

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*General Business Activity Solid for Second Consecutive Month; Expectations Improve*

### Overview

According to the latest survey results, business activity in Maryland improved moderately in July. The general business activity index registered 27 for the month, down 1 point from June. Sales activity was solid with the index at 19, down modestly from last month. There was a moderate increase in business spending on services and equipment and software. Labor market conditions improved somewhat from June but respondents still reported little job gains and dampened expectations for future hiring. Profit margins continued to come under pressure with increases in input costs outpacing output prices. Expectations for activity in the near future picked up considerably in July. Roughly 40 percent of respondents anticipated greater business activity six months from now while 17 percent expected activity to decline.

### Current Activity

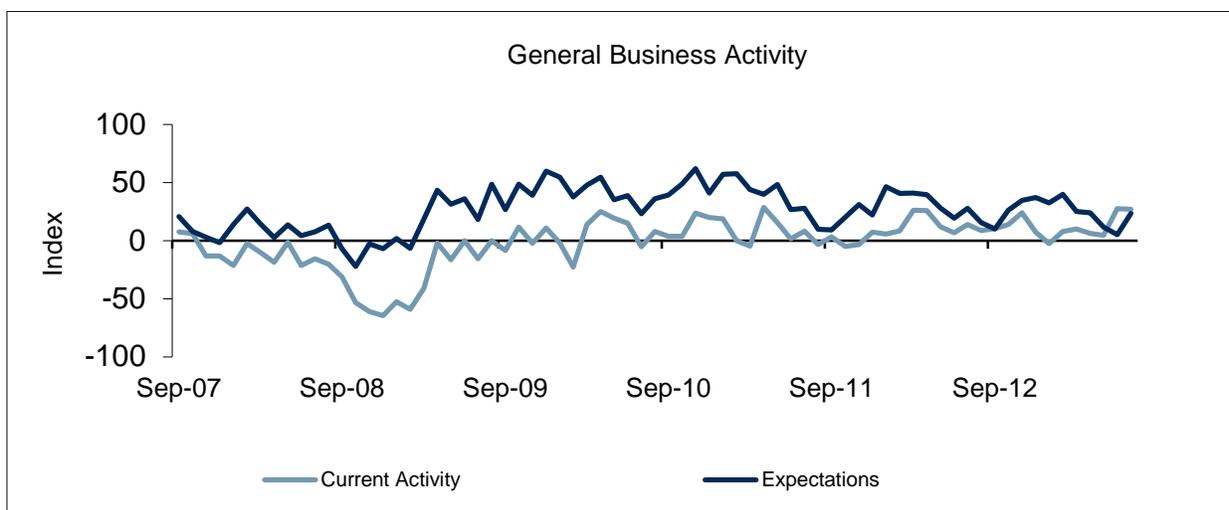
Business activity improved moderately in July as the general business activity index registered 27, down 1 point from last month. Sales were solid for the month with the index at 19. Spending on business services was modest with an index reading of 9, down 1 point from last month. Capital expenditures increased at a moderate pace with the index at 13, down 2 points

