

## **OVERVIEW OF BUSINESS ACTIVITY**

**1st Quarter, 2001  
(January, February, March 2001)**

Gross income was up 5.1 percent in the 1st Quarter, somewhat above expectations, but nevertheless the lowest year-to-year rate of growth since 4th Quarter, 1999. The manufacturing sector, communication and utilities, finance, insurance and real estate, and the service sector reported strong increases. Both the wholesale and retail trade sectors were down.

The contract construction sector was up 5.8 percent. A 6.8 percent increase in general building contractors more than offset a 6.9 percent decline in heavy construction while special trade contractors was up 8.2 percent. Within the special trades industry, electrical contractors had a very strong 23.9 percent increase.

Manufacturing was up 9.9 percent after reporting a 2.2 percent decline in 4th Quarter of last year. The increase this quarter is entirely the result of the transportation equipment industry that reported a 37.1 percent increase which offset declines in many other manufacturing industries. Within the transportation equipment industry, aircraft and parts was up 46.4 percent.

Transportation and allied services reported a decline this quarter, down 5.6 percent. Local and suburban transit was up 4.1 percent, while air transportation was up 6.9 percent. However, railroads, motor freight and warehousing, and water transportation all reported declines.

The communication and utilities sector reported the strongest overall growth for any sector this quarter with a 21.7 percent year-to-year gain. The communication industry was up 15 percent, but the most spectacular growth, not surprisingly, was electric companies, up 42 percent, and gas companies, up 45.2 percent.

Wholesale trade was down only 0.2 percent in spite of a 9.3 percent decline in durable goods, which was largely offset by an 11.2 percent increase in nondurable goods. Most industries within durable goods reported a decline. On the other hand, nondurable goods reported strong growth in every industry except apparel, piece goods and notions. Paper and paper products, drugs and sundries, groceries and related products, and chemicals and allied products all reported double-digit gains; however, farm-product raw materials showed the greatest improvement with a 126.4 percent increase as some farm products came off recent low prices.

Retail trade was down 0.9 percent from last year with an 8.1 percent decline in auto dealers and gas stations being a large factor in this decline. Some retail trade industries did well with general merchandise stores up 8.2 percent and food stores up 7.7 percent. However, traditionally strong industries in recent years, building materials, hardware and furniture, furnishings and equipment, were both down.

The finance, insurance and real estate sector reported a 7.4 percent increase. The increase for the sector was led by finance, up 9.1 percent, and insurance, up 7.5 percent. Real estate was also up with a 4.3 percent gain.

Services and other business reported an increase of 10.8 percent, close behind its 11.1 percent increase in 4th Quarter, 2000. The leading industry within this sector was computer services, reporting a 39.2 percent increase within the business services industry. Medical and health services did well with an 8 percent increase and doctors and other practitioners reported an 8.1 percent increase.

Overall, gross income for 1st Quarter, 2001 was somewhat above expectations considering the perceived strength of the state and national economies. However, much of the gross income growth this quarter was the result of very strong growth from a handful of key industries within the manufacturing, utilities, and service sectors. This was also the case in the wholesale and retail trade sectors as groceries and related products in the wholesale trade sector and retail food store sales in the retail sector contributed to positive gross income growth for the quarter. Only one sector, finance, insurance, and real estate, showed strong growth for all major industries within the sector.