Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business Activity Picked Up in March; Demand for Labor Strengthened

Overview

The region's economic expansion picked up the pace in March, following four months of sluggish growth. The Carolinas Survey of Business Activity's headline metric, current general business conditions, jumped to its highest level since last August. Accompanying that gain was a sharp increase in the current sales indicator as well. Looking forward, survey respondents continue to expect faster growth in the coming six months, although the expected general business conditions indicator and the expected sales metric were lower this month compared to a month earlier.

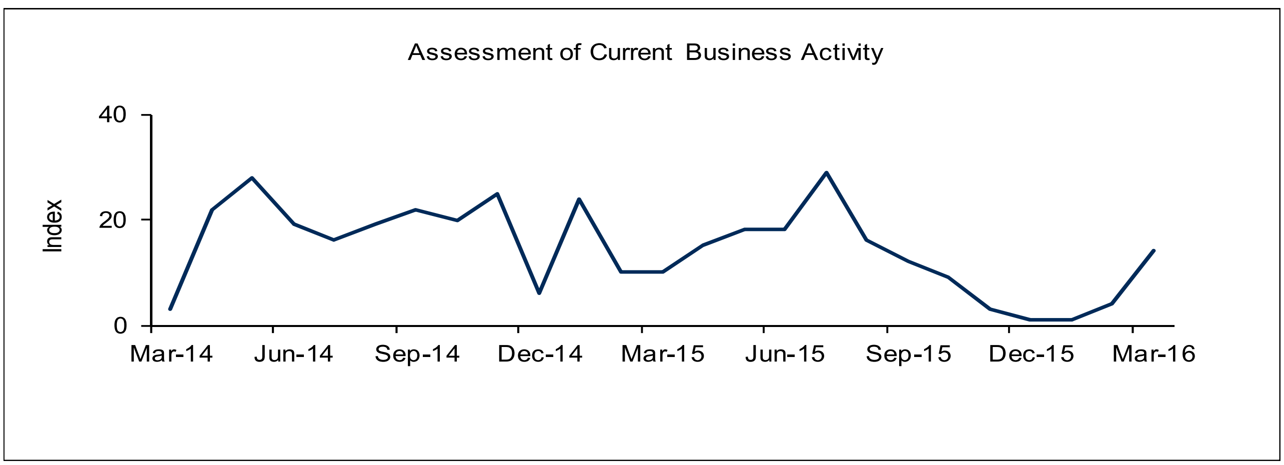
Following a seeming lull in hiring around the turn of the year, labor demand has picked up materially over the past two months. The current number of workers index increased for the second straight month and is firmly positioned in positive territory, while the average workweek indicator increased over the month, to its highest reading since September of 2009. The measures of labor demand six months from now remained at very robust levels, even though the expected number of workers index was somewhat lower in March than it was in February.

On balance, current business spending appeared to change little over the month, although there were slight and varied changes across the three components (business services, total capital, and equipment/software). Indicators of business spending plans were lower, but still positive.

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

General Business Assessments

The region's economic expansion picked up materially in March, according to the latest results of the Carolinas Survey of Business Activity, and expectations for the coming six months remain high. The current general business conditions index jumped to 14 in March from 4 in February. At the same time, the current sales/revenues metric increased to 28 from -3 a month earlier. March's current sales reading was the highest in more than five years. The expected general business conditions index fell seven points in March but remained firm at 32. The expected sales/revenues index also saw a slight retrenchment, as it eased back to 39 this month from 41 in February.



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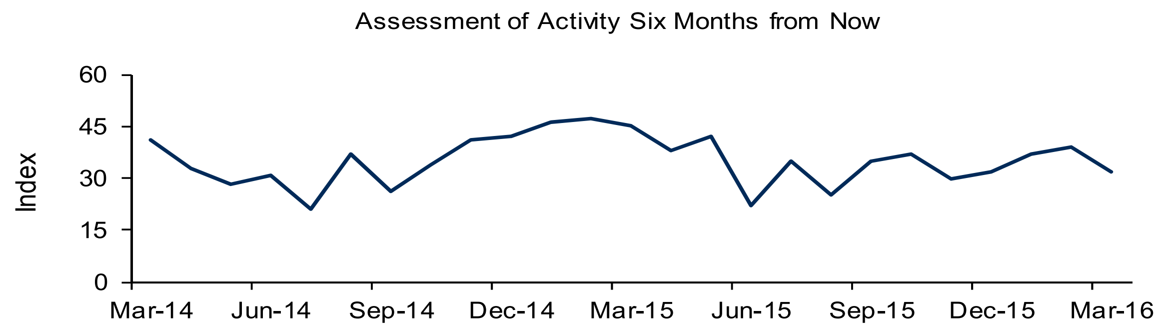

Labor Market Conditions

Labor demand indicators improved further this month. The current number of workers index increased to 15 in March and has averaged 14 over the past two months. That is the strongest two-month stretch since April and May of last year. Meanwhile, the current average workweek indicator gained 15 points this month, settling in at 20, its highest reading since September 2009.

Overall, firms plan to continue adding labor inputs in coming months, although at a somewhat slower pace than was the case in February. The expected number of workers index lost eight points in March but, at 21, continued to suggest more hiring ahead. By contrast, the expected average weekly hours indicator increased by four points this month to a very robust 15.

Business Spending

Current business spending remained positive in March, according to the survey's results, although there were some minor directional changes in the three components. The largest change occurred in the current business services spending indicator, which increased to 11 this month from 4 in February. The current total capital expenditures index decreased by two points to 21 while the current equipment/software measure increased one point to 22.

Meanwhile, survey respondents were a little less bullish about their spending plans than they were last month, but they remained generally upbeat. The expected business services spending measure decreased to 8 in March from 21 in February. The expected total capital expenditures index fell to 24 this month from 37, and the expected equipment/software spending metric dropped to 21 from 31 a month earlier. Combined, the readings for expected business spending suggest that firms will be spending more in the coming six months, but not as much as was expected in February

Prices

The average increase in current prices paid moved down to 0.91 percent in March from 1.04 percent in February, while the average increase in current prices received decreased to 0.88 percent from 1.11 percent. Meanwhile, inflation expectations reflected in the survey results eased further. The expected average increase in prices paid eased down to 1.15 percent from 1.37 percent a month ago. At the same time, the expected increase in prices received moved down to 0.92 percent from 0.95 percent in February.

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Business Activity Indexes[1, 4]

Business Conditions in the Carolinas	Current Conditions			Expectations[2]		
	Mar-16	Feb-16	Jan-16	Mar-16	Feb-16	Jan-16
General Business Conditions	14	4	1	32	39	37
Sales	28	-3	-7	39	41	36
Employment						
Number of Employees	15	13	-1	21	29	31
Availability of Skills Needed	-5	-12	-11	-5	-1	-7
Average Workweek	20	5	4	15	11	16
Wages	14	13	21	27	30	39
Spending						
Business Services Expenditures	11	4	1	8	21	15
Total Capital Expenditures	21	23	21	24	37	31
Equipment or Software	22	21	25	21	31	28
Price Trends[3]						
Prices Paid for Inputs	0.91	1.04	1.02	1.15	1.37	1.63
Prices Received for Outputs	0.88	1.11	0.85	0.92	0.95	1.14

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