

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

### *Business Activity Edged Lower in August; Labor Market Remained Solid*

#### Overview

According to the latest survey results, business activity in Maryland edged slightly lower in August. The general business conditions index registered -3, down from 6 last month. The sales index was also negative, down six points to -6. Despite weaker business conditions and sales, labor market conditions remained solid as respondents reported continued hiring and an expanding workweek. Business spending was uneven with a moderate increase in spending on services and equipment or software while total capital expenditures declined.

Expectations for overall business activity improved for a second consecutive month but remained considerably less optimistic than earlier in the year. One-third of respondents expected general business conditions to improve over the next six months while just 3 percent expected conditions to worsen.

#### Current Activity

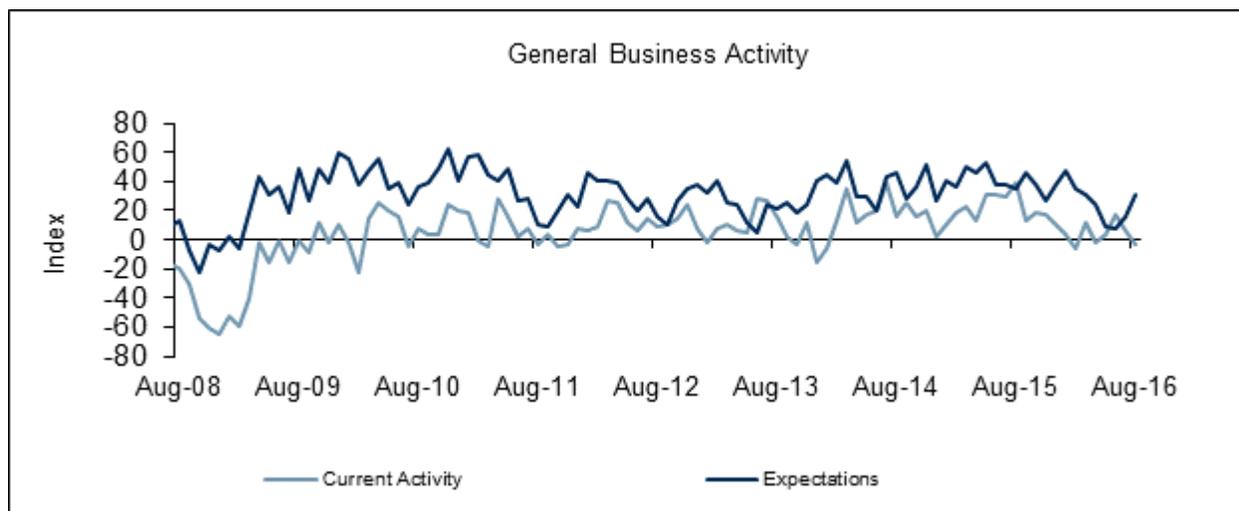
Overall business activity was sluggish in August. The general business conditions index declined to -3 from 6 last month. Just 12 percent of firms surveyed indicated that general business conditions increased while 15 percent reported a decline. The sales index

