



The Southeast in 1984: An Overview

With the Southeast's economy mustering fresh strength moving into 1984, the outlook is promising for the region in the months ahead.

Within the region, those state economies that showed the greatest strength in the 1981-1982 recession and the recovery in 1983 also are likely to lead the way in 1984.

Of the eight states covered in this issue, Florida should enjoy the strongest expansion. An inflow of new residents and businesses into Florida promises to boost spending on housing and consumer durable goods, creating new jobs at the same time. Increased defense spending will stimulate local economies surrounding military installations and, in particular, boost those areas that produce sophisticated military hardware. Florida's tourist attractions will lure a growing number of domestic and foreign travellers, and add to the growth of the state's economy as well.

Other states in the region will benefit from these strengths, too.

Georgia and North Carolina, especially, are likely to benefit from the effects of increased migration. Increased defense spending will boost many local economies in the region. Tourism is expected to be a pillar of Louisiana's recovery in 1984 and the benefits of the World's Fair to be held there this year should spread across the Southeast.

The national recovery this year and increased tourism should boost the region's airline and convention trade. With the world's fair, the continued lure of Disney World's EPCOT Center, and the growth of convention facilities in Atlanta, this could be a banner year for southeastern hospitality industries.

Revived growth will stimulate the manufacturing economies of Alabama, Mississippi, and Tennessee. These states, hard-hit by the recessions of the early 1980s, have begun to experience solid employment gains in response to the national recovery. In 1984, they should gain from plant reopenings in diverse durable

manufacturing industries and from increasing mining activity. South Carolina, also hard-hit by the recession, made a faster than usual comeback in 1983 and state leaders are moving aggressively to diversify its economy.

A lack of diversity hurt Louisiana's energy and trade dependent economy in the recent recession. Louisiana's economy still has some catching up to do because the petroleum industry and international trade have both been slow to join in the economic revival. A rebound of the energy sector and increased trade flows would benefit this and other states in the region. It is likely that international trade will improve later this year, particularly helping Louisiana, North Carolina and south Florida. Increased exports also would induce faster growth in the other regional states. The region also should profit from foreign investment.

The Southeast in Recovery

After suffering the pains of a recession that continued through most of 1982, parts of the southeastern economy began to experience a strong upturn during the first half of 1983 with a reawakening of consumer spending. Increasingly optimistic consumers began to buy cars, clothes and houses as interest rates fell.

A revival in residential construction, first noted as 1982 drew to a close, stimulated construction-related industries across the nation. Predictably, the region's substantial furniture and carpet manufacturing industries soon began to expand output rapidly to meet the renewed demand.

The recovery spread quickly, injecting new life into the Southeast's concentrations of automobile parts and apparel manufacturing plants. Closed factories

began to reopen and idled employees were summoned back to work. Total employment, which had languished through 1982, began to grow again during the late spring, pumping more money into the economy.

As 1983 ended, both employment and joblessness reflected the recovery's burgeoning strength. Employment was showing strong growth, while the unemployment rate continued to drop. Alabama, Louisiana, Mississippi and Tennessee continued to experience jobless rates around 11-12 percent late in the year, but the region's average rate had fallen from nearly 11 percent at the beginning of the year to about 9 percent by the fourth quarter.

In Florida, Georgia and North Carolina, where economic activity weathered the recession relatively well, unemployment had fallen to 7.8, 7.1 and 8.2 percent, respectively, in November. Those states' mix of service-related industries had provided some insulation from the unemployment problems that plagued the manufacturing-dominated economies of neighboring states.

A second consecutive year of economic expansion promises a continuing reduction in unemployment throughout the Southeast and in the nation, where the rate seems likely to decline to 8 percent or even lower by yearend.

Unanswered Questions

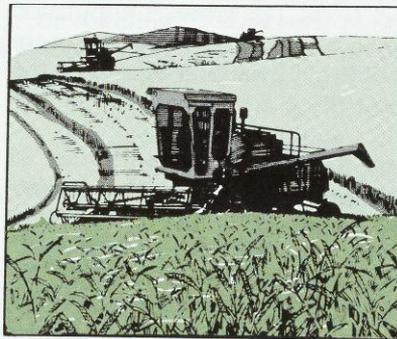
But trouble spots that could generate problems in the months ahead also remain in the regional economy. The international trade and energy areas, which declined so dramatically during the recession, continue to lag other sectors of economic activity in recovery. A strong U.S. dollar reduced trade flows through most of 1983, including

the flow of agricultural and energy products at major ports in the region. The speed of economic recovery worldwide should help shape the vigor of recovery in important coal, phosphate, chemical, and pulp and paper exports as well as imports of oil and machinery into the United States.

If the dollar's foreign exchange value declines this year partly in response to a widening American merchandise trade deficit, the nation's manufactured exports should grow steadily later in the year despite continued stagnation in the Latin American market. Such a rebound would add to the increased trade stimulated by reviving global economic growth.

Another problem sector, particularly for the Southeast, is agriculture. Drought across most of the region last year left farmers hard-pressed to repay the debts they had accumulated during several years of adversity. A severe freeze in Florida near yearend damaged crops and augured poorly for the new year.

For survivors, though, conditions look brighter in 1984. Continued economic recovery



and favorable trade developments should increase agricultural exports and generate demand for farm products. Farmers are likely to resume full-scale planting, which would

trigger a resurgence in demand for seed, fertilizer and equipment—good news for merchants who suffered during last year's acreage reductions.

Summary

As the economic good news continues to roll in, construction, services and manufacturing firms are gearing up for what they expect to be a second consecutive year of regional growth. Plants should continue reopening and the job picture should improve, assuming that consumer and business spending continues to fuel the national recovery.

As we have emphasized in past outlook issues, the Southeast, so often characterized as a monolithic fast-growing unit, actually contains states with widely differing economic profiles. This region of over 40 million people, representing almost 18 percent of the nation's population, is a fascinating mix of rural and urban, agricultural and manufacturing, and traditional and high-tech industries.

Adding to the mix, the Southeast in recent years has become a hotbed of entrepreneurship, aided by a traditional commitment to free enterprise and a history of good management-labor relations. Those qualities, together with a rich diversity of environmental factors, give each state in the region a quite distinct economy. The detailed state-by-state analyses in this issue explore those distinctions and what they hold in store for southeastern states in the year ahead. The issue was produced by our regional research team, headed by Gene D. Sullivan.

—Donald L. Koch