

Regional Surveys of Business Activity

Maryland Survey of Business Activity

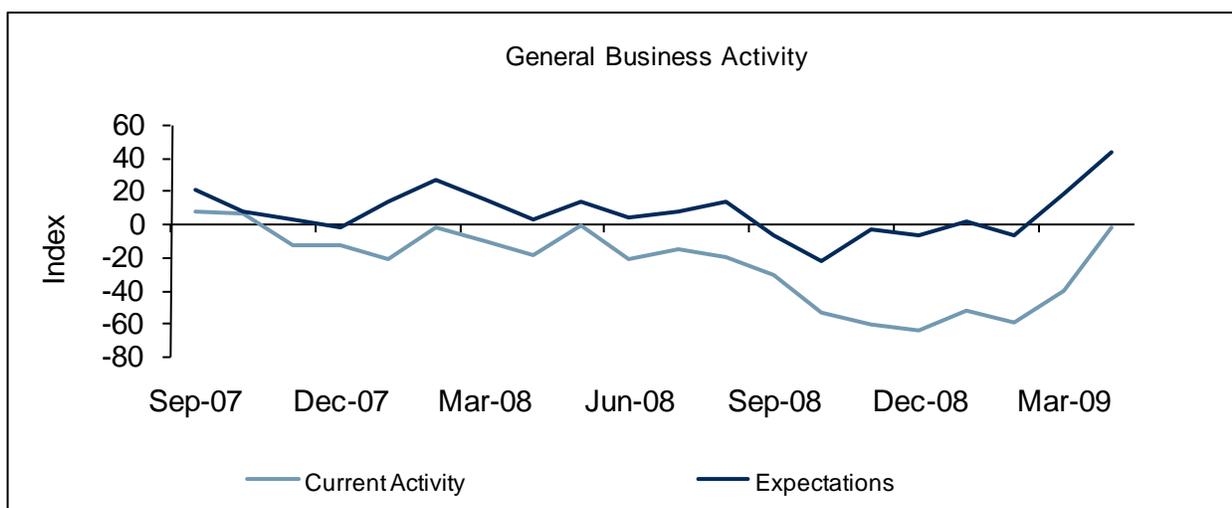
Decline in Business Activity Slows Markedly: Current Conditions Less Negative in April; Expectations for Near-term Activity Improve Sharply

