

AUTOMATED CHECK COLLECTION

Perhaps more than any other nation of the world, Americans are a check-writing people. They write mountains of checks, numbered in the billions, every year. It has been estimated that 90% or more of the trillions of dollars of annual payments in the United States is made by checks.

MOUNTAINS OF WORK Checks are, of course, claims on commercial banks and as such must be presented for collection at the banks on which they are drawn. Ordinarily, presentment is made through another bank. Individuals or firms receiving checks usually deposit them at their banks and leave the problem of collection to those institutions. On a given business day, checks received for collection at a medium-sized bank might number in the tens of thousands while for larger banks the number might range up to several hundred thousand. At receiving banks the checks must be elaborately processed. Since each check involves a transaction between the receiving bank and the depositor, it requires individual attention on the bank's books. In addition, the bank must sort the checks according to their destination, package them, send them to the drawee bank, and arrange to receive payment from the drawee.

Nor does the processing end at the receiving bank. Other institutions get in on the act. Checks drawn on local banks will be presented to drawees through local clearing houses, institutions established primarily for that purpose. Checks drawn on out-of-town banks are sent either to city correspondent banks or to a Federal Reserve Bank, where they go through processing similar to that described in the preceding paragraph. City correspondents, in their turn, channel a large fraction of the checks they receive through their respective Federal Reserve Banks. A system of transit numbers and routing symbols, with each commercial bank assigned a specific symbol and number which are printed on its check forms, has been worked out to facilitate the transfer of checks to drawee banks.

Whether through a local clearing house, a city correspondent, or a Federal Reserve Bank, checks ultimately arrive at the drawee bank. Here they are processed still further, each check again receiving individual attention. The accounts of individual check writers must be debited and arrangements made for

transferring funds to the institutions making presentment. Moreover, the checks must be sorted for return to individual check writers.

In brief, a mountain of checks involves several mountains of work. To get this work done and to insure the rapid and safe collection necessary for the smooth working of a payments system based on checks, commercial banks and Federal Reserve Banks maintain large transit departments which account for a substantial fraction of total banking costs in this country. Check-handling costs at commercial banks, incurred mainly for paper work and transportation, underlie much of the service charge levied by these institutions.

GROWING MOUNTAINS In recent years the number of checks written has grown at a phenomenal pace. The number handled at the Federal Reserve Bank of Richmond alone rose from just under 150 million in 1950 to more than 300 million in 1962. Figures shown in the chart on the opposite page indicate that this number grew over this period at an annual rate of approximately 6%. At such a rate the number would double itself again in about 12 years.

MICR—A REVOLUTION With the great upsurge of checking-account activity following World War II, the banking community was forced to look for improved means of check processing in order to avoid long delays in collection and to hold down costs. The developing revolution in electronic data processing machines appeared to offer the best opportunity to do this.

In 1955 the Bank Management Commission of the American Bankers' Association, working with equipment manufacturers, check printers, and representatives of commercial banks and the Federal Reserve System, appointed a committee to develop an automatic processing system for checks. Three years later the committee unanimously approved a special type font for use on check forms as a common machine language. The special type, technically styled E-13 B, was to be printed in a band on the bottom of each check in a newly developed ink bearing magnetized iron oxide particles.

The development of a common language which can be read by both the human eye and electronic machinery was a necessary first step in the mechanization of check processing. This development has

come to be known as Magnetic Ink Character Recognition, commonly abbreviated to MICR. The MICR principle has been accepted not only in this country but also in Canada, the United Kingdom, Australia, and Japan. Systems based on the E-13 B magnetic type are now operational in all these countries. Moreover, it appears to be only a matter of time before Continental European countries adopt either the same system or a comparable one based on a machine language called CMC 7.

The American Bankers' Association and the Federal Reserve System have encouraged banks to print their check forms with magnetic ink characters to indicate in a single field the routing symbol-transit number of the bank. After three years of such encouragement, banks in the Fifth District are so printing approximately 68% of their checks.

ELECTRONIC "BRAINS" Pursuing the mechanization plans further, the Federal Reserve System contracted with the Stanford Research Institute of Menlo Park, California, for the development of equipment specifications to be presented to business machine manufacturers. About two years ago, five Federal Reserve Banks obtained equipment produced to these specifications by a number of manufacturers and launched extensive pilot tests of what amounted to new, electronic systems of check processing. The tests demonstrated that the MICR principle worked well and that the new system offered a good potential for both saving time and reducing costs if adopted by a large number of banks.

FIFTH DISTRICT EQUIPMENT Following the Federal Reserve pilot tests, the Federal Reserve Bank of Richmond ordered a high-speed electronic check-processing system. This system, delivered at the Richmond Head Office in October 1962, consists of five separate components which work together under the control of one central processor. The processor is the "brain" of the system, enabling it to sort, list, and accumulate totals as necessary in the handling of checks. It works under the control of a stored program of instructions which are read into its 4,800-position core memory by use of punched cards. It contains the circuitry and internal logic necessary to enable the five units to work in unison. Various registers and indicators are available to inform the computer operator of the status of each of the units.

