

Eastern Shore Business Sentiment Survey

Summary Report July 2024



Survey Shows Eastern Shore Businesses Are Increasingly Optimistic About the Economy

Eastern Shore business leaders' optimism towards the economy has increased for both the short term and long term compared to the December 2023 survey responses, according to a survey conducted in July 2024 by the Business Economic and Community Outreach Network (BEACON) at Salisbury University. One of the areas that showed the largest rise is business leaders' predictions for the business conditions in their county over the next twelve months. In the July 2024 survey, 68 percent of business leaders said that conditions in their county would improve in the next twelve months, compared to only 28 percent in December 2023. Business leaders are also increasingly optimistic about the standard of living in Maryland over the next five years. Fifty-three percent of business leaders believe that Maryland's standard of living will rise, compared to only 28 percent believing the standard of living will rise in the economic sentiment survey six months ago.

BEACON conducts an economic sentiment survey of Eastern Shore business stakeholders every 6 months and has been doing so since June 2021. Survey respondents have a positive opinion on the current state of the economy and 64 percent of business owners believe that America's economy is "growing rapidly/growing slowly."

Survey responses came from company leadership on the Eastern Shore with business owners, presidents, CEOs, managing partners, and senior executives making up 62 percent of the participants. The largest number of responses, 34 percent, came from business leaders in the tourism and hospitality sector.

As with past surveys, the July 2024 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 generally anticipate improvements at all levels of the economy over the next twelve months, with 64 percent – the largest share of respondents – expecting better business conditions on Maryland's Eastern Shore.

Showing positive expectations for their own operation, 83 percent of business leaders believe that their firm will be operating locally in the next five years. Forty-nine percent of respondents believe that their firm will expand, 27 percent believe they will remain the same size, and 6 percent believe their operation will downsize. Only 5 percent do not believe their business will be operating locally in the next five years. When asked the same question in December, only 27 percent believed their firm would expand, 45 percent believed they would remain the same size, 8 percent believed they would downsize, and 7 percent did not believe their operation would be operating locally in the next five years.

Business leaders are also increasingly optimistic about business conditions in their sector over the next twelve months. In July 2024, 51 percent of respondents believed conditions in their sector would improve, compared to 26 percent in December 2023.

Business leaders also provided feedback for their specific industries. The highest concerns of the respondents are the impacts of inflation, labor force issues, and finances/funding. This corresponds to the June 2024 NFIB Business Optimism Index, which showed that inflation has remained the most significant problem for small business owners for 23 consecutive months.¹

While inflation remains a common concern for business stakeholders, the Federal Reserve has held the Federal Funds Effective Rate (federal interest rate) at 5.33 percent since August 2023 in hopes of tackling the inflation issue.² The inflation rate is currently at its lowest point since the start of the pandemic at 3 percent and is down 0.4 percent since the last sentiment survey in December 2023.³

Business leaders' sentiment about unemployment levels on the Eastern Shore has slightly increased compared to their sentiment in the December 2023 survey: 39 percent believe conditions on the Eastern Shore will be "Much Better/Better," 40 percent believe they will remain unchanged, and 21 percent believe conditions will be "Worse/Much Worse." The June 2024 seasonally adjusted unemployment rate in Maryland rose to 2.8 percent, slightly higher than December 2023's rate of 2.2 percent, but remains below the national unemployment rate of 4.1 percent.⁴ Although Maryland's unemployment rate has risen, it has matched the national increase in unemployment of 0.4 percent over the last six months. At the most recent FOMC (Federal Open Market Committee) press conference, the Federal Reserve Chair reveals that "...conditions in the labor market have returned to about where they stood on the eve of the pandemic – strong but not overheated."⁵

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

² Federal Reserve Bank of St. Louis. (2024, August 1). Federal Funds Effective Rate. <https://fred.stlouisfed.org/series/FEDFUNDS>.

