In the February issue of the Monthly Review, we noted that during the 1950’s per capita personal income in the Sixth Federal Reserve District moved gradually closer to the national average. The reasons were numerous and complex, but they all involved one common factor: Change. Changes taking place in the farm economy were examined in detail in the March Monthly Review. We turn now to an examination of developments in manufacturing in recent years. This should help us to see how manufacturing has contributed to the growth of personal income and to learn something of the forces that will shape the economy during the 1960’s.

More People at Work in Manufacturing

Perhaps the most outstanding contribution of manufacturing to the District economy during the past ten years has been the provision of new jobs. These were needed not only because the labor force was expanding but also because many individuals were losing employment in other types of activity, notably in farming, as the chart shows. Not until detailed results of the recent population census are made known later this year will we know accurately how much the civilian labor force of District states increased in the last ten years. Population estimates indicate that the number of people at work or looking for work may have increased by about 800,000 between 1950 and 1959. During the same period of time, however, the number of farm jobs declined by nearly 600,000. District states, therefore, probably had to provide as many as 1.4 million new jobs during the 1950’s if all people able and willing to work were to find employment in the District. This was perhaps 25 percent of the number of all jobs available in 1950, a large increase to be required in so short a time. The problem of providing new jobs for
those leaving the farm was, of course, much more acute in some states than in others, as is shown in the table.

In helping directly to satisfy the need for employment, District manufacturing provided 257,000 new jobs between 1950 and 1959, raising total employment in manufacturing to about 1,328,000 last year. As the chart shows, however, nearly all the growth occurring in the 1950’s had taken place by 1956. The economic recession of late 1957 and early 1958 brought a decline, and the subsequent recovery raised manufacturing employment to a level only slightly higher than the average of 1956. If we can judge from national developments, the failure of manufacturing employment to grow more in the past few years reflects, in part, sharp gains in productivity. In the nation, employment in manufacturing declined by 6 percent from 1955 to 1959, although factory output actually rose by nearly 14 percent.

The jobs added directly in manufacturing do not, of course, picture the entire stimulus to employment given by manufacturing during the past ten years. Indirectly, it has stimulated employment in all those activities involved in supplying materials for processing and fabricating, furnishing energy, or providing transportation and other services required to support a developing industrial complex. A still more indirect effect has been the stimulus given to increased employment in trade, government, and other services. Although they cannot be measured, these effects are nonetheless real. For every job added in manufacturing since 1950, approximately four jobs were added in nonmanufacturing. The growth in manufacturing has, undoubtedly, been responsible for many of these additional jobs. It is apparent, therefore, that the so-called industrialization of an area involves much more than a mere increase in manufacturing. In a broader sense, it involves both a reorientation of the economy and an attempt to use the region’s material and human resources more efficiently.

Because of their individual advantages and disadvantages for various types of manufacturing activity, we would expect to find the states differing in their shares in the total increase in manufacturing jobs during the 1950’s. Of the 257,000 new jobs added in all District states between 1950 and 1959, Florida accounted for about 99,000, or 39 percent of the total, whereas in 1950 it accounted for only 9 percent of all District manufacturing employment. Louisiana, at the other extreme, had only a nominal increase in manufacturing jobs during this period, less than one percent of the total. Between these extremes, Georgia and Tennessee each accounted for about 20 percent of the gain in jobs, but this was less than one might have expected on the basis of their previous importance in terms of manufacturing employment. Alabama, accounting for 8 percent of the gain between 1950 and 1959, also gained less than its proportionate share. Mississippi accounted for over 12 percent of the total, much more than its proportionate share.

In spite of these changes, however, the ranking of District states in terms of total manufacturing employment was almost the same in 1959 as it was in 1950. The only difference was that last year manufacturing employment in Florida exceeded that in Louisiana.

