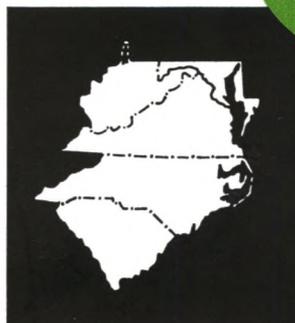


FEDERAL RESERVE BANK OF RICHMOND

# MONTHLY REVIEW

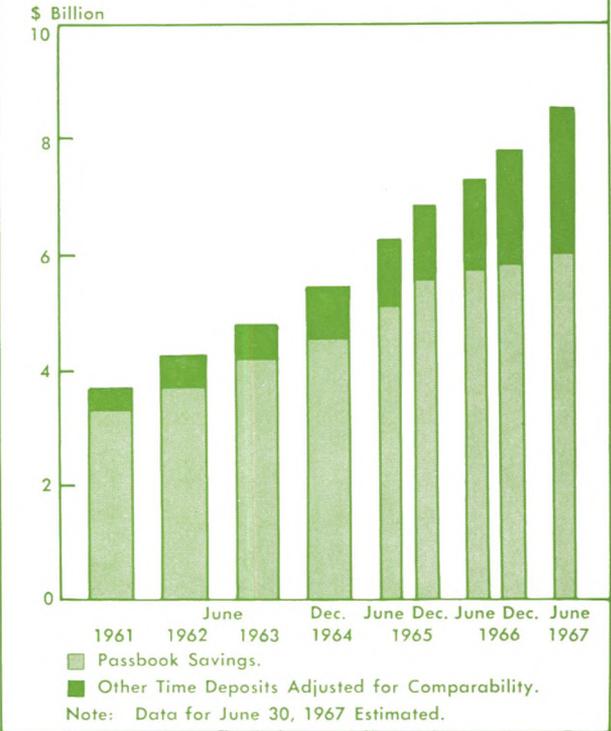
*Savings in the Bank*  
*Fifth District Flying*  
*District Personal Income*  
*The Fifth District*



OCTOBER 1967

# SAVINGS IN THE BANK

TIME AND SAVINGS DEPOSITS OF INDIVIDUALS,  
PARTNERSHIPS, AND CORPORATIONS  
COMMERCIAL BANKS IN THE FIFTH DISTRICT



In recent years the private sector of the economy has put an unprecedented amount of money into interest-bearing bank deposits. Savings and time deposits of individuals, partnerships, and corporations at commercial banks in the Fifth District increased at a compounded annual rate of 15% from mid-1961 to mid-1967.

The big “happening” in savings, however, occurred in the past year and a half. During most of this period, a number of District banks actively promoted consumer-type instruments, such as savings certificates and other small denomination certificates of deposit (CD’s), and business-type instruments, negotiable and nonnegotiable CD’s in denominations of \$100,000 or more. Businesses and individuals responded enthusiastically to these investment offerings, the terms of which varied considerably among areas within the District and among banks within the same area.

**Savings Trends** Passbook savings accounts of individuals and nonprofit organizations, which amount to around seven-tenths of Fifth District commercial banks’ holdings of total savings and time deposits, increased from \$3,315 million in June 1961 to a total of \$6,086 million in June 1967, or at a com-

pounded annual rate of 11%. During this period, however, “other” time deposits of individuals, partnerships, and corporations (IPC) increased from \$296 million to \$2,458 million or at an annual rate of 42%.

Much of this increase in “other” time deposits, IPC can be attributed to the rise in maximum allowable interest rates. These ceiling rates for member banks are specified by Regulation Q which is issued by the Federal Reserve. Maximum rates that may be paid by insured nonmember commercial banks are established by the Federal Deposit Insurance Corporation, and since 1936 have been the same as those in effect for member banks.

The maximum allowable rate for passbook savings deposits has been 4% since January 1, 1962 except that a 3½% rate was effective from January 1, 1962 to November 24, 1964 for savings deposits held less than 12 months. Savings deposits as distinct from time deposits have no specified maturity and can usually be withdrawn on demand.

Ceiling rates for time deposits effective in January 1962 ranged from 1% to 4% depending on the maturity of the contract. On July 17, 1963, rates for deposits with maturities from 90 days to 12 months were raised from a 2½-3½% range to 4%. In No-

ember 1964, the rate was raised to 4½% for those held 90 days or more, and to a 4% maximum, up from a 1% ceiling, for instruments with 30 days but less than 90 days maturity. On December 6, 1965, the ceiling was increased to 5½% for all time deposit contracts of 30 days or more maturity.

The December 1965 change in Regulation Q permitted banks to continue issuing market instruments competitive with other short-term money market investments, such as Treasury bills and commercial paper. Also the new ceilings gave banks the opportunity to compete more vigorously for cash balances of the small businessman and for savings of the small investor.

