

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Softens In September; Solid Capital Expenditures and Modest Hiring

Overview

According to the latest survey results, business activity slowed in Maryland after four months of strong expansion. The general business conditions index registered 13, indicating a moderate increase in overall activity for the month while the sales index fell to zero. Labor market conditions remained positive, although hiring was less widespread. Business spending increased at a more moderate pace as well. Twenty-two percent of firms surveyed increased capital expenditures in September, down from 39 percent in August. Despite the slowing in activity, expectations for business activity in the near term picked up. Close to 60 percent of respondents expected general business conditions to improve over the next six months.

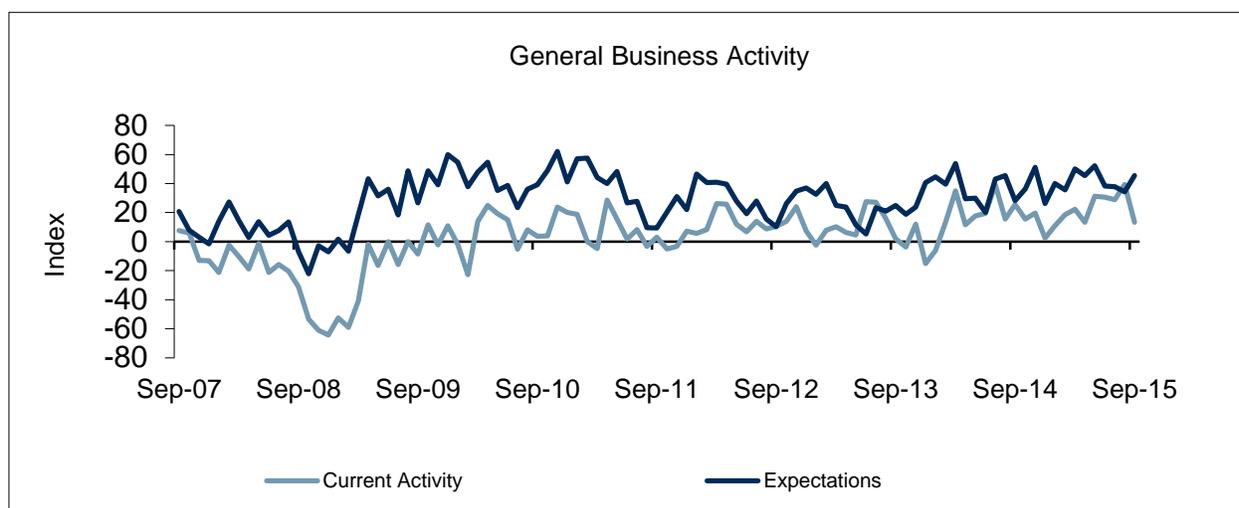
Current Activity

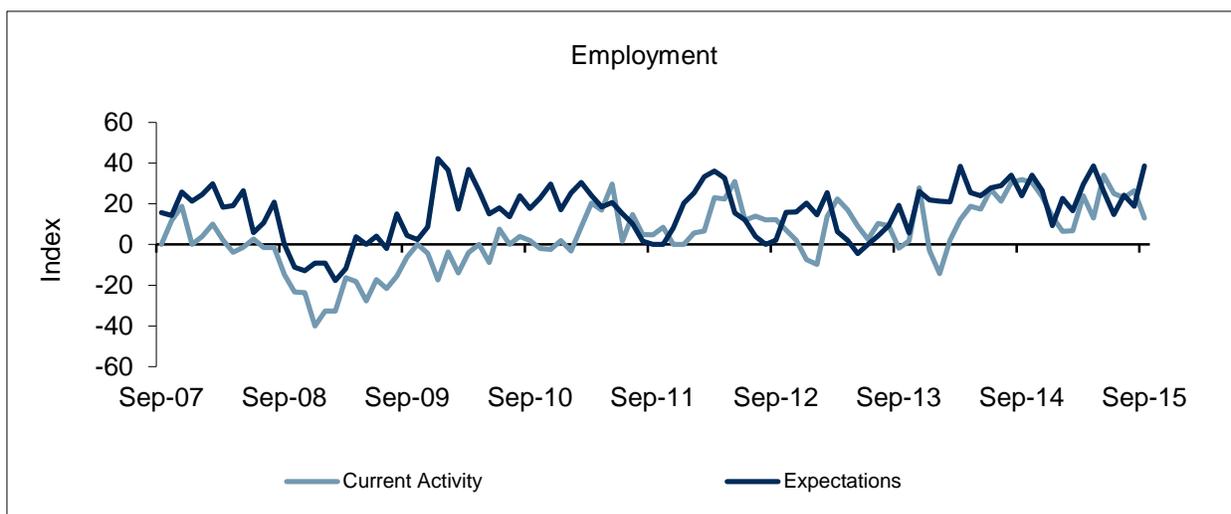
Overall business activity was moderate in September. The general business conditions index registered 13, down 26 percentage points from August. The general conditions index has remained in the double-digits for 18 of the last 19 months and the prior four readings represented the strongest four-month period in the history of the survey. The