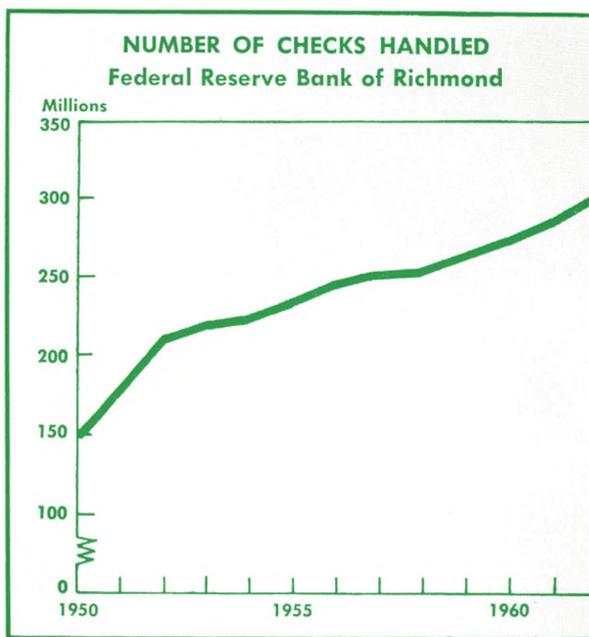
The other four units are divided into two classes, input and output. These are the data processing terms which indicate whether the data are being read into the system or are the delivered results of the equipment's work.

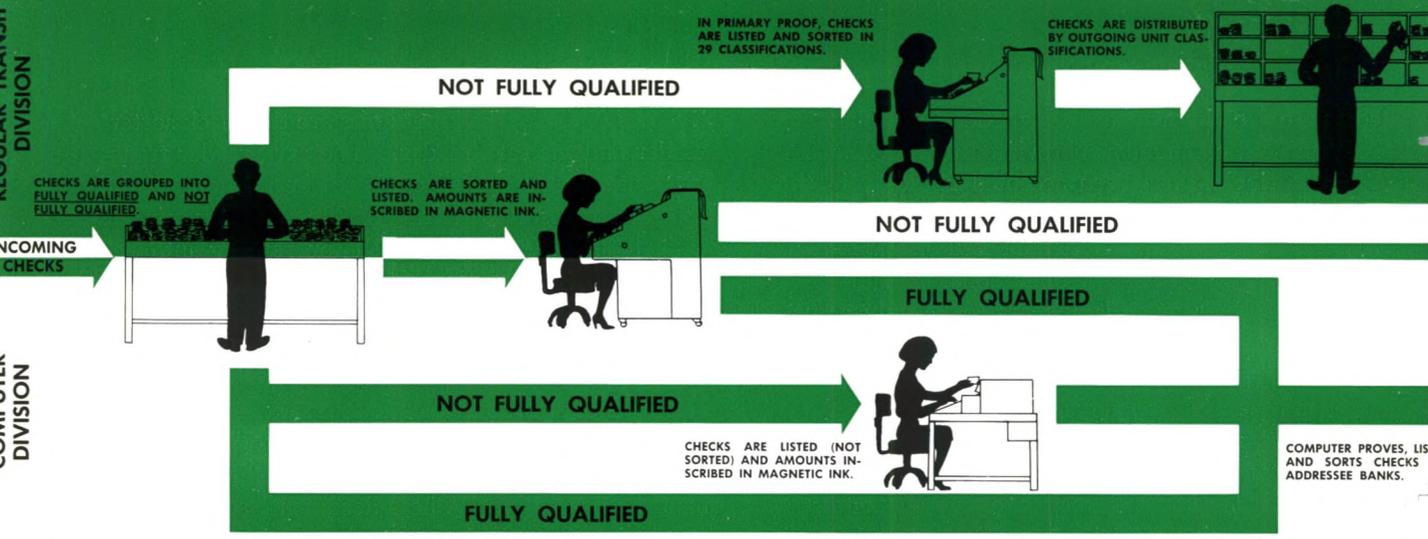
INPUT UNITS The input units are the check sorter-reader and the card reader. The card reader transfers data from punched cards to the memory of the central processor at the rate of 200 cards per minute. This device is primarily used for reading into the memory unit instructions from punched cards, but is also used at other times for reading into the unit various control and balancing totals used for settlement purposes.

The check sorter-reader accepts the vast bulk of the raw data in the form of "qualified" checks, or checks that meet all the technical requirements for machine processing. These documents are read and sorted in 12 pockets at speeds up to 1,560 items per minute, the exact rate depending on the dimensions of the check.

OUTPUT UNITS The output units consist of the multiple tape lister and the card punch. Normally, the data from a given check are printed on any two of six available tapes. In this operation, the amount, the pocket to which sorted, and the transit number of the checks are printed at speeds up to 1,600 lines per minute. The card punch is used to punch cards containing totals of pockets, totals of drawee banks, and other control figures which can be fed back into the machine for subsequent balancing or which can be used for final balancing operations at the end of the day. Since many of the accounting operations of the Head Office are processed on another type of computer, the transit system also prepares punched

Annual check volume at the Richmond Fed doubled in 12 years.





cards which are used as input data for this other computer.

PERSONNEL REQUIREMENTS The transit system can be operated by a two-man team which normally handles all operations affecting the machinery. However, it is necessary that cash letters accompanying incoming checks be inspected and grouped, or “batched,” and this operation requires another two to four people. The balancing operation, performed after the checks have been listed, normally requires the services of four additional clerks. The operation of preparing the completed checks for mailing to drawee banks is usually performed by various combinations of these same individuals.

