

# Maryland Business Research Partnership

## MARYLAND BUSINESS CLIMATE SURVEY Second Quarter, 2003

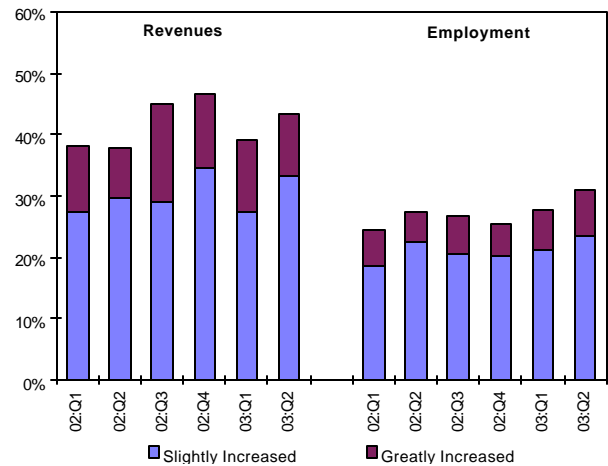
### Firms Report Strong Second Quarter

For the second quarter of 2003, Maryland firms reported both gains in revenue and employment growth. The percentage of firms reporting revenue growth increased from 39% in the first quarter to 43% in the second quarter of 2003. The percentage of firms reporting increases in employment during the second quarter of 2003 increased from 28% to 31%. Both of these increases are significant in that both revenue and employment gains are indicators that Maryland firms are beginning to experience renewed growth despite the continued sluggish national economy. With both revenues and employment increasing, firms are indicating that they are poised for growth and investment. Economists are looking to the second half of 2003 for growth, but Maryland firms have shown that they are experiencing this growth even sooner, in the second quarter of 2003.

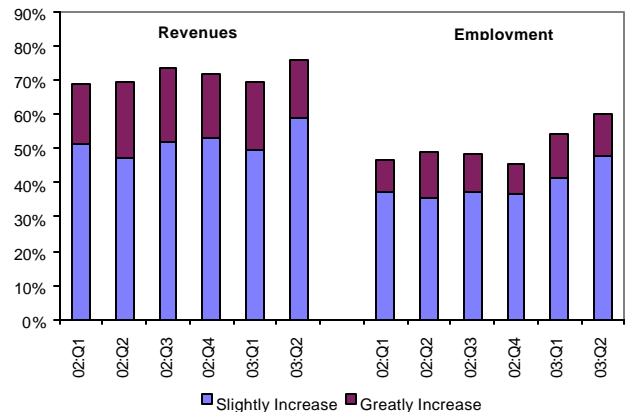
### Great Things Expected for Remainder of 2003

Maryland businesses have indicated that they foresee a continued improvement in 2003. The percentage of firms expecting revenue growth in the coming year increased from 69% to 76% in the second quarter, while the percentage of firms expecting employment growth in 2003 increased from 54% to 60% in the second quarter of 2003. The increased level of expectations for both future revenue and employment growth coupled with the increased performance of Maryland businesses is a very strong sign that Maryland businesses expect the State economy to continue its recovery.

### Performance in the Past Year % Firms Reporting an Increase



### Expectations for the Coming Year % Firms Reporting an Increase



## Firms Reporting that Labor Market Conditions Hinder their Ability to do Business

### Labor Market Problems Much Less a Hindrance

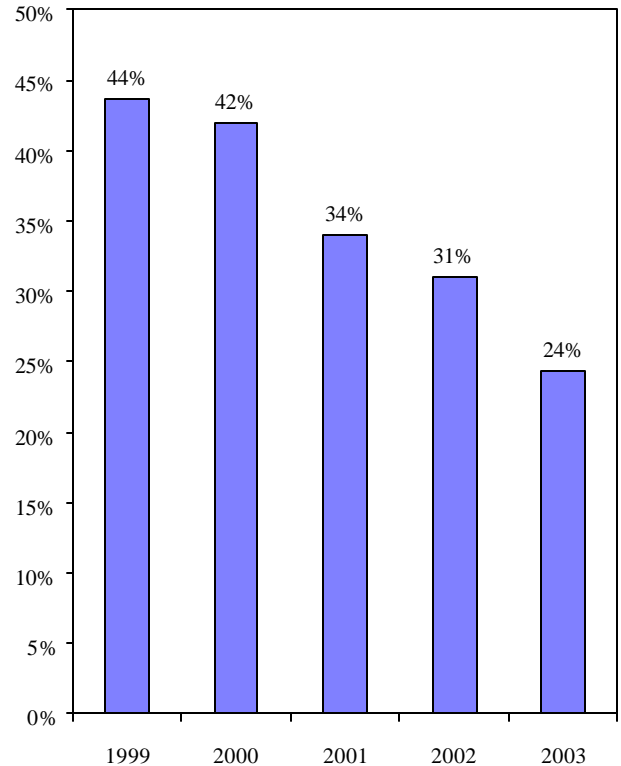
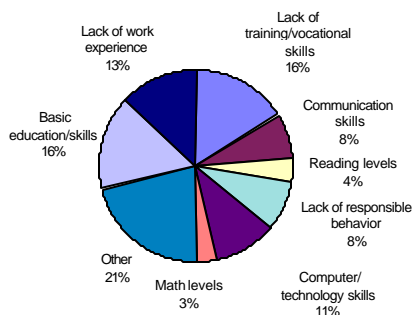
Despite Maryland's unemployment rate continuing to remain below the national average, only 24% of responding firms in 2003 stated that labor market conditions in Maryland have hindered their ability to do business. This indicates that firms are able to increase their revenues and to grow despite a tight labor market. Survey participants were also asked if they viewed labor market conditions as a *competitive asset* or a *competitive weakness* to the State. Thirty-seven percent (37%) of firms reported labor market conditions in Maryland as a *competitive asset* and 20% responded that the conditions are a *competitive weakness*.