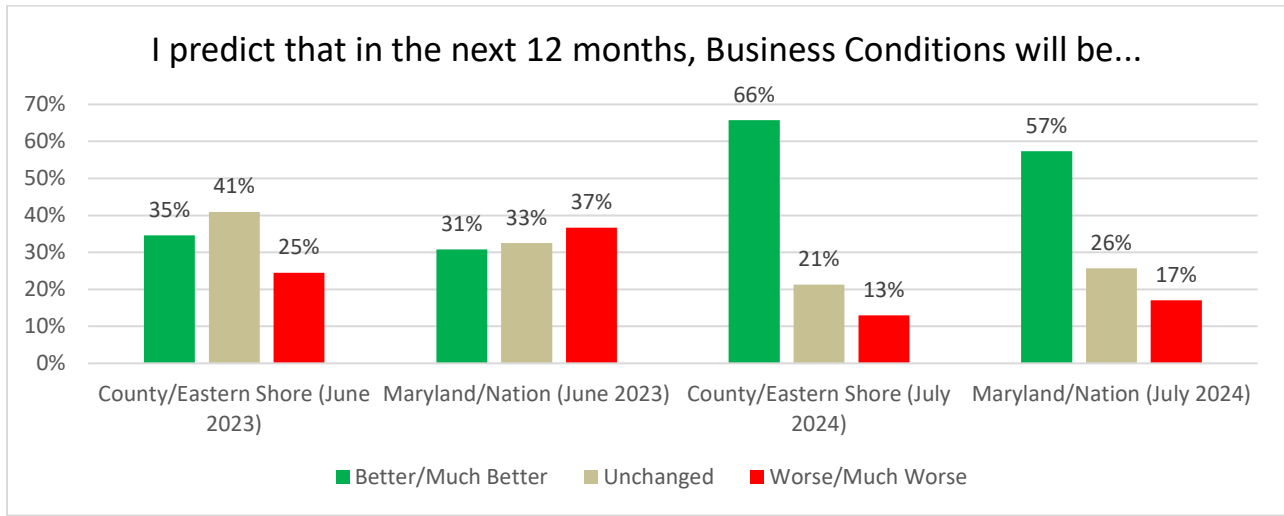
³ US Bureau of Labor Statistics. (2024, July 14) 12-month percentage change, Consumer Price Index. <https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category-line-chart.htm>.

⁴ U.S. Bureau of Labor Statistics. (2024, January 30). Bureau of Labor Statistics Data. <https://data.bls.gov/timeseries/LASST240000000000003>.

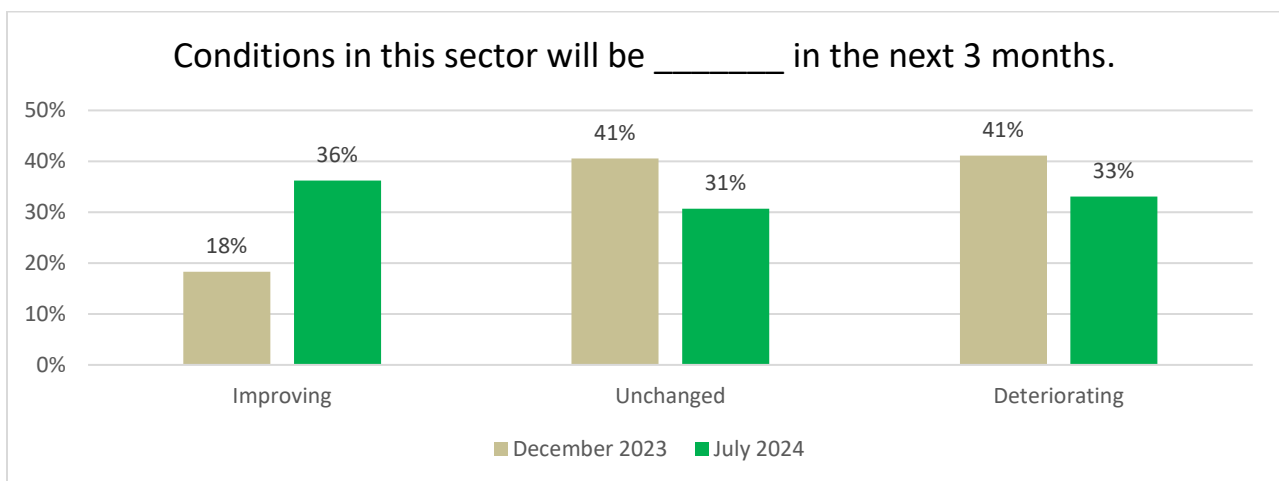
⁵ Federal Reserve. (2024, July 31) FOMC Press Conference. <https://www.youtube.com/watch?v=hb1eHcqGpY0>

