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**ATLANTA:  
CENTER OF THE SOUTHEAST**

A presentation by  
Robert P. Forrestal  
President  
Federal Reserve Bank of Atlanta

May 1984

It is a pleasure to visit your beautiful country and to tell you a little about the economy of my beautiful home city of Atlanta. I believe that we have a very good and a very optimistic story to bring you about what is happening in Atlanta now and what to expect for the future. As I explain our economy, I will use some slides. I have also brought you some copies of the charts that are the subjects of these slides. Included with these charts are copies of the "Georgia Report" prepared by my bank, the Federal Reserve Bank of Atlanta — one of 12 regional Reserve Banks in the Federal Reserve System, our nation's central bank. These reports will give you more details than I will be able to cover during my short talk.

If I were to describe the economic outlook in my country in just one sentence, it would be this: The outlook for the United States is good, the outlook for the southeastern states is better, the outlook for the State of Georgia is still better, and the outlook for Atlanta is best of all. I say this in spite of the fact that, as you know, interest rates have risen recently in the United States. Today's higher interest rates will not stop our recovery, although they could well slow it down. That slowing of our growth is healthy and necessary; we could not safely maintain the rapid expansion we were experiencing at the beginning of this year without reigniting inflation.

The United States is continuing its recovery from the recession of 1981-82. Over the last four quarters, our gross national product — we call it GNP — rose at a 6.5 percent rate in real terms, adjusted for inflation. Looking ahead, we are beginning to make a successful transition from recovery — a period of rapid growth from recession troughs — to the more mature type of expansion that can be sustained over long periods of time. For technical reasons, growth could be quite slow during this calendar quarter, but the consensus is for an increase in real GNP of about 5 percent for the full year 1984.

During the recession, the southeastern states, as a group, generally fared better than the rest of the nation. For that reason, they were in better condition to take advantage of the recovery when it began late in 1982. The average unemployment rate for the states in our Sixth Federal Reserve District— Georgia, Alabama, Florida, Louisiana, Mississippi, and Tennessee — had retreated to 7.5 percent by March, the most recent date for which we have a reliable figure. This is significantly lower than the nation's 7.8 percent. But the picture is even better in the State of Georgia and in Atlanta.

(CHART 1: UNEMPLOYMENT RATE)

This chart shows the sharp contrast between the unemployment rates of Atlanta and the nation. It is interesting to note that, during the worst part of the recent recession, Atlanta's unemployment never rose above 7.3 percent, while the national unemployment rate reached 10.8 percent. Now, after more than a year of the recovery, the Atlanta unemployment rate has improved to 5 percent by March of this year, while Georgia's rate has declined to 6 percent and the national rate has moved downward to 7.8 percent. You will note that, even during the worst part of the recession, Atlanta's unemployment rate was better than the nation's is now. Why did our city's economy remain so much stronger than the nation's? The answer is that its economy is well diversified and is

not heavily dependent on manufacturing. In Atlanta's economy, providing services creates more jobs than producing goods. That protected it from many of the most severe problems of the recession.

(CHART 2: DEPARTMENT STORE SALES)

This chart, comparing department store sales in Atlanta and the United States, reflects the relatively high personal income and confidence of our city's residents. Retail sales have been healthy in Atlanta since early 1982. As measured by sales tax collections, retail sales in January and February were growing at an annual rate of 17 percent in both Georgia and Atlanta. Our business sources also tell us that sales in March and April were above their levels of a year ago. The sharp drop beginning in late 1980 that you see in Chart 2 represented the delayed effect of an earlier national recession. That recession briefly slowed the flow of new residents moving from other parts of the United States to our city. You will notice, however, that the 1981-82 recession did not seriously affect sales in Atlanta.

(CHART 3: NEW AUTOMOBILE REGISTRATIONS)

This chart of new automobile registrations provides more evidence of the economic strength of Atlanta and the State of Georgia. Unfortunately, we do not have separate figures for the city, alone. However, Atlanta accounts for a large part of the sales volume shown for Georgia. In April 1983, new automobile sales began to grow rapidly across the United States, reaching an annual rate of around 15 percent by last December. In Georgia, the growth in automobile sales began a month earlier and rose even more rapidly, rising to an annual rate of nearly 40 percent by the end of last year. In the first two months of this year, automobile sales in Georgia were extremely high, with the annual gain reaching 73 percent. Our sources tell us, however, that sales in March and April dropped to a more sustainable level.

