

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Business Activity Rebounded in March; Expectations Moved Higher

Overview

Survey respondents indicated that business activity rebounded in March and their expectations for activity six months ahead firmed. The results suggest that current business conditions improved on the national, regional, and company specific levels and the gains were significant in each. The expectations indexes, which had been holding at high levels, increased moderately from February to March.

The current company specific activity index jumped to its highest reading in the history of the series (dating back to January 2008) led by a big increase in the sales/revenue shipments component. Each of the other six current company specific components increased from February to March as well. The company specific sales revenue/shipments expectations index rose during the month, as did most of the other expectations components. The inventories expectation index was the only metric that declined.

The general availability of labor indexes edged down in March, although they continue to suggest

slack in labor markets. Respondents expectations for the availability of labor moved considerably lower. Despite the sizeable improvement in general current business conditions, the current business spending indexes were mixed while the expectations indexes firmed somewhat.

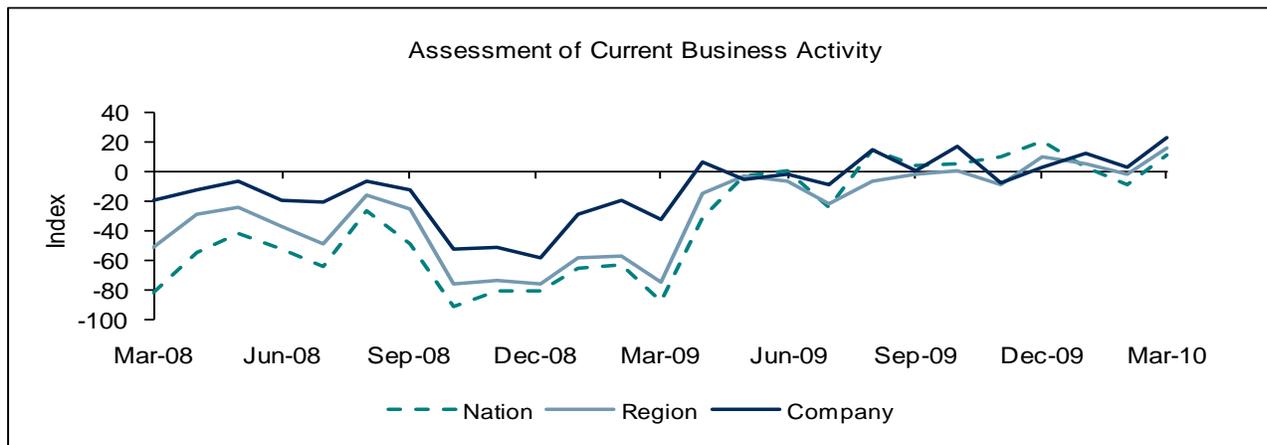
General Business Assessments

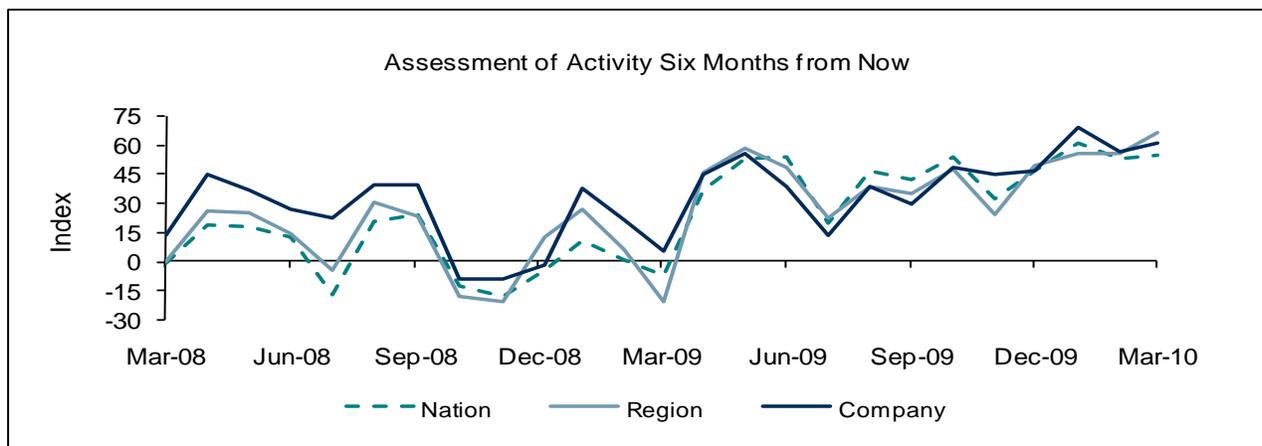
Responses to our March survey showed a fairly sharp reversal of current business perceptions compared to February's general decline. The national index jumped to 11 from -10 the prior month and the regional metric rose to 16 from -2. The company specific current index jumped to 23 in March from 2 in February, rising to the series' highest reading (dating back to January 2008).

