

July 1967

Higher Prices Ahead?
The Future of Trade Credit
From Surplus to Shortage

Business Review

Federal Reserve Bank of Philadelphia



Higher Prices Ahead ?

by David P. Eastburn

Predictions of a strong pickup in the economy have raised new fears of inflation. This is natural in view of the price increases that took place during 1966. The easy assumption is that a revival of rapid economic activity will bring the same conditions prevailing then. A somewhat longer view of business expansions in the 1950's and so far in the 1960's, however, points to developments in the second half of this year different from those many seem to expect.

This view is provided in Charts 1 and 2. The charts are based on the theory that one important source of price pressure is the force of high rates of production on capacity to produce.* When manufacturers operate close to their preferred percentage of capacity, a number of things are likely to be going on typical of an inflationary environment. Producers place advance orders for scarce materials frequently at higher prices, bid more for labor, pay overtime, put up with less efficient workers and machinery, and so on.

The statistics bear this out. As Chart 1 indicates, not much happens to prices in the early stages of business expansion as manufacturers operate far under capacity. As operations move up, prices rise somewhat. Then, at about 90 per cent of capacity, prices begin to rise rapidly. In most expansion periods during the past decade and a half, prices have stabilized when manufacturers again operated at somewhat lower rates. The main exception was in 1956-57, when many came to believe the economy was subject to *(Continued on Page 8)*

**Much depends, of course, on which prices one is talking about. Here the focus is on manufacturers' wholesale prices because these respond more sensitively to pressures in the short run. Consumer prices react later and also are subject to special influences in such areas as food and services.*

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Businessmen are acting as though they expect credit to tighten later this year. One source of credit, particularly to small business, is credit extended by business firms to each other—trade credit. Experience during the 1960's raises some questions about . . .

THE FUTURE OF TRADE CREDIT

by Hugh Chairnoff

Corporate manufacturers had almost \$69 billion of accounts receivable on their books at the end of 1966.¹ Taking into account trade credit they themselves received (their accounts payable), these manufacturers were owed about \$36 billion by other businesses.² In comparison, all commercial banks had outstanding loans to business (only some of which were manufacturers) of \$79 billion.

Underlying these very large figures are changes in the growth and character of trade credit that may be an omen of things to come. For during the 1960's the growth of trade credit has slowed down.³ As their liquidity has declined, corporate manufacturers have been taking a harder look at their credit function.

HOW TRADE CREDIT HAS GROWN

Trade credit has grown primarily for two reasons.

¹Throughout this article trade credit extended only by corporate manufacturers is considered. Besides being the most important providers of trade credit, only manufacturers provide current data in sufficient detail for analysis.

²These and other data in this article are based on F.T.C.-S.E.C. Quarterly Reports of Manufacturing Corporations. The data have been spliced to adjust for sample changes and smoothed to remove a definite seasonal pattern. One disadvantage of this source is that not all industries have size distributions similar to the distribution of the entire manufacturing sector. Thus, the conclusions of this article may not apply to every industry.

³This article examines the growth of accounts receivable only. However, the growth of net receivables (accounts receivable less accounts payable) closely parallels the growth of accounts receivable as Chart 3 points out.

One simply has been because of increases in sales. The other has been because more credit has been extended per dollar of sales (an increase in the "credit rate").⁴ An increase in the credit rate can occur as manufacturers liberalize credit terms, extend credit to a larger proportion of their customers, increase credit limits to customers, or relax collection policies.

During most of the 1960's, receivables have not grown so fast as in the 1950's. Chart 1 shows that receivables were growing faster than sales during the 1950's but that the two have kept pace with one another during most of the 1960's. The bottom line of the chart confirms that the growth of receivables relative to sales levelled off in the 1960's following a persistent rise in the 1950's.

The principal reason for the slower growth of trade credit has been a slower increase in the credit rate. In the 1954-57 business expansion and again in the 1958-60 expansion, increases in sales accounted for about 65 per cent of the increase in receivables (see Table 1). Increases in the credit

⁴There is a third factor known as "interaction." It reflects the change in trade credit arising out of a combination of a change in sales and a change in the credit rate. Usually, interaction is the least important of the three factors. Symbolically,

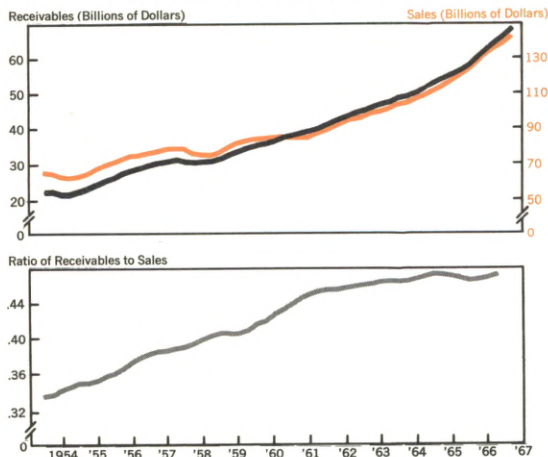
Change in Receivables (ΔR) =

(1) Change due to Sales Change — $\Delta S (R_0/S_0)$

(2) Change due to Credit Rate Change — $S_0 (R_1/S_1)$

(3) Change due to Interaction — $\Delta S (R_1/S_1 - R_0/S_0)$
where, R = Receivables, S = Sales, R_0/S_0 = ratio of receivables to sales, beginning of period, R_1/S_1 = ratio of receivables to sales, end of period.

CHART 1
RECEIVABLES AND SALES OF
MANUFACTURING CORPORATIONS



rate accounted for about 30 per cent. In those two expansions, the credit rate increased by an average of 4 per cent and 3.75 per cent annually. From 1961 through 1965, however, 89 per cent of the increase in receivables was attributable to increases in sales; only 7 per cent was accounted for by an increase in the credit rate. In fact, the credit rate increased only an average of 0.7 per cent annually during this period, a substantially smaller increase relative to previous expansions.

Large and small manufacturers

Larger manufacturers have become relatively more important in the extension of total trade

TABLE 1
CAUSES OF GROWTH OF RECEIVABLES

Period	Per Cent Due to Sales	Per Cent Due to Credit Rate
1954-1957	65%	28%
1958-1960	64	31
1961-1965	89	7
1966	81	17

TABLE 2
RANKING OF CORPORATE
MANUFACTURERS BY CREDIT RATE*

Size (in millions)	1954 III	1957 II	1958 II	1960 II -	1961 I	1965 IV	1966 IV
Less than \$1	4	4	5	6	5	6	6
\$1- \$5	3	3	3	4	4	5	5
\$5- \$10	1	1	1	2	2	3	3
\$10- \$50	2	2	2	1	1	1	1
\$50-\$100	5	5	4	3	3	2	2
Over \$100	6	6	6	5	6	4	4

*The Roman numerals are calendar quarters. The rankings are as of the end of the calendar quarter.

credit during the 1960's. As Table 2 indicates, the credit rate during the 1954-57 period of business expansion was highest for middle-sized manufacturers. That is, manufacturers in the \$5 million to \$50 million size group extended more trade credit per dollar of sales than did other size groups. Manufacturers with assets less than \$5 million had the next highest credit rate, and the largest manufacturers had the smallest credit rate. But by the 1958-60 period, larger manufacturers began to become more important and smaller manufacturers less important. Then, during the 1960's this process continued so that by the end of 1965, manufacturers in the three largest size groups, those with assets of \$10 million or more, ranked first, second, and fourth in terms of the amount of credit extended to customers per dollar of sales (the credit rate).

Bear in mind, however, that all this is relative. It was taking place in a situation in which the credit rate was accounting for a much smaller part of the increase in receivables than in the two previous expansions. On balance, smaller manufacturers in the 1960's actually reduced their receivables relative to sales whereas in previous expansions changes in the credit rate had been a very significant factor in the growth in their re-

ceivables (see Table 3). Thus, smaller manufacturers used trade credit much less as a competitive weapon in the 1960's than in the 1950's. Larger manufacturers also used trade credit much less as a competitive weapon in the 1960's though they did not reduce their reliance on trade credit to the extent that smaller manufacturers did.

Experience in tight money: 1966

If, indeed, tight money conditions are ahead, businesses needing trade financing will be more interested in what happened in 1966 than in 1960-65. Corporate manufacturers did come to the aid of their customers in 1966. They provided credit in excess of their growth in sales. Compared to the 1961-65 period, growth of receivables relative to sales was much higher. Changes in the credit rate accounted for 17 per cent of the increase in receivables during 1966 compared to only 7 per cent in the 1961-65 period (see Table 1). Even so, the response was considerably short of the liberalization of credit rates that took place during the 1950's when increases in the credit rate accounted for about 30 per cent of the increase in receivables.

And the response mostly was confined to the

larger manufacturers (see Table 3). They increased the amount of credit extended per dollar of sales during this period at a faster rate than they had during the 1961-65 period. In the case of smaller manufacturers, changes in receivables were proportionate to changes in sales. These manufacturers were less able or willing to provide credit to help fill the credit needs of their customers. Their behavior in 1966 was not different from their behavior during the 1961-65 period.

WHY THE SLOWER GROWTH DURING THE 1960'S?

Two hypotheses may be advanced to explain both the slowing growth of trade credit and the increasing importance of larger manufacturers in dispensing trade credit. First is that the *demand* for trade credit has slackened. Unfortunately, lack of adequate information on the major receivers of trade credit makes this approach a speculative one. The lower relative cost of other sources of financing does not appear to be a strong enough factor to discourage using trade credit as a source of funds.

A second approach looks at the problem from the *supply* side. Perhaps corporate manufacturers were unable or unwilling to extend credit per dollar of sales as liberally as had been the case in the 1950's. It may be that manufacturers became more pressed for funds during the 1960's as their capital expenditures began to rise at an increasing rate. The long period of almost continual prosperity since the Second World War has caused manufacturers to dip, with heavy hands, into their liquidity in order to meet the demands of a growing economy. At some point, continually declining liquidity may be expected to have some impact on their ability to extend credit to customers on increasingly liberal terms.

