

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Solid Business Activity in June; Business Spending and Hiring Continued to Advance Soundly*

### Overview

According to the latest survey results, business activity in Maryland increased notably in June. The general business conditions index registered 31, matching May's reading and up 18 points from April. The sales index remained at an elevated level at 18, down just two points from May's reading of 20. Labor market conditions remained positive as the employment index and the average workweek index both registered 25.

Business spending was solid in June. Expenditures on equipment or software rose soundly for a fourth consecutive month, with the index increasing 10 points to 29. Thirty-one percent of firms surveyed increased equipment or software spending in June.

Expectations for business activity in the near term remained positive. Fifty percent of respondents expected general business conditions and sales to improve over the next six months.

### Current Activity

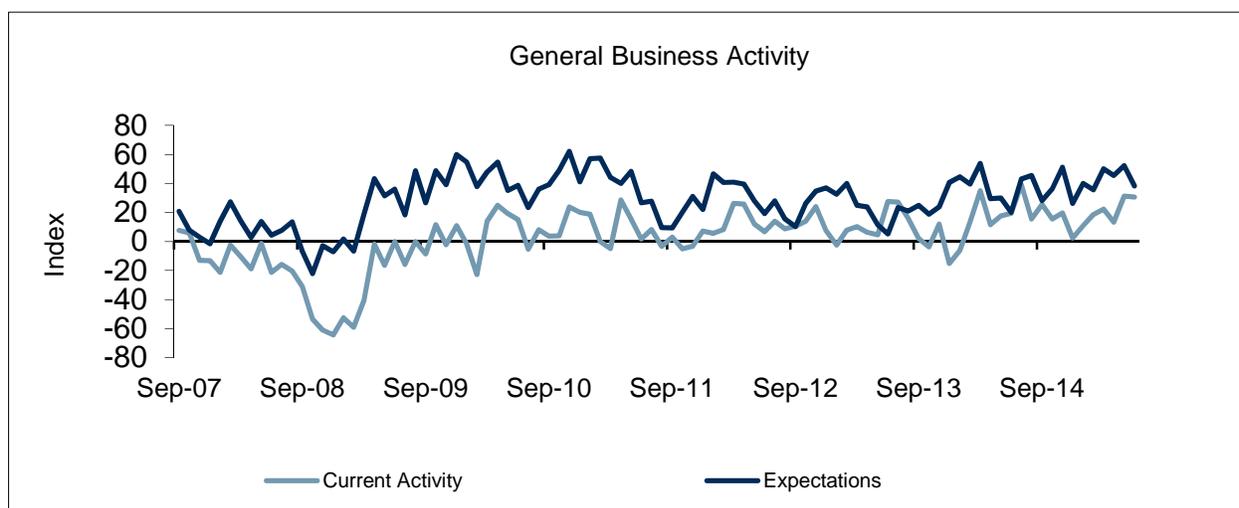
Overall business activity was strong in June. The general business conditions index registered 31 for a second consecutive month while the sales index

