foreign rates can affect the outflow of funds and the U. S. balance of payments position.

Formal Directive to the New York Bank

After the Committee has agreed upon a policy consensus, its job is almost finished. Left to the end are the voting on a formal policy instruction or directive to the New York Reserve Bank and Committee business on foreign currencies transactions and other special agenda matters. The directive contains a reference to the Committee's assessment of the current economic situation and sets forth the broad objective that the Committee wants to attain. The New York Reserve Bank also operates under a set of technical authorizations, which the Committee can modify at any time, governing the conduct of open market operations.

For the actual operations the scene shifts to the Federal Reserve Bank of New York.[1] There a plan is usually drawn up by 11:00 each morning as to what action, if any, should be taken that day. It is then discussed in a telephone call made by the Manager to one of the presidents currently serving on the Open Market Committee and a representative of the Board of Governors. This daily conference call is one of several techniques by which the policy-making body—the Federal Open Market Committee—keeps in close contact with the executor of the policy—the Federal Reserve Bank of New York.

HARRY BRANDT

[1] For a discussion of how open market operations are carried on at the Federal Reserve Bank of New York, see the articles that have appeared in the May 1960 and May 1961 issues of the *Monthly Review* of the Federal Reserve Bank of Atlanta, entitled "What Are Open Market Operations?" and "Managing the System Open Market Account."

A Change in the Reluctant Borrower?

"Consumers are becoming less reluctant about going into debt nowadays." This opinion, expressed recently by a Southern businessman, describes pretty well a change in the attitude of consumers that has taken place during the economic expansion of the past sixteen months. Looking at instalment credit figures for District department stores, furniture stores, credit unions, consumer finance companies, and commercial banks, you find statistical evidence to support the businessman's intuitive view. Thus, you see a different situation now than a year ago, when a look at consumer credit developments in the pages of this *Review* led to the conclusion that consumer borrowing had not, up to mid-1961, "... been adding any fuel to the economic recovery engine ...." The borrowing consumer, so to speak, released his brakes in late 1961 and has been stepping on the throttle a bit since then.

Consumer instalment credit held throughout the District by the institutions noted above accounts for about two-thirds of the total instalment debt outstanding. You can obtain a reasonably good indication of over-all instalment credit here by looking at the credit series for these types of holders.

A glance at the top panel (page 5), which charts the percentage change in the volume of new loans extended during the first four months of 1962 from the comparable period of 1961, confirms the pick-up in District consumer borrowing. Of the retail and financial institutions shown, all except credit unions registered sizable year-to-year gains.

To obtain a more detailed picture of consumer borrowing, seasonally adjusted data on extensions of new loans, repayments of old ones, and the net change in the amount outstanding at District commercial banks are particularly useful. Banks provide more instalment credit dollars to District consumers than do any other types of lenders. Also, the information they provide on different kinds of loans enables the observer to follow shifting patterns of loan demand.

A New Switch?

As the second panel indicates, extensions of new credit by commercial banks jumped sharply in February of this year and rose again in March and April. Those individuals obtaining new loans from banks have, in fact, been borrowing much more than old borrowers have been repaying, as a result of which the total amount owed to banks has been increasing. This is a situation quite different from that of the preceding sixteen-month period, when monthly extensions of new credit were below or barely exceeded repayments in spite of increased borrowing after April 1961. Repayments, of course, continued at a high level throughout 1961 as people steadily paid back the high volume of credit that banks had previously extended to them. There was, as a result, a lengthy period of net repayment of debt by consumers during the first part of the recovery phase.

This appears unique when compared to consumer behavior during the two preceding recoveries. During the fourteen months following the low point in general business activity reached in February of last year, consumers borrowed only $16 million more than they repaid to banks. In marked contrast, during the fourteen-month periods following the business troughs of August 1954 and April 1958, consumers added $156 million and $198 million, respectively, to their outstanding bank debt. The percentage increases, measured from the business troughs designated by the National Bureau of Economic Research, indicate that the "cyclical bursts" in new bank loans have become successively weaker in each expansion phase. In addition, loans to consumers have begun to increase at a later date relative to the trough of the recession.

