

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Decline in Business Activity Moderates: Conditions Remain Negative; Near-term Outlook Improves

Overview

Business activity continued to decline in March 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. However, the decline in activity was less than in recent months. Businesses continued to report falling prices for final goods and services as well as for materials prices. Labor market conditions continued to weaken with declining employment and hours worked however there was a significant firming in both indicators. Respondent's view of future activity rose considerably in March with more respondents now expecting an increase in activity at their company six months from now.

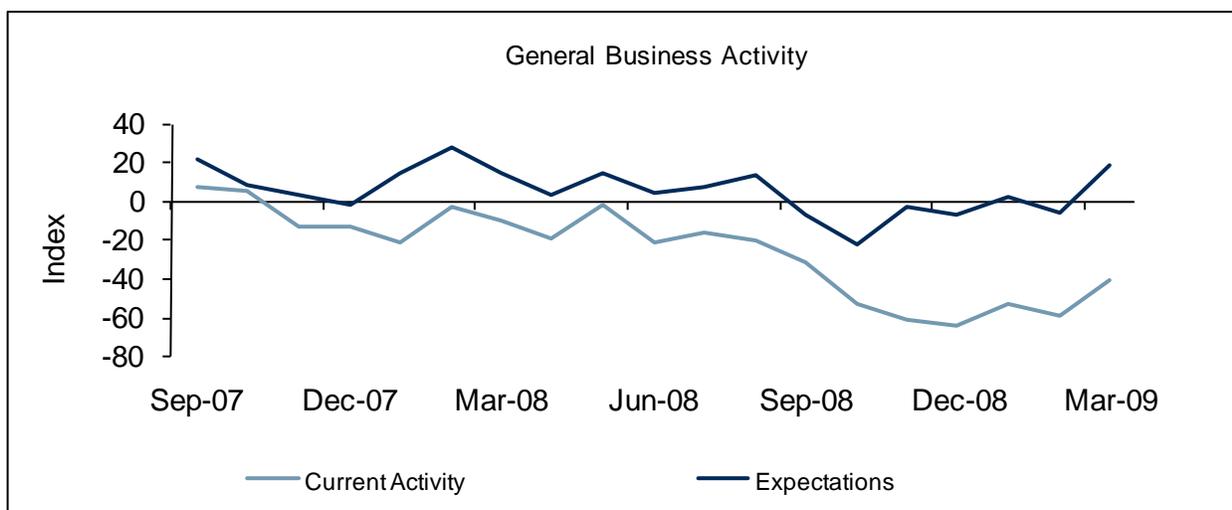
Current Activity

Respondents indicated that general business activity fell sharply again in February with significant weakness in most company indicators.

However, the decline in activity was more moderate than in recent months. The general business activity index improved to -41 from -59 last month. Although respondents reported a decrease in sales, prices received, customer traffic and business investment the declines were more moderate than in the first two months of the year. The index for customer traffic rose to -25 from -40 while the index for business investment rose to -31 from -50. The sales and prices received indexes improved more moderately with the sales index increasing just 5 points to -40 and the prices received index up 11 points to -40. There was a strong 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 -82 and -75, respectively.

