

Regional Surveys of Business Activity

Maryland Survey of Business Activity

*Business Activity Flat in August; Near-term Expectations Jump;
Businesses Anticipate Improvement in Labor Market and Pricing Conditions*

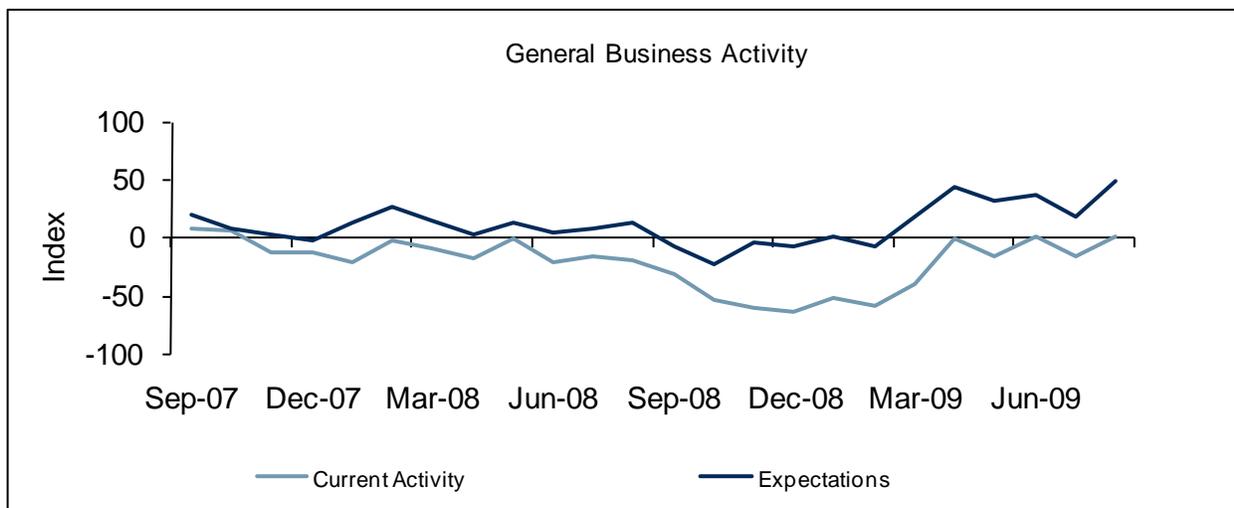
Overview

Business activity in Maryland was flat in August according to the results of the latest survey. The general business activity index for Maryland firms was zero in August after registering -16 in July. A reading of zero indicates that an equal percentage of firms indicated an increase in activity over the month to the percentage of firms indicating a decline. Businesses continued to report a decline in many company specific indicators including sales, employment, and hours worked although the rate of decline moderated in August. Final goods and services prices were lower for the thirteenth straight month. The outlook on future activity improved considerably in August. Businesses were considerably more optimistic about activity six months from now.

Current Activity

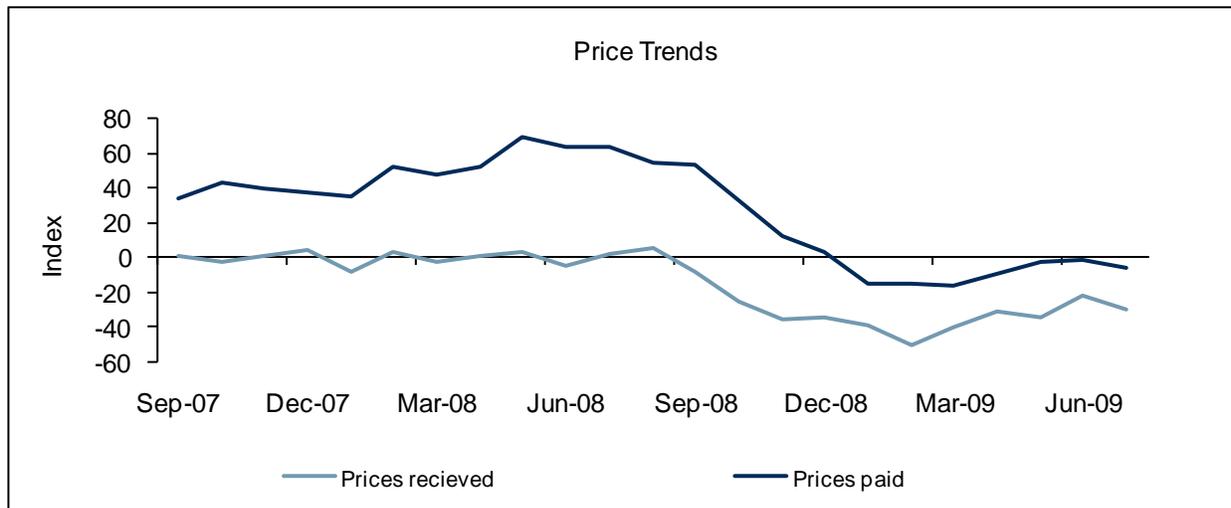
Respondents indicated that business activity leveled out in August with the general business

