

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Business Activity Unexpectedly Declines in July: Sales And Customer Traffic Edge Lower; Expectations Moderate But Remain Positive*

### Overview

According to the latest survey results, business activity unexpectedly fell in July after registering increases in the previous four months. The general business activity index dropped to -5 from 15 last month. Respondents reported a decline in sales, no change in customer traffic or inquiries, and lower prices compared to June. Expectations for activity six months from now moderated but remained solid, with just less than 50 percent of survey respondents anticipating an increase in general business activity at their company. However, expectations for the state and national economy dropped sharply.

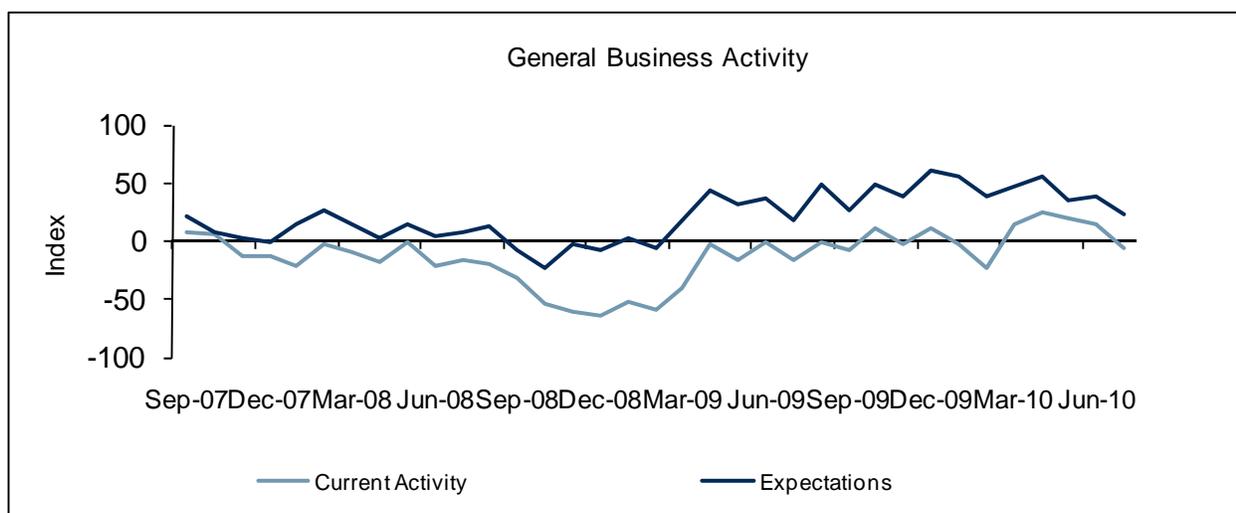
### Current Activity

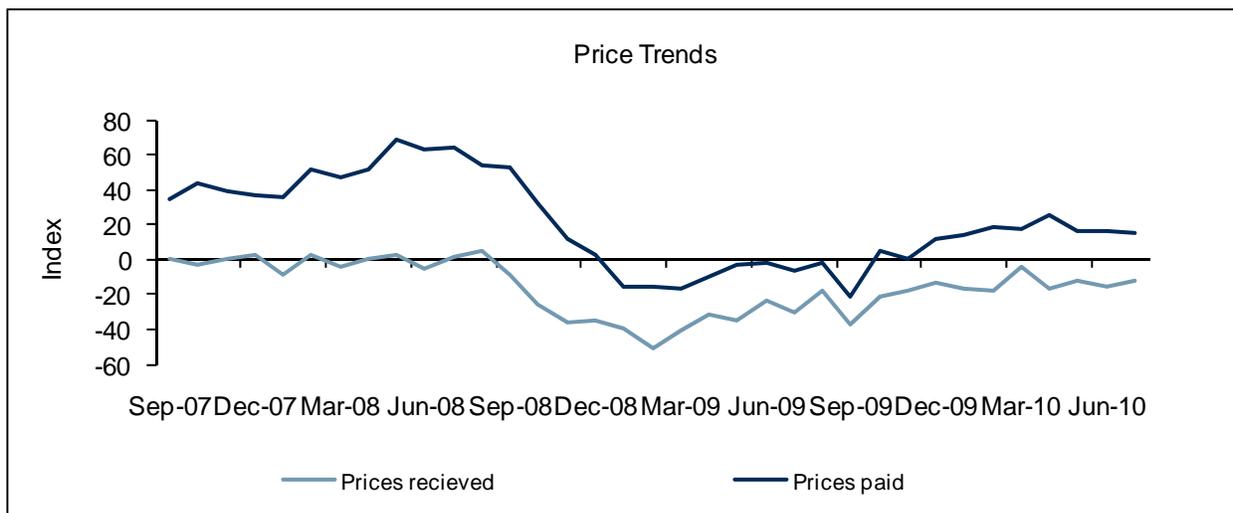
The latest survey results indicated that business activity edged lower in July as the general business conditions index registered -5, the first negative reading since February. While recent results from other Federal Reserve surveys have been mixed, with a number of them indicating a

