Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Decline in business activity accelerates in March as expectations weaken

Overview

Overall business activity in the Carolinas contracted further in March, as did respondents' evaluations of conditions at the national level. Their assessment of activity at the company level fell to -33 and recorded the lowest reading since December of last year. Moreover, the expectations indexes for future business activity turned negative at both the regional and national level, but remained slightly positive at the company level.

Measures of company-level conditions languished in negative territory in March, although a few indicators exhibited more moderate weakness compared with the previous month. Among these was the index for inventories, which increased 13 points to end the month at -7.

Respondents reported that labor markets in the region remained weak with labor availability high both generally and for specific companies compared to February. However, survey respondents expected labor markets to firm a bit during the next six months. In addition, the measure for current business spending declined further into negative territory, while expectations for future spending were lower than last month.

General Business Assessments

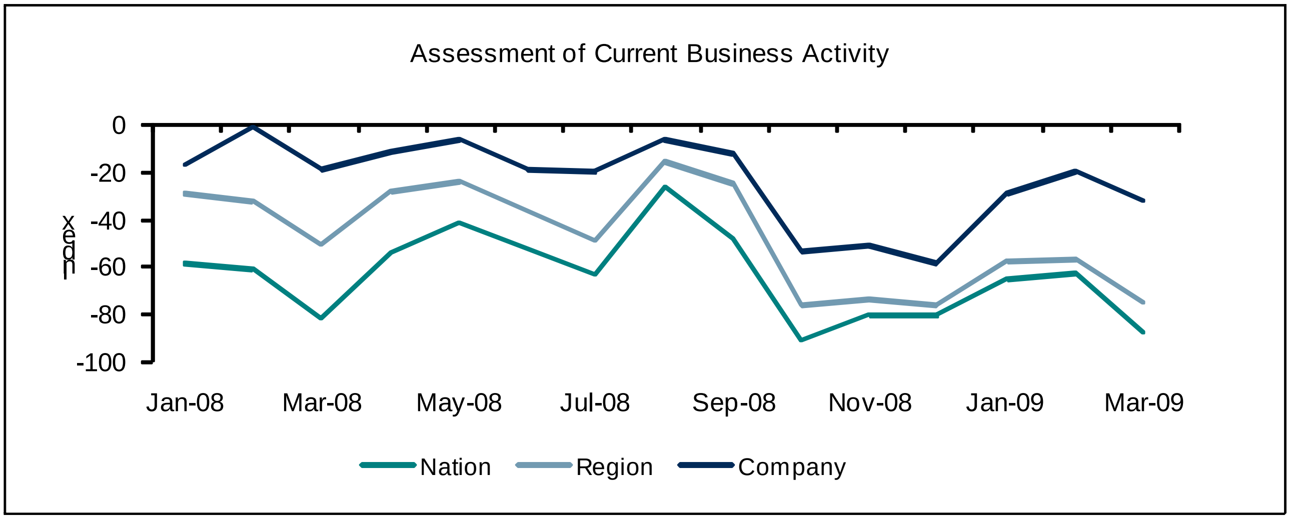
Measures of current business activity fell further into negative territory in March. Company-level activity declined thirteen points to -33, following a nine-point increase in the index in February. Meanwhile, the indexes for regional and national business activity gave up 19 and 25 points, respectively.

