

MARYLAND BUSINESS CLIMATE SURVEY

Second Quarter, 2000

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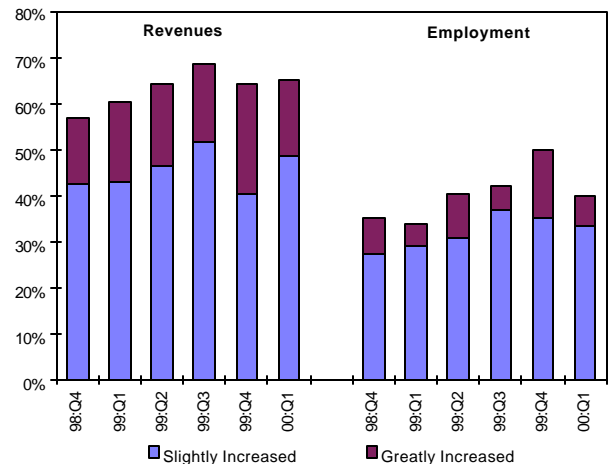
Firms Post Lower Employment Gains

After a very strong fourth quarter, fewer firms reported employment growth in the first quarter. While the percentage of firms reporting increases in revenue remained steady at 65% in the first quarter of 2000, the percentage of firms reporting increases in employment decreased from 50% in the fourth quarter of 1999 to 40% in the first quarter of 2000. A lesser percentage of firms reported *great increases* in both revenues and employment in the first quarter of 2000 than in the fourth quarter of 1999. The percentage of firms experiencing *great increases* in revenue decreased from 24% to 17% and the percentage of firms experiencing *great increases* in employment fell from 15% to 7%.

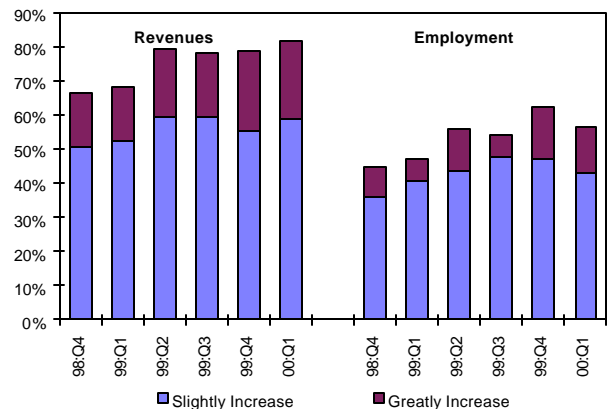
Firms Remain Optimistic in 2000

Surveyed firms were more optimistic about their opportunity for revenue gains but lowered their optimism for employment gains in the coming year. The percentage of firms expecting increases in revenue grew slightly from 79% in the fourth quarter of 1999 to 82% in the first quarter of 2000. The percentage of firms expecting increases in employment decreased slightly from 62% in the fourth quarter of 1999 to 57% in the first quarter. The percentage of firms expecting *great increases* in both revenue and employment remained steady with the difference coming from firms expecting slight increases.

Performance in the Past Year % Firms Reporting an Increase



Expectations for the Coming Year % Firms Reporting an Increase



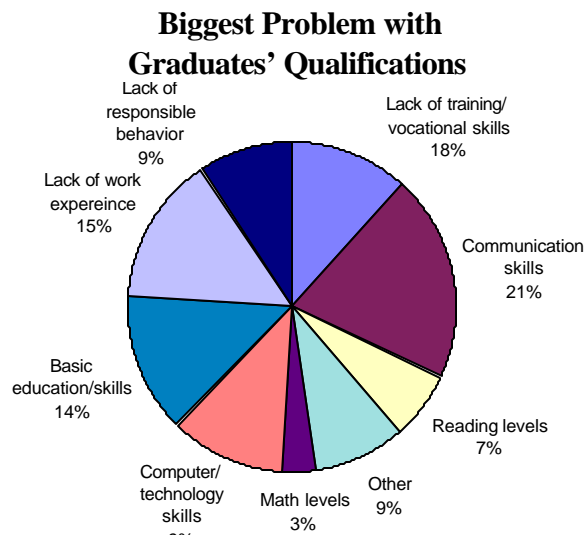
Labor Market Conditions Less Hindering

Business Climate Survey participants were asked if labor market conditions in Maryland hinder their ability to do business. Thirty-eight percent of firms responded that labor market conditions in Maryland hinder their business. This is a decrease from 44% in 1999. Survey participants were also asked if they viewed labor market conditions as a *competitive asset* or a *competitive weakness* to the State. Twenty-one percent of surveyed firms responded that labor market conditions in the State are a *competitive asset* and 35% reported the conditions as a *competitive weakness*.

