SIXTH · FEDERAL · RESERVE · DISTRICT
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Monthly Review

Atlanta, Georgia
August • 1960

Also in this issue:

Federal Reserve Bank of Atlanta

Monetary Policy in a Changed Economic Environment

Who determines Federal Reserve monetary and credit policy? Part of the answer may be found in the Federal Reserve Act, which sets out formally the responsibilities and powers of the Board of Governors and the Boards of Directors and officers of the Federal Reserve Banks. Since all these are policy-making bodies to some extent, the men who serve as members of them make Federal Reserve policy. That is, they have the formal responsibility for determining policy—a responsibility they cannot escape.

Still, those men do not wholly "determine Federal Reserve policy," for in the American economic system all of us have some part in making monetary and credit policy. This is so because we are the ones who make the economic decisions to buy or to sell, to spend or to lend, to work or to play, and a host of others that create our economic environment. Since Federal Reserve policy must be adapted to this economic environment, the past and present decisions of American consumers, businessmen, and legislators all have a part in determining Federal Reserve policy.

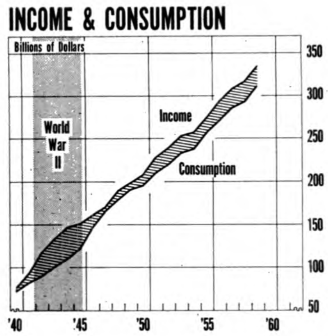
Policy must be adapted to changes in the economic environment because the function of the Federal Reserve System is "to make possible a flow of credit and money that will foster orderly economic growth and a stable dollar." The flow of credit and money that may be appropriate at one time, of course, may not be appropriate at another. Changes in the economic environment, therefore, clearly call for changes in Federal Reserve policy.

This can be seen from a review of economic and policy changes since the end of World War II. During most of this time, a persistent problem has been to devise policies that would help preserve the purchasing power of the dollar. Although there were three times during this period, in 1948-49, in 1953-54, and in 1957-58, when policies were designed specifically to offset recessionary tendencies in the economy, each time once recovery was again underway, policy-makers were faced with an inflationary economic environment. The charts on the next two pages and the discussion that follows show some of the reasons these inflationary pressures persisted.

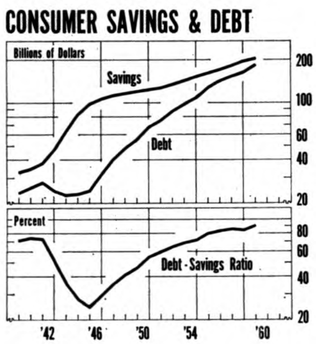
Desire to Spend and Ability to Pay

The inflationary pressures had their roots in World War II. Experience had shown that any country engaged in a major war is likely to have such pressures, which was one reason why price controls and rationing were started as soon as the United States got into the war. These helped keep spending down, but because incomes continued to increase, savings built up rapidly. In 1944, for example, current savings were 25 percent of disposable income, whereas before the war they had averaged about 4 percent. Meanwhile, consumers reduced their debts.

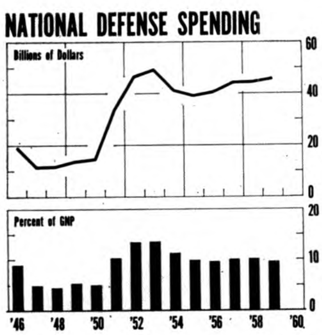
Thus, when controls were removed after the war ended, consumers could finance their spending by using their accumulated savings, by

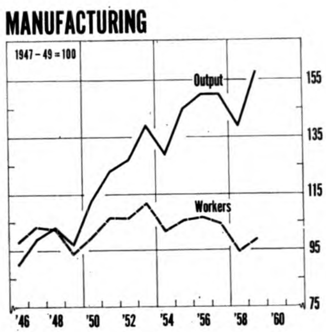


Prices did not rise rapidly during World War II as they did during previous wars because controls kept spending down, but once controls were removed, spending increased in relation to income, and prices advanced rapidly. Now, however, consumption in relation to income has assumed more normal proportions.

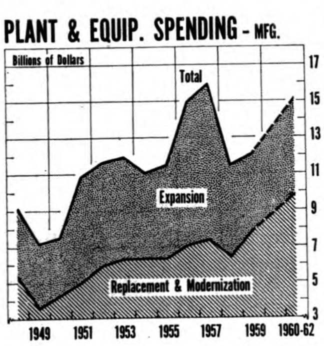


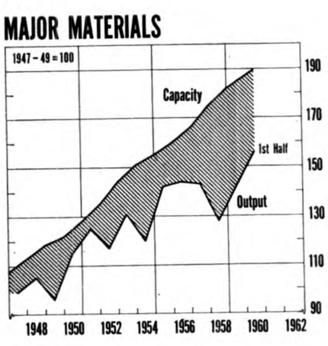
Both consumers and businesses accumulated large amounts of purchasing power during World War II and reduced their debts. In the early postwar years, therefore, they were able to spend and borrow heavily, but this extreme liquidity has gradually been reduced.





Because of the Korean War, national defense spending rose sharply in 1950-53 and brought additional inflationary pressures. Now, although still high, defense spending takes a smaller share of the Gross National Product. Also the ability of the economy to produce has expanded faster than the number of workers.





