SIXTH FEDERAL RESERVE DISTRICT

Monthly Review

Atlanta, Georgia
December • 1959

Federal Reserve Bank of Atlanta

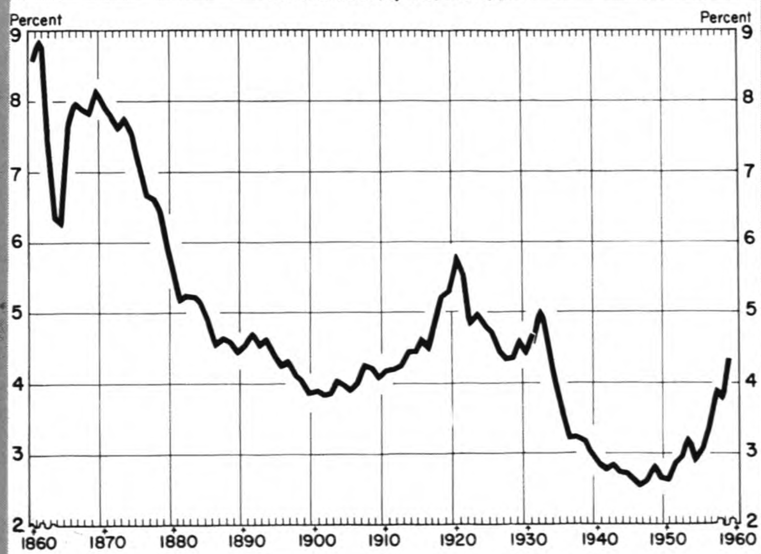
The Function of Interest Rates

How many of us have not at one time or another complained about the high cost of borrowed money? Probably most of us have, because no home buyer, businessman, or other borrower likes to pay a lot of interest when he has to borrow money. On occasion some of us may have had the opposite complaint of not getting a high enough return on our savings or on the money we lend to others. But other than for these personal considerations, most of us have probably given little or no thought to what determines the price of borrowed money and the reward for saving, which is known as the interest rate. And even fewer of us have given any thought to what purpose interest rates serve in this complex economic world of ours. If we think about it for a while, we find that the interest rate is, in fact, an important actor on the economic stage. It would, therefore, be wise to know more about its role and how well it performs.

What Is An Interest Rate Anyway?

Before we can understand what the interest rate is supposed to do, we should have a clear idea what the interest rate is. In simple terms, it is

A Century of Interest Rates
United States, 1860-1959



Note: 1860-1930—Average yields of long-term highest grade railroad bonds; 1931-1959—Average yields on Aaa corporate securities.

The price charged for the use of money, which is the interest rate, has risen since mid-1958. It is, however, still much lower than it was between 1860 and 1930, when 5 percent or more on high grade bonds was not unusual.

nothing more than the price charged for the use of a sum of money for a certain period of time. Like any other object in the market place, it is influenced by supply and demand. Or, more specifically, the determining factors are the supply and demand for funds available in the credit market.

We are all familiar with what happens to prices when there is a rush to buy: They usually go up. The same thing can be said for interest rates. They tend to rise when the demand for funds increases. Prices of goods, on the other hand, tend to decline if more goods become available for purchase, and if demand has not increased along with supply. Similarly, borrowers can often look forward to lower interest rates if the supply of available funds increases but demand does not.

When people borrow money, they ordinarily do so in order to spend it. And they usually borrow more in times of prosperity than in other times. Take the typical businessman: Heavy demand for his product gives him a strong incentive to expand his factory or to build a new one. He can, and often does, use retained profits for this purpose, but borrowed funds finance much plant and equipment spending at all times. Inventory building, common during periods of business expansion, frequently necessitates additional borrowing. The consumer also tends to borrow more when his income is high, as he then becomes more confident about the future. This is particularly true when he buys homes and automobiles, which are financed chiefly through credit. Demands for more public services force state and local governments to go into debt. And whenever taxes fall short of appropriations, the United States Treasury joins the rank of active borrowers.

On the supply side, savings are the largest single source of loanable funds, with the amounts saved determined by millions of individuals, businesses, and governmental units. These savings are then channeled to the ultimate borrower either by the saver directly or by a savings institution.

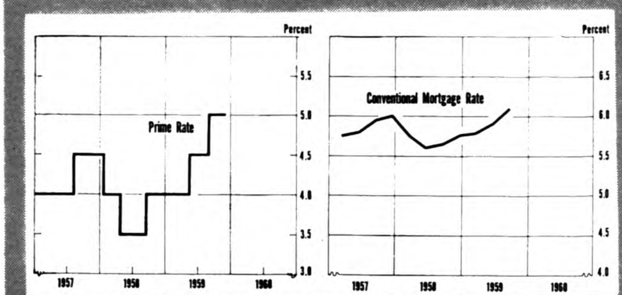
Changes in Interest Rates
United States, 1957-59

Short-term rates, such as those on three-month bills, have risen more dramatically than long-term rates. By the fall of 1959, Treasury bills, which at one point last year traded close to ½ percent, were well above 4 percent, or slightly above long-term Government bonds.

The Federal Reserve and Interest Rates

How does the Federal Reserve System and commercial bank credit fit into the picture? The Federal Reserve can add to the supply of funds that commercial banks have available for their lending and investing activities. Yet, even without help from the Reserve System, the banks can add to the funds flowing into the credit markets if their cash reserve position is large. When necessary, banks can also turn to sales of Government securities in order to finance customers with strong loan demands.

Prime Rate and Conventional Mortgage Rate
United States, 1957-59



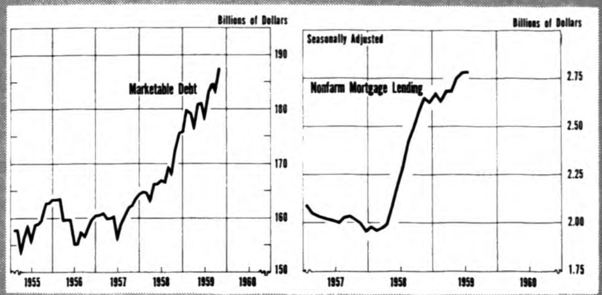
Gains in interest rates have not been limited to Treasury issues. The prime rate, which is the rate certain banks charge selected customers, has been increased to 5 percent, and average rates on conventional mortgages have moved above 6 percent.

Interest Rates Affect Spending and Saving

Events during the last recession and current business expansion illustrate how readily interest rates respond to supply and demand forces. In late 1957 and the first half of 1958, a recession period, demands for borrowed money declined, as capital spending, home building, and other activities normally supported by credit slackened. The decline in interest rates that followed was reinforced by the Reserve System, which added greatly to bank reserves. But the summer of 1958 saw a turnabout in rates and by September 1959, rates had reached the highest level since the early 1930's.