Key Findings:

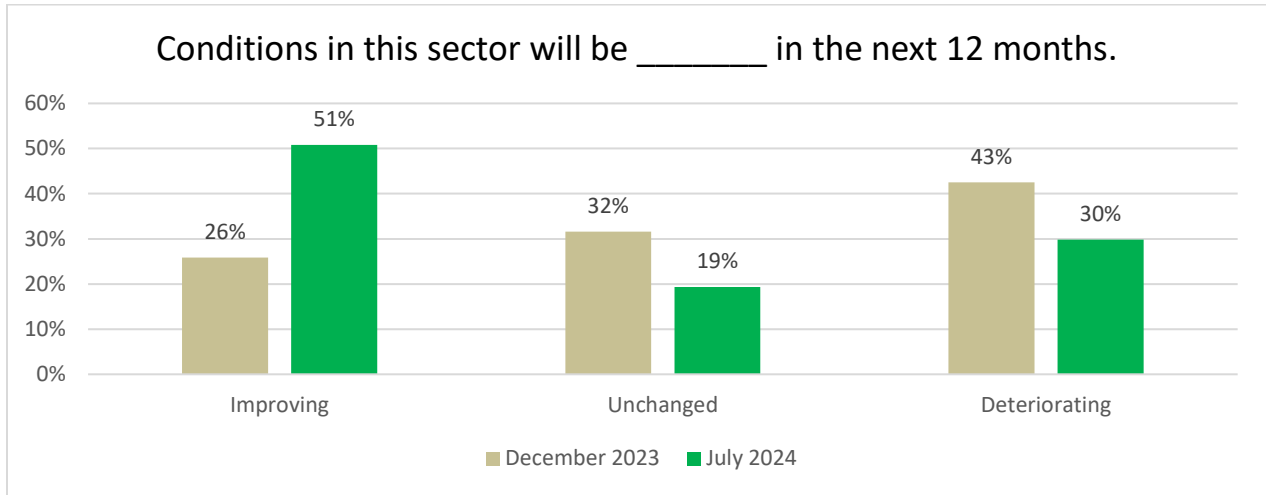
- The twelve-month outlook for business conditions in the local and national economy is significantly better than in June 2023. When asked to predict the business conditions in their counties and on the Eastern Shore, 66 percent responded that they believe economic conditions will improve, compared to 35 percent in June of 2023. When asked to predict the business conditions in Maryland and the country, only 57 percent responded that they believe conditions will improve, compared to 31 percent last year.



