

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

The Recovery Broadened in April; Respondents Expect Further Improvements

Overview

Reponses to our April Carolinas survey indicate that business activity firmed considerably during the month while expectations generally moved higher. In fact, each of the three general current conditions indexes reached series highs (dating back to January 2008). In addition, the general business expectations indexes were solidly in positive territory, indicating that respondents remain upbeat about future activity.

The company specific general business activity index rose to a new series high in April and most of the subcomponent indexes remained in expansion territory, even though each declined somewhat from March to April. Meanwhile, the indexes for business activity six months out showed that more firms were expecting activity to pick up. Importantly, the labor demand and inventories expectations indexes moved materially higher.

The general availability of labor indexes were mostly unchanged in April and continued to point to considerable slack in labor markets. However, respondents expect those markets to tighten in coming months. Like last month, the current

business spending indexes were mixed, despite the improvement in more general business conditions. The business spending expectations indexes remained in positive territory.

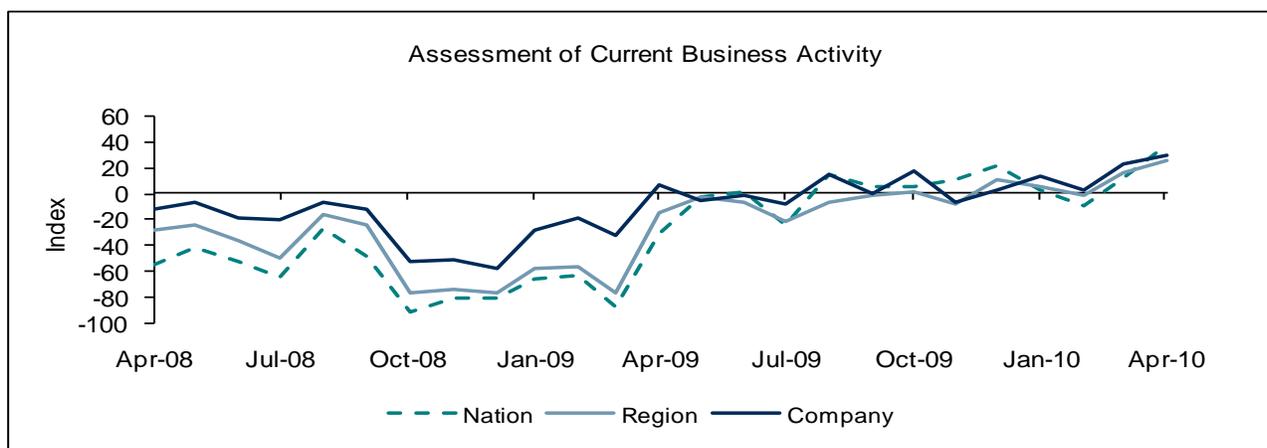
General Business Assessments

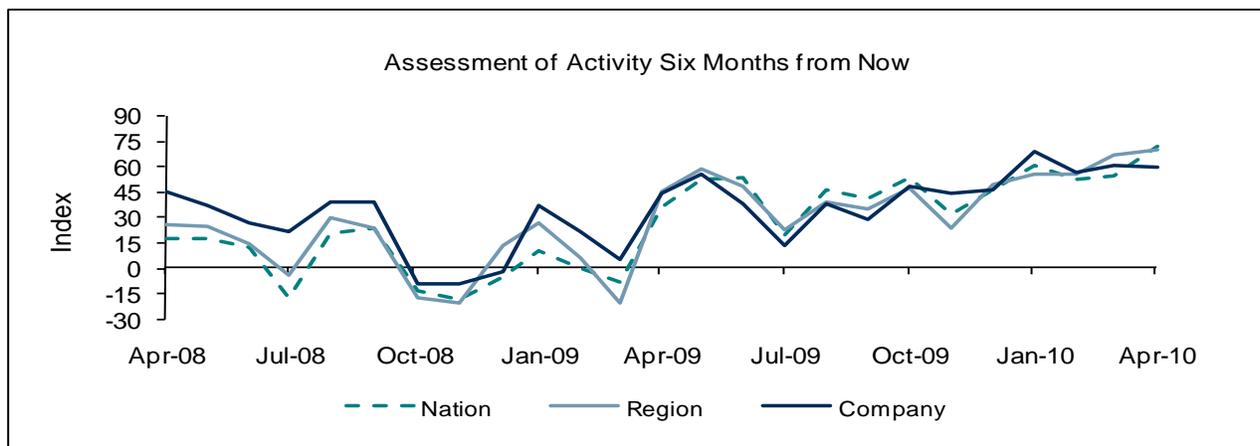
April's survey results indicate that sentiment among Carolina businesses continued to improve as more firms were participating in the recovery. It is important to note that our index is a diffusion index and addresses the breadth of the recovery more so than the magnitude. That said, each of the three current business conditions indexes rose to new series' records in April – the national index to 37 from 11; the regional index to 24 from 16; and the company specific index to 29 from 23.

