

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Business Activity Edges Higher in September; Six-Month Expectations Remain Tepid*

### Overview

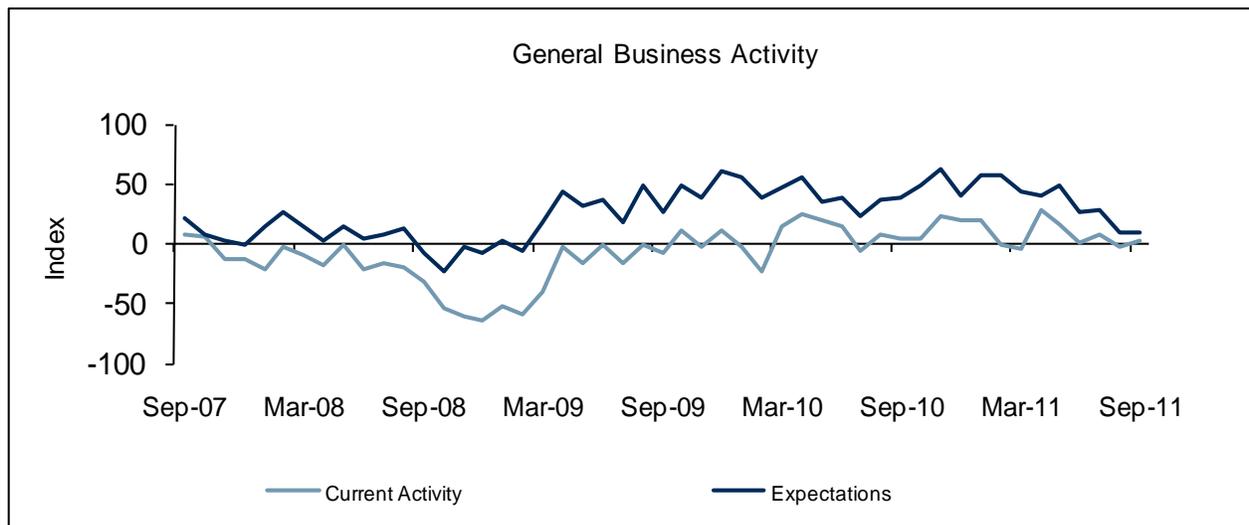
According to the latest survey results, business activity in Maryland rose modestly in September. The general business activity index rose six points to 3. Survey respondents noted a moderate increase in sales and capital expenditures, soft labor market conditions, and a decline in spending on business services. Profit margins continued to come under pressure as the result of rising input costs and flat output prices, although input prices increased at a slower rate than in previous months. Expectations for activity in the near future remained tepid. Respondents remain less optimistic about the overall outlook for business conditions, sales, and labor conditions than a few months ago. Roughly 31 percent of respondents anticipate greater business activity six months from now—down from 40 percent in June and nearly 60 percent in May.

