Monthly Review

Atlanta, Georgia
July • 1959

Also in this issue:

Federal Reserve Bank of Atlanta

The Discount Rate and Recovery

For the economy to grow and prosper, an increasing amount of money and credit is necessary. Insufficient credit would starve the economy for one of its most essential raw materials and would result in decreased production and fewer jobs. But under certain conditions, too much credit may be just as bad as too little. When the economy is hard-pressed to turn out more goods and services with the amount of resources available, more credit has the undesirable effect of raising prices instead of output. Indeed, long before that point is reached, too much credit may have undesirable results. It may make for speculation or push the economy into high gear too fast—a situation called "boom or bust" by some, "unsustainable growth" by others.

To maintain just the right amount of money and credit and thereby help assure a rising standard of living, adequate job opportunities, and a stable dollar is a difficult job for the Federal Reserve System. Since the volume of money and credit in use is governed by the reserves that banks are required to keep against their deposits, the Federal Reserve must first of all determine what reserves are needed to support what is considered an appropriate volume of bank credit. Then, in the second place, it must choose what seem to be the best methods of achieving that reserve position. To do so, searching analyses of the underlying economic and financial conditions are necessary. The System may then add to or subtract from bank reserves by buying or selling Government securities. It may change reserve requirements, or it may change the interest rate charged on money lent to member banks, which is known technically as "the discount rate." Sometimes it uses these instruments in combination.

When the discount rate is changed, the System often tips its hand that it is changing the direction or intensity of policy. Sometimes, however, the rate is changed only because it has gotten out of line with other rates of interest, the purpose being to maintain the existing degree of credit restraint or ease. Changes in the discount rate made since last autumn show how these principles have been followed in practice.

First Two Rate Increases After Upturn Became Evident

In mid-August of 1958, the discount rate was raised from 1¾ to 2 percent after four consecutive reductions. This increase was widely interpreted to mean that the System no longer encouraged extension of bank credit and monetary expansion in the manner it did during the recession.

At the time the rate was changed, it was evident that economic activity had reached its low point in April or May, although several sectors had not yet turned upward. Mindful of the 1954 upturn, when there were several months of ups and downs, many thought that business

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activity would not rebound quickly and might even fall back. On the financial front, stock prices had zoomed upward in the face of the improved business situation and had revived fears of inflation. Under these conditions, the Board of Governors on August 4, 1958, raised margins on stock purchases from 50 to 70 percent. On October 15, it further increased margin requirements to 90 percent; and most recently it clamped down on certain kinds of margin trading.

The second round of discount rate increases—a half point rise—to 2½ percent, started on October 23, 1958. Some writers thought this was merely a technical adjustment because Treasury bill yields had risen substantially above the discount rate. In addition, the discount move coincided with sharply improved economic conditions. Previous fears that the recovery might wilt had pretty well disappeared. Impressively, recovery had been quick and more vigorous than it had been in the 1954 upturn. The report from the Commerce Department—Securities and Exchange Commission survey taken in August that businessmen would just about maintain their capital spending in coming months was a pleasant surprise. Many had expected further declines because much plant capacity was still idle. Also fostering confidence was the belief that inventory liquidation would soon give way to accumulation, which would boost output.

Optimism, nevertheless, was tempered by lagging employment and by considerable unemployment. In contrast to a 9-percent gain in industrial production between April and September, the number of factory workers had increased only 2 percent. The tendency for output to rise more sharply than employment is typical of economic upturns, as operations can then be quickly expanded from low levels with few additional workers; also, cost-saving devices begin to pay off. Still, employment in relation to production had improved more slowly than in other postwar upturns, and unemployment had declined less.

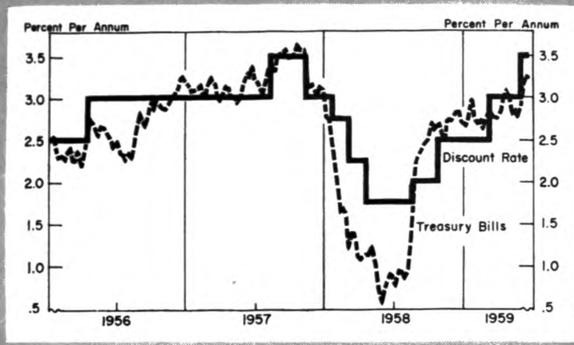
"Round Three"

When discount rates were raised from 2½ to 3 percent in early March of this year, many called it a "technical" move. But again the change was made against a background of plenty of encouraging news. Aggregate output of goods and services exceeded the 1957 high; physical volume of industrial production was within a shade of its pre-recession peak. Expanded incomes encouraged consumers to increase their spending, and to plan on spending even more in the months ahead.

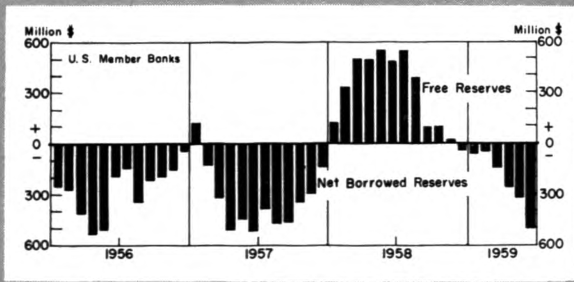
Unemployment had not receded much, yet it was evident that joblessness was concentrated in certain industries that at the time had recovered less than others. Productivity had increased in many of these same industries. For the System to have stimulated spending in these lagging sectors enough to create more jobs probably would have required an extremely heavy dose of money and credit. The vigorous recovery already under way and ample amounts of money already available were used as arguments against this.

