

Regional Surveys of Business Activity

Maryland Survey of Business Activity

*Decline in Business Activity Continues:
Conditions Remain Negative; Outlook for Six Months Ahead Deteriorates*

Overview

Business activity continued to decline in February according to the results of the latest survey. Businesses reported weaker activity across a broad range of indicators including sales, number of employees, hours worked, inventories, and customer traffic. The decline in activity was moderately worse than in January and most indicators remained markedly negative. Businesses continued to report falling prices for final goods and services as well as for materials prices. Labor market conditions continued to worsen with declining employment and hours worked. Respondents' view of future activity at their company and for the state economy deteriorated from last month. There was little change in expectations for the national economy.

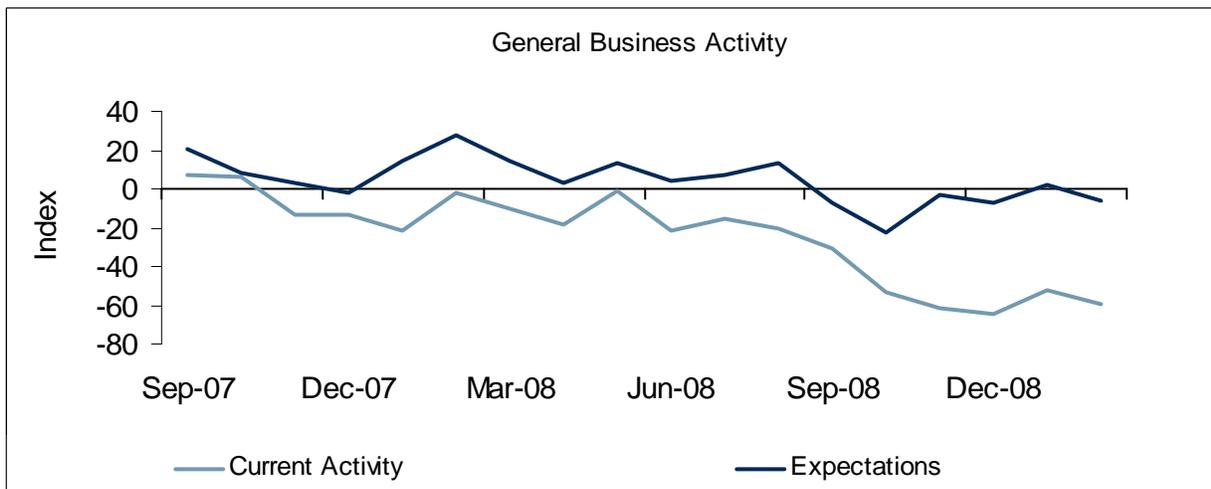
Current Activity

Respondents indicated that general business activity fell sharply again in February with steep declines in most company indicators. The general business activity index moderated to -59 from -53

last month. Businesses reported another sizeable drop in sales and customer traffic. The sales index edged down to -45 from -40 while the customer traffic index improved to -40 from -47. Given the current economic environment it is not surprising that firms continue to report lower investment spending on new equipment and software. Coincident with the weaker economic environment, respondents indicated that prices received fell again in February for the sixth consecutive month. There was a near consensus of survey respondents that activity in the nation and Maryland continued to decline in February. The general business activity index for the nation and the state stood at -92 and -82, respectively.

