monthly review

january

Federal Reserve Bank of Atlanta - 1972

In this issue:

The Southeast in 1971—Out of the Woods

by Harry Brandt

As other articles in this **Review** show, 1971 was a year of slow economic growth for the Southeast. With Government and business spending on the weak side, even the strength in the housing sector and a step-up in consumer spending were not enough to spark a strong upturn in the region's general business activity. As a result, unemployment fell only slightly. Nevertheless, inflation continued at a rapid pace until the price-wage-rent freeze, announced in midsummer.

If this scenario sounds like a leaf from the national economy, it is and for good reason: When economic activity is slow in the rest of the country, the Southeast is also adversely affected because of its close ties with the national economy.

Pinning this same label of sluggish growth on the Southeast is, however, only part of the story. Compared with the nation, the Sixth District states (Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee) experienced greater economic gains than in the previous year. For instance, personal income was up 8 percent during the first half of 1971 in the region, but it was up only 6½ percent in the nation. During the second half, the rate of gain probably was also greater than nationally.

There are several reasons for the slightly better than national income showing. Judging from nearly complete 1971 data, factory payrolls advanced considerably more (percentagewise) than in the nation, so did jobs in Government, trade, and construction. Therefore, the region probably scored greater income gains in these three sectors last year than the rest of the country.

By the same token, it appears that per capita income in the Southeast increased more rapidly than in the nation as a whole, which would make 1971 the ninth consecutive year that this has happened. As a result, per capita income in the Southeast has climbed even closer to the national average. Based on the first six months' data, per capita income in 1971 increased to 82.1 percent of the national average, rising from 81.7 percent in 1970. (In 1960, it averaged 74 percent.)

For the region to have outpaced the country as a whole was not unexpected when we consider its past rapid growth; neither is it surprising that 1971 was somewhat more prosperous than 1970 — a recession year. Production workers were particularly better off in 1971 than they were in 1970. Average

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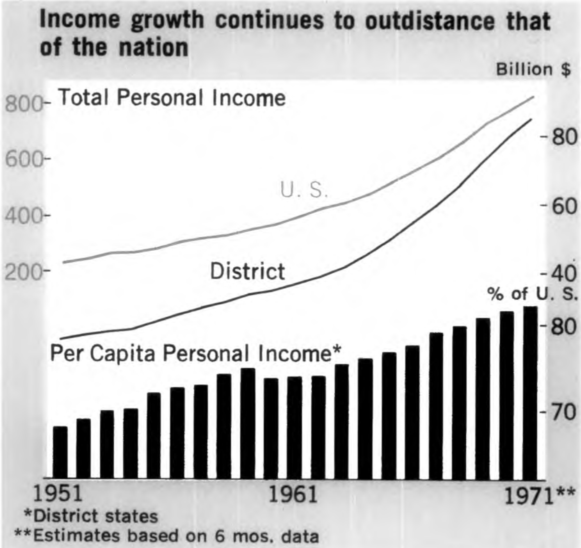


weekly earnings in Southeastern factories increased to $121 from $114, based on eleven months' data. And this increase, though not shared equally, more than made up for the higher cost of living for the typical factory worker.

Lessons Learned

What lessons can we learn from these experiences that will give us an inkling of the future? In 1970, Southerners had found that even a fast growing region cannot escape a national recession; 1971 showed that a return to rapid growth cannot be counted on if growth is sluggish in the nation.

Another lesson that Southerners, along with other Americans, have learned is that the recovery from a recession is slow as long as fundamental economic problems plague the economy. Much could be said about each of last year's major problems: (1) the excessive wage increases and continuing inflation; (2) the further loss in this country's ability to compete in world trade; (3) the unsettled conditions in international financial markets; and (4) the economic adjustments caused by the winding down of the Vietnam War.

Others could be added to this list of fundamental problems that the Southeast shared with the rest of this country. But now that some headway toward controlling domestic inflation and resolving the international monetary difficulties has been made, the possibility that 1972 will turn out better for the Southeast than 1971 has been greatly enhanced. On the other hand, it is almost impossible to overcome all of last year's problems in quick order. For this and other reasons, a prompt return to boom conditions seems unlikely. ■

Bank Announcements

DECEMBER 1, 1971
BANK OF MOUNDVILLE
Moundville, Alabama

Converted to par.

DECEMBER 1, 1971
FIRST NATIONAL BANK AND TRUST COMPANY
Tequesta, Florida

Converted to a national bank.

DECEMBER 1, 1971
MIAMI LAKES FIRST STATE BANK
Dade County, Florida

Opened for business as a nonmember. Officers: Charles E. Buker, chairman, Charles E. Buker, Jr., president; Stewart I. Price, executive vice president, John R. Moranor, vice president and cashier, and Ralph E. Coman, assistant vice president. Capital, $400,000; surplus and other capital funds, $300,000.

DECEMBER 9, 1971
FLORIDA STATE BANK OF TALLAHASSEE
Tallahassee, Florida

Opened for business as a nonmember. Officers: George N. Lewis, chairman; Phil Pomeroy, president; Dennett I. Rainey, executive vice president; and George A. Bray, cashier. Capital, $600,000; surplus and other capital funds, $300,000.

DECEMBER 15, 1971
TRADERS & FARMERS BANK
Halleyville, Alabama

Converted to par.

DECEMBER 16, 1971
THE SKYLAKE STATE BANK
North Miami Beach, Florida

Opened for business a a nonmember. Officers: Veronica I. Dolan, president; and Baggott H. Frier, executive vice president and cashier. Capital, $450,000; surplus and undivided profits, $450,000.

DECEMBER 17, 1971
THE STATE BANK OF NORTH JACKSONVILLE
Jacksonville, Florida

Opened for business as a nonmember. Officers: Roger T. Hobby, president; W. H. Doeschler, Jr., vice president; and John T. Crutcher, cashier. Capital, $400,000; surplus and other capital funds, $280,000.

DECEMBER 20, 1971
CHARLOTTE COUNTY NATIONAL BANK
Port Charlotte, Florida

Opened for business. Officers: W. G. Loeffler, chairman and president; Ray C. Stephens, executive vice president; E. G. Boone and Merle L. Graser, vice presidents; and R. Hurdis Thomson, II, cashier. Capital, $600,000; surplus and other capital funds, $475,000.

Industry: A Pale Recovery

by William D. Toal

Webster defines "recovery" as "the act of regaining a normal position or condition (as of health)." Throughout most of 1971, the national economy has been going through such a "recovery," trying to return to normal growth after experiencing poor economic health in 1970. The regional economy has, in many ways, followed the path of the national economy; it, too, suffered a contraction, though not as severe, in 1970 and moved onto the path of recovery in 1971. As in the nation, however, the recovery has been less than the doctor ordered.

Throughout the 1970 recession, one fact stood out: The regional economy, though stricken by national economic ills, managed to catch only a mild case of the "sniffles" versus the nation's full-fledged economic "blahs." For example, the region's unemployment rate remained consistently below the U. S. rate. Moreover, in the manufacturing sector, output and employment, though depressed, held up much better than nationally.

