

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Activity and Sales Rebound; Robust Hiring and Business Spending

Overview

According to the latest survey results, business activity in Maryland rebounded in March. The general business conditions index rose to 12 from -6 last month. The sales index also indicated a return to positive activity with an increase of 19 points to a reading of 6. Labor market conditions remained solid as respondents reported continued hiring and difficulty finding workers with the needed skills. Business spending improved from last month with solid spending on services and strong capital expenditures. Expectations for business activity in the near term remained positive. Thirty-eight percent of respondents expected general business conditions to improve over the next six months while just 6 percent expected conditions to worsen.

Current Activity

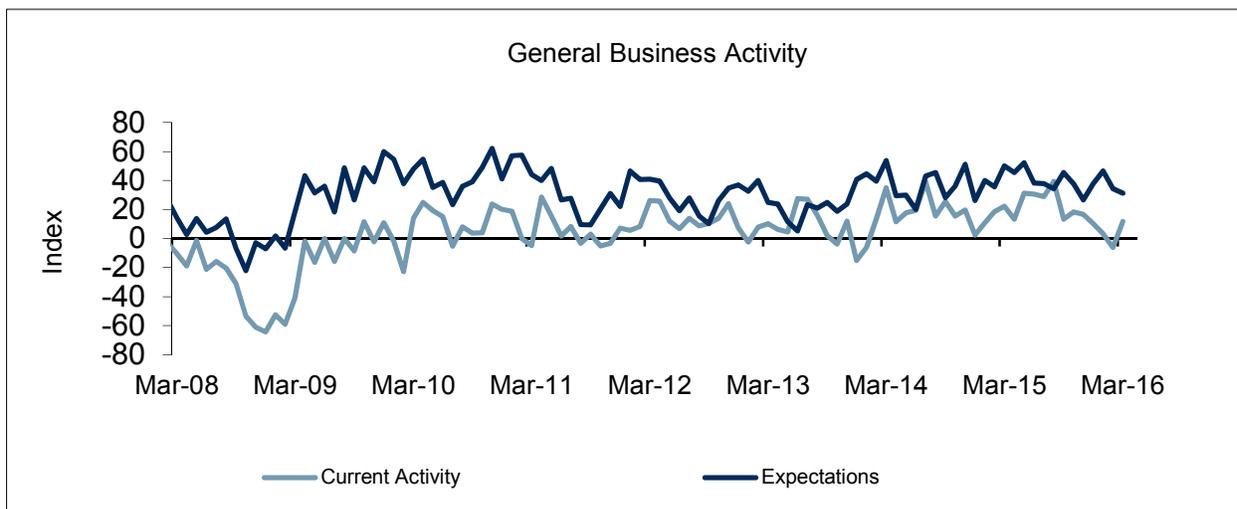
Overall business activity improved in March. The general business conditions index registered 12, up 18 points from last month, as 24 percent of firms surveyed indicated that general business conditions increased while 12 percent reported a decline. The sales index rebounded as well to a reading of 6 from

