

monthly review

august

Federal Reserve Bank of Atlanta - 1973

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Alabama: A Close-Up

by **Brian D. Dittenhafer**

On Alabama's auto license tags appear the words "Heart of Dixie," conjuring visions of stately cotton plantations and a leisurely rural life. You can still find modern versions of this society tucked away in some parts of the state, but for the majority of Alabamians, life is urban, industrial, and fast-paced. Without denying the agricultural sector's importance to the state's economy, we can say that, in recent years, the "Heart of Dixie" has grown strong because of her cities' expanding industrial and commercial economies.

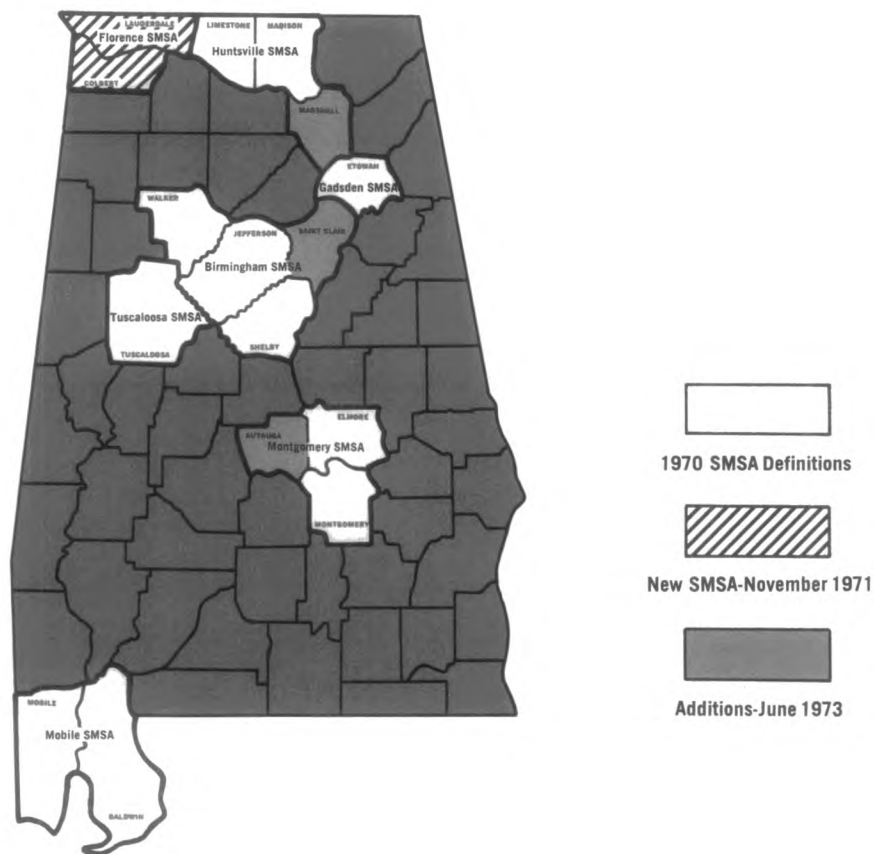
Alabama's cities—like other cities—provide specialized services for surrounding areas as well as for the rest of the state. For example, Mobile's port facilities serve the entire state of Alabama and parts of Florida and Mississippi as a contact with the world of foreign commerce. Therefore, before assessing the state's economy, it is helpful to look first at the structure and economic conditions of each of Alabama's major cities.

Birmingham

Alabama's largest metropolitan area is Birmingham. Its economy was built on producing steel and mining coal and today heavy industry still bulks large. But despite its reputation as a manufacturing center, an increasing portion of its income is earned in its role of center for commerce and industry in the state. In 1971, per capita wholesale sales in Birmingham were the highest in the state; wholesale and retail trade combined provided 20 percent of personal income. Birmingham now serves as the center for wholesale activity for much of Alabama. The same can be said for business services, where Birmingham ranks first in the state in portion of income earned. The city is home for Alabama's largest banking institutions and a Branch Office of the Federal Reserve Bank, both of which contribute to the city's growing role as a financial and business service center.

Note: SMSA unemployment data are not seasonally adjusted. As students enter the work force in June, the unemployment rate normally rises.

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Alabama Standard Metropolitan Statistical Areas

This review of Alabama's economy focuses on the cities and surrounding areas which are Standard Metropolitan Statistical Areas (SMSA's), as defined by the U.S. Office of Management and Budget. There are specific criteria by which an SMSA is defined, but it can generally be thought of as a county or counties in which the surrounding countryside is economically and socially integrated with a central, urbanized area. From time to time, changes are made in the counties included in a particular SMSA as the urbanized area grows and economic and social interactions between the central city and the surrounding countryside increase. In June 1973,

the Office of Management and Budget of the Executive Office of the President announced three changes in the Alabama SMSA definitions. The Birmingham SMSA was expanded to include St. Clair County in addition to Jefferson, Walker, and Shelby Counties; Marshall County was added to the Huntsville SMSA, joining Madison and Limestone Counties. The Montgomery SMSA was expanded to include Autauga County as well as Elmore and Montgomery Counties. The changes in definitions are further recognition of regional growth and vitality which this article highlights. However, these changes came too late to be included in the data on which this article is based.



As in the nation, the importance of manufacturing has declined in the past twenty years and service-oriented industries employ a growing share of the city's work force. If this trend continues, Birmingham will be less vulnerable to the forces of the national economy than in the past. However, manufacturing still provides 30 percent of the income earned and employs 25 percent of the work force. The bulk is in primary metals, so that, when durables are doing well, Birmingham's unemployment rate falls. The accompanying chart shows a drop in the unemployment rate and rise in employment as the recent national economic expansion greatly increased demands for steel and other durable goods.

Despite Birmingham's strong showing in durable goods manufacturing, its largest job gains have been in services, reflecting the area's importance as a center for trade and communication. Growth in these industries has helped Birmingham add 8,000 workers to its payrolls during the past 12 months, pulling the number of unemployed down to about 4 percent of the work force by May 1973.

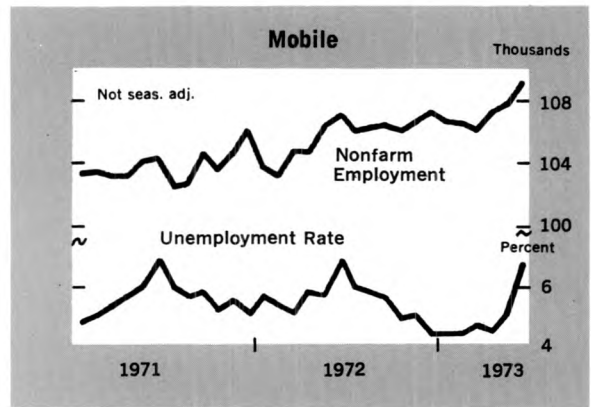
Growth in industry and trade has caused the city's personal income to expand rapidly in recent years. Per capita personal income grew at an average annual rate of 8.5 percent from 1969 to 1971, according to U. S. Department of Commerce data. The strong showing in employment growth, along with continued rapid wage gains, indicates that personal income rose substantially during 1972 and early 1973, although precise figures are not yet available.

Mobile

Alabama's second largest metropolitan area, Mobile serves as an outlet to the sea, and its economy is based on activity surrounding the port. Its largest share of earned income comes from manufacturing, accounting for 26 percent of the

total in 1971. But it is also a diversified economic area, serving southwest Alabama as a center for wholesale trade and business and personal services. Retail and wholesale trade activity accounted for almost two-fifths of income earned in 1971 and business and personal services contributed 22 percent, the bulk relating to port activities. The government sector contributed 15 percent of the SMSA's earned income and is boosted by Mobile's port and Alabama's state dock complex located there.

