

## OVERVIEW OF BUSINESS ACTIVITY

### Calendar 1995

Calendar year 1995 gross income was up 5.3 percent over 1994 and would have been higher but for the Boeing strike late in the year and its effect on Christmas retail sales. However, some major industry sectors posted strong growth over 1994.

Evidence of the Boeing strike was clearly shown in the manufacturing sector which had a barely positive increase of 0.1 percent over last year. However, many manufacturing industries were up substantially from 1994. Manufacturing of food products was up 20.9 percent, paper and allied products 21.7 percent, primary metals industry 22.3 percent, machinery 35.4 percent and electrical machinery and supplies 20.3 percent. However, the 22 percent decline in transportation equipment industry gross income nearly offset all other industry gains within the manufacturing sector.

The communication and utilities sector reported the largest percentage gain with a 17 percent increase. However, nearly one-half of this increase was due to firms shifting from one Standard Industrial Classification (SIC) code to another. For example, SIC 495, other utilities, had a sharp increase (61.3 percent) due to a firm shifting from SIC group 281, 282, which had a commensurate decline.

Transportation and allied services reported strong gross income growth with a 10.1 percent increase. Within this sector, railroads was up 18.7 percent and motor freight and warehousing 12.6 percent.

Wholesale trade showed a significant 6.5 percent increase as it continued to outpace growth in the retail trade sector. The nondurable goods sector within wholesale trade had a huge 60.6 percent increase in farm-product raw materials, while strong growth was also evident in paper and paper products, and drugs and sundries which were up 13.4 and 10 percent, respectively. Durable goods reported a 14 percent increase in sporting, recreational equipment, and motor vehicles and auto equipment was up 6.7 percent. The largest gross income category within the wholesale trade sector, groceries and related products, was down 3.1 percent.

Retail trade gained a respectable 4.5 percent in spite of the 69-day-long Boeing strike which ended just before Christmas. Hardware was once again the top performer in the retail trade sector with a 25.3 percent increase. Automotive dealers and gas stations, the largest industry in the retail sector, was up 4.3 percent. Apparel and accessories had strong growth with a 15.1 percent increase and furniture, furnishings and equipment was up 9.5 percent to \$5.3 billion.

Finance, insurance and real estate was up 8.9 percent largely on the performance of the finance group (SIC 60-62) which was up 14.6 percent. Insurance was up 5.3 percent while real estate gross income was down 4.9 percent for the year.

Within the services sector, hotels and motels reported a gain of 8.9 percent, advertising was up substantially at 29.4 percent, and motion picture theaters and production was up 14.2 percent. The services sector reported a year-to-year growth in gross income of 6.5 percent.

Overall, gross income gains during Calendar 1995 were good in spite of the strike, comparing favorably to a 6.3 percent rate of growth in Calendar 1994. Consumer spending will be the critical factor as the economy enters 1996 and the effects of the Boeing strike settle out.

## **SPECIAL NOTICE TO QBR USERS**

### **Changes to the Composition of Gross Income for Table 1**

Effective with the Quarter 1, 1995 edition of this publication, Table 1, "Total Gross Business Income," has been adjusted to eliminate double counting of gross business income and more accurately reflect the true level of gross income activity. Therefore, gross income data shown in Table 1 of this report will not be directly comparable to gross income in Table 1 for earlier publications of the QBR. (The Calendar 1994 data in Table 1 of this edition has been adjusted so that the year-to-year change is accurate.)

In recent years, a number of new tax lines were added to the excise tax return for special purpose taxes, including, but not limited to: solid waste tax, refuse collection tax, petroleum tax, and hazardous substance tax. In most instances, these taxes resulted in double counting of gross income data from businesses reporting on these new tax lines. During the period June 1986 through July 1989, six new tax lines were added that resulted in double counting of some business income.

Additionally, Table 1 has always included use tax in gross income data which resulted in double counting when such purchases were subject to both Business and Occupation (B&O) tax and use tax (use tax is an in-lieu sales tax when sales tax was not collected on the original sale). In order to eliminate such instances of double counting, all use tax data has now been eliminated from gross business income shown in Table 1.

Because of the changes made to gross income data published for 1995, we will republish Table 1 on a calendar year basis for the years 1988-1994 when Table 1 for calendar year 1995 is published. Table 1 for those earlier years will be available on a request basis. Years prior to 1988 are not directly comparable to later years due to the 1987 SIC code revisions. However, most of the new tax lines that caused the double counting problem were not in existence in 1987 and earlier years; thus year-to-year comparisons for years prior to 1988 can be made to later years using the new tax base if SIC revisions do not skew the SIC category in question.

For analytical purposes, gross business income shown in Table 1 is now comprised of the retail sales tax line, all public utility tax lines and all B&O tax lines except retailing.