

# Monthly Review

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Federal Reserve Bank of Atlanta • 1973

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# Services in the Soaring South

by William D. Toal

*"While the emergence of secondary industries had to await the coming of the machine age, the tertiary or service industries have existed since Adam first recognized Eve's potential."<sup>1</sup>*

As the above quote makes clear, the service industries have been with us for a long time. However, only in the past thirty years has the U. S. economy become a "service economy"; that is, over one-half of the nation's labor force is now employed in service sector industries.

These industries have also grown rapidly in the Southeast.<sup>2</sup> In fact, as with most facets of the Southeastern economy, this growth has been faster than nationally. In particular, during the Sixties this region's service sector added jobs and income at a pace exceeding the nation's. Consequently, growth of this sector has helped solve the Southeast's chronic economic problem—raising per capita income closer to the national level.

But which industries of the service sector have been most responsible for this growth and why has it taken place? What effect has this growth had on the Southeast's entire economy besides helping close the per capita income gap? What are the prospects for this sector's continued growth and further closing of the region's income gap?

## Goods and Services

In discussions of the Southeast's economic growth, the goods-producing sector is usually emphasized more than the service sector. This can be traced to several causes. First, statistical data, generally available for the goods-producing industries, are extremely sparse for the service sector. Service industry output, by its very nature, is hard to measure and therefore unavailable, particularly regional statistics. (For instance, how can one accurately calculate the output of a beauty salon?) A second reason for this slighting of the service sector is its image as a "nonproductive" sector. Adam Smith, considered the father of modern economics, first dubbed the service sector as "nonproductive" back in the Eighteenth Century. This notion has waned as the economy has become more service-oriented. However, because measuring or quantifying service output is difficult, this sector still is often given less attention than the goods-

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<sup>1</sup>National Bureau Report, No. 10 (National Bureau of Economic Research, Inc., New York, N. Y., August 1972), pp. 1-2.

<sup>2</sup>The Southeast, as defined here, includes those states entirely or partially within the Sixth Federal Reserve District—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.

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producing sector. A third reason for this lack of recognition is the service sector's late development. As mentioned, only since the end of World War II have the service industries employed over one-half of the U. S. labor force; this late development has also occurred in the Southeast.

Although the term "service sector" has been used in many studies to include government, transportation, communications, and public utilities, here we will examine only a portion of the service sector, namely, the trade, general service, finance, insurance, and real estate industries.<sup>3</sup> These major industries were chosen because they supply jobs for over one-half of the Southeast's broadly-defined service sector. Also, each added jobs rapidly in the Sixties, indicating the impetus they are giving to this region's private economy.

Even the trade, general service, and finance industries (in this article known as the service sector) are very diverse. For example, the general service industry, as described here, is heterogeneous, ranging from beauty salons to large corporate consulting firms. Consequently, the service sector itself is an abstraction and it will be necessary at times to look more closely at individual industries.

### The Sixties: A Period of Rapid Growth

Job growth in the Southeast's service sector has followed the national trend, supplying jobs for an increasingly large portion of the work force (see table). At the same time, agriculture declined in job importance while transportation and construction increased their shares only slightly. Also, as Chart I shows, though they both increased their shares of total employment, jobs in the Southeast service sector grew at a faster pace than nationally in the Sixties.

At the same time that services were becoming an increasingly important source of jobs to the Southeast, the payrolls generated did not become a significantly greater fraction of total payroll income. In the Sixties, trade actually declined as a percentage of total regional payrolls; for finance, payrolls remained the same. Only general services became significantly more important in the Southeast's earnings streams. This pattern closely follows national changes. Nevertheless, compared with the nation, service sector payrolls, along with average pay (i.e., total payrolls divided by employment), did grow more rapidly in the Southeast, helping close the income gap.

Painting a broad picture of the Southeastern service sector can be misleading for several reasons: First, the growth and importance of this

<sup>3</sup>The finance, insurance, and real estate industries will be referred to as the finance industry throughout the remainder of this article.

STATISTICAL DISTRIBUTIONS				
Percent Distribution of Employment and Payrolls				
Employment	District States		U. S.	
	1960	1970	1960	1970
Service Sector				
Trade . . . . .	18.8	20.5	18.3	20.1
General Services <sup>1</sup> . . . . .	19.2	21.0	17.1	20.6
Finance, Insurance, and Real Estate . . . . .	3.7	4.6	4.1	5.0
Manufacturing . . . . .	20.9	22.7	27.1	25.9
Transportation, Communications, and Public Utilities . . . . .	6.6	7.1	6.9	6.8
Construction . . . . .	7.4	7.6	5.9	6.0
Government <sup>2</sup> . . . . .	8.8	10.8	8.9	11.1
Mining . . . . .	1.1	1.0	1.0	0.8
Agriculture . . . . .	10.1	4.6	6.7	3.7
Other . . . . .	3.4	0.0	4.0	0.0
Payrolls*	District States		U. S.	
	1960	1970	1960	1970
Service Sector				
Trade . . . . .	19.4	17.7	18.2	16.6
General Services . . . . .	11.0	12.8	10.5	13.0
Finance, Insurance, and Real Estate . . . . .	4.9	4.9	4.7	5.0
Manufacturing . . . . .	24.3	24.5	32.5	29.5
Transportation, Communications, and Public Utilities . . . . .	8.6	7.9	8.4	7.5
Construction . . . . .	6.6	6.8	5.8	6.0
Government . . . . .	21.2	22.6	17.1	20.5
Mining . . . . .	2.0	1.5	1.4	1.1
Farm Wages . . . . .	1.5	0.9	1.1	0.6
Other . . . . .	0.4	0.3	0.2	0.2

\*Total wage and salary disbursements  
Totals may not add due to rounding.  
Source: U. S. Department of Commerce  
<sup>1</sup>Includes government workers in General Services  
<sup>2</sup>Excludes government workers in General Services

sector's employment and payrolls are probably underestimated because many jobs which are service in nature have been added in manufacturing. In a recent article in this **Review**, we mentioned that a growing portion of the Southeast's manufacturing work force is employed in supervisory or clerical jobs.<sup>4</sup> Many of these could properly be classified as service jobs and thus add substantially to this sector's job totals. And, since these supervisory personnel are generally paid more than the average worker, including them in the service sector would substantially increase those payrolls.

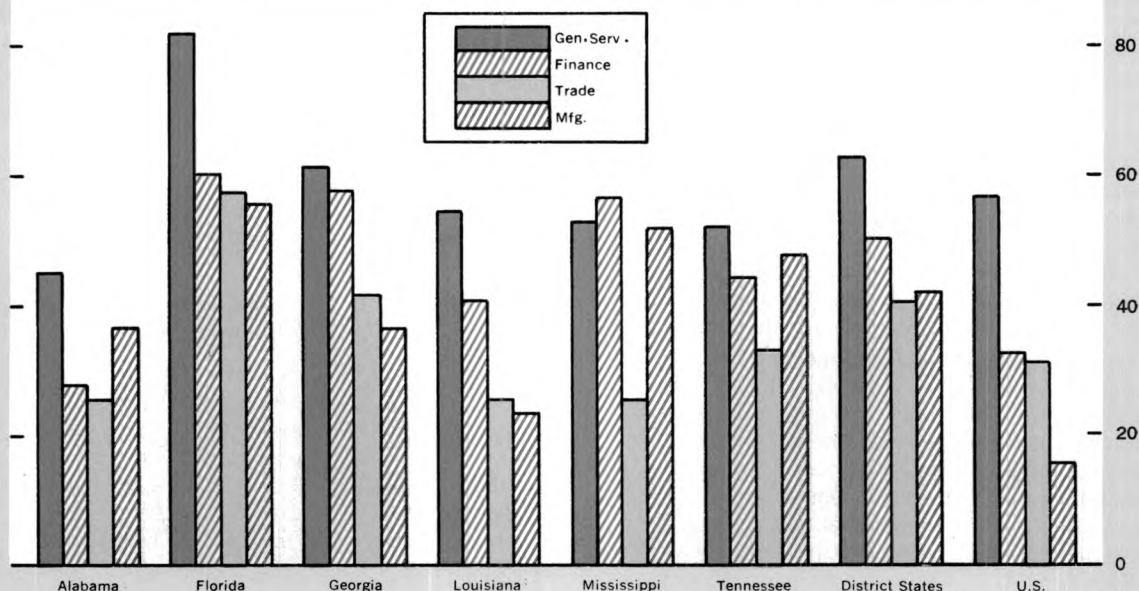
A closer look at individual industries reveals an uneven picture of Southeastern service sector growth. The table in the Appendix shows that, although growth varied, total payrolls expanded strongly in most industries of the sector.

Starting with a small base, holding and investment companies showed the largest percentage payroll gains. Educational, medical, and business services also showed rapid payroll advances in addition to large percentage gains in employment. Slowest in payroll gains were motion pictures, building

<sup>4</sup>"Manufacturing Growth 'Down South,'" this **Review**, August 1972, p. 133.

**CHART I**  
**Service sector employment growth varies from state to state.**

% change  
 1960-1970



materials and farm equipment trade establishments, and personal services. Each of these also had below-average employment gains, but matched sector increases in average pay.

As the Appendix shows, this rapid growth of payrolls came from strong gains both in average pay and in employment. The employment gains, in turn, were related to both an increase in jobs at existing facilities and the start of many new trade, finance, and service facilities. Only motion pictures had actual job losses; the number of such establishments also declined. Two retail trade categories—building materials and farm equipment along with food stores—had gains in employment but losses in the number of establishments. In the case of food stores, this reflects the decline of the “mom ‘n pop” grocery and its replacement by the larger chains.

While payroll growth was not the same for every service sector industry, all but two grew more rapidly than nationally. Job gains were less than nationally for three industries and average pay growth was less for only five. Most notable of these is educational services, which had large gains in both employment and number of establishments.

#### State Variations

With few exceptions, each of the six states followed the Southeast’s general payroll and employment

growth patterns. Except for Mississippi, jobs in general services rose the fastest of the three broad service groupings (see Chart I). Finance and then trade followed. (In Mississippi, finance led job growth.)

In Florida and Georgia, however, all three broad industry groupings added jobs at a faster-than-national clip. But, in some states, service sector industries grew somewhat slower than nationally. Also, unlike the national pattern, the individual Southeastern states did not in every instance register larger job gains in the service sector than in manufacturing. This was partially because manufacturing employment grew more rapidly in Southeastern states than in the nation.

Service sector payroll gains (percentage) followed the same pattern as employment in each Southeastern state. General services showed the largest increases, followed by finance and then trade. These gains were greater in general services than in manufacturing only in Alabama, Georgia, Louisiana, and Tennessee. In all other states, these payroll gains were less.

