



Monthly Review

Atlanta, Georgia

December • 1960

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Atlanta*

Why Has Money Become Easier?

The World Series and elections kept much of our attention riveted on the sports and political pages of our newspapers. In the midst of this excitement, those who do not read the financial pages regularly may have missed the news that credit is easier than it was last winter. But even those who do know this may not fully understand why credit has eased and how much the Federal Reserve System has contributed to this ease.

Broadly speaking, easier credit exists when those wanting to borrow find lenders more willing to lend money and charging less interest for it. Because credit is easier now, it should not be surprising that interest rates have fallen this year.

Rates among different sectors, however, did not come down at the same degree. The Federal Government has found it possible since June to borrow money for ninety-one days for 2 percent less than during last January. Corporations that sold bond issues this fall have paid as much as $\frac{3}{4}$ percent below that which firms borrowing last autumn paid. The "prime," or basic commercial bank lending, rate was cut by $\frac{1}{2}$ percent this past August. Mortgage rates—usually slower to change than others—have declined less than the prime rate.

Why the Drop in Interest Rates?

The impetus for the decline in rates on U. S. Government securities in early January was the change in psychology that increased investor demands for fixed-income issues. Anticipating a dramatic switch from a \$12-billion U. S. Treasury deficit to a small budget surplus, the President's January budget message greatly reduced the fear of more inflation. Equally important factors in the change in attitude were the leveling off of prices and less inflationary wage settlements. And who can dispute that the credit restraint that had been imposed by the Federal Reserve System at that time helped cure the inflation psychosis as well?

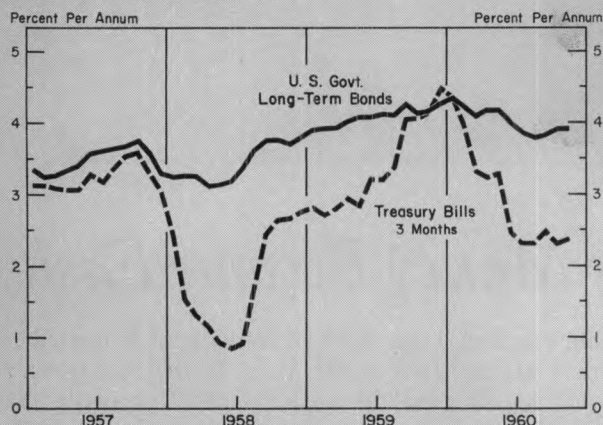
Small wonder then that high-yielding U. S. Government securities found favor with investors. Government securities increased in price and fell in yield as investors began to buy them.

Rates were also pushed down by supply forces. The Treasury was retiring debt, thus diminishing the amount of outstanding Treasury obligations. The effect of this action is seen most strikingly in rates on Treasury bills. These declined more dramatically than rates on any other security, partly because bills accounted for most of the debt repaid through September. Another important reason for the large drop in bill yields was the eagerness with which corporations bought bills. A good amount of cash for this purpose has recently been obtained by liquidating inventories.

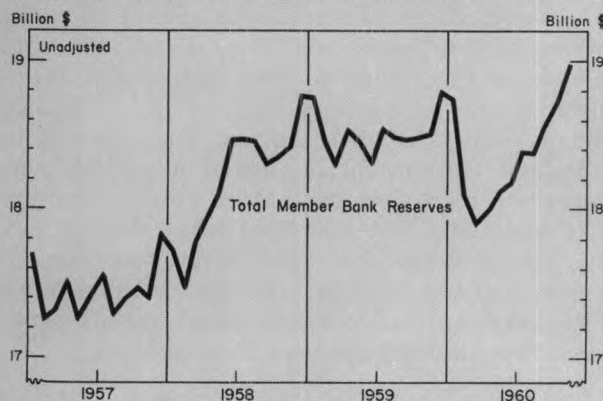
The System's Contribution to Easier Money

When business activity began to slow down, the Federal Reserve System took actions that helped the decline in interest rates along. In early June the Federal Reserve lowered the rate at which banks can borrow

