

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*Overall business activity jumped in August; expectations bounced back*

### Overview

Responses to our August survey suggest that general perceptions of current business activity improved significantly, and expectations for activity in the next six months rebounded from a sharp decline in July. Current activity indexes at the national and company levels jumped from negative to positive, while the county/region specific index increased but remained negative. The general expectations measures moved higher in all three breakouts, regaining most of the ground lost in July.

Most measures of company-specific activity changed little in August. The sales revenue/shipments metric remained positive for the second straight month while the index for number of employees needed stayed negative. The inventories and weekly hours measures increased from July to August, and employee compensation moved into positive territory.

The general availability of labor index and the company-specific needs index declined in August, indicating less slack in labor markets. The current business spending and spending expectations

indexes remained negative, suggesting that respondents were still cautious about such spending even as their perceptions of economic activity improved.

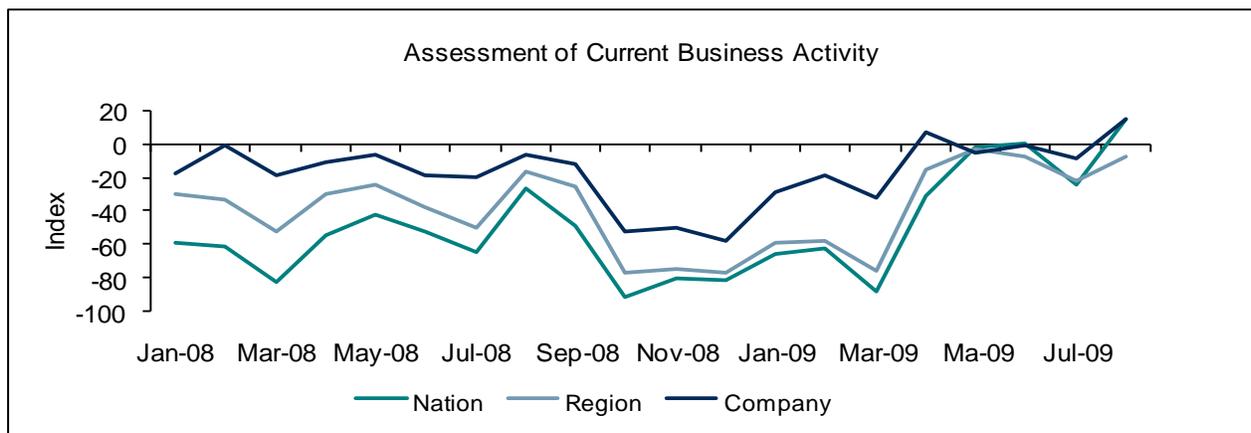
### General Business Assessments

Respondents' assessments of current business conditions improved substantially across the board in August, representing a sharp turnaround from July. The national and company-specific indexes each jumped to 14 in August (from -25 and -9, respectively), while the region-specific measure rose to -7 from -22.

National, regional, and company-level business expectations also improved across the board in August. With each index firmly positive (between 38 and 46), respondents appear confident that general business conditions will be better in six months.

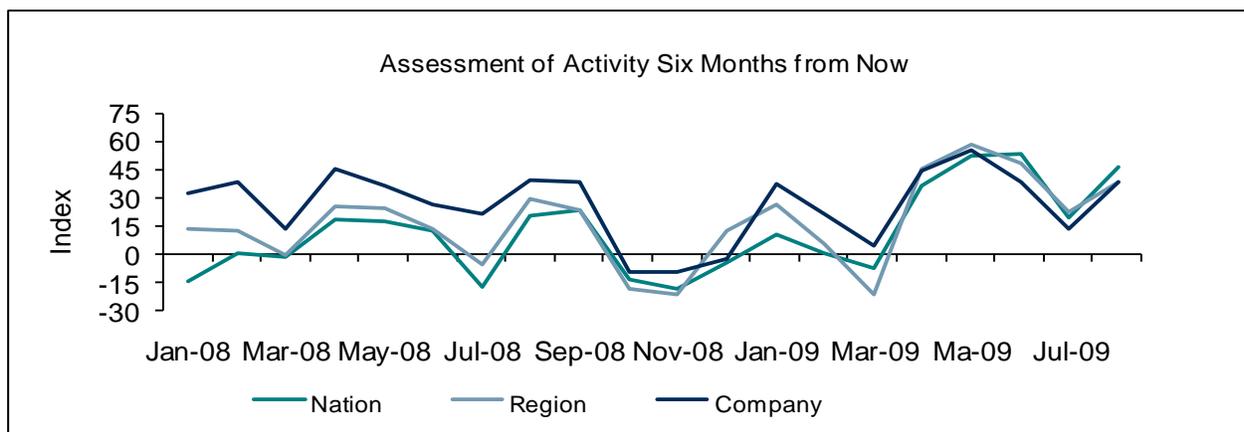
### Company Conditions

In the company-specific indexes, the sales revenue/shipments measure was positive for the second month in a row in August, and was largely unchanged (9) from July. The number of



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employees index was also mostly unchanged during the month (-14) but the weekly hours index moved up to zero, breaking a string of 21 straight negative readings. The inventories metric improved to -13 in August from -50 a month earlier indicating that firms continued to trim inventories, but at a less aggressive pace.

The prices paid component jumped to 11 in August from zero in July. However, the prices received index changed little and remained negative at -12.

The company-specific sales/shipments expectations index leapt to 28 in August, rebounding from a notable decline in July. The number of employees and average compensation expectations indexes both moved higher. With regards to pricing expectations, the prices paid index increased to 42 from 19 while the prices received index increased to 15 from 7.

#### Labor Market Conditions

Both the general availability of labor and company-specific needs indexes fell in August. While the declines were sizable, both indexes suggest that considerable slack remains in labor markets.

The corresponding expectations indexes both fell by 26 from July to August with the general availability index coming in at 12 while the company-specific index registered a 5.

#### Business Spending

Survey responses suggested that business spending continued to contract in August. The index for current equipment or software spending increased to -5 from -13 a month earlier, indicating that such spending was contracting at a slower pace. By contrast, the spending index for business services fell to -15 in August from -10 in July suggesting that spending was falling at a faster pace.

The outlook for business spending was still soft in August and did not improve from July, despite the recovery in the activities expectations indexes. The equipment or software spending expectations index moved down to -11 in August from -7 a month earlier while the expectations index for business services spending six months from now held steady at -11.

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Business Activity Index						
	Current Conditions			Expectations		
	Aug-09	Jul-09	Jun-09	Aug-09	Jul-09	Jun-09
<b>General business assessment</b>						
Nation	14	-25	0	46	19	53
County/Region	-7	-22	-7	38	22	48
Company	14	-9	-2	38	13	38
<b>Company conditions</b>						
Sales revenue/Shipments	9	10	-3	28	0	32
Inventories	-13	-50	-17	-21	-20	-7
Number of employees	-14	-13	-18	10	6	-5
Weekly hours	0	-16	-13	10	10	3
Average wages/employee compensation	2	-3	-10	26	10	14
Prices paid	11	0	3	42	19	43
Prices received	-12	-14	-30	15	7	-3
<b>Labor market conditions</b>						
General availability of labor	28	44	50	12	38	37
Company-specific needs	16	27	39	5	31	37
<b>Business spending</b>						
Equipment or software	-5	-13	-23	-11	-7	-13
Business Services	-15	-10	-30	-11	-11	-26

#### 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.