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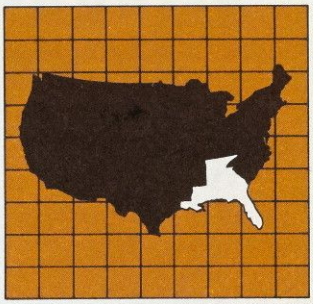
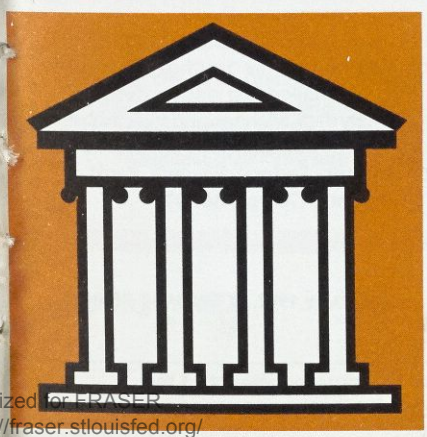


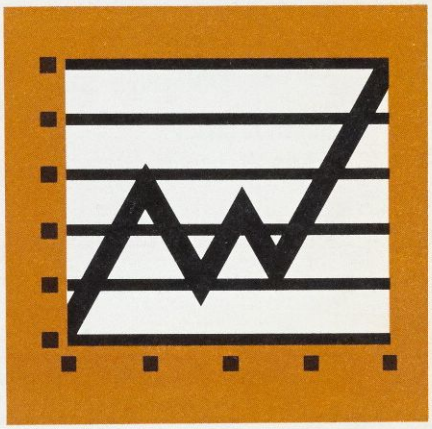
FEDERAL RESERVE BANK OF ATLANTA FEBRUARY 1982

SPECIAL ISSUE

Recession, Recovery, and a Running Start into '83

THE SOUTHEAST IN 1982





Economic Review

FEDERAL RESERVE BANK OF ATLANTA

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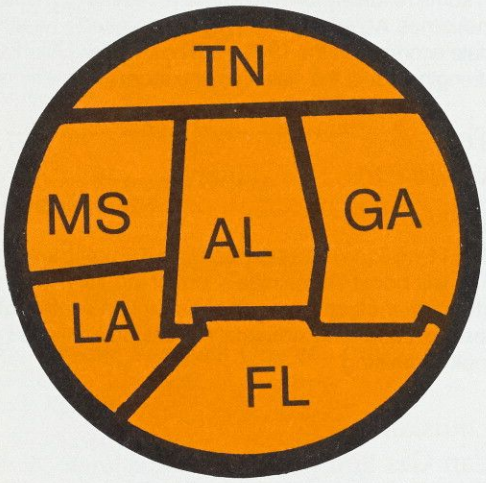
The purpose of the *Economic Review* is to inform the public about Federal Reserve policies and the economic environment and, in particular, to narrow the gap between specialists and concerned laymen.

SPECIAL ISSUE

This special issue of the Economic Review is devoted entirely to the 1982 outlook for the states of the Sixth Federal Reserve District. With the region as well as the nation locked in a recession which tightened its grip during an icy winter, questions about the slump's duration and severity intensified. The articles in this issue assess the District states' varying economic profiles and project what the new year holds in store. The analysis was conducted by the Bank's Regional Research Team under the direction of research officer Gene D. Sullivan. The authors listed at the end of each state article had primary responsibility for its preparation, but the following members of the Federal Reserve Bank of Atlanta research staff contributed to all or some of the articles:

Donald E. Bedwell, Charlie Carter, William J. Kahley, David D. Whitehead, Delores W. Steinhauser, David M. Avery, Mark Rogers, Leigh Watson-Healy, Kimberly McCoy, Edward Waller, Kathy Fulton and Pam Frisbee.



The Southeast in 1982: An Overview

Moving into the new year, a national recession continues to cast a long shadow across the Sunbelt. If that recession seems less foreboding in the burgeoning Southeast than across the nation, it still spells lingering trouble in 1982.

Prospects look encouraging for the stirrings of a modest recovery by late 1982, assuming that interest rates continue their erratic downward course. The recovery gives little indication of being a vigorous one, but rather a laborious effort lacking the exuberance of typical rebounds of the past.

Such a scenario—a slow recovery beginning late in the second half—would give the economy a running start going into 1983, even if it leaves '82 as another year of lackluster performance.

"Despite December's modest improvement in the leading economic indicators," warns Senior Vice President Donald L. Koch of the Federal Reserve Bank of Atlanta, "our region may feel the national recession's effects even more sharply in 1982."

Just the same, southeastern employers and employees alike should benefit from the region's orientation toward service industries—less vulnerable to cyclical downturns than manufacturing. Similarly, they should fare better because the region counts a greater share of light manufacturing and less of the more cyclical heavy industry.

Those cyclically sensitive manufacturers were the first to feel the recession that began last summer. Further cutbacks are expected early this year in manufacturing, keenly dependent on orders from customers from outside the region. Things also could get worse before they get better in construction, trade and agriculture in the Southeast.

Across those states wholly or partially within the Sixth Federal Reserve District—Alabama, Florida, Georgia, Louisiana, Mississippi and Tennessee—the recession's impact varies dramatically.

Florida and Georgia showed surprising resistance to the national slowdown both in 1980 and early 1981, as their relatively service-oriented economies proved less vulnerable than those of states dependent on manufacturing. Both, however, began to feel the squeeze late in 1981 and could see their growth faltering early in the new year.

Louisiana's blue-chip petroleum industry also has given it a measure of protection against the slowdown, although the recession has afflicted

many of its other industries—hurting the northern portion of the state in particular.

Alabama, Mississippi and Tennessee have suffered with manufacturing-oriented economies. New plants under construction in Alabama and Tennessee could prove helpful in 1982 as could a planned World's Fair in Knoxville; Mississippi's economy can't expect a rebound until construction begins to strengthen, reviving the state's lumber and wood products industries.

The differing impact among southeastern states is mirrored in such statistics as the number of jobless on their unemployment rolls. Alabama reported a 12.5 percent unemployment rate, seasonally adjusted, in December, one of the highest rates in the nation; Tennessee groaned under a 10.4 percent rate, and Mississippi registered 9.1 percent. Even Louisiana carried an 8.9 percent rate, while only 7.7 percent of Florida's workforce and just 7.0 percent of Georgia's workers couldn't find jobs.

Job growth promises to continue flat, or even down, because of widespread weakness among the District's manufacturing firms. Such weakness should keep regional unemployment rates edging up through the first half of 1982. Escalating joblessness would be distressing for a region that already was unable to create sufficient new employment fast enough in recent years to absorb the continuing influx of northerners.

Employment in the public sector is expected to weaken as most levels of government impose new budgetary restraints. Hiring by state and local governments will be unusually sluggish in 1982 as the weakened economy generates less revenues from sales and income taxes.

Government hiring also will be limited by reductions in federal spending as the Reagan administration campaigns to rein in the federal budget and combat the inflation that has infected the national economy for 15 years. Those cutbacks also are curtailing or eliminating a host of social programs, forcing state and local governments to decide whether they want to pick up the slack with local funds.

Some weakness can be expected to continue even in the service industries. That weakness manifests itself in persistent sluggishness in business travel across the region and slumping tourism in some of the region's most popular recreational areas, such as Florida.

And it could take some timely divine intervention to help District farmers, struggling under a heavy debt burden after back-to-back years of drought and disappointing prices. In Georgia's hard-hit rural areas, for example, a record 5,600 farmers have fallen behind on payments for their federal agriculture loans.

Construction's Plight

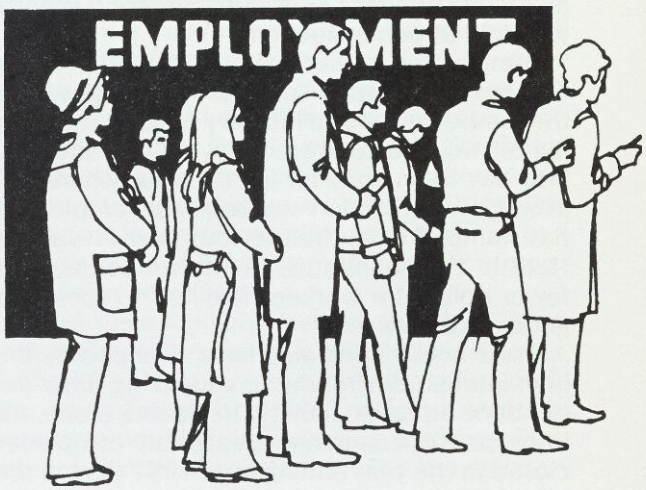
Even a modest recovery would be welcome to such battered sectors as construction and the automotive industry.

Homebuilders and other construction-related firms should begin a gradual turnaround by late 1982, if the trend toward lower inflation rates persists. That downtrend, which began last fall, could stimulate economic activity in the new year, to the extent that it translates into lower mortgage rates.

The arrival of 1982 saw the three-year-old slump in residential construction spreading to other construction categories in a plunge that has sent shock waves rippling through the economy. Sawmills, lumber yards, cement companies and construction workers appear likely to find work hard to come by in the first half of 1982.

The residential component probably ranks as the most important sector of the construction industry, as well as the most volatile. As of November, for instance, the value of residential construction contracts constituted 50 percent of the Southeast's total construction contract value and 42 percent of the nation's total.

Homebuilding's slump has affected firms ranging from electrical and mechanical suppliers that literally provide the nuts and bolts for new buildings to the carpet and light fixture manufacturers that help transform a house into a home. Contractors and suppliers have been



forced to make cutbacks idling plumbers, carpenters and electricians.

Even construction's "nonbuilding" category—public projects such as highways, bridges and dams plus private installations including power plants—has faded as local and state governments joined commercial businesses in tightening their budget belts a notch or two.

Although the Southeast's historically solvent cities and states should fare better than the nation—whose nonbuilding has plummeted 34 percent in just two years—they are unlikely to launch many job-creating new projects this year.

The construction industry's woes are dramatized by Florida, where a builders' association executive says 30 to 40 percent of the state's construction workers are out of work, and in Georgia, where an Atlanta builder's 85-house inventory recently was sold at public auction.

Some lumber mills have been forced to close, bad news for a state such as Mississippi where the lumber and wood industry ranks as the third largest manufacturing employer. That industry also has been hard hit in Alabama, where the average weekly hours worked by its employees has slumped from the previous year's levels—a statistic that translates, in human terms, into fewer dollars for workers' families to spend on goods and services.

Used home sales also have slumped in the high-interest environment, squeezing firms dependent on sales activity. In Atlanta alone, for instance, 77 percent more real estate companies closed in the year ending June 1981 than in the previous year. Construction-related businesses in other District cities are experiencing similar pressure.

Some realtors and builders have responded with a multitude of "creative financing" techniques, most involving seller-held second mortgages. In metropolitan Atlanta, where single-family housing starts were off by 50 percent in November from the same month a year earlier, two developers even offered buyers the option of paying off their mortgages in five years—with no interest at all, but a hefty downpayment.

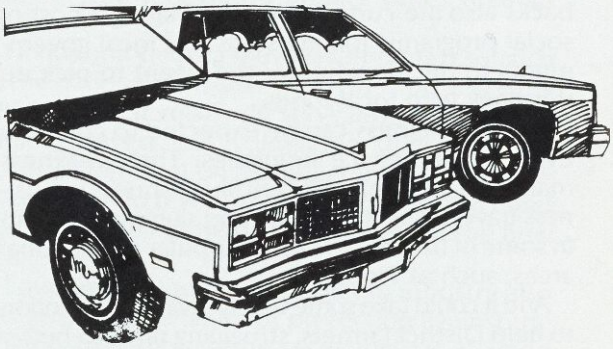
Across the Southeast, construction's downturn and the stagnation of used home sales are reflected in depressed mortgage lending activity, a distressing trend for savings and loan associations that already are borrowing heavily from Federal Home Loan banks. Financial pressures triggered an increased number of thrift mergers in 1981. It seems certain that the institutional weddings—some of them urged on by a regulator's shotgun—will continue in the new year.

Auto Industry Bogged Down

The auto industry remains mired in recession like a Model T in a mudhole, with little prospect of significant growth until 1983.

Auto sales continue to lag, with dealers' incentives no longer able to overcome the resistance of hesitant purchasers. That has meant cutbacks for auto assembly plants across the Southeast, with both Ford Motor Company and General Motors idling many operations temporarily going into January. When those assembly lines grind to a halt, of course, it also means layoffs for ancillary firms that supply the industry with everything from tires to fanbelts.

The auto slump has impacted not only such evident targets as vehicle parts plants but less obvious victims such as textile firms that manu-



facture seat fabrics or auto carpeting. Similarly, textile manufacturers have felt ripple effects from the housing slowdown and faltering sales of furniture and other big-ticket consumer goods.

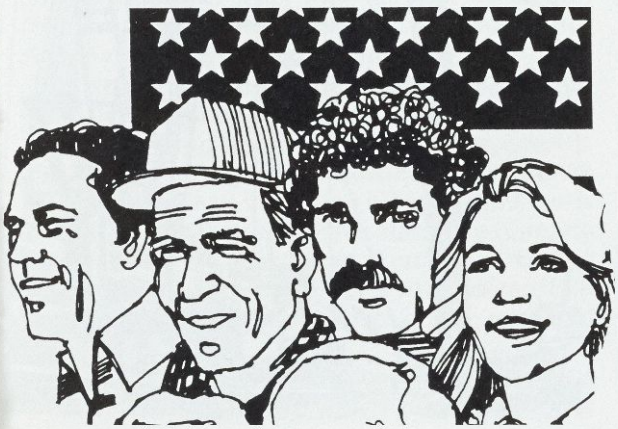
Southeastern textile leaders hope that a cooling inflation rate and planned tax cuts will bring their industry a turnaround later in 1982. If that activity delays the industry's recovery this year, it'll be bad news for the Southeast in general. The textile and apparel industries remain bread-and-butter employers in communities across the District, even though their employment has declined gradually since the recession of 1973-1975 triggered a movement toward greater automation.

Textile and apparel manufacturers also find themselves competing against a deluge of imports. Imported textile goods climbed 17 percent in the first 10 months of 1981, as the dollar's renewed strength overseas made foreign merchandise more competitive on American department store shelves.

Stimulant for Consumers?

On the other hand, if interest rates resume their zig-zag decline it could give a boost not only to textile and apparel firms and automakers but to other manufacturers. Reduced financing charges should induce consumers to step up their purchases of new cars, furniture, and appliances. Purchasers also will be encouraged by additional income tax reductions and Social Security cost-of-living adjustments that are expected to increase spendable income by midyear.

Consumer spending remains a major question mark. Retailers expect the first few months of 1982 to be difficult because of rising unemployment rolls and the desire of consumers to save their earnings, a penchant encouraged by such



new savings vehicles as the Individual Retirement Account that became effective with the new year.

The holiday shopping season added to retailers' concerns. Shopkeepers reported a modest surge of last-minute buying, with home video games and computers moving off the shelves quickly. Yet some major retailers assessed the holiday season as the worst since recession-year 1974.

Sales were particularly disappointing in view of the binge of discounting retailers served up early in the season to lure shoppers. Premature price-cutting threatened to reduce any profits that retailers were able to muster. Inflation, though waning, continues to hurt retailers and their customers alike. Although retail sales generally were exceeding the 1980 volume before the holidays arrived, inflation was negating any real growth for shopkeepers.

If retailers have been hurt, so have the transportation industries, with employees of some airline and trucking firms agreeing to wage concessions to help keep their employers alive.

Airlines, major employers in the Southeast, find themselves in a crunch as business and pleasure travel continues in a tailspin. That slump is evident in the below-average number of passengers being carried into and out of airports across the Southeast.

Truck lines similarly have felt the pinch. Their corporate customers have whittled inventories, in the case of retailers, or curtailed production, in the case of manufacturers. Trucking executives report some difficulty assessing the recession's impact, since it coincided with deregulatory

legislation that opened their traditional markets to a host of new competitors.

With that litany of troubles, prospects aren't sanguine for jobhunters. Toward yearend, the unemployment rate was edging upward, with the national rate reaching a six-year high of 8.9 percent in December. That rate represented 10 million jobless men and women, the highest number since 1939.

With energy costs and the recession curtailing expansion plans for such industries as chemicals, it appears unlikely that industrial development and investment this year can equal the near-record levels posted in 1980 and 1981 by several District states. In fact, latest reports show no significant expansion in investment in 1981 from the previous year's levels.

However, District manufacturing industries should be given a shot in the arm by the Reagan administration's tax cuts affecting business fixed investment—particularly in industries that can benefit from the liberalized tax credit for rehabilitation of aged factories.

Those cuts should provide a windfall for the District, which depends heavily on its slow-growing nondurable manufacturing industries to provide paychecks for its burgeoning population. Textile, apparel and food processing account for more than 30 percent of the six states' manufacturing jobs, while those categories provide only 18.5 percent of the nation's manufacturing employment.

If the administration's tax program can help breathe new life into such industries, its focus on reversing 15 years of inflation offers hope of stimulating industries that had been hesitant to invest in modernization or expansion. Last year's annual average CPI declined to 10.3 percent, comfortably below the 13.5 percent that bedeviled the economy in 1980 and the 11.3 percent inflation of 1979.

The battle against inflation will continue in 1982, possibly at a D-Day tempo. The administration has expressed determination to continue paring government spending to keep inflation from running amok again. And the Federal Reserve has refused to fuel inflation by pumping cash into the economy at a faster rate.

If the administration's tax reforms and war on inflation hold promise for the District in 1982, so does an emphasis on military spending that should aid the District's defense contractors.

Some firms already have won substantial defense contracts while others are gearing up to meet the likely demand. In Florida, for instance, such firms as Martin Marietta, Honeywell and Harris are gearing up for an expansion in the new year.

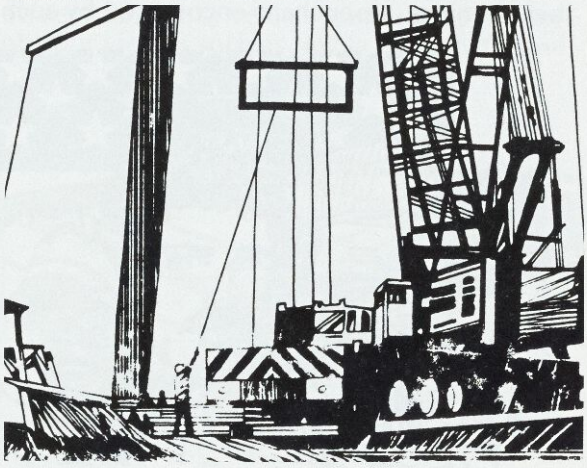
Georgia also could benefit, since defense constitutes its largest sector and many federal programs throughout the Southeast are adminstered from the Atlanta area.

Mississippi also should be a winner in the military contracting game, with greater defense expenditures through Ingalls Shipbuilding in Pascagoula, the state's largest industrial employer.

If 1982 looks encouraging for defense contractors, it should also prove profitable for the District's mushrooming electrical equipment and supplies sector. High technology firms of all kinds, in fact, are prospering while more traditional employers bemoan the economy.

"In contrast to the lackluster or negative growth" for many of Georgia's largest employers, as a Federal Reserve Bank of Atlanta study pointed out, "the high technology and communications industries are growing at a rapid pace." The Atlanta Fed cited such firms as Scientific-Atlanta and Cox Broadcasting, both staffing up to meet increased demand.

Another bright spot in the District's economy that shows no sign of letup is the oil and gas exploration industry and its equipment suppliers. The removal of price controls on petroleum is stimulating record drilling activity. Firms that make and repair oil field equipment and offshore platforms should continue to expand through 1982.



That oil boom should continue to fuel Louisiana's economy in the new year, as oil and natural gas exploration continues to provide a windfall for that state's government. Neighboring Alabama last year accepted almost $450 million worth of bids from petroleum firms seeking to drill in Mobile Bay, the fattest bids ever for a Gulf Coast state.

Another plus for the region is the Tennessee-Tombigbee inland waterway, which promises to put hundreds of workers on the job this year. When completed in 1986, it will enable barges to travel from Mobile, Alabama to the Great Lakes, adding to Alabama's attractiveness for plant sites.

Big plant projects spell big paychecks in individual communities around the District, even though the region's industrial development totals don't promise to be spectacular.

In Fairfield, Alabama for instance, U.S. Steel plans a $650 million seamless pipe facility that will add 1,000 workers. And in Smyrna, Tennessee, Nissan Motor Company already has put 500 to work building a Datsun truck factory expected to employ five times that number on its assembly lines by 1984. Japan, like other prospering foreign nations, remains enthusiastic over plant locations in the Southeast despite presently costly financing rates.

Tourism: A Mixed Bag

Tennessee also will host the Knoxville World's Fair, which promises to lure at least 11 million visitors. Those visitors will spend their money not only in Tennessee but in the stores and attractions of neighboring states as well. If the dreams of its advocates come true, that fair will offset the depressing impact of a national slowdown and still-intimidating gasoline prices.

Those high pump prices and the recession could actually bring southeastern attractions more short-haul visitors from neighboring states. Tourists already are opting to visit destinations closer to home, rather than venturing off to distant lands as they have in the past. Some states are hurrying to capitalize on that trend. Louisiana, touting itself as "A Dream State," recently posted billboards in nearby states beckoning potential vacationers.

The closer-to-home trend could prove to be a bad dream for Florida, which traditionally has

welcomed tourists from around the country and around the world. With Miami taking its lumps in the national press, which repeatedly has publicized drug and crime problems, another no-growth year seems likely for Florida tourism.

Tourism , so important in attracting outside money to the Sunshine State, could get a boost when a monumental new attraction throws open its gates in October. That Central Florida extravaganza is Disney World's $800 million EPCOT—the Experimental Prototype Community of Tomorrow, designed as a showcase of futuristic technology.

Its upward momentum and an economy based on service industries also should help Florida weather 1982 with strength -- even if it won't be able to breeze through as painlessly as it shrugged off the 1980 slowdown.

A depressed housing market and high interest rates threaten to stem the flow of northerners into the state during the year.

Overbuilding of multifamily projects in south Florida also could prove a drag on the state's economy.

In neighboring Georgia, the Atlanta area is worrying over the prospects for overbuilding as several commercial office towers rise downown. Unless the national economy picks up, some developers fear, the new construction—blueprinted when the market was booming -- could produce a glut of vacant space in 1982.

Other states have problems of their own.

Mississippi and Tennessee, for example, both count a higher-than-national proportion of their workers in goods-producing industries, making

them vulnerable to recession. Both face sluggish job growth, with unemployment rising through the first several months of the year before the recovery can be expected.

Although Mississippi should benefit from escalating defense expenditures, any gains appear likely to be overshadowed by weakness in the state's construction and manufacturing industries. Tennessee's economy, historically more volatile than that of other states, also seems likely to be hard hit for several more months.

Financial Institutions Merging

A competitive new operating environment, marked by loosened regulatory reins and new challengers, promises to continue paring the number of southeastern depository institutions in 1982. Relaxed merger laws, and increased financial pressure on weaker institutions to go to the altar with stronger partners, are stimulating the consolidation trend. Aggressive bank holding companies also are contributing to the rash of mergers. The S&L industry has been a hotbed of merger proposals. In Georgia alone, a recent count of the state's 96 S&Ls showed 24 institutions were approved to consolidate into half that number.

As of last June, 2,094 commercial banks were doing business in the Sixth District, a decline of 11 from December 31, 1980.

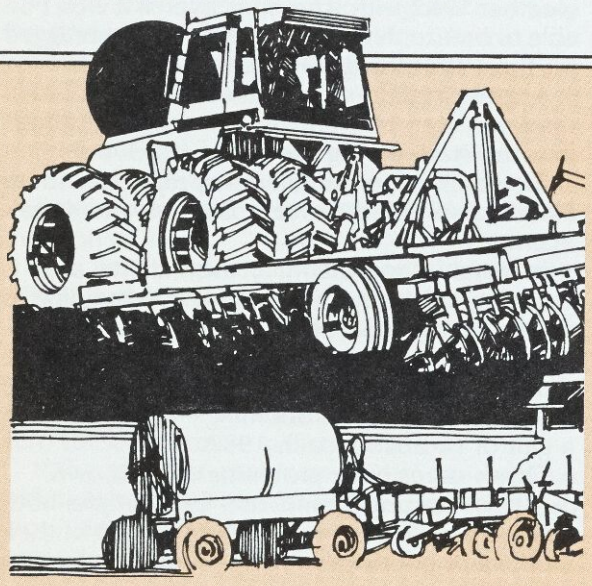
Both banks and S&Ls must contend with unexpected new competition from firms traditionally outside the financial services marketplace. Those include the mutual funds and securities houses that bankers say have been diverting millions of dollars in savings from traditional depository institutions. Money market mutual funds alone have grown into a $185 billion industry in only six years.

