

MARYLAND BUSINESS CLIMATE SURVEY

First Quarter, 2001

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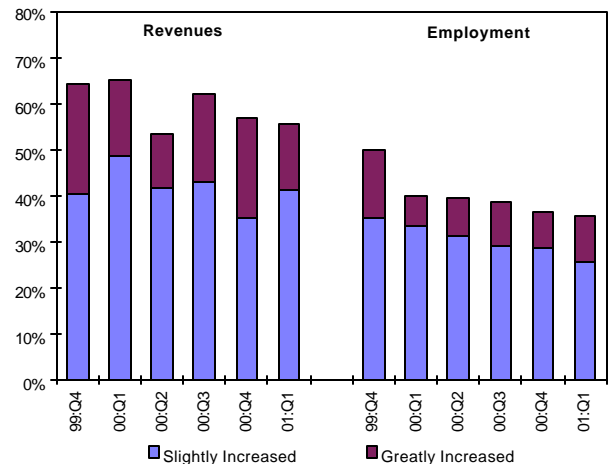
Performance Improvement Pauses

The percentage of firms reporting revenue growth or employment growth leveled off from the fourth quarter. The downturn in the national economy has to this point had little effect on these firms which lead Maryland's economy. The percentage of firms reporting revenue growth held near constant from the fourth quarter of 2000 at 56% in the first quarter of 2001. Firms reporting *slight increases* increased from 35% to 41%, with the percentage of firms reporting *great increases* in revenues falling from 21% in the fourth quarter to 14% in the first quarter. Since the first quarter of 2000 the percentage of businesses reporting employment growth has fallen from 40% to 36%. While this is not a dramatic decrease, there has been a steady decrease in employment growth.

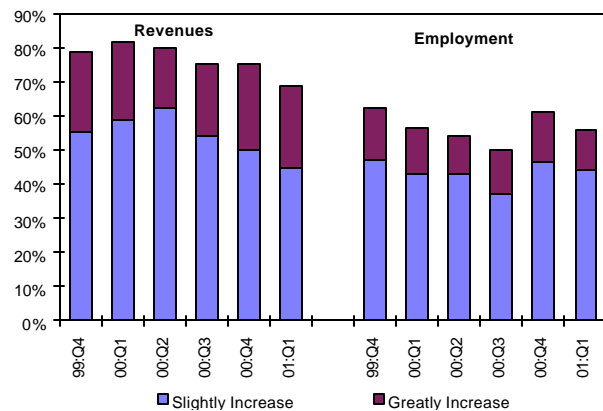
Readjustment in Expectations for 2001

Maryland businesses reported lowered expectations for revenue and employment growth in 2001. The percentage of businesses expecting revenue growth in the coming year decreased from 75% in the fourth quarter of 2000 to 69% in the first quarter of 2001. Over the same time period, the percentage of firms expecting employment increases fell from 61% to 56%. Firms appear to have adjusted their expectations based on belief that the national economy may not make a quick recovery. While Maryland businesses have to this point been sheltered from the downturn, some may expect future negative impacts on their operations and performance.

Performance in the Past Year % Firms Reporting an Increase



Expectations for the Coming Year % Firms Reporting an Increase



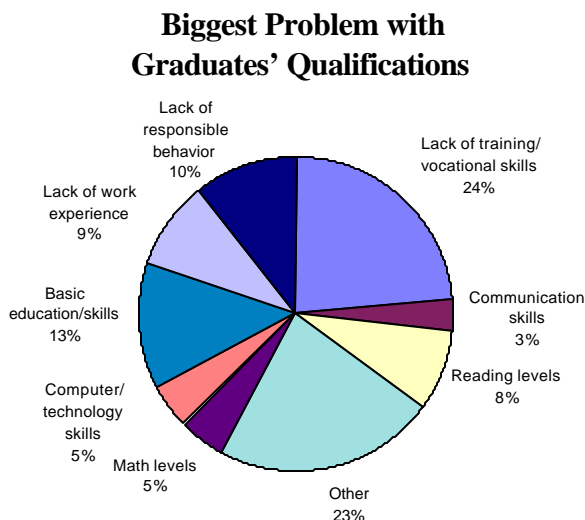
Labor Market Conditions Persist as Hindering

Thirty-eight percent (38%) of firms in the first quarter responded that labor market conditions in Maryland hinder their ability to do business. This figure has been declining slightly over the past three years. A possible reason for this decline is the cooling in the economy, which has resulted in reduced competition between businesses for employees. Survey participants were also asked if they viewed labor market conditions as a *competitive asset* or a *competitive weakness* to the State. Twenty-eight percent (28%) of firms reported labor market conditions in Maryland as a *competitive asset* and 34% responded that the conditions are a *competitive weakness*.

