

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Overall business activity slipped in July; optimism moved lower

Overview

General perceptions of business activity in the Carolinas slipped in July, and expectations for activity six months out moved lower. Current activity indexes at the national and company levels decreased this month after each improved in June, while the county/region specific index declined for the second straight month. Each of the three indexes was less than zero, indicating contraction in current business activity. The general expectations measures declined in all three breakouts as well but remained above zero.

Most measures of company-specific activity decreased in July, although the sales revenues/shipments metric jumped to its first positive reading in three months. By contrast, the inventories and weekly hours measures fell further into negative territory.

Labor market conditions were soft, although there was slight improvement in both the company-specific needs index and the labor availability index. Business spending and spending expectations showed discernible improvement

from June, although all continued to indicate contraction.

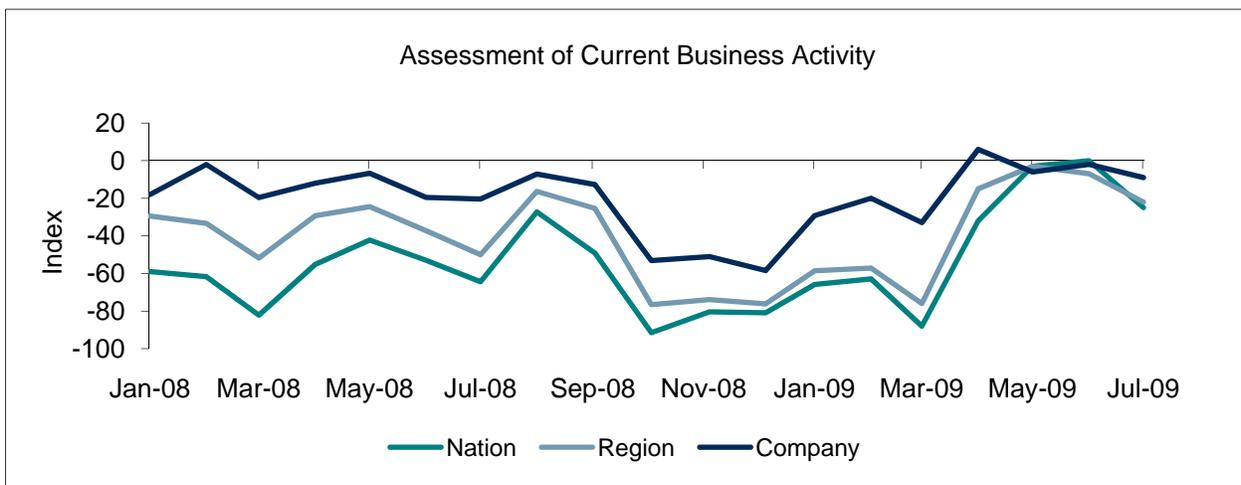
General Business Assessments

The national index had climbed to zero in June from -3 in May — suggesting that business activity was no longer contracting — but the drop to -25 in July places the index firmly back into negative territory. The company-specific current activity index fell from -2 to -9, reversing a modest improvement in June. The retreat in county/region-specific activity was a continuation of recent trends.

The general business expectations indexes fell in all three breakouts, with the largest decline in the index for national expectations (53 to 19). Still, the indexes remained in positive territory, suggesting that respondents expect business activity to expand in six months, albeit at a slower pace than was expected in June.