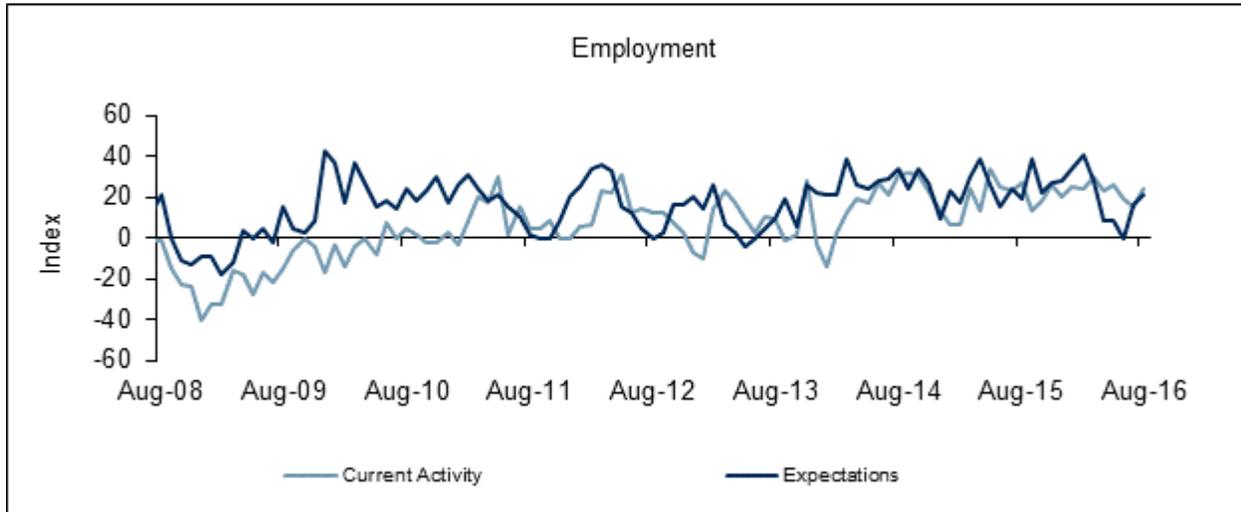
declined to -6 from 0. Twenty-seven percent of respondents indicated an increase in sales, the same percentage as last month, but 33 percent indicated a decline.

Business spending was uneven in August. Spending on services was moderate with the index at 10, down nine points from last month. Business investment in equipment or software also increased moderately. However, total capital expenditures declined with the index at -9, down 24 points from last month. Twelve percent of respondents indicated that they increased total capital expenditures in August while 21 percent indicated they cut spending.

#### Employment

Labor market conditions were solid in August. The employment index registered 24, up from 15 last month. In the August survey 32 percent of respondents indicated they added workers for the month while 8 percent reported a decline. The average workweek index indicated an expanding workweek and the labor availability index remained in negative territory for an 11th consecutive month and has been negative in 19 of the last 22 months, indicating that businesses continue to encounter difficulty finding workers.





Expectations for future labor market conditions improved for a second consecutive month in August—the employment expectations index increased to 21 from 16 in July and 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. In the August survey, 27 percent of respondents anticipated hiring over the next six months while 6 percent planned on reducing their workforce. Survey respondents are anticipating higher wages in the near term. Thirty-nine percent of respondents indicated they planned on raising wages over the next six months.

**Prices**

Respondents reported that input prices rose 1.3 percent in August on an annualized basis, down from 1.7 percent last month. Output prices rose by 1.6 percent. Expectations for input prices over the next six months were slightly lower at 2.1 percent with expectations of a 0.7 percent increase in output prices, on an annualized basis.

**Expectations**

Survey respondents were more optimistic about the near term according to the August survey results but were less optimistic than earlier in the year. The

expectations index for general business conditions increased to 30 from 15 while the sales index rose to 30 from 22. One-third of respondents expected business conditions to improve over the next six months, down from 47 percent in January, while just 3 percent anticipated a decline. Expectations for hiring and spending on business services improved from last month, but are still somewhat more subdued than earlier in the year.

The latest survey results indicated that the Maryland economy was sluggish in August. Overall business conditions were weak with a modest decline in sales, but there was solid hiring and moderate business spending on services and investment. Notably, expectations improved after a sharp decline earlier in the summer. The survey results continue to indicate a somewhat sluggish and uneven economy.

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

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Aug-16	Jul-16	Jun-16	Aug-16	Jul-16	Jun-16
General Business Conditions	-3	6	18	30	15	8
Sales	-6	0	8	30	22	-3
<b>Employment</b>						
Number of Employees	24	15	20	21	16	0
Availability of Skills Needed	-6	-12	-10	0	-16	-13
Average Workweek	15	6	10	9	-3	-15
Wages	29	15	32	36	28	23
<b>Spending</b>						
Business Services Expenditures	10	19	13	13	3	0
Total Capital Expenditures	-9	15	18	15	16	5
Equipment or Software	9	28	28	16	23	18
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.3	1.7	1.5	2.1	2.4	2.0
Prices Received for Outputs	1.6	1.1	1.9	0.7	2.0	1.5

### 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.