

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Strong Increase in Business Sales in July; Labor Market Continued to Improve Solidly

Overview

According to the latest survey results, business activity in Maryland advanced solidly for a third consecutive month in July. The general business conditions index remained near 30 for a third consecutive month while the sales index jumped 20 points to 38—the highest reading in the history of the survey. Labor market conditions remained positive as the employment index continued to indicate significant hiring for a third consecutive month. Business spending increased at a moderate pace, while expenditures on equipment or software rose soundly for a fifth consecutive month. Nineteen percent of firms surveyed increased equipment or software spending in July. Expectations for business activity in the near term remained positive. Roughly 55 percent of respondents expected general business conditions and sales to improve over the next six months.

Current Activity

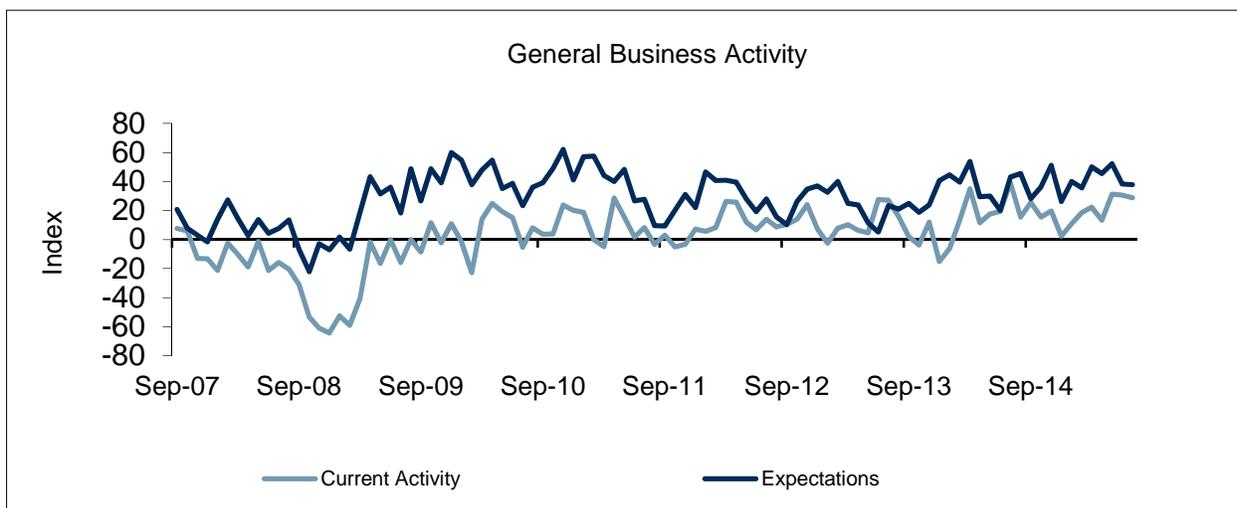
Overall business activity was strong in July. The general business conditions index registered 29, down just two percentage points from the previous two months. The general conditions index has remained in the double-digits for 16 of the last 17