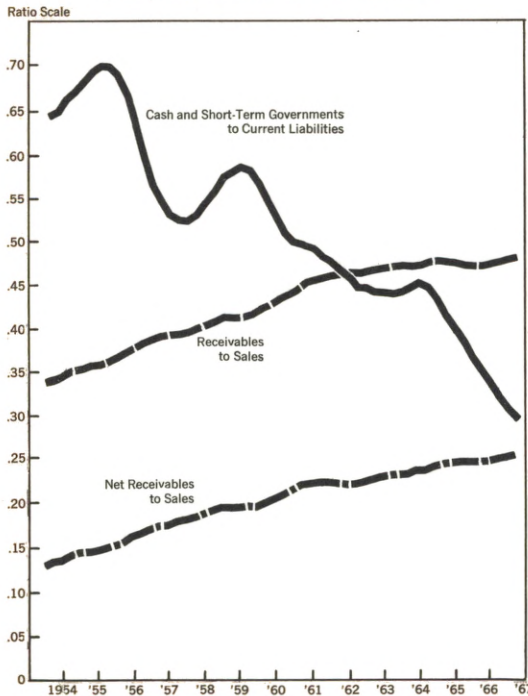
Chart 2 contrasts the downward trend in manufacturers' liquidity to growth of receivables and

TABLE 3
PER CENT OF RECEIVABLES ACCOUNTED FOR BY CHANGES IN THE CREDIT RATE, BY SIZE OF MANUFACTURER

Size (in millions)	1954- 1957	1958- 1960	1961- 1965	1966
Less than \$1	33	51	*	*
\$1- \$5	25	65	5	2
\$5- \$10	41	15	**	*
\$10- \$50	42	46	5	16
\$50-\$100	31	55	22	78
Over \$100	24	26	10	22

* Credit rate declined.
** Less than 1 per cent.

CHART 2
LIQUIDITY AND TRADE CREDIT OF
MANUFACTURING CORPORATIONS



net receivables relative to sales. Except for periods of recession, corporate liquidity has been declining fairly consistently. Yet, until the 1960's growth of receivables and net receivables had been growing very rapidly. It may be that some reaction to declining liquidity was felt during the 1960's. During the postwar period and especially during the 1960's, customers' financing needs were but one of many competitors for the available funds of manufacturers.

Chart 3 illustrates the experience of manufacturers of various sizes during the 1960's. Larger manufacturers have suffered a more rapid decline in liquidity. This is partly because they have maintained growth of receivables to a much greater extent than the smaller manufacturers. Another

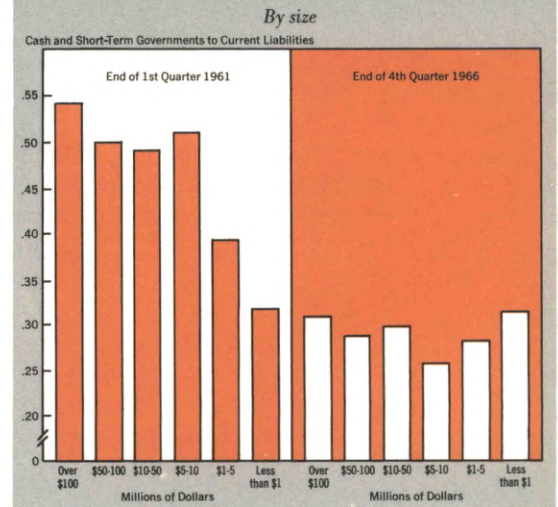
important factor is that liquidity of larger manufacturers may have been higher relative to the level of liquidity they desired than was the case with smaller manufacturers. As a result, by the end of 1966, differences in the level of liquidity among size groups had been substantially eliminated.

Thus, the combination of sharply declining liquidity and the slower liberalization of credit extended per dollar of sales implies that manufacturers have adapted credit policies to current conditions. Certainly the increased stress on credit management during the 1960's is partly a reflection of a growing problem of profitably allocating a limited supply of funds over a growing number of alternatives. The use of trade credit as a competitive weapon was bound to suffer. Competition no longer may be the sole criterion for granting trade credit on increasingly liberal terms.

THE FUTURE

The full impact of declining liquidity on the growth of trade credit may not yet have been felt. Larger manufacturers have carried the ball thus

CHART 3
LIQUIDITY OF MANUFACTURING CORPORATIONS



far in the 1960's. But the sharp decline in their liquidity may be only beginning to have its major impact. Larger manufacturers have been taking a harder look at their credit function. The rapid growth of "captive" finance companies, especially among the larger manufacturers, represents an attempt to overcome the pressures of declining liquidity on the financing of customers.⁵ Via these captive finance companies, manufacturers can tap credit markets for more funds than they might prudently acquire under their banner as manu-

⁵*The presence of "captive" finance companies results in an understatement of the amount of credit corporate manufacturers, particularly large ones, have extended to other businesses.*

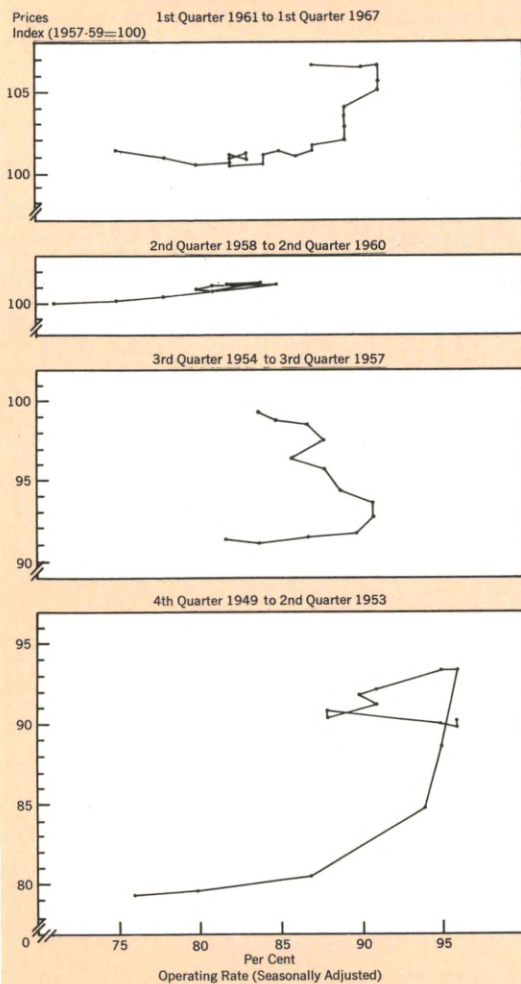
facturers. Thus, they can continue to finance their customers without severely constraining their own plans for growth. Captive finance companies seem assured of a more important role in the flow of inter-firm credit in the years ahead.

Trade credit represents a significant source of credit for smaller business firms. Developments will need to be watched carefully for signs of continued willingness of larger business firms to provide credit to others. Developments during the 1960's may have signaled the beginning of a new era for trade credit. Should another period of credit restraint materialize in the future, trade credit will be put to the test again.

BUSINESS REVIEW INDEX

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CHART 1
OPERATING RATE AND PRICES
IN MANUFACTURING



This chart shows how wholesale prices of manufactured goods change as producers operate at different levels of capacity. Each panel represents a period of business expansion between recessions. If prices were to rise steadily as operating rates approach capacity, each line should move in a generally northeastwardly direction.

In fact, prices rise slowly in early stages of expansions, then sharply when operating rates get close to 90 per cent. Later, operating rates tend to recede and prices stabilize. The major exception was in 1956-57, a period dominated by a psychology of chronic inflation.

(Continued from Page 2)

chronic inflation; prices kept rising even though operating rates dropped from 91 per cent of capacity to below 85 per cent.

Labor costs play an important part in this whole process (See Chart 2). Early in the period of business expansion, unit labor costs actually *decline* as manufacturers begin to operate at higher rates and benefit from using their most efficient work force and equipment. As operating rates reach and exceed about 90 per cent, however, unit labor costs increase sharply. Then, still later, even though operating rates decline, labor costs continue to increase.

At the risk of over-simplifying very complex phenomena, it is possible from this past experience to point out three phases:

	Phase 1	Phase 2	Phase 3
Capacity utilization in manufacturing	Low & rising	Near preferred operating rate	Receding from peak
Manufacturers' wholesale prices	Rising slowly	Rising sharply	Stabilizing
Unit labor costs in manufacturing	Declining	Rising sharply	Continuing to rise

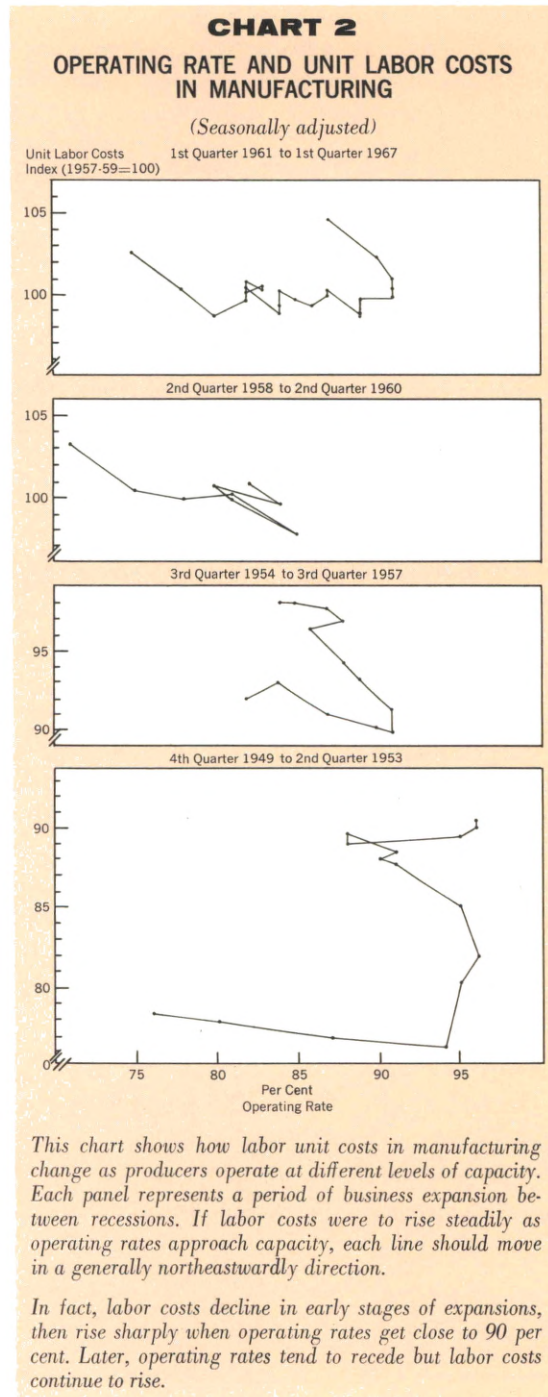
One way of appraising the forces likely to be at work in the near future is to speculate on which phase of the expansion the economy is likely to be in. The difficulty, of course, is that no two periods are exactly alike, a difficulty compounded by the fact that the current expansion is the longest on record and the U.S. is involved in war. But it certainly appears that the first phase is far behind; operating rates are well above levels characteristic of early post-recession periods. Symptoms of the second phase were experienced in 1966, with operating rates at or above 90 per cent and prices and labor costs rising rapidly. Signs of the third phase have been present so far

this year; operating rates have receded to about 85 per cent, wholesale prices have virtually stabilized, and unit labor costs have continued upward.