Insurance firms and retailers also are wooing bank and S&L customers by offering new savings instruments or acquiring firms already equipped to compete in the financial services market. District depository institutions are fighting back with such new instruments as the All-Savers certificate, introduced October 1, which provides investors with an attractive tax exemption, and the interest-paying NOW checking account (for Negotiable Orders of Withdrawal) offered for the past year. Removal of the "cap" on 2 1/2 year Small Saver certificates also should generate business for S&Ls in the new year.

S&Ls continue to borrow heavily from Federal Home Loan Banks as they struggle to retain deposits. Thrifts in the region, as across the nation, achieved an increase in net deposits in August and September following record deposit losses in July.

For the first 10 months of 1981, total S&L deposits in the District states grew by about $3 billion.

Commercial bank deposits appear to be growing faster in the Sixth District than in the nation as a whole, with every state except Florida and Tennessee boasting annual deposit growth rates in commercial banks exceeding national averages.



Farmers Fighting Back

Southeastern farmers enter the new year reeling under a heavy burden of debt and high interest costs after back-to-back years of drought and disappointing prices. An early January freeze dealt another surprise blow to Florida's citrus industry, still recuperating from a similar cold wave early in 1981.

Even though farmers around the District fared better generally last year than in 1980, they wound up with losses that were particularly bitter because the outlook had appeared so hopeful at the beginning of the year.

For farmers' fortunes to improve in 1982, favorable weather—long on rain and short on further damaging freezes—must allow them

Savings deposits in the District are declining at an annual rate of 15 percent, however, while demand deposits are declining by 16 percent each year. The declines in both savings deposits and demand deposits are more precipitous than the United States as a whole.

The introduction of NOW accounts apparently contributed to the decline in demand deposits, judging from the statistics. Time deposits and NOW accounts increased substantially during the year.

Commercial bank loans increased by about 10 percent in the District during the year ended June 30, a decrease from the historic gain in gross loans. Those bank loans increased an average of 11 percent over the 1976-1980 period.

International Trade and Finance

The emergence of coal as an energy source should enhance the Southeast's status as a gateway for international trade in the new year, while a new vehicle known as the IBF should give the District's international trade a boost.

Coal recently has emerged as a fast-growing U.S. export, and coal exports from Louisiana, Alabama and Georgia could well become a major trade event of 1982. The expected completion of the Tennessee-Tombigbee Waterway in the latter half of the decade and, longer term, the possible deepening of channels at the Ports of New Orleans and Mobile could allow coal exports to Europe and Japan to soar.

Even without such capital improvements, coal imports in 1982 and beyond promise to grow rapidly.

Grain and soybean exports, on the other hand, may not expand as rapidly in 1982 as in recent years because of increased harvests elsewhere in the world and the strong exchange value of the dollar. Florida exports tapered off ominously late last year, even out of Miami, which has grown enormously as an exporter of a variety of products south of the border.

The strategic location of southeast seaports and airports to fast-growing Latin, Asian and African markets has contributed to the region's rapid growth in international trade, as has its above-average rate of general economic growth.

Over the decade of the 1970s, Sixth District seaports and airports significantly increased their share of total U.S. trade—from 10 percent in 1970 to 15 percent in 1980. The District's international financial activity has been equally stunning with 18 more Edge Act corporations or foreign bank agencies added in the first 10 months of last year alone. Miami and Atlanta have been centers of that growth, expected to continue in the new year.

By November, the number of internationally active banking entities in the District had soared to 35 internationally active commercial banks, 46 Edge Act corporations and 39 agencies of foreign banks.

The volume of such activity is reflected in the fact that banking entities in the District increased

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to increase their output and prices must advance from 1981's depressed levels. Hopefully, positive returns can allow producers to begin paying down their growing indebtedness in the year ahead. Without that, the region could see financial failures multiply as farmers labor under their burden.

The Farmers Home Administration, lender of last resort for farmers, already is carrying a heavy loan portfolio resulting from a series of painful setbacks since 1977, when some states experienced severe drought. Spokesmen for Georgia's state FmHA office, for instance, report that many of their farm borrowers currently are behind schedule on their payments. Voluntary liquidations and bankruptcies have been rising in Georgia as farmers decided they couldn't recover under current financial prospects. Technically, a rising tide of foreclosures could occur; however, FmHA officials say they hope to limit foreclosures to cases where financial problems have been aggravated by mismanagement or by a borrower's voluntary failure to live up to agreements reached with the agency.

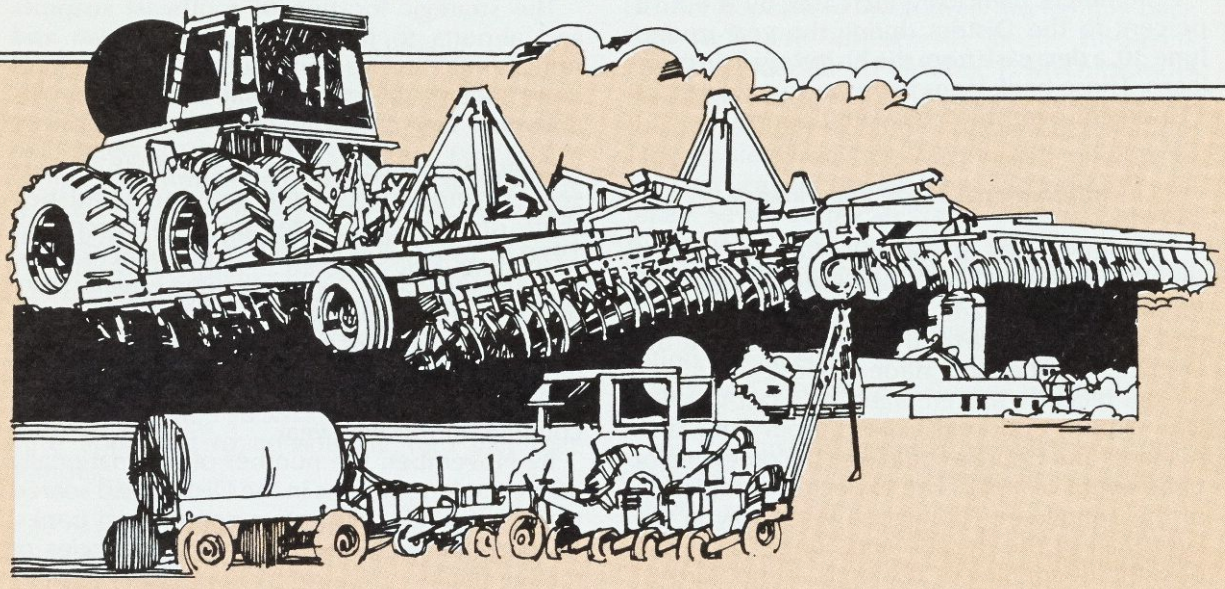
The litany of bad news for southeastern farmers also represents bad news for the District, since agriculture remains one of its most vital industries. Annual farm cash receipts represent about 8 percent of the region's total

their lending to foreigners by almost 50 percent in the year ending in June. For that same period, the national gain was a more modest 32 percent.

An important new development in international finance is the new financial institution known as the International Banking Facility, or IBF, which banking entities were authorized to open as of December 3, 1981. With such a facility, domestic banks can borrow funds from foreign investors—which then are free from the reserve requirements that cover domestic deposits—and can lend to foreigners at world interest rates. Over 35 entities in the region, most of them in Florida, have announced they are opening the IBFs.

A significant volume of international financial transactions formerly booked in offshore branches of U.S. and foreign banks are likely to continue coming "home" to mainland offices in the new year.

—Donald E. Bedwell



personal income. That proportion varies widely among the states, however, reaching as high as 17 percent in Mississippi and as low as 6 percent in Florida.

What's gone wrong? Besides Florida's freezes, some District states have suffered through as many as four years of unusually dry weather out of the past five. Ironically, despite the decimated local production, bountiful crops in other parts of the country have depressed prices, helping to whittle regional farm income well below estimated costs.

The year just ended dramatized the problems that have been bedeviling southeastern farmers. Going into 1981, farmers were heartened by high production estimates for all crops. Yet prices on major crops fell dramatically, carrying with them the farmers' hopes for a productive and profitable year. Soybeans, a representative crop accounting for 16 percent of the District's farm cash receipts, plummeted more than 20 percent. Cotton and corn prices suffered comparable setbacks.

Even with the deflation of farm prices, income estimates for the 1981 harvest season remain high compared with dismal 1980 because of the increase in output. Just the same, agriculture's true picture remains bleak when comparisons are made between total production costs and total returns.

The cattle industry, the Southeast's second largest farm income earner, proved to be another losing enterprise in 1981. Even with an appreciable expansion of the calf crop, cattlemen's returns skidded sharply lower because of a major decline in prices and rising feed costs.

Fortunately for the Southeast, other livestock sectors fared somewhat better. Producers of broilers, hogs, eggs and milk—accounting for one-fourth of farm income—increased production slightly and received substantially higher prices in 1981. Unhappily for those farmers, though, rapidly escalating feed costs offset most of the income gains.

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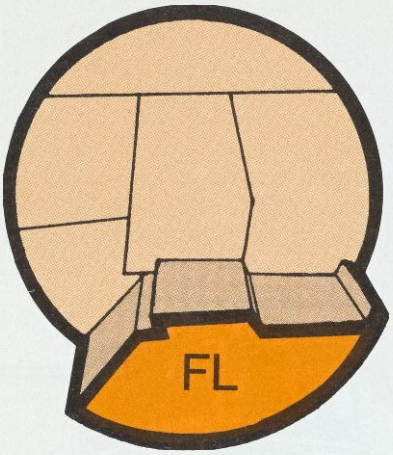
Payment must accompany registration. All others will be returned. Registration fee will not be refunded for cancellations after March 1. No registrations will be accepted after March 10. **Registrations limited.**



FLORIDA: Dealing from Strength in Slow Year

Florida's rocketing economy began to sputter late in 1981 and should continue to slow during 1982. The forces powering the state's growth—in-migration, construction, and tourism—although still stronger than most District states, have been weakened by a sluggish national economy.

Florida sailed through 1980 and early 1981 with little evidence of economic weakness. People continued to pour into the state in search of sun, surf and opportunity while new businesses hurried to set up shop in impressive numbers. Underlying forces continue pushing Florida upward in the new year, but much slower growth seems likely.

Weak spots began to crop up in the state's economy late in 1981 as a prolonged housing slump nationwide reduced Americans' mobility and dampened the flow of in-migrants crossing the Florida line. People faced with today's stagnant real estate market realize they have a slim chance of selling their home and may postpone moving for another year.

What's more, overzealous real estate investment in south Florida could undermine the economy in 1982 as developers draw back to compensate for overbuilding in 1980 and 1981. Such overbuilding, coupled with the reduced level of in-migration, should slow the Florida economy this year.

The state's dependence on 35 million visitors annually also makes it vulnerable in 1982 as no improvement is expected in 1981's disappointing tourist trade. Rising air fares, higher hotel rates and adverse national publicity surrounding Miami have diminished Florida's image as a great tourist bargain.

The longer-term outlook appears bright, however. As mortgage rates drop, the housing market may begin to recover late this year. Population inflows should move back up to the 250,000-275,000 per year level in 1983.

Business migration remains healthy. The space shuttle, a strengthened defense sector, and a growing international trade sector may promote industrial growth. These forces should help buffer Florida against the stagnant tourist industry and real estate downturn.

Between 1970 and 1980 Florida gained almost 3 million residents, pushing the total population up to 9.74 million. The number of new households increased by 1.85 million during the decade. The residential construction industry boomed as population growth required an average 185,000 new homes to be built each year.

Considered early-on as a retirement haven, Florida attracts a disproportionately large share of older migrants. Seventeen percent of the

Florida population is over age 65 compared to 11 percent nationwide. These retirees derive their income from social security, dividends and interest payments. They spend their money at local retail shops and on health care. Therefore, the services and retail trade industries have flourished, providing ample job opportunities for the younger population.

Another factor spurring retail and service opportunities in Florida is the large number of tourists visiting the state each year. In 1970, about 19 million people visited the state. That figure almost doubled over the decade to 35.6 million tourist arrivals in 1980. Tourist-related wages in Florida represent almost 10 percent of the state's total personal income.

The 1973-75 recession left the vulnerable Florida economy virtually lifeless. As annual population growth dropped substantially between 1972-73 and 1975-76 and tourist arrivals slumped, the demand for new homes and local services fell sharply.

Since then, the Florida economy has taken off again, driven primarily by population growth. Recession-resistant high-technology manufacturing industries have replaced construction-related manufacturers in importance. International activity has demanded Florida's attention while the rest of the United States suffered from high interest rates and inflation. Prime working age residents are attracted to Florida as more diverse job opportunities open up even though salaries are generally lower than in other states. The age 25-44 group is expected to increase from 24 percent to 29 percent of the Florida population in the next 10 years.[1]

Florida's economic momentum helped the state miss the 1980 recession. Even the 1981

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[1] Stanley K. Smith, **Population Studies**, Bulletin No. 56, University of Florida, July 1981.

Table 1. Florida Business Cycle

	1973-75 Recession			1980-81 Recession		
	Peak	Trough	% Decline	Peak	Current	% Decline
Annual Population Growth	476,200	125,800	−74%	*291,000	238,000	−18%
Year Ending	4/1/73	4/1/76		4/1/80	12/31/81	
Personal Income						
Year-over-Year Change	18.9%	7.0%		16.2%	16.0%	
Date	3Q/73	3Q/75		1Q/81	2Q/81	
Residential Construction						
Number of Units						
12-Mo. Cum. Rate	273,600	52,300	−81	196,000	154,956	−21
Year Ending	7/31/73	12/31/75		10/31/79	11/30/81	
Single-family Permits						
12-Mo. Cum. Rate	87,100	37,100	−57	100,100	74,609	−25
Year Ending	7/31/73	8/31/75		10/31/79	11/30/81	
Multi-family Permits						
12-Mo. Cum. Rate	230,000	11,500	−95	92,100	77,882	−15
Year Ending	6/30/73	2/28/76		5/31/81	11/30/81	
Nonresidential Construction						
Millions of dollars						
12-Mo. Cum. Rate	1,650	1,250	−24	3,750	3,676	−2.0
Year Ending	10/31/74	10/31/76		9/30/81	11/30/81	
Nonfarm Employment (000's)	2,901	2,681	−7.6	—	3,810	
Date	4/74	8/75			11/81	
Year-over-Year Change	+5%	−5%			+4.4%	
Unemployment Rate						
Seasonally Adjusted	3.6%	11.8%		5.0%	7.6%	
Date	10/73	5/75		1/80	11/81	
Taxable Sales	N.A.	−3.2%		+20.9%	+15.7%	
Year-over-Year Change		10/75		10/78	10/81	
Tourist Arrivals					(est.)	
Millions annually	24.8	24.2		35.9	35-36	
Date	1973	1974		1980	1981	

N.A. - not available. *Does not include 100,000 Cuban and Haitian refugee immigrants.

figures show an economy somewhat immune to a downturn (Table 1).

Personal income surged ahead 16 percent in 1981 compared to a national growth rate of 12 percent. Businesses added 160,000 new workers to payrolls in 1981. Commercial construction pushed ahead 22 percent and residential construction held its own. Taxable sales at retail establishments held a steady 16 percent rate of growth. Sales of clothing, industrial machinery, farm tools, and office rentals were particularly good in 1981, with year-to-year growth much higher than the state average. But weakness persisted for sales of roofing and sheet metal, appliances, furniture, hardware, automobiles, boats, hotel rooms, and amusement admissions, where sales growth was below average.

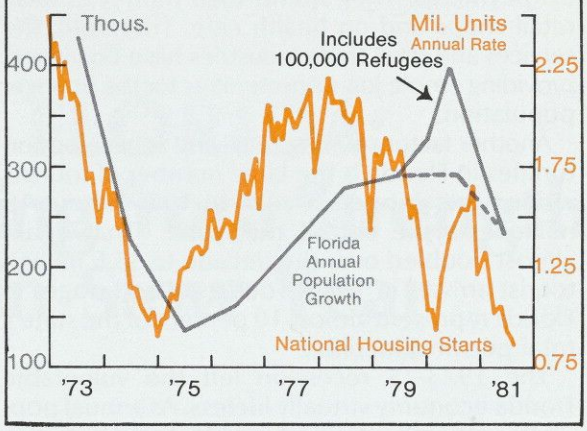
Florida's structural strengths may be tempered in early 1982 by a sluggish national economy and declining in-migration. An economy that relies on the spending of 35 million tourists and 300,000 new residents a year for income gains is vulnerable when national forces restrict those inflows. The exceptional growth attributable to consumer spending isn't immune to a decline, especially as tourism and population growth stagnate. The net effect of the economy's booming and weakening sectors should be only moderate or sluggish growth in 1982.

Potential Weaknesses in 1982

A heavy flow of people into Florida during the 1970s increased the state's population by almost 3 million people. The 1980 count hit 9.74 million, but the road toward the 10 million mark proved uneven. The annual population figure advanced 476,200 in the boom period of 1972-73, but climbed only 125,800 during the 12 months ended April 1, 1976, the year following the national recession. The recession produced a stagnant housing market which deterred people from selling their homes in the Northeast and Midwest to move to Florida. The 1980 and 1981 recessions had the same effect on housing nationwide (Chart 1).

Florida's annual population increase hit 300,000 in 1979 and would have been the same in 1980, but an influx of 100,000 Cuban and Haitian refugee immigrants pushed the total up to 400,000. In 1981, population increased by only 238,000, but this figure is still high considering the dismal housing picture nationwide. One major difference

Chart 1. Florida Population Change vs. National Housing Starts

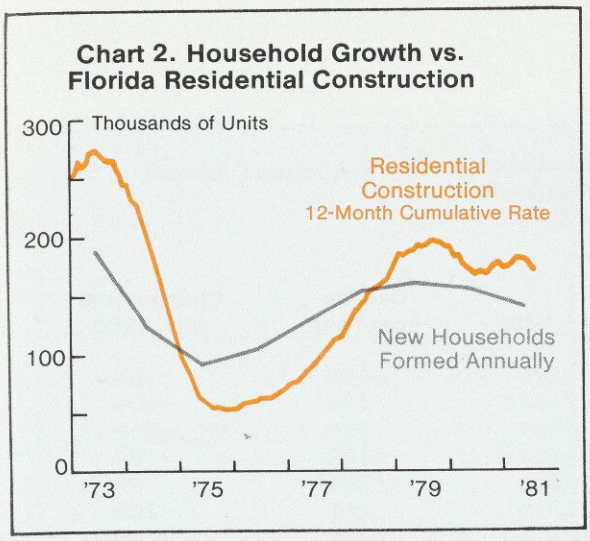


The number of households for 1970 and 1980 are published by the U.S Bureau of the Census. The average number of persons per household in 1970 and 1980 was obtained by dividing the total population by number of households. That figure declined from 2.97 in 1970 to 2.60 in 1980. The number of households for 1971-1979 was determined by estimating the average persons per household in each year assuming the figure declined linearly during the decade. New households were determined by dividing the University of Florida's annual population estimates by the estimated average persons per household. For 1981, the number of persons per household was assumed to be the same as in 1980.

in the past two housing cycles is the availability of mortgage funds. In 1974 and 1975 savings and loans lacked the funds to lend at prevailing rates, so they virtually cut off mortgage lending. In the most recent downturn, mortgages are available, but interest rates prohibit most buyers from entering the market.

Business development has remained extremely good in the last few years. New firms opening offices in Florida are forced to offer increasingly attractive packages to lure professionals into the state. Businesses are shouldering the burden of selling a transferee's existing home and easing the increased mortgage expense of a new home by paying mortgage differentials. New corporate moving policies lighten the cost of moving for homeowners and have helped keep in-migration relatively high during this period of soaring mortgage rates. However, many national corporations have restricted this policy in the past few months.

Another reason population growth still remains above 200,000 per year is that too little time has elapsed to allow the migration lag to take effect. A move generally takes about six months of planning and preparation. Last year's in-migrants began planning their moves during the slack interest rate period of 1980. However, 1982's



potential movers would have been deciding whether or not to take the risks of moving during a gloomy economic period with mortgage rates as high as 18 percent in many places and home sales at an all-time low. Those movers may postpone their plans as late as 1983.

Nationwide home sales probably reached rock bottom in the last quarter of 1981. Lower interest rates may spur a modest national housing recovery in late 1982. However, in-migration to Florida may not respond immediately, keeping population growth at least as low as the 1981 increase of 238,000.

Construction Slowdown

Population growth translates into demand for new homes even in an era of high mortgage rates. In the past, as household formation increased, the home building industry raced to keep up with demand. Years with slower population growth unexpectedly left speculative builders with unsold inventory. In some parts of Florida, this overbuilding phenomenon may have cropped up again as starts have outpaced household formation for several years. With slower population growth and an existing inventory of unsold homes, residential construction is likely to slack up in 1982 (Chart 2).

Residential construction peaked at 195,000 units on a 12-month cumulative basis in late 1979. Contracts for construction fell 14 percent in the 12 months ended August 1980 to 167,000 units. After a brief recovery in early 1981, housing construction declined below the year-end 1980 level. The Florida Association of Realtors reports that sales of single-family homes dropped 30 percent in the third quarter of 1981 from third quarter 1980. Single-family construction may decline even more in response to the weak sales picture.

A multi-family building surge in 1979 and 1980 offset the declining single-family construction. However, condominium and apartment construction peaked in 1981 as developers realized that the surge in multi-family construction may have overshot demand. During 1979 and 1980, speculative buyers viewed Miami condominiums as a high-yielding investment. The area was a "speculator's paradise" as real estate appreciation rates soared, low downpayments were required and developers regularly raised condominium prices. Often, buyers were wealthy Latins or Europeans attempting to protect their assets or American professionals looking for attractive tax shelters in the "sun." Buyers snatched up new condominiums at pre-construction prices and then resold them as prices began to rise, often undercutting the developer's price.

The scheme worked fine until sky-high mortgage rates and plateauing prices cut into speculators' profits. Speculative buyers in south Florida who had created a deceptively strong market for condominiums began to pull out, leaving developers with unsold inventory going into 1982. A University of Florida survey indicated that unsold multi-family units increased from 20 percent of all new units in the first half of 1980 to 36 percent in the first half of 1981. Unsold single-family units increased from 16 percent of new homes to 27 percent. Multi-family construction is likely to continue to decline in 1982, but single-family construction may pick up slightly when mortgage rates fall to a more tolerable level.[2]

Building permits issued in the major southeast Florida markets are dropping sharply. In the third quarter of 1981 multi-family permits plunged 45 percent below 1980 in Miami. In Fort Lauderdale, multi-family permits dropped 36 percent, and in West Palm Beach they slid 27 percent. Construction employment for the state excluding the

[2] Julie Shih, "A Survey of Financial and Construction Activity in Florida" **The Florida Outlook**, University of Florida, Third Quarter, 1981.

Table 2 Residential Construction by SMSA
12-Month Cumulative Rate
Number of Units

	Peak	Nov. 1981	Decline from Peak	Change from Nov. 1980
Jacksonville	6,632	4,775	−28%	−28%
Tallahassee	2,812	2,153	−23%	−20%
Pensacola	3,469	2,207	−36%	−35%
Daytona	6,066	4,932	−19%	−10%
Gainesville	3,433	2,316	−33%	− 9%
Melbourne	6,888	5,115	−26%	−20%
Orlando	12,313	10,615	−14%	+ 6%
Lakeland	3,865	3,011	−22%	−15%
Tampa-St. Petersburg	30,212	25,198	−17%	+ 8%
Sarasota	6,899	5,621	−19%	− 3%
Ft. Myers	9,296	7,495	−19%	+ 3%
W. Palm Beach	29,197	19,809	−32%	−22%
Ft. Lauderdale	23,782	12,285	−48%	−22%
Miami	22,475	16,280	−28%	−18%

three southeast Florida counties increased by 10,200 workers during 1981. But the three southeast Florida counties dropped 9,000 construction workers for the year.

