

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Overall business activity was flat in September; expectations softened

Overview

Responses to our most recent Carolinas survey suggest that business activity was mostly flat in September. However, respondents remained confident that activity will pick up in the next six months. The national and company specific current conditions indexes declined, suggesting that growth had leveled off. The region specific index increased slightly but was still negative. The expectations indexes remained firmly positive, although each of the three decreased modestly.

There were notable changes in some of the company specific indexes. The sales revenue/shipments metric fell, the inventories index declined sharply, and the prices paid component increased. Meanwhile, the number of employees index increased for the second month in a row (although it remained slightly negative) and the hours worked index jumped into positive territory for the first time since the recession started in December 2007.

The availability of labor indexes increased across the board in September, suggesting that respondents expect labor markets to remain slack

for the foreseeable future. The current business spending measures declined for both equipment and services but the business spending expectations indexes improved somewhat. In fact, the equipment/software measure moved up to 0 – the first non-negative reading in 13 months.

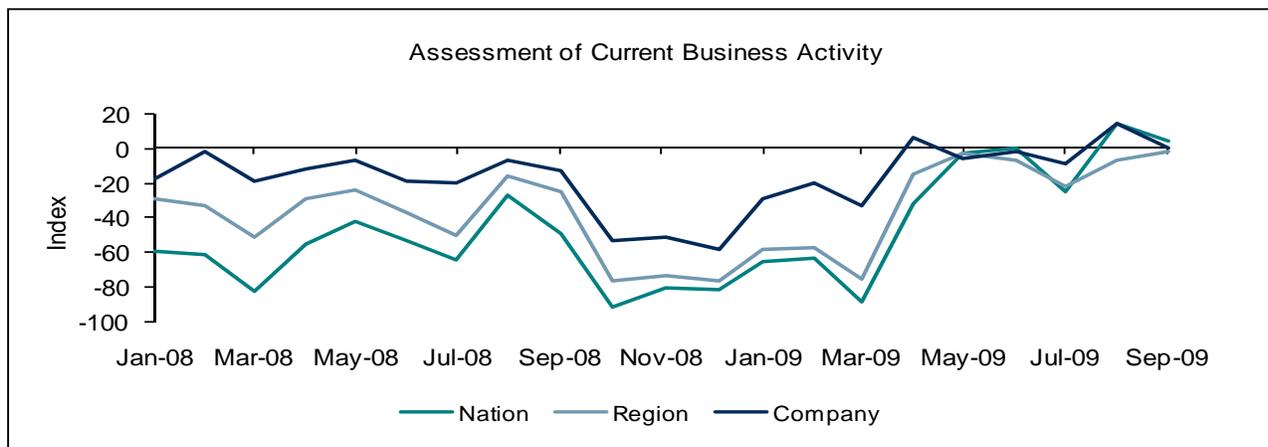
General Business Assessments

Responses to the survey suggest that growth in general business activity slowed in September. The national current conditions index fell to 4 from 14 in August, while the company specific index dropped to 0 from 14. The region specific measure rose in September, although it remained negative at -5 (up from -7).

Indexes for national, regional, and company level business expectations declined modestly in September. Still, with each index firmly positive (between 29 and 41), respondents appear confident that general business conditions will be better in six months.

