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 Matthew Kachura, Economic Development Research Manager

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