In the six months prior to the December 1965 change in Regulation Q, savings accounts held by District commercial banks increased 8% and time deposits of businesses and individuals rose 18%. In the six months following this change, savings accounts increased only 3% in contrast to a rise of 28% for time deposits, IPC. The drop in the growth rate for savings deposits and the substantial increase in IPC time deposits were caused partly by individuals shifting from passbook savings accounts to the new investment instruments offered in small denominations at higher rates. The growth rate of total time and savings deposits, however, was actually somewhat less in the first half of 1966 than in the preceding six months.

In the second half of 1966, the rate of savings growth for District commercial banks again declined slightly. Total time and savings deposits increased 6% compared with a 7% increase in the first half. The growth rate for savings deposits was approximately the same as in the preceding six months. The increase of time deposits, however, was somewhat below that registered in the first half of the year. The decline in growth rate for these latter deposits was caused partly by the July and Septem-

ber changes in Regulation Q. On July 20, the maximum allowable rate on multiple maturity contracts was changed from 5½% to 5% for those 90 days or more and to 4% for those under 90 days. The ceiling for single maturity contracts under \$100,000 was dropped to 5% on September 26.

The dampening effect of these changes in Regulation Q, however, was short lived. By June 30, 1967, IPC time deposits at District commercial banks had risen to \$2.5 billion, up 29% from the December 1966 level. This growth rate was slightly greater than that experienced in the six months following the December 1965 hike in ceiling rates. Passbook savings in the first half of this year increased at twice the 1966 rate but only half that for the last six months of 1965.

**Area Variations** This general pattern, a rapid rise in time deposit contracts accompanied by a slower growth rate in savings deposits, was characteristic of commercial banks' holdings in the District of Columbia and each of the five States in the Fifth District. The rates of change within the six-year period, however, varied considerably among the District areas.

From June 1961 to June 1967, the growth rate in total savings and time deposits of individuals and businesses at commercial banks in North Carolina was greater than that registered in other District areas. Passbook savings almost doubled and other time deposits increased ninefold, the big spurt occurring in the six months following the December 1965 change in Regulation Q.

The commercial banks in the District of Columbia followed closely on the heels of those in North Carolina in attracting personal and business savings. Passbook savings accounts were twice as high in mid-1967 as in mid-1961, after registering a decline

### TYPES OF TIME AND SAVINGS DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS (IPC) Fifth District Member Banks, 1967

Type of Deposit	Number of Issuing Banks			Amount (Millions of Dollars)		
	Jan. 31	Apr. 28	Jul. 31	Jan. 31	Apr. 28	Jul. 31
Total time and savings deposits				5498	5718	5924
Savings deposits	396	392	391	3936	4005	4122
Consumer-type deposits—less than \$100,000				1130	1261	1343
Savings bonds	13	12	10	17	19	9
Savings certificates	97	100	90	453	465	508
Other nonnegotiable CD's	179	182	196	392	508	559
Negotiable CD's	128	125	117	207	208	176
Time deposits, open account	117	115	109	62	61	90
Business-type time deposits—\$100,000 or more				432	452	458
Negotiable CD's	49	59	59	222	218	218
Nonnegotiable CD's	59	67	72	180	201	206
Time deposits, open account	28	31	29	29	33	34

during 1966. Time deposit contracts showed a five-fold increase during the six-year period.

Virginia banks ranked third in the rate of increase in total holdings of savings and time deposits. The rate of increase for passbook savings, however, was the smallest of the District areas. In the first six months of this year, these accounts actually declined in contrast to a tremendous advance of 45% in time deposits, IPC. For the entire period, time deposit contracts advanced nearly tenfold.

By mid-1967, time deposit contracts held by South Carolina banks were eleven times as great as in mid-1961. This was the largest rate of increase registered by District areas and represented a steady uptrend from a small base of \$10 million in June 1961. Passbook savings increased around 70%.

Individuals increased their holdings of passbook savings at banks located in the Fifth District portion of West Virginia by around 85%, a higher rate of increase than that for the District as a whole. Time deposit contracts at these banks were eight times greater in mid-1967 than in mid-1961, despite the fact that the increase during 1966 was negligible.

The Maryland banks registered the smallest percentage gain in total savings and time deposits, IPC. Time deposit contracts were a little less than five times as great in June 1967 as in June 1961. Passbook savings rose by 90%.

**Consumer-Type Time Deposits** The recent rise in Fifth District commercial banks' holdings of time deposits was caused primarily by sales of consumer-type time deposits, as indicated from the results of special surveys conducted by the Federal Reserve System in December 1965, May 1966, and quarterly since January 31, 1967. On July 31, 1967, Fifth District member banks held approximately three times as much in consumer-type time deposits, defined as instruments under \$100,000, as in business-type time deposits, those instruments \$100,000 or more.