On a more detailed basis, too, services have followed pretty much the same pattern from state to state. However, some states did differ. In Georgia, for example, payrolls at amusement and recreational services, hotels, and lodging facilities grew more rapidly than in Florida, a state normally

associated with tourism. Of course, Georgia's more rapid growth stems from its less-developed tourist and recreational facilities and, consequently, a smaller base from which to grow.

### Underlying Forces

This overview of the Southeast's service sector indicates its growing importance in this region's economy. What forces are at work behind this growth? In the economist's jargon, both demand and supply forces have been responsible.

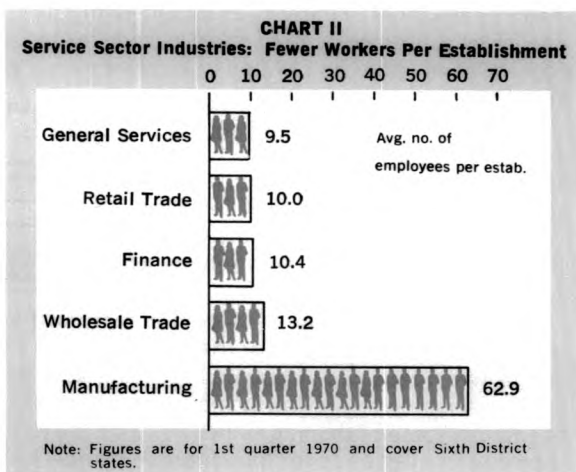
On the demand side, a generally held belief (but by no means a proven fact) is that, as personal income rises, the demand for service output rises more rapidly than the demand for manufacturing output. This view can be traced to the work of Ernst Engel in the Nineteenth Century and is commonly called "Engel's Law." Engel found that as incomes rise, food and staples, manufactured products, and then services become relatively more important in family budgets. If this relationship is still true, then the rapidly rising income of the Southeast should have brought with it a rapidly growing service sector. There is some evidence to suggest this. Income generated from participation in the activities of service and manufacturing sector establishments was used as an approximate measure of output.<sup>5</sup> These data show general service output to be the most responsive to personal income changes both in the Southeast and nationally.<sup>6</sup> Finance and trade industry output appears, however, to be less sensitive to income change than is manufacturing. Consequently, as Southeastern personal income continues to rise, the service sector, particularly general services, can be expected to grow even more important in the region.

Other factors besides income gains influence service sector demand. By looking at the make-up of the labor force in various metropolitan areas, some of these other influences are evident.

Population size, income distribution, age structure, and education levels seem to bear a relationship to the relative amount of jobs in various service sector industries. For example, trade and finance supplied a larger share of jobs in the more populous metropolitan areas. On the other hand, entertainment and personal service jobs were more important in areas with older average population. Professional services (i.e., legal and medical) employed a larger proportion of the labor force in

<sup>5</sup>These data are an incomplete measure of output as measured by total earnings since they omit property income and transfer payments. This omission is particularly significant for finance industries.

<sup>6</sup>To measure the responsiveness of service participation income to total personal income, regressions of total personal income on participation income were run in logarithmic form for each service sector industry.



metropolitan areas with higher average population age and education levels.

To conclude that each of these services rise or fall in importance with population size, income distribution, age, and education levels may be pushing the analysis too far. Still, it seems clear that the demand for and importance of the various general service, finance, and trade industries is related to many influences other than personal income growth. For example, not only the growth of income but also its distribution influence the demand for and consequent employment in private household services.

### Productivity Growth

Just as demand factors are important in the rise of the service sector, supply elements have also influenced this growth, particularly job gains. A commonly held opinion, only partially supported by fact, is that the service sector experiences slower productivity growth (i.e., output per man-hour growth) than manufacturing. If true, equal gains in the supply of output would require more new jobs in the service sector than in manufacturing.

Has productivity growth been slower in the service sector than in manufacturing? The difficulty of measuring service sector output does not allow a straightforward answer. However, certain traits of the Southeastern service sector industries permit some educated guesses about productivity gains. Changes in the quality of service and manufacturing sector labor forces, which affect productivity, should roughly correspond to growth in average pay. As the Appendix indicates, average pay has grown roughly the same in the service sector as in manufacturing. Thus, overall, the evidence here does not support either larger or smaller productivity advances in the service sector.

As Chart II shows, the average service sector establishment employs fewer workers than those in manufacturing. This also has implications for pro-

ductivity advances in the service sector. With smaller establishments, there is less chance that economies of scale can develop to increase productivity. Also, the smaller service sector establishment is characterized by less specialization, suggesting that productivity growth will be less in that sector than in manufacturing. These general characteristics suggest the possibility of lower productivity growth in the service sector, and, in turn, help explain why service sector jobs have increased so much.

Still, these generalizations do not apply to each and every service industry. For example, average pay growth differs widely among individual service sector industries, as previously mentioned. Consequently, in some of them, productivity gains may approach or even be faster than those in manufacturing. Though their output is hard to measure, some of the professional services (particularly medicine and business consulting) have probably had substantial productivity advances in the Sixties.

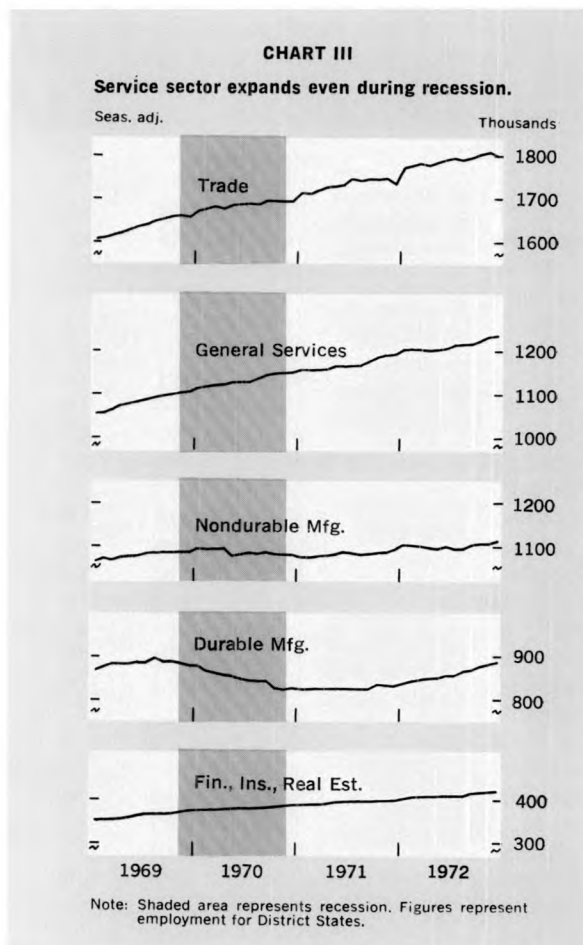
### Future Impact on the Southeast's Economy

As personal income continues to grow, urbanization continues, and the level of education rises, the service sector will surely become more important in the region's economy. The effect of this growing importance will largely be related to the characteristics of various service sector industries.

Most service sector jobs are more cyclically stable than those in manufacturing. This was evident in the past few years both for the Southeast and the nation. Chart III shows that, while the number of durable and nondurable manufacturing jobs fell in late 1969 and 1970 in the Southeast, service, finance, and trade jobs continued to advance at near-trend rates.

This greater cyclical stability is probably related to the greater stability in demand for service sector output over the course of a business cycle. Consequently, employment is also more stable. By their very nature, manufactured goods are more durable than are services, and, hence, their purchase can be postponed during a business downturn. Couple this with inventory runoffs and buildups of manufactured items during a business cycle and, not unexpectedly, the demand for manufactured output is more cyclically unstable than service output.

On an overall basis, Southeastern service sector industries were found to be less seasonal than might be expected. Service sector employment is usually thought to have a pronounced seasonal pattern, since these industries cannot build up inventories but are immediately subject to seasonal demand changes. But if demand itself is more seasonally stable for the service sector than for manufacturing, service sector jobs are not necessarily subject to seasonal swings. In fact, seasonal employment patterns show that, except



for trade and Florida's general services, seasonality is no greater in the service sector than in manufacturing in the Southeast,<sup>7</sup> although particular industries may have very pronounced seasonal patterns. For example, jobs catering to tourists, particularly in Florida, have greater seasonal swings, though even these have had a gradual reduction in seasonality over the years. Overall, however, the Southeast's service sector appears to be no more seasonal in its employment than is manufacturing.

Labor force composition in the service sector varies considerably from that of manufacturing. Differences among individual industries notwithstanding, the service sector employs a larger share

<sup>7</sup>The standard deviation of the seasonal adjustment factors for the Southeast's service, trade, finance, durable manufacturing, and nondurable manufacturing employment was used as a measure of seasonality. The greater the standard deviation, the greater the seasonality in any particular industry. These seasonal adjustment factors were developed by the Federal Reserve Bank of Atlanta using the Census Bureau's X-11 Variant of the Census Method II Seasonal Adjustment Program.



of women than does manufacturing. In the slow growing personal services, for example, female workers make up well over one-half of the labor force. Professional services and banking are other areas where women hold one-half or more of the jobs. As these become more important in the Southeast's economy, the role of women will, consequently, grow too.

A growing service sector also has implications for job opportunities for blacks. In each Southeastern state, nonwhites made up a smaller share of trade and finance jobs than of factory jobs. Only the broad general service industry had a larger share of nonwhite workers than did manufacturing, centered in personal services and entertainment and recreational services. Of particular note is the very small but growing share of nonwhite employees in the banking and business services. Since non-

whites account for a large share of the slower growing service industries, the service sector does not hold much hope for tremendous new job opportunities if the shares of white and nonwhite employment remain at present levels. The real hope for nonwhites is in specific service industries, such as banking, business, and professional services, increasing their nonwhite shares of employment in the years ahead. Thus, a growing service sector will have important consequences for the Southeast's labor force.

