

MARYLAND BUSINESS CLIMATE SURVEY

Second Quarter, 2001

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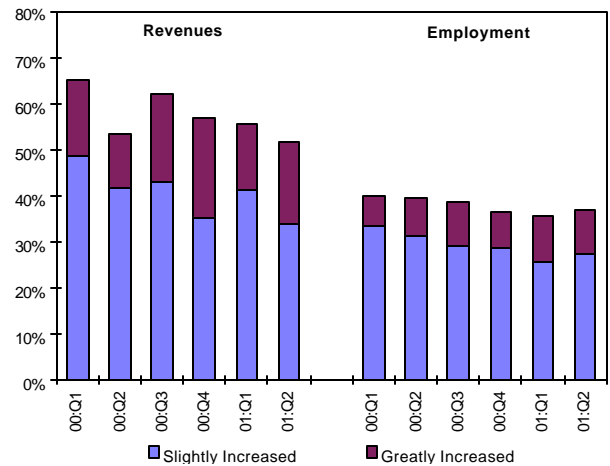
Maryland Firms Report Solid Second Quarter

The percentage of firms reporting revenue growth or employment growth remained steady through the second quarter of 2001. The national economic downturn continues to have little effect on the performance of firms in Maryland. While, the percentage of firms reporting revenue growth fell slightly from 56% in the first quarter to 52% in the second quarter, the percentage of firms reporting *great increases* in revenue growth increased from 14% to 18%. In the second quarter of 2001, the percentage of businesses reporting that employment growth held steady, increasing slightly from 36% in the first quarter to 37% in the second quarter.

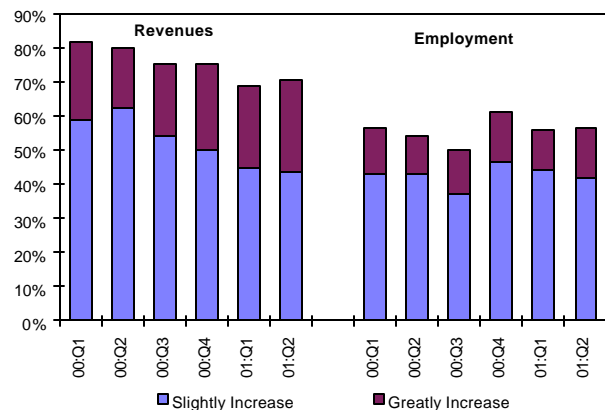
Firms Hold Steady in Future Expectations

Maryland businesses reported that they expect to weather the national downturn with little effect on their operations in 2001-2002. The percentage of businesses expecting revenue growth in the coming year grew slightly from 69% in the first quarter to 71% in the second quarter of 2001. Over the same time period, the percentage of firms expecting employment growth stayed even at 57%. Maryland businesses appear to have avoided the national downturn to any substantial degree. The fact that these firms have kept their expectations steady and have even raised them slightly is an indication of the strength and health of Maryland's economy and may signal that firms expect renewed growth.

Performance in the Past Year % Firms Reporting an Increase



Expectations for the Coming Year % Firms Reporting an Increase



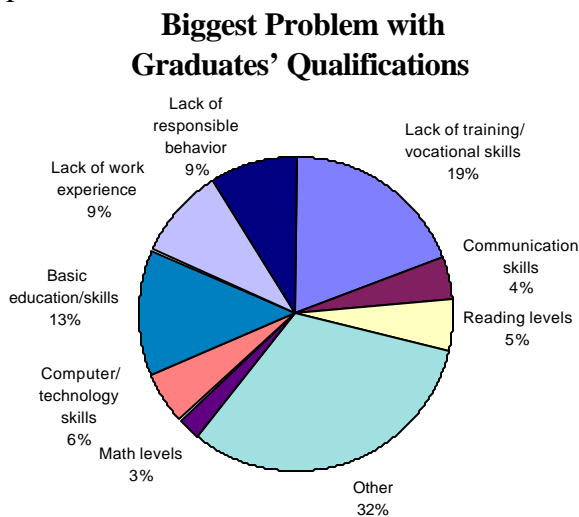
Labor Market less Hindering in 2001

Thirty-seven percent (37%) of responding firms through the half of 2001 responded that labor market conditions in Maryland hinder their ability to do business. Over the past two years, this figure has been declining. While labor market conditions remain tight, this impediment may be due to firms being better able to find workers compared to the exceedingly tight conditions in 2000. 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 (29%) of firms reported labor market conditions in Maryland as a *competitive asset* and 34% responded that the conditions are a *competitive weakness*.

