

# Regional Surveys of Business Activity

## Carolinas Survey of Business Activity

*Carolinas Business Activity Down Further in September; Expectations Continued to Moderate*

### Overview

Responses to September's Carolinas Business Activity survey suggest that the regional economy slowed further during the month. The headline index – company specific current conditions – moved deeper into negative territory, suggesting that more firms reported a decrease in activity than those that reported an increase. Participants' perceptions of regional and national economic conditions weakened as well. While firms continued to suggest that they expect their business to pick up in coming months, there were fewer that held that view in September than in August. Meanwhile, expectations for regional and national economic activity improved a bit.

As was the case in August, the company specific current conditions subcomponents were decidedly mixed in September. The expectations components were mostly lower. Importantly, the measures of labor demand (number of employees and weekly hours) slipped in September.

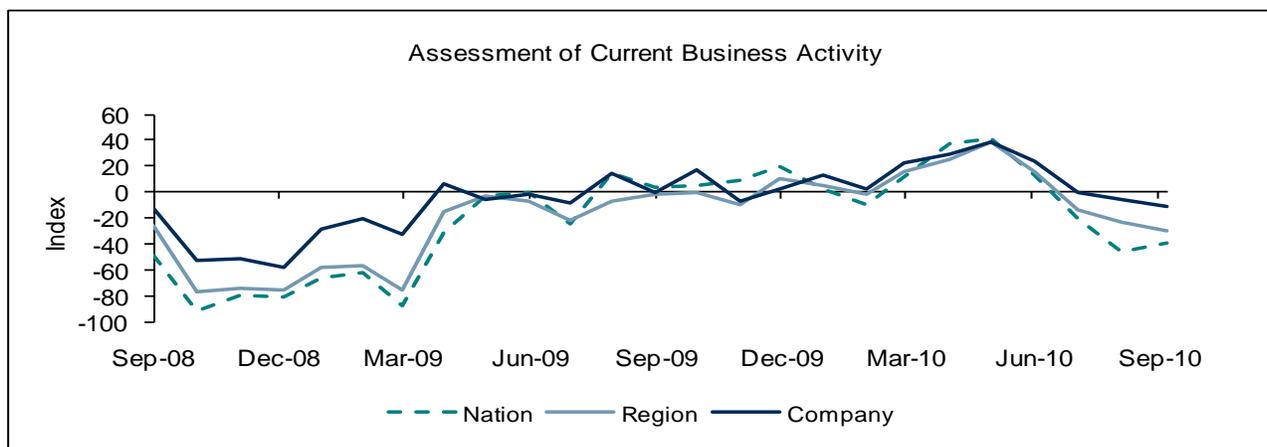
Survey responses indicate that company specific labor was more difficult to find over the past month, although the general availability index was largely unchanged. Moreover, the comparable expectations indexes both moved lower. Current

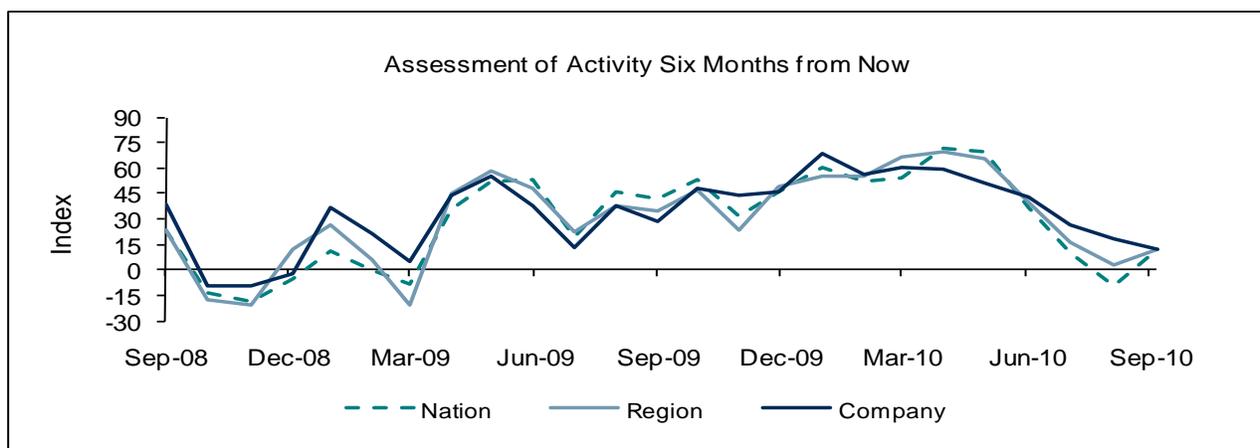
business spending softened in September. However, the corresponding business spending expectations components for equipment/software and business services increased month-to-month.