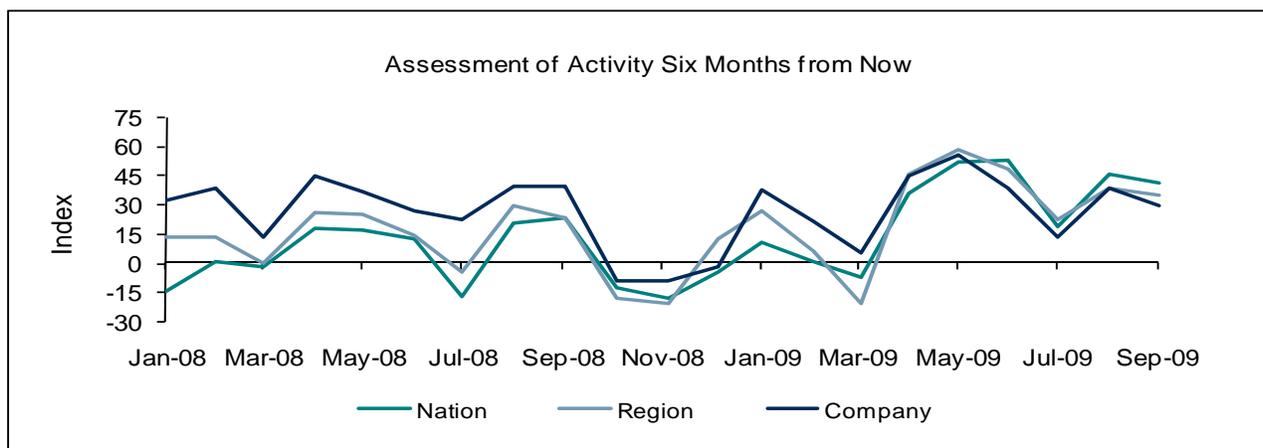
Company Conditions

In the company specific indexes, the current sales revenue/shipments measure fell to -2 in



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September, its first negative reading in three months. By contrast, the revenue expectations index increased to 34 from 28 a month earlier. The current inventories index dropped to -31 in September, partially reversing a big increase in August. At the same time, the inventories expectations index swung to 10 from -21, the first positive reading in 17 months.

The current number of employees index increased to -7 from -14 while the corresponding expectations index eased to 7 in September from 10 in August. The measure for weekly hours worked jumped to 20 in September, the first positive reading in this index since the recession started in December 2007. Sustained increases in weekly hours often precede gains in employment, so this was an encouraging sign.

The current prices paid component increased to 16 in September from 11 in August, while the prices received index changed little, remaining at -11. The price expectations indexes were positive in September although both eased from August.

Labor Market Conditions

On balance, survey results indicate that respondents think labor markets will remain slack in the near future. The current general availability of labor index increased to 33 in September from 28 in August while the company specific measure rose to 26 from 16. The corresponding expectations indexes saw increases in September as well – the general expectations index rose to 21 from 12 while the company specific index

increased to 12 from 5.

Business Spending

Survey responses suggested that business spending continued to contract in September but there was improvement in the two expectations metrics. The index for current equipment or software spending decreased to -14 in September, mostly reversing the prior month's gain. Meanwhile, the spending index for business services held steady at -15 in September suggesting that such spending continued to contract at a fairly steady pace.

While the outlook for business spending is still soft, there was a little improvement in expectations metrics. The equipment or software spending expectations index moved up to 0 in September, a considerable improvement from -11 a month earlier and its highest reading in more than one year. The expectations index for business services increased as well, but remained negative (-8).

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Business Activity Indexes						
General Business Assessment	Current Conditions			Expectations		
	Sep-09	Aug-09	Jul-09	Sep-09	Aug-09	Jul-09
Nation	4	14	-25	41	46	19
County/Region	-2	-7	-22	35	38	22
Company	0	14	-9	29	38	13
Company Conditions						
Sales Revenue/Shipments	-2	9	10	34	28	0
Inventories	-31	-13	-50	10	-21	-20
Number of Employees	-7	-14	-13	7	10	6
Weekly Hours	20	0	-16	-2	10	10
Average Wages/Employee Compensation	-9	2	-3	9	26	10
Prices Paid	16	11	0	24	42	19
Prices Received	-11	-12	-14	9	15	7
Labor Market Conditions						
General Availability of Labor	33	28	44	21	12	38
Company-specific Needs	26	16	27	12	5	31
Business Spending						
Equipment or Software	-14	-5	-13	0	-11	-7
Business Services	-15	-15	-10	-8	-11	-11

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.