

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Increased Moderately in August; Expectations for Future Hiring Remained Weak

Overview

According to the latest survey results, business activity in Maryland improved moderately in August. The general business activity index registered 16 for the month, down 11 points from August. Sales activity was also moderate with the index at 12. Business spending on services continued at a soft pace while investment in equipment and software rose solidly. Labor market conditions remained tepid as respondents 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 remained solid in August. Roughly 35 percent of respondents anticipated greater business activity six months from now while 14 percent expected activity to decline.

Current Activity

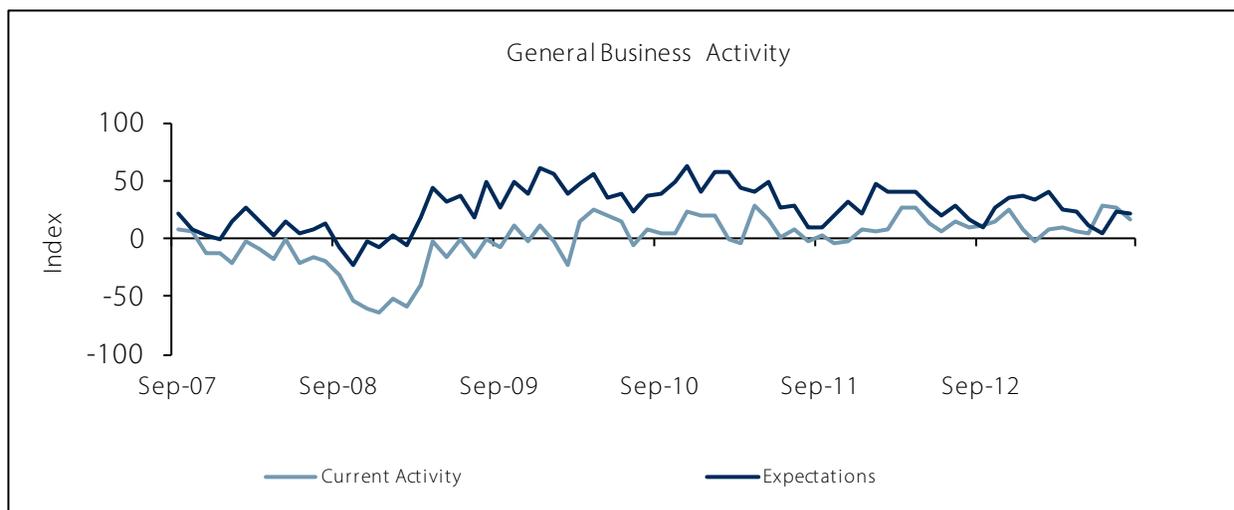
Business activity improved moderately in August as the general business activity index registered 16, down 11 points from last month. Sales were softer than last month with the index at 12, a decrease of seven points from July's reading. Spending on