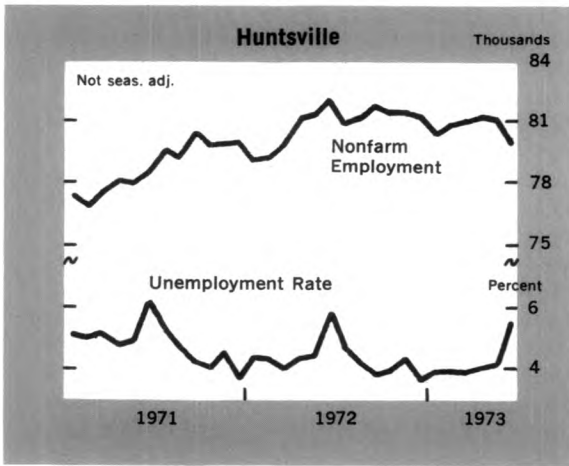
Shipbuilding and repair work form an important part of manufacturing, providing nearly 3,000 jobs in mid-1973. However, only 20 percent of the total work force is in manufacturing, and nearly two-thirds of these jobs are in nondurable goods. Measured by employment, paper and paper products are the largest single industry, with 7,500 workers. This industry unfortunately has not provided a growing number of jobs in recent years.



But it and Mobile's other large industry, chemical products, were going full blast in mid-1973, with workers averaging 43-hour workweeks.

Huntsville

In 1971, government jobs directly supplied 43 percent of earned income in Huntsville and contributed to much of its "service" sector. When the 1967 Census of Business was taken, business service receipts per capita were \$424, four times higher than Birmingham, its closest Alabama rival in this regard. Firms supplying services to NASA are classified as "Miscellaneous Business Services" in Census and employment data. In Huntsville, this represents aerospace research, including offices and research facilities of private contractors whose manufacturing facilities are located in other parts of the country. Thus, many of the industries classified as business services are tied to the SMSA's space activity.



Concentration of government and space activity in Huntsville has been both blessing and bane to the local economy. The development of the Marshall Space Flight Center and the race to the moon during the early 1960's reduced the farm employment component and caused nonfarm employment to surge to a peak in 1966. Thus, government-sponsored research was the driving force behind growth in the larger Huntsville area. Since cutbacks in government spending began, Huntsville has constantly struggled to attract the industry necessary for establishing a diversified local economy. However, only in May 1972 did area employment climb back to the 1966 total.

The problem is illustrated by the behavior of government and service sector statistics during the 12 months ending in May. While total nonfarm employment remained relatively stable at 81,000, government and business services jobs declined by 1,300. Growth in other sectors was not enough to offset this decline, resulting in a net loss over the period of 200 jobs. Unfortunately, further cutbacks in Federal Government employment are scheduled for the second half of 1973.

Despite these problems, area growth continues. From 1969 to 1971, personal income grew at an annual rate of 7.9 percent, a full percentage point higher than the U. S. metropolitan average. The unemployment rate in May 1973 was around 4 percent, as the area strives to regain its growth momentum in the face of a declining governmental sector.

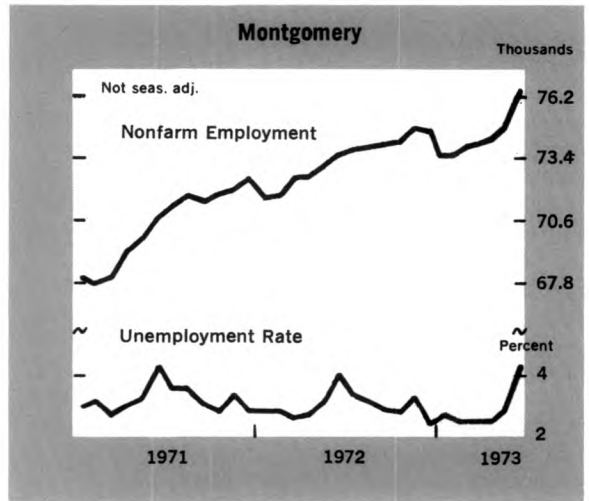
Montgomery

The state capitol is Montgomery, and, as might be expected, draws the largest portion of its income—31 percent—from the government sector. Montgomery serves the southeast and south central

area of Alabama as a center for wholesale distribution and both business and personal services. Accordingly, these sectors combined provided 45 percent of the area's earned income in 1971—substantially more than the average U. S. metropolitan area. Manufacturing provided only 13 percent of Montgomery's income, while farm earnings contributed a still significant 3 percent.

Personal income grew at an average annual rate of 10 percent from 1969 to 1971, showing vigorous growth even during the 1970 recession when other areas of the state had little or no growth and were hit very hard by unemployment. Manufacturing, the sector most sensitive to business recessions, is of small importance in Montgomery and explains the SMSA's comparatively good showing during the recession.

Since then, employment has grown steadily, though not spectacularly. For example, during the year ending May 1973, 1,100 workers were added to area payrolls, exceeding labor force growth and thereby keeping the unemployment rate under 3 percent. Service and trade employment has expanded, but manufacturing has shown little



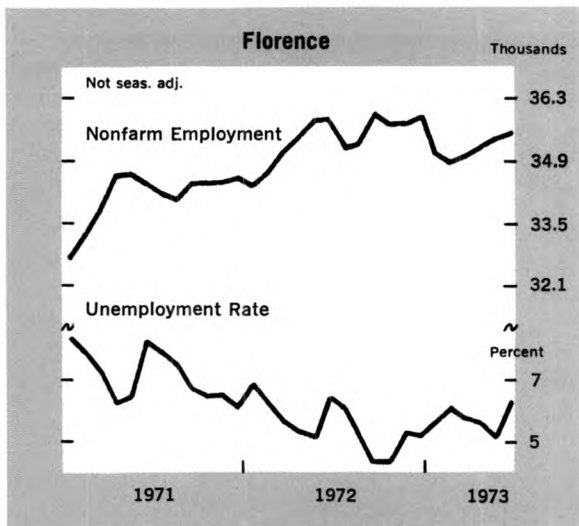
growth in recent years. Surprisingly, during an era of growing government, area employment in this sector has hovered in the neighborhood of 18,000 for the past five years.

In the year ending May 1973, job growth has occurred in every sector except agriculture, which declined by 200 workers. Manufacturing added 500 workers, primarily in nondurable goods, while 1,300 jobs were added in nonmanufacturing. Despite a 38-percent increase in value of construction contracts awarded during the first five months of

1973, May 1973's construction employment was no higher than in May 1972.

Florence

Relatively rapid growth in personal income in recent years—9.2 percent annually from 1969 to 1971—symbolizes the overall advance of the Florence



area economy. Urbanized Sheffield, Muscle Shoals, and Tuscumbia have grown together and when combined with Florence, their across-the-river neighbor, the Quad Cities meet the size and other criteria for designation as a standard metropolitan statistical area. Therefore, Florence was so designated in November 1971. Colbert and Lauderdale Counties, which comprise the SMSA as defined by the Federal Government, had a population of 117,000 in 1970.