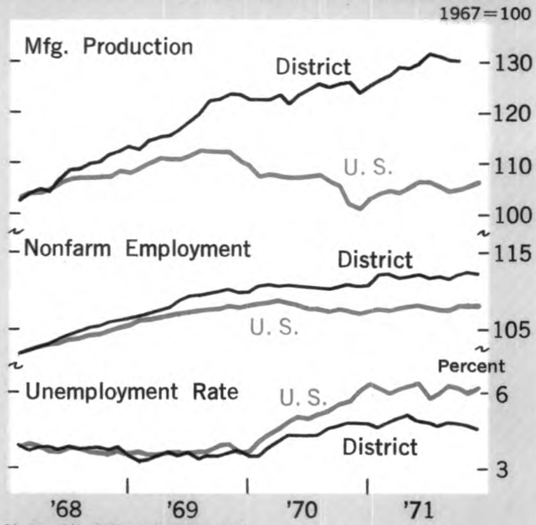
Signs of Recovery

In 1971, the region's economy began to bounce back from its 1970 doldrums. Nonfarm job growth showed some renewed strength with the rebound from the GM strike. As usual, Florida claimed the most rapid pace in job growth. And Alabama and Georgia, states that suffered from nonfarm job losses in 1970, also posted gains in 1971. Overall, all six District states recorded increases in nonfarm jobs. The biggest rebound was centered in the manufacturing sector, where employment had declined sharply the year before.

The post-auto strike catch-up and contract settlements in the metals industries caused sharp changes in industrial output in 1971. On balance, some improvements in industrial output took place during 1971, although growth of manufacturing output still remained below prerecession standards.

A closer examination of the region's major economic sectors reveals a mixed pattern of recovery in 1971. On the favorable side, we find

1971: District recovery slow, but ahead of U.S.



Note: All data are seas. adj.

improvement in both durable and nondurable manufacturing over the 1970 performance. The largest nondurable employer, textiles and apparel combined, showed more strength than expected, since new plant openings (producing the newer knits and double knits) offset most of the job losses from closings of several old plants. (Textile employment did fall off slightly in Georgia.) Durable industries, though still experiencing declines in employment, held up better than in 1970. Almost all of these losses have taken place in Alabama, where sluggish conditions in primary metals along with dropoffs in transportation equipment employment (particularly shipbuilding) account for much of this decline.

Construction employment, another major area of weakness in 1970, also bounced back strongly. This lift owed much to the settlement of the Birmingham area's construction strike at the turn of the year.

Thus, the three sectors that were mainly responsible for the contraction in 1970—durable manufacturing, nondurable manufacturing, and construction—all improved considerably in 1971. Once again, these sectors expanded their work force, or, in the case of durable manufacturing, considerably slowed down their rate of worker reductions.

On the less favorable side, several important sectors, which had continued to expand in 1970, tapered off their rate of expansion in 1971. This is not an unexpected situation, since a recession is usually centered in manufacturing and affects nonmanufacturing sectors—services, trade, utilities, finance, and even government—only after a considerable delay. (The declines in employment and the consequent dropoff in purchasing power that begin in the manufacturing sector take time to spread out.) In some nonmanufacturing fields, there were actual reductions in employment. The number of workers in transportation and public utilities fell sharply during much of last year because of several strikes (railroad workers, telephone employees, and, more recently, Atlantic and Gulf Coast longshoremen).

Structural Problems

The recovery, to the extent that it has occurred, has brought about little improvement in unemployment. Rather, both regional and national unemployment rates have remained stubbornly close to what they were in late 1970. Indeed, the structural nature of much of the unemployment rise has been one of the often-mentioned problems of the 1970 contraction. That is, permanent demand reductions have taken place in certain sectors of the economy (e.g., aerospace) that are not likely to be restored even when economic activity expands further. Of course, such structural unemployment would make it more difficult for recovery to happen quickly. Judging from individual state unemployment rates, structural unemployment was a less important factor in the District. Only Louisiana has had an unemployment rate above the national rate. The other five District states, however, have been able to maintain unemployment rates throughout 1970 and 1971 below the U. S. rate. Similarly, the percentage of major labor market areas that have been classified as chronically unemployed is much smaller in the region than in the nation. What then does this imply? Since the District appears not to have suffered as much from structural unemployment, it has been able to recover somewhat faster than the nation and will probably continue to do so.

Good Health Ahead

As we have shown, the District economy took on a healthier glow in 1971, though some paleness remains from 1970. To the extent that the national economy continues to perk up, the District's economy will also recover, possibly at an even more rapid pace. Furthermore, a decrease in strike activity, which has been particularly heavy in the past two years, will mean a steadier growth in the months to come. Finally, the new economic policies may provide some assistance to several large industry employers (e.g., textiles and apparel) in the region. More importantly, however, it may establish an atmosphere for a stronger return to economic health in 1972. ■

The Consumer: Spending More

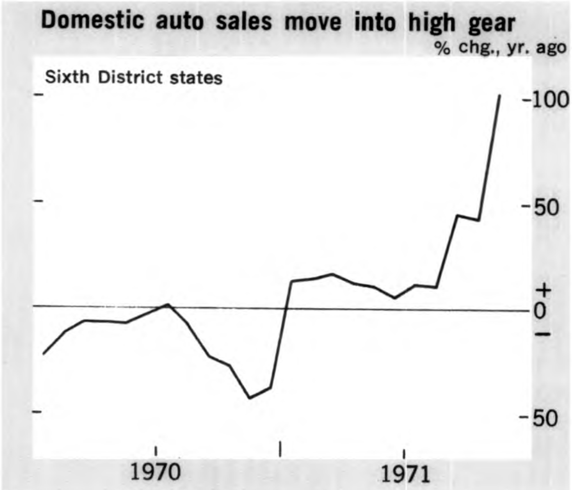
by Emerson Atkinson

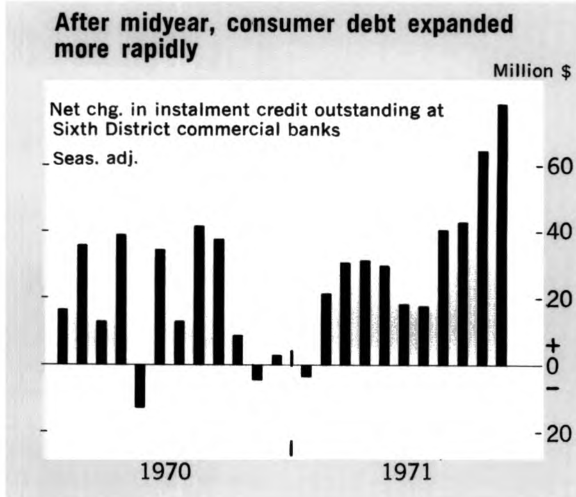
In 1971, the economic picture started to brighten and consumers began responding to the stepped-up activity. This contrasted with the recession year of 1970, when the consumer sector's performance in the Southeastern economy was not very exciting. During that year, department store sales sagged; auto sales sputtered; consumer debt was used only moderately; in short, consumers were extremely uneasy.