Adding to the problems of the System was a $12 million Federal deficit for the fiscal year ending mid-1959. As other demands on capital markets were heavy and few persons seemed interested in buying more United States

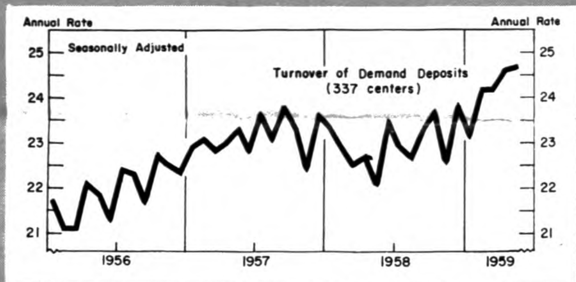
Since August 1958, the Federal Reserve has increased discount rates four times,



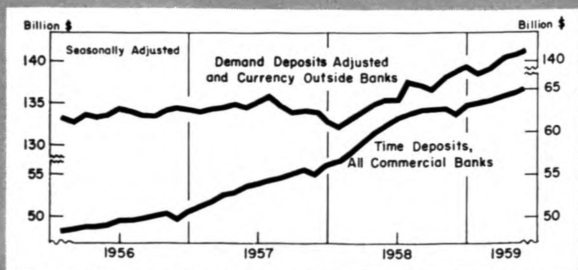
and put pressure on bank reserves in the face of a . . .



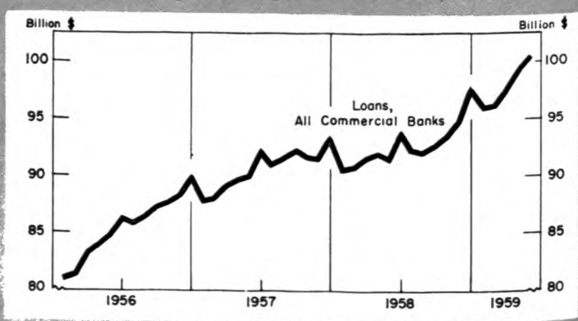
more active use of money and . . .



a sharp increase in the money stock,



reflecting, in part, vigorous loan demands.



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Government bonds, this deficit had to be largely financed with short-term borrowing. More money was raised outside the banking system than was thought possible. But even that source of financing conflicted to some extent with credit restraint, since holders of short-term issues can demand cash at maturity. In addition, the System had to take into account the many trips the Treasury had to make to the market.

New Records Cause Fourth Rise

At the time of the most recent discount rate increase, from 3 to 3½ percent in late May, most economic measures had set new records. Even unemployment had dropped a good deal since the first of the year and was concentrated in particular areas of the country.

Indeed, only the foreign market remained as a major depressing influence. Our balance of payment deficit has been large, not only because exports have declined, but also imports have increased, and private capital (notably investments abroad) has continued to flow out. As a result, foreign nations have acquired more dollars and gold.

Actually, we have had periods of declining exports and gold losses before, but the feeling has grown that over many years the price rise of many goods in this country has been relatively greater than abroad. If that is true, it argues for credit restraint.

Since last spring, the cost of living has changed little, but only because food prices have fallen; most of the other things consumers buy have crept upward. It is well to keep in mind that in the past, the cost of living did not always turn up until long after business activity had improved significantly. It should also be remembered that higher costs are not the only things that can push prices up. Increased spending, whether financed by money or credit, may have the same effect. Money in the hands of the public (demand deposits and currency) between January and April this year rose at the rapid annual rate, seasonally adjusted, of 6 percent. This increase partly reflects Treasury deficit financing, and partly an accelerated advance in bank lending that began in early 1959. As corporations and others economized in the use of cash balances, the money supply worked harder, a factor that has also made possible a step-up in spending.

Other Restrictive Credit Moves

The System has done more than make member bank borrowing more costly, although this has been a useful way of signaling that money and credit may be expanding too rapidly. It also has kept a tight lid on reserves. The degree of pressure placed on bank reserves has been increasingly strong and has often been timed with discount rate increases. During the last four months of 1958, the System was niggardly in supplying banks with reserves needed to meet the seasonal rise in borrowings. In early 1959, the System tightened reserve positions by selling securities. In April and June, open market purchases did not supply enough reserves to take care of the increase in required reserves accompanying the growth in bank loans.

Banks have tried to adjust to these pressures by reducing their excess reserves and by increasing their borrowings from the Federal Reserve Banks. Those outside the bigger cities (country banks) already are borrowing more money than in the spring of 1957, a time when System policy was probably tighter than at any other time in the 1955-57 boom. Because banks are traditionally reluctant to borrow from the System and because they can, except in certain circumstances, do so only temporarily, they have had to sell large amounts of Government securities. When they disposed of long-term issues, which are selling as much as 17 points below par, their capital losses were large.

Those banks that hold short maturities, of course, can sell them with little or no loss. But by and large, their liquid positions are already down to historical lows. One commonly used ratio—loans to deposits—is now the same for all member banks in the nation as it was at the pre-recession peak. Banks may sell off their securities, therefore, and expand their loans more hesitantly than they did during the 1955-57 boom. If they do, they will reinforce the System's efforts as it leans against the winds of inflation.

HARRY BRANDT

Employment Setting New Records

Generally speaking, District employment is back in its pre-recession habit of setting new records. Seasonally adjusted nonfarm employment, after declining in the economic recession of late 1957 and early 1958, has recovered steadily since April 1958. By last October, more people were employed in nonfarm establishments in Sixth District states than ever before, according to recently revised figures. Little further change occurred in November and December, but in each of the first five months of this year, nonfarm employment has edged upward to set successively new records. In May, employment was 4.4 percent above its recession low and 2.4 percent above the pre-recession peak established in August 1957.

