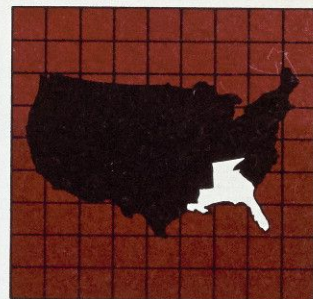


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Economic Review



FEDERAL RESERVE BANK OF ATLANTA

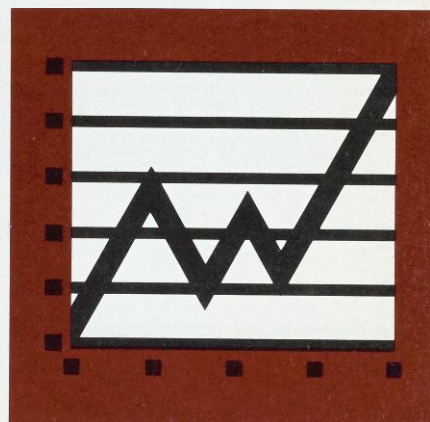
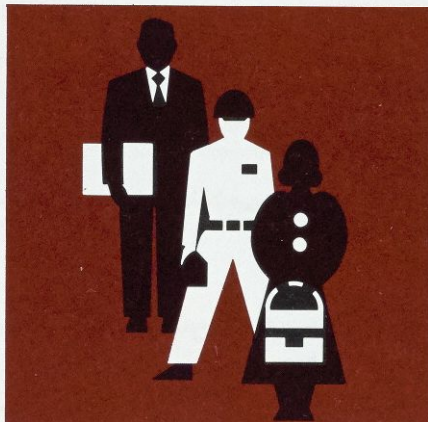
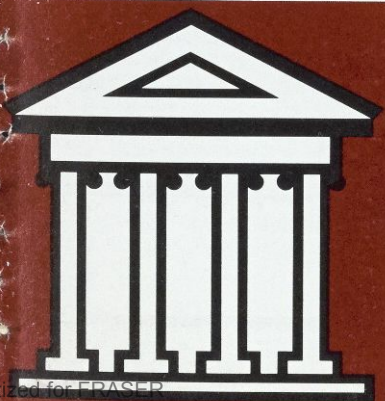
FEBRUARY 1983

SPECIAL
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*Tracking
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Recovery*



THE SOUTHEAST
IN 1983



Economic Review



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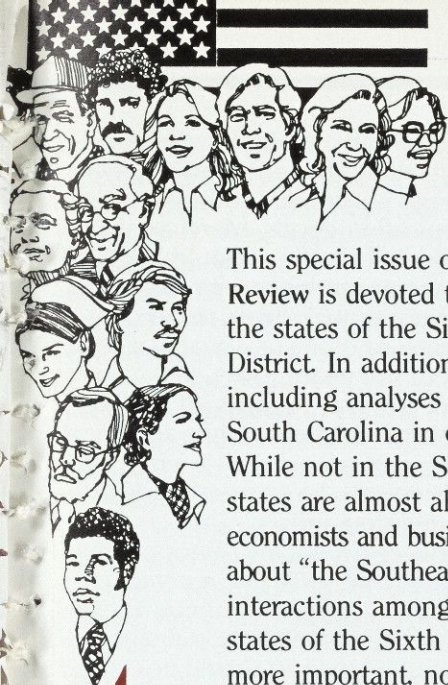
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This special issue of the *Economic Review* is devoted to the 1983 outlook for the states of the Sixth Federal Reserve District. In addition, this year we are including analyses of North Carolina and South Carolina in our outlook issue. While not in the Sixth District, these two states are almost always included when economists and business analysts generalize about "the Southeast." With the economic interactions among the Carolinas and the states of the Sixth District becoming more important, no discussion of the regional outlook would be complete without some mention of the Carolinas.

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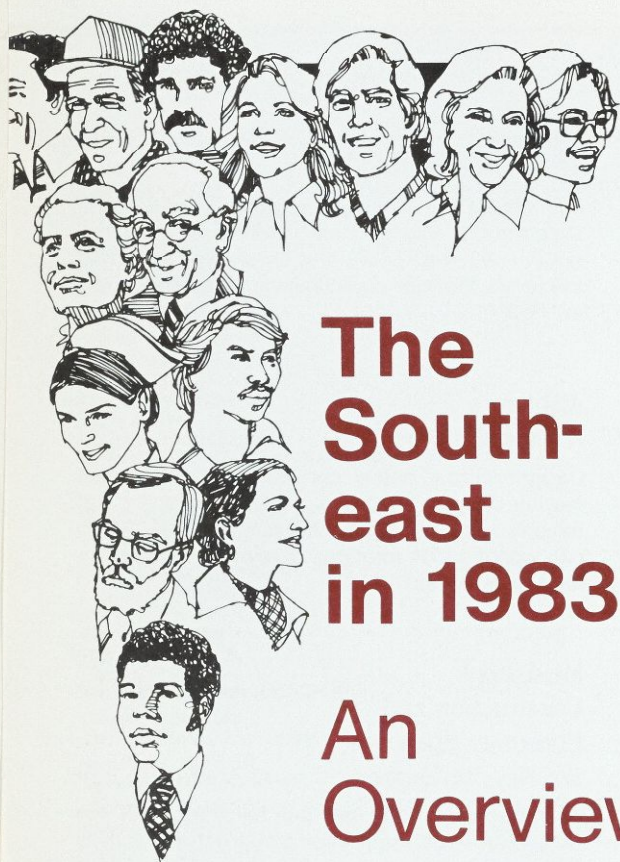
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The Southeast in 1983:

An Overview

How fast will economic recovery come to the Southeast in 1983? The answer depends upon a number of factors, but the most important is the vigor of a national economic rebound. Most of the Southeast's products depend upon national and even international markets, so demand at those levels must strengthen before the region in general can expect any significant upturn. Nevertheless, there is reason to believe the Southeast might be quick to profit from even a cautious recovery.

In the new year it is likely that Florida, North Carolina and Georgia should continue to outperform the nation and other states in the region. The outlook for other states surveyed in this outlook is less certain. The Alabama, Mississippi and Tennessee economies will depend importantly on the strength of the 1983 rebound in the interest-sensitive auto and housing industries. South Carolina's recovery, meanwhile, will hinge on the strength of consumer spending. Louisiana, heavily dependent on the oil and gas industries, will recover slowly until energy prices firm.

That national rebound remains heavily dependent upon stabilization of interest rates at levels that will encourage consumers to buy housing, autos, and various other goods. Merchants' new orders to restock shelves then should begin to spur idle manufacturing machinery into production. That chain reaction, though likely to be slow at first, should be moving along reasonably well by the second half of the year.

It should take several months of recovery before businesses feel the need to hire additional employees to expand output. For a while, producers are likely to rely on current workers to meet their growing demands.

The whole services-producing sector has held up well throughout the 1981-82 recession. As the national recovery gains momentum, even more jobs in wholesale and retail trade, finance/insurance/real estate, and services should be created as the multiplier effect of higher workers' income ripples through the economy. The single exception to expanding service sector employment is in the government area. State and local governments are under severe budgetary constraints that may force continuing cutbacks in expenditures and employment in 1983.

Construction activity began to strengthen in the second half of 1982, an encouraging sign for the southeastern economy. Residential building permits began to increase as mortgage interest rates declined, reversing a slump in residential building permits at midyear just as they were approaching the previous lows set during the 1973-75 recession. Actual construction, which had fallen about 26 percent from the previous year in measured units, began showing a slight upturn in the fall of 1982. Construction and related industries, major components of the southeastern economy, have been stimulated in the past by the Southeast's rapid in-migration and business growth. The upturn is being watched closely by southeastern lumber industries, which supply an important chunk of the nation's requirements from the region's abundant forests.

A construction revival typically is felt rather quickly in the Southeast, and the budding current recovery appears to be no exception. Although the upturn has been weak so far and activity has remained below normal, momentum seemed to be growing at the threshold of the new year and should provide renewed strength to the southeastern economy by spring.

Consumers are likely to begin spending more freely by spring, pushing sales of autos, furniture,

and appliances to a more robust pace by the second half. In response to growing demand, manufacturers should begin gearing up to expand production. These improvements, combined with anticipated growth in tourism, should move the Southeast to modest economic growth by the second half of 1983. Tourism activity will be led by travelers headed for Walt Disney World's new Experimental Prototype Community of Tomorrow (EPCOT) attraction in central Florida during the coming summer season, but business should pick up throughout the Southeast as incomes increase.

The Southeast's financial institutions also are positioned rather well to join in the recovery as it emerges. Mortgage loans outstanding have declined since last February to 8 percent below year-ago levels. At the same time, total deposits grew rather briskly in 1982, reaching 10 percent above year-earlier levels at banks and 5 percent above at thrift institutions.

Still, it's a long road back to solid economic expansion. The preliminary seasonally adjusted unemployment rate for the states in the Sixth Federal Reserve District reached 11 percent in November, up 3.6 percentage points from July 1981, the official starting date of the current recession. It is also likely to move up farther before significant new hiring begins. Total employment has grown slightly from the year-ago level, but the growth has fallen far short of the jobs needed to absorb new labor force entrants.

Of course, just as the employment experiences of states in the region have differed over the course of the recession, so will advances in 1983. Alabama and Tennessee entered the recession with unemployment rates of 8.5 and 8.1 percent, respectively, the highest rates in the District. By contrast, Florida, at 5.9 percent, and Georgia, at 5.7 percent, had unemployment rates in July 1981 substantially below the nation's 7.2 percent rates. Louisiana's 7.7 percent unemployment rate then was slightly above the nation's, as was Mississippi's 7.8 percent rate.

As the 1981-82 recession deepened, the spreading hardship was reflected in rising unemployment. By November 1982, Alabama's unemployment rate had risen to 15.9 percent, seasonally adjusted, or 5.2 percentage points higher than the nation's 10.7 percent rate. The rates for Louisiana, Mississippi, and Tennessee also were above the nation's at 11.3, 12.7 and 12.5 percent respectively. Among District states, only Florida, at 9.5 percent,

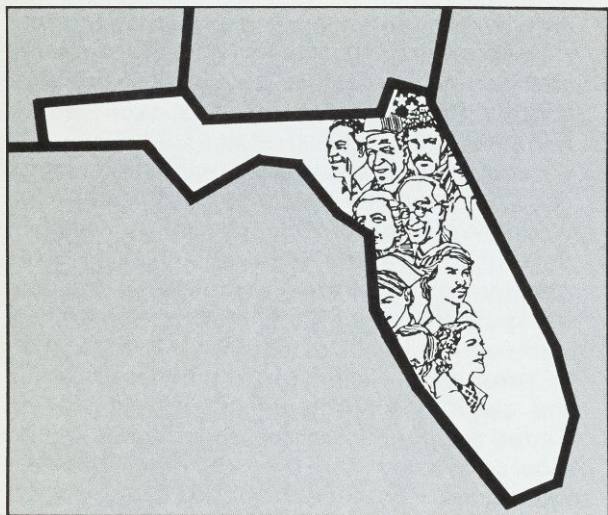
and Georgia, at 8.3 percent, could boast unemployment rates better than the nation's.

In manufacturing, much of the region's unemployment weakness has been in durable goods production, although important regional nondurable industries such as food and kindred products, textile and apparel, paper and chemicals also have fared poorly. In 1983, lumber and wood products will gain strength as will such durable goods as the furniture, stone/clay/glass, primary and fabricated metal industries, and transportation equipment. However, their pace of recovery should be determined in large measure by consumers' willingness to purchase housing and autos. Business investment will provide limited support, and that improvement should show up as a slowing of the reduction of business inventories. Recovery of housing and auto demand will stimulate the textile industry, an important nondurable goods industry in the region. However, if the national recovery proves moderate, as a consensus of national forecasters suggests, the recovery of this industry and the related regional apparel industry also promises to be moderate.

Defense spending should stimulate the Southeast in 1983, since the region hosts both large and small firms producing for defense. As 1983 unfolds, defense-related production jobs will grow at a healthy clip, particularly in the electronics and transportation equipment industries.

Domestic recovery will also add support to the paper, transportation, and public utilities industries. Slow-growing European, Canadian, and Japanese economies may limit the growth of southeastern industries that produce for export. Mining also should expand slowly as coal exports level off or drop slightly from 1982. In fact, the entire Southeast will experience slow international trade growth through its ports because of the expected moderate worldwide recovery. The Southeast may even lose some of its trade share because of extreme belt-tightening by debt-burdened developing countries; southeastern ports are linked closely to financially troubled countries of Latin America.

However, behind these generalized prospects for important industries in the region lie important differences among and within individual states, despite the typical media characterization of the Southeast as "the burgeoning Sunbelt." The outlook in specific southeastern states in 1983 varies widely because of the often vast differences in major economic activities.



1982 was a lull in a strong upward trend; increased population growth, housing starts and EPCOT-led tourism should boost Florida into recovery in 1983.

Florida: Poised for a Surge

Early signs of revitalized economic activity in Florida are dawning. Recent trends in building permits suggest that the decline in residential construction has stopped. Whether growth can be sustained will depend on population immigration this year. The tourist industry is optimistic that the winter season will surpass last year's and that the opening of EPCOT at Walt Disney World will stimulate tourism throughout the state. Advance bookings on airlines and at hotels show a stronger season than last year. Retail sales have picked up slightly and could be boosted by a strong tourist season. Businessmen and consumers are cautiously optimistic. Let's look at some of the factors which will influence Florida's economic growth in 1983.

Florida's economy is affected by both structural and cyclical factors. The strong long-term growth trend since the early 1960s tends to push the economy forward even in weak national economic periods. As a result, the state's business cycle lags the national cycle by nearly six months and serves to dampen long-term economic growth for brief periods of one-to-two years at a time. Florida's 1982 weakness was a temporary lull in the upward trend; 1983 should be a year of stabilization and recovery beginning with increased population growth, housing starts and tourism. Florida's structural strengths and the national economic recovery should translate

into increased economic activity in Florida in 1983. But the booming growth of 1979 and 1980 may not be seen again until 1984 or 1985.

Structural Strengths

Florida is in a class by itself in the group of southeastern states which comprise the Sixth Federal Reserve District. It is the largest and fastest growing southeastern state in terms of population. The state gained an average 295,000 persons per year during the 1970s, equivalent to 34 people each hour over the decade.¹ The annual population increase, in actual numbers, is third highest in the nation behind two other large Sun Belt states—California (370,000) and Texas (303,000). Those new Florida residents require homes, jobs, financial services, entertainment, food, clothing, cars and utilities. Population increases alone are enough to push the economy ahead at rates far above the national average.

What attracts so many people to the state? The natural attraction of Florida is the "quality

¹Population data reported by the U.S. Bureau of the Census. 1970 Florida population equals 6,789,443. 1980 Florida population equals 9,746,324.

of life" it offers. Much of Florida's initial population growth was spurred by retirees seeking a warm climate. Indeed, the percentage of Florida's population over the age of 65 is now 17.3 percent compared to the U. S. average of 11.3 percent. But in actual numbers, Florida's working population has increased substantially more than its elderly population. About 700,000 more retirees lived in the state in 1980 than in 1970. During the same period the working age population (age 25-65) grew by 1.6 million. While some of Florida's major cities are becoming crowded, the state's average density is 166 people per square mile, which compares well with New Jersey—940 people per square mile, Massachusetts, 695, New York, 354, and Ohio, 262.

The "pollution-free" environment is an attractive characteristic of the state. Manufacturing represents only 12 percent of nonfarm employment compared with 21 percent nationwide. And the manufacturing that does exist is generally in "clean industries" such as electronics and food processing. Another attractive feature of Florida's living conditions is its relatively new infrastructure. Most highways, bridges, water and sewer systems, airports, hospitals, and schools have been built in the past 20 years.

Many new migrants find the cost of living lower in Florida. The state ranks seventh lowest among all states in terms of state and local taxes paid per \$1,000 of personal income. A recent survey of major cities indicated a family of four in Florida pays about 4 percent of its income to state and local governments, while nationwide, the average is over 8 percent.² Also, the average electric bill was only \$57.48 per 1,000 kwh in 1980 compared with \$61.12 nationwide, \$80.68 in New Jersey, \$87.40 in New York, and \$64.80 in Ohio.³ Housing costs are still more affordable in sections of Florida than in many other populous areas of the country. In areas other than major south Florida metropolitan cities, housing costs range from 72 percent to 98 percent of the national average.⁴

While the strong population increase provides an ample labor force for business growth, there are other factors which attract industry to the state. In 1981, Florida's business climate ranked first among all states. Florida's labor force was considered a plus since unions have a minor influence and educational expenditures on vocational skills are relatively high. Additionally, government-imposed costs of doing business are much lower than in other states.

Factors Influencing The Florida Business Cycle

Quality of life, cost of living, and business climate have contributed to Florida's rapid long-term population growth, which in turn has carried the economy through most national recessions unscathed. However, the longer a national recession persists, the greater the chances of Florida suffering a serious downturn.

The recession finally came to Florida in 1982. But recession in Florida must be regarded in the proper context. Economic activity in the state, even at its low point, is well ahead of most states in the nation. Population growth declined from around 300,000 per year in 1978-81 to 200,000 last year. While the drop is significant enough to reduce economic activity substantially, population growth was strong enough to support the construction of at least 100,000 homes in 1982 and to keep statewide employment from declining.

Migrants to Florida come in greater numbers when the economy is strong, but when the national housing market sours and unemployment rises, in-migration drops sharply. The outlook for the Florida economy in 1983 depends largely on population growth, but several other factors will influence economic activity this year—tourism, international trade, and business development.

The 40 million tourists who visit the state this year will pump approximately \$20 billion into the economy. The nearly \$1 billion in sales tax tourists pay each year has helped the state keep taxes on residents to a minimum.⁵ The

²Government of the District of Columbia, Department of Finance and Revenue, **Tax Burdens in Washington, D.C. Compared With Those in the Nation's Thirty Largest Cities, 1979.**

³U.S. Department of Energy, Energy Information Administration, **Typical Electric Bills, January 1, 1981.**

⁴Federal Home Loan Bank Board

⁵Tourism data reported by Florida Division of Tourism in **Florida Visitor Study, 1981.**

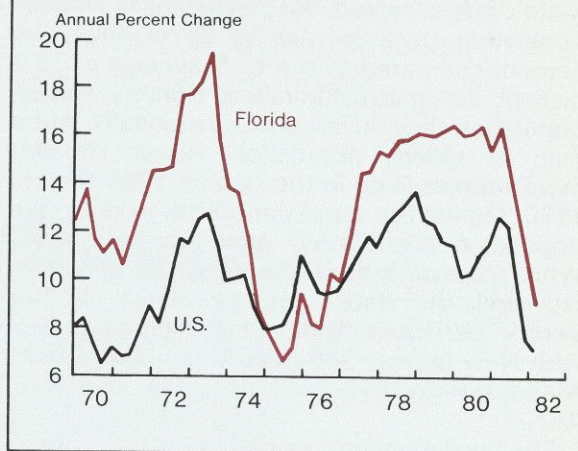
state is one of few without a personal income tax.

While population growth has a strong cyclical effect on the Florida economy, tourism is a more stabilizing factor. Tourism generally slows only briefly during a national recession. While population growth and tourism historically have shaped Florida's economic growth, new outside forces have begun to impact the state's economy.

International influences are permeating the state. Foreign visitors can make or break the tourist season. Foreign imports and exports buoy or restrict the growth of trade and the activity at the state's many ports that depend on the world economy. Accompanying the influence of international trade is international banking. Eased banking restrictions have opened the doors for Miami, quickly becoming recognized as a world banking center.

A fourth influence on Florida is business development. While new business growth helped delay the recession in Florida, new industrial plant openings dropped sharply in 1982, and new office construction is likely to reach a saturation point in 1983. The manufacturing sector should benefit this year from federal defense spending. Florida boasts a disproportionately large share of military establishments and manufacturers of military-related equipment. The increases in the federal defense budget should help Florida in 1983.

Chart 1. Florida Personal Income



These external factors—population growth, tourism, international trade and finance, and business development—will interact to shape the Florida economy in 1983. The net effect of these forces is likely to be an upturn with modest improvement over 1982. The overall picture at the beginning of 1983 is an economy resting on the bottom of a business cycle trough waiting for forces to push it upward and to supply some sustainable momentum (Table 1). As the economy recovers in 1983, Florida's underlying economic strengths will help carry the state forward. Outstanding growth is likely to resume in 1984.

One measure of overall activity is personal income growth. Florida income was up about 9 percent in mid-1982 over the previous year, compared to 16-17 percent gains in 1979 and 1980. That 9 percent growth rate compared to a 7 percent national average (Chart 1). But the state's lead is attributable more to unearned income than to stronger economic activity. Dividends, interest and rent income and transfer payments make up a larger share of total income in Florida than elsewhere because of the state's large retiree population.⁶

⁶Personal income data reported by the U.S. Department of Commerce, Bureau of Economic Analysis.



Table 1. Florida Business Cycle

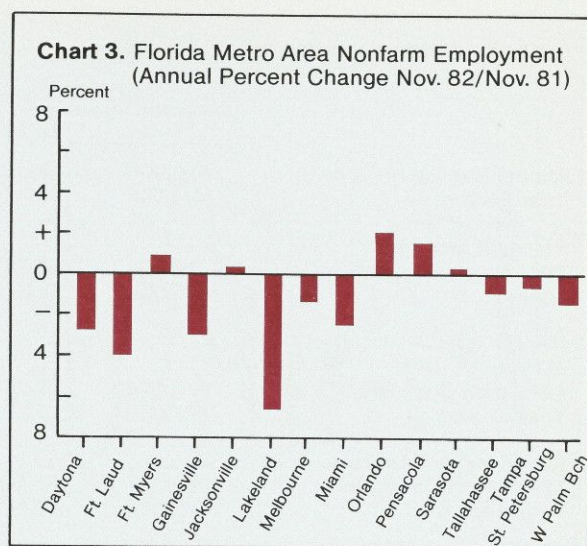
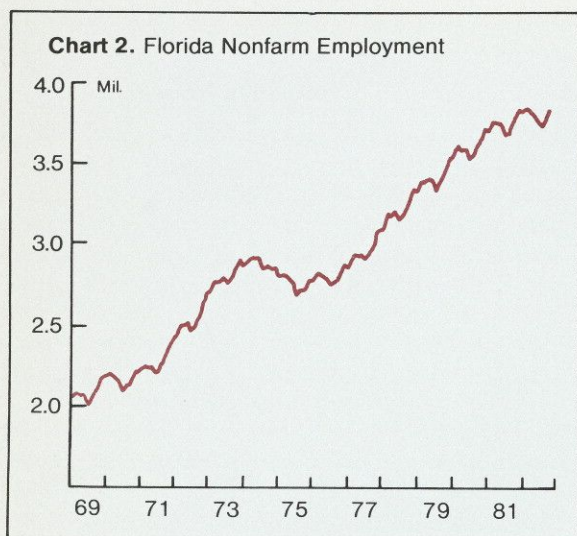
	1973-1975 Recession			1980-1982 Recession		
	Peak	Trough	% Decline	Peak	Trough	% Decline
Annual Population Growth Year Ending	476,200 4/1/73	125,800 4/1/76	-74%	*366,000 12/31/81	200,000 12/31/82	-45%
Personal Income Year-over-Year Change Date	19.4% 3Q/73	6.6% 3Q/75		15.3% 1Q/81	9% 2Q/82	
Residential Construction Number of Units 12-Month Cum. Rate Year Ending	273,600 7/31/73	52,300 12/31/75	-81%	196,000 10/31/79	101,439 8/31/82	-48%
Single-family Permits 12-Month Cum. Rate Year Ending	87,100 7/31/73	37,100 8/31/75	-57%	100,100 10/31/79	49,647 7/31/82	-50%
Multi-family Permits 12-Month Cum. Rate Year Ending	230,000 6/30/73	11,500 2/28/76	-95%	92,100 5/31/81	49,482 9/30/82	-46%
Nonresidential Construction Millions of dollars 12-Month Cum. Rate Year Ending	\$1,650 10/31/74	\$1,250 10/31/76	-24%	\$3,860 11/82	—	
Nonfarm Employment (000's) Date Year-over-Year Change	2,901 4/74 +5%	2,681 8/75 -5%	-7.6%	3,812 11/82 +0.9%	—	
Unemployment Rate Seasonally Adjusted Date	3.6% 10/73	11.8% 5/75		5.0% 12/80	9.9% 12/82	
Taxable Sales Year-over-Year Change	N.A.	-3.2% 10/75		20.9% 10/78	+1% 10/82	
Tourist Arrivals Millions annually Date	24.8 1973	24.2 1974	-2.4%	37.7 1982	—	

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

Florida ended 1982 with employment at about the same level as in 1981—3.8 million (Charts 2 and 3). Modest declines were reported in southeast Florida primarily because of the depressed construction industry there. Businesses in Miami, Ft. Lauderdale, and West Palm Beach employed 1-4 percent fewer workers in 1982 than in 1981. Lakeland suffered the worst drop in employment, 7 percent for the year, primarily because of phosphate industry layoffs. About 17 percent of all phosphate workers were unemployed in late 1982; but the industry

expects slow improvement this year. In November, 700 of the 3,200 laid-off workers were called back to their jobs.

Tallahassee has also seen a decline in jobs, down 1 percent, primarily as a result of reduced government revenues. Because revenues fell far below projections in 1982, the Governor called for a 4 1/2 percent across-the-board cut back in state government spending. At least one department, Health and Rehabilitative Services, was forced to slice its payroll by 300 workers. A 3 percent decline in employment in



Gainesville reflects reduced availability of funds for students at the University of Florida as a result of harder-to-obtain federal grants and loans to attend college. Daytona's 2.8 percent employment drop is almost entirely attributable to government layoffs. Melbourne has suffered from the slowdown in construction and manufacturing, despite its high technology base, causing employment to fall 1.4 percent.

Orlando, Pensacola and Ft. Myers each recorded employment growth of 1-2 percent for the year. Other major cities held their own. The recent closing of Woolco discount department stores put 3,000 people out of work throughout Florida. The unemployment rate moved up sharply in the last few months of 1982—from 7.5 percent in September to 9.9 percent in December. Improvement in employment should lag the rest of the economy, possibly gaining by the end of 1983.⁷

Population Growth

The Florida economy appeared immune to recession during 1980 and 1981 when the nation was experiencing economic difficulties. Florida sustained healthy growth right through those years primarily because population increases remained high. Following that strong

growth, the net increase dropped by one-third, to 200,000, in 1982 (Chart 4).⁸

The prolonged national recession made it increasingly difficult for people to move around the country. Now that mortgage rates are down to more tolerable levels, people will begin to reconsider relocating. But plans to move take at least six months to implement and, as of yet, the national unemployment situation has not improved significantly.

According to state forecasters, population growth may move up to the 225,000-250,000 range in 1983. The high end of that range may be optimistic if the national recovery does not materialize as fast as expected. Population growth is likely to pick up more substantially in 1984.

Much of Florida's recovery will depend upon how soon new residents begin to pour into the state. The residential construction industry is one of the more obvious recipients of population growth. Construction plummeted in 1982 as demand for new homes dropped off. Even prospective realtors were discouraged last year. Only 30,000 people took the real estate exam in 1982 compared to 48,000 in 1981.⁹

⁷Employment and unemployment data reported by Florida Department of Labor and Employment Security. Specific industry or company figures verified by telephone conversations with referenced organization.

⁸Annual population growth derived from estimates prepared by the University of Florida, Population Division, Bureau of Economic and Business Research (1971-1981). 1982 and 1983 estimates reported in *The Florida Outlook*, University of Florida Bureau of Economic & Business Research. The Bureau's 1983 forecast for 1983 population growth is 236,000. The authors place this estimate within a reasonable range based on previous accuracy of the forecasts.

Chart 4. Florida Annual Population Growth

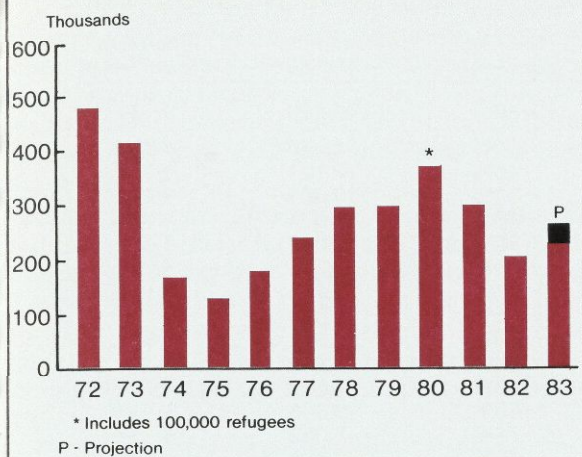
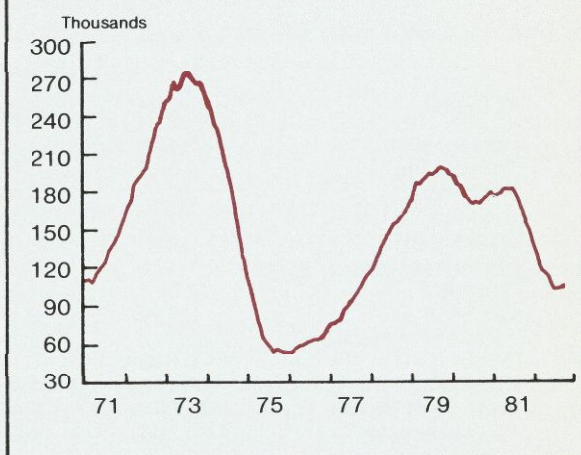


Chart 5. Florida Residential Construction



New home building in Florida reached a cyclical low in the 12 months ending in August: only 101,500 new single- and multi-family homes were constructed (Chart 5). This level is still high compared to other southeastern states, but it is 48 percent below the peak of 196,000 homes built in the 12 months ending October 1979. Both single-family and multi-family construction, currently about 50,000 units each on an annual basis, were halved from their peaks. Single-family construction has been declining since late 1979, while multi-family construction did not start to descend until mid-1981. Yet the last half of 1982 brought an upturn in residential construction. In the 12 months ending in November, new home building edged up to 104,500 units from August's low of 101,500. Sales of building supply materials were increasing by year end as lower mortgage rates unleashed some pent-up demand for single-family homes. Depressed condominium prices enticed buyers to take advantage of the market.¹⁰

New home construction has been running parallel and slightly ahead of new household formation for the past four years. Any increase in new households in 1983 should translate into a stronger construction sector.

But growth should be modest at best. Based on population projections, about 126,000 new households will be formed this year. With the current pace of construction and a large condominium inventory remaining in some areas, it is difficult to see substantial improvement in residential construction in 1983 even though construction has started to pick up in central and north Florida's single-family markets.

Table 2 shows the level of construction in major Florida cities at the recent peak and at the recent trough. Most cities had turned the corner on recovery by November. Northern and central cities have made the strongest showing so far. Jacksonville, Tallahassee, Pensacola, and Orlando have already surpassed their construction low points by at least 19 percent. The Orange County (Orlando) area is producing more homes than either Miami or Ft. Lauderdale and is building at the same rate as West Palm Beach.

Residential construction on the southeast coast of Florida has suffered the most. New home construction sagged to about one-third the rate at the 1979 peak. Foreclosures in Dade rose 52 percent through November compared to 1981. Broward County foreclosures jumped 42 percent. In the two-county area, 7,928 homes were foreclosed during the 11-month period.¹¹ Condominium prices dropped 19 percent from late 1981 to late 1982.

⁹Telephone conversation with Charles Hoeck, Division of Real Estate, Department of Professional Regulations, State of Florida, December 13, 1982.

¹⁰Construction data reported by F.W. Dodge. Single and multi-family breakdown derived from building permit data as reported by the U.S. Bureau of the Census.

¹¹Dade and Broward Counties Circuit Courts.

Table 2. Residential Construction by SMSA
Number of Units (12 month Cumulative Rate)

	1979-80 Peak	1982 Trough	Decline from Peak	November 1982	Increase from Trough
FLORIDA	195,993	101,439	-48%	104,480	+ 3%
Jacksonville	6,608	4,331	-35%	5,336	+23%
Tallahassee	2,808	1,549	-45%	2,101	+35%
Pensacola	3,469	2,234	-36%	3,301	+47%
Daytona	6,123	3,934	-36%	4,075	+ 3%
Gainesville	3,433	1,032	-70%	1,042	+ 0%
Melbourne	7,159	3,204	-55%	3,332	+ 3%
Orlando	12,504	7,896	-37%	9,475	+19%
Lakeland	3,904	2,130	-45%	2,318	+ 8%
Tampa-St. Petersburg	30,212	15,943	-48%	15,943	—
Sarasota	6,899	3,149	-55%	3,149	—
Ft. Myers	9,652	4,485	-53%	4,595	+ 2%
West Palm Beach	29,844	9,471	-68%	9,808	+ 3%
Ft. Lauderdale	24,355	6,692	-73%	7,062	+ 5%
Miami	22,475	7,695	-66%	8,438	+ 9%

Note: Cyclical peaks and troughs for each city varied within the years shown.

Source: McGraw-Hill Information Systems Company, **Dodge Construction Potentials**.

Home sales began to pick up late in 1982, indicating new construction should turn up early this year. The slight upturn in south Florida home building is primarily a local phenomenon in the single-family market as residents take advantage of lower interest rates to upgrade their homes. Condominium sales are resulting from a slight pickup in migrants from the Northeast. Foreigners have not reentered the market, and investors are lying low until the general economy improves.

As of October there were 21,000 new homes up for sale in Miami, Ft. Lauderdale and West Palm Beach. That represents about one year of building at current rates. With such an overhang of new homes for sale, construction seems unlikely to pick up substantially in 1983.

Miami's residential construction industry may never fully recover, since Dade County experienced a net outflow of residents beginning in 1981. People appear to be leaving south Florida and moving up the coast.

Tourism

While tourism is no longer the dominant industry in Florida, it still accounts for 17 percent of the state's employment. Nationwide, tourism jobs comprise less than 5 percent of employment.

Florida's tourist industry is significant not only because of its immediate economic impact but also because of its "spillover" effect on other southeastern states, particularly Georgia and Tennessee. These states increasingly have been able to capitalize on pass-through traffic by increasing interest in local attractions.

The number of visitors to Florida generally slows down during a national recession when working-class Americans cannot afford their annual Florida vacations. However, through the two worst recessions since World War II, the number of tourists never declined more than a few percentage points. Even more important, a pickup in tourism usually precedes a Florida recovery. From 1973 to 1974, tourists coming to Florida declined only 4 percent, while in 1975, at the bottom of the recession, arrivals were up 11 percent.

With the onset of national recessions in 1980 and 1981, growth in the Florida tourist industry began to suffer, but tourism never declined. The number of arrivals rose slightly from 35.8 million in 1980 to 35.9 million in 1981. Final figures for 1982 are expected to show a little growth over the previous year. Estimates of 1982 arrivals range anywhere from a 10 percent increase to a 5 percent decline. Official Florida Division of Tourism data show that tourists from the U. S. and Canada were up 7.4 percent

through September compared to January-September 1981.

This figure appears high since other indicators show a decline in tourism. Attendance at a sample of the state's major attractions was off 5 percent during most of the year,¹² while hotel and motel occupancy declined 4 percent in Orlando and 8 percent in south Florida through September.¹³

While the state does not monitor international tourism on a regular basis, Miami tourist officials estimate that foreign tourist arrivals in Dade County were down 11 percent for the year through September.¹⁴ On balance, it appears that the final figures for total tourist arrivals during 1982 will be about 5 percent above 1981.