MECHANIZED PROCEDURE To qualify fully for processing on automatic equipment at Federal Reserve Banks, checks must bear, in magnetic ink print, the routing symbol-transit number of the drawee bank and the amount of the check. Approximately 25,000 fully qualified checks are received at the Richmond Head Office daily, most coming from other Federal Reserve Banks and from large member banks. For a computer this is an extremely small number, and it is necessary that it be increased greatly if a reasonable degree of efficiency is to be achieved.

Approximately 68% of the checks received at the Richmond Head Office have the routing symbol-transit number preprinted in magnetic ink, and thus require only the encoding of their amounts in magnetic ink in order to be fully qualified for machine processing. Such encoding is provided through an operation called “amount-encoding,” after which a much larger number of checks can be fed through the computer. Amount-encoding, along with an appropriate proof operation, is done primarily on two separate machines known as unit inscribers.

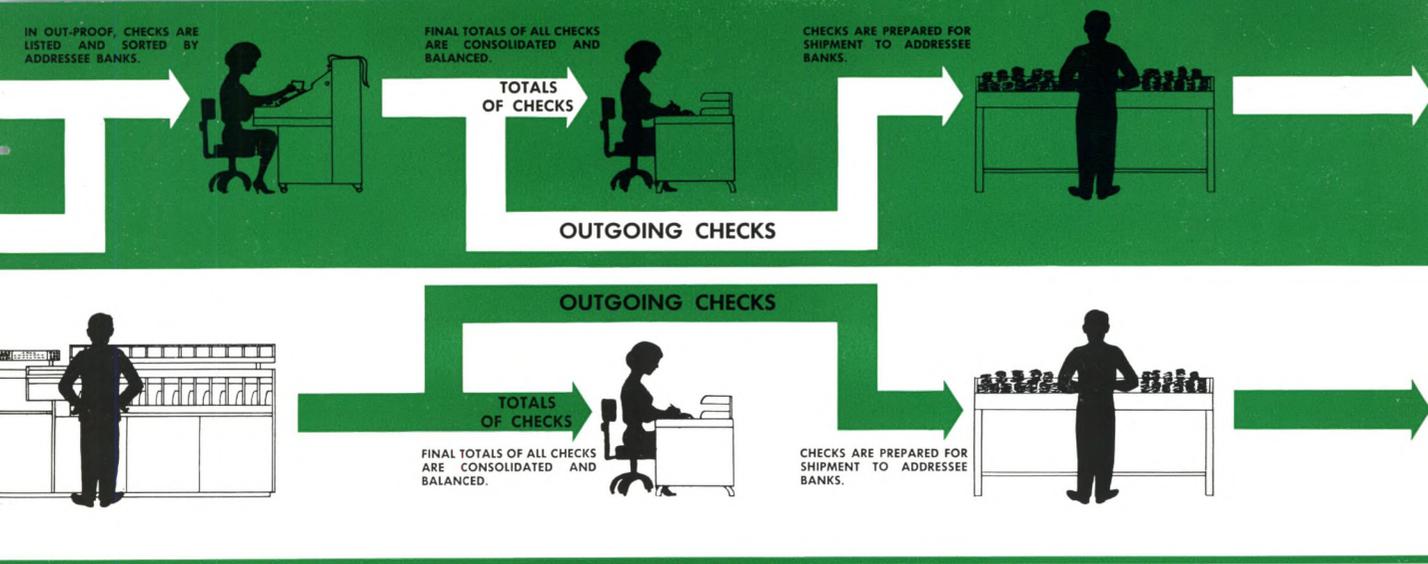
Cash letters containing fully qualified checks are

processed directly on the computer since no amount-encoding is required. Other checks that require amount-encoding are combined with the fully qualified items and fed into the computer, where the totals necessary to balance the incoming cash letters are derived. Items not having the preprinted routing symbol-transit number or which the machine cannot read because of faulty encoding are rejected by the computer and returned to the regular proof machine units where they are handled manually.

This Bank must send checks to approximately 700 recipients every day. To achieve this breakdown it is necessary that the checks be passed through the sorter-reader more than once. On the average, each check handled in the Head Office is passed through the sorter-reader 2.5 times before it is finally sorted to the proper end point. The average daily volume of work now handled on the computer is 150,000 items per day. Accordingly, the machine must list and total approximately 375,000 items before the checks are completely processed and ready to be mailed to the banks on which they are drawn or to other Federal Reserve Banks.

BRANCH OFFICE EQUIPMENT Mechanization of check handling has proceeded considerably further at the Richmond Office than at the Baltimore and Charlotte Branches. Both branches will soon be equipped with another type of high-speed transit system. This system, which performs essentially the same operation as the system at the Head Office, has already been installed at the Baltimore Branch and is now in use. Delivery and installation at the Charlotte Branch is expected in April.

ADAPTING TO THE NEW SYSTEM The new MICR transit system has had a large impact on both methods of operation and personnel tasks at the Federal Reserve Bank of Richmond. In the beginning,



since so few checks received were ready for computer processing, additional work was required to amount-encode enough checks to keep the computer reasonably busy. This has meant the addition of more equipment and more people without a corresponding decrease in the old-style operation to offset these additions. This appears, however, to be a purely temporary situation of the type commonly associated with a new operation. As the number of qualified checks is multiplied and as the procedure becomes increasingly familiar, it will be possible to achieve far greater efficiency in the use of the new equipment and to handle the growing number of checks without delays occasioned by overloaded personnel staffs.

