

OVERVIEW OF BUSINESS ACTIVITY

**2nd Quarter, 2000
(April, May, June 2000)**

Gross income was up 7.9 percent for the second quarter of 2000 on a year-to-year basis, exceeding the 7.1 percent increase in first quarter. Finance, insurance, and real estate led all major sectors this quarter with a 22.2 percent increase. The communication and utilities sector followed with a 16.3 percent increase, and contract construction was the third largest growth sector for the quarter with a 12.3 percent gain.

Once again, the two smallest industry sectors -- agriculture, forestry and fishing, and mining and quarrying -- posted double-digit gains; however, mining and quarrying is not a major industry sector, and a large part of agricultural activity does not report gross income to the Department of Revenue.

The overall gain of 12.3 percent for contract construction was the result of double-digit growth for the three major industries within the contract construction sector. General building contractors was up 13.3 percent, heavy construction, 11.8 percent, and special trade contractors, 11.5 percent.

Manufacturing gross income was up 2.5 percent after an 11.1 percent decline in 1st Quarter, 2000. A number of industries within manufacturing reported strong growth in the second quarter, but the fact that the transportation equipment industry was down only 3.8 percent this quarter, in comparison to a nearly 37 percent decline in the first quarter, helped move this sector into the positive growth column. Some of the industries that helped push the sector up this quarter were furniture and fixtures, up 41.5 percent, paper and allied products, 52.7 percent, and petroleum refining, 49.8 percent. Once again, the large increase in paper and allied products was due in part to a SIC revision from sawmills and planing mills (down 48.1 percent) to pulp and paper mills (65.7 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 only 3.1 percent this quarter after a 12.2 percent gain in first quarter. The largest industry in this sector, motor freight and warehousing, was down 8.1 percent along with local and suburban transit, which was down 2.4 percent. However, a growing industry within this sector, air transportation services, was up 41.6 percent, and transportation services was up 29 percent.

Wholesale trade was up 5.8 percent with a 1.6 percent increase in durable goods and an 11 percent increase in nondurable goods. Durable goods held on to a modest increase this quarter in spite of a decline in its largest industry, motor vehicles and auto equipment, which was down 8.5 percent. This decline was largely offset by the gain for other wholesalers, which was up 12.3 percent. The industry "other wholesalers" is made up of metals and minerals, and hardware, plumbing and heating equipment and supplies. The 11 percent increase in nondurable goods

nearly equaled the 11.7 percent increase in first quarter. The growth engine in nondurable goods was petroleum and petroleum products, up 29.6 percent, and miscellaneous nondurable goods, up 11.9 percent.

Retail trade growth for second quarter was somewhat below first quarter's 15.5 percent increase, with a 9.2 percent gain this quarter. Surprisingly, food stores was a big gainer with an 8.7 percent increase. Automotive dealers and gas stations was up 7.8 percent, and miscellaneous retailers continued strong growth with a 23.2 percent increase. Eating and drinking establishments posted a 6 percent increase this quarter after an impressive 9.6 percent increase in first quarter.

Finance, insurance and real estate posted the highest percentage growth of all major sectors for the quarter with a 22.2 percent gain. Finance reported an increase in gross income of nearly \$800 million for the quarter for a 29.2 percent gain, and insurance reported an increase of 15.6 percent.

Services and other business slowed somewhat in second quarter with a 9.9 percent increase in comparison to a 17.1 percent increase in first quarter. Business services once again assumed the lead as the largest growth industry within the sector with a 20.7 percent increase. Automotive and repair services was up 10.6 percent and legal services 15.5 percent.

Growth in most industries slowed in second quarter, but the overall year-to-year gain was still strong at 7.9 percent. The moderate decline in the transportation equipment helped the overall gain this quarter after the sharp decline in transportation equipment during first quarter kept overall growth to only 7.1 percent. The strike at Boeing was a factor in gross income growth during first quarter. Retail trade growth was still strong with a 9.2 percent gain along with services and other business with a 9.9 percent increase.