

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business activity retreated in November; expectations were tempered, but still positive

Overview

Our latest survey suggests that business activity eased in the Carolinas during November, even as assessments of national activity grew more positive. Both the company specific and region specific current activity indexes dropped into negative territory this month, following an increase in October. The expectations indexes remained positive, but eased somewhat in November. The national current activity index increased during November but respondents' six-month expectations were more cautious than a month earlier.

Given the responses to overall activity, it was not surprising that measures of company conditions mostly declined in November. The sales/revenue and employment-related indicators decreased during the month and firms apparently continued to work down inventories. The prices paid component eased a little, although it was still positive; and the prices received index moved modestly higher, but was still negative. The wages/employee compensation index decreased.

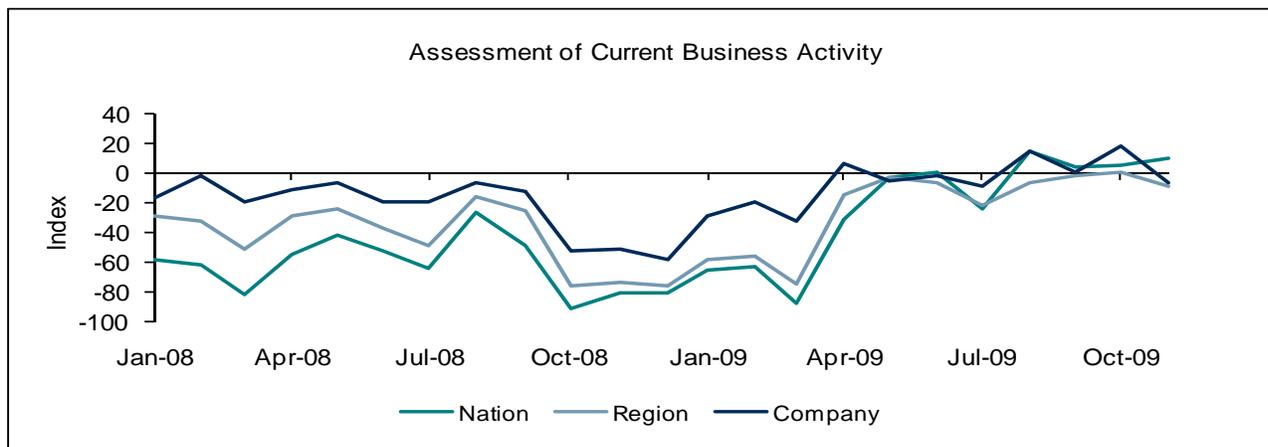
The general availability of labor index declined in November, indicating continued (albeit reduced) slack in labor markets, but the company specific

needs measure was unchanged. Both of the current business spending indexes moved lower during the month, with the equipment and software indexes falling sharply. In contrast, the equipment and software spending expectations index increased from October to November. Meanwhile, the business services expectations indexes fell notably and returned to negative territory.

