

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*Business Activity Rose at Slower Pace in June; Respondents Remain Upbeat for the Future*

### Overview

Business activity continued to increase in June, according to results from our Carolinas Survey of Business Activity, but it appeared to do so at a slower pace. Each of the three current conditions indexes declined in June although each remained solidly above 0. An index reading greater than 0 means that more respondents reported an increase in activity than those that reported a decrease. Each of the three general expectations indexes declined as well.

The decline in the company specific current conditions index followed the series' highest reading in its history (dating back to January 2008). Not surprisingly, the retreat was evident in most of the company specific sub indexes as well, even though most remained in positive territory. The company specific expectations index remained firmly in positive territory in June even as it fell modestly from May.

With the recovery in the Carolinas apparently on track, the current availability of labor indexes decreased further in June. However, respondents were less convinced that labor markets would tighten much further in six months. The current business spending indexes declined in June with

the services index falling into negative territory. The spending expectations indexes were both positive.

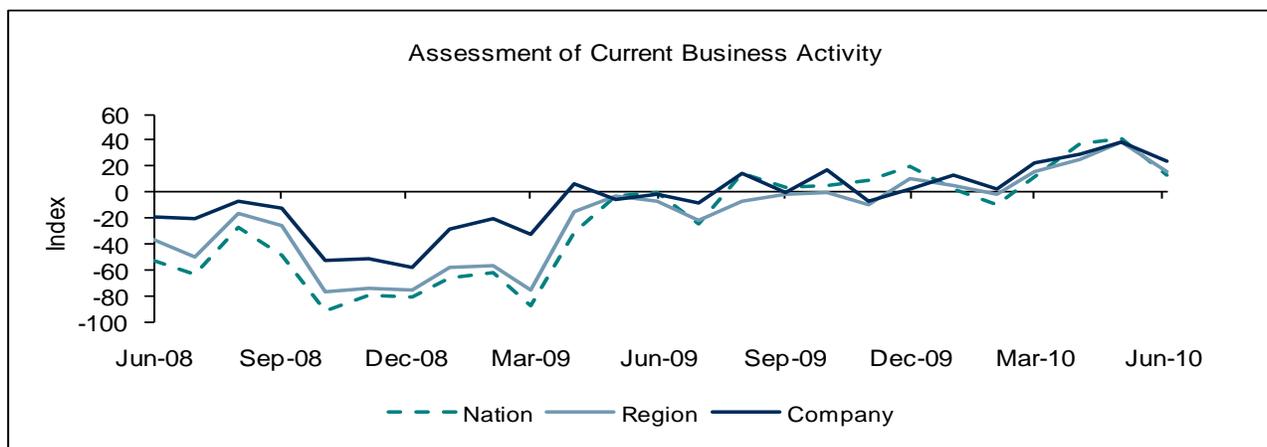
### General Business Assessments

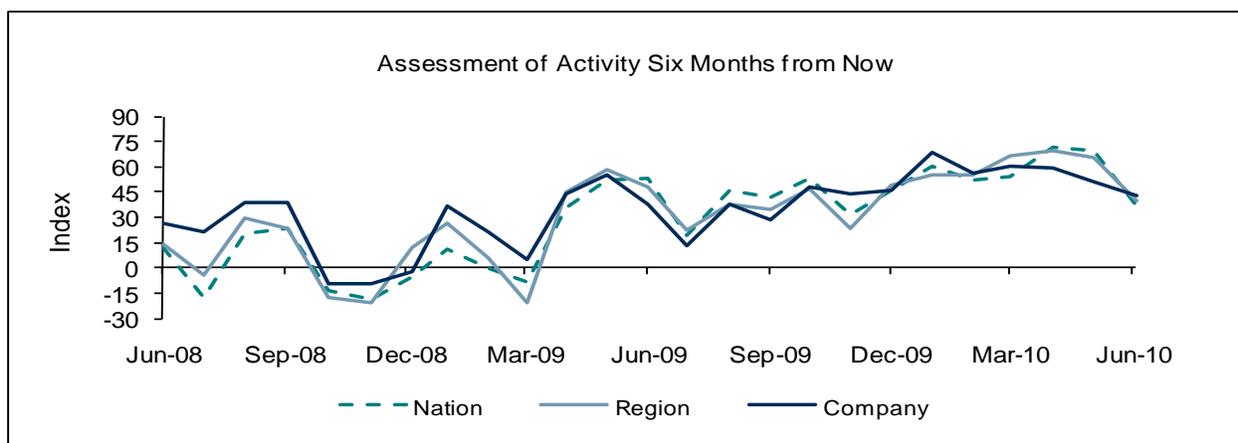
Responses to our Carolinas survey indicate that business activity continued to pick up in June, but the pace of improvement slowed. The national current conditions index dropped to 13 in June from 41 in May and the region specific and company specific indexes declined to 15 and 23, respectively; both were 39 in May. While the declines are sizable, they come on the heels of series high readings in May.

