

Eastern Shore Business Sentiment Survey

Summary Report December 2023



Survey Shows Eastern Shore Businesses Are Less Optimistic About the Economy

Eastern Shore business leaders' optimism regarding the economy has declined for both the short term and long term compared to June 2023 survey responses, according to a survey conducted in December 2023 by the Business Economic and Community Outreach Network (BEACON) at Salisbury University. One of the areas that showed the largest decline is business leaders' predictions for the conditions in their sector in the next three months. In the December 2023 survey, 18 percent of business leaders said that conditions in their sector would improve over the next three months compared to 34 percent in June 2023. Business leaders are also less optimistic about the standard of living in Maryland over the next five years. Only 28 percent of business leaders believe that the standard of living will rise, compared to 38 percent of business leaders believing the standard of living would rise in the economic sentiment survey six months ago.

BEACON conducts an economic sentiment survey of Eastern Shore business stakeholders every six months and has been doing so since June 2021. Survey respondents have fairly neutral opinions on the current state of the economy. The highest percentage of business owners believe that America's economy is growing slowly which shows a slight increase in optimism compared to the economic survey from June. In the economic sentiment survey six months ago, the highest percentage of business owners believed that America's economy was stagnating.

Showing positive expectations for their own operation, 81 percent of business leaders believe that their firm will be operating locally in the next five years and about 27 percent of respondents believe that in five years their firm will be bigger than it is today. Only 7 percent do not believe their business will be operating locally in five years.

As with past surveys, the December 2023 survey asked businesses on Maryland's Eastern Shore about their perceptions of the current business environment and their economic outlook for the next twelve months. Respondents were asked to evaluate their opinions of business conditions on a county, regional, state, and national level. Business leaders also provided feedback for their specific industries.

Business leaders who completed the economic sentiment survey expect conditions to remain the same in the county and region, but expect conditions to worsen in the state and nation. The highest concerns of the respondents are inflation, labor force issues, and regulations.

Business leaders shared their predictions on business conditions in their county and on the Eastern Shore for the next twelve months, and 45 percent of business leaders believe conditions will not change, 27 percent answered "Better or Much Better," and 28 percent answered "Worse or Much Worse."

When predicting business conditions for Maryland and the United States, business leaders possess a more negative outlook compared to the Eastern Shore and their individual counties,

with 41 percent of business leaders predicting “Worse or Much Worse” economic conditions in the state and nation. This percentage is higher compared to the 37 percent of respondents that gave the same answer to this question six months ago.

While there has been a slight decrease in positive sentiment about the local economy, there has been a slight increase in positive sentiment indicated by various national measures. According to the December 2023 NFIB Small Business Optimism Index, the number of small business owners expecting better business conditions over the next six months improved 6 points from November to a net negative 36 percent.¹

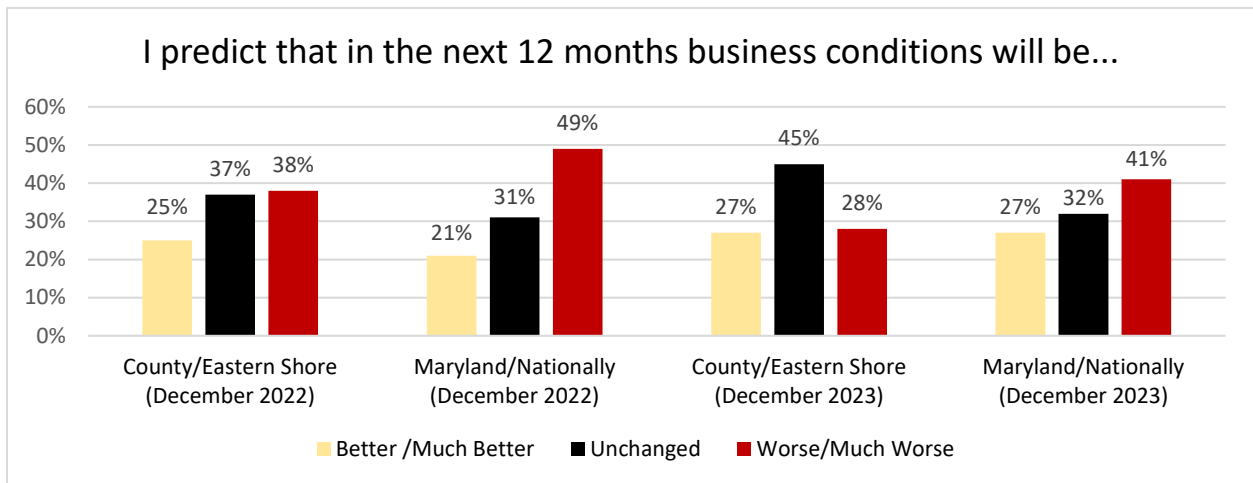
Business leaders’ sentiment about unemployment levels has slightly decreased compared to their sentiment in the June 2023 survey: 59 percent of the participants believe conditions in their county will remain unchanged, 19 percent believe unemployment conditions will be “Much Better/Better,” and 22 percent believe conditions will be “Worse or Much Worse.” The November 2023 seasonally adjusted unemployment rate in Maryland was 1.8 percent, which is slightly lower than June 2023’s rate of 2.0 percent.² Maryland’s unemployment rate showed a year-over-year improvement of 1.3 percent.²