Undoubtedly, the biggest push in consumer spending during 1971 came from surging auto sales. An improvement in sales was noticeable early in the year, in fact, even by the first month. This was unusual, since sales in these early months are normally slow. It should be remembered, though, that there was a special, nonseasonal factor that heavily influenced the sales performance during that period. The General Motors' strike, which lasted from mid-September to late November 1970, greatly affected the availability of new model cars. Consumers were thus limited in their selection. By January, the catch-up effort by General Motors was adding new cars to dealers' depleted inventories and prospective new car buyers were able, once again, to choose among new GM models.

During the strike period, and even afterward, imported car sales were strong, capitalizing on the domestic industry's labor problems as well as reaping the benefits of shifting consumer preference toward smaller, more economical autos. After the first quarter of 1971, domestic sales eased until the late-summer announcement of the proposed repeal of the excise tax on new autos, the surcharge on imported cars, and the freeze on new car prices. Apparently, these developments caused consumers to alter their purchasing plans because auto sales soared and remained vigorous throughout the year.

The impact of strong auto sales was also evident in the accelerated expansion of District consumer instalment debt in 1971, particularly after July. The timing was not very startling, since auto loans make up approximately one-half of consumer credit outstanding at District commercial banks. Auto loans were not the only type of consumer loans that showed increased expansion.





Consumers were also utilizing nonautomotive loans more extensively, partly reflecting an increase in the purchase of durable goods, such as appliances and furniture, as well as other needs for personal financing and funds for home repair and modernization purposes.

Department store sales in the District, which are a good measure of nonautomotive retail trade activity, were much stronger in 1971 than in the previous year. In 1970, sales sagged or were flat for most of the year. Not until after the first quarter of 1971 did sales rise at a faster rate than living costs. For 1971 as a whole, the sales performance in the large metropolitan areas of Atlanta, Miami, Tampa-St. Petersburg, and New Orleans seems to have greatly improved. And indications are that sales for other parts of the region will be much better than in 1970.

What caused the change in behavior of Southern consumers in 1971? No one, of course, knows exactly why consumers behave as they do, but some important influences can be readily identified. The unemployment situation improved somewhat after the first quarter. Personal income gains were ample, which, coupled with the large volume of consumer deposit inflows at savings and loan associations and commercial banks, provided consumers with the financial resources for increased spending. On the strength of the President's economic program, which began in mid-August, there was a definite slowing in the rate of consumer price increases and purchasing new domestic autos became increasingly attractive. So, in effect, an improvement in the health of the economy in the region, as well as elsewhere, gradually soothed the fears of consumers and they, in turn, began spending more freely.

What is to come? All evidence suggests that the increased activity of the consumer sector in 1971 will continue in 1972. The growth of auto sales might slacken a bit, with a resultant slowing in the expansion of consumer credit. Ample income gains, however, coupled with improved employment conditions and the moderation of inflation, should serve as a positive stimulus to consumer spending. ■

Construction: Vigorous Expansion

by Boyd F. King

The construction industry provides jobs and income for nearly half a million of the region's workers and necessary additions to the region's capital stock. Although 1971's performance varied among this industry's sectors, the industry as a whole expanded vigorously. After two years of slow growth, residential construction climbed rapidly and steadily. For the first time in six years, however, residential construction grew less rapidly in the Southeast than in the U. S. The region's nonresidential construction, on the other hand, advanced more slowly for the year as a whole, although the regional growth rate was more than twice that of the nation.

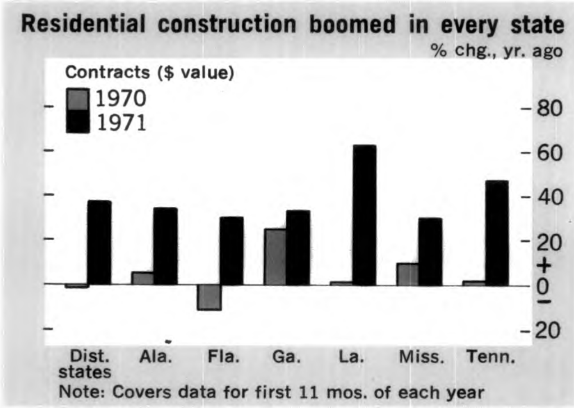
Residential Construction—Boom

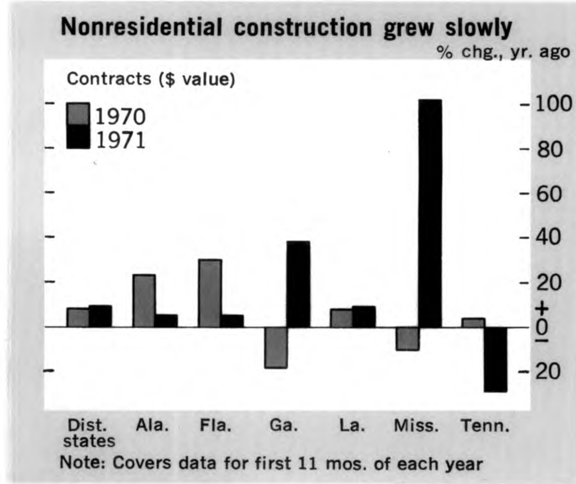
Large increases in residential construction occurred in most parts of the region during 1971. This sector accounted for more than half of the $10.8-billion value of construction contracts awarded in the Sixth District states during the first eleven months of the year. More readily available and less costly credit for construction and permanent finance of residential building combined with larger housing subsidy programs to make the region's housing demand effective in the market.

In 1971, the value of residential building contracts in the region was 37 percent greater than the value of such contracts in 1970. (The number of residential units for which building permits were issued increased by 33 percent in 1971.) No state recorded gains in residential contract values of less than 30 percent; in each state, 1971 gains were greater than 1970 gains. Louisiana and Tennessee had the greatest residential building increases—63 percent and 47 percent, respectively; these two states had shown little increase in residential building during the previous two years. Florida, a state which for a while had seemed to be in the midst of a perpetual building boom, recovered from a dismal 1970. The Miami, Orlando, and Tampa-St. Petersburg metropolitan areas led the State to a 30-percent increase in residential building contracts in 1971, as compared with an 11-percent decline in 1970.

The region's long-term trend toward concentration of residential building in multi-unit structures continued after an interruption in 1970. Since 1960, when only 17 percent of residential units for which permits were issued were in more-than-one-unit structures, the proportion of these units has risen in each year except 1970. During the first eight months of 1971, 54 percent of the units for which permits were issued were in the more-than-one-unit category.

Basic to the boom in housing were a decade of regional growth and two years of restricted residential construction. The region has experienced relatively rapid population and income growth and large shifts of population from rural to urban areas since 1960. All of these factors tend to increase the demand for new housing. Tight housing credit conditions in 1969 and 1970 made housing finance difficult and costly and induced postponement of many residential purchases and much residential building. Construction and permanent financing became less costly and more





readily available during late 1970 and 1971, while various subsidy programs of the Federal Government and Federal agencies were being pursued vigorously. These two developments combined with basically strong housing demand to set the stage for 1971's boom.