Consumer-type time deposits at District member banks increased at an annual rate of 41% from January 31 to the end of July. An exact comparison

can not be made for December 1965 and May 1966 since the earlier surveys did not distinguish other nonnegotiable CD's and time deposits, open account, by size of account. The 1967 surveys, however, indicated that roughly seven-tenths of these types of instruments were under \$100,000. Using this proportion to split the reported amounts into consumer-type and business-type, total consumer-type instruments held by District member banks rose from December 3, 1965 to May 11, 1966 at a compounded annual rate of 91%. The rise from May 1966 to January 31, 1967 was at an annual rate of 58%.

Most of the growth during the past year and a half was in savings certificates and other small denomination nonnegotiable CD's. Savings or investment certificates amounted to around two-fifths of all consumer-type instruments, increasing by 83% during the period. Other nonnegotiable CD's, however, gained in relative importance, from one-fifth to two-fifths of all consumer-type instruments. The proportion of small denomination CD's in negotiable form declined from around one-fifth to one-eighth.

**Business-Type Time Deposits** Among the large denomination instruments issued by District banks, the nonnegotiable CD gained in importance at the expense of the negotiable CD. By July 1967, there was very little difference in the relative importance of the two. Business-type contracts amount to around one-fourth of all time deposit instruments in the District. In Virginia and West Virginia this proportion was less than 10%. In contrast, the District of Columbia member banks held around three-fifths of time deposit contracts in large denomination form.

**Interest Rate Patterns** On July 31, 1967, a large majority of District member banks offered the Regulation Q maximum of 4% on passbook savings and of 5% on small denomination time deposit contracts, except open accounts. The maximum rate for these latter time deposits typically ran 1% below the 5% ceiling. The pattern for District areas varied. Over half of the banks in the District of Columbia, South

### TYPES OF TIME AND SAVINGS DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS Fifth District Member Banks, 1967

Area	Total Time Deposits			Savings Deposits			Consumer-type Deposits			Business-type Deposits		
	Jan. 31	Jul. 31	Change	Jan. 31	Jul. 31	Change	Jan. 31	Jul. 31	Change	Jan. 31	Jul. 31	Change
	(\$ millions)			(\$ millions)			(\$ millions)			(\$ millions)		
			%			%			%			%
Fifth District	5,498	5,924	8	3,936	4,122	5	1,130	1,343	19	432	458	6
District of Columbia	780	833	7	505	538	7	101	113	12	174	182	5
Maryland	833	872	5	767	800	4	39	44	13	27	29	7
North Carolina	1,004	1,113	11	553	590	7	311	364	17	140	159	14
South Carolina	179	200	12	141	153	9	34	39	15	5	8	60
Virginia	2,152	2,316	8	1,506	1,549	3	568	696	23	77	72	- 6
West Virginia	550	590	7	464	494	6	78	87	12	8	9	12

Note: See table on page 3 for coverage of deposits and definitions of consumer-type and business-type deposits.

**MAXIMUM INTEREST RATE PAID ON  
TIME AND SAVINGS DEPOSITS, IPC, JULY 31, 1967**

Carolina and West Virginia paid less than the 5% ceiling on the smaller denomination time deposit instrument. Also over one-fourth of the member banks in South Carolina and West Virginia paid less than the 4% ceiling on passbook savings.

The general trend throughout the District has been an upping of the rate paid on passbook savings with the increased popularity of small time deposit instruments at a higher return. From December 1965 to May 1966, approximately 15% of District member banks raised the rate on savings accounts. These were joined by another 10% of banks by July 1967. On this date 8 out of 10 District banks were paying the maximum.

On time deposit contracts the following number of banks raised rates between December 3 and May 11: 5 of the 10 banks issuing savings bonds; 87 of 219 banks issuing savings certificates; 38 of the 89 banks issuing other nonnegotiable CD's; 28 of 95 banks holding time deposits, open account; and 45 of the 108 banks issuing negotiable CD's less than \$100,000. In the period from May 11, 1966 to January 31, 1967, 161 of the 253 banks issuing savings certificates and other nonnegotiable CD's increased the maximum rate paid on these instruments, despite the fact that the ceiling had been rolled back during the period. Only five lowered these rates. From January 31 to July 31, 1967, the number increasing the rate on small denomination time deposit contracts again outnumbered those decreasing the rate, pushing a greater number of District banks to the Regulation Q ceiling.

Although Regulation Q allows a 5½% maximum rate on time deposit instruments of \$100,000 or more, few banks in the District issued these instruments at the ceiling rate on any of the survey dates. The prevailing rate for each type of instrument was 5% throughout 1967. The large denomination CD in negotiable form is a different breed from the non-negotiable instrument. Its rate is generally influenced by yields on competing money market instruments and is extremely volatile. In the May 1966 survey, over one-half of the 47 District banks issuing large denomination negotiable CD's indicated a rate advance since the ceiling was raised in December. The prevailing rate, however, remained 1% below that permitted. Between May 1966 and January 31, 1967, 42 of the 46 issuing banks had increased their maximum rate. By April, a few additional banks were issuing these instruments; some banks had reduced, others had increased the maximum rate from that in January. In the next quarter, there was again some maneuvering of rates but the prevalent rate remained 50 basis points below the ceiling.

