

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business activity weakens again in December; expectations show some improvement

Overview

The curtailment in business activity across the Carolinas continued in December, with assessments of general business activity at the national, regional and company level down compared to November results. Expectations for future business conditions improved, however, including a positive reading on expected regional conditions.

Measures of company conditions showed further deterioration in December, including an especially large drop in sales/revenues. Employment measures were also lower compared to figures from November.

Both the prices paid and prices received indices declined sharply for the month. The prices paid series turned negative for the first time in the brief history of the survey, while the prices received index fell further into negative territory. Expected prices for the two series also turned negative in December after lower, but still positive readings in November.

General Business Assessments

The topline indices of business activity declined in

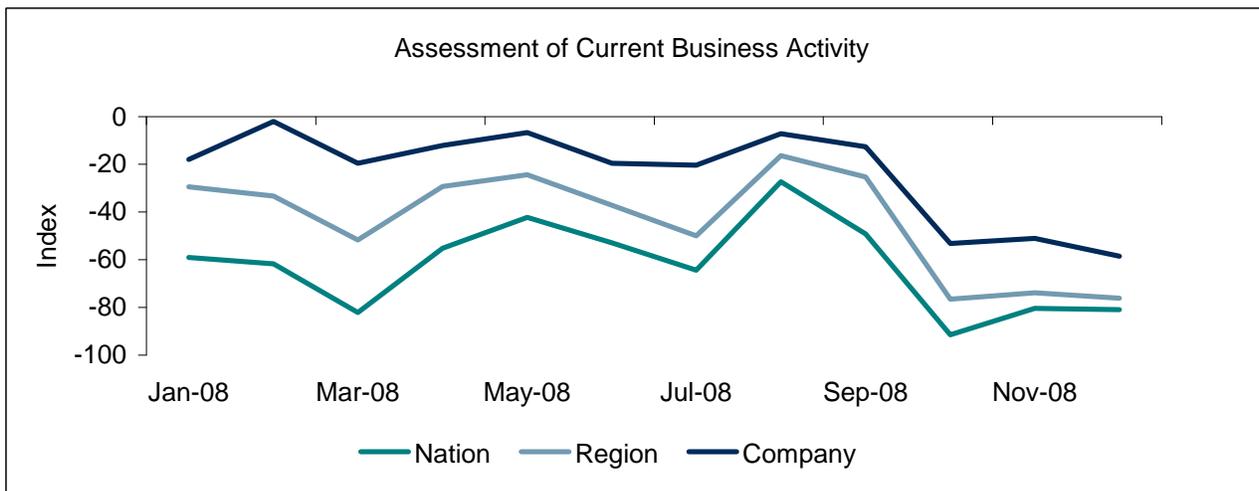
December, including an 8 point decline in company activity to a new low of -59. Assessments of national and regional activity declined marginally to -81 and -76, respectively, though both readings remained higher than October figures.

By contrast, expectations of activity six months from now improved in December. The largest increase was at the regional level, where the index rose 34 points to 13. At the national level, expectations rose 12 points to -5, while company expectations increased just 6 points to -3.

Company Conditions

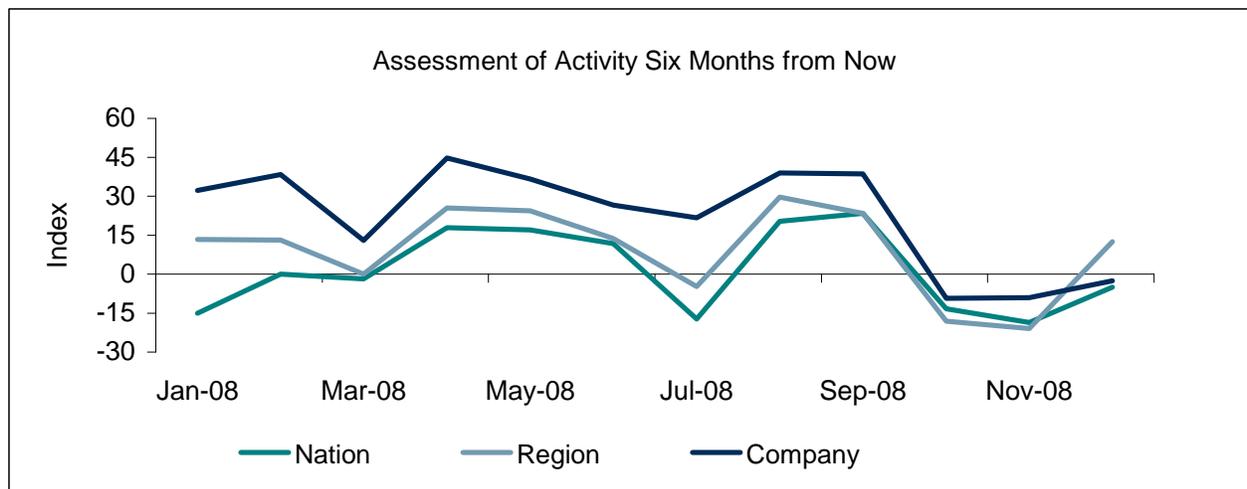
The decline in respondents' assessment of overall company activity was matched by falling measures of company conditions. The sales revenue/shipments index dropped 19 points to -61, marking a new low for the series. Employment measures also fell, including a 10 point decline in the number of employees index to -37. The average wages index fell 15 points to -20.

Expectations for company conditions were mixed in December. Expectations for sales revenue/shipments rose 12 points, but remained negative at -3. Expectations for the number of



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employees fell, however, dropping 17 points to -19.

Both current and expected prices fell sharply in December. The index for current price paid turned negative for the first time in the history of the series. At -17, however, the current prices paid series was 20 points higher than expected prices paid, which fell 45 points to -37. December was the first negative reading for that series as well. Prices received fell 22 points to -43, while expected prices received lost 23 points to -15.

Labor Market Conditions

Both current and expected measures of labor market conditions rose in December, indicating increased slack in regional labor markets. The index for the general availability of labor rose 17 points to 53. The availability of labor to meet company-specific needs rose a milder 9 points to 36, with both measures the highest readings recorded.

Measures of expected labor availability mirrored current trends. The index for expected labor availability jumped 23 points to 55, while the index for expected labor meeting company needs increased 17 points to 38. Both results set new highs for the survey.

Business spending

Business spending remained suppressed in December, with the index for spending on equipment and software up five points to -34. The index for business services fell 2 points to -45.

Expected spending on equipment and software improved, however, gaining 14 points to -15. Expectations regarding business services weakened two points to -28, however.

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Business Activity Index						
	Current Conditions			Expectations		
	Oct-08	Nov-08	Dec-08	Oct-08	Nov-08	Dec-08
General business assessment						
Nation	-91	-80	-81	-13	-19	-5
County/Region	-77	-74	-76	-18	-21	13
Company	-53	-51	-59	-9	-9	-3
Company conditions						
Sales revenue/Shipments	-36	-42	-61	12	-15	-3
Inventories	-3	-9	-19	-23	-6	-30
Number of employees	-9	-27	-37	2	-2	-19
Weekly hours	-13	-36	-38	0	-10	-24
Average wages/employee compensation	-7	-5	-20	12	15	11
Prices paid	18	8	-17	11	8	-37
Prices received	-12	-21	-43	-15	8	-15
Labor market conditions						
General availability of labor	40	36	53	36	32	55
Company-specific needs	5	27	36	14	21	38
Business spending						
Equipment or software	-30	-39	-34	-32	-29	-15
Business Services	-44	-43	-45	-38	-26	-28

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.