Many industry representatives believe the World's Fair in Knoxville had a siphon effect last year, drawing middle-income and blue-collar tourists from the Midwest and Northeast to Tennessee rather than Florida. However, other factors such as the recession and the reduced value of the dollar (which discourages foreign visitors) must also be blamed for last year's comparatively poor record.

The weak showing of tourism, along with a depressed housing sector, translated into poor retail sales for Florida. By last year's third quarter, retail sales in Florida were not much better than in 1981, and, if figures were available for inflation-adjusted sales, retail trade would be reported several percentage points below the previous year. The worst performing area was Miami, where over 20 percent of Florida sales are made. Stronger sales growth in north and central Florida offset the weakness in south Florida. During the third quarter, total retail sales in Florida were 0.4 percent higher than in 1981. In Miami, sales were off 15 percent for the same period.¹⁵ The sharp drop in retail sales in Miami is linked particularly to the decline in foreign visitors in 1982. And those foreigners who are coming are staying

with friends or relatives or in private condominiums more often and spending less money than in the past.

The last quarter of the year, for which official tourist figures aren't available as of publication, should be well ahead of 1981. Attendance at EPCOT, which opened in October, was running about 30 percent ahead of what officials had expected. Airplane and hotel bookings for the holiday season were up from 1981.

Florida's tourist industry representatives are optimistic that this strong fourth quarter showing will carry over to 1983. Orlando has proved to be an attractive area for family vacations. Costs are still quite low. A recent study shows that average bed and board for one day in Orlando costs \$69.75 compared to \$91.60 in Miami, \$99.25 in New Orleans, \$124 in San Francisco, and \$163.80 in New York.¹⁶

Walt Disney World expects 20 million admissions in its fiscal year ending next September, up 60 percent from 1982's 12.56 million. The 1982 figure was down 5 percent from 1981. Since the average visit to Disney is expected to last 3 1/2 days, the admissions projection translates into about 2 million additional tourists in Florida in 1983 as a result of EPCOT. The theme park employed 3,500 new permanent employees to staff EPCOT, and seasonal demands should push that number close to 5,000 by spring.¹⁷

¹⁶Runzheimer and Co., Meal-Lodging Cost Index.

¹⁷John Dyer, Walt Disney World, telephone conversation December 9, 1982.



¹²Florida Attractions Association.

¹³Orlando weighted average based on Pannell, Kerr, Forster data reported in *Trends in the Hotel Industry*, September 1982, and south Florida data reported by Laventhol & Horwath, *South Florida Trend of Business Lodging Industry*, September 1982.

¹⁴"Dade County Travel Trends Third Quarter Report January - September 1982," Department of Tourism, Metropolitan Dade County.

¹⁵Retail sales data from U.S. Department of Commerce, Bureau of the Census, "Current Business Reports Monthly Retail Trade."

Other major Florida attractions are adding features this year to capitalize on the Disney visitors. A new attraction by MCA studios, called Universal City, is being constructed this year but will not open until late 1984. By its third year, it is expected to attract 4 million visitors annually.¹⁸

While EPCOT's strength will not really be felt until summer, the family vacation season, south Florida is hoping the attraction will also boost Florida's winter tourism. A fare war between major airlines dropped the price of a one-way ticket to \$99, attracting many more vacationers from the Northeast and Midwest this winter.

Major airlines say their bookings on Florida flights are extremely good, and they are optimistic that the increased traffic will hold at least through March. Additionally, hotel and motel occupancy rates began to improve late in 1982.¹⁹

Several clouds loom on the horizon, however. Is the EPCOT-generated boom only a temporary phenomenon that will settle down after a few months? Will other areas of the state suffer as tourists flock to EPCOT and spend more money on longer stays there? Will Miami recover its reputation as a vacation and convention attraction?

Miami is counting on an improved season this year. Both domestic and international travel were down 11 percent through September. A convention of the American Society of Travel Agents, held last October, is expected to boost tourism in 1983. A new convention facility should also increase Miami's chances of attracting convention business.

Miami's image, however, may still be a hindrance. Repeated signs of unrest, such as the Liberty City riots of 1980 and the recent incidents in Overtown, continue to cloud Miami's reputation as a safe tourist destination. In a recent survey, 250 convention travel planners ranked Miami below the top 10 cities.²⁰ Also, as long as the dollar remains relatively strong, the European and Canadian travel market will remain soft. Latin American visitors have been affected not

only by a disadvantageous exchange rate, but also by political and financial troubles at home.

In 1983 the general outlook for Florida's tourist industry seems contingent upon national, and even international, economic recovery. Probably Orlando and other northern areas of the state will do better than south Florida. Pent-up demand for travel, the opening of EPCOT, and the absence of a competing attraction such as the Knoxville World's Fair augur well for Florida's tourism in 1983; indeed, major forecasters expect an 8 percent rise in visitors.²¹ Nonetheless, a return to peak 1979 levels seems to depend on an economic upturn that reaches the industrial heartland's middle and working-class travelers, as well as foreigners, who comprise so large a portion of Florida's market.

International Trade and Finance

Florida's geographic location has natural advantages for encouraging international trade. Its 580 miles of coastline offer 16 seaports. Close proximity to Latin America makes Florida a natural center of trade between the Americas. In fact, the emergence of the Latin countries as a growing export market in the 1970s encouraged Florida's development as a center of international activity. The Miami Customs District (south Florida ports) in 1980 became the 9th busiest U. S. export district compared to its 15th ranking in 1970, and the Tampa Customs District (central and north Florida ports) advanced to 14th busiest compared to 18th in 1970.²² Altogether, exports through Florida Customs Districts now account for almost 5 percent of the total U.S. exports compared to only 2.7 percent 10 years ago.

Just as geography contributes to Florida's advantage, so does the international nature of Miami's population. Foreign-born residents of Dade county who are of Hispanic origin account for over 36 percent of the population. Including their offspring born in the United States, this figure will be much higher in the future. The

¹⁸"Perspective on Regional Growth 1982-1986," East Central Florida Regional Planning Council, October, 1982, p. 15.

¹⁹Hotel & Motel Association, Rosemary Winslow, telephone conversation December 9, 1982.

²⁰William Poundstone, "Coping With The New Geography," *Association and Society Manager*, April/May 1982, pp. 18-23.

²¹University of Florida Bureau of Economic and Business Research; the Dick Pope, Sr. Institute for Tourism Studies at the University of Central Florida.

²²U.S. Department of Commerce, Bureau of the Census, *Waterborne Exports and General Imports, 1970 & 1980*.



large Hispanic population provides a natural labor force for multinational corporations that must operate across language and cultural borders.

Following a decade of surging growth in Florida's international activity, 1982 was a weak year. Exports, which comprise more than half of total foreign trade in Florida, dropped 10 percent in dollar value in January-September 1982. South Florida exports, which outnumber imports by more than two to one, dropped 6.5 percent in the January-September period from the prior year.²³ Exports to Latin America grew increasingly worse as the Latin countries suffered from financial, political and economic troubles.

These conditions do not bode well for Florida international trade in 1983. Even if a strong U.S. recovery materializes, Latin economies usually lag by at least six months. It is doubtful that exports to Latin America will show any improvement in 1983.

Trade through the Tampa Customs District was depressed in 1982 because of weak world

demand for phosphate. Total exports were down 19 percent for the first nine months of the year. Some improvement was noted late in the year as laid-off phosphate workers were recalled and closed mines and processing plants were reopened. Exports of rock are expected to be no better in 1983 than in 1982, but exports of processed fertilizer should rise.

Imports were stronger than exports in 1982 and continue to look strong in 1983. In the Miami District, imports rose 6.5 percent in 1982. South Florida should benefit from increased trade this year as imports are expected to account for about 40 percent of all trade, as opposed to 30 percent in 1982. The rising significance of imports is particularly attributable to new facilities at the Miami port which speed cargo handling. Several new shipping lines will be importing through Miami in 1983. The port is in the midst of a \$250 million, 225-acre expansion that will nearly double its size.

Imports through the Tampa District fell 5 percent in 1982, although some sectors remained strong. The number of import entries and amount of customs collections at the Port of Jacksonville each increased by more than 15 percent in the fiscal year ending in September. Imports of foreign vehicles rose to 373,000, ahead of fiscal year 1981 by about 1,600 units. Coffee, steel and lumber imports also increased. Orlando prospered as a port of entry for fast-growing imports of high-duty Brazilian orange juice.

Imports should continue to be a positive factor in Florida trade this year as south Florida gears up to bring in more goods, the value of the dollar remains relatively strong, and the U.S. recovery gets underway. Exports to Latin countries are likely to remain weak, and phosphate shipments may improve only slightly from 1982. Some diversification in Florida's export trade is expected as firms try to open European and African markets.

Florida's increased international trade, as well as important bank regulatory changes, have spurred the development of international finance. A significant financial infrastructure evolved over the past several years that will promote international trade in years to come. Over 200 international banking offices operate in the state, most in Miami. These entities include a growing number of Florida commercial banks with strong international departments, out-of-state U. S. commercial banks operating

²³Export and import trade data reported in **Highlights of U.S. Export and Import Trade**, U.S. Department of Commerce, Bureau of the Census, September 1982.

internationally oriented banking subsidiaries (Edge Act corporations), and foreign banks operating Edge Act corporations, foreign bank agencies or representative offices. While the introduction of Edge Act corporations facilitated international financial development over the past several years, several financial innovations will provide even greater opportunity for Florida to benefit from international banking in 1983.

Last year eligible banking organizations were authorized, in effect, to compete with the offshore Eurocurrency centers in the Caribbean and elsewhere. By establishing International Banking Facilities (IBFs), banking organizations can conduct deposit and loan business with foreign residents, including banks, without being subject to reserve requirements or interest rate ceilings. By September, 395 IBFs had been established in the United States, 60 of them in Florida and 180 in New York. In the first nine months, total IBF assets grew over \$150 billion. IBFs in New York accounted for more than 75 percent of this total, those in Florida 2 percent.

Two other recent innovations in financial institutions are likely to enhance Miami's status as an international financial center. The Insurance Exchange of the Americas opened in October, as a market for reinsurance and high-risk insurance similar to Lloyd's of London. In that same month, President Reagan signed the Export Trading Company Act, enabling the formation of export trading companies (ETCs). ETCs are intended to strengthen the U.S. export sector by combining the skills and resources of several U.S. companies to enhance their export capabilities.

Despite these innovations, the outlook for international banking activity is clouded by debt and liquidity problems in several Latin American countries, from Mexico to Argentina. Furthermore, the impact of the Insurance Exchange and ETCs in Miami is likely to be moderate in 1983. Eventually, though, Edge corporation subsidiaries of money center banks might benefit, in particular, from the ETC legislation because of their membership in worldwide banking organizations.

Business Development

New business development helped push the Florida economy to new heights through 1980 and 1981. But in 1982, new incorporations

**Table 3. Corporate Profits—Florida Companies
Third Quarter, 1982**

	Profits in Millions	% change from 1981
Banks, S&Ls	\$ 70.0	+32.0%
Utilities	\$149.0	+22.3%
Manufacturing	\$ 23.0	-1.3%
Retailers	\$ 37.0	-4.4%
Technology	\$ 19.5	-47.2%
Financial	\$ 4.8	-50.5%
Developers	\$ -2.8	N/M
Transportation	\$-40.0	N/M

N/M = not meaningful.

were 9 percent lower than 1981²⁴ and business bankruptcy filings rose 30 percent in the third quarter compared to the previous year.²⁵

In 1982, corporate profits of Florida firms were mixed (Table 3).²⁶ Third quarter results showed manufacturing profits 1.3 percent below the previous year—a result of extremely strong profits by some and very weak profits or even losses by others. High-technology manufacturers recorded a 47 percent decline for the quarter. Real estate developers lost \$2.8 million in the third quarter, and transportation companies recorded a \$40 million loss. The latter loss was attributable almost entirely to Eastern Airlines; other transportation firms increased profits in the third quarter. Retailers' profits declined 4.4 percent. Profits of financial concerns other than banks and savings and loans dropped 50 percent, while the depository institutions increased profits by 32 percent. Utilities managed to show a profit gain of 22 percent. The profits picture translated directly into employment gains and losses. While manufacturing dropped 4.2 percent in 1982, employment in other business sectors did well. Employment in wholesale trade and retail trade rose 4.0 percent. The financial industry posted a 2.6 percent gain, and the services sector went unscathed as employment rose 6.1 percent.

²⁴Dun & Bradstreet Business Economics Division, "Monthly New Incorporations."

²⁵Unpublished data from the administrative office of the U.S. Courts, Washington, D.C.

²⁶Larry Birger, "Corporate profits on a sea of trouble," *The Miami Herald Business Monday*, November 29, 1982, p. 1.

As corporate profits dropped sharply in many sectors both in Florida and the rest of the nation, expansion of existing businesses and entrance of new business to Florida took a turn for the worse. The industrial sector, buoyed in the late 1970s and early 1980s, suffered in 1982 because fewer firms relocated to the state. Additionally, the state's high-technology firms met increasing competition in 1982 which bit into profits.

In the first six months of 1982, only 35 new firms joined Florida industry compared to 89 during the same period of 1981, a 60 percent decline. Employment generated by these firms totaled 6,755 compared to 11,916 the previous year. Capital investment resulting from the new locations amounted to \$158.3 million compared to \$430.9 million in 1981.

Even the fast-growing electronics industry, the largest manufacturing sector in Florida, decreased jobs in 1982 by 6.0 percent. The sluggish economy and Japanese imports have cut into this heretofore vibrant part of the state's economy. Semiconductor makers such as Western Electric in Orlando and Harris Corporation in Melbourne have spent aggressively on capital expansion, resulting in some excess capacity. Most of the chipmakers' output goes to capital equipment markets, which have been stagnant lately because of the recession. Harris' operating earnings fell 18 percent for the fiscal year ended last June 30. The firm expects a gradual return to profitability in 1983 for the semiconductor business.

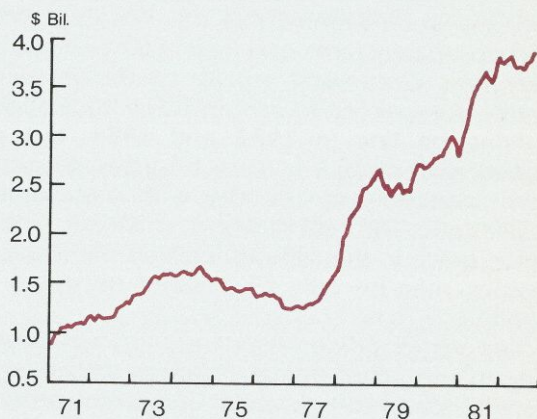
A bright spot for industrial employment in 1983 will be increased defense spending.²⁷

²⁷See William J. Kahley, "Southern Fireworks: Will Defense Spending Light Up the South?" *Economic Review*, Federal Reserve Bank of Atlanta, December 1982.



FEDERAL RESERVE BANK OF ATLANTA

Chart 6. Florida Nonresidential Construction



Florida is the fourth largest recipient of Department of Defense personnel expenditures and ranks among the top five states in several major procurement programs. The state receives the second highest dollar volume of weapons contracts, the third highest of aircraft engines and the fourth highest of military services. The Electronic Industries Association estimates that electronic components as a share of the cost of all defense hardware will jump from 40.6 percent in 1981 to 47 percent in 1991. Most high technology firms are still fulfilling defense contracts acquired during the Carter administration. The current administration's spending plans will begin to impact Florida contractors in 1983.

Increasing government procurement contracts should also boost the recession-buffed machinery and transportation equipment industries. These firms should benefit from an increase in missile production (in the Orlando area) and the expansion of the Space Shuttle program at Kennedy Space Center.

A positive factor for commercial investment in 1982 was a boom in office building construction. Investment in total nonresidential construction leveled off in 1982 at \$3.8 billion, about the same as in 1981²⁸ (Chart 6). New office buildings in most major cities kept total investment from actually declining. It is feared, though, that the boom may lead to a bust.

Strong development of international trade and finance and the legal and accounting

services associated with the industry contributed to the office boom in Miami. At least 19 projects were underway at one time last year and occupancy remained high at 93 percent by year end. Continued growth of the financial sector is expected to absorb new office space coming on line in 1983 and 1984, but an unanticipated slack in new business development would leave the city with unoccupied real estate. The real concern in Miami is that office space in the suburbs, outside the financial district, may be only 85 percent occupied in 1983.

Reports of office occupancy in Palm Beach County are rather dismal. Buildings that opened in 1982 found little demand. Companies needing space delayed their plans until the national economy turns around. South Palm Beach county has an abysmal occupancy rate of 70 percent; West Palm Beach is slightly better with 80 percent.

²⁸F.W. Dodge

²⁹"Florida's Downtowns," a special section in **The Miami Herald Business** Monday, October 25, 1982.

Other major Florida cities also report fairly low occupancy rates. Ft. Lauderdale's occupancy rate is 84 percent, Tampa's 85 percent, St. Petersburg's 90 percent, Orlando's 90 percent and Jacksonville's 88 percent.²⁹

Overall, business development is not expected to pick up substantially this year. Housing, tourism and population growth tend to lead a Florida recovery before business growth responds. Nationwide, corporate profits were extremely weak across most industries last year. A return to solid expansion into Florida will likely lag a general economic recovery by six months or more. For most corporations, this year should be one of rebuilding the balance sheet and establishing greater liquidity. Corporate expansion is likely to hit Florida again in 1984, but commercial construction may wane in 1983 as new space is absorbed and resources shift back to the residential market.

—Donald L. Koch
and Delores W. Steinhauser

Summary

Florida should enjoy an upturn in economic activity that will lay the foundation for strong economic growth in 1984.

Positive Factors

1. Population growth in 1983 should be stronger than 1982's 200,000 new residents because of a more active national housing market and an improved national economy.
2. Housing starts have already begun to turn up. The increased sales are coming primarily from pent-up demand of local residents in the single-family market who are anxious to take advantage of lower interest rates. In-migration from the Northeast has picked up somewhat.
3. Tourism should improve in 1983, particularly with Disney World's new EPCOT as a drawing card. Strong airline and hotel bookings indicate the season will surpass last year's and reduced air fares will contribute to the health of this winter tourist season.
4. International trade, particularly with Latin countries, is shifting away from other U.S. ports to Florida ports. This shift and the new financial entities to support international trade bode well for Florida in 1983. Additionally, Miami's new port facilities will enable more imported goods to flow through. Several new shipping lines have signed up to import through Miami in 1983.
5. Federal spending on defense should stimulate the Florida manufacturing sector, and an improved national economy should benefit Florida companies in general.

Negative Factors

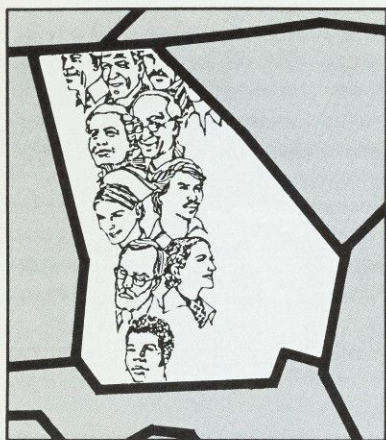
But the initial upturn should be modest. It generally takes six to nine months of improvement in the national economy to generate renewed movement across the country.

But there have been few signs of renewed interest from the Midwest. Anticipated population growth for 1983 translates into about 126,000 new households this year. This level of demand warrants about a 25% increase in new home construction. While the increase may be substantial, the level is still far below the peak construction level of 200,000 units per year.

Foreign tourists are not likely to provide a stimulus this year, as they have in years past, since the value of the dollar should remain strong, especially relative to South American currencies. Miami's ability to shed its tainted image and attract convention business is still questionable.

The volume of exports to Latin countries will continue to be weak in 1983 as those nations battle political, economic and financial instability. Phosphate shipments should improve, but only slightly.

But industrial relocations are likely to be postponed until 1984 when higher corporate profits and more liquidity have been restored to corporate balance sheets. Furthermore, the office building boom of 1981-82 will not provide strength in 1983.



Atlanta's domination of state statistics belies the recession's impact on the state's other regions, which face a period of adjusting to the needs of an emerging "higher-tech" economy.

Georgia: Rebuilding in 1983

With metropolitan Atlanta supplying much of the momentum, Georgia's economy as a whole is in better shape than most of the Southeast going into 1983. As of November, the state's unemployment rate (SA) was 8.3 percent compared to 11 percent and 10.7 percent for the Southeast and United States, respectively. Georgia entered 1983 with almost the same unemployment rate as at the start of the year while the Southeast and nation began with significantly higher rates.

Although aggregate figures paint a picture of "better than elsewhere," various regions within the state have fared differently. Atlanta dominates state statistics and is oriented toward recession-resistant service industries, while the rest of the state depends more heavily on manufacturing and on recession-sensitive textile and apparel manufacturing. Outside of the metropolitan Atlanta area, Georgia has weathered the recession about the same as the rest of the nation.

The Georgia and U.S. economies are remarkably alike in employment structure, with their respective shares of the manufacturing, construction, mining, and the finance, insurance, and real estate sectors within 2 percent of each other. Georgia does have a somewhat smaller services sector and a larger government sector (see Charts 1 and 2). Georgia also has a considerably smaller proportion of manufacturing employment in durables—only 35 percent compared to 60 percent for the nation. That smaller share makes the state less vulnerable to recession, since buyers tend to postpone purchasing durables during a slowdown. Because

durables last longer, purchases can be postponed. Higher financing charges also inhibit purchases during recessions.

Other factors favor Georgia's economic performance relative to the United States. Lower labor costs in manufacturing and many other sectors reduce the likelihood of layoffs in Georgia. Furthermore, plant equipment tends to be newer and more efficient than in many parts of the nation, and so plants tend to be closed last. Of course, while lower labor costs encourage employment, income growth is not greatly stimulated by growth in lower paying jobs. As a result, Georgia's per capita personal income (by residence) in 1980 was \$8,041—just 84.5 percent of the U.S. figure. Meanwhile, Atlanta—which has a larger share of employment in higher paying service-related industries—boasted a per capita personal income of \$9,997, some 5 percent above the national average of \$9,511.

Future problems do loom ahead. Job markets are changing toward "higher tech" industries. Automation is requiring a more skilled labor force not plentiful yet in some areas of the state. Some workers with specialized skills for industries such as textiles and apparel face challenges adapting to new industries and will find jobs harder to keep and harder to get as job markets change. Many jobs in the data processing and information industries are filled by people moving in from outside the Southeast.¹

¹William J. Kahley, "Migration: Changing Faces of the South," **Economic Review**, Federal Reserve Bank of Atlanta, 1982, Vo. LXVII, No.6

The Atlanta Region

Chart 1. U.S. Nonfarm Employment by Sector — Annual Average Employment for 1981, U.S. Department of Labor

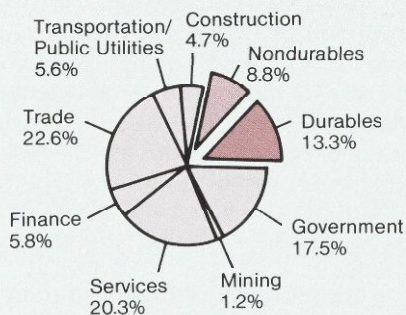
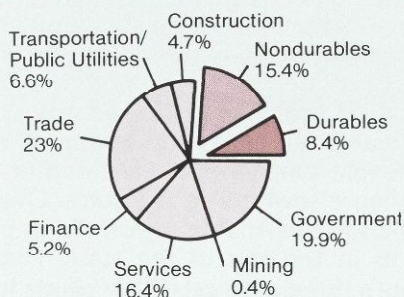


Chart 2. Georgia Nonfarm Employment by Sector



The new year promises to be a time of rebuilding and rethinking, particularly in smaller businesses in smaller cities and towns across the state. The industries and locations involved are diverse and include textiles throughout the Highlands, Piedmont, and other regions; transportation equipment in metro Atlanta; timber and paper throughout the state; and agriculture on the Coastal Plains.

Georgia is a state of distinct diversity, whose geography varies from mountains to the coast. Though some industries can be found scattered throughout the state, the economies of the five major economic regions² depend on different mixes. An examination of these regions offers insight into how Georgia will fare during the coming year.

Atlanta is different. It has the most diversified regional economy in the state. Manufacturing is less important than in the other regions. The "city" relies more on stable employment sectors such as services, finance, insurance, retail and wholesale trade, and government. Furthermore, the Atlanta area economy plays a large role in the state. Close to half of the state's personal income (by place of residence) comes from metro Atlanta, which in 1980 contained 37 percent of the state's population. The health of the Atlanta region very much affects the state's economy as a whole.

Atlanta's population has grown rapidly during the 1970s, outstripping growth rates in both Georgia and the United States due to migration and high fertility. Net migration added as many as 440,000 people to account for half of the overall growth of the state. A majority of these migrants moved to Atlanta. This movement of people and jobs helps to explain Atlanta's healthy economic performance during the decade. Even so, a longstanding problem persists—a growing share of new jobs created are in white-collar occupations for which many Atlantans are unqualified. Reducing the mismatch between job opportunities and the skill levels of a large segment of the area's population base is the most important economic challenge Atlanta faces. The mismatch helps explain why income per person in Atlanta, though higher than the nation or state, grew less than either the nation or state in the 1970s.

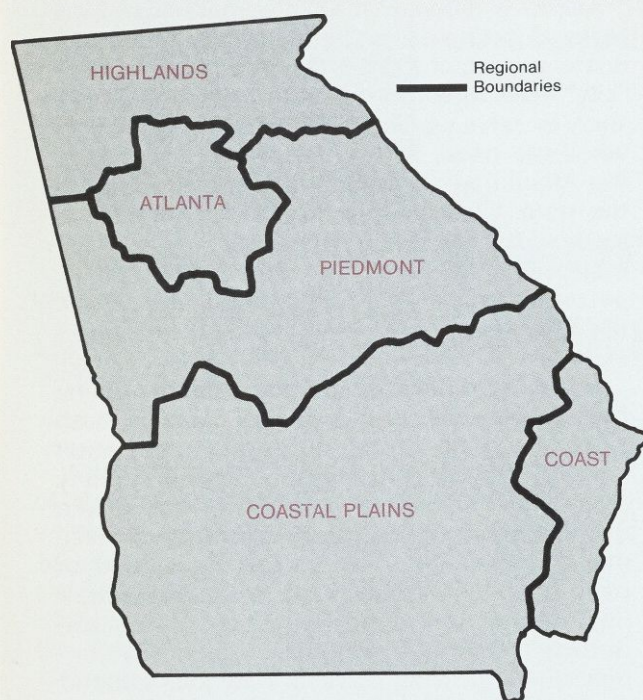
The service and trade sectors provide welcome stability. As a group, these employment categories³ contribute three-fourths of Atlanta's personal income. They have been relatively stable during 1982 and many should show modest recovery during 1983. In fact, the trade and service sectors saw increased employment during 1982. However, Atlanta's government sector has been hit by state and local budget crunches not likely to reverse in 1983.

The transportation and public utilities sector in metro Atlanta plays an important role. The largest component is related to transportation—Atlanta's Hartsfield Airport. Hartsfield provides

²The three major physiographic regions of the state—the Highlands, Piedmont, and Coastal Plains—do possess internal similarities. In addition, the Atlanta region's economy differs significantly from the rest of the Piedmont as does the Coastal region from the Coastal Plains. See *Georgia Development Policies Plan*, Volume 2, 1978, published for internal use by the State of Georgia.

³The service and trade sectors include: services, transportation and public utilities, wholesale trade, retail trade, government, and the finance, insurance, and real estate sector.

Physiographic Regions of Georgia



Source: Georgia Development Policies Plan 1978, State of Georgia

29,000 jobs, more than any single employer in Atlanta. Most of the 29,000 workers fall in the transportation sector, where workers average \$30,000 per year.

The airport—the nation's second busiest behind Chicago's O'Hare—provides an economic catalyst for both Atlanta and the state. Manufacturers and corporate headquarters are attracted by access. Warehousing and servicing facilities follow. Hotels, entertainment facilities, conventions, and tourism are further benefits.

The airport employment outlook depends largely on passenger traffic. Though air traffic is down statewide, Atlanta's activity looks brighter. Passenger arrivals at the state's five airports with scheduled service were below levels of 1981 and even 1980. Yet improvement may be on the horizon at Hartsfield. Delta and Eastern—both of which use Atlanta as a hub city—had a better November in 1982 than in 1981.

Tourism is an important industry in Georgia. In Atlanta alone tourism provides 81,000 jobs, according to the Atlanta Convention and Visitors

Bureau. Many of these are lower paid, semi-skilled entry level jobs. Consequently, tourism's share of personal income is smaller than its share of employment.

Even though recession has reduced business and convention travel, the convention bureau estimates that Atlanta's total number of delegates in 1982 was 1.3 million, 15 percent ahead of 1981. Two new hotels are scheduled to be completed this year, and three more by 1984-85, nearly doubling hotel rooms in Atlanta. The expanded World Congress Center will boost demand for rooms and enable Atlanta to host the largest meetings.

Some components of manufacturing in Atlanta have fared even worse than in other areas of the state. A saving grace is that a relatively small portion of the Atlanta area's employment and income (about 16 percent of the income by place of residence) comes from manufacturing. Only food processing showed any strength in nondurable employment during 1982. Paper and textile employment declined at a greater rate than elsewhere in the state. Overall, non-durables in the Atlanta region did as poorly last year as in the rest of the state. Furthermore, Atlanta's three auto assembly plants have been hit with layoffs during the current slump. Lower interest rates will aid employment this year. Lockheed's C5-B contract will have only minimal impact in 1983, since most production workers will not be hired until late 1984.

Construction activity remained relatively stable in Atlanta during the recession. The housing component certainly is poised to provide greater stimulus to the region's economy than nonresidential construction. In metro Atlanta, single-family building permits were up 31 percent during the first 11 months of 1982 and multifamily permits were showing similar strength toward yearend (Table 1). Overall, housing has held up better in Atlanta than in the rest of the state. In-migration during the recession kept housing around Atlanta stronger than in most of the U.S. Mortgage rate declines, in-migration and overall recovery should strengthen the region's housing recovery this year.

Nonresidential construction apparently will add little to the metro area's construction recovery in 1983. An oversupply of office space is likely to keep nonresidential contracts at low levels. In terms of square feet, nonresidential contracts had a slight surge at the end of the year to bring November cumulative

Table 1. Selected Construction Indicators for Metro Atlanta and Georgia

	November		Percent Change	Year to Date		Percent Change
	1981	1982		1981	1982	
Single-Family Building Permits (units)						
Atlanta	641	1,609	151.0	12,110	15,853	30.9
Georgia	1,038	2,424	133.5	19,826	23,919	20.6
Multifamily Building Permits (units)						
Atlanta	484	361	-25.4	4,827	5,953	23.3
Georgia	588	576	-2.0	7,655	10,868	42.0
Nonresidential Construction Contracts (square feet, 000)						
Atlanta	1,572	3,072	95.4	26,045	29,290	12.5
Georgia	2,443	1,767	-27.7	30,169	23,291	-22.8

Sources: U.S. Department of Commerce and McGraw-Hill Information Systems Company, **Dodge Construction Potentials**.

levels to a 12.5 percent increase over the previous year. This compared to a 23 percent drop for the state as a whole. Yet because of Atlanta's office space oversupply,⁴ the rest of the state will probably be stronger for this year as a whole. Debate still continues on whether the Atlanta office absorption rate will recover quickly enough this year to encourage further building.

In short, Atlanta has weathered the recession well because of its economic mix. The service industries have held steady. In-migration provided some support for housing while office construction merely declined slowly. The manufacturing sector—with interest rate-sensitive inventories—plays a small role in the region's employment. In the coming year, these same factors for the most part will aid recovery. Housing, retail sales, services, and convention business should pick up with the overall economy. Even durable manufacturing promises to improve later in the year. The biggest negative factor for 1983 appears to be a glut in office

space. In-migration in 1983 may help prevent unemployment from declining faster but will stimulate income growth—six months after recovery if past patterns repeat.



⁴Various experts estimate Atlanta's office vacancy rate at 15 to 20 percent.

Table 2. Population and Personal Income by Place of Residence in Georgia and Sub-State Regions in Georgia

Region	Population in 1980	Percent of State	Region's Total Personal Income in 1980	Percent of State	Per Capita Personal Income
Highlands	651,100	11.9	\$ 4,518,870,000	10.3	\$6,940
Atlanta	2,034,800	37.1	\$20,340,365,000	46.2	\$9,997
Piedmont	1,229,900	22.5	\$ 8,757,236,000	19.9	\$7,120
Costal Plains	1,220,000	22.3	\$ 7,680,641,000	17.4	\$6,296
Coast	342,000	6.2	\$ 2,753,613,000	6.3	\$8,052
State	5,477,400	100.0	\$44,043,727,000	100.0	\$8,041

Source: Local Area Personal Income, Southeast Region (Vol. 6), Released June, 1982, Bureau of Economic Analysis, U.S. Department of Commerce. Data is aggregated by counties—disclosure regulations prevent subtotals from equaling totals.

Highlands

The Highlands is one of the least populated regions, but most of that population is urbanized (Table 2). This region depends on manufacturing for a greater share of personal income—45 percent—more than any other part of Georgia. Two-thirds of these jobs are in textiles and apparel. Textile plants are concentrated in the Dalton area and along major highways in the western half of the Highlands. Their proliferation enhanced local economies in the postwar period but now has left them vulnerable to recession and to import competition. In the United States, 1982 was not a banner year for textiles. The recession drastically reduced demand for carpet in housing and automobiles. Foreign competition and the strength of the dollar overseas (raising the price of our exports) further damaged textiles' profits—American imports in the first nine months of 1982 rose 8 percent to \$8.4 billion from \$7.8 billion the year before while U.S. exports declined 21 percent from \$2.8 billion to \$2.2 billion.⁵

North Georgia's carpet mills are not suffering as much from imports as are the apparel producers, but they are suffering more from the recession in housing and automobile markets. Much of the industry's output goes to carpeting for new homes and autos. Output was sustained

to a large degree in 1982 by replacement demand in offices. Fortunately, a housing recovery nationwide bodes well for textiles and a rebound in car sales will add to the improvement. The apparel industry will pick up only after consumer confidence returns with a growing economy. Both industries still face the threat of import competition, which should intensify in the mid-1980s.

Poultry is also important in the Highlands, and the industry has been hurting from several factors. Much of the region's poultry production is exported. A strong dollar, a worldwide recession, and export subsidies by the Common Market significantly reduced poultry exports in 1982. While the first two conditions should be more favorable in 1983, Common Market subsidies will continue to hurt the food processing and poultry industries. Poultry, much of which comes from the Highlands, produces some 30 percent of the state's farm receipts. About half of the state's "broilers" are grown in the Highlands.