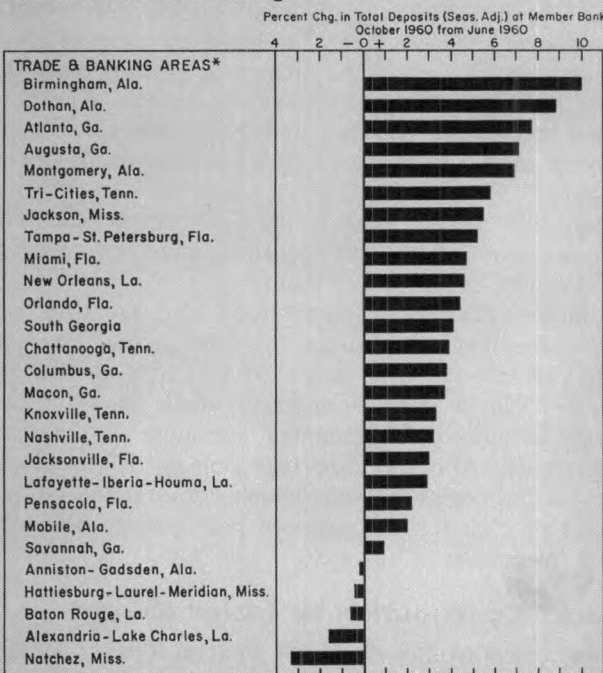
Lower interest rates signify an easing in credit. As in the 1958 recession, short-term rates have fallen more dramatically than long-term rates.



Beginning this spring, the Federal Reserve System has contributed to easier credit conditions by expanding bank lending power through an increase in member bank reserves.



Banks in the Sixth District have felt the effects of credit easing. Since mid-year, total member bank deposits have increased in most areas. Previously, deposits in most areas had been stable or declining.



*Includes several counties surrounding central city.

from the Federal Reserve Bank, i.e., the discount rate, from 4 to 3½ percent, and thereby confirmed in effect the policy shift toward easier money.

The System contributed to an increase in bank credit by adding to bank reserves in two ways. First, through buying securities in the open market, it started this spring to supply banks with more funds than they needed to meet seasonal credit requirements. Second, it used a law passed by Congress in 1959 to allow banks to count part and later on all of their vault cash as legal reserves, and made requirements at central reserve city banks equal to those at reserve city banks. The year 1960 also saw the Federal Reserve cut margin requirements on stock purchases from 90 to 70 percent and drop the discount rate for the second time, to 3 percent in August.

What Effect Has Easier Money Had?

Easier credit did not bring forth a burst of bank lending, but surely no one could have expected this to happen. Because of the sluggish business picture, many businessmen needed less credit. Also, the drop in borrowing costs, which was greater in the capital markets than at banks, encouraged public utilities and other businesses to sell bonds and repay some of their bank loans.

Still, less bank lending might have taken place if the System had not provided banks with the wherewithal. Before credit was eased, some banks, because of their rising ratios of loans to deposits, had become reluctant to sacrifice liquidity and sell securities in order to make loans. Some observers pointed to this situation as the reason for the slowness of banks to invite more loans by cutting the prime rate. With their extra funds, banks repaid most of the money that they owed to the Reserve Banks, increased loans modestly, and bought U. S. Government securities—mostly short-term issues.

Shifts of Funds Abroad

If instead of providing reserves by changing reserve requirements the System had provided a similar amount of reserves by buying Treasury bills, the bill rate might have dropped to even lower levels. Rates on U. S. Treasury bills already were considerably lower than foreign short-term interest rates, encouraging the transfer of funds abroad. The action of foreigners' withdrawing funds from American banks and selling securities put dollars into the hands of foreign governments and central banks. Some central banks used the additional dollars to buy gold from the U. S. Treasury.

Partly for this reason, our gold stock has declined over \$1.5 billion this year. Most of the decline has occurred since June. Although large, the gold losses have not been unique, as this country has long been experiencing an unfavorable balance of payments. In the past there have been periods when interest rates here have gone up and rates abroad have come down. In some such periods, we have gained gold rather than lost it. Therefore, it is significant that in recent weeks interest rates abroad have moved closer to ours, following reductions in discount rates in England, France, and Germany.

When the System in recent weeks purchased some short-term securities other than bills, the Federal Reserve's operation imposed less downward pressures on bill rates than if all purchases had been in bills. But whether bills or other short-term securities are bought, reserves increase by the same amount. More significant is the actual amount of reserves that have been supplied.

HARRY BRANDT

Tennessee Business: A Second Look

Looking at Tennessee's business activity in last June's *Monthly Review*, we found that no definite trend had been evident since about mid-1959. The figures that have become available since then indicate that some weakness has developed in the last few months. Observing the declines in business activity in the nation as a whole, Tennesseans are probably not surprised, since the nation is the market for many of their state's products.