In a sellers' market through 1951, and less so through 1955, demands pressed severely against capacity, despite heavy capital spending for new or expanded manufacturing plants. Of late, as manufacturers seek to more fully utilize their enlarged productive capacity, there has been a gradual shift towards a buyers' market.

spending their current high incomes, and by going into debt. Because they had not been able to buy all the goods they wanted during the war, their accumulated demands were great and they called on all these sources of purchasing power. In this situation, rising prices did little to discourage consumer spending. Consumption spurted upward, until in 1947 it nearly equaled current income.

Corporations and other businesses and state and local governments also had postponed spending during the war. Consequently, corporations were in an extremely liquid position; their cash and government securities had built up to 70 percent of their current liabilities. Continued prosperity, moreover, enabled them to use internal funds to pay for a large part of the plant expansions that became necessary in the expanding economy. State and local governments used up surpluses built up during the war and borrowed heavily to fill the demands for increased public services. On top of all these domestic demands, other countries were clamoring for goods that only the United States could supply. Exports boomed.

No sooner had some of the pent-up demands been satisfied during the initial postwar period than the Korean War forced a sharp increase in defense spending, raising it from an average of 5 percent of the Gross National Product in the 1947-50 period to over 13 percent in 1952-53.

Looking at the entire postwar period, therefore, when peoples' wants, needs, and financial ability to pay for goods and services were so high, it is not surprising that demand increased tremendously. Since the supply of goods and services to satisfy the demand failed to rise correspondingly, it is also not surprising that prices surged upward.

Limits to Supply and Production

Increases in supply, of course, were limited by the economy's ability to increase production. Much of the manufacturing capacity created to fill wartime needs did not satisfy peacetime demands. Vast expansion programs were undertaken, therefore, to increase capacity, but until these new plants were ready for actual production, this program added to the demands for the nation's resources without increasing the supply of goods.

In this economic environment, Federal Reserve policy sought to hold demands within the capacity of the economy to supply them by moderating the growth in the money supply. The world's experience had shown that continuing inflation had never resulted in orderly economic growth. Thus, limiting, so far as possible, inflationary pressures would not only help achieve a stable dollar but would also foster economic growth. The Federal Reserve policy-makers' task then was to design policies that would help offset some of the effects of the powerful inflationary forces, an economic environment that was one of the heritages of World War II.

Except for use of selective controls and voluntary restraint, the aims of any policy adopted by the Federal Reserve System can be achieved only as it influences the availability and cost of bank credit by controlling member bank reserves. Consequently, although the Federal Reserve System could adopt policies designed to influence the growth in the money supply—demand deposits and currency—it could not directly influence the use of that money supply. Thus, in the postwar period demand pressures pushed toward a more active use of the money supply. In addition, activities of lenders helped increase spending. Consequently, the use of the money supply rose steadily as is indicated by the turnover of demand deposits.

With deposits high and loans relatively low in the earlier postwar years, commercial banks were both able and willing to increase their loans. They could convert their large government security holdings into higher yielding loans without loss so long as the wartime policy of supporting a fixed pattern of interest rates was continued by the Federal Reserve System. Mutual savings banks, insurance companies, and other institutional lenders who also had acquired large amounts of Government securities could sell them at par on a market supported by the Federal Reserve to make mortgages and other types of loans. Until interest rates were allowed to respond freely to the supply of and demand for funds, the effectiveness of any Federal Reserve policy was limited.

Although this situation was relieved by the Treasury-Federal Reserve Accord of 1951, when interest rates were allowed to perform their normal function, other inflationary pressures persisted. One of these pressures was the growing belief that a continued rise in prices was inevitable.

Inflationary Psychosis

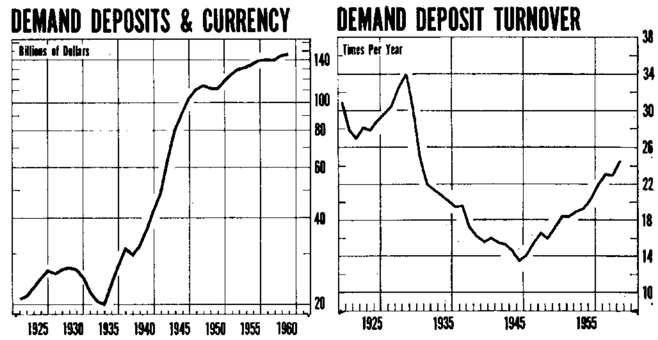
After losing a considerable part of the purchasing power of their savings by continued rises in prices, more and more persons during the later part of the postwar period began to try to protect themselves against future price increases. Thus, they reasoned, if prices were to rise indefinitely it seemed prudent to seek protection against inflation and to neglect some considerations that would be important under other circumstances.

Some persons sought protection by buying real estate without regard to current returns. Others who turned to the stock market were more interested in possible capital gains than in current yields. Such seeking of protection against future price rises influenced decisions on inventory and capital expenditures. Labor, seeking protection by way of escalator clauses tying wages to consumer price indexes, found the resistance of some businessmen weak because the latter believed they could pass on increased costs through higher prices.