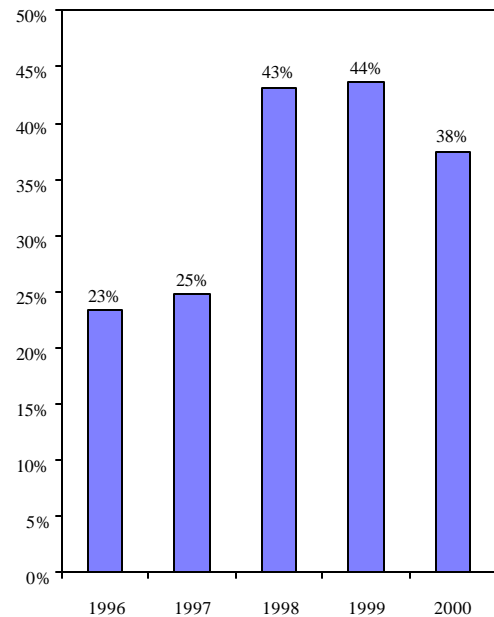
Fewer Students Weak in Basics and Training

Eighty-eight percent of surveyed firms in the first quarter of 2000 hired workers with only a high school education. When asked if these employees have the necessary skills to perform their jobs, 36% of the firms responded that they do not. In 1999, the percentage of firms responding that their employees lack the necessary skills was 49%.

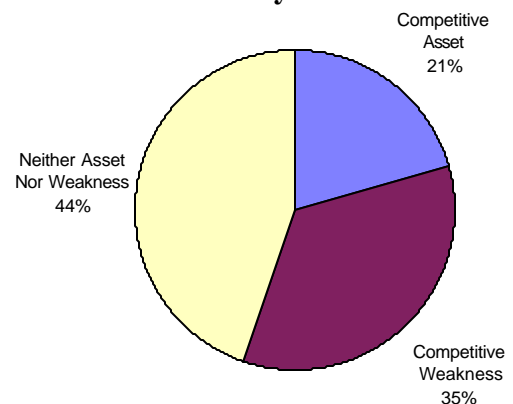
The greatest problems that employers noted were not reading or math skills, but a *lack of communication skills* (21%), a *lack of training/vocational skills* (18%), a *lack of work experience* (15%), a *lack of basic education/skills* (14%), a *lack of responsible behavior* (9%), and a *lack of computer/technology skills* (9%).



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



Overall Labor Market Conditions In Maryland



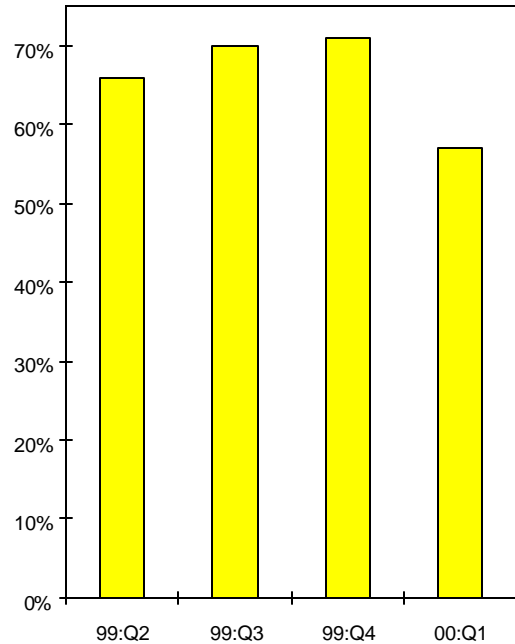
Labor Shortages Drop in 2000

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 2000, 57% of firms reported worker shortages. This is a decrease from the all time high of 71% in the fourth quarter of 1999. The first quarter of 2000 marks the first time since the first quarter of 1998 that the percentage of firms citing labor shortages has been below 60%. This might be the result of the decrease in the percentage of firms hiring employees in the first quarter.

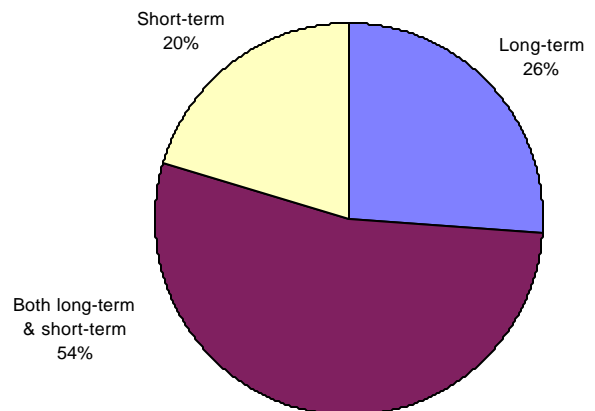
Companies reporting difficulties were asked whether these were *short-term shortages*, *long-term shortages*, or *both*. Twenty percent of firms reported *short-term shortages*, 26% reported *long-term shortages*, and 54% reported *both* short and long-term shortages. Compared to 1999, a greater percentage of firms in the first quarter of 2000 experienced *both* long and short-term shortages. The percentage of firms citing *both* long and short-term shortages increased from 41% in 1999 to 54% in the first quarter of 2000.