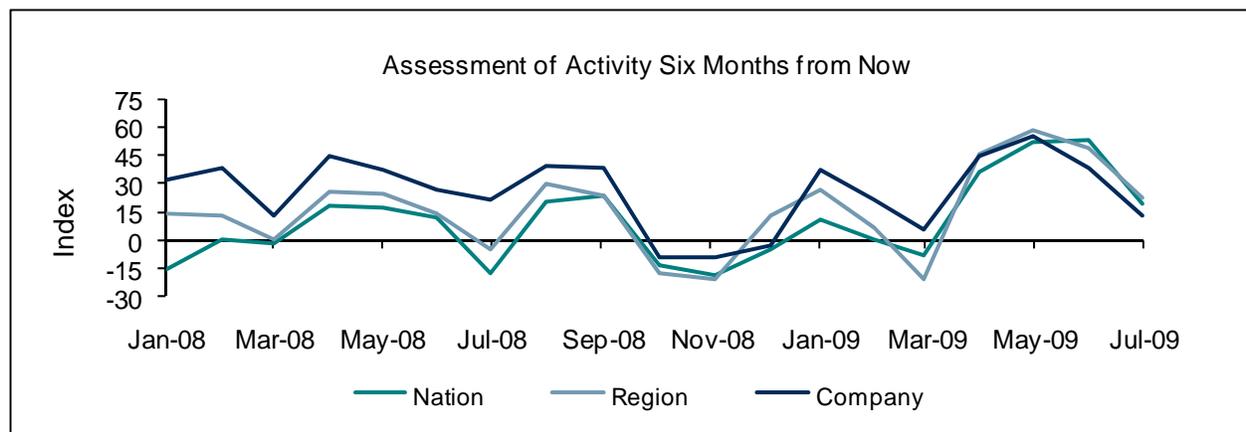
Company Conditions

Among the company-specific indexes, the sales revenue/shipments measure swung from negative in June (-3) to positive in July (10). Notably, this



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swing occurred even as the company-specific general business activity index decreased. The number of employees index increased from -18 to -13 during the month, indicating that firms were shedding workers at a slower pace. By contrast, the inventories metric dropped to -50 in July, signifying that firms continued to aggressively work down inventories.

The current prices paid index retreated back to break-even in July. (In June, the index reached positive territory for the first time in seven months.) The prices received index increased from -30 to -14.

The company-specific sales/shipments expectations index fell from 32 in June to zero in July. This decline coincides with lowered expectations for general business activity on all levels (as noted above). The number of employees and weekly hours expectations indexes both increased in July. With regards to pricing expectations, the prices paid index declined materially (to 19 from 43 in June) while the prices received index increased from -3 to 7.

Labor Market Conditions

Much slack remained in the labor market. However, the general availability of labor index declined to 44 in July from 50 in June. At the same time, the company-specific needs index fell 12 points to 27. Respondents' expectations regarding the general availability of labor six months from now changed little from June to July, with the index moving up one point to 38. The

company-specific needs expectations index reversed course and declined to 31 in July from 37 in June.

Business Spending

Survey responses suggested that business spending continued to contract in July but at a slower pace than June. The index for current equipment or software spending increased to -13 from -23 a month earlier, reversing a same-size decline from May to June. The spending index for business services moved up to -10 from -30 in June, also reversing a big decline one month earlier. Improvements were noted in the business spending expectations indexes as well. However, the outlook appears to still be soft. The equipment or software spending expectations index moved up to -7 from -13 in June. Likewise, expectations for business services spending six months from now improved to -11 in July from -26 in June.

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Business Activity Indexes						
General Business Assessment	Current Conditions			Expectations		
	Jul-09	Jun-09	May-09	Jul-09	Jun-09	May-09
Nation	-25	0	-3	19	53	52
County/Region	-22	-7	-3	22	48	58
Company	-9	-2	-6	13	38	55
Company Conditions						
Sales Revenue/Shipments	10	-3	-3	0	32	59
Inventories	-50	-17	-32	-20	-7	-10
Number of Employees	-13	-18	-17	6	-5	14
Weekly Hours	-16	-13	-17	10	3	25
Average Wages/Employee Compensation	-3	-10	-7	10	14	7
Prices Paid	0	3	0	19	43	13
Prices Received	-14	-30	-17	7	-3	0
Labor Market Conditions						
General Availability of Labor	44	50	50	38	37	22
Company-specific Needs	27	39	37	31	37	19
Business Spending						
Equipment or Software	-13	-23	-13	-7	-13	-4
Business Services	-10	-30	-11	-11	-26	4

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.