

REGIONAL

H I G H L I G H T S

Federal Reserve Bank
of Philadelphia

First Quarter 2000

Annual Review

Expansion Will Continue Through 2000 at Slightly Slower Pace

- *Labor markets continued to tighten even as job growth slowed in the second half of 1999.*
- *A slowdown in housing construction is predicted for 2000.*
- *Job growth will continue through 2000 but at a slower pace than last year.*

Last year most of the job growth in the tri-state region (Pennsylvania, New Jersey, and Delaware) occurred in the first half of the year primarily because Pennsylvania added few new jobs in the second half. But preliminary data from the first quarter of 2000 indicate that job growth in Pennsylvania has resumed, and we expect the region's economy to continue expanding through the rest of the year but at a slightly slower pace than last year.

Even though job growth slowed in the second half of 1999, labor markets tightened somewhat. The quarterly unemployment rate for the tri-state region declined to 4.3 percent in the fourth quarter after holding steady at 4.5 percent through the earlier part of the year. The preliminary rate for the first

quarter of 2000 was only 4 percent—the lowest quarterly rate since 1989. Despite the low unemployment rate for the three states as a whole, the latest rates for the region's local labor markets vary widely—from 2.3 percent in State College to 7.2 percent in Vineland.

The strongest sector in the tri-state economy last year was real estate and construction. For the year as a whole, existing home sales were up almost 1.5 percent in Pennsylvania and more than 9 percent in New Jersey. Most of this resale activity took place in the first half of 1999 as sales of existing homes declined in the final two quarters for both Pennsylvania and New Jersey. (Delaware's data for 1999 are not complete.)

Permits for new homes in the three states were up slightly (2.2 percent) in 1999 from the previous year. The increase was due entirely to a higher level of permits in New Jersey; in the other two states permits declined slightly. Like existing home sales, permits peaked in the first part of the year before declining in the third and fourth quarters. Contracts for nonresidential buildings and other construction were also up in 1999. But the value and square footage of contracts for buildings declined in the second half of the year.

Because of projects already under way, however, construction employment continued to expand through the end of the year. Construction jobs in the region increased more than 4 percent on a fourth-quarter over fourth-quarter basis, and preliminary data indicate they were up again in the first quarter of this year.

In contrast to the employment situation in construction, manufacturing jobs in the tri-state region were down in 1999 for the second year in a row. But extraordinary productivity gains allowed manufacturing output to grow in the face of job losses at both the national and regional levels last year. The indexes of current activity and shipments from the Philadelphia Fed's *Business Outlook Survey* remained strong through most of 1999. The latest reading of the current general activity index (March 2000) was the highest in more than three years. And the survey's most recent index of employment was at its highest level in more than 10 years, suggesting that manufacturing employment may also pick up, at least in the near term (**Figure 1**).

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Even though construction had the largest percentage increase in jobs of any major sector in the region's economy last year, the largest number of new jobs was created in nonfinancial business and personal services (more than 72,000) and in retail trade (almost 34,000). These two sectors accounted for three-quarters of the new jobs in the tri-state area. Among business services, large increases were recorded in computer-related jobs and temporary help. Among services primarily for individuals, strong growth was registered in private education and in social services, which includes child care and residential care. There was little job growth in health services overall, and hospitals in the tri-state region reduced payrolls by almost 2000 last year.

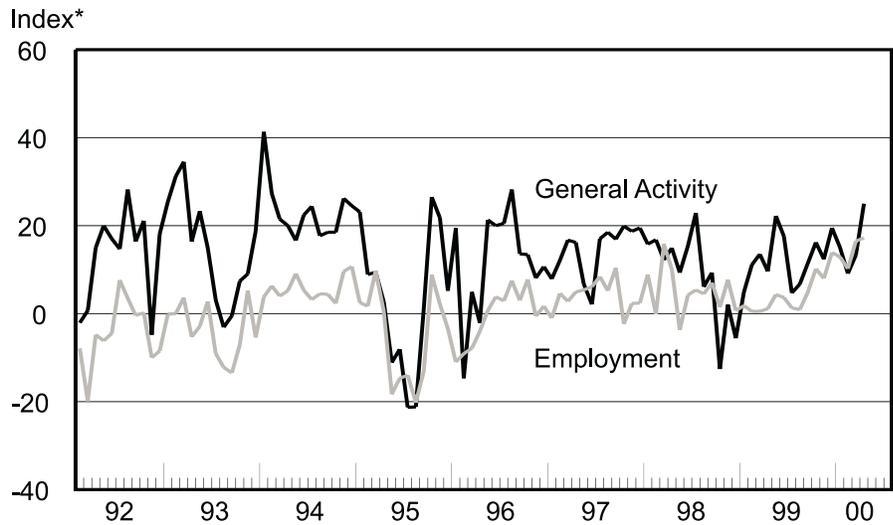
THE THREE STATES

As it has since 1996, Pennsylvania again recorded the slowest job growth (1.1 percent) among the three states in the region last year (Figure 2). Nevertheless, the state's unemployment rate fell slightly from 4.5 percent in the fourth quarter of 1998 to 4.2 percent in the fourth quarter of last year and to 4.0 percent so far in the first quarter of this year.

Overall job growth in Pennsylvania last year was held down by a loss of more than 7000 manufacturing jobs (0.8 percent). Some of the biggest losses were in durable goods industries such as industrial machinery, electronic equipment, and transportation equipment.