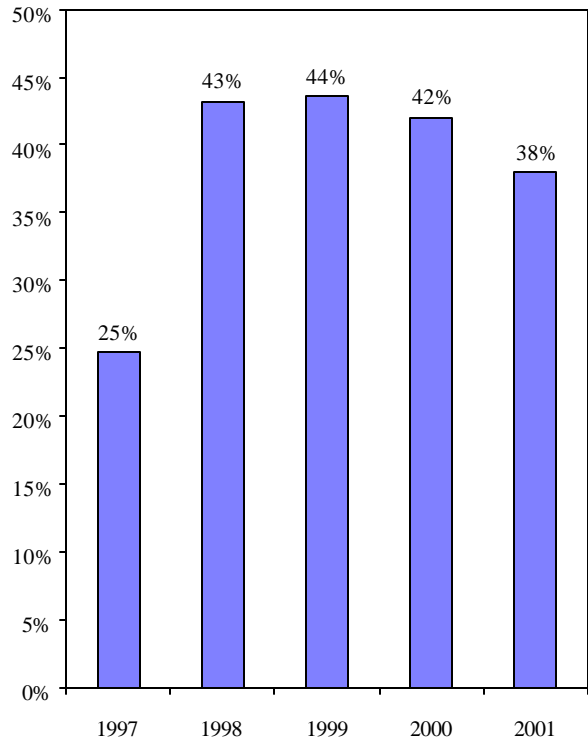
Additional Employee Training Wanted

Eighty-nine percent (89%) of the surveyed firms in the first quarter of 2001 hired workers who had only a high school level of education. When businesses were asked if these employees have the necessary skills to perform their jobs, over one-third (35%) of the firms responded that they do not.

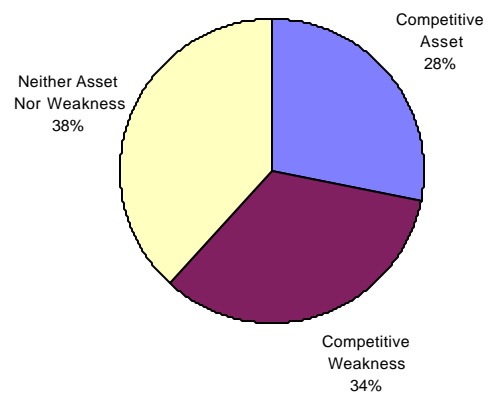
The greatest problems that employers noted were a *lack of training/vocational skills* (24%), a *lack of basic education/skills* (13%), a *lack of responsible behavior* (10%), a *lack of work experience* (9%). This may be due to the fact that surveyed firms are most in need of persons to fill manufacturing/skilled trade occupations.



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



Overall Labor Market Conditions In Maryland



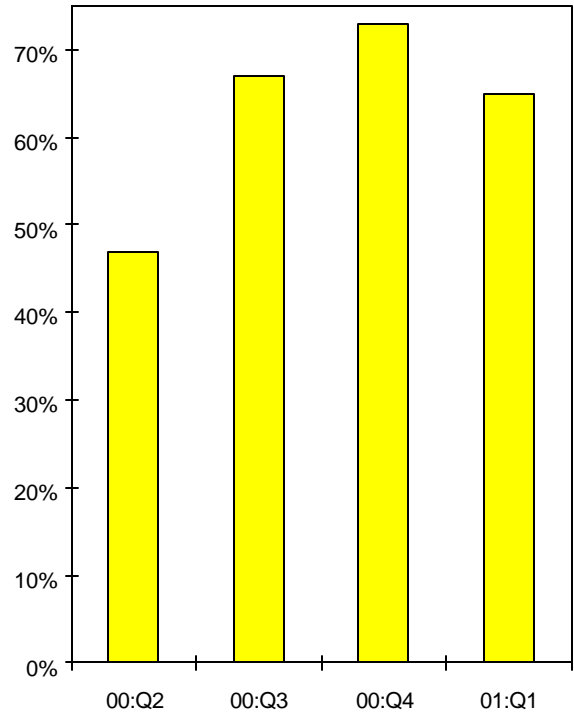
Labor Shortages Fall in First Quarter

Companies were asked if they had experienced difficulties in obtaining workers with the necessary skills to fulfill specific job requirements. In the first quarter of 2001, 65% of firms reported worker shortages. This is a decline from 73% in the fourth quarter of 2000. This decrease may be a result of firms needing to hire fewer employees after the holidays. The decrease may also be a result of Maryland firms lowering their expectations for employment growth.

Companies reporting difficulties in hiring workers were asked whether these were *short-term* shortages, *long-term* shortages, or *both*. In the first quarter, 25% of firms reported *short-term* shortages, 21% reported *long-term* shortages, and 54% reported *both* short and long-term shortages. With the persistence of labor shortages, it can be seen that firms who are responding have experienced labor shortages for both the short and long term.

