

Personal income increases 0.5 percent in July

But Americans are spending less, saving a little more.

By ALICE ANN LOVE
The Associated Press

WASHINGTON — Americans' personal income climbed in July but they spent less for the first time in more than two years.

The Commerce Department reported Friday that incomes rose by 0.5 percent in July, to a seasonally adjusted \$7.14 billion.

Personal consumption expenditures, however, fell 0.2 percent — the first decline since June 1996 — to a seasonally adjusted rate of \$5.8 billion.

Spending on durable goods — expensive items from cars to computers expected to last three years or more — dropped a dramatic 5.2 percent in July, offsetting smaller increases in spending for non-durable goods and services.

Declining purchases of motor

vehicles more than accounted for the decrease in spending, the Commerce Department said. A strike at General Motors, not settled until the end of the month, may have affected dealers' inventories.

Wages and salaries, which account for more than half of Americans' income rose 0.6 percent in July, reflecting continued low unemployment.

But factory wages and farmers' income fell, indicating that economic crises abroad may be affecting American commerce.

While most other income cate-

gories — including service and distributive industry wages, business owners' income, rents and transfer payments such as Social Security — were up, manufacturing wages dropped 0.5 percent in July and farmers' income was down 5.5 percent.

The General Motors strike accounted for about \$7.5 billion in lost wages in July and \$3.5 billion in June, according to the Commerce Department.

Financial troubles in Asia, the bombing of U.S. embassies in Africa — and now a crisis in Russia

that has halted currency markets there this week — have caused consumer confidence to slip in July and August.

The government reported last week that the gross domestic product — measuring the total output of American goods and services — rose at an annual rate of just 1.6 percent in the spring, a dramatic slowdown from a 5.5 percent growth rate in the first three months of the year.

In June, disposable, or after-tax, personal incomes rose by only 0.2 percent, but consumer spending

remained high, rising at a 0.6 percent clip.

That combination pushed the nation's personal savings rate in June down to a revised 0.1 percent, the lowest since the government began keeping monthly statistics in 1959.

In July, disposable personal income rose 0.5 percent — the same increase as the overall income figure. Combined with lower spending, that pushed the savings rate back up to 0.8 percent.

Mystery disease is devastating Japan's pearl industry

Shortages and higher prices are being felt around the world.

The Associated Press

TOBA, Japan — Just over a century ago, an enterprising villager in this little fishing town on Japan's Pacific coast robbed Mother Nature of one of her most charming secrets — how to grow a pearl.

Now, nature is striking back. A mysterious disease the last several years has almost made Japan's pearl oysters an endangered species. Unless a solution is found soon, Japan's venerable pearl industry fears it may be on the way out.

If the oysters die en masse again this year, "most of us will be forced to quit," said Toru Nishii, a pearl grower who has been in the business for more than 40 years. "I'm afraid the entire industry will go belly up."

The die-off is causing some shortages on the world market and prices are rising, people in the American gem trade report.

Devin Macnow, executive director of the Cultured Pearl Information Center, a trade group in New York, expects the shortage to push prices up by 10 percent to 15 percent this year.

Elizabeth Parker, an appraiser for Curt Parker Jewelers in St. Louis, offered a similar prediction, but considers that modest given the situation. "I was very pleased with the prices" at a fine jewelry

trade show in June, she said. "They were not as high as I expected."

Although the bigger and more expensive South Sea pearls from Australia and Tahiti are gaining ground, Japan's Akoya cultured pearls still dominate much of the world market — including nearly 65 percent of sales in the United States.

But just keeping the Akoyas on the market has become increasingly difficult.

In 1996, only 56.6 tons of pearls were harvested in Japan, down 22 percent from the amount harvested in 1993, the year before the first widespread oyster deaths were reported. Those deaths were caused by a "red tide," a deadly plankton called heterocapsa.

What is killing the oysters now is unknown, however, but it is undeniably deadly.

The mortality rate surged to more than 50 percent last year, much higher than the average of 20 percent to 35 percent, according to Fishery Agency statistics. Of the deaths, about 92 million — or nearly 55 percent — were first- and second-year pearl-bearing oysters.

Some marine biologists suspect viruses, but their findings have been met with skepticism.

"We haven't been able to isolate any virus, at least at our lab here," said Dr. Toshihiko Matsusato, a pathologist at the National Research Institute of Aquaculture. "It could be even something totally unknown."

A government-led team recently speculated the culprit might be a shellfish parasite called perkinsus, which devastated oysters in the

Mississippi River delta nearly 50 years ago.

Since Kokichi Mikimoto, founder of Japan's top pearl company, Mikimoto and Co., started the industry 105 years ago by learning how to induce oysters to grow pearls, technological improvements have made the process relatively easy and amazingly exact. Even a tint of pink or extra glow can be added to harvested pearls.

But some pearl growers suspect artificial insemination and other scientific tinkering may have inadvertently spawned oysters that are more prone to disease.

"Decades ago, growing pearls was a lot of work, but oysters seemed healthier and happier," said grower Nishii.

"Today, the environment is terrible," he said. "The ocean is polluted and oysters are artificially enlarged so they produce larger pearls. Something's not quite right."

Nishii said he has been forced to lay off seven of his eight employees over the last couple of years because of the oyster deaths. Many of his colleagues also cut down their purchases from Ehime prefecture in southwestern Japan.