Further progress along these lines depends not only upon the Federal Reserve Banks but also on commercial banks as well. The efficiency of the new system is linked closely to the number of institutions that participate in it. For commercial banks converting to computer processing, it is of prime importance that the checks they receive be fully qualified for automated handling. The more checks so qualified, the greater the cost reduction resulting from eliminating costly manual procedures. Moreover, larger numbers of qualified checks mean more efficient use of high-priced computer time, faster check handling at city correspondents and at Federal Reserve Banks and Branches and, consequently, more prompt collections. The success of the program obviously depends upon general cooperation in the banking system in providing uniformly qualified checks.

For individual banks, moving over to the new system will inevitably involve an initial increase in costs. This will be especially true of banks which cooperate in furnishing qualified items without putting the MICR principle to internal use in their own processing of checks. But given the rapid rate

of increase in the number of checks written all over the country, the point will soon be reached at which a great many banks will be able to add to operating efficiency and cut operating costs through adopting the common machine language and processing checks automatically.

BROADER MACHINE APPLICATIONS The improved methods of handling checks at various points in the banking system, as described above, represent but one phase of a more general revolution in data processing currently under way throughout the business world. Because commercial banking involves vast amounts of paper work, new data processing equipment has proved especially adaptable to the everyday work problems of these institutions. Equipment acquired primarily for check handling is readily adaptable to the automatic processing of numerous other internal operations. For example, commercial bank trust operations, instalment loan accounting, loan and collateral records, savings accounts, Christmas and vacation club accounts, and general portfolio records are but a few of the areas in which significant cost reduction may be achieved through computer application.

In brief, automated data processing equipment not only offers a solution to banking problems occasioned by a growing deluge of checks in all parts of the country. It holds out, in addition, the promise of improved and perhaps lower cost bank services to the public in numerous other areas. As technological improvement in electronic data processing equipment of all types is still, relatively speaking, in its infant stages, perhaps only a small part of the potential for improved efficiency has been realized. With further technological advancement limited only by human imagination and ingenuity, the future of efficiency in this area is indeed promising.

When all at once I saw a crowd—
A host of golden daffodils
—William Wordsworth

. . . of flowers and bulbs and trees and shrubs . . .

Daffodils . . . gladioli and irises . . . chrysanthemums and geraniums . . . begonias and hydrangeas . . . coniferous and broad-leaved evergreens . . . deciduous shade and flowering trees . . . greenhouse tomatoes and mushrooms . . . narcissus bulbs and glass forms. These are but a few of the many kinds of flowers and flowering plants, nursery products, vegetables grown unglazed, and bulbs produced by the District's 3,000 farmers who earn income from horticultural specialty crops.

Proportion of these specialty products is concentrated not only on a relatively few farms but also in a relatively small number of counties, located mainly near the District's large urban centers. The farms are small in size when compared with other farms; the average value of sales per farm is considerably higher than that for all farms. Growers in this five-state area produced more than \$31 million worth of these products in 1959. Sales of cut flowers, potted plants, florist greens, and bedding plants comprised slightly more than half of this total. Nursery products were the second largest money-makers, contributing 45 cents to each dollar of sales. The smallest of the horticultural specialty income producers—greenhouse vegetable and vegetable seeds and plants, bulbs, and mushrooms—accounted for the remaining four cents.

When compared with other sources of District farm income, the relative income position of horticultural specialties is far down on the list. Sales of these products in 1959 made up only 2% of the value of all farm products sold in the District and the value of all crops sold. But this picture is quite different by states and in the areas of intensive production. So these specialty crops in Maryland and West Virginia, for example, produce slightly more than ten cents of each dollar of crop income, while Virginia's sales account for five cents of each crop dollar. And in major producing areas such as North and Baltimore Counties, sales of these commodities yield more than half of the value of all crop sales. In the Carolinas, where tobacco and cotton are the big farm income earners, the relative income position of these specialty crops is comparatively insignificant.

China's famous gardens, the formal gardens at Williamsburg's Governor's Palace, and those at New Bern's Tryon Palace provide the visitor with ample evidence that our forebears enjoyed the beauty of Spring's flowering bulbs, symmetrically grouped flower borders, and ornamental trees and shrubs. This same interest in an attractive grouping of shrubs and flowering plants by today's home gardeners, backyard farmers, and just plain "green thumbs" is providing nurserymen and bulb growers with a growing market for their products.





A growing source of farm income . . .

HORTICULTURAL SPECIALTIES

Easter has long been known as one of the busiest seasons of the year for nurserymen, flower farmers, and florists. Across the nation, nurseries and florists are veritable beehives of activity during the days immediately preceding the Easter observance. Street corner vendors and supermarket salesmen also have potted plants and cut flowers for sale to the many would-be purchasers.

The fast pace of the Easter business is an excellent example of the seasonal nature of the demand for horticultural specialties, particularly florist crops and nursery crops grown in greenhouses. This so-called "special event" trade—business resulting from holiday celebrations, gala civic events, births, marriages, and deaths—is probably one of the chief reasons why production of these specialty crops is centered primarily around large metropolitan centers.

EXPANDING SALES The growth in the value of horticultural specialties sold by Fifth District farmers is but one indication of their increasing importance in District agriculture. The sales value of these specialty crops from 1954 to 1959, for example, jumped nearly 50%, reaching \$31.3 million in the latter year. The value of all farm products sold increased about 13% during this same period, while the value of total crop sales actually declined 2%.

