

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Declines in September But Firms Remain Optimistic; Businesses Continue to Adjust Inventories and Cut Investment Spending

Overview

Business activity in Maryland declined in September according to the results of the latest survey. The general business activity index for Maryland firms edged down to -9 in September after registering 0 in August. Businesses continued to report declines in many company specific indicators including sales, prices, employment, and hours worked with the rate of decline increasing for most indicators. Despite the weak current conditions, the outlook for future activity remained positive. Expectations for business activity six months from now moderated in September but remained positive.

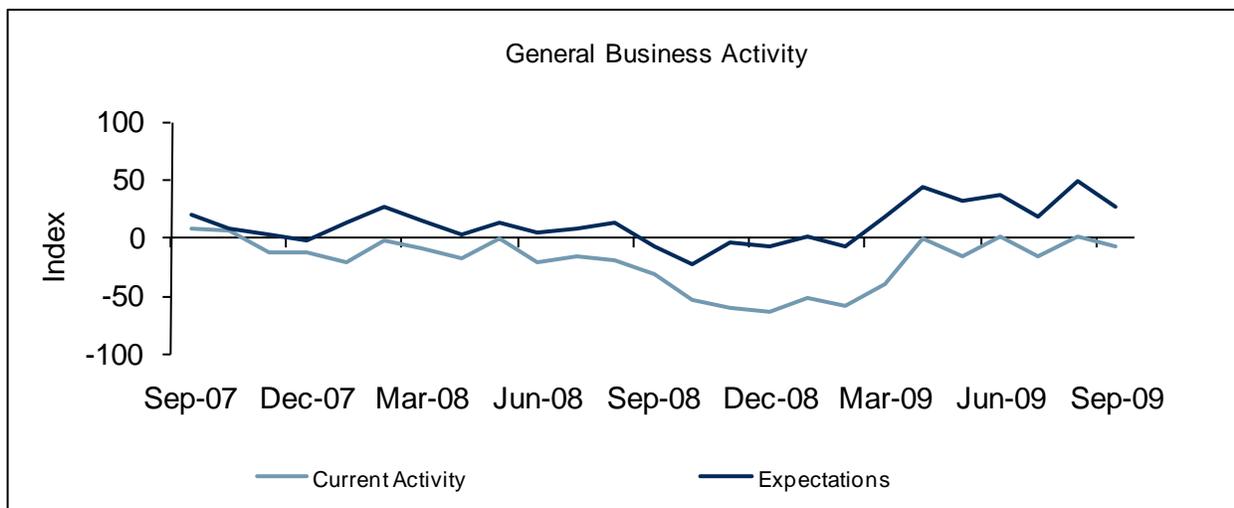
Current Activity

Respondents indicated that business activity declined in September with the general business conditions index declining to -9 from 0 last month. Most company specific activity measures remained in negative territory with the pace of the decline increased from last month in most cases.

The sales index dropped four points to -13 while the customer traffic or inquiries index declined seven points to a reading of 0. Not surprisingly, given the weak economic environment businesses continued to report lower investment spending on equipment and software along with cuts in inventories. The investment and inventories indexes fell 14 and nine points to -26 and -32, respectively. The ongoing decline in inventories indicates that businesses are still attempting to get inventories in line with the slower rate of sales. The general business activity index for the state and the nation also declined in September with the state index edging lower by four points to -11 and the national index dropping eight points to -15.

