

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Business Activity Improved in November; Expectations for Future Conditions and Hiring Subdued*

### Overview

According to the latest survey results, business activity in Maryland increased moderately in November. The general business conditions index registered 18, up six points from last month, while the sales index edged lower to 8. Labor market conditions remained solid as respondents reported continued hiring as well as an expanding workweek. Business spending picked up from last month, with a moderate increase in business spending on services and a solid increase in equipment and software spending. Expectations for overall business activity remained subdued. Just 23 percent of respondents expected general business conditions to improve over the next six months while 15 percent expected conditions to worsen.

### Current Activity

Overall business activity was moderate in November. The general business conditions index increased to 18 from 12 last month. Twenty-five percent of firms surveyed indicated that general business conditions increased while 8 percent reported a decline. The sales index stood at 9, down from 13 last month. Twenty-eight percent of respondents indicated an increase in sales.

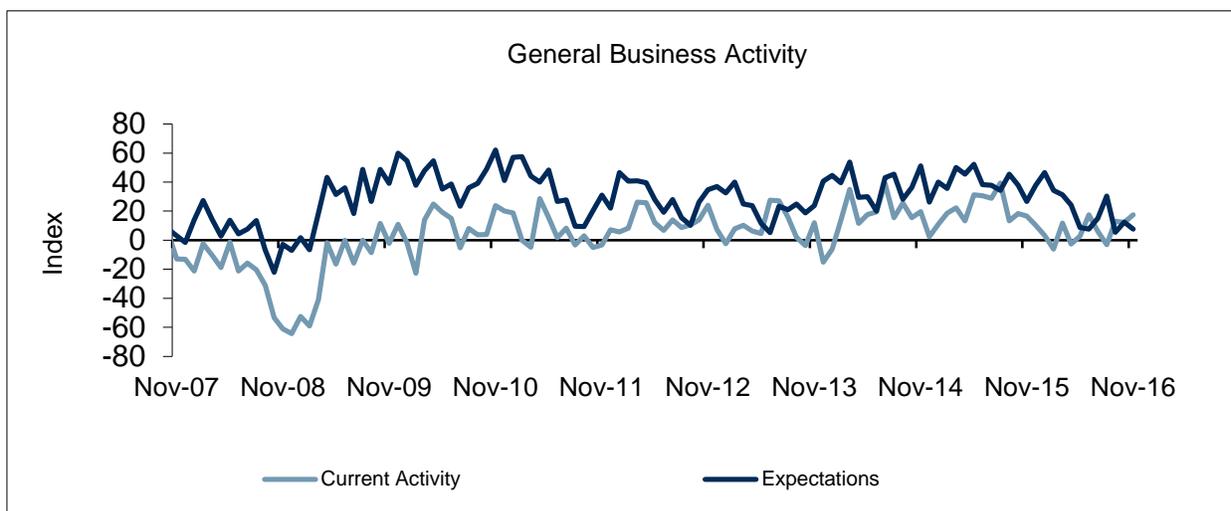
Business spending picked up in November.