sales index fell sharply to zero from 33 last month and a series high of 38 in July. Just 23 percent of firms reported higher sales, down from 42 percent last month. An equal percentage reported a decline. Business spending increased at a moderate pace. Total capital expenditures increased modestly, with the index dropping to 13 from 33 last month. Business spending on equipment and software, however, was stronger with the index registering 20, down 16 points from last month. Expenditures on equipment and software have been solid over the past 20 months with the index averaging 24. Business spending on services was also solid, continuing a recent trend. The business services index has posted double-digit readings in the range of 14 to 20 over the past seven months.

Employment

Labor market conditions continued to improve, although the pace of that improvement was more modest in September. The employment index registered 13, down 13 points from last month, while the average workweek index dropped 10 points to a reading of 11. After four months in negative territory, the labor availability index rose to a neutral reading of zero. Respondents continued to report an increase in





wages with the wage index registering 22, down 10 points from August and 19 points from the series high of 41 registered in July. In the September survey, 28 percent of respondents indicated that they added workers for the month while 15 percent reported a decline and 26 percent reported an increase in wages.

Despite softer conditions, expectations for future labor market conditions picked up in September. The employment expectations index registered 39, up 20 points from last month. Forty-eight percent of respondents anticipated hiring over the next six months while just 9 percent were planning on reducing their workforce. Respondents continue to expect difficulty in finding workers with the right skills over the next six months.

Prices

Respondents reported that input prices rose 1.7 percent in September on an annualized basis, unchanged from 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 picked up in the September survey. The expectations index for general business conditions and sales indexes rose to 45 and 42, respectively, from 34 and 38 last month. Nearly 60 percent of respondents expected business conditions and sales to improve over the next six months.

The latest survey results indicated that overall business activity in Maryland was modest in September. This follows four months of very strong activity—the strongest four-month period in the history of the survey. Respondents reported modest improvement in general business conditions and sales, solid spending on business services and equipment and software expenditures and a more modest improvement in the labor market. 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		
	Sep-15	Aug-15	Jul-15	Sep-15	Aug-15	Jul-15
General Business Conditions	13	39	29	45	34	38
Sales	0	33	38	42	38	39
Employment						
Number of Employees	13	26	23	39	19	24
Availability of Skills Needed	0	-6	-10	-5	-13	-14
Average Workweek	11	21	15	14	3	-3
Wages	22	32	41	36	31	16
Spending						
Business Services Expenditures	18	19	14	27	25	22
Total Capital Expenditures	13	33	16	23	47	24
Equipment or Software	20	36	19	36	47	31
Price Trends³						
Prices Paid for Inputs	1.7	1.8	1.8	2.3	2.3	1.9
Prices Received for Outputs	1.5	1.8	2.0	2.1	2.1	0.8

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.