Farm earnings still constitute 6 percent of total earned income, more than for any other SMSA in the state. Thus, agriculture remains extremely important to the area. Yet its major source of income is manufacturing, with 37 percent of wages and salaries originating in this sector. Most of Florence's factory jobs are in aluminum or related products, tied to the relatively inexpensive and plentiful electricity available from the Tennessee Valley Authority. Aluminum ingot production, which has a voracious appetite for electricity, provides raw material for other products ranging from wire to automobile engine blocks.

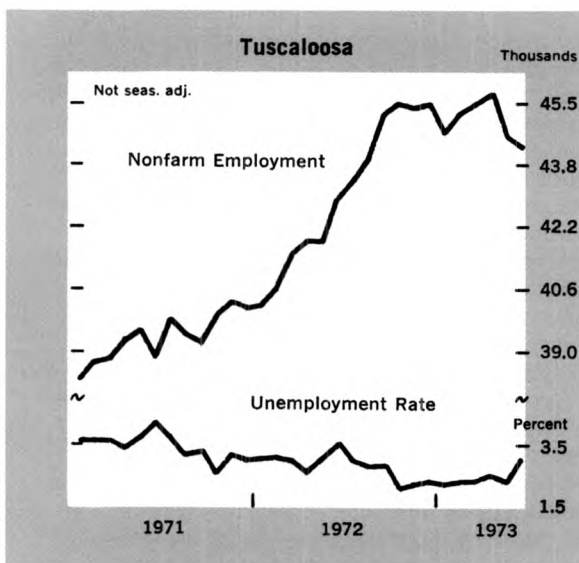
Despite this emphasis on heavy industry, only nondurable goods manufacturing has shown recent employment growth. Textiles and apparel commodities have been especially expansive this past year, but this has been more than offset by a

decline of 600 workers in durable goods during the twelve months ending in May. In this sector, only primary metals, the area's largest industry, increased jobs. Because of a drop in the work force, the unemployment rate this spring has been about 5 percent after averaging 5.5 percent during 1972.

Tuscaloosa

Home of the University of Alabama, Tuscaloosa's economy reflects the University's impact. The government sector provides 28 percent of the county's earned income, primarily because University employees are classified as government workers. More than 16 percent of the population are professional or technical workers of high skill. Rapid expansion of the University helped give Tuscaloosa the highest rate of personal income growth in the state in recent years. The local economy is diversified, with 30 percent of income earned in manufacturing and 12 percent each in services and trade. The 12.2-percent annual increase in personal income from 1969 to 1971 was nearly double that for metropolitan areas in the United States and easily exceeded Montgomery's, its closest Alabama rival.

Manufacturing employs 23 percent of Tuscaloosa's work force. Primary metals provide the largest job slice; rubber products are a close second. Processing lumber and food products of the greater Tuscaloosa agricultural sector also provides many factory jobs. State government has been the fastest growing sector, but all have contributed to recent growth. During the twelve months ending in May 1973, total jobs rose nearly 2,000, significantly boosting the SMSA's economy and pulling down the unemployment rate to 2.4 percent. The local economy's



diversity played a major role in keeping the unemployment rate under 4 percent even during 1970's recession, a very strong performance for an area with a large manufacturing sector.

Gadsden

As it should be, Gadsden, too, is noted for its manufacturing; manufacturing provided 47 percent of income earned in 1971. Wholesale and retail trade provided the next largest portion—14 percent—followed closely by services. A dependence on manufacturing makes Gadsden especially sensitive



to swings in the national economy. Between 1969 and 1971, which includes the 1970 recession, total personal income grew at only a 5-percent annual rate. In contrast, from 1965 to 1969 when the national economy was booming, Gadsden's total personal income grew at an annual rate of 11 percent.

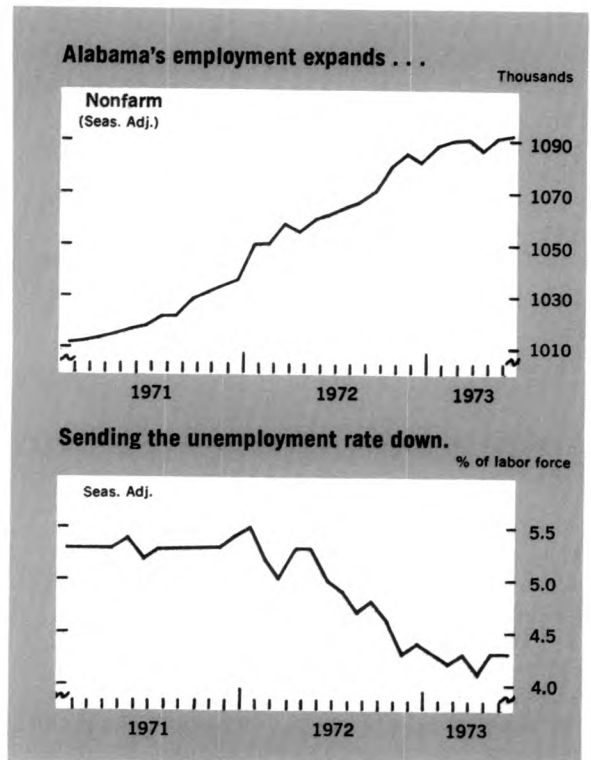
Manufacturing jobs are concentrated in primary metals and rubber products, particularly tires and tubes. This dependence on heavy industry has meant a relatively high overall unemployment rate in recent years, averaging 7.2 percent in 1972. A booming national demand during the first half of 1973 finally caused manufacturing to expand enough to pull the unemployment rate below 5 percent in early spring. A drop in people seeking work has also been a contributing factor.

Following a slight decline during the 1970 recession, nonmanufacturing jobs have grown

steadily. The expansion in wholesale and retail trade, the largest employment category outside manufacturing, has been a bright spot, and the construction of new shopping facilities is expected to send retail employment even higher in the second half of this year.

Putting It All Together

Alabama's recent economic news has been mostly good. Nonfarm jobs have been growing steadily and at a pace fast enough to cause a decline in unemployment to under 5 percent of the work force during the first half of 1973. This is the first extended period since 1969 during which the rate has been under 5 percent. A soaring national economy has sent demand for Alabama's durable manufactured goods bounding upward with favorable employment results. While the civilian work force was growing by just 10,000 persons, nonfarm jobs grew by 41,000, or 3 percent, during the year ending May 1973. This employment gain was spread broadly, with nearly every industrial sector sharing in the advance. Largest gains have been in the transportation equipment industry, boosting durable goods employment by more than 6,000 workers. This is particularly notable, since this industry has been stagnating since 1969. Growth



in nondurable manufacturing has been less robust than in durables but still added more than 2,000 jobs in the past year.

The gain in employed people and the higher rate at which they are paid boosted manufacturing payrolls by 13 percent between mid-1972 and mid-1973 to an estimated \$2.5 billion per month at an annual rate. Average weekly hours worked in manufacturing increased only a fraction, from 41.1 to 41.4, as employees apparently added workers to payrolls rather than schedule much additional overtime.

In employment outside manufacturing, where more than half the gains took place, the only drop was in Federal Government jobs. Wholesale and retail trade were particularly strong as workers made use of expanding income. Business and personal services, meanwhile, were in the vanguard of the economic advance, and contract construction employment made gains reflecting boom conditions in both residential and nonresidential building during 1972.

Following the national pattern, the pace of Alabama's residential construction slowed during the first five months of 1973 when compared to the same period of 1972. Commercial and industrial construction, on the other hand, has surged and, in some parts of the state, appears to be rebounding from a rather slow 1972. The net result has been an increase of nearly 27 percent in the value of construction contract awards during the first five months of 1973, a slightly higher rate of gain than that for 1972.

