

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business Activity Snapped Back in December; Hiring Slowed

Overview

Responses to the monthly Carolinas Survey of Business Activity suggest that business conditions improved for many firms in December, and respondents were more optimistic about conditions six months from now. The current general business conditions index leaped into positive territory this month after spending the prior two months below 0. The current revenues metric also rebounded into positive territory. The measure reflecting expectations for business activity six months from now jumped to its highest level in more than a year, as did the indicator showing expectations for revenues.

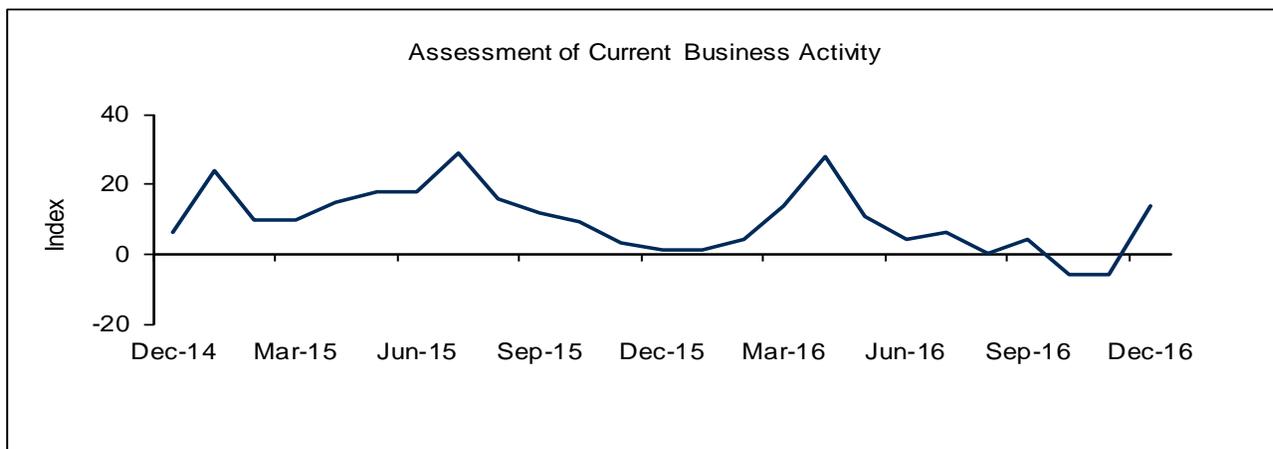
Despite the seeming improvement in current general business activity, the survey's current labor demand indicators generally softened. The current number of workers index dipped in December and was barely in expansion territory, although the current average workweek metric was positive for the first time in four months. While current indicators of labor demand were somewhat softer this month, responses suggest that firms plan on utilizing more labor in the coming six months than they had been anticipating in November.

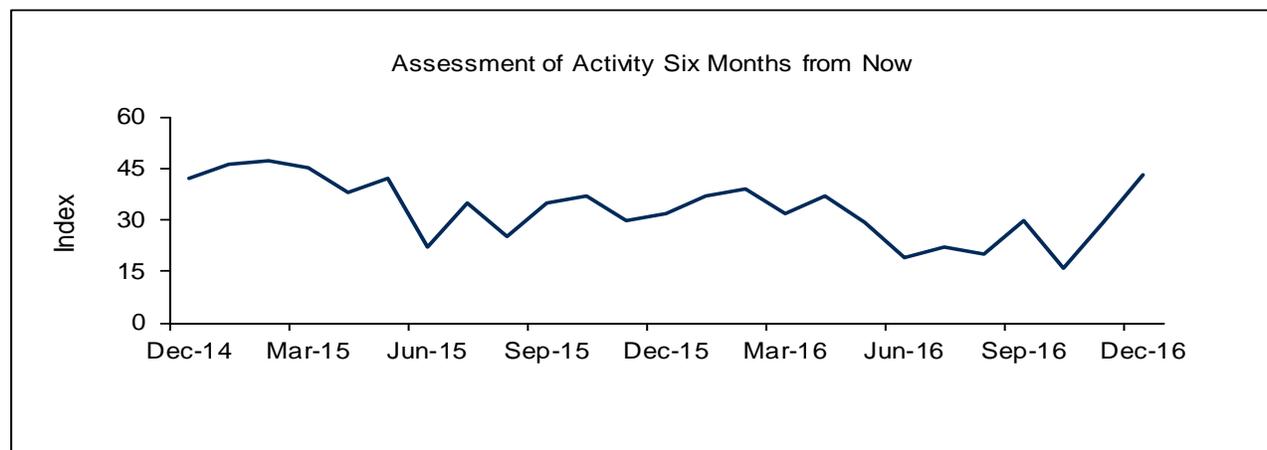
The measures reflecting respondents' current business spending were mixed, but they were generally softer than they had been in November. The current business services spending index was the only current measure to increase this month. Similarly, expectations for spending six months from now were also mostly down in December.

