

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Hiring Slowed in the Carolinas in January; Economy Continued to Expand at a Slow Pace

Overview

The Carolinas economy continued to expand at a tepid pace as the New Year got under way, but respondents to the monthly survey became a little more optimistic about activity in coming months. The current general business conditions index was unchanged from December to January and was barely above zero. Respondents were seemingly downbeat about sales growth so far in 2016. Yet despite the relatively slow growth currently, the indicators reflecting respondents' expectations for the economy six months from now were, on balance, stronger in January than in December.

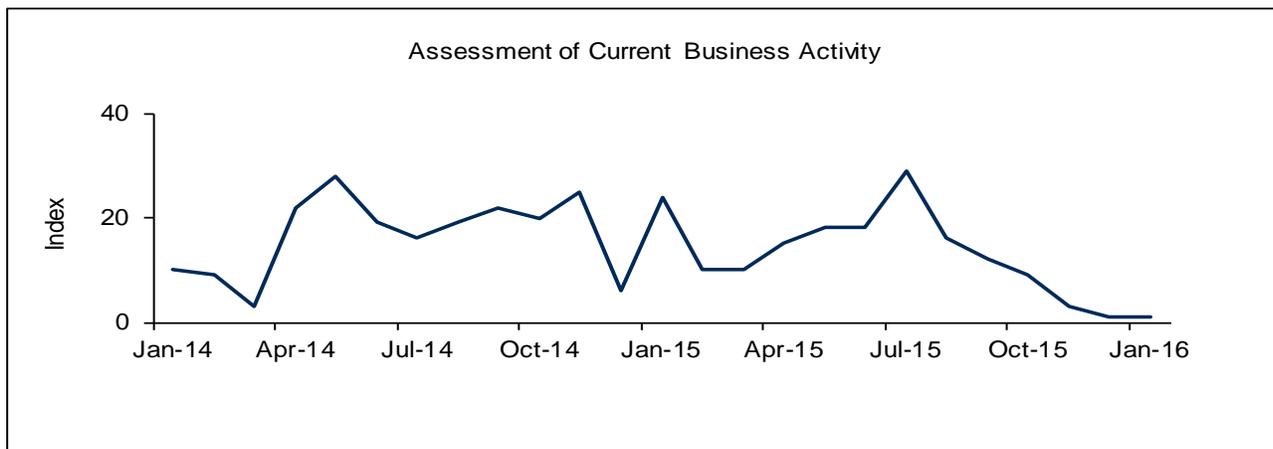
Persistently slower economic growth in the past few months appears to have finally taken a toll on current labor demand, although expectations for labor utilization remain high. Both of the survey's measures of current labor demand, number of workers and average workweek, lost ground from December to January. In fact, the current number of workers index dipped slightly into negative territory for the first time in two years. The current average workweek remained positive. In contrast to the current readings, the gauges of expected hiring and average hours moved much higher over the month.

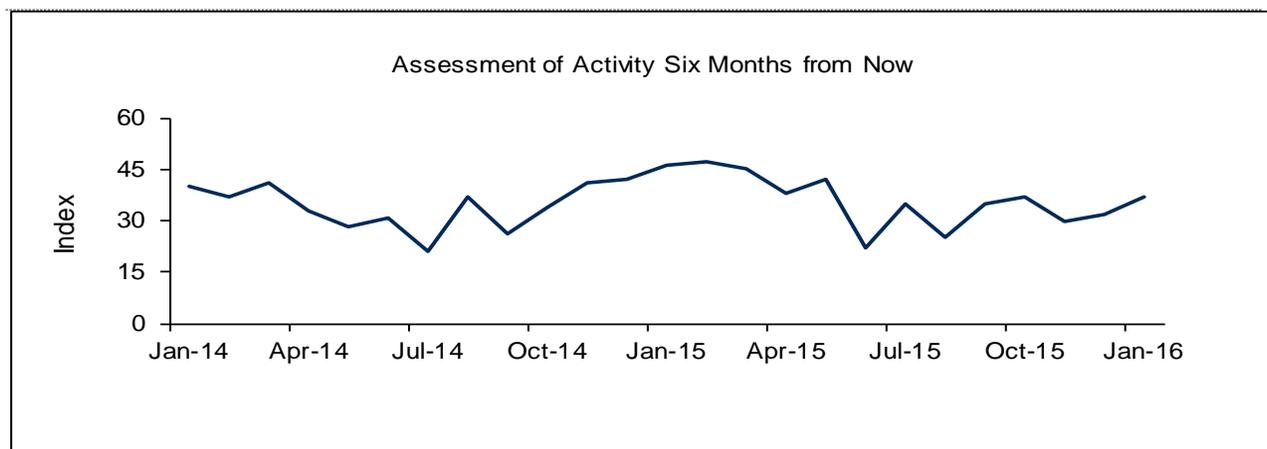
Current business spending was mixed in January as outlays for capital equipment and computers and software increased at a faster pace, but spending on business services grew at a much slower rate. Expectations for business spending six months out remained solidly positive.

