

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business Activity Appeared Soft Again this Month; Expectations Moved Higher

Overview

Results from the monthly Carolinas Survey of Business Activity suggest that respondents continued to see slower business activity in November. The current general business conditions index, the survey's headline metric, was unchanged from October, remaining below 0 for the second straight month. The current revenues index was also in negative territory for the second month in a row. Looking forward, a greater share of respondents indicated that they expect business activity and revenues to increase in the coming six months than was the case in October.

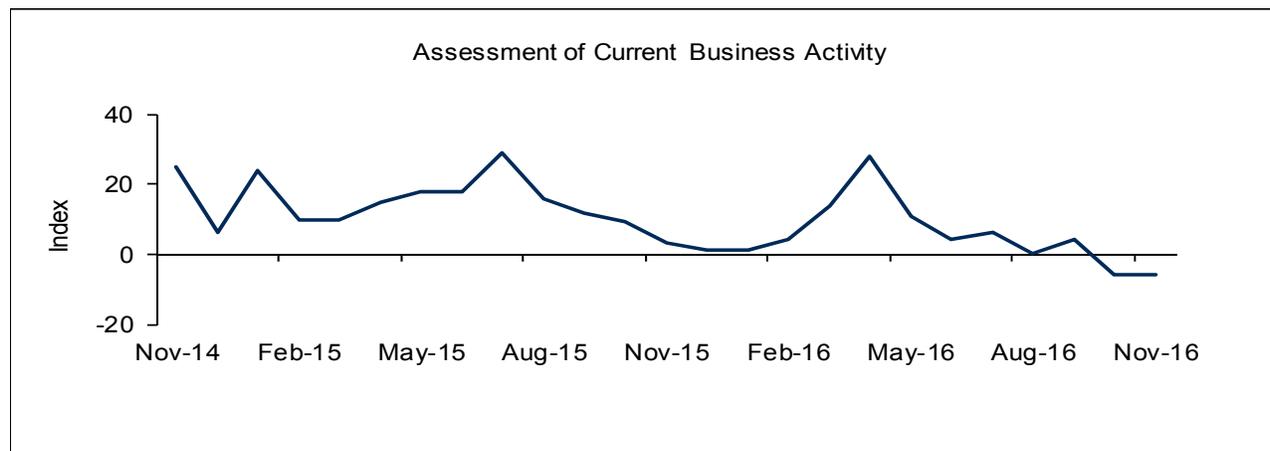
In spite of the perceived slowdown in current general business activity, the survey's primary labor demand indicator showed some improvement in November, bouncing up into positive territory for the first time in three months. Still, the measure of average weekly hours remained negative. Recently, soft readings in current labor demand were accompanied by a slower spread of wage increases, despite continued reports of labor shortages. Comparable measures of expected labor demand increased in November from already positive levels in October, while respondents expect skills shortages to persist in the coming months.

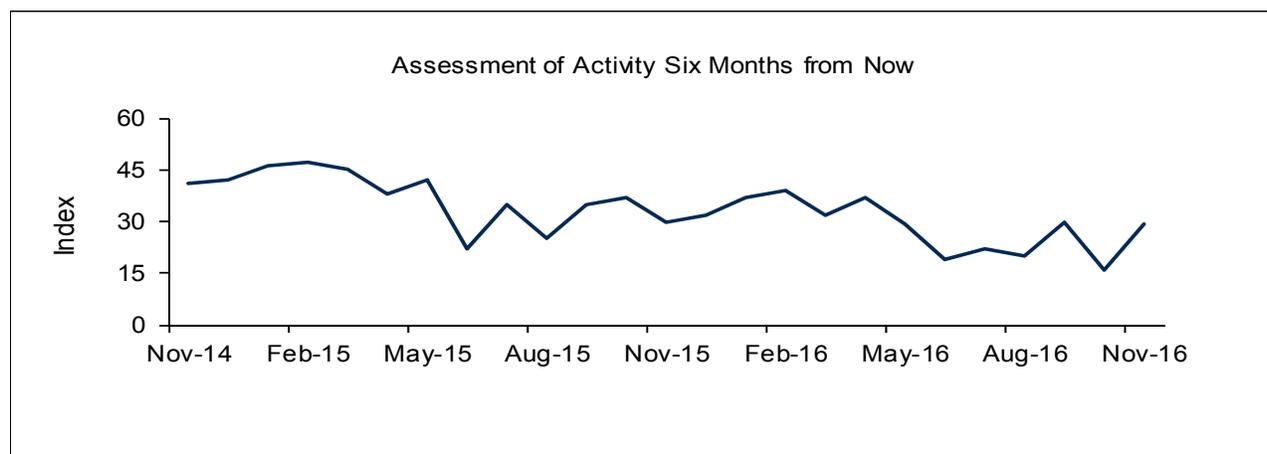
The measures reflecting respondents' current business spending were mixed. The current business services spending and current equipment or software expenditures indexes moved down in November while the current total capital expenditures indicator moved up. Each of the three corresponding spending expectations metrics increased this month.