Just as aggregate District figures for manufacturing employment hide variations among the states, so the changes in state totals hide differences within states. Information concerning changes occurring in smaller areas within states is available only from the infrequent Census of Manufactures. Fortunately, data from the 1958 Census of Manufactures have just been released for Sixth District states. We can now see the differences existing among such intrastate areas and make comparisons with similar information for 1947. We can also discern the changes that have occurred in manufacturing since then. We should remember, however, that we are here comparing conditions in a year, 1958, that included the low point of a recession with a year, 1947, in which business was enjoying its early postwar expansion. Percentage changes, therefore, probably underestimate the growth that would be shown by a longer term trend, if such were readily available.

Although the number of manufacturing jobs increased in each state between 1947 and 1958, the picture was far from uniform among smaller areas. Of the 355 counties for which total manufacturing employment has been published, the majority showed a wide range of increases, but 84 showed declines. Because the number of people engaged in manufacturing in many rural counties is small, percentage changes are frequently very large and tend to lose significance in comparison with developments in urban manufacturing centers. The mere fact, however, that some areas are experiencing declines at a time when the general trend in manufacturing employment is upward emphasizes the highly localized effects of the changes taking place.

This is also true of the metropolitan areas of the District. Of the 21 metropolitan areas for which comparable data are available from the 1947 and 1958 Censuses of Manufactures, declines of 14 and 22 percent, respectively, occurred in manufacturing employment in Columbus, Georgia, and Gadsden, Alabama. In the Knoxville, Mobile, and New Orleans metropolitan areas, the total was little changed over the 11-year span, while the other metropolitan areas of the District experienced gains ranging up to the fourfold increase reported for Orlando, Miami, and West Palm Beach.

Changing Types of Manufacturing
From the table showing employment and payrolls, we see that all but three of the fifteen listed major industry groups showed increases in employment between 1947 and 1958. Gains ranged from 3 percent in petroleum refining to nearly 300 percent in electrical machinery. Impressive as the latter gain is, it had comparatively little influence on the total, however, inasmuch as only about two out of every 100 District manufacturing employees are engaged in making electrical machinery. The declines occurring in textiles, lumber, and

Employment and Payrolls in Manufacturing
Sixth District States and U. S.

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<thead>
<tr>
<th>Percent Change, 1947 to 1958</th>
<th>Employees</th>
<th>Payrolls</th>
<th>Average Pay Per Employee 1958 (Dollars)</th>
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<td>All industries</td>
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<td>3,608 3,779</td>
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<td>Stone, clay, etc</td>
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<td>Primary metals</td>
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<td>-790 +123</td>
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<tr>
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<td>4,240 4,967</td>
</tr>
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and primary metals were much more important, however, for
they represented losses in industries that accounted for nearly
28 percent of all manufacturing employment in 1958.

The declines in employment in textiles and lumber manufac-
turing have probably made their greatest impact in pre-
dominantly rural areas, where the migration from farms has
necessitated many difficult adjustments. Where this was the
case, the declines in manufacturing employment compounded
the problem of providing jobs to those no longer able to find
employment in farming.

Textile and lumber manufacturing, particularly the latter,
are widely scattered throughout the states in which they are
important. In many counties they provide virtually all the
manufacturing employment there is. In 1954, for example, the
latest Census year for which such detailed data are available,
every county in Alabama, Georgia, and Mississippi listed
lumber manufacture as a source of employment, and, in a
substantial number, it was the only source.

Textile manufacturing, though less widely scattered than
lumber, was listed in 76 of Georgia's 159 counties and in 39
of Alabama's 67 counties. In all probability, the declines in
textile and lumber employment provide the explanation for
the declines in total manufacturing employment noted above
in a number of rural counties in the Sixth District between
1947 and 1958. In larger manufacturing centers where the
textile industry is also an important employer, declines in
textile employment have undoubtedly been offset by increases
in other types of activity. In Atlanta, for example, total manu-
facturing employment increased between 1947 and 1958 in
spite of a sharp decline in textile employment.

Despite the variety of changes that occurred in manufactur-
ing employment in District states as a group, there was surpris-
ingly little change in the ranking of the most important
industries by employment. The first four industries in 1947—
textiles, lumber, food processing, and apparel—were still the
first four in 1958. Textiles, with over 170 thousand employees
in 1958, maintained the number one position, while the other
three traded positions.

