

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*Overall business activity increased in October; expectations moved higher*

### Overview

Responses to our October survey suggest that business activity picked up in the Carolinas since September and respondents grew increasingly confident in economic activity six months out. The company specific current conditions index jumped into positive territory while the region specific measure moved to breakeven (zero) for the first time since the recession started in December 2007. The national index was unchanged. Meanwhile, each of the three general expectations metrics increased notably.

In the company specific indexes, the sales revenue/shipments component swung from negative to positive and firms appeared to be drawing down inventories at a slower pace. At the same time, the prospects for hiring remained soft and changed little from September. The gap between the prices paid and prices received indexes widened slightly, indicating that firms' margins remained under considerable pressure.

The general availability of labor index moved higher, reflecting continued slack in labor markets, although the company specific measure eased modestly. The current business spending

indexes continued to suggest weak spending for both equipment/software and services. However, the two business spending expectations indexes jumped into positive territory – the first time since May 2008 that both were above zero.

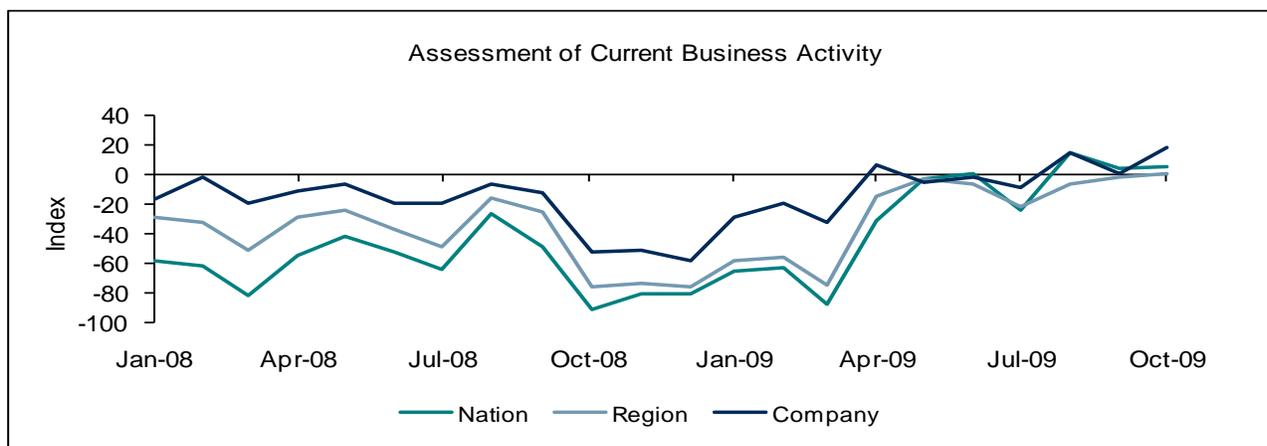
### General Business Assessments

On balance, responses to the survey suggest that business activity improved in the Carolinas in October. The company specific index jumped to 17 from zero in September, and the region specific metric increased to zero for the first time since the recession started. The national index was unchanged from September, at 4.

Each of the three general expectations indexes (national, regional, and company level) increased markedly in October. With the measures in a range between 47 and 53, respondents appeared increasingly confident that business conditions will be improved in six months.