Gains Widespread Among Types of Employment

A closer look at the District picture reveals that the new records have been set because of widespread gains in both manufacturing and nonmanufacturing activities since the recession low of April 1958. In manufacturing, about 84,000 people have been added to Sixth District payrolls, after seasonal adjustment, while additions in nonmanufacturing activities have amounted to about 124,000 people. Although the number added is smaller for the manufacturing activities, it actually represents a larger percentage increase than that for nonmanufacturing, 6.7 percent compared with 3.5 percent.

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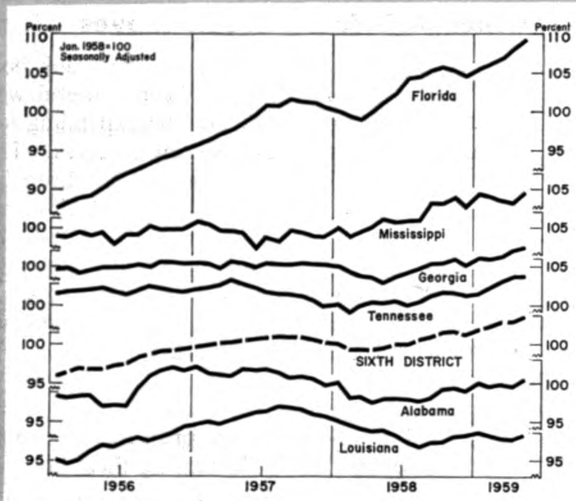
Nonfarm Employment is above pre-recession peaks in four states and in the District, but still below peaks in two states.



Within manufacturing, all major types of employment have shown improvement since April 1958. The sharpest gain, 12 percent, occurred in primary metals. Gains of 9 and 8 percent, respectively, were reported in the District's apparel and lumber industries. Gains in other types of manufacturing employment have been more modest, as low as about 3 percent in textiles and chemicals.

One sees both national and regional economic influences at work in these changes. Take for example the changes that have occurred in lumber employment, which is closely tied, as one might expect, to developments in homebuilding. For over two years before May 1958, District lumber employment had been in a downward trend that coincided roughly with the period of sharp contraction and reduced activity in homebuilding in the nation. A pickup in District homebuilding in early 1957 helped slow the decline in lumber employment, but employment did not start to rise until June 1958, shortly after an exceptionally sharp increase in the number of new houses started in the United States. So far this year, housing starts have remained near the high volume reached in late 1958. Similarly, lumber employment has held at the improved level it reached in late 1958. Increases in both national and regional housing demands, therefore, largely explain the improved picture of lumber employment in the District.

Although each major type of manufacturing employment is above its recession low, the trend in each case has not been uniformly upward throughout the last year. All the gain in lumber, for example, had taken place by last October. In the manufacture of transportation equipment, employment rose sharply in the second and third quarters of 1958 but has since declined. This may surprise those familiar with the bustling activity in the automobile industry this year. The decline, however, has taken place in spite of increased employment in automobile manufacturing and is attributable largely to reductions in shipbuilding and repair, an important element in the Sixth District transportation equipment industry.

The rise in nonmanufacturing employment, which usually shows smaller fluctuations than manufacturing in the cycle of business upswings and downswings, has also reflected widespread improvement among various types of activity. Largest gains reported were one of 6 percent in construction employment and one of 6 percent in employment in finance, insurance, and real estate activity. Some types of nonmanufacturing employment, however, showed declines: Mining employment is below a year ago, largely as a result of reduced employment in metal and coal mining in Alabama and Tennessee and in oil production in Louisiana, while lower employment in transportation, communication, and public utilities reflects reductions in Louisiana largely due to reduced shipping activity.

Experience in Individual States Varies

Although employment has been setting new records for the District as a whole, this has not been the case in all District states. As is so often true, the general picture hides a substantial degree of variation among the states of Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee—all or parts of which make up the Sixth Federal Reserve District. The most striking contrast, as the chart shows, is between Florida and Louisiana: By May 1959, employment in Florida had more than recovered earlier losses, increasing to a level 8 percent above its pre-recession peak, while employment in Louisiana was only slightly higher than it was last August, when it reached its low point.

In between the two extremes, one finds employment has been above the pre-recession levels in Mississippi and Georgia for a number of months, and in Tennessee new records have been set only within the past month or two. In Alabama, however, employment is still below the previous high, recovery from recession being incomplete so far.

PHILIP M. WEBSTER

Bank Announcements

On June 1, the Farmers and Merchants Bank, Westmoreland, Tennessee, a nonmember bank, began to remit at par for checks drawn on it when received from the Federal Reserve Bank. W. P. Wade is President; W. L. Bone and L. A. Fykes are Vice Presidents; Layon Brown is Cashier; and W. H. Mandrell is Assistant Cashier. Capital stock totals $25,000 and surplus and undivided profits $81,719.

On July 1, the Roswell Bank, Roswell, Georgia, a nonmember bank, began to remit at par. Sims Garrett, Jr., is Chairman of the Board; Walter A. Eaves is President; Etha L. Bearden and W. Wallace Harrison are Vice Presidents; and Ralph H. Kirby is Cashier. Capital stock totals $100,000 and surplus and undivided profits $208,463.

On July 1, the newly organized, Inter City National Bank of Bradenton, Bradenton, Florida, opened for business as a member bank and began to remit at par. Officers are John V. DuBois, Chairman of the Board; L. H. Skeen, President; and Eugene J. Amaral, Vice President and Cashier. Capital stock totals $400,000 and surplus and undivided profits $250,000.

