

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Strong in September; Businesses Report Increased Hiring and Hours Worked

Overview

According to the latest survey results, business activity in Maryland expanded solidly in September. The general business conditions and sales indexes registered 26 and 30, respectively. Labor market conditions were very positive, with the employment index at 32 and the average workweek index at 19. Business spending on services and capital expenditures was solid with strong investment in equipment and software. Expectations for business activity in the near term fell relative to last month but remained positive. Thirty-seven percent of respondents anticipated greater business activity six months from now, down from 57 percent last month, while 9 percent expected activity to decline, down slightly from 11 percent.

Current Activity

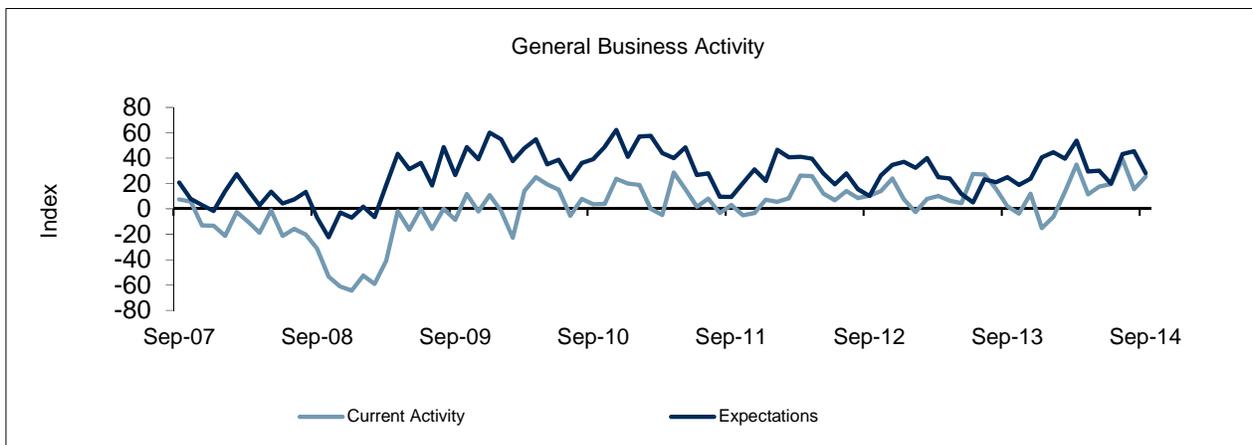
Business activity was solid in September as the general business conditions index rose to 26 from 16 last month and the sales index rebounded to 30 after dropping 23 points in July to 4. The general business conditions index registered its eighth consecutive double-digit reading in September; averaging 22 over the period from February through September. This eight-month period is the strongest in the history of

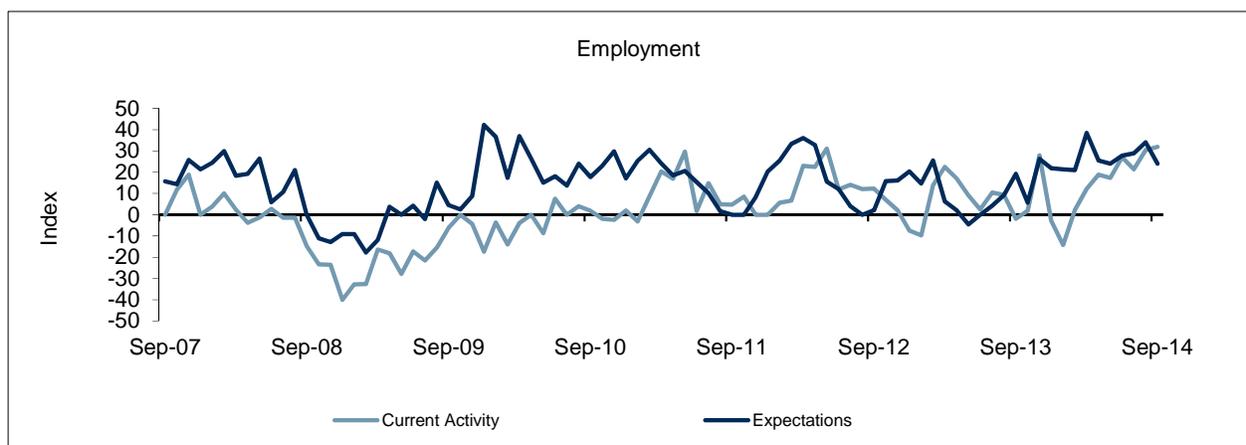
the series. In the 12 months prior, from February 2013 through January 2014, the general business conditions averaged 7, and from September 2013 through January 2014 averaged just -2. The survey responses over the past 12 months strongly suggest a sustained improvement in business activity in the state economy.

There have been notable improvements in business spending as well. Business expenditures on services and capital were solid in September. The business services expenditures index rose 11 points to 15 while the total capital expenditures index edged lower one point to 17. Business spending on equipment and software was strong with the index registering 26, up two points from August. The index averaged 24 over the past eight months—the strongest eight-month period in the history of the series.

Employment

The September survey results indicated improvement in labor market conditions for a seventh consecutive month. The employment index registered 32, up two points from August, indicating a solid increase in hiring for the month. The index averaged 20 over the last eight months—the strongest eight-month period in the history of the series. Thirty-eight percent of respondents indicated





that they added workers for the month while 6 percent reported a decline. The average workweek series rose to 19 from 13 last month and the wage index registered 11, down 15 points from last month.

Expectations for future labor market conditions remained positive. The employment expectations index dropped to 24 from 34 and has been above 20 for the past 10 months. The percentage of firms anticipating hiring over the next six months declined to 33 percent from 41 percent, while the number of respondents planning on reducing their workforce was 9 percent, up slightly from 7 percent last month.

Prices

Respondents reported that input prices rose 2.4 percent in September on an annualized basis, unchanged from last month. Output prices rose by 1.7 percent on an annualized basis, up 0.3 percentage points from August. Businesses expected profit margins to remain under pressure over the next six months. Input prices were expected to increase at a 2.8 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 dropped relative to last month but remained positive. The expectations indexes for general business conditions and sales registered 28 and 24, respectively, down 17 and 19 points from last month. Thirty-seven percent of respondents expected

business conditions to improve over the next six months, down from 57 percent last month, while 9 percent of respondents expected conditions to worsen. Thirty-seven percent of respondents anticipated sales to increase over the next six months while 13 percent expected sales to worsen.

Overall the latest survey results indicated that business activity in Maryland was solid in September and has been relatively strong in recent quarters. The general business conditions, sales, number of employees, and investment in new equipment and software indexes have been notably solid over the past eight months. The results 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		
	Sep-14	Aug-14	Jul-14	Sep-14	Aug-14	Jul-14
General Business Conditions	26	16	39	28	45	43
Sales	30	4	27	24	43	35
Employment						
Number of Employees	32	30	21	24	34	29
Availability of Skills Needed	4	-4	0	-4	-7	4
Average Workweek	19	13	24	13	-2	2
Wages	11	26	28	35	23	22
Spending						
Business Services Expenditures	15	4	16	13	11	23
Total Capital Expenditures	17	18	15	20	27	38
Equipment or Software	26	24	37	20	20	36
Price Trends³						
Prices Paid for Inputs	2.4	2.4	2.3	2.8	2.6	2.6
Prices Received for Outputs	1.7	1.4	1.1	1.8	1.9	2.2

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.