

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Improved in September; Labor Market Remained Solid But Expectations Declined

Overview

According to the latest survey results, business activity in Maryland increased moderately in September. The general business conditions index registered 13, up from -3 last month. The sales index rose more sharply, up 30 points to 24. Labor market conditions remained solid as respondents reported continued hiring as well as an expanding workweek. Business spending was modest with a slight decline in spending on services and a modest increase in capital expenditures. Expectations for overall business activity dropped sharply. Just 19 percent of respondents expected general business conditions to improve over the next six months while 14 percent expected conditions to worsen.

Current Activity

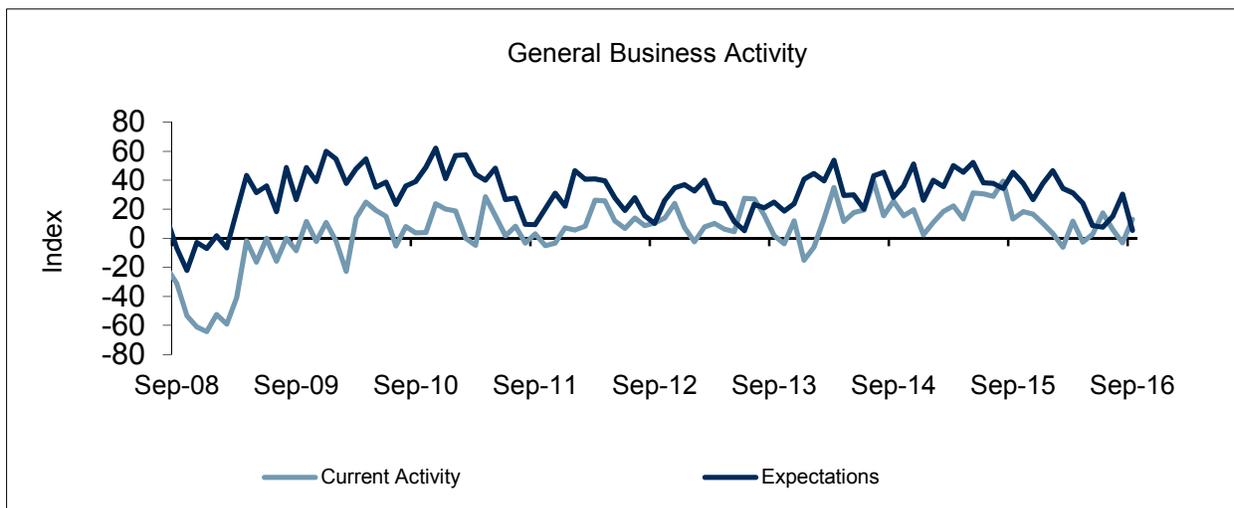
Overall business activity was moderate in September. The general business conditions index rose to 13 from -3 last month. Twenty-one percent of firms surveyed indicated that general business conditions increased while 8 percent reported a decline. The sales index jumped to 24 from -6. Forty percent of respondents indicated an increase in sales while 16 percent indicated a decline. Business spending was modest in September.

