

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business Activity Appeared to Slow This Month; Labor Demand Indexes Remained Soft

Overview

Results from the October Carolinas Business Activity Survey suggest that economic activity in the region slowed down this month, and respondents were a little less optimistic about business activity six months from now. The current general business conditions indicator dropped into negative territory in October, the first sub-zero reading since January 2013. The survey's current revenues index also dipped into negative territory this month. The corresponding expectations indicators remained in positive territory but suggest that respondents were modestly less optimistic about future business conditions than they had been in September.

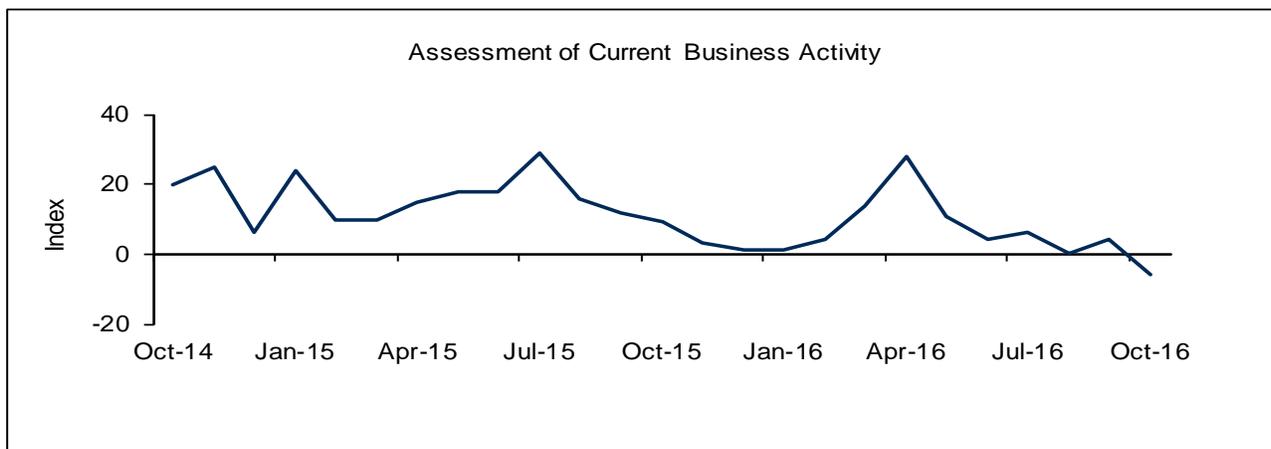
The indicators reflecting current labor demand were soft for the second straight month in October. Both measures of current labor demand, the current number of workers and the current average workweek, were negative in both September and October. Despite softer current demand, firms expect to continue adding workers at the same rate as expected last month, although respondents expect to increase hours at a slower pace in the coming six months. Worker shortages persist in the region, and there was little change in the availability of skills measures, current or expected.

