

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Soft in January; Expectations for Future Conditions and Hiring Rebound

Overview

According to the latest survey results, business activity in Maryland was unchanged at a soft pace of growth in January. The general business conditions index registered no change at 4, while the sales index rose two points to -2. Labor market conditions were weaker as relatively fewer respondents reported additional hiring. Business spending weakened, with modest spending on equipment or software but a decline in business services expenditures. Expectations for overall business activity improved markedly over the past few months. Forty-six percent of respondents expected general business conditions to improve over the next six months while only 9 percent expected conditions to worsen.

Current Activity

Overall business activity remained soft in January. The general business conditions index was unchanged at 4. Nineteen percent of firms surveyed indicated that general business conditions increased while 15 percent reported a decline—similar to last month. The sales index remained negative but rose slightly to -2. Twenty-eight percent of respondents

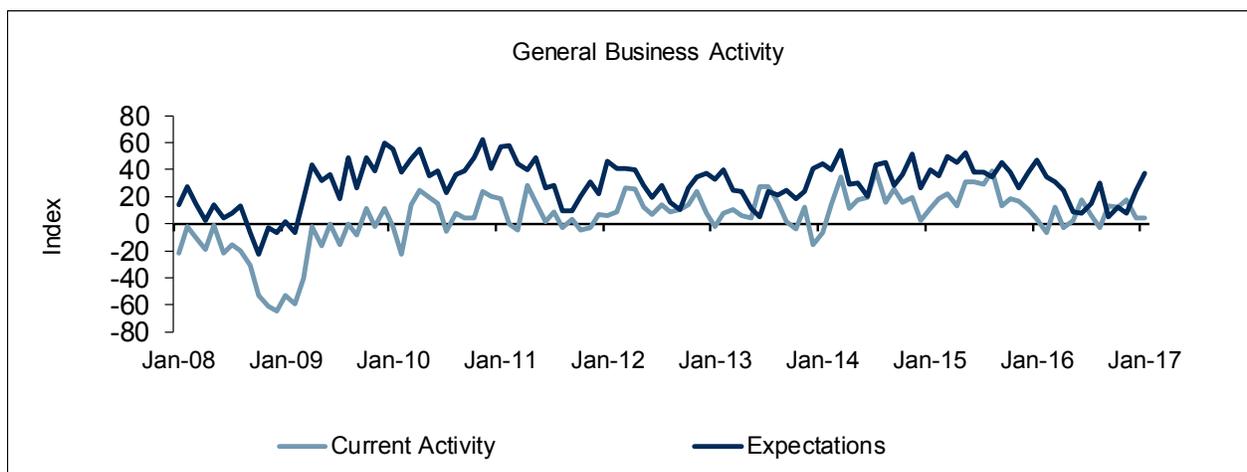
indicated an increase in sales while 30 percent reported a decline.

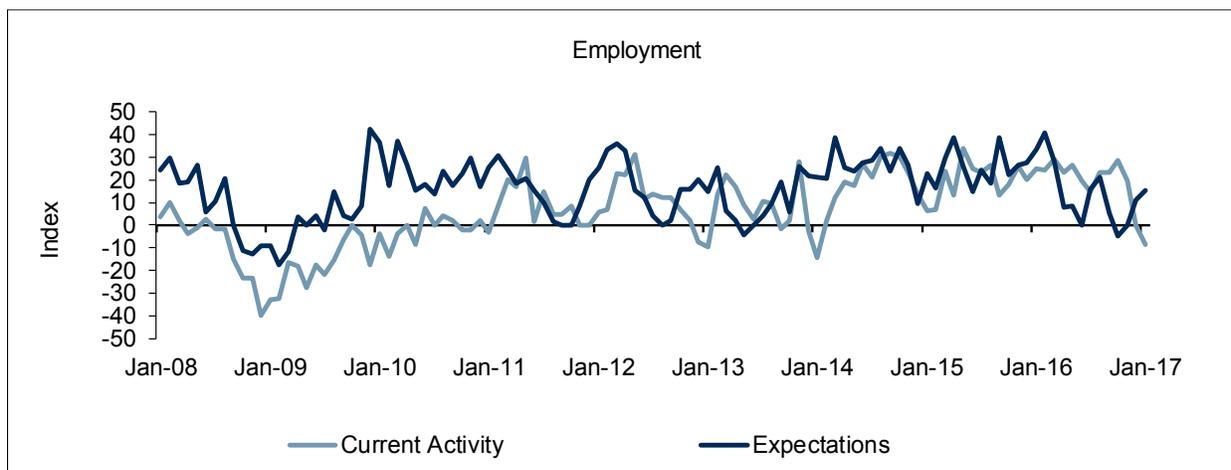
Business spending weakened, with modest spending on equipment and software but a decline in business services expenditures. Total capital expenditure spending was flat. Just 21 percent of respondents indicated that they increased spending on equipment or software in January—little changed from December but down from 31 percent in November.

Employment

Labor market conditions weakened in January. The employment index registered -8, down eight points from last month. This was the weakest reading and the first decline into negative territory since January 2014. In the January survey, just 10 percent of respondents indicated they added workers for the month—down from 15 percent in December and 29 percent in November.

Along with the falloff in hiring, the average workweek index indicated some contraction. The labor availability index has remained in negative territory for 16 consecutive months.





Expectations for future labor market conditions improved again in January. The employment expectations index rose to 15 from 11 in December and 0 in November and has averaged just 8 over the past 10 months. Although hiring expectations were more robust in early 2016 and most of 2015, the share of respondents that expected to increase hiring has doubled in the past few months from 15 percent in October and November to 30 percent in January. In the January survey only 15 percent anticipated reducing their workforce over the next six months.

Survey respondents are anticipating higher wages in the near term. Fifty-six 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 January on an annualized basis, down slightly from 1.9 percent last month. Output prices rose by 1.2 percent. Expectations for input prices over the next six months increased to 2.7 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 January survey results. The expectations index for general business conditions stood at 37, up from 25 last month. Forty-

six percent of respondents expected business conditions to improve over the next six months, up from just 19 percent in September, while 9 percent anticipated a decline. Expectations for hiring improved and respondents anticipated raising wages. The outlook for business spending indicated moderate spending and capital expenditures in the near term.

The latest survey results indicated that the Maryland economy remained somewhat soft in January. Overall business conditions changed little as hiring, business spending and sales weakened slightly. In contrast, expectations for near-term business conditions and hiring improved relative to just a few months ago. Overall, the survey results indicate that the Maryland economy remained soft but that businesses expect improvement near term.

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Business Activity Indexes^{1,3}

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Jan-17	Dec-16	Nov-16	Jan-17	Dec-16	Nov-16
General Business Conditions	4	4	18	37	25	8
Sales	-2	-4	8	37	16	-3
Employment						
Number of Employees	-8	0	20	15	11	0
Availability of Skills Needed	-10	-13	-10	-15	-16	-13
Average Workweek	-8	9	10	4	5	-15
Wages	21	13	32	49	43	23
Spending						
Business Services Expenditures	-2	11	13	4	11	0
Total Capital Expenditures	0	0	18	17	16	5
Equipment or Software	4	9	28	13	14	18
Price Trends³						
Prices Paid for Inputs	1.8	1.9	1.5	2.7	2.5	2.0
Prices Received for Outputs	1.2	1.3	1.9	2.0	2.1	1.5

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.