

ECONOMIC CONDITION AND OUTLOOK

Delaware enjoyed a healthy expansion throughout most sectors of its economy during the 1990's. From 1995 to 1999, the State's employment growth consistently outperformed the mid-Atlantic region and exceeded the national increase. Delaware has seen a drop in its employment growth from 1999 to 2000, as have the mid-Atlantic region and the U.S., reflective of the cyclical nature of the overall national and regional economy in general. However, Delaware continues to have positive employment growth, growing by 0.8% from July 2000 to July 2001 and ranking ahead of its neighbors (with the exception of Maryland at 1.0%) and the United States.

Delaware's economic strength can be largely attributed to the success of its continuing efforts to diversify its economic base. Once regarded primarily as a manufacturing state with high concentrations of employment in chemicals and automobile manufacturing, Delaware has expanded its base to include strong FIRE (finance, insurance and real estate) and services sectors. Manufacturing and FIRE sectors now account for roughly the same proportion of Delaware jobs (13.9% and 12%, respectively). This fundamental shift in its economic base enabled the State to weather the recession of the early 1990's with limited impact, and is expected to diminish Delaware's vulnerability to the current cyclical downturn.

Delaware also is aggressively pursuing high technology industry, including life sciences research and development, pharmaceuticals, agricultural biotechnology, human biotechnology and information technology. In the fiscal 2001 and 2002 capital budgets, the State appropriated a total of \$7.5 million to create the Delaware

Biotechnology Institute (the "Institute"), a partnership involving State government, Delaware's higher education institutions and the private sector. The Institute is designed to expand the State's scientific base and create opportunities for the development of new technologies in the emerging life sciences field.

Historically associated with a strong employment and income base, population growth is one of the most important indicators of the strength of a state economy. Delaware experienced above average population growth through the 1990's. Delaware was the only northeastern state with population growth above the national average. Between 1991 and 2001, Delaware's population increased 15.2% to 786,500 inhabitants, compared to 5.9% growth for the region and 12.8% growth for the nation. As in past years, net in-migration continues to account for a significant share of the population growth. Delaware's robust economy and low unemployment rates continue to attract a large number of out-of-state workers.

Delaware's personal income, a widely used measure of residents' economic well being, grew 6.7% in 2000 to \$25.5 billion. This growth rate was less than the 7.4% growth for the mid-Atlantic region, but above the 6.6% national growth rate. In 2000, Delaware's per capita personal income was \$31,074, the 13th highest in the nation. Employment in Delaware increased at an annual rate of 1.9% in calendar 2000, compared with 2.2% for the mid-Atlantic region and 2.2% for the U.S. The State's unemployment rate for July 2001 was 3.3%, significantly lower than the national rate of 4.5%.

A Diversified Economy

Delaware's manufacturing employment base remains an important sector of the State's economy, accounting for 13.9% of the State's nonagricultural employment in 2000, roughly equal to the U.S. percentage. The State is home to two automobile assembly plants — DaimlerChrysler and General Motors. Since September 1997, DaimlerChrysler has been producing the very popular Dodge Durango sport utility vehicle at its 3.4 million square foot Newark, Delaware assembly plant. Since January 1999, General Motors has produced the mid-sized Saturn L-Series at its Newport, Delaware assembly plant.

The importance of the chemical and pharmaceutical industries to Delaware's economy stems largely from the fact that two large companies — E.I. du Pont de Nemours & Co., Inc. and AstraZeneca International maintain their global and U.S. headquarters, respectively, in the State. DuPont is one of the State's largest private employers, whose primary industry segments include chemicals, fibers, polymers, and diversified businesses, including agricultural and life sciences products. DuPont officials expect its expansion into the life sciences businesses to be the primary focus of its future growth. AstraZeneca, one of the top five pharmaceutical companies in the world, employs approximately 3,000 at its U.S. headquarters in Delaware. With a massive expansion project currently underway, AstraZeneca is

expected to increase finance, research, engineering, and related activities in support of the firms' worldwide operations.

Banks and other financial institutions have been a major focus of Delaware's economic development activity since 1981, when landmark legislation opened the State to interstate banking, modernized the State's banking laws, and permitted creation of new types of special-purpose intermediaries. Approximately 70 institutions are involved in banking in Delaware, employing nearly 31,600. Credit cards have become a major industry in the State. Prominent credit card issuers in Delaware include MBNA America Bank, N.A., First USA Bank, and Greenwood Trust Company.

Agriculture also constitutes an important segment of Delaware's economy, with more than 46% of Delaware's land area used for farming. In 2000, Delaware farmers earned an estimated \$740.7 million in cash receipts from all commodities, a decrease of 2.0% from the prior year. Soybeans and corn are the major field crops. Delaware ranks ninth in the production of broiler chickens—and Sussex County produces more broilers than any other county in the nation. Cash receipts from broilers represent over 67% of all farm cash receipts.

A Corporate Home

The State is widely known as a corporate home because of its well-developed body of case law from Delaware Courts, prompt resolution of corporate litigation by the Court of Chancery and Delaware's reputation as a financial center. In 2000, over 308,000 domestic corporations were registered. Since 1989, Delaware has ranked within the top five states with the greatest number of new incorporations. The State is the corporate home of nearly half of the companies listed on the New York Stock Exchange and is the legal domicile of more than 50% of the companies listed in the "Fortune 500." Delaware has also become a leader in the formation of alternative types of business entities. Limited liability companies, for example, increased by 20% in calendar year 2000. Filings for business trusts and limited partnerships have experienced similar growth.