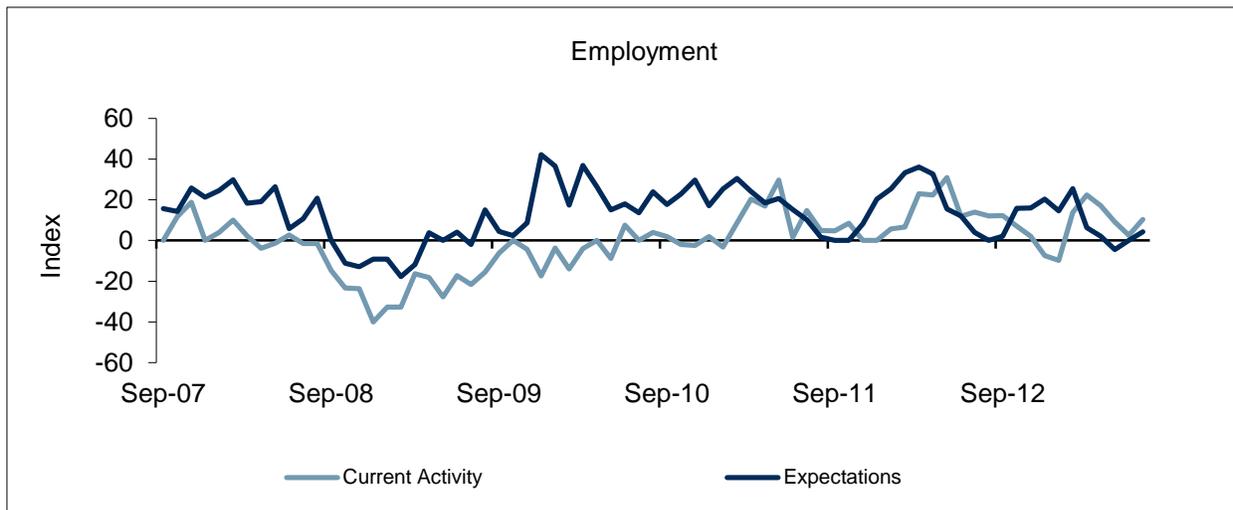
from June's reading of 15. Business investment in equipment and software was slightly greater with the index at 17—a decline of 6 points from the series 5-year high of 23 in June.

### Employment

Labor market conditions remained soft in July for a third consecutive month. The number of employees index improved to 10 from 3 last month but remained below readings earlier this year. The index averaged 18 from February to April, but then declined into single digits in May and June. Twenty-three percent of respondents indicated that they added workers for the month while 13 percent reported a decline—down from 20 percent last month. Respondents reported that finding workers with needed skills was somewhat of an issue as the index fell back into negative territory. Respondents continued to report higher wages despite softer labor market conditions. The wage index registered 17 in July, down 6 points from last month.

Expectations for future labor market conditions were lackluster for a fifth consecutive month. The number of employees expectations index edged higher to 4 after a reading of zero in June and a negative reading in May. 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 improved to 23 percent after remaining under 20 percent in the prior three months. Expectations for hours worked jumped by 19 points to 6.

**Prices**

Businesses reported that margins remained under pressure with increases in input prices outpacing output prices. Respondents reported that input prices rose 2.4 percent in July on an annualized basis, down from June’s reading of 2.7 percent. Output prices increased at a 1.3 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 2.5 percent annualized rate over the next six months, while output prices were expected to increase by 1.2 percent.

**Expectations**

Expectations of economic activity six months from now improved in July. The expectations index for general business conditions and sales rose by 18 and 21 points, respectively, to index readings of 23 and 26. The index reading of 5 for expected business conditions in June was the lowest reading since February 2009. In the July survey, roughly 40 percent of respondents expected business conditions to improve—up from 26 percent in the June survey. Seventeen percent of respondents expected

conditions to worsen, down from 21 percent last month.

Overall the survey results indicated that business activity increased moderately in May, with solid increases in general conditions and sales. The increase in expectations in business conditions and sales suggests that some of the factors, such as federal spending cuts, that have created uncertainty about the strength of the state economy have lessened. Still, respondents’ expectations for little hiring over the next six months suggests that businesses remain cautious.

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

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Jul-13	Jun-13	May-13	Jul-13	Jun-13	May-13
General Business Conditions	27	28	5	23	5	12
Sales	19	28	20	26	5	9
<b>Employment</b>						
Number of Employees	10	3	9	4	0	-5
Availability of Skills Needed	-4	3	-5	-9	-3	-7
Average Workweek	17	10	9	6	-13	-9
Wages	23	23	25	32	15	20
<b>Spending</b>						
Business Services Expenditures	9	10	5	9	-8	2
Total Capital Expenditures	13	15	5	17	-5	-2
Equipment or Software	17	23	14	13	5	7
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	2.4	2.7	3.3	2.5	1.6	2.8
Prices Received for Outputs	1.3	0.9	1.8	1.2	0.9	2.0

### 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.