Officials believe oysters grown in Ehime, which supplies 80 percent of the pearl oysters used in Japan, may have been the origin of the outbreak and are urging growers to stick with their local stocks.

For the time being, shrinking demand at home because of Japan's recession and tighter purse strings around Asia because of its financial crisis have kept the lack of stock from driving up retail



A diver (left) jumps into the water to collect oyster shells at the cultured pearl farm in Toba, central Japan. An employee (above) at Mikimoto Pearl Island sorts pearls by color.

prices too far.

Philip Schneider, chief executive of International Cultured Pearls of the Orient Inc., a Chicago importer, said the weakness of Japan's currency also is helping moderate price rises. In addition,

he said, the Chinese are producing more Akoya pearls.

Japanese jewelers increased their pearl stocks when they first heard about the problem, but say they could soon start to run out.

"So far we haven't been affect-

ed," said Hiroyuki Nakayama, owner of Yamato Bros. and Co. pearl shop at Tokyo's posh shopping district of Ginza.

"But if the massive deaths continue this year, we'll have a serious shortage of inventory."

Salmon scarce, anger abundant

British Columbia fishing fleets fear the worst.

By DAVID CRARY
The Associated Press

PORT HARDY, British Columbia — The fishing fleet bobs at the town wharf like a postcard come to life, giving no hint of the anger and despair building among those who sail the boats.

They are angry at American fishermen, accusing them of overfishing. They rail at Canada's government, viewing it as callous and ill-informed.

Above all, they are bitter that their way of life — as self-reliant, small-town, salmon fishermen — seems almost on the verge of extinction, much like coho salmon.

"People here on this coast are absolutely terrified," said Mike Perkovich, a fisherman since he was 8.

Port Hardy, a town of 5,000 people near the northern tip of Vancouver Island, is one of dozens of seaside communities in British Columbia beset by an unprecedented crisis in the salmon industry.

Canadian authorities have severely limited all salmon fishing along Canada's Pacific coast to protect the endangered coho. Fish stocks have slumped from a variety of causes, from unusually warm water from El Nino disrupting the Pacific food chain to erosion on logged slopes choking salmon spawning beds inland.

And for the first time, salmon raised on fish farms is outselling salmon caught in the wild.

The result, in towns like Port Hardy, has been devastating, so wrenching, in fact, that suicide rates have jumped.

There are roughly 3,000 boats in British Columbia's commercial salmon fleet. With stocks so low, about 1,200 owners accepted a government offer to sit out the season this summer for a payment of 6,500 Canadian dollars, or about \$4,300.

In the Port Hardy area, only 120 boats — half the normal turnout — showed up this month when a limited salmon catch was authorized.

The town also has been hurt by a



West Coast fishermen take their clothes off during a protest in downtown Victoria, British Columbia.

slump in the forestry industry. Mayor Russ Hellberg says the jobless rate this summer — normally the busiest time of year — has been about 20 percent.

"It was pretty good living up here in the '80s, but glory days will never be back," Hellberg said.

Fishermen and politicians in the coastal towns accept the need for radical changes in the salmon fishery. They know the fleet and the catch must be reduced, but they want a say in the decision-making and worry that large, corporate-owned boats from a few major ports will dominate after the industry is restructured.

One of the government's strategies is to buy back the licenses of several hundred boat owners. Perkovich says the process amounts to "a hostile takeover" — struggling independent owners will decide the buyout is their best option, while the corporate boats will remain in business.

So bleak is the mood that the provincial government formed a special suicide-prevention team earlier this year after suicide rates jumped in coastal towns.

Port Hardy has been one of the hardest-hit communities, with four suicides and about 30 suicide

attempts in the first half of the year. The victims were all men ages 20 to 50, the coroner's office says.

Yet Anthony Sutton, a former salmon-boat crewman now struggling to get a federal license to harvest mussels, said there is defiance as well as despair.

"There's almost an under-siege mentality," said Sutton, 40. "There's a fighting spirit — a feeling of 'We're not going to move to Vancouver and get a job in data processing.'"

Last year, the prime targets of the fishermen's wrath were the Americans. This year, though some anti-American bitterness lingers, the principal villain is the Canadian government.

Perkovich, who said more money is needed for retraining out-of-work fishermen, said federal authorities seem biased for recreational and corporate boats at the expense of small coastal towns.

Port Hardy fishermen were outraged when federal officials failed to attend an emergency meeting Aug. 9.

"Our livelihoods, our lives, are at stake — and their phones are off the hook," said fisherman Dan Edwards.

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John D. Harding is Chairman, President and CEO. He has 30 years of banking experience. In 1986 he became President and CEO of Bucks County Bank (a subsidiary of Independence Bancorp, Inc.). He became President of Independence in 1988 and CEO in 1989 retaining those positions until the merger with CoreStates Bank N.A. in 1994. He was President of CoreStates Bank-Northern Division until he resigned to organize First County Bank.

Joseph M. Donnelly is Executive Vice President. He has 25 years of experience in corporate lending and administration in two successful banks (First Fidelity and Bucks County Bank).
John R. Benner is Secretary and Treasurer. He has 25 years experience in bank operations and finance with Bucks County Bank and Independence Bancorp.
Diane P. Sengpiel is Vice President. She has 20 years of banking experience in retail office administration, consumer and commercial banking with CoreStates Bank, Bucks County Bank and Meridian Bancorp.

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