

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Business Activity Moderated But Remained Positive in October; Businesses Reported Solid Hiring*

### Overview

According to the latest survey results, business activity in Maryland expanded moderately in October. The general business conditions and sales indexes registered 16 and 31, 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 strong while total capital expenditures were unexpectedly flat for the month. Spending on equipment and software remained positive, however. Expectations for business activity in the near term improved from last month. Forty-six percent of respondents anticipated greater business activity six months from now, up from 37 percent last month, while 9 percent expected activity to decline.

### Current Activity

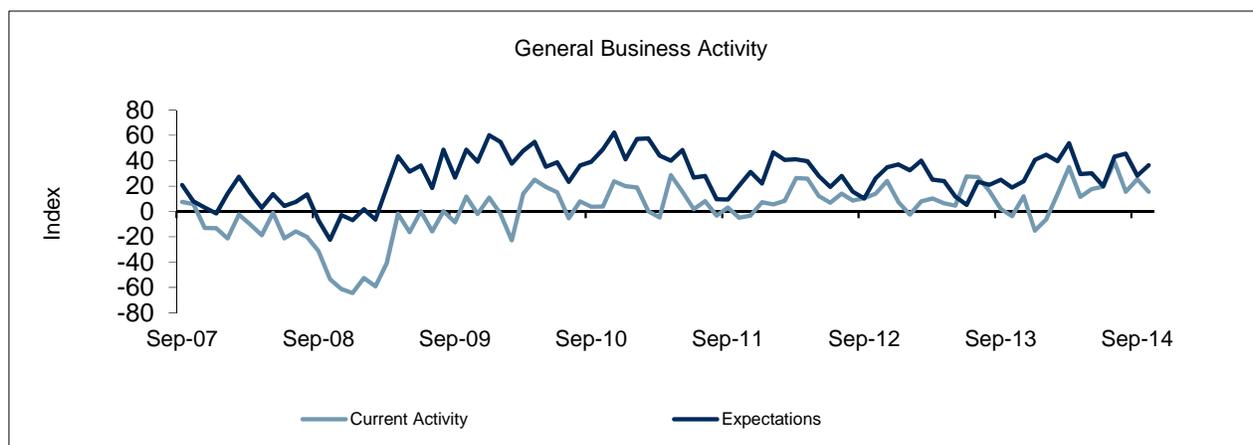
Business activity expanded moderately in October as the general business conditions index declined to 16 from 26 last month and the sales index dropped to 11 from 30. The general business conditions index registered its ninth consecutive double-digit reading in October; averaging 21 over the period from February through October. This nine-month period is

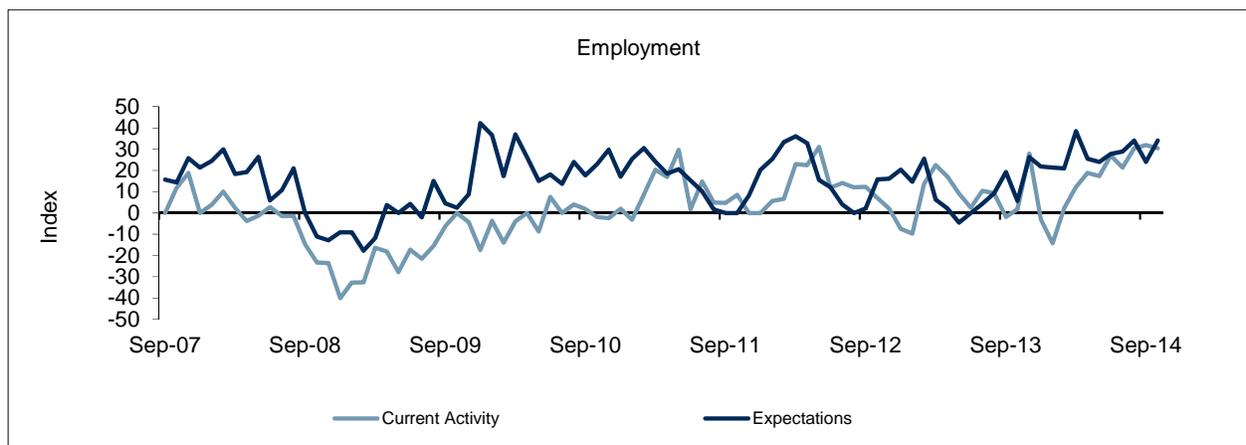
the strongest in the history of the series. In the 12 months prior, from February 2013 through January 2014, the general business conditions averaged 7, and from September 2013 through January 2014 averaged just -2.

There have been notable improvements in business spending as well. Business expenditures on services were brisk, with the index at 20, up from 15 last month. Total capital expenditures were unexpectedly flat in October as the index fell from 17 to 0. Prior to October, the total capital expenditures index was in double-digits for eight out of the nine months in 2014, averaging 15 over that period. Business spending on equipment and software was positive, however, with the index registering 16, down from 26 in September. The equipment or software expenditures index averaged 23 over the past nine months—the strongest nine-month period in the history of the series.

### Employment

The October survey results indicated improvement in labor market conditions for a ninth consecutive month. The employment index registered 30, down two points from September, indicating a solid increase in hiring for the month. The index averaged





21 over the last nine months—the strongest nine-month period in the history of the series. Thirty-seven percent of respondents indicated that they added workers for the month while 7 percent reported a decline. The average workweek series declined to 13 from 19 last month and the wage index registered 13, up two points from last month.

Expectations for future labor market conditions remained positive. The employment expectations index rebounded to 34 from 24 and has been above 20 for the past 11 months. The percentage of firms anticipating hiring over the next six months rose to 46 percent from 33 percent, while the number of respondents planning on reducing their workforce was 11 percent, up slightly from 9 percent last month.

### Prices

Respondents reported that input prices rose 2.7 percent in October on an annualized basis, up from 2.4 percent from last month. Output prices rose by 1.5 percent on an annualized basis, down 0.2 percentage points from September. 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 1.7 percent.

### Expectations

Expectations of economic activity six months from now improved relative to last month. The expectations indexes for general business conditions

and sales registered 36 and 34, respectively, up eight and 10 points from last month. Forty-six percent of respondents expected business conditions to improve over the next six months, up from 37 percent last month, while 9 percent of respondents expected conditions to worsen. Forty-six percent of respondents anticipated sales to increase over the next six months while 11 percent expected sales to worsen.

Overall, the latest survey results indicated that business activity in Maryland expanded moderately in October 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 nine 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 Indexes<sup>1</sup>

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Oct-14	Sep-14	Aug-14	Oct-14	Sep-14	Aug-14
General Business Conditions	16	26	16	36	28	45
Sales	11	30	4	34	24	43
<b>Employment</b>						
Number of Employees	30	32	30	34	24	34
Availability of Skills Needed	-7	4	-4	0	-4	-7
Average Workweek	13	19	13	5	13	-2
Wages	13	11	26	25	35	23
<b>Spending</b>						
Business Services Expenditures	20	15	4	25	13	11
Total Capital Expenditures	0	17	18	23	20	27
Equipment or Software	16	26	24	30	20	20
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	2.7	2.4	2.4	2.8	2.8	2.6
Prices Received for Outputs	1.5	1.7	1.4	1.7	1.8	1.9

### 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.

