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Slowdown in Georgia Manufacturing: A Shift-Share Analysis

by Frederick R. Strobel

The Fifties and Sixties showed Georgia's economy gaining on that of the U. S. at a rapid pace. In terms of both total and per capita personal income, this twenty-year period witnessed Georgia narrowing the gap with the United States.

The state's total personal income growth from 1967 to 1972 was over 20 percent greater than the nation's. However, manufacturing wage and salary disbursements in Georgia and the U. S. increased at an equal pace over this same period.

While Georgia is not primarily known as an industrial state, manufacturing wages and salaries made up 26.7 percent of the total of such disbursements in 1972. The U. S. counterpart was 28.2 percent in that year.

Thus, although the data suggest that Georgia's economy is growing faster than the nation's, its manufacturing sector is similar to the nation's. One might conclude that the state's manufacturing sector would be susceptible to national manufacturing trends.

The refinement of Georgia's Industrial Production Index (see this **Review**, May 1973) enables a further assessment of manufacturing's role in the state's economic growth.

The shift-share technique, previously used to analyze regional income and employment growth, has been adapted here to examine Georgia manufacturing trends.¹ The implications of this analysis are then considered in examining the state's manufacturing performance during the current economic slowdown.

Explaining Regional Growth

What causes regional manufacturing growth? First, there is the "national growth effect," which says that national economic growth will pull the region along

¹For a good discussion and illustration of the shift-share technique, see Robert B. Bretzfelder, "Geographic Trends in Personal Income in the 1960's," **Survey of Current Business**, U. S. Department of Commerce, August 1970. For an analysis applied to employment trends, see David Jones and Paul Miller, "Regional Growth and Industrial Change in Ohio: A Shift-Share Analysis," **Bulletin of Business Research**, Center for Business and Economic Research, Ohio State University, July 1973.

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USING THE SHIFT-SHARE ANALYSIS

The technique of shift-share analysis makes it possible to identify and quantify the three major sources of regional growth by comparing similar national and regional data. Previous applications have analyzed income and employment changes. This article uses the shift-share technique to compare Georgia's Manufacturing Production Index developed at the Federal Reserve Bank of Atlanta and the national industrial production index developed and maintained by the Board of Governors of the Federal Reserve System. The 1973 indexes are shown in Columns G and H of Table 1.

Shift-share analysis compares **changes** in data to determine sources of growth, as explained below. Since both production indexes are based on the year 1967 (1967=100), the 1973 index values represent the percent changes since the base year. The results of the shift-share changes between the production indexes can thus be applied to the 1967 value added in Georgia manufacturing (in constant dollars) to yield a quantitative measure of national growth, industrial mix, and regional share effects. The calculations are as follow:

The **national growth effect** is calculated by applying to the 1967 value added (Column A, Table 1)¹ for each Georgia industry the percentage change in overall national industrial production (26.4 percent)² between 1967 and 1973.

¹Value added measures increments to manufacturing value. In this concept, for example, a textile product manufactured and sold in Georgia for \$500 but containing materials worth \$200 purchased from outside the state or from outside the textiles industry would show a Georgia textiles manufacturing value added of \$300. Throughout this article, value added is expressed in constant (1963 = 100) dollars.

²The total index growth for the U. S. shown at the bottom of Column H has been weighted to reflect those industries shown in Table 1. This is because the Georgia Production Index does not include the tobacco, ordnance, instruments, or miscellaneous manufactures industries.

with it. A second factor, and the first of two which account for a relative difference between a region's growth rate and the nation's, is the "industrial mix effect." In other words, does a region have a high or low proportion of rapidly growing industries (those whose national growth rate exceeds the national all-industry growth rate)?² A third element

These results appear in Column B. Thus, if all Georgia industries were to grow at the national average rate, the total growth in Georgia manufacturing value added would have been \$1,155.3 million (total, Column B).

The second factor in a region's growth and the first of two which account for a relative difference between its growth rate and the nation's is called **industrial mix effect**. To compute the industrial mix effect, the difference between the national all-industry growth rate (26.4 percent) and the individual national industry growth rates (Column H) is applied to the individual area industry value added (Column A). The results are in Column C. When a national individual industry growth rate is higher than the national all-industry growth rate, that industry is termed a high growth rate industry. Since the total of Column C is negative, it can be concluded that Georgia has a slightly higher proportion of slow-growing industries in its industrial mix than does the nation.

The third element in a region's industrial growth and the second which makes for a relative change between it and the nation is the **regional-share effect**. It is computed by applying the difference between individual industry growth rates of the region and the nation (Columns G and H to Column A). The results are in Column D. Column E shows the total change over the period in value added in Georgia, which is the total of Columns B, C, and D. Column F shows the relative change (i.e., changes not associated with national growth), which is the total of Columns C and D.

The results yield a national growth effect of 82 percent, an industrial mix effect of -4.9 percent, and a regional share effect of 22.9 percent. Georgia's increase in manufacturing output relative to the nation was 18 percent over the 1967 to 1973 time period.

in a region's industrial growth, and the second which makes for a relative difference between it and the nation's, is the "regional-share effect." This compares growth rates of similar regional and national industries, e.g., Georgia textiles with national textiles.

The Georgia Industrial Production Index, like its national counterpart, is based on increments to value added in manufacturing. By comparing changes in the state and national indexes from 1967 to 1973 and applying these to value added in

²For example, the U. S. paper industry grew 35.4 percent between 1967-1973. The total U. S. manufacturing growth rate was 26.4 percent (see Table 1).

TABLE 1
SHIFT SHARE ANALYSIS

Georgia Industrial
Production Changes (1967-1973)
Attributable To

Industry	A Georgia Manufacturing Value Added	B National Growth	C Industrial Mix	D Regional Share	E Total Change (B + C + D)	F Relative Change (C + D)
	1967 millions of constant* dollars					
Foods	521.9	137.8	- 19.3	43.3	161.8	24.0
Textile Mill Products	997.6	263.4	9.0	225.5	497.8	234.4
Apparel Products	389.5	102.8	- 51.4	13.6	65.1	- 37.8
Lumber and Products	123.2	32.5	1.8	- 2.5	31.9	- 0.6
Furniture and Fixtures	68.6	18.1	- 0.2	5.2	23.1	5.0
Paper and Products	413.9	109.3	37.3	- 39.7	106.8	- 2.5
Printing and Publishing	146.2	38.6	- 19.3	5.7	25.0	- 13.6
Chemicals and Products	303.0	80.0	72.1	28.5	180.6	100.6
Petroleum Products	14.7	3.9	0.1	- 8.5	- 4.5	- 8.3
Rubber and Plastic Products	68.1	18.0	25.5	111.4	154.9	136.9
Leather and Products	28.1	7.4	- 12.0	6.3	1.7	- 5.7
Clay, Glass and Stone Products	151.4	40.0	5.1	23.5	68.6	28.6
Primary Metals	66.8	17.6	0.4	48.4	66.4	48.8
Fabricated Metal Products	139.3	36.8	5.7	- 43.0	- 0.6	- 37.3
Nonelectrical Machinery	122.8	32.4	- 1.7	11.2	41.9	9.4
Electrical Machinery	113.3	29.9	0.5	192.6	222.9	193.0
Transportation Equipment	707.8	186.9	-122.5	-299.4	-235.0	-421.9
Total	4,376.2	1,155.3	- 68.9	322.0	1,408.4	253.1
% of Total Change (E)		82.0	- 4.9	22.9	100.0	18.0

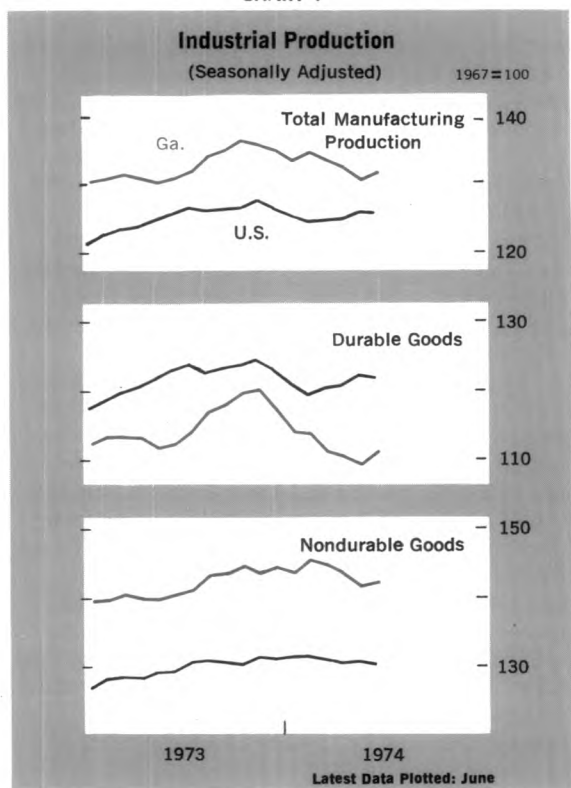
* "constant" = 1963 dollars

the base year (1967), it is possible through the shift-share technique to measure the relative strengths of the national growth, industrial mix, and regional share effects on Georgia's manufacturing growth. The results of this analysis are presented in Table 1. A more detailed explanation of the analysis is provided in the box.

