

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Declines Sharply in February Due to Record Snowfall; Expectations for Activity Six Months from Now Remain Positive

Overview

Business activity in Maryland dropped sharply in February according to the latest survey results. The general business activity index declined to -23 from -2 in January as a result of record snowfall that dramatically curtailed economic activity across the state. The decline in activity was reflected in all of the specific company indicators of activity. However, expectations for activity six months from now remained strong for a third consecutive month. Survey respondents anticipate increases in business activity over the next six months with significantly higher sales, labor demand, prices and investment.

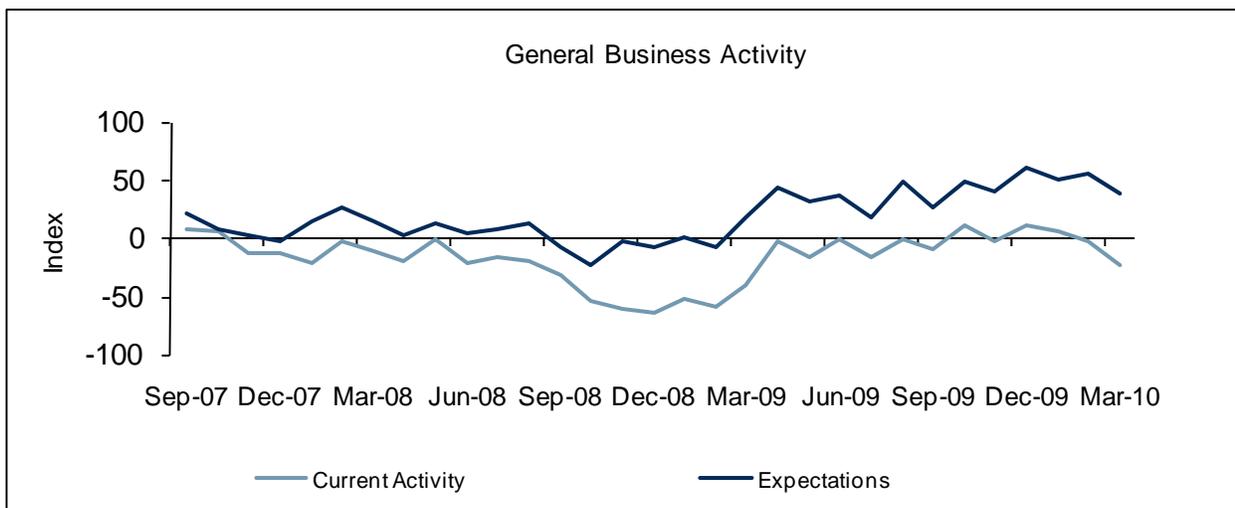
Current Activity

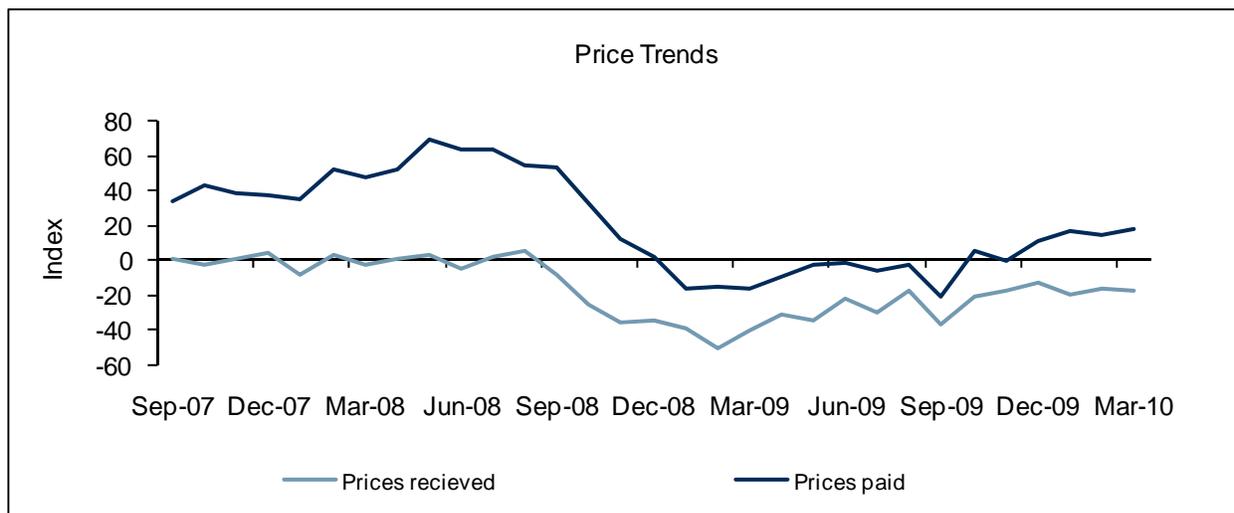
The survey results for February indicated that record snowfall had a substantial impact on business activity in Maryland. The general business conditions index registered -23, its lowest reading since March of last year when the U.S. economy was contracting sharply. Respondents reported declines in each of the specific indicators

