

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Expanded Modestly in January; Business Investment Remained Positive

Overview

According to the latest survey results, business activity in Maryland was modest in January. The general business conditions index registered 11, up from 2 in December, and the sales index declined four points to -2. Labor market conditions softened notably for a second consecutive month. The employment index declined to 6 from 14—the first single digit reading since February 2014. Total capital expenditures increased solidly after dropping unexpectedly in December. Expectations for business activity in the near term improved relative to last month with 49 percent of respondents anticipating greater business activity six months from now, up from 43 percent last month. Nine percent of respondents expected activity to decline, down from 17 percent.

Current Activity

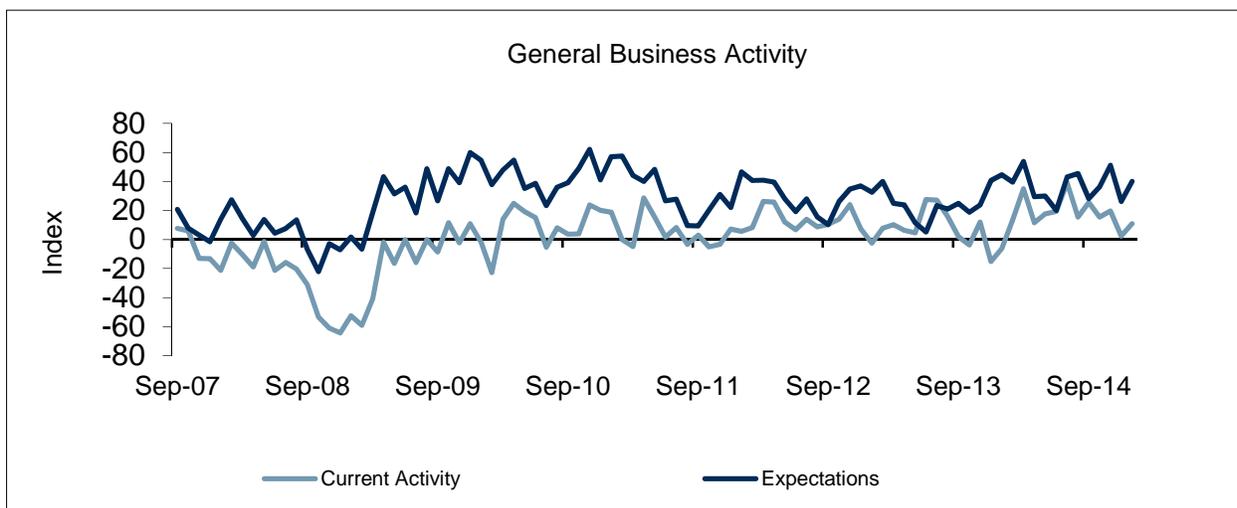
Business activity was modest in January as the general business conditions index registered 11, up from 2 last month. Despite the improvement, activity was well below the trend for most of 2014—from February 2014 through November the index averaged 21. The sales index edged lower to -2 from 2 in December. The January reading marked the second consecutive month where the

