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Gold, the Balance of Payments, and Monetary Policy

Gold is a glamorous, as well as a precious metal. The word conjures up pictures of Inca priests, Spanish galleons, and English pirates; of the "forty-niners"; and of medieval alchemists bent over their steaming retorts. It has become one of the most evocative symbols of our language. Most Americans under forty have never seen a gold coin; yet, we still say that something is "as good as gold."

But if we no longer handle it daily, gold still excites our imaginations. What it has lost in romance, it has gained in mystery. We do not see it or handle it; pirates no longer bury it; yet, its movements make headlines all over the world. When gold flows out of the United States in great quantities, as it has in recent years, the average man feels, rather uncertainly, that the nation's well-being is somehow jeopardized. So it may be, but he may be excused if the connection is not entirely clear to him. The relationship between gold and the national welfare is not a simple one; we must, therefore, beware of simple solutions to a complex problem.

Essentially, gold poses a problem because the nations of the world have mutually agreed that it and it alone shall constitute the ultimate means of settling international debts and because each nation's stock of it is limited. For the past several years, the United States has run a deficit in its international transactions; that is, we have bought from and lent and given to the rest of the world more than they have bought from and lent and given us. If this continues, and if we must settle any substantial part of our yearly deficit in gold, we shall eventually exhaust our supplies. This, of course, is not the immediate problem. Before we ever reached that situation, other problems would present themselves. Some have already done so. To understand these current problems, however, we must understand how our deficits arise. If we understand this, we may better understand some of the current problems of monetary policy.

The Balance of Payments Is the Villain

All the payments we make to or receive from the rest of the world can be divided, like Gaul, into three parts: (1) purchases and sales of goods and services; (2) unilateral transfers (gifts); and (3) capital transactions. Table I on Page 2 shows the U. S. balance of payments for four recent years. It is immediately obvious that our difficulties do not arise from a deficit in our civilian, i.e., private and government non-military, transactions in goods and services. We have consistently sold much more of these to foreigners than we have bought from them. The minus signs (indicating net U. S. payments to foreigners) begin with our military transactions. Our military expenditures overseas (expenditures of troops stationed abroad, construction at overseas military bases, etc.) have consistently been much higher than military receipts (such as sales of equipment and services to foreign governments). Receipts have been growing, however, in response to determined efforts by the U. S. Government, and last year our deficit in this account was somewhat reduced.

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DISTRICT GOVERNMENTAL BORROWING IN A FAVORABLE CLIMATE

SIXTH DISTRICT STATISTICS

DISTRICT BUSINESS CONDITIONS

Federal Reserve Bank of Atlanta

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Table I: U. S. Balance of Payments, Selected Years
(Millions of dollars)

	1956	1958	1961	1962
I Goods and services				
A. Civilian				
Merchandise				
Exports	17,379	16,264	19,915	20,566
Imports	12,804	12,952	14,514	16,193
Difference	+ 4,575	+ 3,312	+ 5,401	+ 4,373
Services				
Exports	6,055	6,503	7,745	8,610
Imports	3,875	4,474	5,462	5,800
Difference	+ 2,180	+ 2,029	+ 2,283	+ 2,810
B. Military transactions				
Exports	161	300	406	638
Imports	2,949	3,435	2,947	3,006
Difference	— 2,788	— 3,135	— 2,541	— 2,368
II Unilateral transfers, net				
pensions and remittances	— 665	— 722	— 878	— 924
Government grants, non-military	— 1,733	— 1,616	— 1,851	— 1,872
Total	— 2,398	— 2,338	— 2,729	— 2,796
III Capital transactions, net				
U. S. private capital				
Long-term	— 2,554	— 2,625	— 2,481	— 2,584
Short-term	— 517	— 311	— 1,472	— 467
U. S. Government loans	— 629	— 971	— 926	— 1,124
Foreign capital	+ 653	+ 22	+ 733	+ 975
Balance on capital accounts	— 3,047	— 3,885	— 4,146	— 3,200
Errors and omissions	+ 543	+ 488	— 628	— 1,000
Deficit (—) or Surplus (+)	— 935	— 3,529	— 2,360	— 2,181

Source: *Survey of Current Business*, U. S. Department of Commerce.

Pensions and remittances consist of payments to retired employees living overseas, payments by immigrants to friends and relatives in "the old country", and private charitable contributions, such as those made by CARE. This item has been slowly and steadily growing. Grants made by the Federal Government to foreign governments for non-military purposes, however, have remained remarkably stable for the last twelve years.

Private U. S. long-term capital outflow is now one of the larger elements contributing to our balance of payments deficit. It includes the value of physical assets located abroad, such as manufacturing plants, that U. S. residents build or acquire and our net purchases of foreign securities, both bonds and stocks. Since this capital outflow has bulked so large since 1956, some people have proposed that we limit foreigners' access to our securities markets, as various European countries still do. Others insist that it would be better to get the Europeans to open their capital markets, so that more of the world's investment might be financed by European savings rather than by American gold.

Short-term capital outflow may take several forms. The most important in recent years has been bank loans, notably to Japan. U. S. residents may also increase their balances in foreign banks or may buy any one of several kinds of foreign short-term securities. In any case, U. S. short-term capital has been one of the most volatile elements in our balance of payments. In some years, we have sold more foreign assets than we have bought, as in 1953. In other years, the outflow of U. S. short-term funds has been gigantic, as in 1960 and 1961.

Foreigners, on the other hand, may buy U. S. securities and invest in physical assets located here. This inflow of foreign long-term capital makes our deficit smaller than it would otherwise be. In Table I it therefore carries a plus sign, although it is not always so. In the early postwar years, when foreigners were liquidating previously acquired assets, it had a minus sign.

