

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Solid Business Activity in March; Labor Market Conditions Improve Notably

Overview

According to the latest survey results, business activity in Maryland was solid in March. The general business conditions index registered 22, up three points from February, and the sales index was unchanged at a reading of 19. Labor market conditions improved notably as the employment index rose to 24 from 7 last month. Capital expenditures on equipment or software increased solidly, with the index increasing 14 points to 26—30 percent of firms surveyed increased equipment or software spending in March. Expectations for business activity in the near term improved. Close to 60 percent of respondents expected general business conditions and sales to improve over the next six months while less than 10 percent expected conditions to worsen.

Current Activity

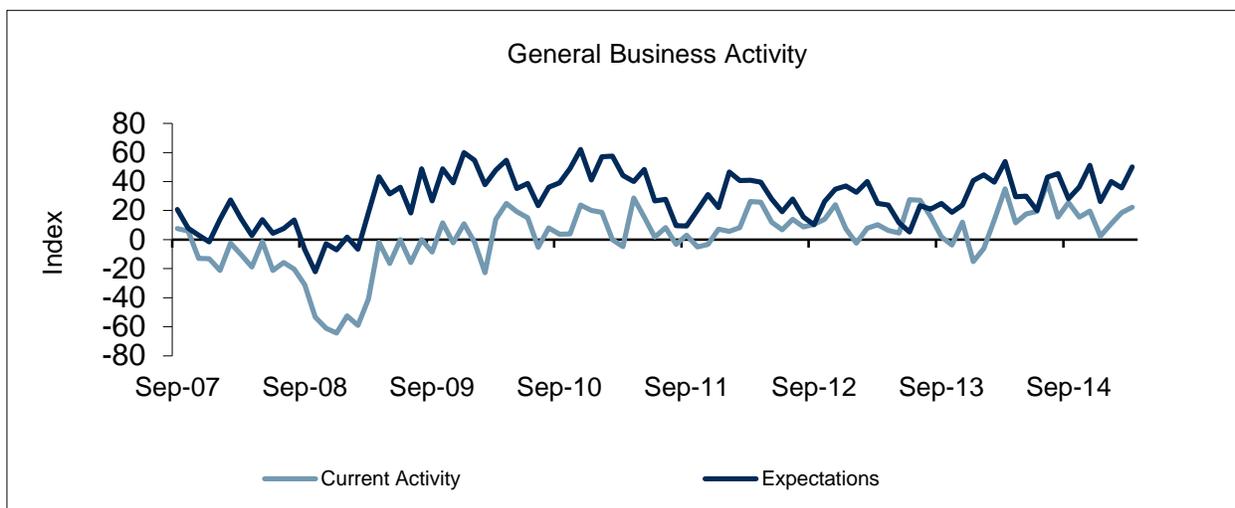
Business activity was solid in March as the general business conditions index registered 22, up from 19 last month; the sales index was unchanged at a healthy reading of 19. There was a notable improvement in the survey results in March and February compared to the prior two months where the general conditions survey averaged 7 and the