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* (21%), *unskilled workers/laborers* (18%), *sales/marketing* (9%), *engineers/scientists* (12%), and *managerial* (9%).

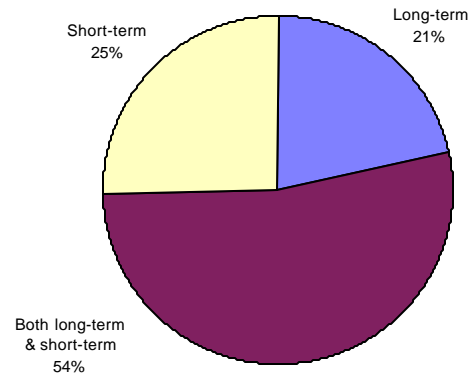
Percentage of Firms Experiencing Worker Shortages



Positions for which Firms Cited Recruitment Difficulty



Types of Shortages Experienced Percentage of Firms Reporting



Despite Slowdown, Business Climate Improves

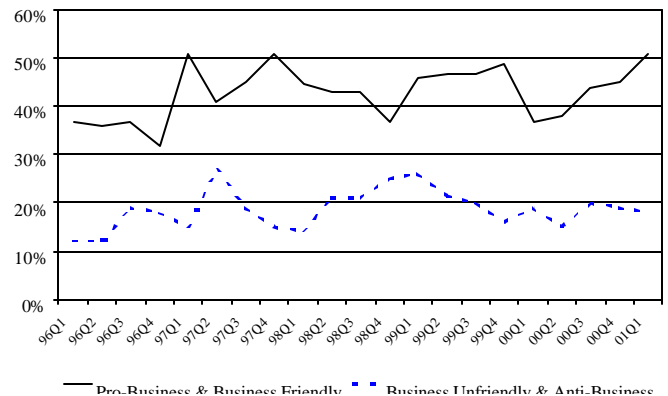
Firms having a positive view of Maryland's business climate continued to increase in the first quarter of 2001. The percentage of Maryland businesses that rated the State as either pro-business or business friendly increased from 45% in the fourth quarter of 2000 to 51% in the first quarter of 2001. This is the first quarter since the fourth quarter of 1997 that the positive view of Maryland's business climate has been above 50%. The percentage of businesses holding a negative view of the State's business climate (rating Maryland as either anti-business or business unfriendly) stayed almost constant in the first quarter falling slightly from 19% in the fourth quarter of 2000 to 18% in the first quarter of 2001. This increase in positive perception of the business climate might be due to the fact that Maryland firms, while lowering their own future expectations, feel that to this point they have been mostly sheltered from the effects of the economic slowing. Unless the slowdown worsens or persists it may have little impact on their future performance.

Firms in the Washington Suburbs have the best view of the State's business climate. Over half (56%) of the firms surveyed in the Washington Suburbs have a positive view of the State's business climate. In Baltimore City, 50% of firms have a positive view of the business climate. This is a dramatic increase in the percentage of firms having a positive view of the business climate in Baltimore City. This increase in positive perception of the business climate may be attributed to several factors including a reemergence of businesses in the Baltimore Harbor, an improving City economy, and a positive first year in office by Mayor O'Malley.

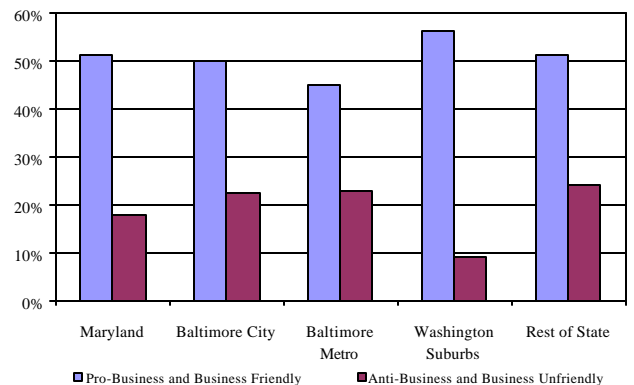
Taxes Have Little Effect through First Quarter

Even with tax season upon us, the percentage of businesses that responded that State and local taxes hinder their ability to do business decreased from 53% in 2000 to 35% through the first quarter of 2001. The percentage of businesses that responded that State and local taxes do not hinder their ability to do business increased from 47% to 65%. It will be interesting to see whether this figure holds over the course of 2001.

**Maryland's Business Climate
1996Q1 to 2000Q4**



**Maryland's Business Climate
By Region, 2000**



**Extent to Which State & Local Taxes
Hinder Firms Ability to Do Business**

	2000	2001
Not at All	47%	65%
Just a Little	21%	14%
Moderately	23%	13%
A Great Deal	9%	8%