The question now is what lies ahead. In every case in the 1950's, the third phase led to recession. This clearly is not in store for the immediate future. But it is hard to visualize a rapid return to conditions of the second phase unless Vietnam spending escalates much more rapidly than published reports indicate. Production probably will pick up in the next six months, but capacity also will be expanding. In fact, even if production were to rise in the second half of the year at the healthy rate it has increased over the whole period of expansion since the end of 1960, the operating rate probably would go no higher than 86 per cent. A less optimistic assumption about production, such as one based on the possibility of strikes, would produce a lower figure. The likely operating rate in manufacturing, therefore, gives no indication of strong pressures on prices.

Labor costs, on the other hand, promise to rise further. Wage settlements recently have tended to be greater than increases in productivity, and a number of major contracts come up for renewal in the near future. If there is to be strong pressure on prices, therefore, it would seem to stem more from rising unit labor costs than simply production pressing on capacity. But there is only one precedent in the past four expansions for a substantial increase in prices when operating rates are fairly comfortable—even though labor costs *are* rising. The precedent was 1956-57 when the chronic-inflation thesis was widely accepted. Despite talk of inflation, it is doubtful if a comparable psychology is now at work.

All this does not prove that a major surge in prices between now and the end of the year is impossible. But it seems considerably less than a sure thing.



Despite the current adjustment in the economy which has caused slight increases in unemployment, the employment situation in metropolitan areas of Pennsylvania, New Jersey, and Delaware is impressive. While only a few years ago large pockets of persistent unemployment were the norm, the last couple of years have seen a transition

FROM SURPLUS TO SHORTAGE

by Richard W. Epps

As industrial developers size up the sixties, they have much to congratulate themselves about. Partly as a result of their efforts, metropolitan areas in Pennsylvania, New Jersey, and Delaware¹ are riding through 1967 on some of the lowest unemployment levels they have ever experienced. And the declines in unemployment leading to these low levels have been much sharper than has been true in the nation as a whole.

But under the hue of health generated by this record are problems requiring solutions. Top on the developers' list is the fact that five metropolitan areas still have unemployment rates above the national average. Since 1958 efforts of local leaders plus national prosperity have sliced much of the fat off the rates in these areas—in 1958 they averaged 125 per cent above the national unemployment rate; this had been cut to 30 per cent by the end of 1966. But, more slicing is required.

Second in order, but equal in importance, the rate of job growth still deserves attention. In several areas expansion in employment has been slow, in part causing workers to leave. For most

areas quality of the local labor force is a major key to future growth. Out-migration generally drains off the best workers, thus hurting the quality of the area's labor force.

Much of the past lag, however, may be coming to an end. In particular, the drag created by mining is less; that of railroading is drawing to a close. Most areas have shown above-average growth compared to the Northeast region of the nation.

Then and now

In 1958 the economy in these 13 metropolitan areas was extremely sluggish, as was the nation's. Almost one worker in ten was out of a job. By the end of 1966 a dramatic change had taken place. Only one worker in 30 was looking for employment.

Between 1958 and 1966, national unemployment was reduced by 42 per cent. In the 13 metropolitan areas, (see Chart 1) the smallest proportionate reduction—Atlantic City's 52 per cent—was still 10 percentage points better than the national performance. The best record was Reading's. It cut joblessness by 79 per cent in that period.

The relative employment position of the 13 metropolitan areas vis-a-vis one another, however, has changed very little. All made important gains but the five areas with the highest rates of unem-

¹This article deals with areas within the Third Federal Reserve District which includes all of Delaware, Eastern Pennsylvania, and Southern New Jersey. Thirteen metropolitan areas lie within this region—Allentown-Bethlehem-Easton, Altoona, Atlantic City, Harrisburg, Johnstown, Lancaster, Philadelphia, Reading, Scranton, Trenton, Wilkes-Barre-Hazleton, Wilmington, York.

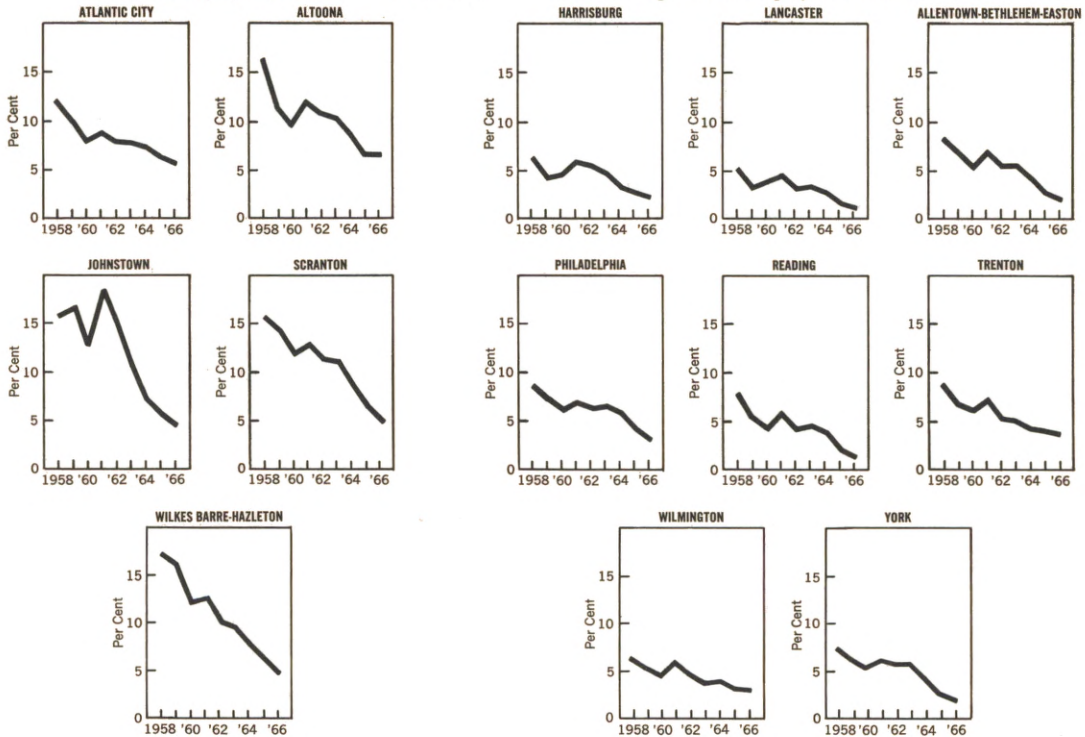
CHART 1 UNEMPLOYMENT IN LOCAL METROPOLITAN AREAS

Unemployment rates, the per cent of workers in the labor market who do not have jobs, have declined sharply in metropolitan areas since 1958. However, there is still a diversity between the rates of...

five high-unemployment areas

... and ...

eight low-unemployment areas.



ployment in 1958 were still trailing the other eight at the end of 1966. If anything, they were trailing by a slightly greater margin than had been the case eight years before.

What happened?

Unemployment declines have occurred in two ways: Most workers have been taking new jobs, but some have just stopped seeking work.

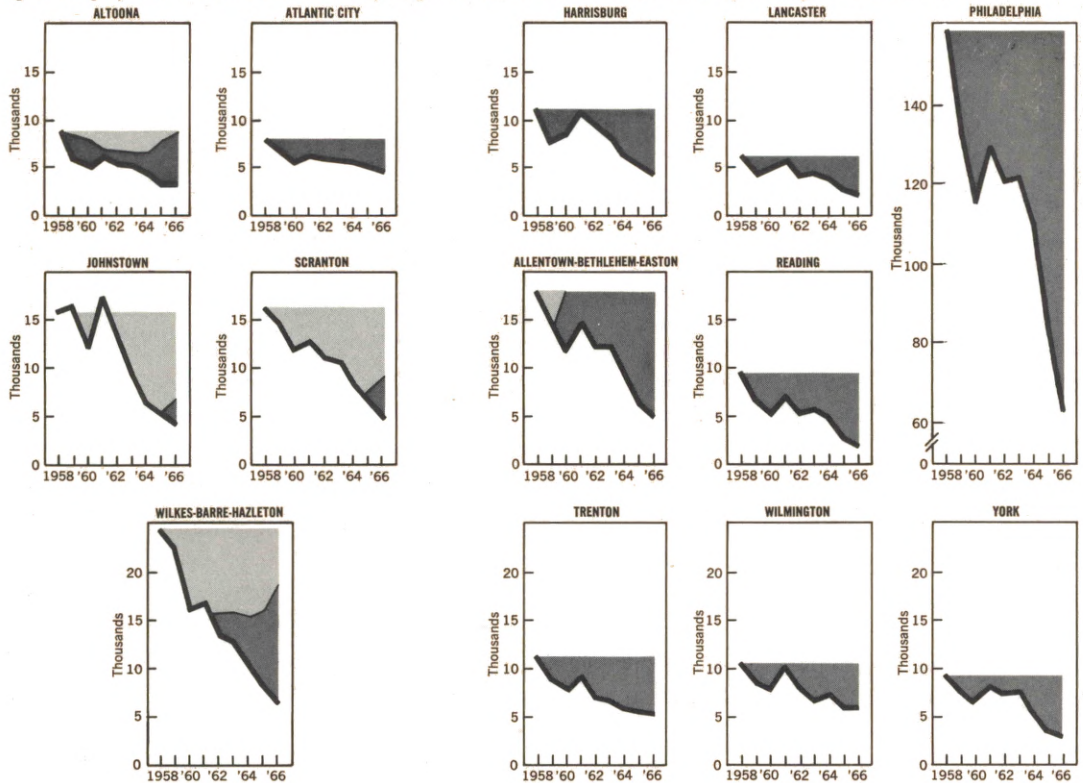
Obviously, these two developments have differing effects on an area's economic health. An increase in jobs is an unqualified boon. It can only

mean that the area is busier than before and hence in better shape, economically. A decrease in job seekers, on the other hand, means either that workers have stopped looking for jobs, perhaps because they're discouraged about job prospects, or as is more often the case, that the area has become less attractive to able-bodied workers who have therefore gone elsewhere seeking employment.

Now such out-migration does in fact reduce an area's unemployment rate, all other factors being equal. But it also poses special problems to local

CHART 2 WHERE THE UNEMPLOYED WENT

In most areas the unemployed went into new jobs (indicated by the darker areas). However, in some—particularly in the high unemployment areas on the left—they migrated out of the area (indicated by the lighter sections of the charts).



leadership. Those workers who move out are generally younger, better educated and more productive than those who stay behind. And so, although unemployment may be reduced through a drop in the number of job seekers, the smaller work force is proportionately older and less skilled, making the development job more difficult. In fact, this kind of movement can set off a cycle, with selective migration of the best workers and decline of the market area leading to slower employment growth, more surplus labor and more out-migration. This is hardly an inducement for

industries considering moves into new areas and seeking both skilled labor and a growing potential market.

Chart 2 shows the play of these two factors— increase in jobs, decrease in job seekers—on the 13 metropolitan areas.

