

Regional Surveys of Business Activity

Maryland Survey of Business Activity

Business Activity Flat in February; Expectations for Future Conditions and Hiring Strengthen

Overview

According to the latest survey results, business activity in Maryland was flat in February. The general business conditions index declined to 0, while the sales index fell five points to -7. Labor market conditions improved somewhat as relatively more respondents reported additional hiring. Business spending was mixed, with a slight decline in spending on services but a modest increase in capital expenditures. Expectations for overall business activity improved markedly over the past few months. Fifty-six percent of respondents expected general business conditions to improve over the next six months while only 12 percent expected conditions to worsen.

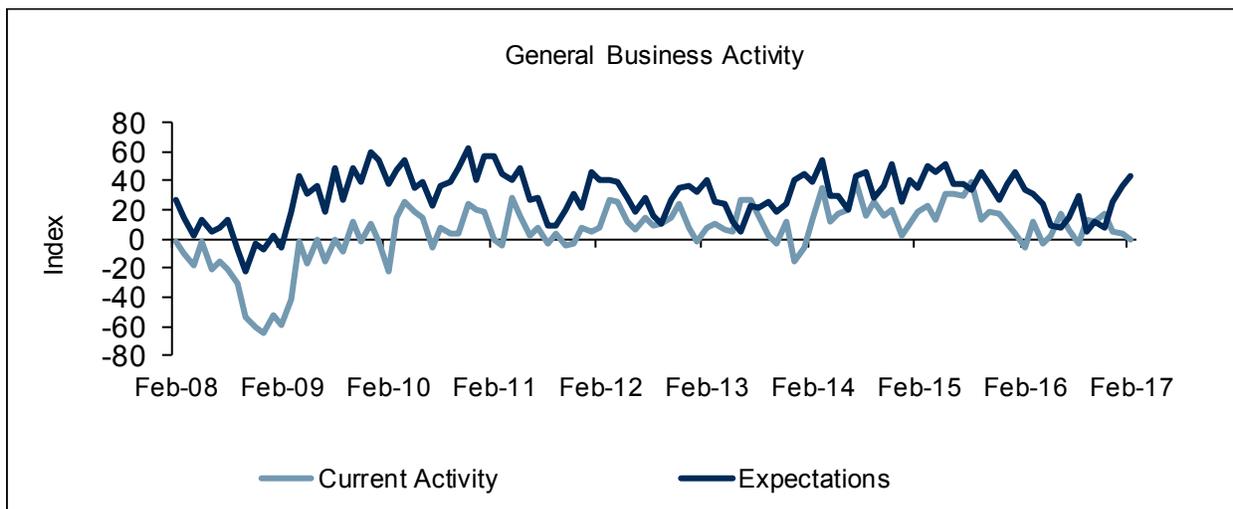
Current Activity

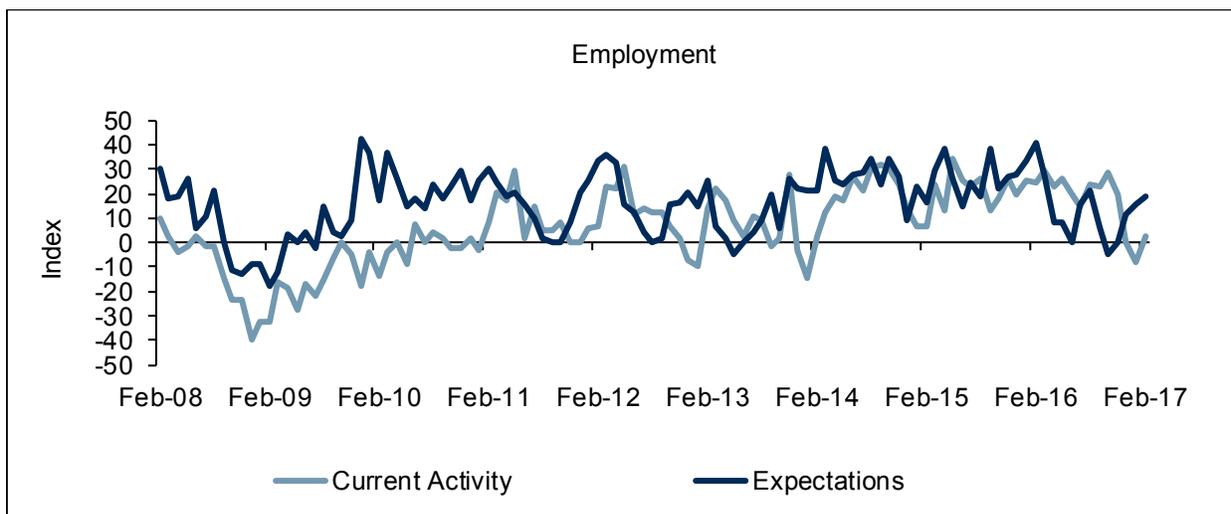
Overall business activity was flat in February. The general business conditions index declined to 0. Twenty-six percent of firms surveyed indicated that general business conditions improved, which was an increase from January, when only 19 percent of firms reported improving business conditions. The sales index fell further into negative territory to -7. Twenty-four percent of respondents indicated an increase in sales while 31 percent reported a decline.

Business spending was mixed in February. Spending on services declined slightly, with the index dipping further into negative territory. Overall capital expenditures were modest, with the index registering 2, but business investment in equipment or software increased at a more solid pace—the equipment and software investment index rose to 9 from 4 in the previous month. Twenty-three percent of respondents indicated that they increased spending on equipment or software in February, which was up slightly from January and December but down from 31 percent in November.

Employment

Labor market conditions improved somewhat in February. The employment index registered 2, up 10 points from last month. In the February survey, 14 percent of respondents indicated they added workers in the month—up from 10 percent in January, but down from 15 percent in December and much higher values in prior months. Along with the moderation in hiring, the average workweek index indicated some contraction. The labor availability index has remained in negative territory for 17 consecutive months.