This look at the Southeast's service sector indicates that its expansion should continue at a more rapid pace than nationally, reducing the region's per capita income gap. The decade of the Seventies will then be a time when the service sector will be dominant in shaping the economy of the Southeast. ■

## APPENDIX

### PERCENT CHANGE, DISTRICT STATES, 1959-70

Industry	Payrolls	Average Pay <sup>1</sup>	Employment	Establishments
Wholesale Trade . . . . .	147.7	69.4	46.2	23.5
Retail Trade . . . . .	148.4	62.8	52.5	10.7
Building Materials & Farm Equipment . . . . .	73.3	63.8	5.8	- 2.9
General Merchandise . . . . .	175.2	64.7	67.1	8.2
Food Stores . . . . .	183.4	78.5	58.8	- 3.1
Automotive Dealers & Service Stations . . . . .	134.2	65.2	41.7	17.3
Apparel and Accessory Stores . . . . .	116.7	63.6	32.5	8.4
Furniture & Home Furnishings Stores . . . . .	108.6	64.2	27.0	11.3
Eating & Drinking Places . . . . .	191.3	62.4	79.4	13.8
Miscellaneous Retail Stores . . . . .	125.3	59.2	41.5	15.7
Finance, Insurance, and Real Estate . . . . .	169.1	62.9	65.1	32.9
Banking . . . . .	213.5	60.5	95.3	19.8
Credit Agencies other than Banks . . . . .	201.9	51.7	98.9	77.8
Security, Commodity Brokers & Services . . . . .	305.5	72.7	134.8	52.5
Insurance Carriers . . . . .	132.2	64.4	41.2	26.1
Insurance Agents, Brokers & Services . . . . .	142.8	61.3	50.5	39.6
Real Estate . . . . .	191.2	76.3	65.2	27.4
Holding and Other Investment Companies . . . . .	931.2	46.3	605.0	185.3
General Services . . . . .	247.3	77.4	95.8	48.7
Hotels and Other Lodging Places . . . . .	159.0	71.5	51.0	5.2
Personal Services . . . . .	97.2	70.2	15.8	16.6
Miscellaneous Business Services . . . . .	493.8	62.2	266.2	103.6
Auto Repair, Services & Garages . . . . .	188.3	68.8	70.8	37.2
Miscellaneous Repair Services . . . . .	109.6	47.1	42.5	34.4
Motion Pictures . . . . .	53.4	63.1	- 5.9	-22.1
Amusement and Recreation Services . . . . .	162.8	61.2	63.0	34.2
Medical and Other Health Services . . . . .	352.1	95.8	130.8	33.1
Legal Services . . . . .	245.9	82.1	90.0	36.1
Educational Services . . . . .	305.4	62.1	150.1	147.4
Nonprofit Membership Organizations . . . . .	268.4	42.1	159.2	54.5
Miscellaneous Services . . . . .	263.9	69.2	115.1	59.5
Manufacturing . . . . .	140.5	64.4	46.3	16.4

Source: **County Business Patterns, 1959, 1970**, U. S. Department of Commerce.

Color indicates growth less than nationally.

<sup>1</sup>Average pay equals payrolls divided by the number of employees.

# Bank Announcements

February 5, 1973

## **CITIZENS NATIONAL BANK**

*Sevierville, Tennessee*

Opened for business. Officers: Earl Wynn Paine, chairman of the board; S. Minyard Whaley, vice chairman; John L. Carter, president and chief executive; William Y. Carroll, Sr., vice president and cashier; Dean Drewry, secretary and security officer. Capital, \$500,000; surplus and other funds, \$750,000.

February 8, 1973

## **COMMERCIAL BANK OF VERO BEACH**

*Vero Beach, Florida*

Opened for business as a par-remitting nonmember. Officers: Hoke T. Maroon, chairman; M. E. Stephens, president; C. E. Douglas, vice president. Capital, \$500,000; surplus and other funds, \$500,000.

February 14, 1973

## **PONCHARTRAIN STATE BANK**

*Metairie, Louisiana*

Opened for business as a par-remitting nonmember. Officers: Edward C. Boldt, president; J. Ned Mayeux, vice president and cashier; George P. Sougeron, vice president. Capital, \$2,700,000.

February 15, 1973

## **CITIZENS NATIONAL BANK**

*Pascagoula, Mississippi*

Opened for business. Officers: John F. Bryan, III, chairman; T. K. Harris, president; Sandra M. Harrison, cashier. Capital, \$800,000; surplus and other funds, \$1,200,000.

February 15, 1973

## **SECURITY STATE BANK OF POMPANO BEACH**

*Pompano Beach, Florida*

Opened for business as a par-remitting nonmember. Officers: Richard M. Harder, president; Benjamin R. Nance, III, vice president and cashier. Capital, \$600,000; surplus and other funds \$400,000.

February 23, 1973

## **BANK OF FYFFE**

*Fyffe, Alabama*

Opened for business as a par-remitting nonmember. Officers: Charles Willmon, president; David Willmon, vice president and cashier; Lowell Barron, chairman. Capital, \$250,000; surplus and other funds, \$250,000.

March 1, 1973

## **COMMERCIAL BANK AND TRUST COMPANY**

*Metairie, Louisiana*

Opened for business as a par-remitting nonmember. Officers: S. Andrew Fisher, president; A. Geren McLeMore, vice president; Margaret Welch, cashier; Carlo S. Bunura, assistant vice president. Capital, \$1,000,000; surplus and other funds, \$1,000,000.

March 1, 1973

## **FIDELITY BANK OF WEST DELRAY BEACH**

*Delray Beach, Florida*

Opened for business as a par-remitting nonmember. Officers: Paul W. Speicher, president; Walter W. Cook, vice president and cashier. Capital, \$500,000; surplus and other funds, \$250,000.

March 16, 1973

## **KENDALE STATE BANK**

*Miami, Florida*

Opened for business as a par-remitting nonmember. Officers: Tom J. Peniston, Jr., president; Conrad Barlow, vice president and cashier; Sidney Kessler, chairman. Capital, \$800,000; surplus and other funds, \$400,000.

March 21, 1973

## **BARNETT BANK OF WEST HOLLYWOOD**

*Hollywood, Florida*

Opened for business as a par-remitting nonmember. Officers: J. Edward Houston, chairman; Robert Anderson, president; Garland E. Clouse, executive vice president; Carol A. Reed, vice president and cashier. Capital, \$500,000; surplus and other funds, \$500,000.

March 23, 1973

## **CITIZENS BANK OF TROY**

*Troy, Alabama*

Opened for business as a par-remitting nonmember. Officers: James R. Dunnam, president; Robert R. Dunn, chairman. Capital, \$400,000; surplus and other funds, \$400,000.

March 23, 1973

## **INTERBAY CITIZENS BANK**

*Tampa, Florida*

Opened for business. Officers: Carroll S. Phillips, Jr., president; Bill E. Brown, vice president and cashier; M. L. Dunbar, assistant cashier and loan officer. Capital, \$960,000; surplus and other funds, \$288,000.

March 30, 1973

## **NORTH AMERICAN BANK OF TAMPA**

*Tampa, Florida*

Opened for business. Officers: Anthony Joseph Grimaldi, chairman; Anthony Julio Grimaldi, president; Conrad C. Ferlita, vice president; Henry J. Fernandez, cashier; Evelyn G. Futch, assistant cashier. Capital, \$600,000; surplus and other funds, \$400,000.

(Cont'd on page 79)



# An Industrial Production Index for Georgia

by Frederick R. Strobel

Georgia's rate of growth in manufacturing production has far outstripped the nation's since 1960. In February 1973, manufacturing in Georgia was 147 percent greater than 1960's average level, compared with the national increase of 83 percent. Georgia's manufacturing production reflected the impact of the recessions of 1960-61 and 1969-70 but less so than the nation's, primarily because nondurable goods production predominates in Georgia's industrial mix. Additionally, the rubber, electrical machinery, primary metals, chemical, and textile industries have recently made especially important contributions to total growth.

These and other characteristics and changes in Georgia's manufacturing production are revealed in the state's manufacturing index constructed by the Research Department of the Federal Reserve Bank of Atlanta. This supplements the index prepared on industrial production for the Sixth Federal Reserve District states.<sup>1</sup>

The District Index measures the combined physical output of Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee. Production is classified and measured in 18 separate industries within the categories of nondurable and durable goods.

These indexes were constructed primarily to assist the Federal Reserve Bank of Atlanta in carrying out its responsibility for analyzing economic developments in the area it serves. The analysis of economic conditions in their respective Districts by the twelve Federal Reserve Banks constitutes one important element in Federal Reserve monetary and credit policy decision-making. The development of the Georgia index provides opportunities for more refined analysis of Sixth District economic conditions than is possible from aggregate data for the entire District. Thus, its construction reflects a further step toward improving the analysis of this region's economic conditions.

The Sixth District manufacturing production index has proved valuable to other groups including industrialists, bankers, and educators. They have used it not only to analyze current developments but also to trace historical trends and make regional and national comparisons. The Georgia index should prove equally useful. While no state is by any means an economic entity, there are spending patterns and economic activity unique to any given

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<sup>1</sup>C. S. Pyun, "A New Measure of Industrial Activity: District Manufacturing Production Index," this *Review*, June 1970.

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*Most computations in this article are based on a run of the index through November 1972. The results of an updated run through February are reflected in Charts I and IV and in portions of the text. A Technical Note and the complete series by industry will be available in several months from the Research Department, Federal Reserve Bank of Atlanta.*

## COMPUTATION OF THE GEORGIA INDEX

The Georgia index is computed utilizing two economic measures indicative of manufacturing activity, namely, man-hours expended and kilowatt hours consumed. Man-hours are used as a measure of labor inputs in the production process. Kilowatt hours or electrical power consumed indicate the degree of capital utilization. Variations in kilowatt hour consumption, aside from heating and air-conditioning uses, should indicate degrees of plant, machinery, and equipment utilization.

However, man-hours and kilowatt hours are physical units of *input*. To be meaningful in measuring production, they should be related to *output*. The output measure chosen is value-added in manufacturing production. Value-added data, which measure increments to manufacturing value, are published with a two-year lag annually in the *Census of Manufactures* and the *Survey of Manufactures*.<sup>1</sup> In the value-added concept, a product manufactured in Georgia selling for \$500 but containing \$200 in purchased materials would be represented in the index by a value-added of \$300. Since value-added is published in current dollar terms, however, it must be adjusted for price changes before it is incorporated into a production index. Accordingly, price indexes were weighted by industry to reflect Georgia's industrial mix within that industry; these indexes were then used to deflate the value-added data for Georgia. Thus, this output measure was converted from current dollars into constant dollars and, with price effects removed, the value-added data are then akin to physical output.

The computations were performed as follow: First, annual value-added was divided by annual man-hours expended, resulting in a "productivity

factor" representing output per man-hour. The same procedure was followed for a productivity factor representing output per kilowatt hour. Two separate indexes were then computed for each industry. A monthly man-hour production index was computed by multiplying monthly usage of man-hours times the man-hour productivity factor. The second index was derived by multiplying monthly kilowatt-hour usage times the kilowatt-hour productivity factor. Weights were then applied to each index, depending upon the relative capital or labor intensity of the industry; then the indexes were combined. The results are 17 separate production indexes representing 17 industries. Classified into durable and nondurable categories, the indexes were weighted by the percent they make up of these respective categories and combined to form both durable and nondurable goods production indexes. Combination of these two forms the total manufacturing index.