Many workers are still employed on jobs begun during the peak condominium market of late 1980 and early 1981. Fewer contracts are coming up to provide jobs for those construction workers. Irv Alder, president of the South Florida Builders Association, was quoted in the Miami Herald as saying that 30 to 40 percent of Florida's construction workers are out of a job. The official data may not reflect the sharp increase in unemployment of construction workers until later in 1982 and may never indicate the true picture of economic stress.

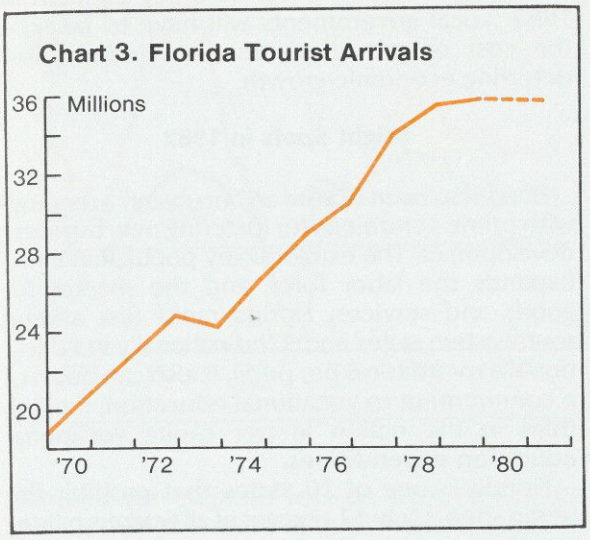
Residential building is stronger in central Florida, where new companies are moving in, bringing employees with housing needs. Orlando new home construction was up 6 percent for the year, and Tampa-St. Petersburg building moved up 8 percent. Growth in these cities should continue to reflect new industries moving into the area in 1982, while south Florida could take the brunt of the construction weakness (Table 2).

Where Are The Tourists?

Tourism remains one of the most important industries contributing to Florida's growth and economic welfare. The state ranks second in the country both in payrolls from tourist-generated jobs and in the number of dollars spent by tourists. Supplying tourists' needs and desires directly contributes to new business development. The 1980 and 1981 national recessions adversely affected Florida's tourism industry.

A repeat performance is expected in 1982. Rising air fares and hotel rates near the national average have reduced Florida's appeal as a bargain vacation spot. The reduced number of air traffic controllers is beginning to hamper the flow of winter tourists to Florida. Extra flights, usually scheduled during this peak season, are not available. Although a record 35.9 million visitors traveled to Florida during 1980, the figure is only 1 percent greater than in 1979. Tourist arrivals climbed 5 percent in 1979, and in 1978 they jumped 11 percent (Chart 3).

The state received over $17 billion from tourists during 1980, a 7 percent increase over 1979.



The 1981 numbers show no improvement. Compared to the 25.3 million tourists who traveled to Florida during the first three quarters of 1980, the number of visitors during the first three quarters of 1981 dropped to 24.5 million—a decrease of 3 percent. Auto travelers accounted for 15.9 million tourists, while 8.7 million flew into the state. Domestic tourist doldrums are primarily a result of the higher prices and nationwide economic stress.

Florida, more than any other southeastern state, traditionally has hosted many tourists from all over the nation. But non-traditional tourist states are benefitting since tourists are traveling closer to home. Thus, while other southeastern states have experienced increases in tourists traveling from nearby states, the number of tourists visiting Florida has been curtailed.

Neither the 1981 nor comparable 1980 figures include tourists from overseas who have kept tourist growth positive over the past two years. This is the fastest growing segment of the state's tourism industry. Approximately 7 percent of Florida's tourists travel from overseas. Because exchange rates are not as attractive as they were in the past, many potential foreign visitors were turned away in 1981. International plane passenger arrivals at the Miami airport were down 4.4 percent for the year.

Yet for those international tourists who do come to the United States, Florida is one of the most popular states to visit. An aggressive campaign has been launched by central Florida in an attempt to attract a larger share of the international tourists who historically have entered the state through Miami International Airport. They have spent most of their time and money in south Florida before taking any brief visit to central Florida.

Now central Florida hopes to reverse this schedule by encouraging international tourists to fly directly into Orlando or Tampa and spend their vacation visiting the many theme parks in the area. Passenger arrivals at both Orlando International and Tampa are up. Thus far, south Florida hasn't been hurt by this campaign, but over the next few years a large increase is expected in the number of tourists traveling to central Florida rather than south Florida.

The most popular attraction wooing both domestic and foreign visitors to central Florida is, of course, Disney World. Like the rest of the state, Disney World's attendance declined during 1981. The 1981 total for the first three quarters fell to 9,449,000, a 4 percent decrease, and the picture is no better for 1982. The $800 million EPCOT Center (Experimental Prototype Community of Tomorrow) should stimulate Florida's tourism industry. Scheduled to open in October, EPCOT, a showcase of American industry, is expected to attract an additional eight to ten million visitors to the Walt Disney complex, boosting attendance to about 23 million in the first year after it opens.

One possible problem facing the tourism industry is that visitors may postpone their trip to Florida and Disney World until EPCOT opens. The anticipation of EPCOT and the recent poor health of the national economy may result in continuing slow growth in Florida's tourism during 1982 relative to historic growth rates.

South Florida particularly is facing some challenging problems. The widely publicized deterioration of the quality of life in Miami poses a very serious threat to tourism. Miami's negative publicity could prove damaging to all of south Florida unless each county can establish its own image. Miami tourist industry leaders have proposed tourist taxes on hotel rooms, food, beverages, sporting events, cultural activities and retail sales to fund an advertising campaign to enhance the city's image.

Federal Cutbacks

The new federal budget philosophy should eventually result in a more efficient use of tax revenues as authority and funding responsibility are passed back to the states. But the transition will not be smooth.

Federal programs are being cut back before states find alternative means of operating. Eighteen percent of Florida's total revenues is supplied by the federal government.

Two major functions for which Florida has turned to the federal government for funds are transportation and waste water treatment. The state spent $2.2 billion on transportation in fiscal 1980. Federal funds contributed almost $1.0 billion to transportation spending in Florida. Transportation spending was spared drastic cuts in the 1982 budget, with federal budget authority for transportation expenditures decreasing 15 percent from 1981. But the mood seems to favor further reductions in the federal contribution.

For large businesses to move into Florida, transportation routes must be more than adequate. State funding for highway construction comes from an eight cent a gallon tax on gasoline that hasn't increased since the 1940s. A move in the 1981 legislative session to increase that tax was quashed, but declining federal contributions could renew the push to provide state funds for transportation development.

Sewer construction in growing Florida cities is also causing concern. Since fresh water already is scarce in many coastal regions and several years of drought have drained the aquifer, adequate water treatment is vital to support growth.

Local governments spent $401 million on construction and maintenance of sewer systems in the state in fiscal 1980. Over $120 million was provided by the federal government for new facilities. However, the federal grant program was cut off halfway through 1981 amid charges of mismanagement until problems could be corrected. Florida lost $73 million which had been promised for projects already on the drawing board. The new formula under which sewer grants will be made no longer will favor areas with rapid population growth. Florida's share of federal sewer grants will be reduced by 30 percent in 1982.

Those projected cutbacks in 1982 threaten to leave local areas with four choices. They can try to limit economic growth, increase taxes, sell bonds, or pass the costs on to the sewer users.

The sharp and quick reduction in federal funds for sewage treatment will be a key concern in 1982. Local governments will have to balance the cost of providing these services against deterring economic growth.

Bright Spots in 1982

Florida has been labeled an "incubator" economy,[3] with prime conditions for fostering new business development. The extraordinary population influx expands the labor force and the market for goods and services. Florida ranks first among southeastern states and 22nd nationally in educational expenditures per pupil. It also can boast of a commitment to vocational education, ranking third in the nation in per capita vocational education expenditures.

Florida is one of 20 states that prohibit the union shop. Only 12 percent of all workers belong to unions compared to 24 percent nationwide. Airports are continuously being developed as distribution channels, and the state's 23 seaports contribute to the increasing importance of international trade. Strong tourist trade allows the state government to operate without levying an individual income tax. Per capita state and local taxes are the nation's seventh lowest.

Despite back-to-back national recessions in 1980 and 1981, businesses continued to expand in Florida. The state's industrial development department was actively involved in attracting 95 new firms to Florida and in the expansion of 105 existing industries in the first half of 1981. Those announcements represented 39,300 new job commitments with a combined capital investment of over $1.1 billion.

Total incorporations of new business jumped 15 percent in the first half of 1981 compared to only 10 percent growth nationally. Employment is rising at a 4.5 percent year-over-year rate, while nationally employment is at a standstill (Chart 4).

Business development requires construction of new facilities. Nonresidential construction expenditures rose 22 percent in 1981 to $3.7 billion (Chart 5). Florida corporations are cash-

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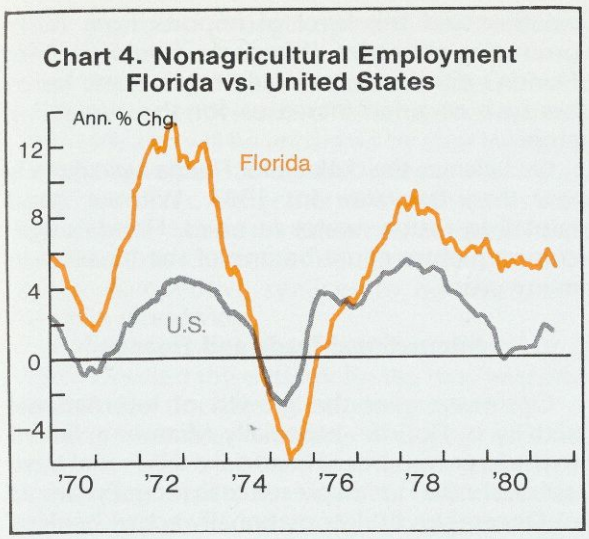
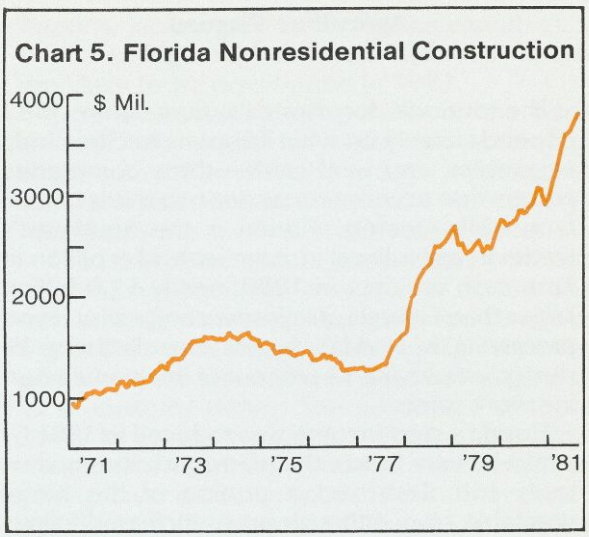
[3] Timothy S. Mescon & Sheila A. Adams, "Incubating New Business Development: The Sun Belt Experience," Working Paper, 1980, College of Business Administration, Arizona State University.





rich and can depend less on debt to finance growth than the more mature manufacturers of the Northeast and Midwest. Therefore, a 20 percent prime rate is not as prohibitive in industry expansion. The list of new firms and expansion projects seems endless. Projects related to computer technology, the space shuttle and national defense are recession-resistant and offer encouraging growth prospects for 1982.

High-technology manufacturers are flocking to central and southeast Florida. Harris Corporation's move in the late 1970s led the way. The firm first moved its headquarters to Melbourne, then gradually transferred manufacturing facilities to the area. One of the state's largest industrial employers, Harris now has a work force of over 10,000.

Harris' pioneering in satellite communications should be encouraged by the two successful space shuttle flights in 1981. Harris expanded its control division in 1981, giving its complex of office and manufacturing buildings over two million square feet. Another building slated for late 1982 will cost approximately $30 million and add another 300,000 square feet to Harris' total facilities.

Other new projects near the Kennedy Space Center directly related to the space shuttle include Hughes Aircraft Corp's plan to build a satellite assembly plant which will employ about 200, United Technologies' facility to refurbish used space shuttle booster rockets, and the U. S. Army Corps of Engineers' shuttle payload integration facility. Even more growth is expected in 1982 as shuttle flights prepare to transport satellites to space.

The Defense Build-up

In fiscal 1980, Florida received $5.1 billion from federal government defense-related funds. Only five states received more. The 1982 federal budget authorizes an increase of $26 billion over the amount previously budgeted for defense by the Carter administration. Translating that budget figure into a dollar impact on Florida is impossible; however, the change in emphasis toward greater defense spending should be significant for the state. The state's top defense contractors—Martin Marietta, United Technologies, Honeywell, Harris, Pan American, Sperry, E-Systems—and others are gearing up for the 1982 expansion.

Martin Marietta is expanding facilities in Orlando and Ocala as a result of $54 million in defense contracts awarded to the company in 1981. The expansion will include hiring 1,500-2,000 employees a year through 1985. AAI Corporation of Baltimore opened a plant in Orlando that will employ 200 to manufacture electronic training and simulation systems for the Army.

Bendix Corp. is building a manufacturing plant in Jacksonville to produce engine equipment for military and commercial aircraft. Employment will begin at 200-300, but should approach 1,000 as production reaches capacity.

Agriculture Plagued by Freezes and Drought

The outlook for Florida's farmers in 1982 depends largely on what happens to citrus fruit, vegetables, and beef cattle—three commodity groups that account for about two-thirds of total farm cash receipts. Florida is the Southeast's leader in agricultural income with $3.5 billion in farm cash receipts in 1980, nearly $1.0 billion larger than Georgia, its closest competitor. Food processing is Florida's largest manufacturing industry, employing 14 percent of the manufacturing work force.

Florida's crop income was reduced in 1981 by a mid-January freeze that damaged citrus fruit on trees and destroyed a portion of the winter vegetable crop. Although prices increased following the freeze, farmers with damaged fruit benefited little. In some cases, vegetable producers had to await new crops before products were available to market. By that time, increased supplies were available elsewhere in the country and market prices had fallen.

Another serious problem for farmers and nonfarmers alike was the continuing drought that plagued the state throughout the spring and summer of 1981. Several areas received less than 50 percent of normal rainfall. A tropical storm gave some relief in mid-summer, but the drought lingered into 1982.

Cattlemen were affected by the dry weather, which limited forage production, and by a 21 percent drop in calf prices from 1980's level. Even though the calf crop was up 10 percent from the year earlier, receipts from calves—the primary product from Florida's cattle industry—fell sharply. Cattlemen are likely to slow their expansion of the cattle herd in 1982, and herd numbers might even decline unless cattle prices rise significantly during the year. High costs of feeding cattle and the abundant supplies of poultry and pork are likely to limit price advances for beef in 1982.

Unfortunately, another serious freeze in early January 1982 damaged vegetable crops as much or more than in 1981. The recent freeze inflicted heavy damage to the citrus crop and again destroyed a portion of the new crop for the coming season. Citrus income seems certain to be further depressed from 1981's levels but the final result will rest heavily on subsequent winter weather and the level of imports from other producing countries. If imports should decline, Florida's citrus income could regain some losses because of price increases for the remaining crop.

On balance, the outlook for Florida agriculture is less than favorable for 1982. Without good rainfall to restore water reserves, Florida's agriculture picture could be one of the bleakest in many years.

International Trade and Finance

Optimism over the growth of international activity in Florida—especially Miami—is linked to the large number of financial entities that have established a Florida presence in recent years. As of December, 80 internationally active banking offices operate in Florida, making the state an industry leader. Within Florida, 14 of the 23 commercial banks which report international lending and all 31 Edge Act corporations or branches and 26 agencies or representative offices of foreign banks are located in Miami. In 1970, there was only one Edge Act Corporation in Miami along with several commercial banks that have had active international departments for years.

Federal and state regulatory changes have encouraged the formation of Edge Act corporations and permitted the foreign bank presence, but Miami's proximity to Latin America has been a major factor in its emergence as a center of international activity. Miami is the natural haven for Latin Americans who seek to deposit funds close to home; it is also the nearest U. S. city in which Latins can arrange trade financing while in the United States for business or a vacation.

International banking facilities (IBFs)—which, in effect, permit U. S. commercial banks, Edge Act Corporations, and U. S. agencies of foreign banks to conduct "offshore" banking in the U.S.—should stimulate international banking in Florida. Some participants in the "Eurodollar market" (composed largely of interbank placements and loans to foreign governments and multi-national corporations) believe Miami will eventually emerge as a complete finance center with the help of IBFs. Much business currently conducted in such out-of-the-way places as the Bahamas and the Cayman Islands because of tax advantages of booking bank transactions there, appears certain to return to the mainland. The

IBFs, approved to begin operation in December 1981, hold foreign deposits which are exempt from interest rate limits and reserve requirements.

The competitiveness of international banking in Florida also will be enhanced by state legislation which exempts IBF-earned income from state and local taxes. Altogether, these measures combined with Miami's location advantages could create a financial center equipped to offer complete, competitive services to borrowers and lenders worldwide.

A slump in Miami's international trade late in 1981 clouded the outlook for the new year after almost two decades of booming growth.

Both exports and imports through the Florida customs districts—Miami and Tampa—have been expanding rapidly for years. In 1981 the total value of goods traded through Florida ports represented 3.7 percent of the U. S. total, compared with only 2.4 percent in 1969. The value of exports from the Miami and Tampa customs districts rose 14 percent in the first three quarters of 1981 and imports jumped 21 percent. Florida port officials report mixed results for 1981. For example, Tampa officials note that phosphate shipments were off in 1981 because of recession in Europe and the strong foreign exchange value of the dollar. Jacksonville auto imports were off over 6 percent for the first nine months of 1981 from the same period in 1980 because of the 1981 U. S.-Japan accord which restricts these imports. Jacksonville is the leading eastern U. S. port of entry for imported cars, and such imports are likely to be down again in 1982.

Exports account for two-thirds of the trade through Miami and, as usual, 90 percent of shipments will be directed to Latin America and the Caribbean. Imports may grow more than in recent years as a result of the strong dollar.

The emergence of free trade zones in Florida also should encourage international trade in the new year. The zones are essentially local enclaves free of U. S. customs regulations, in which imported goods may be processed without being liable to U. S. customs duties. The advantage of these zones for Florida producers is that importers/producers of a variety of products may benefit by paying lower duties on goods ultimately imported into the U. S. (or re-exported) than if raw materials were imported and then processed domestically. U. S. customs duties are lower on components than on finished products.

Five years ago, no free trade zones operated in Florida; today, five have been established (in Miami, Port Everglades, Orlando, Panama City and Jacksonville), four are in operation and three are planning expansions. The Miami Zone is the most successful zone to date; it is more elaborate than most and is planning to double its space in the near future. The value of merchandise shipped through the zone in 1981 doubled that in 1980, its first year of operation.

—Donald L. Koch
and Delores W. Steinhauser

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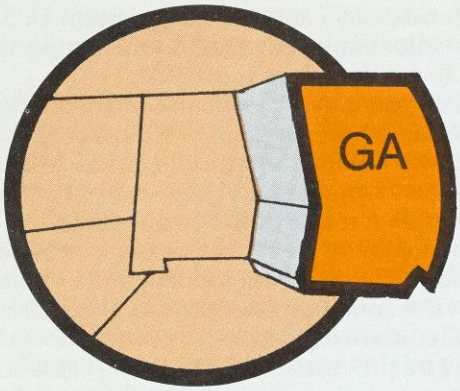


GEORGIA: Hoping Recession's Gone with Wind

Georgia, its economy still largely dependent on recession-sensitive and import-vulnerable industries, is likely to feel the recession's squeeze until late in the year. Construction, textiles, trade and government employment are especially hurt by the slowdown. Still, in-migration and a strong service-producing base should keep Georgia's economy performing at about the District average in 1982.

With bread-and-butter industries feeling the pinch early, Georgia's economy slipped into recession in late summer 1981. That recession's grip seems likely to tighten early in 1982. Continued weakness in construction, trade, textiles, transportation equipment and state and local government employment threatens to hamstring the state's economy as does a slowdown in the metal and machinery industries.

Yet a recovery should begin late in the year, led by a renewed hiring in the services and trade industries and a strengthening in the construction related industries as interest rates stabilize at lower levels.

Growth Patterns

Georgia's population grew rapidly in the 1970s due to migration and natural increase. Net migration of 440,000 people accounted for half of the state's overall growth; 60 percent of the migration gain was in the Atlanta SMSA. People and jobs have moved to the state, largely from the Northeast and Midwest, in response to climate and business advantages. Such migration helps to explain the state's generally healthy economic performance during the 1970s; employment and income grew more rapidly than for the nation, as shown in Table 1.

But longstanding problems persist. Georgia remains specialized in some low-paying, recession-sensitive, or import-vulnerable industries—lumber and wood products, textile mill products, and apparel. Meanwhile, Atlanta, the major regional trade and transportation hub of the Southeast, finds itself beset by a continuing mismatch between job opportunities and the skill levels of a segment of the area's population base; a growing share of new jobs created are in white-collar occupations for which many Atlantans are unqualified. These problems pose important challenges to the state's continued development in this decade.

Employment Picture Better Than 1980

The ups and downs of business cycles, like those of the Dow Jones Industrial Average, differ in depth, duration, and dispersion among industries. In the case of Georgia, the strong service-

Table 1. Population and Income

	1970	1980	Percent Change
Population (100)			
Atlanta	1,596	2,030	27.2
Georgia	4,588	5,464	19.1
United States	203,302	226,505	11.4
Nonfarm Employment (000)			
Atlanta	652	960	147
Georgia	1,558	2,146	138
United States	70,880	90,564	128
Per Capita Personal Income			
Atlanta	4,113	9,780e	138
Georgia	3,323	8,073	143
United States	3,945	9,521	141

e – estimate

Sources: U. S. Department of Commerce, Department of the Census, Bureau of Economic Analysis, and Georgia State University Forecasting Project.

producing base of the economy helps to offset employment declines in goods-producing industries during recessions.

The brief but sharp national recession in 1980 triggered a sharp February-to-July drop in the nation's nonfarm employment; the corresponding decline in Georgia was from February to June. Trade and construction employment fell sharply in the state, mirroring the national experience. The contraction in manufacturing employment, as usual, was longer and sharper than in total nonfarm employment for Georgia and the nation. On balance, the 1979-80 employment downturn was similar for Georgia and the nation.

The picture for 1981 is different. Manufacturing employment started to drop shortly after midyear in Georgia and the United States. However, U. S. nonfarm employment expanded through the summer of 1981, while falling employment in trade and construction caused nonfarm employment in Georgia to start to decline in February. Textiles, as well as state and local government, experienced sharply falling employment in 1981.

In late 1981, Georgia's nonfarm employment was down by about half as much as in the 1980 recession. The fall in manufacturing employment was also less severe than in the 1979-80 decline. In addition, Georgia's unemployment lagged behind the nation's, although unemployment rates in Georgia SMSAs differed substantially. Georgia's unemployment rate was 6.3 percent in October compared to 8 percent for the nation; within the state, the diversified Savannah SMSA enjoyed the lowest unemployment rate at 5.9 percent, while the textile-dependent Columbus SMSA's unemployment rate was 8.6 percent (see Table 2).

Table 2. United States and Georgia Civilian Labor Force

Area and Employment	October 1981	September 1981	October 1980
United States (000)			
Civilian Labor Force	106,736	106,236	105,415
Employed	98,217	98,270	97,933
Unemployed	8,520	7,966	7,482
Rate	8.0	7.5	7.1
Georgia			
Civilian Labor Force	2,478,803	2,462,928	2,416,356
Employed	2,321,669	2,311,924	2,263,879
Unemployed	157,134	151,004	152,477
Rate	6.3	6.1	6.3
Albany SMSA			
Civilian Labor Force	51,564	51,781	49,866
Employed	47,680	47,830	45,683
Unemployed	3,884	3,951	4,183
Rate	7.5	7.6	8.4
Atlanta SMSA			
Civilian Labor Force	1,005,936	997,454	974,709
Employed	951,459	942,834	921,781
Unemployed	54,477	54,620	52,928
Rate	5.4	5.5	5.4
Augusta, GA.-S.C SMSA			
Civilian Labor Force	128,281	125,932	123,611
Employed	118,451	117,812	114,826
Unemployed	9,830	8,120	8,785
Rate	7.7	6.4	7.1
Columbus, Ga.-Ala. SMSA			
Civilian Labor Force	83,698	83,238	82,529
Employed	76,519	76,205	76,308
Unemployed	7,179	7,033	6,221
Rate	8.6	8.4	7.5
Macon SMSA			
Civilian Labor Force	100,969	100,584	98,533
Employed	94,500	94,517	92,520
Unemployed	6,469	6,067	6,013
Rate	6.4	6.0	6.1
Savannah SMSA			
Civilian Labor Force	92,351	90,657	88,582
Employed	86,925	85,128	82,436
Unemployed	5,426	5,529	6,146
Rate	5.9	6.1	6.9

Sources: The U. S. and Georgia Departments of Labor.