The following conclusions may be inferred from this analysis. First, national industrial growth is a very important element in the state's industrial development. From 1967 to 1973, the national growth effect made up 82 percent of the change in manufacturing value added. Second, Georgia's industrial mix is slightly weighted toward relatively slow-growing industries, since the industrial mix effect tended to reduce the state's production by 4.9 percent. Third, the regional share effect accounted for a positive differential change in that Georgia's industries outperformed the nation's, although the state mix is weighted toward slower-growing industries. Thus, value added tended to increase, through the regional share effect, by 22.9 percent. The totals of Columns B, C, and D (Table 1) in dollar terms add up to the total change in Georgia's industrial production as measured by value added, i.e., \$1,408,400,000. The relative change between Georgia industrial growth and that

Industry	G	H
	1973 Industrial Production (1967 = 100)	
	Ga.	U. S.
Foods	131.0	122.7
Textile Mill Products	149.9	127.3
Apparel Products	116.7	113.2
Lumber and Products	125.9	127.9
Furniture and Fixtures	133.7	126.1
Paper and Products	125.8	135.4
Printing and Publishing	117.1	113.2
Chemicals and Products	159.6	150.2
Petroleum Products	69.6	127.4
Rubber and Plastic Products	327.3	163.8
Leather and Products	106.1	83.7
Clay, Glass and Stone Products	145.2	129.8
Primary Metals	199.5	127.0
Fabricated Metal Products	99.6	130.5
Nonelectrical Machinery	134.1	125.0
Electrical Machinery	296.8	126.8
Transportation Equipment	66.8	109.1
Index Total	132.2	126.4

CHART I



of the nation is +18 percent (Column F), a netting of industrial mix (-4.9 percent) and regional share (+22.9 percent) components. Thus, state output increased relative to the nation by \$253,100,000.

The industrial mix was a negative growth element in Georgia because of its heavily weighted, slow-growing industries such as food, apparel, printing, and transportation equipment. The regional share factor, however, was a positive element, simply because most Georgia industries grew faster than their national counterparts. Of the 17 industries listed in Table 1, 12 grew faster in the state than nationally. The combined impetus of such a broad spectrum of relatively fast-growing industries added a positive 22.9 percent to industrial growth, offsetting the negative 4.9-percent industrial-mix effect. This yielded a positive relative change (shown in Column F) of 18 percent. This balanced growth is especially beneficial since, on a regional share basis, the sharp fall in transportation equipment materially dragged down the Georgia regional share totals. Thus, while Georgia has inherent strength for sustained industrial growth, attributable to the rapidly growing nature of the region, it is also very much tied to the nation's economy.

State and National Production Compared

Recently, the national economy has slowed markedly. National industrial production has reflected this slowdown. How has Georgia's industrial sector fared? Total national manufacturing production peaked in November 1973 at a level 27.4 percent above its 1967 base; since then it has generally drifted downward (see Chart I). However, in May 1974, it was only 1.4 percent below its November peak.

State production peaked in October, one month before its national counterpart, and likewise drifted

CHART II

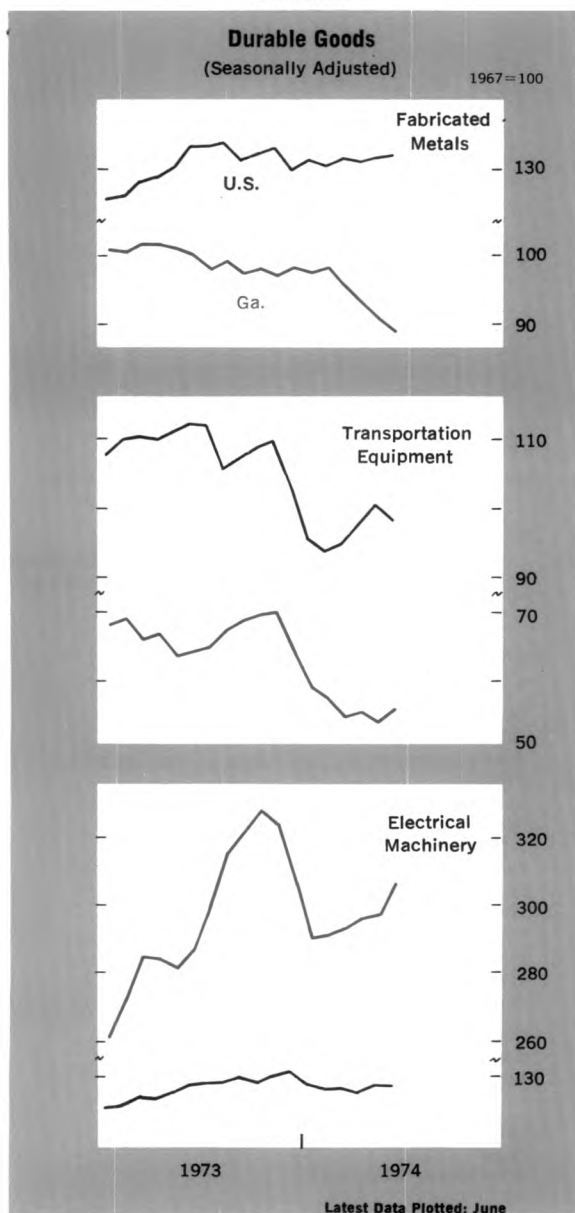
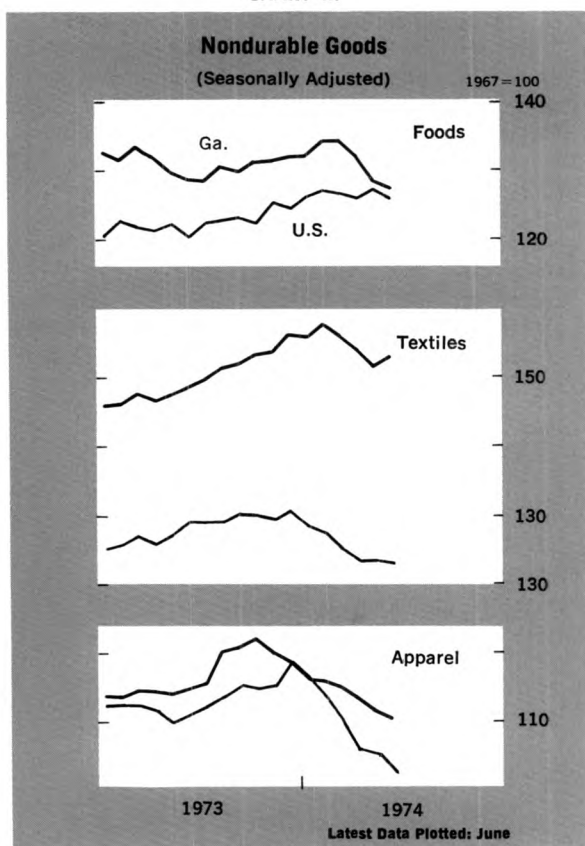


CHART III



downward through May 1974; and in June it recovered slightly. In percentage terms, however, the drop in Georgia industrial production has been over twice that of the U. S. over the same time period. Durable goods production in both the U. S. and Georgia peaked in November 1973 and then fell through February. However, U. S. durables recovered slightly from February to May; Georgia durables production continued to slide during that period. Both U. S. and Georgia nondurable goods manufacturing peaked in February of this year; the state's nondurable goods production fell more sharply through June than did that of the country as a whole.

