

State Use Industries
Maryland Higher Education Loan Corporation
Maryland Deposit Insurance Fund Corporation
Maryland Stadium Authority
Unemployment Insurance Program
Maryland Transportation Authority
Maryland State Retirement and Pension Systems
Mass Transit Administration Pension Plan
University of Maryland System
Baltimore City Community College
St. Mary's College of Maryland
Morgan State University

The Maryland School for the Blind, Blind Industries and Services of Maryland, Maryland Economic Development Corporation, Maryland Health and Higher Education Facilities Authority, Maryland Automobile Insurance Fund, Injured Workers' Insurance Fund (formerly the Maryland State Accident Fund), Maryland National Capital Park and Planning Commission, State Employees Credit Union, and the Maryland Credit Union Insurance Corporation have not met the criteria for inclusion in the reporting entity, and accordingly, are excluded from this report.

ECONOMIC CONDITION AND OUTLOOK

Maryland's recession has been significantly more severe than that of the U.S. While the U.S. lost 1.7 percent of payroll employment between July 1990 and March 1991, Maryland's job loss continued through 1992. Preliminary statistics suggest Maryland's job loss exceeded 5 percent of pre-recession levels, three times the national loss.

Maryland's struggles can be attributed to several factors. First, the state is significantly more reliant on defense spending than most other states. During fiscal year 1992, Maryland ranked fifth in terms of total defense outlays as a share of Gross State Product. Federal defense spending, began to decline significantly by 1991, and defense contractors, among them many of the state's top employers, have struggled to adapt to the smaller federal defense budget by downsizing.

Maryland's construction industry was particularly hard hit during the last three years. In the 1980's construction employment grew rapidly in Maryland, as the robust economy spurred demand for housing and office space. By the late 1980's, stricter capital requirements and high vacancy rates halted commercial building. Construction employment fell substantially, dropping by one-third since 1989.

The hallmark of the 1990 recession was the unprecedented decline in professional and business services employment, important industries in Maryland's service-based economy. As an example, consolidation among financial institutions has cost many jobs in Maryland. As financial institutions seek economies of scale through consolidations, entire departments with duplicate operations will be eliminated.

As has been the case during the past three years, Maryland's economy is expected to underperform relative to the nation. In terms of both employment and personal income, Maryland has been among the slowest growing states since 1990. While the national recovery has been about half-speed in comparison to previous recoveries, Maryland's economy has only begun to post signs of modest recovery.

The employment outlook varies by sector. Federal government employment is particularly vulnerable to downsizing. The decline in the federal defense budget will continue and is likely to accelerate. Manufacturing will continue to downsize, as ongoing productivity gains allow for increases in output with fewer workers.

On the brighter side, construction employment appears to have bottomed out, and should begin to make modest progress in 1994 and beyond. Home sales have been edging upward, and the inventory of unsold homes has declined significantly. Headway has also been made in absorbing some of the vacant office space.

A pick up in home buying will also help to stimulate the trade sector. New homes sales, combined with the trade-up activity that follows, will generate increased demand for appliances and furniture. Finally, the strengthening of the job market and improved confidence will release some pent-up demand from the past three years which will further support modest improvement in the retail sector.