Three other adjustments to the data should be mentioned at this point. First, since value-added data are only available with a two-year lag, kilowatt-hour and man-hour productivity factors must be projected. This is done on the basis of historical trend. When the latest value-added data become available from the Census, these projected productivity factors are replaced with actual figures and the index is adjusted. Second, seasonal adjustments are applied to remove the effects of heating and air-conditioning kilowatt-hour requirements as well as normal seasonal variations in production. Finally, in a number of industries, smoothing averages must be applied to kilowatt-hour data where the reporting of such data may correspond to the reporters' billing cycle. (The billing cycle will not necessarily agree with the time period in which the power was actually consumed.)

<sup>1</sup>Bureau of the Census, U. S. Department of Commerce

state despite spillover effects that might occur beyond its borders. Further, there has recently been a heightened interest in state economic data, evidenced by the construction of state economic models.<sup>2</sup> Hopefully, similar indexes for other District states can be developed where data exist and as resources permit.

### The Structure of Georgia's Industry

In general, the picture painted by Georgia's industrial production record is one of a rapidly growing industrial economy, developing much in line with the nation. The directions of Georgia's industrial production have been similar to those of the nation; the main difference is in intensity, i.e., the rate of increase.

By November 1972, Georgia's output of nondurable goods had risen faster than that of the U. S., advancing by 144 percent above its 1960 average, whereas the nation's gain was 82 percent. Similarly, Georgia's durable goods production outpaced the nation during this time period, 131 percent to 77 percent. Thus, Georgia's nondurable goods output slightly increased its share of the state's industrial mix, averaging about 69 percent of total output in 1960 but moving to an over 70-percent share in late 1972.

Durable goods output decreased during the '60-'61 recession but then began a strong climb. In 1964 and 1965, this sector received a boost from a build-up in aircraft production at Lockheed-Georgia and continued to surge until early 1966. Thereafter, durable goods remained fairly level until the 1970 recession. Here, Georgia durables production, along with that of the U. S., fell off markedly.

<sup>2</sup>For example, see W. A. Schaffer, E. A. Laurent, E. M. Sutter, Jr., *Introducing the Georgia Economic Model* (Georgia Department of Industry and Trade, Atlanta), 1973.

In contrast, nondurable goods production in Georgia has climbed more steadily since 1960. Also, while Georgia's durable goods output fell relatively more than nondurable goods production in the recent recession, since late 1970 durable goods have expanded more strongly than nondurables. This rebound has been aided by a strong upsurge in primary metals, electrical machinery, lumber and wood, and nonelectrical machinery.

As Table 1 shows, Georgia industry is becoming more diversified. In 1960, the state's top six industries made up over 75 percent of total industrial output. By November 1972, the top six's share had slipped to 71.5 percent. Two of the group were mainly responsible for this decline, namely, food, which fell from 16.5 percent in 1960 to 12.3 percent by November 1972, and transportation equipment, sliding from its over

TABLE 1  
Industry Shares of Georgia Output

Industry	% 1960	Industry	% Nov. 1972
Textiles	22.0	Textiles	24.8
Food	16.5	Food	12.3
Trans. Equip.	12.2	Paper	9.2
Paper	10.8	Trans. Equip.	9.1
Apparel	7.6	Chemicals	8.1
Chemicals	6.0	Apparel	7.8
Printing	4.0	Elec. Mach.	5.0
Lumber	3.8	Rubber	3.9
Stone, Clay, and Glass	3.7	Stone, Clay, and Glass	3.7
Fab. Metals	3.1	Printing	3.4
Non-Elec. Machinery	3.0	Lumber	2.7
Elec. Mach.	2.2	Non-Elec. Machinery	2.7
Furniture	1.8	Fab. Metals	2.5
Prim. Metals	1.3	Prim. Metals	2.4
Leather	0.7	Furniture	1.6
Petroleum	0.6	Leather	0.6
Rubber	0.5	Petroleum	0.2
Nondurables	68.7	Nondurables	70.3
Durables	31.3	Durables	29.7
Total	100.0	Total	100.0



12-percent levels in 1960 to 9 percent of total production in November 1972.

Consistently on top has been the textile industry. Textiles have enlarged their share, contributing 24.8 percent of total output in November 1972. Combining textiles and apparel, that share grows from almost 30 percent of total Georgia output in 1960 to almost 33 percent in late 1972. Whatever the situation nationally, the textile and apparel industry is still king in Georgia.

Several industries showing marked advances in recent years have added to Georgia's diversity. Electrical equipment commanded 5.0 percent of the November 1972 output compared with 2.2 percent in 1960. Rubber jumped from 0.5 percent to 3.9 percent and primary metals from 1.3 percent to 2.4 percent.

Thus, while Georgia's nondurable goods output has grown relative to durable goods output in recent years, changes especially within the durable category have made for an increased diversity in the state's manufacturing mix.

#### Industrial Production Since 1967

Georgia industrial production since 1967 has outpaced the nation, though not in every year. Georgia fell slightly behind the U. S. in 1968; however, in 1969, the strength of nondurables began to draw the state's industrial output ahead of the nation's. In the recession year 1970, the nondurable sector continued to show counter-cyclical strength and pulled Georgia's total well in front of the national average.

Leading the list of gainers were rubber and plastics, with output in late 1972 standing at over

three times its 1967 level (see Table 2). Here, Georgia's expansion rate has been over four times the U. S. rate, even though the latter's rise of nearly 50 percent is certainly rapid.

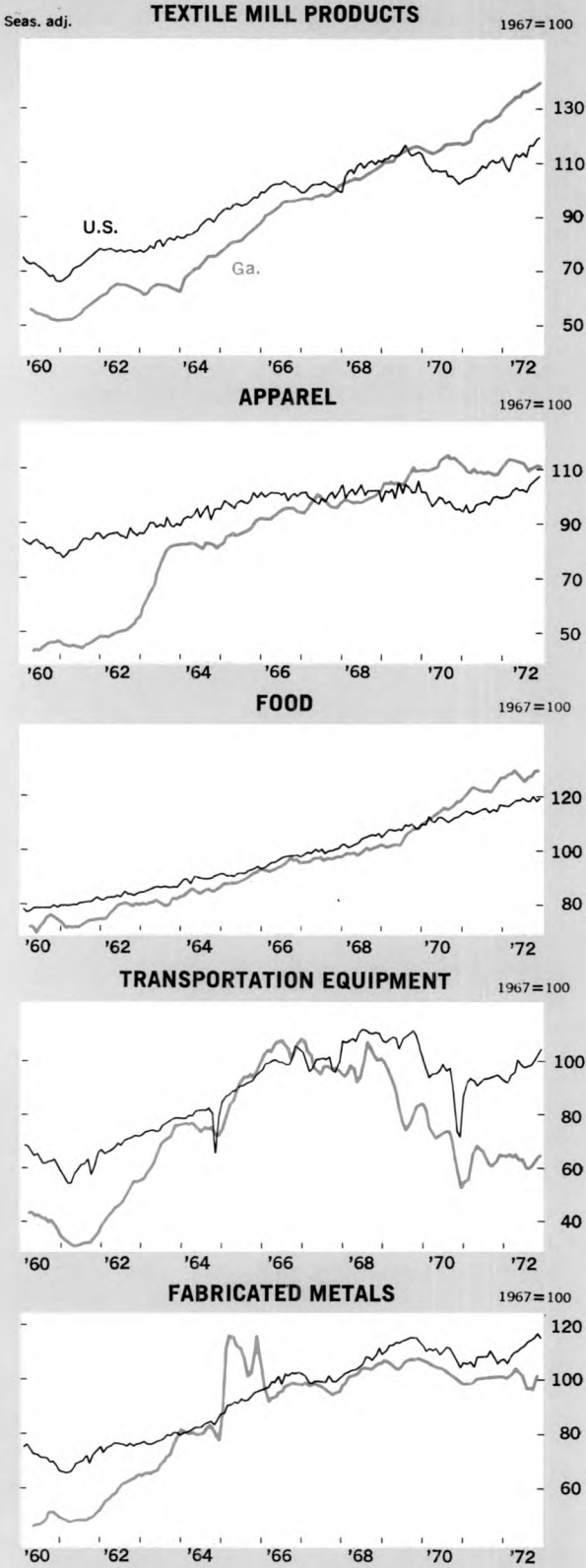
This expansion in Georgia rubber and plastics output has been broad-based. First, a major U. S. rubber company opened a plant in Albany in 1968, expanding it in 1971. Second, there has been an overall growth in the plastics industry. Third, a number of plants have been producing latex ingredients for Georgia's booming carpet industry.

Second in growth is electrical machinery, also far above the national gain. Rapid expansion of the state's population and industry has created additional demands for consumers and producers of power. Demand for electrical equipment used as components in homes, factories, and offices has increased. Expanding electricity use has been accompanied by greater output of electrical distribution machinery, such as transformers, for new and expanded power-generating plants.

<div>TABLE 2</div> <div>Georgia Industries' Rank by Expansion</div> <div>Since 1967</div>			
Industry	Nov. 1972 (1967=100)		
	Georgia	U. S.	Difference
Rubber	312.6	149.5	163.1
Elec. Machinery	252.6	110.2	142.4
Primary Metals	198.5	120.1	78.4
Chemicals	151.5	142.0	9.5
Textiles	140.4	119.3	21.1
Stone, Clay, and Glass	136.7	119.7	17.0
Furniture	132.9	117.4	15.5
Food	131.8	119.4	12.4
Paper	124.7	133.3	- 8.6
Non-Elec. Machinery	123.3	109.8	13.5
Lumber	122.6	128.2	- 5.6
Printing	122.1	112.6	9.5
Apparel	112.2	107.4	4.8
Leather	109.9	80.1	29.8
Fabricated Metals	99.3	118.6	-19.3
Transportation Equipment	70.5	104.5	-34.0
Petroleum	69.9	123.4	-53.5
Durable Goods	118.8	112.3	6.5
Nondurable Goods	139.1	124.6	14.5
Total Manufacturing	132.3	117.4	14.9

Primary metals, long established in Georgia, is another growth sector. Steel production, particularly in the Atlanta area, has shown steady gains since 1967. However, a large impetus to the over 98-percent total output rise in primary metals has come from aluminum production, casting, and other operations and also from a rapid growth in wire products output. Much of this primary metal production is tied to Georgia's strong construction industry.

Chemicals have shown rapid advances both





nationwide and in Georgia. The state has shown broad gains in agricultural and industrial chemicals, soaps, and cleansers. Although chemical output is concentrated in the Augusta and Savannah areas, the Dalton area has recently stepped up production of carpet-related chemicals.