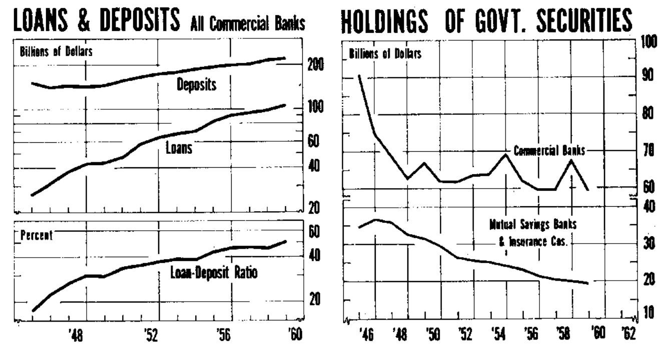
What was overlooked in this period was that the conditions generating price increases could be traced to a special set of demand and supply conditions. In this sort of

Sources for data used in the charts:

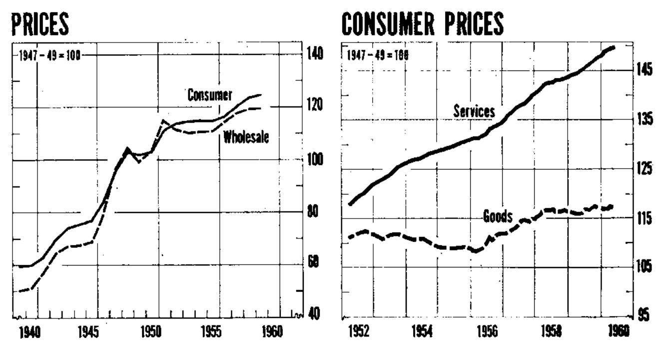
Consumer and Wholesale Prices: U.S. Dept. of Labor, Bureau of Labor Statistics.
Major Materials (Capacity and Output), Money Rates, Bank Loans, Deposits and Currency, Reserves and Borrowings: Board of Governors, Federal Reserve System.
Demand Deposit Turnover: Federal Reserve Bank of New York.
Manufacturing Output and Workers: Output, Board of Governors; Workers, U.S. Dept. Labor, Bureau of Labor Statistics.
Consumer Savings and Debt: Savings based on data published by Federal Home Loan Bank Board; Debt—Board of Governors.
Personal Income, Consumption Expenditures, and National Defense Expenditures: U.S. Dept. of Commerce.
Plant and Equipment Spending: U.S. Dept. of Commerce and McGraw-Hill Publishing Co.
Holdings of Government Securities: U.S. Dept. of the Treasury.
Corporate Liquidity: Securities and Exchange Commission.



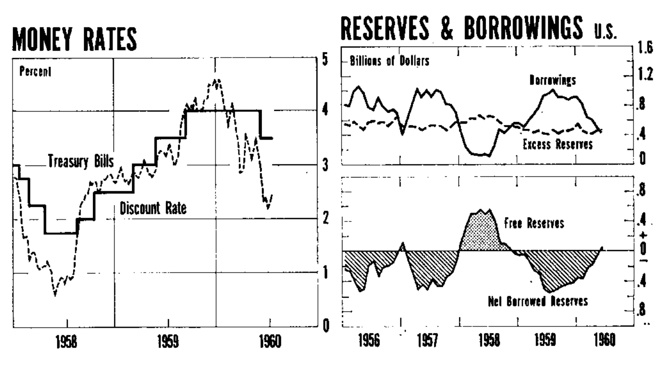
Inflationary pressures from the great expansion of the money supply during World War II were intensified by the increase in its use, measured by demand deposit turnover. With turnover now nearer pre-war levels, it may be more difficult to increase availability of credit by using the money supply more intensively.



With loans low relative to total deposits at the end of World War II, banks were able to increase loans sharply. They and other lenders could switch from low-yield Government security holdings to high-yield loans without loss until 1951, when interest rates were allowed to seek their own level. Now, bank lending may be more closely tied to reserve growth.



So far as the relative stability of average wholesale prices and prices for consumer goods since early 1958 has made the public lose faith in the inevitability of inflation and abandon actions influenced by the expectation of rising prices, to that extent inflationary pressures have been reduced.



Recently, short-term rates, as measured by yields on Treasury bills, have declined, a change recognized by the Federal Reserve Banks in reducing their discount rates. Member bank reserve positions have also eased partly because of lower required reserves resulting from deposit declines and partly because of reserves supplied by the Federal Reserve System through open market operations.

an economic environment, however, Federal Reserve policy had to give continued emphasis to preserving the value of the dollar.

A Changed Environment

Meanwhile, the economy was steadily changing and some of the inflationary forces were losing strength. Shifting our eyes from the left to the right of the charts on pages two and three, we see how great these changes were. As spending gradually became geared mainly to satisfying current demands, consumer income and consumption trends became more parallel, and consumer saving, the difference between the two, assumed a more normal relationship to income. Consumer debt rose year by year and is now at an all-time high, and thus its potential expansion has undoubtedly greatly decreased. Corporate liquidity has now been reduced to what is considered a more normal level. Although still high, national defense spending has decreased in relative importance to Gross National Product.

At the same time, the economy's capacity to produce the goods needed to satisfy demands has grown steadily; one measure of how much it has grown is the greater increase in output than in the number of production workers since 1953. Plant and equipment expansion has increased capacity to produce major materials not only in the United States but throughout the world.

Price developments reflect these changes. Average wholesale prices have changed little since 1958; the total index this year reflects near-stability in the prices of industrial commodities. Although prices consumers pay for services and rents have continued to move higher, prices of goods they buy have been stable, on an average, since early 1958. Prices now move up and down in response to current demand and supply situations, not to general inflationary pressures. Price competition is returning as more and more sellers try to attract buyers by means of offering attractive prices. One result is that an increasing part of the public apparently has lost its faith in the doctrine that inflation is inevitable.