Tennessee's nonfarm employment figures are the most comprehensive economic indicators available for giving us a picture of recent developments, and they have shown a seasonally adjusted decline since July. Prior to that time, employment had shown little change for over a year. One of the more important deviations from the high average level during that period occurred in March, when bad weather caused a slight drop in employment. The weather also left its mark on manufacturing payrolls, bank debits, and department store sales, shown in the chart. The employment of census takers in April, with its momentary lift, caused another deviation.

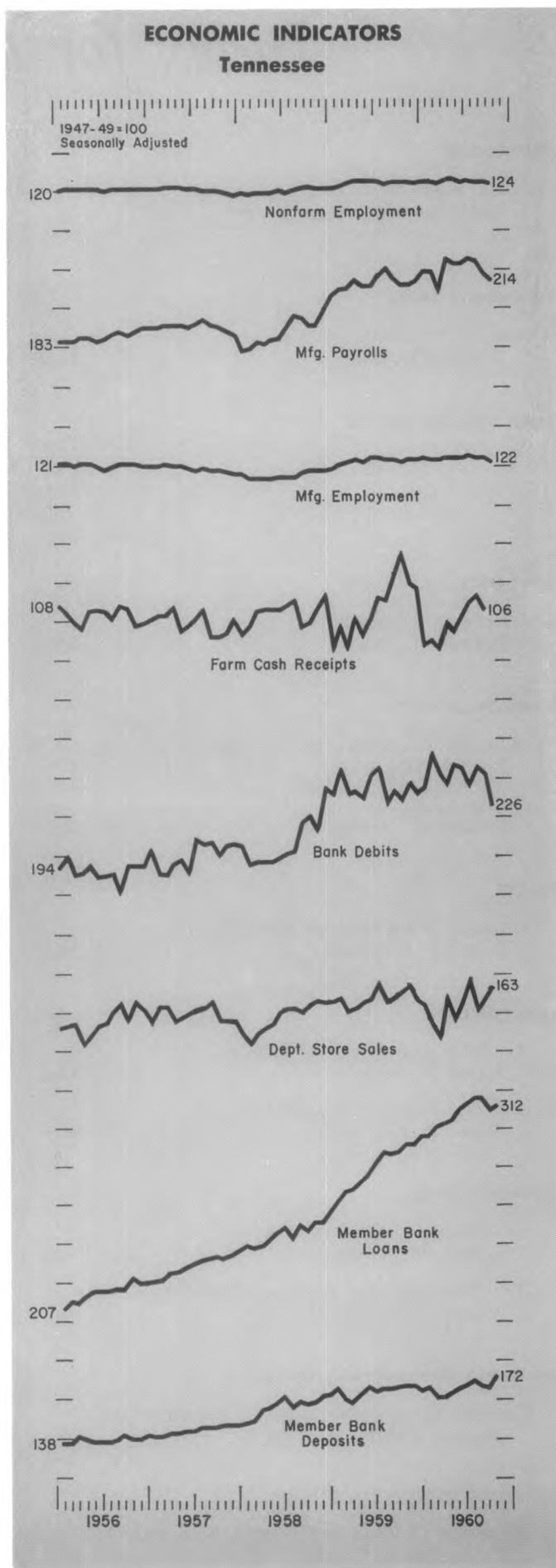
The general lack of change through July had reflected an approximate balancing of gains in manufacturing and declines in nonmanufacturing, even though within each of these broad categories there had been diversity among the various types of activity. As reflected in employment, therefore, Tennessee's economy seemed to have achieved a delicate balance of strengths and weaknesses. In such a situation, rather small changes in particular types of activity could direct over-all employment either up or down. As it happens, small declines have directed employment downward since July.

National developments apparently have contributed to the decline. Most Tennesseans, of course, are employed in serving the needs of other Tennesseans, and they have generally been keeping each other pretty busy. Trade employment has increased, more people have found employment in state and local governments, and construction employment has held up well. Those who help supply national needs through manufacturing activities, however, have recently seen weaknesses develop in some cases and total manufacturing employment has declined, after seasonal adjustment, since July. Manufacturing payrolls have declined even more, reflecting a shortening of the average work week as well as the employment decline.

Dependence on national developments is seen in Tennessee's important apparel industry, which provides about one out of every eight manufacturing jobs in the state. Nationally, apparel sales had been in an upward trend until about April of this year, a period also marked by rising output in the apparel industry. Since April, however, sales have lagged and cuts in production and employment have occurred. Apparel employment, which was one of the strongest elements in the over-all employment picture in Tennessee through August, has declined since then. Since the apparel industry had been a strong support to the textile industry, its recent slackening has already contributed to cutbacks in textiles in the country as a whole.