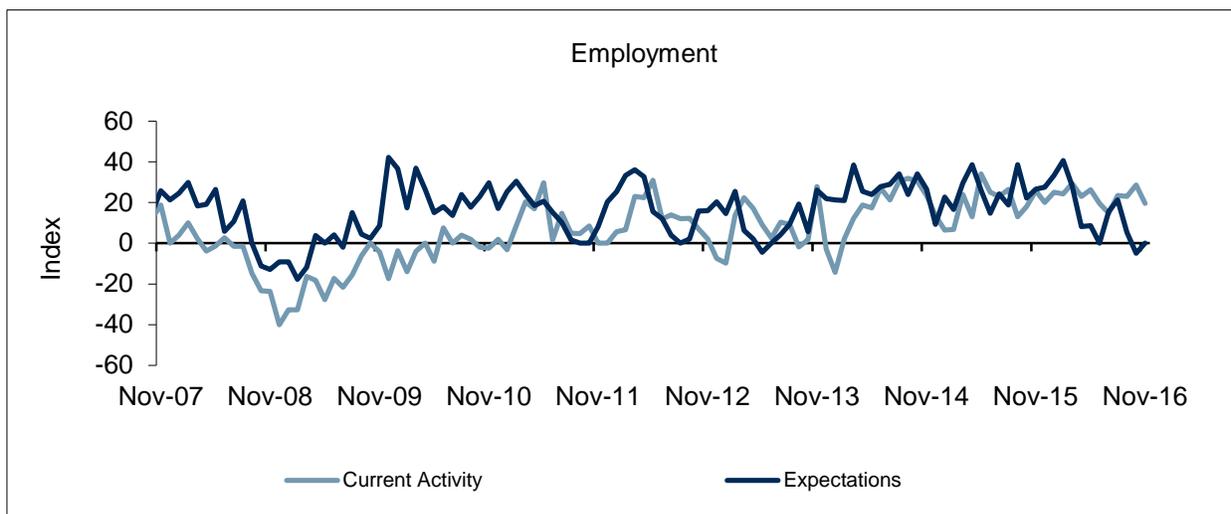
Spending on services increased moderately while overall capital expenditures were stronger, with a solid increase in spending on equipment or software—the equipment and software investment index was unchanged at 28. Thirty-one percent of respondents indicated that they increased spending on equipment or software in November.

### Employment

Labor market conditions were solid in November. The employment index registered 20, down nine points from last month. In the November survey, 29 percent of respondents indicated they added workers for the month while 10 percent reported a decline. The average workweek index indicated an expanding workweek and the labor availability index remained in negative territory for the fourteenth consecutive month and has been negative in 22 of the last 25 months, indicating that businesses continue to encounter difficulty finding workers.

Expectations for future labor market conditions remained soft in November. The employment expectations index rose five points to a reading of 0. Over the past eight months—from April through November—expectations were considerably more





subdued than in the first quarter of the year and in 2015. The index averaged just 7 over the past eight months. 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 November survey, just 15 percent of respondents anticipated hiring over the next six months while an equal percentage planned on reducing their workforce. Despite the weaker hiring plans, survey respondents are anticipating higher wages in the near term. Thirty-one 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 November on an annualized basis, up slightly from 1.4 percent last month. Output prices rose by 1.9 percent. Expectations for input prices over the next six months edged back down to 2 percent with expectations of a 1.5 percent increase in output prices, on an annualized basis.

**Expectations**

Survey respondents remained less optimistic about the near term according the November survey results. The expectations index for general business conditions stood at 8, down from 13 last month and is

considerably lower than survey results earlier in the year. Just 23 percent of respondents expected business conditions to improve over the next six months, down from nearly 50 percent earlier in the year, while 15 percent anticipated a decline. Expectations for hiring likewise fell over the past year. The outlook for business spending remained modest.

The latest survey results indicated that the Maryland economy increased moderately in November. Overall business conditions were moderate, with a solid increase in hiring and equipment and software spending. Expectations for near-term business conditions remained subdued and hiring plans remained weak. Overall, the survey results indicate that the Maryland economy continues to improve at an uneven pace and that uncertainty regarding future activity has increased notably.

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

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Nov-16	Oct-16	Sep-16	Nov-16	Oct-16	Sep-16
General Business Conditions	18	12	13	8	13	5
Sales	8	13	24	-3	5	3
<b>Employment</b>						
Number of Employees	20	29	23	0	-5	5
Availability of Skills Needed	-10	-17	-13	-13	-15	-5
Average Workweek	10	19	23	-15	-13	-5
Wages	32	31	33	23	25	22
<b>Spending</b>						
Business Services Expenditures	13	8	-5	0	-8	-11
Total Capital Expenditures	18	15	5	5	5	5
Equipment or Software	28	28	16	18	15	14
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.5	1.4	1.8	2.0	2.2	3.2
Prices Received for Outputs	1.9	1.8	2.0	1.5	1.5	1.7

### 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.