

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

### *Business Activity Remains Modest in October*

#### Overview

According to the latest survey results, business activity rose modestly in October. The general business activity index registered 4 for the second consecutive month. Respondents reported that sales rose slightly for the month but that customer traffic was slower compared to September. Employment edged lower while the average workweek rose modestly. Pricing conditions remained weak with respondents indicating another decline in September. Expectations for activity in the future edged higher, with over half of the respondents anticipating greater business activity six months from now.

#### Current Activity

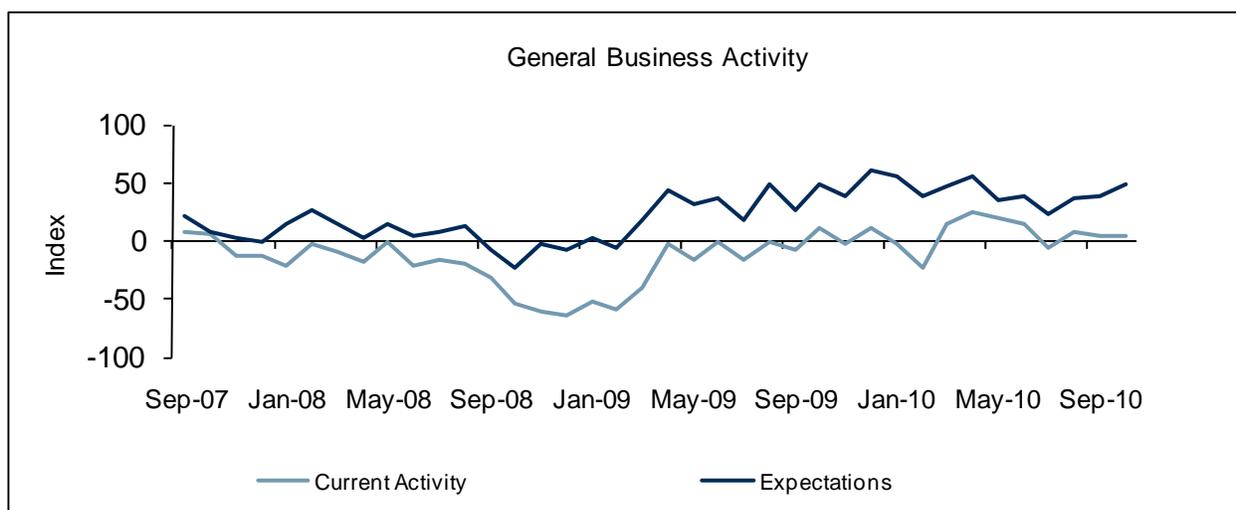
The latest survey results indicated that business activity grew modestly in October as the general business conditions index remained at 4. Sales rose in October, with the sales index edging up to 6 from 4 last month. However, respondents indicated that customer traffic and inquiries declined with the index dropping to -4 from 9 last month—the first negative reading since February when business activity was negatively impacted by

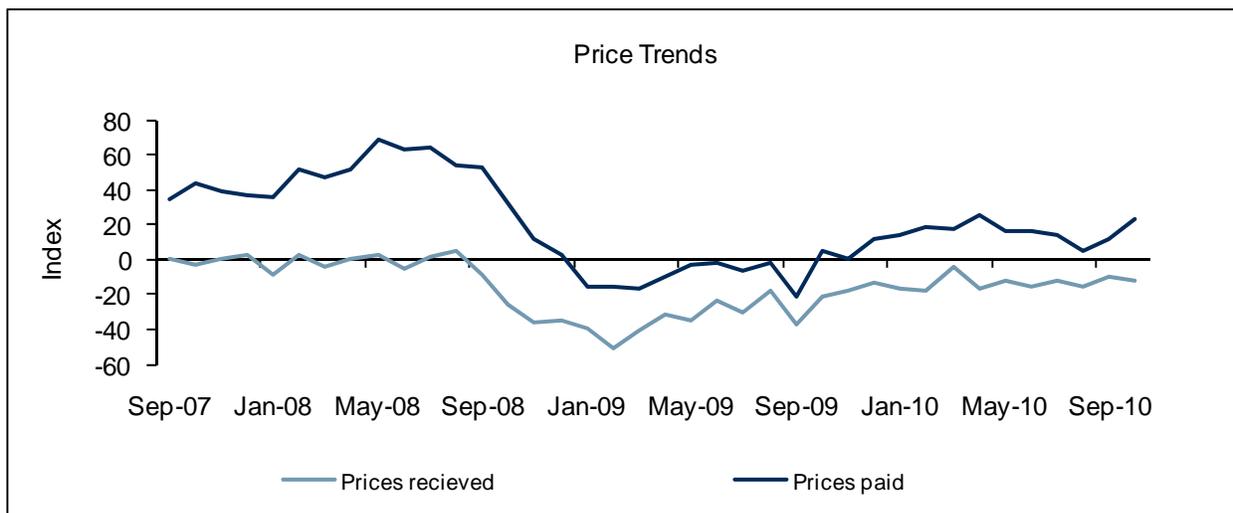
the snowstorms. After a significant rise in September, inventories fell in October, erasing the gain in the previous month. The inventories index dropped back to -9 from 8 in September. Investment in new equipment and software remained weak in October, with the index edging higher to 0 from -2 last month.