The Piedmont

The Piedmont region—the "foothills" where the ancient coast of the area once began—contains a varied economic base. Many residents work in manufacturing, retailing, government, and education. Though the economic base is diverse, areas within the region are often specialized. For example, trade and manufacturing are concentrated in the metropolitan areas and the urbanizing areas along major interstate highways: Interstate 20 east and

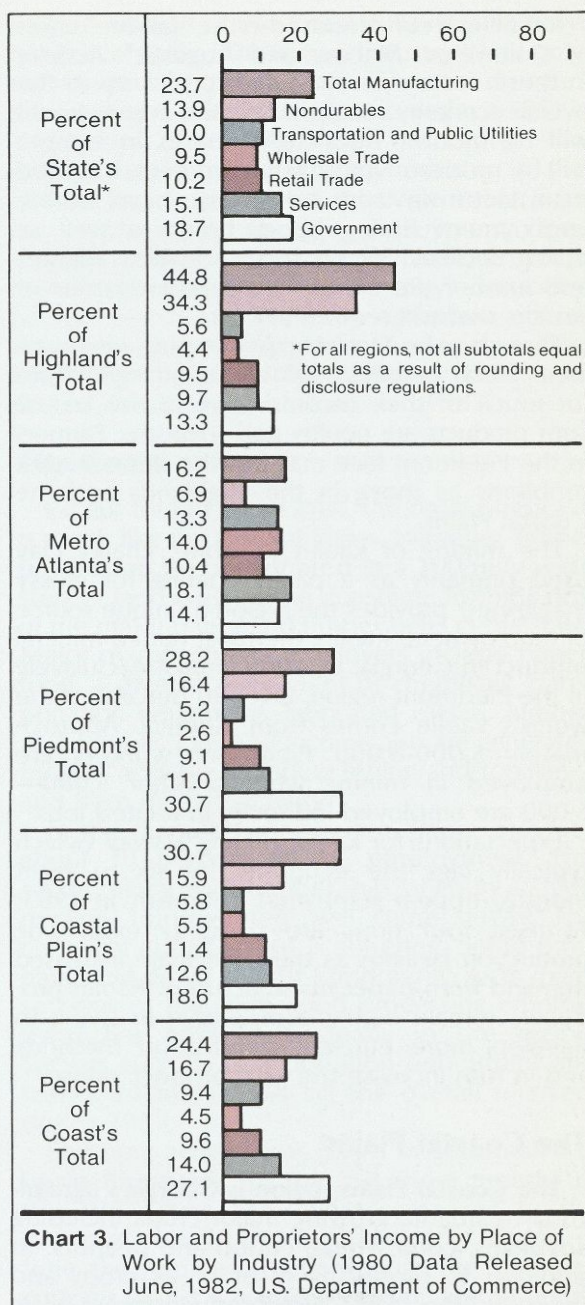
⁵Wall Street Journal, Nov. 23, 1982, p. 7.

west of Atlanta, Interstate 75 between Atlanta and Macon, and I-85 toward the Carolinas. Access to the financial and marketing center of Atlanta affects development in the Piedmont.

The textile and apparel industries provide the greatest share of the region's manufacturing employment—around 45 percent. During 1982, employment in these sectors felt many of the same pains that were felt in the Highlands, but the decline varied in degree. Areas such as Columbus and Griffin were hard hit while Macon's textile and apparel employment suffered only modest declines. Recovery in general will be slow, but textiles should get a boost from increased housing activity during 1983. Lumber manufacturing has been hit hard in the region during the recession but improvement also will come slowly as housing improves. One of the stronger manufacturing components has been food processing, where employment has held fairly stable. Unfortunately, employment also promises to be fairly stable during recovery. Local personal income seems unlikely to get a boost from food manufacturing. Overall, the manufacturing sector has been weak during the current recession and recovery will be slow during 1983. The good news is that manufacturing does not provide a burdensome share of the Piedmont's personal income—about one-fourth of the total.

The government sector provides a large employment base and is a source of strength and stability for the Piedmont region. Thirty percent of Piedmont's income comes from government jobs (Chart 3). Military bases near Columbus, Macon, and Augusta provide a large infusion of military and civilian jobs and income to each of the metropolitan areas. The Macon area—with huge Warner Robins Air Force Base south of the city—boasts one of the nation's highest percentages of civilian government employees—27 percent as of November. Augusta and Columbus are not far behind, with their government shares being 23 and 22 percent, respectively. (The government share in U.S. total nonagricultural employment was 18 percent last November.) The Reagan administration's military buildup will have some impact on area income and employment. But these changes will come slowly.

As throughout Georgia, state and local government employment in the Piedmont region has been squeezed during the recession and a



turnaround will not come quickly. Yet, the government sector represents a stabilizing factor on area income and employment. Levels drop very little in recession; in fact, government employment in Georgia continued to grow during 1982. On the other hand, neither does employment increase much during recovery.

Retailing is concentrated in the "fall line" cities of Columbus, Macon, and Augusta.⁶ Activity in these sectors is scheduled to pick up as the overall economy recovers. Still, the improvement will be modest because increases in income will be modest. Not only government, but food manufacturing and education have stable employment during boom times as well as during declines. Sectors such as textiles, apparel, and lumber are either low-wage industries or sectors that will recover slowly.

Though manufacturing is creeping into rural areas, rural counties still count on agriculture for much of their income. Two of the largest farm products are poultry and soybeans. Farmers in the Piedmont face many of the same market problems as those in the Highlands and the Coastal Plains.

The mining of kaolin (a white, chalky clay used primarily as a paper coating for glossy magazines) provides the region a unique source of employment. Kaolin, the most mined mineral product in Georgia, is found almost exclusively in the Piedmont region. Over 90 percent of the world's kaolin comes from Georgia. Approximately 5,000-6,000 Piedmont workers are employed in mining while another 5,000—6,000 are employed indirectly in related jobs.

Expectations for kaolin mining activity (which typically lags the economy by six to eight months) appear somewhat optimistic in 1983. At least four firms are currently expanding production facilities as they anticipate increased demand from paper manufacturers. Kaolin producers remain highly competitive in trying to develop more efficient purification methods and in turn increase the final product value.

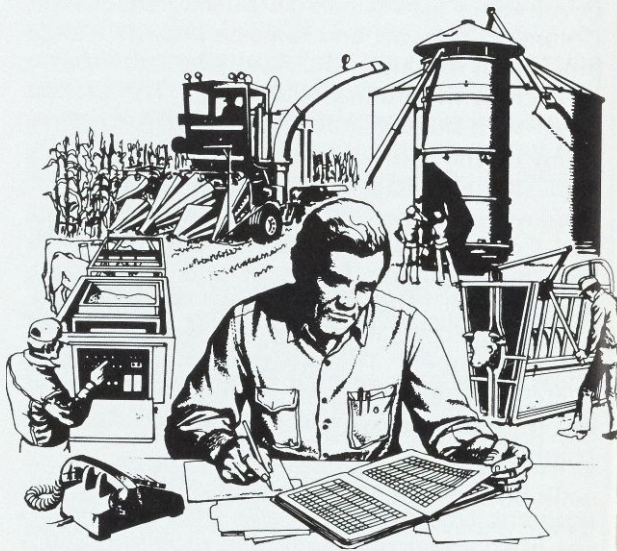
The Coastal Plains

The Coastal Plains region is Georgia's agricultural heartland, growing major crops including soybeans, corn, wheat, cotton and peanuts. In addition to producing most of its crops and livestock, the region also produces most of its commercial timber. This region is the farthest from major urban centers. Population and manufacturing are scattered among small cities and

towns such as Albany (the only SMSA in the area), Tifton, Valdosta, Vidalia, and Hazlehurst. Along Interstates 75 and 16, development is not as extensive as in the Piedmont. Although the Coastal Plains is generally dependent on agriculture, manufacturing provides the largest share (31 percent) of the region's personal income.

For Georgia farmers, 1982 was a good year and a bad year. Crop yields in the state were basically good—but unfortunately for the state's farmers, so were yields throughout the United States. While production costs rose, prices fell as a result of abundant harvests. Income for Georgia farmers—including those in the Coastal Plains—was low but generally adequate to cover operating expenses for the year. Nationwide surpluses for some crops carried over into 1983 and threaten to depress prices and income for this year. The farm outlook does vary by crop.

Soybeans are a major crop in Georgia, with fields concentrated in the lower two-thirds of the state. About 2.6 million acres were planted in Georgia last year, producing some 70 million bushels of soybeans—up about 75 percent from the previous year. The United States experienced a record crop—soybean prices were low, ranging from \$4.80 to \$5.25 per bushel. A surplus of over 400 million bushels is likely to keep prices low in 1983. Furthermore, the feed grain and the cotton-reduction program could push more acreage into soybeans.



⁶The fall line refers to the imaginary dividing line between the Piedmont and Coastal Plains. The line is also defined by connecting points on "parallel" rivers where navigability upriver ceases—or where the falls in these rivers begin (hence the term, "fall line").

Corn and wheat are grown throughout the state, but most corn is grown in the Coastal Plains and wheat acreage is expanding there. Grain prices took a beating in 1982 and a carry-over surplus and acreage-reduction programs should ensure smaller harvests in 1983. High yields per acre should help boost income.

Two crops expected to make profits are cotton and peanuts. The cotton yield last year was the highest since the Georgia Extension Service began keeping records in the 1800s. Although 180,000 acres were planted last year, the crop-reduction program is expected to bring about a 25 percent reduction. Peanuts provide the state's biggest cash crop. About 40 percent of the nation's crop is grown in the state—mostly in the western half of the Coastal Plains. Last year's peanut crop was generally profitable and carry-over is not burdensome. This year's crop should provide a modest profit.

For the overall Coastal Plains farm economy, finances are improving slowly. However, three-fourths of the farmers are experiencing financial problems as a result of carry-over debt, primarily because of droughts during 1977 and 1980 and as a result of low produce prices during some of the "good" years. Though most farmers covered operating expenses last year, overall debt remains high.⁷

Manufacturing provides around 31 percent of the region's personal income. The top four manufacturing industries are—in order of employment size—apparel, food, textiles, and lumber. As throughout the rest of Georgia, apparel and textiles make up a large proportion of the region's manufacturing employment—about 30 percent for apparel and about 10 to 15 percent for textiles. The relatively stable food component is the region's second largest employer with 15 percent of the manufacturing labor force; the lumber industry accounts for about 10 percent of the jobs.

Except for food processing, major manufacturing industries have had a rough time during the current recession. Textiles and apparel both lost jobs last year. Improvement will come slowly as elsewhere. Paper manufacturing and lumber production, concentrated in the

eastern portion of the Coastal Plains, also have been in a slump. These two industries will only revive—and then only modestly—after demand increases and after housing starts reduce 1982's inventories of lumber. Food processing—the second largest manufacturing industry in the Coastal Plains—provides a relatively stable base for employment. Though employment does vary according to the size of harvests, employment and income are affected less by commodity prices. Directly and indirectly, agriculture affects the region's employment. Food processing employment was fairly stable in 1982 and should remain much the same in 1983.

The Coast

Except for the shore itself, the coast physically is much like the Coastal Plains. However, timber production is concentrated in a 100-mile wide strip of land west of the coastline, forming one of the major paper and timber belts in the state. Major manufacturing employers include paper, food, a diverse assortment of chemicals, transportation equipment, fabricated metals, lumber, and apparel. Jobs and income also are generated by port activity—including fishing and tourism—and from military activity.

In the manufacturing sector, paper provides about 30 percent of the employment. This sector, along with lumber, has been in a steep decline. Improvement will come slowly. The chemical industry also is suffering. Some firms have shut down at least temporarily. As in many sections of the state, food processing employment has held fairly steady in the region. Sectors such as transportation equipment and fabricated metals will lag the overall recovery during 1983.

Shipping activity was down in Savannah but up in Brunswick for the first three months of the 1983 state fiscal year compared to the previous year. In the fiscal year that ended in June, the volume of trade through the Savannah customs district was up 9.8 percent. The Savannah customs district was the strongest performer in the Southeast in 1982, largely because of increased capacity at the Brunswick seaport. However, the important pulp and paper, clay, and textile markets are soft because of weak markets abroad. In 1983, exports of these goods should improve as the year proceeds. Coal exports, while modest, are likely to expand. The completion of an ultra-high temperature

⁷Gene D. Sullivan and Gene Wilson, "Farm Credit in the Southeast: Shakeout and Survival," *Economic Review*, Federal Reserve Bank of Atlanta, January 1983, p.4.

milk plant and expansion of cold storage facilities at the Savannah terminal brighten the port's short-term outlook.

Major products exported from Georgia ports are also produced in the state. Wood pulp and paper products, clay, textiles and apparel, food products, transportation equipment, and miscellaneous manufacturers are major industries that also employ an above-national-average share of workers in export-related production. (One out of eight Georgia manufacturing workers, or 65,000, produce for export.) Port trade is trending upward, but this year's outlook for expansion in Georgia is cloudy, as it was in 1982.

Georgia fishermen have reason to look back upon 1982 with favor. Not only was the shrimp harvest substantial but prices were good as the Gulf Coast harvest was below average. Indeed, the fishing industry generally found 1982 a beneficial year as the quantity and value of the catch exceeded 1981.

Tourism along the Coast fared moderately well during 1982. The economic downturn significantly increased local tourism as many families took shorter trips. The Georgia coast attracted many state and regional residents. Savannah enjoyed a good summer with hotel/motel tax receipts up 20 percent through August (some of this gain resulted from increased rates). The future of tourism along the Coast looks promising. For example, the Jekyll Island Authority has several developers potentially interested in renovating the Millionaires' Village and transforming the Jekyll Island Club into a hotel. The latter could begin in 1983. Savannah's Convention and Visitors Bureau is hopeful that its location and the city's role as the birthplace of Georgia will increase tourism in 1983, the state's 250th birthday. The region hopes to attract tourists as they travel I-95 to EPCOT in central Florida.

Perhaps the biggest development in the Coastal region for the next decade will be the Navy's King's Bay Submarine Base. In 1980, the submarine support base was chosen to be the East Coast housing port for Trident nuclear submarines. Initial construction is underway on the project whose ultimate cost is estimated at \$1.5 billion. As the largest peacetime project in Navy history, King's Bay will absorb approximately one-tenth of the Navy's construction budget for the next decade. Most of the construction will be completed by 1990.

The project will have a direct impact on a seven-county area. The Navy has a substantial number of contracts with small businesses in the community. Road construction valued at \$20-21 million has begun or is under contract, improving the area's transportation capabilities. Residential construction should expect a strong year because of a shortage of housing in the area and the future demand by crew members, their families, and other military personnel. The growing population will create new opportunities for retail and other businesses and services. Thus, expansion of the King's Bay base will have a tremendous positive impact on the economy of southeast Georgia.

Summary

Georgia's economy was in relatively better shape than most neighboring states going into 1983. The state's 8.3 percent unemployment rate in November was the lowest of the District states. Throughout most of the state, strengths during the recession have been service-related industries including services, finance, insurance, and government. The service-related industries, especially healthy in Atlanta, will continue to provide strength in the coming year.

Other sectors within the state have weathered the recession differently and in turn will respond to recovery differently. Nonresidential construction has held up better than housing, but in the coming year housing will be the trend-setter in construction. In-migration will continue to shape Atlanta's housing market. Textiles will improve as the demand for carpeting picks up with increased home and auto sales. The apparel industry is waiting for a general economic recovery but still faces stiff import competition. Other manufacturing industries such as lumber, chemicals, and transportation equipment will recover slowly while the food industry will remain fairly stable. The state's farmers should gradually reduce the debt burdens accumulated primarily during droughts in 1977 and 1980. Still, Georgia farmers remain some of the most debt-ridden in the Southeast.

Georgia's subregions will have their own strengths and weaknesses. The Highlands will struggle to improve textile employment. Atlanta should do fairly well in housing and service-related industries. The Piedmont's textile and

apparel industries will remain troubled but it should benefit from strong food industries and a stable governmental sector. Farming will make some progress as will lumber in the Coastal Plains. The Coast will get a slow recovery in paper and lumber, but a variety of light

industries plus tourism will aid the economy in the coming year.

—William N. Cox
and R. Mark Rogers

The authors would like to pay special thanks to Howard Shretter of the Department of Geography at the University of Georgia for his helpful insights and suggestions.

Tennessee: Awaiting Recovery in the Industrial Heartland



Pent-up demand for new homes and cars should spark Tennessee's economy. Now that the 1982 World's Fair is history, the state will have to rely on a national upturn to fuel key state industries in 1983.

The key to improvement in Tennessee's economy lies in an expected nationwide recovery in construction. An upturn in building would stimulate Tennessee's large manufacturing sector, where many businesses are tied to construction.

Transportation-related manufacturing may also show improvement. By late 1982, car sales began rising nationally, and the increase in average age of U. S. cars from 5.7 years in 1974 to seven years today portends that sales should continue to grow as long as interest rates decline or remain stable.

Other industrial and most nonmanufacturing sectors are likely to remain weak in 1983. Most forecasters predict a softer-than-usual economic recovery in the nation.¹ With capacity utilization rates in many industries historically low, there is little stimulation to capital expansion.² However, once consumer spending for durable goods does increase, Tennessee should outstrip most non-southern manufacturing states because its capital

stock is newer.³ In addition, a recent Atlanta Fed survey found a majority of the large Tennessee employers contacted less pessimistic about the outlook for employment in the months ahead than those in other southeastern states except Florida.⁴

One of the weakest sectors in Tennessee's economy is government. A state budget shortfall will exacerbate the effect of federal budget cuts. The state's tax structure responds poorly to income growth. Enactment of a more responsive tax, such as an income tax, would require a constitutional amendment, and tax hikes might deter potential industrial relocation to the state.

Lacking the stimulus of an international exposition, services and trade are likely to do less well than in 1982. Deregulation is introducing uncertainty and competitive pressures into transportation and finance. Changing patterns of energy use indicate a long-term deceleration of growth in the state's important energy industry. Demand

¹Chase Econometrics, e.g., predicts a 2.4 percent growth in real GNP, an average U.S. unemployment rate of 10.1 percent, but a 15.2 percent rise in auto sales and a 40 percent jump in housing starts over 1982 levels; Lawrence Chimérine, Executive Summary - U.S. Macro, November 24, 1982.

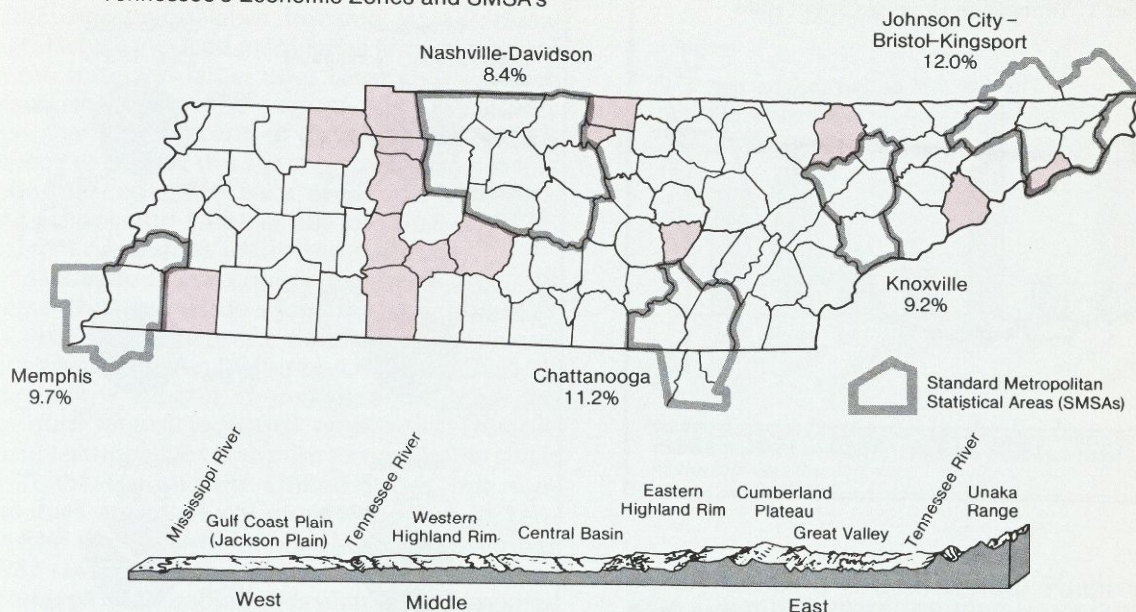
²According to figures released by the Board of Governors of the Federal Reserve System on January 17, 1983, manufacturing capacity utilization

in December 1982 was 67.3 percent, a record low; a Commerce Department survey of U.S. businesses indicates that capital spending will fall in real terms during the first half of this year.

³Citibank, **Regional and Real Estate Review**, October 1982, p. 22.

⁴"Southeast Employment: After the Recession," **Economic Review**, December 1982, pp. 53-64.

Tennessee's Economic Zones and SMSAs*



*Percentages show November unemployment rates for SMSAs. Counties (shaded) where more than one-fifth of the civilian labor force is unemployed include Campbell, Cocke, Fayette, Henry, Houston, Humphreys, Lewis, Macon, Maury, Perry, Trousdale, Unicoi, Van Buren, and Wayne. The unemployment rate in Stewart County is over 30 percent. All figures are preliminary and not seasonally adjusted.

Source: 1980 Tennessee Statistical Abstract, pp. XIV, 432; CPS Labor Force Summary. Tennessee Department of Employment Security November 1982.

for tobacco, one of Tennessee's major cash crops, is likely to be depressed by worldwide recession and a 200 percent increase in the federal excise tax on cigarettes. International economic conditions also bode ill for most other crops, for other Tennessee exports such as chemicals, and for textiles and apparel products, sensitive to foreign competition.

The geographical implications of this prognosis are worst for east Tennessee, where manufacturing, energy, and government provide relatively more jobs (see map and Chart 2). These trends are also inauspicious for many rural counties, where the only alternative to farming is often a single apparel or auto parts assembly factory. Metropolitan areas, such as Nashville, where publishing, insurance, and tourism are leading industries, should fare better because of their diversified economies. The outlook is for a very modest pickup in 1983.

Profile

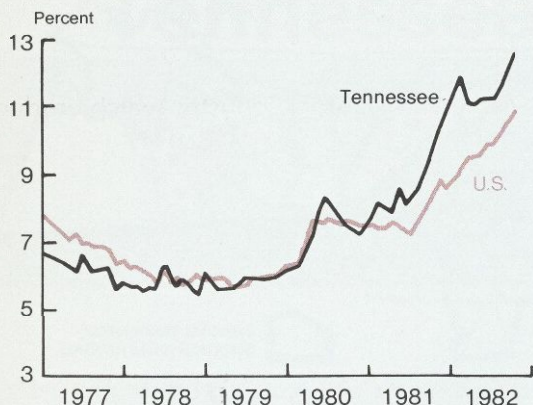
Between April 1980 and July 1981, Tennessee's population (4.6 million, 2 percent of the U.S.

population) grew 0.5 percent, more slowly than the nation's 1.2 percent for the same period. This growth is also noticeably slower than Tennessee's 16.9 percent growth rate from 1970-1980. This slowing of population growth augurs less rapid expansion in construction than during the 1970s (see Construction).⁵

Through November, the state's labor force averaged 2.1 million, showing almost no growth from the first 11 months of 1981. During 1982, employment declined 1-4 percent relative to corresponding months of 1981 and remained below peak levels of 1979-80. Unemployment grew much more rapidly than employment. By November 255,000 Tennesseans were unemployed, over one-third more than in November 1981. At 12.5 percent, Tennessee's preliminary, seasonally-adjusted unemployment rate in November was much higher than the District's 11.0 percent and the nation's 10.8 percent (see Chart 1).

⁵"Population Characteristics," Series P-20, No. 374, U.S. Department of Commerce, September 1982, p. 10.

Chart 1. Tennessee Unemployment Rate

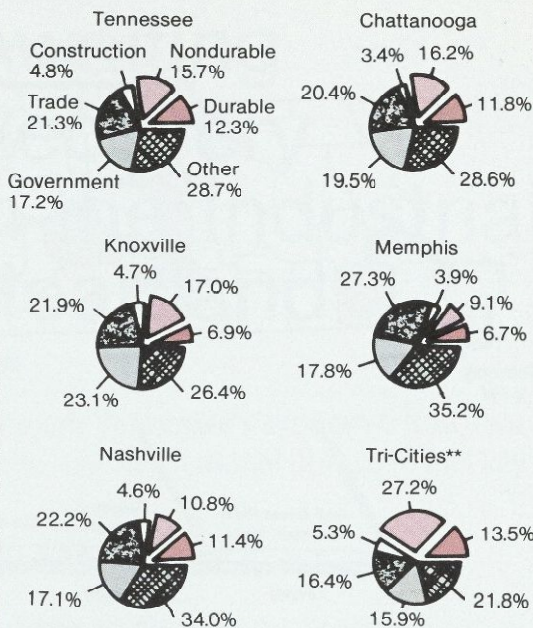


The state's jobless fund is predicted to be depleted this year and will have to borrow from the federal government, especially if the unemployment rate remains high. Of the state's five standard metropolitan statistical areas (SMSAs), the manufacturing cities of east Tennessee had the highest unemployment rates; Tri-Cities' preliminary unadjusted rate was 12.0 in November, and Chattanooga's was 11.2. The more diversified economies of Memphis and Nashville and the World's Fair in Knoxville (Chart 2) helped keep the rates of those cities comparatively low. Fifteen of Tennessee's 95 counties had unemployment rates of 20 percent or more in November (see map).

Nominal personal income grew only 6.2 percent in the year ending June 30, one percentage point less than the nation's and 1.4 below the District's. Corporate bankruptcy filings grew over 50 percent in the same period, much faster than the 24 percent increase in the Southeast and the 17 percent growth in the United States.

State forecasters predict modest growth in gross state product and personal income and a reversal of the downward trend in employment, but the expected margins of increase pale in comparison with rates of previous recovery periods. For example, by the fourth quarter after the nadir of the 1973-75 recession, employment had grown 6.4 percent. The 1983 unemployment rate is not likely to drop much below double-digit levels. Unemployment is a lagging indicator: as recovery progresses, formerly discouraged workers reenter

Chart 2. 1982 Nonfarm Employment Distribution*



*Figures, based on 11-month average, were computed by Federal Reserve Bank of Atlanta from monthly data published by Tennessee Department of Employment Security. Because of rounding totals may not add to 100%.

**Tennessee Portion.

the labor force, but employers operating at levels well below capacity usually increase hours of currently employed workers before hiring new employees.

Manufacturing

Manufacturing is by far the largest economic sector in Tennessee. Abundant, cheap energy from the TVA, natural resources, and unique historical factors brought industry to Tennessee much earlier than to most of the Southeast. Tennessee became the southeastern publishing center in the nineteenth century when evangelical churches established religious publishing houses in Nashville and Kingsport because of their central location to frontier members and their distance from established churches east of the Appalachians. After the Civil War, East Tennessee, a stronghold of pro-Union sentiment, actively recruited industrial firms and workers from the North. After World War I, Tennessee Eastman, a division of Eastman Kodak and today the largest employer in east Tennessee, began using wood

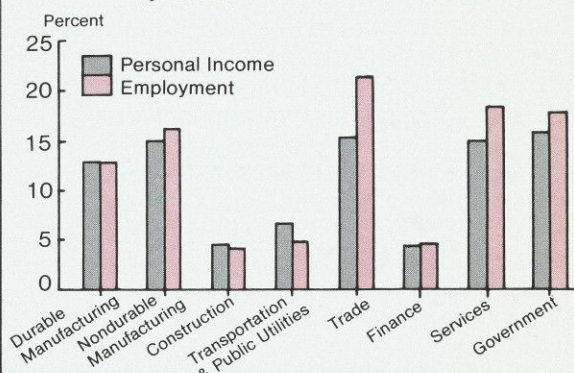
by-products to manufacture chemicals for photographic processes. After World War II, lower wage, non-union labor became an additional factor which induced many small firms to relocate in the state and larger ones to establish branch plants there. Despite current industrialization, less than 18 percent of Tennessee's workers belong to unions; this share is greater than in less industrialized states such as Florida, Louisiana, Mississippi, and Georgia but less than the 23.6 percent of workers unionized nationally.⁶

Manufacturing accounts for more than 28 percent of Tennessee's jobs but only about 22 percent of the nation's. Some east Tennessee cities have an even higher percentage (Chart 2). Machinery, apparel, chemicals, and lumber are the four largest industrial employers. Durable manufacturing jobs comprise a comparable share in Tennessee and the United States, but nondurables are relatively more important in Tennessee than in the nation. Through November 1982 over 15 percent of Tennessee's employees produced nondurable goods such as food, apparel, and chemicals, whereas only 9 percent of U.S. workers produced nondurables.

This difference helps explain trends in the state's personal income. During the first half of 1982 manufacturing income declined 1.3 percent from the second half of 1981; the nation's income from manufacturing fell only 0.5 percent during the period. Durables declined only slightly; most of the drop occurred in nondurables. Nondurable manufacturing contributes a smaller share of personal income than of employment (Chart 3). Many nondurable jobs are routine assembly processes involving minimal skill and adding little value to the finished product. Partly because much of Tennessee's postwar manufacturing growth has been concentrated in nondurables, the state has not been able to raise per capita personal income to more than 80.5 percent of the national average.⁷

Another limitation of Tennessee manufacturing is its concentration in industry structure, geography, and product line. Six firms account for more than 40 percent of employment in printing and pub-

Chart 3. Personal Income versus Employment by Sector*



*Percentages were computed from 1981 data obtained from **Survey of Current Business** (August 1982) and the Tennessee Department of Employment Security.

lishing; five firms, for one-fourth of all apparel jobs. Chemicals manufacturing is concentrated in east Tennessee near Knoxville. Although apparel manufacturing is widely distributed, many plants in rural counties are the largest single employers. Almost sixty percent of the state's apparel workers make men's and boys' clothes. Two-thirds of the textile producers manufacture only two product lines, knits and synthetics. Almost two-thirds of the transportation equipment manufacturing involves truck assembly and production of parts.

Most importantly, Tennessee manufacturing is oriented toward construction. More than 11 percent of manufacturing employment is related to construction. Direct construction jobs, TVA construction, and construction-linked manufacturing contribute over 10 percent of Tennessee's nonfarm jobs. Lumber is the fourth largest industry. More than 40 percent of fabricated metal employment is in structural steel for building. One-third of the electrical and electronic machinery manufacturers produce household appliances.⁸

⁶W.P.A. Federal Writers' Project, **Tennessee: A Guide to the State**, (New York: Viking, 1939), pp. 65-73, 111-119; Ronald E. Carrier and William R. Schriver, **Plant Location Analysis: An Investigation of Plant Locations in Tennessee** (Memphis, Tennessee: Memphis State University, 1969), pp. vi, 36, 162; Bureau of Labor Statistics, **Handbook of Labor Statistics** (December 1980), p. 413.

⁷Computed from data in **Survey of Current Business** (August 1982), p. 57.

⁸Niles C. Schoening, "Alternative Estimates of the Size and Importance of the Agribusiness, Motor Vehicle, and Construction Industries," Issue Paper No. 1, **Current Issues in the Tennessee Economy** (Knoxville, Tennessee: Center for Business and Economic Research, University of Tennessee, May 1982); Patricia D. Postma, "Diversity and Concentration in the Tennessee Economy," Issue Paper No. 2, **Current Issues in the Tennessee Economy** (Knoxville, Tennessee: Center for Business and Economic Research, University of Tennessee, July 1982); figures are based on analysis of data at the 3-digit SIC level from the 1977 economic census.

Table 1. Tennessee Employment Change (Peak to Trough) in 1973-75 and Current Recessions*

	1973-75		1981-82	
Construction				
Peak	Feb. '75	91.5	Feb. '82	90.6
Trough	Sept. '75	74.0	Aug. '82	76.5
Percent Change	7 months	-19.0	6 months	-15.6
Trans., Comm., & Pub. Util.				
Peak	Mar. '74	75.1	Jan.-Mar. '81	86.4
Trough	Apr. '75	69.7	Nov. '82	80.5 ^P
Percent Change	13 months	-7.2	8 months	-6.8
Finance				
Peak	Sept. '74	70.0	Jan. '81	79.3
Trough	Dec. '75	68.3	Sept. '82	75.6
Percent Change	15 months	-2.4	20 months	-4.7
Trade				
Peak	Aug. '74	324.1	Jan. '81	379.7
Trough	Apr. '75	313.6	Nov. '82	358.5 ^P
Percent Change	8 months	-3.2	22 months	-5.6
Services				
Peak	Mar. '75	227.4	July '82	327.2
Trough	June '75	226.8	Sept. '82	320.4
Percent Change	3 months	-0.3	2 months	-2.1
Government**				
Trough	Jan. '74	250.9	Mar. '81	318.1
Peak	Dec. '75	280.0	Aug. '82	290.3
Percent Change	23 months	11.6	17 months	-8.7
Manufacturing				
Peak	Jan. '74	526.2	Sept. '81	517.0
Trough	Apr. '75	447.6	Nov. '82	467.4 ^P
Percent Change	15 months	-14.9	14 months	-9.6

*Figures (in thousands) are derived from BLS data, seasonally adjusted by the Atlanta Fed using the X-11 Program.

^PPreliminary

**Government employment rose during the 1973-75 recession.

Tennessee's manufacturing sector is "open": its industries produce many unfinished goods, and an estimated 80 percent of manufacturing jobs depend on demand outside the state.⁹ Many of the state's factories are branches of national or multinational corporations with headquarters elsewhere. Despite Tennessee's large manufacturing base, in 1982 *Fortune* ranked only 10 manufacturers headquartered in the state among the nation's 1,000 leading industrial

corporations; this figure represents a net loss over the decade. Although Nissan's interest in contracting with local suppliers for its Smyrna truck plant should increase the manufacturing sector's integration, the health of Tennessee's manufacturing sector this year will continue to depend on that of the nation.

Improvement in manufacturing, hard-hit by the current recession (Table 1), will depend on national economic recovery in construction, consumer durables, and capital spending. However, the outlook for capital spending nationally looks bleak through the first half of 1983. A Commerce Department survey of American companies last fall found that businesses plan to increase capital

⁹Tong Hun Lee, John R. Moore, and David P. Lewis, *Regional and Interregional Sectoral Flow Analysis: The Method and An Application to the Tennessee Economy* (Knoxville, Tennessee: University of Tennessee, 1973), pp. 44-45.

spending only 0.4 percent in the first quarter and 1.1 percent in the second. Adjusted for inflation, these figures represent declines of 0.4 and 0.2 percent in the respective quarters.¹⁰

Capital spending plans in Tennessee are more optimistic. Through the third quarter of 1982, a total of 118 new projects and expansions valued at almost \$500 million with 5,800 potential jobs had been announced; during the same period of 1981 only 91 projects valued at \$262 million with 4,320 job opportunities had been announced, according to preliminary reports from the Tennessee Department of Economic and Community Development. Officials expect final revisions to show job creations about 20 percent behind 1981 even though capital spending may be higher. These projections imply that recovery in manufacturing employment in 1983 will fall short of the 9.5 percent increase that occurred the year after the trough of the 1973-75 recession.

International economic conditions offer little hope for Tennessee manufacturing. Some industries, such as apparel and aluminum, face possible long-term declines as a result of competition from developing countries. Recessionary conditions abroad as well as foreign competition in domestic markets may mean continued hard times for the chemical industry, the third largest manufacturing sector. C. F. Industries closed its Chattanooga facility indefinitely in December because of dwindling demand for fertilizer and competition from subsidized foreign production.¹¹

Fortunately, there are bright spots in the outlook for Tennessee manufacturing. The incipient national recovery in housing should be of particular benefit to Tennessee because of the state's concentration in construction. A nationwide increase in auto sales, which began in late 1982, should stimulate Tennessee's transportation equipment industry. In addition, the opening of the Nissan plant near Nashville should have a far-reaching economic impact. The plant is expected to create 2200 new jobs, increase payroll and other personal income by \$77 million per year, increase demand for local supplies, attract new businesses, boost retail sales by \$60 million annually, and add \$10 million to state tax revenues.

The Japanese-owned firm is helping to sponsor a robotics degree at a technical institute to develop local service and technical manpower for the extensive applications of computers and robots in the facility. The Nissan factory, with its spillover into services and high-technology, typifies the kind of manufacturing investment that Tennessee needs if it is to increase personal income in concert with employment and if it is to reduce its vulnerability to recessions and imports.

