

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Business Activity Improved in February; Labor Conditions Soft But Business Spending Picks Up*

### Overview

According to the latest survey results, business activity in Maryland rose in February. The general business activity index registered 14 for the month, a notable improvement from readings of -6 and -15 in January and December, respectively. Sales activity, however, declined for a third consecutive month with the index at -5, an improvement of eight points from last month. The survey indicated less weakness in the labor market than in prior months with the number of employees index at 2, up 16 points from last month. Respondents reported greater business spending as business spending on services and capital expenditures increased. Expectations for activity in the near future edged lower but remained very solid in February. Forty-nine percent of respondents anticipated greater business activity six months from now while 9 percent expected activity to decline.

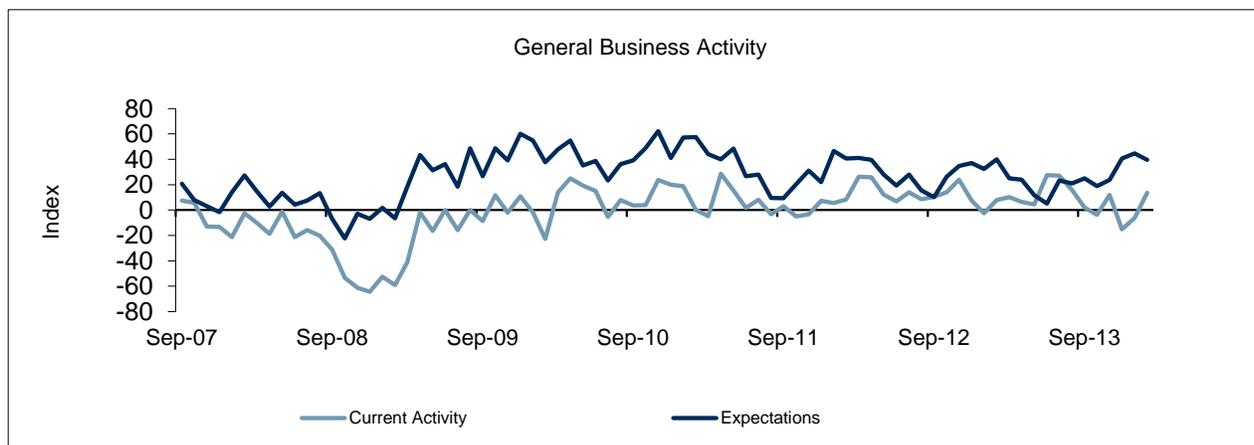
### Current Activity

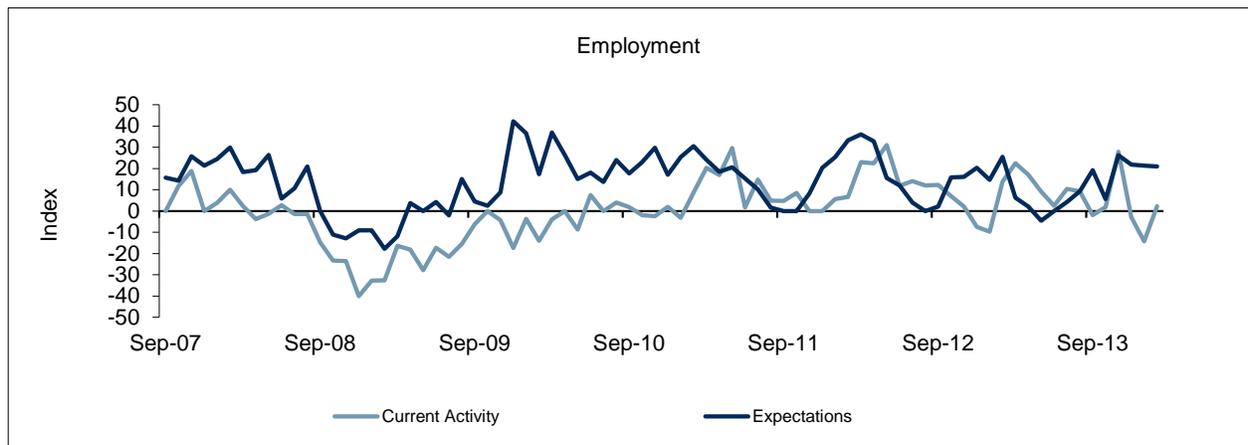
Business activity increased in February as the general business activity index registered 14, up 20 points from -6 in January and 29 points from December's 4-year low of -15. Until this month's survey, activity was noticeably weaker since the beginning of fall 2013. The general business