Continued on Page 6

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Consumers Enter Competition For Credit

Once more the chart makers who draw lines showing the trend in consumer credit are tilting their rulers upward. At the end of May, they plotted an increase of almost $600 million in consumer instalment credit for the nation during the month, bringing the total to $35 billion. Most signs point to further growth in June.

Total consumer instalment credit began this upward trend in November last year, partly because of a seasonal push, but principally because of renewed consumer buying; before that, total instalment credit outstanding had varied little from month to month. By the end of May, the figure had passed the previous record set in December 1957 and was $2.1 billion above the total for May 1958.

The reason for the increase is simple: Consumers decided to buy more automobiles. Not only do their instalment loans to buy cars make up over two-fifths of total consumer instalment debt, but these loans fluctuate more widely than other types of instalment loans. Last year the decision of consumers to buy fewer automobiles was principally responsible for the decline in total instalment credit.

Auto Credit Grows in District

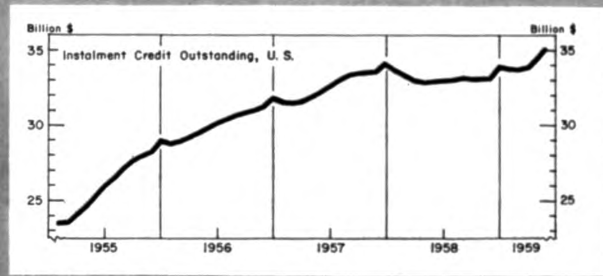
Between the first of this year and the end of April, over 200,000 new cars were sold in the District states—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee—judging from new car registrations. This is about 26 percent more cars than were sold in the corresponding period of 1958. As consumers sought help in buying these cars with instalment credit, instalment credit outstanding inevitably rose. By the end of May, at Sixth District commercial banks instalment loans to buy automobiles were $58 million higher than a year earlier. Of the $536 million in automobile instalment contracts outstanding, $318 million represented contracts purchased by banks from dealers and others; the remainder consisted of direct loans to the buyers.

In the meantime, customers at other retail establishments that grant instalment credit extensively began to step up their buying. The trend of sales at District furniture stores illustrates this. Seasonally adjusted sales began to climb upward as early as March 1958, but it took most of the remainder of the year for sales to get back to the pre-recession level. By the end of May this year, the stores had far more instalment credit outstanding than a year earlier. Instalment loans at banks made to finance the buying of goods other than automobiles reflect the same trends.

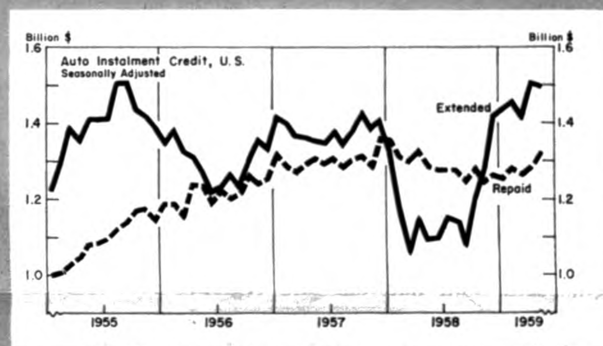
So far, most of the increase in instalment credit has come from increased buying rather than easier credit terms. Recently, however, there are increasing signs that credit terms may be getting easier, although the evidence is not conclusive. Some banks are making a larger proportion of their automobile loans for longer terms; some

Revival in Consumer Credit

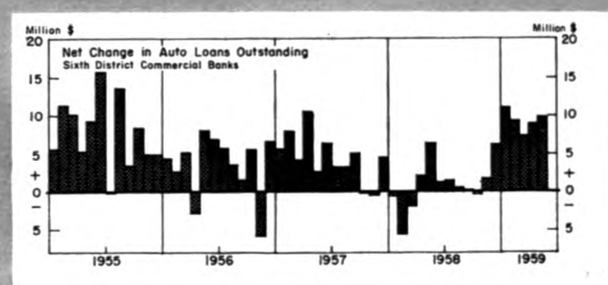
Total Instalment Credit Outstanding in the United States is increasing once again and by the end of April had reached a new high level.



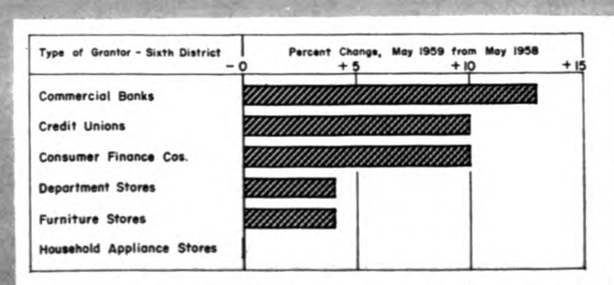
Loans to Buy Automobiles explain a large part of the increase, although other types of consumer instalment credit have continued to expand.



Automobile Loans have also increased at Sixth District Commercial Banks.



The increase in Total Consumer Instalment Credit Outstanding has been greater at commercial banks than at other institutions in the Sixth District that do little or no automobile financing.



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merchants are stressing use of instalment credit in various forms to attract sales; and some banks are promoting special credit plans. The ultimate effect of such developments in raising the amount of credit outstanding can only be measured in the future. At present, collection ratios, that is, the percentages of accounts outstanding at the beginning of the month that are collected during the month, are about the same this year as last year.

The Competition For Funds

The credit demands of consumers to finance their instalment buying have helped swell the total demand for credit that is discussed elsewhere in this *Review*. For example, in the 12 months ended May 31, total loans at all commercial banks in the Sixth District increased $753 million; the growth in direct and purchased instalment loans accounted for $133 million of this increase.