Blue-collar Specialization Remains Despite Employment Shifts

Farm mechanization and production shifts have pared Georgia's farm employment share faster than that of the nation in recent decades. In this period, the share of manufacturing in nonfarm employment has declined in both Georgia and the nation. Yet the nation's relative decline has been sharper, permitting Georgia to narrow the industrialization gap. Trade, government, services, and finance, insurance and real estate have increased their share of employment in both the nation and Georgia since 1960.

Even so, Georgia remains specialized in the relatively low-wage and recession-sensitive lumber and wood products, textile mill products, and apparel industries (see Table 3). Georgia's specialization in these industries has remained even though their shares of nonagricultural employment have declined since 1960, because employment in each industry has eroded even more rapidly elsewhere. Atlanta, meanwhile, thrives as a center of white-collar employment in one of the hubs of the fast growing Sunbelt.

The outlook for Georgia's economy in 1982 is linked to its industry structure. Nationally, all post-World War II business cycles have reduced

Table 3. Employment and Earnings: Atlanta Georgia and the United States (October 1981 – unadjusted figures)

	Atlanta		Georgia		United States	
Industry	Employment	Average Weekly Earnings	Employment	Average Weekly Earnings	Employment	Average Weekly Earnings
	(000)	($)	(000)	($)	(000)	(12)
TOTAL	**974.5**	**N/A**	**2,168.7**	**N/A**	**92,332**	**N/A**
Mining	**N/A**	**N/A**	**7.7**	**N/A**	**1,160**	**456**
Construction	**41.4**	**N/A**	**98.5**	**N/A**	**4,483**	**411**
Manufacturing	**145.5**	**318**	**518.3**	**263**	**20,350**	**322**
Durable Goods	**73.8**	**373**	**186.2**	**307**	**12,174**	**346**
Lumber and wood products	2.9	181	28.6	200	673	272
Furniture and fixtures	3.3	209	9.7	184	481	229
Stone, clay and glass	7.7	280	18.2	286	654	345
Primary metal industries	5.4	496	17.2	351	1,117	438
Fabricated metal products		288	20.6	277	1,590	335
Machinery, except electrical	7.4	271	21.7	292	2,530	366
Electric and electrical equipment	10.7	N/A	21.4	349	2,157	309
Transportation equipment	25.0	509	37.1	468	1,822	424
Miscellaneous manufacturing	3.4	N/A	11.9	N/A	1,148	N/A
Nondurable Goods	**71.6**	**262**	**332.1**	**239**	**8,176**	**286**
Food and kindred products	18.3	246	59.3	232	1,700	299
Textile mill products	5.6	206	110.2	224	835	225
Apparel and other products	9.3	174	73.1	162	1,277	180
Paper and allied products	8.5	323	29.3	432	691	369
Printing and publishing	16.1	N/A	23.6	N/A	1,294	312
Chemicals and allied products	7.2	324	17.0	327	1,102	385
Other nondurables	6.4	N/A	19.9	N/A	1,276	N/A
Transportation and Public Utilities	**87.8**	**N/A**	**140.8**	**N/A**	**5,230**	**391**
Wholesale and Retail Trade	**263.8**	**N/A**	**489.6**	**N/A**	**20,993**	**191**
Wholesale trade	105.0	N/A	158.7	N/A	5,375	298
Retail trade	158.8	N/A	330.9	N/A	15,618	158
Finance, Insurance and Real Estate	**69.3**	**N/A**	**114.1**	**N/A**	**5,337**	**232**
Services	**207.5**	**N/A**	**359.8**	**N/A**	**18,877**	**213**
Government	**159.3**	**N/A**	**439.9**	**N/A**	**15,902**	**N/A**
Federal	34.1	N/A	88.7	N/A	2,744	N/A
State and local	125.2	N/A	351.2	N/A	13,158	N/A

N/A - Data not available. Numbers may not add to totals due to rounding.

Sources: U. S. Bureau of Labor Statistics and Georgia Department of Labor.

employment in goods-producing industries compared to service-producing industries. Within the manufacturing component of the goods-producing industries, durable goods employment has consistently dropped more sharply than employment in nondurable industries. From this standpoint, Georgia might be expected to weather the current storm better than the nation; the state employs a slightly lower percentage of workers in goods-producing industries than the nation and a much lower percentage of Georgia's manufacturing employment is in durable goods industries. However, construction and related industries, particularly sensitive to interest rates, are important Georgia industries. On balance, Georgia's performance in 1982 will depend critically upon the effects of interest rate developments on its important economic sectors.

Construction Close to Trough

The construction industry appears to be at or near the bottom of its expected cycle. F. W. Dodge Construction contract data show only 70 percent as many residential dwelling units contracted for in October 1981 for Georgia and Atlanta as in October 1980. Cumulative year-to-date data for October show new dwelling units declined 11 percent for Georgia and 12 percent for Atlanta. Building permits, which indicate future construction, are also declining; single-family permits slumped 60 percent in October from the previous year while multifamily permits were down over 75 percent for the month. One consequence of the home construction decline is a 77 percent increase in the number of real estate companies which closed in the year ending June 1981 compared with the previous year and a 14 percent decline over the same period in active sales personnel.

In October, the number of square feet of nonresidential construction in Georgia declined one-fifth from the year-earlier level; in Atlanta, the decline was twice as steep. For 1981 through October, there was a negligible change for the nation while Georgia declined 8 percent and Atlanta fell by 6 percent. Commercial and industrial real estate growth has been strong in recent years. According to data from Coldwell Banker, however, Atlanta's office vacancy rate increased in the third quarter; Atlanta's office vacancy rate is more than double the nation's and additional buildings are under construction or renovation.

The mix in construction activity in 1982 is likely to change from 1981. A decline in mortgage rates from current high levels would spur home building in 1982. On the other hand, nonresidential building will falter if a weak economy slows absorption of new space and allows vacancy rates to rise. Nonbuilding construction will likely slow because of current and pending cutbacks in government spending.

Manufacturing Outlook Mixed

The slump in housing and autos in 1981 has whittled employment in several manufacturing industries important to Georgia's economy. In late 1982, a recovery in autos and housing as interest rates decline and the nation emerges from its recession should stimulate employment and production in those supplying industries that have kept inventories under control.

Construction's slump has slowed durables manufacturing industries which supply that industry—lumber and stone, clay, and glass. Seasonally adjusted employment in the nondurable textile industry, important to Georgia's economy, was off 5,000 for the first 10 months of 1981, to total 109,600 in October. Part of the textile employment decline is due to the beleaguered state of the housing and auto industries, but the textile and apparel industries also face stiff competition from countries in the Far East. Imports have taken increasing market shares of a number of garment lines in particular.

Georgia's high employment concentration in the textile and apparel industries creates a longer run problem. These industries are vulnerable to imports from labor-abundant developing countries. Our skidding international textile trade balance was compounded in 1981 by the dollar's strong foreign exchange value and by weak European economies. As a result, textile imports are up while exports languish; for the first 10 months of 1981, the textile trade deficit rose 17 percent over the same period in 1980 and was accelerating. Over the longer run, continuing technological advances and slow industry growth promise a significant decline in semi-skilled textile employment.

On the brighter side, the state's small but growing electrical and electronic machinery industry is strong. High-technology industries in Atlanta, in particular, are growing rapidly. For example, Scientific-Atlanta's employment has

grown over 70 percent since 1979. As the U. S. and western European economies strengthen late in 1982, paper and products sales should also grow.

Airline Activity Off

Passenger arrivals in 1981, through October, were down 7 percent in Atlanta compared to the first 10 months of 1980. Savannah also showed a drop of 7 percent while arrivals were down 15 percent in Augusta and 19 percent in Columbus. It is unclear how much of the declines are due to the effects of a weakening economy, however, because the PATCO strike also may have had an impact on air traffic.

The total number of arriving and departing passengers at Hartsfield Airport, one of the world's busiest and a key to the Atlanta economy, actually increased slightly in September 1981 over September 1980 despite the strike and the weakening economy. While the number of flights dropped 8.8 percent over the period, the airlines carried more passengers on the larger planes they have emphasized since the strike. Improved capacity utilization that has accompanied the controllers' strike may soften the effect of a weakening economy on cyclically sensitive airline earnings.

Outlook for Trade is Cloudy

Employment in retail trade activities in Georgia declined significantly in 1981, while wholesale trade employment was down only slightly. Nationally, retail sales expanded by 11 percent in the first nine months of 1981 from the comparable year-earlier level. Department store sales, which account for about 10 percent of U. S. retail sales, also increased 11 percent over the same period. In Georgia, department store sales increased 9 percent in Atlanta, 11 percent in Augusta, 12 percent in Macon, and 16 percent in Savannah. Geographically, sales are weakest in the heavily agricultural parts of the state.

One big unanswered question at the national and state levels is the impact on spending (versus saving) of the Reagan tax cuts. If people save more, as the administration expects, they will spend less and retail sales will slide as personal income growth slows in recession. On the other hand, if taxpayers use their after-tax income gains to increase consumption, then retail sales will be buoyed.

Continued Expansion in Atlanta Hotel and Convention Industry

Almost six out of 10 Georgia service employees work in Atlanta, the nation's third largest convention city. Over a million people attended conventions, trade shows, and business and professional conferences in the city in 1981, triple the number of 1968. The convention-tourist-hospitality industry, Atlanta's largest, employs more than 75,000 people in almost 6,000 businesses. Altogether, delegates spent over $462 million in 1981 according to Atlanta's Convention and Tourist Bureau.

The rise in hotel room rates through October more than compensated for a slight decline in occupancy rates.

For the future, expansion of the Georgia World Congress Center and a planned substantial addition of hotel rooms by 1984 suggest that, longer term, this Atlanta service industry will continue to provide growing employment opportunities. The prospect for 1982, however, will likely be dimmed by a slow start early in the year.

Savings and Loan Problems May be Diminishing

Savings and loan associations in Georgia remain under stress from high interest rates. October's net savings gain was down over 90 percent for Georgia compared to October 1980. The slow growth in savings capital at Georgia S&Ls has

been accompanied by decreased mortgage loan activity. Mortgage loans closed in Georgia in October declined 75 percent over the year-earlier figure.

Removal of the "cap" on 2 1/2-year small saver certificates and the introduction of the all-savers certificate appear to be strengthening deposit flow to Georgia thrifts. The small saver certificates are growing rapidly and seem to be lowering the cost of funds to the thrifts. If so, mortgage rates can be expected to decline somewhat in 1982.

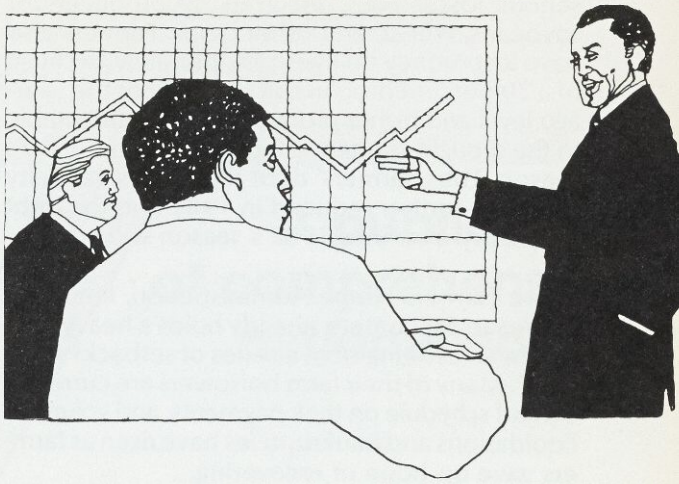
So far this year, S&Ls have continued to borrow heavily from Federal Home Loan Banks. The latest information from the Fourth Federal Home Loan Bank of Atlanta shows that advances to Georgia thrifts increased by .9 percent in October over September. The total, $793 million, represents an increase of 26 percent over advances in October 1980. The high cost of funds to S&Ls is reflected in mortgage rates charged their customers; for loan commitments in Atlanta in October, for example, the average effective rate for a 25-year loan with a 75 percent loan-for-price-ratio was 19.14, up from 14 percent in October 1980.

Balance sheet problems have also stimulated an increase in merger activity among S&Ls. Out of 96 Georgia thrifts at the beginning of 1981, 24 were approved to consolidate into half that number.

Changes in Government Spending

One prominent goal of the Reagan program is to increase the nation's defense capability. On this score, Georgia should benefit from changing national priorities, although it is doubtful that the state's economy will benefit significantly in 1982.

Each of Georgia's nine largest cities has a military installation nearby, with a total of 12 military bases in the state. These bases and defense industry manufacturers employ approximately one civilian for each of the 70,000 active duty military personnel assigned to Georgia bases. An increase in defense spending should help the construction, textile, aircraft, and electronics industries. In addition to the benefits to Georgia of an overall hike in defense spending, two specific projects are likely to contribute mightily to the state's employment and earnings in this decade. One is the $1.4 billion expansion of the Kings Bay submarine base (St. Mary's) which will be the



East Coast port for the Trident nuclear submarine; the other is a reported $4.5 billion Lockheed-Georgia contract for updated C-5 transport planes, which could add up to 8,000 jobs in the Lockheed plant to go with the 13,000 currently employed there. These projects will not, however, contribute much to employment and earnings in 1982.

On the other side of the ledger, several federal reductions will have an uncertain impact on state and local spending. Overall cuts will put the state and city governments in a bind that will require still unknown local budget reallocations. Public schools face program cutbacks because of reductions in federal aid. State and local governments will have to find some way to make up for lower federal government support for the poor. Cutbacks in federal support for mass transportation and other public investment promise a slowdown of spending on these projects. On balance, the depressing effects of these cutbacks on Georgia's economy in 1982 are likely to be greater than the benefits of increased defense spending this year.

Increased Pressure on Farmers in 1982

Georgia's farmers have just experienced their fourth unusually dry year out of the past five seasons. Limited harvests of most crops combined with sagging prices in 1981 to reduce farm income well below estimated total costs for producers of most important crops. Although producers of peanuts and tobacco made gains,

serious losses were incurred by producers of soybeans, wheat, and other crops. Farmers also have lost money on livestock, primarily because of a 20 percent drop in calf prices from the year-ago level and higher production costs attributable to the drought-shortened feed supply from 1980's season. Thus, farmers' debt repayment capacity has been further reduced in 1981 and the debt they carry over into 1982's season will grow.

The Farmers Home Administration, lender of last resort for farmers, already holds a heavy loan portfolio resulting from a series of setbacks since 1977. Many of their farm borrowers are currently behind schedule on their payments, and voluntary liquidations and bankruptcies have risen as farmers gave up hope of recovering.

Links Growing Rapidly

Among the Sixth District states, direct foreign investment grew fastest in Georgia over the period 1974-77. During 1980, some 25 new manufacturing facilities were established on an investment of over $150 million to provide 3,000 new jobs. By year-end 1981, total foreign investment in Georgia was about $2 billion, providing jobs for 33,000 Georgians.

Atlanta's continuing strong growth in international flights has provided additional incentive for foreign investors to consider the state for direct investment. The availability of direct flights to Atlanta and easy access to plants across the nation are selling points of this area. Other reasons for Georgia's relative success in attracting foreign industry include the climate, resource and business conditions that attract domestic investment to the state, and the developing international financial services provided in Atlanta by domestic and foreign banks.

The strong foreign exchange value of the dollar is limiting the competitiveness of such Georgia exports as textiles, soybeans, transportation equipment, paper and paper products. Weak economies in Europe and elsewhere also are significantly limiting export growth for many commodities.

This year's overall outlook for expansion in international economic activity in Georgia is cloudy. Foreign investment in Georgia should continue to increase but weak recovery of the western European economies may limit exports from Savannah. International banking activity should expand because of state legislation exempting now-permissible International Banking Facilities from state and local taxes on business which, until now, was conducted at Georgia banks' offshore offices.

—William J. Kahley

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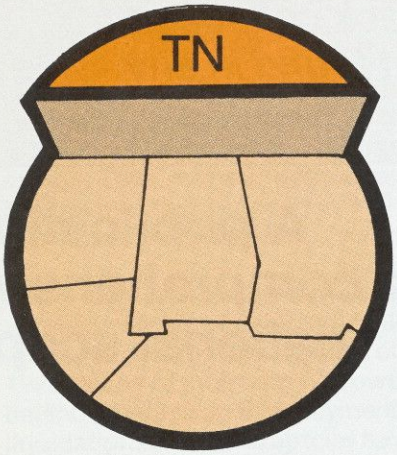


TENNESSEE: World's Fair, New Plants Should Boost Economy

Long-run growth prospects continue to look good for Tennessee, but the state's concentration of recession-sensitive industries (particularly manufacturing and construction) should strain the economy during most of 1982, with job growth expected to be minimal.

Tennessee entered 1982 with a mixture of strengths and weaknesses that, on balance, are expected to keep the state's economy in recession through much of the year. But improvement in the construction and manufacturing sectors should combine with strengthening tourism and capital expansion prospects to produce an economic upturn if interest rates fall.

Tennessee's economy is undergoing a period of long-term growth—industrial expansion continues, tourism is flourishing and the population continues to grow. With the construction of a Nissan (Datsun) truck plant at Smyrna and a variety of other new plants and expansions during 1980 and 1981, long-term manufacturing prospects appear bright for Tennessee.

However, the state is undergoing severe cyclical strains since much of Tennessee's economy is very interest rate sensitive. Both the manufacturing and construction sectors are reeling from shocks in the macroeconomy. Tennessee employment, which began to recover early last year from the 1980 trough, weakened in late 1981. Manufacturing employment this year should be considerably below the 1978 peak levels, though well above 1975's rock-bottom levels. Construction remained extremely weak in 1981, particularly in the residential component. In the latter half of the year, construction contracts for units of residential construction were at a decade low. The extremely low levels of building permits issued during late 1981 offer little hope for recovery in the construction sector until late 1982.

Employment Lags

Employment in Tennessee remained weak throughout 1981. Minimal job growth expected this year won't be adequate to take upward pressure off the unemployment rate. Employment levels for nonagricultural workers last year lagged 100,000 below the 1979 peak of 1.8 million. State unemployment rose to the 10 percent level. Unless interest rates settle at relatively low levels, employment should remain weak in Tennessee during most of 1982.

Tennessee's agricultural sector fell on difficult times primarily as a result of the Southeast's severe drought. Cotton and soybean crops typically did not cover costs. The poultry and livestock sector tended to break even. The fortunes of

Tennessee farmers in 1982, as in the two previous years, will depend on the vagaries of weather—locally and internationally.

The brightest spot for the state has to be the 1982 World's Fair in Knoxville. Tourism is expected to soar throughout the state, especially in Knoxville and in Nashville. Tourist dollars should aid several local industries, particularly in the service sector.

Within Tennessee, recessionary influences impact various regions differently. The recession of 1980 affected Chattanooga and Nashville much worse than Memphis and Knoxville, although Nashville's decline was broader than Chattanooga's manufacturing-led slump. Once a recovery is underway in 1982, Knoxville's economy should improve more rapidly than those of the other metropolitan areas due to the World's Fair. Nashville's recovery should slightly outpace that of Chattanooga as the Nissan plant reaches peak levels of construction. Because of Memphis' larger employment base and because the city was affected less severely by the 1980 recession, its 1982 recovery should start later and take longer than the state's other metropolitan areas. The Memphis area has a smaller proportion of employment in the manufacturing sector than other major cities in the state and manufacturing is expected to lead the recovery in 1982.

Tennessee Nonagricultural Employment October 1981

Sector	Percent of Total Nonagricultural Employment	Employment (thousands)
Total Nonagricultural Employment	100.0	1,726.8
Manufacturing	29.9	516.1
Durables	13.2	227.9
Lumber and wood	2.5	43.3
Stone, clay, and glass	0.8	14.3
Primary metals	1.1	19.8
Fabricated metals	1.8	30.9
Machinery (including electrical)	4.6	79.4
Transportation equipment	1.3	23.3
Nondurables	16.7	288.2
Food	2.3	40.0
Textiles	1.6	27.2
Apparel	4.1	70.3
Paper	1.2	20.1
Printing and publishing	1.6	27.1
Chemicals	3.3	57.7
Nonmanufacturing	70.1	1,210.7
Construction	4.3	73.4
Transportation and public utilities	4.7	81.5
Trade	21.3	367.7
Financial, insurance and real estate	4.4	75.9
Services	17.4	300.4
Government	17.4	300.7

Source: U. S. Department of Labor, Bureau of Labor Statistics.

An Industrial Economy

Tennessee lies South of the Mason-Dixon line, yet its economy has much in common with those of the nation's industrial heartland. A disproportionate concentration of its work force in interest-sensitive industries—manufacturing, construction and mining—makes the state particularly susceptible to slowdown in the national economy. Fully 35 percent of all Tennesseans directly earn a living from these three sectors and an even larger proportion (including the government, services, transportation and other sectors) depends indirectly on them.

Tennessee's industrial mix proved significant in the behavior of the state's economy during the 1980 recession. The jobless rate rose sharply during the first half of 1980 along with the national rate—from 6 percent in late 1979 to over 8 percent in mid-1980. The dismantling of credit controls in May 1980 and lower interest rates that followed revived the state's economy in the last half of that year. Its jobless rate fell noticeably and employment rebounded to a rate reminiscent of the 1975-79 expansion period. This recovery proved to be short-lived. Higher interest rates in the fall of 1980 reversed the downtrend and, by late 1981, the state's unemployment rate had soared to 10 percent. Employers have been pressed to provide jobs for the state's rapidly growing labor force.

Sluggishness in the state's goods-producing sector carried over into its service-producing sectors. Finance, insurance and real estate employment, for instance, is lower now than it has been in two years. Trade employment is well below its peak and jobs are off sharply in the state's transportation and public utilities sector. While labor markets suffer throughout Tennessee's economy, paper offers one exception—although it too may face problems soon. This industry experienced sluggishness during Tennessee's 1980

Chart 1. Unemployment Rates: United States vs. Tennessee

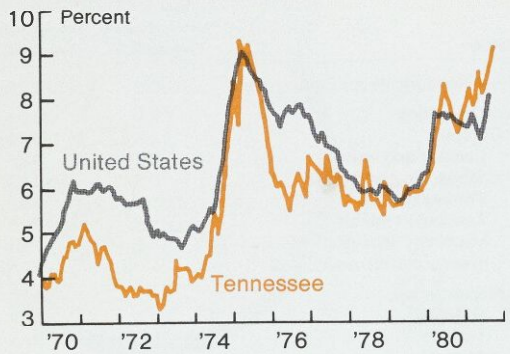
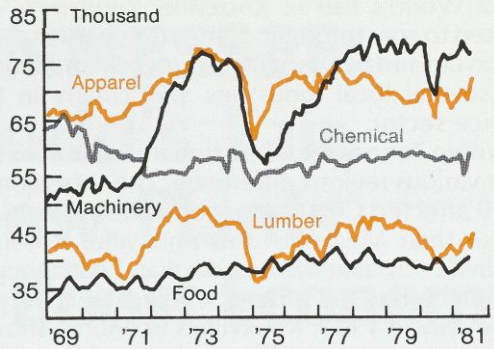


Chart 2. Major Manufacturing Industries (Employment)



recession but, going into 1982, its work force was at its highest level ever. However, weaknesses surfaced late in the year in the state's printing and publishing industry that could foreshadow slow growth of the paper sector this year.

Assistance from the capital in Nashville for creating jobs isn't likely to be forthcoming. The state taxes income, but its base is limited to dividend and interest income. Together these two sources account for less than 11 percent of the state's personal income. Therefore, the state relies heavily on sales tax and federal aid to provide public services. As a result of the current recession and federal budget cutting, government services financed by these two sources will be under pressures in 1982. In turn, direct and indirect state and local government employment will be declining.

Population growth of 1.7 percent per year over the last decade is unlikely in 1982 due to a softer economy in Tennessee as well as the nation in general. Job growth will occur but not at a rate sufficient to take upward pressure off the state unemployment rate.