General Business Assessments

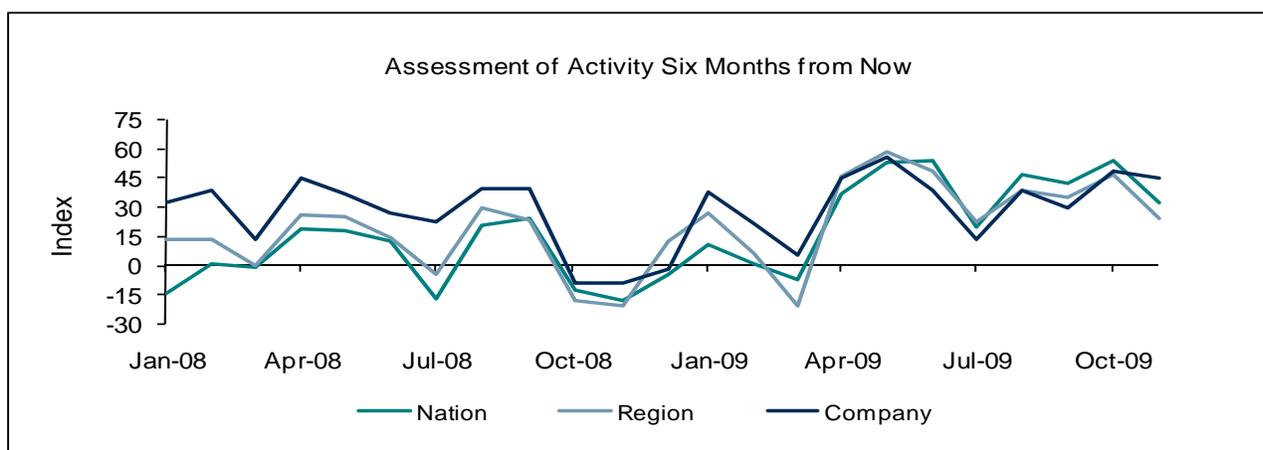
On balance, survey responses indicated that general business activity in the region deteriorated even as respondents' assessments of national activity improved. The region specific index fell back into negative territory (-9) in November after reaching zero in October (the first non-negative reading since the recession began). Meanwhile, the company specific index fell sharply, to -8 from 17.

The three general expectations indexes all decreased to varying degrees in November but remained positive, suggesting that respondents were a little more guarded about increases in economic activity six months from now. The national and regional indexes fell by more than 20 points during the month while the company specific index was down by 4.



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Company Conditions

The company specific sales revenue/shipments index, perhaps the best measure of respondents' current demand, fell to -4 in November from 10 in October. However, the revenue/shipments expectations index actually increased during the month, to 37 from 33, suggesting that respondents were still optimistic that demand will pick up in coming months. The current inventory index was still negative but increased from -18 to -10, suggesting that firms were working down inventories at a slower pace. In an encouraging development, the inventories expectations index moved further into positive territory.

Respondents generally indicated that their demand for labor had waned in November, but their expectations for hiring in six months remained intact. The company specific number of employees needed index was largely unchanged at -8 but the hours worked index fell to -11 from zero the prior month. Meanwhile, the expected number of employees needed index increased to 27 from 20 and the expected weekly hours index rose to 22 from 16.

The current prices paid component decreased to 11 in November from 18 in October, while the prices received index increased to -8 from -12. On the expectations side, the prices received component held steady at 21 while the prices paid component jumped to 40 from 26.

Labor Market Conditions

The availability of labor indexes continued to indicate existing slack in the labor markets with

some tightening expected in the near-future. The current general availability index decreased to 25 from 36 while the company specific needs index was unchanged at 20. Meanwhile, the general availability expectations index fell to 18 from 25 and the company specific needs index edged down to 13.

Business Spending

Survey responses indicated continued weakness in current business spending, and spending expectations were mixed. The index for business spending on equipment/software fell to -26 in November from -7 the prior month, while the services spending index declined to -21 from -18. Both suggest that business spending continued to contract in November.

The equipment/software spending expectations index increased to 11 from 7 in October while the business services spending expectations component fell to -2 in November from 13.

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Business Activity Indexes						
General Business Assessment	Current Conditions			Expectations		
	Nov-09	Oct-09	Sep-09	Nov-09	Oct-09	Sep-09
Nation	9	4	4	31	53	41
County/Region	-9	0	-2	24	47	35
Company	-8	17	0	44	48	29
Company Conditions						
Sales Revenue/Shipments	-4	10	-2	37	33	34
Inventories	-10	-18	-31	19	9	10
Number of Employees	-8	-7	-7	27	20	7
Weekly Hours	-11	0	20	22	16	-2
Average Wages/Employee Compensation	-8	0	-9	8	14	9
Prices Paid	11	18	16	40	26	24
Prices Received	-8	-12	-11	21	21	9
Labor Market Conditions						
General Availability of Labor	25	36	33	18	25	21
Company-specific Needs	20	20	26	13	14	12
Business Spending						
Equipment or Software	-26	-7	-14	11	7	0
Business Services	-21	-18	-15	-2	13	-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.