Tennessee is well suited to develop the sort of agglomeration of advanced scientific and technical research and manufacturing that exists in California's "Silicon Valley," along Route 128 near Boston, and in Research Triangle, North Carolina. Oak Ridge National Laboratories (ORNL), the TVA, and the University of Tennessee could provide a firm research foundation. Tennessee already ranks fifteenth in the amount spent on research and development (R&D). Business-government cooperation has been enhanced in the past two years by the opening of ORNL to private sector, proprietary research.¹² In terms of quality of life, another factor important in attracting such industry, Tennessee is similarly well-positioned. Knoxville ranked eleventh and Nashville twelfth in a recent Rand McNally survey of the quality of life in 277 U.S. cities. The only other District city to place among the top dozen was first-ranked Atlanta. State officials, in cooperation with a private foundation, have begun to formulate organizational plans for a "technology corridor" along the Pellissippi Parkway between Oak Ridge and the McGhee Tyson airport. The concept should begin to become reality during 1983, but the economic impact is likely to be less this year than in 1984 and thereafter.

Construction

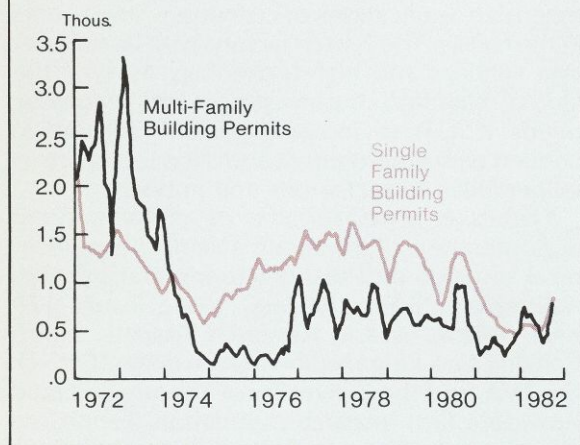
After a year of uncertainty, Tennessee's residential sector should experience slow but consistent recovery in 1983. A rapid drop in mortgage rates triggered an upturn in the housing market beginning in July. Prospects for spring and summer are hopeful; builders are making preparations. Between July and November 1982, 832 single-family building permits were issued, a jump of 65

¹⁰Wall Street Journal, December 10, 1982, p. 3.

¹¹Chattanooga Times, November 23, 1982, pp. A1-2. Demand for other derivatives of phosphorus has been on the wane since 1969 when environmental regulations were enacted to reduce their deleterious effects in detergents. Tennessee has 42 percent of the U.S. phosphorus capacity, a larger share than any state except Idaho. *Economic Outlook* (Knoxville, Tennessee: TVA, July 1982), p. 129.

¹²Herman Postma, "Federally Funded R&D: New Opportunities in Tennessee," *Survey of Business*, (Summer 1982), pp. 12-13.

Chart 4. Tennessee Construction Indicators



percent (Chart 4).¹³ The housing market in Nashville has been particularly resilient, but other SMSAs are also showing improvement. However, multifamily building has not yet begun to recover (Chart 4).

Savings and loan associations also were slow to benefit during the turnaround. Total loans closed by thrifts continued to fall to \$35 million in September—a drop of 22 percent since the “mini-peak” of late 1981 and early 1982. Caution among potential home buyers and competition from seller financing and mortgage companies retarded loan volume growth by S&Ls, although by November closings passed the previous high.

Nonresidential construction is still declining. Because of an earlier building boom, the soft market for office space has reduced contract awards and building activity. The number of square feet awarded in contracts edged steadily downward by 44 percent, to \$1.6 million, between December 1981 and November 1982. Moreover, congressional tightening of eligibility requirements for state and local government industrial revenue bonds, effective in January, may further dampen commercial construction. Nonetheless, many projects should continue well into 1983. The TVA is building a \$158-million office complex in Chattanooga. When completed in September 1984, the project should help revitalize the central business district.¹⁴ In Nashville, several

projects have been announced: a convention center, a \$25-million renovation of several historic buildings in Riverfront Park, the expansion of Baptist Hospital, and the development of a new office park.

Although the improvement in construction in 1983 is likely to be modest in comparison with past recovery periods, it should mark the beginning of extended gains during the remainder of the decade. Both the Census Bureau and the Bureau of Economic Analysis (BEA) project that Tennessee's population growth from 1980 to 1990 will exceed that of the nation and several neighboring states although the difference may be small.¹⁵ Because population growth stimulates demand for construction, Tennessee's construction sector should also grow faster than those of the nation and nearby states. However, Memphis is unlikely to share in this trend. From 1970 to 1980 it grew at only 9.5 percent compared to rates of more than 15 percent in other Tennessee SMSAs, and it experienced a net outmigration of residents in their “productive years” (20-55).¹⁶ Moreover, the slowing of population growth in the early 1980s to less than 0.5 percent annually (see Profile) indicates that construction will not be as expansionary in the 1980s as in the 1970s.

Government cutbacks, including TVA budget reductions, are depressing nonbuilding construction. Nonbuilding contracts in the state have been steadily declining for over two and a half years. In January 1980 nonbuilding contracts were \$616 million; in November 1982 only \$524 million (12-month cumulative rates). However, sections of I-440 near Nashville are under construction. Airport expansions in several cities are also planned. The recent increase in the federal excise tax on gasoline may also stimulate nonbuilding construction since revenues from this hike are earmarked for state infrastructural repair and development.

Public Sector

The downturn in the public sector is a primary reason for the severity of the recession in Tennessee. Government is usually countercyclical especially in terms of employment, but a broad and deep recession and federal budget cuts

¹⁵Economic Outlook, *op. cit.*, p. 136.

¹⁶U.S. Department of Commerce, General Population Characteristics in Tennessee, Vol. I (August 1982), pp. 44-7; Donald W. Hastings, and Jan C. Jacobsen, “Tennessee Net Migration Estimates: 1970-1980,” *Survey of Business*, 18, 2 (Fall 1982), p. 7.

¹³Except where otherwise indicated, construction data are three-month moving averages, seasonally adjusted.

¹⁴Chattanooga Times, October 22, 1982, p. B-3.

have reversed that pattern (Table 1). In the 1973-75 recession seasonally adjusted government employment grew 11.6 percent, whereas it fell 8.7 percent during the current recession. Job losses are a result of diminishing revenues and cutbacks in TVA construction and operations. The TVA's work force declined from almost 51,000 in August 1981 to fewer than 40,000 last August. The utility may furlough 7,000 more over the next five years.

Although government contributes only a slightly larger portion of jobs to Tennessee than to the nation, federal cutbacks in funds to state and local governments may be having a greater impact on Tennessee than on its southeastern neighbors. Government employment in Tennessee declined more in 1982 than in the Southeast and in the United States, with respect to comparable months of 1981. Tennessee ranks 19th in the per capita amount of federal funds received, whereas other District states rank 25th or lower.¹⁷ About \$100 million in federal funds have been slashed from Tennessee's budget of \$4.5 billion. Federal support of local transportation systems, such as Chattanooga's CARTA, will be halved in 1983 and eliminated in 1984. Yet, Chattanooga voters defeated a local option, one cent per gallon gasoline tax to offset the loss of \$450,000 in federal monies. If such resistance to increased taxes prevails statewide, a projected budget shortfall of \$80-145 million appears certain.

Prolonged recession and an unresponsive tax system have severely curtailed Tennessee's revenue collections. Sales and motor fuel taxes provide almost 60 percent of all taxes collected. Tax receipts have been declining in real terms since 1979 (Table 2). Lower-than-anticipated collections resulted in a \$34 million shortfall in the first four months of the present fiscal year. Revenues from Tennessee's sales tax do not expand in concert with economic growth. This leaves the state government strapped in recessionary periods, especially when they succeed one another as rapidly as in the 1980s.¹⁸ Revenue has increased substantially only when rates have been increased. Some legislators are suggesting an income tax, but such a measure would necessitate amending

Table 2. Value of Foreign Investment in Tennessee, 1978-81 (in millions of dollars)

Japan	585.8
West Germany	41.7
Canada	29.9
England	26.9
Belgium	26.7
Netherlands	26.3
Subtotal	737.3
Total Foreign Investment	793.7

Source: Tennessee Department of Economic and Community Development (telephone interview).

the constitution. This cumbersome and rarely used procedure requires affirmation by two consecutive legislatures and subsequent approval by the electorate. Even then the tax would be vulnerable to challenge. A wage tax and an increase in consumption taxes are possible alternatives.

Whatever measures the state undertakes to increase revenues and decrease costs in the short run, the long-run opportunity costs may be even greater. Infrastructure will deteriorate if not maintained and replaced in a timely fashion. Tennessee's future labor force may suffer. The state ranks comparatively high in the performance of its college-bound students. In 1980-81 Tennessee's S.A.T. scores averaged 475 in verbal and 514 in math, compared to 424 and 466, respectively, for the United States and 409 and 445, respectively, for 10 southern states (the District, the Carolinas, Virginia, and Kentucky). However, a state Board of Education proposal to raise tuition at state-supported colleges and universities probably will reduce enrollment.

What's more, Tennessee appropriated \$1,825 per student for elementary and secondary education, 43rd in the nation.¹⁹ If the state is to attract advanced technology firms and other industries that would help narrow the gap in per capita personal income between it and the nation, it will have to improve the skills and training of its work force at a variety of educational and skill levels. Current cutbacks bode ill for Tennessee's future labor force.

¹⁷University of Tennessee, Center for Business and Economic Research, **Tennessee Statistical Abstract 1980**, (5th ed.), Knoxville, Tennessee, 1980, p. 569.

¹⁸The state's sales tax has an estimated income elasticity of 0.9, Center for Business and Economic Research, University of Tennessee, **An Economic Report to the Governor of the State of Tennessee on the State's Economic Outlook** (Nashville, Tennessee: Tennessee State Planning Office, February 1982), pp. 11,74.

¹⁹**The Book of States, 1982-83** (Lexington, Kentucky: Council of State Governments, 1982), p. 442.

Energy

Energy has been a key factor in Tennessee's industrial growth since at least the 1930s, when the TVA was established to harness the power of the Tennessee River and help spur the development of an economically depressed region. For several decades cheap and abundant hydroelectric power enhanced the state's other comparative advantages—natural resources and low-cost labor. Industries such as aluminum, chemicals, and pulp and paper, intensive users of electrical energy, currently consume one-fifth of the agency's directly-sold energy.²⁰

During the 1970s, however, the TVA's pricing edge began to erode. Cheap hydroelectric power came to provide only 15 percent of the federal utility's output. From 1973 to 1980 TVA rates grew at 11.4 percent a year, while the national norm was 6.8 percent. Moreover, since the oil crises of the 1970s, energy demand has increased more slowly because of alternative sources and conservation. Recently, demand has dropped even more because of the recession. Industrial kilowatt hours have fallen steadily since 1979. After dropping more than 3 percent in 1980 and 1981, demand dipped by over 15 percent in 1982. Despite greater consumption by residential and commercial users, total kilowatt hours fell almost 6 percent through the first eight months of 1982.²¹

Economic recovery will engender some improvement, but reduced energy demand is both cyclical and secular. Although the TVA expects rate increases to taper off, remaining about even with inflation and 10 percent below national levels, some businesses consider the cost difference negligible. Last year's cancellation of four nuclear reactors for which \$1.85 billion had already been invested, probable congressional termination of the Clinch River breeder reactor in 1983, and cost control will enable the TVA to reduce rate increases scheduled to go into effect next October. However, these cutbacks are affecting other economic sectors. Still more TVA workers probably will be furloughed (see Public Sector). Combustion Engineering, a TVA equipment supplier and Chattanooga's largest employer, had to reduce its work force further by laying off 550 workers in January.²² The TVA's consumption

of 28.8 million tons of coal in 1982, the lowest in 14 years, has reduced coal mining activities since most of the state's reserves are sold to the utility.²³ Although Tennessee's coal production of 7.5-8 million tons is small compared to that of Kentucky, the economic impact of reduced demand has been concentrated on a few counties in east Tennessee. In summary, both the demand and supply side look bleak for energy. One harbinger of potential growth is the announcement by two oil companies of plans to undertake exploratory oil and natural gas drilling in portions of the Eastern Overthrust Belt in Tennessee.²⁴

Tourism

Tourism is a significant source of employment in Tennessee. The 73,000 tourist-related jobs in 1981 represented 4.2 percent of the state's nonfarm employment, a slightly larger share than construction. The travel industry accounted for 4.5 percent of state tax revenues and 2.9 percent of local revenues.

Last year the World's Fair drew more than 11 million visitors, generated an estimated \$500 million in spending and \$25 million in tax revenues, created 6,700 jobs, and helped keep Knoxville's unemployment rate well below the state average (see map). It also stimulated \$250 million in highway improvements, construction of several new hotels and parking garages, and plans for redevelopment of downtown Knoxville. Moreover, the Fair's success had a complementary effect on tourist attractions throughout the state. Almost all indicators of tourist activity increased over 1981 levels. However, the Fair itself was less profitable than hoped largely because of higher-than-anticipated interest payments (\$9.6 million) on its \$30 million loan. At closing the Fair's net revenues were only \$1 million rather than the \$8.5 million expected.²⁵

The outlook for tourism in 1983 is less positive than in 1982, although there are some encouraging factors. In Knoxville four new hotels have opened where previously there was only one, and, on July 1, the city will have a new convention center. Knoxville is within a day's drive of 70 million people. Consequently, it expects to attract nu-

²⁰Economic Outlook, op. cit., p. 118.

²¹U.S. Department of Energy, *Electric Power Monthly* (August 1982), p. 67, and Federal Reserve Bank of Atlanta data base.

²²Wall Street Journal, December 6, 1982, p. 20.

²³Knoxville News Sentinel, November 18, 1982, pp. A1-2.

²⁴Chattanooga Times, October 20, 1982, p. B-5.

²⁵Knoxville News Sentinel, November 20, 1982, p. 1-A.

merous convention visitors, particularly members of smaller associations.

In 1983, tourism is likely to be strongest at established attractions around Nashville and Memphis. However, improvement of tourism in Tennessee depends on national economic recovery. A large portion of Tennessee's out-of-state visitors are blue-collar workers from the industrial heartland. If unemployment in this region does not fall, tourism in Tennessee could decline this year. The most important influence is likely to be EPCOT, which should boost pass-through traffic along I-75. However, since vacations to the expanded Walt Disney World now command more time and discretionary income (primarily for lodgings), less will remain for sightseeing en route. Tennessee is likely to suffer the sort of "siphon effect" from EPCOT that much of the Southeast felt from the World's Fair in 1982.

Finance

From July 1, 1981, to June 30, 1982, bank deposits grew 8.8 percent to \$21.7 million, while loans grew 8.3 percent to \$13.7 million. Tennessee's loan-to-deposit ratio of 63.1 percent is second only to Georgia in the Southeast. Employment in Tennessee's financial sector (including insurance and real estate) has not kept pace, however. Indeed, job attrition has been more severe than in 1973-75 (Table 1). Construction and consumer spending downturns, which reduced the demand for credit, offer partial explanations; another factor is deregulation. Increased competition is forcing financial institutions to be more cost-conscious. These pressures combined with technological advances, such as computerization, make labor a prime target for cost-cutting. However, in other states finance

employment has continued to grow. One probable factor distinguishing Tennessee's financial sector from its counterparts in Florida and Georgia is the general economic malaise that has characterized the state almost continuously since 1979. Without economic growth, finance is unlikely to be an expanding sector, especially in terms of employment.

In the shorter term the outlook is promising. In early autumn employment in finance began to rise. Several parties are petitioning to establish a new bank in Hohenwald to replace one that failed last September. A revival in construction and general economic recovery should stimulate both finance and real estate. Still, competitive pressures of a deregulated environment may hold back job growth until labor productivity in the financial sector improves.

Trade

Retail sales in Tennessee in 1982 held fairly firm despite weak income growth. Sales—buoyed by World's Fair tourists—were up 4.7 percent through the first 11 months of 1982 from year-earlier levels, well ahead of the nation's 2.6 percent rise. Auto sales in late 1982 were far ahead of 1981 as a result of lower cost financing and manufacturers' prices rollbacks. However, employment in wholesale and retail trade remained relatively weak. Trade jobs continued to expand nationwide during most of the recession, yet in Tennessee trade employment declined more sharply than in the 1973-75 downturn (5.2 versus 3.2 percent respectively).

Without the stimulus of the World's Fair in 1983, retail sales will depend on improvement in the nation's and state's economies. Declining or even stable interest rates should spur consumer spending, especially for goods usually purchased on credit. Lower real rates should boost output, employment, and income in the state's many credit-sensitive industries and thus indirectly stimulate retail sales. However, the comparatively low growth rate in real personal income expected by state forecasters for 1983 implies very modest retail growth since personal income and consumer spending are closely linked.

Agriculture

Farming is a more important employer in Tennessee than in most District states. Tennessee



has a larger portion (5.5 percent) of its labor force employed in agriculture than the Southeast (3.5 percent).²⁶ Farmers in Tennessee, like those throughout the nation, experienced another year of low income in 1982. Weak demand and high yields sharply lowered prices for commodities from year-ago levels. Because of the regional distribution of agriculture, adverse conditions had the greatest impact on west Tennessee and the least on middle Tennessee.

For middle Tennessee's many livestock farmers, 1982 was a year of mixed results. Hog producers improved profit margins, but returns for cattlemen were essentially low. Abundant supplies of soybeans, the state's leading cash crop, depressed prices and profits for many farmers, especially in west Tennessee. Wholesale trade, revolving largely around agriculture, is more important to the economy of Memphis than of any other Tennessee SMSA (Chart 2). Last year's comparatively poor agricultural conditions help account for that city's relatively high unemployment rate (see map). Tobacco was the most profitable crop in 1982, but severe rains in late summer damaged some harvests and forced affected growers to accept lower prices. Many other crops failed to provide sufficient revenue to cover costs.

Forestry provides only one percent of farm cash receipts, but primary and secondary wood-using industries employ approximately 61,000 workers who generate products with a gross value in excess of \$2 billion, according to a state Forestry Department survey. With prices down and many mill operations closed or working only part-time, the industry is undergoing a serious downturn.

Improvement in agriculture in 1983 will probably be slight to moderate. Lower feed costs in 1982 bode well for livestock profit margins in 1983, and the demand for livestock should improve with economic recovery. Crop surpluses should work down slowly over the next two years. Tobacco faces a doubling of the cigarette tax and a reduction of six cents per pound in price supports. The most optimistic outlook is for forest products, which should be stimulated by a nationwide upturn in construction.

International

International trade has become increasingly important to Tennessee's economy. From 1977 to 1980 the volume of foreign trade grew by 24 percent per year to \$5.2 billion. Tennessee now ranks second in the District and 15th in the nation in the proportion of the value of shipments attributable to exports. With 14.5 percent of its manufacturing shipments bound for foreign markets, Tennessee ranks higher than the nation's average share of 14.1 percent. Chemicals, with a 1980 value of \$1.4 billion, remain the leading export.

Even though exports contributed a smaller share of manufacturing jobs to Tennessee than to the nation (11.4 vs. 13.7 percent, respectively), at least two industries—tobacco and chemicals—account for a larger portion of jobs. More than one-quarter of tobacco workers, concentrated in middle and east Tennessee, rely on exports. The Tri-Cities area, where more than 8 percent of the workers produce goods for export, leads the state's SMSAs in its dependence on foreign trade.²⁷

Direct foreign investment is another important international segment of Tennessee's economy. The state has succeeded in attracting considerable "reverse" investment. Between 1978 and 1981 foreign countries invested almost \$800 million (see Table 2). Foreign investment in Tennessee landholdings is among the highest in the nation, although it represents only about 2.4 percent of the state's total area. By far the biggest foreign investment is Nissan's half-billion-dollar truck assembly plant. State officials expect Japan to continue to be the primary foreign investor in 1983.

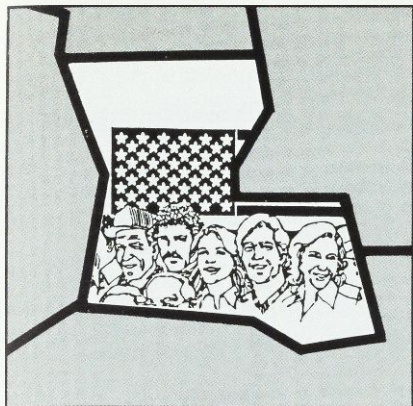
If the dollar continues the decline against foreign currencies that began in late 1982, foreign direct investment in manufacturing and agriculture in Tennessee as well as demand for the state's exports should accelerate. However, depressed conditions abroad portend little improvement for Tennessee's export-oriented industries in 1983.

—Bobbie H. McCrackin

²⁶*Farm Labor*, February 1981, p. 5.

²⁷U.S. Department of Commerce, *1980 Annual Survey of Manufactures* (January 1982), pp. 16, 28.

(Sandra L. Davis contributed valuable research assistance to this project.)



Louisiana: Thermostat Setting Lower

Good prospects for construction and retail sales brighten Louisiana's outlook. But lackluster growth in oil, gas, petrochemicals and port activity could make for a modest recovery in 1983.

Louisiana's oil and gas industries generated rapid state economic growth in the 1970s. The Pelican State's economy also was buoyed by the growth of international trade through the state's ports. As a consequence, the state virtually bypassed the stormy 1973-75 national recession and sailed through 1980 unmarked by that economic squall. By contrast, in 1982 Louisiana's economic boiler cooled dramatically; in 1983 its temperature is likely to rise slowly.

A spreading worldwide oil and gas surplus swamped Louisiana's economy in 1982, much like the spring floods that periodically breach Mississippi River levees. Virtually all indicators of economic prosperity in Louisiana stalled in 1982. However, by yearend at least one important indicator of pending recovery—construction—appeared to be gaining strength. There was also hope that consumer spending would improve to help boost economic activity early in the state's recovery in 1983.

As 1983 unfolds, expected gradual improvement in residential construction and consumer spending will be bolstered as New Orleans prepares for the 1984 World Exposition. In addition, moderate expansion of the world economy should reverse, by yearend, the slowing of imports and exports through Louisiana's ports in

1982. The important oil, gas and petrochemical industries are expected to show little improvement until midyear. Thus, the course and pace of economic recovery in Louisiana in 1983 may be a meandering one that gains momentum late in the year.

Labor Market Developments

Louisiana's population spurted to 4.3 million in the 15-month period following the April 1980 Census, according to Census Bureau estimates. The state's 2.5 percent population growth doubled the growth registered by the nation in the same period; by contrast, during the 1970s, Louisiana's population growth equalled the nation's 1.5 percent rate. Expanding job opportunities in the state's then-surging energy sector, its low tax burden and living costs undoubtedly contributed to the growth by attracting job-seekers from outside the state.

The recent energy bust is reflected in Louisiana's labor force and employment statistics (see Table 1). The state's employment in November was 41,000 less than a year earlier. By comparison, the state's civilian labor force increased slightly from November 1981 to November 1982 despite a rise in the number of dropouts from the work

Table 1. United States and Louisiana Labor Force*

Area and Employment	November 1982	November 1981	November 1980
United States (000)			
Civilian Labor Force	110,855	109,179	105,287
Employed	99,379	100,502	97,801
Unemployed	11,476	8,676	7,486
Rate	10.8	8.3	7.5
Louisiana (000)			
Civilian Labor Force	1,877.2	1,872.0	1,755.2
Employed	1,676.2	1,716.8	1,635.3
Unemployed	201.0	155.2	119.9
Rate	10.7	8.3	6.8
Alexandria SMSA (000)			
Civilian Labor Force	73.7	72.9	69.1
Employed	65.9	65.7	62.8
Unemployed	7.8	7.2	6.3
Rate	10.5	9.9	9.1
Baton Rouge SMSA (000)			
Civilian Labor Force	229.8	229.7	223.8
Employed	208.3	212.5	208.2
Unemployed	21.5	17.2	15.6
Rate	9.4	7.5	7.0
Lafayette SMSA (000)			
Civilian Labor Force	100.0	94.4	81.8
Employed	93.6	90.5	78.8
Unemployed	6.4	3.9	3.0
Rate	6.4	4.2	3.7
Lake Charles SMSA (000)			
Civilian Labor Force	76.0	82.5	74.2
Employed	65.2	75.0	69.2
Unemployed	10.8	7.5	5.0
Rate	14.2	9.1	6.8
Monroe SMSA (000)			
Civilian Labor Force	55.4	56.4	54.6
Employed	48.6	50.6	49.8
Unemployed	6.8	5.8	4.8
Rate	12.3	10.2	8.8
New Orleans SMSA (000)			
Civilian Labor Force	505.2	516.6	479.9
Employed	456.3	474.1	449.6
Unemployed	48.9	42.5	30.3
Rate	9.7	8.2	6.3
Shreveport SMSA (000)			
Civilian Labor Force	159.8	163.1	155.7
Employed	142.2	150.3	144.6
Unemployed	17.6	12.8	11.1
Rate	11.0	7.8	7.1

*Data not seasonally adjusted

Source: Louisiana Department of Labor

force. As a consequence, the number of unemployed was almost one-third higher in November than a year earlier. At 11.3 percent, the state's seasonally adjusted unemployment rate in November exceeded the nation's rate of 10.7 percent. Of the seven standard metropolitan statistical areas in Louisiana, Lake Charles, at 14.2 percent, had the highest unemployment rate, while Lafayette's 6.4 percent unemployment rate was the lowest. Unemployment rates were also historically high, at 18-25 percent, in some rural agricultural parishes in north Louisiana at yearend.

Income and Trade

Louisiana's total personal income rose by 8.2 percent from 1981, to \$43.7 billion, in the quarter ending last June. It had increased by 16 percent a year earlier. That growth outdistanced every District state except Florida. It ranked Louisiana twelfth nationally, and was one percent faster than the nation's personal income growth. The fast growth caused Louisiana's per capita personal income to rise from 88 percent of the nation's level in 1980 to almost 91 percent in mid-1981. Lingering effects of Louisiana's oil-fired economic boom of 1979-81 account for this robust income increase. But that fire dimmed in late 1981 and nearly went cold in the last half of 1982.

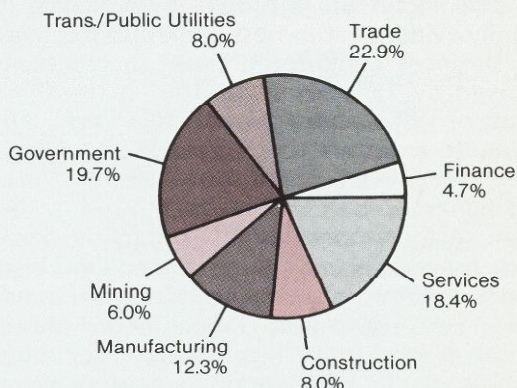
The weakening of Louisiana's economy is reflected in the 1.8 percent decline in retail sales for the first eleven months of 1982 compared to the same period in 1981. By contrast, retail sales increased by 2.6 percent for the nation over the same period. In November, retail sales in Louisiana were up 3.5 percent from a year earlier while retail sales rose 7.6 percent nationally. Thus, the state has trailed the nation's rebound in retail sales. But the retail sector was improving at year-end.

The new year is likely show continued improvement in Louisiana's retail sector, particularly when the scheduled midyear federal tax cut boosts spendable income. Nevertheless, income and sales growth in the state in 1983 will likely reverse its above-average performance of recent years if the recovery in the oil/gas industries is delayed until midyear, as many analysts expect.

Nonfarm Employment

Louisiana's three largest employment divisions are trade, government and services (see chart).

Chart 1. Louisiana Nonfarm Employment November 1982



Source: Louisiana Department of Labor.

However, the distribution of Louisiana employment worked against the state in 1982. The small finance and large services divisions have registered (seasonally adjusted) gains in employment in Louisiana since the national recession began in July 1981, but those divisions account for a smaller proportion of jobs in Louisiana than in the United States or the District. Employment in the usually growing wholesale and retail trade division has fallen because of the severity of the downturn in Louisiana's economy over the past 18 months. On the other hand, government, transportation, construction, and mining account for a larger proportion of jobs in Louisiana than in the nation or District—and, except for government, the state has lost jobs in each of these sectors in the current recession.

Unfortunately, even the state's gain in government employment is likely to be reversed in 1983. A state hiring freeze has been imposed and layoffs were increasing going into the new year as a consequence of Governor Treen's October order to cut state agency spending by 4.4 percent.

In general, employment has grown in the services-producing sector of the nation's economy—transportation, trade, finance, services, and government—even during economic downturns. In the District, services, finance and trade jobs continued to grow throughout much of the recession, while transportation and government employment held fairly steady. In Louisiana, a small gain in total services sector employment

was swamped by large declines in construction and manufacturing employment.

The spreading weakness of Louisiana's economy that shows up in employment figures is painfully evident in business bankruptcy data as well. Business bankruptcy filings in Louisiana increased by 75 percent, to 496, in the third quarter of 1982 over the year-earlier level. According to a bankruptcy court official, filings surged further in October and November. While some filings are by firms closely related to the energy sector—tugboat and exploration companies, for example—some unrelated firms also are encountering problems. Trucking, warehousing, and industrial supply companies are among the firms seeking protection in bankruptcy court.

Unfortunately, the unemployment plaguing Louisiana will probably decline only slowly from its post-World War II record level. One reason is that, in a recovery, employment gains lag production increases. Firms operating well below capacity typically increase employees' hours before hiring new workers. Moreover, the short-term employment outlook for important manufacturing industries remains gloomy.

Manufacturing

Manufacturing employment in the third quarter of 1982 slumped to levels not seen in Louisiana since mid-1977; the lumber and wood products industry was the only Louisiana's manufacturing industries which had higher employment in November than a year earlier (see Table 2). Factory income in the first half of 1982 fell 4.8 percent in the state compared to the last half of 1981. In addition, the number of new manufacturing facilities slumped by 40 percent for the first eight months of 1982 when compared to the same months of 1981, and industrial expansions declined by 57 percent during the same period. It is clear from the statistics that manufacturing activity in the Pelican State has slowed considerably in a fairly short period of time, and prospects are not bright for a rapid turnaround.

Louisiana's industries are closely linked to demand for mineral resources in the state. The "oil glut" and falling prices have put a damper on what previously was a vigorously expanding industrial sector. Petroleum refineries and chemical plants along the Mississippi River have been especially hard hit and have been producing at only 60 percent of capacity. In fact, employment in petroleum refining fell by 2,000 workers from

Table 2. Louisiana: Manufacturing Wage and Salary Employment
(in 000's by industry)

	Nov. 1982	% Change from Nov. 1981
Manufacturing	198.0	-22.2
Durable Goods	91.8	-14.6
Lumber & Wood Products	12.0	+0.1
Furniture & Fixtures	0.9	0
Stone, Clay & Glass Products	7.8	-0.5
Primary Metals Industries	4.8	-2.6
Fabricated Metals Products	16.8	-2.1
Machinery, except Electrical	14.2	-2.0
Electric & Electronic Equipment	9.4	-1.9
Transportation Equipment	23.4	-5.4
Other Durable Goods	2.5	-0.2
Nondurable Goods	106.2	-7.6
Food & Kindred Products	28.9	-0.1
Apparel & Other Textile Products	8.8	-0.9
Paper & Allied Products	10.9	-1.4
Printing & Publishing	9.3	-0.3
Chemicals & Allied Products	29.7	-2.7
Petroleum & Coal Products	14.4	-2.0
Petroleum Refining	13.4	-2.0
Other Nondurable Goods	4.2	-0.2

Source: Louisiana Department of Labor, **Louisiana Labor Market Information**, various issues.

November 1981 to November 1982 while chemical and allied products employment lost 2,700 workers. The more labor-intensive oil and gas extraction industry saw employment slump by 2,800 employees to 93,000 during the same period. Altogether, employment was off 7,500 in November in the oil production, refining and chemical industries which employed over 140,000 Louisiana workers in 1981.

The slowdown also is affecting a cross-section of Louisiana's other employers. For example, demand for oil field supply equipment and machinery used in the oil production and retrieval process has plummeted because of the slowdown in drilling. Oil field pipe suppliers have experienced large, unwanted inventory buildups.

A slowdown in the metals industry is consistent with national trends. Kaiser Aluminum and Chemical Company in Baton Rouge has laid off much of its labor force because of weak demand for aluminum and the high cost of electricity and natural gas needed to run the plant. The fabricated metals industry is also slumping from reduced product demand. The Delta Southern Steel Fabricators Plant in Baton Rouge, for example, is shutting down for good. A national recovery in

Oil Slips in 1983

The oil and gas industries are driving forces in Louisiana's economy, making Louisiana an important "oil-patch" state. In fact, Louisiana ranks with Texas as leading natural gas producing states and is third behind Texas and Alaska in crude oil production. Louisiana is also third in refining capacity. In 1981, Louisiana produced 449 million barrels of oil, or 14 percent of the nation's total; gas production totaled nearly 6.8 trillion cubic feet, more than one-third of the nation's output; and state oil refineries were capable of processing 2.5 million barrels per day, or more than one out of eight barrels nationally. (At 1981 production levels, Louisiana's 1981 proven reserves of oil and gas will run out in 6.6 and 7 years, respectively.) But in 1982, Louisiana's oil industry soured. What went wrong and what lies ahead?

A rapidly rising price for U.S. crude oil has swelled the wellhead price of Louisiana oil in recent years. By 1981, the U.S. price climbed to \$31.84 from an average price of \$8.96 in 1978. In Louisiana, the wellhead price jumped from \$19.38 to \$34 in 1980-81 alone. Prices increased as a consequence of the lifting of federal price controls on domestically produced oil and of the tight world energy market. Inflation added to the staggering price increase. Meanwhile, the Natural Gas Policy Act of 1978 strengthened the price link between oil and unregulated new gas from extremely deep wells (those at depths greater than 15,000 feet).

The high price of oil encouraged established firms and speculative new exploration companies to accelerate drilling for both oil and gas. The 5,379 oil and gas wells drilled in Louisiana in 1981 represented a 60 percent increase from the level five years earlier. The total for 1981 also eclipsed the previous record of 5,344 wells drilled in 1964. As drilling increased, oil field supplier activity in tubular goods and other products, rig rentals and leases, tugboat and other services stepped up as well.

Oil exploration budgets are established on the basis of expected revenues and costs. Revenues and costs are influenced by many factors—including changing demand for energy, availability of competing fuels,

and regulatory constraints. As the world recession deepened in 1982, the softening of world oil demand and prices invalidated the explorers' cost and revenue projections.

The price of oil, instead of rising as many had expected in 1982, fell. In November spot oil prices were between \$32 and \$35 per barrel, down significantly from the \$42 per barrel charged in 1981. Conservation efforts by consumers and industrial users faced with high energy costs also help explain the limited demand for energy in 1982; the price softening also reflects a slowing of inflation and the increased supplies from non-OPEC producers.

In response to the changing prospects, drillers curtailed sharply their exploration of costly new oil and gas fields. Their cutback is reflected in the number of idle drilling rigs. By late 1982 the average number of drilling rigs in the state had dropped below 300 from more than 450 a year earlier. Drillers focused instead on developing less expensive established fields. This cutback spread throughout the oil/gas and related industries and then spilled over to the state's entire economy as unemployment increased and income growth in the state slowed. According to the Louisiana Division of the Mid-Continental Oil and Gas Association, Louisiana's oil and gas industry in the early 1980s can be described as "an industry that has recently experienced phenomenal growth and is now going through a period of retrenchment and decline."

