



Maryland Business Climate Survey 2019

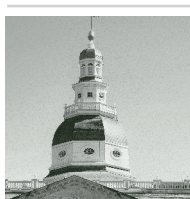
1st Quarter

A Project By

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

Media Partner

Baltimore Business Journal



Introduction

In 2018, the Maryland Public Policy Institute and the University of Baltimore's Jacob France Institute partnered to reinstate the Maryland Business Climate Survey. 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 summarizes key findings for the first quarter of 2019.

This report presents the results of a survey of 254 Maryland businesses in leading sectors of the state's economy. This is the fifth quarterly installment of the reinstated survey. The survey was conducted in the first quarter of the year and compares the findings with survey results from the 2018 survey.

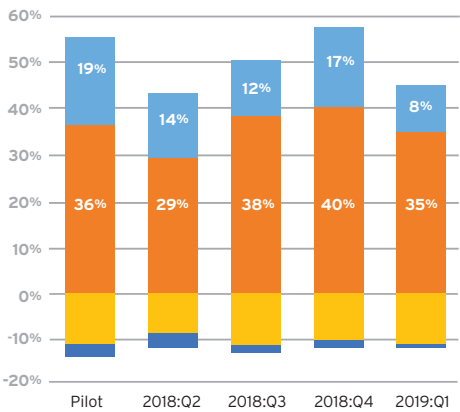
After a Strong Close to 2018, Business Performance Dips in the Start of the Year

After three-quarters of firms reported improved performance, Maryland's economic growth appears to have slowed somewhat in the first quarter of 2019. Fewer Maryland firms reported increases in both sales and employment compared with the previous quarter.

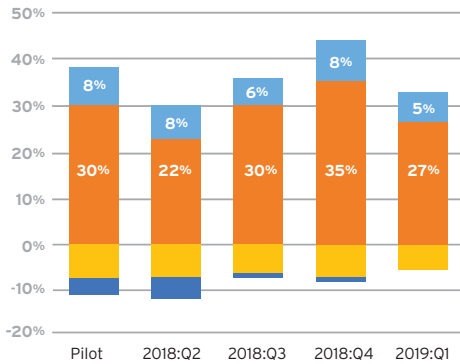
- >> *Forty-three percent of firms reported an increase in sales compared with the previous year, while 11 percent reported a decrease. In the fourth quarter of 2018, 57 percent reported an increase in sales and 12 percent reported a decrease compared with the previous year.*
- >> *Thirty-two percent of firms reported growth in employment and 6 percent of firms reported a decrease*

in employment when compared with the previous year. In the fourth quarter of 2018, 44 percent of firms reported growth in employment and 9 percent reported a decrease compared with the previous year.

Revenues - Past Year



Employment - Past Year



- Slightly expanded
- Greatly expanded
- Slightly contracted
- Greatly contracted

Diminished Optimism at Start of Year

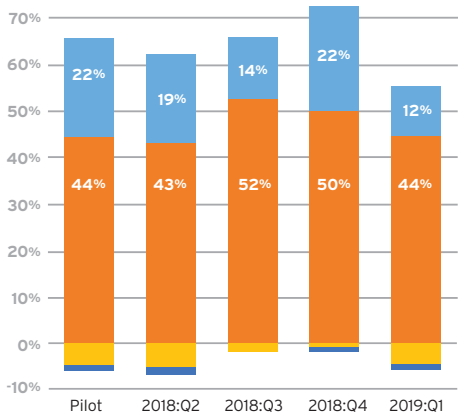
While more than half (56 percent) of Maryland businesses surveyed expect the markets they serve to grow and only 6 percent see a market decline in the coming year, fewer firms are optimistic for market growth than in the fourth quarter, when 72 percent of

responding firms surveyed reported that they expect the market for their products and services to expand in 2019.

