

Regional Surveys of Business Activity

Maryland Survey of Business Activity

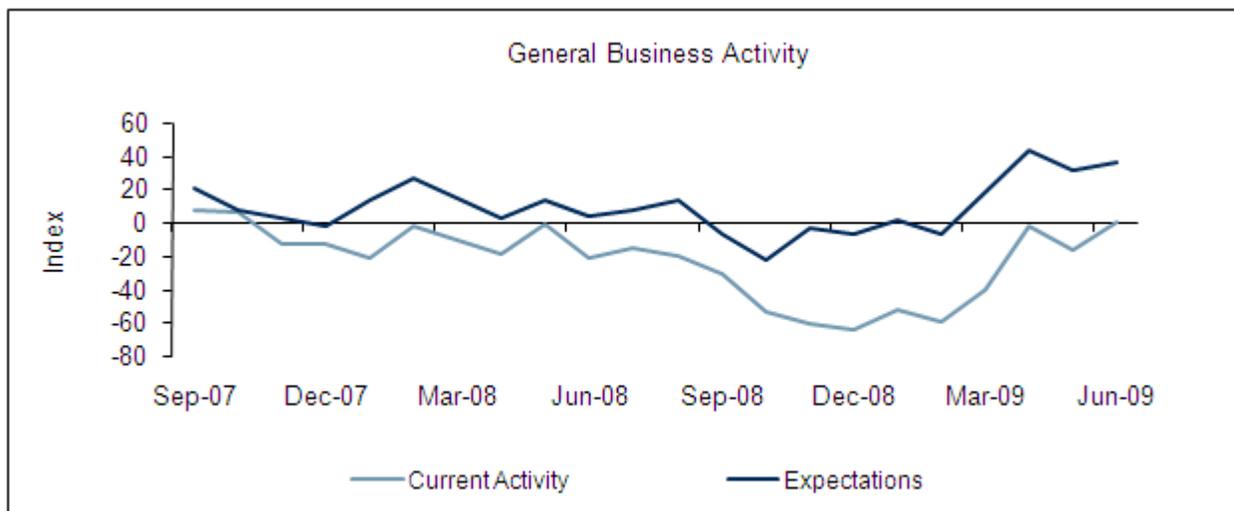
Overall Business Activity Stabilizes in June as Current Conditions Improve; Expectations for Near-term Activity Rebound

Overview

Business activity was unchanged relative to May according to the results of the latest survey. The general business activity index for Maryland firms registered zero in June, the first non-negative reading since October 2007. The improvement in activity was led by a large increase in customer traffic and more moderate declines by other company indicators. Businesses continued to report falling prices for final goods and services, although the decline was more moderate in June. Input prices were mixed with materials prices declining slightly and energy prices rising considerably. Labor market conditions continued to weaken with declining employment, hours worked, and average wages. However, the decline was more modest than in previous months. Respondents' positive view of future activity strengthened in June as respondents continue to expect an increase in activity six months from now.