For the decade 1949-1959, horticultural specialty sales climbed 65%, while the value of all farm commodities sold rose about 40% and total crop sales increased 25%. Examination of the changes in all major sources of farm product sales during this same ten years reveals that the growth in the value of specialty crop marketings was exceeded only by increases in the sales value of fruits and nuts and poultry and poultry products.

The sales value of two of the three classes of horticultural specialties showed especially rapid growth during these ten years. Nursery products more than doubled as income producers, while sales of cut flowers, potted plants, florist greens, and bedding plants increased 45%. Greenhouse vegetables, flower and vegetable seeds and plants, bulbs, and mushrooms recorded only a very slight gain in sales value, however.

Horticultural specialties have provided a growing source of farm income in all District states. North

Carolina, where sales of these specialty crops in 1959 were nearly two and one-half times greater than ten years earlier, enjoyed the most spectacular growth. Sales in Virginia and South Carolina were half again as large as in 1949, while Maryland's sales grew more than two-fifths and West Virginia's gained around one-fourth.

Virginia was still the largest contributor to the District's total value of sales from these crops in 1959 despite significant gains in all other District states. Virginia's \$9.2 million in horticultural specialty sales was followed closely, however, by North Carolina's \$9.1 million and Maryland's \$8.0 million. West Virginia contributed roughly \$2.5 million and South Carolina about \$2.4 million to this total.

Relative to the total value of all agricultural marketings in the Fifth District, the value of horticultural specialties, while growing rapidly, is still small. Sales of these specialty crops represent an important source of income in certain states, however, and especially in particular localities. Norfolk and Baltimore Counties, both major areas of production, rank among the nation's 100 leading counties in the total value of horticultural specialties sold.

INDUSTRY CHARACTERISTICS AND SIZE Farm census takers counted some 3,000 District farmers who produced horticultural specialty crops in 1959. Some 2,900 earned as much as \$250 or more from the sale of these specialties. Of this number, 1,016 producers had sales amounting to \$2,000 and over, leaving a total of 1,887 growers—65% of the number reporting sales by volume—with earnings ranging from \$250 to \$1,999. The latter group, a good many of whom may well have been part-time farmers, produced only 4% of the value of all horticultural specialties sold. By contrast, producers with sales of \$2,000 or more accounted for 96% of all sales.

Farms producing flowers and flowering plants, bulbs, shrubs, ornamentals, and the like are comparatively small in size, but the average value of their sales is considerably higher than the average for all farms. Sales of all horticultural specialty farms in 1959, for example, averaged around \$10,375—nearly two and one-half times the \$4,260 sales average of all District farms. Specialty farms producing nursery products averaged around \$9,445, while those

growing cut flowers, potted plants, and so forth, averaged nearly \$10,790. Farms growing vegetables under glass, bulbs, flower and vegetable seeds and plants, and mushrooms, with average sales of \$2,135, were the only specialty farms with earnings lower than average farm product sales for all District farms. These comparisons suggest that the small and intensive type of farming carried on by producers of horticultural specialties still has an important place in the District's agricultural economy, despite the growing trend toward larger and highly mechanized farming operations.

The 1,016 District farms that produced and sold specialty crops valued at \$2,000 or more in 1959 were included in a special farm census tally which provides detailed information concerning the horticultural specialty industry. Roughly seven-tenths of these 1,016 producing units were individual proprietorships, while the remainder were about equally divided between partnerships and corporations. Nurserymen, flower growers, producers of bulbs and greenhouse vegetables, and mushroom and flower seed growers were the principal kinds of businesses. Flower growers and nurserymen were the most prevalent, with bulb growers the next most numerous.

The value of all land, structures, and equipment owned and/or rented by horticultural specialty farmers in 1959 totaled \$49.4 million—around two and one-fifth times that in 1949. Value per farm averaged about \$48,600, more than double the 1949 average, and ranged from a low of around \$26,800 in South Carolina to a high of \$77,200 in Virginia.

Total employment reported by these specialty producers in 1959 was approximately 8,260. This

number excludes the operators themselves as well as salaried officers of corporations. Roughly 90% of the total were paid employees, including full-time, part-time, and seasonal help. The remainder were unpaid family workers. Half of the total were full-time employees, while about two-fifths were part-time or seasonal helpers. Growers with establishments producing products having a crop value of \$10,000 and over accounted for roughly 80% of both total employment and total paid employment. The number of paid employees per farm averaged about nine, six of whom were full-time workers. Between 1949 and 1959, total paid employment rose by about one-fourth, while the number of unpaid family workers declined by the same amount. At the same time, the number of paid full-time employees increased 30%.

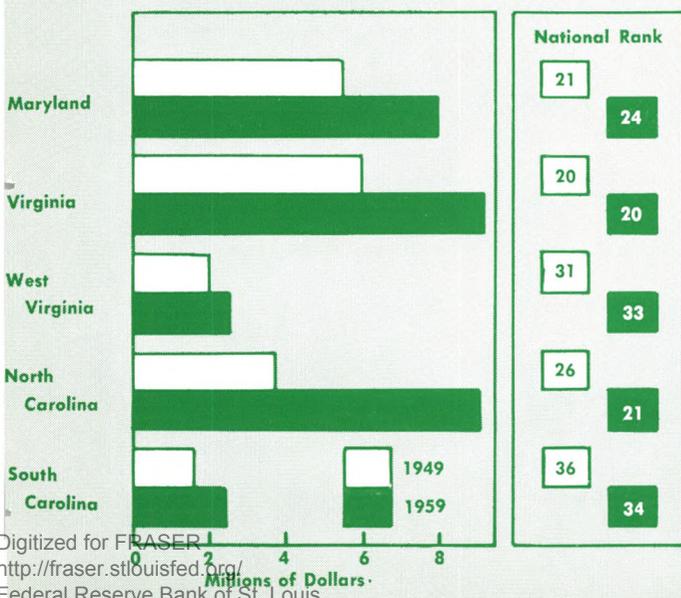
Nearly half of all District operators use both the wholesale and retail method of selling their products. One-fourth of them sell at wholesale only, while the remaining one-fourth sell only at retail. The dollar volume of their wholesale sales in 1959 was two and one-fourth times that in 1949. During this same ten years, the volume of their retail sales dropped by one-third. As a proportion of total gross receipts, wholesale and retail methods of selling thus changed positions. Wholesale sales, which had accounted for slightly more than one-third of the total sales volume in 1949, represented roughly two-thirds of the total in 1959.