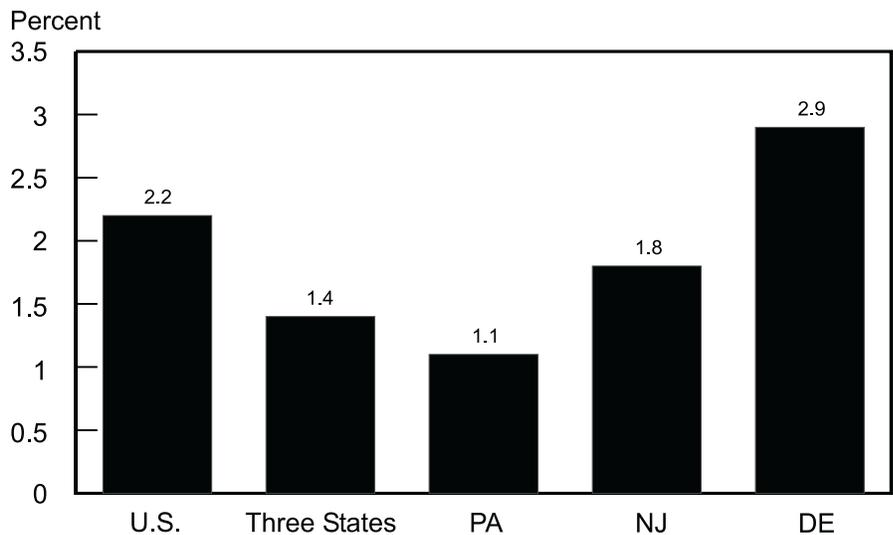
Construction was far and away the fastest growing sector in Pennsylvania in 1999. Jobs in the industry increased 5 percent on a fourth-quarter over fourth-quarter basis. The value of all construction contracts was up about 15 percent for the year, and more than half the increase was for highways, bridges, and other

Figure 1
BUSINESS OUTLOOK SURVEY



* Index represents percentage of respondents reporting an increase minus percentage reporting a decrease.

Figure 2
NONFARM JOB GROWTH
1998:IV - 1999:IV



nonbuilding projects. The value of residential contracts was up more than 6 percent in 1999, even though the number of housing units authorized was down slightly from the previous year. Permits declined in the second and third quarters from very high levels in the first half of the year.

Although construction had the largest percentage increase in jobs in Pennsylvania last year, the largest absolute number of new jobs (almost 32,000) was in nonfinancial business and personal services. This sector contributed more than half the net new jobs in the state in 1999. Among the nonfinancial services, large increases in employment were registered in private education and in social services, especially residential care, which is an important industry in Pennsylvania given the size of its elderly population.

While jobs in nonfinancial services increased at a good pace in Pennsylvania last year, jobs in finance, insurance, and real estate saw almost no increase (0.1 percent). Depository institutions in the state suffered their third consecutive year of job losses. These losses were basically offset by the gains at nondepository institutions, such as mortgage banks and brokerages, and at securities and commodities firms.

Thanks to strong consumer spending last year, the trade sector experienced better-than-average job growth in Pennsylvania. Although most of these jobs were in the retail sector, the percentage increase in jobs in wholesale trade was much higher than the percentage increase for retail trade. Pennsylvania's trucking and warehousing industry also saw a significant increase in jobs last year (2.4 percent), which can also be attributed largely to strong consumer demand.

Finally, for the first time since 1995, government jobs in Pennsylvania

increased last year (0.5 percent) as gains at the local level more than made up for losses at the federal and state levels.

In New Jersey, overall job growth in 1999 (1.8 percent) was up slightly from the previous year. The state's quarterly unemployment rate, however, remained stuck above 4.5 percent for most of the year. The rate dropped to 4.4 percent in the fourth quarter and to an average of 4.0 percent for January and February of this year.

Despite New Jersey's good economic performance last year, jobs in the state's industrial sector continued their long-term decline. Except for meager gains in 1997, New Jersey has lost manufacturing jobs in each of the past 15 years, and it has had the most dramatic decline in manufacturing jobs of any of the three states in the region. The losses last year totaled more than 10,000 jobs (2.3 percent).

Strong job growth in construction, retail trade, financial services, and nonfinancial business and personal services more than compensated for the losses in manufacturing employment in New Jersey last year.

The 7.1 percent increase in housing permits in New Jersey last year helped raise construction employment 2.6 percent on a fourth-quarter over fourth-quarter basis. The value of residential building contracts was up almost 9 percent for the year as a whole, and the value of nonresidential contracts was up almost 10 percent. In the second half of the year, however, both permits and contracts for buildings were down from much higher levels in the first half. And we expect housing permits in New Jersey to decline this year.

Jobs in wholesale and retail trade grew faster in New Jersey last year (2.6 percent) than they did at the national level. Growth in the larger retail sector (3.3 percent) was much stronger than in

the wholesale sector (0.9 percent). While employment growth in wholesale and retail trade in New Jersey slowed in the first quarter of this year, it is growing at an annual rate of 1.5 percent.

In finance, insurance, and real estate the biggest employment gain in New Jersey last year was at securities and commodities firms (10.3 percent), which added about 4000 jobs. Depository institutions added less than 1000 new jobs, an increase of 1.6 percent. And the insurance and real estate industries created only about 500 jobs each.

Among the nonfinancial services in New Jersey, jobs in computer support services and at temporary help agencies increased at a rate of 7 percent or more last year. Nonfinancial services for individuals generally grew more slowly than services for businesses. The exception was social services; employment in that area increased more than 4 percent. There was little growth, however, in the health services and an actual decline among hospital employees. In South Jersey the casino hotels also had a decline in payrolls in 1999 after little growth in the previous year.