The increase occurred because demands for loanable funds exceeded the supply available from current savings and bank credit. Heavy borrowing by the Treasury to finance its $12 billion deficit was one of the major contributing factors to the rise in rates. But there were others: The slowing down in savings, and on the demand side, a rapidly rising mortgage and consumer debt, inventory borrowing, and substantial capital spending by industry and state and local governments. It would follow

Marketable Debt and Nonfarm Residential Mortgage Financing
United States



An exceptionally strong demand for funds accompanying the business expansion has been largely responsible for the increased rates. Some of the heaviest demand for funds came from the Federal Government and the mortgage sector, reflecting the large Treasury deficit and high level of home building.

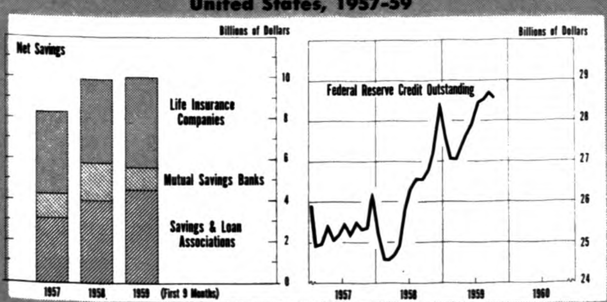
that the rise in rates will end only if savings increase sufficiently to match investment, if investment plans are reduced to the level of available savings, or if the System creates reserves enough to satisfy all credit demands.

The Reserve System—The Culprit?

The Reserve System supplied banks with additional reserves, but not enough to meet the demands of all potential bank borrowers. Since savings, supplemented by some additional Federal Reserve credit, did not match the demand for funds, the net result was that potential borrowers bid against each other for the available money. Those unwilling to pay the higher rate that resulted from this bidding did not get the funds and consequently had to curtail their spending plans.

Also, the higher interest rates must have encouraged some groups to save a larger share of their incomes. To the extent that savers did curb their spending, they made productive resources available to others. And their reduced demand acted to keep down price advances that were encouraged by a shortage of various goods and services.

Net Savings and Federal Reserve Credit
United States, 1957-59



Since the increased demand for funds could not be satisfied by savings generated in the economy and additional credit supplied by the Federal Reserve, interest rates rose.

Interest Rates Allocate Funds

So far only the influence of interest rates on total spending and saving has been mentioned. Yet, in a free society, interest rates perform the additional function of influencing the amount of credit that flows into specific channels within our economic system. A potential investor expects a certain rate of return before going ahead with his investment plans. Since interest is one of the costs of doing business, an increase in interest lowers future profits, unless it is passed along by a rise in the selling price. High interest costs are a particular deterrent to speculative business ventures and to businessmen whose profit margins are very narrow. Thus, the interest rate mechanism under ideal conditions becomes the cutting edge that permits some to obtain funds when others cannot.

Where Interest Costs Have the Greatest Impact

The rate impact is obviously not the same in every sector of the economy. Interest considerations loom fairly large in a field like construction because there interest constitutes a fairly large proportion of total costs. On the other hand, a fractional rate increase on a small personal loan would increase monthly payments so little that few persons would be discouraged from borrowing. However, even those not disturbed by the additional cost of borrowing money might, to their chagrin, find that they are not able to borrow money at all because of the scarcity of funds.

When funds are limited and demands are high, lending institutions often become more selective in their choice of loan customers. Or again, they may scale down loan requests or shorten the maturity of loan contracts.

Banks may be under heavy pressure to "ration" credit when the securities they need to sell in order to raise funds can be sold only below cost. Even if it is profitable to make the switch from investments to loans, a bank may hesitate if its loan portfolio is swollen or if its investments are inadequate to meet potential deposit losses.

Imperfections in the Allocation Process

Whether interest rates allocate resources perfectly or not may be debatable. But one thing is sure: When interest rates have had a greater impact on some economic sectors than on others, the reason often is that they were not allowed to move freely in response to the supply and demand for funds. The rate on VA mortgages, for instance, is fixed at 5¼ percent—a rate of return which is unattractive to most lenders. When state and local governments have not obtained funds, it has frequently been because of statutory or other limitations on the rate that they are permitted to pay. Here is another example: The Treasury has not been able to sell new bonds because the $4\frac{1}{4}$ percent maximum rate it is allowed to pay on such offerings is viewed in today's market as being too low, compared with alternative investments. Consequently, in recent months it has had to borrow only on a short- and intermediate-term basis and was prevented from competing with other borrowers for long-term savings.

It has been said that the impact of higher interest rates is felt more by the small than by the large businessman. Small loans to small businesses do customarily bear higher rates of interest because they are usually greater credit risks and for other reasons. This is true whether money is "easy" or "tight." Studies show that when a small businessman cannot obtain funds, however, more often than not it is because he is too great a credit risk, not merely because he is a small businessman. Size of business *per se* seems to have had little, if anything, to do with it.

Higher interest costs have also been blamed for raising prices of goods and services. When included in the sales price, an increase in interest will indeed have that result. But this is a minor influence compared with general price increases that are likely to occur if a credit spree during a boom is not controlled.

Some of those who are opposed to allowing increased demands for funds to force up interest rates have argued that the Reserve System should supply banks with enough funds to keep interest rates low no matter how much the demand for funds increases. But overlooked in this argument is that when the economy is operating at or near capacity, a large increase in the supply of funds may increase output only a little, and that the small increase in output could probably be obtained only at the expense of a substantial rise in prices. Also, would not an artificially low rate discourage savers from providing funds to the private economy?

The Choice

Granted that the interest rate mechanism may not function perfectly at all times, if we do not rely on it, then on what should we rely? Allocation of resources by a Government Bureau? Forced loans? Price and wage controls or similar regulations? Except in wartime, measures such as these are unacceptable in a democratic society. An arrangement whereby some Bureaucrat decides who is to get the available credit is not only objectionable, but it is grossly inefficient.

A reliance on the interest rate mechanism to limit the demand for funds to the financial resources available from savings, to allocate available resources among potential borrowers, and to encourage savings and capital formation implies that it should be permitted to do the job without interference so far as possible. Only by this means can our free society avoid the many economic difficulties that would otherwise develop in the long run and thus also avoid having to adopt a system of rigid economic controls. A freely functioning interest rate is an essential element of an economic system, such as ours, whose purpose is to provide freedom of choice in free markets.