slowdown in activity in July, the drop in Maryland was unexpected. The weakness in July was also noted in the specific indicators of activity. The sales index declined to -5 from 10 last month and the customer traffic or inquiries index was flat—both readings are the lowest since February. In addition, respondents noted that inventories and investment in equipment and software were unchanged. According to the survey respondents, the decline in activity was not limited to their businesses. The business activity indexes for the state and the nation both fell into negative territory. Over the past two months, the state and national indexes both dropped 48 points to -12.

### Employment

According to the survey results, labor market conditions were relatively unchanged in July. Participants reported no change in employment and weekly hours were down slightly. The number of employees index declined to 0 from 8 while the index of weekly hours dropped to -3 from 21. The





decline in weekly hours was the first in four months. Despite weak labor market conditions, the index for average wages remained positive at 5, down slightly from last month.

Despite the decline in activity in July, survey respondents continue to anticipate an increase in business activity over the next six months that will result in greater labor demand. Looking at respondents' expectations six months from now, the number of employees index edged down to 14 from 18 last month while the weekly hours index declined 6 points to 8. Just over one-third of respondents anticipate expanding their workforce over the next six months, while one-fifth of respondents expect to reduce their workforce.

**Prices**

Businesses reported that prices received for final goods and services continued to decline while prices for materials and energy increased in July. The prices received index edged higher to -13 while the prices paid for materials index edged lower to 14. The energy price index partially reversed last month's drop, rising 18 points to 16. Notably, the expectations index for prices received for final goods and services fell into negative territory for the first time since September 2009. Despite the less sanguine view for final goods and services prices, expectations for increases in prices for materials and energy over the next six months were largely unchanged.

**Expectations**

Expectations of economic activity six months from now moderated considerably in July. The expectations index for general business activity at respondent's companies declined 14 points to 23. Forty-six percent of respondents anticipate greater business activity six months from now, while 23 percent anticipate business activity to decline. Expectations for sales, customer traffic, and investment decreased in July but remained positive. Expectations of economic activity for the state and national economy fell sharply, with the state and national indexes dropping 26 and 31 points to 7 and 8, respectively.

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## Business Activity Indexes

General Business Assessment <sup>2</sup>	Current Conditions			Expectations <sup>1</sup>		
	Jul-10	Jun-10	May-10	Jul-10	Jun-10	May-10
In the Nation	-12	8	36	8	39	40
In the State	-12	12	36	7	33	40
At your Company	-5	15	19	23	39	35
<b>Company Conditions</b>						
Sales	-5	10	15	26	43	36
Number of Employees	0	8	-9	14	18	15
Weekly Hours	-3	21	4	7	14	12
Prices Received	-13	-15	-12	-1	14	6
Product Inventories	0	-15	13	-6	3	19
Customer Traffic or Inquiries	0	12	30	15	38	33
Investment in New Equipment/Software	1	0	-2	1	9	14
<b>Labor Market Conditions</b>						
Average Wages	5	8	4	29	33	13
Availability of Labor w/ Skills Needed by Your Company	14	9	16	13	6	0
<b>Price Trends</b>						
Prices Paid for Materials	14	17	16	38	38	41
Prices Paid for Energy	16	-2	25	38	35	50

### Technical Notes:

<sup>1</sup> Expectations refer to the time period six months out from the survey period.

<sup>2</sup> All firms surveyed are located within Maryland.