conditions index averaged -2 from September 2013 through January 2014 compared to an average of 12 from January through August 2003—with highs near 30 in June and July. Despite the improvement in February, sales were down for a third consecutive month with the index at -5. Spending on business services rebounded after a sudden decline last month with the index rising 21 points to 14. Business spending on capital expenditures increased with an index reading of 14 for total expenditures and 18 for expenditures on equipment or software.

### Employment

Labor market conditions were still very soft with the number of employees index registering 2, up 16 points from last month. January's reading of -14 was the lowest reading for the series since February 2010. Thirteen percent of respondents indicated that they added workers for the month, up from 10 percent in January, while 11 percent reported a decline, down from 18 percent last month. The average workweek series remained negative, edging slightly higher by one point to -11. As indication of the weakness in the state economy in recent quarters, the workweek index averaged -7 from last September through February while in the eight months prior averaged 10. Despite softer labor





conditions in February, a greater number of respondents reported an increase in wages than a decrease for the month. The wages index registered 11, down from 14, last month.

Expectations for future labor market conditions remained positive despite soft conditions in February. The number of employees expectations index was unchanged at 21 and has been above 20 for the past three months. The percentage of firms anticipating hiring over the next six months rose to 33 percent from 28 percent while the number of respondents indicating that they planned on reducing their workforce increased to 12 percent from 6 percent. Expectations for average workweek hours remained positive with a reading of 15.

**Prices**

Businesses reported that margins remained under pressure with increases in input prices outpacing output prices. Respondents reported that input prices rose 2.2 percent in February on an annualized basis, down from 2.5 percent last month. Output prices were little changed for the month. Businesses expected profit margins to remain under pressure over the next six months. Input prices were expected to increase at a 2.3 percent annualized rate over the next six months, while output prices were expected to increase by 1.0 percent.

**Expectations**

Expectations of economic activity six months from now edged lower in February but remained solid.

The expectations index for general business conditions and sales index decreased by five and six points, respectively, to 40 and 36. Forty-nine percent of respondents expected business conditions to improve, up slightly from 47 percent last month, while 9 percent of respondents expected conditions to worsen, up from just 2 percent last month. Fifty-two 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 improved in February after a slowdown in business activity that began in the fall of 2013 and accelerated in recent months. Overall business conditions and business spending showed a notable pickup for the month while sales and hiring remained weak. Survey respondents indicated that they continued to anticipate sales, hiring and investment to pick up over the near term.

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## Business Activity Indexes<sup>1</sup>

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Feb-14	Jan-14	Dec-13	Feb-14	Jan-14	Dec-13
General Business Conditions	14	-6	-15	40	45	41
Sales	-5	-13	-16	36	42	37
<b>Employment</b>						
Number of Employees	2	-14	-3	21	21	22
Availability of Skills Needed	2	-10	-6	5	0	-3
Average Workweek	-11	-12	-6	16	15	6
Wages	11	14	0	48	36	50
<b>Spending</b>						
Business Services Expenditures	14	-7	0	9	5	6
Total Capital Expenditures	14	4	0	16	15	3
Equipment or Software	18	4	6	27	29	19
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	2.2	2.5	1.8	2.3	2.8	2.4
Prices Received for Outputs	0.9	1.1	0.9	1.0	1.2	1.2

### Technical Notes:

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