Thus, there seem to be two major differences between this slowdown and the 1969-1970 recession. First, Georgia did not suffer as much as the nation during that recession.³ While nondurable goods production turned down in the nation, the state's nondurables sector merely slowed its rate of production increase but continued rising. During the current downturn, however, Georgia nondurables fell 2.5 percent from February to June, while U. S. nondurables fell less than 1 percent.

Second, Georgia's durable goods production has fallen more sharply than in 1970; national durables production fell at about the same rate in 1970. However, during the current slowdown, U. S.

³See "An Industrial Production Index for Georgia," this Review, May 1973.

TABLE 2
GEORGIA MANUFACTURING CHANGES
DURING CURRENT SLOWDOWN

Declining Industries	Index Value (1967 = 100)			% Change Since Peak
	Peak Month	June 1974		
Textiles	2-74	157.6	153.9	- 2.3
Apparel	10-73	122.0	110.3	- 9.6
Chemicals	9-73	165.0	154.8	- 6.2
Foods	3-74	134.3	127.3	- 5.2
Printing	10-73	119.2	110.3	- 7.5
Lumber Products	1-74	140.2	128.7	- 8.2
Primary Metals	1-74	219.1	204.1	- 6.8
Fabricated Metals	4-73	101.8	88.9	-12.7
Electrical Machinery	10-73	327.7	306.0	- 6.6
Stone, Clay, Glass	2-74	156.2	153.1	- 2.0
Transportation Equipment	11-73	69.7	55.9	-19.8
Furniture	8-73	141.4	119.4	-15.6
Rubber Products	4-74	359.9	345.0	- 4.1
Leather Products	6-73	109.7	90.9	-17.1
Petroleum	5-73	73.3	69.2	- 5.6
Durables	11-73	119.6	110.7	- 7.4
Nondurables	2-74	145.1	141.6	- 2.4
Total Manufacturing	10-73	135.8	131.0	- 3.5
Advancing Industries		June 1973	June 1974	% Change
Paper		124.0	133.6	+ 7.7
Nonelectrical Machinery		134.2	146.0	+ 8.8

durable goods production fell by only 2 percent from November 1973 to May 1974, whereas the state's durable goods production fell by 7.4 percent.

Major durable industries influencing the recent production decline are fabricated metals, electrical machinery, and transportation equipment (see Chart II). Major nondurable goods industries in the state which have contributed to the total slowdown are: foods, textiles, and apparel (see Chart III). In general, the state's production pattern for these industries follows that of the U. S., though the state's production downturn has been more severe than the nation's.

Conclusion

The shift-share analysis, comparing Georgia's industrial production to that of the U. S., indicates that the state's manufacturing is largely dependent on national manufacturing trends. While Georgia's regional share component was strong (roughly 23

percent), the stronger national growth component (82 percent) indicates the state's dependence upon national economic movements. Comparing Georgia's Industrial Production Index to the nation's in the current slowdown supports the national dependence effect suggested by the shift-share analysis.

While Georgia industry fared better than the nation during the 1969-70 recession, such a better-than-national performance should not always be expected. The current slowdown is a case in point. Recent movements in the state's unemployment rate show a similar pattern to industrial production trends, i.e., a poorer-than-national performance. In August 1973, the state's rate was 3.7 percent; the national rate was 4.7 percent. In July of this year, Georgia's rate had risen by 1.1 percentage points, almost double the national rise of 0.6 percent. Even given the state's past record of rapid economic growth relative to the nation, the national economy still calls the tune. ■

National and World Events Soften the "Heart of Dixie"

by W. F. Mackara

Other authors have noted that Alabama's and the nation's economy tend to move in the same direction. In 1973, and so far in 1974, this tendency has again been evident. Alabama, just as the nation as a whole, is now in a period of economic sluggishness. The roots of the downturn may be traced to the energy crisis, which began with the Arab oil embargo last October; and the effects of fuel shortages spread to many sectors of Alabama's economy. Although the embargo was lifted earlier this year, some of its impact remains and other sources of weakness have developed. Since the present sluggishness started with the energy crisis, our review begins with an assessment of its economic impact and aftereffects.

Energy Crisis Less Severe . . .

In several ways the energy crisis was less severe in Alabama than in other parts of the country. One factor was the state's plentiful supply of coal; its ready availability provided an important alternative to petroleum fuels. Bituminous coal production was high in 1973, although slightly below 1972 levels; the most recently published production data for 1974 show it running slightly above last year.

Another source of relief from fuel shortage pressure was the widespread use of natural gas in the state. Mother Nature also pitched in by providing a generally mild winter in 1973 for Alabamians, reducing the need for heating fuel. Furthermore, the state's infant oil industry has been developing at a strong pace. Measured by percentage growth, crude oil led all categories of industrial production in 1973 and continues to be a strong gainer in 1974.

One of the best indications of Alabama's overall economic strength in 1973 is the 10-percent gain in personal income. The third quarter was an especially good one for the state. Personal income rose 4.3 percent and was 16 percent

over the same quarter in 1972, spurred by strong advances in income from the mining, construction, services, and government sectors. Personal income growth slowed in the first quarter of 1974 and fell a bit in the second quarter. Nevertheless, it stood 8 percent above its level in the second quarter of 1973.

Factory payrolls, which grew 11 percent in 1973 and continue upward in 1974, have contributed to higher personal income. This is despite somewhat shorter hours in 1973 and thus far in 1974 than in 1972. Average weekly hours declined from 41.1 hours in 1972 to 40.8 hours in the first half of this year.

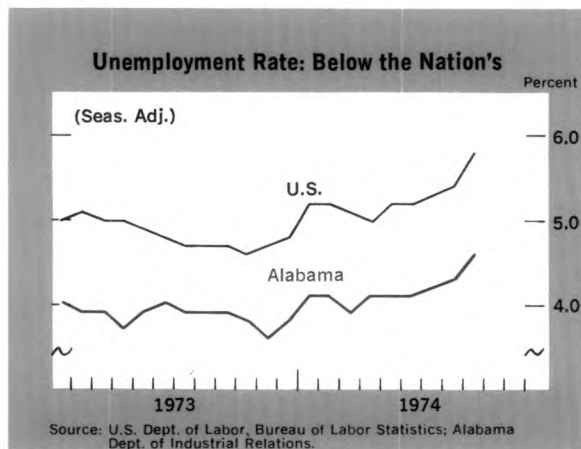
But though they were working less hours, manufacturing workers were earning more. Average weekly earnings increased from \$132.47 in 1972 to \$141.53 in 1973, and then to \$149.64 through the first seven months of this year. This is still below the U. S. average of \$171.73, but Alabama leads her Southeastern neighbors in this respect. Moreover, in the state's two largest metropolitan areas, Birmingham and Mobile, average weekly earnings exceed the national average.

When the effects of inflation are considered, the earnings picture is somewhat less rosy. The 7-percent gain in 1973 earnings was only slightly more than the rise in the region's consumer prices. And, over the 12-month period ending June 1974, the rate of inflation exceeded growth in earnings. This loss in purchasing power may be diminished, however, by wage settlements in recent and upcoming labor contract negotiations.

One sign of strength in the economic downturn has been the state's unemployment rate, which continues well below the nation's. In the first half of 1974, the rate rose a bit to 4.1 percent (six-month average) from 1973's average of 3.9 percent, standing up well compared to the U. S. The national jobless rate rose from 4.6 percent in October 1973 to 5.8 percent in September 1974. In contrast, Alabama's rate rose from 3.8 percent to 4.6 percent over the same period, about two-thirds as much; this increase was also small compared to the rate's behavior during the 1960-1961 and 1969-1970 slumps.