Our deficit is measured by the change in our liquid short-term liabilities to foreigners plus our net sales of gold. These we can determine quite accurately from Treasury records and from reports made to the Federal Reserve Banks by banks and various other business firms that have dealings abroad. If our statistics were perfect, we should, by adding up the pluses and minuses in the three parts of the balance of payments, come out with the same figure we obtain by adding up our increase in liabilities to foreigners and our gold sales. Neither the coverage nor the reporting of our foreign transactions is perfect, however, so the two must be reconciled by an entry entitled "errors and omissions." In nearly every year prior to 1960, this figure was positive; that is, the recorded entries in the balance of payments tended to show a larger deficit than we actually had. The last three years have shown just the reverse, for the recorded entries have *under*stated our deficit.

Table II shows how our postwar balance of payments deficits and surpluses have been financed. At times foreigners have been quite willing to build up their short-term claims on us. In the first place, U. S. banks lending to foreigners usually require that a certain minimum balance be maintained, just as with domestic loans. In the second place, foreign banks and firms often need to maintain dollar working balances. The United States is principal banker to the world, and payments are effected for foreigners' transactions with the United States, as well as for transactions between many foreign countries, by means of transfers on the books of U. S. banks. In the third place, foreign monetary authorities maintain dollar holdings as part of their international reserves. One might think of them as a form of working balance to accommodate ebbs and flows in their own balances of payments. The need for dollar balances is not unlimited, however, and our recent large deficits have apparently more than satisfied the demand for them. Foreigners have converted their surplus claims into gold and, in the process, have created problems for our monetary policy-makers. The major problem is the conflict that has developed between the domestic and external responsibilities of the Federal Reserve System.

One of the chief domestic responsibilities of the System is to control the quantity of bank reserves in such a way

Table II: Financing of U. S. Balance of Payments Deficits or Surpluses
(Millions of dollars)

Year	*Balance of payments deficit (—) or surplus (+)*	*Gold sales (—) purchases (+)*	*U. S. short-term liabilities to foreigners increase (—) or decrease (+)*
1946	+1261	+ 623	+ 638
1947	+4567	+2850	+1717
1948	+1005	+1530	— 525
1949	+ 175	+ 164	+ 11
1950	—3580	—1743	—1837
1951	— 305	+ 53	— 358
1952	—1046	+ 379	—1425
1953	—2152	—1161	— 991
1954	—1550	— 298	—1252
1955	—1145	— 41	—1104
1956	— 935	+ 306	—1241
1957	+ 520	+ 798	— 278
1958	—3529	—2275	—1254
1959	— 3743	— 731	—3012
1960	—3925	—1702	—2223
1961*	—2360	— 858	—1618
1962*	—2181	— 890	—1274

*In 1961 official holdings of foreign convertible currencies increased $116 million. In 1962 these holdings decreased $17 million. In other words, in 1961 the increase in holdings of convertible currencies made our gold losses and/or increase in claims of foreigners larger than the deficit would indicate; in 1962 it made them slightly smaller.
Source: *Survey of Current Business*, U. S. Department of Commerce.

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as to contribute to stable economic growth. That is, when there is danger of inflation through too rapid an expansion of spending, the Fed ordinarily applies the brakes by holding down the increase in bank reserves. When the opposite problem of unemployment presents itself, the System generally pumps in more bank reserves. These operations are carried out principally by selling securities on the open market in the one case or buying them in the other. During the three years 1960-62, one of the most pressing domestic problems was unemployment. As a general rule, this calls for an expansionary monetary policy. An extremely expansionary policy, however, might have worsened our balance of payments deficit.

A Dilemma for Monetary Policy

Thus it is that during the last three years, the monetary authorities were confronted with two problems whose orthodox solutions were mutually contradictory. One problem was to fight recession and promote recovery in the domestic economy. The other was to reduce or eliminate our balance of payments deficit and, thus, stop the outflow of gold. The orthodox prescription for the latter is to tighten credit and thereby *raise* interest rates. Higher interest rates would tend to discourage the outflow of capital. If rates were raised high enough and maintained long enough, they would depress domestic economic activity and incomes and, thereby, imports of goods and services. The prescription for the former problem, however, is to expand bank credit and, thereby, *lower* interest rates.

Obviously, both of these prescriptions cannot be applied at one and the same time. The Federal Reserve System met this dilemma when the recession began in the spring of 1960 by vastly increasing the availability of credit, but without allowing it to proceed so far as to drive the U. S. Treasury bill rate very far below the levels prevailing in other financial centers. If it had fallen much below foreign short-term interest rates, some U. S. holders of liquid funds would have had an incentive to transfer money abroad, thus increasing our deficit. In other words, the domestic economic situation prevented the strict application of the orthodox prescription for a balance of payments deficit, and the Federal Reserve could do no more than carry out a holding action. The main attack on the balance of payments problem, therefore, had to come from different directions.

What, then, has been done? In general, the United States has taken two types of actions: those calculated to change the three basic components of the balance of payments over the longer run; and those designed to influence flows of short-term capital from day to day.

(1) The longer-run actions can be summarized briefly. To reduce the size of unilateral transfers, foreign aid has been more and more "tied" to the purchase of U. S. goods and services. It is estimated that more than 80 percent of non-military aid is spent directly in the United States. The aid programs, in addition, have been subjected to continual scrutiny. The object of this continued examination is to find some way of reducing the outflow without weakening our military and political position.

The Administration has launched an export expansion drive. The Export-Import Bank and the Foreign Credit Insurance Association have provided guarantees and insurance to exporters and their banks against political and credit risks (see the January 1963 issue of this *Review*). Tax laws have been revised to permit corporations to deduct a portion of their new investment spending from their tax bills. To the extent that this results in more investment and further replacement of outmoded equipment, costs here will fall and make our exports more competitive. The same thing can be said of the revision of the depreciation guidelines, which allows businesses to reduce their tax liabilities by writing off their plant and equipment investment more rapidly.

