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In this issue:

Defense-Related Cutbacks: Their Impact on Southeast

by Frederick R. Strobel

The large number of military installations in the Southeast[1] and the televised moonshots have given the region, in the eyes of the outsider and, often, in the eyes of the resident, a distinct defense-oriented image. The results of this study show that the image is more apparent than real.

Throughout the U.S. since 1969, total military and space expenditures have declined, thereby contributing to an economic recession. The Southeast, however, has been able to maintain a relatively higher level of economic activity than the nation. There are two basic reasons for this. First, the defense-related cuts regionally have been less severe than those nationally. Second, the Southeast is less dependent on defense-related production and employment than the nation as a whole.[2] On this latter point, this Bank's findings confirm the Department of Labor's recent analysis of defense-generated employment.

The National Indicators

The decade of the Sixties witnessed substantial acceleration and, then, reduction of space and military spending by the Federal Government. Space expenditures surged during the early Sixties, increasing almost eightfold between 1961 and 1966. Then as Vietnam spending increased, space expenditures decreased and, by 1969, stood at a level 28 percent below their 1966 high.

In real terms (1958 dollars), military expenditures began their decline in 1969 but still increased in current dollar terms. Since then, the effects of inflation have cut deeply into both military and space spending.

A major reason for the decrease in defense expenditures is, of course, the winding down of the war in Southeast Asia. A revised defense posture

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[1] *For the purposes of this article, the Southeast is defined as those states entirely or partially within the Sixth Federal Reserve District: Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.*

[2] *Max A. Rutzick, "Skills and Locations of Defense-Related Workers,"* Monthly Labor Review, *February 1970, pp. 11-16. These figures exclude space and military personnel.*

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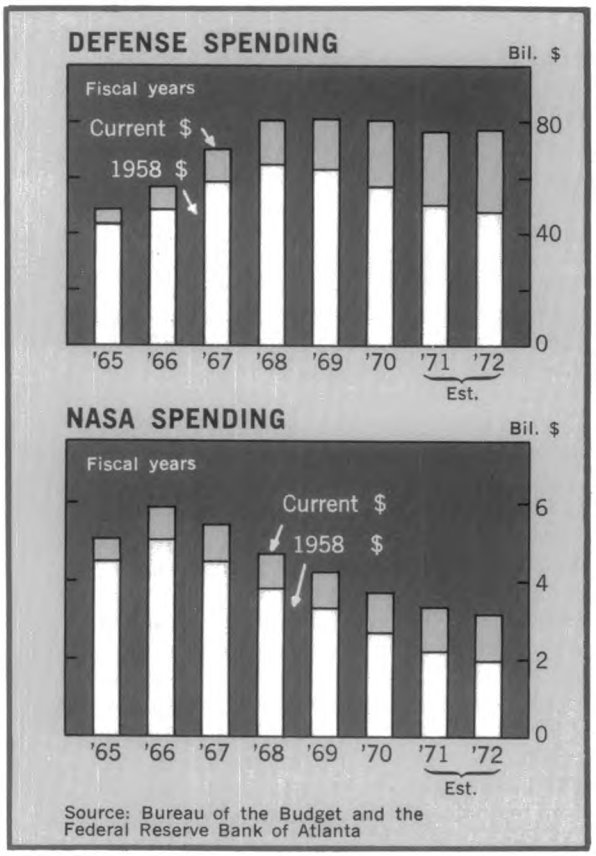
projects that the size of the armed forces will be cut by another 200,000 men by mid-1972. At that time, military manpower will stand at approximately 2.5 million men, down more than a million from the high point in mid-1968. After adjusting for the effects of inflation, we can see that the actual resource-absorbing power of the defense budget is approaching pre-Vietnam levels.

For space spending, the reductions have been particularly severe when the impact of inflation is superimposed upon a declining current dollar budget.

Defense Spending and the Region's Economy

Reductions in military prime contract awards, shown in Table 1, foreshadowed the decline in defense spending. Nationally, the decline in awards began in fiscal 1968. In the region, the decline came a year later. Earlier, during the Vietnam buildup, awards to the Southeast not only went up, but the Southeast increased its share of the national total. Then, as the war de-escalated, the Southeast lost relatively less prime contract funds than the nation. Thus, both during the buildup and the cutback, the Southeast increased its relative share. Moreover, latest data available show that the District states appear to be holding their own.

Nevertheless, the reductions that have occurred have been substantial, thereby causing economic dislocations. The level of contract awards between fiscal 1968 and 1970 dropped by 10.7 percent. This amount is equivalent to approximately a $400-million decline. If the effects of inflation are taken into account, these reductions loom even larger. Furthermore, between fiscal 1968 and 1970, the gross amount of actual contract reductions was about $725 million. This was offset by total increases, in some cases to the same industry but to different states, amounting to nearly $325 million.



Source: Bureau of the Budget and the Federal Reserve Bank of Atlanta

Military Contract Cutbacks: Industrial and Employment Effects

As the Southeast experienced a reduction in prime contracts, the results were lower levels of manufacturing activity in the form of output

TABLE 1

MILITARY PRIME CONTRACT AWARDS

U. S. and Region*

	Fiscal Years						July-December	
	1965	1966	1967	1968	1969	1970	1969	1970
U. S. ($ millions)	23,268	31,713	37,382	37,248	35,249	29,777	15,416	15,388
Region ($ millions)	2,066	2,815	3,553	3,721	3,399	3,322	1,601	1,728
Percent Change from Previous Period								
U.S.	−4.7	36.3	17.9	−0.4	− 5.4	−15.5	———	−0.2
Region	2.0	36.3	26.2	4.7	− 8.6	−2.3	———	7.9
Region as a Percent of the U.S.	8.9	8.9	9.5	10.0	9.6	11.2	10.4	11.2

Source: Department of Defense
*Sixth District States

and employment. Secondary or often-called multiplier effects came in the form of reduced local retail trade and service activity.

Industry Impact. By far, the major industrial cutbacks during the period were in the ordnance category. Substantial increases in the production of ammunition occurred in several District states during the Vietnam buildup period. Sixty percent of the District's gains were lost, however, during the 1968-1970 period. Additionally, losses in the production of military missiles boosted contract losses in the ordnance industry to more than $270 million annually.

The second-largest reduction in military prime contract awards occurred in the textile industry. In 1965, the District's share of these prime contract awards was 15 percent of the national total. By 1968, military prime contract awards were more than triple their 1965 level and the region's share of textile prime contracts stood at 26 percent of the total awarded in the U. S. From 1968 to 1970, however, prime contract awards in the Southeast fell more than 50 percent in textiles, and the region's share of the national total dropped to 22 percent. Awards were almost $90 million less annually in 1970 than in 1968.

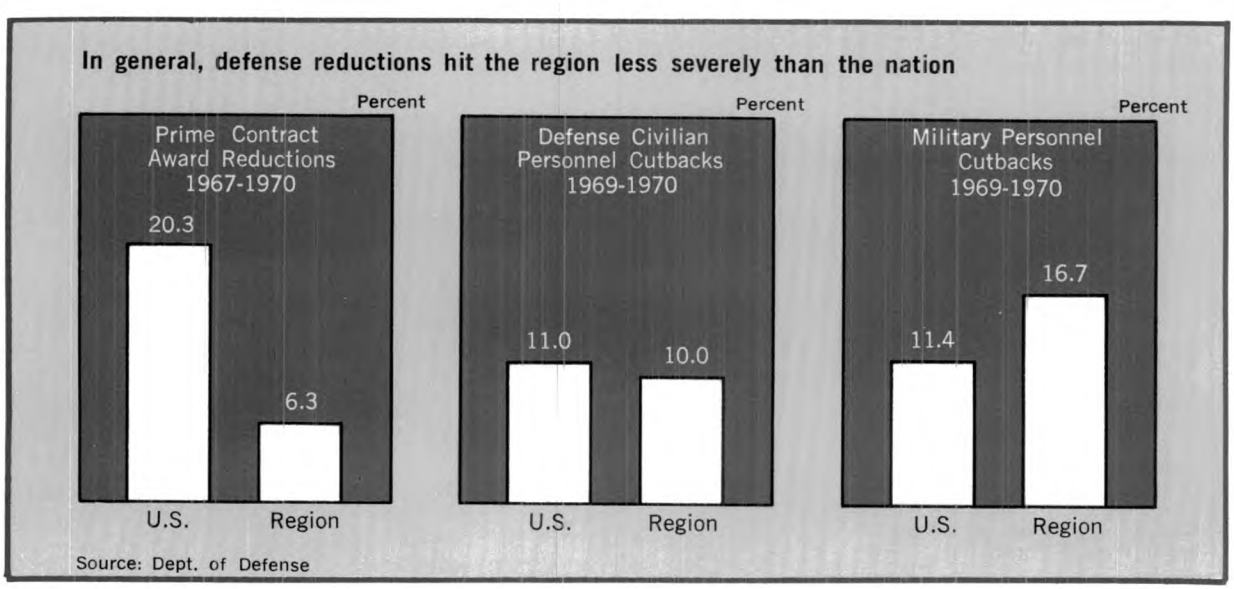
The construction, construction equipment, and building supplies industries comprise the third major area of prime contract award reductions. District decreases in the first two were over 25 percent between 1968 and 1970 and in the latter, greater than 75 percent.

Between 1968 and 1970, there were several other industries that experienced reductions of more than $30 million in the annual level of prime contract awards. They are listed in the order of award reduction: production of combat and noncombat vehicles, services, missiles (military), and petroleum. In addition, contracts for subsistence, usually the supply of food to military installations, dropped almost $20 million annually during this period.

