

MARYLAND BUSINESS CLIMATE SURVEY

First Quarter, 2000

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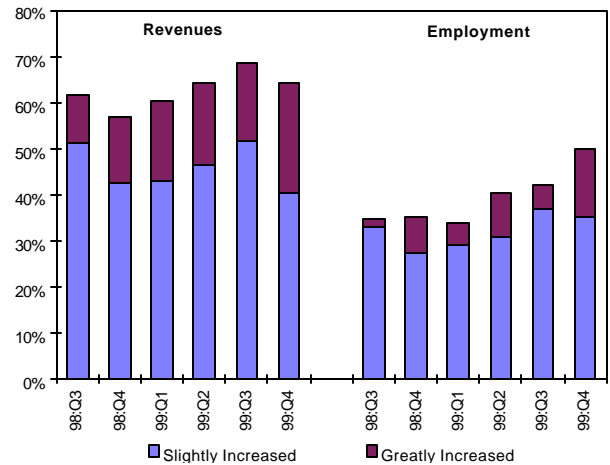
Maryland Economy Sees Strong End to 1999

The percentage of firms reporting increases in revenue declined from 69% in the third quarter to 64% in the fourth quarter of 1999. The percentage of firms reporting increases in employment changed from 42% in the third quarter to 50% in the fourth quarter of 1999. Since the fourth quarter of 1998, the percentage of firms reporting employment increases has risen from 35% to 50%. A greater percentage of firms reported *great increases* in both revenues and employment in the fourth quarter than in the third quarter of 1999. This indicates that Maryland firms are becoming better off and there are more firms that are increasing their revenues and employment at a greater pace.

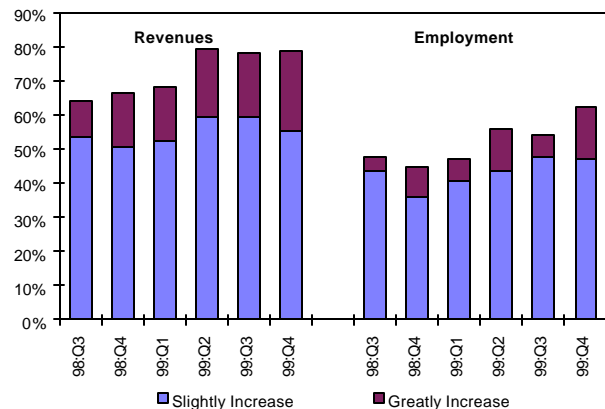
Firms Remain Optimistic About 2000

The percentage of firms expecting increases in revenue was 79% in the fourth quarter of 1999. From the fourth quarter of 1998 to the fourth quarter of 1999, the percentage of firms expecting increases in revenue rose from 66% to 79%. The percentage of firms expecting increases in employment saw a significant increase from 54% in the third quarter to 62% in the fourth. The percentage of firms expecting *great increases* in employment tripled from 5% in the third quarter to 15% in the fourth quarter of 1999. These figures suggest that with a strong year of growth behind them, Maryland businesses expect to continue their growth into the new century.

Performance in the Past Year % Firms Reporting an Increase



Expectations for the Coming Year % Firms Reporting an Increase



Labor Market Conditions Remain Key

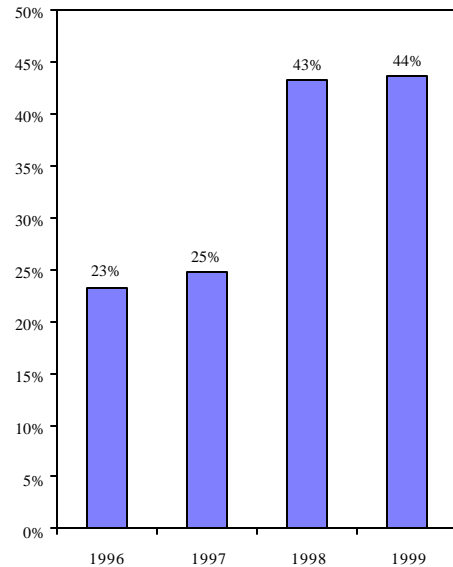
Business Climate Survey participants were asked if labor market conditions in Maryland hinder their ability to do business. Forty-four percent of firms responded that labor market conditions in Maryland hinder their business. This figure is nearly the same as in 1998. However, over the past four years, the percentage of firms responding that labor market conditions are hindering their operations has increased each year. The largest change in perception was from 1997 to 1998, when Maryland's unemployment rate fell below an annual rate of 5% and a greater percentage of firms started to experience worker shortages.

