

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Investment Solid for Fifth Straight Month; Hiring Picks Up Notably

Overview

According to the latest survey results, business activity in Maryland expanded moderately in June. The general business conditions and sales indexes registered 19 and 16, respectively. Labor market conditions improved notably with the number of employees index increasing ten points to 27 and business investment increased at a brisk pace. Expectations for business activity in the near term remained positive although moderated somewhat from recent months. Thirty-seven percent of respondents anticipated greater business activity six months from now while 17 percent expected activity to decline.

Current Activity

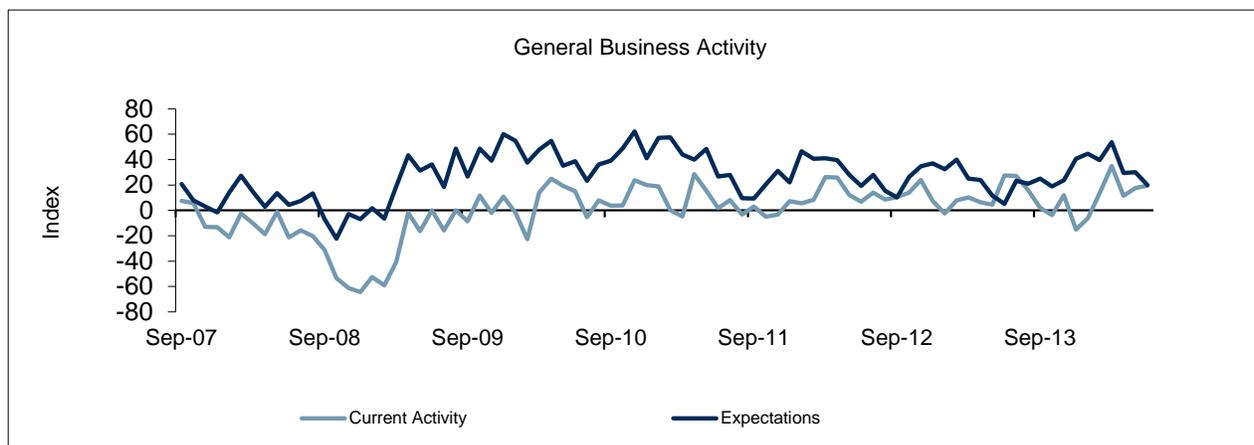
Business activity increased moderately in June as the general business conditions and sales indexes registered 19 and 16, respectively. The general business conditions index registered a double-digit reading for a fifth consecutive month--averaging 19 over the past five months, a significant improvement from the previous five months where the series averaged -2. Likewise, the sales index recorded its fourth consecutive double-digit reading, averaging 19 over those months versus -5 over the prior five months. Spending on business services increased at

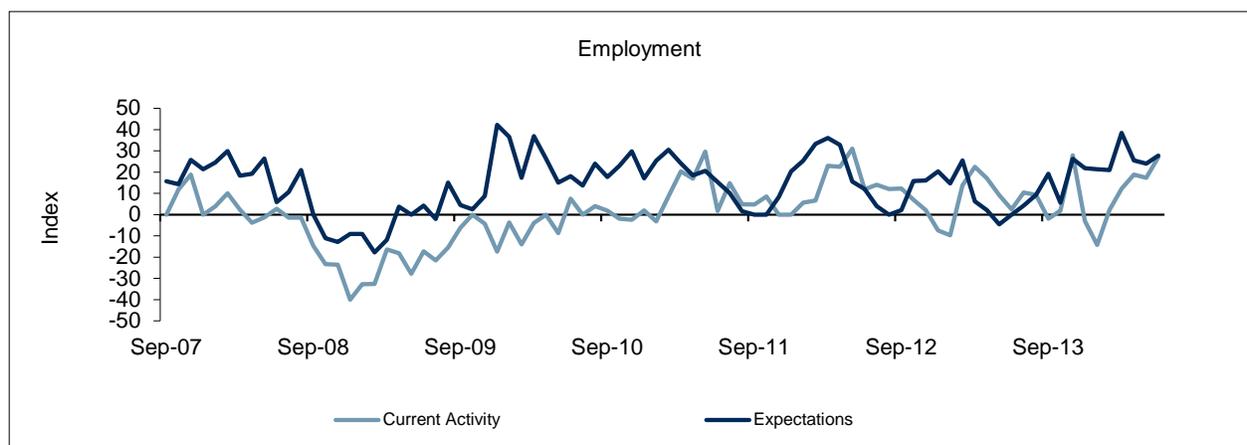
a moderate pace as the index registered 9, down one point from last month. Capital expenditures increased at a faster pace than last month. The total capital expenditures index registered 20, up six points from last month while the index for expenditures on equipment and software edged down one point to 26. Business investment in new equipment and software also showed noticeable improvement over the past five months—with the index averaging 20 versus 2 over the prior five months.

Employment

The June survey results indicated improvement in labor market conditions for a fourth consecutive month. The number of employees index registered 27, up ten points from May. Thirty-five percent of respondents indicated that they added workers for the month while 8 percent reported a decline. The average workweek series rose to 11 from 6 and the wage index registered 24, up three points from last month. Twenty-seven percent of respondents reported higher wages in June while 3 percent reported a decline.

Expectations for future labor market conditions remained positive. The number of employees expectations index rose four points to 28 and has





been above 20 for the past seven months. The percentage of firms anticipating hiring over the next six months edged higher to 36 percent from 32 percent, while the number of respondents indicating that they planned on reducing their workforce was unchanged at 8 percent.

Prices

Businesses indicated that prices paid for inputs and for outputs rose at a modest rate in June. Respondents reported that input prices rose 1.5 percent in June on an annualized basis, down 0.8 percentage point from 2.3 percent last month. Output prices rose by 1.6 percent on an annualized basis, up one percentage point from May. Businesses expected profit margins to remain under pressure over the next six months. Input prices were expected to increase at a 2.0 percent annualized rate over the next six months, while output prices were expected to increase by 1.8 percent.

Expectations

Expectations of economic activity six months from now were positive in June although moderated from recent months. The expectations index for general business conditions dropped ten points to 20 while the sales index decreased six points to 14. Thirty-seven percent of respondents expected business conditions to improve, down slightly from 40 percent last month, while 17 percent of respondents expected conditions to worsen, up from 10 percent last month. Thirty-nine percent of respondents

anticipated sales to increase over the next six months while 14 percent expected sales to worsen.

Overall the June survey results indicated that the Maryland economy improved for a fifth consecutive month after a slowdown in business activity that began in the fall of 2013. Respondents reported a solid increase in general business conditions, sales and business investment. Labor market conditions improved for a fourth consecutive month with a notable increase in hiring. 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		
	Jun-14	May-14	Apr-14	Jun-14	May-14	Apr-14
General Business Conditions	19	18	12	20	30	29
Sales	16	12	12	14	20	29
Employment						
Number of Employees	27	17	19	28	24	25
Availability of Skills Needed	0	6	2	6	4	8
Average Workweek	11	6	13	9	-2	6
Wages	24	21	17	31	20	27
Spending						
Business Services Expenditures	9	10	18	15	15	14
Total Capital Expenditures	20	14	10	23	20	10
Equipment or Software	26	27	10	26	16	14
Price Trends³						
Prices Paid for Inputs	1.5	2.3	2.4	2.0	2.1	2.0
Prices Received for Outputs	1.6	0.6	1.3	1.8	1.1	1.5

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.