

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*The Region's Expansion Appeared to Moderate in August; But Hiring Trends Remained Positive*

### Overview

Results from the August Carolinas Survey of Business Activity suggest that the region's economic expansion may have slowed from July's pace, while respondents remained generally optimistic about business activity in coming months. The current general business conditions indicator fell in August, to its lowest reading since January 2013. At the same time, the survey's current revenues index fell into negative territory this month, reaching a level not seen in more than four years. Despite the seemingly slower growth that respondents witnessed in August, corresponding expectations metrics were a little higher this month than they were in July, on balance.

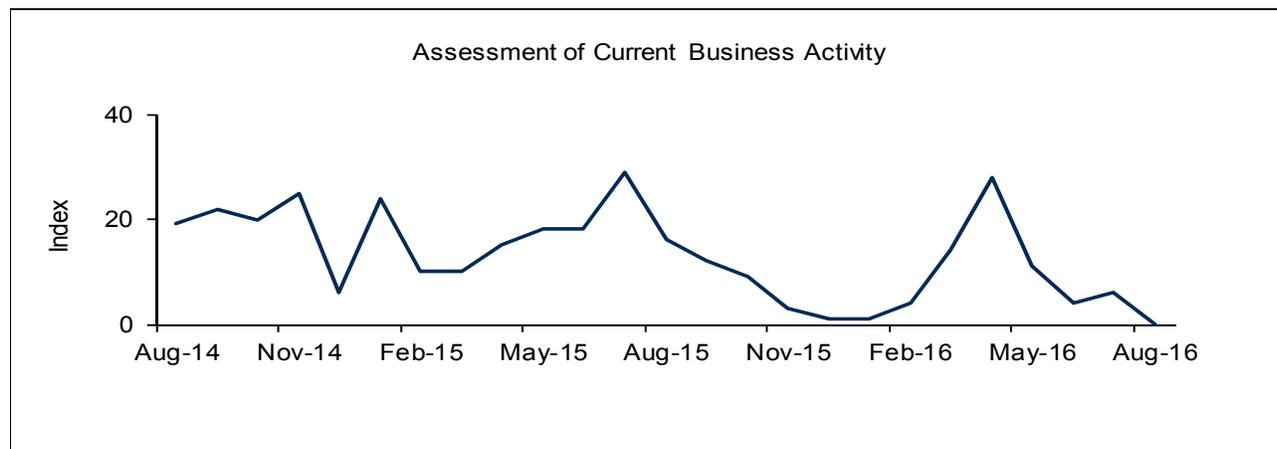
The indicators reflecting current labor demand softened somewhat in August, but remained firmly entrenched in positive territory, indicating that the number of respondents that had increased labor inputs during the month exceeded the number that reported a reduction. Respondents generally plan on adding more labor in coming months, if they are able to find qualified workers. Both the current and expected "availability of skills needed" metrics were negative in August, indicating that a skills mismatch persists in the region.

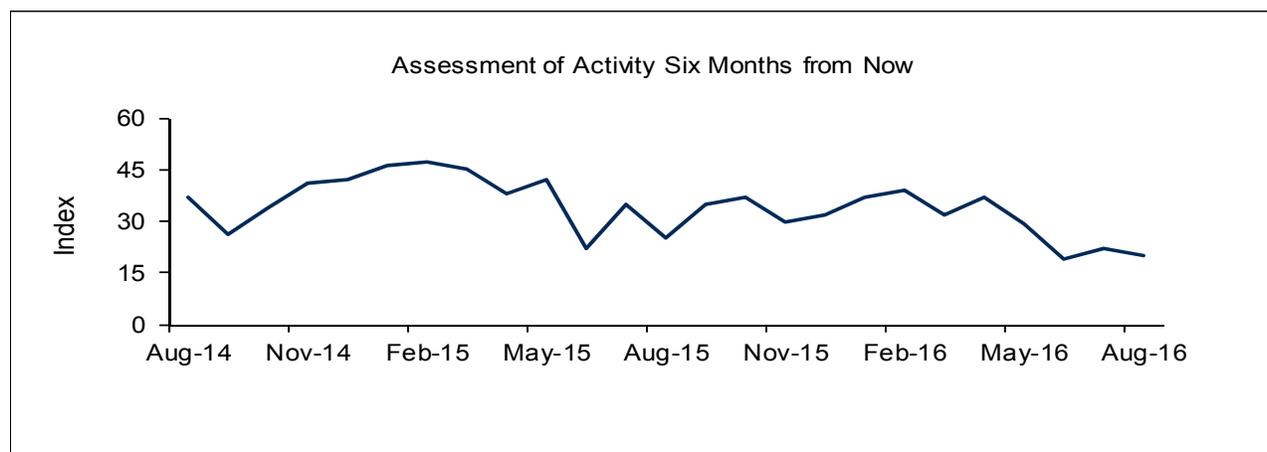
The indexes reflecting current business spending declined from July to August, although each of the three remained positive. Meanwhile, the measures signaling firms' plans for spending six months from now also declined, on balance, but the retrenchment was not as pronounced as it was in the current spending indicators.