Mortgage credit extensions increased in volume and decreased in cost during 1971. In large part, the increase in volume of extensions resulted from large deposit inflows at savings and loan associations. These inflows began in mid-1970 and have continued to provide resources that the associations have invested in mortgage loans. At the same time, commercial banks in the region and other financial institutions both in and out of the region stepped up their acquisitions of residential mortgage loans. The rising flow of resources available for mortgage lending combined with falling rates on competing uses of funds to put downward pressure on mortgage lending rates in many parts of the Southeast as well as in the rest of the country.

Nonresidential Construction—Yawn

A wave of large contracts early in the year advanced the level of nonresidential construction spectacularly; however, this wave subsided and nonresidential construction retreated in the summer and fall. For the year, nonresidential construction contract value exceeded 1970 value by only a modest margin.

As has been the case in several previous years, large gains in nonresidential construction came principally from contracts for electric generating facilities. Early in 1971, contracts for such facilities in Mississippi and Alabama and a very large manufacturing plant contract in Georgia pushed total nonresidential contract levels to record highs. In the early part of the year, the rate of advance in the value of these contracts exceeded even the rapid rise in the value of residential building contracts.

As the year progressed, weakness in both regional and national economies curtailed additions to capital spending in most industries. Somewhat diminished construction of manufacturing and commercial buildings in most of the region and the absence of contracts for large electric generating and public works projects after May wiped out much of the year-to-year gain in nonresidential construction recorded in the early months of the year. Through November, the value of nonresidential contracts awarded in 1971 was about 8 percent above the value of such contracts awarded during the same period in 1970.

1972—More of the Same?

Most of the influences that accounted for the area's construction performance in 1971 seem likely to retain their force in 1972. In the residential sector, the backlog of unsatisfied demand diminished in 1971; however, some postponed demand from previous years still exists. It continues to be reinforced by relatively rapid regional population and income growth. Inflows to thrift institutions have also decreased somewhat but have remained well above flows recorded in most previous periods. Consequently, construction and permanent residential lenders begin 1972 with substantial resources and prospects for continued strong deposit inflows. Furthermore, interest rates on mortgage loans and other financial assets have continued their second-half decline into the early days of 1972.

Slow corporate investment growth is likely to continue to dampen nonresidential construction growth. However, the continuing pressure for new electric generating and public works projects will provide strength in this sector. ■

Agriculture: Another Good Year

by Gene D. Sullivan

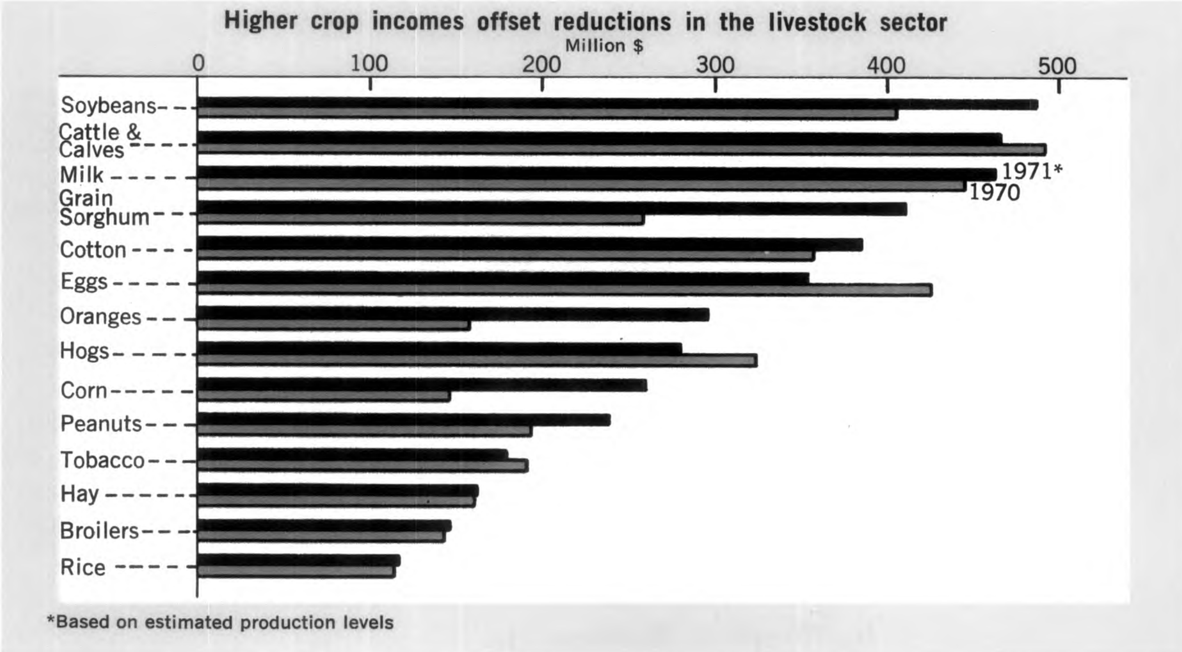
District farmers experienced another good year in 1971. Despite the ravaging effects of freezes, droughts, and hurricanes that some sections suffered, there were bumper harvests and favorable prices for most crops, thus contributing to increased incomes. Although portions of the livestock sector did not share in the increasing incomes, rising incomes from several crops offset the decline in cash receipts from livestock production. Moreover, the favorable climate of lower interest rates and good markets stimulated a brisk increase in the use of farm credit.

Crops

The output of most Southeastern crops increased from year-ago levels. Most notable were the gains for corn, peanuts, grain sorghum, and soybeans. Mostly because of the huge 1971 corn crop, prices of all grain crops dropped sharply from a year ago. Prices were particularly good, however, for cotton, citrus, and soybean farmers who experienced the highest income for their production in many years. On balance, the income from crop production in the region was the highest on record.

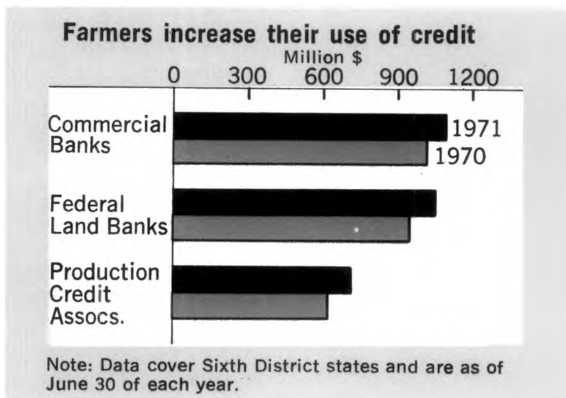
Livestock

The incomes of livestock producers held up reasonably well for the region as a whole; favorable prices for beef cattle and calves, along with higher returns from milk, were largely responsible for this. In contrast, the returns of pork and egg producers sagged from the effects of excessive production and plunging prices during the year. The prices of these commodities did move upward toward year end, however, when production was brought back more nearly into balance with demand. But income for the year as a whole can only be described as depressed. The situation could have been much worse, though, if it had not been for the depressed corn prices that reduced the cost of feed to livestock producers in the latter part of the year.