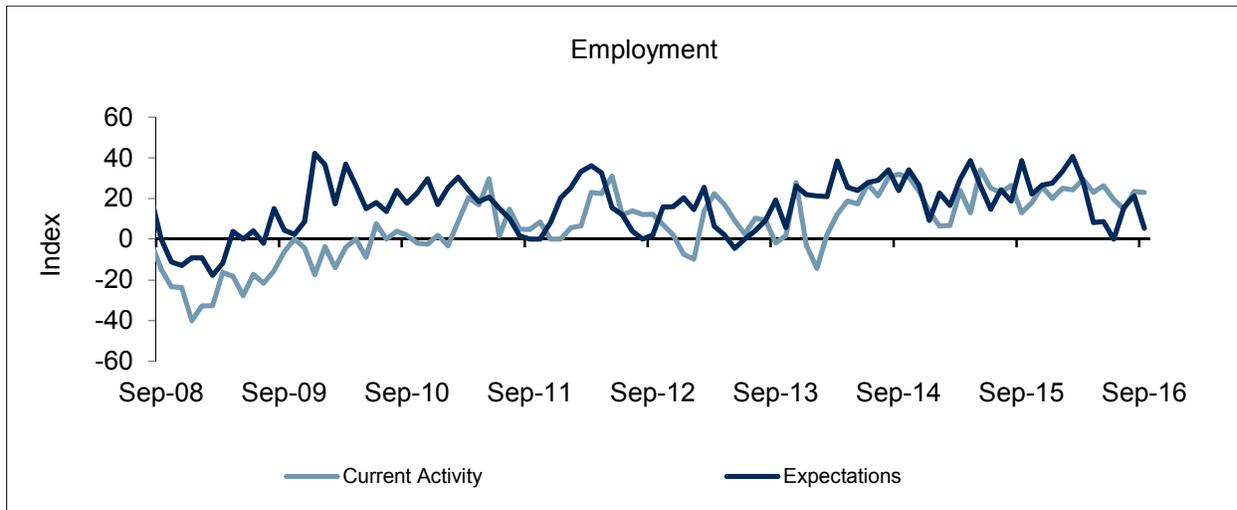
Spending on services declined slightly, with the index dipping into negative territory for the first time since January 2013. Overall capital expenditures were modest, with the index registering 5, but business investment in equipment or software increased at more solid pace—the equipment and software investment index rose to 16 from 9 last month. Nineteen percent of respondents indicated that they increased spending on equipment or software in September while just 3 percent indicated they cut spending.

Employment

Labor market conditions were solid in September. The employment index registered 23, down one point from last month. In the September survey, 39 percent of respondents indicated they added workers for the month while 15 percent reported a decline. The average workweek index indicated an expanding workweek and the labor availability index remained in negative territory for a twelfth consecutive month and has been negative in 20 of the last 23 months, indicating that businesses continue to encounter difficulty finding workers.

Expectations for future labor market conditions fell in September. The employment expectations index





declined to 5 from 21 last month and 16 in July. Prior to the stronger readings in July and August, the index averaged 6 in the prior three months (April to June). The readings over the last six months stand in stark contrast to previous survey results. Prior to the April survey 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 September survey 19 percent of respondents anticipated hiring over the next six months while 14 percent planned on reducing their workforce. Survey respondents are anticipating higher wages in the near term. Twenty-seven percent of respondents indicated they planned on raising wages over the next six months.

Prices

Respondents reported that input prices rose 1.8 percent in September on an annualized basis, up from 1.3 percent last month. Output prices rose by 2.0 percent. Expectations for input prices over the next six months were higher at 3.2 percent with expectations of a 1.7 percent increase in output prices, on an annualized basis.

Expectations

Survey respondents were less optimistic about the near term according to the September survey results. The expectations index for general business conditions dropped to 5 from 30 last

month while the sales index fell to 3. Just 19 percent of respondents expected business conditions to improve over the next six months, down from nearly 50 percent earlier in the year, while 14 percent anticipated a decline. Expectations for hiring declined sharply as well and the outlook for business spending softened.

The latest survey results indicated that the Maryland economy increased moderately in September. Overall business conditions were moderate with a solid increase in sales and hiring. Business spending was modest, however, and expectations for near-term business conditions and hiring dropped sharply. The survey results indicate that the Maryland economy continues to improve at an uneven pace and that uncertainty regarding future activity has increased notably.

Contact

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
www.richmondfed.org

Business Activity Indexes¹

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Sep-16	Aug-16	Jul-16	Sep-16	Aug-16	Jul-16
General Business Conditions	13	-3	6	5	30	15
Sales	24	-6	0	3	30	22
Employment						
Number of Employees	23	24	15	5	21	16
Availability of Skills Needed	-13	-6	-12	-5	0	-16
Average Workweek	23	15	6	-5	9	-3
Wages	33	29	15	22	36	28
Spending						
Business Services Expenditures	-5	10	19	-11	13	3
Total Capital Expenditures	5	-9	15	5	15	16
Equipment or Software	16	9	28	14	16	23
Price Trends³						
Prices Paid for Inputs	1.8	1.3	1.7	3.2	2.1	2.4
Prices Received for Outputs	2.0	1.6	1.1	1.7	0.7	2.0

Technical Notes:

- 1 Each index equals the percentage of responding firms reporting increase minus the percentage reporting decrease. Data are not seasonally adjusted.
- 2 Expectations refer to the time period six months out from the survey period.
- 3 Price changes are expressed as a percent change, annualized.