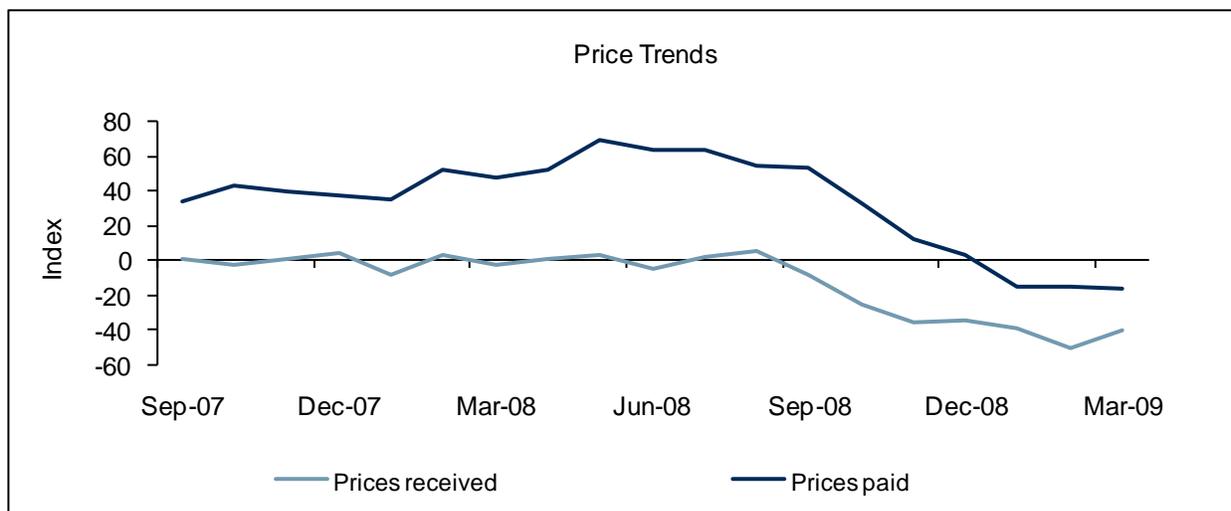
Employment

The labor market weakened further in February as businesses indicated that they continued to cut



Regional Surveys of Business Activity

Maryland Survey of Business Activity



employment and hours worked. However, the decline was notably more moderate than in the past few months. The number of employees index rose to -16 from -33 while the index of weekly hours increased to -15 from -43. Also consistent with a weakening labor market, respondents indicated 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 March. The average wage index registered -10 in March, up from -18 last month.

Prices

Along with the decline in business activity, respondents continued to report weak price pressures. Firms reported lower prices for their goods and services as well as for input prices for materials. The prices received index remained in negative territory for the seventh consecutive month although it improved 11 points in March to -40. The prices paid for materials index was mostly unchanged at -17. Prices paid for energy increased for the second straight month after a sharp fall. The index stood at 25, up one point from February. Expectations for prices six months from now improved as respondents indicated that they expect higher finished goods prices along with lower input prices for materials and energy.

Expectations

Expectations of economic activity six months from now improved considerably in March. The expectations index for business activity at respondents' company jumped to 19 from -7 last month while the index for both the nation and the state improved as well. The national index rose to -14 from -29 while the index for Maryland rose 16 points to -10. Looking at company specific indicators, expectations improved notably this month. Respondents now anticipate sales and customer traffic to be higher six months from now. The indexes for employment, hours worked, inventories, and investment six months from now remained negative but improved considerably in March.

Contact

Andy Bauer

Regional Economist
Regional Economics Department
The Federal Reserve Bank of Richmond
Baltimore Branch
Office 410· 576· 3392 · Fax 410· 576· 3391
andy.bauer@rich.frb.org
www.richmondfed.org



Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Index

	Current Conditions			Expectations ¹		
	Mar-09	Feb-09	Jan-09	Mar-09	Feb-09	Jan-09
General business assessment²						
In the Nation	-82	-92	-88	-14	-29	-29
In the State	-75	-82	-84	-10	-26	-23
At your Company	-41	-59	-53	19	-7	2
Company conditions						
Sales	-40	-45	-40	19	-9	6
Number of Employees	-16	-33	-33	-12	-18	-9
Weekly Hours	-15	-43	-31	-9	-16	-2
Prices Received	-40	-51	-39	-16	-25	-14
Product Inventories	-30	-29	-34	-5	-29	-9
Customer Traffic or Inquiries	-25	-40	-47	17	2	0
Investment in New Equipment/Software	-31	-50	-49	-7	-12	-34
Labor market conditions						
Average Wages	-10	-18	3	9	4	7
Availability of labor w/ skills needed by your company	49	44	50	46	45	36
Price trends						
Prices Paid for Materials	-17	-16	-16	2	16	-2
Prices Paid for Energy	25	24	-19	43	47	21

Technical note:

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