Students Weak in Both Basics and Training

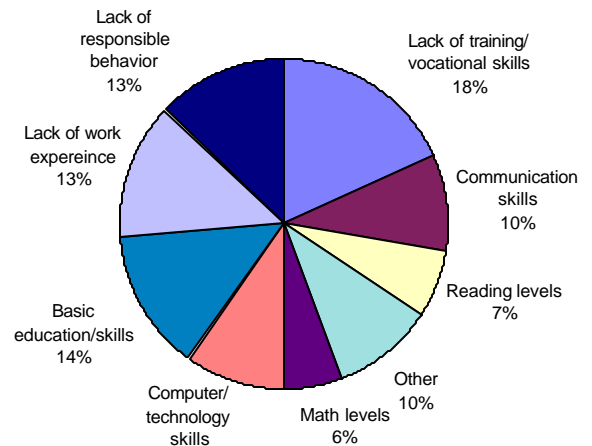
Eighty-six percent of surveyed firms in 1999 hired workers with only a high school education. When asked if these employees have the skills that are necessary to perform their jobs, nearly half (49%) of the surveyed firms responded that they do not.

The greatest problems that employers noted were not reading, math, or computer/technology skills but a *lack of training/vocational skills* (18%), a *lack of basic education/skills* (14%), a *lack of work experience* (13%), and a *lack of responsible behavior* (13%).

Do Labor Market Conditions Hinder The Ability of Your Firm to do Business



Biggest Problem with Graduates' Qualifications



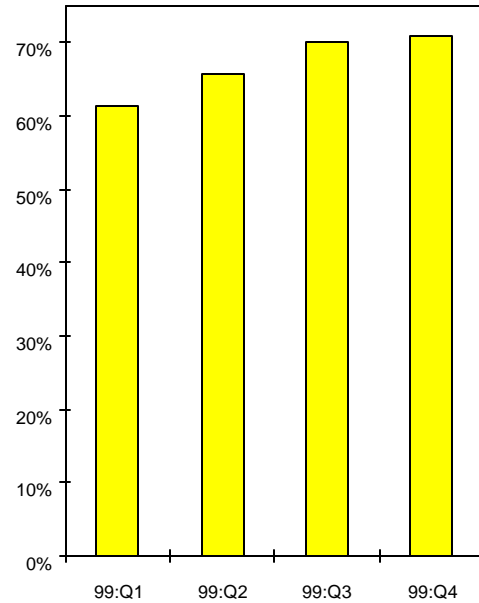
Labor Shortages Hit All Time High

Companies were asked if they had experienced difficulties in obtaining workers with the necessary skills to fulfill specific job requirements. In the fourth quarter of 1999, 71% of firms reported worker shortages. This is the highest percentage of firms reporting shortages since the previous all time peak of 71% in the fourth quarter of 1998. From the first quarter to the fourth quarter of 1999, the percentage of firms reporting worker shortages has risen from 61% to 71%.

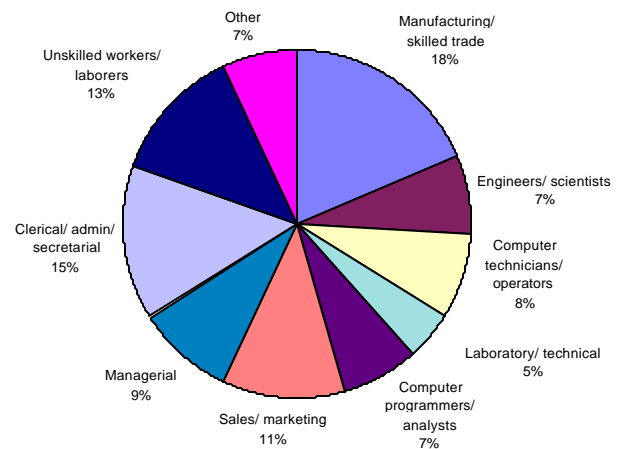
Companies reporting difficulties were asked whether these were *short-term shortages*, *long-term shortages*, or *both*. Twenty-nine percent of firms reported *short-term shortages*, 30% reported *long-term shortages*, and 41% reported *both* short-term and long-term worker shortages. Compared to 1998, a greater percentage of firms in 1999 experienced *short-term shortages*.

Firms that reported worker shortages were also asked which position(s) created these recruitment problems. The most difficult positions to fill were *manufacturing/skilled trade* (18%), *clerical/administrative/secretarial* (15%), *unskilled workers/laborers* (13%), and *sales/marketing* (11%).

