

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business Activity Expanded at Slower Pace in January; Expectations Increased Further

Overview

Our January survey suggests that business activity increased in the Carolinas during the month, but at a slower pace than in December. However, respondents' expectations for the near-term continued to rise. All three of the current conditions indexes remained positive, although the nation and region specific indexes dipped. Each of the three business activity expectations indexes moved further into positive territory.

The company specific general business index jumped in January. Accordingly, most of the current company conditions indexes showed improvement over the month as well. The sales/revenue and number of employees needed components climbed out of negative territory while the inventories and weekly wages segments increased but remained negative. Both the prices paid and prices received indexes increased materially in January and both were firmly positive. All of the company conditions expectations indexes increased from the prior month.

The general availability of labor and specific needs measures both decreased during January,

suggesting a little tightening in still-slack labor markets. The current business spending indexes remained negative in January but the services spending index showed some improvement. Both business spending expectations indexes moved higher and were solidly in positive territory.

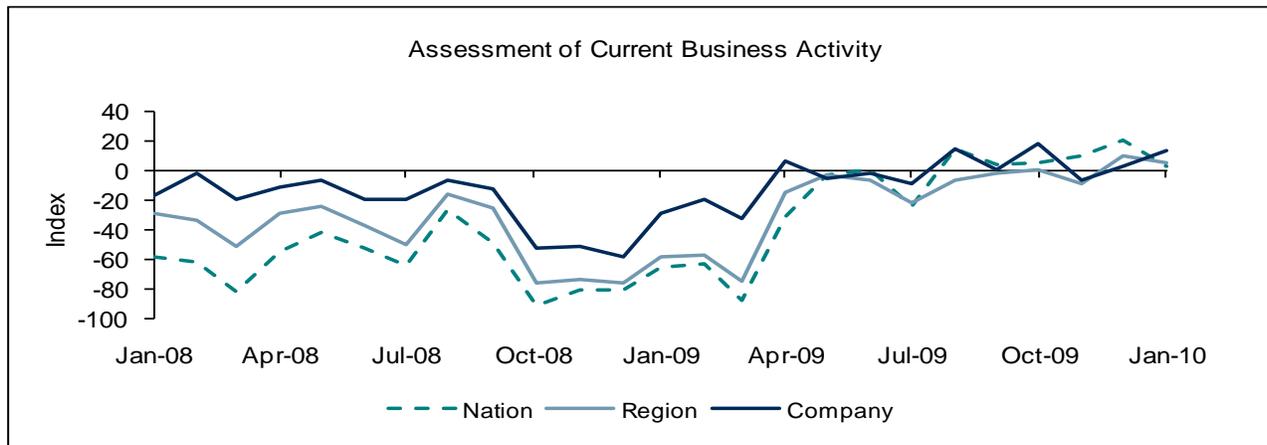
General Business Assessments

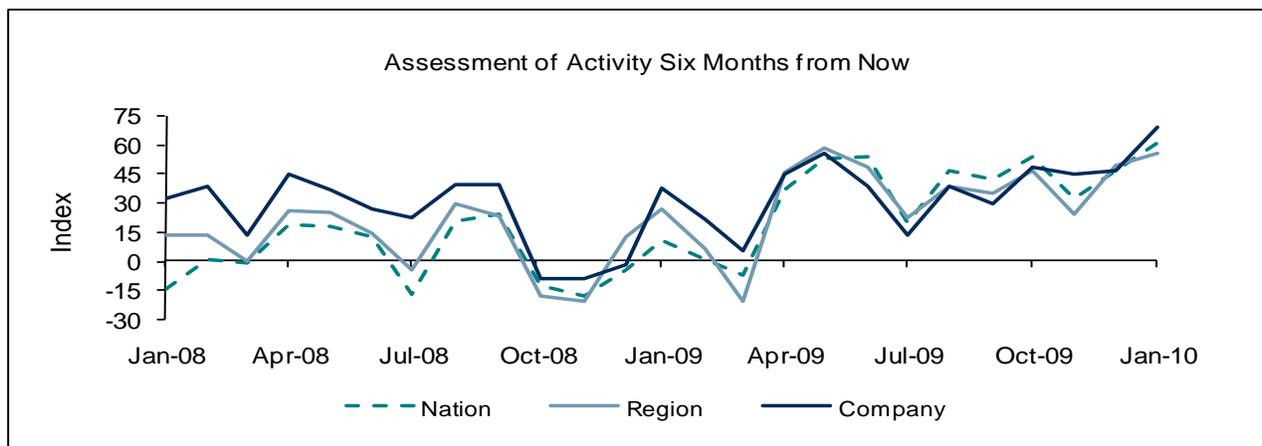
Respondents' perceptions of activity at the national and regional levels moderated in January even as many of them reported improvement in their companies' activity. Our company specific current conditions index jumped to 13 in January from 3 a month earlier; but the national index fell to 3 from 20 and the regional index to 5 from 10.