Such developments, of course, are of immediate concern to the textile industry in Tennessee, as well as elsewhere. Residents of the Volunteer State cannot expect to be immune to effects of the recent weakening in the nation's industrial activity, although they may hope that the effects will be

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moderated somewhat because of the state's particular economic structure. Nationally, the industries most affected have been in durable manufacturing, and these are much less important in Tennessee than in the country as a whole.

Tennesseans have been doing rather well in maintaining the spending necessary to sustain their economy, although here too, evidence of some slackening has appeared recently. Department store sales were up in September and October, but were still below the July figure. Bank debits (a measure of spending by checks written for all purposes by individuals, businesses, and governments) held up well through September, though a sharp decline occurred in October. Farm cash receipts, despite a slight decline in September, have been in a general upward trend since late 1959, thus giving support to spending.

The change from a well-maintained high level of business in Tennessee to some weakening is also seen in the behavior of loans outstanding at Federal Reserve member banks. Expansion of loans continued through June of this year, but gave way to stability in July and to a decline in August and September. October brought only a partial recovery. It seems clear, therefore, that developments both in the state and the nation will be matters of keen interest to all residents of Tennessee in the next few months.

PHILIP M. WEBSTER

Bank Announcements

On November 1, The First National Bank in Punta Gorda, Punta Gorda, Florida, through a conversion of the par-remitting, nonmember Punta Gorda State Bank, became a member of the Federal Reserve System. Officers include: Warren E. McNulty, President; Robert J. Dibble, Vice President; Grace Dewey and Betty Coleman, Assistant Vice Presidents; Vernon J. Drew, Cashier; and Norma J. Wilson, Assistant Cashier. Capital stock totals \$200,000, and surplus and other capital funds \$388,000.

Two newly organized nonmember banks opened for business and began to remit at par for checks drawn on them when received from the Federal Reserve Bank:

November 17: The Bank of Hallandale, Hallandale, Florida. Officers are Clifton Meekins, Chairman of the Board; W. D. Dorminey, President; Louis J. Diek, Vice President and Cashier; and Walter J. Allison, Assistant Cashier. Capital totals \$600,000, and surplus and undivided profits \$180,000.

November 18: The Peoples Bank and Trust Company of St. Bernard, Chalmette, Louisiana. Officers include: C. Earl Colomb, President; E. S. Perrett, Executive Vice President and Cashier; Henry Allsman, Vice President; and Edwin M. Roy, Assistant Cashier. Capital stock totals \$312,500, and surplus \$187,500.

On November 30, the nonmember Bank of Duluth, Duluth, Georgia, began to remit at par. Officers are Guy W. Findley, President; Harold J. Kelley, Executive Vice President and Cashier; Calvin M. Parsons, Jr., Vice President; J. Lanier Hunnicutt, Assistant Vice President; and Mrs. Martha L. Phillips, Assistant Cashier. Capital totals \$50,000, and surplus and undivided profits \$102,352.

