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Monthly Review

Accentuate the Positive...

Capital Outlay Decisions of District Governments

"You gotta ac-cen-tu-ate the positive and e-lim-i-nate the negative" might well be the theme song of state and local governments these days. Positive actions are needed to insure that government expenditures—paid for out of current revenue or through borrowing—make the maximum contribution to the social well-being of the citizen and the economic growth of the community. The negative effects of mistakes in decision-making and out-moded operational techniques must also be eliminated if the maximum contribution of public expenditures is to be made at minimum cost.

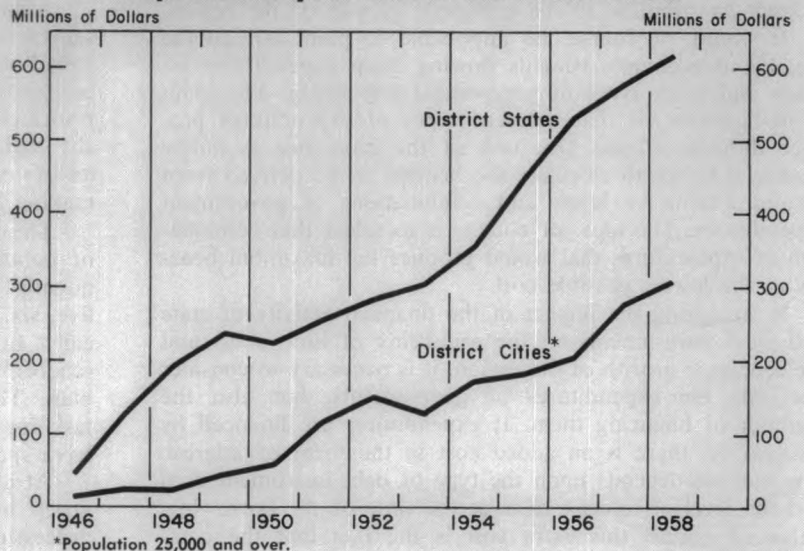
Getting the most for the money is not a new idea to many government units. Pressures to stretch every penny farther have been building up for some time. Since the end of World War II, state and local governments have had to provide a greater variety of public services of higher quality to a rapidly expanding and shifting population. They have responded by sharply expanding their capital spending—expenditures for land, durable equipment, and large scale construction projects of various types. Still, unsatisfied demands for services persist.

What demands should be met? How much can be spent in any period, and how should the spending be financed? These and other troublesome questions must be answered periodically by government officials. In that rational but mysterious world inhabited by economists, what factors would be considered in determining the composition and level of expenditures? How do governmental units, as a matter of fact, approach these problems? In an effort to throw some light on these questions, we shall consider capital spending in theory and in practice. Before doing so, however, it might be well to review the growth and magnitude of capital spending and long-term borrowing by southern governments.

The Importance of Capital Spending

Capital spending is important partly because of the large sums of money involved. In fiscal 1947, such spending by state and large city governments

Capital Outlays in District States and Cities



*Population 25,000 and over.

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Federal Reserve Bank of Atlanta

that lie wholly or partly in the Sixth District—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee—amounted to \$150 million. Twelve years later, in fiscal 1958, District state and city governments spent six times that amount, or \$928 million. When expenditures of smaller cities and towns, counties, school boards, and other political units are added to this amount, capital outlays in the South undoubtedly exceeded a billion dollars a year.

Perhaps the major stimulus behind the expansion in capital spending has been the explosion in population. Stated simply, governments have had to build new facilities and provide more services for more people. In Florida, for example, population increased 72 percent from 1950 to 1959. The number of people did not, however, expand uniformly throughout the state. In Brevard County—which includes Cape Canaveral—population more than tripled in a decade. Florida's population growth has been phenomenal, but developments there have been duplicated in lesser degree in many areas of the South.

The need for capital expenditures is clearly demonstrated in many ways. Need must be coupled with ability to pay, however, before spending can become effective. In recent years, new and higher taxes have yielded more revenue than ever before, but part of the gain has been offset by rising operating expenditures, as increased payrolls and materials costs boosted outlays on current account. In any event, capital outlays rose much more rapidly than revenues, thus necessitating heavy borrowing.

New long-term bond offerings of all governments in District states totaled more than \$3 billion during the five-year period 1955-59, with borrowing ranging in amount from \$278 million by governments in Mississippi to \$900 million in Florida. The purpose of borrowing reflected, of course, the types of capital projects undertaken. Consequently, the major purposes for raising funds in all District states were to build schools and roads and bridges and to expand water facilities and other public utilities.

Capital Spending in Theory

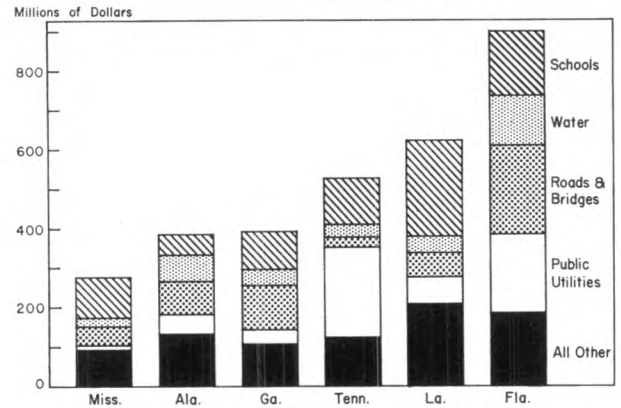
Capital spending of a billion dollars a year by governments in District states undoubtedly has a profound impact on the social and economic prospects of the region and its people. Individuals, for example, derive certain social benefits from educational expenditures. These benefits accrue to the individual in the form of enhanced perception, which in turn enables him to enjoy or adjust to a broad range of experiences. By providing a work force of literate and technically skilled individuals, moreover, education may make a substantial indirect contribution to the economic growth of the region.

It would, of course, be impossible to point out all the social and economic benefits flowing from expenditures on roads and other types of governmental spending. The main point, however, is that different types of expenditures produce different effects. One task of the economist in public finance is to try to calculate the benefits to be derived from various alternative levels and combinations of government expenditures. The idea, of course, is to select that combination of expenditures that would produce the maximum benefits at the lowest possible cost.

