

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Moderate Activity in October; Labor Markets Remain Positive While Business Spending Softens*

### Overview

According to the latest survey results, business activity increased at a moderate pace in Maryland in October. The general business conditions and employment indexes both registered 18, indicating a solid increase in overall activity and hiring conditions in October. However, sales were less robust, with the sales index at 6, up from 0 last month, and business spending on services and capital expenditures slowed notably. Just 16 percent of firms surveyed increased capital expenditures in October, down from 22 percent in September and 39 percent in August.

Expectations for business activity in the near term remained positive. Slightly more than 50 percent of respondents expected general business conditions to improve over the next six months.

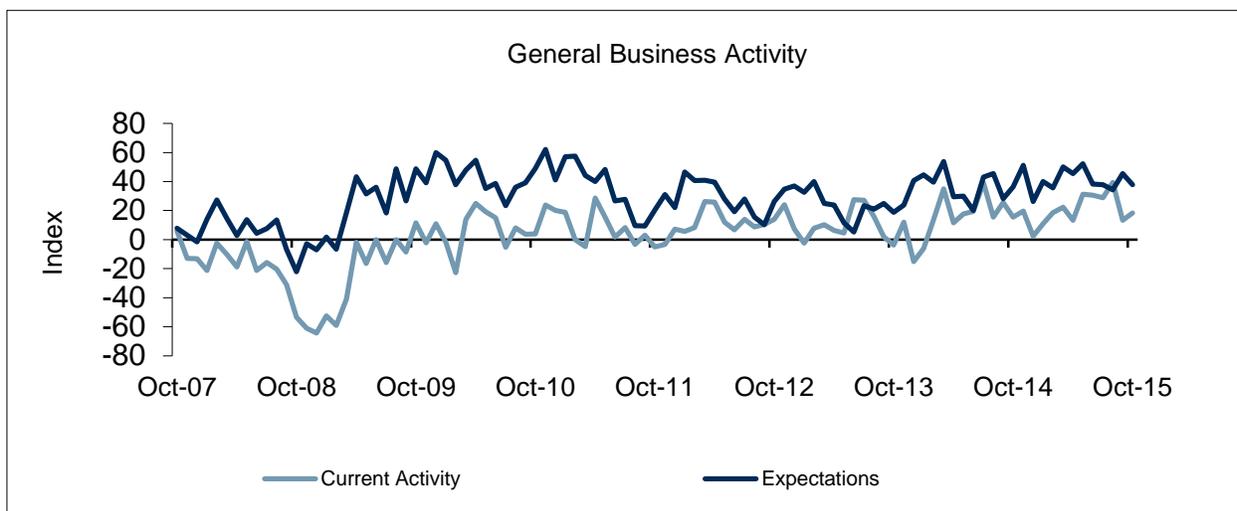
### Current Activity

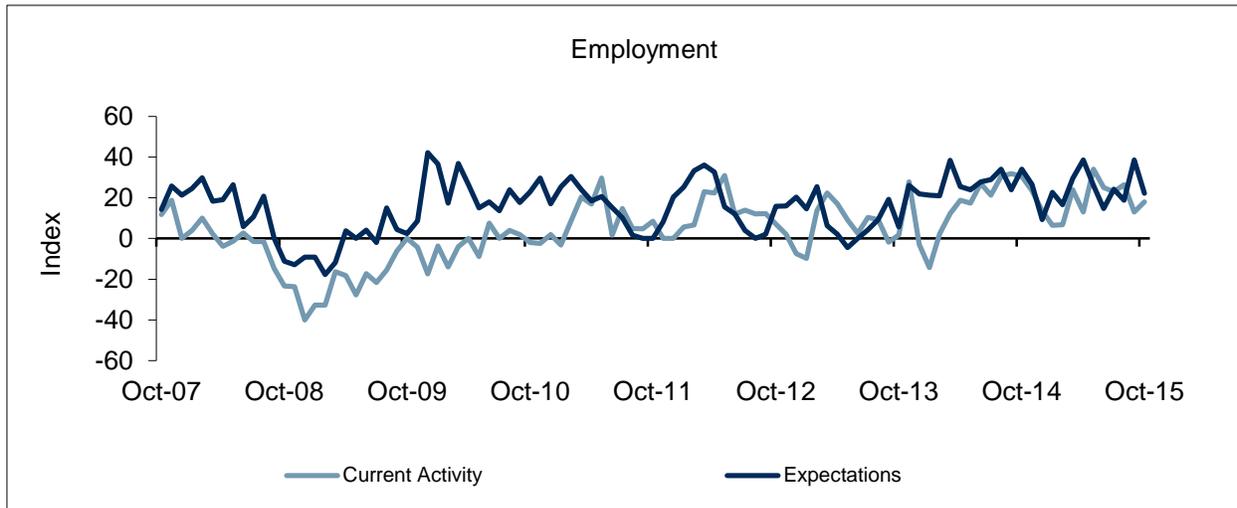
Overall business activity was moderate in October. The general business conditions index registered 18, up from 13 points last month, as 32 percent of firms surveyed indicated that general business conditions improved. The sales index improved somewhat to a modest reading of 6, up from 0 in September. The

general conditions index has remained in the double-digits for 19 of the last 20 months, but the October and September readings were notably softer than during the summer months. From May to August the general business conditions indexed averaged 33 while the sales index averaged 27—these four months represented the strongest four-month period in the history of the survey. Business spending increased at a modest pace in October. Business spending on services slowed considerably, with the index dropping to 3 from 18. Capital expenditures also slowed sharply, with the index declining to 5 from 13 and the equipment or software index falling to 5 from 20. The October single-digit reading for business services was the first since February 2015 and the first for equipment and software spending since January 2014. From March through September 2015, the index for business services spending and investment in new equipment or software averaged 18 and 24, respectively.