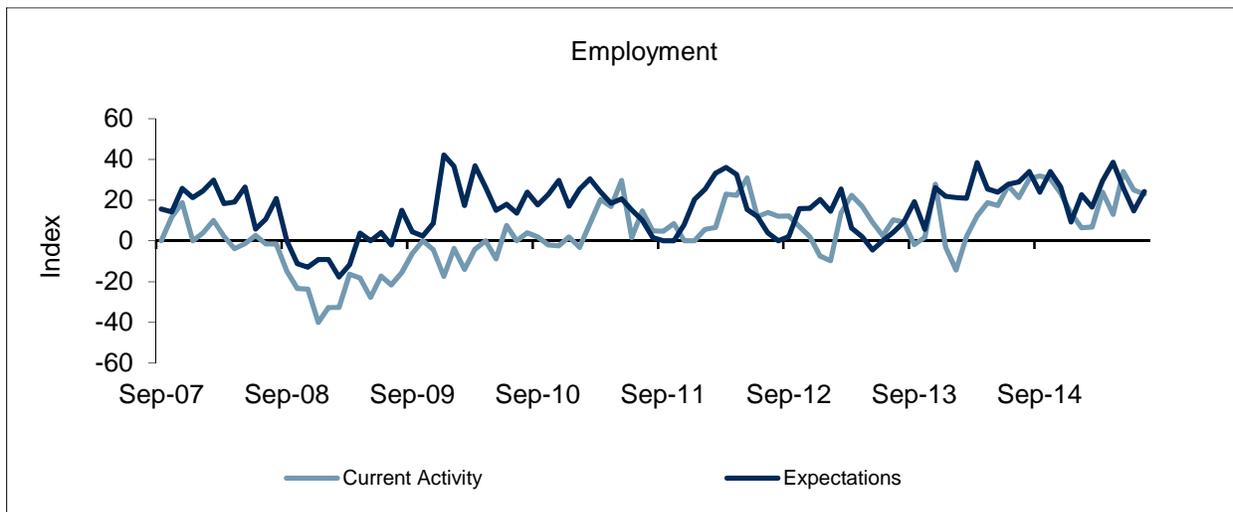
months and the last three readings represent the strongest three-month period in the history of the survey. The sales index posted a 20-percentage point increase to a series high of 38. Forty-six percent of firms surveyed reported higher sales for the month while just 8 percent reported a decline.

Business spending was solid in July. Business spending on services and total capital expenditures increased at a moderate pace with index readings of 14 and 16, respectively, down slightly from June. Expenditures on equipment and software were solid – with the index at 19 – and have been solid over the past 17 months, with the index averaging 23.

Employment

The July survey results indicated that labor market conditions continued to improve, with a notable increase in hiring and a decline in the availability of workers with needed skills. The employment index registered 23, down two points from last month, while the labor availability index decreased seven points to -10 and has been in negative territory for the past three months. At the same time respondents reported an increase in wages, with the wage index increasing to 41 – a series high. In the July survey 31 percent of respondents indicated that they added





workers for the month while 8 percent reported a decline and 41 percent reported an increase in wages.

Expectations for future labor market conditions picked up in July. The employment expectations index registered 24, up nine points from June. Thirty-eight percent of respondents anticipated hiring over the next six months, up from 35 percent last month, while the number planning on reducing their workforce was 14 percent, down from 21 percent. Notably, respondents expect some difficulty finding workers with the right skills over the next six months. The expectations index for workers with needed skills dropped 11 points to -14.

Prices

Respondents reported that input prices rose 1.8 percent in July on an annualized basis, down from 2.2 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 1.9 percent annualized rate over the next six months, while output prices were expected to increase by 0.8 percent.

Expectations

Expectations of economic activity six months from now remained positive in July. The expectations

index for general business conditions was unchanged at a reading of 38 while the sales index edged higher by three points to 39. Fifty-four percent of respondents expected business conditions to improve over the next six months while 56 percent anticipated higher sales.

The latest survey results indicated that overall business activity in Maryland was strong in July. Respondents reported solid improvement in general business conditions, a record increase in sales, and solid business spending and 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		
	Jul-15	Jun-15	May-15	Jul-15	Jun-15	May-15
General Business Conditions	29	31	31	38	38	52
Sales	38	18	20	39	36	47
Employment						
Number of Employees	23	25	34	24	15	26
Availability of Skills Needed	-10	-3	-4	-14	-3	-11
Average Workweek	15	25	15	-3	-6	13
Wages	41	28	29	16	29	39
Spending						
Business Services Expenditures	14	21	15	22	0	27
Total Capital Expenditures	16	17	15	24	15	37
Equipment or Software	19	29	19	31	15	39
Price Trends³						
Prices Paid for Inputs	1.8	2.2	2.0	1.9	2.5	2.1
Prices Received for Outputs	2.0	2.0	1.6	0.8	1.0	1.4

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.