

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

The Region's Economy Expanded Moderately in July; Hiring Trends Remained Positive

Overview

Responses to July's Carolinas Survey of Business Activity suggest that the region's economy expanded at a modest pace this month. The headline current general business conditions index increased for the first time in three months, but it remains quite a bit lower than it was a year earlier. The current revenues indicator increased more meaningfully over the month, although it too was below last July's reading. Both of the corresponding expectations indexes also increased from June to July, indicating that firms are a little more optimistic about economic and sales growth over the next six months.

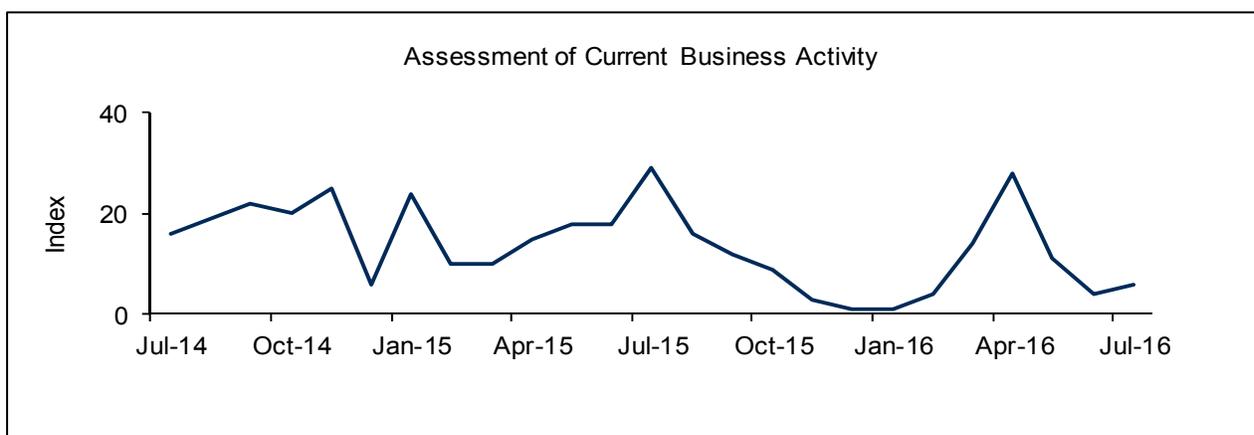
On balance, the survey results suggest that labor demand remains firm and skills shortages persist in the Carolinas. The measures of current labor demand (number of workers and average workweek) were a little softer in July, but were still solid, while the corresponding expectations measures point toward more job growth in coming months. Meanwhile, respondents indicated that there was no alleviation in the skills shortages that have persisted in the region, nor do they expect much relief in the coming six months.

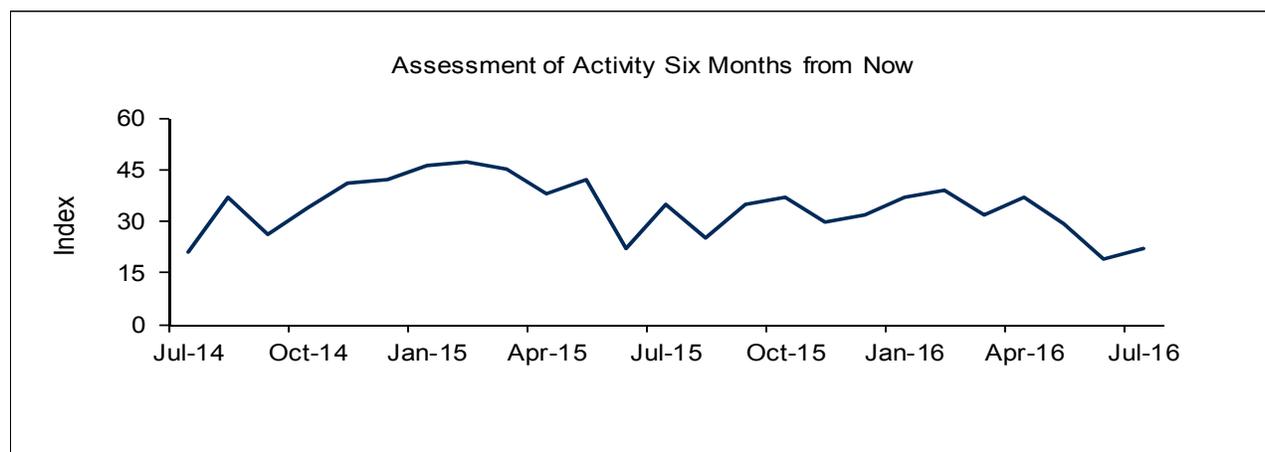
Current business spending accelerated in July, and firms indicated that they plan further increases in the coming six months. Each of the three current spending metrics (business services spending, total capital expenditures, and equipment and/or software spending) rose from last month, as did each of the three corresponding expectations measures.

