

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Conditions Improved in November; Expectations for Future Activity Strengthened

Overview

According to the latest survey results, business activity in Maryland increased at a moderate pace in November. The general business activity index registered 24 for the month, up 10 points from October. The sales index rose 14 points to 18. Business expenditures were softer than in recent months. Spending on business services and capital expenditures were very modest, with both indexes registering 6. Improvement in the labor market was more muted in November with very little change in employment and hours worked. 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 November for a second consecutive month. Forty-five percent of respondents anticipate greater business activity six months from now, while just 10 percent expect activity to decline.

Current Activity

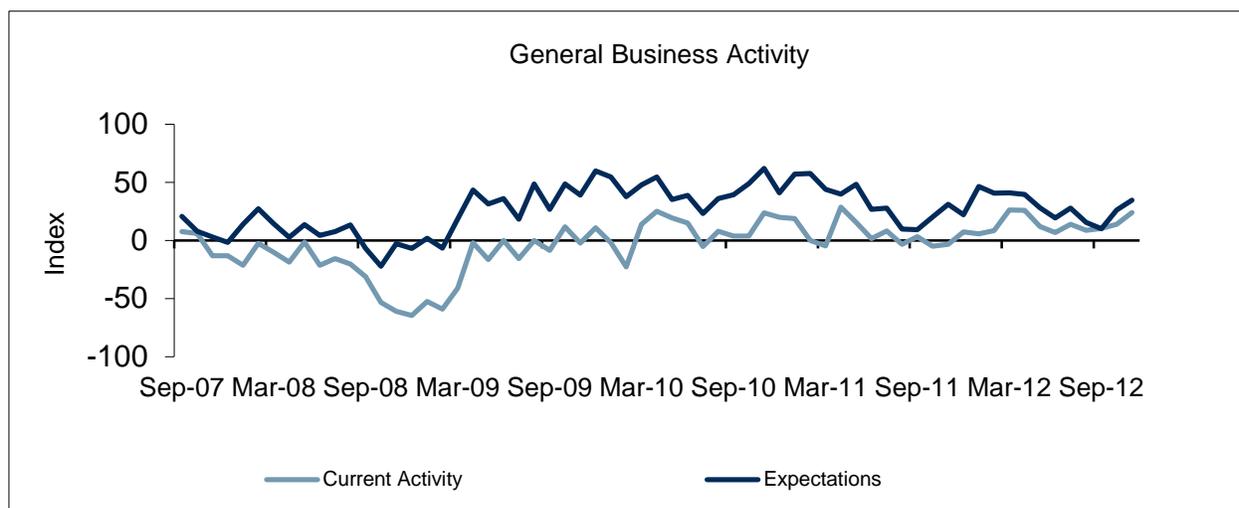
Business activity increased at a moderate pace in November. The general business activity index registered 24, increasing 10 points from last month.

Businesses also reported an improvement in sales. The sales index rose 14 points to 18 after dropping 17 points in October to a reading of 4.

Business spending was softer in November. Spending on business services and total capital expenditures was modest for the month with both indexes registering 6—a decline of 12 points for the business services index and 5 points for the capital expenditures index. Together, these were the weakest readings since June. Spending on equipment and software also edged lower from October. The equipment and software index decreased six points to 12—just 14 percent of respondents indicated that they increased equipment and software spending, down from 25 percent in October.

Employment

According to the survey results, labor market conditions were little changed in November. The employment index registered 2—down from 5 in October. Eighteen percent of respondents indicated that they added workers while 16 percent reported a decline. The average workweek declined eight points





to 12. Despite considerable slack in the labor market, respondents reported higher wages in November. The wage index increased three points to 26.

Expectations for future labor market conditions remained positive in November. The number of employees index was unchanged at 16 while the average workweek index increased to 14 from 11. The results of the October and November surveys ended 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 and November surveys, roughly 25 percent of respondents anticipated expanding their workforce over the next six months. While this is an 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 November with rising input prices and flat output prices. Respondents reported that input prices increased 2.5 percent in November on an annualized basis. 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 3.3 percent annualized rate while output prices are expected to increase by just 1.1 percent.

Expectations

Expectations of economic activity six months from now improved in November. The expectations index for general business conditions rose to 35 from 26 in October and 10 in September, which was the lowest level since March 2009. The sales index was essentially unchanged, edging down one point to 28. Forty-five percent of respondents in the November survey expect business conditions and sales to improve over the next six months. Ten percent expect business conditions to worsen.

Overall the November survey results indicated that business activity continued to increase at a moderate pace and that activity and expectations solidified in recent months after softer activity during the summer. Notably, despite the current moderate pace of growth and uncertainty regarding events in Europe and concerns regarding the sustainability of growth in the U.S., respondents continued to be more positive about the outlook over the near term.

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		
	Nov-12	Oct-12	Sep-12	Nov-12	Oct-12	Sep-12
General Business Conditions	24	14	10	35	26	10
Sales	18	4	21	28	29	15
Employment						
Number of Employees	2	7	12	16	16	2
Availability of Skills Needed	6	-5	6	4	-7	6
Average Workweek	4	12	6	14	11	2
Wages	26	23	20	50	25	18
Spending						
Business Services Expenditures	6	18	13	4	14	10
Total Capital Expenditures	6	11	18	10	2	2
Equipment or Software	12	18	16	22	16	12
Price Trends³						
Prices Paid for Inputs	2.5	2.1	2.1	3.3	2.6	2.5
Prices Received for Outputs	0.8	0.7	0.1	1.1	1.3	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.