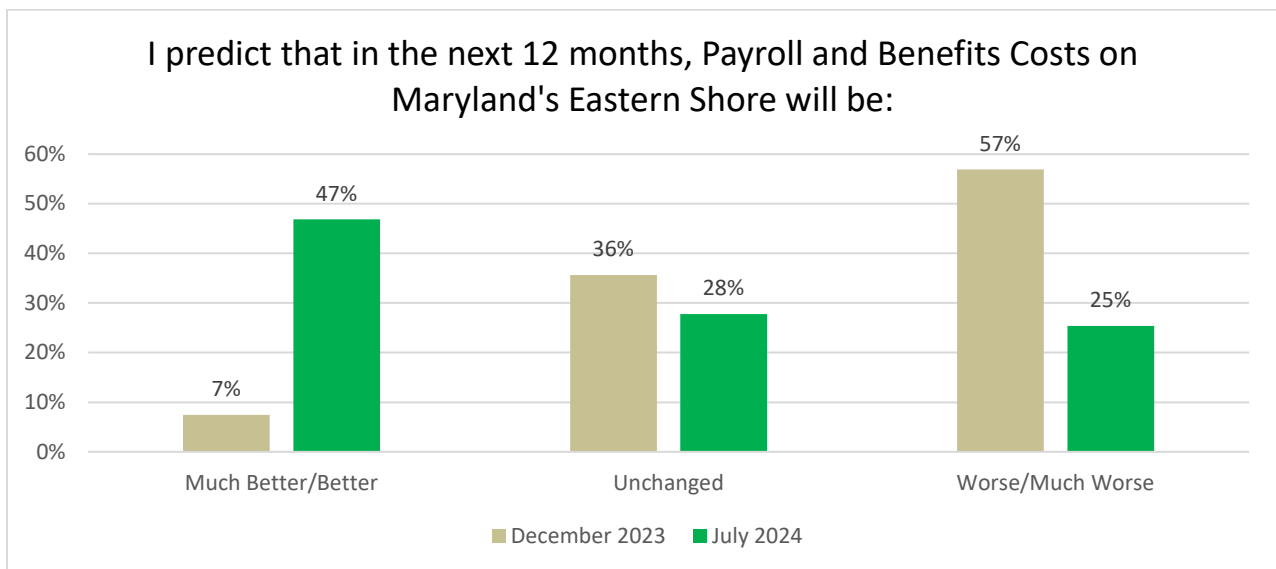
- Respondents assessed inflation as the most significant barrier to expanding a business in their sector, followed by finances/funding and labor force issues. The same three issues were equally ranked as the top barriers to starting a business in their sector as well.
- Reflecting on their individual sectors, there is almost an even distribution for business leaders' expectations in July 2024. The majority of respondents, 36 percent, expect business conditions to "Improve a lot/Improve slightly" over the next three months, compared to only 18 percent in December 2023.



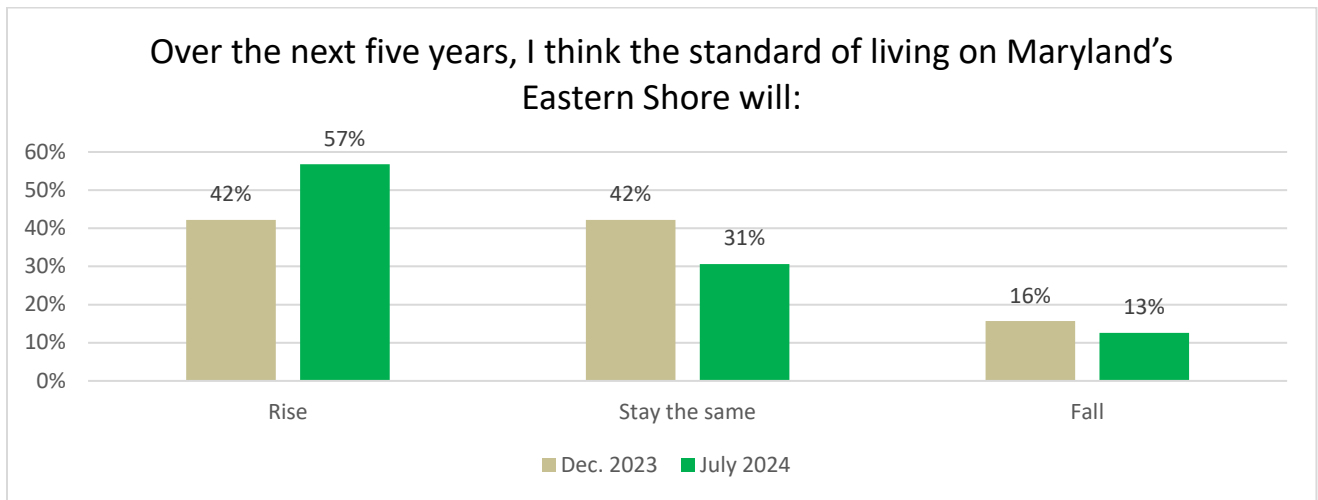
- Business leaders are also optimistic about the longer-term conditions, with 51 percent believing business conditions in their sector will “Improve a lot/Improve slightly” over the next twelve months, compared to 26 percent in December 2023.



