

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Steady in December; Labor Market Conditions Remain Tepid

Overview

According to the latest survey results, business activity in Maryland rose solidly in December. The general business activity index registered 20, down slightly from 24 last month. Sales increased for the month while labor conditions remained lackluster. Pricing conditions remained weak with respondents indicating a decline in prices for final goods and services in December. However, respondents expect prices to firm over the next six months. Expectations for activity in the near future remained strong with over fifty percent of respondents anticipating greater business activity six months from now.

Current Activity

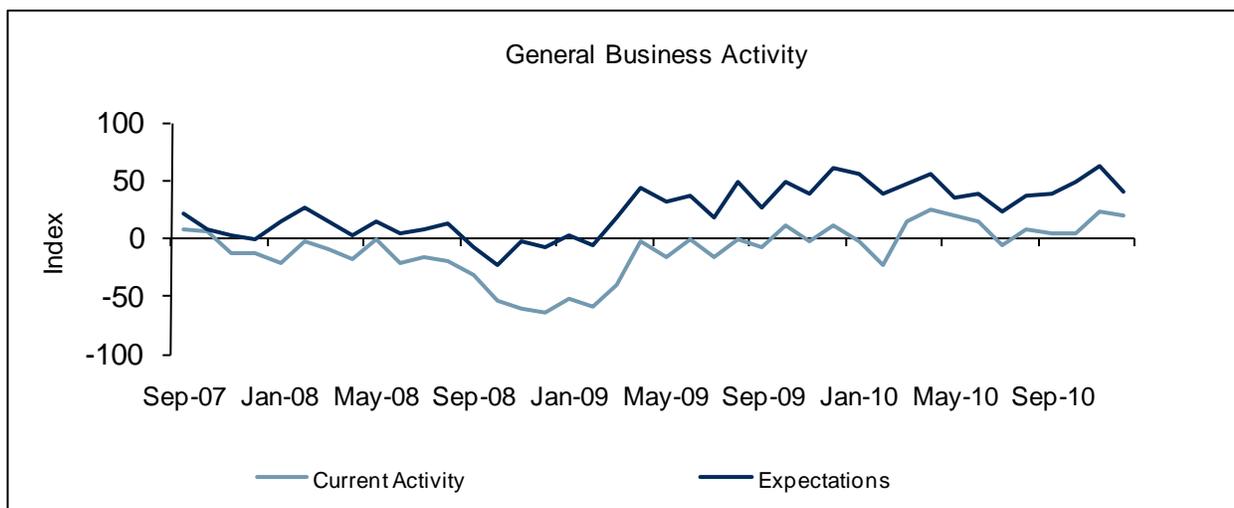
Business activity grew solidly in December as the general business conditions index registered 20, down slightly from 24 last month. The sales index rose from 11 to 22, near the series-high posted in April of this year. Sales have steadily risen over the past five months and have been in positive territory for nine out of the last ten months.