Private Sector Employment Effects. As one might expect, the reduction in defense awards resulted in reduced employment. Although the exact employment effects are unknown, those states sustaining the largest contract award reductions relative to total economic activity were generally those with the most adversely affected labor markets. Louisiana, which lost the greatest dollar value of prime contracts relative to total value added during the defense cutback period (1968 to 1970), was the only District state to show a reduction in manufacturing employment.

Moreover, there is a rough correlation between contract losses and state unemployment rates. Louisiana and Florida, two District leaders in the production of defense-related products relative to total manufacturing, sustained the largest reductions in prime contract awards as a percent of total manufacturing from 1968 to 1970. Both states also experienced the largest increases in unemployment rates in the District from early 1968 to early 1971. In addition, Tennessee's large increase in unemployment appears to be somewhat related to its degree of defense involvement and its loss of prime contracts over the period.

Unemployment rates in Georgia and Mississippi increased by lesser amounts. In Georgia's case, the relatively smaller increase appears related to its low defense dependency and its comparatively small (relative to total



manufacturing) loss of prime contracts. Mississippi, which experienced the smallest unemployment increase in the region during the 1968-1970 period, showed a net gain in prime contract awards.

Alabama was the only exception to this pattern. While that State's unemployment pattern roughly paralleled Mississippi's, prime contract losses as a percent of manufacturing value added were the third highest of the District states.

The rise in unemployment for the region from early 1968 to early 1971, the period of the heaviest prime contract award cutbacks, was markedly less than the national increase. The unemployment rate in the District states rose from 4.1 percent to 4.7 percent. Nationally, the unemployment rate increased from 3.7 percent to 5.9 percent. Although other factors were involved, defense-related cuts had a major effect on increasing national unemployment.

Industrial Production

The District's performance in industrial production is consistent with the smaller-than-national reduction in District prime contract awards and the smaller-than-national increases in unemployment. Of seven primarily defense-related industries, only two have shown production decreases recently, one has leveled off, and four have continued their upward path. The ordnance industry has suffered a major drop. Production losses have also occurred in the chemicals industry during the last year. Fabricated metals, the only other industry affected, has recently shown a leveling off in production but has not shown any significant losses. Those defense-related industries with continued production gains in the District are primary metals, nonelectrical machinery, electrical equipment and supplies, and transportation equipment.

Cutbacks of Defense Department Employment

Whereas the exact amount of decreased private employment through reduced contract awards is difficult to quantify, Department of Defense (DOD) figures are available for its civilian and military employees (Table 2). Between 1969 and 1970, military personnel in the District states fell drastically. This cut, amounting to more than 50,000 men (a 17-percent decrease), was in abrupt contrast to the military personnel increase of 39,500 during the 1965-1968 Vietnam

TABLE 2

DEPARTMENT OF DEFENSE EMPLOYEES

Sixth District States
(thousands)

	June 1965	June 1968	June 1969	June 1970	Percent Changes 1965-68	1968-69	1969-70
			Military				
Alabama	24.0	32.6	32.3	30.3	35.8	− 0.9	− 6.2
Florida	70.0	77.7	77.7	76.3	11.0	0.0	− 1.8
Georgia	94.0	106.4	106.1	76.5	13.2	− 0.3	− 27.9
Louisiana	34.0	41.5	40.6	33.8	22.1	− 2.2	− 16.8
Mississippi	21.3	22.6	26.1	19.9	6.1	15.5	− 23.8
Tennessee	18.4	20.4	19.5	14.9	10.9	− 4.4	− 23.6
Total	261.7	301.2	302.3	251.7	15.1	0.4	− 16.7
			Civilian				
Alabama	33.3	28.2	26.9	24.0	− 15.3	− 4.6	− 10.8
Florida	25.2	33.3	33.5	30.0	32.1	0.6	− 10.5
Georgia	33.6	45.4	44.5	40.1	35.1	− 2.0	− 9.9
Louisiana	6.5	8.3	8.6	7.8	27.7	3.6	− 9.3
Mississippi	6.2	7.8	8.6	8.3	25.8	10.3	− 3.5
Tennessee	6.2	7.7	8.4	7.6	24.2	9.1	− 9.5
Total	111.0	130.7	130.5	117.8	17.8	− 0.2	− 9.7
			Total				
Alabama	57.3	60.8	59.2	54.3	6.1	− 2.6	− 8.3
Florida	95.2	111.0	111.2	106.3	16.6	0.2	− 4.4
Georgia	127.6	151.8	150.6	116.6	19.0	− 0.8	− 22.6
Louisiana	40.5	49.8	49.2	41.6	23.0	− 1.2	− 15.5
Mississippi	27.5	30.4	34.7	28.2	10.6	14.1	− 18.7
Tennessee	24.6	28.1	27.9	22.5	14.2	− 0.7	− 19.4
Total	372.7	431.9	432.8	369.5	15.9	0.2	− 14.6

Source: Department of Defense

buildup period. As a result, this left four of the six District states with lower troop levels than they had experienced during the pre-buildup year of 1965.

After several years of steady increases, military payrolls for the region leveled off in 1970—although several states showed payroll reductions. Increased wages were the reason for overall maintenance of dollar levels of payrolls.

Civilian personnel employed by the Defense Department also decreased, after increasing markedly during the 1965-1968 buildup. An increase of over 20,000 employees boosted civilian defense employment relatively more than the increases in troop levels. The cutbacks were sharp between 1969 and 1970; however, only one state, Alabama, showed less DOD civilian employees in 1970 than in 1965. From 1968 to 1970, the total loss to the District states was almost 13,000 civilian employees.

The region's civilian defense payrolls also leveled off in 1969 and 1970. This leveling had relatively more local economic impact when compared with the similar behavior of military payrolls. This is because a greater proportion of military pay is less likely to benefit a local area than would an equal amount of civilian pay. A large portion of military salaries is spent on the base or, in many cases, mailed to an out-of-state family or bank. The permanance of Government civilian workers tends to make their spending patterns more stimulative to an area's economy. This does not mean, however, that military payroll reductions in several District states did not have substantial economic impact.

NASA Employment and Payrolls

As mentioned earlier, space expenditures began to decline in 1967, following a rapid buildup in the early Sixties. A 1969 study[3] by this Bank highlighted these reductions in space employment and payrolls.

The cuts have been increasing both in terms of total employees and total payrolls in the region (Tables 3 and 4). The Kennedy Space Center, while managing to increase its space payrolls through 1969, began reducing employment in 1968. A drastic drop of more than 7,000 employees occurred between 1969 and 1970, accompanied by a $90-million cut in payrolls in that part of Florida. The Marshall Space Flight Center in Huntsville suffered large employment cuts beginning in 1968; as a result, payrolls also dropped. The Michoud Assembly Facility in New Orleans started losing employment in 1965, and the Mississippi Test Facility in Hancock County started losing employment in 1966. Both have been losing ground ever since. Accordingly, payrolls turned down at Michoud in 1966 and at the Mississippi Test Facility in 1967.

The Impact of the Cutbacks: State by State

As one might surmise, the degree of the cutbacks from these major sources hit some states harder than others. The following represents an evalution of the impact of defense-related cutbacks on the individual District states. Considered are defense prime contract awards, defense military and civilian employment, and NASA employment and payrolls.

Louisiana, Alabama, and Florida. These three District states sustained the greatest defense-related cutbacks, relative to their total economic activity. Discussing each in the order of the severity of the cuts, let us first turn to **Louisiana.**

As mentioned, the nation's space program began to wind down prior to the reductions in defense spending. Louisiana was the hardest hit of all District states, recording a loss of almost 10,000 space jobs from 1964 to 1970. These cuts at the Michoud Assembly Facility in New Orleans were equivalent to more than 1.1 percent of that State's total employment.

In the defense area, Louisiana had received $227 million in shipbuilding prime contract awards in 1967. The next three years' awards in this category were only $22 million, $7 million, and $13 million, respectively. There were also contract reductions in the majority of the other defense categories from 1968 to 1970. By 1970, total prime contract reductions in Louisiana—relative to value added, a common measure of industrial activity—were larger than in any other District state. In addition, there were secondary effects, such as loss of indirect employment and purchasing power following such reductions.

Ammunition and petroleum contracts suffered major declines, with the former accounting for $90 million of the $159 million annual level lost in the three-year 1968-1970 period. Additional DOD civilian and military job losses also added to Louisiana's woes. The May unemployment rate was 6.6 percent, the highest among the District states and also above the national average.

Alabama and **Florida** were the two District states that, next to Louisiana, suffered most from defense-related cutbacks. Total cutbacks appeared slightly greater in Alabama, relative to total economic activity.