¹ NFIB. (2024, January 9). Small Businesses Optimism Index. <https://www.nfib.com/surveys/small-business-economic-trends/>

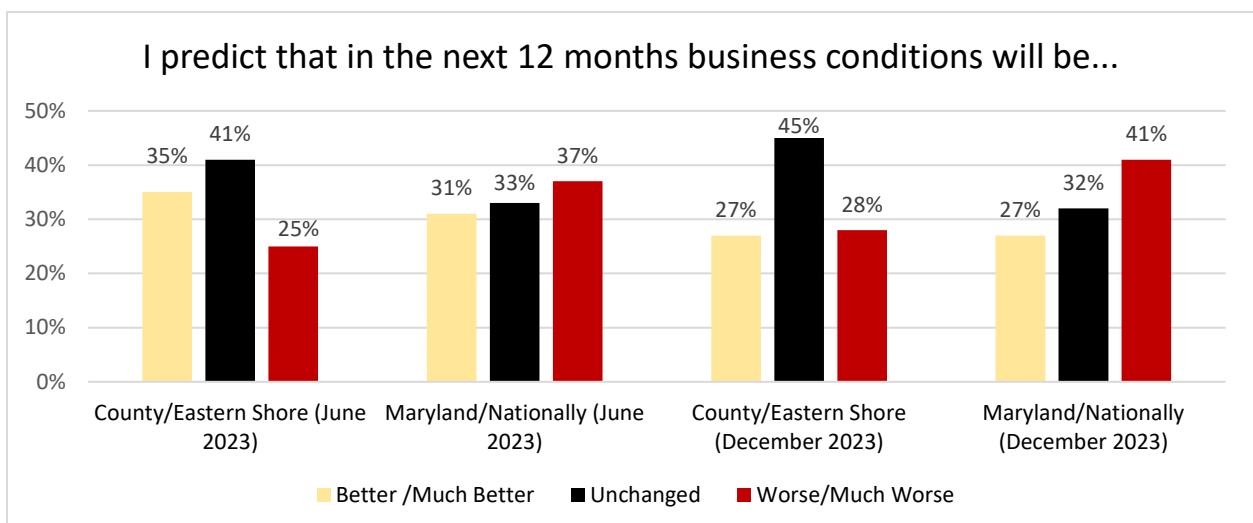
² U.S. Bureau of Labor Statistics. (2024, January 30). Bureau of Labor Statistics Data. <https://data.bls.gov/timeseries/LASST240000000000003>.

