

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Sales Unexpectedly Flat in January; Hiring and Capital Expenditures Remain Strong*

### Overview

According to the latest survey results, business activity in Maryland was flat in January. The general business conditions index registered 3, down from 10 in December while the sales index fell 10 points to -3. Labor market conditions remained strong as respondents reported continued hiring and difficulty finding workers with the needed skills. Business spending was robust. Expectations for business activity in the near term remained positive. Roughly half of the respondents expected general business conditions and sales to improve over the next six months.

### Current Activity

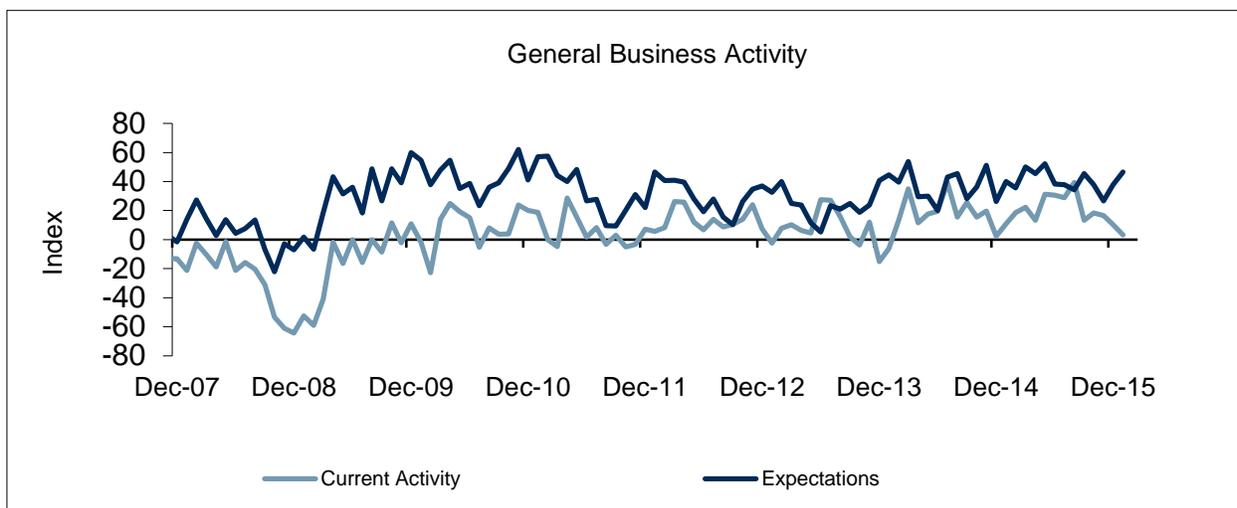
Overall business activity was flat in January. The general business conditions index registered 3, down seven points from last month, as 19 percent of firms surveyed indicated that general business conditions increased while 16 percent reported a decline. The sales index retreated back into negative territory. The single-digit reading for the general business index is the first since December 2014 and the second occurrence in the last 23 months. Business spending was robust in January, however. The business spending on services index and the total capital

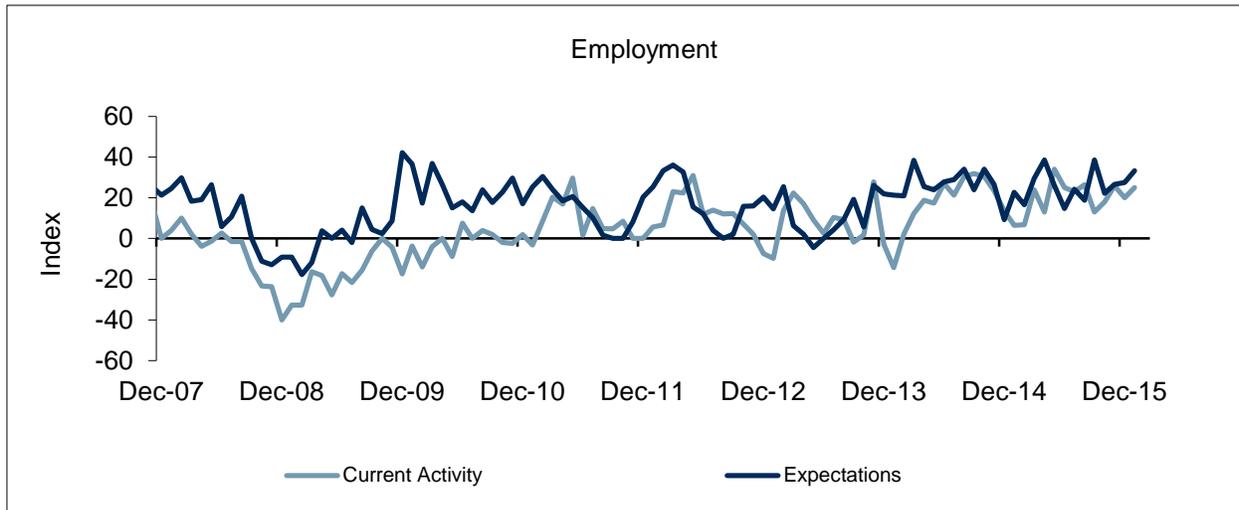
expenditures index both rose 16 points to 27 and 26, respectively, while the equipment or software index increased 11 points to 32. Thirty-six percent of respondents indicated that they increased spending on equipment or software in December.

### Employment

Labor market conditions were solid in January. The employment index rose five points to 25—the third consecutive month at 20 or higher. In the January survey, 34 percent of respondents indicated that they added workers for the month while 9 percent reported a decline. The average workweek index unexpectedly fell, however, to -6 from 10 last month. The labor availability index remained in negative territory for a fourth consecutive month and has been negative in 13 of the last 16 months.

Expectations for future labor market conditions remained solid. The employment expectations index registered 33, up five points from last month. One-third 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 1.7 percent in January on an annualized basis, essentially unchanged from last month. Output prices rose by 0.7 percent on an annualized basis. Input prices were expected to increase at a 2.5 percent annualized rate over the next six months, up from 1.6 percent last month, while output prices were expected to increase by 3.1 percent—a jump from 1.0 percent last month.

**Expectations**

Expectations of economic activity remained positive in January. The expectations index for general business conditions increased to 47 from 38 last month while the sales indexes jumped 17 points to 53. 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 unexpectedly flat in January. For only the second time in 23 months, the general business conditions index registered in the single digits. At the same time the sales index dropped into slightly negative territory. Despite these softer readings, respondents indicated brisk hiring and robust spending on services and on equipment or software. Expectations for the first half of 2016 remained positive, with fairly strong expectations for

growth in sales, hiring, and capital expenditures.

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## Business Activity Indexes<sup>1</sup>

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Jan-16	Dec-15	Nov-15	Jan-16	Dec-15	Nov-15
General Business Conditions	3	10	17	47	38	27
Sales	-3	7	-7	53	36	33
<b>Employment</b>						
Number of Employees	25	20	26	33	28	27
Availability of Skills Needed	-16	-7	-13	-23	-17	-7
Average Workweek	-6	10	6	23	10	10
Wages	38	10	10	60	41	40
<b>Spending</b>						
Business Services Expenditures	27	11	10	21	11	17
Total Capital Expenditures	26	10	3	17	31	13
Equipment or Software	32	21	17	27	28	17
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.7	1.3	1.4	2.5	1.6	1.8
Prices Received for Outputs	0.7	0.8	1.4	3.1	1.0	1.9

**Technical Notes:**

- 1 Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. Data are not seasonally adjusted.
- 2 Expectations refer to the time period six months out from the survey period.
- 3 Price changes are expressed as a percent change, annualized.