

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Business Activity Flat in February; Expectations for Future Activity Remain Strong*

### Overview

According to the latest survey results, business activity in Maryland was flat in February. The general business activity index registered 0 as an equal percentage of respondents reported an increase in activity as respondents who reported a decrease in activity for the month. This represented a significant decline from recent months. Sales increased modestly in February after posting significant gains over the past three months. Pricing conditions for final goods and services were essentially unchanged for the month, however respondents continue to expect price increases over the next six months. Expectations for activity in the near future remained strong with close to sixty percent of respondents anticipating greater business activity six months from now.

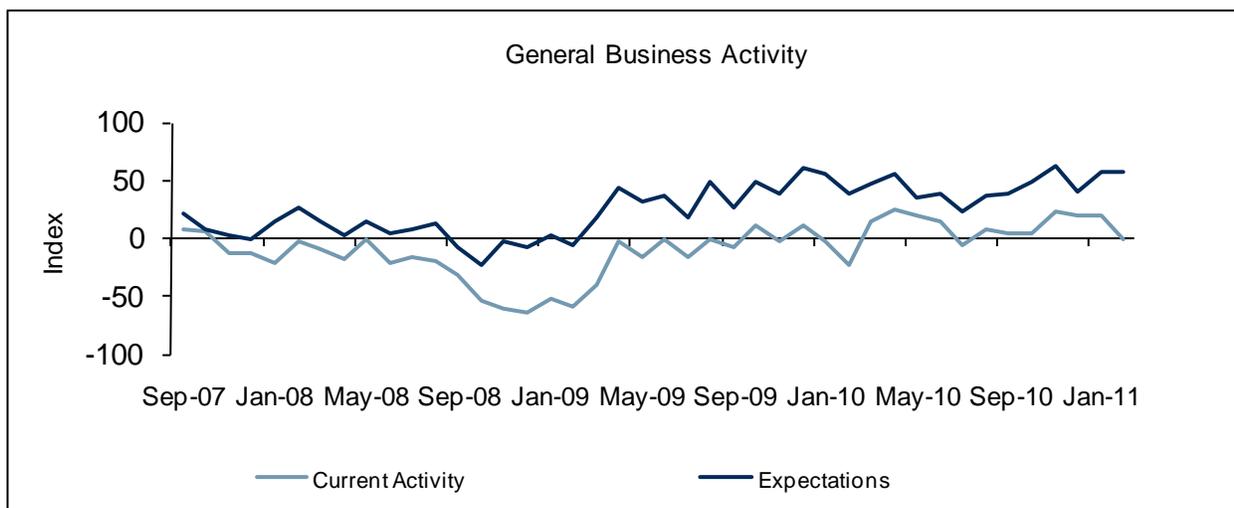
### Current Activity

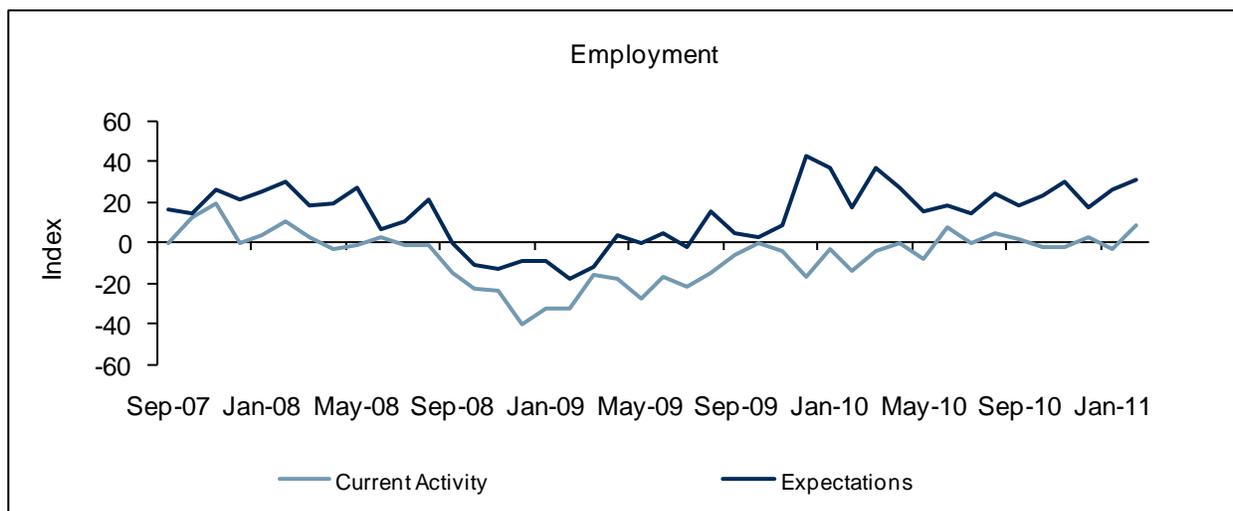
Business activity was flat in February as an equal percentage of respondents reported that business conditions decreased as respondents that reported an increase. As a result, the general business conditions index registered 0, down sharply from

