

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Activity Declines at a Faster Pace in May:  
Current Conditions Slip From Last Month; Expectations for Near-term Activity Remain Positive*

### Overview

Business activity declined at a faster pace in May relative to April according to the results of the latest survey. After a significant improvement last month, businesses reported a modest deterioration in conditions with a decline in overall business activity and continued negative readings across a broad range of indicators. Businesses continued to report falling prices for final goods and services and for materials prices, however the decline in May was more moderate for materials prices. Labor market conditions continued to weaken with declining employment, hours worked, and average wages. Respondents' view of future activity edged lower but remained positive with respondents expecting an increase in activity at their company six months from now. In addition, respondents still expect an improvement in the state and national economy over the next six months.

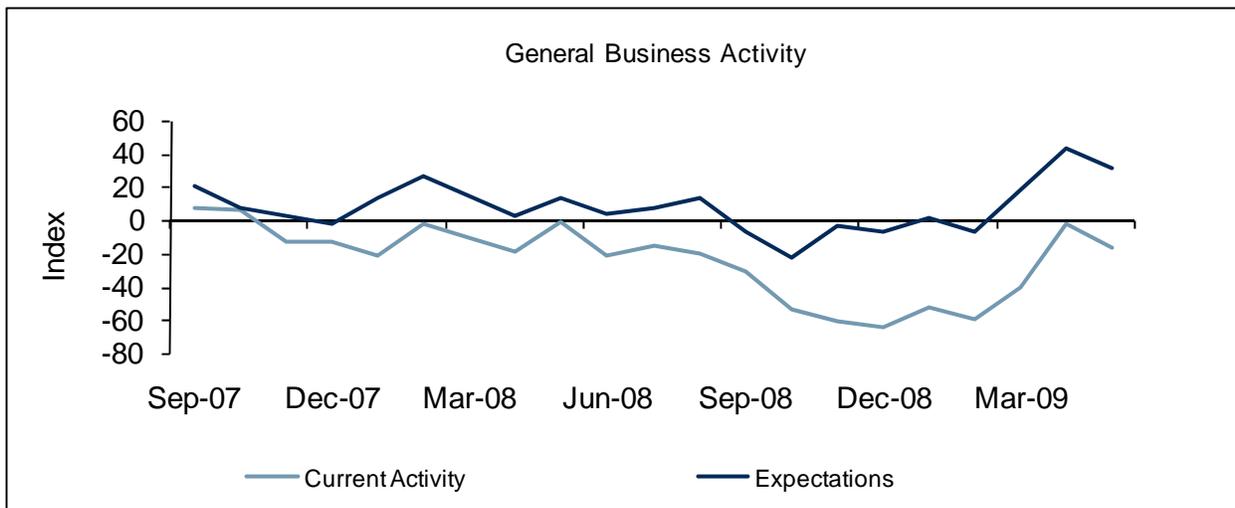
### Current Activity

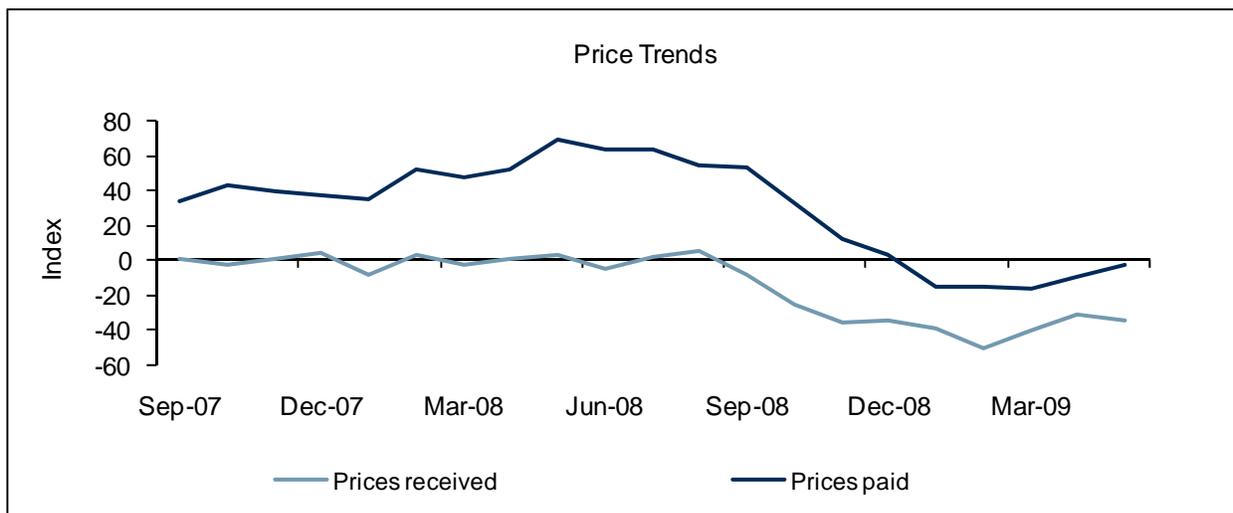
Respondents indicated that general business

