

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Robust in July; Strong Increases in Business Spending and Hiring

Overview

According to the latest survey results, business activity in Maryland expanded robustly in July. The general business conditions and sales indexes registered 39 and 27, respectively. Labor market conditions improved notably with the employment index at 21 and the average workweek index increasing 13 points to 24. Business spending picked up and capital expenditures on equipment or software increased sharply. Expectations for business activity in the near term rose considerably. Fifty-five percent of respondents anticipated greater business activity six months from now, up from 37 percent last month, while 12 percent expected activity to decline, down from 17 percent.

Current Activity

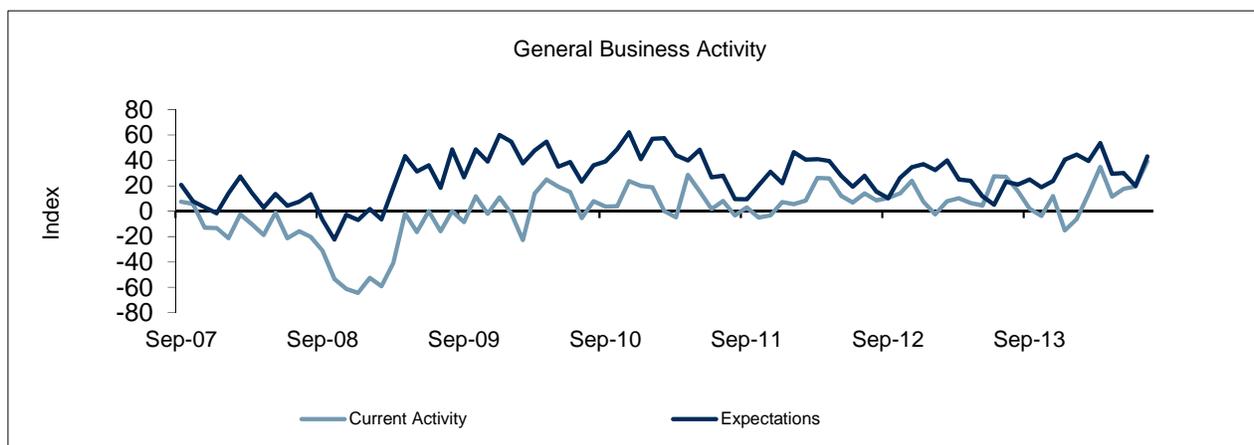
Business activity increased sharply in July as the general business conditions and sales indexes registered 39 and 27, respectively. The general business conditions index registered its highest reading in the history of the survey as well as its sixth consecutive double-digit reading. Over the past six months the index averaged 23, a significant improvement from the previous five months where the series averaged -2. Likewise, the sales index recorded its highest reading in the history of the survey and its

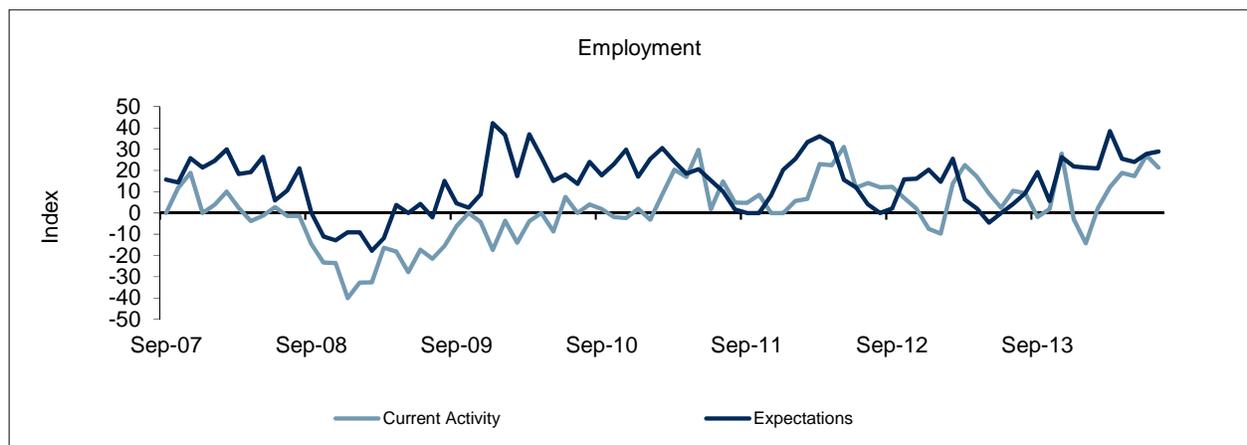
fifth consecutive double-digit reading. The sales index averaged 21 over the past five months versus -5 over the previous five months. Spending on business services increased at a solid pace as the index registered 16, up seven points from last month. Total spending on capital expenditures was solid in July with the index at 15, down five points from last month. Business spending on equipment or software rose 11 points to a survey high of 37, indicating a robust level of business investment. Thirty-seven percent of respondents indicated increasing spending on equipment or software while no respondent reported spending cuts.

Employment

The July survey results indicated improvement in labor market conditions for a fifth consecutive month. The employment index registered 21, down six points from June, but still indicating a solid increase in hiring for the month. Thirty-four percent of respondents indicated that they added workers for the month while 13 percent reported a decline. The average workweek series jumped to 24 from 11 and the wage index registered 28, up 4 points from last month. Thirty-four percent of respondents reported higher wages in July while 6 percent reported a decline.

Expectations for future labor market conditions remained positive. The employment expectations





index stood at 29, up one point from last month, and has been above 20 for the past eight months. The percentage of firms anticipating hiring over the next six months edged higher to 40 percent from 36 percent, while the number of respondents planning on reducing their workforce was 11 percent, up slightly from 8 percent last month.

Prices

Respondents reported that input prices rose 2.3 percent in July on an annualized basis, up 0.8 percentage point from 1.5 percent last month. Output prices rose by 1.1 percent on an annualized basis, down 0.5 percentage point from June. 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 2.2 percent.

Expectations

Expectations of economic activity six months from now rose sharply in July. The expectations indexes for general business conditions and sales jumped 23 and 21 points, respectively, to 43 and 35. Fifty-five percent of respondents expected business conditions to improve over the next six months, up from 37 percent last month, while 11 percent of respondents expected conditions to worsen, down from 17. Nearly 50 percent of respondents anticipated sales to increase over the next six months while 14 percent expected sales to worsen.

Overall the July survey results indicated that the Maryland economy improved for a sixth consecutive month after a slowdown in business activity in the second half of 2013. Activity in July was particularly robust, with stronger sales, hiring, and capital investment. Labor market conditions improved for a fifth consecutive month with a solid increase in hiring. The more positive survey results over the past two quarters suggest that the negative impact from cuts to federal spending continue to abate and that the Maryland economy is regaining its footing.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Jul-14	Jun-14	May-14	Jul-14	Jun-14	May-14
General Business Conditions	39	19	18	43	20	30
Sales	27	16	12	35	14	20
Employment						
Number of Employees	21	27	17	29	28	24
Availability of Skills Needed	0	0	6	4	6	4
Average Workweek	24	11	6	2	9	-2
Wages	28	24	21	22	31	20
Spending						
Business Services Expenditures	16	9	10	23	15	15
Total Capital Expenditures	15	20	14	38	23	20
Equipment or Software	37	26	27	36	26	16
Price Trends³						
Prices Paid for Inputs	2.3	1.5	2.3	2.6	2.0	2.1
Prices Received for Outputs	1.1	1.6	0.6	2.2	1.8	1.1

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.