

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Economic Activity Declines Further: Survey Respondent's Outlook for Growth Rebounds but Remains Lackluster

Overview

According to the results of the most recent survey, business activity in Maryland contracted in November. Survey respondents reported that the level of business activity dropped for the 12th consecutive month with the pace of the decline increasing significantly in recent months. The drop was widespread across different company indicators including sales, number of employees, and customer traffic. Survey respondents' assessment of current activity at the state and national level continued to indicate a deteriorating outlook. Looking ahead, respondents' expectations for economic activity six months from now rebounded in November from a sharp decline in October.

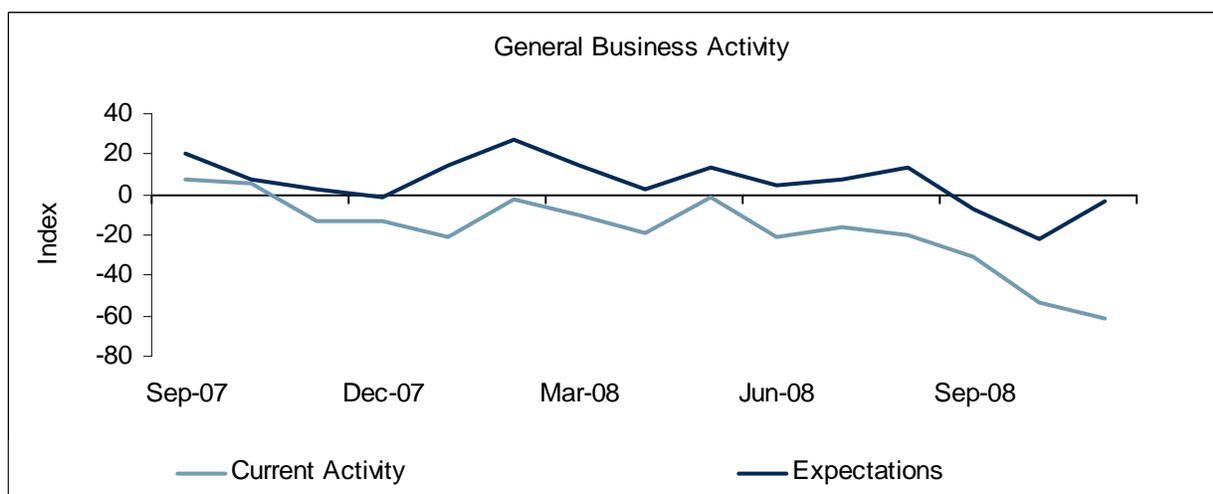
Current Activity

Respondents indicated that general business activity fell sharply again in November with steep declines in most company indicators. The general

business activity index fell to -61 from -53 in October. Respondents reported another sharp drop in sales as the index registered -54, marginally higher than -57 last month. At the same time, customer traffic also rose moderately but remained in strongly negative territory at -50. The level of investment in new equipment and software continued to decline at a significant pace. Coincident with the weaker economic environment, respondents indicated that prices received fell again in November for the third consecutive month, dropping to -36 from -26. There was a near consensus of survey respondents that activity in the nation and in Maryland declined in November. The general business activity index for the nation and the state both fell sharply to -99 and -94, respectively.