Forecasts of developments in the oil and gas industries in 1983 vary widely, but the consensus seems to point to modest recovery around midyear. If previous business cycle patterns offer a useful guide, drilling would follow the economy's recovery by three to five months. However, possibly strong underlying trends may alter the traditional course. Those include conservation efforts by energy users and the move to substitute stable domestic supplies of coal for volatile oil and gas fossil fuels. The strength of these movements will vie with the strength of economic recovery to determine this important Louisiana sector's prospects in 1983.

1983 will help these durable goods industries get back on their feet, but continuing high energy prices will limit the state's growth potential and may cause new industries to look elsewhere for plant sites in 1983.

Shipbuilding is also troubled; employees have been laid off at Avondale Shipyards because of a downturn in ship building and repair. The downturn should be balanced in late 1983 by new military contracts. The Navy has contracted with Avondale to build new fast logistics vessels for the Rapid Deployment Force. The Navy also has selected another Louisiana shipyard to produce workboats to transport shallow draft equipment offshore.

It is doubtful whether Louisiana's oil-driven economy will experience much new manufacturing growth in 1983 in the face of slipping oil prices and the spillover effects in oil-related industries. Any industrial expansion will be modest, with an upturn in the energy industries not expected until midyear (See Box).

Government

Louisiana's dependence upon the oil and gas industry is dramatically revealed by the state's current fiscal dilemma. State revenue collections in the 1970s and early 1980s have been characterized by high growth rates due to either tax

hikes or oil-related windfalls followed by a perceptible slowing of revenue growth. The deregulation of oil prices and a skyrocketing price for U.S. crude oil, from \$12.64 in 1979 to \$31.84 in 1982, doubled Louisiana's severance taxes and lease and royalty income, to \$1.6 billion, from 1979 to 1982.

Now, with soft oil prices, the state faces a different revenue picture. Over one-third of the state's revenues are directly related to oil and gas. Because both the severance tax on crude oil and the royalties on oil and gas are calculated on a percentage of value of the product, a falling price for petroleum means less money in taxes and royalties. (For every dollar price change for a barrel of oil, state revenues change by \$35 million at current prices and production levels.) Even with stable prices, the state's mineral wealth production is dropping 2-3 percent per year as resources are depleted, thus reducing revenues. The state's Legislative Fiscal Office projects that, unless taxes are increased on new oil windfalls, Louisiana will have to cut back on the level of services it provides.

Because of the weak state economy and a shortfall in expected state tax revenues of \$120-\$130 million for the state's fiscal year ending June 1983, Governor Treen ordered state agencies in October to cut spending. He ordered that spending be cut for the current fiscal year by 4.4 percent on items comprising about half the general fund budget. Also, a two-week special session of the legislature was called in January to consider changes in the state's unemployment compensation. The state otherwise will have to borrow as much as \$110 million from the federal government to support its unemployment insurance trust fund through the middle of 1983.

In addition to cutting spending, there is an outside chance that the state's legislature will pass new taxes in a special session in 1983. One proposal, which died in committee last year, would be to raise or revise the natural gas levy. However, additional spending cuts appear likely, squeezing the state's public sector severely.

Construction

Louisiana's construction industry outperformed the nation's in 1982. Based on F.W. Dodge construction contract data for the first 11 months, virtually all indicators—number of dwelling units, residential and nonresidential building and nonbuilding construction—show less weakness in

Louisiana than in the nation. In fact, the value of total construction in the state was up nearly 50 percent from 1981 but was flat for the nation in the first 11 months of 1982.

Nonresidential building, such as office and hotel construction in New Orleans, accounted for half the value of all construction in the state for the 11 months—up 82 percent in 1982. The value of nonbuilding construction contracts was also up, by 60 percent. Expensive power plant and oil refinery projects account for the nonbuilding surge.

The outlook for nonresidential and nonbuilding in 1983 is mixed. One favorable factor is the \$150 million in World Fair-related construction slated to begin early this year. Like many major U.S. cities, New Orleans has experienced an office building boom in recent years. In fact, in terms of buildings under construction, New Orleans is one of the fastest-growing metropolitan areas in the country.

In general, the timing and strength of economic recovery will strongly influence office vacancy and rental rates. In 1983, continuing construction may outpace space absorption to prolong a degree of "softness" in the market that developed in 1982. Some office space has been built speculatively by developers betting that the oil boom would continue. Yet the potential major tenants for much of the space, oil services industries and oil companies, have scaled back expansion plans.

In New Orleans and elsewhere in the state, industrial construction may also slow in 1983. Engineering firms and petrochemical and other industries in Baton Rouge, for example, noted weak markets as 1982 came to an end. Continuing excess capacity in petrochemicals will limit construction in that industry to alterations aimed at economizing on industrial feedstock and conserving energy.

Residential construction should fare well in 1983. The nominal value of all residential construction contracts was off 4.3 percent, and the amount of space 11 percent, for the first 10 months of 1982 from 1981 levels. In the same period, dwelling units were off 8.2 percent. However, one indicator showing strong improvement is the number of single-family permits issued. These permits were up each month except July from May to November over comparable months in 1981. Altogether, permits increased 10.3 percent in the first 11 months of 1982 over 1981.

Multifamily construction has also shown evidence of recovery. Compared to 1981, the number of permits issued is 3.0 percent higher for January-November, 1982. However, builders and realtors are optimistic that multifamily construction will improve this spring and summer if the improved mortgage terms continue, as expected.

Tourism

Louisiana's tourist industry suffered a bad year in 1982. Even local and less expensive tourism was down. Visitor days at U.S. Forest Service recreation sites in the state, for example, fell 14 percent in the year ending September 30 from the previous year; attendance at state parks was down 11.1 percent during the summer. Visitor center registrations from May through September fell by more than 10 percent in almost every month. National Park Service visits were about the same as last year.

In more expensive segments of the tourist market, performance was worse. Although year-to-date lodgings tax receipts rose 2.1 percent to \$8.3 million through October, much of the increase was attributable to higher room rates, according to the accounting firm of Laventhol & Horwath, which specializes in the hotel/motel industry. Occupancy rates were down. Convention business also is reported to be off, and oil-related business travel—especially from Texas—is down. Plane passenger arrivals data are mixed.

Declining tourism has contributed to the state's unemployment and revenue problems. In 1980, the industry accounted for 71,000 jobs, or 4.5 percent of Louisiana's nonfarm employment; it contributed 4 percent and 5.1 percent of state and local tax revenues, respectively. Although only 2.5 percent of the state's personal income comes from tourism, the industry provides many entry level jobs to unskilled workers.

The outlook for Louisiana's tourist industry in 1983 is uncertain. The 1984 World's Fair in New Orleans is expected to generate 10,000 jobs, bring 11 million visitors to New Orleans, and inspire five new hotels with 25,000 first-class hotel rooms. Moreover, development of the 82-acre site should renew downtown areas and revive professional and commercial interest in central business district locations.

Hotel rooms in New Orleans have already increased with the opening of the first 500 (of 1,200) guest rooms in the Sheraton New Orleans. Completion of two other hotels is scheduled for

late 1983, as is the New Orleans Convention and Exposition Center, which will house the Louisiana Pavillion during the 1984 exposition. After the exposition, the center will be used for major national conventions and trade shows. Since a recent survey shows convention planners and visitors favor New Orleans over all other cities except San Francisco, this expansion seems to bode well for the future of the city's tourist industry.

However, the full impact of these developments will not occur until 1984; whether tourism improves in 1983 depends on the economic recovery. In fact, tourism to New Orleans may be off in 1983 despite a recovery, as conventioners and tourists postpone visits until the 1984 World's Fair.

International

The Mississippi River system is a tremendously effective channel for moving wheat, corn, soybean, and other agricultural shipments to world markets. Four of the state's five deepwater ports are along the stretch of the river from Baton Rouge to south of New Orleans. These ports handle over 40 percent of the nation's grain exports, the fastest-growing category of U.S. exports since the 1960s.

In addition, rapidly growing coal shipments have joined the Mississippi River barge and ship traffic in grain and industrial supplies. In 1981 New Orleans became the leading U.S. port for the movement of steam coal, handling some 13 million of the 110 million tons exported nationally; the value of coal exports in the first nine months of 1982 was up 39.2 percent over the same period of 1981. Mississippi River ports also serve a huge petrochemical complex, importing petroleum and exporting chemicals and fertilizers. The Lake Charles port, serving a large petrochemical complex in southwest Louisiana, is the state's fifth deepwater port. It is also a major exporter of agricultural products and ranks as the nation's leading exporter of rice.

During the 1970s, Louisiana seaports expanded their share of the nation's imports and exports. In the 1981-82 recession, the New Orleans customs district's share of imports declined; imports through New Orleans dropped 14.9 percent in value in the first ten months of 1982 compared to a year earlier, while U.S. imports fell 5.8 percent in the same period. On the other hand, the value of U.S. exports fell 8 percent in the first ten months of

1982 while New Orleans' exports fell by 6.8 percent.

These comparative differences reflect the New Orleans district's concentration in agricultural exports and petroleum imports. The world energy glut sharply curtailed the value of U.S. oil imports and thus their flow through the New Orleans district. Meanwhile, sluggish demand and abundant crops worldwide weakened grain prices, dropping the value of exports from New Orleans. (Despite falling prices in the U.S., the rising foreign exchange value of the dollar raised the real price of grain to foreigners substantially.) But nonagricultural exports were off even more, and, because New Orleans exports are concentrated in agricultural shipments, New Orleans has gained export market share.

The outlook for Louisiana's ports this year is uncertain. As usual, weather conditions will influence grain production and exports. In addition, it is hard to foresee the implications of a new Soviet leadership for U.S.-Soviet trade. President Reagan has offered the Soviet Union 15 million metric tons of corn and wheat beyond amounts already specified under the current agreement, a one-year extension of a previous accord. That accord calls for the Soviet Union to buy at least six million tons of corn and/or wheat, with the option of purchasing up to eight million tons. Nevertheless, the outlook for U.S.-Soviet trade is cloudy.

The strength of economic recovery here, in Europe and elsewhere, will also influence grain and other important exports and imports. As international markets strengthen, trade should resume the healthy growth of earlier years. Coal exports from New Orleans in 1983, however, may slow from the growth of the last few years. In addition, the sustained strength of the dollar in 1981-82 practically ensures that U.S. manufactured exports will grow slowly, if at all, in 1983. The overall outlook for Louisiana's ports in 1983 is for weakness early in the year followed by gradual recovery.

Agriculture

For farmers in Louisiana, 1982 was not kind. Prices of Louisiana commodities not only failed to rise but plunged even further. Soybeans, which provide approximately one-third of the state's farm income, were produced in record amounts nationwide while demand weakened



due to the worldwide recession and availability of foreign substitutes. As a result, the price of soybeans was 10 to 15 percent lower than in 1981.

Rice, another major Louisiana crop, suffered a worse price decline despite a 10 percent cut in plantings. Prices fell 30 percent as a result of large carry-over stock from 1981 and weak demand. For many rice growers, 1982 represented a year of substantial losses as prices and yields failed to cover even operating costs.

Louisiana cattlemen, who share 15 percent of farm cash receipts, saw generally weak prices in 1982 that limited revenue increases despite their attempts to speed up cattle slaughter. Farm cash receipts are estimated to have fallen slightly for the entire livestock sector, primarily because of weak prices.

There is mixed news in related industries. The shrimp industry is suffering a reduced harvest this season while the demand for shrimp is strong. The catch is limited in the Gulf, possibly reflecting the effects of unusually cold weather in 1981. The forest industry has probably bottomed out from the national recession in construction. Louisiana production of saw-timber declined approximately 25 percent with a similar slide in prices in the year ending in late summer. The good news is that yearend 1982 reports indicated a pickup in this industry.

While final figures for 1982 are not yet available, farm income for the year is expected to be lower

than in 1981 because of the marked price declines for Louisiana's major crops. Farm cash receipts were about 5 percent lower than 1981 in 1982 because of the marked price declines for Louisiana's major crops. Farm cash receipts were about 5 percent lower than in 1981 near year-end. Crop farmers seem to have fared the worst although livestock farmers also did poorly.

What about 1983? The health of the agricultural sector is closely linked to the national economy. A moderate improvement in 1983 would help some agricultural products. The forest products industry would show substantial improvement if construction continues to rebound. Demand for beef may also increase as employment rises and consumers begin to spend a little more.

The impact of national economic recovery on farmers will be more indirect, but an improving

economic climate should help them also. Increases in acreage reduction programs, negligible cost increases, and firming crop prices are essential for a revival of the Louisiana farm economy. Prospects appear favorable for most of those conditions in 1983. If weather and other environmental factors are favorable, then 1983 should be the year Louisiana's farm economy begins its comeback.

However, President Reagan's announcement in December that quotas on foreign sugar will be relaxed offers mixed news for Louisiana. Sugar refiners will benefit, with one analyst estimating that exports could expand by about 5 percent of the industry's current annual sales. Yet the news is unfavorable for Louisiana sugar growers, who face stiff world competition. Markets for rice are also expected to be sluggish in 1983.

—William J. Kahley

(Gustavo Uceda contributed valuable research assistance in the preparation of this article.)



Alabama: A Slow Recovery

Alabama, loaded with heavy manufacturing industries and high unemployment, will be slower to recover than most other states. Interest rates and import competition hold the key to how well the state revives in 1983.

The economic crisis now facing many communities around the Sunbelt refutes the popular myth that the Sunbelt economy is immune to national economic downturns. At last reading, Alabama—the “Heart of Dixie”—had one of the nation’s worst unemployment rates. Beset with steel mill closings, layoffs at automobile part plants (tires, batteries, carburetors), tough times at Mobile’s shipyards and a revenue shortfall at the state treasury, employment has been trending downhill in the state throughout 1982. By November, the state’s jobless rate had climbed to 15.9 percent.

U.S. Steel, once touted as the state’s largest employer, shut down its large Fairfield facility last June. Weak demand for structural steel combined with antiquated equipment left many of the state’s important industries vulnerable to imports. Republic Steel, Gadsden’s largest employer, has been operating at only 40 percent of capacity. Nearly half of Gadsden’s steel workers are without jobs. Many other plants have closed in 1982 and thus won’t provide job growth to fuel the state’s economy in 1983. They include a number of textile mills in Tallassee, Greenville, and elsewhere; automobile parts plants in Sheffield and Tuscaloosa; a cigar

plant in Cullman, a cabinet producing facility in Russellville, an Alcoa aluminum smelting plant and a Teledyne aircraft engine facility in Mobile.

Around the turn of the century, northern industry—attracted by rich deposits of coal, limestone, iron ore and access to world markets through Mobile’s shipyards—located in Alabama. Alabama’s economy flourished as it moved from low-wage farming and textile production to high-wage durable manufacturing. Nearly a third of the state’s private nonfarm jobs are in manufacturing—5.5 percentage points above the national average and 13 points above its bordering states. Moreover, almost half of those factory jobs are in interest-sensitive durable manufacturing. Many of these are high-wage industries that have helped boost the state’s per capita income from 73 percent of the national average in 1956 to 78 percent today. As interest rate ceilings are gradually phased out, such interest-rate sensitive sectors could be further affected.

Alabama’s economy is reeling from antiquated physical and human capital and consequent job losses as the U.S. economy shifts away from smoke-stack manufacturing industries to more service-producing and high-tech industries.

Table 1. Employment Change by Sector in Alabama
(from November to November)

	Level (thousands)		Absolute Change 1981-82	Percent Change 1981-82
	1981	1982		
Nonfarm Employment	1353.4	1319.9	-33.5	-2.5
Private Nonfarm	1060.4	1023.5	-36.9	-3.5
Goods Producing	441.3	407.1	-34.2	-7.7
Mining	17.1	16.2	-0.9	-6.5
Construction	66.4	63.5	-2.9	-4.5
Manufacturing	357.8	327.4	-30.4	-8.9
Durables	172.0	152.0	-20.0	-11.6
Nondurables	185.8	175.4	-10.4	-5.6
Service Producing	619.1	616.7	-2.4	-0.4
Trade	275.0	271.8	-3.2	-1.2
Transportation	71.8	70.5	-1.3	-1.8
Finance	59.3	59.1	-0.2	-0.3
Services	213.0	215.3	2.3	1.1
Government	293.0	296.1	3.1	1.1

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

Labor-intensive durable manufacturing is giving way to more capital intensive, high-tech industries. Lofty interest rates have simply speeded up the transition. Since Alabama tended to have an above-national concentration of those industries, it should not be entirely surprising that its economy is suffering from deindustrialization. Thus, many of the approximately 263,000 jobless Alabamians may not return to their former jobs.

The outlook for Alabama in 1983 is for a moderate recovery beginning later than the national upturn. The state's interest-rate sensitive manufacturing industries, hit hard by the recession, will begin to revive if interest rates continue their recent decline. If the recovery becomes international, foreign demand for exports should pick up, benefitting Alabama products like coal, steel and industrial chemicals, and stimulating the state's oil and gas production. Despite these potentially positive influences, it is likely to be around midyear before Alabama's economy begins to revive.

Employment and Unemployment

As of July 1, 1981, Alabama's population numbered 3.9 million, representing a 0.7 percent growth since the 1980 Census. This growth is less than half the 1.3 percent average annual

growth rate during the 1970s. Nearly 1.7 million people in the state were either working or seeking work last year. While nonfarm employment contracted by 3 percent last year, labor supply expanded 1.5 percent. During most of 1982, the number of jobless Alabamians was more than one-third higher than the year before.

Of the six nonmanufacturing sectors, four (transportation, communication, and public utilities; trade; finance, insurance, and real estate; and services) essentially held steady or declined slightly (Table 1). These patterns were similar to national and regional trends except that finance, trade, and services continued to grow modestly in both the Southeast and the United States during the same period. Construction employment declined sharply as record high mortgage rates battered the state's building industry. Although figures for government employment in the state indicate growth during recent months, this picture is probably spurious; instead, government agencies, particularly at the state level, appear to be hiring students on a temporary, part-time basis during the summer. This trend is new and is not "factored out" by seasonal adjustments based on 10 or more years of data.

Of the state's eight metropolitan areas, unemployment was highest in Gadsden (22.3 percent in November), with Florence second

at 16.9 percent. The Florence area has been hurt by numerous plant closings, but International Telephone and Telegraph's electrical wiring facility and continuing layoffs at Reynolds Metal probably did more harm than others. Huntsville's 13.0 rate is worrisome because it is higher than the national average and because Huntsville is the focus of numerous high technology businesses, widely regarded as the source of future economic growth. Montgomery and Tuscaloosa also had comparatively low rates, 12.6 and 11.4 percent, respectively, due to the downsizing of state government and to auto parts plant closings.

Income and Trade

Alabamians' income grew only 6 percent last year, to \$33.6 billion, trailing national growth of 7.2 percent and well below the state's 11.6 percent growth in 1981. However, with inflation below 5 percent last year, even the meager rise in nominal income was sufficient to boost real living standards. Alabama's economy—disproportionately concentrated in durable goods manufacturing—is particularly vulnerable to interest rates and the exchange value of the dollar. High interest rates reduce demand for durable goods disproportionately, and appreciation of the dollar against currencies of major trading countries has reduced demand for exports and increased domestic demand for foreign goods. Both of these factors worked against Alabama's industrial sector in 1982.

Despite slower job growth, post-war record unemployment, and below-normal income growth, consumer spending held up surprisingly well last year. Sales tax collections advanced 5.6 percent over the prior year and growth was nearly three times the national increase. The comparatively strong sales increase in 1982 must be interpreted with caution, however. It may be more of a reflection of weakness in 1981 than of strength in 1982. Moreover, income-in-kind—Social Security unemployment benefits, food stamps, and aid for families with dependent children—constituted the fastest growing component of personal income last year.

In September, value of total loans closed by savings and loans was \$19.6 million, 57 percent higher than the previous low of November 1981. The sharp increase in housing activity in

late 1982 is expected to carry over into spring and summer of this year and boost the state's building material manufacturers.

Predictably, high mortgage rates and job instability have encouraged a growing percentage of Alabamians to rent rather than buy. Multifamily housing has been affected less severely by the recession than single family housing. Multifamily building permits currently are running above 1974-75 trough levels and gained strength after mortgage rates began declining in 1982.

Alabama commercial construction has been exceptionally weak since 1979. Manufacturing plant closings around the state are adding a tremendous amount of space to the market. In contracted square feet, the nonresidential component registered a 10-year low in 1982. Some glimmer of hope for 1983 surfaced in the latter part of 1982, as contracted square feet jumped 27 percent from June to November.

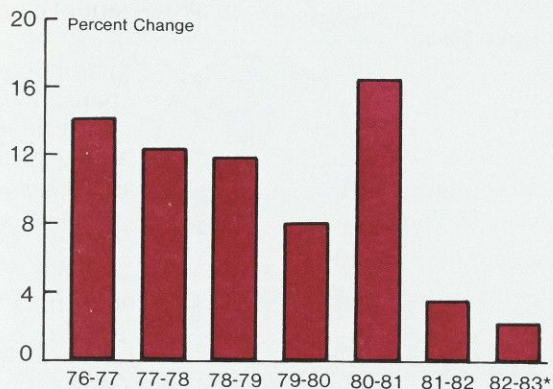
During 1982, the nonbuilding component—roads, recreation, and religious buildings—proved relatively stronger in Alabama than in other parts of the Southeast as a result of funding from oil lease revenue. Nonbuilding contracts rose by 48 percent from August 1981 to reach November 1982's level of \$456 million.

The Public Sector

Perhaps the most critical aspect of Alabama's 1983 outlook is its public sector. After three consecutive years of declining employment and consequent lost incomes, the annual growth of money flowing into the state's coffers has been falling (Chart 1). The Alabama legislature has less flexibility than other states in allocating revenues. Nearly 90 percent of its revenues are earmarked. Last spring, Governor Fob James projected that revenues earmarked for the Educational Fund would rise only 7 percent over the prior year, and monies for the General Fund would increase by 10 percent. The Alabama legislature established budget appropriations based upon these projections, which assumed that the economy would improve beginning in the second half of last year.

Instead of improving, however, the recession lingered, sending the jobless rate to new highs and placing a considerable drain on the Unemployment Compensation Trust Fund. Governor

Chart 1. Comparison of Changes in Total Tax Collected



Fiscal Periods: 1976-1977 through 1982-1983

*Represents collections for first 2 months of fiscal year 82-83.

James was not alone in his optimism. Governors in other southern states—Louisiana, Mississippi, Tennessee, and Georgia—initially shared that optimism but later ordered departments to trim their budgets. Governor James asked for a 10 percent reduction in the \$1.4 billion education budget and 15 percent cutbacks in areas other than education. State government employment has been declining for two years—in sharp contrast to the continued increases during the 1974-75 recession.

Budget officials expect the state's hiring problems to worsen in fiscal 1984. It is difficult to imagine that the state government will be a positive force for recovery in 1983.

Coal

Coal mining is an important industry in Alabama. Direct employment comes to 11,500 miners; many more workers are involved indirectly in transporting coal. Twenty nine underground and 250 strip mines operated in the state last year. Alabama mines produced nearly 25 million short tons of coal for industrial power and exports. Alabama Power, the state's largest utility, depends on coal for almost three fourths of its power generation. About 10 million tons, or 85 percent of the coal purchased by the company in 1981, were low-sulfur and high-BTU coals from Alabama mines. The current recession and lagging electricity demand, however, have weakened coal demand and resulted in large inventory accumulation.

The state's industrial sector, hard hit by the recession, has curbed both its coal and electricity consumption. Not only is coal a major source of energy in the United States—accounting for 52 percent of domestic electricity supply—but it is even more important in worldwide markets. Yet exports of metallurgical coal that boomed during 1981-82 reportedly are slowing as a result of slower industrial growth in Japan and Italy, the state's major export markets.

The outlook for 1983 appears more promising. Utilities' large inventories have discouraged some small producers, but an expected uptick in demand is likely to increase overall coal output. The mild economic recovery expected in 1983 should stimulate electricity and coal demand from the state's energy-intensive industries. Coal exports in 1983 also may be stimulated by Mobile's projected midyear expansion of the McDuffie coal terminal that will be able to handle an additional seven million tons of coal shipments. But much of this is predicated on how well industrial production recovers in Japan and other major foreign markets.

Energy Demand

During the last two decades, Alabama's energy demand increased nearly three times faster than its population growth. In 1980, coal represented 43 percent of the state's energy consumption, rising sharply in the last decade to become the leading energy source. Petroleum demand has also expanded very rapidly in recent years while use of natural gas has declined steadily. Nuclear power and hydroelectricity are other important energy sources for power generation. Alabama Power in 1981 operated two 860 megawatt nuclear plants providing 18 percent of the company's generation. In addition the company has 13 hydroelectric facilities that because of scant rainfall provided only 9 percent of its 1981 power generation.

The state's rapid industrialization has required large plant investment to accommodate future energy demand. This trend will likely continue given the state's vast energy resources, low-wage labor, and port facilities for international trade. Power plant expansion and higher rates are being hotly debated by state regulators and the utility's management. The outlook for future long-term power construction depends on how well the parties can work out their differences

and still preserve the state's low electricity bills and a reliable power supply in the future.

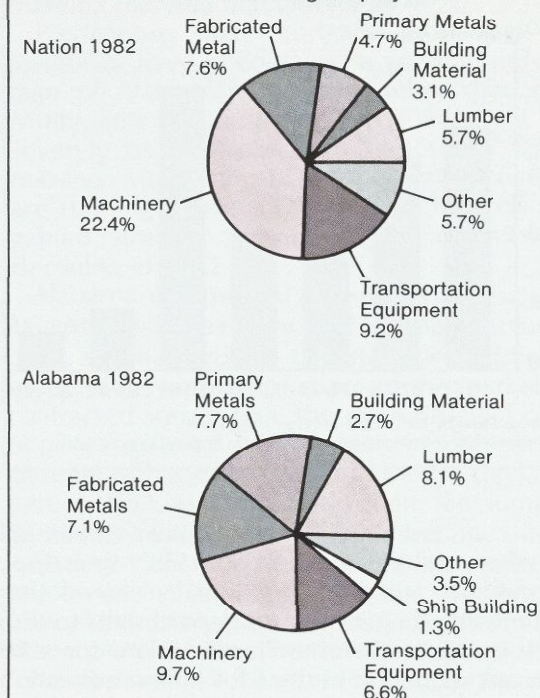
Manufacturing

Manufacturing employment in Alabama fell precipitously in 1982, losing over 30,000 workers from November 1981 through November last year. Most of the falloff occurred in the durable goods-producing sectors where nearly half of the state's factory workers are employed. Alabama, unlike many neighboring states, employs nearly one in four workers in factory jobs. The recession-sensitive nature of the state's heavy industries makes a full recovery from depressed levels of output and employment unlikely in 1983. Only after a national recovery is well underway should the total manufacturing picture brighten considerably in Alabama. Another indication of Alabama's battered industry, factory income, fell by 4.5 percent from the last half of 1981 through the first half of 1982. The 37.2 average weekly hours worked in November of 1982 in primary metals industries were down three and one half hours from a year ago.

Although the plight of the state's steel industry has been widely-noted, the Alabama economy is actually quite diversified. In November of 1982, less than 8 percent of the state's factory workers were employed in the primary metals sector (Chart 2). Ten years ago, 14 percent were employed in that sector. The state is becoming less dependent on that recession-sensitive source of jobs and income. A prospective upturn in demand for heavy structural steel offers a ray of hope for the steel industry in 1983. Moreover, increased defense spending to refurbish and build ships would increase steel plate demand, as will the public works project to rebuild the nation's highways. Steel plate is used in bridge construction. The \$4.4 billion federal infrastructure program should favorably impact steel-producing firms in the state by the end of 1983. According to the Department of Transportation, one out of five bridges in the country needs major repairs. The life of a bridge is about 50 years, and 40 percent of the nation's bridges are already more than 40 years old.

The manufacturing of products used in auto assembly is also important in the Alabama economy. Therefore, the outlook for domestic automobile production is critical to Alabama's recovery. A rebound in auto sales late in 1982 has stimulated

Chart 2. Durable Goods Employment as a Share of Manufacturing Employment



state firms producing steering gears, aluminum transmission cases, and especially tires. The state is a tire manufacturing center with capacity to produce 14.5 percent of the national output. Since tire plants are dispersed throughout the state, any change in demand for tires would be felt in many regions. Large tire plants include the Uniroyal facility in Opelika, the Michelin plant in Dothan, the Dunlop factory in Huntsville, and the Goodrich plant in Tuscaloosa. Goodyear's Gadsden plant employs about 3,700 and has replaced U.S. Steel as the state's largest private employer. The plant can manufacture 40,000 auto tires and 12,500 other tires daily.

For the first eight months of 1982, the number of new manufacturing facilities that were over a half million dollars in cost was down about 8 percent from the same period last year. Table 2 lists selected firms announcing new plant locations or expansions in 1982. Many of the new plants are electronics or defense related. A distressing development was the delay of the largest new facility (in terms of announced capital investment) in the history of the state. Ground was scheduled

Table 2. Capital Spending Plans - Alabama*

Company Name	Location	Investment (\$ million)	Product	Employment
SCI Systems	Arab	5	Electronics plant (Defense, aerospace)	500
Scott Paper Co.	Mobile	80	Woodyard	N/A
Mobile Oil Exploration and Producing, S.E.	Bayou Labatre	1 billion	Natural gas processing plant	—
Hall Chemical Co.	Theodore	40	Chemical reclamation	350
Hughes Aircraft	Eufaula	N/A	Defense related	100
Army	Huntsville	42.2	Classified electronics	—
Teledyne	Huntsville	N/A	Aviation-electronics Space shuttle	plus 500
Kimberly-Clark	Coosa Pines	36.5	Newsprint, pulp Forest products	N/A
Martin Marietta	Huntsville	107	Space shuttle External fuel tanks	—
United Space Boosters	Huntsville	12.6	Rocket boosters	—
Gold Star Co.	Huntsville	10	Electronics, Television/microwave	450/500
Buck Chemical Co.	Childersburg	N/A	Munitions	400
Spiralux Ltd.	Boaz	2	Electronic products	100-200
Parker Hannifin	Boaz	10	Fluid system components	200
Dresser Industries	Eufaula	Multimillion	Product for enhanced oil-gas recovery	25

Listing represents spending plans of selected firms announced in 1982; it is not all inclusive.

Source: Alabama Development Office

to be broken for General Electric's \$1.5 billion Lexan Manufacturing Complex near Montgomery in mid-1983. Flat industrial demand for plastic was blamed for the delay of one to two years.

The Huntsville area is becoming an important center for high-tech industries in the state. Some 200 of the 500 firms in the city's industrial directory are classified in the high-tech field, an area certain to continue growing in 1983 because of defense contracts.

Over 50 percent of Alabama's nondurable employment is centered in apparel and textiles. These sectors have been trending down for several years and lost 6,600 jobs last year. Apparel and textiles should respond favorably to a possible consumer-led recovery in 1983, but foreign competition could hold down potential growth, especially for the labor-intensive shirt manufacturers in the state. Although industry wages remain low, domestic firms will continue to have

a tough time competing with cheap foreign labor and products from places like Hong Kong and South Korea.

The energy-producing sector should provide some good news for Alabama in terms of enhanced revenue collections for 1983. State records show that \$449 million in revenues have already been added to state collections from leases covering 55,054 acres of Mobile Bay (signed March 1981). Also, the state will receive royalty payments as high as 28 percent from the sale of any petroleum products recovered in the bay. A large inland oil strike last July 30 miles north of Mobile should begin producing by mid-1983—adding further to state coffers.

Banking

The state's financial sector mirrors the economy's weakness. Alabama bank deposits grew by 5.8

Table 3. Orders for Manufactured Products Plunged in 1982
(millions of dollars)

	January to November			Percent Change	
	1980	1981	1982	1980-81	1981-82
Machinery, except electrical	164,867	185,591	153,383	12.6	-17.4
Transportation equipment	184,995	188,204	175,843	1.7	-6.6
Fabricated metals	105,761	113,194	99,487	7.0	-12.1
Primary metals	121,963	124,093	89,051	1.8	-28.2
Stone, clay, & glass	41,603	45,549	41,538	9.5	-8.8
Total	619,189	656,631	559,308		

Source: U.S. Department of Commerce, Bureau of the Census, **Manufacturers' Shipments, Inventories, and Orders**, November 1981 and November, 1982.

percent over the year, the slowest in the Southeast. Alabama currently ranks fourth among southeastern states (Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee) in the number of commercial banks and fifth in terms of deposits.

As of last November, total deposits of large commercial banks had increased 6 percent over the same period a year earlier. Like account holders elsewhere around the country, Alabama depositors shifted transaction accounts to interest-paying checking accounts. Negotiable Orders of Withdrawal (NOW accounts) were up 35 percent over November 1981, while demand deposits grew only one percent. Reflecting job uncertainty, Alabamians stepped up their savings as time deposits increased by 7 percent. Credit union deposits increased by 24 percent from November 1981 through November 1982 with the bulk of the increase in the savings and time deposit category. Savings and loan association deposits in Alabama also increased 4 percent from the same period a year ago with the largest absolute change coming from an increase in time deposits. NOW accounts at Alabama S&Ls rose 74 percent from November 1981.

Oil and Gas

The surge in oil prices during the 1970s and gradual phase-out of price controls on domestically produced oil have increased the market value of Alabama's petroleum reserves. During 1981, some 212 exploratory wells were drilled in

the state, almost twice the number drilled in 1975. There were 54 million barrels of proven crude oil reserves in 1981, 17 percent below the level in 1970. Natural gas discoveries, however, have increased dramatically during recent years. Natural gas reserves in the state are estimated at 636 billion cubic feet, almost four times the 1970 reserve level. Much of the drilling activity was in the Black Warrior Basin, but other large discoveries were made recently in the Mobile Bay area.

Declining demand for energy in 1982 has also slowed the demand for natural gas. Drilling activity fell 13 percent in 1982, a decline expected to persist this year. The outlook for 1983 is for reduced output and declining exploratory wells.

Tourism

Tourism is less important to Alabama's economy than to other states. Less than 5 percent of the state's nonfarm jobs are in this sector. The northern half of the state, particularly Birmingham, attracts about half of Alabama's dollars from tourists, while the Gulf Coast garners only one-quarter. In 1981, approximately 25 million out-of-state visitors traveled in Alabama. The largest number came from Florida.

Compared to Florida and Louisiana, which rely on destination tourism by out-of-state travelers, Alabama's tourist industry enjoyed a banner year. This record was due largely to local travel and higher use of public recreation facilities. The number of visitor-days at U.S. Forest Service

recreation sites rose 6 percent in 1982. Attendance at state parks was up 26.5 percent in August and 0.1 percent in September relative to corresponding months of 1981, a pattern typical of the entire summer. The Corps of Engineers estimates that use of Alabama recreation facilities in 1983 will run 5 percent ahead of last year's 23,693,000. Attendance at the state's major attractions rose from 169,470 in September 1981 to 192,073 last September. Some of this 13.3 percent increase is attributable to the addition of two new attractions, but state tourism officials estimate that attendance was up during most of this season. Visitor center registrations rose in September from 75,629 to 78,797, or 4.7 percent. Such increases were typical this summer in Alabama but not in Louisiana and Florida, where fewer visitors registered than in 1981. Yet recreational visits at National Park Service sites declined to 676,588 through September, 4 percent below the same months of 1981. The Natchez Trace Parkway showed the greatest decline.

In the more expensive segments of the tourist market, performance was relatively weak. Revenues from the lodgings tax rose 47.1 percent from September 1981 to \$886,945 last September, but a state revenue officer cautions that 1981 was a particularly bad year. Convention business was reported to be off in Mobile, and business travel was down in Birmingham. However, the Birmingham Convention and Visitors Bureau reported that improved attendance by local and regional organizations has buoyed convention attendance in Birmingham.

