

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*General Business Activity Solid but Employment Conditions and Expectations Remained Weak*

### Overview

According to the latest survey results, business activity in Maryland improved moderately in June. The general business activity index registered 28 for the month, up 23 points from May. Respondents reported strong sales, with that index also registering 28. Business spending improved with a notable increase in capital expenditures. Labor market conditions, however, remained flat with respondents reporting little job gains and dampened expectations. Profit margins continued to come under pressure with increases in input costs outpacing output prices. Expectations for activity in the near future continued to soften. Roughly 23 percent of respondents anticipated greater business activity six months from now while 21 percent expected activity to decline.

### Current Activity

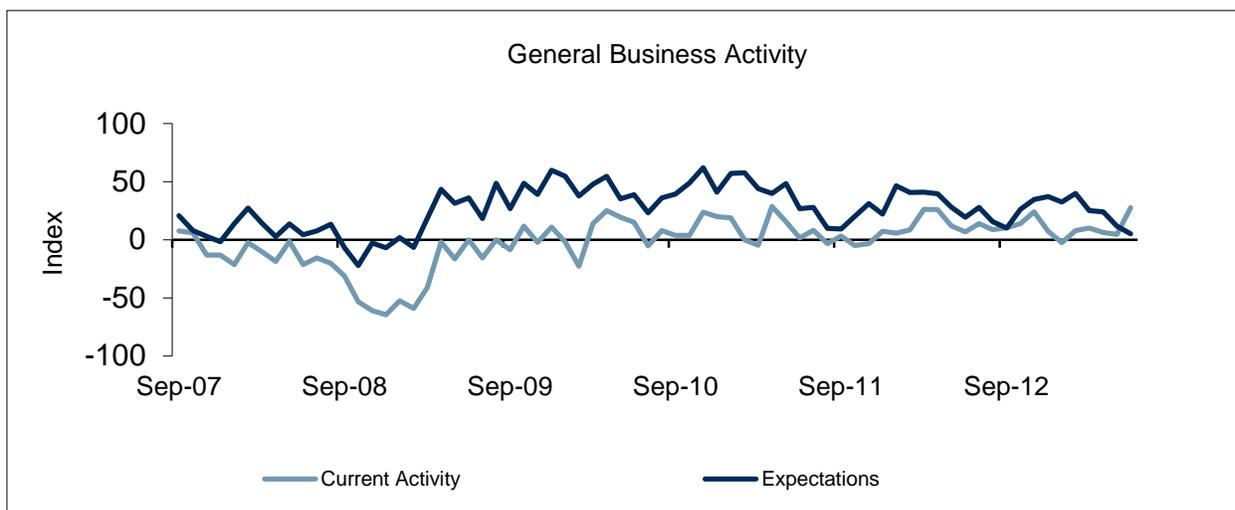
Business activity improved moderately in June as the general business activity index registered 28, jumping 23 points from last month. Sales were solid for the month with the index also at 28. Spending on business services was modest with an index reading of 10, up five points from last month. Capital expenditures picked up with the index rising 10 points

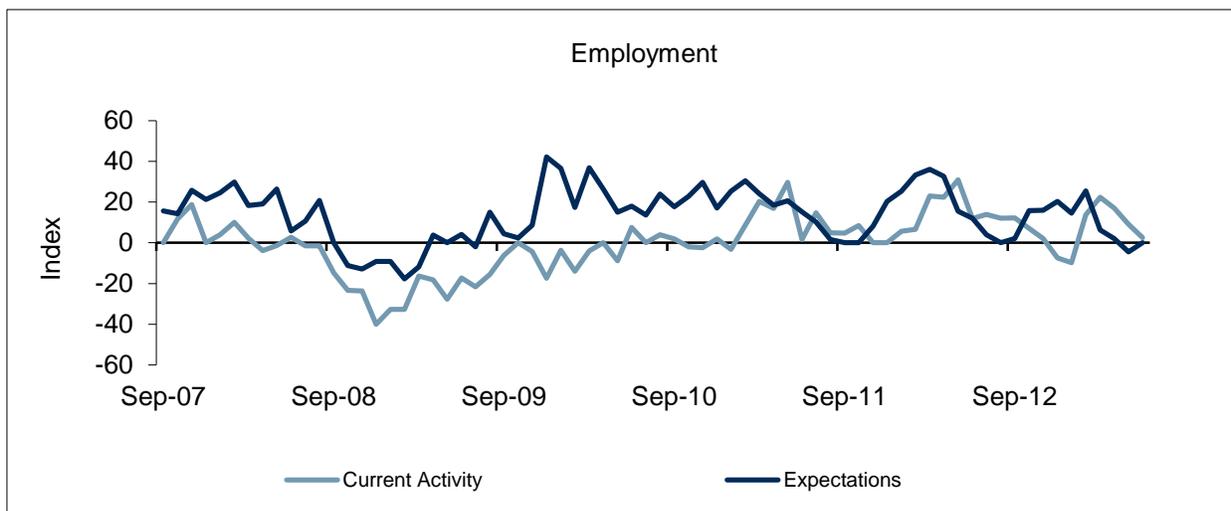
to 15. There was a solid increase in business investment in equipment and software in June. The equipment or software spending index increased by nine points to 23 — the highest reading in the five-year history of the survey.

