

# Maryland Business Climate Survey

## 3rd Quarter 2006

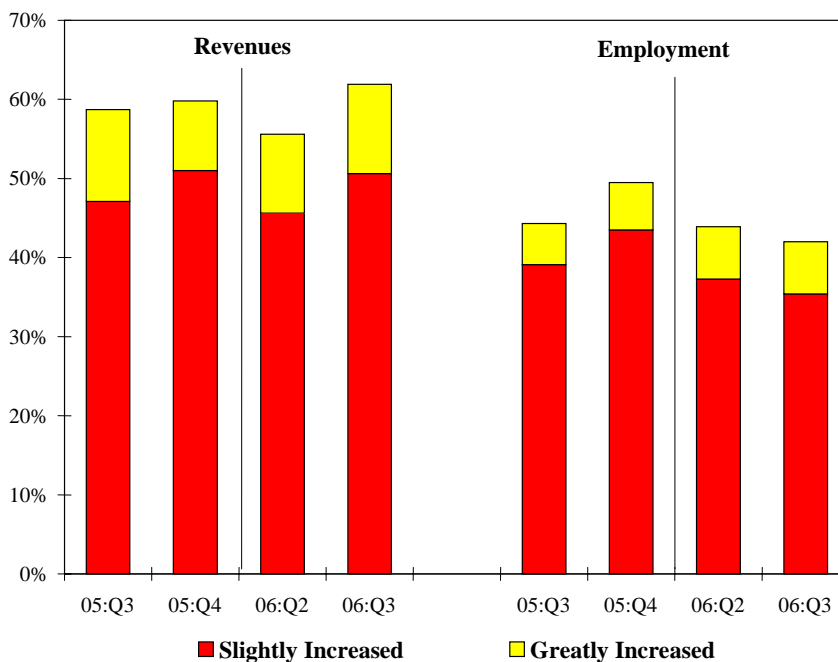


### FIRMS REPORT MIXED PERFORMANCE IN THIRD QUARTER

In the third quarter of 2006, Maryland firms reported experiencing an increase in revenue and a slight decrease in employment from the second quarter of 2006.

- 42% of firms reported increases in employment from the previous year. This is a slight decrease from 44% in the second quarter of 2006.

62% of firms reported revenue growth from the previous year. This is an increase from 56% in the second quarter of 2006.

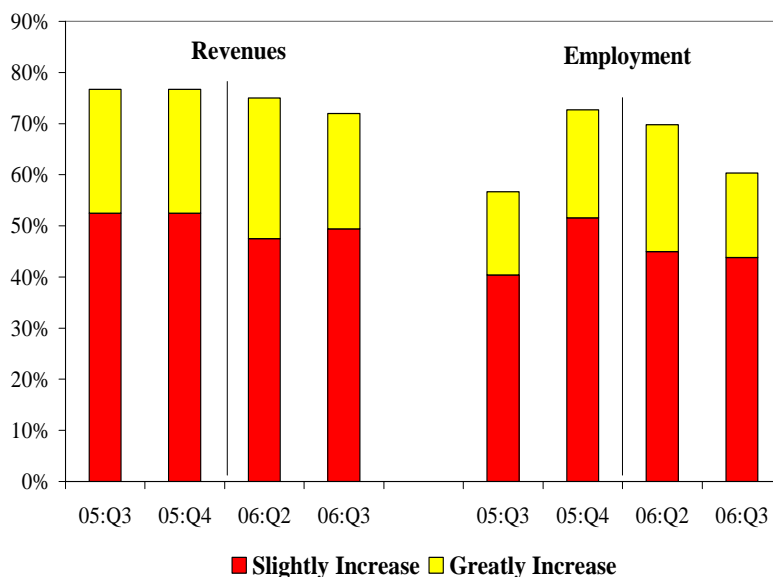


### FIRMS REDUCE EXPECTATIONS FOR COMING YEAR

In the third quarter of 2006, Maryland companies reported that they expect to reduce their revenue and employment growth for the coming year.

- 72% of firms expect revenue growth in the coming year. This is a slight decrease from the second quarter of 2006 (75%).
- 60% of firms expect employment growth in the coming year. This is a decrease from the second quarter of 2006 (70%).

Expectations for both revenue and employment growth have consistently remained above and continue to remain above reported performance by firms.



## LABOR MARKET AND WORKER SHORTAGES

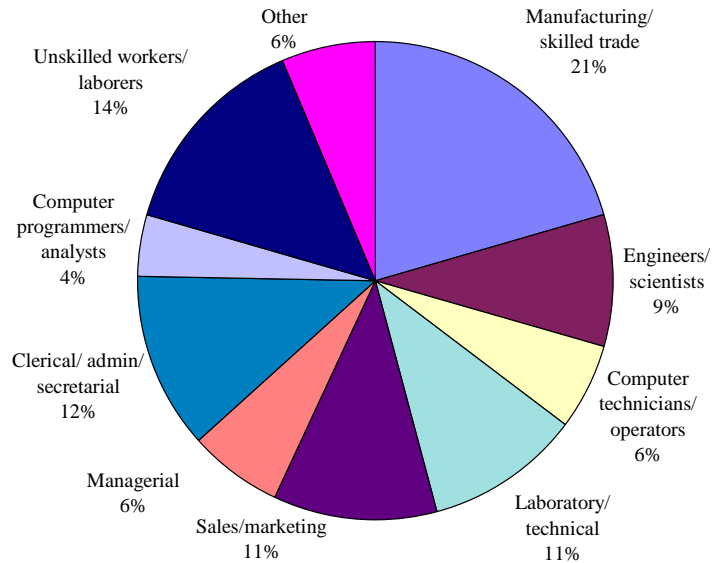
In the third quarter of 2006, 20% of firms reported experiencing labor shortages. Over the last four quarters, the percentage of firms reporting labor shortages has decreased from 46% to 20%. From the second to the third quarter the percentage has decreased from 27% to 20%. Of those firms reporting labor shortages, 38% reported short-term shortages, 44% reported long-term shortages, and 18% reported both short and long-term shortages.