Each of the three general business expectations measures increased during March. With the expectations indexes solidly in expansion territory, it appears that firms expect their own conditions to improve markedly in coming months along with a more general upturn in economic activity.

Company Conditions

The current company specific indexes saw nearly





universal improvement during the month. The sales revenue/shipments index swung to 31 in March from -3 in February while the comparable expectations index rose to 51 from 42. The current inventories index increased to 7 from -4, suggesting that firms added to their inventories for the first time in more than a year and a half. The inventories expectations index actually declined from February to March, but remained in positive territory (7). If sustained, such readings could indicate that businesses are starting to rebuild inventories in expectation of stronger demand ahead.

In a welcome development, the labor demand indexes improved considerably in March. The current labor demand index (number of employees) jumped to 5 from -9 in February while the weekly hours worked index increased to 9 from 0. Even the current wages compensation index moved higher, to 9 in March from 0 a month earlier. Each of the comparable expectations indexes increased as well. Here again, if sustained, these indexes would suggest that hiring could pick up soon in the Carolinas as firms bolster their payrolls to accommodate stronger demand.

With regards to pricing, the current prices paid metric increased to 33 in March from 11 in February. The prices received index rose to 9 from -2 during the month suggesting that at least some firms were able to offset a part of the increase in input costs. Meanwhile, the pricing expectations indexes revealed that respondents are expecting both input and output prices to increase over the next six months.

Labor Market Conditions

There were only minor changes in the current availability of labor indexes in March. The general availability index edged down to 19 from 21 and the company specific needs measure fell to 12 from 18 in February. The comparable indexes reflecting expectations declined to 2 from 13 and to -3 from 8, respectively. This would suggest that firms expect labor markets to tighten noticeably in coming months.

Business Spending

The general improvement in current business conditions was accompanied by an increase in the current business services spending metric as it rose to 10 from -13. The current business equipment spending index was down slightly. Firms still appear to be reserved about business spending plans in the next six months as the business services expectations index increased to 13 from 8 while the business equipment/software index inched up to 17 from 16.

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 | | |
| | Mar-10 | Feb-10 | Jan-10 | Mar-10 | Feb-10 | Jan-10 |
| Nation | 11 | -10 | 3 | 55 | 53 | 61 |
| County/Region | 16 | -2 | 5 | 66 | 55 | 55 |
| Company | 23 | 2 | 13 | 60 | 56 | 68 |
| Company Conditions | | | | | | |
| Sales Revenue/Shipments | 31 | -3 | 0 | 51 | 42 | 60 |
| Inventories | 7 | -4 | -15 | 7 | 20 | 17 |
| Number of Employees | 5 | -9 | 0 | 35 | 25 | 26 |
| Weekly Hours | 9 | 0 | -15 | 28 | 13 | 33 |
| Average Wages/Employee Compensation | 9 | 0 | -5 | 30 | 28 | 26 |
| Prices Paid | 33 | 11 | 21 | 43 | 29 | 39 |
| Prices Received | 9 | -2 | 13 | 29 | 15 | 27 |
| Labor Market Conditions | | | | | | |
| General Availability of Labor | 19 | 21 | 26 | 2 | 13 | 8 |
| Company-specific Needs | 12 | 18 | 13 | -3 | 8 | 0 |
| Business Spending | | | | | | |
| Equipment or Software | 0 | 3 | -16 | 17 | 16 | 17 |
| Business Services | 10 | -13 | -18 | 13 | 8 | 9 |

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.