*Elizabeth W. Angle*

**SAVINGS DEPOSITS**

	Total No. of Banks	Interest Rate (%)			
		Under 3.0	3.0	3.5	4.0
		(Number of Banks)			
Fifth District	391	16	35	29	311
District of Columbia	12	....	....	....	12
Maryland	55	1	5	6	43
North Carolina	28	2	1	1	24
South Carolina	32	4	5	....	23
Virginia	161	2	5	6	148
West Virginia	103	7	19	16	61

**CONSUMER-TYPE TIME DEPOSITS, IPC**

	Total No. of Banks	Interest Rate (%)			
		Under 4.0	4.0	4.5	5.0
		(Number of Banks)			
<b>Savings Bonds and Certificates</b>					
Fifth District	95	3	21	18	53
District of Columbia	2	....	....	1	1
Maryland	6	....	1	2	3
North Carolina	5	1	....	....	4
South Carolina	11	1	3	5	2
Virginia	52	....	2	7	43
West Virginia	19	1	15	3	....
<b>Other Nonnegotiable CD's</b>					
Fifth District	196	7	48	38	103
District of Columbia	8	....	....	1	7
Maryland	25	2	10	5	8
North Carolina	17	....	2	2	13
South Carolina	15	....	3	9	3
Virginia	91	....	3	19	69
West Virginia	40	5	30	2	3
<b>Negotiable CD's</b>					
Fifth District	117	4	32	19	62
District of Columbia	6	1	....	....	5
Maryland	13	....	6	1	6
North Carolina	12	....	....	2	10
South Carolina	8	1	1	4	2
Virginia	51	1	5	7	38
West Virginia	27	1	20	5	1
<b>Open Account</b>					
Fifth District	109	22	45	16	26
District of Columbia	7	....	2	2	3
Maryland	22	6	12	1	3
North Carolina	3	....	....	....	3
South Carolina	3	....	....	3	....
Virginia	51	6	18	10	17
West Virginia	23	10	13	....	....

**BUSINESS-TYPE TIME DEPOSITS, IPC**

	Total No. of Banks	Interest Rate (%)			
		Under 4.5	4.5	5.0	5.5
		(Number of Banks)			
<b>Open Account</b>					
Fifth District	29	10	5	12	2
District of Columbia	3	....	1	2	....
Maryland	3	3	....	....	....
North Carolina	3	....	....	2	1
South Carolina	....	....	....	....	....
Virginia	18	5	4	8	1
West Virginia	2	2	....	....	....
<b>Nonnegotiable CD's</b>					
Fifth District	72	8	16	41	7
District of Columbia	9	....	1	5	3
Maryland	11	2	4	4	1
North Carolina	8	....	2	5	1
South Carolina	3	1	2	....	....
Virginia	36	2	5	27	2
West Virginia	5	3	2	....	....
<b>Negotiable CD's</b>					
Fifth District	59	13	14	24	8
District of Columbia	4	1	....	....	3
Maryland	11	3	3	4	1
North Carolina	7	....	1	3	3
South Carolina	2	1	....	1	....
Virginia	26	2	7	16	1
West Virginia	9	6	3	....	....

Note: Interest rate is in per cent per annum. The few banks paying a rate between those listed are included in the lower rate category.

# Wright Brothers



"CLEAR!"

With that single distinct word, thousands of District flyers will start propellers turning, instrument panels blinking, and radios whining as they begin final preparations for takeoff. Their destinations? Places they've never before had time to see, places to relax or ski, swim and sail; or perhaps no specific destination: only the goal of a sight-seeing tour from 5,000 feet and up. □ This is a new breed of flyer—this pilot who flies for fun, relaxation, and recreation—and he is changing the pattern of private aviation throughout the country. Today people are finding that flying is not only a means of transportation for business purposes, but also a practical, comfortable, and convenient way to travel for personal pleasure. Flying has become an enjoyable pastime that makes getting there half the fun. According to Federal Aviation Agency estimates, general aviation aircraft flew 21.0 million hours during 1966, of which 7.1 million, or 34%, flying "for personal purposes not associated with a business or profession." □ Families are now using it as they would a second car. Weekend jaunts to faraway places are possible in small planes that can travel 200 miles per hour. Seaplanes allow water enthusiasts to land in bays or lakes and swim or fish from the plane. Winter resorts are easily accessible by skiplanes which permit landing on snow. Modern aircraft, although small, are spacious and comfortable with plenty of room for luggage. □ More people are becoming aware of and interested in the fun of flying. Since 1962 the number of licensed private pilots has increased by 49.0% in the District, slightly over the national increase of 48.6%. Indicative, too, of the expansion in flying is the 63.6% increase of registered student pilots within the District. As membership in the flying fraternity rises, so does the number of aircraft. The number of "single engine 4-place and over" planes has risen sharply since 1962. The 52.0% increase for the District in this type of plane is well above the national figure of 28.8%. Leading in the District are Washington, D. C. and South Carolina which registered substantial gains in the number of small planes. □ Many changes have taken place in aviation during the last five years, and there are more to come. Faster, less expensive aircraft, new instruments and techniques for piloting, and longer, better constructed airfields are being perfected in an attempt to improve all facets of aviation. But for the present, the biggest change is the realization that

flying  
is  
for  
fun  
!!

