

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Sales Rebound Yet Business Activity Remains Modest; Expectations Less Sanguine*

### Overview

According to the latest survey results, business activity in Maryland increased at a modest pace in September. The general business activity index registered 10 for the month, up one point from August. The sales index, however, jumped 26 points to 21 from -5. Business expenditures increased at a moderate pace with spending on business services and capital expenditures improving in September. The survey results continued to report a net increase in employment, with more respondents indicating that they expanded their workforce than reduced it. Profit margins continued to come under pressure with increases in input costs and flat output prices.

Expectations for activity in the near future declined in September but remained positive. Less than 30 percent of respondents anticipate greater business activity six months from now, down from 55 percent in April.

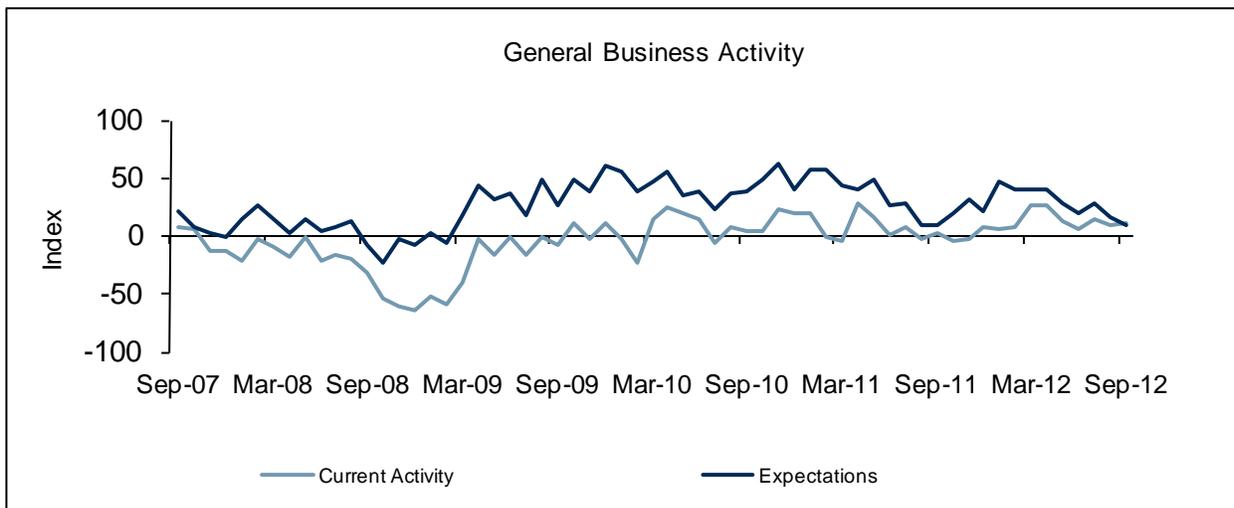
### Current Activity

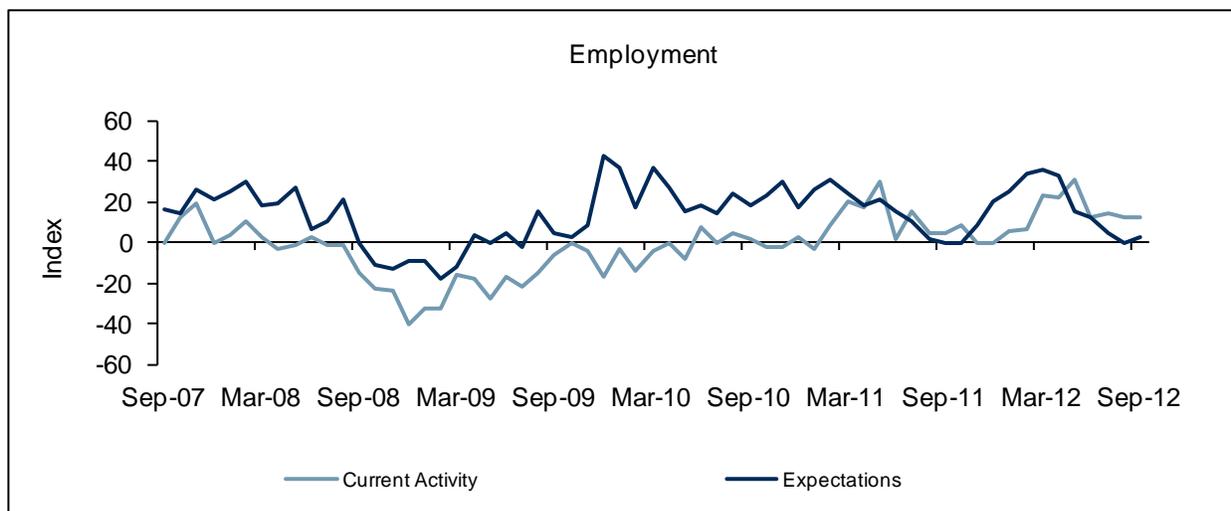
Business activity increased at a modest pace in September as the general business activity index