HARRY BRANDT

Bank Announcements

The Commercial Bank at Fort Pierce, Fort Pierce, Florida, a newly organized nonmember bank, opened for business October 30, and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are L. W. Scott, President; Fred L. Wagner, Executive Vice President; and Henry M. Jernigan, Cashier. Its capital totals $400,000 and surplus and undivided profits, $200,000.

On November 12, The Airport Bank of Miami, Miami, Florida, a newly organized nonmember bank, opened for business and began to remit at par. Officers are Charles E. Buker, President; Edmund F. Eckert, Vice President and Cashier; and Robert E. Hesterberg and Jack M. Copeland, Vice Presidents. Its capital totals $100,000 and surplus and undivided profits, $100,000.

On November 14, the Citizens Bank & Trust Company, Selma, Alabama, a newly organized nonmember bank, opened for business and began to remit at par. J. Bruce Pardue is President, and Wallace R. Hill is Vice President and Cashier. Capital totals $250,000 and surplus and undivided profits total $375,000.

The Santa Rosa State Bank, Milton, Florida, a newly organized nonmember bank, opened for business December 1, and began to remit at par. Officers are Claude E. Locklin, Sr., President; Robert L. F. Sikes, First Vice President; John S. Pittman, Second Vice President; Rex E. Bond, Executive Vice President and Cashier; and Gerald Martin, Assistant Cashier. Capital totals $210,000 and surplus and undivided profits, $140,000.

Another newly organized nonmember bank, the Bank of Orange Park, Orange Park, Florida, opened for business December 1, and began to remit at par. Officers are John H. Pace, Jr., Chairman; E. B. McDaniel, Jr., President; Walter G. Odum, Vice President and Cashier; and Elizabeth M. McKnight, Assistant Cashier. Capital stock is $172,000 and surplus and undivided profits, $129,000.

Food Prices Move Down

Bountiful farm output this year has helped check a rise in average consumer and wholesale prices. Consumer incomes rose after mid-1958 and their demand held at high levels. With large shipments from farms weakening prices for foods, both the wholesale and consumer price indexes for food have moved down sharply this year from their early 1958 peaks.

In February the consumer index for all items actually declined from the preceding month, as lower prices for food more than offset higher prices for nonfood items, services, and rents. By early summer, however, food prices rose again, as eggs recovered from a slump and other foods experienced seasonal gains in price. The rise in food prices reinforced the upward movements in many other prices.

Food prices, however, sank again in late 1959. By reason of the record harvest from farms this fall, total farm output in 1959 slightly exceeded the previous record made in 1958. Also, farmers had expanded their hog and beef herds earlier and were shipping more animals to markets in late 1959. With large farm marketings having a depressing effect on food prices, strong downward pressure on the food indexes in late 1959 was virtually foreordained. Furthermore, food carries a sizable weight in both the retail and wholesale indexes which magnifies the impact from large harvests.

All told, strong farm activity brought a substantial drop in the wholesale index for food between January and November 1959 and a modest decline in the index for all commodities. Indexes for both farm products and processed foods moved lower. Wholesale prices for farm products, for example, declined from an index of 91.5 in January 1959 to 86.0 in October. Lower prices for eggs, broiler meat, and pork contributed heavily to the decline. Prices for fruits and vegetables were unchanged. Prices for milk exerted upward pressure.

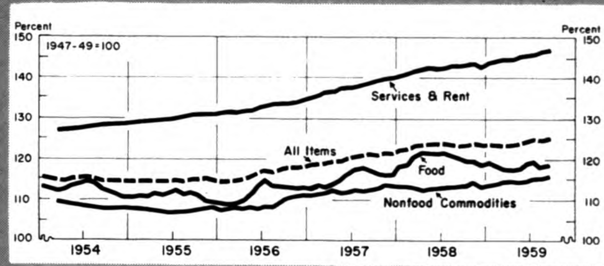
The index for processed food items declined principally because meats and poultry became more plentiful. Similarly, canned and frozen fruits and vegetables were in large supply and prices moved lower. Prices increased for cereal products, dairy products, and other items requiring much handling and processing.

Lower food prices at the wholesale level were reflected in the consumer price index for foods. That index moved down less sharply over the year, however, because the cost of many services, included in retail food prices, did not decline correspondingly.

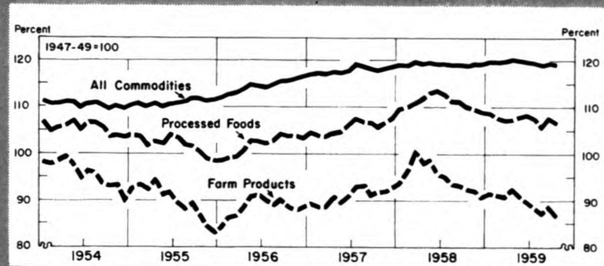
From all indications farmers, having built their herds to record size, are in a position to sell many more animals than they did in the recent past. Egg production is expected to hold near that in 1959 and prices, therefore, may not strengthen appreciably over the winter. Cereal grains are in heavy supply, and although prices may rise somewhat in the winter season, the downtrend probably will not be overcome. Citrus fruit is also plentiful, and prices for it probably will not match those last winter. Vegetables and broilers by last count will be less plentiful this winter. On balance a further softening in food prices seems possible.

ARTHUR H. KANTNER

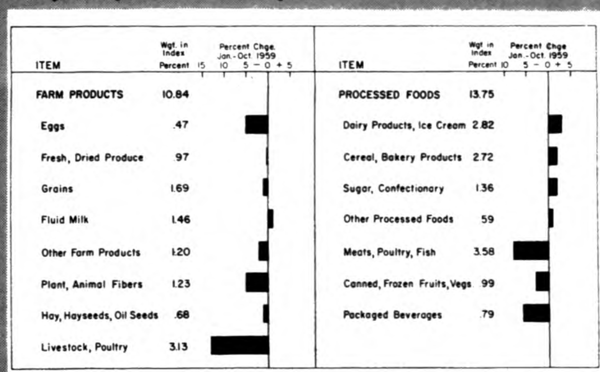
Upward movements in the nation's retail price indexes for services and rents and nonfood commodities since mid-1958 have been partly offset by declines in food prices.



