

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Business Activity Picked Up in February; Labor Markets Softened For Third Straight Month*

### Overview

According to the latest survey results, business activity in Maryland was moderate in February. The general business conditions index registered 19, up from 11 in January, and the sales index increased 21 points to a reading of 19. Labor market conditions were soft as the employment index remained in the single-digits and the average workweek index edged into negative territory. Total capital expenditures increased moderately—slightly less than one-quarter of firms surveyed increased capital spending in February.

Expectations for business activity in the near term were relatively unchanged relative to last month. While less respondents anticipated an increase in general business conditions six months from now (36 percent in February versus 40 percent last month), more respondents anticipated sales to increase—36 percent this month versus 25 percent in January.

### Current Activity

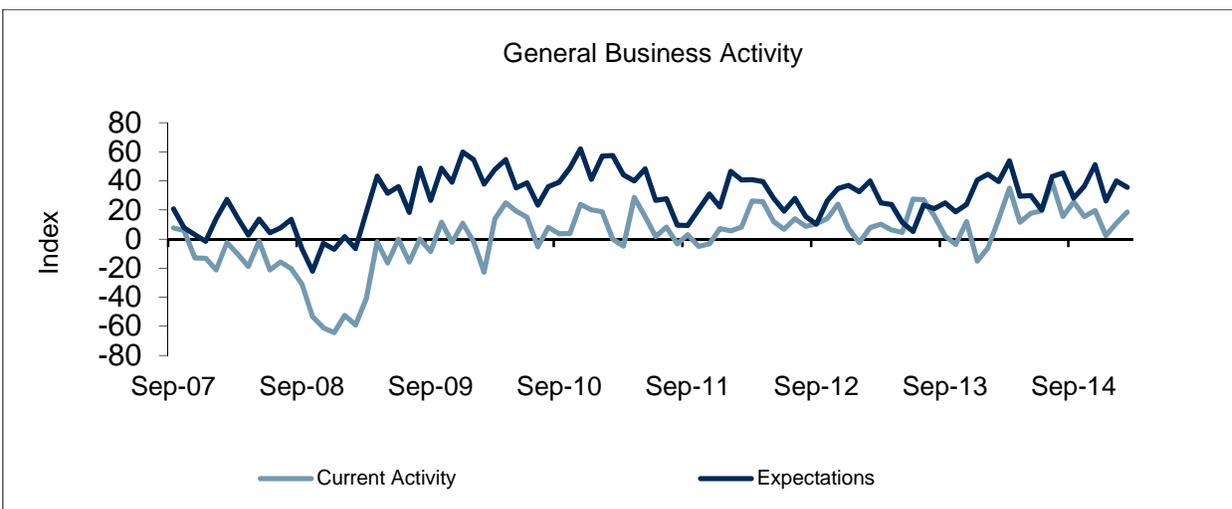
Business activity was moderate in February as the general business conditions index registered 19, up

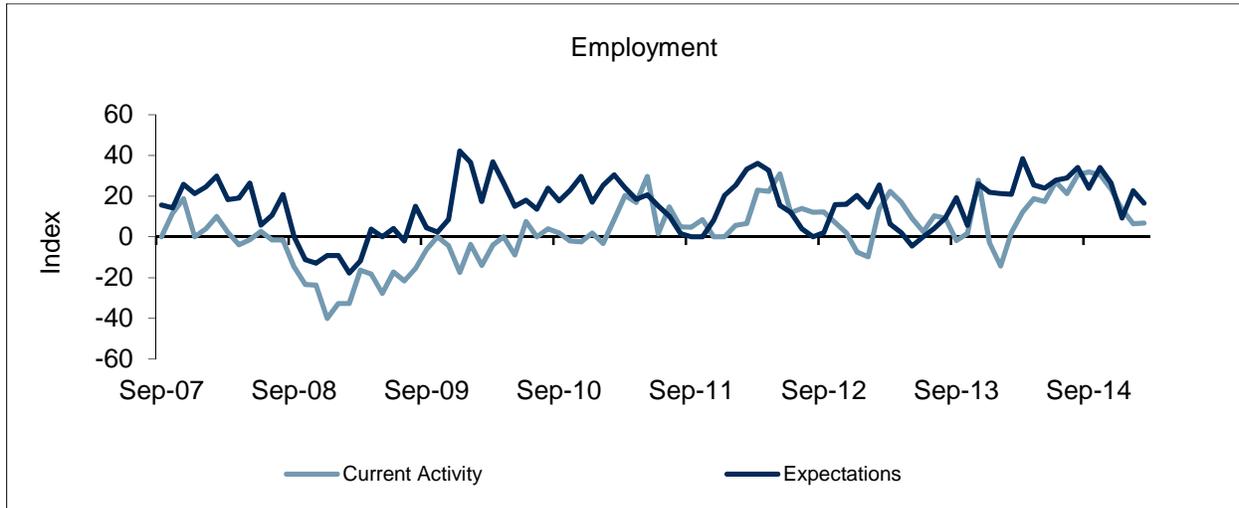
from 11 last month and 2 in December. The sales index jumped to 19 from -2 in January and 2 in December. December and January were notably weaker than the nine months prior (from March through October) where both indexes averaged 22 and 19, respectively.

