

Regional Surveys of Business Activity

Maryland Survey of Business Activity

May Survey Results Indicate Solid Business Activity; Strong Labor Market Conditions

Overview

According to the latest survey results, business activity in Maryland increased solidly in May. The general business conditions index registered 31, up 18 points from April, and the sales index rebounded to a reading of 20. Labor market conditions were improved as the employment index jumped 21 points to 34. Expenditures on equipment or software rose solidly for a third consecutive month, with the index registering 19. Twenty-three percent of firms surveyed increased equipment or software spending in May. Expectations for business activity in the near term remained positive. Sixty percent of respondents expected general business conditions and sales to improve over the next six months.

Current Activity

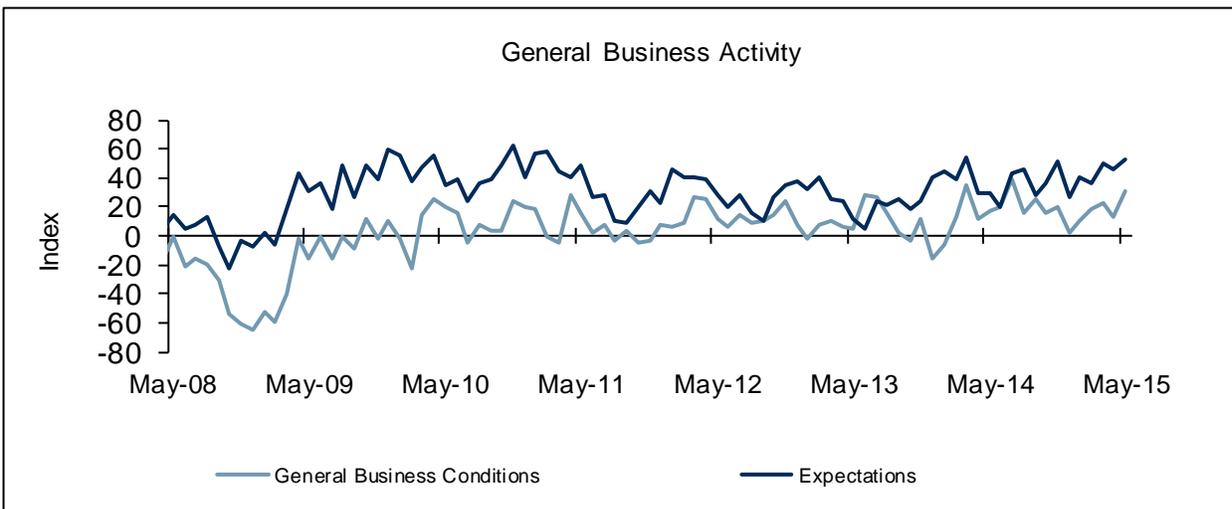
Business activity was solid in May as the general business conditions index registered 31, up from 13 last month. The sales index rebounded to 20 after a flat reading in April. The general conditions index has remained in the double digits for 14 of the last 15 months and the May reading was the highest since

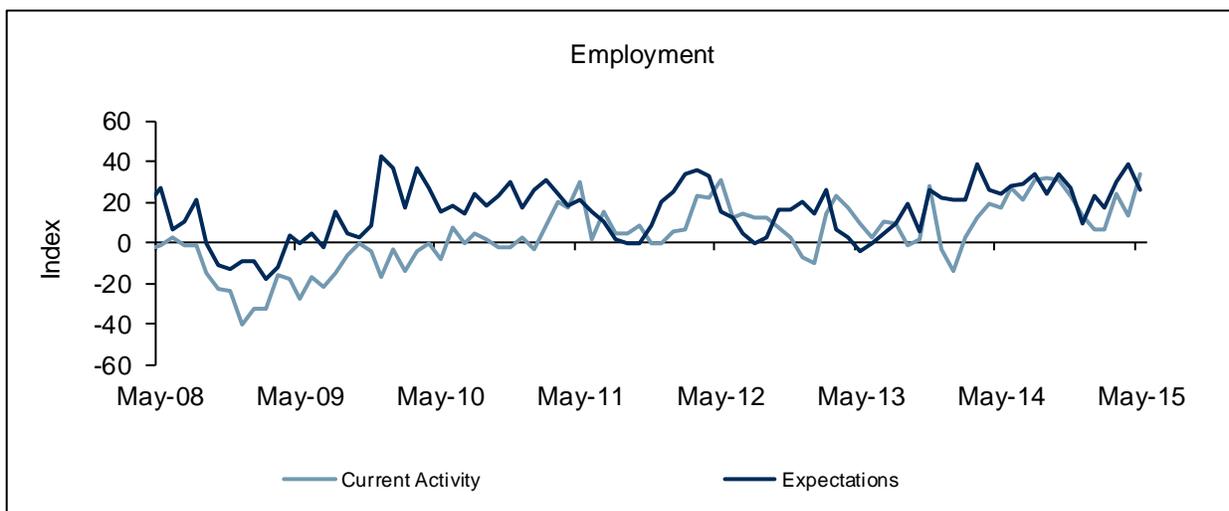
July 2014. The sales index has been more uneven over the past 15 months, registering in the single digits in three surveys and dipping into negative territory in another (January 2015).

Business expenditures were solid in May. Spending on services and total capital expenditures increased moderately, with both indexes at 15. The index for expenditures on equipment or software registered 19, down one point from last month. However, equipment and software spending has been solid over the past 15 months, with the index averaging 23 during that period.

Employment

The May survey results indicated that labor market conditions strengthened compared to last month. The employment index registered 34, up 21 points from last month while the average workweek index rose four points to 15. The employment index surpassed 30 for the first time since last fall, when it was at or slightly above 30 from August to October. In the May survey, 39 percent of respondents indicated that they added workers for the month while 12 percent reported a decline. The wage index rose seven





points to 29.

Expectations for future labor market conditions softened. The employment expectations index registered 26, down 13 points from April. The average workweek expectations index edged slightly lower to 13. Thirty-nine percent of respondents anticipated hiring over the next six months, down from 48 percent last month, while the number planning on reducing their workforce was 13 percent, up from 9 percent in April.

Prices

Respondents reported that input prices rose 2.0 percent in May on an annualized basis, up from 1.7 percent last month. Output prices rose by 1.6 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 2.1 percent annualized rate over the next six months, while output prices were expected to increase by 1.4 percent.

Expectations

Expectations of economic activity six months from now remained positive in May. The expectations index for general business conditions increased seven points to 52 while the sales index rose by five points to 47. 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 solidly in May. Respondents reported solid improvement in general business conditions and sales, solid business spending, and strong hiring. Expectations for growth over the next six months remained positive, suggesting that activity will pick up in coming months with significant gains in employment and capital spending.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	May-15	Apr-15	Mar-15	May-15	Apr-15	Mar-15
General Business Conditions	31	13	22	52	45	50
Sales	20	0	19	47	42	48
Employment						
Number of Employees	34	13	24	26	39	30
Availability of Skills Needed	-4	0	-11	-11	-5	-9
Average Workweek	15	11	-2	13	14	16
Wages	29	22	26	39	36	41
Spending						
Business Services Expenditures	15	18	20	27	27	30
Total Capital Expenditures	15	13	13	37	23	32
Equipment or Software	19	20	26	39	36	36
Price Trends³						
Prices Paid for Inputs	2.0	1.7	2.2	2.1	2.3	2.7
Prices Received for Outputs	1.6	1.5	1.2	1.4	2.1	1.6

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.

