

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Edges Lower in November; Businesses Report a Decline in Sales, Customer Inquiries, and Labor Conditions

Overview

Business activity in Maryland edged lower in November according to the latest survey results. The general business activity index for Maryland declined to -2 in November after registering 12 in October. Businesses reported a decline in each of the specific indicators of activity including sales, inventories, customer traffic, investment, prices, and labor conditions. Despite the decline in activity, however, expectations for business activity in the near future remained positive.

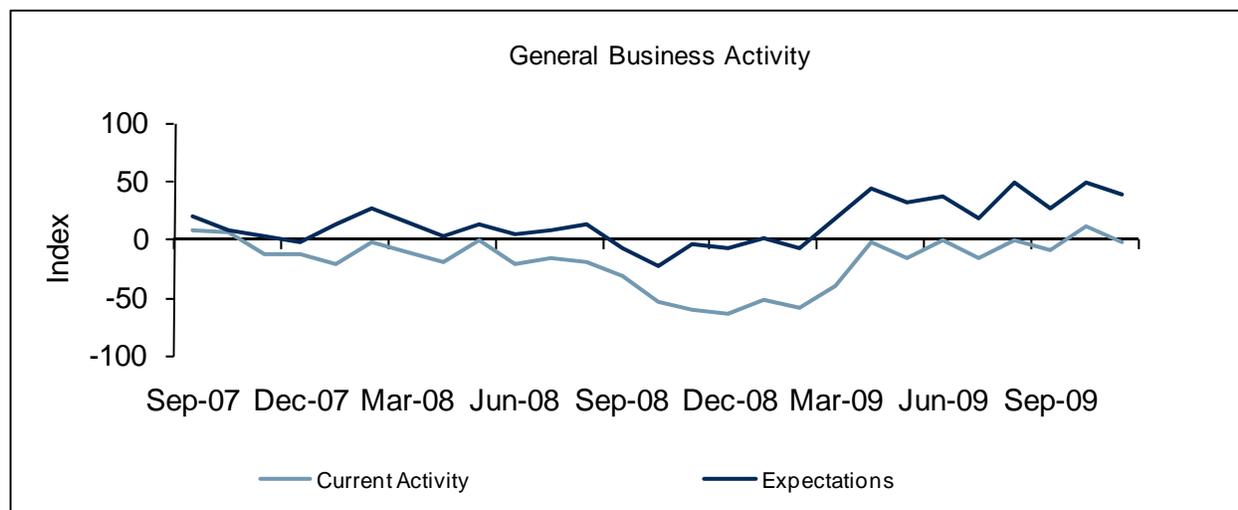
Current Activity

Respondents indicated that business activity edged lower in November with the general business conditions index declining to -2 from 12 last month. After posting its first increase in two years, sales dropped in November as the sales index fell to -19 from 5 last month. Respondents also reported a drop in customer traffic. The index for customer traffic or inquiries declined 16

percentage points to -11. Businesses continued to report a decline in inventories; however the rate of decline continued to moderate suggesting that businesses are having greater success in getting inventories in line with the slower rate of sales. Investment in new equipment and software fell once again in November. Respondents' views of the state and national economy improved however. The general business activity index for the state and the nation improved with the state index edging higher by 5 points to -2 and the national index increasing by 14 points to 9.