Pinpointing Strengths and Weaknesses

The recent strength in consumer borrowing can be traced, in large part, to borrowing for the purchase of automobiles. As the small charts on types of loans show, extensions of new automobile loans have been strong com-

pared with the other types of loans made by banks. The recent sharp expansion has taken the volume of new auto loans substantially above repayments. The increased use of automotive credit has, however, been slightly weaker than in previous recoveries. One reason, perhaps, is that car buyers, while making the highest volume of purchases since 1955, are not using credit as extensively as they have in the past.

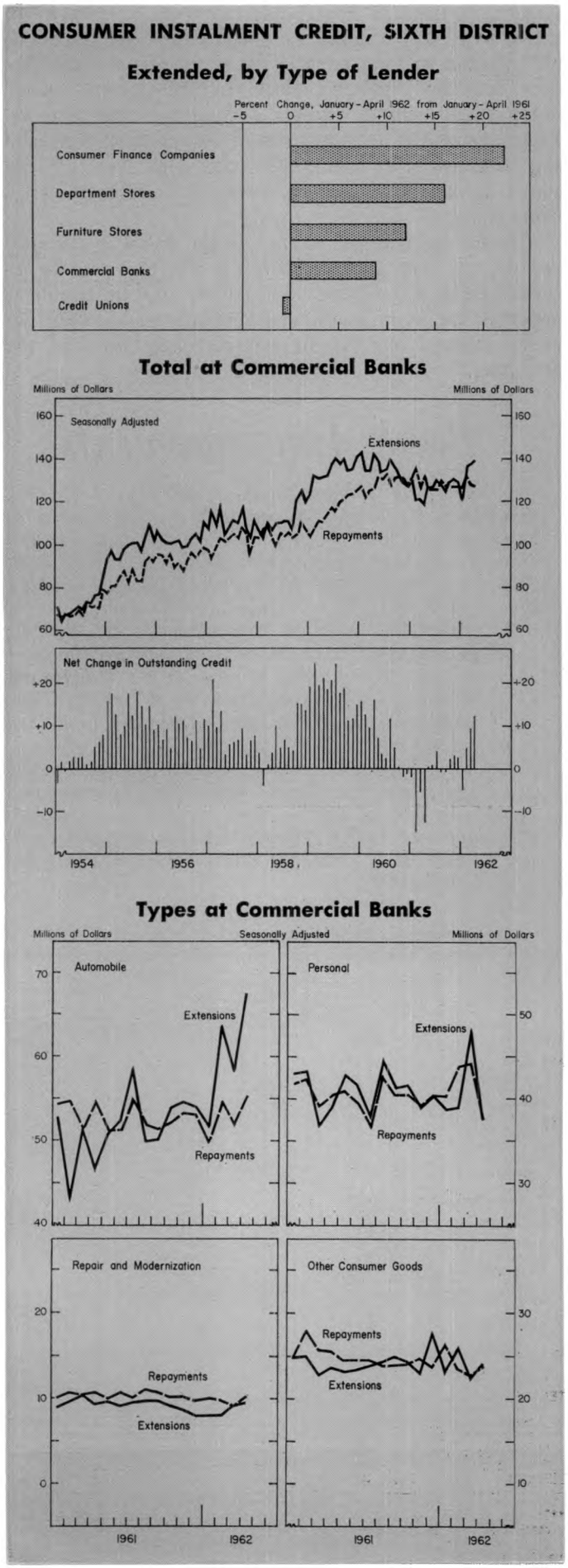
Data for the U. S. reveal that in the first four months of 1962, 54 out of every 100 new cars sold were purchased with credit provided by commercial banks, sales finance companies, auto dealers, and other financial institutions, while 46 out of every 100 were purchased cash-on-the-barrelhead. The 54 automobiles bought with the use of credit represent the lowest percentage of credit sales in recent years. This suggests that, among other things, a greater percentage of credit sales, still higher auto sales, or both must be made if a boost in bank auto loans comparable to that experienced in previous expansions is to be provided.