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* (15%), *unskilled workers/laborers* (15%), *clerical/administrative/secretarial* (14%), *sales/marketing* (10%), and *managerial* (10%).

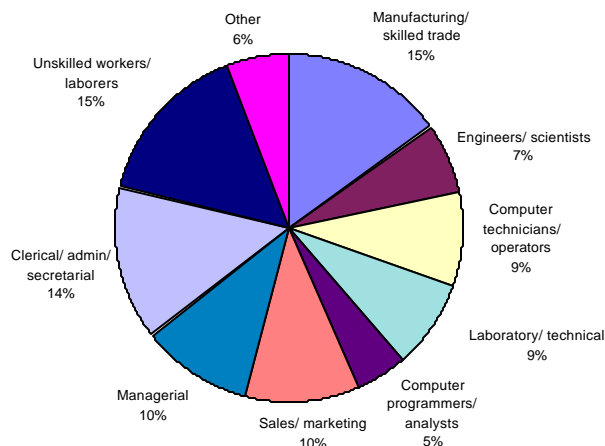
Percentage of Firms Experiencing Worker Shortages



Types of Shortages Experienced Percentage of Firms Reporting



Positions for which Firms Cited Recruitment Difficulty



Business Climate Experiences Sharp Downturn

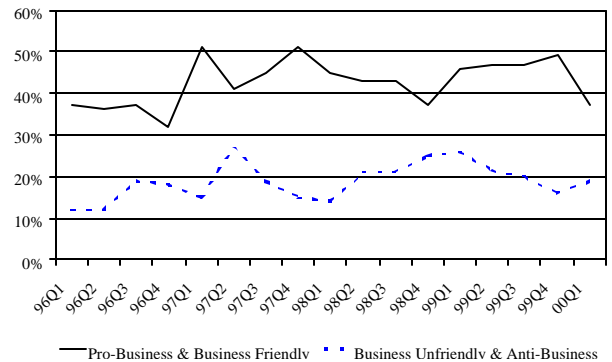
The percentage of Maryland businesses that rated Maryland as either *pro-business or business friendly* decreased from 49% in the fourth quarter of 1999 to 37% in the first quarter of 2000. The percentage of businesses holding a negative view of the State's business climate (rating Maryland as *either anti-business or business unfriendly*) increased from 16% in the fourth quarter to 19% in the first quarter of 2000. The change in perceptions of the State's business climate may be tied to a number of national and State factors. National factors, such as the stock market downturn and the increase in gasoline prices, may be causing businesses to have a more pessimistic attitude in general. In the State, legislative issues, such as the expansion of the prevailing wage law, scaled back reform of the inheritance law, and failure to shore up the Transportation Trust Fund, may have reversed recent improvements in the perceptions of Maryland's business climate.

Regionally, in the first quarter of 2000, the positive view of the business climate held by Baltimore City has decreased from 52% in 1999 to 38% and the positive view of the business climate held by the Baltimore Metro area decreased from 47% in 1999 to 27% in the first quarter of 2000.

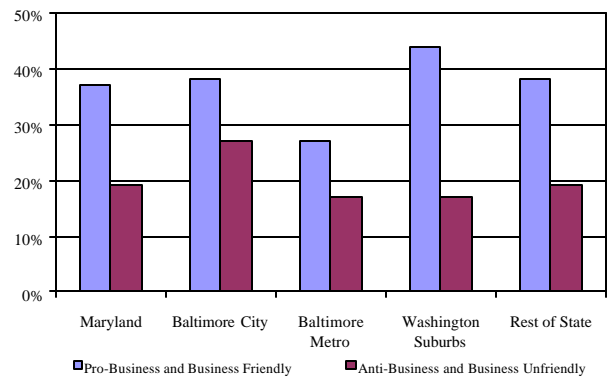
Environmental Regulations Seen as Hindering

Surveyed firms were asked to what extent State and local environmental regulations have hindered their business and which regulations were hindering. Twenty-six percent of firms in the first quarter of 2000 reported environmental regulations were hindering their business. The regulations that were most hindering were water quality regulations (14%), hazardous waste regulations (13%), and land use/zoning regulations (11%). Approximately one quarter of firms surveyed in 1996, 1997, 1998, and 1999 have responded that environmental regulations are hindering to their business.

Maryland's Business Climate 1996Q1 to 2000Q1



Maryland's Business Climate By Region, 2000



Extent That State and Local Environmental Regulations Hinder Businesses, 2000

Total Responses	250	
Don't Know/No Answer	5	2.0%
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Total Classifiable Responses	245	
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Not at all	182	74.3%
Just a little	27	11.0%
Moderately	26	10.6%
A great deal	10	4.1%
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Total Indicating Hinderence	63	
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Wetlands	1	1.6%
Air Quality	4	6.3%
Water Quality	9	14.3%
Hazardous Waste	8	12.7%
Underground Storage Tanks	6	9.5%
Land Use	7	11.1%
General Environmental	19	30.2%
Other Environmental	9	14.3%

Source: Jacob France Center (Q30, Q31)