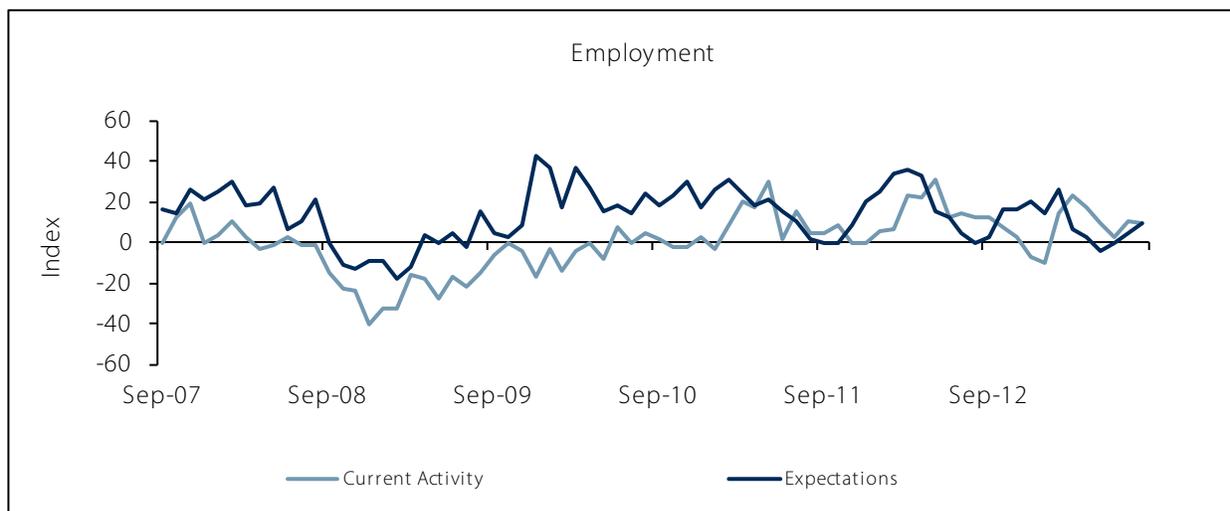
business services improved with an index reading of 16, up seven points from last month. Capital expenditures increased at a moderate pace with the index at 11. Business investment in equipment and software rose solidly with the index at 25—the highest reading in the five-year history of the survey.

Employment

Labor market conditions remained soft in August for a fourth consecutive month. The number of employees index was largely unchanged at 9. Twenty-three percent of respondents indicated that they added workers for the month while 14 percent reported a decline. Respondents reported that finding workers with needed skills was somewhat of an issue as the index remained in negative territory for a second consecutive month. Respondents continued to report higher wages despite softer labor market conditions. The wage index registered 25 in August, an increase of eight points from last month.

Expectations for future labor market conditions were lackluster for a sixth consecutive month. The number of employees expectations index remained fairly weak, but continued to edged higher. The index rose to 9 in August from 4 in July, 0 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 26 percent; however 16 percent of respondents anticipate reducing their workforce. Expectations for hours worked fell back into negative territory after jumping 19 points to 6 in July. In August the index fell by 18 points to -12.

Prices

Businesses reported that margins remained under pressure with increases in input prices outpacing output prices. Respondents reported that input prices rose 2.3 percent in August on an annualized basis, down from July’s reading of 2.4 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 1.1 percent.

Expectations

Expectations of economic activity six months from now were slightly lower in August. The expectations index for general business conditions and sales edged lower by two and 16 points, respectively, to readings of 21 and 10. In June, the expected business conditions index registered 5, which was

the lowest reading since February 2009. In the August survey roughly 35 percent of respondents expected business conditions to improve—down slightly from 40 percent in the July survey. Fourteen percent of respondents expected conditions to worsen. Thirty-one percent of respondents anticipate sales to increase over the next six months while 21 percent expect sales to worsen.

Overall the survey results indicated that business activity increased moderately in August. General business conditions and sales improved but at a softer pace while labor market conditions remained tepid. Despite more subdued current conditions and softer expectations, business investment was solid for the month. Respondents’ expectations for little hiring over the next six months suggests that businesses remain cautious.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Aug-13	Jul-13	Jun-13	Aug-13	Jul-13	Jun-13
General Business Conditions	16	27	28	21	23	5
Sales	12	19	28	10	26	5
Employment						
Number of Employees	9	10	3	9	4	0
Availability of Skills Needed	-7	-4	3	-5	-9	-3
Average Workweek	9	17	10	-12	6	-13
Wages	14	23	23	21	32	15
Spending						
Business Services Expenditures	16	9	10	17	9	-8
Total Capital Expenditures	11	13	15	14	17	-5
Equipment or Software	25	17	23	23	13	5
Price Trends³						
Prices Paid for Inputs	2.3	2.4	2.7	2.5	2.5	1.6
Prices Received for Outputs	1.3	1.3	0.9	1.1	1.2	0.9

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.