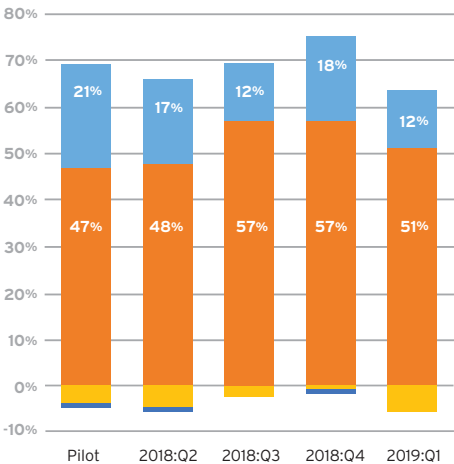
>> *Sixty-three percent of firms surveyed expected to see an increase in their sales in the coming year, while 6 percent expected their revenues to decline, down from 74 percent of firms expecting revenue growth in the fourth quarter of 2018.*

>> *Forty-five percent of the businesses surveyed expected to increase their employment in the coming year, while 4 percent expected that their employment will decline, down from 53 percent of firms expecting to add jobs reported in the fourth quarter of 2018.*

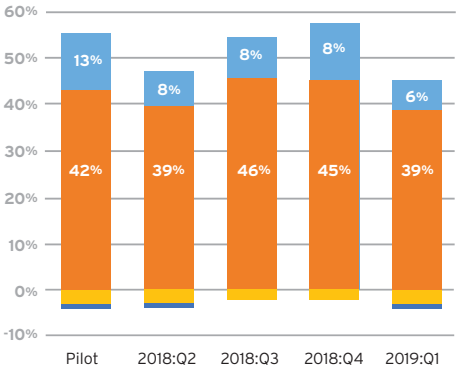
Market - Coming Year



Revenues - Coming Year



Employment - Coming Year



Maryland Businesses Report Diminished Worker Shortages

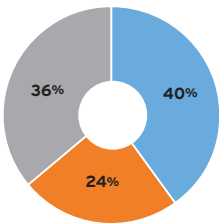
Worker shortages appear to be mitigating somewhat, possibly as a result of reduced hiring activity. Throughout 2018, more than half of responding Maryland businesses surveyed reported experiencing difficulties in finding workers with the skills necessary to fill specific job requirements. In the first quarter of 2019, this fell to 39 percent of responding businesses reporting difficulties in finding workers.

When asked if these workforce shortages were long-term, short-term or both, 36 percent of firms experiencing shortages reported long-term shortages, 24 percent reported short-term shortages, and 40 percent reported experiencing both long- and short-term shortages. Firms reported shortages across all skill levels with firms experiencing difficulty in finding manufacturing workers (26 firms), unskilled workers or laborers (11 firms), and engineers or scientists (17 firms).

Thus, Maryland businesses appear to be experiencing worker shortages across the low, middle and high-skilled spectrum of occupations. In the first quarter of 2019, 47 percent of businesses reporting workforce shortages were forced to recruit workers from out of state and 15 percent of firms experiencing shortages had difficulty finding workers with a security clearance.