Cash Receipts

In cash receipts from farm marketings, Southeastern farmers fared considerably better in 1971 than did farmers elsewhere in the nation. For example, depressed grain prices served as more of a benefit than a liability to District farmers because grain is more important as a feed input than as a production enterprise in the region. Moreover, the total farm income from 1971 production will be approximately $250 million larger than the record level set in 1970. Then, too, although production expenses continued to increase at a rapid rate during the year, the net income to farmers as a whole will be higher in 1971 because of the even larger increase in cash receipts on District farms.



Credit

Interest rates on farm loans declined during 1971, making credit a substantially less costly farm input; but, more importantly, the availability of funds to farmers increased. That, combined with the good profit potentials awaiting farmers, contributed to a rapid expansion in the use of farm credit. New real estate loans from insurance companies and commercial banks showed particularly strong recoveries from 1970's depressed base. Loans also continued to increase from other sources, such as Federal Land Banks, production credit associations, the Farmers' Home Administration, and individual lenders.

There were some areas in the region that suffered from particularly severe ravages of weather, such as late spring freezes, severe droughts, hurricanes, and excessive rainfall at harvest. In these localities, lenders experienced some retardation in loan repayments; they anticipate some carry-over of the debt of farmers into 1972. On the whole, however, loan repayments of farmers in the region will be the best in several years, and a good credit environment exists for anticipated borrowings during the coming season. Favorable prices for soybeans and cotton, in particular, will stimulate demand for additional credit for production expansion in 1972. ■

Banking: Rapid Deposit Growth

by Joseph E. Rossman, Jr.

Commercial banks in the nation and in the Sixth Federal Reserve District operated in an atmosphere of monetary ease during 1971. This monetary ease was encouraged by the Federal Reserve System in order to stimulate the economy. Reserves were added to the banking system by Federal Reserve open market purchases of U. S. Government and U. S. Agency securities, thereby increasing the ability of banks to expand their loans and investments. Reflecting monetary ease and weak loan demand, 1971 interest rates on money market instruments, such as commercial paper and negotiable CD's, fell below average 1970 levels.

Open market purchases resulted in substantial demand deposit expansion. The growth in the District's demand deposits, particularly during the first half of 1971, was especially strong. In addition to obtaining demand deposit inflows, banks had an opportunity to compete for time deposits, since money market rates were below Regulation Q ceilings. A rapid and near record growth in time deposits reflected their success. In fact, time deposits at District member banks increased 21 percent, compared with an increase of 17 percent in time deposits for member banks in other parts of the U. S. All District states shared in this growth of time deposits, with the District portion of Louisiana recording the largest gain—32 percent. Other states showed gains ranging from 16 percent in Georgia to 23 percent in Alabama.

In an overview of last year's deposit expansion in the District, we find that demand and time deposits, including CD's, registered their strongest gains of the year during the first quarter. By midsummer, deposit inflows slowed noticeably, although deposit increases throughout 1971 remained substantial by historical standards. With bankers bidding aggressively for CD's to compensate for slower growth in other deposits, large CD's did register strong growth during late summer and early fall.

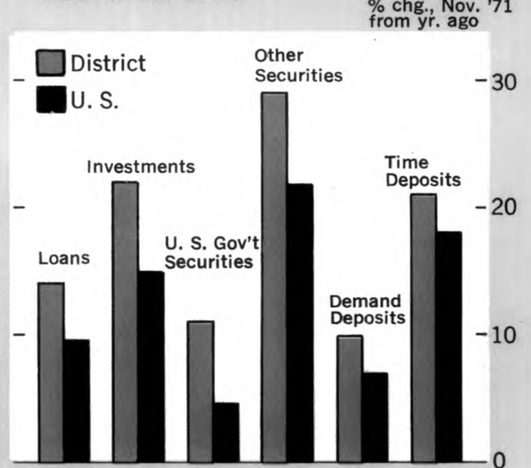
Trade and capital flows between the District and the rest of the nation played an important role in the District's strong deposit growth. District banks receive deposits when products and services of its regional economy are sold to the rest of the nation. Deposits also flow to District banks when funds are transferred to the District by the Government, in-migrants, or out-of-

SIXTH DISTRICT MEMBER BANKS
Percentage Change: 1971 from 1970*

Trade and Banking Area	Loans	Investments	Deposits
ALABAMA			
Anniston-Gadsden	9.9	13.7	16.4
Birmingham	14.0	34.4	19.1
Dothan	14.6	12.7	12.7
Mobile	9.2	29.4	13.8
Montgomery	14.0	26.1	17.1
FLORIDA			
Jacksonville	8.4	19.3	17.2
Miami	13.9	35.6	21.5
Orlando	9.1	26.9	20.1
Pensacola	20.1	28.2	22.5
Tampa-St. Petersburg	10.7	23.7	16.0
GEORGIA			
Atlanta	8.9	14.9	13.8
Augusta	11.0	31.9	14.6
Columbus	8.1	18.2	10.5
Macon	5.4	34.9	13.9
Savannah	16.3	2.1	14.5
South Georgia	15.4	24.9	17.3
LOUISIANA			
Alexandria-Lake Charles	3.0	28.9	27.4
Baton Rouge	14.2	25.6	10.6
Lafayette-Iberia-Houma	13.7	17.2	16.0
New Orleans	9.3	31.8	18.4
MISSISSIPPI			
Jackson	13.3	5.0	12.9
Hattiesburg-Laurel-Meridian	17.2	17.4	17.9
Natchez	6.5	32.2	16.1
TENNESSEE			
Chattanooga	12.0	43.1	19.4
Knoxville	16.1	8.8	14.6
Nashville	9.6	28.1	14.8
Tri-Cities	8.3	22.0	13.2
Sixth District Total	11.2	26.2	18.1

*Based on averages of first eleven months of each year

Bank credit and deposits grew faster than in the U. S.



Note: Figures cover member banks.

District investors who lend money to District enterprises, governments, financial institutions, or individuals. The relative strong performance of the District's economy has long generated an inflow of people and capital, which has caused relatively vigorous deposit growth at District banks. And 1971 was no exception.

The strong deposit inflows in 1971 enabled District banks to sharply expand their loans and investments. This growth in bank credit was well above that achieved in recent years—2 1/2 times as great as in 1970 and 5 times as great as in 1969. Bank credit expansion was greatest during the first half of 1971 when deposit inflows were strongest. In fact, this six-month period was one of the strongest periods of credit expansion during the last ten years.

Faced with a sluggish loan demand in the opening months of 1971, District bankers placed a greater portion of available funds in investments—with both U. S. Government securities and state and municipal securities sharing evenly in growth. As the year progressed, however, loan demand strengthened, with loans accounting for nearly two-thirds of the growth in bank credit during the second quarter. During the second half, loans accounted for almost all of the growth in bank credit.

Loan growth during 1971 was evenly distributed among the District states, with increases ranging from 11.7 percent in Georgia to 15.5 percent in Alabama. Real estate and consumer instalment lending accounted for most of this strength.