Business expenditures were modest in February. Business spending on services was soft, with the index at 7 for a third consecutive month. Total capital expenditures edged lower to 12 from 17 in January. The equipment or software expenditure index also registered 12, down sharply from 24 last month. Twenty-four percent of respondents indicated that they increased spending on equipment or software.

### Employment

The February survey results indicated softer labor market conditions for a third consecutive month. The employment index registered 7, up one point from last month, while the average workweek index dropped six points to -2. The weaker results over the past three months are in contrast to the much stronger readings over the prior 10 months when the employment index averaged 23—the strongest 10-month period in the history of the series. Eighteen





percent of respondents indicated that they added workers for the month while 11 percent reported a decline. The wage index fell three points to 23.

Expectations for future labor market conditions were mixed in February. The employment expectations index registered 17, down six points from last month. The average workweek index, however, jumped 15 points to 17. Twenty-nine percent of respondents anticipated hiring over the next six months, down from 34 percent last month, while the number planning on reducing their workforce was 17 percent, up from 11 percent in January.

**Prices**

Respondents reported that input prices rose 1.7 percent in February on an annualized basis, down from 2.1 percent last month. Output prices rose by 1.2 percent on an annualized basis. Business owners expected profit margins to remain under pressure over the next six months. Input prices were expected to increase at a 2.3 percent annualized rate over the next six months, while output prices were expected to increase by 1.6 percent.

**Expectations**

Expectations of economic activity six months from now were relatively unchanged versus last month. The expectations index for general business conditions edged down four points to 36. However,

the sales index increased by 11 points to 36. Fifty percent of respondents expected business conditions to improve over the next six months, up one point from last month, while 14 percent of respondents expected conditions to worsen, up from 9 percent in January. Fifty percent of respondents anticipated sales to increase over the next six months, up from 43 percent, while 14 percent expected sales to worsen, down from 18 percent last month.

The latest survey results indicated that business activity in Maryland expanded moderately in February after softer conditions in December and January. Expectations for growth over the next six months suggest that activity will pick up in coming months with solid employment gains and capital spending.

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## Business Activity Indexes<sup>1</sup>

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Feb-15	Jan-15	Dec-14	Feb-15	Jan-15	Dec-14
General Business Conditions	19	11	2	36	40	26
Sales	19	-2	2	36	25	24
<b>Employment</b>						
Number of Employees	7	6	14	17	23	9
Availability of Skills Needed	0	-9	-11	0	2	-7
Average Workweek	-2	4	7	17	2	-5
Wages	23	26	23	38	45	30
<b>Spending</b>						
Business Services Expenditures	7	7	7	25	9	10
Total Capital Expenditures	12	17	-5	29	22	-2
Equipment or Software	12	24	26	39	27	12
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.7	2.1	2.0	2.3	2.5	2.5
Prices Received for Outputs	1.2	1.0	1.3	1.6	1.8	1.8

### 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.