activity retreated in May after significant improvement in the previous month. The general business conditions indicator fell to -16 from -2 in April while the more specific company conditions indexes remained in negative territory. The sales index declined to -22 from -15 while the customer traffic or inquiries and product inventories indexes rose by 4 and 21 points, respectively, to -3 and -23. After a sharp improvement in April, the investment in new equipment and software index edged lower to -14 from -8. Despite the greater pace of decline in activity at the company level in May, survey respondents' assessment of current conditions at the state and national level improved. The general business activity index for the state and the nation rose 15 and 10 points, respectively, to -18 and -22.

### Employment

The labor market remained weak in May as businesses indicated that they continued to cut employment and hours worked. The number of employees index declined to -28 from -18 while the





index of weekly hours decreased to -24 from -13. Also consistent with the weak labor market over the past year, respondents indicated that skilled workers were 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 down to -14 from -11 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—however there has been a notable firming in materials prices in recent months. The prices received index remained in negative territory for the tenth consecutive month, edging lower to -35 from -32 last month. The prices paid for materials index increased to -3 from -10. Prices paid for energy rebounded in May as the index jumped 25 points to 35. Expectations for prices six months from now for finished goods and materials remained positive in May reflecting respondents’ improved outlook for future activity.

**Expectations**

Expectations of economic activity six months from now edged lower in May but remained positive. The expectations index for business activity at respondents’ company declined to 31 from 42. Looking at company specific indicators,

expectations were trimmed but also remained positive. Expectations for future sales, customer traffic, and number of employees were all moderately lower with the future sales index declining 6 points to 29. Expectations for business activity in the state and the nation also declined by 17 and 12 points, respectively, to 23 and 24.

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<b>Business Activity Index</b>						
	<b>Current Conditions</b>			<b>Expectations<sup>1</sup></b>		
<b>General business assessment<sup>2</sup></b>	<b>May-09</b>	<b>Apr-09</b>	<b>Mar-09</b>	<b>May-09</b>	<b>Apr-09</b>	<b>Mar-09</b>
In the Nation	-22	-33	-82	24	36	-14
In the State	-18	-33	-75	23	40	-10
At your Company	-16	-2	-41	31	43	19
<b>Company conditions</b>						
Sales	-22	-15	-40	29	35	19
Number of Employees	-28	-18	-16	0	4	-12
Weekly Hours	-24	-13	-15	9	4	-9
Prices Received	-35	-32	-40	3	6	-16
Product Inventories	-23	-44	-30	4	6	-5
Customer Traffic or Inquiries	-3	-7	-25	29	37	17
Investment in New Equipment/Software	-14	-8	-31	0	0	-7
<b>Labor market conditions</b>						
Average Wages	-14	-11	-10	21	17	9
Availability of labor w/ skills needed by your company	44	52	49	29	35	46
<b>Price trends</b>						
Prices Paid for Materials	-3	-10	-17	24	24	2
Prices Paid for Energy	35	10	25	40	27	43

Technical note:

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