Manufacturing Increases Average Pay

The average pay per employee in manufacturing is affected
by the kinds of jobs that are lost and the kinds of new jobs that
are created, for, as the table shows, there is a wide variation
among industries in their average annual pay. The two largest
losses of jobs, in textiles and lumber, occurred in industries in
which the average annual pay is relatively low. By and large,
the biggest gains occurred in those industries paying relatively
high annual wages. In the absence of any change in pay
within individual industries, this shift of employment toward
the higher paying types of industries would increase the aver-
age pay in all manufacturing.

A much more important factor was the sharp rise occur-
ing in the average pay per employee in every type of
industry. Manufacturing industries as a group showed an
average gain of 90 percent between 1947 and 1958, reflecting
increases ranging from 42 percent for textile employees to
112 percent for employees of the District's primary metal
manufacturers. Because of these gains in average pay per
employee, total payrolls in each industry either grew more
than did the number of employees, or, as in the case of
textiles, lumber, and primary metals, grew in spite of de-
clines in total employment. As shown by the indexes on page
7 of this Review and in the chart on page 8, manufacturing
payrolls in April were 222 percent of the average for 1947-49,
whereas manufacturing employment was only 124 percent.

Providing more jobs at higher pay is not the only direct
contribution of manufacturing toward increasing personal in-
come. Others are made in the form of dividend payments to
owners, interest payments to lenders, and rent payments to
individuals for leased land, buildings, or equipment. Such
direct payments accrue to the benefit of a particular region
only to the extent that the owners, lenders, and renters live in
the region in which the manufacturing establishment gener-
ates the income. Many of them do not. It is impossible,
therefore, to measure the contribution to personal income
made in these forms in any particular region. We do know,
however, that such payments, like wages and salaries, must be
paid from the value added to products by the manufacturing
process, that is, the difference between the value of products
sold and the cost of the materials used. Changes in the value
added by manufacture in relationship to payroll changes may
therefore give us some idea whether or not the potential con-
tribution to a region's personal income from dividends, inter-
est, and rents has increased or decreased.

The most we can say in this regard is that the potential for
increased payments of dividends, interests, and rents to Dis-
trict residents probably increased sharply between 1947 and
1958. For manufacturing as a whole, that part of value added
remaining after payment of payrolls in 1958 was more than
double the 1947 figure. Textile and lumber manufacturing
were the industries in which the potential for making such
property income payments declined.

The District Outstrips the Nation

Increases in the number of jobs as well as in average wages,
together with a relative shift of more and more workers into
higher-paying industries, do not explain, however, why per
capita personal income has moved closer to the United States
average. To have done so, these increases would have had to
be greater in the District than in the country as a whole. By
and large, this was the case between 1947 and 1958.

Manufacturing employment in the District gained 29 per-
cent between 1947 and 1958, compared to 9 percent in the
country as a whole, while average pay gained 90 percent in
the District, compared to 9 percent in the United States.
District increases in employment, moreover, were larger than
for the United States in all industries experiencing gains, and
in two of the three industries experiencing losses, declines were less in the District than in the nation.

District gains in average pay exceeded U. S. gains in ten of the fifteen industries listed in the table and approximately equaled U. S. gains in two more. It follows, then, that total payrolls also showed a larger gain here in most industries. There was also a somewhat more marked shift toward the higher-paying manufacturing jobs here than in the nation, but this had less effect in closing the gap between the national and District averages than did the other factors just mentioned.

In spite of all the improvements in District manufacturing, however, the average annual pay per employee in 1958 was less than the comparable national figure in every industry except petroleum refining. If more detailed information were available within industry groups, we might well find a different "mix" of activities involving different skills and average wages, explaining in some degree the lower average pay in the District compared to the nation. Differences of this sort undoubtedly explain the wide variation in average manufacturing pay per employee among the metropolitan areas of the District, shown in the chart.

