

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Deteriorates in July; Expectations Weaken But Remain Positive

Overview

Business activity in Maryland weakened in July according to the results of the latest survey. The general business activity index for Maryland firms was -16 in July, after registering 0 in June. The decline in activity was prompted by a steep drop in customer traffic and deepening declines in other company indicators.

Businesses continued to report falling prices for final goods and services in July. Input prices were mixed — materials prices decreased slightly more than they did in June and energy prices rose, though not as much as in the previous month.

Labor market conditions continued to weaken in July. Employment, hours worked and average wages declined in July, although none of those indexes fell below May levels. The outlook on future activity also weakened. In some indicators, respondents continue to expect expanded activity six months from now while other measures moved into negative territory.

Current Activity

Respondents indicated that general business

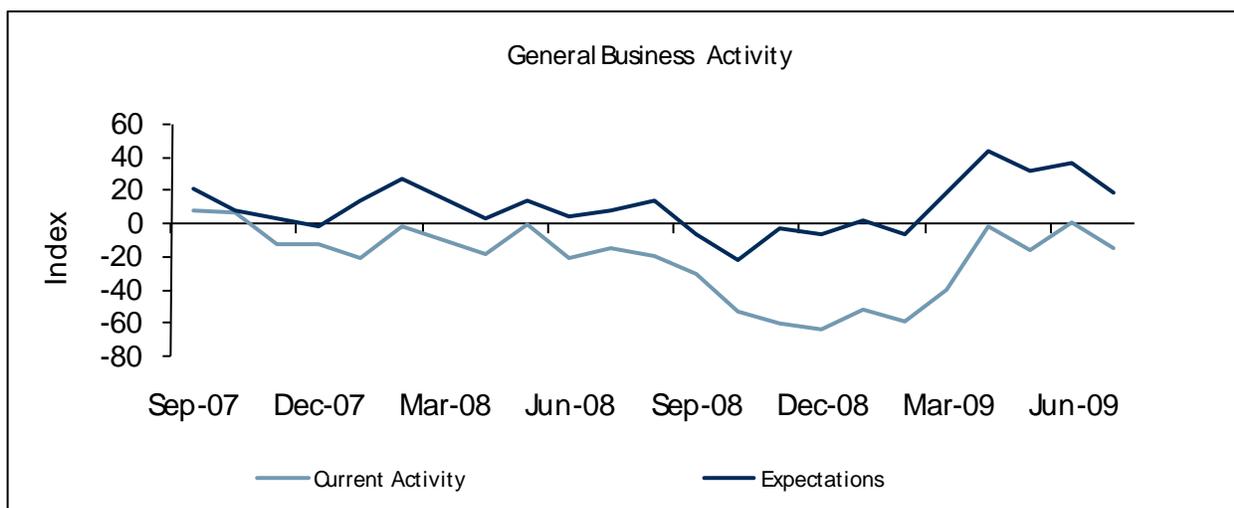
activity weakened considerably in July with the general business conditions index reverting to -16 over the month after it jumped 16 points to 0 in June.

All of the company activity indexes were in negative territory in July. The most significant decrease among these measures was the customer traffic or inquiries index, which fell 29 points to -12 in July. Other notable declines occurred in the investment in new equipment index, which fell from -10 in June to -30 in July, and the sales index, which fell from -8 in June to -20 in July.

The general business activity index for the state and the nation also declined further in July, as Maryland firms saw contracting activity in the state and national economy. The state business activity index fell 11 points to -29 in July while the national business activity index dropped 14 points to -38.