Of the other major types of consumer loans extended by banks, new loans for repair and modernization purposes have been the weakest, actually declining throughout most of the recovery period. Since repayments on such credit previously extended were high, outstanding credit for repair and modernization purposes declined. The volume of personal loans extended for travel, for miscellaneous expenses, and to meet emergencies has recently shown no definite upward movement and, generally speaking, has been about matched by repayments over the past two years. Loans to finance purchases of consumer goods other than automobiles, such as television sets, refrigerators, and washing machines, have remained relatively stable throughout most of 1961 and early 1962. Higher repayments have, for the most part, reduced amounts owed to District banks for such purchases.

Potential for Expansion

What is the outlook for consumer debt expansion? There is, of course, a limit to the amount of debt the consumer can carry with ease. During the first quarter of 1962, about 12.8 percent of U. S. disposable income was devoted to the repayment of past instalment debts. Consumers, taken as a whole, have historically been reluctant to devote more than 13 percent of their after-tax income to debt repayment. It appears, therefore, that unless they change their credit habits radically, future expansion of consumer instalment lending will depend to a large extent upon future income growth.

Instalment lending will also be influenced by consumer demand for the goods usually bought on credit, and in this connection there are some influences that will sustain and some that will moderate demand. On one hand, the satisfaction of pent-up demands for many items in the late forties and early fifties undoubtedly has dulled appetites for still more of the same. Although demands have eased since then, consumers have continued to build up their stocks of durable goods. As they strive to maintain these stocks, replacement needs are likely to sustain demand to an important degree. This is suggested by the



large percentage of households that now have many of the items usually bought on credit. In 1960, 67 percent of all occupied housing units in the states of the Sixth District contained washing machines; 75 percent owned automobiles, with 20 percent owning two cars or more. Eighty percent of the units owned one or more television sets. On the other hand, the record-high level of consumer savings may act to moderate instalment credit demand.

Whether or not the recent change noted in the previously reluctant District borrower will prove to be an enduring one will depend upon income growth, consumer appetites for more goods and services, replacement demand, savings, and on the ever-changing whims of the consumer.

JACK L. COOPER

Bank Announcements

On June 1, the Commercial Bank and Trust Company, Covington, Louisiana, a nonmember bank, began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers include R. I. Didier, Jr., President; J. H. Warner, Jr., Vice President; and F. B. Folkes, Vice President and Cashier.

The West Side Atlantic Bank, Jacksonville, Florida, a newly organized nonmember bank, opened for business on June 12 and began to remit at par. Officers are G. R. Porter, President, and Harry W. Newberg, Cashier. Capital totals $400,000, and surplus and undivided profits, $300,000.

On June 26, the Guaranty Bank of Miami, a newly organized nonmember bank, opened for business and began to remit at par. Officers include L. H. Skeen, President, and Paul F. Staup, Vice President and Cashier. Capital totals $500,000, and surplus and undivided profits, $250,000.

