

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Sharp Increase in Business Conditions and Sales in March; Labor Market Conditions Improved

Overview

According to the latest survey results, business activity in Maryland picked up sharply in March. The general business activity index registered 35, the highest reading in the history of the survey. Sales activity also jumped – the index increased 43 points to a series high of 38. The survey indicated a moderate strengthening in labor market conditions with the number of employees index at 12, up 10 points from last month. Respondents reported an increase in business spending on services and capital expenditures.

Expectations for activity in the near future rose as well. Fifty-nine percent of respondents anticipated greater business activity six months from now while 5 percent expected activity to decline.

Current Activity

Business activity increased sharply in March as the general business activity index registered 35, up 21 points from last month's reading of 14 and up 41 points from January. The February and March survey results indicate business activity picked up notably after a period of weakness that began last fall and continued into the beginning of 2014. The general business conditions index had averaged -2

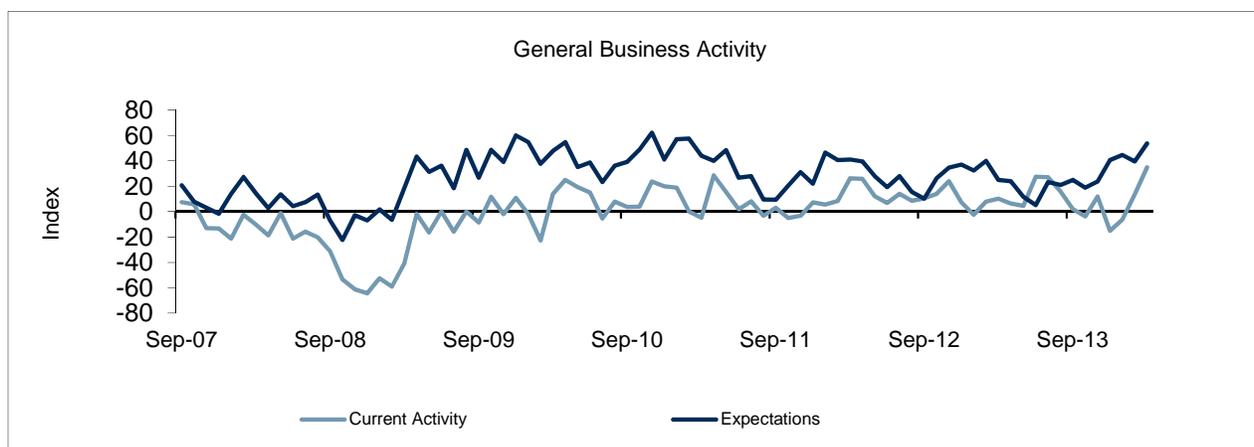
from September 2013 to January 2014, with a four-year low of -15 in December; and 12 from January to August 2013, with highs near 30 in June and July.

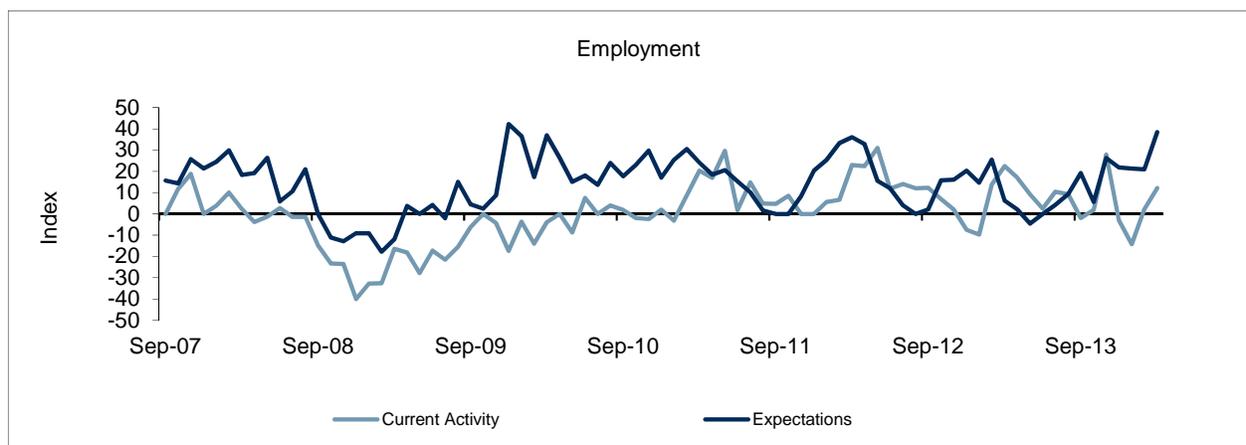
Both the general business conditions and sales indexes improved in the past two months, reaching series highs in March. The sales index increased to 38 in the current survey – up 43 points from February.

Spending on business services increased at a solid pace as the index registered 13, down one point from last month, while capital expenditures increased notably. The total capital expenditures index increased six points to 20 while investment in new equipment and software rose three points to 21.

Employment

Although labor market conditions remained soft, the survey results for March indicate some strengthening. The number of employees index reached a four-year series low of -14 in January but rose 26 points over the past two months to an index reading of 12 in March. Twenty-two percent of respondents indicated that they added workers for the month, up from 12 percent in February, while 10 percent reported a decline. The average workweek series moved back into positive territory, increasing





18 points to 7. The wage index rose four points to 15, indicating that despite soft labor market conditions a number of survey respondents reported higher wages.

Expectations for future labor market conditions improved notably in March. The number of employees expectations index increased to 38, an increase of 17 points, and has been above 20 for the past four months. The percentage of firms anticipating hiring over the next six months rose to 46 percent from 33 percent, while the number of respondents indicating that they planned on reducing their workforce decreased to 8 percent from 12 percent. Expectations for average workweek hours remained positive with a reading of 8.

Prices

Businesses reported that margins remained under pressure with increases in input prices outpacing output prices. Respondents reported that input prices rose 2.8 percent in March on an annualized basis, up from 2.2 percent last month. Output prices rose 1.8 percent.

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 1.9 percent.

Expectations

Expectations of economic activity six months from now rose sharply in March. The expectations index

for general business conditions and sales increased by 14 and 15 points, respectively, to 54 and 51. Fifty-nine percent of respondents expected business conditions to improve, up from 49 percent last month, while 5 percent of respondents expected conditions to worsen, down from 9 percent last month. Sixty-four percent of respondents anticipate sales to increase over the next six months while 13 percent expect sales to worsen.

Overall, the March survey results indicated that the Maryland economy improved for a second consecutive month after a slowdown in business activity that began in the fall of 2013. Respondents reported a sharp increase in general business conditions and sales while business spending on services and capital expenditures were solid for the month. Labor market conditions also picked up notably.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Mar-14	Feb-14	Jan-14	Mar-14	Feb-14	Jan-14
General Business Conditions	35	14	-6	54	40	45
Sales	38	-5	-13	51	36	42
Employment						
Number of Employees	12	2	-14	38	21	21
Availability of Skills Needed	-3	2	-10	3	5	0
Average Workweek	7	-11	-12	8	16	15
Wages	15	11	14	31	48	36
Spending						
Business Services Expenditures	13	14	-7	24	9	5
Total Capital Expenditures	20	14	4	28	16	15
Equipment or Software	21	18	4	36	27	29
Price Trends³						
Prices Paid for Inputs	2.6	2.2	2.5	2.6	2.3	2.8
Prices Received for Outputs	1.8	0.9	1.1	1.9	1.0	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.