

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Moderate Business Conditions Continued in October; Expectations For Future Growth Improved

Overview

According to the latest survey results, business activity in Maryland increased at a modest pace in October. The general business activity index registered 14 for the month, up four points from September. The sales index spiked last month at 21 and retreated to a reading of 4 for October. Business expenditures increased at a moderate pace. Spending on business services improved in October while capital expenditures were more moderate. 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 improved in October. Over 40 percent of respondents anticipate greater business activity six months from now, up from less than 30 percent in September.

Current Activity

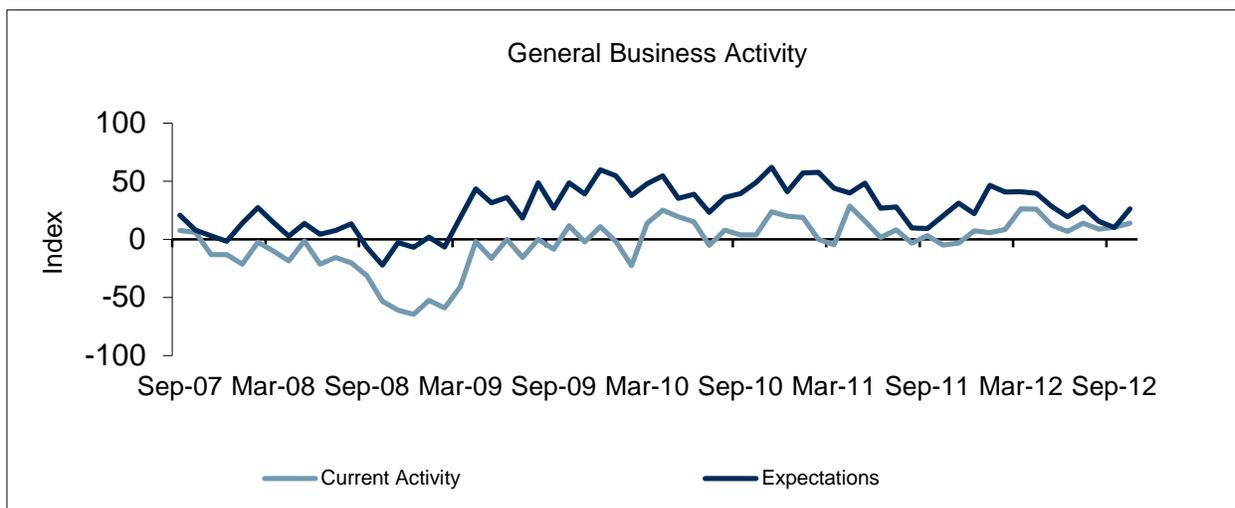
Business activity increased at a modest pace in October as the general business activity index registered 14, edging up four points from last month.

