

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Modest and Sales Flat in July; Expectations Rebound But Remain Subdued

Overview

According to the latest survey results, business activity in Maryland was modest in July. The general business conditions index registered 6, down from 18 last month. The sales index was flat as an equal percentage of respondents reported an increase in sales for the month as those reporting a decline. Labor market conditions remained fairly solid as respondents reported continued hiring. Business spending improved with a solid increase in spending on services and capital spending.

Expectations for overall business activity improved from last month but remain considerably less optimistic than earlier in the year. Just 27 percent of respondents expected general business conditions to improve over the next six months while 12 percent expected conditions to worsen.

Current Activity

Overall business activity was modest in July. The general business conditions index declined to 6 from 18 last month. Twenty-four percent of firms surveyed indicated that general business conditions increased while 18 percent reported a decline. The sales index declined eight points to 0. Twenty-seven percent of

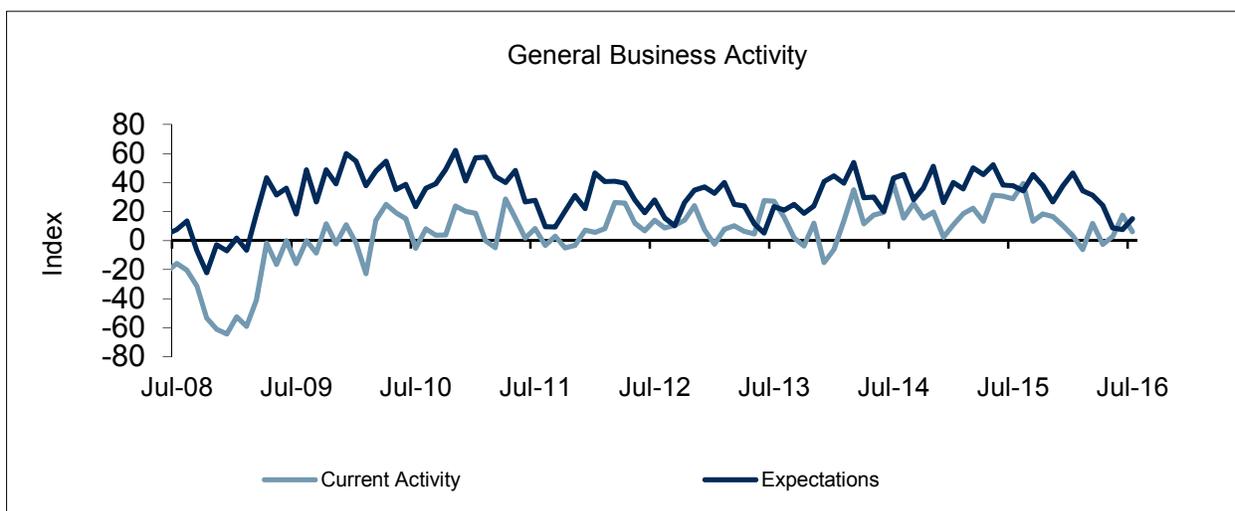
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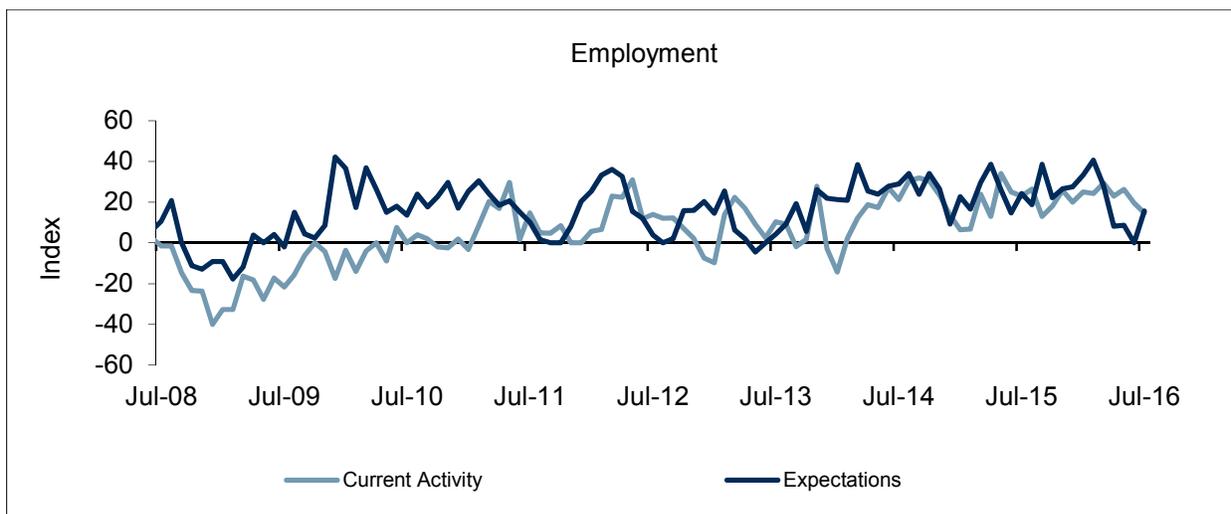
Overall, business spending was fairly solid in June. Business spending on services was firm with the index at 19, up six points from last month. Business investment was strong, with total capital expenditures at 15 and spending on equipment and software at 28. Thirty-four percent of respondents indicated that they increased spending on equipment or software in July.