With a great deal of excess liquidity squeezed out of the economy, with interest rates free to fluctuate, with the expansion of bank lending tied more closely to the availability of reserves, and with the investment policies of financial institutions geared more closely to the inflow of funds from savings, the economy has become more sensitive to monetary and credit policy changes. In this economic environment, less emphasis may need to be given to policies designed to limit inflationary pressures. The easing of credit so far this year, reflected in lower short-term money rates and easier reserve positions of member banks, reflects changes in the economic environment.

Has the economic environment changed so much that the money supply is no longer excessive as it was in most of the postwar period? He who would give a firm answer to this question at this point would be foolhardy indeed. But if the answer is Yes, monetary policies will reflect these changes as they have reflected changes in the economic environment in the past. Thus, he who would predict Federal Reserve policy must predict economic changes, changes that in large part reflect how Americans manage their economic affairs.

CHARLES T. TAYLOR

Florida's Economy

Good but Not Boomy

Many outward signs indicate that Florida's economy is operating in high gear. Total output, employment, and income are at or near record highs. Yet some people in this growth-conscious state are obviously disappointed with the pace of economic activity. In June this year, employment, the most comprehensive current measure of activity in the state, was barely above the level of last fall. Expansion in income and spending has also slowed, and competition for the consumer's dollar is keen. Construction activity, an important source of income, is off for the state as a whole, and in some areas is in the doldrums. It is no wonder, then, that some Floridians who have taken rapid growth in the state's economy for granted are now looking anxiously at past and present trends for clues to the future.

Expansion in Employment, Income, and Spending Slackens

Total nonfarm employment picked up during the second quarter this year, after edging down since last summer. Employment gains in the first half of this year, however, were smaller than in the comparable period of 1959 in both manufacturing and nonmanufacturing. Within the latter, which ordinarily accounts for about 85 percent of all persons at work in the state, the failure of employment in such important areas as trade, services, and construction to match 1959's pace limited employment gains. Construction employment in particular has been weak, declining 12.2 percent from December 1959 through June 1960, much more than seasonally. This decline compares with one of only 0.3 percent in the same period a year ago.

The declining rate of increase in total employment may have been accompanied by a reduction in the rate of income growth. Factory payrolls have risen only 4.8 percent since the end of 1959, compared with a gain of about 12.8 percent in the same period a year earlier. Since employment is increasing more slowly, it is probable that total earnings of nonmanufacturing workers are also rising less rapidly. Nevertheless, income gains in the nonfarm area, although they may be more difficult to come by, are being made. Farm receipts, however, were lower than a year ago in each of the first five months of 1960, reflecting a decline in receipts from crops that more than offset increases from livestock and products.

Although total income from all sources was probably rising more slowly in the first six months of this year than in the same period of 1959, the rate of increase in time deposits at commercial banks and in share holdings at savings and loan associations was slightly greater. These components of saving do not tell us, of course, what has been happening to saving in the form of securities and other nonliquid assets; they may, nevertheless, be indicative of an increase in the overall propensity to save. Although the idea that consumers are currently allocating a larger share of current income to saving is only a hypothesis, it appears to be confirmed by the behavior of available measures of spending.

Judging from data on registrations, automobile sales were somewhat higher in the first five months of this year than they were in the same period in 1959. Seasonally adjusted furniture store sales, however, so far in 1960 have been generally below their peak of late last year, and department store sales have shown no ability to sustain a level much higher than that reached late last year. Data based on sales tax collections, seasonally adjusted, represent comprehensive coverage of expenditures and indicate little change from the peak of January 1960. Finally, bank debits, a rough guide to changes in overall business activity, have been below the level of late last summer most of this year.