Respondents' assessment of the state and national economy remained pessimistic in October, despite the increase in business activity at their companies. The business activity indexes for the state and the nation stayed in negative territory, with both indexes at -6.

#### Employment

According to the survey results, labor market conditions remained lackluster. Participants reported a slight decrease in employment and a modest increase in weekly hours. The number of employees index edged down to -2 from 2 while the index of weekly hours rose to 6 from 2. Respondents also reported a modest increase in average wages for the month. Despite the modest improvement in current activity, a number of 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 increased to 23 from 18 last month while the weekly hours index edged up three points to 15. Over one-third of respondents anticipate expanding their workforce over the next six months while roughly 15 percent expect to reduce their workforce.

**Prices**

Businesses reported that prices received for final goods and services continued to decline in October while prices for materials and energy increased. The prices received index declined to -12 from -9 last month. Input prices rose more broadly, with the prices paid for both the materials and energy indexes registering 23 and 24, respectively, up from 12 and 11 in September.

The expectations index for prices received for final goods and services unexpectedly dropped into negative territory in October for the second time this year—the other occasion was in July when the overall index also dipped below 0. The sudden drop is somewhat at odds with expectations of greater activity, sales, and employment six months from now. However, it could reflect the belief that although conditions are expected to improve over the next six months, that improvement will not be

enough to significantly impact pricing conditions. In contrast, respondents anticipate both materials and energy prices to increase over the next six months.

**Expectations**

Expectations of economic activity six months from now remained solid in October. The expectations index for general business activity at respondents' companies increased to 49 from 39 last month. Roughly 50 percent of respondents anticipate greater business activity six months from now while very few anticipate business activity to decline. Expectations of economic activity for the state and national economy were also positive with the state and national indexes at 29 and 38, respectively.

**Contact**

**Andy Bauer**

Regional Economist  
 Research Dept./Regional Economics  
 Federal Reserve Bank of Richmond  
 Baltimore Branch  
 Ph. 410· 576· 3392 · Fax 410· 576· 3391  
[Andy.Bauer@rich.frb.org](mailto:Andy.Bauer@rich.frb.org)  
[www.richmondfed.org](http://www.richmondfed.org)

## Business Activity Indexes

General Business Assessment <sup>2</sup>	Current Conditions			Expectations <sup>1</sup>		
	Oct-10	Sep-10	Aug-10	Oct-10	Sep-10	Aug-10
In the Nation	-6	-8	-13	38	30	23
In the State	-6	-2	-2	29	36	20
At your Company	4	4	8	49	39	36
<b>Company Conditions</b>						
Sales	6	4	4	40	41	34
Number of Employees	-2	2	4	23	18	24
Weekly Hours	6	2	-10	15	12	13
Prices Received	-12	-9	-16	-2	12	13
Product Inventories	-9	8	-9	-3	3	-14
Customer Traffic or Inquiries	-4	9	6	44	46	26
Investment in New Equipment/Software	0	-2	-6	22	12	17
<b>Labor Market Conditions</b>						
Average Wages	6	0	-4	32	25	15
Availability of Labor w/ Skills Needed by Your Company	10	15	8	4	2	9
<b>Price Trends</b>						
Prices Paid for Materials	23	12	5	38	40	27
Prices Paid for Energy	24	11	13	38	39	40

### 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.