

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Edges Higher in December Although Underlying Conditions Remain Weak; Expectations for Activity in the Near-Term Strengthens Considerably

Overview

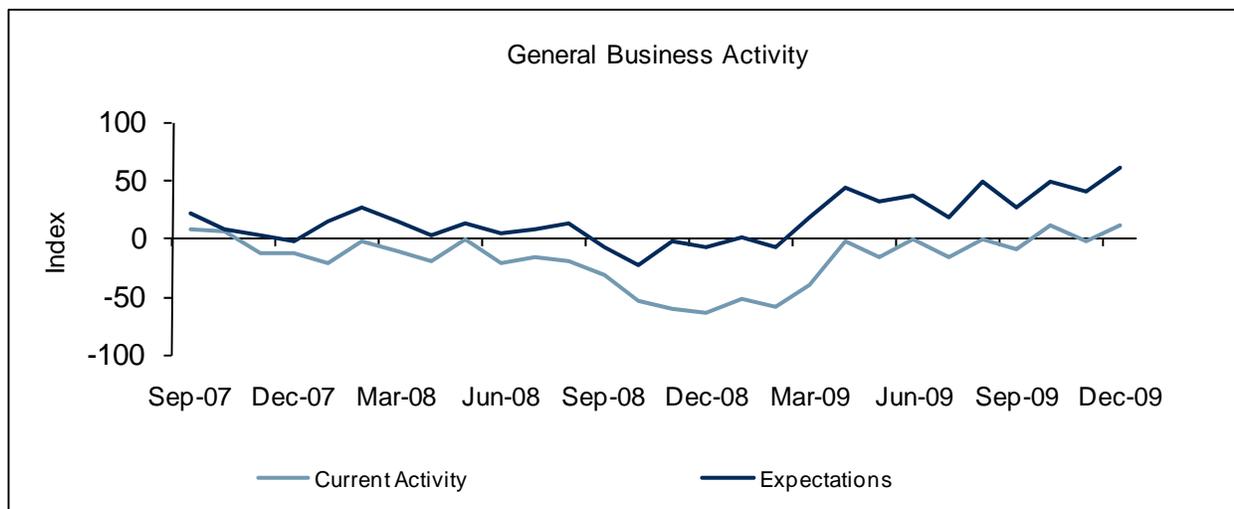
Business activity in Maryland edged higher in December according to the latest survey results. The general business activity index rose to 11 in December after registering -2 last month. However, despite the improvement in general business conditions respondents reported declines in most specific company indicators of activity including sales, employment, hours worked, prices, inventories and investment. These declines indicate that overall business conditions remain weak. Expectations for activity six months from now strengthened considerably. Survey respondents anticipate increases in business activity over the next six months with significantly higher sales, labor demand, prices and investment.

Current Activity

The survey results for December indicated that business activity increased modestly in Maryland