Survey responses indicated that the average increase in current prices paid decelerated a little in December, as did the average increase in current prices received. The averages for the corresponding pricing expectations averages moved down as well, and remained low by historical standards.

General Business Assessments

Survey responses suggest that current business activity may have picked up in the Carolinas during December, and indicate that respondents were more optimistic about conditions six months from now. The current general business conditions index jumped to 14 this month from -6 in November. The current revenues indicator increased to 8 in December from -7 a month earlier. The expected general business conditions index rose to 43 this month from 29, while the expected revenues index moved up to 45 from 43 last month.





Labor Market Conditions

Current labor demand appeared to soften somewhat in December, although expectations for labor utilization six months from now increased. The current number of workers index, which was generally much softer in the second half of the year, moved down to 1 in December from 5 a month earlier. By contrast, the current average workweek metric increased to 9 from -2 in November, its first positive reading since August.

Expectations for labor demand six months from now increased. The expected number of workers metric rose to 24 this month from 17 in November, while the expected average workweek index moved up to 13 from 7 in the same time frame. While firms anticipate hiring more workers in the coming six months, they expect to have difficulty doing so as the survey's expected skills availability index dipped further into negative territory in December, to -14 from -8 a month earlier.

Business Spending

Measures of current business spending were mixed but mostly down in December. The current business services spending indicator increased to 9 this month from 0 in November. However, the other two measures of current spending, total capital expenditures and equipment or software, decreased this month to 14 and 15, respectively.

Expectations for business spending six months from now were generally lower as well, but respondents remained more optimistic than the current measures would suggest. The expected business services

spending index was at 15 in December, unchanged from the prior month. However, the expected total capital expenditures indicator moved down to 30 this month from 33 in November, while the expected equipment or software metric decreased to 24 from 29 over the month.

Prices

The average increase in current prices paid dipped to 1.25 percent this month from 1.27 percent in November, while the average increase in current prices received moved down to 0.69 percent from 0.87 percent. At the same time, the expected prices paid average dropped to 1.40 percent from 1.96 percent, and the expected prices received average fell to 1.34 percent in December from 1.54 percent in November.

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Business Activity Indexes^{1, 4}

Business Conditions in the Carolinas	Current Conditions			Expectations ²		
	Dec-16	Nov-16	Oct-16	Dec-16	Nov-16	Oct-16
General Business Conditions	14	-6	-6	43	29	16
Sales	8	-7	-1	45	43	29
Employment						
Number of Employees	1	5	-1	24	17	11
Availability of Skills Needed	-9	-6	-9	-14	-8	-6
Average Workweek	9	-2	-2	13	7	4
Wages	18	15	16	41	37	28
Spending						
Business Services Expenditures	9	0	5	15	15	6
Total Capital Expenditures	14	23	20	30	33	22
Equipment or Software	15	17	23	24	29	19
Price Trends³						
Prices Paid for Inputs	1.25	1.27	1.36	1.40	1.96	1.75
Prices Received for Outputs	0.69	0.87	0.95	1.34	1.54	1.51

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