conditions index rebounding to zero over the month after it fell 16 points to -16 in July. Most company specific activity measures remained in negative territory, indicating a decline, however the decline was more moderate in August. The sales index improved to -9 from -20 while the investment in new equipment index rose 8 points to -12. Notably, the customer traffic or inquiries index rebounded to 7 in August after dropping 29 points in July to a reading of -12. Businesses continued to report cuts in inventories and the pace accelerated in August with the inventories index falling 11 points to -23 suggesting that businesses are still struggling to get inventories in line with the current sales pace. The general business activity index for the state and the nation both improved in August with the state index rising 22 points and the national index jumping 31 points. However, the indexes still indicated a contraction in activity as both measures remained below zero at -7.



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Employment

The labor market remained weak in August as businesses indicated that they continued to cut employment and hours worked. The number of employees index rose slightly to -16 from -22 while the index of weekly hours increased 6 points to -4. 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 decreased 14 points to 27. Despite the slack in the labor market the wage index edged up to 0 from -6 last month.

Prices

Respondents continued to report a weak pricing environment. Firms reported lower prices for final goods and services as well as for input prices for materials. The prices received index remained in negative territory for the thirteenth consecutive month, although improved slightly by 13 points to -18. The prices paid for materials index edged back to -2 from -7 in August while prices paid for energy continued to increase. The index for energy prices rose to 23 from 17 last month. Meanwhile, respondents expected much stronger pricing conditions six months from now with firmer finished goods prices and considerably higher input prices. The expectations index for final goods prices rose 33 points to 20 in August—the highest reading in the short history of the survey.

Expectations

Expectations of economic activity six months from now jumped in August. The expectations index for general business activity increased to 49 from 18 last month. The expectations index for future sales also rose 31 points in August, rising to 46 from 15. Expectations for labor market conditions improved notably with the number of employees, weekly hours, and average wages all rising sharply. Businesses also indicated they anticipate an increase in investment over the next six months as that index rose to 11 from -29 last month. Expectations for the state and national economy likewise improved considerably in August rising 38 and 42 points to 48 and 54, respectively.

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Business Activity Indexes

	Current Conditions			Expectations ¹		
	Aug-09	Jul-09	Jun-09	Aug-09	Jul-09	Jun-09
General business assessment²						
In the Nation	-7	-38	-24	48	10	34
In the State	-7	-29	-18	54	12	35
At Your Company	0	-16	0	49	18	36
Company conditions						
Sales	-9	-20	-8	46	15	33
Number of Employees	-16	-22	-17	15	-2	4
Weekly Hours	-4	-10	-8	28	-6	17
Prices Received	-18	-31	-23	20	-13	0
Product Inventories	-23	-12	-15	0	-3	0
Customer Traffic or Inquiries	7	-12	17	44	0	35
Investment in New Equipment/Software	-12	-30	-10	11	-29	7
Labor market conditions						
Average Wages	0	-6	-4	23	6	2
Availability of Labor w/ Skills Needed by Your Company	27	41	43	13	36	19
Price trends						
Prices Paid for Materials	-2	-7	-2	42	30	33
Prices Paid for Energy	23	17	51	47	43	45

Technical Notes:

¹ Expectations refer to the time period six months out from the survey period.

² All firms surveyed are located within Maryland.