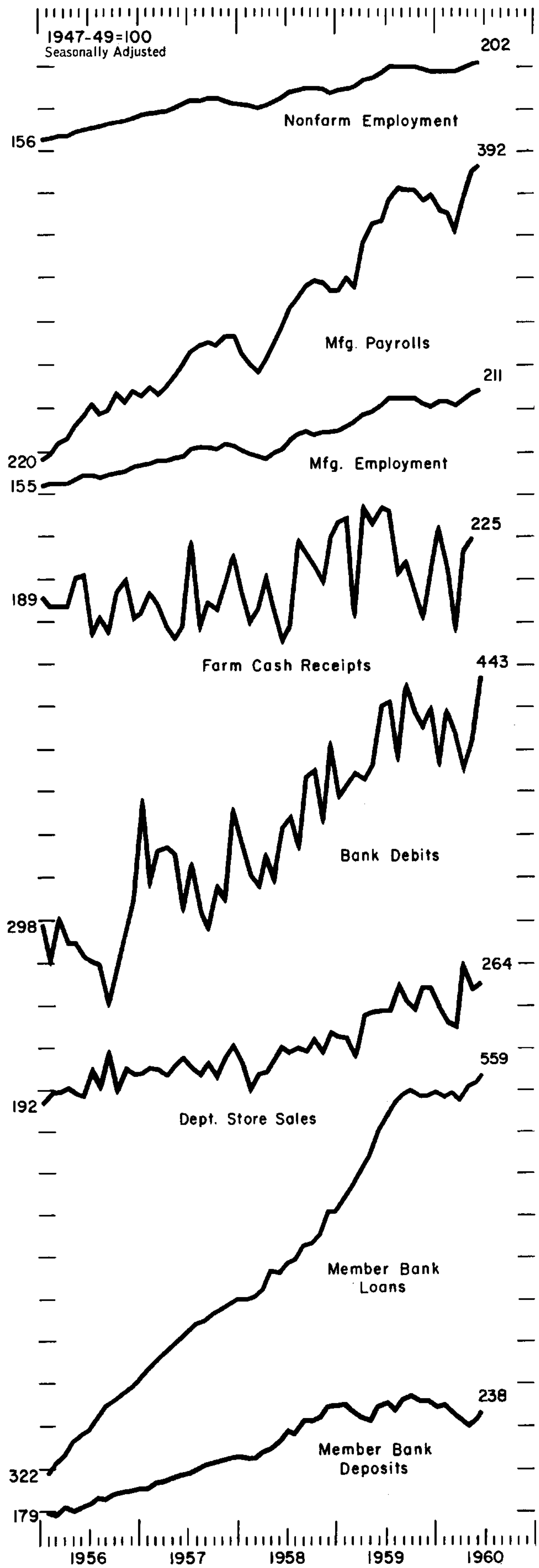
Strength in Housing Demand Uncertain

The strength of housing demand is also open to question and in the months ahead may be subjected to critical examination. Throughout much of the postwar period, increases in the demand for residential housing in many parts of Florida were assumed to be almost automatic. Florida, like the nation, began the post-World War II period with a stock of houses inadequate in quantity and quality to meet the needs of its population. The attempt to catch up on the backlog of housing demand that was carried over from depression and war was further complicated by the natural increase in population plus a tremendous influx of people from outside the state. Under these conditions, occasional brief interruptions in the output of houses were usually attributed to a lack of available mortgage funds, rather than to any basic weakness in the demand for houses. There is fragmentary evidence that at present some areas in the state may be overbuilt.

Residential construction contracts in Florida in the first five months of 1960, were 7.2 percent below the same period in 1959. Some counties, however, experienced declines in contracts awarded substantially larger than the state average, but many others registered hefty increases. For the most part, counties in the southern half of the state—Orange, Palm Peach, Dade, Pinellas, and Hillsborough—experienced the sharpest declines.

In the Dade County area the reduction in residential building has been accompanied by a decline in the price of existing houses, and by a modest rise in foreclosures. In addition, there are reports that the number of unsold houses in Dade County, as well as in the Orlando and

ECONOMIC INDICATORS
Florida



Tampa-St. Petersburg areas, is larger than normal. Although there are no precise figures on the number of unsold houses, builders and lenders on the scene are aware that unsold units do exist. In Orlando, lenders are limiting the amount of construction money they will lend to builders whose inventories of houses are "too large." By such methods, the housing inventory may eventually be whittled down. It should be remembered, however, that what is significant is not so much the number of unsold houses, but rather the relation of this number to sales. Changes in this relationship, therefore, will bear close watching in the immediate future.

More Mortgage Funds Are Available

The decline in residential housing activity so far this year has been accompanied by an increase in the availability of mortgage funds. National insurance companies have money, and working in part through mortgage companies, represent an important source of funds to the Florida mortgage market. Net additions to share holdings at savings and loan associations totaled $219 million for the first six months of 1960, a 13-percent increase over a year ago. Coupled with the decrease in mortgage lending accompanying the decline in building activity, the increase in saving has enabled associations to reduce their borrowings from the Home Loan Bank Board and to improve their liquidity positions. As a result, associations are now better able to extend mortgage credit. Florida's member banks, however, have continued to limit the volume of funds earmarked for real-estate lending.

Although the total availability of mortgage funds has increased, the cost of borrowing continues relatively high. Interest rates on conventional loans on new homes in good locations are between 6.0 and 6.5 percent in many areas. Discounts on loans secured by the Federal Housing Administration are being quoted at about 4 to 5 points, on the average, and discounts on loans guaranteed by the Veterans' Administration amount to about 9 points. Should more mortgage money become available at slightly lower rates, some revival in housing activity may occur provided a shortage of mortgage funds has been a major factor in Florida's recession in home building.

Member Banks Still Feel Credit Pinch

Florida member banks have cut back on their mortgage lending, partly because of a limited supply of funds available for short- and intermediate-term lending to businesses and consumers. It is true that member banks' reserve positions have eased somewhat since the first of the year. Average daily borrowings by Florida member banks from the Federal Reserve Bank of Atlanta, for example, declined from $75.6 million in the last week of December 1959 to $9.7 million in the first week of July. Deposit declines, however, together with relative stability in outstanding loans, may have lessened improvement in bank liquidity.

Deposits, seasonally adjusted, in June this year were 4 percent below their peak reached last summer. This does not mean, of course, that each of Florida's 124 member banks lost deposits. In May, less than one-half of all banks had deposits lower than a year ago. Most of the banks registering declines were located in the Miami, Jacksonville, Orlando, and Tampa-St. Petersburg areas.

Although deposits of all member banks in Florida were lower in June 1960 than in September 1959, loans remained at a high level. As a result, the loan-deposit ratio of those banks now stands at 45.2 percent, the postwar high. It is difficult, of course, to determine the extent to which the current "high" loan-deposit ratio represents a psychological damper on the willingness of Florida bankers to add substantially to their loans. The stability of member bank loans since the spring of 1959—after years of almost continuous increases—may be related to a slackening in loan demand. It may be noted, however, that the leveling off in loans in the last year was closely synchronized with the decline in deposits.