If current trends such as those just reviewed should continue, the more favorable growth in employment in this region would mean that a higher percentage of new manufacturing jobs would be available here than in the nation, and that the differential in pay would be reduced.

**National Developments and Regional Change**

Whether or not such trends in Sixth District manufacturing continue will depend, in part, on national developments. It is well, therefore, to look at some broad changes taking place on the national scene that have affected manufacturing activity. Perhaps the most important development confronting manufacturing has been the existence of a market expanding on a vast scale because of a rapidly growing population and a rapid rise in per capita income. During the past three decades, even after allowing for price increases, per capita income has almost doubled.

Expansion and modernization of productive capacity to meet this enlarged demand have occurred not only in the long-established manufacturing centers of the Northeast and Midwest, but, in other regions as well, the need to satisfy the expanding demand for manufactured goods has led to the building of new factories to serve more economically markets in the immediately surrounding areas.

To serve the regional market was, indeed, the major reason why new plants were located in the Sixth District between 1947 and 1958. Judging from an analysis of employment changes roughly classified according to the market orientation of the industries involved, it would seem that about nine out of every ten manufacturing jobs added were in industries serving the regional rather than the national market. The region's rising importance as a market for consumer and industrial goods has therefore been a major factor inducing industry to locate in Southern states.

While market-oriented activities have accounted for the bulk of employment increases in District manufacturing in recent years, changing technology and the development of new products have stimulated growth in resource-oriented activities such as the pulp and paper and chemical industries.

Projections of the nation's population in the years ahead herald continued expansion in the demands for manufactured products. If science and technology continue to advance as they have in the past, the demands of greater numbers of people may be supported by further growth in per capita income. These forces working in the past have served to promote manufacturing activity in the Sixth District at a faster rate than in the nation. They will probably continue to do so in the near future as well.

**Philip M. Webster**

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**Autos Shift Gears**

New car sales in the nation shifted out of low gear after the steel strike, accelerated in second during the first quarter, and went into high gear at the end of March. Perhaps the major disappointment so far is only that sales did not shoot into overdrive as the industry once expected.

New car sales have, nevertheless, been running substantially above last year, as shown in the chart. If selling continues throughout the rest of the year as it did through early May, sales of domestic autos would amount to about 6.3 million units, or about 14 percent above last year. As good as sales have been, however, production was originally geared to meet an even higher level of sales. The result has been that inventories quickly rose to unusually high levels, and production cutbacks were consequently made in February and March. The recent acceleration of sales, however, has again led manufacturers to revise output plans slightly upward.

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**Sales of New Cars**

**Sixth District States and U. S.**

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<tr>
<th>Year</th>
<th>New Car Registrations</th>
<th>Foreign Car Sales</th>
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<td>1959-60</td>
<td></td>
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</tr>
<tr>
<td>United States</td>
<td></td>
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<tr>
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<tr>
<td>Florida</td>
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<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Within the Sixth District, sales gains (based on reported registrations) ranged from 23 percent in Alabama to 11 percent in Tennessee, as shown in the chart. Comparable data for Georgia are not available, but industry sources report Georgia new car sales also were above year-ago levels during the first quarter.

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**The Impact of the Compact**

This has been a year of transition in the automobile industry as baby brothers were born to many of the standard-size lines. Like most baby brothers, these so-called "compact" cars significantly disrupted family life in the car clan. The compacts have had an impact on both volume and price of their standard-size new and used brethren, as well as their foreign cousins.

