

Regional Surveys of Business Activity

Carolinas Survey of Business Activity

Carolinas Business Index Jumped in November; Expectations Moved Higher

Overview

Each of the three Carolinas general business activity indexes increased notably in November, with the headline (company specific) index jumping back into positive territory for the first time since June. An index reading greater than 0 indicates that more respondents reported an increase in business activity than those who reported a decrease. Firms continued to hold a more positive view of their own business activity (and their region's) compared to that of the nation. Respondents also appeared more optimistic about business activity six months out as the three general business activity expectations indexes increased month to month.

Each of the company specific current conditions subcomponents moved higher in November as did the comparable expectations indexes. The current labor demand indicators increased as did their analogous expectations indexes.

Meanwhile, the current labor supply measures decreased over the month, although both remained positive, suggesting that labor supply remains ample. However, respondents expect company specific skills to be harder to find in coming months. The indexes for current spending on equipment or software and business services increased materially in November as did the comparable expectations indexes.

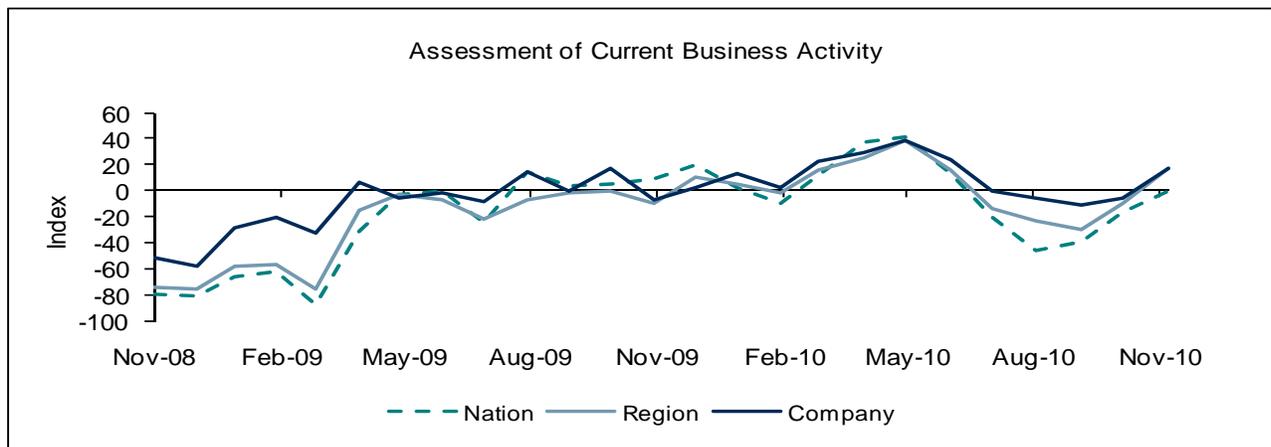
General Business Assessments

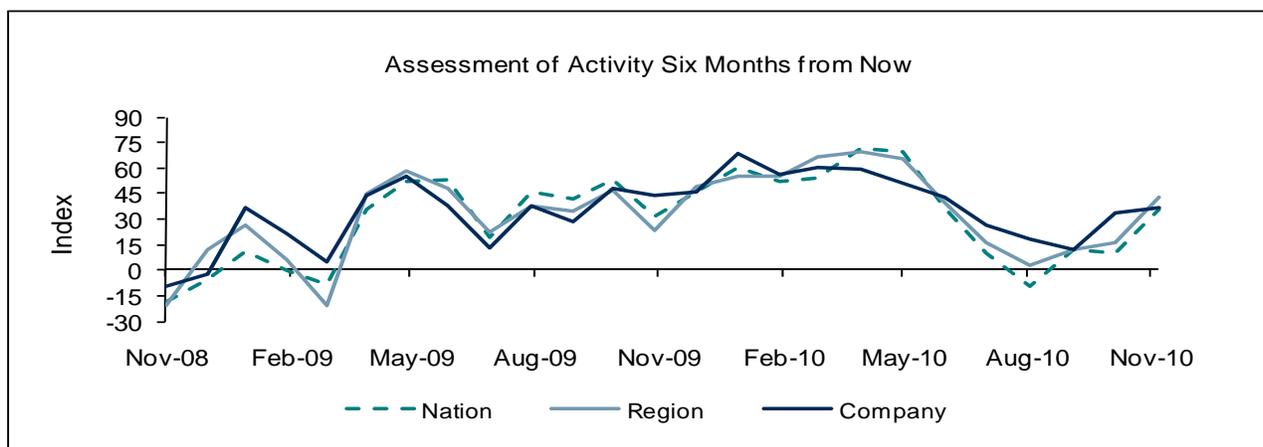
November's results suggest that business sentiment rebounded in November after deteriorating the prior few months. The company specific current conditions index (the survey's headline indicator) jumped 23 points to 17 during the month, showing its first positive reading since June 2010. At the same time, the region specific index rose to 17 from -10 and the national current conditions index increased to 0 from -16.