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

	Oct. 1960	Sept. 1960	Oct. 1959	Percent Change		
				Year-to-date 10 Months		
				Oct. 1960 from Sept. 1960	Oct. 1959 from Sept. 1959	1960 from 1959
ALABAMA						
Anniston	42,672	43,465	44,206	—2	—3	+1
Birmingham . . .	850,128	848,543	779,870	+0	+9	+5
Dothan	38,784	37,213	35,772	+4	+8	+9
Gadsden	37,514	37,388	35,830	+0	+5	+1
Huntsville*	75,664	67,640	79,807	+12	—5	—0
Mobile	292,071	279,220	283,487	+5	+3	+4
Montgomery	176,369	155,882	174,889	+13	+1	—1
Selma*	33,176	29,964	32,254	+11	+3	+4
Tuscaloosa*	57,848	52,862	64,346	+9	—10	+4
Total Reporting Cities	1,604,226	1,552,177	1,530,461	+3	+5	+4
Other Cities†	773,899	774,846	757,083	—0	+2	+5
FLORIDA						
Daytona Beach*	50,797	51,903	55,643	—2	—9	—3
Fort Lauderdale*	182,907	172,230	199,229	+6	—8	+1
Gainesville*	41,335	43,034	43,077	—4	—4	+9
Jacksonville	764,919	790,822	780,499	—3	—2	+6
Key West*	15,017	14,172	15,298	+6	—2	—1
Lakeland*	71,778	81,681	76,301	—12	—6	+6
Miami	819,400	771,969	850,666	+6	—4	+2
Greater Miami*	1,193,389	1,132,237	1,242,493	+5	—4	+1
Orlando	226,548	220,102	249,446	+3	—9	+3
Pensacola	85,112	84,168	86,708	+1	—2	+0
St. Petersburg . . .	197,937	192,363	218,787	+3	—10	—2
Tampa	398,614	389,702	394,672	+2	+1	+1
W. Palm-Palm Bch.*	118,807	110,880	125,833	+7	—6	—2
Total Reporting Cities	3,347,160	3,283,294	3,487,986	+2	—4	+2
Other Cities†	1,538,611	1,509,068	1,536,374	+2	+0	+5
GEORGIA						
Albany	52,003	53,153	55,084	—2	—6	+5
Athens*	41,955	39,698	40,071	+6	+5	+7
Atlanta	2,149,727	2,206,775	2,080,123	—3	+3	+7
Augusta	110,523	107,063	109,762	+3	+1	+5
Brunswick	24,305	23,149	23,681	+5	+3	+5
Columbus	107,695	112,151	104,884	—4	+3	+3
Elberton	10,291	9,484	9,857	+9	+4	+8
Gainesville*	49,241	49,521	46,886	—1	+5	—1
Griffin*	20,161	19,405	20,962	+4	—4	+3
LaGrange*	19,960	20,418	20,937	—2	—5	—3
Macon	123,284	126,226	124,828	—2	—1	+3
Marietta*	30,820	32,028	34,593	—4	—11	+2
Newnan	19,231	21,851	21,991	—12	—13	+9
Rome*	52,687	49,354	51,386	+7	+3	+12
Savannah	181,430	197,976	198,737	—8	—9	—1
Valdosta	34,541	35,755	34,797	—3	—1	—2
Total Reporting Cities	3,027,854	3,104,007	2,978,579	—2	+2	+5
Other Cities†	1,030,751	1,035,661	986,984	—0	+4	+10
LOUISIANA						
Alexandria*	69,126	68,848	75,687	+0	—9	—1
Baton Rouge	253,664	263,409	275,626	—4	—8	+1
Lafayette*	63,225	65,296	70,490	—3	—10	—4
Lake Charles	73,637	72,783	84,792	+1	—13	—10
New Orleans	1,278,927	1,372,675	1,335,245	—7	—4	+3
Total Reporting Cities	1,738,579	1,843,011	1,841,840	—6	—6	+1
Other Cities†	638,810	631,516	645,627	+1	—1	+2
MISSISSIPPI						
Biloxi-Gulfport*	49,963	47,711	48,676	+5	+3	+3
Hattiesburg	37,000	37,898	37,973	—2	—3	+5
Jackson	340,216	304,787	314,724	+12	+8	+6
Laurel*	27,015	27,546	28,959	—2	—7	+4
Meridian	46,113	45,577	44,845	+1	+3	—0
Natchez*	25,780	22,802	23,234	+13	+11	+3
Vicksburg	20,994	21,032	21,247	—0	—1	+4
Total Reporting Cities	547,081	507,353	519,658	+8	+5	+5
Other Cities†	267,601	284,061	273,704	—6	—2	+4
TENNESSEE						
Bristol*	48,560	46,246	43,680	+5	+11	+4
Chattanooga	314,371	320,140	317,361	—2	—1	—0
Johnson City*	41,305	42,637	43,832	—3	—6	+3
Kingsport*	83,497	80,078	84,646	+4	—1	+4
Knoxville	241,682	239,527	238,192	+1	+1	+5
Nashville	711,990	711,022	739,461	+0	—4	+2
Total Reporting Cities	1,441,405	1,439,650	1,467,172	+0	—2	+2
Other Cities†	583,486	588,136	576,983	—1	+1	+4
SIXTH DISTRICT						
Reporting Cities . .	16,539,463	16,552,780	16,602,451	—0	—0	+4
Reporting Cities . .	11,706,305	11,729,492	11,825,696	—0	—1	+3
Other Cities†	4,833,158	4,823,288	4,776,755	+0	+1	+5
Total, 32 Cities . . .	10,061,692	10,133,270	10,108,042	—1	—0	+4
UNITED STATES						
344 Cities	233,110,000	240,798,000	230,245,000	—3	+1	+7

*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)