(2) The actions taken to modify short-term capital flows are more complicated. The U. S. Treasury's Exchange Stabilization Fund was the first agency in the field. It began buying and selling foreign currencies in the spring of 1961, when there was a severe international financial crisis. In 1962, the Federal Reserve System acted to supplement the slender resources of the Stabilization Fund. In general, the objects of the two agencies' combined operations were: (a) to prevent violent fluctuations in foreign exchange rates; (b) to reduce the incentives for transferring short-term funds abroad by influencing the cost of obtaining cover for exchange risks; and (c) to persuade foreign central banks to refrain from converting into gold some part of their accumulations of dollars.

The first of these objectives has been achieved by buying and selling "spot" foreign currencies, i.e., for immediate delivery. The second was achieved by selling foreign currencies "forward", i.e., for future delivery. This has been done only by the Stabilization Fund, not by the System. It tended to drive down the forward price of those foreign currencies, which helped us in this way. If foreign, for example, Swiss, banks acquire more dollars than they currently need to sell to their customers, they will normally sell the excess to their central bank, which, in turn, may demand gold for them. The private Swiss banks might, however, be persuaded to buy short-term dollar earning assets, e.g., U. S. Treasury bills, if interest rates were higher here than in Switzerland, as they were in 1961. The Swiss banks would want to be assured, however, that they could convert those dollars back into Swiss francs at a later date without losing all their interest gains through a change in the exchange rate. This assurance could be obtained by buying Swiss francs for future delivery; but the price of forward francs was so high in early 1961 that the cost of covering the exchange risk cancelled out the extra interest that could be earned on an American investment.

Conversely, in most other centers in 1961, short-term interest rates were higher than in New York. This tended to attract funds abroad, but if the forward prices of these currencies could be driven low enough, the interest gain would be offset by the cost of forward cover. The Treasury, therefore, undertook to sell Swiss francs and German marks forward, hoping to drive down forward exchange rates to the point that short-term funds would flow back into U. S. dollars or, at least, stop flowing out. These early operations were successful, and similar operations have been carried out since then.

The third objective, persuading foreign central banks to forego conversion of dollars into gold, was achieved in

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two ways: (1) by "swap" arrangements and (2) by direct borrowing of foreign currencies. The swap arrangement provided that, for example, the Swiss National Bank would give the Federal Reserve Bank of New York a certain amount of Swiss francs in return for an equivalent amount of dollars. The New York Bank could then use the francs to buy dollars either from Swiss commercial banks or from the Swiss National Bank itself. This sounds like a self-defeating proposition, since the Swiss would find themselves with the same amount of dollars as before the transaction. Nevertheless, there is a real advantage to the Swiss National Bank in the swap. In effect, it trades ordinary dollar claims, which it either already possesses or would have to acquire from Swiss commercial banks, for dollar claims that carry an exchange rate guarantee.

All the swap agreements made with foreign countries provide that, when the swap is terminated, settlement will be at the exchange rate at which it was originally made. The same advantage to foreign monetary authorities applies to direct borrowings by the U. S. Treasury, since we are borrowing foreign currencies and must repay the same amount, regardless of what happens to the exchange rate. The advantage to the United States is that we did not have to redeem some of the dollar claims outstanding against us.

The Federal Reserve System and the Treasury have thus developed a certain division of labor in these foreign exchange operations. The System has concentrated on swap agreements, while the Stabilization Fund has specialized in utilizing funds obtained by direct Treasury borrowing for spot and forward market operations. The Federal Reserve System now has swap agreements with ten foreign countries that provide potential resources equivalent to about $1,550 million in foreign currencies.

Where Do We Go from Here?

Balance of payments deficits occurring at the same time as a domestic recession and underutilization of resources have posed a difficult problem for U. S. policy-makers and, particularly, for the makers of monetary policy. For most of the postwar period, they could safely ignore the balance of payments in framing domestic policy. This has not been true now for three years and, until the deficits and the resulting gold losses are eliminated, domestic policy decisions must be made with one eye on our international position. Fortunately, the recent improvement in economic activity may help to reduce the policy conflict. If this improvement is sustained, demand for credit is likely to grow. If it does so, bank reserve positions will become tighter, and interest rates will tend to rise. The incentive to move short-term funds out of this country should then gradually disappear. Rising incomes will, it is true, tend to increase imports, but, at the same time, a healthier investment climate at home should reduce long-term capital outflows. Even if this relatively happy turn of events materializes, however, not all our problems will be solved, by any means. Even with private capital outflows greatly diminished, our export surplus still has a heavy burden to bear. In the long run, if we are to continue our military and diplomatic commitments abroad, we must develop a sufficient export surplus to finance them.

LAWRENCE F. MANSFIELD

District Governmental Borrowing in a Favorable Climate

Capital market developments in 1962 were unusually favorable to state and local government borrowing. Governmental units in the Sixth District states, taken as an aggregate, were especially enthusiastic in their response. Total debt issues marketed amounted to $1.6 billion, up 21 percent from 1961. This performance marked the sixth consecutive year in which such debt issues exceeded $1 billion, as well as the sixth all-time high in annual dollar volume. In contrast with this sharp increase for District states, total debt issues for the fifty states increased only 3 percent during 1962.

The difference between the relative performances of the District states and the nation is in even sharper contrast when short-term issues, primarily temporary housing notes, are eliminated. District long-term bond issues of all borrowing units were up 22 percent, versus slightly more than 2 percent for the fifty states. In fact, almost all the national increase in long-term marketings for 1962 could be attributed to the $200 million net increase of the District states.

