

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Declined in January; Weak Start to the Year for the Labor Market

Overview

According to the latest survey results, business activity in Maryland declined in January. The general business activity index registered -6 for the month, a modest improvement from a reading of -15 in December. Sales activity fell sharply for a second consecutive month with the index at -13, though it was three points higher than last month. The survey also indicated weakness in business spending and hiring. Business spending on services declined while capital expenditures edged slightly higher. Survey respondents reported a decline in the number of employees on payrolls as well as a shorter workweek.

Despite the weaker readings for January, expectations for activity in the near future rose. Forty-seven percent of respondents anticipated greater business activity six months from now, down slightly from 50 percent last month, while just 2 percent expected activity to decline, down from 9 percent.

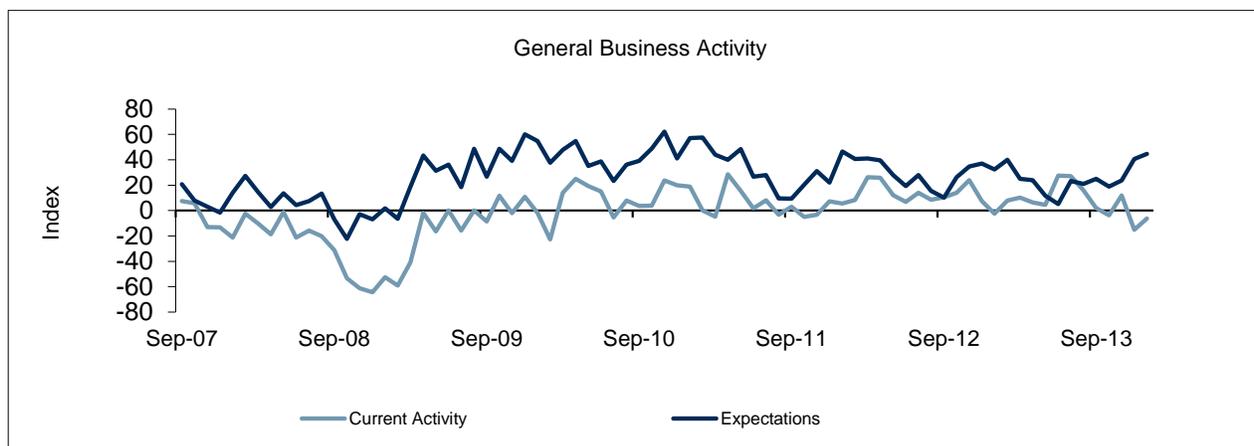
Current Activity

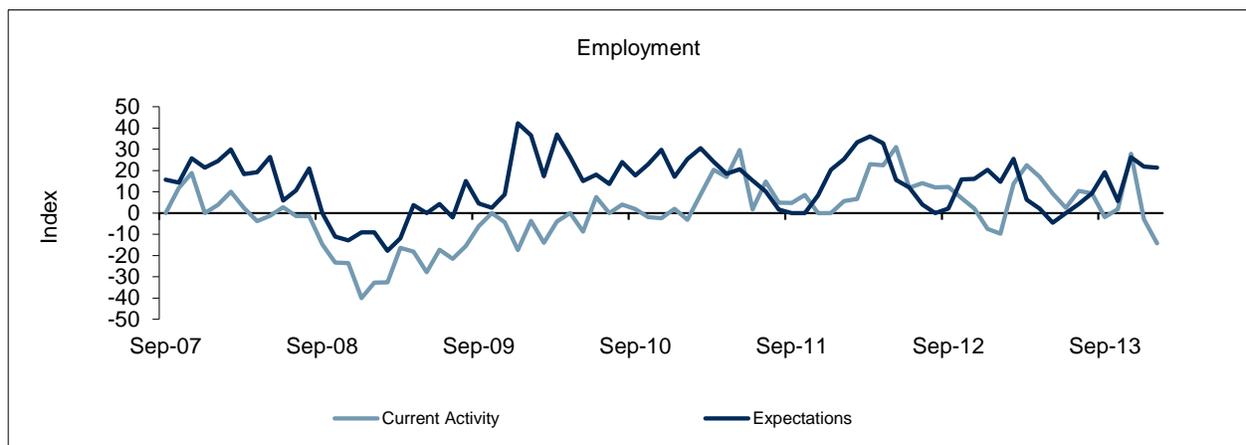
Business activity declined in January as the general business activity index registered -6, up nine points from December's four-year low of -15. Business activity softened in the fall of 2013 and has yet to

regain its footing. The general business conditions index averaged -2 from September through January compared to an average of 12 from January 2013 through August—with highs near 30 in June and July. Sales were down sharply for a second consecutive month in January with the index at 13. Spending on business services declined for the first time in 12 months while capital expenditures were weak for a second consecutive month—with an index reading of 4 for total expenditures and expenditures on equipment or software.

Employment

Labor market conditions were very weak in January. The number of employees index declined 11 points to -14, the lowest reading for the series since February 2010. Ten percent of respondents indicated that they added workers for the month, down from 18 percent in December, while 24 percent reported a decline. Excluding November's reading of 28, the index averaged -4 since September 2013 compared to an average of 9 from January to August 2013. The average workweek series also signaled greater weakness since last fall. The workweek index averaged -4 since last September while in the eight months prior averaged 10. In this month's survey, respondents continued to report a declining workweek, with the index dropping six points to -12.





The wages index rose to 14, slightly below the series average of 19 for 2013.

Expectations for future labor market conditions remained positive despite weaker conditions in January. The number of employees expectations index edged lower by one point to 21. The percentage of firms anticipating hiring over the next six months declined to 28 from 31 percent while the number of respondents indicating that they planned on reducing their workforce declined to 6 from 9 percent. Expectations for average workweek hours improved after a softer reading in December while expectations for wages six months from now retreated 14 points to 36.

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 January on an annualized basis, up from 1.8 percent last month. Output prices increased at a 1.1 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 2.8 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 January for a third straight month. The

expectations index for general business conditions increased to 45 from 41, while the sales expectations index improved by five points to 42. Forty-seven percent of respondents expected business conditions to improve, down from 50 percent last month, while just 2 percent of respondents expected conditions to worsen. Forty-seven percent of respondents anticipate sales to increase over the next six months while just 4 percent expect sales to worsen.

Overall the survey results indicated that the slowdown in business activity in the Maryland economy that began in the fall of 2013 accelerated in recent months. Overall business conditions, sales and hiring remained negative while business spending and investment was weak. However, despite recent weakness, survey respondents indicated that they anticipate sales, hiring and investment to pick up over the near term.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Jan-14	Dec-13	Nov-13	Jan-14	Dec-13	Nov-13
General Business Conditions	-6	-15	12	45	41	24
Sales	-13	-16	5	42	37	32
Employment						
Number of Employees	-14	-3	28	21	22	26
Availability of Skills Needed	-10	-6	-7	0	-3	10
Average Workweek	-12	-6	-2	15	6	17
Wages	14	0	12	36	50	40
Spending						
Business Services Expenditures	-7	0	10	5	6	18
Total Capital Expenditures	4	0	17	15	3	26
Equipment or Software	4	6	24	29	19	31
Price Trends³						
Prices Paid for Inputs	2.5	1.8	1.8	2.8	2.4	1.9
Prices Received for Outputs	1.1	0.9	0.8	1.2	1.2	1.3

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.