The outlook for Alabama's tourist industry is uncertain. The World's Fair in New Orleans may generate a large "spillover" effect in 1984. Fair-destined travelers along I-20, I-65, I-59 and I-85 are expected to boost business in the state. One new hotel opened in Mobile in December and another is scheduled to open in June. In Birmingham, Westin and Marriott are breaking ground for new facilities. The state has established a task force to develop plans to exploit opportunities afforded by the upcoming New Orleans exposition.

Agriculture

For many Alabama farmers, 1983 offers new hope for a healthier farm economy after still another year of disappointment. After suffering seasons of drought and depressed prices, farmers had hoped that 1982 would be the year when

farm income would rebound and debts could be paid. Unfortunately, burgeoning harvests in the face of weak demand sent prices for most crops tumbling. For most Alabama crops, the returns failed to cover costs unless substantial above-average yields were achieved.

Alabama's livestock industry, which produces 60 percent of the state's farm cash receipts, fared better than the crop sector in 1982. Unfortunately, there was little in either sector to provide cheer. Hog farmers enjoyed substantial increases in pork prices that should have improved profit margins and eased their cash-flow problems. Yet the pork-producing sector, accounting for just 5 percent of cash receipts, was the only bright light in livestock. Cattle prices fluctuated around 1981 levels, showing only slight strength, while poultry prices were generally lower. Since poultry and egg enterprises comprise the largest single source of cash receipts, it is no surprise that overall livestock returns are estimated to be less than in 1981.

In 1983 the livestock sector is in a position to improve its financial situation. With higher prices providing an incentive for expanding production, the prospects for hog producers look favorable throughout most of the year. Cattlemen may also find 1983 more profitable as large crop harvests reduce the cost of feed and as other costs remain relatively stable. The poultry industry should benefit even more from lower feed costs. The entire meat-producing industry may find demand for meat rising this year as the economy slowly regains its strength, inspiring consumers to spend more and eat better. It seems unlikely that the cost-price squeeze of 1981 will return to bedevil the industry in the near future.

Fortunately for some farmers, the crop with the greatest potential for a net loss per acre, cotton, was blessed by exceedingly favorable growing conditions and produced outstanding yields. The high yield, and forward marketing by many large growers, produced profitable returns for some Alabama cotton farmers. Most other crop farmers were less fortunate. Either large crops so depressed prices that losses were incurred, or yields failed to reach a break-even level. The only profitable yields appeared to be peanuts.

The prospects for crop farmers in 1983 seem only slightly more favorable. The 1983 acreage reduction program will lead to more idle acreage for field crops, but supplies appear too large for prices to improve significantly. An improving

economy should increase demand but, assuming a normal crop year, it will take some time to work down the large surplus.

Two other enterprises that failed to benefit during 1982 were the forest and seafood industries. Demand for lumber fell in response to the severe recession in the construction industry. By yearend, however, there was some indication that construction was reviving and with it lumber production. A poor harvest of shrimp, the state's primary seafood product, brought bad news to the coastal area. Whether 1983 will be better depends to a great extent on external factors such as the severity of the winter.

Alabama's farm economy is entering 1983 with a mixed outlook. The livestock sector, especially pork, has had a more favorable year than the crop sector and the indication is that 1983 should be kind to livestock farmers. More stable costs, and lower feed costs, portend favorable profit margins when combined with stable or higher prices.

Crop farmers, on the other hand, entered the 1982 farm season hoping to rebound from the droughts, low yields, and depressed prices of recent years. Instead, they found still lower prices because of excessive supplies. Many unknowns could affect the coming farm season, but the prospect now is for reduced acreage of most crops with resulting smaller supplies. Farm income for Alabama crop farmers should improve above 1982 with greater potential for profit. There is little reason to believe, however, that a significant turnaround in the Alabama farm economy will occur this year.

International

The port of Mobile handled a record 42.2 million tons of cargo during the 1982 fiscal year, an increase of almost 20 percent over fiscal 1981; the previous high was reached in fiscal 1980, when 41.6 million tons moved over Mobile's docks. The tonnage record was set despite sluggish economies here and abroad that have caused both U.S. exports and imports to fall from 1981 levels. The weakening of U.S. trade flows was reflected in lower tonnage through Mobile in the last two quarters of the latest fiscal year. This

downward trend is likely to continue well into 1983. The large increase in tonnage shipped in the first half of the fiscal year was bolstered by the surge in coal exports with the opening of the new McDuffie coal terminal facility.

The composition of Mobile's exports and imports reflects Alabama's industrial, agricultural and mining economy. Major outbound commodities include coal, grain and forest products, while steel and iron ore are important inbound commodities (bauxite imports were also important before the plant shutdown at Alcoa). A variety of Alabama-produced basic manufactures and machinery also contribute to export flows through Mobile.

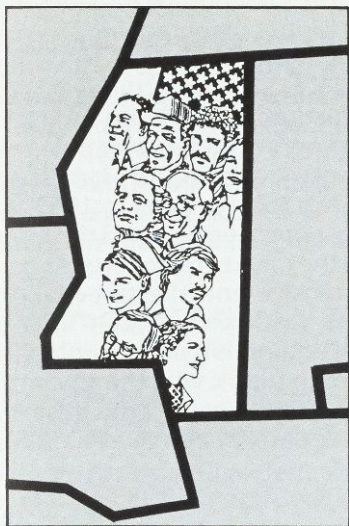
Alabama's employment related to manufactured exports mirrors the national experience. Overall, one out of 20 workers makes products for export; in manufacturing, the share is more than one out of 10. The most important Alabama-produced manufactured exports are chemicals, primary metals and miscellaneous manufactures, while export production in the textile and apparel, chemical, and rubber industries also exceeds national averages.

The outlook for manufactured exports in 1983 is not bright because of the continued effects of high-priced dollar-denominated goods. Wheat, soybeans and corn exports should improve, however, particularly if the Soviet Union increases its purchases. Coal exports are likely to continue expanding rapidly. Overall, the flow of trade through Mobile seems likely to pick up steam after midyear.

Conclusion

Alabama's heavy concentration of interest-rate sensitive manufacturing is likely to delay its recovery in 1983. A decline of the U.S. dollar against foreign currencies, however, would boost foreign demand for many of Alabama's products—coal, steel, farm products and industrial chemicals. Moreover, a moderate national recovery will revive demand for energy and help Alabama's coal, oil and gas industries. With revenues trailing projections in the 1982-83 fiscal year, state officials expect little improvement until fall of 1983.

—Charlie Carter
and David Avery



Mississippi: Construction and Consumer Spending Are Keys to Recovery

Mississippi's key lumber industry looks forward to a rebound in home building. Weaknesses in farming and in the oil and gas industries, however, suggest that Mississippi probably will continue to fare worse than the nation in 1983.

Mississippi's economy seems to be headed toward moderate growth in 1983. If the national economy picks up briskly during the year, the state could achieve strong growth by 1984. The initial recovery depends heavily on a rebound in the construction industry which appeared to be underway going into 1983. That is welcome news for industries such as lumber and other wood products, household appliances, and textiles, which also should show improvement with a strong recovery in home building. Such a recovery, in turn, remains largely dependent on interest rates, with lower rates tending to stimulate consumer demand. With a continuation of the current trend toward lower rates in 1983, a rebound appears in order.

The apparel industry, important throughout the Magnolia State, should improve as consumers once again begin to spend money. The additional tax cut planned in July could wield a stronger impact on consumption than 1982's reduction because it is likely to coincide with an increase in

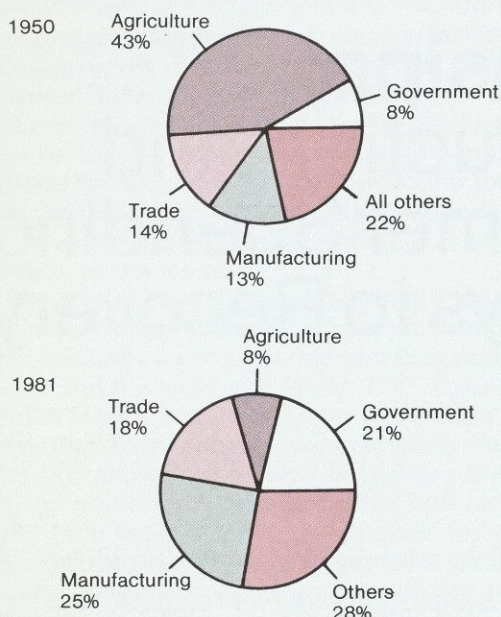
consumer confidence. This could stimulate apparel and other consumer goods industries.

Yet, in spite of brighter prospects for housing and related industries, a full-scale recovery will be slow in coming. Mississippi's economy seems likely to resume slow, steady growth beginning this spring and perhaps speed up by year-end. Unemployment may remain frustratingly high as employers keep production closely aligned with sales; they will probably hire more people only when a clear need exists. Although the unemployment rate was dropping at the end of 1982, a return to the lower rates common in past years is not expected this year.

Industry: Waiting for Recovery

The manufacturing industry is Mississippi's single most important employer. Although agriculture remains an important segment of the state's economy, industrialization has long since

Chart 1. Sectors of Employment in Mississippi



replaced farming as the primary component (Chart 1). Most of Mississippi industry is extremely sensitive to changes in interest rates and consumer spending. The leading industrial enterprises—apparel, lumber, machinery, food, and transportation equipment—tend to be affected directly by significant shifts in interest rates (which affect housing and auto sales) and fluctuations in consumer spending (affecting apparel and food sales). Although sensitive to changes in economic conditions, the concentration of light industries does have advantages as well. For instance, the state is resistant to the severe, longer lasting recession typical of heavy industries such as steel. Also, once consumer confidence returns and interest rates stabilize at lower levels, light industry should rebound rather quickly.

During 1982, however, the full impact of the recession weighed heavily on the state. Employment in Mississippi's factories fell by 17,400 from November 1981 through November 1982. New incorporations have been trending downward, indicating little if any new growth. New manufacturing facilities in the state fell by 14

percent in the first eight months of 1982 when compared with the previous year. More bad news is that Mississippi's manufacturing income fell by 3.1 percent in the first half of 1982 from the last half of 1981. U.S. manufacturing income fell only 0.5 percent during the period, indicating the strain on Mississippi's manufacturing industries.

The apparel industry, Mississippi's largest employment sector, lost jobs steadily in 1982 as a result of weak consumer demand and the loss of a growing share of the market to imports. Apparel is highly labor intensive and the fast-changing fashion scene has made investment in high-technology capital equipment nearly prohibitive so far. Overseas competitors, with the advantage of low-cost labor, could retard growth in the state's domestic apparel sector even after an economic upturn.

A bright spot in the state for 1983 should be those industries related to housing construction. Businessmen in Mississippi's important lumber and wood industry are more optimistic than they have been in the past year and a half. Falling mortgage interest rates have fueled expectations for a profitable spring season if housing starts surge. Lumber and wood producers and building material suppliers are led by such names as Masonite Corporation, Georgia-Pacific, and Weyhauser Company, each having numerous locations in small communities in the state. While these are the large employers, numerous smaller operations are located in virtually every county. The pervasiveness of this industry accounts for its strong impact on the state's economy.

Two other important sectors should benefit from a consumer-led recovery. Mississippi plants produce many household appliances, a sector sure to expand during a housing recovery. Auto parts manufacturers should also come out of their slump as car sales accelerate. Although no one industry is displaying notable strength as 1983 begins, the food industry has shown more resilience than others. Food production, the state's fourth largest employment category, adds a measure of stability to the state's job picture.

The sharp plunge in the energy sector is disturbing. Energy-related industries provided one of the few areas of Mississippi's strength early in 1982. Drilling activity has plummeted from near-record levels as a world oil glut has forced prices down. Although prices are expected to stabilize and perhaps increase in 1983, several independent drillers and producers of drilling equipment have already folded.

Defense spending seems sure to continue as an important factor in the Mississippi economy. Ingalls Shipyard in Pascagoula has been awarded some large contracts that will help offset the slump in oil rig manufacturing, a relatively new activity undertaken by the facility in an attempt to diversify operations. Continued flights of the Space Shuttle will also keep workers in Bay St. Louis busy at the Rockwell International plant where the shuttle's engines are tested.

Construction: Essential to Recovery

Perhaps the key to an economic recovery in 1983 lies with a resurgence of construction activity, especially residential construction. After a slow start in 1982, the residential sector should show modest gains this year. While the first half of 1982 was extremely weak, a slow improvement occurred during the latter months of the year. Building permits (single- and multifamily) and construction contracts began to improve during late spring and advanced slowly through the rest of 1982 as mortgage rates declined. The state's residential sector, though improved since 1981, remains weak.

All residential construction indicators are low compared to earlier peaks of the last 10 years. For example, the number of single-family building permits issued in November 1982—314 units on a three-month moving average, seasonally adjusted basis—was only 37 percent of the 1972 peak, 49 percent of the 1977 high, and just 58 percent of even the 1980 "mini-peak." As the overall Mississippi economy strengthens, housing sales and other residential indicators should continue their modest improvement.

Even realtors and savings and loan officers are optimistic. During the final months of last year, mortgage rates fell below the "teens"—in November, FHA/VA rates had declined to 12 percent. The flurry of activity that began in the fall is expected to help support home sales during the upcoming spring and summer. Though the loan activity of savings and loans in Mississippi is the weakest of any state in the region, loan officials have reason for hope. Total loans closed by thrifts increased by 24 percent from \$8.9 million in October to \$11 million in November. Mississippi was the first state in the region to reverse the decline in total loans closed. Thrift officers expect pent-up demand and a continuing decline in

mortgage rates to nourish the increased loan activity in 1983.

Nonresidential construction, in many aspects, is weaker than the residential component. In real terms, nonresidential contract construction in Mississippi is lower compared to 1974-75 recession levels than is residential contract construction. Late 1982's nonresidential contracts, measured in square feet, slumped 24 percent below 1974's trough, whereas residential units contracted were slightly above the low point set in 1975. Although office and industrial building is expected to pick up during 1983, growth will be slow and will trail that of housing.

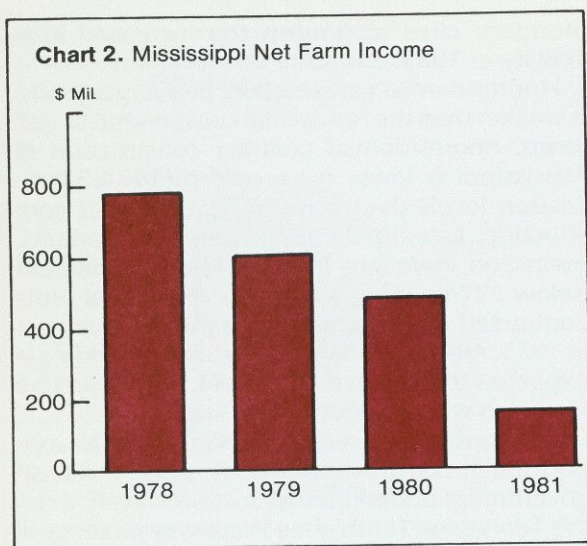
The nonbuilding sector seems unlikely to support much construction activity. State and local government budgets are at austerity levels. Even the Tennessee-Tombigbee Waterway project will be winding down considerably during 1983. Last year, the waterway employed about 3,000 people, most of them construction workers. With the project more than 80 percent complete, the work force most likely will be reduced by at least 50 percent by midyear. Though the "Tenn-Tom" Waterway is not scheduled to be completely finished until September 1985, almost all will be navigable by the first part of 1984.

Agriculture: Record Cotton Yields

While agriculture employs just 8 percent of the state's work force today compared to 43 percent in 1950, sales of farm products contribute in excess of \$2 billion annually to the state's economy. These products are the raw material base for much of Mississippi's important food and fiber manufacturing sectors. Clearly, when agriculture is suffering financially, much of Mississippi's economy also feels the pain.

The dominant feature of Mississippi's agriculture in 1983 may well be the financial distress afflicting the state's farmers. In fiscal 1982, the state accounted for half the total foreclosures and liquidations reported among debtors of the Farmers Home Administration across the six District states. Farm debt in Mississippi exceeds \$3 billion and interest payments on that debt in 1982 cut deeply into net farm income. In recent years, farm income has also been depressed by rising costs, drought, and, in 1982, severely depressed prices.

Since 1980, net farm income has averaged only about half the levels set in 1978 and 1979



(Chart 2). In 1982 ideal growing conditions led to record crops during a period of slack demand. As a result, prices of most commodities have fallen. Two crops, cotton and soybeans, earn 45 percent of total cash farm receipts and greatly affect the state's farm economy. Prices of both crops were much lower than in 1981, but excellent yields last year may have moved some farmers from red ink to black. Even so, the majority of producers lost money in spite of better-than-average production.

There was some good news for agriculture last year, although its primary impact may occur in the future. Construction began on the state's first ethanol plant, expected to produce 500,000 gallons for automotive use annually. The ethanol will be distilled from grain sorghum and corn, creating a new source of demand for those commodities. In addition, grain sorghum (also known as milo) became the state's newest export crop as a shipload left Pascagoula for Portugal last fall. Further shipments are anticipated in the future. The potential export market, the low costs of production and other positive features could bring substantial increases in acreage.

In spite of farm financial problems, the outlook for 1983 appears more promising than the last three years. More acreage will be idled in response to government programs while the shift toward double-cropping will gain momentum. As a result, wheat plantings, which increased approximately 70 percent in 1982, will remain near that level in

1983. Wheat also has the advantage of being a low-cost crop. Cotton growers may well find a greater demand as the economy picks up and the textile industry increases production. The lumber industry, which suffered a drastic slowdown in 1982, was beginning to show signs of recovery going into the new year. It is in position to show strong recovery with continued improvement in construction. Expectations are running high among lumbermen for a good year in 1983.

Public Sector

State and local budget officials in the Magnolia State are concerned with the same problems as their counterparts in neighboring states. Revenues from sales and income taxes are expected to fall short of projections, requiring action on the part of the state government. Early in 1982, the National Governors Association projected that Mississippi would end its 1983 fiscal year with a \$25 million deficit. Revenues were trailing projections by as much as \$11 million in the first four months of the 1983 fiscal year. This makes conditions especially severe for Mississippi since it was only a year earlier that Governor Winters ordered a \$76 million budget cut. State law prohibits operating deficits in excess of 2 percent of projections. Public sector employment has declined for three years in a row, in sharp contrast to past recessions.

Like other states, Mississippi is exploring ways of raising revenue. Early last year, the state went to monthly, as opposed to quarterly, reporting of sales tax revenue. Second, it followed other states by raising the gasoline tax. Third, the proposed 3 percent increase in the severance tax on natural gas is likely to be reintroduced this year. The funds would finance statewide kindergarten programs to help raise educational achievement.

As the recession lingers, it seems doubtful that several special attempts to raise revenue will succeed in avoiding additional cutbacks in state employment and spending in 1983.

Trade: Potential for Growth

Partially in response to weak markets for commodities, trade flows through Mississippi ports in 1982 were disappointing. Both exports and imports slowed substantially from the previous

year's lackluster performance. This year should see modest improvement as economic recoveries in the United States and industrialized countries of Western Europe gain momentum.

Pascagoula's two harbors account for about 90 percent of Mississippi's international trade volume, but the state's other major port, Gulfport, is an important entry point for tropical fruits from Central America. The slump in trade flowing through Mississippi's ports ranged from 20 to 30 percent in 1982. It was linked to economic weakness abroad which has slowed fertilizer, grain, and wood and paper products exports. Further, the world oil glut has curtailed oil imports at Chevron's oil complex on Pascagoula's Bayou Casotte harbor.

Trade in Mississippi, and elsewhere, has been affected by changing exchange rates. The dollar has strengthened greatly relative to many foreign currencies, making U.S. products more expensive for overseas buyers. Even where American commodities such as corn have experienced significant domestic price declines, the dollar's increasing value has kept the price to foreign buyers at a higher level. At ports that handle large amounts of farm commodities such as Pascagoula, the result is a decline in activity.

The improvement in Mississippi's trade foreseen for 1983 hinges on several factors. Trade growth with Central America and the Caribbean will be spurred by the Caribbean Basin Initiative. Congress has approved a \$350 million foreign aid package and is considering trade concessions for products from the area. The opening of a new cold storage facility at Pascagoula last August opened up the potential for increased poultry exports. Chevron's expanded refinery facilities, possibly opening late in 1983, will provide additional demand for oil imports.

Another sign of the slowdown in commercial activity affecting both Mississippi and the nation has been the sharp drop in traffic along the Mississippi River during 1982. Numerous barges are idle and those in operation frequently have trouble finding cargoes for a roundtrip between ports. There are reports of some failures occurring among carriers with others near closure. Some observers contend the decline in business is the worst since the Great Depression.

Tourism: Priming for 1984

While tourism is less important in Mississippi than in most Sixth District states, it still accounts

for about 30,000 jobs, or 3.6 percent of the state's nonfarm employment. Because many tourist jobs are unskilled or entry-level positions, the contribution to personal income is small. Yet tourist expenditures amount to nearly 10 percent of the state's retail sales tax collections. Expenditures are concentrated in the Jackson area and the Gulf Coast, which has hosted the Miss USA pageant for several years.

Mississippi's tourist industry enjoyed a better summer in 1982 than states such as Louisiana and Florida that rely on "destination" travel by out-of-state and foreign visitors. For example, despite a near doubling of fees, visitor days at U.S. Forest Service recreation sites in Mississippi rose slightly from 1981's level. Yet recreational usage of major lakes and state and national parks declined. Revenues from the lodgings tax fell 2.6 percent in September compared to September 1981. The county room tax in the Gulf Coast area, however, was 25-30 percent ahead of last year, according to a local Convention and Visitors Bureau spokesman. Air travel was also off except at Gulfport-Biloxi, which had nearly 25 percent more arrivals this past November than in 1981.

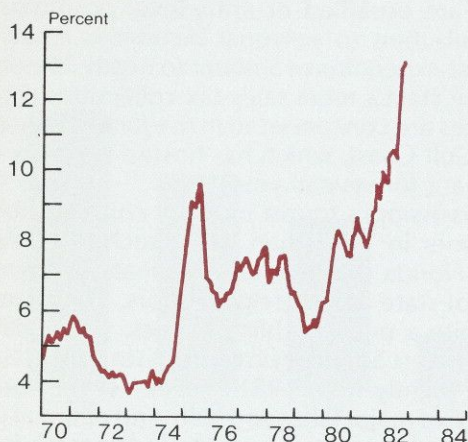
The outlook for Mississippi's tourist industry appears promising, although significant improvement isn't likely until 1984. Industry representatives are optimistic about the upcoming New Orleans World's Fair. An economic impact study estimates that the 1984 exposition will bring more than a million new visitors to (or through) Mississippi and will generate more than \$120 million in tourist expenditures.

Labor Force

The Census Bureau's latest survey (July 1, 1981) estimated Mississippi's population to be 2,531,000. Between April, 1980 and July, 1981, the population grew only 0.4 percent, a decided decline from the annual average rate of 1.4 percent during the 1970s. Employment of the state's labor force of slightly over one million declined during 1982, despite a slight rise during the spring. Unemployment grew rapidly to reach 12.7 percent of the labor force in November (Chart 3), second only to Alabama in the District and well above the nation's rate of 10.8 percent.

Of the three standard metropolitan statistical areas in Mississippi, Pascagoula-Moss Point suffered the highest unemployment rate (15.5 percent in November). Jackson had the lowest rate

Chart 3. Mississippi Unemployment Rate



(8.3 percent in November), with the help of government employment that helped stabilize its labor market.

Mississippi's three largest nonmanufacturing employment sectors are government (22.8 percent), trade (19.9 percent), and services (14.7 percent). Government accounts for a larger proportion of jobs in Mississippi than in the United States, while services and trade account for a smaller share than in the nation. This distribution bodes ill for the state's employment since government employment appears to be waning, while trade and services promise to be primary sources of job growth.

Moreover, even these "growth" sectors are faring worse in Mississippi than in the District or the nation. Of the six nonmanufacturing sectors, four—transportation, communication, and public utilities; trade; finance, insurance, and real estate; and services—held steady or declined less than 1.5 percent over the previous year. Government employment decreased by 2-4 percent, and construction employment dropped more than 10 percent during the summer.

In a recent survey of large southeastern employers, most Mississippi respondents were pessimistic about the outlook for employment in the months ahead. Responses were almost evenly divided between those who expected no change and those who expected further layoffs.

Finance

Growth in commercial bank deposits in Mississippi has been only average, increasing at an annual rate of 11 percent to \$10.5 billion during the first 11 months of 1982. Vigorous growth in bank deposits is unlikely until economic conditions improve. Loans have grown at an 8 percent rate for the same time period, reaching \$6.6 billion. This represents substantially higher growth than in recent years. In 1979-80, for instance, the growth rate was a mere 2 percent. A loan-deposit ratio of 63 percent leaves room for a further increase in loan activity, and the prospect of lower interest rates and a stronger economy in 1983 should increase loan demand. In addition, the cost of funds to financial institutions should be lower than in 1982, although the new deregulated accounts will certainly limit the gains in this area. Profits are likely to improve for most lenders, although loan delinquencies probably will remain above normal for much of the year.

Income

Total personal income in Mississippi grew by 6.5 percent in the fiscal year ending last June, compared to 13.5 percent a year earlier. Weak income growth reflects the sensitivity of Mississippi's economy to the recession, particularly the key lumber, wood products, and manufacturing industries. The economic weakness is also reflected in retail activity. November's sales tax collections, a proxy for retail sales, trailed 2.3 percent behind November 1981.

On balance, the outlook for personal income and retail sales growth in Mississippi in 1983 is dimmer than for some other states in the Southeast and the nation. As the national economy improves, Mississippi's economy will also begin to recover, but apparently at a slower pace.

Energy

Though a source of economic strength in the short run, Mississippi's energy resources may represent a problem for the future. During the last two decades energy consumption in the state grew five times faster than the state's population. Increasing energy demand was built largely around two resources, oil and natural gas. In recent years nearly half the state's energy (48 percent) was supplied by petroleum while gas met 33 percent of demand. Coal, a resource

plentiful in the United States, composes only 9 percent of the state's energy needs.

The sharp rise in cost of both oil and natural gas has already impacted utility rates. The potential for future cost increases together with the dependency on the two fuels bodes ill for utilities and consumers. One power company is ambitiously diversifying to add coal and nuclear power to its future generation capacity. The economic feasibility of such changes may be in doubt, however, because of falling electricity sales, excess plant capacity, and financial constraints.

The future role of oil and natural gas in the state's economy remains clouded. The higher prices of the late 1970s did spur oil exploration. In 1981, oil companies drilled 758 wells—54 percent of those in areas known to be productive. Sixty-four percent of all wells drilled, however, turned out to be unproductive or "dry holes," illustrating the costliness of exploration. Of the wells that proved productive, nearly two-thirds were oil rather than gas wells.

During the last two years, Mississippians have benefitted from strong drilling activity that spurred business employment and tax revenues throughout the state. In 1982 an average of 11,600 people were involved in the extraction of oil and gas in the state, a net increase of 3,600 new jobs

created by this sector since 1979. In addition, severance tax collections accounted for one-tenth of the state's tax revenues generated in fiscal 1982, a 34 percent increase from the previous year.

Just the same, the oil and gas industry fell upon hard times in 1982. Crude oil and natural gas production declined during the first ten months of the year by 5.2 and 5.7 percent, respectively, from 1981 levels. Growth in severance tax revenues slowed dramatically in the latter months, climbing only 3 percent during the July-December period. A potential increase in the severance tax has dampened enthusiasm for new drilling. Prospective tax increases and lower oil prices have reduced the number of active rigs in operation in Mississippi to approximately half the number reported in November 1981.

The prospects for 1983 remain mixed. While an economic recovery should spur demand for energy resources, growth is likely to be only moderate and gradual as well. The negative factors may be sufficiently strong, however, to keep the industry in the doldrums. The possibility for decontrol of shallow gas prices, the uncertainty surrounding oil prices, and industry concerns about the future tax burden are likely to prevent a robust turnaround in energy production.

ECONOMIC CONDITIONS IN MISSISSIPPI BY REGIONS

Northeast Mississippi

The economy of the northeast region is based on a diversity of manufacturing activity, government employment and agriculture. The Tupelo area is so well diversified in types of industry that it closely mirrors the nation. The area's unemployment is near the nation's rate of 10.8 and significantly below Mississippi's 12.7 percent rate.

Major industries in the area manufacture electric motors, compressors, industrial conveyor belts and clothing, including blue jeans and military uniforms. The economic decline has affected most industrial activity, but apparel manufacturers have fared better than other types of industry. The construction of a nuclear powered electricity generating plant has provided employment for about 2,000. Work on the Tennessee-Tombigbee Waterway has been a stimulus to the area, but construction is winding down as the project nears completion.

The Columbus area depends heavily on Columbus Air Force Base, with its annual payroll of \$50 million, and two nearby educational institutions. These government-supported facilities have added stability to the area despite the recession. Area manufacturers of furniture, tires, wall and floor coverings, bathroom equipment, and electrical gear have all experienced decided downturns in business and resulting layoffs. One bright spot has been a plant manufacturing disposable hospital fabrics that has continued to operate at full capacity right through the recession.

The region's agriculture is primarily soybean production. Yields are low compared with other regions of

the state, and low prices have severely depressed incomes for the farm sector.

Prospects for recovery hinge largely on a rebound in construction, automobile manufacturing and agriculture. The industrial recovery is expected to begin by mid-1983, but is likely to be rather slow. Agricultural conditions may not brighten significantly until demand for farm products strengthens in 1984.

Northwest Mississippi

Agricultural activity dominates the economy of the fertile Mississippi River Delta region along the northwest side of the state. Cotton, soybeans, and wheat, the major farm crops, have experienced weak demand for the abundant supplies produced in 1982. Many farmers carry heavy debts from the past 10 years.

Bankruptcies and farm business failures are already numerous and may increase. Likewise, many nonfarm businesses servicing farm-related activity have failed and others are struggling to survive. Products manufactured in the Clarksdale and Greenwood areas—including vehicle tires, conveyor rollers for heavy industry, door openers, automobile parts, blue jeans, picture frames, and pianos—have been seriously affected by the downturn. A distribution center for automobile parts and a wholesale hardware business have helped keep the region afloat.

Some cotton farmers suffered an additional blow at the end of 1982 when a merchant to whom they had contracted to sell their crops suffered bankruptcy. Checks received in payment for delivered cotton

bounced and the cotton was held by the merchant's creditor as security for loans. Additional farm failures were expected to result from farmers' apparent losses as the year ended.

Southwest Mississippi

The U.S. Army Corps of Engineers is a mainstay for the economy of southwest Mississippi and especially for the Vicksburg area where 9,000 employees are located. Although the Corps reduced some operations in connection with national budgetary cutbacks, its activity was a major source of strength for the Vicksburg area during 1982. Agriculture also remains an important component of the Vicksburg trade area, and, just as elsewhere in the state, farmers are experiencing grave hardship. Families that have been solid components of the farming community for two and three generations are reported to be suffering financially. A few investors have been able to purchase excellent land at bargain prices because of the scarcity of potential buyers for land forced onto the market.

The Natchez area has a more diversified economy than the Vicksburg area. Paper manufacturing, oil drilling and tire manufacturing are important local business activities. A plant specializing in radial truck tires is reported to be doing well through the recession. While oil drilling dropped into a severe slump early in the year and several new entrants failed, renewed activity in deep well drilling was noted in the closing weeks of 1982.

Recession seemed to hit the pulpwood industry surrounding Natchez in late spring. Conditions are expected to gradually worsen early in 1983 since recovery in pulpwood demand is expected to lag well behind recovery in other segments of the economy.

A nuclear generating plant under construction north of Natchez has been stimulating economic activity and has increased activity at Natchez's river port. A

warehouse company is constructing a port facility expected to serve as a central distribution point for all nuclear energy facilities in the region.

Southeast Mississippi

Academic institutions, a large medical facility, as well as ship manufacturing and tourism along the coast are major contributors to southeast Mississippi's economic activity. All of these lent a stabilizing influence during 1982. In addition, new paper mills under construction are expected to employ up to 2,000 workers by midsummer. As a result, the recession showed little evidence in the Hattiesburg area until last fall. A plant manufacturing turpentine and explosives recently laid off 30 percent of its work force, and the construction industry has also idled many workers.

The Laurel area, heavily dependent upon oil and gas exploration, has been severely depressed since the second quarter of 1982. Lumber and other building materials industries have also been in the doldrums because of construction inactivity.

A pickup is anticipated with renewed oil and gas exploration, which was showing signs of recovery in some areas late in 1982. The housing industry is also anticipated to improve and enliven lumber manufacturing when interest rates reach lower levels. Mortgage rates had dropped little in southeast Mississippi by December. Car sales were beginning to pick up at year-end in response to heavy promotional activity of dealers.

On the whole, the economy of southeast Mississippi is expected to begin showing recovery by spring. New construction should lead the way but increasing oil and gas activity and a bulge in consumer spending for cars, furniture, appliances and clothes should provide noticeable strength to the local economy by the second half of 1983.

—Gene D. Sullivan
and W. Gene Wilson

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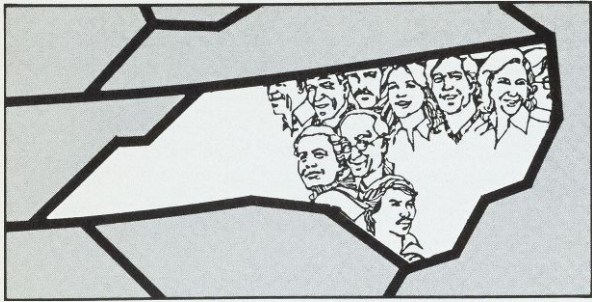
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North Carolina: Diversification Slowed by Recession

Efforts to diversify the state's industrial base and promote export markets are beginning to pay off. As the recovery takes hold, North Carolina should solidly outperform the nation.

A decade long period of steady change in North Carolina's industrial mix has been slowed by the longest recession since World War II. Cautious optimism about an impending upturn has done little to sustain industrial investment or to utilize new and upgraded production capacity in key industrial sectors. Rapid increases in output and employment are expected in the traditional consumer goods industries and in recently developing producer goods industries once the anxiously awaited recovery begins.

Immediate Prospects

The prospects for an upturn in 1983 look mildly encouraging. No one believes North Carolina will turn the corner on its own, without a national economic recovery, because of the current recession's extreme depth. During the early phase of the national recovery, North Carolina's economy will do no better than the U.S. average. Later in this year, however, the state should solidly outperform the nation regardless of the national recovery's relative strength. The above-average growth rate should be built on the strength of state consumer expenditures, on a revival of the housing industry nationally with attendant demand for home furnishings whose production remains concentrated in the state, and on orders for durable goods in machinery and electronics.

Near-Term and Future Trends

Several development policies begun in the late 1970s or early 1980s are expected to bear fruit in the near-term and could accelerate depending on the pace and breadth of the expected recovery. Many experts believe efforts to stimulate exports will find foreign markets for 95 percent of the commodities produced or manufactured within the state. Intensified efforts by the North Carolina Department of Commerce and new opportunities afforded by the Export Trading Act of 1982 to promote the formation of efficient export companies hold considerable long-term promise once the recovery improves international markets. In the meantime, Foreign Trade Zones continue to be formed in the state's metropolitan areas to take advantage of customs-free fabrication or processing in many of the new growth industries.

