

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Decline in business activity shows signs of abating in April as expectations strengthen

Overview

Overall business activity in the Carolinas contracted at a markedly diminished pace in April, as did respondents' evaluations of conditions at the national level. Their assessment of activity at the company level increased to 6 and recorded the first positive reading in the survey's brief 16-month history. Moreover, the expectations indexes for future business activity turned positive for the national, regional and company levels.

Most measures of company-level conditions reflected a pronounced moderation in weakness for the month of April, and one indicator turned positive. The index for sales revenue/shipments returned to positive territory—increasing 53 points since March.

Respondents reported that labor markets in the region remained weak with the index for general labor availability setting a new high in April. The company-specific needs indicator, however, was lower than in March. Survey respondents expected labor markets to continue to firm during the next six months. In addition, the measure for

current business spending and expectations for future spending contracted at a slower pace.

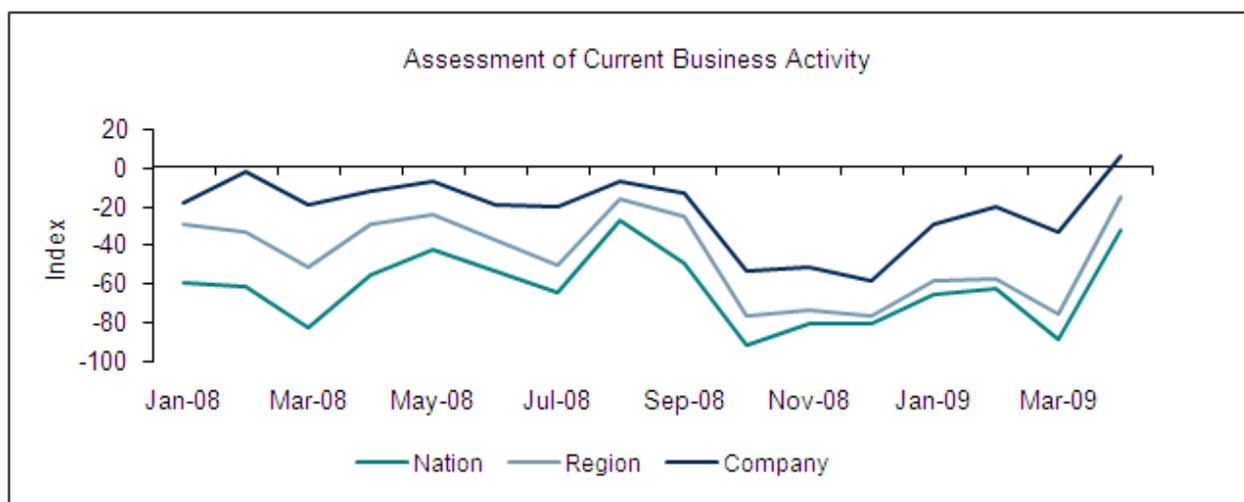
General Business Assessments

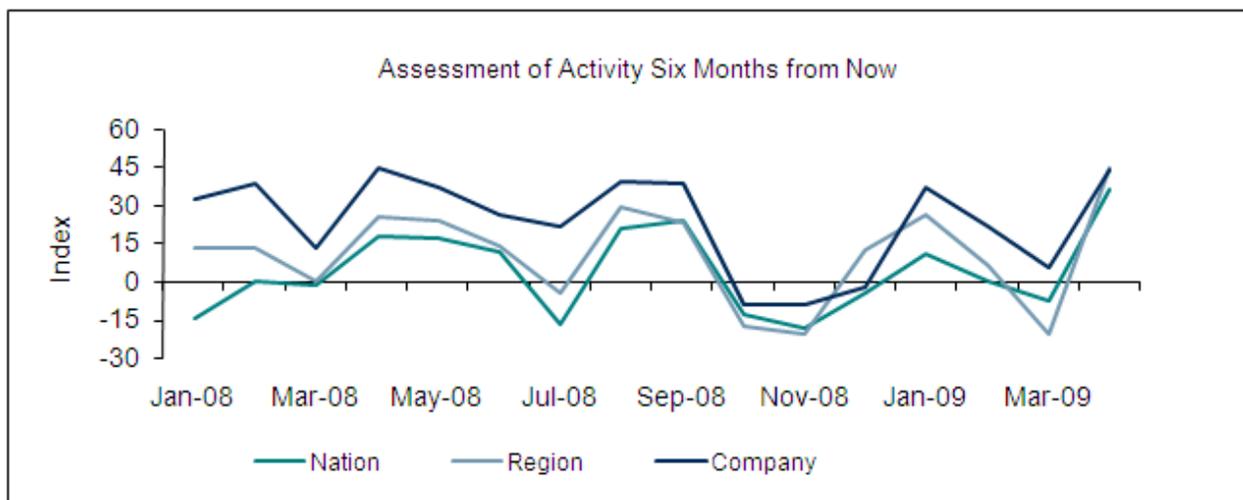
Measures of current business activity at the national and regional levels declined at a diminished rate in April, as the index for company-level activity turned positive. Company-level activity gained 39 points to 6 following a thirteen-point decline in the index in March. Moreover, the indexes for regional and national business activity picked up 61 and 56 points, respectively.

