 percent from 1.24 percent. Meanwhile, inflation expectations reflected in the survey results also appear well-contained. The expected increase in average prices paid eased back to 1.53 percent from 1.77 percent in August. At the same time, the expected increase in prices received rose to 1.59 percent from 1.50 percent a month earlier.

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		
	Sep-15	Aug-15	Jul-15	Sep-15	Aug-15	Jul-15
General Business Conditions	12	16	29	35	25	35
Sales	11	13	27	31	31	36
Employment						
Number of Employees	4	5	11	18	15	19
Availability of Skills Needed	-7	-13	-4	-3	-6	-4
Average Workweek	2	18	15	9	0	1
Wages	12	19	19	34	31	18
Spending						
Business Services Expenditures	16	11	18	24	16	14
Total Capital Expenditures	18	18	27	24	23	32
Equipment or Software	23	23	29	21	17	25
Price Trends³						
Prices Paid for Inputs	0.92	1.24	1.10	1.53	1.77	1.50
Prices Received for Outputs	0.95	1.24	0.84	1.59	1.50	1.15

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