	Total Personal Income (\$ Billion)	Per Capita Personal Income (Dollars)
Fifth District	46,964	2,565
District of Columbia	3,182	3,948
Maryland	11,573	3,204
North Carolina	11,321	2,277
South Carolina	5,310	2,052
Virginia	11,641	2,605
West Virginia	3,937	2,176
United States	580,483	2,963

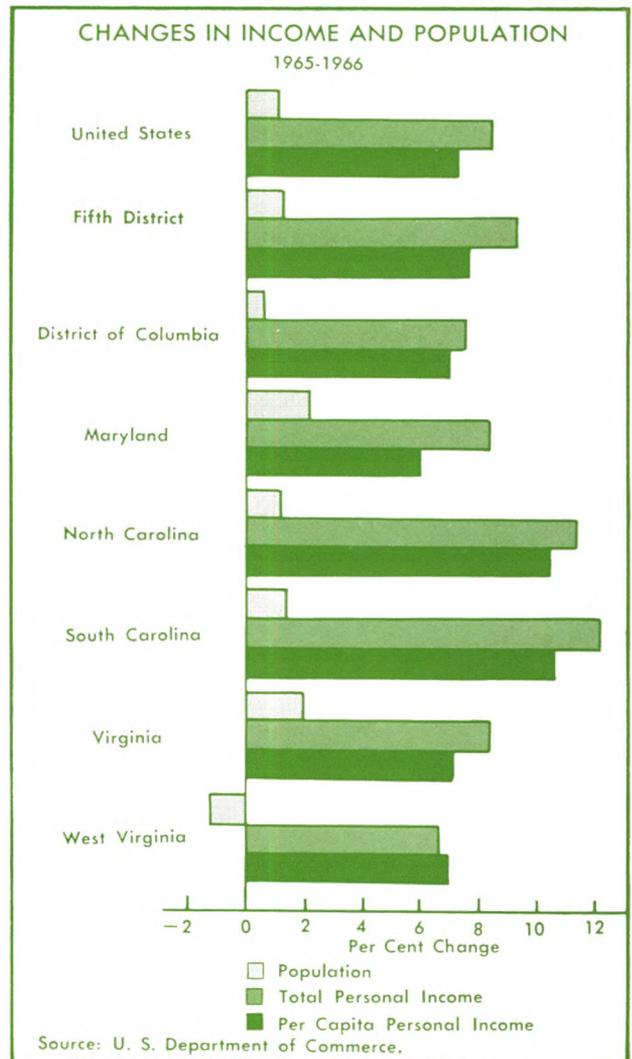
# FIFTH DISTRICT PERSONAL INCOME 1966

Personal income in the United States and in the Fifth District reached new highs during 1966. The District scored a slightly larger advance than the country as a whole. Total personal income in the nation rose to \$580 billion while in the District it advanced to \$47 billion. Nationally, the increase from 1965 to 1966 was 8.5% and that for the District was 9.3%. Per capita income also made advances in the nation and in the District. For the country as a whole, per capita personal income was at a record high of \$2,963 in 1966. This represented an increase of nearly 7.5% over the 1965 average of \$2,760. In the District per capita income rose to \$2,565 in 1966—an increase of 7.8%.

**Income in the Fifth District** All Fifth District states showed considerable gains in total personal income. South Carolina made the greatest improvement with an increase of 12.2% while West Virginia recorded the smallest with an increase of 6.7%. The remaining states all had gains greater than the national average except for the District of Columbia. Increases in per capita income for all the Fifth District states were in line with the national gain of 7.4%. Maryland had the smallest change with an increase of 6% while South Carolina once again led the District with an increase of 10.6%. The District of Columbia had the largest per capita income in the District. With an average income of \$3,948, the District of Columbia even outstripped Connecticut, the next highest in the country, which had an average of \$3,690. For the first time, average per capita income in the District exceeded \$2,000.

**Major Sources of District Income** The largest contributors to District income were wages and salaries paid to Federal and state and local government employees. With a total of \$9,813 million paid, this category represented 20.9% of total personal income in the District and 29.3% of total

wages and salaries. The rapid expansion in defense establishments was a major influence affecting changes in income. A \$10 billion increase in defense spending directly affected the 1966 income distribution through three major income components:



military payrolls, Federal civilian payrolls, and factory payrolls in defense-oriented industries. Significant gains were also made in wages and salaries paid in the construction, manufacturing, and trade industries within the District. Contract construction wages and salaries rose to \$1,988 million from a level of \$1,775 million in 1965—representing an increase of 12%. Manufacturing wages and salaries increased \$871 million over the 1965 level and represented 27.1% of total wages and salaries distributed in 1966. Wholesale and retail trade wages and salaries rose to \$4,767 million from \$4,317 million—a gain of 10.4%.