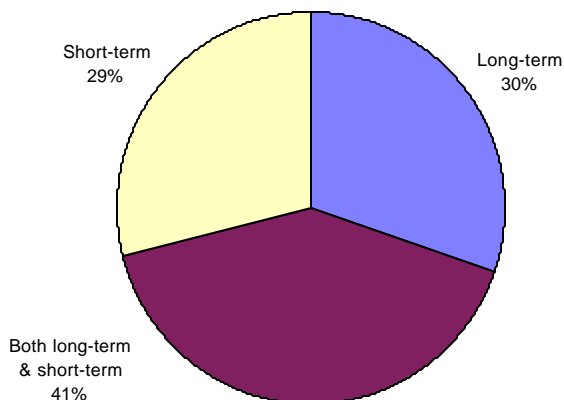
Percentage of Firms Experiencing Worker Shortages



Positions for which Firms Cited Recruitment Difficulty



Types of Shortages Experienced Percentage of Firms Reporting



Perception of Business Climate Improves

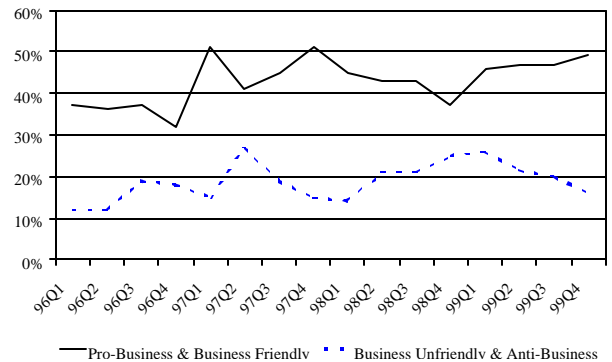
The percentage of Maryland businesses that rated Maryland as either *pro-business or business friendly* increased from 47% in the third quarter to 49% in the fourth quarter of 1999. The percentage of businesses holding a negative view of the State's business climate (rating Maryland as *either anti-business or business unfriendly*) decreased from 20% in the third quarter to 16% in the fourth quarter. From the fourth quarter of 1998 to the fourth quarter of 1999 the percentage of firms having a positive view of the business climate has increased from 37% to 49% and the percentage of firms having a negative view has decreased from 25% to 16%.

For 1999, the view of the business climate held by Baltimore City has seen the greatest improvement. Traditionally, Baltimore City has lagged behind the Baltimore Metro Area and the Washington Suburbs in its positive view of the business climate. The percentage of firms having a positive view of the business climate in Baltimore City has increased from 32% in 1998 to 52% in 1999. This turnaround may in part be due to businesses in Baltimore having an optimistic and a more positive view for the City with a new Mayor in place.

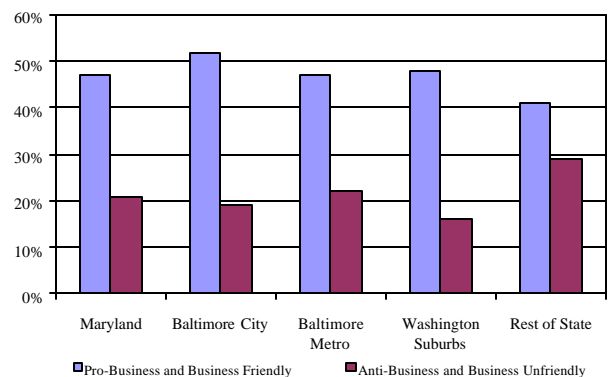
Tech Firms Predict Greater Gains

Technology is a blooming field in Maryland. High-tech firms (those operating in technology industries identified by the Maryland Department of Labor, Licensing and Regulation) expect to experience greater gains in revenues and employment than non-tech firms in the coming year. Twenty-eight percent of high-tech firms report that they expect great increases in revenues compared to 18% of non-tech firms. The percentage of high-tech firms that expect great increases in employment was nearly double that of non-tech firms. Sixty-eight percent of high-tech firms expect to increase employment compared to 53% of non-tech firms. These figures support the fact that technology firms are a vital part and play an important role in the Maryland economy.

Maryland's Business Climate 1996Q1 to 1999Q4



Maryland's Business Climate By Region, 1999



Revenue and Employment Expectations in High-tech v. Non-tech Firms, 1999

	Revenue		Employment	
	Great Increases	Slight Increases	Great Increases	Slight Increases
High-tech firms	28%	52%	17%	51%
Non-tech firms	18%	57%	9%	44%