

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Expanded Moderately in May; Labor Market Continued to Improve

Overview

According to the latest survey results, business activity in Maryland expanded moderately in May. The general business conditions index rose eight points to 18 while the sales index was unchanged at 12. Labor market conditions improved for a third consecutive month and business spending on services and capital expenditures increased moderately. Expectations for business activity in the near term remained positive. Forty percent of respondents anticipated greater business activity six months from now while 10 percent expected activity to decline.

Current Activity

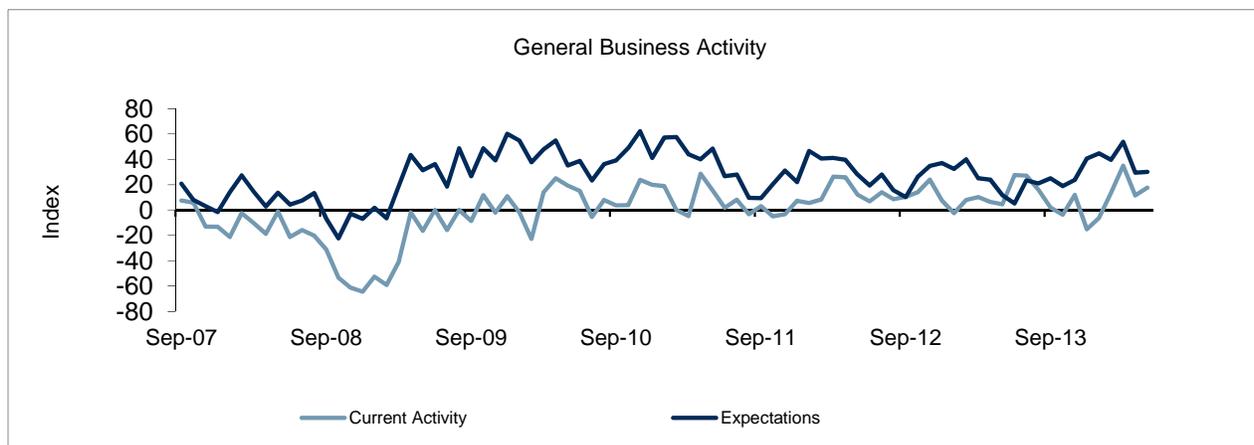
Business activity increased moderately in May as the general business conditions and sales indexes registered 18 and 12, respectively. The general business conditions index registered a double-digit reading for a fourth consecutive month—averaging 19 over the past four months, a significant improvement from the previous five months where the series averaged -2. Likewise, the sales index recorded its third consecutive double-digit reading, averaging 20 over those months versus -5 over the prior five months. Spending on business services increased at a moderate pace as the index registered 10, down

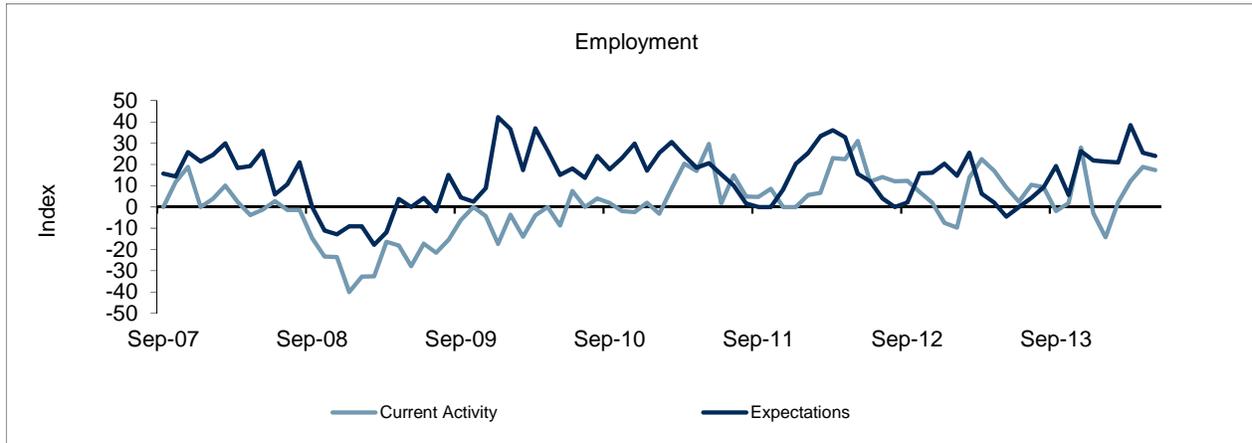
from 18 last month. Capital expenditures increased at a slightly greater pace than last month. The total capital expenditures index edged higher by four points to 14 while the index for expenditures on equipment and software jumped 17 points to 27. Business spending on services and capital expenditures also showed notable improvement over the past four months relative to the prior five months.

Employment

The May survey results indicated improvement in labor market conditions for a third consecutive month. The number of employees index registered 17, down two points from April. Twenty-seven percent of respondents indicated that they added workers for the month while 10 percent reported a decline. The average workweek series declined to 6 from 13 last month and the wage index registered 21, up four points from last month. Twenty-three percent of respondents reported higher wages in May while 2 percent reported a decline.

Expectations for future labor market conditions remained positive. The number of employees expectations index edged down one point to 24 and has been above 20 for the past six months. The percentage of firms anticipating hiring over the next six months edged lower to 32 percent from 33





percent, while the number of respondents indicating that they planned on reducing their workforce was unchanged at 8 percent.

Prices

Businesses reported that margins remained under pressure with increases in input prices outpacing output prices. Respondents reported that input prices rose 2.3 percent in May on an annualized basis, down from 2.4 percent last month. Output prices were essentially unchanged, increasing by just 0.6 percent. Businesses expected profit margins to remain under pressure over the next six months. Input prices were expected to increase at a 2.1 percent annualized rate over the next six months, while output prices were expected to increase by 1.1 percent.

Expectations

Expectations of economic activity six months from now were positive in May. The expectations index for general business conditions edged higher one point to 30, while the sales index decreased to 20 from 29 last month. Forty percent of respondents expected business conditions to improve, down slightly from 41 percent last month, while 10 percent of respondents expected conditions to worsen, down from 12 percent last month. Thirty-six percent of respondents anticipated sales to increase over the next six months while 16 percent expected sales to worsen.

Overall the May survey results indicated that the Maryland economy improved for a fourth consecutive month after a slowdown in business activity that began in the fall of 2013. Respondents reported a solid increase in general business condition, sales, and business expenditures. Labor market conditions improved for a third consecutive month. The more positive survey results over the past several months suggest that the negative impact from cuts to federal spending is lessening and that the Maryland economy is regaining its footing.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	May-14	Apr-14	Mar-14	May-14	Apr-14	Mar-14
General Business Conditions	18	12	35	30	29	54
Sales	12	12	38	20	29	51
Employment						
Number of Employees	17	19	12	24	25	38
Availability of Skills Needed	6	2	-3	4	8	3
Average Workweek	6	13	7	-2	6	8
Wages	21	17	15	20	27	31
Spending						
Business Services Expenditures	10	18	13	15	14	24
Total Capital Expenditures	14	10	20	20	10	28
Equipment or Software	27	10	21	16	14	36
Price Trends³						
Prices Paid for Inputs	2.3	2.4	2.6	2.1	2.0	2.6
Prices Received for Outputs	0.6	1.3	1.8	1.1	1.5	1.9

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.