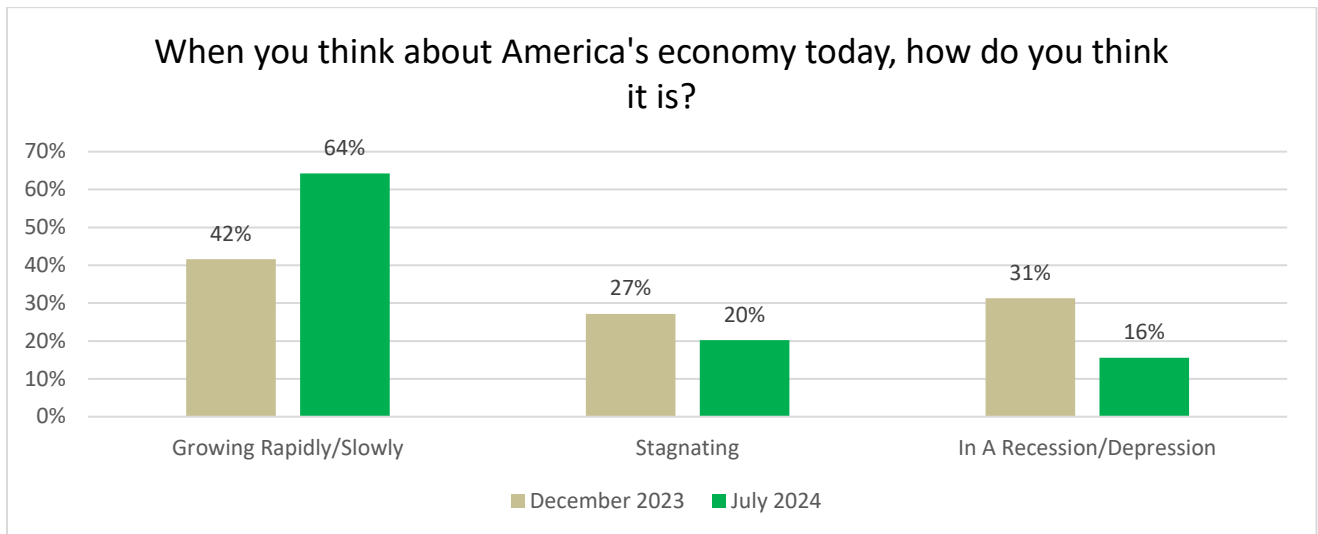
- Although many firms feel optimistic towards the next twelve months, 41 percent of respondents believed conditions in their sector were “Deteriorating a lot/Deteriorating slightly” over the last twelve months and only 38 percent believed conditions in their sector were “Improving a lot/Improving slightly.”
- When asked which price increase in the past six months had the greatest impact on the respondents’ businesses, they reported insurance having the highest impact, followed by rent/real estate and payroll/benefits.
- Although business leaders reported payroll/benefits costs as one of the most significant barriers to expanding and starting a business in their sector, respondents are increasingly optimistic towards this concern.