Compacts significantly dented the new car market. They widened their share of the domestically produced market from 9 percent in the first four months of 1959, when there were only two compacts, to 24 percent during the comparable 1960 period, with six compacts. Furthermore, the compacts' share has increased during 1960, from 22 percent in January to 28 percent in April. As a result of these inroads by the compacts, fewer standard-

(Continued on Page 6)
Business in Tennessee at High Level

In common with that of the rest of the country since mid-1959, Tennessee business has shown an unusual amount of wiggling about a high average level. Though less in Tennessee than in some other parts of the country, the influence of the steel strike has helped confuse the economic picture. In February and March of this year, confusion was compounded by such bad weather that Tennesseans will talk about it for years to come. Despite the resulting temporary fluctuations, business activity since mid-1959 has averaged out at a near record level, but with no definite movement either up or down. While little change is better than a decline, more jobs are needed to absorb Tennesseans entering the labor force or shifting from farm to nonfarm work. A keen realization of this need explains why the Volunteer state is among the most active in trying to attract new industries.

Total income received by Tennesseans last year increased by about 7 percent over 1958, but trends in employment and payrolls indicate the increase occurred in early 1959 with little or no change since then.

Total nonfarm employment has been at record or near record levels for about a year, following recovery from the recession. Changes during the past 12 months have been slight, but unfortunately brought about a net loss through March of this year. This loss, however, was regained in April because of gains in both manufacturing and nonmanufacturing.

Most types of manufacturing employment, however, either held steady or declined slightly in the preceding eight months. The high level attained by last July was attributable to increases in Tennessee's important apparel and textile industries and, to a lesser extent, those in lumber and primary metals.

Manufacturing payrolls have fluctuated substantially since the middle of last year as changes in the number of hours worked have been reflected in average weekly pay checks. The general level, however, has remained high and, in April of this year, a new record was established.

Tennessee farmers have experienced their own brand of uncommon income fluctuations during the past year. Fortunately, the unusual feature was an exceptional rise in farm cash receipts as a big cotton crop was harvested last fall. Its effects, however, were temporary. As our chart shows, the trend before and after has been downward, mainly because of lower prices for livestock.

Indicators of spending have followed a course roughly similar to those of employment and payrolls, showing that Tennesseans, like other Americans, spend more when they have more to spend. Bank debits, a measure of check payments by individuals, businesses, and state and local governments, rose through early 1959. Although check payments have generally held at a high level, their behavior since then must have caused observers who attach too much importance to monthly fluctuations considerable nervousness. Department store sales suffered

(Continued on Page 6)
Bank Announcements

On May 6, the newly organized Peachtree Bank and Trust Company, Chamblee, Georgia, 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 B. Davis Fitzgerald, Jr., President and R. Russell Hightower, Cashier. Capital stock totals $125,000 and surplus and undividied profits $175,000.

On May 16, the newly organized Chambelane National Bank, Chamblee, Georgia, opened for business as a member of the Federal Reserve System and began to remit at par. Hubert L. Harris is President and W. H. Fallow is Cashier. It has capital stock of $300,000 and surplus and other capital funds of $112,500.

On May 23, the Brundidge Banking Company, Inc., Brundidge, Alabama, a former state, par-remitting bank, became a member of the Federal Reserve System. Officers are W. G. Gilmore, Chairman of the Board; Harold E. Walker, President; Mrs. Era P. Johnson, Vice President and Cashier; and S. D. Tatom and Evelyn B. Dickert, Assistant Cashiers. Capital stock amounts to $100,000 and surplus and other capital funds $62,000.

BUSINESS IN TENNESSEE
(Continued from Page 5)

from the weather in February and March 1960, but April's rebound took them back to the high level of last summer.

Throughout the past year, the credit needs of Tennessee's businesses and consumers have continued to expand and lending by Federal Reserve member banks has pursued an upward course. Deposits, however, not only have failed to grow, but actually declined early this year. To meet the demand for loans, therefore, banks have been selling securities from their investment portfolios.

PHILIP M. WEBSTER

AUTOS SHIFT GEARS
(Continued from Page 4)

size cars were sold during the first four months of this year than during the comparable period of last year.

The used car market apparently also felt the compacts' impact, for used car sales are only slightly above last year in contrast to the sharp rise in new car sales. Moreover, used car sales gains over last year decreased progressively during the first quarter, while new car sales increased their margin over last year as relatively more compact cars were sold. Also, used car prices have dropped more this year than last year.

