

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business Activity Measures Improved in September, But Labor Demand Metrics Declined

Overview

Results from the latest Carolinas Survey of Business Activity suggest that the region's economic expansion may have picked up a little in September, while respondents remained optimistic about business activity in coming months. The current general business conditions indicator regained some ground in this month after falling in August to its lowest reading in more than 3 ½ years. At the same time, the survey's current revenues index jumped back up into positive territory this month. The corresponding expectations indicators painted a more optimistic picture as both were firmly entrenched in positive territory.

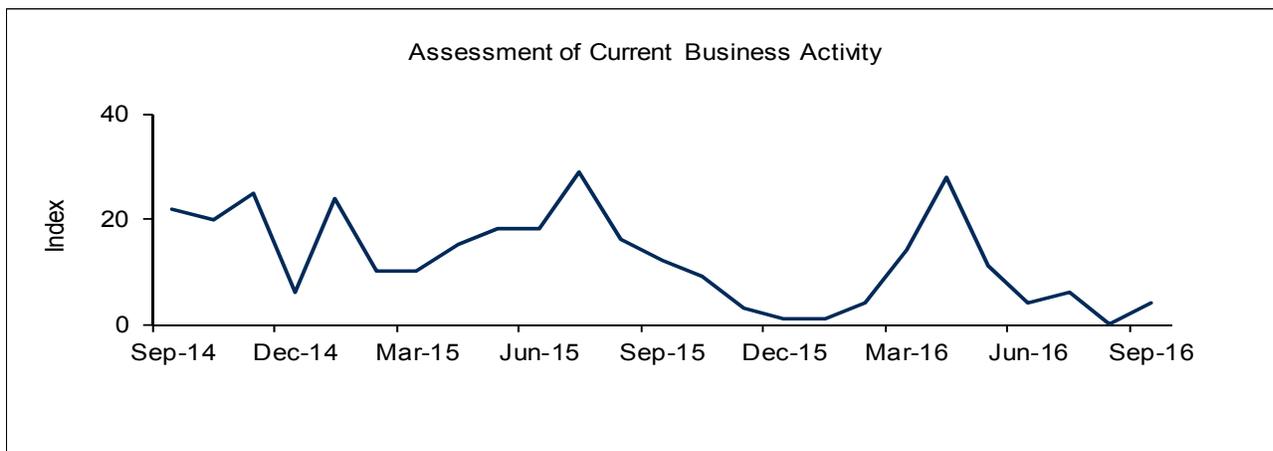
The indicators reflecting current labor demand softened again in September. In fact, the current number of workers measure fell into negative territory for the first time in eight months, while the current average workweek metric dropped below 0 for the first time in a year. Respondents generally plan 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 September, indicating that skills mismatches persist in the region.

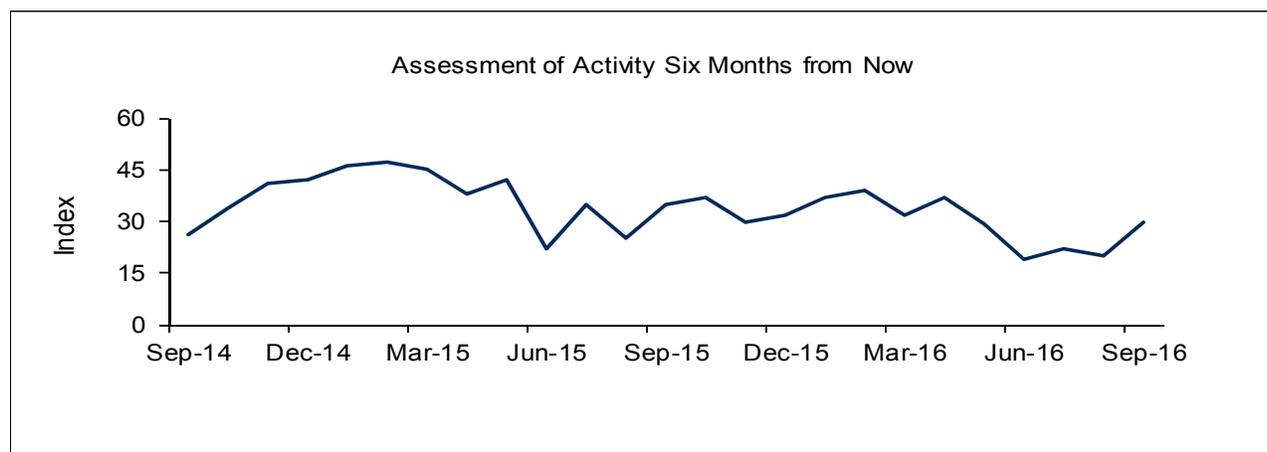
The indexes reflecting current business spending were mixed in September with regards to directional changes, but were softer on balance. The current business services spending index was the only one of the three to increase during the month, but the gain was slight. The measures of spending expectations declined across the board.