Farm wage and salary income decreased in all District states except North Carolina. Declines ranged from 23.5% in South Carolina to 8.2% in Virginia. Although farm wage rates have continued to rise in the District, this decline in 1966 can be mainly attributed to a decrease in the number of farm workers, particularly hired workers. For the country as a whole, however, farm income rose

0.6% from 1965 to 1966. This was the only area where the nation made a gain and the District did not.

Proprietors' income, property income, and transfer payments all made significant gains in the District. Earnings of self-employed people and owners of unincorporated enterprises, known as proprietors' income, grew by \$141 million, with \$90 million of that amount coming from non-farm activities and approximately \$50 million arising from farming. The gain in proprietors' income for the country as a whole, however, did better than the District with a gain of 4.6% while the District had a gain of 3.6%. Property income, which includes dividends, rents, and interest, also made significant gains. With an absolute increase of \$431 million and a percentage increase of 8.1%, the District made a slightly better relative showing than the nation which had an increase of 8%. Government transfer payments, which consist of unemployment compensation, social security benefits, and veterans' pensions, made a gain

### FIFTH DISTRICT INCOME BY MAJOR SOURCES 1965-1966

Source	Amount		Change, 1965-1966		Distribution of	
	1965 \$ Million	1966 \$ Million	\$ Million	Per Cent	Total Personal Income Per Cent	Wages and Salaries Per Cent
<b>PERSONAL INCOME</b>	42,961	46,964	4,003	9.3	100.0	
<b>WAGES AND SALARIES</b>	30,255	33,479	3,224	10.7	71.3	100.0
FARMS	204	189	— 15	— 7.4	0.4	0.6
MINING	425	446	21	4.9	0.9	1.3
CONTRACT CONSTRUCTION	1,775	1,988	213	12.0	4.2	5.9
MANUFACTURING	8,199	9,070	871	10.6	19.3	27.1
TRADE	4,317	4,767	450	10.4	10.2	14.2
FINANCE, INSURANCE, AND REAL ESTATE	1,162	1,258	96	8.3	2.7	3.8
TRANSPORTATION, COMMUNICATION & PUBLIC UTILITIES	2,092	2,263	171	8.2	4.8	6.7
SERVICES	3,296	3,619	323	9.8	7.7	10.8
GOVERNMENT	8,720	9,813	1,093	12.5	20.9	29.3
Federal, civilian	3,897	4,167	270	6.9	8.9	12.4
Federal, military	1,893	2,364	471	24.9	5.0	7.1
State & local	2,929	3,280	351	12.0	7.0	9.8
OTHER INDUSTRY	63	70	7	11.1	0.1	0.2
<b>OTHER LABOR INCOME</b>	1,387	1,549	162	11.7	3.3	
<b>PROPRIETORS' INCOME</b>	3,968	4,109	141	3.6	8.7	
FARM	1,079	1,129	50	4.6	2.4	
NONFARM	2,890	2,980	90	3.1	6.3	
<b>PROPERTY INCOME</b>	5,307	5,738	431	8.1	12.2	
<b>TRANSFER PAYMENTS</b>	3,179	3,579	400	12.6	7.6	
<b>LESS: CONTRIBUTIONS FOR SOCIAL INSURANCE</b>	1,138	1,491	353	31.0	3.2	

Details may not add to totals due to rounding.  
Source: U. S. Department of Commerce.

of 12.6% while the nation recorded a rise of 10.6%. Transfer payments had the largest percentage increase of all the components of total personal income in the District.

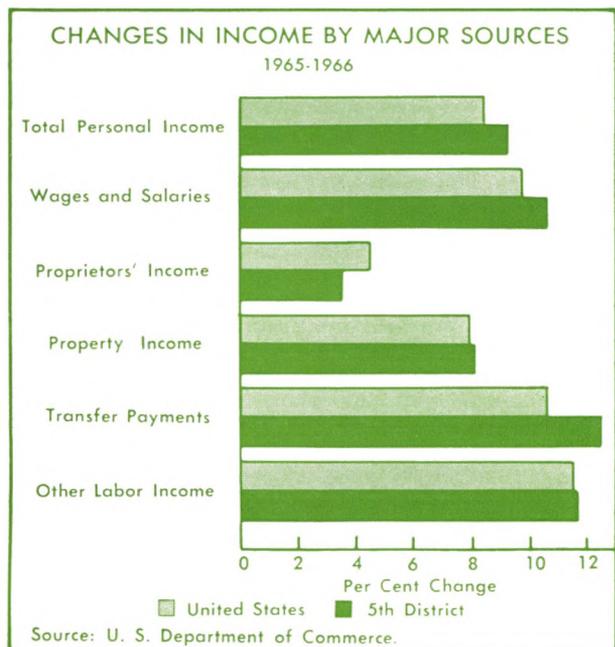
**Income by States** All District states had gains in the major sources of personal income. Wages and salaries, representing 71.3% of total personal income in the District, was the highest in Virginia with a total of \$8,606 million. Maryland followed Virginia with a total of \$8,536 million. The greatest percentage increase among the District states was made by South Carolina with a gain of 14.4% over 1965.