In the cases of eight—Atlantic City, Harrisburg, Lancaster, Reading, Philadelphia, Trenton, Wilmington, York—the problems brought on by out-migration are absent—there was no labor force shrinkage between 1958 and 1966. For each of them the decline in joblessness has been due,

purely and simply, to an increase in jobs. In the cases of the other five—Allentown-Bethlehem-Easton, Altoona, Johnstown, Scranton, Wilkes-Barre-Hazleton—there was, in the eight-year period, both a reduction in labor force and an increase in jobs. However, in Altoona and Allentown-Bethlehem-Easton, the labor force shrinkage was temporary. By the end of last year, both had labor forces at least as large as in 1958. And in the other three—Johnstown, Scranton, the Wilkes-Barre area—job gains have begun to cut joblessness. Indeed, in Wilkes-Barre, these gains started in 1962. This upturn is all the more dramatic when one considers how difficult it is to stem the downward spiral set off by out-migration.

In Chart 3 one can see very clearly the problem in out-migration. As a general rule, the more workers an area loses the older its remaining work force becomes; the more workers it gains the younger its work force grows. In Wilmington, which had the greatest in-migration of workers between 1950-60, there was a decline of more than one and one-half years in the median age of its labor force. Wilkes-Barre, which had the biggest out-migration, also had the biggest increase in median age of labor force.

Differences in growth

By the end of 1966, therefore, employment growth was a factor in reducing joblessness in all 13 metropolitan areas.

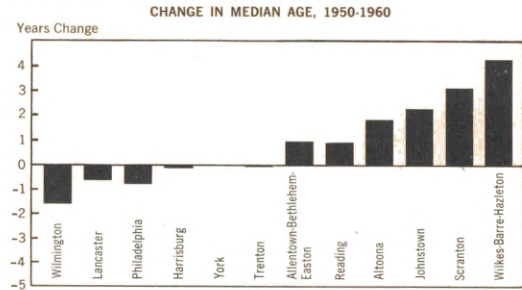
Even in those with the most serious problems, it wasn't labor force shrinkage alone that was improving the picture.

However, the differences in growth have been sharp. The slowest-growing area, Johnstown, has been expanding at only one-ninth the rate of the fastest-growing area, Wilmington. And the five high-unemployment areas have measured only one-half the rate of growth of the other eight.

CHART 3

ONE PRODUCT OF THE OUT-MIGRATION OF WORKERS IS AN AGING POPULATION

Areas to the left had a net in-migration of population between 1950 and 1960. Those to the right had out-migration. There is a clear tendency for the median age of the population to increase as out-migration increases.



Why such differences? There are two prime factors: the area's industrial "mix" and local factors encouraging or inhibiting growth. In the short run, at least, there isn't much an area can do about its industrial mix. It either rides it to growth if fortunate or faces economic headaches if unfortunate. For example, Wilkes-Barre's economy has grown relatively slowly because of its reliance on sluggish industries like mining and apparel manufacturing—an unfavorable industrial mix. Trenton, on the other hand, has enjoyed above-average growth partly because of its complex of typically fast-growing businesses like government.

Thus, in comparing growth rates, it's necessary to take into account—and make allowances for—each area's industrial mix. If one knows the industries represented in a given area and the number of workers in each, one can calculate what the area's economic record *should have been* for it to have kept pace with the region generally. This is done by comparing the area's record—industry by industry—with the record in the entire North-

eastern United States.² This shows whether employment in a given industry in Philadelphia, for example, has been expanding—or shrinking—at a rate greater than, equal to, or less than the regional rate. It also shows how an area's total employment picture compares with the regional experience.

Thus, the Allentown-Bethlehem-Easton area would have added 2,000 employes between 1958 and 1966 if each of its industries had grown at exactly the rate of the Northeastern U.S. That was the "expected" growth of the area, given its industrial mix. In fact, however, it added 2,600 workers. Its actual growth was 600 workers greater than its expected growth. This difference is the "local area" effect. It represents differences resulting from local conditions which encourage or inhibit growth, and which to some extent may be altered by local initiative.

The industrial mix

In all areas but Trenton the industrial mix acted as a drag on economic growth. In Scranton, Wilkes-Barre-Hazleton, Altoona and Johnstown, the over-sized concentrations of coal mining—all in rapid decline—were a major cause of lag. All areas were held back by stagnation in railroad employment and technological change in utilities which led to employment cuts. Altoona was particularly hard hit because of its reliance on railroads. Concentrations in nondurables manufacturing—particularly textiles, apparel, tobacco and leather—slowed growth in many areas.

If the industrial mix in this district were identical to that of the Northeast region generally,

²The Northeastern United States has been defined as including the States of Ohio, New York, Connecticut, Rhode Island, and Massachusetts. For all areas except Philadelphia the comparisons were made against this five state region with the large cities—Cleveland, Boston, and New York—deleted. These cities were included in the Philadelphia comparison.

only three areas would be trailing the region in growth instead of the seven that are actually behind. Overall, then, the industrial mix has been adverse.

As developers look to the future the industry mix should cast less of a shadow on their plans. For one thing, mining, which has damaged the employment picture in Scranton and Wilkes-Barre-Hazleton, has almost dried up. This means that it won't be hurting their economies so much in the future as it has in the past. Only Johnstown, with 7 per cent of its employment in mining, will continue to be seriously affected by the decline in that industry.

Second, the employment shrinkage in railroads and public utilities will cause less future dislocation. Both have been slipping for several years and are no longer so important to economic health in these areas as they once were.

On the other hand, textiles and apparel manufacturing—both lagging industries—have been growing in importance over the years. Their increased shadow may offset some of the encouraging notes found in mining, transportation, and public utilities.

In sum, an adverse industrial mix has held back local metropolitan areas. And the adverse mix has resulted from specialization in four industries: textiles and apparel manufacturing, mining, transportation and public utilities.

Local-area effects

In all but three areas this has been a positive factor in growth. In six of the nine areas where the local-area effect has been positive, the effect has been strong enough to make up for the drag of the industrial mix.

Areas with mining employment have had large local lags, worse than the Northeast in this industry. Growth in nondurables manufacturing has

been a bright spot in local-area effects, with every area doing better than the Northeast. Beyond these two factors each area is unique. Industrial developers and others interested in the record of particular areas will find the detailed information in the appendix to this article.

What does the local-area effect mean? Generally, we may interpret it as an indication of the underlying strength of an economy. Areas grow by drawing firms into their bounds, and by growing their own firms locally. In either case the location is the thing. If an area is in a good location with respect to markets and materials, and if factors that the firm must use locally are attractive, such as quality labor, low taxes, or good transportation, with any luck at all the area will

grow. In short, an area's long-term strengths are found in its location and local endowments of factors attractive to firms. Thus, the local-area effect is a reflection of the quality of these items. Much of the chance element, for example, the chance that found Scranton near coal, is accounted for by the industry mix. What is left is an evaluation of what area developers have to work with and what they need to work on.

The conclusion is unmistakable that local economies within the Third District are generally strong since their contributions to growth are considerable. This optimistic sign, combined with newly achieved low rates of joblessness, suggest that most of the local metropolitan areas are nearing the peak of economic health.

Appendix starts on next page

APPENDIX

Employment Record by Area

Both the size and the roots of employment growth in metropolitan areas have been diverse. The main elements of this record for each of the Third District metropolitan areas (except Atlantic City) are sketched out in this appendix. The four areas of high unemployment are treated first, in order of decreasing growth. These are followed by the eight areas of low unemployment, also by order of growth. The discussion of each area is accompanied by a chart and a table. In both, the employment growth is broken into components by mix and local-area effect. The table also gives an industrial breakdown of the components.

Numbers in the tables refer to each area's employment lag or lead over the Northeast. For example, in the table for Altoona the mix effect resulted in a lag of 2,200 employees, while the local-area effect added up to a lead of 1,300 employees. Combined, these two figures give the actual employment lag of Altoona during the 1958-1966 period—900.

The contributions of each industry to these two components of growth are given. In Altoona the figures show that transportation and public utilities were the major root of the lag. According to the growth rate of this sector in the Northeast, the concentration in Altoona of employment in transportation and public utilities should have meant a lag of 1,900 employees (the mix component). However, in Altoona the industry declined more. Thus, it had an employment lag resulting from factors peculiar to the area, giving a lag of 1,200 employees in addition to the 1,900 lag that the Northeast growth

of this industry would have suggested. This additional lag is the local-area effect in this industry. Both of these components are listed in the table.

In interpreting the figures it is well to remember that the mix effect and the local-area effect add up to the actual lag or lead. The mix effect is the amount of lag or lead that would have been expected if the local industries had grown at their Northeast rate. The local-area effect is the difference between each industry's local growth and its Northeast growth. In every case, industries showing the more important effects have been highlighted in the tables.

Growth in areas of high unemployment

All four areas (Altoona, Johnstown, Scranton, and Wilkes-Barre-Hazleton) lagged the Northeast in employment growth. However, Wilkes-Barre-Hazleton and Altoona did substantially better than did Scranton and Johnstown. This matches the reductions in unemployment noted earlier, where the former areas reduced unemployment substantially through job increases. The roots of these increases are given on the next four pages.

The record of low-unemployment areas

Of the areas of low unemployment Wilmington grew the fastest, expanding better than 25 per cent. Harrisburg, the slowest area, grew by only 12 per cent, less than half that of Wilmington. Of the eight areas, three lagged the Northeast in growth: Allentown-Bethlehem-Easton, Harrisburg, and Philadelphia.