Government jobs were up modestly in New Jersey last year (0.8 percent). All the new jobs were at the state and local level, and most of them were in public education. In 1999 federal government jobs declined in New Jersey for the fifth consecutive year.

Delaware's overall job growth in 1999, like New Jersey's, was slightly higher than in the previous year (2.9 percent). The state's quarterly unemployment rate remained in the 3.5 percent range all year before falling to 3.3 percent in the first quarter of this year, according to preliminary data.

Several sectors in Delaware's economy had job growth of 4 percent or more last year—construction, transportation and

utilities, and trade. Moreover, financial and nonfinancial business and personal services grew almost 4 percent. The only weak spot in the state's employment picture was manufacturing, which saw jobs decline somewhat less than 1 percent.

Much of the growth in construction jobs in Delaware last year came from public works such as roads and bridges. Contracts for projects that did not involve residential or nonresidential buildings were up more than 50 percent for the year as a whole. The value of new contracts for buildings was actually down last year, but the decline was concentrated in nonresidential buildings. Even though the value of residential contracts was up, the number of housing permits was down slightly for the year as a whole, and we expect housing permits to decline further this year.

Wholesale and retail trade added about 3500 jobs in Delaware in 1999. Most of these new jobs were in the retail sector, but the smaller wholesale sector had the larger percentage increase (5.5 percent). The rapid employment growth in the trade sector as well as in trucking and warehousing (4.7 percent) reflected the strong pace of consumer spending.

The largest number of new jobs in Delaware last year was in nonfinancial business and personal services (more than 4000 jobs). And about one-third of these new jobs were in business support services like computer programming and temporary help. There were also large percentage gains in private education (8.1 percent) and in social services (4.8 percent). Health services in Delaware had a respectable gain of 1.9 percent, and unlike the other two states in the region, hospitals in the state added some jobs last year.

Delaware's manufacturing sector lost 500 jobs on a fourth-quarter over fourth-

quarter basis last year. This loss just about reversed the gain of 700 jobs in the previous year. Unfortunately, manufacturing jobs are down again so far in the first quarter of this year, so factory jobs in the state continue to erode.

Total government jobs increased in Delaware last year (1.3 percent). Federal jobs declined, as they did in Pennsylvania and New Jersey. The state and local governments each added several hundred jobs, most of them in education.

AROUND THE DISTRICT

The Philadelphia Area

Economic growth was rather evenly distributed across the Philadelphia region last year, as jobs in the city grew almost as rapidly as jobs in the suburbs. The unemployment rates for the metro area and the city, however, did not show any further downward trend over the past year (**Figure 3**). Except for a slight blip up in the second quarter, the unemployment rate for the entire metropolitan area remained close to 4 percent through the year, and the rate in January of this year was 3.9 percent. The city's unemployment rate has remained relatively high—in the 5.5 to 6.0 percent range. We expect job growth in the metro area to decline from 1.7 percent last year to 1.1 percent this year. The area's unemployment rate should remain about 4 percent.

The sectors of the Philadelphia economy with the fastest job growth last year were nonfinancial business and personal services (2.7 percent), retail trade (2.1 percent), and construction (2.0 percent). Almost all the new construction jobs were in the suburbs, but nonfinancial services and retail trade also had rapid job growth in the city.

The construction industry was stronger in the Philadelphia area last

year than it was statewide. The value of nonresidential contracts was up more than 12 percent for the year. Residential contracts were up slightly more than 1 percent. Housing permits in the metro area were up 2.6 percent, although they were higher in the first half of the year. We expect permits in 2000 to decline from their 1999 levels. Construction employment in the area, which was up 2 percent last year, continued to expand in the first quarter of this year.

Retail jobs increased more than 2 percent in the metro area as a whole last year and more than 3 percent in the city of Philadelphia. Unlike many other parts of the region and the country, Philadelphia registered only a small increase in jobs in wholesale trade.

More than 60 percent of the net new jobs in the Philadelphia metropolitan area and more than 80 percent of the net new jobs in the city last year were in nonfinancial business and personal services. Jobs in business support services like computer programming and data processing increased 3.1 percent in the metro area despite no growth at all in the city. But some nonfinancial service industries had good job growth in both the city and the suburbs: recreation and entertainment services, private education, social services, and engineering and management services. Jobs in health care grew modestly in the metro area as a whole (1.2 percent), but there was no growth in health care jobs in the city.

The finance, insurance, and real estate sector lost jobs in the metro area last year on a fourth-quarter over fourth-quarter basis. But there were some major shifts of these jobs between the city and the suburbs. The city lost more than 2000 jobs in the finance, insurance, and real estate industries while the suburbs gained more than 1000 jobs. For the metro area as a whole, depository