Although Alabama's prime contract losses were less than Florida's as a percent of value added in manufacturing, the direct cuts in Defense Department and NASA employees were much

[3] *C. S. Pyun, "Slowdown in Space Programs: Its Impact on the Southeast," this* Review, *May 1969, pp. 58-64.*

TABLE 3

REGION'S[1] SPACE EMPLOYMENT

	1963	1964	1965	1966	1967	1968	1969	1970	Projection 1971
Kennedy Space Center[2]	6,157	11,145	16,529	22,583	26,296	25,912	23,475	16,235	15,000
Marshall Space Flight Center[3].	12,500	15,500	16,900	17,900	18,500	14,900	11,945	11,079	n.a.
Michoud Assembly Facility[4]...	9,038	11,485	10,644	9,264	7,984	6,166	3,506	1,858	n.a.
Mississippi Test Facility.....	n.a.	2,477	4,794	4,410	2,848	2,744	1,948	1,480	n.a.
Space Total	27,695	40,607	48,867	54,157	55,628	49,722	40,874	30,652	
Share of Total Space Employment in the Region's Manufacturing Employment (in percent)	1.9	2.7	3.0	3.1	3.1	2.7	2.1	1.6	

n.a.—Not available

[1]Sixth District States (Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee)

[2]Includes Federal employees, aerospace contractor employees, construction workers, and Air Force support

[3]Includes Federal employees and contractors

[4]Construction contractor personnel not included

Sources: NASA, U. S. Department of Labor (BLS), and individual state department of labor offices

TABLE 4

SPACE PAYROLLS AND REGION'S[1] WAGES AND SALARIES

(in Millions of Dollars)

	1963	1964	1965	1966	1967	1968	1969	1970	Projection 1971
Kennedy Space Center[2]	36.7	62.2	109.2	207.3	292.8	323.9	326.2	236.3	218.3
Marshall Space Flight Center..	134.0	187.0	214.0	232.0	248.0	209.0	180.2	186.1	n.a.
Michoud Assembly Facility....	56.9	87.3	96.4	85.5	76.8	68.0	55.8	29.2	n.a.
Mississippi Test Facility.....	n.a.	19.4	53.3	55.5	42.3	33.7	27.6	22.5	n.a.
Total Space Payrolls.....	227.6	355.9	472.9	580.3	659.9	634.6	589.8	474.1	
Share of Total Space Payrolls in Region's Total Wages and Salaries (in percent) ...	.9	1.2	1.5	1.6	1.7	1.5	1.2	.9	
Share of Total Space Payrolls in Region's Manufacturing Wages and Salaries (in percent)	3.4	4.9	5.7	6.2	6.6	5.7	4.8	3.7	

n.a.—Not available

[1]Sixth District States (Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee)

[2]Includes only Federal employees and aerospace contractor employees

Sources: NASA and Office of Business Economics, U. S. Department of Commerce

more pronounced in Alabama. The 1967-1970 decrease of almost 7,500 jobs at the Marshall Space Flight Center in Huntsville was equivalent to 0.8 percent of total employment in that State. Florida's decreases at the Kennedy Space Center, while greater numerically, were less in terms of the Sunshine State's total employment. The Kennedy Space Center lost slightly over 10,000 employees from 1967 to 1970, which amounted to 0.5 percent of Florida's total workforce. Nonetheless, the local area impact was severe in both cases.

The drop in civilian Defense Department employees in Alabama has also been a major blow. The reduction of approximately 9,500 jobs in this category from the average 1964 to 1966 peak levels represented an amount equal to 1.1 percent of total employment in Alabama. By comparison, Florida lost approximately 3,300 DOD cilivian jobs from 1968 to 1970, an amount equal to 0.2 percent of Florida's employment. Furthermore, 1970 defense civilian employment in Florida was 20 percent greater than in 1965, whereas Alabama was 39 percent below the 1965 level.

From 1968 to 1970, Alabama suffered major prime defense contract award reductions in the production of ammunition, military vehicles, ships, textiles, and building supplies. However, it has received some offsetting increases in aircraft and missiles. Florida has sustained major contract reductions in airframes,

construction equipment, missiles, electronics, and the provision of services.

Bearing the brunt of District defense-related reductions, Louisiana, Alabama, and Florida all experienced substantial decreases in military prime contract awards and direct NASA employment. Direct defense employment reductions, relative to total employment, was also substantial in Alabama. Additionally, Louisiana's loss of military personnel was above the regional average.

Georgia. The Peach State ranks fourth in terms of relative defense-related cutbacks in the Southeast. Georgia's major reductions in defense prime contract awards came in 1967 with the $102-million fall in the average level of airframe contracts. Additional losses from 1968 to 1970 occurred in the ordnance, textile, and construction industries. Some offsetting gains, however, in airframes, aircraft, electronics, and petroleum took place during this period.

Georgia also experienced reductions of more than 5,000 civilian Defense Department jobs from 1968 to 1970. As a percent of total employment, this was slightly higher than the District states' average. Additionally, Georgia, leading all District states in military losses, had at mid-1970, nearly 30,000 less troops stationed at its military installations than in 1969. This one-year drop was equivalent to 1.7 percent of the total employment in Georgia in 1969. While this is a sizable cut in military manpower, such cuts in military personnel are, as noted, relatively less severe than would be an equivalent number of civilian job cuts. Still, the local impact of troop reductions on local retail trade and finance cannot be minimized. Financial activity showed definite signs of slackening in Georgia communities surrounding military bases during 1970.

Layoffs at the Lockheed-Georgia plant in Marietta have dealt a major blow to Georgia's defense industry. This plant is mainly involved in the production of the C-5A military transport. From February 1968 to the fall of 1969, employment at Lockheed increased from almost 23,000 to over 32,000. Since then, however, facing uncertain military and civilian demand for its products, Lockheed's employment has slipped to less than 19,000. But the Atlanta metropolitan area has fared well during the defense cutback period; the May 1971 unemployment rate was 3.4 percent. This compares favorably with the national median unemployment rate for metropolitan areas of 5.2 percent for May.

Tennessee. Among the District states experiencing net defense cutbacks, Tennessee's reductions, relative to total economic activity, were the smallest. Its losses from 1968 to 1970 were mainly confined to the manufacturing sector. The annual level of contract reduction, however, did amount to 2.6 percent of manufacturing value added. During the three-year period, the level of prime contract awards fell by $93 million in ammunition and by $25 million in textiles. Additional, but smaller, losses were sustained in missile production and subsistence, amounting to an annual level of $21 million. Some civilian defense employment was lost, but this amounted to 0.2 percent of the workforce, the smallest loss (along with Mississippi) among the District states. More substantial reductions were sustained in military personnel, amounting to almost 7,000 men between 1966 and 1970. But as a percent of the workforce, this loss was well below the District average.

Mississippi. In contrast to the other states, Mississippi emerged with net increases in prime contract awards during the 1968-1970 period. This was mainly attributable to a large contract award for building destroyers at the Ingalls Shipyard at Pascagoula on the Gulf Coast. The areas of contract reductions were textiles, ordnance, and DOD civilian and military employment. Whereas the civilian employment loss was small, the military loss was substantially larger, relative to the total workforce in the state. In addition, from the mid-Sixties through 1970, the NASA Mississippi Test Facility in Hancock County showed substantial reductions in space employment and payrolls.

Gains in the shipbuilding industry, however, which will eventually amount to $2.4 billion in destroyer contracts and 8,500 jobs for Alabama and Mississippi, have served to make Mississippi the only District state to emerge on the plus side during this period of defense-related cutbacks.

Cutbacks in Perspective

The foregoing dwelled on the impact of the defense cuts on the Southeastern states. But, how severe have these cuts been when compared with cuts for the nation as a whole?

How much a region is affected by such cutbacks rests with its dependency on defense, the size of the cutback, and the speed with which it can adapt itself to new areas of economic activity. How dependent is the Southeast on defense-generated employment? The Department of Labor indicates that the region's defense-generated employment is somewhere between 3.4 percent and 3.7 percent of the workforce, while the national average is 5.2 percent. A major reason for this is that defense-associated employment is found in those

regions that have especially high concentrations of electronics and metal trades industries. Here, the Southeast would rank relatively low when compared with such regions as the Northeast, the Northwest, and the Southwest.

Earlier data give an idea of the absolute size of the reductions in defense-related activity. The major category where the region fared better than the nation was in the reduction of prime contract awards. Had the region's reductions in these awards paralleled the national average, the annual level would have fallen by an additional $800 million during the cutback period. Also, the District fared slightly better than the nation in terms of DOD civilian job losses. On the other hand, military troop reductions and reduced NASA activity were relatively greater in the region than in the nation.

The military personnel losses, as measured by payroll changes, and the NASA losses, as measured by contract award reductions, have not yet been large enough to overcome this less-than-national reduction in military prime contracts.

Since the region's defense dependency is lower than the national average and since defense-related spending reductions have also been relatively smaller than the national average, one would logically expect the total economic impact of the various defense-related cutbacks to be smaller in the District. There is good reason to believe that this has been the case. Industrial production in the District continued to increase during the period of defense cutbacks. Nationally, industrial production fell appreciably from July of 1969 through 1970. Furthermore, the June 1971 District unemployment rate was 4.8 percent compared with the national rate of 5.6 percent.

TABLE 5

DEFENSE-ORIENTED VALUE ADDED AS A PERCENT OF TOTAL MANUFACTURING VALUE ADDED

1967

Alabama	14.3
Florida	18.1
Georgia	13.3
Louisiana	21.6
Mississippi	20.5
Tennessee	19.0
Average, Six States	17.5
Average, U. S.	25.5

Source: **Shipments of Defense-Oriented Industries** and **Census of Manufactures**, Department of Commerce, 1967

Industries surveyed are ordnance, chemicals, primary and fabricated metals, nonelectrical machinery, electrical equipment and supplies, transportation equipment, instruments and related products, and miscellaneous industries. In 1967, these industries shipped 62 percent of their total value added to Government agencies, primarily the Department of Defense, NASA, and the Atomic Energy Commission.

The Region's Adaptability

Why have the District states been able to adapt so well during the period of defense-related cutbacks? A large part of this favorable performance of the area's economy is related to the nature of its industrial structure. As Table 5 illustrates, the region's manufacturing is well below the national average in its dependence upon defense-oriented industries. This fact, coupled with the region's lower-than-average dependence on defense-generated employment, cited earlier, underscores the relative diversity in the Southeast's industrial base. Population growth, especially in Florida and Georgia, lent additional help to the region during the cutback period.