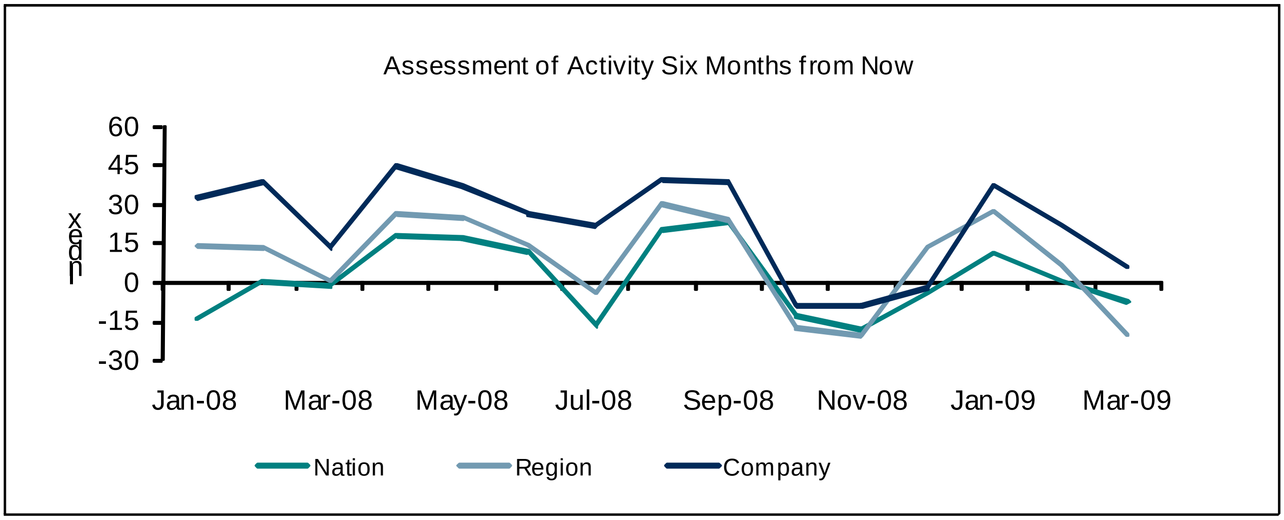
Expectations for future activity also deteriorated in March, including a 16 point drop in expectations for company-level activity to 5. Expectations for both the regional and national economy turned negative, falling 27 and 8 points, to end at -21 and -8, respectively.

Company Conditions

Indicators of company conditions remained negative in March. The index for sales revenue/shipments dropped 13 points to -47. Expectations for future sales revenue were also weaker, retreating 15 points to 0.

Gauges of labor use were broadly weaker for the month. The index for the number of employees inched up 4 points to -32, while the number of hours worked lost 4 points to -28. In contrast, the





average wages index held steady at -21.

Expectations for future labor needs weakened further in March; the index for expectations of the number of employees eased two points to -11, while the indicator for expected number of hours plunged 19 points to -6. The index for expected wages edged down 3 points to -3.

Indexes for both current prices paid and prices received remained negative in March, deteriorating further from February's values. Moreover, expectations for prices paid turned negative, with the index falling 23 points to -10, while the indicator for expected prices received plunged 19 points to -22.

Labor Market Conditions

Labor markets remained soft in March, with the index for labor availability at 61, nearly matching February's reading of 62. At the level of company-specific needs, employment weakness was widespread; that index rose 10 points to 55.

Survey respondents predicted labor markets would firm in the six months ahead, however. The index for expected general availability of labor shed nine points from last month's outlook, settling at 49. Respondents also anticipated a tighter labor pool at the company level, pulling that indicator seven points lower, to 37 in March.

Business spending

Measures of business spending fell in March. Spending on equipment or software diminished, with the index settling at -41, slightly below last month's -38. However, business services expenditures dropped sharply lower, dragging that index to -57 from -43.

Looking ahead to the next six months, survey respondents continued to pull back from spending on equipment or software and business services. However at an index of -26, expected spending in equipment and software was lower than in February when the index was -39. Expectations for spending on business services remained lackluster, with the index holding steady at -30 in March for a second month.

Contact

Matthew Martin

Regional Economist
Regional Economics Department
The Federal Reserve Bank of Richmond
Charlotte Branch
Office 704·358·2116 · Fax 704 258 2498
matthew.martin@rich.frb.org
www.richmondfed.org

Business Activity Index	Current Conditions			Expectations		
General business assessment	**Jan-09**	**Feb-09**	**Mar-09**	**Jan-09**	**Feb-09**	**Mar-09**
Nation	-66	-63	-88	11	0	-8
County/Region	-59	-57	-76	26	6	-21
Company	-29	-20	-33	37	21	5
Company conditions						
Sales revenue/Shipments	-46	-34	-47	29	15	0
Inventories	-7	-17	-4	-4	-14	-24
Number of employees	-33	-36	-32	3	-9	-11
Weekly hours	-40	-24	-28	0	13	-6
Average wages/employee compensation	-13	-21	-21	17	0	-3
Prices paid	-9	-6	-29	13	13	-10
Prices received	-18	-21	-32	14	-3	-22
Labor market conditions						
General availability of labor	55	62	61	44	58	49
Company-specific needs	39	45	55	34	44	37
Business spending						
Equipment or software	-45	-38	-41	-9	-39	-26
Business Services	-49	-43	-57	-9	-30	-30

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.