Figure 3
QUARTERLY UNEMPLOYMENT RATES
Philadelphia

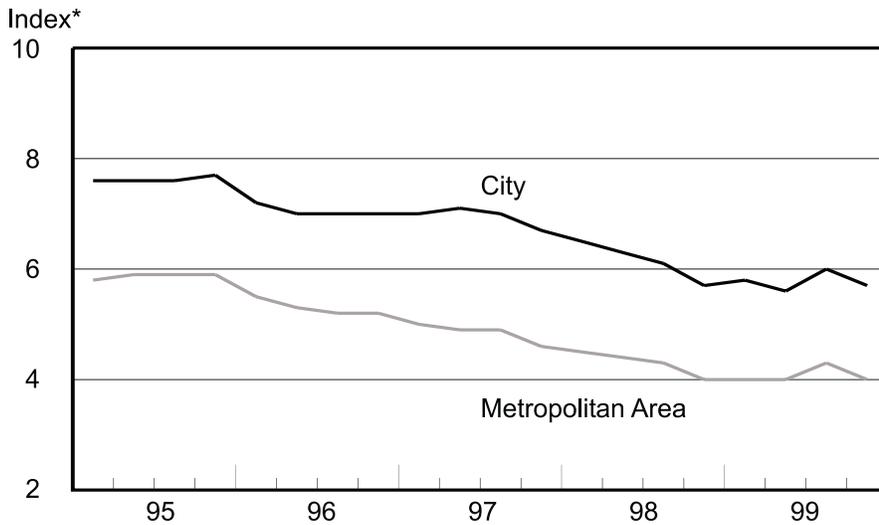
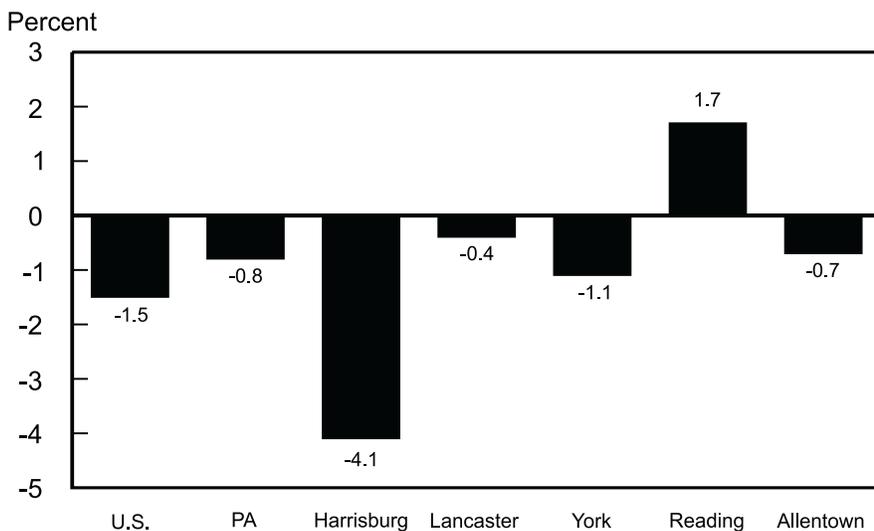


Figure 4
MANUFACTURING
Job Growth 1998:IV - 1999:IV



institutions lost more than 2000 jobs—all of them in the city. The reshaping of the commercial banking industry in the Philadelphia area is having a major impact on the city. Some of the losses at depository institutions were made up by gains among mortgage brokers and securities and commodities dealers.

There was virtually no change in the total number of manufacturing jobs in the Philadelphia metro area last year. But like the financial services sector, the manufacturing sector saw a shift of jobs out of the city to the suburbs. The city lost almost 1500 factory jobs, and the suburbs gained about the same number. Despite the lack of any job growth last year, manufacturing in the Philadelphia area fared better than in the state or the nation, both of which registered moderate declines in factory jobs.

The South Central Pennsylvania Labor Markets

Job growth last year in the south central Pennsylvania labor markets ranged from virtually no growth in Harrisburg (0.1 percent) to 2.0 percent in Lancaster—the second strongest growth of any labor market in Pennsylvania. Job growth in York (1.2 percent) was close to the state average. These three areas continue to have some of the lowest unemployment rates in the state.

The lack of any meaningful job growth in Harrisburg last year was due to the loss of almost 2000 jobs in manufacturing (more than 4 percent) and about 700 jobs in finance, insurance, and real estate (2.6 percent). The loss of manufacturing jobs was much more severe in Harrisburg than in the state as a whole (Figure 4). Harrisburg also suffered slight job losses in wholesale trade, and there was no net gain in government jobs, which account for almost one in five nonfarm jobs in the Harrisburg metro area. The two major sectors that

saved Harrisburg from registering an overall loss of jobs last year were retail trade (up 1.9 percent) and nonfinancial business and personal services (up 1.7 percent). Despite the meager overall job growth in Harrisburg last year, the area's unemployment rate is still about 3 percent, suggesting that the extremely tight labor market may explain some of the lack of job growth.

In Lancaster every major sector of the economy except manufacturing registered some job growth last year, and the losses in manufacturing were modest. Since manufacturing accounts for more than 25 percent of payroll jobs in Lancaster, the lack of any growth in that sector limited overall job growth in the area. Among the nonmanufacturing sectors in Lancaster, the largest percentage job gains were in construction (5.9 percent) and in finance, insurance, and real estate (4.7 percent). The largest number of new jobs was in nonfinancial business and personal services (about 1400). More than one-third of these new service jobs were in the hotel and lodging industry, which staged a comeback in 1999 after a poor year in 1998. Lancaster not only had the second fastest job growth among local labor markets in Pennsylvania last year; it also has the second lowest unemployment rate (2.4 percent).