Expectations for future labor market conditions improved again in February. The employment expectations index rose to 19 from 15 in January and 11 in December and has averaged just 9 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 was 26 percent in February compared to 15 percent in October and November. In the February survey, only 7 percent anticipated reducing their workforce over the next six months compared to 15 percent in January.

Survey respondents are anticipating higher wages in the near term. Forty-seven percent of respondents indicated they planned on raising wages over the next six months.

Prices

Respondents reported that input prices rose 1.6 percent in February on an annualized basis, down slightly from 1.8 percent last month. Output prices rose by 0.9 percent, down from 1.2 percent in January. Expectations for input prices over the next six months declined slightly to 2.4 percent, with expectations of a 1.9 percent increase in output prices, on an annualized basis.

Expectations

Survey respondents were more optimistic about the near term, according to the February survey results.

The expectations index for general business conditions stood at 44, up from 37 last month. Fifty-six percent of respondents expected business conditions to improve over the next six months, up from the recent low point of 19 percent in September. 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 February. Overall business conditions changed little as sales and some business spending weakened slightly, and hiring improved only modestly. 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 in the near term.

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Business Activity Indexes^{1,3}

Business Conditions in Maryland	Current Conditions			Expectations ²		
	Feb-17	Jan-17	Dec-16	Feb-17	Jan-17	Dec-16
General Business Conditions	0	4	4	44	37	25
Sales	-7	-2	-4	43	37	16
Employment						
Number of Employees	2	-8	0	19	15	11
Availability of Skills Needed	-14	-10	-13	-5	-15	-16
Average Workweek	-7	-8	9	19	4	5
Wages	9	21	13	42	49	43
Spending						
Business Services Expenditures	-9	-2	11	9	4	11
Total Capital Expenditures	2	0	0	16	17	16
Equipment or Software	9	4	9	7	13	14
Price Trends³						
Prices Paid for Inputs	1.6	1.8	1.9	2.4	2.7	2.5
Prices Received for Outputs	0.9	1.2	1.3	1.9	2.0	2.1

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.