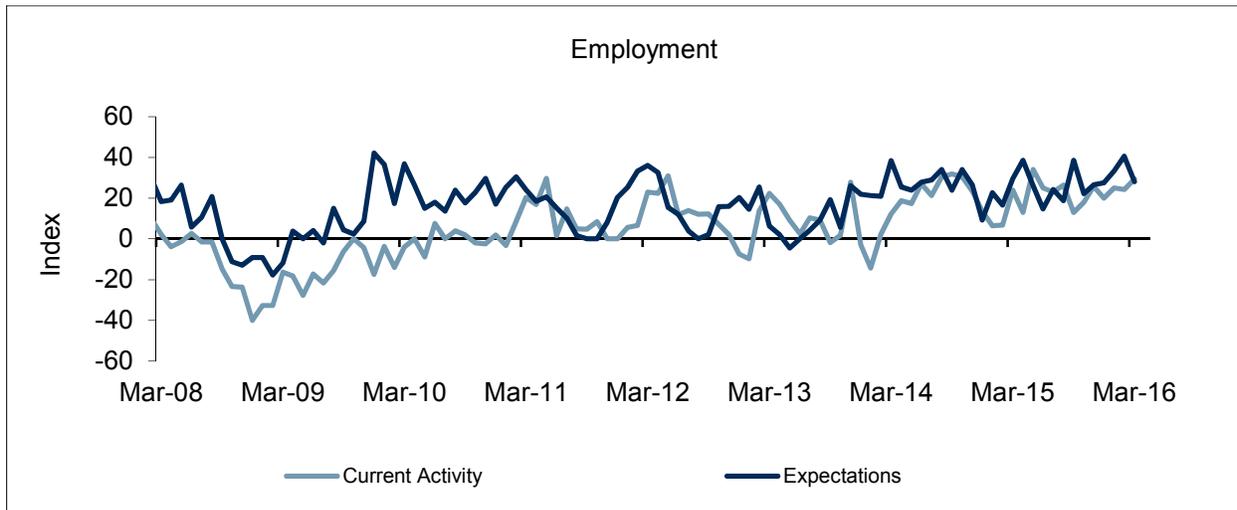
-13 last month. Twenty-five percent of respondents indicated an increase in sales while 19 percent indicated a decline.

Business spending was solid in March. The business spending on services index increased 13 points to 19 while the total capital expenditures index jumped 21 points to 27. Business investment on equipment and software was robust. The equipment or software index registered 31, up from 19 last month. Thirty-one percent of respondents indicated that they increased spending on equipment or software in March.

Employment

Labor market conditions were solid in March. The employment index rose to 29 from 24 last month—the fifth consecutive month at 20 or higher. In the March survey, 38 percent of respondents indicated that they added workers for the month while 9 percent reported a decline. The average workweek index rebounded to positive territory and the labor availability index remained in negative territory for a sixth consecutive month and has been negative in 15 of the last 18 months.





Expectations for future labor market conditions remained strong. The employment expectations index registered 28, down from its near historic reading of 41 in February but still at a very healthy level. Thirty-one percent of respondents anticipated hiring over the next six months while just three percent planned on reducing their workforce. With continued improvements in the labor market, survey respondents are anticipating higher wages in the near term. Forty-four percent of respondents indicated they planned on raising wages over the next six months.

Prices

Respondents reported that input prices rose 1.6 percent in March on an annualized basis, up slightly from last month. Output prices rose by 1.8 percent. Input and output prices were expected to be little changed over the next six months, up just 0.7 and 0.6 percent, respectively, on an annualized basis.

Expectations

Expectations of economic activity softened modestly in March but remained solid. The expectations index for general business conditions registered 31, down from 34 last month while the sales index also edged down by three points to a reading of 42. Thirty-eight percent of respondents expected business conditions

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

The March survey results indicated that overall business activity in Maryland picked up moderately after starting off the year somewhat weak. There was a moderate improvement in overall business conditions and a modest increase in sales. Respondents indicated brisk hiring and solid business spending, particularly on equipment or software. 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 was likely transitory.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Mar-16	Feb-16	Jan-16	Mar-16	Feb-16	Jan-16
General Business Conditions	12	-6	3	31	34	47
Sales	6	-13	-3	42	45	53
Employment						
Number of Employees	29	24	25	28	41	33
Availability of Skills Needed	-3	-6	-16	0	0	-23
Average Workweek	12	-9	-6	16	19	23
Wages	32	12	38	44	59	60
Spending						
Business Services Expenditures	19	6	27	16	16	21
Total Capital Expenditures	27	6	26	28	25	17
Equipment or Software	31	19	32	32	38	27
Price Trends³						
Prices Paid for Inputs	1.6	1.3	1.7	0.7	2.1	2.5
Prices Received for Outputs	1.8	1.3	0.7	0.6	2.6	3.1

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.