



SERVICE INDUSTRY GROWS IN EIGHTH DISTRICT

FOR INFORMATION CONTACT:
Susan McCollum, 314-444-8688

91-1

FOR RELEASE JANUARY 4, 1991

ST. LOUIS -- Mirroring the national trend, the service sector of the Eighth District economy was responsible for more rapid job growth in the last three decades than any other sector. In stark contrast, the share of jobs provided by manufacturing fell sharply during this period.

An explanation of the service sector's rapid expansion and what it means to the Eighth District is provided in "District Services: What They Are and Why They Have Grown" an article by Economist Thomas B. Mandelbaum, in the current issue of Pieces of Eight, the St. Louis Federal Reserve Bank's quarterly regional research report.

"Some see the growth of services as bad--that it means the U.S. is losing its industrial base. But, that is not the case," said Mandelbaum. "The growth of services actually reflects the rising affluence of U.S. consumers, which has been made possible by the success of manufacturers in increasing labor productivity."

(more)

SERVICES/2

Service providing sectors include retail and wholesale trade; finance, insurance and real estate; government; transportation, communication and public utilities; and a group called other services. Health services and business services were the two largest industries in the other services sector and their rapid growth fueled the overall growth in services.

Growth in services largely stems from an increase in demand for services by businesses and individuals. Technological advances have allowed firms to specialize in particular services, such as data processing, and by spreading costs among many customers, they can provide services to businesses at a low cost. As a result of productivity gains in manufacturing and other sectors, American consumers have enjoyed an increased ability to purchase services.

Other articles in this issue include "Government-Sponsored Enterprises: Safe and Sound?" the second in a two-part series by Economist Michelle A. Clark, and "The Mississippi River System and Barge Industry" by Economist Jeffrey D. Karrenbrock.

The Federal Reserve Bank of St. Louis has branches in Little Rock, Louisville and Memphis. It serves the Eighth Federal Reserve District which includes all of Arkansas, eastern Missouri, southern Indiana and Illinois, western Kentucky and Tennessee and northern Mississippi.