In analyzing the impact of the financial activity of state and local governments on the well-being of individuals and the economic growth of the region, it is necessary to consider not only the expenditures of governments, but also the methods of financing them. If expenditures are financed by borrowings, there is an added cost in the form of interest. The amount depends upon the type of debt instrument used and the level of interest rates at the time of the borrowing. Balanced against this extra cost is the fact that the com-

New Long-Term Borrowing by State and Local Governments

Sixth District States, 1955-59



munity can enjoy a greater quantity and variety of government services without paying for them with current taxes.

The process of raising funds through taxes and borrowing, moreover, represents a transfer of income from the private to the public sector of the economy. This transfer may result in some net increase in the total expenditures of the area. Almost certainly, it will bring about a change in the pattern of production and prices. The character of the taxes levied raises questions about the equity and incidence of taxation, and the nature of certain expenditures raises questions about what the scope of governmental activities should be. Clearly, the financial activities of governments have many economic and social ramifications.

Theorists, of course, cannot total up the satisfactions accruing to society from any combination of public expenditures, then net out the dissatisfaction which may be associated with tax payments, and equate it with cost. Nor, can they determine what pattern private spending would have taken in the absence of taxes and borrowing. Considering these matters in abstraction, however, does provide some guides as to how these decisions might be made under ideal conditions.

Capital Spending in Practice

Governments on the firing line must make capital and financing decisions under far from ideal conditions. To get some idea of how these decisions are made in practice we have talked with financial officers of some 40 government units in District states. All the state governments were contacted and many of the larger cities, counties, and school boards.

Although government officials may not calculate the satisfactions to be derived from various expenditures, we found that in most cases there is a systematic method for recognizing the need for capital outlays and for establishing priorities. Gone are the days when the mayor, on his way to city hall, spied a vacant lot and decided to build an auditorium on it. This more or less capricious form of decision-making has been replaced by an official body that "plans."

The formality of the planning body varies with the type of political unit and the complexity of the problems. Frequently, needs are reviewed and capital outlay programs of five, six, or more years are developed and reviewed periodically. In the case of a school board, the superintendent of schools, with the help of technical assistants, may develop the plan. The county and city commission may perform the task for their respective units. Some states and larger cities have special planning commissions.

At all levels of government, the purpose of the planning group is to decide which needs should be satisfied. In the process of determining this, some governments consider some

of the same factors that would be specified by the theorists. In Davidson County, Tennessee, for example, among the factors considered by the planning commission in determining priorities for capital expenditure projects are: (1) the relationship of a project to the welfare and progress of the entire county; (2) the relative urgency of each project; (3) the relationship of a project to other projects to be undertaken by the county; (4) the financial ability of the county to undertake the project.

The ability to finance the project, either with cash or borrowed funds, is related to current and prospective revenue collections and earnings on investments. Governments would likely pay for the capital improvement out of current funds if they could, since there would be no interest charges to pay. Most of the government units interviewed, however, indicated they had no choice because annual capital outlays loom larger than current revenues. It was also indicated that "saving up" for a period of years to pay cash at some future date is not practical in many cases, since projects such as schools and water facilities are not readily postponable.

None of the government units interviewed had a formal pay-as-you-go program designed to finance a specific proportion of capital outlays. Almost all of the governments, however, managed to eke out some funds from current operating monies to replace or to purchase new equipment. Mobile uses funds equal to one percent of city sales tax collections to finance capital outlays on a pay-as-you-go basis.

In the absence of sharp tax increases, it appears unlikely that governments could move very far in the direction of pay-as-you-go without severely limiting their capital outlays. Greater pressure on governments to pay cash would be brought to bear, if debt margins—the difference between outstanding debt and the maximum amount of debt that law or statute permits the unit to incur—were narrowed. Although most of the government units contacted had limits on debt guaranteed by the full faith and credit of the unit, debt for certain purposes was sometimes exempt. In the majority of cases, moreover, debt incurred through the issuance of revenue bonds was not subject to limitation.

District governments will presumably continue to rely on borrowing as a means of financing the major share of capital spending. Some will have to rely primarily on revenue bonds, however, because of relatively low debt limits on full faith and credit debt and traditional difficulties in getting voter approval of general obligation bonds in referenda. Because revenue bonds tend to carry higher interest rates than general obligation bonds, this inability to choose between types of debt will act to increase interest costs.

Theoretically, at least, interest rates may also be minimized by scheduling the sale of bond offerings at a time when rates are low and holding offerings off the market when rates are high. The attitude of the units interviewed, however, was that "We come to market when we're ready." During 1959, a year of high interest rates, only a very small proportion of offerings was either delayed or curtailed because of credit market conditions. Part of the issues that were affected, moreover, reflected—not unwillingness—but the inability of some governments to sell new bond issues because the market rate exceeded the maximum interest rate that they were able to pay under existing laws or statutes.

Some of the costs resulting from last year's higher interest rates on new offerings were partly offset by increased earnings on investments. Most of the governments invest temporarily idle funds arising from current operations or accumulated bond funds in short-term liquid assets. Local governments, in particular, maximize earnings by investing much of their surplus in Treasury bills.

State and local governments will continue to have to pick

and choose among capital outlay projects. The ability of most governments to meet the demand for services has, however, already been stretched to the limit. Although some new revenue sources are still untapped, the number is dwindling. The time may be approaching, therefore, when the public must decide whether it wants services badly enough to pay for them with higher taxes.

ALFRED P. JOHNSON

Operating Ratios

Net profits of member banks were lower in 1959 than in 1958 despite record earnings of \$453 million, a gain of almost 16 percent. Expenses increased and most banks incurred losses from sales of Government securities. As a result, net profits fell from \$73 million to \$68 million.

Changes in earnings, profits, and expenses are revealed in the operating ratios of member banks for 1959. These ratios were computed by using averages of data taken from reports of condition for December 31, 1958, June 10, 1959, and October 6, 1959 along with earnings and dividends reports for the year 1959.

