Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Overall business activity varied in June; optimism generally lower

Overview

Overall business activity in the Carolinas remained mixed in June. Activity at the company level, although still negative, inched higher, while activity at the county/regional level inched lower. The assessment of activity at the national level, however, stabilized, picking up three points to 0. Moreover, expectations for future business activity at the national, regional, and company level remained positive, though optimism waned a bit at both the regional and company levels.

Overall, company-level conditions changed little in June, although one indicator — the index for prices paid — returned to positive territory, gaining three points since May. By contrast, the measure for inventories contracted at a slower pace, while the prices received index contracted at a quicker rate.

Respondents reported little change in the weakness of labor markets in the region when compared to last month's report. The company-specific needs indicator grew on par with May. Survey respondents expected labor markets to tighten during the next six months. In addition, the measure for current business spending and expectations for future spending contracted at a quicker pace.

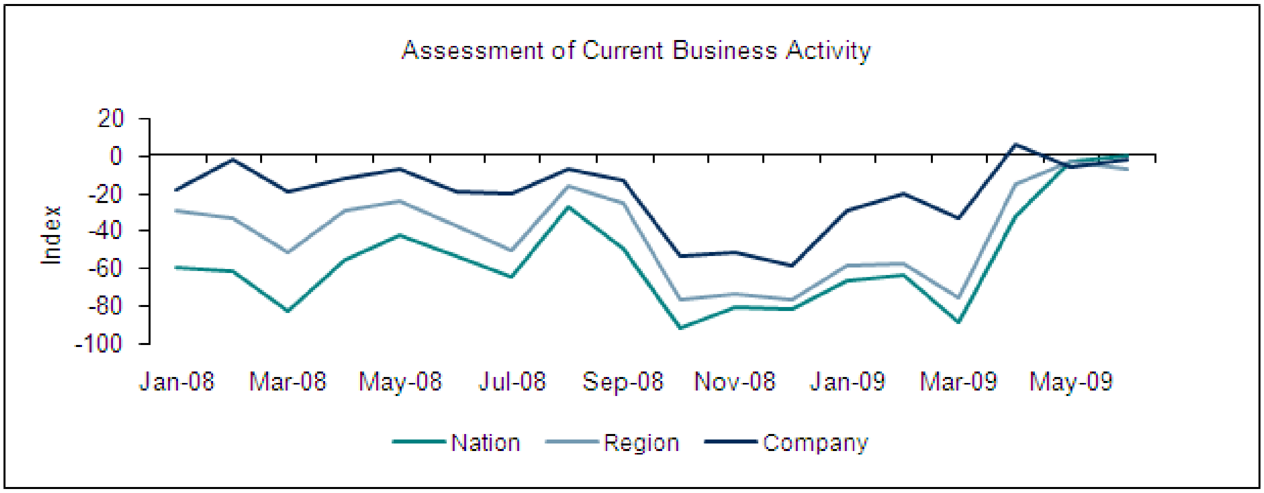
General Business Assessments

Measures of current business activity at the company level continued to decline at a diminished rate in June, while national-level activity stabilized. In contrast, the index for regional-level activity lost four points to -7, following a 12-point increase in May. The indexes for regional and national business activity were little changed from the previous month, however.

The outlook for future activity varied in June. Expectations for national-level activity were virtually unchanged since May, at 53. By contrast, expectations for both the regional- and company-level activity fell, losing 10 and 17 points, to end at 48 and 38, respectively.

Company Conditions

Most indicators of company conditions changed little in June, although one measure returned to positive territory. The index for prices paid rose three points to 3. Expectations for future prices paid increased 30 points to 43.