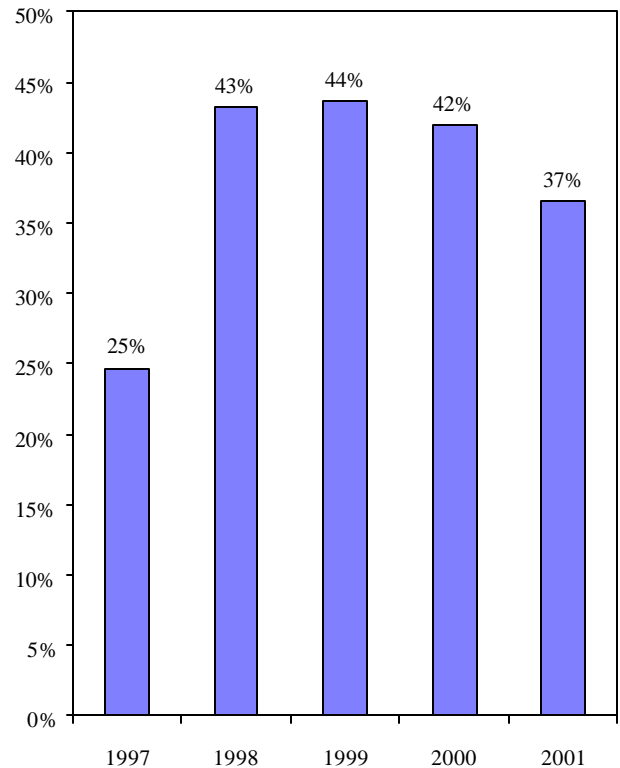
Training and the Basics Lacking in Employees

Eighty-seven percent (87%) of the surveyed firms in the first half 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, one-third (33%) of the firms responded that they do not.

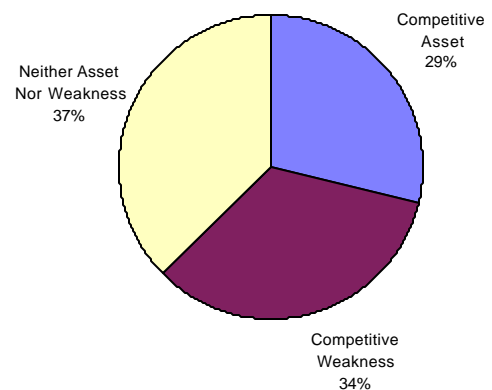
The greatest problems that employers noted were a *lack of training/vocational skills* (19%), a *lack of basic education/skills* (13%), a *lack of responsible behavior* (9%), and a *lack of work experience* (9%). This may be due to the fact that surveyed firms are most in need of persons to fill manufacturing/skilled trade occupations.



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



Overall Labor Market Conditions In Maryland



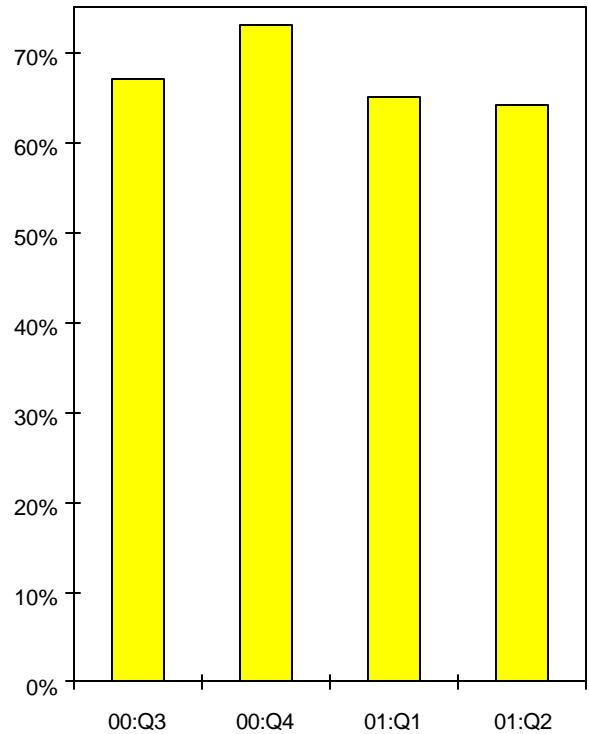
Labor Shortages Plateau in Second Quarter

Companies were asked if they had experienced difficulties in obtaining workers with the necessary skills to fulfill specific job requirements. In the second quarter of 2001, 64% of firms reported worker shortages. The continuing decline in the percentage of firms experiencing labor shortages is a positive note for Maryland businesses. While labor shortages are above 60%, the percentage of firms reporting employment growth remained steady and the expectations for employment growth have increased. This may signal that Maryland is capable of absorbing downsized/laid-off workers without an increase in the unemployment rate.