Department Store Sales and Inventories*

Place	Percent Change: Sales, May 1962 from Apr. 1962	Sales, May 1962 from May 1961	Sales, 5 Months 1962 from 1961	Inventories, May 31, 1962 from Apr. 30, 1962	Inventories, May 31, 1962 from May 31, 1961
ALABAMA	+11	+4	+2	—5	+2
Birmingham	+10	+1	+0	—4	+2
Mobile	+10	+10	+6	..	..
Montgomery	+14	+10	+5	..	..
FLORIDA	—4	+14	+12	—3	+15
Daytona Beach	—3	+3	+1	..	..
Jacksonville	+5	+14	+4	—1	—1
Miami Area	—7	+7	+8	..	..
Miami	—6	+3	+5	..	..
Orlando	+4	+70	+43	..	..
St. Ptrsbg-Tampa Area	—3	+21	+21	+3	+23
GEORGIA	+9	+11	+8	—3	+1
Atlanta**	+10	+15	+11	—3	+1
Augusta	+4	+1	+4	..	..
Columbus	n.a.	n.a.	n.a.	n.a.	n.a.
Macon	+5	+0	+2	—3	+11
Rome**	+6	+13	+7	..	..
Savannah	+8	+8	+3	..	..
LOUISIANA	+10	+7	+3	—3	+4
Baton Rouge	+12	+11	+11	—6	+12
New Orleans	+9	+6	+1	—2	+2
MISSISSIPPI	+5	+6	+6	—5	+7
Jackson	+7	+8	+8	—5	+6
Meridian	n.a.	n.a.	n.a.	n.a.	n.a.
TENNESSEE	+12	+9	+4	—3	+7
Bristol-Kingsport-Johnson City**	+8	+6	+5	—1	+2
Bristol (Tenn. & Va.)**	—0	+5	+4	..	..
Chattanooga	+12	+6	+7	..	..
Knoxville	+13	+15	+5	..	..
DISTRICT	+5	+9	+7	—3	+7

*Reporting stores account for over 90 percent of total District department store sales.
**In order to permit publication of figures for this city, a special sample has been constructed that is not confined exclusively to department stores. Figures for non-department stores, however, are not used in computing the District percent changes.
n.a. Not available.

