

MARYLAND BUSINESS CLIMATE SURVEY

Fourth Quarter, 2000

Sponsored By:

* Arthur Anderson & Company * BGE * Baltimore Life* Verizon *
 *Alcoa Eastalco Works * Allfirst * First Union Bank * Legg Mason * Bank of America *
 * Lockheed Martin * Maryland Technology Council * The Maryland Chamber of Commerce *
 *Northrop Grumman * Stanton Communications * Washington Gas *

Performance Falls in the Fourth Quarter

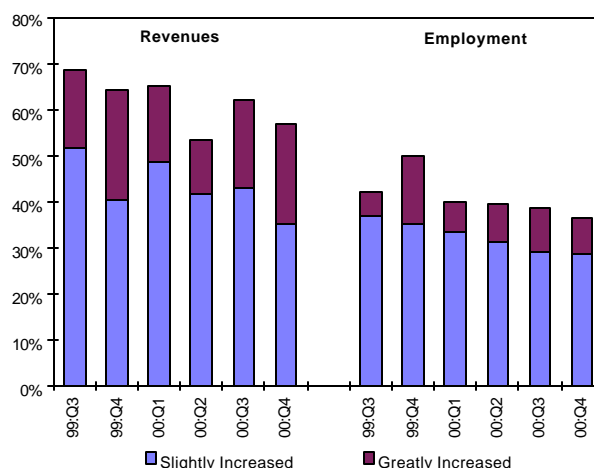
The number of businesses reporting revenue growth in the fourth quarter decreased, reversing the increase experienced in the third quarter. The percentage of firms reporting revenue growth decreased from 62% in the third quarter to 57% in the fourth quarter. Firms reporting *slight increases* fell from 43% to 35%, with the percentage of firms reporting *great increases* in revenues staying at 37%. Over the past six quarters, the percentage of firms reporting revenue growth has declined from 69% to 57%. Firms reporting employment gains fell slightly from the third quarter to the fourth quarter, continuing the negative trend through the entire year.

Firms Optimistic on Employment in 2001

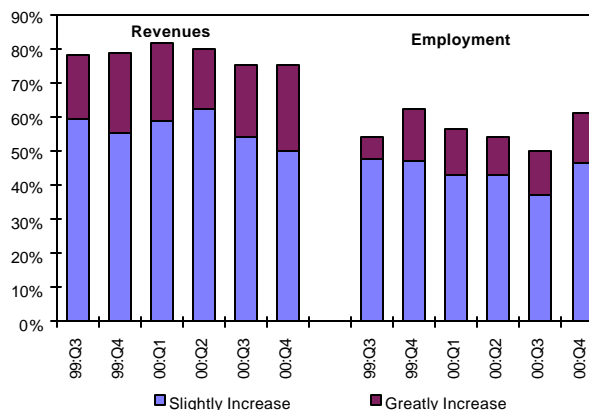
Maryland businesses reported mixed expectations for revenue and employment growth in the coming year. From the third quarter to the fourth quarter of 2000, the percentage of firms expecting an increase in revenues remained steady at 75%. However, the percentage of firms expecting employment increases increased dramatically in the fourth quarter. The percentage of firms expecting increases in employment rose from 50% in the third quarter to 61% in the fourth quarter.

With revenue expectations holding steady and employment expectations rising, this is a positive sign that Maryland firms do not expect that the current economic slowdown will have too great of an impact on their operations.

Performance in the Past Year % Firms Reporting an Increase



Expectations for the Coming Year % Firms Reporting an Increase



Labor Market Conditions Persist as Hindering

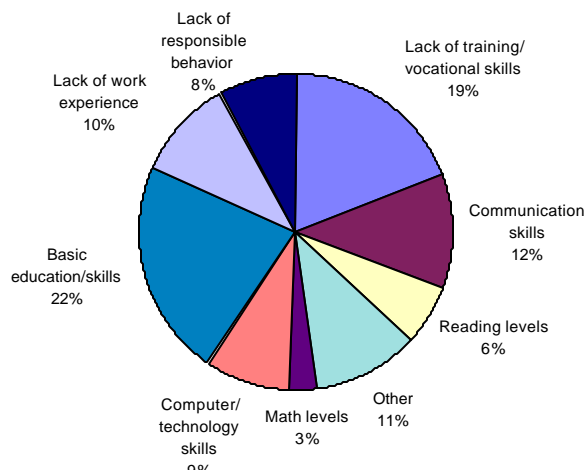
Business Climate Survey participants were asked if labor market conditions in Maryland hinder their ability to do business. Forty-two percent (42%) of firms in 2000 responded that labor market conditions in the State hinder their ability to do business. This figure has now remained fairly steady over the past three years. Over this same time period, the percentage of firms citing labor shortages has risen from 37% to over 70%. Survey participants were also asked if they viewed labor market conditions as a *competitive asset* or a *competitive weakness* to the State. Twenty-three percent (23%) of firms reported labor market conditions in Maryland as a *competitive asset* and 35% responded that the conditions are a *competitive weakness*.

