

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Strengthens in April: Strong Increase in Sales and Customer Inquiries, Expectations for Future Activity Remain Robust

Overview

According to the latest survey results, business activity rose solidly in April. The general business activity index rose to 25 from 14, its highest level since the beginning of the survey in September 2007. The increase in activity was reflected in most of the specific company indicators of activity. Expectations for activity six months from now remained robust with a solid majority of survey respondents anticipating increases in general business activity. Respondents expect sales, labor demand, prices, and investment to increase over the next six months.

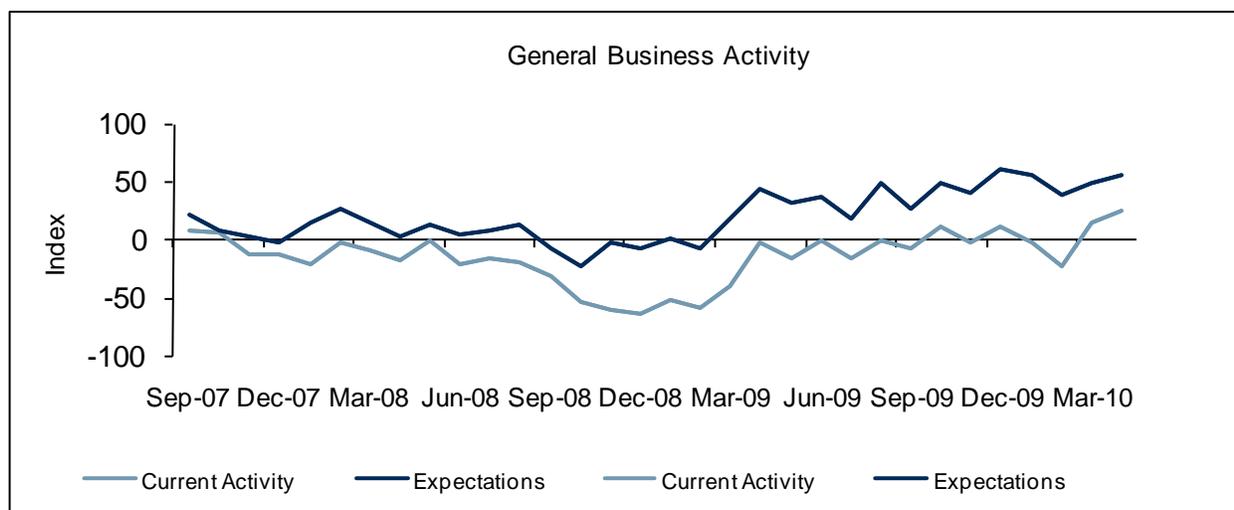
Current Activity

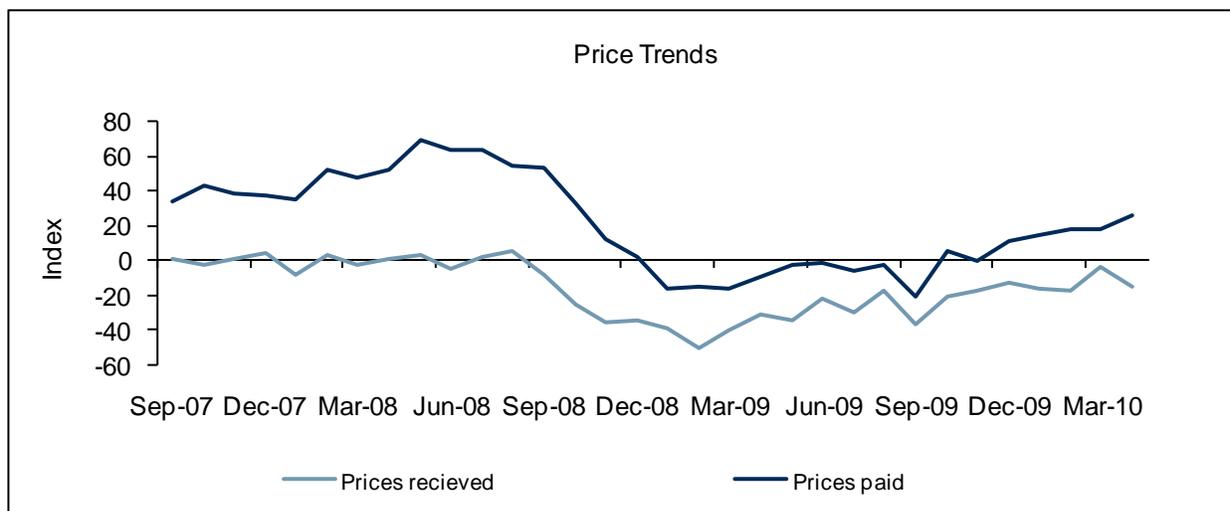
The April survey results indicated that business activity increased solidly as the general business conditions index rose to 25 from 14, its highest reading in the history of the survey. With the exception of prices received, there was improvement in each of the specific indicators of