Business loans, an important category of loans, were noticeably slow in their growth, just as they were in the nation during 1971. While banks had funds to lend, the financial needs of the businessmen operating in this period of economic recovery were not excessive. In addition, many corporations obtained funds from long-term capital markets by issuing bonds and selling stock.

The changing pattern of deposit inflows also affected the manner in which banks operated in the Federal funds market in 1971. During the opening months of 1971 when deposit inflows were strong, District member banks followed their normal pattern of selling more Federal funds than they purchased, with sales sharply higher than purchases. As deposit inflows weakened, both large and small banks cut back their sales of Federal funds. While still maintaining their position as net sellers of Federal funds during the second half of 1971, sales exceeded purchases by much lower margins.

Future

The combination of strong deposit inflows and strong additions to holdings of securities has put banks in a good position to meet a potential increase in loan demand. An increased loan demand will come if the widely expected strengthening of the economy in 1972 materializes. District banks seem to be in a particularly good position to satisfy this demand. ■

Sixth District Statistics

Seasonally Adjusted
(All data are indexes, unless indicated otherwise.)

	Latest Month 1971		One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Manufacturing Payrolls	Nov.	138	137	137	130
Farm Cash Receipts	Oct.	116	104	127	114
Crops	Oct.	105	96	144	97
Livestock	Oct.	116	123	121	119
Instalment Credit at Banks* (Mil. $)					
New Loans	Nov.	442	411	404	323
Repayments	Nov.	364	347	361	327
EMPLOYMENT AND PRODUCTION					
Nonfarm Employment†	Nov.	112	113	112	111
Manufacturing	Nov.	106	106	106	106
Nondurable Goods	Nov.	107	107	107	107
Food	Nov.	102	102	102	104
Textiles	Nov.	104	103	103	104
Apparel	Nov.	104	105	104	103
Paper	Nov.	108	107	107	110
Printing and Publishing	Nov.	115	115	116	115
Chemicals	Nov.	105	106	105	106
Durable Goods	Nov.	104	105	104	105
Lbr., Wood prods., Furn. & Fix.	Nov.	101	101	100	100
Stone, Clay, and Glass	Nov.	105	105	104	106
Primary Metals	Nov.	103	104	103	106
Fabricated Metals	Nov.	113	112	113	113
Machinery, Elec. & Nonelec.	Nov.	161	161	161	163
Transportation Equipment	Nov.	101	101	100	101
Nonmanufacturing	Nov.	115	115	115	113
Construction	Nov.	109	108	108	104
Transp., Comm., & Pub. Utilities	Nov.	112	111	113	112
Fin., ins., and real est.	Nov.	120	120	119	118
Trade	Nov.	113	114	114	112
Services	Nov.	118	118	117	116
Federal Government	Nov.	102	102	102	101
State and Local Government	Nov.	122	121	121	118
Farm Employment	Nov.	86	86	82	88
Unemployment Rate (Percent of Work Force)†	Nov.	4.6	4.9	4.8	4.8
Insured Unemployment (Percent of Cov. Emp.)	Nov.	2.6	2.8	3.0	3.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Nov.	40.8	40.5	40.3	40.3
Construction Contracts*	Nov.	196	168	225	131
Residential	Nov.	231	187	226	134
All Other	Nov.	162	149	225	128
Electric Power Production**	Oct.	167	168	165	166
Cotton Consumption**	Oct.	85	87	89	89
Petrol. Prod. in Coastal La. and Miss.**	Dec.	121	120	128	132
Manufacturing Production	Oct.	258	255	255	247
Nondurable Goods	Oct.	220	219	219	209
Food	Oct.	175	175	175	169
Textiles	Oct.	256	251	252	236
Apparel	Oct.	265	266	269	265
Paper	Oct.	201	201	200	196
Printing and Publishing	Oct.	159	161	161	167
Chemicals	Oct.	257	247	252	269
Durable Goods	Oct.	304	298	298	292
Lumber and Wood	Oct.	192	190	189	169
Furniture and Fixtures	Oct.	179	177	178	184
Stone, Clay and Glass	Oct.	175	166	170	169
Primary Metals	Oct.	199	197	197	208
Fabricated Metals	Oct.	249	250	247	241
Nonelectrical Machinery	Oct.	402	411	413	358
Electrical Machinery	Oct.	639	642	626	657
Transportation Equipment	Oct.	400	379	384	360
FINANCE AND BANKING					
Loans*					
All Member Banks	Nov.	163	160	158	143
Large Banks	Nov.	148	146	146	132
Deposits*					
All Member Banks	Nov.	152	151	149	132
Large Banks	Nov.	134	135	133	119
Bank Debits*/**	Nov.	345	342	338	292
ALABAMA					
INCOME					
Manufacturing Payrolls	Nov.	136	139	136	133
Farm Cash Receipts	Oct.	102	112	136	92
EMPLOYMENT					
Nonfarm Employment†	Nov.	106	106	106	105
Manufacturing	Nov.	106	106	106	108
Nonmanufacturing	Nov.	106	106	106	104
Construction	Nov.	104	104	106	83
Farm Employment	Nov.	80	78	74	83

	Latest Month 1971		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)†	Nov.	5.3	5.3	5.3	5.3
Avg. Weekly Hrs. in Mfg. (Hrs.)	Nov.	40.7	41.0	40.6	40.2
FINANCE AND BANKING					
Member Bank Loans	Nov.	162	157	152	140
Member Bank Deposits	Nov.	149	145	143	125
Bank Debits**	Nov.	293	285	279	258
FLORIDA					
INCOME					
Manufacturing Payrolls	Nov.	136	137	144	133
Farm Cash Receipts	Oct.	177	133	135	196
EMPLOYMENT					
Nonfarm Employment†	Nov.	122	122	122	119
Manufacturing	Nov.	108	109	109	110
Nonmanufacturing	Nov.	124	124	124	121
Construction	Nov.	129	129	127	127
Farm Employment	Nov.	96	99	99	101
Unemployment Rate (Percent of Work Force)†	Nov.	4.3	4.1	4.0	4.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	Nov.	41.0	40.6	40.6	41.3
FINANCE AND BANKING					
Member Bank Loans	Nov.	177	172	170	155
Member Bank Deposits	Nov.	170	170	168	148
Bank Debits**	Nov.	380	374	368	312
GEORGIA					
INCOME					
Manufacturing Payrolls	Nov.	138	136	135	126
Farm Cash Receipts	Oct.	108	126	113	88
EMPLOYMENT					
Nonfarm Employment†	Nov.	112	112	112	111
Manufacturing	Nov.	103	104	103	103
Nonmanufacturing	Nov.	116	116	115	114
Construction	Nov.	108	107	106	106
Farm Employment	Nov.	91	83	83	86
Unemployment Rate (Percent of Work Force)†	Nov.	3.8	4.0	4.4	4.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Nov.	40.2	39.9	40.0	39.4
FINANCE AND BANKING					
Member Bank Loans	Nov.	152	152	152	136
Member Bank Deposits	Nov.	136	134	132	121
Bank Debits**	Nov.	399	395	392	340
LOUISIANA					
INCOME					
Manufacturing Payrolls	Nov.	135	129	130	128
Farm Cash Receipts	Oct.	120	89	167	116
EMPLOYMENT					
Nonfarm Employment†	Nov.	104	104	104	104
Manufacturing	Nov.	99	99	100	100
Nonmanufacturing	Nov.	105	106	105	105
Construction	Nov.	81	81	82	83
Farm Employment	Nov.	75	78	71	80
Unemployment Rate (Percent of Work Force)†	Nov.	6.7	6.8	6.9	6.8
Avg. Weekly Hrs. in Mfg. (Hrs.)	Nov.	42.9	41.9	40.9	43.2
FINANCE AND BANKING					
Member Bank Loans*	Nov.	147	144	142	130
Member Bank Deposits*	Nov.	144	145	144	122
Bank Debits*/**	Nov.	251	258	255	221
MISSISSIPPI					
INCOME					
Manufacturing Payrolls	Nov.	148	144	140	134
Farm Cash Receipts	Oct.	95	75	143	96
EMPLOYMENT					
Nonfarm Employment†	Nov.	111	111	110	109
Manufacturing	Nov.	112	112	110	109
Nonmanufacturing	Nov.	110	110	110	109
Construction	Nov.	107	101	103	107
Farm Employment	Nov.	86	90	81	94

