

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity in April Increased Moderately; Expectations for Hiring Strengthens Considerably

Overview

According to the latest survey results, business activity in Maryland increased moderately in April. The general business conditions index registered 13, down nine points from March, while the sales index dropped 19 points to a reading of 0. Labor market conditions were softer as the employment index declined to 13 from 24 last month. Capital expenditures on equipment or software rose solidly for a second consecutive month with the index registering 20, down four points from last month. Twenty-two percent of firms surveyed increased equipment or software spending in April. Expectations for business activity in the near term remained positive. Close to 60 percent of respondents expected general business conditions and sales to improve over the next six months.

Current Activity

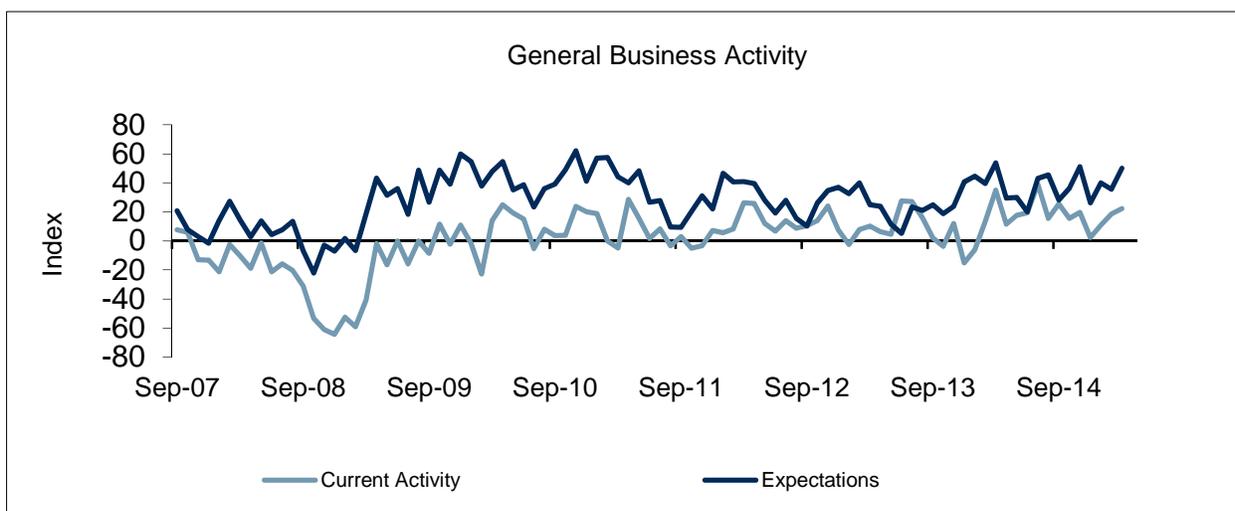
Business activity was moderate in April as the general business conditions index registered 13, down from 22 last month. The sales index dropped sharply by 19 points to a reading of 0. The general conditions index has remained in the double-digits