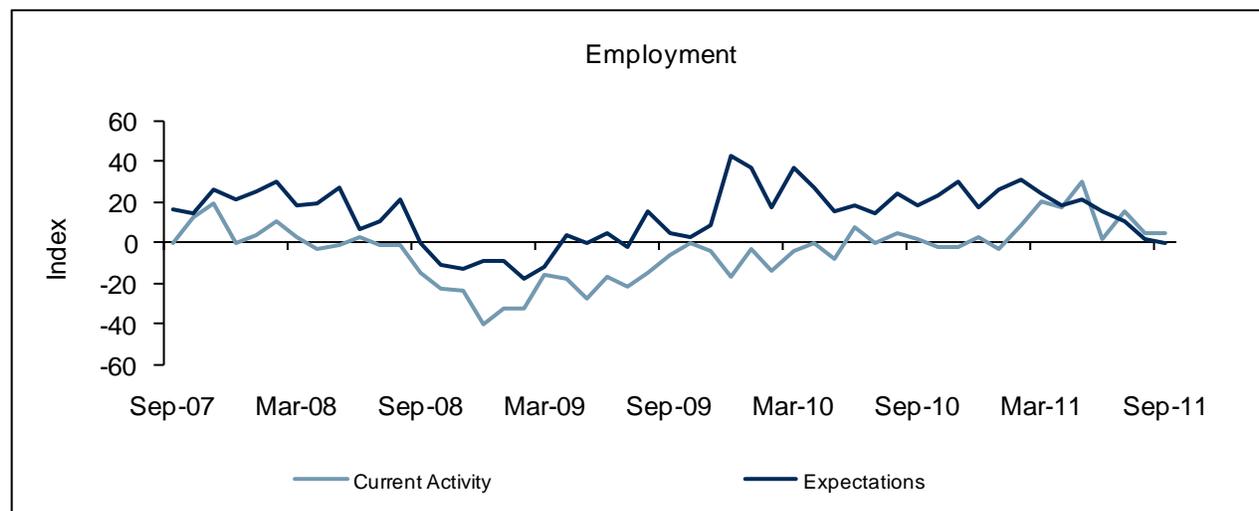
### Current Activity

Business activity rose slightly in September as the general business activity index increased to 3 from -3 in August. Over the past four months the business activity index has averaged 4, highlighting the

slowdown in the state economy over the summer. Sales revenue also moved back into positive territory, with the sales index rising fourteen points to 8. Still, sales revenue has averaged 6 over the past four months, another signal of the very modest growth in the economy. While part of the slowdown is due to temporary factors such as higher commodity prices and supply disruptions from the disaster in Japan, the change in expectations for future sales and activity suggests that businesses anticipate the slowdown to be somewhat persistent.

The outlook for business spending weakened for a second consecutive month. Spending on business services declined to -10 from -2 last month while business spending on plant and equipment edged higher. The total capital expenditures index rose five points to 8 while the index for spending on equipment and software declined by five points to 3. From April to July both indexes averaged 14 indicating solid expansion in business spending. Clearly, with greater uncertainty about the near-term direction of the economy, businesses have responded by moderating spending plans.





### Employment

Labor market conditions remained soft in September. A small fraction of firms indicated that they increased their workforce while a modestly smaller number of firms indicated that they reduced their workforce. As a consequence, the employees index remained at a very moderate reading of 5—well below its average of 22 from March through May. The average workweek increased edged higher with the index rising three points to 6. Despite weak labor market conditions, respondents noted an increase in average wages, with the index increasing to 17 from 8 last month.

Notably, expectations for future labor conditions remained soft in September after weakening considerably in August. The employment expectations index edged down to a reading of 0—its lowest level since July 2009 and considerably lower than its average of 22 for the first six months of 2011. Furthermore, the average workweek expectations index remained in negative territory at -2 for a second consecutive month—well below its average of 14 for the first half of the year.

### Prices

Businesses reported that margins remained under pressure in September due to rising input prices and unchanged output prices. Respondents reported input prices increased 2.0 percent in September, down from 2.3 percent last month. Businesses

expect profit margins to remain under pressure over the next six months as input price growth continues to outpace output price growth.

### Expectations

Expectations of economic activity six months from now remained tepid in September after a sizeable drop in August. The expectations index for general business conditions edged down by one point to 9 while the expected sales index rose eight points to 11. Just over 30 percent of respondents in the September survey expect business conditions and sales revenue to improve over the next six months. In the first half of the year, over 50 percent of respondents anticipated higher activity and sales. Clearly, respondents believe the current slowdown in activity will persist through the end of 2011.

### 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<sup>1</sup>

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Sep-11	Aug-11	Jul-11	Sep-11	Aug-11	Jul-11
General Business Conditions	3	-3	8	9	10	28
Sales	8	-6	15	11	3	28
<b>Employment</b>						
Number of Employees	5	5	15	0	2	10
Availability of Skills Needed	5	8	3	8	3	3
Average Workweek	6	3	11	-2	-2	2
Wages	17	8	13	16	10	20
<b>Spending</b>						
Business Services Expenditures	-10	-2	12	-12	0	11
Total Capital Expenditures	8	3	15	5	10	19
Equipment or Software	3	8	12	17	10	26
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	2.0	2.3	2.7	2.5	2.6	3.5
Prices Received for Outputs	0.0	0.7	0.6	0.3	0.9	1.6

**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.

