

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Pace of Decline in Business Activity Moderates: Conditions Still Negative but Improve Slightly; Labor Picture Remains Weak

Overview

According to the results of the most recent survey, business activity in Maryland declined in the first month of 2009. Businesses reported lower sales, number of employees, hours worked, inventories, and customer traffic in January. While the decline in activity was moderately better than in December, most indicators remained markedly negative. Businesses continued to report falling prices for final goods and services sold as well as for input prices. Labor market conditions remained weak as well, although respondents reported a firming in wages. Despite the pessimistic assessment for conditions in January, businesses' view of future activity at their own company and for the state economy improved. There was little change in expectations for the national economy.

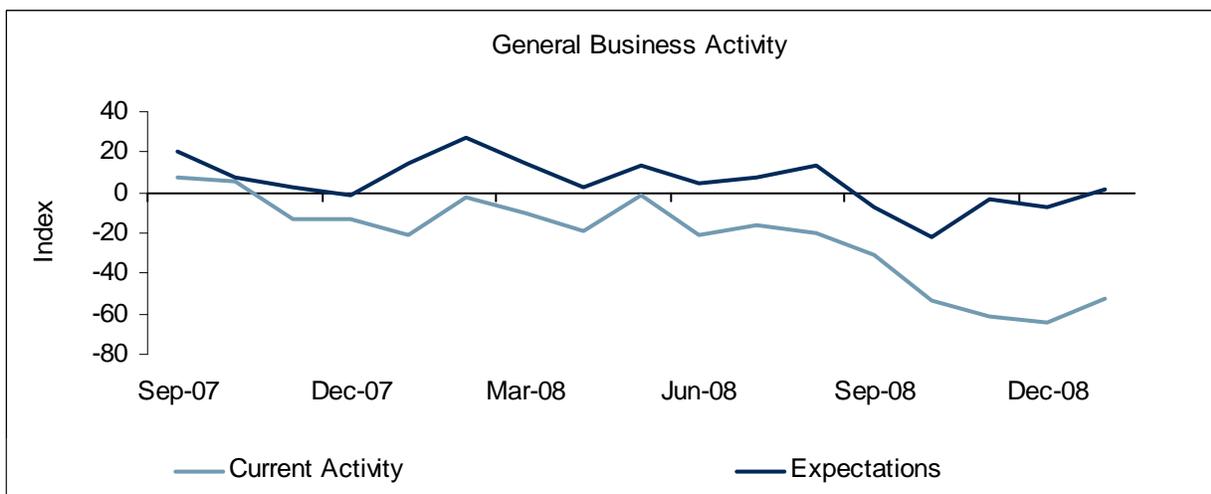
Current Activity

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

business activity index stood at -53, modestly higher than the -64 registered in December. Respondents reported another sizeable drop in sales and customer traffic, although both measures improved significantly from last month's readings. The sales index rose to -40 from -57 while the customer traffic index gained 13 points to -47. The negative reading for the index of investment in new equipment and software continued to indicate a pullback in business investment. Coincident with the weaker economic environment, respondents indicated that prices received fell again in January for the fifth consecutive month. There was a near consensus of survey respondents that activity in the nation and Maryland continued to decline in January. The general business activity index for the nation and the state stood at -88 and -84, respectively.

