

Regional Surveys of Business Activity

Maryland Survey of Business Activity

A Pause in Business Activity in December; Hiring and IT Investment Remain Positive

Overview

According to the latest survey results, business activity in Maryland was flat in December. The general business conditions and sales indexes both registered 2, down from 20 in November. Labor market conditions were positive, but softened compared to prior months. The employment index edged lower to 14 from 23 and the average workweek index declined by nine points to 7. Business spending on services also moderated to 7 from 16 while total capital expenditures dropped slightly. However expenditures on equipment or software remained robust.

Expectations for business activity in the near term dropped from last month but remained positive. Forty-three percent of respondents anticipated greater business activity six months from now, down from 58 percent last month, while 17 percent expected activity to decline, up from 7 percent.

Current Activity

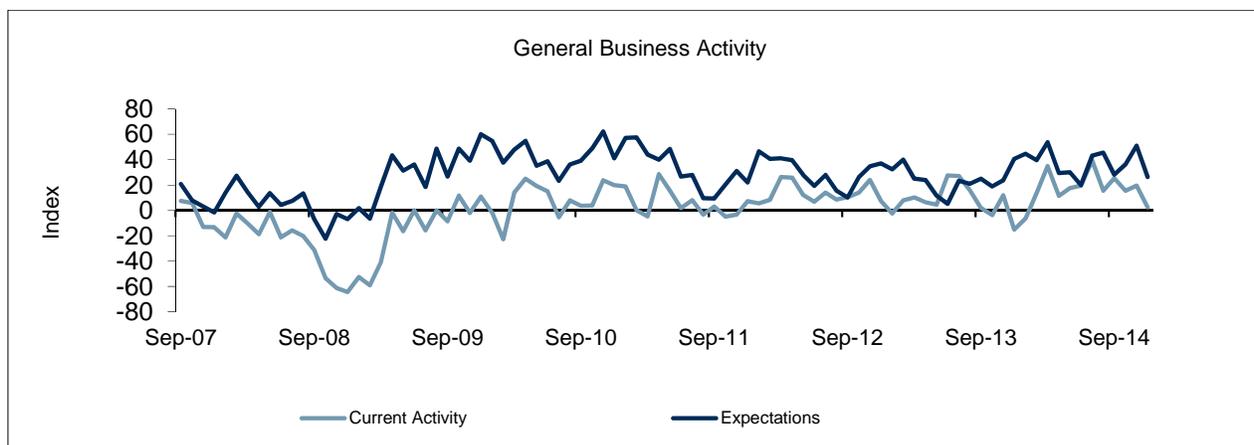
Business activity was flat in December as the general business conditions index registered 2, down from 20 last month and the weakest reading since January when the index registered -6. From February through November the index averaged 21. The sales index also registered 2 and was the

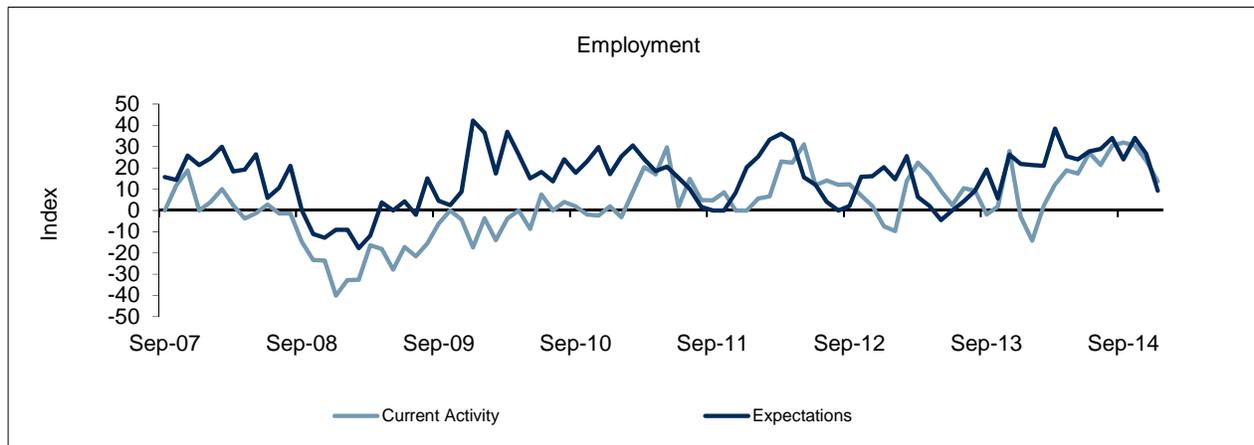
weakest reading since February. From March through November the index registered 19.

Business expenditures on services rose modestly, with the index at 7, down from 16 last month. Total capital expenditures dropped sharply to -5, despite robust spending on equipment and software. The equipment or software expenditure index registered 26, down from 35 in November. Thirty-one percent of respondents indicated that they increased spending on equipment or software. Over the past 11 months, the equipment or software expenditures index averaged 24—the strongest 11-month period in the history of the series.

Employment

The December survey results indicated improvement in labor market conditions for an 11th consecutive month, although the results were less positive than in recent months. The employment index registered 14, down nine points from November. The index averaged 23 over the last 10 months—the strongest 10-month period in the history of the series. Twenty-five percent of respondents indicated that they added workers for the month while 11 percent reported a decline. The average workweek series declined to 7 from 16 last month and the wage index retreated to 23 from 34 in November.





Expectations for future labor market conditions moderated considerably in December. The employment expectations index registered 9, down 18 points from last month. Prior to the December reading, the index was above 20 for the prior 12 months. Thirty-five percent of respondents anticipated hiring over the next six months down slightly from 36 percent while the number of respondents planning on reducing their workforce was 26 percent, up considerably from 9 percent in November.

Prices

Respondents reported that input prices rose 2.0 percent in December on an annualized basis, down from 2.3 percent from last month. Output prices rose by 1.3 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 2.5 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 softened relative to last month. The expectations indexes for general business conditions and sales registered 26 and 24, respectively, down 25 and 23 points from last month. Forty-three percent of respondents expected business conditions to improve over the next six months, down from 58 percent last month, while 17 percent of respondents expected conditions to worsen, up from 7 percent in

November. Forty-five percent of respondents anticipated sales to increase over the next six months while 21 percent expected sales to worsen, up from 12 percent.

The latest survey results indicated that business activity in Maryland unexpectedly paused in December after very strong expansion over the prior 10 months. The general business conditions, sales, business spending on services, and total capital expenditures indexes indicated very little activity for the month. Despite the more subdued conditions, hiring and expenditures on computers or software continued at a solid pace. Firm expectations for growth over the next six months suggest that activity will remain solid in coming months, despite the softness in the December survey.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Dec-14	Nov-14	Oct-14	Dec-14	Nov-14	Oct-14
General Business Conditions	2	20	16	26	51	36
Sales	2	20	11	24	47	34
Employment						
Number of Employees	14	23	30	9	27	34
Availability of Skills Needed	-11	-9	-7	-7	-4	0
Average Workweek	7	16	13	-5	4	5
Wages	23	34	13	30	38	25
Spending						
Business Services Expenditures	7	16	20	10	18	25
Total Capital Expenditures	-5	22	0	-2	24	23
Equipment or Software	26	35	16	12	40	30
Price Trends³						
Prices Paid for Inputs	2.0	2.3	2.7	2.5	2.8	2.8
Prices Received for Outputs	1.3	1.5	1.5	1.8	2.3	1.7

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.