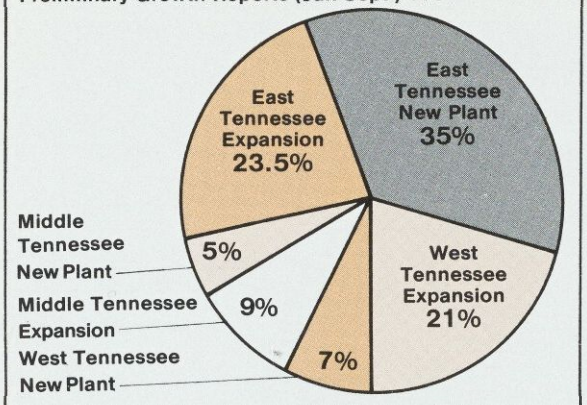
Biggest Employer—Manufacturing

Manufacturing constitutes Tennessee's largest sector in terms of employment with over 30 percent of total nonagricultural employees, compared with the nation's 22 percent. Manufacturing is extremely broad based and diversified in the state. No industry sector accounts for more than one-fourth of Tennessee's manufacturing employment except apparel, which provides about one-third. Major industrial employers fall mainly in the nondurable goods category with apparel, chemicals and food taking the major share. Of the durable industries, machinery, lumber and wood, and fabricated metals are the dominant sectors.

Durable goods industries were particularly hard hit during the 1980 recession and, for the most part, still have not recovered to 1979 levels. However, a significant recovery for the state's industries is projected after midyear. The state appears sensitive to business cycles due to its relative concentration in manufacturing. Even the textile industry, generally thought to be relatively stable, has been losing ground because it supplies the ailing automobile industry. Automobile seat belts, for instance, are produced in Knoxville. Lumber and wood manufacturing employment has also been trending downward as new home sales stagnated because of high interest rates. E. L. Bruce Company, the world's largest flooring producer, is Tennessee's major employer in the lumber and wood products industry. Lower credit costs and an improved economy in 1982 should stimulate this industry in particular.

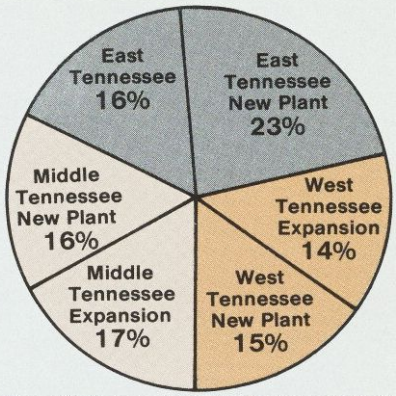
Although by far the leading manufacturing employer in Tennessee, the apparel industry's employment since mid-1973 has declined by 13.6 percent reflecting a combination of foreign competition and recession. The dominant seg-

Chart 3. Tennessee Regional Capital Investment
Preliminary Growth Reports (Jan-Sept.) 1981



New Plant and Expansion as percent of Tennessee. Total Capital Investment by Region: East, Middle, and West.

Chart 4. Tennessee Regional Job Opportunities
Preliminary Growth Reports (Jan-Sept.) 1981



Source: State of Tennessee, Industrial Development Division of the Department of Economic and Community Development.

ment of Tennessee's apparel industry is men's and boys' shirts and night-wear, with Levi Strauss and Company the largest apparel employer.

Tennessee's second leading manufacturing employer, the chemical industry, is led by Eastman Kodak and Holston Defense Corporation producing inorganic chemicals (explosives). These industries, along with fabricated metals, machinery, and transportation equipment are slated to grow above average in the near future. Tennessee continues to attract such higher wage industries, which have led all others in employment increases.

Investment Cools

In 1980, Tennessee set its all-time record of more than $1.7 billion in capital investments by new and expanding industries yielding 12,750 new jobs, nearly triple the 1969 record year. Nearly half of the capital investment came in the expansion of companies already in Tennessee. Through 1981's first three quarters, preliminary capital investment exceeded $261 million, with 91 projects creating an estimated 4,320 job opportunities. In those three quarters, over half of the capital investment was from expansion. Even though more than 58 percent of this capital growth occurred in east Tennessee, resulting job opportunities were distributed throughout east, middle, and west Tennessee (see charts).

Japanese investment in Tennessee has exceeded that of any other state. The largest single initial capital investment by a new industry in Tennessee history is the Datsun truck manufacturing plant begun in Smyrna by the Nissan Motor Company of Tokyo. Construction, employing approximately 500 construction workers already, will employ 2,000 more during the peak of construction activity. Nearly all plant workers are to be Tennesseans, generally with no automotive assembly experience. The $500 million manufacturing facility will initially employ 2,100 and rise to 2,650 in 1984, with an annual payroll of more than $40 million.

The first trucks for sales distribution should roll off the assembly line around August. The project is projected to boost retail sales by $60 million a year. Nissan is currently discussing arrangements with potential suppliers, who could impact the state's economy further if they establish facilities nearby.

Tennessee should remain attractive to other industries as a number of favorable factors, including an expanding labor supply, provide incentives for further industrialization. In fact, Tennessee's industrial base continued to expand in 1981 through announced new plants and expansions. An accompanying table indicates some of the variety within Tennessee's current industrial expansion.

An important determinant of Tennessee's manufacturing growth will be its ability to remain competitive with alternate locations. Energy availability remains a significant location consideration. TVA wants to generate additional electrical ca-

ANNOUNCED CAPITAL EXPANSION IN TENNESSEE BY SELECTED FIRMS (PRELIMINARY FIGURES FOR JANUARY-SEPTEMBER 1981)

Firm	Location	Capital Investments ($ millions)	Job Opportunities	New Plant (NP) or Expansion (E)	Product
Dupont	Chattanooga	12	—	E	chemicals
La-Z-Boy Chair Company	Dayton	3	200	E	recliners
Cabot Corporation	London	10-50	150-300	NP	special alloys products
Garan, Inc.	Palmersville	—	100-250	NP	men's knit shirts
Micro Craft, Inc.	Tullahoma	4	165	E	plastic machine parts
NCR	Humboldt	5.5	—	—	———
Reliance Electric Company, Dodge Division	Rogersville	15	30	E	ball bearings
Standard Gravure Corporation	Morristown	13.5	50	NP	Sunday magazines
Tennessee Nuclear Systems, Inc.	Jonesboro	7	—	E	uranium containers
United Technologies Corporation	Franklin	4-25	—	E	magnet wire for electric motors
Valley Tool and Dye Company	Sevierville	3	100-500	NP	castings

Source: State of Tennessee, Industrial Development Division of the Department of Economic and Community Development.

pacity through an extensive nuclear plant construction program during the 1980s. This is causing TVA to raise its electricity rates to pay for the construction. In 1980 alone, rates were up about 24 percent—exceeding the national increase. Thus, increasing costs could limit the state's industrial expansions in 1982.

Tennessee's manufacturing employment is growing faster than the national rate. This trend indicates that, in the future, Tennessee can expect greater reactions to changing economic conditions than the nation. Therefore, 1982 could be a year of significant growth changes for Tennessee's industries.

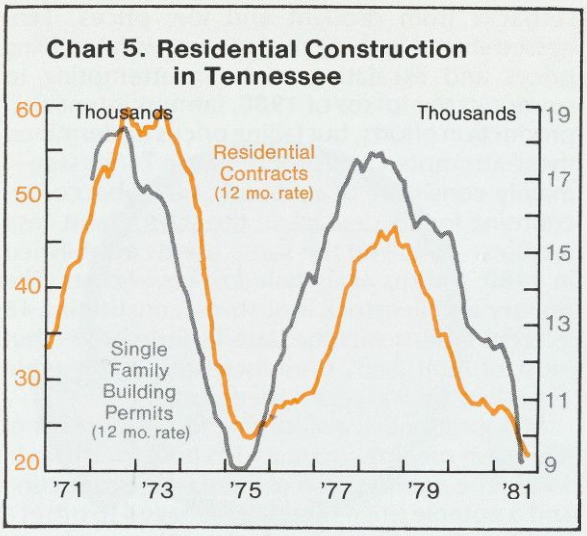
World's Fair to Open

Spurred by a planned World's Fair in Knoxville, tourism in Tennessee should enjoy a banner year in 1982. Tourism developments this year will continue trends set in 1981. Although the national economic slump has stifled travel to some "tourist" states, Tennessee has received a steady stream of visitors over the past few years. During the first two quarters of 1981, some 19.7 million tourists traveled to Tennessee—a 15 percent increase over the 17.1 million recorded during the same period of 1980. According to the Tennessee Department of Tourist Development, tourism replaced agriculture in 1980 as the state's number two industry, behind manufacturing. A department spokesman said tourism was a $2.3 billion industry in 1980. Figures for 1982 should top 1981 levels significantly because of the World's Fair.

The Knoxville World's Fair, whose theme is "Energy Turns the World," is scheduled for May 1 through October 31. The fair is expected to attract at least 11 million visitors. Tour companies alone have sold over 650,000 tickets to the event. Although three new downtown hotels have been built to service those coming to the World's Fair, reservations are virtually impossible to obtain. Thus, several bus companies plan to run daily shuttles from nearby cities such as Chattanooga, Nashville and Asheville (North Carolina). Some tour companies are also providing travel packages which include a visit to the World's Fair along with such attractions as the Grand Ole Opry and Opryland.

This year, Nashville will remain one of the most heavily visited cities in Tennessee. Nashville's attraction as the "home of country music" has increased in recent years as such music has gained nationwide popularity. The Grand Ole Opry attracts 800,000 to 900,000 fans a year and always enjoys capacity crowds. Opryland reached a record attendance level of 2.25 million visitors in 1981. Other attractions such as the Hermitage (Andrew Jackson's home), Printer's Alley, and "Music Row" continue to be popular.

In Memphis, a new tourist attraction called Mud Island recorded over one million visitors last year. Costing $65 million, this musically oriented park houses exhibits from the Civil War era and from Mark Twain's tales about life on the Mississippi River.



Chattanooga traditionally attracts many visitors. Lying along several major routes to the Knoxville World's Fair, the city should see its tourism improve in 1982 over the performance of recent years. As in the past, tourists will visit traditional points of interest such as Lookout Mountain, Rock City, Ruby Falls, the Incline, Chickamauga National Military Park and the Chattanooga Choo-Choo.

Outdoor tourist activity should also increase in 1982. Fair visitors will significantly increase usage at state and national parks near major routes to Knoxville. Great Smoky Mountains National Park's developed campgrounds are expected to be jammed throughout the six months of the World's Fair.

Construction Slump Continues

In Tennessee—as in the rest of the United States—construction activity is in a downturn. In particular, residential construction remains severely depressed. In October, units of residential construction contracts—at 21,865 units (12-month cumulative basis)—were 8 percent lower than the severe August 1975 trough following the Arab oil embargo. Residential construction contracts are weaker in Tennessee than in any other District state. While most District states improved in early 1981 over the 1980 recession levels, Tennessee showed almost no recovery in real terms during early 1981.

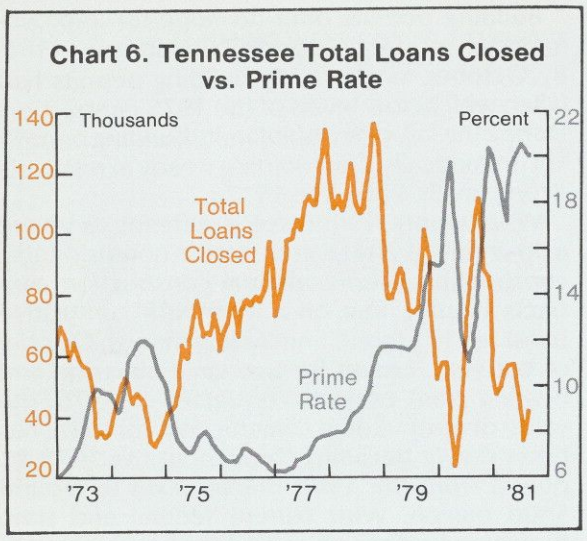
Building permits offer no hope for improvement for residential construction in early 1982. By October, single-family building permits had fallen well below levels of the 1975 contraction. During the fall, even multifamily building permits fell dramatically, after holding steady at relatively strong levels since late 1977.

What's more, Tennessee is suffering as severe a downturn as any District state in nonresidential construction. Nonresidential construction contracts (square feet on a 12-month cumulative basis) fell 14 percent from March through October of last year. Except for two large electrical and heating plant projects contracted in 1979, the value of nonbuilding construction contracts has been slowly declining throughout the 1978-81 period from the $900 million level to around $500 million. With current federal and state budget reductions, this trend can be expected to continue through 1982.

The value of total construction contracts in Tennessee improved slightly in early 1981 but has been declining since April. Yet, total construction value remains high once previous highs are adjusted for two previous large jumps caused by power plant contracts. Relative to historical levels, the state's long-term construction growth should be above the national average as industrial development and population increases continue. Short-term prospects in early 1982 aren't good, though, since much of Tennessee's economy is so interest rate sensitive. Yet, because of this relative sensitivity, Tennessee's construction sector should begin long-term improvements by late 1982 if interest rate levels resume their decline of late 1981. This growth should be stronger than that of the nation.

Bank Growth Slows

Tennessee currently ranks third among the District states in numbers of banks and total deposits. The rate of growth in bank deposits during the first nine months of 1981 was 8 percent, less than a District average of 10 percent. The vast majority of Tennessee's bank deposit increases was accounted for by the 9 percent gain in time deposits from January through September, the District's slowest growth rate in this category. Savings deposits declined by nearly 11 percent and demand deposits declined 18 percent during the first nine months of 1981. NOW accounts totaling $646 million in September comprised nearly 12 percent of the total NOWs



in Sixth District commercial banks.

Banks in Tennessee experienced a 6 percent growth in gross loans during the year ending June 30, 1981. This is slightly below the trend established during the 1970s. The loan-to-deposit ratio for all commerical banks in the state as of December 31, 1980, decreased to 64 percent from 68 percent a year earlier. The decrease was caused by a greater increase in gross deposits than gross loans. Tennessee's average loan-to-deposit ratio is the highest of all District states, however, ranging during the 1970-80 period from 51 percent to over 68 percent.

Savings growth in Tennessee's S&Ls during 1981 slowed remarkably from the year-earlier level as has been the case throughout the U. S. Savings capital has been increasing during the past 10 years, but only two of those years have been above the District's average. Tennessee's growth rate in mortgage loans outstanding has exceeded the District's average during four of the past 10 years.

Recent upward trends in total loans closed may indicate good news ahead for Tennessee's economy. When the prime rate fell from 20 percent in April 1980 to 11 percent in August 1980, total loans closed experienced a five-fold increase. Similarly, loan activity in 1982 should pick up significantly if interest rates decline.

Farmers in Squeeze

The agricultural sector has been adversely affected by the cost-increasing effects of high interest rates that have also plagued the rest of the economy. In addition, farmers have suffered setbacks from drought and low prices. Tennessee shared in these misfortunes, with tumbling prices and escalating costs. In attempting to surmount the losses of 1980, farmers intensified production efforts, but falling prices undermined these attempts. Crop production in Tennessee—mainly consisting of soybeans and tobacco, accounting for 33 percent of the state's farm cash receipts—followed the same trends established in 1980; returns again failed to cover costs. The poultry and livestock industries, constituting 48 percent of farm income, fared a little better, but most of their gains from increased prices were cancelled by increased feed costs.

Milk producers, accounting for 14 percent of farm cash receipts, managed to hold their own in 1981. The combination of increasing production and a notable price upswing managed to offset a measured upsurge in feed prices. Hog producers also did better thanks to sharply higher hog prices.

Overall, the 1981 season was considerably brighter than 1980. Yet, it left farmers facing a heavy debt load carried over from 1980, coupled with increased borrowing to cover increased production costs in 1981. Perhaps by striving for improvements in efficiency, combined with good weather and increased prices, farmers can again achieve profitability in 1982, but prospects are certainly not as bright as they appeared to be in 1981.

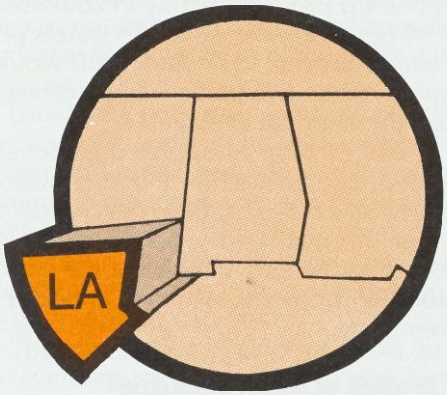
Exports Could Weaken

Even though Tennessee lies inland, international trade is important to the state. It exports a wide range of manufactures, reflecting its rather broad-based industry structure. Chemicals and non-electric machinery are the primary exports, but food products, transportation equipment, and fabricated metals are also significant. The state even exports sizable amounts of textile and paper products. In terms of employment, one out of 25 manufacturing jobs was attributable to direct exports in 1977 and, when indirect products are included, the total number of export-related jobs doubles.

Now that the dollar is strong again, exports of Tennessee-produced goods in 1982 are likely to drop off from recent levels.

It is likely that the 1977-79 fall in the foreign exchange value of the dollar helped spur Tennessee's export activity earlier.

—Mark Rogers and Gene D. Sullivan



LOUISIANA: Can Gas and Oil Keep Outlook Bright?

Louisiana's burgeoning oil and gas industries should help offset the recession's effects in 1982. Employment in the state is not critically dependent on manufacturing, and international trade activity has pushed New Orleans ahead of New York as the leading port for waterborne exports in the country.

In 1982 Louisiana's oil-fired economic growth should cool a few degrees from 1981's hot pace. Escalating in-state natural gas costs, for instance, are forcing cutbacks in the energy intensive petrochemical industry and threaten to curtail industrial expansion in the state.

Yet oil and gas exploration, production and transportation, together with expanding port activity and shipbuilding, should bolster the state's economy well into the new year. These virile sectors should continue to offset the slowdown in industrial expansion, weak housing starts and crippled auto sales.

Nonresidential construction spending should continue at high levels with an added boost as New Orleans prepares for the 1984 World Exposition. Population growth is likely to remain rapid due to the state's low living costs, low taxes, and job growth in energy related industries. The outlook for agriculture is clouded by large supplies of products on hand and low prices. Since few advanced military facilities are located in Louisiana, defense spending in the state isn't likely to expand much in 1982.

Industry and Employment

Louisiana's industrial and nonmanufacturing growth remains highly dependent on mineral resources. Oil and gas exploration, along with production and refining, are major contributors to the state's payrolls and employment. Manufacturing industries related to the mineral industries continue to grow. Next to Florida, Louisiana has the smallest portion of its nonfarm labor force tied to manufacturing of any state in the Southeast. That characteristic has helped moderate business cycle swings in the state.

The 1974-75 recession virtually bypassed the Pelican State, and the 1980 national recession was so concentrated that few believe Louisiana experienced a downturn at all. Louisiana's labor markets are benefiting largely from its petroleum and natural gas exploration. Employment growth exceeded labor force growth by a wide margin over the latter half of the 1970s, sharply reducing the state's unemployment rate. The state's coffers are flush with revenue from severance taxes on its petroleum and natural gas discoveries, requir-

ing less tax burden on local residents to provide public services. The state has the lowest income tax of the 44 states with personal income taxes. Property taxes are also low by comparison. Measured per capita, or per $1,000 of personal income, Louisiana can lay its claim as a "land of paradise for its taxpayers." The state ranked 50th nationally in property taxes per capita and per $1,000 of personal income.

Louisiana's population growth ranked 22nd among the 50 states during the last decade. There were 562,000 more people on its soil in 1980 than 10 years earlier. Despite more rapid population growth than the country in general, the state's economy was still able to raise its average standard of living by 174 percent compared to only 143 percent for the nation.

The state's population appears likely to continue its rapid growth. Expanding job opportunities in the state's energy sectors, its low tax burden and living costs should continue to stimulate growth over the next couple of years.

Between 1977 and 1980, Louisiana's per capita income rose from 84.2 percent to 87.5 percent of the national average—a significant improvement. But per capita income growth ignores the reality that a dollar just doesn't go as far in big northern cities as it does in rural Louisiana parishes. Housing costs are obviously not as large in Louisiana as they are in New York and Massachusetts; heating bills are higher in colder climates. Even the price of government—state and local taxes—is generally higher in northern states than those in the South. While some higher taxes are justified by better quality services, a large proportion goes to amortize long-term bonds and some is lost due to inefficiency. Progressive federal income taxes bite deeper in higher income states even though such higher incomes don't go as far as lower incomes in states with commensurately lower living costs.

A recent study* shed some light on the issue by attempting to measure real per capita standard of living across the country. The conclusions generally support the popular belief that living costs are lower in Sunbelt states. When dollar figures are adjusted to reflect differences in living costs, the economic gap between the average Louisianan and his counterpart elsewhere narrows from 12 1/2 to 4 percent. Furthermore, if we can realistically assume that national inflation since 1977 has gone up proportionately in Louisiana, then the 174 percent increase in the state's per capita income between 1970 and 1980 would place its typical citizen two-tenths of a percentage point above the national average.

Since it is real income as opposed to dollars that attracts people, then in all likelihood, Louisiana will continue to attract 56,000 or so new residents per year over the next two years. Stepped-up deregulation of natural gas, stimulating the petroleum exploration bonanza, will only speed the growth even more.

Profiles of Major Industries

Announcements of new and expanded industrial investments were off slightly in the first six months of 1981 when compared to 1980. The number of new permanent jobs, however, was nearly twice the 1980 figure. A spokesman for the Louisiana Department of Commerce attributed the job growth to a change in the type of investment. Labor intensive industries appear to be taking a greater share of the recent investment pie, industries such as fabricated metals, food and kindred products, machinery, and transportation equipment. The state's largest domestic employers are Western Electric in Shreveport and Avondale Shipyards in Avondale, with a combined work force of 11,000 people.

Marine construction is showing substantial vitality. Tidewater, Inc., plans to add 20 vessels valued at more than $50 million to its offshore oil service fleet. Avondale Shipyards is gearing up for a new contract to build three ocean tankers costing $300 million, with construction to get underway in 1982. Exxon will use the tankers to haul chemicals, solvents, and lubricating oil between its Gulf of Mexico refineries and East Coast customers.

Manufacturing facilities in Louisiana are concentrated along the Mississippi River between Baton Rouge and New Orleans. Chemical processing plants and petroleum refineries line the river banks. The Mississippi and its tributary rivers give Louisiana more miles of navigable waterways than any other state in the country, an important consideration for the petrochemical industry. Exxon's refinery in Baton Rouge is the second largest in the country.

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*First Chicago Weekly Report, October 1980.

Louisiana per capita income growth should advance more rapidly than most other southern states due to expansion in high-earnings industries. However, the northern area of the state has been losing ground to south Louisiana. Parishes with strong connections to the petroleum refining industry continue to rank the highest in terms of income.

Louisiana's petroleum industry, one of its largest sources of income, generates a very strong ripple effect. Indirectly, according to the New Orleans Chamber of Commerce, the oil and gas industry employs about 59,700 in support services and supplies in the New Orleans and River region. Construction and transportation are the two largest support categories.

The elimination of price controls on domestic oil is increasing production as well as severance and related revenues for the state. Revenue is derived from royalties, bonuses, and rentals collected from public land. Severance taxes imposed on oil and gas extracted from the ground also add up to substantial revenues for the state.

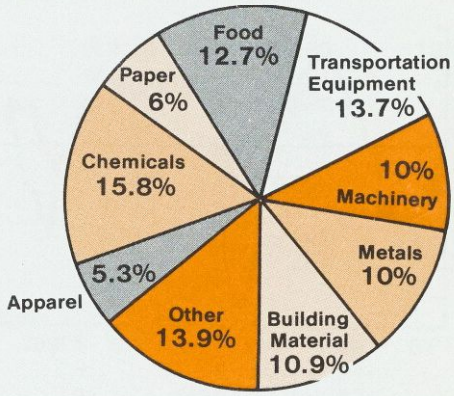
Severance tax and royalty payments should show a considerable percentage increase in fiscal 1981-82 over fiscal year 1980-81 since price controls on the oil industry will be in effect for 12 months, not just five. Total severance tax collection in fiscal 1981-1982 should approach $ one billion.

Drilling activity has picked up as it becomes feasible to explore areas that previously were prohibitively expensive. The oil service industries should continue to expand in 1982 as the search for new oil and gas in the state turns to deeper levels. The outlook for facilities that make and repair oil field equipment continues to be bright.

The 1973 oil embargo stimulated economic activity in Louisiana, but how long the prosperity will last seems mostly dependent on petrochemicals and chemicals. Particular chemical industries have been impacted by rising energy costs. Deregulation has driven up intrastate gas prices. Distribution problems are mounting. Along the New Orleans-Baton Rouge strip, chemical process industries have recently closed or are curtailing some operations.