Summing Up

Florida's economy seems to be rocking along at a relatively high level. In some areas in the state, economic activity appears to have reached a plateau or moved slightly higher. Overall, the economy's condition may be characterized as good but not boomy. The economy has paused, so to speak, to catch its breath after a sharp and almost continuous rise of many years. Growth in the period immediately ahead depends mainly upon the strength of aggregate demand and on expansion of income, the same factors that will shape economic activity in the nation.

ALFRED P. JOHNSON

Notice

Beginning with this issue, an index of nonmanufacturing employment in Sixth District states as a group and individual state indexes of department store sales are being added to the indexes regularly published in the *Monthly Review*. The index of nonmanufacturing employment, together with the indexes of manufacturing employment already being published, will provide information necessary for a more detailed analysis of developments in total nonfarm employment. The new indexes of department store sales will enable the user to trace District developments to the different states making up the District. Because of space limitations, the department store sales indexes by cities, formerly included, will no longer be published. The city indexes, however, are included in a separate release that may be obtained from the Research Department.

The tables showing department store sales and inventories and debits to individual demand deposit accounts usually carried are not being shown in this issue. They may be obtained upon request.

Bank Announcements

On July 1, The Georgia Bank and Trust Company, Macon, Georgia, a newly organized nonmember bank, opened for business and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers of the bank include: Logan Lewis, Chairman of the Board; Ernest S. Lee, President; Don W. Gordon, Vice President and Cashier; and Miss Margery Pate, Assistant Cashier. Capital totals $812,500 and surplus and undivided profits $487,500.

On July 8, The Peoples Bank, Pell City, Alabama, a newly organized nonmember bank, opened for business and began to remit at par. T. W. Milner is President; J. I. Harrison, Vice President; Clinton O. Holdbrooks, Assistant Cashier. Capital totals $100,000 and surplus and undivided profits $50,000.

Sixth District Indexes

Seasonally Adjusted (1947-49 = 100)

