

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Business Activity Improved in February; Employment Conditions Strengthened*

### Overview

According to the latest survey results, business activity in Maryland improved moderately in February. The general business activity index registered 8 for the month, up ten points from January. The sales index increased eleven points to a reading of 16. Business expenditures on services and capital investment were modest. Labor market conditions improved for the first time in three months as more firms indicated that they added workers than shed workers in February. Profit margins continued to come under pressure with increases in input costs outpacing output prices. Expectations for activity in the near future remained positive. Close to 45 percent of respondents anticipated greater business activity six months from now while less than 5 percent expected activity to decline.

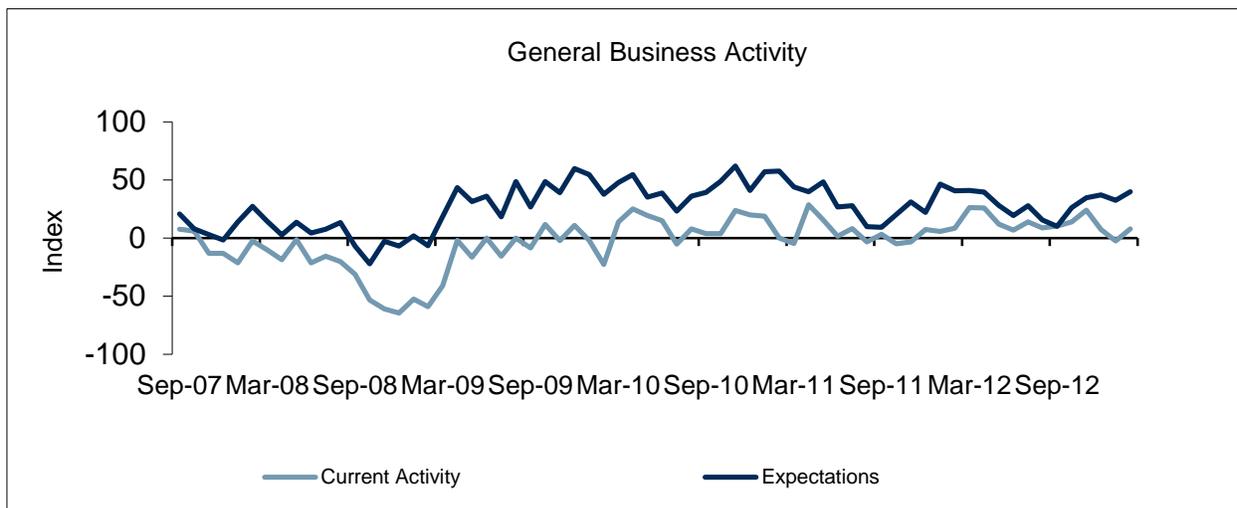
### Current Activity

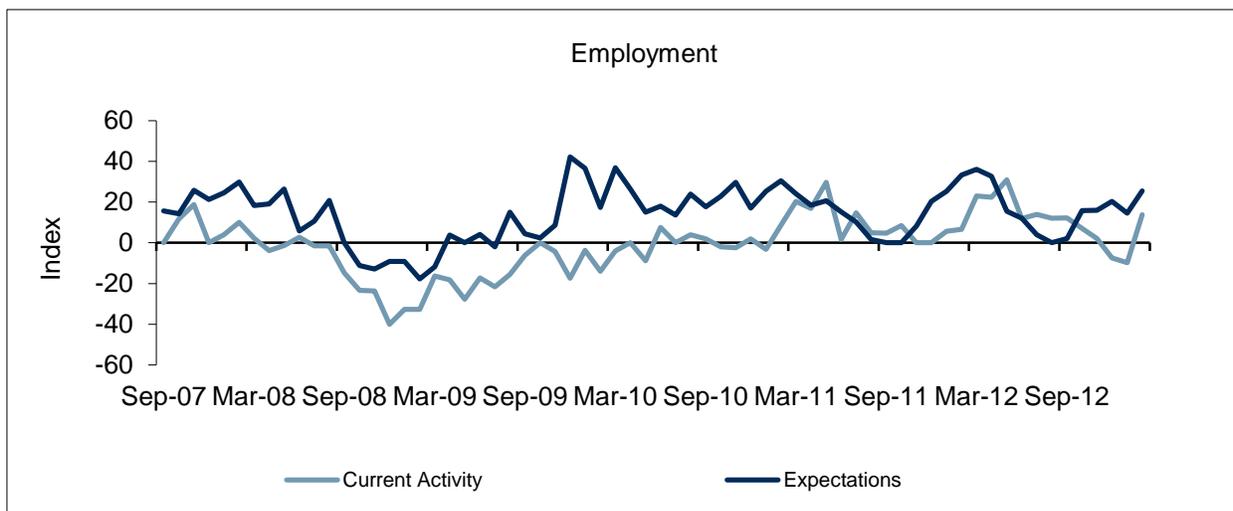
Business activity improved in February as the general business activity index registered 8, increasing ten points from last month. Sales increased moderately as the sales index increased eleven points to 16. Overall business spending