19 last month. The February level is the lowest since July 2010 when the index unexpectedly turned negative as the economy hit a soft patch last summer. In addition, the sales index, which had indicated a significant pickup in sales activity over the previous three months, dropped from 16 to 3. Despite the softness in sales and general business conditions, spending on business services and capital expenditures rose moderately in February for a third consecutive month. Notably, the positive trend in equipment and software spending continued with the index edging higher to 10 from 8 last month. The index has averaged 10 over the past four months after averaging -5 over the previous twelve months.

### Employment

According to the survey, labor market conditions showed some indication of improvement in February. Participants reported a moderate increase in employment but a decline in the average workweek. The number of employees index increased to 9 from -3 while the average workweek index declined for the second straight





month to -7. Despite weak labor market conditions, respondents continue to report a modest increase in average wages.

Survey respondents remain positive about the near-term direction of the labor market. Looking at respondents' expectations six months from now, the number of employees index rose to 31 from 25 last month and the average workweek index registered 17, down slightly from 19. Nearly forty percent of respondents anticipate expanding their workforce over the next six months while less than ten percent expect to reduce their workforce.

**Prices**

Businesses reported that prices received for final goods and services were flat in February while input prices rose at a slightly faster pace. Respondents reported that the average price change for output prices increased by seven-tenths of a percent for the month on an annualized basis—essentially little change. Input prices continued to increase with respondents indicating that the average price change was 2.3 percent in February, up from 2.0 percent last month. Expectations for future price changes were similar to last month. Input prices are anticipated to grow at a faster rate six months from now, rising to 3.1 percent. Final goods and services prices are also expected to strengthen. Respondents anticipate output prices to increase to a 1.6 percent rate six months from now.

**Expectations**

Expectations of economic activity six months from now remained solid in February, despite weaker current conditions. The expectations index for general business conditions edged higher by one point to 58 and the sales expectation index declined by six points to 56. Close to sixty percent of respondents anticipate an increase in business activity over the next six months while two-thirds of respondents anticipate an improvement in sales. In addition, expectations for future business spending on services and capital expenditures rose solidly in February. The expectations index for business services expenditures rose ten points to 22 while the expectations index for spending on equipment and software rose to 34—the highest level since the inception of the survey in September 2007.

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**Business Activity Indexes<sup>1</sup>**

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Feb-11	Jan-11	Dec-10	Feb-11	Jan-11	Dec-10
General Business Conditions	0	19	20	58	57	41
Sales	3	16	22	56	62	29
<b>Employment</b>						
Number of Employees	9	-3	2	31	25	17
Availability of Skills Needed	0	2	10	3	6	12
Average Workweek	-7	-3	24	17	19	2
Wages	2	5	5	47	46	27
<b>Spending</b>						
Business Services Expenditures	4	3	8	22	12	5
Total Capital Expenditures	2	8	7	26	23	5
Equipment or Software	10	8	13	34	23	3
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	2.3	2.0	2.9	3.1	3.0	4.4
Prices Received for Outputs	0.7	0.5	-0.6	1.6	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