

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

### *Business Activity Improved in November; Labor Market Hiring Accelerated*

#### Overview

According to the latest survey results, business activity in Maryland increased in November. The general business activity index registered 12 for the month, an increase of 16 points from October. Sales activity edged higher with the index up to 5 from 0 last month. The improvement in business activity in November was evident in other survey measures as well. Business spending on services increased moderately while capital expenditures posted a solid increase. Labor market conditions improved considerably in November with some respondents indicating that they expanded their workforce while only a handful reported a decline. Profit margins continued to come under pressure with increases in input costs outpacing output prices. Expectations for activity in the near future rose in November. Thirty-eight percent of respondents anticipated greater business activity six months from now, up from 30 percent last month, while 14 percent expected activity to decline, up slightly from 11 percent.

#### Current Activity

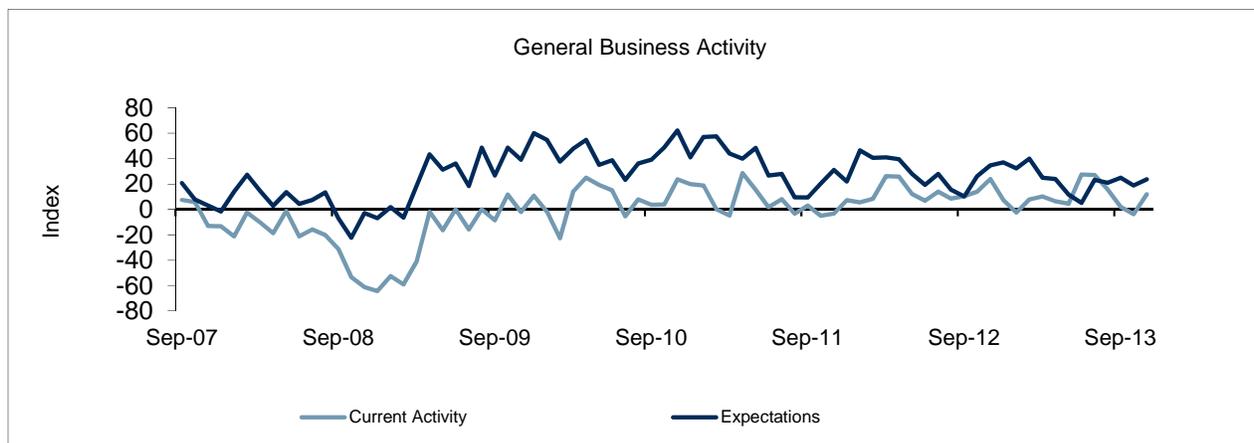
Business activity edged lower in November as the general business activity index registered 12, up 16 points from last month. The double-digit reading is the first since August when the index registered 16,

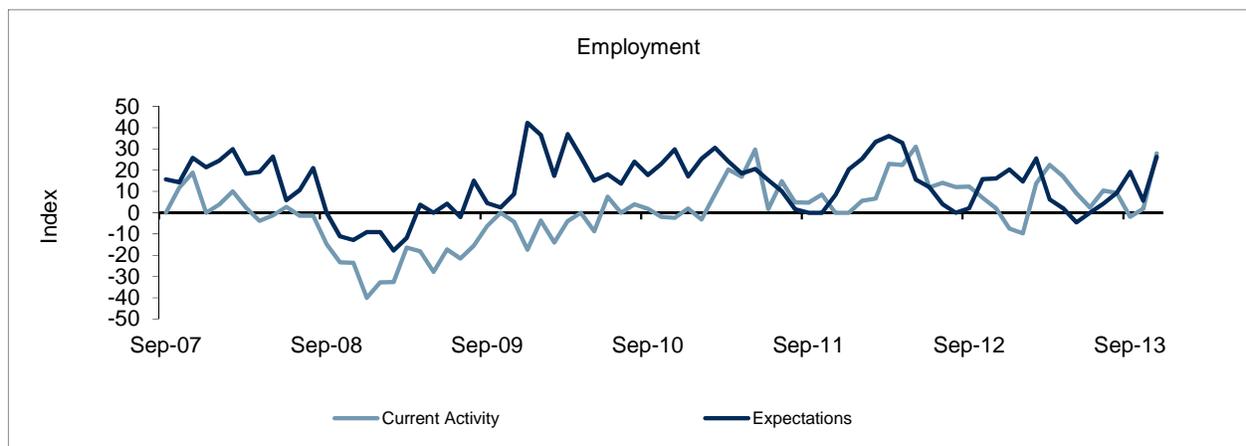
which followed considerably stronger readings in June and July, of 28 and 27, respectively. Sales were less robust with an index reading of 5.

Spending on business services rose moderately for the month, with the index at 10—up from a flat reading in October. Capital expenditures rebounded after a notably weak performance in October—capital expenditures declined for the first time since the end of 2011 last month. In November, the capital expenditures index jumped 24 points to 17 while the expenditures on equipment and software index increased 22 points to 24.

#### Employment

According to the survey, labor market conditions improved considerably in November. In the surveys over the previous six months, respondents indicated that labor market hiring was quite weak. In the current survey, however, the number of employees index jumped to 28 from 2 last month. Thirty-five percent of respondents indicated that they added workers for the month, up from 20 percent in October, while just 7 percent reported a decline, down from 18 percent. Respondents continued to report higher wages despite softer labor market conditions. The wage index registered 12 in November, down one point from October.





Expectations for future labor market conditions improved notably in November. The number of employees expectations index increased to 20 from 6 in October. The percentage of firms anticipating hiring over the next six months rose to 33 percent from 21 percent and the number of respondents indicating that they planned on reducing their workforce decreased from 15 to 7 percent. Expectations for average workweek hours and wages also rose for the month.

### Prices

Businesses reported that margins remained under pressure with increases in input prices outpacing output prices. Respondents reported that input prices rose 1.8 percent in November on an annualized basis, down from October's reading of 2.6 percent. Output prices increased at a 0.8 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 1.9 percent annualized rate over the next six months, while output prices were expected to increase by 1.3 percent.

### Expectations

Expectations of economic activity six months from now rose in November. The expectations index for general business conditions increased to 24 from 19 last month while the sales expectations index improved by 11 points to 32. In the November survey 38 percent of respondents expected business

conditions to improve, up from 30 percent in last month's survey, while 14 percent of respondents expected conditions to worsen, up slightly from last month. Forty-two percent of respondents anticipate sales to increase over the next six months while 10 percent expect sales to worsen.

Overall the survey results indicated that the Maryland economy picked up in November after sluggish activity in September and October. Respondents reported a notable improvement in labor market conditions after six months of weakness. It is unclear whether or not this is a one-month improvement influenced by disruptions created by the government shutdown. Expectations for overall economic conditions six months from now improved, as did expectations for labor market conditions and capital expenditures.

### 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>		
	Nov-13	Oct-13	Sep-13	Nov-13	Oct-13	Sep-13
General Business Conditions	12	-4	2	24	19	25
Sales	5	0	-4	32	21	21
<b>Employment</b>						
Number of Employees	28	2	-2	26	6	19
Availability of Skills Needed	-7	2	2	10	0	-13
Average Workweek	-2	-2	4	17	6	0
Wages	12	11	28	40	23	27
<b>Spending</b>						
Business Services Expenditures	10	0	6	18	2	4
Total Capital Expenditures	17	-7	17	26	13	21
Equipment or Software	24	2	21	31	25	16
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.8	2.6	2.5	1.9	2.6	2.5
Prices Received for Outputs	0.8	0.9	1.3	1.3	1.4	1.7

**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.