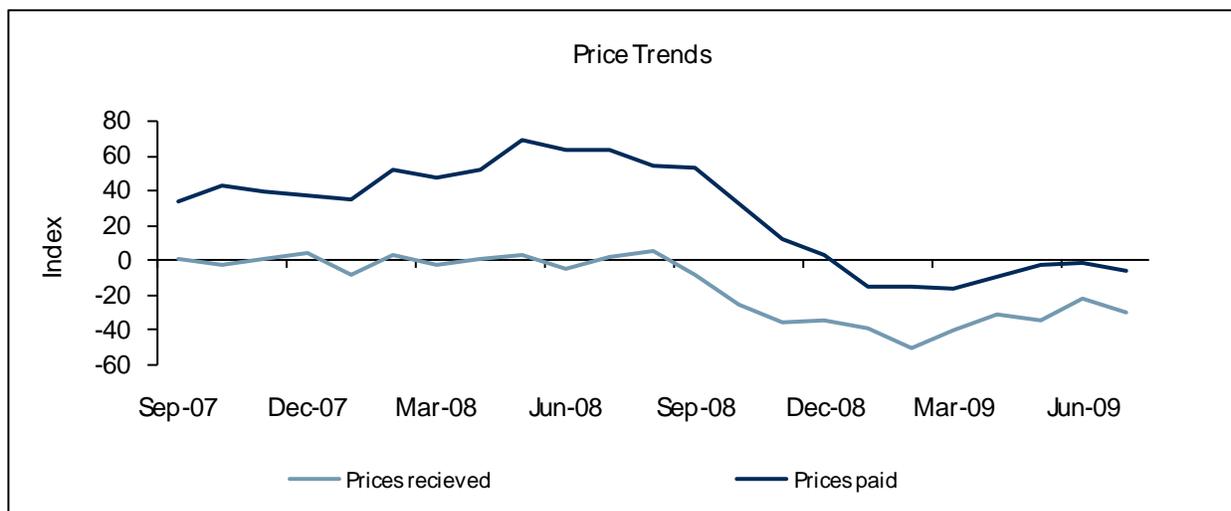
Employment

The labor market remained weak in July as businesses indicated that they continued to cut employment and hours worked. The number of



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employees index fell slightly to -22 from -17 while the index of weekly hours dropped two points to -10. Also consistent with the weak labor market, respondents continued to indicate that skilled workers were less difficult to find — the index measuring the availability of labor needed by the respondents' companies remained high at 41, despite inching down two points in the month. Given the slack in the labor market it was not unexpected that businesses reported lower average wages. The wage index edged down to -6 from -4 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 twelfth consecutive month, falling back to -31 from -23 last month. The prices paid for materials index edged down five points to -7 in July while prices paid for energy continued to increase, albeit at a diminished rate. The index for energy prices dropped to 17 from 51 last month. Meanwhile, respondents expected finished goods prices to fall six months from now as that index fell to -13 from 0 in June and 3 in May. Expectations for input prices were slightly diminished, but remained high, reflecting respondents' improved outlook for future activity.

Expectations

Expectations of economic activity six months from now weakened in July. The expectations index for general business activity fell to 18 from 36. Looking at company specific indicators, expectations fell across the board since June. The expectations index for future sales dropped 18 points to 15. Expectations for the number of employees, weekly hours, and investment were downbeat as those indexes moved from positive territory into negative territory. Meanwhile the expectations index for customer traffic dropped 35 points to 0 from June's reading. Expectations for prices received and inventories both turned negative. Expectations also deteriorated — but remained positive — for business activity in the state and the nation. Those indexes fell 23 points to 12 and 24 points to 10, respectively.

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Business Activity Indexes						
General Business Assessment²	Current Conditions			Expectations¹		
	Jul-09	Jun-09	May-09	Jul-09	Jun-09	May-09
In the Nation	-38	-24	-19	10	34	24
In the State	-29	-18	-18	12	35	23
At Your Company	-16	0	-16	18	36	31
Company Conditions						
Sales	-20	-8	-22	15	33	29
Number of Employees	-22	-17	-28	-2	4	0
Weekly Hours	-10	-8	-24	-6	17	9
Prices Received	-31	-23	-35	-13	0	3
Product Inventories	-12	-15	-23	-3	0	4
Customer Traffic or Inquiries	-12	17	-3	0	35	29
Investment in New Equipment/Software	-30	-10	-14	-29	7	0
Labor Market Conditions						
Average Wages	-6	-4	-14	6	2	21
Availability of Labor w/ Skills Needed by Your Company	41	43	44	36	19	29
Price Trends						
Prices Paid for Materials	-7	-2	-3	30	33	24
Prices Paid for Energy	17	51	35	43	45	40

Technical Notes:

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