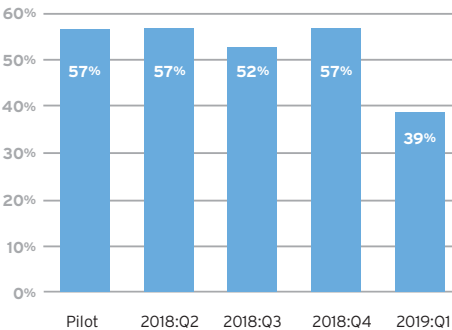


■ Both
■ Short Term
■ Long term



Type of Workforce Shortage

Percentage of Firms Experiencing Workforce Shortages

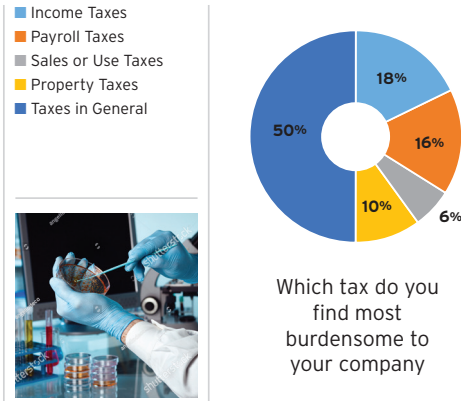


Impact of State and Local Taxes on Meeting Goals

Businesses were asked to what extent state or local taxes hindered their ability to meet their strategic goals. In the first quarter of 2019, 59 percent of businesses reported that taxes had some negative impact on their operations (little, moderate, or great impact). Results from the first quarter include the following:

- >> *Forty-one percent of firms indicated taxes had no impact*
- >> *Twenty-six percent of firms indicated taxes had little impact*
- >> *Twenty-four 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 below breakdown:



Businesses Indicate Overall Positive View of State's Business Climate

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

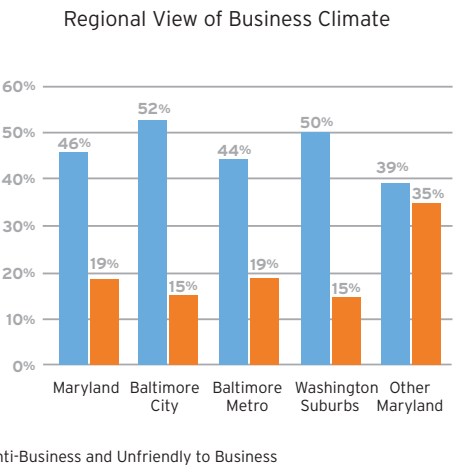
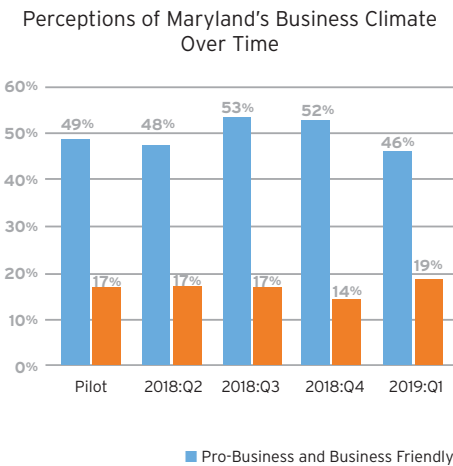
- >> *Forty-six percent of businesses rated Maryland's overall business climate as either pro-business or business friendly*
- >> *Thirty-five percent rated Maryland's overall business climate as neutral*
- >> *Nineteen percent rated Maryland's overall business climate as either unfriendly or anti-business*

When analyzing the business climate regionally:

- >> *Fifty-two percent of firms in Baltimore City had a positive view*

of the state's business climate while 15 percent had a negative view of the business climate, the first time that Baltimore City firms were the most positive.

- >> *Fifty percent of firms in the Washington suburbs had a positive view of the state's business climate.*
- >> *Forty-four percent of firms in the Baltimore metropolitan area had a positive view of the state's business climate.*
- >> *Thirty-nine percent of firms in the rest of Maryland had a positive view of the state's business climate.*



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 of the University of Baltimore began 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 parts of the state. The survey was ended in 2006, but re-started in the second quarter of 2010 through 2011 with the support of the Merrick School of Business of the University of Baltimore.

In 2017, the Maryland Public Policy Institute teamed with the Jacob France Institute with the Baltimore Business Journal as media partner to restart the survey. Each quarter, the Schafer Center at the University of Baltimore conducted telephone interviews with senior executives in 250 or more businesses with 10 or more employees from across Maryland. This survey had a total of 1,031 completed interviews by the end of the pilot and three-quarters of the 2018 survey period—a standard sample size for many types of surveys seeking a margin of error of 3 percent for the overall state-level results.

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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