Florida, one of the more seriously affected states, consistently posted unemployment rates well below the national average during the cutback period. Further, 1971 has shown improving economic conditions in Brevard County, home of the Kennedy Space Center, where unemployment, though still high, has dropped considerably since January. The area has also received a Federal $1.4-million grant to expand the Port Canaveral facilities and thus improve that harbor's competitive position. Additionally, Federal funds are being used to retrain engineers for work in the field of environmental protection. The construction of Disney World in nearby Orlando has also eased the employment situation in the central Florida area.

Alabama's economy, which also experienced large defense and NASA reductions, performed well during this period. Unemployment, while running above the national average during 1968 and 1969, following the NASA and other defense reductions, ran below the national average in 1970. Undoubtedly, its low dependence on defense production was a factor. The Huntsville unemployment rate in May was 0.4 percent below the national median metropolitan area rate.

Louisiana experienced defense-related cutbacks concurrently with reduced off-shore oil production and a slowdown in residential construction. Unemployment remains high. There are some bright spots, however. Residential construction has recently picked up, and a recent upturn in new and expanded plant announcements may have a positive effect on the employment situation.

Georgia and Tennessee, two states affected relatively less by the defense cutbacks, have shown general improvements in their economic situation in recent months. Employment performance, especially in Georgia, has been

consistently better than the national average. Benefiting from an increase in military contracts, Mississippi has also witnessed improved economic conditions.

Consequently, while some weak spots remain, the District states have proved themselves adaptable to recent changes in Federal spending patterns.

Future Defense Spending Patterns and the Southeast

Recently, defense spending in the nation appears to have leveled off. Furthermore, space spending appears to be continuing its general decline that began in 1967. Should the inflationary tendencies in space and defense spending continue, the stimulative effects of these types of spending will be muted further. Also, within each budget, certain spending realignments and cuts will be forthcoming. Some of these will affect this region for better or for worse.

Further spending cuts in the NASA budget are bound to affect the four space centers in the District. The Apollo Program will end, under present funding, at the end of 1973. There is the likelihood of further employment reductions in Brevard County, even if the location of the "space shuttle" flight center should ultimately be at Cape Kennedy. The space shuttle will be a winged booster stage designed to carry an "orbiter" stage to the necessary altitude. There, it will separate from the orbiter and return to earth, landing on a runway. The location of the space shuttle flight center has not yet been determined. There has been, however, some recent increased activity at the Mississippi Test Facility in the testing of the engines for the shuttle.

District military installations will, no doubt, be affected by the planned additional reduction in the armed forces. It appears, however, that the lion's share of the cuts have already taken place. Civilian cuts at Fort Rucker in southern Alabama, because of reduced helicopter pilot training, are currently taking place. Somewhat offsetting this will be increased activity at the Ingalls Shipyard in southern Mississippi.

Employment prospects at Lockheed-Georgia in Marietta appear to be dependent upon whether there will be production of civilian aircraft to take the place of the current production of the C-5A military transport. The end of C-5A production is scheduled for early 1973. But if production on another major series of aircraft is not begun soon, additional layoffs are likely, prior to the completion of the C-5A.

Summing Up

Although recent defense-related cuts in the Southeast have been less than those nationally, the region's relatively strong economic performance during the cutback period has been closely tied to its diversified industrial base. This base, which exhibits a lower-than-national dependence on defense-related products, should serve the region well in sustaining any remaining cuts and in adapting to new lines of civilian economic activity. ■

A Decade of Progress For Southeastern Housing

by Boyd F. King

Since 1960, the goal of increasing both the number and quality of the nation's housing units has become more and more important. Thus, it is encouraging to find that since 1960, the Southeast's growing population has used a significant part of its expanding income to improve its housing and to decrease the gap between the quality of its housing and the housing of the rest of the nation.

Population and Income Changes, 1960-1970

Because population and income changes exert an important influence on housing, the Southeast's housing story begins there. Data from the Census of Population show that between 1960 and 1970, the region's population grew by 16.3 percent, while the nation's grew by 13.3 percent. The Southeast's[1] population growth was concentrated in Florida—where there was a 37.1-percent gain—and in Georgia—where there was a 16.4-percent gain. These were the only two Southeastern states that had a faster rate of population growth than the nation as a whole. But these are also the region's most populous states.

Most of the region's population growth occurred in its major metropolitan areas.[2] During the decade, the proportion of the region's population in these areas rose from 49 percent to 53 percent. In each state except Florida, population in major metropolitan areas grew almost twice as fast as the region's total population.

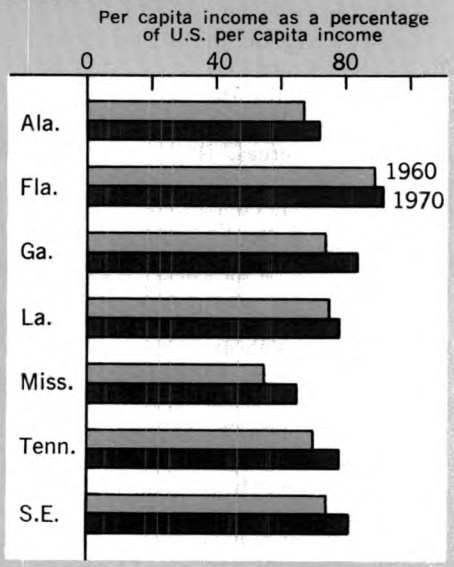
As population expanded and as urbanization took place, per capita income of Southeastern residents rose from 74 percent of national per capita income

[1] *For the purpose of this article, the Southeast is defined as those states entirely or partially in the Sixth Federal Reserve District—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.*

[2] *Major metropolitan areas are those places classified as Standard Metropolitan Statistical Areas in 1970. There are 33 of these areas in the Southeast.*

in 1960 to 81 percent of national per capita income in 1970. Each District state shared in closing the income gap, with Mississippi recording the greatest improvement and Florida the least.

Per capita income in each state approached the national level



Summary Table

Population and Housing Characteristics
Southeastern States
(Except for per capita income, expressed in millions)

Characteristic	April 1, 1970	% Change since April 1, 1960
Population	24.6	16.3%
Population in Standard Metropolitan Statistical Areas	13.0	25.9
Per capita money income	$3,182	94.3
Year-round housing units	8.3	24.8
Year-round housing units in Standard Metropolitan Statistical Areas	4.4	34.3
Occupied housing units	7.6	27.1
Owner-occupied housing units	5.0	35.7
Renter-occupied housing units	2.6	13.3
Units in structures of one unit*	6.3	13.2
Units in structures of two or more units	1.5	65.2
Units in mobile home or trailer	.4	224.2
Occupied units with all plumbing facilities	6.7	61.8

*Excludes mobile homes and trailers

Source: U.S., Bureau of the Census, **U. S. Census of Housing: 1960, States and Small Areas,** Final Reports and **Census of Housing: 1970, General Housing Characteristics,** Advance Reports

The Expected Influences of Population and Income Changes

Changes in the size, location, and income of a region's population would be expected to influence both the demand for housing and the characteristics of housing stock within that region. Increases in the size and urbanization of housing stock would be expected to parallel increased size and urbanization of a region's population. Urbanization would be likely to result in higher land prices in urban areas. As a result, multi-unit structures would be used in order to make more intensive use of available land. Because larger cities generally have stricter building codes, urbanization would also be likely to lead to improvement in housing quality.

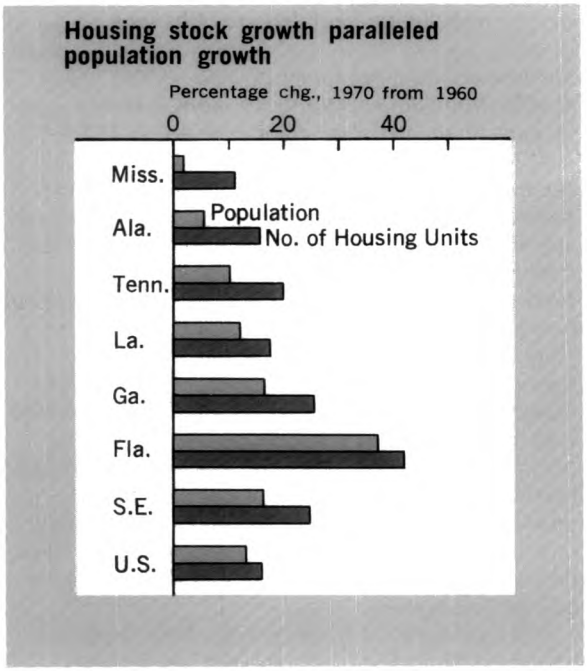
Rising income would be expected to foster demands for improved housing quality. When per capita income in a region approaches national per capita income levels, one would anticipate that the gap between the quality of the region's housing stock and the quality of the nation's housing stock would close. The closing of this gap would be accompanied by increases in housing costs relative to national norms.

In light of population and income changes that occurred in the Southeast during the 1960's, one would expect the region's 1970 housing stock to be larger and more urbanized than in 1960, to have a larger proportion of its housing units in multi-unit structures, to be of better quality, and to cost more than the 1960 housing stock. Comparisons of data collected in 1960 and 1970 in the Census of Housing show that most of these expected changes in housing characteristics—and a few unexpected changes—did accompany changing population and income in the Southeast during the Sixties.