Two of the three general expectations indexes (national and regional) also increased to new highs, while the company specific index remained near record-high levels. These results indicate that the majority of respondents expect business conditions to improve further in the next six months.

Company Conditions

The company specific current conditions index increased to 29 in April from 23 in March,





establishing a new high for the series. The individual subcomponent indexes generally remained in positive territory, even though most declined somewhat over the month. The sales revenue/shipments metric came in at 5 in April, suggesting that sales generally continued to increase during the month. However, the 26-point decline from March indicates revenues were growing at a slower pace. By contrast, firms grew more optimistic about the future as the sales revenue/shipments expectations measure increased to 54 in April from 51 in March.

The current labor demand index fell to 0 in April after registering a 5 in March. The decline suggests that firms were neither adding to nor subtracting from their payrolls in April. The hours worked index declined month over month (to 5 from 9) but continued to point to expansion. Despite the retrenchment in current labor demand indicators, the expectations indexes pointed to brighter employment prospects in coming months. The labor demand expectations metric came in at 45 (up from 35 in March) while the hours worked index registered a 25 (down slightly from March).

The pricing indexes suggest that profit margins remained under pressure. The current prices paid index declined to 28 in April from 33 in March. However, the gap between the prices paid and prices received indexes increased to 25 in April from 24 the prior month. The expectations indexes indicate that respondents expect little improvement in pricing conditions in coming months as the gap

between the expected prices paid and prices received indexes increased to 28 from 14.

Labor Market Conditions

The current availability of labor indexes were largely unchanged in April, indicating that firms had little difficulty finding workers. However, the expectations indexes continued to point to tighter labor markets in coming months.

Business Spending

As has been the case over the past couple of months, business spending measures were mixed in April. The current indexes were close to 0, suggesting little spending gains in the near term. However, the expectations index for business services spending increased to 25 in April from 13 in March. The expectations index for spending on equipment or software remained positive (at 6) but was down 11 points from March.

Contact

Rick Kaglic

Regional Economist
 Research Dept./Regional Economics
 Federal Reserve Bank of Richmond
 Charlotte Office
 Office 704-358-2116 · Fax 704-358-2300
richard.kaglic@rich.frb.org
www.richmondfed.org

Business Activity Indexes						
General Business Assessment	Current Conditions			Expectations		
	Apr-10	Mar-10	Feb-10	Apr-10	Mar-10	Feb-10
Nation	37	11	-10	72	55	53
County/Region	24	16	-2	69	66	55
Company	29	23	2	59	60	56
Company Conditions						
Sales Revenue/Shipments	5	31	-3	54	51	42
Inventories	-8	7	-4	28	7	20
Number of Employees	0	5	-9	45	35	25
Weekly Hours	5	9	0	25	28	13
Average Wages/Employee Compensation	7	9	0	35	30	28
Prices Paid	28	33	11	46	43	29
Prices Received	3	9	-2	18	29	15
Labor Market Conditions						
General Availability of Labor	21	19	21	0	2	13
Company-specific Needs	13	12	18	-6	-3	8
Business Spending						
Equipment or Software	5	0	3	6	17	16
Business Services	0	10	-13	25	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.