New car prices also have felt the compacts' impact in two ways. First, adding more compacts to the lower end of the price range this year has weighted down the average price of all new cars. Second, competition from compacts helped pull down big car prices more through April this year than last year.

Many thought the American compacts would smash the imports' share of the auto market, but so far they have only slightly dented the share enjoyed by foreign cars last year. The imports' share of District sales eased slightly from 14 percent last year to 13 percent in the first quarter of this year and nationally from 10 percent down to 9 percent.

District consumers continue to favor foreign cars more than do consumers in the nation as a whole. Within the District, imports hold the largest market shares in Florida, Georgia, and Louisiana, the three District states with ports of entry through which foreign cars come to this country.

WINFIELD HUTTON

Debits to Individual Demand Deposit Accounts
(Thousands of Dollars)

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* Not included in total for 32 cities that are part of the National Bank Debit Series.
+ Estimated. — Revised.
### Sixth District Indexes

**Seasonally Adjusted (1947-49 = 100)**

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<th>APR.</th>
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<th>JULY</th>
<th>AUG.</th>
<th>SEPT.</th>
<th>OCT.</th>
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<th>DEC.</th>
<th>JAN.</th>
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*For Sixth District area only. Other totals for entire six states. n.a. Not Available. p Preliminary. r Revised.

**Daily average basis. **Revisions reflect new seasonal factors.

Sources: Nonfarm and mfg. emp. and payrolls, state depts. of labor; cotton consumption, U. S. Bureau Census; construction contracts, F. W. Dodge Corp.; petroleum prod., U. S. Bureau of Mines; elctr. power prod., Fed. Power Comm. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.
Most measures of economic activity improved in April. Retail sales and credit picked up as the weather improved. Nonfarm employment also rose. Construction employment recovered from the depressed level caused by unseasonable cold, ice, and snow in March. Employment on farms also increased as clearing weather facilitated field work, but farm production and prices declined slightly and incomes remained at a seasonally low level. Loans at member banks increased in April, but in May they declined slightly at banks in major cities.

Department store sales, seasonally adjusted, after rebounding sharply in every major metropolitan area except Baton Rouge in April, receded in May, according to preliminary estimates. Department store stocks declined slightly in April, thus reducing the stock-to-sales ratio. In April, furniture store sales, seasonally adjusted, increased in every state. Appliance store sales also rose.

Reflecting increased spending, consumer installment credit outstanding, seasonally adjusted, mounted as outstandings at retail outlets increased significantly, although changing little at financial institutions. At commercial banks, extensions for nonautomotive consumer goods showed the largest increase, whereas home repair and modernization loans showed the sharpest decline.

Nonfarm employment, seasonally adjusted, rose in April, regaining the advanced level of January and February. Although both manufacturing and nonmanufacturing employment increased, manufacturing employment was still slightly below the record set last July; nonmanufacturing employment established a new high. Manufacturing payrolls rose sharply in April, reflecting both a longer work week and increased employment. The rate of insured unemployment declined more than usual in April.

After declining sharply during March’s bad weather, construction employment recovered in April, but continued below the high level of a year ago. The three-month average of construction contract awards, based partly on April data, declined. Cotton consumption, a measure of activity in cotton textile mills, continued to hold steady at a high level. Steel mill operations were curtailed further in April and May.

Farm production recently declined somewhat, so that smaller volumes of vegetables, citrus, milk, and hogs reached the market. At the same time lower prices for milk, eggs, cattle, and tomatoes depressed the average of all prices received by farmers. Employment on farms rose as clear weather facilitated field work.

Loans and investments at District member banks increased during April. The increase in loans represented a continuation of a moderately strong trend observed thus far this year. In May, however, loans at banks in major District cities declined slightly. The April increase in investments at member banks was limited to Alabama, Florida, and Tennessee. Member bank deposits dropped somewhat, after seasonal adjustment, since the declines in four states, especially Florida, more than offset modest gains in Louisiana and Tennessee. Borrowings at the Federal Reserve Bank of Atlanta in May changed little from April.