Employment

Labor market conditions were solid in July but were off from earlier in the year. The employment index registered 15—just the first month with a reading less than 20 in the last nine months. In the July survey, 27 percent of respondents indicated they added workers for the month while 12 percent reported a decline. The average workweek index indicated an expanding workweek and the labor availability index remained in negative territory for a 10th consecutive month and has been negative in 18 of the last 21 months, indicating that businesses continue to encounter difficulty finding workers.

Expectations for future labor market conditions rebounded in July—the employment expectations





index jumped to 16 from a reading of 0 in June. This follows subdued readings of 8 and 9 in April and May, respectively. Prior to April, 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. Thirty-four percent of respondents anticipated hiring over the next six months while 18 percent planned on reducing their workforce. Survey respondents are anticipating higher wages in the near term. Thirty-four percent of respondents indicated they planned on raising wages over the next six months.

Prices

Respondents reported that input prices rose 1.7 percent in July on an annualized basis, essentially unchanged from last month. Output prices rose by 1.1 percent. Expectations for input price increases over the next six months were slightly higher at 2.4 percent with expectations of a 2.0 percent increase in output prices, on an annualized basis.

Expectations

Survey respondents were more optimistic about the near term according to the July survey results but were considerably less optimistic than earlier in the year. The expectations index for general business conditions increased to 15 from 8 while the sales

index rebounded 25 points to 22. Twenty-seven percent of respondents expected business conditions to improve over the next six months, down from 47 percent in January, while 12 percent anticipated a decline. Expectations for hiring and business investment improved notably from last month, but are still somewhat more subdued than earlier in the year.

The latest survey results indicated that the Maryland economy improved moderately in July. Overall business conditions were modest, sales were flat but there was solid hiring and investment. Importantly, expectations rebounded after a sharp decline in June. The survey results continue to indicate a somewhat sluggish and uneven economy during the first seven months of 2016.

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Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Jul-16	Jun-16	May-16	Jul-16	Jun-16	May-16
General Business Conditions	6	18	3	15	8	9
Sales	0	8	-6	22	-3	29
Employment						
Number of Employees	15	20	26	16	0	9
Availability of Skills Needed	-12	-10	-21	-16	-13	-17
Average Workweek	6	10	11	-3	-15	6
Wages	15	32	29	28	23	29
Spending						
Business Services Expenditures	19	13	6	3	0	18
Total Capital Expenditures	15	18	8	16	5	11
Equipment or Software	28	28	22	23	18	20
Price Trends³						
Prices Paid for Inputs	1.7	1.5	1.4	2.4	2.0	1.9
Prices Received for Outputs	1.1	1.9	1.3	2.0	1.5	1.8

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.