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# A Changing Southern Exposure

I came to the Federal Reserve Bank of Atlanta in 1989. During the past 25 years, I've witnessed quite a few changes in the regional economy. Then, as now, a deep understanding of the economy in the Atlanta Fed's district was important to the formulation of monetary policy.

Developing economic intelligence about the region accelerated with the inception of the Atlanta Fed's Regional Economic Information Network (REIN) in 2008. Through REIN, we reach out to hundreds of contacts who are drawn from large and small businesses from all sectors of the Southeast economy. We also reach out to representatives of the community. This broad range of contacts provides a representative picture of economic conditions across the region.

## Changing times, lessons learned

Back in the early 1980s, the Southeast's rapid growth was a key feature of the U.S. economic picture and one that many people wanted to understand better. Over the past three decades, rapid development was spurred on by in-migration to the region, especially to Florida and parts of Georgia and Tennessee.

Whereas the region seemed recession-proof during several downturns, we've been especially hard hit recently and have recovered more slowly than other regions. In-migration slowed with the financial crisis, the Great Recession, and the slow recovery that followed. As a result, the need for new houses, hospitals, shopping malls, and schools also slowed. With the overbuilding that had occurred in construction and the rise in

foreclosures, the construction and related building materials industries declined.

The Southeast's progress out of recession has been hindered by several intertwined forces: tepid employment growth, general economic uncertainty that restrained consumer and business spending, challenging banking condi-

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tions, and still-weak housing markets in the region's largest states and metropolitan areas.

## Stability gradually returns

As 2014 progresses, it's clear the Southeast economy is improving. While we may not have regained all the jobs lost during the recession, progress is evident. For example, employment in the service sector has surpassed its prerecession level. Construction employment still lags, and it is unrealistic to imagine we will—or even should—see the high levels of construction jobs experienced during the housing boom.

Manufacturing employment is making steady gains, but here, too, the region's employment level is lower than it was in 2007. Although employment in manufacturing is on the rise, structural changes in this sector make it unlikely that we'll see a boom in factory-related job growth. The low costs that had been the Southeast's comparative advantage

relative to other sections of the country earlier in the 20th century began to face

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competition in the century's latter years from even lower-cost foreign producers.

Technology has also had a significant impact as capital continues to replace labor. Output levels are rising thanks to productivity gains. New auto plants have arrived in the region, and the boom in energy production throughout the country has benefited the existing energy-related manufacturing base here, especially in Louisiana.

From the vantage point of two-and-a-half decades at the Atlanta Fed, I've seen many such changes to the southeastern economy. Further, I'm confident that many others are on the horizon and will play an important role in the continual transformation that has made the South-

east such a dynamic region. Although we currently face an economic challenge that may be among the greatest in our recent history, the resilience of the region has been a constant. And though I'm not a native Southerner, I've lived here long enough to know that this resilience will serve the region well in tomorrow's economy. ■

## What are the risks in retail payment systems?

The Atlanta Fed's Retail Payments Risk Forum (RPRF) identifies, detects, and encourages mitigation of risk in existing and emerging retail payments to contribute to the stability, efficiency, and availability of retail payments systems. RPRF does this all by:

- Researching retail payments products and systems;
- Collaborating with industry participants, regulators, law enforcement, the legal community, and others in the Federal Reserve System; and
- Convening payments providers and parties integral to establishing new products, laws and regulations, policies, and standards that affect and shape retail payments.

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