



# Maryland Business Climate Survey 2018

3rd Quarter

**A Project By**

The Maryland Public Policy Institute  
University of Baltimore /  
The Jacob France Institute

**Media Partner**

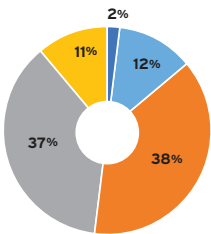
Baltimore Business Journal

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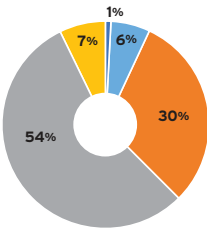
## Maryland Business Climate Survey Introduction

The Maryland Public Policy Institute and the University of Baltimore's Jacob France Institute partnered to reinstate the Maryland Business Climate Survey and produce its next installment. The survey was first launched in 1995 and was conducted for more than a decade. Its goal has been to provide timely data on the performance, direction, and competitiveness of the state's economy.

This report presents the results of the survey of 250 Maryland businesses in leading sectors of the state's economy. The survey was conducted in the third quarter of the year and compares the findings with the pilot survey conducted between the end of 2017 and start of 2018.



Current Sales



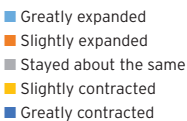
Current Employment

## Businesses Report 3rd Quarter Economic Growth

Maryland's economic growth accelerated in the third quarter of 2018, with more Maryland firms reporting growth in both sales and employment compared with the previous year.

>> *Forty-nine percent of firms reported an increase in sales compared with the previous year, while 12 percent reported a decrease. In second quarter 2018, 41 percent reported an increase in sales and 13 percent reported a decrease compared with the previous year.*

>> *Thirty-six percent of firms reported growth in employment and 8 percent of firms reported decreases in employment when compared with the previous year. In second quarter 2018, 29 percent of firms reported a growth in employment and 13 percent reported a decrease compared with the previous year.*

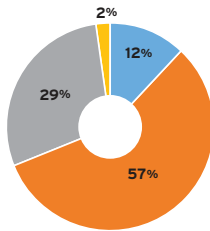
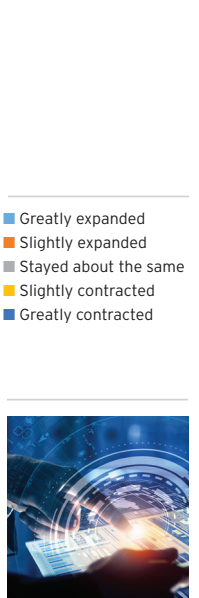


## Market Expectations Slightly Raised

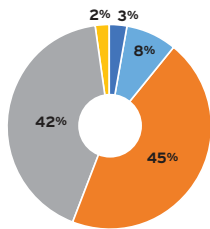
Maryland firms are optimistic about future growth. A majority of firms surveyed expected the market for their products and services to expand in 2019 (64 percent), with only 3 percent expecting a market contraction.

>> *Sixty-seven percent of firms surveyed expected to see an increase in their sales in the coming year, while 2 percent expected their revenues to decline. In second quarter 2018, 60 percent expected sales to increase and 6 percent expected a decrease.*

>> *Fifty-three percent of the businesses surveyed expected to see an increase in their employment in the next year, while 2 percent expected that their employment will decline. In second quarter 2018, 46 percent of firms expected employment to increase and 4 percent expected it to decrease.*



Future Sales



Future Employment

## Majority Report Worker Shortages

In the past year, 51 percent of business surveyed reported that their companies had experienced difficulties in obtaining workers with the skills necessary to fill specific job requirements. Forty-seven percent reported no difficulties. This is slightly improved from the second quarter, when 56 percent of business surveyed reported that their companies had experienced difficulties in obtaining workers with the skills necessary to fill specific job requirements and 43 percent reported no difficulties.

Of the firms reporting worker shortages in third quarter 2018:

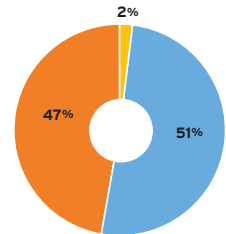
- >> *Twenty-seven percent reported short-term worker shortages*
- >> *Twenty-nine percent reported long-term worker shortages*
- >> *Forty-three percent reported both short-term and long-term worker shortages.*

Businesses were asked whether labor market conditions in the state hindered the ability of businesses to meet their goals.