The survey's average increases in current prices (paid and received) moved higher in August, but remained low by historical standards. The corresponding expectations averages were also low.

### General Business Assessments

Results from the August Carolinas Survey of Business Activity suggest that the region's economy expanded at a slower pace in August. The current general business conditions index dipped to 0 this month from 6 in July. At the same time, the current revenues index dropped 20 points this month, settling in at -8, its lowest result in more than four years. Despite the seeming slowdown in current business activity, respondents remained upbeat about conditions six months from now as the expected general business conditions index registered 20 in August, while the expected revenue measure came in at 31, a six-point increase from July.





### Labor Market Conditions

Labor demand remained firm in the Carolinas during August, in spite of the softer readings in measures of current business activity. The current number of workers index moved down to 5 this month from 10 in July. Still, a positive reading indicates that the number of respondents who reported that they had added workers exceeded the number that reported that they had subtracted them. The current average workweek metric remained positive this month, albeit barely. The current availability of skills index was -4 in August, suggesting that a greater share of respondents had difficulty finding adequately skilled workers.

The expected number of workers measure was little changed (at 10) while the expected average workweek indicator jumped to 9 from -3 in July. Combined, these figures suggest that labor demand is expected to remain robust in coming months among responding firms. However, firms also expect skills shortages to persist as the expected availability of skills index was negative in August for the 20th straight month.

### Business Spending

Survey results suggest that current business spending increased at a slower pace in August. The current business services spending metric dropped to 1 this month from 17 in July. Meanwhile, the current equipment/software spending measure fell to 9 from 21 and the current total capital expenditures index moved down to 14 from 22.

On balance, the corresponding spending expectations measures were also lower in August

than in July, but the decreases were not as pronounced as they were in the current measures. The expected business services spending index dipped to 11 from 15 and the equipment/software spending expectations metric moved down to 21 from 27. The total capital expenditures measure inched up to 24 in August from 23 a month earlier.

### Prices

The survey's measures of price increases remain very low by historical standards even after some of them accelerated in August. The average increase in current prices paid moved up to 1.23 percent this month from 1.11 percent in July while the average increase in current prices received moved up to 1.03 percent from 0.57 percent. The average expected increase in prices paid moved down to 1.47 percent from 1.76 percent while the expected increase in prices received rose to 1.03 percent from 0.57 percent.

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

Business Conditions in the Carolinas	Current Conditions			Expectations <sup>2</sup>		
	Aug-16	Jul-16	Jun-16	Aug-16	Jul-16	Jun-16
General Business Conditions	0	6	4	20	22	19
Sales	-8	12	4	31	25	18
<b>Employment</b>						
Number of Employees	5	10	16	11	12	8
Availability of Skills Needed	-4	0	-6	-4	-4	-6
Average Workweek	1	4	13	9	-3	-1
Wages	22	17	20	30	30	26
<b>Spending</b>						
Business Services Expenditures	1	17	11	11	15	10
Total Capital Expenditures	14	22	15	24	23	18
Equipment or Software	9	21	13	21	27	11
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.23	1.11	1.50	1.47	1.76	1.70
Prices Received for Outputs	1.03	0.57	1.05	1.41	1.10	1.27

### 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