Georgia's textile and apparel growth continues to outpace the nation's. Textiles, comprising almost one-fourth of the state's total manufacturing output, have risen at double the national rate since 1967. Supporting this trend has been the carpet industry, located mainly in Dalton. Georgia is the number one carpet-producing state, contributing over half the dollar value of the nation's carpeting in recent years.

The state's apparel industry, also expanding faster than its national counterpart, has seen a slowing in its expansion rate since 1967. Earlier, from 1962 to 1963, Georgia's apparel production more than doubled when a number of firms relocated in the state. However, steady growth since 1964 was interrupted by declining military contracts in the late 1960's and uncertain fashion trends in early 1971.

Stone, clay, and glass and furniture are two industries benefiting from Georgia's construction boom. After slowing during the 1970 recession, since 1971 both industries have shown especially rapid gains. Since 1967, furniture output has been stimulated by new plant locations in the northeast corner of the state.

Food production and processing, also well established in Georgia, has advanced by almost one-third since 1967. The national index, by contrast, expanded less than one-fifth. The state's growing population and generally high level of business activity account for this broad increase.

Nonelectrical machinery and the printing trades have likewise benefited from Georgia's growth. Two printing categories, newspapers and especially commercial printing, have advanced. Check and business-form printing has pushed up the commercial area. It is no surprise, then, that non-electrical machinery has expanded rapidly, particularly printing machinery. Nonelectrical machinery has also been boosted by production of textile converters, stoves, and lawnmowers.

Paper and lumber both grew by over 20 percent since 1967, but nonetheless trailed the nation's gain. Georgia's lumber industry growth received a sharp setback during 1969, a sluggish housing year.

Transportation equipment and fabricated metals have declined in output since 1967. Transportation equipment reached high production levels in mid-1968. Then in 1969, the transportation equipment sector fell off rapidly as auto production slowed. In 1970, a recession year, with the GM strike and production at Lockheed-Georgia falling off, the transportation sector in Georgia reached a

low in December at less than 60 percent of its 1967 base.

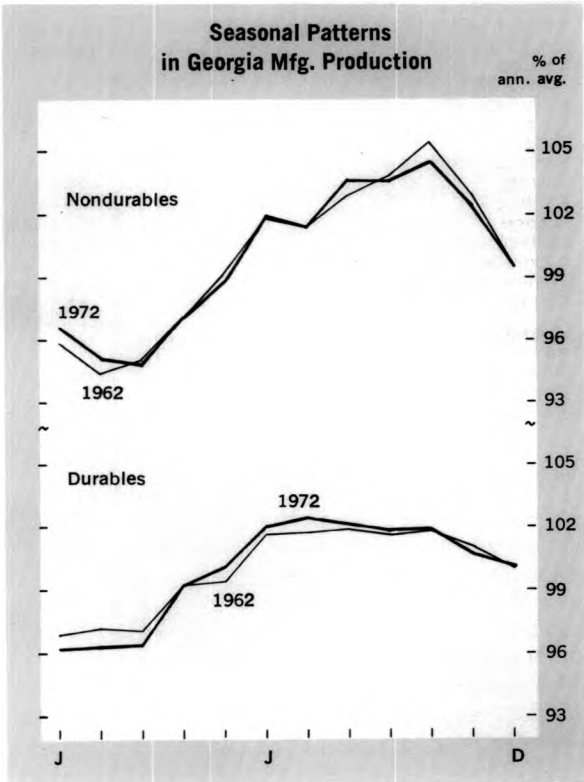
Since then, transportation equipment has recovered somewhat, spurred on by truck output in the Savannah area, transit car manufacturing in Winder, and the mobile home industry. Despite these gains, transportation equipment activity in November 1972 stood at only 70 percent of its 1967 base, though nationally it was 5 percent above 1967 levels.

Fabricated metals have also declined in the state since 1967 with a production pattern closely parallel to that in transportation. It appears that much of this decline in metal fabricating is linked to reduced aircraft output.

Seasonal Patterns

Industrial production in Georgia has shown a stable seasonal pattern over the past ten years. Total manufacturing output reaches its low points in February and March and then climbs steadily through June. Leveling off in July, it climbs to a peak in October and then begins its winter slide.

This seasonal pattern and its stability over the years are explained by the composition of Georgia production and by the stability of that composition. The lower panel (see chart) shows durable goods at a low ebb in the winter, climbing to a peak in the summer and gradually falling through October,



then dropping rapidly in the winter. The upper panel shows nondurable goods climbing rapidly from a winter low to a peak in October. The greater proportion of nondurable goods in Georgia's industrial mix explains why its October peak is also the total manufacturing peak. Also, the relative stability of durable versus nondurable shares of production somewhat explains the stability of the seasonal pattern from 1962 to 1972.

The June-July peak in durable goods output is primarily caused by the high levels reached in those months by lumber, stone, clay, and glass, primary metals, and transportation equipment. The October peak in nondurables is caused by high output in textiles, apparel, food, rubber, and leather.

### Georgia in Recession

In recent years, Georgia's economy has shown more cyclical stability than the nation's. Much of this stability can be attributed to Georgia's industrial mix. Production of durable goods is much more prone to swings in the business cycle and, as mentioned, Georgia's nondurable goods have made up over two-thirds of total output over the past twelve years. In the nation's industrial mix (considering industries included in the Georgia

index) durable goods in 1967 made up 56 percent of the total dollar value of output.

As the chart shows, the decline in Georgia manufacturing during the 1969-1970 recession lasted only four months, from December 1969 through March 1970. Thereafter, production rose slightly but then dropped just prior to the General Motors strike which began in September. The reason for this strength in total manufacturing can be seen in the pattern of nondurable goods output. While this sector leveled off beginning in October 1969, it did show strength, especially from April 1970 through the rest of the year. In contrast, U. S. nondurable goods, which leveled out approximately at the same time (August 1969), drifted downward or were sluggish well into 1971.

Turning to durable goods, both the Georgia and U. S. indexes fell dramatically during 1970. However, the strength of Georgia's overall manufacturing index is explained by the fact that durable goods are a smaller percentage of the total and thus, with a strong nondurable sector, are less likely to drag the total index down.

While the recovery since early 1971 in both Georgia and U. S. industrial output has been about the same, the Georgia index now stands above that of the U. S. in terms of its 1967 base because the state's output fell less during the 1970 recession. Indeed, other than a three-point loss in the total Georgia index, production more or less leveled out during the recession rather than falling, as did the U. S. index.

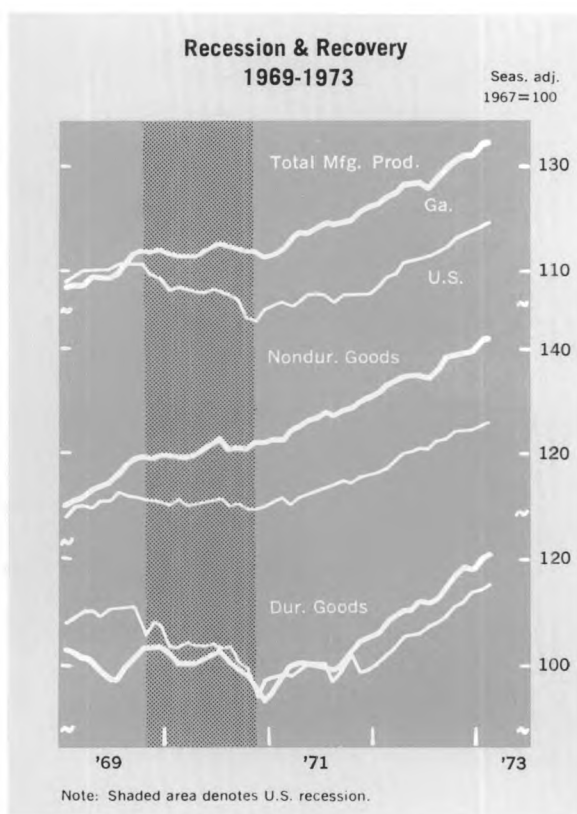
Thus, relative stability in Georgia's manufacturing sector partly explains why the state's unemployment rate averaged 4.1 and 3.9 percent during 1970 and 1971. The national rate, in contrast, averaged 4.9 and 5.9 percent, respectively, in those years.

### Recent Developments

Throughout the year 1972, Georgia's economy advanced on a broad front. Since 1972 was a recovery year, especially for the nation, the U. S. economic pace was even greater. As mentioned, output and economic activity slowed less in Georgia than in the nation during the recent recession and the state's production recovered in 1971. The U.S. recovery, after a slow start during 1971, gained momentum during 1972 and early 1973.

From January 1972 through February 1973, industrial output in Georgia grew 9.7 percent, while in the U.S. it rose 11.2 percent. Durable goods gains were about the same in Georgia and the U. S. over the period, rising at about a 14-percent rate. Nondurables in the U. S. and Georgia grew at about an 8-percent rate over the period. The heavier weighting of durables in the U. S. index explains why its total index grew faster over this period.

Even though manufacturing is a portion of Georgia's total economy, total employment figures





mirror this pattern of production. Total nonfarm employment in Georgia grew by 2.7 percent from January 1972 through February 1973. The national gain was 3.8 percent. Over the same period, Georgia's manufacturing job growth went up 2 percent, and in the U.S., by 5.5 percent. Nonmanufacturing employment in Georgia, with a 3-percent increase, rose faster over this time period than manufacturing but less than the nation's. And, over the 14-month period, the state's

manufacturing payrolls swelled by 8.5 percent but were also bested by the U.S. increase.

Thus, the overall pattern of Georgia's economic activity during 1972 appears to be one of a solid advance but one slightly less than the nation's. This is consistent with the state's pattern of industrial production in recent years, i.e., a lesser rate of fall-off during the recent recession and an earlier recovery during 1971. ■

## Bank Announcements

(Cont'd from page 72)

April 2, 1973

### **FIRST NATIONAL BANK OF DADE CITY**

*Dade City, Florida*

Converted to a national bank.

April 4, 1973

### **HAMILTON BANK OF NASHVILLE**

*Nashville, Tennessee*

Opened for business. Officers: Finis L. Nelson, chairman of the board; B. Lamar Rankin, president; Richard M. Ashworth, assistant vice president; Lance Gish, assistant vice president; Odi Weatherford, assistant vice president; Susan Keen, secretary. Capital, \$4,000,000; surplus and other funds, \$6,000,000.

April 9, 1973

### **FIRST CITY NATIONAL BANK OF OXFORD**

*Oxford, Alabama*

Opened for business. Officers: Thomas E. Stinson, chairman and president; Alton Cowan, vice president; Barbara T. Wiggs, cashier. Capital, \$400,000; surplus and other funds, \$600,000.