Utilities that serve the chemical plants in southern Louisiana generate most of their power from gas-fired boilers. This heavy dependence on gas has forced up the price of industrial power. Louisiana will have trouble attracting new industry in 1982 unless power rates are held down. The substitution of coal for gas as an energy source appears to be an increasing possibility. For example, Dow Chemical Company appears on the verge of using coal from northwest Louisiana to help meet the energy needs of its manufacturing complex at Plaquemine.

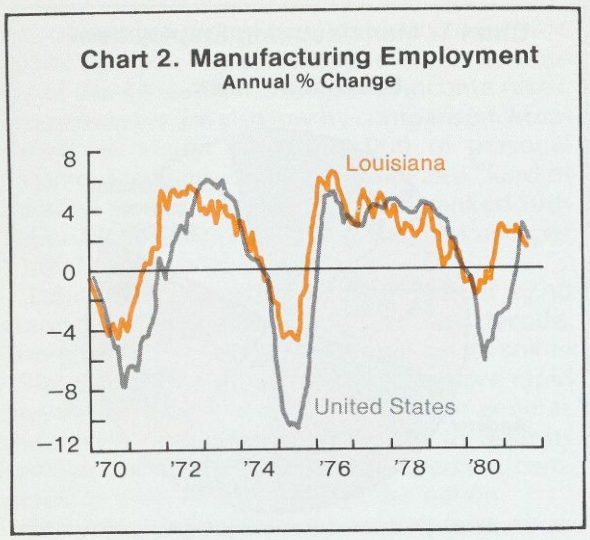
Chart 1. Manufacturing Employment by Sector Louisiana - 1981

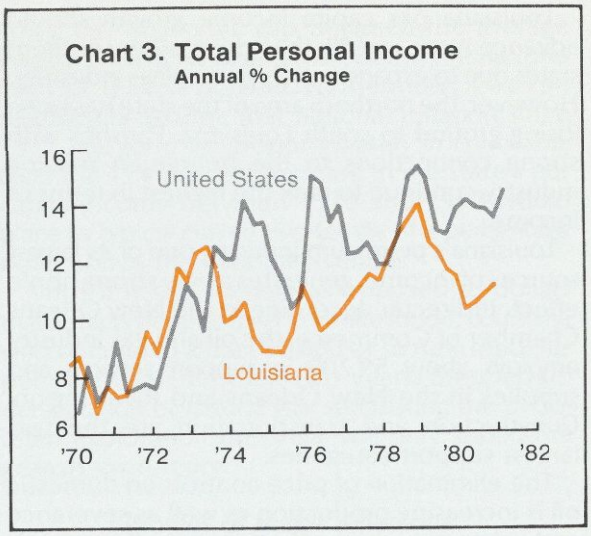


A new mineral for the state, coal, soon will be mined in northern Louisiana. Companies have known of large lignite deposits in north Louisiana for many years, but until recently they considered it commercially impractical to mine the minerals for conversion to energy. Rising prices of natural gas and other energy forms have given the deposits new value.

Construction

The value of total construction in Louisiana has continued growing steadily, with occasional surges generated by utility projects and large office developments. Yet, the outlook for residential construction in Louisiana in 1982 appears uncertain. Single-family building permits have been in a downturn. On a 12-month cumulative basis, single-family building permits in October 1981 had fallen 35.2 percent since the May 1978 peak. On the other hand, multifamily building permits issued in October (12-month cumulative basis) were just beginning to slip, following modest expansion in late 1980 and early 1981, having recovered earlier in 1981 to just over 80 percent of the June 1978 peak. Multifamily permits appeared to be trending upward. Even though multifamily building permits declined





slightly in late 1981, multifamily construction should remain relatively strong.

Nonresidential construction in Louisiana has skyrocketed since the recession of 1980. From September 1980 to September 1981, square footage increased by 38 percent. The September level is near the state's all-time peak thanks to an office and hotel building boom. Nonresidential construction may slow down in early 1982 but will still remain inherently strong, waiting for possible expansion late in 1982.

Nonbuilding construction in Louisiana has been slowly ascending and the long-term trend of increasing contract values will probably continue in 1982, especially if interest rates decline.

Construction employment should continue growing well into 1982 due to special projects such as the construction of coal terminals along the Mississippi River and preparations for the 1984 Louisiana World Exposition in New Orleans.

The nation's first deepwater port for unloading supertankers recently took its first delivery of petroleum. The superport represents nine years of work by Loop, Inc., the company that owns and operates the terminal. Loop is an acronym for Louisiana Offshore Oil Port. The $700 million port seems certain to generate many benefits for Louisiana, including jobs and local revenues. The average supertanker will pay more than $900,000 to have its $57 million crude oil cargo unloaded and, for the bigger supertanker, the fee will be more than $1.5 million. Foreign tankers will unload crude oil at the port to be stored temporarily in caverns of the Clovelly Salt Dome. The port eventually should provide the cheapest way to unload crude oil in the United States. Several oil companies have begun constructing input stations near the Salt Dome site where they will transfer oil as needed to their own pipelines in Louisiana, Texas and the Midwest.

Tourism

Louisiana's tourism industry, which draws visitors from across the nation, has stagnated slightly since the 1980 recession. The generally sluggish national economy has kept the rate of increase to a minimum over the past few years. If the economy picks up in 1982, though, the tourist sector should witness a healthier growth trend. In the first three quarters of 1981, some 2.15 million tourists vacationed in Louisiana, 5 percent more than the 2.05 million recorded during the first three quarters of 1980. New Orleans remains the most popular tourist destination. The Mardi Gras, held each February, accounts for many of New Orleans' tourists. Hotels are usually booked two years in advance for the event. The Sugar Bowl is another big attraction. The stadium holds 70,000 and is always filled to capacity for the annual spectacle. In addition to attracting vacationers, New Orleans is a major convention center for which the majority of hotels are booked through 1985.

The 1980 recession dampened air travel in Louisiana, as judged by declining deplanements at the state's major airport. Although for several months of 1981 deplanements were ahead of

Table 1. How Louisiana and Its Seven Major Metropolitan SMSAs Fared During the Recent Period

Changes in Total Employment

	1976-77	1977-78	1978-79	1979-80	1980-81
Louisiana	90,627	74,269	55,941	48,101	30,572
Alexandria	4,523	1,370	2,704	2,339	1,993
Baton Rouge	5,971	4,022	4,914	6,2744	1,590
Lafayette	1,008	6,548	5,467	7,128	6,005
Lake Charles	2,557	4,178	3,526	2,857	−14
Monroe	1,521	543	1,300	−172	−1,978
New Orleans	21,267	788	1,384	−2,457	−5,977
Shreveport	7,113	2,938	5,585	−1,387	2,932

Unemployment Rates

	12/76	12/77	12/78	12/79	12/80	12/81
Louisiana	6.4	6.7	6.6	6.3	6.6	8.0
Alexandria	7.7	7.6	7.9	7.5	8.7	9.7
Baton Rouge	5.3	7.8	6.2	6.0	7.2	9.8
Lafayette	4.0	4.3	5.1	4.9	3.6	4.3
Lake Charles	7.0	8.1	7.1	6.3	5.9	8.5
Monroe	7.0	6.4	7.3	7.0	8.6	9.4
New Orleans	7.5	7.6	6.3	6.0	6.1	7.5
Shreveport	6.5	6.1	6.4	5.6	6.9	7.3

Source: U. S. Department of Labor, Bureau of Labor Statistics, Atlanta, Georgia.

1980, the average for the year still shows a decline. The number of passengers arriving in New Orleans reached 2.52 million through October 1980. In the same nine months of 1981, the deplanements had declined to 2.44 million—a decrease of 3.2 percent. Because New Orleans is a major convention center, the decline in air traffic has been less pronounced than in many other southeastern cities.

International Trade Activity

During the last decade, U. S. foreign trade activity through Louisiana seaports expanded rapidly. The value of U. S. waterborne exports through the New Orleans Customs District—largely Louisiana ports—grew to $19.3 billion in 1980 from $3.5 billion in 1970; as a result, New Orleans jumped ahead of New York to become the largest customs district for such exports.

A strong increase in the volume of exports, especially of coal and grain, appears likely in the year ahead. Port officials look for moderate (10 percent) growth in grain exports; coal export growth, however, will continue to be strong as Japanese and European utilities shift to coal for the production of electricity.

New Orleans' annual average growth for exports and imports in the 1970s was 75 percent. The ports of New Orleans, Baton Rouge and Gramercy were responsible for more than four-fifths of the foreign trade activity in the state in 1980. Major export commodities from these ports were bulk agricultural products (soybeans, rice, corn, and prepared animal feeds), chemicals, and, more recently, coal. Import commodities chiefly include crude petroleum and its products, bauxite/aluminum, and iron-steel products.

Louisiana-produced exports are substantial; more than 5 percent of Louisiana's manufacturing production is directly exported. Louisiana's export production structure features chemicals, food and kindred products, paper, machinery products, and energy-related products. In terms of specialization, Louisiana is nearly five times as export-oriented as the U. S. in chemical and petroleum products; Louisiana's paper and food

industries are twice as export-oriented as the nation. Exports of machinery and fabricated metal products, especially of machinery for oil drilling, sugar cane processing, mining, and construction, are also important to the state's economy.

The New Orleans Foreign Trade Zone, the second oldest in the nation and one of the largest in terms of dollar transactions, currently operates at full capacity. Planned expansion of the zone will boost international trade further. Commercial banks' international activity, which has played an important role in the past in providing services for the international business activity of the state, is also expanding. Currently, there are seven banking entities in Louisiana with international operations, all of them based in New Orleans. In 1981, the first agency of a foreign bank was established in the state.

Agriculture

Nearly three-fourths of Louisiana's agricultural income comes from four major commodities: soybeans, cattle, cotton, and rice. Soybeans alone account for approximately one-third of the total. Thus, the outlook for agriculture in Louisiana during 1982 depends heavily on factors that affect the production and the demand for soybeans.

Estimated income from Louisiana's crops was up in 1981, most notably from cotton, wheat, and rice. Soybean income declined because of a reduction in acreage that wasn't offset by increased yields. In fact, dry weather in the latter portion of the growing season cut sharply into Louisiana's soybean yields and left them only slightly improved from 1980's level. Crop incomes were also cut because prices declined nearly 20 percent from a year ago for cotton and soybeans.

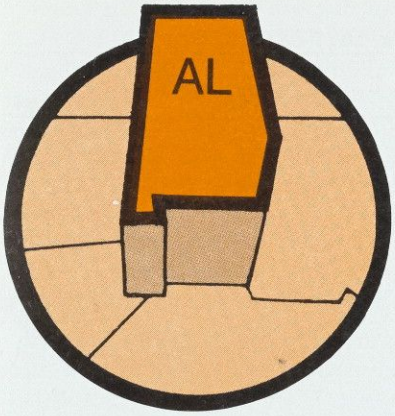
Cattle producers, accounting for 15 percent of Louisiana's farm cash receipts, also had a poor year. The calf crop declined by 3 percent from a year ago, and calf prices averaged nearly 20 percent lower, reflecting a relative abundance of pork and chicken and unprofitable margins for cattle feeders who have had slack demand for calves for placements in feedlots.

Louisiana's agricultural outlook for 1982 will be less than bright unless demand for its agricultural products improves. An improvement in international demand could lift prices of soybeans, cotton, and rice to profitable levels. Crop shortages in Russia could have an important influence on soybean prices before the next harvest season. Cotton and rice prices would also benefit from stronger international demand, although, in both cases, unusually large supplies will weigh heavily on prices until excesses have been utilized.

Cattle producers will benefit from an expected improvement in the general economy that should induce consumers to purchase more beef in 1982. Further reductions in the calf crop could also take some pressure off the cattle market in the coming year.

Farm costs could rise more slowly in 1982, if fuel costs don't increase. Cost relief would help farmers get closer to that break-even level in 1982 which, at best, now appears to be a difficult goal.

—David M. Avery
and Gene D. Sullivan



ALABAMA: Will "Heart of Dixie" Skip a Beat?

Hit by an unemployment rate approaching 12 percent last year, Alabama entered the new year with personal income and bank deposit growth lower than neighboring states. Hopes for improvement rest on several large construction and manufacturing projects planned for 1982. Farmers in the state face an uphill climb after two crippling seasons.

Alabamians face 1982 with prospects for improvement from an extended period of economic slack. Pronounced downturns in the state's manufacturing and construction industries persisting for two years or longer have left the state with one of the highest unemployment rates in the region (12.5 percent as of December, seasonally adjusted).

Depressed agricultural incomes during the past two years have compounded the problems experienced by the nonfarm economy.

Although developments in industry and international trade have been positive factors in the state's economy, these favorable influences have been insufficient to offset problems in other sectors. Thus, growth rates in personal income and bank deposits have trailed those in neighboring states, reflecting the special severity of Alabama's problems.

It is likely that Alabama's economy will improve in 1982. Reductions in credit costs, the expansion of U. S. Steel's facilities near Birmingham, a new beltway around Birmingham, and special government initiatives to stimulate construction are likely to revitalize Alabama's manufacturing and building sectors. Good weather could improve agricultural production which, if accompanied by some recovery in crop and livestock prices, will contribute to an improved economic picture by the end of 1982.

Employment and Income Sluggish

Alabama's economy grew twice as fast during the 1970s as it did during the 1960s and job growth became less concentrated in metropolitan areas. With the lone exception of the Huntsville SMSA, affected adversely by the winding down of the aerospace industry following the 1969 moon launch and Chrysler Corporation cutbacks, employment growth more than doubled in the state's metropolitan areas during the last decade. Since 1976, an increasing share of job growth has been occurring outside the state's metropolitan areas, indicating that economic activity is becoming more decentralized.

Recent reading of the pulse of Alabama's economy suggests that, after a short but severe recession in the first half of 1980, Alabamians were entering another period of sluggish economic activity and rising unemployment as 1982 began.

Table 1. Job Growth Slowed in Alabama's SMSAs, 1977-81*

State/SMSA	1977	1978	1979	1980	1981
Alabama	54,535	76,070	22,610	−10,454	−30,769
Anniston	460	2,134	−128	737	−870
Birmingham	11,159	10,545	4,329	−9,839	−9,746
Florence	2,598	3,535	−832	−1,512	−1,155
Gadsden	2,254	2,122	−121	−873	−1,128
Huntsville	4,521	6,630	2,894	−77	408
Mobile	7,324	5,124	−2,104	−1,826	−4,534
Montgomery	5,046	5,563	4,236	−2,572	−2,784

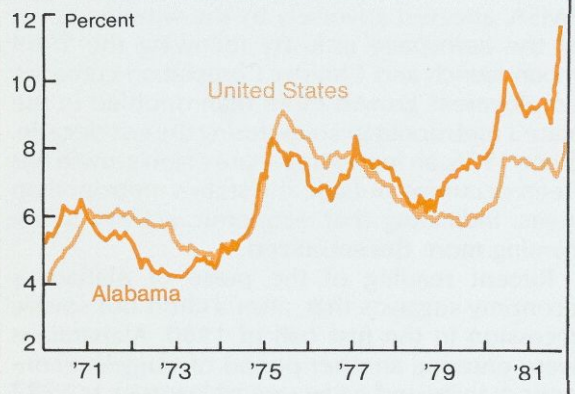
*Actual changes in employment from December to August or September of each year.
Source: Unpublished data from U. S. Department of Labor, Bureau of Labor Statistics, Atlanta, Georgia.

In the first half of 1980, Alabama's wage and salary employment declined by 55,000 and its unemployment rate peaked at just over 10 percent. New applications for state unemployment insurance surged and home construction slumped under the weight of unprecedented mortgage interest rates.

As credit controls were lifted and interest rates receded in the summer of 1980, Alabama's economy started moving again. Employment reversed the decline experienced in the first half of the year, and the state's unemployment rate edged downward. From mid-1980 to early 1981, Alabama employers added 50,000 workers to their payrolls and the state's unemployment rate declined to 8.7 percent. Weakness clearly reappeared in 1981, however. Wage and salary employment has declined by 42,000 so far and the state's unemployment rate has been rising steadily.

Compared to the nation's personal income growth, these past few quarters have found Alabama sluggish. Total personal income in Alabama reached $31.4 billion by the end of the second quarter of 1981. During that first half of 1981, income grew about 11 percent from the first half of 1980, whereas the nation's total personal income grew 12 percent. Alabama has also been trailing the Southeast in personal income growth.

Chart 1. Unemployment Rates United States and Alabama



A Vulnerable Economy

Alabama's economy is heavily weighted toward exporting goods to other regions. Compared to the nation, a higher proportion of Alabama's work force is employed in manufacturing and a lower proportion in trade and services. This disproportionate concentration in goods-producing industries illustrates the external dependence of the state's economy. The larger proportion of durable goods suggests that Alabama's economy is linked more closely to national and international economic developments than that of most other states. Moreover, durable goods industries are more cyclically vulnerable than other industries. Consequently, national recessions have a more profound impact on the state's economy.

The importance of heavy industry to the state is frequently exaggerated, however. While Birmingham's economy is heavily dependent on foundries, the state in general is less concentrated in durables manufacturing than the nation. Three-fourths of America's manufacturing workers engage in durables manufacturing, but only two-fifths of Alabama's work force is so concentrated. This is important because the length of time required to adjust inventories for unexpected change in demand is considerably shorter.

What's more, a growing proportion of the state's durable goods industry is of the high-technology variety. In 1977, some 17 percent of Alabama's durables employment was high-technology; in 1981, that share had risen to 20 percent. The U. S. share of durable manufacturing that is high-technology held at roughly 38 percent in both years. Primary and fabricated metals declined in importance from 19 percent to 17 percent of U. S. manufacturing employment. The proportion of such workers in Birmingham's durable goods industry fell even more, from 41 percent in 1977 to 36 percent in 1980.

Manufacturing: Growth Ahead?

Following a year of declining manufacturing employment in 1981, Alabama's economy appears headed for modest job growth in 1982. Manufacturing hours worked and hourly earnings have been increasing for most of the state's industries throughout 1981. High-technology industries are showing strength. Engineering development of the MX missile strategic defense system has generated new business through subcontracts to many Alabama companies, most providing electronic components.

Although basic steel production has been cut due to foreign competition, Alabama's outlook brightened as work began on U. S. Steel's $650 million seamless pipe mill in Fairfield. The decision means a dramatic turnaround for the Fairfield works, which had lost $378 million in the last three years. The new mill is expected to employ 1,000 additional workers when it begins operation in 1984. Fairfield works, selected partly because of its proximity to the "oil country" products market, will produce 3.5 million tons of raw steel annually.

Alabama accepted bids of almost $450 million in March 1981 from petroleum firms seeking the right to drill for oil and gas in Mobile Bay. Five companies filed applications to drill 32 exploratory wells in the newly leased area. If drilling proves successful and production follows, Alabama will receive from 25 to 28 percent of the value of the product in royalty payments plus taxes.

Industries linked to housing continue weak, and future prospects don't look good unless mortgage interest rates fall substantially. Hours worked in the lumber and wood industries have not turned up. To cope with slack demand, these firms have been forced to diversify—producing wooden cartons and boxes—or they have cut back operations.

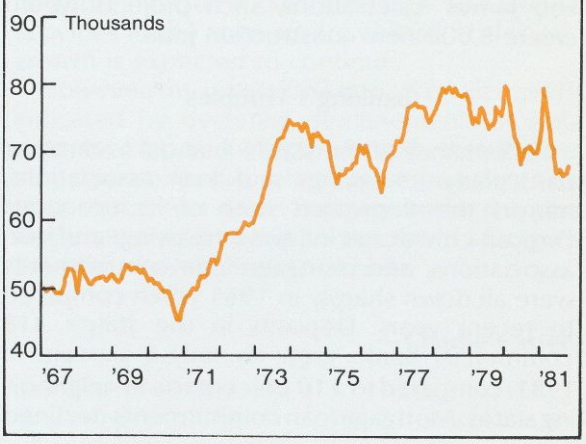
Of the nondurable industries, the textile and apparel group showed little change throughout 1981. A large apparel manufacturer announced a 50 percent expansion of its Gadsden plant, indicating some optimism. The Gadsden plant will be one of the largest in the country.

In Montgomery, the state's fastest growing city, industrial growth is expected to continue at a strong rate. Once the 232-mile Tennessee-Tombigbee Waterway is completed in 1986, it will enable barges to travel from Mobile to the Great Lakes, adding to Alabama's attractiveness for plant location.

Construction Weakens

Nowhere has the economy's weakness been more visible than in construction. After losing and then regaining 9,300 jobs during the 1980 recession, construction employment declined by an even larger number (13,000) in 1981.

Chart 2. Alabama Construction Employment



The state's construction industry is larger proportionately than for the nation in general and is skewed more toward residential than commercial building. Construction employs 56 of every 1,000 workers in the state, compared to 46 of 1,000 employed nationally. Half the value of their work goes into residential building compared to 43 percent for the United States.

Under the weight of high mortgage rates and an ailing economy, both single-and multifamily construction fell sharply in 1981. The small rise in mortgage lending through most of 1981 indicates that a slower pace of new home construction is planned for 1982. Mortgage lending by the state's S&Ls has been slowing for five straight years, and new loans nearly dried up in 1981.

Commercial activity has also plunged. In 1979, for instance, contracts were signed to build 27 million square feet of space. In 1981, the planned square footage was in the vicinity of 12 million. Prospects for commercial construction in 1982 will be bolstered by U.S. Steel's expansion near Birmingham. In addition, activity along the Tennessee-Tombigbee Waterway project will add more construction jobs to the western portion of the state.

The state will use the $449 million in oil lease funds, with accumulated interest, to purchase 20-year U. S. Treasury securities. These securities would be pledged as collateral to issue general obligation bonds and the proceeds placed in the state's 318 banks to earn additional interest over a five-year period.

The money would be drawn down to finance construction of roads and bridges, school facilities, improve the state's docks, provide financing to build low- and middle-income housing, and to build prison and mental health facilities. By Gov. Fob James' calculations, such projects would create 6,000 new construction jobs.

Banking's Troubles

Performance of the state's financial institutions, particularly its savings and loan associations, mirrors the depressed state of its economy. Deposit growth, net inflows into savings and loan associations, and mortgage loan commitments were all down sharply in 1981 when compared to recent years. Deposits in the state's 318 commercial banks grew by only 8 percent in 1981, compared to a 10 percent rise in neighboring states. Mortgage loan commitments declined by $100 million over the first nine months of 1981, compared to an $81 million increase the preceding year. Moreover, Alabamians switched from regular savings accounts at thrift institutions to higher-yielding money market instruments. Net inflows, including interest credit at savings and loan associations, fell by almost $3 million last year, compared to a net gain of $157 million in 1980. Expected weakness in the state's economy will be reflected in slow deposit growths during the first half of 1982 at least.

Farmers' Challenge

Alabama farmers face the 1982 season a bit unsteadily following two consecutive crippling seasons. Severe drought damaged most of their crops in 1980, even while overproduction of livestock depressed prices and brought huge losses. Unfortunately, 1981 proved to be a disappointment, too. Feed costs rose dramatically, eliminating much of the gain expected from higher livestock prices and production. On the whole, crop returns fell substantially short of costs as well.

Alabama's livestock and poultry industries, constituting close to three-fifths of the state's farm cash receipts, also yielded disappointing returns in 1981. Gains from expanded production and a moderate increase in broiler prices, which constitute one-fifth of farm income in the state, were checked by a sharp rise in feed costs. The cattle industry, another major contributor to farm income, realized a slight gain in production, but a precipitous decline in prices and a surge in feed costs erased any income gains. Egg and hog prices managed to advance but feed costs accelerated even more.

While the livestock and poultry conditions looked bleak, crop production proved even worse. In hopes of compensating for their 1980 losses, farmers expanded plantings of most crops. Unfortunately, the dreaded combination of bad weather and decreasing prices caused farmers to lose out once again. By harvest time, prices of major crops had fallen 20 percent or more from 1980's average level.

Farmers face still higher production costs and receding commodity prices in 1982. Already carrying a heavy debt load, they now must increase that load even further to produce 1982's crops. Even if the weather proves favorable and

production good, indicated prices practically exclude any possibility of paying off very much accumulated indebtedness. To increase returns in 1982, prices will have to rise sharply from 1981 and farmers will need to make every effort to achieve maximum productivity.