Continued on page 6

Average Operating Ratios of all Member Banks in the Sixth Federal Reserve District

SUMMARY RATIOS:	1954	1955	1956	1957	1958	1959
Percentage of total capital accounts:						
Net current earnings before income taxes	15.5	16.2	16.9	15.7	14.2	16.5
Profits before income taxes	15.1	13.2	12.8	12.6	14.1	11.9
Net profits	9.9	8.5	8.4	8.4	9.6	8.2
Cash dividends declared	3.1	3.0	3.0	3.0	2.9	3.0
Percentage of total assets:						
Total earnings	3.26	3.43	3.66	3.88	4.01	4.24
Net current earnings before income taxes	1.10	1.18	1.23	1.16	1.09	1.25
Net profits . . . . .	.71	.63	.62	.63	.74	.62
SOURCE AND DISPOSITION OF EARNINGS:						
Percentage of total earnings:						
Interest on U.S. Govt. securities	22.4	21.8	22.2	22.5	20.9	21.5
Int. and div. on other sec.	5.9	5.9	6.0	6.2	7.2	6.9
Earnings on loans	58.8	59.7	59.6	59.4	59.4	59.5
Service charges on dep. accts.	6.7	6.6	6.5	6.6	7.3	7.1
Trust department earnings ¹	2.6	2.6	2.6	2.6	2.6	2.5
Other current earnings	6.2	6.0	5.7	5.3	5.2	5.0
Total earnings	100.0	100.0	100.0	100.0	100.0	100.0
Salaries and wages	32.3	31.6	31.2	30.2	30.3	28.7
Interest on time deposits ²	10.4	10.8	11.3	16.4	18.5	18.2
Other current expenses	33.9	34.2	35.0	39.7	42.5	41.7
Total expenses	66.2	65.8	66.2	69.9	72.8	70.4
Net current earnings before income taxes	33.8	34.2	33.8	30.1	27.2	29.6
Net losses (or recoveries and profits +)	+ 1.0	3.5	4.9	3.2	+ 2.5	6.5
Net increase (or net decrease +) in valuation reserves	1.4	2.3	2.9	2.4	2.6	1.5
Taxes on net income	11.4	9.9	8.7	7.9	8.6	6.7
Net profits	22.0	18.5	17.3	16.6	18.5	14.9
RATES OF RETURN ON SECURITIES AND LOANS:						
Return on securities:						
Interest on U.S. Govt. securities	2.06	2.12	2.46	2.64	2.65	2.95
Int. and div. on other sec.	2.60	2.52	2.52	2.66	2.82	2.87
Net losses (or recoveries and profits +) on total sec. ³	+ .27	.17	.27	.11	+ .44	.50
Return on loans:						
Earnings on loans	6.19	6.35	6.35	6.67	6.71	6.90
Net losses (or net recoveries +) on loans ³ . . . . .	.17	.10	.15	.15	.13	.18
DISTRIBUTION OF ASSETS:						
Percentage of total assets:						
U.S. Government securities	33.4	33.0	31.4	31.4	30.3	29.8
Other securities	8.1	8.6	9.0	9.4	10.4	10.4
Loans	31.5	32.8	34.8	34.8	35.7	36.9
Cash assets	25.8	24.3	23.4	22.8	21.9	21.1
Real estate assets	1.0	1.1	1.2	1.4	1.5	1.6
All other assets . . . . .	.2	.2	.2	.2	.2	.2
Total assets	100.0	100.0	100.0	100.0	100.0	100.0
OTHER RATIOS:						
Total capital accounts to:						
Total assets	7.7	7.7	7.8	7.9	8.2	8.0
Total assets less Government securities and cash assets	19.6	18.9	18.0	18.1	17.7	17.0
Total deposits	8.4	8.5	8.6	8.8	9.1	8.9
Time deposits ⁴ to total deposits	24.8	25.8	26.0	28.2	31.7	32.1
Interest on time deposits ⁴ to time deposits	1.36	1.42	1.62	2.36	2.46	2.51
Number of banks	362	369	378	387	397	399

¹Banks with none were excluded in computing this average. Ratio included in "Other current earnings."

²Banks with none were excluded in computing this average. Ratio included in "Other current expenses."

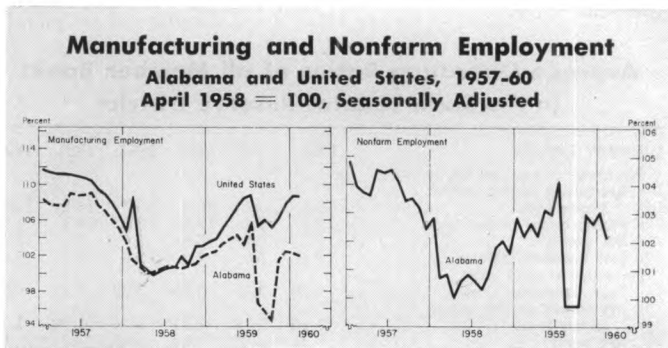
³Includes recoveries or losses applied to either earnings or valuation reserves.

⁴Banks with none were excluded in computing this average.

Springtime in Alabama

Springtime in Alabama means the azaleas are blooming again. This year the season has other significance: It marks the two-year point in the economic recovery from the April 1958 recession trough. So, perhaps this is a good time to look at Alabama's economy as well as its multicolored azaleas. Since latest economic data available are for February, the comparisons and percent changes that follow are based on April 1958 and February 1960 figures, unless otherwise indicated.

Alabama's economic recovery from the recession trough two springs ago has been moderate. Nonfarm employment has risen 2 percent, but is still 2 percent below its pre-recession peak of July 1957. Both manufacturing and nonmanufacturing employment have blossomed, but not as spectacularly as the state's azaleas. Nonmanufacturing employment is roughly 2.3 percent above the April 1958 trough. Manufacturing employment is up 1.9 percent, but has not recovered as rapidly as it has in the nation and is still 6.6 percent below the August 1957 peak.