The growth in these consumer instalment loans at the banks, however, does not measure the total impact of the increased demand for consumer credit. Banks also indirectly finance consumers through merchants and instalment lenders other than banks. Reflecting this practice is the $17 million increase in loans to sales finance companies that occurred between the first of the year and the middle of June at banks in leading Sixth District cities, and the $12 million increase in loans to retailers.

Thus, the instalment buyer is competing, at least indirectly, with manufacturers, public utilities, construction firms, and others, all of whom are competing more and more for their share of the bank credit that is available.

Department Store Sales and Inventories*

	Percent Change				
	Sales			Inventories	
	May 1958 from		5 Months	May 31, 1959 from	
Place	Apr. 1959	May 1958	1959 from 1958	Apr. 30 1959	May 31 1958
ALABAMA	+7	+3	+7	—4	—4
Birmingham	+2	—2	+4	—3	—6
Mobile	+15	+6	+7	..	..
Montgomery	+15	+4	+5	..	..
FLORIDA	+0	+9	+11	—4	+10
Daytona Beach	—4	+10	+11	..	..
Jacksonville	+15	+7	+14	—5	—4
Miami Area	—2	+5	+7	—6	+5
Miami	—1	+3	+4	..	..
Orlando	+5	+9	+14	..	..
St. Ptrsbg-Tampa Area	+1	+19	+18	—0	+28
GEORGIA	+4	+1	+6	—4	+3
Atlanta**	+1	+1	+5	—4	+3
Augusta	+25	+12	+15	..	..
Columbus	+5	—11	—1	—3	+10
Macon	+11	+0	+6	—3	+8
Rome**	+3	+21	+22	..	..
Savannah	+4	—8	—1	..	..
LOUISIANA	+8	+2	+4	—6	—4
Baton Rouge	+17	+5	+6	—5	—2
New Orleans	+8	+2	+5	—6	—3
MISSISSIPPI	+14	+8	+10	—5	+0
Jackson	+11	+9	+11	—3	+1
Meridian**	+10	+6	+8	..	..
TENNESSEE	+13	+5	+9	—5	+9
Bristol-Kingsport-Johnson City**	+33	+4	+5	—5	—1
Bristol (Tenn.&Va.)**	+35	+0	+2	—8	—5
Chattanooga	+20	+9	+10	..	..
Knoxville	+5	—0	+7	—6	+11
DISTRICT	+6	+5	+8	—5	+4

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

Bank Announcements

Continued from Page 4

On July 1, the newly organized Peoples Bank of Tallahassee, Tallahassee, Florida, opened for business as a nonmember bank and began to remit at par. Officers are H. C. Roland, President and Albert Carpenter, Vice President and Cashier. The bank's capital stock is $175,000 and surplus and undivided profits $77,000.