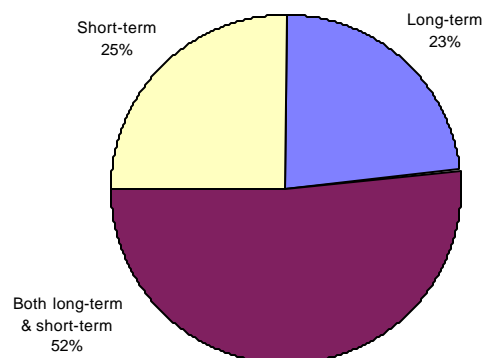
Companies reporting difficulties in hiring workers were asked whether these were *short-term* shortages, *long-term* shortages, or *both*. In the second quarter, 25% of firms reported *short-term* shortages, 23% reported *long-term* shortages, and 52% reported *both* short and long-term shortages.

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* (21%), *unskilled workers/laborers* (16%), *sales/marketing* (11%), *engineers/scientists* (9%), and *managerial* (9%).

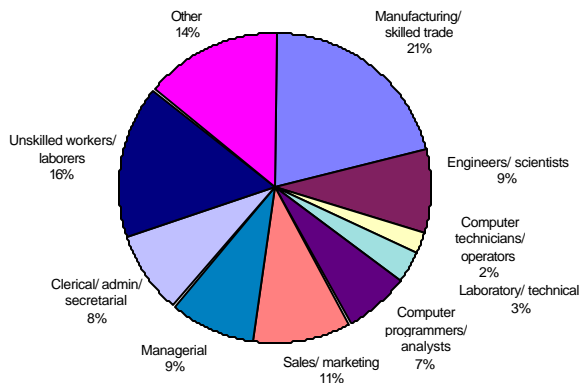
Percentage of Firms Experiencing Worker Shortages



Types of Shortages Experienced Percentage of Firms Reporting



Positions for which Firms Cited Recruitment Difficulty

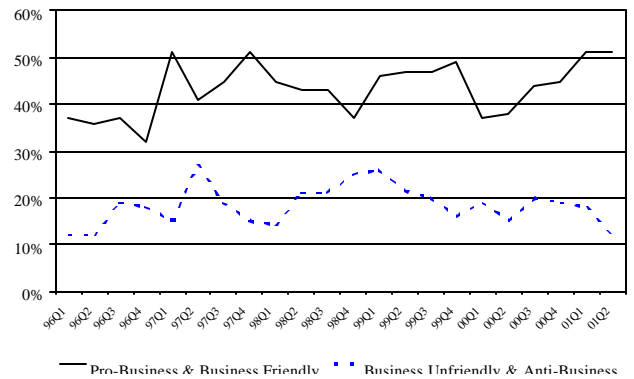


Negative View of Business Climate at All Time Low

The percentage of firms having a positive view of Maryland's business climate held steady in the second quarter of 2001, while the percentage of firms having a negative view fell to an all-time historical lows. The percentage of Maryland businesses that rated the State as either pro-business or business friendly held constant at 51% from the first to second quarter of 2001. The percentage of businesses holding a negative view of the State's business climate (rating Maryland as either anti-business or business unfriendly) fell from 18% in the first quarter to 12% in the second quarter. This is a historical low and has not been experienced since the second quarter of 1996. While the positive perception of the business climate held steady, the decrease in the negative perception is a positive sign for the State. Maryland firms have been sheltered from the national slowdown and have remained fairly positive on their performance and expectations for future performance. This decrease in negative perception could very well lead to further increases in an overall positive view of the State's business climate if Maryland continues to build on its core strengths and emerging technology businesses.

While firms in the Washington Suburbs continue to have the best view of the State's business climate, Baltimore City is positioning itself as a region to notice. Through the first half of 2001, 56% of the firms surveyed in the Washington Suburbs have a positive view of the State's business climate and 8% have a negative view. In Baltimore City, 50% of the firms surveyed have a positive view of the business climate, while 17% of the firms have a negative view of the business climate through the second quarter of 2001. This is a significant change from 2000, where 34% of the Baltimore City businesses held a positive view of the business climate and 25% of the businesses held a negative view of the business climate. With the continued development of the Inner Harbor as a place for both tourists and businesses, the development of the Digital Harbor, the reduction in crime, and the prospects for future growth and development, Baltimore City is adding strength to the Maryland economy.

Maryland's Business Climate 1996Q1 to 2001Q2



Maryland's Business Climate By Region, 2001

