

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business Activity Stagnated in February; Expectations Remained High

Overview

Responses to our February Carolinas survey suggest that company specific activity continued to increase even as respondents' perceptions of broader economic conditions deteriorated. Each of the three current activity indexes declined over the month, although the company specific index remained positive. The general expectations indexes were solidly in positive territory as firms remained optimistic that conditions will improve in coming months.

Reflecting the nature of respondents' general business sentiments, the current company conditions indexes were mixed as well. The sales/revenue and number of employees indexes turned down in February but weekly hours and employee compensation moved higher. Inventories contracted at a slower pace. Both the prices paid and prices received indexes declined, although the prices paid index was still positive. Changes in the company specific expectations indexes varied but, on balance, were down.

The general availability of labor indexes indicated that considerable slack persisted in labor markets during February, and respondents expected only

modest tightening six months from now. Interestingly, both current business spending indexes increased, although the business services component remained negative. Meanwhile, business spending expectations indexes were positive and little changed.

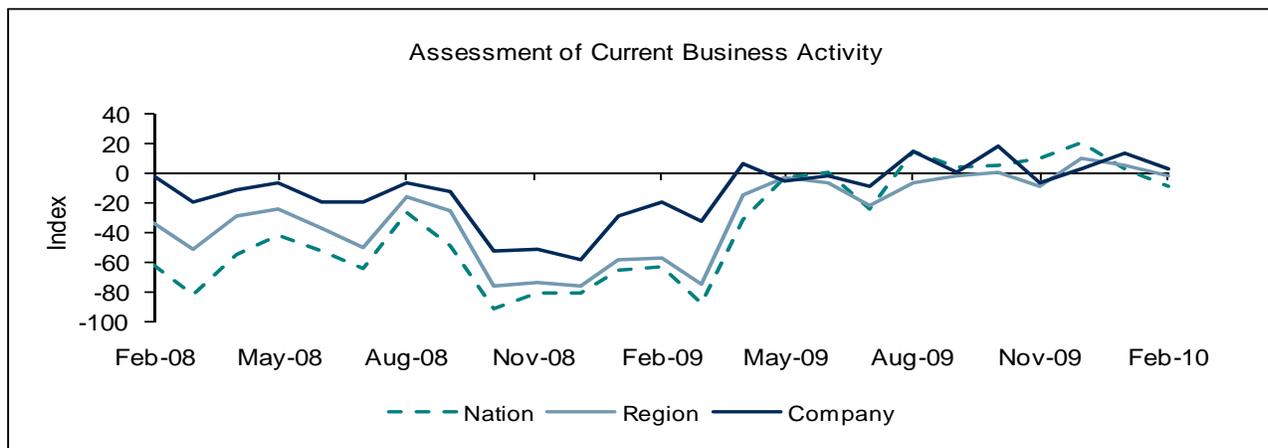
General Business Assessments

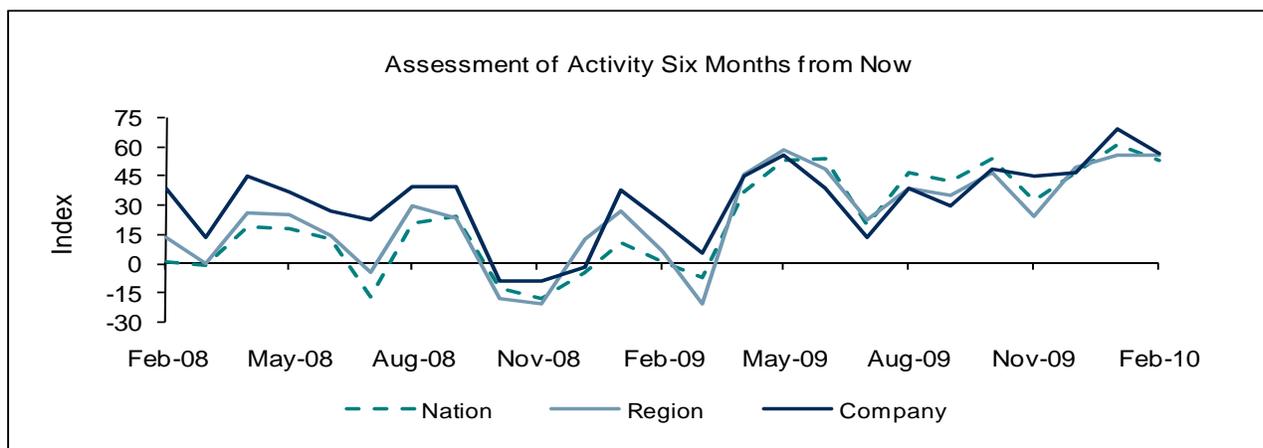
Respondents' perceptions of activity at the national and regional levels deteriorated in February even as many of them reported that their companies' current activity continued to improve, albeit at a slower pace. Our company specific current conditions index declined to 2 in February from 13 a month earlier; but the national index fell to -10 from 3 and the regional index to -2 from 5.