The volume of total debt securities issued by borrowing units in District states during 1962, however, shows sharp divergences when the year-to-year performances of individual states are compared. For example, two District states, Louisiana and Georgia, increased their total securities issues over $100 million each. Both these states, plus Tennessee, showed increases of more than 35 percent, while Alabama's increase was only slightly more than 6 percent. At the other extreme, Florida cut her total volume about $40 million, or 12 percent, and volume in Mississippi was down 6 percent. Both the latter states, however, took advantage of more favorable capital market conditions to refund some high coupon securities by replacing them with lower coupon issues. Total District refunding issues, stimulated by declining interest costs for tax exempt securities, increased $38 million to a volume more than six times that of 1961. The accompanying table provides additional comparisons between the volume of long- and short-term issues in 1962.

Improved Borrowing Conditions

The major factor contributing to improved borrowing conditions last year was a sharp increase in commercial banks'

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demand for municipals. One of the striking features of this increased demand, moreover, was that it occurred during a recovery phase of the cycle. For example, in 1958 increased bank holdings accounted for 47 percent of the net increase in state and local government debt. In 1959 this proportion was cut to only 9 percent. Between 1960 and

New State and Local Government Security Issues in 1962

(Millions of dollars)

	*Short-Term**		*Long Term*			
			Refunding		*Other*	
	1962 Total	*Percent Change 1962 from 1961*	*1962 Total*	*Percent Change 1962 from 1961*	*1962 Total*	*Percent Change 1962 from 1961*
Alabama	75.5	+15	16.5	+ 165	104.8	— 7
Florida	37.1	+20	21.6	+6648	240.6	— 22
Georgia	179.5	+63	5.1	**	210.3	+ 16
Louisiana	46.3	—41	**	**	274.3	+150
Mississippi	19.7	— 7	0.2	**	78.3	— 6
Tennessee	110.8	+22	0.9	**	150.2	+ 46
District States	468.9	+18	44.3	+ 577	1058.5	+ 18
United States	4755.4	+ 5	277.0	+ 169	8568.0	+ 1

*Mostly public housing issues.
**Data on refunding, if any, not available.
Source: Computed from basic data supplied by the Investment Bankers Association of America and *The Bond Buyer*.

1961, the ratio rose from 16 percent to 54 percent, following the typical pattern. It, therefore, would have been reasonable to expect that the ratio would decline with the continued expansion of business activity in 1962. Instead, the proportion rose to 85 percent last year.

Most of the conditions underlying this change in commercial banks' investment policies are well known. A policy of monetary ease, continuing longer than during past recoveries, resulted in an expanded reserve base. At the same time, banks continued to experience high-level flows of savings and time deposits. An additional factor was the growth in volume of negotiable Certificates of Deposit introduced in 1961. However, the real kicker came at the end of 1961, when ceilings on interest rates that member banks were permitted to pay on such deposits were raised. Increased public savings and some substantial shifting out of other forms of financial investment by consumers brought a year of record growth for commercial banks in relatively high-cost deposits.

These rapidly growing, cost-bearing liabilities of banks had to be put to work without delay. It was not surprising that banks turned first to a market sector that offered volume, convenience, and favorable after-tax yield. Nor was it surprising that larger banks led the field, in view of the degree of centralization of both primary and secondary markets for municipals in the major banking centers. The nation's 100 largest commercial banks increased their holdings of municipals during the last half of 1961 and the first half of 1962 at a rate almost double that of all commercial banks. In contrast, banks in the Sixth District had shown comparatively little increase in the second half of 1961 but stepped up their acquisitions over $185 million, or at an annual rate of almost 25 percent, during the first half of 1962. For the full year, they added more than $300 million in state and local obligations to their holdings, an increase of 20 percent.

Means and Costs of Importing Capital

State and local governments of this area traditionally compete for borrowed funds in the national market. One measure of the extent to which capital funds are imported is suggested by the means of underwriting these debt securities. For the past three years an average of only 13 percent of the total dollar volume of debt issues of the District states was underwritten exclusively by "southern" firms. Combined underwritings by "southern" and "predominantly southern" syndicates accounted for less than 19 percent of total volume during the same period.

The pattern of capital flows already reviewed was accompanied by two additional factors favorable to borrowers of this region during 1962. First, the capital exporting machinery of the major market centers was already oriented to handle expansion in the municipal market, wherever it appeared. Second, the competition from other areas for this type of borrowing did not expand. In fact, there were sizable reductions in requirements by 21 states, and some six states, which have been large borrowers in recent years, reduced their aggregate requirements for long-term funds $1 billion.

In addition to greater overall availability of funds, which contributed to flexibility in the placement, volume, and maturity management of state and local debt, there were significant cost savings for District governments during 1962. For example, a weighted average of a 40-percent sample of this area's new offerings during 1961 showed a net interest cost of 3.58 percent. A sample of comparable size for 1962 shows that net interest cost was reduced some 32 basis points to 3.26 percent.

A number of internal factors relating to debt issues of this region aided the market processes in reducing interest costs. The average size of issues increased from $1.2 million in 1960 to $1.6 million in 1961. A further increase to $1.8 million occurred in 1962. As the average size of issues increases, of course, more bidders are attracted, and, under conditions similar to those of the past year, bidding is likely to be more aggressive. Also, there has been a growing trend toward increased offerings by state and larger city governments, which typically are rated higher, and a reduction in school board and special authority issues.

