

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*Carolinas Economic Expansion Accelerated in April; Respondents Expect Further Growth Ahead*

### Overview

Business activity in the Carolinas heated up along with the weather in April, according to the latest results from the monthly Carolinas Survey of Business Activity. The value of the current general business conditions index doubled over the month, settling in at its second highest reading of the past four years. The current sales measure also increased materially and set a new high water mark for the series. Moreover, respondents remain very optimistic about both general business conditions and their own sales prospects six months from now.

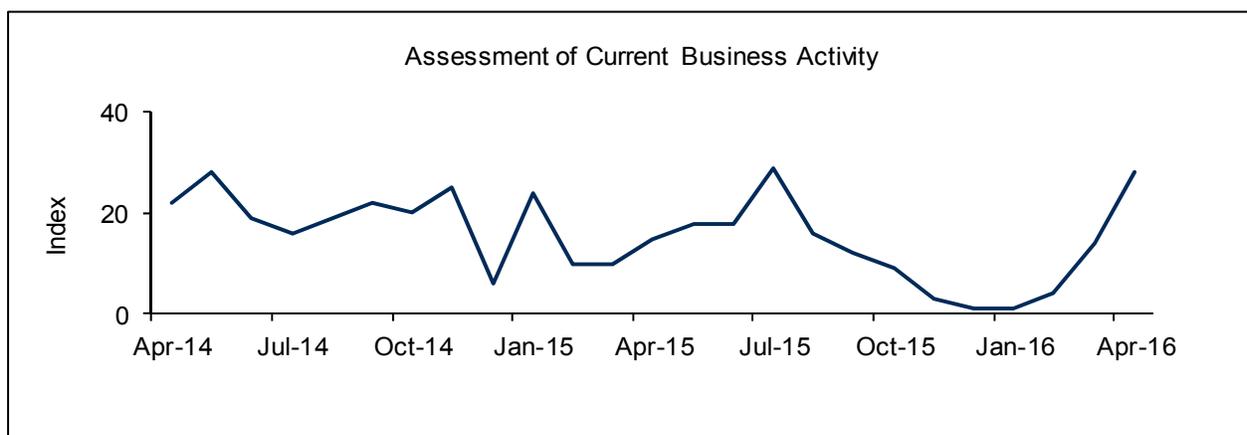
Labor demand remains robust in the region, while skills shortages apparently persist. Both of the current indicators of labor demand (number of workers and average weekly hours) gave up a little ground from March to April, but both also remained firmly entrenched in positive territory. Looking forward, over the past month survey respondents have raised their expectations for hiring six months from now, but at the same time anticipate slower growth in average weekly hours. Following several months of intensifying skills shortages, firms indicated that qualified workers were no harder (or easier) to find in April than they were in March.

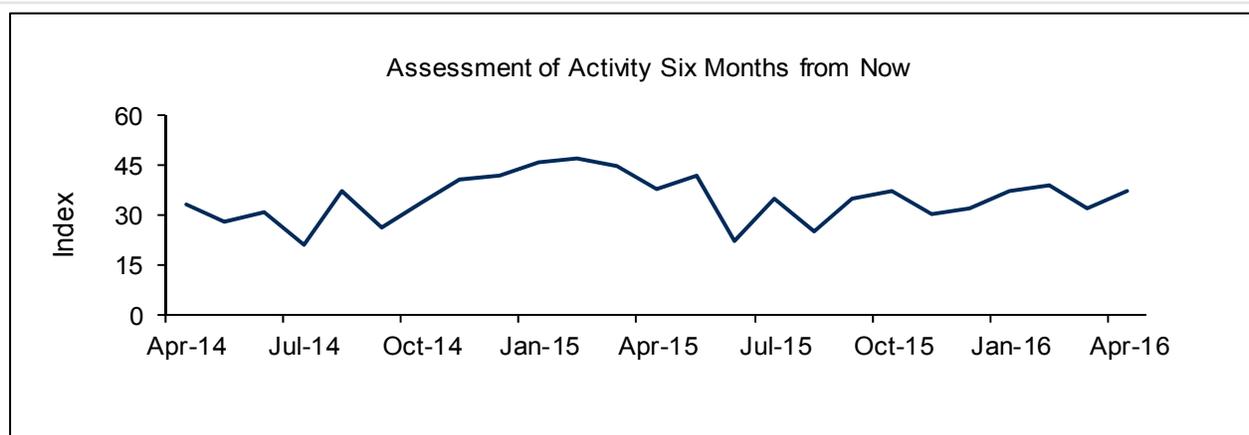
Current business spending changed little in April while expectations for spending increased. Each of the three current spending metrics was largely unchanged while each of the three corresponding expectations metrics moved higher, portending more spending and investment in the months ahead.

