

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Continues to Expand; Labor Market Conditions Remain Weak

Overview

According to the latest survey results, business activity in Maryland rose solidly in January. The general business activity index registered 19, down one point from last month. Sales increased for the month while labor conditions were weak. Pricing conditions improved modestly with respondents indicating a small increase in prices for final goods and services. However, respondents expect stronger price gains over the next six months. Expectations for activity in the near future remained strong with close to 60 percent of respondents anticipating greater business activity six months from now.

Current Activity

Business activity grew solidly in January as the general business conditions index registered 19, one point lower than last month. The sales index edged lower to 16 from 22 last month. Sales have improved notably over the past three months and have been in positive territory for 10 out of the last 11 months. The improvement in the sales index is indication of the recent strengthening of consumer spending in the fourth quarter of 2010 and

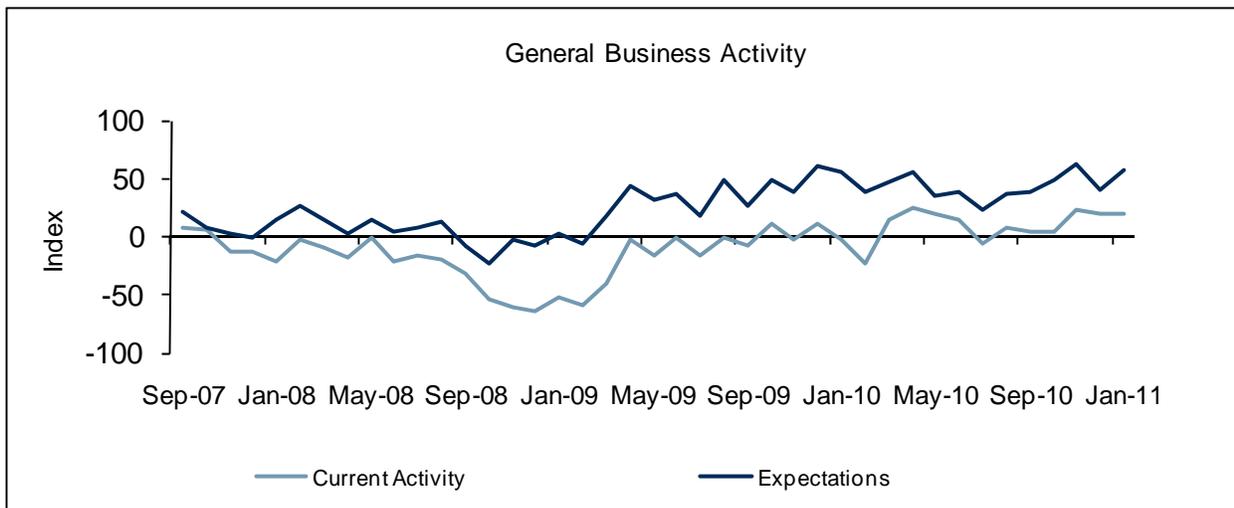
suggests continued momentum heading into the first quarter of 2011.