Not only are more Alabamians employed, but they are earning more. In 1959, personal income rose about 5 percent from 1958; the gain includes increased earnings in factories and farms. Although the number of Alabama manufacturing workers has not increased phenomenally, factory employees are working more hours per week and receiving higher hourly earnings. Thus, manufacturing payrolls are 15 percent above the April 1958 recession trough.

Alabama's total cash receipts from farm marketings also mounted in 1959 as King Cotton bountifully blessed the "Heart of Dixie" state's cotton farmers with a bumper crop. Since this white gold accounts for over a third of the state's cash farm receipts, the recent crop was more than good enough to offset a slightly poorer year for the state's livestock farmers, lifting Alabama's cash farm receipts 5 percent above the total for the preceding year.

Reflecting increased income, spending headed skyward in Alabama during the last two years. Bank debits, indicating check spending by individuals, businesses, and governments, as well as financial transactions, have increased 23 percent from the recession trough two springs back. Retail sales gained 24 percent from April 1958 to January 1960.

Financial activity stepped up moderately in Alabama; bank deposits are 9 percent higher than April 1958. Increased business investment and consumer durables spending are among the Alabama economic developments reflected by a 25-percent bank loan gain over the last two years.

Developments in a given industry or city are often of more interest than the broad measures just discussed, so let us examine trends in Alabama's more important industries and in the larger cities. Since employment data portray most vividly developments in specific industries, they should give us a fairly clear picture of what is happening in the state's economy.

Manufacturing

During the recent recession, manufacturing employment declined less in Alabama than in the nation and rose less in Alabama during the current recovery. Structural differences between Alabama's economy and that of the nation explain much of this divergence. The nation's five most important manufacturing industries in terms of employment (transportation equipment, nonelectrical machinery, food and kindred products, electrical machinery, and primary metals) suffered a greater employment decline during the recession than Alabama's five most important manufacturing industries (primary metals, textiles, lumber and furniture, apparel, and transportation equipment). Furthermore, employment in the nation's "big five" increased by a greater percentage in the current recovery. This pattern has prevailed in all three business cycles since World War II, suggesting that Alabama's industrial structure is less subject to the impact of the business cycle than the national industrial complex.

The same structural differences also help explain employment deviations within a particular industry. Differences in employment trends, however, may arise from other factors such as a faster rate of plant consolidation in one area than another. Although Alabama-national differences occur within an industry, developments in Alabama are closely related to those in the nation because Alabama's major manufacturing industries all have national ties.

Alabama's five most important manufacturing industries employ about 65 percent of the state's manufacturing workers. Changes in their employment trends thus tell us much about changes in Alabama's total manufacturing employment.

Primary Metals A massive steel mill is the first image that comes to many minds thinking about Alabama manufacturing. These giant factories employ nine-tenths of Alabama's primary metals industry workers, and primary metals account for 19 percent of the state's manufacturing employment, compared with 7 percent nationally.

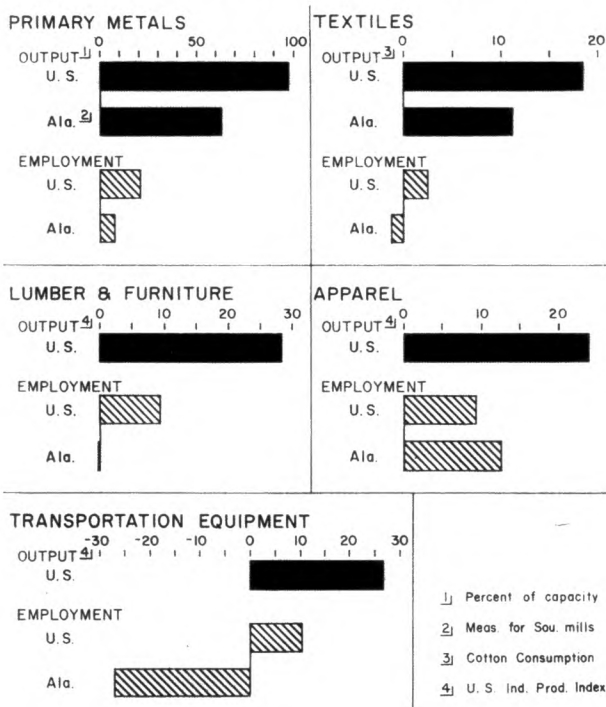
Iron and steel is by far the most important primary metals industry, and steel output (measured as a percent of plant capacity) outgained employment in both Alabama and the nation. Furthermore, national gains were greater in both output and employment than Alabama gains.

Alabama's steel recovery lagged behind the nation's for at least two main reasons. First, product mix. Alabama mills have a proportionately greater capacity devoted to producing wire, rails, and pipe than national mills. Recent demand for these steel products has not been as strong as that for plate and sheet steel used in automobiles. Dixie's mills, however, do not have proportionately as much capacity to produce plates and sheets as national mills. Second, foreign steel competition may have had a stronger effect on mills in the South than nationally, as suggested by (a) greater southern-than-national accessibility to ports and (b) relative cheapness of foreign wire, and wire accounts for more of total output in southern mills than in U. S. mills.

Textiles Textile mills run a close second to primary metals factories in manufacturing employment. Eighteen percent of Alabama's manufacturing employees work for textile mill companies as opposed to 5 percent of the nation's. Textile employment in Alabama decreased from the recession trough although output (measured by cotton consumption) increased; both employment and output increased nationally. Textile plant consolidations have been more prevalent in Alabama

Manufacturing Employment and Output*

Alabama and United States
Percent Change, February 1960 from April 1958



*Output seasonally adjusted except primary metals; employment unadjusted.

than in the nation during the last two years. As a result, some uneconomic marginal mills in the state were closed with a consequent slight reduction in textile employment and intensified production effort at those mills still operating. This is one reason why textile output per employee increased more in Alabama than in the nation. A substantially greater increase in the workweek in Alabama's textile mills (7.1 percent) than nationally (4.7 percent) reflects the increased output per man.

Lumber and Furniture Alabama's aromatic pine forests are a thrilling tourist attraction. They also form the basis for much of the state's third most important industrial group in terms of employment: The lumber and furniture group accounts for 11 percent of Alabama's manufacturing employment, compared with 6 percent of the nation's.

