

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Moderate Business Activity in December; Expectations for 2016 Remain Positive

Overview

According to the latest survey results, business activity increased at a moderate pace in Maryland in December. The general business conditions index registered 10, down from 17 in November, while the sales index rebounded to 7 from a negative reading last month. Labor market conditions remained strong as respondents reported continued hiring and an increase in the workweek. Firms continued to report difficulty finding workers. Business spending on equipment or software increased at a solid pace for a second month while spending on services was more moderate.

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

Current Activity

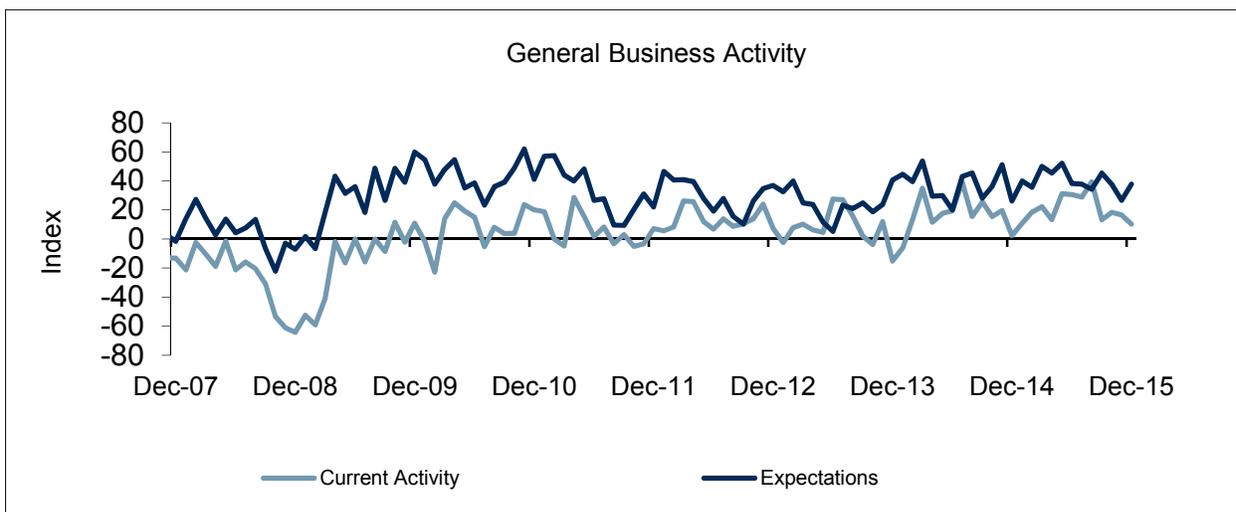
Overall business activity was moderate in December. The general business conditions index registered 10, down seven points from last month, as 24 percent of firms surveyed indicated that general business conditions increased while 14

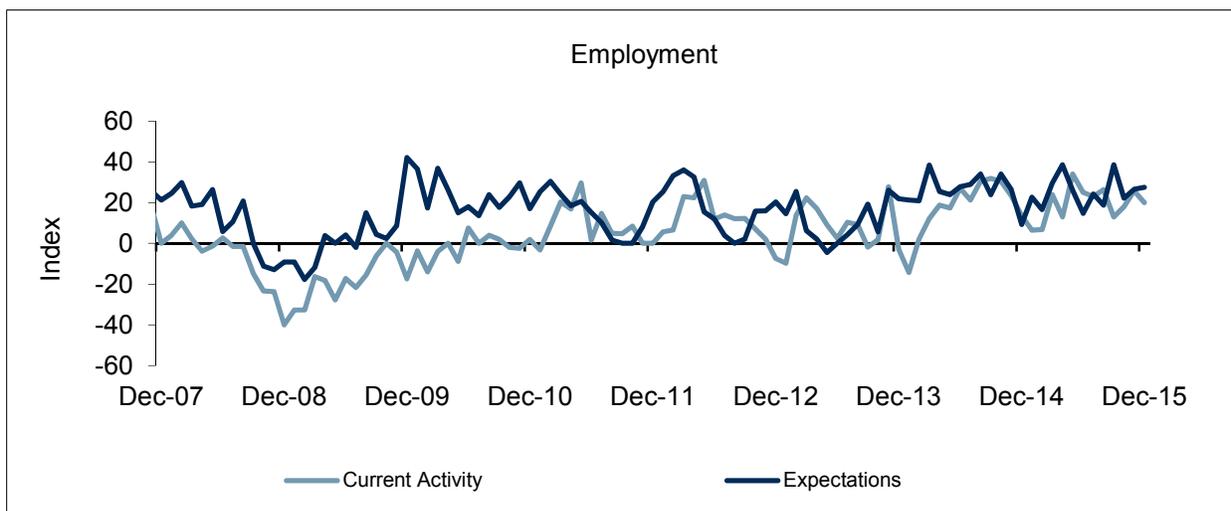
percent reported a decline. The sales index rose from negative territory to 7. The general business conditions index has remained in the double-digits for 21 of the last 22 months.

Business spending increased at a moderate pace in December. The business spending on services index registered 11 while the total capital expenditures index rose to 10 from 3 last month. Spending on equipment and software remained solid, rising four points to 21. Twenty-eight percent of respondents indicated that they increased spending on equipment or software in December.

Employment

Labor market conditions were solid in December. The employment index registered 20, down six points from last month, while the average workweek index edged higher by four points to 10. The labor availability index remained in negative territory for a third consecutive month. The labor availability index has been negative in 12 of the last 15 months, indicating that businesses are having some difficulty finding workers with the right skills. In the December survey 27 percent of





respondents indicated that they added workers for the month while 7 percent reported a decline.

Expectations for future labor market conditions remained solid. The employment expectations index registered 28, up one point from last month. Twenty-eight percent of respondents anticipated hiring over the next six months while no respondent was planning on reducing their workforce. Respondents continued to expect difficulty in finding workers with the right skills over the next six months.

Prices

Respondents reported that input prices rose 1.3 percent in December on an annualized basis, essentially unchanged from last month. Output prices rose by 0.8 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 1.6 percent annualized rate over the next six months, while output prices were expected to increase by 1.0 percent.

Expectations

Expectations of economic activity remained positive in December. The expectations index for general business conditions increased to 38 from 27 last month while the sales indexes rose three points to 36. Roughly 45 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 December. Activity in the fourth quarter was notably softer than the prior two quarters but still indicated that that the Maryland economy grew at a solid pace. Overall, 2015 was the strongest year in the history of the survey—dating back to 2007. Respondents reported strong overall conditions, sales and business spending. Hiring picked up notably and respondents gave indication that labor was more difficult to find. Expectations for growth in the first half of 2016 remained positive, with continued growth in sales, hiring and capital expenditures.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Dec-15	Nov-15	Oct-15	Dec-15	Nov-15	Oct-15
General Business Conditions	10	17	18	38	27	38
Sales	7	-7	6	36	33	31
Employment						
Number of Employees	20	26	18	28	27	22
Availability of Skills Needed	-7	-13	-16	-17	-7	-11
Average Workweek	10	6	13	10	10	11
Wages	10	10	15	41	40	36
Spending						
Business Services Expenditures	11	10	3	11	17	14
Total Capital Expenditures	10	3	5	31	13	30
Equipment or Software	21	17	5	28	17	24
Price Trends³						
Prices Paid for Inputs	1.3	1.4	1.5	1.6	1.8	2.5
Prices Received for Outputs	0.8	1.4	0.9	1.0	1.9	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.