On balance, the general expectations indexes weakened from January to February. The national index fell to 53 from 61 and the company specific index declined to 56 from 68. The county/region specific expectations component was unchanged at 55 in February.

Company Conditions

Current company specific indexes were mixed in February. The sales revenues/shipments index fell





back into negative territory (-3) after climbing up to 0 in January. While most respondents were confident that sales will pick up over the next six months, their optimism was more tempered as the expectations index dropped to 42 from 60. Firms continued to work down inventories in February but did so at a slower pace – the current inventories index improved to -4 from -15. The inventories expectations index remained on an upward trend, rising to 20 from 17.

The current demand for labor index fell to -9 in February from 0 in January. However, respondents' expectations for labor demand six months from now were solidly positive and mostly unchanged. By contrast, the hours worked index jumped up to 0 from -15 a month earlier but the expectations index declined to 13 from 33 in January. Employee compensation was unchanged in February but firms do expect compensation to increase over the next six months. The average wages expectations index increased to 28 from 26 during the month.

Both the current prices paid and prices received indexes declined over the month. The prices paid component fell to 11 in February from 21 a month earlier, as the prices received index dipped to -2 from 13. The pricing expectations indexes saw similar declines – the expectations for prices paid index declined to 29 in February from 39 in January, while the expectations for prices received decreased to 15 from 27.

Labor Market Conditions

Changes in the labor market conditions indexes were mixed but did not materially alter the landscape – there is considerable slack in labor markets and it is expected to persist for the foreseeable future. The current general availability index eased down to 21 in February from 26 in January while the company specific needs metric increased to 18 from 13. Meanwhile, both of the comparable expectations indexes increased.

Business Spending

Indexes reflecting business spending and business spending plans improved in February but generally remained weak. The current equipment/software index increased to 3 in February from -16 in January, while the current services spending index increased to -13 from -18 over the month. The business spending expectations indexes were little changed in February, with both metrics suggesting that firms plan to boost capital outlays in the coming six months.

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Business Activity Indexes						
General Business Assessment	Current Conditions			Expectations		
	Feb-10	Jan-10	Dec-09	Feb-10	Jan-10	Dec-09
Nation	-10	3	20	53	61	46
County/Region	-2	5	10	55	55	49
Company	2	13	3	56	68	46
Company Conditions						
Sales Revenue/Shipments	-3	0	-3	42	60	34
Inventories	-4	-15	-19	20	17	12
Number of Employees	-9	0	-5	25	26	25
Weekly Hours	0	-15	-5	13	33	24
Average Wages/Employee Compensation	0	-5	-10	28	26	18
Prices Paid	11	21	3	29	39	32
Prices Received	-2	13	-5	15	27	11
Labor Market Conditions						
General Availability of Labor	21	26	35	13	8	20
Company-specific Needs	18	13	27	8	0	11
Business Spending						
Equipment or Software	3	-16	-11	16	17	6
Business Services	-13	-18	-26	8	9	3

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.