registered 10, edging up one point from last month. However, businesses reported a sharp increase in sales in September. The sales index jumped to 21 after falling into negative territory in August. More respondents reported an increase in sales for the month while fewer firms reported a decline, resulting in the sharp gain in the index. Business spending was moderate for the month, with business services expenditures index improving to 10 after dropping to 4 in August. The pace of capital expenditures picked up from August, with the total capital expenditures index increasing four points to 18, indicating moderate investment spending in September. Spending on equipment and software continue to edge lower in September from the historic high of 22 reached in July. The index declined by five points to 16, also indicating a moderate increase in investment spending by businesses for the month.

### Employment

According to the survey results, labor market conditions improved modestly in September. Survey participants reported a modest net increase in employment for the month as the employment index was unchanged from August at 12. Twenty percent





of respondents indicated that they added workers while 8 percent reported a decline. The average workweek increased slightly as the index increased by four points to 6. Despite considerable slack in the labor market, respondents reported higher wages in September. The wage index increased six points to 20.

Expectations for future labor market conditions were flat in September. The number of employees index stood at 2 while the average workweek index rebounded to a modest reading of 6. Over the past seven months, expectations for labor market conditions deteriorated considerably in the survey. The number of employees expectations index peaked at 36 in March and steadily declined through August. Still, 21 percent of respondents anticipated expanding their workforce over the next six months. However, this is less than the 30 percent in June and considerably less than the 43 percent in April.

**Prices**

Businesses reported that margins remained under pressure in September with rising input prices and flat output prices. Respondents reported that input prices increased 2.1 percent in September on an annualized basis, up from 1.8 percent in August. Output prices remained flat. Businesses expect profit margins to remain under pressure over the next six months with input price growth to continue to increase along with little increase in output prices.

**Expectations**

Expectations of economic activity six months from now declined in September. The expectations index for general business conditions fell six points to 10—the lowest level since March 2009 when the economy was contracting at a rapid pace. The sales index edged higher, however, increasing to 16 from 12 last month. Roughly one-third of respondents in the September survey expect business conditions and sales to improve over the next six months.

Overall, the September survey results indicated that business activity continued to increase at a moderate pace that was less robust than earlier in the year. As a result of the slowdown in activity, and perhaps due to uncertainty regarding events in Europe and concerns regarding the sustainability of growth in the U.S., respondents became less sanguine about the outlook over the near term.

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

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Sep-12	Aug-12	Jul-12	Sep-12	Aug-12	Jul-12
General Business Conditions	10	9	14	10	16	28
Sales	21	-5	2	15	12	26
<b>Employment</b>						
Number of Employees	12	12	14	2	0	4
Availability of Skills Needed	6	0	6	6	-5	4
Average Workweek	6	2	0	2	-2	8
Wages	20	14	14	18	19	12
<b>Spending</b>						
Business Services Expenditures	13	4	16	10	4	4
Total Capital Expenditures	18	14	18	2	2	18
Equipment or Software	16	21	22	12	12	20
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	2.1	1.8	2.0	2.5	2.1	2.2
Prices Received for Outputs	0.1	0.7	0.1	0.7	1.3	0.9

**Technical Notes:**

- <sup>1</sup> Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. Data are not seasonally adjusted.
- <sup>2</sup> Expectations refer to the time period six months out from the survey period.
- <sup>3</sup> Price changes are expressed as a percent change, annualized.