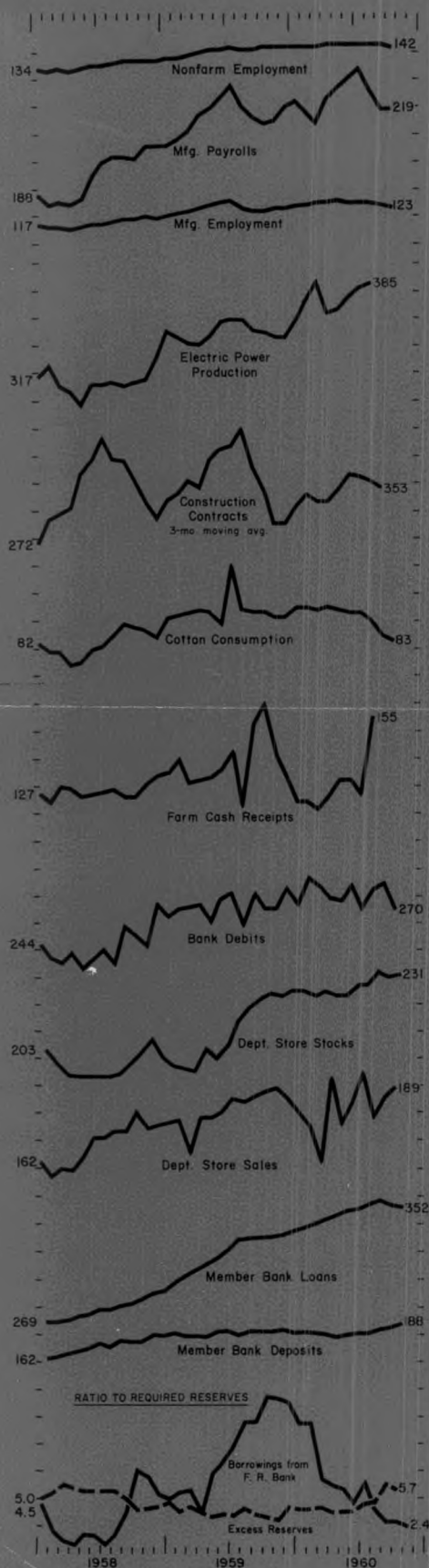
	1959				1960									
SIXTH DISTRICT	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.
Nonfarm Employment	141	142	142	142	142	142	142	143	143	143	143	143	143	142
Manufacturing Employment	122	122	123	123	124	124	124	125	126	125	125	124 ^r	124	123
Apparel	190	190	189	191	192	190	191	194	195	195	197	192	189	183
Chemicals	131	130	130	132	132	133	132	135	135	136	135	135	129	128
Fabricated Metals	186	182	183	185	191	193	190	188	192	194	194	195	190	186
Food	114	115	116	113	117	117	115	116	117	116	116	117	120	119
Lbr., Wood Prod., Fur. & Fix.	80	81	80	80	80	80	79	79	79	79	78	78	77	77
Paper & Allied Products	166	164	161	160	166	165	164	166	167	165	166	164	164	162
Primary Metals	79	79	97	103	101	100	95	98	99	99	97	95	87 ^r	93
Textiles	89	88	87	87	87	87	88	87	87	87	88	87	86	86
Transportation Equipment	214	221	195	199	209	208	206	210	211	206	200	202	203	207
Nonmanufacturing Employment	149	150	150	149	150	150	149	151	151 ^r	150	151	151 ^r	151	151
Manufacturing Payrolls	216	214	215	220	222	218	214	223	227	230	234	226	219	219
Cotton Consumption**	93	93	91	91	95	95	94	95	94	93	93	90	85	83
Electric Power Production**	351	350	346	345	358	375	387	363	366	375	382	385	373	n.a.
Petrol. Prod. in Coastal														
Louisiana & Mississippi**	207	215	214	231	227	226	228	224	222	220	220	221	231	229
Construct.on Contracts*	380	350	302	302	328	345	333	333	351	371	370	361 ^r	353	n.a.
Residential	440	441	373	367	351	366	360	356	384	387	376	367 ^r	362	n.a.
All Other	331	276	245	249	309	327	311	315	325	359	365	357	346	n.a.
Farm Cash Receipts	153	160	142	133	124	124	121	126	132	132	127	155	149	n.a.
Crops	140	149	120	99	93	96	95	100	111	98	83	147	134	n.a.
Livestock	187	179	185	184	169	176	179	188	185	192	194	189	188	n.a.
Department Store Sales*/**	186	188	189	185	180	175	162	192	176	183	194	178	185	189
Department Store Stocks*	222	224 ^r	223	225	225	223	225	223	223	227	227	232	230	231
Furniture Store Sales*/**	148	158	163	151	166	143	129	149	145	142	147	143 ^r	135	140 ^p
Member Bank Deposits*	183	182	184	181	182	181	180	178	180	181	181	184	185	188
Member Bank Loans*	331	331	332	335	337	340	344	347	350	351	354	357	354	352
Bank Debits*	281	271	271	286	275	294	288	278	277	288	271	285	290	270
Turnover of Demand Deposits*	150	147	150	154	154	156	153	148	163	159	162	167	158	152
In Leading Cities	164	153	160	166	166	168	167	167	181	183	179	190	175	159
Outside Leading Cities	118	108	109	120	119	120	119	114	126	119	129	124	120	113
ALABAMA														
Nonfarm Employment	122	122	125	125	126	125	124	125	126	126	126	126	125	125
Manufacturing Employment	102	100	107	108	108	107	106	108	109	109	109	108	106	104
Manufacturing Payrolls	172	173	188	194	198	192	190	195	198	201	202	194	184	190
Department Store Sales**	167	172	162	163	165	158	156	176	162	171	178	170	166	166
Furniture Store Sales	139	138	134	128	148	133	112	127	128	127	126	119	117	120
Member Bank Deposits	160	159	159	158	159	158	160	157	159	160	162	164	165	169
Member Bank Loans	270	272	272	273	279	283	284	296	300	292	299	294	292	293
Farm Cash Receipts	154	159	112	112	113	122	125	122	131	123	124	123	150	n.a.
Bank Debits	243	236	224	247	236	245	244	240	240	245	234	257	258	246
FLORIDA														
Nonfarm Employment	200	200	199	197	197	197	197	199	201	202	204	203	203	202
Manufacturing Employment	206	206	203	201	204	204	202	205	209	211	213	214	213	210