### Employment

Labor market conditions continued to improve in Maryland in October. The employment index registered 18, up five points from last month while the average workweek index edged higher by two points





to 13. The labor availability index dropped to its lowest level since October 2007 after a flat reading in September. The labor availability index has been negative in 10 of the last 13 months, indicating that businesses are having more difficulty finding workers with the right skill sets. Respondents continued to report an increase in wages with the wage index registering 15, down seven points from last month. In the October survey, 33 percent of respondents indicated that they added workers for the month while 15 percent reported a decline.

Expectations for future labor market conditions were softer than last month but remained positive. The employment expectations index registered 22, down 17 points from last month. Thirty-six percent of respondents anticipated hiring over the next six months while 14 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 1.5 percent in October on an annualized basis, down from 1.7 percent from last month. Output prices rose by 0.9 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 2.1 percent.

**Expectations**

Expectations of economic activity were slightly softer than last month but remained positive. The expectations index for general business conditions and sales indexes declined to 38 and 31, respectively, from 45 and 42 last month. Roughly 50 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 moderate in October. Respondents reported solid improvement in general business conditions and employment but only a modest increase in sales and business spending on services and capital expenditures. 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>		
	Oct-15	Sep-15	Aug-15	Oct-15	Sep-15	Aug-15
General Business Conditions	18	13	39	38	45	34
Sales	6	0	33	31	42	38
<b>Employment</b>						
Number of Employees	18	13	26	22	39	19
Availability of Skills Needed	-16	0	-6	-11	-5	-13
Average Workweek	13	11	21	11	14	3
Wages	15	22	32	36	36	31
<b>Spending</b>						
Business Services Expenditures	3	18	19	14	27	25
Total Capital Expenditures	5	13	33	30	23	47
Equipment or Software	5	20	36	24	36	47
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.5	1.7	1.8	2.5	2.3	2.3
Prices Received for Outputs	0.9	1.5	1.8	2.1	2.1	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.