York had modest job growth in 1999, and there were large differences across the major sectors of the economy. The big losers were transportation and public utilities (down 5.3 percent), government (down 1.4 percent), and manufacturing (down 1.1 percent). Since these three sectors together represent more than 40 percent of York's labor force, even large percentage increases in other sectors could not boost overall job growth much beyond the state average. There were large percentage increases in construction (6.1 percent) and in

nonfinancial business and personal services (4.5 percent). Finance, insurance, and real estate had a job gain of almost 2 percent despite a continuing loss of jobs at depository institutions. Wholesale and retail trade had a gain of 1.8 percent and added 700 new jobs. During the current expansion, York has had the slowest overall job growth of the three labor markets in south central Pennsylvania, and it has the highest unemployment rate of the three markets. However, the rate of 3.4 percent in January 2000 is still well below the national and state averages.

Reading and the Lehigh Valley

Both Reading and the Lehigh Valley (the Allentown-Bethlehem-Easton metropolitan area) had job growth in the 1.5 percent range in 1999. Except for some losses in manufacturing in the Lehigh Valley and virtually no change in jobs in wholesale trade in Reading, the major sectors in both markets recorded at least some job gains.

Reading's job growth last year was driven principally by increases in manufacturing (1.7 percent) and nonfinancial business and personal services (2.1 percent). Construction actually had a larger percentage increase than either of these sectors, but the relatively small size of the construction industry meant that the 3.4 percent increase translated into only about 200 jobs. Reading was one of only four metropolitan areas in Pennsylvania that had any increase in manufacturing jobs in 1999. The other three areas were Altoona, State College, and Williamsport; and Reading had the largest increase of the four.

Among Reading's manufacturing industries the greatest job gains were in fabricated metals, electronic equipment, and transportation equipment. Among the new jobs in nonfinancial business

and personal services in Reading last year, almost half were in private education and health services. Last year's 1.5 percent job growth in Reading helped push the area's unemployment rate below 4 percent for the first time since the late 1980s.

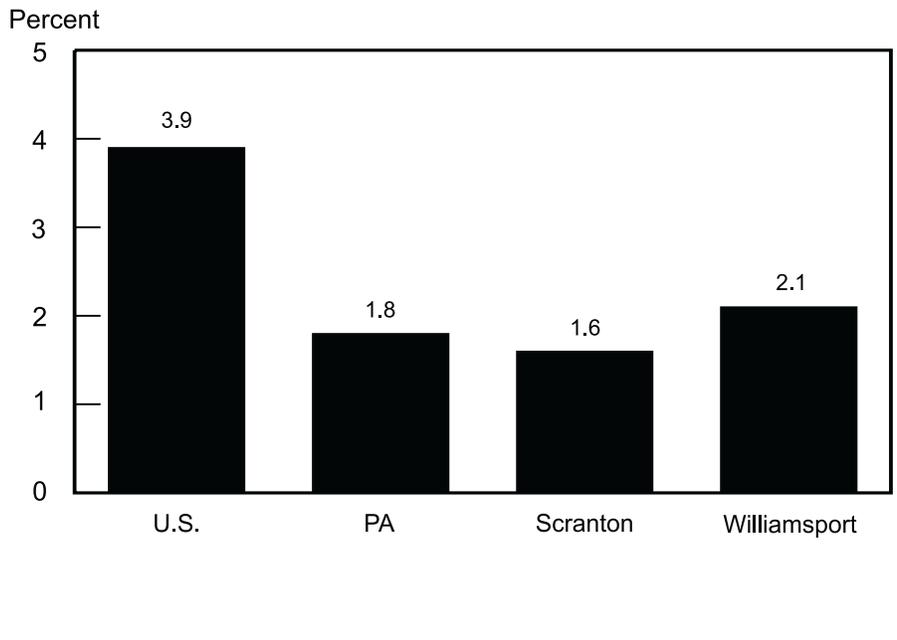
Almost all the net new jobs in the Allentown-Bethlehem-Easton labor market can be attributed to three high-growth sectors: construction (8.8 percent), finance, insurance, and real estate (3.2 percent), and nonfinancial business and personal services (3.1 percent). The growth in construction jobs was fueled by an increase of almost 30 percent in housing permits for the year as a whole. In the finance, insurance, and real estate category, the insurance industry added about 300 jobs last year—a growth rate of more than 4 percent; the real estate industry added about 200 jobs—a growth rate of more than 7 percent. By far the largest number of new jobs in the Allentown area, however, was in nonfinancial business and personal services. Over 1000 jobs were created in business support services like computer programming, and about 800 jobs were created in private education and health services. Last year's job growth in the Allentown area kept the quarterly unemployment rate about 4 percent throughout 1999.

Northeastern Pennsylvania and Williamsport

Job growth in the Scranton-Wilkes-Barre area was meager last year (0.3 percent) while growth in Williamsport (1.2 percent) was close to the state average. Much of the difference can be explained by what happened to jobs in the manufacturing sector in the two markets.

Scranton's manufacturing industries lost about 1300 jobs (2.4 percent)—about half in the textile and apparel industries.

Figure 5
NONFINANCIAL BUSINESS AND PERSONAL SERVICES
Job Growth 1998:IV - 1999:IV



These losses in manufacturing were just about offset by gains in nonfinancial business and personal services (up 1.6 percent) (Figure 5). Among the non-financial services one of the biggest growth areas was private education services, which added about 600 jobs. Jobs in finance, insurance, and real estate grew almost 2 percent in Scranton-Wilkes-Barre last year, including about 300 new jobs at depository institutions—bucking the trend of job losses at depository institutions at the state and national levels.

The construction industry also added about 300 jobs in the Scranton area, an increase of 2.6 percent. Job gains among the other major industry groups were minimal. The unemployment rate in Scranton reflects the slow job growth in

the last few years. Scranton's unemployment rate, which remains above 5 percent, is one of the highest among the local labor markets in the state.