Key Findings

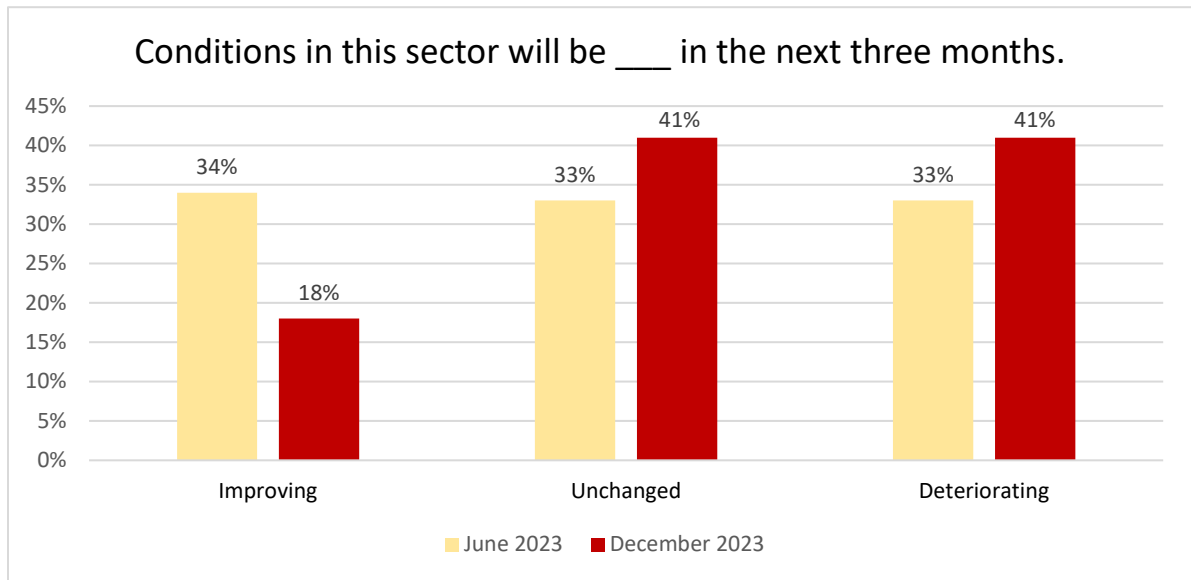
- The twelve-month outlook for business conditions in participants' respective counties is significantly better than in December 2022. When asked to predict the business conditions in their counties and on the Eastern Shore, 28 percent responded that they believe economic conditions will worsen, compared to 38 percent in December of 2022. Those responding "Much Better/Better" have increased by 2 points over the past twelve months. On a national level, 44 percent of participants believe economic conditions will be worse, compared to 52 percent in December 2022.



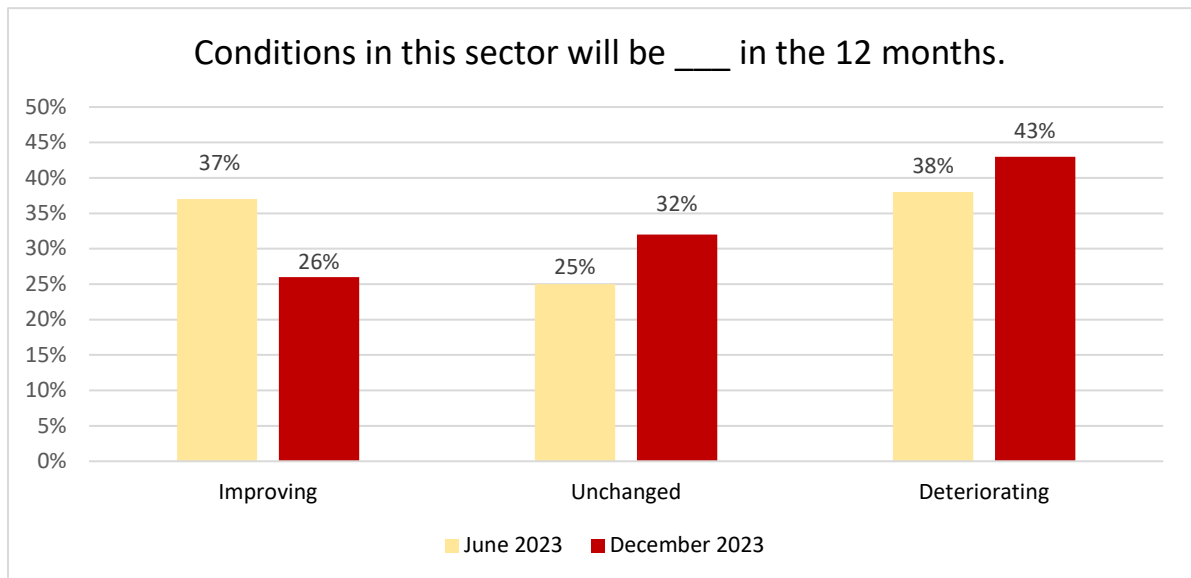
- Expectations for business conditions locally have declined from June 2023 to December 2023. As illustrated in the chart below, "Much Worse/Worse" responses for the county level and the Eastern Shore increased from 25 percent in June 2023 to 28 percent in December 2023. "Unchanged" responses increased to 45 percent in December 2023 after being 41 percent in June 2023, and "Much Better/Better" responses decreased significantly to 27 percent from 35 percent in June 2023.



