

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Sluggish Overall Activity in April; Hiring Remains Strong But Expectations Soften*

### Overview

According to the latest survey results, business activity in Maryland was sluggish in April. The general business conditions index declined to -3 from 12 last month. The sales index showed a modest increase for the month with a reading of 8, up two points from last month. Labor market conditions remained solid as respondents reported continued hiring and difficulty finding workers with the needed skills. Business spending was softer than last month with a very modest increase in spending on services and a moderate increase in capital spending. Expectations for business activity in the near term edged lower but remained positive. Thirty percent of respondents expected general business conditions to improve over the next six months while just 5 percent expected conditions to worsen.

### Current Activity

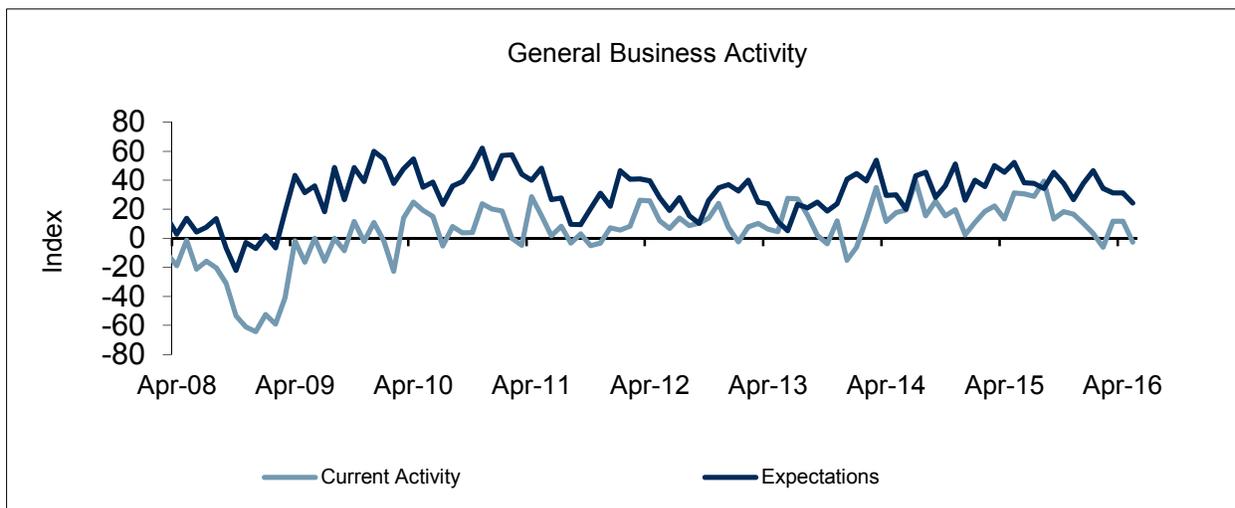
Overall business activity was sluggish in April. The general business conditions index registered -3, down 15 points from last month, as just 13 percent of firms surveyed indicated that general business conditions increased while 15 percent reported a

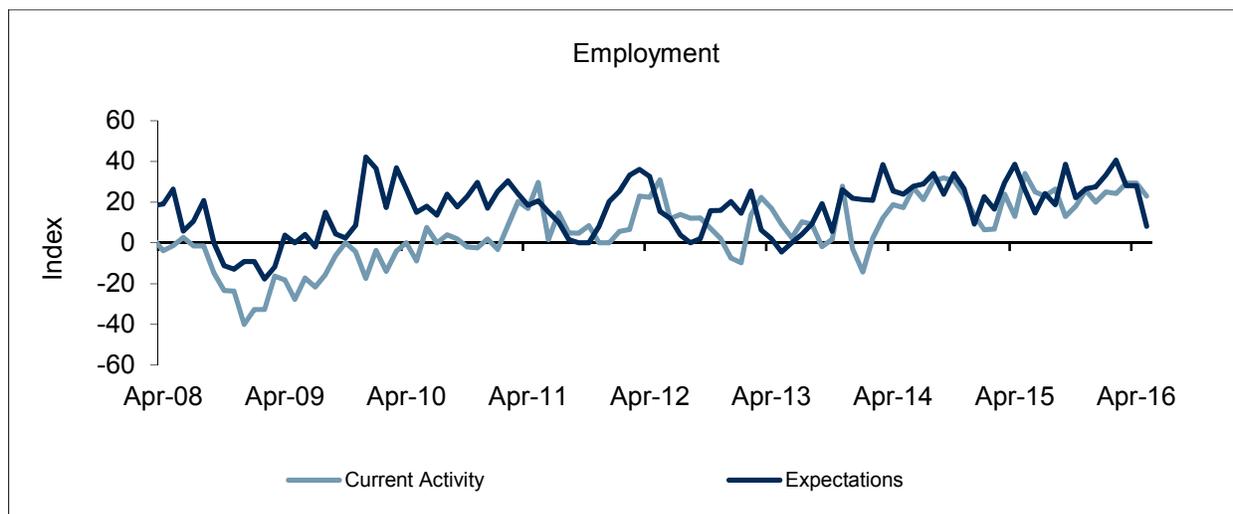
decline. This was the second negative reading in the last three months. The sales index edged higher two points to 8. Thirty-five percent of respondents indicated an increase in sales while 27 percent indicated a decline.