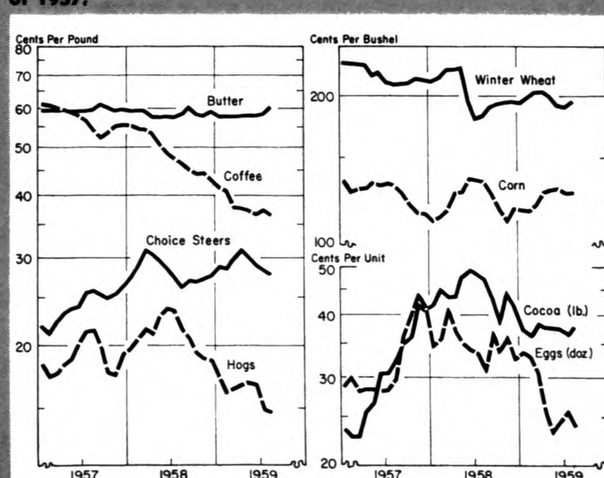
Relative stability in the wholesale price index for all commodities resulted from declines in prices for processed foods and farm products that offset higher prices for nonfood items. Processed foods and farm products account for about a fourth of the national wholesale price index.



Although prices of most types of farm products have declined this year, prices of some processed foods have risen.



Declining trends in some types of foods such as coffee, hogs, wheat, and eggs have brought prices well below those of 1957.



Charting the Course

The economic fortunes of Florida, or any other state, are inextricably entwined with those of the nation. Our modern industrial economy has been described as similar in character to a complex balanced machine because, in order for it to function efficiently, there must be a high degree of coordination among the various constituent parts. A disturbance or stimulus in one phase of operations may be transmitted throughout the whole and slow down or accelerate the entire economic process.

Local economies, however, do not move up and down in perfect unison because of variations in economic structures and in patterns of growth among geographic areas. The differences in behavior of individual areas tend to be blurred, however, when combined into national totals. To chart the course of Florida's economy, therefore, we shall look beneath the surface of broad aggregates.

Output and Employment Expand

Recession gave way to expansion after the first quarter of 1958 in Florida as well as the nation. The sharp rise in total employment in Florida since the recession trough provides clear evidence of the expansion in output of goods and services. Manufacturing and nonmanufacturing employment, adjusted for seasonal variation, rose 18 and 12 percent, respectively, from April 1958 to October 1959. In this same period, farm employment also advanced slightly.

The increase in manufacturing employment reflects primarily gains in food, apparel, chemicals, fabricated metals, and paper. Gains in nonmanufacturing employment have resulted mainly from expansion in government, trade, and construction activity. Because nonmanufacturing workers account for about 85 percent of total nonagricultural employment, the numerical increase in employment in that area was much greater than in manufacturing.

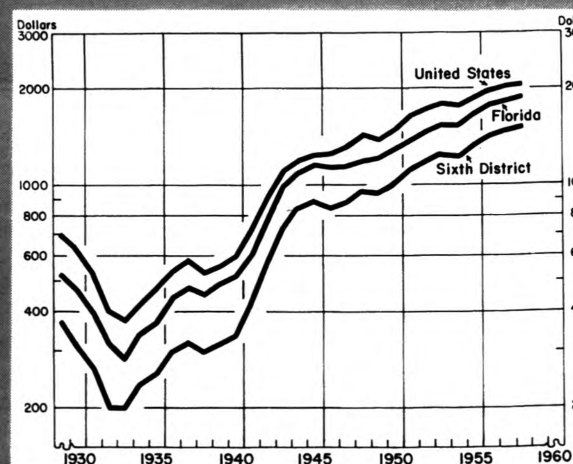
The rise in nonagricultural employment reflects addition of new plants and expansion of existing ones, as well as a general step-up in operations. Since the middle of last year, 740 new plants and major expansions have been announced for Florida, with more than one-fourth of those scheduled for location in Dade County. The need to staff new or expanded plants which have been all or partially completed during the last year or more has helped absorb Florida's rapidly expanding labor force. Employment opportunities should continue to be good because, in response to the high level of business activity, plans to spend on plant and equipment have recently accelerated in Florida, as they have in the nation.

Income and Spending Also Rise

With the number of workers and the average workweek and average hourly earnings rising, it is not surprising that incomes have expanded sharply. Seasonally adjusted manufacturing payrolls rose 33 percent during the period since the recession trough. A rise in nonmanufacturing payrolls undoubtedly accompanied the increase in employment, but detailed information is not available to document the exact size of the gain. Farm receipts and other nonwage income have also climbed throughout most of this year. Viewing all income and employment data together, it appears that total personal income—wages and salaries, farm receipts, proprietors' income, and so on—may have risen about 20 percent in the last eighteen months, an increase substantially larger than that for the nation.

The sharp growth in personal income has been one of the main factors stimulating strong demands for goods and services of all types. New car registrations—a measure of new car sales—were 47 percent higher in third-quarter 1959 than in the comparable quarter a year earlier. Department store and furniture store sales, which provide a rough guide to consumer spending for durable goods other than autos and nondurable goods, have each risen 18 percent from April 1958 through October 1959. Over this same period, broader indicators of consumer spending, which include expenditures for food and services, and for durable and nondurable goods, also have shown a strong upward movement. Finally, bank debits have risen 29 percent during the recent expansion, more than twice the rate of increase for the nation. Debit data reveal trends in total money payments; hence they are a rough guide to changes in overall business activity.

Per Capita Personal Income
Florida, Sixth District, and United States
1929-58



The rate of growth in Florida's per capita income in recent years has paralleled that of the District and of the nation.

Florida's Economy

Demand for Credit Strong

A strong demand for credit has accompanied the expansion in business activity. Dramatic evidence of the financing requirements associated with the recent upturn in home building is found in the 27-percent rise in mortgage holdings of Florida's savings and loan associations from April 1958 to September 1959. During this same period, loans secured by real estate, particularly those insured by the Federal Housing Administration, also rose sharply at member banks, as did consumer and business loans; outstanding member bank loans of all types, moreover, increased by over $200 million.

Total member bank loans in the state have, in fact, increased almost continuously in recent years. The pace of bank lending slowed during the recession but, after mid-1958, moved forward at a fast clip. The steady rise in lending reflects the financial requirements of a population and economy that are growing at a more rapid rate than the nation's.

The growth and diversification of Florida's economy have resulted in some fundamental shifts in bank lending-investment patterns. Traditionally, investments have loomed more important in bank portfolios than loans. In 1939, for example, loans at all member banks accounted for 39 percent of total loans and investments. This proportion dropped sharply to about 18 percent during the World War II period, but rose steadily thereafter. In July of this year, loans at all member banks exceeded investments for the first time in at least two decades.

Member Banks Feel Credit Pinch

Recent lending-investment patterns at Florida banks reflect the sharp demand for credit associated with the upturn in economic activity. At the same time, the Federal Reserve System—pursuing its objective of contributing to the country's sustainable economic growth—has, for more than a year, followed a national policy of credit restraint. In order to finance loan expansion in these circumstances, Florida member banks have disposed of investments, primarily United States securities, and have borrowed heavily from the Federal Reserve Bank of Atlanta.