### General Business Assessments

September's survey results indicate that business activity in the Carolinas slowed further from August. The company specific current conditions index, the survey's headline number, decreased to -12 from -7. The September reading was the lowest since July 2009 and the second straight negative output. Perceptions of current regional activity also fell, with this index decreasing to -29 in September from -24 in August. The national current conditions index increased modestly during the month. Yet, with an index value of -39, respondents remained downbeat about current national conditions.

Respondents remained modestly upbeat about the near future, as the three general conditions expectations indexes (national, regional, and company) were positive. The company specific business expectations index came in at 12 in September, but was down seven points from August, indicating that a smaller share of respondents now expect conditions to improve.





### Company Conditions

The company specific current revenue/shipments index fell deeper into negative territory in September, moving to -12 from -2 in August, which was consistent with the decline in the general activity index. By contrast, the corresponding expectations index increased to 16 from 8. The current inventory index increased to 0 from -18, as firms were maintaining stock levels after drawing them down in August. The inventories expectations index (at 14) pointed to inventory building in coming months.

Despite the reported widespread softening in general business conditions, price pressures increased for many firms over the month. The current company specific prices paid index increased eight points in September to 21. At the same time, the current prices received metric declined to -6 from 0. Thus, the gap between the prices paid and prices received indexes widened to 27 in September from 13 the prior month. A similar pattern emerged in pricing expectations. The expected prices paid component increased twelve points while the expected prices received decreased seven points. The widening gap between the prices paid and prices received indexes (to 28 from 9) indicates that more firms expect margin pressures to mount in coming months.

### Labor Market Conditions

The labor demand indicators showed a deteriorating labor market picture for September. The current number of employees index dropped to -12 in September from -2 in August. This was the metric's

lowest reading since August 2009. Meanwhile, the weekly hours worked index fell to -9 from 2. Combined, these two readings suggest that firms were cutting the number of workers on their payrolls and reducing hours of existing employees. A similar decline was evident in the labor demand expectations indexes, although the expected number of workers measure remained positive at 9.

Regarding labor availability, the company specific needs index declined to 0 in September from 7 a month earlier and the equivalent expectations index fell to -6 from -3. This would indicate that despite softer business conditions, company specific skills were more difficult to find.

### Business Spending

The current business spending indexes were weak in September. However, expectations for business spending improved during the month with the indexes for both equipment/software and services increasing to 3 in September (from -3 and -14 in August, respectively).

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## Business Activity Indexes

General Business Assessment	Current Conditions			Expectations		
	Sep-10	Aug-10	Jul-10	Sep-10	Aug-10	Jul-10
Nation	-39	-46	-21	13	-9	10
County/Region	-29	-24	-14	12	2	17
Company	-12	-7	0	12	19	26

Company Conditions	Current Conditions			Expectations		
	Sep-10	Aug-10	Jul-10	Sep-10	Aug-10	Jul-10
Sales Revenue/Shipments	-12	-2	-13	16	8	21
Inventories	0	-18	-7	14	20	-10
Number of Employees	-12	-2	15	9	12	8
Weekly Hours	-9	2	-13	-6	7	8
Average Wages/Employee Compensation	-3	-5	-10	19	23	22
Prices Paid	21	13	28	41	29	23
Prices Received	-6	0	7	13	20	0

Labor Market Conditions	Current Conditions			Expectations		
	Sep-10	Aug-10	Jul-10	Sep-10	Aug-10	Jul-10
General Availability of Labor	15	14	18	0	7	13
Company-specific Needs	0	7	10	-6	-3	5

Business Spending	Current Conditions			Expectations		
	Sep-10	Aug-10	Jul-10	Sep-10	Aug-10	Jul-10
Equipment or Software	0	5	-2	3	-3	2
Business Services	-6	-15	-10	3	-14	-2

**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.