

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Moderate Business Activity in August; Expectations for Hiring and Business Conditions Strong

Overview

According to the latest survey results, business activity in Maryland expanded moderately in August. The general business conditions and sales indexes registered 16 and 4, respectively. Labor market conditions were very positive, with the employment index at 30 and the average workweek index at 13. Business spending on services was tepid. However, capital expenditures remained solid with strong investment in equipment and software.

Expectations for business activity in the near term was lower than last month but remained solid. Thirty-nine percent of respondents anticipated greater business activity six months from now, down from 50 percent last month, while 22 percent expected activity to decline, up from 11 percent.

Current Activity

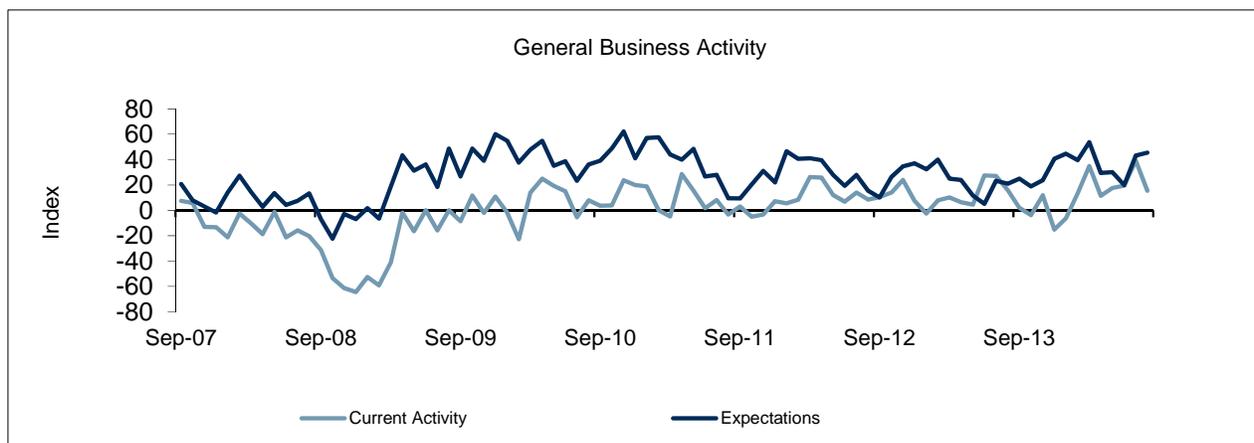
Business activity was moderate in August as the general business conditions index dropped from a series-high of 39 in July to 16. The sales index dropped 23 points to 4, indicating net sales were flat for the month. Despite the drop in the general business conditions index, it registered its seventh

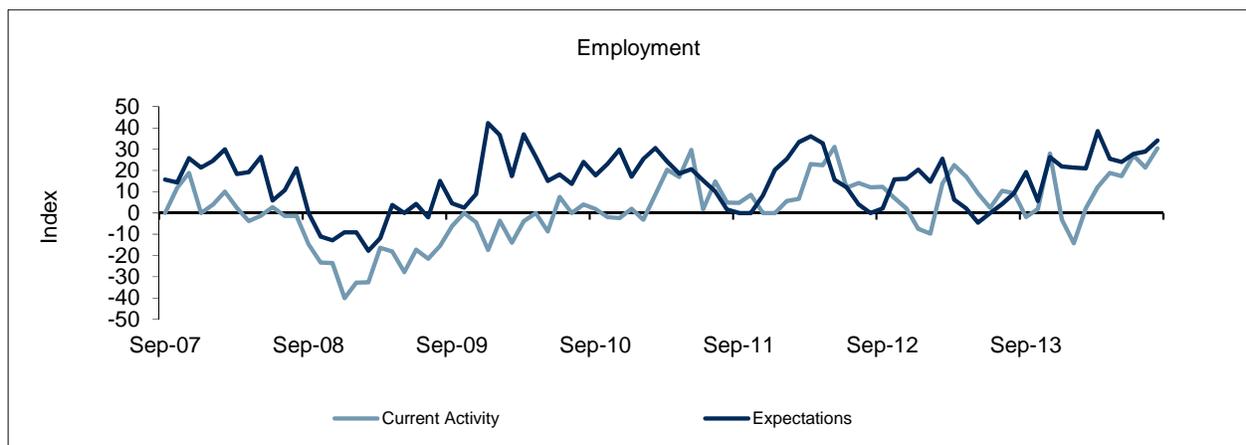
consecutive double-digit reading. Over the past seven months the index averaged 22, a significant improvement from the previous five months where the series averaged -2. Spending on business services was flat in August as the index registered 4, down 12 points from last month. Total spending on capital expenditures was solid in August with the index at 18, up three points from last month. Business spending on equipment and software was strong with the index at 24, down 13 points from the survey high of 37 in July.

Employment

The August survey results indicated improvement in labor market conditions for a sixth consecutive month. The employment index registered 30, up nine points from July, indicating a solid increase in hiring for the month. Thirty-nine percent of respondents indicated that they added workers for the month while 9 percent reported a decline. The average workweek series dropped back from 24 to 13 and the wage index registered 26, down two points from last month. Twenty-eight percent of respondents reported higher wages in August while 2 percent reported a decline.

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





index rose to 34 from 29 and has been above 20 for the past nine months. The percentage of firms anticipating hiring over the next six months edged higher to 41 percent from 40 percent, while the number of respondents planning on reducing their workforce was 9 percent, down slightly from 11 percent last month.

Prices

Respondents reported that input prices rose 2.4 percent in August on an annualized basis, up 0.1 percentage points from 2.3 percent last month. Output prices rose by 1.4 percent on an annualized basis, up 0.3 percentage points from July. 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 remained very sanguine in August. The expectations indexes for general business conditions and sales registered 45 and 43, respectively, up two and eight points from last month. Fifty-seven percent of respondents expected business conditions to improve over the next six months, up from 55 percent last month, while 11 percent of respondents expected conditions to worsen. Fifty-five percent of respondents anticipated sales to increase over the

next six months while 11 percent expected sales to worsen.

Overall, the August survey results indicated that the Maryland economy improved for a seventh consecutive month after a slowdown in business activity in the second half of 2013. General business conditions remained solid, but sales were essentially flat for the month. Business hiring and capital investment remained strong. Labor market conditions improved for a sixth consecutive month with a solid increase in hiring. The 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		
	Aug-14	Jul-14	Jun-14	Aug-14	Jul-14	Jun-14
General Business Conditions	16	39	19	45	43	20
Sales	4	27	16	43	35	14
Employment						
Number of Employees	30	21	27	34	29	28
Availability of Skills Needed	-4	0	0	-7	4	6
Average Workweek	13	24	11	-2	2	9
Wages	26	28	24	23	22	31
Spending						
Business Services Expenditures	4	16	9	11	23	15
Total Capital Expenditures	18	15	20	27	38	23
Equipment or Software	24	37	26	20	36	26
Price Trends³						
Prices Paid for Inputs	2.4	2.3	1.5	2.6	2.6	2.0
Prices Received for Outputs	1.4	1.1	1.6	1.9	2.2	1.8

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.