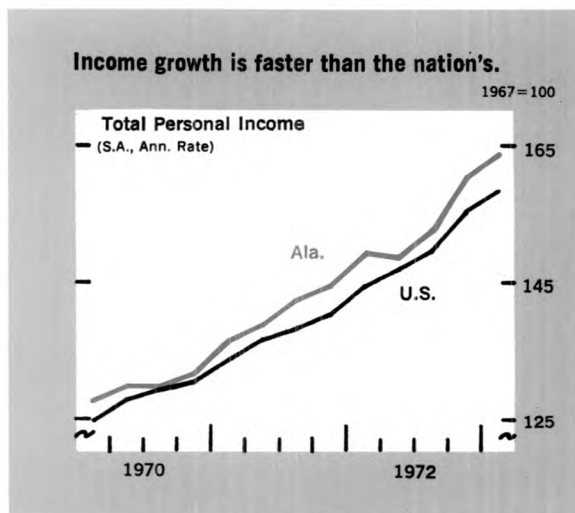
Spending and Incomes Up Sharply

Stimulating the construction of commercial establishments were strongly performing retail sales all of last year and continuing into this one. According to University of Alabama estimates, retail sales for the first four months of 1973 have advanced at a rate in excess of 20 percent over the same period of last year, a pace nearly twice as fast as 1972's. Even drugstore sales, the slowest retail trade sector, rose more than 10 percent. Sales at eating places were up more than 30 percent, followed closely by sales at clothing stores and service stations. Even allowing for rapid price increases, these estimates indicate very impressive gains.

This spurt in sales is undoubtedly a direct result of several years of rapidly rising income for Alabamians. For example, during 1972, total personal income increased by 11 percent, and even taking account of inflation, the real income gain undoubtedly exceeded 5 percent. Constituting more than two-thirds of Alabama's personal income, wages and salaries grew by 12 percent. Both of these growth rates are above the national figure for 1972 and, according to early indications, the same

thing can be said for 1973. The impact from a booming national economy shows up in many sectors. With demand for Alabama's coal, oil, and gas growing even faster than the national economy, mining income jumped 60 percent during 1972. Durable goods manufacturing payrolls were up sharply, sending manufacturing income up accordingly. Serving more local needs and mirroring a 12-percent gain in manufacturing income, wholesale and retail trade and business and personal services incomes rose at an equal rate. Only the contract construction and government sectors, with personal income gains of 10 and 11 percent, respectively, were less expansive than manufacturing.

Alabama farmers also had a good year as their 1972 realized net income increased by 9 percent. Cash receipts from livestock sales led the surge early in the year as prices advanced strongly. Later, crop receipts also joined the spurt, accompanying a substantial rise in cotton prices. In 1973, farmers



seem to be doing even better, since total cash receipts are up 63 percent during the first four months of 1973 from a year ago. Nationally, prices received by farmers jumped 33 percent during the 12 months ending May 1973. At the same time, prices paid by farmers went up less—10 to 14 percent. Thus, if Alabama farmers follow the national income and cost trends, net farm income should again be up substantially in 1973.

Banks Reflect Growth

Judging by loan and deposit growth, Alabama member bankers have been enjoying the state's

recent rapid gains. During 1972, loans grew by 22 percent and investments by about that much. Deposits were up 19 percent, with time deposits up slightly more than demand deposits. For the year ending in mid-1973, the story is much the same: Total deposits are up 17 percent; time deposits, 21 percent; demand deposits, 12 percent; and loans, 22 percent. Reflecting the high demand for loans and rising yields on business and commercial lending, investment growth is down.

Summing Up

Alabama's economic future is based on the growth of its cities. A review of the major urban areas'

economic performances shows growth through diversification. In the past, most Alabama metropolitan areas have been vulnerable to fluctuations in one or two major sectors, and an apparent movement away from such vulnerability is healthy. Employment growth has been steady for the state during the past two years, but erratic for some cities precisely because of changes in a few major industries. As national economic growth continues, Alabama is likely to have an opportunity to attract new industry. If recent trends continue, its urban areas will use the opportunity to diversify their economies and provide a wider base for future growth. ■

Another Look at the Southeast's Fed Funds Market

by Arnold A. Dill

Previous studies in this *Review* have described how the Fed funds market functions in the Southeast. These studies show, in part, that:

market participation of Sixth District member banks rose from 5 percent in 1958 to nearly 90 percent in 1972;

profit opportunity is the main market lure;

the larger the bank, the more likely it is a market participant and a net purchaser of funds;

major banks in the ten or so largest cities often stand ready to buy and sell funds in order to accommodate the needs of their smaller correspondents; and

District member banks in aggregate were usually in a net sell position but were often in a net buy position in 1966, 1969, early 1970, and again after April 1972.¹

Rather than comprehensively examining the District market, this note focuses on only a few aspects. Specifically, it provides an insight into the structure of the Fed funds market, measures the degree of market participation by individual banks, and describes this region's long-run and cyclical Fed funds pattern.

Fed Funds Behavior

To gain insight into the Fed funds market structure, we classified banks into six groups on the basis of market behavior for each year from 1969 through 1972. The first class includes banks that reported substantial transaction volumes and that both purchased (borrowed) and sold (lent) funds every week, or nearly every week of the year. The second consists of banks that both purchased and sold often during the year but on a smaller scale and less often than those in the first class. The third group includes banks that participated frequently in the market but mainly as sellers. The fourth contains banks that purchased frequently but seldom sold. The fifth class is occasional participants, those banks reporting transactions in fewer than twelve weeks a year. Nonparticipants make up the sixth grouping.

As shown in Table 1, the majority of District member banks were predominantly sellers (class 3) each year, but the number of such banks declined in 1972. Banks in the first and second classes increased sharply between 1969 and 1972, while occasional and nonparticipants (classes 5 and 6) decreased. In recent years, many have entered the market first as sellers and then have begun buying funds with gradually increasing frequency. Very few were found to

¹For a general description of how the funds market functions in the District, see Arnold Dill, "Liability Management Banking: Its Practice in the Sixth District," this *Review*, December 1971. For a detailed study of the structure and characteristics of the District market, see Harry Brandt and Paul A. Crowe, "The Fed Funds Market in the Southeast," this *Review*, January 1968.

TABLE 1
Sixth District Member Bank Participation in the Fed Funds Market

	Class 1*		Class 2		Class 3		Class 4		Class 5		Class 6		All Classes
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.
1969	15	2.8	82	15.2	282	52.4	15	2.8	86	16.0	58	10.8	538
1970	23	4.2	86	15.8	361	66.1	7	1.3	36	6.6	33	6.0	546
1971	24	4.3	96	17.1	374	66.5	5	0.9	41	7.3	22	3.9	562
1972	34	5.9	122	21.2	365	63.5	6	1.0	39	6.8	9	1.6	575

- *Class 1: Purchasing and selling Fed funds in at least 47 weeks of the year and with weekly average purchases or sales of usually \$10 million or more.
- Class 2: Purchasing in at least 12 weeks of the year and selling in at least 12 weeks of the year (but not necessarily in the same week), but at a frequency or volume of transactions less than banks in Class 1.
- Class 3: Selling more frequently than buying and reporting transactions in at least 12 weeks of the year but buying in less than 15 weeks.
- Class 4: Purchasing more frequently than selling and reporting transactions in at least 12 weeks of the year but selling in less than 15 weeks.
- Class 5: Reporting transactions in less than 12 weeks of the year.
- Class 6: Reporting no transactions.

be predominant buyers (class 4). Data for the first half of 1973 indicate that there has been a further increase in the number of banks in the first and second classes and a continued decline in occasional participants.