OUTDOOR PRODUCTION Nursery products occupied four-fifths of the total land area used for outdoor production of horticultural specialties in 1959.

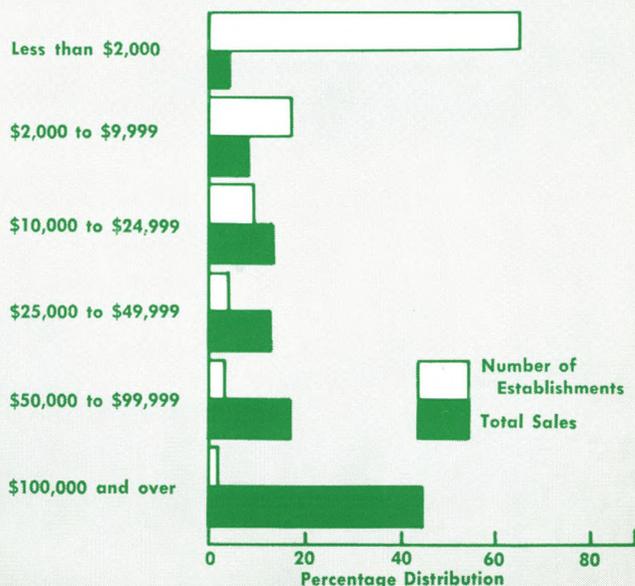
Specialty crop sales grew in each District state in the decade 1949-1959, but only the Carolinas improved in national rank.

Fifth District producers with sales of \$2,000 or more accounted for 96% of all horticultural specialty crop sales in 1959.

TOTAL VALUE OF HORTICULTURAL SPECIALTIES SOLD AND NATIONAL RANK OF FIFTH DISTRICT STATES, 1949 AND 1959

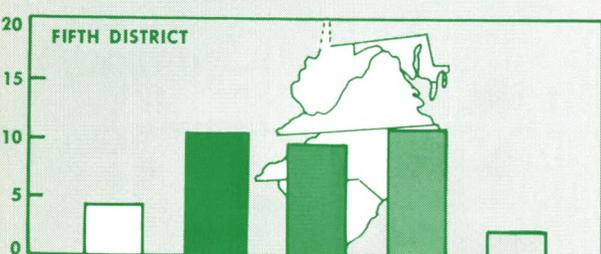
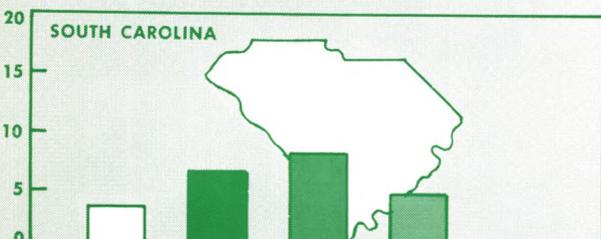
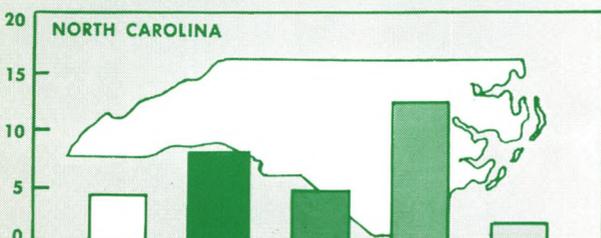
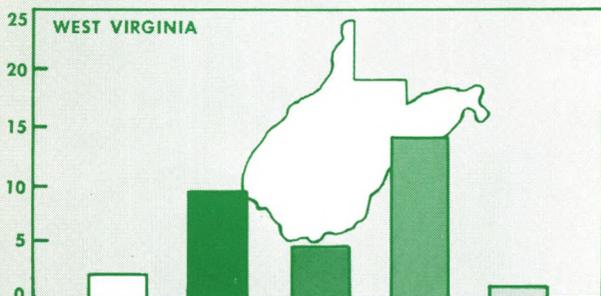
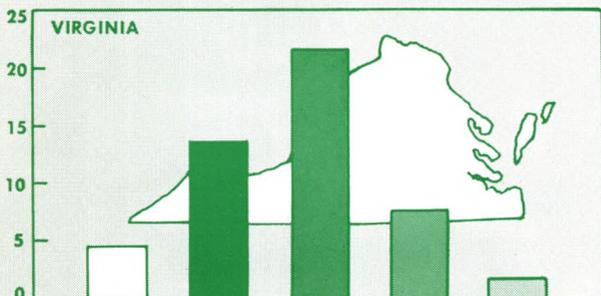
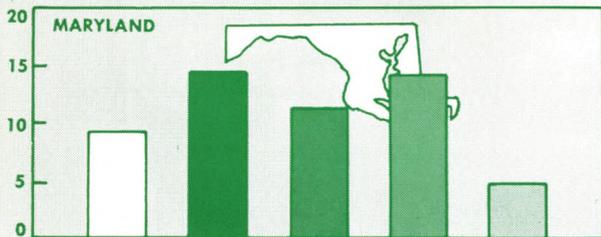