- >> *Eighteen percent responded that labor market conditions helped their business either a great deal or somewhat*
- >> *Fifty-three percent responded that labor market conditions had no impact on their businesses*
- >> *Twenty-one percent responded that labor market conditions either hurt their businesses somewhat or hurt their business a great deal*



■ Yes  
■ No  
■ Dont know

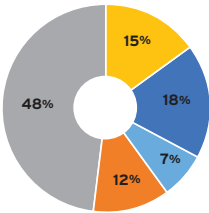
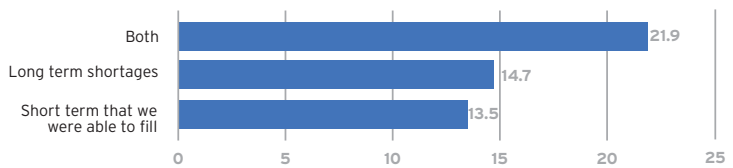


Worker Shortages

## Labor Availability and Benefits Costs Continue to be Key Workforce Issues

When asked about labor market issues impacting their business, 25 percent reported benefit costs as the most important workforce issue in their business, and 23 percent of businesses surveyed reported the availability of candidates.

Worker Shortages Length of Time



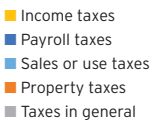
Tax burden

## Impact of State and Local Taxes on Meeting Goals

Businesses were asked to what extent state or local taxes hindered their ability to meet their strategic goals. In third quarter 2018, 34 percent of businesses reported that taxes had some negative impact on their operations. Results from the third quarter include the following:

- >> *Thirty-four percent of firms indicated taxes had no impact*
- >> *Twenty-five percent of firms indicated taxes had little impact*
- >> *Twenty-five percent of firms indicated taxes had a moderate impact*
- >> *Nine percent of firms indicated taxes had a great impact*

When asked which tax categories were most burdensome to their companies, companies responded with the breakdown to the left:



## Businesses Indicate Overall Positive View of State's Business Climate

Businesses were asked to rate Maryland's overall business climate.

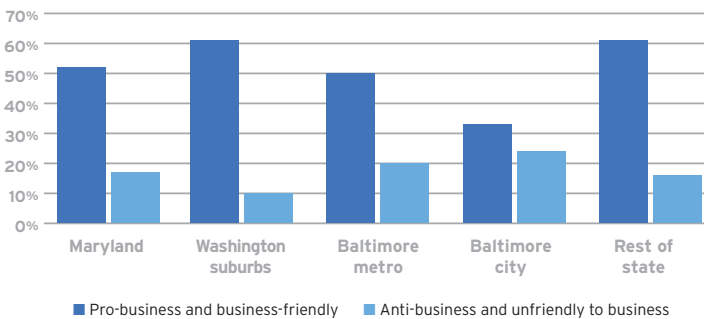
- >> *Fifty-two percent of businesses rated Maryland's overall business climate as either pro-business or business friendly*
- >> *Twenty-nine percent rated Maryland's overall business climate as neutral*
- >> *Seventeen percent rated Maryland's overall business climate as either unfriendly or anti-business*

When analyzing the business climate regionally:

- >> *Sixty-one percent of firms in the Washington suburbs had a positive view of the business climate*
- >> *Fifty percent of firms in the Baltimore metropolitan area had a positive view of the business climate*
- >> *Thirty-three percent of firms in Baltimore City had a positive view of the business climate while 24 percent had a negative view of the business climate*
- >> *Sixty-one percent of firms in the rest of Maryland had a positive view of the business climate.*



Regional Views of Business Climate

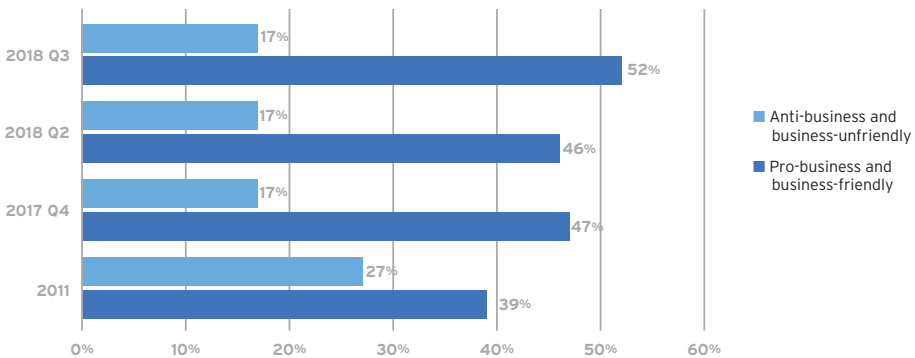


## Perception of Business Climate Remains Positive

In third quarter 2018, the percentage of firms viewing the state as business-friendly rose slightly from 46 percent in second quarter 2018 to 52 percent in third quarter 2018. The percentage of businesses with a negative view of the state's business climate remained steady at 17