April 10, 1973

### **FIRST NATIONAL BANK OF PALM BAY**

*Palm Bay, Florida*

Opened for business. Officers: Herman C. Eberts, chairman and president; George Kaufman, vice president and cashier; Elwood J. Mellott, executive vice president. Capital, \$200,000; surplus and other funds, \$300,000.

April 11, 1973

### **UNIVERSITY BANK**

*Fort Lauderdale, Florida*

Opened for business as a par-remitting nonmember. Officers: George F. Theobald, chairman; J. Wallace Wrightson, president; Thomas E. Hughes, vice president. Capital, \$600,000; surplus and other funds, \$405,000.

April 17, 1973

### **COMBANKS/UNION PARK**

*Union Park, Florida*

Opened for business as a par-remitting nonmember. Officers: E. G. Banks, president; John B. Burke, vice president and cashier. Capital, \$500,000; surplus and other funds, \$350,000.

April 17, 1973

### **SUN BANK OF SEMORAN, NATIONAL ASSOCIATION**

*Fern Park, Florida*

Opened for business. Officers: MacDonell Tyre, chairman and president; N. Sam Kinlaw, executive vice president; William J. McVeigh, cashier. Capital, \$400,000; surplus and other funds, \$350,000.

April 18, 1973

### **PEOPLES BANK OF LAND O'LAKES**

*Land O'Lakes, Florida*

Opened for business as a par-remitting nonmember. Officers: H. M. Scarbrough, president; G. K. Archibald, vice president and cashier; William Kendall Banker, chairman. Capital, \$580,000; surplus and other funds, \$320,000.

April 20, 1973

### **FIRST STATE BANK OF LAMAR COUNTY**

*Sulligent, Alabama*

Opened for business as a par-remitting nonmember. Officers: Joseph A. Milner, president; B. F. Boyett, vice president; Basil Mixon, cashier. Capital, \$250,000; surplus and other funds, \$250,000.

April 24, 1973

### **CITIZENS NATIONAL BANK**

*Boca Raton, Florida*

Opened for business. Officers: Milton N. Weir, Sr., chairman; John H. Weir, president; Peter P. McCormack, vice president and cashier. Capital, \$850,000; surplus and other funds, \$425,000.

April 24, 1973

### **COMMERCE NATIONAL BANK OF WARNER ROBINS**

*Warner Robins, Georgia*

Opened for business. Officers: Jack Creamer, president. Capital, \$500,000; surplus and other funds, \$500,000.

April 25, 1973

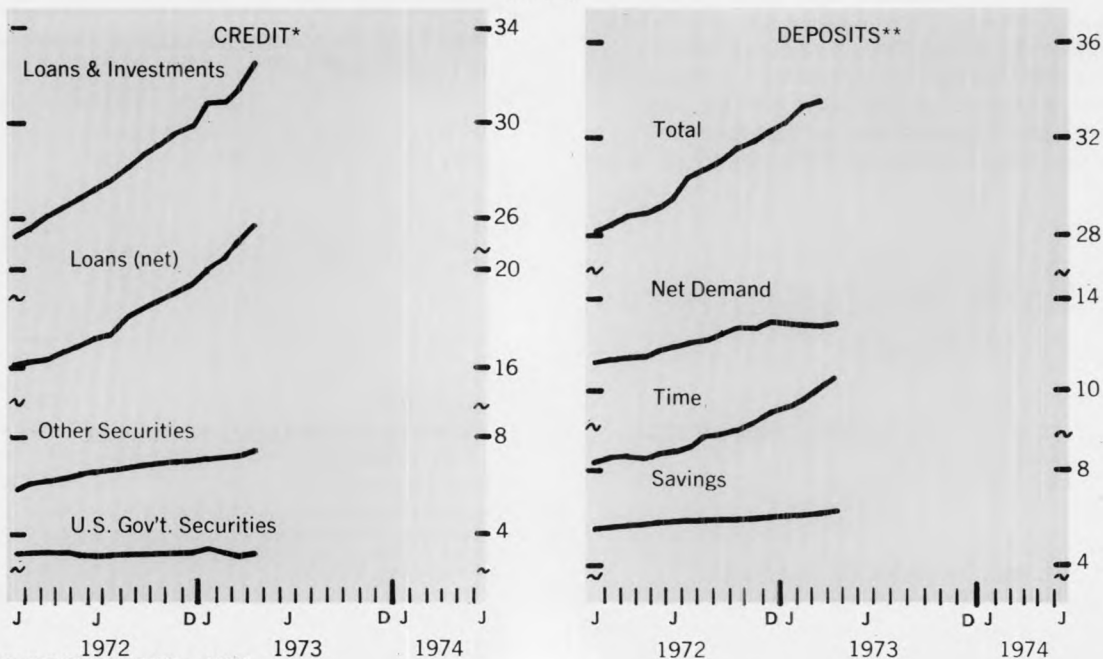
### **FIRST NATIONAL BANK OF HUDSON**

*Hudson-Port Richey, Florida*

Opened for business. Officers: Richard A. Cooper, chairman; Carl F. Schalles, Jr., vice president and cashier; Nancy Goodman, assistant cashier. Capital, \$300,000; surplus and other funds, \$210,000.

## BANKING STATISTICS

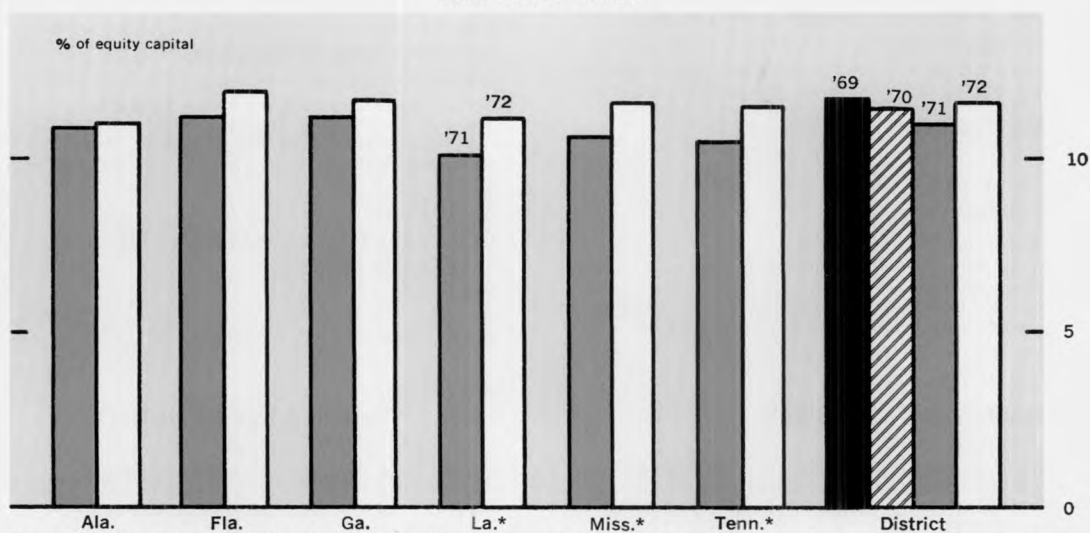
Billion \$



## SIXTH DISTRICT BANKING NOTES

# 1972 Profit Rates Improve

### Income After Taxes



District member banks have been able to report a brighter annual earnings picture for the first time in three years, as the rate of profits advanced. Income after taxes, but before securities gains or losses, rebounded to 11.6 percent of equity capital in 1972, up from 10.9 percent in 1971.<sup>1</sup> Earnings exceeded the 1970 rate and were only slightly below the previous peak of 11.7 percent achieved in 1969.

Those banks with deposits from \$50 million to \$100 million and from \$100 million to \$500 million showed the greatest earnings gains as compared to the smaller and the very largest banks. In the District portion of Louisiana, Mississippi, and Tennessee, banks reported a greater profit recovery than those in Florida, Georgia, and Alabama. However, member banks in Florida, Georgia, and Mississippi ranked highest in terms of overall profit rates.

District member banks tended to increase cash dividends in line with this increased net income. Those with over \$500 million in deposits paid out dividends equal to 48.4 percent of net income. The smaller banks, however, tended to retain a much larger part of their earnings. For example, those with deposits of less than \$10 million paid out less than 20 percent of their net income as cash dividends.

#### RATES OF RETURN ON SECURITIES AND LOANS

	1972	1971
Loans (Including Fed Funds)	8.60	8.69
Loans (Excluding Fed Funds)	8.07	8.15
Net Losses (-) on Loans	-.27	-.29
Treasury Securities	5.57	5.79
Municipal Obligations	4.27	4.29
Government Agency Issues	5.24	5.50

Last year's favorable advance in earnings reflects the generally favorable operating conditions experienced by banks. Loan demand increased throughout the year, while generally strong deposit gains enabled banks to meet requests. Banks put more of their assets to work by reducing vault cash, deposits due from other banks, and reserves. Also, they were able to expand their lending activity at generally favorable rates of return. Total loans rose to 49.8 percent of total assets in 1972 from 48.7 percent in the previous year.

The largest relative increases occurred in real estate and consumer loans. Though business loans did not advance nearly as much as overall bank lending, they did advance faster at some medium

#### MAJOR SOURCES AND USES OF BANK INCOME

Income*	1972	1971
Loans (Includes Fed Funds)	61.6	60.6
Treasury Securities	11.0	12.5
Municipal Obligations	10.4	10.2
Government Agency Issues	6.1	5.5
Expenses*		
Interest on Deposits	35.3	34.7
Interest on Borrowed Money	.7	.6
Salaries and Wages	19.8	20.4
Employee Benefits	2.8	2.7
Taxes	3.8	3.6

\*Expressed as a percentage of total operating income.

and large banks. However, at the very largest banks, where business loans make up the greatest proportion of total loans, the business loan gains were not as large as in 1971. The rate of return on loans slipped slightly in 1972. It averaged 8.07 percent compared to 1971's 8.15 percent and 1970's 8.28 percent.

Because of the stronger loan demands, District banks did not increase their securities nearly as much as their loans. Holdings of U. S. Treasury issues dropped as a proportion of total assets. The largest relative gain in security holdings occurred with U. S. Government Agency issues while municipal obligations also increased.

Banks generally received a lower rate of return on their securities over the year. For example, the rate of return on Treasury issues fell from 5.79 percent in 1971 to 5.57 percent in 1972. On Agency issues, the return slipped from 5.50 percent to 5.24 percent, while municipal obligations were virtually unchanged, returning 4.27 percent.