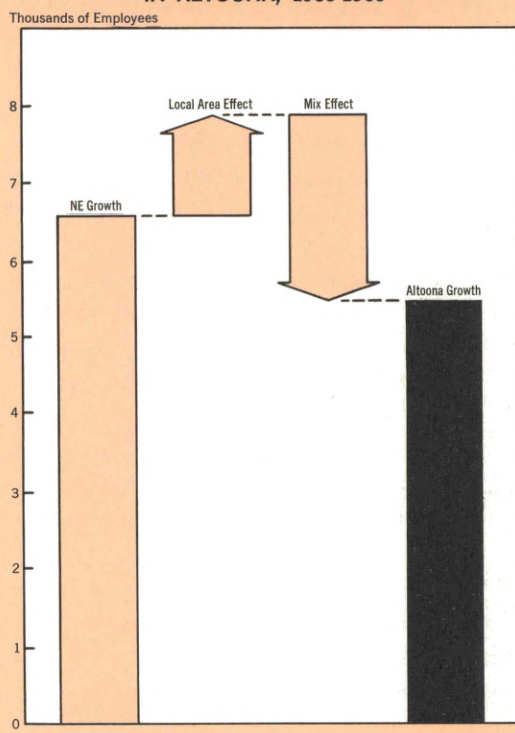
EMPLOYMENT GROWTH IN ALTOONA, 1958-1966

INDUSTRY	GROWTH RATE FOR NORTHEAST (Per Cent)	GROWTH RATE FOR AREA (Per Cent)	INDUSTRY MIX EFFECT (Hundreds)	LOCAL AREA EFFECT (Hundreds)
Fabricated metals, non elec. machinery mfg.	19.26	66.67	0	4
Other durable goods, mfg.	20.22	72.73	1	12
Food mfg.	- 3.17	12.50	- 3	3
Textile & apparel mfg.	-11.75	68.75	- 4	13
Paper mfg.	8.65	9.52	- 2	0
Tobacco & leather mfg.	-20.51	18.75	- 6	6
Other nondurable goods mfg.	14.26	0.00	0	- 1
Construction	7.61	25.00	- 1	2
Transport. & public utilities	- 3.37	-15.63	-19	-12
Wholesale & retail trade	16.16	- 2.53	0	-15
Finance, ins. & real estate	16.58	0.00	0	- 2
Services & mining	34.17	27.45	9	- 3
Government	23.37	37.50	3	6
Total	16.33	13.92	-22	13

ALTOONA

Had it not been for a strongly negative mix effect this area would have led the Northeast during the previous eight years. Its negative mix effect was partly the result of the presence of slow-growing manufacturers of nondurables like textiles and apparel, but mostly the result of the large share of employment in transportation and public utilities—railroads, in particular. In 1958, 24 per cent of the area's employment was involved in transportation and public utility services, while the Northeast averaged only 6 per cent in these activities. Altoona's local-area effect nearly made up for the adverse industrial structure, and would have more than made up for the difference if there had not been such a large decline in railroad employment. Major contributors to the positive local area effect were textiles, apparel, tobacco, and leather goods manufacturers, as well as the conglomeration of industries called "other durable goods manufacturing." The local expansion in nondurables may cast a shadow on future growth, since these industries grow slowly.

COMPONENTS OF EMPLOYMENT GROWTH IN ALTOONA, 1958-1966

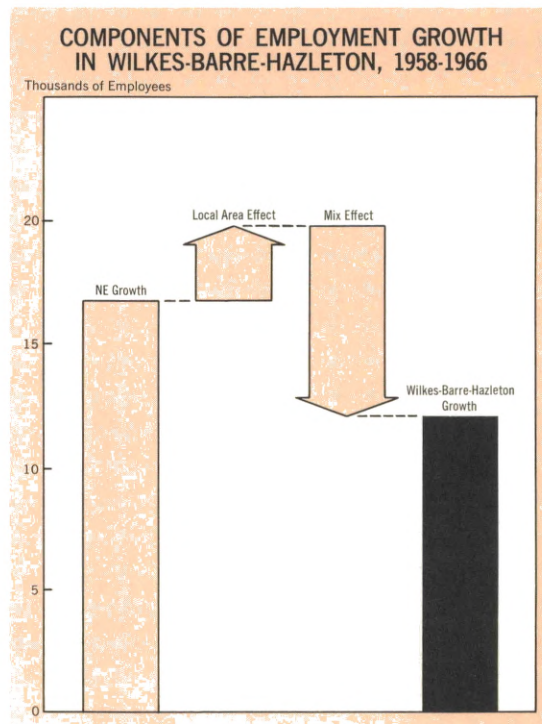


EMPLOYMENT GROWTH IN WILKES-BARRE-HAZLETON, 1958-1966

INDUSTRY	GROWTH RATE FOR NORTHEAST (Per Cent)	GROWTH RATE FOR AREA (Per Cent)	INDUSTRY MIX EFFECT (Hundreds)	LOCAL AREA EFFECT (Hundreds)
Fabricated metals mfg.	14.87	25.00	0	2
Machinery mfg.	21.98	22.73	1	0
Other durable goods mfg.	20.22	140.00	2	48
Food mfg.	- 3.17	17.14	- 7	7
Tobacco & leather mfg.	-20.51	29.31	-21	29
Textiles mfg.	-18.42	- 2.86	-12	5
Apparel mfg.	- 4.35	26.53	-30	45
Printing & publishing	14.91	8.33	0	- 1
Other nondurable goods mfg.	12.31	84.62	- 1	9
Mining	- 7.61	-62.37	-22	-51
Construction	7.61	37.14	- 3	10
Transport. & public utilities	- 3.37	-16.67	-14	-10
Wholesale & retail trade	16.16	2.67	0	-25
Finance, ins. & real estate	16.58	13.33	0	- 1
Services & misc.	35.78	11.61	22	-27
Government	23.37	14.66	8	-10
Total	16.33	11.73	-77	30

WILKES-BARRE-HAZLETON

Thanks to large shares of employment in mining and nondurables manufacturing, particularly textiles and apparel, this metropolis suffered from a strongly disadvantageous industrial mix. Better-than-average local growth in durables manufacturing, apparel, and tobacco and leather manufacturing added up to a positive local-area effect which made up for about one-half of the adverse mix. The local growth would have been much stronger had it not been for mining. Mining is now so small in the area that its potential future effect is minimal. Other important negative elements in the local area effect were wholesale and retail trade, and services. Combined, these activities accounted for as much employment lag as did mining. However, trade and services have a different meaning for the economic health of the area. They are local market activities—their growth is a result of growth in other activities, like mining or manufacturing.

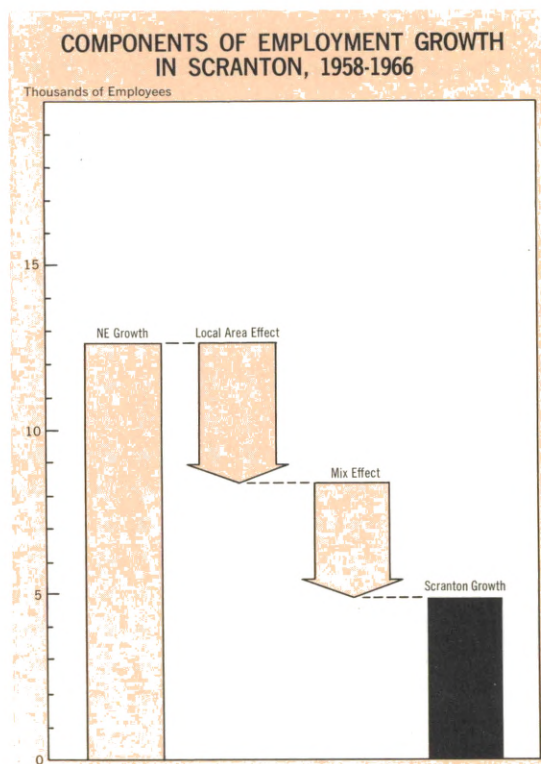


EMPLOYMENT GROWTH IN SCRANTON, 1958-1966

INDUSTRY	GROWTH RATE FOR NORTHEAST (Per Cent)	GROWTH RATE FOR AREA (Per Cent)	INDUSTRY MIX EFFECT (Hundreds)	LOCAL AREA EFFECT (Hundreds)
Fabricated metals mfg.	14.87	4.00	0	- 3
Elec. equipment mfg.	38.49	40.74	6	1
Other durable goods mfg.	17.21	43.59	0	10
Food mfg.	- 3.17	- 5.00	- 4	0
Textiles mfg.	-18.42	-18.18	-11	0
Apparel mfg.	- 4.35	18.95	-20	22
Printing & publishing	14.91	16.67	0	0
Other nondurable goods mfg.	5.43	2.86	- 4	- 1
Mining	- 7.61	-84.21	- 9	-29
Construction	7.61	21.05	- 2	3
Transport. & public utilities	- 3.37	-21.92	-14	-14
Wholesale & retail trade	16.16	8.39	0	-11
Finance, ins. & real estate	16.58	8.70	0	- 2
Services & misc.	35.78	24.74	19	-11
Government	23.37	14.10	5	- 7
Total	16.33	6.50	-34	-42

SCRANTON

With a 6 per cent growth between 1958 and 1966, Scranton ranked next to last among the district areas. Both industry mix and local-area effects combined in the negative direction to yield this record. The mix was similar to that of Wilkes-Barre-Hazleton — with mining, transportation and public utilities, and nondurables manufacturing causing the net disadvantage. Its local area effect, similar to Wilkes-Barre-Hazleton, was held down by greater-than-average declines in mining and transportation, and employment in public utilities. The good local records in durable and nondurable manufacturing were not strong enough to make up for the declines. The future looks brighter for Scranton since the decline of mining has reached its final stage—from 1958 to 1966 employment in mining shrank from 5 per cent to 1 per cent of the labor force. This final decline of mining employment marks the end of an era, since the area has suffered from the fate of this industry for more than 30 years.



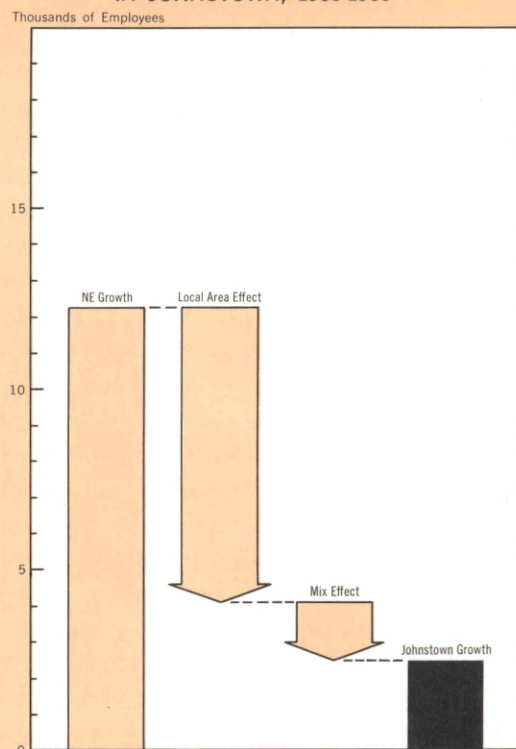
EMPLOYMENT GROWTH IN JOHNSTOWN, 1958-1966

INDUSTRY	GROWTH RATE FOR NORTHEAST (Per Cent)	GROWTH RATE FOR AREA (Per Cent)	INDUSTRY MIX EFFECT (Hundreds)	LOCAL AREA EFFECT (Hundreds)
Metals, machinery & transport. equip. mfg.	21.68	3.66	9	-30
Lumber & furniture mfg.	2.41	37.50	-1	3
Other durable goods mfg.	16.61	0.00	0	-1
Apparel mfg.	-4.35	29.27	-8	14
Food mfg.	-3.17	0.00	-3	0
Other nondurable goods mfg.	2.58	57.14	-1	4
Mining	-7.61	-45.16	-22	-35
Construction	7.61	18.18	-2	2
Transport. & public utilities	-3.37	3.77	-10	4
Wholesale & retail trade	16.16	-9.02	0	-33
Finance, ins. & real estate	16.58	11.76	0	-1
Services & misc.	35.78	16.67	18	-17
Government	23.37	37.50	6	11
Total	16.33	3.29	-14	-79

JOHNSTOWN

Both mix and local-area effects were negative in this area, with the local area effect being the larger component by a factor of five. The industrial structure is disadvantageous for many of the same reasons that it is negative in the other high-unemployment areas—principally a concentration in mining. Moreover, the poor record of mining in the area had a large influence on the local-area effect. Johnstown has a unique problem—employment in durables manufacturing, mainly in the metals and machinery group, lagged during the 1958-1966 period. Almost a quarter of the area's employment is directly involved in production of metals and machinery; therefore the area is especially sensitive to fluctuations of these industries. Firming up the past employment picture have been various nondurable goods manufacturers. Apparel manufacturing has been the main element. Added up, the poor record in durable goods manufacturing and the increasing dependence on slow-growing nondurable goods manufacturing, both suggest continuing problems in Johnstown. This is emphasized by the area's 6 per cent 1966 unemployment rate.