International Trade: Outlook's Bright

The Port of Mobile is ideal for water transportation of heavy products from Alabama's steel factories. A large proportion of Birmingham's steel output goes through the port. Interstate 65 provides direct access from Birmingham to Mobile. This is also an indicator of how closely linked the state's economy is to the world economy.

The value of foreign trade passing through the Port of Mobile increased 32 percent per year during the last decade. In 1980, exports totaled $1.2 billion while imports were $700 million. Available data for 1981 suggest a repeat of 1980, with soybeans and coal shipments again recording strong export growth.

Imports are dominated by crude petroleum and ores. Soybeans provide the single most important commodity exported through the port, although rice, corn, and other agricultural commodities are exported heavily. Wood pulp and ores are other major nonfuel crude materials exports; coal exports, already large, are growing rapidly. Basic manufactures and machinery are other exports.

Although shipments from farms and manufacturing plants in various states flow through the port, a significant portion of Mobile's exports are produced in Alabama. Altogether, about 10 percent of Alabama's manufacturing output is export-related.

The recent oil boom in Mexico has brought additional prosperity to Alabama's economy by spurring the state's manufactured exports. According to the U. S. Department of Commerce, Alabama expects to export nearly $100 million worth of products to Mexico during 1981. Major exports to Mexico are coal, coke, agricultural products and diverse manufactured products such as automotive parts and mining equipment. In turn, Mexico is selling Alabama its oil and natural gas. This trade is expected to grow in 1982. The state is trying to expand further the value of manufactured exports to other countries by organizing trade missions and other export-promotion programs.

Long-term international trade prospects for Alabama coal are also promising. The anticipated increase of coal exports—both steam and coking coal from the state's vast reserves and Appalachian coal that can be transported upon completion of the Tennessee-Tombigbee Waterway in 1986—will have a tremendous impact on the state. The navigation channel will connect 16,000 miles of inland waterway with the Port of Mobile. The port has committed more than $125 million in public and private investments to improve its facilities for the anticipated traffic.

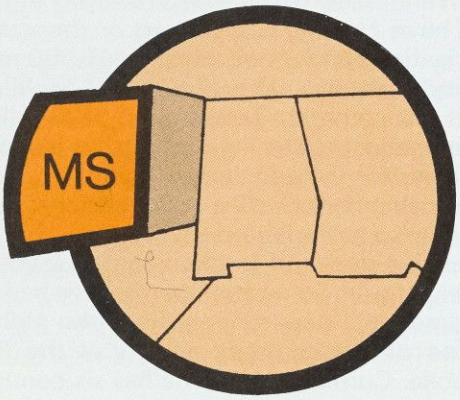
Alabama banks, active in international banking, have also contributed by serving the trade-financing needs of local customers involved in foreign trade. Some state banks have had active international departments since the 1920s because of foreign trade activity at the Port of Mobile. Currently, Alabama has six commercial banks involved in international banking. Prospects for business growth are promising due to the continued expansion of the Port of Mobile and the development of new markets for manufactured goods.

Tourists Are Coming

The Alabama tourism industry appears to be gaining despite the national recession. Although Alabama's livelihood doesn't depend on its tourists, the state has received a steady stream of visitors in recent years. In the first three quarters of 1981, fully 48 percent more visitors registered at Alabama's five welcome centers than in the same 1980 period. Because of high gasoline prices and nationwide economic stress, tourists in neighboring states are spending their vacations in the Southeast instead of traveling farther. While Alabama is not usually considered a tourist state, it is on the route to popular tourist attractions in neighboring Gulf Coast states. A few annual activities in the state attract visitors, and tourist growth is expected to continue.

However, the recession's impact on air travel is indicated by declining deplanements at state airports compared with 1980 totals. Birmingham air passenger traffic, reflecting 60 percent of the state's total, was down five percent for the year. Deplanements dropped 15 percent in Montgomery and 11 percent in Huntsville.

—Charlie Carter



MISSISSIPPI: Ailing Economy Looks for Cure

After several years of declining population, Mississippi is now attracting more new residents. The population growth does not promise to be enough, however, to offset anticipated weakness in the state's key lumber, wood products, and manufacturing industries.

Mississippi's economy appears to be headed for lackluster growth in the year ahead. The national recession is reflected in the weak performance of the state's manufacturing sector where employment and output have been declining.

In addition, the sharp construction downturn has cut deeply into markets for the state's lumber and wood products industries. That picture seems unlikely to brighten until late 1982, when lower credit costs could allow the demand for housing to begin reviving. A resumption of manufacturing growth should combine with strengths in tourism and international trade to produce moderate economic growth late in the year. Curtailed government employment and a troubled agricultural sector are expected to exert a drag on the economy throughout the year.

Population Rising Again

Mississippi's population, numbering about 2.5 million, has begun to increase again following several decades of little or no growth because of rapid out-migration. The exodus of people definitely has slowed and new arrivals are now offsetting a significant proportion of the departures. After losing residents during the 1950s and 1960s, the population expanded 3 percentage points faster than the U. S. rate during the past decade. The growth rate has averaged near 1 percent a year since early 1970 and growth is projected to hold near that level. The black population has begun increasing again after declining from 49 percent to 37 percent of the total between 1940 and 1970.

The number of people leaving the state is expected to continue to dwindle and soon may cease altogether. High housing costs are likely to persuade many would-be out-migrants to stay put while the state continues to attract people from other regions seeking refuge from congestion, high living costs, and high taxes.

Population has been growing most rapidly around Mississippi's metropolitan areas. For instance, while the state's population grew 13 percent over the past decade, the Biloxi-Gulfport area grew 20 percent, Jackson expanded by 22 percent, Pascagoula-Moss Point by 34 percent, and the extreme northwestern portion of the state bordering Memphis, Tennessee grew by 50 percent.

Unemployment Rising

Total nonagricultural employment stood near 832,000 in 1981, representing little growth from 1980's level. Right on the heels of 1980's short but severe recession, Mississippians are again facing sluggish labor market conditions and rising unemployment continuing into the new year.

In 1980, the state's unemployment rate rose steadily through the first half of the year, peaking at 8.3 percent in July. It then edged downward to 7.5 percent in December 1980, but economic weakness reappeared in 1981. Employment fell sharply, and the state's unemployment rate surged to 9.5 percent in the fall. The downturn was concentrated in the construction and manufacturing sectors.

Employment growth is expected to resume in 1982 with trade, finance, and service industries accounting for major increases. In addition, a large natural gas discovery across the lower half of the state should provide an abundance of new jobs and higher incomes as future development occurs. Landowners, drilling companies, equipment manufacturers and those engaged in repairing, servicing, and maintaining equipment will be the primary beneficiaries of the new activity.

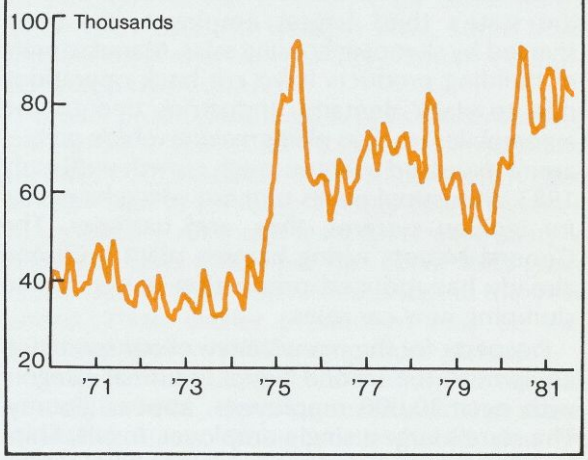
Personal income growth remains sluggish. Total personal income in Mississippi reached approximately $17.7 billion by mid-1981. Growth has proved modest in the past few quarters compared with the nation's pace. During the first quarter of 1981, personal income grew 9 percent over the year-ago level, while the nation increased 11 percent. Income growth improved to 11 percent in the second quarter but still lagged behind the nation's 12 percent year-over-year increase. Mississippi's growth also has been trailing the Southeast by 3 to 5 percent during the same period and per capita incomes are still the lowest in the region.

Manufacturing on the Rebound

With continued moderation in credit costs, manufacturing should show renewed growth following its particularly weak performance during the past two years.

Manufacturing constitutes the largest source of income for Mississippians. Prominent manufacturing industries include apparel, lumber, machinery, food, and transportation equipment. Although transportation equipment employs a relatively small share of Mississippi's labor force, that industry, dominated by the huge Ingalls Shipbuilding Company in Pascagoula, has accounted for most of manufacturing employment's instability in recent years.

Chart 1. Mississippi Unemployment



The state's manufacturing promises to show higher-than-average growth rates by the end of 1982 following its weak performance in 1980-81. Lower interest rates and the new tax law authorizing liberal tax credits for Mississippi's many aging factories should boost the state's typical slow-growing, mature industries. For example, 20 percent of expenditures made in rehabilitating structures 40 years of age or older can be credited against taxes—15 percent for 30-year-old structures. Prior legislation limited tax credits to 10 percent. These liberalizations should be particularly beneficial to lumber and wood products, apparel and food manufacturers.

The manufacturing sector has lingered in the doldrums since 1978, with employment down nearly 6 percent between 1978 and 1980. Apparel, Mississippi's largest manufacturing industry with 239 plants scattered throughout the state, has shown little expansion in an era of generally weak consumer spending. Employment has continued on a moderately declining trend throughout 1980 and 1981. Average weekly hours worked remain at low levels and weekly wages of apparel workers remain the lowest of the major industrial categories.

Industries linked to housing and automobiles, and therefore sensitive to high interest rates, remain depressed. Lumber and wood products, the state's third largest employer, has been stymied by slumping housing sales. Manufacturers of building products have cut back operations due to slack demand. Industries tied to the automobile—such as plants making vehicle parts—aren't expected to show much growth until early 1983. Mississippi plants turn out wiring harnesses for ignition systems, tires, and batteries. The General Motors wiring harness plant inClinton already has reduced production levels due to slumping new car sales.

Prospects for the manufacture of transportation equipment, the second largest industrial category with over 20,000 employees, appear gloomy. The state's largest single employer, Ingalls Shipbuilding Company in Pascagoula, has been scaling down and diversifying its operation. Employment, which peaked at nearly 25,000 several years ago, now stands at about 12,300, reflecting the decline in the Defense Department's orders for ships following the Vietnam War. Ingalls' prospects for additional defense-related contracts are encouraging, however, in light of the administration's spending plans. The sporadic nature of military contracts has caused wide employment fluctuations in the past. Stability is being enhanced by the production of rail cars and oil derricks for the booming petroleum industry.

Despite cutbacks in many federal expenditures, funding for defense-related projects across the state appears secure. The $450 million Mississippi Army Ammunition Plant in Bay St. Louis, one of the largest projects in the state, is nearing completion. It is being financed by public money and will employ about 1,500 workers.

Another area of positive growth has been the food and kindred products category. Expansions in rice, poultry, and fish production have supported sustained growth in the state since 1960, a trend unlikely to change. The food industry constitutes the state's fourth largest manufacturing category and is dispersed throughout its counties.

Industrial Bonds Threatened

A congressional proposal to eliminate the tax-exempt status of industrial revenue bonds could dampen prospects for new industrial development in Mississippi, where the revenue-bond approach was pioneered in 1936. In the last five years, appropriations of both federal and state funds have fostered industrial park development in the state. Mississippi is considered to have one of the most pro-business climates in the nation and continues to issue bonds to individual industries for job creation. If that exemption ends, the credit costs of the state's many small companies would rise significantly.

Strength in retail sales and burgeoning tourist activity has compensated for declining air travel to maintain strength in the service sector.

Service industries employ about 15 percent of Mississippi's work force and contribute about 9 percent of the gross state output. Growth led by strong tourism is projected to continue relatively strong in the year ahead.

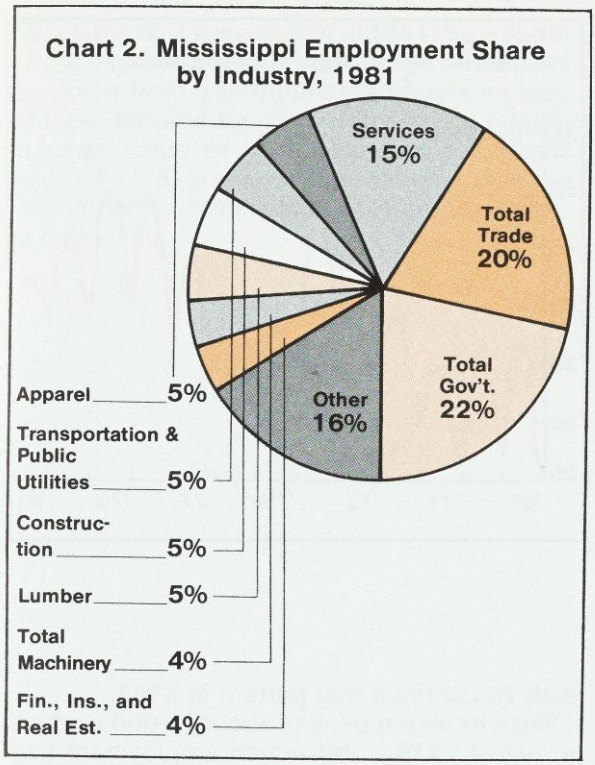
Mississippi's tourism industry has escaped severe setbacks despite the national economic recession. The state has received a steady stream of visitors over the past few years. During the first three quarters of 1981, Mississippi's welcome centers registered 15 percent more visitors than in the comparable period of 1980. Because of the high price of gasoline and nationwide economic stress, tourists in neighboring states are foregoing more expensive distant trips, spending their vacations in the nearby southeastern region instead.

Mississippi's Gulf Coast is a popular vacation spot. Such sights as the National Military Park in Vicksburg, the Mississippi River and the antebellum homes throughout the state also attract visitors. The state also benefits as visitors from other parts of the country pass through on their way to New Orleans and Florida.

The national recession has dampened air travel in Mississippi, as indicated by declining deplanements in the state's major airports. Although the decline has slowed over the past few quarters, no rebound is expected soon.

During the first eight months of 1981, the number of passengers arriving in Jackson was 16 percent under the year-ago level, while the Gulfport/Biloxi airport suffered a 6 percent decline. Continued sluggishness in air traffic is expected during the coming year and should improve only when the national economy picks up.

Government employment appears certain to decline in 1982. About 22 percent of Mississippi's work force is employed by some phase of government. The growth of government employment was unusually rapid during 1978 and 1979, but



employment leveled in 1980. Since early 1981, numbers of employees have dropped sharply. Additional economy measures, at the federal level in particular, will result in substantial additional reductions in numbers of workers in a variety of government programs.

Agriculture Depressed

Income was depressed by low prices and dry weather in 1981 and low prices will linger in the 1982 season.

Soybeans and cotton generate about 50 percent of Mississippi's $2.5 billion in farm cash receipts. Relatively high prices for these and other crops at the beginning of the season induced farmers to expand planted acreages. Production increased and crop income did rise from 1980's drought-reduced level but fell far short of farmers' production costs. In fact, for the state's major crops, estimated total costs (excluding land) of $1.67 billion exceeded projected total returns by $460 million.

The cow-calf industry, contributing 15 percent of the state's farm income, proved especially weak in 1981. The calf crop declined by 2 percent from 1980's level and prices tumbled 16 percent. Cattlemen found themselves hard pressed to purchase winter feed for their cattle herds since 1981's returns were so poor. Some herd liquidation seems likely unless economic conditions improve quickly.

Broiler production, Mississippi's fourth ranking enterprise, accounts for 14 percent of total farm income. Both production and prices were higher in 1981 than in 1980, significantly raising incomes of producers. Although feed costs were sharply higher as well, a bumper harvest of feed grain crops should hold down feed prices in the year ahead. Thus, broiler production may be the brightest spot in 1982's agriculture picture.

Crop farmers hope for the return of normal rainfall in 1982, restoring crop yields to more desirable levels. Rising costs should slow in 1982. With some improvement in international demand for farm commodities, prices could rise from 1981's depressed levels. Even so, profitable production in 1982 appears to be a difficult goal and Mississippi farmers may have to postpone for yet another year repayment of their accumulated debt.

The Financials' Bind

Fewer institutions are operating but financial assets should continue growing in the new year.

Mississippi counted 182 insured commercial banks in 1970, but the number had dropped to 176 by the end of the first half of 1981.

By contrast, total deposits have grown with relative speed. In fact, Mississippi experienced the third fastest rate of deposit growth in the District states during the first nine months of 1981. Most of the increase can be attributed to growth in time deposits; demand and savings deposits both declined sharply during the same period. Because of lagging economic activity, deposit growth is not expected to pick up during 1982, except in those areas where oil and gas exploration and development are occurring. The income reduction in agriculture is showing itself in a wide range of agriculturally related activities across the state.

Between 1970 and 1980, Mississippi's loan-to-deposit ratio increased from 49 percent to 62 percent. However, the trend was reversed during 1980 when total loans grew more slowly than deposits and the ratio slipped to 58 percent. Continued reductions are likely in the months

ahead, reflecting the expected slow growth rate in total loans throughout the state.

During the first half of 1981, total savings in Mississippi's S&Ls increased by less than half the amount reported for the same period a year earlier. The mortgage loans outstanding at S&Ls have shown almost no growth since the end of 1980. Activity should begin reviving with expected reductions in financing charges.

In the meantime, all financial institutions will continue to be squeezed by increased interest payments on deposits accompanied by the slowing growth rate in interest income from loans. If lenders can avoid new deposit losses in 1982, they should be in a good position to accommodate the growth in loan demand that is expected during the latter part of the year.

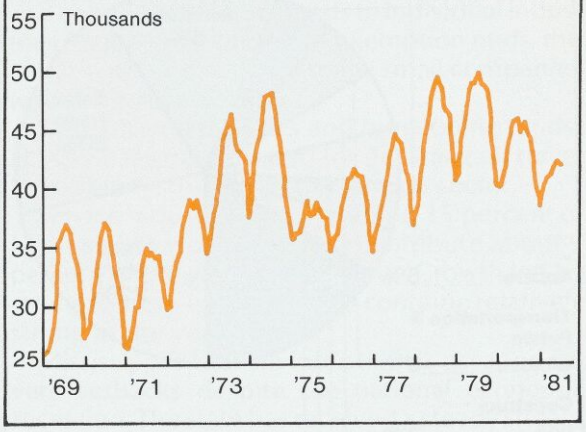
Construction: Heading Up?

Construction activity in Mississippi is at low ebb but seems likely to gain strength this year. High interest rates have proved to be severely depressing, especially on residential construction. The sensitivity of residential activity to interest rates makes it considerably more cyclical than either nonresidential construction or nonbuilding construction. The 13,109 residential units contracted in October 1981 (12-month cumulative rate) was well below the average level for 1980 and was only half the number of contracts issued during 1979's peak. Mississippi's residential construction activity lags significantly behind the average for other states in the region, partly reflecting the state's below-average population growth.

Nonresidential construction, in terms of square footage, has declined about as steeply as residential building. Measured in square feet, nonresidential construction contracts for October 1981 (12-month cumulative basis) was less than 4.0 percent above the decade low established in September 1976. Because of the high interest rate environment, nonresidential construction promises to remain weak in 1982 as well.

Nonbuilding construction (roads, runways, dams, etc.) has proven relatively stable in Mississippi over the past decade. With the exception of two unusually large contracts, growth in value has been slow but relatively steady with only modest cyclical declines. Barring additional state and local budgetary cutbacks for public construction, the value of nonbuilding construction seems likely to continue that pattern in 1982.

Chart 3. Mississippi Construction Employment



Since its recent peak of about 50,000 workers in August 1979, construction employment had declined to 40,000 workers by July 1981. This compares with a decade low of 35,700 workers in February 1975. Employment is expected to begin to rise with the recovery of construction during 1982.

International Trade Slows

Trade flows slowed in 1981 but modest improvement is expected during 1982.

In 1980, the Port of Pascagoula moved 28.3 million tons of cargo through its two harbors to account for 90 percent of Mississippi's international trade volume. The Chevron oil complex at the harbor on Bayou Casotte accounts for three-fourths of the port's trade volume and over four-fifths of the import volume.

Bulk agricultural products—corn, soybeans, wheat, and rice—account for most of the nonpetroleum commodity exports from Pascagoula, although plywood, paper products and fertilizers also are important exports; rubber remains an important nonpetroleum import. The most important goods which flow through the state's other major seaport at Gulfport are tropical fruits from Central America and exported lumber products headed for Europe and Latin America.

Available data suggest that in 1981 the volume of both exports and imports through Mississippi was down from 1980. Principal causes include reduced demand for oil and the strong foreign exchange value of the dollar that has raised prices of U. S. goods in international markets while important trading partners were experiencing recession.

This year should see modest improvement in total trade flows in response to the expected moderate economic recoveries in the industrialized countries of Western Europe and the United States.

—Gene D. Sullivan

FINANCE

STATISTICAL SUPPLEMENT

$ millions	JAN 1982	DEC 1981	JAN 1981	ANN. % CHG.		JAN 1982	DEC 1981	JAN 1981	ANN. % CHG.
UNITED STATES									
Commercial Bank Deposits	1,120,872	1,088,828	1,029,163	+ 9	Savings & Loans				
Demand	328,057	403,559	342,032	- 4	Total Deposits	518,523	515,467	505,334	+ 3
NOW	54,603	49,771	18,084	+202	NOW	8,558	7,698	1,929	+ 344
Savings	148,932	146,743	166,504	- 11	Savings	93,412	91,370	104,195	- 10
Time	624,973	619,258	528,757	+ 18	Time	417,492	416,330	398,703	+ 5
Credit Union Deposits	40,734	39,823	35,158	+ 16		NOV	OCT	NOV	
Share Drafts	2,644	2,490	1,774	+ 49	Mortgages Outstanding	509,831	510,009	491,378	+ 4
Savings & Time	35,581	34,989	31,477	+ 13	Mortgage Commitments	15,680	15,661	17,877	- 12
SOUTHEAST									
Commercial Bank Deposits	120,024	116,503	109,096	+ 10	Savings & Loans				
Demand	37,522	34,328	39,856	- 6	Total Deposits	76,020	75,565	72,935	+ 4
NOW	6,998	6,392	1,600	+337	NOW	1,398	1,223	219	+ 538
Savings	14,726	14,536	16,485	- 11	Savings	11,824	11,537	13,175	- 10
Time	64,515	64,097	54,105	+ 19	Time	62,928	62,766	59,290	+ 6
Credit Union Deposits	4,077	3,998	3,254	+ 25		NOV	OCT	NOV	
Share Drafts	281	266	210	+ 34	Mortgages Outstanding	74,590	74,482	70,378	+ 6
Savings & Time	3,486	3,472	2,834	+ 23	Mortgage Commitments	3,467	3,541	3,920	- 12
ALABAMA									
Commercial Bank Deposits	13,557	13,266	12,461	+ 9	Savings & Loans				
Demand	3,783	3,442	4,156	- 9	Total Deposits	4,381	4,369	4,277	+ 2
NOW	610	570	151	+304	NOW	71	64	10	+ 610
Savings	1,519	1,528	1,751	- 13	Savings	581	570	684	- 15
Time	8,124	8,076	6,794	+ 20	Time	3,756	3,760	3,596	+ 4
Credit Union Deposits	698	699	523	+ 33		NOV	OCT	NOV	
Share Drafts	56	52	45	+ 24	Mortgages Outstanding	4,002	4,010	3,934	+ 2
Savings & Time	604	632	481	+ 26	Mortgage Commitments	51	62	138	- 63
FLORIDA									
Commercial Bank Deposits	39,539	38,323	36,658	+ 8	Savings & Loans				
Demand	13,274	12,265	14,791	- 10	Total Deposits	46,036	45,702	44,213	+ 4
NOW	3,082	2,784	724	+326	NOW	991	860	175	+ 466
Savings	6,379	6,268	7,283	- 12	Savings	7,909	7,715	8,847	- 11
Time	17,844	17,761	14,660	+ 22	Time	37,110	36,998	34,899	+ 6
Credit Union Deposits	1,861	1,813	1,503	+ 24		NOV	OCT	NOV	
Share Drafts	156	148	120	+ 30	Mortgages Outstanding	45,593	45,474	42,202	+ 8
Savings & Time	1,453	1,435	1,183	+ 23	Mortgage Commitments	3,060	3,099	3,172	- 4
GEORGIA									
Commercial Bank Deposits	16,661	16,078	14,795	+ 13	Savings & Loans				
Demand	6,445	5,992	6,702	- 4	Total Deposits	9,646	9,603	9,305	+ 4
NOW	989	925	237	+317	NOW	140	126	13	+ 977
Savings	1,575	1,562	1,670	- 6	Savings	1,187	1,157	1,386	- 14
Time	8,604	8,539	7,057	+ 22	Time	8,360	8,347	7,911	+ 6
Credit Union Deposits	750	729	550	+ 36		NOV	OCT	NOV	
Share Drafts	24	22	12	+100	Mortgages Outstanding	9,443	9,443	9,295	+ 2
Savings & Time	700	685	522	+ 34	Mortgage Commitments	108	123	208	- 48
LOUISIANA									
Commercial Bank Deposits	21,610	20,966	18,989	+ 14	Savings & Loans				
Demand	6,812	6,010	6,575	+ 4	Total Deposits	7,469	7,410	6,890	+ 8
NOW	937	862	193	+385	NOW	82	72	6	+1267
Savings	2,381	2,360	2,527	- 6	Savings	1,240	1,192	1,253	- 1
Time	12,244	12,181	10,155	+ 21	Time	6,181	6,165	5,644	+ 10
Credit Union Deposits	114	112	79	+ 44		NOV	OCT	NOV	
Share Drafts	8	8	3	+167	Mortgages Outstanding	7,128	7,125	6,702	+ 6
Savings & Time	106	105	74	+ 43	Mortgage Commitments	171	181	250	- 32
MISSISSIPPI									
Commercial Bank Deposits	9,849	9,653	8,844	+ 11	Savings & Loans				
Demand	2,550	2,323	2,724	- 6	Total Deposits	2,387	2,385	2,335	+ 2
NOW	515	471	97	+431	NOW	38	33	4	+ 850
Savings	733	722	834	- 12	Savings	232	233	258	- 10
Time	6,332	6,329	5,461	+ 16	Time	2,131	2,128	2,076	+ 3
Credit Union Deposits	N.A.	N.A.	N.A.			NOV	OCT	NOV	
Share Drafts	N.A.	N.A.	N.A.		Mortgages Outstanding	2,204	2,208	2,180	+ 1
Savings & Time	N.A.	N.A.	N.A.		Mortgage Commitments	19	18	60	- 68
TENNESSEE									
Commercial Bank Deposits	18,808	18,218	17,349	+ 8	Savings & Loans				
Demand	4,659	4,295	4,908	- 5	Total Deposits	6,101	6,094	5,915	+ 3
NOW	864	780	198	+336	NOW	76	69	11	+ 591
Savings	2,139	2,096	2,420	- 12	Savings	675	669	747	- 10
Time	11,366	11,210	9,978	+ 14	Time	5,389	5,368	5,164	+ 4
Credit Union Deposits	654	645	599	+ 9		NOV	OCT	NOV	
Share Drafts	37	36	30	+ 23	Mortgages Outstanding	6,220	6,222	6,065	+ 3
Savings & Time	623	615	574	+ 9	Mortgage Commitments	58	58	92	- 37

Notes: All deposit data are extracted from the Federal Reserve Report of Transaction Accounts, other Deposits and Vault Cash (FR2900), and are reported for the average of the week ending the 1st Wednesday of the month. This data, reported by institutions with over $15 million in deposits as of December 31, 1979, represents 95% of deposits in the six state area. Savings and loan mortgage data are from the Federal Home Loan Bank Board Selected Balance Sheet Data. The Southeast data represent the total of the six state. Subcategories were chosen on a selective basis and do not add to total.
N.A. = fewer than four institutions reporting.