Recent District Trends

Preliminary data for the first quarter of 1963 indicate a volume of almost one-half billion dollars for governmental bodies in District states. This is a record for any quarter and suggests an extension of the basic trends reviewed above. Several developments appear to augur well for a continuation of relatively favorable capital import conditions for this region. Budgetary reform is receiving increased attention at many levels. Also, more and more administrators are recognizing that modern management methods are essential to meeting the growth problems of state and local government bodies. However, much remains to be accomplished in the elimination of over-lapping service jurisdictions and duplication of facilities. Continuing national discussion of the tax exemption privilege and of the use of Industrial Aid funding underscores the importance of protecting favorable access to national

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pools of capital. Such access, desirable at all times, is especially crucial if conditions should become less favorable for capital-importing regions than they have been during the past two years. Developments of the past few weeks in the money and capital markets suggest that such a change may already be under way.

HIRAM J. HONEA

Bank Announcements

On May 2, the First National Bank of South Brevard Beaches, Satellite Beach, Florida, a newly organized member bank, opened for business and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are C. R. Brown, President; William H. Gleason and Elwood J. Mellott, Vice Presidents; and Walter Noe, Assistant Vice President and Cashier. Capital is $400,000, and surplus and other capital funds, $350,000, as reported by the Comptroller of Currency at the time the charter was granted.

The Citizens National Bank of Shawmut, Shawmut, Alabama, a newly organized member bank, opened for business on May 6 and began to remit at par. Officers are W. J. Polidoro, President; and Warren F. Dent, Executive Vice President and Cashier. Capital is $150,000, and surplus and other capital funds, $150,000, as reported by the Comptroller of Currency at the time the charter was granted.

On May 10, The Lighthouse Point Bank, Pompano Beach, Florida, a newly organized nonmember bank, opened for business and began to remit at par. Officers include Robert L. Kester, Chairman of the Board; W. Earle Laing, President; William A. Solien, Executive Vice President; C. R. Mays, Jr., Vice President; and L. B. Hurlburt, Jr., Cashier. Capital is $600,000, and surplus and undivided profits, $240,000.

The Citizens Bank, Georgiana, Alabama, a nonmember bank, began to remit at par on May 13. Officers are A. C. Smith, President; Julian F. McGowin, Vice President; and W. M. Wise, Executive Vice President and Cashier.

On May 15, The Bank of Belleview, Belleview, Florida, a newly organized nonmember bank, opened for business and began to remit at par. Officers include Vincent M. Razzano, Chairman of the Board; H. H. Harris, President; Franklin F. Ehlers, Vice President; and Gerald E. Hussey, Cashier. Capital is $155,000, and surplus and undivided profits, $77,500.

The First National Bank of St. Andrews, Panama City, Florida, a newly organized member bank, opened for business on May 22 and began to remit at par. Officers are John Christo, Jr., Chairman of the Board and President; John L. Lavretta, Jr., Executive Vice President; and F. E. LeGallee, Cashier. Capital is $250,000, and surplus and other capital funds, $150,000, as reported by the Comptroller of Currency at the time the charter was granted.

On May 28, The Midtown Bank of Miami, Miami, Florida, a newly organized nonmember bank, opened for business and began to remit at par. Officers include F. deC. Oak, Chairman of the Board; Tully F. Dunlap, President; Verner L. Lowe and John T. Bills, Vice Presidents; and David Class, Cashier. Capital is $300,000, and surplus and undivided profits, $285,000.