A surprisingly large number qualify as heavy buyers and sellers (class 1). In 1972, 34 banks in 15 large District cities both bought and sold substantial volumes of funds nearly every week, compared with only 15 in 7 cities in 1969. The number of banks, mostly moderately sized, that both purchase and sell funds frequently (class 2) is also large and growing—122 banks in 1972 compared with 82 in 1969. This indicates that many turn to the market, at least temporarily, to purchase needed funds as well as to dispose of excess and that this number is expanding. However, over 60 percent of member banks were still predominantly sellers in 1972, though this percentage may have peaked out. In that year, only nine did not participate in the market.

Market Participation

Relatively few banks rely continuously on the market to finance their asset positions. Only twenty have nearly always been in a net purchase position since weekly data began to be collected in early 1969. The number regularly in a net purchase position has been increasing, however; but few of these have relied heavily on the market as a source of funds. The degree of market participation was measured by finding the ratio of interest expenses on funds purchases—net of earnings on funds sales—to total operating expenses. Only a small number ever reported net funds expenses as more than 5 percent of total operating expenses. For example, even in 1969 when money was tight and Fed funds interest rates were high, only 12 did (see Table 2). However, the number reporting high ratios should jump in 1973 because of sharp increases in Fed funds rates

TABLE 2
Net Fed Funds Expenses as a Percent of Total Operating Expenses
No. of Banks

	1969	1970	1971	1972
12% or more	3	2	0	1
10-11	2	2	0	1
8-9	2	2	1	3
6-7	5	2	3	3
4-5	10	8	6	7
2-3	13	6	13	11
0-1	20	21	26	42

Note: Figures cover Sixth District member banks reporting positive ratios. Net Fed funds expenses are interest paid on Fed funds purchases minus interest earned on Fed funds sales.

TABLE 3
Earnings on Fed Funds Sales as a Percent of Total Operating Earnings
No. of Banks

	1969	1970	1971	1972
20% or more	13	15	6	4
15-19	14	18	14	6
10-14	34	51	27	27
5-9	101	154	106	104
0-4	314	271	383	420
No earnings	62	37	26	14

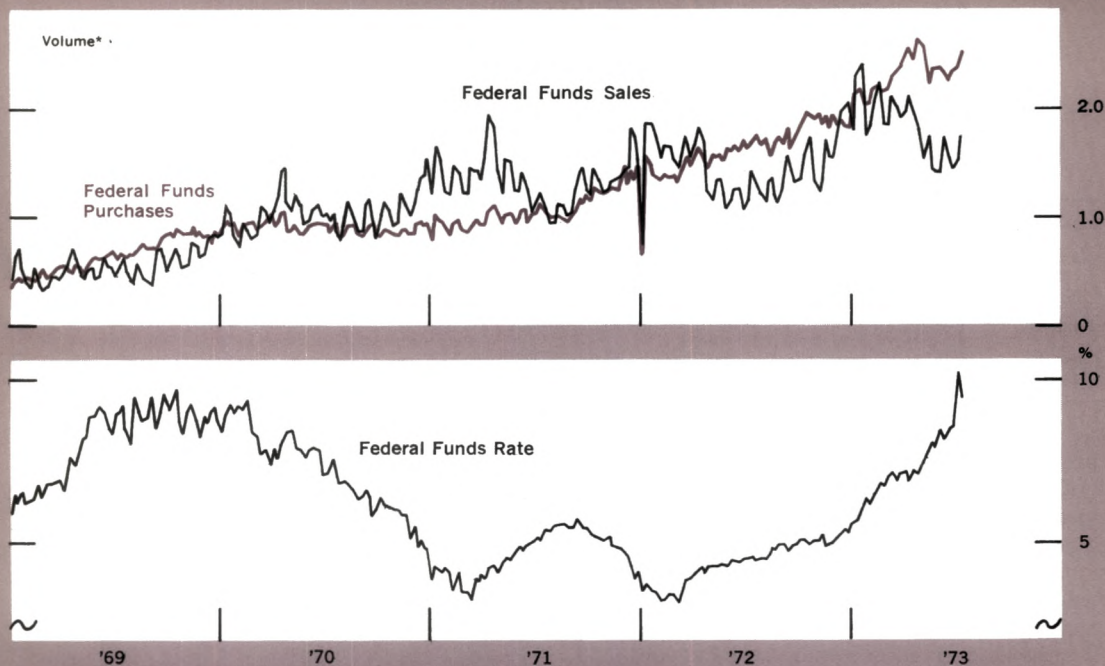
Note: Figures cover Sixth District member banks.

and in the number of banks in a net purchase position. The highest ratio reported by an individual bank was, respectively, 28 percent in 1969, 22 percent in 1970, 9 percent in 1971, and 12 percent in 1972.

Funds sales, on the other hand, have been an important source of interest income to many banks, especially in 1969 and 1970 when Fed funds rates were high. Sixty-one banks in 1969 and 84 in 1970 reported funds earnings equal to 10 percent or more of total operating earnings (see Table 3).² The

²In each year, a few new banks that sold funds heavily in the months immediately after opening reported high ratios.

Federal Funds Transactions and Rate



*Figures cover Sixth District member banks and represent weekly averages of daily figures.

number in this category declined in 1971 and 1972, reflecting a decline in Fed funds rates. Because of sharp increases in rates, Fed funds income has become more important this year to those that are regular sellers.

Trends and Cyclical Behavior

Both purchases and sales by District members trended up strongly between 1969 and 1972 (see chart). Gross purchases grew steadily in 1969 and early 1970, leveled off from April 1970 to August 1971, and then grew steadily again. Gross sales fluctuated around the \$500-million level in the first eight months of 1969 and then climbed rapidly through April 1971. Since then, sales have been on an upward trend but shown wider swings

than purchases. Sales, moreover, usually reach a low in late summer and a high around year-end or early in the year.

In aggregate, District members were a net purchaser of funds from the rest of the banking system in much of 1969 and in most of the period since April 1972, generally times of high or rising Fed funds interest rates. Conversely, District members were in a net sell position from early 1970 to April 1972 when Fed funds rates were generally low or falling. An earlier article found the District a net purchaser in 1966, a tight money year, and a net seller in the early 1960's, a period of easy money. Over the past ten years, therefore, the District has usually been in a net buy position when money was tight and in a net sell position when money was easy. ■

Bank Announcements

June 15, 1973

SECOND NATIONAL BANK OF HOMESTEAD

Homestead, Florida

Opened for business as a member. Officers: Anthony P. Cassinelli, chairman; Paul Mansfield, Jr., president; Robert Swarhout, assistant vice president; George D. Munroe, cashier. Capital, \$400,000; surplus and other funds, \$600,000.

June 16, 1973

UNITED CITIZENS BANK OF CHEATHAM COUNTY

Ashland City, Tennessee

Opened for business as a par-remitting nonmember. Officers: Charley Ray Harris, president; Shelton Harrison, chairman. Capital, \$200,000; surplus and other funds, \$400,000.

June 26, 1973

THE WESTSIDE BANK OF VERO BEACH

Vero Beach, Florida

Opened for business as a par-remitting nonmember. Officers: Warren D. Haffield, president; Angelo J. Sanchez, vice president and cashier. Capital, \$350,000; surplus and other funds, \$262,000.