### Basics and Training Most Lacking in Workers

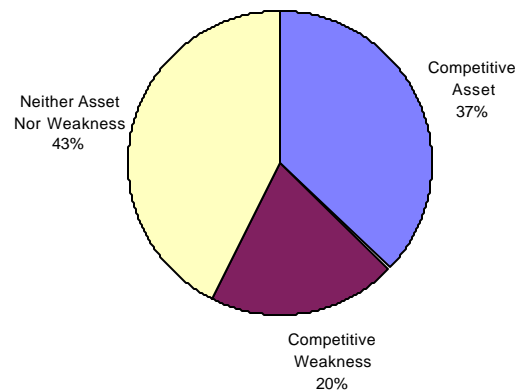
Through the second quarter of 2003, 84% of the surveyed firms hired employees who have only a high school level of education. When these businesses were asked if these employees have the necessary skills to perform their jobs, 38% of the firms responded that they do not.

The greatest problems that employers noted were a *lack of training/vocational skills* (16%), a *lack of basic education* (16%), a *lack of work experience* (13%), a *lack of computer/ technology skills* (11%), and a *lack of communication skills* (8%). Businesses across the State have both continually noted and a need for better training/vocational skills and prior work experience among high school applicants.

### Problems with Graduates' Qualifications



### Overall Labor Market Conditions In Maryland



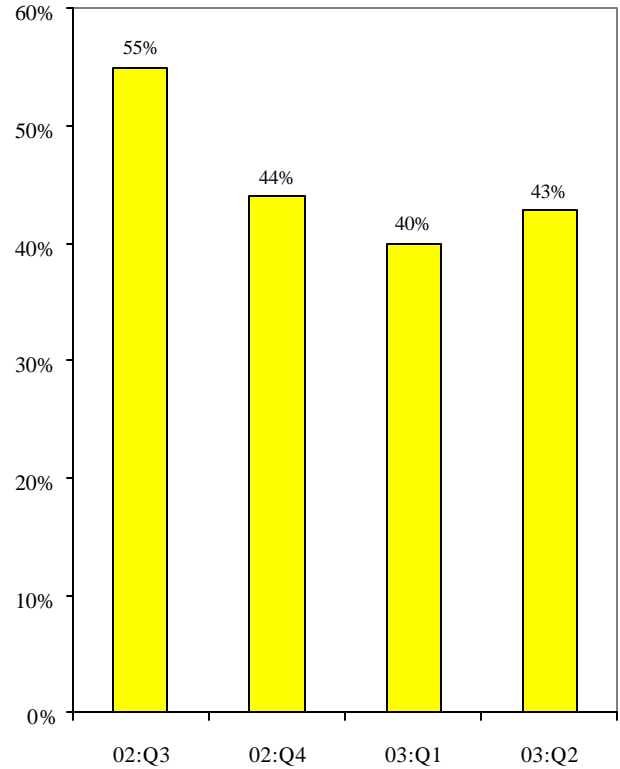
## Worker Shortages Start to Rise

The percentage of firms reporting worker shortages increased from the first quarter to the second quarter of 2003. While still below the all time highs of 2001, the percentage of firms reporting worker shortages rose from 40% in the first quarter to 43% in the second quarter of 2003. Worker shortages can be expected to worsen in the future as firms' continue to increase employment due to Maryland's continued low rate of unemployment. As Maryland businesses realize the growth in employment gains that they are projecting, an even greater number of firms can be expected to report increased difficulty in finding qualified and skilled workers.