There were notable gains in income from contract construction in all the District states except the District of Columbia. The Carolinas showed the greatest percentage increase in contract construction wages and salaries. South Carolina showed a gain of 24% and North Carolina had a 20.3% increase, while the District of Columbia had a decrease of 2.8%.

The government, both Federal and state and local, is one of the largest employers in the District. This is especially true of Maryland and Virginia since many of the workers in those states are employed in the nation's capital. More and more government employees, however, are increasing in the other Fifth District states. South Carolina made the greatest gain in wages and salaries paid to government workers—a rise of 20.8%. North Carolina followed with a gain of 15.3%. Wages and salaries of District military personnel had the greatest percentage increase among all government workers with a rise of

24.9%. State and local government employees had an increase of 12%.

As factory payrolls have increased in the District, manufacturing wages and salaries have subsequently risen. In 1966 manufacturing income represented 19.3% of total personal income in the District. With



many new jobs becoming available, North Carolina led the other District states with manufacturing wages and salaries reaching \$7,754 million—a 13.3% increase over 1965. South Carolina followed with an increase of 12%; Maryland, 9.5%; Virginia, 8.9%; District of Columbia, 7.4%; and West Virginia, 6.2%.

**Summary** Personal income and per capita income reached new highs in the nation and in the District during 1966. All the Fifth District states made significant gains in all the major components of personal income as can be seen in the charts. District gains exceeded those for the nation as a whole during the period 1965-1966 in most of the major areas of personal income. Indications are that this pattern of growth will continue.

*Priscilla A. Gowen*

# THE FIFTH DISTRICT



What economic conditions can residents of the Fifth District expect to be enjoying by 1975? How will their economy compare with that of other areas in the country? The long-range nature of such questions obviously prohibits precise forecasts. Usually forecasts are made for only a year or two into the future, but the National Planning Association's Center for Economic Projections has recently published, as a part of its Regional Economic Projection Series, a report making long-range economic projections for 224 metropolitan areas.

These projections give some idea of the state of the overall economy since metropolitan areas are closely tied to all areas of the nation's economy. Using the figures in the above report, the June 1967 issue of *Looking Ahead*, a monthly publication of the National Planning Association, forecasts that by 1975 "60 per cent of the nation's population will be concentrated in the 25 largest metropolitan areas," and that "the share of employment and personal income for these 25 metropolitan areas will be greater than their 60% share of the population." Excerpts from these figures, presented in the accompanying table for Fifth District metropolitan areas, provide the basis for this article.

**The NPA Study** The cities surveyed in the study are Standard Metropolitan Statistical Areas, grouped according to eight multistate regions. Two of the 20 Fifth District cities included are in the Middle Atlantic region, which stretches from Maryland to New York. The other 18 are classified in the Southeast group, which encompasses cities from Virginia to Florida in the South and to Arkansas in the West. For each of the 20 metropolitan areas, a 1975 estimate is presented for population, employment, personal income, and per capita personal income. These projections are then used as a basis for calculating annual growth rates for the period from 1962 to 1975.

**Population** Projections for the two geographic areas which include Fifth District cities present contrasting rates of urban population growth. Of the eight large regions included in the study, the Southeast region is expected to experience the fastest annual rate of increase of metropolitan population

between 1962 and 1975 (2.3%), while the Middle Atlantic region is projected to realize the slowest growth (1.2%). As a result, the percentage of the Middle Atlantic region's total population in metropolitan areas is expected to remain approximately unchanged at 86% while the fraction of the Southeast's population living in urban areas is forecast to grow from 43% to 55%. This growth in the Southeast generally characterizes regions whose metropolitan areas have grown relatively late.

An annual metropolitan growth rate of 2.0% is forecast for the Fifth District as compared with a rate of 1.7% for the 224 areas as a whole. Growth rates within the Fifth District range from 0.5% in Charleston, West Virginia to 3.2% in Newport News. Washington and Baltimore, the two District cities classified in the Middle Atlantic region, have projected growth rates of 1.9% and 2.4%, respectively, both considerably above the average of 1.2% for their region. The average for the 18 District cities in the Southeast, however, is somewhat below the 2.3% average for the Southeast as a whole.