Respondents appeared more optimistic about future economic activity as well. Each of the three general business expectations indexes increased in November. The region specific index improved to 43 from 16 and the national index rose to 35 from 10. Both indexes were at their highest since June. The company specific index also improved, but its four-point increase (to 37) was not as pronounced. The latest data shows a convergence of sentiment on all three levels (company, regional, and national). This convergence is in sharp contrast to October's results, which showed businesses far more confident about their own fortunes than the macroeconomic outlook.

Company Conditions

The improvement in general conditions was reflected across each of the current and expected company conditions subcomponents. The company specific





current sales revenue/shipments index increased four points to 0, its first non-negative reading in four months. At the same time, the corresponding sales revenue/shipments expectations index rose to 30, an increase of 16 from October. Our survey results showed that more firms were adding to their stocks as the current inventories index rose to 23, its highest mark in more than two years. The inventories expectations index also increased to 23 (from 0) as more firms plan to stock up on the goods they provide.

With the improvement in general business conditions, more firms reported price increases – both for what they purchase and what they sell. The current prices paid index moved up to 13 in November from -4 a month earlier. Meanwhile, the prices received component increased to 3 from -18. The gap between the two, a crude indicator of margin pressures, narrowed to 10 from 14. However, based on participants' responses to price expectations questions, that gap is expected to widen again in coming months. The expected prices paid index rose to 54 from 39 at the same time the expected prices received index increased to 24 from 18.

Labor Market Conditions

The two measures of labor demand improved again in November which, taken together, suggest increased hiring among survey participants. The current number of employees index increased to 17 from 3 while the weekly hours metric rose to 14 from 0. The expected number of employees measure also jumped in November (to 20 from 10) and the expected weekly hours component rose to 6, a

sixteen-point increase from October. The current wages index registered a positive reading for the first time since May and firms expect to increase wages further in coming months.

The labor availability indexes suggest that firms were having little difficulty filling positions in November. However, the availability expectations indexes both decreased over the past two months and are no longer in positive territory. This suggests that firms expect labor markets to tighten in coming months.

Business Spending

The two current business spending indexes improved over the month, with the equipment/software measure increasing to 9 from 0 and the business services component rising to 0 from -11. Moreover, both of the comparable expectations indexes increased substantially from October to November. The equipment/software expectations index increased to 22, its highest level in nearly two years, and the business services index jumped to 16.

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Business Activity Indexes						
General Business Assessment	Current Conditions			Expectations		
	Nov-10	Oct-10	Sep-10	Nov-10	Oct-10	Sep-10
Nation	0	-16	-39	35	10	13
County/Region	17	-10	-29	43	16	12
Company	17	-6	-12	37	33	12
Company Conditions						
Sales Revenue/Shipments	0	-4	-12	30	14	16
Inventories	23	-9	0	23	0	14
Number of Employees	17	3	-12	20	10	9
Weekly Hours	14	0	-9	6	-10	-6
Average Wages/Employee Compensation	3	-3	-3	23	13	19
Prices Paid	13	-4	21	54	39	41
Prices Received	3	-18	-6	24	18	13
Labor Market Conditions						
General Availability of Labor	14	21	15	0	10	0
Company-specific Needs	6	11	0	-3	4	-6
Business Spending						
Equipment or Software	9	0	0	22	7	3
Business Services	0	-11	-6	16	0	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.