

OVERVIEW OF BUSINESS ACTIVITY

**1st Quarter, 2000
(January, February, March 2000)**

Gross income was up 7.1 percent for the first quarter of the new millennium with double-digit percentage increases in most industry sectors except manufacturing. The decline in manufacturing kept the gross income gain in the single-digit range for statewide gross income on a year-to-year basis.

Two of the smallest industry sectors -- agriculture, forestry and fishing, and mining and quarrying -- both posted double-digit gains. Within the agriculture, forestry and fishing sector, finfish (SIC 0912) accounted for a large part of the increase and a SIC change under other agriculture also contributed to this gain.

Contract construction continued its strong growth with a 17 percent increase, improving upon a 10.1 percent gain in 4th Quarter, 1999. Heavy construction was a major factor in this increase with a 45.6 percent gain, but the largest dollar increase was in special trade contractors with a 15.7 percent gain and over \$2.7 billion reported for the quarter. General building contractors was up 11.9 percent.

Manufacturing gross income continued on the downside this quarter with an 11.1 percent decrease after a 10.9 percent decline in 4th Quarter, 1999. The decrease this quarter was due to a nearly 37 percent decline in the transportation equipment industry and coincided with the strike at Boeing. However, a number of other manufacturing industries also reported declines, such as food products, apparel and textiles, and lumber and wood products. Wholesaling industries that reported increases were furniture and fixtures, up 38.6 percent, paper and allied products, up 79.5 percent, and petroleum refining, up nearly 112 percent. The large increase in paper and allied products was due in part to a SIC revision from sawmills and planing mills (down 42.5 percent) to pulp and paper mills (97.5 percent increase). Also of note was the large increase in SIC 371 which was due to a SIC reassignment that shifted income from SIC 374 to 371.

Transportation and allied services was up 12.2 percent overall with individual increases of 40 percent in air transportation and 20.3 percent in local and suburban transit. The largest industry in this sector, motor freight and warehousing, was up 11.6 percent.

Wholesale trade in 1st Quarter, 2000 was up 9.2 percent, slightly above 4th Quarter, 1999's increase of 8.4 percent. The durable goods sector was up 7.3 percent and nondurable goods 11.7 percent. However, these increases were primarily the result of gains in certain industries. Other wholesalers (SIC 505 and 509), largely carried the increase for durable goods with a 40.4 percent gain, and petroleum and petroleum products was the main factor for the increase in nondurable goods with a 51.3 percent gain.

Retail trade posted a very strong first quarter with a 15.5 percent increase, surpassing fourth quarter's 14.5 percent gain. Miscellaneous retailing was once again the major driver behind this increase with a 42.3 percent gain. Most of the increase within miscellaneous retailing was due to new accounts reporting within nonstore retailers (up 95.2 percent), and other retail stores (up 53 percent) due to SIC changes. But most other retail industries also did well. Building materials, hardware was up 7.8 percent, general merchandise up 8 percent, and the sector leading industry, automotive dealers and gas stations, up 22.3 percent. Once again, eating and drinking establishments indicated record growth with a 9.6 percent increase.

Finance, insurance and real estate was up 17.1 percent with the largest industry in this sector, finance, up 23.6 percent.

Services and other business was up 17.1 percent, with the largest industry, business services, up 14.5 percent. Automotive repair services continued its strong growth with a 14.6 percent increase for the quarter. Legal services was also strong with a 17.8 percent gain, and the second largest industry in this sector, medical and health services, was up 6.3 percent.

Strong growth in most industry sectors except manufacturing was evident in first quarter data. Manufacturing was heavily affected by lower gross income reported in the transportation equipment sector. The strike at Boeing was a factor in this decline. Once again the retail sector posted significant gains in many retail industries. Wholesale trade's strength was the result of selective increases in key industries.