A recovery seems certain to continue the state's economic transformation. Industrial investments will shift steadily away from past reliance on cheap raw inputs such as low-skill labor and undeveloped plant sites. Conscious state policies to recruit capital-intensive, high-technology, above-average wage industries should yield a well-diversified mixture of industries. The overall economy will be strengthened against subsequent business cycles as its traditional industrial base is both upgraded and complemented by emerging industries with different product cycles and rates of growth and technological innovation.

Effective diversification hinges on rapidly developing support industries such as finance, business services, printing, utilities and transportation, particularly air and trucking. The strength and sophistication of the support industries is expected to grow with corporate research and development facilities in the top metropolitan areas. Research Triangle Park in the Raleigh-Durham area is the state's focal point at present for research and development. The state's long-term investment in its highly regarded university and community college systems should start paying off as North Carolina expands its support for microelectronics, bio-engineering, and other scientifically based innovations to meet the requirements of emerging industries. Finally, the future of the state's economy will be determined by recent policies initiated to encourage public and private investments in both urban and rural communities. The planned development of efficient production centers and high-quality living environments probably is indispensable if the economy's long-term diversification is to be realized.

Current Developments

Much of the state's manufacturing is tied to the homebuilding and automobile industries. Furniture, textiles, furnishings and related producer-goods manufacturers are tied in to construction; specialized textiles and suppliers of rubber and plastics or other motor vehicle supply firms depend upon sales to automobile manufacturers. Since both auto sales and housing starts are extremely dependent on interest rates and consumer confidence, state industries will be counting heavily on declining interest rates to stimulate demand.

However, textile and furniture manufacturers also have taken the initiative to export more to foreign markets. Productivity improvements have helped lower prices in both industries to a range which, when combined with international preferences for American household and fashion goods, should pay off in greater exports and reduced dependence on domestic industries. Computerized control of efficient new production equipment, combined with worker retraining, has increased productivity of the textile industry at a 4 percent annual rate in recent years. Direct exports from North Carolina manufacturers have doubled 1976's \$420 million total, and exports exceeding \$1 billion per year are within sight.

North Carolina furniture manufacturers lead the nation in industrial production, although the companies have only begun to tap export markets through the Tailored Export Market Plan (TEMP) operated by the U.S. Department of Commerce.

North Carolina currently grows two-thirds of flue-cured and four-tenths of all U.S. tobacco, of which \$2.5 billion worth is exported annually. Despite a favorable five-to-one ratio of exports to imports, the market share of flue-cured production on world markets dropped from 60 percent in the late 1950s to 29 percent in 1980. Many observers claim that the support price is set by factors responsible for the price of U.S. leaf being twice that of foreign producers, with the consequent loss of North Carolina's share of the market. The price and demand effects of recently enacted tax increases, allotment reductions, and direct export privileges are unclear but are likely to change the industry's cost structure. Since 270,000 North Carolinians farm tobacco in 91 of the state's 100 counties, and another 25,000 are employed at an average wage of \$9.21/hour manufacturing tobacco products, the state's economy clearly will be affected by any important changes in the industry.

The state administration's aggressive recruiting of high-technology industries centers on the microelectronics industry. Within the last several years, a number of national firms, including General Electric, have announced major investments in research facilities and production plants in the state. Much of this investment is located in the Research Triangle area, where the state is constructing the Microelectronics Center of North Carolina (MCNC). This 80,000 square feet, \$24 million facility will concentrate on leading-edge research into the design, fabrication, testing and applications of integrated circuits and semiconductor materials. This research will be conducted collaboratively by industry scientists and faculty and graduate students from the three major universities in the area.

State officials and industry executives anticipate that the opening of the MCNC and the selection of the Research Triangle Park as the location of the Semiconductor Research Cooperative, formed under the auspices of the Semiconductor Industry Association, will further enhance the state's attractiveness to other high-tech industries, including pharmaceuticals and bio-technology.

Table 1. Population, Employment, and Per Capita Income Change in North Carolina 1970-1980

	Population			Employment		
	('000s)		Percent	('000s)		Percent
	1970	1980	Change	1970	1980	Change
United States	203,302.0	226,505.0	11.4	70,880.0	90,406.0	27.5
North Carolina	5,099.2	5,888.2	15.5	1,748.9	2,331.0	33.3
Metropolitan Counties	2,670.6	3,105.0	16.3	898.1	1,394.3	55.2
Non-Metropolitan Counties	2,428.6	2,783.2	14.6	850.7	936.7	10.1

Source: Regional Economic Information System, Bureau of Economic Analysis, North Carolina Economic Security Commission, U.S. Department of Labor - Bureau of Labor Statistics.

The state's financial sector has been following several trends characterizing the industry nationally, but has several wrinkles of its own.

North Carolina has felt the trend toward increasing concentration in the banking industry. The number of banking institutions in the state has declined from 98 to 70 within the past 12 years, but branches have increased from 1,116 to 1,763 while total assets have increased from \$8.5 million to \$29.1 million in the same period. Much of the increased concentration resulted from extensive mergers and acquisitions. In 1982, three of North Carolina's banks were ranked by **Fortune** magazine among the nation's 50 largest (in part, because state law permits statewide banking). Smaller banks have expressed some concern about the increasing concentration and the emergence of financial supermarkets in an age of increasing industry deregulation.

The trend toward deregulation nationally is already manifest in North Carolina in the arena of interstate banking. North Carolina's largest bank, Charlotte-based North Carolina National Bank (NCNB), is one of the few in the nation that actually owns and operates full-service banks across state lines, having purchased two Florida banks last year. Presently, North Carolina laws do not limit interstate banking. State financial leaders, as well as the Southern Growth Policies Board, believe it is only a matter of time before legislatures in several seaboard states from Virginia to Florida authorize reciprocal interstate banking. Several other large North Carolina banks may follow NCNB's lead then

and move aggressively into other southeastern markets.

A Decade's Growth

North Carolina's population grew by 15.5 percent during the 1970s, a few percentage points over the U.S. growth rate but still short of the 22 percent gains posted among all southeastern states. The average growth rate was rather evenly shared by the state's 100 counties, although the Raleigh-Durham and Wilmington metropolitan areas grew at nearly twice North Carolina's overall rate and some rural areas grew even more rapidly. Employment growth increased twice as fast as the population during the decade, as a greater proportion of the population fell between the ages of 16 and 65, and more working women swelled work force entrants necessary to fill new job openings. Employment growth was not as equally shared by metropolitan and non-metropolitan counties; SMSAs benefited considerably more by decade's end as the state gradually became more urbanized.

As higher proportions of the population entered the work force, per capita personal incomes rose from \$3,220 in 1970 to \$7,832 in 1980. Per capita incomes increased even more rapidly (by 149 percent) in non-metropolitan areas (see Table 1). However, by decade's end, the per capita income of North Carolinians had remained a constant 82 percent of the U.S. figure. The growth of industrial employment and wage rates in non-metropolitan areas helped

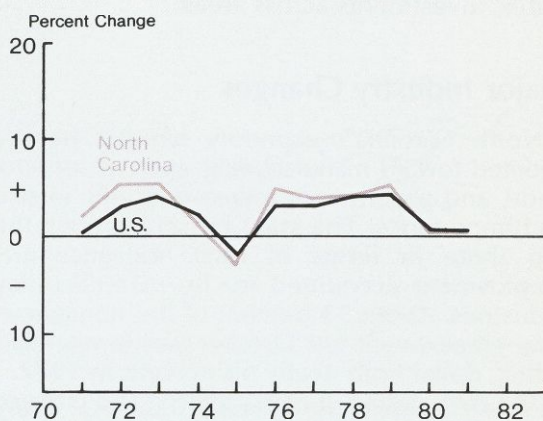
Per Capita Income (dollars)			Region as a Percent of U.S. Per Capita Income		
1970	1980	Percent Change	1970	1980	Change
3,893	9,530	144.8	N/A	N/A	N/A
3,220	7,832	143.2	82	82	0.0
3,633	8,671	138.7	92	91	-1.0
2,766	6,896	149.3	70	73	3.0

boost their per capita incomes to 73 percent of U.S. levels, while metropolitan incomes fell one point to 91 percent. The stability of lower-than-average incomes is partially responsible for the extraordinary increase in job growth during the 1970s.

These employment changes have been anything but smooth during the 1970s and early 1980s. Troughs and peaks of three distinct national business cycles have shaken the state's economy. Nonagricultural employment plunged more rapidly for the state than the nation in the 1974-75 recession, although the state had rebounded strongly from the shallow 1971 recession (Chart 1). Subsequent rates of recovery from the 1974-75 downturn were stronger during the following two years for North Carolina, after which they began to converge with the general pattern of U.S. employment changes.

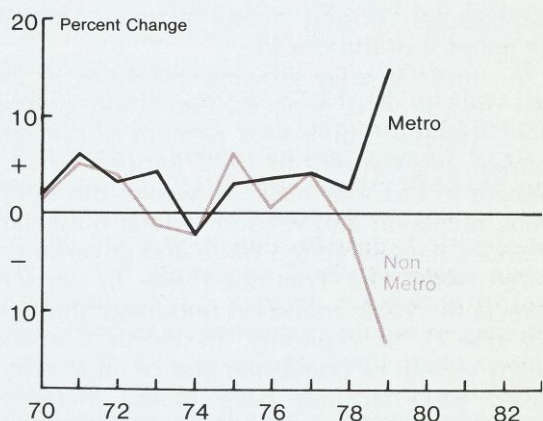
The uniformity of employment changes across the state is significant because of its widely dispersed pattern of industry. Unlike many states, North Carolina's industrial development has not concentrated in a few centers but is split almost evenly between metropolitan and non-metropolitan areas. Employment is dispersed less evenly across the coastal, piedmont, and mountain regions. Coastal and mountain regions enjoyed faster annual employment growth than the piedmont prior to the 1974-75 recession, during and after which the mountain region experienced above-average employment swings. The last half of the decade witnessed a convergence of cyclical swings among the three regions.

Chart 1. Nonagricultural Employment



Source: North Carolina Employment Security Commission.

Chart 2. North Carolina Metro and Non Metro Employment (by Residence)



The most remarkable employment changes involved the division between metropolitan and non-metropolitan areas (Chart 2). Metropolitan and non-metropolitan employment experienced roughly parallel swings in employment of comparable magnitude from 1970 until 1978. In the following two years (the onset of the current recession), the two trends diverged sharply: employment grew rapidly in metropolitan areas and dropped sharply in non-metropolitan areas. The state adopted a

Balanced Growth Policy in 1980 to help dampen these swings and to rationalize private and public investments across areas.

Major Industry Changes

North Carolina's economy remains heavily oriented toward manufacturing even as services, trade, and government increase rapidly in size and importance. The state remains among the top three in terms of total nonagricultural employment accounted for by manufacturing industries. About 33 percent of the nonagricultural employment last October was in manufacturing, down from nearly 40 percent in 1972.

The composition of manufacturing also changed as manufacturers of traditional nondurable goods slipped from 69 percent to 62.8 percent of all manufacturing employees in October. These changes in manufacturing employment clearly date from major shifts that began after the 1974-75 recession. Nondurable goods manufacturers never fully recovered their previous levels of employment, while durable goods manufacturers posted steady increases through the balance of the decade.

The most steadily growing industries in the past decade were services, trade, and government. Together, their 44.8 percent of nonagricultural employment in 1972 jumped to 53.3 percent in October 1982. However, the deepening recession and revised federal budgetary priorities have inhibited trade and government since 1980. The continued rise in services reflects the basic transition underway throughout the U. S. economy. In North Carolina, steady growth of population and of information-based R&D facilities have fueled increased consumer and business services employment. Construction employment fluctuated with broad movements in interest rates and with business cycles throughout the decade but remained stable on the whole. Mid-decade downturns in transportation, communications, and utilities prompted successive rounds of adjustments to increases in basic fuel costs, particularly in the state's large trucking industry. Stable employment in FIRE (finance, insurance and real estate) throughout the decade disguised the changes in this sector: the burgeoning growth of the state's financial industry has been offset totally by more rapid changes in office automation and white-collar productivity.

Key Industries in Flux

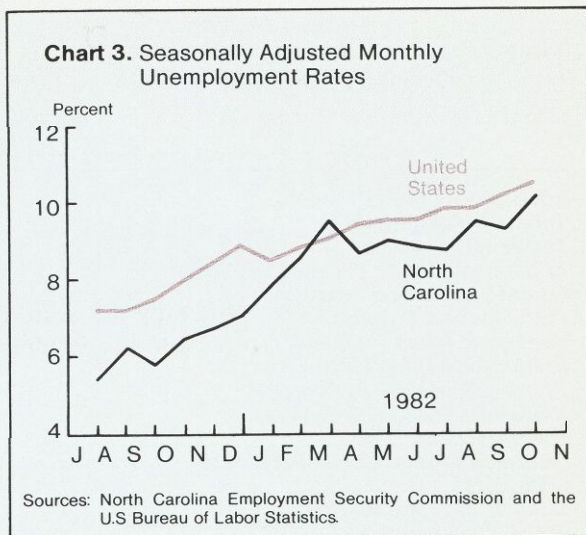
The big story in North Carolina's industrial diversification concerns the changing mix of its traditional and emerging industries. North Carolina has long been characterized by traditional, slow-growing industries such as textiles, apparel, furniture, tobacco, and food, but other industrial sectors have come to play an increasingly prominent role. While the familiar factors associated with favorable "business climate" conditions helped build North Carolina's traditional industrial base, many business and government leaders became convinced by the wrenching 1974-75 recession that the economy required greater diversification. Long-term employment trends suggested that the state's manufacturing employment relied too heavily on stable (apparel, furniture, food, and tobacco) or declining (textiles) industries. Efforts to reverse this situation included the aggressive development of industries that offered high-wage, capital-intensive or technologically innovative employment. The state has enjoyed some success in expanding employment in the electrical and nonelectrical machinery, fabricated metals, chemical and transportation equipment industries. These emerging industries accounted for about 7.7 percent of all nonagricultural employment in 1981, up about 0.8 percentage points from the same post-1974-75 recession period in which traditional manufacturing industries lost about 3.1 percentage points.

Shifts in employment levels by themselves are not enough to predict future trends. Investment by industry sector reveals the rate at which production capacity or productivity potential are being added. Extremely low investment rates characterized traditional industries until 1976; relatively higher rates were registered for emerging industries through that year, although the absolute amounts were comparable. Post-1976 investments departed dramatically from these earlier trendlines. Although apparel and furniture investments increased less dramatically, nearly every other traditional and emerging industry showed steady or spectacular gains in investment. Tobacco and brewing broke ground for new facilities in 1978, and the textile industry intensified efforts to modernize and consolidate production in fewer, more productive plants that have placed some of the state's traditional industries on more solid footing.

During 1982, the largest industrial investment occurred in the textile industry—nearly \$200 million, over 20 percent of total industrial investment in the state. The majority of this investment was devoted to automating existing plants during a time when both product demand and employment had been significantly reduced. Other sectors with large investments during the past year were paper, chemicals, nonelectrical machinery, and electrical machinery. Of these, new investment was larger than expansion investment only in chemicals and electrical machinery (see Table 2).

Recent Performance of the North Carolina Economy

The state's economy has suffered in the current recession, but the distress has been



uneven among economic sectors and geographic regions.

Nonagricultural employment dropped 2.7 percent from July 1981 to October 1982, compared to 2.2 percent for the U. S. In manufacturing, where the recession has focused at the national level, employment declined in North Carolina by 7.8 percent from July 1981 to October 1982, considerably better than the 9.9 percent for the U. S. The unemployment rate in North Carolina climbed from 5.7 to 10.1 percent from July 1981 to October 1982 but still was below the U. S. unemployment rate of 10.4 percent. Such economic indicators show that early in the recession North Carolina fared better than the U. S. average, but during the last half of 1982 its performance deteriorated rapidly to resemble the national economy more closely (Chart 3). From July 1981 to last October, average weekly initial claims for unemployment increased 141 percent and average weekly hours worked decreased by 1.4 percent. Retail sales dropped 0.5 percent, and new business incorporations fell 9.6 percent. However, new housing permits increased 1.3 percent and new car registrations 3.8 percent, evidently buoyed by declining interest rates.

Among major sectors of the state economy, manufacturing and construction suffered the most between October 1981 and October 1982. Employment in construction fell by 10.7 percent, compared to 5.6 percent nationally, while employment in manufacturing fell 6.2 percent compared to 8.7 percent nationally.

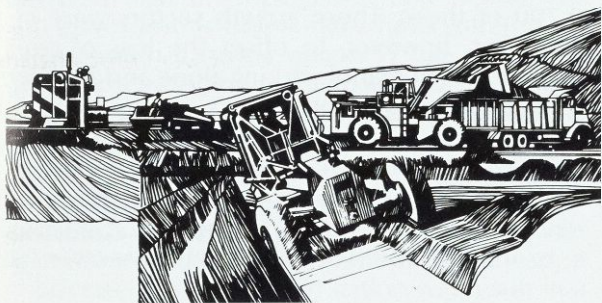


Table 2. New and Expanded Industries by Type
January 1 - September 30, 1982

	Number		Investment (\$000)		Employees	
	New	Expansions	New	Expansions	New	Expansions
Food and Kindred Products	6	32	6,860	17,638	185	560
Tobacco Manufacturers	—	7	—	15,762	—	1,280
Textile Mill Products	11	65	51,235	145,991	611	1,456
Apparel and Other Finished Products	11	29	4,585	11,729	630	655
Lumber and Wood Products	1	36	65	9,428	5	241
Furniture and Fixtures	8	26	5,420	15,474	280	457
Paper and Allied Products	2	17	1,125	111,747	19	259
Printing and Publishing	7	27	25,150	16,754	514	109
Chemicals and Allied Products	7	18	67,730	39,876	633	121
Petroleum Refining & Related Industries	—	—	—	—	—	—
Rubber & Miscellaneous Plastics Products	4	12	19,075	4,722	302	56
Leather and Leather Products	—	3	—	853	—	220
Stone, Clay, Glass and Concrete Products	5	16	8,774	15,343	114	55
Primary Metal Industries	3	12	9,062	10,403	195	232
Fabricated Metal Products	8	23	23,656	19,334	470	320
Machinery, Except Electrical	18	35	39,905	58,619	913	3,151
Electrical and Electronic Machinery	8	14	55,575	30,343	1,687	356
Transportation Equipment	6	10	14,850	8,051	328	671
Measuring, Analyzing & Controlling Instruments	2	1	28,450	1,250	570	82
Miscellaneous Manufacturing Industries	3	4	500	2,670	95	—
Totals	110	387	362,017	535,987	7,551	10,281
	497		898,004		17,832	

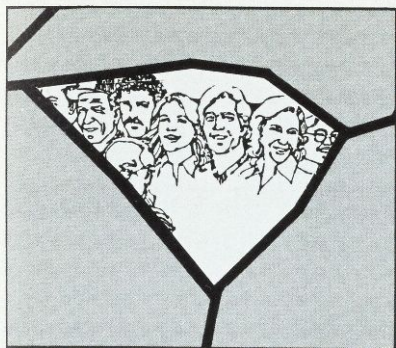
Source: North Carolina Department of Commerce.

Both durable and nondurable manufacturing shared in the state's loss of jobs: a decline of 7.7 percent for the durable goods sectors and 5.3 percent for nondurable goods. The textile industry was hit particularly hard with a loss of 17,100 jobs (down 7.1 percent) during the year. While a significant amount of this drop is cyclical in nature, much will become permanent as the industry continues to invest heavily in automation to compete more effectively with foreign producers. Other North Carolina manufacturing employers highly sensitive to the national recession have been electrical machinery (which lost 12.8 percent) and chemicals

(down 10.6 percent). These industries' employment losses are noteworthy because both are targets of an aggressive state policy to recruit high-technology industrial activity.

Services, finance, and government continued to grow despite the recession. These three sectors added 11,900 new jobs to the state's economy during the year, with services accounting for 9,700 of these. These growth sectors were insufficient, however, to offset the loss of over 50,000 jobs in manufacturing alone and another 12,200 in construction.

—Edward Bergman
and Harvey Goldstein
University of North Carolina-Chapel Hill



South Carolina: In Transition, But to What?

South Carolina's economy has been in the doldrums since late 1979. The state is actively diversifying its industries, but continued dependence on consumer-oriented manufactured products may slow South Carolina's recovery.

Outsiders often see South Carolina as a typical Sunbelt state—a robust economy immune to the ravages of the current recession, a favorable business climate, and an ability to lure industry from outside the state. While some of these perceptions are accurate, others are overstated. For example, South Carolina has been able to attract numerous manufacturing facilities of firms headquartered elsewhere. The state is usually ranked near the top in surveys of business climate and factors important in the plant site selection process.

However, the structure of the South Carolina economy is probably more similar to those of Frostbelt states than to others in the Sunbelt. South Carolina is still highly dependent upon one industry, textiles, for a large share of its employment and personal income, similar to the one-industry dependence seen in several mid-western states. As a result, South Carolina has suffered high unemployment and permanent job losses just as those states have suffered.

The South Carolina economy has reached a significant transition point. In an effort to reduce its dependence upon one industry, the state is attempting to diversify its employment base to include "the three t's"—textiles, tourism, and technology. The state's long term development prospects depend on its success in making that transition. In the period immediately ahead, a moderate recovery in the nation will result in a

more moderate than usual recovery in South Carolina. That is because of South Carolina's dependence on national markets for the state's consumer-oriented manufactured products.

An Overview of the Current Recession

The South Carolina economy has experienced significant short-run problems in the national recession which began in mid-1981. In fact, a strong case can be made that the current recession in South Carolina began at the end of 1979.

The evidence of a long-term recession is compelling. For example, the state's unemployment rate stood at a low 4.8 percent in the second quarter of 1979. Since then, it has trended upwards to what may have been a peak of 11.2 percent in the second quarter of 1982 (Table 1). Other key indicators that peaked in 1979 include housing starts, textile employment, total manufacturing employment, and perhaps the best indicator of the state's economy, real per capita income.

Furthermore, real retail sales have declined an average of 3.2 percent for the years 1980-1982. However, other traditional indicators, such as nonfarm employment and personal income, did not peak until the second and third quarters of 1981, respectively.

A comparison of the current recession in South Carolina with 1973-1975 is also revealing. The

Table 1. The South Carolina Business Cycle

Series	1973-1975					1979-Present				
	Peak		Trough		% Chg.	Peak		Trough		% Chg.
	Date	Value	Date	Value		Date	Value	Date	Value	
Total Nonfarm Employment ¹	74:3	1,028.9	75:1	952.3	-7.4	81:2	1,027.5	82:1	1,176.2	-2.6
Manufacturing Employment ¹	73:4	382.1	75:1	323.0	-15.5	79:4	401.9	82:2	362.7	-9.8
Textile Employment ^{1,2}	73:4	160.0	75:1	128.0	-20.0	79:2	143.0	82:2	121.2	-15.2
Unemployment Rate	73:4	4.0	75:1	10.0	N/A	79:2	4.8	82:2	11.2	N/A
Real Total Personal Income ³	74:3	10,691.6	75:2	10,398.7	-2.7	81:3	13,086.6	82:1	12,835.5	-1.9
Real Per Capita Income ⁴	74:1	3,776.6	75:1	3,513.7	-7.0	79:4	4,129.3	82:1	4,024.6	-2.5
Real Retail Sales ³	73:2	7,627.2	75:1	6,534.4	-14.3	79:2	9,073.6	82:1	7,382.4	-18.6
Housing Starts ⁵	72:2	30,936.0	74:4	10,968.0	-64.5	79:2	31,128.0	81:4	12,244.0	-60.7

¹In thousands of workers.²SIC 22 only.³In millions of dollars, annual rate.⁴In dollars.⁵Number, annual rate.

earlier recession was shorter in South Carolina, but more severe. For example, in the mid-1970s recession, most economic indicators peaked at the end of 1973 or in early 1974, while recovery began in the second quarter of 1975. Thus, that recession lasted about 5 quarters; in contrast, the current recession has persisted for 10 or 11 quarters. One effect of the relative length of the current recession is that retail trade is somewhat worse off than in the earlier recession.

Yet the prior recession resulted in significantly greater economic losses. Total nonfarm employment fell 7.4 percent, or nearly 80,000 jobs in only a half year. In the current recession, the job loss has been 2.6 percent, which represents slightly more than 30,000 lost jobs. Losses in manufacturing employment also were substantially steeper at 15.5 percent, while in the 1979-82 recession, those jobs dropped 9.8 percent. Of particular interest is textile mill products, where employment declined by 20 percent in the last recession but "only" 15.2 percent in the current period. However, the latter decline results in part from a smaller base and reflects the declining share of textile employment in South Carolina.

The severity of the 1973-1975 period is also reflected by real per capita income, which plunged

7 percent in a year compared to the current 2.5 percent decline. Net migration to South Carolina was at a relatively high level in the 1970s and has lessened in recent years. Accordingly, population growth has declined somewhat more than income.

The South Carolina economy has probably undergone some permanent change as a result of the moderate decline in economic activity since 1979. The duration of weakness has cost numerous jobs due to plant closures. In the short run, it has wreaked havoc on state budgetary planning since state revenues are determined largely by growth in personal income and retail sales.

The South Carolina economy traditionally has lagged national downturns, but this recession may reverse the usual experience. The good news is that the state's economy may have troughed in June. For example, nonfarm employment has risen for four consecutive months, and the unemployment rate has declined slightly from its June peak. Furthermore, the state's composite index of coincident indicators troughed in June, and by October it had increased in three of four months. Thus, South Carolina was not only in the forefront of the recession, but it may also precede the national recovery.

South Carolina's economy is in transition both cyclically and structurally. The structural change is directly related to trends in the manufacturing sector, and it will strongly influence the strength of any recovery.

Manufacturing and the South Carolina Economy

South Carolina's manufacturing sector is particularly important from both cyclical and long-run perspectives. As in most areas of the country, manufacturing employment bears the brunt of any cyclical downturn. However, in the longer run, growth in the manufacturing sector is crucial to South Carolina, which ranks extremely low among most national economic statistics. The state's economy historically has been dominated by the low-paying textile industry, but its role has been diminishing at an increasing rate. The key issue facing South Carolina is whether diversification can compensate for continuing job losses in the textile industry.

In 1970, employment in textile mill products numbered 148,800 workers, or 17.7 percent of total nonfarm employment. Employment peaked in 1973 at 160,000 workers. Yet, by the trough of the recession in 1975, employment had fallen to 128,000. Although there was a rebound in the following year, employment in textile mill products has declined each year since 1976. From the 1973 peak, employment in textile mill products has declined to 121,200. Moreover, the 17.7 percent peak share had fallen to only 10.3 percent by 1982.

There are two primary reasons for this decline. First are the inroads imports have made in the domestic market. Developing countries in Latin America and the Far East have encouraged textile production. Since the U. S. market was relatively unencumbered by restrictions, imports' market share rose dramatically during the 1970s and has continued to rise despite the implementation of some quotas.

The second factor is related to investment decisions made by domestic textile producers. In an effort to compete with imports, textile firms have closed obsolete plants, many well over 50 years old, and have invested heavily to modernize newer plants. However, the domestic market is growing by only 1 percent per year on a long-term basis, and investment has tended to be labor-saving.

Although the textile industry is still dominant in South Carolina, it is likely to continue to shrink. Textile firms that have modernized and increased efficiency, however, will remain viable and are likely to be more profitable in the future.

Excluding the textile sector, manufacturing has maintained a relatively strong position in South Carolina, and the durables have performed quite well. Employment in durable goods production in 1970 was 84,100, representing 10 percent of nonfarm employment. Before the recession began in 1979, there were 122,200 jobs, a gain of 45 percent, and the share of total employment was 10.4 percent. (Table 2). The primary growth sectors include fabricated metals, nonelectrical machinery, and electrical equipment, which together recorded a net increase of 26,000 jobs from 1970-1982. Since these sectors are relatively capital intensive, their contribution to state personal income has increased over the past 12 years. In this period, nominal personal income rose 251.3 percent, but earnings in durable goods jumped 278.4 percent. Accordingly, durables' share of personal income increased from 7.5 percent in 1970 to 8.5 percent in 1980.

A different situation arises in nondurable goods, attributable to the textile industry. Before the recession in 1979, nondurable goods employment rose by roughly 21,000 jobs from 1970, but the share of total nonfarm employment declined from 30.4 percent to 23.6 percent. However, the current recession has caused a severe reduction. Clearly, the recession has exacerbated the shake-out in the textile industry.

Excluding 1982, one surprising finding is that nondurable goods' share of total personal income has not fallen proportionately to reductions in employment. The share was 21 percent in 1970 and 17.8 percent in 1980. This results from a change in the industry mix of nondurables. Some growth has occurred in printing and publishing and chemicals, where wages are somewhat higher than in textiles.

Although the manufacturing sector's relative share in the South Carolina economy has declined in the past decade, it remains the key to future growth. The share of manufacturing employment has fallen 24 percent from 1970-1982, yet the share of personal income declined a more modest 17 percent. Continuing industrial development and diversification are imperative in order to compensate for the troubled textile industry.

Table 2. The Importance of Manufacturing in the South Carolina Economy 1970-1982

Year	Employment (000's)					Personal Income (nominal, \$ millions)				
	Total Nonfarm	Durable Goods	% Share	Non-durable Goods	% Share	Total	Durable Goods	% Share	Non-durable Goods	% Share
1970	842.0	84.1	10.0	256.2	30.4	7,668	575	7.5	1,613	21.0
1979	1,176.0	122.2	10.4	277.3	23.6	20,548	1,750	8.5	3,718	18.1
1980	1,188.8	120.6	10.1	271.4	22.8	22,722	1,922	8.5	4,034	17.8
1981	1,196.5	115.3	9.6	273.0	22.8	25,457	2,116	8.3	4,391	17.2
1982*	1,179.3	108.8	9.2	253.0	21.5	26,940	2,176	8.1	4,169	15.5

*Estimated

Diversification of the State's Manufacturing Sector

Industrial development has been a major activity for South Carolina over the past few years, and the state has established a track record for attracting manufacturing facilities. Since 1950, 1,935 new plants have been announced for the state. In 1981 alone, 733 firms announced they planned to expand or locate in South Carolina, to create 16,000 new jobs with \$2.4 billion of capital investment.

Much of the effort to attract industry has been aimed at diversifying the state's employment. And there is evidence that this diversification is beginning to take place. While manufacturing employment grew 4.6 percent between 1976 and 1981, certain industries grew significantly faster during that period (Table 3). These industries include primary metals (73 percent), rubber and plastics (88 percent), electrical and electronic equipment (36 percent), transportation (41 percent), and fabricated metals (26 percent). As a result of this growth, these industries comprised a larger percent of total manufacturing employment in 1981 than they did in 1976. For example, machinery comprised 6.7 percent in 1976 and 7.9 percent in 1981; similarly, electric and electronic equipment comprised 4.3 percent of manufacturing employment in 1976 and 5.6 percent in 1981. In addition, rubber and plastics grew from 2.7 percent to 4.9 percent of the manufacturing labor force.

Firms headquartered in Frostbelt states have contributed to South Carolina's employment gains. For example, 92 percent of the new employment in electrical and electronic equipment over the past decade resulted from the expansion of Frostbelt-based firms, and 34 percent of the gains in chemicals resulted from the expansion of mid-Atlantic-based firms.¹ Firms headquartered in New York lead the list for branch plants located in South Carolina (274), followed by North Carolina (77), Illinois (61), Ohio (57), Pennsylvania (48), and New Jersey (46).

Foreign investment has also been a major component of South Carolina's industrial development; it comprised over 20 percent of announced industrial investment in 1981 and has been as high as 46.9 percent (in 1974). This investment has been predominantly in the chemicals and metal working industries. In 1981, fully 42 percent of all foreign direct investment in South Carolina manufacturing was in chemicals, another 23 percent in metal working industries.

While diversification has been a major goal for South Carolina, the geographic implications of that new development have been a concern. The state has expressed the goal of encouraging industrial development of its rural counties. During

¹Nancy Matthews and Richard McKenzie, "New Plant and Employment Gains in South Carolina during the 1970s," *Business and Economic Review*, Vol. XXIX, No. 1, College of Business Administration, University of South Carolina, (October 1982).

Table 3. Composition of the Manufacturing Sector in South Carolina 1976-1981

Industry	1976 Employment	1981 Employment	% Change 1976-1981	% 1976 Mfg. Employment	% 1981 Mfg. Employment
Durable Goods					
Lumber and Wood Products	14,600	14,300	-2.1%	3.90%	3.70%
Furniture and Fixtures	4,500	4,900	8.9	1.20	1.30
Stone, Clay, and Glass	10,800	10,700	-9	2.90	2.80
Primary Metals	4,400	7,600	72.7	1.20	2.00
Fabricated Metals	11,700	14,700	25.6	3.20	3.80
Machinery, Except Electrical	24,800	30,500	23.0	6.70	7.90
Electrical and Electronic Equipment	15,900	21,600	35.8	4.30	5.60
Transportation	3,600	5,100	41.7	1.00	1.30
Instruments	5,100	5,800	13.7	1.40	1.50
Miscellaneous	4,300	4,200	-2.3	1.20	1.10
Nondurable Goods					
Food and Kindred Products	13,700	14,100	2.9	3.70	3.60
Textile Mill Products	149,500	133,100	-11.0	40.30	34.30
Apparel	46,200	46,700	1.1	12.50	12.00
Paper and Allied Products	13,500	13,900	3.0	3.60	3.60
Printing and Publishing	6,400	8,000	25.0	1.70	2.10
Chemicals	30,700	32,700	6.5	8.30	8.40
Rubber and Plastics	10,200	19,200	88.2	2.70	4.90
Other Nondurables	1,100	1,200	9.1	.03	.03
TOTAL MANUFACTURING	371,000	388,200	4.6	100.00	100.00

the 1970s, South Carolina's major metropolitan areas were the beneficiaries of most new plants, although a case can be made that contiguous rural counties benefited as well from these employment opportunities.

Ironically, the firms that aided the state's efforts to diversify tended to hurt rural development. These were generally large firms that located in the major metropolitan areas where labor was more plentiful. Branch plants from northern states accounted for 56 percent of the new employment but 42 percent of the plant openings during the 1970s.²

Two specific development actions have helped South Carolina's rural counties. The Governor's Rural Economic Achievement Trophy (GREAT) Towns program was instituted to encourage small towns to increase their chances by designating plant sites, providing the necessary infrastructure, and otherwise accommodating the

needs of a facility. In addition, the Governor's Rural Economic Development Initiatives (REDI) program was established in 1981 to create jobs in the most economically distressed counties. To accomplish this task, federal funds have been set aside for a revolving loan fund to businesses locating or expanding in one of these counties.



²Ibid.

Diversification into High Technology

As in other parts of the nation, South Carolina's industrial development specialists have become infatuated with the newest industrial location prospects—high-technology and research and development firms. This interest has escalated because such “industries of the future” have been somewhat more resilient in the face of the nation's current recession. South Carolina has already had some success in this field; firms such as Cincinnati Milacron (which produces and develops industrial robots), Digital, Sony, United Technologies, and others have located in the state.

However, a concerted effort is now being made to attract more of these firms. The Technical and Comprehensive Education (TEC) System, a statewide post-secondary education system that has helped meet the training needs of the state's industries, is preparing to meet the needs of these high-tech industries as well. Emerging technology centers have been established at six of the TEC System's regional campuses in fields such as microelectronics, robotics, computer applications to manufacturing, and advanced machine tool technology. These centers, together with the TEC System's ability to tailor training to an individual firm's specifications, will offer a powerful incentive for high-technology firms.

