

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*Business activity declines further in November, employment measures especially weak*

### Overview

Business activity across the Carolinas contracted sharply again in November, according to the Richmond Fed's most recent survey of the region. Measures of overall activity remained deeply in negative territory, though they improved marginally over October figures. Assessments of company conditions worsened, however, with most measures of employment showing large declines.

Measures of expectations also weakened in the month, especially among indicators related to company conditions. The index for expected sales revenue/shipments turned negative for the first time in the brief history of the survey, as did expected number of employees.

Respondents indicated increased slack in regional labor markets in November, especially in the availability of labor with skills that match company needs.

Spending on equipment and business services remained particularly weak, with the index for equipment and software falling further in November on the heels of already-low levels in October.

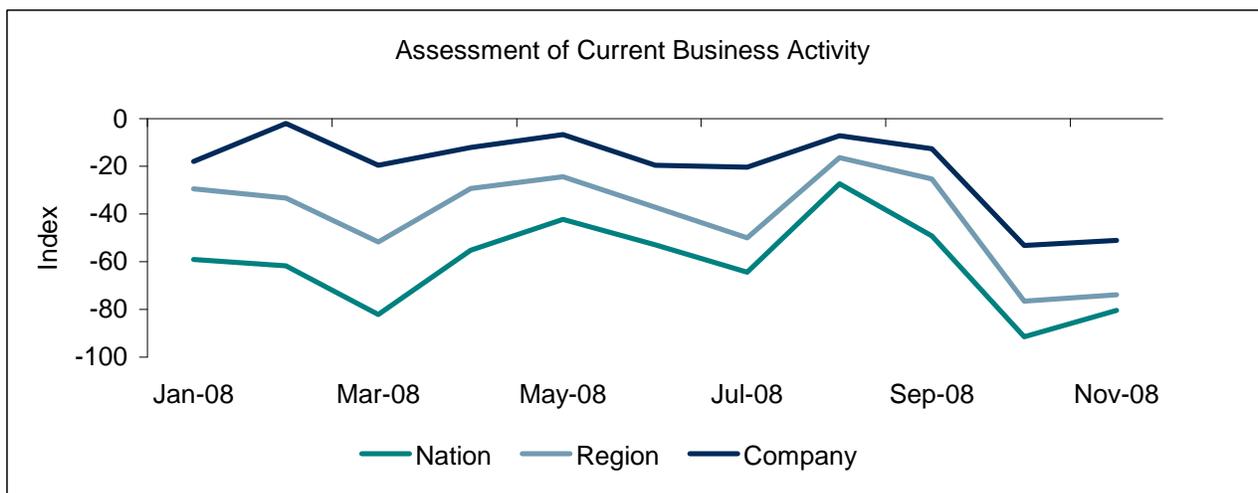
### General Business Assessments

Assessments of overall business activity remained deeply negative in November. Respondents' views of the national economy were especially glum, though the index rose 11 points over October to -80. Assessments of regional and company activity rose marginally over the previous month, but remained pessimistic at -74 and -51, respectively.

Expectations of activity in six months time were mostly lower across the Carolinas in November. At the national level expectations fell 6 points to -19, while they fell 2 points to -21 for the region. Expectations at the company level were unchanged at -9, however.