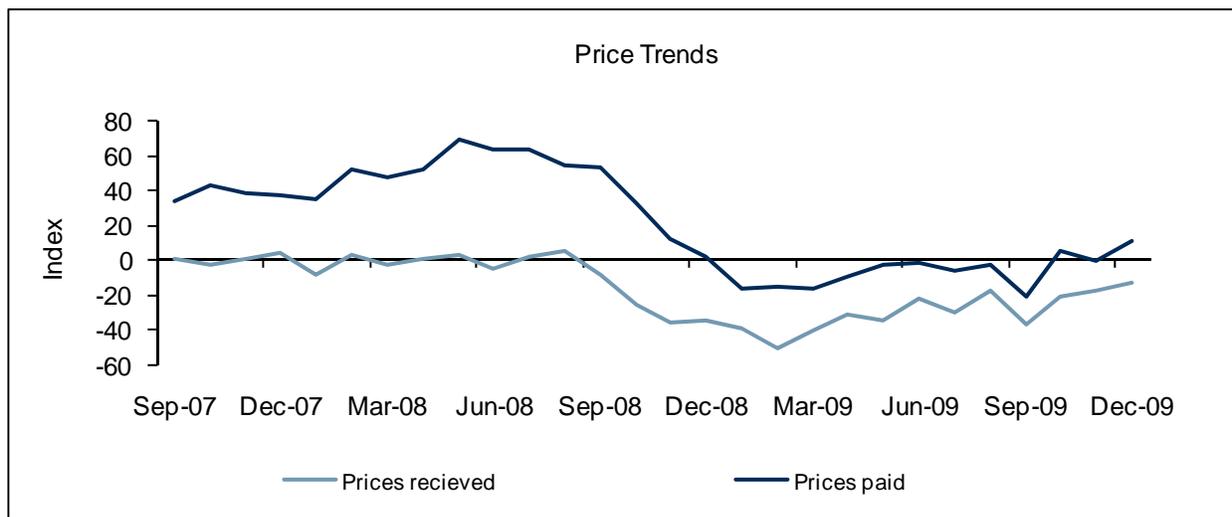
with the general business conditions index rising 13 points to 11. However, respondents indicated that conditions continued to weaken in key areas. Sales declined, but at a slower rate than in November, with the sales index rising 10 points to -9. Businesses are still cutting inventories to adjust to the decline in the sales rate. The index for product inventories declined 11 points to -15. Investment in new equipment and software continued to be postponed or canceled with the index registering -11. The index has remained negative since the end of 2007. On a more positive note, businesses reported a slight uptick in customer traffic.

Respondents' views of the state and national economy improved again in December. For the first time since the beginning of the survey (September 2007) the general business activity indexes for the state and the nation were positive. The state index rose 17 points to 15 while the national index rose 7 points to 16.



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Employment

Labor market conditions weakened in December as survey respondents reported declines in employment and hours worked. The number of employees index declined by 13 points to -17 indicating that the pace of job loss increased. The index of weekly hours dropped 7 points to -13 also indicating a greater decline in demand for labor for the month. Wage growth was flat reflecting the weak employment conditions and declining hours. Despite the current weakness in the labor market and uneven business activity, survey respondents expect a strong increase in labor demand over the next six months. The number of employees index and hours worked index both jumped in December to their highest levels since the beginning of the survey. Close to 50 percent of the businesses surveyed anticipate hiring over the next six months.

Prices

Businesses reported that prices received for final goods and services remained weak in December while input prices rose moderately. The prices received index remained in negative territory for the sixteenth consecutive month, edging down to -13 from -18 last month. The prices paid for materials index increased to 11 from 0 while energy costs rose but at a lesser rate than last month. Expectations for pricing conditions for final

goods and services rose sharply in December. Businesses continue to expect prices for materials and energy to increase over the next six months.

Expectations

Expectations of economic activity six months from now strengthened considerably in December. The expectations index for general business activity at respondent's companies jumped to 60 from 39 last month—the highest level in the history of the survey. Expectations for sales, customer traffic, and investment also rose sharply. Expectations of economic activity for the state and national economy also increased with the state index up 12 points to 51—another survey high—and the national index up 7 points to 40.

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 Assessment ²	Current Conditions			Expectations ¹		
	Dec-09	Nov-09	Oct-09	Dec-09	Nov-09	Oct-09
In the Nation	16	9	-5	40	33	45
In the State	15	-2	-7	51	39	43
At your Company	11	-2	12	60	39	49
Company Conditions						
Sales	-9	-19	5	57	33	45
Number of Employees	-17	-4	0	42	9	2
Weekly Hours	-13	-6	-7	36	17	5
Prices Received	-13	-18	-21	27	7	0
Product Inventories	-15	-4	-10	6	11	11
Customer Traffic or Inquiries	4	-11	5	59	39	40
Investment in New Equipment/Software	-11	-23	-17	33	17	13
Labor Market Conditions						
Average Wages	0	-9	-2	38	25	24
Availability of Labor w/ Skills Needed by Your Company	38	31	44	13	23	29
Price Trends						
Prices Paid for Materials	11	0	5	35	39	22
Prices Paid for Energy	13	28	22	38	40	51

Technical Notes:

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

² All firms surveyed are located within Maryland.