		Latest Month 1971	One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate					
(Percent of Work Force)†	Nov.	4.6	4.7	5.1	5.1
Avg. Weekly Hrs. in Mfg. (Hrs.)	Nov.	41.2	40.2	40.8	40.0
FINANCE AND BANKING					
Member Bank Loans*	Nov.	170	165	161	151
Member Bank Deposits*	Nov.	149	145	144	133
Bank Debits*/**	Nov.	353	331	327	298
TENNESSEE					
INCOME					
Manufacturing Payrolls	Nov.	139	139	137	130
Farm Cash Receipts	Oct.	104	98	116	100

		Latest Month 1971	One Month Ago	Two Months Ago	One Year Ago
EMPLOYMENT					
Nonfarm Employment†	Nov.	112	112	111	110
Manufacturing	Nov.	107	107	106	107
Nonmanufacturing	Nov.	115	114	114	111
Construction	Nov.	115	113	109	102
Farm Employment	Nov.	84	86	91	83
Unemployment Rate					
(Percent of Work Force)†	Nov.	4.1	4.4	4.6	4.8
Avg. Weekly Hours in Mfg (Hrs.)	Nov.	40.4	40.5	39.9	39.6
FINANCE AND BANKING					
Member Bank Loans*	Nov.	162	160	161	142
Member Bank Deposits*	Nov.	145	142	141	128
Bank Debits*/**	Nov.	332	338	338	277

*For Sixth District area only; other totals for entire six states **Daily average basis †Preliminary data r-Revised N.A. Not available

Note: Indexes for construction contracts, cotton consumption, employment, farm cash receipts, loans, deposits, petroleum production, and payrolls: 1967=100. All other indexes: 1957-59=100.

Sources: Manufacturing production 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 Div., McGraw-Hill Information Systems Co.; petrol. prod., U.S. Bureau of Mines; industrial use of elec. power, 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.

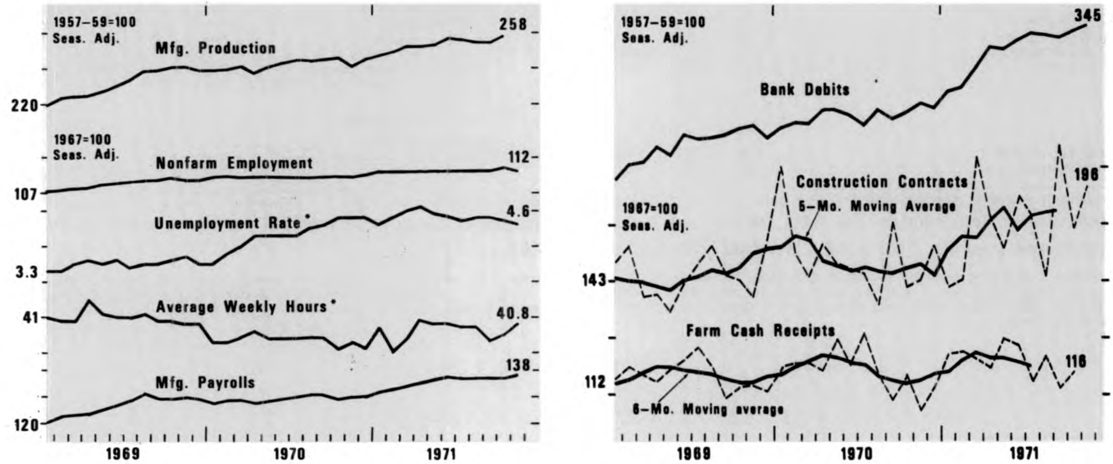
Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District
(In Thousands of Dollars)