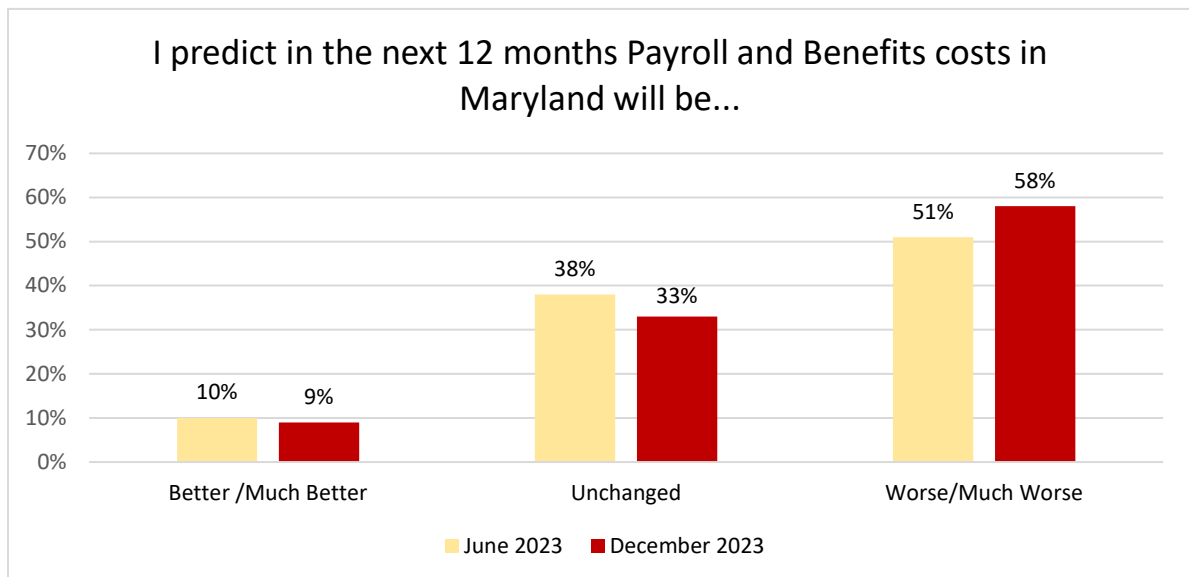
- Reflecting on their individual industry sectors, 51 percent of respondents believe business conditions have “Deteriorated A Lot/Deteriorated Slightly” over the past 12 months.
- Respondents are pessimistic about the short term, with only 18 percent believing business conditions in their sector will “Improve Slightly/ Improve A Lot” over the next three months.



- Respondents are also pessimistic about the longer-term conditions, with 43 percent believing business conditions in their sector will “Deteriorate Slightly/Deteriorate A Lot” over the next twelve months.