Growth in the Region's Housing Stock

During the last decade, the rate of increase in the number of housing units in the region was one and a half times as great as the rate of increase in the region's population. In the individual District states, there was close correspondence between rank in rate of population growth and the rate of housing stock growth; however, the rate of housing stock growth exceeded the rate of population growth most of all in those states that began the decade with lower per capita incomes and that recorded greater rates of increase in per capita income during the 1960's.

Comparisons of population growth rates, relative per capita income, and housing stock growth in the Southeastern states indicate that housing stock growth during the 1960's was partially a reaction to population growth and partially a reaction to income growth. The impact of popula-



State	Per Capita Income, 1960	Per capita income growth rate as a % of U. S. per capita income growth rate	Housing stock growth rate as a percentage of population growth rate
Mississippi	$1,208	145%	622%
Alabama	1,493	116	290
Tennessee	1,548	126	198
Georgia	1,646	129	155
Louisiana	1,658	110	146
Florida	1,968	108	129

tion growth on the number of housing units is direct: a reaction to the need of new residents for shelter. Higher incomes stimulate housing stock growth by influencing the demand for housing quality. In part, housing quality demand reduces multiple-family occupancy of single housing units; therefore, on average, fewer persons need occupy each housing unit. Such quality improvement requires the growth in housing stock to exceed population growth. Southeastern states that started the decade with lower incomes relative to national income norms and that approached national norms at a faster rate evidently had greater increases in demand for housing quality and, thus, greater growth in housing stock relative to population growth.

Other Major Developments in Housing Characteristics

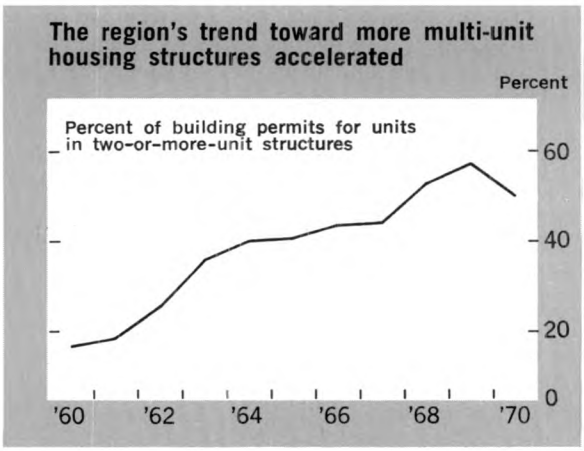
Along with the growth in the number of housing units in the Southeast during the 1960's, at least five important developments in housing characteristics are discernible. These developments include (1) an increase in the proportion of the region's housing units located in major metropolitan areas, (2) a decrease in the proportion of units in single-unit structures, (3) a higher proportion of owner-occupied housing units, (4) an improvement in the quality of the region's housing, and (5) an increase in the costs of housing in the region.

Before elaborating on these developments, the 1960 starting point should be described. At the beginning of the decade, the majority of housing units were located outside the region's major metropolitan areas. Then, too, almost 85 percent of the housing stock was in single-unit structures; more than 60 percent was owner-occupied. Moreover, quality and cost measures were below national levels in all states except Florida.

In the Southeastern states during the 1960's, urbanization of population and housing stock closely paralleled one another. Only in Florida, where the proportion of population in major metropolitan areas remained stable throughout the decade, did the proportion of housing units in these areas fall—but only slightly. In each of the other states, there was an increase in the proportion of population and in the proportion of housing units in major metropolitan areas.

Along with urbanization came a high rise in the proportion of multi-unit structures in the region's housing stock. Higher land costs—particularly in urban areas—promoted more intensive land use through multi-unit housing structures, and lower per-unit construction costs of multi-unit structures reinforced this trend. In the region as a whole, housing units (other than mobile homes) in multi-unit structures made up 14 percent of the housing stock in 1960 but increased to 19 percent in 1970. Each state recorded a higher rate of growth in two- or more-unit structures than in single-unit structures.

Data on building permits indicate that most of these new housing units in the broad Census of Housing category of "two- or more-unit" structures were in buildings with five or more units and that the trend toward increased used of multi-unit structures accelerated during the decade. These data also indicate that the trend toward multi-unit residential structures accelerated more in the Southeast than in the nation. For the decade as a whole, however, 33.5 percent of building permits in the Southeast were for units in "five- or more-unit" structures, as compared with 35.0 percent for the nation as a whole. As of the 1970 Census date, the Southeast still had only 19 percent of its housing units in "two- or more-unit" structures, while the nation had 27 percent.



At the same time that the proportion of housing units in multi-unit structures was rising, the proportion of housing units in mobile homes or trailers was also expanding at a rapid rate. Mobile homes composed only 1.7 percent of the region's housing units in 1960, but during the decade, more than 250,000 of these units were added to the region's housing stock. This raised the mobile home share of housing stock to 4.4 percent. The reason for this rapid rate of increase is not as easy to explain as the increase in the proportion of units in multi-unit structures. Rising incomes that allow younger people to leave the family home for a mobile home of their own, increased demand for lower-cost retirement homes in Florida, rising prices of conventional homes relative to mobile homes, and improvement in the quality of mobile homes all played a part in this rapid increase in the number of mobile home units.

The proportion of the region's homes that were owner-occupied also increased during the 1960's. The percentage of all occupied units that were owner-occupied rose from 62 percent in 1960 to 66 percent in 1970. Rising home ownership in the Southeast has run counter to the national trend. In the nation as a whole, the percentage of all occupied units that were owner-occupied fell from 62 percent to 59 percent during the 1960's. Yet, the increase in home ownership was evident in each of the region's states.

This trend toward more home ownership in the Southeast is not easily explained. The 66-percent figure for owner-occupied homes exceeds any home ownership percentage recorded for the nation during this century. While the nation reached a peak in the proportion of owner-occupied homes in 1960, the Southeast has continued to climb. In explaining this, one can tentatively hypothesize that the higher proportion of Southeastern housing in single-unit structures combined with rising incomes to encourage rising owner occupancy. This impetus was probably reinforced by the more extensive use of condominium arrangements that provide for owner occupancy of multi-unit structures. These arrangements were particularly popular in Florida during the last half of the Sixties.

The quality of the region's housing stock improved during the last ten years. Although complete tabulations of housing quality measures are not yet available in 1970 Census publications, those measures that are available record both a substantial improvement in housing quality and a closer approach to national quality norms. In each of the region's states, the median number of persons per unit fell and the median number of rooms per unit rose. During the same period, the number of units with all plumbing facilities rose from only 73 percent of all units to 90 percent of all units. This latter percentage is close to the national figure of 93 percent.

Quality improvement resulted from income growth and, possibly, from urbanization. The tendency for U. S. families to turn part of their gains in money income into real income gains by improving their housing is well documented. It is, thus, not surprising that residents of the

Housing Quality and Costs, 1960 and 1970

State	Median Persons Per Unit		Median Rooms Per Unit		Units Lacking Some or all Plumbing (Percentage of all Occupied Units)		Median Value Owner-Occupied Units		Median Monthly Contract Rent	
	1960	1970	1960	1970	1960	1970	1960	1970	1960	1970
Alabama	3.2	**2.8**	4.7	**5.0**	38.3	**14.5**	$ 8,600	**$12,500**	$32	**$49**
Florida	2.6	**2.4**	4.6	**4.7**	13.7	**4.5**	11,800	**14,900**	60	**94**
Georgia	3.2	**2.9**	4.7	**5.0**	30.5	**11.4**	9,500	**14,600**	37	**66**
Louisiana	3.2	**2.9**	4.5	**4.8**	27.1	**9.7**	10,700	**14,600**	44	**62**
Mississippi	3.2	**2.9**	4.5	**4.9**	42.6	**16.4**	7,900	**11,400**	30	**47**
Tennessee	3.1	**2.8**	4.7	**5.0**	31.7	**12.7**	8,300	**12,700**	39	**62**
United States	3.0	**2.7**	4.9	**5.0**	20.0	**6.9**	11,900	**17,000**	58	**90**

Source: U. S., Bureau of the Census, **U. S. Census of Housing: 1960, States and Small Areas,** Final Reports and **Census of Housing: 1970, General Housing Characteristics,** Advance Reports

Southeast improved their housing as their incomes rose during the 1960's. Nor is it surprising that they brought the quality of their housing closer to that of the nation's, since their incomes also rose relative to national per capita incomes. Stricter housing quality regulations in the urban areas—where a majority of the decade's housing stock growth took place—also may have forced some of the quality improvement.

Housing costs rose with housing quality. Most housing cost measures for the Southeastern states rose both absolutely and in relation to national cost measures. The median value of owner-occupied homes increased in the six Southeastern states. This cost measure increased as a percentage of the U. S. median in four states but fell relative to the U. S. median in Florida and Louisiana. Median monthly contract rent also went up in all six states. It rose relative to the U. S. median in Florida, Georgia, and Tennessee, retained the same relationship in Mississippi, and fell in Louisiana and Alabama.

To reiterate, the Southeast ended the decade with a majority of its housing units in the region's major metropolitan areas. Its housing stock was still predominantly owner-occupied, but a smaller proportion of housing units were in single-unit structures, while larger proportions were in both multi-unit structures and mobile homes. Housing quality and costs increased both absolutely and relative to national norms. Therefore, by the end of the Sixties, the housing stock of the Southeast had made considerable progress toward national standards and toward national housing goals.■

Bank Announcements

AUGUST 2, 1971

IRVING INTERAMERICAN BANK

Miami, Florida

Opened for business as an Edge Act Corporation. Officers: Arthur G. Boardman, Jr., president and chairman; William F. Graff, executive vice president; Jean D. Zutter, senior vice president; John A. Sisto, vice president and general manager; Eduardo A. Benet, Richard W. Hastings, and Carl F. Kurtz, vice presidents; Roberto D. Anaya and Allen C. McBeth, assistant vice presidents; and Kenneth K. King, Jr., secretary and treasurer. Capital, $2,000,000; surplus and other capital funds, $35,000.