July 2, 1973

AUBURN BANK AND TRUST COMPANY

Auburn, Alabama

Opened for business as a par-remitting nonmember. Officers: Kermit Wilson, president; John F. Dunlap, Jr., cashier. Capital, \$377,000; surplus and other funds, \$377,000.

July 7, 1973

FENTRESS COUNTY BANK

Jamestown, Tennessee

Opened for business as a par-remitting nonmember. Officers: Glen Massengill, president; Don Free, vice president and cashier. Capital, \$300,000; surplus and other funds, \$450,000.

July 9, 1973

CENTRAL BANK OF MISSISSIPPI

Brandon, Mississippi

Opened for business as a par-remitting nonmember. Officers: Charles H. Griffin, president; James E. Huffstatler, vice president and cashier. Capital, \$510,000; surplus and other funds, \$510,000.

July 9, 1973

EXCHANGE STATE BANK

Clinton, Mississippi

Opened for business as a par-remitting nonmember. Officers: Edwin Faust, Jr., president; Odie Smith, Jr., vice president and cashier. Capital, \$300,000; surplus and other funds, \$450,000.

July 10, 1973

FIRST SECURITY BANK

Bradenton, Florida

Opened for business as a member. Officers: W. James Tyrrell, chairman; Samuel L. Bender, president; Glen C. Dimon, vice president and cashier; Genevieve C. Roak, assistant cashier. Capital, \$600,000; surplus and other funds, \$400,000.

July 13, 1973

AMELIA ISLAND BANK

Fernandina Beach, Florida

Opened for business as a par-remitting nonmember. Officers: A. B. Maxwell, Sr., president; Dale P. McKinney, vice president; James M. Horn, cashier. Capital, \$400,000; surplus and other funds, \$350,000.

July 15, 1973

THE PERRY COUNTY BANK

Marion, Alabama

Opened for business as a par-remitting nonmember. Officers: Robert R. Frayne, president. Capital, \$300,000; surplus and other funds, \$300,000.

July 17, 1973

FIRST STATE BANK OF ARCADIA

Arcadia, Florida

Opened for business as a par-remitting nonmember. Officers: William J. Briscoe, president; James C. Kynett, vice president and cashier. Capital, \$275,000; surplus and other funds, \$275,000.

July 19, 1973

FIRST NATIONAL BANK OF PORT SALERNO

Port Salerno, Florida

Opened for business as a member. Officers: Duane K. Luce, chairman; Jack T. Williams, president and chief executive officer; Charles R. Harris, executive vice president; Mrs. Jean P. Sempey, cashier. Capital, \$600,000; surplus and other funds, \$400,000.

July 25, 1973

BIVENS GARDENS BANK

Gainesville, Florida

Opened for business as a member. Officers: Robert F. Lanzillotti, chairman of the board; Robert L. Vabinder, president; James L. Kaercher, vice president and cashier. Capital, \$900,000; surplus and other funds, \$270,000.

Sixth District Statistics

Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

	Latest	Month	One Month Ago	Two Months Ago	One Year Ago		Latest	Month	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT						Unemployment Rate (Percent of Work Force) June 4.3 4.3 4.1 5.0 Avg. Weekly Hrs. in Mfg. (Hrs.) June 41.4 40.5 41.3 41.5					
INCOME AND SPENDING						FINANCE AND BANKING					
Manufacturing Payrolls June	161		159	161	146	Member Bank Loans June	214	213	208	176	
Farm Cash Receipts May	164		166	173	114	Member Bank Deposits June	186	185	182	160	
Crops May	239		153	184	151	Bank Debits** June	205	194	197	165	
Livestock May	184		183	179	107	FLORIDA					
Instalment Credit at Banks* ¹ (Mil. \$)						INCOME					
New Loans June	632		679	684	614	Manufacturing Payrolls June	169	164	169	145	
Repayments June	547		563	562	502	Farm Cash Receipts May	214	149	151	140	
EMPLOYMENT AND PRODUCTION						EMPLOYMENT					
Nonfarm Employment June	125	125	125	120		Nonfarm Employment June	141	141	140	132	
Manufacturing June	114	114	114	111		Manufacturing June	120	118	119	114	
Nondurable Goods June	112	112	112	111		Nonmanufacturing June	146	145	144	136	
Food June	101	103	104	102		Construction June	177	177	177	157	
Textiles June	111	110	110	108		Farm Employment June	103	105	99	85	
Apparel June	111	110	110	109		Unemployment Rate (Percent of Work Force) June 2.8 2.8 3.2 3.2 Avg. Weekly Hrs. in Mfg. (Hrs.) June 40.8 40.8 41.6 41.3					
Paper June	111	111	111	110		FINANCE AND BANKING					
Printing and Publishing June	124	123	123	119		Member Bank Loans June	263	259	251	196	
Chemicals June	107	107	106	105		Member Bank Deposits June	224	224	216	185	
Durable Goods June	116	116	116	112		Bank Debits** June	270	267	259	217	
Lbr., Wood Prods., Furn. & Fix. June	110	110	110	107		GEORGIA					
Stone, Clay, and Glass June	119	120	121	114		INCOME					
Primary Metals June	111	110	109	106		Manufacturing Payrolls June	155	154	158	142	
Fabricated Metals June	127	127	127	119		Farm Cash Receipts May	178	185	184	132	
Machinery June	141	139	138	130		EMPLOYMENT					
Transportation Equipment June	108	106	107	108		Nonfarm Employment June	122	122	122	120	
Nonmanufacturing June	129	129	128	124		Manufacturing June	109	109	109	108	
Construction June	131	132	133	125		Nonmanufacturing June	127	128	127	125	
Transportation June	122	123	122	117		Construction June	125	126	127	124	
Trade June	131	131	131	125		Farm Employment June	81	86	84	80	
Fin., ins., and real est. June	136	135	135	130		Unemployment Rate (Percent of Work Force) June 3.7 3.8 3.6 3.6 Avg. Weekly Hrs. in Mfg. (Hrs.) June 39.7 40.4 41.1 40.9					
Services June	134	134	132	130		FINANCE AND BANKING					
Federal Government June	99	102	101	100		Member Bank Loans June	232	231r	233	179	
State and Local Government June	132	131	131	126		Member Bank Deposits June	182	183	179	148	
Farm Employment June	84	86	81	86		Bank Debits** June	264	261	283	203	
Unemployment Rate (Percent of Work Force) June 3.8 3.8 3.7 4.0						LOUISIANA					
Insured Unemployment (Percent of Gov. Emp.) June 1.8 1.7 1.6 2.4						INCOME					
Avg. Weekly Hrs. in Mfg. (Hrs.) June 40.6 40.6 41.2 41.1						Manufacturing Payrolls June 148 147 148 136					
Construction Contracts* June 275 203 227 196						Farm Cash Receipts May 234 143 143 106					
Residential June 308 276 285 249						EMPLOYMENT					
All Other June 242 131 171 144						Nonfarm Employment June 112 114 114 111					
Electric Power Production** Dec. 188 187 186 168						Manufacturing June 104 105 105 104					
Cotton Consumption** Apr. 79 85 81 85						Nonmanufacturing June 114 115 115 113					
Petroleum Production** July 115 114 114 124						Construction June 93 97 100 95					
Manufacturing Production Apr. 292 291 289 269						Farm Employment June 76 76 73 75					
Nondurable Goods Apr. 244 242 239 234						Unemployment Rate (Percent of Work Force) June 6.1 6.0 5.4 5.7 Avg. Weekly Hrs. in Mfg. (Hrs.) June 41.4 41.4 41.9 42.5					
Food Apr. 188 188 186 185						FINANCE AND BANKING					
Textiles Apr. 288 284 282 266						Member Bank Loans June 214 211 197 159					
Apparel Apr. 297 294 287 290						Member Bank Deposits* June 173 169 166 153					
Paper Apr. 223 223 222 215						Bank Debits** June 187 175 172 161					
Printing and Publishing Apr. 164 164 162 164						MISSISSIPPI					
Chemicals Apr. 306 307 306 299						INCOME					
Durable Goods Apr. 349 349 348 311						Manufacturing Payrolls June 175 171 174 163					
Lumber and Wood Apr. 200 200 200 193						Farm Cash Receipts May 118 205 245 140					
Furniture and Fixtures Apr. 191 191 191 183						EMPLOYMENT					
Stone, Clay, and Glass Apr. 207 207 207 185						Nonfarm Employment June 121 122 122 118					
Primary Metals Apr. 232 234 231 200						Manufacturing June 126 126 126 123					
Fabricated Metals Apr. 289 285 283 267						Nonmanufacturing June 119 120 120 116					
Nonelectrical Machinery Apr. 445 436 436 398						Construction June 109 113 114 112					
Electrical Machinery Apr. 770 772 778 650						Farm Employment June 81 82 64 88					
Transportation Equipment Apr. 454 459 453 413											
FINANCE AND BANKING											
Loans* June 234 231 226 181											
All Member Banks June 221 216 214 167											
Large Banks June 195 194 190 165											
Deposits* June 173 171 168 146											
All Member Banks June 236 234 232 191											
Large Banks June											
Bank Debits** June											
ALABAMA											
INCOME											
Manufacturing Payrolls June 158 153 155 142											
Farm Cash Receipts May 224 209 200 62											
EMPLOYMENT											
Nonfarm Employment June 115 115 114 112											
Manufacturing June 112 112 111 109											
Nonmanufacturing June 116 116 116 113											
Construction June 114 117 113 111											
Farm Employment June 70 80 74 76											

