

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity and Sales Improve While Hiring Remains Solid; Expectations Continue to Soften

Overview

According to the latest survey results, business activity in Maryland picked up in June after a sluggish April and May. The general business conditions index increased to 18 from 3 last month and a slightly negative reading in April. The sales index also rose, increasing 14 points to 8. Labor market conditions remained solid as respondents reported continued hiring. Business spending improved with a moderate increase in spending on services and a solid increase in capital spending. Expectations for overall business activity weakened, however. Just 23 percent of respondents expected general business conditions to improve over the next six months while 16 percent expected conditions to worsen.

Current Activity

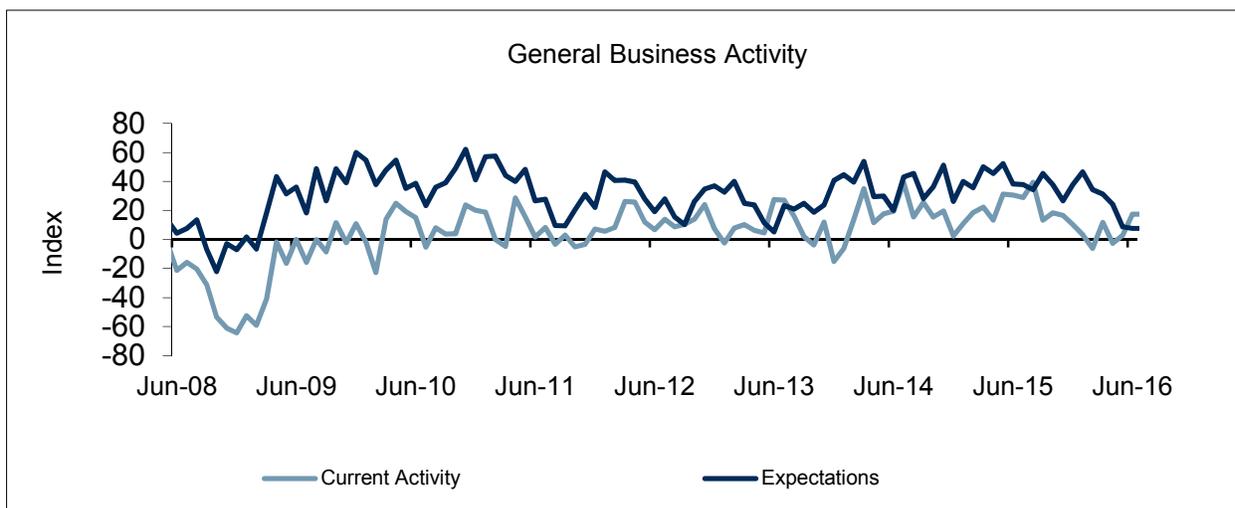
Overall business activity was moderate in June. The general business conditions index registered 18, up 15 points from last month. Twenty-five percent of firms surveyed indicated that general business conditions increased while 7 percent reported a decline. The sales index rebounded by 14 points to 8. Twenty-eight percent of respondents indicated an increase in sales while 20 percent indicated a decline. Overall, business spending was fairly solid in June. Business spending on services was moderate