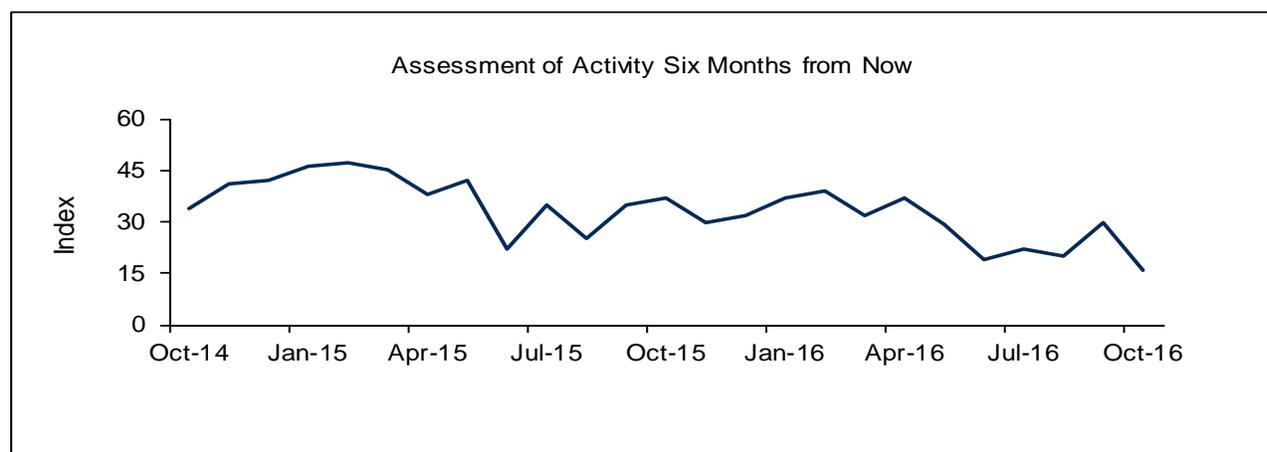
At the same time that the general business activity indexes were slipping, the metrics reflecting current and expected business spending moved higher. In fact, each of the three current indicators (business services spending, total capital expenditures, and software/equipment spending) increased in October, as did each of the three expectations measures.

Input price pressures (current and expected) were virtually unchanged from last month's survey results and remain low by recent historical standards. However, respondents indicated that prices received moved higher, and they expect that trend to continue in coming months.

General Business Assessments

Survey results suggested that economic activity slowed in the Carolinas during October. The current general business conditions indicator fell back into negative territory in October, to -6 from 4 in September. At the same time, the current revenues indicator fell to -1 this month from 5 a month ago. The index reflecting respondents' expectations for general business conditions six months from now moved down to 16 in October, from 30, and the expected revenues metric edged down one point, to 29 this month.





Labor Market Conditions

The indicators reflecting demand for labor in the Carolinas remained soft in October, but not as soft as during September. The current number of workers metric increased by seven points this month but was still slightly below zero. The average workweek measure moved up to -2 from -4 at the same time. Expectations for hiring six months from now were largely unchanged as that indicator registered 11 for the third month in a row. The availability of skills needed index showed little change in October, suggesting that firms continue to have difficulty finding workers with the right sets of skills to fill job openings. Moreover, respondents don't expect much change in the availability of labor in the coming six months. As current labor demand softened over the past two months, so too have the metrics reflecting current wage pressures. However, more employers expect to increase wages in the coming six months.

Business Spending

Measures of current business spending increased in October. The current business services spending indicator inched up to 5 this month from 2 in September. Meanwhile, the current total capital expenditures index jumped to 20 from 5, and the current equipment or software metric moved up to 23 in October from -1 in September.

Respondents were also more bullish about their spending plans than they had been a month ago. The expected business services spending measure increased to 6 in October from 1 in September. The expected total capital expenditures indicator

improved to 22 this month from 16, and the expected equipment or software spending index increased to 19, a five-point gain from September.

Prices

The average increase in current prices paid was 1.36 percent in October, unchanged from September, while the average increase in current prices received moved up to 0.95 percent from 0.62 percent. At the same time, the expected prices paid average held steady at 1.75 percent this month, and the expected prices received average edged up to 1.51 percent in October from 1.22 percent a month ago.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Oct-16	Sep-16	Aug-16	Oct-16	Sep-16	Aug-16
General Business Conditions	-6	4	0	16	30	20
Sales	-1	5	-8	29	30	31
Employment						
Number of Employees	-1	-8	5	11	11	11
Availability of Skills Needed	-9	-11	-4	-6	-4	-4
Average Workweek	-2	-4	1	4	7	9
Wages	16	17	22	28	25	30
Spending						
Business Services Expenditures	5	2	1	6	1	11
Total Capital Expenditures	20	5	14	22	16	24
Equipment or Software	23	-1	9	19	14	21
Price Trends³						
Prices Paid for Inputs	1.36	1.36	1.23	1.75	1.75	1.47
Prices Received for Outputs	0.95	0.64	1.03	1.51	1.22	1.41

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