NUMBER OF HORTICULTURAL SPECIALTY ESTABLISHMENTS AND TOTAL SALES, BY AMOUNT OF SALES, 1959



VALUE OF FARM PRODUCTS SOLD PER FARM, 1959
All Farms and Horticultural Specialty Farms, By Type

\$ Thousand



■ All horticultural specialty farms □ All farms

■ Nursery products

■ Cut flowers, potted plants, florist greens, and bedding plants

■ Vegetables grown under glass, flower and vegetable products, and mushrooms

About one-sixth of the acreage was used for the production of cut flowers, flowering plants, and the like, while almost all of the remainder was devoted to growing bulb crops. The land area used for producing nursery products averaged 28 acres per farm, bulb farms averaged about 15 acres, and the average acreage devoted to cut flowers and flowering plants was only 9.

The land area covered by lath, saran, or other shade substitute material; frames; and cloth houses increased sharply between 1949 and 1959 and now amounts to slightly less than 2% of the total acreage used for outdoor production. Greatest gains have occurred in the areas covered by cloth houses and frames, but lath, saran, or some other shade substitute is still the major type of covering used.

GARDENING UNDER GLASS Some 620 horticultural specialty producers—three-fifths of those with sales of \$2,000 or more in 1959—reported the production of florist, nursery, and vegetable crops in greenhouses. Production was concentrated in some 8.6 million square feet of greenhouse area, an increase of 15% since 1949.

Space devoted to the production of florist crops, which occupies more than 90% of the total greenhouse area, rose one-eighth. Though the number of farmers producing vegetables under glass—chiefly tomatoes and lettuce—doubled, the actual space used for this purpose declined by one-sixth. The greenhouse area employed in the production of nursery crops, though still fairly small, rose a whopping 140%, while the number of producers jumped nearly 75%.

Most of the District's greenhouse area was covered by glass, but about 7% of the area was covered by a glass substitute such as plastic or fiberglass. The use of glass substitutes for greenhouse production is reported to be ushering in a new type of gardening. Plastic greenhouses, for example, are easy to build, low in cost, and relatively easy to heat.

The growing impact of scientific research on the production of horticultural specialties has brought spectacular results. Flowers and ornamental trees and shrubs are prettier, longer lived, and more resistant to disease and insect pests. Answers to questions such as how to fertilize and the proper use of chemical weed killers and mulches have been found. Directions for better methods of out-of-season production of both vegetables and flower and vegetable plants have been developed. Continuing research in this area emphasizes its growing potential as a producer of farm income.

THE FIFTH DISTRICT



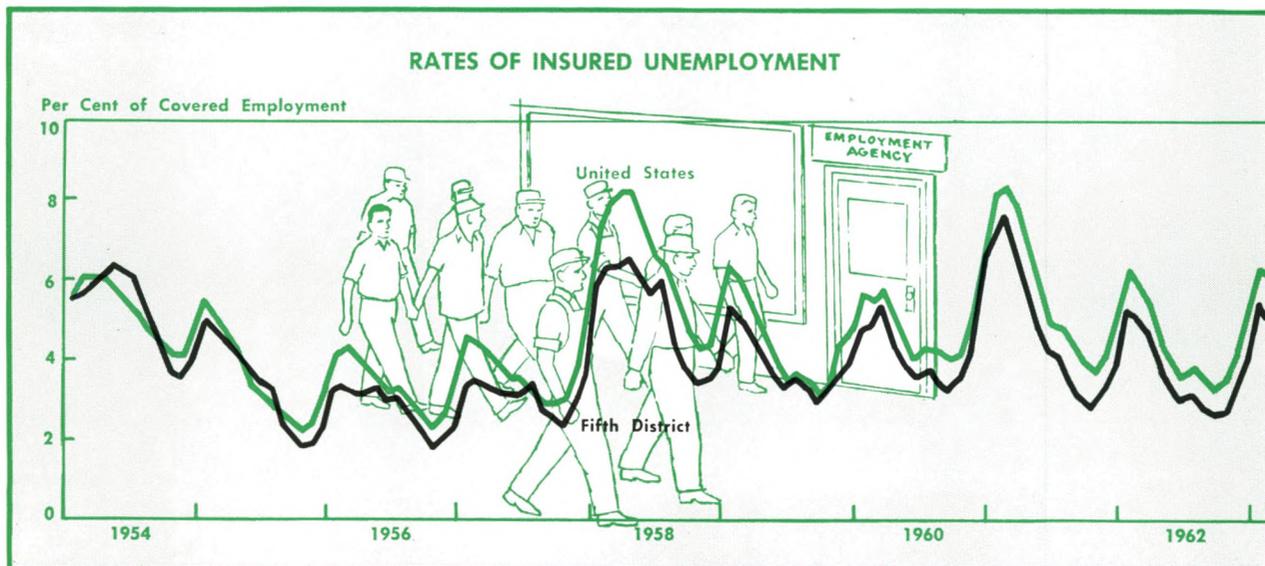
Employment and unemployment are closely related business indicators that do not always convey consistent impressions of business trends. During the first quarter of 1963, for instance, employment reached record levels after several months of fluctuation along a high plateau, but unemployment failed to decline. In fact, joblessness showed a troublesome tendency to rise during most of last year while employment remained virtually unchanged. Apparently the number of jobseekers has acquired a tendency to grow a little faster than the number of jobs.