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

	May 1962	Apr. 1962	May 1961	Percent Change: May 1962 from Apr. 1962	May 1962 from May 1961	Year-to-date 5 months 1962 from 1961
ALABAMA						
Anniston	47,844	43,466	45,103	+10	+6	+7
Birmingham	954,329	861,658	970,794	+11	—2	+8
Dothan	42,251	37,454	38,963	+13	+8	+8
Gadsden	39,646	34,901	38,024	+14	+4	+2
Huntsville*	86,361	80,289	74,853	+8	+15	+18
Mobile	312,802	291,353	319,374	+7	—2	+4
Montgomery	210,989	178,086	201,993	+18	+4	+8
Selma*	28,968	25,118	26,799	+15	+8	+8
Tuscaloosa*	67,008	60,642	63,637	+10	+5	+12
Total Reporting Cities	1,790,198	1,612,967	1,779,540	+11	+1	+8
Other Cities†	907,635	781,346	840,456r	+16	+8	+9
FLORIDA						
Daytona Beach*	61,356	61,905	56,895	—1	+8	+6
Fort Lauderdale*	232,672	236,658	217,090	—2	+7	+7
Gainesville*	50,648	48,575	43,481	+4	+16	+10
Jacksonville	937,230	852,688	884,036	+10	+6	+6
Key West*	17,725	19,459	17,672	—9	+0	+7
Lakeland*	90,221	82,347	83,671	+10	+8	+2
Miami	1,026,796	1,006,764	945,336	+2	+9	+7
Greater Miami*	1,495,293	1,490,546	1,413,290	+0	+6	+6
Orlando	280,815	272,579	267,905	+3	+5	+7
Pensacola	93,847	85,722	88,961	+9	+5	+3
St. Petersburg	233,677	239,022	227,412	—2	+3	+10
Sarasota*	86,344	90,733	n.a.	—5	n.a.	n.a.
Tallahassee*	74,664	71,728	n.a.	+4	n.a.	n.a.
Tampa	485,079	456,798	442,607	+6	+10	+7
W. Palm-Palm Bch.*	189,050	183,278	151,474	+3	+25	+20
Total Reporting Cities	4,328,621	4,192,038	3,894,494	+3	+11	+10
Other Cities†	1,875,108	1,842,492	1,830,966r	+2	+2	+7
GEORGIA						
Albany	61,238	56,866	56,518	+8	+8	+12
Athens*	48,756	45,689	45,584	+7	+7	+14
Atlanta	2,561,870	2,476,813	2,250,295	+3	+14	+16
Augusta	129,308	119,747	110,229	+8	+17	+14
Brunswick	34,718	33,849	27,017	+3	+29	+28
Columbus	129,690	119,589	115,139	+8	+13	+13
Dalton*	56,960	55,390	n.a.	+3	n.a.	n.a.
Elberton	10,025	10,559	11,115	—5	—10	+1
Gainesville*	60,046	51,323	52,368	+17	+15	+10
Griffin*	21,723	20,575	20,386	+6	+7	+9
LaGrange*	16,510	16,796	17,202	—2	—4	—4
Macon	145,344	130,184	133,841	+12	+9	+10
Marietta*	37,412	34,683	31,339	+8	+19	+13
Newnan	18,831	19,982	18,745	—6	+0	+11
Rome*	53,132	48,571	51,001	+9	+4	—0
Savannah	189,631	172,315	178,161r	+10	+6	+8
Valdosta	36,878	37,036	36,339	—0	+1	+8
Total Reporting Cities	3,612,072	3,449,967	3,155,279r	+5	+14	+15
Other Cities†	994,408	940,582	984,764r	+6	+1	+4
LOUISIANA						
Alexandria*	85,755	76,300	68,947	+12	+24	+18
Baton Rouge	302,476	272,409	278,097	+11	+9	+12
Lafayette*	73,852	64,718	62,684	+14	+18	+10
Lake Charles	88,495	85,476	82,295	+4	+8	+11
New Orleans	1,579,305	1,407,887	1,440,402	+12	+10	+7
Total Reporting Cities	2,129,883	1,906,790	1,932,425	+12	+10	+8
Other Cities†	707,058	683,224	612,358r	+3	+15	+19
MISSISSIPPI						
Biloxi-Gulfport*	65,832	60,342	55,114	+9	+19	+13
Hattiesburg	40,651	37,798	38,985	+8	+4	+6
Jackson	365,753	342,803	323,925	+7	+13	+14
Laurel*	30,094	28,591	29,864	+5	+1	+3
Meridian	52,965	47,722	48,440	+11	+9	+11
Natchez*	24,742	23,629	23,170	+5	+7	+7
Vicksburg	23,608	23,242	22,879	+2	+3	+12
Total Reporting Cities	603,645	564,127	542,377	+7	+11	+12
Other Cities†	308,430	290,140	282,443r	+6	+9	+10
TENNESSEE						
Bristol*	57,189	52,184	48,008	+10	+19	+10
Chattanooga	354,333	331,217	351,016	+7	+1	+7
Johnson City*	49,526	43,514	41,281	+14	+20	+13
Kingsport*	92,448	96,180	85,233	—4	+8	+13
Knoxville	270,118	250.840	262,888	+8	+3	+4
Nashville	851,795	808,466	827,395	+5	+3	+9
Total Reporting Cities	1,675,409	1,582,401	1,615,821	+6	+4	+8
Other Cities†	619,652	600,525	596,901r	+3	+4	+3
SIXTH DISTRICT	19,552,119	18,466,599	18,067,824r	+6	+8	+10
Reporting Cities	14,139,828	13,308,290	12,919,936r	+6	+9	+11
Other Cities†	5,412 291	5,138.309	5,147,888r	+5	+5	+8
Total, 32 Cities	11,912,337	11,145,291	11,084,229r	+7	+7	+10
UNITED STATES						
344 Cities	295,600,000	281,700,000	268,800,000r	+5	+10	+12

*Not included in total for 32 cities that are part of the national debit series maintained by the Board of Governors. †Estimated. r Revised. n.a. Not available.