Business spending was very moderate in April. The business spending on services index decreased 14 points to 15 while the total capital expenditures index declined 16 points to 11. Business investment on equipment and software was slightly better, with that index registering 16. Twenty-one percent of respondents indicated that they increased spending on equipment or software in April.

### Employment

Labor market conditions were solid in April. The employment index registered 23—the sixth consecutive month at 20 or higher. In the April survey, 33 percent of respondents indicated that they added workers for the month while 10 percent reported a decline. The average workweek index indicated an expanding workweek while the labor availability index remained in negative territory for a seventh consecutive month and has been negative in 15 of the last 18 months.





Expectations for future labor market conditions dropped sharply in April. The employment expectations index registered 8, down 20 points from March and 33 points from its near historic reading of 41 in February. Twenty-two percent of respondents anticipated hiring over the next six months while 14 percent planned on reducing their workforce—up from 3 percent last month. Despite the change in hiring plans, survey respondents are anticipating higher wages in the near term. Forty-six percent of respondents indicated they planned on raising wages over the next six months.

**Prices**

Input prices rose 2.4 percent in April on an annualized basis, unchanged from last month. Output prices rose by 2.4 percent as well. Expectations for input prices over the next six months were 2.0 percent, with expectations of a 3.6 percent increase in output prices on an annualized basis.

**Expectations**

Expectations of economic activity softened in April but remained positive. The expectations index for general business conditions registered 24, down from 31 last month, while the sales index dropped 23 points to a reading of 19. Thirty percent of respondents expected business conditions to improve over the next six months while 36 percent anticipated an increase in sales.

The latest survey results indicated that overall business activity in Maryland was soft in April. There was a very slight deterioration in overall business conditions and a modest increase in sales. Respondents indicated brisk hiring but very moderate business spending. In addition, expectations for future business conditions and hiring softened notably. The survey results for 2016 indicate a very uneven start to the year. While the results have not been decidedly negative, they do indicate a sluggish economy during the first four months of the year. Still, the continued hiring and investment along with positive expectations over the next six months suggest that the current unevenness is likely to be temporary and will not persist into the summer.

Contact

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**Andy Bauer**  
 Senior Regional Economist  
 Research Department/Regional Economics  
 Federal Reserve Bank of Richmond  
 Baltimore Branch  
 Ph. 410-576-3392 · Fax 410-576-3391  
[Andy.Bauer@rich.frb.org](mailto:Andy.Bauer@rich.frb.org)  
[www.richmondfed.org](http://www.richmondfed.org)

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

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Apr-16	Mar-16	Feb-16	Apr-16	Mar-16	Feb-16
General Business Conditions	-3	12	-6	24	31	34
Sales	8	6	-13	19	42	45
<b>Employment</b>						
Number of Employees	23	29	24	8	28	41
Availability of Skills Needed	-18	-3	-6	-16	0	0
Average Workweek	10	12	-9	3	16	19
Wages	31	32	12	43	44	59
<b>Spending</b>						
Business Services Expenditures	5	19	6	14	16	16
Total Capital Expenditures	11	27	6	22	28	25
Equipment or Software	16	31	19	22	32	38
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	2.4	1.6	1.3	2.0	0.7	2.1
Prices Received for Outputs	2.4	1.8	1.3	3.6	0.6	2.6

### 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.