

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Increases in August after Stumbling in July; Sales and Customer Traffic Improves, Expectations For Future Activity Increases

Overview

According to the latest survey results, business activity rebounded in August after unexpectedly falling last month. The general business activity index rose to 8 from -5 last month. Respondents reported an increase in sales, customer traffic, and employment compared to July. However, respondents also indicated a decline in prices and inventory levels. Expectations for activity six months from now rose after having declined significantly in July.

Current Activity

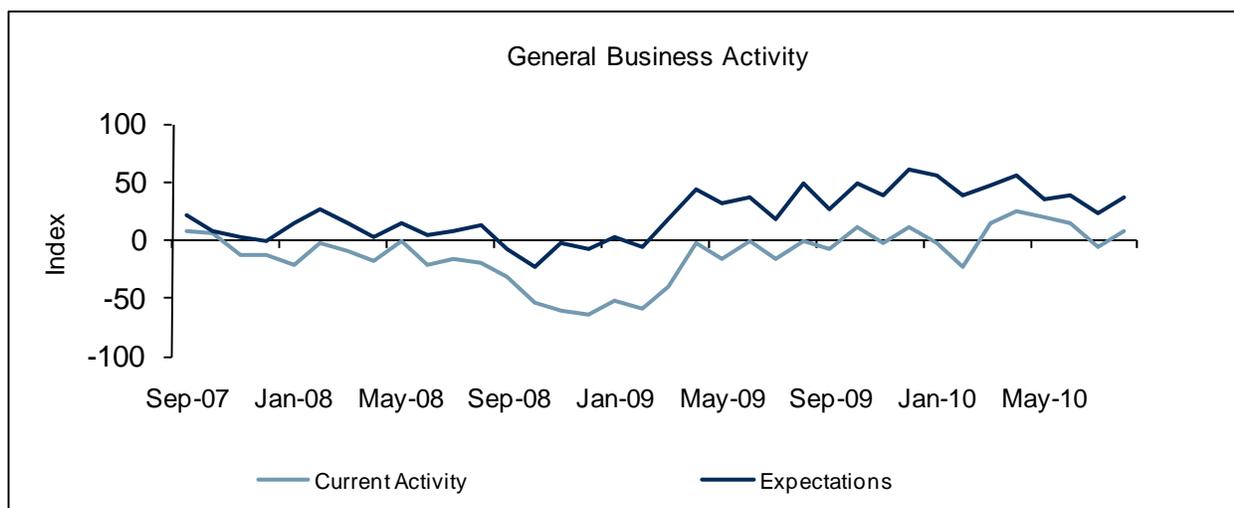
The latest survey results indicated that business activity edged higher in August as the general business conditions index registered 8, up from -5 in July. The drop in July was the first drop since February. The improvement in August was also noted in some of the specific indicators of activity. The sales index and the customer traffic or inquiries index both rebounded after dropping in July. The sales index rose to 4 from -5 while the customer traffic or inquiries index edged higher to

