

OVERVIEW OF BUSINESS ACTIVITY

**4th Quarter, 2000
(October, November, December 2000)**

Gross income was up 7.4 percent in 4th Quarter, the second best quarterly year-to-year gain for the year and above the 6.8 percent gain in 3rd Quarter. The stronger than expected increase for 4th Quarter was the result of strong growth in the communication and utilities sector and large gains in energy-related industries such as wholesale petroleum and petroleum products gross income, as well as double-digit percentage gains in the service sector.

Contract construction out-paced the gain in 3rd Quarter of 8.8 percent with a 9.2 percent increase this quarter. General building contractors carried the largest share of this increase with a 12.6 percent gain while heavy construction slowed to only a 3.8 percent year-to-year increase. Special trade contractors was up 6.5 percent.

The manufacturing sector was down 2.2 percent from last year largely as the result of declines in transportation equipment and lumber and wood products income. However, declines in those two key industries were offset somewhat by strong gains in petroleum refining, electrical machinery and supplies, and miscellaneous manufacturing. Drug manufacturing was also up sharply, but on relatively small volume. Once again the sharp decline in lumber and wood products and the significant gain in paper and allied products was due to a SIC reassignment.

Transportation and allied services was up 8.3 percent with strong increases in air transportation, and transportation services. Motor freight and warehousing was up 7.4 percent while railroads and water transportation both posted small declines.

The communication and utilities sector posted some spectacular gains for individual industries with an overall 28.1 percent gain for the sector. All industries reported strong double-digit increases except water companies, which was up 9.9 percent. Individually, communication was up 24.6 percent, electric companies 44.4 percent, and gas companies 48.8 percent.

Wholesale trade was up 9.2 percent, far above the 3 percent increase in 3rd Quarter; however, the strong increase this quarter was due almost entirely to the better than 21 percent gain in nondurable goods. The nondurable goods gain was driven entirely by the 70 percent gain in farm-product raw materials and the over 86 percent gain in petroleum and petroleum products. Durable goods by itself was down 1.3 percent with declines in most categories; the one bright spot in durable goods was electrical goods, up 8.1 percent.

Retail trade was up 4.6 percent, somewhat below 3rd Quarter's 7.1 percent increase. The leading industry gains in retail trade were automotive dealers and gas stations, up 6.2 percent, and food stores, up 6.1 percent. Eating and drinking places held up well with a 5.3 percent gain, but nonstore retailers reported another decline this quarter, down 22.3 percent.

Finance, insurance and real estate reported another quarter of strong growth with an increase of 19.3 percent compared to a 22.8 percent gain in 3rd Quarter. Finance was up sharply with a 29.9 percent gain, insurance was up 10.6 percent and other finance also gained with a 14 percent year-to-year change. Real estate was down 5.5 percent for the quarter.

Services and other business bested 3rd Quarter's gain of 10.7 percent with an 11.1 percent increase this quarter. Business services was the leading industry this quarter with a 15.2 percent gain while medical and health services was up 11.4 percent. Computer services within the business services industry was up 24.1 percent, but the leading industry gain in this sector was medical laboratories, up 71.1 percent.

Overall, 4th Quarter showed strong growth in the communication and utilities sector, and the service sector. Higher energy prices held the manufacturing sector to a small decline and more than offset declines in wholesale durable goods. The finance sector showed continued strength while the construction sector also did well.