Movements in the survey's average increases in current prices (paid and received) were mixed this month, but remained low by historical standards. The corresponding expectations averages were also low.

General Business Assessments

Survey results indicated that a greater share of respondents saw current general business activity pick up in September from the prior month. The current general business conditions index increased to 4 this month from 0 in August. At the same time, the current revenues index bounced back into positive territory (5) this month after falling to -8 in August. Respondents generally appeared a little more optimistic about activity six months from now as the expected general business activity index increased to 30 from 20, while the expected revenues indicator changed little and remained in solid positive territory (at 30).





Labor Market Conditions

Despite the seemingly more positive assessment of current general business activity, respondents appeared less bullish on hiring in the near term. The current number of workers metric fell 13 points in September, to -8 from 5. It was just the second time in the past 32 months that the current labor demand indicator has fallen below 0. Meanwhile, a similar movement occurred with regards to the current average workweek metric, which also dipped into negative territory (-4) for only the second time in the last 32 months.

Looking forward, results suggest that more firms plan on adding workers to their payrolls. The expected number of workers index held steady at 11 in September. At the same time, the expected average workweek metric experienced a slight decline, but still ended up with a solid positive reading of 7 this month. With regards to labor supply, measures of current and expected skills availability remained negative.

Business Spending

Survey results suggested that growth in current business spending continued to soften into September. The current business equipment or software spending metric dropped to -1 this month from 9 in August, while the current total capital expenditures measure fell to 5 from 14. The current business services index changed little during the month as it edged up to 2 from 1 a month earlier.

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

September than in August. The expected business services spending index dropped to 1 this month from 11 a month earlier, while the expected total capital expenditures index fell to 16 from 24. The expected equipment or software spending measure decreased to 14 in September from 21 in August.

Prices

Movements in average price changes were mixed this month, but price increases remained low, on balance. The average increase in current prices paid moved up to 1.36 percent in September from 1.23 percent in August while the average increase in current prices received moved down to 0.64 percent from 1.03 percent. The average expected increase in prices paid moved up to 1.75 percent from 1.47 percent while the expected increase in prices received dipped to 1.22 percent from 1.41 percent.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Sep-16	Aug-16	Jul-16	Sep-16	Aug-16	Jul-16
General Business Conditions	4	0	6	30	20	22
Sales	5	-8	12	30	31	25
Employment						
Number of Employees	-8	5	10	11	11	12
Availability of Skills Needed	-11	-4	0	-4	-4	-4
Average Workweek	-4	1	4	7	9	-3
Wages	17	22	17	25	30	30
Spending						
Business Services Expenditures	2	1	17	1	11	15
Total Capital Expenditures	5	14	22	16	24	23
Equipment or Software	-1	9	21	14	21	27
Price Trends³						
Prices Paid for Inputs	1.36	1.23	1.11	1.75	1.47	1.76
Prices Received for Outputs	0.64	1.03	0.57	1.22	1.41	1.10

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