Williamsport registered moderate job growth last year on a fourth-quarter over fourth-quarter basis. Unlike most labor markets in the tri-state area, Williamsport did not have to cope with any losses in the manufacturing sector; it had a slight gain in factory jobs. The only major sector with any job losses was transportation and public utilities. Nonfinancial business and personal services accounted for almost half the new jobs in Williamsport last year. Although finance, insurance, and real estate registered a growth rate of 6.2 percent, that translated into only slightly more than 100 new jobs. Williamsport's

moderate job growth last year reduced its unemployment rate by more than one-half percentage point; the current rate is just above 4 percent, the lowest it has been in the 25-year history of the series.

Central and Western Pennsylvania

In January, State College had the lowest unemployment rate of the 24 major labor markets in the tri-state region—2.3 percent. The monthly rate has exceeded 3 percent only once in the last two years. Despite this very tight labor market, State College registered an increase of 1.9 percent in payroll jobs in 1999, rebounding from a loss in the previous year (Figure 6).

Job growth in State College last year was generally across the board. There was a slight loss of jobs in wholesale trade, but the trade sector as a whole gained about 200 jobs. Retail trade and government accounted for more than half the new jobs in the area. Because of the importance of the state university in the area's economy, government jobs comprise almost 40 percent of nonfarm payrolls in State College. And government employment was up 1.6 percent on a fourth-quarter over fourth-quarter basis, adding 400 jobs to the local economy. Construction and finance, insurance, and real estate had the largest percentage increases in jobs last year, but each of these two sectors added only about 100 jobs.

Altoona had the fastest job growth of any labor market in Pennsylvania last year (2.9 percent). In contrast to its reputation during the 1970s and 1980s as a slow growth area, Altoona has had the second highest job growth among the local labor markets in Pennsylvania during the current expansion—surpassed only by Lancaster. Most of Altoona's job growth last year was in nonfinancial business and personal

services (5.7 percent) and retail trade (4.7 percent). The good job growth in recent years has reduced Altoona's unemployment rate from about 10 percent in early 1992 to 4.3 percent in January of this year.

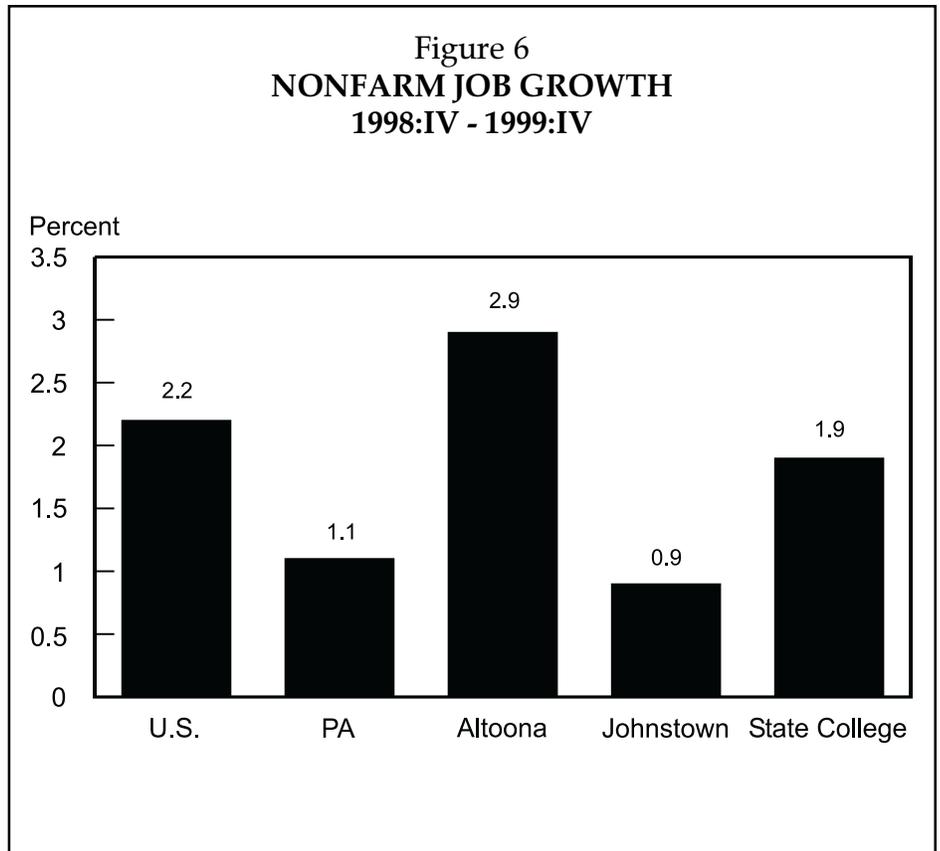
Johnstown registered an increase in employment of slightly less than 1 percent last year, the same as in the previous year. More than half the new jobs were accounted for by increases in trade and transportation and public utilities. There were some losses in manufacturing and in finance, insurance, and real estate, but only about 100 jobs in each of those two sectors. Below-average job growth has kept Johnstown's unemployment rate high relative to other labor markets in the state. Last year the monthly rate fluctuated from a little over 5 percent to a little over 6 percent. The rate in January 2000 was 5.5 percent, the highest of any major labor market in Pennsylvania but well below the double-digit rates in Johnstown in the early 1990s.

