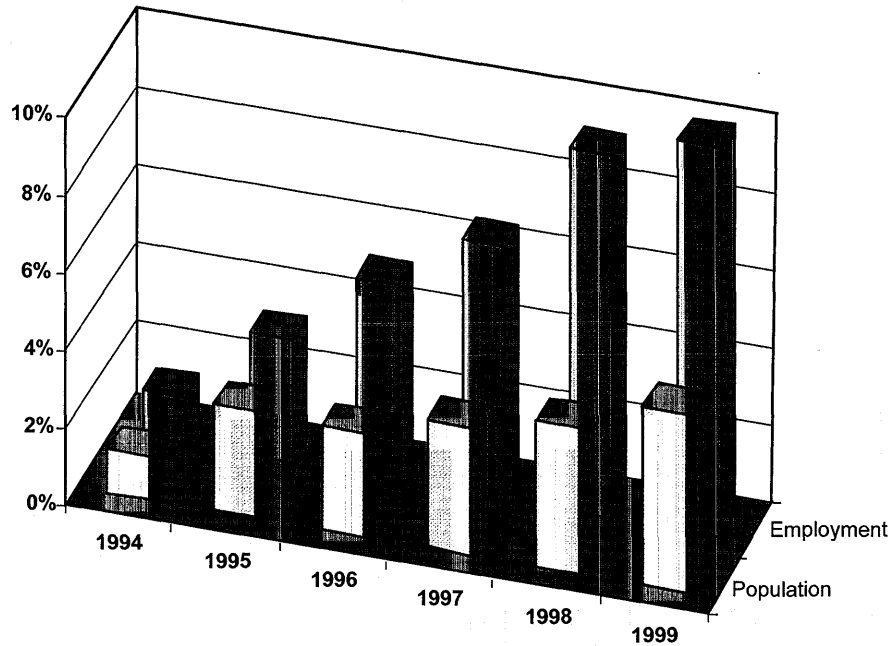


Cumulative Growth in Population and Employment



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

The construction industry had another banner year, growing by 3.7%. This sector has lagged only the service sector since 1994. Record low interest rates in 1998 led to a housing boom, with an increase of single-family housing permits of 13%, the first increase in six years. The construction of multi-family units slowed in 1998, although the replacement of high-rise public housing units in Baltimore City with low-rise units is expected to reinvigorate this segment of the industry. Commercial and office construction has been strong and shows no signs of weakening, although industrial construction has slowed. Labor market constraints have affected the construction sector more than most, which may help maintain growth at above-average rates in the near future.

Growth at Baltimore Washington International Airport (BWI) has helped to maintain strong construction activity. Office vacancy rates are very low in the area; several speculative office buildings will be completed over the next two years. Construction on the 1.4 million square foot Arundel Mills Mall has begun and will be completed in 2000. It is likely that other retail and restaurant establishments will follow. The airport itself will continue to expand, with 10 additional gates for Southwest Airlines and 60,000 square feet of new cargo space. Despite the lack of labor, growth in the construction industry will accelerate to 3.7% in 1999, before increasing to 2.25% in 2000 and 3.0% in 2001.

Maryland's central location, access to reasonably-priced land and well-maintained transportation network have contributed to the growth of the trucking, warehousing and wholesale trade industries. Employment in these sectors has been generally upward and is expected to continue. The closure of Preston Trucking, one of the largest employers on the Eastern Shore, resulted in the loss of about 300 jobs. The 1998 addition of 400 jobs from a Southwest Airlines pilot base and 800 jobs from a Southwest crew base at BWI have more than offset that loss. While the Port of Baltimore did not become the East Coast base for Maersk/Sea-Land, the outlook is brighter for the Port than it has been in recent years due to the exposure it received as a finalist in that search. Growth in the transportation sector will be a strong 6.1% in 1999, before slowing to 1.25% in 2000. The wholesale trade sector will continue modest growth of about 1%.

Ever-increasing demand for cellular telephones, pagers, facsimile machines, and Internet access, along with the proximity to the largest telecommunications customer in the nation, make Maryland extremely attractive to telecommunications service providers. Maryland was the first state in the nation with an "overlay" area code system, due to the rapid expansion of telephone numbers. Employment in this sector increased by 2.4% in 1998, and steady growth of approximately 2% annually is expected to continue.

Deregulation of the electric industry in Maryland brings uncertainty to one of the most stable sectors of the economy. Employment has declined by over 7% from 1996, as costs have been reduced to prepare for competition. Cost-cutting and consolidation are expected to continue, resulting in employment reductions of 2.6% in 1999 and 3.0% in 2000, moderating to a 1.5% decline in 2001.