AUGUST 9, 1971

FIRST NATIONAL BANK OF PALM BEACH GARDENS

Palm Beach Gardens, Florida

Opened for business. Officers: Thomas E. Rossin, chairman; Carl I. Cassell, president and secretary; and A. D. Sheffield, Jr., cashier. Capital, $600,000; surplus and other capital funds, $405,000.

AUGUST 16, 1971

CITY AND COUNTY BANK OF POWELL

Powell, Tennessee

Opened for business as a member. Officers: O. B. Rutherford, chairman; Charles M. Armstrong, president; and Creed A. Daniel, cashier. Capital, $400,000; surplus and other capital funds, $600,000.

AUGUST 16, 1971

WELLS FARGO INTERAMERICAN BANK

Miami, Florida

Opened for business as an Edge Act Corporation. Officers: Richard P. Cooley, chairman; Glenn C. Bassett, Jr., president; Thomas J. Carter, executive vice president; and John F. Holman, Gerritt E. Venema, and Donald W. Jardine, vice presidents; Philip G. Bowser, secretary and treasurer; and David Gonzalez and Manuel Simon, assistant vice presidents and secretaries. Capital, $2,000,000.

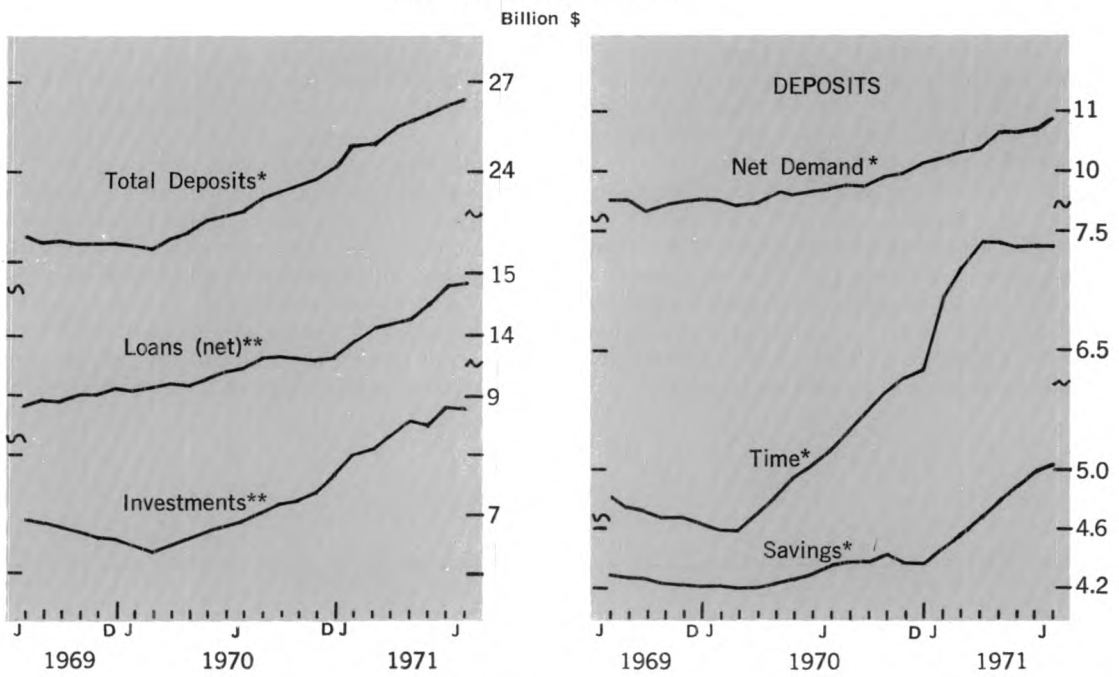
AUGUST 24, 1971

FIRST STATE BANK OF LINEVILLE

Lineville, Alabama

Opened for business as a par-remitting nonmember. Officers: Cecil W. Parker, president; and Charles Houston, vice president and cashier. Capital, $200,000; surplus and other capital funds, $200,000.

BANKING STATISTICS

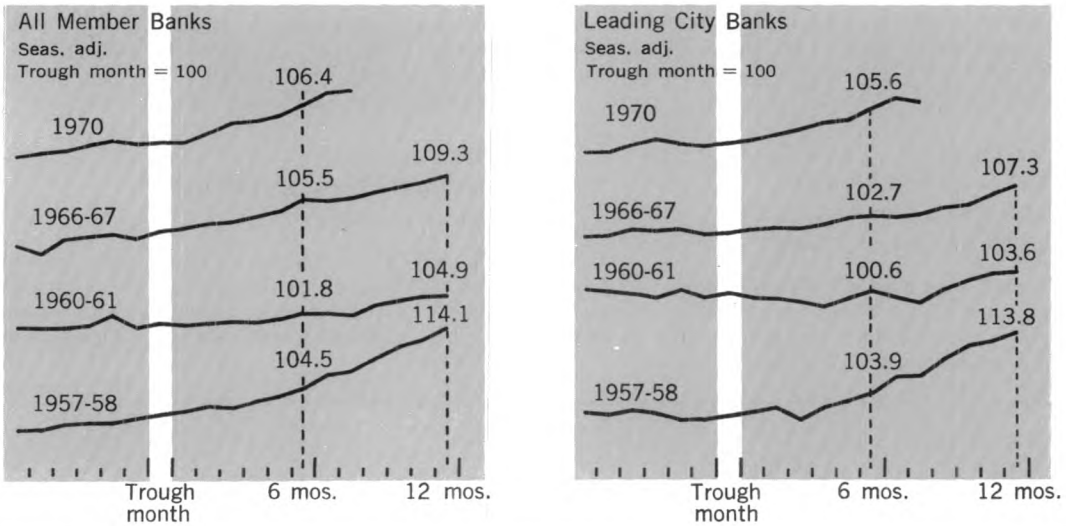


LATEST MONTH PLOTTED: JULY

Note: All figures are seasonally adjusted and cover all Sixth District member banks.
*Daily average figures **Figures are for the last Wednesday of each month.

SIXTH DISTRICT BANKING NOTES

DISTRICT BANK LOANS



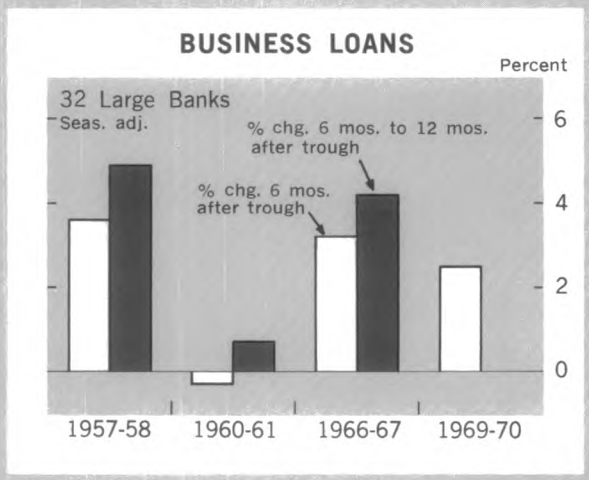
DISTRICT BANK LENDING: ON TARGET

Judging from past experience, growth in lending at all Sixth District member banks is "on target" for the current stage of economic recovery. Typically, growth in bank lending follows, rather than precedes, the change from contraction to expansion in general economic activity. Thus, an expansionary trend in bank lending is frequently thought to confirm an expansionary trend in economic activity.

As of July 1971, bank loans at all District member banks were 8.6 percent higher than at the recession trough in November 1970. This increase in lending exceeded that of the expansion following the economic downturns of 1957-58, 1960-61, and 1966-67. Eight months after the low point in each of the three previous economic downturns, lending rose an average of 4.8 percent. The strongest lending advance occurred after the 1957-58 recession (up 7.1 percent); the weakest occurred after the 1960-61 recession (up 1.5 percent).

There are other indications that bank lending has turned up relatively more than in past periods of economic recovery. Lending at the large District banks—which usually expands more slowly than at all District banks combined—rose 6.8 percent. This is more than double the 2.6-percent average gain in the three previous upturns. At the same banks, business loans to commercial and industrial firms also advanced more rapidly (3.3 percent) than the average growth in business lending during other recoveries (2.7 percent). The current gain, however, is about the same as after the 1957-58 and 1966-67 slowdowns.

The growth in bank loans in the District generally proceeds more slowly during the first six months of a recovery than during the following six months. In the preceding three recoveries, total member bank loans rose an average of 3.9 percent in the first six months but accelerated to a 5.3-percent pace in the next six months.



At the large banks, the contrast was even more pronounced. Total lending increased 2.4 percent, on average, in the first half-year and spurted 5.7 percent in the next half. Similarly, business lending at these banks rose faster during the second six months (3.2 percent) than during the first six months (2.2 percent). The growth in business loans at the large banks usually trails the growth of total loans; much later in the recovery business borrowing becomes stronger.