Florida member banks did not begin to reduce their investment holdings appreciably until the spring of this year. Since then, however, they have disposed of about $100 million of securities. Member banks also stepped up their borrowing at about the same time they began to liquidate securities in quantity. Daily average borrowings totaled about $9 million in April, compared with about $55 million for the first two weeks in November.

The liquidation of investments and the rise in borrowings by Florida member banks is, of course, characteristic

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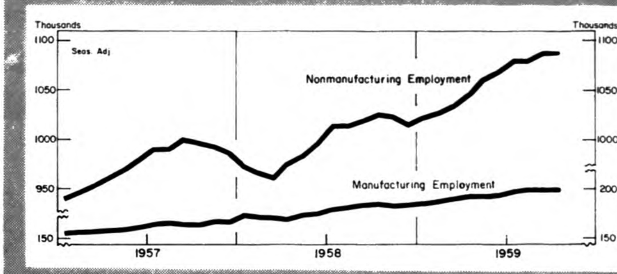
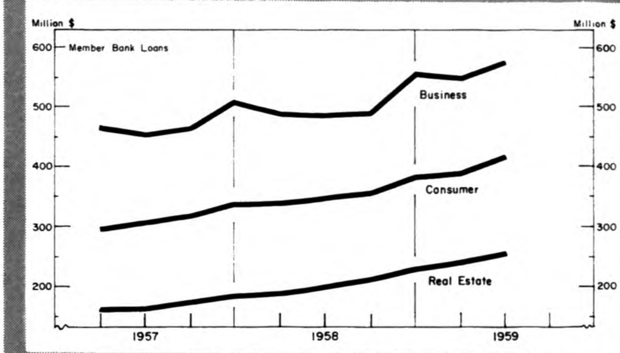
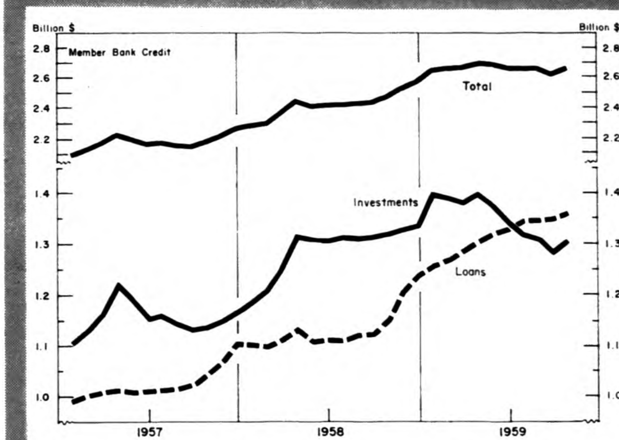
The rise in employment in Florida since the spring of 1958 provides clear evidence of the expansion in output of goods and services.



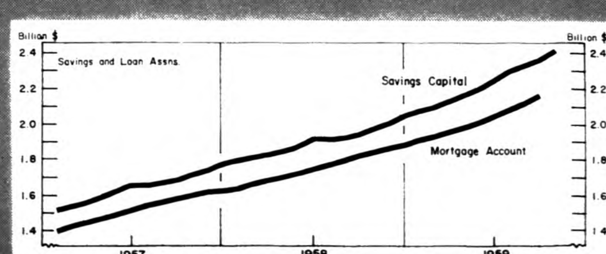
Loans outstanding of all major types increased at commercial banks.



Total loans and investments, however, changed little as a rise in loans was about offset by a decline in investments.



The sharp demand for credit which accompanied the expansion in business activity is illustrated by the rise in mortgage debt outstanding of savings and loan associations.



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Continued from Page 7

of credit stringency and reduced bank liquidity. The same story is told by the loan-deposit ratio, which rose from about 37 percent in April 1958 to about 45 percent in October 1959. Although the ratio in the most recent month was at a post-World War II high, it was still below the national estimate of 52 percent. While Florida banks are undoubtedly feeling the credit pinch, they still have a supply of securities of varying maturities, some of which may be used to finance further loan expansion.

Short- and Long-Run Prospects

Before speculating about where the economy is going, it is best to determine where it has been and where it is now. We have seen that economic activity has risen sharply since the recession trough, even though the rate of increase has slackened recently, as it often does at this stage of the business cycle. The economy, however, still appears to have within itself the elements necessary for further expansion. If this is so, Florida's short-run economic prospects, on the verge of the important winter season, appear to be bright.

For the longer-run, some of Florida's economic goals are to raise the per capita income and general welfare of its residents and to achieve a sustainable rate of economic growth sufficient to absorb its expanding labor force. As we have indicated, Florida's economic progress is linked with that of the nation, although it may deviate in some details in the short run. Florida's long-run economic prospects, therefore, are closely tied to the success of policies developed at both the national and local levels.

ALFRED P. JOHNSON

Department Store Sales and Inventories*

	Percent Change				
	Sales			Inventories	
	Oct. 1959 from		10 Months	Oct. 31, 1959 from	
Place	Sept. 1959	Oct. 1958	1959 from 1958	Sept. 30 1959	Oct. 31 1958
ALABAMA	+9	+4	+5	+3	+5
Birmingham	—2	—5	+2	+2	—0
Mobile	+25	+7	+6	..	..
Montgomery	+22	+9	+5	..	..
FLORIDA	+28	+7	+12	+6	+14
Daytona Beach	+26	—6	+7	..	..
Jacksonville	+34	+12	+19	+5	+18
Miami Area	+31	+6	+8	+6	+6
Miami	+30	+5	+6	..	..
Orlando	+28	+4	+11	..	..
St. Ptrsbg-Tampa Area	+21	+13	+18	+10	+30
GEORGIA	+3	+9	+6	+6	+20
Atlanta**	—2	+10	+6	+6	+24
Augusta	+22	+21	+15	..	..
Columbus	+19	+8	—0	+9	+10
Macon	+10	+3	+4	+4	+6
Rome**	+16	+9	+17	..	..
Savannah	+22	+2	—1	..	..
LOUISIANA	+20	+3	+4	+9	+4
Baton Rouge	+18	+2	+2	+6	—1
New Orleans	+20	+4	+6	+9	+7
MISSISSIPPI	+15	+5	+9	+6	+10
Jackson	+12	+1	+8	+6	+11
Meridian**	+12	+1	+6	..	..
TENNESSEE	+12	+5	+8	+5	+7
Bristol-Kingsport-Johnson City**	+13	+1	+4	+5	+3
Bristol (Tenn. & Va.)**	+13	—7	—0	+6	—9
Chattanooga	+13	+5	+8	..	..
Knoxville	+8	+9	+9	+4	+12
DISTRICT	+16	+6	+8	+6	+11

*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.