edged higher in February. Spending on business services improved modestly, increasing six points to a reading of 4—indicating very little increase in February. Total capital expenditures rose to 8 from 2 last month, indicating modest investment spending for the month. Spending on equipment or software fared slightly better, with a February reading of 12, up seven points from January.

### Employment

According to the survey results, labor market conditions improved in February as a greater number of respondents indicated that they added workers than shed workers. The employment index registered 14—a jump of 24 points from January’s reading of -10. Twenty-eight percent of respondents indicated that they added workers for the month while 14 percent reported a decline. The positive reading in February follows two negative readings in December and January—the first consecutive negative reading since the end of 2010. There was little change in the workweek. The average workweek index edged slightly higher by two points to a reading of 4. Despite considerable slack in the labor market, respondents reported higher wages in January. The wage index registered 20, down four points from last month.





Expectations for future labor market conditions remained positive in February. The number of employees index increased ten points to 25. Thirty-five percent indicated that they anticipated expanding their workforce over the next six months while 10 percent anticipated reducing their workforce. Expectations have improved in recent months but remain below where they were one year ago. The number of employees expectations index peaked at 36 in March 2012 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 and to 25 in the February survey—the highest reading since April 2012.

**Prices**

Businesses reported that margins remained under pressure in February with increases in input prices outpacing output prices. Respondents reported that input prices rose 2.6 percent in February on an annualized basis for a second consecutive month. Output prices increased by half that annual rate – 1.3 percent. Businesses expected profit margins to remain under pressure over the next six months. Input prices were expected to increase at a 3.4 percent annualized rate while output prices were expected to increase by 1.7 percent. Notably, expectations for future price increases were higher in recent months. The expected price change, on an annualized basis, for inputs and outputs over the

past four surveys was 0.6 percentage point higher than in the previous eight surveys.

**Expectations**

Expectations of economic activity six months from now remained solid in February. The expectations index for general business conditions rose to 40 from 33. The sales index edged higher by one point to 37. Roughly 45 percent of respondents in the February survey expected business conditions and sales to improve over the next six months. Just 4 percent expected business conditions to worsen.

Overall the February survey results indicated that business activity improved after a weak January while expectations for future activity remained positive. Notably, despite the modest and uneven pace of growth and uncertainty related to the U.S. economic outlook, respondents continued to be more positive 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>		
	Feb-13	Jan-13	Dec-12	Feb-13	Jan-13	Dec-12
General Business Conditions	8	-2	7	40	33	37
Sales	16	5	0	37	36	40
<b>Employment</b>						
Number of Employees	14	-10	-7	25	15	20
Availability of Skills Needed	-8	-2	0	-8	-2	-4
Average Workweek	4	2	2	16	7	6
Wages	20	24	20	45	39	37
<b>Spending</b>						
Business Services Expenditures	4	-2	9	8	2	8
Total Capital Expenditures	8	2	9	14	27	13
Equipment or Software	12	5	17	20	37	20
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	2.6	2.6	1.9	3.4	3.0	3.2
Prices Received for Outputs	1.3	1.7	0.7	1.7	2.2	1.4

**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.