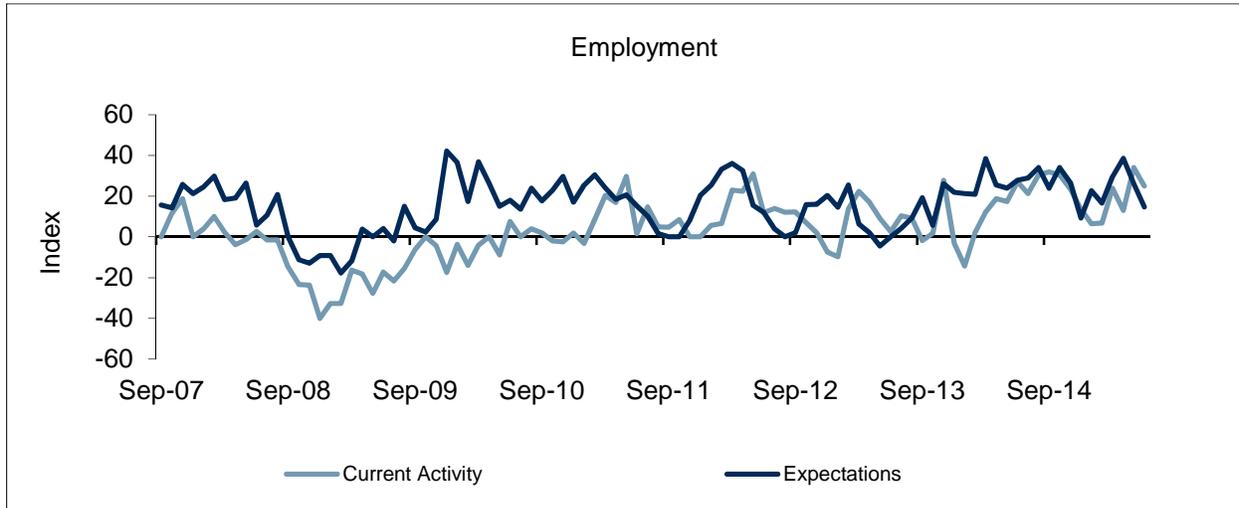
edged slightly lower to a solid reading of 18. The general conditions index has remained in the double-digits for 15 of the last 16 months and the May and June readings represent the strongest two-month period in the history of the survey. The sales index has been more uneven over the past 15 months, registering in the single digits in three surveys and dipping into negative territory in another (January 2015).

Business spending on services and equipment and software increased in June, with both indexes above 20 for the month. Equipment and software spending has been solid over the past 16 months, with the index averaging 23.

### Employment

The June survey results indicated that labor market conditions were positive – there was a notable increase in hiring and lengthening of the workweek. In addition, workers were reported to be more difficult to find. The employment index registered 25, down nine points from last month, while the average workweek index rose 10 points to 25. Employment growth started off slow in 2015, with the employment index in the single-digits in January and February. But it has improved since, with the index averaging





25 over the past four months. In the June survey, 39 percent of respondents indicated that they added workers for the month while 14 percent reported a decline. The wage index remained elevated, edging lower by one point to 28.

Expectations for future labor market conditions softened. The employment expectations index registered 15, down 11 points from May. The average workweek expectations index dropped 19 points to -6. Thirty-five percent of respondents anticipated hiring over the next six months, down from 39 percent last month, while the number planning on reducing their workforce was 21 percent, down from 26 percent in May.

**Prices**

Respondents reported that input prices rose 2.2 percent in June on an annualized basis, up from 2.0 percent last month. Output prices rose by 2.0 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 1.0 percent.

**Expectations**

Expectations of economic activity six months from now softened but remained positive in June. The

expectations index for general business conditions decreased 14 points to 38 while the sales index declined by nine points to 47. Fifty percent of respondents expected business conditions to improve over the next six months while 61 percent anticipated higher sales.

The latest survey results indicated that overall business activity in Maryland was strong in June. Respondents reported solid improvement in general business conditions and sales, a notable pickup in business spending, and solid 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 Indexes<sup>1</sup>

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Jun-15	May-15	Apr-15	Jun-15	May-15	Apr-15
General Business Conditions	31	31	13	38	52	45
Sales	18	20	0	36	47	42
<b>Employment</b>						
Number of Employees	25	34	13	15	26	39
Availability of Skills Needed	-3	-4	0	-3	-11	-5
Average Workweek	25	15	11	-6	13	14
Wages	28	29	22	29	39	36
<b>Spending</b>						
Business Services Expenditures	21	15	18	0	27	27
Total Capital Expenditures	17	15	13	15	37	23
Equipment or Software	29	19	20	15	39	36
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	2.2	2.0	1.7	2.5	2.1	2.3
Prices Received for Outputs	2.0	1.6	1.5	1.0	1.4	2.1

### 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.