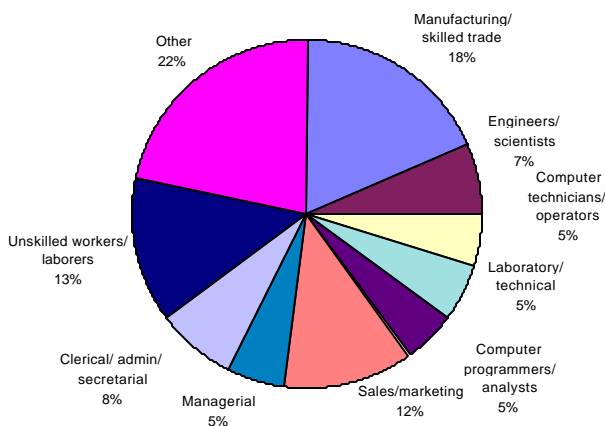
Companies currently reporting difficulties in hiring workers were asked whether these were *short-term* shortages, *long-term* shortages, or *both*. In the third quarter, 23% of firms reported *short-term* shortages, 31% reported *long-term* shortages, and 46% reported *both* short and long-term shortages.

Firms that reported worker shortages were also asked which position(s) created these recruitment problems. The positions that firms responded to having the greatest difficulty in filling were *manufacturing/ skilled trade* (18%), *unskilled workers/ laborers* (13%), *sales/ marketing* (12%), and *clerical/ administrative/ secretarial* (8%).

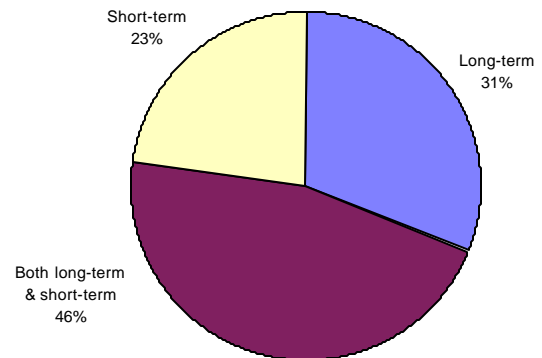
### Percentage of Firms Experiencing Worker Shortages



### Positions for which Firms Cited Recruitment Difficulty



### Types of Shortages Experienced Percentage of Firms Reporting



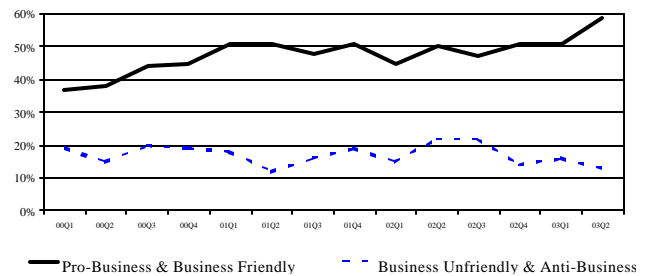
## State's Business Climate Hits New Highs

In the second quarter of 2003, businesses indicated the most favorable attitude towards the business climate in Maryland over the entire 7-year history of the survey. The percentage of firms viewing the State as being business friendly increased and the percentage of firms viewing the State as unfriendly to business decreased. This combination is a strong signal that firms believe that Maryland is and has been heading in the right direction. The percentage of businesses that rated the State as either pro-business or business friendly increased from 51% in the first quarter to 59% in the second quarter of 2003. 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 16% in the first quarter to 13% in the second quarter of 2003.

The combination of both more firms rating the State as being business friendly and fewer firms rating the State as being unfriendly to business, is an indication that the view of the State's business climate has clearly changed. Maryland is one of few states that continue to have positive job growth and Maryland's emphasis on education and technology businesses have allowed the State to position itself for strong, long-term growth. Additionally, since the change in administration, even with the State's budget woes, more firms have responded that the State has become more supportive of businesses.

In 2003, 55% of firms rate the State's business climate as positive. In Baltimore City, 54% of the firms surveyed have a positive view of the business climate and 14% have a negative view of the business climate. Baltimore City is eagerly anticipating the development of two major research biotechnology parks. In the Washington Suburbs, 64% of firms have a positive view of the business climate in Maryland and 9% have a negative view of the business climate. This region is and continues to experience the greatest impact from the increased spending on defense and Homeland Security to federal labs and contractors. In the Baltimore Metro area 50% of firms have a positive view of Maryland's business climate in 2002 and 17% have a negative view of the business climate.

### Maryland's Business Climate 2000Q1 to 2003Q2



### Maryland's Business Climate By Region, 2003