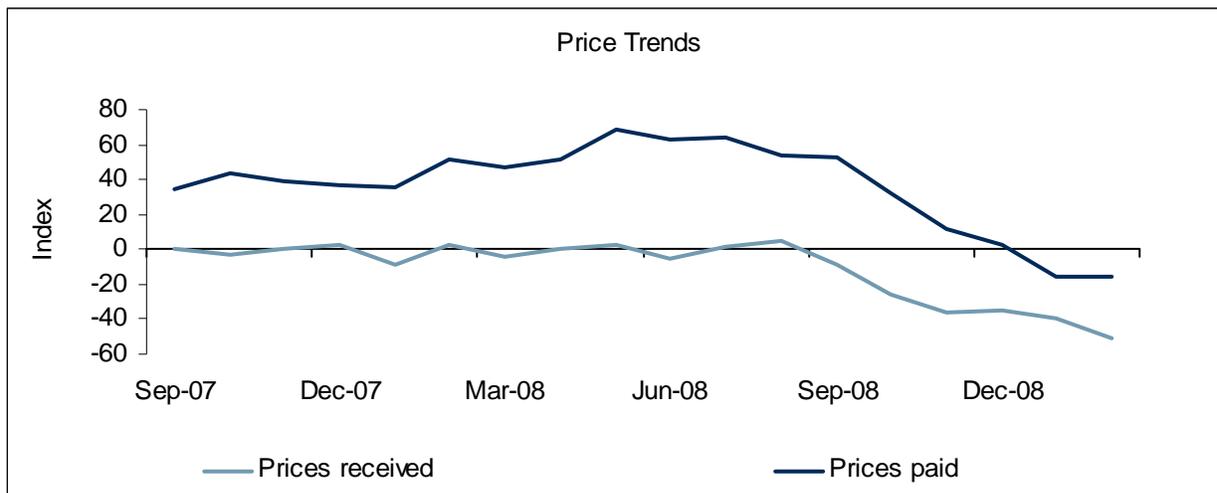
Employment

The labor market weakened further in February as businesses indicated that they continued to cut employment and hours worked. The number of employees index remained at -33 while the index of weekly hours dropped to -43 from -31. Also consistent with a weakening labor market,



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respondents continued to indicate that skilled workers were less difficult to find. Given the slack in the labor market it was not unexpected that businesses reported lower average wages in February. The average wage index fell back to -18 after an increase to 2 last month.

Prices

Along with the decline in business activity, respondents continued to report weaker price pressures. Firms reported lower prices for their goods and services as the prices received index declined for the sixth consecutive month. The index dropped to -51 from -39 last month and is currently at its lowest reading to date. Businesses reported that prices paid for materials fell for a second consecutive month. Notably, prices paid for energy reversed its recent downward trend as businesses reported higher energy prices. The index jumped to 24 in February from -19 last month. Expectations for prices six from now were mixed. Respondents indicated that they still expect lower finished goods prices six months from now while also anticipating higher input prices for materials and energy.

Expectations

Expectations of economic activity six months from now declined at the business and state level but were unchanged at the national level. The expectations index for business activity at

respondents' company retreated to -7 from 2 last month while the index for Maryland edged down 3 points to -26. The national index was unchanged. At the same time, however, expectations for company specific indicators weakened notably in February. Respondents anticipate lower sales, employment, hours worked, and inventories six months from now. Expectations for future business investment improved modestly but remain weak.

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Business Activity Index

	Current Conditions			Expectations ¹		
	Feb-09	Jan-09	Dec-08	Feb-09	Jan-09	Dec-08
General business assessment²						
In the Nation	-92	-88	-91	-29	-29	-28
In the State	-82	-84	-89	-26	-23	-28
At your Company	-59	-53	-64	-7	2	-7
Company conditions						
Sales	-45	-40	-57	-9	6	0
Number of Employees	-33	-33	-40	-18	-9	-9
Weekly Hours	-43	-31	-36	-16	-2	0
Prices Received	-51	-39	-35	-25	-14	-24
Product Inventories	-29	-34	-16	-29	-9	0
Customer Traffic or Inquiries	-40	-47	-60	2	0	-2
Investment in New Equipment/Software	-50	-49	-54	-12	-34	-27
Labor market conditions						
Average Wages	-18	3	-18	4	7	24
Availability of labor w/ skills needed by your company	44	50	44	45	36	44
Price trends						
Prices Paid for Materials	-16	-16	2	16	-2	17
Prices Paid for Energy	24	-19	-30	47	21	9

Technical note:

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