activity. Notably, the sales and customer traffic or inquiries indexes both jumped to a record high in April. The sales index rose to 25 from 4 last month while the customer traffic or inquiries index increased to 36 from 10. For the first time since the sharp downturn in activity in late 2008, the product inventories index registered a positive reading, suggesting that businesses are more comfortable with current inventory levels. Investment in equipment and software increased in April for the first time since the beginning of the recession, with the index rising to 4 from -2. The business activity indexes for the state and the nation continued to strengthen, increasing to 29 and 36, respectively, from 20 and 24 in March.

Employment

Although the labor market remains weak, conditions improved in April as the number of employees at respondents' firms stabilized and the workweek improved. The number of employees index rose to 0 from -4 last month while the index





of weekly hours rose to 9 from -4. Despite the weak labor conditions, the index for average wages remained positive at 9, essentially unchanged from last month.

Survey respondents anticipate an increase in business activity over the next six months that will result in a greater demand for labor. Looking at respondents' expectations six months from now, the number of employees index declined nine points to 26 while the hours worked index increased nine points to 35. Roughly 40 percent 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 continued to decline in April. The prices received index decreased to -16 from -4 while the prices paid for materials and energy indexes both increased. The materials index rose to 25 from 17 while the energy index jumped 18 points to 43. Firms continue to expect pricing conditions to improve with final goods prices rising over the next six months. Expectations for prices for materials and energy jumped this month to their highest levels since fall 2008.

Expectations

Expectations of economic activity six months from now improved in April. The expectations index for

general business activity at respondent's companies increased to 55 from 48. Over 60 percent of respondents anticipate greater business activity six months from now. Expectations for sales, customer traffic, and investment also rose, with two-thirds of respondents expecting higher sales and customer activity. Roughly one-third of businesses anticipate increasing inventories and investing in new equipment or software over the next six months. Expectations of economic activity for the state and national economy also strengthened this month to 59 and 69, respectively.

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Business Activity Indexes

General Business Assessment ²	Current Conditions			Expectations ¹		
	Apr-10	Mar-10	Feb-10	Apr-10	Mar-10	Feb-10
In the Nation	36	24	-11	69	49	30
In the State	29	20	-30	59	51	28
At your Company	25	14	-23	55	48	38
Company Conditions						
Sales	25	4	-44	50	56	43
Number of Employees	0	-4	-14	26	37	17
Weekly Hours	9	-4	-20	35	26	24
Prices Received	-16	-4	-18	17	18	8
Product Inventories	3	-5	-13	15	3	8
Customer Traffic or Inquiries	36	10	-14	53	48	37
Investment in New Equipment/Software	4	-2	-9	16	23	0
Labor Market Conditions						
Average Wages	9	8	-12	40	36	17
Availability of Labor w/ Skills Needed by Your Company	16	24	30	-6	13	21
Price Trends						
Prices Paid for Materials	25	17	18	48	37	32
Prices Paid for Energy	43	25	27	63	37	45

Technical Notes:

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

² All firms surveyed are located within Maryland.