ECONOMIC GROWTH ENDS ON POSITIVE FOR 2005

In the fourth quarter of 2005, Maryland firms reported strong growth in both revenue and employment. Over the past three quarters, firms have reported increases in revenue and employment.

- 50% of firms reported increases in employment from the previous year. This is an increase from 44% in the third quarter of 2005 and an increase from 40% in the second quarter.
- 60% of firms reported revenue growth from the previous year. This is a slight increase from 59% in the second quarter of 2005.

FIRMS HAVE STRONG EXPECTATIONS FOR 2006

In the fourth quarter of 2005 Maryland companies reported that they expect to continue their strong revenue and employment growth in the coming year.

- The percentage of firms expecting revenue growth in the coming year held steady in the third and fourth quarters of 2005 at 77%.
- In the fourth quarter, 73% of firms expect employment growth in the coming year. This is a significant increase from 57% in the third quarter of 2005 and is up from 60% in the first quarter of 2005.
**LABOR MARKET AND WORKER SHORTAGES**

In the fourth quarter of 2005, 33% of firms reported experiencing labor shortages. This is down from 46% in the third quarter of 2005. Of those firms reporting labor shortages, 38% reported short-term shortages, 40% reported long-term shortages, and 22% reported both short and long-term shortages.

- 51% of firms consider labor market conditions in Maryland as a competitive asset.
- 21% of firms consider labor market conditions in Maryland as a competitive weakness.
- 28% of firms said that labor market conditions have hindered their ability to do business.
- 35% of firms recruit experienced workers from out-of-state.

**E-GOVERNMENT USE**

New to the Business Climate Survey for 2005 are questions regarding firms’ use of electronic government services. These are services and applications available through State web sites. Several firms responded that they would like to be able to use the Internet to bid on state contracts, utilize more MVA services, to pay their personal and business taxes, to gain access to information on state regulations, and to apply for programs geared to small and minority businesses.

- 25% of responding firms use Maryland’s E-government services.
- 68% of those firms using E-government services utilize State web sites to obtain information and 17% use E-government services to obtain licenses or permits.

**GREATEST ADVANTAGE AND DISADVANTAGE TO DOING BUSINESS IN MARYLAND**

Over the course of 2005, firms were asked to provide the greatest advantage and the greatest disadvantage to doing business in Maryland. These included:

- 60% cited Maryland’s location as the greatest advantage.
- 7% cited Maryland as having a strong local market.
- 34% cited taxes as the greatest disadvantage to doing business in Maryland.
- 13% cited the general business environment in the State as the most significant disadvantage to doing business in Maryland.
The percentage of firms rating the business climate in Maryland as being pro-business or business friendly reached new highs to end 2005. From the second through the fourth quarters of 2005, the positive view of the business climate has been above 60%.

- 69% of firms rated Maryland as either being pro-business or business friendly.
- 10% of firms rated Maryland as either being anti-business or business unfriendly. While this percentage has remained steady from the third quarter, this is a decrease from 13% in the second quarter and remains the record low for firms rating the State as being anti-business or business unfriendly.

The percentage of firms rated Maryland as having a positive business climate (rating Maryland as either pro-business or business friendly) over all four quarters of 2005 is 62%. This is the highest annual average since this survey began in 1996.

- 60% of firms in Baltimore City rated Maryland as having a positive business climate.
- 70% of firms in the Washington Suburbs rated Maryland as having a positive business climate.
- 57% of firms in the Baltimore Metro Area rated Maryland as having a positive business climate.
- 58% of firms in the Rest of the State rated Maryland as having a positive business climate.