... But Not Without Impact

This is not to say that the "energy crisis spasm" and its aftermath left Alabama untouched. Aside from the unemployment rate, other data reveal a mixed pattern. The number of unemployed Alabamians rose sharply in 1974. At the same time, the total civilian work force fell slightly between January and August. This contrasts with 1973, when the number of unemployed workers fell 16 percent while the labor force grew 4 percent. Because the unemployment rate is defined as number of unemployed workers divided by total labor force, the recent decline in the labor force is in part related to the



small rise in the jobless rate.

A general economic slowdown takes time to spread. Moreover, its impact will affect some industries more than others. Again, employment data give us some clues as to the timing and relative impact of the recent downturn. Sluggishness started to hit national employment around December or January; in Alabama, employment weakened around March. As may be expected, the shortage of petrochemicals directly affected the chemical industry, first to register embargo-related employment declines. Here the shortage of petrochemicals had a direct impact.

Despite several months of declines, employment in most Alabama industries remains above year-ago levels. On the other hand, employment in the primary and fabricated metals, apparel, paper products, construction, food products, and wood products industries, which together account for about 23 percent of total nonfarm wage and salary employment, are down from last year.

In terms of SMSA's, two problem areas are Tuscaloosa and Gadsden. The Tuscaloosa area suffered job declines in its large government sector and in the food products industry. Gadsden was hurt by job losses in metals and construction.

Construction Suffers

Perhaps most vulnerable in any period of economic sluggishness is the construction industry. And when a period of economic lethargy is contemporaneous with one of record-high interest rates and limited credit availability, it spells real trouble for construction activity. This was indeed the case in Alabama. Construction employment turned down in December, three months after it began falling for the nation as a whole.

The major victim has been the residential sector, where the volume of construction contracts in 1974 has been sharply below year-ago levels. This weak-

ness comes on top of an 11-percent decline in values during 1973.

The nonresidential sector has picked up some of the slack, as values of these contracts grew strongly in 1973 and well exceeded growth for the U. S. as a whole. This partly reflects a large volume of new and expanded industrial plants in the state. The Birmingham SMSA particularly has experienced higher-than-year-ago gains in nonresidential contract values.

Inflation Rapid; Sales Slow

Although there were some signs of strength in late summer, auto sales, compared with year-ago levels, declined from December through March, a period of widespread fuel shortages. Weak auto demand is also reflected in new car registrations in the first half of 1974, down 22 percent from the same period last year.

A related item, of course, is gasoline sales. On a dollar-volume basis, sales at gas service stations as of July 1974 were over 27 percent above the year-ago level. Much of this came from price increases; for although dollar volume rose, the number of gallons sold declined from November to March.

Higher prices also accounted for much of the growth in total retail sales in 1973. Typical of this was the large jump in volume of food sales (prices X quantity). Their rate of growth was nearly double that in the three previous years. While Alabamians may have increased their food consumption, a good deal of this was a result of high food prices. Likewise in 1974, when price increases are taken into consideration, the rise in retail sales between July 1973 and July 1974 has been quite modest.

Widespread Shortages Amid High Production

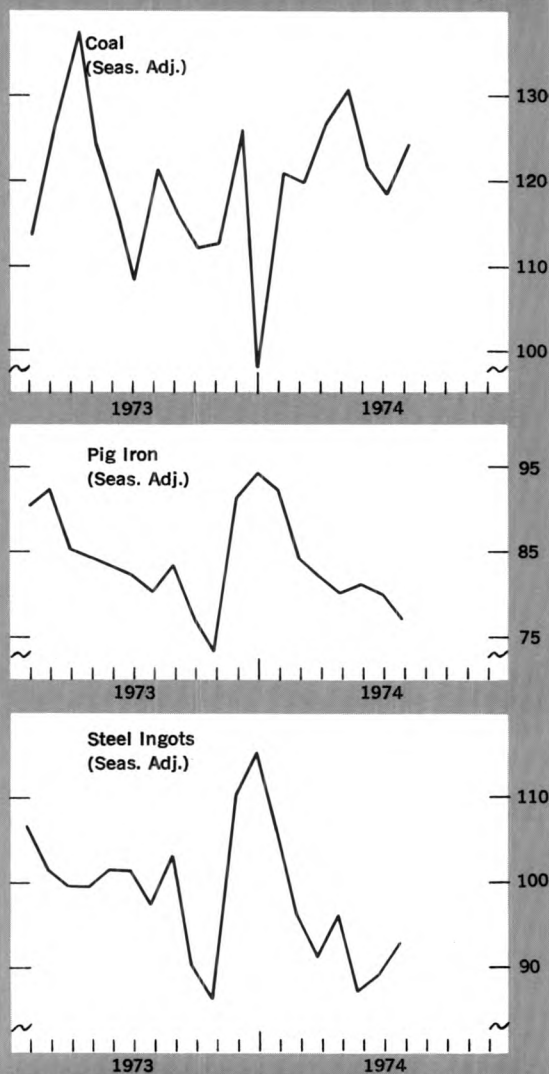
Inflationary pressures were aggravated by shortages of key goods, which hampered efforts of producers to meet demands. These shortages were not limited to petroleum products but included steel, fertilizer, and farm equipment as well.

Alabama's iron and steel production has been high by historical standards, but in 1973 and so far in 1974, they fell below the previous year's output. Part of the reduction may have been associated with the closing of a large iron and steel foundry in Birmingham last summer. Iron production was also curtailed by the temporary shutdown of a big blast furnace for maintenance purposes. When the furnace resumed operation in November 1973, iron and steel production increased markedly. Environmental factors were responsible for taking several electric furnaces out of operation in January of this year, and production again declined.

In any case, strong demand for these basic metals has encouraged producers to operate near maximum

Alabama's Production: High But Below 1973

1967 = 100



Source: Alabama Business, Center for Business and Economic Research, University of Alabama

capacity levels. Iron and steel needs for present and planned oil drilling operations will require even greater production. Conversion from open-hearth furnaces to the new "Q-BOP" furnaces by Alabama's largest steelmaker will help meet growing demand and, at the same time, help alleviate environmental problems.

World Events Benefited Farmers

National and international events boosted farm income in Alabama. In 1973, average monthly levels of the state's farm receipts rose more than 40 per-

cent. Crop receipts alone were up almost 29 percent.

Cotton, Alabama's most important cash crop, was a beneficiary of the oil embargo. This is because cotton competes with synthetic fibers for textile and apparel uses. Since many synthetics are petrochemical derivatives, the demand for cotton increased. Although cotton production fell somewhat in 1973, higher prices more than compensated.

Soybeans are Alabama's most important crop in terms of acreage planted. Here again, world events had consequences for farmers. The disappearance of anchovies off the coast of Peru reduced an important source of world protein. As a substitute protein source, the demand for, and thus the price of, soybeans increased.

Crop cash receipts dropped off quite sharply in the first quarter of 1974. But, on average, in the first eight months, crop receipts are above their levels over the same period in 1973. Large increases in planted acreage, particularly for cotton and soybeans, should more than balance any decline in prices. The droughts which severely hurt the Midwest were not a serious problem in Alabama. Weather permitting, 1974 could be a very good year for Alabama crops.

For the past several years, livestock receipts have taken the lion's share of total farm receipts. In 1973 that share increased from 67 percent to almost 70 percent of the total, and average monthly livestock receipts advanced 47 percent.

Unfortunately, livestock raisers have not had the same good fortune in recent months as crop growers. The large increase in 1973 came mostly in August and September. In October, however, livestock receipts started falling, and farmers found themselves in a two-way squeeze. The cost of feeding their animals was rising rapidly and, at the same time, increased domestic and foreign supplies resulted in falling livestock prices. Compared to the first seven months of 1973, livestock receipts are well below last year.

As mentioned, weather in Alabama has been generally favorable, mitigating the effects of the energy crisis and benefiting farmers. But one notable exception to this was the spate of tornadoes which struck the Southeast earlier this year. Estimated damage in Alabama was placed at \$40 million, the highest in the Southeast. Nearly 1,500 homes, apartments and commercial buildings were

destroyed. Of greater tragedy, the tornadoes left in their wake over 200 human casualties.

