

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

### *Carolinas Expansion Accelerated Somewhat in February; New Hiring Resumed*

#### Overview

The Carolinas economy expanded at a slightly faster pace in February, and hiring plans turned positive after a brief stint in negative territory. The survey's current general business conditions index moved higher for the first time in seven months, even as the current sales index remained less than 0. The more optimistic assessment of current conditions was accompanied by higher expectations for the coming six months as both the expected general business conditions and expected sales metrics increased from January to February, with each reaching its highest level since May of last year.

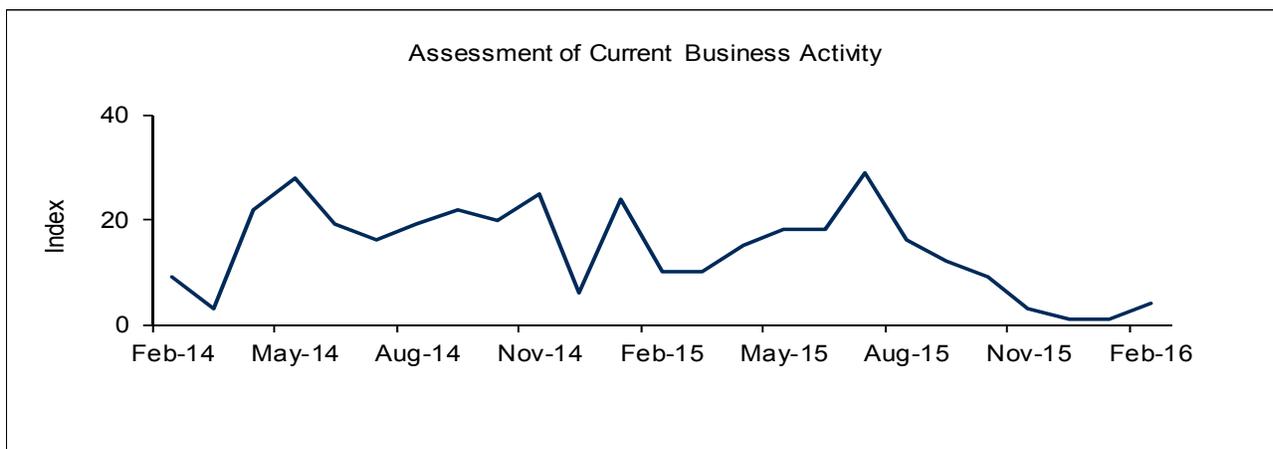
The general improvement in business conditions was accompanied by more robust readings in the survey's labor demand indicators. The current number of workers index increased sharply in February after falling into negative territory in January (the first negative reading in two years). Meanwhile, the current average workweek metric was positive this month and changed little from the prior month. The accompanying measures of expected labor demand moved a little lower in February, but both remained solidly positive, suggesting more hiring ahead.

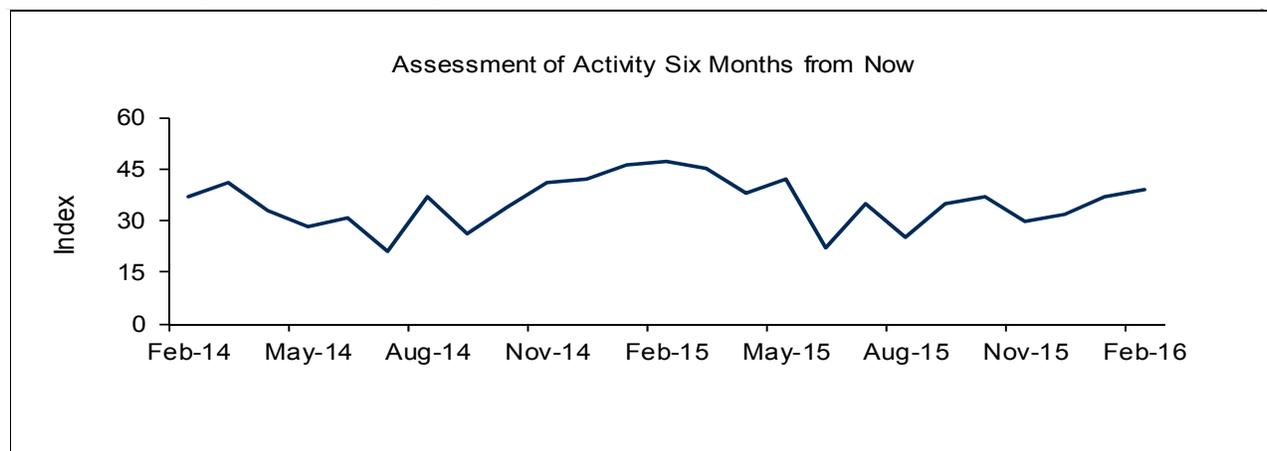
Current business spending appeared to increase moderately this month, as two of the survey's three current measures of spending moved up. Current spending on computers and software slipped. Each of the three business spending expectations metrics moved further into positive territory.