	Latest	Month	One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)	June	4.2	4.2	4.2	4.3
Avg. Weekly Hrs. in Mfg. (Hrs.)	June	40.6	40.3	40.7	40.9

FINANCE AND BANKING

Member Bank Loans*	June	228	220	212	183
Member Bank Deposits*	June	195	189	183	168
Bank Debits/**	June	219	217	221	193

TENNESSEE

INCOME

Manufacturing Payrolls	June	165	166	166	149
Farm Cash Receipts	May	252	159	175	106

*For Sixth District area only; other totals for entire six states

**Daily average basis

EMPLOYMENT

	Latest	Month	One Month Ago	Two Months Ago	One Year Ago
Nonfarm Employment	June	124	124	124	119
Manufacturing	June	116	116	115	112
Nonmanufacturing	June	128	128	129	123
Construction	June	121	122	123	120
Farm Employment	June	93	84	83	92
Unemployment Rate (Percent of Work Force)	June	3.0	2.9	2.9	3.7
Avg. Weekly Hrs. in Mfg. (Hrs.)	June	40.5	40.6	40.9	40.5

FINANCE AND BANKING

Member Bank Loans*	June	219	214	213	179
Member Bank Deposits*	June	178	178	177	158
Bank Debits/**	June	198	183	188	173

†Preliminary data

r-Revised

N.A. Not available

Note: Indexes for bank debits, construction contracts, cotton consumption, employment, farm cash receipts, loans, 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.

¹Data benchmarked to June 1971 Report of Condition

Debits to Demand Deposit Accounts

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

	Percent Change					Percent Change							
	June 1973	May 1973	June 1973 From			June 1972	May 1973	June 1973 From					
			1973	1972	6 mos. from 1972			1972	1973	6 mos. from 1972			
STANDARD METROPOLITAN STATISTICAL AREAS**													
Birmingham	3,323,085	3,251,777	2,749,881	+ 2	+21	+19							
Gadsden	100,427	98,600	90,002	+ 2	+12	+18							
Huntsville	330,191	305,283	263,750	+ 8	+25	+16							
Mobile	1,035,244	1,056,940	864,642	- 2	+20	+14							
Montgomery	577,406	619,006	508,634	- 7	+14	+21							
Tuscaloosa	210,117	217,036	157,648	- 3	+33	+26							
Bartow-Lakeland-													
Winter Haven	716,103	748,261	601,134	- 4	+19	+25							
Daytona Beach	347,569	362,849	305,412	- 4	+13	+21							
Ft. Lauderdale-													
Hollywood	1,776,008	1,778,040	1,621,908	- 0	+10	+15							
Ft. Myers	308,846	320,666	220,637	- 4	+40	+35							
Gainesville	241,649	241,844	214,393	- 0	+13	+19							
Jacksonville	3,641,502	3,688,497	3,325,793	- 1	+ 9	+22							
Melbourne-													
Titusville-													
Cocoa	446,998	443,185	371,080	+ 1	+20	+27							
Miami	6,418,014	6,613,924	5,191,506	- 3	+24	+26							
Orlando	1,473,773	1,464,200	1,283,001	+ 1	+15	+21							
Pensacola	432,957	418,450	412,144	+ 3	+ 5	+10							
Sarasota	502,901	481,536	332,795	+ 4	+51	+47							
Tallahassee	763,134	911,258	541,333	-16	+41	+45							
Tampa-St. Pete	3,812,578	3,840,789	3,009,760	- 1	+27	+23							
W. Palm Beach	1,141,515	1,233,882	884,897	- 7	+29	+36							
Albany	194,594	186,459	168,257	+ 4	+16	+20							
Atlanta	15,184,118	15,333,669	11,393,197	- 1	+33	+41							
Augusta	496,861	514,352	448,375	- 3	+11	+17							
Columbus	406,285	375,412	365,907	+ 8	+11	+10							
Macon	515,173	519,144	453,632	- 1	+14	+18							
Savannah	504,621	525,302	457,436r	- 4	+10	+19							
Alexandria	225,932	235,908	203,518	- 4	+11	+18							
Baton Rouge	1,295,321	1,242,160	1,103,748	+ 4	+17	+10							
Lafayette	254,304	266,460	222,816	- 5	+14	+21							
Lake Charles	212,866	220,726	203,892	+ 4	+ 4	+ 8							
New Orleans	4,086,837	4,156,968	3,625,015	- 2	+13	+ 9							
Biloxi-Gulfport	186,126	281,968	227,293	- 5	+18	+22							
Jackson	1,390,882	1,436,628	1,181,157	- 3	+18	+23							
Chattanooga	1,210,253	1,232,366	1,003,684	- 2	+21	+19							
Knoxville	846,598	860,827	753,506	- 2	+12	+19							
Nashville	3,141,170	3,209,257	2,899,624	- 2	+ 8	+20							
OTHER CENTERS													
Anniston	110,670	115,068	102,373	- 4	+ 8	+15							
Dothan	175,024	170,437	125,106	+ 3	+40	+28							
Seima	71,148	75,671	58,800	- 6	+21	+28							
Bradenton	168,488	178,016	141,513	- 5	+19	+29							
Monroe County	70,210	72,570	58,223	- 3	+21	+25							
Ocala	194,952	194,903	153,930	+ 0	+27	+32							
St. Augustine	29,479	26,956	32,090	+ 9	- 8	-10							
St. Petersburg	988,644	1,012,003	703,277	- 2	+41	+36							
Tampa	1,808,967	1,846,631	1,508,443	- 2	+20	+19							
Athens	162,051	153,196	158,144	+ 6	+ 2	+13							
Brunswick	95,591	101,606	80,801	- 5	+20	+22							
Dalton	179,908	182,160	164,367	- 1	+ 9	+18							
Elberton	22,667	21,787	25,568	+ 4	-11	+ 5							
Gainesville	126,714	133,617	106,878	- 5	+19	+28							
Griffin	65,919	70,621	64,442	- 7	+ 2	+20							
LaGrange	47,522	37,807	33,332	+26	+43	+25							
Newnan	67,223	65,846	52,104	+ 2	+29	+47							
Rome	139,004	135,697	124,304	+ 2	+12	+13							
Valdosta	94,583	96,493	84,361	- 2	+12	+13							
Abbeville	16,546	16,061	15,947	+ 3	+ 3	+ 1							
Bunkie	10,882	9,626	8,643	+13	+26	+24							
Hammond	77,054	81,669	56,421	- 6	+37	+32							
New Iberia	53,163	57,748	50,600	- 8	+ 5	+11							
Plaquemine	25,472	26,895	16,658	- 5	+53	+54							
Thibodaux	38,504	37,132	30,346	+ 4	+27	+12							
Hattiesburg	133,233	125,723	108,457	+ 6	+23	+23							
Laurel	67,402	72,984	59,442	- 8	+13	+20							
Meridian	113,730	120,384	104,376	- 6	+ 9	+17							
Natchez	51,280	51,664	59,506	- 1	-14	+ 5							
Moss Point	139,563	152,649	153,635	- 9	- 9	+20							
Vicksburg	67,691	65,622	59,516	+ 3	+14	+23							
Yazoo City	38,019	39,456	36,515	- 4	+ 4	+ 3							
Bristol	114,982	111,779	128,246	+ 3	-10	- 0							
Johnson City	166,638	175,303	154,704	- 5	+ 8	+14							
Kingsport	254,935	261,944	226,784	- 3	+12	+17							
District Total	71,483,057	72,258,607	59,459,567r	- 1	+20	+25							
Alabama	8,040,573	7,876,763	6,587,714	- 2	+22	+19							
Florida	24,448,013	24,956,948	20,177,359r	- 2	+21	+25							
Georgia	20,877,609	21,120,817	16,506,218	- 1	+26	+34							
Louisiana ¹	7,284,519	7,357,955	6,421,404	- 1	+13	+21							
Mississippi ¹	2,994,069	3,066,320	2,667,168	- 2	+12	+19							
Tennessee ¹	7,838,274	7,879,804	7,099,704	- 1	+10	+18							

