

# Regional Surveys of Business Activity

## Maryland Survey of Business Activity

*Business Activity Soft in December; Expectations for Future Conditions and Hiring Pick Up*

### Overview

According to the latest survey results, business activity in Maryland was soft in December. The general business conditions index registered 4, down 14 points from last month, while the sales index dropped 12 points to -4. Labor market conditions were weaker as respondents reported a pause in hiring. Business spending was tepid, with modest spending on business services and equipment or software. Expectations for overall business activity improved but remained subdued. Thirty-nine percent of respondents expected general business conditions to improve over the next six months while 14 percent expected conditions to worsen.

### Current Activity

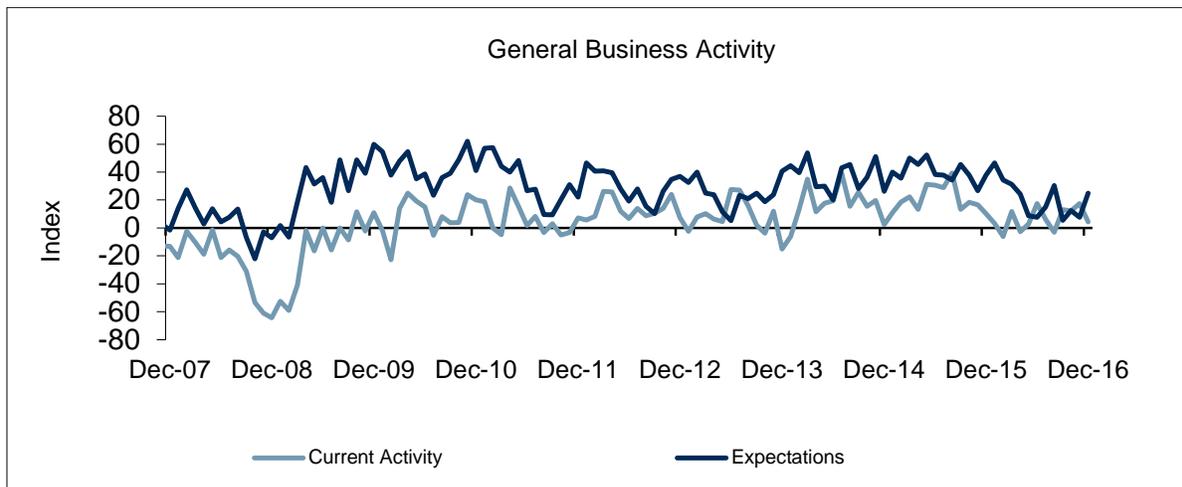
Overall business activity was soft in December. The general business conditions index dropped 14 points to 4. Twenty percent of firms surveyed indicated that general business conditions increased while 16 percent reported a decline—twice the percentage as last month. The sales index dropped into negative territory, to -4. Twenty percent of respondents indicated an increase in sales while 24 percent reported a decline.