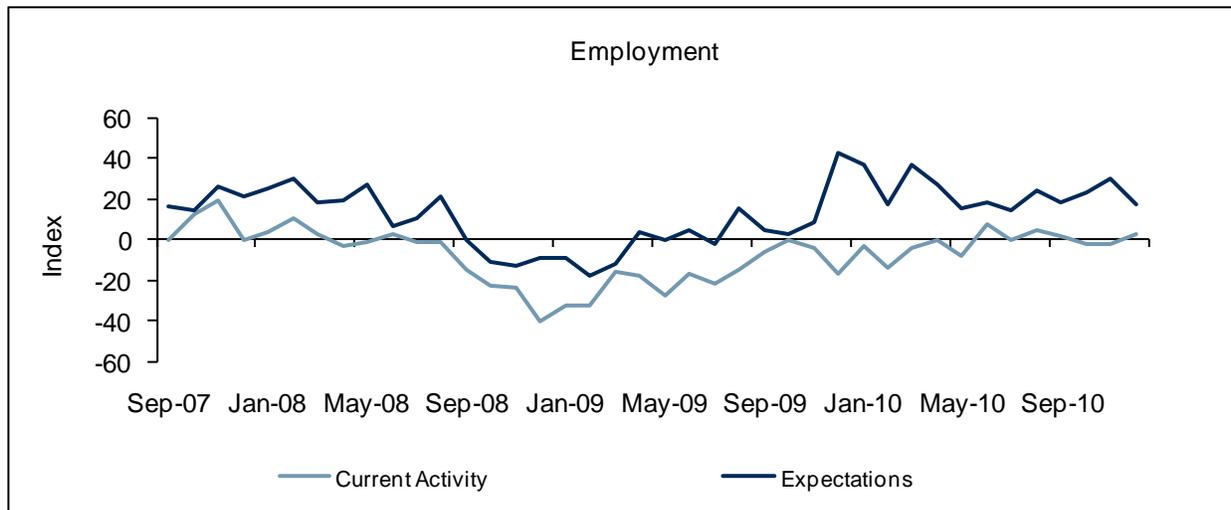
The survey was changed to include additional questions on business spending. The results for December indicate that spending on business services and capital expenditures (new questions) rose moderately in December. Spending on equipment and software (which was an original survey question) rose for a second straight month with the index reaching its highest level since the beginning of the survey in September 2007.

Employment

According to the survey results, labor market conditions remained lackluster. Participants reported a slight increase in employment and a jump in the average workweek (previously reported as weekly hours). The number of employees index edged higher to 2 from -2 while the average workweek index rose twenty-six points to 24. Respondents also reported a modest increase in average wages for the month.

Despite weak conditions 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 registered 17, down from 30 last month. The average workweek index dropped to 2 from 27. Despite the declines, close to thirty percent of respondents anticipate expanding their workforce over the next six months while roughly fifteen percent expect to reduce their workforce.

Prices

Businesses reported that prices received for final goods and services continued to decline in December while input prices rose. Previously, the survey asked participants if prices were higher or lower than in the previous month as well as their expectation for price changes over the next six months. Now the survey asks participants to give a numerical price change for the month as well as for the next six months. The December results were consistent with previous results which indicated protracted weakness in output (or final goods and services) prices and increases in materials and energy prices. Specifically, the average price change for input prices was close to 3 percent while output prices declined by less than 1 percent in December. Respondents anticipate input prices to grow at a faster rate over the next six months, by 4.4 percent, and expect output prices to firm and to edge higher by 0.7 percent.

Expectations

Expectations of economic activity six months from now decreased in December but remained strong. The expectations index for general business conditions dropped to 41 from 62 in November while the sales expectation index declined thirty-two points to 29. Still, close to fifty percent of respondents anticipate an increase in sales and improved business conditions over the next six months.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Dec-10	Nov-10	Oct-10	Dec-10	Nov-10	Oct-10
General Business Conditions	20	24	4	41	62	49
Sales	22	11	6	29	61	40
Employment						
Number of Employees	2	-2	-2	17	30	23
Availability of Skills Needed	10	22	10	12	0	4
Average Workweek	24	-2	6	2	27	15
Wages	5	7	6	27	39	32
Spending						
Business Services Expenditures	8	--	--	5	--	--
Total Capital Expenditures	7	--	--	5	--	--
Equipment or Software	13	10	0	3	32	22
Price Trends³						
Prices Paid for Inputs	2.9	--	--	4.4	--	--
Prices Received for Outputs	-0.6	--	--	0.7	--	--

Technical Notes:

- 1 Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. Data are not seasonally adjusted.
- 2 Expectations refer to the time period six months out from the survey period.
- 3 Price changes are expressed as a percent change, annualized.
- 4 Dashes represent indexes not previously calculated.
- 5 Table has been revised to reflect changes in survey questions beginning December 2010