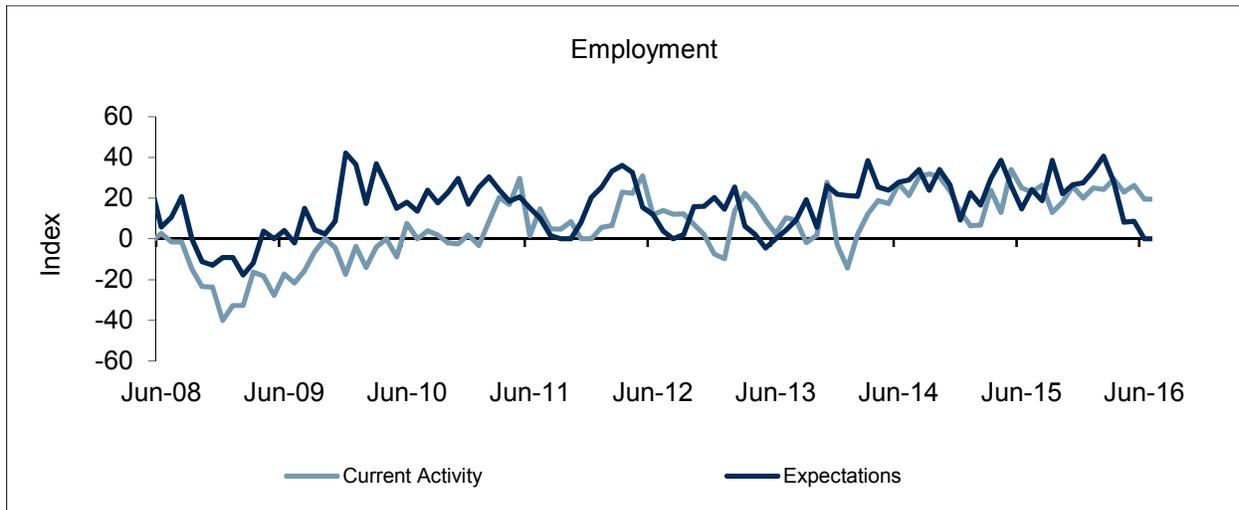
with the index at 13, up seven points from last month. Total capital expenditures, however, was stronger as the index rose 10 points to 18. Spending on equipment or software was solid, registering 28 and up six points from May. Thirty-one percent of respondents indicated that they increased spending on equipment or software in May.

Employment

Labor market conditions were solid in June. The employment index registered 20—the eighth consecutive month at 20 or higher. In the June survey, 29 percent of respondents indicated they added workers for the month while 9 percent reported a decline. The average workweek index indicated an expanding workweek and the labor availability index remained in negative territory for a ninth consecutive month and has been negative in 17 of the last 20 months, indicating that businesses continue to encounter difficulty finding workers.

Expectations for future labor market conditions softened in June—the employment expectations index registered 0. This follows subdued readings of 8 and 9 in April and May, respectively. Prior to the last three months, expectations for future labor market conditions were robust. The employment expectations index averaged 28 in the 12 months





prior to April 2016 and was above 20 in 26 of the previous 29 months. Just 15 percent of respondents anticipated hiring over the next six months while an equal percentage planned on reducing their workforce. Despite weaker hiring plans, survey respondents are anticipating higher wages in the near term. Thirty-two percent of respondents indicated they planned on raising wages over the next six months.

Prices

Respondents reported that input prices rose 1.5 percent in June on an annualized basis, essentially unchanged from last month. Output prices rose by 1.9 percent. Expectations for input prices over the next six months were roughly unchanged at 2.0 percent with expectations of a 1.5 percent increase in output prices, on an annualized basis.

Expectations

Survey respondents were less optimistic about the near term according to the June survey results. The expectations index for general business conditions edged lower one point to 8 while the sales index fell 32 points to -3—the first negative reading since February 2009. Twenty-three percent of respondents expected business conditions to improve over the next six months, down from 47 percent in January, while 15 percent anticipated a decline. Expectations

for hiring were also notably lower in June after subdued readings in April and May. Expectations for business spending were down from last month and more subdued than in earlier in the year.

The latest survey results indicated that overall business activity in Maryland was moderate in June. There was a modest increase in sales, solid hiring, and strong business expenditures on equipment and software. However, expectations for activity in the near term were down notably. Respondents were much less optimistic regarding overall activity, sales, and hiring. Survey results have indicated a somewhat sluggish economy during the first half of 2016. Perhaps this sluggishness has weighed on expectations for the second half of the year. Still, the continued hiring and investment is suggestive that the unevenness in the first half of the year may be temporary and that activity in the second half may exceed expectations.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Jun-16	May-16	Apr-16	Jun-16	May-16	Apr-16
General Business Conditions	18	3	-3	8	9	24
Sales	8	-6	8	-3	29	19
Employment						
Number of Employees	20	26	23	0	9	8
Availability of Skills Needed	-10	-21	-18	-13	-17	-16
Average Workweek	10	11	10	-15	6	3
Wages	32	29	31	23	29	43
Spending						
Business Services Expenditures	13	6	5	0	18	14
Total Capital Expenditures	18	8	11	5	11	22
Equipment or Software	28	22	16	18	20	22
Price Trends³						
Prices Paid for Inputs	1.5	1.4	2.4	2.0	1.9	2.0
Prices Received for Outputs	1.9	1.3	2.4	1.5	1.8	3.6

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.