February 26, 2009

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business activity declines further in February, expectations remain positive

Overview

Overall business activity in the Carolinas declined again in February, as did respondents' evaluations of conditions at the national level. The assessment of activity at the company level, while still weak at -20, improved for the second month in a row and recorded the highest reading since September of last year. By contrast, expectations for future business activity weakened, though they remained positive at both the regional and company level.

Measures of company-level conditions were negative for the month, though a few recorded increases over the previous month. Among these was the index for sales revenue/shipments, which increased 12 points over the previous month.

Respondents reported further weakening of labor markets in the region, with indices for both current conditions and expectations setting new lows in February. Business spending conditions remained weak as well, with current and expected spending lower for the month.

General Business Assessments

Measures of current business activity remained deeply negative in February, though the index for company-level activity rose nine points to -20. The gain follows a 30 point increase in the index in January. The indices for regional and national business activity were little changed from the previous month, however.

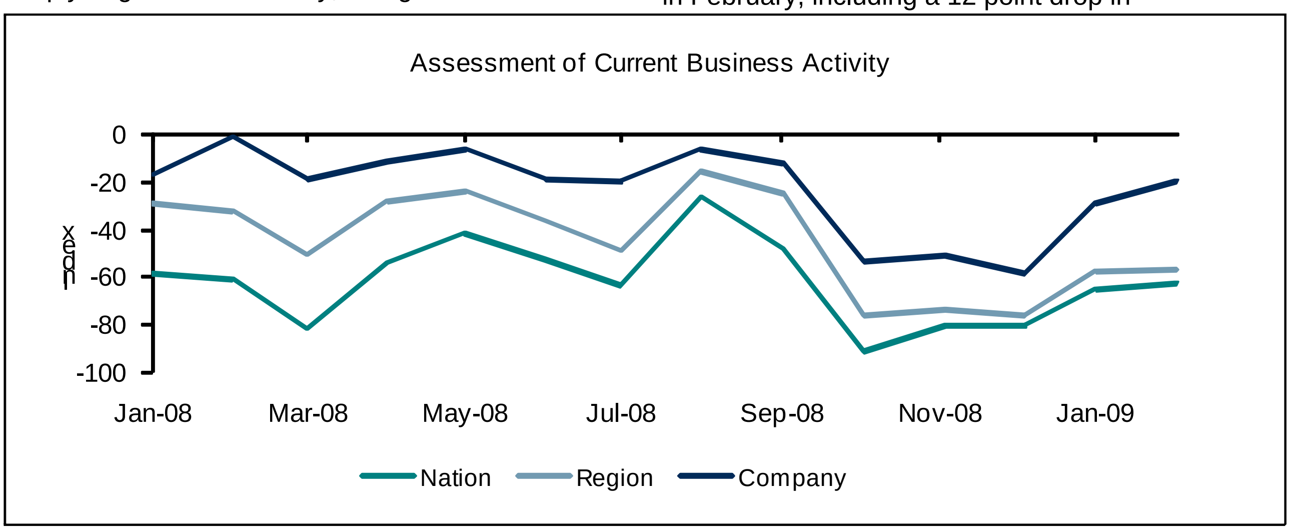
Expectations for future activity weakened in February, including a 16 point drop in expectations for company-level activity to 21. Expectations for the national economy also declined, falling 11 points to 0.