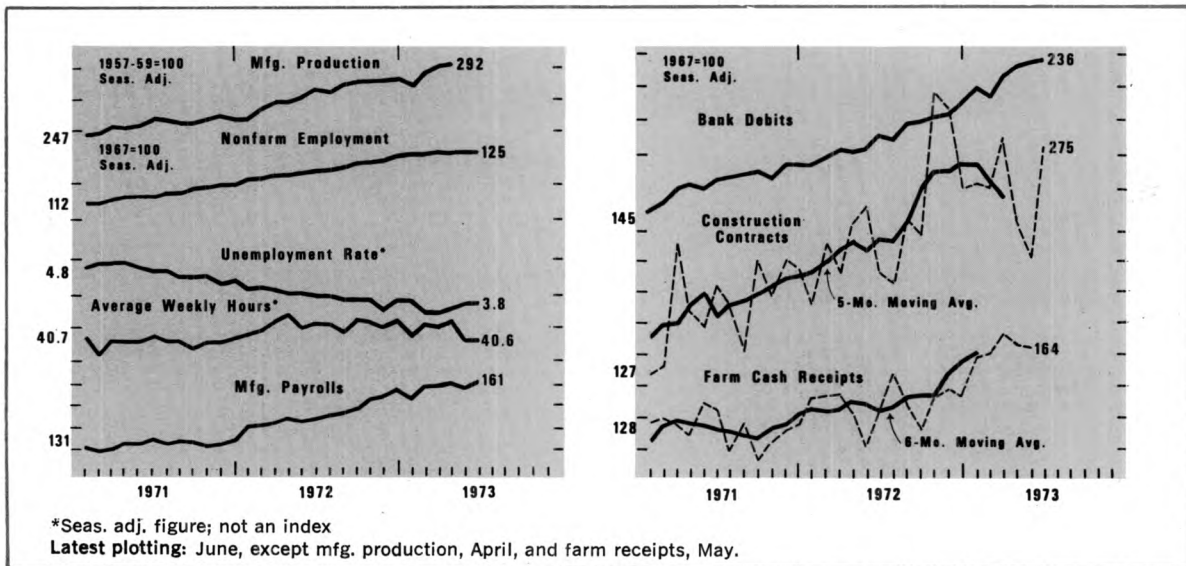
¹ District portion only

r-Revised

Figures for some areas differ slightly from preliminary figures published in "Bank Debits and Deposit Turnover" by Board of Governors of the Federal Reserve System.

** Conforms to SMS definitions as of December 31, 1972.

District Business Conditions



The lack of unused capacity is moderating the Southeast's economic growth this summer. Farm prices, incomes, and costs rose briskly, but livestock production declined. Tight labor markets continue. Despite some slowing, consumer spending and borrowing remain at a high level. Bank lending continues strong but below the very rapid pace seen earlier this year. Construction activity rebounded in June after two months of decline.

Most news from the farm sector confirms the current agricultural price pressures; farmers received higher prices in June, especially for grain. The price advance was more moderate in the livestock sector with cattle and calf prices registering slight declines from May's levels. Growing crops showed good prospects for excellent yields, but pork, poultry, and egg producers cut back production in response to rapidly rising costs. Average June prices for livestock feed advanced 14 percent from May's level. A large agricultural lending agency in the District recently raised its interest rate on short-term loans to 8.25 percent; it was 5.75 percent at the beginning of the year. Farm cash receipts continue to increase.

A dwindling supply of unemployed labor has contributed to a slowing of employment gains. Small gains in manufacturing jobs were offset by job losses in nonmanufacturing. The unemployment rate remained unchanged at 3.8 percent. Reflecting tight labor markets, all District states except Louisiana have unemployment rates below the U. S. average. The factory workweek held steady, but manufacturing payrolls rose after dipping the previous month.

Growth in consumer credit continues to slow. In June, lending for auto purchases increased less

than in any month since July 1972. Loans to purchase nonautomotive consumer goods and to repair homes grew less than in the average month of 1973. Personal loans were the only strong consumer lending category in June. Sales at department stores in major metropolitan areas continued to be well above last year's level. The fast pace of District auto sales slowed in June.

Bank lending, while still registering strong gains, appears to have moderated from the exceptionally rapid pace of spring. Although deposit growth was strong, banks relied heavily on Federal funds purchases and borrowings from the Federal Reserve. Consumer loans and real estate loans continued to increase at large banks, while business loans registered only moderate gains. By late July, most District banks had increased their prime rate for larger business customers to 8³/₄ percent.

A bunching of large contracts boosted the value of construction contract awards in June. After two months of decline, both residential and nonresidential awards regained their relatively high first quarter levels. Large contracts boosted both sectors. At thrift institutions, deposit inflows and value of commitments declined while lending increased slightly. Residential mortgage rates continued to rise.

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