This REVIEW *may be received regularly upon request to the Publications Section, Research Department, Federal Reserve Bank of Atlanta, Atlanta 3, Georgia.*

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

				Percent Change		
				Oct. 1959 from		Year-to-date 10 Months 1959 from
	Oct. 1959	Sept. 1959	Oct. 1958	Sept. 1959	Oct. 1958	1958
ALABAMA						
Anniston	44,206	41,505	40,098	+7	+10	+16
Birmingham	779,870	763,199	748,469	+2	+4	+12
Dothan	35,772	32,052	34,730	+12	+3	+10
Gadsden	35,830	32,509	36,673	+10	—2	+14
Huntsville*	79,807	62,956	68,345	+27	+17	+20
Mobile	283,487	290,912	261,981	—3	+8	+12
Montgomery	174,889	168,629	165,178	+4	+6	+15
Selma*	32,254	29,636	29,562	+9	+9	+12
Tuscaloosa*	64,346	51,406	51,588	+25	+25	+14
Total Reporting Cities	1,530,461	1,472,804	1,436,624	+4	+7	+13
Other Cities†	806,432	723,710	705,494	+11	+14	+15
FLORIDA						
Daytona Beach*	55,643	56,730	53,172	—2	+5	+8
Fort Lauderdale*	199,229	189,983	192,742	+5	+3	+10
Gainesville*	43,077	40,923	38,686	+5	+11	+14
Jacksonville	780,499	753,601	740,750	+4	+5	+12
Key West*	15,298	14,379	13,828	+6	+11	+9
Lakeland*	76,301	71,897	69,721	+6	+9	+15
Miami	850,666	824,971	754,877	+3	+13	+16
Greater Miami*	1,239,983	1,200,669	1,145,156	+3	+8	+14
Orlando	249,446	236,285	197,715	+6	+26	+28
Pensacola	86,708	85,448	88,410	+1	—2	+10
St. Petersburg	218,787	216,550	201,420	+1	+9	+20
Tampa	394,672	410,152	367,300	—4	+7	+18
West Palm Beach*	125,833	115,797	117,766	+9	+7	+13
Total Reporting Cities	3,485,476	3,392,414	3,226,666	+3	+8	+15
Other Cities†	1,696,747	1,473,562	1,387,820	+15	+22	+16
GEORGIA						
Albany	55,084	54,261	45,597	+2	+21	+16
Athens*	40,071	37,225	37,998	+8	+5	+8
Atlanta	2,080,123	2,015,628	1,856,338	+3	+12	+14
Augusta	109,762	105,178	105,973	+4	+4	+9
Brunswick	26,255	23,155	20,590	+13	+28	+25
Columbus	104,884	110,719	103,096	—5	+2	+9
Elberton	9,857	9,646	8,650	+2	+14	+6
Gainesville*	46,886	45,436	50,114	+3	—6	—2
Griffin*	20,962	18,473	17,963	+13	+17	+14
LaGrange*	20,937	18,860	20,786	+11	+1	+12
Macon	124,828	122,047	114,862	+2	+9	+14
Marietta*	34,593	30,204	27,706	+15	+25	+22
Newnan	21,991	20,201	16,661	+9	+32	+15
Rome*	51,386	46,333	43,994	+11	+17	+16
Savannah	198,737	196,429	194,638	+1	+2	+12
Valdosta	34,797	34,654	28,058	+0	+24	+28
Total Reporting Cities	2,981,153	2,888,449	2,693,024	+3	+11	+13
Other Cities†	986,416	925,706	870,808	+7	+13	+15
LOUISIANA						
Alexandria*	75,687	72,410	70,714	+5	+7	+8
Baton Rouge	275,626	256,646	254,242	+7	+8	+10
Lafayette*	70,490	65,241	60,795	+8	+16	+16
Lake Charles	84,792	83,750	88,253	+1	—4	+5
New Orleans	1,335,245	1,334,237	1,266,117	+0	+5	+7
Total Reporting Cities	1,841,840	1,812,284	1,740,121	+2	+6	+8
Other Cities†	607,340	568,109	592,833	+7	+2	+12
MISSISSIPPI						
Biloxi-Gulfport*	48,676	49,491	44,075	—2	+10	+17
Hattiesburg	37,973	35,861	34,442	+6	+10	+14
Jackson	314,724	283,366	287,091	+11	+10	+20
Laurel*	28,959	27,475	24,975	+5	+16	+18
Meridian	44,845	48,538	42,386	—8	+6	+16
Natchez*	23,234	23,611	21,597	—2	+8	+12
Vicksburg	21,247	21,122	19,368	+1	+10	+7
Total Reporting Cities	519,658	489,464	473,934	+6	+10	+18
Other Cities†	258,485	261,005	241,996	—1	+7	+15
TENNESSEE						
Bristol*	43,680	43,824	44,711	—0	—2	+13
Chattanooga	317,361	320,635	297,297	—1	+7	+17
Johnson City*	43,832	40,614	41,940	+8	+5	+8
Kingsport*	84,646	80,556	80,442	+5	+5	+15
Knoxville	238,192	233,200	219,344	+2	+9	+11
Nashville	739,461	664,048	732,846	+11	+1	+14
Total Reporting Cities	1,467,172	1,382,877	1,416,580	+6	+4	+14
Other Cities†	543,789	562,027	552,674	—3	—2	+15
SIXTH DISTRICT	16,724,969	15,952,411	15,338,574	+5	+9	+14
Reporting Cities	11,825,760	11,438,292	10,986,949	+3	+8	+13
Other Cities†	4,899,209	4,514,119	4,351,625	+9	+13	+15
Total, 32 Cities	10,110,616	9,829,134	9,373,450	+3	+8	+13
UNITED STATES						
344 Cities	230,248,000	215,938,000	212,894,000	+7	+8	+9

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

Sixth District Indexes

Seasonally Adjusted (1947-49 = 100)