Alabama Banks Under Pressure

Banking activity mirrored the state's changing economic developments. Total deposits at Alabama member banks grew 15 percent during 1973, while loans were up 22 percent. The more rapid growth in loans relative to deposits is typical of the pressure banks across the nation have experienced. This pressure has continued into the first half of 1974; the state's total bank loans have increased 15 percent, but total deposits, only 9 percent.

Outlook

In reviewing Alabama's economy, one recurring theme is that the state's performance is closely tied to national developments. When the U. S. climbs out of the present slowdown, national economic growth will spill over into Alabama.

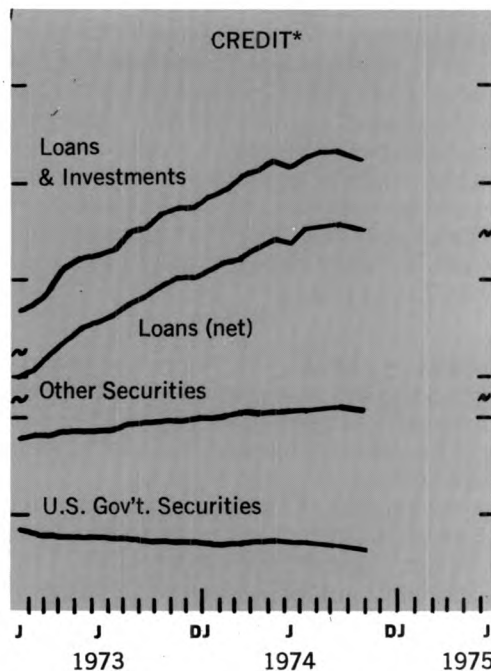
In the long run, the large volume of new and expanded industrial plants announced last year and this year bodes well for the state's future. This expansion has not had a significant effect on state employment, for many of the projects are of a capital-intensive rather than a labor-intensive nature. Moreover, since completion dates for many of the projects are far in the future, the ultimate impact on employment is yet to be felt. But as such expansion proceeds, Alabama will begin to reap its benefits.

Two projects deserve special mention in this regard. One is the Tennessee-Tombigbee inland waterway, which will connect the Port of Mobile to the Tennessee River. It would cut waterway distances between Alabama ports and those of other states, providing considerable savings in transportation costs and spurring development of industry along the route.

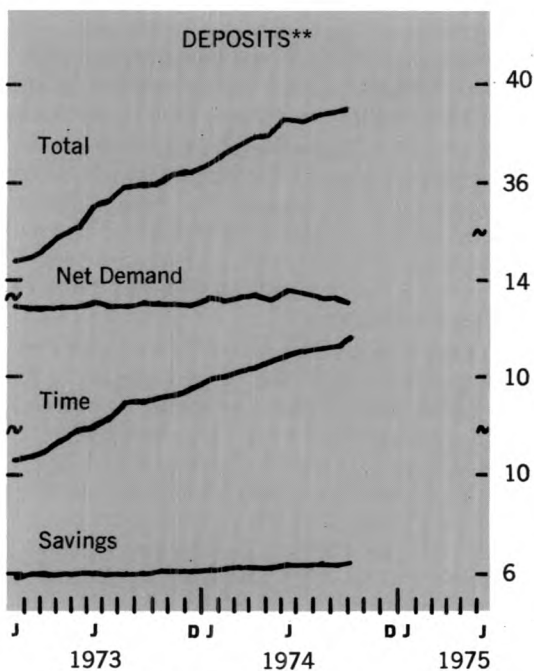
A second project, which is less definite, is the proposed construction of a superport facility off Mobile for unloading oil supertankers. This, combined with the Tenn-Tom waterway, would provide for the development of refineries and processing facilities, creating new job opportunities for state residents. If Alabama is to avail itself of the economic potential of these projects, it must continue enlarging and improving dock and port facilities. ■

BANKING STATISTICS

Billion \$



LATEST MONTH PLOTTED: OCTOBER



*Figures are for the last Wednesday of each month

**Daily average figures

SIXTH DISTRICT BANKING NOTES

Cut-Back in Mobile Home Loans

SIXTH DISTRICT MEMBER BANK MOBILE HOME LOANS

	June 1974 Amount (million \$)	% Change, Dec. 1973 from June 1973	% Change, June 1974 from Dec. 1973		June 1974 Amount (million \$)	% Change, Dec. 1973 from June 1973	% Change, June 1974 from Dec. 1973
DISTRICT	819	+ 14	+ 4	GEORGIA	115	+ 20	+ 12
ALABAMA	128	+ 10	+ 5	Atlanta	67	+ 18	+ 14
Anniston- Gadsden	9	+ 6	+ 2	Augusta	14	+ 28	+ 21
Birmingham	57	+ 9	+ 3	Columbus	14	+ 20	+ 17
Dothan	4	+ 9	- 2	Macon	10	+ 40	+ 1
Mobile	14	+ 14	+ 7	Savannah	17	+ 8	+ 20
Montgomery	35	+ 13	+ 4	South Georgia	2	+ 12	+ 2
FLORIDA	341	+ 10	+ 6	LOUISIANA*	56	+ 17	+ 0
Jacksonville	34	+ 15	+ 12	Alexandria- Lake Charles	15	+ 20	+ 12
Miami	112	+ 18	+ 4	Baton Rouge	13	+ 7	+ 14
Orlando	83	+ 8	+ 0	Lafayette-Iberia- Houma	4	+ 2	+ 2
Pensacola	5	+ 2	+ 5	New Orleans	25	+ 24	- 10
Tampa-St. Petersburg	107	+ 4	+ 11	TENNESSEE*	152	+ 20	- 1
MISSISSIPPI*	28	+ 30	- 9	Chattanooga	30	+ 30	+ 1
Jackson	9	+ 17	- 33	Knoxville	12	- 6	+ 16
Hattiesburg-Laurel- Meridian	17	+ 36	+ 8	Nashville	103	+ 17	- 5
Natchez	1	+ 52	+ 7	Tri-Cities	10	+ 66	+ 31

NOTE: Figures shown are for trade and banking areas, which include several counties surrounding central cities. Boundaries of some areas include counties in two states. Some data are partly estimated. Changes may reflect structural changes in series. Totals may not add because of rounding.

*Represents that portion of the state in the Sixth District.

In the last ten years, many Southeastern bankers have entered the market for mobile home loans, developing considerable expertise in analyzing and handling these loans. Banks were initially attracted to this market because mobile home loans offered a rapid way to build a volume of relatively profitable instalment loans. These loans, moreover, filled a gap between shorter-maturity consumer loans and longer-maturity residential mortgages. As a result, District insured banks' mobile home loans grew from virtually nothing to \$440 million by 1970 and then tripled to \$1,251 million by the end of 1973.

During the first half of 1974, however, the situation changed: The volume of mobile home loans increased only 4 percent at District member banks. These banks had been expanding mobile home credit at four times that rate, or at an annual rate of 30 percent during the early Seventies. This slowdown at member banks probably overstated whatever deceleration has occurred at District banks in general, however, since some large member banks originate mobile home loans and then sell them to smaller nonmember banks.

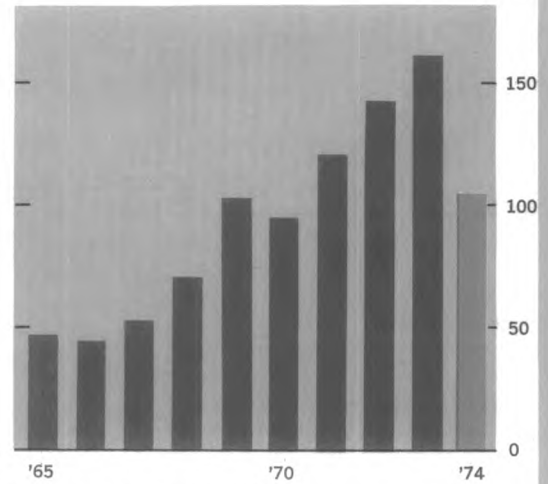
As usual, the 1974 loan slowdown was not uniformly distributed throughout the District. Taken together, member banks in Georgia added a considerable volume of new loans, while banks in the southern half of Mississippi did not even replace the loans that were paid off. The drop-off in Tennessee partly reflects loan sales by Nashville banks rather than a drop in originations. Also, the state's 10-percent usury law has undoubtedly had a negative impact.