Debits to Individual Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	April 1963	March 1963	April 1962	Percent Change: April 1963 from March 1963	Percent Change: April 1963 from April 1962	Percent Change: Year-to-date 4 Months 1963 from 1962
ALABAMA, Total†	2,675,199	2,585,821	2,325,758r	+3	+15	+10
Anniston	48,528	43,886	43,466	+11	+12	+7
Birmingham	974,935	953,071	861,658	+2	+13	+7
Dothan	43,713	41,459	37,454	+5	+17	+8
Gadsden	40,498	37,924	34,901	+7	+16	+11
Huntsville*	105,971	93,136	80,289	+14	+32	+24
Mobile	329,182	309,852	291,353	+6	+13	+10
Montgomery	207,279	214,624	178,086	—3	+16	+15
Selma*	27,777	28,690	25,118	—3	+11	+8
Tuscaloosa*	69,501	63,033	60,642	+10	+15	+11
FLORIDA, Total†	7,014,902	6,474,686	6,028,279r	+8	+16	+9
Bartow*	26,786	23,265	n.a.	+15	n.a.	n.a.
Bradenton*	51,324	46,643	n.a.	+10	n.a.	n.a.
Brevard County*	133,095	119,003	n.a.	+12	n.a.	n.a.
Clearwater*	85,638	73,716	n.a.	+16	n.a.	n.a.
Daytona Beach*	70,875	65,973	61,905	+7	+14	+9
Delray Beach*	27,080	25,167	n.a.	+8	n.a.	n.a.
Ft. Lauderdale*	248,556	238,787	236,658	+4	+5	+1
Ft. Myers-North Ft. Myers*	63,194	55,420	n.a.	+14	n.a.	n.a.
Gainesville*	57,249	51,517	48,575	+11	+18	+12
Jacksonville	922,792	874,762	852,688	+5	+8	+0
Key West*	20,441	18,959	19,459	+8	+5	—1
Lakeland*	97,325	94,820	82,347	+3	+18	+9
Miami	1,137,733	1,075,768	1,006,764	+6	+13	+5
Greater Miami*	1,721,064	1,565,363	1,490,546	+10	+15	+5
Ocala*	46,013	44,523	n.a.	+3	n.a.	n.a.
Orlando	334,072	286,935	272,579	+16	+23	+11
Pensacola	96,355	99,268	85,722	—3	+12	+8
St. Augustine*	16,414	16,362	n.a.	+0	n.a.	n.a.
St. Petersburg	246,153	232,756	239,022	+6	+3	—4
Sarasota*	93,002	82,518	90,733	+13	+3	n.a.
Tallahassee*	81,531	70,197	71,728	+16	+14	+8
Tampa	513,710	483,588	456,798	+6	+12	+6
W. Palm-Palm Bch.*	189,683	178,593	183,278	+6	+3	+2
Winter Haven*	52,402	46,813	n.a.	+12	n.a.	n.a.
GEORGIA, Total†	5,271,464	4,848,257	4,431,691r	+9	+19	+13
Albany	63,471	58,190	56,866	+9	+12	+5
Athens*	47,521	42,911	45,689	+11	+4	+0
Atlanta	3,001,398	2,728,961	2,476,813	+10	+21	+20
Augusta	137,149	136,310	119,747	+1	+15	+11
Brunswick	35,128	33,939	33,849	+4	+4	+8
Columbus	128,038	118,766	119,589	+8	+7	+2
Dalton*	67,826	57,631	55,390	+18	+22	n.a.
Elberton	9,179	10,080	10,559	—9	—13	+5
Gainesville*	52,173	53,280	51,323	—2	+2	+7
Griffin*	23,326	21,184	20,575	+10	+13	+8
LaGrange*	17,436	16,264	16,796	+7	+4	—6
Macon	154,767	146,299	130,184	+6	+19	+10
Marietta*	43,996	42,019	34,683	+5	+27	+17
Newnan	20,106	20,853	19,982	—4	+1	—3
Rome*	53,545	49,675	48,571	+8	+10	+3
Savannah	194,003	185,012	172,315	+5	+13	+6
Valdosta	35,003	35,328	37,036	—1	—5	+0
LOUISIANA, Total†**	2,973,188	2,769,436	2,525,417r	+7	+18	+8
Abbeville*	7,821	7,752	n.a.	+1	n.a.	n.a.
Alexandria*	81,961	81,621	76,300	+0	+7	+6
Baton Rouge	346,182	296,872	272,409	+17	+27	+10
Bunkie*	4,439	4,470	n.a.	—1	n.a.	n.a.
Hammond*	26,736	23,900	n.a.	+7	n.a.	n.a.
Lafayette*	77,381	74,718	64,718	+4	+20	+9
Lake Charles	87,216	87,371	85,476	+0	+2	+2
New Iberia*	25,598	26,398	n.a.	—3	n.a.	n.a.
New Orleans	1,599,909	1,496,981	1,407,887	+7	+14	+5
Plaquemine*	6,636	6,308	n.a.	+5	n.a.	n.a.
Thibodaux*	16,533	17,662	n.a.	—6	n.a.	n.a.
MISSISSIPPI, Total†**	886,301	882,235	831,214r	+0	+7	+6
Biloxi-Gulfport*	66,605	66,817	60,342	—0	+10	+12
Hattiesburg	38,396	38,320	37,798	+0	+2	—2
Jackson	357,674	362,000	342,803	—1	+4	+3
Laurel*	29,470	27,480	28,591	+7	+3	+1
Meridian	50,444	46,506	47,722	+8	+6	+13
Natchez*	25,679	26,354	23,629	—3	+9	+9
Pascagoula-Moss Point*	37,190	37,855	n.a.	—2	n.a.	n.a.
Vicksburg	25,245	24,189	23,242	+4	+9	+8
Yazoo City*	18,579	16,576	n.a.	+12	n.a.	n.a.
TENNESSEE, Total†**	2,466,281	2,368,676	2,229,628r	+4	+11	+6
Bristol*	58,664	50,974	52,184	+15	+12	+4
Chattanooga	385,675	376,969	331,217	+2	+16	+8
Johnson City*	48,669	50,175	43,514	—3	+12	+11
Kingsport*	92,154	108,576	96,180	—15	—4	+0
Knoxville	275,138	259,065	250,840	+6	+10	+6
Nashville	876,298	822,528	808,466	+7	+8	+7
SIXTH DISTRICT, Total	21,287,335	19,929,111	18,371,987r	+7	+16	+12
Total, 32 Cities	12,715,369	11,938,432	11,145,291	+7	+14	+8
UNITED STATES 344 Cities	308,000,000	306,700,000r	281,500,000	+0	+9	+10

*Not included in total for 32 cities that are part of the national debit series maintained by the Board of Governors. †Partly estimated. n.a. Not available.
**Includes only banks in the Sixth District portion of the state. r Revised.

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Sixth District Statistics

Seasonally Adjusted

(All data are indexes, 1957-59 = 100, unless indicated otherwise.)

SIXTH DISTRICT

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Mar.	39,161	38,960r	39,337r	37,298r
Farm Cash Receipts	Mar.	127	114	123	120
Crops	Mar.	153	112	130	135
Livestock	Mar.	110	115	115	110
Department Store Sales*/**	May	121p	118r	135r	118
Department Store Stocks*	Apr.	122	123	126	112
Instalment Credit at Banks,* (Mil. $)					
New Loans	Apr.	169	166	178	150r
Repayments	Apr.	149	149	146	133r
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Apr.	111	110	110	108
Manufacturing	Apr.	109	109	109	107
Apparel	Apr.	131	129	129	125
Chemicals	Apr.	105	104	104	100
Fabricated Metals	Apr.	112	110	110	107
Food	Apr.	103	103	102	103
Lbr., Wood Prod., Furn. & Fix.	Apr.	93	93	93	93
Paper	Apr.	105	107	107	104
Primary Metals	Apr.	99	98	96	99
Textiles	Apr.	95	94	95	97
Transportation Equipment	Apr.	115	116	114	103
Nonmanufacturing	Apr.	111	111	110	109
Construction	Apr.	101	100	98	95
Farm Employment	Apr.	84	89	90	88
Insured Unemployment, (Percent of Cov. Emp.)	Apr.	3.7	4.0	4.4	4.2
Avg. Weekly Hrs. in Mfg., (Hrs.)	Apr.	40.8	40.7	40.3	40.6
Manufacturing Payrolls	Apr.	131	130	128	124
Construction Contracts*	Mar.	141	124	140	137
Residential	Mar.	129	122	108	114
All Other	Mar.	150	125	167	156
Electric Power Production**	Mar.	131	145	145	124
Cotton Consumption**	Apr.	98	96	95	105
Petrol. Prod. in Coastal La. and Miss.**	Apr.	156	157	157r	145
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	Apr.	149	149	147	134
Leading Cities	May	142	141	141	128
Member Bank Deposits*					
All Banks	Apr.	130	131	129	121
Leading Cities	May	123	124	125	117
Bank Debits*/**	Apr.	140	137	132	127