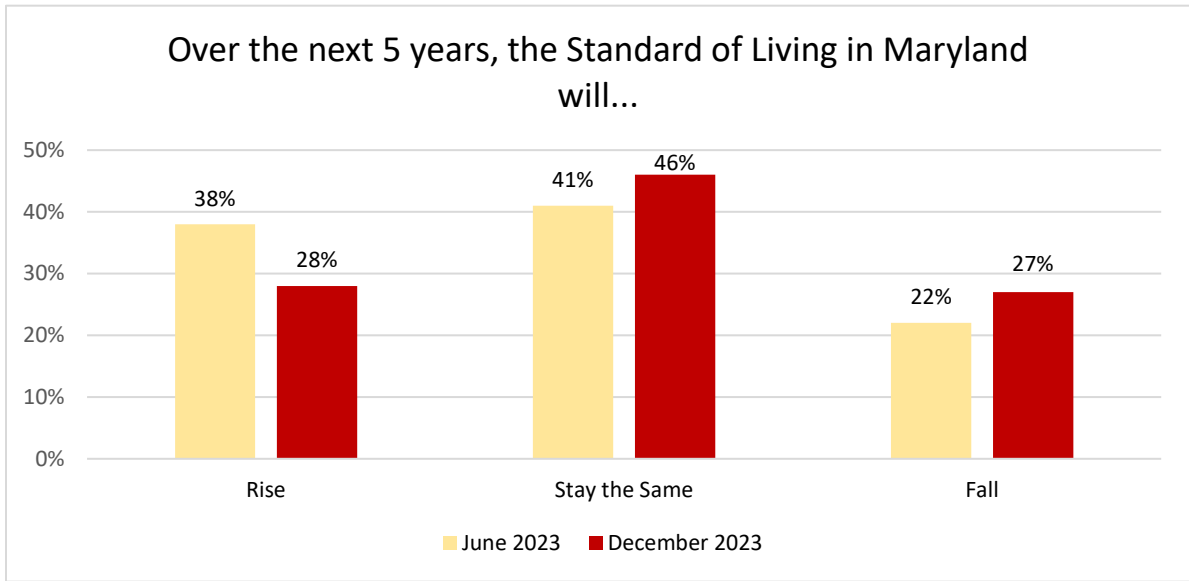


- Respondents assessed inflation as the most significant barrier to expanding in their sector, followed by labor force issues, then regulations. The highest barrier to starting a new business in their specific sectors was labor force issues, followed by inflation and finances/funding.
- When asked which cost increase in the past six months had the greatest impact on the respondents' businesses, they noted that the increase in insurance had the highest impact. Close behind, the cost of payroll and benefits and fuel and transportation had the second and third greatest impact, respectively.
- Respondents agreed payroll and benefit costs in the next twelve months would be worse or much worse in their county, region, state, and nation. The "Worse/Much Worse" responses have increased in the county, region, state, and nation when compared to the June 2023 survey.

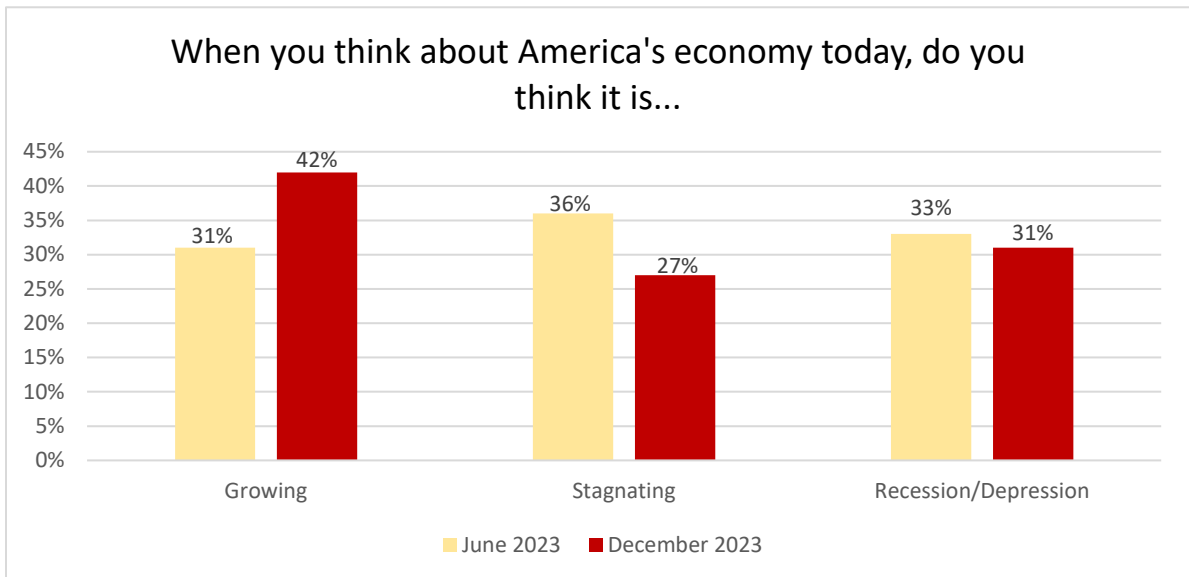


- Businesses are generally confident about their operation on a longer horizon: over 80 percent believe their firm will be operating locally in the next five years, with just 7 percent predicting their business will not be operating locally five years from now.
- Even after the events of COVID-19, a majority of respondents' firms do not have remote workers (68 percent). Of the firms with remote workers, the greatest number of workers are located in the county in which the business is located.
- A majority, 79 percent, of respondents believe household income for the average American has fallen behind the cost of living, while only 2 percent believe household incomes have surpassed the cost of living.

- Respondents were increasingly optimistic in their expectations of the standard of living on the Eastern Shore in the next five years. However, respondents were increasingly pessimistic about their expectations of the standard of living at the state and national level. Across all areas, 43 percent believe it will remain the same, while 35 percent think it will rise, and 22 percent think it will fall. The number of respondents that said that the standard of living would rise in Maryland over the next five years decreased by 10 percent since the June 2023 survey.