Both economic and financial factors have combined to produce the overall lending pattern. Before financing considerations became a significant factor, Southeastern mobile home sales weakened in late 1973 for several reasons. First, mobile home markets in some parts of the District may have become saturated, at least temporarily; over 800,000 units have been sold in the Southeast during the last ten years. Second, mobile home prices have increased, reflecting higher production costs, more expensive options, and the increasing prevalence of trading up to more expensively equipped units. Third, real spendable incomes of many prospective mobile home buyers began to erode in 1973.

A substantial part of the recent reduction in bank mobile home lending, however, has unquestionably come from the banks' own reluctance to make these loans. First, bankers have been either unwilling or unable to increase their interest rates on mobile home loans to keep pace with increases in their own costs of borrowed funds. Second, during the time when the rate of return on mobile home loans had become relatively unattractive, the banks were also facing strong loan demands from other borrowers, notably businesses and nonbank financial institutions, as well as to finance residential mortgages and commercial property development. Another concern of the bankers has been the quality of their mobile home loan portfolio. A growing

Mobile Home Shipments to Dealers Sixth District States

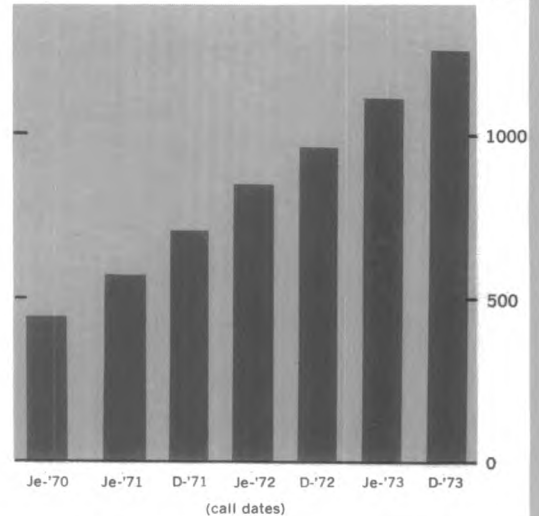
Thousands of Units



Source: Mobile Home Merchandiser
*Based upon the rate of shipments through July.

Mobile Home Loans Outstanding Sixth District—All Insured Banks

Mil. \$



number of mobile home loan delinquencies and repossessions are causing bankers to accept only prime-quality credit applications.

Before late 1973, these factors were not problems. Real incomes were rising and banks willingly increased the loan maturities from 6 to 10 years, in order to minimize the impact on monthly payments of larger and more expensive mobile homes. At the same time they were able to increase the yield on these loans. But now, when mobile homes sales would also benefit from reduced monthly loan payments, banks have moved in just the opposite direction. Some other consumer lenders, however, have remained willing to make these loans, with sufficiently long repayment periods to enable many borrowers to meet the monthly payments.

JOHN M. GODFREY

Sixth District Statistics

Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

	Latest Month 1974	One Month Ago	Two Months Ago	One Year Ago		Latest Month 1974	One Month Ago	Two Months Ago	One Year Ago		
SIXTH DISTRICT					Unemployment Rate (Percent of Work Force)	Sept.	4.6	4.3	4.2	3.9	
INCOME AND SPENDING					Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	40.4	40.7	40.4	40.2	
Manufacturing Payrolls	Sept.	179	180	178	170	FINANCE AND BANKING					
Farm Cash Receipts	Aug.	186	196	174	210	Member Bank Loans	Sept.	257	254	249	225
Crops	Aug.	170	260	232	163	Member Bank Deposits	Sept.	215	206	208	191
Livestock	Aug.	182	178	159	243	Bank Debits**	Sept.	275	267	273	206
Installment Credit at Banks ^{1/1} (Mil. \$)						FLORIDA					
New Loans	Sept.	681	624	676	701	INCOME					
Repayments	Sept.	654	597r	667r	584	Manufacturing Payrolls	Sept.	182	192	192	172
EMPLOYMENT AND PRODUCTION					Farm Cash Receipts	Aug.	166	197	202	185	
Nonfarm Employment	Sept.	132.0	132.1	132.4	131.2	EMPLOYMENT					
Manufacturing	Sept.	116.9	117.4	117.4	119.0	Nonfarm Employment	Sept.	153.3	153.3	155.3	151.8
Nondurable Goods	Sept.	114.4	114.7	114.7	115.7	Manufacturing	Sept.	128.6	129.0	129.3	129.8
Food	Sept.	103.2	103.4	104.0	101.5	Nonmanufacturing	Sept.	158.1	159.7	160.3	156.0
Textiles	Sept.	109.5	110.3	111.2	112.6	Construction	Sept.	192.7	193.2	198.6	212.8
Apparel	Sept.	111.9	112.3	112.0	117.6	Farm Employment	Aug.	102.5	109.0	98.8	106.1
Paper	Sept.	112.5	112.9	113.6	113.5	Unemployment Rate (Percent of Work Force)	Sept.	5.5	5.2	4.8	3.9
Printing and Publishing	Sept.	128.1	128.7	128.7	129.1	Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	40.1	40.2	40.4	41.1
Chemicals	Sept.	112.7	111.7	111.4	108.3	FINANCE AND BANKING					
Durable Goods	Sept.	120.0	120.6	120.3	123.2	Member Bank Loans	Sept.	314	316	313	277
Lbr., Wood Prods., Furn. & Fix.	Sept.	108.1	109.6	110.7	113.1	Member Bank Deposits	Sept.	247	248	248	233
Stone, Clay, and Glass	Sept.	126.7	127.5	128.8	130.4	Bank Debits**	Sept.	325	330	311	287
Primary Metals	Sept.	114.8	113.7	113.3	114.4	GEORGIA					
Fabricated Metals	Sept.	131.6	130.3	132.0	130.7	INCOME					
Machinery	Sept.	156.7	155.1	156.6	155.0	Manufacturing Payrolls	Sept.	164	169	164	167
Transportation Equipment	Sept.	107.6	110.0	105.7	116.2	Farm Cash Receipts	Aug.	128	195	153	153
Nonmanufacturing	Sept.	137.3	137.8	137.8	135.5	EMPLOYMENT					
Construction	Sept.	141.4	140.7	142.1	150.2	Nonfarm Employment	Sept.	127.8	128.2	127.6	128.4
Transportation	Sept.	124.5	124.6	125.9	125.1	Manufacturing	Sept.	109.2	110.1	109.0	112.6
Trade	Sept.	138.8	138.8	138.2	137.1	Nonmanufacturing	Sept.	136.3	136.4	136.3	135.6
Fin., ins., and real est.	Sept.	147.8	147.4	147.3	145.9	Construction	Sept.	135.7	135.3	138.5	147.7
Services	Sept.	151.3	150.8	150.4	146.6	Farm Employment	Aug.	84.3	89.7	83.4	87.1
Federal Government	Sept.	105.6	104.5	103.6	100.4	Unemployment Rate (Percent of Work Force)	Sept.	5.1	4.8	4.6	3.8
State and Local Government	Sept.	135.9	139.1	138.7	131.9	Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	39.3	39.8	39.6	41.0
Farm Employment	Aug.	81.4	87.4	81.5	83.8	FINANCE AND BANKING					
Unemployment Rate (Percent of Work Force)	Sept.	5.2	4.9	4.9	4.0	Member Bank Loans	Sept.	269	270	270	234
Insured Unemployment (Percent of Cov. Emp.)	Sept.	2.7	2.3	2.3	2.3	Member Bank Deposits	Sept.	192	188	195	182
Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	40.0	40.1	40.2	40.7	Bank Debits**	Sept.	337	344	330	282
Construction Contracts*	Sept.	256	198	208	249	LOUISIANA					
Residential	Sept.	174	159	181	287	INCOME					
All other	Sept.	338	237	236	212	Manufacturing Payrolls	Sept.	175	159	160	153
Cotton Consumption**	July	76	79	79	82	Farm Cash Receipts	Aug.	273	236	154	319
Petroleum Production**	Sept.	98	99	99	113	EMPLOYMENT					
Manufacturing Production	Feb.	299.4	297.0	300.0	288.5	Nonfarm Employment	Sept.	116.5	115.6	115.8	115.2
Nondurable Goods	Feb.	241.9	243.4	247.7	238.8	Manufacturing	Sept.	103.4	101.2	103.3	105.5
Food	Feb.	189.9	190.0	191.5	185.5	Nonmanufacturing	Sept.	119.2	118.5	118.4	117.2
Textiles	Feb.	298.4	304.5	301.7	281.8	Construction	Sept.	89.2	87.8	87.3	88.8
Apparel	Feb.	294.1	293.0	291.9	286.8	Farm Employment	Aug.	61.3	71.3	66.4	75.9
Paper	Feb.	202.6	204.5	226.9	222.1	Unemployment Rate (Percent of Work Force)	Sept.	7.1	6.6	6.8	6.3
Printing and Publishing	Feb.	156.4	156.0	155.9	161.7	Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	40.7	40.0	40.4	41.2
Chemicals	Feb.	311.7	323.5	320.9	305.9	FINANCE AND BANKING					
Durable Goods	Feb.	368.1	361.3	362.5	347.6	Member Bank Loans*	Sept.	249	252	248	218
Lumber and Wood	Feb.	207.2	205.9	206.3	199.6	Member Bank Deposits*	Sept.	188	189	191	171
Furniture and Fixtures	Feb.	177.4	186.4	188.7	190.6	Bank Debits*/**	Sept.	244	248	244	179
Stone, Clay, and Glass	Feb.	231.1	229.9	216.5	207.0	MISSISSIPPI					
Primary Metals	Feb.	273.6	273.9	272.2	231.0	INCOME					
Fabricated Metals	Feb.	310.6	310.6	308.0	283.3	Manufacturing Payrolls	Sept.	202	201	201	190
Nonelectrical Machinery	Feb.	472.7	468.8	478.9	435.9	Farm Cash Receipts	Aug.	191	214	186	249
Electrical Machinery	Feb.	865.8	855.9	835.0	778.1	EMPLOYMENT					
Transportation Equipment	Feb.	419.9	392.1	416.0	453.2	Nonfarm Employment	Sept.	130.0	129.3	129.1	128.2
FINANCE AND BANKING					Manufacturing	Sept.	128.5	129.3	130.2	130.5	
Loans*					Nonmanufacturing	Sept.	130.7	129.2	128.6	127.2	
All Member Banks	Sept.	277	279	276	242	Construction	Sept.	125.6	124.3	124.6	134.0
Large Banks	Sept.	261	263	259	225	Farm Employment	Aug.	75.9	79.9	74.0	71.5
Deposits*											
All Member Banks	Sept.	215	214	216	200						
Large Banks	Sept.	190	186	184	176						
Bank Debits*/**	Sept.	301	304r	293	245						
ALABAMA											
INCOME											
Manufacturing Payrolls	Sept.	180	183	179	168						
Farm Cash Receipts	Aug.	267	225	207	266						
EMPLOYMENT											
Nonfarm Employment	Sept.	119.8	121.1	121.0	119.3						
Manufacturing	Sept.	117.0	117.9	117.5	117.1						
Nonmanufacturing	Sept.	121.1	122.5	122.0	120.3						
Construction	Sept.	124.3	123.5	120.3	132.1						
Farm Employment	Aug.	68.9	75.6	81.8	69.9						