Manufacturing Payrolls	377	377	371	374	366	364	352	372	389	392	409	406	394	404
Department Store Sales**	252	248	264	257	250	240	245	274	260	264	277	263	256	261
Furniture Store Sales	177	180	203	195	189	174	157	181	175	167	167	203	172	155
Member Bank Deposits	247	245	245	241	242	237	234	230	235	238	239	244	245	248
Member Bank Loans	550	546	547	548	546	550	546	553	554	559	563	571	562	559
Farm Cash Receipts	248	202	190	201	231	206	171	217	225	187	204	270	248	n.a.
Bank Debits	437	423	414	424	391	423	410	387	404	443	399	437	426	411
GEORGIA														
Nonfarm Employment	136	136	136	136	137	136	135	138	137	136	136	135	135 ^r	135
Manufacturing Employment	123	123	120	121	122	122	122	122	122	122	121	120	120	120
Manufacturing Payrolls	213	216	208	210	216	211	205	215	223	221	226	216	211 ^r	210
Department Store Sales**	170	175	176	172	172	164	156	170	169	164	175	159	168	172
Furniture Store Sales	144	159	157	150	149	127	120	142	132	135	134	137	134	143 ^p
Member Bank Deposits	160	161	163	158	161	161	158	157	161	160	157	166	167	170
Member Bank Loans	259	261	266	267	269	271	268	271	275	277	278	285	287	287
Farm Cash Receipts	151	155	134	153	130	134	146	153	144	150	125	215	160	n.a.
Bank Debits	258	249	244	261	254	265	254	254	257	269	258	264	279	255
LOUISIANA														
Nonfarm Employment	130	130	130	130	131	131	130	131	131	130	130	130	130	130
Manufacturing Employment	94	95	94	93	94	95	95	95	95	95	95	94	94	94
Manufacturing Payrolls	175	167	168	168	173	173	176	179	178	178	177	178	174 ^r	169
Department Store Sales*/**	153	154	158	155	155	150	147	156	152	161	159	152	148	151
Furniture Store Sales	193	171	195	184	188	192	172	176	175	184	203	145	161	162 ^p
Member Bank Deposits*	160	157	160	158	161	159	160	163	161	161	160	158	163	159
Member Bank Loans*	304	307	309	311	312	316	335	332	338	333	334	334	328	326
Farm Cash Receipts	117	123	127	112	90	90	94	89	101	119	102	91	113	n.a.
Bank Debits*	252	229	216	238	207	224	244	233	233	253	225	238	259	219
MISSISSIPPI														
Nonfarm Employment	135	135	136	135	138	137	136	137	137	136	136	135	136	136
Manufacturing Employment	134	134	134	135	135	134	133	134	135	134	133	132	131	130
Manufacturing Payrolls	251	239	242	244	253	247	254	249	244	256	253	247	235	235
Department Store Sales*/**	162	172	160	169	161	154	155	169	154	175	175	153	149	158
Furniture Store Sales	95	83	117	133	106	99	94	100	113	107	112	100	95	86 ^p
Member Bank Deposits*	195	202	204	208	200	202	205	199	198	195	196	193	194	205
Member Bank Loans*	411	392	392	403	414	422	418	422	433	438	449	431	440	425
Farm Cash Receipts	134	147	145	128	92	91	115	101	105	97	104	98	121	n.a.
Bank Debits*	242	234	237	252	226	244	246	236	222	243	241	254	251	240
TENNESSEE														
Nonfarm Employment	124	124	124	124	124	124	123	126	125	125	126	125	125	124
Manufacturing Employment	123	122	123	123	124	123	124	124	124	124	125	124	124	122
Manufacturing Payrolls	215	212	212	214	219	219	208	225	223	223	225	224	217	214
Department Store Sales*/**	158	161	164	157	154	145	137	159	146	155	167	151	157 ^r	163
Furniture Store Sales	109	108	102	109	104	95	98	103	111	107	93	98	96	97
Member Bank Deposits*	166	167	167	164	166	161	161	163	165	167	169	167	166	172
Member Bank Loans*	288	292	292	296	296	300	303	304	310	313	316	316	310	312
Farm Cash Receipts	124	135	119	116	88	90	86	100	95	102	109	113	106	n.a.
Bank Debits*	233	228	237	232	235	252	242	236	247	245	236	245	242	226