Measures of current price changes moved modestly lower since December and remain low by historical standards. Metrics reflecting pricing expectations were also down in January.

General Business Assessments

The Carolinas expansion remained relatively weak as 2016 got under way, although survey respondents remained very optimistic about the New Year. The headline current general business conditions index came in at 1 in January, unchanged from December's reading, which was the lowest in nearly three years. The current sales metric dropped into negative territory for the first time since a weather-induced downturn in March 2014. Still, survey results suggest that firms remain optimistic about activity six months from now. The expected general business conditions index increased to 37 in January from 32 in December, while the expected sales metric was 36, unchanged from the prior month.





Labor Market Conditions

The current demand for labor finally started to reflect the slowing that has been evident in the general business conditions measure for the past six months. The current number of workers index dipped to -1 in January from 8 a month earlier. This was the first such negative reading since March 2014. The average workweek measure also gave up some ground this month as it dipped to 4 from 6 in December.

Meanwhile, expectations for labor demand increased along with the higher expectations for general business activity. The expected number of workers index jumped to 31 in January from 15 in December. The 16-point increase was this metric's largest since an 18-point gain in December 2013. The expected average workweek index also moved sharply higher, to 16 this month from 7 in December. At the same time, respondents expect to have more difficulty finding skilled workers in the coming months and anticipate paying them more in wages.

Business Spending

Measures of current business spending were somewhat mixed this month, while expectations were still generally high. On the fixed capital side, the current total capital outlays indicator increased to 21 in January from 18 in December, while the current equipment and/or software expenditure index rose to 25 from 22 a month earlier. Current business services spending appeared to soften as this metric fell to 1 this month from 12 in December.

On balance, business spending plans did not change materially. The expected total capital outlays

measure inched down to 31 in January from 33 in December, while the expected business services spending index slipped to 15 from 16 at the same time. The expected equipment or software spending measure fell to 28 in January from 35 in December.

Prices

The average increase in current prices paid moved down to 1.02 percent in January from 1.30 percent in December, while the average increase in current prices received decreased to 0.85 percent from 1.02 percent. Meanwhile, inflation expectations reflected in the survey results eased further. The expected average increase in prices paid decreased to 1.63 percent from 2.03 percent in December. At the same time, the expected increase in prices received moved down to 1.14 percent from 1.45 percent a month earlier.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Jan-16	Dec-15	Nov-15	Jan-16	Dec-15	Nov-15
General Business Conditions	1	1	3	37	32	30
Sales	-7	1	8	36	36	22
Employment						
Number of Employees	-1	8	9	31	15	11
Availability of Skills Needed	-11	-5	-7	-7	-3	-4
Average Workweek	4	6	5	16	7	11
Wages	21	8	11	39	35	27
Spending						
Business Services Expenditures	1	12	10	15	16	13
Total Capital Expenditures	21	18	20	31	33	18
Equipment or Software	25	22	16	28	35	15
Price Trends³						
Prices Paid for Inputs	1.02	1.30	1.17	1.63	2.03	2.09
Prices Received for Outputs	0.85	1.02	0.79	1.14	1.45	1.87

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