

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Business Activity Weak in October; Labor Market Conditions Remained Tepid*

### Overview

According to the latest survey results, business activity in Maryland edged lower in October. The general business activity index registered -4 for the month, down six points from September. The index peaked at 28 in June and subsequently declined over the following four months to its first negative reading since January. Sales activity was flat with the index at 0.

The weakness in business activity in October was evident in other survey measures as well. Business spending on services was flat, while capital expenditures declined for the first time since December 2011. Labor market conditions remained tepid as respondents reported a slight increase in employees for the month and average weekly hours edged lower. Profit margins continued to come under pressure with increases in input costs outpacing output prices.

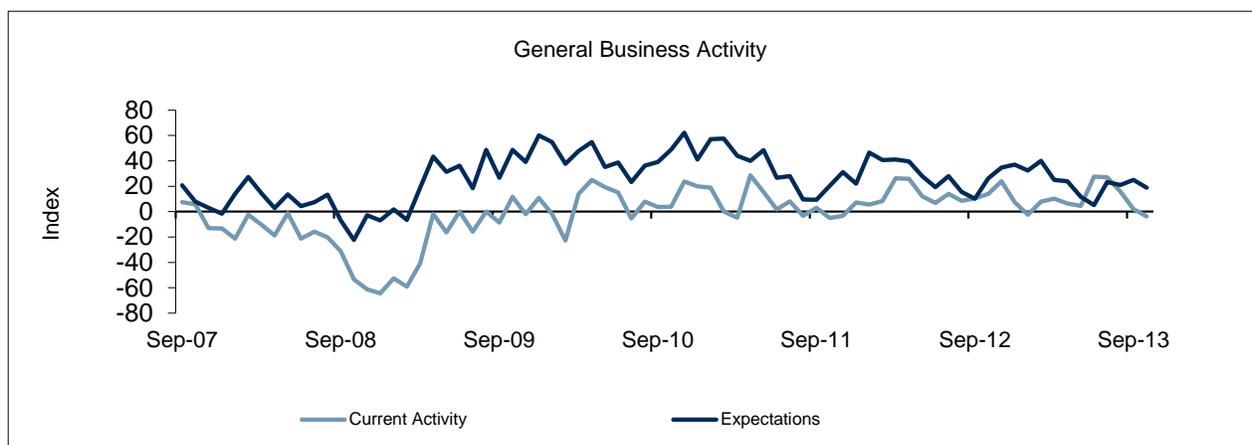
Expectations for activity in the near future moderated somewhat in October. Thirty percent of respondents anticipated greater business activity six months from now, down from 37 percent last month, while just 11 percent expected activity to decline—unchanged from last month.

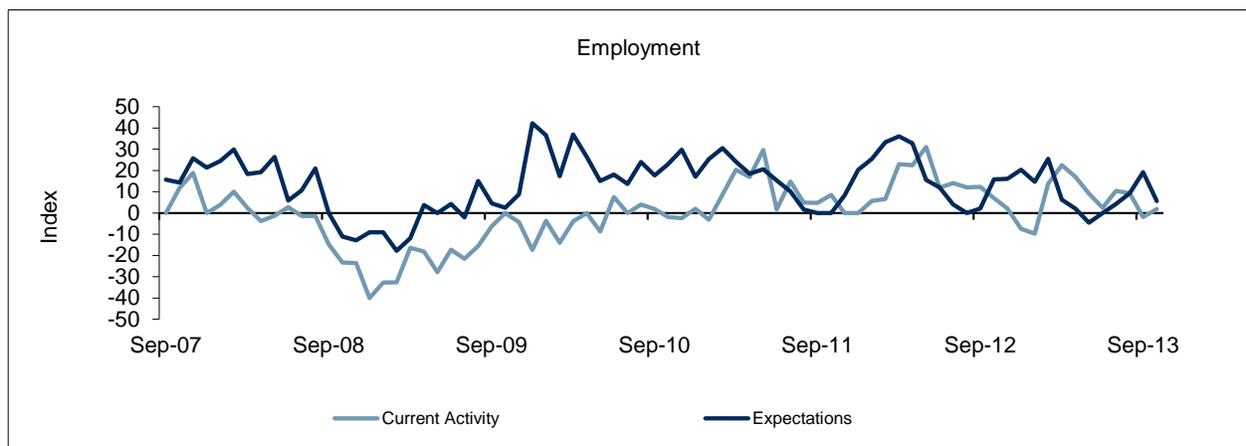
### Current Activity

Business activity edged lower in October as the general business activity index registered -4, down six points from last month. The index registered 28 and 27 in June and July, respectively, and fell in subsequent months to 16 in August and 2 last month. Sales were flat with the index at 0—a slight improvement from last month but considerably less than the average of 20 over the prior four months through August. Spending on business services was flat with an index reading of 0, down six points from last month and its weakest reading since January of this year. Capital expenditures were notably weaker in October, declining for the first time since the end of 2011. The capital expenditures index fell 24 points to -7 while the expenditures on equipment and software index dropped 19 points to 2.

### Employment

Labor market conditions remained weak in October for a sixth consecutive month. The number of employees index edged higher to 2 from -2 in September. Twenty percent of respondents indicated that they added workers for the month while 18 percent reported a decline. Respondents continued to report higher wages despite softer labor market





conditions. The wage index registered 11 in October, a decrease of 17 points from last month.

Expectations for future labor market conditions softened in October after improving last month. The number of employees expectations index decreased to 6 from 19 in September. Prior to the September's reading of 19, 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 declined to 21 percent from 31 percent and the number of respondents indicating that they planned on reducing their workforce rose from 12 percent to 15 percent. Expectations for average workweek hours improved to a reading of 6 after a flat reading in September.

### Prices

Businesses reported that margins remained under pressure with increases in input prices outpacing output prices. Respondents reported that input prices rose 2.6 percent in October on an annualized basis, up from September's reading of 2.5 percent. Output prices increased at a 0.9 percent rate on an annualized basis, down slightly from last month. Businesses expected profit margins to remain under pressure over the next six months. Input prices were expected to increase at a 2.6 percent annualized rate over the next six months, while output prices were expected to increase by 1.4 percent.

### Expectations

Expectations of economic activity six months from

now moderated somewhat in October. The expectations index for general business conditions decreased to 19 from 25 last month while the sales expectations index was unchanged at 21. In the October survey, 30 percent of respondents expected business conditions to improve (down from 37 percent in last month's survey) while just 11 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.

Overall the survey results indicated that the Maryland economy remained sluggish. General business conditions and sales were weak while labor market conditions remained tepid. Business spending and investment were off as well. Expectations for future overall activity remained positive, yet the outlook for the labor market dimmed.

### 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>		
	Oct-13	Sep-13	Aug-13	Oct-13	Sep-13	Aug-13
General Business Conditions	-4	2	16	19	25	21
Sales	0	-4	12	21	21	10
<b>Employment</b>						
Number of Employees	2	-2	9	6	19	9
Availability of Skills Needed	2	2	-7	0	-13	-5
Average Workweek	-2	4	9	6	0	-12
Wages	11	28	14	23	27	21
<b>Spending</b>						
Business Services Expenditures	0	6	16	2	4	17
Total Capital Expenditures	-7	17	11	13	21	14
Equipment or Software	2	21	25	25	16	23
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	2.6	2.5	2.3	2.6	2.5	2.5
Prices Received for Outputs	0.9	1.3	1.3	1.4	1.7	1.1

**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.