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

				Percent Change		
				May 1959 from		Year-to-date
	May 1959	Apr. 1959	May 1958	Apr. 1959	May 1958	1959 from 1958
ALABAMA						
Anniston	40,303	39,355	35,855	+2	+12	+15
Birmingham	771,730	777,120	711,070	—1	+9	+12
Dothan	32,373	31,783	28,553	+2	+13	+10
Gadsden	37,949	38,053	34,893	—0	+9	+18
Huntsville*	64,653	62,324	57,457	+4	+13	+28
Mobile	292,533	271,745	243,332	+8	+20	+8
Montgomery	167,596	162,413	144,793	+3	+16	+22
Selma*	24,556	22,459	21,476	+9	+14	+10
Tuscaloosa*	50,869	50,741	46,183	+0	+10	+14
Total Reporting Cities	1,482,562	1,455,993r	1,323,612r	+2	+12	+13
Other Cities†	754,240	705,981r	641,078r	+7	+18	+20
FLORIDA						
Daytona Beach*	59,929	63,011	52,696	—5	+14	+9
Fort Lauderdale*	201,010	213,908	173,637	—6	+16	+9
Gainesville*	36,826	40,003	33,536	—8	+10	+12
Jacksonville	827,699	769,412	665,635	+8	+24	+11
Key West*	16,322	17,355	15,045	—6	+8	+9
Lakeland*	76,319	75,542	61,648	+1	+24	+17
Miami	845,919	890,651	691,607	—5	+22	+16
Greater Miami*	1,267,459	1,357,507	1,059,591	—7	+20	+15
Orlando	254,419	236,278	189,213	+8	+34	+27
Pensacola	86,144	87,033	78,436	—1	+10	+8
St. Petersburg	215,356	225,919	176,258	—5	+22	+18
Tampa	418,598	421,023	353,131	—1	+19	+17
West Palm Beach*	138,916	159,079	118,852	—13	+17	+16
Total Reporting Cities	3,598,997	3,666,070	2,977,678	—2	+21	+15
Other Cities†	1,539,148	1,598,732	1,297,387	—4	+19	+15
GEORGIA						
Albany	62,567	61,171	60,076	+2	+4	+12
Athens*	36,822	37,236	34,844	—1	+6	+8
Atlanta	1,927,974	1,988,306	1,675,561	—3	+15	+14
Augusta	99,593	101,234	93,268	—2	+7	+10
Brunswick	25,682	25,298	20,990	+2	+22	+23
Columbus	101,433	101,838	93,422	—0	+9	+9
Elberton	9,356	9,164	10,435	+2	—10	+6
Gainesville*	51,067	50,866	53,391	+0	—4	+2
Griffin*	18,522	18,203	16,965	+2	+9	+13
LaGrange*	20,164	18,808	18,408	+7	+10	+14
Macon	115,105	119,181	104,858	—3	+10	+16
Marietta*	32,572	30,515	26,797	+7	+22	+20
Newnan	16,612	15,610	15,810	+6	+5	+7
Rome*	42,351	42,489	36,541	—0	+16	+12
Savannah	202,376	194,049	177,200	+4	+14	+14
Valdosta	33,923	31,826	26,179	+7	+30	+25
Total Reporting Cities	2,796,119	2,845,794	2,464,745	—2	+13	+13
Other Cities†	874,050	878,363	764,686	—1	+14	+15
LOUISIANA						
Alexandria*	65,813	73,881	66,616	—11	—1	+7
Baton Rouge	279,706	275,357	246,927	+2	+13	+10
Lafayette*	63,715	60,113	60,148	+6	+6	+16
Lake Charles	88,111	87,424	83,596	+1	+5	+6
New Orleans	1,288,361	1,326,957	1,236,988	—3	+4	+5
Total Reporting Cities	1,785,706	1,823,732	1,694,275	—2	+5	+6
Other Cities†	582,397	574,127	513,391	+1	+13	+14
MISSISSIPPI						
Biloxi-Gulfport*	47,580	49,469	40,141	—4	+19	+20
Hattiesburg	35,045	35,352	31,397	—1	+12	+13
Jackson	280,485	281,170	252,212	—0	+11	+32
Laurel*	26,744	25,818	22,882	+4	+17	+18
Meridian	43,370	42,638	43,163	+2	+0	+17
Natchez*	23,468	21,737	19,581	+8	+20	+11
Vicksburg	18,525	18,546	18,640	—0	—1	+5
Total Reporting Cities	475,217	474,730	428,016	+0	+11	+25
Other Cities†	242,128	245,958	223,474	—2	+8	+16
TENNESSEE						
Bristol*	44,494	46,983	39,426	—5	+13	+16
Chattanooga	319,583	322,605	269,543	—1	+19	+18
Johnson City*	39,247	40,358	37,765	—3	+4	+5
Kingsport*	79,692	79,470	68,055	+0	+17	+15
Knoxville	219,784	228,150	201,382	—4	+9	+12
Nashville	680,911	670,007	589,189	+2	+16	+20
Total Reporting Cities	1,383,711	1,387,573	1,205,360	—0	+15	+18
Other Cities†	542,712	544,603	460,499	—0	+18	+16
SIXTH DISTRICT	16,056,987	16,201,656r	13,994,201	—1	+15	+14
Reporting Cities	11,522,312	11,653,892r	10,093,686r	—1	+14	+13
Other Cities*	4,534,675	4,547,764r	3,900,515r	—0	+16	+16
Total, 32 Cities	9,839,121	9,886,668	8,603,612	—0	+14	+14
UNITED STATES						
344 Cities	215,964,000	226,368,000	195,100,000	—5	+11	+9

*Not included in total for 32 cities that are part of the National Bank Debit Series.
†Estimated. r Revised

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Sixth District Indexes

Seasonally Adjusted (1947-49 = 100)