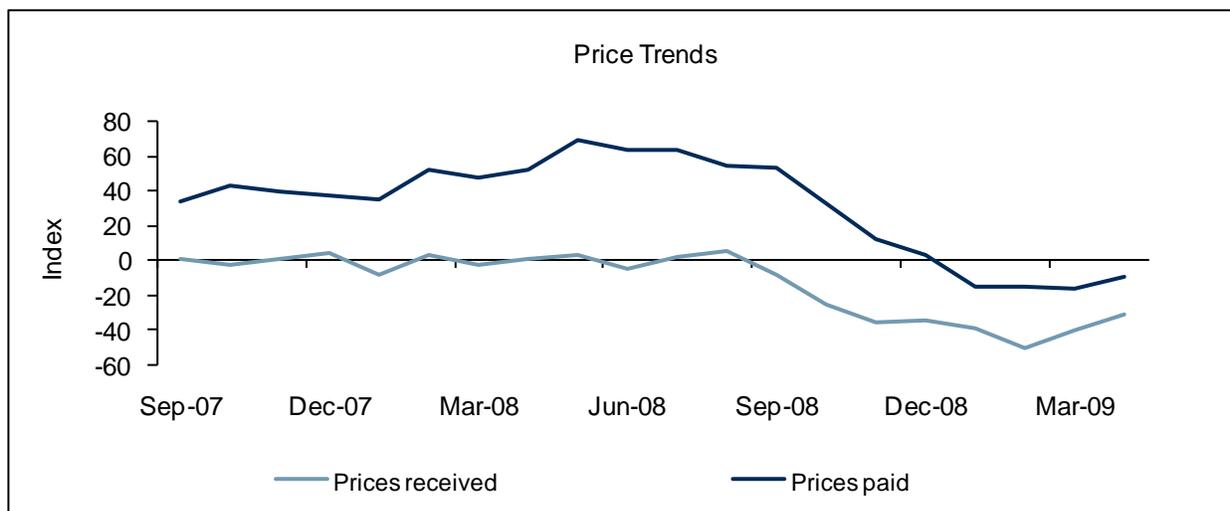
Overview

Business activity declined at a more moderate pace in April relative to recent months according to the results of the latest survey. Businesses reported that general business conditions were much improved from March despite continued negative readings across a broad range of indicators. There were significant improvements in sales, customer traffic, and investment as each declined at a lesser pace in April. Businesses continued to report falling prices for final goods and services and for materials prices however the decline was more moderate. Labor market conditions continued to weaken with declining employment and hours worked and were little changed from March. Respondent's view of future activity jumped in April with more respondents now expecting an increase in activity at their company six months from now. In addition, respondents now expect an improvement in the state and national economy over the next six months.

Current Activity

Respondents indicated that general business activity improved significantly in April. The general business conditions indicator rose to -2 from -41 in March—the highest reading since May of last year. While there was continued decline in the specific company indicators, the decline was more moderate than last month. The sales index rose to -15 from -40 while the customer traffic or inquiries index also rose significantly to -7 from -25. In another indication of rising firm optimism for the near-term outlook, the decline in investment in new equipment and software also improved notably, rising 23 points to -8. Despite the improvement in sales, product inventories worsened in April with the inventories index dropping to -44 from -30. Survey respondents' assessment of current conditions at the state and national level improved sharply in April. The general business activity index for the state and the nation rose 42 and 49 points, respectively, to -33.





Employment

The labor market remained weak in April as businesses indicated that they continued to cut employment and hours worked. The number of employees index edged higher to -18 from -16 while the index of weekly hours decreased to -13 from -15. Also consistent with the weak labor market over the past year, respondents indicated that skilled workers were increasingly less difficult to find. Given the slack in the labor market it was not unexpected that businesses continued to report lower average wages. The average wage index edged up to -11 from -10 last month.

Prices

Respondents continued to report a weak pricing environment. 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 ninth consecutive month although it improved 8 points to -32. The prices paid for materials index increased to -10 from -17 and has been negative for four consecutive months. Prices paid for energy rose at a more moderate pace in April as the index dropped 15 points to 10. Expectations for prices six months from now increased for finished goods and materials reflecting respondents' improved outlook for future activity. The positive reading for expected goods prices was the first since September 2008.

Expectations

Expectations of economic activity six months from now jumped in April. The expectations index for business activity at respondents' company improved considerably for the second straight month registering 43—up 24 points from March and 50 points from February. Looking at company specific indicators, expectations improved considerably with solid improvements by each of the indicators. Notably, the sales expectations index rose 16 points to 35 while the customer traffic expectations index jumped 20 points to 37. Expectations for business activity in the state and the nation both rose 50 points to 40 and 36, respectively, suggesting that respondents believe that the economy has hit a bottom and anticipate a recovery taking place over the next two quarters.

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Business Activity Index

	Current Conditions			Expectations ¹		
	Apr-09	Mar-09	Feb-09	Apr-09	Mar-09	Feb-09
General business assessment²						
In the Nation	-33	-82	-92	36	-14	-29
In the State	-33	-75	-82	40	-10	-26
At your Company	-2	-41	-59	43	19	-7
Company conditions						
Sales	-15	-40	-45	35	19	-9
Number of Employees	-18	-16	-33	4	-12	-18
Weekly Hours	-13	-15	-43	4	-9	-16
Prices Received	-32	-40	-51	6	-16	-25
Product Inventories	-44	-30	-29	6	-5	-29
Customer Traffic or Inquiries	-7	-25	-40	37	17	2
Investment in New Equipment/Software	-8	-31	-50	0	-7	-12
Labor market conditions						
Average Wages	-11	-10	-18	17	9	4
Availability of labor w/ skills needed by your company	52	49	44	35	46	45
Price trends						
Prices Paid for Materials	-10	-17	-16	24	2	16
Prices Paid for Energy	10	25	24	27	43	47

Technical note:

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