(CHART 4: RESIDENTIAL CONSTRUCTION)

This chart, comparing the construction of new homes in the United States, Georgia, and Atlanta, tells the same story. Because Atlanta constantly attracts new residents, the construction of new homes in Atlanta consistently moves at a faster pace than in the nation. It was the nation's strong increase in construction activity, beginning in late 1982, that started the recovery. Nationally, the pace of residential construction in the closing months of 1983, as measured by the number of new construction contracts signed, was running about 60 percent above the level of the same period on 1982; it declined to about 50 percent more recently. But the improvement was more dramatic in Georgia, and even more so in Atlanta. In Atlanta, the pace of residential building in late 1983 was nearly twice as fast as it had been the year before. In early 1984, it continued at a pace about 80 percent faster than a year earlier; it has slowed somewhat since then.

Although I have no chart showing nonresidential construction, I would like to mention Atlanta's facilities for business offices. At present, business offices are opening or expanding in Atlanta faster than new office space is being built. For that reason, the vacancy rate is declining and office rental rates have risen somewhat. However, Atlanta still offers some of the finest office space at rental rates that remain among the lowest in the nation.

(CHART 5: COMMERCIAL BANK DEPOSITS)

This chart is based on monthly data, rather than on a twelve-month, moving average, so it reflects some sharp fluctuations resulting from seasonal and other factors. While the pattern of growth has been erratic, it has remained above the average growth rate for the nation; in March of this year, deposits in Georgia banks were 15 percent above their level of a year earlier. You will also be interested to know that the total dollar value of loans made by savings and loan associations in March was about 40 percent

higher in both Atlanta and Georgia than a year earlier. This was made possible by very strong deposit growth experienced by our savings and loan associations.

(CHART 6: AIRLINE PASSENGERS, 1983)

Our large, modern, and well-designed Atlanta International Airport can handle many more passengers than its current heavy volume. As this chart shows, in 1983 it handled 38 million passengers, while the two airports in Chicago handled 45 million and the three airports serving the New York City area handled 64 million. Air travel was stimulated last year by some active price-cutting competition among our airlines. Traffic is now slightly lower, since fares are returning to more normal higher levels. In March of this year, international traffic at Atlanta's airport was 21 percent greater than it was a year earlier, suggesting a strengthening of the business ties across the Atlantic.

(CHART 7: CONVENTION ATTENDANCE, 1983)

Conventions are major attractions that draw both domestic and international visitors to Atlanta. This chart compares convention attendance in Atlanta last year with attendance in the two considerably larger cities that currently draw more convention visitors. Atlanta continues to work hard at improving its convention facilities — already among the best in the nation — and we expect to increase our share of that business steadily in the future. One project that will help Atlanta do that is the expansion of our Georgia World Congress Center; by the end of this year, its size will have nearly doubled — reaching a total of 640,000 square feet.

(CHART 8: HOTEL ROOMS, 1983)

One of the main reasons why Atlanta can take care of so many convention visitors so well is shown on this chart. Atlanta had 35,000 hotel rooms in 1983 — most of them quite new, modern, and very comfortable. By contrast, Chicago had 40,000 and New

York City about 100,000 — many of which are older, less attractive, and much more expensive. Two luxurious new hotels have already opened so far this year in Atlanta, adding about 1,000 new rooms and bringing our total to 36,000. Plans are being made for seven more. One new hotel, already under construction near Atlanta's business center, will offer over 1,600 rooms.

The State of Georgia has many other attractions outside of Atlanta. The number of visitors to most of these attractions was much higher this March than last; for example, our state parks saw an increase of 19 percent, our national parks saw an increase of 15 percent, and our visitors' centers saw an increase of 16 percent.