COMPONENTS OF EMPLOYMENT GROWTH IN JOHNSTOWN, 1958-1966



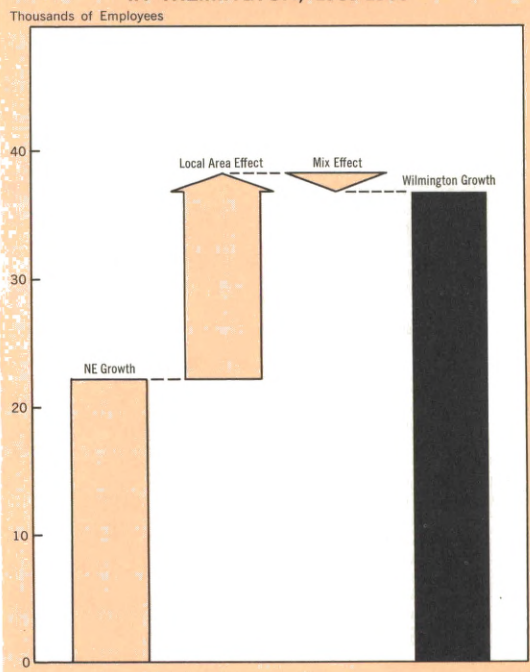
EMPLOYMENT GROWTH IN WILMINGTON, 1958-1966

INDUSTRY	GROWTH RATE FOR NORTHEAST (Per Cent)	GROWTH RATE FOR AREA (Per Cent)	INDUSTRY MIX EFFECT (Hundreds)	LOCAL AREA EFFECT (Hundreds)
Primary metals mfg.	14.29	-21.21	- 1	-12
Fabricated metals mfg.	14.87	- 4.55	0	- 4
Other durable goods, mfg.	21.89	33.90	7	14
Food mfg.	- 3.17	-17.24	- 6	- 4
Textiles mfg.	-18.42	-30.00	- 7	- 2
Apparel mfg.	- 4.35	7.69	- 3	2
Printing & publishing	14.91	15.38	0	0
Chemicals mfg.	13.15	22.38	- 9	26
Rubber & plastics mfg.	17.63	40.74	0	6
Other nondurable goods mfg.	- 6.01	- 3.33	- 7	1
Construction	7.61	22.68	- 8	15
Transport. & public utilities	- 3.37	5.62	-18	8
Wholesale & retail trade	16.16	38.56	0	53
Finance, ins. & real estate	16.58	25.93	0	5
Services & mining	34.17	44.81	27	16
Government	23.37	47.37	11	36
Total	16.33	27.05	-14	160

WILMINGTON

The roots of Wilmington's phenomenal expansion are well-known—the chemicals complex. Other industries also have good records in the area. For one reason, the area is unique in that employment in transportation and public utilities has expanded. Second, government employment has expanded dramatically, making a heavy contribution to the local-area effect. These bright spots are offset slightly by negative industrial mix which is largely the product of concentration in transportation and public utilities. Still, added up, the area's record is one of success in almost every industry. The few dark spots that prevail are limited to relatively small industries. Primary and fabricated metals manufacturers, commanding less than three per cent of the labor force, declined sharply over the last nine years. Also in decline were food and textiles producers, who include even less of the area's employment.

COMPONENTS OF EMPLOYMENT GROWTH IN WILMINGTON, 1958-1966

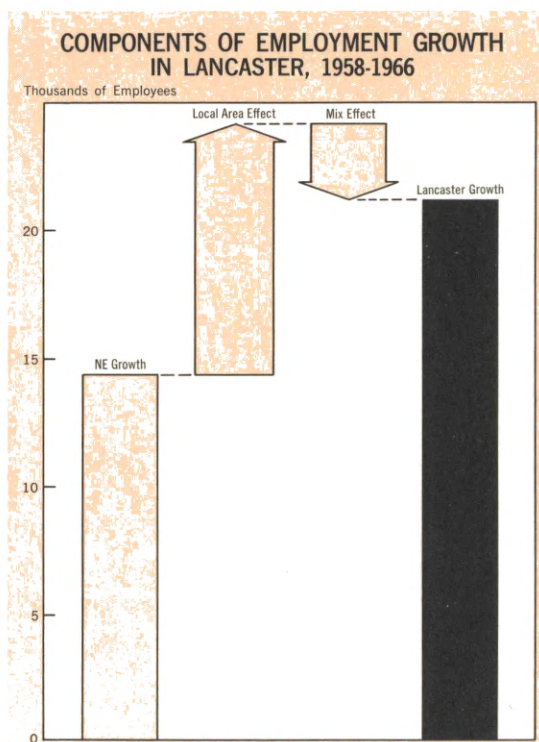


EMPLOYMENT GROWTH IN LANCASTER, 1958-1966

INDUSTRY	GROWTH RATE FOR NORTHEAST (Per Cent)	GROWTH RATE FOR AREA (Per Cent)	INDUSTRY MIX EFFECT (Hundreds)	LOCAL AREA EFFECT (Hundreds)
Stone, clay, glass mfg.	11.56	16.67	- 1	1
Primary metals mfg.	14.29	78.57	0	9
Fabricated metals mfg.	14.87	36.36	- 1	9
Machinery & transport. equip. mfg.	25.62	47.73	8	19
Other durable goods mfg.	15.22	20.00	- 1	4
Food mfg.	- 3.17	9.76	- 8	5
Tobacco & leather mfg.	-20.51	-13.95	-16	3
Textiles mfg.	-18.42	0.00	- 7	4
Apparel mfg.	- 4.35	6.78	-12	7
Printing & publishing	14.91	35.29	0	3
Other nondurable goods mfg.	12.31	26.67	- 1	2
Construction	7.61	40.91	- 4	15
Transport. & public utilities	- 3.37	4.26	- 9	4
Wholesale & retail trade	16.16	21.52	0	8
Finance, ins. & real estate	16.58	19.05	0	1
Services & mining	34.17	37.63	18	3
Government	23.37	24.64	5	1
Total	16.33	24.18	-29	98

LANCASTER

Although Wilmington lagged in some industries, principally primary metals, Lancaster exceeded the record of the Northeast region of the nation in every industry. Thus, its local-area effect was based on a strictly positive record. Strong gains in metals, machinery, and transportation equipment manufacturing all added to the positive local-area effect and, inasmuch as they are typically medium- and fast-growing industries, enhanced the chances for a future positive mix of industries. During the past eight years the mix effect was negative, but only of moderate size. Again, the principal detractors were in nondurable goods manufacturing—with apparel, and tobacco and leather standing out. Since even these industries have experienced higher-than-average growth in Lancaster, their depressing effect on growth through the mix of industries may be larger in the future. Still, strength in other industries should make up for these detractions.

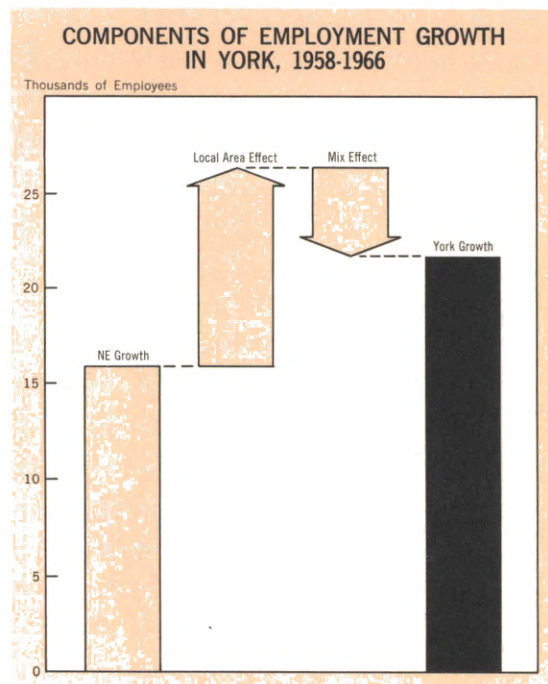


EMPLOYMENT GROWTH IN YORK, 1958-1966

INDUSTRY	GROWTH RATE FOR NORTHEAST (Per Cent)	GROWTH RATE FOR AREA (Per Cent)	INDUSTRY MIX EFFECT (Hundreds)	LOCAL AREA EFFECT (Hundreds)
Stone, clay, glass mfg.	11.56	42.86	- 1	4
Metals mfg.	14.56	9.43	- 1	- 3
Machinery mfg.	21.98	15.49	4	- 5
Elec. equipment mfg.	38.49	175.00	2	11
Other durable goods mfg.	16.62	41.25	0	20
Food mfg.	- 3.17	0.00	-11	2
Tobacco & leather mfg.	-20.51	-10.00	-22	6
Textiles mfg.	-18.42	15.15	-11	11
Apparel mfg.	- 4.35	14.81	-11	10
Paper mfg.	8.65	17.86	- 2	3
Printing & publishing	14.91	33.33	0	4
Other nondurable goods mfg.	13.93	0.00	0	- 2
Construction	7.61	16.67	- 4	4
Transport. & public utilities	- 3.37	5.66	-10	5
Wholesale & retail trade	16.16	29.03	0	20
Finance, ins. & real estate	16.58	44.44	0	5
Services & mining	34.17	33.33	17	- 1
Government	23.37	33.33	6	9
Total	16.33	22.42	-44	103

YORK

York's employment expanded at a rate of 22 per cent, strongly above the 16 per cent rate of the Northeast. Like Lancaster, York's employment lead resulted from a strong local-area effect which offset an adverse mix of industries. Its local strength centered on electrical machinery, textiles, apparel, trade, and government. Its mix effect—negative and larger than Lancaster's—resulted from specialization in nondurable manufacturing and transportation and public utilities. Most significant for York, out of the eighteen industries which include the area's employment, only four have lagged the Northeast in growth. Of these, the record of three was only slightly different from the Northeast. The fourth, other nondurable goods manufacturing, is of almost insignificant size in York. Interpreting this record as an indication of York's ability to draw employment, the area's economy appears strong.