Lumber and furniture employment has changed little in Alabama since the April 1958 recession trough; it has risen 9 percent nationally. Output in the nation increased 28 percent. A look behind the latter gain reveals a possible reason why Alabama's lumber and furniture employment recovery lagged behind the nation's. The 28-percent lumber and furniture output gain came more from furniture's 34-percent leap than lumber's mild 7-percent rise in output through January. Thus, Alabama, with three-fifths of its lumber and furniture workers in sawmills and planing mills, benefited less from the industry's output gain than the nation, for only one-fourth of the national industry's workers are in the lumber-mill end of the business.

Apparel The apparel industry gives bright color to Alabama's manufacturing employment fabric. Apparel employment not only increased more than employment in any other major Alabama manufacturing industry, but it increased more than national apparel employment. This industry accounts for 9 percent of Alabama's manufacturing employment and 7 percent of the nation's.

As in steel and in lumber and furniture, differences in product mix between Alabama and national apparel output explain much of the difference between Alabama and national employment gains; of Alabama's apparel workers, 62 percent produce men's wear, in contrast to 36 percent nationally. Thus, an increase in men's wear output three times the increase in women's wear furnishes a major reason Alabama apparel employment outgained the nation's.

Transportation Equipment This industry covers aircraft, automobiles, railroad equipment, and shipbuilding and repair. It accounts for 7 percent of Alabama's manufacturing employment and 10 percent of the nation's.

Why has employment in Alabama's transportation equipment industry declined since April 1958, while it increased nationally? Product mix again furnishes a partial explanation. Motor vehicles registered the largest transportation equipment employment gain since the recession trough; though an important employer nationally, motor vehicles is insignificant in Alabama. That state's important transportation equipment employers are aircraft, shipbuilding and repair, and railroad equipment, and these industries have not been as strong as motor vehicles. Curtailed defense contracts for Alabama aircraft are partly responsible for the reduction in Alabama transportation equipment employment.

Shipbuilding and repair employment also declined nearly 30 percent from April 1958. This decline occurred even though ship arrivals at Alabama's Port of Mobile rose to a record 2,044 in 1959; thus, the employment decline was not caused by reduced port activity. Instead, the shipbuilding and repair employment decline probably reflects three factors: First, some shipowners may be postponing foreseeable repairs until the vessel reaches a foreign port, where the repairs may be made at a lower cost. Second, curtailed building of offshore oil-drilling rigs as a result of sharply sliced well-drilling off the Gulf Coast. Third, the lack of any special shipbuilding projects, such as the conversion of general cargo vessels to tankers and back again as a result of the Suez Crisis, which boosted Mobile's shipbuilding employment over the 7,000 mark in late 1957, whereas it is now around 2,200.

Nonmanufacturing

Nonmanufacturing employment is now 2.3 percent above its recession trough two springs back. Alabama's three largest nonmanufacturing industries account for much of this increase, as each registered greater percentage gains than total nonmanufacturing. These industries are government (accounting for 31 percent of Alabama's nonmanufacturing employment), wholesale and retail trade (accounting for 29 percent), and service (14 percent).

Activity in Major Cities

The different behavior of the broad measures of economic activity in Alabama's five most populous cities in general can be explained by their different economic structures. Bank debits increased as much in 1959 over 1958 as the state average in Mobile, more than the state in Anniston and Montgomery, and less in Birmingham and Gadsden. Bank deposits in Montgomery and Birmingham have been running above the state average year-to-year change, but below in Gadsden, Mobile, and Anniston. Retail sales increased twice as much from 1958 to 1959 as the state average in Montgomery County, and slightly more than average in Etowah County (Gadsden), while Calhoun (Anniston), Jefferson (Birmingham) and Mobile County increases trailed the state average.

WINFIELD HUTTON

OPERATING RATIOS

Continued from page 3

Total earnings amounted to 4.24 percent of assets, compared with 4.01 percent in 1958 and 3.26 percent five years earlier. The gain was accounted for largely by higher rates of return on all types of earning assets and a shift from lower-yielding investments to higher-yielding loans.

The rate of return on Government securities rose to 2.95 percent, the greatest yield since this computation was begun in 1945. Yields on other types of securities increased to 2.87 percent, a twelve-year record. The average rate of return on loans rose from 6.71 percent in 1958 to 6.90 percent in 1959.

Loan demand was strong in 1959. To meet it, District bankers liquidated some of their securities and drew down on their cash holdings. The ratio of Government securities to total assets fell below 30 percent for the first time since the early 1930's, while cash assets declined to the smallest portion of total assets that they have constituted in over 30 years. The proportion of loans to assets, 36.9 percent, was more than twice as much as in 1946, the first postwar year.

With current interest rates higher than those prevailing when the banks acquired their Government securities, the market prices for the securities sold by many banks were lower than when the securities were purchased. As a result, many securities were sold at sizable capital losses. The average net loss amounted to .50 percent of security holdings of all types, compared with profits and recoveries of .44 percent in 1958. As a result, a \$60-million increase in net current earnings was converted into a \$5-million decline in net profits.

Operating expenses of the 399 member banks that were in operation the entire year increased 10.5 percent during 1959 to \$298 million. For the first time since 1955, however, the rate of increase in expenses fell short of the rate of gain in earnings. Slightly over 70 cents of each dollar earned was allocated to expenses in 1959, compared with almost 73 cents in 1958. The largest expense item continued to be salaries and wages, which constituted 41 percent of expenses and claimed 28.7 percent of total earnings.