ALABAMA

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Mar.	5,350	5,367r	5,422r	5,106r
Farm Cash Receipts	Mar.	119	129	134	110
Department Store Sales**	Apr.	97	120	104	98
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Apr.	107	107	106	105
Manufacturing	Apr.	102	102	102	101
Nonmanufacturing	Apr.	109	109	108	107
Construction	Apr.	93	92	91	97
Farm Employment	Apr.	90	81	92	88
Insured Unemployment, (Percent of Cov. Emp.)	Apr.	4.0	4.2	4.9	4.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	Apr.	40.4	40.1	40.1	40.2
Manufacturing Payrolls	Apr.	122	120	118	116
FINANCE AND BANKING					
Member Bank Loans	Apr.	150	150	146	133
Member Bank Deposits	Apr.	128	129	128	119
Bank Debits**	Apr.	132	135	128	120

FLORIDA

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Mar.	11,274	11,007r	11,120r	10,754r
Farm Cash Receipts	Mar.	154	103	112	137
Department Store Sales**	Apr.	147	157	149	137
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Apr.	116	116	115	115
Manufacturing	Apr.	119	119r	118	120
Nonmanufacturing	Apr.	115	115	114	114
Construction	Apr.	94	92r	90	90
Farm Employment	Apr.	111	117	116	115
Insured Unemployment, (Percent of Cov. Emp.)	Apr.	3.4	3.5	3.9	3.3
Avg. Weekly Hrs. in Mfg., (Hrs.)	Apr.	40.7	41.5	40.9	41.4
Manufacturing Payrolls	Apr.	155	157	152	153
FINANCE AND BANKING					
Member Bank Loans	Apr.	147	148	145	130
Member Bank Deposits	Apr.	132	134	130	123
Bank Debits**	Apr.	144	136	134	129

GEORGIA

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Mar.	7,367	7,363r	7,444r	6,968r
Farm Cash Receipts	Mar.	109	114	122	107
Department Store Sales**	Apr.	112	137	110	103
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Apr.	112	112	111	108
Manufacturing	Apr.	108	107	107	104
Nonmanufacturing	Apr.	114	114	113	110
Construction	Apr.	113	109	108	106
Farm Employment	Apr.	68	75	66	83
Insured Unemployment, (Percent of Cov. Emp.)	Apr.	2.9	3.0	3.5	3.4
Avg. Weekly Hrs. in Mfg., (Hrs.)	Apr.	40.0	40.2	39.9	39.9
Manufacturing Payrolls	Apr.	129	128	127	120
FINANCE AND BANKING					
Member Bank Loans	Apr.	151	150	149	136
Member Bank Deposits	Apr.	135	134	132	126
Bank Debits**	Apr.	152	149	145	134

LOUISIANA

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Mar.	5,835	5,916r	5,950r	5,586r
Farm Cash Receipts	Mar.	113	115	130	134
Department Store Sales*/**	Apr.	109	115	103	97
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Apr.	102	102	102	100
Manufacturing	Apr.	99	100	100	94
Nonmanufacturing	Apr.	103	103r	103	101
Construction	Apr.	94	92	89	83
Farm Employment	Apr.	77	85	87	83
Insured Unemployment, (Percent of Cov. Emp.)	Apr.	4.3	4.6	4.9	4.7
Avg. Weekly Hrs. in Mfg., (Hrs.)	Apr.	42.3	42.6	42.7	41.6
Manufacturing Payrolls	Apr.	124	125r	123	110
FINANCE AND BANKING					
Member Bank Loans*	Apr.	142	140	144	132
Member Bank Deposits*	Apr.	119	119	120	112
Bank Debits*/**	Apr.	127	121	112	113

MISSISSIPPI

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Mar.	2,983	3,000r	3,029r	2,795r
Farm Cash Receipts	Mar.	123	141	149	115
Department Store Sales*/**	Apr.	98	109	99	99
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Apr.	115	115	114	111
Manufacturing	Apr.	117	117	117	111
Nonmanufacturing	Apr.	114	114	113	110
Construction	Apr.	121	119	113	104
Farm Employment	Apr.	79	84	87	78
Insured Unemployment, (Percent of Cov. Emp.)	Apr.	4.3	4.6	5.3	4.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	Apr.	41.0	40.2r	40.5	40.2
Manufacturing Payrolls	Apr.	137	135	134	124
FINANCE AND BANKING					
Member Bank Loans*	Apr.	168	165	161	150
Member Bank Deposits*	Apr.	143	141	140	129
Bank Debits*/**	Apr.	137	147	140	134

TENNESSEE

	Latest Month (1963)		One Month Ago	Two Months Ago	One Year Ago
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Mar.	6,352	6,307r	6,372r	6,089r
Farm Cash Receipts	Mar.	112	117	119	104
Department Store Sales*/**	Apr.	100	123	104	95
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Apr.	110	110	110	108
Manufacturing	Apr.	111	111	111	110
Nonmanufacturing	Apr.	110	109	109	107
Construction	Apr.	123	124	123	118
Farm Employment	Apr.	94	97	95	94
Insured Unemployment, (Percent of Cov. Emp.)	Apr.	4.5	5.0	5.7	4.9
Avg. Weekly Hrs. in Mfg., (Hrs.)	Apr.	41.2	40.6r	40.0	40.6
Manufacturing Payrolls	Apr.	128	127	125	123
FINANCE AND BANKING					
Member Bank Loans*	Apr.	150	152	150	134
Member Bank Deposits*	Apr.	131	134	131	122
Bank Debits*/**	Apr.	136	137	131	129

*For Sixth District area only. Other totals for entire six states. **Daily average basis. p Preliminary. r Revised.