### Employment

Labor market conditions softened notably in June for a second consecutive month. The number of employees index averaged 18 from February to April, but then declined into single digits, with the most recent reading at 3. Twenty-three percent of respondents indicated that they added workers for the month while 20 percent reported a decline. Respondents reported that finding workers with needed skills was less of an issue as in recent months with the index at 3 after five consecutive months in negative territory. Respondents continued to report higher wages. The wage index registered 23 in June, down two points from last month.

Expectations for future labor market conditions were lackluster for a fourth consecutive month. The number of employees expectations index edged higher by five points to a reading of 0 — indicating an equal percentage of firms anticipate reducing their workforce





as those expecting to expand. The index reading of -5 in May was the first negative reading since July 2009. The percentage of firms anticipating hiring over the next six months remained under 20 percent for a third consecutive month. Expectations for hours worked remained negative, with the average workweek index edging lower four points to -13.

**Prices**

Businesses reported that margins remained under pressure with increases in input prices outpacing output prices. Respondents reported that input prices rose 2.7 percent in June on an annualized basis, down from May’s reading of 3.3 percent. Output prices increased at a 0.9 percent rate on an annualized basis. Businesses expected profit margins to remain under pressure over the next six months. Input prices were expected to increase at a 1.6 percent annualized rate over the next six months, while output prices were expected to increase by 0.9 percent.

**Expectations**

Expectations of economic activity six months from now softened in June. The expectations index for general business conditions and sales decreased seven and four points, respectively, to index readings of 5. Roughly 26 percent of respondents in the June survey expected business conditions to improve over the next six months. However, 21 percent expected business conditions to worsen. The index reading of 5 for expected business conditions is the lowest reading since February 2009.

Overall the survey results indicated that business activity increased moderately in May with solid increases in general conditions and sales. Capital spending picked up as well. However, labor market conditions softened notably for a second consecutive month. Expectations for activity six months from now softened for a second consecutive month and remains at a level not seen since the recession.

Survey respondent comments indicate a number of factors which have added uncertainty to the outlook, including sequestration, regulatory factors, and uneven economic growth. It remains to be seen whether the deterioration in expectations and hiring reflect a temporary lull, perhaps in anticipation of the potential impact of federal spending cuts and furloughs, or a more longer-term shift in the state economy’s momentum.

Contact

**Andy Bauer**

Senior 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](mailto:Andy.Bauer@rich.frb.org)  
[www.richmondfed.org](http://www.richmondfed.org)

## Business Activity Indexes<sup>1</sup>

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Jun-13	May-13	Apr-13	Jun-13	May-13	Apr-13
General Business Conditions	28	5	6	5	12	24
Sales	28	20	0	5	9	29
<b>Employment</b>						
Number of Employees	3	9	17	0	-5	2
Availability of Skills Needed	3	-5	-4	-3	-7	-9
Average Workweek	10	9	13	-13	-9	2
Wages	23	25	36	15	20	32
<b>Spending</b>						
Business Services Expenditures	10	5	7	-8	2	13
Total Capital Expenditures	15	5	11	-5	-2	19
Equipment or Software	23	14	19	5	7	17
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	2.7	3.3	2.2	1.6	2.8	2.2
Prices Received for Outputs	0.9	1.8	0.9	0.9	2.0	1.1

### 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.