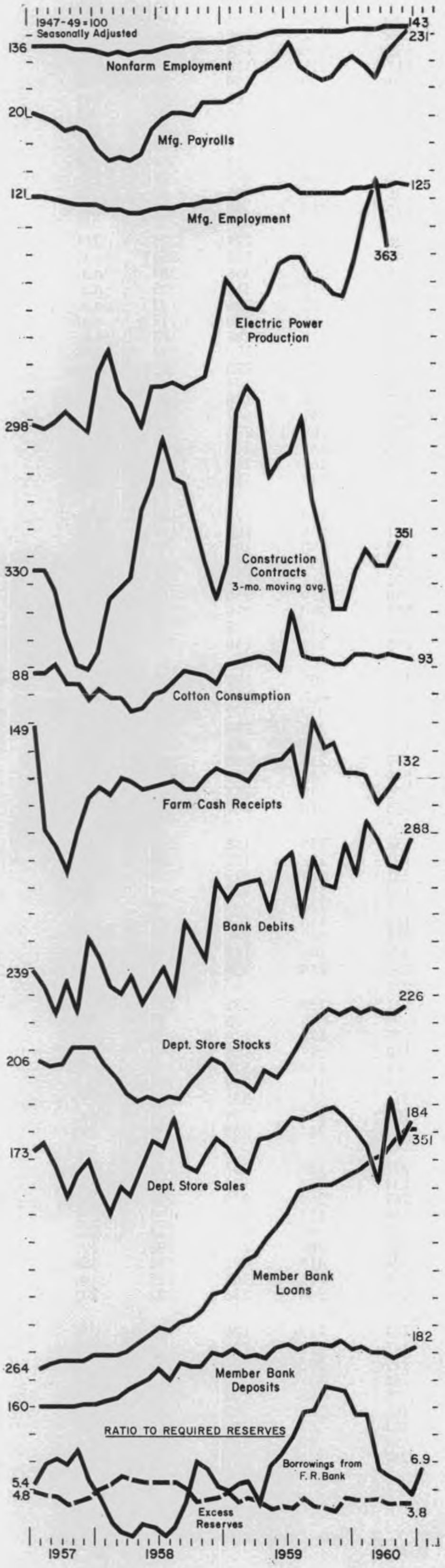
	1959								1960					
SIXTH DISTRICT	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE
Nonfarm Employment	141r	141	142r	141	141	142r	142r	142r	142	142	142r	143	143	143
Manufacturing Employment	124	125r	126r	123r	122	122	123r	123r	124	124	125r	125r	126r	125
Apparel	184r	187r	191r	190r	190r	190r	189r	191r	192r	190r	191r	194r	195r	195
Chemicals	134r	134	134	135r	131r	130r	130r	132r	132	133r	132	135r	135r	137
Fabricated Metals	191r	192r	191r	184r	186r	182r	183r	185r	191r	193r	190r	188r	192r	194
Food	114	114	114r	113	114	115	116	113	117	117	115	116	117r	116
Lbr., Wood Prod., Fur. & Fix.	81	81	81	81r	80	81r	80	80	80r	80r	79	79	79	80
Paper & Allied Products	165	164	166	164	166	164	161	160	166	165	164	166	167	165
Primary Metals	102	104r	104	79	79	79	97	103	101	100	95	98	99	97
Textiles	88	89	89	88	89	88	87	87	87	87	88	87	87	87
Transportation Equipment	221r	210r	216r	215r	214r	221r	195r	199r	209r	208r	206r	210r	211r	206
Nonmanufacturing Employment	148	148	149	149	149	150	150	149	150	150	149	151	150	150
Manufacturing Payrolls	219r	223r	228r	220r	216r	214r	215r	220r	222r	218r	214r	223r	227r	231
Cotton Consumption**	93	90r	110	94	93	93	91	91	95	95	94	95	94	93
Electric Power Production**	346	357	359	359	351	350	346	345	358	375	387	363	366	n.a.
Petrol. Prod. in Coastal Louisiana & Mississippi**	206	200	195	203	207	215	214	231	227	226	228	224r	225	224
Construction Contracts*	397	411	416	440	380	350	302	302	328	345	333	333	351	n.a.
Residential	429	433	425	444	440	441	373	367	351	366	360	356	384	n.a.
All Other	370	393	410	436	331	276	245	249	309	327	311	315	325	n.a.
Farm Cash Receipts	136	137	142	123	151	141	143	132	132	131	121	126	132	n.a.
Crops	119	114	123	96	134	124	123	106	104	108	96	100	111	n.a.
Livestock	183	186	186	179	194	181	176	154	165	173	179	188	185	n.a.
Department Store Sales*/**	178	180	185	184	186	188	189	185	180	175	162	[illegible]	176	184
Department Store Stocks*	200	204r	212	219	222	225	223	225	225	223	225	223	223r	226p
Furniture Store Sales*/**	152	148	158	161	149	158	163	151	166	143	129	149	145r	142
Member Bank Deposits*	182	183	181	183	183	182	184	181	182	180	180	178	180	182
Member Bank Loans*	316	321	329	330	331	331	333	335	337	340	341	347	351	351
Bank Debits*	261	279	283	259	281	271	270	286	275	294	288	278	277	288
Turnover of Demand Deposits*	158	152	162	154	150	147	150	154	154	156	153	148	163	159
In Leading Cities	174	174	179	174	164	153	160	166	166	168	167	167	181	183
Outside Leading Cities	126	117	124	115	118	109	109	121	119	120	119	114	126	119
ALABAMA														
Nonfarm Employment	125	125	126	122	122	122	125	125	126	125	124	125	126	126
Manufacturing Employment	110	109	111	103	102	100	107	108	108	107	106	108	109	108
Manufacturing Payrolls	194	200	204	179	172	173	188	194	198	192	190	195	198	200
Department Store Sales	165	168	169	177	167	172	162	163	165	158	156	176	162	175
Furniture Store Sales	137	134	139	143	139	138	134	128	148	133	112	127	128r	126
Member Bank Deposits	157	160	160	160	160	159	159	158	159	158	159	158	159	161
Member Bank Loans	259	266	275	269	270	272	273	272	279	283	280	[illegible]	300	292
Farm Cash Receipts	122	125	129	125	141	114	136	142	124	124	128	122	131	n.a.
Bank Debits	226	248	248	221	243	236	224	247	236	245	244	240	240	245
FLORIDA														
Nonfarm Employment	194	196	200	200	200	200	199	197	197	197	197	199	201	202
Manufacturing Employment	199	202	206	206	206	206	203	201	204	204	202	205	209	211
Manufacturing Payrolls	357	358	372	378	377	377	371	374	366	364	352	372	389r	392
Department Store Sales	247	245	248	263	252	248	264	257	250	240	245	274	260	264
Furniture Store Sales	176	175	178	212	177	180	203	195	189	174	157	181	175	167
Member Bank Deposits	241	243	238	246	247	245	245	241	242	237	234	230	234	238
Member Bank Loans	526	534	544	548	550	547	547	549	546	549	545	553	554	559
Farm Cash Receipts	231	241	240	203	210	194	177	206	229	205	170	217	225	n.a.
Bank Debits	391	426	429	395	437	422	414	424	391	423	410	387	404	443
GEORGIA														
Nonfarm Employment	134	134	136	135	136	136	136	136	137	136	135	138	137	136
Manufacturing Employment	122	122	124	122	123	123	120	121	122	122	122	122	122	122
Manufacturing Payrolls	217	220	225	221	213	216	208	210	216	211	205	215	223r	221
Department Store Sales	168	166	172	170	170	175	176	172	172	164	156	170	169	164
Furniture Store Sales	146	139	159	163	144	159	157	150	149	127	120	142	132	137
Member Bank Deposits	160	159	157	162	160	160	163	158	161	160	158	157	161	160
Member Bank Loans	246	250	256	260	260	261	266	266	269	271	267	271	276	277
Farm Cash Receipts	137	127	172	133	142	136	164	121	137	147	146	153	144	n.a.
Bank Debits	235	252	261	239	258	249	244	261	254	265	254	254	257	269
LOUISIANA														
Nonfarm Employment	131	130	130	129	130	130	130	130	131	131	130	131	131	130
Manufacturing Employment	96	96	95	94	94	95	94	93	94	95	95	95	95	95
Manufacturing Payrolls	177	174	175	175	175	167	168	168	173	173	176	179	178	179
Department Store Sales	160	162	157	160	153	154	158	155	155	150	147	156	152	161
Furniture Store Sales*	186	177	193	178	193	171	195	184	188	192	172	176	175r	178
Member Bank Deposits*	165	165	160	160	160	157	160	158	162	159	161	162	161	161
Member Bank Loans*	295	295	302	299	304	307	309	311	313	316	335	331	338	333
Farm Cash Receipts	141	109	105	97	127	136	104	111	98	101	100	89	101	n.a.
Bank Debits*	220	244	236	227	252	229	216	238	207	224	244	233	233	253
MISSISSIPPI														
Nonfarm Employment	134	133	134	133	135	135	136	135	138	137	136	137	137	135
Manufacturing Employment	133	132	133	133	134	134	134	135	135	134	133	134	135r	134
Manufacturing Payrolls	245	246	250	250	251	239	242	244	253	247	254	249	244	253
Department Store Sales	178	178	176	171	161	172	160	169	161	154	155	169	154	175
Furniture Store Sales*	120	132	115	129	95	83	117	133	106	99	94	100	113	107
Member Bank Deposits*	191	195	197	194	195	202	204	208	200	201	206	199	198	195
Member Bank Loans*	391	398	403	400	411	392	392	403	414	424	418	422	433	438
Farm Cash Receipts	106	111	112	106	140	127	136	130	111	115	111	101	105	n.a.
Bank Debits*	214	246	240	230	242	234	237	252	226	244	246	236	222	243
TENNESSEE														
Nonfarm Employment	125r	125r	125r	124r	124r	124r	124r	124r	124r	124r	123r	126r	125r	125
Manufacturing Employment	122r	123r	124r	123r	123r	122r	123r	123r	124r	123r	123r	124r	124r	125
Manufacturing Payrolls	211r	211r	216r	220r	215r	212r	212r	214r	219r	219r	208r	225r	223r	225
Department Store Sales	156	157	165	155	158	161	164	157	154	145	137	159	146	156
Furniture Store Sales*	117	116	105	122	109	108	102	109	104	95	98	103	111	108
Member Bank Deposits*	166	164	165	165	166	167	167	164	166	161	161	163	165	167
Member Bank Loans*	276	283	287	287	288	293	291	296	296	301	303	304	310	313
Farm Cash Receipts	97	103	81	108	135	117	122	109	95	92	87	100	95	n.a.
Bank Debits*	230	241	244	226	233	228	237	232	235	252	242	236	247	245