JOBLESSNESS PERSISTS Like other economic events, labor market developments at various seasons must be evaluated by comparison with the changes that usually occur. For instance, unemployment drops to seasonal lows each fall as jobs build up to harvest and process farm output, and to prepare for the regular year-end bulge in general business activity. The pattern is typical of the Fifth Federal Reserve District and most other parts of the nation as well. From autumn lows, as a rule, joblessness rises to seasonal highs in January and February. The coming of spring turns the course of unemployment downward again. And so it continues until fall except for the

rise that occurs in June when schools close and most new graduates join the labor force in search of work.

The declines in unemployment that occurred early last fall were somewhat less than seasonal. The rise in joblessness that followed turned out to be slightly greater than would normally be expected. And this year the spring downturn got started at a later date and has since progressed at a slower pace than has usually been the case.

JOBS AT RECORD LEVEL Despite the presence of more unemployment than usual, District employment showed some improvement in January and February. The seasonally adjusted number of jobs in nonagricultural enterprises reached 4,946,000 in February, equaling the all-time high set in September last year. District employment owes its recent strength to the nondurable goods sector of manufacturing, to trade, services, and government, and to transportation, communications, and public utilities. Employment in the last-mentioned category reached record levels in February after the end of the dock strike. Manufacturing industries showing particular improvement so far this year include textile spinning and weaving operations, apparel, tobacco, chemicals, and printing. Primary metals producers were the only members of



the durable goods group to raise employment in both January and February. Jobs increased in January in nearly all durable goods categories, but February declines disappointed hopes for steady advances.

Contract construction employment in recent weeks has been conspicuously lacking in vigor. The number of construction workers reached a high for recent years last October but has declined ever since. Due in large measure to unusually adverse weather conditions, jobs dropped 3% in February alone. Indications are that the return of good weather has enabled many to return to work.

In February, as a result of the cyclical upswing of the past two years, all categories of employment except mining were well above their levels of one and two years ago. Total employment was 2% higher than a year ago and 7% higher than two years ago. Factory jobs were 1% more numerous than in 1962 and 6% more plentiful than in 1961. The largest gain in the one-year period was 4%, recorded in trade, in services, and in the finance, insurance, and real estate group. The biggest gain registered since February 1960 was 15% in contract construction. Virtually all this increase occurred in 1961.

300,000 NEW JOBS Employment gains stemming from improved business conditions in the Fifth District generated about 125,000 new jobs in the past year compared to 175,000 during the year before. As already suggested, most of the 1962 increases occurred prior to midyear. In contrast to 1961 experience, however, jobs in 1962 did not rise enough to reduce unemployment significantly. As shown by the chart on page 11, last fall's rates of insured joblessness were the lowest since 1957. Thus, District rates of insured unemployment are high compared to pre-1958 experience, but not unusually high in relation to typical rates since that year. During the period depicted on the chart District rates have matched national rates rather closely with respect to seasonal variations and business cycle fluctuations. Prior to 1957 the two series were also of similar average magnitude. Since that time, however, rates in the District have been consistently below the national figures.

UNEMPLOYMENT BY INDUSTRY Insured unemployment by particular industries differs among the various District states pretty much as industry patterns themselves differ. In the early months of the year much of the District's unemployment is seasonal, and is linked to manufacturing and contract construction. These activities accounted for about one-third of total nonfarm employment in February,

but for more than two-thirds of insured unemployment. By contrast, trade and services, which provide nearly another third of all nonagricultural jobs, generated only one-sixth of joblessness qualifying for unemployment compensation.

Differences in economic structure among District states result in some sharply divergent patterns of insured unemployment. The Maryland rate has remained quite stable at or near 6% since the first of the year. Seasonal declines in the number of jobs provided by construction and trade, and additional idleness induced by the dock strike, maintained this rate in January despite increased employment in government and stability elsewhere. When job opportunities later increased in transportation, services, and trade, these were partly offset by small declines in manufacturing employment.

Virginia's rate of insured unemployment at the start of the year was about 3%. Construction and manufacturing were the principal industries involved, but some unemployment was also linked to trade. Insured unemployment in manufacturing was fairly well distributed across the board, but with the smaller concentrations in food industries, textiles, and lumber.

As the year began the rate of insured unemployment in West Virginia stood at 10%. It has since shown a tendency to decline, primarily because of employment gains in manufacturing, government, and transportation, communications, and public utilities. The rate of insured unemployment among miners, however, reached 47% of covered employment in February.

The rate of insured unemployment was 6% early in January in North Carolina, and the trend since then has been slightly downward. Nearly two-thirds of the insured unemployed were linked with manufacturing, principally tobacco factories and textile mills. Most of the remainder were in construction and trade.

South Carolina's rate of insured unemployment has been declining this year from a starting level of about 5%. As in North Carolina, manufacturing, construction, and trade headed the list of industries involved. Within the group linked to manufacturing, about two-thirds of the insured unemployed had been attached to textile mills and apparel plants.

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