Although banks were not able to increase operating income as fast as total assets, expenses rose even less than operating income; thus, net income increased. Salaries and employee benefits made up a considerably smaller proportion of total expenses in 1972. Average interest rates paid on time and savings deposits declined slightly last year. However, large increases in these deposits resulted in interest payments making up a larger percentage of bank expenses. Other interest costs on borrowed funds also advanced during the year. Provisions for loan losses did not result in as large an expense item last year as it did in 1971.

In all, 1972 was a good year for District member banks. They were able to report a higher profit rate as a result of generally strong loan demand and adequate deposit gains. Many of their expenses did not rise nearly as much as income, thus increasing profits.

JOHN M. GODFREY

<sup>1</sup> Data are based upon information contained in "1972 Operating Ratios, Sixth District Member Banks" and are subject to the footnotes and explanatory remarks contained therein. Copies of this release are available upon request.

# Sixth District Statistics

## Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

	Latest	Month	One Month Ago	Two Months Ago	One Year Ago		Latest	Month	One Month Ago	Two Months Ago	One Year Ago
<b>SIXTH DISTRICT</b>						<b>Unemployment Rate</b>					
<b>INCOME AND SPENDING</b>						<b>(Percent of Work Force)</b>					
Manufacturing Payrolls	Mar.	157	157	151	143	Avg. Weekly Hrs. in Mfg. (Hrs.)	Mar.	4.3	4.2	4.3	5.0
Farm Cash Receipts	Feb.	161	168	144	144		Mar.	41.1	41.7	41.5	41.2
Crops	Feb.	169	189	159	160	<b>FINANCE AND BANKING</b>					
Livestock	Feb.	170	166	154	149	Member Bank Loans	Mar.	204	200	196	169
Instalment Credit at Banks* (Mil. \$)						Member Bank Deposits	Mar.	179	180	177	154
New Loans	Mar.	507	477	481	434	Bank Debits**	Mar.	204	194	192	167
Repayments	Mar.	446	404	429	378	<b>FLORIDA</b>					
<b>EMPLOYMENT AND PRODUCTION</b>						<b>INCOME</b>					
Nonfarm Employment	Mar.	125	124	124	120	Manufacturing Payrolls	Mar.	153	151	148	136
Manufacturing	Mar.	114	114	114	110	Farm Cash Receipts	Feb.	147	135	145	141
Nondurable Goods	Mar.	112	112	112	110	<b>EMPLOYMENT</b>					
Food	Mar.	105	104	104	105	Nonfarm Employment	Mar.	139	138	136	131
Textiles	Mar.	110	110	110	109	Manufacturing	Mar.	118	117	117	112
Apparel	Mar.	111	111	111	107	Nonmanufacturing	Mar.	143	142	140	134
Paper	Mar.	110	110	110	110	Construction	Mar.	175	172	171	155
Printing and Publishing	Mar.	123	122	122	108	Farm Employment	Mar.	103	93	96	102
Chemicals	Mar.	105	105	105	118	Unemployment Rate					
Durable Goods	Mar.	116	116	116	104	(Percent of Work Force)	Mar.	2.9	3.0	3.5	3.5
Lbr., Wood Prods., Furn. & Fix.	Mar.	110	111	112	110	Avg. Weekly Hrs. in Mfg. (Hrs.)	Mar.	41.7	41.9	41.0	41.6
Stone, Clay, and Glass	Mar.	121	121	120	106	<b>FINANCE AND BANKING</b>					
Primary Metals	Mar.	110	111	111	114	Member Bank Loans	Mar.	251	248	239	190
Fabricated Metals	Mar.	127	126	124	106	Member Bank Deposits	Mar.	221	213	210	180
Machinery	Mar.	137	137	135	119	Bank Debits**	Mar.	263	247	242	209
Transportation Equipment	Mar.	108	109	105	109	<b>GEORGIA</b>					
Nonmanufacturing	Mar.	129	128	128	123	<b>INCOME</b>					
Construction	Mar.	134	133	133	126	Manufacturing Payrolls	Mar.	159	157	148	143
Transportation	Mar.	121	121	121	116	Farm Cash Receipts	Feb.	161	171	154	138
Trade	Mar.	131	131	129	124	<b>EMPLOYMENT</b>					
Fin., ins., and real est.	Mar.	134	134	133	128	Nonfarm Employment	Mar.	123	122	122	120
Services	Mar.	133	133	130	128	Manufacturing	Mar.	109	109	109	108
Federal Government	Mar.	102	102	102	103	Nonmanufacturing	Mar.	129	128	128	125
State and Local Government	Mar.	130	130	128	125	Construction	Mar.	130	127	127	127
Farm Employment	Mar.	90	92	91	93	Farm Employment	Mar.	92	95	93	92
Unemployment Rate						Unemployment Rate					
(Percent of Work Force)	Mar.	3.6	3.6	3.8	4.2	(Percent of Work Force)	Mar.	3.5	3.6	3.6	3.7
Insured Unemployment						Avg. Weekly Hrs. in Mfg. (Hrs.)	Mar.	40.8	40.2	38.9	41.0
(Percent of Cov. Emp.)	Mar.	1.8	1.8	1.9	2.4	<b>FINANCE AND BANKING</b>					
Avg. Weekly Hrs. in Mfg. (Hrs.)	Mar.	41.0	41.1	39.8	41.2	Member Bank Loans	Mar.	220	210	209	169
Construction Contracts*	Mar.	281	249	253	196	Member Bank Deposits	Mar.	169	170	168	143
Residential	Mar.	353	288	332	232	Bank Debits**	Mar.	260	226	235	191
All Other	Mar.	211	211	175	161	<b>LOUISIANA</b>					
Electric Power Production**	Oct.	186	186	182	168	<b>INCOME</b>					
Cotton Consumption**	Feb.	81	84	83	89	Manufacturing Payrolls	Mar.	145	143	137	132
Petroleum Production**	Apr.	116	116	116	119	Farm Cash Receipts	Feb.	146	151	148	138
Manufacturing Production	Feb.	287	281	283	263	<b>EMPLOYMENT</b>					
Nondurable Goods	Feb.	238	236	236	227	Nonfarm Employment	Mar.	114	115	115	111
Food	Feb.	185	185	187	180	Manufacturing	Mar.	106	105	106	103
Textiles	Feb.	282	282	279	260	Nonmanufacturing	Mar.	116	117	116	113
Apparel	Feb.	286	275	274	279	Construction	Mar.	103	103	103	99
Paper	Feb.	221	220	221	209	Farm Employment	Mar.	81	87	78	83
Printing and Publishing	Feb.	160	161	158	162	Unemployment Rate					
Chemicals	Feb.	306	305	303	292	(Percent of Work Force)	Mar.	5.4	5.3	5.7	6.4
Durable Goods	Feb.	345	336	338	307	Avg. Weekly Hrs. in Mfg. (Hrs.)	Mar.	42.2	42.1	39.7	42.7
Lumber and Wood	Feb.	201	195	197	191	<b>FINANCE AND BANKING</b>					
Furniture and Fixtures	Feb.	191	186	187	178	Member Bank Loans*	Mar.	196	191	189	152
Stone, Clay, and Glass	Feb.	199	192	195	186	Member Bank Deposits*	Mar.	166	167	169	150
Primary Metals	Feb.	231	223	221	200	Bank Debits**	Mar.	166	175	202	151
Fabricated Metals	Feb.	281	283	288	259	<b>MISSISSIPPI</b>					
Nonelectrical Machinery	Feb.	425	421	414	385	<b>INCOME</b>					
Electrical Machinery	Feb.	771	756	753	654	Manufacturing Payrolls	Mar.	171	175	161	160
Transportation Equipment	Feb.	452	433	444	403	Farm Cash Receipts	Feb.	210	260	187	179
<b>FINANCE AND BANKING</b>						<b>EMPLOYMENT</b>					
Loans*						Nonfarm Employment	Mar.	122	122	122	118
All Member Banks	Mar.	223	218	213	174	Manufacturing	Mar.	127	127	126	122
Large Banks	Apr.	214	208	202	160	Nonmanufacturing	Mar.	120	119	120	116
Deposits*						Construction	Mar.	115	118	121	117
All Member Banks	Mar.	186	187	185	160	Farm Employment	Mar.	88	88	86	96
Large Banks	Apr.	168	162	163	143	<b>ALABAMA</b>					
Bank Debits*/**	Mar.	228	214	219	183	<b>INCOME</b>					
<b>ALABAMA</b>						Manufacturing Payrolls	Mar.	156	157	155	140
<b>INCOME</b>						Farm Cash Receipts	Feb.	198	195	155	185
Manufacturing Payrolls	Mar.	156	157	155	140	<b>EMPLOYMENT</b>					
Farm Cash Receipts	Feb.	198	195	155	185	Nonfarm Employment	Mar.	114	115	114	111
<b>EMPLOYMENT</b>						Manufacturing	Mar.	112	113	113	110
Nonfarm Employment	Mar.	114	115	114	111	Nonmanufacturing	Mar.	115	116	115	112
Manufacturing	Mar.	112	113	113	110	Construction	Mar.	112	113	113	112
Nonmanufacturing	Mar.	115	116	115	112	Farm Employment	Mar.	79	81	85	89
Construction	Mar.	112	113	113	112	<b>FLORIDA</b>					
Farm Employment	Mar.	79	81	85	89	<b>INCOME</b>					

	Latest	Month	One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)	Mar.	3.7	3.8	3.9	4.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Mar.	40.2	40.9	38.1	40.8

#### FINANCE AND BANKING

Member Bank Loans*	Mar.	216	214	212	183
Member Bank Deposits*	Mar.	184	182	180	159
Bank Debits**	Mar.	211	199	194	171

#### TENNESSEE

##### INCOME

Manufacturing Payrolls	Mar.	161	161	157	147
Farm Cash Receipts	Feb.	167	156	110	137

#### EMPLOYMENT

Nonfarm Employment	Mar.	124	124	124	117
Manufacturing	Mar.	115	115	115	110
Nonmanufacturing	Mar.	129	129	128	121
Construction	Mar.	126	126	129	121
Farm Employment	Mar.	88	98	97	89
Unemployment Rate (Percent of Work Force)	Mar.	2.8	2.9	3.2	3.5
Avg. Weekly Hrs. in Mfg. (Hrs.)	Mar.	40.5	40.9	39.5	40.7

#### FINANCE AND BANKING

Member Bank Loans*	Mar.	215	210	208	173
Member Bank Deposits*	Mar.	177	181	179	156
Bank Debits**	Mar.	186	180	188	161

\*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 bank debits, construction contracts, cotton consumption, employment, farm cash receipts, loans, petroleum production, and payrolls: 1967 = 100. All other indexes: 1957-59=100.**

Sources: Manufacturing production estimated by this Bank; nonfarm, mfg. and non mfg. 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)

