

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Activity and Sales Weak for a Second Month; Hiring and Capital Expenditures Remain Solid

Overview

According to the latest survey results, business activity in Maryland declined in February. The general business conditions index dropped to -6 from 3 last month, registering its first negative reading since January 2014. The sales index declined 10 points to -13. Labor market conditions remained solid, however, as respondents reported continued hiring and difficulty finding workers with the needed skills. Business spending was uneven. Expectations for business activity in the near term remained positive. Forty-one percent of respondents expected general business conditions to improve over the next six months.

Current Activity

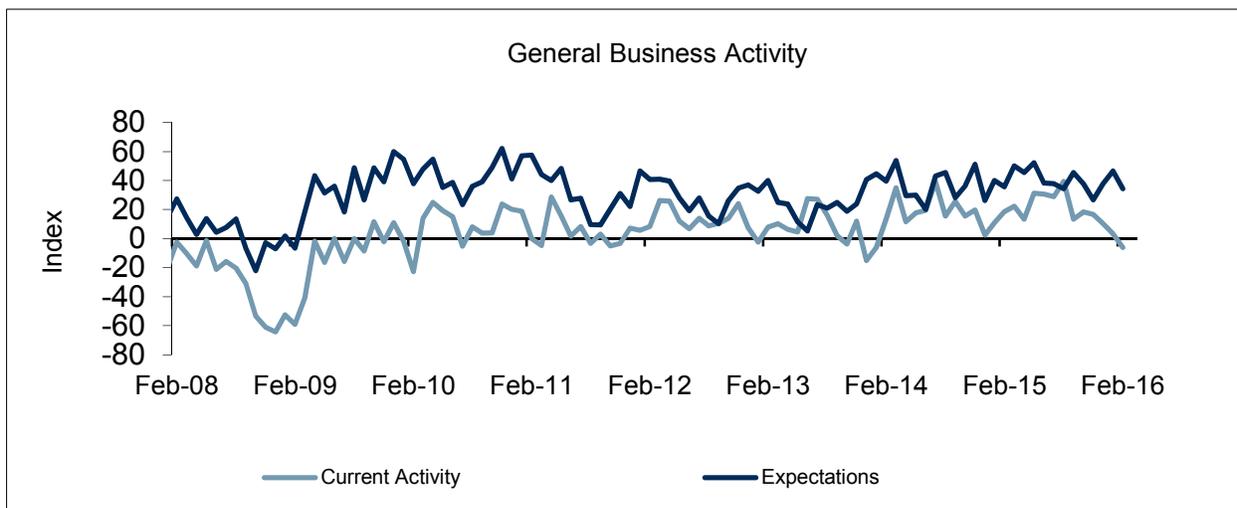
Overall business activity edged lower in February. The general business conditions index registered -6, down nine points from last month, as 19 percent of firms surveyed indicated that general business conditions increased while 25 percent reported a decline—an increase from 16 percent last month. This was the first negative reading since January 2014. The sales index remained negative for a