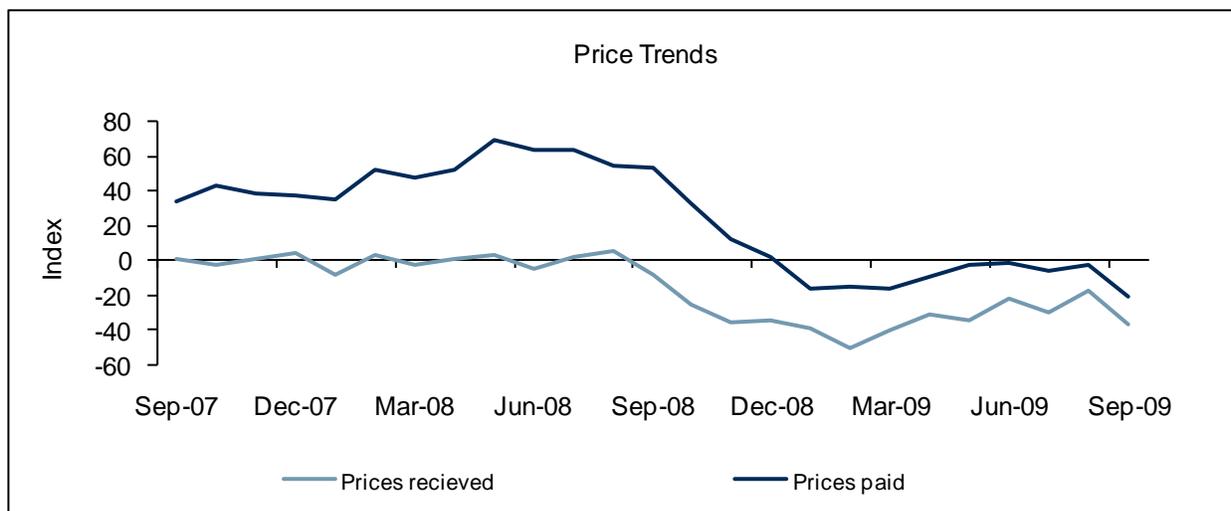
Employment

The labor market remained weak in September as businesses indicated that they continued to cut employment and hours worked. The number of employees index rose to -6 from -16 in August indicating an easing in the rate of job loss,



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however. Despite the improvement in the employment index, the index of weekly hours decreased nine points to -13. 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 edged lower two points to 25. Despite the slack in the labor market the wage index registered 0 for the second consecutive 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 14th consecutive month, dropping 20 points to -38 in September. The prices paid for materials index also fell sharply this month to -21 from -2. In contrast, businesses reported higher energy costs in September although the increase was more moderate than last month. Expectations for pricing conditions for final goods and services retreated into negative territory this month after jumping higher in August. The expectations index for prices received dropped 27 points to -7. Despite expectations for lower output prices, business expect higher input prices for materials and energy prices six months from now.

Expectations

Expectations of economic activity six months from now moderated in September. The expectations index for general business activity at respondent's companies decreased to 27 from 49 last month. Similarly, the expectations index for future sales declined to 28 from 46 and expectations for customer traffic or inquiries fell sharply. However, expectations for labor market conditions remained positive in September with the number of employees, weekly hours, and average wages indexes each remaining above 0. Expectations of economic activity six months from now for the state and national economy moderated in September but remained solidly positive.

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Business Activity Indexes

General Business Assessment ²	Current Conditions			Expectations ¹		
	Sep-09	Aug-09	Jul-09	Sep-09	Aug-09	Jul-09
In the Nation	-11	-7	-38	30	48	10
In the State	-15	-7	-29	23	54	12
At your Company	-9	0	-16	27	49	18
Company Conditions						
Sales	-13	-9	-20	28	46	15
Number of Employees	-6	-16	-22	4	15	-2
Weekly Hours	-13	-4	-10	11	28	-6
Prices Received	-38	-18	-31	-7	20	-13
Product Inventories	-32	-23	-12	-6	0	-3
Customer Traffic or Inquiries	0	7	-12	11	44	0
Investment in New Equipment/Software	-26	-12	-30	-2	11	-29
Labor Market Conditions						
Average Wages	0	0	-6	27	23	6
Availability of Labor w/ Skills Needed by Your Company	25	27	41	20	13	36
Price Trends						
Prices Paid for Materials	-21	-2	-7	25	42	30
Prices Paid for Energy	12	23	17	48	47	43

Technical Notes:

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

² All firms surveyed are located within Maryland.