After trending up over the prior three months, average price increases were smaller in July, on balance, and remained low by recent historical standards.

General Business Assessments

Economic activity expanded at a fairly steady pace in the Carolinas during July, according to results from the latest monthly survey, and expectations for activity six months from now were slightly more optimistic. The current general business conditions index increased slightly to 6 in July from 4 in June. It was this index's first increase in three months. Despite the uptick, the current general business conditions index remains well below last July's very robust reading. The current revenues index also increased this month, to 12 from 4 a month earlier. Looking forward, both matching expectations metrics moved further into positive territory.





Labor Market Conditions

During the recent slowdown in the region's economic expansion, labor demand has remained firm and skills shortages persisted throughout. In July, respondents indicated that they continued to hire, although the pace of job growth may have slowed somewhat. The current number of workers indicator lost six points this month but remained firmly entrenched in positive territory (at 10). Meanwhile, the average workweek metric declined to 4 in July from 13 in June, suggesting that employers continued to add hours, but at a slower pace than during the previous month. The current availability of skills measure came in at 0 in July, indicating that workers were no easier (or harder) to find.

Looking forward, the expected number of workers indicator, a measure of hiring intentions in the coming six months, increased to 12 this month from 8 in June, while the expected average workweek index was -3. The expected availability of skills measure inched up to -4 in July from -6 a month earlier.

Business Spending

Current business spending picked up in July, and the increase was broad based across spending categories. The current business services spending index increased to 17 in July from 11 in June, the current total capital expenditures number rose to 22 from 15, and the current equipment or software indicator moved up to 21 from 13.

Business spending expectations were also on the rise in July as each of the three measures increased

from June – the expected business services metric increased to 15 from 10, the expected total capital expenditures measure to 23 from 18, and the expected equipment or software index to 27 from 11. Combined, these results suggest that firms plan to spend more on their businesses than they had anticipated spending the prior month.

Prices

On balance, inflationary pressures reflected in this month's survey results were not as pronounced as they were in June, and they remain low by historical standards. The average increase in current prices paid moved down to 1.11 percent from 1.50 percent in June, while the average increase in current prices received fell to 0.57 percent from 1.05 percent. Inflation expectations reflected in the survey results remain low. The expected average increase in prices paid inched up to 1.76 percent from 1.70 percent a month ago. At the same time, the expected increase in prices received decreased to 1.10 percent from 1.27 percent in June.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Jul-16	Jun-16	May-16	Jul-16	Jun-16	May-16
General Business Conditions	6	4	11	22	19	29
Sales	12	4	10	25	18	37
Employment						
Number of Employees	10	16	18	12	8	23
Availability of Skills Needed	0	-6	-4	-4	-6	-8
Average Workweek	4	13	14	-3	-1	12
Wages	17	20	21	30	26	31
Spending						
Business Services Expenditures	17	11	14	15	10	16
Total Capital Expenditures	22	15	20	23	18	17
Equipment or Software	21	13	14	27	11	14
Price Trends³						
Prices Paid for Inputs	1.11	1.50	1.30	1.76	1.70	1.72
Prices Received for Outputs	0.57	1.05	0.96	1.10	1.27	1.43

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