ROBERT M. YOUNG

Department Store Sales and Inventories*

Place	Percent Change					
	Sales			Inventories		
	Feb. 1960 from Jan. 1960	Feb. 1960 from 1959	2 Months 1960 from 1959	Feb. 29, 1960 from 1960	Feb. 28, 1959	
ALABAMA						
Birmingham	+1	+1	-2	+9	+14	
Mobile	+2	-1	-4	+8	+4	
Montgomery	+5	+5	-2	..	..
FLORIDA						
Daytona Beach	-2	+1	-3	..	..
Jacksonville	+2	+8	+6	+4	+15	
Miami Area	+18	+3	+1	..	..
Miami	+10	+19	+17	+9	+18	
Orlando	+6	+7	+5	..	..
St. Petersburg-Tampa Area	+5	+8	+4	..	..
GEORGIA						
Atlanta**	-2	+3	+3	+9	+19	
Augusta	+3	+5	+3	+8	+22	
Columbus	-4	+9	+5	..	..
Macon	+6	-3	+2	..	..
Rome**	+1	-4	-3	+10	+2	
Savannah	-5	-4	-3	+10	+6	
LOUISIANA						
Baton Rouge	-9	+3	+3	..	..
New Orleans	-2	-2	-5	+15	+10	
MISSISSIPPI						
Jackson	-4	+3	-3	+8	+5	
Meridian**	-6	-3	-6	+10	+6	
TENNESSEE						
Bristol-Kingsport	-10	-6	-8	+4	+6	
Johnson City**	-5	-4	-4	+9	+8	
Bristol (Tenn. & Va.)**	-8	-5	-5	..	..
Chattanooga	-2	-15	-11	+9	-5	
Knoxville	-4	-22	-17	+16	-14	
DISTRICT	-10	-6	-6	..	..
	-12	-1	+0	+12	+27	
	-2	+3	+1	+8	+14	

*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 Announcement

On March 22, the newly organized Capital City Bank, Nashville, Tennessee, opened for business as a nonmember bank and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are William H. Browder, Chairman of the Board; Nile E. Yearwood, President; Ben D. Cunningham, Vice President; and John P. Lawrence, Cashier. Capital totals \$1,000,000 and surplus and undivided profits \$450,000.

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

	Feb. 1960	Jan. 1960	Feb. 1959	Percent Change		
				Year-to-date 2 Months		
				Feb. 1960 from 1959	Jan. 1960 from 1959	Feb. 1960 from 1959
ALABAMA						
Anniston	39,746	42,671	34,395	-7	+16	+10
Birmingham	789,185	808,609	767,373	-2	+3	+3
Dothan	31,038	35,224	30,180	-12	+3	+3
Gadsden	35,728	37,635	31,961	-5	+12	-1
Huntsville*	57,156	63,931	60,699	-11	-6	-2
Mobile	271,185	285,667	237,793	-5	+14	+7
Montgomery	160,970	161,437	150,496	-0	+7	+2
Selma*	22,338	24,552	19,603	-9	+14	+7
Tuscaloosa*	50,623	56,082	46,488	-10	+9	+8
Total Reporting Cities	1,457,969	1,515,808	1,378,988	-4	+6	+4
Other Cities†	729,321	799,762	659,163	-9	+11	+8
FLORIDA						
Daytona Beach*	58,800	63,139	56,354	-7	+4	+4
Fort Lauderdale*	224,985	253,830	208,337	-11	+8	+8
Gainesville*	39,486	43,939	35,569	-10	+11	+8
Jacksonville	863,841	808,367	742,670	+7	+16	+8
Key West*	17,065	17,259	15,614	-1	+9	+3
Lakeland*	84,830	88,646	73,340	-4	+16	+10
Miami	942,730	967,971	850,153	-3	+11	+9
Greater Miami*	1,407,120	1,467,896	1,291,359	-4	+9	+7
Orlando	270,675	280,717	234,538	-4	+15	+12
Pensacola	88,139	89,946	76,917	-2	+15	+6
St. Petersburg	232,810	266,032	221,348	-12	+5	+6
Tampa	429,757	446,670	390,228	-4	+10	+6
West Palm Beach*	148,367	147,537	140,310	+1	+6	+1
Total Reporting Cities	3,865,875	3,973,978	3,486,584	-3	+11	+7
Other Cities†	1,872,159	1,987,540	1,532,062	-6	+22	+21
GEORGIA						
Albany	50,302	51,959	42,076	-3	+20	+14
Athens*	38,263	37,441	32,040	+2	+19	+9
Atlanta	1,982,771	2,049,992	1,735,765	-3	+14	+11
Augusta	105,406	113,909	92,095	-7	+14	+13
Brunswick	22,643	28,458	24,197	-20	-6	+3
Columbus	99,791	107,782	91,297	-7	+9	+8
Elberton	8,831	9,335	7,641	-5	+16	+8
Gainesville*	40,993	47,555	40,841	-14	+0	-2
Griffin*	18,269	18,942	16,402	-4	+11	+7
LaGrange*	19,180	21,596	28,531	-11	-33	-19
Macon	120,406	125,089	114,045	-4	+6	+5
Marietta*	29,440	33,663	27,394	-13	+7	+4
Newnan	19,253	21,729	16,359	-11	+18	+14
Rome*	44,319	46,998	37,251	-6	+19	+15
Savannah	184,009	197,761	181,431	-7	+1	+2
Valdosta	31,563	34,988	28,512	-10	+11	+9
Total Reporting Cities	2,815,439	2,947,197	2,515,877	-4	+12	+9
Other Cities†	914,910	1,009,998	834,175	-9	+10	+10
LOUISIANA						
Alexandria*	66,089	79,837	65,132	-17	+1	+2
Baton Rouge	258,847	280,876	267,002	-8	-3	-0
Lafayette*	60,445	68,164	60,431	-11	+0	-2
Lake Charles	79,077	90,563	82,842	-13	-5	-7
New Orleans	1,315,620	1,326,661	1,239,297	-1	+6	+2
Total Reporting Cities	1,779,718	1,846,101	1,714,704	-4	+4	+1
Other Cities†	565,178	624,395	584,860	-9	-3	-5
MISSISSIPPI						
Biloxi-Gulfport*	48,669	47,787	44,562	+2	+9	+7
Hattiesburg	36,208	38,815	31,701	-7	+14	+10
Jackson	291,876	287,288	249,560	+2	+17	+8
Laurel*	28,023	27,610	24,122	+1	+16	+8
Meridian	41,425	42,647	37,970	-3	+9	+5
Natchez*	22,660	23,664	21,183	-4	+7	+3
Vicksburg	18,313	18,654	18,093	-2	+1	-3
Total Reporting Cities	487,174	486,465	427,281	+0	+14	+7
Other Cities†	256,192	272,302	223,821	-6	+14	+10
TENNESSEE						
Bristol*	42,128	46,672	39,506	-10	+7	+7
Chattanooga	314,957	386,444	284,089	-19	+11	+9
Johnson City*	39,149	44,612	36,387	-12	+8	+6
Kingsport*	78,122	85,497	67,307	-9	+16	+11
Knoxville	229,478	238,147	202,825	-4	+13	+5
Nashville	666,323	706,825	769,976	-6	-13	-8
Total Reporting Cities	1,370,157	1,508,197	1,400,990	-9	-2	-0
Other Cities†	543,238	569,205	493,262	-5	+10	+5
SIXTH DISTRICT	16,657,330	17,540,948	15,250,867	-5	+9	+7
Reporting Cities	11,776,332	12,277,746	10,923,524	-4	+8	+5
Other Cities†	4,880,998	5,263,202	4,327,343	-7	+13	+11
Total, 32 Cities	10,032,543	10,388,868	9,284,915	-3	+8	+5
UNITED STATES						
344 Cities	221,939,000	230,100,000	195,770,000	-4	+13	+8