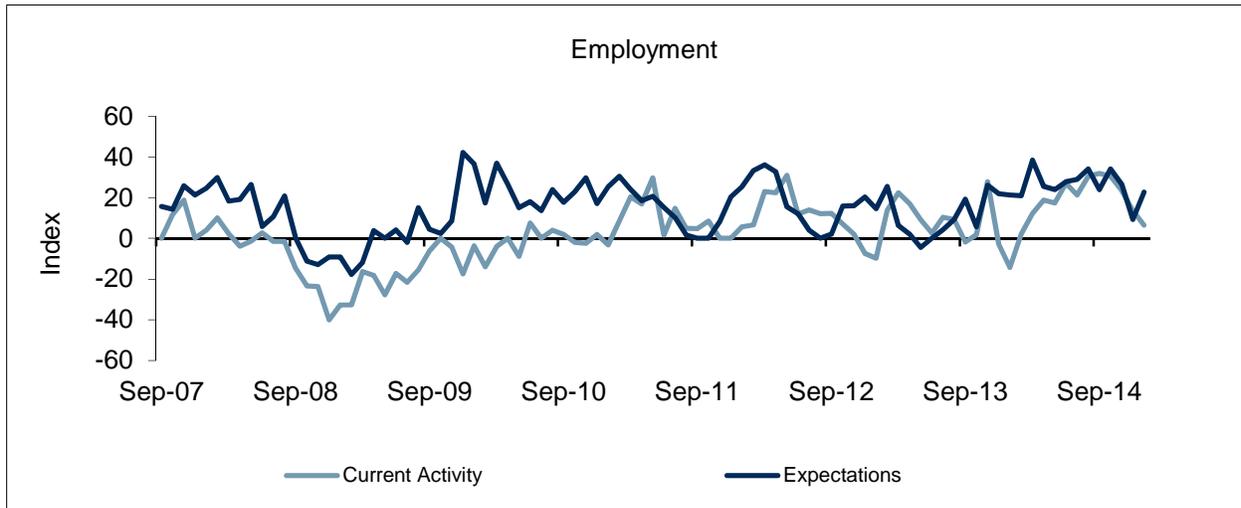
index was well the average of over the prior 9 months—from March through November the index averaged 19.

Business expenditures were solid in January. Business spending on services was soft, with the index at 7 for a second consecutive month. Total capital expenditures rebounded to 17 after declining in December. The equipment or software expenditure index indicated strong spending in January. The index registered 24, down slightly from last month. Twenty-six percent of respondents indicated that they increased spending on equipment or software. Over the past 12 months, the equipment or software expenditures index averaged 24—the strongest 12-month period in the history of the series.

Employment

The January survey results indicated a softening in labor market conditions for a second consecutive month. The employment index declined to 6 from 14 in December and 23 points in November. The weaker results over the past two months are in contrast to the much stronger readings over the prior 10 months when the index averaged 23—the strongest 10-month period in the history of the series. Fifteen percent of respondents indicated





that they added workers for the month while 9 percent reported a decline. The average workweek series edged lower to 4 from 7 last month and the wage index increased three points to 26.

Expectations for future labor market conditions improved in January after a sharp drop in December. The employment expectations index registered 23, up 14 points from last month. Since November 2013, the index averaged 26. Thirty-four percent of respondents anticipated hiring over the next six months while the number of respondents planning on reducing their workforce was 11 percent, down considerably from 26 percent in December.

Prices

Respondents reported that input prices rose 2.1 percent in January on an annualized basis, up slightly from 2.0 percent last month. Output prices rose by 1.0 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 improved somewhat relative to last month. The expectations index for general business conditions increased sharply to 40 from 26 last month. However, the sales index edged higher by

just one point to 25. Forty-nine percent of respondents expected business conditions to improve over the next six months, up from 43 percent last month, while 9 percent of respondents expected conditions to worsen, down from 17 percent in December. Forty-three percent of respondents anticipated sales to increase over the next six months while 18 percent expected sales to worsen, down from 21 percent.

The latest survey results indicated that business activity in Maryland expanded modestly in January after an unexpected pause in December. The weaker activity over the past two months follows very strong expansion over the prior 10 months. Firm expectations for growth over the next six months suggest that activity will remain solid in coming months, despite the softness in the January and December surveys.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Jan-15	Dec-14	Nov-14	Jan-15	Dec-14	Nov-14
General Business Conditions	11	2	20	40	26	51
Sales	-2	2	20	25	24	47
Employment						
Number of Employees	6	14	23	23	9	27
Availability of Skills Needed	-9	-11	-9	2	-7	-4
Average Workweek	4	7	16	2	-5	4
Wages	26	23	34	45	30	38
Spending						
Business Services Expenditures	7	7	16	9	10	18
Total Capital Expenditures	17	-5	22	22	-2	24
Equipment or Software	24	26	35	27	12	40
Price Trends³						
Prices Paid for Inputs	2.1	2.0	2.3	2.5	2.5	2.8
Prices Received for Outputs	1.0	1.3	1.5	1.8	1.8	2.3

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.