- Participants had mixed views on the current state of America’s economy, with overall thoughts improving. Participants generally believe the economy is “Growing Rapidly/ Growing Slowly” (42 percent), with 31 percent believing it is “In a Recession/In a Depression.” Fewer (27 percent) believe the economy is “Stagnating” which is a significant decline from 36 percent six months ago.



- A majority of responses came from company leadership, with business owners, presidents, CEOs, and managing partners making up 72 percent of the participants. A total of 75 percent of responses were from firms with fewer than 50 employees. Responses came from a wide variety of industries reflecting the economy of the region, with many respondents active in more than one industry.

This is the sixth economic sentiment survey that BEACON and the Eastern Shore Regional GIS Cooperative (ESRGC) at Salisbury University, along with the three Tri-County Councils and the economic development departments on Maryland's Eastern Shore, have conducted. This survey is only one of the tools that was developed as part of the Eastern Shore Economic Recovery Toolkit, a venture made possible by grants from the U.S. Department of Commerce Economic Development Administration (EDA) to the Mid-Shore Regional Council and Tri-County Council for the Lower Eastern Shore.

The regional data collection provides support organizations, economic development professionals, and policymakers with information to better address the concerns of the business community.

In addition to other data tools designed to gauge economic resiliency, the results of the survey are featured on the project's website. The Eastern Shore Regional GIS Cooperative has created an infographic that can be found on the site that summarizes the findings from the survey.

To access the Eastern Shore Economic Recovery Project, visit <https://recovery.delmarvaindex.org/> .

Business Sentiment: December 2023

Respondents believe in the next 12 months:



Conditions in primary business sector



23%

believe America's economy is in a recession

79%

believe household incomes have fallen behind cost of living

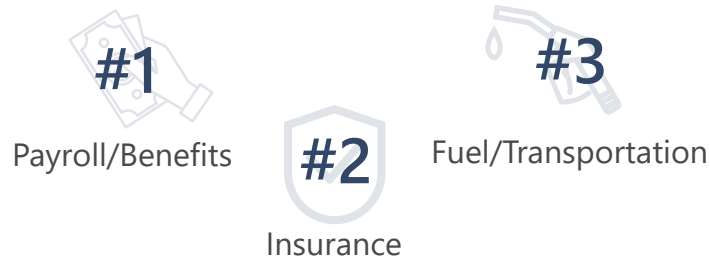
32% of firms have remote workers



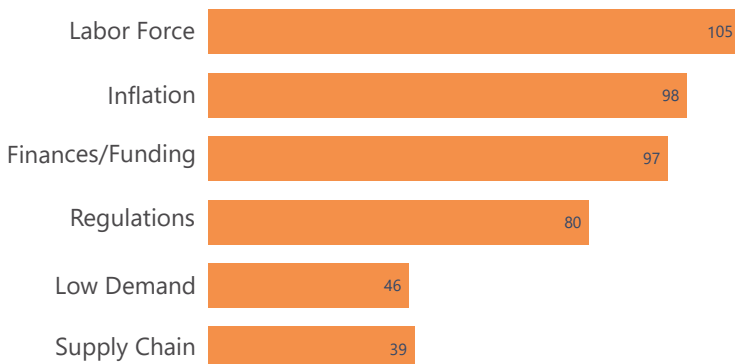
80% say remote work has helped in recruitment and retention

53% remote work is new since COVID-19

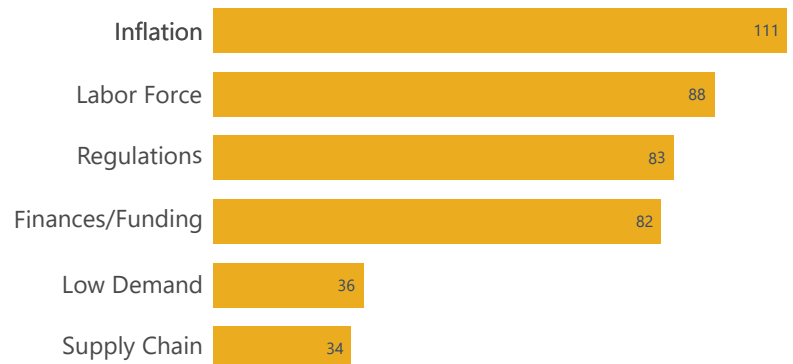
Top Impacts of Price Increases on Business



Barriers to Starting a Business



Barriers to Expanding a Business



We want to hear from you!
Email us at delmarvaindex@gmail.com to participate in the next business survey.