JOHN M. GODFREY

Sixth District Statistics

Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

	Latest Month 1971		One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Manufacturing Payrolls	July	137	138	136	130
Farm Cash Receipts	June	135	139	119	121
Crops	June	167	198	117	131
Livestock	June	130	134	123	124
Instalment Credit at Banks* (Mil. $)	July	381	379	368	344
New Loans	July	364	361	338	326
Repayments	June	135	139	119	121
EMPLOYMENT AND PRODUCTION					
Nonfarm Employment†	July	112	112	112	111
Manufacturing	July	106	106	106	107
Nondurable Goods	July	107	107	107	107
Food	July	102	103	103	104
Textiles	July	104	104	103	106
Apparel	July	104	103	103	103
Paper	July	105	109	109	110
Printing and Publishing	July	114	115	114	114
Chemicals	July	105	105	105	106
Durable Goods	July	104	104	104	107
Lbr., Wood prods., Furn. & Fix.	July	100	99	99	100
Stone, Clay, and Glass	July	103	103	104	105
Primary Metals	July	105	105	106	106
Fabricated Metals	July	113	112	112	113
Machinery, Elec. & Nonelec.	July	163	160	159	166
Transportation Equipment	July	101	103	104	108
Nonmanufacturing	July	114	114	114	112
Construction	July	109	109	112	105
Transp., Comm., & Pub. Utilities	July	112	112r	112	112
Trade	July	114	113	114	112
Fin., ins., and real est.	July	120	119	120	116
Services	July	116	116	116	114
Federal Government	July	100	101r	102	100
State and Local Government	July	120	121	121	114
Farm Employment	July	88	86	90	90
Unemployment Rate (Percent of Work Force)†	July	4.7	4.8	4.9	4.3
Insured Unemployment (Percent of Cov. Emp.)	July	2.8	2.8	2.8	2.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	July	40.6	40.8r	40.8	40.4
Construction Contracts*	July	176	189	153	136
Residential	July	184	199	176	147
All Other	July	168	179	131	124
Electric Power Production**	June	169	166	168	168
Cotton Consumption**	June	90	89	90	88
Petrol. Prod. in Coastal La. and Miss.**	July	299	298r	309	283
Manufacturing Production	June	257	253r	252	244
Nondurable Goods	June	222	218r	217	206
Food	June	180	177	176	167
Textiles	June	246	243r	239	229
Apparel	June	282	278	276	262
Paper	June	200	199	201	192
Printing and Publishing	June	167	166	166	168
Chemicals	June	261	261	260	252
Durable Goods	June	300	295r	293	287
Lumber and Wood	June	181	174	173	170
Furniture and Fixtures	June	180	177	176	185
Stone, Clay and Glass	June	169	166r	167	169
Primary Metals	June	207	210r	207	198
Fabricated Metals	June	244	241r	240	239
Nonelectrical Machinery	June	404	386	380	362
Electrical Machinery	June	629	614	619	611
Transportation Equipment	June	392	389	384	378
FINANCE AND BANKING					
Loans*					
All Member Banks	July	153	154	154	139
Large Banks	July	141	143	143	132
Deposits*					
All Member Banks	July	145	149	144	124
Large Banks	July	130	136	132	114
Bank Debits*/**	July	342	337	331	276
ALABAMA					
INCOME					
Manufacturing Payrolls	July	134	138	136	131
Farm Cash Receipts	June	157	166	136	138
EMPLOYMENT					
Nonfarm Employment†	July	106	106	106	107
Manufacturing	July	107	106	106	110
Nonmanufacturing	July	106	106	106	105
Construction	July	109	105	108	103
Farm Employment	July	79	81	84	80
Unemployment Rate (Percent of Work Force)†	July	5.3	5.1	5.3	4.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	July	40.4	40.7	40.9	40.1
FINANCE AND BANKING					
Member Bank Loans	July	147	150	148	136
Member Bank Deposits	July	141	141	140	121
Bank Debits**	July	283	271	280	236
FLORIDA					
INCOME					
Manufacturing Payrolls	July	145	145r	142	133
Farm Cash Receipts	June	147	192	101	119
EMPLOYMENT					
Nonfarm Employment†	July	122	121	121	119
Manufacturing	July	109	109r	108	111
Nonmanufacturing	July	124	124r	123	121
Construction	July	132	132	134	133
Farm Employment	July	110	101	100	108
Unemployment Rate (Percent of Work Force)†	July	3.8	4.1	4.3	3.3
Avg. Weekly Hrs. in Mfg. (Hrs.)	July	40.9	41.1r	41.1	40.9
FINANCE AND BANKING					
Member Bank Loans	July	167	169	170	150
Member Bank Deposits	July	163	169	162	136
Bank Debits**	July	372	366	353	284
GEORGIA					
INCOME					
Manufacturing Payrolls	July	133	137	136	131
Farm Cash Receipts	June	130	84	129	114
EMPLOYMENT					
Nonfarm Employment†	July	111	111	112	110
Manufacturing	July	102	103	103	105
Nonmanufacturing	July	115	115	115	113
Construction	July	105	108	108	95
Farm Employment	July	82	82	90	83
Unemployment Rate (Percent of Work Force)†	July	4.3	4.0	4.1	3.6
Avg. Weekly Hrs. in Mfg. (Hrs.)	July	40.4	40.6r	40.5	40.3
FINANCE AND BANKING					
Member Bank Loans	July	149	148	146	133
Member Bank Deposits	July	133	133	128	114
Bank Debits**	July	404	405	384	331
LOUISIANA					
INCOME					
Manufacturing Payrolls	July	131	129r	128	124
Farm Cash Receipts	June	122	94	128	114
EMPLOYMENT					
Nonfarm Employment†	July	104	104	105	104
Manufacturing	July	100	99	100	101
Nonmanufacturing	July	105	106r	106	104
Construction	July	80	79	85	83
Farm Employment	July	77	75	76	77
Unemployment Rate (Percent of Work Force)†	July	6.5	6.6	6.7	6.1
Avg. Weekly Hrs. in Mfg. (Hrs.)	July	42.0	43.0r	42.4	41.2
FINANCE AND BANKING					
Member Bank Loans*	July	135	138	137	126
Member Bank Deposits*	July	135	142	136	117
Bank Debits*/**	July	249	244	243	210
MISSISSIPPI					
INCOME					
Manufacturing Payrolls	July	141	144	142	129
Farm Cash Receipts	June	156	139	140	148
EMPLOYMENT					
Nonfarm Employment†	July	110	109	110	108
Manufacturing	July	112	111r	112	108
Nonmanufacturing	July	109	108	110	108
Construction	July	105	104	106	107
Farm Employment	July	96	90	97	96

	Latest Month 1971		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)†	July	5.2	5.1	5.3	4.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	July	40.2	40.5r	40.3	40.6
FINANCE AND BANKING					
Member Bank Loans*	July	158	157	160	142
Member Bank Deposits*	July	146	149	149	128
Bank Debits*/**	July	315	325	340	264
TENNESSEE					
INCOME					
Manufacturing Payrolls	July	139	137r	134	131
Farm Cash Receipts	June	138	214	128	143
EMPLOYMENT					
Nonfarm Employment†	July	111	111	111	108
Manufacturing	July	107	106	106	107
Nonmanufacturing	July	113	113r	114	109
Construction	July	110	112	113	93
Farm Employment	July	89	91	86	89
Unemployment Rate (Percent of Work Force)†	July	4.6	4.9	4.9	4.5
Avg. Weekly Hours in Mfg (Hrs.)	July	40.4	40.4	40.4	40.1
FINANCE AND BANKING					
Member Bank Loans*	July	152	150	151	140
Member Bank Deposits*	July	136	143	138	121
Bank Debits*/**	July	341	329	330	297

*For Sixth District area only; other totals for entire six states **Daily average basis †Preliminary data r-Revised N.A. Not available

Note: Indexes for construction contracts, cotton consumption, employment, farm cash receipts, loans, deposits, and payrolls: 1967=100. All other indexes: 1957-59=100.

Sources: Manufacturing production estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. payrolls and hours, and unemp., U.S. Dept. of Labor and cooperating state agencies; cotton consumption, U.S. Bureau of Census; construction contracts, F. W. Dodge Div., McGraw-Hill Information Systems Co.; petrol. prod., U.S. Bureau of Mines; industrial use of elec. power, Fed. Power Comm.; farm cash receipts and farm emp., U.S.D.A. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

