Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business activity picked up in December; expectations moved higher

Overview

Our latest survey suggests that business activity increased in the Carolinas during December and respondents' perceptions of national business activity improved. All three of the current conditions indexes were in positive territory for the first time in the two-year history of the series. In addition, each of the three business activity expectations indexes (national, regional, and company) moved further into positive territory.

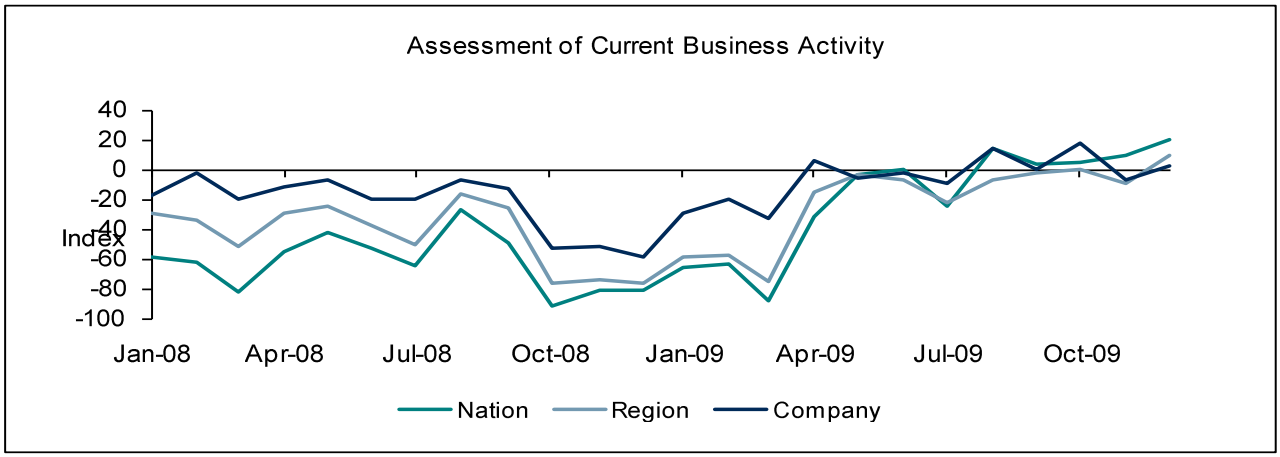
Despite the more positive responses to overall activity, most of the current company conditions indexes were negative in December. The sales/revenue and employment-related indicators increased during the month but remained negative. And firms appeared to be working down inventories at a faster pace. The prices paid component eased but remained positive; the prices received index moved slightly higher, but was still negative. The wages/employee compensation index decreased.

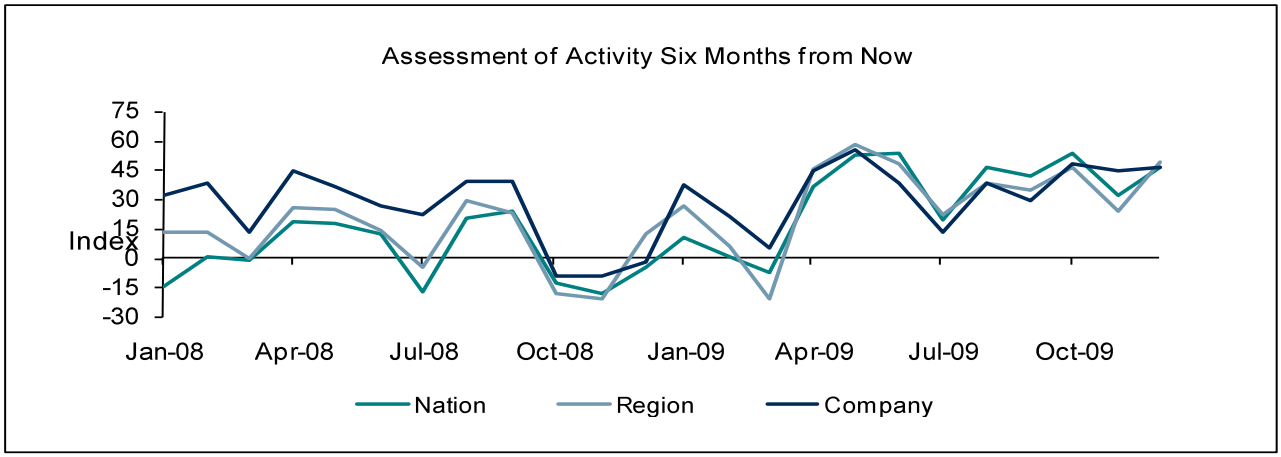
The general availability of labor index rose in December, indicating continued slack in labor markets, and the company specific needs measure moved higher. The current business spending indexes were still negative in December but the equipment/software index improved. Both business spending expectations indexes were positive but the equipment software index decreased while the business services expectations index increased.