of activity. Sales plummeted with the index falling to -44, its lowest level since February 2009. Customer traffic or inquires also declined considerably as the index dropped 20 points to -14. Inventory adjustment and investment plans were not as impacted by the disruption however. The indexes for product inventories and investment remained in negative territory but moderated from last month. Respondents' views of the state and national economy also fell in February. The business activity indexes for the state and the nation dropped to -30 and -11, respectively, from 11 in January.

Employment

Labor market conditions worsened in February as an already weak labor market was negatively impacted by the snowstorms. Respondents reported additional declines in employment and hours worked. The number of employees index declined 10 points to -14, indicating greater job loss in February. The index of weekly hours also dropped considerably as a result of business





closings. Not surprisingly, the declines in activity and hours worked was reflected in average wages. The index for average wages decreased 14 points to -12.

Survey respondents anticipate a solid increase in labor demand despite the current weakness in the labor market and the decline in business activity in February. Looking at respondents' expectations six months from now, the number of employees index dropped 20 points but remained solidly positive at 17, while the hours worked index edged down to 24 from 28 last month. Slightly more than one-third 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 February while input prices increased. The prices received index remained in negative territory for the eighteenth consecutive month, edging down by one point to -18. Prices paid for materials and energy both increased from last month, with the materials index registering 18, up four points from last month, and the energy index remaining at 27. Expectations for pricing conditions for final goods and services remained positive, with the index at 8, but declined for the second month. 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 moderated in February but remained relatively strong. The expectations index for general business activity at respondent's companies decreased to 38 from 55 last month. Expectations for sales, customer traffic, and investment also moderated but remained positive. Expectations of economic activity for the state and national economy also edged lower but remained at relatively solid levels at 28 and 30, respectively.

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Business Activity Indexes

| General Business Assessment ² | Current Conditions | | | Expectations ¹ | | |
|--|--------------------|--------|--------|---------------------------|--------|--------|
| | Feb-10 | Jan-10 | Dec-09 | Feb-10 | Jan-10 | Dec-09 |
| In the Nation | -11 | 11 | 16 | 30 | 46 | 40 |
| In the State | -30 | 11 | 15 | 28 | 47 | 51 |
| At your Company | -23 | -2 | 11 | 38 | 55 | 60 |
| Company Conditions | | | | | | |
| Sales | -44 | -10 | -9 | 43 | 55 | 57 |
| Number of Employees | -14 | -4 | -17 | 17 | 37 | 42 |
| Weekly Hours | -20 | -6 | -13 | 24 | 28 | 36 |
| Prices Received | -18 | -17 | -13 | 8 | 14 | 27 |
| Product Inventories | -13 | -29 | -15 | 8 | -6 | 6 |
| Customer Traffic or Inquiries | -14 | 6 | 4 | 37 | 52 | 59 |
| Investment in New Equipment/Software | -9 | -14 | -11 | 0 | 27 | 33 |
| Labor Market Conditions | | | | | | |
| Average Wages | -12 | 2 | 0 | 17 | 22 | 38 |
| Availability of Labor w/ Skills Needed by Your Company | 30 | 29 | 38 | 21 | 12 | 13 |
| Price Trends | | | | | | |
| Prices Paid for Materials | 18 | 14 | 11 | 32 | 40 | 35 |
| Prices Paid for Energy | 27 | 27 | 13 | 45 | 46 | 38 |

Technical Notes:

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

² All firms surveyed are located within Maryland.