Measures of current price changes moved higher over the month, but remain low by historical standards. Metrics reflecting pricing expectations increased in April for the first time in four months.

### General Business Assessments

The region's economic expansion continued to gather momentum in April and survey respondents were optimistic that robust activity will persist in the months ahead. The headline current business conditions index rose to 28 this month from 14 in March. The 14-point increase represents the largest month-to-month gain in more than two years. The current sales metric also increased notably this month to 36 from 28 a month earlier. April's current sales reading establishes a new high for the series, which dates back to January 2008. Meanwhile, the expected business conditions indicator increased five points to 37, while the expected sales metric slipped two points to 37.





### Labor Market Conditions

Indicators of current labor demand in the region were solid again in April, although they were down a bit from March's readings. The current number of workers index dipped three points this month to 12, but is still well above the 12-month average reading (9). Meanwhile, the current average workweek metric moved down to 15 in April from 20 a month earlier.

Survey responses suggested that firms plan to continue adding labor inputs in the coming six months. The expected number of workers measure increased to 24 in April from 21 a month earlier. Since the beginning of 2014, this index has exceeded 24 on only three occasions. Expectations for average hours dipped to 7 this month from 15 in March.

### Business Spending

The environment for current business spending appeared to change little over the month, at least on the surface, according to survey results. The current business services spending index inched up one point in April to 12, while the current total capital expenditures measure edged down one point to 20. The current equipment or software metric did not change over the month, remaining at 22.

Meanwhile, the indexes reflecting firms' spending plans six months from now remained in solid expansion territory. Moreover, each of the three regained most of the ground that was lost last month. The expected total capital expenditures and expected equipment/software spending measures both increased by nine points in April, settling in at

33 and 30, respectively. At the same time, the expected business services spending indicator increased to 12, a four-point gain from March. Taken together, these advances suggest that respondents plan on increasing spending a little more than they had anticipated during the last survey period.

### Prices

The average increase in current prices paid moved up to 1.25 percent in April from to 0.91 percent in March, while the average increase in current prices received increased to 1.19 percent from 0.88 percent. Inflation expectations reflected in the survey results remain low, however, even though they increased for the first time in five months. The expected average increase in prices paid moved up to 1.66 percent from 1.15 percent a month ago. At the same time, the expected increase in prices received increased to 1.30 percent from 0.92 percent in March.

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	Apr-16	Mar-16	Feb-16	Apr-16	Mar-16	Feb-16
General Business Conditions	28	14	4	37	32	39
Sales	36	28	-3	37	39	41
<b>Employment</b>						
Number of Employees	12	15	13	24	21	29
Availability of Skills Needed	0	-5	-12	-1	-5	-1
Average Workweek	15	20	5	7	15	11
Wages	24	14	13	25	27	30
<b>Spending</b>						
Business Services Expenditures	12	11	4	12	8	21
Total Capital Expenditures	20	21	23	33	24	37
Equipment or Software	22	22	21	30	21	31
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.25	0.91	1.04	1.66	1.15	1.37
Prices Received for Outputs	1.19	0.88	1.11	1.30	0.92	0.95

### 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