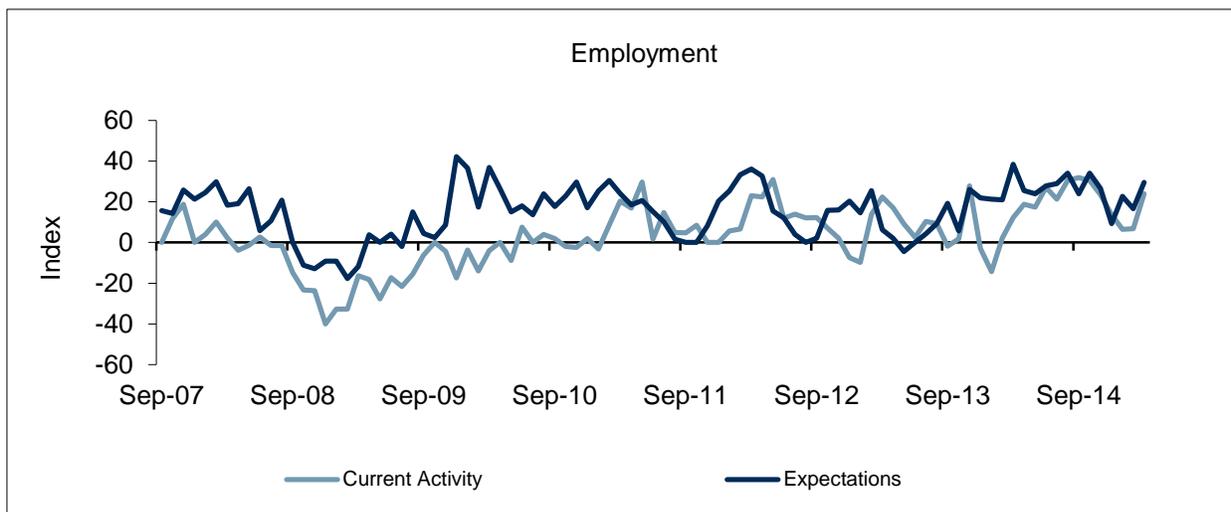
sales index averaged 0. In contrast, in the nine months prior to December and January (from March through October) the indexes averaged 22 and 19, respectively.

Business expenditures showed significant improvement in March. Business spending on services rose sharply after modest increases over the previous three months; the index rose to 20 from 7 in February and January. Total capital expenditures were moderate in March, with the index at 13, up one point from last month. The equipment or software expenditure index rose sharply, however, increasing to 26 from 12—30 percent of respondents increased equipment or software spending in March.

Employment

The March survey results indicated stronger labor market conditions for the first time in four months. The employment index registered 20, up 13 points from last month, while the average workweek index was unchanged at -2. The March employment index reading was the first double-digit reading since December when the index registered 14. The weaker readings in recent months were in contrast to the much stronger survey results over the prior 10 months when the employment index averaged 23—





the strongest 10-month period in the history of the series. In the March survey, 35 percent of respondents indicated that they added workers for the month while 11 percent reported a decline. The wage index rose three points to 23.

Expectations for future labor market conditions improved in March. The employment expectations index registered 30, up 13 points from last month. The average workweek index edged slightly lower to 16. Forty-one percent of respondents anticipated hiring over the next six months, up from 29 percent last month, while the number planning on reducing their workforce was 11 percent, down from 17 percent in February.

Prices

Respondents reported that input prices rose 2.2 percent in March on an annualized basis, up from 1.7 percent last month. Output prices rose by 1.2 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 2.7 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 improved relative to last month. The

expectations index for general business conditions increased 14 points to 50 while the sales index rose 12 points to 48. Close to 60 percent of respondents expected business conditions and sales to improve over the next six months while just less than 10 percent expected conditions and sales to worsen.

The latest survey results indicated that business activity in Maryland expanded solidly in March. In addition, the more positive results from the March and February surveys suggest that the weakness in December and January was temporary. Firm expectations for growth over the next six months also suggest that activity will pick up in coming months with solid employment gains and capital spending.

Contact

Andy Bauer

Senior Regional Economist
 Research Department/Regional Economics
 Federal Reserve Bank of Richmond
 Baltimore Branch
 Ph. 410-576-3392 · Fax 410-576-3391
Andy.Bauer@rich.frb.org
www.richmondfed.org

Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Mar-15	Feb-15	Jan-15	Mar-15	Feb-15	Jan-15
General Business Conditions	22	19	11	50	36	40
Sales	19	19	-2	48	36	25
Employment						
Number of Employees	24	7	6	30	17	23
Availability of Skills Needed	-11	0	-9	-9	0	2
Average Workweek	-2	-2	4	16	17	2
Wages	26	23	26	41	38	45
Spending						
Business Services Expenditures	20	7	7	30	25	9
Total Capital Expenditures	13	12	17	32	29	22
Equipment or Software	26	12	24	36	39	27
Price Trends³						
Prices Paid for Inputs	2.2	1.7	2.1	2.7	2.3	2.5
Prices Received for Outputs	1.2	1.2	1.0	1.6	1.6	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.