*For Sixth District area only. Other totals for entire six states. n.a. Not Available. p Preliminary. r Revised.

**Daily average basis.

Sources: Nonfarm and mfg. emp. and payrolls, state depts. of labor; cotton consumption, U. S. Bureau Census; construction contracts, F. W. Dodge Corp.; petrol. prod., U. S. Bureau of Mines; elec. power prod., Fed. Power Comm. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

SIXTH DISTRICT BUSINESS HIGHLIGHTS



Economic activity continued high in June. The record reached in nonfarm employment two months ago was matched, as gains in some states and types of activity offset losses in others. Retail sales were also at high levels. Farm output and prices rose, with recent rains improving crop development. Member bank loans remained unchanged, but investments continued to drop; deposits increased slightly.

Nonfarm employment, seasonally adjusted, was unchanged in June, holding at the record first reached two months earlier. The stability reflected the balancing of small increases in Florida, Tennessee, and Alabama against small declines in Georgia, Louisiana, and Mississippi. For the six states as a group, both **manufacturing** and **nonmanufacturing** also showed virtually no change in June. Seasonally adjusted **manufacturing payrolls,** however, advanced to a new high as a result of a gain in **average weekly earnings.**

Construction contracts picked up in May, but the seasonally adjusted three-month average, based partly on June figures, was still sharply below the high volume of early 1959. **Construction employment,** a measure of current activity, declined slightly in June. Cotton textile activity, as indicated by **cotton consumption,** declined slightly for the second consecutive month. **Crude oil production** in Coastal Louisiana and Mississippi changed little after seasonal adjustment, continuing somewhat below the high volume of late 1959. **Steel operations** were curtailed further in June, but averaged slightly higher in the last three weeks of July.

Department store sales changed little from June to July, according to seasonally adjusted preliminary estimates, continuing somewhat below the April record. **Department store stocks,** seasonally adjusted, mounted further in June. **Furniture store sales** decreased in June, after seasonal adjustment, as declines in Alabama, Florida, Mississippi, and Tennessee more than offset gains in Georgia and Louisiana. **Appliance store sales** rose seasonally in June. **Tax collections on sales** through May indicate that consumer spending reached a record volume during the second quarter.

Consumer instalment credit outstanding declined in June, after seasonal adjustment. Decreases at commercial banks, consumer finance companies, and department and furniture stores more than offset slight increases at credit unions and household appliance stores. Consumer saving decreased in June, as **time deposits** at commercial banks and **savings and loan shares outstanding** both rose less than seasonally. **Ordinary life insurance sales** increased.

Farm output in District states has risen recently as larger volumes of broilers, eggs, milk, and beef cattle reached the market. **Farm prices** advanced slightly in June because higher prices for hogs, cotton, corn, and citrus more than offset declines in other farm prices. In most areas of the District, farmers are preparing to harvest a big crop this fall. Aided by recent rains, yields of cotton, corn, tobacco, and peanuts probably will be large again this year. **Demand deposits,** seasonally adjusted, at member banks in predominantly agricultural areas rose in June, although they were fractionally under the totals last year.

Member bank loans remained virtually unchanged during June following two months of substantial increases. Some gains—greatest in Tennessee—offset declines in Alabama and Louisiana. During July, **loans at banks in leading District cities** declined after seasonal adjustment. Total **member bank deposits,** seasonally adjusted, increased in June, as slight gains in some states more than offset declines in others, notably in Mississippi, where loan increases have been sharp this year. Liquidations of **investments** continued heavy in June. **Member bank borrowings from the Federal Reserve Bank of Atlanta** increased somewhat during July from the June low.