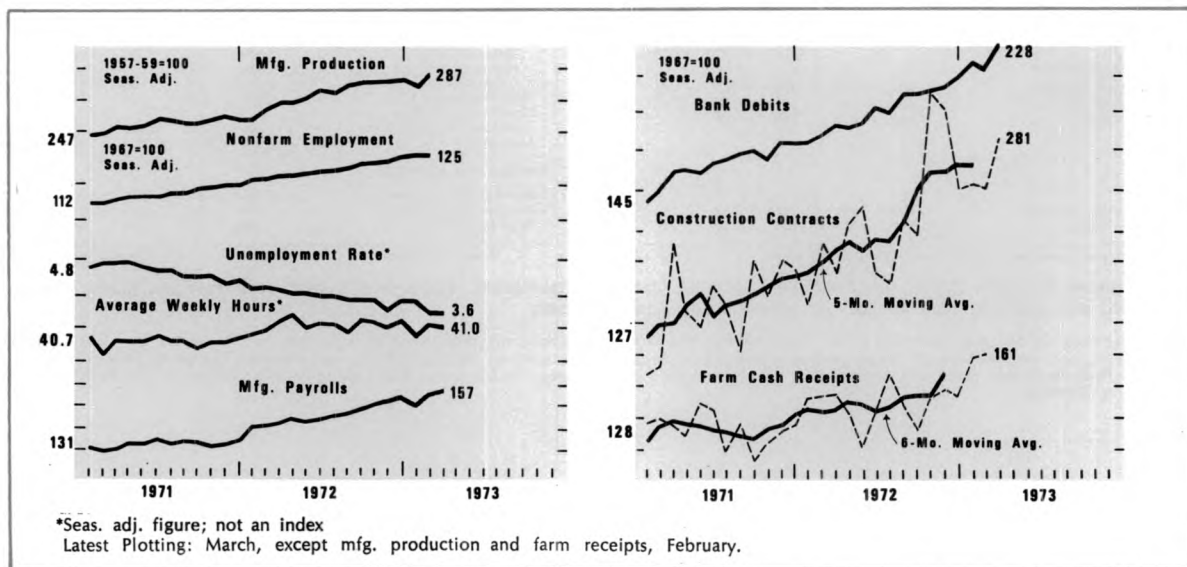
Percent Change							Percent Change				
	Mar. 1973	Feb. 1973	Mar. 1972	Year to date 3 mos. 1973		from 1972	Mar. 1973	Feb. 1973	Mar. 1972	Year to date 3 mos. 1973	
				Mar. 1973	Feb. 1973					Mar. 1973	Feb. 1973
<b>STANDARD METROPOLITAN STATISTICAL AREAS</b>											
Birmingham	3,487,487	3,155,114	2,802,253	+11	+24	+19					
Gadsden	96,009	85,175	75,696	+13	+27	+23					
Huntsville	288,221	256,526	264,665	+12	+9	+13					
Mobile	902,314	841,136	916,748	+7	-2	+11					
Montgomery	617,626	503,394	482,690	+23	+28	+21					
Tuscaloosa	193,139	164,226	157,118	+18	+23	+20					
Bartow-Lakeland- Winter Haven	758,571	654,076	617,697	+16	+23	+24					
Daytona Beach	348,738	303,242	295,394	+15	+18	+22					
Ft. Lauderdale- Hollywood	1,826,078	1,664,152	1,650,350	+10	+11	+15					
Ft. Myers	305,335	332,746	270,926	+8	+13	+34					
Gainesville	236,238	209,325	209,389	+13	+13	+17					
Jacksonville	3,601,834	3,175,292	2,969,637	+13	+21	+27					
Melbourne- Titusville-											
Cocoa	391,781	334,192	323,252	+17	+21	+25					
Miami	6,632,476	5,505,920	5,332,246	+20	+24	+22					
Orlando	1,459,406	1,394,807	1,275,211	+5	+14	+24					
Pensacola	409,336	380,629	393,172	+8	+4	+9					
Sarasota	537,917	396,209	343,971	+36	+56	+44					
Tallahassee	852,925	784,594	621,649	+9	+37	+46					
Tampa-St. Pete	3,798,212	3,437,509	3,321,989	+10	+14	+22					
W. Palm Beach	1,162,779	1,034,811	909,426	+12	+28	+34					
Albany	187,019	160,260	158,226	+17	+18	+20					
Atlanta	14,612,954	11,792,624	10,715,874	+24	+36	+37					
Augusta	493,243	409,816	413,566	+20	+19	+14					
Columbus	386,289	338,671	368,139	+14	+5	+8					
Macon	513,985	426,755	422,265	+20	+22	+16					
Savannah	503,555	444,648	438,655	+13	+15	+20					
Alexandria	235,168	224,923	214,714	+5	+10	+19					
Baton Rouge	1,042,749	969,663	1,023,424	+8	+2	+8					
Lafayette	248,356	226,663	216,997	+10	+14	+20					
Lake Charles	217,613	206,399	213,334	+5	+2	+8					
New Orleans	3,720,534	3,762,373	3,447,343	-1	+8	+38					
Biloxi-Gulfport	257,477	195,618	193,250	+32	+33	+23					
Jackson	1,316,644	1,184,843	1,012,512	+11	+30	+11					
Chattanooga	1,183,253	1,021,245	951,357	+16	+24	+9					
Knoxville	860,556	739,889	781,253	+16	+10	+18					
Nashville	3,052,217	2,712,201	2,599,000	+13	+17	+23					
<b>OTHER CENTERS</b>											
Anniston	103,755	93,769	94,333	+11	+10	+12					
Dothan	157,543	123,636	125,503	+27	+26	+20					
Selma	73,176	66,567	59,808	+10	+22	+30					
Bradenton	185,332	164,568	146,184	+13	+27	+35					
Monroe County	75,254	66,457	66,052	+13	+14	+21					
Ocala	183,384	157,673	141,498	+16	+30	+28					
St. Augustine	26,875	22,536	30,831	+19	-13	-11					
St. Petersburg	966,146	866,983	793,558	+11	+22	+32					
Tampa	1,793,996	1,560,694	1,598,326	+15	+12	+16					
Athens	150,111	136,233	137,813	+10	+9	+16					
Brunswick	91,307	81,183	76,009	+12	+20	+17					
Dalton	190,275	172,886	154,968	+10	+23	+21					
Elberton	20,660	15,701	18,781	+32	+10	+13					
Gainesville	129,863	109,924	95,632	+18	+36	+28					
Griffin	66,255	57,124	51,373	+16	+29	+26					
LaGrange	41,123	33,510	31,987	+23	+29	+20					
Newnan	67,007	45,231	44,761	+48	+50	+40					
Rome	136,066	115,693	116,629	+18	+17	+18					
Valdosta	86,006	79,400	87,548	+8	-2	+7					
Abbeville	14,195	13,255	14,164	+7	+0	-2					
Bunkie	10,827	10,369	9,189	+4	+18	+32					
Hammond	73,531	73,222	56,046	+0	+31	+31					
New Iberia	52,382	49,056	49,294	+7	+6	+14					
Plaquemine	22,623	20,402	14,954	+11	+51	+52					
Thibodaux	36,442	30,375	32,033	+20	+14	+6					
Hattiesburg	118,419	109,472	102,484	+8	+16	+16					
Laurel	74,628	81,562	60,989	-9	+22	+26					
Meridian	111,659	102,458	96,976	+9	+15	+19					
Natchez	57,616	45,337	47,873	+27	+20	+9					
Pascagoula-											
Moss Point	152,228	157,074	121,595	-3	+25	+35					
Vicksburg	72,555	64,934	59,357	+12	+22	+30					
Yazoo City	35,444	33,451	39,232	+6	-10	+2					
Bristol	110,281	119,470	126,950	-8	-13	+6					
Johnson City	158,650	136,716	153,359	+16	+3	+12					
Kingsport	289,539	214,185	254,531	+35	+14	+17					
District Total	70,123,388	61,355,397	55,309,457	+14	+27	+25					
Alabama	7,869,432	7,054,754	6,667,725	+12	+18	+18					
Florida	24,669,076	21,783,810	20,464,723	+13	+21	+25					
Georgia	20,329,939	16,719,205	15,489,500	+22	+31	+31					
Louisiana <sup>1</sup>	6,616,480	6,454,813	6,145,531	+3	+8	+26					
Mississippi <sup>1</sup>	2,920,325	2,621,373	2,420,684	+11	+29	+21					
Tennessee <sup>1</sup>	7,718,136	6,721,442	6,726,376	+15	+23	+15					

<sup>1</sup> District portion only

r-Revised

Figures for some areas differ slightly from preliminary figures published in "Bank Debits and Deposit Turnover" by Board of Governors of the Federal Reserve System.

# District Business Conditions



The District economy is rolling along. The continuing surge in farm cash receipts and steadily rising employment levels are swelling total incomes. Consumers are responding by spending heavily. Bank loans are expanding at a strong pace to meet the growing needs for credit. Construction activity continues to show considerable strength.

**Prices of most farm products increased sharply in March.** Through mid-April, soaring cotton prices have led a further advance in crop prices, but livestock prices appear to have stabilized. Farm cash receipts through February exceeded year-ago levels by more than 10 percent. Tennessee led other District states with nearly a one-quarter advance in cash receipts. Rain and record floods have delayed crop plantings, raising serious doubts concerning future production levels of some crops.

**Steady gains in nonfarm employment continued into March, marking eleven consecutive months of uninterrupted job increases.** Over this span, the unemployment rate has declined from the 5-percent range to below 4 percent. All six states registered strong job gains over year-ago levels. However, as a result of several strikes in Tennessee and job losses in Alabama's construction and shipbuilding industries, these two states suffered a slight employment drop in March.

**Retail sales indicators show consumers spending freely, particularly on autos and other durable goods.** New consumer instalment loan extensions at commercial banks set a record in March, edging

above the previous high set in October 1972. Gains were reported in all loan categories. However, repayments of previous loans also set a record, causing a slowdown in growth of total credit outstanding.

**Strong loan demand and increased use of borrowed reserves continue to characterize the District banking scene.** Bank loans advanced \$650 million during March and remained strong through early April. Constrained by Regulation Q interest rate ceilings on longer maturity large-denomination CD's, banks are issuing these instruments mostly for 30 to 89 days. The larger banks reported a rate of 6¾ percent on business loans to their largest customers. Effective April 23, this Bank raised its discount rate to 5¾ percent.

**In March, construction activity, measured by the value of contract awards, resumed its growth after a short pause early in the year.** Nonresidential awards remained at high levels while residential awards moved up strongly. Residential mortgage rates edged upward as net new savings at thrift institutions receded below year-ago levels.

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