Survey responses indicated that the average increase in current prices paid decelerated in November, as did the average increase in current prices received. The averages for the corresponding pricing expectations averages moved higher, but remained low by historical standards.

General Business Assessments

Survey responses suggest that current business activity may have slowed in the Carolinas during November, but they also indicate that respondents were more optimistic about conditions six months from now. The current general business conditions index came in at -6 this month, unchanged from October's reading. The current revenues indicator dipped to -7 from -1 a month earlier. The expected general business conditions index rose to 29 in November from 16, while the expected revenues index jumped to 43, from 29 in October.





Labor Market Conditions

Labor demand appeared to rebound in November, despite the softer readings for current general business conditions. The current number of workers index increased to 5 this month from -1 in October. It was the current number of workers metric's first positive reading in three months. The average weekly hours measure remained a little soft, registering a -2 for the second month in a row. The availability of skills index was again negative, suggesting that worker shortages persisted, and the wage metric intimated that wage gains were spreading, but at a slower pace.

The expected number of workers indicator increased to 17 this month from 11 in October, while the expected average workweek measure rose to 7 in November from 4 a month ago. The expected availability of skills number moved down to -8 from -6, and the expected wages metric increased to 37 this month from 28 in October.

Business Spending

Measures of current business spending were mixed in November. The current business services spending indicator fell to 0 this month from 5 in October and the current equipment or software metric moved down to 17 this month from 23 a month earlier. The current total capital expenditures number increased to 23 in November from 20 in October.

Respondents were more bullish about their spending plans than they had been in October. The expected business services spending measure increased to 15 in November from 6 a month earlier.

The expected total capital expenditures indicator improved to 33 from 22, and the expected equipment or software spending index increased to 29, a 10 point gain from October. Finally, the expected business services measure increased to 15 this month from 6 a month earlier.

Prices

The average increase in current prices paid dipped to 1.27 percent this month from 1.36 percent in October, while the average increase in current prices received moved down to 0.87 percent from 0.95 percent. At the same time, the expected prices paid average moved up to 1.96 percent this month from 1.75 percent, and the expected prices received average edged up to 1.54 percent in November from 1.51 percent in October.

Contact

Rick Kaglic

Senior Regional Economist
Research Dept./Regional Economics
Federal Reserve Bank of Richmond
Charlotte Office
Office 704-358-2116 · Fax 704-358-2300
richard.kaglic@rich.frb.org
www.richmondfed.org

Business Activity Indexes^{1, 4}

| Business Conditions in the Carolinas | Current Conditions | | | Expectations ² | | |
|--------------------------------------|--------------------|--------|--------|---------------------------|--------|--------|
| | Nov-16 | Oct-16 | Sep-16 | Oct-16 | Sep-16 | Aug-16 |
| General Business Conditions | -6 | -6 | 4 | 29 | 16 | 30 |
| Sales | -7 | -1 | 5 | 43 | 29 | 30 |
| Employment | | | | | | |
| Number of Employees | 5 | -1 | -8 | 17 | 11 | 11 |
| Availability of Skills Needed | -6 | -9 | -11 | -8 | -6 | -4 |
| Average Workweek | -2 | -2 | -4 | 7 | 4 | 7 |
| Wages | 15 | 16 | 17 | 37 | 28 | 25 |
| Spending | | | | | | |
| Business Services Expenditures | 0 | 5 | 2 | 15 | 6 | 1 |
| Total Capital Expenditures | 23 | 20 | 5 | 33 | 22 | 16 |
| Equipment or Software | 17 | 23 | -1 | 29 | 19 | 14 |
| Price Trends³ | | | | | | |
| Prices Paid for Inputs | 1.27 | 1.36 | 1.36 | 1.96 | 1.75 | 1.75 |
| Prices Received for Outputs | 0.87 | 0.95 | 0.64 | 1.54 | 1.51 | 1.22 |

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