	Latest Month 1974	One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)	Sept. 4.1	4.2	4.2	3.7
Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept. 39.1	39.6	39.7	40.4

FINANCE AND BANKING

Member Bank Loans*	Sept. 261	264	258	239
Member Bank Deposits*	Sept. 211	218	217	205
Bank Debits**	Sept. 259	262	260	204

TENNESSEE

INCOME

Manufacturing Payrolls	Sept. 180	183	179	168
Farm Cash Receipts	Aug. 217	182	204	217

*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 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; 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.

†Data benchmarked to June 1971 Report of Condition.

EMPLOYMENT

Nonfarm Employment	Sept. 128.1	128.5	128.2	127.5
Manufacturing	Sept. 117.7	118.2	117.9	120.5
Nonmanufacturing	Sept. 134.0	134.2	134.0	131.4
Construction	Sept. 133.4	135.7	135.7	133.4
Farm Employment	Aug. 95.7	93.8	87.2	96.3
Unemployment Rate (Percent of Work Force)	Sept. 4.0	3.9	4.6	3.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept. 40.3	40.3	40.7	40.6

FINANCE AND BANKING

Member Bank Loans*	Sept. 266	272	268	225
Member Bank Deposits*	Sept. 203	203	204	185
Bank Debits**	Sept. 286	290	270	213

Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District (In Thousands of Dollars)