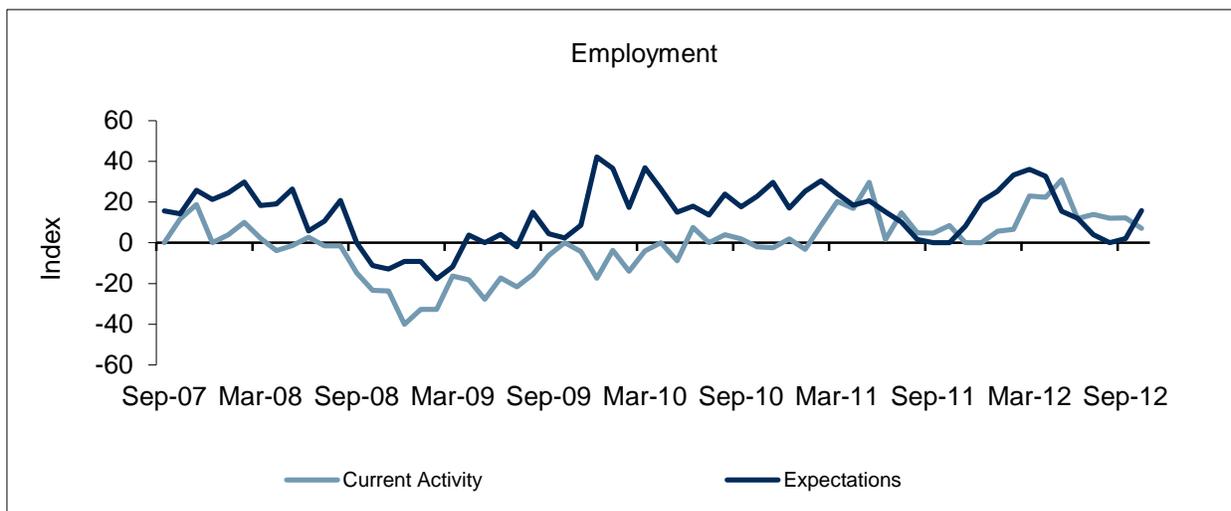
However, businesses reported a more modest increase in sales. The sales index registered 4 after jumping to 21 in September. Business spending was moderate for the month, with the business services expenditures index improving five points to 18. The pace of capital expenditures lessened slightly from September, with the total capital expenditures index decreasing seven points to 11 and indicating moderate investment spending in October.

Spending on equipment and software increased moderately in October. The equipment and software index increased two points to 18 — 25 percent of respondents indicated that they increased spending while 7 percent indicated a decline.

Employment

According to the survey results, labor market conditions improved modestly in October. Survey participants reported a modest net increase in employment for the month as the employment index registered 7 — down from 12 in the previous two months. Twenty-one percent of respondents indicated that they added workers while 14 percent reported a decline. The average workweek index increased to 12, up six points from September.





Despite considerable slack in the labor market, respondents reported higher wages in October. The wage index increased three points to 23.

Expectations for future labor market conditions were more positive in October. The number of employees index increased fourteen points to 16 while the average workweek index increased to 11 from 2. The improvement in October ends a steady deterioration in labor market expectations over the prior seven months. The number of employees expectations index peaked at 36 in March and steadily declined through August where it reached 0 and remained near that level in September. In the October survey, 25 percent of respondents anticipated expanding their workforce over the next six months. While this is a modest improvement over recent months, it is less than the 30 percent in the June survey and considerably less than the 43 percent in April.

Prices

Businesses reported that margins remained under pressure in October. Respondents reported that input prices increased 2.1 percent in October on an annualized basis while 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. Input prices are expected to increase at a 2.6 percent annualized rate while output prices are expected to increase by only 1.3 percent.

Expectations

Expectations of economic activity six months from now increased in October. The expectations index for general business conditions rose to 26 from 10 in September, which was the lowest level since March 2009 when the economy was contracting at a rapid pace. The sales index also improved, increasing 14 points to 29. Forty-two percent of respondents in the October survey expect business conditions and sales to improve over the next six months. About 15 percent expect conditions to worsen.

Overall the October survey results indicated that business activity continued to increase at a moderate pace but was less robust than during the beginning of the year. Despite the current moderate pace of growth, uncertainty regarding events in Europe and concerns regarding the sustainability of growth in the U.S., respondents became more positive about the outlook over the near term.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Oct-12	Sep-12	Aug-12	Oct-12	Sep-12	Aug-12
General Business Conditions	14	10	9	26	10	16
Sales	4	21	-5	29	15	12
Employment						
Number of Employees	7	12	12	16	2	0
Availability of Skills Needed	-5	6	0	-7	6	-5
Average Workweek	12	6	2	11	2	-2
Wages	23	20	14	25	18	19
Spending						
Business Services Expenditures	18	13	4	14	10	4
Total Capital Expenditures	11	18	14	2	2	2
Equipment or Software	18	16	21	16	12	12
Price Trends³						
Prices Paid for Inputs	2.1	2.1	1.8	2.6	2.5	2.1
Prices Received for Outputs	0.7	0.1	0.7	1.3	0.7	1.3

Technical Notes:

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