

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Solid Business Activity in November; Businesses Report Strong Hiring and Capital Spending*

### Overview

According to the latest survey results, business activity in Maryland expanded solidly in November. The general business conditions and sales indexes both registered 20. Labor market conditions were positive, with the employment index at 23 and the average workweek index at 16. Business spending on services was solid for the month while capital expenditures picked up after a lull in October.

Expectations for business activity in the near term improved notably from last month. Fifty-eight percent of respondents anticipated greater business activity six months from now, up from 45 percent last month, while just 7 percent expected activity to decline.

### Current Activity

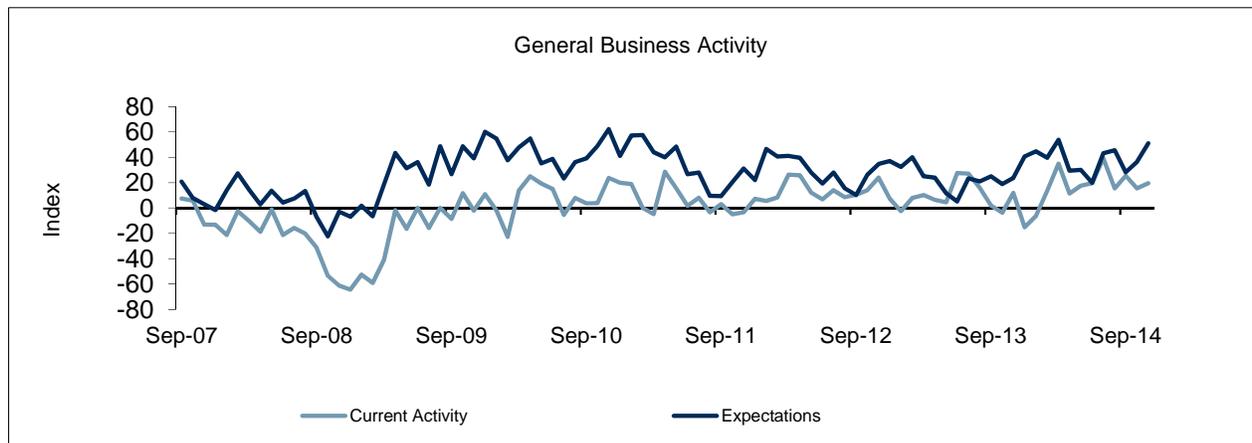
Business activity expanded solidly in November as the general business conditions index edged higher to 20 from 16 last month and the sales index increased nine points to 20. The general business conditions index registered its 10th consecutive double-digit reading in November; averaging 21 over the period from February through November. This 10-month period is the strongest in the history of the series. In the 12 months prior, from February 2013

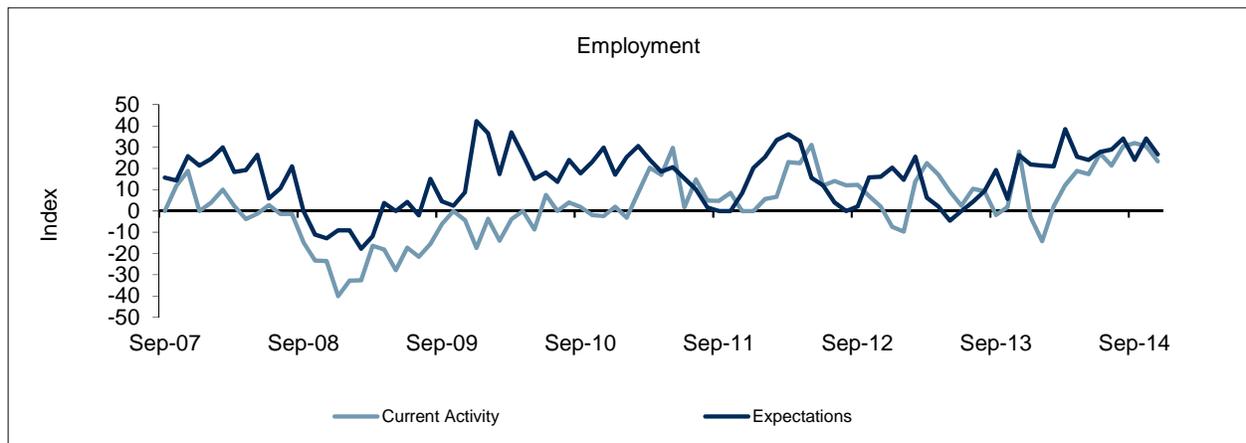
through January 2014, the general business conditions index averaged 7, and from September 2013 through January 2014 averaged just -2.

There have been notable improvements in business spending as well. Business expenditures on services rose moderately, with the index at 16, down from 20 last month. Total capital expenditures rebounded after a flat reading in October—the index jumped to 22 after registering 0 in October and 17 in September. Since February, the total capital expenditures index averaged 15 and was in double-digits for nine out of the last 10 months. Business spending on equipment and software was robust in November with the index registering 36, up from 16 in October. Thirty-nine percent of respondents indicated that they increased spending on equipment or software. Over the past 10 months, the equipment or software expenditures index averaged 24—the strongest 10-month period in the history of the series.

### Employment

The November survey results indicated improvement in labor market conditions for a 10th consecutive month. The employment index registered 23, down seven points from October, indicating a solid increase in hiring for the month. The index averaged 22 over the last 10 months—the strongest 10-month





period in the history of the series. Thirty percent of respondents indicated that they added workers for the month while 7 percent reported a decline. The average workweek series edged higher to 16 from 13 last month and the wage index jumped to 34 from 13 in October.

Expectations for future labor market conditions remained positive. The employment expectations index registered 27, which is down seven points from last month but has been above 20 for the past 12 months. Thirty-six percent of respondents anticipated hiring over the next six months, down from 46 percent last month 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 2.3 percent in November on an annualized basis, down from 2.7 percent from last month. Output prices rose by 1.5 percent on an annualized basis. 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 2.3 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 51 and 47, respectively, up 15

and 13 points from last month. Fifty-eight percent of respondents expected business conditions to improve over the next six months, up from 46 percent last month, while just 7 percent of respondents expected conditions to worsen. Fifty-eight percent of respondents anticipated sales to increase over the next six months while 12 percent expected sales to worsen.

Overall the latest survey results indicated that business activity in Maryland expanded solidly in November and has been relatively strong in recent quarters. The general business conditions, sales, employees, and capital expenditure indexes have been notably solid over the past 10 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>		
	Nov-14	Oct-14	Sep-14	Nov-14	Oct-14	Sep-14
General Business Conditions	20	16	26	51	36	28
Sales	20	11	30	47	34	24
<b>Employment</b>						
Number of Employees	23	30	32	27	34	24
Availability of Skills Needed	-9	-7	4	-4	0	-4
Average Workweek	16	13	19	4	5	13
Wages	34	13	11	38	25	35
<b>Spending</b>						
Business Services Expenditures	16	20	15	18	25	13
Total Capital Expenditures	22	0	17	24	23	20
Equipment or Software	35	16	26	40	30	20
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	2.3	2.7	2.4	2.8	2.8	2.8
Prices Received for Outputs	1.5	1.5	1.7	2.3	1.7	1.8

**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.