- Respondents are increasingly optimistic in their expectations for the standard of living on the Eastern Shore in the next five years with 39 percent believing it will rise and only 13 percent believing it will fall.



- Participants had a much more positive view on the economy today than in December 2023. Sixty-four percent believe the economy is “Growing rapidly/growing slowly, and only 16 percent believe we are “In a recession/depression.”



- Business leaders were asked if they believe the average household income has kept up with the cost of living and most of the respondents disagree, consistent with prior surveys. Forty-one percent believe it has fallen behind, 39 percent believe it has kept up, and 20 percent believe it has surpassed the cost of living.
- The majority of July 2024 respondents, 70 percent, have remote workers and 92 percent of those respondents say it has helped them with employee retention and recruitment. Of the firms with remote workers, the greatest proportion of workers are located in the county in which the business is located.

This is the seventh semiannual 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.

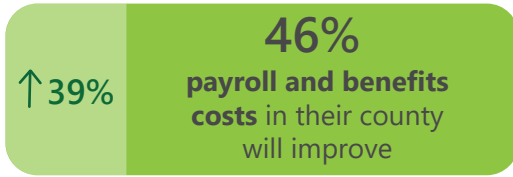
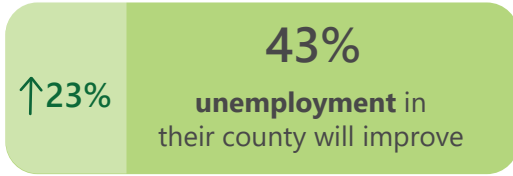
The regional data collection provides support organizations, economic development professionals, and policymakers with information to better address the concerns of the business community.

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: July 2024

Respondents believe in the next 12 months:



Conditions in primary business sector



64%

believe America's economy
is growing

55%

believe the standard of living
will rise over the next five years

70% of firms have remote workers
38% increase



92% say remote work has helped
in recruitment and retention
12% increase

84% remote work is new since COVID-19
31% increase

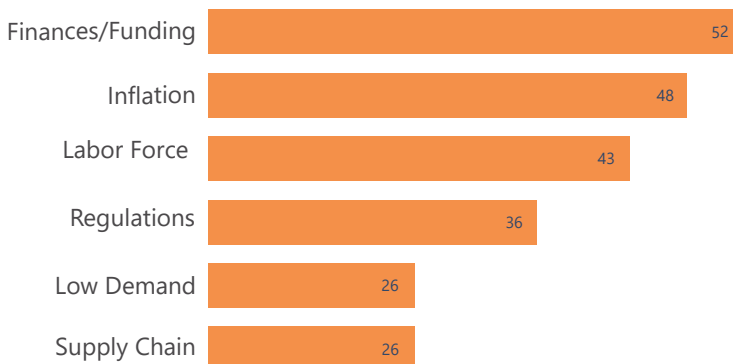
Top Impacts of Price Increases on Business

#1
Insurance

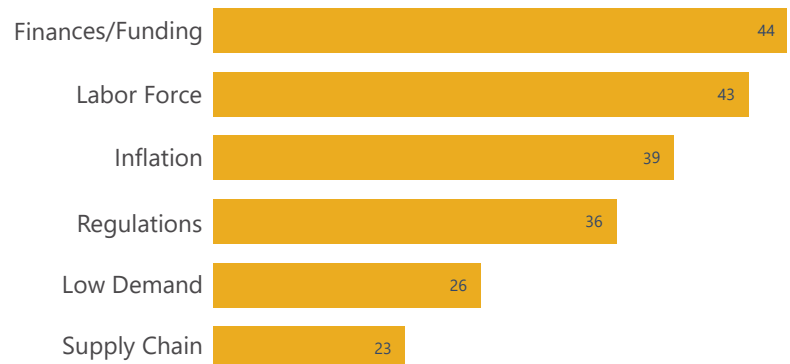
#2
Rent/Real Estate

#3
Utilities

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.