

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Unchanged in January, Expectations for Activity Six Months from Now Remain Strong

Overview

Business activity in Maryland was essentially unchanged in January from last month according to the latest survey results. The general business activity index declined to -2 from 11 in December indicating that by a very small margin more firms reported a decline in activity in January than reported an increase. Respondents also reported declines in most of the specific company indicators of activity including sales, employment, hours worked, prices received, inventories and investment. However, expectations for activity six months from now remained very strong for a second consecutive month. Survey respondents anticipate increases in business activity over the next six months with significantly higher sales, labor demand, prices and investment.

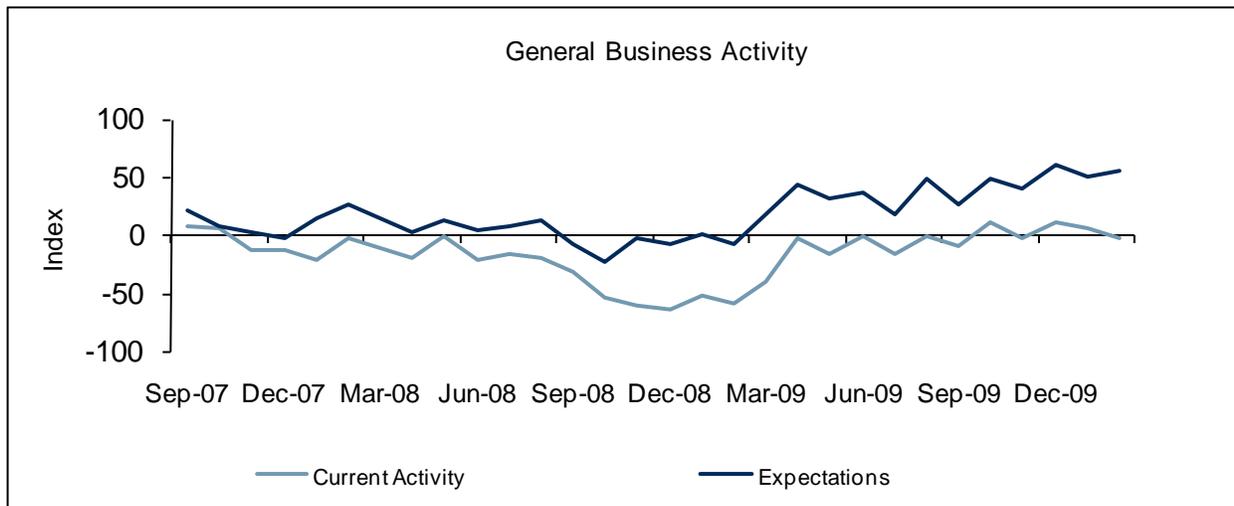
points from 11 in December. Respondents reported declines in many specific indicators of activity. Sales decreased again with the sales index edging down by one point to -10. The index for product inventories fell 14 points to -29 indicating that businesses continue to cut inventories to bring them in line with the lower sales pace. The index for investment in new equipment and software remained in negative territory at -14 as firms continue to postpone or cancel investment projects. Despite the weaker business conditions, however, respondents reported another modest increase in customer traffic. Respondents' views of the state and national economy remained positive in January. The business activity indexes for the state and the nation each stood at 11, down from 15 and 16 in December, respectively.