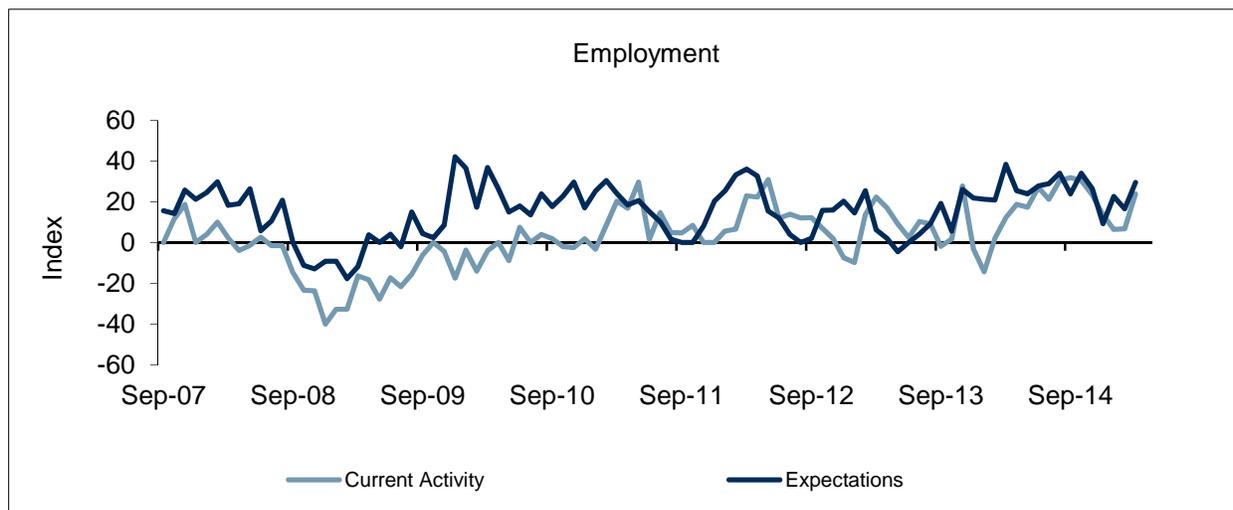
for 13 of the last 14 months and, at 13, is slightly below its average of 16 over the past four months. The sales index has been more uneven over the past 14 months, registering in the single digits in three surveys and dipping into negative territory in another (January 2015).

Business expenditures were solid in April. Business spending on services increased notably for a second consecutive month after modest increases in the prior three months. Total capital expenditures were moderate for a third consecutive month, with the index at 13, unchanged from March and up one point from February. Expenditures on equipment or software increased solidly however — the index registered 20, down six points from last month. Equipment or software spending has been solid over the past 14 months with the index averaging 23.

Employment

The April survey results indicated that labor market conditions softened compared to last month. The employment index registered 13, down 11 points from last month, while the average workweek





index rose 13 points to 11. Employment growth has been more moderate over the past five months, with the index averaging 13. Over the prior eight months, the index averaged 25. Perhaps the slowdown in hiring reflected weaker sales in recent months. Over the past five months, the sales index averaged 7, compared to 17 for the prior eight months. In the April survey, 28 percent of respondents indicated that they added workers for the month while 15 percent reported a decline. The wage index declined four points to 22.

Expectations for future labor market conditions improved in April for a second consecutive month. The employment expectations index registered 39, up nine points from March and up 22 points from February. The average workweek index edged slightly lower to 14. Forty-eight percent of respondents anticipated hiring over the next six months, up from 41 percent last month, while the number planning on reducing their workforce was 9 percent, down from 11 percent in March.

Prices

Respondents reported that input prices rose 1.7 percent in April on an annualized basis, down from 2.1 percent 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 2.3 percent annualized rate over the next six months, while output prices were expected to increase by 2.1 percent.

Expectations

Expectations of economic activity six months from now remained positive in April. The expectations index for general business conditions declined five points to 45 while the sales index dropped six points to 42. Close to 60 percent of respondents expected business conditions and sales to improve over the next six months.

The latest survey results indicated that business activity in Maryland expanded moderately in April. Respondents reported an improvement in general business conditions, solid business spending, and moderate hiring, however sales were flat for the month. Expectations for growth over the next six months remained positive, suggesting that activity will pick up in coming months with solid employment gains and capital spending.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Apr-15	Mar-15	Feb-15	Apr-15	Mar-15	Feb-15
General Business Conditions	13	22	19	45	50	36
Sales	0	19	19	42	48	36
Employment						
Number of Employees	13	24	7	39	30	17
Availability of Skills Needed	0	-11	0	-5	-9	0
Average Workweek	11	-2	-2	14	16	17
Wages	22	26	23	36	41	38
Spending						
Business Services Expenditures	18	20	7	27	30	25
Total Capital Expenditures	13	13	12	23	32	29
Equipment or Software	20	26	12	36	36	39
Price Trends³						
Prices Paid for Inputs	1.7	2.2	1.7	2.3	2.7	2.3
Prices Received for Outputs	1.5	1.2	1.2	2.1	1.6	1.6

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.