Expectations for future activity improved notably in April, including a 39-point gain in expectations for company-level activity to 44 from 5. Expectations for both the regional and national economy turned positive, picking up 66 and 44 points, to end at 45 and 36, respectively.

Company Conditions

Most indicators of company conditions contracted at a slower pace in April, although one measure turned positive. The index for sales revenue/shipments rose 53 points to 6. Expectations for





future sales revenue were also stronger, gaining 31 points to finish at 31.

Gauges of labor use also suggested more moderate weakness for the month. The index for the number of employees moved up 10 points to -22, while the number of hours worked advanced 13 points to -15. In addition, the average wages index gained 11 points to finish at -10.

Expectations for future labor needs were also more sanguine in April as all measures returned to positive territory. The expected employment index climbed 14 points to 3, and the average workweek indicator jumped 22 points to 16. The index for expected wages advanced 13 points to 10.

Indexes for current prices paid and prices received also indicated marked improvement as the contraction for both measures ebbed in April. Moreover, expectations turned positive both for prices paid and prices received, picking up 13 points and 28 points, to end at 3 and 6, respectively.

Labor Market Conditions

Labor markets remained weak in April, with the index for labor availability at 63—a new high for that measure. The index for availability of labor to meet company specific needs, however, declined seven points to 48.

Survey respondents predicted labor markets would tighten in the six months ahead, however. The

index for expected general availability of labor shed five points from last month’s expectations, settling at 44. Respondents also anticipated a tighter labor pool at the company level, pulling that indicator two points lower, to 35 in April.

Business spending

Measures of business spending declined at a slower rate in April. The contraction of spending on equipment or software abated this month with the index settling at -29—greatly improved from last month’s -41. Business services expenditures also contracted at a more pronounced rate with that index advancing 27 points to -30.

Expectations for future business spending displayed more moderate weakness in April. Expected spending on equipment or software rose 19 points to -7, which was nearly matched by a 22 point increase in expected spending on business services to -8.

Contact

Judy Cox

Senior Economic Analyst
 Regional Economics Department
 Federal Reserve Bank of Richmond
 Ph: 804-697-8152 · Fax: 804-697-8123
judy.cox@rich.frb.org
www.richmondfed.org

Business Activity Index						
	Current Conditions			Expectations		
	Feb-09	Mar-09	Apr-09	Feb-09	Mar-09	Apr-09
General business assessment						
Nation	-63	-88	-32	0	-8	36
County/Region	-57	-76	-15	6	-21	45
Company	-20	-33	6	21	5	44
Company conditions						
Sales revenue/Shipments	-34	-47	6	15	0	31
Inventories	-17	-4	-29	-14	-24	-4
Number of employees	-36	-32	-22	-9	-11	3
Weekly hours	-24	-28	-15	13	-6	16
Average wages/employee compensation	-21	-21	-10	0	-3	10
Prices paid	-6	-29	-10	13	-10	3
Prices received	-21	-32	-12	-3	-22	6
Labor market conditions						
General availability of labor	62	61	63	58	49	44
Company-specific needs	45	55	48	44	37	35
Business spending						
Equipment or software	-38	-41	-29	-39	-26	-7
Business Services	-43	-57	-30	-30	-30	-8

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.