	1958									1959				
SIXTH DISTRICT	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY
Nonfarm Employment	133	134	134	134	135	136	136	137	136	137	137	138	138	139
Manufacturing Employment	115	115	116	117	117	117	118	119	118	119	120	121	121	123
Apparel	163	167	168	170	168	167	169	170	172	173	174	174	176	179
Chemicals	131	133	132	130	130	127	127	128	129	132	132	133	135	135
Fabricated Metals	172r	174r	180r	186r	183r	183r	180r	178r	175r	178r	172r	173r	180r	182
Food	109	110	109	111	110	112	113	112	112	113	114	115	115	113
Lbr., Wood Prod., Fur. & Fix.	74	74	74	75	76	79	80	80	79	79	80	78	79	80
Paper & Allied Products	157	156	154	154	156	159	159	159	160	160	161	161	161	163
Primary Metals	90	93	91	89	88	89	94	90	92	91	92	95	98	101
Textiles	85	84	84	85	85	86	86	86	86	86	87	88	87	88
Transportation Equipment	199	183	210	208	221	220	203	213	217	213	205	200	207	210
Manufacturing Payrolls	184	186	195	199	200	200	199	204	205	204	206	209	214	216
Cotton Consumption**	74	75	80	81	83	89	87	87	84	91	92	93	94	92
Electric Power Production**	306	297	312	312	313	311	314	316	330	351	346	341	340	n.a.
Petrol. Prod. in Coastal														
Louisiana & Mississippi**	162	164	167	170	176	187	190	190	201	192	193	189r	191r	207
Construction Contracts*	324	375	394	427	397	393	364	333	309	336	445	463	453	n.a.
Residential	315	338	381	377	413	421	433	375	367	364	382	394	398	n.a.
All Other	332	406	405	468	384	371	308	298	262	314	496	520	499	n.a.
Farm Cash Receipts	150	157	165	134	136	104	112	123	130	141	134	142	150	n.a.
Crops	134	143	146	90	118	82	84	99	92	128	113	105	127	n.a.
Livestock	174	178	184	184	182	185	217	216	211	162	164	185	183	n.a.
Dept. Store Sales*/**	157	168r	176	173	183	167	165	170	176	174	168	167	175	182p
Atlanta	153	154	169	168	183	158	154	161	162	164	161	155	169	161
Baton Rouge	164	172	199	185	187	179	180	214	204	195	180	171	190	187p
Birmingham	121	133r	129	127	147	133	131	129	138	136	127	127	135	135
Chattanooga	136	145	144	159	161	150	154	163	156	162	154	148	148	164p
Jackson	99	107	106	111	124	107	111	126	124	124	116	104	111	121p
Jacksonville	108	122	126	127	138	129	135	136	142	143	141	136	130	135
Knoxville	141	148r	137	139	156	151	146	155	163	161	154	147	151	153
Macon	151	159	165	164	183	147	153	158	158	161	155	143	170	165
Miami	239	247r	259	268	285	250	258	230	256	242	248	251	263	269
New Orleans	135	137	145	141	147	140	144	144	148	145	139	130	142	144p
Tampa-St. Petersburg	181	203	202	207	219	209	209	214	212	207	203	221	230r	251p
Dept. Store Stocks*	191	193r	191	192	192	198	202	207	205	200	198	195	201	200p
Furniture Store Sales*/**	137	143	139	139	153	145	145	152	148	161	154	141	157r	153p
Member Bank Deposits*	168	170	174	170	176	175	175	180	179	181	178	179	178	182
Member Bank Loans*	273	276	279	278	281	282	285	291	292	298	303	305	311	316
Bank Debits*	237	226	233	240	230	257	250	243	273	265	270	271	272r	259
Turnover of Demand Deposits*	140	140	144	148	147	146	142	139	150	144	153	149	145	158
In Leading Cities	159	154	168	165	165	161	149	146	161	153	162	160	164	174
Outside Leading Cities	105	111	104	110	113	116	105	102	121	114	121	118	112	126
ALABAMA														
Nonfarm Employment	118	118	118	118	118	118	120	120	120	121	120	121	120	121
Manufacturing Employment	103	104	105	105	104	102	106	107	103	104	104	105	107	108
Manufacturing Payrolls	164	167	175	175	177	175	182	186	179	182	185	189	193r	189
Furniture Store Sales	133	134r	128	130	145	138	136	136	131	147	154	125	145r	135p
Member Bank Deposits	145	146	150	150	154	152	153	158	155	155	154	154	156	157
Member Bank Loans	226	230	231	235	233	234	239	246	242	248	254	250	254	259
Farm Cash Receipts	152	142	147	143	130	97	106	101	111	126	123	147	148	n.a.
Bank Debits	204	200	206	210	208	231	221	216	232	233r	232r	231r	235r	227
FLORIDA														
Nonfarm Employment	178	180	182	186	186	188	188	188	187	188	189	191	193	195
Manufacturing Employment	172	177	178	183	185	187	187	186	186	188	190	193	195	195
Manufacturing Payrolls	279	289	298	309	313	320	326	322	316	318	326	319	343	351
Furniture Store Sales	152r	157	155	156	172	171	153	170	167	176	184	163	183	176
Member Bank Deposits	216	221	227	225	233	233	235	241	241	242	238	235	233	241
Member Bank Loans	444	441	447	449	456	457	463	477	477	485	492	500	511	526
Farm Cash Receipts	239	249	308	214	206	212	162	147	162	281	232	182	230	n.a.
Bank Debits	337	322	354	360	342	384	388	357	403	370	378	383	379	387
GEORGIA														
Nonfarm Employment	127	127	128	128	129	130	130	130	130	131	131	131	132	132
Manufacturing Employment	112	110	113	114	114	116	115	116	116	115	116	117	118	119
Manufacturing Payrolls	173	170	186	193	195	191	190	201	200	195	197	204	206	212
Furniture Store Sales	120	138r	136	133	154	147	151	141	153	149	143	134	151	148p
Member Bank Deposits	147	148	152	146	154	155	154	158	158	159	157	157	157	160
Member Bank Loans	212	213	216	213	212	219	223	226	227	230	237	235	244	246
Farm Cash Receipts	150	157	167	129	157	158	104	124	153	143	142	169	150	n.a.
Bank Debits	212	207	212	219	212	236	224	218	243	236	238	242	247	235
LOUISIANA														
Nonfarm Employment	129	129	129	127	127	128	128	128	129	129	129	128	128	129
Manufacturing Employment	96	96	95	94	95	96	96	98	97	96	95	96	96	97
Manufacturing Payrolls	169	166	167	164	168	167	165	172	169	173	173	175	178	180
Furniture Store Sales*	171	182r	178	177	189	181	166	197	196	171	174	203	177	191
Member Bank Deposits*	154	157	159	153	157	155	152	156	159	163	160	165	160	165
Member Bank Loans*	269	271	272	264	273	265	268	277	274	284	287	293	293	295
Farm Cash Receipts	96	115	147	143	109	72	99	114	109	103	112	130	123	n.a.
Bank Debits*	206	203	211	209	201	235	215	199	230	210	216	227	230	218
MISSISSIPPI														
Nonfarm Employment	126	128	127	127	127	130	130	131	130	132	131	131	130r	132
Manufacturing Employment	124	125	125	127	129	130	132	133	132	131	131	131	132	134
Manufacturing Payrolls	224	226	231	235	246	247	247	248	245	247	246	251	250	247
Furniture Store Sales*	96	107	113	101	123	101	80	107	133	114	106	97	114	120
Member Bank Deposits*	185	186	186	184	192	194	197	198	195	197	190	198	195	191
Member Bank Loans*	308	334	337	367	352	359	359	363	369	361	367	378	383	391
Farm Cash Receipts	124	148	145	138	100	59	99	129	122	93	85	146	129	n.a.
Bank Debits*	182	190	191	207	201	221	211	214	233	217	210	226	226	209
TENNESSEE														
Nonfarm Employment	119	119	119	119	119	120	120	120	120	120	121	122	123	123
Manufacturing Employment	113	113	113	113	114	115	116	116	116	117	118	119	119	120
Manufacturing Payrolls	179	181	182	187	193	192	187	187	196	202	204	205	208r	208
Furniture Store Sales*	106	109	104	105	105	103	103	112	113	111	114	109	114	116
Member Bank Deposits*	156	158	161	156	159	158	159	161	162	165	160	159	162	166
Member Bank Loans*	242	245	248	243	250	247	251	251	256	262	267	268	272	276
Farm Cash Receipts	116	103	113	114	112	77	114	114	100	98	107	119	109	n.a.
Bank Debits*	197	197	199	201	202	217	220	213	235	230	243	232	231	228

