

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Modest Increase in General Business Conditions; Employment Conditions Remained Positive

Overview

According to the latest survey results, business activity in Maryland improved modestly in April. The general business activity index registered 6 for the month, down four points from March. Sales were flat, with the index registering 0 in April after a slightly negative reading last month. Business expenditures on services were also modest while capital investment picked up moderately. Labor market conditions improved notably in April for a third consecutive month. Profit margins continued to come under pressure with increases in input costs outpacing output prices. Expectations for activity in the near future remained positive. A little over 40 percent of respondents anticipated greater business activity six months from now while 17 percent expected activity to decline.

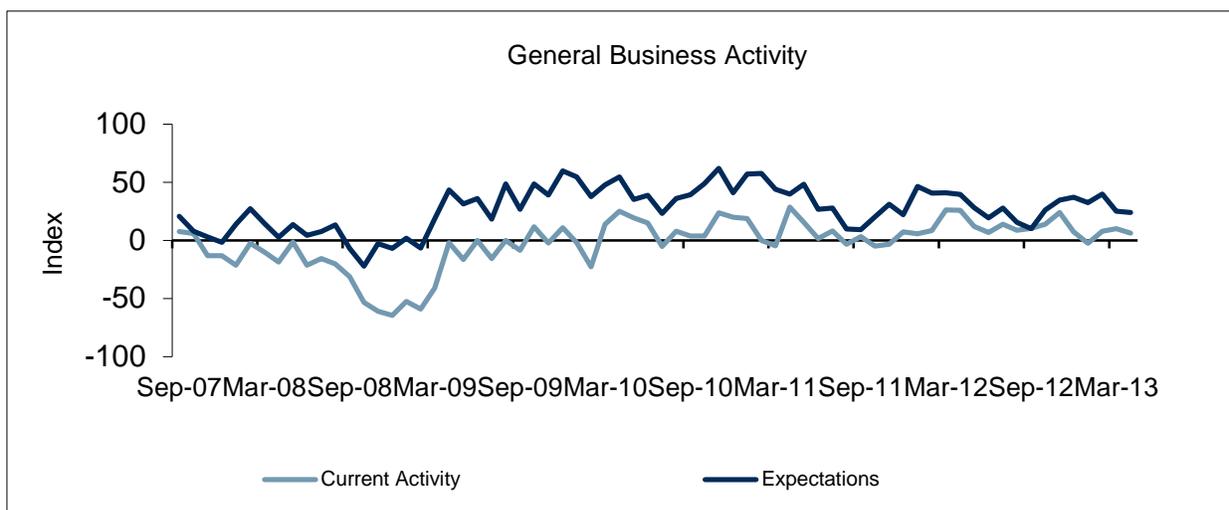
Current Activity

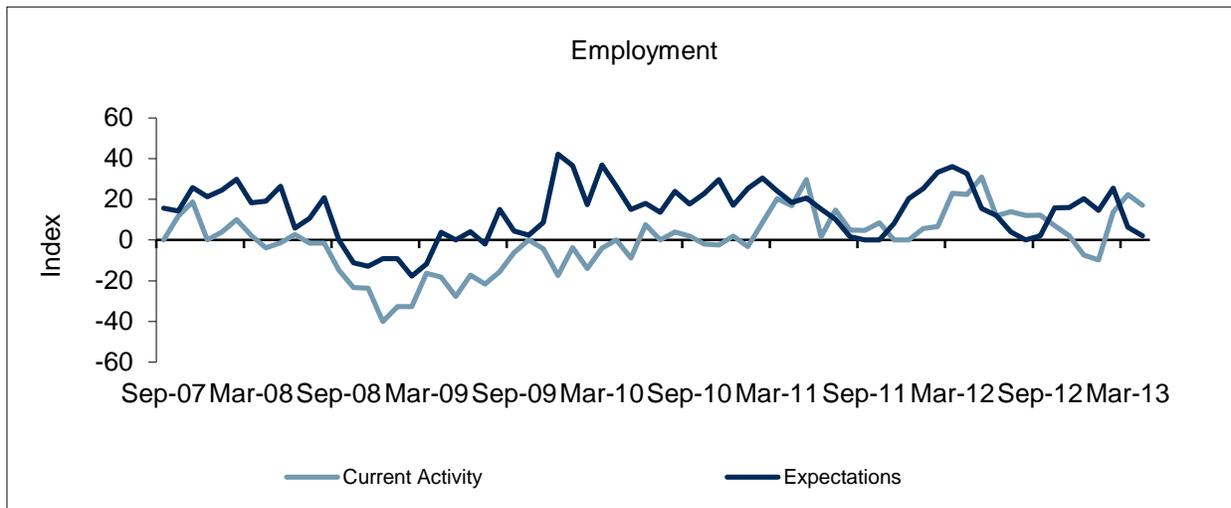
Business activity improved modestly in April as the general business activity index registered 6, edging lower by four points from last month. Sales were flat with the index registering 0 after posting a reading of -4 in March. Business spending was mixed in April. Spending on business services was modest, with the index edging higher to 7 from 2