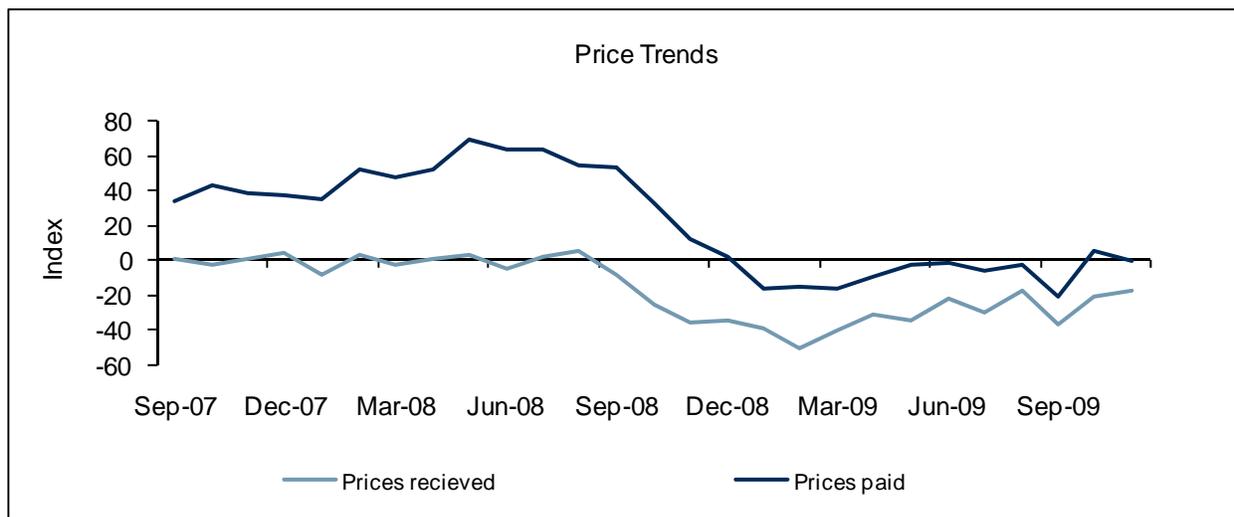
Employment

Labor market conditions remained weak in November with declines in employment and hours worked. The number of employees index declined by 4 points to -4 while the index of weekly hours edged down to -6. There has been notable improvement in labor market conditions over the past several months. The number of employees index has averaged -3 over the past three months,



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considerably better than the -23 average over the first eight months of the year. In addition, the survey results are consistent with other indicators suggesting that labor market is beginning to stabilize. With weak employment conditions and declining hours it is not surprising that firms continue to report lower wages. The index for average wages declined to -9 from -2 last month. As has been the case since the start of the recession, firms report little difficulty finding labor with skills needed by their company. Despite weaker conditions currently, the labor market is expected to improve over the next six months with higher levels of employment, increased hours worked, and higher average wages.

Prices

Businesses reported that prices received for final goods and services remained weak in November while energy prices firmed. The prices received index remained in negative territory for the fifteenth consecutive month, edging up to -18 from -21 last month. The prices paid for materials index was flat while businesses continued to report increasing energy costs. Expectations for pricing conditions for final goods and services improved for the second straight month increasing to 7 from 0 last month. Businesses expect prices for materials and energy to increase over the next six months.

Expectations

Expectations of economic activity six months from now remained positive in November. The expectations index for general business activity at respondent's companies declined to 39 from 49 last month. Similarly, the expectations index for future sales dropped to 33 from 45 while the expectations for customer traffic or inquiries index was essentially unchanged at 39. Additionally, respondents anticipate higher inventories and an increase in investment spending over the next six months. Expectations of economic activity for the state and national economy also edge lower but remained solidly positive in November at 39 and 33, respectively.

Contact

Andy Bauer

Regional Economist
Regional Economics Department
Federal Reserve Bank of Richmond
Baltimore Branch
Office 410- 576- 3392 · Fax 410- 576- 3391
andy.bauer@rich.frb.org
www.richmondfed.org

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Business Activity Indexes						
General Business Assessment²	Current Conditions			Expectations¹		
	Nov-09	Oct-09	Sep-09	Nov-09	Oct-09	Sep-09
In the Nation	9	-5	-11	33	45	30
In the State	-2	-7	-15	39	43	23
At your Company	-2	12	-9	39	49	27
Company Conditions						
Sales	-19	5	-13	33	45	28
Number of Employees	-4	0	-6	9	2	4
Weekly Hours	-6	-7	-13	17	5	11
Prices Received	-18	-21	-38	7	0	-7
Product Inventories	-4	-10	-32	11	11	-6
Customer Traffic or Inquiries	-11	5	0	39	40	11
Investment in New Equipment/Software	-23	-17	-26	17	13	-2
Labor Market Conditions						
Average Wages	-9	-2	0	25	24	27
Availability of Labor w/ Skills Needed by Your Company	31	44	25	23	29	20
Price Trends						
Prices Paid for Materials	0	5	-21	39	22	25
Prices Paid for Energy	28	22	12	40	51	48

Technical Notes:

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

² All firms surveyed are located within Maryland.