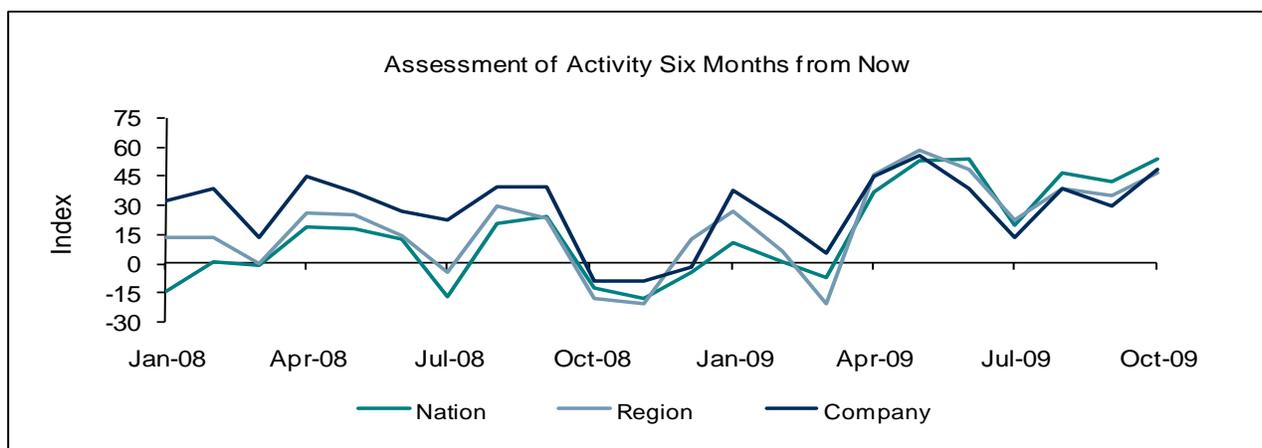
### Company Conditions

The company specific current sales revenue/shipments index bounced back in October, increasing to 10 from -2 in September. The sales revenue expectations measure was little changed at 33. The current inventories index moved higher



## Regional Surveys of Business Activity

### Carolinas Survey of Business Activity



to -18 in October compared to -31 a month earlier, while the comparable expectations component remained positive for the second straight month. This would suggest that firms continued to work down current stocks (at a slower pace) but anticipate having to rebuild them six months from now.

Answers to the labor demand questions suggest little change over the month. The number of employees needed index was -7 in October, unchanged from the prior month and the weekly hours index came in at zero (down from 20) indicating that average weekly hours had leveled off. However, the comparable six month expectations indexes for both workers and hours increased materially and were in solid positive territory.

The current prices paid component increased to 18 in October from 16 in September, while the prices received index edged down to -12 from -11. On the expectations side, the prices received component increased to 21 from 9 while the prices paid component edged up to 26 from 24.

#### Labor Market Conditions

On balance, survey results indicate that respondents saw little change in labor availability over the last month. The current general availability of labor index increased to 36 in October from 33 in September while the company specific measure fell to 20 from 26. The corresponding expectations indexes both increased in October with the general

expectations index rising to 25 from 21 while the company specific index increased to 14 from 12.

#### Business Spending

Survey responses pointed to continued weakness in current business spending but spending expectations improved for the second month in a row. The indexes for business spending on equipment/software improved by seven points in October but remained weak at -7. The services spending index actually declined to -18 from -15. Both suggest that business spending continued to contract in October.

By contrast, the outlook for business spending improved considerably over the month. The equipment/software spending expectations index increased to 7 in October from zero in September and the business services spending expectations component jumped to 13 from -8. October marked the first time since May 2008 that both indexes exceeded zero.

#### Contact

##### Rick Kaglic

Regional Economist  
Federal Reserve Bank of Richmond  
Charlotte Branch  
Office 704-358-2116  
[richard.kaglic@rich.frb.org](mailto:richard.kaglic@rich.frb.org)  
[www.richmondfed.org](http://www.richmondfed.org)

## Regional Surveys of Business Activity

### Carolinas Survey of Business Activity

Business Activity Indexes						
General Business Assessment	Current Conditions			Expectations		
	Oct-09	Sep-09	Aug-09	Oct-09	Sep-09	Aug-09
Nation	4	4	14	53	41	46
County/Region	0	-2	-7	47	35	38
Company	17	0	14	48	29	38
Company Conditions						
Sales Revenue/Shipments	10	-2	9	33	34	28
Inventories	-18	-31	-13	9	10	-21
Number of Employees	-7	-7	-14	20	7	10
Weekly Hours	0	20	0	16	-2	10
Average Wages/Employee Compensation	0	-9	2	14	9	26
Prices Paid	18	16	11	26	24	42
Prices Received	-12	-11	-12	21	9	15
Labor Market Conditions						
General Availability of Labor	36	33	28	25	21	12
Company-specific Needs	20	26	16	14	12	5
Business Spending						
Equipment or Software	-7	-14	-5	7	0	-11
Business Services	-18	-15	-15	13	-8	-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.