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

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

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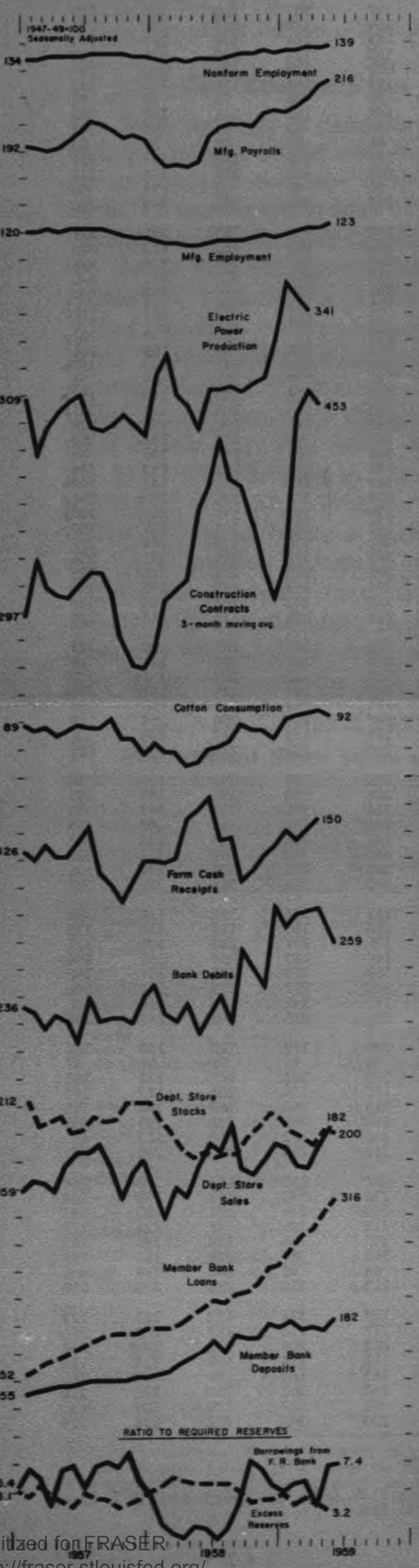
SIXTH DISTRICT BUSINESS HIGHLIGHTS



MOST MEASURES *of economic activity showed further advancement in May. Nonfarm employment set a new record as a result of widespread gains in the various types of activity and in individual District states. Consumer spending rose, and higher farm prices improved farm income. Lending at member banks continued to increase.*

Nonfarm employment, seasonally adjusted, rose to a new record in May, reflecting continued gains in both **manufacturing** and **nonmanufacturing.** Increases occurred in Alabama, Florida, Louisiana, and Mississippi, but employment in Georgia and Tennessee was unchanged from the records set in the previous month. **Factory payrolls** also rose to a new high as a result of the rise in manufacturing employment. With employment increasing, the **rate of insured unemployment** dropped more than seasonally, indicating further improvement in the unemployment picture during May.

Cotton textile activity, as measured by seasonally adjusted **cotton consumption,** declined slightly in May, following increases in earlier months of this year. The three-month average of **construction contract awards,** including data for May, declined from the record set in March but exceeded all other previous months. **Crude oil production** in Coastal Louisiana and Mississippi rose to a new seasonally adjusted record in May. **Steel mill activity** remained high, the operating rate in May and early June continuing at about the April level.

Farm prices advanced slightly in May as increases in prices for citrus, cotton, soybeans, and hogs more than offset lower cattle, broiler, and egg prices. Prices in Florida, heavily weighted by citrus prices, rose more than those in other District states. **Farm marketings** were up in May, primarily because more broilers, cattle, milk, and citrus were sold than in April. **Weather conditions** brightened in many areas in June, improving the prospect for most summer crops.

Measures of consumer spending have shown further increases in recent months. **Retail sales** rose slightly in March and April, following previous sharp gains. **Automobile sales** through April were sharply above a year ago. Seasonally adjusted **department store sales** rose in May to a level just short of the all-time record set last August, with preliminary figures indicating that the high volume has been sustained during June. However, **sales at furniture** and **household appliance stores** did not rise in May as much as they usually do.

Consumer instalment credit outstanding at commercial banks rose somewhat more than seasonally, reflecting sharp increases in automobile and other types of consumer lending. Outstanding instalment credit at consumer finance companies and credit unions also rose more than is usual for this time of year. **Bank debits,** a measure of spending by businesses, consumers, and state and local governments, dropped in May.

Member bank loans continued to advance in May, reflecting mainly active credit demands at country banks. **Deposits at member banks** rose somewhat more than seasonally. Banks further reduced their holdings of **U. S. Government obligations** in May and stepped up their **borrowings from the Federal Reserve Bank of Atlanta,** which increased the **discount rate** from 3 to 3½ percent, effective June 2. In June total **loans at banks in leading cities** increased more than in other years because of a sharp increase in business loans. **Member bank borrowings** from the Federal Reserve Bank of Atlanta in June exceeded the high level of 1957.

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