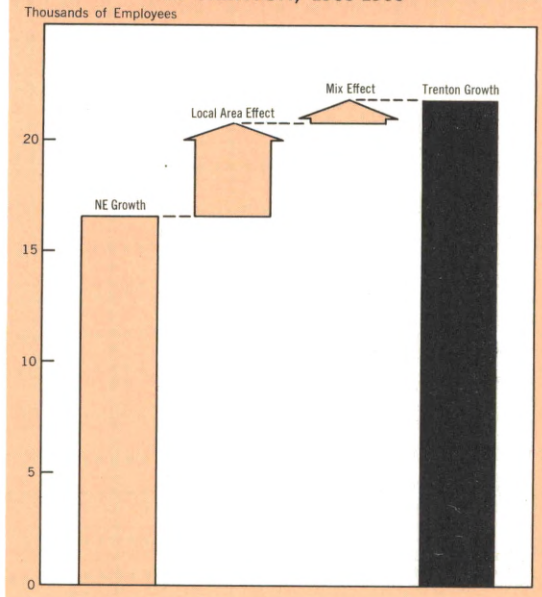
EMPLOYMENT GROWTH IN TRENTON, 1958-1966

INDUSTRY	GROWTH RATE FOR NORTHEAST (Per Cent)	GROWTH RATE FOR AREA (Per Cent)	INDUSTRY MIX EFFECT (Hundreds)	LOCAL AREA EFFECT (Hundreds)
Stone, clay, glass mfg.	11.56	-20.00	- 2	-13
Primary metals mfg.	14.29	-34.48	- 1	-14
Fabricated metals mfg.	14.87	10.34	- 1	- 3
Machinery mfg.	21.98	10.00	2	- 5
Elec. equipment mfg.	38.49	125.71	8	31
Other durable goods mfg.	16.62	-16.00	0	- 8
Food mfg.	- 3.17	0.00	- 4	1
Apparel mfg.	- 4.35	22.22	- 4	5
Printing & publishing	14.91	176.92	0	21
Chemicals mfg.	13.15	31.58	- 1	4
Rubber & plastics mfg.	17.63	2.13	1	- 7
Other nondurable goods mfg.	-10.74	-15.38	- 7	- 1
Mining	- 7.61	-100.00	0	- 1
Construction	7.61	- 2.33	- 4	- 4
Transport. & public utilities	- 3.37	6.56	-12	6
Wholesale & retail trade	16.16	12.64	0	- 6
Finance, ins. & real estate	16.58	18.92	0	1
Services & misc.	35.78	48.59	28	18
Government	23.37	31.64	12	15
Total	16.33	21.73	15	40

TRENTON

Trenton is unique in being the only area to have both a positive mix and local-area effect. The advantageous mix came mostly from concentrations in services and government employment. Local growth in both of these industries was above that of the Northeast; thus they added to the positive local-area effect as well. The strongest industries, however, were electrical equipment manufacturing, and printing and publishing. As electrical equipment manufacturing is typically a fast-growing industry, its expansion in Trenton increases prospects for the area's future growth. This combined with specialization of employment in fast-growing government and services, suggests a bright future. Offsetting these prospects somewhat, the area's record in the metals and machinery manufacturing group, which includes 19 per cent of the employment, has been poor.

COMPONENTS OF EMPLOYMENT GROWTH IN TRENTON, 1958-1966



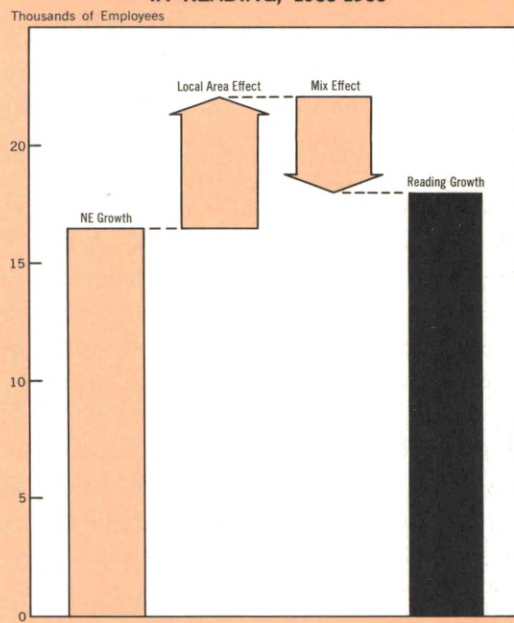
EMPLOYMENT GROWTH IN READING, 1958-1966

INDUSTRY	GROWTH RATE FOR NORTHEAST (Per Cent)	GROWTH RATE FOR AREA (Per Cent)	INDUSTRY MIX EFFECT (Hundreds)	LOCAL AREA EFFECT (Hundreds)
Primary metals mfg.	14.29	11.43	- 1	- 2
Fabricated metals mfg.	14.87	-16.67	0	- 8
Nonelec. machinery and transport. equip. mfg.	20.47	52.38	3	20
Elec. equipment mfg.	38.49	67.57	8	11
Other durable goods mfg.	14.14	28.13	- 1	4
Food mfg.	- 3.17	12.77	- 9	7
Textile mfg.	-18.42	- 7.62	-36	11
Apparel mfg.	- 4.35	6.52	-10	5
Paper mfg.	8.65	21.43	- 1	2
Printing & publishing	14.91	11.11	0	0
Chemicals mfg.	13.15	66.67	0	6
Other nondurable goods mfg.	0.99	-11.54	- 4	- 3
Construction	7.61	5.13	- 3	- 1
Transport. & public utilities	- 3.37	3.28	-12	4
Wholesale & retail trade	16.16	16.99	0	1
Finance, ins. & real estate	16.58	10.53	0	- 2
Services & mining	34.17	23.28	21	-13
Government	23.37	39.51	6	13
Total	16.33	17.88	-39	55

READING

Reading's gain in employment was not so spectacular as those of the previous four areas. Growth was held back by specialization in such slow-growing industries as apparel, textiles, and transportation and public utilities. Though the mix of industries was therefore disadvantageous, enough gains were made in other types of employment to more than offset the losses. In particular, expansion in nonelectrical machinery, transportation equipment, electrical machinery, and government payrolls and a superior record in textiles employment led to a strongly positive local effect. In sum, during the 1958-1966 period, growth of most local industries was superior. Looking to the future, two signs indicate strength. First, the reasonably good record of growth in each industry suggests that the area can draw new employment. Second, many of the typically slow-growing nondurable industries have been shrinking in relative size.

COMPONENTS OF EMPLOYMENT GROWTH IN READING, 1958-1966

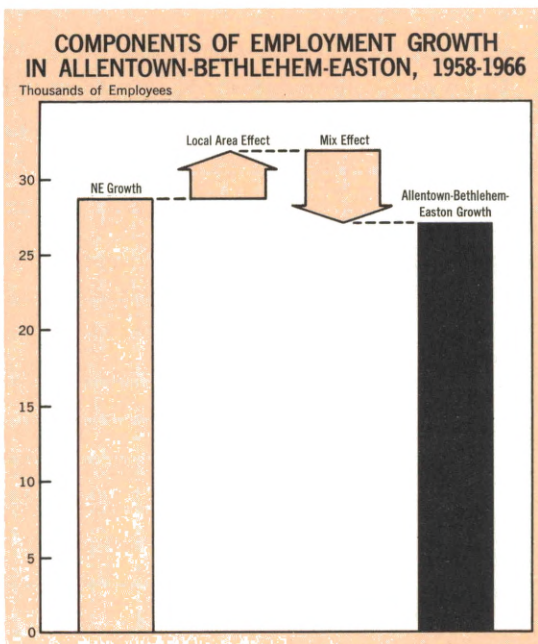


EMPLOYMENT GROWTH IN ALLENTOWN-BETHLEHEM-EASTON, 1958-1966

INDUSTRY	GROWTH RATE FOR NORTHEAST (Per Cent)	GROWTH RATE FOR AREA (Per Cent)	INDUSTRY MIX EFFECT (Hundreds)	LOCAL AREA EFFECT (Hundreds)
Stone, clay, glass mfg.	11.56	-22.95	- 3	-21
Metals mfg.	14.56	6.64	- 5	-21
Machinery mfg.	21.98	12.50	5	- 8
Elec. equipment mfg.	38.49	31.43	16	- 5
Transportation equip. mfg.	18.26	28.57	1	4
Other durable goods mfg.	15.22	20.00	0	1
Food mfg.	- 3.17	18.37	-10	11
Textiles mfg.	-18.42	0.00	-23	12
Apparel mfg.	- 4.35	19.55	-37	43
Paper mfg.	8.65	3.85	- 2	- 1
Printing & publishing	14.91	45.83	0	7
Chemicals mfg.	13.15	15.38	- 1	1
Other nondurable goods mfg.	0.99	0.00	- 3	0
Mining	- 7.61	-42.86	- 2	- 2
Construction	7.61	12.33	- 6	3
Transport. & public utilities	- 3.37	0.00	-21	4
Wholesale & retail trade	16.16	15.94	0	- 1
Finance, ins. & real estate	16.58	27.27	0	5
Services & misc.	35.78	22.68	38	-25
Government	23.37	41.32	9	22
Total	16.33	15.24	-44	29

ALLENTOWN-BETHLEHEM-EASTON

With a growth rate of 15 per cent, this area slightly lagged the 16 per cent rate of the Northeast region. This lag reflected a negative industrial mix which resulted from specializations in food, textiles, and apparel manufacturing (the nondurables group that has held back many of the areas), as well as employment in transportation and public utilities. In total, local industries did better than those of the Northeast—enough to add about 2,900 jobs. Apparel, government, and food and textiles were the largest local gainers. The good record in the nondurables group may pose problems in the future. As well as hurting the future industrial mix effect, they generally pay lower wages. Thus, they dampen both prospects for growth, and the local paychecks.

