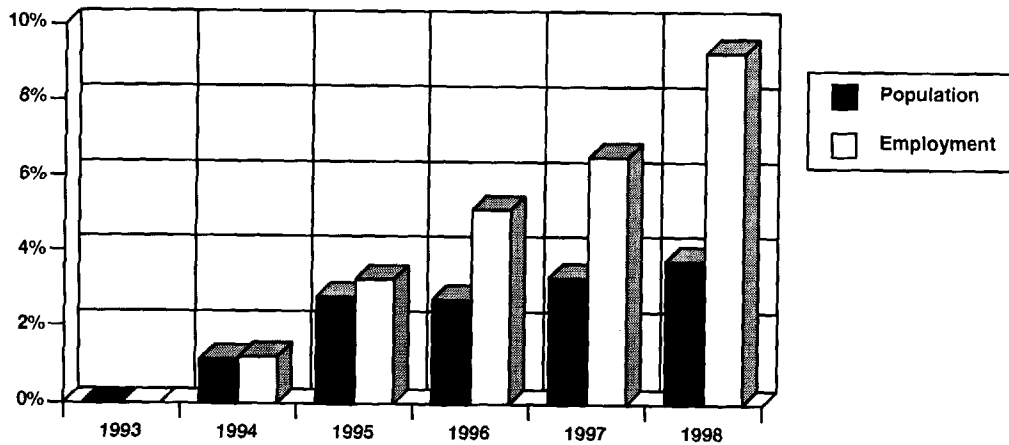


## Cumulative Growth in Population and Employment



Source: U.S. Department of Commerce, Bureau of Census and Bureau of Economic Analysis.

In addition to being the largest sector by number of employees, the service sector has been the fastest growing sector of the State's economy with an annual growth rate of 4.2% over the past four years. It is expected to continue as the leading growth sector, increasing by 3.8% in 1998 and 2.6% in 1999. All components of this sector have shown strong growth since 1994 except for legal services. Business services have added 52,900 jobs over the last four years, nearly 30% of the State's total increase in jobs. Growth in business services has been driven by personnel supply services and computer and data processing services.

Personnel who supply services account for one-quarter of business services, but have provided more than one-half of the new jobs in this sector as the types of temporary employees offered have broadened from clerical workers to accounting, legal, and other professional services. In addition, businesses have increasingly used temporary employees to screen new permanent employees. The continuing move towards software solutions for holding down costs, improving service and data delivery, and managing caseloads and record keeping will ensure growth in the computer services area, as will the Year 2000 problem.

Growth in health services slowed to 1.9% in 1997, down from 5.9% in 1994. Cost containment pressures have cut hospital stays, redirecting patients to outpatient clinics. In turn, hospital patient days have dropped by 25% over the past five years, resulting in flat hospital employment over the last three years. These same pressures have led to an increase in employment in the home health care industry, which has doubled in size over the last seven years.

Construction has been the second-fastest growing sector in the State since 1994. A strong residential market, fueled in part by generally declining interest rates and increased affordability, as well as a boom in office and industrial construction have resulted in a labor shortage for this sector. Despite this labor shortage, and a possible reduction in credit available to commercial developers, construction employment is expected to grow by 3.2% in 1998 and 1.3% in 1999.

The region around the Baltimore Washington International Airport (BWI) continues to grow. The arrival of Southwest Airlines in 1993 transformed BWI into the area's premier low-cost airport, and the establishment of a crew base and expected expansion adding ten more gates will support continued growth at the airport. Growth in the area is evidenced by the eight hotels currently operating, with occupancy rates averaging over 80%, as well as by the speculative office space construction resulting from office vacancy rates around 5%. It is anticipated that the economic base of the area will be broadened by the planned development of Arundel Mills, a 1.4 million square foot shopping mall with another 1 million square feet of retail space on its periphery.

Trucking, warehousing and wholesale trade have become important contributors to the State's economy. Induced by Maryland's strong transportation network, central location and access to reasonably-priced land, a long list of firms have established warehouses here. Although employment in these industries has fluctuated over the last three years, it has resumed its upward trend recently and should expand steadily.