Students Weak in Basic Education and Skills

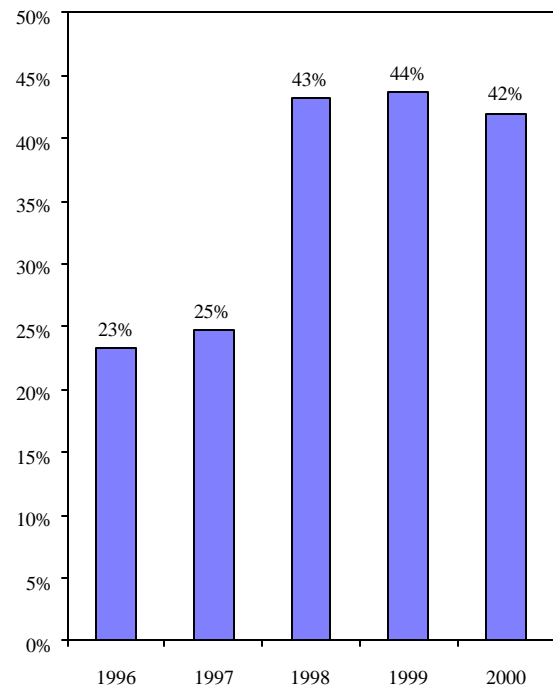
Eighty-four percent (84%) of the surveyed firms through 2000 hired workers who had only a high school level of education. When businesses were asked if these employees have the necessary skills to perform their jobs, over one-third (34%) of the firms responded that they do not.

The greatest problems that employers noted were a *lack of basic education/skills* (22%), a *lack of training/vocational skills* (19%), a *lack of communication skills* (12%), a *lack of work experience* (10%), a *lack of computer technology/ skills* (9%), and a *lack of responsible behavior* (8%).

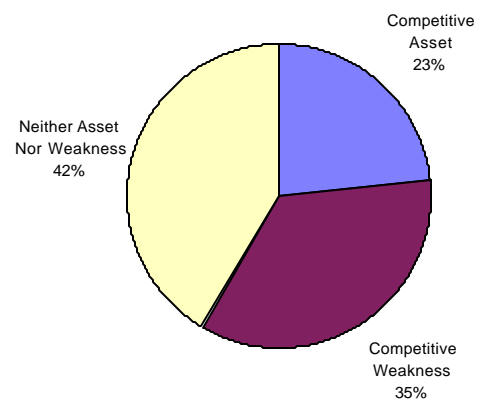
Biggest Problem with Graduates' Qualifications



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



Overall Labor Market Conditions In Maryland



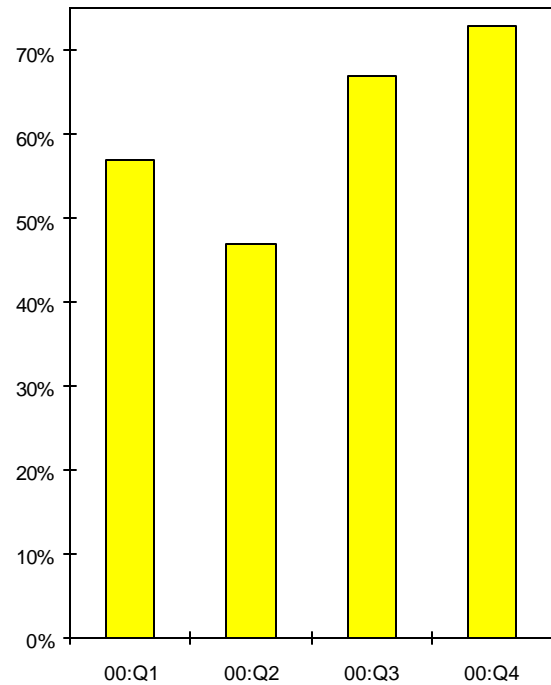
Labor Shortages Reach Highest Level

Companies were asked if they had experienced difficulties in obtaining workers with the necessary skills to fulfill specific job requirements. In the fourth quarter of 2000, 73% of firms reported worker shortages. This is the highest level of reported worker shortages over the past four years. This increase in worker shortages may reflect the seasonal effect of firms needing additional staff during the holiday season. Additionally, firms have continually reported high level of worker shortages through the past three years. Given both the increased expectations for future employment growth and the large percentage of firms currently experiencing worker shortages, this indicates that the issue of worker availability may become even more critical in the coming year.

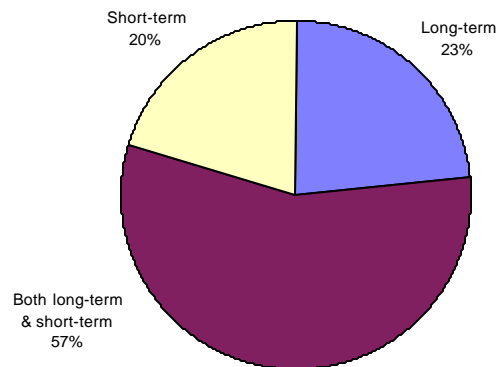
Companies reporting difficulties in hiring workers were asked whether these were *short-term* shortages, *long-term* shortages, or *both*. For 2000, 20% of firms reported *short-term* shortages, 23% reported *long-term* shortages, and 57% reported *both* short and long-term shortages.