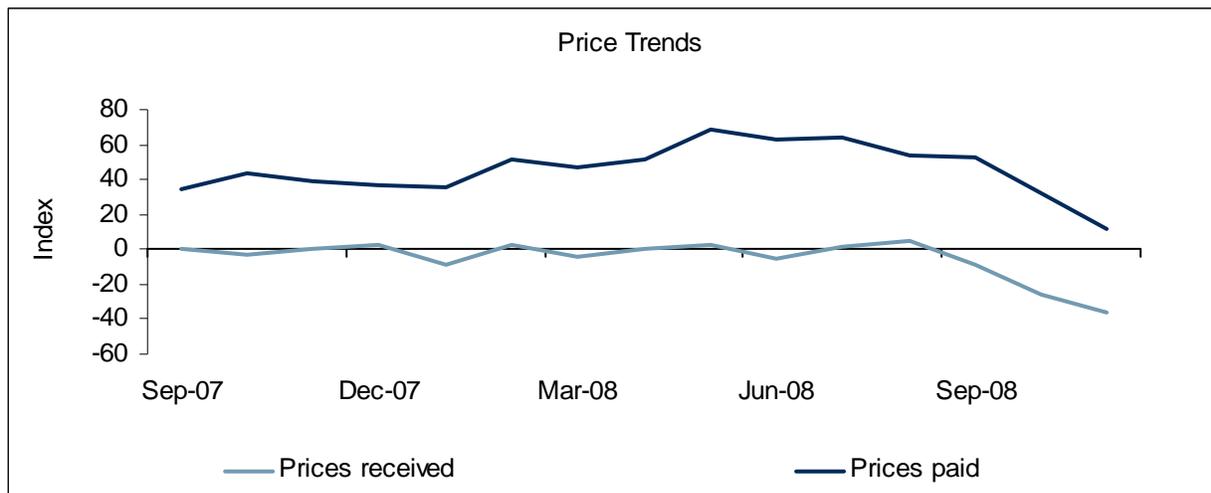
Employment

According to the survey, the labor market weakened notably in November for the third consecutive month. Survey respondents indicated



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that employment and hours worked both fell sharply during the month. The number of employees index was largely unchanged at -24 while the index of weekly hours rose moderately to -21 from -36 in October. Firms reported that average wages were down as the index fell to -11 from 7 last month, the first decline for that particular index. Also consistent with a weakening labor market, respondents indicated that skilled workers were less difficult to find with the index increasing to 42 from 29 last month.

Prices

Turning to prices, the prices received by firms for their products declined for the third consecutive month with the current decline more widespread than in the previous two months. Firms continued to report higher prices for materials but the index has dropped considerably in recent months from 53 in September to 12 in November. Notably, prices paid for energy declined for the first time in November as the index fell to -7. The recent price trends represent a significant change from earlier in the year. From March to July, the prices paid for materials index averaged 58 while the prices paid for energy index averaged 82. Expectations for prices to be paid six months from now continued to decline and are also at new lows.

Expectations

Expectations of economic activity six months from

now rebounded from a sharp drop in October. Survey respondents indicated that they anticipate lower growth for the nation, the state, and at their company. Those expectations of lower activity were tempered somewhat from the previous month, however. The expectations index for business activity at respondents' company rose to -3 from -22 last month. Notably, expectations for future sales and customer traffic also improved. Expectations for most other indicators remained negative with the some improvement in weekly hours and product inventories. Respondent's expectations for prices received declined for the second consecutive month with the index dropping to -18 from -6 in October.

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Business Activity Index

	Current Conditions			Expectations ¹		
	Nov-08	Oct-08	Sep-08	Nov-08	Oct-08	Sep-08
General business assessment²						
In the Nation	-99	-95	-75	-43	-49	-23
In the State	-94	-85	-70	-33	-44	-21
At your Company	-61	-53	-31	-3	-22	-7
Company conditions						
Sales	-54	-57	-28	-3	-12	6
Number of Employees	-24	-23	-15	-13	-11	0
Weekly Hours	-21	-36	-23	-13	-23	-9
Prices Received	-36	-26	-9	-18	-6	9
Product Inventories	-12	-14	-11	-26	-33	-20
Customer Traffic or Inquiries	-50	-59	-34	3	-2	7
Investment in New Equipment/Software	-36	-38	-22	-19	-23	-16
Labor market conditions						
Average Wages	-11	7	5	13	17	23
Availability of labor w/ skills needed by your company	42	29	25	35	33	28
Price trends						
Prices Paid for Materials	12	32	53	11	31	63
Prices Paid for Energy	-7	19	53	14	29	63

Technical note:

- 1 Expectations refer to the time period six months out from the survey period.
- 2 All firms surveyed are located within Maryland.