EMPLOYMENT

	NOV 1981	OCT 1981	NOV 1980	ANN. % CHG.		NOV 1981	OCT 1981	NOV 1980	ANN. % CHG.
UNITED STATES									
Civilian Labor Force - thous.	106,864	106,926	105,290	+ 1	Nonfarm Employment- thous.	92,331	92,389	91,690	+ 1
Total Employed - thous.	98,393	98,902	97,800	+ 1	Manufacturing	20,142	20,353	20,293	- 1
Total Unemployed - thous.	8,470	8,024	7,486	+13	Construction	4,382	4,494	4,533	- 3
Unemployment Rate - % SA	8.4	8.0	7.5		Trade	21,136	20,993	20,761	+ 2
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	16,163	16,015	16,473	- 2
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	18,790	18,820	18,118	+ 4
Mfg. Avg. Wkly. Hours	39.7	39.6	40.2	- 1	Fin., Ins., & Real Est.	5,344	5,348	5,223	+ 2
Mfg. Avg. Wkly. Earn. - $	325	322	305	+ 7	Trans. Com. & Pub. Util.	5,197	5,200	5,147	+ 1
SOUTHEAST									
Civilian Labor Force - thous.	13,147	13,242	12,831	+ 2	Nonfarm Employment- thous.	11,521	11,512	11,365	+ 1
Total Employed - thous.	12,043	12,167	11,982	+ 1	Manufacturing	2,273	2,295	2,287	- 1
Total Unemployed - thous.	1,105	1,075	849	+30	Construction	713	721	722	- 1
Unemployment Rate - % SA	9.1	8.6	7.2		Trade	2,678	2,648	2,670	+ 0
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	2,214	2,218	2,201	+ 1
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	2,174	2,173	2,073	+ 5
Mfg. Avg. Wkly. Hours	40.2	40.2	40.8	- 1	Fin., Ins., & Real Est.	628	627	616	+ 2
Mfg. Avg. Wkly. Earn. - $	283	282	264	+ 7	Trans. Com. & Pub. Util.	690	687	684	+ 1
ALABAMA									
Civilian Labor Force - thous.	1,638	1,643	1,649	- 1	Nonfarm Employment- thous.	1,350	1,351	1,363	- 1
Total Employed - thous.	1,451	1,465	1,504	- 4	Manufacturing	350	353	359	- 3
Total Unemployed - thous.	186	178	144	+29	Construction	70	70	71	- 1
Unemployment Rate - % SA	11.9	11.5	9.0		Trade	274	272	274	0
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	300	300	304	- 1
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	209	210	207	+ 1
Mfg. Avg. Wkly. Hours	39.7	40.2	40.5	- 2	Fin., Ins., & Real Est.	58	58	59	- 2
Mfg. Avg. Wkly. Earn. - $	285	287	271	+ 5	Trans. Com. & Pub. Util.	71	71	71	0
FLORIDA									
Civilian Labor Force - thous.	4,165	4,192	3,989	+ 4	Nonfarm Employment- thous.	3,810	3,791	3,649	+ 4
Total Employed - thous.	3,850	3,864	3,766	+ 2	Manufacturing	472	475	465	+ 2
Total Unemployed - thous.	315	328	223	+41	Construction	278	283	277	+ 0
Unemployment Rate - % SA	7.6	7.3	5.7		Trade	1,003	984	986	+ 2
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	654	662	628	+ 4
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	895	893	834	+ 7
Mfg. Avg. Wkly. Hours	40.6	40.4	41.6	- 2	Fin., Ins., & Real Est.	271	270	259	+ 5
Mfg. Avg. Wkly. Earn. - $	276	271	257	+ 7	Trans. Com. & Pub. Util.	227	224	223	+ 2
GEORGIA									
Civilian Labor Force - thous.	2,461	2,482	2,396	+ 3	Nonfarm Employment- thous.	2,167	2,168	2,171	- 0
Total Employed - thous.	2,297	2,321	2,248	+ 2	Manufacturing	514	518	518	- 1
Total Unemployed - thous.	165	160	148	+11	Construction	98	98	105	- 7
Unemployment Rate - % SA	6.8	6.5	6.3		Trade	492	490	501	- 2
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	442	440	439	+ 1
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	360	360	349	+ 3
Mfg. Avg. Wkly. Hours	39.9	39.9	40.7	- 2	Fin., Ins., & Real Est.	115	114	113	+ 2
Mfg. Avg. Wkly. Earn. - $	262	263	245	+ 7	Trans. Com. & Pub. Util.	140	141	139	+ 1
LOUISIANA									
Civilian Labor Force - thous.	1,779	1,801	1,755	+ 1	Nonfarm Employment- thous.	1,651	1,649	1,608	+ 3
Total Employed - thous.	1,632	1,656	1,635	- 0	Manufacturing	213	214	218	- 2
Total Unemployed - thous.	147	145	120	+23	Construction	155	157	150	+ 3
Unemployment Rate - % SA	8.6	8.2	7.2		Trade	371	368	362	+ 2
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	328	326	314	+ 4
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	287	285	275	+ 4
Mfg. Avg. Wkly. Hours	42.1	41.7	41.8	+ 1	Fin., Ins., & Real Est.	76	76	75	+ 1
Mfg. Avg. Wkly. Earn. - $	363	359	335	+ 8	Trans. Com. & Pub. Util.	128	128	124	+ 3
MISSISSIPPI									
Civilian Labor Force - thous.	1,020	1,025	1,024	- 0	Nonfarm Employment- thous.	821	825	837	- 2
Total Employed - thous.	928	941	950	- 2	Manufacturing	215	219	221	- 3
Total Unemployed - thous.	92	84	74	+24	Construction	40	41	44	- 9
Unemployment Rate - % SA	9.5	8.8	7.7		Trade	167	166	167	0
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	190	190	197	- 4
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	124	124	123	+ 1
Mfg. Avg. Wkly. Hours	39.1	39.4	39.7	- 2	Fin., Ins., & Real Est.	33	33	33	0
Mfg. Avg. Wkly. Earn. - $	240	241	224	+ 7	Trans. Com. & Pub. Util.	42	42	42	0
TENNESSEE									
Civilian Labor Force - thous.	2,085	2,099	2,018	+ 3	Nonfarm Employment- thous.	1,722	1,728	1,737	- 1
Total Employed - thous.	1,885	1,920	1,879	+ 0	Manufacturing	509	516	506	+ 1
Total Unemployed - thous.	200	179	139	+44	Construction	73	73	75	- 3
Unemployment Rate - % SA	10.0	9.2	7.4		Trade	371	368	378	- 2
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	301	301	320	- 6
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	300	301	285	+ 5
Mfg. Avg. Wkly. Hours	39.8	39.7	40.3	- 1	Fin., Ins., & Real Est.	75	76	78	- 4
Mfg. Avg. Wkly. Earn. - $	272	270	255	+ 7	Trans. Com. & Pub. Util.	82	82	84	- 2

Notes: All labor force data are from Bureau of Labor Statistics reports supplied by state agencies.
Only the unemployment rate data are seasonally adjusted.
The Southeast data represent the total of the six states.
The annual percent change calculation is based on the most recent data over prior year.

CONSTRUCTION

12-Month Cumulative Rate	NOV 1981	OCT 1981	NOV 1980	ANN. % CHG.		NOV 1981	OCT 1981	NOV 1980	ANN. % CHG.
UNITED STATES									
Total Construction Contracts					Residential Contracts				
Value - $ mil.	148,004	151,494	146,498	+ 1	Value - $ mil.	61,542	63,933	62,312	- 1
Nonresidential Contracts					Number of Units - Thous.	1,166.7	1,219.8	1,319.6	-12
Value - $ mil.	58,087	58,641	51,487	+13					
Sq. Ft. - mil.	1,173.7	1,196.8	1,188.0	- 1	Residential Permits - Thous.				
Nonbuilding Contracts					Number single-family	575.8	602.2	700.8	-18
Value - $ mil.	28,380	28,920	32,693	-13	Number multi-family	424.4	439.0	462.6	- 8
SOUTHEAST									
Total Construction Contracts					Residential Contracts				
Value - $ mil.	25,792	26,486	26,002	- 1	Value - $ mil.	12,802	13,242	12,627	+ 1
Nonresidential Contracts					Number of Units - Thous.	274.0	286.7	305.0	-10
Value - $ mil.	8,209	8,442	7,725	+ 6					
Sq. Ft. - mil.	193.7	193.9	183.9	+ 5	Residential Permits - Thous.				
Nonbuilding Contracts					Number single-family	123.5	129.6	152.4	-19
Value - $ mil.	4,780	4,801	5,650	-15	Number multi-family	106.7	112.2	118.9	-10
ALABAMA									
Total Construction Contracts					Residential Contracts				
Value - $ mil.	1,778	1,746	1,887	- 6	Value - $ mil.	864	882	872	- 1
Nonresidential Contracts					Number of Units - Thous.	22.3	22.8	24.5	- 9
Value - $ mil.	552	516	555	- 1					
Sq. Ft. - mil.	13.0	12.6	13.8	- 6	Residential Permits - Thous.				
Nonbuilding Contracts					Number single-family	5.8	6.3	8.9	-35
Value - $ mil.	362	348	460	-21	Number multi-family	6.0	7.3	7.0	-14
FLORIDA									
Total Construction Contracts					Residential Contracts				
Value - $ mil.	12,677	12,960	12,639	+ 0	Value - $ mil.	7,277	7,557	7,089	+ 3
Nonresidential Contracts					Number of Units - Thous.	155.0	162.5	170.5	- 9
Value - $ mil.	3,676	3,734	3,018	+22					
Sq. Ft. - mil.	90.4	91.9	79.4	+14	Residential Permits - Thous.				
Nonbuilding Contracts					Number single-family	74.6	78.5	87.6	-15
Value - $ mil.	1,724	1,669	2,531	-32	Number multi-family	77.9	81.0	82.6	- 6
GEORGIA									
Total Construction Contracts					Residential Contracts				
Value - $ mil.	3,805	3,962	3,931	- 3	Value - $ mil.	1,822	1,854	1,775	+ 3
Nonresidential Contracts					Number of Units - Thous.	38.3	40.1	43.6	-12
Value - $ mil.	1,186	1,207	1,324	-10					
Sq. Ft. - mil.	32.7	33.7	36.5	-10	Residential Permits - Thous.				
Nonbuilding Contracts					Number single-family	21.4	22.1	26.6	-20
Value - $ mil.	797	902	833	- 4	Number multi-family	8.3	8.3	8.7	- 5
LOUISIANA									
Total Construction Contracts					Residential Contracts				
Value - $ mil.	3,535	3,534	3,292	+ 7	Value - $ mil.	1,315	1,353	1,115	+18
Nonresidential Contracts					Number of Units - Thous.	25.2	26.4	23.8	+ 6
Value - $ mil.	1,358	1,312	1,236	+10					
Sq. Ft. - mil.	24.0	24.1	19.2	+ 3	Residential Permits - Thous.				
Nonbuilding Contracts					Number single-family	10.1	10.5	11.5	-12
Value - $ mil.	862	869	941	- 8	Number multi-family	8.3	8.4	7.8	+ 6
MISSISSIPPI									
Total Construction Contracts					Residential Contracts				
Value - $ mil.	1,394	1,700	1,506	- 7	Value - $ mil.	549	569	588	- 7
Nonresidential Contracts					Number of Units - Thous.	12.5	13.1	14.7	-15
Value - $ mil.	344	645	594	-42					
Sq. Ft. - mil.	7.9	7.9	8.5	- 7	Residential Permits - Thous.				
Nonbuilding Contracts					Number single-family	3.6	3.8	5.1	-29
Value - $ mil.	501	485	325	+54	Number multi-family	1.8	2.7	4.9	-63
TENNESSEE									
Total Construction Contracts					Residential Contracts				
Value - $ mil.	2,602	2,583	2,747	- 5	Value - $ mil.	976	1,026	1,189	-18
Nonresidential Contracts					Number of Units - Thous.	20.7	21.9	28.0	-26
Value - $ mil.	1,093	1,028	998	+10					
Sq. Ft. - mil.	25.8	23.7	26.5	- 3	Residential Permits - Thous.				
Nonbuilding Contracts					Number single-family	8.0	8.5	12.6	-37
Value - $ mil.	534	529	560	- 5	Number multi-family	4.5	4.3	8.1	-44

Notes: Contracts are calculated from the F. W. Dodge Construction Potentials. Permits are calculated from the Bureau of the Census, Housing Units Authorized By Building Permits and Public Contracts. The Southeast data represent the total of the six states. The annual percent change calculation is based on the most recent month over prior year.

GENERAL

	NOV 1981	OCT 1981	NOV 1980	ANN. % CHG.
UNITED STATES				
Personal Income-$ bil. SAAR (Dates: 3Q, 2Q, 3Q)	2,412.9	2,340.5	2,155.8	+12
Retail Sales - $ mil.- SA	87.2	86.7	82.8	+ 5
Plane Passenger Arrivals (thous.)	N.A.	N.A.	N.A.	
Petroleum Prod. (thous. bls.)	8,613.3	8,618.3	8,593.7	+ 1
Consumer Price Index 1967=100 (Dec.)	281.5	282.9	258.4	+ 9
SOUTHEAST				
Personal Income-$ bil. SAAR (Dates: 3Q, 2Q, 3Q)	282.1	272.8	249.2	+14
Taxable Sales - $ mil.	N.A.	N.A.	N.A.	
Plane Passenger Arrivals (thous.)	3,719.3	3,815.5	3,760.0	- 1
Petroleum Prod. (thous. bls.)	1,414.0	1,417.4	1,556.5	- 9
Consumer Price Index 1967=100	N.A.	N.A.	N.A.	
ALABAMA				
Personal Income-$ bil. SAAR (Dates: 3Q, 2Q, 3Q)	32.4	31.4	29.1	+12
Taxable Sales - $ mil.	N.A.	N.A.	N.A.	
Plane Passenger Arrivals (thous.)	102.4	110.5	110.2	- 7
Petroleum Prod. (thous. bls.)	59.4	60.0	60.5	- 2
Consumer Price Index 1967=100	N.A.	N.A.	N.A.	
FLORIDA				
Personal Income-$ bil. SAAR (Dates: 3Q, 2Q, 3Q)	102.4	98.3	88.8	+16
Taxable Sales - $ mil. (Dec.)	66,715	66,262	58,177	+15
Plane Passenger Arrivals (thous.)	1,725.5	1,662.8	1,804.3	- 4
Petroleum Prod. (thous. bls.)	90.4	95.0	115.0	-21
Consumer Price Index - Miami Nov. 1977 = 100	NOV 153.6	SEP 150.2	NOV 133.9	+15
GEORGIA				
Personal Income-$ bil. SAAR (Dates: 3Q, 2Q, 3Q)	48.7	47.6	43.7	+12
Taxable Sales - $ mil.	N.A.	N.A.	N.A.	
Plane Passenger Arrivals (thous.)	1,464.9	1,581.5	1,532.0	- 4
Petroleum Prod. (thous. bls.)	N.A.	N.A.	N.A.	
Consumer Price Index - Atlanta 1967 = 100	DEC 282.2	OCT 281.5	DEC 258.3	+ 9
LOUISIANA				
Personal Income-$ bil. SAAR (Dates: 3Q, 2Q, 3Q)	40.4	39.1	35.3	+15
Taxable Sales - $ mil.	N.A.	N.A.	N.A.	
Plane Passenger Arrivals (thous.)	259.6	276.4	253.7	+ 2
Petroleum Prod. (thous. bls.)	1,165.0	1,167.0	1,235.0	- 6
Consumer Price Index 1967 = 100	N.A.	N.A.	N.A.	
MISSISSIPPI				
Personal Income-$ bil. SAAR (Dates: 3Q, 2Q, 3Q)	18.3	17.7	16.5	+11
Taxable Sales - $ mil.	N.A.	N.A.	N.A.	
Plane Passenger Arrivals (thous.)	30.0	32.4	32.4	- 7
Petroleum Prod. (thous. bls.)	94.0	95.4	145.5	-35
Consumer Price Index 1967 = 100	N.A.	N.A.	N.A.	
TENNESSEE				
Personal Income-$ bil. SAAR (Dates: 3Q, 2Q, 3Q)	39.8	38.8	35.8	+12
Taxable Sales - $ mil.	N.A.	N.A.	N.A.	
Plane Passenger Arrivals (thous.)	136.8	151.9	139.5	- 2
Petroleum Prod. (thous. bls.)	N.A.	N.A.	N.A.	
Consumer Price Index 1967 = 100	N.A.	N.A.	N.A.	

	NOV 1981	OCT 1981	NOV 1980	ANN. % CHG.
UNITED STATES				
Agriculture				
Prices Rec'd by Farmers Index (1967=100)	126.0	130.0	145.0	-13
Broiler Placements (thous.)	77,961	72,350	77,177	+ 1
Calf Prices ($ per cwt.)	58.70	59.60	70.80	-17
Broiler Prices (¢ per lb.)	24.6	25.2	29.7	-17
Soybean Prices ($ per bu.)	5.93	6.03	7.26	-18
Broiler Feed Cost ($ per ton)	210	213	238	-12
SOUTHEAST				
Agriculture				
Prices Rec'd by Farmers Index (1967=100)	111.6	113.7	140.2	-20
Broiler Placements (thous.)	31,078	27,839	30,344	+ 2
Calf Prices ($ per cwt.)	53.78	53.45	65.53	-18
Broiler Prices (¢ per lb.)	23.5	23.9	29.3	-20
Soybean Prices ($ per bu.)	6.09	6.09	7.35	-17
Broiler Feed Cost ($ per ton)	203	205	235	-14
ALABAMA				
Agriculture				
Farm Cash Receipts - $ mil. (Dates: SEP, SEP)	1,237	-	1,326	- 7
Broiler Placements (thous.)	9,691	8,500	10,304	- 6
Calf Prices ($ per cwt.)	54.20	50.30	65.53	-17
Broiler Prices (¢ per lb.)	22.5	23.4	29.3	-23
Soybean Prices ($ per bu.)	6.12	6.08	7.15	-14
Broiler Feed Cost ($ per ton)	215	215	240	-10
FLORIDA				
Agriculture				
Farm Cash Receipts - $ mil. (Dates: SEP, SEP)	3,070	-	3,422	-10
Broiler Placements (thous.)	2,006	1,819	1,808	+11
Calf Prices ($ per cwt.)	57.30	56.70	64.80	-12
Broiler Prices (¢ per lb.)	24.0	24.0	28.5	-16
Soybean Prices ($ per bu.)	6.12	6.08	7.15	-14
Broiler Feed Cost ($ per ton)	215	215	245	-12
GEORGIA				
Agriculture				
Farm Cash Receipts - $ mil. (Dates: SEP, SEP)	2,107	-	1,948	+ 8
Broiler Placements (thous.)	12,162	11,208	11,556	+ 5
Calf Prices ($ per cwt.)	50.80	49.60	59.00	-14
Broiler Prices (¢ per lb.)	23.0	23.0	29.5	-22
Soybean Prices ($ per bu.)	5.95	6.01	7.27	-18
Broiler Feed Cost ($ per ton)	194	200	240	-19
LOUISIANA				
Agriculture				
Farm Cash Receipts - $ mil. (Dates: SEP, SEP)	922	-	834	+11
Broiler Placements (thous.)	N.A.	N.A.	N.A.	
Calf Prices ($ per cwt.)	52.90	56.00	66.00	-20
Broiler Prices (¢ per lb.)	25.5	26.5	30.5	-16
Soybean Prices ($ per bu.)	6.17	6.19	7.51	-18
Broiler Feed Cost ($ per ton)	240	260	245	- 2
MISSISSIPPI				
Agriculture				
Farm Cash Receipts - $ mil. (Dates: SEP, SEP)	1,193	-	1,156	+ 3
Broiler Placements (thous.)	5,873	5,102	5,464	+ 7
Calf Prices ($ per cwt.)	54.30	57.50	69.00	-21
Broiler Prices (¢ per lb.)	25.5	26.0	31.5	-19
Soybean Prices ($ per bu.)	6.08	6.07	7.42	-18
Broiler Feed Cost ($ per ton)	188	185	215	-13
TENNESSEE				
Agriculture				
Farm Cash Receipts - $ mil. (Dates: SEP, SEP)	1,068	-	1,093	- 2
Broiler Placements (thous.)	1,346	1,210	1,212	+11
Calf Prices ($ per cwt.)	52.30	50.40	68.30	-23
Broiler Prices (¢ per lb.)	22.0	22.0	29.3	-25
Soybean Prices ($ per bu.)	6.07	6.05	7.28	-17
Broiler Feed Cost ($ per ton)	200	187	230	-13

Notes:
Personal Income data supplied by U. S. Department of Commerce. Taxable Sales are reported as a 12-month cumulative total. Plane Passenger Arrivals are collected from 25 airports. Petroleum Production data supplied by U. S. Bureau of Mines. Consumer Price Index data supplied by Bureau of Labor Statistics. Agriculture data supplied by U. S. Department of Agriculture. Farm Cash Receipts data are reported as cumulative for the calendar year through the month shown. Broiler placements are an average weekly rate. The Southeast data represent the total of the six states. N.A. = not available. The annual percent change calculation is based on most recent data over prior year.

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