Each of the three general expectations indexes increased from December to January. The national index rose to 61 from 46 while the regional index increased to 55 from 49. The company specific expectations component gained 22 points to 68 in January.

Company Conditions

The company specific sales revenue/shipments index bounced up to 0 from -3 in December, its first non-negative reading in four months. It





appears that respondents were optimistic that demand will pick up in coming months as the revenue/shipments expectations index jumped to 60 during the month, a 26-point increase from December. The current inventory index regained some of the ground it lost in December as it rose to -15 from -19. Meanwhile, the inventories expectations index increased to 17 from 12.

The current demand for labor index increased to 0 from -5 in December, and the expectations for hiring in six months came in at 26, thus remaining in the narrow range established over the past three months. The current hours worked index decreased notably in January, which was somewhat surprising given the improvement in most other company specific indicators. The declining trend in hours is not expected to persist, however, as the expectations index rose to 33 in January from 24 a month earlier.

The current prices paid component increased to 21 from 3 in December, and the prices received index advanced to 13 from -5. The positive reading in prices received was its first in a year and a half. In addition, more respondents were expecting prices to move higher in the near term as the prices paid expectations index increased to 39 from 32 and the prices received expectations index jumped to 27 from 11.

Labor Market Conditions

The availability of labor indexes suggest that firms had little difficulty finding workers, although some tightening of labor markets is expected in the

near-future. The current general availability index decreased to 26 from 35 while the specific needs index fell to 13 from 27. The general availability expectations index fell to 8 from 20 and the specific needs index dropped to 0 from 11.

Business Spending

Weakness continued to characterize current business spending, but the expectations indexes point to improvement in the near future. The index for current business spending on equipment/software fell 5 points to -16 in January, while the services spending index increased to -18 from -26. The equipment/software spending expectations index increased to 17 from 6 in December while the business services spending expectations component increased to 9 in January from 3 the prior month.

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Business Activity Indexes						
General Business Assessment	Current Conditions			Expectations		
	Jan-10	Dec-09	Nov-09	Jan-10	Dec-09	Nov-09
Nation	3	20	9	61	46	31
County/Region	5	10	-9	55	49	24
Company	13	3	-8	68	46	44
Company Conditions						
Sales Revenue/Shipments	0	-3	-4	60	34	37
Inventories	-15	-19	-10	17	12	19
Number of Employees	0	-5	-8	26	25	27
Weekly Hours	-15	-5	-11	33	24	22
Average Wages/Employee Compensation	-5	-10	-8	26	18	8
Prices Paid	21	3	11	39	32	40
Prices Received	13	-5	-8	27	11	21
Labor Market Conditions						
General Availability of Labor	26	35	25	8	20	18
Company-specific Needs	13	27	20	0	11	13
Business Spending						
Equipment or Software	-16	-11	-26	17	6	11
Business Services	-18	-26	-21	9	3	-2

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.