percent between second quarter 2018 and this most recent survey. Current perceptions remain improved from levels in 2011—the last time the survey was conducted. Ninety-seven percent of firms surveyed believed it very likely or likely they would remain in Maryland in the future.

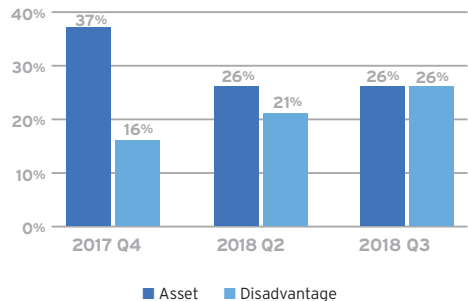
Perceptions of Business Climate



## Maryland's Transportation Infrastructure Impact on Business

Businesses were asked how they would rank Maryland's transportation infrastructure in terms of its impact on their businesses. In third quarter 2018, 26 percent of businesses ranked transportation infrastructure as an asset. This is the same as the percent in the second quarter 2018. The number of businesses that ranked transportation as a disadvantage rose from 21 percent in second quarter 2018 to 26 percent in third quarter 2018.

Rating of Maryland's Transportation Infrastructure





## Maryland Business Climate Survey Methodology

The Maryland Business Climate Survey offers an unparalleled resource for analyzing both the direction and perception of the state's economy. The Jacob France Institute introduced the survey in the second quarter of 1995, inspired by work it was doing for the Maryland Chamber of Commerce and some of the state's leading corporations in developing a business-oriented strategic plan for Maryland. For more than a decade, the survey took the pulse of the business community and contributed to a better understanding of the issues facing businesses in all corners of the state. The survey was again conducted in 2011 and 2012, but was discontinued in 2013.

Now, the University of Baltimore's Merrick School of Business and the Jacob France Institute have teamed up with the Maryland Public Policy Institute to bring back and disseminate the results of the Business Climate Survey to a significantly wider audience. Each quarter, telephone interviews are conducted with senior executives in 250 businesses with 10 or more employees.

Our goal is to have 1,000 completed surveys by the end of the calendar year—a standard sample size for many types of surveys seeking a margin of error of 3 percent. But we feel strongly that releasing a quarterly update—culled from a smaller sample—provides insights into the state business conditions on a more timely basis. Therefore, each quarter's update should be considered a partial report rather than a more conclusive year-long assessment.

Updates to the Maryland Business Climate Survey will be released at the end of each quarter, and at the end of the year, a full report will be produced that compiles the result of the previous four quarters.

**Richard Clinch, Ph.D.**, director of economic research at the Jacob France Institute at the University of Baltimore

**Christopher B. Summers**, president and chief executive officer of the Maryland Public Policy Institute.

## Appendix

### Description of Businesses Surveyed

The 2017 Pilot and 2018 Maryland Business Climate Survey used firm information purchased from Dun and Bradstreet. This database included business name, industry, and contact information for selected businesses. The sample of businesses that was used for the survey included firms that:

- >> *Were located in Maryland*
- >> *Were private businesses*
- >> *Had over 10 employees;*
- >> *Were in selected “mobile” industries that include:*

*Manufacturing (NAICS 31-33)*

*Wholesale trade (NAICS 42)*

*Transportation and warehousing (NAICS 48)*

*Information (NAICS 51)*

*Finance and insurance (NAICS 52)*

*Professional, scientific, and technical Services (NAICS 54)*

*Management of companies and enterprises (NAICS 55)*

*Telephone call centers (NAICS 5614)*

Each quarter, the Schaefer Center at the University of Baltimore will conduct telephone interviews with senior executives in 250 businesses with 10 or more employees from across Maryland. This survey has a total of 1,000 completed interviews by the end of the four quarter survey period—a standard sample size for many types of surveys seeking a margin of error of 3 percent.





Center for Business & Economic Competitiveness  
*The Maryland Public Policy Institute*

The Jacob France Institute  
*University of Baltimore Merrick School of Business*

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