

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Expanded at a Modest Pace in December; Expectations Remained Positive

Overview

According to the latest survey results, business activity in Maryland increased at a modest pace in December. The general business activity index registered 7 for the month, down seventeen points from November. The sales index was flat after a reading of 18 last month. Business expenditures remained softer than in recent months. Spending on business services and capital expenditures were modest with both indexes registering 9. Labor market conditions weakened as more firms indicated that they shed workers than added workers in December. Profit margins continued to come under pressure with increases in input costs and flat output prices. Expectations for activity in the near future remained positive. Forty-five percent of respondents anticipated greater business activity six months from now, while just 7 percent expected activity to decline.

Current Activity

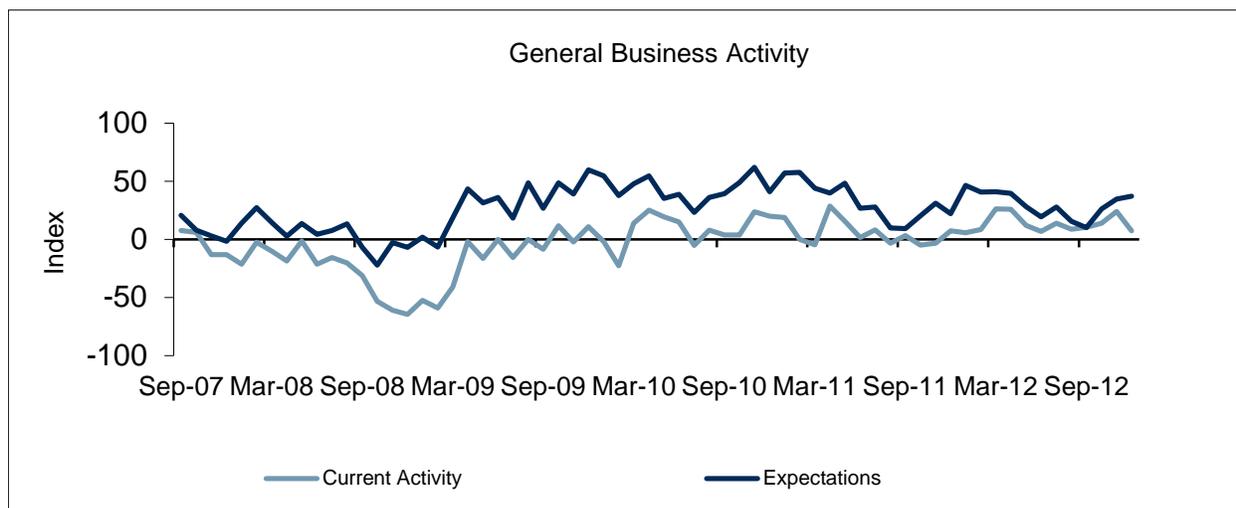
Business activity increased at a modest pace in December as the general business activity index registered 7, declining seventeen points from last month. Sales were flat for the month as the sales index decreased eighteen points to a reading of 0.

