

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*Business activity remains weak in January; expectations turn positive*

### Overview

The recent decline in business activity in the Carolinas persisted in January, though the pace abated somewhat. Assessments of current activity remained deep in negative territory for the month, though the index for company-level activity improved 30 points from the prior month. Measures of current company conditions also reflected the ongoing pullback in overall activity, including sharply negative readings on revenue and employment.

Despite difficulties in the current economic environment, respondents' expectations for the future turned decidedly positive in January. This was especially true at the company level, where the index gained 40 points for a reading of 37. Expectations for future revenue also rebounded sharply, although respondents indicated that future labor needs were not likely to rise much.

Assessments of current and expected labor market conditions remained bleak. Similarly, the pullback in business spending on equipment and business services continued in January, with expectations for future spending remaining

negative despite some improvement from December.

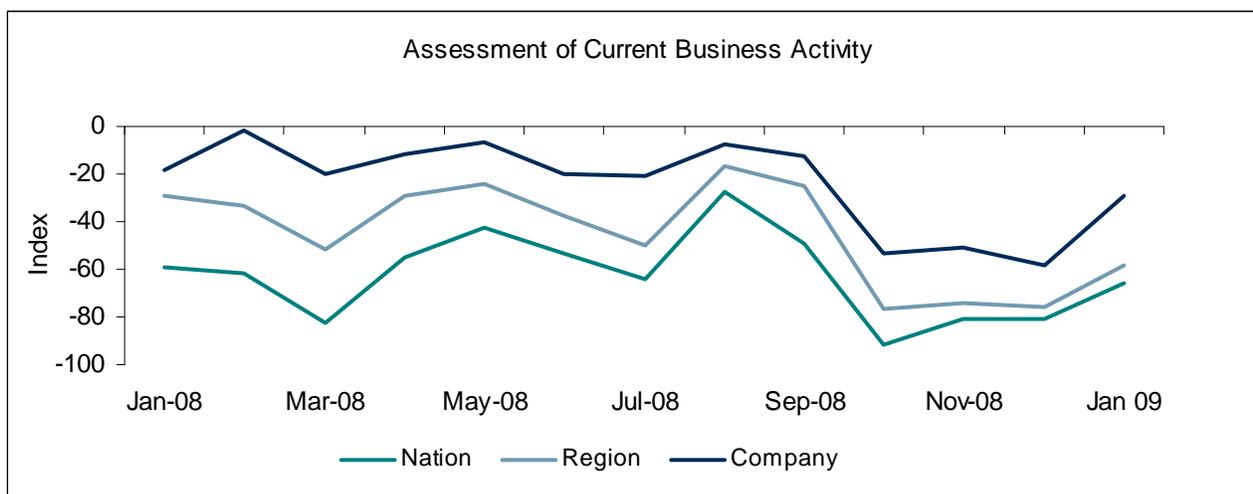
### General Business Assessments

Measures of current business activity remained deep in negative territory in January, indicating a further decline in activity. The January results suggested a slowing in the rate of decline, however, including a 30-point gain in the index for current company conditions that ended the month at -29. The increase for national and regional conditions was less pronounced, though both improved from the record lows set in December of last year.

Expectations for business activity improved across the board, including a 40-point rebound in the index for company-level expectations that ended the month at 37. January marked the first time since September that the indexes for expectations of business activity for national, regional and company conditions were all positive.

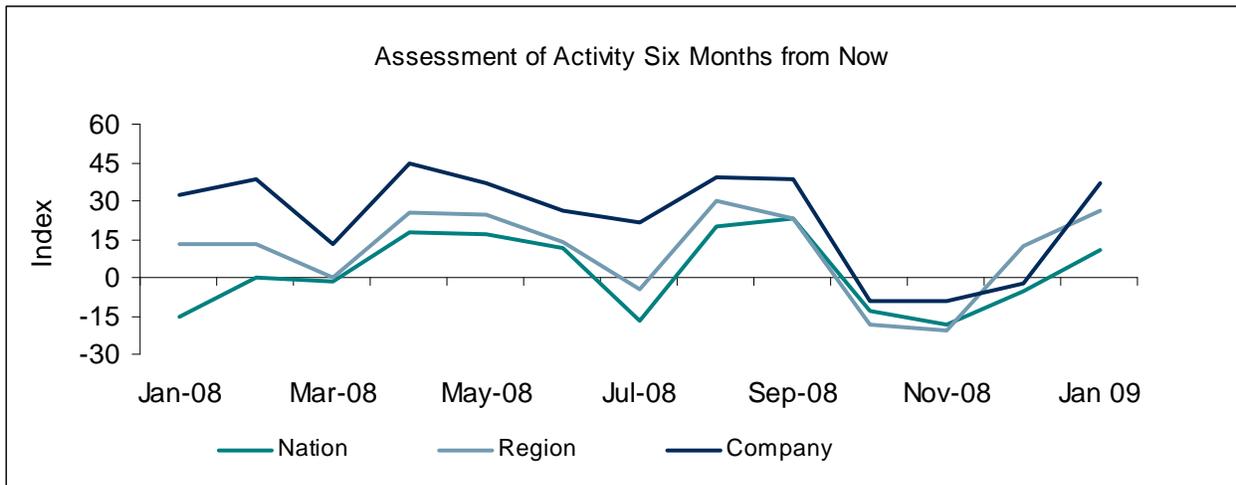
### Company Conditions

The detailed indexes measuring current company conditions remained broadly negative in January.



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Measures of employment conditions were especially weak, with the index for the number of employees up four points to -33 even as the index for weekly hours fell two points to -40. Average wages improved seven points, but were negative for the fourth consecutive month.

Expectations for company revenues turned positive in January as the index rose 32 points to 29. Expectations for future employment improved, but remained weak. The index for the expected number of employees gained 22 points to 3, while expected hours worked rose 24 points to zero.

The indexes for both prices paid and prices received remained negative in January, though the latter gained 25 points to -18. Expected price measures turned positive after steep drops in December, including a 50-point increase in the expectations index for prices paid to 13 overall.

#### Labor Market Conditions

Measures of current labor market conditions weakened further in January, with both the general availability of labor and the availability of labor possessing company-specific skills higher than the previous month. Expectations improved modestly, though respondents still expected ample supply of labor with the skills they require to be available in the near future.

#### Business spending

Current business spending dropped again in January for both equipment and business services. Readings of -45 and -49, respectively, set new lows in the brief history of these series. Expectations improved, though readings of -9 for both categories suggested that firms' plans for future business spending were still being curtailed.

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Business Activity Index						
	Current Conditions			Expectations		
	Nov-08	Dec-08	Jan-09	Nov-08	Dec-08	Jan-09
<b>General business assessment</b>						
Nation	-80	-81	-66	-19	-5	11
County/Region	-74	-76	-59	-21	13	26
Company	-51	-59	-29	-9	-3	37
<b>Company conditions</b>						
Sales revenue/Shipments	-42	-61	-46	-15	-3	29
Inventories	-9	-19	-7	-6	-30	-4
Number of employees	-27	-37	-33	-2	-19	3
Weekly hours	-36	-38	-40	-10	-24	0
Average wages/employee compensation	-5	-20	-13	15	11	17
Prices paid	8	-17	-9	8	-37	13
Prices received	-21	-43	-18	8	-15	14
<b>Labor market conditions</b>						
General availability of labor	36	53	55	32	55	44
Company-specific needs	27	36	39	21	38	34
<b>Business spending</b>						
Equipment or software	-39	-34	-45	-29	-15	-9
Business Services	-43	-45	-49	-26	-28	-9

#### 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.