(CHART 9: FOREIGN TRADE ACTIVITY)

This chart shows the effects of the strong United States dollar and the economic recessions in the United States and in other nations. These factors have worked together to cut exports from the United States and reduce the nation's total trade activity with other nations. You will notice, however, that Georgia has not suffered as badly as the nation. It is interesting to note that, of all the customs districts in the Southeast, the Savannah district, which represents the entire State of Georgia, was the only one to show any growth at all during the recent recession. In time, our nation's current imbalance between exports and imports should weaken the dollar's value in terms of other currencies and that, in turn, should help us move toward a more balanced growth in foreign trade.

(CHART 10: SAVANNAH PORT ACTIVITY)

This chart shows the relative importance of exports and imports through Georgia. You see that imports passing through the Port of Savannah continued to grow during the recent recession; this was made possible partly by the port's expanded facilities. By contrast, export growth slowed sharply as the foreign exchange value of our dollar strengthened and the economic problems of some of our trading partners mounted. Fortunately, export growth began to rebound in mid-1983. Again, we expect that, in time, a better exchange rate between our currency and the currencies of our trading partners will help to stimulate Georgia's foreign trade even more. Improvement in the economies of nations in Europe and around the globe will also help.

CONCLUSION

To summarize, Georgia's economy is healthy, and Atlanta's is even more robust. Every sign points to a continuation of this economic vigor, although its pace will definitely slow as a result of the recent increases in interest rates. Atlanta stands ready to welcome business people of other nations who want to share in that growth. Perhaps because its climate is pleasant and its homes, gardens, and trees are beautiful, Atlanta's citizens are happy, friendly people, ready to greet you warmly and join with you in a partnership that both you and they will enjoy.

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Don-

~~Duane~~ -

DK wants to see  
a copy of RPF's  
Scandinavian presentation.  
Can you give him a copy  
with a note saying that  
both BC + I have  
reviewed it? **Done.**

(I assume that it  
has already gone down.)  
**Right.**

Don

**Duane**

**FEDERAL RESERVE BANK OF ATLANTA**

**Office Correspondence**

April 6, 1984

To: Mr. Forrestal  
From: Duane Kline  
Subject: Scandinavian Mission

Carol Martel, of the Atlanta Chamber of Commerce, gave me a little information today that may be of interest to you.

For one thing, she wanted to be saure you were aware that you probably will get some questions about the outlook for interest rates in the U.S. As you know, European business people are quite sensitive about the extent to which High interest rates here are drawing capital out of their economies. For related reasons, you may expect questions about economic policies and President Reagan's prospects for reelection, and whether Chairman Volcker is likely to continue as Chairman after the election.

She says they are expecting around 200 to attend the program in Stockholm, with small er groups of around 75 each at Goteborg and Helsinki. She requested that we supply her with 250 copies of our February 1984 Economic Review by early May so that she can ship them over in advance; this will be no problem. If you plan to hand out copies of the Georgia Report, a like number of these will also be necessary. An overhead projector will be available at each location, so the use of transparencies presents no problems; two sets should be prepared, in case one set islost or damaged. Again, 250 photocopies of these transparencies should be provided for use as handouts; I'm assuming you will want to do this, as well as leaving copies of the Georgia Report with them.

Shipping all these handouts in early May means they will not include all of the latest figures we'll be able to give you just before you depart. However, that may give yuou an opportunity to draw additional attention to any particularly important new develo9pments.

May 15, 1984

For: Sheila Tschinkel

From: Don Bedwell

Subject: Forrestal speech

Mr. Forrestal suggested that we show this to you before it goes down to him Wednesday prior to his trip to Scandanavia with the Atlanta Chamber of Commerce trade mission. It is a relatively brief presentation that he will deliver, along with slides now being completed by the database team, to business audiences in three Scandanavian cities.

Duane Kline prepared the presentation with the help of economists from Gene Sullivan's regional research team. We showed a draft to Mr. Forrestal last week and this version incorporates several of his suggested changes, as well as some contributed by others.

Duane is trying to arrange for a time tomorrow when we can give Mr. Forrestal a preview of the slides to go with the text.