

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Dropped Unexpectedly in December; Labor Market Hiring Decelerated

Overview

According to the latest survey results, business activity in Maryland dropped sharply in December. The general business activity index registered -15 for the month, a drop of 27 points from November. The current reading is the lowest since February 2010. Whether this reflects broad weakness in the economy for the month or end-of-year seasonal factors and/or a smaller survey sample remains to be seen.

Sales activity also fell with the index decreasing 21 points to -16. The weakness in business activity in December was evident in other survey measures as well. Business spending on services and capital expenditures were flat and labor market conditions were weak.

Despite the weaker readings for December, expectations for activity in the near future rose. Fifty percent of respondents anticipated greater business activity six months from now, up from 38 percent last month, while just 9 percent expected activity to decline, down slightly from 14 percent.

Current Activity

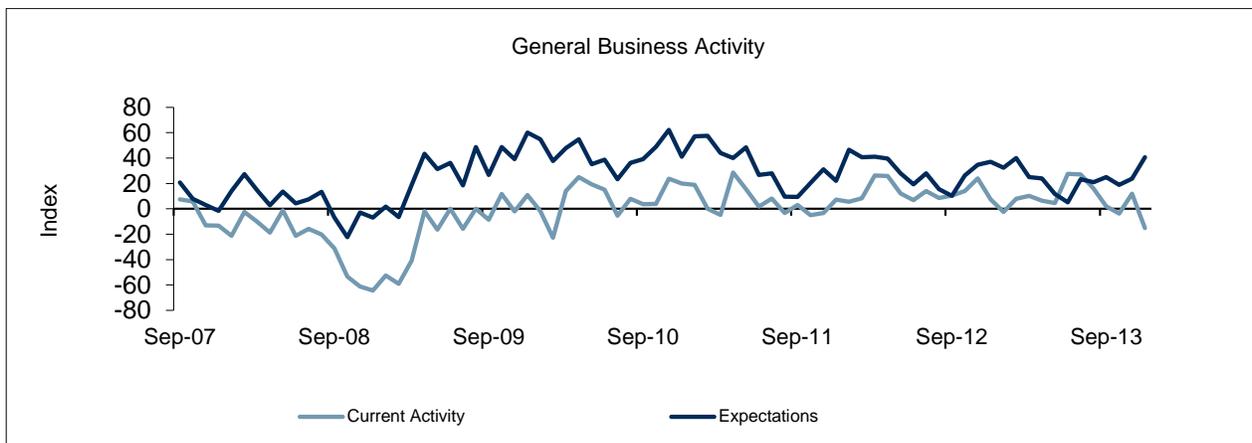
Business activity dropped in December as the general business activity index registered -15, down

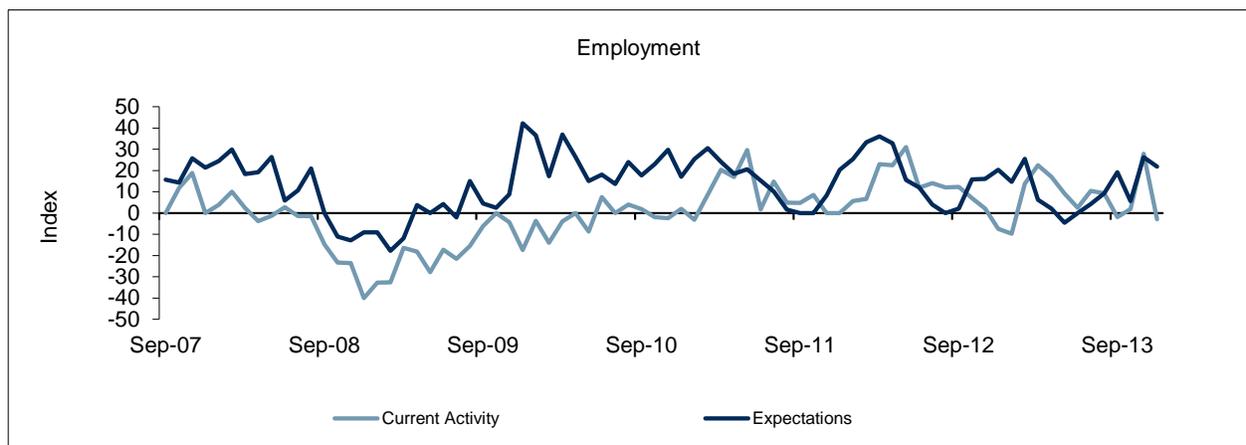
27 points from last month. Sales also fell sharply by 21 points to an index reading of -16. Spending on business services and capital expenditures were both flat while there was a modest increase in spending on equipment and software.

Employment

According to the survey, labor market conditions were weak in December. In last month's survey, the number of employees index jumped to a reading of 28 after six months of softer readings. In the current survey the index fell 31 points to a reading of -3. Eighteen percent of respondents indicated that they added workers for the month, down from 35 percent in November, while 21 percent reported a decline, up from 7 percent. Respondents continued to report a declining workweek with the index remaining in negative territory. The wage index was flat in December—the weakest reading since August 2010.

Expectations for future labor market conditions remained positive in December, despite weaker conditions for the month. The number of employees expectations index decreased to 22 from 26 in November. The percentage of firms anticipating hiring over the next six months edged lower to 31 from 33 percent while the number of respondents





indicating that they planned on reducing their workforce edged higher from 7 to 9 percent. Expectations for average workweek hours were softer, but still positive, while expectations for wages six months from now rose to the second highest reading in the history of the survey.

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 December on an annualized basis, unchanged from November’s reading. Output prices increased at a 0.9 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 2.4 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 rose in December. The expectations index for general business conditions increased to 41 from 24 last month while the sales expectations index improved by 5 points to 37. In the December survey 50 percent of respondents expected business conditions to improve, up from 38 percent in last month’s survey, while 9 percent of respondents

expected conditions to worsen, down from 14 percent last month. Fifty-three percent of respondents anticipate sales to increase over the next six months while 17 percent expect sales to worsen.

Overall the survey results indicated that the Maryland economy was unexpectedly weak in December. Overall business activity and sales fell sharply and business spending was flat. Labor market conditions were also weak. However, end-of-year seasonal factors and a smaller survey response could be responsible for some of the unexpected weakness. The January survey results should help clarify the direction and outlook for the Maryland economy.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Dec-13	Nov-13	Oct-13	Dec-13	Nov-13	Oct-13
General Business Conditions	-15	12	-4	41	24	19
Sales	-16	5	0	37	32	21
Employment						
Number of Employees	-3	28	2	22	26	6
Availability of Skills Needed	-6	-7	2	-3	10	0
Average Workweek	-6	-2	-2	6	17	6
Wages	0	12	11	50	40	23
Spending						
Business Services Expenditures	0	10	0	6	18	2
Total Capital Expenditures	0	17	-7	3	26	13
Equipment or Software	6	24	2	19	31	25
Price Trends³						
Prices Paid for Inputs	1.8	1.8	2.6	2.4	1.9	2.6
Prices Received for Outputs	0.9	0.8	0.9	1.2	1.3	1.4

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.