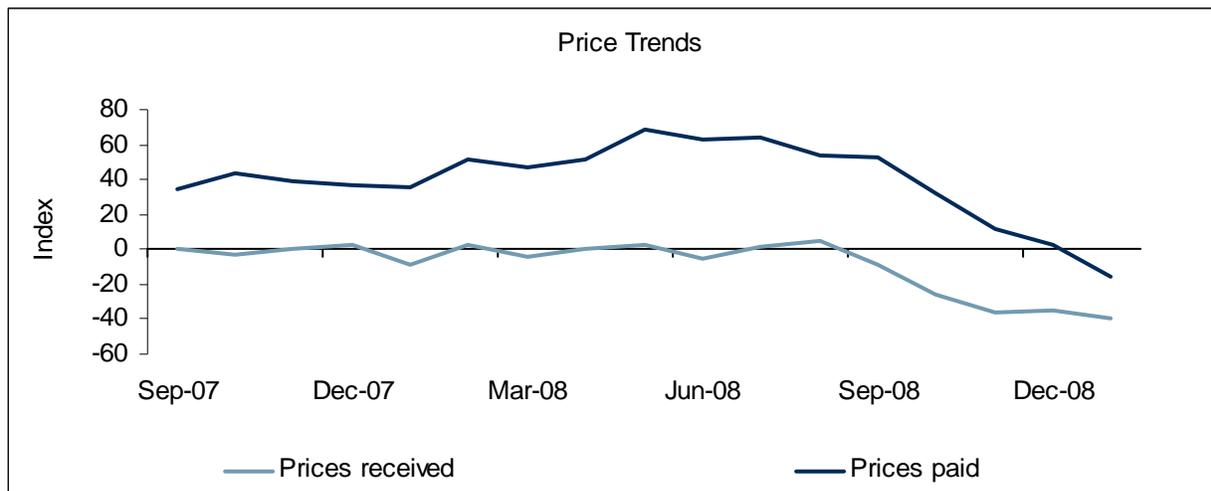
Employment

The labor market weakened significantly in January as businesses indicated that they



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continued to cut employment and hours worked. The number of employees index registered -33, up modestly from -40 in December, while the index of weekly hours gained 5 points to -31. Also consistent with a weakening labor market, respondents continued to indicate that skilled workers were less difficult to find. Despite the weaker labor market in January, respondents reported a firming in average wages last month.

Prices

Along with the decline in business activity, respondents continued to report weaker price pressures with lower finished goods prices and declining input prices. The prices received by firms for their products declined for the fifth consecutive month. Over the same period, prices paid for materials have steadily moderated with the index dropping from 53 in September to -16 in January—the first negative reading for this index. Notably, prices paid for energy posted its third straight negative reading as the index stood at -19, up from -30 last month. Expectations for prices six months from now were mixed. Respondents indicated that they still expect lower finished goods prices, although that measure improved 10 points from last month. They also anticipate higher energy prices to be partially offset by slightly lower materials prices.

Expectations

Expectations of economic activity six months from now improved slightly at the business and state level but was mostly unchanged at the national level. The expectations index for business activity at respondents' company rose to 2 from -7 last month while the index for Maryland rose 5 points to -23. The national index fell 1 point to -28. However, despite the modest increase in expectations for future sales, expectations for other specific company indicators remained quite weak. Respondents anticipate lower employment, hours worked, and inventories six months from now. Expectations for future business investment remained particularly weak.

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Regional Surveys of Economic Activity

Fifth District Survey of Economic Activity: Maryland

Business Activity Index

	Current Conditions			Expectations ¹		
	Jan-09	Dec-08	Nov-08	Jan-09	Dec-08	Nov-08
General business assessment²						
In the Nation	-88	-91	-99	-29	-28	-43
In the State	-84	-89	-94	-23	-28	-33
At your Company	-53	-64	-61	2	-7	-3
Company conditions						
Sales	-40	-57	-54	6	0	-3
Number of Employees	-33	-40	-24	-9	-9	-13
Weekly Hours	-31	-36	-21	-2	0	-13
Prices Received	-39	-35	-36	-14	-24	-18
Product Inventories	-34	-16	-12	-9	0	-26
Customer Traffic or Inquiries	-47	-60	-50	0	-2	3
Investment in New Equipment/Software	-49	-54	-36	-34	-27	-19
Labor market conditions						
Average Wages	3	-18	-11	7	24	13
Availability of labor w/ skills needed by your company	50	44	42	36	44	35
Price trends						
Prices Paid for Materials	-16	2	12	-2	17	11
Prices Paid for Energy	-19	-30	-7	21	9	14

Technical note:

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