* 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)

	1959											1960		
SIXTH DISTRICT	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.
Nonfarm Employment	137	137	138	138	139	139	139	139	139	139	140	139	140	140
Manufacturing Employment	119	120	121	121	122	123	123	120	120	120	121	121	122	122
Apparel	173	174	174	176	179	182	182	185	185	186	186	187	188r	187
Chemicals	132	132	133	135	135	135	135	136	131	130	131	133	133	133
Fabricated Metals	182	178	179	180	181	182	181	175	177	173	174	177	183	184
Food	113	114	115	115	113	114	112	112	113	113	116	114	117	117
Lbr., Wood Prod., Fur. & Fix.	79	80	78	79	80	79	80	79	81	82	81	81	80	80
Paper & Allied Products	160	161	161	161	163	163	165	163	165	164	161	160	166r	165
Primary Metals	91	92	95	98	100	103	102	73	74	74	94	100	99r	97
Textiles	86	87	88	87	88	88	89	88	88	87	86	86	86	86
Transportation Equipment	212	212	208	214	212	202	207	206	203	209	183	187	197	194
Manufacturing Payrolls	204	206	209	214	215	219	224	216	213	210	212	217	219r	214
Cotton Consumption**	91	92	93	94	92	89	110	94	93	93	91	91	95	95
Electric Power Production**	351	346	341	340	346	357	359	359	351	350	346	345	356	n.a.
Petrol. Prod. in Coastal Louisiana & Mississippi**	192	193	189	198	206	200	195	203	207	215	214	231	225	228
Construction Contracts*	336	445	463	453	397	411	416	440	380	350	302	302	328	n.a.
Residential	364	382	394	398	429	433	425	444	440	441	373	367	351	n.a.
All Other	314	496	520	499	370	393	410	436	331	276	245	249	309	n.a.
Farm Cash Receipts	132	131	129	135	136	137	142	123	151	141	143	132	132	n.a.
Crops	108	115	109	116	119	114	123	96	134	124	123	106	104	n.a.
Livestock	156	164	183	188	183	186	186	179	194	181	176	154	166	n.a.
Dept. Store Sales***	174	168	167	175	182	186	190	196	180	178	187	188	178	167p
Atlanta	164	161	155	169	161	174	177	188	170	169	178	176	173	169
Baton Rouge	195	181r	171	190	187	192	179	190	168	185	209	202	187r	169p
Birmingham	136	127	127	135	135	127	136	145	131	124	129	135	131	120
Chattanooga	163	151r	148	148	164	161	168	164	155	160	168	160	158	136
Jackson	124	116	104	111	121	114	124	131	111	113	130	123	118	104p
Jacksonville	146	141	136	130	135	139	138	221	166	151	182	172	176	161
Knoxville	161	154	147	151	153	148	164	165	165	159	168	172	170	146
Macon	161	155	143	170	166	168	167	177	158	158	162	164	164	142
Miami	242	248	251	263	269	277	301	312	277	274	269	282	257	256
New Orleans	145	139	130	142	144	151	155	156	151	149	154	153	141	141
Tampa-St. Petersburg	207	204r	221	230	251	245	244	263	241	241	260	251	232r	219p
Dept. Store Stocks***	199	198	195	201	200	202	212	217	222	225	223	227	227r	226p
Furniture Store Sales***	165	153r	141	157	153	148	158	161	149	158	163	151	166r	143p
Member Bank Deposits*	181	178	179	178	182	183	181	183	183	182	184	181	182	180
Member Bank Loans*	298	303	305	311	316	321	329	330	331	331	333	335	337	340
Bank Debits*	265	271	273	274	262	280	285	260	283	273	273	290	278	296
Turnover of Demand Deposits*	144	153	149	145	158	152	162	154	150	147	150	154	154	156
In Leading Cities	153	162	160	164	174	174	179	174	164	153	160	166	166	168
Outside Leading Cities	114	121	118	112	126	117	124	115	118	109	109	121	119	120
ALABAMA														
Nonfarm Employment	121	120	121	120	121	121	122	117	117	117	121	121	121	120
Manufacturing Employment	105	106	107	107	107	106	109	100	99	97	105	106	105r	105
Manufacturing Payrolls	182	185	189	193	190	195	198	173	167	168	184	190	194	188
Furniture Store Sales	149	153r	125	145	135	134	139	143	139	138	134	128	148	133
Member Bank Deposits	155	154	154	156	157	160	160	160	160	159	159	158	159	158
Member Bank Loans	248	254	250	254	259	266	275	269	270	272	273	272	279	283
Farm Cash Receipts***	128r	125r	130r	126r	122r	125r	129r	125r	141r	114r	136r	142r	124	n.a.
Bank Debits	233	233	233	238	231	253	254	226	248	241	229	252	240	250
FLORIDA														
Nonfarm Employment	188	189	191	193	195	197	199	199	200	200	200	198	198	199
Manufacturing Employment	188	190	193	195	195	198	202	202	202	202	201	199	201	202
Manufacturing Payrolls	318	326	319	343	351	351	364	371	370	371	366	370	362r	356
Furniture Store Sales	180	184	163	183	176	175	178	212	177	180	203	195	189r	174
Member Bank Deposits	242	238	235	233	241	243	238	246	247	245	245	241	242	237
Member Bank Loans	485	492	500	511	526	534	544	548	550	547	547	549	546	549
Farm Cash Receipts***	234r	236r	179r	243r	231r	241r	240r	203r	210r	194r	177r	206r	229	n.a.
Bank Debits	372	382	391	389	400	437	441	408	450	436	428	439	404	437
GEORGIA														
Nonfarm Employment	131	131	131	132	132	132	134	133	134	134	134	134	135	134
Manufacturing Employment	115	116	117	118	119	119	120	119	120	120	117	118	119	119
Manufacturing Payrolls	195	197	204	206	211	215	219	216	207	210	203	204	211	205
Furniture Store Sales	149	144r	134	151	148	139	159	163	144	159	157	150	149r	127p
Member Bank Deposits	159	157	157	157	160	159	157	162	160	160	163	158	161	160
Member Bank Loans	230	237	235	244	246	250	256	260	260	261	266	266	269	271
Farm Cash Receipts***	140r	141r	147r	140r	137r	127r	172r	133r	142r	136r	164r	121	137	n.a.
Bank Debits	236	238	243	248	235	253	261	238	258	249	244	264	255	265
LOUISIANA														
Nonfarm Employment	129	129	128	128	128	128	127	126	127	126	127	127	128	128
Manufacturing Employment	96	95	96	96	96	96	96	95	95	96	95	95	95	96
Manufacturing Payrolls	173	173	175	178	179	175	176	176	178	170	171	171	176r	179
Furniture Store Sales*	185	174	203	177	191	177	193	178	193	171	195	184	188r	192
Member Bank Deposits*	163	160	165	160	165	165	160	160	160	157	160	158	162	159
Member Bank Loans*	284	287	293	293	295	295	302	299	304	307	309	311	313	316
Farm Cash Receipts	104	106	109	111	141	109	105	97	127	136	104	111	98	n.a.
Bank Debits*	210	216	227	229	217	240	233	223	248	226	212	235	204	220
MISSISSIPPI														
Nonfarm Employment	132	131	131	130	132	131	131	131	133	133	134	133	136r	135
Manufacturing Employment	131	131	131	132	134	133	134	134	135	135	136	136	136r	135
Manufacturing Payrolls	247	246	251	250	247	247	252	253	253	241	244	245	253r	249
Furniture Store Sales*	114	106	97	114	120	132	115	129	95	83	117	133	106r	99
Member Bank Deposits*	197	190	198	195	191	195	197	194	195	202	204	208	200	201
Member Bank Loans*	361	367	378	383	391	398	403	400	411	392	392	403	414	424
Farm Cash Receipts	100	103	110	110	106	111	112	106	140	127	136	130	111	n.a.
Bank Debits*	216	210	225	225	208	238	233	224	236	230	233	249	222	240
TENNESSEE														
Nonfarm Employment	120	121	122	123	122	123	122							