Central and Southern New Jersey

The labor markets in central and southern New Jersey had a wide range of job growth last year and continue to have a wide divergence in their unemployment rates (Figure 7).

The Camden labor market (Burlington, Camden, and Gloucester counties), which is part of the Philadelphia metropolitan area, contains about half the nonfarm jobs in South Jersey. Employment in the Camden market grew 1.9 percent last year, slightly faster than in the Philadelphia metropolitan area as a whole. The largest percentage increases were in retail trade (3.3 percent) and in finance, insurance, and real estate (8.2 percent). These two sectors added more than half the new jobs in the Camden market last year.

Nonfinancial business and personal services, the biggest sector in the



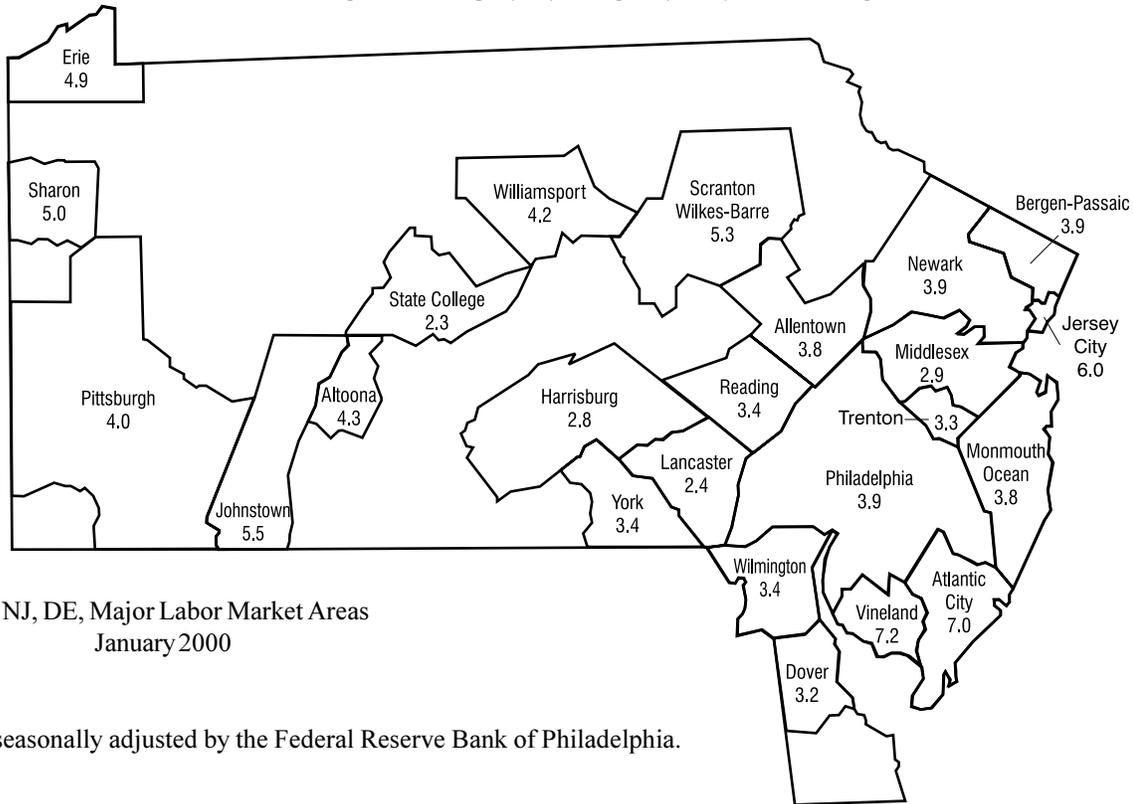
Camden area economy, added more than 3000 jobs last year, an increase of 2 percent. Even the manufacturing sector added about 500 jobs.

The two southernmost labor markets in New Jersey (Vineland and Atlantic City) continue to be the weakest in the state with the highest unemployment rates and the lowest job growth last year. Vineland had no job growth in 1999 on a fourth-quarter over fourth-quarter basis. About 700 jobs were lost in the manufacturing sector and about 200 jobs in construction. Gains of 2.5 percent or more in trade and nonfinancial business and personal services did not make up for these losses in the goods-producing sectors. The lack of any job growth in Vineland last year kept the area's unemployment rate high. January's rate of 7.2 percent is the highest of any labor market in the tri-state region.

The Atlantic City metro area had very little job growth last year (0.5 percent), and this was the second year in a row of meager growth in Atlantic and Cape May counties. The loss of more than 1000 jobs at the casino hotels after minimal growth last year restrained overall growth in the Atlantic City market. Growth in other service jobs more than made up for the loss at the casino hotels last year, but the net increase was relatively small. Reflecting the slow job growth in recent years, Atlantic City's unemployment rate remains the second highest in the tri-state area (7.0 percent).

The Monmouth-Ocean metropolitan area, along with the Middlesex area, had the strongest job growth of any labor market in New Jersey last year (2.1 percent). In Monmouth-Ocean, nonfinancial business and personal services grew faster than any other sector

Figure 7
THREE-STATE UNEMPLOYMENT RATES*



(3.8 percent) and added almost two-thirds of the new jobs in the area. Wholesale and retail trade grew more than 2 percent. The only sectors with any job loss in the Monmouth-Ocean area were manufacturing and transportation and public utilities, but these are relatively small in Monmouth-Ocean, each representing slightly more than 5 percent of total employment. With good job growth last year, the quarterly unemployment rate in Monmouth-Ocean dipped below 4 percent for the first time in a decade.