Measures of current price changes moved modestly higher over the month, but remain low by historical standards. Metrics reflecting pricing expectations continued to trend lower in February.

#### General Business Assessments

The pace of economic expansion in the Carolinas picked up in February, although the improvement was slight. The current general business conditions index, the survey's headline metric, increased to 4 this month from 1 in January. February marked the first time in seven months that responses pointed to acceleration in the pace of growth from the previous month. Despite the more upbeat assessment of current general business conditions, the current revenues indicator was negative for the second straight month (-3), although it was four points higher than the prior month. The measures of expected general business conditions and sales moved up, to 39 and 41, respectively.





### Labor Market Conditions

Labor demand indicators improved materially this month. In January, the current number of workers index fell into negative territory for the first time since January 2014. However, February brought a sharp bounce back as this indicator jumped to 13 from -1 a month earlier. The current average workweek indicator has changed little over the past four months, hovering between 4 and 6 since November 2015.

Survey results suggested no meaningful change in expected labor demand, which remained firm. The expected number of workers index dipped to 29 in February from 31 in January. This slight decline should be kept in context, however, as January's reading was the highest since the spring of 2010 when the labor market recovery first began. The expected average workweek also declined somewhat, to 11 from 16, but continued to suggest that firms will be increasing their workers' hours in the months ahead. The wage expectations index moved lower this month but remained firmly entrenched in positive territory, indicating that more firms anticipate raising wages in coming months.

### Business Spending

On balance, respondents were more bullish about their business spending and spending plans in February. The current business services spending index increased from 1 in January (its lowest reading in two years) to 4 this month. At the same time, the current total capital expenditures measure increased to 23 from 21. The current equipment or software spending metric slipped in February but remained in solid expansion territory (at 21).

Meanwhile, responding firms were more upbeat about their spending plans in February than they had been the prior month. The expected business services spending index increased to 21 this month from 15 in January. The expected total capital expenditures measure experienced a similar increase as it rose to 37, a six-point gain. And the expected equipment or software spending indicator edged up to 31 in February from 28 a month earlier.

### Prices

The average increase in current prices paid moved up to 1.04 percent in February from 1.02 percent in January, while the average increase in current prices received increased to 1.11 percent from 0.85 percent. Meanwhile, inflation expectations reflected in the survey results eased further. The expected average increase in prices paid decreased to 1.37 percent from 1.63 percent a month ago. At the same time, the expected increase in prices received moved down to 0.95 percent from 1.14 percent in January.

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	Feb-16	Jan-16	Dec-15	Feb-16	Jan-16	Dec-15
General Business Conditions	4	1	1	39	37	32
Sales	-3	-7	1	41	36	36
<b>Employment</b>						
Number of Employees	13	-1	8	29	31	15
Availability of Skills Needed	-12	-11	-5	-1	-7	-3
Average Workweek	5	4	6	11	16	7
Wages	13	21	8	30	39	35
<b>Spending</b>						
Business Services Expenditures	4	1	12	21	15	16
Total Capital Expenditures	23	21	18	37	31	33
Equipment or Software	21	25	22	31	28	35
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.04	1.02	1.30	1.37	1.63	2.03
Prices Received for Outputs	1.11	0.85	1.02	0.95	1.14	1.45

### 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