Debits to Demand Deposit Accounts

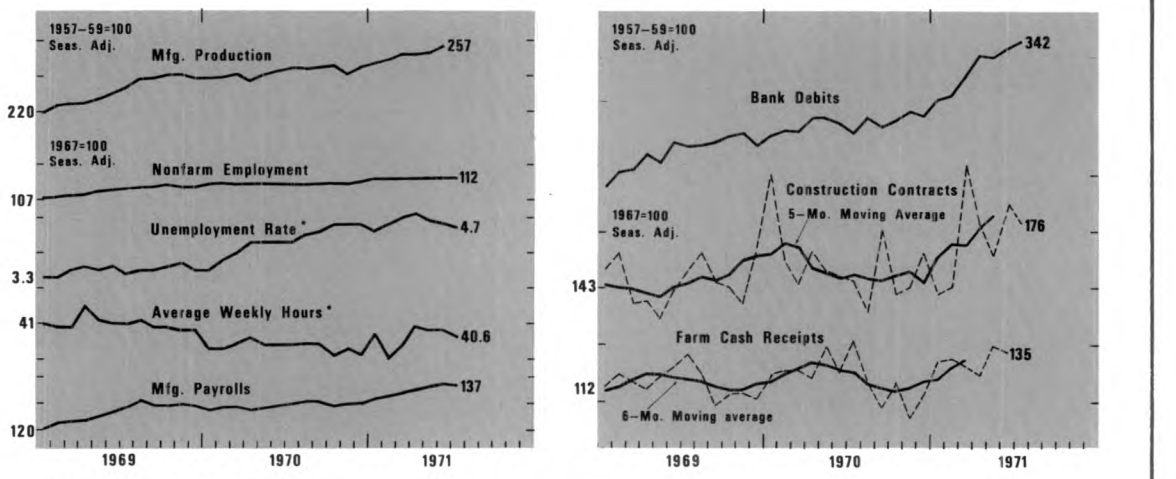
Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	July 1971	June 1971	July 1970	Percent Change: July 1971 from June 1971	Percent Change: July 1971 from July 1970	Percent Change: Year to date 7 mos. 1971 from 1970
STANDARD METROPOLITAN STATISTICAL AREAS						
Birmingham	2,309,264	2,361,774	2,003,777	− 2	+15	+13
Gadsden	85,051	83,011	75,604	+ 2	+12	+12
Huntsville	237,308	243,726	229,569	− 3	+ 3	+ 6
Mobile	720,533	724,804	711,771	− 1	+ 1	− 0
Montgomery	467,933	447,263	419,993	+ 5	+11	+14
Tuscaloosa	153,345	145,353	145,770	+ 5	+ 5	+13
Ft. Lauderdale–Hollywood	1,235,326	1,311,137	1,139,512	6	+ 8	+12
Jacksonville	2,659,702	2,719,744	2,081,868	− 2	+28	+13
Miami	4,904,219	4,943,711	3,826,637r	− 1	+28	+24
Orlando	946,022	979,647	899,956	3	+ 5	+14
Pensacola	332,883	342,651	290,426	− 3	−15	+23
Tallahassee	352,667	288,092	224,634	+22	+57	+40
Tampa–St. Pete.	2,551,446	2,583,220	2,181,213	− 1	+17	+14
W. Palm Beach	751,195	771,203	683,310	− 3	+10	+10
Albany	139,321	141,555	131,659	− 2	+ 6	+ 8
Atlanta	9,505,193	9,622,353r	8,496,832	− 1	+12	+12
Augusta	396,150	392,941	329,784	+ 0	+20	+15
Columbus	340,076	337,232	312,750	+ 0	+ 9	+13
Macon	394,973	380,674	382,333	+ 4	+ 3	+13
Savannah	400,560	410,018	340,961	− 2	+17	+16
Baton Rouge	955,593	1,018,663	919,633r	− 6	+ 4	+18
Lafayette	195,397	188,209	178,920	+ 4	+ 9	+ 8
Lake Charles	183,966	184,133	165,638	0	+11	+ 9
New Orleans	3,194,933	3,250,624	2,909,777	− 2	+10	+12
Biloxi–Gulfport	190,397	197,643	163,805	− 4	+16	+11
Jackson	967,887	1,003,736	883,591	4	+10	+14
Chattanooga	999,497	988,298	891,956	− 1	+12	+13
Knoxville	754,300	722,206	635,394	+ 4	+19	+14
Nashville	2,264,033	2,304,489	2,418,608	2	− 6	+ 6
OTHER CENTERS						
Anniston	89,215	89,754	88,355	− 1	+ 1	+ 5
Dothan	116,913	111,592	83,853	+ 5	+39	+21
Selma	53,027	55,193	51,721	4	+ 3	+ 3
Bartow	40,210	40,071	40,447	+ 0	1	+ 0
Bradenton	119,798	123,894	107,640	− 3	+12	+ 9
Brevard County	224,045	227,284	226,729	- 1	− 1	− 4
Daytona Beach	126,460	119,593	118,424r	+ 6	+ 7	+ 8
Ft. Myers–N. Ft. Myers	155,612	170,718	131,579r	− 9	+18	+22
Gainesville	149,126	163,856	117,218	− 9	+27	+22
Lakeland	202,410	219,877	181,589	− 8	+11	+16
Monroe County	48,913	51,539	43,762	− 5	+12	+13
Ocala	120,496	119,838	104,423	+ 0	+15	+12
St. Augustine	29,956	29,906	26,073	+ 0	+15	+ 5
St. Petersburg	644,755	650,244	508,071	− 1	+27	+30
Sarasota	201,534	194,876	180,364	+ 3	+12	+ 4
Tampa	1,287,955	1,303,323	1,143,048	− 1	+13	+ 8
Winter Haven	108,594	110,738	83,887	− 2	+29	+15
Athens	171,011	185,946	132,454	− 8	+29	+45
Brunswick	80,248	72,554	57,077	+11	+41	+20
Dalton	130,516	134,235	116,899	− 3	+12	+12
Elberton	16,380	17,130	19,667	- 4	−17	−14
Gainesville	97,148	105,337	99,284	− 8	− 2	+ 3
Griffin	49,792	51,886	45,774	− 4	+ 9	+14
LaGrange	28,173	27,177	23,814r	+ 2	+16	+29
Newnan	36,893	38,117	34,007	− 3	+ 8	+ 9
Rome	119,486	113,501	98,255	+ 5	+22	+ 9
Valdosta	75,343	76,926	71,959	− 2	+ 5	+ 8
Abbeville	13,489	15,051	14,382	−10	− 6	+ 3
Alexandria	177,826	160,036	162,100	+11	+10	+ 6
Bunkie	8,773	8,554	8,310	+ 3	+ 6	+ 9
Hammond	57,448	51,598	51,482	+11	+12	+12
New Iberia	48,983	44,899	45,816	+ 9	+ 7	+11
Plaquemine	15,472	14,499	14,468	+ 7	+ 7	− 1
Thibodaux	26,594	27,910	27,235	− 5	− 2	+11
Hattiesburg	93,680	87,987	68,903	+ 6	+36	+40
Laurel	49,541	50,078	54,430	− 1	− 9	+ 5
Meridian	83,001	82,978	84,998	+ 0	− 2	+ 2
Natchez	45,104	45,115	45,666	− 0	− 1	+ 5
Pascagoula–Moss Point	99,138	95,931	96,528	+ 3	+ 3	+11
Vicksburg	58,343	57,265	53,022	+ 2	+10	+11
Yazoo City	38,622	37,745	39,424	+ 2	− 2	+ 7
Bristol	113,772	118,169	102,930	4	+11	+11
Johnson City	136,919	125,872	113,402	+ 9	+21	+12
Kingsport	195,815	202,172	193,286	− 3	+ 1	+ 5
District Total	50,849,397	51,336,910r	45,204,968r	− 1	+12	+13
Alabama‡	5,746,886	5,754,187	5,242,869	− 0	+10	+ 9
Florida‡	17,146,487	17,404,480	14,344,492r	− 1	+20	+17
Georgia‡	13,871,999	14,061,940r	12,437,241r	− 1	+12	+13
Louisiana†*	5,650,723	5,728,656	5,225,328r	− 1	+ 8	+13
Mississippi†*	2,173,094	2,194,773	1,989,554	− 1	+ 9	+13
Tennessee†*	6,260,208	6,192,874	5,965,484	+ 1	+ 5	+10

*Includes only banks in the Sixth District portion of the state †Partially estimated ‡Estimated r-Revised

District Business Conditions



*Seas. adj. figure; not an index
Latest plotting: July—except mfg. production and farm receipts, June

Economic recovery continued at a modest pace. Consumer buying was somewhat stronger than it was last summer. Moreover, favorable crop conditions helped brighten the economic picture for farmers. Latest available data reveal that nonfarm employment edged higher; the volume of construction contract awards retained most of their vigorous June gains; and loan demand at commercial banks remained in a summer lull, although banks expect it to become stronger.

Gains in nonmanufacturing industries accounted for July's slight increase in nonfarm employment. Employment declines, however, continued to plague the manufacturing sector, which has suffered substantial losses throughout the year. Average manufacturing hours worked fell sharply after rising in June. The unemployment rate was practically unchanged. Industrial production in June registered broad advances. Leading industries were machinery, rubber, lumber, apparel, and textiles.

Available evidence indicates that consumer buying in July exceeded year-ago levels and that consumer instalment credit outstanding expanded moderately. Department store sales, after adjustment for price increases, showed a modest gain over July 1970. Unit sales of domestically produced automobiles continued to remain above the year-ago level but only because a strong boost from one producer's sales campaign more than offset the weak performance of others.

Cumulative farm cash receipts continued to show gains. Prices received for agricultural commodities increased slightly in July—reflecting price recoveries for hogs and broilers and further increases for soybeans and rice. But prices of other grain crops and vegetables declined. Excessive rainfall intensified problems of insect control and boll rot for cotton producers, but, in general, crop conditions were good throughout the region.

Total construction contract volume rose sharply in June, bringing the first half of 1971 more than 6 percent above the same 1970 period. Once more, residential contracts were star performers. Residential volume was sharply higher in each state; total construction contract volume was off in only one state. July's results were only slightly less vigorous. First half gains of $2.2 billion in savings deposits at the region's savings and loan associations set new records.

Bank lending was generally weak in July and August. Prior to the President's economic message, bankers at many of the larger banks expected credit demands to increase in the coming months. Consumers favored shorter-maturity bank savings deposits over longer-maturity and higher-yielding deposits. On the other hand, businesses and state and local governments sharply increased their holdings of large-denomination CD's in July and August. Discount activity at the Federal Reserve Bank of Atlanta increased substantially in August.

NOTE: Data on which statements are based have been adjusted whenever possible to eliminate seasonal influences.