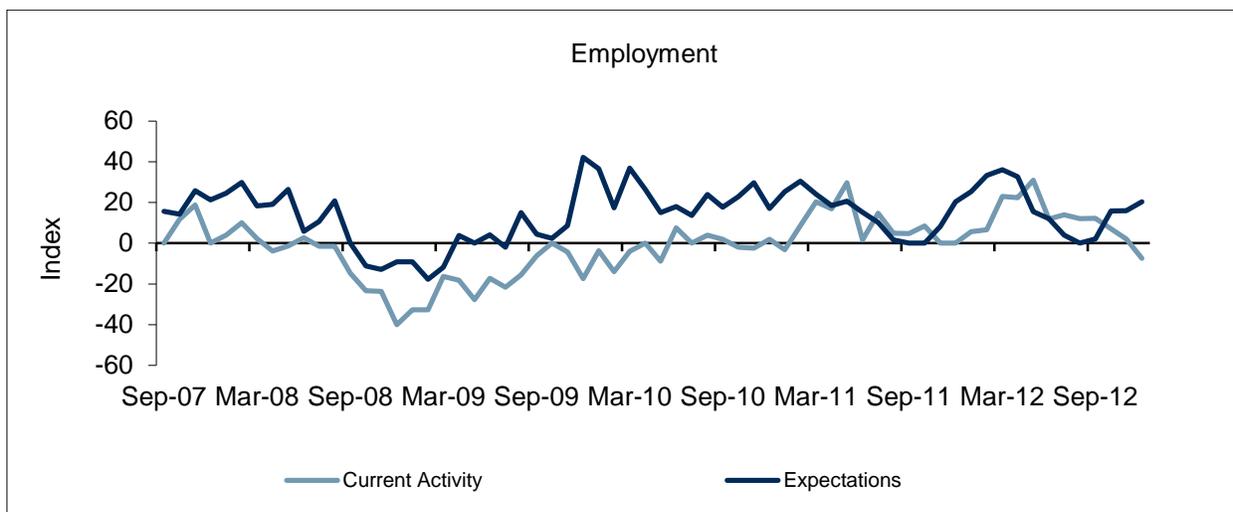
Business spending remained soft in December for a second consecutive month. Spending on business services and total capital expenditures was modest with both indexes registering 9, edging up three points from last month. Spending on equipment and software improved, however. The index rose five points to 17, indicating moderate spending for the month. Almost one in four respondents indicated that they increased equipment and software spending in December.

Employment

According to the survey results, labor market conditions deteriorated in December as a greater number of respondents indicated that they shed workers than added workers in December. The employment index registered -7, down from 2 in November. Fifteen percent of respondents indicated that they added workers while 22 percent reported a decline. This was the first decline in this index since January 2011. There was little change in the average workweek index, which declined two points to 2. Despite considerable slack in the labor market, respondents reported higher wages in December. The wage index decreased six points to 20.

Expectations for future labor market conditions remained positive in December, however. The





number of employees index improved four points to 20. Nearly one in three respondents indicated that they anticipated expanding their workforce over the next six months while 11 percent anticipated reducing their workforce. This is a slight improvement from last month when just 26 percent of respondents indicated plans to increase their workforce.

Expectations remain below where they were earlier in the year, however. 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, the index increased to 16 before edging higher to 20 in December. While the last three months represent an improvement, expectations are still less than earlier in the year, when 43 percent of respondents in the April survey anticipated expanding their workforce.

Prices

Businesses reported that margins remained under pressure in December with rising input prices and flat output prices. Respondents reported that input prices increased 1.9 percent in December on an annualized basis. Output prices remained flat. Businesses expected profit margins to remain under pressure over the next six months, with input price growth to continue to increase along with modest increases in output prices. Input prices were expected to increase at a 3.2 percent annualized rate while output prices were expected to increase by 1.4 percent.

Expectations

Expectations of economic activity six months from now improved in December. The expectations index for general business conditions edged higher to 37 from 35 in November. The sales index rose twelve points to 40—the highest reading since April. Forty-five percent of respondents in the December survey expected business conditions and sales to improve over the next six months. Just 7 percent expected business conditions to worsen.

Overall the December survey results indicated that business activity increased at a very modest pace in December while expectations for future activity remained positive. Notably, despite the modest and uneven 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.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Dec-12	Nov-12	Oct-12	Dec-12	Nov-12	Oct-12
General Business Conditions	7	24	14	37	35	26
Sales	0	18	4	40	28	29
Employment						
Number of Employees	-7	2	7	20	16	16
Availability of Skills Needed	0	6	-5	-4	4	-7
Average Workweek	2	4	12	6	14	11
Wages	20	26	23	37	50	25
Spending						
Business Services Expenditures	9	6	18	8	4	14
Total Capital Expenditures	9	6	11	13	10	2
Equipment or Software	17	12	18	20	22	16
Price Trends³						
Prices Paid for Inputs	1.9	2.5	2.1	3.2	3.3	2.6
Prices Received for Outputs	0.7	0.8	0.7	1.4	1.1	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.