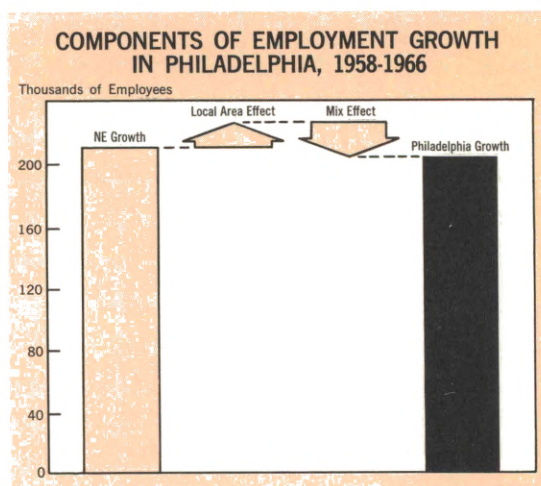


EMPLOYMENT GROWTH IN PHILADELPHIA, 1958-1966

INDUSTRY	GROWTH RATE FOR NORTHEAST (Per Cent)	GROWTH RATE FOR AREA (Per Cent)	INDUSTRY MIX EFFECT (Hundreds)	LOCAL AREA EFFECT (Hundreds)
Primary metals mfg.	12.95	9.62	- 5	-11
Fabricated metals mfg.	12.05	6.07	- 10	-26
Machinery mfg.	22.35	25.45	35	14
Elec. equipment mfg.	27.73	25.74	77	-11
Transportation equip. mfg.	15.35	31.30	3	39
Instruments mfg.	20.97	38.85	9	25
Lumber & furniture mfg.	1.03	1.77	- 15	1
Stone, clay, glass mfg.	8.97	10.64	- 8	2
Misc. mfg. & ord. mfg.	5.60	1.11	- 8	- 4
Tobacco & leather mfg.	-15.86	-45.45	- 33	-33
Coal & petroleum mfg.	-15.02	-21.27	- 65	-14
Food mfg.	-10.09	- 4.44	-126	29
Textiles mfg.	-10.71	-19.02	- 87	-29
Apparel mfg.	- 9.41	3.58	-132	72
Paper mfg.	6.69	16.83	- 15	20
Printing & publishing	8.69	3.25	- 21	-20
Chemicals mfg.	6.35	12.95	- 29	24
Rubber & plastics mfg.	17.41	41.28	3	26
Mining	- 5.25	-27.78	- 4	- 4
Construction	4.49	8.61	- 71	30
Transport. & public utilities	- 0.90	- 3.45	-172	-29
Wholesale & retail trade	14.21	13.67	- 4	-16
Finance, ins. & real estate	12.24	10.65	- 16	-12
Services & misc.	32.66	29.70	363	-59
Fed. government	3.69	13.32	- 82	74
State & local government	31.72	38.61	175	69
Total	14.33	13.80	-238	157

PHILADELPHIA

Philadelphia's growth fell short by 8,100 jobs. Its industrial mix alone explains a lag of 23,800 jobs because of its concentration in declining and slow-growing industries—particularly transportation and public utilities, food, and apparel. On the other hand, many Philadelphia industries out-performed those in the Northeast so that a net of 15,700 jobs were created to offset much of the mix effect. Government, apparel, paper, construction, chemicals, rubber, instruments, and transportation equipment increased their payrolls faster in Philadelphia than in the Northeast.



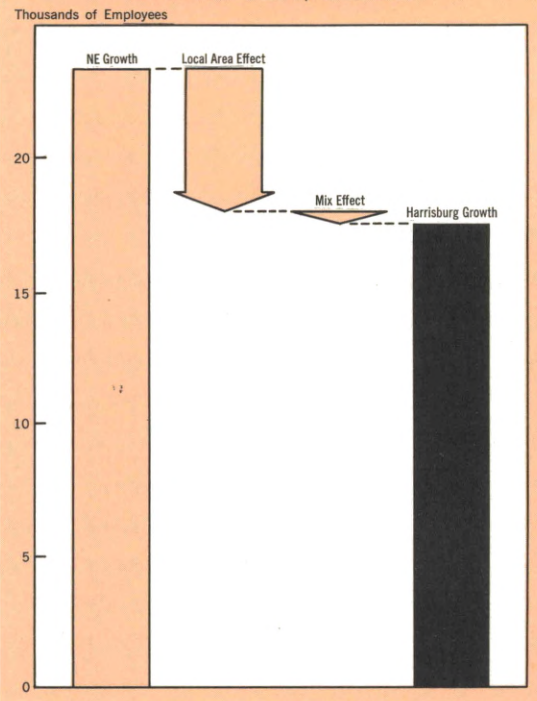
EMPLOYMENT GROWTH IN HARRISBURG, 1958-1966

INDUSTRY	GROWTH RATE FOR NORTHEAST (Per Cent)	GROWTH RATE FOR AREA (Per Cent)	INDUSTRY MIX EFFECT (Hundreds)	LOCAL AREA EFFECT (Hundreds)
Primary metals mfg.	14.29	- 6.78	- 1	-12
Fabricated metals mfg.	14.87	- 7.41	0	- 6
Nonelec. machinery and transport. equip. mfg.	20.47	22.22	1	0
Elec. equipment mfg.	38.49	112.50	5	18
Other durable goods mfg.	14.14	10.00	0	0
Food mfg.	- 3.17	14.08	-14	12
Apparel mfg.	- 4.35	0.00	-10	2
Printing & publishing	14.91	6.67	0	- 1
Other nondurable goods mfg.	0.02	25.45	- 9	14
Construction	7.61	- 6.33	- 7	-11
Transport. & public utilities	- 3.37	-12.95	-27	-13
Wholesale & retail trade	16.16	18.55	0	6
Finance, ins. & real estate	16.58	11.29	0	- 3
Service & mining	34.17	26.59	31	-13
Government	23.37	11.34	27	-47
Total	16.33	12.16	- 4	-54

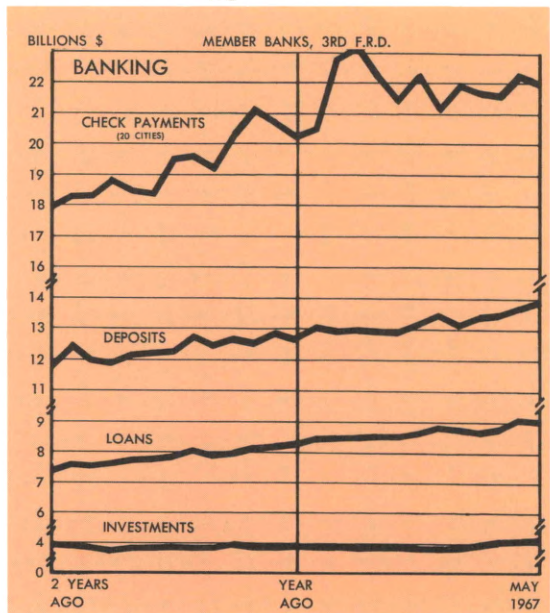
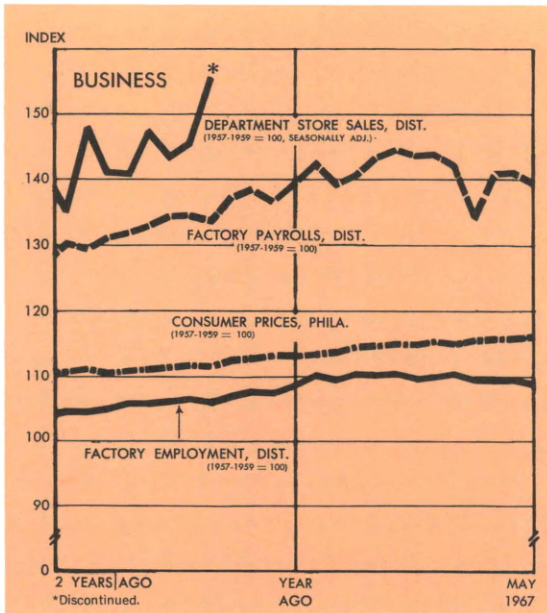
HARRISBURG

Harrisburg's slow growth, unlike the other areas, resulted mainly from a negative local area effect. Among the industries which lagged behind the Northeast, government, primary metals, services and mining, transportation and public utilities, and construction were prominent. The mix effect was small. The relatively slow growth of government formed the single largest lag. In part, its record had an impact on the several local market industries of Harrisburg, holding back their growth. The lags in construction and services are both explained by such a reaction. Not so, however, for the basic manufacturing industries—primary metals, and fabricated metals. Their decline, combined with the fairly mediocre employment growth record of other local manufacturing industries is indicative of fairly serious problems in attracting new employment to the area. The major bright spot appears to be in the electrical equipment industry, in which the area has a number of medium-sized firms with good growth records.

COMPONENTS OF EMPLOYMENT GROWTH IN HARRISBURG, 1958-1966



FOR THE RECORD ...



SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	May 1967 from		5 mos. 1967 from year ago	May 1967 from		5 mos. 1967 from year ago
	mo. ago	year ago		mo. ago	year ago	
MANUFACTURING						
Production			0	0	+ 2	
Electric power consumed	+ 5	+ 2	+ 3	.....	.....
Man-hours, total*	- 1	- 4	- 2	.....	.....
Employment, total	- 1	0	+ 2	.....	.....
Wage income**	- 1	0	+ 2	.....	.....
CONSTRUCTION**	+10	+ 3	- 4	+16	- 1	
COAL PRODUCTION	- 3	- 4	+ 2	- 4	+ 3	
BANKING						
(All member banks)						
Deposits	+ 2	+10	+ 7	+ 1	+ 8	
Loans	0	+ 9	+10	0	+ 5	
Investments	+ 1	+ 6	+ 3	+ 1	+10	
U.S. Govt. securities	- 1	- 3	- 5	0	+ 6	
Other	+ 3	+17	+13	+ 1	+15	
Check payments***	- 1†	+ 8†	+ 8†	- 3	+ 7	
PRICES						
Wholesale .....	.....	.....	.....	0	0
Consumer	0‡	+ 3‡	+ 3‡	0	+ 3	

LOCAL CHANGES

Standard Metropolitan Statistical Areas*

	Manufacturing				Banking			
	Employment		Payrolls		Check Payments**		Total Deposits***	
	Per cent change May 1967 from		Per cent change May 1967 from		Per cent change May 1967 from		Per cent change May 1967 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Wilmington	0	0	+ 1	+ 2	- 6	- 9	+ 1	+ 2
Atlantic City .....	.....	.....	.....	.....	+ 5	+ 6	0	+ 8
Trenton	0	- 3	0	+ 2	+41	+49	- 1	+13
Altoona	- 1	- 2	- 3	- 2	+ 7	+18	+ 2	+11
Harrisburg	0	+ 3	0	+ 9	- 1	+10	+ 1	+13
Johnstown	- 1	- 3	0	+ 1	+ 2	+ 3	0	+ 6
Lancaster	- 1	0	- 1	- 3	- 1	- 4	+ 2	+ 8
Lehigh Valley ..	0	- 2	0	- 2	0	+ 2	+ 2	+ 7
Philadelphia	- 1	- 1	- 1	0	- 3	+11	+ 2	+14
Reading	- 1	- 4	+ 1	- 2	+ 3	0	+ 3	-38
Scranton	- 1	+ 1	+ 2	+10	0	+ 2	+ 2	+10
Wilkes-Barre	0	0	- 1	+ 5	0	+12	+ 2	+10
York	0	+ 2	+ 2	+ 7	- 5	+15	0	+ 5

*Not restricted to corporate limits of cities but covers areas of one or more counties.

**All commercial banks. Adjusted for seasonal variation.

***Member banks only. Last Wednesday of the month.

†15 SMSA's
‡Philadelphia