SIXTH DISTRICT BUSINESS HIGHLIGHTS

DIVERSE MOVEMENTS have occurred in different economic sectors recently, but, in general, activity continues high as indicated by seasonally adjusted data. Employment in February was unchanged from January's high, with increases in some states offsetting declines in others; manufacturing payrolls, however, declined. Farm marketings remained low, but prices received by farmers increased. Retail sales, which had been running slightly below last summer's record, edged downward in February, but borrowing for consumer spending continued its gradual rise. Total bank loans also rose, while investments continued to decline.

Nonfarm employment in February continued at the seasonally adjusted peak reached in November and again in January. Both **manufacturing** and **nonmanufacturing employment** remained unchanged. Within the overall stability, however, were offsetting increases and decreases among District states. **Manufacturing payrolls** declined after seasonal adjustment, reflecting lower **average weekly earnings**. The **rate of insured unemployment** remained unchanged, as is usual for February.

The seasonally adjusted three-month average of **construction contract awards**, based partly on February data, increased for the first time since last August. **Cotton consumption** was virtually unchanged in February, indicating a continued high volume of cotton textile output. In Coastal Louisiana and Mississippi, **crude oil output** was at a near-record volume. **Steel mill operations**, after reaching the pre-strike rate in January, slackened somewhat in February and March.

Farm sales in February remained low although more broilers and citrus were marketed. Citrus groves in Florida, undamaged by cold weather, are yielding more oranges this year than last and by early March most of the early and mid-season varieties had been marketed. Farmers received slightly **higher prices** on an average for the products they sold, as gains in the prices of hogs, broilers, beef cattle, citrus, and vegetables more than offset small declines in milk, egg, and cotton prices. **Employment** on farms rose seasonally but remained considerably under a year ago.

Department store sales declined further in March, according to a seasonally adjusted preliminary estimate, as unusually severe weather hit much of the District. February's decrease came as sales dropped sharply in every major metropolitan area except Miami and New Orleans. **Department store stocks**, seasonally adjusted, remained high in February, and the **stock-to-sales ratio** rose further. **Furniture store sales** and **appliance store sales**, seasonally adjusted, fell in February. **Consumer instalment credit outstanding** at commercial banks, however, continued to rise slightly.

Dollar value of **export trade** through District ports, seasonally adjusted, rose again in January. Increased shipments out of New Orleans and Florida ports more than offset export declines through Mobile and Georgia ports.

Member banks in all District states registered **loan increases** during February. Mississippi showed a particularly sharp gain for the third consecutive month. However, banks in leading District cities, accounting for most of February's loan gain, showed a less-than-seasonal rise in March. **Member bank deposits**, seasonally adjusted, declined somewhat during February following a rise in January. Deposits fell most sharply at Tennessee banks, but rose slightly in Mississippi. Liquidation of **investments** continued at a substantial rate during February. During March **borrowings from the Federal Reserve Bank of Atlanta** fell sharply to the lowest level since June 1959.