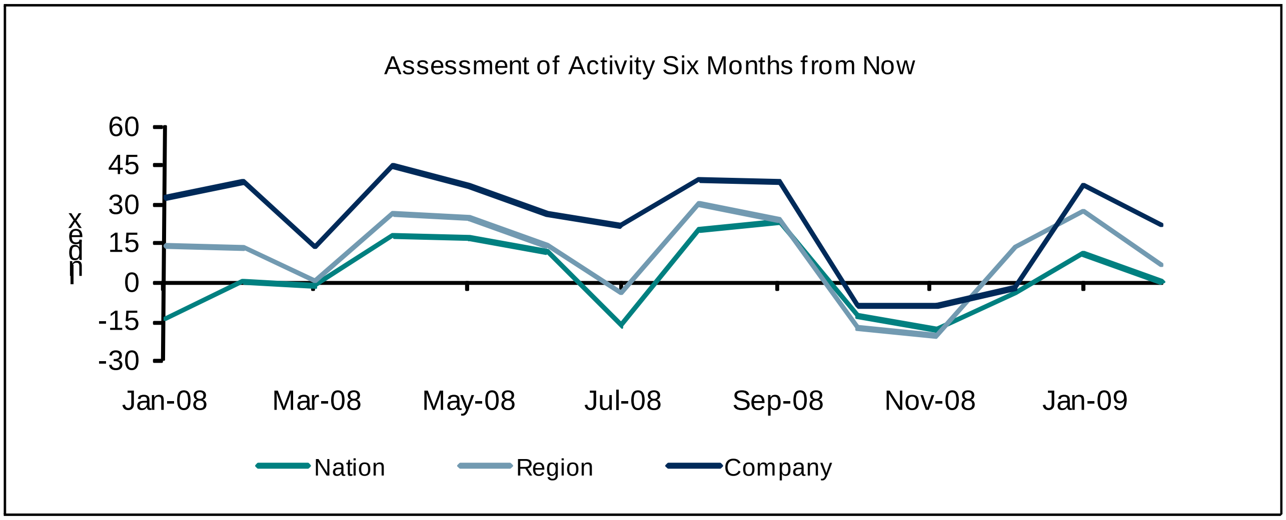
Company Conditions

Measures of company conditions remained negative in February. The index for sales revenue/shipments rose 12 points to-34 and has gained 27 points over the past two months. Expectations for future sales revenue retreated 14 points to 15, however.

Measures of labor use were broadly weaker for the month. The index for the number of employees fell 3 points to -36, while the average wages index lost 7 points to -21. By contrast, the number of hours worked increased 16 points to -24.

Expectations for future labor needs also weakened in February, including a 12 point drop in





expectations of the number of employees to -9. The index for expected wages fell 17 points to 0.

Indices for both current prices paid and prices received remained negative in February and were little changed from January values. Expectations for prices received weakened, however, with the index falling 17 points to -14.

Labor Market Conditions

Both current and expected measures of labor market conditions rose in February, indicating increased slack in regional labor markets. The index for the general availability of labor rose 7 points to 62. The availability of labor to meet company-specific needs rose 6 points to 45. Both measures set new highs for the third month in a row.

Measures of expected labor availability mirrored current trends. The index for expected labor availability jumped 14 points to 58, while the indeed for expected labor meeting company needs increased 10 points to 44. In both cases, the monthly gains were larger than declines the previous month.

Business spending

Indices for current business spending remained deep in negative territory despite monthly gains. Current spending on equipment and software rose 7 points to -38, while business services rose 6 points to -43.

Expectations for future business spending weakened considerably in February after showing some gains in January. Expected spending on equipment and software fell 30 points to -39, which was nearly matched by a 23 point decline in expected spending on business services to -30.

Contact

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Business Activity Index

	Current Conditions			Expectations		
General business assessment	**Dec-08**	**Jan-09**	**Feb-09**	**Dec-08**	**Jan-09**	**Feb-09**
Nation	-81	-66	-63	-5	11	0
County/Region	-76	-59	-57	13	26	6
Company	-59	-29	-20	-3	37	21
Company conditions						
Sales revenue/Shipments	-61	-46	-34	-3	29	15
Inventories	-19	-7	-17	-30	-4	-14
Number of employees	-37	-33	-36	-19	3	-9
Weekly hours	-38	-40	-24	-24	0	13
Average wages/employee compensation	-20	-13	-21	11	17	0
Prices paid	-17	-9	-6	-37	13	13
Prices received	-43	-18	-21	-15	14	-3
Labor market conditions						
General availability of labor	53	55	62	55	44	58
Company-specific needs	36	39	45	38	34	44
Business spending						
Equipment or software	-34	-45	-38	-15	-9	-39
Business Services	-45	-49	-43	-28	-9	-30

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.