**Employment** According to the NPA study, employment opportunities seem to be the major factor influencing metropolitan growth. Areas of rapid employment growth exhibit high growth rates for population. The average annual rate of employment growth for Fifth District areas is projected at 2.4%, just above the 2.2% figure for all the metropolitan areas surveyed.

Baltimore and Washington, with 2.8% and 2.1% growth rates, respectively, exceed the Middle Atlantic regional average of 1.6%, while Fifth District cities in the Southeast region are forecast to have employment growth rates generally below their 2.8% regional estimate from 1962 to 1975. Baltimore and Washington are areas of large government employment. In addition, Baltimore has large industrial, financial, and shipping interests. Newport News, characterized by large Federal shipbuilding contracts, is forecast to have the greatest employment growth rate in the District through 1975, 3.5% per year.

**Per Capita Personal Income** The projected average annual growth rate for per capita personal income of all Fifth District Metropolitan areas is 2.5%,

1975 PROJECTIONS FOR FIFTH DISTRICT METROPOLITAN AREAS

Area	1975 Projections				Average Annual Rate of Growth 1962-1975 (%)			
	Employment (000)	Population (000)	Personal Income (in millions of 1960 dollars)	Per Capita Personal Income (in 1960 constant dollars)	Employment	Population	Personal Income	Per Capita Personal Income
UNITED STATES METROPOLITAN	62,107	154,286	548,549	3,555	2.2	1.7	4.2	2.4
*FIFTH DISTRICT METROPOLITAN	4,408	10,725	36,372	3,391	2.4	2.0	4.6	2.5
<u>All Middle Atlantic Metropolitan</u>	16,652	39,462	150,109	3,804	1.6	1.2	3.6	2.4
Baltimore	1,013	2,382	8,238	3,458	2.8	2.4	4.9	2.5
Washington, D. C.	1,186	2,715	11,257	4,147	2.1	1.9	4.2	2.3
<u>All Southeast Metropolitan</u>	8,870	23,360	68,361	2,926	2.8	2.3	5.1	2.7
Asheville	67	159	490	3,078	2.1	1.5	4.6	3.0
Charleston, S. C.	102	323	863	2,669	1.9	1.4	4.5	3.1
Charleston, W. Va.	97	273	929	3,400	0.9	0.5	3.7	3.1
Charlotte	190	475	1,545	3,250	2.5	2.7	4.7	2.0
Columbia	134	381	967	2,538	2.7	2.4	5.2	2.8
Durham	62	145	429	2,969	2.2	1.8	4.2	2.4
Fayetteville	49	178	568	3,198	2.9	0.7	5.2	4.5
Greensboro	165	339	1,105	3,263	2.4	2.0	4.5	2.4
Greenville, S. C.	148	339	915	2,702	2.3	1.8	4.4	2.6
Huntington	98	291	791	2,718	1.6	1.0	3.7	2.7
Lynchburg	72	150	414	2,761	2.9	2.1	5.2	3.0
Newport News	133	368	1,078	2,934	3.5	3.2	6.1	2.8
Norfolk	262	814	2,258	2,774	2.7	2.2	5.1	2.8
Raleigh	114	257	829	3,227	3.2	2.9	6.1	3.1
Richmond	267	566	1,846	3,263	2.2	1.6	4.0	2.3
Roanoke	95	204	593	2,907	2.4	1.6	4.3	2.7
Wilmington	45	126	404	3,199	2.4	2.3	6.4	4.0
Winston-Salem	109	240	853	3,557	1.9	1.4	4.4	2.9

\*Calculated by Federal Reserve Bank of Richmond.

Source: National Planning Association, "Economic and Demographic Projections for 224 Metropolitan Areas," May 1967.

slightly above the national average. Although small, this differential suggests the continuation of a trend of recent years. Per capita personal income in Fifth District states has been moving closer to the national average, and the slightly larger growth rate forecast for the District through 1975 indicates this trend will continue, at least in metropolitan areas. The average annual growth rate for per capita income of Fifth District cities through 1975 ranges from 2.0% in Charlotte to 4.5% in Fayetteville. Projected growth rates for personal income and per capita income in cities in both North Carolina and South Carolina suggest that those cities will continue their rising income levels.

In absolute terms only four cities in the District are forecast to have a per capita income level of \$3,400 or above in 1975. Washington has the highest projected level with \$4,147 per person, equivalent to

a 2.3% annual growth rate. Winston-Salem, Baltimore, and Charleston, West Virginia, in that order, have the next highest levels.

**Conclusion** According to the recent study of the National Planning Association, residents of the District's metropolitan areas can expect the growth rates for employment and income to compare favorably with those of the nation between now and 1975. Growth rates for income and employment in these areas are projected to exceed the national averages.

*Joseph C. Ramage*

CREDITS

6. & 7. Wright Brothers' plane—Smithsonian Institution; Hans Phaal's Balloon by Gerry Gersten and Leonardo da Vinci's sketches from Champion Papers, Inc., IMAGINATION.