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* (17%), *unskilled workers/laborers* (14%), *sales/marketing* (13%), *clerical/ administrative/secretarial* (12%), and *managerial* (10%).

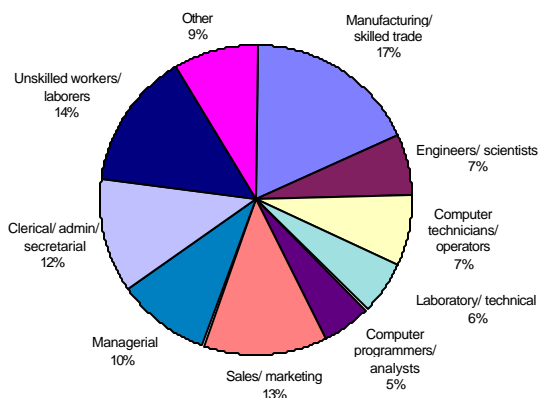
Percentage of Firms Experiencing Worker Shortages



Types of Shortages Experienced Percentage of Firms Reporting



Positions for which Firms Cited Recruitment Difficulty



Business Climate in 2000 Seen as Positive

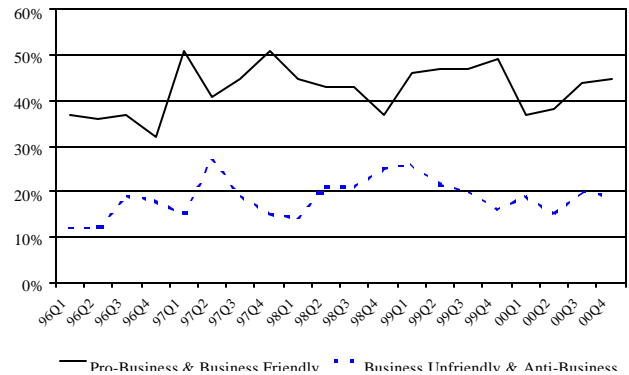
Firms having a positive view of Maryland's business climate increased throughout each quarter in 2000. The percentage of Maryland businesses that rated the State as either pro-business or business friendly increased from 37% in the first quarter to 45% in the fourth quarter of 2000. The percentage of businesses holding a negative view of the State's business climate (rating Maryland as either anti-business or business unfriendly) ended the year at 19%, the same percentage as experienced in the first quarter of 2000. This might be due to that Maryland firms continued to experience moderate growth over the past 6 months, even with the national economy starting to slow. But, these firms are also waiting to see how the national economy will effect the Maryland economy.

Firms in the Washington Suburbs have the best view of the State's business climate. Half (50%) of the firms surveyed in the Washington Suburbs have a positive view of the State's business climate compared to 41% statewide, and 12% of firms in the Washington Suburbs have a negative view of the business climate as compared to 18% Statewide. In Baltimore City, 34% of firms have a positive view of the business climate and 25% of firms have a negative view of Maryland's business climate.

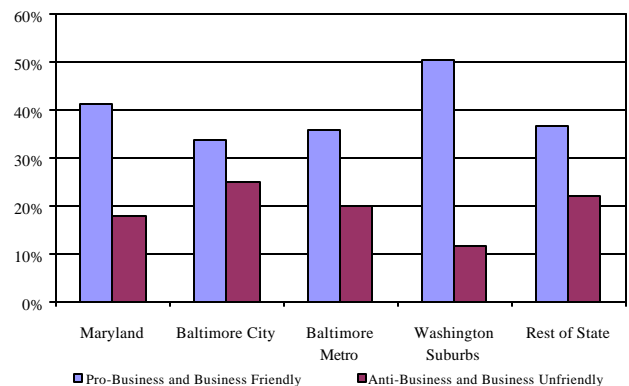
Tech Firms Predict Greater Gains in 2001

The technology sector continues to lead in Maryland. High-tech firms expect to experience greater gains in revenues and employment than non-tech firms do in the coming year. Thirty-eight percent (38%) of high-tech firms report that they expect *great increases* in revenues compared to 18% of non-tech firms (in 1999, 28% of high-tech firms expected *great increases* in revenues and non-tech firms expected *great increases* of 18%). The percentage of high-tech firms that expect *great increases* in employment is nearly double that of non-tech firms. Overall, 69% of high-tech firms expect to increase employment in 2001, compared to 52% of non-tech firms.

Maryland's Business Climate 1996Q1 to 2000Q4



Maryland's Business Climate By Region, 2000



Revenue and Employment Expectations in High-tech v. Non-tech Firms, 2000

	Revenue		Employment	
	Great Increases	Slight Increases	Great Increases	Slight Increases
High-tech firms	38%	48%	21%	48%
Non-tech firms	18%	56%	11%	41%