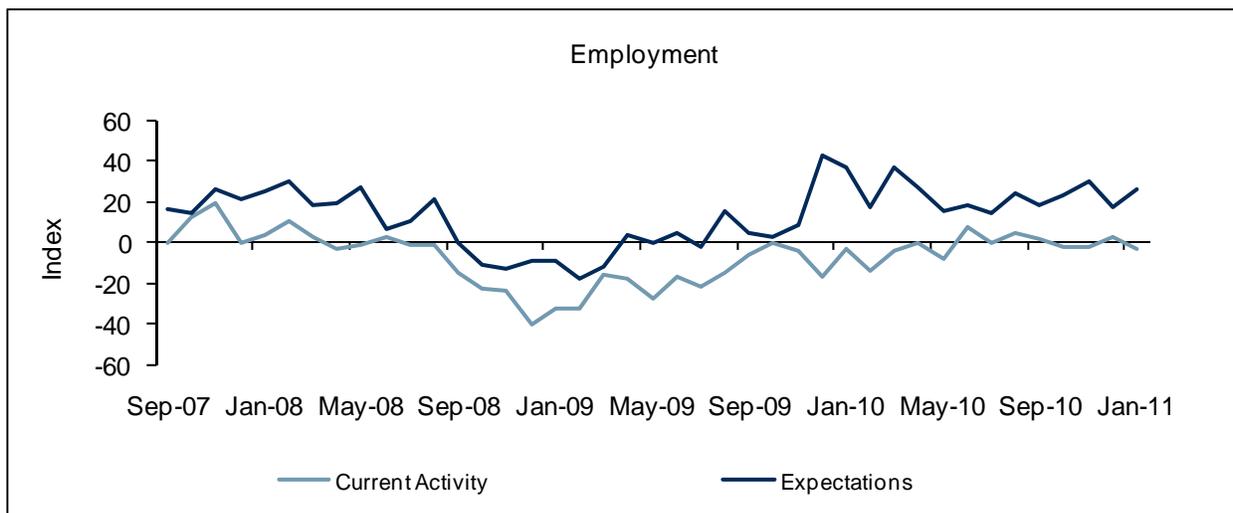
Spending on business services and capital expenditures rose moderately in January—both are new questions introduced in last month's survey. Spending on equipment and software edged down to 8 from 13 last month. Still, recent survey results indicate some strength in equipment and software spending with 20 percent of respondents increasing investment in January.

Employment

According to the survey, labor market conditions were weak in January. Participants reported a slight decline in employment and in the average workweek. The number of employees index edged lower to -3 from 2 while the average workweek index dropped back into negative territory after jumping twenty-six points to 24 in December. Despite weaker conditions, respondents also reported a modest increase in average wages for the month.

The outlook for the labor market remained positive, however. Many survey respondents expect





business activity to increase over the next six months resulting in a greater demand for labor. Looking at respondents' expectations six months from now, the number of employees index rose to 25 from 17 last month. The average workweek index rebounded to 19 after dropping twenty-five points in December. Roughly one-third of respondents anticipate expanding their workforce over the next six months while 10 percent expect to reduce their workforce.

Prices

Businesses reported that prices received for final goods and services edged higher in January while input prices rose at more moderate pace than in December. Respondents reported that the average price change for output prices increased by one-half of one percent for the month. The January increase was the first reported increase since May 2008.

Despite the increase, however, pricing conditions remain weak. Input prices continued to increase, albeit at a more moderate rate than in December. Respondents indicated that the average price change for input prices was 2 percent, down from 2.9 percent last month. Input prices are anticipated to grow by 3.0 percent over the next six months, down from 4.4 percent last month. Final goods and services prices are also expected to grow more rapidly over the next six months. Respondents anticipate an increase in output prices of 2.0 percent, up from 0.7 percent last month.

Expectations

Expectations of economic activity six months from now improved notably in January. The expectations index for general business conditions rebounded to 57 from 41 last month while the sales expectation index increased thirty-three points to 62. Close to 60 percent of respondents anticipate an increase in business activity over the next six months while two-thirds of respondents anticipate an improvement in sales. The outlook for the labor market remained positive with greater expectations for future hiring and hours over the next six months. In addition, expectations for future business spending on services and capital expenditures rose sharply in January.

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
www.richmondfed.org

Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Jan-11	Dec-10	Nov-10	Jan-11	Dec-10	Nov-10
General Business Conditions	19	20	24	57	41	62
Sales	16	22	11	62	29	61
Employment						
Number of Employees	-3	2	-2	25	17	30
Availability of Skills Needed	2	10	22	6	12	0
Average Workweek	-3	24	-2	19	2	27
Wages	5	5	7	46	27	39
Spending						
Business Services Expenditures	3	8	--	12	5	--
Total Capital Expenditures	8	7	--	23	5	--
Equipment or Software	8	13	10	23	3	32
Price Trends³						
Prices Paid for Inputs	2.0	2.9	--	3.0	4.4	--
Prices Received for Outputs	0.5	-0.6	--	2.0	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