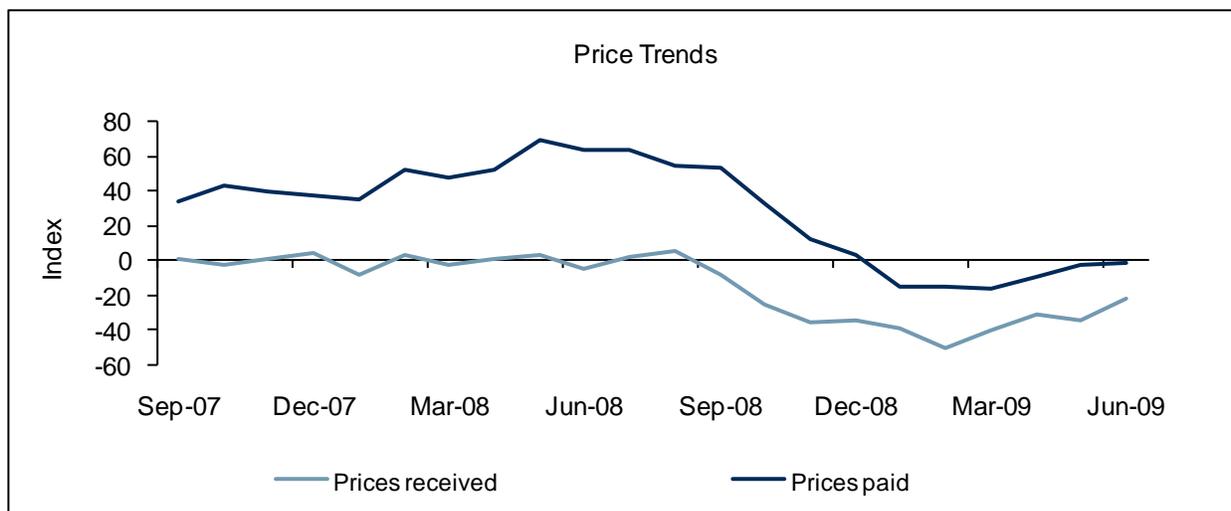
Current Activity

Respondents indicated that general business activity improved considerably in June with the general business conditions index increasing to zero from -16 in May. The most notable increase among the company activity indexes was the customer traffic or inquires index, which jumped to 17 from -3 — the highest reading in the short history of the survey. In addition, other activity indexes improved in June but remained in negative territory. The sales index rose by 14 points to -8, while the product inventories and investment in new equipment and software indexes increased by 8 and 4 points, respectively, to -15 and -10. The general business activity index for the state and the nation were relatively flat in June as Maryland firms saw no significant change in activity in the state and national economy. The state business activity index remained at -18 while the national business activity index fell 2 points to -24.



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Employment

The labor market remained weak in June as businesses indicated that they continued to cut employment and hours worked. However, firms indicated that the decline was less severe than last month. The number of employees index rose to -17 from -28, while the index of weekly hours increased by 16 points to -8. Also consistent with the weak labor market, 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. However, there was some firming in wages as the average wage index improved to -4 from -14 from 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 11th consecutive month, rising to -23 from -35 last month. The prices paid for materials index was largely unchanged in June at -2 and the prices paid for energy continued to increase. The index rose to 51 from 35 last month and 10 in April. Expectations for prices six months from now for finished goods and materials were

flat while expectations for input prices increased reflecting respondents' improved outlook for future activity.

Expectations

Expectations of economic activity six months from now improved in June. The expectations index for general business activity rose to 36 from 31. Looking at company specific indicators, expectations for future sales, number of employees, weekly hours, customer traffic, and investment were moderately higher. Expectations for prices received and inventories both edged lower to zero. Expectations for business activity in the state and the nation improved, increasing by 12 and 10 points, respectively, to 35 and 34.

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Business Activity Indexes

	Current Conditions			Expectations ¹		
	Jun-09	May-09	Apr-09	Jun-09	May-09	Apr-09
General business assessment²						
In the Nation	-24	-22	-33	34	24	36
In the State	-18	-18	-33	35	23	40
At your Company	0	-16	-2	36	31	43
Company conditions						
Sales	-8	-22	-15	33	29	35
Number of Employees	-17	-28	-18	4	0	4
Weekly Hours	-8	-24	-13	17	9	4
Prices Received	-23	-35	-32	0	3	6
Product Inventories	-15	-23	-44	0	4	6
Customer Traffic or Inquiries	17	-3	-7	35	29	37
Investment in New Equipment/Software	-10	-14	-8	7	0	0
Labor market conditions						
Average Wages	-4	-14	-11	2	21	17
Availability of Labor w/ Skills Needed by Your Company	43	44	52	19	29	35
Price trends						
Prices Paid for Materials	-2	-3	-10	33	24	24
Prices Paid for Energy	51	35	10	45	40	27

Technical notes:

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