Each of the three general expectations indexes fell further in June as well, but here again, remained solidly positive. The national index fell the furthest in June, to 37 from 70 in May. Meanwhile, the region specific expectations index decreased to 39 from 65 and the company specific expectations index fell to 43 from 51.

### Company Conditions

The company specific current conditions index remained robust even as it declined to 23 in June from a record high reading of 39 in May. The current sales revenue/shipments index was 17 in June, indicating that a preponderance of respondents





reported increases, but it was down 13 points from May. The sales revenue/shipments expectations index showed a similar trend as it declined to 34 from 45. While the declines in the indexes show that respondents are less exuberant than they were in May, on balance more firms are seeing increases in revenues/shipments and expect further increases in the next six months.

The current demand for labor index was 5 in June. While this represents a seven-point decline from May, it still points to increased hiring among respondent firms. The current weekly hours worked index showed a similar pattern – it declined somewhat from May to June but was still positive. The comparable labor demand expectations indexes remained positive as well. It appears that rising revenues have encouraged firms to add more employees and to work existing employees more hours, with expectations for more of the same in the coming six months.

The current prices paid index remained positive, indicating that input prices continued to rise in June. However, the index declined to 18 from 42 in May. Meanwhile, the current prices received index increased to 11 in June from 2 a month earlier. The narrowing in the gap between the prices paid and prices received indexes (to 7 from 40) suggests that firms are getting welcomed relief from the considerable margin pressures that were evident in May. The comparable prices paid and prices received indexes both fell in June although the gap between the two was relatively unchanged.

### Labor Market Conditions

In a sign that labor supply tightened further in June, both current labor availability indexes decreased in June. The general availability index fell to 5 from 9 while the company specific needs index moved to -3 from 0. Expectations for labor availability six months out were mixed – the general availability expectations index was positive while the company specific index was negative. Both decreased in June.

### Business Spending

Both current business spending indexes decreased in June, although the equipment/software index remained positive. The current services spending index fell into negative territory for the first time since February. The equipment/software spending expectations index dipped nine points in June (to 11) while the services spending expectations index fell to 3 from 22 in May.

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<b>Business Activity Indexes</b>						
<b>General Business Assessment</b>	<b>Current Conditions</b>			<b>Expectations</b>		
	<b>Jun-10</b>	<b>May-10</b>	<b>Apr-10</b>	<b>Jun-10</b>	<b>May-10</b>	<b>Apr-10</b>
Nation	13	41	37	37	70	72
County/Region	15	39	24	39	65	69
Company	23	39	29	43	51	59
<b>Company Conditions</b>						
Sales Revenue/Shipments	17	30	5	34	45	54
Inventories	-8	-16	-8	-8	-10	28
Number of Employees	5	12	0	27	40	45
Weekly Hours	8	18	5	11	21	25
Average Wages/Employee Compensation	-3	7	7	22	37	35
Prices Paid	18	42	28	39	51	46
Prices Received	11	2	3	18	29	18
<b>Labor Market Conditions</b>						
General Availability of Labor	5	9	21	3	-10	0
Company-specific Needs	-3	0	13	-3	-18	-6
<b>Business Spending</b>						
Equipment or Software	3	12	5	11	20	6
Business Services	-6	8	0	3	22	25

**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.