

OVERVIEW OF BUSINESS ACTIVITY

**3rd Quarter, 2000
(July, August, September 2000)**

Gross income was up 6.8 percent in 3rd Quarter, slightly below the 1st Quarter's 7.1 percent increase and 2nd Quarter's 7.9 percent gain. Industry sectors with the largest year-to-year gains were once again the finance, insurance, and real estate sector and the communication and utilities sector. Services and other business also had a strong 3rd Quarter gain.

Contract construction missed a double-digit increase in 3rd Quarter but still reported a respectable 8.8 percent gain. The overall sector increase was held down somewhat by the special trade contractors industry that reported only a 6.3 percent increase. Both general building contractors and heavy construction stayed in the double-digit column with 11 percent and 10.9 percent increase, respectively.

Manufacturing eked out a 0.4 percent gain as nominal increases in some manufacturing industries offset a decline in the transportation equipment industry. Lower gross income in both aircraft and parts, and motor vehicles and equipment were largely responsible for the \$600+ million decline in gross income for the transportation equipment industry. Motor vehicles and equipment showed a sharp decline from the previous year. Petroleum refining was a bright spot in the manufacturing sector with a 49.3 percent increase, and professional and scientific instruments was up 25.8 percent. The decline in lumber and wood products was offset by a gain in paper and allied products; both changes were largely due to a SIC reassignment.

Transportation and allied services was up 6.2 percent with strong increases in water transportation, air transportation, and transport services. Railroads also posted a gain with a 6.7 percent increase; however, the largest industry in this sector, motor freight and warehousing, was down 8.7 percent.

Communication and utilities posted the largest increase for any sector during 3rd Quarter with a 23.3 percent increase. The two major industries within this sector posted very strong increases with a 38.6 percent increase for electric companies and a 23.1 percent increase for communication companies. The communications industry increase was due to strong increases for communication companies, new companies entering the communications industry, and SIC reassignments.

Wholesale trade was up only 3 percent and represented the net gain for the sector after a 2.1 percent decline in wholesale durable goods and an 8.9 percent gain in wholesale nondurable goods. Within durable goods, motor vehicles and auto equipment, furniture and home furnishings, and lumber and construction materials along with a number of other wholesale durable goods industries were all down. Nondurable goods helped rescue the wholesale trade sector with one of the largest nondurable goods industries, petroleum and petroleum products, up

22.4 percent, and the largest wholesale trade industry, groceries and related items, up 5.4 percent. Farm product raw materials recovered somewhat from sharp declines in recent years with a 45.5 percent increase.

Retail trade slowed in 3rd Quarter compared to 1st and 2nd Quarters but still reported a respectable 7.1 percent increase. General merchandise reported a strong 9 percent increase that more than offset a 4.4 percent decline in building materials and hardware. Automotive dealers and gas stations was up 8 percent, and miscellaneous retail stores reported the largest industry gain within the retail trade sector with a 14 percent increase. Nonstore retailers reported a decline of 23.8 percent while miscellaneous other retail stores was up 47.8 percent.

Finance, insurance and real estate was up 22.8 percent with finance the big gainer, turning in a 38.4 percent increase. Finance was up on sharply higher gross income reported by banks along with SIC changes in the financial industry. Insurance reported a strong increase with an 8.8 percent gain.

Services and other business posted a double-digit increase at 10.7 percent, and business services was once again the engine behind the service sector growth with a 24.2 percent increase. Hotels and motels also reported a strong increase with a 9.1 percent year-to-year gain.

Overall 3rd Quarter was down somewhat from 2nd Quarter although the finance and service sectors showed continued strength. The construction sector also did well. A slowdown in wholesale durable goods was offset by strong wholesale nondurable income, and retail trade slowed in 3rd Quarter after strong growth in the first two quarters of the year. Communication and utilities showed strong gross income growth in both the communication and energy industries.