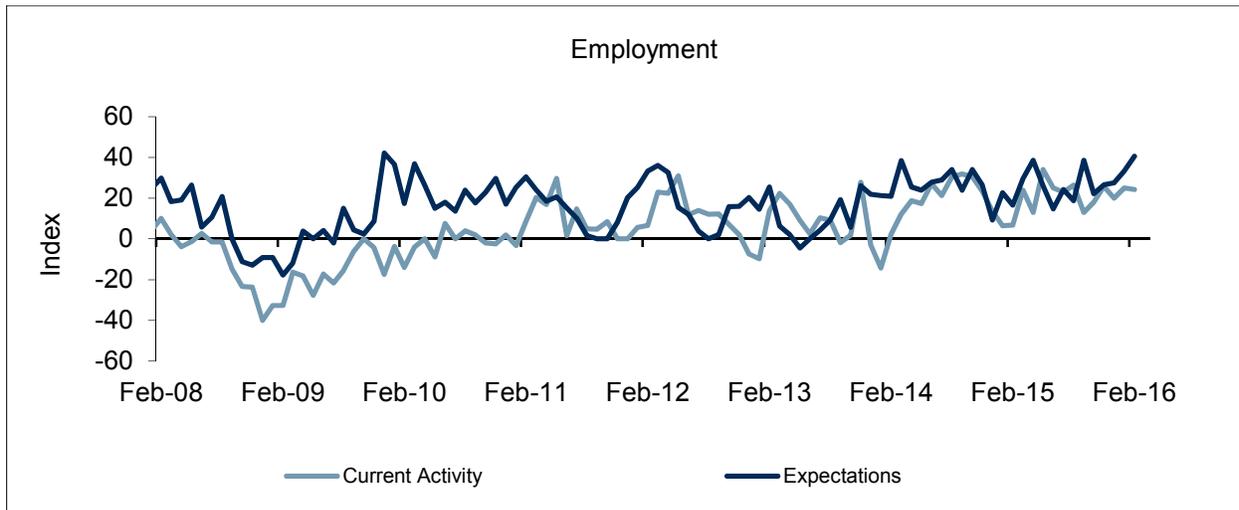
second month—the first back-to-back negative reading since January and February 2014. Twenty-three percent of respondents indicated an increase in sales while 36 percent indicated a decline. Business spending was uneven in February.

The business spending on services index and the total capital expenditures index both registered a modest reading of 6, down 21 and 20 points, respectively, from last month. The equipment or software index indicated greater activity, with the index registering 19. Thirty-one percent of respondents indicated that they increased spending on equipment or software in February.

Employment

Despite weaker overall conditions and sales, labor market conditions were solid in February. The employment index was relatively unchanged at a healthy reading of 24—the fourth consecutive month at 20 or higher. In the February survey, 33 percent of respondents indicated that they added workers for the month while 9 percent reported a decline. The average workweek index declined for a second





month, this time to -9 from -6 last month. The labor availability index remained in negative territory for a fifth consecutive month and has been negative in 14 of the last 17 months.

Expectations for future labor market conditions remained solid. The employment expectations index registered 41—the second highest reading in the history of the series. Forty-four percent of respondents anticipated hiring over the next six months while just three percent planned on reducing their workforce.

Prices

Respondents reported that input prices rose 1.3 percent in February on an annualized basis, down slightly from last month. Output prices also rose by 1.3 percent. Input prices were expected to increase at a 2.1 percent annualized rate over the next six months, down from 2.5 percent last month while output prices were expected to increase by 2.6 percent.

Expectations

Expectations of economic activity softened modestly in February but remained solid. The expectations index for general business conditions registered 34, down from 47 last month while the sales index declined eight points to 45. Forty-one percent of respondents expected business conditions to

improve over the next six months while 52 percent anticipated an increase in sales.

The latest survey results indicated that overall business activity in Maryland started off the year somewhat weak. The general business conditions index registered in the single digits in January and was negative in February while the sales index was negative for both months. Despite these softer readings, however, respondents indicated brisk hiring and solid spending on equipment or software in both months. The continued hiring and investment along with solid expectations for overall activity, sales, employment and investment suggests that the weakness reported in the first two months of the year can be viewed as transitory.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Feb-16	Jan-16	Dec-15	Feb-16	Jan-16	Dec-15
General Business Conditions	-6	3	10	34	47	38
Sales	-13	-3	7	45	53	36
Employment						
Number of Employees	24	25	20	41	33	28
Availability of Skills Needed	-6	-16	-7	0	-23	-17
Average Workweek	-9	-6	10	19	23	10
Wages	12	38	10	59	60	41
Spending						
Business Services Expenditures	6	27	11	16	21	11
Total Capital Expenditures	6	26	10	25	17	31
Equipment or Software	19	32	21	38	27	28
Price Trends³						
Prices Paid for Inputs	1.3	1.7	1.3	2.1	2.5	1.6
Prices Received for Outputs	1.3	0.7	0.8	2.6	3.1	1.0

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.