*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



TOTAL EMPLOYMENT in nonfarm establishments edged down in October, primarily as a result of a further drop in the manufacturing sector. Manufacturing payrolls, however, leveled off after declining sharply in recent months. Farm prices improved and fall harvests remained at a high level. Bank debits, a measure of total spending, continued to exhibit a downward trend. Loans at member banks dropped further, but bank deposits rose.

Manufacturing employment, seasonally adjusted, declined slightly in October, reflecting reductions in all District states except Alabama. As a result, total **nonfarm employment** showed a small decline but nonmanufacturing employment remained virtually the same as in September. The drop in manufacturing employment was about offset by an increase in the **average work week** and **payrolls** remained unchanged.

Current construction activity, as measured by **construction employment**, changed little in October. However, the **three-month average of construction contracts**, which affects future activity, declined further in September. **Cotton consumption** decreased in October, indicating further curtailment in cotton textile activity. **Crude oil production** in Coastal Louisiana and Mississippi, though off slightly in October, continued at near-record volume. **Steel mill operations** in October and November failed to show any improvement from the recent sharply reduced rate.

Dry and mild weather favored harvests in many places, but fall seeded crops suffered from lack of rain. **Farm employment**, seasonally adjusted, declined slightly from September to October, with the sharpest cuts occurring in Louisiana and Mississippi. **The index of prices received by farmers** increased in October and exceeded the average of a year ago by a sizable margin, principally because eggs, hogs, citrus, and milk brought more. **Production** of eggs, hogs, and beef declined in September. **Demand deposits**, seasonally adjusted, at member banks in predominately agricultural areas remained virtually unchanged in October.

Department store sales, seasonally adjusted, rose in October but remained below the mid-summer record, as gains in some metropolitan areas offset a sharp decline in Jacksonville and mild downturns in Baton Rouge, Birmingham, and Macon. Preliminary figures for November, which do not include the first week of the Christmas shopping season, indicate a halt in the rise. October **furniture store sales** rebounded from September's decline as small increases in most states offset a sharp dip in Florida. **Household appliance store sales** increased substantially, in contrast with October declines in most recent years.

Consumer savings in the form of **savings and loan shares** and member bank **time deposits** increased at better-than-seasonal rates in October, reflecting especially sharp gains in Georgia and Alabama. **Consumer installment credit outstanding at commercial banks** declined contra-seasonally, as the volume of new personal loans fell short of expectations.

Member bank loans in October declined moderately for the second consecutive month, following a period of substantial increases earlier this year. Data for banks in leading District cities also indicate less-than-seasonal loan increases during November. **Investments**, however, increased sharply in October, more than offsetting loan declines. **Member bank deposits** also advanced further, except in Louisiana. The greatest relative deposit gains, after seasonal adjustment, occurred in Alabama, Mississippi, and Tennessee. Deposits now are substantially higher than a year ago. **Member bank borrowings from the Federal Reserve Bank of Atlanta** declined slightly in November from already low levels in October.