last month. Total capital expenditures increased five points to 11 while spending on equipment and software rose thirteen points to 19—its highest reading since August of last year.

Employment

Despite lackluster business activity, labor market conditions improved notably in April. For a third consecutive month the survey suggested significant improvement in labor market conditions. In February, the employment index registered 14—a jump of twenty-four 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. In March, the index rose to 22 as 30 percent of respondents indicated that they added workers. In the current survey, the index registered 17, down somewhat from last month, but still indicating a strengthening of labor market conditions. Roughly one in four survey respondents indicated that they added workers in April. In addition, the number of hours worked increased. The average workweek index registered 13 for a second consecutive month. Despite considerable slack in the labor market, respondents continued to report higher





wages. The wage index jumped twenty-three points to 36 in April. Close to 40 percent of survey respondents reported rising wages.

In contrast to the positive results for current activity in April, expectations for future labor market conditions were weaker for a second consecutive month. The number of employees expectations index edged down from a fairly weak reading of 6 in March to 2 in April. The percentage of firms anticipating hiring over the next six months declined to 19 percent in the current survey from 35 percent in the February survey and 29 percent in the March survey. Expectations for hours worked fell sharply as well, with the average workweek index declining thirteen points.

Prices

Businesses reported that margins remained under pressure in April with increases in input prices outpacing output prices. Respondents reported that input prices rose 2.2 percent in April on an annualized basis, essentially unchanged from the March survey. Output prices increases were muted, with prices increasing at a 0.9 percent annual rate, down slightly from 1.3 percent in March.

Businesses expected profit margins to remain under pressure over the next six months. Input prices were expected to increase at a 2.2 percent annualized rate over the next six months, while output prices were expected to increase by 1.1 percent.

Expectations

Expectations of economic activity six months from now remained solid in April. The expectations index for general business conditions and sales were little changed from last month, registering 24 and 29, respectively. Just over 40 percent of respondents in the April survey expected business conditions to improve over the next six months while close to 45 percent expected sales to improve over the next six months. Seventeen percent expected business conditions to worsen.

Overall the April survey results indicated that business activity increased moderately for the month while expectations for future activity remained positive. Notably, labor market conditions improved for a third consecutive month. Respondents continued to be 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		
	Apr-13	Mar-13	Feb-13	Apr-13	Mar-13	Feb-13
General Business Conditions	6	10	8	24	25	40
Sales	0	-4	16	29	30	37
Employment						
Number of Employees	17	22	14	2	6	25
Availability of Skills Needed	-4	-4	-8	-9	2	-8
Average Workweek	13	13	4	2	15	16
Wages	36	13	20	32	34	45
Spending						
Business Services Expenditures	7	2	4	13	6	8
Total Capital Expenditures	11	6	8	19	8	14
Equipment or Software	19	6	12	17	13	20
Price Trends³						
Prices Paid for Inputs	2.2	2.1	2.6	2.2	2.5	3.4
Prices Received for Outputs	0.9	1.3	1.3	1.1	1.4	1.7

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.