Governor Richard Riley has also announced the creation of a quasi-public research authority to lure high-tech industry. The authority will oversee and lease space in three research parks that will be established in conjunction with the University of South Carolina, Clemson University, and the Medical University of South Carolina.

The state has several real and perceived disadvantages in its recruiting, which include a scarcity of skilled labor (South Carolina ranks 41st of the 50 states in the percentage of population over 18 with a college education); and the lack of “critical mass” which develops as skilled labor, research firms, and universities attract one another. It also got a late start in attempting to attract high-tech firms; at least 17 states now have programs to finance high-tech and research activities. Further, South Carolina is not perceived as a state strong in high technology, and it will be difficult to compete with Research Triangle Park in neighboring North Carolina.

Diversification of the State's Economic Base

South Carolina has also begun to diversify into industries other than manufacturing. Tourism is now the state's second largest industrial employer, just behind textiles, with 68,000 jobs directly related to travel and tourism. This travel-generated employment increased 4.7 percent between 1980-1981, substantially more than the .6 percent increase in South Carolina's total employment during that period. Travelers spent almost \$2.4 billion in the state in 1981, a 13 percent increase from 1980 and 56 percent from 1977. The Department of Parks, Recreation, and Tourism promotes the state both here and abroad, and events such as the Spoleto Festival in Charleston and Canadian-American Days in Myrtle Beach have boosted tourism.

While total nonagricultural employment grew 15.3 percent between 1976 and 1981, certain sectors grew faster (Table 4). Services, including the travel-related employment, grew 27.4 percent during that period; finance, insurance, and real estate rose 24.7 percent, and trade increased 23.3 percent. All three sectors increased their proportion of nonagricultural employment in 1981 from 1976. Also significant is that while government employment grew 15.3 percent in 1981, it merely maintained its share of total employment.

White-collar workers comprised 46 percent of all employment in South Carolina in 1980, an increase from 39.5 percent in 1970. Blue-collar workers constituted 39 percent of employment in 1980, a decrease from 42.6 percent in 1970. This trend is likely to continue into 1990: white-collar employment is projected to reach 53.5 percent of the state's total employment in 1990, and blue-collar workers are projected to comprise just 34 percent.³

In summary, South Carolina is exhibiting a growing diversification within its manufacturing sector and among all its employment sectors. These changes, however, are long-term in nature, and will not significantly influence the immediate outlook for the state's economy.

³Sena Black et al, **Information Resources Management in South Carolina State Government: A State Strategy**, Institute for Information Management, Technology, and Policy, College of Business Administration, University of South Carolina, Columbia, South Carolina (December 1982).

Table 4. South Carolina Nonagricultural Employment 1976-1981

Sector	1976 Employment	1981 Employment	% Change 1976-1981	% 1976 Nonagricultural Employment	% 1981 Nonagricultural Employment
Manufacturing	371,000	388,200	4.6%	35.70%	32.40%
Mining	1,800	1,800	0.0	.02	.02
Construction	61,500	71,200	15.8	5.90	6.00
Transportation and Public Utilities	42,700	53,800	26.0	4.10	4.50
Trade	187,600	231,300	23.3	18.10	19.30
Wholesale Trade	40,900	50,500	23.5	3.90	4.20
Retail Trade	146,600	180,800	23.3	14.10	15.10
Finance, Insurance, and Real Estate	39,700	49,500	24.7	3.80	4.10
Services	130,500	166,200	27.4	12.60	13.90
Government	203,300	234,400	15.3	19.60	19.60
TOTAL	1,038,100	1,196,500	15.3	100.00	100.00

The Near-Term Outlook: Some Risks, But a Moderate Recovery is Likely

In a typical recovery, the South Carolina economy has outpaced the national upswing for two primary reasons. First, many of the state's manufactured products are consumer-oriented, and, since retail sales lead a recovery, production rebounds relatively quickly. Second, plant relocation to and expansion in South Carolina has provided additional stimulus. However, the anticipated recovery in 1983 may be somewhat different. Because consumer spending is unlikely to be as robust as in the past, the initial upswing will be moderated. Furthermore, new investment may only compensate for the restructuring taking place in the manufacturing sector.

For the short run at least, the state's recovery is dependent on the performance of the national economy. This is particularly apparent since approximately 80 percent of the products manufactured in South Carolina are exported. Under the assumption of a consensus forecast that anticipates 2.5 to 3 percent growth in the national economy, South Carolina would experience some

uneven growth with continuing problems in the manufacturing sector.

For the aggregate economic variables, a mixed pattern results. Expected gains in real total personal income would be a minimally satisfactory 2.0 percent in 1983. Growth in total nonfarm employment is likely to be relatively sluggish. The projected unemployment rate averages 10.2 percent, with a decline to 9.3 percent by the year's end.

Employment gains in manufacturing aren't likely until the second half of 1983 even under the best circumstances. There is a 3 percent annual average loss in the consensus forecast which reinforces the notion of 2.5 - 3 percent national growth as a "growth recession." Durable goods employment records a small loss on an annualized basis, but conditions are expected to worsen in some nondurable goods sectors. Particularly hard-hit is textile employment, where losses potentially range near 7 percent for the year.

On the positive side, significant improvement is expected in both housing and retail sales. Given declining rates on construction and mortgage loans, housing starts are expected to rise over 25 percent. This would bring the starts rate back to the level of 1980. While that was not a banner

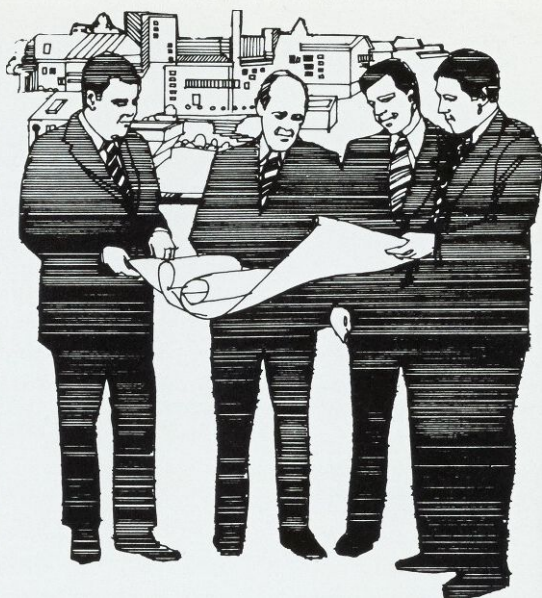
year, it still represents considerable improvement. Real retail sales are expected to climb about 5 percent. Again, this also must be put in perspective given the fact that real retail sales have declined an average of 3.2 percent for the last three years.

In summary, the consensus forecast would keep South Carolina in the economic doldrums. A moderate recovery appears most likely, but the risks of further economic losses, at least in the short-run, are clearly present.

Conclusions

The South Carolina economy has experienced significant short-run problems and will likely continue to do so in early 1983 unless there is a major upturn in the national economy. The state's economy typically improves more rapidly than that of the nation, but 1983 may be different if consumer spending proves lackluster.

The long-term improvement of South Carolina's economic picture lies in its ability to diversify its economic base both within the manufacturing sector and among all employment sectors. Tourism has grown into a major component of the employment base and has exerted a positive influence on the state's employment and revenues. Further, efforts to attract high technology and research activity are crucial to the state's long-term economic health. South Carolina is not likely to become a national center of research and development. Yet it does have potential as a location for



(1) firms that conduct extensive product or process improvement research (and which locate near their manufacturing facilities) and (2) certain high-technology production processes, such as the manufacture of computer components, which can be located away from well-known research centers.

—Richard W. Ellson
and Nancy Grden-Ellson
University of South Carolina

Note: The following members of the Federal Reserve Bank of Atlanta research staff also contributed to this issue:
Cheryl Cornish, Sandra Davis, Pam Frisbee, Patricia McGill, Gustavo Uceda, and David D. Whitehead.



FINANCE

STATISTICAL SUPPLEMENT

	DEC 1982	NOV 1982	DEC 1981	ANN. % CHG.		DEC 1982	NOV 1982	DEC 1981	ANN. % CHG.
\$ millions									
UNITED STATES									
Commercial Bank Deposits	1,196,078	1,191,183	1,088,890	+10	Savings & Loans				
Demand	294,448	302,058	297,864	- 1	Total Deposits	541,650	540,063	515,450	+ 5
NOW	66,452	65,046	49,767	+34	NOW	12,712	12,403	7,412	+72
Savings	155,358	153,992	146,733	+ 6	Savings	96,737	95,622	91,468	+ 6
Time	701,061	703,288	619,246	+13	Time	433,390	433,517	416,303	+ 4
Credit Union Deposits	51,968	51,741	39,825	+30	OCT		SEPT	OCT	
Share Drafts	3,845	3,859	2,489	+54	Mortgages Outstanding	482,137	485,125	509,133	- 5
Savings & Time	43,283	43,340	34,984	+24	Mortgage Commitments	17,998	17,176	15,163	+19
SOUTHEAST									
Commercial Bank Deposits	128,544	127,260	116,499	+10	Savings & Loans				
Demand	34,163	34,120	34,334	- 0	Total Deposits	79,494	79,549	75,559	+ 5
NOW	8,700	8,439	6,390	+36	NOW	2,081	1,993	1,224	+70
Savings	15,282	15,153	14,529	+ 5	Savings	11,942	12,062	11,537	+ 3
Time	72,684	72,541	64,092	+13	Time	65,754	65,762	62,760	+ 4
Credit Union Deposits	4,932	4,927	3,998	+23	OCT		SEPT	OCT	
Share Drafts	345	360	269	+28	Mortgages Outstanding	67,401	68,391	74,633	-10
Savings & Time	4,152	4,157	3,472	+19	Mortgage Commitments	2,790	2,888	3,487	-20
ALABAMA									
Commercial Bank Deposits	14,125	14,057	13,267	+ 6	Savings & Loans				
Demand	3,526	3,537	3,448	+ 2	Total Deposits	4,511	4,530	4,370	+ 3
NOW	766	736	570	+34	NOW	106	106	64	+65
Savings	1,609	1,611	1,521	+ 5	Savings	565	569	570	- 1
Time	8,588	8,623	8,077	+ 6	Time	3,874	3,908	3,760	+ 3
Credit Union Deposits	854	874	699	+22	OCT		SEPT	OCT	
Share Drafts	67	70	52	+28	Mortgages Outstanding	3,698	3,787	4,003	- 8
Savings & Time	723	729	632	+14	Mortgage Commitments	49	46	51	- 4
FLORIDA									
Commercial Bank Deposits	42,255	41,464	38,318	+10	Savings & Loans				
Demand	12,170	11,793	12,265	- 1	Total Deposits	48,051	48,108	45,696	+ 5
NOW	3,786	3,686	2,784	+36	NOW	1,416	1,335	860	+65
Savings	6,517	6,420	6,268	+ 4	Savings	7,941	8,065	7,715	+ 3
Time	20,504	20,431	17,758	+15	Time	38,753	38,758	36,992	+ 5
Credit Union Deposits	2,217	2,206	1,813	+22	OCT		SEPT	OCT	
Share Drafts	181	193	148	+22	Mortgages Outstanding	39,337	40,204	45,702	-14
Savings & Time	1,715	1,719	1,435	+20	Mortgage Commitments	2,235	2,313	3,059	-27
GEORGIA									
Commercial Bank Deposits	18,142	18,054	16,078	+13	Savings & Loans				
Demand	6,167	6,285	5,993	+ 3	Total Deposits	9,857	9,915	9,603	+ 3
NOW	1,255	1,230	925	+36	NOW	240	240	126	+90
Savings	1,709	1,705	1,562	+ 9	Savings	1,211	1,209	1,158	+ 5
Time	9,737	9,728	8,538	+14	Time	8,542	8,570	8,347	+ 2
Credit Union Deposits	918	906	729	+26	OCT		SEPT	OCT	
Share Drafts	37	39	22	+68	Mortgages Outstanding	8,885	8,881	9,349	- 5
Savings & Time	818	814	685	+19	Mortgage Commitments	182	188	111	+64
LOUISIANA									
Commercial Bank Deposits	23,178	23,096	20,966	+11	Savings & Loans				
Demand	5,759	5,890	6,010	- 4	Total Deposits	8,077	8,033	7,410	+ 9
NOW	1,174	1,144	861	+36	NOW	129	127	72	+79
Savings	2,478	2,469	2,360	+ 5	Savings	1,282	1,268	1,192	+ 8
Time	14,081	14,068	12,181	+16	Time	6,692	6,665	6,165	+ 9
Credit Union Deposits	163	164	112	+46	OCT		SEPT	OCT	
Share Drafts	11	11	11	0	Mortgages Outstanding	7,404	7,386	7,141	+ 4
Savings & Time	153	155	105	+46	Mortgage Commitments	198	192	208	- 5
MISSISSIPPI									
Commercial Bank Deposits	10,611	10,544	9,653	+10	Savings & Loans				
Demand	2,311	2,311	2,323	- 1	Total Deposits	2,461	2,420	2,385	+ 3
NOW	636	609	470	+35	NOW	65	63	33	+97
Savings	762	763	722	+ 6	Savings	246	241	233	+ 6
Time	7,042	7,066	6,328	+11	Time	2,171	2,138	2,128	+ 2
Credit Union Deposits	N.A.	N.A.	N.A.		OCT		SEPT	OCT	
Share Drafts	N.A.	N.A.	N.A.		Mortgages Outstanding	2,100	2,144	2,205	- 5
Savings & Time	N.A.	N.A.	N.A.		Mortgage Commitments	22	19	17	+29
TENNESSEE									
Commercial Bank Deposits	20,233	20,045	18,217	+11	Savings & Loans				
Demand	4,230	4,304	4,295	- 2	Total Deposits	6,537	6,543	6,095	+ 7
NOW	1,083	1,034	780	+39	NOW	125	122	69	+81
Savings	2,207	2,185	2,096	+ 5	Savings	697	710	669	+ 4
Time	12,732	12,625	11,210	+14	Time	5,722	5,723	5,368	+ 7
Credit Union Deposits	780	777	645	+21	OCT		SEPT	OCT	
Share Drafts	49	47	36	+36	Mortgages Outstanding	5,977	5,992	6,234	- 4
Savings & Time	743	740	615	+21	Mortgage Commitments	104	130	42	+148

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. The major differences between this report and the "call report" are size, the treatment of interbank deposits, and the treatment of float. The data generated from the Report of Transaction Accounts is for banks over \$15 million in deposits as of December 31, 1979. The total deposit data generated from the Report of Transaction Accounts eliminates interbank deposits by reporting the net of deposits "due to" and "due from" other depository institutions. The Report of Transaction Accounts subtracts cash in process of collection from demand deposits, while the call report does not. 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 states. Subcategories were chosen on a selective basis and do not add to total.

N.A. = fewer than four institutions reporting.



EMPLOYMENT

	NOV 1982	OCT 1982	NOV 1981	ANN. % CHG.		NOV 1982	OCT 1982	NOV 1981	ANN. % CHG.
UNITED STATES									
Civilian Labor Force - thous.	110,855	110,767	109,179	+ 2	Nonfarm Employment- thous.	89,451	89,536	91,765	- 3
Total Employed - thous.	99,379	99,825	100,502	- 1	Manufacturing	18,302	18,495	20,025	- 9
Total Unemployed - thous.	11,476	10,942	8,676	+32	Construction	3,992	4,081	4,221	- 5
Unemployment Rate - % SA	10.8	10.4	8.3		Trade	20,636	20,519	20,883	- 1
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	15,969	15,830	16,137	- 1
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	19,108	19,144	18,800	+ 2
Mfg. Avg. Wkly. Hours	39.2	39.0	39.7	- 1	Fin., Ins., & Real Est.	5,348	5,347	5,308	+ 1
Mfg. Avg. Wkly. Earn. - \$	338	334	326	+ 4	Trans. Com. & Pub. Util.	5,044	5,054	5,188	- 3
SOUTHEAST									
Civilian Labor Force - thous.	14,416	14,553	13,880	+ 4	Nonfarm Employment- thous.	11,397	11,344	11,540	- 1
Total Employed - thous.	12,889	13,033	12,783	+ 1	Manufacturing	2,131	2,134	2,288	- 7
Total Unemployed - thous.	1,526	1,520	1,142	+34	Construction	653	660	727	-10
Unemployment Rate - % SA	11.0	10.7	8.6		Trade	2,709	2,681	2,694	+ 1
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	2,142	2,137	2,166	- 1
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	2,268	2,251	2,185	+ 4
Mfg. Avg. Wkly. Hours	40.1	39.7	40.2	- 0	Fin., Ins., & Real Est.	643	639	635	+ 1
Mfg. Avg. Wkly. Earn. - \$	297	293	283	+ 5	Trans. Com. & Pub. Util.	696	693	702	- 1
ALABAMA									
Civilian Labor Force - thous.	1,722	1,727	1,673	+ 3	Nonfarm Employment- thous.	1,320	1,316	1,353	- 2
Total Employed - thous.	1,459	1,465	1,494	- 2	Manufacturing	327	328	359	- 9
Total Unemployed - thous.	263	262	179	+47	Construction	64	64	66	- 3
Unemployment Rate - % SA	15.9	15.9	11.9		Trade	272	271	275	- 1
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	296	295	293	+ 1
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	215	216	213	+ 1
Mfg. Avg. Wkly. Hours	40.0	40.0	39.7	+ 1	Fin., Ins., & Real Est.	59	59	59	0
Mfg. Avg. Wkly. Earn. - \$	291	288	283	+ 3	Trans. Com. & Pub. Util.	71	68	72	- 1
FLORIDA									
Civilian Labor Force - thous.	4,954	4,989	4,599	+ 8	Nonfarm Employment- thous.	3,812	3,755	3,776	+ 1
Total Employed - thous.	4,485	4,530	4,251	+ 6	Manufacturing	450	445	349	+29
Total Unemployed - thous.	469	459	349	+34	Construction	246	247	284	-13
Unemployment Rate - % SA	9.5	8.7	7.6		Trade	1,040	1,018	1,000	+ 4
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	607	606	617	- 2
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	943	920	888	+ 6
Mfg. Avg. Wkly. Hours	40.3	39.6	40.6	- 1	Fin., Ins., & Real Est.	283	279	276	+ 3
Mfg. Avg. Wkly. Earn. - \$	291	284	273	+ 7	Trans. Com. & Pub. Util.	233	231	231	+ 1
GEORGIA									
Civilian Labor Force - thous.	2,659	2,683	2,609	+ 2	Nonfarm Employment- thous.	2,156	2,157	2,191	- 2
Total Employed - thous.	2,445	2,474	2,433	+ 0	Manufacturing	487	492	517	- 6
Total Unemployed - thous.	213	209	176	+21	Construction	95	97	101	- 6
Unemployment Rate - % SA	8.3	8.0	6.8		Trade	499	496	508	- 2
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	441	440	438	+ 1
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	368	369	362	+ 2
Mfg. Avg. Wkly. Hours	40.2	39.9	39.7	+ 1	Fin., Ins., & Real Est.	116	116	114	+ 2
Mfg. Avg. Wkly. Earn. - \$	275	271	262	+ 5	Trans. Com. & Pub. Util.	141	141	144	- 2
LOUISIANA									
Civilian Labor Force - thous.	1,877	1,921	1,827	+ 3	Nonfarm Employment- thous.	1,614	1,614	1,650	- 2
Total Employed - thous.	1,676	1,705	1,717	- 2	Manufacturing	198	197	220	-10
Total Unemployed - thous.	201	216	155	+30	Construction	129	130	155	-17
Unemployment Rate - % SA	11.3	11.7	8.8		Trade	370	369	370	0
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	318	317	327	- 3
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	297	298	287	+ 3
Mfg. Avg. Wkly. Hours	40.9	40.2	42.3	- 3	Fin., Ins., & Real Est.	76	76	76	0
Mfg. Avg. Wkly. Earn. - \$	386	381	367	+ 5	Trans. Com. & Pub. Util.	129	130	128	+ 1
MISSISSIPPI									
Civilian Labor Force - thous.	1,050	1,066	1,049	+ 0	Nonfarm Employment- thous.	795	796	822	- 3
Total Employed - thous.	925	935	960	- 4	Manufacturing	201	202	219	- 8
Total Unemployed - thous.	125	131	88	+42	Construction	39	40	42	- 7
Unemployment Rate - % SA	12.7	13.4	9.6		Trade	163	163	165	- 1
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	184	184	187	- 2
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	122	122	122	0
Mfg. Avg. Wkly. Hours	39.3	39.6	39.0	+ 1	Fin., Ins., & Real Est.	33	33	33	0
Mfg. Avg. Wkly. Earn. - \$	253	255	240	+ 5	Trans. Com. & Pub. Util.	41	41	41	0
TENNESSEE									
Civilian Labor Force - thous.	2,154	2,167	2,123	+ 1	Nonfarm Employment- thous.	1,700	1,706	1,748	- 3
Total Employed - thous.	1,899	1,924	1,928	- 2	Manufacturing	468	470	503	- 7
Total Unemployed - thous.	255	243	195	+31	Construction	80	82	79	+ 1
Unemployment Rate - % SA	12.5	12.2	10.0		Trade	365	364	376	- 3
Insured Unemployment - thous.	N.A.	N.A.	N.A.		Government	296	295	304	- 3
Insured Unempl. Rate - %	N.A.	N.A.	N.A.		Services	323	326	313	+ 3
Mfg. Avg. Wkly. Hours	39.6	39.1	39.8	- 1	Fin., Ins., & Real Est.	76	76	77	- 1
Mfg. Avg. Wkly. Earn. - \$	287	282	272	+ 6	Trans. Com. & Pub. Util.	81	82	86	- 6

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

NOV 1982 OCT 1982 NOV 1981 ANN % CHG

NOV 1982 OCT 1982 NOV 1981 ANN % CHG

12-month Cumulative Rate

UNITED STATES

Nonresidential Building Permits - \$ Mil.					Residential Building Permits Value - \$ Mil.	38,212	36,804	41,363	- 8
Total Nonresidential	45,459	45,545	52,495	-13	Residential Permits - Thous.				
Industrial Bldgs.	5,329	5,302	7,090	-25	Single-family units	518.4	493.3	575.8	-10
Offices	11,931	12,215	14,924	-21	Multi-family units	429.0	417.1	424.4	+ 1
Stores	5,131	5,205	6,513	-21	Total Building Permits Value - \$ Mil.	83,672	82,349	93,858	-11
Hospitals	1,775	1,760	1,395	+27					
Schools	800	807	758	+ 6					

SOUTHEAST

Nonresidential Building Permits - \$ Mil.					Residential Building Permits Value - \$ Mil.	6,867	6,693	8,526	-19
Total Nonresidential	6,262	6,204	7,483	-16	Residential Permits - Thous.				
Industrial Bldgs.	719	713	769	- 7	Single-family units	105.7	100.5	123.5	-14
Offices	1,343	1,344	1,398	- 4	Multi-family units	83.8	83.4	106.7	-21
Stores	951	955	1,147	-17	Total Building Permits Value - \$ Mil.	13,129	12,897	16,022	-18
Hospitals	282	269	264	+ 7					
Schools	82	82	74	+11					

ALABAMA

Nonresidential Building Permits - \$ Mil.					Residential Building Permits Value - \$ Mil.	236	229	311	-24
Total Nonresidential	392	389	427	- 8	Residential Permits - Thous.				
Industrial Bldgs.	81	82	45	+80	Single-family units	4.6	4.4	5.8	-20
Offices	60	54	55	+ 9	Multi-family units	4.3	4.2	6.0	-28
Stores	62	63	68	- 9	Total Building Permits Value - \$ Mil.	629	618	738	-15
Hospitals	23	25	26	-12					
Schools	8	8	4	+100					

FLORIDA

Nonresidential Building Permits - \$ Mil.					Residential Building Permits Value - \$ Mil.	4,077	4,015	5,995	-32
Total Nonresidential	3,135	3,090	4,281	-27	Residential Permits - Thous.				
Industrial Bldgs.	367	359	387	- 5	Single-family units	54.4	52.0	74.6	-27
Offices	640	650	627	+ 2	Multi-family units	50.3	50.3	77.9	-36
Stores	508	506	661	-35	Total Building Permits Value - \$ Mil.	7,211	7,105	10,276	-30
Hospitals	144	130	142	+ 1					
Schools	18	19	23	-22					

GEORGIA

Nonresidential Building Permits - \$ Mil.					Residential Building Permits Value - \$ Mil.	1,300	1,243	1,030	+26
Total Nonresidential	980	983	1,068	- 8	Residential Permits - Thous.				
Industrial Bldgs.	135	144	186	-27	Single-family units	25.1	23.8	21.4	+17
Offices	222	226	263	-16	Multi-family units	12.0	12.0	8.3	+44
Stores	90	89	123	-27	Total Building Permits Value - \$ Mil.	2,280	2,227	2,098	+ 9
Hospitals	34	27	21	+62					
Schools	19	18	27	-30					

LOUISIANA

Nonresidential Building Permits - \$ Mil.					Residential Building Permits Value - \$ Mil.	638	620	605	+ 5
Total Nonresidential	938	924	891	+ 5	Residential Permits - Thous.				
Industrial Bldgs.	87	79	69	+26	Single-family units	10.8	10.3	10.1	+ 8
Offices	296	297	304	- 3	Multi-family units	8.1	8.1	8.3	- 2
Stores	147	150	134	+10	Total Building Permits Value - \$ Mil.	1,576	1,544	1,496	+ 5
Hospitals	29	28	48	-41					
Schools	24	24	13	+85					

MISSISSIPPI

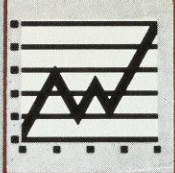
Nonresidential Building Permits - \$ Mil.					Residential Building Permits Value - \$ Mil.	167	162	168	- 1
Total Nonresidential	157	150	181	-13	Residential Permits - Thous.				
Industrial Bldgs.	14	13	17	-18	Single-family units	3.3	3.3	3.6	- 8
Offices	18	17	42	-57	Multi-family units	2.1	2.1	1.8	+19
Stores	35	33	36	- 3	Total Building Permits Value - \$ Mil.	324	312	350	- 7
Hospitals	5	5	10	-50					
Schools	3	3	1	+200					

TENNESSEE

Nonresidential Building Permits - \$ Mil.					Residential Building Permits Value - \$ Mil.	449	425	416	+ 8
Total Nonresidential	659	666	649	+ 2	Residential Permits - Thous.				
Industrial Bldgs.	34	35	64	-47	Single-family units	7.3	6.9	8.0	- 9
Offices	106	106	107	- 1	Multi-family units	6.9	6.8	4.5	+55
Stores	108	113	125	-14	Total Building Permits Value - \$ Mil.	1,108	1,091	1,065	+ 4
Hospitals	38	43	17	+124					
Schools	10	10	5	+100					

NOTES:

Data supplied by the U. S. Bureau of the Census, Housing Units Authorized By Building Permits and Public Contracts, C-40. Nonresidential data excludes the cost of construction for publicly owned buildings. 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. Publication of F. W. Dodge construction contracts has been discontinued.



GENERAL

	LATEST DATA	CURR. PERIOD	PREV. PERIOD	YEAR AGO	ANN. % CHG.		DEC 1982	NOV (R) 1982	DEC 1981	ANN. % CHG.
UNITED STATES										
Personal Income (\$bil. - SAAR)	3Q	2,584.9	2,541.5	2,447.6	+ 6	Agriculture				
Taxable Sales - \$bil.		N.A.	N.A.	N.A.		Prices Rec'd by Farmers Index (1977=100)	127	129	128	- 1
Plane Pass. Arr. 000's		N.A.	N.A.	N.A.		Broiler Placements (thous.)	79,861	75,276	77,942	+ 2
Petroleum Prod. (thous.)	DEC	8,619.8	8,637.5	8,607.6	+ 0	Calf Prices (\$ per cwt.)	58.30	58.20	57.70	+ 1
Consumer Price Index 1967=100	DEC	292.4	293.6	281.5	+ 4	Broiler Prices (\$ per lb.)	24.3	24.5	24.6	- 1
Kilowatt Hours - mils.	SEP	198.4	183.6	183.6	+ 8	Soybean Prices (\$ per bu.)	5.45	5.34	6.00	- 9
						Broiler Feed Cost (\$ per ton)	201	198	210	- 4
SOUTHEAST										
Personal Income (\$bil. - SAAR)	3Q	307.4	301.8	289.3	+ 6	Agriculture				
Taxable Sales - \$ bil.		N.A.	N.A.	N.A.		Prices Rec'd by Farmers Index (1977=100)	114	114	114	0
Plane Pass. Arr. 000's	OCT	3,763.6	3,268.7	3,821.9	- 2	Broiler Placements (thous.)	30,752	28,231	29,733	+ 3
Petroleum Prod. (thous.)	DEC	1,382.0	1,384.5	1,408.1	- 2	Calf Prices (\$ per cwt.)	55.17	53.25	54.03	+ 2
Consumer Price Index 1967=100		N.A.	N.A.	N.A.		Broiler Prices (\$ per lb.)	24.1	23.9	23.5	+ 3
Kilowatt Hours - mils.	SEP	34.8	33.8	31.4	+11	Soybean Prices (\$ per bu.)	5.56	5.45	6.16	-10
						Broiler Feed Cost (\$ per ton)	189	185	203	- 7
ALABAMA										
Personal Income (\$bil. - SAAR)	3Q	33.8	33.6	32.8	+ 3	Agriculture				
Taxable Sales - \$ bil.	OCT	22.5	21.7	21.3	+ 6	Farm Cash Receipts - \$ mil. (Dates: SEPT, SEPT)	1,354	-	1,388	- 2
Plane Pass. Arr. 000's	OCT	106.6	96.1	110.5	- 4	Broiler Placements (thous.)	10,263	9,406	9,691	+ 6
Petroleum Prod. (thous.)	DEC	52.0	53.0	59.4	-12	Calf Prices (\$ per cwt.)	54.40	52.20	53.10	+ 2
Consumer Price Index 1967=100		N.A.	N.A.	N.A.		Broiler Prices (\$ per lb.)	24.0	23.5	22.5	+ 7
Kilowatt Hours - mils.	SEP	4.9	4.7	4.5	+ 9	Soybean Prices (\$ per bu.)	5.52	5.41	6.18	-11
						Broiler Feed Cost (\$ per ton)	197	192	215	- 8
FLORIDA										
Personal Income (\$bil. - SAAR)	3Q	114.3	111.3	105.5	+ 8	Agriculture				
Taxable Sales - \$ bil.		66.7	66.6	66.7	0	Farm Cash Receipts - \$ mil. (Dates: SEPT, SEPT)	3,176	-	3,042	+ 4
Plane Pass. Arr. 000's	OCT	1,709.0	1,474.2	1,662.8	+ 3	Broiler Placements (thous.)	1,863	1,852	2,007	- 7
Petroleum Prod. (thous.)	DEC	67.0	68.0	90.4	-26	Calf Prices (\$ per cwt.)	58.00	55.00	55.20	+ 5
Consumer Price Index - Miami Nov. 1977 = 100	NOV	156.8	156.1	153.6	+ 2	Broiler Prices (\$ per lb.)	24.0	24.0	24.0	0
Kilowatt Hours - mils.	SEP	9.2	9.2	8.6	+ 7	Soybean Prices (\$ per bu.)	5.52	5.41	6.18	-11
						Broiler Feed Cost (\$ per ton)	210	210	215	- 2
GEORGIA										
Personal Income (\$bil. - SAAR)	3Q	53.3	52.5	50.6	+ 5	Agriculture				
Taxable Sales - \$ bil.	3Q	39.4	37.2	38.1	+ 3	Farm Cash Receipts - \$ mil. (Dates: SEPT, SEPT)	2,138	-	2,190	- 2
Plane Pass. Arr. 000's	OCT	1,493.4	1,294.0	1,586.4	- 6	Broiler Placements (thous.)	12,338	11,307	12,162	+ 1
Petroleum Prod. (thous.)		N.A.	N.A.	N.A.		Calf Prices (\$ per cwt.)	51.50	49.80	50.10	+ 3
Consumer Price Index - Atlanta 1967 = 100	DEC	296.1	297.8	282.2	+ 5	Broiler Prices (\$ per lb.)	23.5	23.0	23.0	+ 2
Kilowatt Hours - mils.	SEP	5.5	5.2	4.7	+17	Soybean Prices (\$ per bu.)	5.44	5.31	5.96	- 9
						Broiler Feed Cost (\$ per ton)	185	181	194	- 5
LOUISIANA										
Personal Income (\$bil. - SAAR)	3Q	44.4	43.7	41.8	+ 6	Agriculture				
Taxable Sales - \$ bil.		N.A.	N.A.	N.A.		Farm Cash Receipts - \$ mil. (Dates: SEPT, SEPT)	838	-	918	- 9
Plane Pass. Arr. 000's	OCT	271.0	234.5	276.4	- 2	Broiler Placements (thous.)	N.A.	N.A.	N.A.	
Petroleum Prod. (thous.)	DEC	1,173.0	1,172.5	1,164.3	+ 1	Calf Prices (\$ per cwt.)	56.00	55.20	56.30	- 1
Consumer Price Index 1967 = 100		N.A.	N.A.	N.A.		Broiler Prices (\$ per lb.)	24.5	25.0	25.5	- 4
Kilowatt Hours - mils.	SEP	6.1	5.9	5.5	+11	Soybean Prices (\$ per bu.)	5.65	5.55	6.24	- 9
						Broiler Feed Cost (\$ per ton)	250	245	240	+ 4
MISSISSIPPI										
Personal Income (\$bil. - SAAR)	3Q	19.9	19.7	19.0	+ 5	Agriculture				
Taxable Sales - \$ bil.		N.A.	N.A.	N.A.		Farm Cash Receipts - \$ mil. (Dates: SEPT, SEPT)	1,120	-	1,156	- 3
Plane Pass. Arr. 000's	OCT	27.7	29.1	33.9	-18	Broiler Placements (thous.)	6,288	5,666	5,873	+ 7
Petroleum Prod. (thous.)	DEC	90.0	91.0	94.0	- 4	Calf Prices (\$ per cwt.)	58.20	58.20	55.60	+ 1
Consumer Price Index 1967 = 100		N.A.	N.A.	N.A.		Broiler Prices (\$ per lb.)	25.5	26.0	25.5	0
Kilowatt Hours - mils.	SEP	2.6	2.4	2.3	+13	Soybean Prices (\$ per bu.)	5.55	5.41	6.20	-10
						Broiler Feed Cost (\$ per ton)	161	161	188	-14
TENNESSEE										
Personal Income (\$bil. - SAAR)	3Q	41.7	41.0	39.6	+ 5	Agriculture				
Taxable Sales - \$ bil.	DEC	28.7	27.4	26.9	+ 7	Farm Cash Receipts - \$ mil. (Dates: SEPT, SEPT)	1,041	-	997	+ 4
Plane Pass. Arr. 000's	OCT	156.0	140.8	151.9	+ 3	Broiler Placements (thous.)	N.A.	N.A.	N.A.	
Petroleum Prod. (thous.)	DEC	N.A.	N.A.	N.A.		Calf Prices (\$ per cwt.)	52.40	51.50	52.70	- 1
Consumer Price Index 1967 = 100		N.A.	N.A.	N.A.		Broiler Prices (\$ per lb.)	23.5	23.5	22.0	+ 7
Kilowatt Hours - mils.	SEP	6.5	6.4	5.8	+12	Soybean Prices (\$ per bu.)	5.58	5.53	6.08	- 8
						Broiler Feed Cost (\$ per ton)	193	170	200	- 4

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 26 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. R = revised.

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