73% of firms consider labor market conditions in Maryland as a competitive asset.

14% of firms consider labor market conditions in Maryland as a competitive weakness.

22% of firms said that labor market conditions have hindered their ability to do business.

31% of firms recruit experienced workers from out-of-state.



## GREATEST ADVANTAGE AND DISADVANTAGE TO DOING BUSINESS IN MARYLAND

Firms were asked to provide the greatest advantage and the greatest disadvantage to doing business in Maryland. These included:

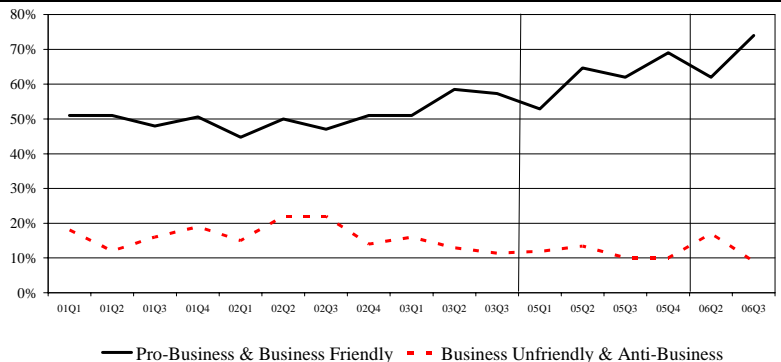
- 59% cited Maryland's location as the greatest advantage. The largest number of firms cited their proximity to their markets, clients, and suppliers as the greatest advantage.
- 3% of firms each cited Maryland as having a strong local market, a positive business environment, and a strong labor market.
- 32% cited the quality of life in the State, which includes traffic, parking, and crime, as the most significant disadvantage to doing business in Maryland.

29% cited taxes as the greatest disadvantage to doing business in Maryland.

## MARYLAND'S BUSINESS CLIMATE CLIMBS TO RECORD HIGH

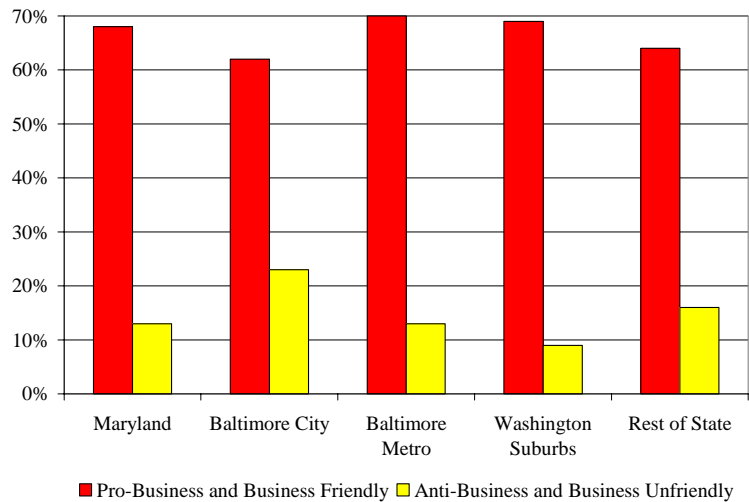
The percentage of firms rating the business climate in Maryland as being pro-business or business friendly climbed to a record high in the third quarter of 2006. Nearly three of every four firms surveyed in the third quarter rated Maryland as being pro-business or business friendly. This marks the first time that the percentage of firms rating Maryland as pro-business has been above 70%. In addition, the percentage of firms rating the State as business unfriendly decreased from the second to the third quarter of 2006.

- 74% of firms rated Maryland as either being pro-business or business friendly.
  - 9% of firms rated Maryland as either being anti-business or business unfriendly.
- This is the first time that the negative view of the State's business climate has fallen below 10% and is a new record low.



### Viewing the business climate regionally:

- 62% of firms in Baltimore City have a positive view of the business climate in 2006.
  - 70% of firms in the Baltimore Metro Area have a positive view of the business climate in 2006.
  - 69% of firms in the Washington Suburbs have a positive view of the business climate in 2006.
- 64% of firms in the Rest of the State have a positive view of the business climate in 2006.



### STEPS TO IMPROVE MARYLAND'S BUSINESS CLIMATE

Firms were asked to provide the steps that they believe would improve Maryland's business climate. These included:

- 31% of firms cited lowering taxes or expanding tax incentives in Maryland.
- 15% of firms cited reducing government regulations and 15% of firms cited expanding economic development policies. These include expanding business retention and attraction policies, promoting small and minority businesses, and expanding economic development incentives.

Questions regarding the **Maryland Business Climate Survey** contact  
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