	Nov. 1971	Oct. 1971	Nov. 1970	Percent Change: Nov. 1971 from Oct. 1971	Percent Change: Nov. 1971 from Nov. 1970	Percent Change: Year to date 11 mos. 1971 from 1970
STANDARD METROPOLITAN STATISTICAL AREAS²						
Birmingham	2,427,202	2,254,465	2,074,560	+ 8	+ 17	+14
Gadsden	82,854	83,997	70,488	− 1	+ 18	+13
Huntsville	259,092	247,261	216,401	+ 5	+ 20	+ 9
Mobile	829,819	760,533	592,923	+ 9	+ 40	+ 9
Montgomery	480,993	470,387	407,256	+ 2	+ 18	+17
Tuscaloosa	153,353	145,893r	130,176	+ 5	+ 18	+14
Ft. Lauderdale—Hollywood	1,296,864	1,164,322	1,096,614	+11	+ 18	+12
Jacksonville	2,534,250	2,488,391	2,068,112	+ 2	+ 23	+20
Miami	4,693,009	4,291,435	3,665,857	+ 9	+ 28	+23
Orlando	1,089,281	1,015,909	803,671	+ 7	+ 36	+20
Pensacola	346,534	328,869	264,498	+ 5	+ 31	+23
Tallahassee	450,537	394,054	221,555	+14	+103	+61
Tampa—St. Pete.	2,721,796	2,454,810	2,177,820	+11	+ 25	+16
W. Palm Beach	779,481	727,846	651,673	+ 7	+ 20	+12
Albany	150,007	145,785	126,903	+ 3	+ 18	+10
Atlanta	9,414,017	9,020,447	7,589,829	+ 4	+ 24	+15
Augusta	373,995	399,338	292,417	− 6	+ 28	+19
Columbus	376,297	376,767	279,894	− 0	+ 34	+17
Macon	445,000	407,397	338,757	+ 9	+ 31	+15
Savannah	395,252	422,746	358,261	− 7	+ 10	+17
Baton Rouge	899,561	1,030,040	797,328	−13	+ 13	+20
Lafayette	211,979	205,645	176,105	+ 3	+ 20	+12
Lake Charles	192,585	191,404	166,939	+ 1	+ 15	+10
New Orleans	3,269,420	3,142,234r	2,668,292	+ 4	+ 23	+15
Biloxi—Gulfport	187,643	177,756	172,052	+ 6	+ 9	+10
Jackson	1,115,914	988,904	864,163	+13	+ 29	+16
Chattanooga	1,051,270	946,956	876,231	+11	+ 20	+12
Knoxville	744,698	738,809	607,687	+ 1	+ 23	+16
Nashville	2,434,796	2,264,577r	1,788,069	+ 8	+ 36	+12
OTHER CENTERS						
Anniston	90,465	96,176	79,134	− 6	+ 14	+ 9
Dothan	120,849	120,618	91,390	+ 0	+ 32	+22
Selma	65,957	56,784	53,072	+16	+ 24	+ 6
Bartow	40,334	37,726	36,399	+ 7	+ 11	+ 1
Bradenton	120,695	123,077	88,574	− 2	+ 36	+15
Brevard County	268,707	214,892	206,232	+25	+ 30	+ 2
Daytona Beach	120,368	117,008	92,231	+ 3	+ 31	+11
Ft. Myers—N. Ft. Myers	151,031	149,741	129,966	+ 0	+ 16	+20
Gainesville	164,701	148,757	118,940	+11	+ 38	+25
Lakeland	196,774	187,774	157,778	+ 5	+ 25	+19
Monroe County	50,741	44,327	44,918	+14	+ 13	+13
Ocala	130,720	120,826	94,965	+ 8	+ 38	+18
St. Augustine	26,091	24,476	20,959	+ 7	+ 24	+11
St. Petersburg	658,699	604,621	513,586	+ 9	+ 28	+28
Sarasota	216,188	190,743	165,502	+13	+ 31	+ 9
Tampa	1,348,916	1,237,194	1,148,556	+ 9	+ 17	+10
Winter Haven	115,746	93,487	80,427	+24	+ 44	+18
Athens	131,884	149,337	129,334	−12	+ 2	+36
Brunswick	70,737	68,984	54,951	+ 3	+ 29	+22
Dalton	146,286	145,122	124,357	+ 1	+ 18	+14
Elberton	16,909	16,636	17,743	+ 2	− 5	−13
Gainesville	101,734	100,938	89,082	+ 1	+ 14	+ 6
Griffin	51,477	52,118	39,840	− 1	+ 29	+16
LaGrange	28,938	30,043	23,276	− 4	+ 24	+35
Newnan	38,661	38,477	32,086	+ 0	+ 20	+12
Rome	111,868	110,901	90,370	+ 1	+ 24	+13
Valdosta	74,248	77,448	67,722	− 4	+ 10	+ 8
Abbeville	14,253	15,170	12,358	− 6	+ 15	+ 7
Alexandria	165,367	172,070r	157,589	− 4	+ 5	+ 6
Bunkie	14,245	8,943	11,046	+59	+ 29	+10
Hammond	56,486	55,409	46,200	+ 2	+ 22	+13
New Iberia	48,282	48,006	42,135	+ 1	+ 15	+12
Plaquemine	15,007	13,141	13,452	+14	+ 12	− 1
Thibodaux	35,054	29,265	26,638	+20	+ 32	+15
Hattiesburg	94,872	91,622	76,226	+ 4	+ 24	+33
Laurel	54,624	54,770	48,063	− 0	+ 14	+ 3
Meridian	89,853	90,422	74,170	− 1	+ 21	+ 7
Natchez	45,040	44,313	41,961	+ 2	+ 7	+ 5r
Pascagoula—Moss Point	108,221	93,966	86,825	+15	+ 25	+13
Vicksburg	65,448	66,537	57,883	− 2	+ 13	+12
Yazoo City	35,713	31,803	30,943	+12	+ 15	+ 9
Bristol	126,031	117,171	100,158	+ 8	+ 26	+20
Johnson City	120,507	121,493	93,335	− 1	+ 29	+15
Kingsport	192,322	190,503	172,588	+ 1	+ 11	+ 6
District Total	51,895,750	49,415,082r	41,811,049	+ 5	+ 24	+16
Alabama‡	6,116,606	5,802,623r	5,127,966	+ 5	+ 19	+12
Florida‡	17,419,961	16,091,740	13,632,199	+ 8	+ 28	+19
Georgia‡	13,858,365	13,526,487	11,232,053	+ 2	+ 23	+15
Louisiana†*	5,724,346	5,723,119r	4,817,095	+ 0	+ 19	+15
Mississippi†*	2,385,117	2,175,262	1,914,937	+10	+ 25	+15
Tennessee†*	6,391,355	6,095,851r	5,086,799	+ 5	+ 26	+13

* Includes only banks in the Sixth District portion of the state; partially estimated. ‡ Estimated ² Partially estimated. NA — Not available.

District Business Conditions



*Seas. adj. figure: not an index
Latest plotting: November—except mfg. production and farm receipts, October

The regional economy has blossomed with renewed vigor, according to latest available data. Brisk auto sales contributed to a sizable increase in consumer borrowing. Construction contract volume reached record highs. Bank lending picked up in early December, and deposit inflows were stronger. The labor market firmed slightly. Farm cash receipts were higher than a year ago, reflecting both higher prices and increased output.

At commercial banks, consumer instalment debt increased substantially in November. Most of the expansion occurred in auto loans, although personal loans showed a strong gain. Sales of domestically produced cars, which have been strong since September, continued at a very brisk pace in November.

Further advances in the residential sector pushed November construction contract volume to new highs. Louisiana and Tennessee led in residential gains, but all District states participated in the boom. Nonresidential awards stabilized at levels somewhat below their first-half records because large contracts became rare. Interest rates on construction and mortgage loans still show signs of declining.

Since demand deposits advanced sharply, deposit growth accelerated during the first half of December. Consumer time deposits continued strong, while corporate CD's declined over the mid-December tax payment date. Bank lending showed a larger-than-usual increase through early December. Following banks in other parts of the country, several large banks in the Southeast reduced their prime rates from 5 ½ percent to 5 ¼ percent in December. Effective December 23, the Federal Reserve Bank of Atlanta joined other Reserve Banks in cutting its discount rate to 4 ½ percent.

Total unemployment in November remained strong, and the number of unemployed dropped, nudging the unemployment rate downward for the third consecutive month. In nonmanufacturing, construction employment was particularly robust; other sectors generally held firm after last month's gains. The notable exception was wholesale and retail trade employment, where gains were less than seasonally expected. Manufacturing employment dropped slightly after October's sharp gain, but average weekly hours worked in manufacturing and factory payrolls continued to expand.

Farm cash receipts for the first ten months of 1971 were nearly $200 million higher than during the comparable year-ago period. The increase reflects generally higher prices and increased output of most commodities. Sharply higher vegetable prices boosted income to Florida's truck farmers, but citrus prices plummeted from October's unusually high levels. Prices of all commodities averaged 15 percent above the November 1970 level. The extended period of favorable harvesting weather ended in late November with the completion of most harvesting activity.

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