

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Overall business activity mixed in May as expectations strengthen

Overview

Overall business activity in the Carolinas was mixed in May. Activity at county/regional levels continued to contract at a noticeably diminished pace, as did respondents' evaluations of conditions at the national level. The assessment of activity at the company level, however, declined to -6, following the survey's first positive reading of 6 in April. By contrast, expectations for future business activity moved further into positive territory for the national, regional and company levels.

Overall, company-level conditions changed little in May. However, one indicator—the index for sales revenue/shipments—returned to negative territory, losing nine points since April.

Respondents reported further tightening of labor markets in the region, with indexes for both current conditions and expectations considerably lower in May. The company-specific needs indicator was also lower than in April. Survey respondents expected labor markets to continue to firm during the next six months. Moreover, the measure for current business spending and expectations for future spending continued to contract at a slower

pace.

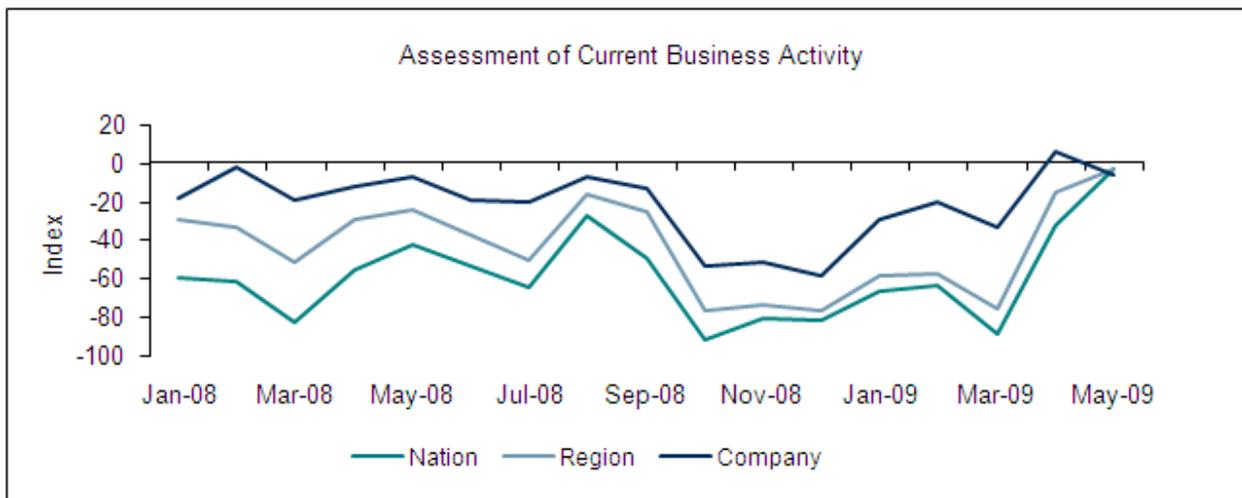
General Business Assessments

Measures of current business activity at the national and regional levels declined at a diminished rate in May, and the index for company-level activity returned to negative territory. Company-level activity lost 12 points to -6, following a 39-point increase in April. In contrast, the indexes for regional and national business activity picked up 12 and 29 points, respectively. Both ended the month at -3.

Expectations for future activity continued to strengthen in May, including an 11-point gain in expectations for company-level activity to 55 from 44. Expectations for both the regional and national economy increased further, adding 13 and 16 points, to end at 58 and 52, respectively.

