

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Flat in September; Expectations for Future Hiring Improved

Overview

According to the latest survey results, business activity in Maryland edged slightly higher in September. The general business activity index registered 2 for the month, down 14 points from August. Sales activity was slightly weaker with the index at -4. 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 a slight decline in employees for the month, although expectations for future hiring improved. 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 September. Over 35 percent of respondents anticipated greater business activity six months from now while just 12 percent expected activity to decline.

Current Activity

Business activity edged slightly higher in September as the general business activity index registered 2, down 14 points from last month and 25 points from July's reading. Sales were weak with the index at -4;

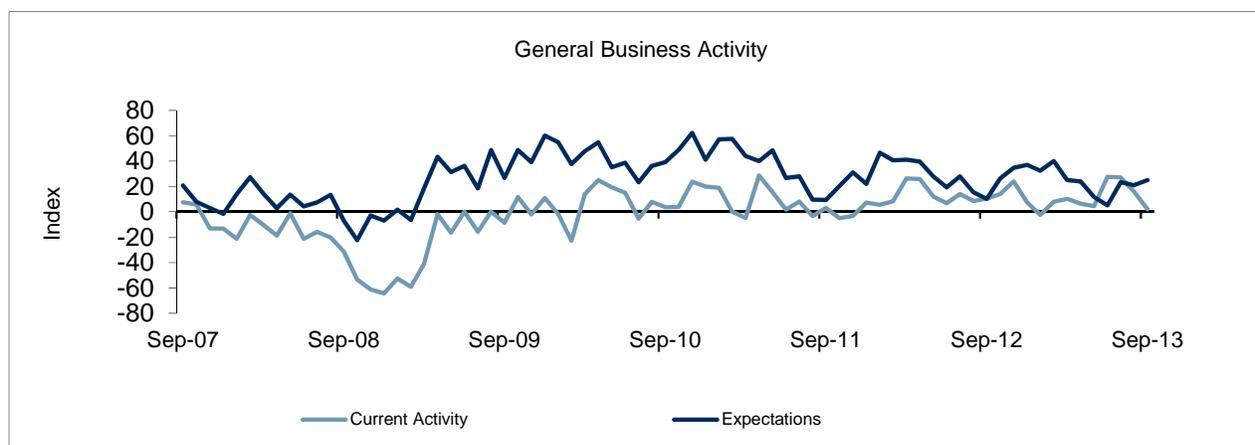
a decrease of 16 points from July's reading.

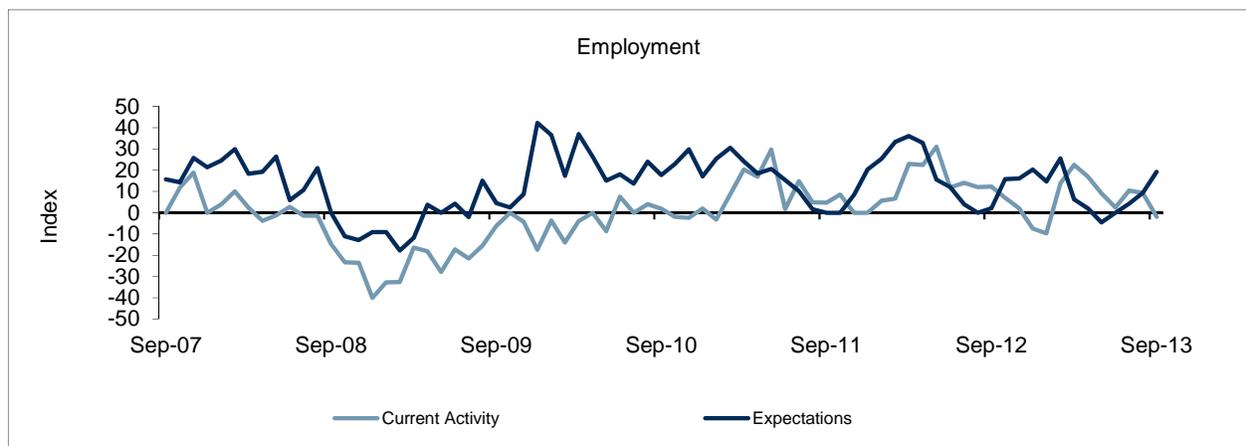
Spending on business services moderated with an index reading of 6, down 10 points from last month. Capital expenditures increased at a solid pace with the index at 17. Business investment in equipment and software rose briskly with the index at 21—just slightly lower than the five-year series high of 25 registered in the August survey.

Employment

Labor market conditions remained soft in September for a fifth consecutive month. The number of employees index was largely unchanged at -2. Twenty-one percent of respondents indicated that they added workers for the month while 23 percent reported a decline. Respondents continued to report higher wages despite softer labor market conditions. The wage index registered 28 in September, an increase of eight points from last month.

Expectations for future labor market conditions improved after sixth consecutive months of weaker survey results. The number of employees expectations index increased to 19 from 10 in August. In the prior five months, the series index average was 2 and included a reading of -5 in May—the first negative reading since July 2009. The





percentage of firms anticipating hiring over the next six months improved to 31 percent. However, 12 percent of respondents anticipate reducing their workforce. Expectations for average workweek hours improved to a reading of 0 after falling into negative territory in August.

Prices

Businesses reported that margins remained under pressure with increases in input prices outpacing output prices. Respondents reported that input prices rose 2.5 percent in September on an annualized basis, up from August’s reading of 2.3 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 1.7 percent.

Expectations

Expectations of economic activity six months from now were slightly higher in September. The expectations index for general business conditions and sales rose by four and 11 points, respectively, to readings of 25 and 21. In the September survey, 37 percent of respondents expected business conditions to improve (up slightly from last month’s survey) while just 12 percent of respondents expected

conditions to worsen. Thirty-five percent of respondents anticipate sales to increase over the next six months while 14 percent expect sales to worsen—down from 21 percent in the August survey.

Overall, the survey results indicated that the Maryland economy remained sluggish. General business conditions and sales were essentially unchanged while labor market conditions remained tepid. However, business investment was solid for the month and expectations for future activity improved. Continued capital spending and improvement in the outlook for hiring suggest that despite sluggish conditions businesses remain optimistic that economic activity will pick up in the near term.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Sep-13	Aug-13	Jul-13	Sep-13	Aug-13	Jul-13
General Business Conditions	2	16	27	25	21	23
Sales	-4	12	19	21	10	26
Employment						
Number of Employees	-2	9	10	19	9	4
Availability of Skills Needed	2	-7	-4	-13	-5	-9
Average Workweek	4	9	17	0	-12	6
Wages	28	14	23	27	21	32
Spending						
Business Services Expenditures	6	16	9	4	17	9
Total Capital Expenditures	17	11	13	21	14	17
Equipment or Software	21	25	17	16	23	13
Price Trends³						
Prices Paid for Inputs	2.5	2.3	2.4	2.5	2.5	2.5
Prices Received for Outputs	1.3	1.3	1.3	1.7	1.1	1.2

Technical Notes:

- 1 Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. Data are not seasonally adjusted.
- 2 Expectations refer to the time period six months out from the survey period.
- 3 Price changes are expressed as a percent change, annualized.