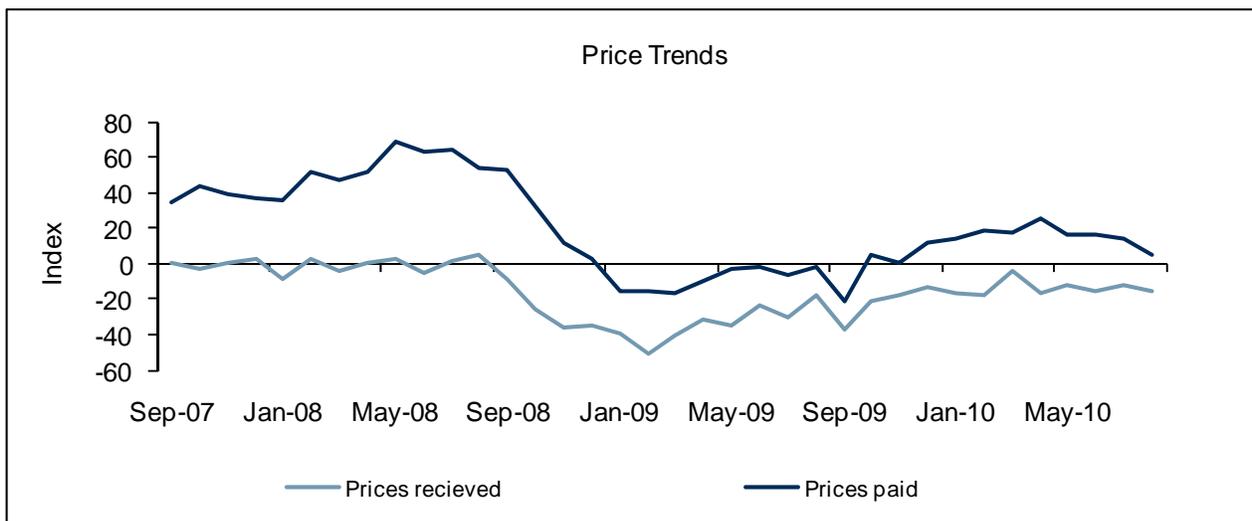
6 from 0. Despite these improvements, investment in new equipment/software and inventories declined in August.

Despite the increase in business activity at their companies, respondents' assessment of the state and national economy remained pessimistic in August as the business activity indexes for the state and the nation remained in negative territory. The state index increased to -2 from -12 while the national index edged lower to -13 from -12.

Employment

According to the survey results, labor market conditions were somewhat mixed in August. Participants reported a modest increase in employment but a drop in weekly hours. The number of employees index rose to 4 from 0 while the index of weekly hours dropped to -10 from -3. The decline in weekly hours over the past two months is the largest since the sharp decline in the economy in the fall of 2008. Average wages dipped into negative territory in August as the index declined to -4 from 5 last month.





Despite the ongoing uncertainty in the economy and the modest improvement in current activity, 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 increased to 24 from 14 last month while the weekly hours index rose 6 points to 13. Just over one-third of respondents anticipate expanding their workforce over the next six months while 13 percent expect to reduce their workforce.

Prices

Businesses reported that prices received for final goods and services continued to decline in August while prices for materials and energy increased. The prices received index edged lower to -16. Input prices rose at a more moderate pace with the prices paid for materials and for energy indexes decreasing to 5 and 13, respectively, from 14 and 16 last month. Notably, the expectations index for prices received for final goods and services rebounded to 13 after falling into negative territory for the first time since September 2009. Respondents anticipate both materials and energy prices to increase over the next six months. However, expectations for increases in materials prices moderated from last month while expectations for energy prices edged higher.

Expectations

Expectations of economic activity six months from now improved considerably in August. The expectations index for general business activity at respondent's companies increased by 13 points to 36. Fifty-three percent of respondents anticipate greater business activity six months from now while 17 percent anticipate business activity to decline. Expectations for sales, customer traffic, and investment rose in August. Expectations of economic activity for the state and national economy rebounded, rising 13 and 15 points, respectively, to 20 and 23.

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Business Activity Indexes

General Business Assessment ²	Current Conditions			Expectations ¹		
	Aug-10	Jul-10	Jun-10	Aug-10	Jul-10	Jun-10
In the Nation	-13	-12	8	23	8	39
In the State	-2	-12	12	20	7	33
At your Company	8	-5	15	36	23	39
Company Conditions						
Sales	4	-5	10	34	26	43
Number of Employees	4	0	8	24	14	18
Weekly Hours	-10	-3	21	13	7	14
Prices Received	-16	-13	-15	13	-1	14
Product Inventories	-9	0	-15	-14	-6	3
Customer Traffic or Inquiries	6	0	12	26	15	38
Investment in New Equipment/Software	-6	1	0	17	1	9
Labor Market Conditions						
Average Wages	-4	5	8	15	29	33
Availability of Labor w/ Skills Needed by Your Company	8	14	9	9	13	6
Price Trends						
Prices Paid for Materials	5	14	17	27	38	38
Prices Paid for Energy	13	16	-2	40	38	35

Technical Notes:

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

² All firms surveyed are located within Maryland.