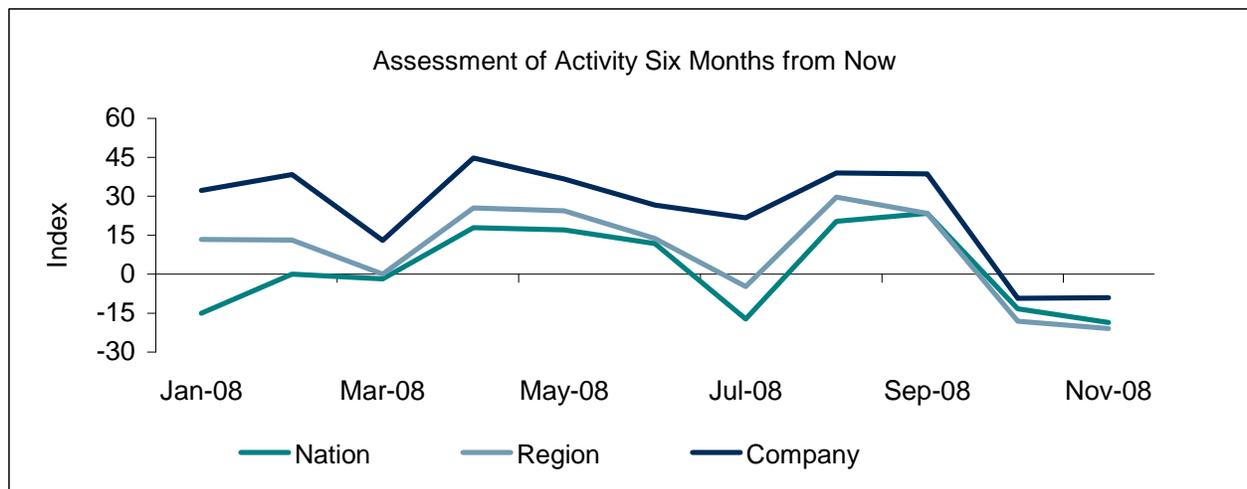
### Company Conditions

Most measures of current company conditions retreated in November. The sales revenue/shipments index fell another 6 points in November to -42. The number of employees index fell a substantial 18 points to -27 in a decline that was only exceeded by the 23 point fall in the number of hours worked, which ended the month at -36. The index for average wages rose 2 points, but remained in negative territory for the second



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straight month.

Expectations of future employment were also lower for the month. The index for the expected number of employees declined 4 points – enough to register the first negative reading for that measure at -2 in November. At -10, the expected number of hours also showed its first negative reading.

On the price front, the prices received index fell further in November to -21. The prices paid index declined 10 points to 8, matching the November values for both expected price series. Expected wages, however, rose 3 points to 15.

#### Labor Market Conditions

Measures of labor market conditions indicated growing slack across the region. The index for the availability of labor that meets company-specific needs soared 22 points to 27, the highest reading to date. The result indicates a growing amount of cyclical slack in regional labor markets.

Expectations for the future availability of labor also increased. The index for labor that meets company needs rose 7 points to 21, indicating that respondents expect more qualified workers to be available for hire in the near future.

#### Business spending

Measure of current business spending remained near the lows set the previous month. Current expenditures on equipment fell 9 points to -39, while current spending on business services gained 1 point to -43.

Expected spending measures rose marginally, but were also mired in negative territory. Expected spending on equipment increased 3 points to -29, while expected spending on business services added 12 points to -26 in November.

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Business Activity Index						
	Current Conditions			Expectations		
	Sep-08	Oct-08	Nov-08	Sep-08	Oct-08	Nov-08
<b>General business assessment</b>						
Nation	-49	-91	-80	23	-13	-19
County/Region	-25	-77	-74	23	-18	-21
Company	-13	-53	-51	39	-9	-9
<b>Company conditions</b>						
Sales revenue/Shipments	-29	-36	-42	30	12	-15
Inventories	-9	-3	-9	-2	-23	-6
Number of employees	-10	-9	-27	20	2	-2
Weekly hours	-13	-13	-36	14	0	-10
Average wages/employee compensation	5	-7	-5	32	12	15
Prices paid	44	18	8	26	11	8
Prices received	-7	-12	-21	26	-15	8
<b>Labor market conditions</b>						
General availability of labor	26	40	36	27	36	32
Company-specific needs	7	5	27	13	14	21
<b>Business spending</b>						
Equipment or software	-14	-30	-39	-7	-32	-29
Business Services	-17	-44	-43	-17	-38	-26

#### Technical note:

The responses to the survey are converted into diffusion indexes by subtracting the percentage of reported decreases from the percentage of increases. Thus, positive index numbers indicate a net increase for that survey item, while negative index numbers show a net decline.