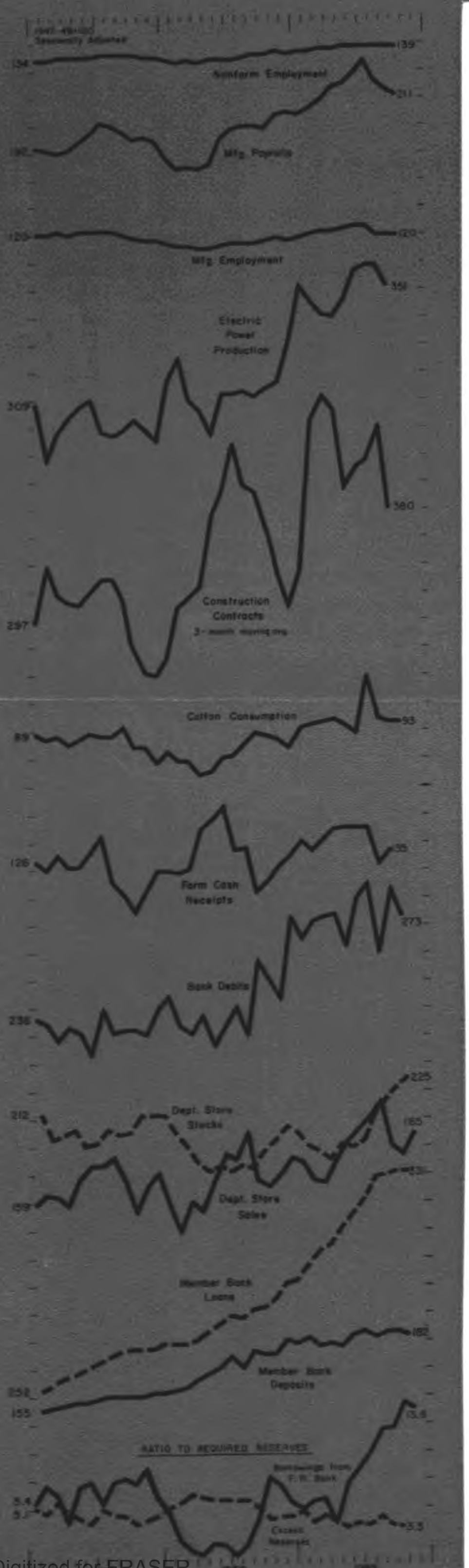
	1958				1959									
SIXTH DISTRICT	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.
Nonfarm Employment	136	136	137	136	137	137	138	138	139	139	139	139	139	139
Manufacturing Employment	117	118	119	118	119	120	121	121	122	123	123	120	120	120
Apparel	167	169	170	172	173	174	174	176	179	182	185	185	185	185
Chemicals	127	127	128	129	132	132	133	135	135	135	135	136	131r	130
Fabricated Metals	182	179	178	179	182	178	179	180	181	182	181	175	177	173
Food	112	113	112	112	113	114	115	115	113	114	112	112	113	115
Lbr., Wood Prod., Fur. & Fix.	79	80	80	79	79	80	78	79	80	79	80	79	81	81
Paper & Allied Products	159	159	159	160	160	161	161	161	163	163	165	163	165	163
Primary Metals	89	94	90	92	91	92	95	98	100	103	102	73	74	74
Textiles	86	86	86	86	86	87	88	87	88	88	89	88	88	87
Transportation Equipment	220	203	213	217	213	205	200	207	210	207	213	215	205	205
Manufacturing Payrolls	200	199	204	205	204	206	209	214	215	219	224	216	213	211
Cotton Consumption**	89	88r	87	84	91	92	93	94	92	89	110	94	93	93
Electric Power Production**	311	314	316	330	351	346	341	340	346	357	359	359	351	n.a.
Petrol. Prod. in Coastal Louisiana & Mississippi**	187	190	190	201	192	193	189	198	206	200	195	203r	214	217
Construction Contracts*	393	364	333	309	336	445	463	453	397	411	416	440	380	n.a.
Residential	421	433	375	367	364	382	394	398	429	433	425	444	440	n.a.
All Other	371	308	298	262	314	496	520	499	370	393	410	436	331	n.a.
Farm Cash Receipts	104	112	123	130	141	134	142	150	151	151	151	124	135	n.a.
Crops	82	84	99	92	128	113	105	127	131	112	117	95	124	n.a.
Livestock	185	217	216	211	162	164	185	183	181	192	190	182	194	n.a.
Dept. Store Sales*/**	168	166r	170	176	174	168	167	175	182	186	190	196	180	177p
Atlanta	158	154	161	162	164	161	155	169	161	174	178	188	169	169
Baton Rouge	179	180	214	204	195	180	171	190	187	192	179	190	168	184p
Birmingham	133	131	129	138	136	127	127	135	135	127	136	145	131	124
Chattanooga	148	152r	163	156	162	154	148	148	164	161	168	164	155	160
Jackson	107	111	126	124	124	116	104	111	121	114	124	131	111	112p
Jacksonville	129	135	136	142	143	141	136	130	135	139	138	221	166	150
Knoxville	151	146	155	163	161	154	147	151	153	148	164	165	165	159
Macon	147	153	158	158	161	155	143	170	166	168	167	177	158	158
Miami	251	258	230	256	242	248	251	263	269	277	301	312	277	274
New Orleans	140	144	144	148	145	139	130	142	144	151	155	156	151	149
Tampa-St. Petersburg	206	209	214	212	207	203	221	230	251	245	244	263	241	237p
Dept. Store Stocks*	198	202	207	205	200	198	195	201	200	202	212	217	222r	225
Furniture Store Sales*/**	146r	145	152	148	161	154	141	157	153	148	158	159	147	156
Member Bank Deposits*	175	175	180	179	181	178	179	178	182	183	181	183	183	182
Member Bank Loans*	282	285	291	292	298	303	305	311	316	321	329	330	331	331
Bank Debits*	257	250	243	273	265	271	273	274	262	280	285	260	283	273
Turnover of Demand Deposits*	146	142	139	150	144	153	149	145	158	152	162	154	150	147
In Leading Cities	161	149	146	161	153	162	160	164	174	174	179	174	164	153
Outside Leading Cities	116	105	102	121	114	121	118	112	126	117	124	115	118	109
ALABAMA														
Nonfarm Employment	118	120	120	120	121	120	121	120	121	121	122	117	117	117
Manufacturing Employment	104	104	104	105	105	106	107	107	107	106	109	100	99	98
Manufacturing Payrolls	175	182	186	179	182	185	189	193	190	195	198	173	167	169
Furniture Store Sales	137	135r	136	131	147	154	125	145	135	134	139	143	139	138
Member Bank Deposits	152	153	158	155	155	154	154	156	157	160	160	160	160	159
Member Bank Loans	234	239	246	242	248	254	250	254	259	266	275	269	270	272
Farm Cash Receipts	97	106	101	111	126	123	147	148	132	162	164	127	134	n.a.
Bank Debits	231	221	216	232	233	233	233	238	231	253	254	226	248	241
FLORIDA														
Nonfarm Employment	188	188	188	187	188	189	191	193	195	197	199	199	200	200
Manufacturing Employment	187	187	186	186	188	190	193	195	195	198	202	202	202	202
Manufacturing Payrolls	320	326	322	316	318	326	319	343	351	351	364	371	370	371
Furniture Store Sales	171	153	170	167	176	184	163	183	176	175	178	212r	177	180
Member Bank Deposits	233	235	241	241	242	238	235	233	241	243	238	246	247	245
Member Bank Loans	457	463	477	477	485	492	500	511	526	534	544	548	550	547
Farm Cash Receipts	212	162	147	162	281	232	182	230	227	236	239	200	212	n.a.
Bank Debits	384	388	357	403	372	382	391	389	400	437	441	408	450	436
GEORGIA														
Nonfarm Employment	130	130	130	130	131	131	131	132	132	132	134	133	134	134
Manufacturing Employment	116	115	116	116	115	116	117	118	119	119	120	119	120	119
Manufacturing Payrolls	191	190	201	200	195	197	204	206	211	215	219	216	207r	211
Furniture Store Sales	145	151	141	153	149	143	134	151	148	139	159	163	144r	158
Member Bank Deposits	155	154	158	158	159	157	157	157	160	159	157	162	160	160
Member Bank Loans	219	223	226	227	230	237	235	244	246	250	256	260	260	261
Farm Cash Receipts	158	104	124	153	143	142	169	150	158	140	178	131	172	n.a.
Bank Debits	236	224	218	243	236	238	243	248	235	253	261	238	258	249
LOUISIANA														
Nonfarm Employment	128	128	128	129	129	129	128	128	128	128	127	126	127	127
Manufacturing Employment	96	96	98	97	96	95	96	96	96	96	96	95	95	96
Manufacturing Payrolls	167	165	172	169	173	173	175	178	179	175	176	176	178	171
Furniture Store Sales*	185	157r	197	196	171	174	203	177	191	177	193	168	181	161
Member Bank Deposits*	155	152	156	159	163	160	165	160	165	165	160	160	160	157
Member Bank Loans*	265	268	277	274	284	287	293	293	295	295	302	299	304	307
Farm Cash Receipts	72	99	114	109	103	112	130	123	159	146	142	86	91	n.a.
Bank Debits*	235	215	199	230	210	216	227	229	217	240	233	223	248	226
MISSISSIPPI														
Nonfarm Employment	130	130	131	130	132	131	131	130	132	131	131	131	133	133
Manufacturing Employment	130	132	133	132	131	131	131	132	134	133	134	134	135	135
Manufacturing Payrolls	247	247	248	245	247	246	251	250	247	247	252	253	253r	241
Furniture Store Sales*	101	80	107	133	114	106	97	114	120	132	115	129	95	83
Member Bank Deposits*	194	197	198	195	197	190	198	195	191	195	197	194	195	202
Member Bank Loans*	359	359	363	369	361	367	378	383	391	398	403	400	411	392
Farm Cash Receipts	59	99	129	122	93	85	146	129	139	163	145	116	110	n.a.
Bank Debits*	221	211	214	233	216	210	225	225	208	238	233	224	236	230
TENNESSEE														
Nonfarm Employment	120	120	120	120	120	121	122	123	122	123	122	122	122	122
Manufacturing Employment	115	116	116	116	117	118	119	119	119	120	121	119	120	119
Manufacturing Payrolls	192	187	187	196	202	204	205	208	206	206	211	214	211r	209
Furniture Store Sales*	110r	109r	112	113	111	114	109	114	116	116	105	122	109	113
Member Bank Deposits*	158	159	161	162	165	160	159	162	166	164	165	165	166	167
Member Bank Loans*	247	251	251	256	262	267	268	272	276	283	287	287	288	293
Farm Cash Receipts	77	114	114	100	98	107	119	109	95	113	87	108	105	n.a.
Bank Debits*	217	220	213	235	230	242	229	229	225	235	239	221	229	225