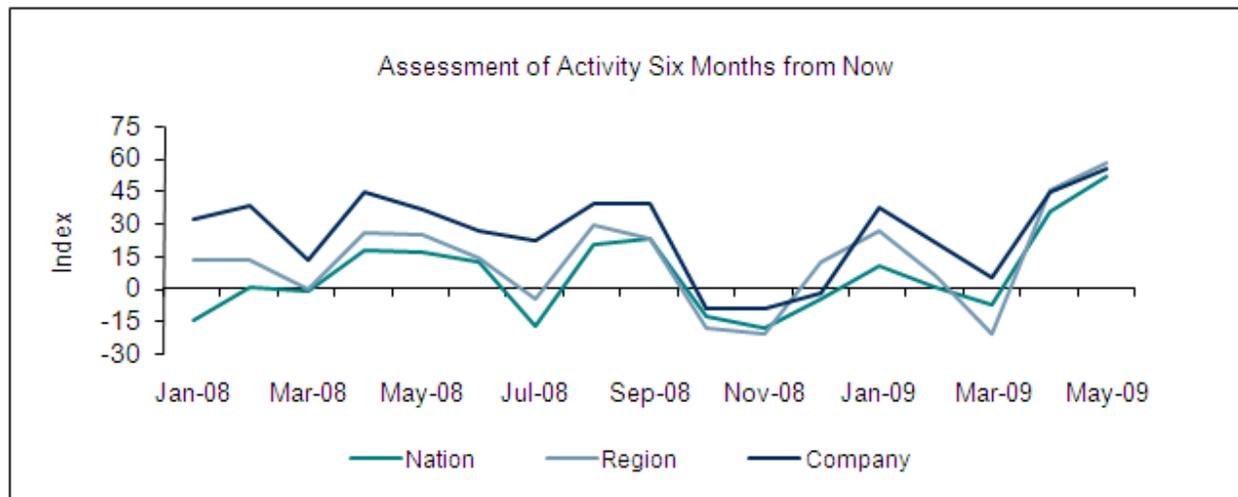
Company Conditions

Most indicators of company conditions changed little in May, although one measure returned to negative territory. The index for sales revenue/shipments retreated nine points to -3. Expectations for future sales revenue, however, gained 28 points to 59.



Regional Surveys of Business Activity

Carolinas Survey of Business Activity



Gauges of labor use also reflected little change for the month. The index for the number of employees moved up five points to -17 and the average wages index advanced three points to -7. By contrast, the index for the number of hours worked eased two points to -17.

Expectations for future labor needs firmed in May as all measures strengthened further. The expected employment index climbed 11 points to 14, and the average workweek indicator moved up 9 points to 25. The index for expected wages, however, edged down three points to 7.

The index for current prices paid picked up 10 points to 0 in May, while the current prices received indicator inched down five points to -17. Expectations for prices paid added 10 points to 13, while expectations for prices received weakened, with the index falling six points to 0.

Labor Market Conditions

Both current and expected measures of labor market conditions tightened in May, with the index labor availability declining 13 points to 50. The index for availability of labor to meet company specific needs fell 11 points to 37.

Survey respondents expected labor markets to firm during the next six months. The index for expected general availability of labor shed 22 points from last month's expectations, settling at 22. Respondents also anticipated a tighter labor

pool at the company level, pulling that indicator 16 points lower, to 19 in May.

Business spending

Measures of business spending declined at a slower pace in May. The contraction of spending on equipment and software abated this month, with the index settling at -13, a notable improvement from last month's -29. Business services expenditures also contracted at a less pronounced rate with that index advancing 19 points to -11.

Expectations for future business spending were mixed in May. Expected spending on equipment and software edged up three points to -4, while expected spending on business services turned positive, gaining 12 points to 4.

Contact

Judy Cox

Senior Economic Analyst
Regional Economics Department
Federal Reserve Bank of Richmond
Ph: 804-697-8152 · Fax: 804-697-8123
judy.cox@rich.frb.org
www.richmondfed.org



Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business Activity Index						
	Current Conditions			Expectations		
	Mar-09	Apr-09	May-09	Mar-09	Apr-09	May-09
General business assessment						
Nation	-88	-32	-3	-8	36	52
County/Region	-76	-15	-3	-21	45	58
Company	-33	6	-6	5	44	55
Company conditions						
Sales revenue/Shipments	-47	6	-3	0	31	59
Inventories	-4	-29	-32	-24	-4	-10
Number of employees	-32	-22	-17	-11	3	14
Weekly hours	-28	-15	-17	-6	16	25
Average wages/employee compensation	-21	-10	-7	-3	10	7
Prices paid	-29	-10	0	-10	3	13
Prices received	-32	-12	-17	-22	6	0
Labor market conditions						
General availability of labor	61	63	50	49	44	22
Company-specific needs	55	48	37	37	35	19
Business spending						
Equipment or software	-41	-29	-13	-26	-7	-4
Business Services	-57	-30	-11	-30	-8	4

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.