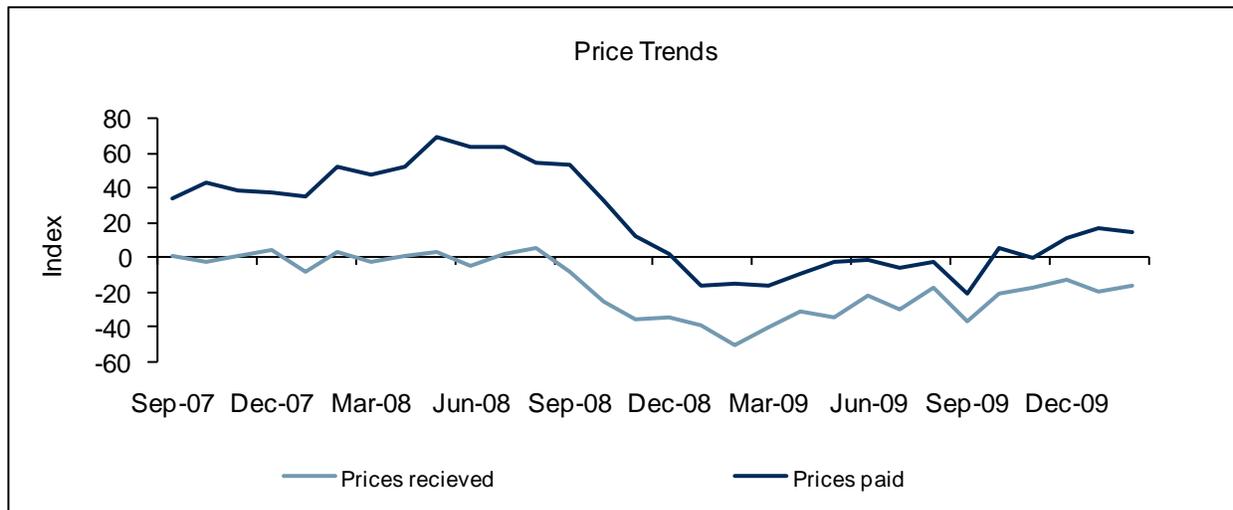
Current Activity

The survey results for January indicated that business activity was essentially unchanged in Maryland from the previous month with the general business conditions index registering -2, down 13

Employment

Labor market conditions remained weak in January as survey respondents reported declines in employment and hours worked. The number of





employees index improved by 13 points to -4 indicating that the pace of job loss moderated. The index of weekly hours rose seven points to -6, also indicating less of a decline in the demand for labor. Wage growth was essentially flat reflecting the weak employment conditions and declining hours.

Survey respondents anticipate a strong increase in labor demand despite the current weakness in the labor market and uneven business activity. Looking at respondents' expectations six months from now, the number of employees and hours worked indexes remained strong in January after a sharp increase in December. Close to a majority of respondents indicated that they will be expanding their workforce over the next six months.

Prices

Businesses reported that prices received for final goods and services remained weak in January while input prices increased. The prices received index remained in negative territory for the seventeenth consecutive month, declining by 4 points to -17. Prices paid for materials and energy both increased, with the materials index edging up to 14 from 11 and the energy index rising 14 points to 27. Expectations for pricing conditions for final goods and services eased somewhat in January but remained firm. 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 remained strong in January. The expectations index for general business activity at respondent's companies eased to 55 from 60 last month. Expectations for sales, customer traffic, and investment also moderated slightly but remained at very high levels. Expectations of economic activity for the state and national economy also remained firm registering 47 and 46, respectively.

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Business Activity Indexes

General Business Assessment ²	Current Conditions			Expectations ¹		
	Jan-10	Dec-09	Nov-09	Jan-10	Dec-09	Nov-09
In the Nation	11	16	9	46	40	33
In the State	11	15	-2	47	51	39
At your Company	-2	11	-2	55	60	39
Company Conditions						
Sales	-10	-9	-19	55	57	33
Number of Employees	-4	-17	-4	37	42	9
Weekly Hours	-6	-13	-6	28	36	17
Prices Received	-17	-13	-18	14	27	7
Product Inventories	-29	-15	-4	-6	6	11
Customer Traffic or Inquiries	6	4	-11	52	59	39
Investment in New Equipment/Software	-14	-11	-23	27	33	17
Labor Market Conditions						
Average Wages	2	0	-9	22	38	25
Availability of Labor w/ Skills Needed by Your Company	29	38	31	12	13	23
Price Trends						
Prices Paid for Materials	14	11	0	40	35	39
Prices Paid for Energy	27	13	28	46	38	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.