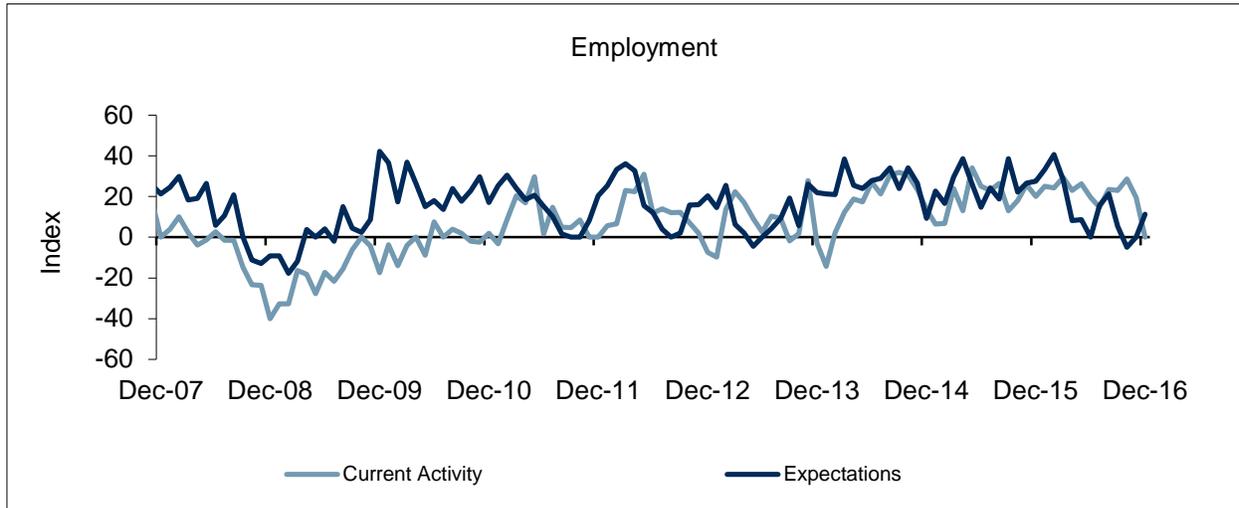
Business spending was tepid, with a modest increase in spending on services and equipment or software. Total capital expenditure spending was flat. Just 20 percent of respondents indicated that they increased spending on equipment or software in December—down from 31 percent in November and 30 percent in October.

### Employment

Labor market conditions weakened in December. The employment index registered 0, down 20 points from last month. This was the weakest reading since January 2014 and well below its average of 21 over the past two years. In the December survey, just 15 percent of respondents indicated they added workers for the month—down from 29 percent in November and 38 percent in September and October. Despite the falloff in hiring, the average workweek index indicated an expanding workweek and the labor availability index remained in negative territory, indicating that businesses continued to encounter difficulty finding workers.

Expectations for future labor market conditions improved but remained soft in December. The employment expectations index rose to 11 from a reading of 0 last month. Over the past nine months—





from April through December—expectations were considerably more subdued than in the first quarter of the year and in 2015. The index averaged just 7 over the past nine 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 December survey, just 25 percent of respondents anticipated hiring over the next six months. Despite softer hiring plans, more survey respondents are anticipating increasing wages. Forty-five percent of respondents indicated they planned on raising wages over the next six months.

**Prices**

Respondents reported that input prices rose 1.9 percent in December on an annualized basis, up slightly from 1.5 percent last month. Output prices rose by 1.3 percent. Expectations for input prices over the next six months increased to 2.5 percent, with expectations of a 2.1 percent increase in output prices, on an annualized basis.

**Expectations**

Survey respondents were more optimistic about the near term, according to the December survey results. The expectations index for general business conditions stood at 25, up from 8 last month but still lower than survey results earlier in the year. Thirty-

nine 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 improved but remained at a modest level. The outlook for business spending picked up, indicating moderate spending and capital expenditures in the near term.

The latest survey results indicated that the Maryland economy was very soft in December. Overall business conditions and sales were uneven, hiring was flat, and there was only a modest increase in equipment and software spending. Expectations for near-term business conditions and hiring improved but remained subdued compared to earlier in the year. Overall, the survey results indicate that the Maryland economy continues to improve at an uneven pace.

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

Business Conditions in Maryland	Current Conditions			Expectations <sup>2</sup>		
	Dec-16	Nov-16	Oct-16	Dec-16	Nov-16	Oct-16
General Business Conditions	4	18	12	25	8	13
Sales	-4	8	13	16	-3	5
<b>Employment</b>						
Number of Employees	0	20	29	11	0	-5
Availability of Skills Needed	-13	-10	-17	-16	-13	-15
Average Workweek	9	10	19	5	-15	-13
Wages	13	32	31	43	23	25
<b>Spending</b>						
Business Services Expenditures	11	13	8	11	0	-8
Total Capital Expenditures	0	18	15	16	5	5
Equipment or Software	9	28	28	14	18	15
<b>Price Trends<sup>3</sup></b>						
Prices Paid for Inputs	1.9	1.5	1.4	2.5	2.0	2.2
Prices Received for Outputs	1.3	1.9	1.8	2.1	1.5	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.