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

**Daily average basis.

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

SIXTH DISTRICT BUSINESS HIGHLIGHTS



BUSINESS ACTIVITY *is still holding steady as offsetting changes occur in major economic sectors. Consumer spending was somewhat below the mid-summer record, but farm income increased as a result of a high volume of marketings. Employment changed little. Loans and deposits at member banks remained high, and borrowings from the Federal Reserve Bank of Atlanta continued in near-record volume.*

Consumer spending at retail outlets was still below mid-summer highs. **Department store sales,** seasonally adjusted, rose in November, but not enough to recover declines in September and October. **Household appliance store sales** were down slightly further in October, while **furniture store sales** were up. Recently, sales at these selected types of outlets have indicated the general direction of total retail sales which, in August and September, declined slightly from the record set in July. Seasonally adjusted **bank debits,** which reflect consumer spending as well as check transactions by businesses, governments, and financial institutions, declined slightly in October, after rising sharply the month before.

Export trade through District ports increased more than usual in September, reflecting in part reports to the effect that advance shipments were being made in anticipation of the dock strike which occurred in early October.

Savings and loan shares outstanding and **ordinary life insurance sales** showed little change in October, after allowance for seasonal variation; **time deposits,** however, were down slightly. **Consumer instalment credit outstanding** was relatively unchanged.

Fall harvesting is in the final stages on District farms, and seeding for winter truck, cover, and pasture crops is active in most areas. **Farm marketings** remain higher than last year primarily because production of cotton, corn, rice, broilers, hogs, and eggs is larger. **Prices for most farm products,** on the other hand, are lower than those last fall. **Demand deposits** at banks in agricultural areas are above a year ago, with all District states except Georgia showing some gain.

Nonfarm employment, seasonally adjusted, continued to show virtually no change in October, even though steel workers were still on strike and layoffs due to steel shortages affected some types of employment. Offsetting increases, however, kept **manufacturing** and **nonmanufacturing employment** steady. In early November, steel workers returned to their jobs. Changes in nonfarm employment varied little from state to state in October. Though **manufacturing** employment was unchanged, **payrolls** declined further because of a decrease in average weekly earnings. The **rate of insured unemployment** declined after allowance for seasonal changes.

Cotton textile activity, as measured by seasonally adjusted **cotton consumption,** was unchanged in October. In the last six months, cotton textile output has averaged over one-fourth higher than its recession low. The seasonally adjusted three-month average of **construction contract awards,** based partly on October data, declined, reflecting mainly a decrease in **nonresidential awards. Crude oil production** in Coastal Louisiana and Mississippi, already high, rose slightly in October.

Reflecting the stability of general business activity, banking figures have shown little change recently. **Member bank loans** in October, seasonally adjusted, remained fairly stable for the third straight month, and **total deposits** did not change significantly. **Borrowings from the Federal Reserve Bank of Atlanta** through November remained near the October record high.