The Trenton area experienced modest job growth last year of slightly more than 1 percent, an improvement over the

meager growth in the previous year. The largest percentage gains were registered in retail trade (5 percent) and transportation and public utilities (3.7 percent). The largest number of new jobs, however, was in nonfinancial business and personal services. This sector contributed about 1700 new jobs, about 900 of which were in business support services like computer programming and data processing.

Continuing a long trend, Trenton sustained large job losses in manufacturing (4.7 percent). Trenton's manufacturing sector has lost jobs every year since 1984, and factory jobs are down more than 50 percent over that

period. Despite the sluggish to moderate job growth in recent years, Trenton's unemployment rate has remained surprisingly low. In January 2000 the area's unemployment rate was 3.3 percent, the second lowest in the state.

The Delaware Labor Markets

Job growth in the two Delaware labor markets (Wilmington and Dover) matched or exceeded growth in any of the other 22 labor markets in the tri-state region.

Nonfarm jobs in the Wilmington metropolitan area increased 2.9 percent in 1999, and in every major sector except manufacturing, payrolls increased more

than 3 percent. The manufacturing sector lost 500 jobs on a fourth-quarter over fourth-quarter basis (1 percent), and the losses continued in the first quarter of 2000. The chemical industry accounted for most of these losses. The largest number of new jobs in Wilmington was created in nonfinancial business and personal services (up 3.6 percent).

In the trade sector, job growth was much stronger on the wholesale side (6.8 percent) than on the retail side (2.2 percent). The increase in contracts for residential construction and public works projects led to an increase of almost 1000 workers in the construction industry in Wilmington (5.6 percent).

Finance, insurance, and real estate added more than 1000 jobs in the Wilmington market last year, and in contrast to most markets in the tri-state area, job growth was strong at depository institutions (Figure 8). Despite the strong job growth in Wilmington last year, the unemployment rate changed little during the year, remaining slightly above 3 percent. The unemployment rate for January 2000 was 3.4 percent.

Dover had the highest job growth of any metropolitan area in the tri-state region last year (4 percent). The only weak spots in the Dover economy were the loss of less than 100 jobs in finance, insurance, and real estate and about 200 government jobs. Business support services, health services, and private educational services had particularly strong job growth. These are all part of nonfinancial business and personal services, which registered overall growth of more than 11 percent. Dover's quarterly unemployment rate remained about 3.5 percent through most of the year. The rate in January 2000 was somewhat lower (3.2 percent).

Outlook for the Region

Most signs point to continued growth in the tri-state area in 2000. The latest new orders index from the Philadelphia

Figure 8
DEPOSITORY INSTITUTIONS
1998:IV - 1999:IV

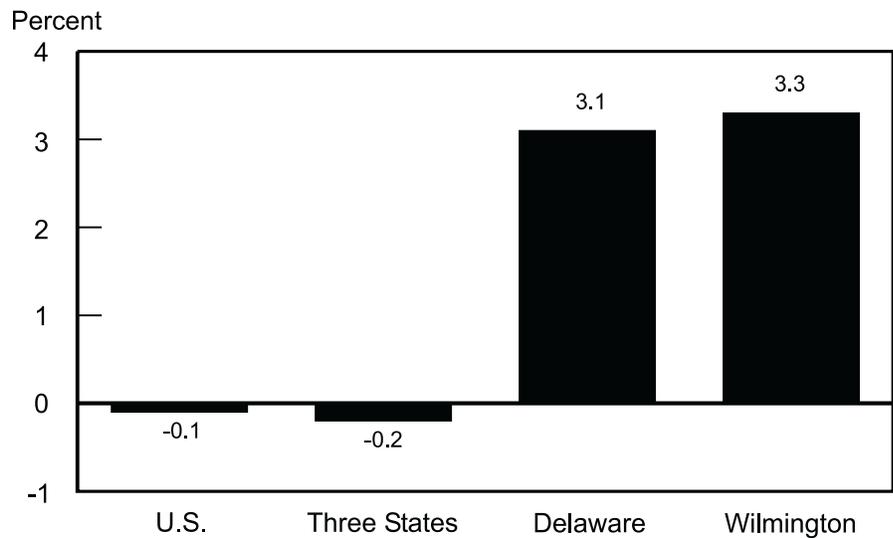


Figure 9
STATE FORECASTS

	<u>PA</u>	<u>NJ</u>	<u>DE</u>
Nonfarm Job Growth 1999:IV to 2000:IV	1.0%	1.4%	2.0%
Real Personal Income Growth 1999:IV to 2000:IV	1.6%	2.7%	2.9%
Unemployment Rate (Level) 2000:IV	4.3%	4.2%	3.5%
Housing Permits: Annual Change 1999-2000	-7.2%	-12.8%	-8.0%

Fed's *Business Outlook Survey* is at its highest level in a year, and the index for unfilled orders is at its highest level in more than two years. There was some slowdown in housing construction in the second half of last year, and we expect more slowing this year (Figure 9). So far, job growth in the first quarter has picked up from its slower pace at the end

of last year. And we predict that job growth this year will be somewhat slower in each of the three states than it was in 1999. The state unemployment rates should change very little, if at all, from the fourth quarter 1999 to the fourth quarter 2000.

Ted Crone

Federal Reserve Bank of Philadelphia
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Analyzes recent trends in the tri-state region of Pennsylvania, New Jersey, and Delaware. Quarterly.

Banking Legislation & Policy

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