Percent Change						Percent Change					
			Sept. 1974 from 1974	Sept. 1973 from 1974	Year to Date 9 mos. from 1973				Sept. 1974 from 1974	Sept. 1973 from 1974	Year to Date 9 mos. from 1973
Sept. 1974	Aug. 1974	Sept. 1973				Sept. 1974	Aug. 1974	Sept. 1973			
STANDARD METROPOLITAN STATISTICAL AREAS¹											
Birmingham	5,167,451	4,780,326	3,086,684	+ 8	+67	+35					
Gadsden	103,975	110,038	70,477	- 6	+48	+14					
Huntsville	390,029	405,553	272,821	- 4	+43	+23					
Mobile	1,172,986	1,276,185	912,034	- 8	+29	+24					
Montgomery	676,672	723,791	550,598	- 7	+23	+12					
Tuscaloosa	231,610	246,162	201,345	- 6	+15	+23					
Bartow-Lakeland											
Winter Haven	779,109	811,934	649,942	- 4	+20	+13					
Daytona Beach	461,429	464,607	371,981	- 1	+24	+19					
Ft. Lauderdale											
Hollywood	1,807,955	2,078,725	1,593,570	-13	+13	+12					
Ft. Myers	346,730	372,086	270,910	- 7	+28	+26					
Gainesville	267,013	286,812	225,854	- 7	+18	+13					
Jacksonville	4,956,118	4,987,018r	3,661,377	- 1	+35	+21r					
Melbourne											
Titusville-Cocoa	446,609	427,928	367,458	+ 4	+22	+10					
Miami	7,025,325	7,607,661	6,031,147	- 8	+16	+15					
Orlando	1,413,232	1,606,996	1,310,936	-12	+ 8	+ 7					
Pensacola	507,192	553,363	394,474	- 8	+29	+18					
Sarasota	508,881	565,091	427,248	-10	+19	+16					
Tallahassee	902,369	930,696	756,027	- 3	+19	+ 7					
Tampa-St. Pete	4,094,398	3,921,328	2,945,382	+ 4	+39	+13					
W. Palm Beach	1,143,929	1,180,645	1,094,774	- 3	+ 4	+ 8					
Albany	194,081	193,295	180,662	+ 0	+ 7	+ 9					
Atlanta	18,755,706	18,417,971	15,248,845	+ 2	+23	+28					
Augusta	713,380	648,654	476,968	+10	+50	+28					
Columbus	447,489	485,011	387,222	- 8	+16	+19					
Macon	806,734	855,937	532,673	- 6	+51	+53					
Savannah	618,699	670,866	470,462	- 8	+32	+20					
Alexandria	293,937	291,563	230,092	+ 1	+28	+21					
Baton Rouge	1,866,479	1,890,973	1,092,843	- 1	+71	+43					
Lafayette	332,567	333,414	253,437	- 0	+31	+21					
Lake Charles	253,649	270,508	202,961	- 6	+25	+21					
New Orleans	4,896,931	5,167,248	3,619,812	- 5	+35	+21					
Biloxi-Gulfport	271,945	277,549	225,059	- 2	+21	+ 4					
Jackson	1,655,154	1,860,830	1,182,087	-11	+40	+31					
Chattanooga	1,296,606	1,321,984	1,271,195	- 2	+ 2	+14					
Knoxville	2,011,020	2,123,910	841,070	- 5	+139	+117					
Nashville	4,216,116	4,428,973	3,309,938	- 5	+27	+28					
OTHER CENTERS											
Anniston	121,695	124,377	96,095	- 2	+27	+11					
Dothan	198,771	199,746	187,360	- 0	+ 6	+10					
Seima	78,286	81,950	72,419	- 4	+ 8	+11					
Bradenton	182,450	211,788	145,978	-14	+25	+18					
Monroe County	85,489	92,236	63,193	- 7	+35	+41					
Ocala	199,507	193,013	175,298	+ 3	+14	+ 3					
St. Augustine	48,053	57,224r	37,743	-16	+27	+39					
St. Petersburg	1,032,856	940,139	928,202	+10	+11	+ 7					
Tampa	2,117,830	2,027,773	1,692,245	+ 4	+25	+17					
Athens	169,927	169,052	136,913	+ 1	+24	+ 6					
Brunswick	104,428	89,272	87,804	+17	+19	+ 8					
Dalton	183,179	185,381	182,193	- 1	+ 1	+ 5					
Elberton	23,216	23,890	21,174	- 3	+10	+16					
Gainesville	152,916	175,028	128,504	-13	+19	+19					
Griffin	78,841	88,045	68,931	-10	+14	+22					
LaGrange	49,056	43,260	56,177	+13	-13	+11					
Newnan	56,321	53,938	58,068	+ 4	- 3	- 6					
Rome	144,035	151,473	126,781	- 5	+14	+11					
Valdosta	118,359	117,583	93,737	+ 1	+26	+16					
Abbeville	18,613	16,367	16,138	+14	+15	+ 7					
Bunkie	16,363	14,750	9,470	+11	+73	+32					
Hammond	97,683	94,489	78,257	+ 3	+25	+14					
New Iberia	69,928	72,912	55,005	- 4	+27	+21					
Plaquemine	31,587	25,977	25,102	+22	+26	+ 4					
Thibodaux	40,204	41,511	33,114	- 3	+21	+ 9					
Hattiesburg	117,505	146,079	114,301	-20	+ 3	+ 7					
Laurel	82,780	80,661	60,482	+ 3	+37	+16					
Meridian	130,898	135,525	107,923	- 3	+21	+12					
Natchez	60,998	62,631	53,279	- 3	+14	+13					
Pascagoula											
Moss Point	167,240	159,113	136,139	+ 5	+23	+15					
Vicksburg	96,996	86,011	69,499	+12	+39	+25					
Yazoo City	50,154	44,888	43,661	+12	+15	+27					
Bristol	148,886	146,840r	101,723	+ 1	+46	+ 6r					
Johnson City	148,898	153,980	154,220	- 3	- 3	+ 2					
Kingsport	315,161	320,580	243,330	- 2	+30	+18					
District Total	87,114,345	90,241,774r	68,351,042	- 3	+27	+27					
Alabama	10,525,532	10,408,698	7,423,130	+ 1	+42	+26					
Florida	27,218,165	28,291,301r	23,028,861	- 4	+18	+26r					
Georgia	25,692,789	26,717,786	20,745,528	- 4	+24	+25					
Louisiana ¹	9,172,602	9,589,479	6,523,218	- 4	+41	+25					
Mississippi ¹	3,485,744	3,715,633	2,683,967	- 6	+30	+26					
Tennessee ¹	11,019,513	11,518,877	7,946,338	- 4	+39	+37					

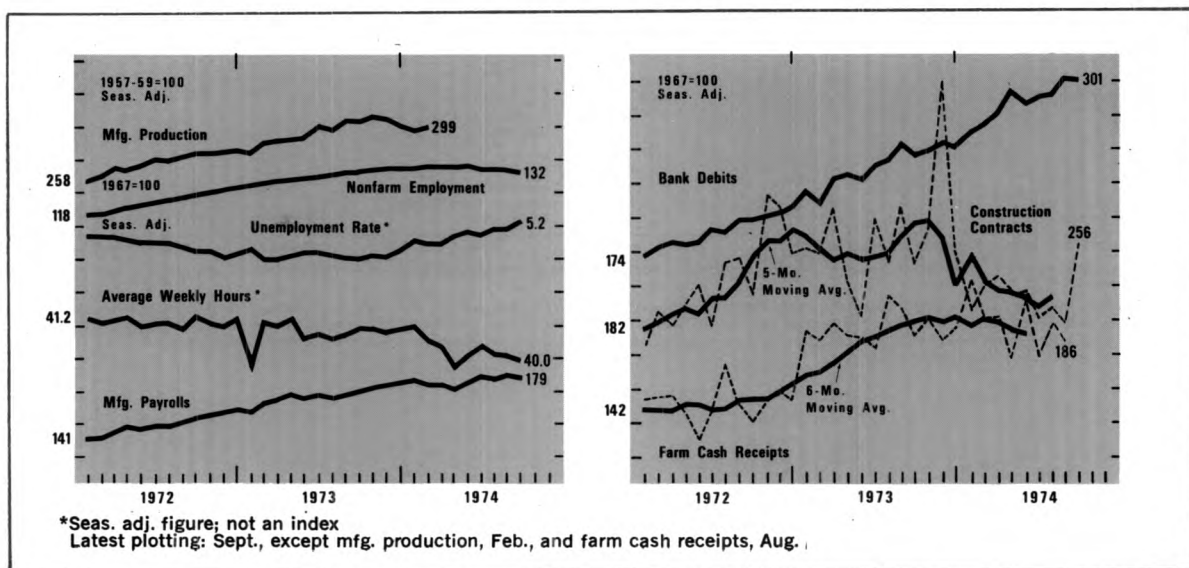
¹District portion only.

²Conforms to SMSA definitions as of December 31, 1972.

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



Sluggishness permeates the Southeast's economy. Weakness in manufacturing employment is spreading to previously unaffected industries, as evidenced by the rising unemployment rate. Value of construction contract awards increased, though still at a significantly low level. The consumer sector remains weak. Bank lending volume has receded; interest charges on business loans have edged down. Deposit inflows at banks and savings and loan associations strengthened. Farm income reductions caused by a sharp decline in live-stock prices were partially offset by good crop yields and higher prices.

The recent weakness in labor markets is spreading. Nonfarm employment dropped slightly. Construction jobs inched upward in September but remained below year-ago levels. Manufacturing employment fell again. Job declines were posted in a host of industries, most notably in wood and wood products; stone, clay, and glass; textiles; and apparel. The unemployment rate rose to 5.2 percent in September from 4.9 percent in August, verifying the weakening labor market. A year ago the rate was 4.0 percent.

The value of total construction contracts was up in September but was well below levels of earlier periods. In the residential sector, a small increase in the value of contracts, the first in five months, was accompanied by small net inflows of deposits to savings and loan associations. Permanent mortgage rates on single-family units have tended to level off. The value of nonresidential contracts jumped as a result of two large contracts, one for an electric power plant in Louisiana and one for apartment buildings in Florida.

Consumer borrowing from banks increased moderately in September. Weakness in auto lending again offset the growth in lending to purchase

nonautomotive consumer goods. Debt repayments returned to trend, following some sluggishness in the previous month. New car sales declined, as did department store sales after the effects of inflation were removed.

By late October, most large District banks had reduced their prime lending rate to 11 $\frac{1}{4}$ percent. Bank lending was relatively weak throughout most of October, after advancing only slightly the month before. Deposit inflows strengthened during October. The recent gain in passbook savings has more than offset the loss in August and September.

Prices of farm products held rather steady from August to September, with rising crop prices offsetting some sharp declines in the livestock sector. However, the price index of all commodities was 10 percent below the year-ago level. Crop prospects remained bright, even though some early frost damage to soybeans was reported. Phenomenal yields have produced a record-breaking peanut crop. High feed prices continued to force livestock to market, while cattle prices declined further in October. Farm cash receipts have dropped below year-ago levels, after being sharply higher during the first half of the year.

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