General Business Assessments

Survey responses indicated that general business activity in the region improved along with the rest of the nation in December. The region specific index rebounded to 10 during the month from -9 in November. This represents the regional index's highest reading in the short history of the series. Meanwhile, the company specific index bounced back up to 3 following a big decline in November (to -8 from 17 in October) and the national index jumped to 20 from 9 a month earlier.

Each of the three general expectations indexes increased from November to December. The national index jumped to 46 from 31 in November while the regional index improved to 49 from 24 and the company index edged up to 46 from 44.





Company Conditions

The company specific sales revenue/shipments index edged up to -3 from -4 in November. The revenue/shipments expectations index was 34 in December, suggesting that respondents were still optimistic that demand will pick up in coming months. The current inventory index fell to -19 from -10 a month earlier, indicating that firms were working down inventories at a faster pace. In addition, the inventories expectations index slipped to 12 from 19 in November.

The current demand for labor index rose to -5 from -8 in November, and the expectations for hiring in six months remained firmly in positive territory (even as the index decreased to 25 from 27 in November). The current hours worked index also improved in December although it was still negative at -5. This declining trend in hours is not expected to persist however, as the expectations index moved up to 24 in December from 22 a month earlier.

The current prices paid component decreased for the second month in a row in December, to 3 from 11 in November, while the prices received index increased to -5 from -8. With regard to expectations, the prices paid index fell to 32 in December from 40 the prior month while the prices received component fell to 11, a decrease of 10 from the prior month.

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 increased to 35 from 25 while the company specific needs index rose to 27 from 20 in November. Meanwhile, the general availability expectations inched up to 20 from 18 while the company specific needs index edged down to 11.

Business Spending

Survey responses indicated continued weakness in current business spending, but spending expectations were more positive. The index for current business spending on equipment/software increased to -11 from -26 in November, while the services spending index declined to -26 from -21. The equipment/software spending expectations index decreased to 6 from 11 in November while the business services spending expectations component increased to 3 in December from -2 in November.

Contact

Rick Kaglic

Regional Economist
Federal Reserve Bank of Richmond
Charlotte Branch
Office 704·358·2116
richard.kaglic@rich.frb.org
www.richmondfed.org

Business Activity Indexes

General Business Assessment	Current Conditions			Expectations		
	Dec-09	Nov-09	Oct-09	Dec-09	Nov-09	Oct-09
Nation	20	9	4	46	31	53
County/Region	10	-9	0	49	24	47
Company	3	-8	17	46	44	48
Company Conditions						
Sales Revenue/Shipments	-3	-4	10	34	37	33
Inventories	-19	-10	-18	12	19	9
Number of Employees	-5	-8	-7	25	27	20
Weekly Hours	-5	-11	0	24	22	16
Average Wages/Employee Compensation	-10	-8	0	18	8	14
Prices Paid	3	11	18	32	40	26
Prices Received	-5	-8	-12	11	21	21
Labor Market Conditions						
General Availability of Labor	35	25	36	20	18	25
Company-specific Needs	27	20	20	11	13	14
Business Spending						
Equipment or Software	-11	-26	-7	6	11	7
Business Services	-26	-21	-18	3	-2	13

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.