Sources: Personal income estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. payrolls and hours, and unemp., U.S. Dept. of Labor and cooperating state agencies; cotton consumption, U.S. Bureau of Census; construction contracts, F. W. Dodge Corp.; petrol. prod., U.S. Bureau of Mines; elec. power prod., Fed. Power Comm.; farm cash receipts and farm emp., U.S.D.A. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

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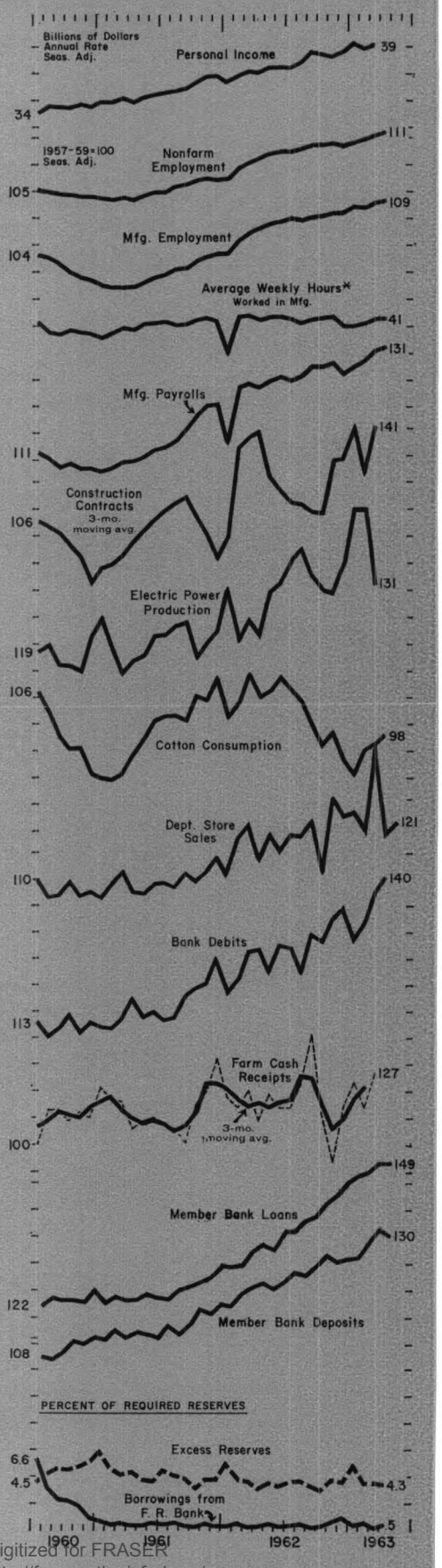
DISTRICT BUSINESS CONDITIONS



*Seas. adj. figure, not an index.

The recently heightened tempo of the District's economy persists. Further modest gains occurred in both employment and most principal lines of production. The pace of activity in the farm economy, however, was somewhat restrained, as drought gripped a wide area. Consumers, responding to a rise in their personal incomes, continued to spur the economy: Retail spending remained strong, and consumer borrowings were hefty.

Total nonfarm employment in the District rose slightly in April. Both nonmanufacturing and manufacturing employment increased. Employment in the apparel, primary metals, and fabricated metals industries showed the healthiest advances among the various types of manufacturing. The rising trend in construction employment, which began early this year, was extended in April. The unemployment rate declined further, reaching its lowest point since May 1957. Steel production maintained the strong upward trend begun last February; cotton consumption also rose.

The farm economy suffered a setback from dry weather during May, although recent showers have brought some relief. Crops and pastures in the southern portions of Louisiana, Mississippi, and Alabama were stunted by lack of rain; seed germination was poor; and crop growth was spotty. Meanwhile, farm marketings, heavily weighted by livestock at this time of year, were down slightly in March and April from the year-ago level; declines in citrus, beef, and broiler marketings more than offset increased shipments of eggs and pork. Nevertheless, the index of prices received by the region's farmers rose in response to a sharp April increase in citrus prices. Employment on farms moved down in April from month-earlier and year-earlier levels.

Retail spending continued strong. Checkbook spending by individuals, governments, and businesses reached a new record high during April, reflecting gains in all states except Tennessee. While sales at household appliance stores rose moderately, sales at furniture stores declined slightly. A minor decline occurred in sales at District department stores during early May. Final figures for April indicate the dip in that month was fairly widespread, since most cities experienced a reduction in sales volume. More comprehensive data for retail sales at firms operating one-to-ten outlets, available after a greater time lag, indicate a moderate improvement in sales through March. Personal income, adjusted to eliminate the effects of the special veterans' insurance refund and increased contributions to social security insurance during the January-February period, rose moderately and reached a new record in March. Consumers continued to expand their use of credit, thus supplementing their income gains.

Total bank credit at District member banks declined somewhat during April. Security holdings were reduced moderately; loans held unchanged; and deposits decreased. However, total bank credit at weekly reporting banks increased slightly in May: Loans rose somewhat, more than offsetting a decline in investments, and deposits recorded a slim gain.

NOTE: Data on which statements are based have been adjusted to eliminate seasonal influences.

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