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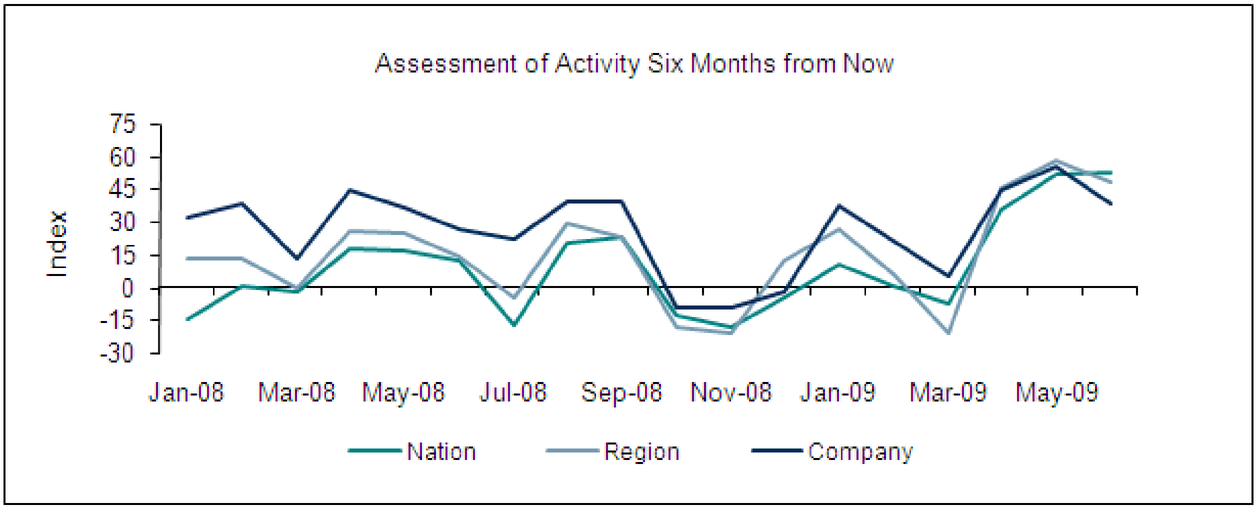

Gauges of labor use also reflected little change for the month. The index for the number of employees was almost unchanged at -18, while the number of hours worked increased four points to -13. Furthermore, the average wages index lost three points to -10.

Expectations for future labor needs declined in June. The expected employment index dropped nineteen points to -5, and the average workweek indicator moved down 22 points to 3. The index for expected wages, however, gained seven points to 14.

The index for current prices paid advanced three points to 3 in June, while the current prices received indicator retreated 13 points to -30. Expectations for prices paid jumped 30 points to 43 over the month, although expected prices received declined, falling three points to -3.

Labor Market Conditions

Current measures of labor market conditions displayed little or no change in June. The index for general labor availability held steady at 50, while the index measuring the availability of labor to meet company-specific needs edged up two points to 39.

Survey respondents expected labor markets to loosen during the next six months. The expectations index for general labor availability jumped 15 points to end at 37. Respondents also anticipated a weaker labor market (but stronger labor pool) for their company-specific labor needs than they expected in May, moving that indicator 18 points higher, to 37.

Business spending

Measures for current business spending declined at a faster pace in June. The contraction of spending on equipment and software sped up this month, with the index finishing at -23 — a 10-point drop from last month's -13. Business services expenditures also contracted more quickly, with that index losing 19 points to -30.

Expectations for future business spending softened considerably in June. The index for expected spending on equipment and software fell nine points to -13, and the expected spending on the business services measure returned to negative territory, dropping 30 points to -26.

Contact

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Business Activity Index

	Current Conditions			Expectations		
General business assessment	**Apr-09**	**May-09**	**Jun-09**	**Apr-09**	**May-09**	**Jun-09**
Nation	-32	-3	0	36	52	53
County/Region	-15	-3	-7	45	58	48
Company	6	-6	-2	44	55	38
Company conditions						
Sales revenue/Shipments	6	-3	-3	31	59	32
Inventories	-29	-32	-17	-4	-10	-7
Number of employees	-22	-17	-18	3	14	-5
Weekly hours	-15	-17	-13	16	25	3
Average wages/employee compensation	-10	-7	-10	10	7	14
Prices paid	-10	0	3	3	13	43
Prices received	-12	-17	-30	6	0	-3
Labor market conditions						
General availability of labor	63	50	50	44	22	37
Company-specific needs	48	37	39	35	19	37
Business spending						
Equipment or software	-29	-13	-23	-7	-4	-13
Business Services	-30	-11	-30	-8	4	-26

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.